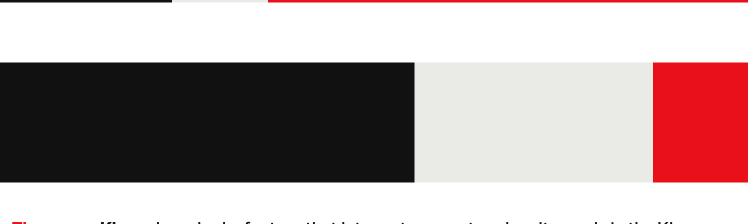
Klarna launches loyalty feature to hone in on engagement and sales growth

Article



The news: Klarna launched a feature that lets customers store loyalty cards in the Klarna app, per a press release.





Here's how it works: Customers can save their loyalty cards in the app by scanning the barcode on the physical card or typing in their membership number.

The feature will automatically apply any discounts and rewards when customers scan or display their Klarna app at checkout. It's powered by **Stocard**, the Germany-based discount shopping platform that Klarna <u>acquired</u> last year.

All about engagement: Although Klarna achieved major user growth in the last few years, it seems to be focusing more on monetizing and increasing sales from its customers. Klarna's US user base grew 70.1% year over year (YoY) in 2021, per Insider Intelligence forecasts, but growth is expected to slow to about 45% YoY in 2022.

Consumers <u>value</u> loyalty programs and rewards highly. Klarna can use its new feature to simplify rewards redemption: **61% of consumers worldwide** said they'd use loyalty programs more often if the rewards were automatically applied at checkout, <u>per</u> 2022 Salesforce data.

Letting customers store these cards within its app can help Klarna drive engagement during checkout. That could increase the chances that customers use Klarna to pay—boosting Klarna's revenue potential. The feature may also complement Klarna's own loyalty program and incentivize use by letting customers bundle loyalty programs to increase their rewards potential.

Why it matters: Klarna has been buffeted by financial headwinds—making it more important than ever to seek out growth opportunities.

- It <u>laid off</u> 10% of its staff last month due to what CEO Sebastian Siemiatkowski called "a tragic and unnecessary war in Ukraine, a shift in consumer sentiment, a steep increase in inflation, a highly volatile stock market and a likely recession."
- Klarna is reportedly seeking a fundraising deal that would bring its valuation down to just \$15 billion—about two-thirds lower than it was valued last year. Fears of a recession have spooked investors, who are prioritizing profitability over growth. Klarna and other BNPL providers have struggled with profitability despite rapid user growth.
- BNPL regulation is starting to take shape across many markets—which could strain growth for providers like Klarna: Just this week, the UK government <u>outlined</u> plans to regulate BNPL, which included requiring providers to gain approval from the Financial Conduct Authority and carry out eligibility checks.



Related content: Keep an eye out for the BNPL segment of our Era of Uncertainty report package to learn more about short- and long-term implications for BNPL providers.

