

Q&A: Klarna looks to change shopping habits of younger generations

Article

David Sykes

Head of Klarna's North America Division



Insider Intelligence spoke with David Sykes, head of Klarna's North America division. Sykes heads Klarna's partnerships across the US and Canada, working to expand buy now, pay later (BNPL) options.

Insider Intelligence: Why are younger generations turning to BNPL services?

David Sykes: A lot of these consumers grew up during the [Great Recession] and saw their parents and family members getting in over their heads. The younger generation may be a little more risk-averse about 30% APRs.

As a result, there were some regulatory changes like no longer being allowed to promote credit cards on campuses, which makes it harder for a younger consumer to get a credit card.

Credit cards are great if you're a high-income earner who pays your credit card off on time and benefits from the rewards, but someone's picking up the tab for those business-class upgrades. Younger people have wised up to that, and they see that some credit cards are not necessarily a fantastic product offering.

II: What are the benefits that come with the expansion of BNPL providers?

DS: It's overwhelmingly good for consumers to have companies like Klarna and many others that are trying to create a better consumer experience. Some of the big banks are already moving away from the traditional fees, such as the \$35 overdraft fees, to attract younger consumers.

The challenge is: How do we rise to that occasion? If you want to maintain your position, you need to make sure you're giving customers a reason to bank with you or choose you as their payment option at checkout.

II: How does Klarna stand out?

DS: We don't want this to become a battle between us and the credit cards. We understand that our offering is not going to be for everybody, but is it good that consumers can choose between interest-free merchant-funded credit and consumer-funded credit? We overwhelmingly believe that having that choice is a good thing.

We want to build a brand that is extremely transparent, engaging, authentic, and above all, fun. There's no reason why you can't be in this industry and have a brand that relates to consumers in an authentic way. We launched in the US by partnering with Snoop Dogg, Lady Gaga, and A\$AP Rocky. It's about building a fun brand for a younger audience that can actually feel good about it.

II: What does the future of branded embedded financial services within the shopping journey look like?

DS: We don't think the customer will need to have 20 different apps in their shopping experience—[you'll have] one to track your package, one to store your digital receipts, one to make an in-store payment, and one to bank. There's value in having all those stacked and working in harmony in one app. We think that's going to become more common.

For example, China's a really good market where a couple of apps have executed this successfully, and we think you're going to see it here in the US. We already notice it in terms of how our customers interact with our suite of products, particularly in other markets where we offer banking as a service as well as all shopping-related activities in the app. Customers transition between them very efficiently, and we think that's going to be the case more and more.