

Klarna's US momentum propelled Q1 success

Article

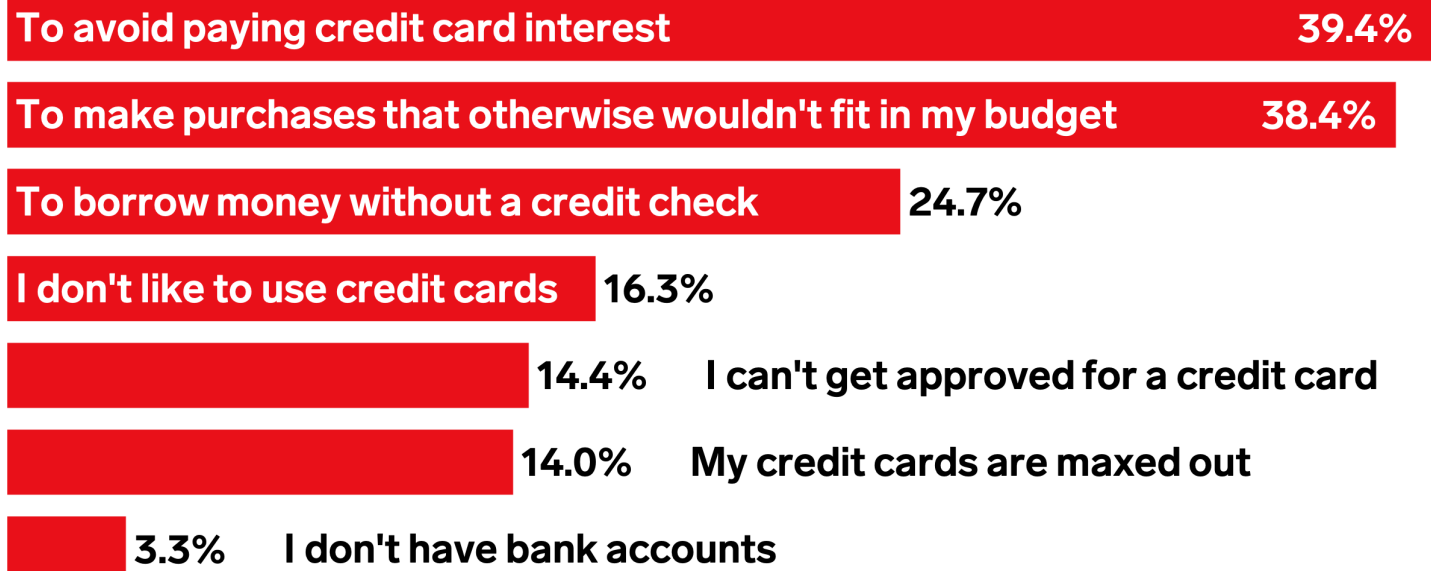
Klarna [reported](#) global merchandise volume (GMV) of \$18.9 billion in Q1 2021, up from \$9.9 billion in Q1 2020, and \$6.9 billion of this volume came in March 2021—a monthly record for the company. This jump in volume was supported by significant momentum in the US market: The number of US Klarna users more than doubled year over year (YoY) to reach 17 million consumers in April 2021.

The buy now, pay later (BNPL) company is making moves to continue this growth in the next quarter:

- **Klarna raised \$1 billion in March to accelerate its international expansion and has clinched additional funding from big-name investors.** Klarna **closed** funding last month that valued the company at more than \$40 billion—backed by the likes of Ant Group and Snoop Dogg. The funding will help Klarna capture more global retail volume by expanding into new markets. Last month, the company launched in New Zealand, and it plans to announce further expansions shortly.
- **Klarna is also expanding its retail footprint, including by jumping into the grocery market.** In Q1, the company signed partnerships with major retailers like Bluemercury, as well as almost 6,000 small and medium-sized businesses (SMBs). And Klarna just **announced** a partnership with Germany-based grocery chain Aldi, so online shoppers can buy groceries with Klarna's BNPL offering. Leaning into the rapidly growing online grocery space with this partnership could put Klarna a step ahead of the competition: US grocery retail ecommerce sales are projected to reach \$112.89 billion, **according to** our forecasts. And it could help Klarna break into in-store grocery, which is even more lucrative.

Klarna's super app capabilities are putting it in a good position to build a loyal customer base and gain market share—but recent concerns may cause trouble for the BNPL firm. Klarna has been expanding its offerings beyond BNPL, including by diving into **banking**, and Klarna's loyalty program, Vibe, is also building steam—the US added almost half a million loyalty members in Q1. Klarna's super app ambitions can make it a hub for shopping and financial services, tying customers more tightly to the company, and Vibe's growth can further solidify its customer loyalty. But despite Klarna's positioning, it still faces hurdles: Last month, Klarna had to **shut down** its app temporarily after a bug logged some users into other people's accounts and compromised consumers' personal data. Klarna is also facing potential **stricter regulations** in the UK—like requiring affordability checks before lending to consumers—which could dampen its expansion plans if replicated in other countries.

Reasons Why US Consumers Use BNPL Services



Note: Respondents were able to select multiple responses.

Source: The Motley Fool, 2020

Methodology: The Ascent distributed the survey via Pollfish to 1,862 US consumers ages 18+ on July 7, 2020. Efforts were made to create a representative sample, but no strict statistical testing was performed.

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