EPISODE 18

The secret to Klarna’s AI advantage: Insights from David Sandstrom, chief marketing officer at Klarna

Host: *Alan Hart, leader in marketing and customer strategy, Deloitte Consulting LLP*
Guests: *David Sandstrom, chief marketing officer at Klarna*

Alan Hart: Are you ready to go beyond the basics of marketing? I'm Alan Hart and this is marketing beyond where we talk about the questions that spark change and share ideas that challenge the status quo. Join us as we explore the future of marketing and its endless potential.

Today on the show, we’ve got David Sandstrom. He’s the CMO of Klarna. He’s been at Klarna for eight years as the CMO, and we talked about his longevity. We also talked about Klarna’s push into digital banking, their use of AI and how it’s advancing their marketing practices inside, and how he’s actually driven the team to help adjust and drive that transformation. That and much more with David Sandstrom.

Well, David, welcome back to the show!

David Sandstrom: Thank you for having me again.

Alan Hart: I know. It’s been fun—fun watching Klarna on what you guys are up to. But before we get into business, anything new happening in your life?

David Sandstrom: [laughs] My *life*? My life is actually Klarna. So there's a lot of new things going on. I mean, we're releasing a new card in the US first. I think we announced mobile plans yesterday—or we announced the plan to release mobile plans within a couple of weeks. We have a balance line, so the ability to hold money with Klarna. And we're now almost fully aligned with Walmart in the US, which is obviously a massive thing for us. So, I mean, the list goes on and on and on.

Alan Hart: You're busy.

David Sandstrom: Very busy.

Alan Hart: Well, let's talk a little bit about your career path. Where did you get your start, and how did you end up with Klarna?

David Sandstrom: So I got my start within strategy, insights, consumer behavior. So I was a planner/strategist at a media company, which was a lot of fun. I've always been very intrigued by human psychology, behavior, why people behave in ways they do, why they like brands, why they hate brands, why they follow influencers, why they don't. So my career start was a lot about going deep into data, way before AI. So I had to do it myself. [laughs] From that, I then transitioned more into creative because I wanted to bring these strategies to life. Not only churn the data, but rather, OK, when we know these things about humans, can we create something that actually influences people? Because I don't like theory too much. There are a lot of good theorists out there, but really living what you work with and learn and produce something. And that is how I got into advertising. I used to be the CEO of DDB in the Nordics for seven years, I think—six years, seven years, something like that. So I spent a lot of summers here in Cannes because that was part of my job, and the last thing I did with DDB was actually start transforming Klarna, and then me and Sebastian [Siemiatkowski], the CEO of Klarna, had a conversation. He said, why don't you join us and do this instead, and that's pretty much it. That's the story. Yeah, and here we are—nine, eight years later.

Alan Hart: I was going to say it's been a while. Yeah. What do you credit the longevity?

David Sandstrom: I think the constant change. It's a cheesy thing to say, but I do think it's the constant change. Every year is a new year. Every year feels like a new book in the chapter of Klarna in my career. So it is the perfect place to stay, if you want a new career every year without having to go through the hassle of switching jobs.

Alan Hart: The last time we had you on the show, we talked a lot about buy now, pay later [BNPL]. That business is still growing. How do you think about the growth? You talked about all these other things at the top of the conversation around your distribution channel. You're finding even more places to put that functionality, if you will.

David Sandstrom: Yeah. I mean, I personally believe although we're doing a good job at growing it, obviously—I need to believe that at least—I do think like we're riding a big macro wave here. Consumers, especially in the US, shying away from credit. I think the macro environment that we're in has also led to the fact that people have started caring more about their money, more about their finances, staying on top of things. And although I do think buy now, pay later is, to some extent, frowned upon sometimes from media and obviously incumbent banks and credit players, it is a fantastic tool. It is a utility for consumers, especially in times like these. It is an ability to spread your cost, no interest, no fees attached, and that is why we're seeing the growth. Buy now, pay later is basically credit for people who hate credit.

Alan Hart: Well, you see you've got buy now, pay later. You've got all this massive user base. You've started an advertising and brand-building business for other brands. How does that come about, and what's the latest developments there on that front?

David Sandstrom: Yeah, I mean, what we need to do now as Klarna—buy now, pay later has always been this double-edged sword. It's hugely popular. We're riding the macro wave, but on the other end we don't want to be positioned as a one-trick pony. So the biggest challenge I have as the CMO at Klarna is really to try to tell the story about Klarna as being way more than this one feature. So we're launching the balance, which means that people—it's like a bank account. Basically, people can hold money with this. We're launching our new card, which is a debit and a credit card combined. So we're doing all of these things, but the consumer education piece—that is really what we need to get across. How do we transcend beyond buy now, pay later?

Alan Hart: Let's talk about… you're extending into banking features. Do you think of yourself now as a digital bank?

David Sandstrom: I think we have to. We have probably always thought about ourselves as some sort of consumer retail everyday spending partner, and I do think that we've moved more and more into very basic components. People want to be able to hold, save, and spend money. People want to be able to access credit. People want to be able to spend it online and in-store with the card. So, the features and services that we're launching now really tells that story and speaks to that narrative way more of being a—I don't want to call it "neobank," but more a global consumer retail bank.

Alan Hart: Yeah. What's the apprehension of the neobank? I have to ask! Is it the term?

David Sandstrom: I don't know. I just don't like jargon. It is a term. I like calling things for what they are, but I think already 10 years ago, when we started to pivot Klarna, we had this huge conversation. What is the world going to look like in 10 to 15 years? And then we said, well, there are probably going to be three to five global consumer retail banks, based on tech/AI nowadays, that dominate the market. Because there are none. Most of the global banks are B2B, and the consumer banks are local. They're huge, but they're still local in the US. There are very few, if any, global retail banks, and we're now seeing Revolute, Nubank, Klarna, and probably PayPal in that mix starting to emerge into this something—you can call it "neobank," you can call it "global consumer retail bank"—whatever it is, but the place for money for consumers globally.

Alan Hart: You guys have been very public on your use of AI—your CEO doing his latest report as an AI avatar. How do you think about AI, and how does it work for you in your marketing organization?

David Sandstrom: I mean, so far—or the journey we've been on—it started out as a party trick, like look at these great things that you can produce and create and spit out, but the hands had six fingers and you had three eyes and it was a bit strange. [laughs] To now starting to grow into something that is actually useful. I don't think it's yet fully production ready, but what we use it as is a fantastic support to everything we do. But I continuously iterate that we're not doing yet anything new based on AI. We're only doing the things we used to do, but way more efficient, way faster, at a way lower cost.

Alan Hart: Yeah, so it's essentially partnering with the creative process.

David Sandstrom: Partnering and shortcutting things that were tedious and costly. Just like, maybe a very basic example, but if you historically wanted to shoot a 30-second film, the process just up until shoot is cumbersome and costly. You bounce ideas back and forth, but the ideas are visualized by handwritings or stuff like that. So we use it a lot for ideation now; almost like briefing. I sit personally sometimes in VO3 and say, hey, we should be doing something along these lines. Then I still need professionals and creatives to take what I have done and make it production ready, but the first 80% of almost every project is just now cut short tremendously fast.

Alan Hart: We talk about it starting out as like a parlor tricks or magic tricks, but what has been the key to helping people adapt it and practice using AI?

David Sandstrom: I get that question a lot—what are the big things that Klarna has done in order to get this going? Because we're really at the forefront. And I think, and I a lot of CMO's who knows about this as well, and I think our investment in AI culture has been more important than our investment in AI infrastructure. And we've invested heavily into that as well. But when it comes to culture, we've really created a culture where people lean in. I don't think Sebastian would celebrate anything publicly that isn't part of AI, and people want to be celebrated publicly. So we measure AI use. We use it together on a daily basis. We have it as the starting point for everything. A common question is like, well, have you run this through ChatGPT or whatever. So the investment into AI culture and really almost forcing people to use it in the beginning; sometimes giving people tasks that are just impossible to do. Like, if I would tell you, hey, translate this text into 15 languages [and] be done by Monday, either you need a big team or you need—there is no way of doing it without AI. So our investment into AI culture has been fantastic.

Alan Hart: One of the, I think, hurdles for many organizations—and I think you might have a unique perspective on this given your agency background and now sitting CMO role—how does AI affect creativity or the creative process, in your mind?

David Sandstrom: I mean, I think it's now unleashed. I think it's like people talk about this replacing creativity. I'm seeing the exact opposite. Creative people, they are going to have… it's their time to shine now because creativity is going to be the difference between good and bad. Everyone is going to have access to these tools. It is not going to be gated behind some massive investments. Everyone's going to have access, and creativity will be the thing that sets things apart, because I know firsthand the difference between prompting a good idea versus prompting a bad idea. The issue with AI is that it's also trained on the average. On the bell curve, you get the highest point of the bell curve. So if you prompted too generally, if you're uncreative, if you just tell it "give me a campaign," you're going to get the top of the bell curve campaign and everyone's going to get that. That might fly for a couple of more months. Next year, everyone's going to do that. Instagram is going to look different. TikTok is going to look different. Social channels, in my opinion, are going to be way more entertainment channels than actual social channels. I mean the creativity is just going to be truly unleashed. And for, sorry, but for creative agencies that I know well, to me, a magical thing is happening, and that is the fact—which has always annoyed me massively with this industry—is that you have people that call themselves creatives. And they have gated the term "creativity" and the only one who can be creative is creatives, and here in Cannes, you have copywriters and art directors who are… they feel that they own that term. Now, everyone can be creative. There is no term "creative" anymore. It's just like… that is gone. So everyone's there. And I do think we're going to see an almost battle royale for creativity when everyone can be creative. The best creativity is going to win; not the ones created by Brazilian art directors.

Alan Hart: I love it. All right, well, I want to transition. There is a series of questions I ask everyone who comes on the show. First one, favorite question, little bit more reflective: Has there been an experience of your past that defines or makes up who you are today?

David Sandstrom: I mean, I was born in the US in Key West in the '80s, and my dad played in a band. So, he was a hippie, and my mother is German, so I'm German by, like, that's my nationality. So the combination of a hippie Key West musician and a very strict, by-the-book German. I do think that's a fantastic combination that I feel within myself quite often.

Alan Hart: It makes for a great CMO, apparently. [laughs]

David Sandstrom: You never know!

Alan Hart: If you were starting this journey all over again, what advice would you give your younger self?

David Sandstrom: I think try to enjoy it. I always enjoy New Year's Eve when I stand there and say, oh, this was a great. Like, it's been a bumpy ride but was great. Celebrate. I would like to be able to celebrate more on a weekly basis. Enjoy the ride.

Alan Hart: Is there a topic you think marketers need to be learning more about, or maybe something you're trying to learn more about yourself?

David Sandstrom: I think you see the pendulum here in Cannes as well. If you would have been in Cannes 10 years ago, it would have been all about creativity, all about ideas, all about campaigns, art direction, design. The pendulum has now swung to the other side—completely to the other side. I haven't seen a single agency have a spot on the beach. It's all the tech companies, all the hyperscalers. The conversation is about AI, data sets, programmatic, targeting, segmentation, hyper efficiency. And I think that pendulum has swung slightly too far. I don't think we should be with the Brazilian art directors, but I also don't think that the industry can be fully dominated by data scientists. So I think we need to once again ask ourselves how do you build a brand in times of AI, TikTok, and UGC [user-generated content], which is a very hard thing to do. It was easier back when everyone was watching TV.

Alan Hart: Are there any trends or subcultures that you're following? You think other people should take notice of? Just mainly curious what you're curious about these days?

David Sandstrom: I'm currently quite curious about, as I said, how do you build a brand when the creators are actually building the brands and you're just part of that? So I'm quite happy that we have a strong brand because that means that we can accelerate that through creators. But if we didn't have a brand today, we can't rely on this TikTok thing to happen, but in general I'm always quite intrigued by anti-trends. So, as I said, it used to be very much about creativity. Now it's about data. What's the counterweight to that? And since we live in this currently TikTok, Twitter (or X) time, where everything is very short form, very fast, I'm quite intrigued by long-form video on YouTube again. I do think podcasts and YouTube are probably the only formats where you get some time with the viewer. The TV ad is 30 second, a TikTok is—God knows how long—4 seconds! You never get any time. Ten, 15 minutes on YouTube—really going deep on a proposition, on a brand, on a story. There's something to that that's been working well for us.

Alan Hart: Yeah, that's awesome. Good plug for this format too. [laughs]

David Sandstrom: There you go.

Alan Hart: Last question for you. What do you think is the largest opportunity or threat facing marketers today?

David Sandstrom: Again, I think that the more—if we go completely data-driven, we're asking to be replaced. The more you behave like a robot, the more likely it is that a robot is going to replace you. That's the thing. I think we need… at least put one foot to cling on to what brands are. And I don't want to be too fluffy; I love performance and I love growing the business. But there is something magical to brands—the feeling they invoke. There is something there with inspiration, aspiration, emotions that I fear, if we don't cling onto a bit more, we're going to be replaced by data scientists—which are needed in the mix, obviously!

Alan Hart: They are needed. Yes. I reflect on what you're saying, and I think there's this notion of talk worthiness and whether your brand is—

David Sandstrom: Exactly!

Alan Hart: It can play a role. I guess one of gatekeepers to that is how successful you are at earned media—

David Sandstrom: Exactly!

Alan Hart: Or getting people to talk about you.

David Sandstrom: I think, and maybe it's a bad analogy, but I do think sometimes brands can be compared to individuals and people. And if you look at Taylor Swift, for example. She obviously has a team that coaches her, she probably is more data-driven than we attribute her, but she's not 100%—like, that is not built by an algorithm. There is some fairy dust, there's heart, there's emotion. It's a good mix of really, really understanding your audience beyond the data set. And I think that is where brands need to be. They need to resonate both rationally, functionally on utility level, but they also need to be something more—that magical thing that you used to have with a Coke or whatever it is. And I think that the winners in the future are going to be companies that actually understand that and that find a healthy mix between the data sets and just the ungraspable, unmeasurable thing. And as you said, like talkability or, as I spoke about here in Cannes, brand fame is a huge business driver. Fame, in general, drives business because you just increase the probability of good things happening to you, the more famous you are.

Alan Hart: Thank you for coming on the show again. I appreciate it.

David Sandstrom: Thank you for having me again.

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