

# PayPal plans digital wallet engagement booster as growth slows

Article

**By the numbers:** PayPal's total payment volume (TPV) for Q1 rose 15% year over year (YoY) to hit \$323.0 billion, decelerating from Q4's 23% jump, per an earnings release. TPV growth was also down from Q1 2021's 46% YoY jump.

- The company **added 2.4 million accounts** to end the quarter with 429 million active users. Growth was well below the 9.8 million accounts added in Q4, when new users from its **Paidy**

[acquisition](#) bolstered numbers.

- PayPal forecasts 10 million new accounts for the year; Insider Intelligence's [projection](#) put the firm's core global **user base growth at 7.2%**, or around 14 million. Last quarter, PayPal [removed](#) 4.5 million illegitimate user accounts. It may have strengthened its security measures to prevent this from occurring again.
- **Transactions per account**—which PayPal uses as a metric for engagement—remained steady at 11% YoY growth, in line with [Q4](#).

**What PayPal said:** CEO Dan Schulman said on the company's [earnings call](#) that inflation, supply chain pressures, the war in Ukraine, and PayPal's boycott of Russia all hurt Q1 performance. The company lowered its 2022 guidance and was reevaluating its medium-term outlook accordingly, he added.

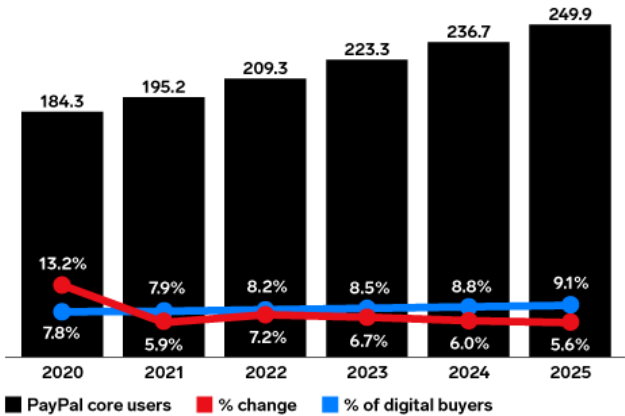
But Schulman singled out **Venmo** as a growth area, with **Q1 volumes up 12% YoY** to hit \$58 billion, compared with 63% YoY in Q1 2021. Similarly, PayPal's **buy now, pay later (BNPL) franchise grew volumes 256%**, with more than 18 million consumer accounts using the product since launch.

**Looking ahead:** Here are areas PayPal will focus on going forward.

- **User engagement:** PayPal wants to add higher-value accounts, which the company believes is more cost-effective than trying to retain low-engaged users. Earlier this month, the payments firm [revamped](#) its co-brand credit card with new cash-back benefits in a push to boost engagement.
- **Digital wallets:** Schulman emphasized that these would be key to the firm's growth plans, describing them as the “future of the industry” and the “future of PayPal.” He added that PayPal and Venmo are working hard to put digital wallets at the center of consumers' daily financial lives. “It is the heart of what we're trying to do from an engagement perspective,” he said.
- **Venmo:** PayPal will [hike](#) instant transfer fees for Venmo users in an effort to generate the app's maiden profit. Schulman also noted [plans to integrate](#) Venmo with **Amazon** are progressing toward an H2 target launch. The partnership will be a huge opportunity for Venmo to use Amazon's vast sales to grow its payments volume.
- **Cryptocurrencies:** PayPal may add to its existing crypto offerings, which include [Checkout with Crypto](#), [Cash Back to Crypto](#) for Venmo credit card users, and a [crypto exchange](#) in the

UK. In August, Schulman stressed that cryptos will soon shift from acting mainly as an investment tool to having wider payments use.

**PayPal Core Users Worldwide, 2020-2025**  
millions, % change, % of digital buyers



Note: ages 14+; internet users who have accessed a PayPal Core account digitally and/or in-store and have completed a transaction at least once in the past month; includes P2P payments and purchases of goods and services  
Source: eMarketer, Dec 2021