

Our PayPal Core Users Forecast still stands after the company identifies 4.5M illegitimate accounts

Article

Our numbers still stand: Our PayPal Core users forecast remains accurate—even though PayPal CEO Dan Schulman reported during its Q4 earnings call that the firm had identified and removed **4.5 million illegitimate user accounts**.

That's because our forecast factored for a margin of error, and the overall percentage of 1% affected fits within that margin.

Drilling down into our forecast: Our PayPal Core users forecast excludes merchant accounts and users from subunits like **Venmo**, **Xoom**, and **Zettle**. And it already factors in potentially fraudulent accounts.

- **Last year, we forecast PayPal's worldwide core user base would reach 195.2 million in 2021.**
- **Looking ahead, we expect that base to increase 7.2% year over year (YoY) and hit 209.3 million in 2022.**

Here's what **Oscar Orozco**, Insider Intelligence's director of forecasting, had to say:

"While 4.5 million illegitimate accounts is nothing to trivialize, this figure makes up around only 1% of the 426 million total worldwide accounts reported by the payments behemoth to end the year. We do, however, believe the number of duplicate, fake, and dormant accounts could be substantially higher, as tech companies face a constant battle dealing with artificially inflated account figures. But this recent event shouldn't cast a doubt on the robust growth seen by fintech companies since the onset of the pandemic, which is real and expected to see further gains in the coming years."

PayPal's correction: Schulman called the accounts "immaterial to our overall base of 426 million customer accounts." PayPal identified the accounts in Q4 and believes they were created by bad actors looking to take advantage of incentive programs throughout 2021, such as its promotion that gave out \$10 to new users.

- A PayPal spokesperson told Bloomberg the firm closed the fake accounts and attempted to recoup the incentives.
- In its investor update, PayPal also said that its net new active accounts were adjusted to exclude the 4.5 million fraudulent accounts created.

What's next? PayPal is focusing less on user acquisition and more on engagement—it said it plans to convert medium-engaged users into highly engaged users.

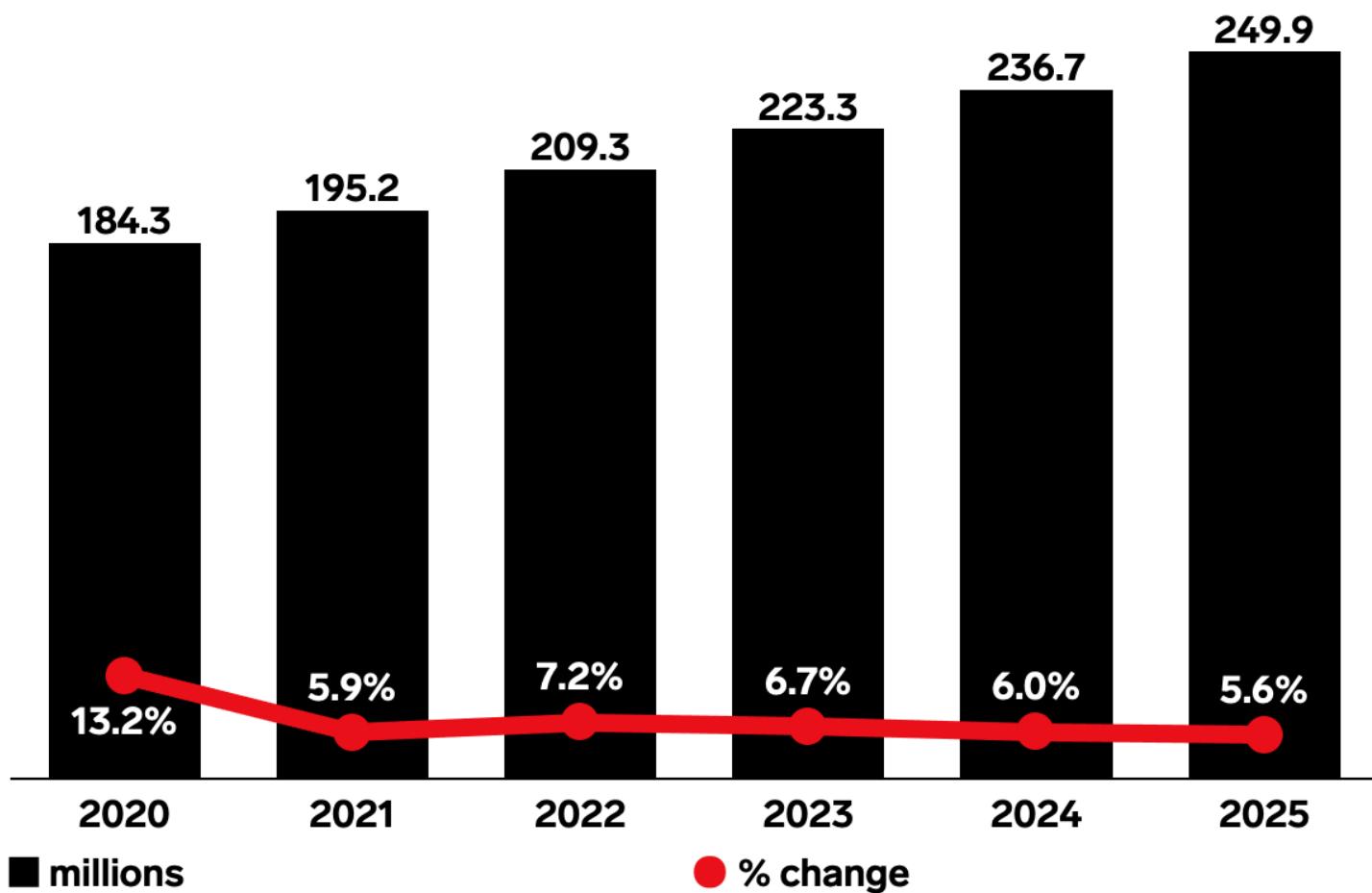
This is a strategic shift. During PayPal's 2021 Investor Day, it outlined plans to increase its active global user count to 750 million by 2025. But on the Q4 earnings call, Schulman said this goal is no longer appropriate.

Our take: As a leader in the payments space, PayPal's "quality over quantity" approach could inform strategies for other payment players. This could lead to fewer sign-up promotions, which have historically been a prominent user acquisition strategy in the payments space. Instead, firms could opt for more usage-based perks, which still attract users while also monetizing existing customers.

More on the way: Stay tuned for our upcoming peer-to-peer and proximity mobile payments forecast updates.

PayPal Core Users

Worldwide, 2020-2025



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. PayPal Core excludes Honey, Hyperwallet, iZettle, PayPal Credit, Pay in 4, Venmo and Xoom.

Source: eMarketer, December 2021

Methodology: Estimates are based on the analysis of survey and traffic data from research firms, historical consumer adoption and buying trends, payment adoption trends, retail spending trends, reported company data, interviews, demographic and socioeconomic factors, and macro-economic conditions.

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