

PayPal leans into Venmo for payments prowess

Article

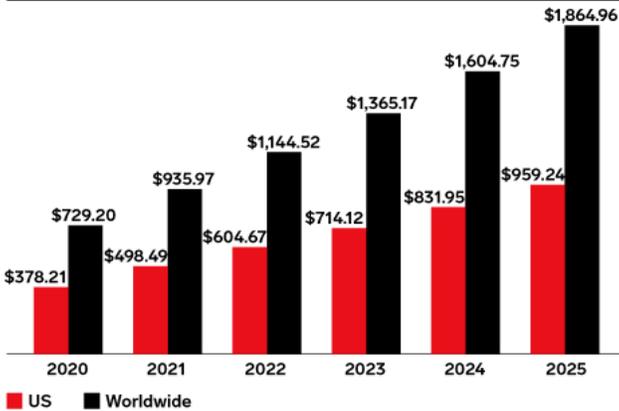
Venmo is the dominant P2P payment app in the US, with **52.2%** of all P2P mobile payment users in 2022. Venmo's social features and focus on sharing has created a loyal customer base that has cemented the app's cultural status. Sixteen percent of US adults use Venmo as their primary digital wallet, per CivicScience. And among teens especially, it's the second-most popular payment app and top P2P service, per Piper Sandler.

US P2P transaction value is expected to surpass \$2.271 trillion in 2026, more than double the value in 2022, **per** our forecast. And Venmo is expected to get a huge chunk of this: The company's P2P transaction value is expected to hit \$538.88 billion in 2026, per our forecast.

To take ultimate advantage of Venmo's growth, PayPal is on a journey to monetize the app by expanding services beyond P2P.

PayPal Core Transaction Payment Value in the US and Worldwide, 2020-2025

billions



Note: the value of payments on PayPal, net of payment reversals, completed by users on PayPal Core accounts and those enabled by PayPal via a partner payment solution; excludes gateway-exclusive transactions, Honey, Hyperwallet, iZettle, Pay in 4, and PayPal Credit transactions, along with P2P payments via Venmo and Xoom
Source: Insider Intelligence, Dec 2021

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Market Strengths

Breadth of User Network

Venmo boasts 90 million accounts in the US. And this widespread network is essential for a successful P2P solution, as users need to be able to send and receive money between their friends' accounts. It also gives PayPal a huge group to market all the other features it's developing. And since Venmo has established a young user base, it gives PayPal a demographic strength too; this segment is only at the beginning of their financial lives, creating large growth potential.

Amazon Partnership

Venmo is also diving into its Pay with Venmo checkout functionality to help monetize the app through transaction fees. It scored an enormous partnership with Amazon to implement Pay with Venmo during H2 2022. Of course, Pay with Venmo must still compete with Amazon's other payment options, such as its partnership with Affirm. But this tie-up gives Venmo the opportunity to capture part of Amazon's expected \$397.43 billion in US retail ecommerce sales in 2022, per our forecast, and adds utility to the digital wallet.

Crypto Integration

Venmo is building crypto leadership: In August 2021, PayPal **expanded** its crypto integrations with Venmo's launch of Cash Back to Crypto, a feature that lets Venmo credit card holders automatically purchase cryptos with their monthly cash-back earnings. And later last year, PayPal **launched** a crypto price alert feature in Venmo. These features can help engage the expected **33.7 million** US crypto owners in 2022. They also help Venmo stay competitive against Cash App, which has a loyal base of crypto users. And while the current crypto market is on shaky ground, long-term crypto gains should outweigh any short-term losses.

Leaning Into SMBs

In February 2021, Venmo rolled out business accounts for small merchants, and this feature saw immediate success: As of Q2 2022, 1.5 million businesses have established profiles on Venmo. This solution has helped Venmo make inroads into the merchant sector and drives PayPal's vision of creating an integrated commerce ecosystem.

Market Challenges

Despite Venmo's large number of transactions and huge user base, the digital wallet has yet to reach profitability and faces a threat from growing P2P fraud.

[Read the full report.](#)

Report by Grace Broadbent Sep 02, 2022

PayPal



