

PayPal looks to cut costs, drive efficiency after reinforcing core competencies in Q2

Article

The data: PayPal's total payment volume (TPV) grew 13% year over year (YoY) on a constant currency basis in Q2, [per](#) its earnings release. TPV growth slowed from the same period last

year, when pandemic-driven consumer spending shot it up 36% YoY.

Key context: CEO Dan Schulman acknowledged inflation's impact on PayPal's customers but noted that rising costs might bring more users to solutions like its discount shopping browser extension, **Honey**. Schulman also said net new active users—which reached 400,000 in Q2—may be affected by economic headwinds.

A look back at Q2: PayPal's performance was likely driven by updates and solutions it launched during the quarter.

- It **refreshed** the **Synchrony-issued PayPal Cashback Mastercard** with new rewards in April.
- It expanded small-business offerings through a **tie-up** with **Aon** and **brought** its **Zettle** software point-of-sale solution to more markets.
- It also **rolled out** Pay Monthly, which lets customers pay for purchases between \$199 and \$10,000 in six to 24 monthly installments.

PayPal is also emphasizing business efficiency and cutting costs, which in Q2 included **layoffs**. To that end, activist investor **Elliott Management recently took a \$2 billion stake in PayPal**, making it one of the firm's largest stakeholders. Schulman said PayPal's discussions with Elliott are focused on operational improvements, revenue-generating investments, and capital allocation. He added that PayPal is on track to hit \$900 million in savings in 2022—and by 2023 that number will reach at least \$1.3 billion.

What's next? PayPal plans to double down on three key solutions to increase its market share and bolster TPV, according to Schulman. **PayPal's worldwide core transaction volume is expected to hit \$1.144 trillion in 2022, per** Insider Intelligence forecasts.

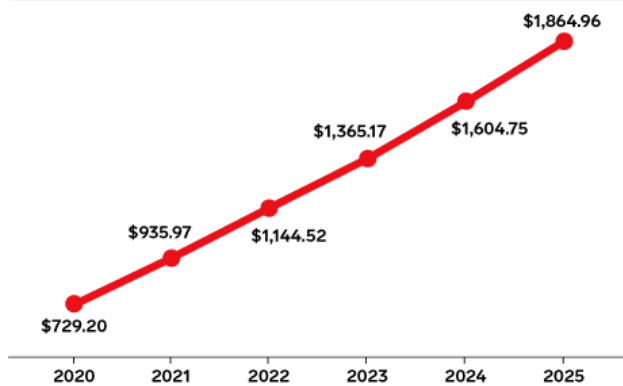
1. **Checkout.** The firm's "bread and butter," according to Schulman, PayPal is testing out solutions that will help drive more checkout growth, including a new mobile software development kit that streamlines the checkout process. It's also upgrading its checkout tech to show customers the most relevant payment method based on factors like past purchase behavior, merchant category, and purchase price.
2. **Digital wallets.** Schulman called digital wallets the future, hinting at PayPal's **super app** ambitions. He said the firm is investing in enhancements that combine payments, commerce, and financial services.

3. **Braintree.** Braintree is the payment service provider geared toward larger ecommerce businesses that PayPal acquired in 2013. PayPal will keep building out the service by investing in things like payment orchestration capabilities.

While PayPal ramps up investments across key services, it's also pulling back in some areas: For instance, it's no longer prioritizing investment features like [stock trading](#). Schulman noted that it reallocated headcount for this toward checkout instead. And in terms of in-store checkout, PayPal is prioritizing its card solutions instead of its previous, more narrow focus on QR codes.

Stay tuned: Keep an eye out for our upcoming PayPal report, which is set to publish in a few weeks. In it, we'll dive further into PayPal's refocused growth strategy.

PayPal Core Transaction Payment Value
Worldwide, 2020-2025
billions



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

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