

PayPal's new credit card could shore up merchant relationships

Article



The news: PayPal launched a new cash-back credit card for small businesses, per a press release. The **PayPal Cash Back Mastercard** is issued by **WebBank**.

Here's what businesses get:

- Cardholders can earn **unlimited 2% cash back** on all purchases.

- PayPal provides a virtual card for immediate use and a physical companion card. It also offers free employee cards with separate account numbers.
- The card comes with a two-year extended warranty benefit, mobile phone protection, merchant offers, and identity theft protection, among other benefits.
- Merchants can access and manage transaction data, balances, rewards, and other card information through PayPal's platform.

The benefits: The new card meets several needs for PayPal's small-business clients.

- **Financial services.** Card popularity among SMBs is swelling alongside a cash flow crunch: **29% of US employer firms sought a credit card in 2021**, per the Fed. And **most small businesses have more than one**, [per](#) Mercator. PayPal's new card can help meet this sector's needs and ensure businesses have the financing they need to grow.
- **Interoperability.** Nearly **7 in 10 SMBs rank interoperability as "very" or "extremely important."** Being integrated into PayPal's platform can improve the card's utility by letting merchants maximize the services, data, and insights they can access.

What it means: The new card can help PayPal shore up its seller relationships and generate revenues.

Its first business card can help PayPal differentiate itself from competitors like **Block** and more effectively compete with larger banks that use credit to complement their small-business suites—especially as providers like **Amex** [hone in](#) on the [space](#).

It can also limit attrition: Rather than cobbling together insights and services from various third parties, merchant clients can access more from PayPal, making it more useful. And it can generate a new stream of revenue for the provider.

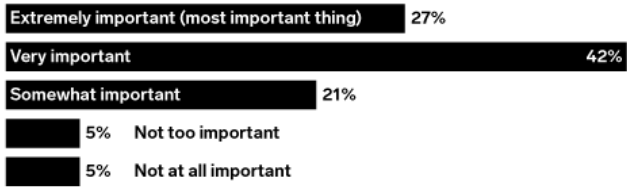
The bigger picture: PayPal has been doubling down on merchant services. It [recently updated](#) its fee structures, [partnered](#) with **Aon** to improve insurance access, and [integrated](#) return logistics firm **Happy Returns** directly into its offering.

Doing so can help PayPal more effectively serve its [35 million merchant accounts](#) and further expand its base, which **grew 12.9% annually in Q1 2022**. That would underscore bigger picture long-term success—merchants are responsible for most of PayPal's revenues.

Go deeper: *Our Small-Business Payment Disruptors [report](#) offers more insights on how merchant services players can most effectively attract small business customers.*

Importance of Financial Operations Technology Interoperability to US SMBs, Oct 2021

% of respondents



Source: Bill.com, "Bill.com QuickRead Survey Report," conducted by Wakefield Research, Nov 23, 2021

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