

# It's Not Just For Online Businesses - How PayPal is Helping Brick-And-Mortar Companies Too

**PAYCHEX**  
Business  
Series

Coronavirus



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## Full transcript

### **Gene Marks:**

Hey everybody and this is Gene Marks and welcome to the Paychex Business Series podcast. Today, I'm talking with Peggy Alford, Peggy is the Executive Vice President of Global Sales at PayPal®. PayPal has just crushed it in 2020, mainly because of the rise in e-commerce sales. So, what is PayPal up to? What is it like to get involved with PayPal? Should you use PayPal for your business? Why has it become so important to a lot of business owners? And how does PayPal interact with Venmo™? And how will digital currencies impact PayPal? These are all the questions that I have for Peggy and I know she's going to provide a lot of great answers for me. Peggy, first of all, thanks for joining me. It's been a year, a little bit more than a year, since we saw each other. Last time we saw each other, we were sitting on stage at a PayPal global, what was it? Global sales summit. Was it for global?

### **Peggy Alford:**

Yes. Global sales kickoff, yes. Was so happy to have you there and it was nice to be in-person, for sure.

### **Gene Marks:**

It really was. And I remember that, you were in Arizona and it was like, we had no idea what was about to come and then it came. And I remember, we were talking about all the different things that your PayPal salespeople need to be aware of, issues facing small businesses and things that they should consider when talking to small businesses. And then, of course, the pandemic hit and amazing, well, maybe not so amazingly but this year, PayPal did great, really crushed it. Why? Why was this year such a good year for PayPal?

### **Peggy Alford:**

Well, the transition from physical to digital commerce has been underway for a long time. But what the pandemic did was, it drastically accelerated the shift to online shopping in 2020 because of the fact that consumers had no choice but to get all of their services and goods online and business owners really needed to accommodate that, in order to survive. And so, 2020 was a year where PayPal, we did do some

refocus of our strategy to really ensure we were able to aid businesses in being able to make that shift but we were positioned in a way where we were already offering a lot of the capabilities for businesses to be able to digitize and for consumers to be able to shop online, both from a goods and services perspective. And so, that was good for PayPal, for sure. And then, we spent time really thinking about, how do we enable businesses to continue this momentum, even after things start to open up? Which we saw fits in, starts up, throughout the year.

**Gene Marks:**

We're going to talk a little bit more about that. Look, depending on what research you read, e-commerce sales increased, somewhere like, 35 to 45% in 2020 and it's inspirational how many businesses pivoted online and you were able to really prosper during this year. Did you find most of your work coming from existing customers or was this just new people signing up?

**Peggy Alford:**

Well, it was a mix of both. Let me talk about our existing customers for a minute. So, our existing customers, obviously, their performance was highly based on how digitize or digital available their actual product was and how ready they were to be able to accommodate. So, for instance, those that were in the travel or ticketing space, regardless of what they were able to do, were going to see a major decrease in their business because we just weren't able to see each other, we weren't able to travel, we weren't able to go to live events. And so, those verticals really suffered. But at the same time, a lot of our customers, our existing customers, that were in the home goods and all of the electronics or digital music, all of those categories did extremely well.

**Peggy Alford:**

And so, you saw our customers really prospering or suffering, based on what was going on in the world more broadly. But we also, because of how many small businesses specifically needed to digitize, we saw a record number of new customers coming to us to be able to digitize their commerce experience. And so, we saw just really large numbers of new customers, everything from the very smallest mom-and-pop, to mid-sized businesses, that were coming to PayPal, looking to use our solutions, to be able to transfer what, in some ways, was a focus on offline to one of fully online.

**Gene Marks:**

Did you find any particular platform providing you guys with the most growth? And what I mean by platforms I mean, Amazon®, eBay®, Etsy®, Shopify®, or just homegrown off a website?

**Peggy Alford:**

Well you know, across the board, there has been a real focus for a lot of small businesses and using the marketplaces and the partner platform solutions, because it enables them to really get up and running quickly. And on the marketplace side, to really reach a vast number of consumers in one place. And so, I think we all are aware of how well Shopify has been doing but we absolutely saw a lot of strength, with everything from the eBays of the world, to Shopify, to a number of the other partner platforms like big commerce, where businesses were really looking everywhere they could to quickly get up and running and be able to integrate the PayPal capabilities through these platforms.

**Gene Marks:**

It's funny, with PayPal, it's always been strongest online, that's where the brand really built itself. And I know, over the past number of years, the company has been working hard to have more of a footprint in brick-and-mortar as well. But now, you almost have to start taking a step back and saying, maybe online really is where the growth is going to continue to be.

**Peggy Alford:**

Honestly, I feel like-- we actually did. I talked, at the beginning, about a couple of areas where we shifted our strategy and really doubled down. Our offline offerings was one of those categories and that is because, I really don't see offline going away. I do think that 2021 and forward is going to see a renewed ability for consumers to be able to shop in-person. But the dynamic of digital commerce is something that, I think, will stay at an elevated level because consumers are realizing that, it's a good experience and they can get everything they need. That said, I don't think that offline is going away. And so, what we really focused on is, how do you continue to blur those lines and create a very seamless experience for businesses to be able to offer both online and offline capabilities to their consumers seamlessly?

**Peggy Alford:**

And so, I think the theme is going to be just really the continued blurring of lines that we call omnichannel. And I think there are some things that are going to be a little bit different than, maybe, before the pandemic, in that, consumers don't want to handle cash anymore and that has really enabled an explosion of digital payments, even offline. Also, capabilities like buy online pickup in store, curbside pickup, all of these things have accelerated due to the pandemic but I really believe are here to stay. And so, our focus on our offline efforts around QR code, both on the enterprise side, as well as for small businesses, to be able to enable this seamless, contactless payment experience within the PayPal digital wallet for consumers is something that we think was a really a good call to focus on.

**Gene Marks:**

So, Peggy, where exactly does PayPal find its place? And this is both online and offline. Where does it find its place between, Visa®, Mastercard®, AMERICAN EXPRESS®, Apple Pay®, Google Pay™? There's a lot of different options out there. Why is PayPal the choice of so many?

**Peggy Alford:**

I think that what we've really thought about was, each of the players that you mentioned have a real place and we would never say that they are not competitors that we watch very closely. That said, what we have focused on at PayPal is, really providing a platform that enables all of these capabilities across the commerce journey. So, everything from DemandGen services around Honey™ and shopping, to really enabling all of these different ways to pay, either through the branded PayPal experience with our PayPal button, to be able to pay right now. And now, all of these additional credit-like solutions, our flexibility of way to pay, the buy now pay later capabilities, where we're enabling consumers to decide, do I want to pay it now? Do I want to pay in a few payments? We have our credit solutions, where you enable consumers with the in transaction experience to be able to get credit. Or even just lines of credit to enable more from an installment perspective.

**Peggy Alford:**

And so, I think that what enabling all of these capabilities, along with all of our risk and fraud solutions for small businesses so they don't have to worry about that themselves, our payout solutions for marketplaces and other players that need to enable the pay out, as well as the pay in capabilities, this all integrated into a platform that enables businesses to quickly get up and running. And that is something that especially small businesses look to. They want to have solutions that require as little time or mindshare to integrate as possible. And they want to be able to focus on serving their consumers with the type of business that they are running, without worrying about all of the complexity around regulatory challenges or risk and fraud protection. And that's what has really enabled PayPal to compete and really do so well, by really thinking about, what all do small, mid-size, and large businesses need? And how do we combine, either through partnership or the capabilities that we build ourselves, this platform solution that enables that all in one place?

**Gene Marks:**

What customers, Peggy, would you disqualify? Say you have a perspective customer, wants to use PayPal and you think to yourself, you know what? This is the type of business or the type of organization that wouldn't be a great fit for the kind of platform that you have.

**Peggy Alford:**

I would say, anyone that's doing something that's not legal, we would prefer not to work with. Those that are not going to be serving their customers in a way that we think meets the values that we stand by. And having customers that are following the laws of the land and the regulatory environment in which they operate, which by the way, we can help them with, those are the customers that we want on our platform.

**Gene Marks:**

Oh, that's a great answer. How about international customers? Have you had any challenges dealing with them? Do you feel that PayPal is better positioned for a U.S. business, if they are doing more transactions overseas?

**Peggy Alford:**

We operate in most countries in the world, both from a consumer as well as a merchant perspective. And customers have looked to us for years to enable global expansion. And consumers really rely on PayPal, when they think about buying from businesses that, maybe, they aren't as familiar with because they're not having to provide their credentials. And especially these days, people are so focused on the perception of privacy and data protection and that sort of thing. And so, we have really focused on continuing to add capabilities to the PayPal platform, that enables cross-border trade and enables consumers and merchants to find themselves globally. So, we've had many businesses that had expanded their business on PayPal, using PayPal, as they continue to expand globally. Maybe they start in Europe and then expand into the U.S. or Asia or start in the U.S. and are looking to reach consumers in other markets. And so, it's definitely something that's been the bread-and-butter of PayPal for many years.

**Gene Marks:**

Got it. I know just recently, within the past year, PayPal has announced that they are going to be supporting cryptocurrencies like Bitcoin. I don't know how comfortable you are talking about this topic but I'm wondering if that topic is coming up among your customers, even your small business customers and what you're saying to them.

**Peggy Alford:**

Absolutely. Well, I'm always excited to talk about cryptocurrency. We know it's the hot topic of the month or the last few months. But much like other aspects of our lives and the broader economy, money has been increasingly digitized and even prior to the COVID-19 pandemic. But the events of last year have significantly accelerated that transition. And we're at this critical inflection point for mass consumer adoption of digital financial services. And I think a lot of the headlines around crypto has been on the invest side, the buy, hold, and sell, crypto capabilities. And we launched those in October of 2020 and it's now rolled out to our U.S. customers and we have a planned expansion to the UK, as well as to our Venmo platform, this year. We saw such an exceptional response from the launch of our cryptocurrency capabilities, and even with the high initial expectations, the volume has even greatly exceeded those projections.

**Peggy Alford:**

And we are finding also, that consumers who purchased cryptocurrency have been logging on to PayPal at a much higher rate, almost two times the rate, probably because they're looking to understand, with all of the volatility with cryptocurrency, what's going on with what they bought. But what I'm super excited about, as it relates to crypto, is expanding the usage of cryptocurrency and enabling our businesses to offer crypto as a funding source to their consumers for transactions. That, to me, is what's really, really exciting. And once it's launched in 2021, consumer selects cryptocurrency as the funding source and that cryptocurrency is instantly converted to fiat currency and the transaction will be settled with the PayPal merchants in fiat currency. And so, it takes that difficulty, the infrastructure need and the risk of volatility, out of the equation. And it really makes cryptocurrency have so much more utility, which is, obviously, one of the goals and one of the complaints that existed with crypto. And so, I am super excited with what we've already launched but even more excited about what's to come for our business customers, to enable this as a funding source for consumers.

**Gene Marks:**

That's a great answer. Cryptocurrency, we've been talking about this for years that, it is becoming much more mainstream, less volatile. And you're saying that, PayPal, just to make sure I understand this. If I sell a customer something and they pay in Bitcoin or some other type of digital currency, PayPal will automatically convert that into something that is much less volatile, like dollars?

**Peggy Alford:**

Exactly. So, essentially, what I'm saying is that, let's say, a consumer holds cryptocurrency and then they want to use it to pay for something on a merchant's site. We actually convert that cryptocurrency into a fiat currency, which enables them then to use that for the transaction, without the business or the merchant having to do anything. And also, without the risk of volatility before, in between the time when they sell their crypto and buy their thing and it settles with the merchant. And so, we're enabling it just being like any other funding source but enabling consumers to use that cryptocurrency to purchase the way they would with their PayPal balance or the way they would with their credit card and the PayPal wallet.

**Gene Marks:**

Got it. Peggy, you mentioned earlier about Venmo, which is also owned by PayPal and Venmo has just been so, so popular among very, very small entrepreneurs, a lot of contractors, artisans. Tell us how Venmo plays into the ecosystem that involves PayPal? Because at some point, people outgrow Venmo, by the number of transactions or the size of the transaction and then they're like, ah, now we got to get PayPal and, I guess, we have to pay for that. So, how does that infrastructure work?

**Peggy Alford:**

See, what we've been trying to do with Venmo, so Venmo is a very special capability and business within the PayPal portfolio. And it has this social or this community aspect to it, that we absolutely don't want to lose. That said, we want to be able to enable consumers that love using Venmo to be able to use it in more and more places. So, it started out as more of a P2P solution but we want to also enable the Venmo users to be able to purchase through PayPal. And we want businesses to be able to market their goods or services to the Venmo consumer network, in a way that's much easier to do. So, that's why we introduced these business profiles, within the Venmo platform, for small businesses, looking to reach the Venmo consumer base, which it's such a rich consumer base that really are looking for a solution that is much more social and community-based.

**Peggy Alford:**

And also, enable larger businesses to be able, on their websites, to be able to offer Venmo as a payment option, both within the PayPal wallet, as well as separately. And so, we're seeing a lot of attraction towards that as well. And so, a lot of the capabilities that we've added to Venmo have been about really enabling those things. So, it's not necessarily trying to make Venmo into PayPal, it's just trying to add more and more capabilities for both consumers and merchants without losing the specialness of what Venmo is.

**Gene Marks:**

It is a great app and it's got a great community and it's so popular. And then, again, people hit a wall and let's just talk about that because it's a free payment app, which is why so many younger people love it and very, very small businesses love it. And then, one of the downsides of growing and getting older is that, you wind up paying for more things. So, when Venmo converts, you get to a certain size and you realize you do need to get PayPal. And for those customers that are considering PayPal, even exclusive of Venmo, there's a cost for PayPal. So, what do you tell me as a customer? How do you justify PayPal's cost? Because it's a transaction fee and a lot of small business owners that are running on short margins, I know for a fact that that's a challenge that you've got to overcome. How do you overcome it? How do you convince business owners that it's worth it?

**Peggy Alford:**

The first thing I would say is that, as a small business, reach and the ability to reach new consumers or get a higher basket size or sell more to a particular consumer, is obviously tremendously important. And PayPal has such an established consumer network, a global reach. We have more than 377 million consumers on the platform today and that's globally. And so, the ability to actually reach these consumers becomes extremely important. The other thing I would say is that, enabling, we have found, we have a tenet that we stick to around choice and that is about, how do you enable consumers to pay how and when they want to? And so, that's why we've really focused on enabling all of the payment sources, as well as credit card, PayPal balance, introducing more and more flexible payment options like, buy now pay later, our traditional credit capabilities because consumers, depending on what they're buying or when they're buying, really need to be able to go to one place and have flexibility of all the ways that they want to pay. And that's what's going to be good for the business that's looking to make that purchase.

**Peggy Alford:**

And then, when you think about what we talked about earlier, with the omnichannel solutions that we're offering for those businesses that have both offline and online, one of the things that we've really focused on with the introduction of QR codes, is the fact that it needs to be seamless on the backend for merchants. So, when you talk about inventory and management and reconciliation, all of those things need to work together, so that you're not running an offline business and an online business but you're running one omnichannel business. And that's not even taking into account our risk and fraud solutions, which are best-in-class and our ability to help navigate what can be significant regulatory challenges, as you start to globalize as a business, that we can help take care of as well.

**Gene Marks:**

All right. So, wrapping things up. So, Peggy, what do you expect your customers and prospective customers will be seeing out of PayPal over the next five years or so? How will things change?

**Peggy Alford:**

Well, we'll continue to roll out all of our capabilities around omnichannel, that we talked about. We have a real focus, we're going to be revamping our digital wallet for consumers, which is going to be great for small businesses to really enable all of your capabilities in one place, manage your subscriptions, be able to invest and save, direct deposit, things that enable consumers to really run their lives all in one place. We'll enable capabilities around offers and be able to enable merchants to be able to offer relevant offers to the consumer base for their products. And so, a real focus on the capabilities for the consumer to be able to interact with small business, while also thinking about the omnichannel experience, that's going to continue to emerge and develop. And then, enabling cryptocurrency, which will evolve, as we know, over the next few years and really being in front of that.

**Gene Marks:**

Exciting stuff to come. Peggy, thank you so much. Peggy Alford is the executive vice president of global sales at PayPal. You have been listening to the Paychex Business Series podcast with Gene Marks. If you need more advice and help in running your business, please visit us at [paychex.com/worx](https://paychex.com/worx), that's W-O-R-X. Peggy, thanks. I'd love to have you back sometime, we'll talk about new developments in payments and digital currencies. Because it looks, there's going to be a lot of changes in our lives over the next few years.

**Peggy Alford:**

Absolutely.

**Gene Marks:**

So, thank you.

**Peggy Alford:**

Thank you, Gene.

**Speaker 1:**

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