

Block - Should Cash App Local Grow Beyond Its Test?

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Decision date and information cutoff: 1 August 2024, after the Q2 Form 10-Q became public at 16:19:06 UTC

Decision scope: Cash App Local over the next 12 months

Case convention: This is a classroom decision based on public information. The alternatives below are not disclosed board deliberations, an approved budget, or a forecast.

The decision

In the second quarter of 2024, Block began testing Cash App Local with a handful of Square sellers. A customer could order from Cash App and earn cash back after signing up through a seller QR code or at the point of sale. Block said it was starting small as it identified the most compelling offerings. Its Q2 shareholder letter did not report buyer or seller counts beyond “a handful” of sellers, orders, redemptions, repeat use, program costs, or financial returns. [S1], printed p. 11, “Cash App commerce.”

Now, at the end of 1 August 2024, Block’s strategy team must decide what the next 12 months should look like. Should Cash App Local expand to more Square sellers and markets; continue in selected places with explicit stage gates; or stay small while Cash App and Square focus on their standalone priorities? The choice is not simply whether a large consumer app can be paired with a large seller network. Buyers need nearby offers that are worth discovering and using; sellers need incremental, repeat demand that covers discounts and operating effort. Either side may lose interest if the other is thin.

Assignment: Recommend one path for Cash App Local over the next 12 months. Specify where and how Block should learn, what evidence would justify expanding or stopping, and how the decision should account for work displaced in Cash App and Square. Address the strongest case against your recommendation. Clearly label any proposed operating rule as your own assumption; Block disclosed no Local budget or hurdle rate.

Use only information public at the cutoff. The decision is about the disclosed Cash App Local test, not a hypothetical reallocation of all Cash App and Square investment. Do not infer Local outcomes from the size or growth of either segment.

A small test between two established businesses

Block operates Cash App, a consumer financial-services platform, and Square, a set of commerce and payment tools for sellers. Management described connecting Cash App’s consumers with Square’s sellers as an opportunity, saying Block could connect “tens of millions” of buyers to local merchants. That is a statement about potential reach, not a count of eligible nearby shoppers, active Local buyers, or unique customers. [S1], printed pp. 2, 11.

The disclosed flow was narrow: shoppers discovered or entered through a Square seller's QR code or point-of-sale interaction, ordered from Cash App, and could earn cash back. Cash App was the customer-facing channel; Square supplied the seller relationship and point-of-sale presence. The shareholder letter did not say who funded the cash back, what a qualifying order meant, how offers were selected, whether users had to pay through a particular method, or how pilot markets and sellers were chosen. It also did not publish an experimental control group or test results. Those details matter because a new Local order may represent incremental merchant demand, a purchase the user would have made anyway, or a shift from another way of paying at the same seller.

Block was also changing how it approached selling. The company announced a centralized sales function led across Block, including Square, and linked prior Afterpay sales practices to growth in Cash App Pay and buy now, pay later products. Management described an opportunity to improve Square's sales and go-to-market approach. These announcements show organizational context, but they do not establish a staffed Local sales team, dedicated product capacity, or causal evidence that shared selling will make Local work. [S1], printed p. 2.

The sides face different participation tests. For buyers, local usefulness depends on the density, relevance and quality of participating sellers, offer terms, convenience and trust. Cash back may encourage trial, but repeat behavior after the incentive ends is unknown. For sellers, the relevant question is whether Local brings new customers or profitable repeat orders, rather than merely shifting existing customers to a discounted transaction. Seller effort, discount funding, support and redemption rules could affect willingness to participate. The public disclosure answers none of these economic questions.

What the company-wide numbers can-and cannot-say

Block reported strong year-over-year Q2 gross-profit growth in both businesses. The figures indicate the scale of the businesses in which Local would operate, but neither segment report attributes growth to Cash App Local.

Exhibit 1. Block operating and financial context, Q2 2024

Measure	Reported result	Definition and scope
Cash App gross profit	\$1.299bn, +23% YoY	Q2 segment measure; not Local contribution
Square gross profit	\$923m, +15% YoY	Q2 segment measure; not Local contribution
Cash App revenue	\$4.13bn, +12% YoY	Includes \$2.61bn of Bitcoin revenue
Cash App revenue excluding Bitcoin revenue	\$1.52bn, +18% YoY	Company-presented alternative view; not a separate GAAP segment revenue line
Bitcoin gross profit	\$67m	Q2 Cash App gross profit associated with Bitcoin activity
Square revenue	\$1.98bn, +9% YoY	Q2 Square segment revenue
Square GPV	\$58.372bn, +8% reported and constant currency	Value of Square-processed card payments, net of refunds, plus ACH transfers
Cash App monthly transacting actives	57m in June, +5% YoY	Accounts with at least one Cash App transaction in the month; not a Local buyer count or necessarily unique people
Cash App Business GPV	\$3.569bn, down 27% YoY	Defined Cash App business-account P2P payment activity; not Local order value or Square GPV

Sources: [S1], printed pp. 12-17; [S2], printed pp. 35-41, 44-45. “Gross profit” is Block’s segment operating measure. GPV is an operating metric, not revenue or profit. Cash App’s Bitcoin revenue is large relative to its associated gross profit; revenue totals therefore do not provide a like-for-like comparison of segment economics. None of these measures identifies Local users, sales, incremental gross profit, or costs.

Block reported company-wide Q2 total net revenue of \$6.16bn, GAAP operating income of \$307m, Adjusted Operating Income of \$399m, and Adjusted EBITDA of \$759m. Adjusted Operating Income and Adjusted EBITDA are non-GAAP measures; the 10-Q provides reconciliations and cautions that similarly named measures may not be calculated consistently across companies. Product-development expense of \$713m and sales-and-marketing expense of \$508m were also company-wide. These are not Local’s budget or the capacity available to it. [S1], printed pp. 4, 11-12; [S2], printed pp. 37, 41-48.

Comparisons with older segment results need care. In Q4 2023, Block moved all buy now, pay later platform business activity and results into Cash App and recast prior segment figures. An unrecast comparison can make Cash App and Square trends misleading. [S1], printed p. 5 note; [S2], Note 18, “Segment and Geographical Information.”

How strong is the platform logic?

Two-sided-market theory gives a reason to test the connection: participation on one side may increase value on the other, and a platform may subsidize one side to encourage participation. But theory does not turn Block's company-wide audiences into a dense local market or show whether a cash-back offer produces profitable new demand. Buyers and sellers may participate in several channels, and an existing Square customer can already buy from a Square seller without Cash App Local. [A1], pp. 990-999, 1006-1013; [A2], pp. 668-687.

The empirical literature also warns against assuming that scale creates a feedback loop. One study of a government debit-card rollout in Mexico found that small corner stores adopted more point-of-sale terminals after a large, coordinated increase in payment use. That intervention reached targeted cash-transfer beneficiaries and changed payment acceptance; it was not a voluntary mobile-shopping promotion, a Cash App/Square integration, or an estimate of Block's return. It may help frame a possible cross-side mechanism, but not predict its magnitude here. [A3], 2022 manuscript, §4, pp. 12-15; §5.1, pp. 15-17; conclusion, pp. 33-35.

Other research examines network effects in interbank electronic payments or consumer and advertiser participation in Yellow Pages. Those markets have different participants and transaction structures. They support asking how each side responds and interacts, not transferring their coefficients to Local. [A4], §§1-5, pp. 2-29; [A5], publisher abstract. A study of video-game platforms similarly describes trade-offs in pursuing application growth and exclusivity, but its setting differs from Block's consumer and seller businesses. [A6], publisher abstract.

For Local, the core empirical challenge is attribution. More Square GPV could reflect existing sellers, other sales efforts, seller mix or general demand. More Cash App engagement could reflect financial services, peer-to-peer activity or another product. Local needs a way to connect exposed buyers, participating sellers and their actual transactions while distinguishing new value from shifted activity.

Three possible paths

1. **Expand faster.** Add more sellers and markets, investing in product, merchant acquisition and customer awareness. This could create enough local choice for buyers and give sellers a chance to reach more customers. It would also expose more users and sellers before Block has disclosed evidence on repeat usage, incremental orders, incentive cost or contribution.
2. **Extend with stage gates.** Continue in selected markets and seller categories, define what participation and repeat behavior would count as progress, and expand only after measurement at specified points. This could preserve learning while limiting exposure. It would require clear owners, a comparison strategy and willingness to stop or redesign if results disappoint. No such gates were disclosed at the cutoff.
3. **Keep it small for now.** Maintain a limited test or pause expansion while Cash App and Square pursue independent product and go-to-market priorities. This could avoid spending scarce product and seller-attention capacity on unproven cross-side economics. It could also delay learning and leave the opportunity untested in markets where the local proposition might work.

These paths are classroom alternatives. The case does not establish that Block had approved any of them, set an investment envelope, or chosen which work Local would displace.

Your recommendation

Prepare a concise strategy recommendation for Block's leadership. Choose a path, or propose a conditional version, and address:

- Which markets, buyers and sellers should be included first, and why?
- What would demonstrate participation on both sides rather than a one-sided offer response?
- How would you distinguish incremental local demand from purchases or payments shifted from existing channels?
- What information should Block collect, against what comparison, and at what decision dates?
- What should trigger expansion, redesign, continuation or stopping over the next 12 months?
- What Cash App or Square work could be displaced, and how would you compare that opportunity cost with the evidence Local produces?
- What is the strongest counterargument, and what evidence would change your recommendation?

Sources and conventions

Facts are frozen at the information cutoff stated above. Company statements about reach, seller excitement and strategic opportunity are attributed as management claims. All alternatives and proposed measurement methods are analytical choices for the exercise. No post-cutoff outcomes are included. Values retain the period and scope reported by the sources; Cash App active accounts, Cash App Business GPV, Square GPV, revenue and gross profit are not interchangeable.

S1. Block, Inc., [Q2 2024 Shareholder Letter](#), 1 Aug 2024, Exhibit 99.1 to Form 8-K. Printed p. 2: centralized sales and strategic context; p. 5 note: BNPL segment recast; pp. 12-17: segment and operating metrics; p. 11 (PDF p. 10): Cash App Local test.

S2. Block, Inc., [Q2 2024 Form 10-Q](#), filed 1 Aug 2024. Note 18, printed pp. 35-37; revenue and gross-profit discussion, pp. 39-43; key metrics and non-GAAP measures, pp. 44-48.

S3. Block, Inc., [Form 8-K, 1 Aug 2024](#), Item 2.02 and Exhibit 99.1. The 8-K was accepted at 16:16:55 UTC; the Q2 10-Q was accepted at 16:19:06 UTC.

A1. Rochet, Jean-Charles & Jean Tirole (2003), "Platform Competition in Two-Sided Markets," *Journal of the European Economic Association* 1(4), 990-1029. [DOI](#).

A2. Armstrong, Mark (2006), "Competition in Two-Sided Markets," *RAND Journal of Economics* 37(3), 668-691. [DOI](#).

A3. Higgins, Sean (23 Dec 2022), "Financial Technology Adoption: Network Externalities of Cashless Payments in Mexico," author/JMP manuscript. [PDF](#).

A4. Gowrisankaran, Gautam & Joanna Stavins (2004), "Network Externalities and Technology Adoption: Lessons from Electronic Payments," *RAND Journal of Economics* 35(2), 260-276.

[Author working-paper version](#).

A5. Rysman, Marc (2004), "Competition Between Networks: A Study of the Market for Yellow Pages," *Review of Economic Studies* 71(2), 483-512. [Publisher abstract](#).

A6. Cennamo, Carmelo & Juan Santalo (2013), "Platform Competition: Strategic Trade-Offs in Platform Markets," *Strategic Management Journal* 34(11), 1331-1350. [Publisher abstract](#).