

PayPal: giving the new businesses room to move

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On April 29, PayPal announced three businesses intended to sharpen accountability and speed execution. By the morning after its second-quarter results, the structure was public, but the operating rules were not. The three businesses would still depend on capabilities that crossed their boundaries: identity, risk, data, payment infrastructure, technology and relationships with both consumers and merchants.

For this exercise, assume you are advising PayPal CEO Enrique Lores on how to implement the announced model. The assignment is hypothetical. Public evidence does not establish an internal dispute, a final decision-rights design, or that the new units have separate profit-and-loss statements. Recommend which decisions should belong to each business, which should be shared, and how leaders should resolve trade-offs when local priorities affect the broader platform.

Three mandates, overlapping capabilities

The announced businesses are:

1. **Checkout Solutions & PayPal**, combining consumer and merchant ecosystems under a unified strategy.
2. **Consumer Financial Services & Venmo**, with a mandate to broaden Venmo's role in consumers' financial lives.
3. **Payment Services & Crypto**, combining Braintree, small- and medium-business processing, value-added services and crypto into a merchant-focused offer.

PayPal said the realignment would simplify operations, clarify accountability and accelerate decisions. Management also linked it to modernization, AI and automation, checkout improvement, consumer engagement and reinvestment of savings. Those are stated aims, not demonstrated results. The April announcement names the business mandates and leaders; it does not specify budgets, operating authority, internal service arrangements, or performance measures.

The boundaries are not self-evident. A consumer-facing checkout change may affect merchant conversion. A merchant pricing or routing choice may affect consumer experience. Fraud and identity controls protect the whole network, while product teams may need to test different propositions quickly. A shared technology platform could reduce duplication, but centralized prioritization could delay a business-specific opportunity. These are design questions for management; the public record does not show that any such conflict has occurred at PayPal.

One external segment, three operating businesses

PayPal describes a two-sided network connecting consumers and merchants, with products spanning branded checkout, unbranded processing, Venmo, buy now, pay later, point-of-sale tools, financing, payouts and risk services. Its FY2025 filing also emphasized a “One PayPal platform” alongside product-specific growth initiatives.

At June 30, 2026, PayPal’s filing said its chief operating decision maker reviewed consolidated net income and that the company had one operating and reportable segment. That external reporting basis does not tell us whether management has more detailed internal information. It does mean investors do not receive a public profit scoreboard for the three newly announced businesses. The case provides no new-unit P&Ls, shared-service cost allocations, customer-level conversion or retention, or estimates of cross-business spillovers.

The CEO must therefore choose a governance system before the public can judge the units on comparable segment profits. The system can use internal evidence unavailable in the case, but the recommendation should identify what information it needs rather than quietly invent it.

Signals that do not line up neatly

PayPal’s second-quarter results offered several indicators, each with a different definition and level of aggregation. TPV rose 10% year over year to \$486.4 billion; payment transactions increased 8%; transactions per active account rose 3%. Active accounts increased 0.3% year over year to 439 million; the 10-Q rounds the current and prior-year totals to 439 million and 438 million.

Revenue grew 5%, while transaction margin dollars grew 1% (3% excluding interest on customer balances), and GAAP operating income fell 5%. Management attributed slower transaction-revenue growth than TPV to product mix, higher co-marketing campaigns, lower foreign-exchange fees and lower partner incentives. It attributed about \$400 million of Q2 transaction-revenue growth to Braintree and \$60 million to Venmo, while PayPal-product revenue declined about \$130 million, primarily due to higher co-marketing with large merchants and lower FX-fee revenue. These approximate product drivers are company explanations, not unit profit figures.

Other operating signals use different measures. PayPal reported branded online checkout TPV growth of 2% on an FX-neutral basis, Braintree TPV growth in the mid-teens, Venmo debit-card monthly active users up more than 50%, and Pay with Venmo monthly active users up about 30%. These measures cannot be ranked as if they had common definitions or indicated equivalent economic returns. TPV is not margin; user activity is not profit; aggregate transaction-margin dollars do not reveal any business’s contribution.

The numbers invite competing readings. Product mix and merchant economics may be changing; deliberate merchant repricing or pruning could trade lower volume for better economics; co-marketing and FX can change reported product revenue; or execution and customer demand may differ among propositions. The disclosures do not isolate these explanations or establish the economics of the three operating businesses.

Efficiency and reinvestment

PayPal said simplification, including AI and automation, was expected to produce at least **\$1.5 billion of annualized gross run-rate savings over two to three years**, with a significant portion reinvested. The Q2 filing described first-phase actions that could produce about **\$400 million of gross run-rate savings**, expected transformation charges of **\$120-140 million** in the second half, and plans still in development.

These are prospective gross savings, not realized net savings. The company has not publicly allocated them across the three businesses or disclosed a net savings bridge, timing by action, or effects on service and growth. A governance design that rewards only local cost reduction could discourage investment in capabilities used across units; a central reinvestment pool could preserve platform investments but weaken business-level accountability. Decide how to make those trade-offs visible.

What research can-and cannot-settle

Research on multi-sided platforms describes a tension between coordinating decisions with spillovers and preserving local incentives and information. Evidence on information technology and organizational design suggests that structures, systems, skills and product changes may need to work together. Payment-adoption research finds interactions between merchant acceptance and consumer choices in its studied setting. These sources provide mechanisms to examine, not a PayPal org chart or a company-specific estimate.

The studies differ from PayPal in setting, era and data. They do not measure PayPal's cross-side effects, determine where its decision rights belong, validate the savings estimate, or establish that decentralized units will outperform centralized functions. Management's case for focus and faster accountability remains plausible; so does the risk that separate units could duplicate effort or overlook platform-wide effects.

Your assignment

Recommend an implementation design for the three-business model. Your answer should:

- Assign decision rights for product roadmaps, customer and merchant offers, pricing, risk and identity standards, data, technology architecture, shared services and investment priorities. You may add categories, but explain how boundary disputes are resolved.
- Define what each business owns and what the enterprise owns. Explain how local experimentation can proceed within common customer, risk and platform guardrails.
- Propose a scorecard that combines business-level accountability with outcomes that may cross business boundaries. Separate demand, revenue, cost, risk, customer experience and platform measures; identify the internal data required.
- Explain how management should track savings, transformation costs and reinvestment without treating gross run-rate estimates as realized value.
- State what evidence would cause you to delegate more authority, centralize a capability, or revise the design. Address the strongest argument against your recommendation.

Do not assume that the public operating indicators are comparable unit economics. Do not claim that PayPal has documented internal conflict, a proven local-information advantage, or achieved the announced savings. Label any policy, metric or threshold you propose as your recommendation. Support your reasoning with the company evidence and the research lenses

below.

Discussion questions

1. Which decisions benefit most from enterprise-wide coordination, and which depend on information held by a specific business?
2. How can PayPal give leaders meaningful accountability when external reporting remains consolidated? What internal measures would be necessary?
3. How should a shared platform allocate capacity and resolve priority disputes without becoming a bottleneck?
4. What is the right way to assess business performance when shared capabilities and cross-side effects matter?
5. How should gross savings, implementation costs and reinvestment be tracked so that neither local leaders nor central functions can claim value twice?
6. What evidence, over what period, would lead you to expand autonomy or tighten coordination?

Exhibit 1. Selected PayPal Q2 2026 indicators

Indicator	Q2 2026 / year-over-year change	Reading limit
Total payment volume	\$486.4B / +10%	Value processed; not revenue or profit
Payment transactions	+8%	Consolidated volume indicator
Transactions per active account	+3%	Company-defined measure; not a unit-level outcome
Active accounts	+0.3% to 439M	10-Q rounds prior-year total to 438M
Branded online checkout TPV	+2% FX-neutral	Management-reported product measure
Braintree TPV	Mid-teens growth	TPV is not contribution margin
Venmo debit-card monthly active users	More than +50%	Usage indicator; not profitability
Pay with Venmo monthly active users	About +30%	Usage indicator; not comparable to TPV growth
Transaction revenue	+5% reported	Mix, co-marketing, FX and incentives affected growth
Transaction margin dollars	+1%; +3% excluding interest on customer balances	Non-GAAP company measure; consolidated
GAAP operating income	−5%	Consolidated; does not isolate business performance

Exhibit 2. Announced organizational mandates

Business	Publicly announced mandate	Open implementation question
Checkout Solutions & PayPal	Combine consumer and merchant ecosystems under a unified strategy	Which checkout, merchant and consumer decisions should be joint?
Consumer Financial Services & Venmo	Broaden Venmo's role in consumers' financial lives	Which shared identity, risk, data and payment capabilities are enterprise standards?
Payment Services & Crypto	Combine Braintree, SMB processing, value-added services and crypto for merchants	How should common infrastructure support distinct merchant propositions?

Exhibit 3. Public savings expectations

Company statement	Case interpretation
At least \$1.5B annualized gross run-rate savings over 2-3 years	Prospective management estimate; not realized net savings
First-phase actions could generate about \$400M gross run-rate savings	Expected run-rate value, not cumulative cash or unit allocation
\$120-140M transformation charges expected in second half of 2026	Expected costs; future realization was unknown at the cutoff
Significant portion of savings intended for reinvestment	No public allocation by business or investment outcome

Sources and evidence boundary

- PayPal, FY2025 Form 10-K, filed February 3, 2026: [SEC filing](#). Business and strategy, printed pp. 4-8; competition risks, pp. 14-17; metrics and revenue analysis, pp. 30-36; segment information, pp. 118-119.
- PayPal, Q2 2026 Form 10-Q, filed July 28, 2026: [SEC filing](#). Recent developments, printed p. 47; metrics and revenue discussion, pp. 49-51; segment information, pp. 45-46.
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- PayPal, Q2 2026 earnings presentation, July 28, 2026: [presentation](#), slides 3, 5-6 and 22-26; and Q2 earnings release: [SEC exhibit](#), pp. 1-2.
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- Huynh, K. P., Nicholls, G. & Shcherbakov, O. (2019), "Explaining the Interplay Between Merchant Acceptance and Consumer Adoption in Two-Sided Markets for Payment Methods," Bank of Canada Staff Working Paper 2019-32. [Paper](#).

Case boundary: This case uses information available by July 29, 2026, 8:00 a.m. ET. It contains no later outcomes, confidential data, unit-level economics, forecast, financial model or Excel exhibit. Management statements and estimates are identified as company-reported; suggested governance designs and measures are for students to develop.