

# Market Research - Venmo

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What is Venmo?

- Venmo has emerged as one of the most popular apps for electronically transferring funds, from one party to another.
- Venmo facilitates digital payments within a social network of known friends and people in close geographical proximity.
- Unlike its competitors, Venmo doesn't charge users to send or receive more money, although credit card-based payments are charged.
- Venmo was launched in 2009 by two college roommates, Iqram Magdon-Ismael and Andrew Kortina, who were frustrated by the traditional point-of-sales software system when they were helping a friend start a frozen yogurt business.
- Thereafter, they developed a prototype for sending cash through text messages, before they took the smartphone app approach.
- In 2010, Magdon-Ismael and Kortina raised \$1.2 million of seed money and in 2012, Venmo was acquired by a fintech payments company called Braintree.
- In 2013, PayPal acquired Braintree for \$800 million.
- There was initially little fanfare around Venmo, until an aggressive marketing push in 2015, when PayPal announced the slogan: "Pay with Venmo," and instructed customers to use the app at retailers, in lieu of cash or credit cards.
- The timing for this campaign perfectly aligned with an economy where cash is slowly becoming obsolete, and people are less inclined to write checks or visit the ATM.

Venmo Business Model

- Although Venmo does not charge individual users for sending or receiving payments, it generates income through [Venmo API](#) and Venmo Touch services, which let users pay with Venmo on other applications, for which it charges a 2.9% businesses fee.
- The customer enjoys the benefit of free payments, while businesses acquire customers for that nominal fee.
- Venmo's other chief income source is the 3% fee it charges for credit card transactions.
- Venmo allows users to add an option to make an instant transfer through a debit card, which would get the money to a bank account in minutes for a 1 percent fee, with a minimum of 25 cents and a maximum of \$10. Now, the company is offering an option to transfer money to the bank without a debit card for the same fee. The standard bank transfer, which is free and takes between one and three days, is still available.

- Venmo's text fields are often flooded with emojis, such as slices of pizza and beers steins, which signal the nature of many Venmo exchanges.

### How Venmo Works

1. Download Venmo app
2. Sign up and verify
3. Add card or account details
4. Add/search/invite friends
5. Send/receive money (friends/known individuals/apps) → Venmo balance → Cash out (to bank account)
6. Feed published to social network

### Why Venmo is Popular

Like Facebook Inc. (FB), Instagram and WhatsApp, Venmo grew exponentially through peer-to-peer networking. Users are attracted to the following features:

- Unlike its competitors, Venmo doesn't charge users to send or receive more money, although credit card-based payments are charged.
- Users can make payments despite having insufficient Venmo balances because the deficit amounts are retrieved from a primary funding source, whether it's a savings account, a credit card, or a debit card.
- Payments can be made to those who don't use Venmo, although the recipient will have to sign up to accept money.
- The "Nearby Payment," function facilitates payments to people outside a user's friends group, provided they are in close geographical proximity.
- A "trust" feature lets users auto-pay for recurring expenses, like the monthly share of rent due.

### Statistics

- 52 million people use Venmo.
- 13% of PayPal's dollar volume comes from Venmo.
- Venmo is accepted at 2 million retailers in the US.
- Venmo processed \$102 billion in payments in 2019.
- Venmo processed \$17.6 billion in payments in 2016.
- There were 6 million Uber-related transactions in Venmo in 2017.
- Peer-to-peer (P2P) payments are increasing significantly in the US, driven by tremendous growth from Venmo and Zelle. eMarketer's latest estimates show that

P2P mobile transactions will total \$309.95 billion this, growing 27.9% to hit \$396.48 billion in 2020 (2019).

- The digital transaction market is growing rapidly, already making up 12% of the global peer-to-peer transaction market (2018).
- At the end of 2018, there were more than 80 million mobile phone P2P payments users in the U.S., amounting to more than one-third of mobile phone users. That's projected to hit more than 90 million by the end of this year, according to market research firm eMarketer (2019).

## Trends

- In 2019, 51 percent of U.S. mobile payment users stated that they have used Apple Pay in the past 12 months. Other [popular mobile payment brands](#) were Google Pay, Samsung Pay, and Chase Pay.
- According to a 2019 survey, 29 percent of Americans [would like to pay with their smartphones all the time](#). The most popular mobile payment scenarios include food and drinks in restaurants and everyday purchases.
- In a 2019 survey, 19 percent of consumers in the United States reported having [paid via smartphone in stores, restaurants or other points of sale](#). Retailers and SMBs have taken advantage of the situation and increasingly offer mobile payment methods during checkout.
- As of December 2018, the [most common mobile payment methods accepted by North American retailers](#) were Apple Pay, Mastercard by Mastercard and Visa Checkout.
- The global payment market will hit a major milestone in 2020: 1.06 billion people are expected to make a proximity mobile payment. But even as countries like China and Sweden take steps toward a cashless society, most of the world will still rely on cash and cards.
- Adoption of proximity mobile payments in the US continues to grow, but at an increasingly tepid pace. They've yet to unseat credit cards as the payment option of choice. Meanwhile, peer-to-peer (P2P) payment adoption is driven by platforms like Venmo and Zelle.
- The number of P2P payment users will continue to grow as well: We estimate that there were 69.2 million users in the US in 2019, rising to 73.8 million by 2020.
- In 2017, P2P payments were primarily used for small transactions, such as paying bills (45%), or spending on gifts (42%), travel (37%), dining (35%) and transport (30%). The majority of respondents who have switched to P2P said it was because of its ease and convenience, while others cited that it was due to encouragement by friends or the bank. Only 16% were ready to give up cash and cheques completely.
- Trends, such as the increasing use of person-to-person mobile payments via Venmo, Zelle, Square's Cash App, "tap and go" payments, digital wallets, and various faster-pay initiatives are all pushing the payments envelope.

- In other parts of the world, where more traditional forms of payments aren't as deeply rooted as they are in the West, mobile payments and digital wallets have become the default. China, for instance, already leads the world with mobile digital wallets accounting for 40% of in-person spending.
- Here in the U.S., however, where credit and debit cards have been entrenched for decades, and cash remains strong, digital payments have grown steadily, but not exponentially... yet. But the consensus is that they will. And if banks and credit unions invest in their payments ecosystem strategically, Accenture says there is potential for 30% revenue growth by 2022.
- In 2016, [Chase's QuickPay platform transferred \\$28 billion](#), compared with \$17.6 billion by Venmo. While startups had a definite early mover advantage, Chase and other behemoths benefited from enhanced credibility and built-in customer bases established through their existing businesses.
- Digital payments are taking off in the U.S. as consumers get more comfortable sending money to friends, family, and co-workers through a digital app. Zelle and rival Venmo, owned by PayPal, are the leading players although others including Square Cash are holding their own. They are in a cutthroat battle to grow their customer base and become the leader in this burgeoning industry.

#### Pain Points

- Because Venmo is currently available only in the U.S., no transactions may be made outside the country, even by American users.
- Security remains a concern for those skeptical of using [mobile payment](#) platforms, despite the app's advertised security settings.
- Venmo is only available for personal use, linked to personal bank accounts or credit cards. That means that businesses cannot directly use Venmo.
- Users are capped to sending a maximum of \$3,000 per week, on a rolling basis. The same goes for receiving. This can be an issue if you need to send or receive a large sum, or several smaller sums over a week's period of time.
- Privacy concerns remain a major barrier to usage of mobile payments. In a 2018 survey, 59 percent of respondents in the U.S. were [worried about their personal information when using mobile payments](#).

#### Demographics

- Venmo's explosive growth is largely driven by millennials, who even uses its name as a verb, as in, "I'll Venmo you for the food."
- 66% of young Americans that use mobile payments use Venmo.
- It is no secret millennials are driving Venmo's growth. Campus culture is littered with examples of Venmo's popularity where the app's nomenclature is increasingly being used as a verb as in, "I'll venmo you the money when I get back to my dorm."

- PayPal CEO Dan Schulman believes it's the app's social media-like quality where users can leave a public comment or emoji after every transaction that makes it so appealing to millennials.
- "And what Venmo has done and the thing that makes Venmo unique is it's not a payment transaction, it's kind of an experience. And what I mean by that is 90%-plus of all Venmo transactions are open to somebody's friend, network, and 90%-plus have a some sort of emoji or written commentary on that transaction. So if I want to see what you're doing, who you're dating, what you did, I can just go into your Venmo feed and see it. And there is like -- and everybody shares. So it is not a payment transaction but an experience for people..." - Dan Schulman, PayPal CEO
- This quality not only makes the app more attractive to younger generations, it also drives user engagement. At the same conference, Schulman shared that users were opening the app multiple times each week just to "to see what their friends are doing." Of course, the more users engage with the platform, the more the service becomes a force of habit for users.
- 36% of Americans surveyed in 2017 used P2P, with 62% of millennial respondents already avid users of the technology. The later generations of Gen X, baby boomers and seniors then follow suit.
- However, the surprising figure is that of those who do not currently use P2P, 49% of baby boomers, 48% of Gen Xers, 47% of millennials and 25% of seniors plan to start using the technology this year.
- The growth of the millennial market is one key reason for this growth, but the added [flexibility of paying](#) through mobile devices and online platforms cannot be ignored across all demographics. According to AARP, [one in two boomers predicts](#) they will start using peer-to-peer payment apps in the coming months, primarily due to the added flexibility.
- Companies need to view this challenge as urgent, especially when considering the attitudes of millennials. According to BBVA, 73% of [millennials](#) would be more excited about a new financial services offering from Google, Amazon, Apple, PayPal, or Square than from their own bank, and 70% of millennials believe that in five years the way we pay for things will be totally different than today (2018).
- By the end of 2022, [eMarketer predicts](#) over half of mobile phone users or 52.5% will have made at least one P2P payment within the past month. The growth will be driven by millennials, the research firm predicted.
- That's the case at Bank of America where 68% of its Zelle users are millennials. The bank said during the second quarter customers sent and received \$18 billion through 69 million Zelle transactions nearly doubling the number of transactions from last year's second quarter. Millennial customers are using it to pay rent, split utilities, for family care and gifts.
- As more consumers, particularly millennials, grow increasingly comfortable trusting their mobile devices to securely complete transactions, the peer-to-peer payment market is expanding significantly. In 2016, \$147 billion was transferred through digital peer-to-peer transactions (up from [\\$100 billion in 2015](#)).

- Peer-to-peer startups like the Cash App and Venmo need to build credibility with older generations and solidify their customer base, or else find themselves squeezed out by companies with deeper pockets. Unique offerings, valuable partnerships, and personalized solutions provide other opportunities for these companies to differentiate themselves from bank-supported services.

## Millennials and Finance Management

- 62% of millennials say they're living paycheck to paycheck (2019).
- Almost two-thirds of millennials say they're living paycheck to paycheck and only 38% feel financially stable, according to a new survey from Charles Schwab (2019).
- Millennials, more than any other generation surveyed by Schwab, feel the most insecure when it comes to their finances. That's according to roughly 380 millennials (ages 23 to 38) surveyed for [Schwab's 2019 Modern Wealth report](#).
- Millennials say they spend an average of \$478 a month on "nonessential" purchases, such as dining out, entertainment, luxury items and vacations. That's less than the \$587 Gen Xers report spending, but more than the \$359 spent by baby boomers.
- The number of households with student loan debt doubled from 1998 to 2016, [Pew Research Center found](#). The median amount of loan debt millennials carried was \$19,000, significantly higher than Gen Xers' balance of \$12,800 at the same age.
- About 40% of millennials (defined here as those 20 to 35 years old) have credit card debt.
- Millennials ages 25 to 34 had an average of \$36,000 in debt in 2018, excluding home mortgages.
- Nearly two-thirds of Millennials feel like they are doing worse financially compared to their parents' generation and [76 percent find it stressful dealing with their financial situation](#) — and this stress is only getting worse over time.
- The U.S. is dealing with a student loan debt crisis, with total debt reaching nearly \$1.6 trillion. Millennials are dealing with the brunt of this crisis — [29.1 million student loan borrowers are under the age of 39](#), more than any other generation.
- Not having enough savings for unexpected expenses is one of the top concerns for millennials, with 62 percent saying they are most financially stressed about their lack of emergency savings.

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