



PayPal Just Achieved Something None of Its Competitors Have Done

Description

PayPal ([NASDAQ: PYPL](#)), the online payment processing juggernaut, recently purchased a 70% stake in the China-based online payment services company GoPay. The move gives PayPal a controlling interest in GoPay, and more importantly makes PayPal the first foreign company to be granted a license to provide online payment services [in China](#).

PayPal's acquisition of GoPay, also known as Guofubao Information Technology Co., is expected to close in the fourth quarter of this year, and is being carried out through PayPal's China-based subsidiary, Yinbaobao Information Technology (Shanghai) Co., Ltd. The financial details of the deal weren't disclosed.

PayPal CEO Dan Schulman said in an online statement:

We are honored to become the first foreign payment platform to be licensed to provide online payment services in China. We look forward to partnering with China's financial institutions and technology platforms, providing a more comprehensive set of payment solutions to businesses and consumers, both in China and globally.

PayPal being the only foreign payment processing platform that's allowed to operate in China gives the company a potentially significant advantage over its competitors as the country's online and mobile payment processing market booms.

Why this is an advantage for PayPal

PayPal is a leader in the online payment processing space, but it's becoming an increasingly crowded market, and smaller companies, including **Square**, are making [big moves](#).

What makes PayPal's recent move important is the size of China's online payment market. Online payment transactions in the country doubled between 2013 and 2018, reaching \$200 trillion last year. As the only foreign online payment processing company in China, PayPal now has a key advantage

over its U.S. competitors in one of the largest payment processing markets.

But that doesn't mean PayPal's latest move will be a slam dunk for the company. PayPal will face significant challenges from **Alibaba's** [Alipay](#) and **Tencent's** WeChat Pay. Alipay and WeChat Pay account for a total of 90% of the mobile payment market in China.

Additionally, it's still unclear how long it will take PayPal to benefit from this acquisition. The company will close the deal by the end of this year, so it could be several quarters after that before we get a better idea of how well GoPay is paying off for PayPal. It's also unlikely that GoPay will unseat Alipay's or WeChat Pay's dominance at this point.

Still, investors should view PayPal's majority stake in GoPay as a great opportunity for PayPal to target the rapidly expanding online payment market in China. As e-commerce continues to grow in China and reaches a market size of \$2 trillion this year, PayPal will be able to tap into Chinese consumers' online payment needs. About 35% of all retail sales in China occur online, compared to just 11% in the U.S.

With PayPal already a dominant force in online and mobile payments in the U.S., the company's GoPay acquisition will make it harder for PayPal's competitors to take on the company's global ambitions.

CATEGORY

1. Investing
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TICKERS GLOBAL

1. NASDAQ:PYPL (PayPal Holdings Inc.)
2. NYSE:BABA (Alibaba Group Holding Limited)
3. NYSE:XYZ (Block)
4. OTC:TCEH.Y (Tencent Holdings Limited)

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