

PayPal Versus Google: The Checkout Wars

Don Davis, “Google and Paypal Collide at the Checkout,” *Internet Retailer*, October 2007.

Google is trying to take the wind out of PayPal’s sails with its new checkout capacity. Merchants that use Google’s checkout rather than PayPal’s receive incentives. Even though Google is really in the advertising business, and PayPal is the original online payment processing company, when it comes to checking out, the two companies clearly overlap.

The online giant Google has taken an aggressive approach to winning customers to its service, including an offer of \$10 of free processing for every \$1 that merchants spend with Google Adwords, Google’s advertising service. For some merchants, the offer could even mean free processing, as long as they advertise with Google.

In addition, Google benefits small retailers that consumers often are not sure whether they can trust. For some retailers, the Google Checkout icon signals their reliability. For example, Intermix, a trendy apparel retailer, has enjoyed increased traffic and an ever-improving Google “quality score” since it adopted Google Checkout. The improved quality score moves the retailer up the list of search results on Google’s site, which in turn means the retailer does not have to pay as much to increase its visibility. By simply adding Google Checkout, retailers often can save money in their efforts to attract new customers.

Yet some retailers remain opposed to Google Checkout because the service keeps all of the customer’s information private, so retailer cannot gain any information about its own customers. Once the Google Checkout process begins, the customer enters a Google page, and the retailer cannot contact the customer in the future.

Currently, eBay does not allow Google Checkout; 80 percent of PayPal’s revenues come from eBay customers. But PayPal also offers more than just checkout service, including its ability to maintain account balances for customers. On average, members keep \$2.5 billion in PayPal accounts, and this money turns over every two weeks. PayPal remains the most popular way to pay for merchandise online—some 23 percent of PayPal users most prefer to pay this way, whereas 1 percent of Google users prefer to pay using Google Checkout. PayPal also does not control the customer, meaning that it only requires the customer to sign in on its site but keeps the customer on the merchant’s site.