PayPal Holdings, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)
2211 North First Street
(Address of Principal Executive Offices)
San Jose, California
(Postal Address of Principal Executive Offices)
(408) 967-1000
(Registrant's telephone number, including area code)

47-2989869
(I.R.S. Employer Identification No.)
95131
(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:
Title of each class Trading Symbol(s) Name of each exchange on which registered
Common stock, $0.0001 par value per share PYPL NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.  Yes ☐  No ☒

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes ☒  No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒  Accelerated Filer ☐
Non-accelerated Filer ☐  Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes ☐  No ☒

As of June 30, 2020, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was approximately $204.2 billion based on the closing sale price as reported on the NASDAQ Global Select Market.

As of January 29, 2021, there were 1,171,175,760 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement for its 2021 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant’s fiscal year ended December 31, 2020.
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**Part III**

**Part IV**

**Trademarks, Trade Names and Service Marks**

PayPal owns or has rights to use the trademarks, service marks, and trade names that it uses in conjunction with the operation of its business. Some of the more important trademarks that PayPal owns or has rights to use that appear in this Annual Report on Form 10-K include: PayPal®, PayPal Credit®, Braintree, Venmo, Xoom, iZettle, Hyperwallet, and Honey, which may be registered or trademarked in the United States and other jurisdictions. PayPal’s rights to some of these trademarks may be limited to select markets. Each trademark, trade name, or service mark of any other company appearing in this Annual Report on Form 10-K is, to PayPal’s knowledge, owned by such other company.
FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (“Form 10-K”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements that involve expectations, plans or intentions, such as those relating to future business, future results of operations or financial condition, new or planned features or services, mergers or acquisitions, or management strategies. Additionally, our forward-looking statements include expectations related to anticipated impacts of the outbreak of the novel coronavirus (“COVID-19”). These forward-looking statements can be identified by words such as “may,” “will,” “would,” “should,” “could,” “expect,” “anticipate,” “believe,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “project,” “forecast,” and other similar expressions. These forward-looking statements involve risks and uncertainties that could cause our actual results and financial condition to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those discussed in “Item 1A. Risk Factors” of this Form 10-K, as well as in our consolidated financial statements, related notes, and the other information appearing in this report and our other filings with the Securities and Exchange Commission (“SEC”). We do not intend, and undertake no obligation except as required by law, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. You should read the information in this report in conjunction with the audited consolidated financial statements and the related notes that appear in this report.

ITEM 1. BUSINESS

OVERVIEW

PayPal Holdings, Inc. was incorporated in Delaware in January 2015 and is a leading technology platform and digital payments company that enables digital and mobile payments on behalf of merchants and consumers worldwide. PayPal is committed to democratizing financial services to improve the financial health of individuals and to increase economic opportunity for entrepreneurs and businesses of all sizes around the world. Our goal is to enable our merchants and consumers to manage and move their money anywhere in the world, anytime, on any platform, and using any device when sending payments or getting paid. We also facilitate person-to-person (“P2P”) payments through our PayPal, Venmo, and Xoom products and services and simplify and personalize shopping experiences for our consumers through our Honey Platform. Our combined payment solutions, including our core PayPal, PayPal Credit, Braintree, Venmo, Xoom, iZettle, and Hyperwallet products and services, comprise our proprietary Payments Platform. Unless otherwise expressly stated or the context otherwise requires, references to “we,” “our,” “us,” “the Company,” or “PayPal” refer to PayPal Holdings, Inc. and its consolidated subsidiaries.

PayPal’s payment solutions enable our customers to send and receive payments. We operate a global, two-sided network at scale that connects merchants and consumers with 377 million active accounts (consisting of 348 million consumer active accounts and 29 million merchant active accounts) across more than 200 markets. PayPal helps merchants and consumers connect, transact, and complete payments, whether they are online, on a mobile device, in an app, or in person. PayPal is more than a connection to third-party payment networks. We provide proprietary payment solutions accepted by merchants that enable the completion of payments on our Payments Platform on behalf of our customers. The COVID-19 pandemic has impacted consumer behavior and has accelerated the shift from traditional in-store shopping toward e-commerce and buy online and pick up in store to the extent that merchants are adopting safer contactless payment solutions based on consumer demand for such options.

We offer our customers the flexibility to use their accounts to purchase and receive payments for goods and services, as well as the ability to transfer and withdraw funds. We enable consumers to exchange funds more safely with merchants using a variety of funding sources, which may include a bank account, a PayPal Cash or Cash Plus account balance, a Venmo account balance, our credit products, a credit card, debit card, or other stored value products such as coupons, gift cards, and eligible credit card rewards. Our PayPal, Venmo, and Xoom products also make it safer and simpler for friends and family to transfer funds to each other. We offer merchants an end-to-end payments solution that provides authorization and settlement capabilities, as well as instant access to funds. We help merchants connect with their customers and manage risk. We enable consumers to engage in cross-border shopping and merchants to extend their global reach while reducing the complexity and friction involved in enabling overseas and cross-border trade.
We earn revenues primarily by charging fees for completing payment transactions for our customers and other payment-related services that are typically based on the volume of activity processed on our Payments Platform. We generally do not charge consumers to fund or draw from their accounts; however, we generate revenue from consumers on fees charged for foreign currency conversion and instant transfers from their PayPal or Venmo account to their debit card or bank account, as well as from interest and fees from our credit products. We also earn revenue by providing other value added services, which comprise revenue earned through partnerships, our merchant and consumer credit products, referral fees, subscription fees, gateway services, and other services that we provide to our merchants and consumers.

KEY PERFORMANCE METRICS

We measure the relevance of our products and services to our customers and the performance and success of our business through active accounts, payment transactions, and total payment volume:

An **Active Account** is an account registered directly with PayPal or a platform access partner that has completed a transaction on our Payments Platform or through our Honey Platform, not including gateway-exclusive transactions, within the past 12 months. A platform access partner is a third party whose customers are provided access to PayPal’s Payments Platform through such third-party’s login credentials.

**Number of Payment Transactions** are the total number of payments, net of payment reversals, successfully completed on our Payments Platform or enabled by PayPal via a partner payment solution, not including gateway-exclusive transactions.

**Total Payment Volume ("TPV")** is the value of payments, net of payment reversals, successfully completed on our Payments Platform or enabled by PayPal via a partner payment solution, not including gateway-exclusive transactions.

OUR STRENGTHS

Our business is built on a strong foundation designed to drive growth and differentiate us from our competitors. We believe that our competitive strengths include the following:

- **Two-sided network**—our Payments Platform connecting merchants and consumers enables PayPal to offer unique end-to-end product experiences while gaining valuable insights into customer behavior. Our Payments Platform provides for digital, mobile, and in-store (at the point of sale) transactions while being both technology and platform agnostic.
• **Scale**—our global scale allows us to drive organic growth. As of December 31, 2020, we had 377 million active accounts, consisting of 348 million consumer active accounts and 29 million merchant active accounts in more than 200 markets around the world. A market is a geographic area or political jurisdiction, such as a country, territory, or protectorate, in which we offer some or all of our products and services. A country, territory, or protectorate is identified by a distinct set of laws and regulations. In 2020, we processed $936 billion of TPV.

• **Brands**—we have built and strengthened well-recognized and trusted brands, including PayPal, Braintree, Venmo, Xoom, Hyperwallet, iZettle, and Honey. Our marketing efforts across multiple demographic groups play an important role in building brand visibility, usage, and overall preference among customers.

• **Risk and Compliance Management**—our enterprise risk and compliance management program and use of tokenization are designed to help keep customer information secure, and to help ensure we process legitimate transactions around the world, while identifying and minimizing illegal, high-risk, or fraudulent transactions.

• **Regulatory**—we believe that our regulatory licenses, which enable us to operate in markets around the world, are a distinct advantage and help support business growth.

**MERCHANT AND CONSUMER PAYMENT SOLUTIONS**

We partner with our merchants to help grow and expand their businesses by providing global reach and powering all aspects of digital checkout. We offer alternative payment methods, including access to credit solutions, provide fraud prevention and risk management solutions, reduce losses through proprietary protection programs, and offer tools and insights for leveraging data analytics to attract new customers and improve sales conversion. We employ a technology and platform agnostic approach intended to enable merchants of all sizes to quickly and easily provide digital checkout online, on mobile devices, and in-store across all platforms and devices and to securely and simply receive payments from their customers.

**Merchant Value Proposition**

We partner with our merchants to help grow and expand their businesses by providing global reach and powering all aspects of digital checkout. We offer alternative payment methods, including access to credit solutions, provide fraud prevention and risk management solutions, reduce losses through proprietary protection programs, and offer tools and insights for leveraging data analytics to attract new customers and improve sales conversion. We employ a technology and platform agnostic approach intended to enable merchants of all sizes to quickly and easily provide digital checkout online, on mobile devices, and in-store across all platforms and devices and to securely and simply receive payments from their customers.
PayPal’s Payments Platform enables merchants to accept all types of online and offline payments, including those made with the PayPal and Venmo wallets, credit cards and debit cards, Apple Pay, Samsung Pay, and Google Pay, as well as other popular local payment methods. Our diversified product suite is tailored to meet the needs of merchants regardless of their size or business complexity. We have expanded our merchant value proposition to enable payment acceptance at the point of sale through our PayPal and Venmo digital wallets, our iZettle point of sale solutions, and our quick response (“QR”) code-based solutions. We aim to offer a seamless, omni-channel solution that helps merchants manage and grow their business. Our Honey Platform and PayPal consumer credit offerings, including installment payment products, enable merchants to drive increased conversion through higher consumer engagement.

We offer access to credit products for certain small and medium-sized merchants through our PayPal Working Capital and PayPal Business Loan products, which we collectively refer to as our merchant lending offerings. Our PayPal Working Capital product allows businesses to borrow a certain percentage of their annual payment volume processed by PayPal for a fixed fee. Our PayPal Business Loan product provides businesses with short-term financing for a fixed fee based on an evaluation of both the applying business as well as the business owner. We believe that our merchant lending offerings allow us to deepen our engagement with our existing small and medium-sized merchants and expand services to new merchants by providing access to capital that may not be available effectively or efficiently from traditional banks or other lending providers.

Our acquisition of a controlling equity interest in Guofubao Information Technology Co. (GoPay), Ltd (“GoPay”), a holder of payment business licenses in China, enables us to partner with Chinese financial institutions and technology platforms to provide a more comprehensive set of payment solutions to merchants and consumers, both in China and globally.

We generate revenues from merchants primarily by charging fees for completing their payment transactions and other payment-related services.

**Consumer Value Proposition**

We focus on providing affordable consumer products intended to democratize the management and movement of money. We provide consumers with a digital wallet that enables them to send payments to merchants more safely using a variety of funding sources, which may include a bank account, a PayPal Cash or Cash Plus account balance, a Venmo account balance, our consumer credit products, a credit card, debit card, or other stored value products such as coupons, gift cards, and eligible credit card rewards.

We also offer consumers P2P payment solutions through our PayPal, Venmo, and Xoom products and services. We enable both domestic and international P2P transfers across our Payments Platform. Our Venmo app in the U.S. is a leading mobile application used to move money between our customers and to make purchases at select merchants. Xoom is an international money transfer service that enables our customers to send money and prepay mobile phone reloads to, and pay bills for, people around the world in a secure, fast, and cost-effective way. P2P is a significant customer acquisition channel that facilitates organic growth by enabling potential PayPal users to establish active accounts with us at the time they make or receive a P2P payment. We also simplify and personalize shopping experiences for our consumers through our Honey Platform by offering tools for product discovery, price-tracking, and offers, which enhances consumer engagement and conversion and sales for our merchants.

We offer our PayPal Credit products to consumers in certain markets as a potential funding source at checkout. Once a consumer is approved for credit, PayPal Credit is made available as a funding source for that account holder. Our U.S. PayPal- and Venmo-branded consumer credit program is offered primarily through Synchrony Bank. In addition, we have expanded our consumer credit offerings to include installment payment products in the U.S., U.K., France, and Germany. We believe that our consumer credit products allow us to increase engagement with consumers and merchants on our two-sided network.

We generate revenue from consumers on fees charged for foreign currency conversion, optional instant transfers from their PayPal or Venmo account to their debit card or bank account, interest and fees from our PayPal Credit products, and other miscellaneous fees.
PROTECTING MERCHANTS AND CONSUMERS

Protecting merchants and consumers on our Payments Platform from financial and fraud loss is imperative to successfully competing and sustainably growing our business. Fraudulent activities, such as account takeover, identity theft (including stolen financial information), and counterparty malicious activities, represent a significant risk to merchants and consumers, as well as their payment partners. We provide merchants and consumers with protection programs for certain purchase transactions completed on our Payments Platform. We believe that these programs, which help protect both merchants and consumers from financial loss resulting from fraud and counterparty non-performance, are generally broader than similar protections provided by other participants in the payments industry. As a result, merchants may incur losses for chargebacks and other claims on certain transactions when using other payments providers that the merchants would not incur if they used our payments services. We also provide consumer protection against losses on qualifying purchases and accept claims for review up to 180 days post-transaction. We believe that this protection is generally consistent with, or better than, that offered by other payments providers. These programs are designed to promote confidence on both the part of consumers, who will only be required to pay if they receive their purchased item in the condition significantly as described, and merchants, who will receive payment for the product they deliver to the customer.

Our ability to protect both merchants and consumers is based largely on our proprietary, end-to-end Payments Platform and our ability to utilize the data from both sides of transactions on our two-sided network, specifically from buyers and sellers and from senders and receivers of payments. We believe mobile devices will continue to play a significant and increasing role in commerce, including by creating the opportunities to make the payments ecosystem safer. For example, PayPal uses data from mobile devices to help reduce financial and fraud risk to merchants and consumers. Our ongoing investment in systems and processes designed to enhance the safety and security of our products reflects our goal of having PayPal recognized as one of the world’s most trusted payments brands.

COMPETITION

The global payments industry is highly competitive, continuously changing, highly innovative, and increasingly subject to regulatory scrutiny and oversight. We compete against a wide range of businesses. Some of our current and potential competitors may be larger than we are, have larger customer bases, greater brand recognition, longer operating histories, a dominant or more secure position, broader geographic scope, volume, scale, resources, and market share than we do, or offer products and services that we do not offer. Other competitors are smaller or younger companies that may be more agile in responding quickly to regulatory and technological changes. Many of the areas in which we compete evolve rapidly with innovative and disruptive technologies, emerging competitors, business alliances, shifting consumer habits and user needs, price sensitivity on the part of merchants and consumers, and frequent introductions of new products and services.

We differentiate ourselves to merchants through our ability to innovate and develop products and services that offer new payment experiences for our merchants, demonstrate that they may achieve incremental sales by using and offering our services to consumers, support transactions on our Payments Platform across varied technologies and payment methods, through the simplicity and transparency of our fee structure, and our seller protection programs. In addition, we differentiate ourselves to consumers through the ability to use our products and services across multiple commerce channels, including e-commerce, mobile, and payments at the point of sale, and without sharing their financial information with the merchant or any other party they are paying; our customer service, dispute resolution, and buyer protection programs; and our ability to simplify and personalize shopping experiences. We believe that we compare favorably to our competitors with respect to these factors and we invest resources towards improving our products and services, offering choice in payment options, providing excellent customer service, and building brands that merchants and consumers trust.

Our business faces competition from a wide range of businesses and from all forms of physical and electronic payments. We face competition from banks and financial institutions, which provide traditional payment methods (particularly credit cards and debit cards (collectively, “payment cards”), electronic bank transfers, and credit), payment networks that facilitate payments for payment cards or proprietary retail networks, payment card processors, and “card on file” services. We also face competition from providers offering a variety of payment products and services including tokenized and contactless payment cards, digital wallets and mobile payments solutions, credit, installment or other buy now pay later methods, real-time payment systems, P2P payments and money remittance services, card readers and other devices or technologies for payment at point of sale, virtual currencies and distributed ledger technologies, and tools that simplify and personalize shopping experiences for consumers and merchants. Our products and services face competition from all forms of payments, which include paper-based payments (primarily cash and checks), credit cards, debit cards, electronic bank transfers, credit, installment methods, digital wallets and mobile payment solutions, contactless payments (including contactless cards, tokenized cards, near field communication (“NFC”) based solutions, and QR code-based solutions), and virtual currencies, such as cryptocurrencies and stablecoins.
In addition to the discussion in this section, see “Item 1A. Risk Factors” under the caption “We face substantial and increasingly intense competition worldwide in the global payments industry” for further discussion of the potential impact of competition on our business.

**STRATEGY**

Our ability to grow revenue is affected by, among other things, consumer spending patterns, merchant and consumer adoption of digital payment methods, the expansion of multiple commerce channels, the growth of mobile devices and merchant and consumer applications on those devices, the growth of consumers globally with internet and mobile access, the pace of transition from cash and checks to digital forms of payment, our share of the digital payments market, and our ability to innovate and introduce new products and services that merchants and consumers value. Our strategy to drive growth in our business includes the following:

- **Growing our core business**: through expanding our global capabilities, customer base and scale, increasing our customers’ use of our products and services by better addressing their everyday needs related to accessing, managing, and moving money, and expanding the adoption of our solutions by merchants and consumers;

- **Expanding our value proposition for merchants and consumers**: by being technology and platform agnostic, partnering with our merchants to grow and expand their business online and in-store, and providing consumers with simple, secure, and flexible ways to manage and move money across different markets, merchants, and platforms;

- **Forming strategic partnerships**: by building new strategic partnerships to provide better experiences for our customers, offering greater choice and flexibility, acquiring new customers, and reinforcing our role in the payments ecosystem; and

- **Seeking new areas of growth**: organically and through acquisitions and strategic investments in our existing and new international markets around the world and focusing on innovation both in the digital and physical world.

In 2021, we intend to further enhance our PayPal and Venmo digital wallets to increase their functionality and drive higher engagement on our Payments Platform. Our goal is to provide our consumers with a comprehensive set of services to manage their finances and enhance their ability to shop online and in person.

**TECHNOLOGY**

Our Payments Platform utilizes a combination of proprietary and third-party technologies and services intended to efficiently and securely facilitate transactions between millions of merchants and consumers worldwide across different channels, markets, and networks. Our Payments Platform connects with financial service providers around the world and allows consumers to make purchases using a wide range of payment methods, regardless of where a merchant is located. Consumers who use our Payments Platform can send payments in more than 200 markets around the world and in more than 100 currencies, withdraw funds to their bank accounts in 56 currencies, and hold balances in their PayPal accounts in 25 currencies.

A transaction on our Payments Platform can involve multiple participants in addition to us, including a merchant, a consumer, and the consumer’s funding source provider. We have developed intuitive user interfaces, customer tools, transaction completion database, and network applications on our Payments Platform designed to enable our customers to utilize our suite of products and services. Our Payments Platform, open application programming interfaces, and developer tools are designed to enable developers to innovate with ease and offer robust applications to our global ecosystem of merchants and consumers, while at the same time maintaining the security of our customers’ information.

The technology infrastructure supporting our Payments Platform simplifies the storage and processing of large amounts of data and facilitates the deployment and operation of large-scale global products and services in both our own data centers and when hosted by third party cloud service providers. Our technology infrastructure is designed around industry best practices intended to reduce downtime and help ensure the resiliency of our Payments Platform in the event of outages or catastrophic occurrences. Our Payments Platform incorporates multiple layers of protection for business continuity and system redundancy purposes and to help mitigate cybersecurity risks. We have a comprehensive cybersecurity program designed to protect our technology infrastructure and Payments Platform against cybersecurity threats, which includes regularly testing of our systems to identify and address potential vulnerabilities. We strive to continually improve our technology infrastructure and Payments Platform to enhance the customer experience and to increase efficiency, scalability, and security.