

Block Investor Day 2025 Transcriptions

Brian Grassadonia

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I gotta find my ex on the stage. There's a nice, healthy debate going on back there about what happened with Owens AV issue. We think he might have unplugged the cord. So just keep that in mind, when he was given the AV guy trouble, I went the microphone anyways. Good morning everybody. Thank you for being here and welcome extremely excited to get the chat with you all today. I think the last time that we held one of these analysts slash investor days in person, it was about 10 years ago, right down the street, over at the Presidio officers club. Some of you might have been there. It was right before our IPO and I got up on stage and I got to share something I was working on, was cash app. And at the time of our IPO, I think it's just like, worth calling out that cash app. It really was a footnote in terms of the investment thesis of our company. You know, I think I had maybe a five minute allocation, maybe two or three slides to kind of get to share the work. I got a little bit more time today and some plugs, so maybe have a little more credibility this time. Credibility this time. But yeah, so today I get to share another project that I've been working on, similar to cash app. It's a network we've been working on it for about a year, and I really do think that this has the potential to have as much impact for block that cash app has had potentially even more. So I'm hoping that you all get excited about it and understand the potential. So just to set a little bit of background context, when I started working on Cash App back in 2013 you know, I kind of started a side project. It was born out of an exploration I was doing at the time to figure out if there were ways where we could lower the cost of payment processing on behalf of our sellers. In order to do that, I knew that I would need to create a product that could achieve mass market scale with a cost of funding advantage. And so as a result, we started exploring ideas in the in the peer to peer payments landscape. And so we started working on a product that we called Square Cash at the time, kind of symbolizing the connection between the two ecosystems. And what I thought would be, you know, just a smart, small side project, ended up being a 12 year journey. So about a year ago, I stepped away from the day to day management of cash app to kind of see if I could create an experience that would bring the original vision of Cash App back full circle. So. To see if we could drive economic empowerment for our sellers and consumers in a much more deep and even meaningful way. So we began our exploration by looking at the neighborhood, you know, a place where we believe that the opportunity for driving economic empowerment truly comes to life. And so, you know, in many ways, I've always thought about neighborhoods as representing the battleground for the cultural identity of our society. In the ideal scenario, our neighborhoods are fueled by a thriving small business economy, where local business owners and entrepreneurs feel inspired to be their most creative selves, where they can pour their creativity into their storefronts and into their products. But all too often, our neighborhoods don't end up looking like this. They end up looking a bit more like this. Thanks for the laugh. You know, we've all, we've all visited

communities like this, you know, they, they, you know, you kind of take the 50 largest national chains. You plop them down in a predictable grid, and these aren't places that inspire us. They're not places that we, you know, like to linger. They're places that kind of stress us out. We visit them if we're hungry or if we have to buy something. They're very utilitarian. And so, you know, the unfortunate reality, though, is that these national chains, you know, they have tremendous resources. They're well capitalized. They have repeatable playbooks for opening new locations and spreading they have robust software offerings for streamline their operations and managing costs. And increasingly, they're developing really sophisticated digital strategies for not just acquiring new customers, but in some ways even more important in today's in today's environment, retaining the customers that they have, establishing first party relationships, direct relationship with their consumers, and reengaging them. You know, at the heart of these digital strategies, kind of a theme that we've seen play out over the last, you know, 10 years, is that we're increasingly seeing national chains investing in their own first party mobile applications. And these applications, for the most part, they kind of do the same thing. They tend to wrap some sort of online ordering utility into a rewards program. And you know, they these national chains are really invested in distributing these. If you walk down the street, if you walk into their store, they're thinking about the kind of customer lifecycle in their store. They'll oftentimes have a big sign plastered on their window, prompting people to download the app, maybe signage at the point of sale to download their app. And it's essential that they do this because they're trying to avoid being disintermediated and giving up their customer relationship to third party delivery marketplaces. And for the most part, this strategy, it's really working, as we kind of see here from the App Store rankings. Some of these apps represent the largest apps in the food and beverage section of the app store. And so you know, what started off, kind of as a strategy of like the largest national chains, has actually become the default playbook that we see for most of the national chains within the United States, develop a relationship with our customers directly, so that they can build build a followership of downloads. They can send marketing campaigns. They can directly engage their customers. And, you know, we talked to a lot of local businesses, and they kind of see this theme playing out, and they have the exact same objective, like, they don't want to be disintermediated either. They want to make sure that they're establishing a direct relationship with their consumer. With their consumers. They don't want to give up their customer relationship to marketplaces. And so a lot of them have kind of pursued the same strategy of trying to build their own mobile applications. But we think that this is a futile, a futile effort. I don't think that this is likely to work. And for some of us, you know, maybe we've seen some of these applications, but the problems with them is, you know, we consumers really don't have an appetite to, you know, download dozens of mobile applications for every, you know, restaurant or QSR that you would visit. We all have tons of apps on our phone. They kind of get lost in the clutter. We don't have an ability to kind of manage, you know, dozens of logins. We don't want it. We don't have the capacity to manage, you know, dozens of fragmented loyalty programs. These apps tend to not have the scale for any one of the sellers to build up a stored balance, a stored balance system to drive down the cost of processing. It just is not a strategy that we think is worth pursuing for business, for local businesses, and we don't think it's going to work. So that's why we built neighborhoods. And so with neighborhoods, we rolled this out a couple weeks ago at Fall releases. For those of you that are there that just heard me say, a lot of what I just said, I promise you the rest of the

presentation is different, but so that's why we rolled out neighborhoods. So with neighborhoods, what we're able to offer to our sellers is we're able to offer them a software offering that gives them all of the same capabilities of having their own mobile applications, all of the same benefits, without having to manage the complexity, without having to invest the cost, without having to figure out how they're going to invest in a distribution strategy to get that application distributed. It's. An ecosystem that exists within Cash App, and I'll explain in a second, kind of some of the features that our sellers are able to get with this. So the first thing that we're offering our sellers with neighborhoods is a first party online ordering profile. So when their customer downloads Cash App, they receive a profile, and this profile has all the same capabilities that you would otherwise get with an application. It has an ability to order directly from within the application. We built a network wide reward system that works as part of the program, all stored within Cash App. So instead of consumers having to manage dozens of different loyalty programs, it's one loyalty rewards program called local cash, where if you acquire local cash at one seller, you're able to spend it at another seller. So we're able to create kind of economies of scale and a strength in numbers, so that the local businesses are able to compete more effectively with local chains. Because this is built into cash app, we have a pooled stored balance account which leverages the Cash App stored balance so that we're able to help drive down the cost of processing for sellers that are adopting neighborhoods, and I'll talk about that in a second, sellers are able to build a loyal base of followers, just like they might if you could imagine, if they were building an Instagram followership, or something like another social media platform, that we're able to drive followers instead of downloads, And those followers. Once they once a seller acquires a follower, we're going to provide an offering that behaves just like if they were to get the download, because we're offering a free suite of marketing tools for the sellers, for the sellers to reach their followers. There's no payment. They don't have to pay to engage their own customers, and there's no gatekeeping and no additional fees. So next, I'm going to kind of walk you through a demo of the customer journey for how neighborhoods works. And so it begins in store right at the point of sale. I was walking down the street, you know, just yesterday, down on Chestnut Street, there was a large national chain. They had a big billboard, or, like, it's like a window plastering in their window, kind of promoting their their digital application, or their mobile application. So we have, you know, a very, very wide network and distribution of buyer facing displays. Many of you have seen them in your local neighborhoods right at the point of sale, and we can start our journey by promoting neighborhoods right at the point of sale. And just like you might see an opportunity to download a mobile application, customers are prompted to follow the seller and earn rewards on cash app as they move through the checkout flow, there's an opportunity to follow the seller and then as they move through the flow, we're using local cash rewards, which is a cash back program. This is, it's an in network loyalty program where you can scan the reward and you can save the seller's profile directly into cash app. And so this is Cash App, and so once you enroll for neighborhoods, you have a new experience, right? It's called the neighborhoods tab on Cash App, and now you can see you're following that seller. You have their card, you have your local cash balance, which you can accumulate across sellers, and you can see your order progress right in the middle, the middle apple up there. So just to kind of help illuminate the opportunity here we have a massive, massive distribution of quick serve restaurants within the square platform today, we see we have over 250,000 locations that are already on square and those, those at those

locations, we see over 320 million unique cards every single year. Just to kind of give you a sense for like, the scale of our distribution, the scale of our reach, and so, you know, we've been, we've been testing neighborhoods now for a year. We have different cohorts, and this is what the cohort curves look like in terms of how effective we've been at acquiring consumers, at a given seller, into neighborhoods. You can see each quarter that we've like, iterated on that experience, we've gotten stronger than the last quarter. And so you can see these curves. We haven't really seen the potential of where these go right now. They look like they're just up into the right in a kind of a completely linear way. And if we look at some of the examples for some of the sellers on our platform that have really leaned in, we've been able to achieve almost enrolling almost 10% of their customer base in just the first six months of them being live. And that looks like it's still continuing to grow. Now, the most exciting thing for us, and I think in terms of the investment thesis for neighborhoods is that approximately 50% of the people that are enrolling in neighborhoods were not active on cash app in the last quarter, which represents a massive opportunity for us to bring new Cash App customers into the ecosystem and continue scaling the Cash App network. We think this is a huge competitive advantage in terms of our proprietary distribution channels to continue growing the Cash App network, bring sellers onto neighborhoods, turn the network on. Customers come into the ecosystem. So coming back to the demo. So once a consumer adopts Cash App, now they have, they have the neighbor. Hood tab on their phone, and now the profile acts just like it would if they were to have that seller's mobile application. They can order directly from the seller. They can do pickup, they can do delivery. They can browse items. Here. We'll look at what pastries are available. We'll select an almond croissant. We'll add it to our cart, and this is where the local cash reward system can come into play. You can apply your local cash to the order. So as you're earning local cash at the seller, you can apply it kind of creating a consumer advantage, or consumer use case for them to want to order through this this channel versus other channels we can check out. And then we're back onto the neighborhood step. So the other thing that we're really excited about with this is because we're leveraging Cash App. Cash App brings in over \$300 billion a year in inflows. We have a large stored balance pool that we've been able to create within Cash App that we're putting allowing our sellers to leverage to bring down the cost of payment processing for them. So instead of them investing in their own mobile application trying to build their own stored balance or their own top ups where they might bring down the cost of processing, we're allowing sellers to leverage our stored balance ecosystem to bring down their costs, which we've seen to be a really, really compelling reason why sellers are wanting to adopt this. If they can drive sales to this channel, it helps bring down their cost. Now, I think something that's important to kind of highlight here is that this this kind of strategy in terms of our pricing. This isn't about us trying to kind of create a new, you know, payment margin business where you charge 1% and we're trying to make a lot on the on the spread between our cost and the 1% this strategy is all about building a network that has tremendous value for sellers and tremendous value for consumers, so that we can create network scale, so that we can bring sellers into the ecosystem through a pricing through This pricing mechanism and then allowing us to bring consumers into the ecosystem as well. That's part of that's what our strategy is here. So moving along with the demo, it's just showing as you kind of move throughout the neighborhood, as you find sellers that are on neighborhood, you can follow multiple sellers. It's simple. It's all consolidated right in your cash app, you can follow multiple sellers, and as you're

building up your local cash sellers, you can spend across the ecosystem. So again, I think that the right mental model for y'all to kind of think about this is, this is all about a seller building their own following. This is a, this is almost like an anti marketplace, where they're not getting kind of commoditized, where they're just their items are getting kind of commoditized within a supply this is about them building their own followership, and we're kind of putting our money where our mouth is by giving them a suite of marketing tools for them to reach out to their customers directly once they follow them. So this is a view of square dashboard. I can see how many followers I have. I can see how much local cash they've redeemed at my store. I can see what kind of demographics we have and how much revenue they're generating. And so as I build up my followers, I can compose campaigns to engage in so in the same way that if I were to build up, build my own application, distribute my own application, one of the main reasons that sellers do this is so they can send campaigns and push notifications offer free items to keep them coming back. So a seller can compose a campaign. In this case, we'll select our entire audience, but you can cut this by you know, lapsed customers. I can compose and send out a free croissant to my followers, all for free, without any without any payment for us, as long as it's for your own followers, you can send it out, and then the consumer is in Cash App. They can receive that message. In this case, I have my FREE croissant. Now, one of the most important things here, the reason why this is so powerful, is because we built this in a way where there's there's a catalog available in the profile, there's online ordering in the profile. These campaigns kind of serve as like a bankable item. Now I have a bankable item of offers for my sellers to re engage. I can click on the offer, I can add it to my cart, and then I can order that item for free. And you can see the discount is applied, so I'm not paying anything for the croissant. So, you know, we're extremely excited about neighborhoods. We've, you know, we have sellers in San Francisco. We're just starting to roll out. Two of these sellers are actually in the hall right now, and so you can try the two coffee carts. Neighborhoods is turned on for the enrollment flow. But the I want to just kind of highlight we're just showing San Francisco here. But the way that we built neighborhoods is we built it in a way that it becomes stronger the more sellers that are in the neighborhood that are adopting it, but we don't have to rely on supply side saturation. In order for this strategy to work, we built it in a way where it can replace any given seller's mobile application. So it works in a one to one way. What this means is that we're rolling neighborhoods out nationwide. We're not going city by city right now. So there are sellers that are on neighborhoods right now all across the country. Country, and we're not having to kind of use a traditional kind of like local marketing, like rollout motion, but this just kind of shows you where we're at in San Francisco. And this just kind of highlights the opportunity of our current distribution. These are all the square seller qsrs that are in San Francisco today. And so our work right now is about a go to market motion where we get sellers turned on. I want to kind of highlight there's, this is a motion for us. This isn't like an automatic we don't just turn this on for sellers by default. We have to make sure that they have quality supply, that their catalog is up to date, that they're ready to take online orders and set up on our system. We need to make sure that the local cash reward system that they're in agreement with that. So this is a this is a distribution motion for us to get as much supply on the network as we can. But we've, what we've spent the time on the last year doing is really dialing in the consumer adoption curve at the point of sale, making sure that as consumers are adopting it, they're finding value, that they're reengaging in the ecosystem, that they're ordering. We find that funnel right now to be

really stable. So all of our effort right now is all about scaling neighborhoods on the supply side. So with that, I'm going to pass it along. I think I'm two minutes over. So let's see. That's the end of it. Thank you. Please welcome block's hardware lead, Thomas Templeton.