The Honey Affiliate Backlash

Idea In Short

Honey is a free browser extension, owned by PayPal, that scans for coupon codes at online checkout. Ryan Hudson and George Ruan founded the company in Los Angeles in 2012 and built its revenue entirely on affiliate commissions: merchants pay Honey a share of each sale it refers, so the tool never charges shoppers directly. PayPal bought Honey for nearly $4 billion in January 2020, betting a large shopper base would strengthen its payments business. That bet held until December 2024, when an independent investigation accused Honey of overwriting other creators' affiliate links and claiming commissions it had not earned. The backlash cost Honey millions of Chrome users, drew more than two dozen lawsuits and pushed Google to rewrite its extension policies. This article traces how Honey's affiliate model works and what the fallout revealed about it.

From a Pizza Craving to a Browser Extension

Ryan Hudson and George Ruan founded Honey in Los Angeles in November 2012, after Hudson looked for a cheaper way to order pizza online and found no easy way to compare coupon codes. Investors were slow to back a desktop browser extension while the industry chased mobile apps and funding stayed scarce until a beta tester posted the tool on Reddit and it spread on its own. By March 2014, roughly a million people had installed the extension and later funding rounds carried the company past $60 million in venture capital. The founders then invested in podcast and YouTube sponsorships, a marketing channel that introduced Honey to a much larger shopping audience.

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PayPal Pays Nearly $4 Billion for a Coupon Tool

PayPal announced its purchase of Honey in November 2019 and closed the deal in January 2020, paying close to $4 billion in cash, the largest acquisition in PayPal's history at the time. The price reflected Honey's reach: roughly 17 million monthly users and partnerships with more than 30,000 online retailers gave PayPal a direct line into shoppers' habits, not just their payments. Hudson and Ruan stayed on to run the unit inside PayPal's consumer product group and the company later rebranded the extension as PayPal Honey. The deal fit a broader pattern of payment companies buying their way into the moment before checkout, where a shopper decides which coupon, wallet or card to use.

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The Mechanics of Honey's Affiliate Revenue

Honey earns nothing directly from the shoppers who install it. Instead, it signs agreements with retailers and affiliate networks that pay a commission, usually a low single-digit percentage of the sale and occasionally more, whenever a purchase follows a referral from the extension. The browser plug-in scans a checkout page, tests a library of known codes and applies the best one it finds and even when no code works, Honey can still claim a commission because the shopper reached the retailer's site through its link. That structure depends on Honey being recorded as the last click before purchase, the attribution rule most affiliate programs use to decide who gets paid.

When the Coupon Code Became a Controversy

In December 2024, a YouTube investigation accused Honey of replacing other creators' affiliate tracking links with its own moments before checkout, even in cases where Honey had not supplied a working discount. The video argued that Honey's extension opened hidden tabs or refreshed merchant pages in a way that overwrote the cookie belonging to whichever creator's link a shopper had originally clicked, letting Honey claim the commission instead. The claims spread quickly because hundreds of YouTube channels had promoted Honey as a paid sponsor for years, unaware their own referral fees may have been diverted. PayPal disputed the characterization of its practices.

> Honey follows industry rules and practices, including last-click attribution

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Lawsuits, a Dismissal and a Chrome Policy Rewrite

More than two dozen lawsuits followed the investigation, consolidated before a federal court in the Northern District of California as content creators, including the YouTuber LegalEagle, argued that Honey had systematically diverted commissions owed to them. Judge Beth Labson Freeman dismissed the lead case in November 2025, finding the plaintiffs had not shown they held a contractual right to the disputed commissions.

> The complaint does not establish the plaintiffs were in fact entitled to those commissions pursuant to their contracts with the merchants

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The judge gave creators 45 days to refile with more specific evidence and an amended complaint followed in January 2026. Separately, Google rewrote its Chrome Web Store rules in March 2025, requiring any extension that adds or replaces affiliate links to disclose the practice before installation and to tie the link to a genuine benefit for the user.

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What the Backlash Means for the Business Model

Honey's Chrome user count fell from about 20 million before the investigation to roughly 12 million by the end of 2025, an 8 million user decline in about a year. That drop matters more for Honey than for most consumer apps, because its entire revenue depends on volume: fewer active users means fewer referred purchases and less commission income for PayPal. The episode also shows how a two-sided affiliate model can turn on itself, since Honey's growth had relied on the same creators whose commissions it was accused of intercepting. For any company that sits between a customer and a merchant collecting a cut of the transaction, Honey's year is a reminder that data practices are as much a part of the value proposition as the discount itself.

Key Partners

Honey depends on merchant retailers such as Target, Sephora and Nike, which agree to pay a commission whenever the extension refers a completed sale. Affiliate networks including Rakuten and Partnerize sit between Honey and most of those retailers, tracking clicks and settling payments across thousands of stores at once. Early investors, including Citi Ventures and Anthos Capital, supplied the capital that funded Honey's growth before PayPal's acquisition. YouTube and podcast advertising partners extended Honey's reach to a much larger shopping audience.

Key Activities

Honey's core activity is scanning checkout pages and testing coupon codes automatically, so shoppers do not have to search for discounts themselves. The company also negotiates and maintains affiliate agreements with thousands of retailers and networks, work that requires constant contract management and commission reconciliation. Price tracking and price history features require Honey to continuously collect and store product pricing data across partner sites. Customer support and user education round out the activity list, helping shoppers understand how the extension and its rewards program work.

Key Resources

The browser extension itself, along with the technology behind its coupon-testing engine, forms Honey's core asset. Its database of merchant relationships and affiliate network connections, built over more than a decade, would take a new entrant years to replicate. PayPal's balance sheet and payments infrastructure now back Honey's operations, easing the funding pressure the standalone startup once faced. The installed base of extension users, once above 20 million on Chrome alone, remains a resource retailers pay to reach.

Value Propositions

Honey promises shoppers a way to save money at checkout without hunting for promo codes across multiple websites. Its Droplist feature tracks prices on items a shopper wants and alerts them when a coupon appears, while its price history tool shows up to 120 days of pricing on Amazon listings so buyers can judge whether a deal is genuinely good. When no working code exists, Honey's Gold rewards program lets users earn points redeemable for gift cards, so the extension still offers some value on every purchase. For merchants, Honey promises incremental sales and new customer traffic in exchange for a commission.

Customer Relationships

Honey maintains most shopper relationships passively, through an installed extension that runs automatically once added, requiring no ongoing interaction to deliver value. Email alerts about Droplist price drops and Gold balances give the company a direct channel to bring users back. A support team and social media presence handle account and technical questions when shoppers need help. With merchants, the relationship runs through account managers and affiliate network intermediaries rather than daily direct contact.

Channels

Shoppers install Honey through official extension stores for Chrome, Safari, Firefox and Edge, plus native apps for Android and iOS. The Honey and PayPal websites explain the service and let users manage their account and Gold balance outside the extension itself. YouTube sponsorships and podcast advertising have historically served as Honey's primary acquisition channel, converting listeners and viewers into installs. Word of mouth and browser store rankings continue to drive a share of new users.

Customer Segments

Honey serves everyday online shoppers in the United States, United Kingdom, Canada, Australia and a few other markets who want to save money without comparison-shopping by hand. A second segment is the retailers and e-commerce merchants who use Honey's affiliate program to drive incremental traffic and sales. Content creators and influencers who run their own affiliate links form a third group, one whose interests collided with Honey's during the 2025 controversy. PayPal itself benefits indirectly, since Honey usage can nudge shoppers toward PayPal's payment methods at checkout.

Cost Structure

Honey's largest recurring cost is the commissions and cashback it pays out, since a share of every dollar earned from a merchant flows back to users through Gold rewards. Salaries for engineering, partnerships and support staff make up a second major expense, alongside the infrastructure needed to track prices and process transactions at scale. Marketing spending, historically concentrated in YouTube and podcast sponsorships, remains significant given how much of Honey's growth has depended on creator promotion. Legal costs have grown since 2025 as the company defends itself against a wave of affiliate-related lawsuits.

Revenue Streams

Affiliate commissions from merchant partners make up nearly all of Honey's revenue, typically a percentage of each sale completed after a Honey referral. Rates vary by retailer and category, set individually in each merchant agreement rather than through one published rate card. Honey charges no subscription or listing fees to the shoppers or stores that use it, keeping the free-to-use model intact. Cross-promotion with PayPal's wallet and rewards products creates indirect value for the parent company beyond commission revenue itself.

- 1Honey's founding and early growth
- 2PayPal's nearly $4 billion Honey acquisition
- 3Creators say Honey diverted their affiliate income
- 4Judge dismisses lead Honey affiliate lawsuit
- 5Google's updated Chrome extension affiliate policy
- 6Honey's Chrome user base after the controversy

Summary

Honey still operates as one of the largest coupon extensions in the United States and affiliate commissions continue to fund it even after a sharp drop in Chrome users. The 2025 controversy did not end the business model. PayPal has not signaled plans to sell or shut down the unit and merchants keep paying commissions whenever Honey refers a completed sale. What changed is scrutiny. Google now requires extensions to disclose affiliate activity before installation and courts continue weighing whether Honey's cookie practices breached its obligations to merchants and the creators whose links it allegedly overwrote. For executives running platform or marketplace businesses, Honey's experience shows how quickly trust erodes when an intermediary's incentives diverge from the partners it depends on. The coupon business survived. The reputational cost is still being tallied.