

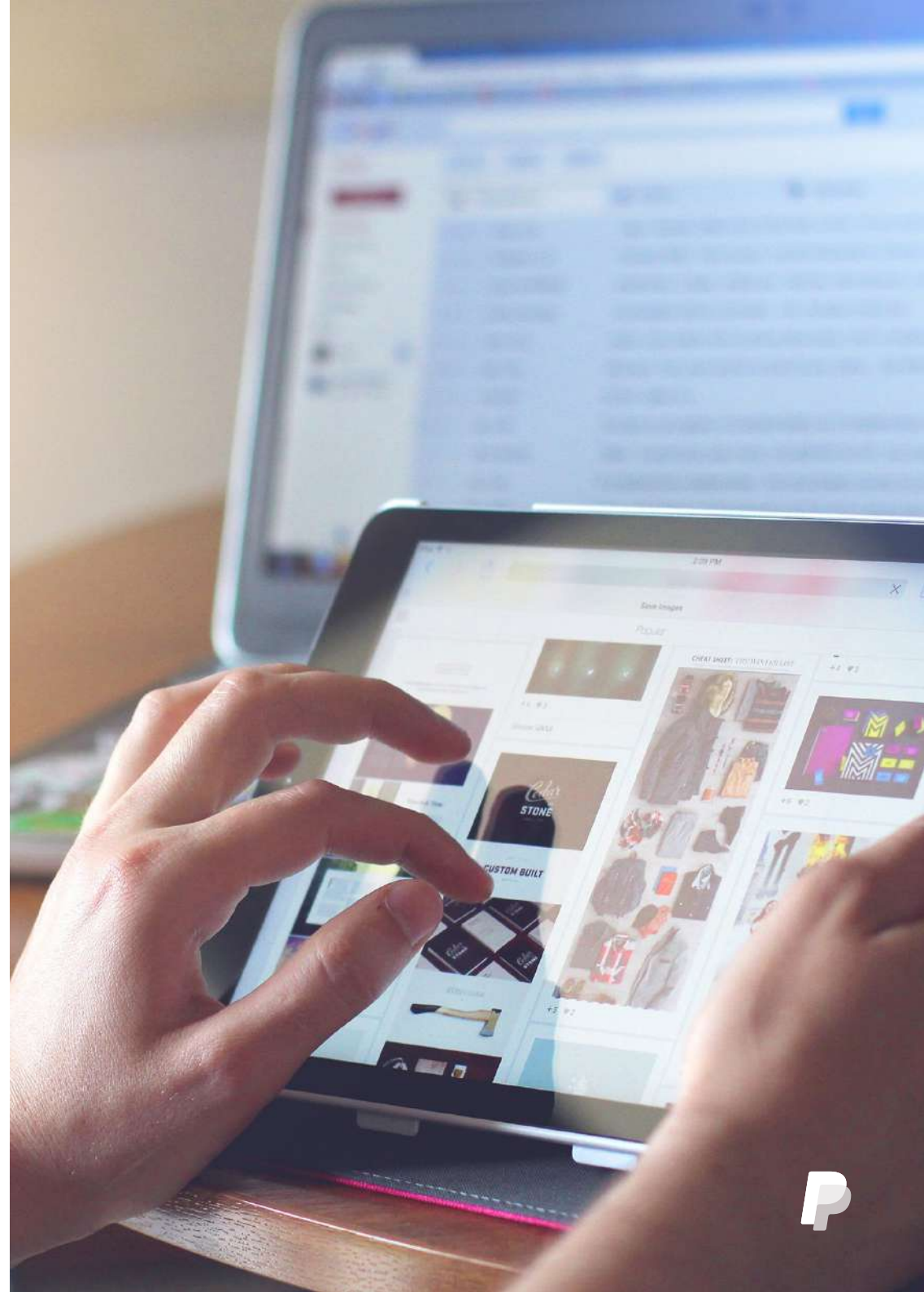


***PAYPAL mCOMMERCE INDEX
INAUGURAL REPORT***

***PAYPAL AUSTRALIA IN-DEPTH REPORT
SEPTEMBER 20, 2016***

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INTRODUCTION



LIBBY ROY

**Managing Director,
PayPal Australia**

We are pleased to introduce the PayPal mCommerce Index, our biannual barometer on the state of mobile commerce in Australia. The PayPal mCommerce Index aims to equip readers with an understanding of the fast-evolving mobile and social payments landscape and to support Australian businesses to harness coming trends.

Each half year, we will track spending levels and category growth for mobile payments. The Index will follow key indicators including consumer appetite and behaviour, payment frequency, situational usage, business readiness and trends.

Our inaugural Index finds a high level of mobile commerce adoption among Australian consumers, with 71% using their mobiles to make payments. However there are significant gaps between consumer behaviour and business readiness with only 49% of online businesses optimised to accept mobile payments. This presents a clear opportunity for Australian businesses.

Our Index also reveals a new frontier for online commerce – social commerce – with 11% of respondents having purchased via a social platform. Social media is shown to be a strong channel for driving purchase behaviour with 18% of respondents buying something after seeing it on social media, a figure that jumps to 24% for the 18-34 age group.

Business readiness for social commerce is not far behind consumer adoption with 7% of Australian businesses currently accepting payments via social platforms. However 89% of businesses state they have no intention of accepting payments via social platforms within the next 6 months.

We hope that the PayPal mCommerce Index helps you to understand the evolving mobile commerce landscape, where the opportunities for business lie and the drivers of consumer spending behaviour via mobile. Finally, we hope the Index helps Australian businesses pre-empt and prepare for a new wave of online commerce – social commerce.



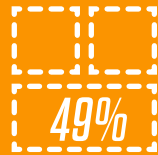
AT A GLANCE

THERE IS A CLEAR
MCOMMERCE OPPORTUNITY
FOR AUSTRALIAN BUSINESSES

MCOMMERCE ADOPTION



71% of consumers use mobile devices for payments



49% of businesses are mobile optimised

AVERAGE MCOMMECE SPEND



\$330 per month



22% spend more than \$500 p/month



Over 1 in 10 (11%) spend more than \$1000 per month

FREQUENCY OF MCOMMERCE

OVER 1/3 OF AUSTRALIANS
ARE MAKING PAYMENTS
ON MOBILE EVERY WEEK



1 in 3 (36%) make payments at least weekly



1 in 5 (22%) make payments more than once a week



74% Bill payments (incl. phone, insurance, utility)



53% Tickets



43% Clothing and accessories



38% Travel

MCOMMERCE BY CATEGORY

SOCIAL COMMERCE ADOPTION

SOCIAL COMMERCE IS
RAPIDLY EMERGING AS
THE NEW FRONTIER FOR
ONLINE COMMERCE



11% of consumers have purchased via a social media platform



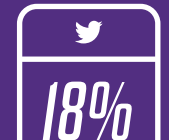
Of those who buy on social media platforms, 75% have bought via Facebook



7% of businesses accept payments via social platforms



34% of businesses don't use social media at all



18% have purchased something after seeing it on social media

SOCIAL BROWSING

MCOMMERCE IN AUSTRALIA



MCOMMERCE STATE OF PLAY

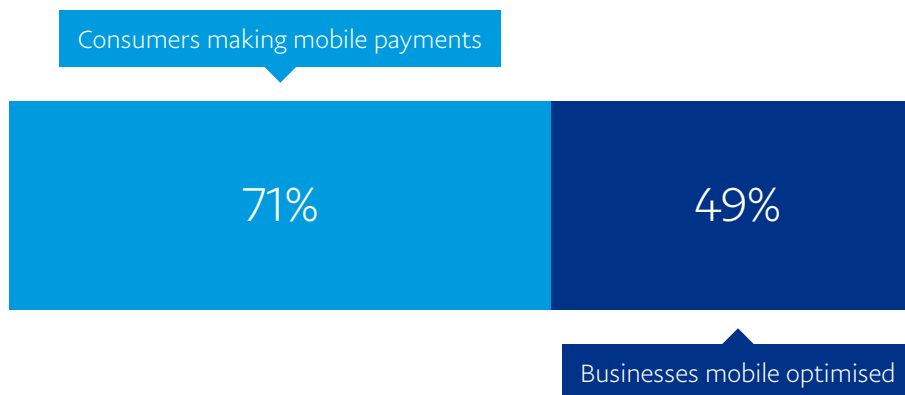
Almost three-quarters (71%) of respondents are using their mobiles to make payments, however only 49% of businesses are optimised to accept them.

The number of consumers transacting on mobile is perhaps not surprising, considering that Australia is a country with one of the highest levels of mobile penetration globally with 80% of the Australian 18+ population having a smartphone¹. Among consumers aged 18-34 the use of mobile devices for payments at 85% is significantly higher than the 71% average.

Despite these impressive consumer mCommerce levels, 51% of businesses state that they are not optimised for mobile sales. Furthermore, almost one-third (31%) of businesses state they have no plans to change this. This gap is reflected in the proportion (26%) of businesses which have zero sales via mobile device.

MCOMMERCE ADOPTION

Consumer usage vs business optimisation



CONSUMER MCOMMERCE USE

By gender, age, income

	Total	GENDER		AGE			INCOME			
		Male	Female	18-34	35-49	50+	Under \$30k	\$30k to \$60k	\$60k to \$100k	Over \$100k
Mobile Phone	59%	63%	54%	80%	64%	31%	54%	54%	66%	65%
Tablet	42%	43%	41%	38%	46%	43%	28%	35%	48%	58%
Total Mobile Device	71%	73%	68%	85%	73%	52%	62%	66%	76%	80%

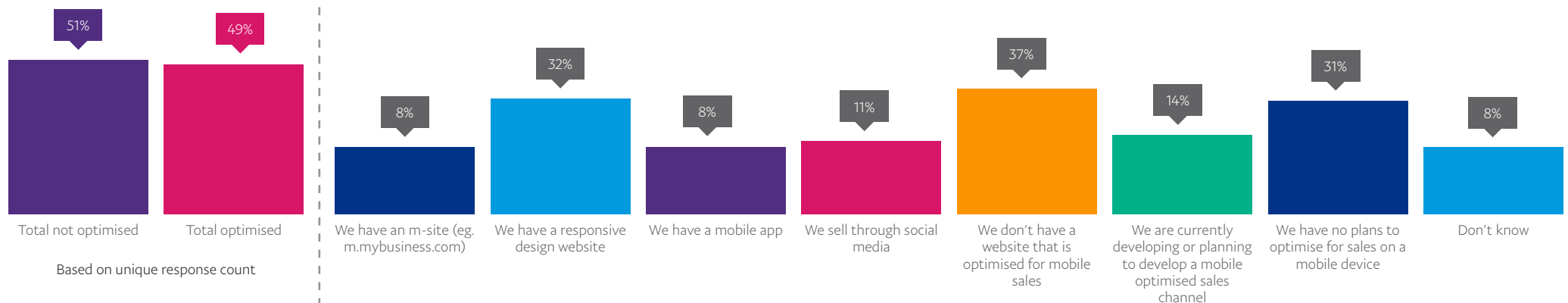
¹Roy Morgan Single Source Australia, January – June 2016



MCOMMERCE STATE OF PLAY

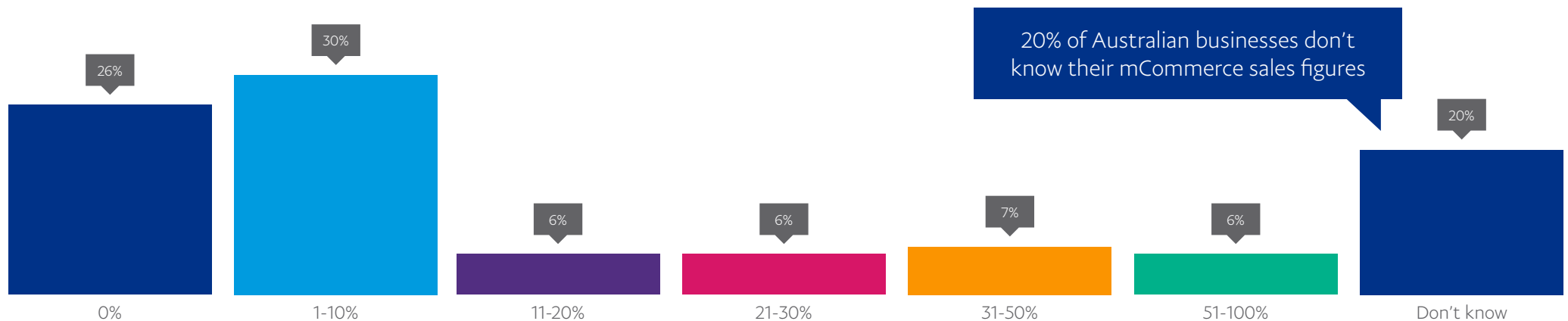
BUSINESS MOBILE OPTIMISATION

Readiness



RATE OF SALES

Percentage of sales via mobile



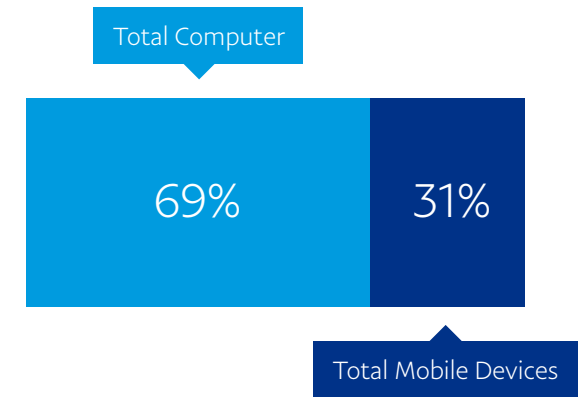
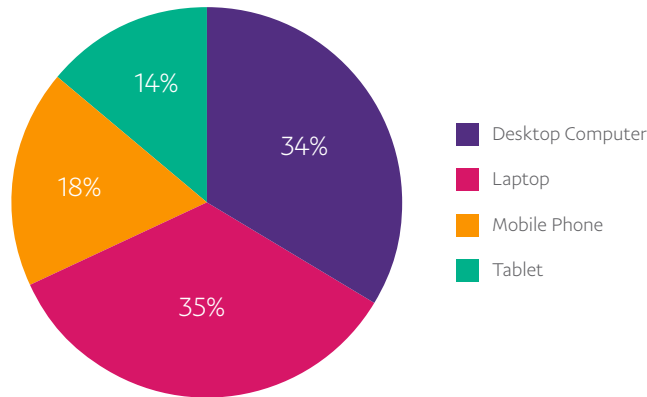
DEVICE PREFERENCE

When it comes to the devices that Australians prefer for making online purchases, desk and laptop computers are almost equally the favoured choice with 69% of respondents preferring to make payments on them. The remaining 31% of consumers prefer to make payments on their mobile phones (18%) or tablets (14%).

Of those who prefer to use a mobile phone, those aged 18-34 dominate at 30% preference, compared to 15% preference for those aged 35-49 and 7% for the 50+ demographic.

The PayPal mCommerce Index finds that those with an income of over \$100k show the highest preference for mobile payments, at 37%. Nonetheless, those with incomes under \$30k make up almost one-quarter (24%) of those preferring to use their mobiles for payments.

DEVICE PREFERENCE



mCOMMERCE DEVICE PREFERENCE

By gender, age, income

	Total	GENDER		AGE			INCOME			
		Male	Female	18-34	35-49	50+	Under \$30k	\$30k to \$60k	\$60k to \$100k	Over \$100k
Mobile Phone	18%	19%	16%	30%	15%	7%	15%	20%	17%	20%
Tablet	14%	10%	17%	8%	15%	18%	9%	12%	16%	18%
Total Mobile Device	31%	29%	33%	38%	30%	25%	24%	32%	33%	37%



FREQUENCY OF MCOMMERCE

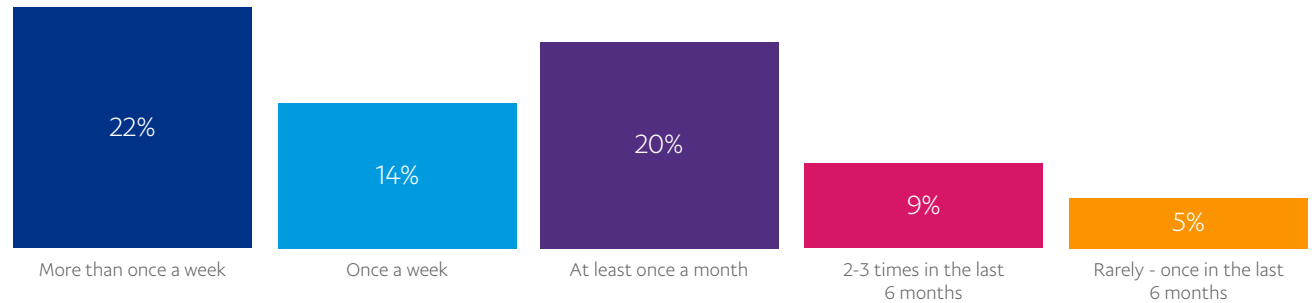
More than a third (36%) of respondents are making mobile payments at least once a week, while one in five (22%) make mobile payments more than once a week.

Millennial consumers (18-34) are the most prolific mobile shoppers with nearly half of this group (47%) making a mobile payment at least once per week.

High frequency mobile payments are not limited to the young, one quarter (24%) of 50+ respondents are making mobile purchases and payments at least once a week.

MCOMMERCE FREQUENCY

Mobile payments



29% of respondents did not make a mobile purchase or payment, 1% of respondents never shop online

MCOMMERCE FREQUENCY

By gender, age, income

	Total	GENDER		AGE			INCOME			
		Male	Female	18-34	35-49	50+	Under \$30k	\$30k to \$60k	\$60k to \$100k	Over \$100k
Several times a day	1%	1%	0%	1%	1%	0%	-	1%	1%	1%
Daily	3%	4%	2%	4%	5%	2%	-	3%	5%	5%
Several times a week	18%	19%	17%	23%	19%	11%	15%	19%	18%	21%
Once a week	14%	15%	14%	19%	12%	11%	10%	13%	20%	18%
Fortnightly	9%	9%	9%	12%	9%	5%	10%	10%	9%	9%
Monthly	11%	11%	10%	11%	13%	8%	8%	9%	10%	14%
2-3 times in the last 6 months	9%	10%	8%	9%	10%	8%	7%	7%	10%	8%
Once in the last 6 months	3%	3%	4%	5%	3%	3%	9%	3%	0%	1%
Less often	2%	2%	2%	3%	1%	2%	2%	2%	0%	2%
Do not purchase or make payments using mobile devices	29%	25%	33%	13%	26%	48%	38%	33%	26%	20%
Never purchase online	1%	1%	1%	0%	1%	2%	1%	0%	1%	1%



CONSUMER MCOMMERCE SPEND



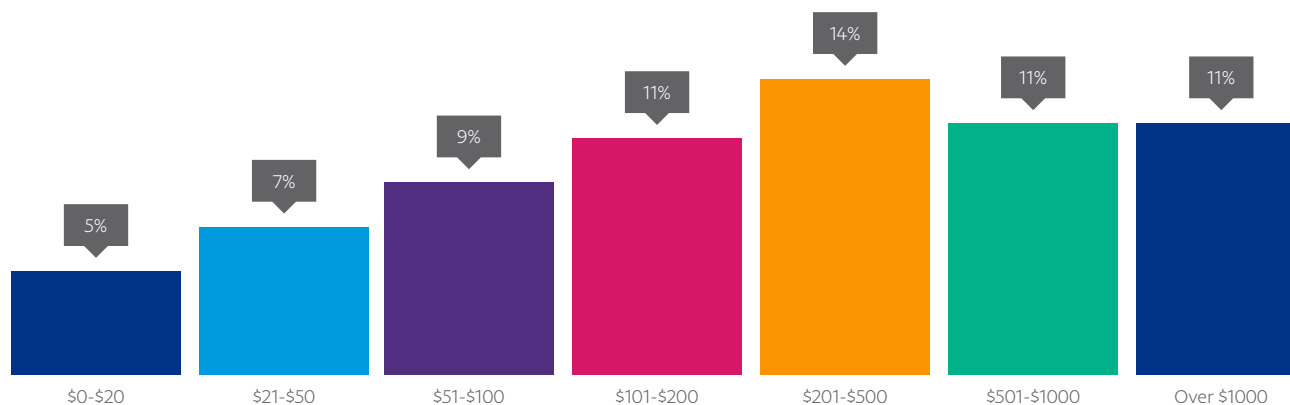
MCOMMERCE SPEND

The average mCommerce spend is \$330 per month and 22% of respondents are spending more than \$500 per month. These figures establish a benchmark against which we will continue to track in ongoing PayPal mCommerce Index reports.

When reflecting on levels of consumer mCommerce spending, age is not a strong contributing factor to high spend. In fact, across the age groups surveyed, consumers who are spending more than \$500 per month, were notably similar at 23%, 26% and 19% across the 18-34, 35-49 and 50+ age groups, respectively.

MONTHLY MCOMMERCE SPEND

Amounts spent per month



29% of respondents did not make a mobile payment. 3% of respondents did not make a mobile purchase or payment in the last six months.

MONTHLY MCOMMERCE SPEND

By gender, age, income (of mobile shoppers)

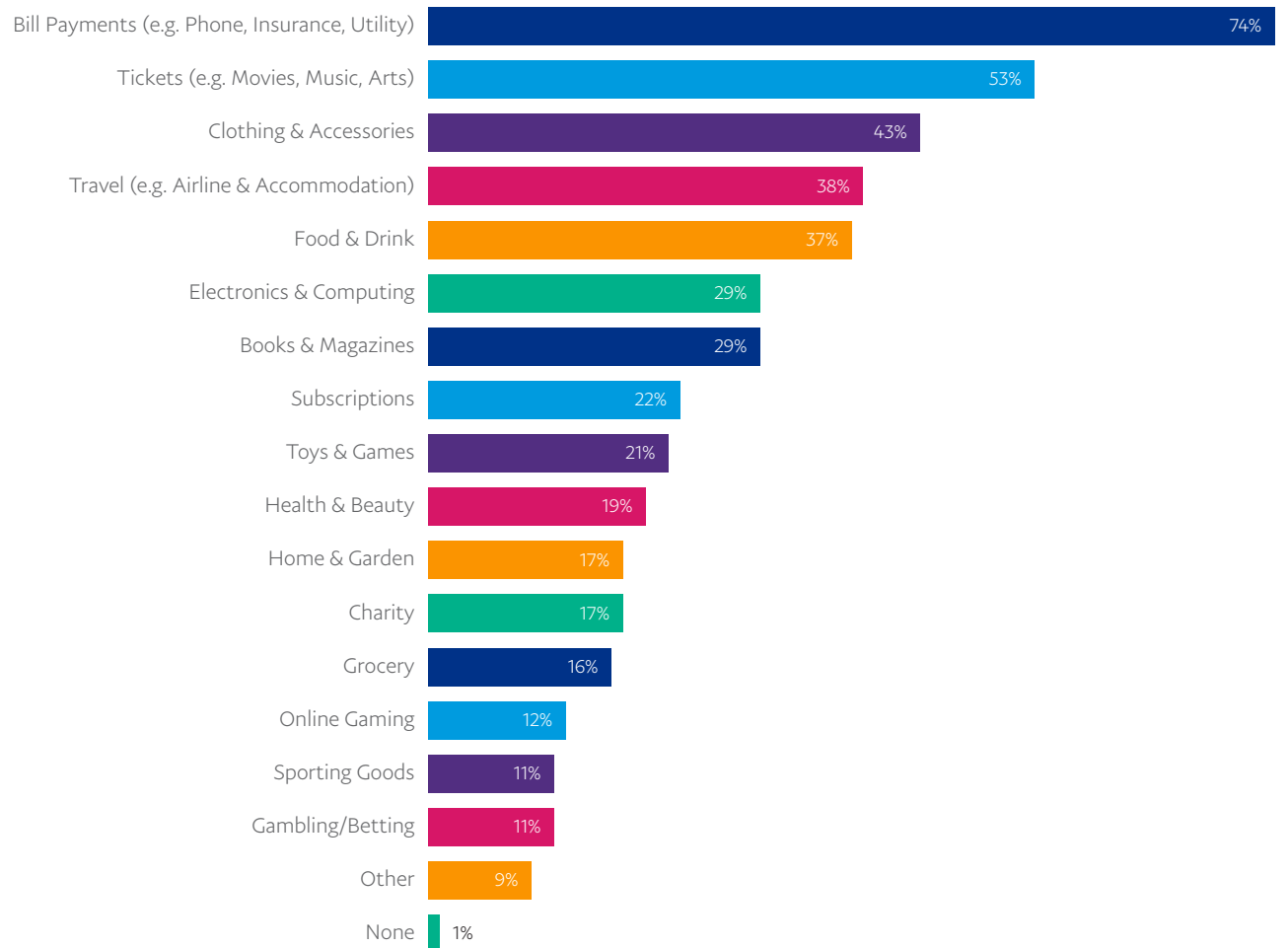
	Total	GENDER		AGE			INCOME			
		Male	Female	18-34	35-49	50+	Under \$30k	\$30k to \$60k	\$60k to \$100k	Over \$100k
\$0-\$20	5%	5%	4%	7%	4%	3%	9%	2%	4%	1%
\$21-\$50	7%	7%	6%	10%	7%	3%	8%	8%	5%	5%
\$51-\$100	9%	9%	8%	12%	9%	4%	11%	8%	11%	6%
\$101-\$200	11%	12%	10%	17%	9%	6%	13%	9%	10%	12%
\$201-\$500	14%	12%	15%	13%	16%	13%	7%	12%	21%	18%
\$501-\$1000	11%	12%	11%	12%	13%	9%	6%	15%	13%	13%
Over \$1000	11%	13%	10%	11%	13%	10%	5%	10%	10%	21%
Not purchased with mobile last 6 months	3%	3%	4%	3%	2%	4%	3%	2%	2%	4%
Never purchased on mobile device	29%	27%	32%	15%	27%	48%	38%	34%	24%	20%



MCOMMERCE PURCHASING BY CATEGORY

Bill payments is the category dominating mobile transactions. Almost three-quarters (74%) of respondents made phone, utility, insurance and other bill payments via a mobile device over the last six months. Other categories strongly supported by mCommerce are Tickets (53%), Clothing & Accessories (43%) and Travel (38%).

These top performing categories represent consumer transactions with major, mainstream businesses with well-established online commerce platforms. Regular and familiar use, plus lessened concerns for security by consumers, are believed to be factors in promoting mCommerce within these categories.

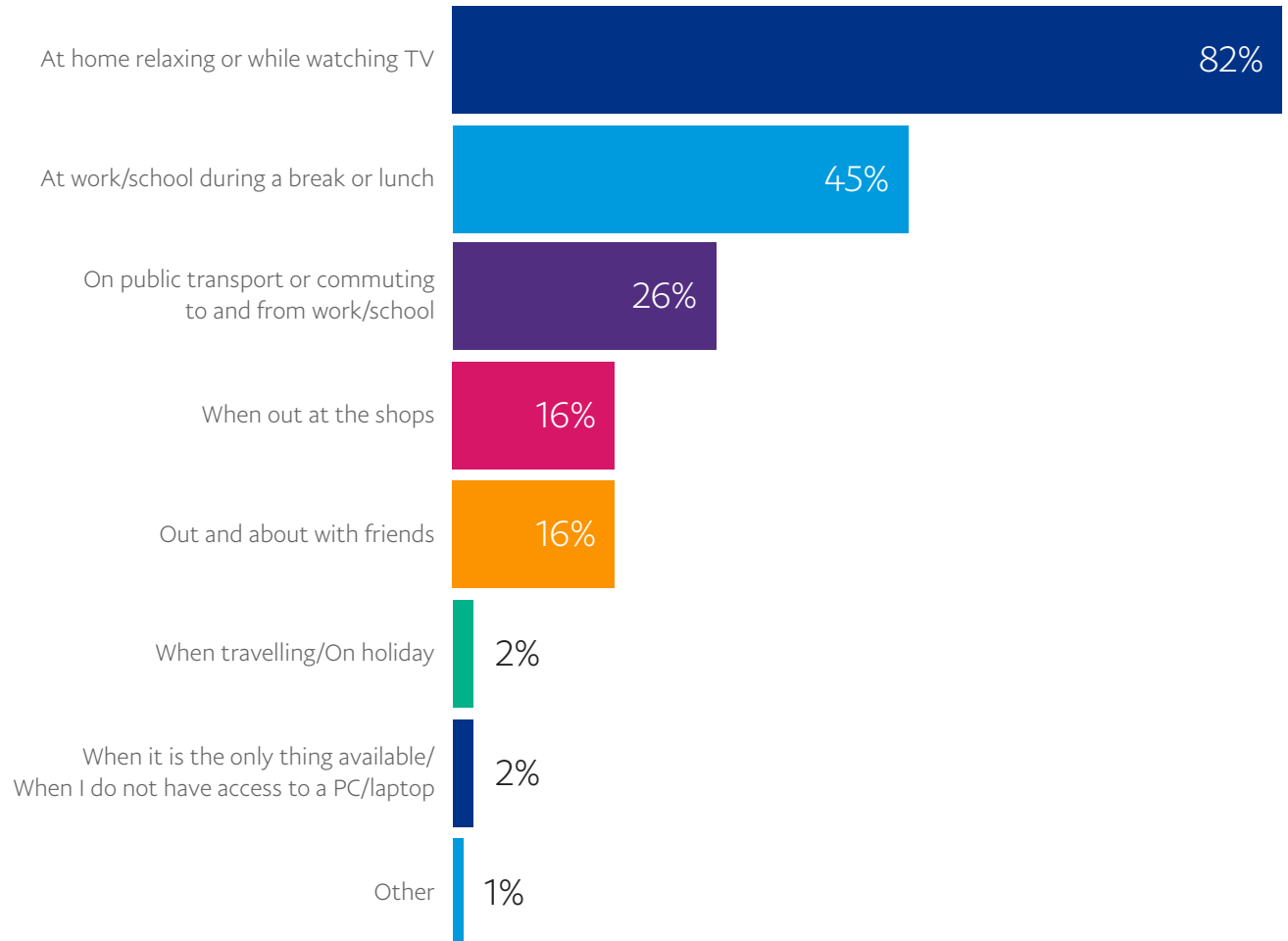


MCOMMERCE SITUATIONAL USAGE

When Australian consumers get time to themselves, they are more inclined to make an online purchase or payment by mobile device – with ‘dual-screening’ being commonplace.

Eighty-two percent of respondents said they engaged in mCommerce when relaxing at home or watching TV; almost half (45%) noted that they were engaged in mCommerce when taking a break at work or school; and just over one-quarter (26%) used the time when commuting on public transport for mobile purchasing or payments.

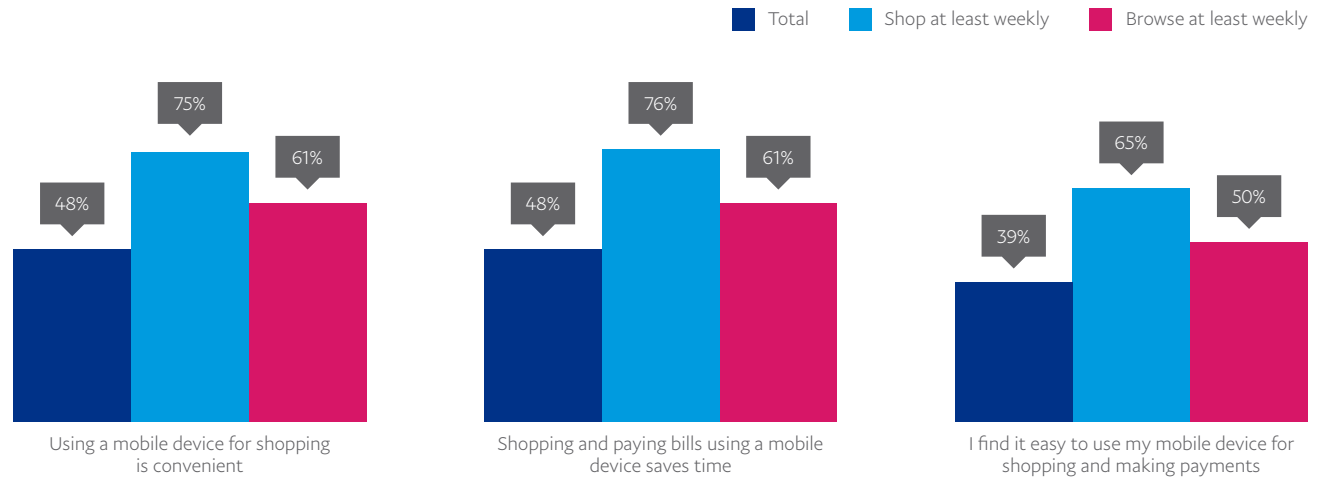
The data shows that although the majority of consumers do not indicate that a mobile is their preferred device for online purchases, they are using their mobile devices to shop when they are at home, presumably when they also have access to a laptop or desktop computer. Understanding the prevalence of dual-screening can help to inform future mCommerce positioning, marketing and consumer targeting.



MCOMMERCE DRIVERS AND BARRIERS

DRIVERS

'Convenience' and 'saving time' stand out as two factors which drive and promote the use of mCommerce with those who shop and browse online at least weekly. Less prevalent, but still a driving factor, is the 'ease of use' of mCommerce. Together, these three factors – which pivot around functionality – are key perceived benefits of mCommerce among Australian consumers.



BARRIERS

An obvious and tangible barrier is created by businesses whose sites are not optimised for mCommerce. 'Filling in lots of form fields' and 'payment sites that don't work on mobile' were identified as areas of difficulty or annoyance by 52%, and 44% of respondents, respectively.

Security concerns are also a barrier for many consumers with 46% of respondents concerned about security when shopping on a mobile device.



SOCIAL COMMERCE



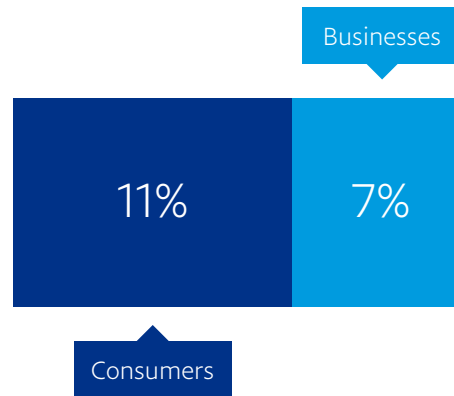
SOCIAL COMMERCE STATE OF PLAY

Social commerce is rapidly emerging as the new frontier for online commerce. **Already, 11% of respondents have made a purchase via a social platform.** As channels including Facebook, Twitter and Pinterest, where consumers are highly engaged, emerge as commercial avenues, Australian businesses need to adapt if they want to maximise their online commerce opportunities.

Currently, 7% of surveyed businesses accept payments via social media sites or apps. **Despite consumer appetite, the PayPal mCommerce Index finds that 89% of businesses have no intention of accepting payments via social media within the next 6 months.**

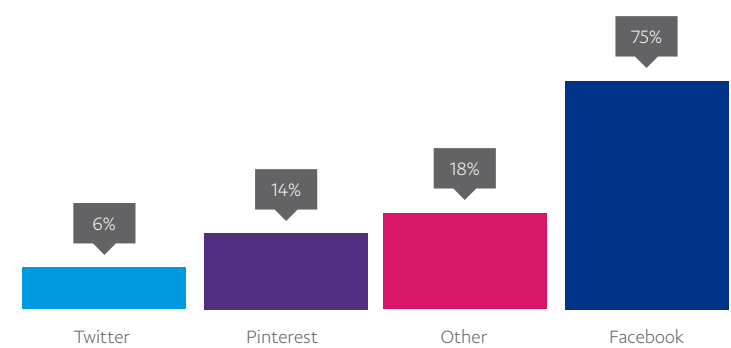
SOCIAL COMMERCE ADOPTION

Consumer vs business



CONSUMER SOCIAL COMMERCE

By channel



BUSINESS SOCIAL COMMERCE

Adoption



SOCIAL COMMERCE DRIVERS AND BARRIERS

DRIVERS

The potential of social commerce is underscored by the relatively high proportion of each age group which has purchased something after seeing it on social media. **Younger Australians are more likely to buy something they've seen on social media than older Australians – 18-34 (24%), 35-49 (19%) and 50+ (10%)** – yet all age groups report significant levels of purchases being driven by social media exposure.

BARRIERS

Consumer concern for security and the safety of personal information is a barrier to use of social commerce. This concern is significant, at approximately 50%, across all age, gender and income groups. These security worries for social commerce sit as a backdrop to the high proportion (59%) of consumers who do not want their financial information linked to their social media footprint. It may also underlie why a similar proportion (55%) of consumers said they'd prefer to use a shop's website to make online purchases.

Australian businesses had lower concerns regarding security (19%) with key barriers to adoption of social commerce stemming from businesses not having any social media presence (34%) and lack of understanding of how social commerce works (25%). Interestingly, 28% of businesses do not think their customers want to buy via social media platforms. However, the data shows that 11% of respondents had purchased via social platforms and 18% had bought something they'd seen on social media.

SOCIAL CONSUMER COMMERCE

Usage and attitudes

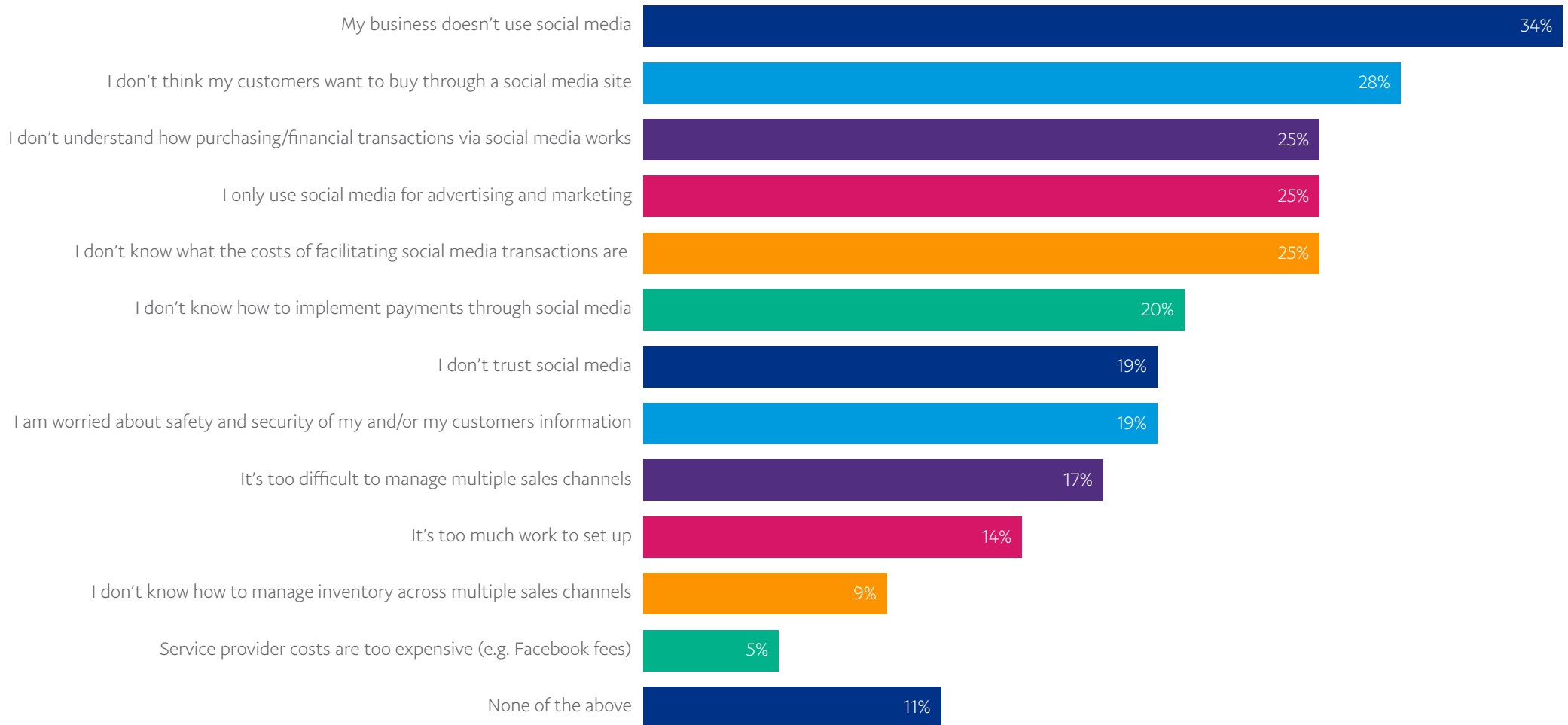
	Total	GENDER		AGE			INCOME			
		Male	Female	18-34	35-49	50+	Under \$30k	\$30k to \$60k	\$60k to \$100k	Over 100k
I don't want my financial information linked to my social media	59%	58%	60%	57%	61%	60%	56%	58%	59%	61%
I prefer using the shop's website to make online purchases	55%	54%	56%	59%	58%	49%	56%	49%	56%	59%
I am worried about safety/security of my personal information	48%	43%	53%	46%	51%	48%	47%	44%	47%	44%
I only use social media to browse	37%	38%	36%	40%	34%	35%	33%	38%	40%	36%
I didn't know you could buy items on social media	25%	23%	27%	27%	24%	23%	31%	26%	22%	27%
I don't understand how purchasing via social media works	21%	17%	25%	20%	22%	22%	24%	19%	21%	22%
I've purchased something after seeing it on social media	18%	16%	20%	24%	19%	10%	19%	20%	21%	12%
I don't use social media ever	10%	11%	9%	6%	10%	16%	9%	8%	9%	18%
I would consider purchasing something directly from a social media post	7%	7%	8%	10%	6%	5%	10%	8%	9%	5%



SOCIAL COMMERCE DRIVERS AND BARRIERS

BUSINESS SOCIAL COMMERCE

Usage and attitudes



RESEARCH OVERVIEW

This report was commissioned by PayPal Australia Pty Limited ABN 93 111 195 389 AFSL 304962 through Roy Morgan Research Ltd based on the survey responses of 996 consumers and 106 businesses. It contains general observations about trends in mobile commerce and does not take into account the objectives, situation or needs of any specific business or individual.

Roy Morgan Research conducted consumer research with Australian smartphone users into sentiment and adoption of mobile commerce and social commerce. n=996 online surveys with Australians 18+ who own a smartphone.

In addition, Roy Morgan Research conducted business research consisting of sentiment tracking with B2C retailers and merchants who sold or took orders online. n=106 online surveys with businesses.

Numbers may not add to 100% due to rounding.

SAMPLE SIZE AND WEIGHTING

Consumer survey n = 996 (maximum sampling variance of ± 11 for total sample at 95% confidence level)

Response rate of 12.5% (completes ÷ [completes + incompletes + not started]). Weighted by age x sex x region using latest population estimates of smartphone users from Roy Morgan Single Source. These represent approximately 80% of the Australian population aged 18 years or over.

Business Survey n = 106 (maximum sampling variance of 9.52 for total sample at 95% confidence level)

Response rate of 7.1% (completes ÷ [completes + incompletes + not started])

PRESS CONTACT

To contact the PayPal Australia media team, please email paypal@edelman.com

METHODOLOGY

Online self-completion survey.

Research carried out in compliance with ISO 20252 Market, Opinion & Social Research standards. Consumer sample sourced from the Roy Morgan Consumer Panel & points-based incentive awarded for completing the survey. Business sample sourced from Roy Morgan B2B Business Panel & points-based incentive awarded for completing the survey

TIMING

Field dates: Tuesday 21st of June until Thursday 30th of June, 2016.

ABOUT PAYPAL

At PayPal (Nasdaq:PYPL), we put people at the center of everything we do. Founded in 1998, we continue to be at the forefront of the digital payments revolution. PayPal gives people better ways to manage and move their money, offering them choice and flexibility in how they are able to send money, pay or get paid. We operate an open, secure and technology agnostic payments platform that businesses use to securely transact with their customers online, in stores and increasingly on mobile devices.

In 2015, 28% of the 4.9 billion payments we processed were made on a mobile device. With our 188 million active customer accounts, PayPal is a truly global payments platform that is available to people in more than 200 markets, allowing customers to get paid in more than 100 currencies, withdraw funds to their bank accounts in 56 currencies and hold balances in their PayPal accounts in 25 currencies.

BUSINESS CONTACT

To find out how to optimise your mobile or social payments contact PayPal Australia on **1800 729 725** or visit [PayPal.com.au/business](https://www.paypal.com.au/business)