



PayPal mCommerce Index Trends Report

June 2019

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Introduction

Welcome to the PayPal mCommerce Index: Trends Report 2019, our mid-year assessment of Australia's relationship with mobile commerce (mCommerce). In this report, we examine three key trends in mobile retail – our love affair with online sales events; the adoption of Visual Search and Shoppable Video; and the positive impact the new 5G network promises for mobile commerce.

We instinctively know that Australians love a good bargain, but how does that translate when it comes to online shopping? We found some interesting results when it comes to how often online retailers are going on sale, and how shoppers are reacting to the deals they find online.

The PayPal mCommerce Index: Trends Report 2019 reveals that seven-in-ten Australian consumers (68%) are always on the lookout for sales, and well over half of Australians (58%) have bought a product on impulse precisely because it was on sale.

Retailers love a good sale too, with more than half (53%) saying it attracts new customers, two-in-five (39%) saying sales increase revenue and 25% saying customers buy more than normal during sale times.

The scales are also shifting away from bricks and mortar with most Australians (57%) now preferring to shop the sales online rather than in-store.

And our younger shoppers, Gen Y and Gen Z, are now doing more of their online sale shopping on mobile devices rather than on laptops or desktops.

In many ways, we appear to be at a tipping point between traditional, bricks and mortar sales events and a mobile-first online sales culture - and it's a shift that's being driven by younger consumers with marked generational differences.

In our exploration of Visual Search and Shoppable Video, we found that shoppers are keen to use their mobiles and snap photos to find products they're looking for. More than half of Australians have either used Visual Search tools or want to (59%), and more than half (53%) have had an experience where they have seen a photo and wanted to find out more about the products in the image.

With these more visual shopping interactions in mind, one-in-five retailers (19%) believe that the benefits of Visual Search and Shoppable Video won't be fully realised until 5G speeds arrive. Two-in-five (39%) shoppers also believe Visual Search won't work well if search results take too long to load. So as 5G begins to arrive in Australia, it might be just in time to help online retailers take advantage of these new, visually-rich tools.

We hope this PayPal mCommerce Index: Trends Report 2019 provides you with useful insights into the rapidly shifting landscape of mCommerce and how to take best advantage of the opportunities that lie ahead.



Libby Roy

Managing Director,
PayPal Australia

Australia 'On Sale'

Our Digital Desire for Discounts



Australia's Biggest Sale Periods

Australian consumers love a good sale, with seven-in-ten (68%) always on the lookout for discounts. In contrast only 19% of online retailers always have at least one sale running.

Younger Australians are even more likely to always be looking for sales (Gen Z 77%, Gen Y 73%) as well as more affluent shoppers with incomes of \$150K+ p.a. (74%) regardless of their age. One-in-six Australians (16%) say they only shop online when items are on sale – a figure that's similar across generations.

The most popular windows to shop online for bargains are Boxing Day and End of Financial Year (EOFY), aligning online shopping with times famous for traditional in-store discounting. America's Black Friday online sale has now also spilled into Australia to become one of our top three sales events.

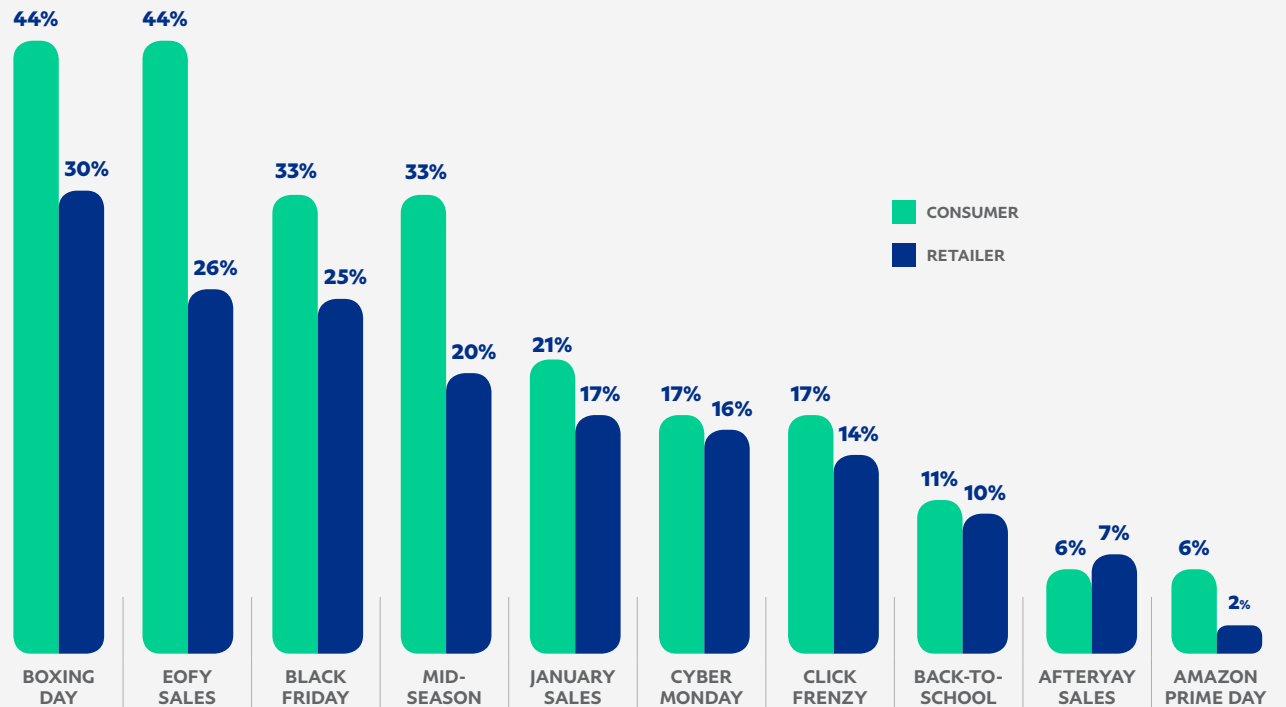
Consumer participation in sale periods is higher (73%) than retailer participation (59%). And consumer participation skyrockets for younger shoppers with 94% of Gen Z shopping the sales along with 86% of Gen Y and 75% of Gen X.

KEY TAKEAWAY

The gap between consumer and retailer participation in sales periods highlights an opportunity that could be leveraged to drive greater sales volumes, basket sizes, and attract new customers. While established sales periods aren't for every business, there is a higher concentration of customers shopping during these highly-marketed times.



MOST POPULAR SALES PERIODS BY CONSUMER AND BUSINESS PARTICIPATION



Sales Drive Additional Purchasing and Revenue

It's perhaps no surprise to find that consumers are saying sales aren't just about finding what we already want for less. Sales also drive impulse purchasing and unplanned spend.

In the last quarter:

- Over half of Australians (58%) have made an impulse purchase online because it was on sale.
- The average shopper bought 2.7 items and spent \$108 without planning to on discounted items. Gen Y are the biggest sale-driven impulse spenders, with 3.6 items costing on average \$145.

Eighteen per cent of Australians suffer from sale-related 'fear of missing out' (FOMO), saying "I feel like I'm losing money if I don't buy an item when I see it on sale". And this FOMO increases for younger shoppers (Gen Z 27%, Gen Y 25%).

One-in-six (16%) of younger shoppers (18-36 yrs) go so far as saying they are "addicted to shopping the sales".

While sales are popular, nearly two-in-five Australians (37%) would prefer everyday low prices instead of extreme discounts followed by hiked-up price tags. This sentiment is led by Older Australians (53%) and drops to 27% for Gen X and 31% for Gen Z.

KEY TAKEAWAY

Sales create action. They can make people try new things, or finally take the plunge on something they've considered in the past. The younger the shopper, the more likely they'll jump on a sale. Having a clear sense of the age demographic you want to target could play a big role in deciding your online sales strategies.



18% FOMO

18% CONSUMERS FEEL LIKE THEY'RE LOSING MONEY IF THEY MISS OUT ON A SALE



1-in-6

YOUNGER SHOPPERS (18-36YRS)
ADDICTED TO SHOPPING THE SALES

SALE-DRIVEN IMPULSE PURCHASES IN THE LAST QUARTER

	TOTAL	GEN Z	GEN Y	GEN X	BOOMER	OLDER
IMPULSE PURCHASED IN A SALE	58%	73%	73%	64%	39%	31%
SPEND	\$108	\$98	\$145	\$114	\$93	\$41
NO. IMPULSE ITEMS	2.7	3.3	3.6	2.8	2.0	1.6

How Consumers Shop the Sales

Most Australians (57%) now prefer to shop the sales online rather than in-store. However, despite this preference for online, we still do just more than half of our sale shopping (51%) at physical retail.

This preference to shop the sales online is significantly higher for younger shoppers (Gen Z 63%, Gen Y 65%) compared to Boomers (46%). Younger shoppers also now use their mobile devices to shop the sales more (Gen Z 33%) than they use their laptops and desktops (Gen Z 29%).

It appears we're at a tipping point between traditional in-store sales and mobile-first online shopping behaviours - and the shift is being driven by the young.

One-in-five consumers (20%) use their mobiles to keep up with all the different sales. Similarly, one-in-five Australians (21%) have made an impulse purchase after receiving a push notification or email on their mobile about a sale.

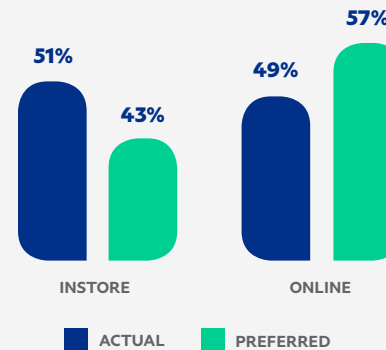
Nearly half of Australians (48%) have bought an item online using a personalised discount, like a birthday promotion. Again, this behaviour is more common for younger shoppers (Gen Z 63%, Gen Y 58%).

Half of Australian online shoppers (50%) have waited until an item was on sale to buy it. This again rises for younger shoppers (Gen Z 73%; Gen Y 65%) but drops for Boomers (35%) and Older Australians (27%).

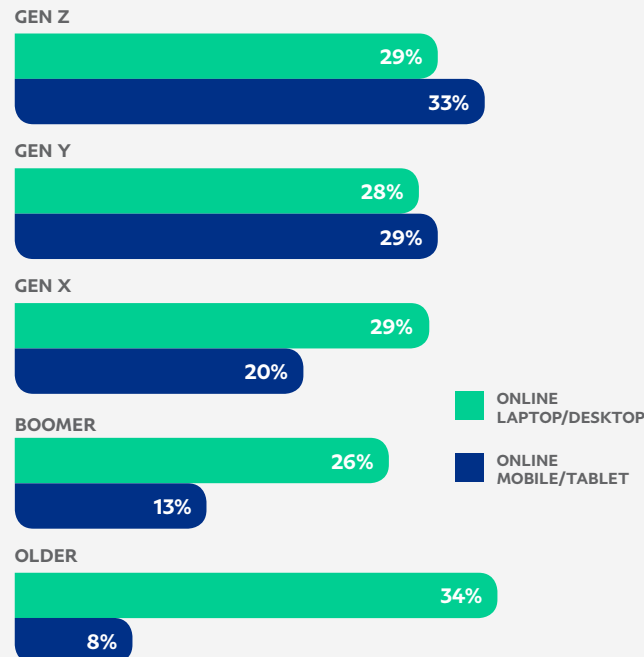
KEY TAKEAWAY

If you're on sale – you've got to be online, with close to half of Australians now sale shopping online and 57% preferring it to in-store. And if you're targeting youth markets, where the majority do their online sale shopping via mobile, you'll need to be mobile-optimised to maximise the effectiveness of your sale periods.

HOW WE SHOP THE SALES ACTUAL vs PREFERRED



HOW WE SHOP THE SALES ONLINE



1-in-5

CONSUMERS USE THEIR MOBILES TO KEEP UP WITH SALES



1-in-2

AUSTRALIANS HAVE WAITED UNTIL AN ITEM WAS ON SALE TO BUY IT



YOUNGER SHOPPERS (18 - 36YRS) USE MOBILE MORE THAN LAPTOPS FOR SALE SHOPPING

Business Benefits and Challenges

Nearly two-in-five Australians (37%) expect brands to offer online discounts outside traditional sales periods (e.g. in addition to Black Friday, Boxing Day, EOFY). This jumps to 44% for Gen Z, 46% for Gen Y.

Yet, less than one-quarter of retailers (23%) run sales outside these traditional sales windows.

According to online retailers, there are two key concerns when it comes to offering online sales.

- One-in-three retailers (31%) believe sales attract customers who are only interested in discounts.
- One-quarter of retailers (24%) think sales make it more difficult to get customers to pay full price during non-sales periods.

However, the data suggests that sales do attract new shoppers, with money to spend, not just bargain hunters.

- More than one-third of Australians (37%) bought a brand online they wouldn't usually buy because it was on sale. This jumps to 46% for Gen Z and 48% for Gen Y.
- One-third (34%) have also bought items they didn't need because of a sale.
- 53% of retailers said sales attract new customers.
- Two-in-five retailers (39%) said online sales increase revenue and one-third (34%) said customer basket sizes are bigger.

KEY TAKEAWAY

Sales can be a good way to attract new customers and increase revenue. Balance participating in tradition sales periods (e.g. Boxing Day) with unique sales moments for your brand. Set clear objectives and promote sales effectively where potential customers already are, such as social platforms like Instagram.



BUSINESS BENEFITS OF ONLINE SALE PERIODS

ATTRACTS NEW CUSTOMERS

53%

HELPS MY BUSINESS GROW

40%

INCREASES REVENUE

39%

BIGGER BASKET SIZES

34%

BUILDS AWARENESS OF BRAND & PRODUCTS

34%

ALLOWS US TO OFFLOAD OLD STOCK

34%

BUILDS CUSTOMER LOYALTY

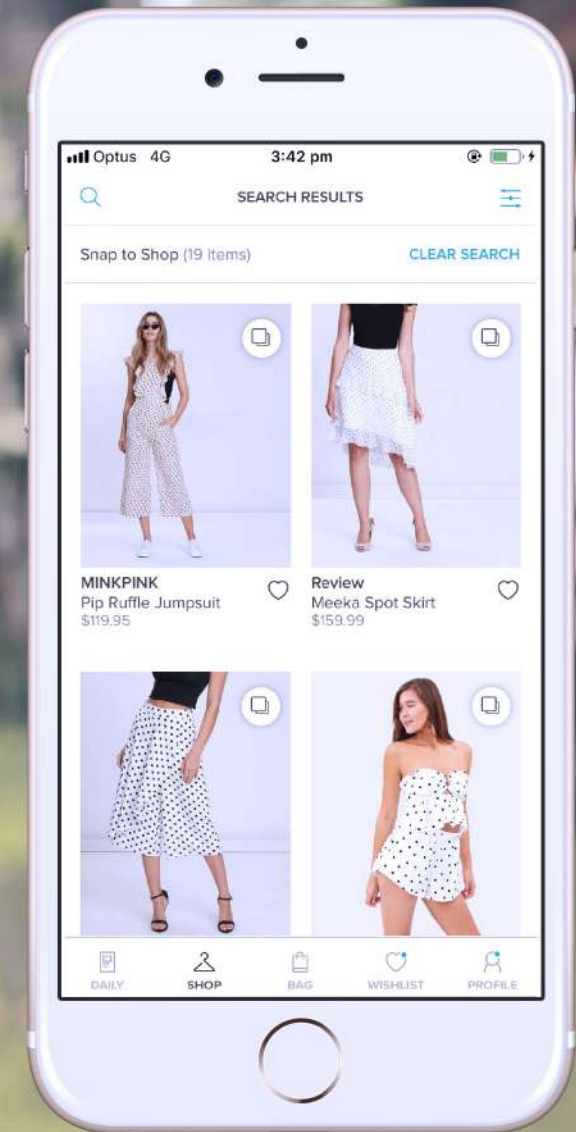
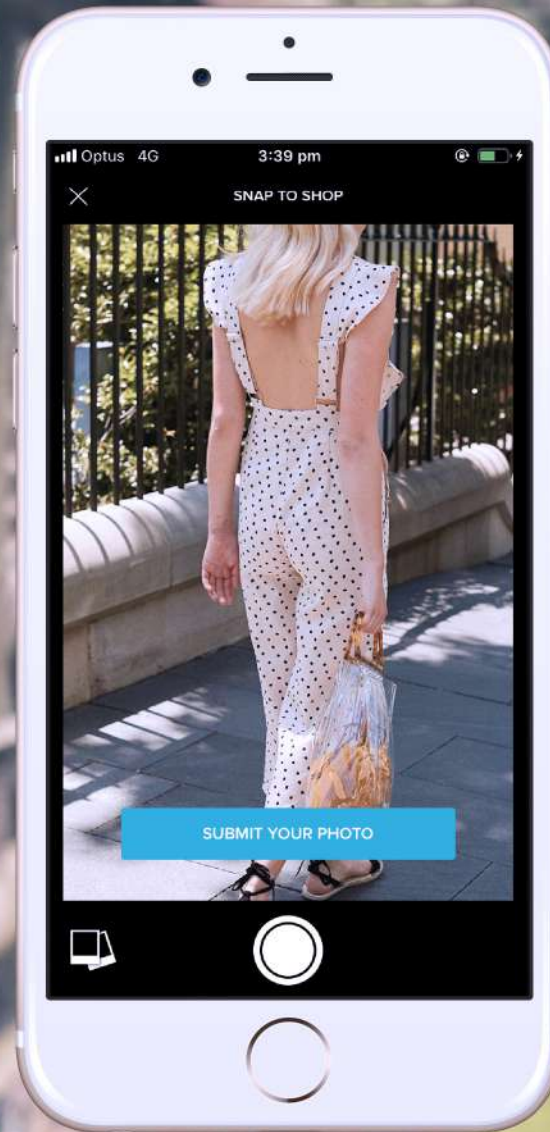
31%

CUSTOMERS SPEND MORE THAN NORMAL

25%



Emerging Online Retail Tech



THE ICONIC
PAYPAL BUSINESS CUSTOMER



Visual Search: Strong Consumer Desire

Visual Search allows mobile users to upload a picture of a product, either from real life or found online – such as shoes, pair of sunglasses, a vase – and find similar items for purchase.

The ability to search for products based on visuals can make it easier and faster for consumers to find and buy products when they don't know detailed specifics.

Twenty per cent of Australians have already used Visual Search - 14% to track down information about a product and 6% to make a purchase. And while that leaves 80% of consumers who are yet to use Visual Search, half of those yet to try it (39%), want to. This jumps to 53% for Gen Z and 46% for Gen Y.

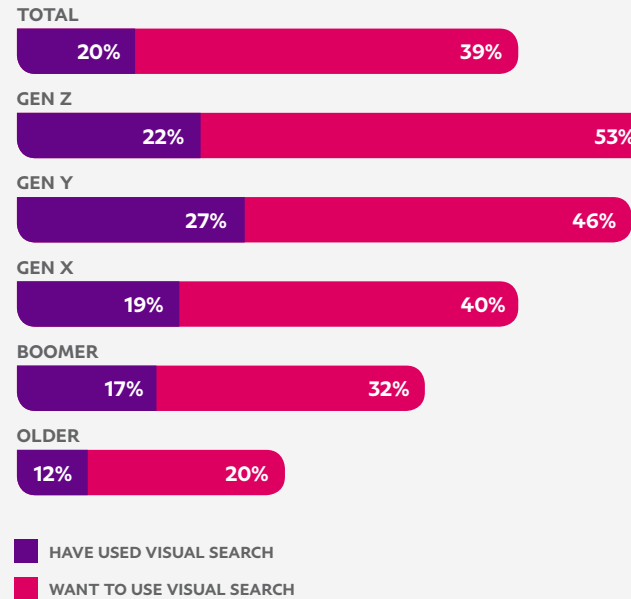
Over half of Australians (53%) have seen an image of an item online and wanted to find out more about it (e.g. price, where to buy, etc.). This jumps to 65% for Gen Z.

However, less than one-in-ten retailers (8%) have adopted Visual Search technology for their customers, and close to half of all retailers (46%) were not even aware of Visual Search when surveyed. One-in-five retailers (22%) do not currently intend to develop a Visual Search offering.

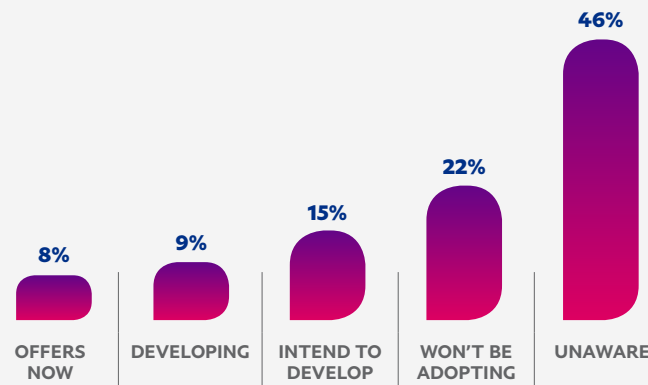
KEY TAKEAWAY

Consumer interest for Visual Search is strong, particularly with younger shoppers. With online retail adoption still in early days, Visual Search capability on your site could give you first-mover advantage.

CONSUMER USE AND DESIRE FOR VISUAL SEARCH



BUSINESS ADOPTION OF VISUAL SEARCH



1-in-5

AUSTRALIANS HAVE USED VISUAL SEARCH TO FIND INFORMATION OR PURCHASE A PRODUCT



8%

ONLINE RETAILERS CURRENTLY OFFER VISUAL SEARCH

Visual Search: Potential to Drive Sales

Not only do Australian consumers like Visual Search, two-in-five Australians (40%) said they would be more likely to make a purchase online if they could use Visual Search.

This is supported by 82% of retailers who think that Visual Search would increase sales.

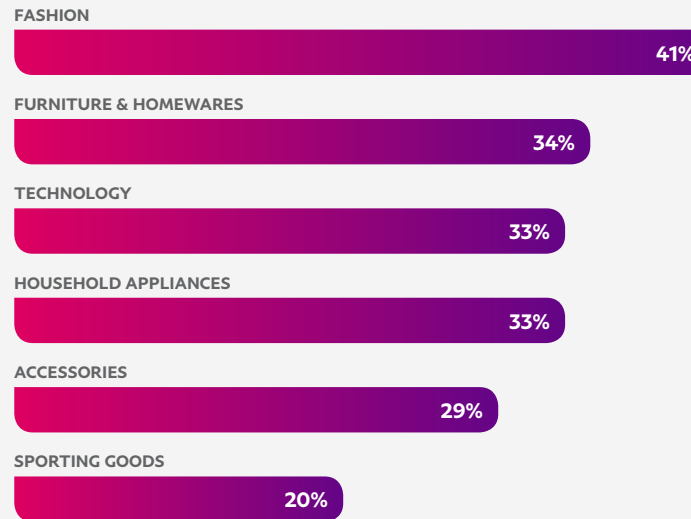
Consumers like Visual Search because it helps find products quickly (44%), can help find a range of similar products (43%), lets you compare prices easily (38%), and lets you find out where someone got a product without having to ask them (35%).

Understandably, consumers saw the greatest benefits of Visual Search in categories such as fashion, furniture and homewares – where you might see something on the street or in a home and can use Visual Search to upload a photo to find similar products without having any specific details.

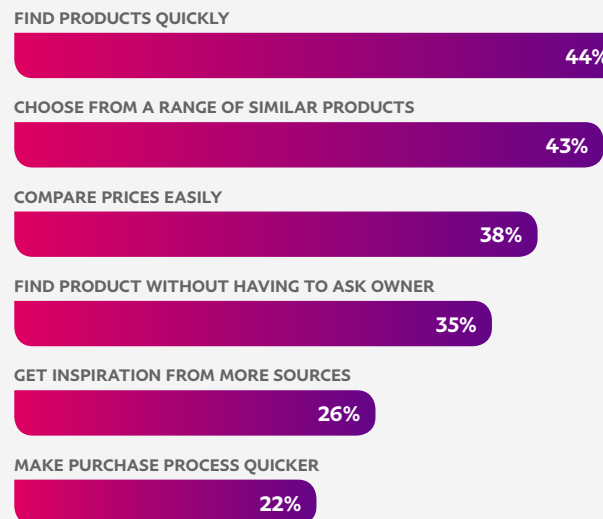
KEY TAKEAWAY

The research suggests customers will shift toward retailers who can offer Visual Search. It's an intuitive and time-saving solution that consumers would use over a range of categories. Visual Search could have a revolutionary impact in making the path to purchase seamless - from seeing something on the street, to snapping a picture, to finding a stockist.

CATEGORIES CONSUMERS WOULD PURCHASE USING VISUAL SEARCH



CONSUMER BENEFITS OF VISUAL SEARCH



Shoppable Video

Shoppable Video brings clickable links directly into video on your own site or other channels such as YouTube. While less popular than Visual Search, it holds appeal for consumers and meets an existing need.

Three-in-ten Australians (30%) have seen an item in a film or video and tried to, or wanted to, find out more about it (e.g. price, where to buy, etc.). A figure which increases to 38% for Gen Z.

One-quarter of Australians (24%) said they would be more likely to make a purchase online if they could use Shoppable Video.

While one-in-six consumers (16%) has used Shoppable Video to find information (12%) or make a purchase (4%), a further three-in-ten (29%) would like to use it.

Retailers also see the appeal of Shoppable Video. Similar to Visual Search, 82% of retailers think it would drive an increase in sales.

Shoppable Video is still in the early stages of adoption and over half of retailers (55%) were not aware of it when surveyed and one-in-five retailers (20%) currently don't intend to develop a Shoppable Video offering.

KEY TAKEAWAY

Bigger online retailers seem more prepared for advanced concepts like Shoppable Video, as right now, like many categories of commercial video integration, it could be an expensive proposition. But it won't be far behind Visual Search as a category to keep a close eye on.

CONSUMER USE AND DESIRE FOR SHOPPABLE VIDEO

TOTAL



GEN Z



GEN Y



GEN X



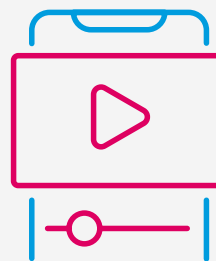
BOOMER



OLDER



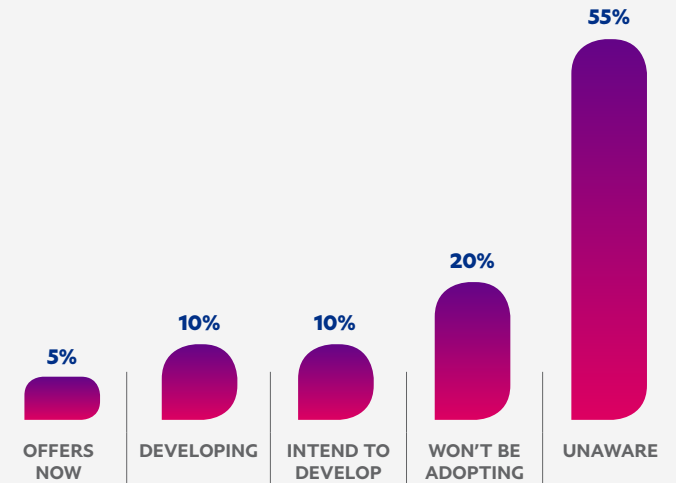
■ HAVE USED SHOPPABLE VIDEO
■ WANT TO USE SHOPPABLE VIDEO



3-in-10

CONSUMERS HAVE SEEN AN ITEM IN A VIDEO THAT THEY WANTED TO BUY

BUSINESS ADOPTION OF SHOPPABLE VIDEO



AVG. INCREASE IN SALES RETAILERS EXPECT SHOPPABLE VIDEO TO DELIVER

5G: Powering the Future of Online Shopping

Arriving in Australia in the coming months, 5G is the next evolution of mobile network – a set of new systems that promises to make the internet work on your mobile device like a superfast fibre connection.

Getting ahead of the game, 11% of retailers are currently planning how they can update their online mobile offering to take advantage of 5G. However, 16% of retailers said they don't understand the benefits 5G will bring.

Technologies such as Visual Search and Shoppable Video will benefit from the speed offered by 5G. Twenty per cent of retailers think 5G will help drive more mobile sales and 19% go so far as stating 5G will change mobile commerce as we know it.

Increased speed and less lag will also benefit consumers and will address many of the barriers to new technologies. For example:

- Two-in-five Australians (39%) said 'search results taking too long to load' would make Visual Search an unsatisfactory experience.
- Over half of Australians (52%) said 'video buffering' would make Shoppable Video an unsatisfactory experience.
- A quarter (24%) said 'payment process taking too long' would also impact the Shoppable Video experience.

KEY TAKEAWAY

5G will improve a lot of speed concerns for richer media shopping experiences like Visual Search and Shoppable Video, especially for mobile platforms. This should further accelerate the adoption of mobile as the platform of choice for more consumers.

ONLINE RETAIL BENEFITS OF 5G

FASTER LOAD TIMES

56%

QUICKER IMAGE/VIDEO LOADING

51%

FASTER PAYMENT PROCESS

45%

NO VIDEO BUFFERING

34%

MORE INTERACTIVE CONTENT

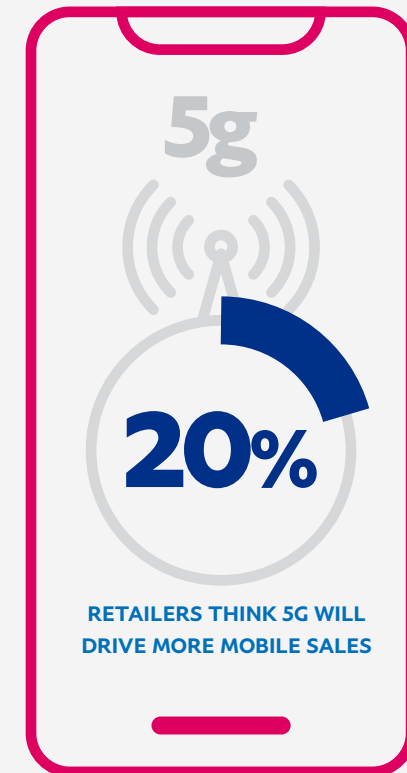
32%

INCREASED MOBILE SHOPPERS

31%

INCREASED MOBILE CONVERSION

28%



Key Takeaways

Australian consumers are now conditioned to expect regular discounts, and many have modified their shopping behaviours in response. However, sales don't have to be a tactic that simply squeezes your margins with no long-term benefits. Done strategically, sales can attract new customers, increase basket sizes and build loyalty.

With more Australians now preferring to shop the sales online, rather than in-store, and younger shoppers leaning towards mobile devices, being mobile-optimised is now central to any discounting strategy. Online retailers who can take advantage of this beyond the major traditional sale windows can reap the rewards.

Visual Search and Shoppable Video are set to become a big part of the mobile shopping cycle, especially for younger consumers. Being able to snap a photo of something in day-to-day life, then find a range of similar or identical products is a stunning leap for consumers and for retailers – it can place a shopper deep into the sales funnel in just a few clicks.

While many smaller operators would struggle to offer these tools on their own, more turnkey solutions are emerging. Through partnering with eCommerce platforms and marketplaces that already have, or are developing, visual shopping capabilities, a broad range of online retailers will be able to offer these experiences. And with search engines starting to offer built-in Visual Search on mobiles, it's time to get your SEO foundations right by ensuring product captions are highly-descriptive.

Whether you're looking to take the leap or not, it's important to do your research so you're ready to make a move should the tipping point arrive sooner than later. And 5G is set to drive more new opportunities in the next year or two as average mobile network speeds take their next big leap forward.

TIPS FOR MOBILE-OPTIMISATION



THINK MOBILE FIRST

A truly engaging mobile experience must be developed with a mobile-first mentality. It is no longer enough to simply translate a desktop site into a mobile optimised version.



SUPPORT A WIDE RANGE OF DEVICES

It's important that you support a wide range of screen sizes and browser types and that you test your site on a range of devices, browsers and screen sizes from a smartphone screen to the largest tablet.



ALWAYS HAVE YOUR ADD TO BASKET AND CHECKOUT BUTTONS ON SCREEN

By having easy to spot icons in the same corner of every page customers will be able to easily navigate through to the checkout, regardless of where they are on your site.



HANDLE ERRORS SMOOTHLY

Don't lose customers because of a painful data entry process. If a customer encounters an error, the screen should pop back up to the field with the error, and it should be clearly marked.



SIMPLIFY NAVIGATION

Make it easy for customers to move through your site. Minimise data entry, clicking or zooming. And use large buttons, fonts and a fixed navigation bar to ensure smooth steps to purchase.



HAVE A FAST PAGE LOAD TIME

For every second of delay, you lower conversion by seven per cent. Forty per cent of customers will abandon a site if a page takes three or more seconds to load. While it's important your mobile experience is engaging and visually appealing, this must be supported by software that allows a quick load time.



PERFECT YOUR MOBILE PAYMENT PROCESS

Streamline your payment process to reduce basket abandonment. Allow guest checkout, minimise text entry and use a payment solution that's mobile-optimised.



ENSURE KEYBOARDS ARE FIELD SENSITIVE

When you need to collect data, make it as easy and quick as possible for your customer. If numbers are needed, present the numeric keypad and if an email address is required, present a keyboard where the @ sign is displayed along with the .com button.



Methodology and Contacts

The PayPal mCommerce Index: Trends Report 2019 surveys the payment patterns and expectations of Australian smartphone users and provides insights into the mobile commerce landscape.

The research was commissioned by PayPal Australia Pty Limited (ABN 93 111 195 389 AFSL 304962) and was conducted by ACA Research (ABN 66 001 598 558) between Friday 29 March and Friday 12 April 2019.

Respondents completed an online self-completion survey, with a total of n=1,018 consumers and n=485 businesses taking part in the research. Sample was sourced through consumer and business research panels, with participants incentivised for completing the survey. The research was carried out in compliance with the AMSRS Guidelines and the National Privacy Principles.

The research 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. Numbers may not add to 100% due to rounding.

PRESS CONTACT

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

BUSINESS CONTACT

To find out how to optimise your mobile or social payments contact PayPal Australian on 1800 729 725 or visit paypal.com/au/learnmore

SAMPLING



CONSUMER

The consumer research conducted by ACA Research consisted of a 5 minute online survey of n=1,018 Australians aged 18 and older, exploring adoption, usage and sentiment towards sales and discounts, as well as emerging online shopping experiences. Quotas were set on age, gender and location, to ensure data was nationally representative. Significance testing was conducted at a 95% confidence interval, with a potential sampling error of 3.07%.

Generational Ages as at 2019: Gen Z (18-24 years); Gen Y (25-36 years); Gen X (37-51 years); Baby Boomer (52-66 years); Older Australians (67+ years)

BUSINESS

The business research conducted by ACA Research consisted of a 5 minute online survey of n = 485 decision makers within Australian businesses, exploring implementation of and sentiment towards sales and discounts, as well as emerging online shopping experiences. All businesses had to sell partially or wholly to consumers, and also sell or take payments online, with quotas set on turnover and location, to ensure the data provided a reliable cross section of Australian businesses. Significance testing was conducted at a 95% confidence interval, with a potential sampling error of 4.45%. The business sample included n=208 business owners or key decision makers within the retail sector which is the primary sample referenced in the report and press release.

Business/Retail Sizes

The report and press release reference different sized retailers which can be defined as follows:

- Micro-business/retailer: <\$200,000 revenue
- Mid-size retailer: \$2 million - \$10 million revenue
- Small business/retailer: \$200,000 - \$2 million revenue
- Large retailer: >\$10 million revenue

ABOUT PAYPAL

Fueled by a fundamental belief that having access to financial services creates opportunity, PayPal Holdings, Inc. (NASDAQ: PYPL) is committed to democratising financial services and empowering people and businesses to join and thrive in the global economy. Our open digital payments platform gives PayPal's 277 million active account holders the confidence to connect and transact in new and powerful ways, whether they are online, on a mobile device, in an app, or in person. Through a combination of technological innovation and strategic partnerships, PayPal creates better ways to manage and move money, and offers choice and flexibility when sending payments, paying or getting paid. Available in more than 200 markets around the world, the PayPal platform, including Braintree, Venmo, Xoom and iZettle, enables consumers and merchants to receive money in more than 100 currencies, withdraw funds in 56 currencies and hold balances in their PayPal accounts in 25 currencies. For more information on PayPal, visit <https://www.paypal.com/about>. For PayPal Holdings, Inc. financial information, visit <https://investor.paypal-corp.com>.

