

PAYPAL MCOMMERCE INDEX TRENDS REPORT

22 MAY, 2018

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INTRODUCTION

Welcome to the PayPal mCommerce Index: Trends Report 2018, our mid-year pulse-check of mobile commerce (mCommerce) in Australia. This edition explores three emerging trends in mobile retail – the shift from convenience to **entertainment**; the impact and benefits of **augmented reality**; and how **voice assistants** are enhancing the mobile commerce experience.

mCommerce may have begun as a convenient way to shop on-the-go, but has developed quickly into an entertainment experience. Reading and writing reviews, product research and virtual try-ons are an enjoyable pastime for many Australians, particularly with younger shoppers. This behavioural shift is not only changing the way Australians engage with mCommerce but also their expectations for the mobile shopping experience.

The PayPal mCommerce Index: 2018 Trends Report reveals that two-thirds (67%) of Australian smartphone users have browsed retail sites via mobile for fun without a specific purchase intent. This finding represents an opportunity and a challenge – Australian consumers are looking for mobile-first shopping experiences that provide an avenue for leisure, relaxation and entertainment. But how do businesses deliver the fun factor while supporting a sales-effective customer journey?

Four-in-five mobile-optimised businesses agree they need to ensure customers have fun while shopping on their site. And while many Australian businesses have not yet optimised for mobile commerce (49%), the leading edge of mobile retailers

are experimenting with new technologies, such as augmented reality and voice assistants, to build this 'fun factor' into their customer experiences to drive engagement, interactivity and social shareability that not only entertains customers but is designed to maximise sales.

Augmented reality (AR) experiences give us the ability to visualise how a new sofa might look in our living room, or even how an item of clothing would fit on our body by combining real world and digital information. Consumer desire for AR is high with 51% of surveyed consumers saying they'd like more online retailers to offer augmented reality experiences and 27% saying that virtual try-on experiences would make them want to buy more.

Five per cent of surveyed consumers have used AR for mobile shopping and an equal 5% of online businesses currently offer augmented reality. Another 32% of businesses are developing, or intending to develop, an augmented reality experience.

A relatively new addition to Australian households, voice assistants are poised to reshape how we interact with online retailers. One-in-five consumers have already used a voice assistant to research retail information, and it's promising to see that 4% of online businesses have integrated voice assistants into their customer offering. A further 15% are already exploring how they can adopt voice assistants to drive sales.

We hope this PayPal mCommerce Index: Trends Report 2018 will provide insight into the ever-changing mCommerce landscape and the opportunities that lie within emerging technologies for mobile retail.



LIBBY ROY

**Managing Director,
PayPal Australia**

***THE RISE OF ONLINE
'RETAILTAINMENT'***



MOBILE SHOPPING FOR FUN

As mobile phones have become part of our everyday lives, mobile shopping has evolved from a simple convenience to a recreational experience. In fact, two-thirds (67%) of Australian smartphone users browse shopping sites for fun or to pass the time without any plans to buy.

Although they may have no intent to purchase, 77% of those who 'window shop' on their mobiles for fun have made an impulse purchase in the process. One-in-five (20%) Australians, and 31% of those aged 18-34, say they're more likely to make an impulse buy via mobile than via desktop.

Frequency of browsing retail sites for entertainment is also high, with 46% of respondents stating they 'window shop' on their mobiles for fun at least once a week, 30% more than once a week and almost a tenth (9%) browse for fun daily.

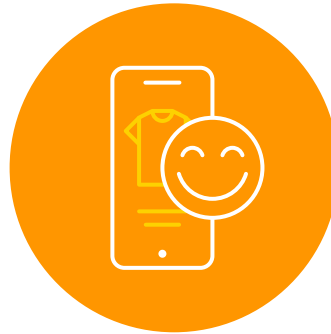
Younger Australians, (18-34 year olds) are the greatest consumers of online retailtainment with 62% browsing for fun at least once a week on their mobiles, and 15% of Gen Zs² doing so daily.

While only 51%³ of Australian businesses that sell online have a mobile-optimised retail site, the innovators in that cohort are developing new and engaging ways to win and retain customers – such as augmented reality and voice assistants.

BUSINESS INSIGHT

An increasing number of consumers are browsing retail sites on their mobile for enjoyment and recreation, making impulse purchases as they do. Creating mobile shopping experiences that are fun and engaging is essential for both attracting and retaining customers.

RETAIL BROWSING FOR FUN VIA MOBILE



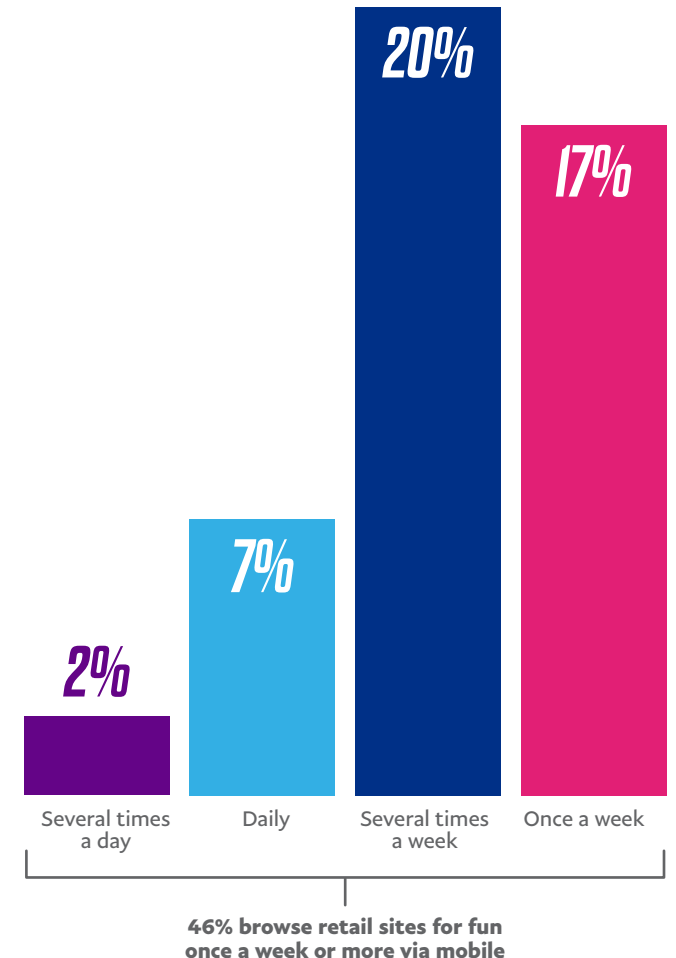
67% OF AUSTRALIAN SMARTPHONE USERS BROWSE RETAIL SITES FOR FUN WITHOUT ANY PURCHASE INTENT

MOBILE IMPULSE BUYS



77% OF RECREATIONAL MOBILE BROWSERS MAKE IMPULSE PURCHASES

FREQUENCY OF RETAIL BROWSING FOR FUN VIA MOBILE



FROM CONVENIENCE TO PASTIME

As mobile shopping has become more engaging, Australian consumers are turning to mCommerce not just for entertainment but also to unwind, making the phrase 'retail therapy' a reality on mobile with 44% of Australian smartphone owners stating that they shop online for relaxation and leisure. One third (35%) of 18-34 year olds say they regularly treat themselves with an online shopping purchase.

While there is little gender difference among mobile shoppers who browse for fun, women are much more likely to shop online to relax (53%) than men (35%). Similarly, 41% of women have placed items in their carts with no intention of making a purchase compared to 28% of men.

Younger Australians also lead the charge when it comes to online shopping to relax. *Australia's youngest generation, Gen Z, enjoy shopping online for relaxation (69%) as much as watching TV (69%) and more than twice as much as watching sport (31%). This compares to just 35% of Baby Boomers (50-64) who shop online for relaxation/leisure.*

While mCommerce has made online shopping ubiquitous when in-transit and out of home, half of all 18-34 year old respondents (50%) stated they have shopped on their mobile in bed before going to sleep.

BUSINESS INSIGHT

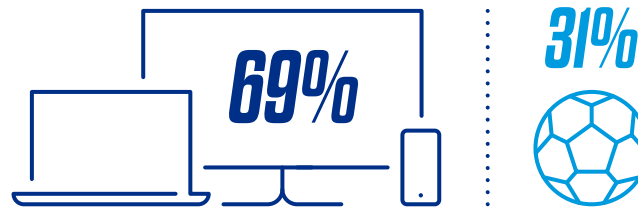
While a key attraction of mobile shopping remains convenience, a significant number of Australians are shopping online to relax. Your competition is not just other online sellers, but TV and bedtime reading. Boost the enjoyment factor with great images, customised product suggestions, videos, testimonials and chat, as well as content that is easily shareable across your shoppers' social media platforms.

MOBILE RETAIL THERAPY



**44% SHOP
ONLINE FOR
RELAXATION /
PLEASURE**

GEN Z LEADING THE CHARGE



The younger you are the more you enjoy online shopping. Gen Z (22 years and under) enjoy shopping online (69%) as much as watching TV (69%) and more than twice as much as watching sport (31%)

MOBILE SHOPPING — RELAXING AND A TREAT

For younger consumers 18-35 years old

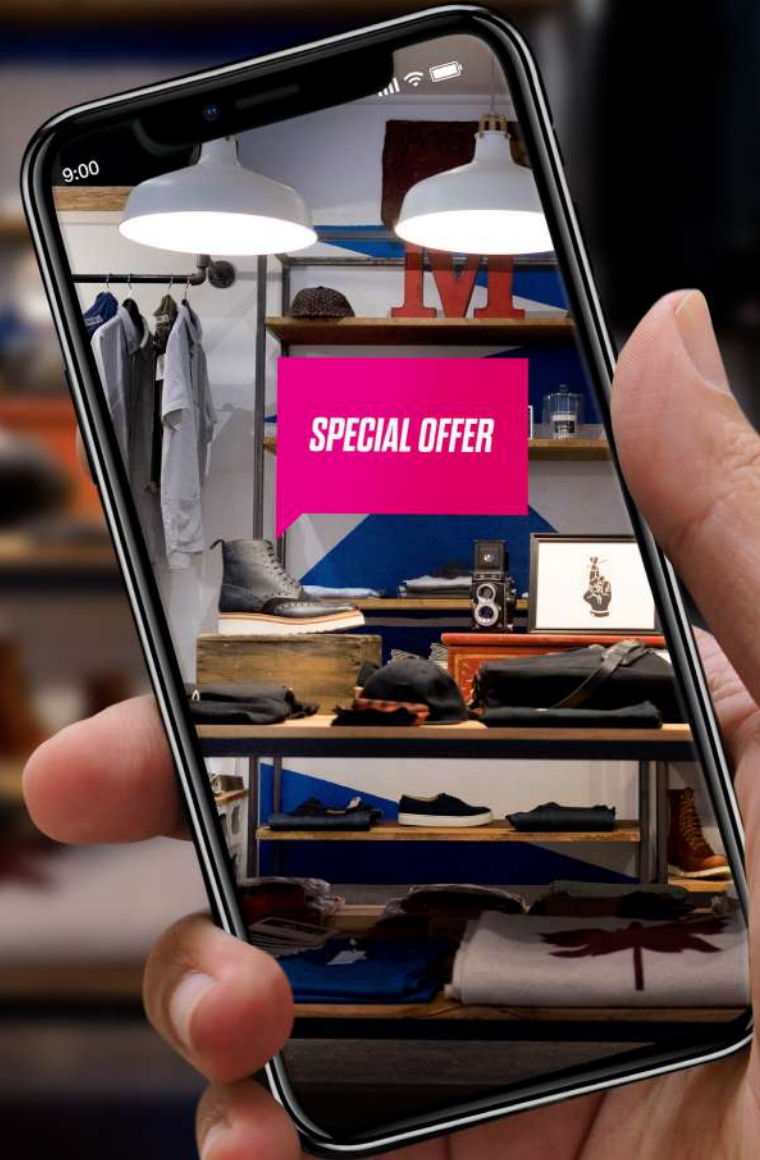


I have shopped on my mobile in bed before going to sleep



I regularly 'treat myself' with an online shopping purchase

AUGMENTED REALITY





TRY BEFORE YOU BUY: AUGMENTED REALITY

Augmented reality (AR) takes digital information and overlays or combines it with elements of the real world. For example, car enthusiasts can use their mobile to see how new wheels will look on their car before they make a purchase.

The ability to virtually try before you buy answers a key consumer concern as mobile shoppers still struggle with being unable to see what products will look like in their homes or in use; or whether fashion items will fit or suit them.

Almost nine-tenths of respondents (88%) said they were concerned about which size will fit and size variation between brands and four-fifths (82%) were concerned that even if the size was right, they didn't know how the item would look on them or in their home.

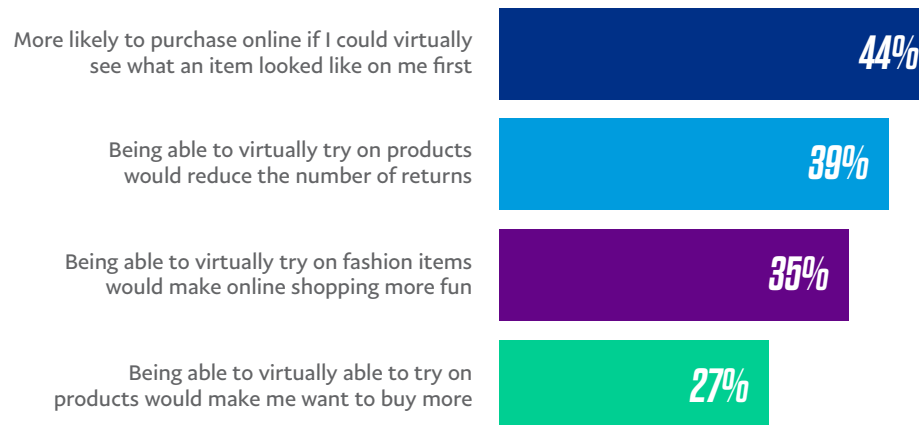
AR experiences alleviate this by virtually showing consumers how an item might look on them or in their home. *More than two-fifths (44%) of respondents said they'd be more likely to purchase online if they could virtually see what an item looked like on them or in their home before buying and 39% felt virtual try-on experiences would reduce the number of returns.*

Importantly, over a quarter (27%) of consumers surveyed said being able to virtually try on products would make them buy more. Online businesses are aligned with this consumer perception with 38% agreeing that AR would assist in securing more sales.

CONSUMER CONCERNS ABOUT MOBILE SHOPPING



CONSUMER ATTITUDES TO TRY BEFORE YOU BUY



AUGMENTED REALITY SET TO GROW

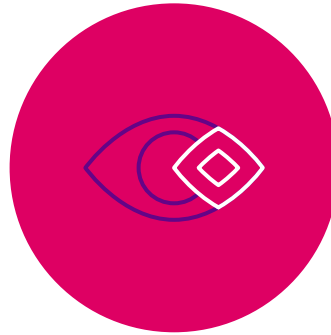
Augmented reality (AR) is a high priority for Australian consumers with 51% of mobile shoppers saying they'd like to see more online retailers offer AR on their websites. However, to date only 5% of mobile shoppers have used an augmented reality online retail experience.

Augmented reality also enhances the interactivity and engagement for consumers with 12% saying they would share virtual 'try on' images with their friends on social media, providing talkability and added exposure for retailers.

Australian online businesses are keeping up with consumer use of AR (5%), with an equal number (5%) offering AR today, and one-in-three (32%) online businesses currently developing or intending to develop an AR experience. However, although more than half of surveyed consumers want online retailers to provide AR, a quarter of online businesses (25%) say they have no intentions to develop an AR experience.

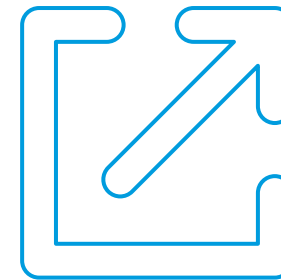
The top three categories where Australian mobile shoppers would like the help of AR are fashion (62%), furniture and homewares (47%) and accessories (36%).

AUGMENTED REALITY: CONSUMER DEMAND



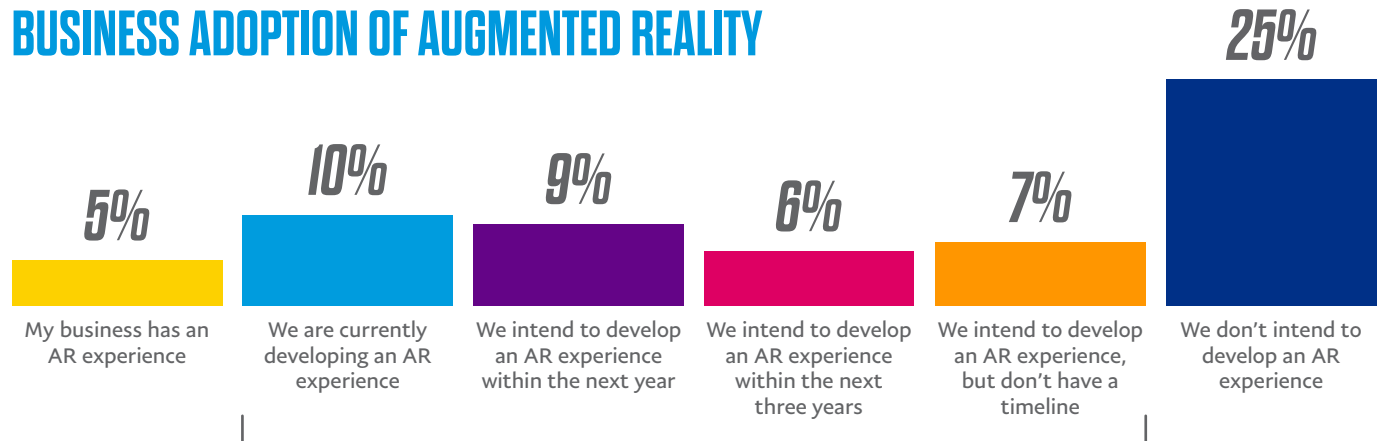
51% WANT MORE ONLINE RETAILERS TO OFFER AUGMENTED REALITY EXPERIENCES

SOCIAL SHARING



12% OF CONSUMERS WOULD SHARE VIRTUAL 'TRY-ON' IMAGES WITH FRIENDS ON SOCIAL MEDIA

BUSINESS ADOPTION OF AUGMENTED REALITY



32% of businesses are developing or intending to develop an AR experience

39% of businesses did not express an opinion on AR adoption

BUSINESS INSIGHT

Consumers are still concerned that online purchases won't be quite right when they arrive. Help your shoppers buy confidently with comprehensive size guides. Consider product images that are both stand-alone and also show in-home or in-use scenarios. Evaluate how new technologies such as augmented reality could help your customers find the right product for their needs.



VOICE ASSISTANTS



READY TO LISTEN: VOICE ASSISTANTS

Voice assistants are built on artificial intelligence and voice recognition technologies. To help with online shopping, consumers can add items to a shopping list, request information or make purchases – through a voice assistant like Siri, Alexa or Google Assistant, via mobile or a smart speaker.

Voice assistants are a relatively new phenomenon in Australia, however their impact is already being felt. More than half (54%) of consumers believe that as the technology develops, voice-assisted shopping will be useful and 14% believe voice-assisted shopping will be a game changer.

One in five (20%) Australian consumers have used a voice assistant to make retail enquiries like product availability or price comparisons, however only 4% of consumers have used a voice assistant to make online purchases.

One-in-ten (12%) Australians would love if a voice assistant could make personalised product recommendations, 12% would like a voice assistant to help find products for their loved ones and 9% would use a voice assistant to help make shopping choices.

However, a third of Australians (32%) are worried about giving a voice assistant their payment details, due to the risk of misuse by others.

Currently only 4% of online businesses have integrated voice technology. However, a further 15% are currently exploring how the technology could drive sales and a further 27% are considering integrating voice assistant services in the future.

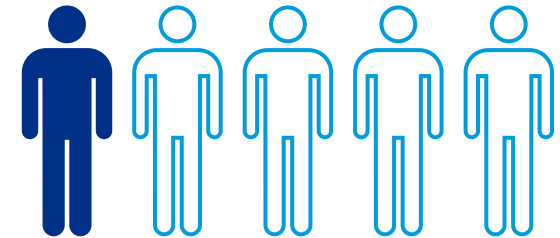
VOICE ASSISTANTS: CONSUMER BELIEFS



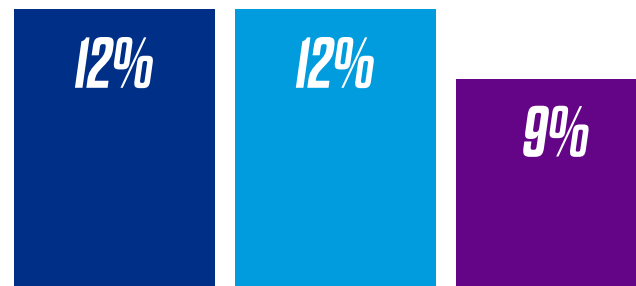
54% BELIEVE THAT AS TECHNOLOGY DEVELOPS, VOICE-ASSISTED SHOPPING WILL BE USEFUL

VOICE ASSISTANTS: CONSUMER USAGE

1 IN 5 AUSTRALIAN CONSUMERS HAVE USED A VOICE ASSISTANT TO MAKE RETAIL ENQUIRIES



CONSUMER ATTITUDES TO VOICE ASSISTANTS



I'd love a voice assistant to recommend products based on its knowledge of me

I'd like a voice assistant to help me find products for my loved ones

I would use a voice assistant to help me make shopping choices

BUSINESS INSIGHT

How we attract new customers is constantly changing. While it's early days for voice assistants, indications are that they're becoming a growing and important interface between consumers and online retailers. Start with a solid search strategy – ensure your SEO is optimised and evaluate paid search.

KEY TAKEAWAYS

While many Australian businesses have still not optimised for mobile (49%)⁴, the leading edge of mobile retailers are experimenting with and implementing new technologies, such as augmented reality and voice assistants. These new technologies help build the 'fun factor' into their customer experiences to drive sales, engagement and social shareability

With 67% of consumer respondents browsing retail sites for fun and 77% of those making impulse purchases when they do, developing the retailtainment aspects of your site could lead to real bottom line results.

TIPS FOR STARTING YOUR mCOMMERCE OPTIMISATION

Expectations for the perfect mCommerce experience are continually changing and taking the first steps can be daunting for any business. With almost half of Australia's online businesses not yet optimised for mobile commerce, we've developed the following practical tips to help you start creating a great mobile shopping experience.

Learn more about how PayPal can help optimise your mobile payment process: www.paypal.com/au

⁴ PayPal mCommerce Index, Australia 2017



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.



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.



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.



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 in red.



Always have your Add to Basket and Checkout buttons on screen

Make it easy for customers to view their basket or wish list. 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.



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.

RESEARCH OVERVIEW

This research report was produced by PayPal Australia Pty Limited ABN 93 111 195 389 AFSL 304962, based on a study conducted by ACA Research with n=1,012 consumers and n=404 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.

The consumer research conducted by ACA Research consisted of a 5 minute online survey of n=1,012 Australian smartphone users aged 18 and older, exploring adoption, usage and sentiment towards mobile and social commerce. In addition, ACA Research conducted a 5 minute online survey of n=404 business decision makers within Australian small and medium B2C retailers and merchants who sold or took orders online, exploring their attitudes and behaviours around mobile and social commerce.

Numbers may not add to 100% due to rounding.

SAMPLING

CONSUMER

The consumer research consisted of a sample of n = 1,012 Australian smartphone users aged 18+ (which represents approximately 82% of total Australian population 18+). 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 3.08%.

BUSINESS

The business research consisted of a sample of n = 404 decision makers within Australian small and medium businesses. All businesses had to sell partially or wholly to consumers, and also sell or take payments online. Quotas were set on turnover and location, to ensure data was a reliable cross section of Australian businesses. Significance testing was conducted at a 95% confidence interval, with a potential sampling error of 4.86%.

METHODOLOGY

Online self-completion survey. The research was carried out in compliance with the AMSRS Guidelines and National Privacy Principles. Sample was sourced through consumer and business research panels, with participants incentivised for completing the survey.

TIMING

The research was in field from Friday 6th to Tuesday 10th April 2018.

PRESS CONTACT

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

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

ABOUT PAYPAL

Fueled by a fundamental belief that having access to financial services creates opportunity, PayPal (Nasdaq: PYPL) is committed to democratizing financial services and empowering people and businesses to join and thrive in the global economy. Our open digital payments platform gives PayPal's 203 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 and Xoom, 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 financial information, visit <https://investor.paypal-corp.com>

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