PayPal Australia

2021 eCommerce Annual Index

December 2021

Key Insights

1 eCommerce

The pandemic drove commerce online… and it's a permanent shift

- 52% of purchasing currently done online; predicted to remain high at 49% post-pandemic
- 66% of Australians shop online weekly, with 56% shopping via mobile each week
- $689 in average monthly eCommerce spend, evenly split between mobile devices and computers
- 63% of Australians have abandoned an online purchase before payment – 32% of them to get a targeted offer or discount
- 46% of Australians prefer to buy from brands that are environmentally and socially responsible

2 Mobile Commerce

Younger Australians increasingly prefer mobile for online shopping

- Four-in-five (82%) Australians shop on mobile devices (up from 74% pre-pandemic)
- 48% of consumers prefer to shop on mobile, rising to 59% of Gen Y (Millennials)
- Mobile spending has hit $342 per month, up $25 from 2020
- Australians, and particularly Gen Z, use mobile devices across a wide range of settings
- Almost 1-in-4 Australians (23%) have abandoned a purchase because the site wasn't mobile optimised

3 Social Commerce

Social shoppers now spending more than $100 a month

- One-in-four Australians shop on social, rising to 1-in-3 (32%) for those under 40 years
- $35 average monthly social spend across all Australians (Gen Z: $51, Gen Y: $52)
- 35% of businesses sell via social. 5% of revenue (across all online businesses) comes from social sales
- $106 avg spend/month among social shoppers. 25% social shop at least weekly, mostly on Facebook (70%) or Instagram (47%)

4 Subscriptions

Australians are enjoying the value, flexibility and ease of use

- 66% of Australians use a subscription service and 28% added at least one during the pandemic
- $62 average monthly spend on subscriptions (among subscribers)
- 17% of businesses currently offer subscriptions, 46% of them introduced it during the pandemic
- Flexibility (63%), secure payment (56%), and value (40%) are the top consumer benefits

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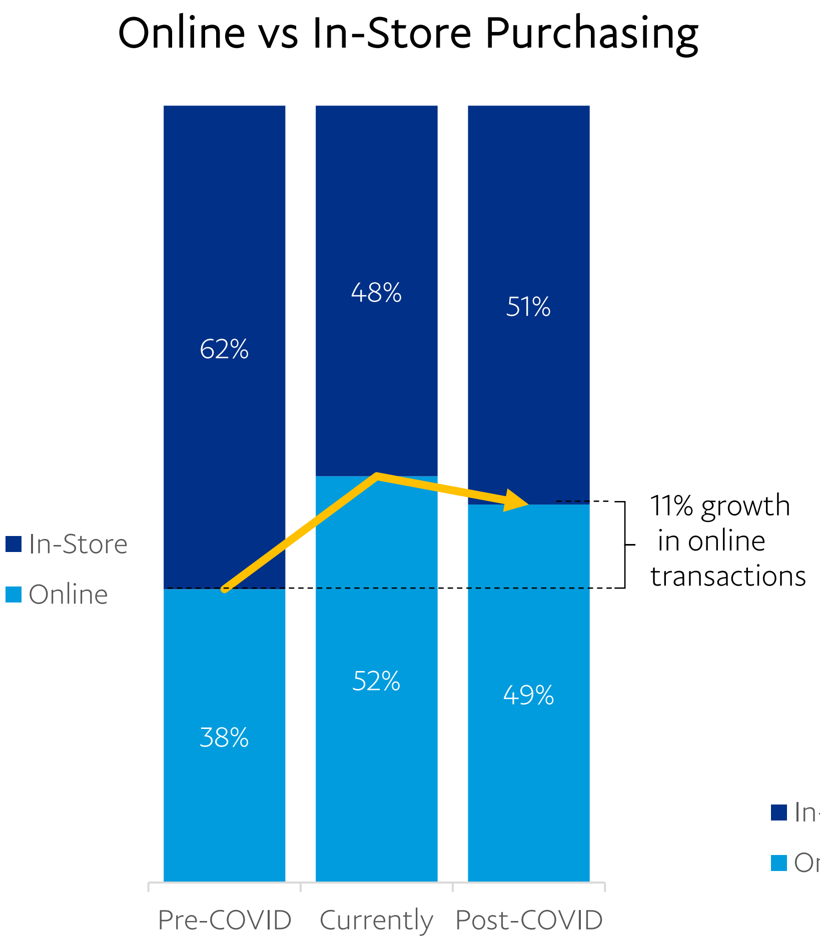
The research was conducted with 1,053 Australian smartphone users aged 18-75 years. The sample included representation from all generations including: Gen Z (18-24 years); Gen Y (25-40 years); Gen X (41-56 years); Baby Boomer (55-75 years). The business survey was conducted with 410 decision makers within Australian businesses that sell partially or wholly to consumers and partially or wholly online. Fieldwork ran from 30th September to 15th October 2021. Please see appendix for full methodology.

eCommerce in Australia

COVID Acceleration

The pandemic drove a step change in consumer behaviour with Australians doing more than half their shopping and bill payments online – and they're not planning to go back to their old habits

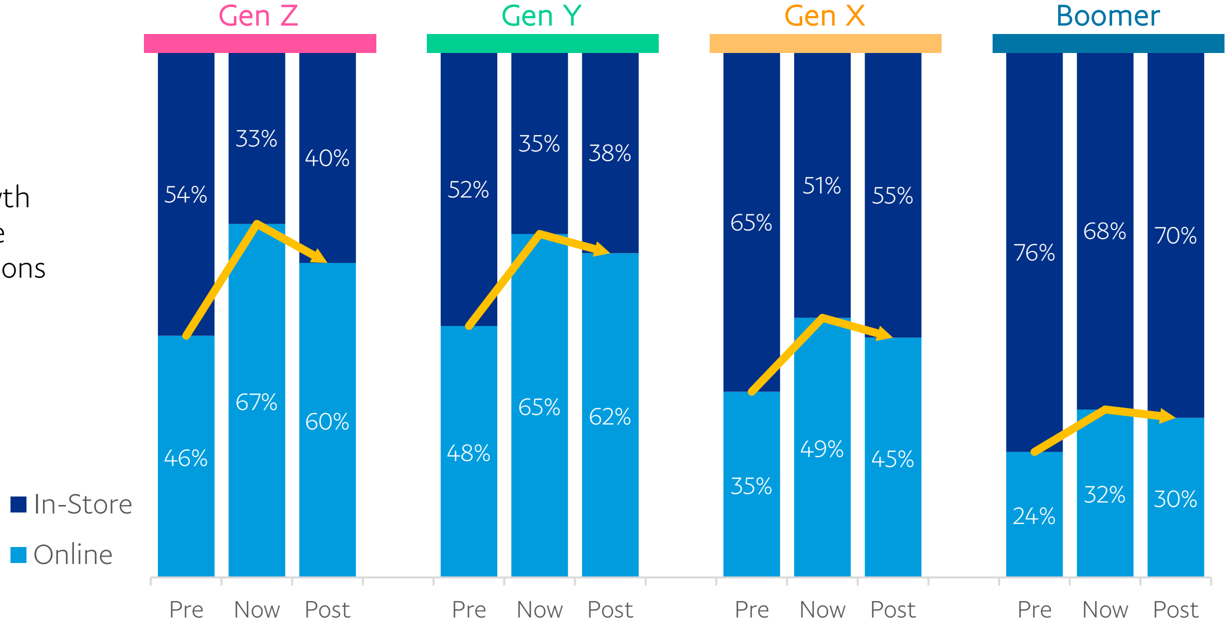


17% of Australians started shopping online regularly

7% Signed up for a digital wallet to shop online safely (e.g. PayPal)

27% Prefer shopping online

31% of businesses expect online sales to remain at a higher level post COVID



There has been a step change in consumer behaviours due to COVID that appears will be persistent.

COVID-19 drove 1-in-6 Australians (17%) to start shopping regularly online. Consumers did just over half (52%) of their shopping and bill payments online, up 14% from pre-COVID levels (38%).

Post-pandemic, consumers plan to keep doing almost half (49%) of their shopping and bill payments online – a drop of only 3%.

Online businesses agree, with almost a third (31%) expecting online sales to remain at a higher level than pre-COVID norms,

Consumers under 40 years (Gen Z & Gen Y) plan to do 60% (or more) of their shopping and bill payments online post-COVID.

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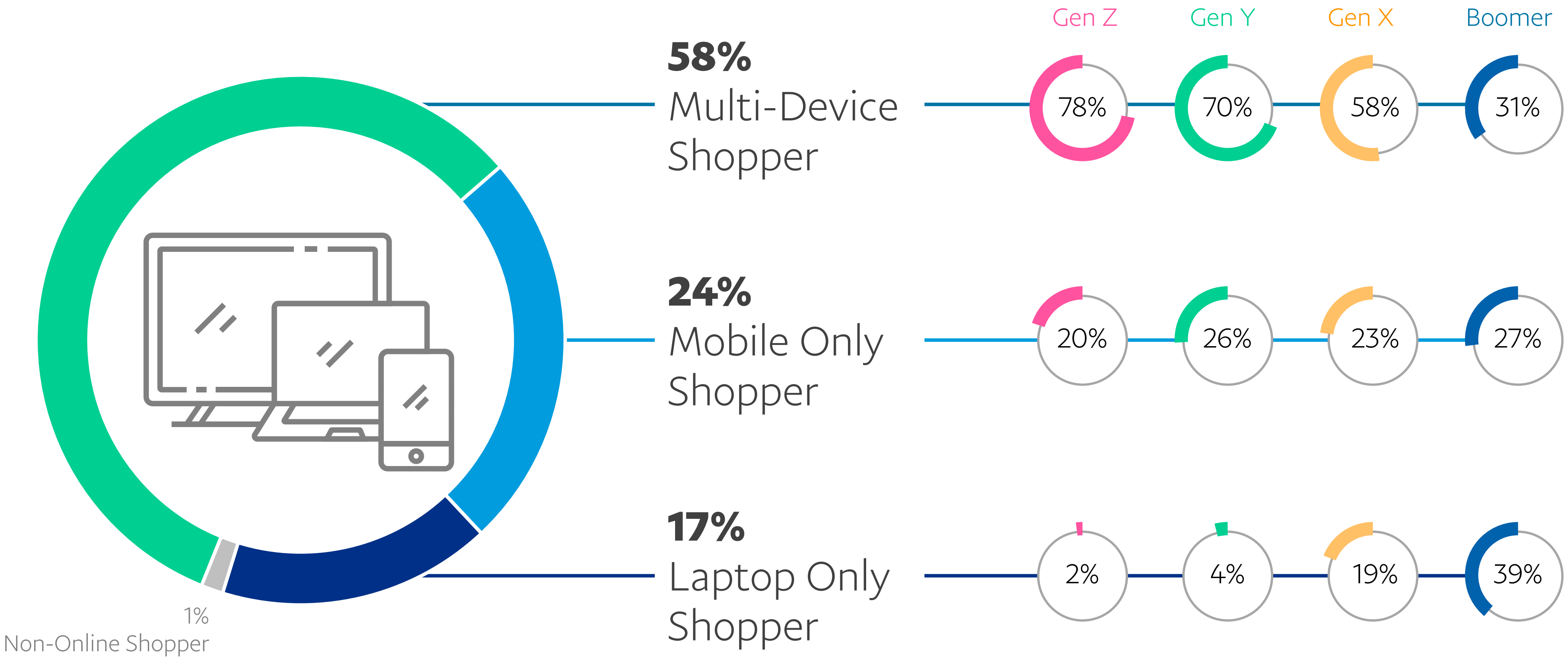
CQ18 - What proportion of your shopping and bill payment do you do online (as against in-store)? CQ17. Thinking about your experiences through the COVID-19 pandemic in 2020 and 2021, which of the following statements, if any, do you agree with? MQ16. Which of the following statements do you agree with in relation to your business during the COVID-19 pandemic?
BASE: C: All Australians 18-75, n=1053. M: Online Businesses, n=410

eCommerce **Device Use**

Most Australians shop across multiple devices, but there is a significant minority of mobile-only shoppers in each age bracket



More than half of Australians (58%) use multiple devices to shop or make payments online.

A smaller, but significant subset is the 1-in-4 Australians (24%) who shop only on mobile, with this behaviour relatively consistent across age demographics. Less common are those who only use desktops or laptops (17%).

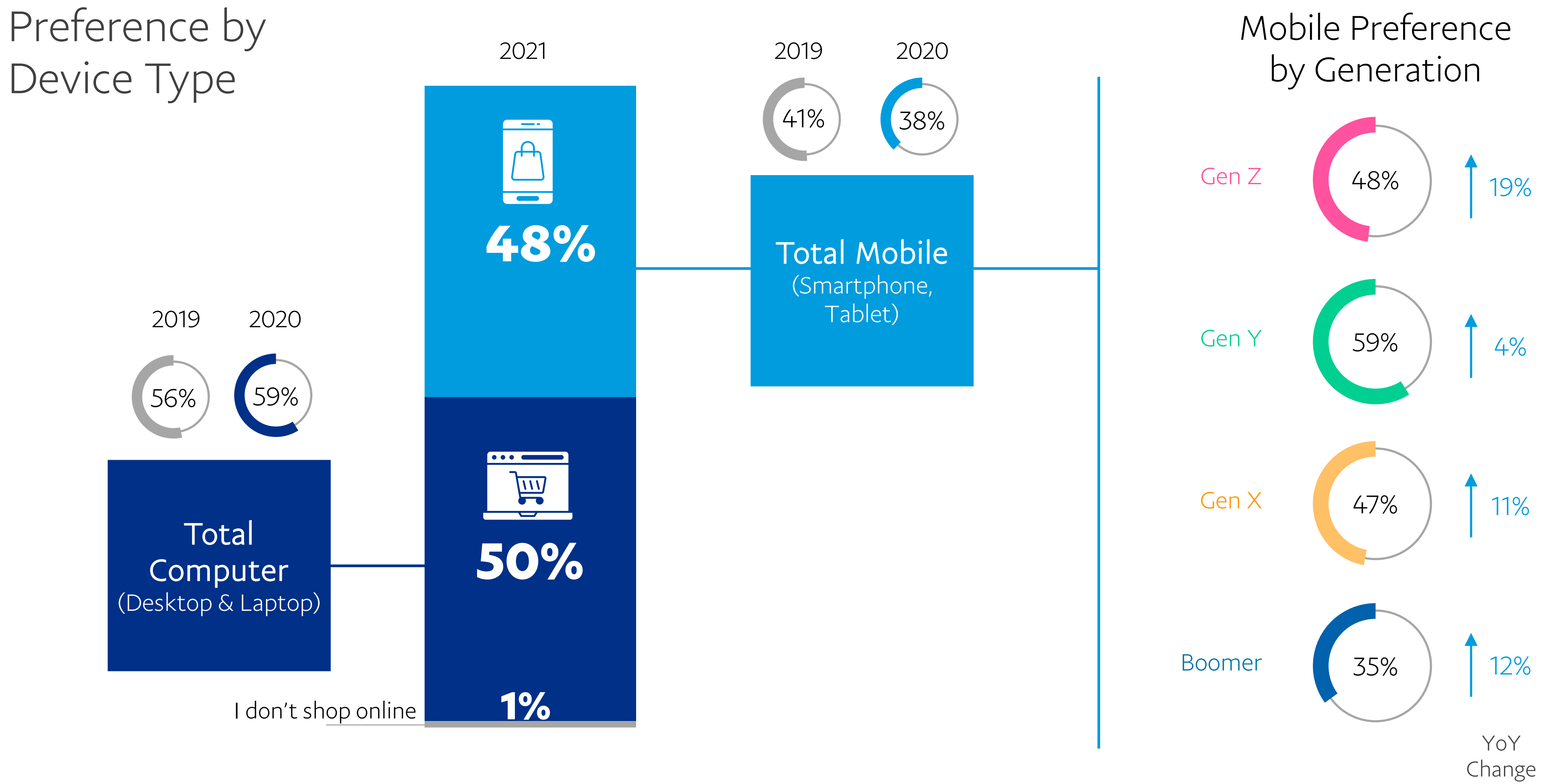
Younger generations are much more likely to be mobile shoppers, with 98% of Gen Z and 96% of Gen Y using mobile.

This does however change for older generations, with 1-in-5 Gen X (19%), and 2-in-5 Boomers (39%) choosing to only use computers for their online purchasing.

PayPal CQ1b - Which of these devices do you currently use for online purchases or payments?
BASE: All Australians 18-75, n=1053

eCommerce
Device Preference

Australian consumer preference for online shopping on mobile has almost reached parity with the preference for computers



In 2021, for the first time, almost half of Australians (48%) prefer to shop on mobile. Mobile preference is up 10% from 2020 (38%) when it dropped for the first time, likely in response to COVID-related restrictions.

Counter-intuitively, device preference is split almost equally between mobile and desktop/laptop despite more Australians shopping on mobile and shopping more frequently on mobile.

While Gen Y (59% prefer mobile) remain the leaders, this year's shift has been driven by other generations, with Gen Z (mobile up 19%), Boomer (mobile up 12%), and Gen X (mobile up 11%) all seeing significant shifts in terms of eCommerce device preference.

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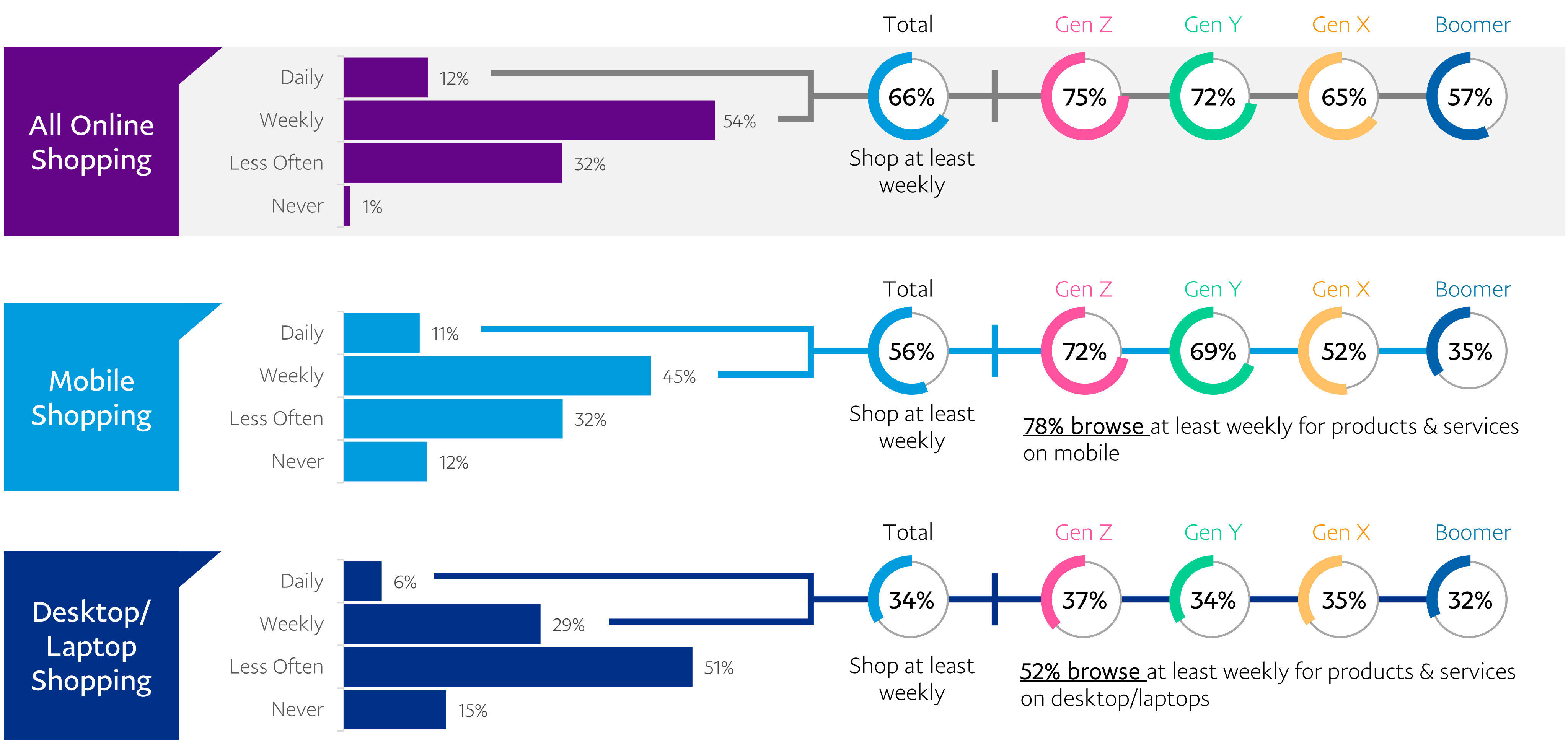
CQ1c - Which of these devices do you prefer to use for online purchases or payments?
BASE: All Australians 18-75, n=1053

eCommerce **Frequency**

Gen Z shop most frequently, particularly on mobile, with Boomers seeing a more balanced split between Mobile and Desktop/Laptop



Two-thirds of Australians (66%) shop online each week, with more than 1-in-10 (12%) making online purchases or payments every day. This is driven by younger consumers, with around three quarters of Gen Z (75%) and Gen Y (72%) shopping online each week.

Comparing activity across devices, mobile is the more common choice, with 56% of Australians shopping on a mobile device each week. In comparison, just 1-in-3 (34%) shop on a computer each week.

While Boomers use both device types frequently, younger audiences clearly skew to mobile, with Gen Z (72% vs. 37%) almost twice as likely to shop on mobile in a given week than on a computer.

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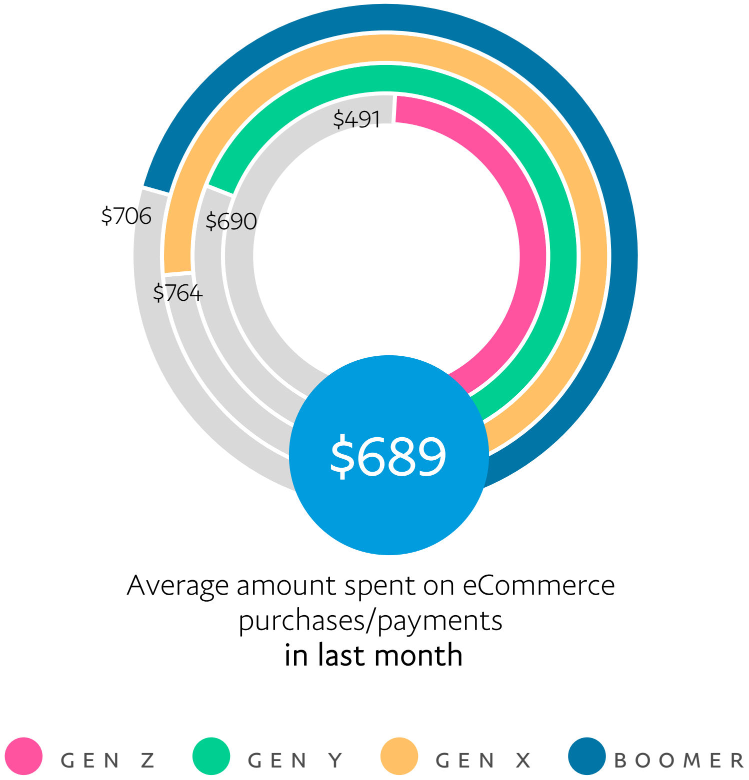
CQ2 - How often do you do each of the following (MAKE PURCHASE OR PAYMENT) on a smartphone or tablet? / on a laptop or desktop computer?
CQ3 - Thinking now about browsing for products/services, How often do you browse using the following devices?
BASE: All Australians 18-75, n=1053

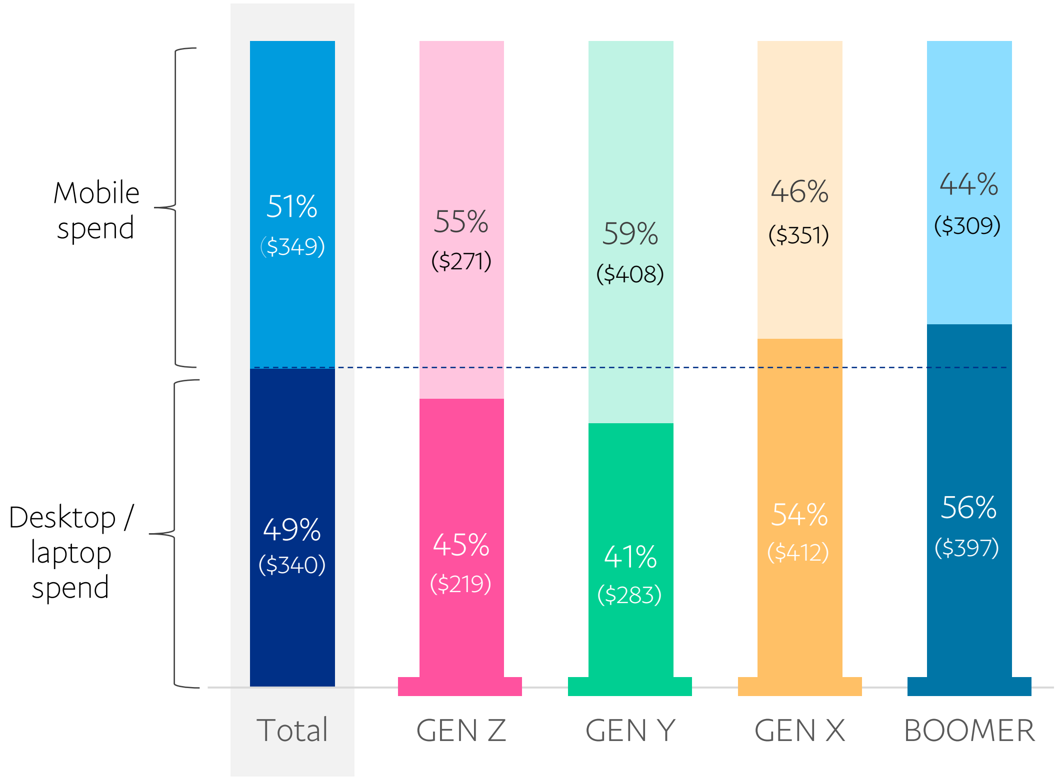
eCommerce
Spend

Despite Gen Z being the most frequent online shoppers, Gen X are the highest spenders

Average Monthly Online Spend



Proportion of Spend per Device



Australians are spending almost $700 per month online, splitting this spend evenly between mobile devices and desktops / laptops.

Despite not being the most frequent online shoppers, Gen X leads for average monthly spend at $764, ahead of Boomers ($706) and Gen Y ($690). Our most regular shoppers (Gen Z) are also the lowest spending cohort, with an average spend of $491 per month.

Gen Y is also the trend setter when it comes to how they spend, with well over half of their spending (59%) occurring on mobile devices. Gen Z are similarly inclined (55% mobile), but Gen X and Boomers both skew the other way, predominantly spending more via computers for eCommerce.

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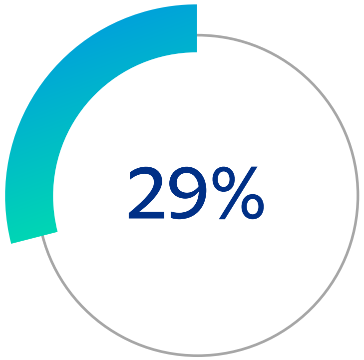
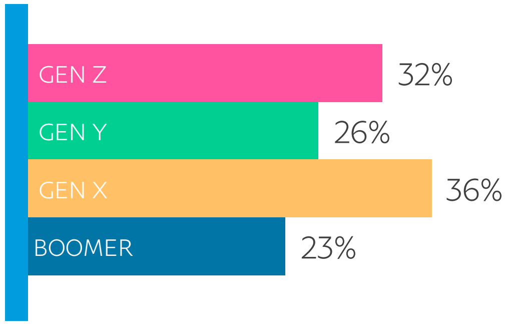
CQ6 - In total, how much money have you spent on online purchases or payments using a laptop/desktop computer or via a mobile device (smartphone, tablet or smartwatch) in the last month?
BASE: All Australians 18-75, n=1053

eCommerce **Purchase Categories**

Gen Z again leads the way with the breadth of online purchases, buying everything from day-to-day essentials to life's little luxuries



Have bought a wider range of products and services online since the pandemic started



PURCHASE CATEGORY	NET	AGE			
		Gen Z	Gen Y	Gen X	Boomer
Bill Payments	77%	76%	72%	81%	79%
Food & Drink	57%	75%	63%	58%	39%
Clothing & Accessories	57%	78%	62%	60%	36%
Grocery	47%	59%	54%	47%	34%
Subscriptions	40%	61%	45%	40%	24%
Health & Beauty	33%	51%	41%	30%	16%
Tickets	32%	44%	32%	31%	25%
Home & Garden	29%	27%	33%	28%	27%
Travel & Tourism	29%	30%	30%	25%	30%
Transport	27%	49%	32%	25%	14%
Digital or Virtual goods	27%	39%	31%	25%	16%
Electronics & Computing	27%	40%	27%	25%	21%
Books & Magazines	24%	32%	25%	22%	20%
Charity	23%	24%	21%	23%	25%
Toys & Games	23%	25%	32%	23%	11%
Sporting Goods	16%	24%	20%	18%	7%
Online Gaming	13%	31%	16%	12%	2%
Digital currency	9%	26%	11%	6%	1%

When it comes to the types of eCommerce Australians are engaged in, Bill Payments (77%) is the most common type of online spending across all age groups, ahead of Food & Drink and Clothing & Accessories (both 57%), and Groceries (47%).

Interestingly, almost 1-in-10 (9%) have purchased digital currency in the last 6 months, with Gen Z (26%) particularly keen on cryptocurrencies.

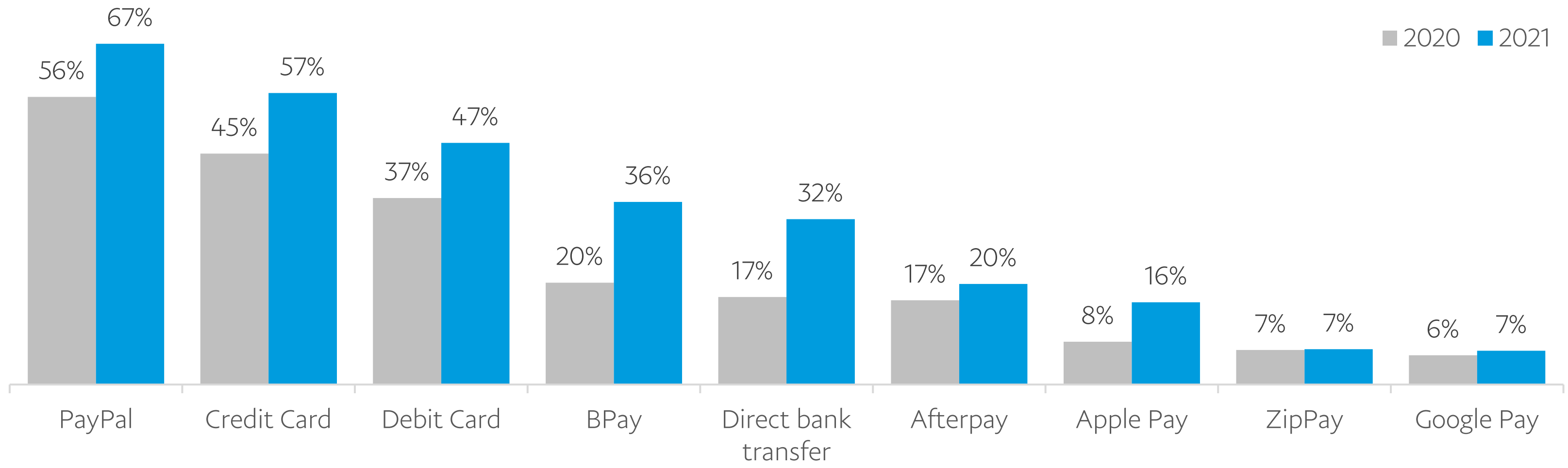
Looking more broadly, we can see Gen Z's preference for online spending across a wide range of products and experiences. While Gen Y also purchases across a wider range of categories, they appear more focussed on their household, including Home & Garden (33%).

CQ5 - Thinking about the online payments or purchases that you have made in the past 6 months, which of these categories have you purchased using a...? - Laptop / desktop computer AND/OR Mobile device. Q17. Now thinking about your experiences through the COVID-19 pandemic in 2020 and 2021, which of the following statements, if any, do you agree with?
BASE: All Australians 18-75, n=1053

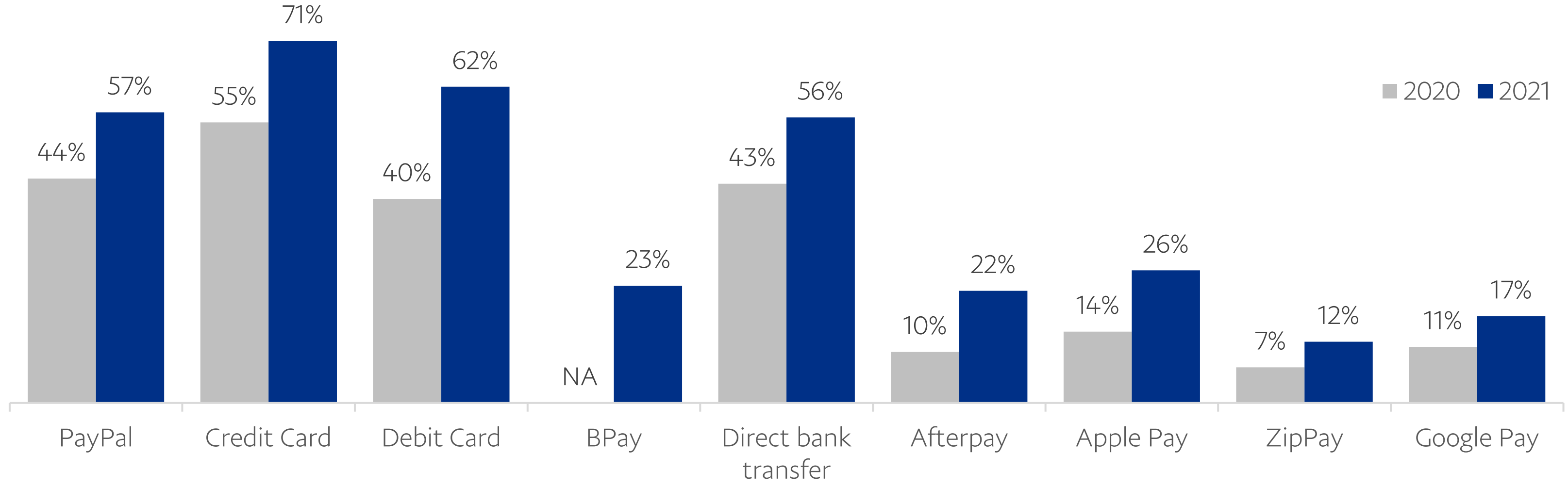
eCommerce
Online Payment Methods

The survey results reveal that PayPal is the #1 payment method used by Australian shoppers, with most businesses accepting it as a form of payment

Consumer Online Payment Methods Used



Payment Methods offered by Online Businesses



The 2021 research finds PayPal again topping the list as the most-used payment method for Australian online shoppers, growing in use by more than 10% since 2020 (67%, up from 56%). It is followed by credit cards, then debit cards, while BPay and bank transfers are also prominent. Further down the list, we can see newer market entrants, such as Afterpay, and Apple Pay.

Despite 2-in-3 Australians choosing to use PayPal for online purchases or payments, close to half of businesses still don't offer it, instead holding on to more traditional payment methods such as credit and debit cards.

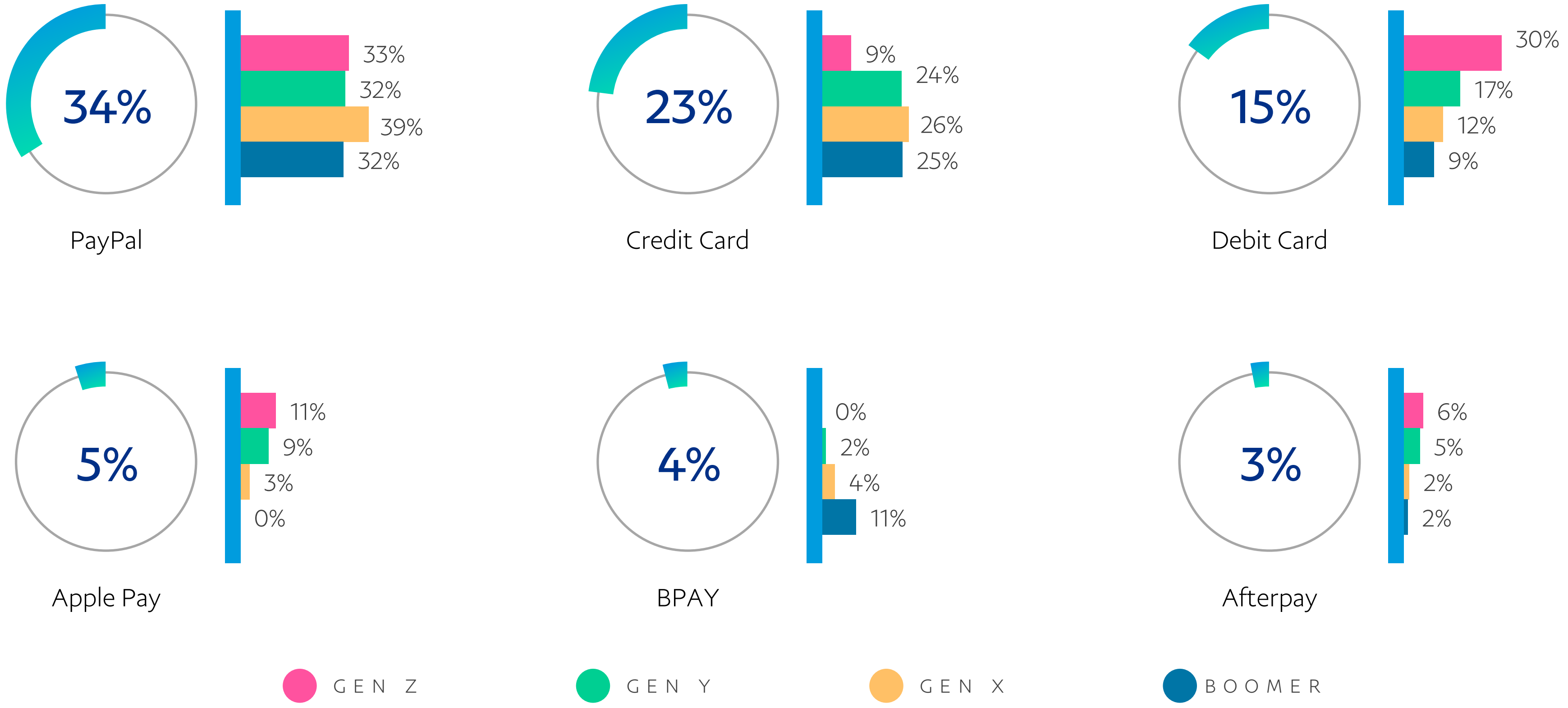
PayPal

CQ4a. Thinking about when you make a purchase or pay online, which of the following payment options, if any, do you typically use?
MQ3. Which of the following online payment options do you offer your customers?
BASE: C: All Australians 18-75, n=1053. M: Online Businesses, n=410

eCommerce
Payment Preference

The research also finds PayPal is the #1 preferred payment method for online shoppers

Top 6 Preferred Payment Options



PayPal (34%) is cited as the most preferred payment method for Australian online shoppers of any age.

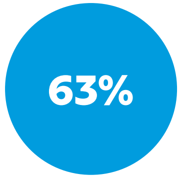
Rounding out the top three are credit cards (23%) and debit cards (15%), although we can see the shift away from credit cards among younger consumers, with debit cards the second preference among Gen Z (30% Gen Z prefer debit cards vs. 9% prefer credit cards).

In comparison to PayPal's broad user base, other payment options have smaller, more niche user bases, with preference largely grounded in Boomers for BPAY and Gen Z and Gen Y for Apple Pay and Afterpay.

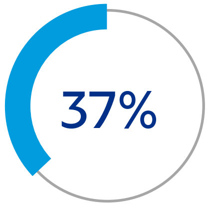
CQ4b - And which of the payment options that you use, if any, would you say is your preferred payment option?
BASE: All Australians 18-75, n=1053

eCommerce
Barriers & Abandonment

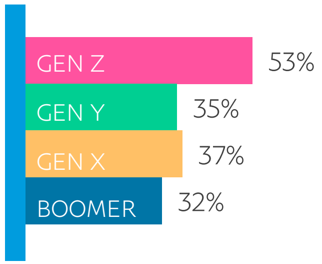
Consumers will abandon purchases if the process is too onerous, or if their preferred payment is not available

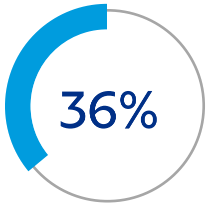


Almost 2-in-3 Australians have abandoned a purchase or payment online

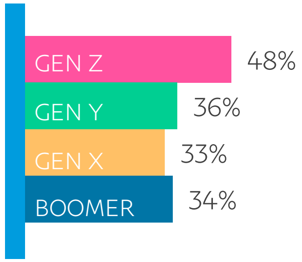


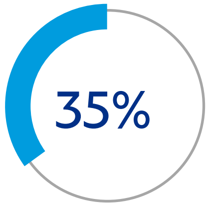
Abandoned a purchase or payment because it took too long



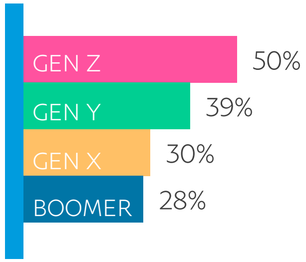


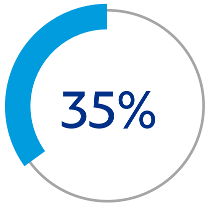
Abandoned a purchase or payment because it was too difficult



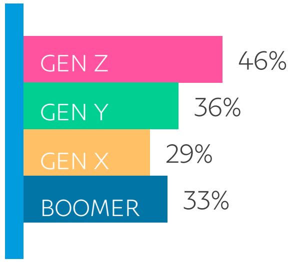


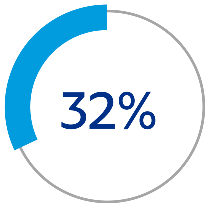
Abandoned a purchase or payment because your preferred payment method wasn't available



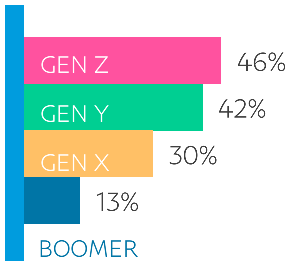


Abandoned a purchase or payment because of concerns about security





Added something to your cart but waited for the company to send an offer/voucher before completing the purchase



Almost 2-in-3 (63%) Australians have abandoned an online purchase, for a variety of reasons including the process was too long (37%), too difficult (36%), the provider didn't offer their preferred payment solution (35%), as well as concerns about security (35%).

More than three quarters (79%) of Gen Z have abandoned a purchase after experiencing these issues, as well as two thirds of Gen Y (68%), and more than half of Gen X (57%) and Boomers (55%).

This may reflect Gen Z's higher eCommerce activity and that they have encountered these issues more frequently, and potentially also indicate that younger shoppers have come to expect better online user experiences.

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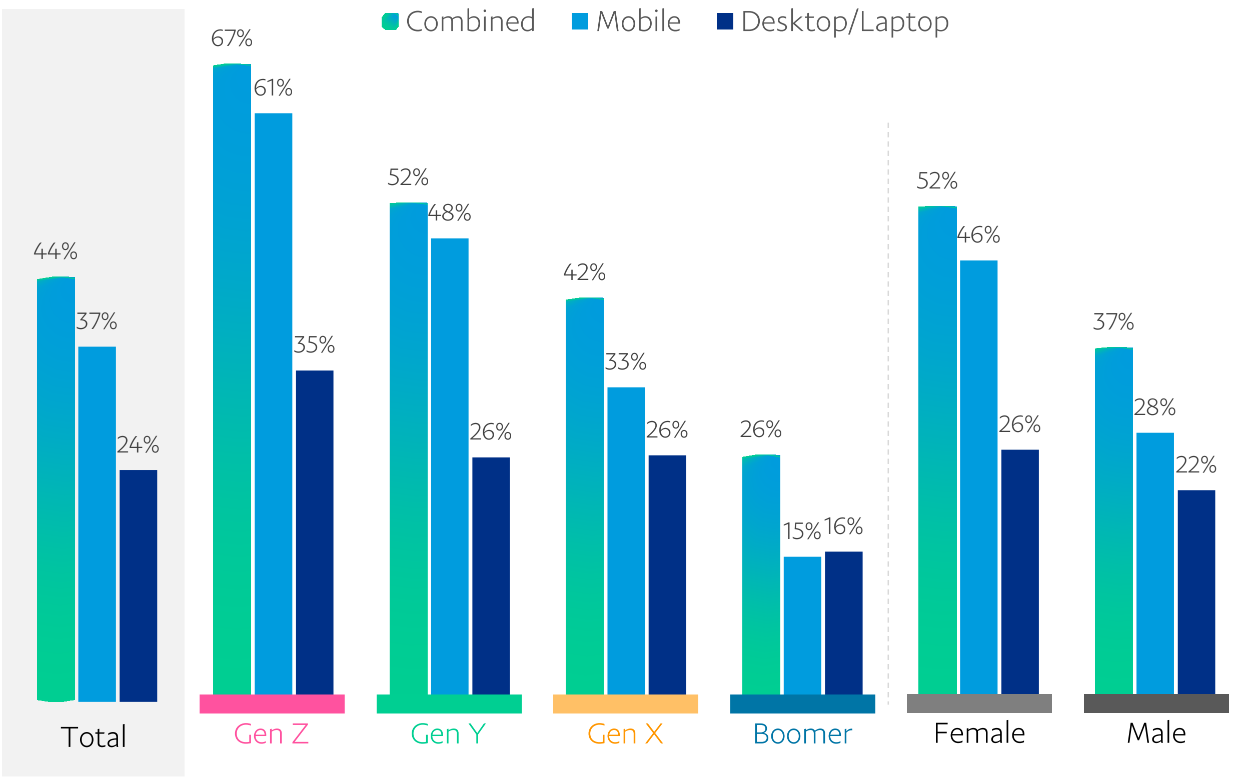
CQ8 - Which, if any, of the following have you ever done when making a payment or purchase on a ...? Laptop or Desktop AND/OR Mobile Device
BASE: All Australians 18-75, n=1053

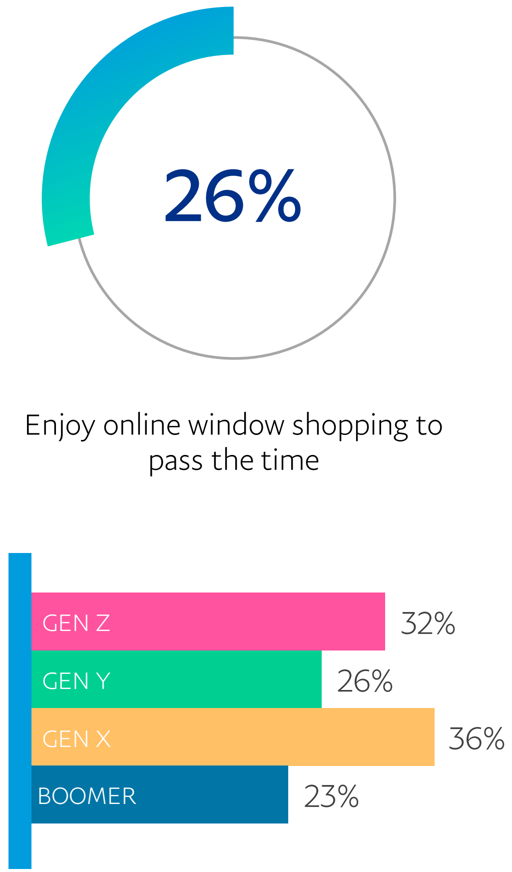
eCommerce
Impulse Purchasing

Close to half of Australians make unplanned online purchases, particularly younger shoppers (Gen Z and Y), with this behaviour more likely on mobile devices across age demographics

Have made an impulse purchase via:



Online Retail-tainment



Almost half (44%) of Australian consumers have made an online impulse purchase. This is more common on mobile devices (37%), than on computers (24%), suggesting the purchases are being triggered by experiences or stimulus on the go.

Gen Z (67%) are most likely to make spontaneous purchases, although more than half of Gen Y (52%) also display this behaviour, with online impulse spending further decreasing for older age groups.

Female shoppers (52%) are more likely to make spontaneous online purchases than male shoppers (37%).

Over a quarter of Australians (26%) enjoy online window shopping to pass the time.

PayPal

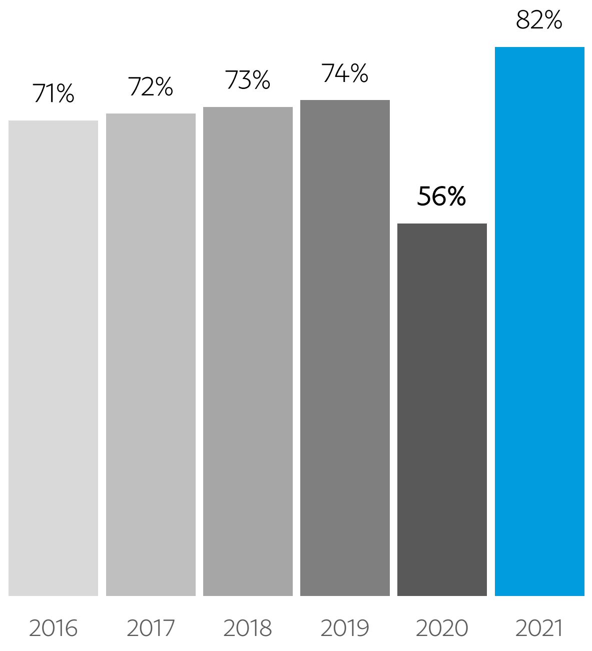
CQ8 - Which, if any, of the following have you ever done when making a payment or purchase on a ...? Laptop or Desktop AND/OR Mobile Device
BASE: All Australians 18-75, n=1053

Mobile Commerce in Australia

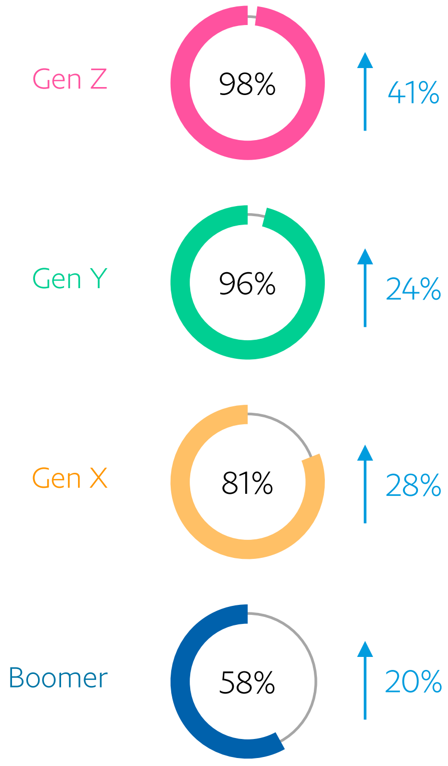
Mobile Commerce **Adoption**

Mobile commerce has more than regained the ground it lost with consumers in 2020, with businesses continuing the ongoing journey to mobile optimisation

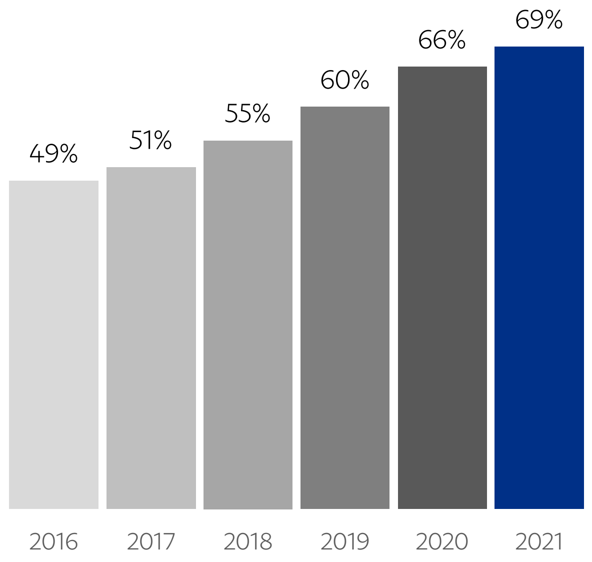
Consumers Mobile Commerce
(making mobile payments on smartphone or tablet)



Consumer Mobile Commerce Use by Generation



Businesses with mobile-optimised sites



Mobile commerce adoption has returned to trend, reversing the result seen in 2020 when COVID restrictions drove higher use of laptop/desktop computers, and setting a new peak of 82%.

Younger Australians are again leading the way, with almost universal penetration within both Gen Z (98%) and Gen Y (96%). Despite lagging these heights, Gen X (81%) and Boomers (58%) are both clearly very comfortable transacting on mobile devices.

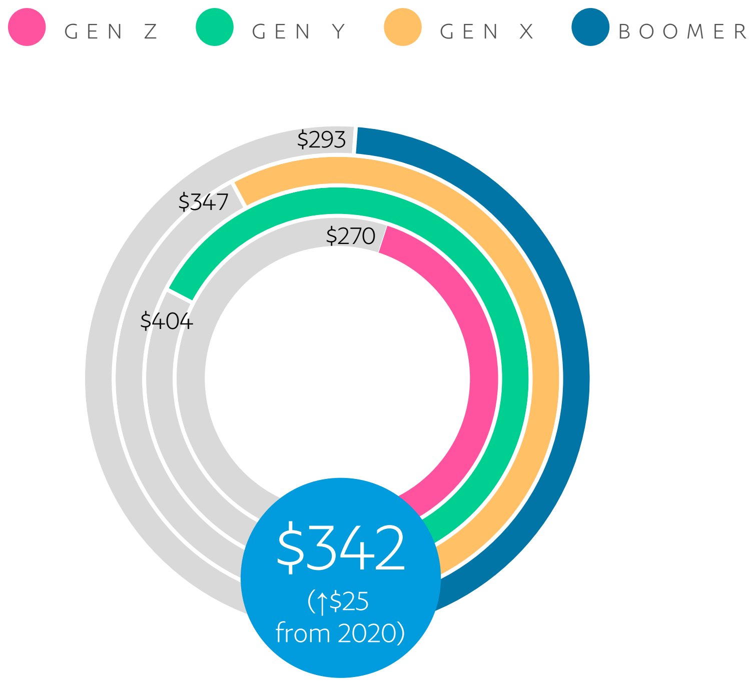
Businesses have recognised the high engagement levels with mobile (and the risk of potential lost sales if they can't deliver an optimised experience), with more than 2-in-3 (69%) now delivering mobile-optimised purchase experiences.

CQ18b Thinking about when you make a purchase or payment online, which if any of the following devices do you currently use for online purchases or payments?
M: We'd now like to ask you about your approach to mobile commerce within your business. Which of the following statements apply to your business?
BASE: C: All Australians 18-75, n=1053. M: Online Businesses, n=410

Mobile Commerce **Spend and Drivers**

Mobile commerce spending is also well up on last year, with those consumers most likely to be managing family budgets (Gen Y and Gen X) the biggest mobile spenders

Average Monthly Mobile Commerce Spend



Average amount spent on Mobile purchases/payments in last month

Mobile Commerce Drivers

Consumers of all ages are spending a substantial portion of their online spend via mobile, hitting an average monthly spend of $342 (up $25 from 2020).

Gen Y are leading the pack, with a monthly spend of more than $400, which puts them well ahead of Gen X ($347). Surprisingly, despite their adoption and frequency of mobile transactions, Gen Z ($270) has the lowest average spend, coming in at $23 less than Boomers ($293).

Free shipping (67%) and discounts (58%) increase likelihood for purchase on mobile devices, with ease of navigation (41%) and a speedy experience (28%) also important factors.

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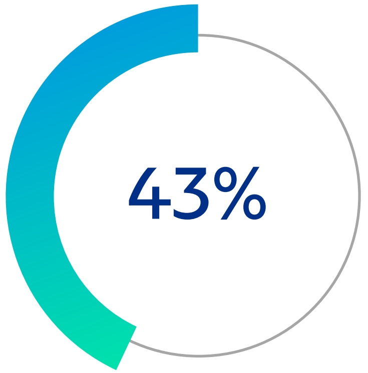
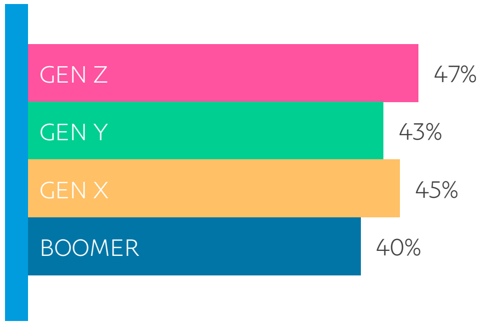
CQ6 - In total, how much money have you spent on online purchases or payments via a mobile device (smartphone, tablet or smartwatch) in the last month?
CQ10 - And, which of the following would make you more likely to purchase from an online business on a…? Mobile device
BASE: All Australians 18-75, n=1053

Mobile Commerce
Purchase Categories

Gen Z is the mobile-first generation, choosing to purchase a wide range of products and services on mobile devices



Are more likely to purchase from a mobile site if they offer the payment types that I want to use



PURCHASE CATEGORY	2021	AGE			
		Gen Z	Gen Y	Gen X	Boomer
Bill Payments	49%	61%	54%	50%	37%
Food & Drink	48%	69%	57%	46%	27%
Clothing & Accessories	37%	54%	48%	34%	17%
Grocery	32%	45%	37%	29%	22%
Subscriptions	25%	43%	32%	21%	11%
Transport	24%	46%	29%	20%	12%
Health & Beauty	22%	38%	31%	16%	8%
Digital or Virtual goods	19%	26%	26%	17%	9%
Tickets	18%	31%	21%	17%	8%
Homewares	16%	18%	23%	12%	10%
Toys & Games (physical)	14%	13%	24%	11%	5%
Charity	14%	16%	15%	12%	12%
Books & Magazines	13%	19%	17%	9%	11%
Travel & Tourism	13%	14%	18%	9%	12%
Electronics & Computing	11%	17%	14%	9%	6%
Sporting Goods	9%	12%	12%	8%	3%
Online Gaming	8%	19%	9%	7%	1%
Digital currency (e.g. Bitcoin)	6%	17%	8%	3%	0%

As with online commerce more broadly, practical categories are top of the list for mobile commerce. Bill Payments (49%) are the most common mobile payment for Australians, just ahead of Food & Drink (48%).

Behind the top two categories, Clothing & Accessories (37%) and Groceries (32%) remain popular mobile shopping categories.

Gen Z (and to a lesser extent Gen Y) are again driving mobile commerce behaviour, emerging as the top purchasers across most categories. We can also see the rise of subscriptions with younger shoppers, with more than two-in-five Gen Z (43%) investing in subscriptions via mobile.

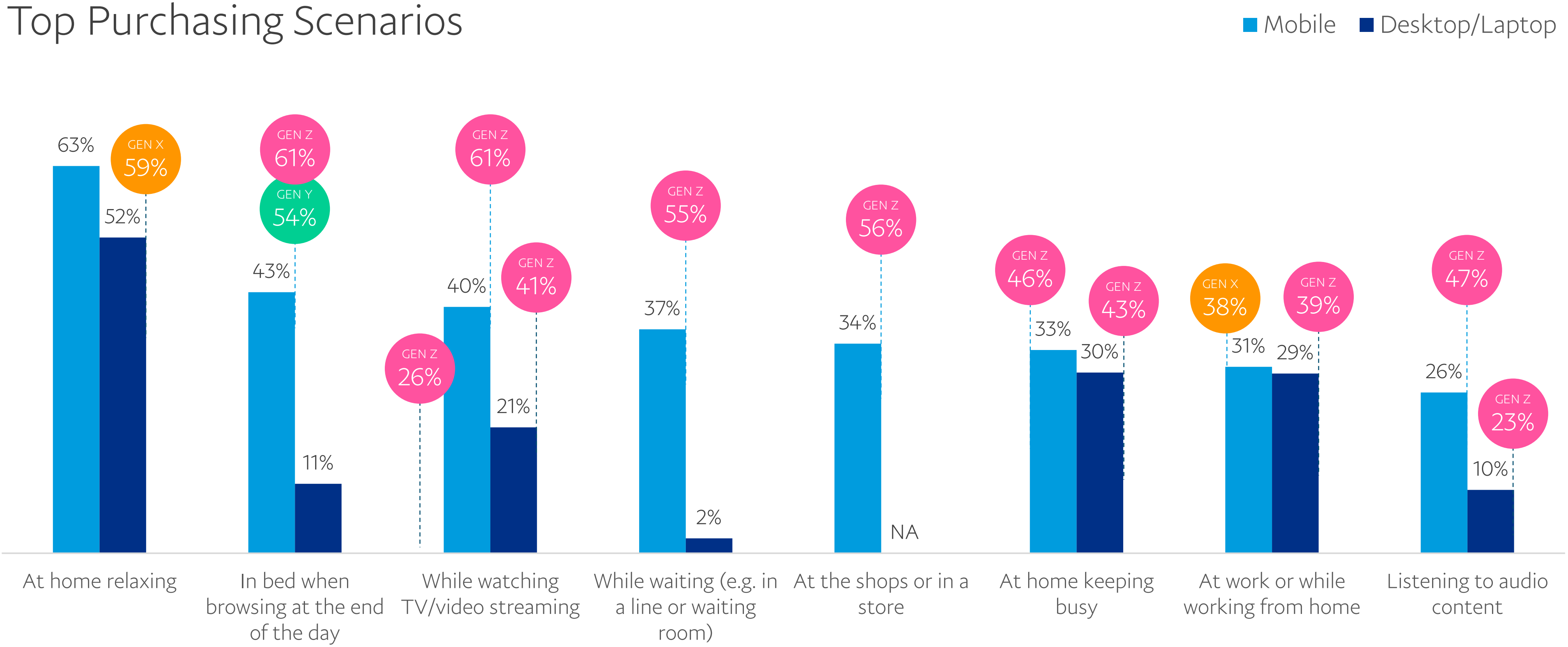
PayPal

CQ5 - Thinking about the online payments or purchases that you have made in the past 6 months, which of these categories have you purchased using a...? - Mobile device.
CQ10 - And, which of the following would make you more likely to purchase from an online business on a...? Mobile device
BASE: All Australians 18-75, n=1053

Mobile Commerce **Behaviours**

Mobile is used across the widest range of settings, but desktops and laptops clearly also have their place in post-COVID shopping

Top Purchasing Scenarios



Mobile devices are used across a wider range of settings than computers, both within the house (e.g. while relaxing 63%, in bed 43%), as well as while out and about.

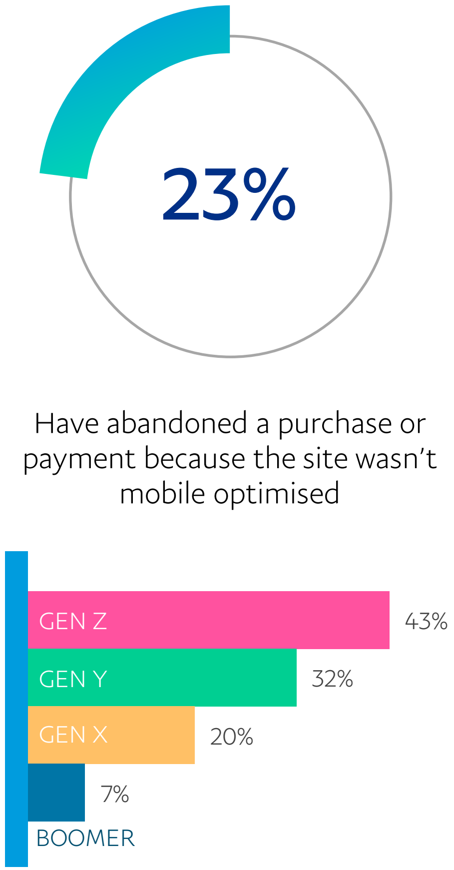
Multi-screening while watching TV or video is common (40%) and even more so with younger Gen Z shoppers (61%). More than a third (34%) of consumers mobile shop or price check while physically in-store, again a behaviour most common with Gen Z shoppers (56%)

Australians have also become used to a level of autonomy when managing their work time, with just under a third saying they use each type of device to shop while working (mobile 31%, laptop/desktop 29%).

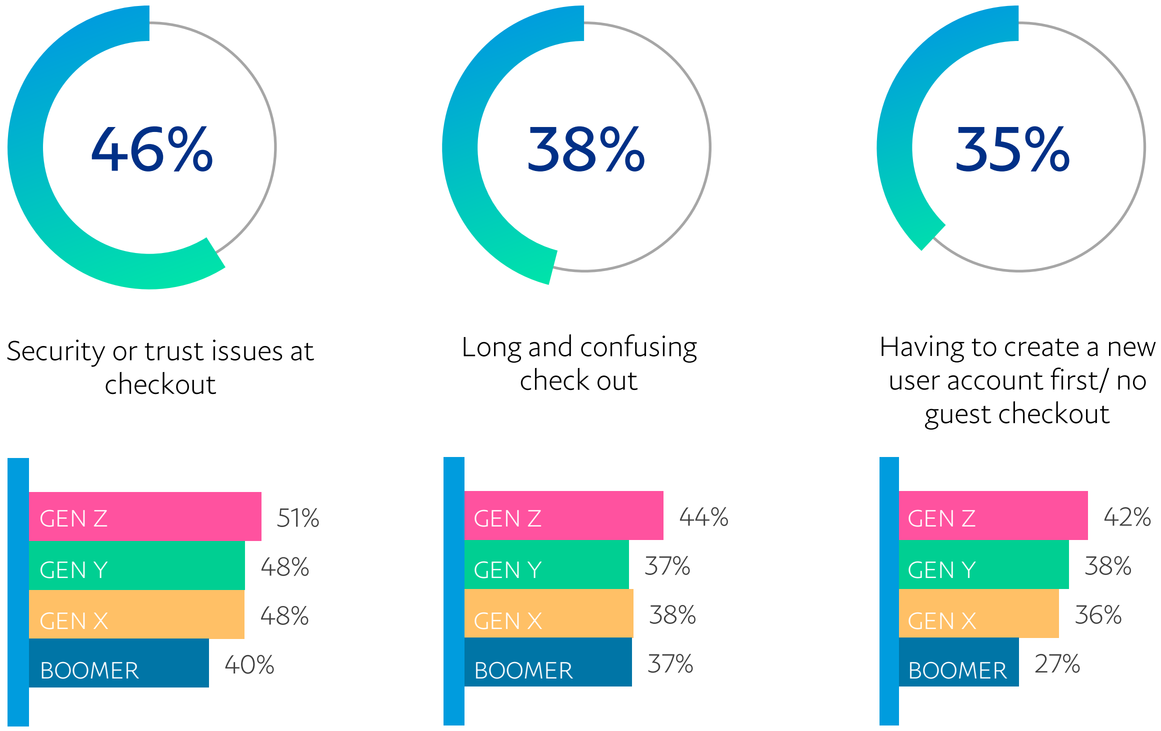
CQ7 - In which situations in the last month have you used the following devices for browsing, price checking, purchasing or making online payments? - Laptop / desktop computer AND/OR Mobile Device
BASE: All Australians 18-75, n=1053

Mobile Commerce **Barriers**

Australians reject poor mobile experiences, particularly when it comes to checkouts that haven't been optimised for mobile



Mobile Commerce Barriers



One-in-four (23%) Australians have abandoned a mobile purchase or payment because the site wasn't optimised for mobile. Gen Z (43%) are the most likely to report this experience, but a significant minority of Gen Y (32%) and Gen X (20%) have also abandoned due to non-optimised sites.

Issues that decrease likelihood to purchase are largely related to poor checkout experiences, with Australians citing security issues (46%) as their top concern. Behind this, long or confusing checkout processes (38%) and having to create accounts (35%) are also disincentives to purchase.

PayPal

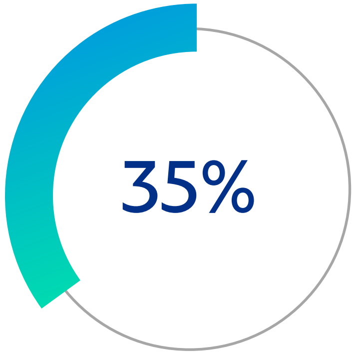
CQ8b - Which, if any, of the following have you ever done when making a payment or purchase on a ...? - Mobile device
Q9b - Which, if any, of the following would make you less likely to purchase or make a bill payment online when you're using a...? - Mobile device (e.g. smartphone, tablet, smart watch)
BASE: All Australians 18-75, n=1053

Social Commerce in Australia

Social Commerce **Adoption**

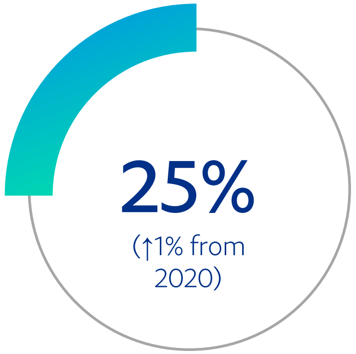
Social shopping adoption remains steady, with Facebook still the dominant platform; although Gen Z skew to Instagram and Snapchat

Social Sellers

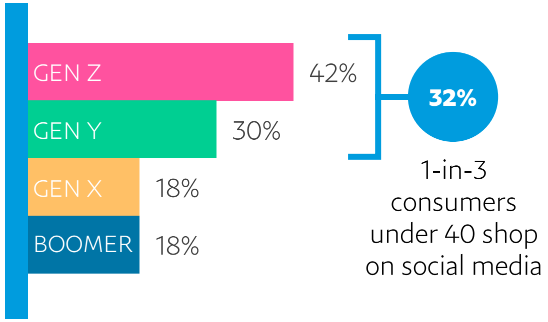


Online businesses that currently sell through social media

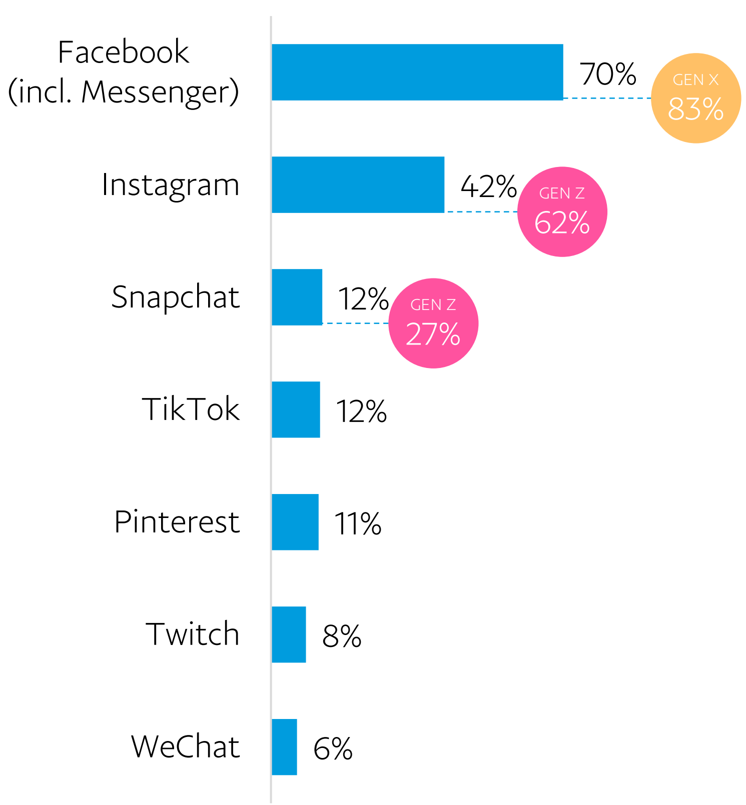
Social Shoppers



Consumers who have made a purchase through social media in the past 6 months



Platforms used by Social Shoppers



A quarter of Australians (25%) now shop on social media, a figure that's relatively stable year on year. For consumers under 40 years, this rises to 1-in-3 (32%) who are shopping on social media, indicating the future growth of this channel to market.

Facebook remains the dominant social commerce channel, used by almost three quarters (70%) of social shoppers but has declined slightly (-4%) since 2020.

Instagram (62% Gen Z v 42% overall) and Snapchat (27% Gen Z v 12% overall) both have a more dominant presence when it comes to Gen Z, as do emerging commerce channels TikTok and Twitch (21% & 16% Gen Z respectively).

PayPal

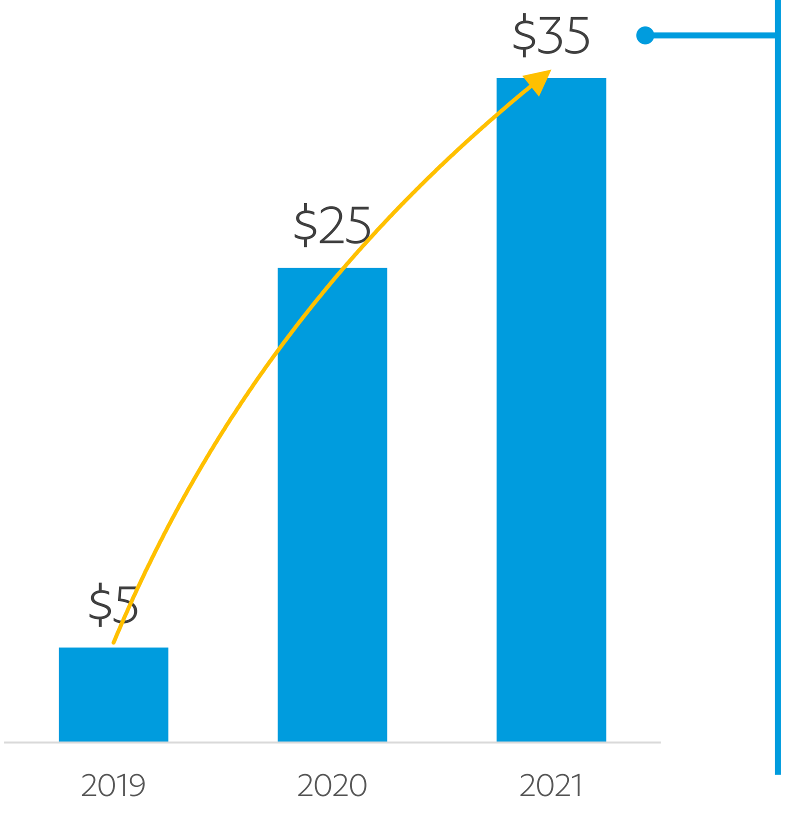
C11 - Which of the following platforms, if any, have you made a purchase or payment through in the last 6 months?
MQ2 - What proportion of your business sales (i.e. out of your total number of sales) are made via the following methods?
BASE: All Australians 18-75, n=1053. Social Shoppers n=245. M: Online Businesses, n=410

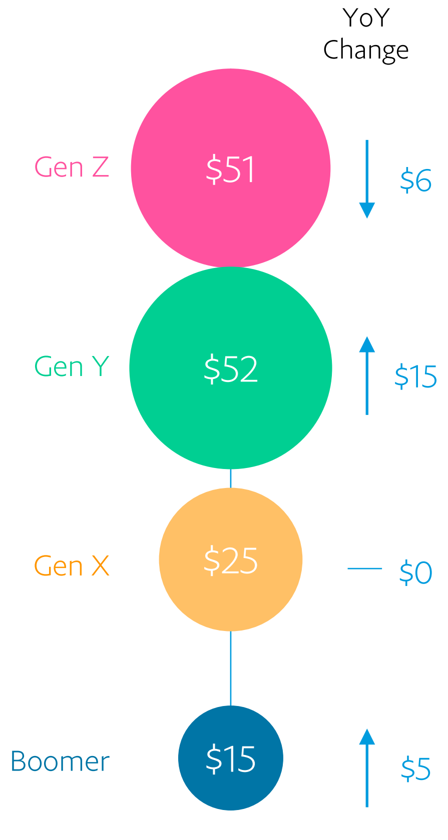
Social Commerce **Spend**

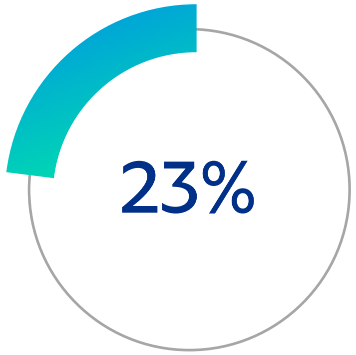
Social shopping spend is up 40% year-on-year and up 700% compared to 2019, driven by strong growth in Gen Y purchasing

Average Monthly Social Commerce Spend

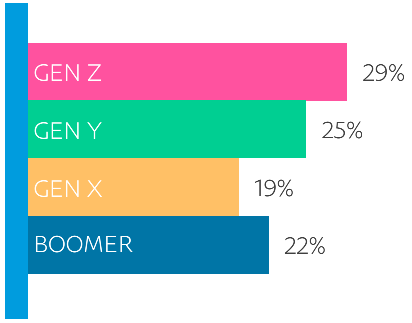
(Australians 18-75 years who use a smartphone)







Would only buy from a social media platform if they could use their PayPal account for convenience and safety



Social commerce spending continues to rise, with Australians spending an average of $35 in 2021 (up 40% YoY from 2020, and up 700% from 2019). Both Gen Z and Gen Y have hit a significant milestone, spending more than $50 a month on social purchases. While Boomers ($15) have the lowest average monthly spend, this is also up 50% on 2020, demonstrating the strong growth across the board.

The study further shows 1-in-4 Australians (23%) say they would only feel comfortable making social purchases if they can use a trusted payment provider like PayPal.

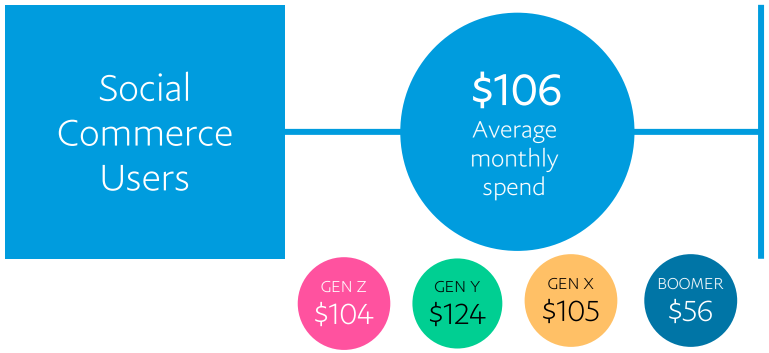
PayPal

CQ16 - In total, how much money have you spent on all purchases or payments made through a social media or streaming platform in the last month?
CQ12. And, thinking specifically about the social media platforms you use personally, which of the following, if any, do you feel apply to you?
BASE: All Australians n=1053

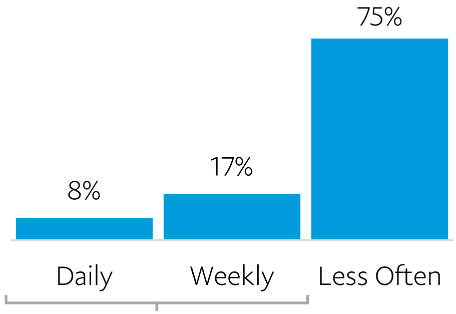
Social Commerce **Frequency**

Social shoppers continue to increase their average monthly spend, now spending more than $100 a month via social channels

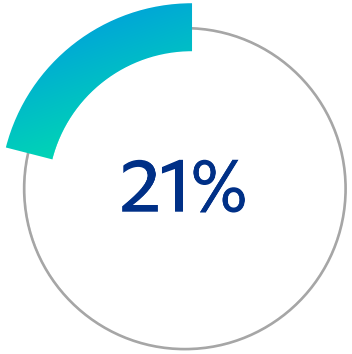
Spend



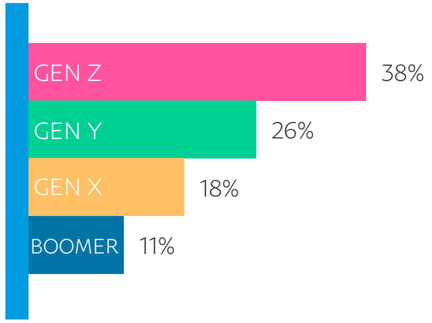
Frequency



25% shopped via social at least weekly

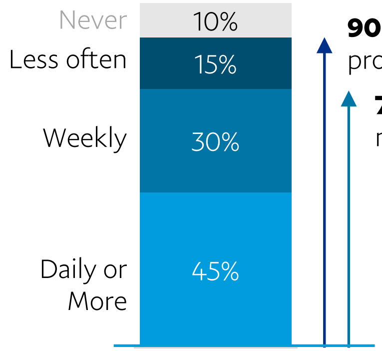


Of Australians follow their favourite brands on social media to stay across sales, discounts and deals



Revenue

Frequency of Social Promotion



90% of businesses promote on social media

75% promote on social media at least weekly

A quarter of social shoppers (25%) buy through social channels at least weekly, with the average social shopper spending $106 per month on those channels, a 7-fold increase over the past two years.

Australian online businesses report 5% of total revenue as coming from sales made via social, reflecting the growing importance of this channel.

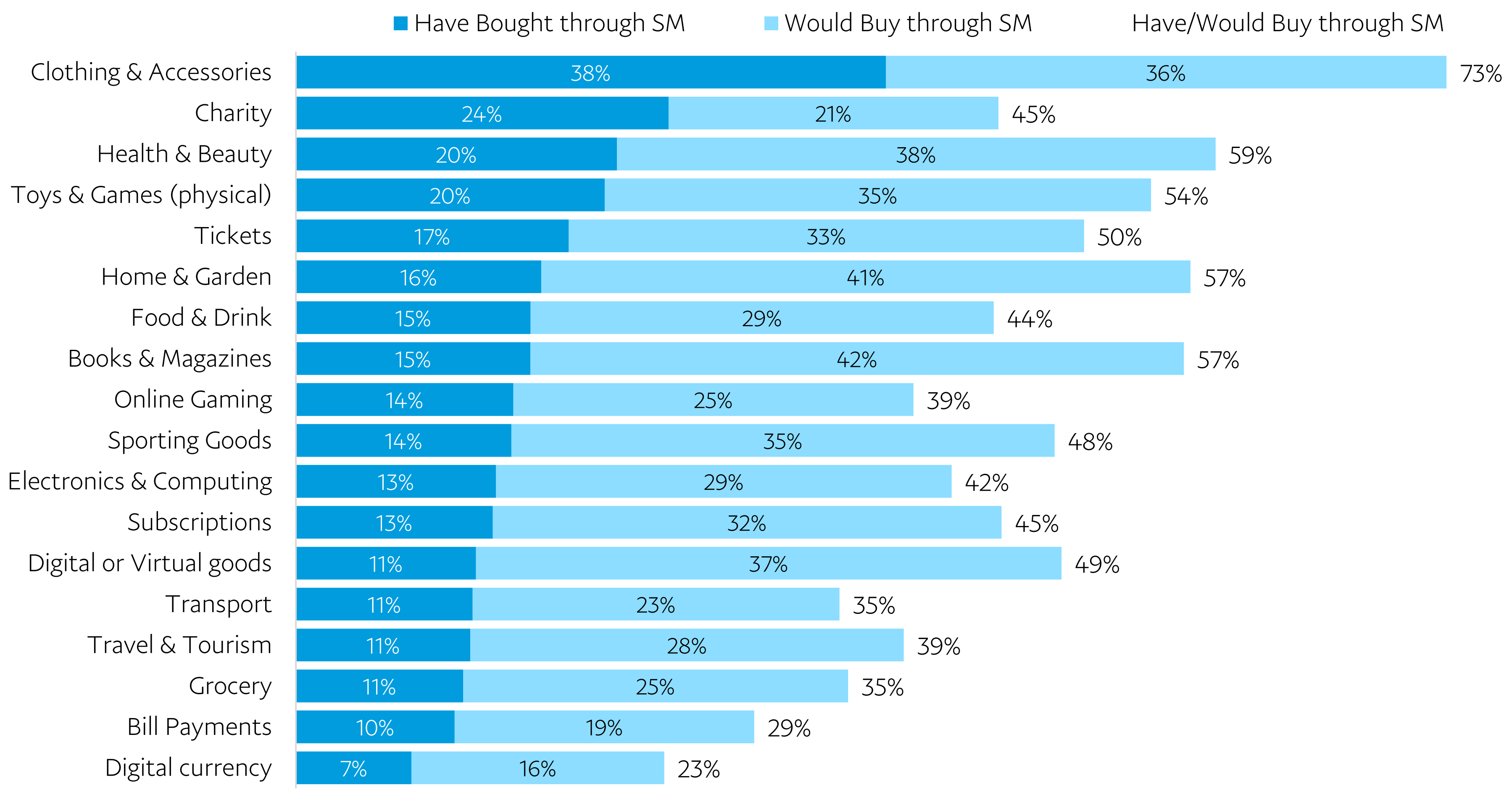
Ninety percent (90%) of businesses promote themselves on social media with almost half (45%) running daily promotions on social, and three quarters (75%) doing this at least weekly. This indicates Australian businesses have embraced social marketing.

PayPal

CQ15 - How often, if at all, do you make purchases or payments through social media or streaming platforms?
CQ16 - In total, how much money have you spent on all purchases or payments made through a social media or streaming platform in the last month?
BASE: Social Shoppers n=245. M: Online Businesses, n=410

Social Commerce **Purchase Categories**

There is significant untapped growth in social shopping, which could double, if not triple across most categories



Q13 - Which of the following product categories, if any, have you, or would you buy directly from your social media or streaming feeds (e.g. Instagram etc.)?
BASE: Social Shoppers n=245

The most common social shopping categories are Clothing & Accessories (38%), however social channels drive a diverse range of other transactions with Charity donations (24%) second on the list, followed by Health & Beauty and Toys & Games (both 20%).

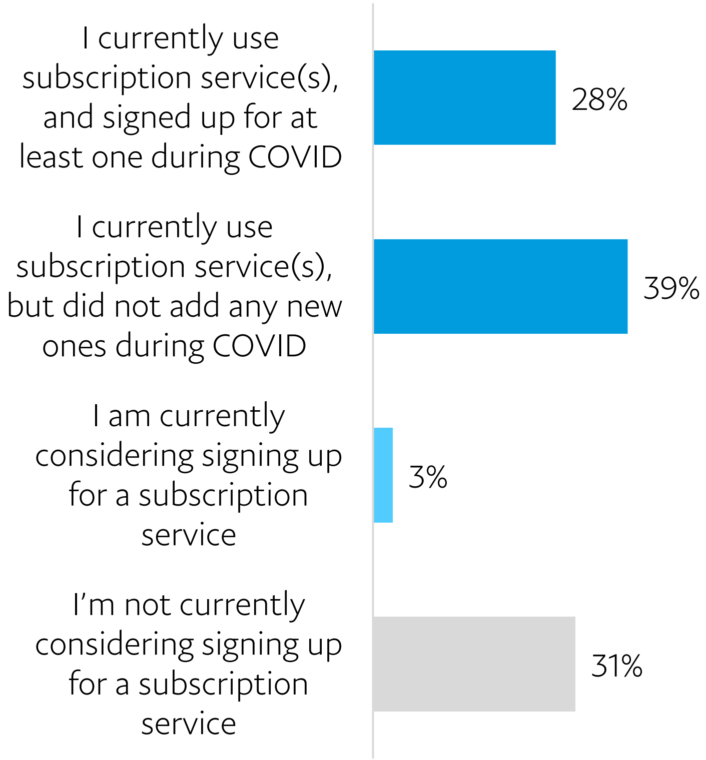
Australians are also open to purchasing a broader range of products through social. While Books & Magazines (42% would consider), Home & Garden products (41% would consider), and Health & Beauty products (38% would consider) are the top potential growth categories, results suggest there is the potential to double (if not triple) transaction activity across most product categories.

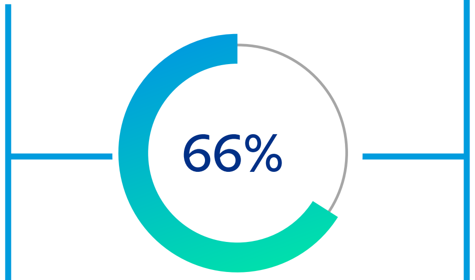
Subscription Services on the Rise

Subscription
Consumer Adoption

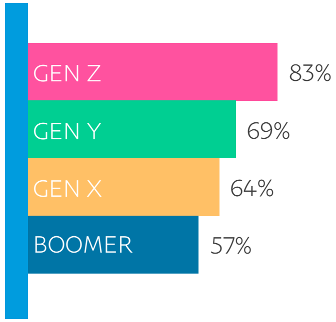
Two-thirds of Australians use a subscription service, with 1-in-4 signing up for a new subscription during COVID

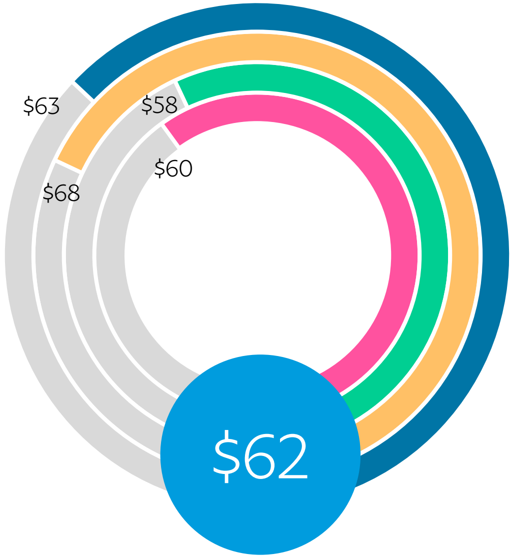
Subscription Status





Of Australians currently have at least one subscription





Average amount spent on subscriptions per month (among subscribers)

GEN Z GEN Y
GEN X BOOMER

Subscription services are popular, with two-thirds of Australians (66%) using a subscription and spending an average of $62 per month. Subscription use has increased from 50% and $32 average spend per month in 2018 when this area of eCommerce was last researched.

Subscription services see most use from Gen Z shoppers (83%), but adoption is strong across the board. Spending is also largely consistent, ranging from $58 p/month (Gen Y) to $68 p/month (Gen X).

The pandemic increased subscription take-up, with more than 1-in-4 Australians (28%) adding new services.

PayPal

CQ25 - Thinking specifically about subscription services, which of the following best applies to you?
CQ26 - Approximately how much do you spend in total on subscription services each month?
BASE: All Australians 18-75, n=1053. Subscription Users, n=698

Subscription **Business Adoption**

Almost half the businesses offering subscriptions introduced them during the pandemic, with businesses seeing a 34% average increase in revenue from adding a subscription service

Business Subscription Status

17%

Of Businesses have a subscription model

46% Introduced it during the pandemic

49% Introduced it prior to the pandemic

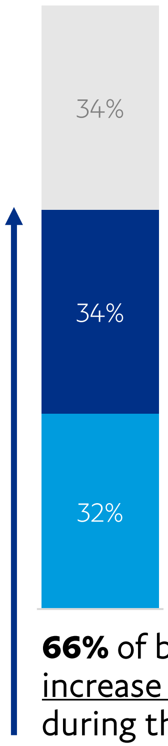
4% Unsure

34%

Average increase in revenue since implementing a subscription model

Subscription Uptake

(Of Businesses with a subscription model)



34% Saw no change/ decline during COVID-19

34% Saw increase during COVID-19, but expect to drop back

32% Saw increase during COVID-19, and expect to continue at higher level

66% of businesses saw an increase in subscription take-up during the pandemic

Subscription Benefits

(Of Businesses with a subscription model)

BUSINESS

- 30% Makes it easier to retain customers
- 28% Increases profit margins
- 20% Allows the business to efficiently manage inventory

CUSTOMER

- 32% Provides an easier, more convenient service for customers
- 24% Easier to understand needs, and deliver personalised experiences
- 24% Improves the overall customer experience

One-in-six online businesses (17%) now offers a subscription service. This has grown significantly through the pandemic, with close to half (46%) introducing their subscription offering during 2020 or 2021 .

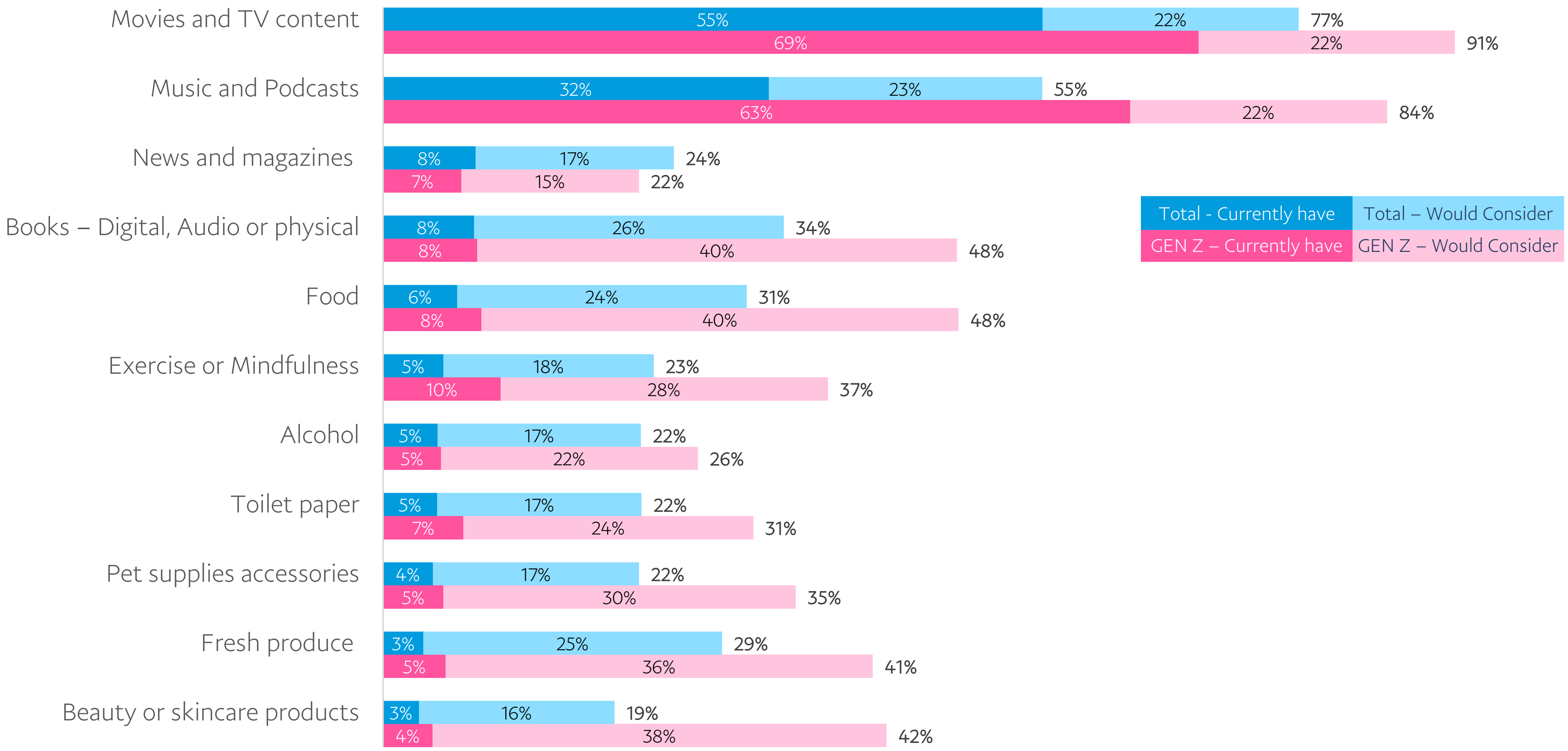
Two thirds (66%) of businesses with subscriptions saw increased consumer take-up during COVID with half of these businesses expecting use to continue at a higher level post-pandemic

Businesses are recognising the benefits that subscriptions offer, helping them simplify (32%) and personalise (24%) the customer experience, while also improving core metrics such as customer retention (30%) and profit margins (28%).

MQ17 - Does your business have, or does it intend to introduce a subscription model? MQ18 - When did you introduce your subscription model? MQ19 - Approximately what percentage increase in revenue has your business seen since implementing a subscription model? MQ20 - Thinking about your subscription customers and revenues through the pandemic, which of the following statements best describe your business?MQ21. What are the benefits of having a subscription model business?
BASE: M: Online Businesses, n=410. Businesses with a subscription model, n=71.

Subscription **Purchase Categories**

Video and audio content dominate current subscriptions, but Australians are open to taking subscriptions across a wider range of products and services



Currently video streaming (55%) and audio services such as music and podcasts (32%) are the most subscribed categories. Other categories are more relevant to niche audiences, with varying forms of print and digital media and food subscriptions used by 6-8% of consumers.

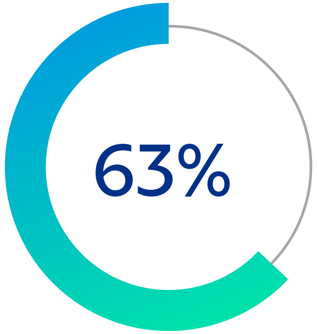
Australians clearly also have an appetite for more, with a substantial proportion open to considering new subscription offers. Particular stand-outs here include books (26%), fresh produce (25%), and food (24%).

This is particularly true for Gen Z, who are open to a wide range of subscriptions, including books and food (both 48% for Gen Z).

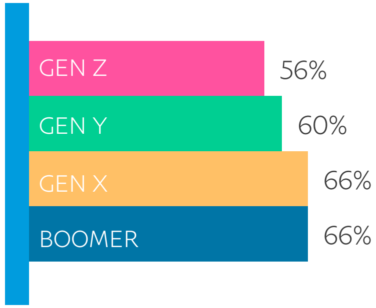
Q29 - Thinking about different types of product or service subscriptions, which of the following best describes you? (CURRENTLY HAVE/WOULD CONSIDER)
BASE: All Australians 18-75, n=1053.

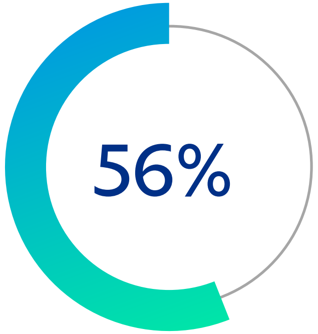
Subscription
Drivers of Adoption

Flexibility, value, and ease of use are the key factors driving take-up of subscription services

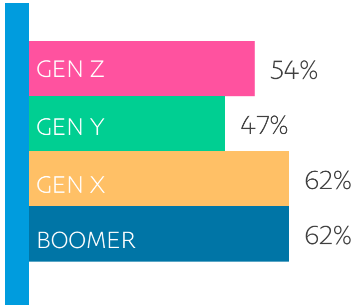


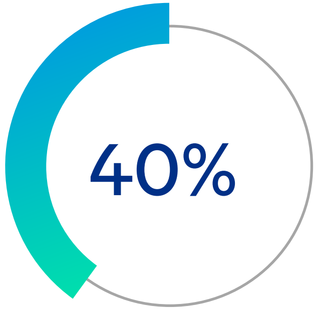
Not being locked into any contracts and having the option to opt-out of the subscription.



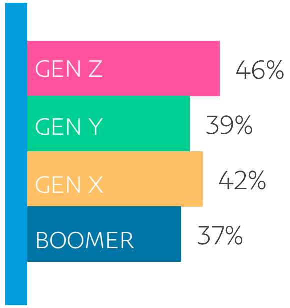


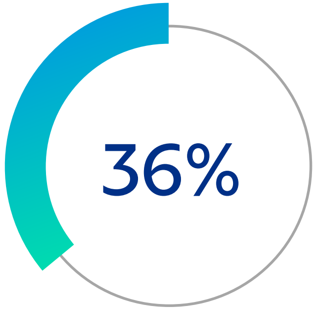
Being able to pay securely



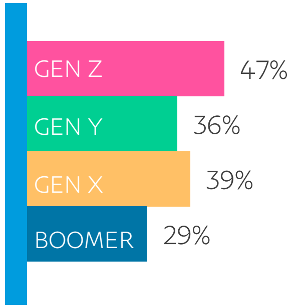


Receiving a subscriber discount, subscriber-only deals, and other subscriber benefits





The service being available on all of my devices, including mobile so I can access it at any time.



Australians of all ages see a consistent list of benefits in subscription services. Top of the list for all age brackets is the ability to opt in and out as desired (63%), reflecting the importance of flexible terms and account management in any subscription offering.

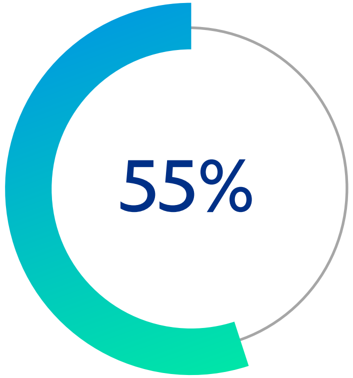
Behind this, they also look for secure payment options (56%), exclusive subscriber benefits (40%), and the ability to access and manage the service across all devices (36%).

PayPal

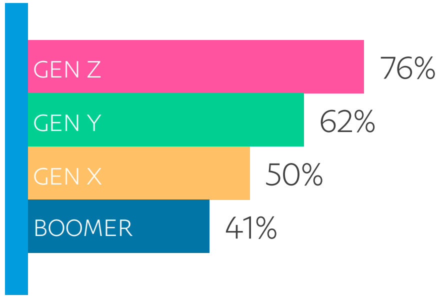
CQ30. As a current subscriber OR if you were to sign up for a subscription, which of the following are important to you?
BASE: All Australians 18-75, n=1053

Subscription **Cancellation Drivers**

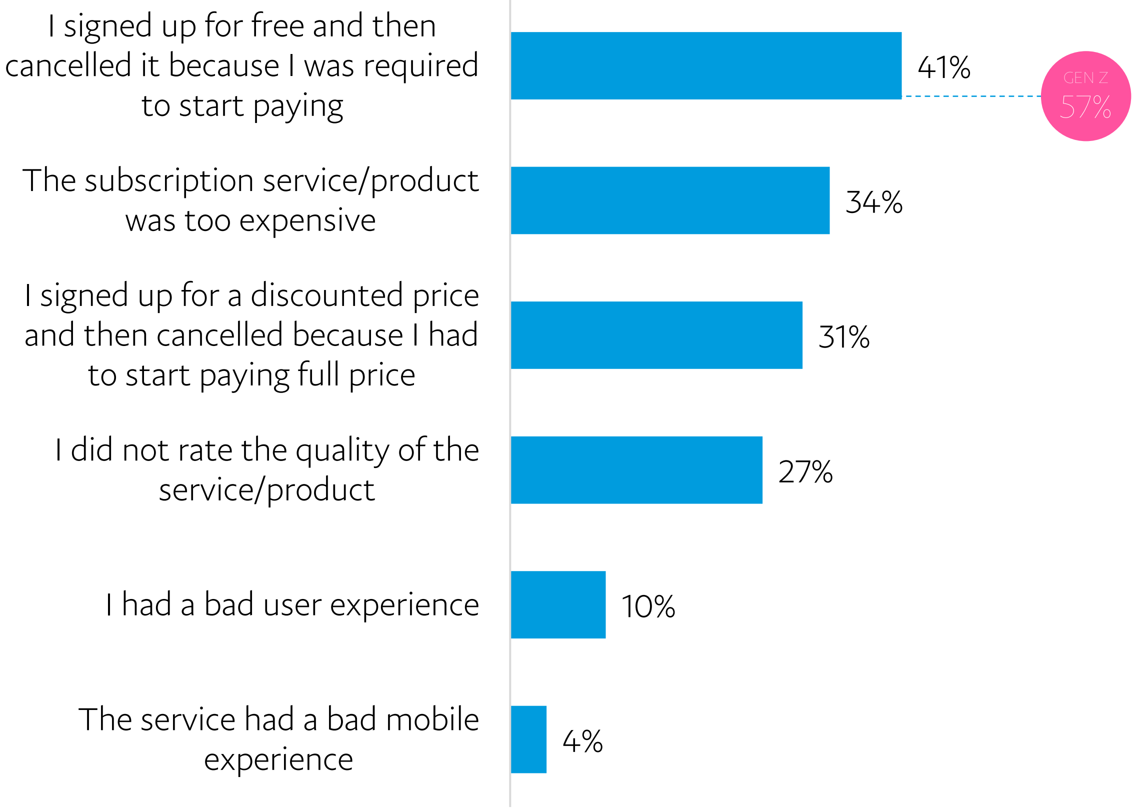
Free or discounted trial periods for subscriptions need to show value to retain consumers long term



Have cancelled a subscription in the past



Reasons for Cancellation



More than half (55%) of Australian consumers have cancelled subscriptions, rising to three quarters (76%) of Gen Z.

The top three reasons are all linked to cost, with 2-in-5 (41%) Australians (and more than half of Gen Z – 57%) saying they will sign up for a free trial then cancel when they must start paying. Alongside this, almost a third (31%) signed up using a discount and then cancelled when it expired.

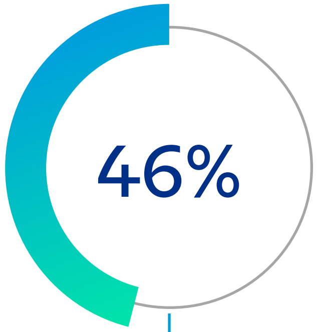
This suggests businesses need to ensure their free trial or discount period demonstrates ongoing value for consumers to reduce cancellations and increase levels of long-term customers.

CQ27 - Have you ever signed up to a subscription service / product, and then unsubscribed / cancelled your subscription?
CQ28. Why did you sign up for a subscription service(s)/product(s) and then unsubscribe/cancel your subscription(s)?
BASE: All Australians 18-75, n=1053. Subscription Cancellers, n=578

Conscious Consumers

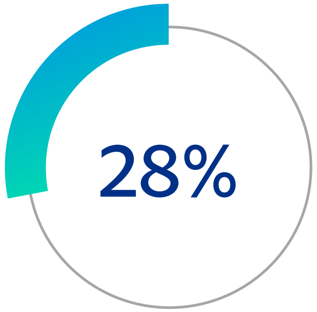
Conscious Consumers
State of play

Australian consumers are looking for brands to take a stance, and take action, on environmental and social issues

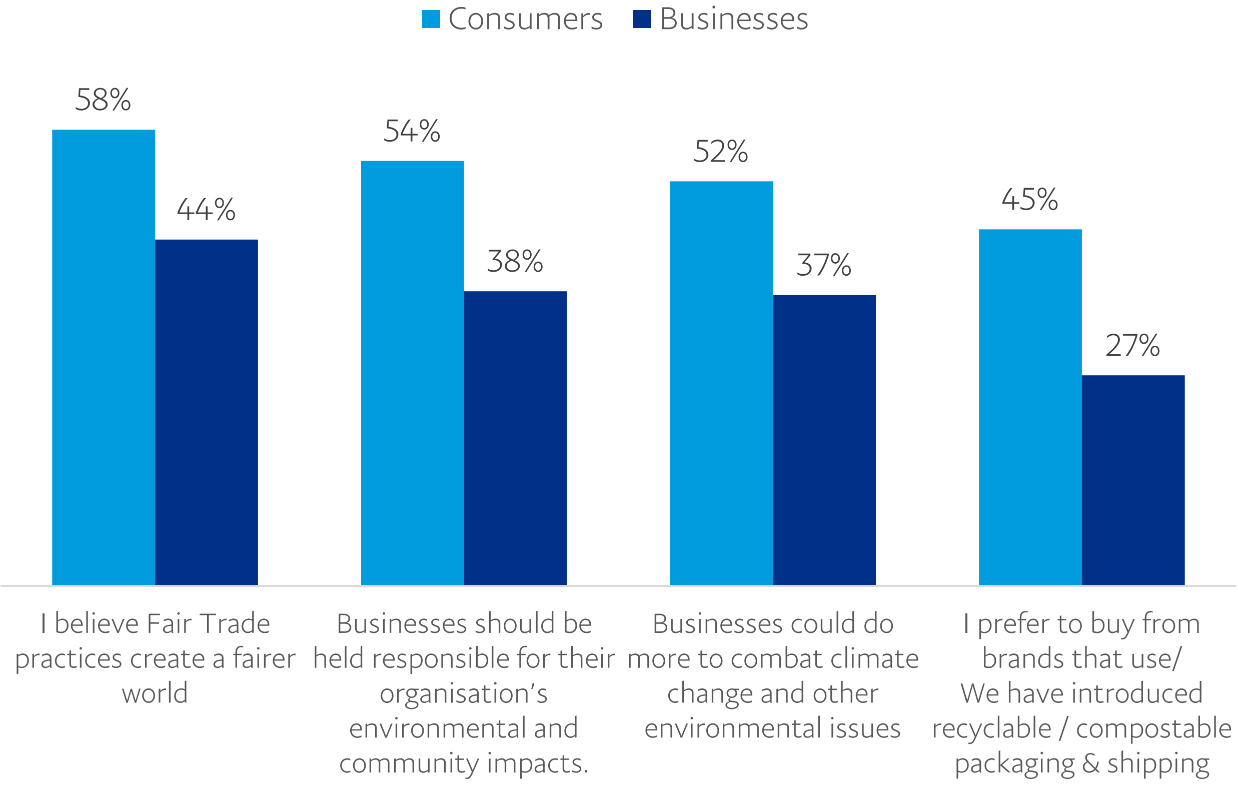


of Consumers prefer to buy from brands that are environmentally and socially responsible

But only



of Businesses are committed to selling or producing environmentally and socially responsible products or services



Almost 1-in-2 Australian consumers (46%) say they prefer to purchase from brands that are environmentally and socially responsible. This includes holding them responsible for their environmental impact (54%), looking for them to actively combat environmental issues such as climate change (52%), and choosing businesses that have introduced environmentally friendly packaging or shipping materials (45%).

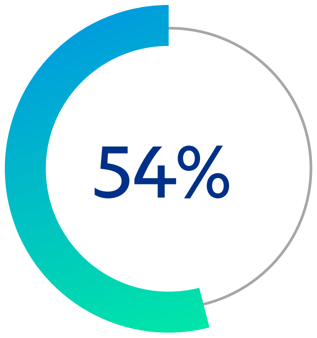
Businesses however are lagging consumer preferences across most metrics, with just over a quarter (28%) currently committed to producing or selling environmentally and socially responsible products or services.

PayPal

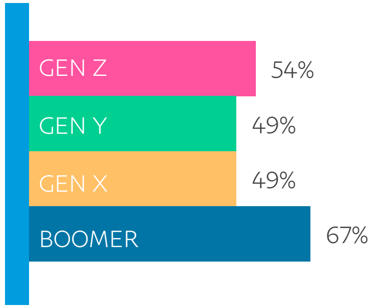
CQ31. Which (if any) of the following statements do you agree with? CQ32. Which (if any) of the following statements do you agree with? MQ22. Which (if any) of the following statements do you agree with? MQ24. Thinking about your business and the products and services you offer, which (if any) of the following have you done in the past 12 months?
BASE: C: All Australians 18-75, n=1053. M: Online Businesses, n=410

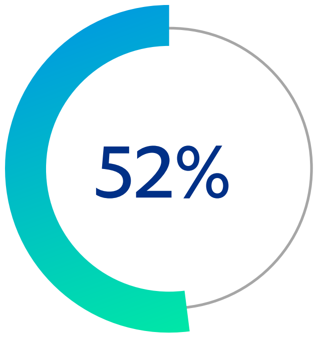
Conscious Consumers **Preferences**

Australians also expect brands to take a positive stance on employee working conditions and equality

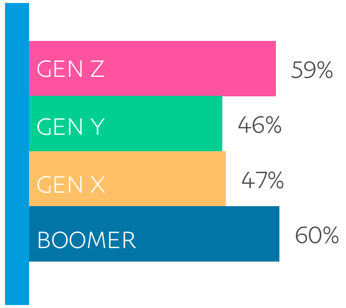


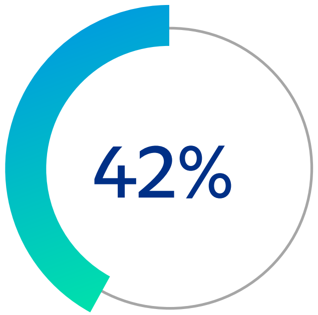
I don’t want to buy products or services that are made by underpaid workers, or in unsafe working conditions



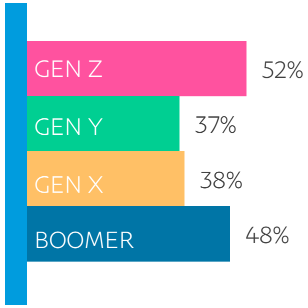


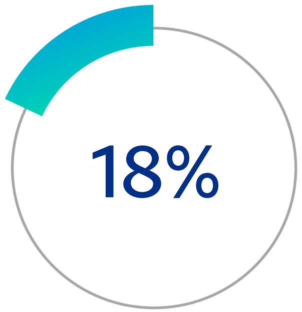
I don’t want to buy from businesses that are discriminatory in their employment practices or how they serve customers



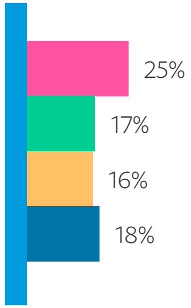


I would be more likely to buy products or services that were validated as sustainable or Fairtrade (e.g. by an official accreditation)





Have stopped buying aka 'boycotted' products or services from a company because of their values



Almost 1-in-5 Australian consumers (18%) has boycotted products or services due to a brand’s corporate values or behaviour, a number that increases to 1-in-4 for Gen Z (25%). This number of Australians who have boycotted a product has almost doubled since 2019 (10% overall, 19% Gen Z in 2019).

More than half of consumers (54%) want to avoid products or services made by workers who are underpaid or in unsafe conditions and prefer not to buy from businesses that have discriminatory practices (52%). A significant minority (42%) are also aware of accreditations such as Fairtrade and will actively select products on this basis.

PayPal

CQ32. Which (if any) of the following statements do you agree with? MQ22. Which (if any) of the following statements do you agree with?
CQ33. Thinking about your purchasing generally, which (if any) of the following have you done in the past 12 months?
BASE: C: All Australians 18-75, n=1053.

Appendix

PayPal eCommerce Index 2021 Overview

Research Objective

Develop engaging content on current trends within the Australian eCommerce landscape that will benefit PayPal's business and consumer customers through timely and relevant information

Audience

1,053 Australians aged 18-75 who own or use a smartphone & **410 business decision makers** within Australia

Objectives

Consumers

- Explore the role of Mobile and Laptop/Desktop in consumer purchasing behaviour
- Quantify current, historic and likely future usage of different devices for online shopping across different cohorts
- Identify consumer experiences and attitudes towards shopping via Social Media and Subscriptions
- Understand the importance of Environmental and Social Responsibility in the way consumers make purchases

Businesses

- Explore the current business payment landscape
- Assess the level of mobile offering / optimisation
- Understand the uptake of selling via Social Media, and Subscription based models
- Identify the attitudes of businesses to their Environmental and Social Responsibilities

About the research

OVERVIEW: This research report was produced by PayPal Australia Pty Limited, based on a study conducted by ACA Research with n=1,053 consumers and n=410 businesses. It contains general observations about trends in eCommerce, mobile commerce and social 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 15-minute online survey of n=1,053 Australian smartphone users aged 18 – 75 years, exploring adoption, usage, and sentiment towards eCommerce, mobile and social commerce. In addition, ACA Research conducted a 10-minute online survey of n=410 business decision makers within Australian small and medium B2C retailers and businesses who operate online, exploring their attitudes and behaviours around eCommerce, mobile and social commerce. Numbers may not add to 100% due to rounding.

CONSUMER SAMPLING: The consumer research consisted of a sample of n = 1,053 Australian smartphone users aged 18 - 75 (which represents approximately 82% of total Australian population 18-75). The sample was weighted by 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 2.9%.

BUSINESS SAMPLING: The business research consisted of a sample of n = 410 decision makers within Australian small and medium businesses. All businesses had to sell partially or wholly to consumers, and partially or wholly online. Quotas were set on turnover and location, and the sample. Significance testing was conducted at a 95% confidence interval, with a potential sampling error of 4.7%.

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 30th of September to 15th of October.

GENERATIONAL AGES: Generational Ages as at 2021: Gen Z (18-24 years); Gen Y (25-40 years); Gen X (41-56 years); Baby Boomer (55-75 years).

About PayPal

PayPal has remained at the forefront of the digital payment revolution for more than 20 years. By leveraging technology to make financial services and commerce more convenient, affordable, and secure, the PayPal platform is empowering more than 400 million consumers and businesses in more than 200 markets to join and thrive in the global economy. For more information, visit paypal.com or the PayPal Newsroom.

About PayPal Australia

PayPal has been operating in Australia since 2005 and has more than 9.1 million active customer accounts. PayPal enables Australian businesses to transact online and off-line, from sole proprietors and developers to established large businesses. The PayPal service is provided by PayPal Australia Pty Limited (ABN 93 111 195 389) which holds an Australian Financial Services Licence number 304962. Visit PayPal Australia Newsroom for more information and follow us on Twitter, Instagram.

Any information provided is general only and does not take into account your objectives, financial situation or needs. Please read and consider the Combined Financial Services Guide and Product Disclosure Statement (PayPal.com.au) before acquiring or using the service. To review the Target Market Determinations for our products, see PayPal website.

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