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December 27, 2010

PayPal Grows in Volume and Independence, says Auriemma Consulting Group

December 27, 2010 (New York, NY) PayPal, once seen as a niche product primarily for eBay transactions, has achieved mainstream status for American consumers. According to a new survey conducted by Cardbeat[®], conducted by Auriemma Consulting Group (ACG), more than three-quarters (76%) of American consumers have an active PayPal account, up sharply from 55% in their 2008 survey.

“PayPal has long been popular with young consumers,” noted Patricia Sahm, Managing Director at ACG, “but it’s striking to find that 69% of respondents 45 and older said they have an active PayPal account. Many of our respondents say they feel more comfortable using PayPal rather than their credit cards for online shopping.” The Cardbeat survey also found significant gains in frequency of PayPal usage, rising from an average of 10.8 purchases a year in 2008 to 14.0 annual purchases in the most recent study.

Although PayPal still accounts for less than 10% of total online sales volume, the seemingly inexorable growth of ecommerce drives more and more dollars to the payment service. While final volume counts await the end of the holiday shopping season, PayPal reported a 27% increase over 2009 in Black Friday online payments.

And those millions of PayPal accounts are increasingly bypassing the credit card networks altogether. “We’re seeing substantial gains in consumer willingness to provide their bank account information to PayPal,” Sahm said. In 2008 45% of survey respondents said that they were “uncomfortable” with the idea of providing bank account information to an internet-based payment company like PayPal; in the most recent 2010 study that percentage had fallen to 31%. “Where Visa and MasterCard formerly had a complementary relationship with PayPal when consumers used their credit cards to fund their PayPal account, the credit card networks are cut out of the exchange when PayPal is positioned like a debit card linked directly to the checking account.”

About Auriemma Consulting Group

Auriemma Consulting Group (ACG) is a full-service management consulting firm serving the payments and lending industries since 1984. Cardbeat is ACG’s syndicated market research study of credit card holders, conducted monthly in the U.S. and quarterly in the U.K. With offices in New York and London, ACG consultants are experienced practitioners, drawn from the credit card, private label, auto finance, mortgage, and retail banking industries that we serve. For more information, contact Pat Sahm at 212-323-7000 or patricia.sahm@acg.net.