



FOR IMMEDIATE RELEASE

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PayPal Seen as More Secure than Credit Cards for Online Shopping, says Auriemma Consulting Group

NEW YORK, N.Y. — It wasn't that long ago that PayPal was viewed as a niche player in the payments industry, used primarily for eBay transactions. However, the most recent survey by Cardbeat[®], a syndicated market research report published by Auriemma Consulting Group (ACG), demonstrates that the former upstart has become increasingly mainstream. "More than three-quarters of our respondents said they have a PayPal account, a 40% increase since our 2008 Cardbeat study, when 55% of respondents had one," says Nancy Stahl, editor of Cardbeat.

Among the 78% of respondents who shop online, credit cards continue to be the dominant method of payment for online purchases, used by 70%. However, increasing numbers of consumers are using other payment methods as well: 39% use PayPal, just edging out debit cards, used by 37%, for second place. While credit cards are considered the most convenient way to pay for online purchases, PayPal was rated as the most secure.

The average purchase amount for PayPal transactions was virtually unchanged from 2008, at just under \$60. However, the number of PayPal transactions reported by consumers in the survey doubled, from 10.8 in 2008 to 21.2 in June 2010, raising the average annual spend by about \$635. It's not just for eBay anymore, Stahl noted. "Nearly two-thirds of total PayPal transactions were generated through non-eBay activity."

Incidence of account ownership is dramatically lower for other alternative payment services, but there was growth from 2008's Cardbeat survey, Stahl added. "The tremendous size of the online market has attracted a lot of start-up companies, and even companies with relatively small market share can represent significant dollar volume."

Although services like PayPal can drive credit card volume by allowing customers to fund their accounts with their cards, their increasing power to cannibalize sales poses a challenge to the card industry, especially if these players venture into the brick-and-mortar environment, as some industry experts have predicted, Stahl noted.

The information in this release includes data from a survey of 428 cardholders conducted in June 2010.

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 Nancy Stahl at 212-323-7000 or nancy.stahl@acg.net.