



White paper:

The surprising lessons we learned during our first 90 days' experience offering a PayPal button on our e-commerce shopping cart



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The results from the first 90 days' use of PayPal in our online store were so surprising they deserved a complete examination. This report is the result.

Background

We had avoided adding PayPal to our website for more than two years. After all, our customer base is entirely information workers, people with a need to create and manage repetitive documents and an interest in using state of the art document assembly and automation software to improve productivity. More than half are professionals: lawyers, doctors, accountants, engineers, consultants, insurers, and financiers. More than half the rest are not degreed professionals themselves but work in the same fields, often in the same offices. Customer firms range from solo practitioners to the largest firms in the world in several different industries. They are not the sort of people or companies we thought would prefer a digital proxy to credit cards or wire transfers.

More than 80% of our users work in the U.S. or Commonwealth countries. The remainder represent more than thirty other countries, speak more than a dozen languages, and are members of a score of disparate cultures.

We believe the clean “before and after” perspectives coupled with the nature of our customer base make the data uniquely interesting. Our experience may be illustrative for others, particularly professional firms who target as customers or clients other professionals, a broad spectrum of company sizes, or who seek significant growth through e-commerce.

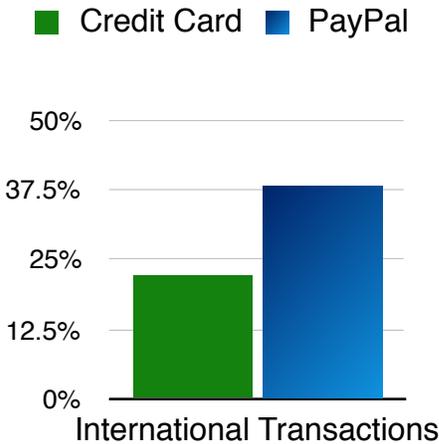
Assumptions

There were two driving assumptions behind the decision to add PayPal to VISA, MasterCard, and American Express payment alternatives in our e-commerce store: (1) it might prove convenient to international customers and (2) it might be an attractive alternative for those wishing to risk just \$1 in a new 30-day demo package. In each case, PayPal, a credible alternative, might provide a sense of security and eliminate any concerns about sharing credit card information with an unknown firm.

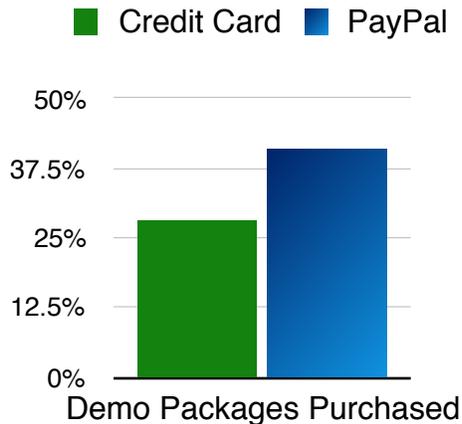
Our experience fully supports those assumptions.

Of total purchases made during the 90-day evaluation period, not including renewals, the share of international sales generated through PayPal was 73% greater than with our traditional payment channels.

That was more than triple our expectations.



Greater Propensity to Purchase a Demo

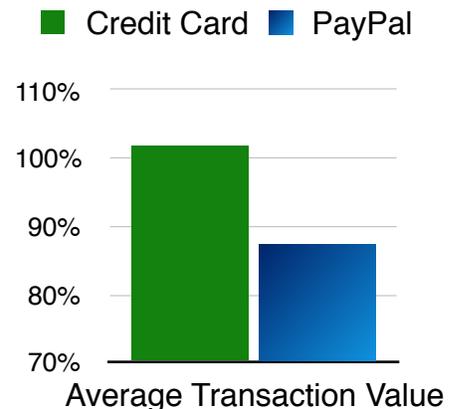


Roughly simultaneously with the introduction of PayPal we rolled out a limited-life demonstration package of our most popular software, Doxserá[®], which is positioned for users ranging from small offices to governmental and enterprise customers with needs of average complexity. One of our goals with the *Doxserá[®] 30-Day Demo* is to empower non-executive employees of large operations to “step up” on their own, to risk \$1 in order to become heroes to their employers by discovering and proving up a terrific productivity tool. We also wanted to appeal to executives of smaller firms looking for a road test before committing.

PayPal customers were 46% more likely to purchase the demo package than traditional visitors. That was more than twice the rate we expected and, since a large percentage of demo buyers end up purchasing our software, a very welcome surprise.

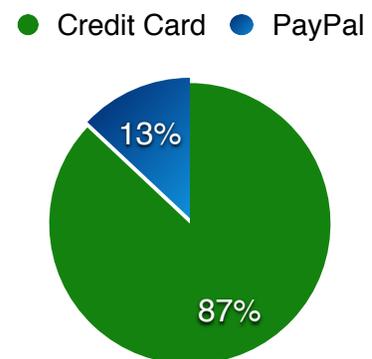
Smaller Transaction Price

Comparing “non-demo” purchases only, the average value of a PayPal transaction is about 14% lower than the average credit card purchase. This difference is explained equally by volume and product variations between the two channels. PayPal customers are purchasing fewer copies of our software in each transaction and buying less expensive versions. Historically, new customers bias toward our least expensive offering and then “trade up” over six months or a year. So some difference is expected just because of the newness of the PayPal cohort. At some point we hope to have data or a theory to convincingly explain the variations, but meanwhile the difference is not troubling.



Customer Share

At the end of 90 days, with no more supportive underpinning than the presence of the PayPal button on the shopping cart page alongside those of the major credit cards, PayPal captured 13% of our “non-demo” customers. This was a completely unexpected surprise that is causing us to re-evaluate our e-commerce perspectives and strategies. The closest analogues might be the early days of the travel and entertainment cards, with the introduction of Diners Club and American Express, or the proliferation of mileage awards



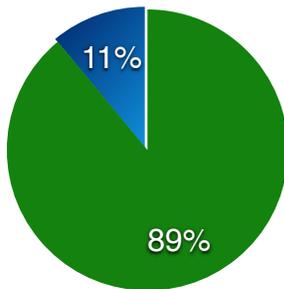
Share of Transactions

offered in return for spending on a card. In each case, both the shopper and the retailer rapidly changed perceptions and behaviors. In the first instance, from “people who can’t pay with cash are not good customers”; and in the second, where suddenly even the wealthy are avoiding cash or checks, instead paying for groceries with a credit card in order to capture “free miles.”

Contribution to Income

The bottom line is the convergence of product choices, number of units purchased, and relative shares. During the period, PayPal produced 11% of total revenues at approximately the same costs in terms of transactional fees. Because our sales are denominated in dollars, there is no difference to us in terms of currency treatments.

● Credit Card ● PayPal



Share of Revenues

Putting all of the “new customer” data together, we estimate that adding a PayPal button to our shopping cart has increased business between 6% and 9% over what would have otherwise occurred.

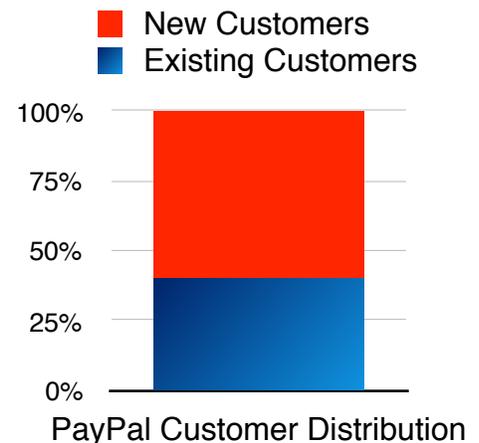
In most cases, that would be the end of the story, at least until more quantitative data is produced in the fullness of time. But that would ignore the big surprise.

The Big Surprise: Existing Customers

Of the total PayPal transactions during the first 90 days of its (unheralded) availability, fully 40% of the PayPal purchases were made by existing customers making repeat purchases. This almost exactly matches the ratio of repeat transactions accomplished via credit card.

This strikes us as significant. Customers with whom we already have relationships, people and firms that have already shared billing information (though we don’t retain credit card numbers), *spontaneously chose to ignore their established patterns in favor of a new, non-bank payment channel.*

Why? Is it a sense of insecurity with the internet or with us? Is it a matter of convenience to centralize e-commerce transactions with one channel? We don’t know, but we intend to find out and then capitalize on the discovery.



Conclusions

We draw three conclusions from our experience:

1. PayPal customers are every bit as desirable as our traditional customers.
2. PayPal has expanded our business by a meaningful amount.
3. PayPal's "cache" has added comfort to a significant fraction of our customers.

Our experience may contain lessons for others, for firms, companies, and practitioners marketing B2B or primarily to other professionals particularly those that have historically avoided adding alternative payment channels to their mix of customer-facing tools. We basically thought our various audiences "too sophisticated" to be interested in PayPal.

We were wrong.