



PayPal Cross-Border Consumer Research 2015

GLOBAL SNAPSHOT

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Background & Objectives

Advancement of technology is helping to open up commerce opportunities for everyone - across borders, anywhere, anytime and via any device.

Understanding that we are going through a commerce revolution, PayPal in partnership with Ipsos, conducted a global 29 market survey with approximately 23,000 consumers to examine how people shop online and across borders.

This survey is designed to gain insight into 3 main areas:

- How online commerce, and specifically cross-border commerce is evolving
- How and why consumers shop online across borders
- How consumers pay for cross-border transactions

Research Methodology

This study was conducted across 29 markets and approx. 23,000 consumers globally.

Fieldwork



Online survey

Global Fieldwork conducted Sept-Oct 2015



20 minute questionnaire

This research was carried out to the international quality standard for market research, ISO 20252:2012

Sample, per market

29 markets
Sample of c.800 per market.

Nationally representative of online population Aged 18+

Respondents recruited from online panels

Own and/or use an Internet-enabled device*



Data weighted to adjust for known population incidence

Questionnaire

Screening



Transaction & Spend:
Past 12 Months &
Next 12 Months



Cross-Border
transactions &
spend



Drivers, barriers and
attitudes to cross-
border shopping



Cross-Border
Payment

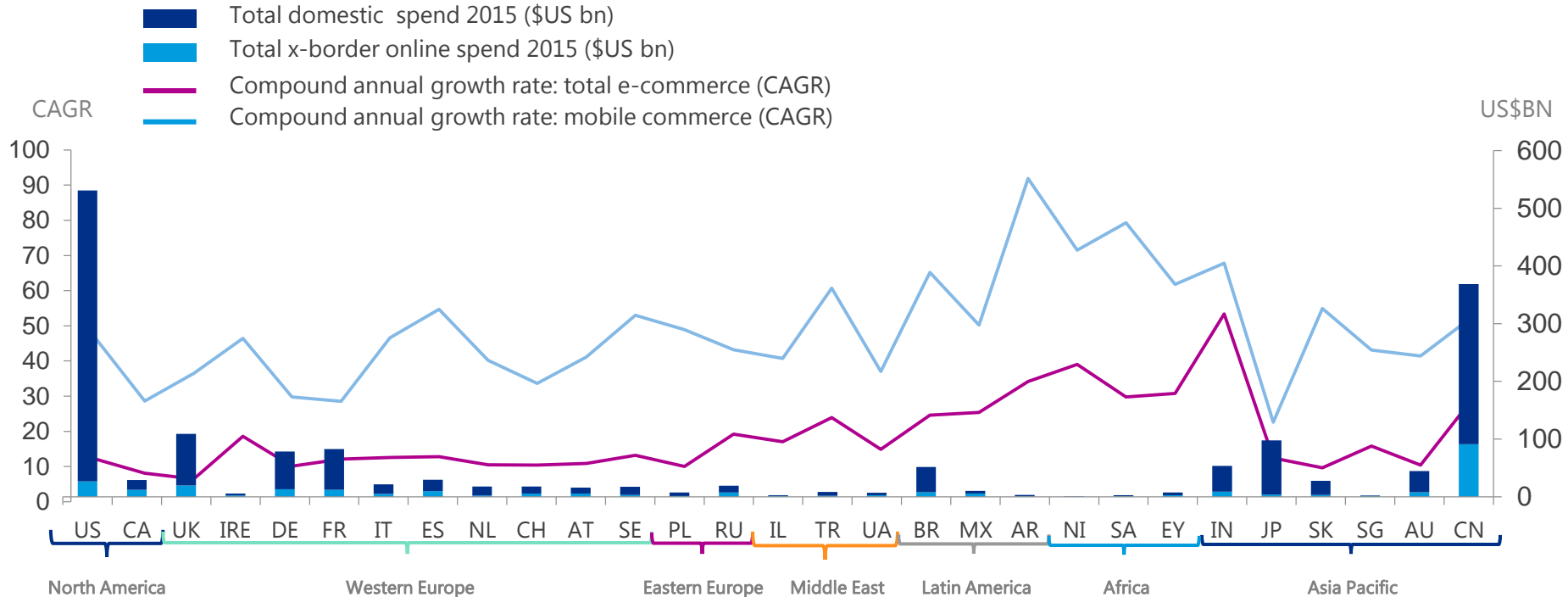


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Online and x-border commerce size and growth estimates

US and China are biggest markets in terms of online spend, but India is growing fast

Online commerce size (US\$BN) / Growth (CAGR 2014-2017)



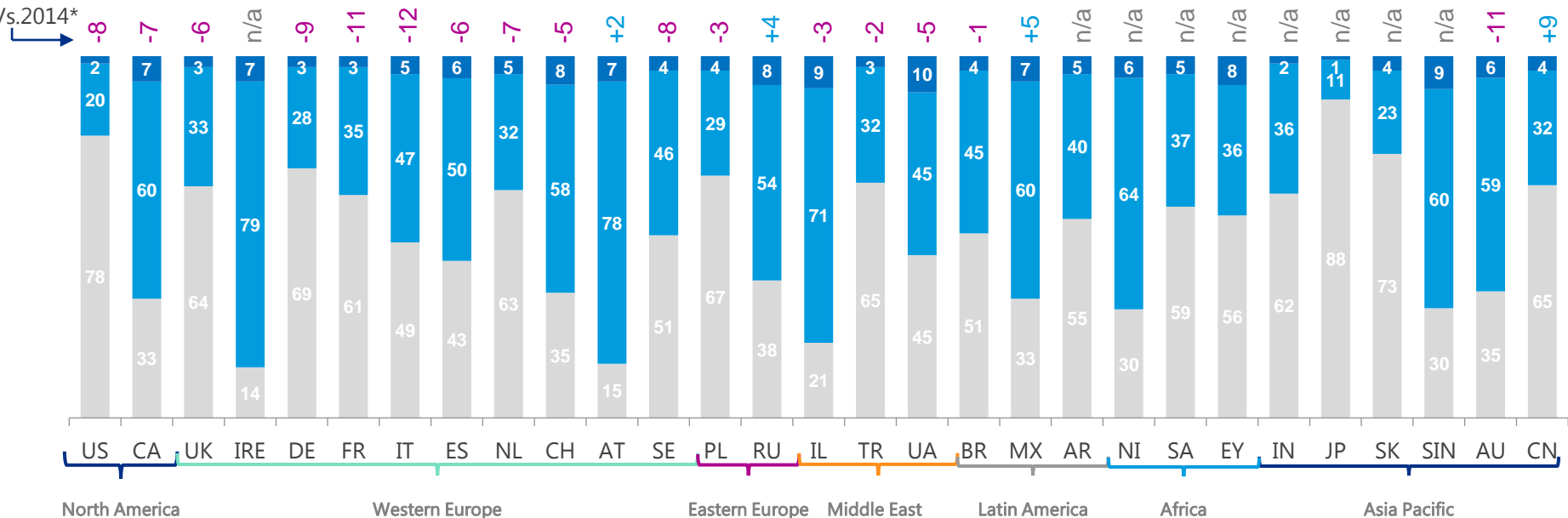
Incidence of online cross-border shopping

Shopping across-borders is most prevalent in Ireland, Austria and Israel

Self-stated domestic and cross border purchasing in past 12 months

% Shop domestically only
 % Shop domestic and x-border
 % Shop x-border only

Ppt. change
in x-border incidence
Vs.2014*



North America

Western Europe

Eastern Europe

Middle East

Latin America

Africa

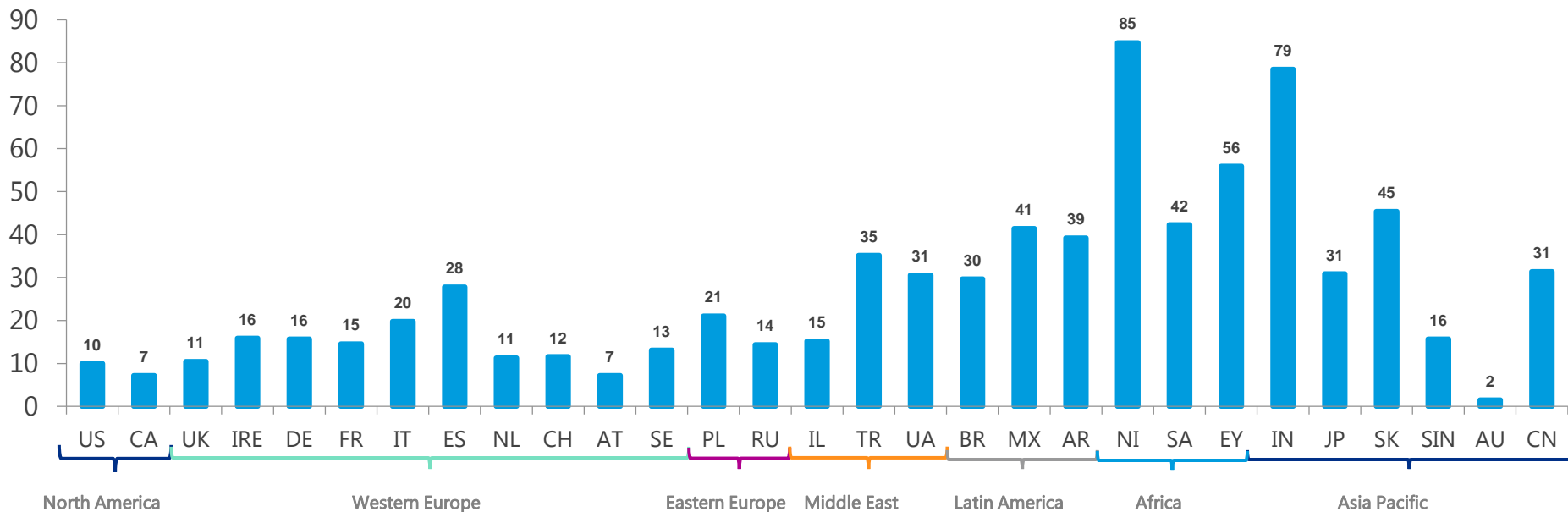
Asia Pacific

*where data available

Growth is expected in cross-border spending in all markets surveyed

Largest growth is expected in Nigeria and India

% Estimated growth* in x-border spend for 2016

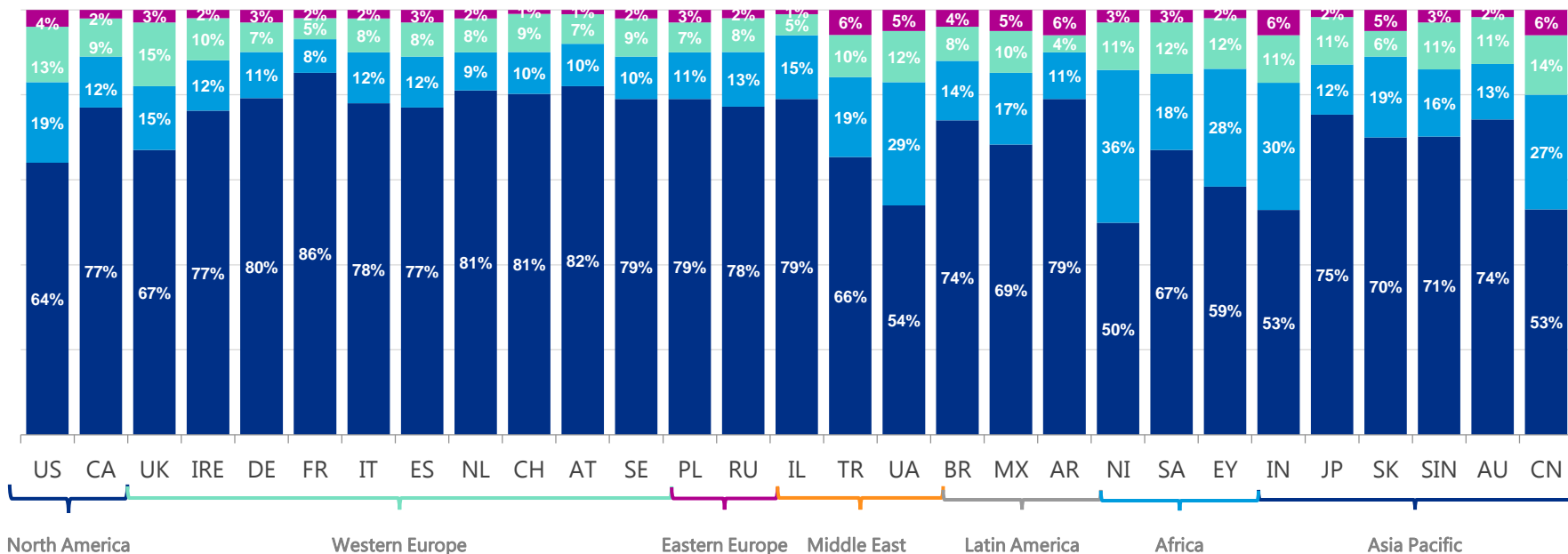


The majority of cross border purchases are still made on a computer

But in some less developed markets, a large proportion of cross-border purchases are made on a mobile device

Average proportion of x-border purchases in past 12 month made on each device

■ Desktop/laptop/notebook
 ■ Tablet
 ■ Smartphone
 ■ Other device



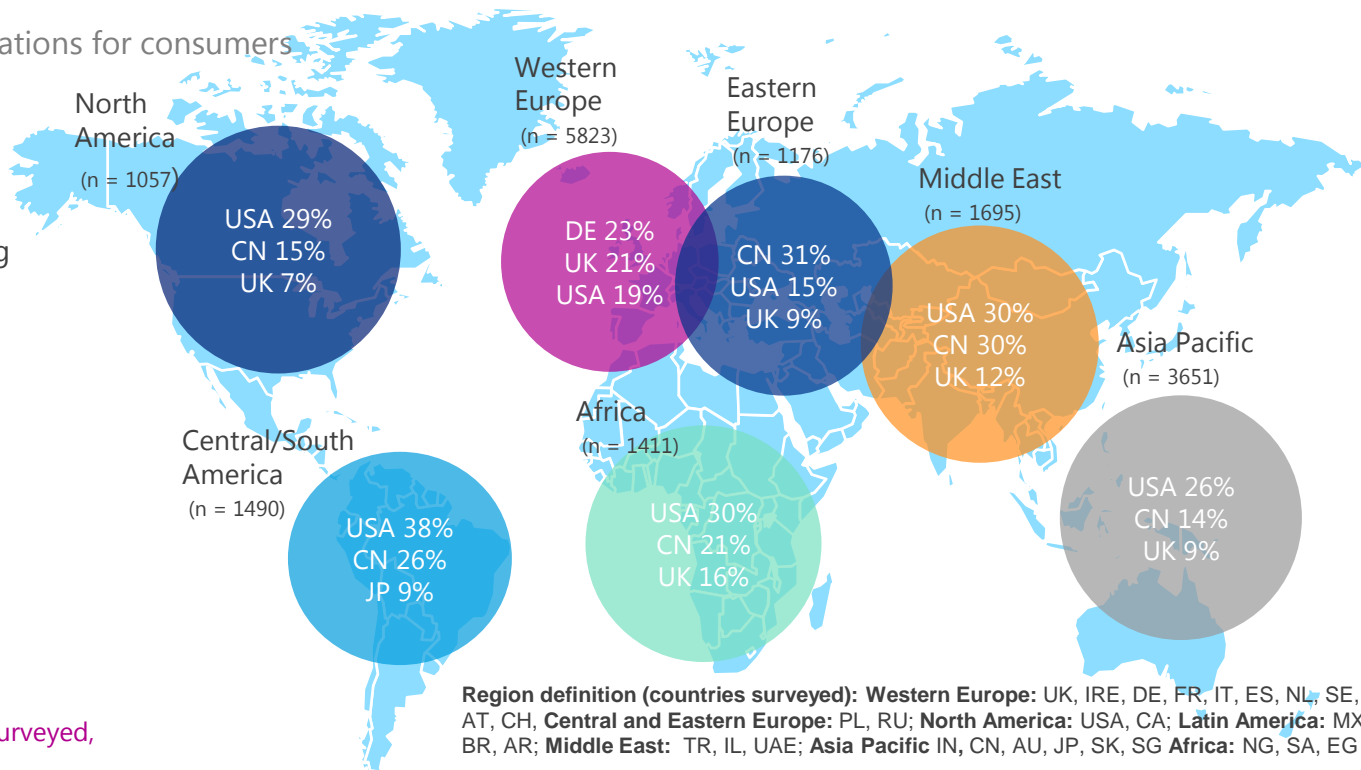
China and the US are the most popular cross-border destinations

For Western European shoppers however, shopping within Europe is still more popular

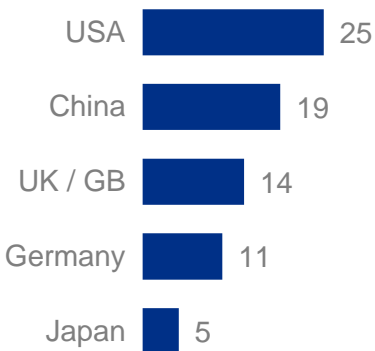
Top x-border shopping destinations for consumers

Within each region*

(% of online shoppers living in each region shopping cross-border from the country mentioned)



Top x-border destinations among all online shoppers surveyed*



*Results are among all consumers surveyed, not weighted for population size

Region definition (countries surveyed): Western Europe: UK, IRE, DE, FR, IT, ES, NL, SE, AT, CH, Central and Eastern Europe: PL, RU; North America: USA, CA; Latin America: MX, BR, AR; Middle East: TR, IL, UAE; Asia Pacific: IN, CN, AU, JP, SK, SG Africa: NG, SA, EG

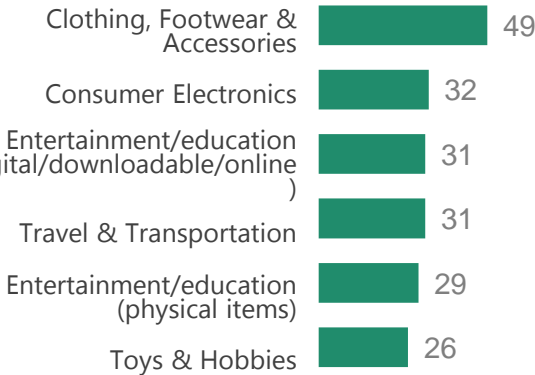
Q27: Thinking about shopping online, from which of the following country or geographies' websites have you purchased in the past 12 months? Please include your home country if applicable. Base: Total online shoppers n = 16,302

In most regions, clothing and apparel is the most popular category for cross-border purchases

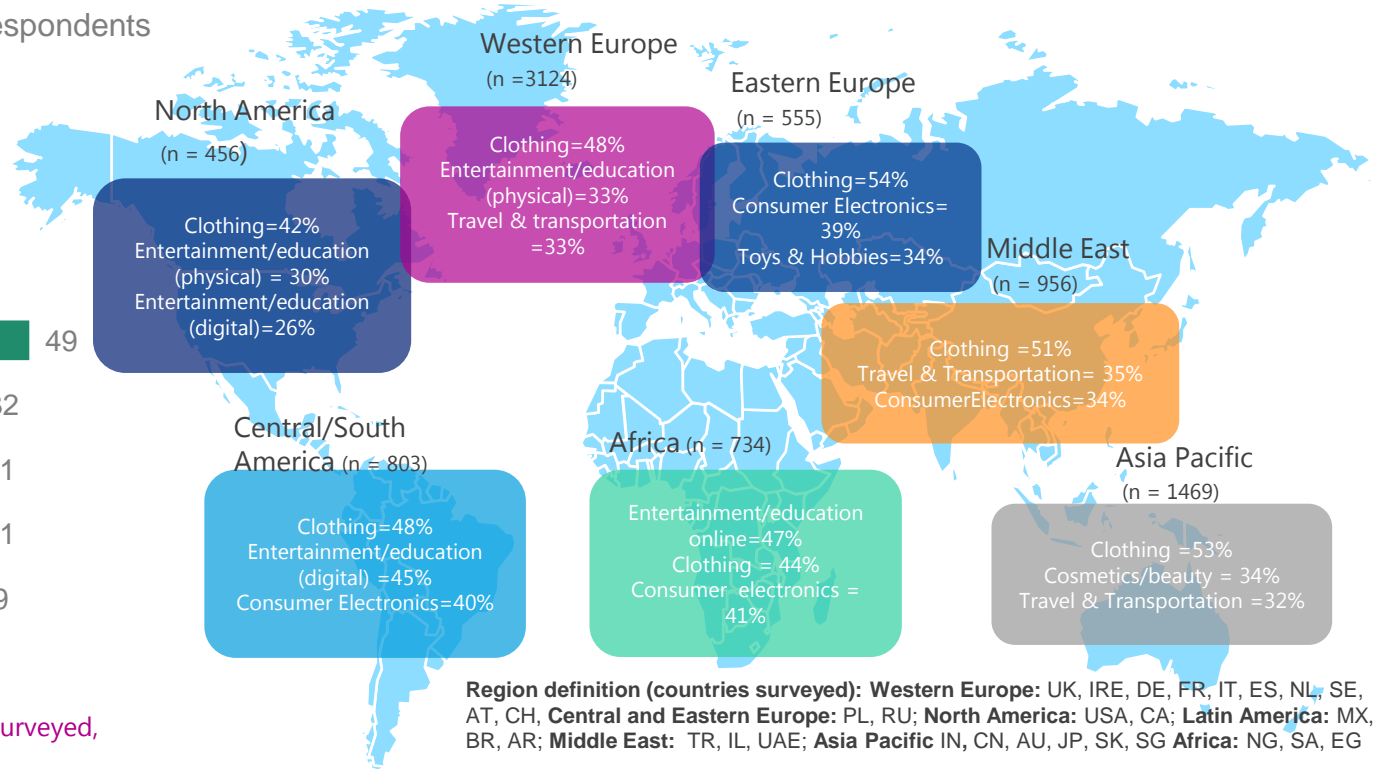
Top x-border categories for respondents

Living in each region*
(% of x-border shoppers shopping x-border in each category)

Top x-border categories among all x-border shoppers surveyed*



*Results are among all consumers surveyed, not weighted for population size



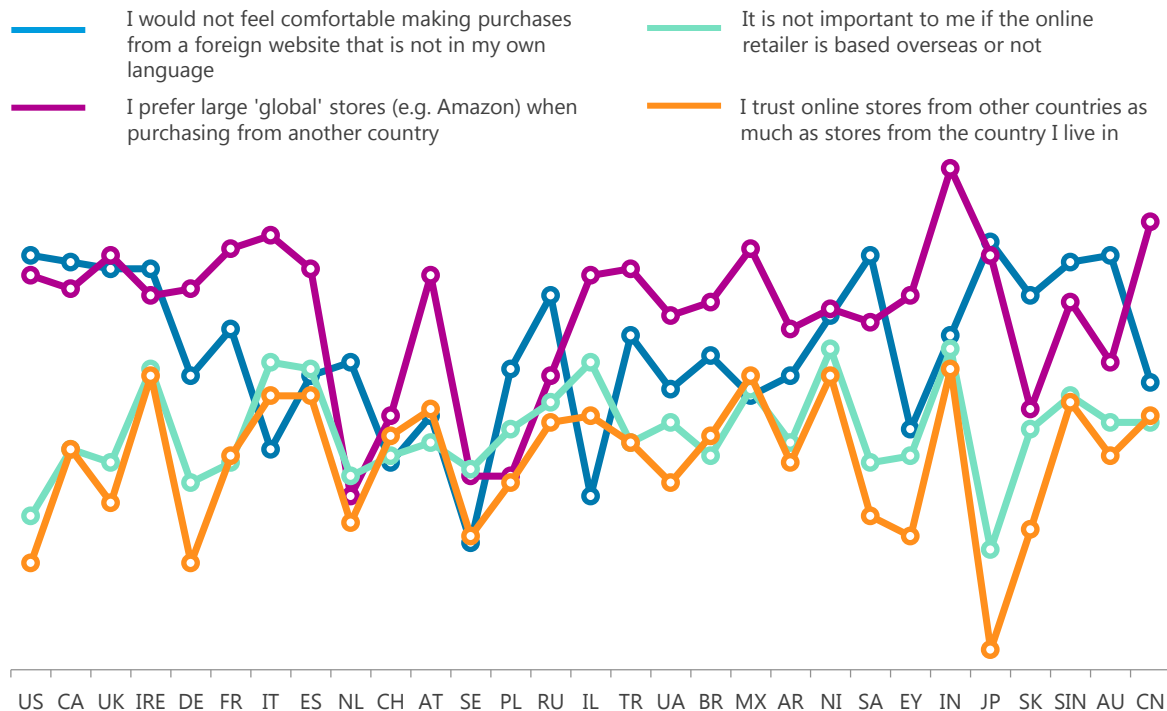
Q28. In the past 12 months what kinds of products have you purchased from websites in other countries? Base: Cross-Border shoppers n = 8097

Attitudes to cross border shopping vary dramatically between markets

Attitudes among all online shoppers surveyed*
(% Agree with statement)



Attitudes compared between countries
(% Agree with statement)



*Results are among all consumers surveyed, not weighted for population size

Shipping costs, and reassurance about safety of purchasing are key drivers to cross-border shopping

Top 10 potential drivers for x-border shopping among all online shoppers surveyed*



Top 10 barriers for x-border shopping among all online shoppers surveyed*



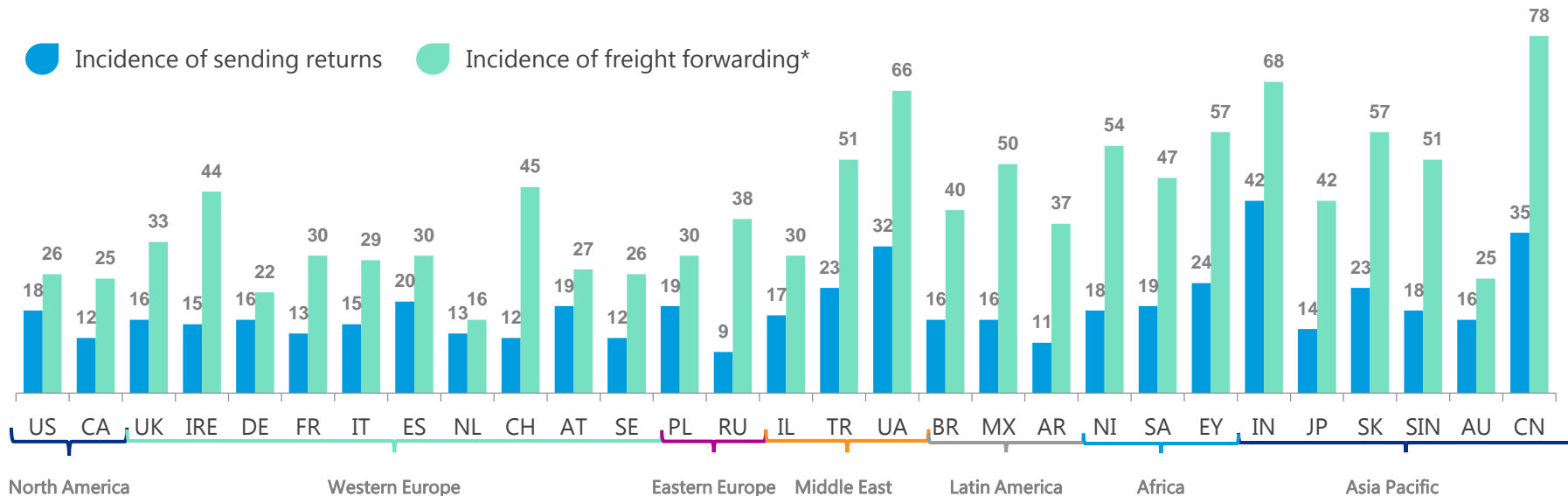
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Q39. Which, if any, of the following would make you more likely to buy from a website from another country? Base: Online shoppers n = 16,302

Q36. Which, if any, of the following reasons prevent you purchasing from websites in another country (more often)? Base: Online shoppers = 16,302

The number of people sending returns cross-border is low in most countries

Freight forwarding is most popular in China, India and UAE

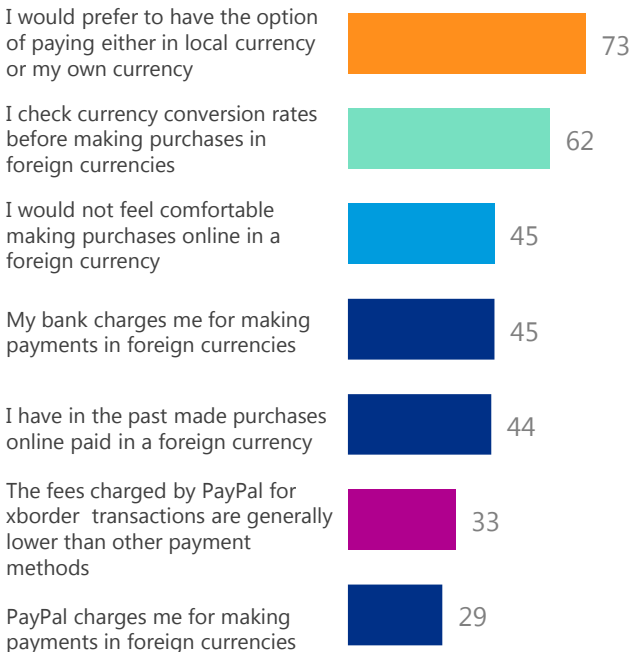


* Freight forwarding defined as having products delivered to a freight forwarding company (who receives goods in the country of purchases then ships them to you) or having products delivered to a friend's/family member's/hotel's address in the country of purchase

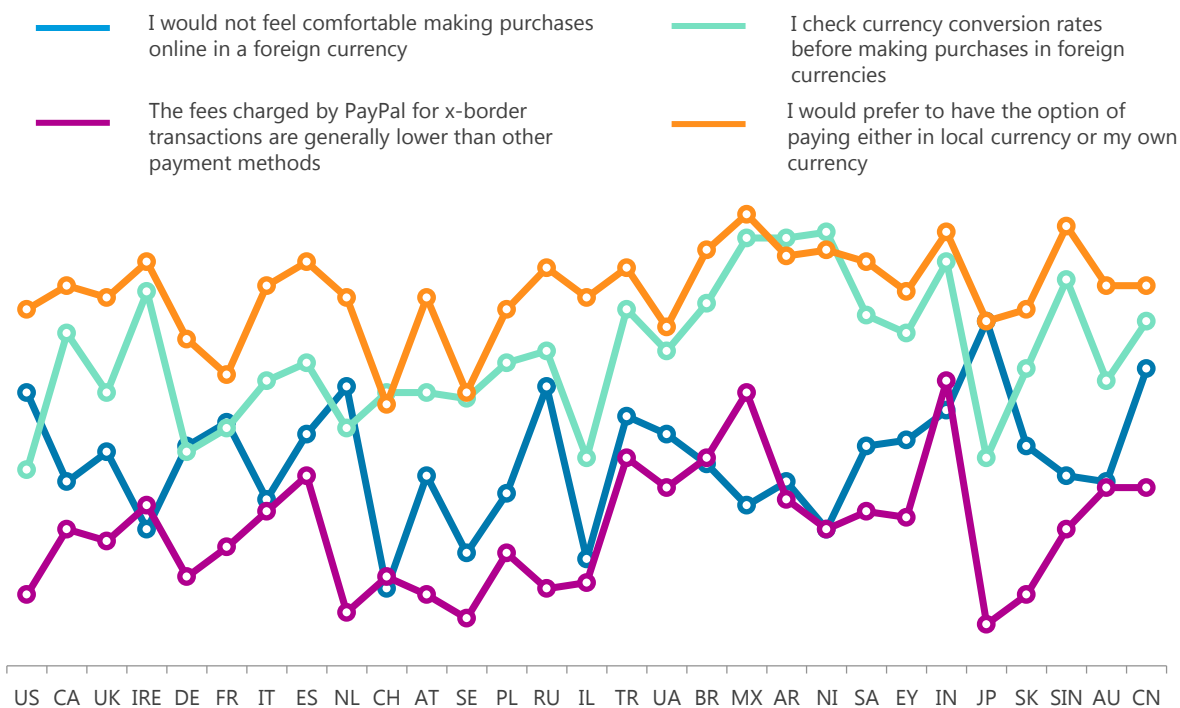
Q42. Have you ever done any of the following when buying products online from other countries?
Q40. Which of the following (if any) have happened to you in the Past 12 months? – returned a product to another country. Base = cross-border shoppers (size shown in appendix)

Attitudes to currency conversion

Attitudes among all online shoppers surveyed*
(% Agree with statement)



Attitudes compared between countries
(% Agree with statement)



*Results are among all consumers surveyed, not weighted for population size

Q47. Please state whether you agree or disagree with each of the following statements about shopping online in other countries: Base: Online shoppers (size shown in appendix)

Safety and convenience are key determinates of cross-border payment method preference

Reasons for payment method preference among all cross-border shoppers surveyed
(% of all x-border shoppers who gave a preference*)



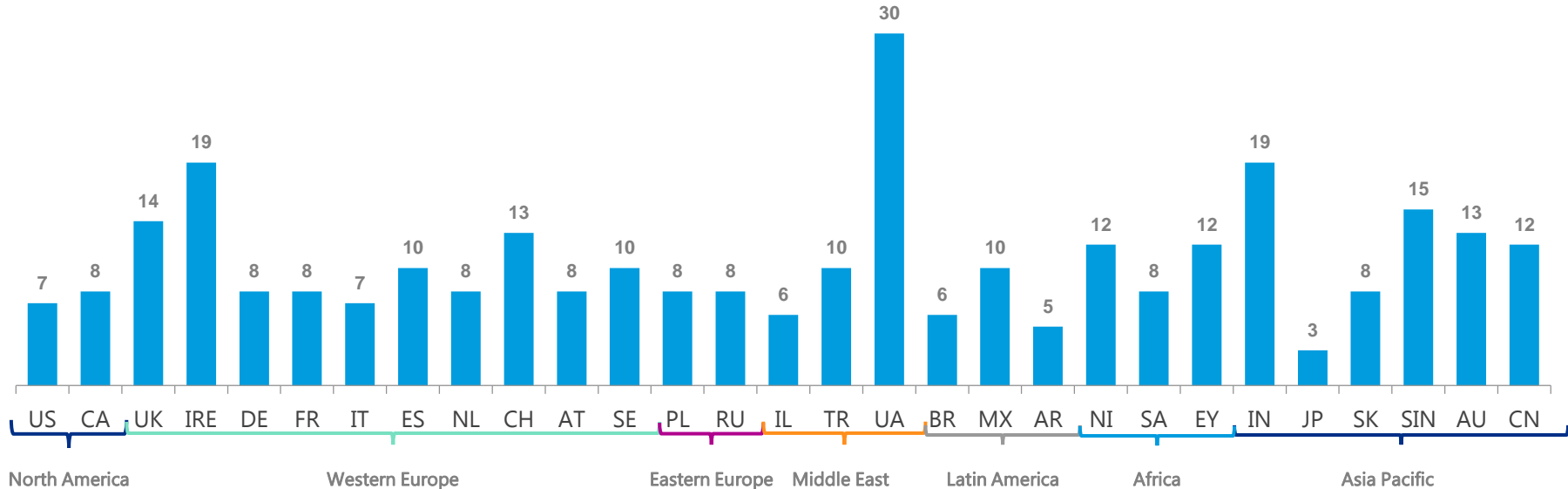
*Results are among all consumers surveyed,
not weighted for population size

Q44c. For what reasons is this your preferred payment method for online transactions/purchases from websites from another country?
Base: Cross Border Shoppers who give preference (n = 7839)

Incidence of P2P payments

Incidence of Cross-border P2P Payments

(% respondents have "Sent money to friends and/or family in another country" in the past 12 months)



Market Sizing Estimate and Forecast: Methodology

Estimating and forecasting online and mobile sales for the period 2014 to 2017

INPUTS

To build the forecast we look at relationships between key macro-economic indicators.

- › Total and online population development (Source: The World Bank).
- › GDP per capita development (Source: The World Bank).
- › Total and online retail sales (Source: ONS Report).

SURVEY DATA

We use the survey data to add purchase behaviour (penetration and average spend per head) to understand the size and projection of future category spend.

- › Category online purchase penetration
- › Average category spend
- › Smartphone penetration
- › Tablet penetration

MODELING

From these inputs, we model category sales growth, changes to the online/mobile population, and growth in online/mobile spend for those populations to forecast total online and mobile spending. We assume that the current rates of adoption amongst non-users continues and as the level of adoption reaches the upper limits we reach saturation.

- Total online spend includes mobile spend. Mobile spend includes spend on both smartphones and tablets.
- Estimations/forecast based on the following meta categories: Groceries, Food, drink & Alcohol; Health & Beauty; Clothing, Footwear & Accessories; Event tickets; Travel & transportation; Household goods; Leisure, Hobbies & Outdoors; Baby/Children's Supplies; Entertainment; and Consumer Electronics.

Global Technical Note

Weighted base:	Total	Online shoppers	X-border shoppers	Weighted base:	Total	Online shoppers	X-border shoppers
UK	800	627	224	India	808	632	241
Ireland	810	594	511	China	800	652	231
Germany	801	616	189	Singapore	813	582	406
France	800	569	219	Japan	800	626	75
Italy	800	566	291	Australia	800	538	349
Spain	803	536	303	South Korea	810	620	167
Netherlands	803	535	197	US	800	564	125
Austria	800	603	513	Canada	808	493	331
Switzerland	809	598	391	Brazil	800	532	261
Sweden	808	579	286	Mexico	808	506	341
Poland	811	592	193	Argentina	800	452	201
Russia	801	584	362	South Africa	810	464	192
Turkey	812	590	207	Egypt	811	462	202
Israel	810	591	468	Nigeria	804	485	339
UAE	813	514	281				

On Behalf of PayPal, Ipsos interviewed a representative quota sample** of c.800 (23,354 in total) adults (aged 18 or over) who own and/or use an internet enabled device* in each of 29 countries (UK, Ireland, France, Germany, Austria, Switzerland, Italy, Spain, Netherlands, Sweden, Poland, Turkey, Russia, Israel, UAE, USA, Canada, Brazil, Mexico, Argentina, India, China, Japan, South Korea, Singapore, Australia, South Africa, Nigeria, Egypt). Interviews were conducted online between 17th September and 28th October 2015.

Data was weighted to known incidence of online shoppers in all countries, and to demographic profile of internet users in 4 countries (SK, SG, EG & UAE).

*Desktop computer/Laptop/ notebook computer/Tablet /Smartphone/Some other type of mobile phone/Electronic organizer / PDA with wireless voice and data features/Games console with Internet connectivity (e.g. Wii)

** Age, gender and region representative of online population (Age and gender representative in Switzerland). Quotas were not set for Nigeria, as online profile not available in this country