PayPal Cross-Border Consumer Research 2018
Hong Kong Media Briefing

29 November 2018
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 31 market survey with approximately 34,000 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 domestically & across borders
• How consumers pay for domestic and cross-border transactions
Research methodology
This study was conducted across 31 markets and approx. 34,000 consumers globally.

Fieldwork
- Global Fieldwork: Mar-May 2018
- Hong Kong fieldwork: 5th - 17th Apr 2018

Online survey
- 20 minute questionnaire

Sample, per market
- 31 markets
- Sample of c.2000 in UK, Russia, and Poland, c.1000 in other markets
- Nationally representative of online population
- Aged 18+
- Respondents recruited from online panels

Use an Internet-enabled device*

Data weighted to adjust for panel bias based on external trend data

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

Transaction & Spend:
- Past 12 Months & Next 12 Months
- Cross-Border transactions & spend

Drivers, barriers and attitudes to cross-border shopping

Cross-Border Payment

*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) / Smart TV / Smart Home Device (e.g. Alexa, Google Home)
Market sizing and growth in Hong Kong
Online & mobile commerce continue to grow

- It is forecasted that by 2020, the total online commerce in Hong Kong will reach **HKD55.4 Billion**
- Mobile commerce grows at a faster rate at **37%** year-on-year
- By 2019 it is estimated, more than **half** of Hong Kong shoppers’ online spending will come via the **mobile channel**

Total online spend includes mobile spend
Mobile includes smartphone and tablet spend
Incidence of online & cross-border shopping
75% of HK online shoppers shopped cross-border in the last 12 months

Mix of domestic and cross-border shoppers

- Domestic only shoppers
- Shop domestically and cross-border
- Only shop cross-border

Cross-border shoppers, proportion of online spend cross-border:

- <10%
- 11-50%
- 51-100%

75% of HK online shoppers shopped cross-border in the last 12 months
Close to half of online shoppers to increase online spending in the next 12 months

- 49% My online spending will increase
- 39% My online spending will stay the same
- 8% My online spending will decrease
- 4% Don’t know

Top 3 reasons for increase in online spending:
- Convenience of shopping online: 82%
- There are more platforms to buy: 56%
- Expect shipping to become faster: 31%
Clothing is popular for both local and overseas online shopping

Most frequently purchased goods - Cross-border shopping

- Clothing/apparel, footwear and accessories: 83%
- Toys and hobbies: 63%
- Baby/children’s supplies, equipment and accessories: 60%
- Cosmetics/beauty products: 58%

Most frequently purchased goods - Online shopping in general

- Travel & transportation: 66%
- Clothing/apparel, footwear and accessories: 63%
- Groceries, food, drink and alcohol: 52%
- Event tickets, e.g. cinema, concerts, sport: 49%
China is the most sought-after market for cross-border purchases

- For those who shopped from China, the top reason (67%) is Better Prices
- While Higher Product Quality is online shoppers’ main reason to buy from Japan (76%) and the U.S. (57%)

Top 10 countries for cross-border shopping (%)

- China: 48%
- Japan: 32%
- U.S.: 30%
- United Kingdom: 18%
- South Korea: 16%
- Australia: 6%
- Canada: 4%
- Singapore: 4%
- France: 3%
- Germany: 3%
Spent per head on goods from Japan is high

- Online shoppers spent an estimated value of HKD5.7 billion on goods from Japan last year
- Followed by HKD3.6 billion from China, and HKD2.1 billion from the U.S.
Drivers and barriers: value for money is a priority for shoppers

### Top 10 potential drivers for cross-border shopping (%)

<table>
<thead>
<tr>
<th>Driver</th>
<th>% of those who shop cross-border</th>
<th>% of those who do not shop cross-border</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free shipping</td>
<td>49</td>
<td>32</td>
</tr>
<tr>
<td>Cheapest total cost (incl shipping)</td>
<td>48</td>
<td>35</td>
</tr>
<tr>
<td>Secure way to pay</td>
<td>39</td>
<td>26</td>
</tr>
<tr>
<td>Lower shipping costs</td>
<td>38</td>
<td>21</td>
</tr>
<tr>
<td>Coupons/promotions/discounts</td>
<td>38</td>
<td>24</td>
</tr>
<tr>
<td>Lower transaction fees</td>
<td>37</td>
<td>25</td>
</tr>
<tr>
<td>Favorable returns policy</td>
<td>35</td>
<td>22</td>
</tr>
<tr>
<td>Can find items which are hard-to-find locally</td>
<td>35</td>
<td>19</td>
</tr>
<tr>
<td>Wider product selection</td>
<td>34</td>
<td>17</td>
</tr>
<tr>
<td>Favorable buyer protection</td>
<td>34</td>
<td>18</td>
</tr>
</tbody>
</table>

### Top 10 barriers to cross-border shopping (%)

<table>
<thead>
<tr>
<th>Barrier</th>
<th>% of those who shop cross-border</th>
<th>% of those who do not shop cross-border</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery shipping costs</td>
<td></td>
<td>32</td>
</tr>
<tr>
<td>Difficult process for returning products</td>
<td></td>
<td>35</td>
</tr>
<tr>
<td>Currency conversion rate not favorable</td>
<td></td>
<td>28</td>
</tr>
<tr>
<td>Return shipping costs</td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>May not receive sufficient help if I encounter problems</td>
<td></td>
<td>24</td>
</tr>
<tr>
<td>Payment is in foreign currency</td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>Delivery time not fast enough</td>
<td></td>
<td>19</td>
</tr>
<tr>
<td>Unsure about foreign exchange rates</td>
<td></td>
<td>17</td>
</tr>
<tr>
<td>Having to pay customs duties/fees and /or taxes</td>
<td></td>
<td>17</td>
</tr>
<tr>
<td>Unsure of the return policy for shipments</td>
<td></td>
<td>15</td>
</tr>
</tbody>
</table>

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Cross-border payments
Reasons for online shoppers to select their preferred payment method

Reasons for preference (%)

- Secure way to pay
  - Any payment method: 34%
  - Reasons for preferring PayPal: 47%

- Convenient way to pay
  - Any payment method: 27%
  - Reasons for preferring PayPal: 25%

- Habit
  - Any payment method: 19%
  - Reasons for preferring PayPal: 26%

- Well-known, trusted brand
  - Any payment method: 22%
  - Reasons for preferring PayPal: 26%

- Faster checkout
  - Any payment method: 22%
  - Reasons for preferring PayPal: 23%

- I don’t have to share my full financial details with the seller
  - Any payment method: 14%
  - Reasons for preferring PayPal: 23%

- Purchase protection (e.g. can claim a refund if item is not received or not as described)
  - Any payment method: 11%
  - Reasons for preferring PayPal: 23%
Using different currencies for cross-border transactions

46%  I would feel uncomfortable paying in a foreign currency

77%  I would prefer to have the option of paying either in local currency or my own currency

71%  I check currency conversion rates before paying in foreign currencies

Source: Ipsos PayPal Insights 2018
PayPal Checkout

• A more simplified checkout experience to shoppers - check out directly from product page or shopping bag, enhancing customers’ shopping experience

• Designed to reduce the number of clicks or taps along the path to purchase - driving conversion rates

PayPal One Touch™

• Allow users to enjoy fast and secure checkout without the need to type in their password, billing, and shipping information

• Users can stay logged in on any browser, on any device, on any operating system
PayPal Buyer Protection

- PayPal Buyer Protection provides a peace of mind to users
- If an item doesn’t arrive or is significantly not as described, PayPal will help buyers get a full refund for eligible purchases

PayPal Refunded Returns

- Covers return shipping cost of up to USD 20 per return of an eligible transaction, even if it’s just a change of mind
- Overcomes shoppers’ pain point and fear, allowing them to be more confident when shopping online