PayPal Cross-Border Consumer Research 2018

Global Summary Report

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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
This study was conducted across 31 markets and approx. 34,000 consumers globally. This research was carried out to the international quality standard for market research, ISO 20252:2012. Data weighted to adjust for panel bias based on external trend data.

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

Questionnaire:
1. Transaction & spend: Past 12 Months & Next 12 Months
2. Cross-border transactions & spend
3. Drivers, barriers and attitudes to cross-border shopping
4. Cross-border payment

Screening:
1. 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
2. In UAE no quotas were set, sample achieved through mail-out to sample nationally representative of general population, screened for internet use. In European countries sample representative of online population aged 18-74.

PayPal
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The Cross-Border Opportunity
Online and cross-border commerce size and growth estimates

US and China are the biggest markets in terms of online spend, but Japan and India are growing fast.
Incidence of online cross-border shopping

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

66% Shopping across borders
37% Shopping domestically only
6% Shopping cross-border only

Q27. Thinking about shopping online, from which of the following countries or regions’ websites have you purchased from the past 12 months? Please include your home country if applicable. Base: Online shoppers (base size in appendix)

Incidence of online cross-border shopping

Consumers in the Middle East are most likely to shop cross-border

Q27. Thinking about shopping online, from which of the following country or regions’ websites have you purchased in the past 12 months? Please include your home country if applicable. Base: Online shoppers (base size in appendix)

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

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The majority of cross-border purchases are still on a computer
APAC markets are more likely than most to make cross-border purchases on an alternative device

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

<table>
<thead>
<tr>
<th>Device Type</th>
<th>North America</th>
<th>Western Europe</th>
<th>Eastern Europe</th>
<th>Middle East</th>
<th>Latin America</th>
<th>Africa</th>
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</thead>
<tbody>
<tr>
<td>Desktop/laptop/notebook</td>
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<td>76%</td>
<td>73%</td>
<td>61%</td>
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<tr>
<td>Other device (e.g. Smart TV, games console, feature phone)</td>
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<td>14%</td>
<td>13%</td>
<td>9%</td>
<td>9%</td>
<td>5%</td>
</tr>
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</table>

©2018 PayPal Inc. Confidential and proprietary.
The majority of cross-border purchases are still made via desktop, laptop or notebook.

Shoppers from the Middle East, Africa, LATAM and APAC are most likely to use a mobile device.

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

*Results are among all consumers surveyed in each region, not weighted for population size.
China and the US are the most popular cross-border destinations for Global shoppers

Western European markets are the next most popular along with Japan

Top online destinations among all online shoppers surveyed*

(\% of online shoppers have shopped in each country in past 12 months)

- **USA** 21\%
- **UK/GB** 14\%
- **China** 26\%
- **Germany** 10\%
- **Japan** 5\%

*Results are among all consumers surveyed, not weighted for population size.
Clothing and apparel is the most popular category for cross-border purchases followed by Consumer Electronics and Toys

Top cross-border categories among all online shoppers surveyed* (% of x-border shoppers shopping x-border in each category)

- Clothing/apparel, footwear and accessories: 68%
- Consumer electronics, computers/tablets/mobiles & peripherals: 53%
- Toys and hobbies: 53%
- Jewellery/watches: 51%
- Cosmetics/beauty products: 46%
- Collectibles, memorabilia and art: 42%
- Sports and outdoors equipment: 40%

*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 (size shown in appendix)
Developed markets such as the US, UK and China exhibit a stronger preference for Global stores or those in their own language.

I would not feel comfortable making purchases from a foreign website that is not in my own language.

I prefer large ‘global’ stores (e.g. Amazon or eBay) when purchasing from another country.

It is not important to me if the online retailer is based overseas or not.

I trust online stores from other countries as much as stores from the country I live in.

Q34b/Q47. To what extent do you agree or disagree with each of the following statements?
Base: Online shoppers (size shown in appendix)
Attitudes to cross-border shopping vary dramatically across regions with North Americans most likely to be loyal to global or home websites and more sceptical of those from other countries.

I would not feel comfortable making purchases from a foreign website that is not in my own language

I prefer large ‘global’ stores (e.g. Amazon or eBay) when purchasing from another country

It is not important to me if the online retailer is based overseas or not

I trust online stores from other countries as much as stores from the country I live in

% Agree

North America 70% 65% 50% 45% 40% 35% 30% 25% 20% 15% 10%

Western Europe 65% 60% 55% 50% 45% 40% 35% 30% 25% 20% 15%

Eastern Europe 60% 55% 50% 45% 40% 35% 30% 25% 20% 15% 10%

Middle East 60% 55% 50% 45% 40% 35% 30% 25% 20% 15% 10%

Latin America 65% 60% 55% 50% 45% 40% 35% 30% 25% 20% 15%

Africa 70% 65% 60% 55% 50% 45% 40% 35% 30% 25% 20%

Asia Pacific 65% 60% 55% 50% 45% 40% 35% 30% 25% 20% 15%
Cost is the main driver of cross-border shopping with availability also featuring for almost half

Top reasons for shopping from other countries, among all cross-border shoppers surveyed* (% selecting each statement)

<table>
<thead>
<tr>
<th>#1</th>
<th>Better Prices (72%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>#2</td>
<td>Access to items not available in my country (49%)</td>
</tr>
<tr>
<td>#3</td>
<td>I can discover new and interesting products (34%)</td>
</tr>
<tr>
<td>#4</td>
<td>Higher product quality (29%)</td>
</tr>
<tr>
<td>#5</td>
<td>Shipping is more affordable (24%)</td>
</tr>
</tbody>
</table>

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

Q34c. You say you have made purchases online from the “country”/“countries” shown at the top of the “column”/“columns” on the right. Please select your main reasons for shopping on websites from this/these “country”/“countries” rather than the country where you live. Base: Cross-border shoppers spending in each country.
Savings, shipping and security continue to drive international sales amongst cross-border shoppers

Top potential drivers for cross-border purchasing, among all cross-border shoppers surveyed* (% selecting each statement)

#1 Cheapest total cost (including shipping) (44%)

#2 Free shipping (44%)

#3 Secure way to pay (38%)

#4 Can find items that are hard to find locally (38%)

#5 Costs shown / payment possible in your local currency (34%)

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

*Results are among all consumers surveyed, not weighted for population size
Cost and concerns around speed and quality of delivery are the most cited deterrents for shoppers

Top barriers to shopping cross-border, among all cross-border shoppers surveyed* (% selecting each statement)

| #1 | Delivery shipping costs (25%) |
| #2 | Delivery time not fast enough (24%) |
| #3 | Concern that I may not receive the item (24%) |
| #4 | Having to pay customs duties/ fees and/or taxes (24%) |
| #5 | Difficult process for returning products (22%) |

Q36. Which, if any, of the following reasons prevent you from making purchases from websites in another country (more often)?
Base: Online shoppers in each country.

*Results are among all consumers surveyed, not weighted for population size.
Three in four would prefer to have an option to pay in local currency while six in 10 check conversion rates before paying suggesting currency is as much of a barrier as the foreign language.

Attitudes to currency conversion among all online shoppers surveyed* (% of online shoppers who agree with each statement)

- I would prefer to have the option of paying either in local currency or my own currency: 76%
- I check currency conversion rates before paying in foreign currencies: 62%
- I would not feel comfortable buying from a foreign website that is not in my own language: 57%
- I have paid in a foreign currency in the past: 47%
- I would not feel comfortable paying in a foreign currency: 47%
- My bank charges me for paying in foreign currencies: 47%
- I have bought on websites not in my own language in the past: 43%
- Fees charged by PayPal are generally lower than other payment methods: 35%
- PayPal charges me for paying in foreign currencies: 27%

*Results are among all consumers surveyed, not weighted for population size.
Security and convenience are key factors in determining preferred payment method for cross-border shopping

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

Secure way to pay: 44%
Convenient way to pay: 36%
Accepted by most retailers: 30%
Payment is processed quickly: 29%
Well-known, trusted brand: 27%
Purchase protection (e.g. can claim a refund if item is not received or not as described): 24%
Faster checkout: 24%
I don’t have to share my personal or financial details with the seller: 23%
I can see what price I will be paying in my own currency: 18%
Habit: 18%

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

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Security and trusted payment are more common drivers for those purchasing cross border in Africa whilst in Europe shoppers are less likely to mention security concerns

Barriers to shopping or shopping more often (% online shoppers selecting each as a barrier)

- Concern about security of my financial or personal details
- Concern about identify theft/fraud

Drivers for shopping online (% online shoppers selecting each as making them more likely to shop)

- Secure way to Pay
- Visible, trusted payment logo

Reasons for Payment method preference (% domestic shoppers/cross-border shoppers with a preferred payment method selecting each as a reason for their domestic/cross-border payment preference)

- Secure way to Pay
- I don’t have to share my personal or financial details with the seller

Drivers for Domestic Shopping

- Secure way to Pay
- Visible, trusted payment logo

Drivers for Cross-border Shopping

- Secure way to Pay
- Visible, trusted payment logo

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

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Likelihood to continue without PayPal varies considerably by market with Germany, Netherlands and Australia having a particularly strong affinity to the brand.

Q44E. Please now imagine that you are about to make a purchase from a website in another country, and PayPal is not an accepted payment method. How likely would you be to continue with the payment if PayPal was not available as a method of payment?

<table>
<thead>
<tr>
<th>Country</th>
<th>Very likely</th>
<th>Quite likely</th>
<th>Not very likely</th>
<th>Not at all likely</th>
</tr>
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<td>35%</td>
<td>31%</td>
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</tbody>
</table>

Reimbursement of payment and availability of PayPal are considered the most attractive incentives for using PayPal cross-border

Incentives for Choosing PayPal (%)

- PayPal being offered as a payment option on websites where I shop: 33%
- Ability to get money back if an item does not arrive or is not as described: 33%
- Ability to make a payment without putting in my card details: 30%
- Ability to claim a refund on postage from PayPal if I have to return the purchase: 21%
- PayPal always displays any additional fees (e.g. tax, customs fees/duties) for international purchases before checkout: 21%
- Lower fees for paying in a different currency: 20%
- Better currency conversion rate compared to other payment methods: 17%
- PayPal One Touch for faster checkout, where you can skip entering your login and billing information: 15%
- Ability to earn my normal loyalty points/cash back from my credit card: 13%

Source: Ipsos PayPal Insights 2018

Q46. Thinking about PayPal as a method of payment for online purchases, which of the following, if any, would be most likely to make you choose to use PayPal instead of other payment methods for making purchases from websites in other countries? Base All online shoppers (25,228)
Reimbursement of payment and availability of PayPal feature consistently as the most attractive incentives, closely followed by convenience of payment

- Being able to claim a refund on postage from PayPal if I have to return the purchase
- PayPal being offered as a payment option on websites where I shop
- Being able to make a payment without putting in my card details
- Being able to get money back if an item does not arrive or is not as described
- PayPal always displays any additional fees (e.g. tax, customs fees/duties) for international purchases before checkout

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Appendix

About the PayPal Insights survey and forecasting
Global technical note

This technical note (or a reference to it) should be included with all press releases

<table>
<thead>
<tr>
<th>Weighted base:</th>
<th>Total</th>
<th>Online shoppers</th>
<th>X-border shoppers</th>
<th>Weighted base:</th>
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On Behalf of PayPal, Ipsos interviewed a representative quota sample\(^1\) of c.1000-2000 (34,052 in total) adults (aged 18 or over\(^2\)) who use an internet enabled device\(^3\) in each of 31 countries (USA, Canada, UK, Ireland, France, Germany, Italy, Spain, Netherlands, Sweden, Belgium, Norway, Austria, Russia, Hungary, Poland, Czech Republic, Greece, Israel, UAE, Brazil, Mexico, Argentina, South Africa, India, China, Japan, Singapore, Hong Kong, Australia, Philippines). Interviews were conducted online between 13\(^{th}\) March and 1\(^{st}\) May 2018.

Data was weighted in all countries to adjust for panel bias based on external trend data on incidence of online shoppers in each country.

\(^1\) In most countries quotas were applied on age crossed with gender and region representative of online population. No region quota was applied in SA, Singapore & RU. In UAE no quotas were set but the survey was mailed out to a nationally representative of offline sample who were screened for internet usage.

\(^2\) Aged 18-74 in all European countries

\(^3\) 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)
Market sizing estimate and forecast: methodology
Estimating and forecasting online and mobile sales

**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

**Forecast Modelling**
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.