



Cross Border Transactions 2016 Merchant & Consumer Comparison

USA Report

Ipsos MORI Contacts: Peter Attwell, Ellie Pettit, Laura Acey

PayPal Contact: Melissa O'Malley



Background & Objectives

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

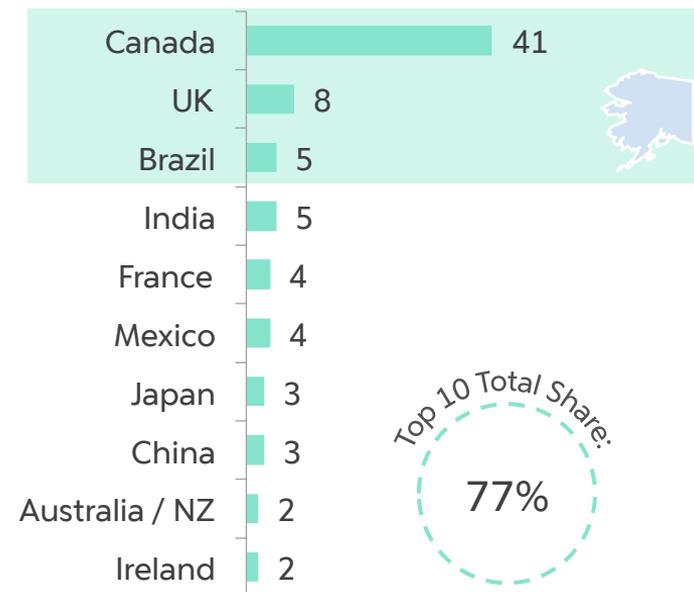
Understanding that we are going through a commerce revolution, PayPal in partnership with Ipsos, conducted a global 29 market survey with approximately 23,000 consumers to examine how people shop online and across borders.

In addition PayPal commissioned Ipsos to conduct a six market survey with a total of 1,200 merchants to understand their cross-border business and strategy.

This report is designed to showcase gaps in merchants' cross-border strategies, compared to consumer demand/attitudes. Data from the Merchants' survey is compared to data from the consumer surveys in the top 3 export markets for US*

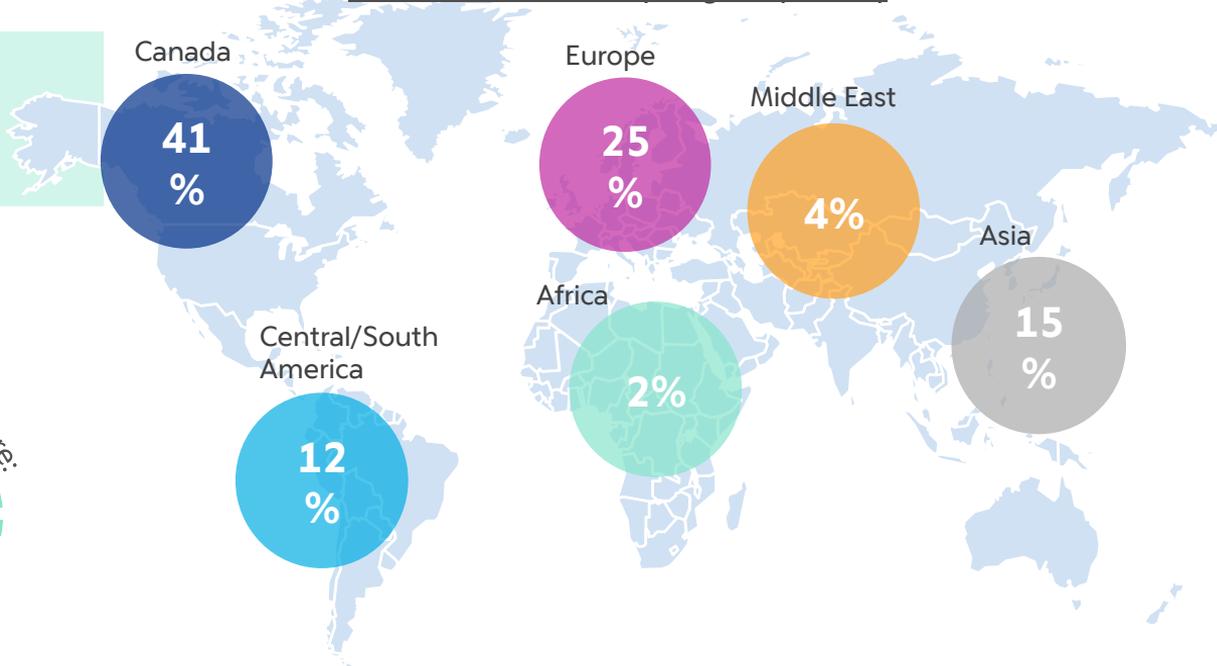
Canada, UK, and Brazil are USA merchants' top cross-border corridors in terms of revenue - with Canada alone contributing 41% of total cross-border sales value. Therefore, this report focuses on these three markets.

Top Countries: Share of CBT Sales (%)



Top 10 Total Share:
77%

Share of CBT Sales by Region (NET %)



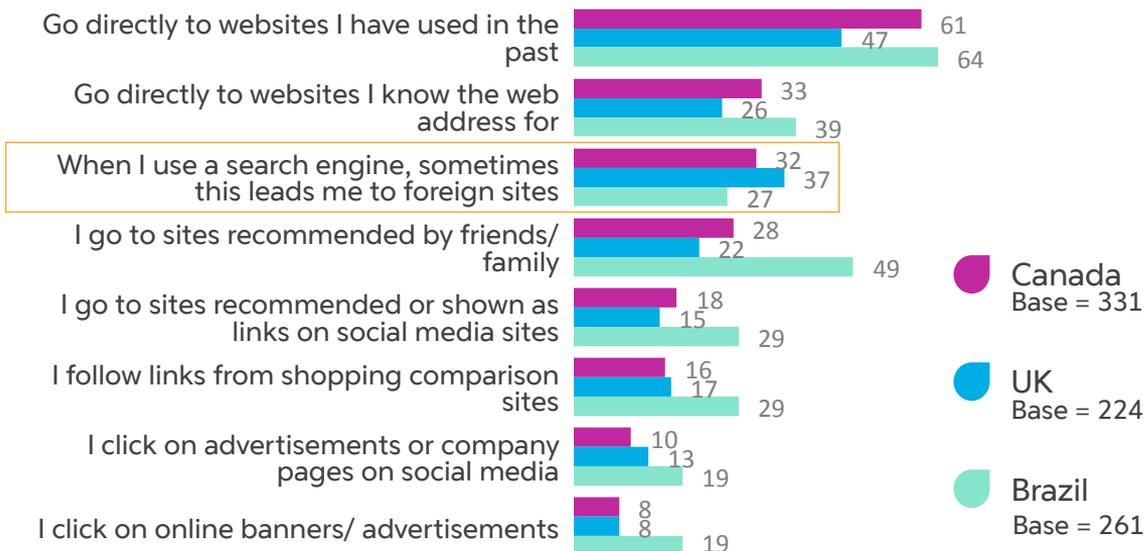
MERCHANTS: Q3b. Thinking specifically about your online sales from foreign countries [\$ xxx thousand / million] what percentage of this comes from each of the following markets?
Base: Online merchants who sell cross-border (n=74)

Using search engines is one of the top ways consumers access foreign websites they have not visited before. But less than 2 in 5 cross-border merchants use search engine optimisation, and only 14% use search engine marketing.

How US merchants drive cross border traffic
(% doing each)



How consumers access cross-border stores
(% doing each)



MERCHANTS: Q8b How do you drive traffic from foreign online shoppers to your website? Base: Online merchants who sell cross-border (n=74)
 CONSUMERS: Q35. Which of the following best describe how you access online stores in other countries Base: Cross-border shoppers

A global marketplace presence is reassuring for online cross-border shoppers, who spend just as much on third party sites as they do on merchants' own websites.

However, only 53% of online merchants use a third party marketplace.

Only **53%**

of US cross-border merchants use **online marketplaces** / third party sites to sell internationally

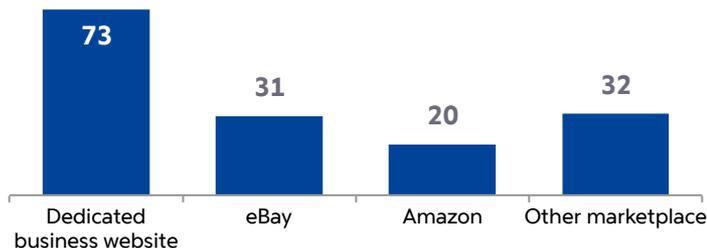


But around **two-thirds of online shoppers** in top cross-border markets **prefer global stores** when buying internationally:

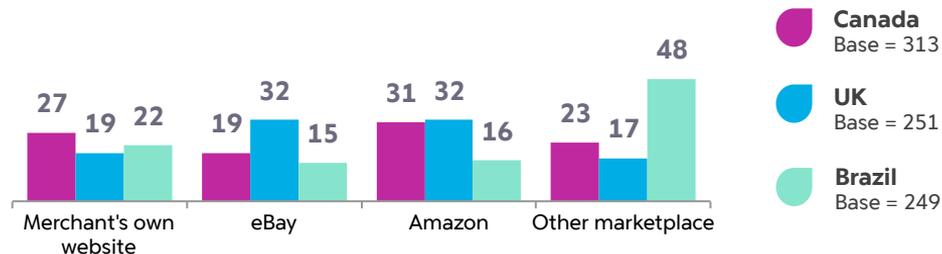


...agree they prefer large stores such as Amazon when shopping cross-border

Cross-Border Sales Channels Merchants Use (%)



Cross-Border Retailer Share of Consumer Wallet (%)



MERCHANTS: Q1a. Through which of the following channels does your business accept online payments? / Q2d. Which of the below [third party sites / online marketplaces] do you use [to accept online payments]? Base: Cross-border sellers (n=74)

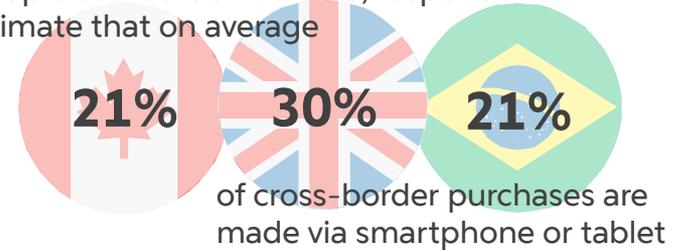
CONSUMERS: Q30. Of the money you spend on websites from another country, what proportion do you spend on each of the following sites? Base: Cross-border shoppers, excluding 'don't know' Q34b. To what extent do you agree or disagree with each of the following statements? Base: Online shoppers (Canada: n=493 / UK: n=627 / Brazil n=532)

Mobile commerce already accounts for a significant proportion of cross-border shopping, and with mobile commerce growing faster than overall e-commerce, it will become more important that merchants offer optimization for their mobile customers

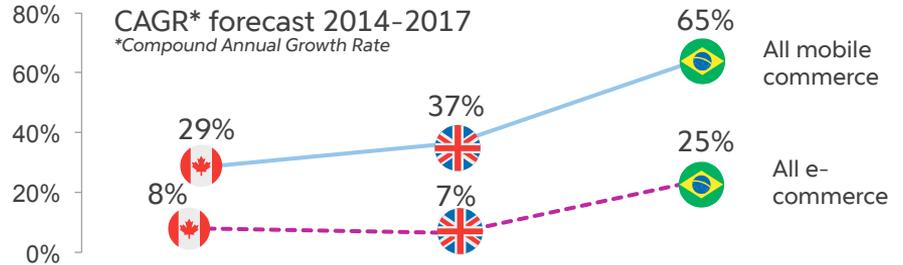
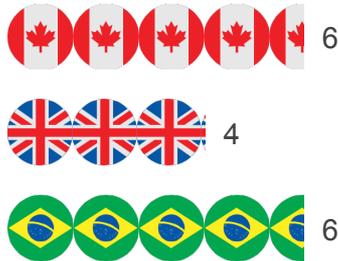
17% of US Merchants with their own website don't offer any kind of mobile optimization

Only **54%** have a specific mobile version of their website

In top cross-border markets, respondents estimate that on average



% of x-border cart abandoners who say lack of device optimisation was a reason for abandoning



MERCHANTS: Q1b. Is your business website optimised for Internet browsers / apps on mobile devices? Base: Merchants who sell through a business website (n=140)

CONSUMERS: Q33. Thinking only about the purchases you make on websites in other countries, what proportion of your purchases in the last 12 months do you think were made using each device? Base = Cross border shopper (Canada n=331, UK n= 224, Brazil n=261) / Q38 Which of the following have been reasons for you to abandon an online purchase from a website in another country? Base: online shoppers who have abandoned a cross-border purchase (Canada n=280, UK n= 216, Brazil n=320)

While the UK & Canada are primarily English-speaking markets, 21% of Canadians speak French*, which is only offered on 9% merchants' sites. None of the surveyed merchants offer Portuguese (official language of Brazil)



Only **19%** of USA online merchants offer language(s) other than English on their business website

Foreign Languages on US Merchants' Sites:



Spanish:
15%



French:
9%



German:
4%



Italian:
4%



Polish:
1%



Russian:
1%

But only:



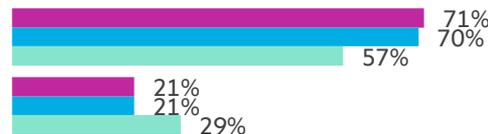
Of online shoppers have ever bought from a foreign website not in their language

And:



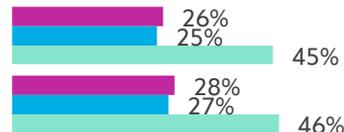
Of shoppers who have abandoned a potential CBT purchase did so because the checkout was not in their language

Do not feel comfortable buying from cross-border site not in their local language
Website not being in their local language has/would prevent a purchase



Consumers' Language-Related Barriers and Drivers to Shopping Cross-Border

Website being available in local language would encourage cross-border purchases
Customer support in local language would encourage cross-border purchases



Canada
UK
Brazil

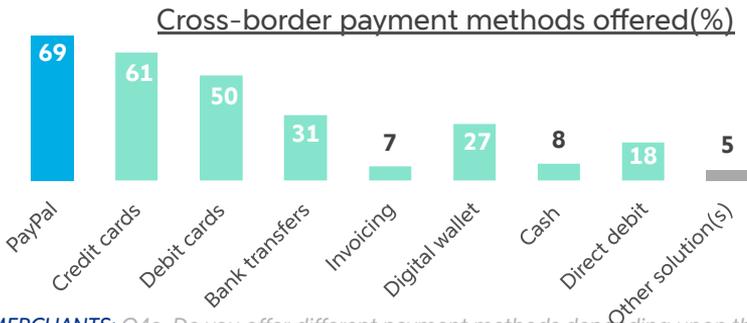
MERCHANTS: Q2b. Which languages is your online shop available in? Base: Merchants who sell through a business website (n=140)

CONSUMERS: Q36. Which, if any, of the following reasons prevent you from making purchases from websites in another country (more often)? / Q39. Which, if any, of the following would make you more likely to buy from a website in another country? / Q47. Please state whether you agree or disagree with each of the following statements about shopping online in other countries: Base: online shoppers (Canada n=493, UK n= 627, Brazil n=532) / Q38 Which of the following have been reasons for you to abandon an online purchase from a website in another country? Base: online shoppers who have abandoned a cross-border purchase (Canada n=280, UK n= 216, Brazil n=320)

Offering the right payment methods is important for consumers, and different payment methods are preferred by shoppers from different countries. Merchants could increase accessibility by tailoring methods they offer to different markets.

35%

of merchants who **sell cross-border** offer shoppers different payment methods in different markets



MERCHANTS: Q4a. Do you offer different payment methods depending upon the market of your foreign online shoppers? / Q4b. Please indicate which of the following online payment options your business offers to its shoppers, whether they are domestic or from a foreign country (thinking generally if you sell to multiple foreign markets) Base: Online merchants who sell cross-borders (n=74)

CONSUMERS: Q39. Which, if any, of the following would make you more likely to buy from a website in another country? Base = online shoppers (Canada n=493, UK n= 627, Brazil n=532)
 Q44b Which is your preferred payment method for online transactions /purchases from websites in another country? Base: cross-border shoppers (Canada n=331, UK n= 224, Brazil n=261)

Preferred cross-border payment method(%)

Country	Method	Percentage (%)
Canada	PayPal	51
	Visa Credit	21
	MasterCard Credit	15
	Debit Card	2
UK	PayPal	63
	Visa Debit	9
	MasterCard Credit	6
	Visa Credit	5
Brazil	PayPal	33
	Boleto	21
	Visa	14
	MasterCard	14
	American Express	2
	American Express	4
	PagSeguro	6

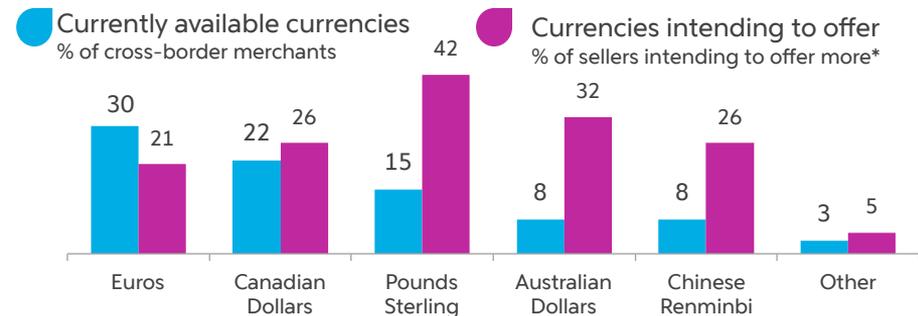
Divers for encouraging Cross-border shopping (%)



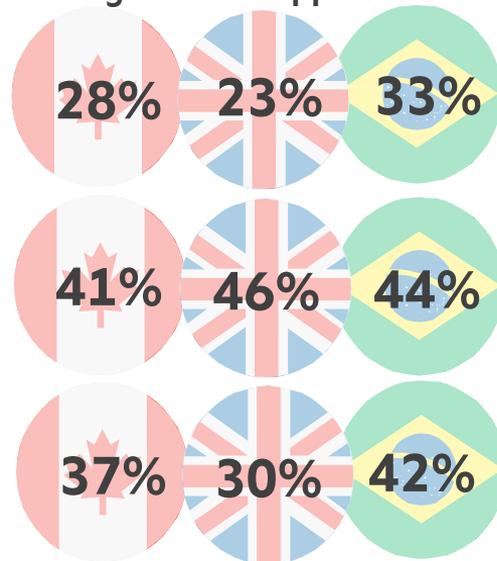
Being able to shop in their own currency is important to consumers, but less than half of merchants offer currencies other than their domestic one.

42% of cross border sellers list their products / services in a foreign currency

26% say they will offer more currency choices for online shoppers in the future



Among online shoppers...



...Say that payment being in a foreign currency prevents them from making cross-border purchases/making them more often

...agree that they would not feel comfortable making purchases online in a foreign currency

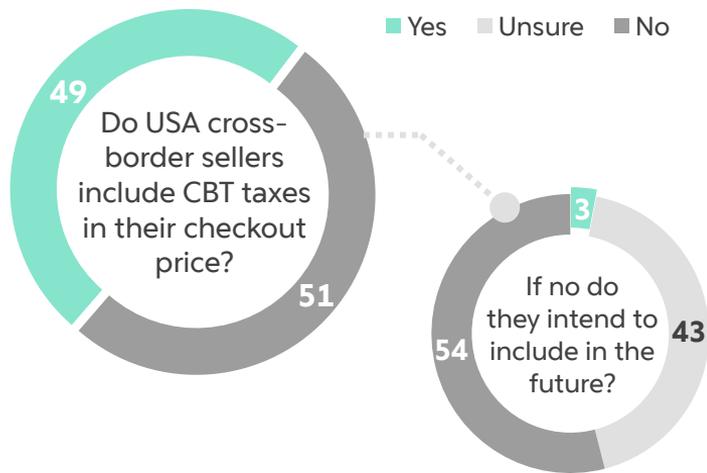
...Say that costs shown/payment possible in own currency would make them more likely to shop cross-border

MERCHANTS: Q11a. In which currencies do you list your products/services online? 12b. Do you intend to offer more currency choices for online foreign shoppers in the future? Base: Online cross-border sellers (n=74) Q12c. Which currencies do you intend to use in the future? Base: Online cross-border sellers who intend to offer more currency choices for shoppers

CONSUMERS: Q36. Which, if any, of the following reasons prevent you from making purchases from websites in another country (more often)? / Q39. Which, if any, of the following would make you more likely to buy from a website in another country? / Q47. Please state whether you agree or disagree with each of the following statements about shopping online in other countries: Base: online shoppers (Canada n=493, UK n= 627, Brazil n=532)

Just over half of US merchants do not include CBT taxes in their checkout price & very few of this group intend to. But in the top 3 CBT markets between a quarter & a third of cross-border cart abandoners cite unclear fees/taxes as a reason

US merchants' cross-border tax strategy (%)



But:



Of shoppers who have abandoned a potential CBT purchase did so because it was **unclear how much duty, tax or customs fees they would have to pay**

Having to pay customs duties/fees and/or taxes

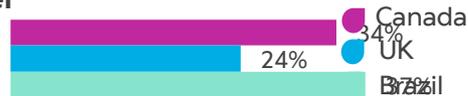


Not clear how much duties/customs fees/taxes I will have to pay



Consumers' Tax-Related Barriers and Drivers to Shopping Cross-Border

Any additional customs fees/taxes/duties for international shipping are shown before checkout



MERCHANTS: Q5e. For items that your business sells online to shoppers in foreign countries, do you include the import duties and taxes (customs collection costs) for your consumers?

Base: Online merchants who sell cross-borders, excluding 'don't know' (n=72) / Q5f. Do you intend to include import duties/taxes costs for your customers at checkout in the future?

Base: Online merchants don't currently include tax at checkout (n=37)

CONSUMERS: Q36. Which, if any, of the following reasons prevent you from making purchases from websites in another country (more often)? / Q39. Which, if any, of the following would make you more likely to buy from a website in another country? Base: online shoppers (Canada n=493, UK n= 627, Brazil n=532) / Q38 Which of the following have been reasons for you to abandon an online purchase from a website in another country? Base: online shoppers who have abandoned a cross-border purchase (Canada n=280, UK n= 216, Brazil n=320)

Merchants realise that shipping and lack of clarity lead to cart abandonment. However, fewer realise that consumers may be put off by concerns about website security.

Consumers Top 5 reasons for cross-border cart abandonment (%)

The following are the top 5 reasons for cross-border cart abandonment as perceived by cross-border merchants:

Shipping costs	26%
Tax / duty amount unclear	24%
Delivery time	23%
Paying in foreign currency	19%
Poor currency conversion rate	18%

Website security concerns only selected by 12% of cross-border merchants



Shipping / postage charges were too high	61
Unclear how much duty/tax/custom fees I would have to pay	32
Currency conversion rate was poor	25
Didn't want to register for an account	22
Wanted to look for a better price	21



Shipping / postage charges were too high	46
Unclear how much duty/tax/custom fees I would have to pay	27
Concerns about website security	26
Delivery time was too long	25
Didn't want to register for an account	20



Shipping / postage charges were too high	37
Delivery time was too long	34
Unclear how much duty/tax/custom fees I would have to pay	29
Concerns about website security	29
Currency conversion rate was poor	26

MERCHANTS: Q10. What do you think are the main reasons that online cross-border shoppers abandon merchants' websites without completing a purchase? Base: Online merchants currently selling cross-borders (n=74) **CONSUMERS:** Q38. Which of the following have been reasons for you to abandon an online purchase from a website in another country? Base: Online shoppers who have abandoned an online cross-border purchase Canada n=280, UK n= 216, Brazil n=320

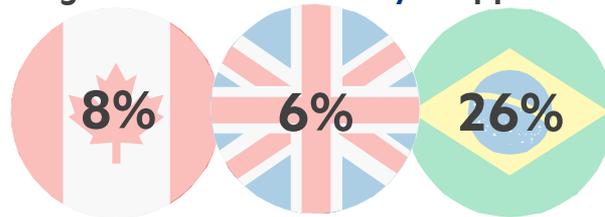
A third of US domestic-only merchants aim to begin selling cross-border & 18% of CBT sellers expect growth. Merchants focus on UK & Canada, but Brazilian consumers are the most likely to say they are going to shop more next year.

33%

of merchants who currently **only sell domestically** intend to start selling cross-border in the next year



Among online domestic-only shoppers...



...Intend to begin shopping cross-border in the next 12 months

18%

of **current cross border sellers** expect they will have a higher proportion of CBT sales in the next year



Among online cross-border shoppers...



...Expect their overall cross-border spending will increase over the next year

MERCHANTS: Q6a. How do you think the proportion of online cross-border shoppers will change for your business in the next 12 months vs. the past 12 months? Base: Online merchants who sell cross-borders, excluding 'don't know' (n=60). / Q6b. Do you intend to start accepting payments from cross-border shoppers within the next 12 months? Base: Online domestic-only sellers, excluding don't know (n=110) / Q6c. In the next 12 months, do you plan to start selling in any new markets, expand your sales in any of your existing markets, or stop selling in any markets where you currently sell? Bases as per Q6a (cross-border) and Q6b (domestic)

CONSUMERS: Q31. How do you think your overall spending on websites in other countries will change in the next 12 months as compared to the last 12 months, regardless of category or country? Base = Cross border shopper (Canada n=331, UK n= 224, Brazil n=261) / Q32. In the next 12 months, how do you think your online shopping habits will change, if at all, in terms of how often you purchase from online stores in your country or from another country? Base: Online domestic-only shoppers, excluding 'don't know' (Canada n=122, UK n=303, Brazil n=168)