Leveraging Cross-Border Trade Insights to Increase Sales
Cross Border Insights Research 2016

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 32 market survey with approximately 28,000 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 32 markets and approx. 28,000 consumers globally.

Fieldwork
Online survey
20 minute questionnaire
This research was carried out to the international quality standard for market research, ISO 20252:2012

Sample, per market
32 markets
Sample of c.2000 in Russia and Poland, c.800 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

1. Desktop computer/Laptop/Notebook computer/Tablet/Smart phone/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 Egypt, Nigeria & 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.
The Cross-Border Opportunity
Online and cross-border commerce size and growth estimates
US and China are biggest markets in terms of online spend, but India is growing fast

For details on forecasting please see appendix

NB: Due to low incidences, no cross-border estimate has been made for Japan

Portugal, Peru and Ireland are the countries where cross-border online shopping is most prevalent.

Japan and Poland have the lowest incidence of cross-border online shoppers.

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

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: Online shoppers (base size in appendix)
Latin America and the Middle East have the highest incidence of cross-border online shoppers

Cross-border shopping is least common in Asia

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

*Results are among all consumers surveyed in each region, not weighted for population size. Russia and Poland down-weighted to equivalent sample size

North America: 54% domestic, 42% cross-border, 4% domestic and cross-border

Western Europe: 50% domestic, 41% cross-border, 9% domestic and cross-border

Eastern Europe: 50% domestic, 40% cross-border, 10% domestic and cross-border

Middle East: 41% domestic, 46% cross-border, 13% domestic and cross-border

Latin America: 43% domestic, 42% cross-border, 15% domestic and cross-border

Africa: 49% domestic, 45% cross-border, 6% domestic and cross-border

Asia Pacific: 74% domestic, 22% cross-border, 4% domestic and cross-border

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: Online shoppers (base size in appendix)

Source: Ipsos PayPal Insights 2016
The majority of cross-border purchases are still made on a computer

However in some markets, such as China, UAE and Thailand nearly half of purchases are made on an alternate device, the majority of which are on a smartphone

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

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 shoppers (size shown in appendix)
European shoppers lag behind on adoption of mobile for cross-border purchases, with shoppers in Asia Pacific using mobile the most

Average proportion of cross-border purchases in past 12 months made on each device

- Desktop/laptop/notebook
- Smartphone
- Tablet
- Other device (e.g. Smart TV, games console, feature phone)

*Results are among all consumers surveyed in each region, not weighted for population size. Russia and Poland down-weighted to equivalent sample size.
China is the most popular cross-border online shopping destination for global online shoppers, followed by USA and UK.

Top online destinations among all online shoppers surveyed* (% of online shoppers have shopped in each country in past 12 months)

- USA: 17%
- China: 21%
- UK/GB: 13%
- Germany: 7%
- Japan: 4%

*Results are among all consumers surveyed in each region, not weighted for population size. Russia and Poland down-weighted to equivalent sample size.

Source: Ipsos PayPal Insights 2016

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: Online shoppers (base size in appendix)
Clothing and apparel is the most popular category for cross-border purchases globally followed by consumer electronics.

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing/apparel, footwear and accessories</td>
<td>46%</td>
</tr>
<tr>
<td>Consumer electronics, computers/tablets/mobiles &amp; peripherals</td>
<td>29%</td>
</tr>
<tr>
<td>Travel and transportation</td>
<td>25%</td>
</tr>
<tr>
<td>Digital entertainment/education (e.g. e-books, digital music)</td>
<td>24%</td>
</tr>
<tr>
<td>Toys and hobbies</td>
<td>23%</td>
</tr>
<tr>
<td>Entertainment/education (physical items)</td>
<td>20%</td>
</tr>
<tr>
<td>Cosmetics/beauty products</td>
<td>20%</td>
</tr>
</tbody>
</table>

*Results are among all consumers surveyed, not weighted for population size. Russia and Poland down-weighted to equivalent sample size.*
More open attitudes to cross-border shopping are seen in smaller Western European & Eastern European countries while major western countries and some Asian countries show more negative attitudes and prefer ‘global’ stores

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 abroad or not

I trust online stores from other countries as much as stores from the country I live in
Despite consumers in the Middle East being most comfortable with cross-border purchases, they still prefer large global stores.

- 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.

Q. To what extent do you agree or disagree with each of the following statements? Base: Online shoppers (size shown in appendix)

*Results are among all consumers surveyed in each region, not weighted for population size. Russia and Poland down-weighted to equivalent sample size.
Consumers shop cross-border to find better prices, and to access products they wouldn’t find in their own country

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

| #1 | Better Prices (76%) |
| #2 | Access to items not available in my country (65%) |
| #3 | I can discover new and interesting products (59%) |
| #4 | Websites in this country have more variety/availability of different products and styles (52%) |
| #5 | Shipping is more affordable (50%) |

*Results are among all consumers surveyed, not weighted for population size. Russia and Poland down-weighted to equivalent sample size.

Source: Ipsos PayPal Insights 2016

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.
Free shipping and payment security are the top factors that could drive more cross-border shopping

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

<table>
<thead>
<tr>
<th>#</th>
<th>Statement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>Free shipping</td>
<td>46%</td>
</tr>
<tr>
<td>#2</td>
<td>Secure way to pay</td>
<td>44%</td>
</tr>
<tr>
<td>#3</td>
<td>Items that are hard to find locally</td>
<td>40%</td>
</tr>
<tr>
<td>#4</td>
<td>Costs shown in local currency</td>
<td>37%</td>
</tr>
<tr>
<td>#5</td>
<td>Lower overall cost</td>
<td>35%</td>
</tr>
</tbody>
</table>

Source: Ipsos PayPal Insights 2016

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. Russia and Poland down-weighted to equivalent sample size.*
Shipping costs & other fees, plus concerns about getting what they have paid for are the main factors deterring consumers from shopping cross-border.

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

1. Delivery shipping costs (35%)
2. Concern that item may not be received (33%)
3. Customs/duties/fees/taxes (30%)
4. Delivery time not fast enough (29%)
5. Concern the item would not be as described (29%)

Source: Ipsos PayPal Insights 2016

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. Russia and Poland down-weighted to equivalent sample size.
When shopping cross-border, most online shoppers would prefer to have a choice of whether to pay in local currency or in their own currency.

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: 72%
- I check currency conversion rates before making purchases in foreign currencies: 61%
- I would not feel comfortable making purchases online in a foreign currency: 45%
- My bank charges me for making payments in foreign currencies: 45%
- I have in the past made purchases online paid in a foreign currency: 42%
- The fees charged by PayPal for cross-border transactions are generally lower than other payment methods: 32%
- PayPal charges me for making payments in foreign currencies: 27%

*Results are among all consumers surveyed, not weighted for population size. Russia and Poland down-weighted to equivalent sample size.
The factors having the most influence on consumers’ choice of payment method for shopping cross-border are security & convenience.

Top 10 reasons for payment method preference among all cross-border shoppers surveyed*

(% of all cross-border shoppers who gave a preference selecting each statement)

- Secure way to pay: 53%
- Convenient way to pay: 44%
- Accepted by most retailers: 41%
- Payment is processed quickly: 37%
- Well-known, trusted brand: 34%
- Don't have to share my personal or financial details with the seller: 31%
- Purchase protection: 30%
- Faster checkout: 30%
- I can see what price I will be paying in my own currency: 25%
- Habit: 20%

*Results are among all consumers surveyed, not weighted for population size. Russia and Poland down-weighted to equivalent sample size.
Shoppers in Africa are most likely to see data security as a barrier to shopping online in their own country. Eastern European consumers show the least concerns about payment security.

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 identity 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 who prefer 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

**Reasons for domestic payment preference**

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

**Reasons for cross-border payment preference**

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

*Results are among all consumers surveyed, not weighted for population size. Russia and Poland down-weighted to equivalent sample size.

Source: Ipsos PayPal Insights 2016
Appendix

About the PayPal Insights survey and forecasting
This technical note (or a reference to it) should be included with all press releases.

On Behalf of PayPal, Ipsos interviewed a representative quota sample\(^1\) of c.800-2000 (28012 in total) adults (aged 18 or over\(^2\)) who use an internet enabled device\(^3\) in each of 32 countries (UK, Ireland, France, Germany, Italy, Spain, Netherlands, Sweden, Belgium, Portugal, Russia, Hungary, Poland, Czech Republic, Greece, Israel, UAE, Egypt, South Africa, Nigeria, Brazil, Mexico, Argentina, Peru, Chile, USA, Canada, India, China, Japan, Thailand & Singapore). Interviews were conducted online between 30\(^{th}\) August and 5\(^{th}\) October 2016.

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

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<table>
<thead>
<tr>
<th>Region</th>
<th>Total</th>
<th>Online shoppers</th>
<th>X-border shoppers</th>
<th>Region</th>
<th>Total</th>
<th>Online shoppers</th>
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</tbody>
</table>

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1 In most countries quotas were applied on age crossed with gender and region representative of online population. No region quota was applied in ZA, Singapore, RU & PE. In Egypt, UAE & Nigeria, 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 for the period 2015 to 2018

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.