PayPal Cross-Border Consumer Research 2018

Global Summary Report

Leveraging cross-border trade insights to increase sales

Cross Border Insights Research 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

- Online survey
- Global Fieldwork: Mar-May 2018
- 20 minute questionnaire
- This research was carried out to the international quality standard for market research, ISO 20252:2012

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+[2]
- Respondents recruited from online panels
- Use an Internet-enabled device[1]
- 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

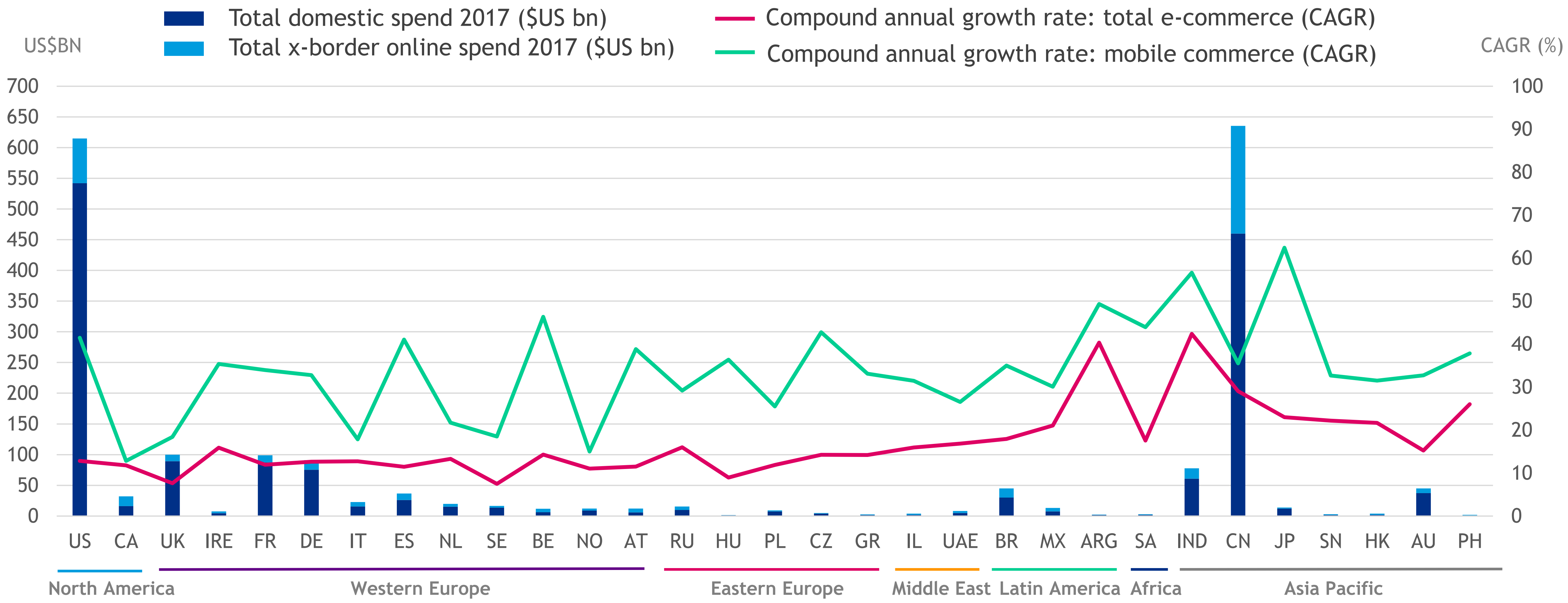
1.Desktop computer/Laptop/ notebook computer/Tablet /Smartphone/Some other type of mobile phone/Electronic organizer / PDA with wireless voice and data features/Games console with Internet connectivity (e.g. Wii) /Smart TV

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.

The Cross-Border Opportunity

Online and cross-border commerce size and growth estimates

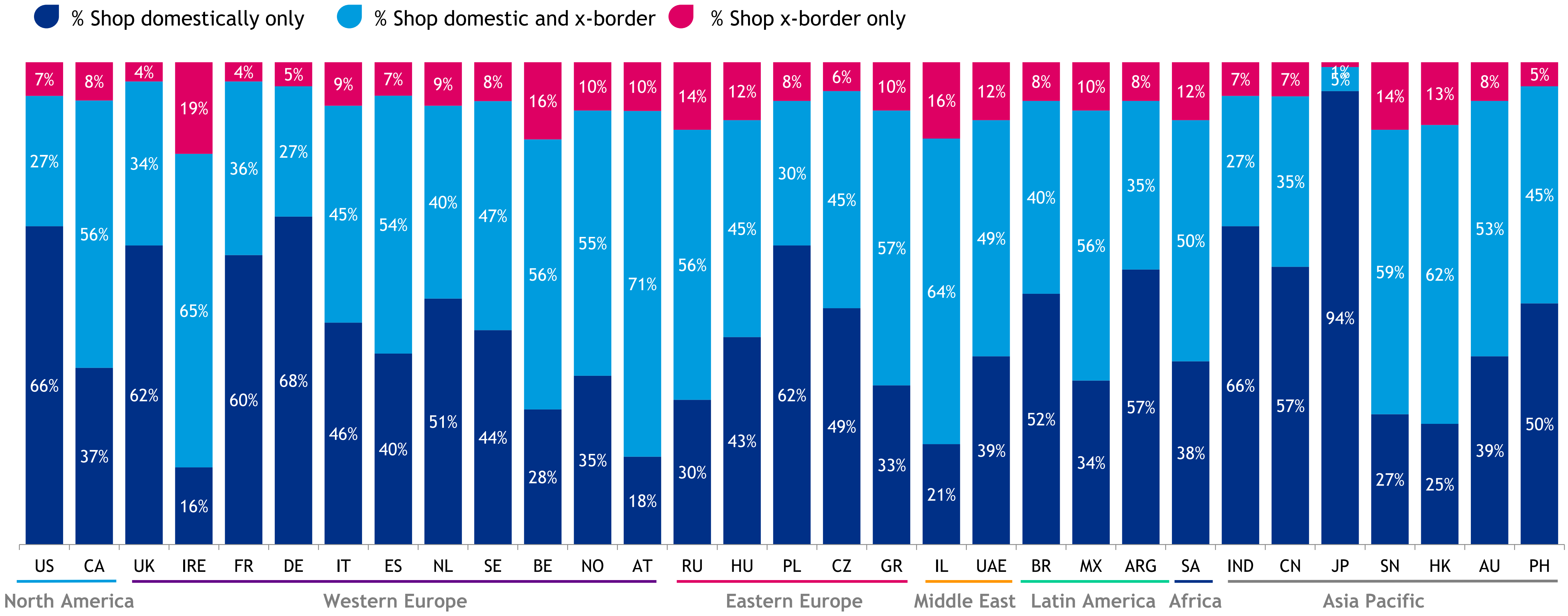
US and China are the biggest markets in terms of online spend, but Japan and India are growing fast



Source: Ipsos PayPal Insights 2018.

Incidence of online cross-border shopping

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

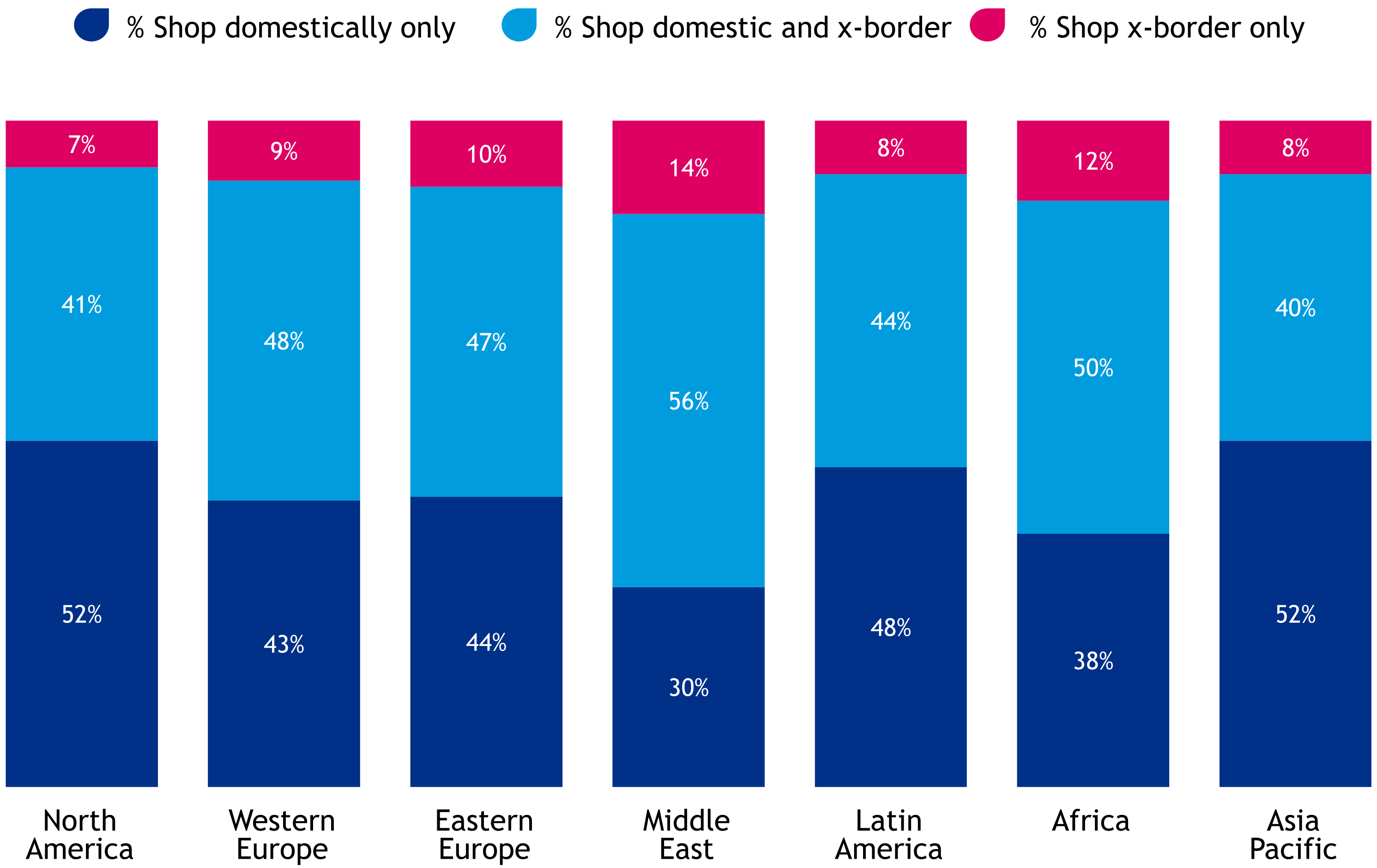


Q27. Thinking about shopping online, from which of the following countries or regions' websites have you purchased from the past 12 months? Please include your home country if applicable.Base: Online shoppers (base size in appendix)

Source: Ipsos PayPal Insights 2018.

Incidence of online cross-border shopping

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



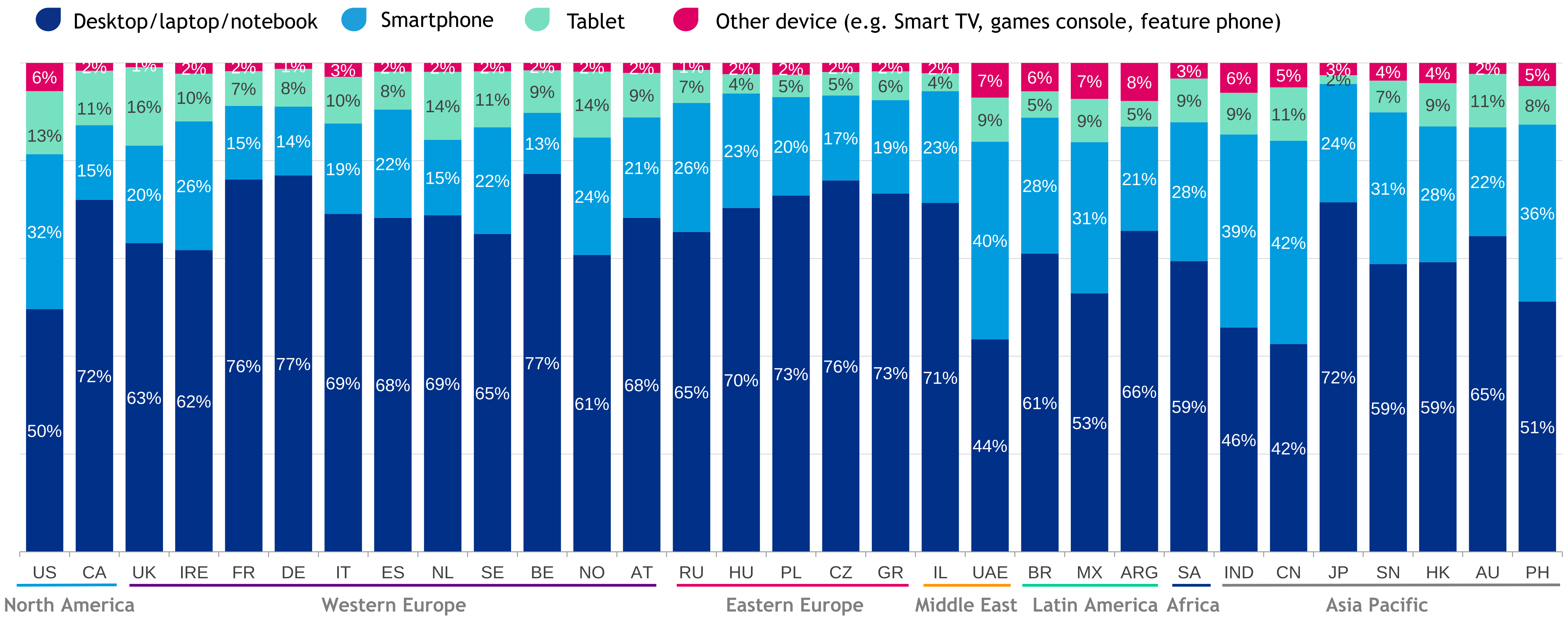
*Results are among all consumers surveyed in each region, not weighted for population size

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)

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



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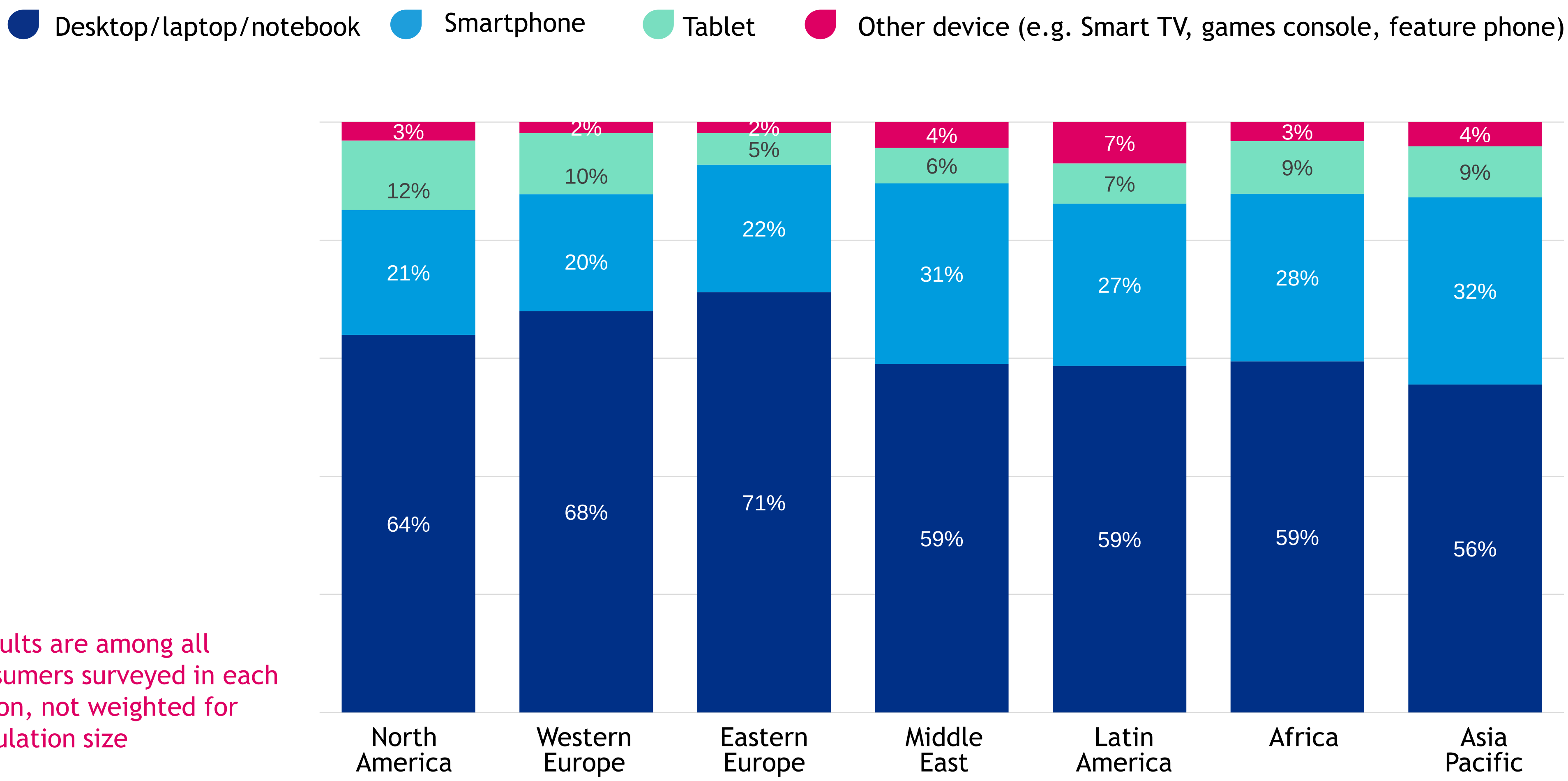
Q33. Thinking only about the purchases you make on websites in other countries, what proportion of your purchases in the last 12 months do you think were made using each device? Base = Cross border shoppers (size shown in appendix)

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

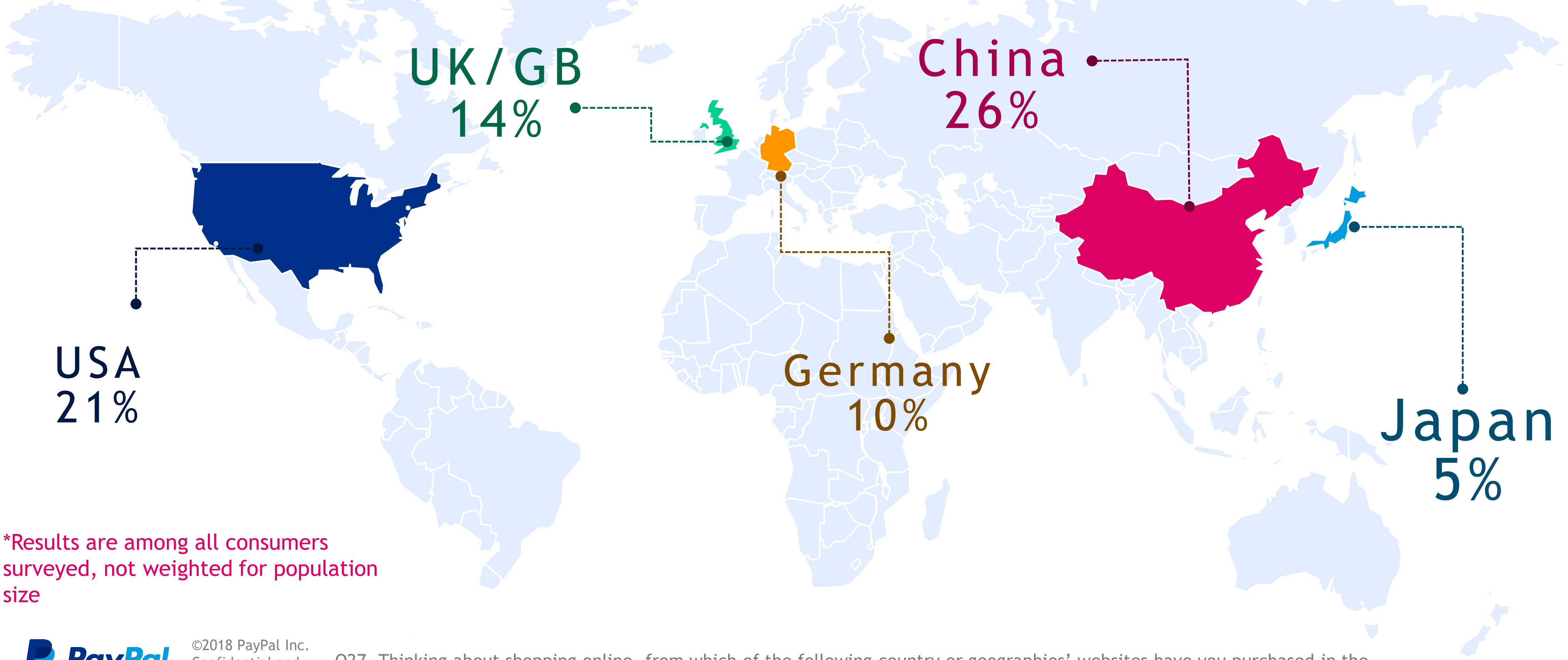
Q33. Thinking only about the purchases you make on websites in other countries, what proportion of your purchases in the last 12 months do you think were made using each device? Base = Cross border shoppers (size shown in appendix)

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)

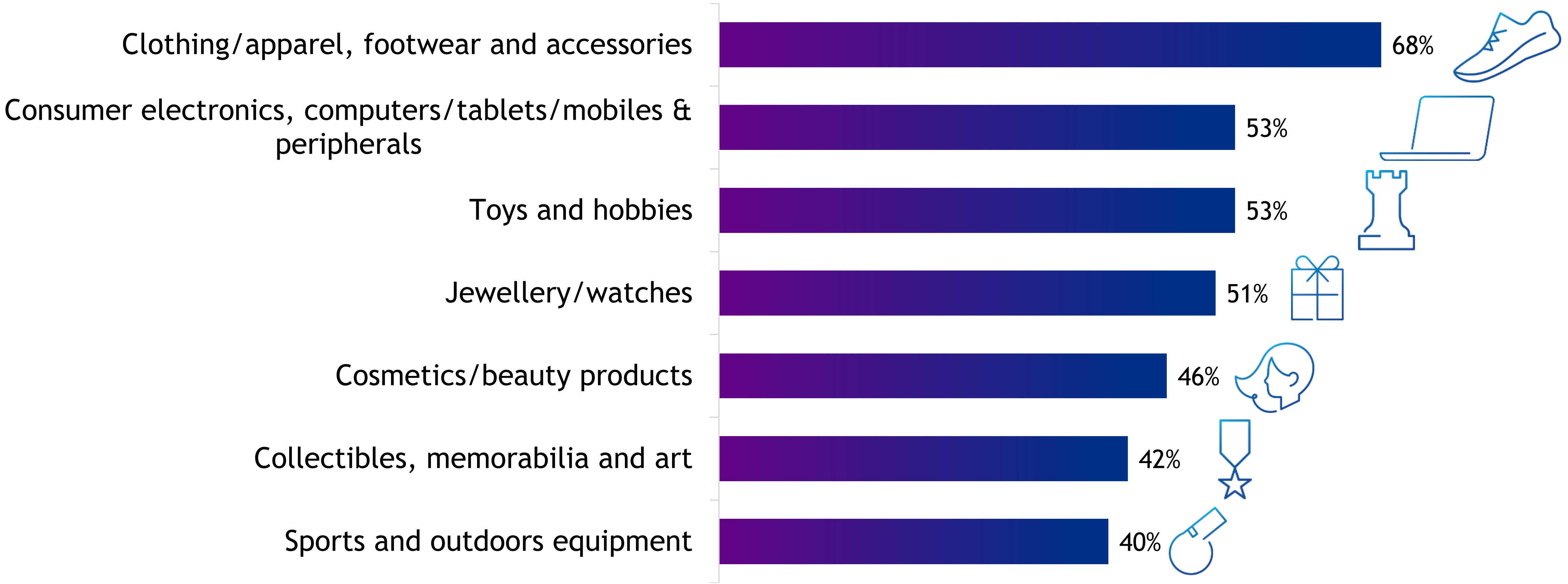


*Results are among all consumers surveyed, not weighted for population size

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 followed by Consumer Electronics and Toys

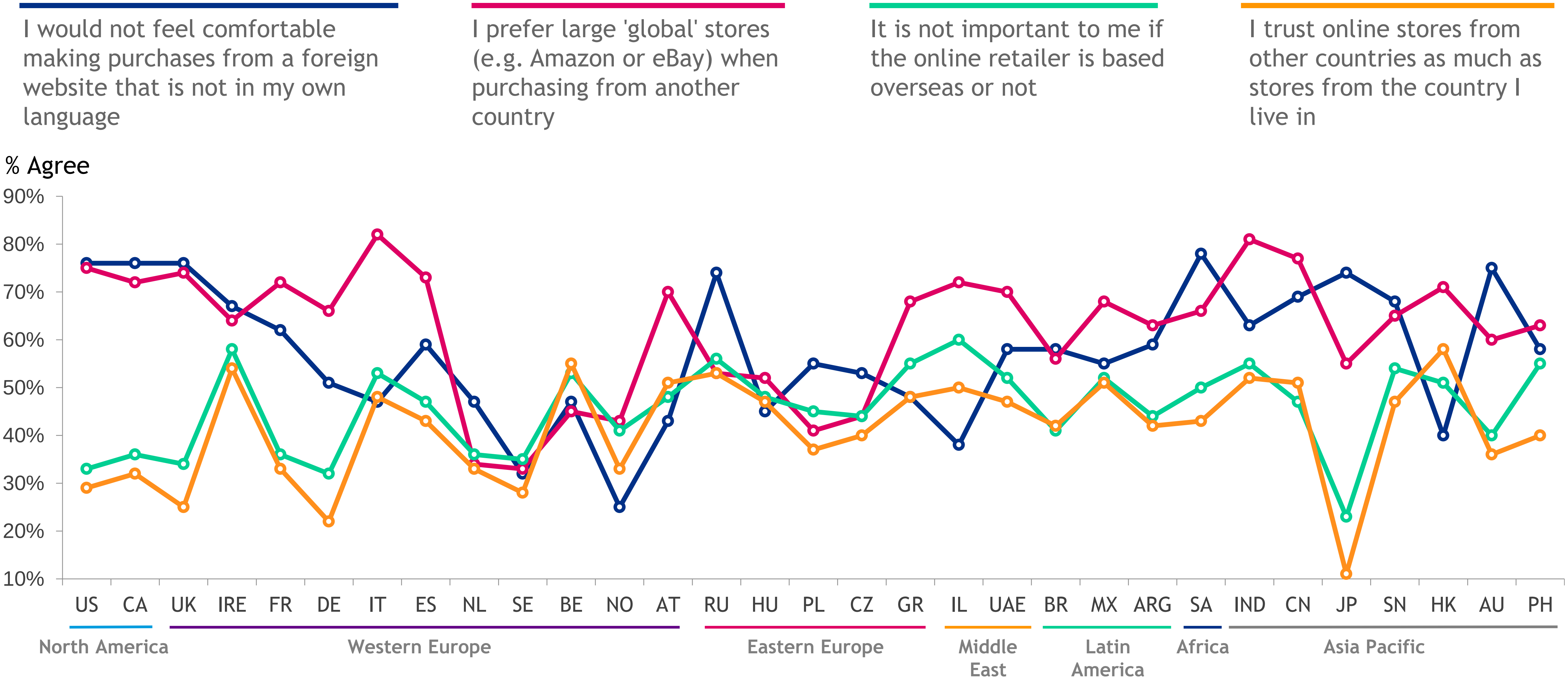
Top cross-border categories among all online shoppers surveyed*
(% of x-border shoppers shopping x-border in each category)



*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



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

Q34b/Q47. To what extent do you agree or disagree with each of the following statements?
Base: Online shoppers (size shown in appendix)

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)*

#1 Better Prices (72%)

#2 Access to items not available in my country (49%)

#3 I can discover new and interesting products (34%)

#4 Higher product quality (29%)

#5 Shipping is more affordable (24%)

*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

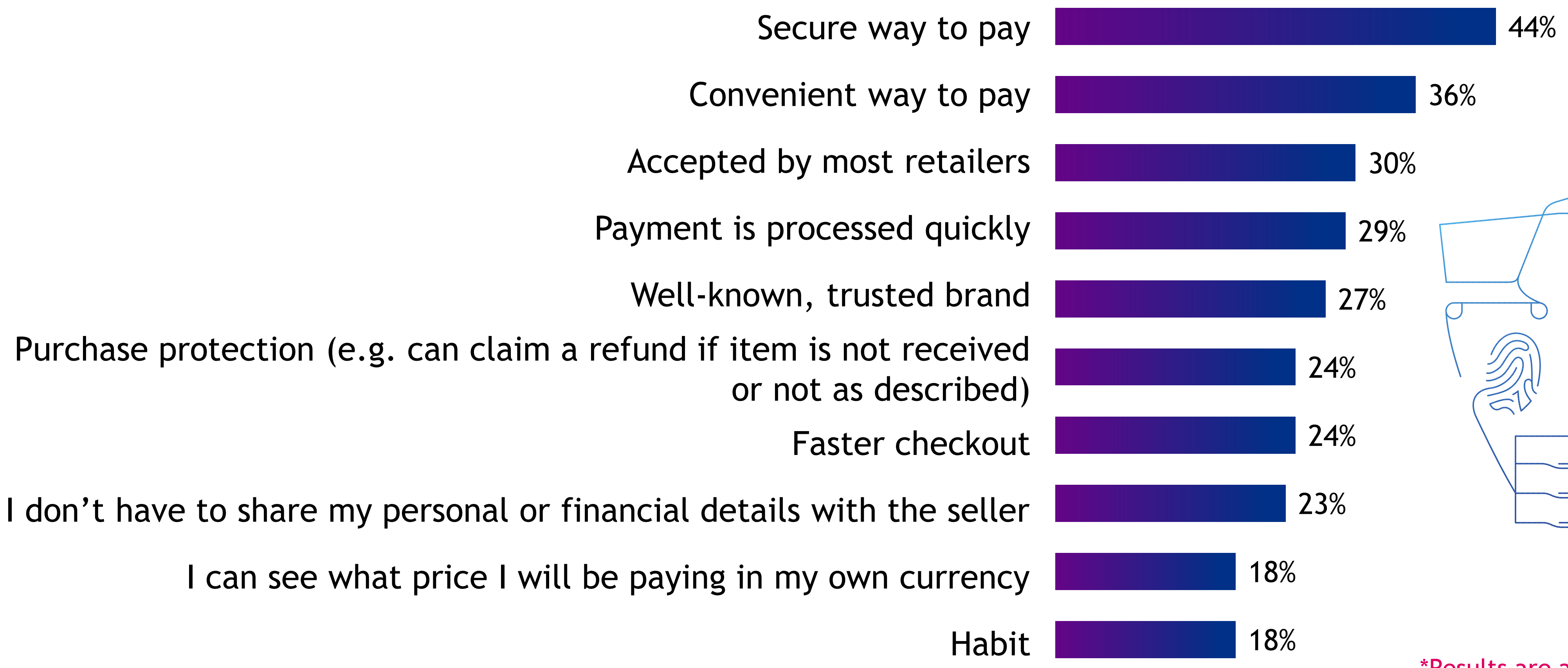
Attitudes to currency conversion among all online shoppers surveyed*
(% of online shoppers who agree with each statement)

*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 in each country

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)



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

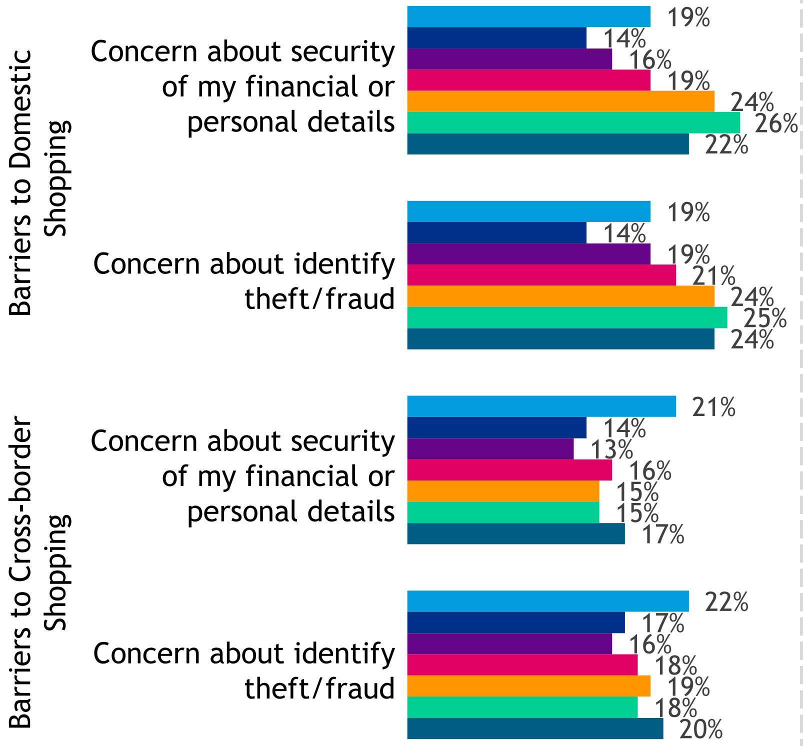
Q44d. For what reasons is this your preferred payment method for online transactions/purchases from websites in another country? Base: Cross Border Shoppers with a preference

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

North America | Western Europe | Eastern Europe | Middle East | Africa | LATAM | APAC

Barriers to shopping or shopping more often

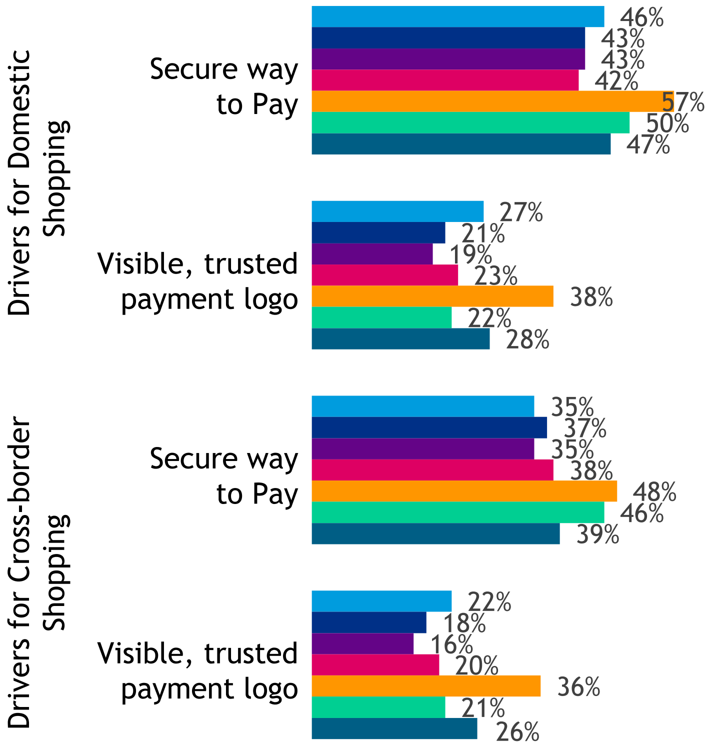
(% online shoppers selecting each as a barrier)



Q36/36b. Which, if any, of the following reasons prevent you from making purchases from websites in your own country/ in another country (more often)? Base = All online shoppers

Drivers for shopping online

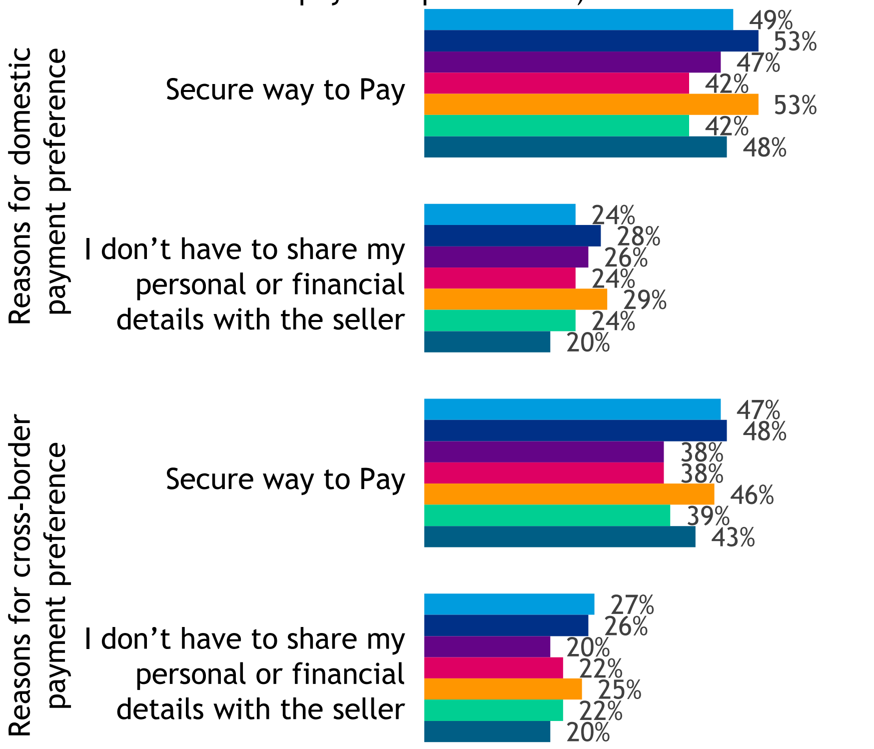
(% online shoppers selecting each as making them more likely to shop)



Q39/Q39a. Which, if any, of the following would make you more likely to buy from a website in your own country/in another country? Base = All online shoppers

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)

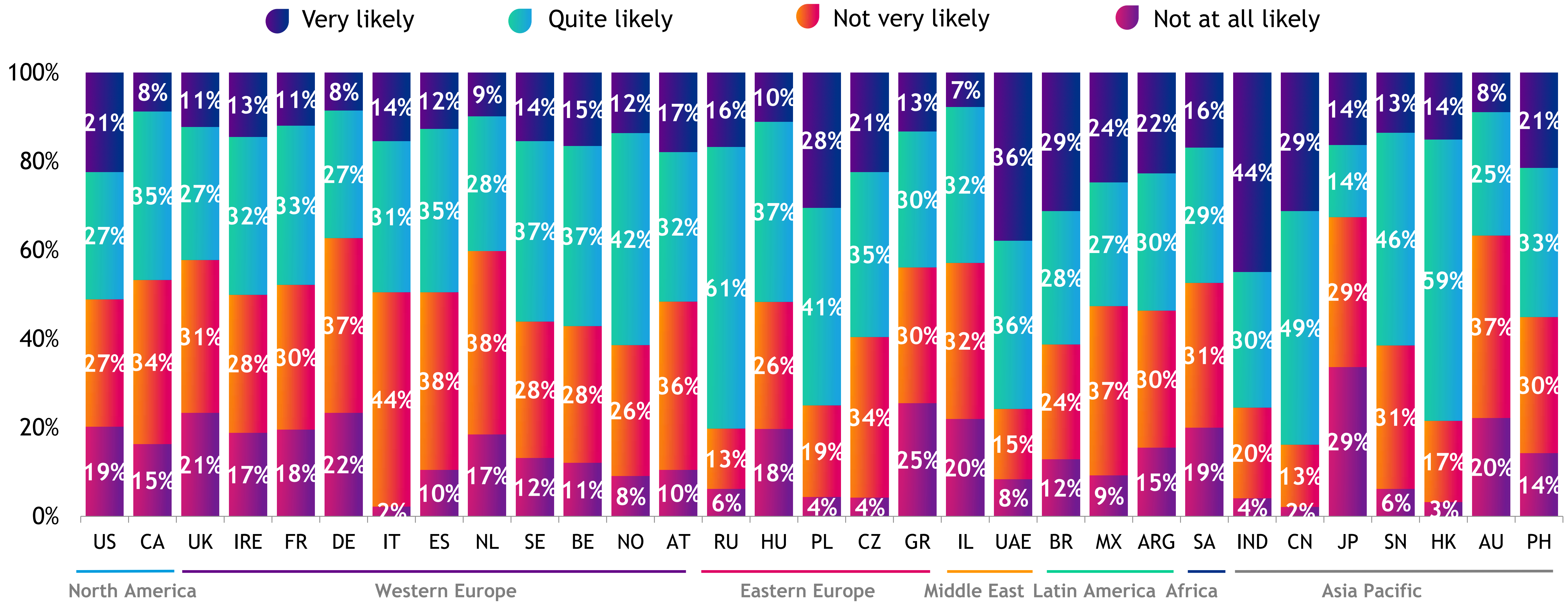


Q44c/Q44d. For what reasons is x your preferred payment method for online transactions/purchases from websites in your own country/in another country? Base = All domestic/cross-border shoppers who have a preference

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

PayPal

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

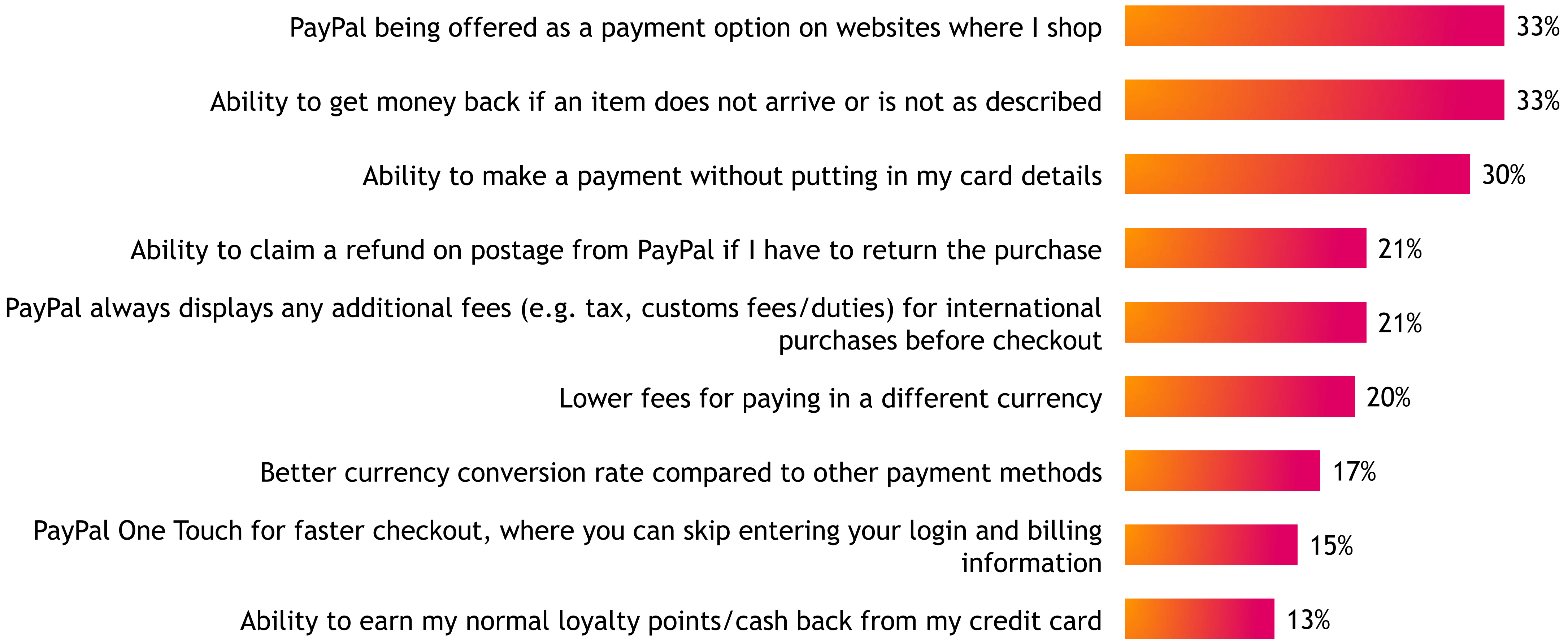


Q44E. Please now imagine that you are about to make a purchase from a website in another country, and PayPal is not an accepted payment method. How likely would you be to continue with the payment if PayPal was not available as a method of payment?

Source: Ipsos PayPal Insights 2018.

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

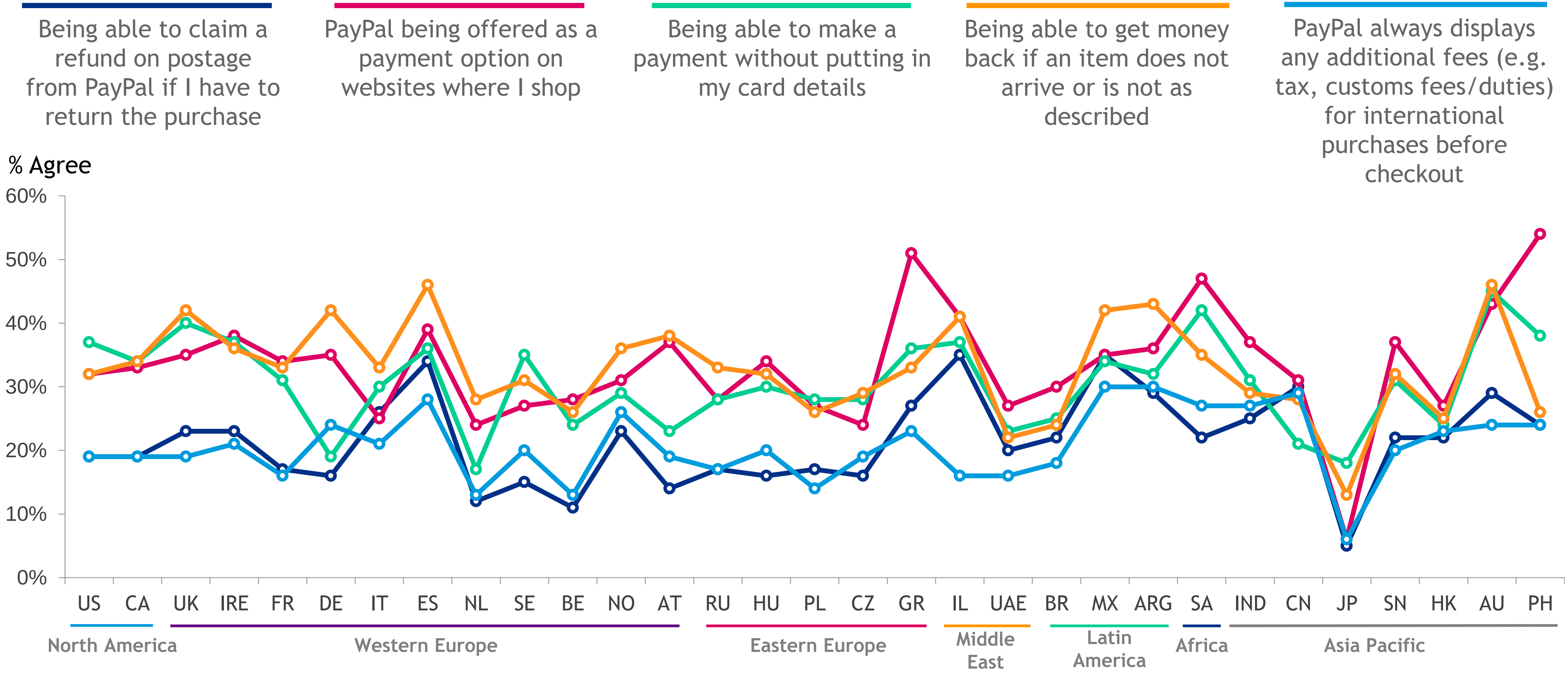
Incentives for Choosing PayPal (%)



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



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 in appendix

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

Weighted base:	Total	Online shoppers	X-border shoppers	Weighted base:	Total	Online shoppers	X-border shoppers
Western Europe	11000	9199	5279	Eastern Europe	5000	4047	2286
UK	1000	849	320	Russia	1000	802	558
Ireland	1000	822	690	Hungary	1000	787	449
France	1000	810	325	Poland	1000	827	315
Germany	1000	815	257	Czech Republic	1000	798	404
Belgium	1000	806	580	Greece	1000	833	560
Netherlands	1000	836	409	Middle East	2000	1597	1117
Spain	1000	830	502	Israel	1000	786	623
Norway	1000	895	582	UAE	1000	811	494
Italy	1000	842	451	Africa	1000	691	428
Sweden	1000	853	475	South Africa	1000	691	428
Austria	1000	843	688	APAC	7000	5918	2845
LATAM	3000	2197	1146	India	1000	873	300
Mexico	1000	743	489	China	1000	861	367
Brazil	1000	763	363	Singapore	1000	844	618
Argentina	1000	692	295	Japan	1000	911	56
North America	2000	1579	762	Hong Kong	1000	838	629
USA	1000	805	274	Australia	1000	781	473
Canada	1000	774	488	Philippines	1000	811	403
				TOTAL	31000	25228	13863

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 13th March and 1st 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.