PayPal Cross-Border Consumer Research 2016

Global Summary Report

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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

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Research Methodology

This study was conducted across 32 markets and approx. 28,000 consumers globally.

Fieldwork

- Online survey
- Global Fieldwork: Aug-Oct 2016
- 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+[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 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.

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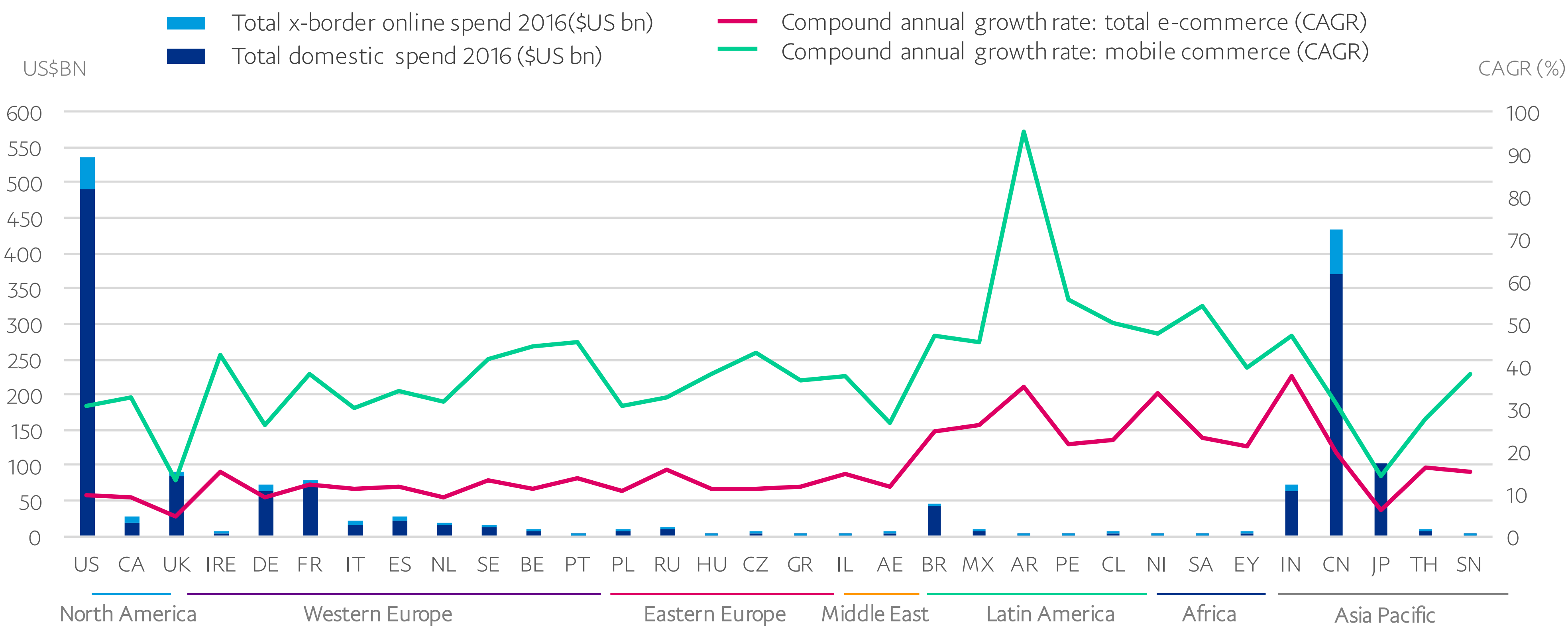
The Cross-Border Opportunity

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

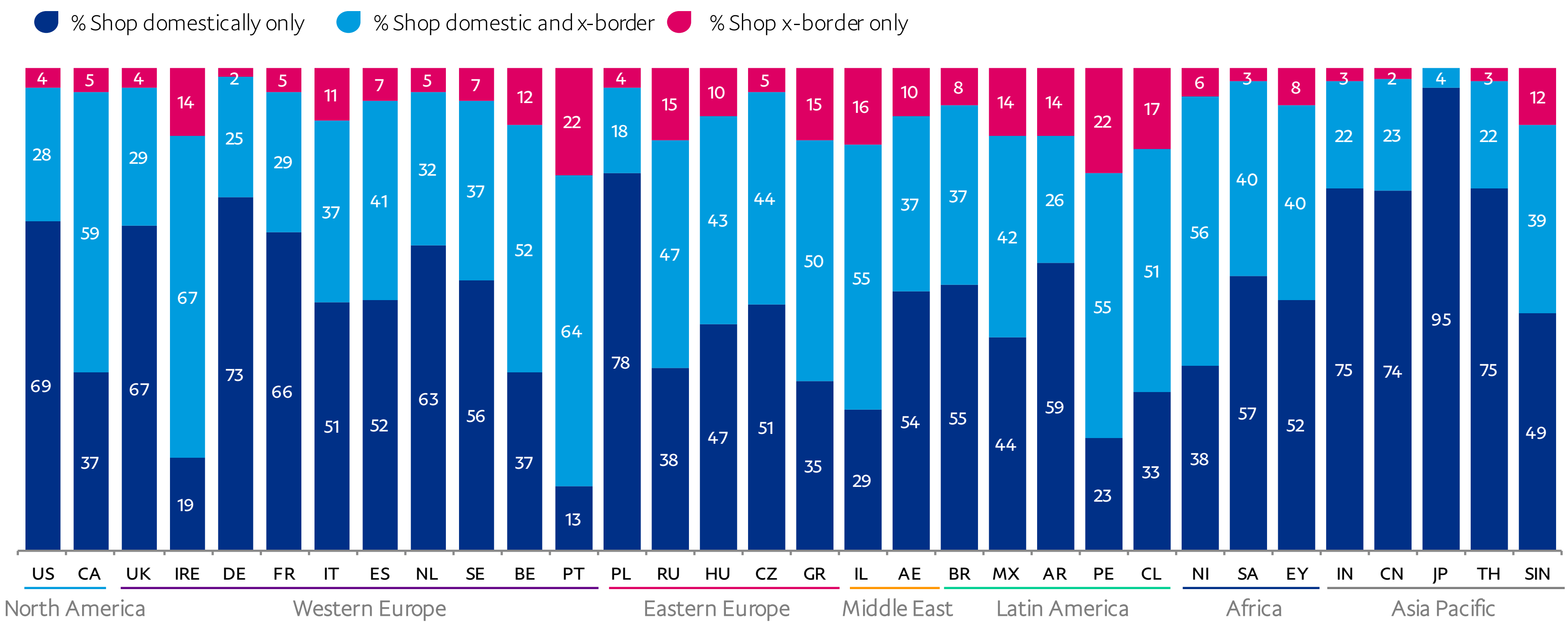
NB: Due to low incidences, no cross-border estimate has been made for Japan

Source: Ipsos PayPal Insights 2016 www.xxxx.

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



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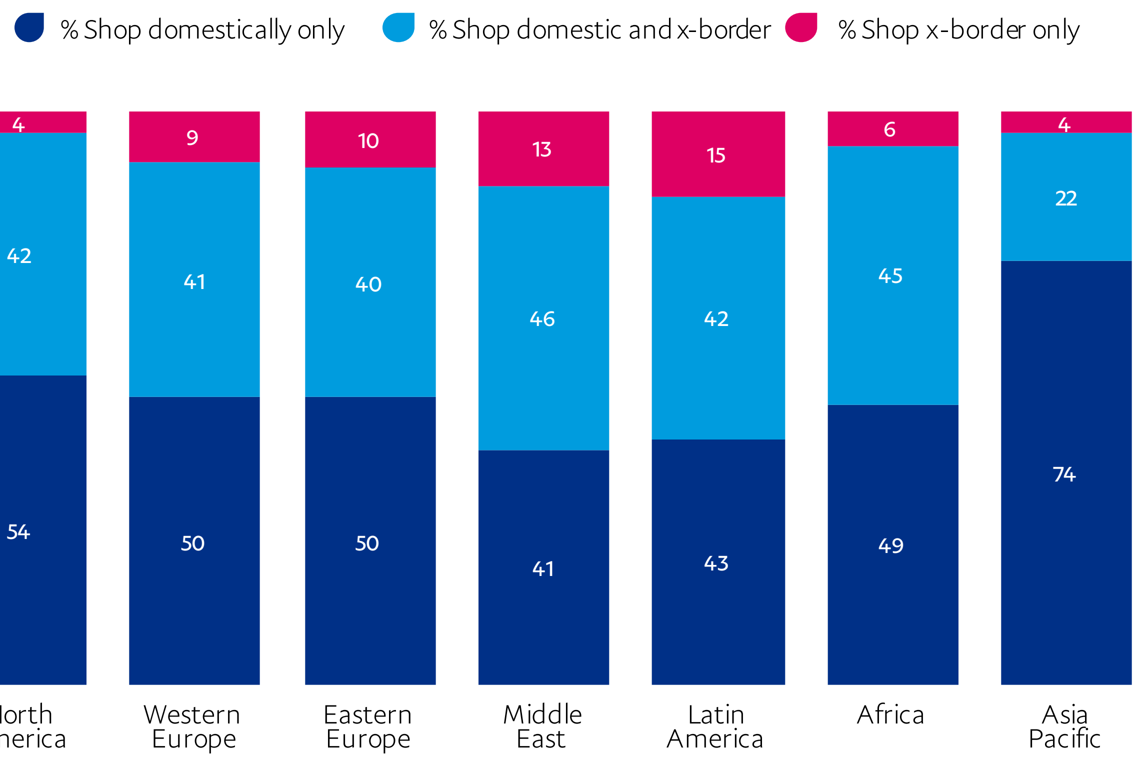
Q27. Thinking about shopping online, from which of the following country or geographies' websites have you purchased in the past 12 months? Please include your home country if applicable. Base: Online shoppers (base size in appendix)

Source: Ipsos PayPal Insights 2016

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

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

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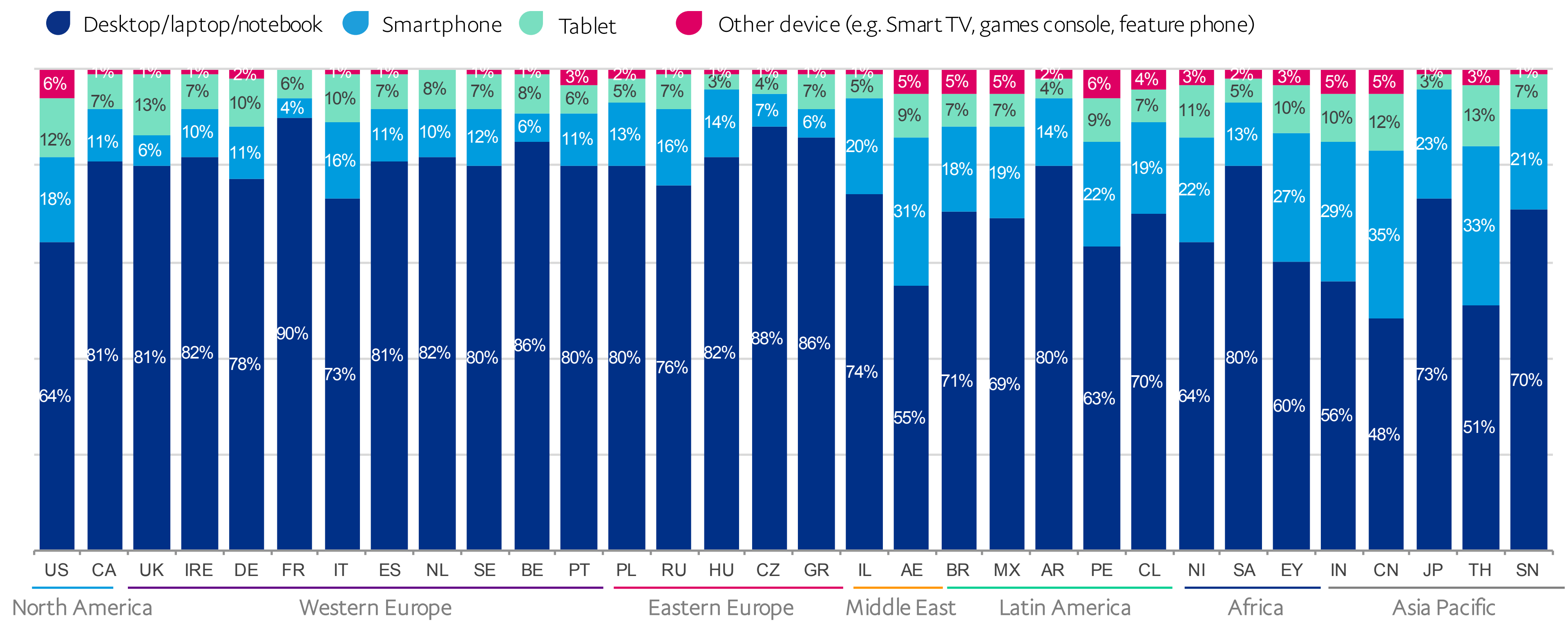
The majority of cross-border purchases are still made on a computer

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



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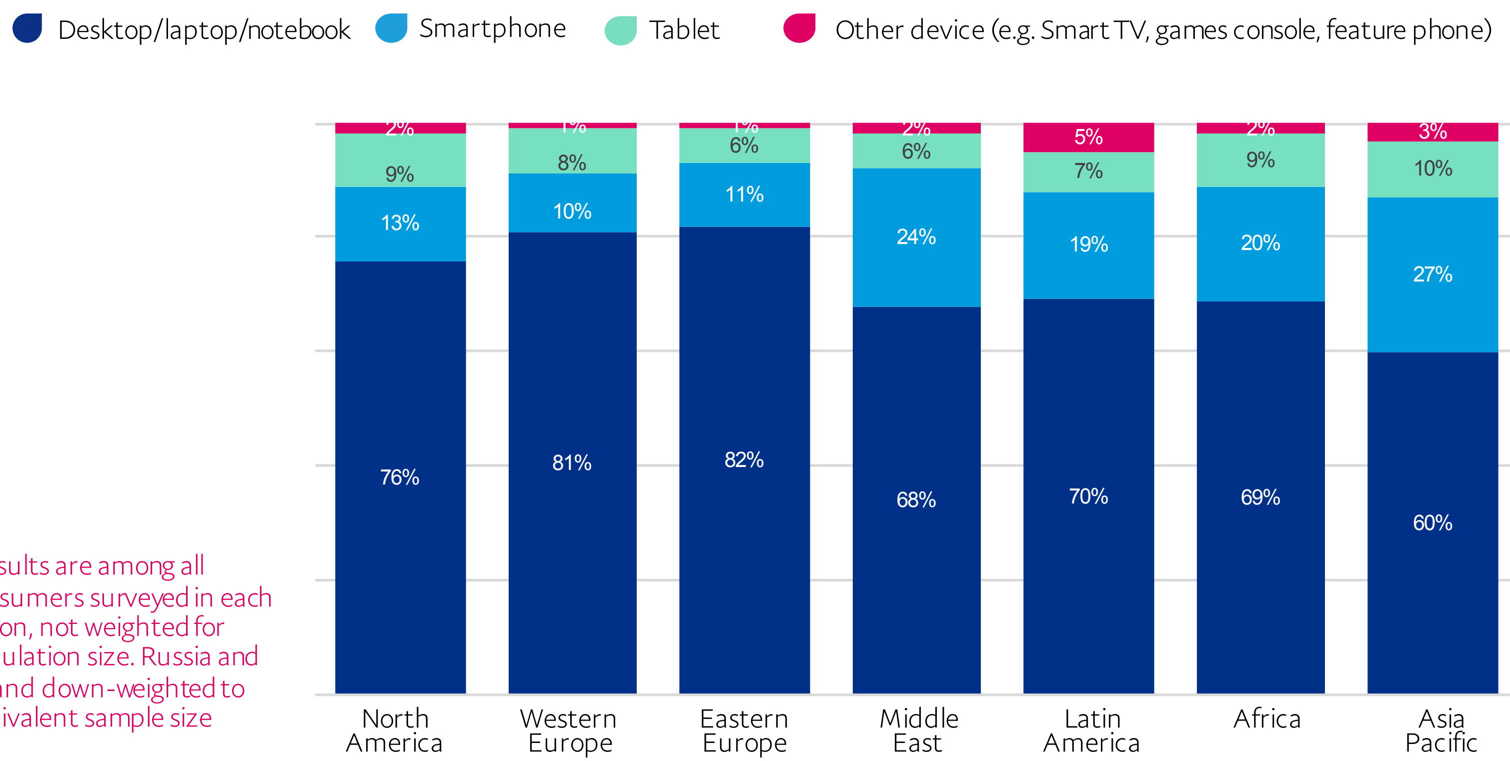
Q33. Thinking only about the purchases you make on websites in other countries, what proportion of your purchases in the last 12 months do you think were made using each device? Base = Cross border shoppers (size shown in appendix)

Source: Ipsos PayPal Insights 2016

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

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



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Source: Ipsos PayPal Insights 2016

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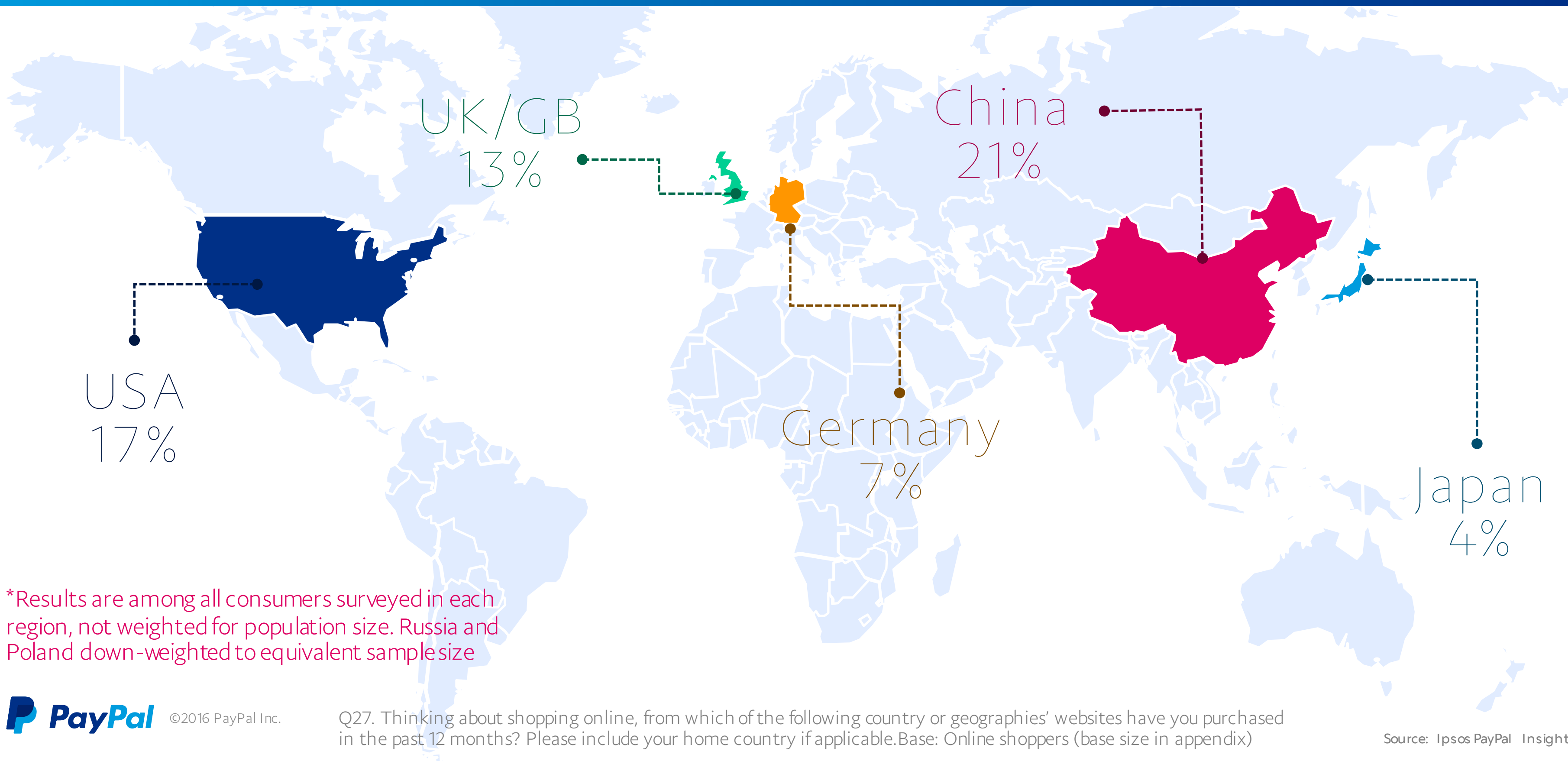
China is the most popular cross-border online shopping destination for global online shoppers, followed by USA and UK

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



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

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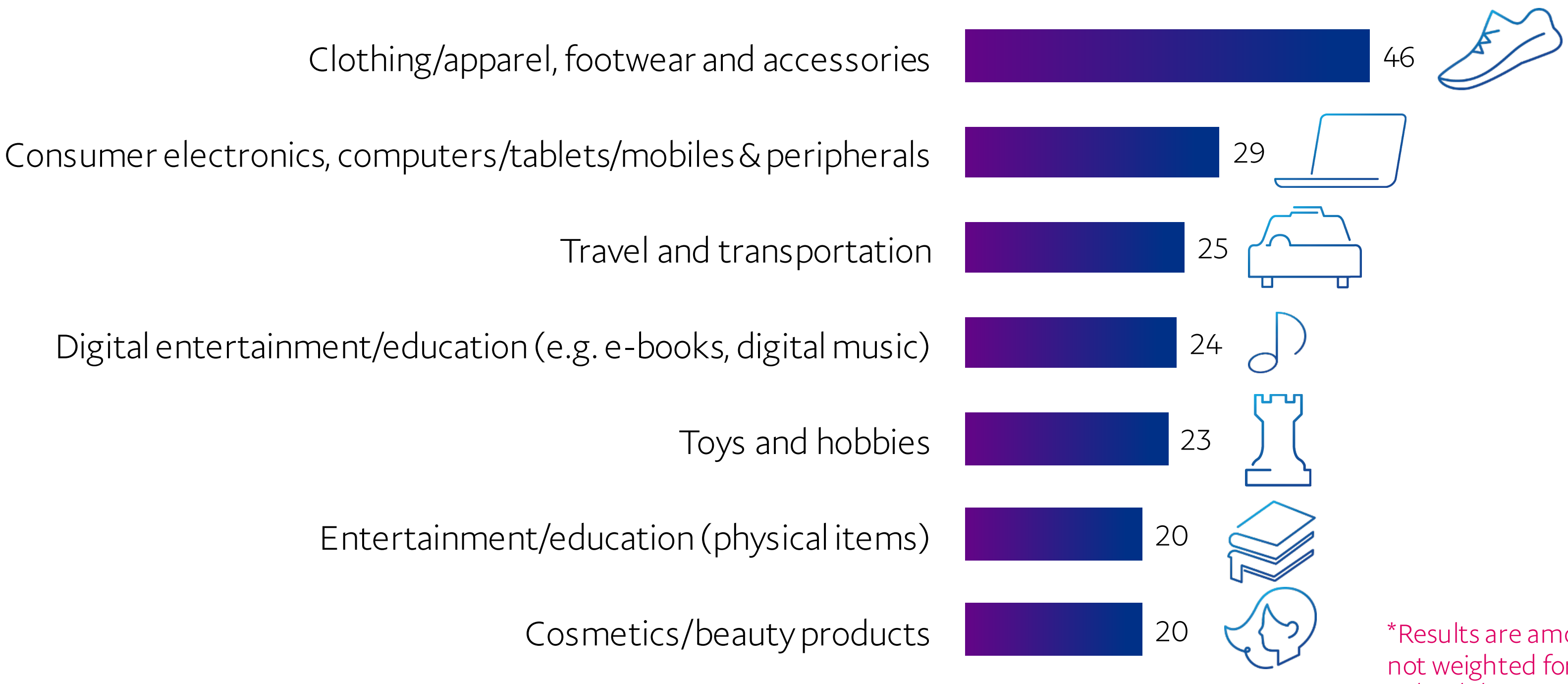
Q27. Thinking about shopping online, from which of the following country or geographies' websites have you purchased in the past 12 months? Please include your home country if applicable. Base: Online shoppers (base size in appendix)

Source: Ipsos PayPal Insights 2016

Clothing and apparel is the most popular category for cross-border purchases globally followed by consumer electronics

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



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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)

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Source: Ipsos PayPal Insights 2016

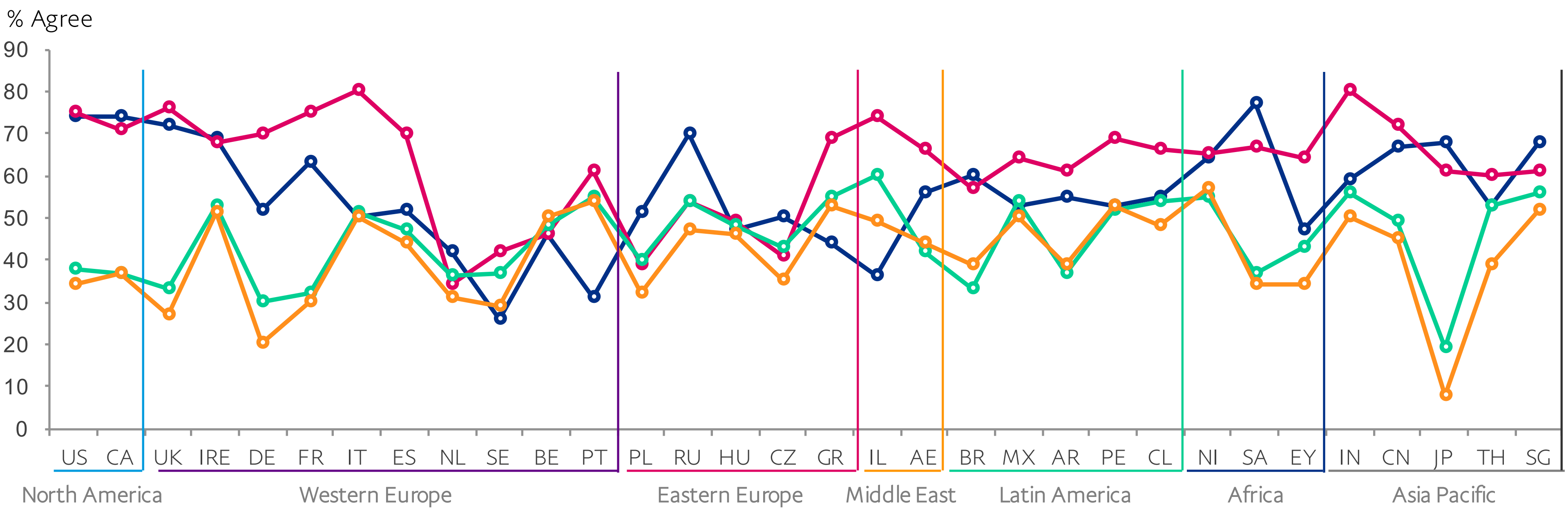
More open attitudes to cross-border shopping are seen in smaller Western European & Eastern European countries while major western countries and some Asian countries show more negative attitudes and prefer 'global' stores

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



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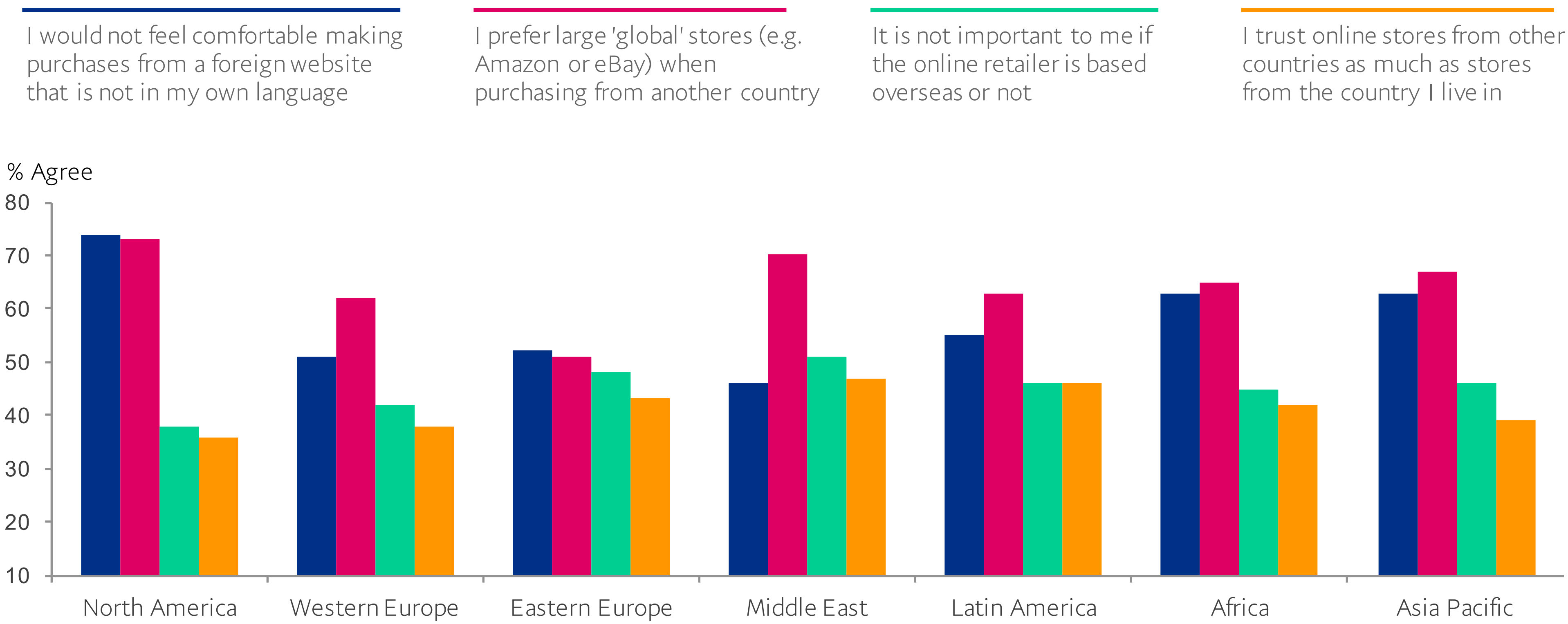
Q. To what extent do you agree or disagree with each of the following statements?
Base: Online shoppers (size shown in appendix)

Source: Ipsos PayPal Insights 2016

Despite consumers in the Middle East being most comfortable with cross-border purchases, they still prefer large global stores



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

Source: Ipsos PayPal Insights 2016

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)*

#1 Free shipping (46%)

#2 Secure way to pay (44%)

#3 Items that are hard to find locally (40%)

#4 Costs shown in local currency (37%)

#5 Lower overall cost (35%)

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%)

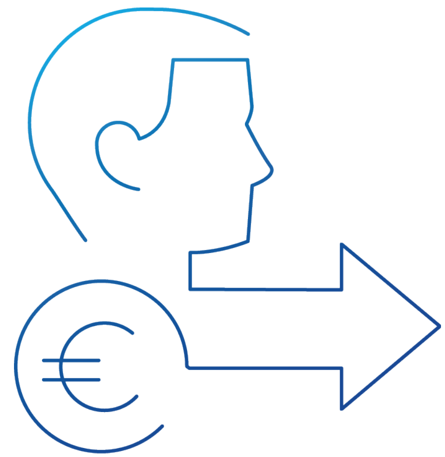
Source: Ipsos PayPal Insights 2016

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)



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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

Source: Ipsos PayPal Insights 2016

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 x-border shoppers who gave a preference selecting each statement)

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

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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

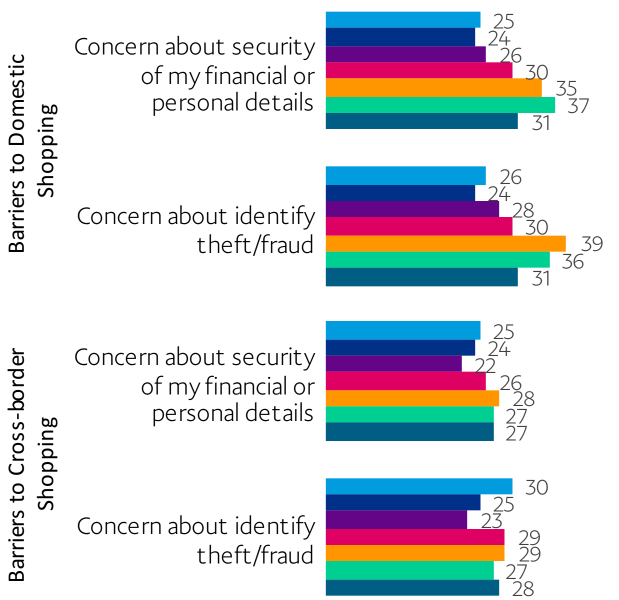
Source: Ipsos PayPal Insights 2016

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

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

Barriers to shopping or shopping more often

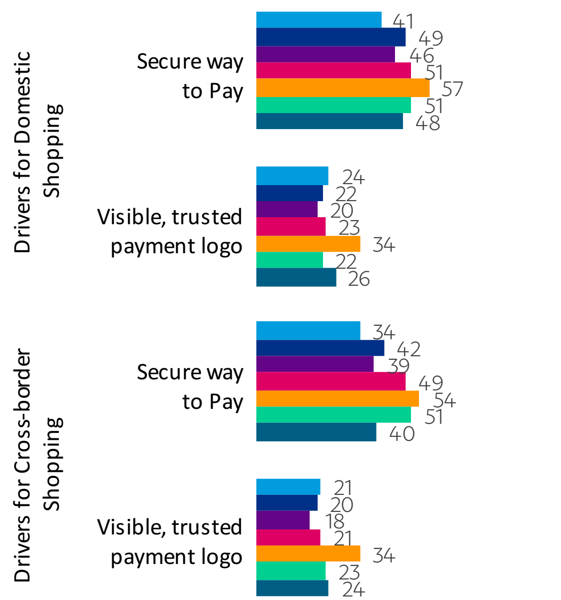
(% online shoppers selecting each as a barrier)



Q. 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

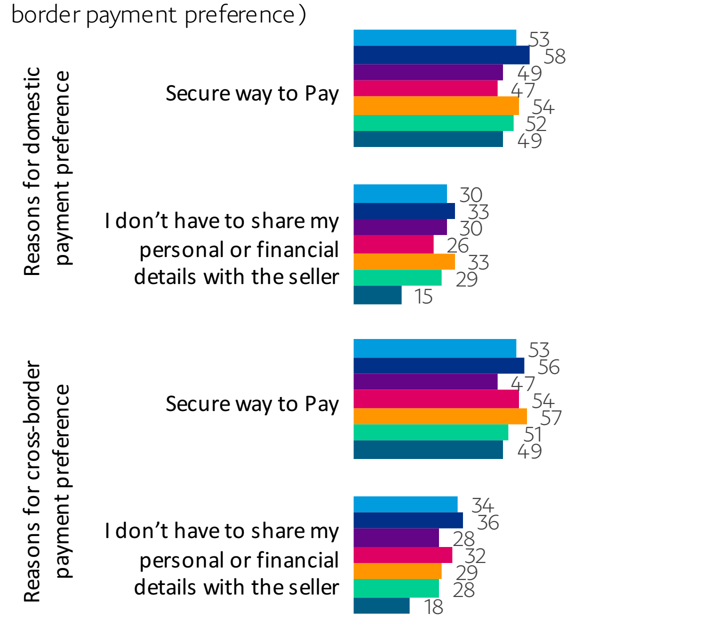
(% online shoppers selecting each as making them more likely to shop)



Q. 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)



Q. 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

PayPal

*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

PayPal

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	8000	5807	2521	Middle East	1604	1140	626
UK	800	627	190	Israel	800	590	418
Ireland	800	596	453	UAE	804	550	208
France	800	557	132	APAC	4000	3112	695
Germany	800	620	130	India	800	665	121
Belgium	800	549	324	China	800	675	151
Netherlands	800	574	187	Singapore	800	582	294
Spain	800	552	258	Japan	800	625	28
Portugal	800	562	361	Thailand	800	565	100
Italy	800	583	231	Africa	2402	1422	544
Sweden	800	586	256	Egypt	801	466	101
Eastern Europe	6400	4697	1863	Nigeria	800	488	263
Poland	2000	1512	326	South Africa	801	468	180
Russia	2000	1455	727	LATAM	4002	2484	1145
Hungary	800	527	233	Mexico	800	517	257
Czech Rep.	800	584	208	Brazil	802	536	181
Greece	800	619	369	Peru	800	473	272
North America	1604	1072	371	Chile	800	501	279
USA	804	573	121	Argentina	800	457	156
Canada	800	499	264	TOTAL	28012	19734	7765

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 30th August and 5th 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.

[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.

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