PayPal Cross-Border Consumer Research 2015

GLOBAL SNAPSHOT

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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.

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 across borders
- How consumers pay for cross-border transactions

Research Methodology

This study was conducted across 29 markets and approx. 23,000 consumers globally.

Fieldwork

Online survey

Global Fieldwork conducted Sept-Oct 2015

20 minute questionnaire

This research was carried out to the international quality standard for market research, ISO 20252:2012

Sample, per market

29 markets
Sample of c.800 per market.

Nationally representative of online population Aged 18+

Respondents recruited from online panels

Own and/or use an Internet-enabled device*

Data weighted to adjust for known population incidence

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

*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

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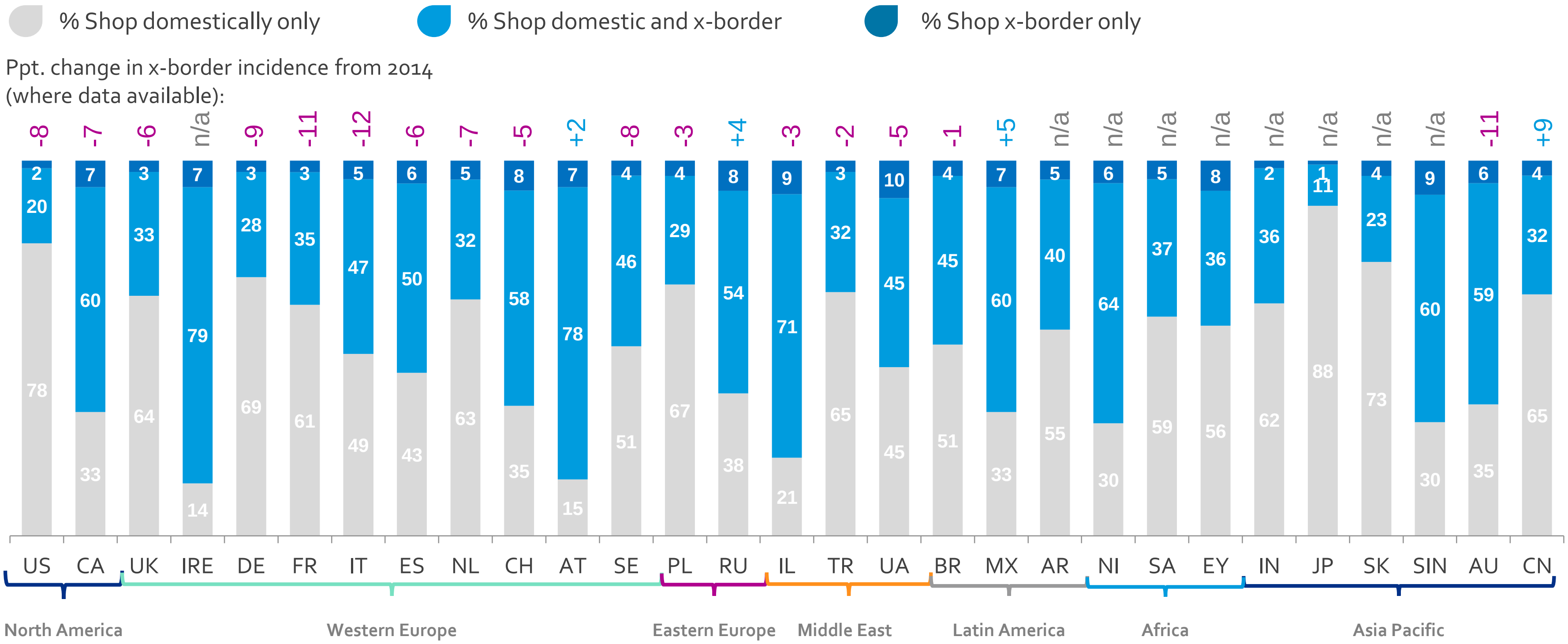
Incidence of online cross-border shopping

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

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

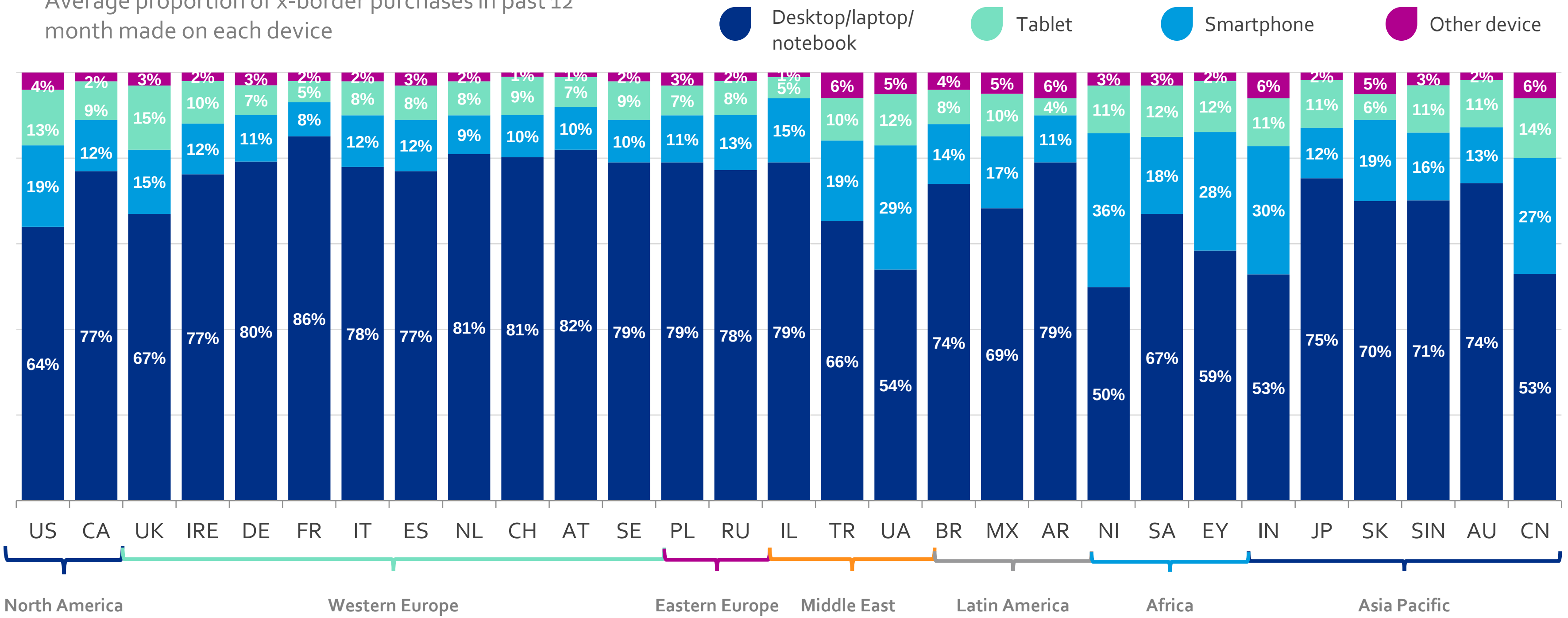


Q27. Thinking about shopping online, from which of the following country or geographies' websites have you purchased in the past 12 months? Please include your home country if applicable. Base: Online shoppers (size shown in appendix)

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

But in some less developed markets, a large proportion of cross-border purchases are made on a mobile device

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



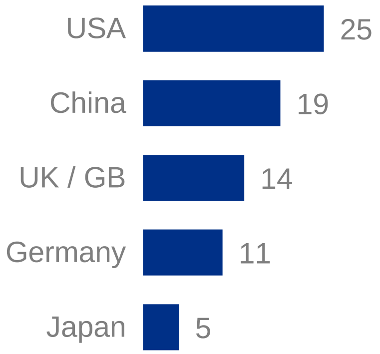
Q33. Thinking only about the purchases you make on websites in other countries, what proportion of your purchases in the last 12 months do you think were made using each device? Base = Cross border shoppers (size shown in appendix)

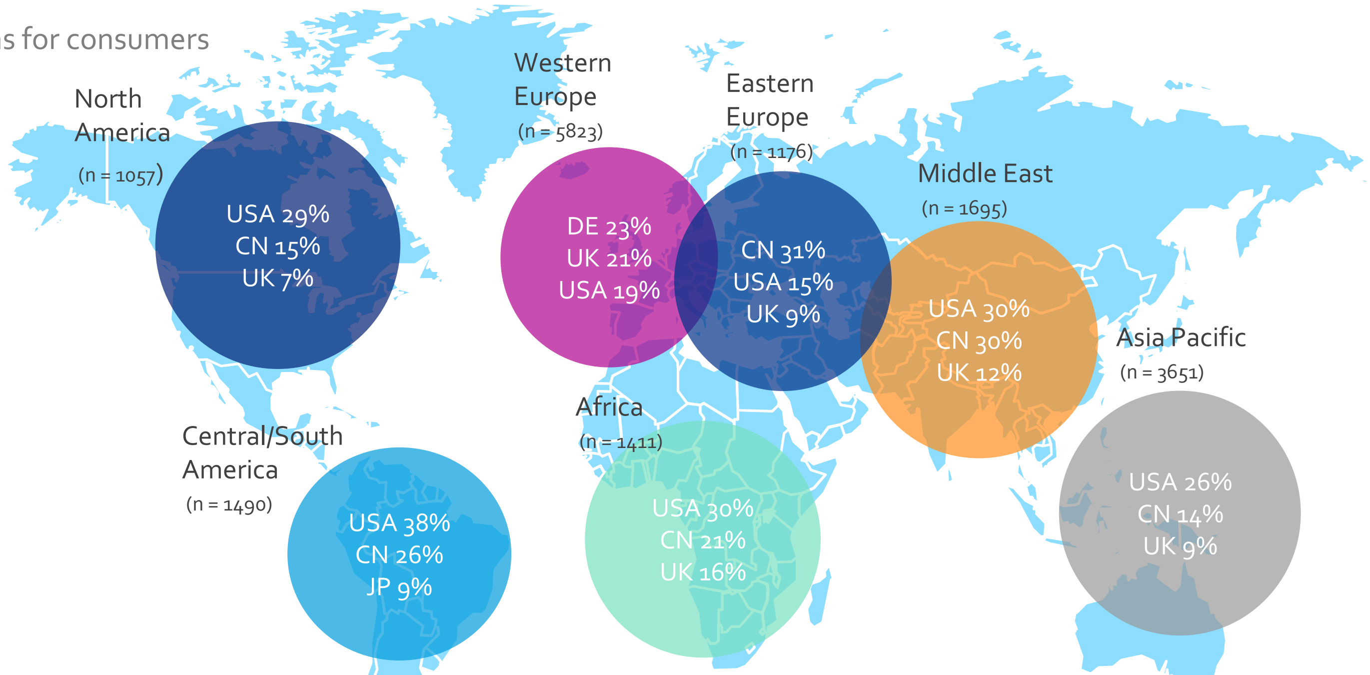
China and the US are the most popular cross-border destinations

For Western European shoppers however, shopping within Europe is still more popular

Top online shopping destinations for consumers Within each region*
(% of online shoppers living in each region shopping cross-border from the country mentioned)

Top online destinations among all online shoppers surveyed*





Region definition (countries surveyed): Western Europe: UK, IRE, DE, FR, IT, ES, NL, SE, AT, CH, **Central and Eastern Europe:** PL, RU; **North America:** USA, CA; **Latin America:** MX, BR, AR; **Middle East:** TR, IL, UAE; **Asia Pacific** IN, CN, AU, JP, SK, SG **Africa:** NG, SA, EG

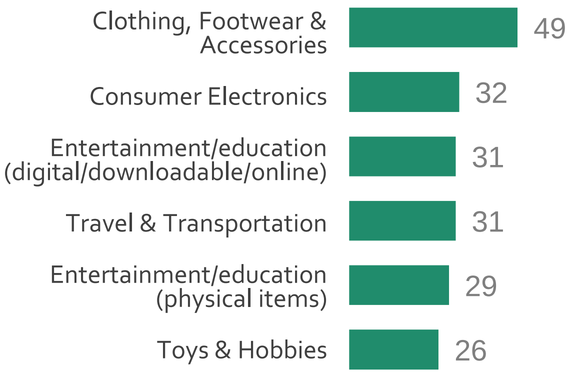
*Results are among all consumers surveyed, not weighted for population size

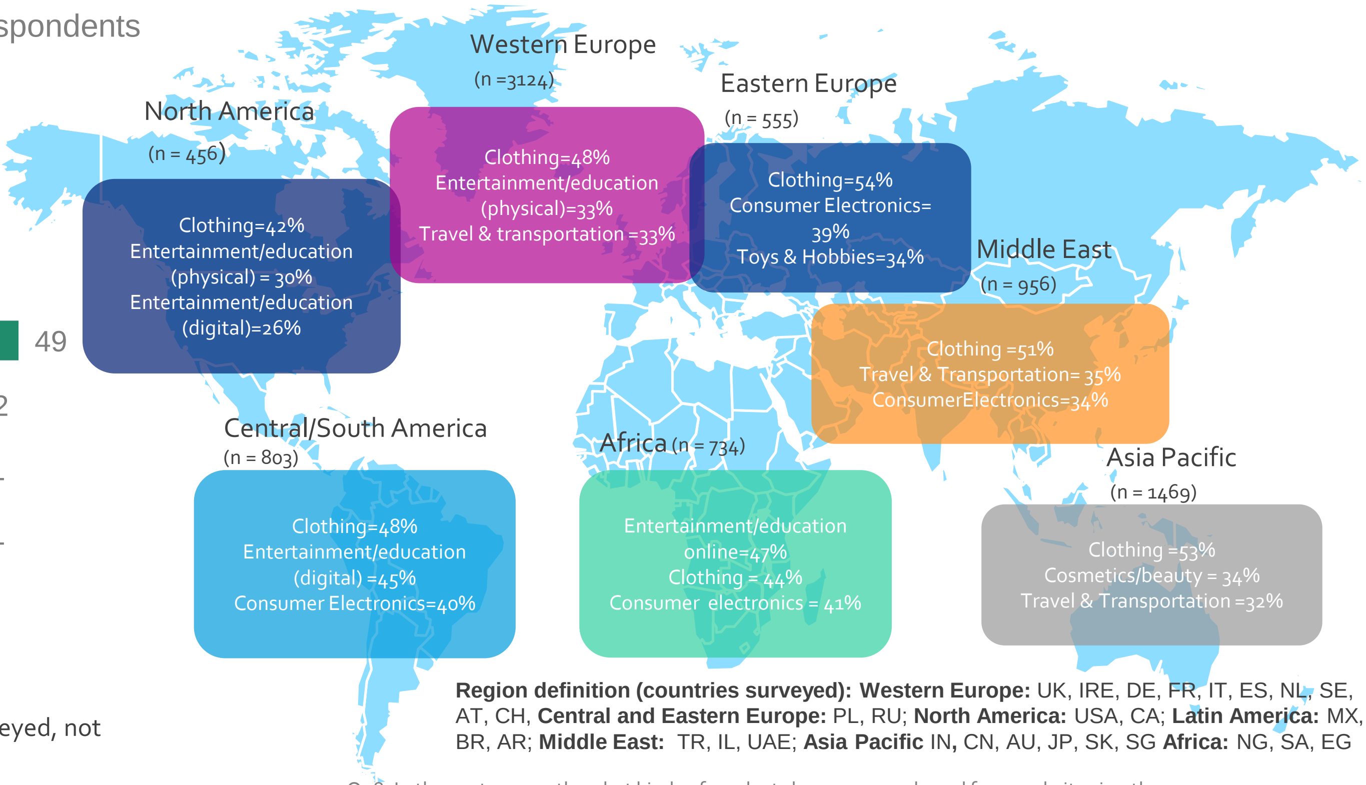
Q27. Thinking about shopping online, from which of the following country or geographies' websites have you purchased in the past 12 months? Please include your home country if applicable. Base: Total online shoppers n= 16,302

In most regions, clothing and apparel is the most popular category for cross-border purchases

Top x-border categories for respondents Living in each region*
(% of x-border shoppers shopping x-border in each category)

Top x-border categories among all online shoppers surveyed*





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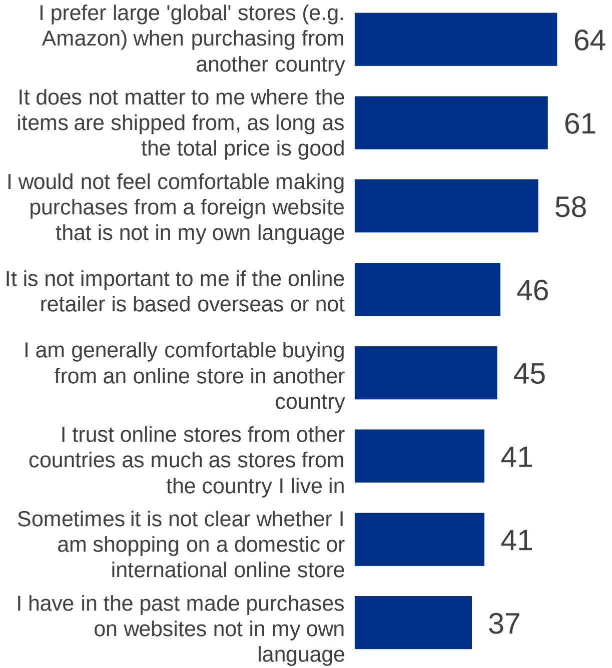
Q28. In the past 12 months what kinds of products have you purchased from websites in other countries? Base: Cross-Border shoppers n = 8097

Attitudes to cross border shopping vary dramatically between markets

Attitudes among all online shoppers surveyed*

(% Agree with statement)



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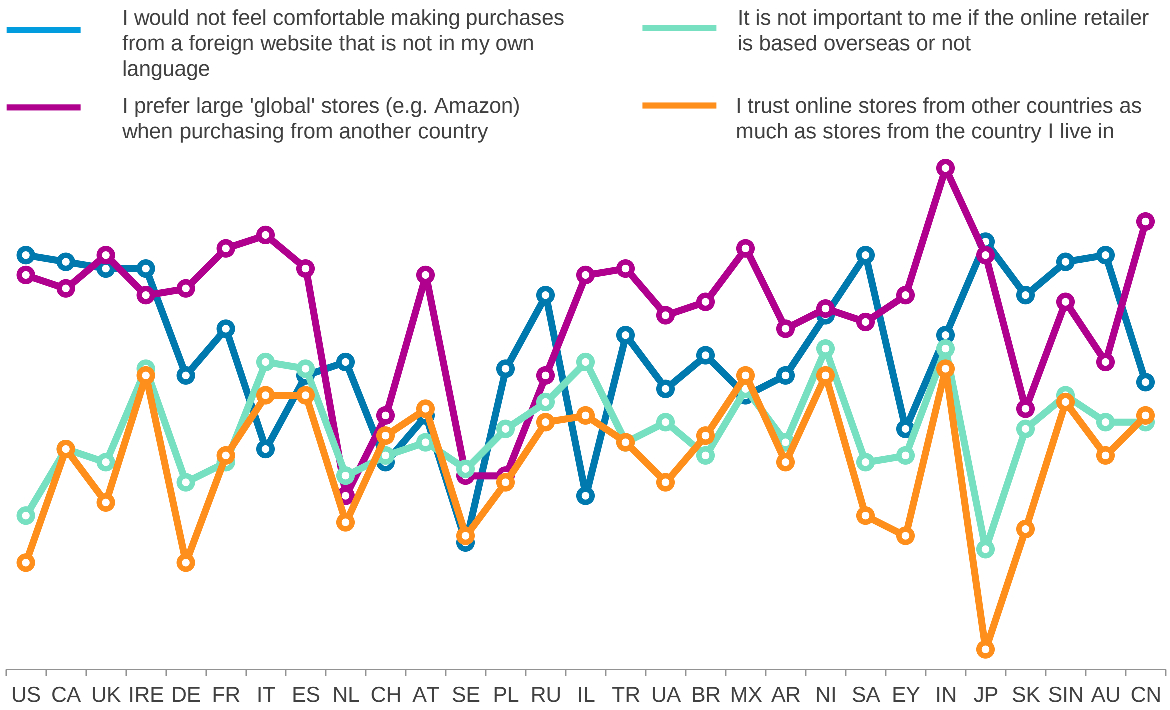
Attitudes compared between countries

(% Agree with statement)



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

Shipping costs, and reassurance about safety of purchasing are key drivers to cross-border shopping

Top 10 potential drivers for x-border shopping among all online shoppers surveyed*

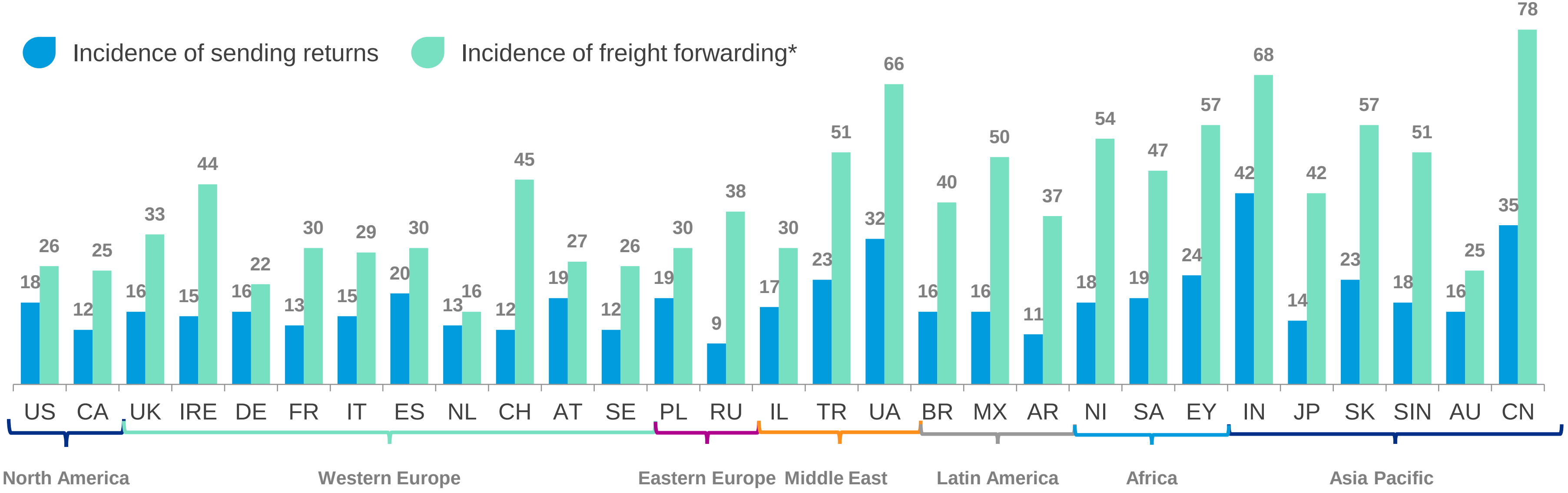
Top 10 barriers for x-border shopping among all online shoppers surveyed*

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

Q39. Which, if any, of the following would make you more likely to buy from a website from another country? Base: Online shoppers n = 16,302
Q36. Which, if any, of the following reasons prevent you purchasing from websites in another country (more often)? Base: Online shoppers = 16,302

The number of people sending returns cross-border is low in most countries

Freight forwarding is most popular in China, India and UAE



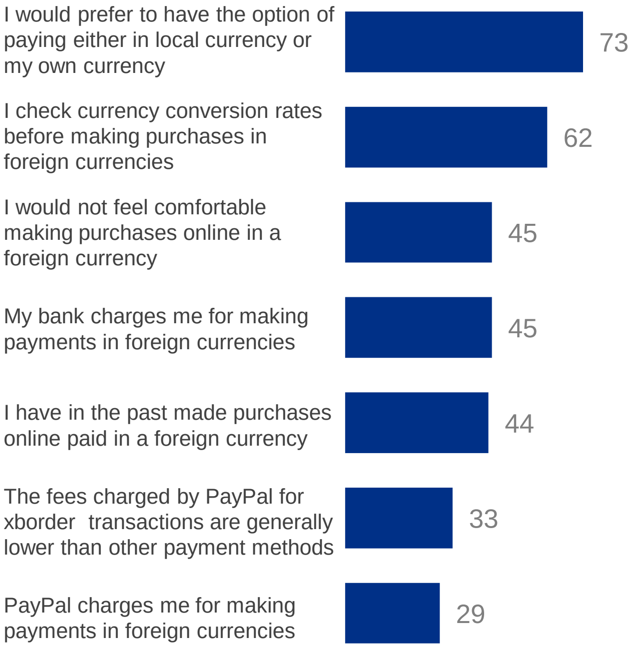
* Freight forwarding defined as having products delivered to a freight forwarding company (who receives goods in the country of purchases then ships them to you) or having products delivered to a friend's/family member's/hotel's address in the country of purchase

Q42. Have you ever done any of the following when buying products online from other countries?
Q40. Which of the following (if any) have happened to you in the Past 12 months? – returned a product to another country. Base = cross-border shoppers (size shown in appendix)

Attitudes to currency conversion

Attitudes among all online shoppers surveyed*

(% Agree with statement)



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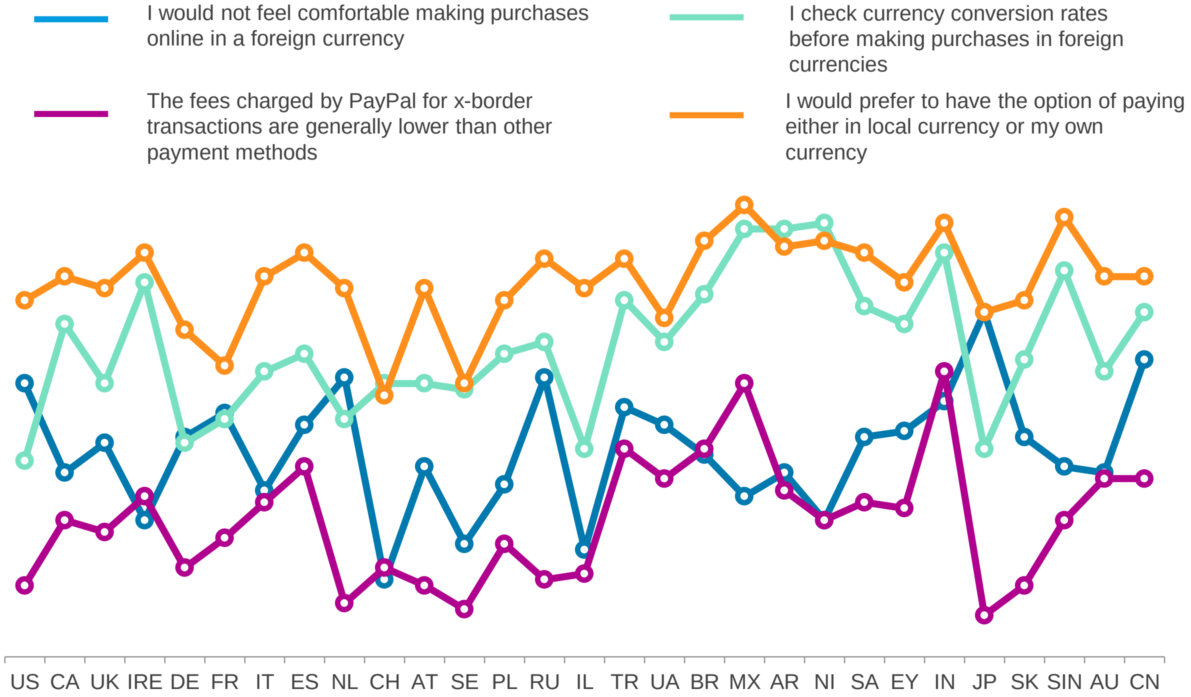
Attitudes compared between countries

(% Agree with statement)



Q47. Please state whether you agree or disagree with each of the following statements about shopping online in other countries: Base: Online shoppers (size shown in appendix)

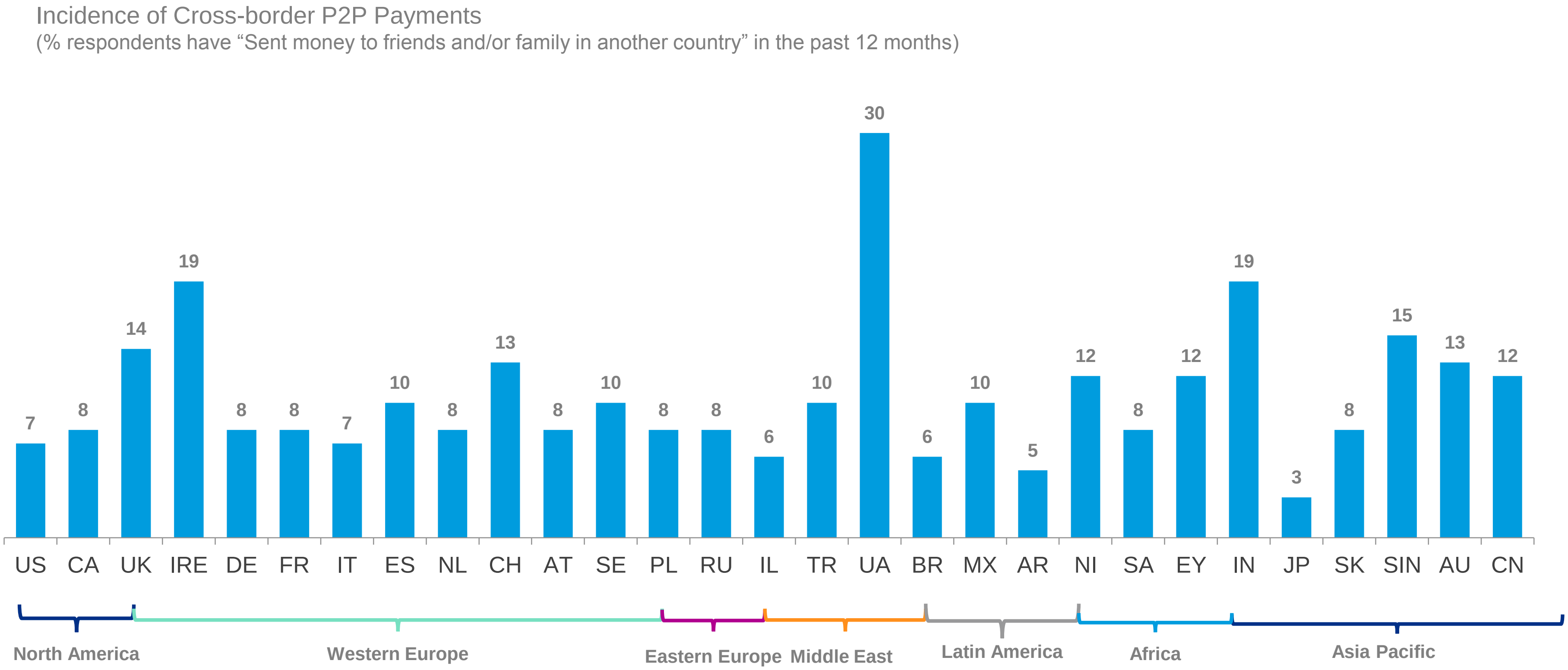
Safety and convenience are key determinates of cross-border payment method preference

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

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

Q44c. For what reasons is this your preferred payment method for online transactions/purchases from websites from another country?)
Base: Cross Border Shoppers who give preference (n = 7839)

Incidence of P2P payments



Q48. Which of the following have you done online in the past 12 months?
Base = all internet users (size shown in appendix)

Market Sizing Estimate and Forecast: Methodology

Estimating and forecasting online and mobile sales for the period 2014 to 2017

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

MODELING

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.

Appendix
Research Methodology

On behalf of PayPal, Ipsos interviewed a representative quota sample** of c.800 (23,354 in total) adults (aged 18 or over) who own and/or use an internet enabled device* in each of 29 countries (UK, Ireland, France, Germany, Austria, Switzerland, Italy, Spain, Netherlands, Sweden, Poland, Turkey, Russia, Israel, UAE, USA, Canada, Brazil, Mexico, Argentina, India, China, Japan, South Korea, Singapore, Australia, South Africa, Nigeria, Egypt). Interviews were conducted online between 17th September and 28th October 2015.

Data was weighted to known incidence of online shoppers in all countries, and to demographic profile of internet users in 4 countries (SK, SG, EG & UAE).

*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).

**Age, gender and region representative of online population (Age and gender representative in Switzerland). Quotas were not set for Nigeria, as online profile not available in this country.

Ipsos is a member of the MRS, and research was carried out according to MRS code of conduct.