



Arvato Payments Review

Essential insights for e-commerce success in new markets

Cross-border e-commerce is opening up a world of opportunities for retailers. You can reach out to dozens of new markets, and find millions of new customers. E-commerce also puts a world of choice in the hands of consumers, who think nothing of going abroad to find what they want. They might be looking for a better price, a better selection or better service. Give them what they want, and the world is yours.

But you need to know what you are getting into. The consumers in your new markets can behave completely differently to the ones you know from home. You can't rely on experience from your home market when you are trying to win over and keep customers in another country. That's why we have produced the Arvato Payments Review, to provide you with the knowledge and insights you need when you are expanding into new markets.

How to succeed in cross-border e-commerce

The Arvato Payments Review brings together extensive quantitative research with insights from our experts to provide the big picture when it comes to Payment Methods, Risk and Fraud, and Consumer Behaviour in 14 of the most vibrant e-commerce markets in the world.

We examined more than 200 primary sources and compiled the most essential information into a convenient guide to each country. By combining the figures from a wide variety of research, we could provide a holistic view – rather than relying on a single source.

Each country guide looks at key demographics and financials, the top online retailers, legal requirements, and consumer behaviour and expectations when it comes to things like delivery and returns. We also look in detail at how consumers prefer to pay in each market, identifying local payment heroes and the optimal mix of payment methods.

As well as success factors, it is also important to understand the downsides. We take a close look at risks in each country in terms of the types of fraud that can emerge and what you can do to minimise your exposure.

In addition to the country guides, you can also compare markets in terms of key parameters to see how they stack up against each other.

Your customers are comparing you with your competitors

Comparison is at the heart of cross-border e-commerce. Smart consumers shop around, and with online shopping they know of a better deal with the click of a mouse or tap of their phones. The research in our Arvato Payments Review confirms our observation that some markets are more open to shopping across national borders, while others are more content with their local retailers. Why some and not others? For some markets, consumers are simply happy with what they can get locally: the selection, service and prices match their demands, so there is no need. But there are often other factors that play into this.

Trust is one of the big ones. Consumers who are reluctant to shop internationally are often concerned about how warranties and returns will work if they buy cross-border. There might even be an inherent bias towards local retailers, who consumers perceive to be more reliable, or faster, when it comes to delivery. Another important factor here is accessibility: markets such as France and Germany express a clear preference for sites in their own languages.

But even in more conservative markets, cross-border shopping is becoming more popular – when it is done well. It comes down to providing consumers with what they are looking for: better prices, more choice, a richer all-round experience. With the most successful cross-border retailers, consumers don't care if they are domestic or international: they get what they want, quickly, cheaply and efficiently.

The key is to remove as much friction as possible, knowing and anticipating consumer demands and wishes. That boils down to knowledge and insight into the market. What are the legal requirements? Do consumers want a site in their own language? Do they expect next-day delivery? How do they want to pay?

Finding the optimal payment mix

Payments are at the heart of this review. Our research confirms that local payment heroes are essential for successful business. If you don't use Carte Bancaire in France, or iDEAL in the Netherlands, or offer open invoice in Germany, you are not in the game. The insights we are offering go beyond which payment methods to provide: in some markets, you would be well advised to work with a local card acquirer so you don't miss out on conversions.

A local partner can help in other ways. This is especially important to retailers entering a new market and not only with payments but also logistics and deliveries, returns and customer service. Many retailers choose to work with a partner who can help in one or more of these areas, especially during launch, to assist with local insights and information, payments, logistics, and even service centres. It's a sure-fire way to hit the ground running and establish a good reputation among your new customers.

All this information is vital for you when entering new markets. And you will find it here. Once you know what to expect, your business will have a real competitive edge – regardless of where your customers are.

Contact

If you have questions or want to know more about what Arvato can do for you, you are welcome to contact Emma Solman, Marketing Manager:

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About the Arvato Payments Review

The Arvato Payments Review provides retailers with country-specific information on payments and fraud-related topics in 14 of the most vibrant e-commerce markets in the world – 13 in Europe plus the USA – so they can make the right decisions in their e-commerce payment strategy.

The e-commerce payments landscape is becoming more and more fragmented. Not only do payment methods vary from market to market but consumers are becoming more sophisticated.

Alongside advances in technology, changes in banking regulation are clearing the way for new players to enter with solutions that are designed around convenience, safety and simplicity – all heavily supported by strong mobile adoption and advances in authentication technology such as biometric identification.

In this rapidly evolving world, retailers looking to expand their business internationally often lack objective insight into local market conditions as well as relevant advice on payments and risk management. The Arvato Payments Review provides that insight and advice.

Methodology

The Arvato Payments Review has been compiled by Arvato Financial Solutions, a division of Arvato Bertelsmann, and business consultancy mm1. The findings are based on secondary research and analysis by consulting firms such as McKinsey, BCG, and AT Kearney, as well as

reports from payments and e-commerce associations such as the Merchant Risk Council, facts and figures on e-wallets and other payment schemes and providers, and news articles. The Arvato Payments Review also features recommendations and advice from Arvato experts in the areas of payment methods, fraud and risk, and consumer behaviour.

Arvato Financial Solutions

Arvato Financial Solutions delivers a complete suite of financial services that improve business processes while delivering a better overall customer experience. Cutting-edge solutions covering everything from risk assessment, payments and invoicing to debt collection and management ensure convenience in every transaction. Part of Arvato Bertelsmann, Arvato Financial Solutions is Europe's third-largest integrated financial service provider specialising in the retail/e-commerce, telecommunications, insurance, banking and healthcare industries.

finance.arvato.com

MM1

mm1 supports large companies in digital transformation and designing products and processes for an increasingly digital world. Some 50 consultants provide services ranging from developing connected business strategies and business models to ensuring efficient operational implementation. mm1's customers include companies in the telecommunications, media, consumer electronics, financial services and automotive industries.

mm1.com

How to read this report

Important definitions

Cross border sales: the percentage of domestic and cross-border e-commerce in a country.

Ease of Doing Business Index: The higher a country's ranking in the World Bank Group's Ease of Doing Business Index, the more business-friendly local regulations are when establishing a presence there.

E-commerce turnover is defined by the Global Online Measurement Standard for B2C E-Commerce. Accordingly, business-to-consumer e-commerce turnover includes all online transactions between businesses and consumers on desktop computers, laptops, tablets, smartphones, and other devices both offline and online. B2C e-commerce turnover includes value-added tax or other sales taxes, delivery costs and apps, but excludes returns.

eGDP: the proportion of goods and services bought online in comparison to GDP. The rankings stated come from e-commerce association Ecommerce Europe.

Fraud rate: the percentage of total sales lost because of fraud each year.

Logistics Performance Index: The World Bank's benchmarking tool *Logistics Performance Index* is a measure of a country's logistical friendliness with around 160 countries ranked on their trade logistics performance.

Mobile adoption: smartphone use as a percentage of the total population.

Mobile commerce: the ability to conduct commerce using a mobile device, for example mobile phone, smartphone, tablet or other mobile equipment.

Manual order review rate: the percentage of e-commerce transactions manually reviewed by retailers.

Explanatory notes




Issuer landscape: the percentage of traditional 3D Secure and risk-based authentication programs by market.

Market demographics: the local population over 15 years of age and the corresponding percentage of internet users and online shoppers.

Relevant payment methods

The term 'cards' includes both credit and debit cards. The number of consumers using a payment method is indicated by blue dots (one blue dot is equal to 10%).

'Trend' points to the future popularity of a payment method, whereas 'risk' indicates the level of threat associated with a payment method. Arvato uses the following symbols to give its assessment:

-  strong increase expected
-  no change expected
-  strong decrease expected

-  high risk
-  moderate risk
-  no risk

Austria

Executive Summary

In comparison with the other DACH markets, Austria is a relatively small e-commerce market with credit card, open invoice and online bank transfer as the prevalent payment methods



Austria has a mature e-commerce market, with some of the highest cross-border sales in the world. Challenges include low connectivity in rural areas and a demanding consumer population.

Market development

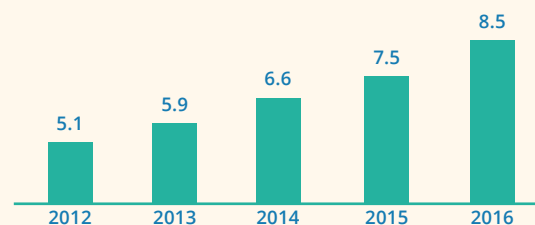
Yearly B2C-turnover in € bn

Distribution (2015)

CAGR: 13.6%

Physical: 35%

Digital: 65%



Market demographics

Population > 15 years	7.4m
Internet users	85%
Online shoppers	58%
GDP per capita	38,000 €
spending per shopper & anno:	1,759 €

Top 10 retailers

1. Amazon.at	6. E-tac
2. Universal	7. Amazon.com
3. Zalando	8. HM
4. Ottoversand	9. Conrad
5. edusch	10. Apple

Assessment/Recommendations

Opportunities

Cross-border: Enter the Austrian market via your German shop presence.

E-commerce spending: Average per capita e-commerce spending is far above the European average.

Threats

Expect serious competition from local champions with significant market share and strong user loyalty.

Recommendations

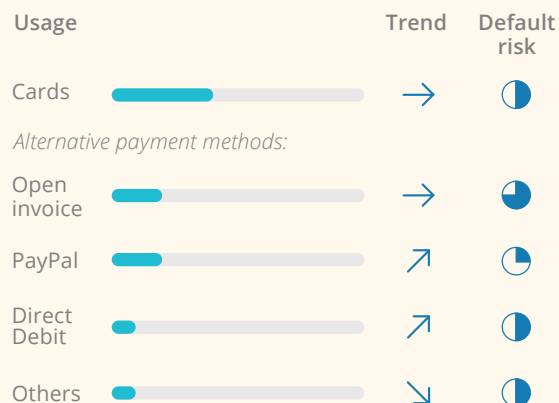
- Be aware that the Austrian dialect might differ from standard German, and adjust product descriptions accordingly.
- Localise your online presence with respect to addresses, URLs and telephone numbers.
- Avoid duplicate content and use "`<link rel="alternate" hreflang="Sprache" href="URL" />`" tag to improve your Google ranking.

Market characteristics

Logistics performance index	14th
Ease of doing business index	12th
eGDP ranking	9th
Unemployment rate	5.7%
Inflation rate	0.8%

Credit cards are relatively popular as they are seen as a secure method for cross-border payments.
Open invoices, pay-after-delivery and PayPal are also popular payment methods.

Payment methods



Arvato's take on this market

- Austria has a high number of cross-border e-shoppers who prefer credit card as it is perceived to be the easiest way to make international payments.
- Physical goods are preferably paid for via open invoice/pay-after-delivery or PayPal. Services and digital content are more often paid for via credit card or PayPal.
- If open invoice is not supported, payment conversion drops significantly (31%). PayPal should also be supported, as on average 19% of customers terminate their checkout process if it is not offered.
- Due to its size and the high share of e-commerce spending, Austria is very suitable as a test market for new products and shops.

Specific card information

Card schemes:



Local acquiring recommended?

No.

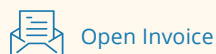
Further information

Due to the relatively high share of cross-border shopping, Austrian consumers are also used to paying with credit cards domestically.

Specific information on APMs

- Instalments or account solutions are standard, and "nice to have" as part of a pay-after-delivery solution.
- When offering open invoice without partners, internal credit and risk management as well as accounts receivable and collection services are necessary.

Local payment hero:



Required payment methods



Open Invoice



Credit Cards



Direct Debit



PayPal

Watchlist

N/A

One peculiarity to Austria is that addresses are often organised by stairways and apartment numbers, without any names. This can facilitate fraud in urban areas.

Expert tip
Make sure that the billing address includes house number, stair number and apartment number

Card related fraud

N/A

Relevance of typical fraud scams

N/A

Arvato's take on this market

- Payment risk is expected to rise. Almost one in three respondents in Austria believe that risks from the company's debtors will increase over the coming 12 months, more than twice the average for Europe as a whole.
- Open invoice drives conversions but also increases the risk of fraud significantly. It is therefore recommended that retailers work with partners and outsource these risks.
- We observe that fraud strongholds are situated in large cities such as Vienna.
- 43% of Austrian retailers perceive cybercrime as a threat. More than 50% of Austrian merchants have introduced risk management tools to protect themselves against cybercrime.
- The "Stairway Problem": Apartment house addresses are often organised by stairways and apartment numbers without any names. This creates an issue with address fraud.
- Divergent shipping and billing address: Austrian law only allows retailers to pursue action against the person registered at the billing address, not the shipping address.

Risk management tools



Country-specific tools

N/A



Advanced tools

Device fingerprinting
3D secure

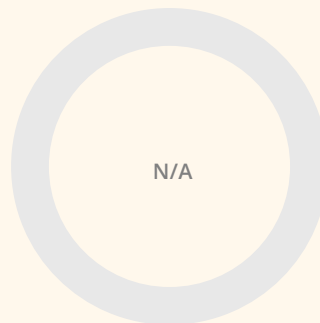


Classical tools

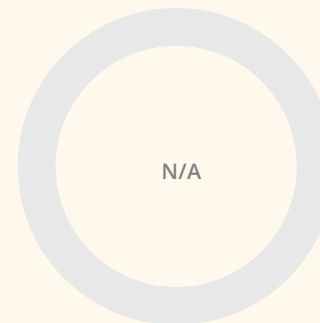
CVN
Negative lists

Card authentication

3D secure adoption rate

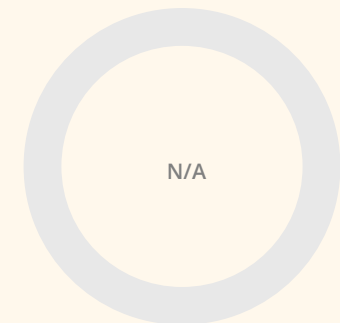


Issuer landscape



Manual order review rates

In percent of total transactions



Consumers are used to shopping outside Austria for quality goods at a fair price.
E-commerce is mostly active in urban areas. Austrians expect free delivery, but not free returns.

Consumer behaviour

1



Austria is a mature e-commerce market.



For Austrian consumers, transparency (with respect to payment costs, customer data, etc) is highly important.



Good quality, good value for money and free delivery are the three main decision criteria for Austrian e-shoppers.

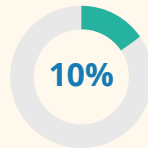
Market peculiarities

2

Mobile adoption



% of m-commerce



Gender distribution

Slightly more male shoppers



Share of online retail of goods

9.0%



Fastest growing segments

Health & Beauty, Sports & Recreation



Currency

Euro



Preferred segments

Clothing, Shoes & Media, Entertainment



Reasons for buying in own country

AUT meets needs, assuming returns abroad are difficult/costly



Reasons for buying abroad

Better availability & conditions, appealing offer

Cross border

3



Cross border only 7%

Domestic and cross border 78%

Domestic only 15%

- The proportion of cross-border sales is among the highest in the world.
- German merchants benefit most.

Logistics

5



Customers expect a fast delivery service (1-3 days). To increase first-try delivery and convenience, it is recommended that you work with partners who offer re-routing options.

Free returns are not expected by Austrian customers, who are used to paying the costs for their returns themselves.

There are significant differences between urban and rural areas in relation to digitalisation, APM affinity and shopping behaviour.

Law and regulations

4

- Your "buy" button needs to include the wording "Zahlungspflichtig bestellen" or similar.
- Certain information must be displayed before the customer reaches the "buy button".

Belgium

Executive Summary

After a slow start, Belgium is now one of the fastest-growing e-commerce markets in the world. It is relatively easy to enter without offering additional local payment methods right away



This mature and growing market is multilingual and well connected to neighbours, giving Belgium strong potential as a hub for e-commerce businesses.

Market development

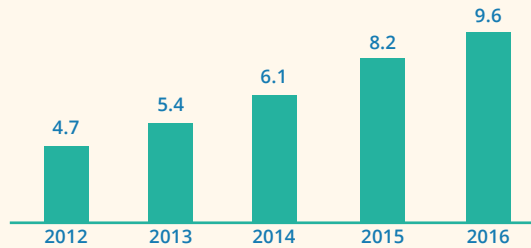
Yearly B2C-turnover in € bn

CAGR: 19.5%

Distribution (2015)

Physical: 50%

Digital: 50%



Market demographics

Population > 15 years	9.3m
Internet users	86%
Online shoppers	74%
GDP per capita	36,500 €
spending per shopper & anno:	1,191 €

Top 10 retailers

1. Amazon	6. Bol.com
2. Zalando	7. Proximus
3. 3Suisses	8. Nespresso
4. Coolblue	9. Tele Ticket Service
5. Colruyt Group	10. La Redoute

Assessment/Recommendations

Opportunities

Logistics network: The Belgian logistics network is excellent and offers promising cross-border opportunities.

Bancontact: Strong authentication method leads to low fraud rates.

Threats

Language: Language difference can be a challenge: some products have completely different names in the different regions.

Recommendations

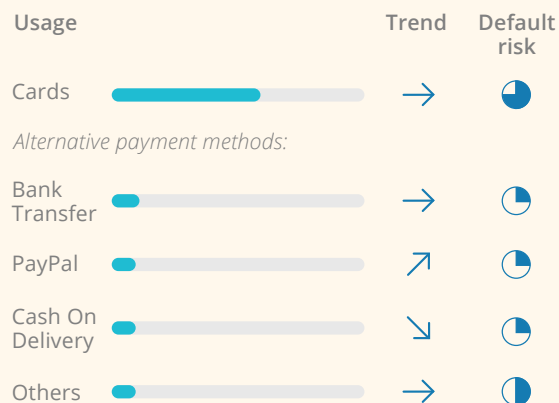
- It is recommended that you localise your online shop, with the appropriate language (Dutch, French or German) and by offering local delivery and return options.
- Keep in mind that mobile payments are developing and influencing habits. So offer them.

Market characteristics

Logistics performance index	3th
Ease of doing business index	43th
eGDP ranking	12th
Unemployment rate	8.5%
Inflation rate	0.6%

Bancontact is a debit payment method with strong consumer authentication, making risks negligible.
Bancontact is linked to a bank account and can be used in-store and online via a card or mobile app.

Payment methods

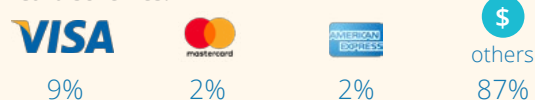


Arvato's take on this market

- The current relative share of cards versus APMs is expected to remain stable for the remainder of this decade.
- Use of credit cards is very popular. The local loyalty scheme rewards consumers for using their credit cards. Consumer card protection has further boosted popularity.
- Similar to MasterCard and Visa debit card payments, the interchange fees for Bancontact have been capped at 0.20% of the transaction amount. Moreover, the Bancontact interchange fee has been capped at €0.05 for online transactions. This will further reduce fees for merchants and will entice merchants to increase acceptance.

Specific card information

Card schemes:



Local acquiring recommended?

Yes.

Further information

86% are Bancontact/Mister Cash cards. To ensure high acceptance rates, local acquiring is advisable (via EMS or Wordline connections).

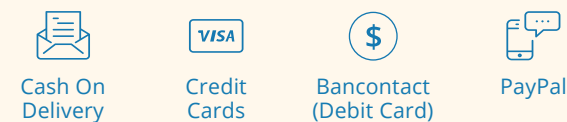
Specific information on APMs

- Bancontact allows customers to initiate real-time card transactions to buy products and services. Bancontact is linked to a bank account and can be used in-store, online and via a mobile app.
- Bancontact transactions do not have the same chargeback risk commonly associated with card payments.
- Over 80% of all Belgians online retailers offer Bancontact.

Local payment hero:



Required payment methods



Watchlist

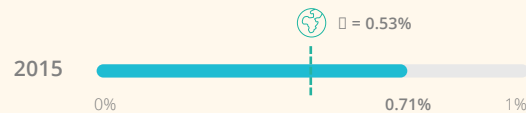
Sofort Banking AfterPay

Government-issued electronic identity cards (eID) provide secure proof of identity, and are therefore used in the ID authentication purposes. Only 8% of the population have been victims of online fraud.

Expert tip

Bancontact is second in popularity to cards: more than 80% of all online merchants accept this method.

Card related fraud



Relevance of typical fraud scams

Phishing



Identity theft



Risk management tools



Country-specific tools
eID



Advanced tools
Device fingerprinting
3D secure



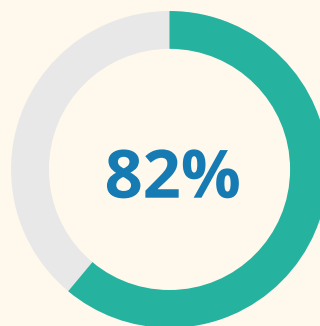
Classical tools
CVN
Negative lists

Arvato's take on this market

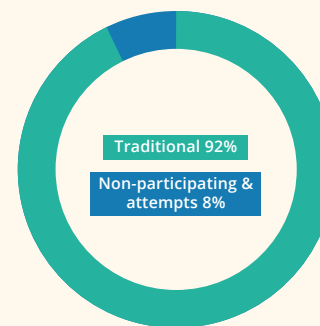
- In Belgium, 91% of Belgian consumers have not experienced online banking fraud. However, 1% have been victim several times, while 8% have been defrauded at least once.
- Bancontact is a highly secure debit-card payment method with strong consumer authentication, making fraud risks negligible.
- A combination of internal (e.g. negative lists) and external tools (e.g. 3D-Secure) seems most appropriate for reducing fraud. The government-issued electronic identity card (eID) provides greater proof of identity and is therefore used for consumer authentication purposes.

Card authentication

3D secure adoption rate

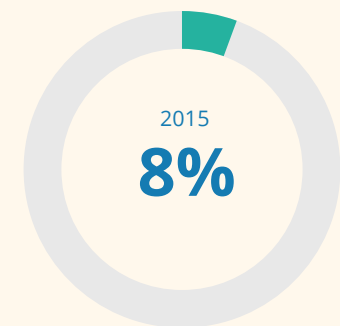


Issuer landscape
2016



Manual order review rates

In percent of total transactions



Belgians are open to cross-border e-commerce, looking for bargains and better selection in neighbouring states often corresponding to the shopper's language. Easy returns and price are key drivers for shopping online.

Consumer behaviour

1



Belgium is now a mature e-commerce market.



Consumers are very price-sensitive, focusing on getting the best value for their money.



Simple returns and price are the key drivers for shopping online.

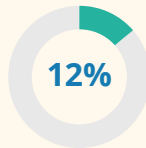
Market peculiarities

2

Mobile adoption



% of m-commerce



Gender distribution

Slightly more male shoppers



Share of online retail of goods

6%



Fastest growing segments

Clothing and overnight stays



Currency

Euro



Preferred segments

Clothing, Telecom, Media & Entertainment



Reasons for buying in own country

Not trusting foreign sites; worrying about foreign customer service



Reasons for buying abroad

Better availability and conditions; appealing offer

Cross border

3



Cross-border only 5%

Domestic and cross-border 29%

Domestic only 66%

- Only 44% of those who have shopped cross-border feel confident about doing so.
- Belgium consumers tend to buy from their near neighbours.

Logistics

5



42% of Belgium consumers consider it important that a maximum three-day delivery option should be on offer.

In Belgium, home delivery is also the most favoured delivery option, but is followed by pick-up at a local delivery point such as one of the 720 Kariboo pick-up points throughout the country.

Although 34% of online shoppers favour free delivery, a further 28% are prepared to pay between €4.00 and €7.50 for delivery.

Law and regulations

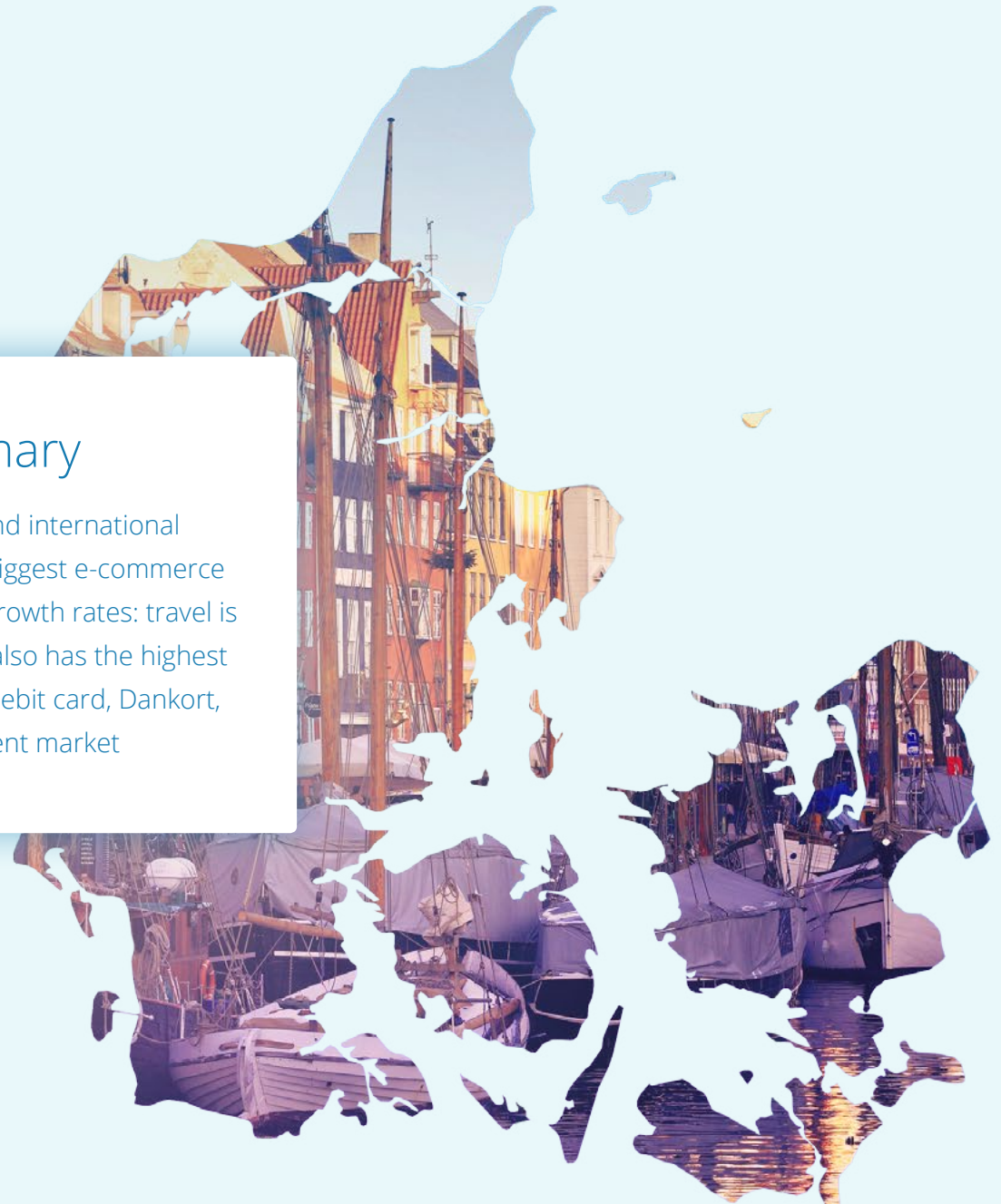
4

Consumer protection law: certain business details must be available on the website, including contact information and how contracts are concluded. If not displayed, contracts might be invalid.

Denmark

Executive Summary

Taking into account both domestic and international e-commerce shopping, Denmark is the biggest e-commerce market in the Nordics, with tremendous growth rates: travel is the strongest segment online. Denmark also has the highest card share in the Nordics. The national debit card, Dankort, still dominates the online payment market



Denmark offers great opportunities, with a well-established e-commerce market and high adoption of secure payment methods.

Market development

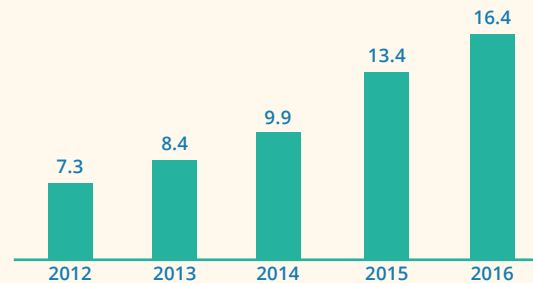
Yearly B2C-turnover in € bn

CAGR: 16.4%

Distribution (2015)

Physical: 69%

Digital: 31%



Market demographics

Population > 15 years	4.7m
Internet users	97%
Online shoppers	80%
GDP per capita	45,500 €
spending per shopper & anno:	3,111 €

Top 10 retailers

1. Amazon	6. Elgiganten
2. Saxo	7. Billetnet
3. Zalando	8. Wupti
4. Cdon	9. Coop
5. H&M	10. Bilka

Assessment/Recommendations

Opportunities

Market: The Danish e-commerce market has one of the best combinations of market conditions and opportunities (high spending shoppers, good infrastructure). Consumers are highly connected, and open to new solutions and services.

Threats

Payment methods: To enable all Dankort payments further actions are needed (see Payment Methods: specific information on APMs).

Recommendations

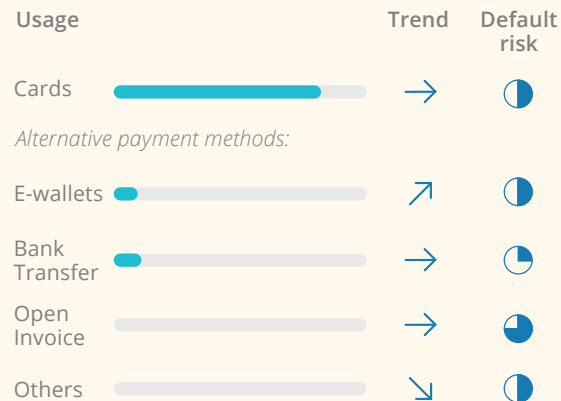
- Adapt your e-commerce business to mobile devices: Denmark is ahead of its Nordic neighbours in mobile payments.
- Choose a strong logistics partner so you can offer fast and flexible delivery as well as return handling.

Market characteristics

Logistics performance index	3th
Ease of doing business index	43th
eGDP ranking	12th
Unemployment rate	8.5%
Inflation rate	0.6%

Cards are popular, open invoices less so. The national debit card Dankort dominates in all age groups.

Payment methods



Arvato's take on this market

- Geographically, Denmark is a relatively small market, without the strong mail-order tradition present in other Nordic markets. This, combined with limited access to personal data and a lower ability to validate for credit-worthiness, is a likely explanation for the success of card payments, and the relative lack of success for open invoice or pay-after-delivery solutions compared with other Nordic markets.
- It is not so strange, then, that e-wallets are increasing in use in Denmark, with the ability to use the same solution both online and offline driving consumer adoption. In particular, Danske Bank's wallet solution MobilePay has come to play an increasingly important role: nearly three-quarters of all Danes have used MobilePay for money transfers. All other Danish banks have recently decided to terminate their own initiatives and allow their customers to use MobilePay.
- In the near future, the payment market is likely going to be more fragmented than today, with new players entering with solutions that are convenient, safe and simple - a development heavily supported by strong mobile adoption in the Nordics and the presence of strong identification solutions such as fingerprints, device ID and mobile Bank-ID.

Specific card information



Local acquiring recommended?

Yes.

Further information

Just like its Nordic neighbours, Denmark is going cashless: there is a 2030 deadline for completely eliminating banknotes.

Specific information on APMs

- The national debit card, Dankort, still dominates as the favourite type of online payment throughout all age groups.
- The co-branded cards can be acquired via the VISA processing route (with the VISA fees). To also enable the "pure" Dankort cards, e-retailers have to reach agreement with the local acquirer Nets and need to register with a Danish CVR number (Dankort transactions are priced around €0.18-0.25).

Local payment hero:



Dankort and Dankort co-branded VISA

Required payment methods



E-wallet



Credit Cards



Online Bank Transfer

Watchlist

MasterPay

ApplePay

Fraud is generally low, with identity theft the most common type.
Fraudulent delivery addresses given for pay-after-delivery options are a risk.

Expert tip
Make sure you meet the Danish requirements in terms of payment. Offer easy return policies.

Card related fraud

N/A

Relevance of typical fraud scams

N/A

Arvato's take on this market

- The Nordics do not represent a particularly high risk in card fraud and research by go2checkout.com shows that Norway, Sweden and Denmark score as some of the lowest fraud risk areas globally (by IP address of perpetrators).
- In 2014, Denmark was the country with the lowest percentage of fraudulent e-commerce transactions. However, fraud does exist, with identity theft appearing to be the most common type of fraud.
- For card payments, all major issuers allow consumers to block online purchases or purchases from specific markets.
- 3D Secure is widely used among merchants, and the electronic ID solution Nem-ID could also be advisable for retailers in fraud-vulnerable segments. However, it is worth noting that the solution is based on one-time keys which can impact overall ease of checkout and conversion rates.
- Offering pay-after-delivery options, on the other hand, will drive conversions, but also increase the risk of fraud. In particular, fraudulent delivery addresses are used, and goods are bought with no intention to pay (only to resell goods); not just by Danish citizens but also by foreigners entering Denmark, acquiring a Nem-ID and then leaving after the frauds have been committed.
- Mitigate this by using a financial partner to outsource these risks – in the Danish market this is a standard part of the overall financial agreement between a retailer and an open-invoice provider.

Risk management tools

1



Country-specific tools
Nem-ID



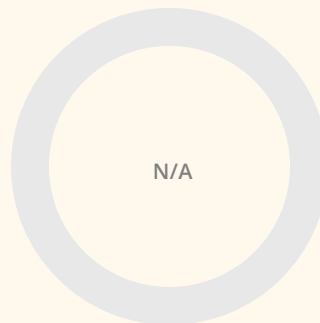
Advanced tools
Device fingerprinting
3D secure



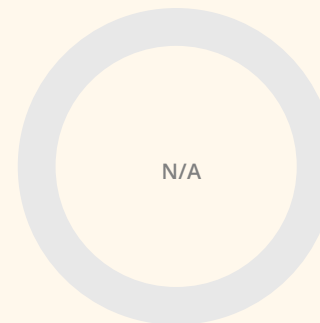
Classical tools
CVN
Negative lists

Card authentication

3D secure adoption rate

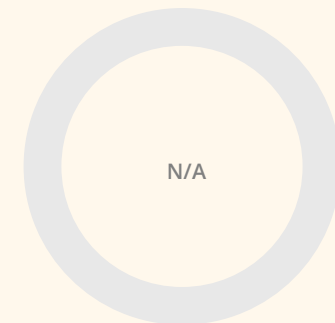


Issuer landscape



Manual order review rates

In percent of total transactions



Danish consumers are tech-savvy early adopters of new solutions and services.
90% of Danes can speak English, and often make cross-border purchases.

Consumer behaviour



Denmark is a mature e-commerce market.



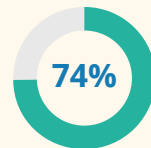
Danish consumers are highly connected, and fast at adapting to new technological solutions and services.



90% can speak English.

Market peculiarities

Mobile adoption



% of m-commerce



Gender distribution

Slightly more male shoppers



Share of online retail of goods

24%



Fastest growing segments

DIY, Food, Media and Electronics



Currency

Danish krone



Preferred segments

Clothing, Lifestyle, Media, Food



Reasons for buying in own country

No uncertainty about terms and conditions, consumer rights, customs or VAT



Reasons for buying abroad

Lower prices, availability

Cross border



- Half of Danish online shoppers buy from foreign sites (mainly due to lower prices).
- Danes spend around €3.2 billion cross-border.

Logistics



Track and trace is quite important for Danish online shoppers.

Danes have the highest expectations concerning fast deliveries of all Nordic countries, so offer rapid deliveries. Consumers in Denmark prefer home delivery.

It's a good idea to offer several delivery options that allow consumers to choose their preferred alternative. You can also provide delivery to home/workplace or to automated parcel lockers.

Law and regulations

The Danish eCommerce Association (FDIH) is an industry association that provides a range of support services for companies trading online.

Finland

Executive Summary

With young consumers already used to cross-border shopping, older segments of the Finnish population are now catching on quickly to online shopping. The Finnish e-commerce sector is still dominated by online bank transfers and card payments, and is yet to fully exploit the benefits provided by other APMs

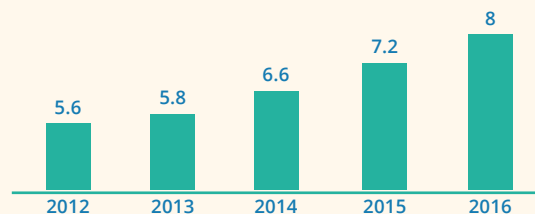


Young Finnish consumers are leading an increase in cross-border shopping.
Shops in the unique Finnish language are a good first step for new players.

Market development

Yearly B2C-turnover in € bn

CAGR: 9.3%



Market demographics

Population > 15 years	4.6m
Internet users	97%
Online shoppers	79%
GDP per capita	40,800 €
spending per shopper & anno:	2,170 €

Top 10 retailers

1. Verkkokauppa	6. H&M
2. eBay	7. CDon
3. Gigantti	8. Hobbyhall
4. Zalando	9. Ellos
5. Amazon	10. Prisma

Assessment/Recommendations

Opportunities

Consumer: Finnish online consumers are not as demanding as, for example, Swedes in regards to delivery time or return rates. The elderly generation is catching up.

Threats

Market & trust: Merchants still need to develop trust in online shopping to drive e-commerce sales further.

Recommendations

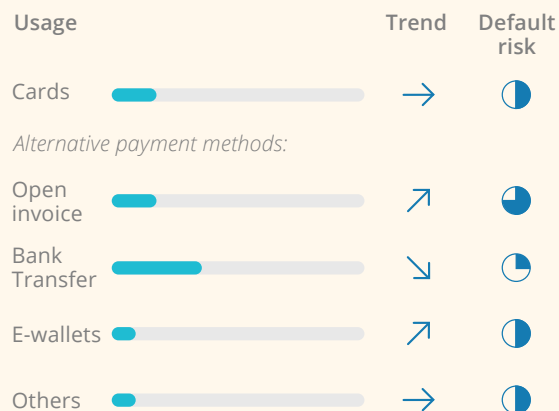
- For logistics: a combination of physical and online stores can satisfy demand for accessibility and provide delivery to the workplace or automated parcel lockers.
- Provide your online shop in the local language: Finns are more likely to buy from a shop in their own language.

Market characteristics

Logistics performance index	14th
Ease of doing business index	12th
eGDP ranking	9th
Unemployment rate	5.7%
Inflation rate	0.8%

Finland is at the forefront of open invoice payments, which are the second most used payment method in the market after bank transfers.

Payment methods



Arvato's take on this market

- Online bank transfer is the dominant choice of consumers in Finland.
- Finland is at the forefront of open invoice payment: this alternative payment method is the second most-used in the market.
- Credit and debit cards are equally popular. Finns are slightly more cautious about providing personal data and information than other Nordic consumers. This could mean that m-commerce adoption will be slower than in other Nordic markets. Carrier billing is preferred by many Finns when using their mobile phone to shop.
- In the near future the payment market is likely going to be more fragmented than today, with new players and initiatives like Siirto* entering with solutions that are convenient, safe and simple.

**Siirto is the recently announced joint effort of the three largest Finnish banks to provide real-time mobile payments for online and offline as well as P2P.*

Specific card information

Card schemes:



N/A



N/A



N/A



others
N/A

Local acquiring recommended?

No.

Further information

The Finns make almost twice as many cashless transactions than the average EU citizen (per capita)

Specific information on APMs

- Instalments or account solutions are standard, essentials as part of the open-invoice payment method.
- Most invoice solutions are financed by third-party providers. There are a few major suppliers such as Arvato and Klarna.

Local payment hero:



Open Invoice

Required payment methods



Open Invoice



Credit Cards

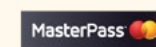


E-wallet



Online Bank Transfer

Watchlist



Until recently, Finland has had a relatively low proportion of fraudulent transactions, but this is changing. Finnish statistics show that fraudulent online payments grew 167% from 2015 to 2016.

Expert tip
Offer free returns and adapt to the local language.

Card related fraud

N/A

Relevance of typical fraud scams

Identity theft



Clean Fraud



Phishing



Arvato's take on this market

- In 2014, Finland had the third-lowest rate of fraudulent e-commerce transactions. Yet, there are some common fraud scams worth noting:
 - Identity theft, especially the use of a stolen SSN to shop online. Mitigate and reduce this by accepting only deliveries to an official address, or "collect at store" with ID check.
 - Stealing card data and then pretending to be an official, asking for the PIN for security reasons, or simply using the stolen card for purchases and asking for delivery to pick-up stations.
- For card payments, all major issuers allow consumers to block online purchases or purchases from specific markets.
- All online bank transactions must be authorised with the strong identification method TUPAS, a joint initiative of all banks in Finland. Card issuers also require merchants to use TUPAS for all card transactions if a liability shift is desired by the merchant. Strong authentication can be circumvented but then the merchant is liable for losses.
- Offering open invoice will drive conversions, but also increase the risk of fraud. Mitigate this by using a financial partner to outsource these risks – in Denmark, for example, this is a standard part of the overall financial agreement between a merchant and an open-invoice provider.

Risk management tools

1



Country-specific tools
TUPAS



Advanced tools
Device fingerprinting
3D secure



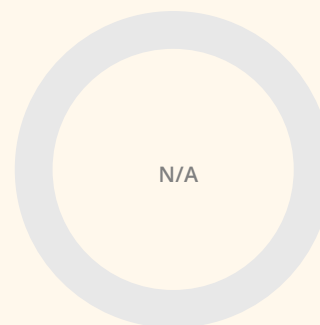
Classical tools
CVN
Negative lists

Card authentication

3D secure adoption rate

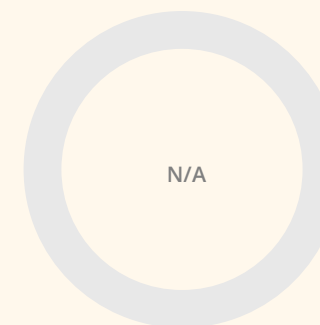


Issuer landscape



Manual order review rates

In percent of total transactions



Finnish consumers are very patient regarding delivery time. Older shoppers are catching on to the benefits of shopping online.

Consumer behaviour

1



Finland is a mature e-commerce market.



Out of the Nordics, Finland has the highest growth rates for online shoppers, and now the older generation especially is catching up.

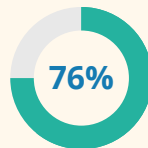


The percentage of Finns using m-commerce is less than half the figure for Swedes.

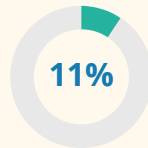
Market peculiarities

2

Mobile adoption



% of m-commerce



Gender distribution

N/A



Share of online retail of goods

8.2%



Fastest growing segments

N/A



Currency

Euro



Preferred segments

Clothing & Footwear, Travel



Reasons for buying in own country

N/A



Reasons for buying abroad

N/A

Cross border

3



- Finland has a high proportion of cross-border e-commerce.

Logistics

5



Finnish consumers are very patient regarding delivery times.

Collecting from service points is not as common in Finland as in other Nordic countries.

Free returns were required under Finnish law but this has been replaced by EU legislation. However, consumers still expect this level of service.

But they are ahead in deliveries to automated parcel lockers.

Law and regulations

4

Finland has one of the highest VAT rates with 24%. Finns had the right, by law, to return any goods free of charge. This is no longer the case since Finland aligned with EU regulations.

France

Executive Summary

France is a mature e-commerce market with modest growth rates. French payment methods are strongly geared towards the use of Carte Bancaire





France is the second-largest e-commerce market in Europe, with strong purchasing power and high e-commerce imports.

Market development

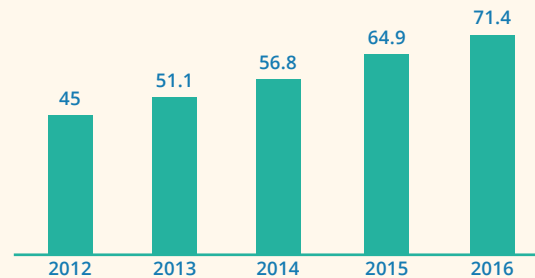
Yearly B2C-turnover in € bn

CAGR: 12.2%

Distribution (2015)

Physical: 50%

Digital: 50%



Market demographics

Population > 15 years	53.5m
Internet users	87%
Online shoppers	66%
GDP per capita	32,900 €
Spending per shopper & anno:	1,780 €

Top 10 retailers

1. Amazon	6. priceminister
2. cdiscount	7. e.leclerc
3. fnac	8. darty
4. ebay	9. voyages-sncf
5. carrefour	10. la redoute

Assessment/Recommendations

Opportunities

E-commerce size: France is the second largest e-commerce market in Europe, with good purchasing power.

Carte Bancaire: If exploited, could provide strong approval rates.

Threats

Regulatory compliance and reporting: Before doing business in France assess all the CIT, VAT, declarative and invoicing impacts first.

Market: France is one of the more difficult markets for retailers.

Recommendations

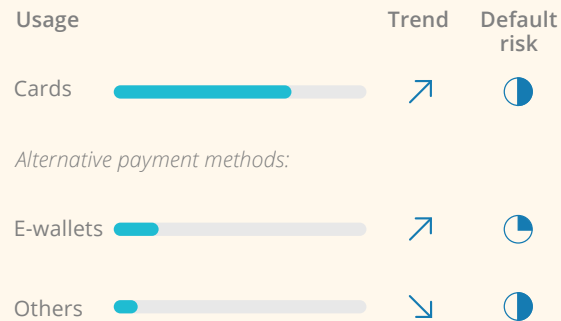
- Ensure use of the **Carte Bancaire** channel as a payment offering to gain stronger approval rates.
- Delivery methods** are becoming an important aspect of retail competition. The click-and-collect system is a key part of a multi-channel retailer strategy.

Market characteristics

Logistics performance index	13th
Ease of doing business index	27th
eGDP ranking	4th
Unemployment rate	10%
Inflation rate	0.1%

The Carte Bancaire card is by far the most popular payment method – 95% of French consumers have one. Alternative payment methods have been very slow in gaining traction among both consumers and institutions.

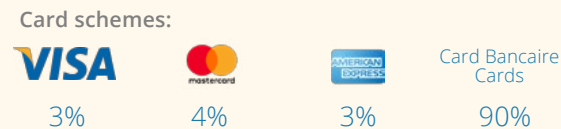
Payment methods



Arvato's take on this market

- Cards from Carte Bancaire, an interbank scheme that requires a connection to a local acquirer, dominate the payments landscape. 63 millions cards have been issued and 95% of French consumers own one.
- Alternative payment methods have been very slow in gaining traction among both consumers and institutions.
- Paylibis, a French bank-owned e-wallet that contains cards supported by Carte Bancaire in France, has three times as many users as PayPal.
- We see low authorisation rates in France for PayPal (77%) for physical goods.
- Merchants processing via the local CB network are likely to enjoy higher approval rates.

Specific card information



Local acquiring recommended?

Yes.

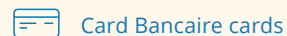
Further information

Carte Bancaire cards dominate the payments landscape.

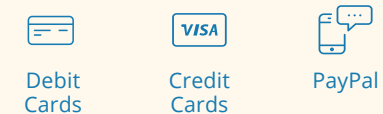
Specific information on APMs

- 95% of consumers own a Carte Bancaire card; 63 million cards have been issued. The vast majority (approx. 95%) are co-branded cards and bear the Carte Bancaire and MasterCard or Visa logo.
- These cards can be processed on the local Carte Bancaire network.
- Merchants processing over the local CB network benefit from slightly better approval rates

Local payment hero:



Required payment methods



Watchlist

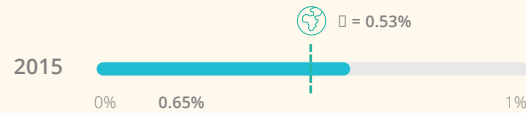


The adoption of 3D Secure is significantly lower than in other European nations, which contributes to a relatively high rate of identity theft.

Expert tip

Paylib could be an interesting alternative to risky credit cards, especially in mobile environments.

Card related fraud



Relevance of typical fraud scams

Identity Theft



Account Takeover



Arvato's take on this market

- Adoption of 3D Secure is significantly lower than in other European nations.
- New fraud prevention tools require long and complex processes to obtain approval from local data privacy agencies.
- The issuer landscape is strongly skewed towards "traditional", with only 3% using RIBA with challenges.
- 2.35% of sales are rejected due to the suspicion of fraud (2014).
- We observe that fraud strongholds are situated in large cities such as Paris.

Risk management tools



Country-specific tools

N/A



Advanced tools

Device fingerprinting
3D secure

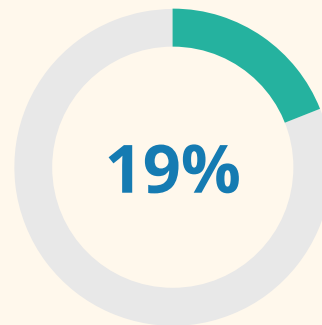


Classical tools

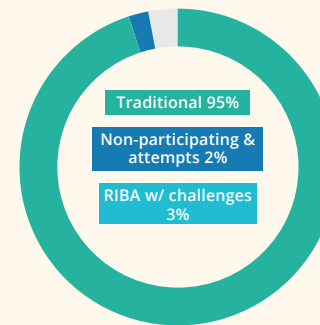
CVN
Negative lists

Card authentication

3D secure adoption rate

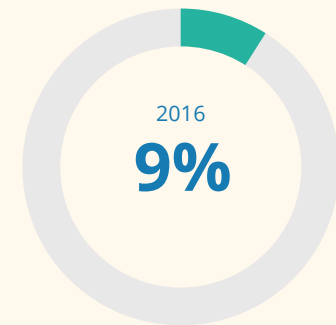


Issuer landscape
2016



Manual order review rates

In percent of total transactions



French consumers prefer free shipping over quick delivery, with click-and-collect the preferred method.

Consumer behaviour



France is a mature e-commerce market.



It is important to provide a tracking number and offer the option to choose a specific delivery date. Early notification of costs and time of delivery is advisable.

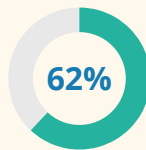


Free shipping is preferred to quick delivery.

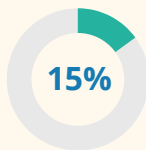
1

Market peculiarities

Mobile adoption



% of m-commerce



Gender distribution

Slightly more female shoppers



Share of online retail of goods

4.6%



Fastest growing segments

Media & Entertainment



Currency

Euro



Preferred segments

Clothing, Shoes, Lifestyle, Garden Appliances



Reasons for buying in own country

Lack of trust towards foreign sites

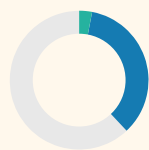


Reasons for buying abroad

Greater availability and variety of products

2

Cross border



Cross-border only 3%

Domestic and cross-border 35%

Domestic only 62%

- France is the third most popular destination for inbound **cross-border online shopping**

3

Logistics



The patterns and systems for online purchases are well established.

Delivery to **pick-up locations**, avoiding costs from the last kilometre, is accepted.

Local post services provide strong competition in the **logistics market**.

5

Law and regulations

Be aware of:

...data protection regulation ("Loi Informatiques et Libertés") when collecting personal data.

...the guidelines from CNIL (data protection authority).

4

Germany

Executive Summary

Germany is the second-biggest e-commerce market in Europe, with tremendous growth potential. The country's diverse payment landscape is dominated by local payment methods with challenging complexities



The second biggest e-commerce market in Europe, Germany offers tremendous growth potential. Challenges include a diverse and localised payment landscape and a cautious consumer population.

Market development

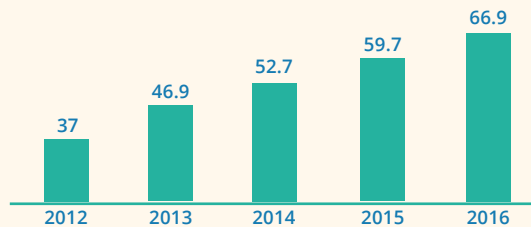
Yearly B2C-turnover in € bn

Distribution (2015)

CAGR: 16%

Physical: 67%

Digital: 33%



Market demographics

Population > 15 years	70.7m
Internet users	89%
Online shoppers	73%
GDP per capita	40,000 €
Spending per shopper & anno:	1,157 €

Top 10 retailers

1. Amazon	6. Tchibo
2. Otto	7. Bonprix
3. Zalando	8. Conrad
4. Notbooksbilliger	9. Alternate
5. Cyberport	10. Apple store

Assessment/Recommendations

Opportunities

Logistics: the German logistic network is excellent and offers promising cross-border opportunities.

M-commerce is on the rise with predicted CAGR expected to top 100% in coming years.

Threats

N/A

Recommendations

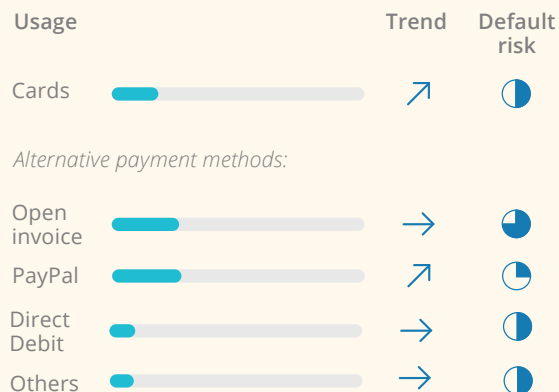
- Define a niche when entering the German market: it is important to stand out from the crowd.
- Increase conversion by offering open invoice and partnering with experts (AfterPay, Klarna, etc).
- Be aware of higher total shipment costs due to high return rates.

Market characteristics

Logistics performance index	1st
Ease of doing business index	7th
eGDP ranking	13th
Unemployment rate	4.6%
Inflation rate	0.1%

Open invoices are the long-standing preferred payment method, while there is growth in brands offering digital invoicing. Locally issued electronic cash and debit cards are also popular.

Payment methods



Arvato's take on this market

- Germans are very risk averse: they avoid incurring debt and providing personal financial information online: credit card penetration is therefore very low (approx. 30%).
- 95% of the relevant population has a bank account and therefore access to direct debit and online bank transfer.
- Open invoice is highly relevant for product categories with high return rates and order values, such as fashion; it is popular among all age groups, especially among customers over 55. The classical open invoice is declining but new (mostly branded, online) solutions are picking up.
- The e-wallet paydirekt was founded in 2014 by German banks and is currently supported by few German merchants.
- Direct debit is highly suitable for increasing customer loyalty and further the best payment method for subscription-based models. Instalment services are also gaining popularity in Germany. Offering the right mix of payment methods is crucial.

Specific card information

Card schemes:



Local acquiring recommended?

No.

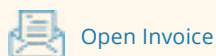
Further information

Only slightly more than 30% of the population possess credit cards.

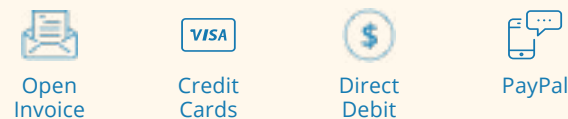
Specific information on APMs

- When introducing open invoice, retailers can expect a dramatic increase in payment checkout conversion because open invoice is among the most preferred payment methods in Germany.
- When offering open invoice without partners, internal credit and risk management as well as accounts-receivable and collection services are necessary.

Local payment hero:



Required payment methods



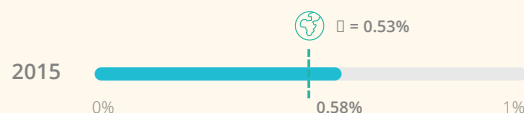
Watchlist

Paydirekt AfterPay

Open invoices drive sales, but increase the risk of fraud. Partnering with digital invoice providers is the evolving solution for retailers.

Expert tip
An easy online payment process is extremely important for German consumers.

Card related fraud



Relevance of typical fraud scams

N/A

Arvato's take on this market

- 38% of retailers manually review every order from a new customer.
- More than 50% of those who have introduced risk-management tools work closely with at least one risk-management service provider.
- Offering open invoice drives conversions but also greatly increases the risk of fraud. It is therefore advisable to work with partners and/or outsource these risks.
- Strong brands may want to choose a white-label partner to offer secure open-invoice payments under their own brand without any risks, while less powerful brands could choose a reliable branded payments partner such as Afterpay or Klarna.

Risk management tools



Country-specific tools
N/A



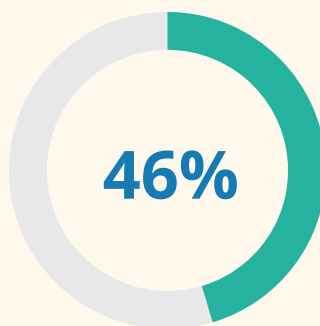
Advanced tools
Device fingerprinting
3D Secure



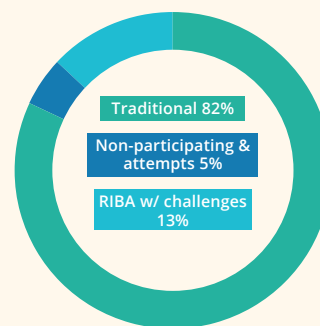
Classical tools
CVN
Negative lists

Card authentication

3D secure adoption rate

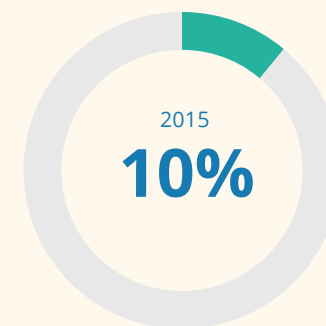


Issuer landscape
2016



Manual order review rates

In percent of total transactions



German consumers are prepared to shop around for the best price and experience. They are open to cross-border e-commerce, looking to neighbouring states for bargains and better selection. Germans return up to 50% of orders, and consumers expect those returns to be free.

Consumer behaviour

1



Germany is a mature e-commerce market.



Consumers love to compare prices and patronise discount stores; be aware of price-sensitivity.



Online shop operators need to check their web-sites diligently with regards to spelling and overall professional appearance.



Trust symbols might help if brands are totally unknown or their reputation still needs to be built up.

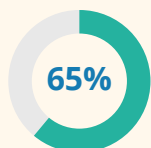


Germany has high return rates, with 50% of all orders being returned.

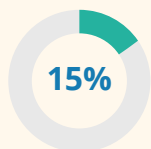
Market trends and information

2

Mobile adoption



% of m-commerce



Gender distribution

Slightly more female shoppers



Share of online retail of goods

11.6%



Fastest growing segments

Household Electronics and Food



Currency

Euro



Preferred segments

Clothing, Shoes and Personal Lifestyle



Reasons for buying in own country

German sites meet needs. Assumption that returns abroad are difficult/costly

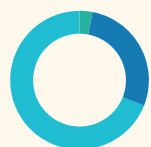


Reasons for buying abroad

Better availability and conditions. Appealing offer

Cross border

3



Cross-border only 3%

Both 28%

Domestic only 69%

- The Netherlands, UK and Austria are the most popular targets for cross-border purchases.

Logistics

5



Customers expect a 1-2 day delivery service but are also open to collecting packets from parcel shops or locker locations. Be aware of the short delivery time required and offer such solutions.

Free returns were required under German law but this has been replaced by EU legislation. However, consumers still expect this level of service.

Law and regulations

4

Ensure that T&Cs and website information conform to legal requirements. Consumers and competitors are likely to pursue legal action if the information falls short of these standards.

The Netherlands

Executive Summary

The highly developed Dutch e-commerce market has the advantage of widespread, affordable and easy-to-handle payment methods for retailers





A high percentage of transactions are carried out on mobile devices. Peer-to-peer payments are growing – interesting new players in this field are Bunq & Tikki

Market development

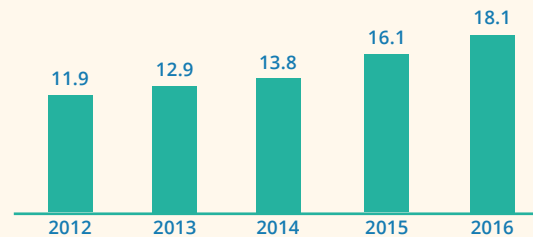
Yearly B2C-turnover in € bn

Distribution (2015)

CAGR: 11.1%

Physical: 50%

Digital: 50%



Market demographics

Population > 15 years	13.9m
Internet users	98%
Online shoppers	93%
GDP per capita	40,000 €
Spending per shopper & anno:	1,242 €

Top 10 retailers

1. Bol	6. H&M
2. RFS Holland Holding	7. KPN
3. Zalando	8. Ticketmaster
4. Coolblue	9. Hema
5. Thuisbezorgd	10. Otto

Assessment/Recommendations

Opportunities

Logistics: The Dutch logistic network is excellent and offers promising cross-border opportunities.

Introduction of new brands: Consumer appetite for foreign brands and retailers is driving demand.

Threats

Internet users: 98% of the relevant population already uses the internet, so expect modest future growth in the online shopper base.

Recommendations

- Apply for the "Thuiswinkel Waarborg" trustmark. This is recognised by 90% of Dutch consumers as a sign of trustworthiness.
- Offer home delivery, parcel lockers, pick-up-locations.

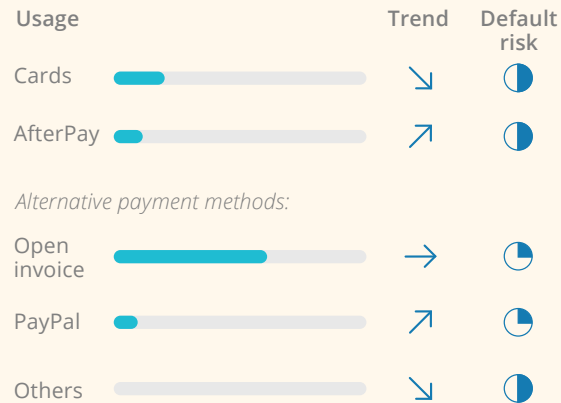
Market characteristics

Logistics performance index	2nd
Ease of doing business index	28th
eGDP ranking	7th
Unemployment rate	6.9%
Inflation rate	0.6%



iDEAL is the local payment hero. This secure platform boasts no chargeback risk, and refunds can be easily initiated by the retailer.

Payment methods



Arvato's take on this market

- For local and international merchants aiming at Dutch consumers, iDEAL is crucial for success and a must-have to ensure maximum conversion.
- 23% of all iDEAL payments are carried out on mobile devices.
- Under the Single European Payments Area (SEPA) direct debit payments are increasingly used for recurring and cross-border payments.
- Peer-to-peer payments are growing – interesting new players in this field are Bunq & Tikki (social P2P payments)
- National banks are slowly preparing for the adoption of PSD2 regulations, opening up their infrastructure with open-APIs for third party providers.
- **Keep in mind:** New bank challengers, like Bunq, are entering the market slowly and gaining a foothold. Challengers are adopting the newest standards of (mobile) payments and customer authentication.

Specific card information

Card schemes:



Local acquiring recommended?

No.

Further information

Since more than 50% of Dutch consumers are at least fairly concerned about online banking fraud, 3D secure adoption rate is relatively high.

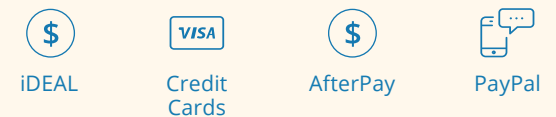
Specific information on APMs

- After selecting iDEAL and the respective bank, consumers authorise the payment in their online banking portal or their mobile banking app with a 5-digit pin. The funds are irrevocably routed via a SEPA credit transfer.
- No chargeback risk. Refunds can be easily initiated by the merchant.

Local payment hero:



Required payment methods



Watchlist

AfterPay®

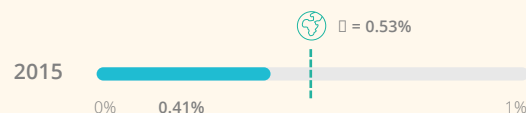


Consumers view iDEAL as more secure than card payments, but Dutch banks are reducing card risk and fraud with new identity tools like iDIN and DigiD.

Expert tip

90% of the Dutch population can use iDEAL in a mobile environment.

Card related fraud



Typical fraud scams

Phishing



Identity theft



Arvato's take on this market

- 15% of Dutch consumers are very concerned about online banking fraud according to data compiled by Statista.com in 2014. A further 39% are "fairly concerned", partially explaining the success of iDEAL, which is perceived to be more secure than cards online.
- The figure also might explain the relatively high 3D Secure adoption rate of approximately 60%.
- With new identity tools, like iDIN and DigiD, Dutch banks are trying to remove some of the risk and fraud friction consumers and retailers experience in the e-commerce market.
- We observe that fraud strongholds are situated in large cities such as Amsterdam and Rotterdam.

Risk management tools

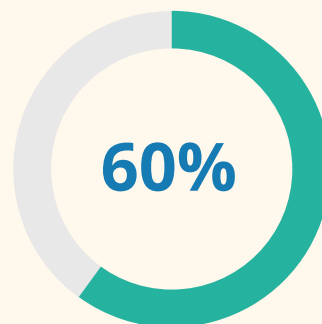
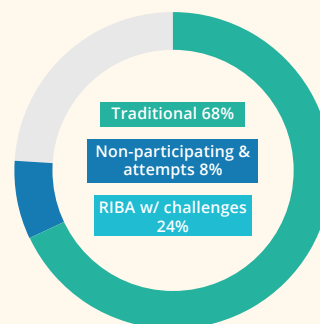
**Country-specific tools**

iDIN & DigiD

**Advanced tools**Device fingerprinting
3D secure**Classical tools**CVN
Negative lists

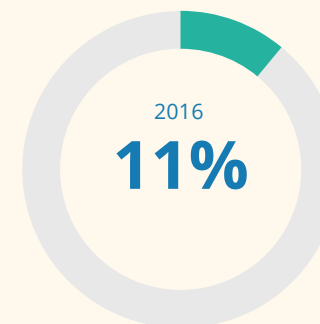
Card authentication

3D secure adoption rate

Issuer landscape
2016

Manual order review rates

In percent of total transactions





Consumers in this mature e-commerce market are very price-sensitive:
small price differences may lead them to buy elsewhere.

Consumer behaviour

1



The Netherlands is a mature e-commerce market.



Dutch consumers prefer websites in Dutch.

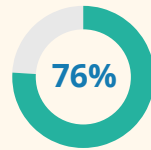


Consumers are very price-sensitive. Keep in mind that small price differences may lead them to buy elsewhere.

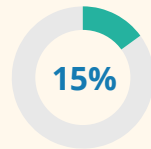
Market peculiarities

2

Mobile adoption



% of m-commerce



Gender distribution

Slightly more female shoppers



Share of online retail of goods

7.6%



Fastest growing segments

Food & Toys



Currency

Euro



Preferred segments

Clothing, Telecom & Information Technology



Reasons for buying in own country

Dutch sites meet needs. Returns abroad assumed to be difficult/costly. Lack of trust in foreign sites.



Reasons for buying abroad

Better conditions and appealing offer.

Cross border

3



Cross-border only 5%

Both 32%

Domestic only 63%

- Most popular foreign destinations to buy from: China, Germany, UK, USA

Logistics

5



The Dutch market is very **attractive** for international companies looking to set up a **European e-commerce hub**. It is wellconnected thanks to its logistic infrastructure. This is helpful because consumers expect and demand greater choice when it comes to shipping and delivery options.

Make sure you are well organised and **honest about delivery options and times**. Dutch online shops are among the leaders internationally when it comes to cut-off times.

Law and regulations

4

Be aware of the Dutch Data Protection Act when collecting personal data. Ensure you do not omit info on consumer's right to cancel or withdraw: if this is not stated correctly, the period extends from 14 days to 12 months.

Norway

Executive Summary

Norway, a relatively small country but with one of the highest purchasing powers and internet penetration levels in the world, has a booming e-commerce market. Credit cards dominate the payments landscape, while PayPal is also relatively strong



Norway offers great opportunities, with a well-established e-commerce market and high adoption of secure payment methods.

Market development

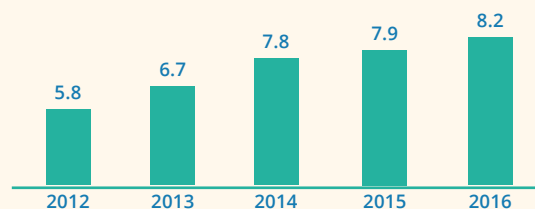
Yearly B2C-turnover in € bn

Distribution (2015)

CAGR: 9.4%

Physical: 46%

Digital: 54%



Market demographics

Population > 15 years	4.2m
Internet users	97%
Online shoppers	76%
GDP per capita	80,748 €
spending per shopper & anno:	2,467 €

Top 10 retailers

1. Komplet	6. Netonnet
2. Zalando	7. Netthandelen.no
3. Elkjop	8. Lefdal
4. eBay	9. Ellos
5. IKEA	10. Cdon

Assessment/Recommendations

Opportunities

Market: The Norwegian e-commerce market offers great opportunities (high spending, good infrastructure, growth rate 10% by 2020).

M-commerce: The shift to purchasing on mobile devices offers great potential.

Threats

Payment methods: Open invoice can result in complex handling processes and longer payment terms (squeezed liquidity), with a potential loss of income if not handled right.

Recommendations

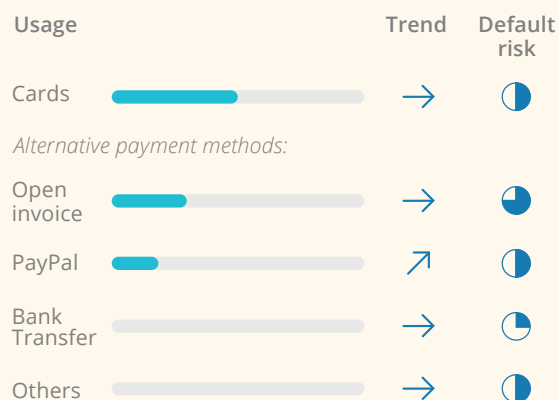
- Adapt your e-commerce business to mobile devices.
- Easy checkout solutions are important.
- Increase conversions and reduce process complexity by offering open invoice with an expert partner (AfterPay, Klarna, etc.) who can also help increase liquidity with daily settlements.

Market characteristics

Logistics performance index	6th
Ease of doing business index	4th
eGDP ranking	8th
Unemployment rate	4%
Inflation rate	2%

While PayPal and cards are popular, e-wallets are increasing in use.
The ability to use e-wallets both online and offline is driving consumer adoption.

Payment methods



Arvato's take on this market

- PayPal has a dominant market share, while direct payment via online banking is declining, especially in the rising subscription services industry.
- Cards and wallet solutions are also increasingly popular for subscription services covering everything from newspapers, books and music to groceries and health care. Overall, frictionless payments are key to boosting conversions, especially for mobile purchases. This also means that e-wallets are increasing in use in Norway, with the ability to use the same solution online and offline driving consumer adoption.
- Vipps has become a huge success, and a third of consumers have used it already. In the near future, the payment market is likely going to be more fragmented than today, with new players entering with solutions that are convenient, safe and simple - a development supported by strong mobile adoption in the Nordics and the presence of sophisticated identification solutions such as fingerprints, device ID and mobile bank ID.

Specific card information

Card schemes:



Local acquiring recommended?

No.

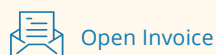
Further information

Credit cards remain the most popular way to pay online.

Specific information on APMs

- Instalments or account solutions are standard, essentials as part of the open-invoice payment method.
- Most invoice solutions are financed by third-party providers. There are a few major suppliers such as Arvato and Klarna.
- Payment by invoice is both used and preferred mostly by women and by older generations.

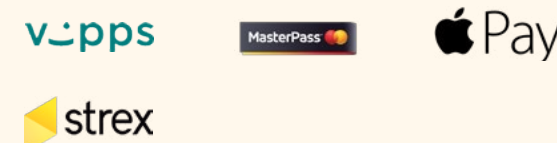
Local payment hero:



Required payment methods



Watchlist



Open invoices drive sales, but increase the risk of fraud. The outsourcing of risk to an open invoice partner is a standard part of financial agreements in Norway.

Expert tip

Provide an opportunity in the shop to select and save the preferred payment method.

Card related fraud

N/A

Relevance of typical fraud scams

Identity Theft



Phishing



Clean Fraud



Arvato's take on this market

- The Nordics don't represent a particularly high risk in card fraud: research by go2checkout.com shows that Norway, Sweden and Denmark score as some of the lowest fraud risk areas globally (by IP address of perpetrators).
- For card payments, all major issuers allow consumers to block online purchases or purchases from particular markets.
- 3.5 million Norwegians are already using the strong authentication method Bank-ID, which is recommended for merchants in fraud-vulnerable segments. Thanks to its high penetration and ease of use, such a solution is unlikely to have a negative impact on conversions. 3D Secure is also widely used among merchants.
- Offering the popular payment method open invoice drives conversions, but will also increase the risk of fraud. Mitigate this by using a financial partner to outsource these risks – in the Swedish market, for example, this is a standard part of the overall financial agreement between a merchant and an open invoice provider.

Risk management tools



Country-specific tools

BankID



Advanced tools

Device fingerprinting
3D secure

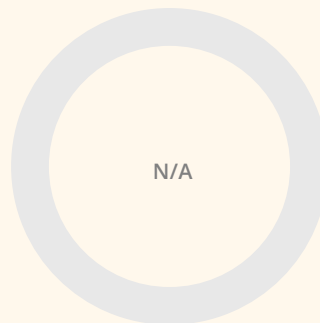


Classical tools

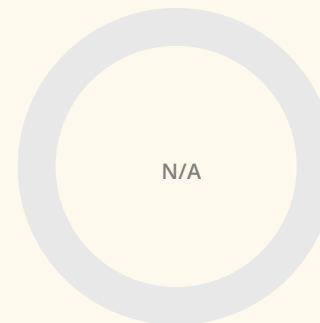
CVN
Negative lists

Card authentication

3D secure adoption rate

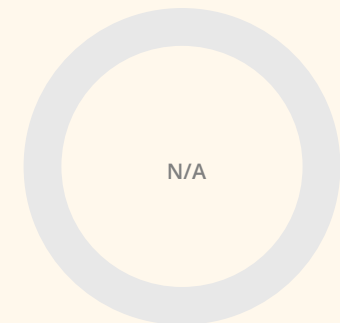


Issuer landscape



Manual order review rates

In percent of total transactions



Norwegian consumers are a small but financially strong group, who often visit foreign online stores in search of lower prices.

Consumer behaviour

1



Norway is a mature e-commerce market.



Most people now shop online due to convenience.

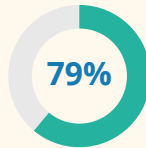


Norwegian consumers are a small but financially strong group with plenty of purchasing power.

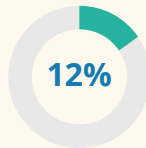
Market peculiarities

2

Mobile adoption



% of m-commerce



Gender distribution

Slightly more female shoppers



Share of online retail of goods

7.7%



Fastest growing segments

DIY, Food, Electronics



Currency

Norwegian krone



Preferred segments

Travel, Clothing, DIY



Reasons for buying in own country

No uncertainty about GTC, customs or VAT, support local companies



Reasons for buying abroad

Cheaper prices & availability

Cross border

3

- More than half of Norwegians who shop online buy from international sites, mainly due to lower prices. The favourite countries to buy from: China, UK, USA, Sweden, Germany

Logistics

5



Track and trace is important to Norwegian online shoppers.

Consumers in Norway prefer to use service points to pick up their deliveries.

A third of consumers expect their purchases to be delivered within three business days. It is a good idea to offer several delivery options that allow consumers to choose their preferred alternative, and provide delivery to home/ workplace or to automated parcel lockers.

Law and regulations

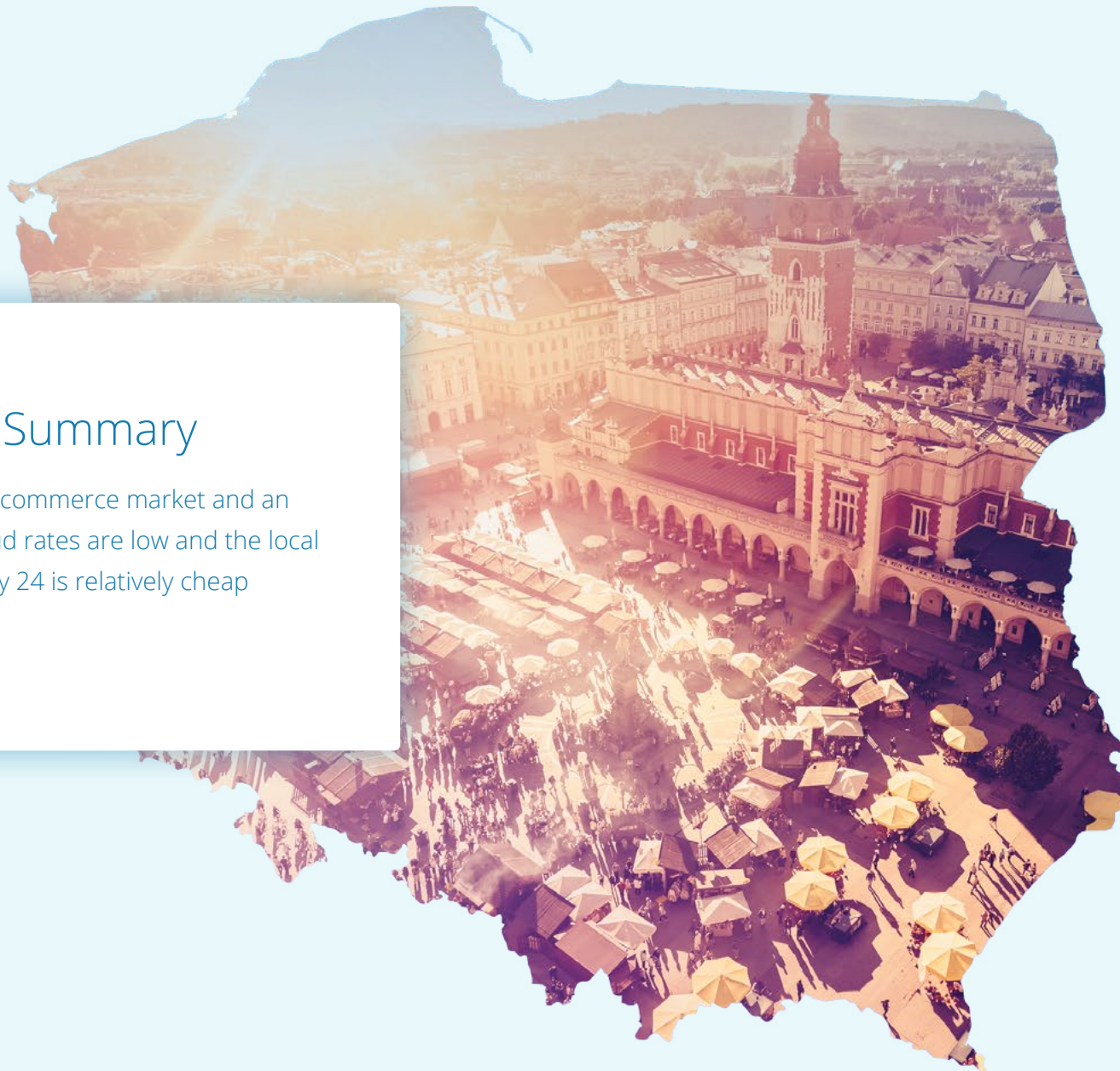
4

Norway is the only Scandinavian country that is not an EU member. This affects trade between countries, such as VAT and other trading conditions.

Poland

Executive Summary

Poland is a fast-growing e-commerce market and an opportunity for retailers: fraud rates are low and the local payment hero Przelewy 24 is relatively cheap



This developing e-commerce market is business-friendly, with low fraud rates and consumers hungry for more Polish-language online shops.

Market development

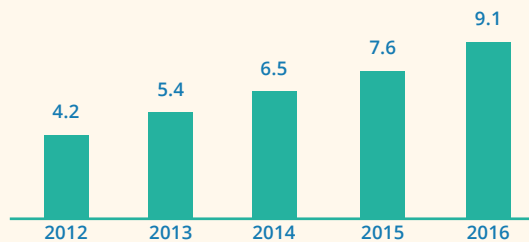
Yearly B2C-turnover in € bn

Distribution (2015)

CAGR: 21.3%

Physical: 62%

Digital: 38%



Market demographics

Population > 15 years	32.4m
Internet users	70%
Online shoppers	37%
GDP per capita	17,500 €
Spending per shopper & anno:	618 €

Top 10 retailers

1. allegro.pl	6.groupon.pl
2. ceneo.pl	7. euro.com.pl
3. zalando.pl	8. empik.com
4. skapiec.pl	9. doz.pl
5. okazje.info.pl	10. domodi.pl

Assessment/Recommendations

Opportunities

Growth potential: Internet penetration is low but the online shopper base as well as e-commerce revenue are strongly growing.

Return rates are among the lowest in the world.

Threats

Language: Polish content on the webshop is necessary to gain consumer trust.

Recommendations

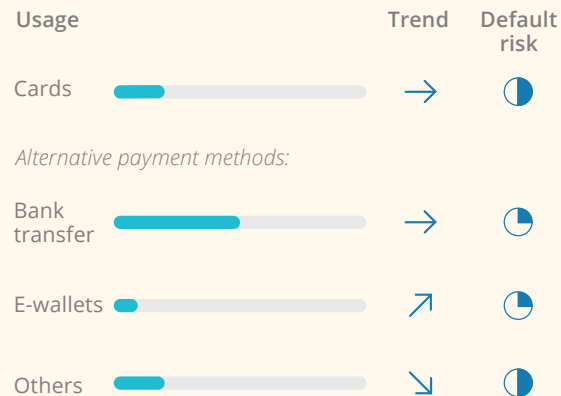
- When selling from another EU member state to Polish customers who are not registered VAT-payers (distance sales), foreign companies do not have to register for VAT in Poland, provided the value of those sales does not exceed PLN 160K. If the amount is exceeded, the business must register and pay VAT.
- Be aware that the Polish mobile payments market is very dynamic and highly innovative.

Market characteristics

Logistics performance index	18th
Ease of doing business index	15th
eGDP ranking	17th
Unemployment rate	7.5%
Inflation rate	-0.7%

Credit and debit cards are relatively unpopular, with validated bank transfers being the most popular mode of e-commerce payment.

Payment methods



Arvato's take on this market

- The Polish market is easy to enter, with no local entity required and like-for-like settlement supported.
- Credit cards have a relatively low share of the payment market, which is dominated by bank transfers. Debit cards are more popular than credit cards.
- Bank transfers can be divided into online and offline bank transfers. The most widely used online bank transfer service is Przelewy24.
- E-wallet service PayU is gaining in importance as it is easy to use and is tailored to the Polish market (offers bank transfer solutions). BLIK is the most developed mobile payments service.
- Poland is the worldwide leader in terms of the proportion of cards issued with contactless payment functionality.

Specific card information



Local acquiring recommended?

No.

Further information

Before allowing an online purchase, Polish issuers require customers to register their cards. Otherwise online purchases are declined.

Specific information on APMs

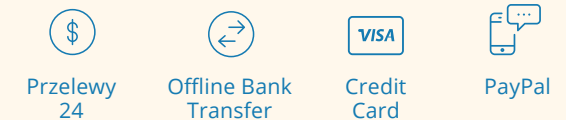
- It allows dealers to offer a risk-free online payment method.
- Shops need an account at one of the 30 banks that support the Przelewy24 payment method. In addition, a Przelewy24 acceptance agreement is required.

Local payment hero:

Przelewy 24

(online bank transfer) is an online bank transfer platform. After selecting the bank, the buyer confirms the payment with a transaction authentication number (TAN).

Required payment methods



Watchlist



With secure bank transfers the most popular payment method, Poland has levels of card fraud far below the EU average.

Expert tip
Online banking Przelewy24 is by far the favourite payment method in Poland.

Card related fraud

N/A

Relevance of typical fraud scams

N/A

Arvato's take on this market

- To date, Poland has experienced relatively low levels of card fraud. Just 18% of consumers have experienced card-related fraud in the past five years.
- In mid-2013, the Visa fraud index showed that fraud in Poland had fallen to 4 cents per €100 spent on Visa cards, only 10% of the European average.
- Nevertheless, a combination of internal tools (such as negative lists) and external ones (such as 3D-Secure) seems most appropriate in keeping fraud at bay.

Risk management tools



Country-specific tools

N/A



Advanced tools

Device fingerprinting
3D secure

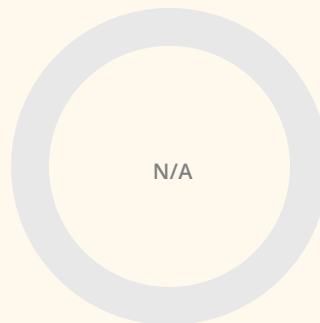


Classical tools

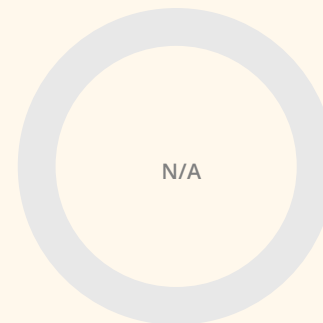
CVN
Negative lists

Card authentication

3D secure adoption rate

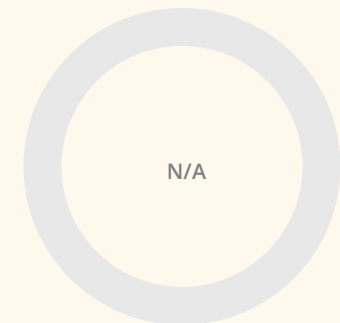


Issuer landscape



Manual order review rates

In percent of total transactions



One in four internet users in Poland already shop online, and these shoppers are open to new e-commerce offerings.

Consumer behaviour



Poland is a developing e-commerce market.



Consumers demand 24/7 availability, door-to-door delivery and transparency.

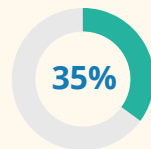


One in four internet users in Poland already shops online and plans to increase the amount of money spent online.

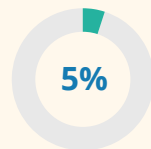
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Market peculiarities

Mobile adoption



% of m-commerce



Gender distribution

Slightly more female shoppers



Share of online retail of goods

5.4%



Fastest growing segments

Home & Garden and Food



Currency

Polish zloty



Preferred segments

Consumer Electronics and Apparel & Footwear



Reasons for buying in own country

Polish sites meet needs. Language barriers

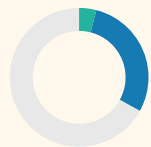


Reasons for buying abroad

Better availability and conditions, appealing offer

2

Cross border



Cross-border only 4%

Domestic and cross-border 29%

Domestic only 67%

- German retailers account for nearly a third of the total cross-border e-commerce market in Poland. Lack of product selection drives cross-border sales.

3

Logistics



Polish shoppers believe standard deliveries to be too slow, or insufficiently convenient. Therefore, more expensive delivery alternatives seem to be more important than in other countries.

Only 20% of consumers have ever made a return, resulting in a return rate of only 3.4%, far below the global average.

5

Law and regulations

Be aware of data protection: Polish legislation provides rules with regard to the use of "cookies", as outlined in the Telecommunications Act.

4

Spain

Executive Summary

Spain is the largest e-commerce market in Southern Europe with great potential in digital business such as travel and ticket sales



Spain is a fertile but sometimes difficult market, with its own particular aesthetics, consumer expectations and business methods.

Market development

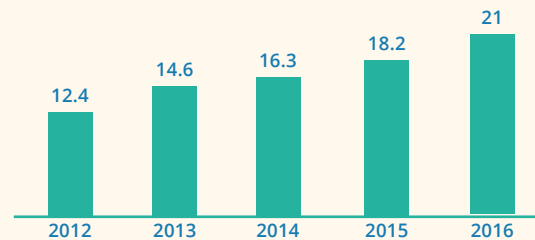
Yearly B2C-turnover in € bn

CAGR: 14.1%

Distribution (2015)

Physical: 40%

Digital: 60%



Market demographics

Population > 15 years	39.3m
Internet users	80%
Online shoppers	42%
GDP per capita	22,800 €
spending per shopper & anno:	1,174 €

Top 8 retailers

- | | |
|--------------------|------------------------|
| 1. Amazon.com | 6. AppleStore |
| 2. eBay | 7. Carrefouronline.com |
| 3. Amazon.es | 8. Privalia |
| 4. Mercadona | |
| 5. El corte Ingles | |

Assessment/Recommendations

Opportunities

Cross-border behaviour: More than half the population are used to cross-border shopping.

M-commerce is on the rise with predicted CAGR of more than 100% in the next few years.

Threats

Logistics: The Spanish logistics network is underdeveloped and customers are used to longer delivery times.

Recommendations

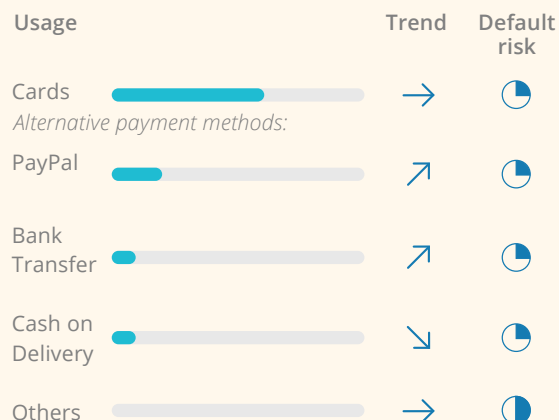
- When establishing an online business, be sure to adapt your e-commerce platform to the local requirements.
- Make sure that the look & feel appeals to Spaniards, that the website is properly translated into Spanish, that you possess the right local trust certificates and legal documents, that your customer services use native speakers and that you have a local presence.

Market characteristics

Logistics performance index	12th
Ease of doing business index	21th
eGDP ranking	18th
Unemployment rate	18,9%
Inflation rate	-0.8%

Open invoices have recently been introduced in Spain, but debit and credit cards are most popular, with 85% of the population in possession of at least one.

Payment methods



Arvato's take on this market

- Over 85% of the population have at least one debit or credit card. Prepaid virtual cards are increasingly popular for online purchases.
- Thanks to the growing mobile market, many mobile initiatives are emerging: Spanish banks, mobile network operators, payment providers, retailers and financial institutions are developing solutions such as Orange Cash, Bankinter's Mobile Virtual Card and Vodafone SmartPass.
- Open-invoice solutions were recently introduced by smaller merchants.
- Mastercard launched its MasterPass solution in December 2016 with CaixaBank, one of the biggest banks in Spain.

Specific card information

Card schemes:



Local acquiring recommended?

Yes.

Further information

Although card use is high, most involves debit cards linked to a closed loop network. Local acquiring is recommended.

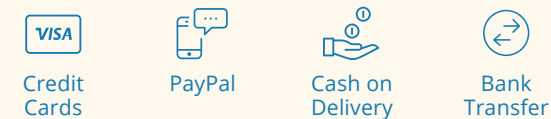
Specific information on APMs

N/A

Local payment hero:

N/A

Required payment methods



Watchlist

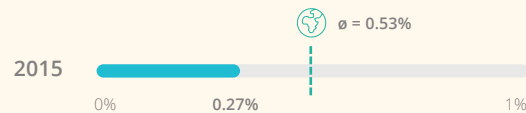


As both e-commerce and fraud are on the rise, more advanced fraud tools are becoming more popular, and should be adopted.

Expert tip

As Spaniards love to shop cross-border, the country is a promising target market for increasing sales.

Card related fraud



Arvato's take on this market

- Fraud strongholds are situated in large cities like Madrid.
- A combination of internal (such as negative lists) and external tools (such as 3D-Secure) seems most appropriate for reducing fraud.
- With e-commerce and fraud on the rise, more advanced fraud tools are becoming more popular and should be adopted.

Relevance of typical fraud scams

N/A

Risk management tools



Country-specific tools

N/A



Advanced tools

Device fingerprinting
3D Secure

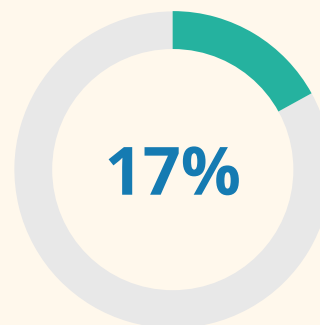


Classical tools

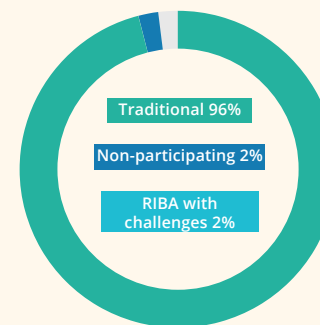
CVN
Negative lists

Card authentication

3D secure adoption rate

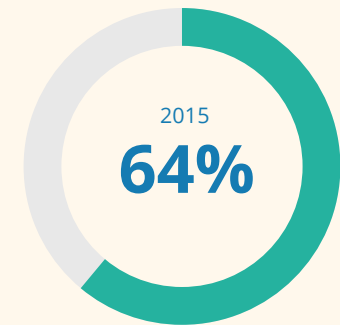


Issuer landscape 2015



Manual order review rates

In percent of total transactions



More than 50% of online shoppers in Spain visit cross-border shops. Spanish consumers return up to 50% of orders, and they expect those returns to be free.

Consumer Insight



Spain is a developing e-commerce market.



Impulse shopping is common, with many making spontaneous online purchases.

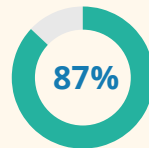


The digital sector is projected to become increasingly important (+ 4 percentage points forecast for 2017).

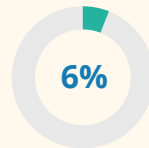
1

Market peculiarities

Mobile adoption



% of m-commerce



Gender distribution

Slightly more female shoppers



Share of online retail of goods

4.1%



Fastest growing segments

Food and Clothing



Currency

Euro



Preferred segments

Clothing, Shoes and Personal Lifestyle



Reasons for buying in own country

ESP meets needs, not trusting foreign shops

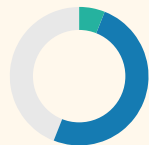


Reasons for buying abroad

Better availability & conditions, appealing offer & pricing

2

Cross border



Cross-border only 6%

Domestic and cross-border 50%

Domestic only 44%

- Over 50% of Spanish online shoppers buy from foreign websites for highly popular brands. 90% of these shop within the EU.

3

Logistics



64% of Spanish online shoppers consider free delivery very important.

Logistics is an underdeveloped field in the country, and although increasing competition is positively influencing the performance of service providers, consumer expectations in this area are not as high as in other, more mature e-commerce markets.

Nevertheless, urgent delivery options (within 2 hours) were recently introduced by Amazon and El Corte Ingles, which may impact consumer expectations in the future.

5

Law and regulations

Be aware of the consumer protection law: It includes rules on offers, labelling, price indications and other information to be provided to the consumer, including aspects related to financial products.

4

Sweden

Executive Summary

Sweden, one of the most cash-free countries in the world, is the largest e-commerce market in the Nordics and leading the way in pay-after-delivery. With a thriving FinTech scene and many early adopters, Sweden is a testing ground for payment solutions



Online shopping is growing strongly among older users, so e-commerce reaches almost everyone in this wealthy market.

Market development

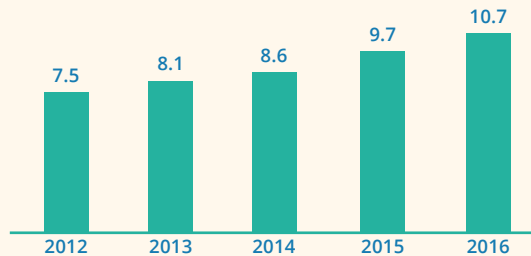
Yearly B2C-turnover in € bn

Distribution (2015)

CAGR: 9.3%

Physical: 42%

Digital: 58%



Market demographics

Population > 15 years	8.1m
Internet users	92%
Online shoppers	72%
GDP per capita	45,300 €
Spending per shopper & anno:	1,668 €

Top 10 retailers

1. Blocket	6. Elgiganten
2. Netflix	7. Cdon
3. Ebay	8. NetOnNet
4. Amazon	9. Ikea
5. AppleStore	10. Viaplay

Assessment/Recommendations

Opportunities

Market: The Swedish e-commerce market offers great opportunities and is easy to enter.

M-commerce: Smartphones and a mobile approach are integral parts of the purchasing process for Swedes.

Threats

Payment methods: Popular pay-after-delivery options such as open invoice and instalments can result in complex handling processes and longer payment terms (squeezed liquidity).

Recommendations

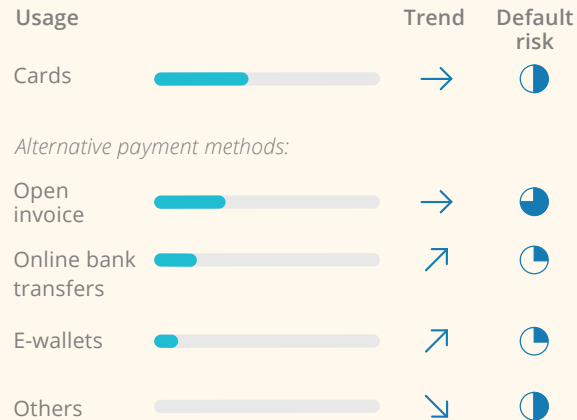
- Adapt your entire e-commerce business to mobile devices.
- Choose a strong logistics partner to offer fast and flexible delivery as well as return handling.
- Increase conversions and reduce process complexity by offering open invoice and instalments with an expert partner such as AfterPay or Klarna.

Market characteristics

Logistics performance index	5th
Ease of doing business index	3rd
eGDP ranking	10th
Unemployment rate	7.4%
Inflation rate	7%

Sweden is quickly moving towards a cashless society. Well-secured debit card payments are popular, but pay-after-delivery invoices are growing in popularity, as are mobile payments.

Payment methods



Arvato's take on this market

- Credit cards remain the most popular way to pay online. Cards (especially when stored for the customer) and wallet solutions are still popular for rising subscription services covering everything from newspapers, books and music to groceries and health care.
- Sweden is at the forefront of open-invoice payments: this alternative payment method is the second most-used in the market.
- Along with its Nordic neighbor Denmark, Sweden is on its way to becoming a cashless market: e-wallets are increasing in popularity, with the ability for consumers to use the same solution online and offline driving adoption.
- This trend is supported by Sweden's Immediate Payments Scheme (BiR); in particular, Swish, a wallet solution provided by the four largest banks, is playing an important role. Almost two-thirds of Swedish consumers have embraced Swish, which was recently extended from P2P and physical point-of-sale payments to include e-commerce payments. In addition, Mastercard's solution, Masterpass, was promoted more heavily in 2016.
- The proportion of people shopping via mobile devices has always been high in Sweden and now exceeds 50%. In the near future, the payments market is likely to be more fragmented than today, with new players entering with solutions that are convenient, safe and simple -- a development heavily supported by strong mobile adoption in the Nordics and the presence of strong identification solutions such as fingerprints, device ID and mobile Bank-ID.

Specific card information

Card schemes:



Local acquiring recommended?

No.

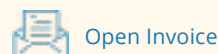
Further information

Sweden is on the way to becoming a cashless country. In 2015, only 20% of all consumer payments in Sweden were made using cash, compared to a 75% average for the rest of the world.

Specific information on APMs

- Instalments and account solutions are standard, a "need to have" as part of the open-invoice payment method.
- Most invoices are financed by third-party providers. There are a few major suppliers such as Arvato (AfterPay) and Klarna.
- Open invoice applies particularly to retail, rather than digital goods. Invoice payments are more popular among women.

Local payment hero:



Required payment methods



Watchlist



Robust and popular authentication solutions make shopping online secure. However, fraud and identity theft are increasing, in part due to the transparency of public records, with personal information readily available online.

Expert tip

Provide an opportunity within the shop to select and store the preferred payment method.

Card related fraud

N/A

Relevance of typical fraud scams

Phishing



Clean Fraud



Identity Theft



Arvato's take on this market

- The Nordics do not represent a particularly high risk in card fraud, and research by go2checkout.com shows that Norway, Sweden and Denmark score as some of the lowest fraud-risk areas globally (by IP address of perpetrators). However, fraud is increasing in Sweden, primarily within identify theft.
- For card payments, all major issuers allow consumers to block online purchases or purchases from specific markets.
- 6.5 million Swedes use the strong authentication method Bank-ID, which is advisable for retailers in fraud-vulnerable segments. Due to its high penetration and ease of use, Bank-ID is unlikely to have a negative impact on conversion. 3D Secure is also widely used among retailers.
- Offering the popular payment method open invoice drives conversions, but will also increase the risk of fraud. Mitigate this by using a financial partner to outsource these risks – in the Swedish market, this is a standard part of the overall financial agreement between a retailer and an open-invoice provider.

Risk management tools



Country-specific tools

N/A



Advanced tools

Device fingerprinting
3D secure



Classical tools

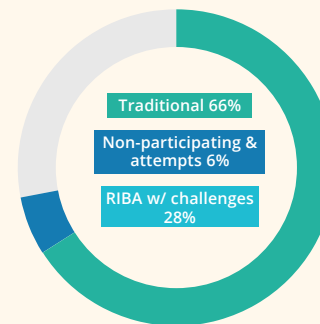
CVN
Negative lists

Card authentication

3D secure adoption rate



Issuer landscape
2016



Manual order review rates

In percent of total transactions



Swedish consumers are financially strong, with high app usage and online shopping prevalent across all generations.

Consumer behaviour

1



Sweden is a mature e-commerce market.



Online shopping is for everyone, and adoption among older generations is developing strongly. High app usage.

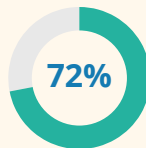


Swedish consumers are financially strong. English sites are common.

Market peculiarities

2

Mobile adoption



% of m-commerce



Gender distribution

Slightly more female shoppers



Share of online retail of goods

6.3%



Fastest growing segments

Electronics and Clothing



Currency

Swedish Krona



Preferred segments

Media, Clothing & Footwear, Travel



Reasons for buying in own country

Swedish sites meet needs; assumption that returns and warranty abroad are difficult/costly

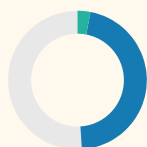


Reasons for buying abroad

Availability and conditions, appealing offer

Cross border

3



Cross-border only 3%

Both 46%

Domestic only 51%

Logistics

5



Track and trace is important for Swedish online shoppers.

Flexibility in the shipping process (changing delivery address and time while parcel is in transit) could provide a competitive advantage.

It is a good idea to offer **several delivery options** that allow consumers to choose their preferred alternative. Also provide delivery to home/workplace or to automated parcel lockers.

Law and regulations

4

Be aware of the Consumer Sales Act (B2C) and the Sales of Goods Act (B2B), which regulate the sale of goods. They cover areas such as statutory warranty, risk and transportation.

Switzerland

Executive Summary

Switzerland has one of the highest internet usage rates worldwide, coupled with great purchasing power, but is constrained by consumers' reluctance to change



With a highly connected population, Switzerland offers small but profitable opportunities for e-commerce.
Cautious consumers and slow adoption rates for emerging payment methods pose challenges.

Market development

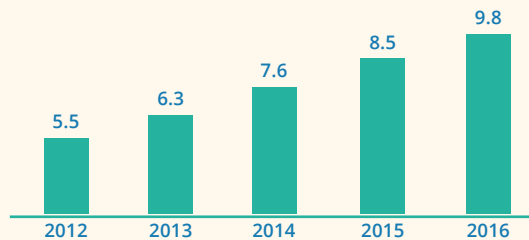
Yearly B2C-turnover in € bn

Distribution (2015)

CAGR: 15.5%

Physical: 61%

Digital: 39%



Market demographics

Population > 15 years	6.8m
Internet users	93%
Online shoppers	67%
GDP per capita	53,800 €
spending per shopper & anno:	1,815 €

Top 10 retailers

1. Digitec	6. Leshop
2. Amazon	7. Microspot
3. Nespresso	8. Coop
4. Zalando	9. Ex libris
5. Brack	10. Nettoshop

Assessment/Recommendations

Opportunities

Market Growth: Although the market is still small, it is growing significantly (CAGR 15.5%).

Threats

Logistics: Can be difficult, especially when it comes to cross-border trade (customs).

Language: A complex issue, with three different languages in a relatively small country.

Recommendations

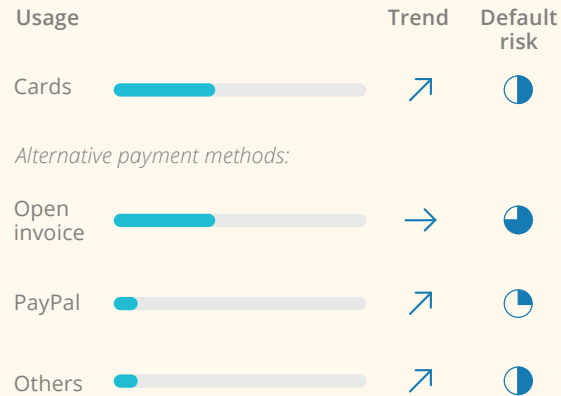
- Appeal to the local consumer in terms of local payment methods as well as local product offerings.
- Ensure quality of products to maintain loyalty from consumers.
- Be aware of the complexity of this market. Despite a population of just over 8 million people, the market consists of three different languages and three different consumer cultures.

Market characteristics

Logistics performance index	10th
Ease of doing business index	16th
eGDP ranking	19th
Unemployment rate	4.5%
Inflation rate	-0.8%

Open invoice and pay-after-delivery are the most popular payment methods for online shoppers.
Direct debit payment is almost non-existent, but a SEPA-ready solution is in development.

Payment methods



Arvato's take on this market

- Open invoice/pay-after-delivery is still one of the most important payment methods for consumers shopping online.
- The Swiss have been slow to adapt to the rising popularity of e-wallet payments as they fear a deterioration of their privacy protection.
- Trust remains an issue for Swiss consumers when adopting alternative payment methods.
- Physical goods are preferably paid for via open invoice and PayPal. Services and digital content are more likely to be paid for using credit card, PayPal and PostFinance.
- Direct debit payments are almost non-existent, but national banks are currently working on a SEPA-ready solution which might change the payment method mix in the future.

Specific card information



Local acquiring recommended?

Yes.

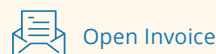
Further information

PostFinance, a national debit card from the Swiss postal service, has gained popularity with consumers but is still not as widely accepted as other methods.

Specific information on APMs

- Credit and risk management as well as collection services are necessary when offering open invoice.
- Customers expect a payment slip attached to their invoice, with the payment reference number filled in.
- Open invoice is more relevant for retail, rather than digital goods. Women tend to prefer invoice payments.

Local payment hero:



Required payment methods



Watchlist



Switzerland has some of the lowest e-commerce fraud levels in the world. To maintain this market security, the Swiss are hesitant to share personal information.

Expert tip
Use payment guidance to promote online payment methods.

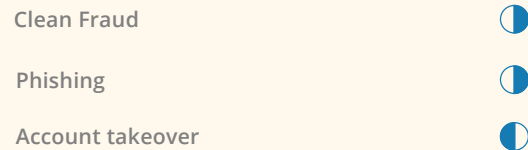
Card related fraud



Arvato's take on this market

- Transakt is a new mobile verification app used by certain banks to verify all payments made online.
- Switzerland has one of the world's lowest fraud rates: in 2014, it made the top 5 in a list of countries with the lowest rates of fraudulent e-commerce transactions.
- Open invoice drives conversions but also massively increases the risk of fraud. It is therefore advisable to work with partners and outsource these risks.

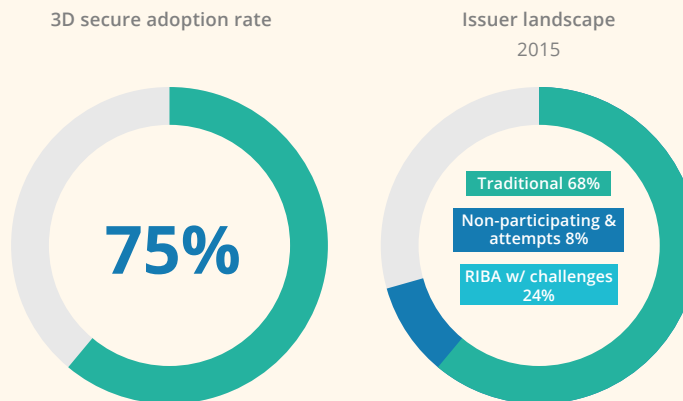
Relevance of typical fraud scams



Risk management tools



Card authentication



Manual order review rates



Swiss men shop online slightly more than women, with strong cross-border purchases driven by a search for lower prices.

Consumer behaviour



Switzerland is a mature e-commerce market.



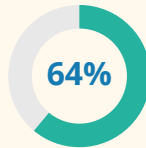
Cross-border purchases are common due to high domestic prices.



Swiss consumers are generally conservative towards alternative payment methods.

Market peculiarities

Mobile adoption



% of m-commerce



Gender distribution

Slightly more male shoppers



Share of online retail of goods

9.7%



Fastest growing segments

Groceries



Currency

Swiss Franc



Preferred segments

Electronics, Home Appliances, Clothing



Reasons for buying in own country

Quality assurance and domestic bias



Reasons for buying abroad

Price is the key driver

Cross border



Traditional 68%

Non-participating & attempts 8%

RIBA w/challenges 24%

- Switzerland is the EU's third-largest trading partner after the US and China.

Logistics



Average delivery is very long (4.4 days), but the checkout option of next-day delivery is gaining popularity.

Fundamentally all cross-border parcels (inbound) are liable to duty and VAT.

"Die Post" (Swiss Post) is still the most commonly used carrier, especially for grocery stores.

Delivery expenses are significantly higher than in other countries.

Law and regulations

Be aware of informal barriers in the form of protectionist technical regulations, certain investment restrictions and exclusive IP rights.

United Kingdom

Executive Summary

The UK is one of the most established e-commerce markets in Europe, backed by a strong logistics network.

Consumers spend 9.2% of the country's GDP on purchasing goods and services online





The biggest e-commerce market in Europe shows no signs of slowing down. But there are challenges, including heavy competition and a discount-hungry consumer base.

Market development

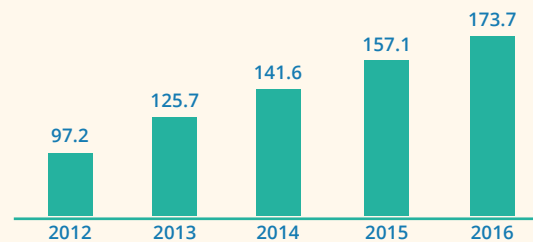
Yearly B2C-turnover in € bn

Distribution (2015)

CAGR: 15.6%

Physical: 50%

Digital: 50%



Market demographics

Population > 15 years	53.6m
Internet users	93%
Online shoppers	81%
GDP per capita	39,400 €
Spending per shopper & anno:	3,625 €

Top 10 retailers

1. Amazon	6. ASDA
2. Tesco	7. ShopDirect
3. Argos	8. Ocado
4. John Lewis	9. asda
5. Next	10. Dixons Carphone

Assessment/Recommendations

Opportunities

M-commerce: The market is set to almost double in the next few years.

The market: One of the largest online markets in Europe.

Threats

Brexit: Interchanges are expected to rise in the UK.

Low growth: The e-commerce market is significantly satisfied, with penetration already at 93%.

Recommendations

- Ensure free delivery for products, or warehouse/store pick-up options.
- Pricing strategies need to be adjusted as consumers are strongly attracted to offers and discounts.

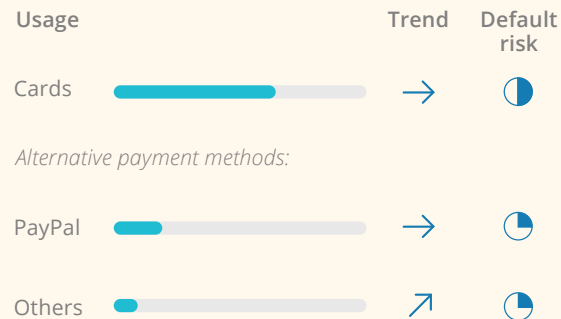
Market characteristics

Logistics performance index	4th
Ease of doing business index	6th
eGDP ranking	1th
Unemployment rate	5.4%
Inflation rate	0%



Cards, especially debit cards, dominate online payments in the UK. Pay-later invoices and Apple Pay are growing in popularity, but banks are slow to adopt these platforms.

Payment methods



Arvato's take on this market

- The UK online payment market is dominated by credit and debit cards, though debit cards are far more popular than credit cards.
- Apple Pay has been growing in popularity as an alternative payment method. However, it is constrained by slow adoption by certain banks.
- Mobile-optimised (non 3D-secure) and less fraud-prone payment methods such as e-wallets and bank transfers could gain market share in the next few years.
- The interchanges for credit and debit cards have recently been capped by the EU, which might drive card usage in the near future, although fees may increase again after the UK leaves the EU.
- Online "pay later" services may gain further popularity. For instance, Littlewoods Shop Direct and Very.co.uk are now offering three-month payment terms for customers.

Specific card information

Card schemes:



Local acquiring recommended?

No.

Further information

Credit and debit cards are very popular, with the average shopper holding 2-3 cards.

Specific information on APMs

N/A

Required payment methods



Debit Cards



Credit Cards



PayPal

Watchlist

Yoyo Wallet

ApplePay

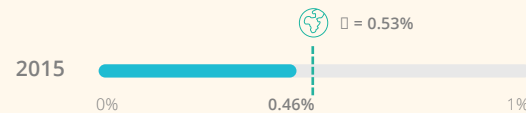
AndroidPay



3D authentication is mandatory for MasterCard and Maestro, though British card issuers typically take a flexible approach, employing 3D primarily for high-risk transactions.

Expert tip
Speed and simplicity are very important to consumers during check out.

Card related fraud



Relevance of typical fraud scams

N/A

Arvato's take on this market

- The UK is the only European country where Address Verification Support (AVS) is supported by Visa and MasterCard issuers.
- 3D Secure is mandatory for merchants wishing to accept MasterCard/Maestro cards.
- Issuers in the UK typically take a flexible approach to 3D authentication, however, and apply the tool primarily for high-risk transactions only.
- Fraud rates are significantly higher with credit cards than with debit cards.
- Fraud strongholds are concentrated in large cities such as London.

Risk management tools



Country-specific tools
AVS (also for Visa, MC)



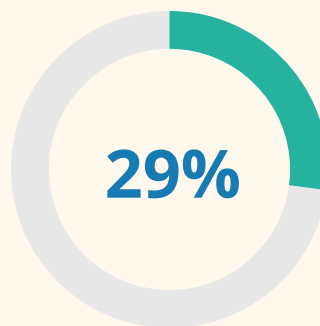
Advanced tools
Device fingerprinting
3D security



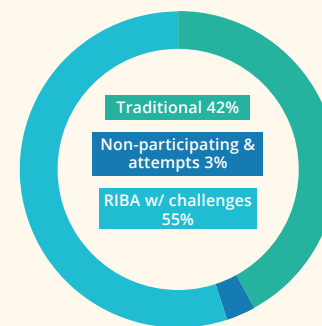
Classical tools
CVN
Negative lists

Card authentication

3D secure adoption rate

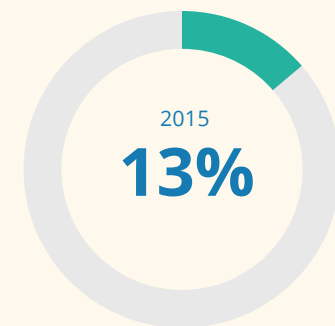


Issuer landscape 2015



Manual order review rates

In percent of total transactions





The average British shopper holds two to three cards. Consumers are prepared to shop around for the best price, with the majority of purchases made domestically.

Consumer behaviour



The UK is a very mature e-commerce market.



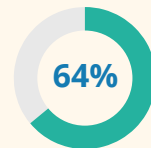
Consumers are unfamiliar with processing bank transfers and cash-on-delivery.



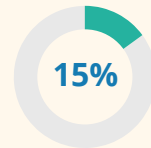
Consumers avoid shipping companies that do not offer a tracking number.

Market peculiarities

Mobile adoption



% of m-commerce



Gender distribution

Slightly more female shoppers



Share of online retail of goods

13%



Fastest growing segments

Home & Garden



Currency

British pound



Preferred segments

Clothing, Shoes and Lifestyle, Media & Entertainment



Reasons for buying in own country

Broad variety at competitive prices



Reasons for buying abroad

Greater variety of products

Cross border



Cross-border only 3%

Both 33%

Domestic only 64%

- The UK is among the biggest cross-border B2C e-commerce exporters worldwide: 71% of UK retailers offer delivery to countries outside the UK.

Logistics



DPD and Collect+ are among the more popular delivery services, offering both home deliveries as well as pick-up services.

The UK has among the cheapest deliveries in Europe.

Drop-off lockers are becoming popular with British consumers, led by Amazon's introduction of the service.

Law and regulations

Be aware of common law, which means the law is primarily based on case law. And VAT, as the UK levies the highest rate (20%) in the EU outside of Scandinavia.

United States

Executive Summary

The largest market in the Western world in terms of population, the US is still dominated by card payments and is yet to fully exploit the benefits of APMs





The American e-commerce market is robust and relatively safe. A strong logistics partner is recommended to help expedite deliveries across the large nation.

Market development

1

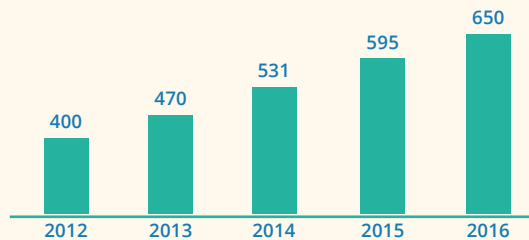
Yearly B2C-turnover in € bn

Distribution (2015)

CAGR: 12.8%

Physical: 55%

Digital: 45%



Market demographics

2

Population > 15 years	260.3m
Internet users	88%
Online shoppers	67%
GDP per capita	50,800 €
Spending per shopper & anno:	3,428 €

Top 10 retailers

3

1. Amazon	6. Home Depot
2. Walmart	7. Best buy
3. Apple Store	8. OVC
4. Staples	9. CostCo
5. Macy's	10. Nordstrom

Assessment/Recommendations

Opportunity

Population: The US offers the West's largest e-commerce market by both sales volume and number of consumers.

Threats

Political Stability: Risk of foreign trade restrictions and increased tariffs.

Recommendations

- Provide delivery through UPS or FedEx, reliable services which already have advanced tracking options.
- Fixed logistic contracts are recommended due to the large area that domestic deliveries have to cover.

Market characteristics

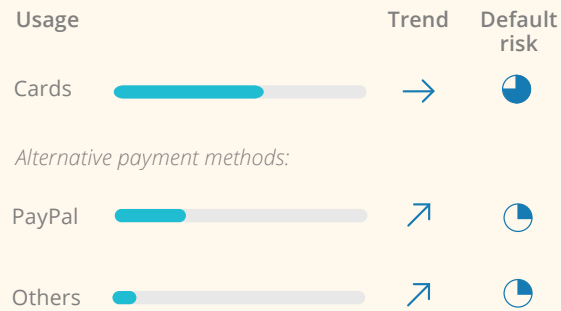
4

Logistics performance index	9th
Ease of doing business index	7th
eGDP ranking	6th
Unemployment rate	5.3%
Inflation rate	0.1%



Credit and debit cards are the most common payment methods for online purchases but the digital wallet landscape is rapidly evolving.

Payment methods



Arvato's take on this market

- Credit and debit cards are still the most common payment methods used for online purchases.
- PayPal is still the most popular e-wallet, but is threatened by new digital wallets, such as Apple Pay, Google Wallet and Android Pay, and the proliferation of e-wallets with bank frontrunners, such as Visa Checkout, MasterPass and ChasePay.
- Discover Card has become popular for both consumers and for retailers, so acceptance is important along with Visa and MasterCard.
- TCH, a real-time payments service, is set to come into use during 2017, which might evolve the online payment market.

Specific card information

Card schemes:



Local acquiring recommended?

No.

Further information

2.9 credit cards per capita is the average.
Average 83% authorisation rates in US e-commerce.

Specific information on APMs

N/A

Required payment methods



Credit Cards



PayPal

Watchlist

AndroidPay

ApplePay

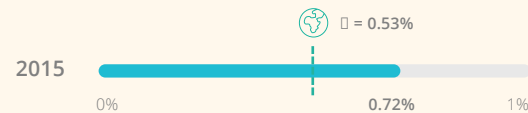
Google Wallet



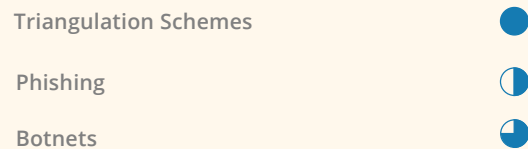
American retailers are less likely to have consumer authentication than their European counterparts.
The majority of fraud on US purchases are committed from abroad.

Expert tip
Apple Pay & Google Wallet are taking market share from PayPal.

Card related fraud



Relevance of typical fraud scams



Risk management tools

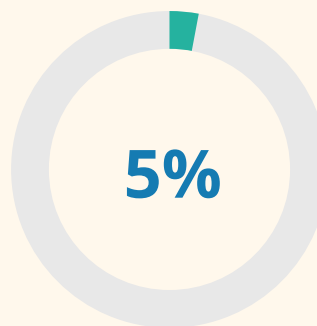


Arvato's take on this market

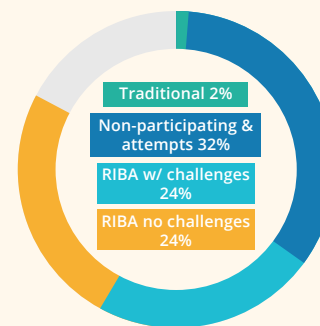
- Most fraud on US purchases is committed from abroad.
- North America is the region where merchants are least likely to use consumer authentication.
- 81% of merchants perform a manual order review, and while on average 2.3% of all orders are rejected, around 10% are false positives.

Card authentication

3D secure adoption rate

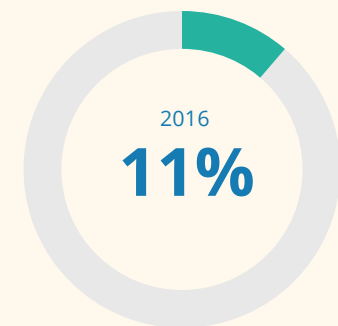


Issuer landscape 2016



Manual order review rates

In percent of total transactions





American e-commerce shoppers value security, reliability and a good price. The large, wealthy population makes it easier for niche players to find an audience.

Consumer behaviour



The US is a very mature e-commerce market.



High value is placed on security of payment; consumers are highly open to buying foreign products.

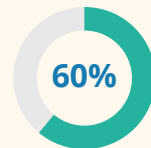


12.9% of the population speak Spanish and wish to have options in this language.

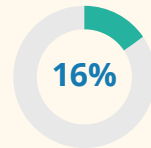
1

Market peculiarities

Mobile adoption



% of m-commerce



Gender distribution

Even split between females and males



Share of online retail of goods

11%



Fastest growing segments

Apparel & Footwear



Currency

US Dollar



Preferred segments

Media & Entertainment, Clothes, Household Electronics and IT



Reasons for buying in own country

US sites meet needs; assumption that returns abroad are difficult



Reasons for buying abroad

Better offers in regard to price

2

Cross border



Cross-border only 2%

Both 20%

Domestic only 78%

3

Logistics



On-demand delivery is becoming popular, especially for small to medium businesses.

UPS and FedEx are the most commonly used courier services.

US consumers expect low delivery costs, if not free delivery. Tracking is also important to consumers.

5

Law and regulations

Despite low tariffs (3%), non-tariff barriers exist, such as complex custom procedures and border regulatory restrictions. Every state in the US has its own additional privacy rules.

4

The data contained in this report comes from a wide variety of sources, including financial reports, industry publications, blogs and news stories. During the course of our research we have consulted more than 200 national and international studies. You will find them here under the headings E-Commerce and Payment & Fraud. While every effort has been made to make sure the information presented in the report is reliable, we cannot be held responsible for its veracity. We do, however, stand by the opinions expressed in the report unreservedly.

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