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Arvato Payments Review

Essential insights for e-commerce success in new markets

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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 completelydifferently 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:
emma.solman@arvato.com

About the Arvato Payments Review

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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 conveniencein 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

Consumer Behaviour

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.

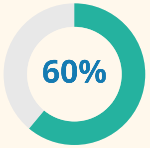
For Austrian consumers, transparency (with respect to payment costs, customer data, etc) is highly important.

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

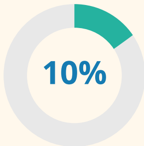
Market peculiarities

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

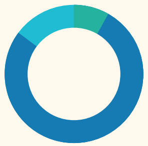
Preferred segments
Clothing, Shoes & Media, Entertainment

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.

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".

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.

Sources: 1) Salesupply (2015) // 2) Arvato (2015) // 3) Arvato (2015), Payone (2016) // 2) E-commerce Report (2016) // 3) PayPal (2015) // 4) WKO (2016) // 5) Etailment (2015), Salesupply (2015)

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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

Consumer Behaviour

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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

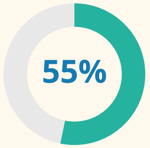
1

- 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.

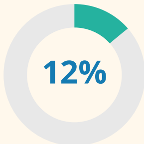
Market peculiarities

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

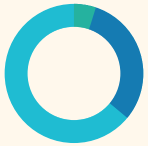
Preferred segments
Clothing, Telecom, Media & Entertainment

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.

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.

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.

Sources: 1) Ecommerce Worldwide (2015), E-commerce Report (2016) // 2) E-commerce Report (2016) // 3) PayPal (2015), Ecommerce Worldwide (2015) // 4) Ecommerce Worldwide (2015) // 5) E-commerce Report (2016), Ecommerce Worldwide (2015)

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

Consumer Behaviour

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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

1

Denmark is a mature e-commerce market.

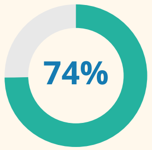
Danish consumers are highly connected, and fast at adapting to new technological solutions and services.

90% can speak English.

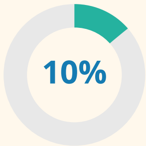
Market peculiarities

2

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

3

N/A

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

Law and regulations

4

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

Logistics

5

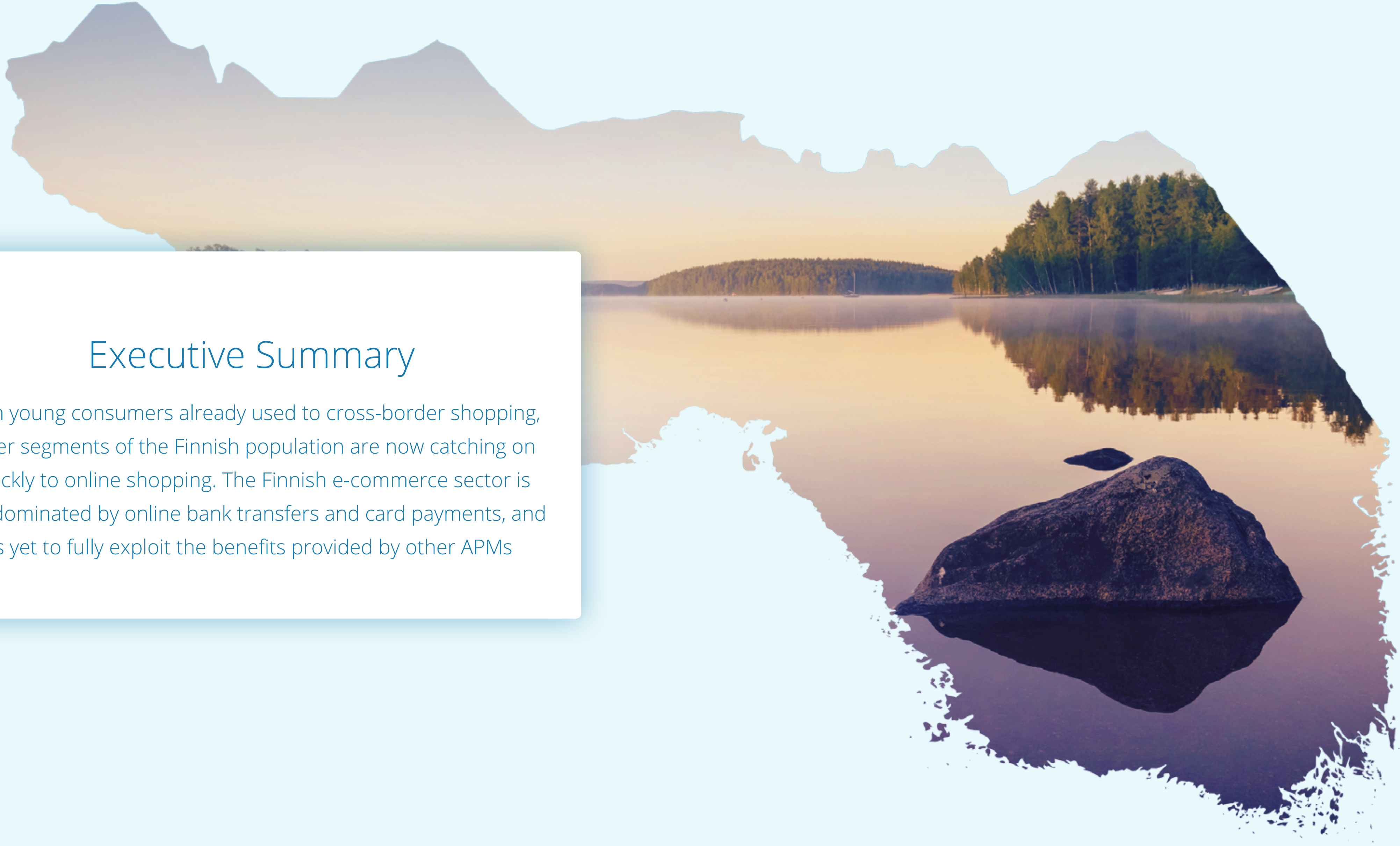
Track and trace is quite important for Danish online shoppers.

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.

Sources: 1) DIBS (2016), Postnord (2016) // 2) Statista (2016) E-commerce Report (2016), DIBS (2016), DIBS (2015), Postnord (2016) // 3) DIBS (2016), Postnord (2016), E- Commerce News (2016) // 4) Worldpay (2016) // 5) Postnord (2016) Ecommerce Worldwide (2015)

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

Consumer Behaviour

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

1

Consumer behaviour

Finland is a mature e-commerce market.

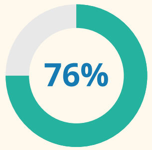
Out of the Nordics, Finland has the highest growth rates for online shoppers, and now the older generation especially is catching up.

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

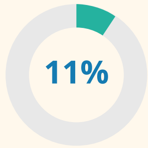
2

Market peculiarities

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

3

Cross border

N/A

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

4

Law and regulations

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.

5

Logistics

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.

Sources: 1) Paytrail (2016), Postnord (2016) // 2) Statista (2016) E-commerce Report (2016), DIBS (2016), DIBS (2015), Postnord (2016) // 3) Postnord (2016) // 4) Postnord (2016) // 5) Postnord (2016) Ecommerce Worldwide (2015), Paytrail (2016)

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

Consumer Behaviour

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

Consumer behaviour

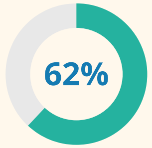
1

- 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.

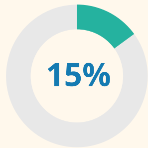
Market peculiarities

2

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

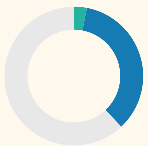
Preferred segments
Clothing, Shoes, Lifestyle, Garden Appliances

Reasons for buying in own country
Lack of trust towards foreign sites

Reasons for buying abroad
Greater availability and variety of products

Cross border

3



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**

Law and regulations

4

Be aware of:
...data protection regulation ("Loi Informatiques et Libertés") when collecting personal data.
...the guidelines from CNIL (data protection authority).

Logistics

5

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**.

Sources: 1) E-commerce Report (2015) // 2) Europe e-commerce (2015) // 3) PayPal (2015) // 4) E-commerce Report (2016) // 5) E-commerce Report (2016)

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

Germany

Consumer Behaviour

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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

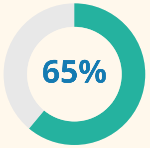
1

- 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 websites 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.

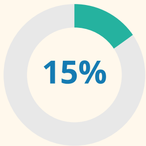
Market trends and information

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

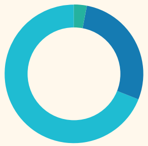
Preferred segments
Clothing, Shoes and Personal Lifestyle

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.

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.

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.

Sources: 1) Ecommerce Worldwide (2015), Remarkety (2015) // 2) E-commerce Report (2016), Statista (2015) // 3) PayPal (2015) // 4) Ecommerce Worldwide (2015) // 5) Ecommerce Worldwide (2015).

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

Netherlands

Consumer Behaviour

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

Consumer behaviour

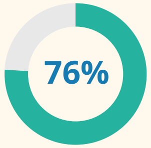
1

- 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.

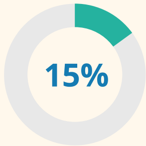
Market peculiarities

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

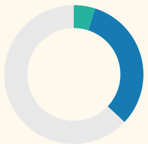
Preferred segments
Clothing, Telecom & Information Technology

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

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.

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.

Sources: 1) Ecommerce Worldwide (2015), E-commerce Report (2016) // 2) E-commerce Report (2016) // 3) PayPal (2015) // 4) E-commerce Report (2016) // 5) Ecommerce Worldwide (2015), E-commerce Report (2016)

Norway

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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

Consumer Behaviour

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

1

Consumer behaviour

Norway is a mature e-commerce market.

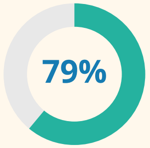
Most people now shop online due to convenience.

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

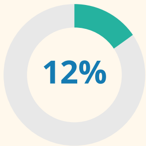
2

Market peculiarities

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

3

Cross border

- 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

4

Law and regulations

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

5

Logistics

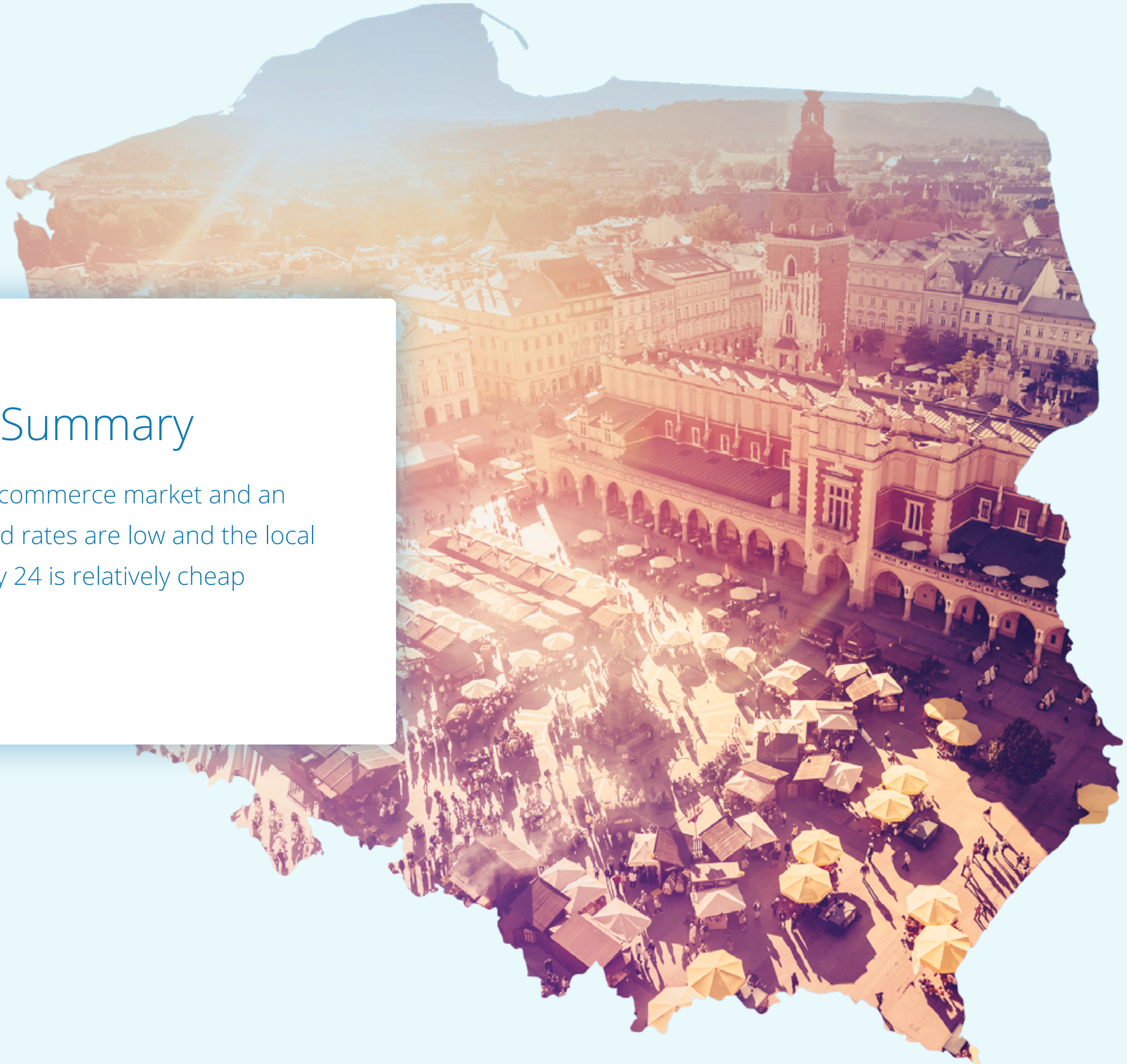
Track and trace is important to Norwegian online shoppers.

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.

Sources: 1) DIBS (2016), Postnord (2016) // 2) Statista (2016) E-commerce Report (2016), DIBS (2016), Postnord (2016) // 3) DIBS (2016), Postnord (2016), Digital River (2015) // 4) Ecommerce Worldwide (2015) // 5) Postnord (2016) Ecommerce Worldwide (2015).

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

Poland

Consumer Behaviour

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

Consumer behaviour

1

Poland is a developing e-commerce market.

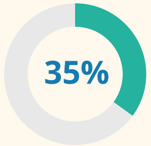
Consumers demand 24/7 availability, door-to-door delivery and transparency.

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

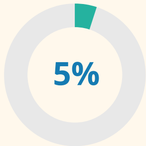
Market peculiarities

2

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

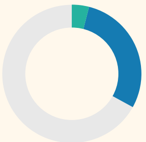
Preferred segments
Consumer Electronics and Apparel & Footwear

Reasons for buying in own country
Polish sites meet needs. Language barriers

Reasons for buying abroad
Better availability and conditions, appealing offer

Cross border

3



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.

Law and regulations

4

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

Logistics

5

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.

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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

Consumer Behaviour

arvato BERTELSMANN

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

1

Spain is a developing e-commerce market.

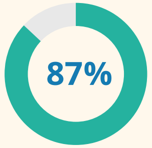
Impulse shopping is common, with many making spontaneous online purchases.

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

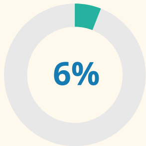
Market peculiarities

2

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

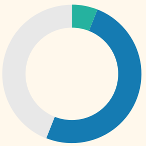
Preferred segments
Clothing, Shoes and Personal Lifestyle

Reasons for buying in own country
ESP meets needs, not trusting foreign shops

Reasons for buying abroad
Better availability & conditions, appealing offer & pricing

Cross border

3



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.

Law and regulations

4

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.

Logistics

5

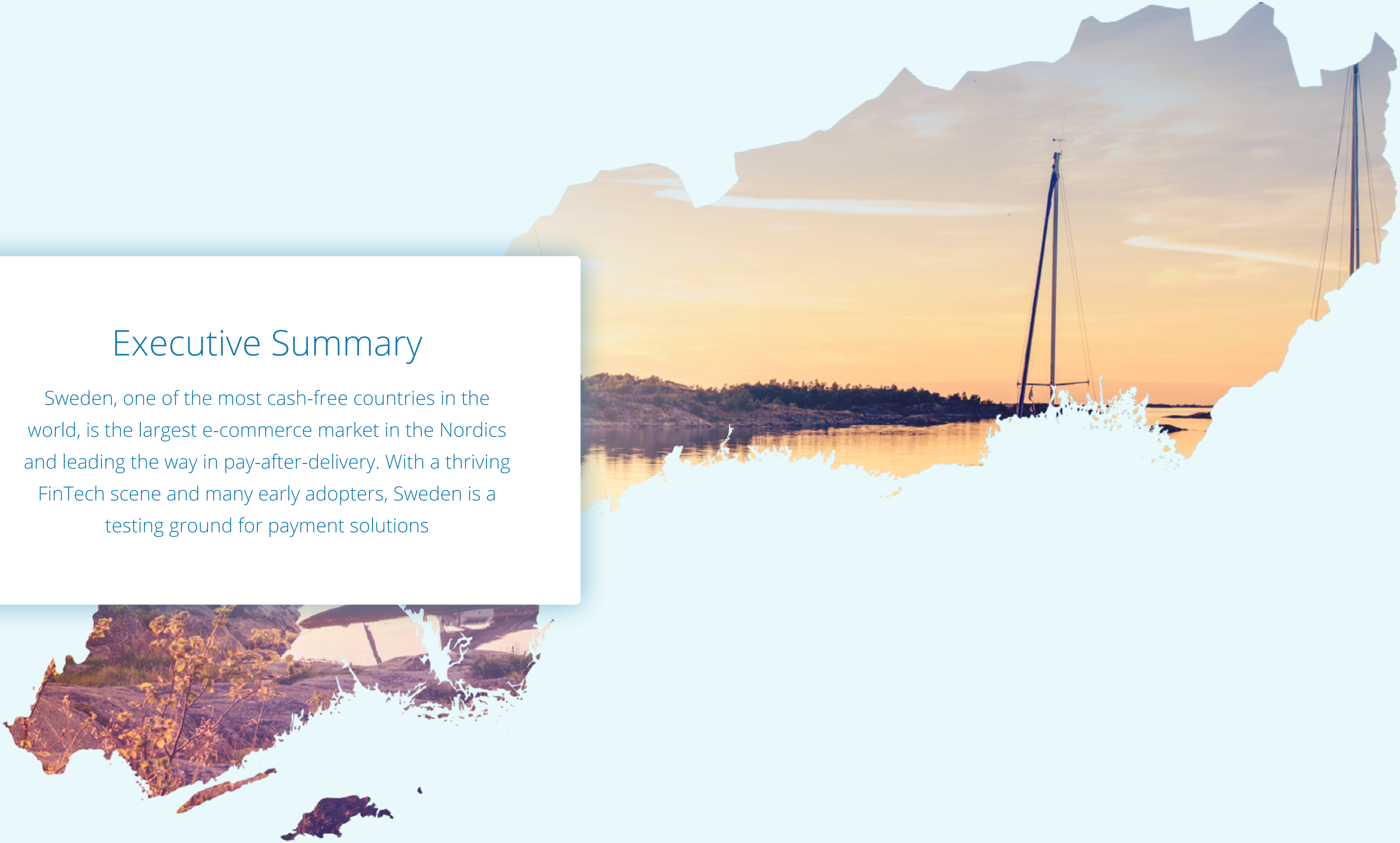
64% of Spanish online shoppers consider free delivery very important.

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.

Sources: 1) E-commerce Report (2016), Salesupply (2015) // 2) E-commerce Report (2016) // 3) PayPal (2015) // 4) Paypers (2016) // 5) Salesupply (2015)

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

Sweden

Consumer Behaviour

arvato BERTELSMANN

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.

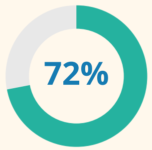
Online shopping is for everyone, and adoption among older generations is developing strongly. High app usage.

Swedish consumers are financially strong. English sites are common.

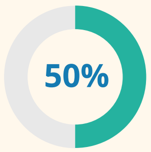
Market peculiarities

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

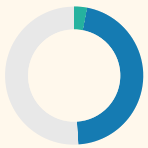
Preferred segments
Media, Clothing & Footwear, Travel

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%

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.

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.

FINANCIAL SOLUTIONS

Sources: 1) DIBS (2016), Postnord (2016) // 2) E-commerce Report (2016), DIBS (2016), Postnord (2016) // 3) PayPal (2015), Postnord (2016) // 4) Emota (2016) // 5) Ecommerce Worldwide (2015)

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

Switzerland

Consumer Behaviour

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

Consumer behaviour [1]

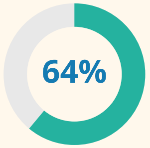
Switzerland is a mature e-commerce market.

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

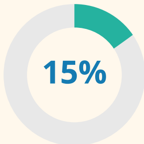
Swiss consumers are generally **conservative towards alternative payment methods.**

Market peculiarities [2]

Mobile adoption



% of m-commerce



Gender distribution
Slightly more male shoppers

Share of online retail of goods
9.7%

Fastest growing segments
Groceries

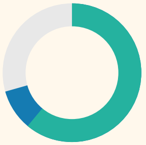
Currency
Swiss Franc

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 [3]



Traditional 68%

Non-participating & attempts 8%

RIBA w/challenges 24%

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

Law and regulations [4]

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

Logistics [5]

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.

FINANCIAL SOLUTIONS

Sources: 1) Ecommerce Worldwide (2015) // 2) Statista (2016), European E-commerce Report (2016) // 3) PayPal (2015) // 4) Ecommerce Worldwide (2015) // 5) Ecommerce Worldwide (2015), Salesupply (2015)

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

United Kingdom

Consumer Behaviour

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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

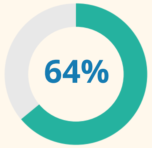
1

- 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.

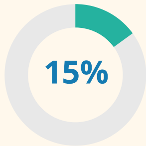
Market peculiarities

2

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

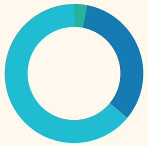
Preferred segments
Clothing, Shoes and Lifestyle, Media & Entertainment

Reasons for buying in own country
Broad variety at competitive prices

Reasons for buying abroad
Greater variety of products

Cross border

3



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.

Law and regulations

4

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.

Logistics

5

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.

FINANCIAL SOLUTIONS

Sources: 1) E-commerce Report (2016) // 2) E-commerce Report (2016) // 3) PayPal (2015), Paypers (2014) // 4) Ecommerce Report (2016) // 5) Ecommerce Worldwide (2015

United States

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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

United States

Consumer Behaviour

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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

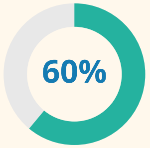
1

- 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.

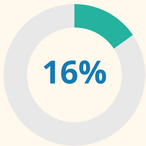
Market peculiarities

2

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

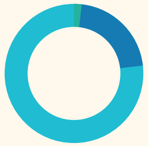
Preferred segments
Media & Entertainment, Clothes, Household Electronics and IT

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

Cross border

3



Cross-border only 2%

Both 20%

Domestic only 78%

Law and regulations

4

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.

Logistics

5

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.

Sources: 1) Ecommerce Worldwide (2015) // 2) E-commerce Report (2016). // 3) PayPal (2015). 4) Ecommerce Worldwide (2015). // 5) Ecommerce Worldwide (2015).

Sources

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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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