



MASTERINDEX 2017

**Pan-European e-commerce
and new payment trends**



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About this report

The 2017 Masterindex is the first Mastercard survey of consumer trends in e-commerce and new payments in Europe. The aim of the Masterindex is to gain insights into the state of e-commerce, one of the pillars of the Digital Single Market, in over 20 countries across the European Economic Area (EEA). It examines key questions such as:

- How often do people shop online?
- What are the drivers and barriers to online purchasing?
- What people are buying and how?
- What are the different trends from country to country?
- What payment methods are people using to shop online?
- What are the trends in cross-border e-commerce?

The majority of the data for the Masterindex is compiled from Mastercard's existing internal Global Consumer Tracker (GCT) which surveys payments trends in 23 EEA countries¹ on regular basis. This is the first time that this data has been summarised for external purposes with a view to contributing insights to business and policy discussions on e-commerce.

The GCT survey was carried out throughout 2016 through an online questionnaire via online research panels amongst respondents aged 18 to 64 years who either own a payment card or have a bank account. Sample sizes varied between countries between 855 and 3,439 with a total of 42,881 consumers surveyed across 23 countries. Questions on frequency of online buying are asked to internet users in general. Answers to all other questions refer to people who have indicated that they shop online.

To complement this data on domestic e-commerce trends the 2017 Masterindex also draws partly on open source data for 2015-2016 from the Google Consumer Barometer Survey, and looks at cross-border e-commerce trends in 26 EEA countries².

The Consumer Barometer survey is conducted through online research panels, amongst the online population who use at least one connected device (computer, tablet or smartphone) and purchased at least one product online in last 3 to 12 months. The survey focuses on the adult population aged 16+ in each country, with a base sample size for each country of approximately 3000. The survey was carried out throughout 2015. Frequency questions are asked to internet users in general, whereas other questions are asked to people who indicate whether or not they shop online cross-border.

It is important to note that this is a separate dataset to the GCT, which allows us to gain some insights into cross-border trends. As of 2018, the intention is to extend the Global Consumer Tracker data set to cross-border e-commerce to ensure a single comparable dataset on trends in e-commerce in general and cross-border e-commerce specifically.

Disclaimer: *The Data used in the Masterindex is based on the Global Consumer Tracker survey and the Google Consumer Barometer Survey, which capture claimed responses on various questions.*

¹ Austria, Bulgaria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, the Netherlands, Norway, Poland, Romania, Spain, Sweden, UK

² Austria, Bulgaria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, UK

Executive Summary

Creating a Digital Single Market in the European Union is one of the principal aims of the European Commission, and within such a Digital Single Market, e-commerce is a key pillar. Under the presidency of Jean-Claude Juncker, the Commission have, over the last 2 years, put forward policy proposals on issues such as contracts for online sales, geo-blocking, VAT and parcel delivery, with the aim of boosting e-commerce in Europe. In addition to key legislation on consumer protection, data protection and cyber security they all play an important role in creating the conditions for e-commerce to flourish in Europe.

The 2017 Masterindex survey aims to contribute to this by providing insights and learnings into consumer trends online. By looking at trends in over 20 countries in the European Economic Area (EEA) on issues such as purchase frequency, categories bought online, drivers, barriers and payment methods the Masterindex can provide valuable information for future policy and business discussions.

Purchase Frequency:

The first key question it looks at is online purchase frequency. It finds that Europeans are avid online shoppers, with one in four Europeans with access to the internet purchasing products or services online at least once a week in 2016. This figure rises to approximately 3 in 5 for monthly use, with 9 out of 10 Europeans shopping online at least once a year.

While uptake of e-commerce is high across Europe, the research reveals interesting differences from country to country. UK citizens are some of the most frequent users of e-commerce in Europe. The percentage of Poles (9%), Lithuanians (9%) and Italians (8%) who shop online every day is similar to the UK (8%). However, Britons stand out when it comes to weekly activity (41%), followed by the Irish (32%) and Germans (30%).

Despite different trends from country to country, people across Europe tend to share similar concerns about online shopping. Fear of fraud is the number one reason for not buying online in all countries surveyed. Nevertheless, it acts as a greater barrier in some countries – e.g. Greece (71%) – than others e.g. Denmark (46%).

Popular product categories

In terms of products purchased online the survey finds that clothing and footwear is by far the most popular category overall (48% EEA average) followed by tickets (34%), electronics (33%) and books (31%). Again the survey finds differences from country to country, for example:

- The Czechs (50%) and Greeks (46%) buy the most electronics – but people in France (23%) are the least interested in doing so;
- Britons (33%) are twice as likely to buy their groceries on the internet as their nearest continental neighbours in the Netherlands (16%), Belgium (13%) and France (15%);
- Greeks are four times more open to booking long distance travel on the internet than their Balkan counterparts in Croatia;
- Finland (31%), Sweden (22%) and Norway (22%) do show a regional pattern in the case of online gambling, where they are the only countries with more than one in five online shoppers engaging in this activity.

Cross-border shopping

When it comes to cross-border e-commerce, the Masterindex, using the 2015–2016 Google Consumer Barometer Survey, again finds strong engagement from consumers across borders. 41% of European online buyers purchase products online from abroad at least once a year. Nearly 2 out of 3 European online buyers have bought cross-border at least once in their life. It finds that people in Austria and Ireland are particularly fond of cross-border shopping, with over 60% of people doing so at least once a year.

When people do decide to look beyond their own country it is more likely as a result of an appealing offer, than simply a question of availability. The main reason for not shopping across borders is not trust or security concerns but rather the availability of good domestic options. The survey shows that for 40% of people in Finland and Poland who shop online but not from abroad, it is because they feel that e-commerce sites in their country meet their requirements. There are similar perceptions in the UK, France and Germany. However, lack of trust in foreign websites is the biggest challenge for online shoppers in France and Belgium. French and Belgian online shoppers who do not buy from abroad are roughly twice as likely as Spanish and Italians to cite lack of trust in foreign websites as a barrier.

Payment methods

However the popularity depends on the country. In the Czech Republic, Germany, the Netherlands and Poland – online banking is twice as popular as cards.

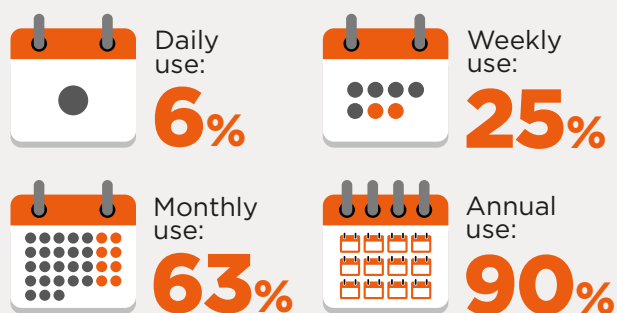
But in the UK, France, Ireland, Sweden and Italy, cards remain 10-20 percentage points more popular than online banking. The survey also looked at new payment methods such as e-wallets, banking apps, QR code scanning and digital currency. While there is a clear openness across Europe to try out new technologies this interest does not always correlate with actual use, as can be typical of **new technologies**. Encouraging consumer use and interest in new payment methods will be important for the continued growth of e-commerce in Europe.



Current trends in e-commerce

The European market for e-commerce has been growing steadily over the years and is expected to grow by 45% from 2015 to 2018¹, with 660 billion euros in revenue predicted in 2018. This continued growth shows the increasing importance for businesses to sell online, both domestically and abroad. But how does this growth match up with the consumer trends identified in the Masterindex?

The Masterindex shows that there is very healthy engagement from Europeans in the e-commerce markets. It finds that 25% of European internet users shop online once a week and over 60% shop online once a month. 90% do so at least once a year.

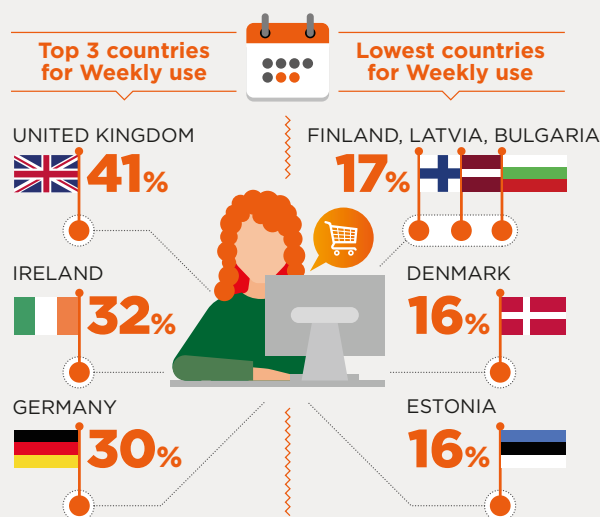
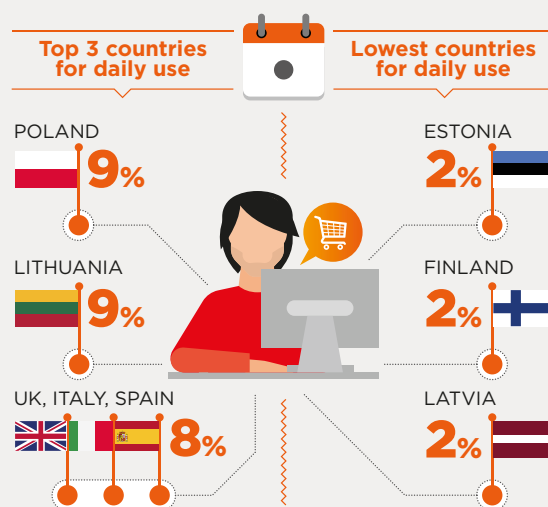


6% of Europeans shop online every day and this drop in comparison to weekly and monthly use likely reflects the fact that online shopping is often used for purchases of products not considered everyday goods, such as tickets, clothing and flights (see below for more detail).

Looking at individual countries, the survey shows that people in Poland and Lithuania have the highest frequency of everyday e-commerce use, with people in the UK shopping most frequently on a weekly basis. Amongst others, the survey shows strong overall performance in Germany, Spain, Ireland and Italy.

The countries with lowest every day and weekly use nevertheless show good levels of engagement from consumers with regard to the other purchase frequencies. For example, in Denmark and Finland and Estonia, approximately 80% buy online once every few months.

We can see from these trends that there is a good level of consumer use across the board and that it is the frequency of use that varies. As internet access



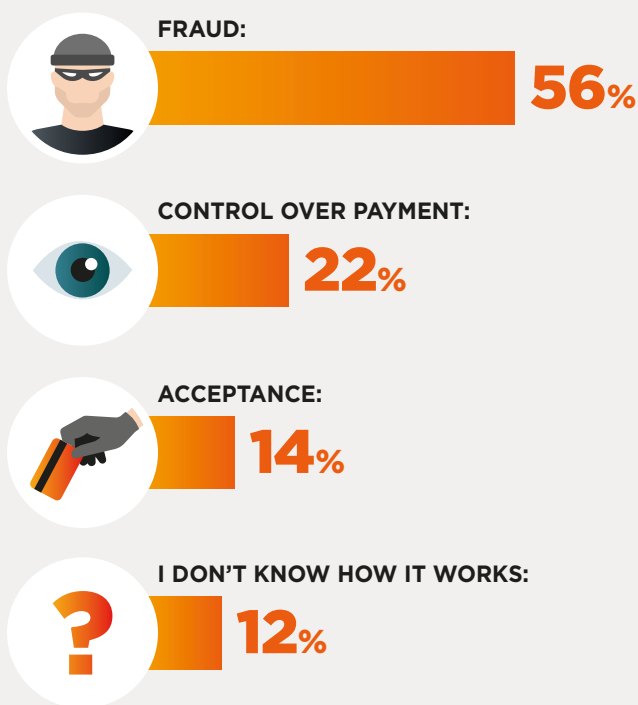
¹ 2016 E-commerce Europe B2C e-commerce Report - It surveys - EU28 + Albania, FYR Macedonia, Montenegro, Serbia, Turkey, Bosnia & Herzegovina, Kosovo, Iceland, Andorra, Belarus, Liechtenstein, Moldova, Monaco, Norway, Russia, San Marino, Switzerland, Ukraine, Vatican City

and digital skills become further mainstreamed into society we can expect to see continued growth in e-commerce in Europe as consumers engage more frequently online.

Barriers to paying online

While the e-commerce sector is popular amongst consumers there are of course barriers that prevent some people from shopping online. Fraud and control are the main concerns preventing consumers from paying online. For half of European online shoppers, concern about fraud is the primary barrier to online payments. The trend is consistent across countries, although concern about fraud is highest in Greece, with 71% of people stating that it is an issue, with 64% of Spaniards also feeling fraud is a problem. The lowest level of concern about fraud is in Denmark, with less than half of people surveyed (46%) stating that it is a barrier.

What is positive for the potential growth of



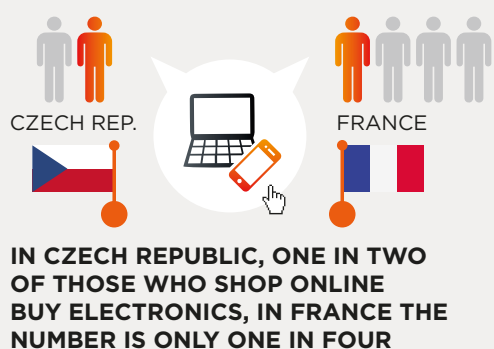
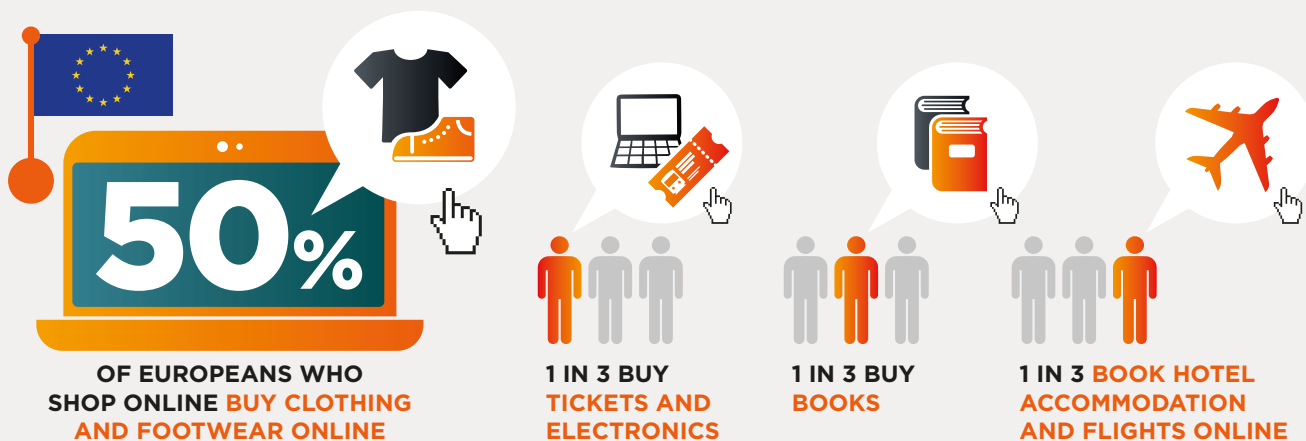
e-commerce is that barriers such as 'not knowing how it works' (12 %) and 'acceptance of the payment' (14%) are at the lower end of the scale. This suggests consumers are indeed willing and able to shop and pay online and so long as issues around security and trust are addressed consumers will engage.

What are people buying?

Thus far we have looked at overall consumer engagement, drivers and barriers, payment methods - but what are the categories of products that are driving e-commerce and bringing people to shop online?

The survey shows that clothing & footwear, tickets, electronics and books are the most purchased products online in Europe.

The most popular categories highlight the trend for consumers to shop online for goods that are not considered everyday purchases, such as hotel accommodation and flights. It will be important to examine how these trends develop over the coming years to determine if the categories change and everyday purchases such as grocery shopping become more popular. This would likely coincide with an increase in frequency and use and overall e-commerce engagement from Europeans. The different categories are outlined on page 8 of this report.



Trends in cross-border e-commerce

As a complement to the Mastercard GCT survey on general e-commerce trends, the Masterindex also examines trends in cross-border e-commerce using the open source 2015 Consumer Barometer Survey.

The survey shows a high level of cross-border shopping from consumers, with 41% of European online buyers purchasing products online from abroad at least once a year.

Nearly 2 out of 3 European online buyers have bought cross-border at least once in their life.



2 out of 3 have bought online from abroad



2 out of 5 have bought online from abroad at least once a year

People in Austria and Ireland are particularly fond of cross-border shopping, with over 60% of online shoppers buying from abroad at least once a year. This popularity could be related to their proximity to well-developed e-commerce markets in Germany and the United Kingdom. Cross-border shopping is also popular in Italy, Spain and the UK, with 40% of online shoppers buying at least once in a year online from abroad.

Whilst the lowest levels of cross-border shopping were in Poland and Romania, it is still relatively popular, with only 1 in 5 online shoppers buying cross-border at least once a year.

The survey also explored the number of internet users who have never shopped cross border. More than two in five online shoppers in Bulgaria, Czech Republic, France, Germany, Hungary, Lithuania, the Netherlands, Poland, Romania and Slovakia say they have never bought something from a website in another country. In contrast, almost 90% of people in Austria and Ireland claim to have bought products online from abroad at least once in their lifetime. The same goes for more than two out of three people in Italy, Spain and the UK.

Drivers

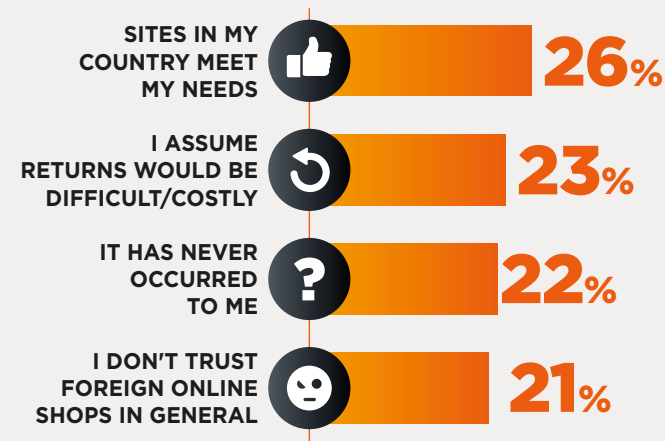
When asked about the drivers that bring them to purchase online across borders, 40% of European online shoppers felt that the offer was a key aspect,

with 1 in 3 listing the conditions (i.e. price, terms of payment) and availability of products as the other main drivers for buying from sites in other countries



Barriers

We see very positively that the main reason for not shopping across borders was not trust or security concerns but rather the availability of good domestic options. This points towards the existence of good e-commerce infrastructure in many EU countries.



The survey shows that for 40% of people in Finland and Poland who shop online but not from abroad, it is because they feel that e-commerce sites in their country meet their requirements. There are similar perceptions in the UK, France and Germany.

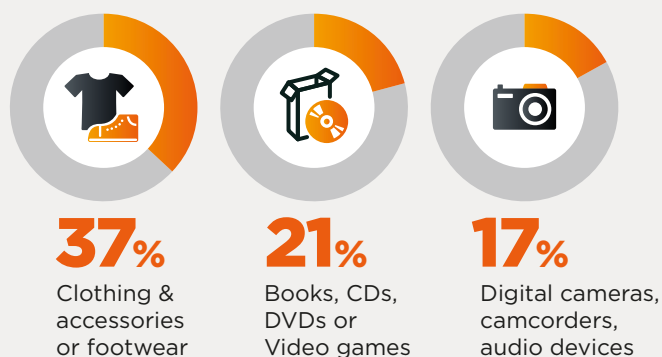
Lack of trust in foreign websites is the biggest challenge for online shoppers in France and Belgium.

French and Belgian online shoppers who do not buy from abroad are roughly twice as likely as Spanish and Italians to cite lack of trust in foreign websites as a barrier.

Interestingly, 1 in 5 Europeans who shop online in their home country but not abroad, state that the idea of buying cross-border has never occurred to them. This may indicate that there is still work to be done in educating and informing consumers on the potential of cross-border e-commerce.

What are people buying cross-border?

Cross-border online shopping trends are similar to what we see domestically, with the most popular products categories being: clothing and accessories, books, DVDs and CDs and electronic devices.



Of course, we once again see different preferences for products from country to country:



Overall, the picture is positive, with on average more than 40% Europeans engage in cross-border e-commerce at least once a year. We can determine from the similarity between the most popular domestic and cross-border products and the good existing infrastructure in many domestic e-commerce markets that if businesses want to attract consumers across borders then they will compete on offer, availability and attractive conditions.

Payment Methods

When it comes to how people buy online the Masterindex Survey shows that card and online banking are the most used form of payment from PCs and mobiles.

Payments from Mobiles

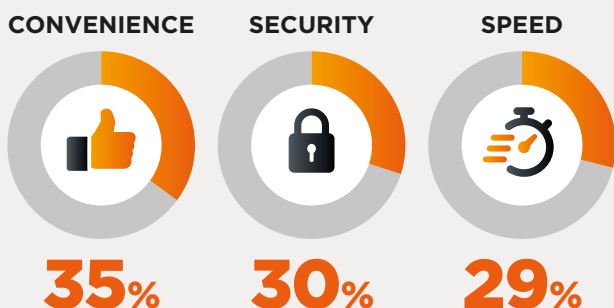
For 1 in 3 European online shoppers, cards and online banking are the most used form of online payment from mobiles. Just under 1 in 5 use online banking apps and only 2% use digital currency.

Payments from PCs

Roughly one half of European online shoppers use online banking payment when making purchases from a PC/laptop, 7 percentage points higher than card use(40%). Similarly to mobiles, the least used form of payment is digital currency (2%).

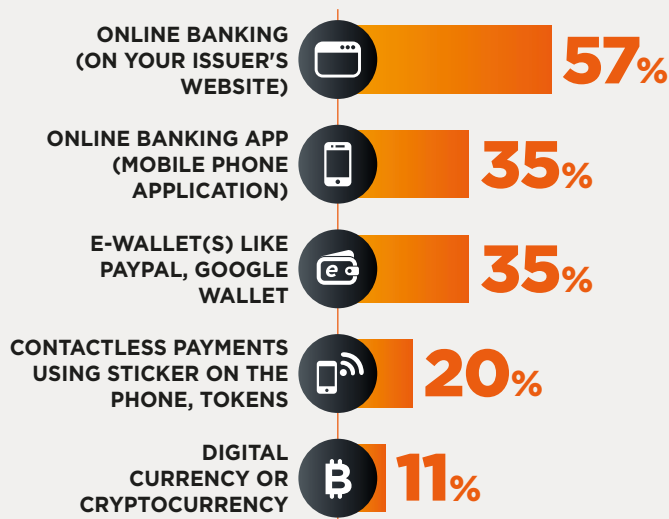
The survey finds varying trends from country to country. For example, in Poland online banking is three times as popular as card use for mobile and PC payments. In Netherlands and Czech republic it is twice as popular as card use but in the UK, France, Ireland and Italy card use is more 10-20 percentage points more popular than online banking.

When choosing payment methods, European online shoppers want convenience, security and speed with 1 in 3 listing convenience as the main driver.



New forms of payment

Whilst online banking and cards are still the most popular forms of payment EU consumers have expressed a strong interest in new payment methods such as e-wallets, banking apps, QR code scanning and digital currency. At the moment that interest is not translating into use, however, as is typical with new innovative technologies, it can often take time to be adopted by users. The important thing from an e-commerce and payment perspective is that the motivation is there and with so many different options for consumers, the practicality of shopping online becomes easier.



Overall, interest in online banking apps (35%) is similar to e-wallets (35%) across Europe, pointing to potential for growth in these categories. In contrast, Europeans seem least open to digital currencies (11%) among all categories surveyed. Looking at the individual countries, Spain leads the way in interest in new technologies, with over half the people interested in e-wallets and 1 in 3 interested in contactless. However, only 14% of Spaniards use the technology, lagging behind Norwegians (20%), Greeks (20%) and Finns (19%).

When we combine this interest in innovative payment methods with the fact that consumers don't feel that skills or acceptance of paying online are big barriers we can see that the conditions for continue growth of e-commerce are there. It is up to the market to attract increased use and more consumers through offers, convenience and reliability.

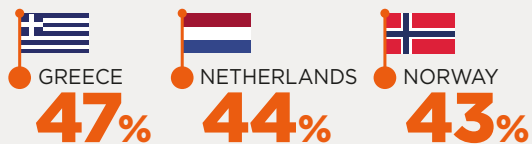


TOP COUNTRIES FOR INTEREST IN E-WALLETS:





TOP COUNTRIES FOR INTEREST IN ONLINE BANKING APP:



TOP COUNTRIES FOR INTEREST IN DIGITAL CURRENCY:

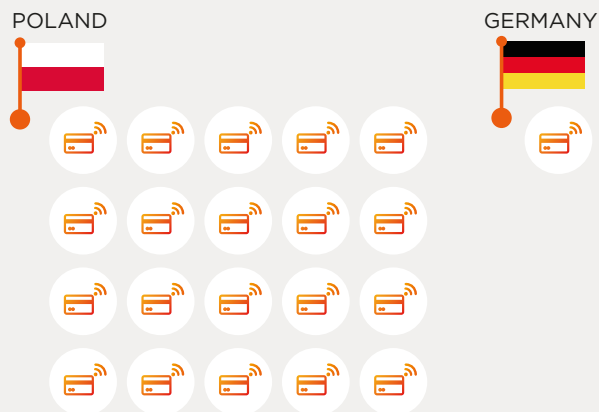


Contactless Payments

One of the most interesting emerging payment trends is that of contactless payments. Whilst contactless is an in-store purchase method it is often seen as a first step towards the use of mobile phones as payment devices. The Masterindex shows that 43% of the cards in Europe are contactless enabled, however there are wide discrepancies across countries. In Poland and

Czech Republic, nearly 90% of the cards are contactless enabled. However in Germany 83% of cards are not contactless enabled and this number is 90% in Belgium.

DAILY USE OF CONTACTLESS PAYMENTS IS 20 TIME HIGHER IN POLAND THAN IN GERMANY



7% of Europeans use contactless payments on a daily basis, 26% using it once a week and 38% once a month. However, nearly half of the population has never used it.

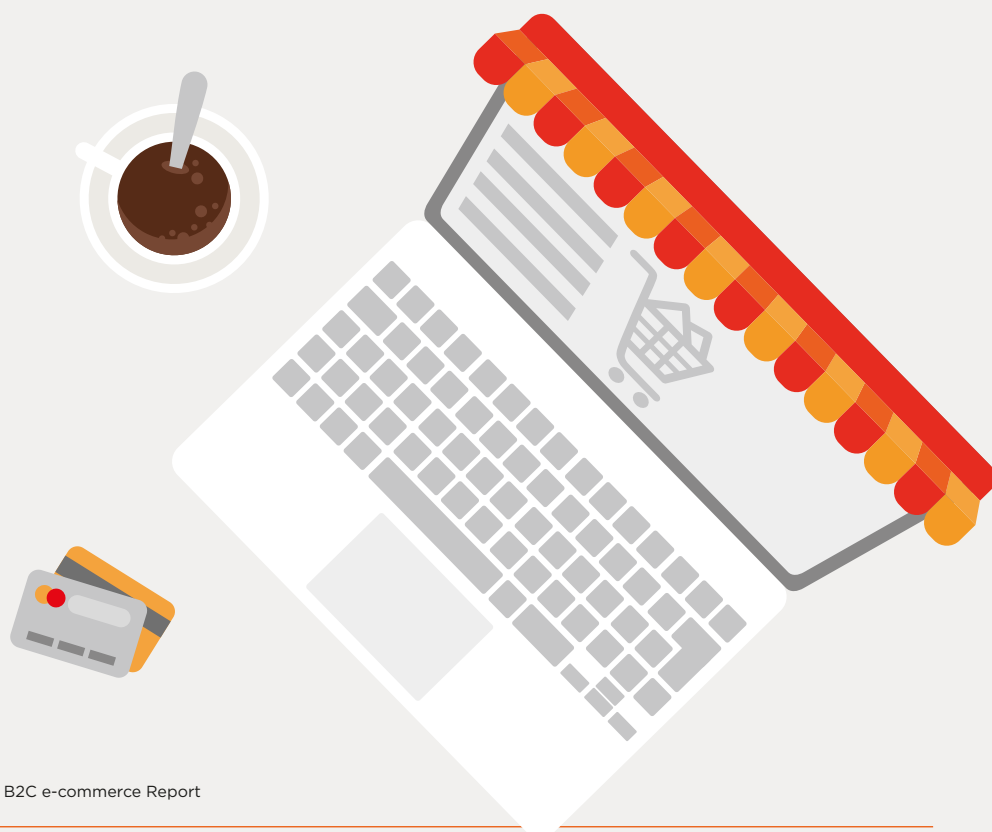
Conclusions

The Masterindex results show that overall engagement of consumers online is strong and that they are willing and able to shop online both domestically and abroad. This points to tremendous growth potential for e-commerce in Europe. Moving forward, the key will be to transform the current use rates and interest in new payment methods and technologies into more frequent use domestically and cross-border.

We see, when looking at what people buy at home and cross-border that the categories are very similar: clothing, electronics, books, are among the top categories for both. As the main reason for not shopping cross-border is the good quality of domestic sites and the main drivers are offer, conditions and availability - the conditions for good competition are there and this should ultimately benefit consumers.

Consumers have shown a strong interest in new forms of payment, from contactless to e-wallets and it will be important to encourage the availability and use of such innovative solutions. However the use of such technologies still lags behind online banking and card use. For consumers to adopt different forms of payments and indeed to increase their use of existing payment methods, their concerns over trust and security should be addressed.

To continue and, indeed increase the predicted growth in the e-commerce sector¹, we must look to increasingly attract consumers to shop online through: gaining their trust and confidence that shopping online is safe and secure and critically, by attracting them with good offers and conditions.



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2016 E-commerce Europe B2C e-commerce Report