



LOCAL AND CROSS-BORDER INSIGHTS

# Global e-commerce trends report

J.P.Morgan

*Digital technology continues to transform the way producers, suppliers and consumers around the world connect and transact with one another. J.P. Morgan's Global E-commerce Trends Report share data-driven insights that can help you understand local and cross-border e-commerce trends in 37 of the world's most vibrant markets.*



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## AMERICAS

# Brazil Insights

### Summary

Brazil is an exciting growth market with a distinctive online shopping culture

- Brazil's e-commerce market is still at a relatively early stage of development. It will likely continue to evolve rapidly in the coming years as more citizens start shopping and influencing the country's habits and tastes when spending online.
- Both local and international e-commerce platforms are embraced by consumers in Brazil. The top three sites by traffic are Argentina's Mercado Livre, domestic site Americanas and U.S. giant Amazon.br.<sup>1</sup> Long-standing Brazilian brand Magazine Luiza migrated rapidly to e-commerce during the pandemic and now takes the highest gross online revenue of all Brazilian retailers.<sup>2</sup>
- The Black Friday and Cyber Monday weekend and Singles Day may be the key online sales events internationally, but in Brazil, Lovers' Day (June 12) generates the biggest online sales. Black Friday weekend comes second, jumping 25 percent in sales growth year-on-year and taking BRL 7.7 billion (US \$1.5 billion) in sales in 2020. Christmas and Mother's Day are also key shopping events.<sup>3</sup>



## With only two out of every ten Brazilians shopping online, growth potential is huge

It is possible that 2020 may have been the year Brazil's shopping culture changed for good. Business to consumer e-commerce saw strong 22.2 percent growth over the year,<sup>4</sup> as e-commerce became a necessity for many. However, there is still a long way to go for digital retail to topple in-person shopping in Brazil. More than half of Brazilians have never shopped online;<sup>5</sup> and e-commerce takes only 8.1 percent of total retail.<sup>6</sup> With a young population (the average age is 33.2) this will soon change as 36.4 percent of the population who are 24 and under – and are digital natives – age and become professionals and consumers.<sup>7,8</sup>

Looking forward, sales growth is expected to continue at a compound annual growth rate (CAGR) of 9.4 percent to 2024.<sup>9</sup>

*Though still at a relatively early stage of development, Brazil represents a promising e-commerce growth market.*

### App-friendly Brazilian consumers prefer to shop via mobile devices

In line with other up-and-coming e-commerce markets, Brazil has adopted mobile commerce quickly and enthusiastically. It is already the predominant online shopping channel, taking 55 percent of all completed transactions and generating BRL 60.6 billion (US \$11.7 billion) in sales in 2020.<sup>10,11</sup> Mobile commerce is projected to expand at a compound annual growth rate (CAGR) of 15.2 percent to 2024.<sup>12</sup> Apps are preferred to browsers, with 65 percent of transactions made via an app:<sup>13</sup> key apps are food delivery platform iFood, with 36 percent

of smartphone owners having ordered via the app, followed by Mercado Livre (33 percent) and Americanas (30 percent).<sup>14</sup>

*App-friendly Brazilians have demonstrated a preference for shopping via mobile devices and paying with cards and cash.*

### Cards and cash dominate online payment methods in Brazil

Cards are Brazil's online payment method of choice, with 57 percent market share.<sup>15</sup> Cash comes second, with an 18 percent slice of the payments market.<sup>16</sup> Some 21.5 percent of the population does not have a bank account,<sup>17</sup> which supports ongoing cash use. Boleto Bancário is a payment method regulated by the Central Bank of Brazil that enables cash payments at banks, ATMs, drugstores and post offices.

As smartphone and app-based shopping rises, digital wallets are increasing in use, and are set to expand from their current 11 percent market share to take 14 percent by 2024.<sup>18</sup> Key digital wallet brands include PayPal and Mercado Pago.<sup>19</sup>

### High import taxes and complex trade rules can deter cross-border spending by Brazilians

Cross-border shopping now makes up a modest 7 percent of total e-commerce in Brazil.<sup>20</sup> International shopping has been stymied to date by high import taxes intended to encourage domestic spending. This can make the sales process complex for international merchants, who can also face high

decline rates at checkout owing to Brazil's local payment rules.<sup>21</sup> Nevertheless, 45 percent of Brazilian online shoppers have bought a product from another country,<sup>22</sup> with China, the U.S. and Japan the most popular countries to shop from.<sup>23</sup>

## International merchants are beginning to focus on the burgeoning Brazilian market

Despite having the fifth-largest population of social media users globally, there are still millions of people

in Brazil who are yet to create their first social media profile.<sup>24</sup> At present, Facebook, Instagram and WhatsApp are the top three social networks, but TikTok is rising rapidly in uptake.<sup>25</sup> All these social media sites offer shopping functions, and could provide an effective way to reach Brazil's youthful population.

Meanwhile, global merchants are taking Brazilian challengers seriously, snapping up these domestic sites to fold into their own brands: Etsy, for example, acquired Brazil's similar crafts-based marketplace Elo7 in June 2021.<sup>26</sup>

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# Canada Insights

## Summary

A slow-burn e-commerce market in Canada picks up the pace

- Strong economic and social fundamentals support ongoing growth in Canadian e-commerce. Canada has excellent internet and smartphone penetration (91 percent) and a high standard of living, outperforming most countries in the Organisation for Economic Co-operation and Development's (OECD's) quality-of-life indices.<sup>1,2</sup>
- Retail giants dominate the market. Amazon, Walmart and Costco are the top three online stores by net sales.<sup>3</sup> Cross-border shopping is largely concentrated in English-speaking nations, the U.S. and the UK.<sup>4</sup>
- Social commerce uptake lags behind forerunners such as China and the UK, but uptake is rising.<sup>5</sup> The number of social buyers in Canada is projected to reach 7.9 million in 2021, from 6.9 million in 2020.<sup>6</sup> When it comes to emerging e-commerce channels such as live streaming, Canadian consumers are yet to catch up with leaders like China, with social commerce via well-established channels such as Facebook preferred.<sup>7</sup>



## Travel, electronics and fashion are most popular purchases by Canadians as overall sales rise

Canada's e-commerce market is worth US \$73.6 billion,<sup>8</sup> and is set to increase at a compound annual growth rate (CAGR) of 14.4 percent to 2024.<sup>9</sup> E-commerce takes an 8 percent share of total retail - lower than other major developed nations such as the UK and U.S. (27.9 percent and 14 percent respectively).<sup>10, 11, 12</sup>

Seven out of every ten Canadians are already shopping online, individually spending approximately US \$2,790 a year. Travel is the most popular e-commerce market segment, with a 20 percent market share, and will likely rise in line with removals of travel restrictions post-pandemic. Electronics and media (18 percent), and fashion (17 percent) are the second and third most popular spending categories.<sup>13</sup>

*Strong socioeconomic conditions and digital infrastructure are driving slow but steady e-commerce growth in Canada.*

## Mobile commerce is set to eventually topple desktop commerce in Canada, aided by rising social commerce

At 35 percent of total e-commerce transactions, Canada is on a par with countries like Germany and Japan for mobile commerce use.<sup>14</sup> While desktop-based sales still dominate, the US \$25.7 billion mobile commerce market<sup>15</sup> is growing at a faster rate, at a compound annual growth rate of 22.8 percent to 2024.<sup>16</sup> Apps, used for 53 percent of completed

transactions, are preferred over browsing when shopping via mobile.<sup>17</sup>

*Cards and PayPal are Canadians' preferred e-commerce payment methods.*<sup>18, 21</sup>

## Cards and PayPal are must-have payment options among Canadians

Card is the number-one way to pay online in Canada, taking a 64 percent share of all transactions.<sup>18</sup> Credit cards are more prominent than debit cards, at 2.1 credit cards per capita, compared with 0.68 debit cards.<sup>19</sup>

Digital wallets are the second-most popular option, used for 19 percent of payments.<sup>20</sup> PayPal is the digital wallet brand of choice for consumers.<sup>21</sup> By 2024, digital wallets are expected to have risen to take a 23 percent share of payments, with cards still dominant at 62 percent of completed transactions.<sup>22</sup> Bank transfers are the third-most popular payment option (11 percent), with use set to remain static with an ongoing 11 percent market share by 2024.<sup>23</sup>

## Neighboring U.S. is a key cross-border shopping destination for Canadians

Cross-border shopping is a widely accepted part of Canadian e-commerce, with 62 percent of online shoppers having made a purchase from abroad.<sup>24</sup> However, it only accounts for 15 percent of the total e-commerce market,<sup>25</sup> suggesting there is room for overseas merchants to drive up basket value.

The most popular markets to shop from are the neighboring U.S., which takes half of all Canadian cross-border e-commerce at 51 percent, followed by China (33 percent) and the UK (4 percent).<sup>26</sup>



## Canadian consumers seek carbon-conscious brands that offer free shipping

Free shipping is now an expectation, rather than a nice-to-have. An estimated 84 percent of Canadian online consumers will shop more regularly with merchants that offer free shipping.<sup>27</sup> Companies with clear carbon reduction policies and values appeal to Canadian consumers, with 46 percent of shoppers

choosing to shop more often with businesses that are reducing their carbon emissions.<sup>28</sup>

Long-standing social media networks are more attractive shopping destinations in Canada than newer upstarts. Facebook (24.5 percent), Instagram (17.1 percent) and YouTube (16.5 percent) are the social media platforms Canadian adults are most likely to use to purchase products. In contrast, just 1.1 percent would be likely to shop on TikTok.<sup>29</sup>

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# Mexico Insights

## Summary

Mexico's e-commerce appetite is catching up with seasoned online shopping nations

- Mexico still has ongoing gaps in the infrastructure fundamentals needed to support e-commerce, such as strong bank account penetration, fast and widespread internet coverage, and comprehensive delivery logistics.<sup>1</sup> The pandemic has accelerated improvements, and mobile devices offer a chance to leapfrog these issues.
- E-commerce giants dominate sales and web traffic. Mercado Libre is the most popular site in Mexico, followed by Amazon.<sup>2</sup> The market is diversifying. As domestic small and medium enterprises rushed to equip themselves with e-commerce capabilities during the pandemic, the number of smaller merchants selling online almost doubled from 33 percent in 2019 to 64 percent in 2020.<sup>3</sup>
- Incoming merchants can make a strong start in Mexico by observing local trends and adapting to suit a largely unbanked population. Amazon, for example, sells prepaid cards in convenience stores, allowing shoppers to load up with cash to spend on its site without a debit or credit card.<sup>4</sup>



## Online shopping in Mexico is set to continue its strong growth trajectory to 2024

Mexico's business to consumer e-commerce market has consistently expanded by at least 20 percent each year since 2017.<sup>5</sup> Now worth US \$38.9 billion,<sup>6</sup> this market is set to grow at a steadier strong CAGR of 12.4 percent to 2024.<sup>7</sup>

Rising sales will likely be supported by the entrance of new shoppers. At present, only 39 percent of Mexican citizens have made an online purchase, spending an average of US \$769 a year online; <sup>8,9</sup> e-commerce accounts for just 9 percent of total retail and thus the online shopping arena still has a long way to go to reach its full potential.<sup>10</sup>

*Mexico is a mobile-first e-commerce market that is positioned for strong near-term growth.*<sup>11</sup>

## Mexico is mobile-first, with fixed-line internet still not fully available

Mexico is mobile first when it comes to online shopping: 53 percent of sales are completed on a mobile device.<sup>11</sup> Already a US \$20.6 billion market, mobile commerce is projected to continue scaling up at a compound annual growth rate of 20.3 percent to 2024<sup>12,13</sup> as households increasingly bypass installation of fixed-line internet (Mexico's fixed-line internet is patchy, with only 62.8 percent penetration) and rely on mobile networks instead.<sup>14</sup>

In order to reach consumers via social media, merchants should prioritize the top three sites: Facebook, WhatsApp and Instagram.<sup>15</sup> Social media

users tend to be younger citizens; more than 56 percent of Facebook's Mexican users are aged between 18 and 34.<sup>16</sup>

*Seeing the potential of the Mexican market, U.S. and Chinese e-commerce giants are vying to connect and transact with consumers here.*

## In Mexico, cards win out as legacy payment methods remain as small, but still significant options

Cards take almost half (46 percent) of all business to consumer e-commerce payments in Mexico,<sup>17</sup> with debit cards far more common than credit (1.07 debit cards per capita, compared with just 0.2 credit cards).<sup>18</sup> Boosted by mobile commerce, digital wallets are the next-most popular option, taking a 21 percent share of the payments market, with PayPal dominating.<sup>19</sup> Bank transfers and cash are also commonly used.<sup>20</sup> Cash use is caused by ongoing low bank account penetration - 63 percent of the population don't have a bank account - and Mexico's ubiquitous Oxxo convenience store, where shoppers can pay for online orders with cash.<sup>21</sup>

## Mexico is primed for speedy international online shopping

Mexico is an exciting market for international merchants. The majority (66 percent) of Mexican online consumers have made a purchase from abroad,<sup>22</sup> and cross-border shopping already makes

up 15 percent of total e-commerce in the country.<sup>23</sup> Neighboring U.S. (51 percent) is the most popular international country to shop from; China (27 percent) and Japan (9 percent) take second and third place respectively.<sup>24</sup>

Recognizing Mexico's strong potential, Chinese e-commerce giants are ramping up their investment. Alibaba assigned new thrice-weekly charter flights between China and South America in 2020, which has brought e-commerce order delivery times to Mexico, Chile and Brazil down from a week to three days.<sup>25</sup>

## Mexico's upmarket e-commerce scales up as international brands set up shop

The luxury e-commerce market is moving in to Mexico to take advantage of a growing middle class and rising appetite for high-end lifestyle items. Fashion brands Louis Vuitton and Boss are among those launching domestic e-commerce sites in 2021, as are jewelers Cartier and Bulgari.<sup>26</sup>

The burgeoning Mexican online beauty and cosmetics market is another key area for merchants to take advantage of online revenues jumped 1,410 percent in 2020.<sup>27</sup>

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## AMERICAS

# United States Insights

### Summary

The U.S. is a diverse e-commerce market that is returning to strong growth

- U.S. e-commerce uptake lagged behind other nations for years, but growth is now on a strong upwards trajectory, fueled by e-commerce's convenience and major legacy mall brands pivoting to become omnichannel retailers.<sup>1</sup>
- Giant pure-play e-commerce platforms and heritage mall brands dominate sales. Amazon took 38.1 percent of U.S. e-commerce market share in 2020. Walmart (5.3 percent) and eBay (4.7 percent) round out the top three.<sup>2</sup>
- Black Friday and Amazon Prime Day are both major shopping events. Prime Day arrived months early in 2020, on June 21-22, meaning merchants had to race to create similar promotional deals during this period.<sup>3</sup>



## Kicking delivery to the curb: click-and-collect methods drive ongoing sales growth in the U.S.

E-commerce takes 14 percent of total retail in the U.S..<sup>4</sup> With 77 percent of the population spending online, this US \$1.1 trillion market is key for international merchants.<sup>5, 6</sup>

The U.S. e-commerce market is projected to grow at a compound annual growth rate (CAGR) of 11.2 percent to 2024.<sup>7, 8</sup> This is underpinned by legacy mall brands expanding into app-based ordering and curbside pickup options, both of which exploded in uptake during the pandemic.<sup>9</sup>

Target, for example, reported a 500 percent year-on-year increase in ‘drive-up’ sales, which provide free, contactless drive-up pickup of online orders at local Target stores. This reflects a wider trend for omnichannel shopping.<sup>10</sup>

## U.S. mobile commerce makes gains on desktop sales, boosted by rising in-app social commerce

Some 45 percent of total e-commerce is made via mobile,<sup>11</sup> and this method is soon set to topple desktop-based sales as it expands at an expected compound annual growth rate of 18.2 percent to 2024.<sup>12</sup>

Growth is supported by the spread of social commerce. Instagram and Pinterest dominate this space, with clothing, accessories and beauty key categories.<sup>13</sup> Sales made via social channels are projected to make a steep 34.8 percent increase to

US \$36.1 billion in 2021, taking a 4 percent slice of total retail ecommerce.<sup>14, 15</sup>

Instagram exclusively launched Instagram ‘drops’ to the U.S. market in May 2021, which encourages consumers to set reminders for upcoming product launches and purchase newly released products without leaving the app.<sup>16</sup>

## In the U.S., credit cards and digital wallets are essential, go-to payment options

Cards are the primary U.S. online payment method, used for 58 percent of all e-commerce transactions.<sup>17</sup> Digital wallets are the second-most popular option, at 26 percent,<sup>18</sup> with PayPal the most popular brand.<sup>19</sup> Bank transfers come in third, with an 8 percent market share.<sup>20</sup> The U.S. is a nation that likes to spend on credit; there are 3.26 credit cards per capita, compared with just 0.99 debit cards.<sup>21</sup> Digital wallets have the fastest growth rate, with a projected 14 percent compound annual growth rate to 2024, but cards follow close behind at 11 percent.<sup>22</sup>

## Cross-border sales grow, but still hold only a minority share of overall U.S. market

Cross-border shopping is less common than in other countries, likely due to the scale of the U.S.’s homegrown e-commerce offering. A third (33 percent) of online shoppers have purchased from abroad, with international sales making up just 7 percent of the total U.S. e-commerce market.<sup>23</sup> Nevertheless, this makes for a substantial US \$76.9 billion market,<sup>24</sup>

*U.S. e-commerce spending is on a growth trajectory driven by the convenience of home delivery, merchants’ omnichannel capabilities and contextual customer experiences.*

and the number of U.S. shoppers opting to buy from abroad is rising, albeit very unevenly. In May 2020, cross border e-commerce sales in the U.S. grew 42 percent year-on-year. In January 2020, that figure was just 1 percent.<sup>25</sup>

## Buy now, pay later becomes an enticing option for U.S. online consumers

The U.S. has huge online sales volumes, but has historically been a late adopter of e-commerce trends, many of which originate in China and Europe.

For example, buy now, pay later brands, already well established in European e-commerce, are shifting their focus to the U.S. Global leader Klarna is making good gains in this market, with users doubling year-on-year to 17 million consumers in April 2021.<sup>26</sup>

While Amazon takes the majority of the U.S. e-commerce market, it is worth noting that its market share is gradually declining.<sup>27</sup> This may mean that there is scope for smaller brands to stake their claim on the U.S. market, although the safest option is still to join the mega-platform as a seller and take advantage of its reach and infrastructure.

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ASIA PACIFIC

# Australia Insights

## Summary

Australia is a market with unique features and big growth opportunities

- Australia's e-commerce market has innovated at a slower pace than other highly developed nations, but it is nevertheless growing, and is marked by distinctive characteristics as a result of its geography.
- Australia and China share a *daigou* ("buy on behalf of") culture, whereby shoppers in Australia buy and ship Australian and international products into China. *Daigou* started primarily as a means to ship baby formula into China and has since spread into other market segments such as beauty products, medicines and luxury goods. The global pandemic created supply and import issues for *daigou* shopping, but it is still a key feature of Australian e-commerce.<sup>1</sup>
- E-commerce is strongly integrated into daily life; 72 percent of the nation shops online,<sup>2</sup> with consumers spending an average of \$2,287 a year.<sup>3</sup> Australians tend to spend about twice as much when they shop online versus in a physical store, as e-commerce facilitates buying bigger and bulkier items.<sup>4</sup>





## Local brands dominate in a growing e-commerce market in Australia

Australia's US\$42 billion business to consumer e-commerce market grew 14.3 percent in 2020; this growth is projected to continue at a compound annual growth rate (CAGR) of 13.8 percent to 2024.<sup>5,6</sup>

E-commerce already makes up 16.3 percent of total retail in the country,<sup>7</sup> and unlike many countries in our report, sales are dominated by a pair of local brands. Australian supermarket chain Woolworths is the top online retailer by net sales, followed by fellow domestic supermarket chain Coles. In third place is Apple.<sup>8</sup>

Migrating to an omnichannel strategy can pay dividends for merchants. Australians are not particularly loyal to major domestic brands - in any given quarter, nine out of 10 Australians will shop at both Coles and Woolworths - but research suggests that once consumers are using the online infrastructure of one brand, they are four times less likely to shop with other similar merchants.<sup>9</sup>

## Mobile commerce is less popular than desktop, but younger Australian generations are driving uptake

The \$15.2 billion (AUS) Australian mobile commerce market now accounts for over a third (36 percent) of total e-commerce.<sup>10,11</sup> In 2020, mobile commerce usage dropped, as many office workers began working from home and shopping via their desktop computers.<sup>12</sup> However, as normal working patterns resume, mobile commerce growth is set to pick back up at a strong compound annual growth rate of 17.6 percent to 2024.<sup>13</sup> When using mobile commerce, traditional browsers are still preferred over apps,

with browser-based shopping used in 62 percent of completed mobile transactions.<sup>14</sup>

Mastering mobile commerce is essential to reach younger generations. Just under half of Australians (49 percent) shop on their mobiles at least once a week - a figure that rises to 66 percent for Millennials and 65 percent for Gen Z.<sup>15</sup>

*Australia's US \$42 billion business to consumer e-commerce market grew 14.3 percent in 2020.<sup>5</sup>*

## Cards are used for half of all Australian online payments

Card is the most used way to pay online in Australia, taking 50 percent of transactions.<sup>16</sup> Digital wallets are the next-most important method, used in 23 percent of payments, with bank transfers coming in third, with a 16 percent market share.<sup>17</sup>

By 2024, cards are expected to account for 52 percent of payments, while digital wallets will take 21 percent and bank transfers 20 percent.<sup>18</sup> Buy now, pay later brands such as Afterpay and Klarna are also on the rise in Australia, with 30 percent of the adult population now holding an open buy now, pay later account. With strong uptake among teens and younger people as a means to spread out online shopping payments, there are growing calls for the Australian buy now, pay later industry to be regulated to the same standards as other payment methods such as cards.<sup>19</sup>

*Mobile, cross-border and buy now, pay later are on the rise as consumers show a willingness to adopt new shopping and payment methods.*

## Australians are regular cross-border online shoppers, as couriers work to meet demand

The majority of Australian online consumers – 61 percent – have shopped cross-border,<sup>20</sup> making for a \$4.2 billion market,<sup>21</sup> which takes 10 percent of total e-commerce in the country.<sup>22</sup> The most popular overseas shopping destinations are China (first), the U.S. (second) and the UK (third).<sup>23</sup> At present, Australian shoppers find 10 days to be an acceptable delivery speed for a cross-border purchase from the U.S.<sup>24</sup>

International logistics providers are investing in additional capacity to meet increasing Australian cross-border e-commerce demand. DHL, for example, launched a new Australia-Singapore freight service in

2021 to ramp up e-commerce capacity and delivery speeds across its south-west Pacific network.<sup>25</sup>

## Social media giants have begun to focus ‘down under’

Australians spend almost two hours a day on social media,<sup>26</sup> making for a huge opportunity for brands to court customers. The merging of social media with commerce is a global trend that is taking root in Australia. Some 30 percent of internet users aged 16 to 64 already use social media platforms for work,<sup>27</sup> and key social media sites are optimizing in Australia for shopping. Facebook and Instagram’s shop functions launched in the country in 2020, while Pinterest is due to roll out shopping functionality in Australia in late 2021.<sup>28</sup>

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ASIA PACIFIC

# China Insights

## Summary

China is an innovative e-commerce market that is big and poised to get bigger

- China is arguably the world leader in e-commerce, boasting both huge sales volumes and high levels of innovation, particularly in mobile and social commerce.
- Some 64 percent of the Chinese population have shopped online,<sup>1</sup> but this still leaves huge growth potential via the remaining one-third of citizens who are yet to make their first purchase.<sup>2</sup>
- China's e-commerce is based around 'super-apps', which allow users to socialize, shop, bank and pay for products within a single ecosystem. WeChat and Alipay dominate.<sup>3</sup>



## China's rising middle class fuels strong sales growth prediction

China is home to a US \$1.9 trillion business to consumer e-commerce market, the largest in the world.<sup>4</sup> E-commerce accounts for 30 percent of total retail,<sup>5</sup> and users spend an average of US \$2,058 online each year – roughly half the amount citizens of fellow e-commerce giants the U.S. and UK spend.<sup>6</sup>

Double-digit growth is projected to 2024, at a compound annual growth rate (CAGR) of 16.6 percent, one of the higher rates in our report.<sup>7</sup> This growth is underpinned by a rising middle class, which is projected to reach 550 million people by 2022, a figure one and a half times the size of the entire U.S. population.<sup>8</sup>

*China is a world-leading e-commerce market that boasts huge sales volumes, high innovation and a vibrant social and mobile commerce environment.*

## The Chinese clock up hours on smartphones every day, making for a mobile-first shopping model

Citizens spend an estimated average of three hours and six minutes a day on their smartphones, a figure that is expected to rise to just under three and a half hours in 2022.<sup>9</sup>

It should therefore come as no surprise that China is a nation that prefers to shop via smartphone, with 64 percent of e-commerce completed on a mobile device.<sup>10</sup>

Of these transactions, 65 percent are carried out on an app,<sup>11</sup> making optimization for app-based e-commerce essential for incoming merchants. Social super-apps like WeChat, Pinduoduo and Douyin have made live streaming a key feature of Chinese e-commerce, and its use is particularly dominant in the lucrative beauty market.<sup>12</sup>

*Cross-border merchants need to remain aware of China's unique import and tax rules.*

## Digital wallets rule in China, blending payments technology with tradition

Digital wallets are the primary e-commerce payment method in China, accounting for 59 percent of all completed transactions.<sup>13</sup> This high uptake is supported by super-apps and sites integrating their own digital wallet payment systems – for example, WeChat Pay within WeChat, and Alipay within Alibaba, which allow for one-click e-commerce payments. Traditional elements of Chinese culture, such as red envelope money gifting, have been incorporated into these payment apps.<sup>14</sup> Card is the second-most popular payment option, with a 21 percent market share, followed by bank transfers in third at 15 percent.<sup>15</sup> Debit cards are preferred over credit.<sup>16</sup>

## Cross-border e-commerce makes up one in five sales made by Chinese consumers

Despite the huge amount of choice, variety and innovation in China's domestic e-commerce market, cross-border shopping is still an important feature of the country, with 39 percent of online shoppers having made a purchase from abroad. Cross-border e-commerce accounts for 13.5 percent of total e-commerce, with Japan (24 percent), the Australia (14 percent) and the U.S. (12 percent) the most popular overseas destinations to shop from.

China has a ‘positive list’ for approved e-commerce product categories that can be imported into the country with minimal customs and compliance requirements, and a preferential tax rate of 9.1 percent. To qualify, these items must be shipped to a bonded warehouse before they are sent on to the buyer.<sup>17</sup>

## China sets the pace for e-commerce trends and are years ahead of other nations

Group buying is on the rise in China, whereby shoppers access significant discounts and flash sales if they buy in groups.

The online ‘re-commerce’, or second-hand shopping market reached RMB 1 billion (US \$156.3 million) in 2020. Re-commerce is set to overtake fast fashion by 2028.<sup>18</sup> This is part of a wider cultural shift towards sustainability and acceptance of pre-owned goods.<sup>19</sup>

Chinese influencers such as Austin Li and Viya are still hugely important,<sup>20</sup> but ‘key opinion consumers’ are fast emerging as rivals. Unlike influencers, key opinion consumers do not promote products for brands, or work in social media full-time. They instead occasionally give talks and reviews on items they have personally bought. They are viewed as everyday people giving honest reviews, with their opinions given more weight as a result.<sup>21</sup>

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ASIA PACIFIC

# Hong Kong Insights

## Summary

Hong Kong's consumers have yet to migrate fully to omnichannel and e-commerce

- Hong Kong is a region of contrasts. It boasts digitally adept citizens, yet e-commerce has been slow to gain traction. For e-commerce merchants, providing a more varied and exciting shopping experience than physical retail may prove key to converting shoppers from in-store to online purchasing.
- The pandemic created logistics issues for domestic e-commerce merchants, with 86 percent of businesses stating current logistics and supply chain issues as their top challenge.<sup>1</sup> Bigger global merchants with stronger supply chains and delivery capabilities may thrive in Hong Kong as a result; the most popular e-commerce sites include giants Alibaba, JD.com and WeChat.<sup>2</sup>
- Despite having the third-highest median wealth per adult in the world in 2020,<sup>3</sup> Hong Kong's online shoppers are somewhat conservative spenders. The average amount spent online is US \$1,839,<sup>4</sup> suggesting opportunities to drive up basket spend.



## Post-pandemic, Hong Kong's e-commerce market is set to grow, albeit slowly

Hong Kong's digital infrastructure supports a speedy online shopping experience, with some of the fastest internet speeds in the world.<sup>5</sup> But the US \$9.5 billion Hong Kong business to consumer e-commerce market takes just a 10 percent slice of overall retail in the region.<sup>6,7</sup> At present, 68.7 percent of the population shop online,<sup>8</sup> leaving further room for expansion.

Looking ahead, growth is set to continue at a compound annual growth rate (CAGR) of 6.6 percent to 2024.<sup>9</sup> Impacting on this modest growth prediction is the fact that Hong Kong's compact, urbanized geography with excellent physical infrastructure supports ongoing high levels of physical retail.

*Hong Kong is a digitally sophisticated region that has yet to adopt e-commerce as broadly as adjacent markets.*

## Mobile commerce outranks desktop-based shopping as primary online shopping channel in Hong Kong

Hong Kong is mobile first, with 57 percent of transactions completed on a mobile device.<sup>10</sup> This US \$5.4 billion market is set to rise at a

compound annual growth rate of 7.8 percent to 2024.<sup>11,12</sup> This growth is supported by app-based social commerce, which has gained good traction in Hong Kong, particularly with younger consumers. However, among all generations, mobile browsers are still preferred over apps, taking 62 percent of completed sales.<sup>13</sup>

YouTube is the most popular social media channel in Hong Kong by user penetration, followed by WhatsApp and Facebook. Almost half of consumers in Hong Kong have used Facebook to make an online purchase.<sup>14</sup>

## In Hong Kong, cards are the top choice for online payment, but digital wallets are soon set to overtake

Cards are the most used e-commerce payment method in Hong Kong, with 39 percent market share.<sup>15</sup> The near-total penetration of Octopus, a local card-based payment method, supports card use - 95 percent of the population aged between 16 and 65 use the card.<sup>16</sup> Card use is followed closely by digital wallets, at 38 percent market share.<sup>17</sup> Alipay and PayPal are both popular digital wallet brands.<sup>18</sup> By 2024, as e-commerce and digital spending grows, digital wallets are expected to have replaced cards as the number-one method, and will take a 45 percent share of transactions.<sup>19</sup>

## High levels of cross-border spending mean one in four transactions in Hong Kong are international

Likely due to the island's relatively small size, the cross-border e-commerce market takes a quarter

*When Hong Kong consumers do shop online, many times it is with international merchants and they most frequently pay with cards.<sup>15</sup>*

(25 percent) of all e-commerce transactions in the state.<sup>20, 21</sup> The most popular places to shop from are mainland China (37 percent market share), the U.S. (21 percent) and Japan (16 percent).<sup>22</sup>

It is not just consumers with an appetite to transact overseas; Hong Kong's domestic e-commerce merchants are also outward looking. To recover from the pandemic, 48 percent of domestic merchants are looking for alternative ways to sell their products and 45 percent are looking to reach customers in new markets.<sup>23</sup>

## 'Recommerce' reaches Hong Kong, as shoppers tire of thrill of the new

Shifts to e-commerce based around secondhand or previous season clothing - 'recommerce' - is rising in uptake globally,<sup>24</sup> particularly in the luxury goods and fashion sectors. In mainland China,<sup>25</sup> recommerce is expected to overtake fast fashion sales by 2028.<sup>26</sup> ShopWorn, which sells unworn, unsold last-season designer stock, opened a Hong Kong outpost in 2021 in order to access both the Hong Kong market and other Asia-Pacific nations.

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ASIA PACIFIC

# India Insights

## Summary

India's huge e-commerce potential is matched by global internet giants willing to invest

- India's e-commerce market is the eighth largest in the world,<sup>1</sup> despite only four out of every 10 citizens shopping online.<sup>2</sup> Platforms are the most efficient way to reach the country's 1.4 billion-strong population: the top three e-commerce sites by net sales in India are Amazon.in, and grocery delivery service providers Bigbasket and Grofers.<sup>3,4</sup>
- Looking ahead, the Indian government has ambitious plans to prevent any one e-commerce platform dominating in the country. It is currently in consultation to create a national e-commerce platform that would provide open source access to multiple e-commerce providers.<sup>5</sup>
- Strict incoming rules are not deterring global internet giants from seizing upon India's growth story. Google has committed to investing US \$10 billion in India in the next two years, and in July 2021 subsidiary YouTube took over Indian social commerce app Simsim, which is a popular domestic platform connecting merchants, influencers and shoppers.<sup>6</sup>



## Double-digit growth expected as most Indians are yet to shop online

With six out of 10 Indian citizens yet to make their first online purchase, India has vast reserves of as yet untapped e-commerce potential.<sup>7</sup> The current US \$65.3 billion market has grown at impressive rates over the past five years - jumping 30 percent in 2018 alone, and 22 percent in 2019, although growth slowed during the pandemic.<sup>8</sup> Looking ahead, sales are expected to continue to grow at a compound annual growth rate (CAGR) of 14.5 percent to 2024.<sup>9</sup>

That said, at present, e-commerce only takes 5 percent of total retail in India.<sup>10</sup> Drawing customers away from physical retail and educating consumers about the benefits of online shopping remains a key challenge for merchants.

*India's massive population represent huge e-commerce growth potential, particularly for international brands that have mastered mobile commerce.*

## India has one of the highest rates of mobile commerce in the world

Mobile commerce takes an impressive 80 percent of all e-commerce transactions in India.<sup>11</sup> This is due to most citizens accessing the internet via cellular connections. With one of the lowest levels of fixed-line broadband penetration globally, at just 8 percent, internet users tend to go online via their smartphones.<sup>12</sup> This has led to a US \$52.3 billion mobile commerce market that is set to rise at a compound annual growth rate of 19.9 percent to 2024.<sup>13, 14</sup>

However, after the global pandemic desktop sales could receive a boost, particularly in more affluent urban areas. The pandemic led to a surge in home internet installations as millions were forced to work from home.<sup>15</sup>

*Digital wallets are Indian consumers' preferred e-commerce payment method.<sup>16</sup>*

## Prioritize digital wallets to meet mobile-first India's expectations

High mobile commerce penetration means India is one of the few nations that have digital wallets as their primary online payment method, taking one-third (33 percent) of all completed online transactions.<sup>16</sup> By 2024, this method is expected to grow to take almost half (46 percent) of all online payments.<sup>17</sup> Cards are the next-most popular option, with a 31 percent share, but this is expected to decline slightly to 29 percent by 2024.<sup>18</sup>

Cash was historically one of the most used methods, and is still a feature of the online payments landscape, within a 13 percent market share, but its use is in decline as the benefits of digital payments become clear.<sup>19</sup>

## Cross-border purchases now face high taxes in effort to boost domestic spending

Cross-border transactions are both common and make up a significant part of overall Indian e-commerce: a quarter (25 percent) of all sales are cross-border,<sup>20</sup> with 49 percent of online shoppers having made a purchase from abroad.<sup>21</sup> The most popular countries to shop from are global e-commerce titans the U.S., China and the UK.<sup>22</sup> India's import tax regime is evolving to favor domestic merchants,<sup>23</sup> and since

late 2019 the zero tax on parcels labelled as gifts or personal imports under INR 5,000 (US \$67) has been removed. A 41.2 percent duty now applies.<sup>24</sup>

## Indian government clamps down on unscrupulous online practices, and regulates sales

The Indian government is drafting new legislation introducing tighter e-commerce rules from 2022,

designed to prevent fraud, build consumer confidence online and regulate sales periods. For example, major platforms such as Amazon and Flipkart will not be allowed to give preferential treatment to specific sellers operating on their sites. In an effort to boost domestic e-commerce, all products will be required to come with confirmation of their country of origin. Sellers will be obliged to inform shoppers of non-domestic goods and provide suggestions for domestic alternatives.<sup>25</sup>

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ASIA PACIFIC

# Indonesia Insights

## Summary

Indonesia is full of potential - but is still establishing e-commerce fundamentals

- Indonesia is a youthful nation with the fourth-largest population in the world.<sup>1</sup> While e-commerce has lagged behind other nations, as Indonesia tools up with mobile internet and rising smartphone penetration, the country represents an exciting opportunity for merchants.
- However, there are key challenges to overcome. Indonesia's unique geography - comprising some 17,508 islands and encompassing busy cities and remote, rural dwellings - make for a logistical challenge for e-commerce merchants and delivery providers. New domestic logistic providers are springing up and are growing fast, boosted by investments from e-commerce partners.<sup>2</sup>
- Partnering with a major e-commerce platform with strong local knowledge of the market may offer a good route of entry for international merchants. E-commerce platform Tokopedia is the most popular site by monthly internet traffic, followed by mobile-commerce focused Shopee and local platform Bukalapak.<sup>3</sup>



## High levels of ongoing sales growth predicted, with half of Indonesians yet to shop online

The Indonesian business to consumer e-commerce market has experienced consistent double-digit growth over the past five years,<sup>4</sup> which is expected to continue at a compound annual growth rate (CAGR) of 13.5 percent to 2024.<sup>5</sup> Despite this expansion, e-commerce still only represents 5.4 percent of total Indonesian retail,<sup>6</sup> and 50 percent of the population are yet to make their first online purchase,<sup>7</sup> supporting long-term growth potential. The average online annual spend is low, at US \$155,<sup>8</sup> but will likely rise in the coming years as consumers gain confidence in e-commerce as an alternative to physical retail, and local merchants migrate online.

## Indonesia is years ahead in mobile commerce uptake

With an ongoing lack of stable, fast, fixed-line internet at home (just 19.9 percent penetration in 2020),<sup>9</sup> Indonesians prefer to access the internet via their smartphones. This means when it comes to mobile shopping, Indonesia has leapt ahead of more established e-commerce markets. Mobile commerce takes a 64 percent share of all e-commerce transactions,<sup>10</sup> creating a US \$13.7 billion market in 2020 that is set to grow at a compound annual growth rate of 20.1 percent to 2024.<sup>11,12</sup>

Apps are more popular than browsers, and are used for 78 percent of mobile purchases,<sup>13</sup> so refining your app offer is essential to reaching Indonesian consumers. Perhaps owing to the difficulties of delivering to some regions and islands, hyper-local social commerce is popular, with consumers buying via WhatsApp and Facebook from local agents.<sup>14</sup>

## Cards and bank transfers usurp cash as payment methods of choice in Indonesia

Card payments are the most popular way to pay online, used in just under a third (32 percent) of all payments.<sup>15</sup> Bank transfers are the second-most used method, with a 29 percent market share.<sup>16</sup> Both methods can be linked to digital wallets, offering convenience when shopping via mobile. As a cash-based society,<sup>17</sup> Indonesia has a longstanding history of cash on delivery payments. This has declined as contactless app and card-based payments have risen, particularly in the wake of pandemic,<sup>18</sup> but cash still takes 17 percent of all online payments.<sup>19</sup> There have been recent calls for major e-commerce merchants to remove the cash on delivery facility as a result of delivery couriers being abused or asked to resolve customer service issues.<sup>20</sup>

Digital wallets have the same market share as cash, at 17 percent.<sup>21</sup> Popular brands are global giant PayPal and domestic player Doku.<sup>22</sup>

## Merchants willing to navigate cross-border complexities could be rewarded with massive market of new customers in Indonesia

Indonesia's archipelago geography can make swift, seamless cross-border delivery complex.<sup>23</sup> In addition, the nation changed its *de minimis* import rules for business to consumer e-commerce in late 2019, lowering the tax exemption from US \$75 to only US \$3 per shipment.<sup>24</sup> Partnering with local import and logistics providers may be the best option for incoming international merchants. At present, the most popular countries to shop from are China, Singapore and South Korea.<sup>25</sup>

*As the adoption of mobile technology continues to rise, Indonesia could provide some compelling opportunities for international merchants.*

With the world's largest Muslim population, Indonesia has ambitions to become the global e-commerce center for Muslim wear, which is predicted to be a US \$311 billion market by 2024.<sup>26</sup> This could force improvements to ordering, delivery and returns logistics as products are exported out of the country.

## Social commerce has massive potential in Indonesia, but beware of pitfalls

Indonesia has a huge love of social media, with citizens spending an average of three hours and 14 minutes

a day on social platforms.<sup>27</sup> This is translating into social commerce growth: Indonesian social commerce is set to be a \$25 billion market in 2022.<sup>28</sup> However, merchants should be aware that Indonesian consumers are considered vulnerable to online fraud and hoaxes, and must work to reassure customers of their site's safety, processes and transparency.<sup>29</sup>

In the past, the government has temporarily restricted access to social platforms, including those used by merchants such as Facebook and WhatsApp, to prevent the spread of false information.<sup>30</sup>

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ASIA PACIFIC

# Japan Insights

## Summary

Japan is a tech-loving nation that has been slow to embrace e-commerce

- The Japanese e-commerce market is one of the largest in the world by value, yet this is down to a high population density rather than e-commerce being the shopping method of choice for consumers. Nine out of 10 purchases are still made offline.<sup>1</sup>
- Japan is quick to adopt technological innovations. Delivery and logistics firms are beginning to deploy autonomous delivery methods for e-commerce parcels, with Japan Post set to introduce drone delivery from 2023.<sup>2</sup>
- The most popular online product categories are travel (16 percent), food and personal care (16 percent), fashion and digital media (15 percent respectively).<sup>3</sup> The top three sites are marketplaces: Amazon, Rakuten and Yahoo! Shopping.<sup>4</sup> Japan's single-language culture and distinctive user experience website style - typically favoring dense, text- and product-intensive pages with little white space - should be noted by international merchants hoping to attract Japanese consumers.<sup>5</sup>



## Slow and steady e-commerce growth in Japan is expected to 2024

Japan's US \$195 billion business to consumer e-commerce market has grown steadily in recent years,<sup>6</sup> and now takes a 10 percent share of total retail in the country.<sup>7</sup> Just over three-quarters (76 percent) of the population have shopped online,<sup>8</sup> spending an average of US \$2,023 a year.<sup>9</sup>

Growth is forecast to continue at a compound annual growth rate (CAGR) of 6.6 percent to 2024,<sup>10</sup> one of the lowest rates of the countries included in our report. This may be due in part to demographics: Japan has a large ageing population, with 40.5 percent of the population aged 55 or above.<sup>11</sup> However, the pandemic drove many older consumers online for the first time and this demographic may become key to ongoing e-commerce growth in the country.<sup>12</sup>

*The Japanese e-commerce market is large and quick to adopt technological innovation.*

## In Japan, mobile commerce has yet to catch up to desktop-based shopping

Mobile commerce takes just over a third (34 percent) of total e-commerce,<sup>13</sup> accounting for US \$66.5 billion in sales in 2020.<sup>14</sup> Mobile browsers are preferred over apps to access online shopping by a slim margin (browsers are used for 52 percent of sales, versus 48 percent via app).<sup>15</sup>

Mobile commerce is set to grow at a compound annual growth rate of 7.1 percent to 2024,<sup>16</sup> slightly outpacing desktop-based sales. The rise in mobile

commerce is supported by rising smartphone use amongst the Japanese population, which currently sits at 73.8 percent penetration.<sup>17</sup> Internet penetration, meanwhile, is at 86.2 percent.<sup>18</sup>

*International merchants should pay close attention to the unique cultural preferences of consumers in Japan.*

## Cards and *konbini* define Japanese payment culture

Card is the payment method of choice when spending online in Japan, taking a 68 percent share of all transactions.<sup>19</sup> Bank transfers are the second-most popular option, used in 13 percent of payments, whilst cash and digital wallets take joint third place with 5 percent market share each.<sup>20</sup>

Ongoing cash use is likely a result of *konbini* culture, whereby online products are paid for in cash via convenience store cash machines. Japan's 55,000-plus *konbini* are popular with both young people and older generations.<sup>21</sup>

Looking ahead, bank transfers, known as *furikomi*, are set to grow to take a 17 percent share by 2024, while card use will decline slightly to a 64 percent share.<sup>22</sup> PayEasy is a key domestic bank transfer service, which is popular due to the ability to pay offline at ATMs, post offices and banks.<sup>23</sup> PayEasy has started collaborating with international payment platforms to allow global merchants to integrate and offer its services.<sup>24</sup> Digital wallets will also grow to take a 9 percent market share – key digital wallet brands include Rakuten Pay and LINE Pay.<sup>25</sup>



## Cross-border shopping may be enhanced in Japan by the rise of buy now, pay later local brands

Cross-border shopping is low in Japan yet it still accounts for 9.5 percent, or US \$18.2 billion, in e-commerce sales.<sup>26, 27, 28</sup> The top three destinations are the U.S., China and Korea.<sup>29</sup>

Buy now, pay later is growing in Japan. Domestic buy now, pay later brand Paidy partnered with PayPal in 2021 to enable Japanese online shoppers to access Paidy directly via their digital wallets. Paidy is already offered at checkout by 700,000 merchants, and the collaboration may also increase cross-border spending, as it will allow

Japanese shoppers to use Paidy at any international site that accepts PayPal.<sup>30</sup>

## Japan has many national holidays that have been rebranded as shopping events

Japan has many public events and traditions, which merchants can leverage to encourage sales. There are 16 national holidays a year.<sup>31</sup> White Day, for example, takes place a month after Valentine's Day and is a key gift-giving occasion.<sup>32</sup> *Fukubukuro*, or 'lucky bag', is a traditional new year custom where retailers sell sealed bags of discounted products to consumers. It is now a key online shopping event, with luxury brands and Western giants such as Apple and IKEA participating.<sup>33</sup>

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ASIA PACIFIC

# Malaysia Insights

## Summary

Malaysia is a digitally advanced nation that still has logistical challenges to overcome

- Malaysia's mobile-based e-commerce market is expanding rapidly. Incoming merchants should be aware that as a developing e-commerce arena, logistical issues persist. Order deliver times, for example, can be stymied by poor physical infrastructure and traffic congestion.<sup>1</sup>
- The most popular sites are major international shopping platforms. Shopee (first), Lazada (second) and PG Mall (third) have the highest monthly traffic.<sup>2</sup> In contrast, there is also a culture of localized, social-media based e-commerce - dubbed 'conversational commerce' - which is a feature of Malaysian everyday life.
- Delivery solutions seen in other countries are emerging to resolve physical infrastructure issues. 'Pick up and drop off' lockers and collection points are growing as a convenient solution for both merchants and consumers to safely and quickly deliver and return orders.<sup>3</sup>



## In Malaysia, after years of high sales growth the challenge is to boost basket spend

After experiencing impressive growth in recent years – Malaysia’s US \$8.5 billion e-commerce market saw growth in 2020 fall to 6.5 percent as a result of the impact of the pandemic on travel and tourism.<sup>4</sup> Although growth for e-commerce goods was 87 percent,<sup>5</sup> this was offset by collapsing sales in the travel and tourism sector, which is a major part of the digital economy.<sup>6</sup> As the market matures, expansion is expected to temper at a compound annual growth rate (CAGR) of 10 percent to 2024,<sup>7</sup> although this could be higher depending on how regional tourism recovers in the coming years.

The average amount spent online each year per person is lower than in well-established e-commerce markets such as China and the UK, but higher than neighboring southeast Asian markets, at US \$386.<sup>8</sup> This amount will likely rise as e-commerce grows in prominence. At present, online shopping accounts for only 10 percent of total retail in the country.<sup>9</sup> With just under a third (32 percent) of the population yet to make their first online purchase,<sup>10</sup> rising consumer numbers may also help boost confidence.

*When they do shop online, Malaysians show a strong preference for mobile commerce.*<sup>11</sup>

## Malaysia shops online via mobile apps

In line with other developing e-commerce markets, Malaysia is mobile first. Smartphone ownership is extremely high, at 87.6 percent.<sup>11</sup> As a result, mobile commerce takes the majority (59 percent) of total

e-commerce,<sup>12</sup> accounting for US \$5 billion in sales in 2020.<sup>13</sup>

Incoming merchants should therefore ensure their sites are fully optimized for mobile. Apps are preferred over mobile browsers to complete sales, and are used for 63 percent of transactions.<sup>14</sup> Owing to this early adoption of smartphone-based shopping, the mobile commerce market is expected to outperform overall e-commerce, growing at a compound annual growth rate of 14 percent to 2024.<sup>15</sup>

*Social media is highly influential with ‘conversational commerce’ driving sales that are most frequently completed through bank transfers.*<sup>16</sup>

## Bank transfers dominate B2C payments in Malaysia as cash retreats

Bank transfers are the most important payment method to offer in Malaysia, taking 45 percent of all B2C online transactions.<sup>16</sup> This is due to high levels of domestic banks offering this method under online banking portals, such as Maybank2U and CIMB Clicks. Usage is expected to rise to 2024, when this method will take half (50 percent) of all sales.<sup>17</sup>

Card payments take 36 percent of payments, and use is expected to remain more or less static to 2024.<sup>18</sup> As in other southeast Asian nations, cash on delivery is a shrinking but still-popular method of payment, used in one in 10 of all e-commerce transactions, which can present a challenge for international merchants.<sup>19</sup>

## High Malaysian import tax thresholds make for an attractive and thriving cross-border market

As a multilingual, digitally adept country, cross-border shopping takes a significant slice of the Malaysian e-commerce market – 45 percent, or US \$4.3 billion.<sup>20</sup> China, the U.S. and Korea are the most popular countries to shop from, all offering a vast product inventory and competitive prices.<sup>21</sup> Despite already taking close to half of all online sales, cross-border e-commerce growth could be boosted even further by the fact that only 55 percent of online consumers have made a purchase from abroad.<sup>22</sup>

International merchants can test the market via global platforms with a strong Malaysian presence, such as Shopee and Lazada.<sup>23</sup> To encourage consumption, Malaysia's *de minimis* order value is high, at MYR 500 (US \$120); any order below this value is exempt from local duties and taxes.<sup>24</sup>

## Say it on socials to win interest and trust of Malaysian shoppers

Malaysian shoppers are particularly influenced by social media and word-of-mouth product recommendations.<sup>25</sup> As a result, Malaysia is strong in 'conversational commerce' – that is, online shopping based within the social media ecosystems of platforms such as WhatsApp and Facebook Messenger. The pandemic accelerated the use of live chat apps to make sales, with local merchants using the apps to advertise, build customer relationships and complete and process transactions.

The benefits include providing a digital alternative to traditional conversation-based customer service between a sales agent and shopper, and being able to circumvent the fees and intricacies of listing products on major sales platforms. WhatsApp and WeChat are among the social media sites that provide add-on or fully integrated payment systems for their merchant users.<sup>26</sup>

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ASIA PACIFIC

# New Zealand Insights

## Summary

New Zealand is an island nation with a global outlook - and a rising appetite for online spending

- New Zealand has a well-established e-commerce market with strong growth potential. Encouraging spend across generations and geographies will be key to expansion. At present, 40 percent of total spend is by just 10 percent of online shoppers, who are concentrated in the Auckland area.<sup>1</sup>
- New Zealand has adopted global shopping events such as Singles' Day, Black Friday and Cyber Monday and also has traditional Christmas season and Boxing Day sales as seen in the UK and Australia. Over the four-day Black Friday weekend in 2020, online spend was up 30 percent on the same period in 2019.<sup>2</sup>
- Providing eco-conscious, plentiful products - and fast - is what consumers want retailers to now focus on. Consumers say sustainable packaging, strong product availability and prompt delivery are their top three shopping considerations.<sup>3</sup>



## **A year spent indoors prompted many New Zealanders to shop online for the first time**

The US \$5.3 billion New Zealand business to consumer e-commerce market takes 11 percent of total retail in the country.<sup>4</sup> It is set to grow at a compound annual growth rate (CAGR) of 12.4 percent to 2024,<sup>5</sup> boosted by the 300,000 people who shopped online for the first time in 2020 – 60 percent of whom were over the age of 45.<sup>6</sup> An estimated 64 percent of the population have now made an e-commerce purchase,<sup>7</sup> with the average Kiwi shopper spending US \$1,706 online in 2020.<sup>8</sup>

## **Mobile commerce is rising quickly in New Zealand, supported by social media**

Mobile commerce now accounts for 43 percent of total e-commerce in New Zealand,<sup>9</sup> or US \$2.3 billion in sales.<sup>10</sup> Sales are split equally between app-based and browser-based transactions.<sup>11</sup> Mobile commerce is set to increase at a compound annual growth rate of 16.4 percent to 2024, outpacing overall e-commerce.<sup>12</sup>

Social commerce is a chance to reach the 82 percent of the New Zealand population who are active social media users.<sup>13</sup> The most popular social platforms are YouTube, Facebook and Instagram.<sup>14</sup> Mobile social media use is also on the rise, with year-on-year usage increases reported.<sup>15</sup>

## **Cards are payment method of choice, but bank transfers and digital wallets are catching up in New Zealand**

Cards are used for over half of all business to consumer e-commerce transactions, with a 52 percent market share.<sup>16</sup> Bank transfers take second place, with a 27 percent market share,

while digital wallets are the third-most popular payment option, used in 18 percent of all transactions.<sup>17</sup> Looking ahead, card use is expected to shrink to take a 41 percent market share by 2024, while bank transfers and digital wallets will increase to a 37 percent and 20 percent market share, respectively.<sup>18</sup>

Chinese digital wallet WeChat Pay reported a 480 percent uplift in transactions in the Oceania region in 2020 on its Mini Programs infrastructure, which allows shoppers to buy from merchants within WeChat's own infrastructure. WeChat Pay is now investing in the Oceania region with a dedicated marketing support and subsidies program for local merchants.<sup>19</sup>

## **As infrastructure improves in New Zealand, cross-border e-commerce is a big opportunity for both domestic and international merchants**

Cross-border shopping takes a significant share of New Zealand's overall e-commerce market – 29 percent, or US \$1.5 billion.<sup>20</sup> Half of New Zealand shoppers have already made a purchase from overseas, with neighboring Australia (34 percent), China (33 percent) and the U.S. (16 percent) the top three nations to shop with.<sup>21</sup>

The number-one frustration reported by New Zealand's e-commerce consumers in 2020 was that delivery took too long.<sup>22</sup> Delivery capacity and speeds in and out of New Zealand are improving: courier DHL is investing in providing express shipping from and into New Zealand in 2021.<sup>23</sup> Meanwhile, state operator NZ Post is investing US \$118 million into upgrading its e-commerce parcel processing infrastructure, building new sites in Wellington, Auckland and Christchurch.<sup>24</sup>

*Consumers in New Zealand's well-established e-commerce market are thoughtful and pragmatic*

## Ethical shopping and buy now, pay later are both key features of e-commerce in New Zealand

Buy now, pay later is popular in New Zealand, particularly in Auckland, where shoppers increased their spend via this method by 67 percent in 2020. Growth took place across all categories but

was particularly strong in clothing and footwear, homeware, appliances and electronics.<sup>25</sup> About 75 percent of Kiwi buy now, pay later shoppers are under 45, but there has been a rise in the past year in the over-60s also embracing deferred payments.<sup>26</sup> New Zealand's consumers are increasingly seeking ethically made producers and services, particularly in the beauty and small luxury goods sector.<sup>27</sup>

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ASIA PACIFIC

# Philippines Insights

## Summary

Social shopping, cash payments and rapid growth define Filipino e-commerce

- The Philippines is an incredibly youthful nation - the average age is 24.1 - and as such is full of people who are digital natives.<sup>1</sup> Despite this, the country has been slow to embrace online shopping. This is changing post-pandemic: e-commerce demand is now high for same-day grocery deliveries, electronics and fashion products, and prepaid credit for phones and shopping.<sup>2</sup>
- There is a big opportunity to reach Filipino shoppers via social media. The Philippines has some of the highest rates of social media usage in the world, with an average of four hours per day spent on social media - compared with two hours in China, and two and a half hours in India.<sup>3</sup>
- However, the government has stated that local small- and medium-sized enterprises are still having issues with accessing adequate logistics and digital tools to successfully provide e-commerce to consumers.<sup>4</sup> Private investors are thus viewing the country as an opportunity, with startups and seed investors funding scalable e-commerce tools for Filipino businesses.<sup>5</sup>





## Online sales rose significantly in 2020, in watershed moment for e-commerce

E-commerce at present takes only a very small slice of total retail in the Philippines – just 2 percent,<sup>6</sup> or US \$7.5 billion, one of the smaller e-commerce markets in our report.<sup>7</sup> However, 2020 marked a turning point in the country's online shopping growth story. Pre-pandemic, sales were already steadily rising year-on-year, but with stay-at-home orders forcing many to try online shopping for the first time, business to consumer e-commerce jumped by 25.3 percent.<sup>8</sup>

Almost 40% the population now shop online,<sup>9</sup> spending an average \$176 per year. Looking ahead, growth is expected to settle to a still impressive compound annual growth rate (CAGR) of 15.7 percent to 2024.<sup>10</sup>

*Philippine consumers are digital natives that have been paradoxically slow to adopt online shopping.*

## Current 50-50 split for desktop vs. mobile commerce is soon set to change

Mobile commerce takes half of all online shopping purchases in the Philippines, making for a \$3.8 billion market.<sup>11</sup> Sales via mobile devices are set to increase at a compound annual growth rate of 22.7 percent to 2024,<sup>12</sup> as e-commerce becomes more entrenched in daily life and social commerce continues to grow.

Social commerce is evolving quickly in the Philippines, and local platforms are emerging to challenge larger international rivals.<sup>13</sup> Filipino shoppers typically make purchases via live streaming

twice a week, a higher rate than other south-east Asian countries such as Singapore, where people shop once a week on social media.<sup>14</sup> Facebook, Instagram, TikTok and Viber are among the most-used social media platforms in the country.<sup>15</sup>

*Mobile and desktop shopping are equally popular among Philippine consumers, with cash still playing an important role in e-commerce transactions.<sup>11, 19</sup>*

## Cash is the preferred online payment method

Only a small minority of people in the Philippines have a bank account – 15.9 percent.<sup>16</sup> This presents a challenge for international merchants, as cash on delivery therefore takes the majority (37 percent) of all e-commerce payments.<sup>17</sup> As mobile commerce rises, digital wallets such as GCash, PayMaya and Alipay will likely rise in uptake too.<sup>18</sup> Bank transfers (29 percent) and cards (22 percent) are currently the second and third-most popular online payment methods, respectively.<sup>19</sup>

## Cross-border shopping takes almost a quarter of all e-commerce sales

Half (50 percent) of all online shoppers in the Philippines have shopped cross-border,<sup>20</sup> with sales making up 24 percent of total e-commerce.<sup>21</sup> The most popular countries to shop from are China, the U.S. and South Korea.<sup>22</sup> Ongoing logistics shortfalls in the country can make importing and exporting products

quickly and easily difficult, but a number of tech-based startups are emerging to provide end-to-end e-commerce solutions.<sup>23</sup>

## Merchants using social commerce are leveraging hyper-local networks to find consumers

Domestic social commerce platform Resellee is an example of a rising social commerce model in south-east Asia, which does not require its sellers to hold

their own stock. In a similar method to Chinese giant Pinduoduo, Resellee has relationships with suppliers and holds inventory. Sellers decide which stock they want to promote, and use their own social media networks to court buyers and sell the product. Sellers benefit from access to huge levels of stock they would not be able to afford themselves, and the platform gains access to small or rural communities via the sellers' social media networks. Resellee is also proving popular with domestic suppliers, such as farmers cooperatives who can access a wide range of consumers via the platform's logistics.<sup>24</sup>

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ASIA PACIFIC

# Singapore Insights

## Summary

Singapore balances a growing e-commerce industry with a love of physical retail

- Singapore's shoppers enjoy world-class digital and physical infrastructure and a high gross domestic product per capita,<sup>1</sup> providing strong fundamentals for e-commerce. However, the island city-state's compact, largely urban nature also supports ongoing physical retail, suggesting an omnichannel solution may be the best bet for ambitious merchants.
- Large international e-commerce platforms dominate. Shopee, Singaporean giant Lazada and Amazon are the top three sites by monthly traffic.<sup>2</sup> These platforms therefore provide a convenient point of entry for incoming merchants.
- Singapore is home to numerous e-commerce sales and marketing events. These include 4.4, 6.6 and 7.7, and Super Mart Month. In 2020, Shopee began courting the growing numbers of people dubbed 'Cinderella shoppers' - those who prefer to shop between midnight and 2 a.m. - with its first 'Midnight Mega Sale', with reductions only available between these hours.<sup>3</sup>



## **In Singapore, slow and steady sales growth is expected with high annual spending a bonus for merchants**

Singapore's business to consumer e-commerce market is worth US \$5.8 billion,<sup>4</sup> and has been steadily expanding year-on-year. This growth was arrested in 2020, due to the outsized impact the pandemic had on the travel and tourism sector. E-commerce now takes a 11 percent share of total retail,<sup>5</sup> and 68 percent of the population have shopped online.<sup>6</sup> This relatively high online shopper penetration combined with a modest share of total retail contributes to a conservative compound annual growth rate (CAGR) prediction of 8.7 percent to 2024.<sup>7</sup>

When Singaporeans do shop online, they spend in high amounts; the average online basket spend is US \$1,442.7 a year, one of the higher rates out of the countries included in our report series.<sup>8</sup>

## **Mobile shopping set to be supported in Singapore by ultra-fast 5G in 2021**

The scales have tipped to favor mobile commerce over desktop-based shopping in Singapore, with 51 percent of e-commerce now completed on a mobile,<sup>9</sup> making for a US \$3 billion market in 2020.

The mobile commerce market is expected to develop at a compound annual growth rate of 10.1 percent to 2024.<sup>10</sup> Expansion will be boosted by the Singapore government's plan to roll out two ultra-fast 5G mobile internet networks across the city state by 2025.<sup>11</sup>

## **Cards dominate Singapore's online payment habits**

With good debit and credit card penetration (1.61 debit cards and 1.47 credit cards per capita),<sup>12</sup> Singapore's citizens prefer to pay by plastic when spending online<sup>13</sup> – 63 percent of transactions are completed using this method.<sup>14</sup> Digital wallets take second place with a 21 percent market share, and bank transfers come third with 10 percent of closed transactions.<sup>15</sup> In line with rising smartphone-based mobile commerce, card use is set to decline slightly to 2024, taking a 58 percent market share by this point.<sup>16</sup> Meanwhile, digital wallets are projected to grow to take 28 percent of all online payments by 2024.<sup>17</sup> PayPal and NETSPay are popular digital wallet brands, while bank transfers are typically made via the domestic network scheme NETS.<sup>18</sup>

## **Cross-border commerce outweighs domestic shopping, making Singapore a key target for overseas merchants**

Most online shoppers have already made a purchase from another country (78 percent), so international merchants will likely find a receptive and experienced potential customer base in Singapore.<sup>19</sup>

In fact, Singaporeans are more likely to buy with international merchants than domestic ones – meaning cross-border e-commerce is a vital part of online shopping culture in Singapore, taking more than half of all sales (55 percent). China (47 percent), the U.S. (31 percent) and South Korea (15 percent) take the lion's share of the cross-border market.<sup>20</sup> In addition, Singapore's excellent air and road infrastructure supports prompt delivery of international orders.

*Singapore's consumers are driving steady e-commerce growth as physical retail continues to remain popular.*

## Live streaming becomes a hot discussion topic in Singapore and offers the chance to engage and inspire customers

Live streaming is a key driver of e-commerce growth in Singapore, particularly in the wake of the pandemic and consumers spending hours at home on social media sites. There was a 40-fold increase in brands

and merchants using this method to market and sell to consumers in 2020, and conversations about live streams and the gamification of online shopping rose by 1,890 percent on social media.<sup>21</sup> The digital infrastructure to support social commerce is being quickly adopted in Singapore, with AI-powered chatbots increasingly being deployed to guide shoppers and automate orders.<sup>22</sup>

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ASIA PACIFIC

# South Korea Insights

## Summary

South Korea's e-commerce market offers both scale and opportunity

- With very high internet penetration,<sup>1</sup> an appetite for spending larger than average amounts online,<sup>2</sup> and millions of people still waiting to make their first online purchase,<sup>3</sup> South Korea is poised to become a leading global e-commerce market.
- Young South Koreans are driving online spending growth. An estimated 94.7 percent of 20 to 29-year-olds have purchased goods and services online in the past year, compared with just 31.4 percent of 60 to 69-year-olds.<sup>4</sup> Overall, 28 percent of citizens have not yet shopped online at all,<sup>5</sup> giving an indication of the ongoing growth potential.
- Ultra-fast delivery is expected. Local player Coupang - one of South Korea's biggest online marketplaces - claims to deliver 99.6 percent of orders in 24 hours or less,<sup>6</sup> with 70 percent of citizens living within 10 minutes of one of its logistics centers.<sup>7</sup> eBay subsidiary Gmarket is another key e-commerce platform.<sup>8</sup>



## High spend and high potential mark South Korea's e-commerce culture

South Korea's US \$135.2 billion business to consumer e-commerce market is one of the world's largest.<sup>9</sup> E-commerce already takes a significant slice of total retail in South Korea - 18 percent, one of the higher percentages of the countries surveyed in our report.<sup>10</sup>

Coupled with a positive economic outlook, business to consumer e-commerce is expected to expand at a double-digit compound annual growth rate (CAGR) of 13.6 percent to 2024.<sup>11</sup>

*Mobile commerce dominates total online commerce in South Korea.*<sup>12</sup>

## Mastering mobile commerce is vital to accessing South Korean market

South Korea is bested only by India in terms of mobile commerce uptake. Seven out of every 10 e-commerce transactions take place on a mobile device (70 percent),<sup>12</sup> meaning merchants must optimize their sites for mobile, or risk losing access and appeal to the vast majority of South Korean online shoppers. This US \$94.2 billion market is forecast to increase at a compound annual growth rate of 19.5 percent to 2024.<sup>13, 14</sup>

Shopping apps are popular - the average number of installed shopping apps per person is four to six, and the most popular app is Coupang's.<sup>15</sup>

As with other countries, e-commerce is converging with social media. Live commerce on domestic social platforms Naver and Kakao has echoes of TV home shopping, enabling consumers to chat with live hosts and watch product demos, and is as much entertainment as shopping.<sup>16</sup> Band and Instagram

are other social media apps with high penetration in the country.<sup>17</sup>

## South Koreans prefer to pay with plastic online

South Korea is a card-based online shopping economy, with 73 percent market share,<sup>18</sup> due to the penetration of major domestic brands such as Shinhan Card. Digital wallets are the second-most popular method, used for 12 percent of transactions, with bank transfers in third place with 11 percent market share.<sup>19</sup> Looking ahead to 2024, card use is set to decline slightly as digital wallets grow in use, but cards are still expected to account for 69 percent of all payments.<sup>20</sup>

*Consumers here prefer to pay with cards with the biggest ticket transactions being done with domestic merchants.*<sup>19, 22</sup>

## Cross-border spending makes up only small slice of online sales

Despite over half (52 percent) of South Korean online shoppers having made a purchase from abroad,<sup>21</sup> these are focused on low-cost products,<sup>22</sup> which is why cross-border e-commerce makes up under 5% percent of total e-commerce in the country.<sup>23</sup> International merchants may find greater traction by joining a domestic marketplace or platform. China, the U.S. and Japan are the most popular countries to shop from.<sup>24</sup> Dietary supplements, clothing and electronics are all popular items to import.<sup>25</sup> There is a flat 10 percent value-added tax on imports, which must be paid 15 days after the goods have cleared customs.<sup>26</sup>

## Keep it simple to woo citizens searching for ease of payment

'Simple payments' is the term used in South Korea to describe one or two-tap payments made via stored information held on smartphones and digital wallets. Use of simple payments is rising quickly and accelerated during the pandemic.<sup>27</sup> App-based simple

payment services owned and operated by fintech companies take 61.5 percent of the market, taking precedence over bank and institution-developed simple payment services.<sup>28</sup> Kakao Pay is the most popular mobile payment service provider. A 'cards plus simple payments' strategy may be best to cover both current card-based, and growing simple payments, preferences.<sup>29</sup>

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ASIA PACIFIC

# Taiwan Insights

## Summary

Provide fast, local, conversational commerce to appeal to Taiwanese online shoppers

- Taiwan had far lower infection rates during the global pandemic than many other nations. Strict quarantine, social distancing and masking rules led many citizens to migrate to at-home online shopping, particularly for groceries.<sup>1</sup> Major physical brands including 7-Eleven, Costco and Simple Mart shifted to omnichannel models in 2020, driving e-commerce uptake.<sup>2</sup>
- Same-day delivery is common in the capital, Taipei, with local e-commerce brands Momo, PChome and South Korea's Coupang all offering on-demand delivery.<sup>3</sup> The top sites by traffic are online marketplaces Shopee, Momo and Ruten.<sup>4</sup>
- Taiwan is strong in social commerce, and local brands have become test beds for Facebook to trial its Live Shopping live streaming feature.<sup>5</sup> Incoming merchants should prioritize ready access for customers and delivering engaging, shoppable social content.<sup>6</sup>



## Tap into Taiwan's convenience store culture to unlock omnichannel opportunities

Taiwan's US \$25.7 billion business to consumer e-commerce market expanded quickly in 2020,<sup>7</sup> and was 19 percent larger than in 2019.<sup>8</sup> Three-quarters of Taiwanese citizens have shopped online,<sup>9</sup> with e-commerce making up 7.6 percent of total retail in the country.<sup>10</sup> Taiwan has a strong convenience store culture, which e-commerce merchants can utilize to offer omnichannel retail and convenient click-and-collect delivery.<sup>11</sup>

Between now and 2024, e-commerce is projected to grow at a compound annual growth rate (CAGR) of 12.1 percent.<sup>12</sup> Shoppers spend on average US \$1,457 per year online,<sup>13</sup> with key shopping dates including Singles' Day on November 11 and the Black Friday-Cyber Monday weekend.<sup>14</sup>

## Mobile outperforms desktop shopping after a year spent browsing on smartphones

Taiwan has been somewhat slower than other countries in the Asia-Pacific region to embrace mobile commerce, which currently takes a 45 percent share of all completed e-commerce transactions,<sup>15</sup> making for a US \$11.6 billion market in 2020.<sup>16</sup> But sales jumped significantly during 2020, as many spent more time at home browsing their smartphones - mobile commerce was only a US \$9.4 billion market in 2019.<sup>17</sup> Growth is now set to continue at a strong 18.3 percent compound annual growth rate to 2024,<sup>18</sup> meaning mobile sales will overtake desktop-based shopping, which is increasing at a slower rate.<sup>19</sup> Mobile apps are preferred over browsers to shop on the go.<sup>20</sup>

*Among the Taiwanese, cards are the preferred online method of payment followed by bank transfers and digital wallets.*<sup>21, 22, 23</sup>

## Card is key, but bank transfers and digital wallets are rising in prominence

Card is the dominant online payment method in Taiwan, taking 42 percent of transactions.<sup>21</sup> Bank transfers are the second-most popular way to pay, with a 19 percent market share.<sup>22</sup> Digital wallets come third, with 14 percent market share.<sup>23</sup> Looking ahead, cards are set to maintain a 42 percent share by 2024, but digital wallets will grow in use, to take a 20 percent share of the online payments market.<sup>24</sup> The pandemic accelerated uptake of this payment method, as has older demographics migrating from physical to digital payments.<sup>25</sup> Line Pay and Apple Pay® are key digital wallet brands.<sup>26</sup>

## Taiwanese online shoppers search overseas for a discount

Despite only 40 percent of Taiwanese online shoppers having made a purchase from abroad,<sup>27</sup> cross-border e-commerce takes 20 percent of all e-commerce value in Taiwan,<sup>28</sup> suggesting those that do shop with overseas companies are happy to spend high sums - the average amount spent per cross-border transaction in 2021 was US \$51 to US \$150.<sup>29</sup> The top

*Taiwan's consumers are generally attracted to fast, local and conversational e-commerce experiences enabled by mobile devices.*

three countries to shop with are Japan, China and the U.S.,<sup>30</sup> and the most popular overseas sites to spend with are platforms Taobao, Amazon and Alibaba.<sup>31</sup> The biggest driver for spending from abroad is access to competitive prices.<sup>32</sup>

## Facebook dominates social media, in a country well versed in social commerce

Facebook dominates social media in Taiwan, with 94.2 percent of the population using the site – one

of the highest per-capita Facebook penetration rates in the world.<sup>33</sup> This makes the site a key opportunity to reach consumers via social commerce, with some 37.9 percent of the population having used social commerce already.<sup>34</sup>

In Taiwan, the most-used social commerce method is shopping after reading posts or viewing photos, followed by browsing social media advertisements. Shopping via live streaming or shoppable videos is the third-most popular method.<sup>35</sup>

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ASIA PACIFIC

# Thailand Insights

## Summary

Thailand's social media-savvy e-commerce market picks up the pace

- From a very low baseline, Thailand's e-commerce market has grown significantly over the past year. Major global e-commerce experts such as China and the U.S. are taking note and investing in logistics and marketing to reach the growing Thai customer base.<sup>1</sup>
- Key shopping events center around the Songkran festival in April, the Thailand Grand Sale between July and September, 9.9 and the Black Friday/Cyber Monday weekend.<sup>2</sup>
- Thailand's online culture is distinguished by a love of chat-based social media. Providing a complete ecosystem where customers can browse, chat, shop and access advice is important in order to satisfy Thailand's highly socially adept shoppers, who spend 2.5 hours a day on social platforms.<sup>3</sup>



## After years of modest growth, 2020 marked a double-digit jump in online sales revenues

Thailand's US \$32.9 billion business to consumer e-commerce market had been growing at a far slower rate than many of its south-east Asian counterparts prior to the pandemic,<sup>4</sup> with low single-digit growth since 2017.<sup>5</sup> However, the global pandemic prompted a major shift towards online spending, and e-commerce grew 19 percent in 2020, kickstarting shopping habits that will likely persist into the future.<sup>6</sup>

At present, only 48 percent of the population have made an online purchase,<sup>7</sup> and thus e-commerce takes a relatively small 8 percent share of total retail.<sup>8</sup> As physical and digital infrastructure improve, and as more citizens migrate towards online shopping, e-commerce growth is forecast to continue at a steady compound annual growth rate (CAGR) of 7.4 percent to 2024.<sup>9</sup>

*In Thailand, mobile commerce drove double-digit e-commerce growth in 2020.*<sup>12</sup>

## Thailand is a mobile and social commerce world leader

Thailand has one of the highest rates of mobile commerce out of all the countries included in our report, at 75 percent of completed sales,<sup>10</sup> making for a US \$24.8 billion market.<sup>11</sup> Mobile commerce growth is predicted to continue at a compound annual growth rate of 11.4 percent to 2024.<sup>12</sup>

Already a huge consumer of social media and an early adopter of social commerce, Thailand's social

media-based shopping only gathered speed in 2020 with 56 percent of Thai consumers spending more via social commerce during the pandemic.<sup>13</sup> The top three sites for shopping are Facebook (58 percent), popular domestic site Line (35 percent) and Instagram (21 percent).<sup>14</sup>

*About one-third of total Thai e-commerce volume is cross-border, led by demand for Chinese products.*<sup>20</sup>

## Provide a broad suite of payment options to meet Thailand's varied payment preferences

At present, online payment preferences are split fairly evenly across different methods, meaning merchants must be able to cater to a wide range of payment options. Cards and bank transfers are the most used choices, with 26 percent and 27 percent market share respectively.<sup>15</sup> Cash (20 percent) and digital wallets (19 percent) are the next-most used methods.<sup>16</sup> TrueMoney and PayPal are key digital wallet brands.<sup>17</sup>

With good bank account penetration (92 percent of citizens hold an account),<sup>18</sup> and the ability to link digital wallets and buy now, pay later options to bank accounts, bank transfers are projected to grow in use to 2024, to take a stronger lead with 32 percent market share, as cash and card use shrink slightly.<sup>19</sup>

## Cross-border trade is supported by mega e-commerce merchants establishing new shipping routes

The US \$10.6 billion Thai cross-border e-commerce market accounts for almost a third (32 percent) of

total e-commerce in Thailand,<sup>20</sup> with half (50 percent) of all online consumers having already made a purchase from abroad.<sup>21</sup> China, Japan and the U.S. are the top three markets to shop with.<sup>22</sup>

To seize on Thailand's appetite for Chinese products, in 2021 Chinese mega e-commerce merchant JD.com launched a dedicated cargo flight route between China and Thailand, enabling two- to three-day product delivery times between the two countries.<sup>23</sup>

## Keep it chatty to appeal to conversational Thai commerce style

Facebook considers Thailand and Vietnam as the world leaders in chat-based commerce, based on the volume of messages and data shared between merchants and consumers.<sup>24</sup> As a key sub-sector of social commerce, chat-based commerce can be mastered by optimizing WhatsApp and WeChat-based customer marketing, sales and service, and could prove key to successfully integrating into Thai e-commerce.

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ASIA PACIFIC

# Vietnam Insights

## Summary

Vietnam is full of e-commerce opportunities as online shopping rises at a dizzying pace

- Vietnam is one of the world's most exciting developing e-commerce markets. It was one of the few countries to experience double-digit sales growth in 2020, despite the pressures of the pandemic.<sup>1</sup> A migration towards online grocery shopping is boosting growth, as well as a rising middle class, which is expected to reach 17 million households by 2030.<sup>2</sup>
- Sales shopping events such as 6/6 and 7/7 are becoming the gateway for many first-time online shoppers in Vietnam, who typically make their first purchase on one of these sales days. Apps are using gamification techniques and rewards to encourage new buyers.<sup>3</sup>
- Group-based social commerce is on the rise in Vietnam, particularly in rural areas and smaller cities where delivery times from international or urban-based sellers can be long. Startups such as Mio, which provides a reseller network of local agents that deliver group orders to local buyers within 24 hours, provide speed, convenience and local, social-network based customer service.<sup>4</sup>



## Vietnam is set for world-leading e-commerce sales growth

At present, e-commerce takes just 5.5 percent of total retail in Vietnam.<sup>5</sup> But with a projected 29.6 percent compound annual growth rate (CAGR) to 2024,<sup>6</sup> the US \$10.6 billion Vietnamese business to consumer e-commerce market has one of the highest growth rates out of all the countries surveyed in our report.<sup>7</sup> This is fuelled by the large amount of untapped potential – almost half (47 percent) of the population are yet to spend online – and a young nation of smartphone users using their mobile to carry out everyday tasks and shopping.<sup>8</sup> The average age in Vietnam is just 31.9 years,<sup>9</sup> with well over a third digital natives aged 24 and under.<sup>10</sup>

*Card and cash are the most popular e-commerce payment methods in Vietnam<sup>18, 19</sup> and cross-border sales are quite strong.<sup>24</sup>*

## Mobile-first Vietnam spends via smartphone

With 61 percent of all online shopping transactions carried out on a mobile device,<sup>11</sup> Vietnam is a mobile-first business to consumer e-commerce market, with a US \$6.5 billion value in 2020.<sup>12</sup> Apps are preferred to browsers to complete sales, with 69 percent of all transactions carried out via app.<sup>13</sup> Mobile commerce is set to grow at an impressive 40.9 percent to 2024,<sup>14</sup> fueled by rising numbers of smartphone owners compared with desktop owners.<sup>15</sup> At present, smartphone penetration is at 71.2 percent,<sup>16</sup> and internet penetration is at 71.3 percent in the country.<sup>17</sup>

*E-commerce in Vietnam is set for world-leading growth as a result of a rising middle class.*

## Card and cash vie as Vietnam's preferred payment method, as bank transfers grow

Cards are the most used business to consumer online payment method in Vietnam, with a 30 percent market share.<sup>18</sup> Cash on delivery persists as a key payment method too, with a 27 percent market share,<sup>19</sup> which can cause issues for international merchants. This is due to the majority of Vietnam's population being unbanked – at present, only 38.3 percent have a bank account.<sup>20</sup>

As more citizens open an account for the first time, bank transfers are expected to grow to take a 32 percent market share by 2024.<sup>21</sup> The buy now, pay later market is also forecast to grow at a compound annual growth rate of 36.5 percent between 2021 and 2028.<sup>22</sup> Financial pressures due to the global pandemic are thought to have helped boost uptake of the short-term credit method.<sup>23</sup>

## Vietnam's strong cross-border sales focus on U.S. and China

Some 42 percent of Vietnamese online shoppers have already made a purchase from another country,<sup>24</sup> making for a receptive market for international merchants. Cross-border transactions take a large part of overall e-commerce in Vietnam – 38 percent.<sup>25</sup> Shoppers are driven overseas in search of wider product choice and value, with major e-commerce markets the U.S. and China the two most popular countries to shop with, followed by Japan.<sup>26</sup>

Vendors must provide a packing list and a commercial invoice to clear customs.<sup>27</sup> Import duties



vary from product to product, and typically range from 5 percent to 30 percent.<sup>28</sup> Weekends and public holidays are considered non-working days and can delay shipments.<sup>29</sup>

## Government plans to tighten up tax rules for sellers on e-commerce platforms

The Vietnamese government is set to introduce new e-commerce regulations from 2022, which will

require e-commerce platforms to be connected to tax management agencies in order to trace and collect taxes from sellers. There have been criticisms that despite huge growth and rising sales revenues, taxes from sellers operating on platforms are often not reported and paid to the state. Whilst the proposed legislation has drawn criticism from e-commerce platform providers, the government is planning to start onboarding the new rules and requiring platforms to provide information about sellers, their products and their revenues from October 2021.<sup>30</sup>

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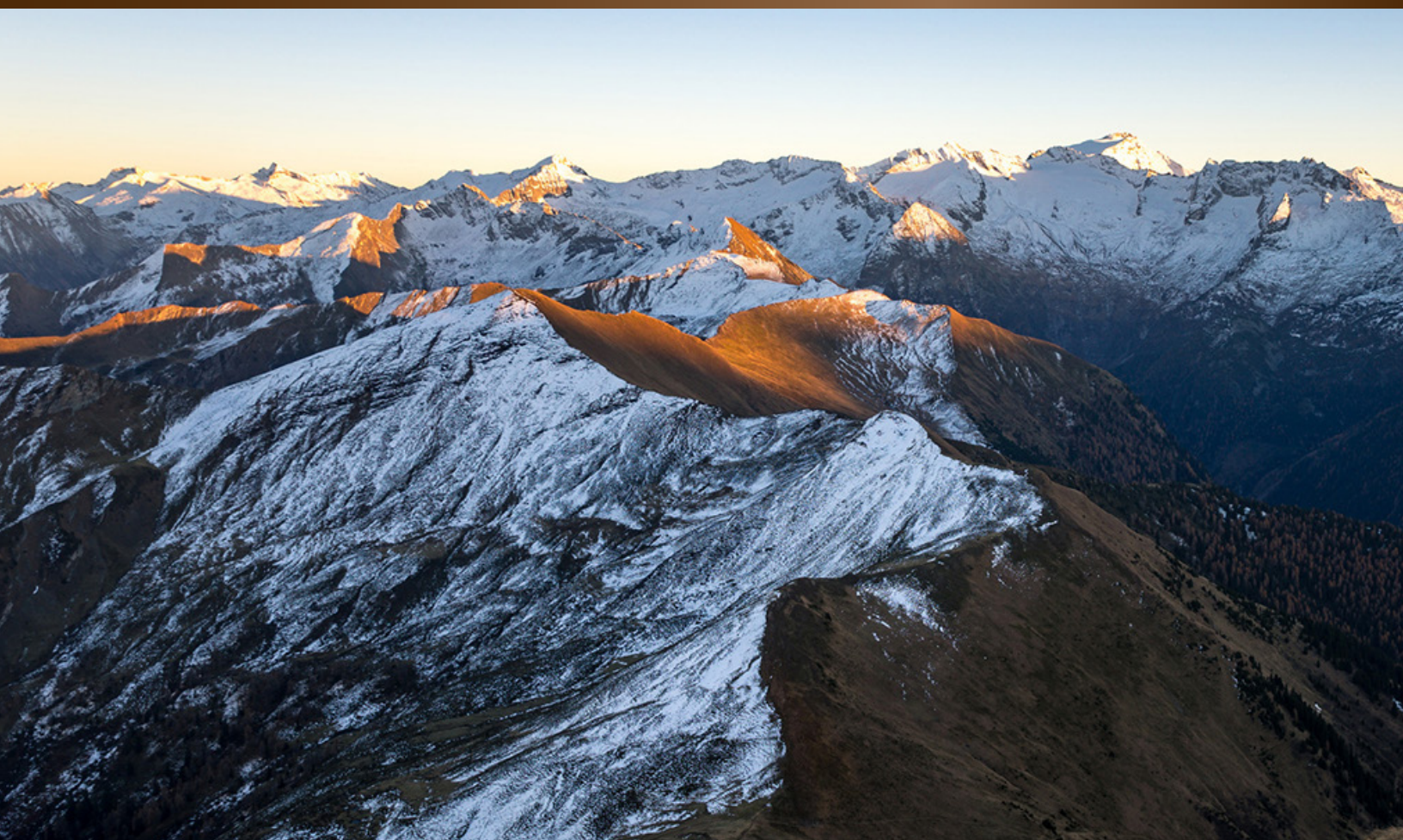
## EUROPE

# Austria Insights

### Summary

Austrian e-commerce market dominated by Amazon's regional presence

- Amazon's German site is the number one e-commerce site in Austria by net sales. Amazon started selling into Austria in 1998, and it has been investing heavily since 2018 to improve last-mile delivery processes and speeds in the country.<sup>1</sup> The second-most popular site, fashion platform Zalando, is also German. Homewares platform Universal.at comes in third.<sup>2</sup>
- More men than women shop online in Austria; men are also marginally more likely to own a credit card.<sup>3</sup> The most frequent online shoppers are 35 to 44-year-olds, closely followed by 25 to 34-year-olds.<sup>4</sup>
- Austria was one of the western European countries badly hit by flooding in the summer of 2021, which caused extensive supply chain issues, compounded by global shipping and logistics delays. Black Friday prices and deals are predicted to be impacted as domestic retailers and those from neighboring countries are forced to raise prices.<sup>5</sup>



## After years of low-level growth, Austrian e-commerce picks up pace

Austria's EUR 11.2 billion (US \$13.5 billion) business to consumer e-commerce market has grown at one of the slowest paces out of the countries included in our report,<sup>6</sup> expanding at a lower rate than even long-established markets such as the UK and U.S. Sales growth has been at low single-digit rates since 2017,<sup>7</sup> perhaps due to the large proportion of the population (33.3 percent) who are aged 55 and above, and may be less likely to shop online.<sup>8</sup> Looking ahead, however, growth is anticipated to accelerate at a compound annual growth rate (CAGR) of 8 percent to 2024, after the pandemic forced Austrians to switch to online commerce, changing shopping habits for the long term.<sup>9</sup>

## Mobile commerce takes minority share of e-commerce sales at present

Mobile commerce takes only 17.8 percent of total e-commerce in Austria,<sup>10</sup> or EUR 2 billion.<sup>11</sup> This is lower than many other western European nations, and again suggests slower digital commerce adoption than in other countries. Apps are preferred over browsers to shop via mobile devices, and are used to complete 72 percent of mobile transactions.<sup>12</sup> Mobile commerce is set to increase at a compound annual growth rate of 12.9 percent to 2024,<sup>13</sup> suggesting it will eventually start to overtake desktop-based online shopping, and indicating growing uptake. Excellent smartphone penetration, at 81.5 percent of the population,<sup>14</sup> will support ongoing growth. Facebook dominates

the social media landscape in Austria making it the most obvious choice for social commerce, with a 62.7 percent market share.<sup>15</sup>

*Austria's e-commerce growth is beginning to pick up pace with cross-border shopping taking the lead.*

## Austrians pay using a wide variety of methods, but cards top preferences

Online payment preferences in Austria are primarily split across card, which takes the majority of payments (33 percent), open invoice (24 percent) and digital wallets (21 percent).<sup>16</sup> Looking ahead, these preferences are expected to remain stable to 2024, with digital wallets growing slightly to take a 24 percent share as smartphone-based mobile commerce grows.<sup>17</sup> Bank account penetration is almost complete in Austria at 98.6 percent,<sup>18</sup> supporting both digital payments and card and open invoices. While open invoice is an old-fashioned payment method, it continues to be highly popular in Germany and Austria, as it enables deferred payment after receiving an order.

*Austria's EUR 11.2 billion (US \$13.5 billion) business to consumer e-commerce market has grown at one of the slowest paces out of the countries included in our 2021 reports<sup>6</sup>*

## Cross-border shopping higher than domestic sales in outward-looking Austria

Cross border e-commerce is a major feature of Austrian online shopping culture, taking the majority – 51 percent – of sales.<sup>19</sup> This is good news for international merchants, who will find Austrian shoppers experienced and receptive cross-border consumers. Neighboring Germany takes the lion's share of orders from Austria, accounting for 70 percent of cross-border trade.<sup>20</sup> German is Austria's official language, making for ease of trade. China is the second-most popular country to shop with (14 percent), the UK is third (3 percent).<sup>21</sup>

## Be sure to provide and promote secure payments to reassure fraud-aware Austrians

Online security is a primary concern for Austrian shoppers and strongly influences where, how and with whom they choose to shop. The number-one factor when deciding which payment method to use is security, with 49 percent of shoppers saying this is the deciding factor.<sup>22</sup> Both cards and open invoice are perceived to be safe, secure methods of payment. The implementation of two-factor security at checkout has been a success in Austria, with 95 percent of people stating they are satisfied with the increased authentication measures.<sup>23</sup>

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## EUROPE

# Belgium Insights

### Summary

Belgium takes cautious approach to spending online, even as shopper numbers rise

- COVID-19 had a severe impact on Belgian e-commerce: despite more citizens migrating to online shopping instead of heading to physical stores - 200,000 of these people were first-time online shoppers - the amount they spent was less than usual, leading to a contraction in the e-commerce market.<sup>1</sup>
- The top three e-commerce sites in Belgium are marketplaces Bol.com, Amazon's French outpost Amazon.fr, and Dutch omnichannel retailer Coolblue.<sup>2</sup> Amazon is working hard to try and overturn Bol and Coolblue's strong positions in Belgian e-commerce with aggressive pricing strategies.<sup>3</sup>
- Belgians spend an average of EUR 1,283 (US \$1,465) a year online, one of the lower annual basket spends out of the European nations surveyed in our report.<sup>4</sup> Encouraging consumers to buy groceries and everyday household items online will help drive up this amount.<sup>5</sup>



## After a year that saw sales contract, a positive growth prediction to 2024

After growing by a healthy 12 percent in 2019,<sup>6</sup> Belgium's EUR 10.7 billion business to consumer e-commerce market shrank by 10 percent in 2020 as the pandemic put a halt to most online travel purchases.<sup>7</sup> The e-commerce market is well established, however, and is set up for a good recovery to 2024; 72 percent of the population have made an online purchase,<sup>8</sup> and e-commerce takes a 10 percent share of total retail in the country.<sup>9</sup> Sales are expected to rebound, growing at a compound annual growth rate (CAGR) of 9.1 percent to 2024.<sup>10</sup>

*Less than three out of every 10 e-commerce transactions in Belgium are completed on a mobile device<sup>11</sup>*

## Mobile commerce still has some way to go before it becomes dominant shopping method

Less than three out of every 10 e-commerce transactions in Belgium are completed on a mobile device (28 percent),<sup>11</sup> suggesting there is some way to go before Belgium catches up with more advanced mobile-based e-commerce economies such as China and the UK. However, mobile commerce is set to experience low double-digit growth of 12.9 percent to 2024,<sup>12</sup> which will help shift the needle towards smartphone-based shopping. Apps are the go-to option for mobile commerce in Belgium, used in 60 percent of completed transactions.<sup>13</sup>

## Card is key for Belgian online payments market

Card is the predominant online payment method in Belgium, taking 49 percent of all payments. Bank

transfers are the second-most used method, with 24 percent market share, and digital wallets take third place with a 16 percent slice of the online payments market.<sup>14</sup> Bank transfers and digital wallets are both set to rise in use by 2024, as card use remains stable and already-rare cash payments shrink.<sup>15</sup> Bancontact is a key domestic payment scheme, with all domestic debit cards issued under the scheme,<sup>16</sup> whilst PayPal dominates the digital wallet market.<sup>17</sup>

## Belgium is ideally situated for fast, diverse cross-border shopping

In a central European location, Belgium is well placed to participate in cross-border e-commerce. Some 41 percent of Belgian online shoppers have already made a purchase from another country,<sup>18</sup> and cross-border e-commerce takes 13 percent of total e-commerce in the country.<sup>19</sup> The Netherlands, France and China are the most popular countries to shop from.<sup>20</sup> Multi-language sites may help boost customer experience: Belgium has two primary languages set in different parts of the country - French-speaking Wallonia and Dutch-speaking Flanders.<sup>21</sup>

*Cards are Belgians' preferred e-commerce payment method.<sup>14</sup>*

## Belgian state postal service aims to become European e-commerce delivery leader

Belgian state postal service Bpost is innovating with its e-commerce delivery services as it attempts to become a leading European e-commerce logistics provider. It is aiming to make the relationship between the person delivering the package and the customer more seamless. Gamification techniques, such as allowing customers to rate their delivery and apps that enable communication between deliverer and the addressee, are intended to prevent missed parcels and improve customer and employee experience.<sup>22</sup>

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## EUROPE

# Czech Republic Insights

### Summary

Czech Republic among the fastest growing e-commerce markets in Europe

- The Czech Republic experienced a watershed year for e-commerce in 2020, with the country adopting online shopping at a rapid pace. E-commerce turnover increased 20 percent and the number of online merchants rose by up to 8 percent.<sup>12</sup>
- Citizens aged between 25 and 34 are the most prolific online shoppers. Nine out of 10 people (91 percent) in this age group shopped online in 2020, up from 66 percent in 2019.<sup>3</sup> That said, older generations are also migrating to e-commerce. Online grocery spending among people aged 70 to 80 increased by 760 percent at the start of lockdown measures.<sup>4</sup>
- The top three online merchants are domestic players: platforms Alza and Mall, and grocery app Rohlík, which can offer two-hour delivery times.<sup>5</sup> International newcomers will need to offer local language options to reach consumers, but may gain a competitive advantage over domestic sites by offering greater choice and delivery options.





## In the Czech Republic many consumers have yet to migrate online

Uptake may have risen steeply in recent years, but the EUR 7.3 billion (US \$8.3 billion) Czech Republic business to consumer e-commerce market is still far less developed than many other European nations.<sup>6</sup> At present, 54 percent of the population have shopped online – leaving a large section of the population who are yet to make a purchase. E-commerce now accounts for 16 percent of total retail in the country.<sup>7</sup>

The average online annual spend is EUR 1,278,<sup>8</sup> providing an opportunity for merchants to drive up this amount, which is one of the lower European annual basket spends. The top five online stores account for almost half (48 percent) of the net sales of the top 100 online stores – so newcomers will have to work hard to attract business and make sufficient revenue.<sup>9</sup>

## Mobile commerce in the Czech Republic is expected to leap by a third by 2024

Given the numbers of people in the Czech Republic yet to make their first online purchase, overall e-commerce is set to expand at a compound annual growth rate (CAGR) of 17.1 percent to 2024.<sup>10</sup> The EUR 3.8 billion mobile commerce market is projected to grow even more quickly – at an impressive 26.4 percent to 2024.<sup>11,12</sup> This faster growth rate is due to the fact that citizens already prefer mobile shopping to desktop-based spending. Mobile commerce takes 53 percent of completed sales.<sup>13</sup>

Some 69 percent of the 10.7 million-strong population are now active social media users, up 7 percent on 2019.<sup>14</sup> The sites with the greatest consumer reach are Facebook – the most-visited social platform – followed by Twitter and Pinterest.<sup>15</sup>

## Consumers in the Czech Republic are divided on preferred ways to pay online

At present, business to consumer e-commerce payments are split almost equally between cash

(32 percent), card (30 percent) and bank transfer (28 percent).<sup>16</sup> Ongoing cash use is due in part to the prevalence of paying by cash for online purchases at cash machine-style terminals known as ‘SuperCASH’, and a historical lower than average bank penetration.<sup>17</sup>

Czech citizens prefer debit to credit, with 1.05 debit cards per capita compared with 0.2 credit cards.<sup>18</sup> Buy now, pay later is growing quickly. Key domestic buy now, pay later brand Twisto has 1.6 million users across the Czech Republic and Poland, and is expanding into eastern Europe in 2022.<sup>19</sup>

*Cash, card and bank transfer equally represent preferred e-commerce payment methods.*<sup>16</sup>

## Cross-border sales take a small slice of overall e-commerce sales in the Czech Republic

Approximately 40% of citizens have shopped cross-border,<sup>20</sup> creating a EUR 540 million market, which takes 7.1 percent of total business to consumer e-commerce in the country.<sup>21</sup> The top-three countries to shop with are surrounding European nations Germany, Poland and Slovakia,<sup>22</sup> suggesting a reticence to shop with countries further afield.

Despite relatively low levels of cross-border shopping, trading into the Czech Republic is a straightforward process: international merchants do not need to establish any local presence to sell products and services. They need only to obtain a trade license from the country’s Trade Licensing Office.<sup>23</sup>

## Year-round sales can lead to disappointing domestic discounts on Black Friday in the Czech Republic

Black Friday has gained traction as a marketing event in the Czech Republic, but discounts and offers

have not been as competitive as in other countries participating in the shopping event. Despite data traffic to domestic e-commerce sites during Black Friday 2020, around 60 percent higher than normal, discounts were not significant. Instead, domestic merchants offer frequent discounts year-round and do not make major reductions for the event.<sup>24</sup>

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## EUROPE

# Denmark Insights

### Summary

Denmark has established seamless digital and physical infrastructure for e-commerce

- Denmark is well positioned for ongoing e-commerce growth. Ranked by the World Bank as one of the top five countries in the world to do business with,<sup>1</sup> international merchants should find Danish e-commerce logistics and payments easy to get to grips with.
- Germany's fashion platform Zalando is the top site by net sales. Other key sites include elgiganten.dk, bilka.dk, Apple and H&M.<sup>2</sup> The top five online stores in Denmark take 28 percent of net sales among the top 100 online stores.<sup>3</sup>
- To access potential Danish customers via social commerce, try Facebook: the shoppable platform has by far the highest reach among social media users, with 62.7 percent market share. Pinterest comes second, with 16.8 percent market share, while Instagram takes only 3.6 percent.<sup>4</sup>



## Despite being a well-established market, online shopping continues to grow

Denmark's EUR 20.7 billion (US \$23.6 billion) business to consumer e-commerce market is supported by the very high numbers of citizens that have made online shopping part of their everyday life: just 15 percent do not shop online.<sup>5,6</sup> E-commerce accounts for a strong 19 percent of total retail,<sup>7</sup> and sales growth has continued through the pandemic, albeit at a slower pace in 2020 than in the three years preceding it.<sup>8</sup> Looking ahead, e-commerce growth is forecast to continue at a compound annual growth rate (CAGR) of 9.4 percent to 2024.<sup>9</sup>

*Denmark offers consumers one of the world's most seamless physical and digital experiences so even in this well-established market, e-commerce growth continues.*

## Mobile commerce has been slow to grow but is rising in uptake

Danes prefer to shop on their desktop computers than on mobile devices. In line with other European nations, and lagging behind their Asia-Pacific counterparts, the EUR 6.8 billion Danish mobile commerce market takes a minority share of completed transactions;<sup>10</sup> 33 percent in 2020.<sup>11</sup> That said, shopping habits are migrating towards mobile commerce with a compound annual growth rate of 13.8 percent expected to 2024,<sup>12</sup> outpacing desktop-based sales growth.

Browsers are the mobile shopping access method of choice, with only 40 percent of mobile commerce completed on an app.<sup>13</sup>

*Cards are the preferred method of payment for e-commerce purchases.<sup>14</sup>*

## Cards dominate online payment preferences as digital wallets gain ground

Denmark has a card-based online payment culture, with cards used for 62 percent of all online transactions.<sup>14</sup> The ubiquity of domestic debit card scheme Dankort, which is often co-branded with international card brands, supports ongoing preference for this method.<sup>15</sup> Digital wallets are another popular payment option, taking a quarter (25 percent) of online payments.<sup>16</sup> MobilePay and PayPal are key brands. Bank transfers, meanwhile, take third place with a 10 percent market share.<sup>17</sup> Digital wallets are set to rise in use to take a 35 percent market share by 2024, with cards shrinking to take a 49 percent market share by this point.<sup>18</sup>

## Cross-border shopping is common, but be prepared to meet high expectations

Cross-border transactions take almost a quarter (24.8 percent) of total e-commerce in Denmark,<sup>19</sup> making the country an attractive proposition for international merchants. Over half (51 percent) of online shoppers have already made a purchase from another country,<sup>20</sup> with China, the UK and Germany making up the top three most shopped from nations.<sup>21</sup> Denmark's excellent logistics mean shoppers are used to being able to track and receive orders quickly; international merchants should ensure they offer strong communication through the order process and partner with reliable delivery providers.<sup>22</sup>

## Black Friday: Danes expect big discounts over an extended period

As with many other Western nations, Black Friday has taken root as a key date in the Danish online shopping calendar. Danes expect good discounts

over a week-long period around the last week of November, with the event also being dubbed 'Black Week' in the country.<sup>23</sup> Over 40 percent of consumers expect discounts of between 26-50 percent; one in 10 anticipate discounts of more than 50 percent during this period.<sup>24</sup>

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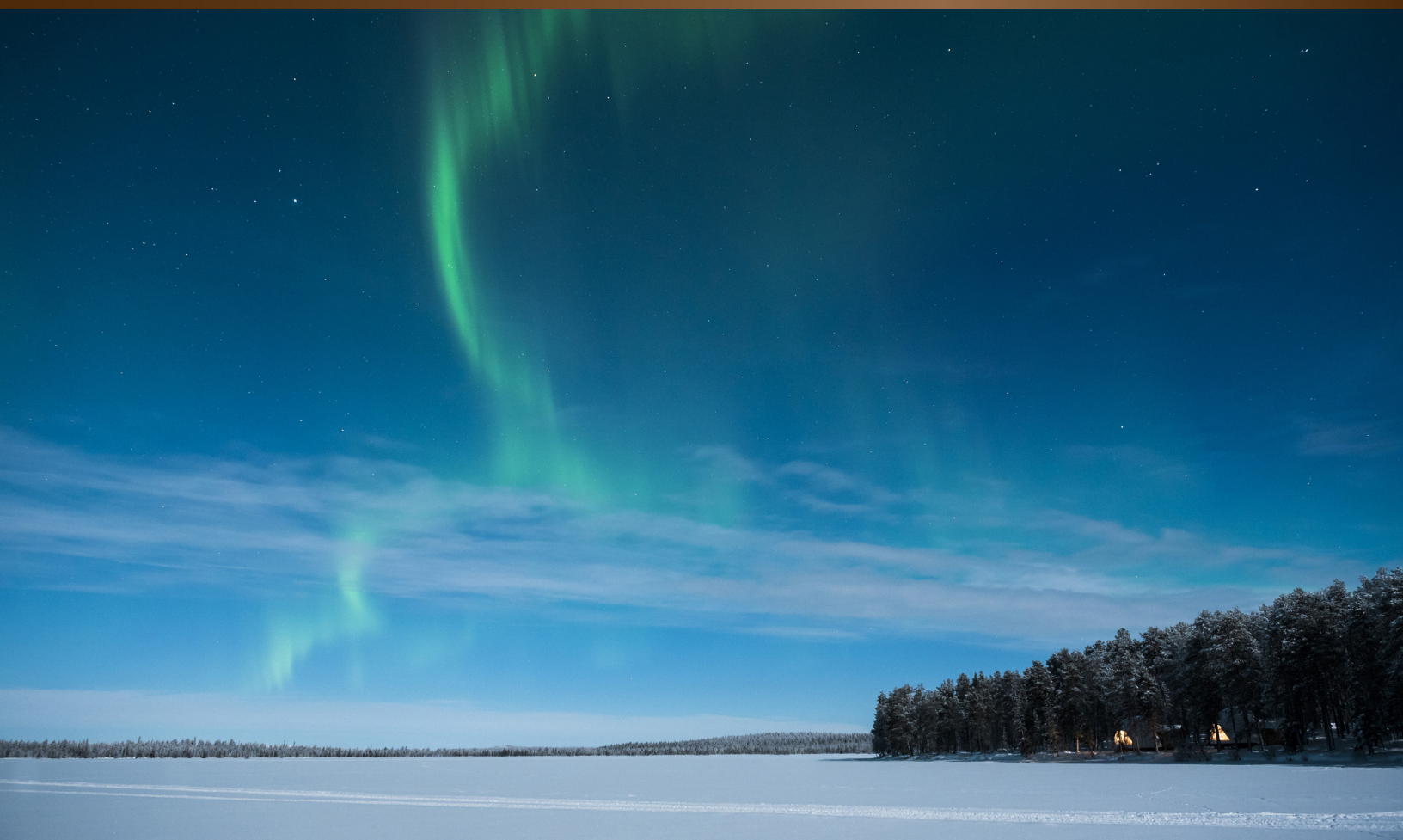
EUROPE

# Finland Insights

## Summary

Carbon-conscious Finland is trying to tamp down its consumption

- The most popular e-commerce site in Finland is homewares and electronics retailer Verkkokauppa, which has a strong omnichannel offer with both physical and digital sites. Fellow homewares and electronics site Gigantti is the second most popular site, while German fashion platform Zalando rounds out the top three.<sup>1</sup>
- 2020 created permanent changes in Finland's shopping habits, the Finnish Commerce Federation has reported. Groceries in particular have shifted towards e-commerce, with the country's biggest grocery chains, Kesko and S-Group, reporting an ongoing pivot towards e-commerce.<sup>2</sup>
- Finland is working to achieve net zero emissions, 15 years ahead of other nations under the Paris Agreement, by 2035. This will likely have an impact on shopping and merchant marketing: the capital, Helsinki, is currently considering whether to ban advertising of carbon-intensive products, brands and services.<sup>3</sup>



## E-commerce growth set to slow down to 2024

Finland's EUR 11.3 billion (US \$12.9 billion) business to consumer e-commerce market has grown steadily since 2017, with a peak in 2020 as the pandemic forced consumers to shop from home.<sup>4</sup> Looking forwards, e-commerce growth is expected to slow to a compound annual growth rate (CAGR) of 5.7 percent to 2024.<sup>5</sup> This muted prediction could be influenced by slowing consumer spending, as a result of the economic impacts of the pandemic. Nearly three quarters - 73 percent - of the population now shop online,<sup>6</sup> and e-commerce takes 8 percent of total retail.<sup>7</sup> Consumers spend on average EUR 2,814 a year online, one of the higher figures in our report.<sup>8</sup>

*Overall e-commerce growth is expected to slow through 2024 with mobile commerce continuing to grow at a steady rate.<sup>12</sup>*

## Mobile commerce predicted to grow at over double the rate of overall e-commerce

With strong mobile infrastructure, almost half (48 percent) of total e-commerce is carried out on a mobile device in Finland,<sup>9</sup> making the nation's mobile commerce a EUR 5.4 billion market.<sup>10</sup> This is a high figure compared with most European markets, which have typically been slower to adopt mobile commerce than Asia-Pacific member countries.<sup>11</sup> Mobile sales are therefore projected to outperform overall e-commerce, expanding at a compound annual growth rate of 8.5 percent to 2024.<sup>12</sup> There is a fairly even split between sales completed on mobile

browsers versus mobile apps (43 percent of sales and 57 percent, respectively) suggesting merchants should ensure they can provide a compelling shopping experience via both methods.<sup>13</sup>

*Domestic networks drive the popularity of bank transfers for e-commerce payments.<sup>14</sup>*

## Domestic scheme ensures bank transfers remain online payment method of choice

Bank transfers are the most popular way to pay when online shopping in Finland, taking 50 percent of all completed transactions.<sup>14</sup> This is due to the prevalence of domestic online bank transfer system Verkkopankki, which operates across a network of local banks. Card payments are the second-most used option for e-commerce, with 29 percent market share. Digital wallets come in third place with a 16 percent market share.<sup>15</sup> Market shares for all these methods are expected to remain more or less static to 2024.<sup>16</sup>

## Germany is Finnish consumers' favorite country to shop with

Cross-border e-commerce takes a significant 36 percent of total e-commerce sales in Finland.<sup>17</sup> Major English-language international fashion sites such as ASOS, eBay and Boohoo sell into Finland, but the most popular countries to shop with are China (34 percent), Germany (20%) and Sweden (19 percent).<sup>18</sup> These preferences are in line with the most widely spoken languages in Finland, which include Finnish, German, English and Swedish.<sup>19</sup>

## Facebook and Instagram are go-to social platforms for shopping inspiration

Merchants wanting to reach Finnish consumers via social media may find Facebook to be the most effective platform for marketing and building relationships with consumers. Facebook is used for

shopping inspiration among all generations, but is particularly pronounced with Gen X (65 percent), baby boomers (60 percent) and 51 percent of Millennials.<sup>20</sup> Instagram is also another key platform for finding shopping ideas, with 47 percent of Millennials and 25 percent of Gen X using the image-and-video based app to research products and gain inspiration.<sup>21</sup>

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## EUROPE

# France Insights

### Summary

France is a high-spending nation that is gradually adopting e-commerce

- France is a highly regulated e-commerce market that is picking up speed. Multiple lockdowns in 2020 accelerated e-commerce growth for goods: 17,400 new online merchants were created in France last year, and state postal service La Poste experienced a 50 percent increase in parcel volumes in the first quarter of 2021.<sup>1</sup>
- Online shopping has integrated into day-to-day working life in France, with delivery via picking up from local physical stores highly common, alongside home delivery.<sup>2</sup>
- France is a nation that prefers to pay by card, but both PayPal and Klarna have introduced buy now, pay later options in France over the past year,<sup>3,4</sup> which may create a shift towards online credit accounts.



## French e-commerce, fueled by travel and fashion, set to steadily increase to 2024

The EUR 112 billion (US \$128 billion) business to consumer e-commerce market in France has posted steady growth each year,<sup>5</sup> a trend that is expected to continue with an expected compound annual growth rate (CAGR) of 10.6 percent to 2024.<sup>6</sup> E-commerce now makes up 13.4 percent of total retail in the country,<sup>7</sup> with 70 percent of the population now shopping online.<sup>8</sup>

French consumers spend an average EUR 2,450 a year online, one of the higher spending rates in Europe.<sup>9</sup> The top three spending categories are travel, fashion, and electronics and media.<sup>10</sup> Amazon is the biggest online store in France by net sales,<sup>11</sup> but the French government is a vocal member of the G7 states fighting to introduce a global digital sales tax on multinational tech giants including Amazon.<sup>12</sup>

*France is a highly regulated yet high-spending e-commerce market that seamlessly blends digital and physical customer experiences*

## France has been slow to adopt shopping on the move

France has been slow to adopt mobile commerce. Desktop-based shopping still dominates, with mobile sales making up less than a quarter (23 percent) of transactions.<sup>13</sup> Apps are used for 53 percent of mobile purchases.<sup>14</sup> Smartphone penetration is good at 76.3 percent,<sup>15</sup> but lower than other mobile-first European nations such as the UK.

Looking ahead, mobile commerce is set to begin overtaking desktop sales, with a projected compound annual growth rate of 15.6 percent to 2024.<sup>16</sup> When it comes to social commerce, Facebook is the number-one choice, with 76 percent of French online shoppers having used it to make a purchase, followed by Instagram (23 percent) and Snapchat (11 percent).<sup>17</sup>

*Cards are by far the most common form of payment for e-commerce purchases.*<sup>18</sup>

## In France, card payments rule thanks to domestic scheme

Card is a payment essential at checkout: it is used for 78 percent of all online transactions.<sup>18</sup> Domestic card scheme Cartes Bancaires is the reason for the ongoing high use of cards: the interbank payment system has branded payment cards, known as Carte Bleue, which can function both as a debit and a credit card.<sup>19</sup> They are typically co-branded with either Mastercard or Visa.

Digital wallets are the second-most utilized option, taking 14 percent of sales.<sup>20</sup> PayPal is the most popular digital wallet brand,<sup>21</sup> and in 2020 introduced a buy now, pay later digital wallet payment option to France, which could drive up digital wallet uptake.<sup>22</sup>

## France presents an exciting opportunity for foreign merchants – but stick to the rules

Around a half of French online shoppers have purchased an item online from abroad,<sup>23</sup> making for a EUR 16.3 billion market in 2020.<sup>24</sup> China (first), the UK (second) and Germany (third) are the top three international markets to shop from.<sup>25</sup> At present, cross-border e-commerce makes up 14.6 percent of total e-commerce in France.<sup>26</sup>

Non-domestic merchants hoping to sell into France should be aware of France's strict consumer rights regulations. If creating a local site, French language, sales, tax and returns rules must be adhered to.<sup>27, 28</sup>

## Check you are within the rules before discounting products in France

France has a strictly defined and regulated sales period during which items can be discounted.

*Les soldes* – sales season in France – typically

take place for one month, twice a year, in the summer and winter. The strict rules apply online too, and international merchants must comply with the assigned dates. The dates have been subject to change over the past year due to the global pandemic.<sup>29</sup>

One-off discounting events can take place, but there is growing sentiment against Amazon's Black Friday event. Black Friday 2020 was postponed in France by the government in an attempt to protect local and smaller merchants.<sup>30</sup>

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## EUROPE

# Germany Insights

### Summary

Germany is a top-tier European e-commerce market with unique features

- Germany is the third-largest e-commerce market in Europe, dwarfed only by the UK and France.<sup>1</sup> With a population of 83.8 million,<sup>2</sup> the country offers huge potential to both domestic and international merchants.
- There are unique features to the German market, which merchants must cater to in order to succeed. For example, Germany's e-commerce culture is marked by open invoice payments and discerning customers, who research products and prices thoroughly and are not afraid to return anything that does not meet expectations - meaning Germany has the highest product return rate in Europe.<sup>3</sup>
- Large marketplace sites dominate sales. The top three e-commerce sites by revenue are Amazon, and local competitors Otto and Zalando.<sup>4</sup> Otto is investing in infrastructure upgrades to rival Amazon - for example, teaming up with Google to develop voice shopping technology.<sup>5</sup>



## German e-commerce market set to return to double-digit growth

At present, e-commerce takes 11.2 percent of the overall German retail market,<sup>6</sup> and 74 percent of the population have shopped online.<sup>7</sup> The average online spend is EUR 1,484 (US \$1,695) – lower than Europe’s other e-commerce heavyweights, the UK and France.<sup>8</sup> The most popular product categories are travel (21 percent), electronics and media (18 percent), and fashion (18 percent).<sup>9</sup>

The EUR 92.5 billion German e-commerce market grew by a marginal amount – just 0.3 percent – in 2020,<sup>10, 11</sup> due to a collapse in online travel and tourism spending, but is expected to rebound as the economy recovers post-pandemic, to increase at a compound annual growth rate of 10.1 percent to 2024.<sup>12</sup>

## Mobile commerce now takes over a third of overall e-commerce market in Germany

Just over a third, 35 percent, of e-commerce transactions take place on a mobile device in Germany.<sup>13</sup> Of those transactions, 49 percent take place using an app, whilst browsers are used for 51 percent of transactions.<sup>14</sup>

A EUR 32.4 billion market in 2020,<sup>15</sup> mobile commerce is expected to expand at a compound annual growth rate of 14.9 percent to 2024, outpacing overall e-commerce growth.<sup>16</sup>

Only 14 percent of German online shoppers have made a purchase via social media; but 35 percent of those who have not yet tried this shopping method say they are open to using social commerce in the future.<sup>17</sup>

## Open invoice: the delay-before-you-pay method that Germany loves

Open invoice payments are a defining feature of the German online shopping market, a legacy of pre-internet catalogue shopping in the country. This buy now, pay later method is the most popular e-commerce payment option in Germany, taking 30 percent of all payments.<sup>18</sup> Its use is expected to increase, rising to take a 33 percent market share by 2024.<sup>19</sup>

Digital wallets grew quickly to become the second-most popular way to pay. Currently taking a 27 percent market share of transactions,<sup>20</sup> use of this method is projected to stay steady and to retain a 26 percent market share in 2024.<sup>21</sup>

Direct debit is the third-most popular option, used in 20 percent of transactions, with market share set to remain static to 2024.<sup>22</sup>

## Plenty of growth potential remains for cross-border shopping in Germany

Cross-border e-commerce makes up 17.1 percent of total e-commerce in Germany,<sup>23</sup> representing EUR 15.8 billion in annual sales.<sup>24</sup> There are still many German online shoppers who are yet to make a purchase from an international merchant – only 55 percent of online consumers have already done so.<sup>25</sup> The most popular destinations to shop from are China (40 percent), the UK (11 percent) and neighboring Austria (11 percent).<sup>26</sup>

To circumvent language and infrastructure barriers, international merchants may find it simpler to enter the German market via local major marketplace platforms such as Otto.de and Zalando.de.<sup>27</sup>

*Buy now, pay later is very popular among German consumers followed by digital wallets and direct debit payments.<sup>18, 20, 22</sup>*

## High online expectations extend to delivery times as groceries become a key e-commerce category post-pandemic

Perhaps owing to Germany's central European location and strong infrastructure, there are high expectations surrounding e-commerce delivery speeds and choice. Three-quarters of German shoppers state the maximum acceptable delivery time is three to five days. The most popular delivery

method is daytime home delivery (41 percent), followed by mailbox delivery (36 percent) and evening at-home delivery (8 percent).<sup>28</sup>

Online grocery shopping is a trend that is set to persist after the pandemic in Germany. Some 52 percent of Germans buy more groceries online as a result of the pandemic, with 82 percent stating they expect to continue shopping for groceries online to the same extent going forwards.<sup>29</sup>

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## EUROPE

# Ireland Insights

### Summary

Ireland is a nation of confident online shoppers who embrace digital innovation

- Irish e-commerce is marked by high levels of cross-border shopping, a love of social commerce, and a willingness to support local goods - two-thirds of consumers say they will buy Irish products to support the economy.<sup>1</sup> During 2020, many smaller Irish retailers pivoted to e-commerce, supported by the state's Enterprise Ireland Online Retail Scheme.<sup>2</sup>
- The pandemic may have shifted shopping behaviors for the long term. Half of Irish consumers expect their levels of online shopping to stay the same as they adopted in 2020 during the pandemic, while almost one in five expect the amount of online shopping they do to increase.<sup>3</sup>
- Ireland is a nation of confident online shoppers, well versed in spending online. Perhaps as a consequence, Irish citizens are more security conscious than the global average when spending online: over half (51 percent) of Irish consumers monitor their online transactions for suspicious activity, compared with 44 percent globally.<sup>4</sup>



## Just three retailers take a quarter of all Irish e-commerce

The EUR 9.3 billion (US \$10.7 billion) Irish e-commerce market is set to increase at a compound annual growth rate of 11.1 percent to 2024.<sup>5,6</sup> The average online spend per person is \$3,152 – one of the higher figures in our report, reflecting the strong uptake of online shopping in Ireland.<sup>7</sup> Some 69 percent of the population shop online,<sup>8</sup> and e-commerce takes a 10 percent slice of total retail.<sup>9</sup>

Despite the aforementioned willingness to shop with local brands, Amazon, Tesco and Argos are the top three online retailers: together, they take a quarter of the country's e-commerce revenue.<sup>10</sup> Ireland is home to global retail giant Penneys (Primark), which is yet to launch e-commerce: this means online, international brands Next, ASOS and Zara dominate by net sales.<sup>11</sup>

*Cross-border spending currently makes up more than half of total e-commerce spending.*<sup>23</sup>

## Ireland likes to shop on the move and via social media

The EUR 4.2 billion Irish mobile commerce market now accounts for 45 percent of total e-commerce in Ireland.<sup>12,13</sup> Sales on mobile devices are rising at a compound annual growth rate (CAGR) of 16.2 percent to 2024,<sup>14</sup> and there is an even 50:50 split between app-based transactions and mobile-browser based sales.<sup>15</sup>

Social commerce has been embraced in Ireland, with 24 percent of consumers already using social media to shop and 45 percent planning to make a purchase in the future.<sup>16</sup> Those aged 18 to 34 have the highest levels of uptake, with 35 percent of this age group already shopping via social media channels. Across

all age groups, the most popular category to buy via social media is clothing and accessories.<sup>17</sup>

*Among the Irish, cards are the most favored e-commerce payment method followed by digital wallets.*<sup>18, 21</sup>

## Cards are the number one payment method in Ireland

When it comes to online payments, Ireland runs on cards: they take a 64 percent share of all e-commerce payments.<sup>18</sup> Growth is set to continue at a compound annual growth rate of 10 percent to 2024.<sup>19</sup> There is higher debit card penetration compared with credit cards (5.2 debit cards per capita, compared with 1.89 credit cards).<sup>20</sup>

Digital wallets are the second-most popular way to pay, taking a 22 percent market share, a figure that is expected to rise to 24 percent by 2024.<sup>21</sup> Plans by the EU to introduce a digital wallet in 2022, which stores payment and ID information and works across member states – Ireland included – could support digital wallet uptake.<sup>22</sup>

## Cross-border spending accounts for more than half of all Irish e-commerce

Shopping with overseas retailers is a key feature of Irish e-commerce culture; 85 percent of online consumers have already made a purchase from abroad.<sup>23</sup> Cross-border e-commerce accounts for a majority, 51 percent, of total e-commerce in Ireland – one of the highest percentages of all the countries included in our report.<sup>24</sup>

This makes Irish cross-border e-commerce a EUR 4.8 billion market.<sup>25</sup> The most popular country



to shop from is the neighboring UK (68 percent),<sup>26</sup> but confusion and delays surrounding the implementation of import and VAT rules post-Brexit mean some major UK e-commerce merchants such as ASOS have started fulfilling orders to Ireland from EU-based warehouses to avoid the UK's new rules.<sup>27</sup> The second-most popular country to shop with is China (13 percent), followed by the U.S. (5 percent) in third place.<sup>28</sup>

## Irish towns play host to innovative drone-based e-commerce deliveries

Ireland is host to the largest commercial e-commerce drone delivery trial of its kind in the world. Coca-Cola has partnered with drone provider Manna to deliver

its drinks via drone in the town of Oranmore, Ireland. The scheme is planned to be rolled out across more locations in the country throughout 2021. Manna is already making e-commerce deliveries of up to 2kg throughout Oranmore.<sup>29</sup>

The sustainability of a merchant's packaging is becoming an important criterion for Irish online shoppers when deciding who to shop with, particularly among younger generations. Over half (52 percent) of under-35s say they seek out online companies who use environmentally conscious delivery packaging. This figure drops to 33 percent for 35 to 54-year-olds, rising slightly to 35 percent for the 55-plus age group.<sup>30</sup>

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## EUROPE

# Italy Insights

### Summary

Italian e-commerce is catching up to its European counterparts

- Italian e-commerce has historically lagged behind other European nations.<sup>1</sup> However, a year of stay-at-home orders driving online grocery sales during the pandemic; multinational e-commerce giants turning their attention to the Italian market; and a shift towards digital banking and payments is now supporting uptake.
- Travel, fashion and electronics, and media are the most popular product categories.<sup>2</sup> Major European e-commerce platforms such as Zalando and fast-fashion site Shein are among the most popular sites by net sales, taking second and third place respectively.<sup>3</sup>
- Amazon is the number-one online store in Italy by net sales, and is expanding. It launched Amazon Fresh in Milan in 2021 and is planning to roll the delivery service out across the country.<sup>4,5</sup> This is part of its multi-million euro 'Italy Plan', which includes building three new major distribution centers and hiring an additional 3,000 staff in 2021.<sup>6</sup>



## Italian e-commerce growth set to get back on track after a tough 2020

Italy's EUR 30.6 billion (US \$34 billion) business to consumer e-commerce market makes up 8 percent of total retail spending in the country.<sup>7,8</sup> There is room for online shopping to grow in Italy – only 55% percent of the population have shopped online (in the UK, in contrast, 84.2 percent of people are online shoppers).<sup>9,10</sup> Average annual basket spend is EUR 919.60,<sup>11</sup> lower than most advanced e-commerce economies.

Italy's economy and health services were hit particularly hard in the early months of the global pandemic. Online, product purchases increased by 31 percent, but services, such as tourism and transport, dramatically shrank by 47 percent.<sup>12</sup> Overall, this meant business to consumer e-commerce shrank by 3.2 percent in 2020 as a result,<sup>13</sup> but looking ahead, sales are expected to rebound at a compound annual growth rate (CAGR) of 11.3 percent to 2024.<sup>14</sup>

## Italy shops on the move: mobile sales outweigh desktop

Mobile commerce is now the primary way to shop online in Italy, taking 51 percent of total e-commerce,<sup>15</sup> or EUR 15.6 billion in sales.<sup>16</sup> Ongoing growth is projected to continue at a compound annual growth rate of 16.4 percent to 2024, outstripping desktop-based sales.<sup>17</sup>

As with many other European nations, there is a fairly even split between app and mobile browser-based transactions (51 percent vs 49 percent).<sup>18</sup>

Italy's Gen Z spend huge amounts of time on social media: over five hours a day.<sup>19</sup> According to domestic

merchants, the top three most effective social networks to reach Italian consumers are Facebook, Instagram and YouTube.<sup>20</sup>

## Cards remain king for online payments in Italy

After cash being preferred for years, contactless and digital forms of payment are now heavily supported and promoted by the Italian government.<sup>21</sup> Cards take the majority (39 percent) share of online payments,<sup>22</sup> but are expected to decline slightly to take a 36 percent share by 2024.<sup>23</sup> Italy has a culture of using pre-loaded payment cards, which international merchants should be aware of.<sup>24</sup>

Digital wallets are currently the second-most popular method, and are set to overtake cards to become the most popular way to pay by 2024, with a 37 percent market share.<sup>25</sup> PayPal is a key digital wallet brand in the country.<sup>26</sup> Bank transfers are the third-most used payment method (12 percent).<sup>27</sup>

## China is a key destination for cross-border Italian shoppers

Half of all Italian online consumers have made a purchase from abroad,<sup>28</sup> contributing to a EUR 2.8 billion market that constitutes 9 percent of the overall Italian e-commerce economy.<sup>29</sup> The most popular countries to shop from are China (38 percent), Germany (17 percent) and the UK (16 percent).<sup>30</sup>

Logistics providers are investing in the Italian cross-border e-commerce market. FedEx, for example introduced day definite international shipping in Italy in 2021.<sup>31</sup> A new domestic freighter airline focusing on e-commerce deliveries, Aliscargo, launched in June 2021.<sup>32</sup>

*Social media and mobile commerce are increasingly important ways to connect and transact with younger Italians.*

## Geography matters when selling to Italian e-commerce market

Italian e-commerce has been hobbled in the past by poor domestic infrastructure, a reliance on cash payments and a culture that prefers daily market shopping and experiencing products in person before buying. Improved logistics and the impact of the

pandemic are altering Italian shopping preferences, but geographical economic divides remain within the country. Wealthier northern Italy has the highest percentage of internet users, and online purchasing is higher here than the national average. In contrast, all southern regions (apart from the island of Sardinia) have lower than average rates of online purchasing.<sup>33</sup>

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## EUROPE

# Luxembourg Insights

### Summary

Luxembourg: a small e-commerce market that could offer big opportunities for international merchants

- Luxembourg has one of the highest rates of cross-border spending out of the countries featured in our report, making it a compelling country for incoming merchants to target.
- The top three sites by revenue are Amazon's German outpost Amazon.de, homewares and electronics site Auchan, and DIY and homewares site Hornbach. IKEA is also a top-five online site in the country.<sup>1</sup>
- Black Friday takes place in Luxembourg, but the 2021 event is expected to be affected by supply chain issues throughout the year and from major flooding damage to logistics sites and factories used to produce key technology components and products in the Benelux region.<sup>2</sup>



## Luxembourg has a slow-but-steady online growth story

Luxembourg's EUR 950 million (US \$1,008 million) business to consumer e-commerce market is one of the smaller e-commerce arenas in our report.<sup>3</sup> Despite a high proportion – 85 percent – of the nation now shopping online, e-commerce only takes 6 percent of total retail in the country.<sup>4,5</sup> That said, sales have been on a steady upwards trajectory for several years, and this is expected to continue at a compound annual growth rate (CAGR) of 9.9 percent to 2024.<sup>6</sup> Shoppers spend on average EUR 1,855 per year online – driving up basket spend, and accelerating the shift from bricks-and-mortar to e-commerce will be key challenges in the years ahead.<sup>7</sup>

*Slow-but-steady e-commerce growth is being driven in part by the surging popularity of mobile commerce.<sup>8</sup>*

## Mobile commerce growth is outrunning desktop-based shopping

Mobile commerce takes just over a third (36 percent) of business to consumer e-commerce sales in Luxembourg, or EUR 340 million.<sup>8</sup> Mobile commerce growth is expected to outpace overall e-commerce growth to 2024 expanding at a compound annual growth rate of 14.8 percent,<sup>9</sup> setting mobile shopping on a path to eventually overtake desktop-based shopping.

Social media in Luxembourg is dominated by Facebook, with 54.1 percent market share, making it the natural choice for social media based advertising, live streaming, sales and customer service in the country. Other platforms take far smaller slices of the market – Pinterest, for instance, has a 14.6 percent market share.<sup>10</sup>

*Domestic bank transfers are the top e-commerce method of payment in a country where cross-border shopping dominates.<sup>11</sup>*

## Domestic bank transfers dominate online payments, as digital wallets grow

Half (50 percent) of all e-commerce transactions are made via bank transfer in Luxembourg,<sup>11</sup> which is in part owing to the popularity of local brand DigiCash. This is a mobile app-based bank transfer service that enables users to set weekly spending limits, and to send payments directly from their bank account.<sup>12</sup> Card is the second-most used option, with a 25 percent share of the online payments market. Digital wallets are the third-most used option at present, taking 10 percent of payments, but they have the fastest growth rate to 2024.<sup>13</sup> PayPal is the primary digital wallet brand in the country.<sup>14</sup>

## In Luxembourg, shoppers are more likely to buy from abroad than from domestic sites

As a small nation of just 0.6 million people,<sup>15</sup> which enjoys easy access and excellent logistics capabilities to central Europe, Luxembourg is highly reliant on international merchants and is yet to develop a strong domestic e-commerce culture. Cross-border e-commerce takes a very high 88 percent of total Luxembourg e-commerce,<sup>16</sup> making it the standard way to shop online.

The most popular countries to shop with are e-commerce heavy-hitters with far bigger product inventories than what is available domestically:

Germany (66 percent), China (11 percent) and France (7 percent).<sup>17</sup>

## State-backed local shopping platform is developing domestic e-commerce

Despite international merchants dominating the Luxembourg e-commerce market, state-backed

domestic online shopping platform Letzshop had a stellar year in 2020, posting an 803 percent increase in sales, and reporting a rise in repeat customers.<sup>18</sup> The site is intended to help develop a domestic e-commerce market and to bring more local small- and medium-sized retailers online. It now lists more than 387,870 products, of which at least 2,270 are made in Luxembourg.<sup>19</sup>

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## EUROPE

# Netherlands Insights

### Summary

The Netherlands is a strong online shopping arena with plenty of potential to introduce greater e-commerce innovation

- The Netherlands is characterized by multilingual, experienced online shoppers who nevertheless have a lower uptake of common e-commerce evolutions seen in countries such as China, the U.S. and the UK. Mobile and social commerce, for example, lag behind.
- Amazon launched in the Netherlands in March 2020.<sup>1</sup> It faced stiff competition from domestic, long-established marketplace players Bol.com and Coolblue. As of May 2021, local players remained on top: Amazon was in third place in the Netherlands by traffic, with Bol.com retaining its number-one position.<sup>2</sup>
- Black Friday is a strong feature of the Dutch e-commerce calendar, with approximately a third of Dutch consumers planning to shop during the event, a figure that has doubled since 2017.<sup>3</sup> Black Friday comes just before *Sinterklaas* on December 5, a traditional Dutch gifting event that also generates higher-than-average e-commerce revenues during the week it occurs.<sup>4</sup>





## Steady growth to 2024 is expected in the Netherlands as online shopping frequency increases

The Netherlands' EUR 26.6 billion (US \$30.4 billion) business to consumer e-commerce market now takes 10.3 percent of total retail in the country,<sup>5,6</sup> with an estimated 80 percent of the nation now shopping online.<sup>7</sup> Growth is expected to continue at a compound annual growth rate (CAGR) of 7.6 percent to 2024.<sup>8</sup> A third of Dutch consumers (33 percent) say they now shop online more frequently as a result of the pandemic.<sup>9</sup> Food and personal care products experienced the fastest growth, with a 29.2 percent year-on-year increase in spend in 2020.<sup>10</sup>

*Consumers in the Netherlands have thus far demonstrated a preference for domestic e-commerce marketplaces.*

## Dutch mobile commerce yet to overtake desktop sales

The Netherlands has adopted mobile commerce at a slower rate than other advanced European e-commerce economies, such as the UK and Ireland. Mobile commerce takes just under a third (32 percent) of all e-commerce transactions,<sup>11</sup> and was an EUR 8.5 billion market in 2020.<sup>12</sup> The relatively muted uptake could be a generational affect, with younger consumers embracing mobile commerce and largely responsible for its compound annual growth rate of 9.4 percent to 2024.<sup>13</sup>

Some 88 percent of the Dutch population use social media, spending an average of one hour and

24 minutes on social media each day.<sup>14</sup> WhatsApp, YouTube and Facebook are the top three most popular platforms.<sup>15</sup> Social commerce has yet to fully take off, with opportunities for merchants to claim an early advantage in methods such as live streaming, group purchasing (as seen with China's Pinduoduo) and influencer marketing.<sup>16</sup>

*Dutch consumers have been relatively slow to adopt mobile and social commerce.*

## Bank transfers: the Netherlands' ideal payment method

Bank transfers are the preferred way to pay for online shopping in the Netherlands, with a 67 percent market share.<sup>17</sup> This is due to the ubiquity of iDEAL, the domestic bank transfer system accepted by all key Dutch banks and supported by flexible payment options - users pay via the app or website of their own online banking provider, and can schedule payments.<sup>18</sup> This method is growing and is set to take a 70 percent share of the business to consumer online payments market by 2024.<sup>19</sup>

The second-most used payment method is card, with a 13 percent market share.<sup>20</sup> Debit cards are preferred over credit in the Netherlands (there are 1.17 debit cards per capita compared with just 0.28 credit cards).<sup>21</sup> Digital wallets and direct debits share third place, with 5 percent market share each.<sup>22</sup> PayPal is the primary digital wallet brand.<sup>23</sup>

## Netherlands' cross-border potential supported by world-leading logistics

The Netherlands is recognized as a key e-commerce global logistics hub, with world-leading sea, air, road

and rail connectivity. Yet the EUR 2.6 billion Dutch cross-border e-commerce market is yet to reach its full potential,<sup>24</sup> with 44 percent of online consumers in the country yet to make a purchase from another country.<sup>25</sup>

For the 56 percent of consumers that have shopped cross-border,<sup>26</sup> China (49 percent), Germany (19 percent) and the U.S. (7 percent) are the top three international shopping destinations.<sup>27</sup> For merchants planning to attract Dutch consumers, offering card, digital wallet and iDEAL payment options will help remove barriers to payment.<sup>28</sup>

## Deliver quickly to please sophisticated Dutch consumers

English language proficiency in the Netherlands is rated as the best in the world,<sup>29</sup> which smooths the path for international merchants with English-language sites and staffing. French and German are also widely spoken.<sup>30</sup>

As a result of the Netherlands acting as a global delivery and logistics hub, e-commerce delivery expectations are high. The maximum acceptable standard delivery time is three to five days,<sup>31</sup> with most shoppers expecting delivery within two to three days.<sup>32</sup>

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## EUROPE

# Norway Insights

### Summary

A sophisticated e-commerce market continues to expand in Norway

- Norway has excellent internet, smartphone and banking penetration. Coupled with the fact that the pandemic caused 22 percent of the population to shop online more often than before, e-commerce growth is set to continue.<sup>1</sup>
- Marketplaces eBay, Amazon and Biltema are among the most visited e-commerce sites in the country.<sup>2</sup> Electronics seller Komplett is another key domestic site.<sup>3</sup> The most popular spending categories are travel (24 percent), fashion (18 percent), and electronics and media (14 percent).<sup>4</sup>
- Swedish state-backed delivery firm PostNord is the primary delivery service provider.<sup>5</sup> While delivery to mailbox is the most popular delivery option, PostNord is significantly scaling up its Norwegian parcel locker capacity in 2021, to create a country-wide network of 1,500 delivery lockers by the end of 2022.<sup>6</sup>



**Norwegians' willingness to spend online, combined with excellent digital infrastructure, provides fertile ground for ongoing growth**

Norway is a digitally advanced economy, with a population prepared to spend high amounts online. In Europe, Norway is outranked only by the UK for annual online spending, with an average EUR 3,558 spent online per person each year.<sup>7</sup> This makes for a EUR 15.6 billion (US \$17.8 billion) business to consumer e-commerce market, which has steadily grown at double-digit rates in recent years.<sup>8</sup>

Growth is set to slow slightly but continue nevertheless at a compound annual growth rate (CAGR) of 8.2 percent to 2024.<sup>9</sup>

*Norwegian consumers are digitally sophisticated and show a strong preference for cross-border shopping and card payments.<sup>19, 16</sup>*

**Focus on your mobile commerce offer to reach Norwegian consumers**

Norway is a mobile-first nation, with mobile devices used for 55 percent of all business to consumer e-commerce transactions,<sup>10</sup> generating a EUR 8.6 billion a year mobile commerce market.<sup>11</sup> Apps are preferred over mobile browsers, and are used to complete 52 percent of mobile transactions.<sup>12</sup> Mobile commerce growth is expected to continue at a compound annual growth rate of 11.9 percent to 2024.<sup>13</sup>

Social media use is high in Norway, with 86 percent of the nation using a social platform.<sup>14</sup> The most popular sites are Facebook, Pinterest and Twitter.<sup>15</sup>

*Cards are the primary online payment method in Norway, used for half of all e-commerce transactions.<sup>16</sup>*

**In Norway, cards are the primary way to pay**

Cards are the primary online payment method in Norway, used for half (50 percent) of all e-commerce transactions.<sup>16</sup> Bank transfers are the second-most popular way to pay, taking a 24 percent market share. In third place, digital wallets are used for 16 percent of transactions.<sup>17</sup>

The leading digital wallet is domestic brand Vipps. Payments are made via app and are charged to the user's debit card or bank account. Developed by the country's largest bank, Den Norske Bank (DNB), and now with 3.7 million users, it is expanding beyond Norway in 2021 via a cooperation deal with Visa.<sup>18</sup>

**In Norway, cross-border spending is popular, with eight out of 10 shoppers seeking international products**

Cross-border online shopping accounts for almost a quarter (23 percent) of all e-commerce in Norway,<sup>19</sup> creating a EUR 3.6 billion market and one of the highest rates of cross-border spending in Europe.<sup>20</sup> With 83 percent of online consumers having shopped with an international merchant,<sup>21</sup> Norwegians are a willing and able audience for other global merchants.

China, the U.S and the UK are the most popular countries to shop from.<sup>22</sup> However, Norway introduced a new international sales tax in 2020, which may affect appetite for cross-border shopping going forwards. The VAT threshold for retailers dropped from NOK 350 (US \$40.7) to zero, meaning VAT must be paid on all imported products.<sup>23</sup>

## Norwegian micro-influencers offer access to domestic socialmedia users

Over half (51 percent) of Norwegian influencers are in the micro-influencer tier (5,000 to 20,000 followers), making this a key group to target for social media marketing and commerce. More than half (58.6 percent) of these micro-influencers are women.<sup>24</sup>

Norway's government has also experimented with selling Norwegian products to Chinese consumers via live streaming. On Black Friday 2020, the Norwegian embassy partnered with domestic brands and Chinese influencers to live stream products via Chinese social media channels, a move they are considering expanding in 2021.<sup>25</sup>

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## EUROPE

# Poland Insights

### Summary

Poland's potential is underscored by rising merchant competition

- At present, e-commerce accounts for just 8 percent of total retail in Poland.<sup>1</sup> However, certain market categories boomed during the pandemic, furthering e-commerce penetration: the value of the online food delivery market, for example, jumped by a third (33.2 percent).<sup>2</sup>
- The most popular online shopping categories are fashion (32 percent market share), travel (21 percent), and electronics and media (12 percent).<sup>3</sup> Local e-commerce platform Allegro dominates Polish e-commerce,<sup>4</sup> but now faces strong competition from Amazon, which launched domestic operations in Poland in March 2021.<sup>5</sup>
- The 35 to 44 age group are the most active Polish shoppers: 85.9 percent of this cohort have made an online purchase in the past month, compared with 74.3 percent for those aged 55 to 64.<sup>6</sup> Global online shopping events are popular across age categories, with Black Friday almost doubling in sales year-on-year. Half of the nation now expect to shop online during the event.<sup>7</sup>



## A fast-paced growth story is emerging in Poland, with many still yet to buy online

Poland's EUR 11.6 billion (US \$13.2 billion) e-commerce market is dwarfed by global e-commerce forerunners like the U.S. and UK, but it is catching up, boosted by citizens migrating online after a long period spent in the grip of the pandemic.<sup>8</sup> Five out of 10 people (63 percent) have now shopped online in Poland,<sup>9</sup> leaving a significant amount yet to make their first purchase.

As a result of this potential, growth is forecast to continue at a compound annual growth rate (CAGR) of 16.9 percent to 2024 - making it one of the fastest-growing e-commerce nations in our report, on a par with the Czech Republic and China.<sup>10</sup> Driving up basket values is a key challenge: at present, the average amount spent online each year per person is just EUR 581.<sup>11</sup>

*In Poland, e-commerce is positioned for growth, driven by simplified access to fashion, travel, electronics and media.*

## Mobile commerce now takes one out of every three online purchases in Poland

Just over a third (35 percent) of e-commerce transactions take place on a mobile device in Poland.<sup>12</sup> Apps are slightly preferred over mobile browsers (54 percent versus 46 percent) to complete transactions.<sup>13</sup> The EUR 4.1 billion Polish mobile commerce is expanding quickly,<sup>14</sup> and is forecast to grow at a rapid compound annual growth rate of 27.6 percent to 2024,<sup>15</sup> setting it on a path to overtake desktop-based sales.

Approximately 68.5 percent of the population use social media,<sup>16</sup> spending an average of one hour and 59 minutes a day on social platforms,<sup>17</sup> making it an important way to reach consumers. Facebook (first), Instagram (second) and Twitter (third) are the top three social media platforms in Poland.<sup>18</sup>

*Bank transfer is the most used online payment method in Poland, taking 47 percent of all e-commerce transactions.<sup>19</sup>*

## Blik means bank transfers dominate online payment methods in Poland

Bank transfer is the most used online payment method in Poland, taking 47 percent of all e-commerce transactions.<sup>19</sup> Domestic bank transfer scheme Blik is behind the popularity of this method; it is a mobile-first bank transfer app supported by all major Polish banks.<sup>20</sup>

Card is the second-most popular option, with a 25 percent market share, followed by digital wallets with a 17 percent share.<sup>21</sup> Debit cards are far more common than credit cards, with 1.04 debits cards per capita compared with 0.17 for credit.<sup>22</sup> Men hold credit cards more than women.<sup>23</sup>

Bank transfers are expected to decline slightly in use to a 40 percent market share by 2024, whilst cards and digital wallets are set to grow in use to take a 31 percent and 21 percent market share in 2024, respectively.<sup>24</sup>

## In Poland, cross-border yet to catch up to domestic online spending

Cross-border e-commerce accounts for just 8 percent of total Polish e-commerce,<sup>25</sup> or EUR 920 million,<sup>26</sup> with only 30 percent of online shoppers having made a purchase for another country.<sup>27</sup> The most used international shopping destinations are China (60 percent), Germany (16 percent) and the United Kingdom (8 percent).<sup>28</sup> International merchants that can offer Polish-language options on their site and Polish product descriptions may gain an advantage over sites without this feature.<sup>29</sup>

## Delivery speeds are fast in Poland, thanks to rising logistics and locker infrastructure

The prevalence of parcel lockers is accelerating delivery times in Poland. Poland has a strong locker delivery culture, and is the home of major European parcel locker brand InPost, which has 11,734 lockers in the country.<sup>30</sup> Local e-commerce retailer Allegro is competing, building additional logistics centers and 1,500 new lockers from 2021 in order to speed up delivery times.<sup>31</sup> Currently, 80 percent of Allegro orders are delivered in two days or less.<sup>32</sup>

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## EUROPE

# Portugal Insights

### Summary

Providing good-value next-day delivery could be key to winning over Portugal's price-conscious consumers

- Portugal's e-commerce market jumped by almost a third in 2020, making it a landmark year in the development of online shopping in the country.<sup>1</sup> This seems forced by necessity, rather than by choice: Portuguese consumers were the only ones in Europe in a recent survey to state they intend to shop less online post-pandemic.<sup>2</sup>
- Unlike highly developed European e-commerce markets where delivery subscription services such as Amazon Prime have high uptake (76 percent in the UK, for example, compared with 27 percent uptake in Portugal),<sup>3</sup> Portuguese shoppers prize next-day delivery but are less willing to pay for it. More than four out of 10 shoppers (41 percent) believe they should not pay extra for next-day delivery.<sup>4</sup>
- Most online consumers in Portugal make a purchase more than once a month (39 percent). Some 22 percent buy more than once a week, with only three percent stating they buy online every day.<sup>5</sup>



## Portuguese e-commerce set for steady upwards trajectory to 2024

With shoppers confined to their homes and unable to easily make bricks-and-mortar purchases, the Portuguese business to consumer e-commerce market swelled by 31.6 percent to reach EUR 8 billion (US \$9.1 billion) in 2020.<sup>6</sup> This follows three years of double-digit sales growth,<sup>7</sup> yet Portugal's online shopping culture is still relatively underdeveloped: just under half of the population (49 percent) are yet to make their first online purchase.<sup>8</sup> E-commerce takes just 4 percent of total retail in the country.<sup>9</sup> This partly explains why there was such a big leap in 2020 and suggests plenty of room for ongoing growth, which is set to stabilize to a compound annual growth rate (CAGR) of 8.4 percent to 2024.<sup>10</sup>

*Mobile apps are preferred to desktop browsers for e-commerce shopping, and open invoice is Portugal's number-one online payment method.*<sup>11, 14</sup>

### Major e-commerce merchants can help drive mobile commerce with market-leading apps

Mobile commerce takes 36 percent of total e-commerce, or EUR 2.9 billion.<sup>11</sup> Mobile apps are preferred over browsers to complete transactions, and are used for 57 percent of purchases.<sup>12</sup> Mobile commerce is projected to grow at a compound annual growth rate of 12.7 percent to 2024, outpacing overall e-commerce.<sup>13</sup> One of Portugal's biggest sites by net sales, Fnac.pt, introduced a new app

during the pandemic to help drive mobile commerce; the other sites in the top three, Amazon and electronics platform Worten, also have strong mobile commerce platforms.

*The majority of Portuguese shoppers have made at least one purchase from another country.*<sup>18</sup>

### Open invoice is Portugal's top online payment method

Open invoicing is Portugal's favorite way to pay online, with a 34 percent market share,<sup>14</sup> thanks to the long-running domestic scheme Multibanco. Users can pay for items post-purchase at ATMs, with all major Portuguese banks participating in the scheme.<sup>15</sup> However, other methods are growing. Cards are rising in use and have a 20 percent market share, which is set to grow to 26 percent by 2024.<sup>16</sup> Bank transfers are currently the third-most used method, with a 15 percent market share, closely followed by digital wallets (14 percent). These two methods are set to remain stable in uptake to 2024.<sup>17</sup>

### Shoppers look to China, Spain and UK for overseas spending

Some 61 percent of Portuguese online shoppers have made a purchase from another country,<sup>18</sup> with cross-border e-commerce taking 12 percent of total e-commerce in the country.<sup>19</sup> China, neighboring Spain and the UK are the top three countries to shop from.<sup>20</sup> Urban areas tend to have the highest levels of online shopping: international merchants could consider courting shoppers in Porto, Lisbon, Coimbra, Aveiro and São Miguel, which had the highest levels of online shopping during the pandemic.<sup>21</sup>

## Post-pandemic, Black Friday migrates towards e-commerce

Pre-pandemic, Portuguese consumers tended to prefer bricks-and-mortar retail over e-commerce on Black Friday. However, online Black Friday is the week with the highest number of Google searches in Portugal, mostly via mobile devices, and the

impact of the pandemic will likely continue to shift shoppers towards online purchases on this key shopping weekend.<sup>22</sup>

Most buyer activity takes place at midnight as the shopping weekend starts, and also in the morning between 10-11am. Consumers buy an average of 3.2 products.<sup>23</sup>

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## EUROPE

# Spain Insights

### Summary

Spanish consumers are treating themselves to home products and technology

- Lockdowns over the course of 2020 changed Spanish shopping habits, perhaps permanently. Over three-quarters of Spaniards (76 percent) say they now shop online more as a result of the pandemic.<sup>1</sup> Consumers are investing in products to help them shop online: technology such as smartphones and smart devices were the most purchased items during Black Friday 2020.<sup>2</sup>
- The most popular e-commerce sites by net sales are Amazon, El Corte Inglés and Carrefour.<sup>3</sup> Online grocery shopping is expanding quickly. Amazon is rolling out its Amazon Fresh grocery delivery service across Spanish cities in 2021,<sup>4</sup> whilst Spanish supermarket chain Alcampo has hired the services of British online food forerunner Ocado to roll out automated warehouses and online delivery services, starting in the Madrid region.<sup>5</sup>
- After a year spent indoors, the fastest-growing Spanish e-commerce categories are those which improve everyday life: food and personal care (39.7 percent year-on-year growth in 2020), digital music (28.9 percent), and furniture and appliances (26.4 percent).<sup>6</sup>



## After a tough 2020, Spain's e-commerce growth is set to accelerate to 2024

Historically, business to consumer e-commerce in Spain was adopted at a slower rate than in fellow major European economies such as France and Germany. However, pre-pandemic, the market was reporting significant year-on-year growth, expanding 21 percent in size in 2019 alone.<sup>7</sup> The upheaval of 2020 saw only small growth of 3.5 percent,<sup>8</sup> due to the collapse of the vitally important tourism industry, but looking ahead, the Spanish market is set to bounce back, increasing at a compound annual growth rate (CAGR) of 13.8 percent to 2024.<sup>9</sup>

Some 62 percent of the nation now shops online,<sup>10</sup> spending EUR 1,791.35 (US \$2,046) per year on average. E-commerce now takes 10.9 percent of total retail in the country.<sup>11</sup>

## Mobile commerce is set to become the new normal in Spain

Spain is close to becoming a mobile-first e-commerce nation. The EUR 26 billion mobile commerce market takes half (50 percent) of all e-commerce sales at present,<sup>12,13</sup> but this is expected to increase at a compound annual growth rate of 17.6 percent to 2024, overtaking overall e-commerce growth.<sup>14</sup>

At present, mobile browsers are preferred over apps for shopping, taking 53 percent of completed transactions.<sup>15</sup> Eight out of 10 Spaniards are social media users, spending one hour and 54 minutes on social platforms each day.<sup>16</sup> WhatsApp (first), Facebook (second) and Instagram (third) are the top three social networks to shop from.<sup>17</sup>

## In Spain, cards to remain the first choice for paying online as bank transfers grow

Cards are the primary way to pay online in Spain, taking 48 percent of all e-commerce transactions.<sup>18</sup> Card use is expected to remain static to 2024.<sup>19</sup> Digital wallets are the second-most used payment method, with 26 percent market share – again, use is set to remain static to 2024.<sup>20</sup> PayPal is the most popular digital wallet.<sup>21</sup> Bank transfers are the third-most popular method, with 16 percent market share – this method is growing and is set to take 21 percent of payments by 2024.<sup>22</sup>

Buy now, pay later has proved highly popular with cash-constricted younger consumers, and several major buy now, pay later brands are turning their focus to Spanish e-commerce. Klarna launched in Spain in 2020 and Clearpay entered in 2021.<sup>23</sup>

## Buying from abroad is a key feature of Spanish e-commerce

Cross-border online shopping is popular and well integrated into Spanish e-commerce. Of online consumers, 68 percent have made a purchase from another country,<sup>24</sup> and cross-border spending takes almost a fifth (19 percent) of total e-commerce in Spain.<sup>25</sup> The most popular countries to shop from are China (50 percent), the UK (10 percent) and Germany (10 percent).<sup>26</sup> Chinese mega online retailers such as AliExpress are well-established in Spain.<sup>27</sup>

Introducing a Spanish language option on your site can boost sales, as well as providing excellent site-loading functionality. Local reports suggest 40 percent of users will leave a site if it takes more than three seconds to load.<sup>28</sup>

*The popularity of mobile technology is set to make Spain a mobile-first e-commerce market in which cards are the dominant payment method.*<sup>18</sup>

## Spanish domestic banks and merchants are migrating to social commerce

Growth of domestic social commerce is being supported by bank schemes to enable consumers to shop from small merchants via their social apps.

CaixaBank has created infrastructure to enable retailers to accept online purchases directly via their Facebook, Twitter, Instagram and WhatsApp profiles. Shoppers click a payment link on the apps that takes them through to CaixaBank's payment pages.<sup>29</sup>

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## EUROPE

# Sweden Insights

### Summary

Sweden's domestic sites dominate in a steadily growing e-commerce market

- Sweden chose not to impose strict lockdown measures,<sup>1</sup> which drove e-commerce up in other countries. However, e-commerce still grew at a strong rate in Sweden throughout 2020.<sup>2</sup> Online demographics are evolving as a result: 19 percent of Sweden's older citizens started shopping online for their groceries for the first time in 2020.<sup>3</sup>
- The most-popular e-commerce sites in Sweden by net sales are domestic players: electronics store NetOnNet, online pharmacy Apotea and electronics site Elgiganten.<sup>4</sup> The country is home to global apparel giant H&M, which is also Sweden's biggest fashion retailer by turnover.<sup>5</sup> Germany's e-commerce platform Zalando is also a major fashion and lifestyle player.<sup>6</sup>
- Amazon launched a domestic site in Sweden in late 2020,<sup>7</sup> which may disrupt the market over the long term, but its launch drew criticism for poorly translated product descriptions and using the wrong national flag on the site.<sup>8</sup> International merchants should ensure they can tailor their sites and product descriptions to meet local expectations.



## Sweden's average annual online spending is modest, despite strong ongoing growth

Sweden's EUR 16.5 billion (US \$18.1 billion) business to consumer e-commerce market has been steadily growing at double-digit rates since 2017.<sup>9, 10</sup> The nation's appetite for online shopping is projected to continue rising, at a compound annual growth rate (CAGR) of 10.7 percent to 2024.<sup>11</sup>

Of the Swedish population, 77 percent now shops online,<sup>12</sup> and e-commerce makes up 11 percent of total retail in the country.<sup>13</sup> The average online spend per person each year is EUR2,110 – far lower than neighboring Norway, where the average annual online spend is EUR 3,558.<sup>14, 15</sup> This may reflect Sweden's lower gross domestic product per capita.<sup>16</sup>

*Sweden has steadily growing e-commerce sales with domestic merchants thus far outpacing the giant international brands.*

## Mobile shopping now takes half of all e-commerce in Sweden

Mobile commerce is used for half (50 percent) of all e-commerce transactions in Sweden,<sup>17</sup> creating a EUR 8.3 billion market in 2020.<sup>18</sup> Mobile browsers are preferred over apps for completing purchases (55 percent versus 45 percent).<sup>19</sup> Mobile commerce is expected to increase at a compound annual growth rate of 14.1 percent to 2024, by which point Sweden will be a mobile-first e-commerce nation.<sup>20</sup>

Merchants wishing to reach Swedish consumers via social media should look to Facebook, Instagram and

Snapchat: these are the top three social platforms by market share.<sup>21</sup>

## Homegrown Swish and Klarna are behind the dominance of bank transfer-based payment in Sweden

Bank transfers are the most popular online payment method in Sweden, taking 36 percent of all transactions.<sup>22</sup> Cards are the second-most used option, taking 35 percent market share, followed by open invoicing, with 19 percent market share.<sup>23</sup>

Bank transfers are high because Sweden is birthplace to buy now, pay later brand Klarna and mobile payment app Swish. Swish is a collaboration between Sweden's leading banks that enables instant bank transfers. It is used by two-thirds of the population.<sup>24</sup> Klarna, meanwhile, enables e-commerce payments via bank transfer installments.

## In Sweden, one in five of all e-commerce transactions are cross-border

Cross-border shopping is common in Sweden, with 58 percent of online consumers having already made a purchase from another country.<sup>25</sup> As a result, cross-border shopping accounts for one in five (20 percent) of all e-commerce transactions made in Sweden.<sup>26</sup> China (26 percent of sales), Germany (19 percent) and the UK (17 percent) and are the top three countries to shop with.<sup>27</sup> Sweden is among the top five nations in Europe for English language proficiency, which could help U.S. and UK international merchants to access Swedish consumers.<sup>28</sup>

## Sweden's Klarna launches 'virtual card' for e-commerce in its home market, furthering its reach

Klarna's use is set to grow even further in 2021 after the company launched the ability to use its service to pay any online retailer in its core markets of Sweden, the UK, U.S. and Australia.<sup>29</sup> Users are assigned a single use 'virtual card', which they can use like a normal card at checkout.<sup>30</sup>



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## EUROPE

# Switzerland Insights

### Summary

In Switzerland, the stage is set for a confident, outward-looking e-commerce industry

- The OECD ranks Switzerland as the most prepared region for online retail in the world.<sup>1</sup> The country enjoys strong physical and digital infrastructure, and is well versed in omnichannel shopping: at least 83 percent of Swiss consumers use digital devices before, during or after a visit to a bricks-and-mortar shop.<sup>2</sup>
- Popular e-commerce events include Black Friday, which is a key date for bulk-buying items and for purchasing electronics.<sup>3</sup> The most popular sites to shop from are German fashion platform Zalando, electronics site Digitec and Germany's Amazon outpost, Amazon.de.<sup>4</sup>
- Swiss residents enjoy both low unemployment (2.8 percent in mid 2021),<sup>5</sup> and high disposable income (average US \$37,466 a year) - both rates are well above the OECD average.<sup>6</sup> Swiss shoppers spend an average of EUR 1,781 (US \$2,034) a year online,<sup>7</sup> and international merchants report high conversion rates and low returns from Swiss consumers.<sup>8</sup>



## A well-established market posts consistent e-commerce growth

With strong underlying fundamentals, the EUR 10.7 billion Swiss business to consumer e-commerce market has been quietly growing at high single-digit rates, or more, since 2017.<sup>9</sup> As with many other nations undergoing stay-at-home measures, online shopping experienced a considerable uplift in 2020, with sales growing 16 percent year-on-year.<sup>10</sup> With 69 percent of the nation now spending online,<sup>11</sup> e-commerce is well established in the country and takes an 11.8 percent share of total retail.<sup>12</sup> Growth is forecast to continue at a compound annual growth rate (CAGR) of 8.7 percent to 2024, fuelled by permanent changes in shopping habits post COVID-19 and a strong underlying economy.<sup>13</sup>

## Switzerland still prefers desktop to mobile when completing shopping transactions

Despite excellent digital connectivity, Switzerland has been somewhat slow to adopt mobile commerce, which is not uncommon in central European countries. Sales via this method take a 35.5 percent share of total e-commerce, or EUR 3.8 billion.<sup>14</sup> Mobile browsers are slightly preferred over apps for mobile shopping, taking 54 percent of mobile sales.<sup>15</sup> Looking forward, mobile commerce is projected to outpace overall e-commerce growth, expanding at a compound annual growth rate of 13.5 percent to 2024.<sup>16</sup>

Social commerce has not yet become fully ingrained in the e-commerce experience in Switzerland,<sup>17</sup> but checkout functions in key social apps, including Instagram, are increasingly available.<sup>18</sup>

## Long-established domestic provider reigns over Swiss online payment habits

PostFinance, the centuries-old financial services arm of national post service Swiss Post, dominates payments in Switzerland. This makes bank transfers the most utilized online payment method, with a 53 percent market share.<sup>19</sup> Cards – which also tend to be operated by PostFinance, and are co-branded with Mastercard and Visa – take second place, with a 27 percent share.<sup>20</sup> Debit cards are in higher circulation than credit cards.<sup>21</sup> Digital wallets are the third-most used method with a 17 percent market share, with PayPal a key brand.<sup>22</sup> By 2024, digital wallets are expected to rise alongside mobile commerce growth to take a 20 percent share of the payments market by that point.<sup>23</sup>

## A multilingual nation that shops regularly with its neighbors

Swiss Franc-Euro exchange rates make cross-border e-commerce highly attractive to Swiss consumers. Some 41 percent of online shoppers have made a purchase from abroad,<sup>24</sup> and cross-border spending accounts for 16 percent of total e-commerce,<sup>25</sup> or EUR 1.7 billion.<sup>26</sup> Neighboring Germany is the number one country to shop from, offering ease of delivery, language synergies and a huge range of products. China and France are the second and third-most popular countries to shop from respectively.<sup>27</sup> French, German, Italian and English are all widely spoken.

Switzerland has a strong domestic postal service, promoting fast cross-border delivery times. As a non-European Union (EU) member, Switzerland has its own import and tax rules, which merchants must understand and adhere to.<sup>28</sup>

*Switzerland represents a digitally confident and economically empowered e-commerce market where desktop shopping dominates.*

## Provide ethical supply chains and sustainable packaging to appeal to Swiss shoppers

Sustainability and ethical business practices are rising quickly on Swiss shoppers' list of priorities when choosing where to shop online. The most important factor is the availability of information on

a product's origin. The most highly rated sustainable shipping method is consolidated shipping, followed by carbon offsetting.<sup>29</sup> Consumers are also very receptive to low-carbon, local logistics solutions such as last-mile bicycle deliveries and trains for cargo. In contrast, oversized, unnecessarily large packaging, unrecyclable packaging and filler, and non-reusable packaging are all sustainability bugbears.<sup>30</sup>

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## EUROPE

# Turkey Insights

### Summary

Turkish e-commerce grows in prominence on the global stage

- With many Turkish citizens yet to make their first online purchase, there is immense potential for Turkish e-commerce to grow further. It therefore represents a big opportunity for international merchants.
- However, international merchants will have to beat - or join - strong domestic brands. The busiest e-commerce sites include local platforms Trendyol, Hepsiburada and n11.com.<sup>1</sup> They are attracting major global interest and investment, with Amazon-equivalent Hepsiburada entering the U.S. stock market in July 2021 and Trendyol now majority-owned by e-commerce titan Alibaba.<sup>2,3</sup>
- As with other countries, a major online shopping event takes place on the weekend of November 27 each year - but it is not called Black Friday, as it is a sacred day for Muslims. Instead, retailers pick different names - Amazon has called it 'Awaited Friday,' whilst tech firm Teknosa dubs it 'Techno Friday.'<sup>4</sup>



## More than six out of 10 Turkish citizens are yet to make their first online purchase

The TRY 101.5 bn (US \$11.9 billion) Turkish business to consumer e-commerce market grew 29.6 percent in 2020 in local currency terms,<sup>5</sup> following three years of even higher growth (41.9 percent in 2018, for example).<sup>6</sup> Such rapid rises come from a low e-commerce baseline: only 37 percent of Turkish citizens have shopped online,<sup>7</sup> and at present, e-commerce takes only 7 percent of total retail in the country.<sup>8</sup> Growth is therefore projected to continue at a compound annual growth rate of 16 percent to 2024.<sup>9</sup>

Each Turkish e-commerce consumer spends on average US \$388 a year online.<sup>10</sup> This modest figure will likely rise as groceries and everyday essential items start increasingly being purchased online rather than in-store – online grocery shopping jumped five-fold during the pandemic.<sup>11</sup>

## Turkey takes advantage of super app-style shopping

Half (50 percent) of all e-commerce transactions take place on mobile devices.<sup>12</sup> The US \$6 billion Turkish mobile commerce market is growing at a faster rate than overall e-commerce,<sup>13</sup> and is projected to expand at a compound annual growth rate of 23.8 percent to 2024.<sup>14</sup> Merchants should prioritize app user experience, as these are preferred over mobile browsers, used in 63 percent of completed transactions.<sup>15</sup>

Owing to its young population (the average age is 32.2) and enthusiastic uptake of mobile commerce at

a relatively early stage in its e-commerce journey,<sup>16</sup> Turkey could leap ahead of more developed e-commerce economies in the West in terms of app-based innovations. Hepsipay, which is akin to Asian super apps such as Alipay, is an app by Hepsiburada which allows users to – among other services – book flights, order groceries for delivery within two hours, browse clothing, and pay all within the same app.<sup>17</sup>

*Cards are the dominant form of e-commerce payment among Turkish consumers.*<sup>18</sup>

## In Turkey, cards rule as other payment methods take far smaller market shares

Cards are used for the overwhelming majority of online payments – 68 percent, with bank transfers in second place, used for only 12 percent of payments.<sup>18</sup> Cash on delivery is the third-most popular option, at 9 percent market share, but this method will be usurped by digital wallets by 2024.<sup>19</sup>

Digital wallets have lagged behind, but are set to grow to take 16 percent market share by 2024 as smartphone penetration increases.<sup>20</sup> The global trend for installment-based shopping (buy now, pay later) is also popular in Turkey, and merchants are building the payment method into their apps – Hepsipay offers payment splits at checkout, for example.<sup>21</sup>

*Turkey represents much potential for domestic and international merchants as consumers begin to warm to the convenience of online and mobile commerce, particularly so-called ‘super apps’.*

## Cross-border is yet to catch up to domestic sales in Turkey

One-third (33 percent) of Turkish online consumers have shopped cross-border, making for a US \$500 million market. Cross-border retail takes only a 4.4 percent slice of total Turkish e-commerce,<sup>22</sup> which suggests international merchants may perform better by joining forces with local platforms and websites, or by fully optimizing their site and customer service with Turkish language capabilities. The most popular countries to shop with are China, Germany and Russia.<sup>23</sup>

## Turkish government sets out rules for social commerce advertising and marketing

The Turkish Ministry of Commerce has turned its attentions to influencer marketing in an attempt to create a more transparent advertising experience for consumers on social media. In 2021, it issued a set of guidelines setting out expectations for merchants and influencers ensuring they clearly label advertisements and gifted products and prohibiting covert advertisements on social media. Merchants are responsible for ensuring the influencers they work with abide by the rules.<sup>24</sup>

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## EUROPE

# United Kingdom Insights

### Summary

The UK is a mature and continuously innovating e-commerce market

- E-commerce in the UK is supported by advanced digital and physical infrastructure, high internet and smartphone penetration, and excellent logistics links to Europe and the rest of the world.
- The UK has the third highest e-commerce conversion rate globally, at 1.9 percent, beaten only by Germany and the U.S.<sup>1</sup> Shoppers are highly sophisticated and expect excellent payment, tracking and delivery services.
- The UK acts as a testbed for emerging e-commerce and omnichannel models. For example, innovative rental sites and secondhand online marketplaces are teaming up with legacy brands and retailers.





## The UK is a compact island nation with an expansive e-commerce culture

The UK is a global leader in e-commerce with 84 percent of citizens online, one of the highest proportions of online consumers of the countries included in our report series.<sup>2</sup> E-commerce accounts for 27.9 percent of all retail sales in the UK,<sup>3</sup> and with an average online spend of EUR 4,115 (US \$4,700) per person,<sup>4</sup> the business to consumer e-commerce market was worth EUR 235.3 billion in 2020.<sup>5</sup> Despite being a long-established market, e-commerce growth is projected to continue at a compound annual growth rate (CAGR) of 7.2 percent to 2024.<sup>6</sup>

*The UK is a stable and growing e-commerce market in which consumers are willing and able to adopt new ways to shop and pay.*

## A mobile commerce leader, the UK is a launchpad for TikTok shopping

Out of the major markets, the UK is second only to China for mobile commerce. Some 63 percent of transactions take place on a mobile device,<sup>7</sup> and just under half of these purchases (48 percent) are made via an app.<sup>8</sup> Growth in mobile commerce is projected to outpace overall e-commerce, expanding at a compound annual growth rate of 10.1 percent to 2024.<sup>9</sup>

App-based social commerce is well accepted, with a third (33 percent) of UK consumers shopping directly via social media, ahead of its European counterparts.<sup>10</sup> The UK is acting as a testbed for in-app e-commerce on TikTok. From May 2021, UK users have been able to tap and purchase instantly via brands such as L'Oréal's TikTok accounts, or through affiliated influencer's accounts.<sup>11</sup>

## In the UK, cards and digital wallets are the payment options to master at checkout

Cards are used in just over half (52 percent) of all e-commerce transactions, with digital wallets the second-most popular payment option, used in 28 percent of all online sales.<sup>12</sup> PayPal is the dominant digital wallet. Cash, at 7 percent, is the third-most used option.<sup>13</sup> The growth in mobile commerce will support ongoing digital wallet growth, with Apple Pay®, Google Pay™ and Visa Checkout all expressly designed for smartphone use and easily integrated into shopping apps.

Buy now, pay later options are now a common sight at online checkouts in the UK. This requires consumers to agree to automatic bank transfer or direct debit payments spread out over weeks or months. This is contributing to an 18 percent compound annual growth rate in bank transfer payments to 2024, the highest anticipated growth rate out of all payment types.<sup>14</sup>

## The UK is a nation comfortable with cross-border online shopping

International purchases account for a quarter (25 percent) of all e-commerce sales – a significant amount, which suggests high levels of opportunity and receptivity to international merchants hoping to court UK buyers.<sup>15</sup> Despite Brexit, cross-border purchasing is still commonplace within UK online shopping culture, with 55 percent of British online consumers making international purchases.<sup>16</sup> The most popular countries to shop from are China (43 percent), the U.S. (20 percent) and Germany (9 percent).<sup>17</sup> Both China and the U.S. provide access to competitive pricing and a vast product inventory.

## Innovative rental and 're-commerce' models sign deals with big-name retailers in the UK

As sustainability concerns move up the public agenda, 're-commerce' is emerging. Rising online sales of

secondhand products is particularly pronounced in the luxury and designer clothing markets and among the Gen Z generation. The UK's secondhand clothing peer-to-peer platform Depop was scooped up by U.S. giant Etsy for US \$1.6 billion in June 2021.<sup>18</sup>

E-commerce rental marketplaces are also gaining ground in the UK. They are also being used by physical retailers to enhance their own omnichannel offering. For example, online clothing rental site Hurr now has physical sites in retail department store chain Selfridges.<sup>19</sup>

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