

# Payment of cross-border online shopping: behaviour, perceptions and desires

Results of DNB Survey among Dutch consumers – January 2011

## Survey characteristics

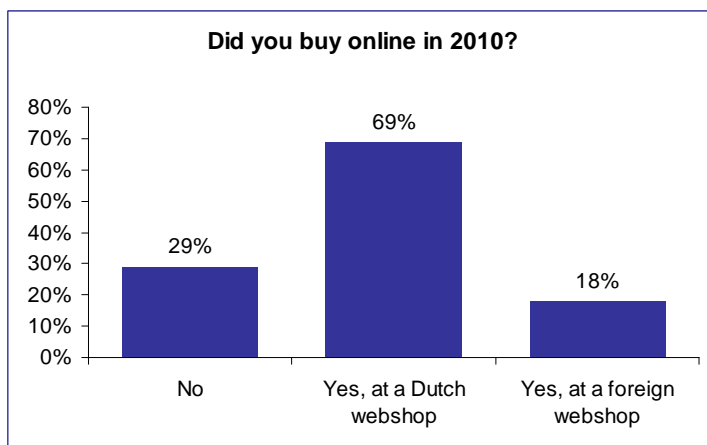
### Research questions:

#### Payment of cross-border online shopping:

- How do consumers pay?
- What do they think about the different payment methods?
- What barriers do they face?
- What do consumers desire?

### Methodology:

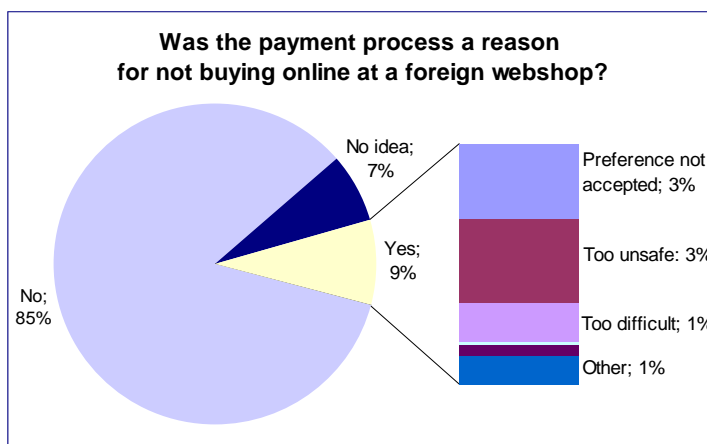
- Online questionnaire among 2600 panel members aged 16+ of a representative household panel
- Fieldwork from January 7 – 9 2011
- 1,799 consumers answered the questionnaire in full (68%)
- The respondents are a fairly good representation of the Dutch population with respect to gender, age, education, income and Internet access.



The majority of the Dutch (71%) bought something over the Internet in 2010.

69% ordered goods or services at a Dutch webshop and 18% did some online shopping abroad.

This demonstrates that most of the online purchases are made at domestic webshops and that the extent of online cross-border shopping is still limited.



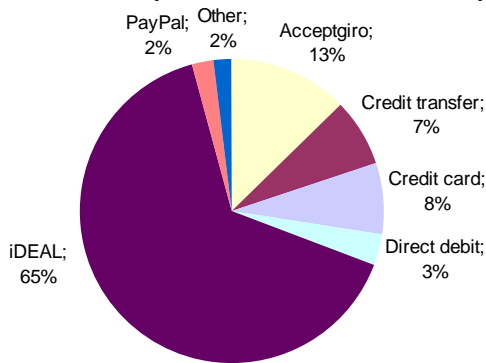
82% had made no online cross-border purchase in 2010, 9% of whom for payment-related reasons.

#### Most cited as obstacles:

- Preferred payment instrument not accepted (3%)
- Payment options too unsafe (3%)

For the majority of the non-buyers (85%), other non-payment-related reasons played a role.

**Means of payment used for most recent purchase at a Dutch webshop**

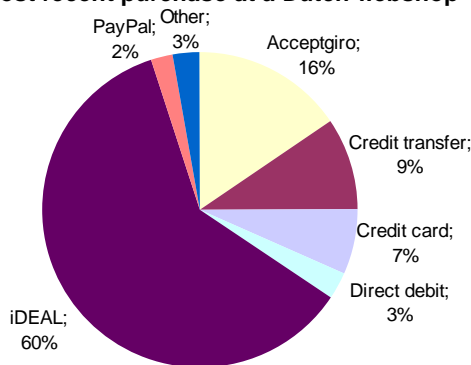


The Dutch use different payment methods for their online purchases at domestic webshops, with iDEAL making up the largest share.

65% used iDEAL for their most recent online purchase in the Netherlands, followed by Acceptgiro (13%), credit cards (8%) and credit transfers (7%).

The use of direct debits (3%), PayPal (2%) and other means of payment, such as cash-on-delivery or payment-on-collection, is limited.

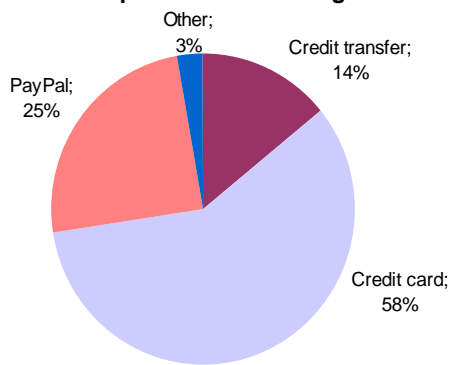
**Means of payment preferred for most recent purchase at a Dutch webshop**



If all payment options had been accepted for their most recent domestic online purchase, then 60% would have preferred to pay using iDEAL, followed by Acceptgiro (16%), credit transfers (9%) and credit cards (7%).

The majority (75%) used their preferred payment instrument. Consumers' payment behaviour at domestic webshops is thus fairly in line with consumers' payment preferences.

**Means of payment used for most recent purchase at a foreign webshop**

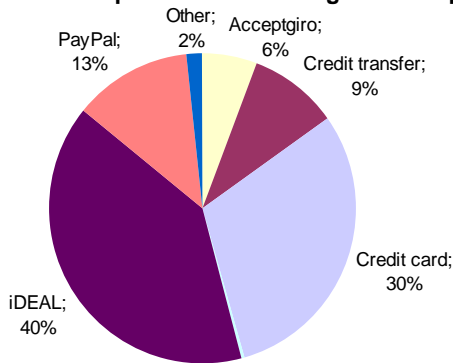


The Dutch use a different mix of payment instruments for cross-border purchases than for domestic purchases.

In general, they use three different payment methods for payment of foreign online purchases, with the credit card making up the largest share.

58% used a credit card for their most recent cross-border online purchase, followed by PayPal (25%) and credit transfers (14%).

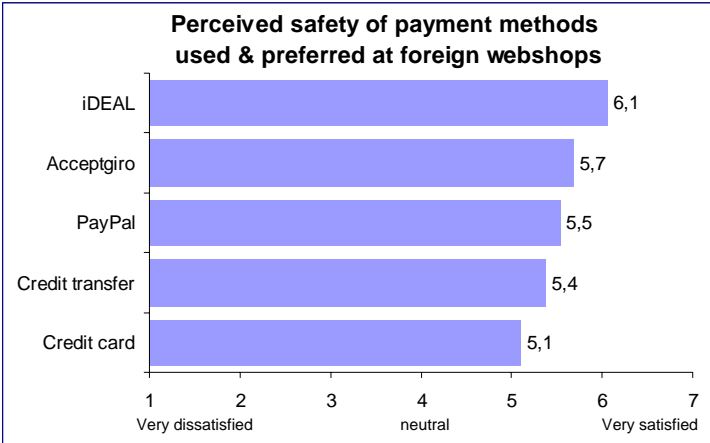
**Means of payment preferred for most recent purchase at a foreign webshop**



If all payment methods had been accepted at their most recent cross-border webshop, then the majority (55%) would have used a different payment method than the one they actually used.

In stead of using a credit card, credit transfer or PayPal, 40% would have paid by iDEAL and 6% would have used Acceptgiro.

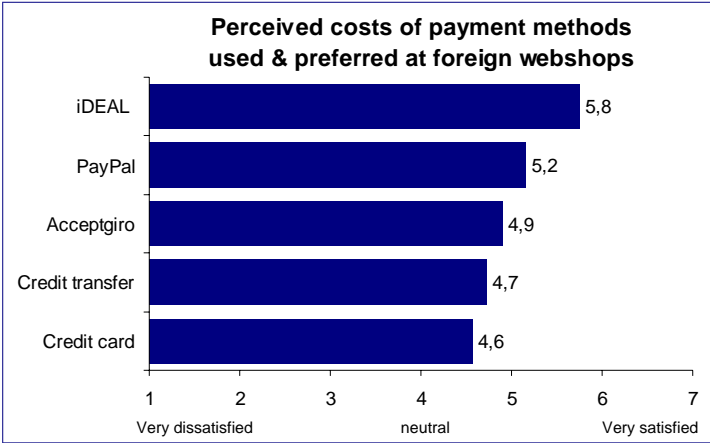
Consumers' payment choice at foreign webstores thus significantly differs from consumers' payment preferences.



On average, the Dutch are satisfied with the safety of the current payment methods used and preferred for cross-border online shopping. All payment methods received an average score of 5 or higher.

Of all the payment methods assessed, the credit card is perceived as least safe.

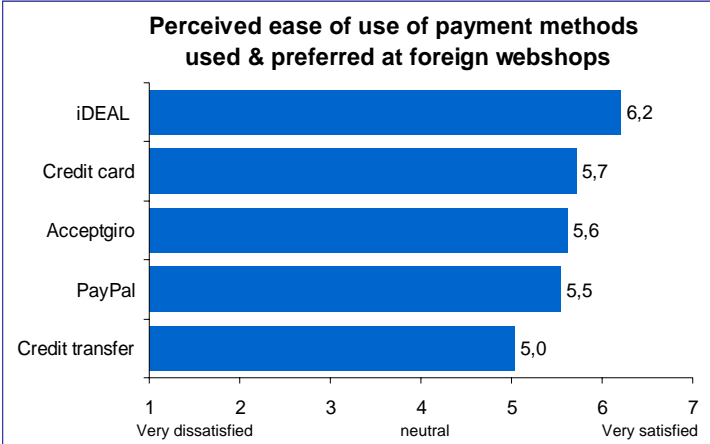
iDEAL and Acceptgiro, the two domestic payment methods that many consumers would like to use for cross-border purchases, are perceived as most safe.



Overall, people are satisfied with the costs of the different payment methods. Yet, compared to the speed, ease of use and safety, it is the costs that consumers are least satisfied with.

Of all the payment methods assessed, the credit card is perceived as most expensive, followed by credit transfers and Acceptgiro.

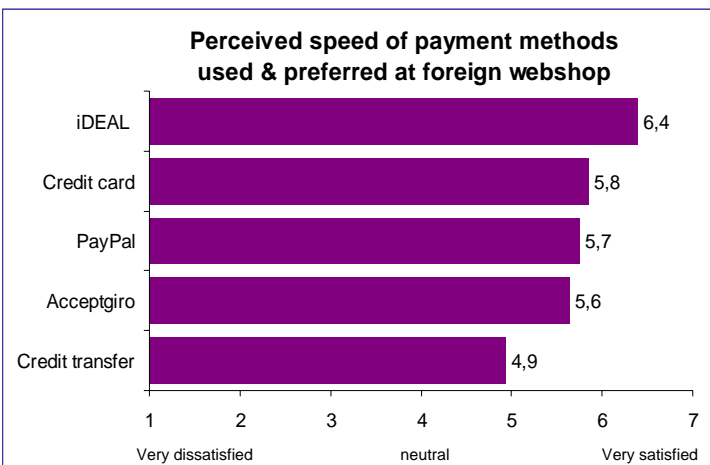
iDEAL is considered to be the cheapest payment method for online purchases.



On average, the Dutch are satisfied with the ease of use of the current payment methods used and preferred for cross-border online shopping.

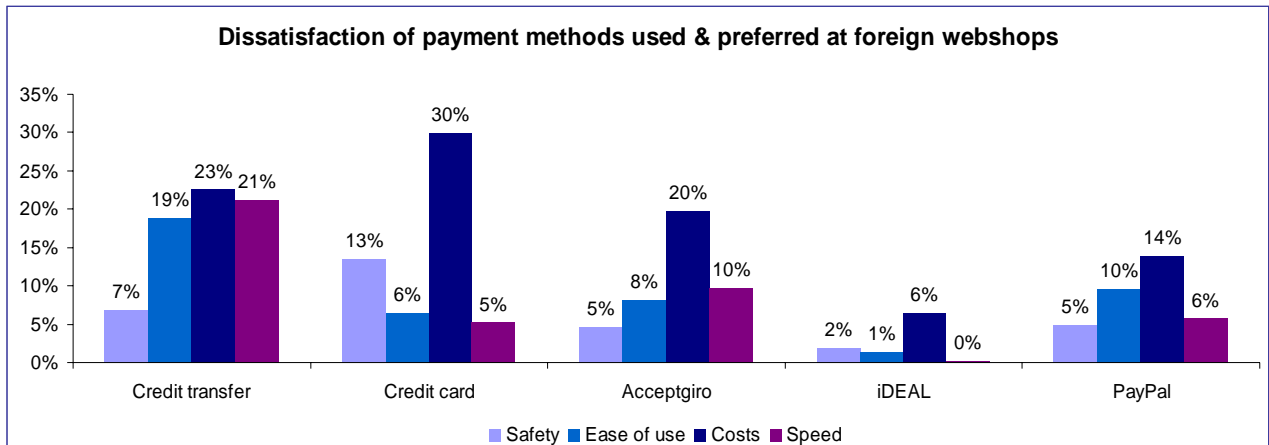
Compared to the other means of payment, it is the credit transfer that is perceived as least easy to use. The differences between the user-friendliness of PayPal, Acceptgiro and the credit card are small.

Consumers consider iDEAL the easiest in use.

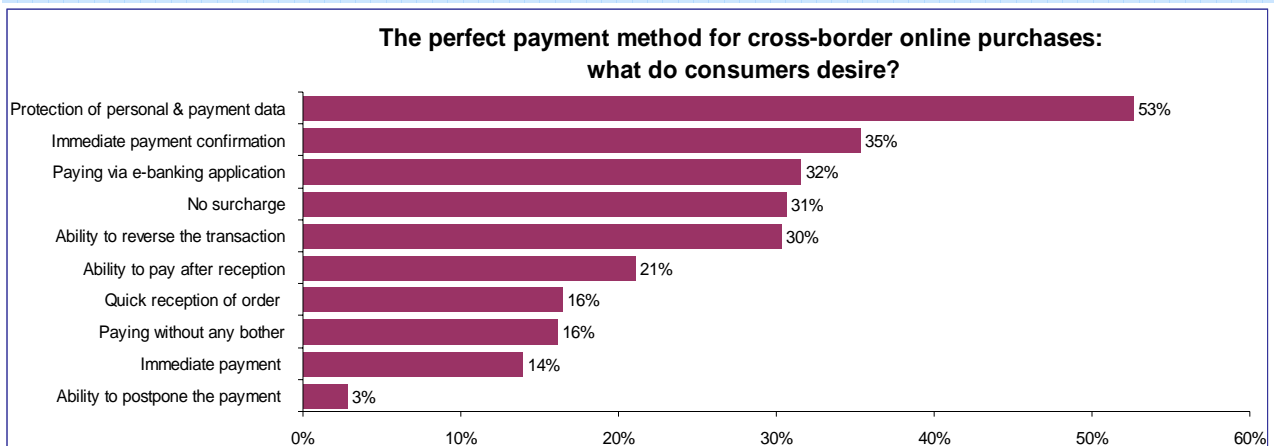


Consumers' speed perception strongly corresponds to their views about the ease of use of the different payment methods.

People are least satisfied with the speed of a credit transfer, followed at a distance by Acceptgiro, PayPal and the credit card. iDEAL is considered to be the fastest payment method for online purchases.



Earlier results have shown that, on average, consumers are satisfied with the safety, costs, speed and ease of use of the current payment methods used and preferred for cross-border online purchases. These results, however, are averaged scores, and might therefore mask high levels of dissatisfaction. Therefore, the upper graph presents the percentage of respondents that indicated to be dissatisfied with the different payment methods. It shows that for all payment instruments, the dissatisfaction is largely cost-related. Credit cards are perceived as most expensive: 30% of the people are dissatisfied with the costs of a credit card transaction. Also with respect to safety, the share of dissatisfied consumers is highest for credit transfers (13%). The dissatisfaction regarding ease of use and transaction speed is highest for credit transfers (19% and 21%). Overall, dissatisfaction is lowest for iDEAL. Hardly any consumers are dissatisfied with its safety (2%), ease of use (1%), costs (6%) or speed (0%). This explains why many consumers prefer to pay by iDEAL if it would be offered by foreign webshops.



Apart from the existing means of payment, consumers were asked in general what they desire most from a payment method for cross-border online purchases. Protection of personal and payment data is by far the most important requirement. More than 50% wants to be sure that personal and payment data are secured when paying for online purchases at foreign webshops. Following at a distance, 35% wants to receive an immediate payment confirmation and 32% wants to pay using their online banking application. Moreover, 31% does not want to pay a transaction fee. A substantial share wants to be able to reverse the payment or to pay after reception. This reflects the desire to reduce the risk of not receiving the ordered goods or services.

## Conclusion

According to the consumers, the perfect payment method for paying for online purchases at foreign webshops should (at least) be safe, cheap and based on online banking. This, combined with the earlier finding that payment by credit card – the method used in the majority of cross-border online purchases – is perceived as the most expensive and unsafe payment method, demonstrates that the current range of payment instruments for cross-border online shopping does not satisfy consumers' needs. There is a need for a secure and low-cost cross-border payment solution that is based on online banking.