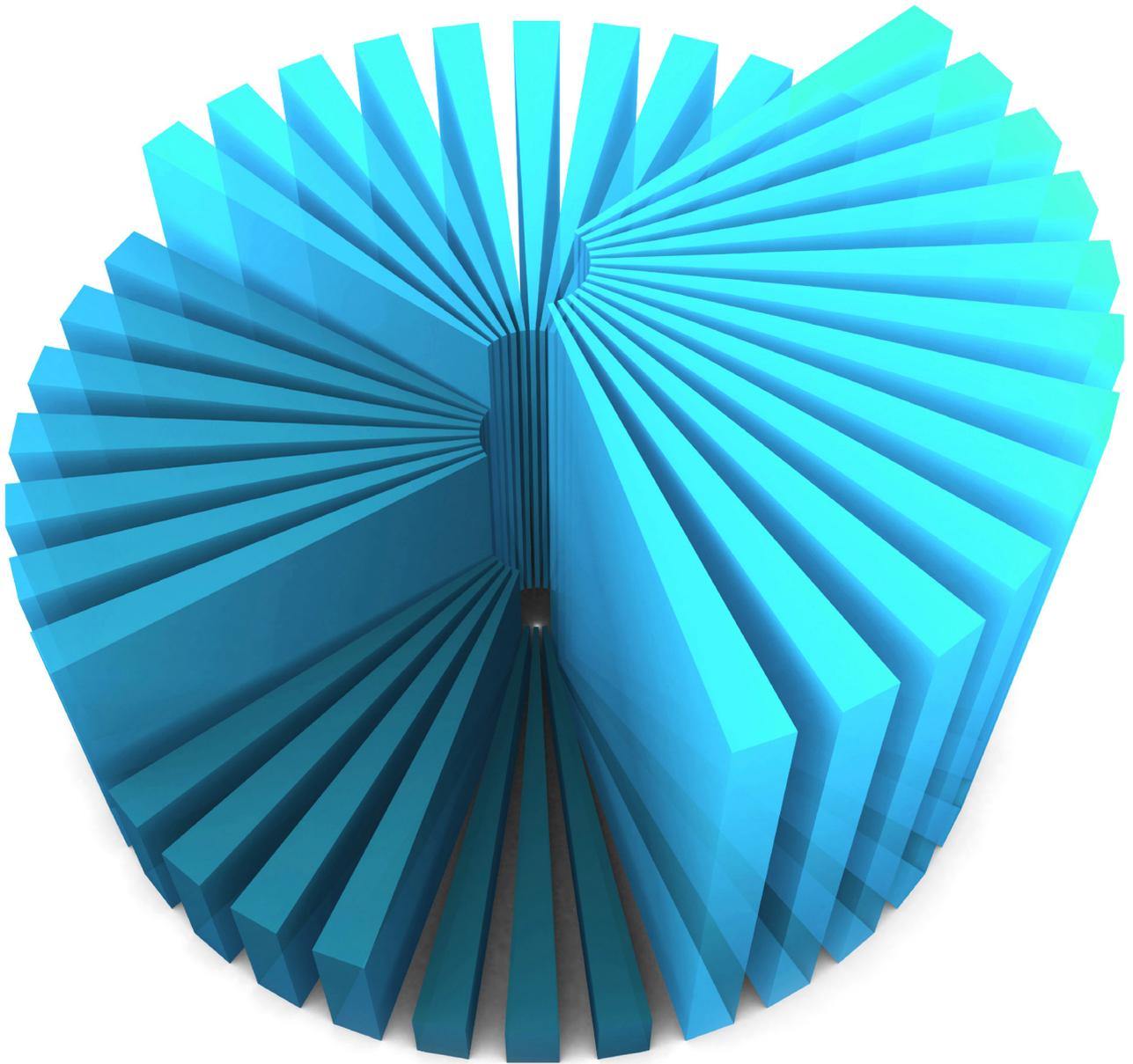


ALLEN & OVERY



Online consumer research

January 2011

Ipsos MORI



Contents

1. Introduction	4
2. Executive summary by Allen & Overy LLP	5
3. The prevalence of online shopping and the link to consumer confidence	6
– The majority of online shoppers are frequent users	6
– Many are already shopping online from companies based abroad	7
– Confidence in online shopping is linked to experience	10
4. Encouraging non-domestic online shopping	11
– Security heads the list of concerns when shopping abroad	11
– Terms and conditions are often not checked	12
5. The potential impact of a Europe-wide contract law	14
6. Appendices	16
– Footnote to the executive summary	16
– Participant profile	16
– Statistical reliability	17
– Marked-up questionnaire	17

1. Introduction

This report presents the findings of a survey among over 3,000 online shoppers in six different European countries. Over 500 respondents took part in the online survey in each of France, Germany, Great Britain, Italy, Poland and Spain. The research was conducted on behalf of Allen & Overy by Ipsos MORI.

The purpose of the survey was to:

- Understand online shopping behaviour
- Establish the extent to which online shoppers are aware of the legal framework that relates to their purchases and how frequently they refer to Terms and Conditions
- Assess the potential effect of a new Europe-wide contract law

RESEARCH DESIGN

Potential respondents were drawn from Ipsos MORI's global online panel. Quotas and weighting were placed on gender, age and region in order to ensure data are nationally representative of the online population. Those who answered 'Never' when asked how frequently they buy goods or services online were filtered out of the survey.

A total of 3,024 interviews were conducted online between 3 and 13 January 2011. The countries surveyed were selected on the basis of GDP. According to the International Monetary Fund, the five largest economies within Europe by GDP are Germany, France, Great Britain, Italy and Spain. Poland was selected on the basis that it has the highest GDP within Eastern Europe.

REPORT

The main findings of the research follow this introduction. The Appendices contain a note on statistical reliability and a copy of the questionnaire used, marked up with the top line data from the survey (including a profile of the sample in terms of size, age, location).

2. Executive summary by Allen & Overy LLP

Cross-border online shopping in Europe is increasing rapidly. Two years ago the European Commission found that it was undertaken by just 20% of online shoppers in the EU. This report, which is based on the responses of over 3,000 online shoppers across Europe, finds that the proportion has more than doubled to 46% today.

In a move intended to bolster cross-border online trade amongst consumers, the Commission announced the launch last year of an ambitious initiative to overhaul the entire basis of contract law across Europe. But is the governing contract law necessarily top of the list of things that an online consumer thinks about when deciding which supplier to purchase a product or service from?

Our study asked online shoppers to select two or three issues that most concerned them when purchasing goods from abroad. One issue stands out from the rest – the security of the website payment. Other concerns followed, such as the ease with which goods can be returned, shipping costs and the ease with which problems could be addressed. Just one quarter (26%) referred to the laws governing terms and conditions (T&Cs) as something that worries them when buying online.

That is not to say, however, that online consumers aren't aware of the need to give consideration to the terms under which they are buying goods and services. Overall, 46% claim to check the terms and conditions every time they make a purchase, but the majority (52%) say they don't always do so. Conscientiousness varies from country to country, with the Italians and Poles most likely to make a point of checking T&Cs; the French and British appear significantly less inclined to look at them before proceeding with a purchase.

This research probes further, to ascertain the extent to which consumers are aware of the law governing the T&Cs. 77% fail to always check which country's law is applicable, and the younger age groups, who are also the most frequent online buyers, are least likely to do so.

There is a clear division of opinion as to the potential impact of any new pan-European contract law. 46% of respondents said they would be more likely to buy online from another European Union country if the Commission introduced a

new Europe-wide contract law, whilst 43% said it would either make no difference or that it would actually make them less likely to buy from suppliers in other EU countries. Once again, stark differences in attitude are apparent across Europe, with the Italian online consumers emerging as the most likely to favour such a law, and the majority of the British (52%) saying that it will make no difference to their online buying habits.

The potential impact of the proposed new contract law on consumer behaviour is therefore not clear-cut. Many online shoppers would respond positively to the idea but, at the same time, the expected impact on shopping frequency would appear to be limited as other factors – such as web and payment security – are of significantly greater concern to the majority.

This points to the need for a comprehensive cost/benefit assessment, which is lacking to date, particularly in view of the scope of the proposed changes. Although cross-border online trade is cited as the driving force behind the planned overhaul, the proposals for a new pan-European contract law for everyone – consumers and businesses – would have significantly broader ramifications. Contract law governs everything we do, from buying a toaster on the high street to the trading of highly complex derivative instruments. Every form of business activity could be affected.

Contract law is fundamental to the way Europe's financial and commercial sectors operate and the Commission should proceed with caution in this regard. It is clear that the success of any reforms will inevitably depend upon sound justification and a fully informed debate, that engages all groups across the European community. There is an alternative proposal suggested by some groups, namely, the creation of a new set of pan-European contractual terms and conditions for online consumers. This alternative has some attraction and may represent a more targeted solution for promoting online trading by consumers, if any were needed, and would avoid the controversy of some of the Commission's proposals which include replacing each member state's contract law with a new pan-European contract law. Such radical proposals are likely to create uncertainty and risks for businesses.

3. The prevalence of online shopping and the link to consumer confidence

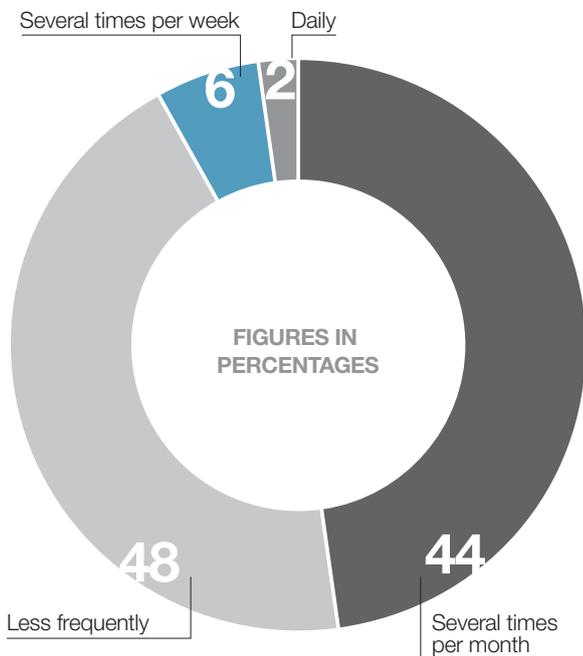
The majority of online shoppers are frequent users

Online shopping is an important part of the retail environment and used as a distribution and service channel by many retailers. Just over half of online shoppers in the six European countries surveyed say they are buying goods or services online at least several times per month.

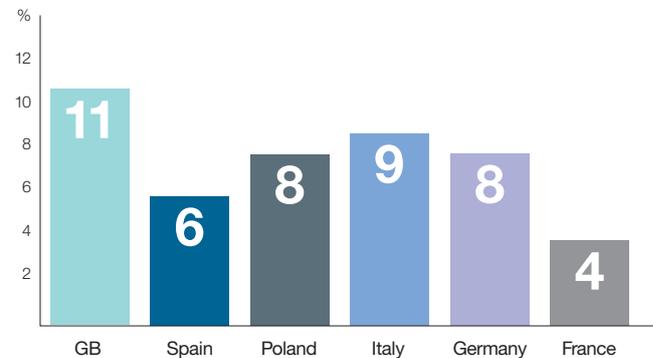
This seems certain to increase further, with younger shoppers being significantly more likely to be frequent buyers than their older counterparts (11% of 25-34 year olds compared to 4% of 55-65). Frequency varies across Europe, with the British emerging as the most likely to shop online several times a week or more (11%). Shoppers in France, in contrast, are the least likely to buy online more than once a week (4%).

ONLINE BUYING HABITS

Q: Typically, how often would you say that you buy goods or services online?



SEVERAL TIMES PER WEEK OR MORE



Age	Total %
Age 18-24	6
Age 25-34	11
Age 35-44	9
Age 45-54	5
Age 55-65	4

Gender	Total %
Male	9
Female	7

Base: Online Shoppers (3,024), interviewed Jan 2011

Many are already shopping online from companies based abroad

Our research has uncovered widespread use of non-domestic retailers. Almost all online shoppers buy from companies based in the country they live in. However, nearly half buy from companies in other European countries and a third from those outside Europe.

LOCATION OF ONLINE SHOPPING COMPANIES

Q: Thinking about the last two years, have you bought goods or services online from any of the following:

■ Yes
 ■ No
 ■ Don't know

Domestic %

(based in the country you live in)



European %

(based in other European countries)



International %

(based in countries outside Europe)



Base: Online Shoppers (3,024), interviewed Jan 2011

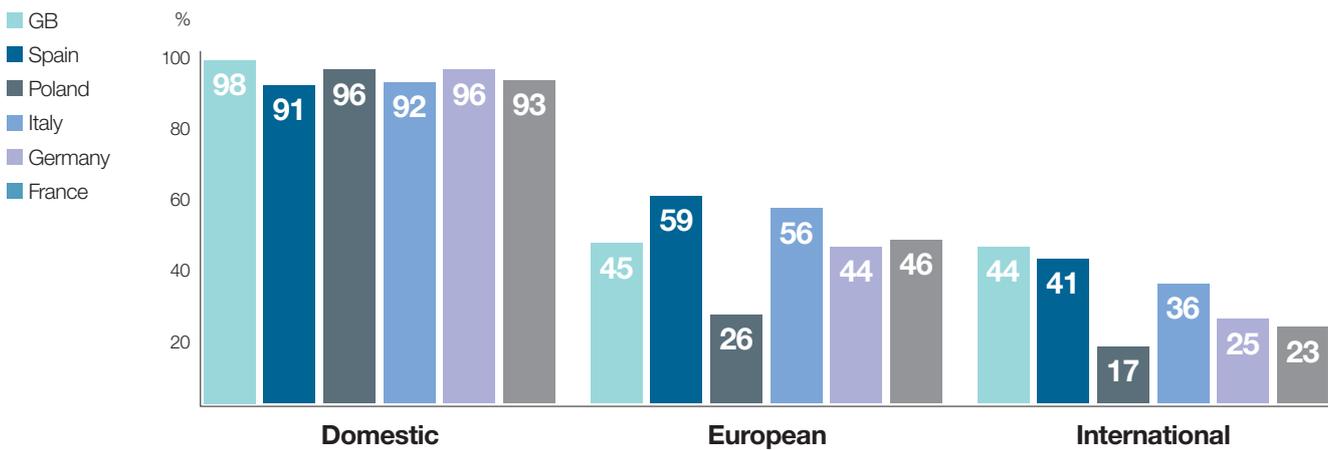
This suggests that the volume of cross-border transactions is already considerable, though the pattern varies considerably by country. For instance, well over half of those in Spain and Italy have bought goods or services from elsewhere in Europe; however this falls to only a quarter in Poland.

When we look at those shopping across European borders by age, the highest level is seen among those in the 25-44 age group. Within that group of the online shopping population, half (50%) have bought goods and services online, compared to only one-third (34%) of those aged 55-65. Again, this points towards cross-border activity increasing with time.

The potential for increased levels of shopping in other European countries is further suggested by the frequency of non-domestic spending, which is lower than that implied for local markets. One in five say they buy goods from other European countries at least several times per month, compared to 52% shopping that often overall.

LOCATION OF ONLINE SHOPPING COMPANIES

Q: Thinking about the last two years, have you bought goods or services online from any of the following:



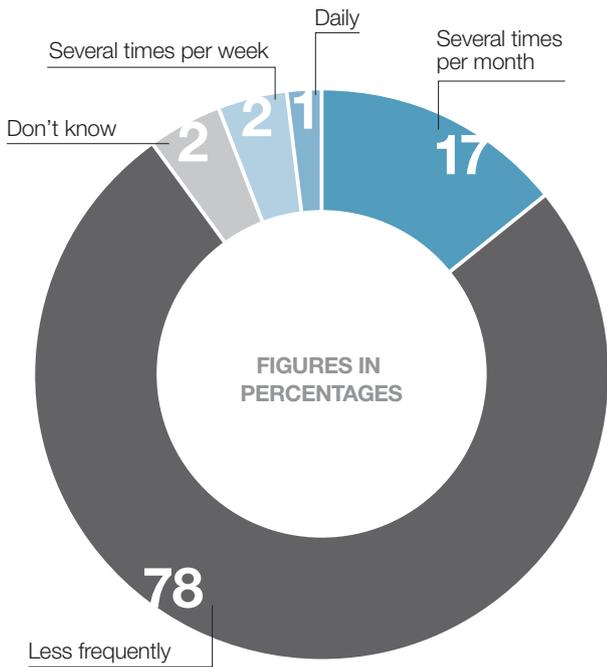
Age	Domestic %	European %	International %
Age 18-24	91	44	32
Age 25-34	95	50	31
Age 35-44	95	52	35
Age 45-54	94	44	31
Age 55-65	96	34	21

Gender	Domestic %	European %	International %
Male	95	50	35
Female	94	42	27

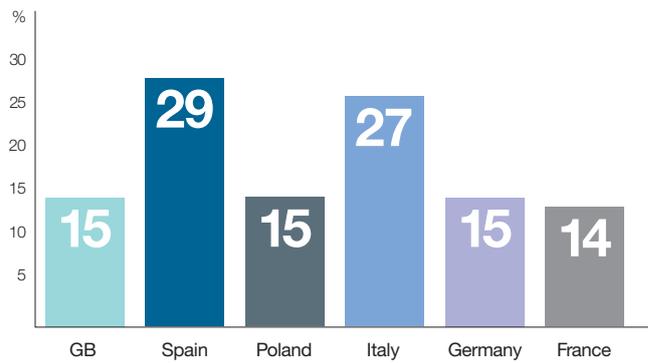
Base: Online Shoppers (3,024), interviewed Jan 2011

FREQUENCY OF EUROPEAN ONLINE SHOPPING

Q: Typically, how often would you say that you buy goods or services online from companies based in European countries other than the one you live in?



AT LEAST SEVERAL TIMES PER MONTH



Age	Total %
Age 18-24	23
Age 25-34	21
Age 35-44	24
Age 45-54	16
Age 55-65	9

Gender	Total %
Male	22
Female	18

Base: Online Shoppers (3,024), interviewed Jan 2011

Confidence in online shopping is linked to experience

The confidence level is lower when shoppers buy outside their domestic market, although 63% remain confident when buying goods and services in other European markets. This indicates that the more a consumer buys online from companies in other European countries, the more confident they are about doing so, or that consumers who are already confident could be more likely to buy online.

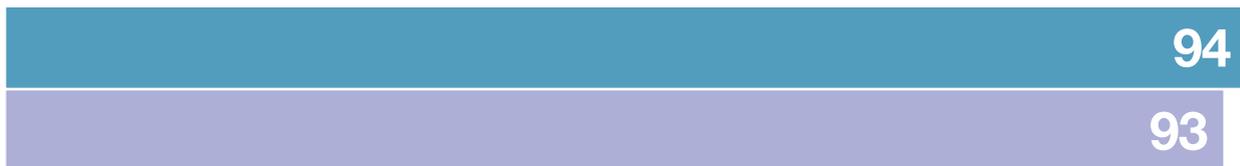
SHOPPING INCIDENCE vs. SHOPPING CONFIDENCE

Q: In general, how confident would you say you are, or would be, buying goods or services online from each of the following?

Q: Thinking about the last two years, have you bought goods or services online from any of the following?

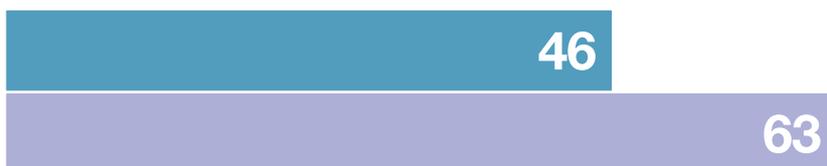
Domestic %

(based in the country you live in)



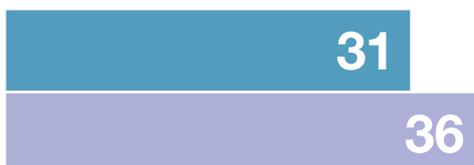
European %

(based in other European countries)



International %

(based in countries outside Europe)



Have bought goods or services online in the last two years
 Very or fairly confident

Base: Online Shoppers (3,024), interviewed Jan 2011

4. Encouraging non-domestic online shopping

Security heads the list of concerns when shopping abroad

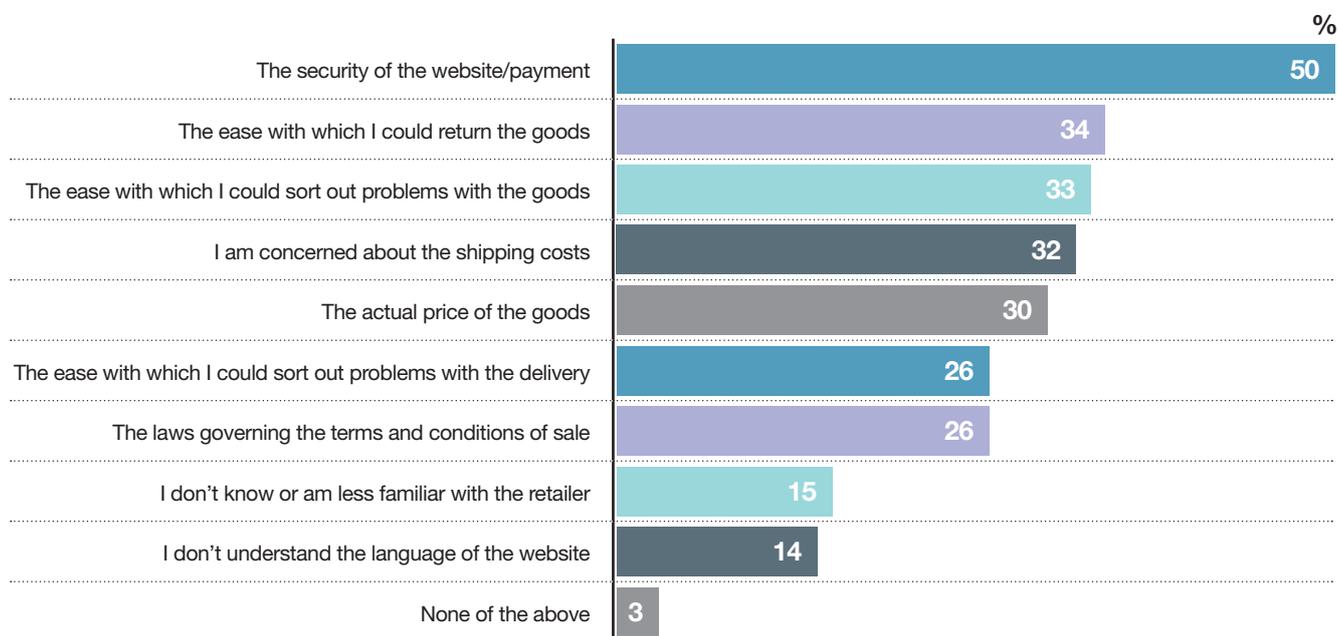
Our study asked online shoppers to select two or three issues that most concerned them when purchasing goods from abroad. One issue stands out from the rest, being mentioned by half of those who took part: the security of the website/payment. A second tier of issues is also apparent, which might be grouped under two headings: those relating to the goods, such as ease of return and sorting out problems; and those relating to prices, namely shipping costs and the actual price.

Each of these was selected by around a third of those surveyed. This suggests any actions that address these concerns, especially the security issue, would have the biggest impact on raising cross-border online shopping activity.

When compared to the website/payment, the laws governing the terms and conditions of sale is much less of a concern to online shoppers (50% versus 26%).

CONCERNS OVER BUYING GOODS/SERVICES FROM ABROAD

Q: Which two or three of the following would concern you most about buying goods or services online from companies based abroad?



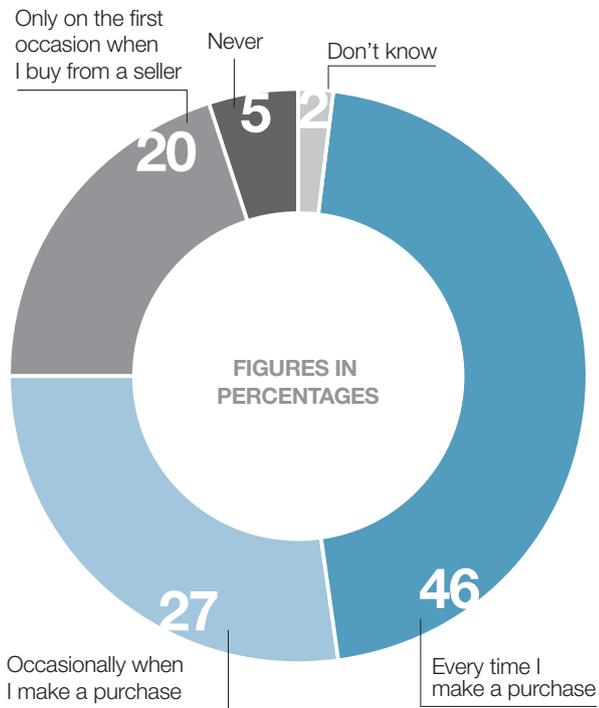
Base: Online Shoppers (3,024), interviewed Jan 2011

Terms and conditions are often not checked

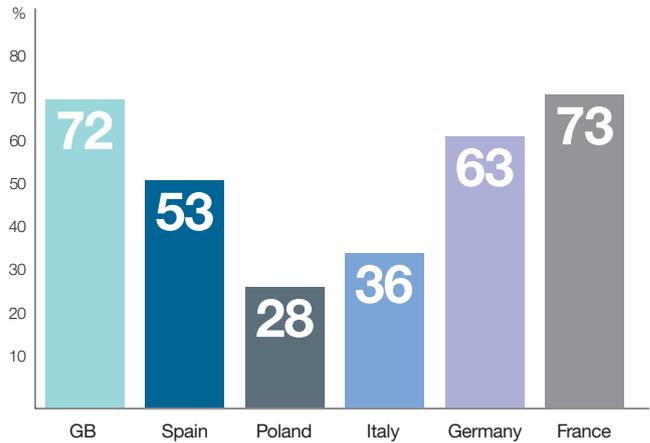
Over half of consumers (52%) do not check terms and conditions every time they make a purchase. While online shoppers in Poland and Italy are more conscientious in this area, nearly two-thirds of Germans and three-quarters of British and French often leave terms and conditions unchecked.

TERMS AND CONDITIONS

Q: Which of the following comes closest to describing how often you look at the seller's terms and conditions when buying goods or services online?



CHECK TERMS AND CONDITIONS LESS THAN EVERY TIME



Age	Total %
Age 18-24	50
Age 25-34	56
Age 35-44	59
Age 45-54	51
Age 55-65	52

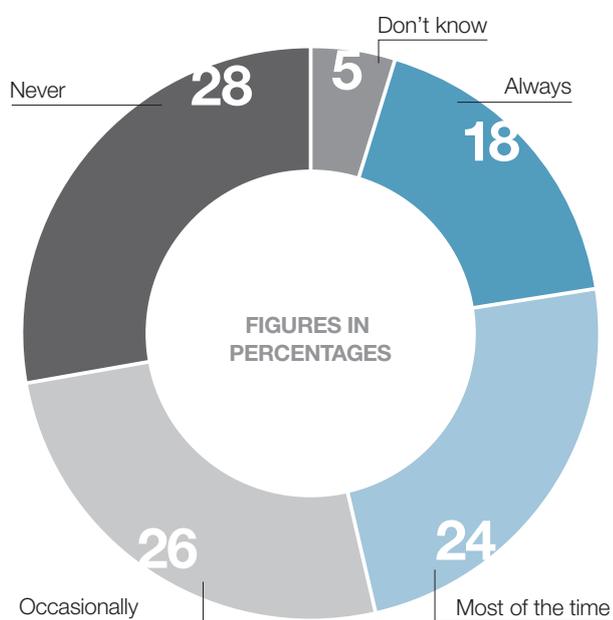
Gender	Total %
Male	54
Female	54

Base: Online Shoppers (3,024), interviewed Jan 2011

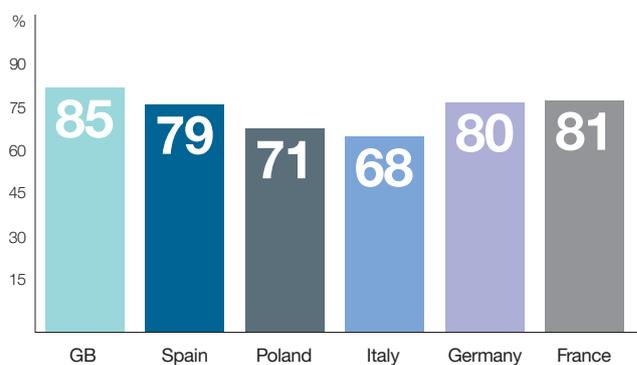
Furthermore, on average over three-quarters (77%) of online shoppers across Europe fail to always check which country's law is applicable to the terms and conditions. Again the least likely to do this are the British and French, while the most likely are the Poles and Italians.

APPLICABLE COUNTRY LAW

Q: How often do you check which country's laws govern the seller's terms and conditions?



CHECK APPLICABLE COUNTRY LAW LESS THAN ALWAYS



Age	Total %
Age 18-24	79
Age 25-34	80
Age 35-44	79
Age 45-54	72
Age 55-65	75

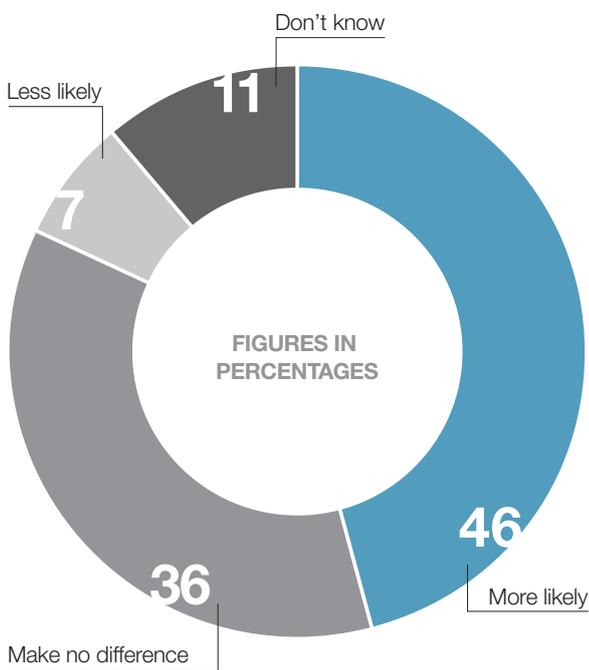
Gender	Total %
Male	78
Female	76

Base: Online Shoppers (3,024), interviewed Jan 2011

5. The potential impact of a Europe-wide contract law

EUROPE-WIDE CONTRACT LAW

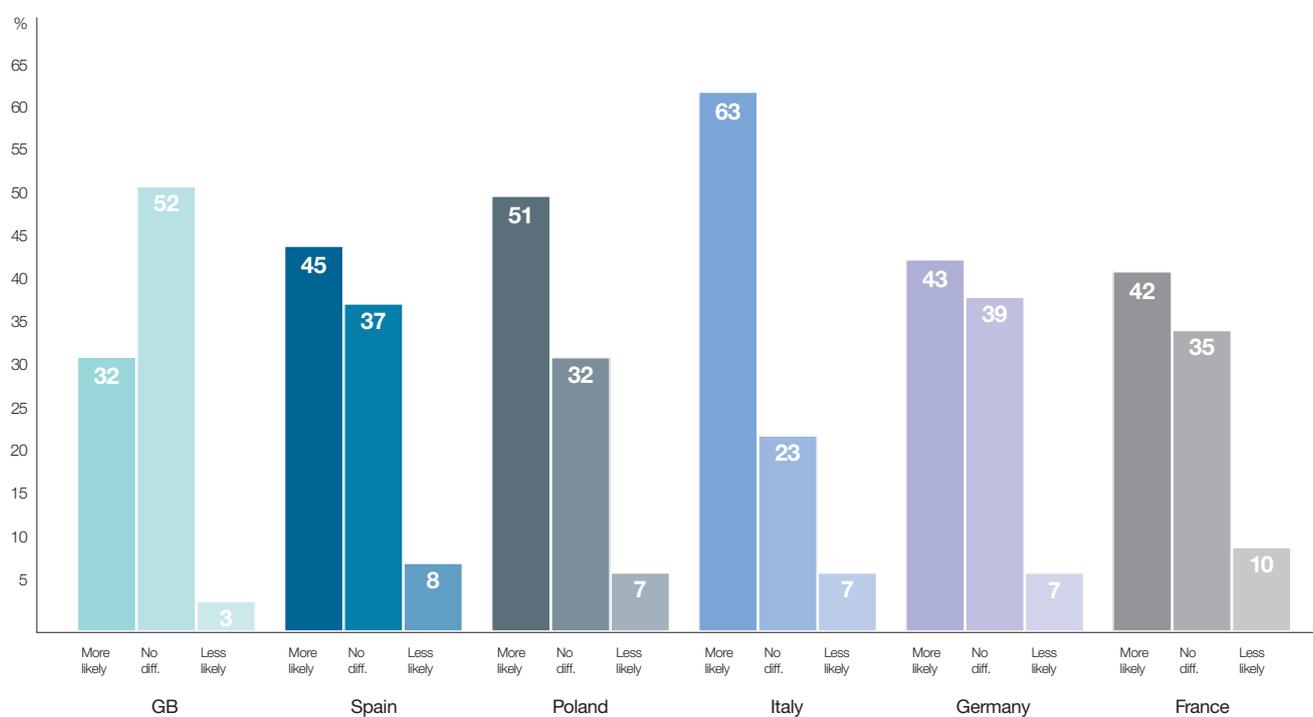
Q: If the European Commission introduced a new Europe-wide contract law, would you be more or less likely to buy online from another European Union country or would it make no difference?



The introduction of an EU-wide law would influence some groups more than others. In particular, it appears that Polish and Italian online shoppers say they would be more likely to buy online, whereas the majority of British online consumers feel it would make no difference. These attitudes reflect current behaviour in terms of checking terms and conditions and applicable laws.

Base: Online Shoppers (3,024), interviewed Jan 2011

LIKELIHOOD OF BUYING ONLINE FROM ANOTHER EUROPEAN COUNTRY



Age	More likely %	No difference %	Less likely %
Age 18-24	41	38	8
Age 25-34	46	35	9
Age 35-44	45	37	7
Age 45-54	52	34	5
Age 55-65	46	42	4

Gender	More likely %	No difference %	Less likely %
Male	48	36	7
Female	44	36	6

6. Appendices

Footnote to the executive summary:

We state that two years ago the Europe Commission found that cross-border online shopping was undertaken by 20% of online shoppers in the EU. This figure derives from a roundtable on digital issues in June 2008, during which European Consumer Commissioner Meglena Kuneva stated that 150 million EU citizens shopped over the internet, with 30 million of them shopping cross-border online in the EU.

Participant profile

Composition of the sample

Country	Total
GB	514
France	501
Germany	505
Italy	502
Spain	502
Poland	500

Online shopping	Total
Domestic shoppers	2,852
European shoppers	1,393
International shoppers	942

Quotas and weighting were placed on gender, age and region in order to ensure data are nationally representative on these factors.

Gender	Total	Weighted total
Male	1,567	1,575
Female	1,457	1,450

Age	Total	Weighted total
18-24	540	545
25-34	789	791
35-44	754	751
45-54	579	574
55-65	362	364

Methodology

3,024 interviews were carried out between 3 and 13 January 2011. The interviews lasted approximately four minutes.

Statistical reliability

Because a sample was interviewed, rather than the entire population, the percentage results are subject to sampling tolerances – which vary the size of the sample and the percentage figure concerned. For example, for a question where 50% of the people in a sample of 3,024 respond with a particular answer, the chances are 95 in 100 that this result would not vary more than 1.8 percentage points, plus or minus, from the result that would have been obtained from a census of the entire population (using the same procedures). The tolerances that may apply in this report are given in the table below.

	10% or 90% ±	20% or 80% ±	30% or 70%±	50% ±
3,024 interviews	1.1	1.4	1.6	1.8

Marked-up questionnaire

This marked-up questionnaire shows final weighted results for the Allen & Overy 'Online Consumer' survey:

- 1. Final data are based on 3,024 interviews conducted between 3 and 13 January 2011.**
- 2. Respondents are online shoppers living in France, Great Britain, Germany, Italy, Poland and Spain.**
- 3. All data are weighted.**
- 4. Unless otherwise stated, each question is based on all respondents answering.**
- 5. Where percentages do not add up to 100% this is due to either computer rounding or questions allowing multiple answers. An asterisk denotes a figure below 0.5%.**

Q1. Typically, how often would you say that you buy goods or services online?

	%
Daily	2
Several times per week	6
Several times per month	44
Less frequently	48
Never	0
Don't know	*

Q2. Thinking about the last two years, have you bought goods or services online from any of the following:

	Yes %	No %	Don't Know %
Companies based in the country you live in	94	3	3
Companies based in other European countries	46	43	11
Companies based in countries outside Europe	31	56	13

Q3. Typically, how often would you say that you buy goods or services online from companies based in European countries other than the one you live in?

	%
N = 1393	
Daily	1
Several times per week	2
Several times per month	17
Less frequently	78
Never	*
Don't know	2

Q4. In general, how confident would you say you are, or would be, buying goods or services online from each of the following?

	Very confident	Fairly confident	Not very confident	Not at all confident	Don't know
	%	%	%	%	%
Companies based in the country you live in	37	56	4	*	3
Companies based in other European countries	10	53	22	4	11
Companies based in countries outside Europe	5	30	33	17	15

**Q5. Which two or three of the following would concern you most about buying goods or services online from companies based abroad?
MULTICODE ALLOWED**

	%
The security of the website/payment	50
The ease with which I could return the goods	34
The ease with which I could sort out problems with the goods	33
I am concerned about the shipping costs	32
The actual price of the goods once currency and/or tax charges have been included	30
The ease with which I could sort out problems with the delivery	26
The laws governing the terms and conditions of sale	26
I don't know or am less familiar with the retailer	15
I don't understand the language of the website	14
None of the above	3

Q6. Which of the following comes closest to describing how often you look at the seller's terms and conditions when buying goods or services online?

	%
Every time I make a purchase	46
Occasionally when I make a purchase	27
Only on the first occasion when I buy from a seller	20
Never	5
Don't know	2

Q7. How often do you check which country's laws govern the seller's terms and conditions?

	%
Always	18
Most of the time	24
Occasionally	26
Never	28
Don't know	5

Q8. If the European Commission introduced a new Europe-wide contract law, would you be more likely or less likely to buy online from another European Union country or would it make no difference?

	%
More likely	46
Less likely	7
Make no difference	36
Don't know	11

