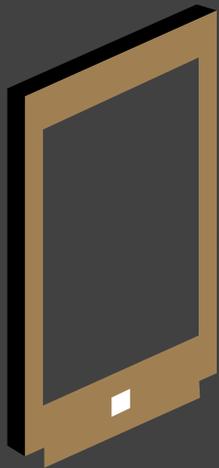
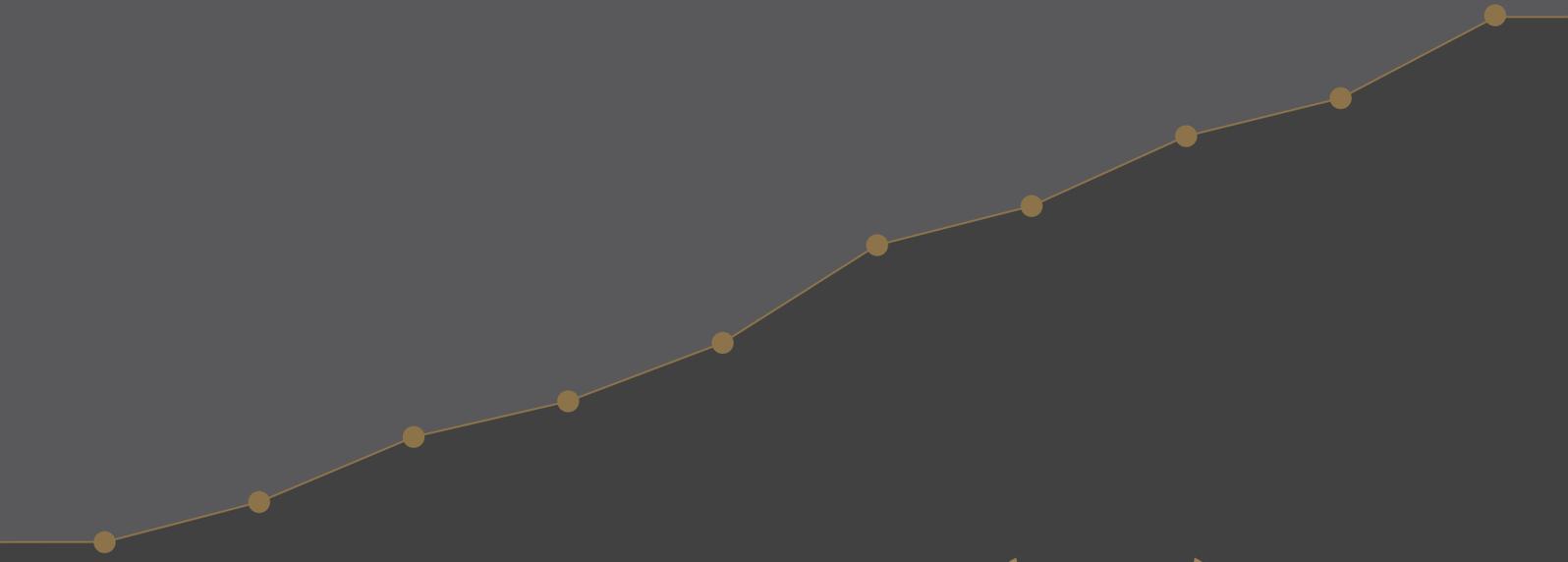


NORDIC E-COMMERCE

DIBS' ANNUAL REPORT ABOUT E-COMMERCE



Nordic E-commerce

Nordic E-commerce is a statistical report that provides a detailed analysis of the e-commerce market in Sweden, Denmark and Norway. The report is partly based on a survey completed by the research institute YouGov during the second quarter of 2016. The survey is based on interviews conducted with more than 5000 internet users in Sweden, Denmark and Norway. The report also contains data from DIBS' database based on transactions by thousands of online stores, as well as knowledge from DIBS' e-commerce experts. Note that throughout the report "Swedes", "Danes" and "Norwegians" refer to those who have shopped online, which is about nine out of ten people. The report is available on www.dibspayment.com/nordicecommerce

About DIBS

DIBS, a leading online payment provider and part of the Nets Group, offers the widest range of easy and secure online payment solutions in the Nordics. The company was founded 1998 as online payment pioneers and was first to reach 1.5 billion transactions. Today we handle payments for more than 15 000 online shops with annual sales of more than 10 billion euros. Each year thousands of new online shops choose DIBS' solution. DIBS' over 100 employees in Sweden, Denmark and Norway continuously work to make online payments easy.



NORDIC E-COMMERCE

CONTENT

- 4 **INTRO** Daniel Larsson, SVP DIBS Commercial
- 6 **Nordic comparison**
- 12 **Future outlook**, Patrik Müller, E-commerce Expert
- 13 **Case:** Flygpoolen
- 14 **Simplicity**
- 15 **Secure payments**, Susan Kae, DIBS Chief Product Officer
- 16 **Case:** CBB Mobile
- 17 **Tips & Advice**

1 Swedish E-commerce

- 18 - 37 The market
- 38 - 41 The consumers
- 42 - 47 Cross border and mobile
- 48 - 53 Online payments

2 Danish E-commerce

- 54 - 73 The market
- 74 - 77 The consumers
- 78 - 83 Cross border and mobile
- 84 - 89 Online payments

3 Norwegian E-commerce

- 90 - 109 The market
- 110 - 113 The consumers
- 114 - 119 Cross border and mobile
- 120 - 125 Online payments

E-COMMERCE

– IS THRIVING

IT'S THE 10TH anniversary of our annual e-commerce report. Much has happened during these ten years. E-commerce has completely bloomed and continues to develop rapidly. Over the past three years e-commerce has grown more and technology has developed faster than in the past 15 years combined. As the most experienced provider of online payments in the Nordic countries, it took us 15 years to reach one billion transactions. The next billion will only take three years. Thousands of online retailers are founded in the Nordic countries each year, and many international online retailers are entering or trying to make entry into our attractive Nordic e-commerce market. We have measured the e-commerce market in Sweden, Denmark and Norway since 2012, and every year there has been remarkable growth. This year is no exception. The market grew by an impressive 20 percent in Denmark, 16 percent in Norway and 11 percent in Sweden compared with last year. The three markets combined now exceeds 29 billion euros. The underlying driving forces behind the growth are - besides our economy, which has been and remains strong, as well as record-low interest rates - a shift to sales online and more and more stores supplementing their offline retail sales with online sales, so-called Omni-channel.

Digitalization has also opened up opportunities for many new types of services especially suitable for selling online, and the mobile revolution is also an important factor. The number of people who shop with their mobiles continues to grow and is now close to half of all Nordic consumers. You can also read more about the mobile revolution and the future of e-commerce on page 25, where our e-commerce expert Patrik Müller makes some predictions.

In this year's report, we have included a more detailed categorization of the various market sectors and we are looking forward to following the development. This year we have seen the largest sector – travel – grow even more, especially charter and flight tickets. Within the goods sector, we can see that more types of goods have become available online; for example, building materials are increasing strongly, albeit from low levels. We also witness that more services will be available online and we believe that this sector will continue to grow strong. The growth in, for example, subscription services such as music, TV and video streaming continues to expand. New this year is that we have added a page about questions pertaining to security. Read more about the current legislation in the field and other security-related matters from our security expert Susan Kaae on page 37.

Slowly but surely, consumer digitization is pushing physical stores to offer all stages of the buying process in all channels, which is often called the Omni-channel. We see this increase strongly with several new players in the Nordic region and Sweden. To take an example, IKEA now has now launched a major investment in its e-commerce, and grocery companies traditionally operating in the offline market, have started competing with online grocery shops. The battle for the consumer's loyalty is greater than ever and with digitization, companies have more tools to strengthen loyalty - and the consumer benefits from the advantages. In this year's report, we also have a brand new section where you can have a look at the demographics of consumers. Although our traditional preference for payment methods still dominate, we are seeing slow changes here. Several new mobile payment methods have been launched worldwide and in Scandinavia. These are mostly based on the same traditional payment methods, which take on new shapes on mobile phones, and simplify payments for consumers through new technology identification solutions such as fingerprints, device ID and mobile bank ID. This has simplified the identification of who is carrying out the payment, while making it easier for consumers. How quickly this revolutionary development will carry on



The payment market in the Nordic countries will become more fragmented

in the Nordics remains to be seen, but it looks like the payment market in the Nordic countries will become more fragmented in the future. For some years now, DIBS has been part of the largest payment group, Nets. This means that with the group's combined resources and expertise, we are stronger than ever. Using Nets' wide range of services, we will develop new payment solutions for online stores and consumers in the Nordic region. Already this year and in 2017 we will launch new payment services in order to simplify the shopping experience for the consumer, regardless of the payment method. We will also make it significantly easier for online merchants to set up and manage their payments by DIBS. Stay tuned for more on this. And last but not least, on the last page of the report we have put together some tips and advice for online merchants. We believe that if you are new or relatively new to e-commerce you will appreciate these. With these words I end and conclude that e-commerce is more exciting than ever and it has only just begun. I hope you find our 10th anniversary report interesting. ■



Daniel Larsson
SVP DIBS Commercial

NORDIC COMPARISON

DIBS publish this report in the three Scandinavian countries and can therefore illustrate important similarities and differences between the countries.

THE THREE SCANDINAVIAN countries consisting of Sweden, Norway and Denmark are similar in many ways. As close neighbours, we have very strong ties between our respective countries. We are culturally close to each other; all have good economies and are often found together at the top on global lists comparing countries. This could concern anything from good education and low corruption to high smartphone penetration. Purchasing power is very strong and all countries are highly ranked in the world according to OECD's survey. Also in e-commerce there are many similarities. E-commerce is steadily increasing in all countries and the distribution within the categories i.e. travels, goods, and services are about the same. There are also similarities in the various types of goods and services purchased online. Much of the consumer behaviour is also alike. But there are of course differences to take into account for companies who want to start selling online in neighbouring countries.

SWEDEN

The market for e-commerce is valued at EUR 10.4 billion and is the largest compared to Norway and Denmark. The number of consumers is also the highest out of the three countries - 7.3 million people between 15-74 years. Sweden's economy is currently booming, although Brexit's effects are not yet fully known. Purchasing power per capita is the second largest of the three countries with a tenth ranking in the world, but considering the many more consumers, Sweden is the largest e-commerce market out of the three countries. Internet penetration is 93% and more than eight out of ten have a smartphone. Nine out of ten Swedes shop online. 13% shop often – more than 10 times per three months. The amount of people shopping via mobile devices has always been high in Sweden and is now exceeding 50%. Purchases through apps on mobile phones are with 22% second place among the three countries. The Swedes shop online mainly because it is easy and saves time, and because it is easy to compare prices. 39% shop from foreign online stores, which is the lowest number. Swedish consumers use and prefer card payments before other payment methods, but the preference and use decreases slightly in favour of wallet solutions. Swish is the mobile payment solution that has had the biggest breakthrough in Sweden.

NORWAY

The market for e-commerce is the second largest in Norway and is estimated to EUR 10 billion. The number of consumers is however the lowest with almost 4 million people between 15-74 years. The economy is good, despite the recent fall in oil prices that hit Norway. Norway is the only Scandinavian country that is not an EU member, which affects trade between the countries, such as VAT and other trading conditions. Purchasing power per capita, however, is the strongest among the three countries and in second place globally. Norwegians are also spending by far the most on services, twice as much as the neighbouring countries. Internet penetration is 93%, and eight out of ten have a smartphone. Nine out of ten Norwegians shop online, which is the same as in other Sweden and Denmark. 13% shop often – more than 10 times per three months. The amount of people using mobile devices for shopping has almost reached 50%, which is almost on par with Sweden. Purchases through apps on mobile phones is with 25% the highest number. Norwegians shop online mainly because it is easy and saves time, but also because it is cheaper. Norway also stands out in regards to foreign trade, mainly because of lower prices in other countries, and despite the high customs fees - half of consumers shop from foreign online stores, which is the highest compared to its neighbours. The most used and preferred payment method is card payments. Invoice and Internet banking is decreasing however, in favour of wallet solutions. Vipps is the mobile payment method that has had the biggest impact in Norway.

DENMARK

The market for e-commerce is the third largest in Denmark, EUR 9.5 billion. It has the second highest number of consumers - more than 4 million people between 15-74 years. The economic growth is slightly lower than in Sweden and Norway, nonetheless good in relation to the rest of Europe. Purchasing power per capita is the lowest out of the three, but only one position behind Sweden. Internet penetration is 93% and more than eight out of ten have a smartphone. Nine out of ten Danes shop online, which is the same as in the other countries. Also in Denmark 13% shop often – more than 10 times per three months. Approaching the halfway mark, 45% use mobile devices when shopping. 19% are shopping through apps on their mobile phones, which is the lowest number out of the three countries. Danes shop online mainly because it is easy and saves time, as well as because it is always open. Almost half of all Danes shop from foreign online stores. Danes are unique in terms of online payment preference; card payments rule the local market. In Denmark the security feature 3D Secure has not yet become mandatory, but it will be soon. MobilePay is the mobile payment method that has had the biggest impact in Denmark. ■

THE MARKETS

– massive growth



10 BILLION EUROS

Shop most 35-44 year | Shop least 66-74 year



10.4 BILLION EUROS

Shop most 35-44 year | Shop least 66-74 year

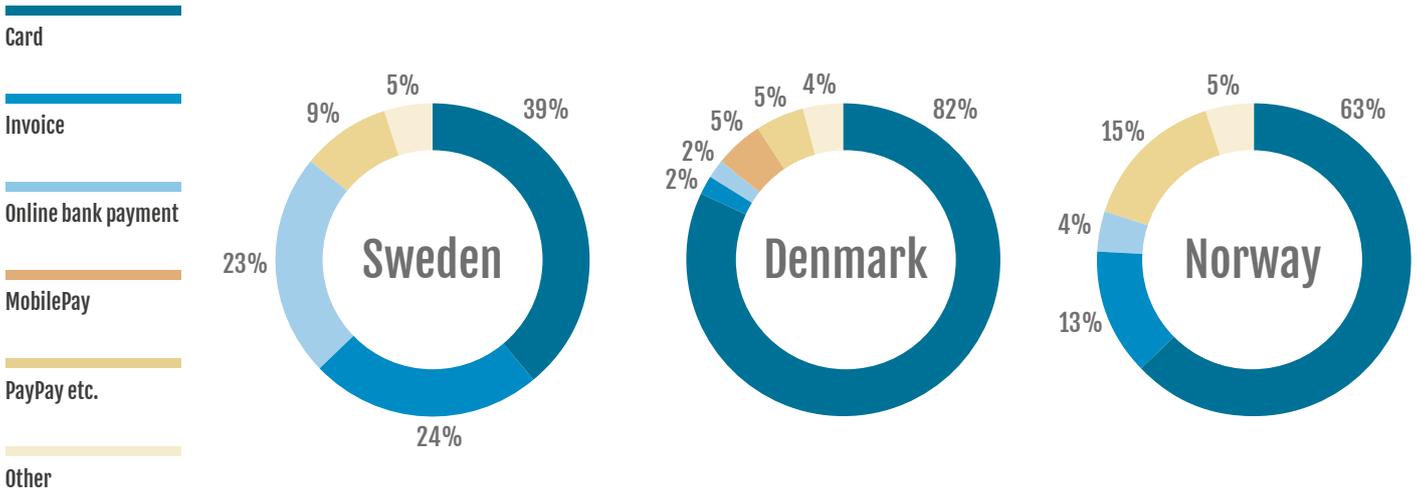


9.4 BILLION EUROS

Shop most 25-34 year | Shop least 66-74 year

Cards dominate in all countries – especially in Denmark

% | *What payment method do you prefer?* |

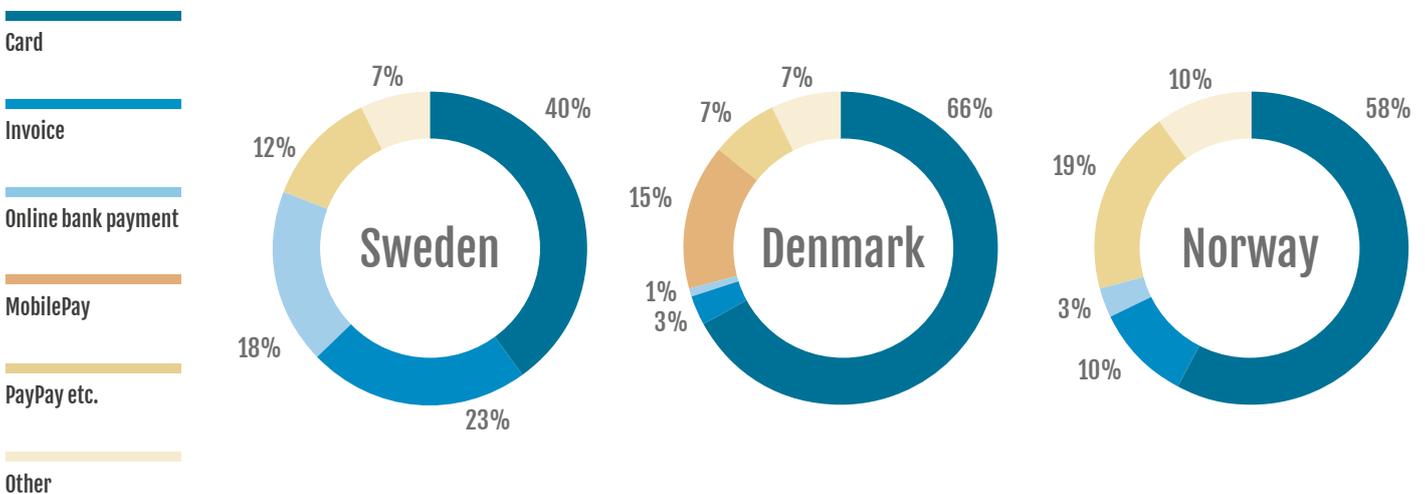


Card is the significantly most preferred payment method in all three countries. It is undoubtedly the biggest in Denmark where cards dominate completely. In Sweden and Norway, we see different behaviour where invoice plays a greater role and in Sweden it is also important to offer online bank

payment. Wallet solutions such as PayPal and similar are most popular in Norway, followed by Denmark, where Danske Bank's wallet solution MobilePay has come to play an increasingly important role.

Cards dominate also for mobile payments

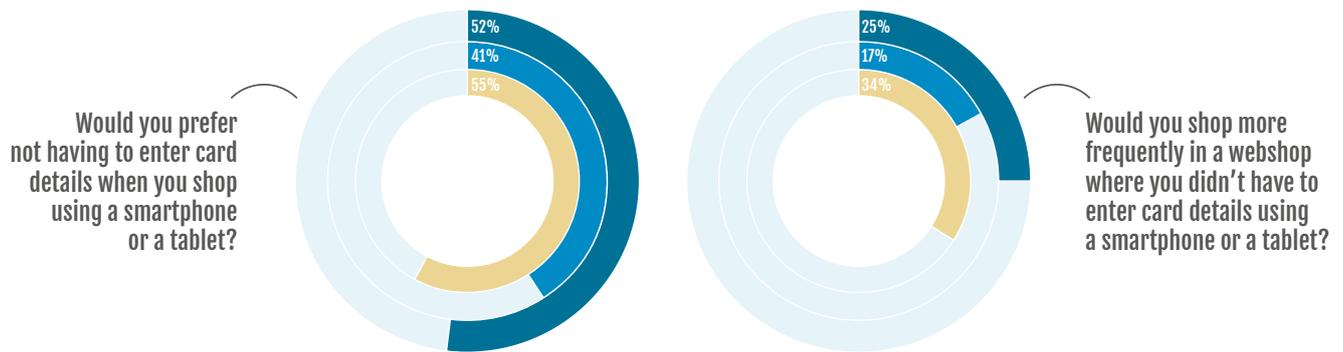
% | *What payment method do you prefer on smartphone or tablet?* |



There is a similar picture for mobile payments, except that the Danes are the ones preferring wallet solutions the most on mobile devices, which is due to the great success of MobilePay.

Many prefer not to enter the card number

● Norway ● Denmark ● Sweden

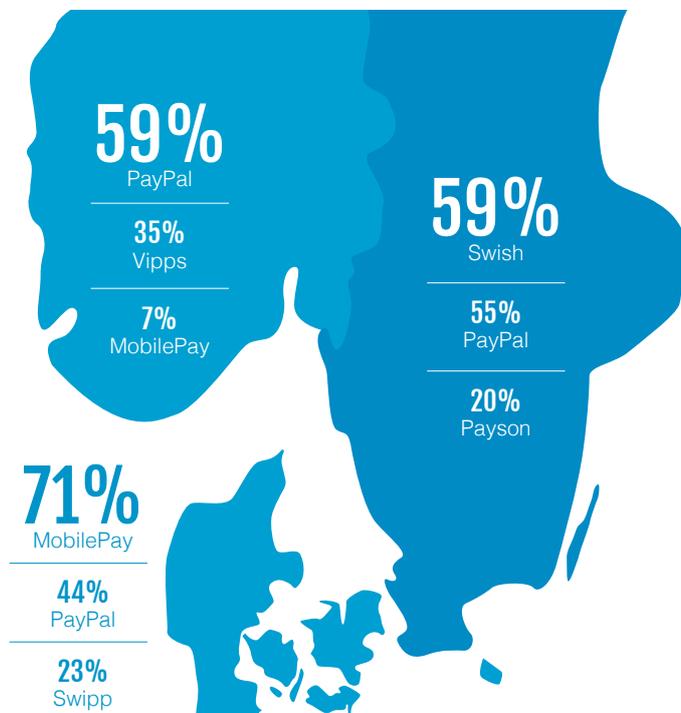


Not having to enter their card number at each recurring purchase is something that a majority in Sweden and Norway would like. The number in Denmark it is slightly lower, probably because of the card's dominant position in Denmark. The lack of alternatives is likely to re-

duce the perception that the card number is difficult to enter. A third of the Norwegians would buy more if they did not have to enter their card number, followed by a quarter of the Swedes and one fifth of the Danes.

Completely different mobile payment methods dominate in countries

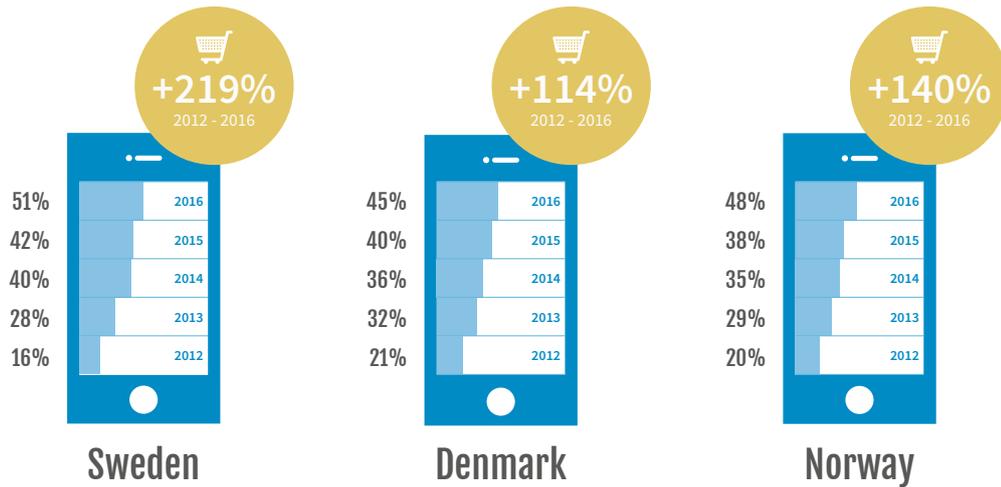
% | What mobile payment methods have you used? |



Despite our similarities, three completely different mobile payment methods are predominant in each country. In Denmark MobilePay is truly embraced - nearly three-quarters of all Danes have used MobilePay. Likewise almost two-thirds embrace Swish in Sweden. In Norway PayPal dominates, but Vipps has made a strong market entrance even though the service was launched as late as 2015.

Mobile shopping has exploded - soon to exceed 50 percent in all countries

% | Have you purchased anything using your smartphone or tablet in the last three months? |



Mobile e-commerce has boomed in all three countries. Mostly in Sweden where now more than half of the population shop in this way. Norway and Denmark are close behind and are likely to pass the 50 percent mark soon. Interestingly, the highest increase in the last couple of years

is found among the elder consumers where the mobile shopping is growing faster than among the younger age groups. Shopping via mobile devices is certainly not only for the younger consumers.

Reasons for mobile shopping are similar, but Norway stands out

% | Why did you shop using your smartphone or tablet? |

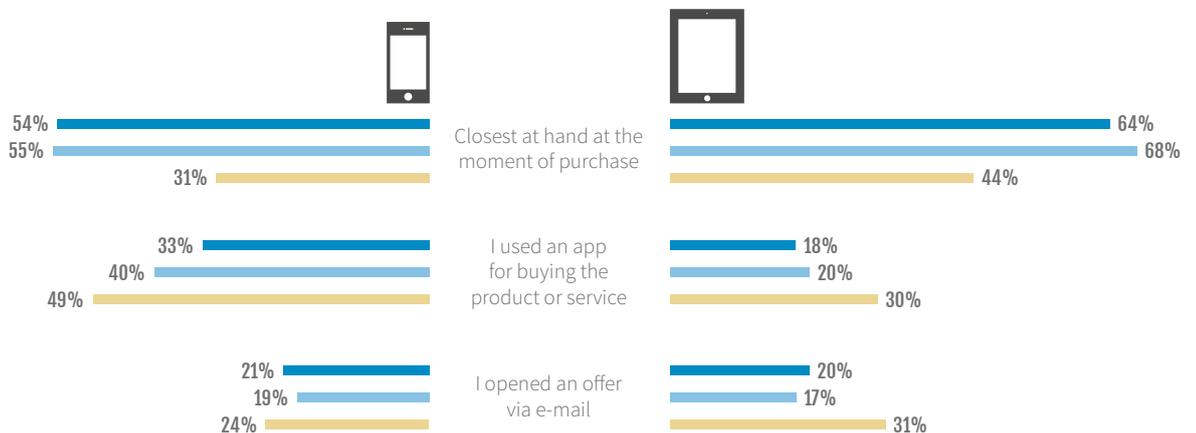
● Sweden ● Denmark ● Norway

Share of consumers who cancelled a purchased due to non mobile friendly website

Sweden
41%

Denmark
36%

Norway
47%

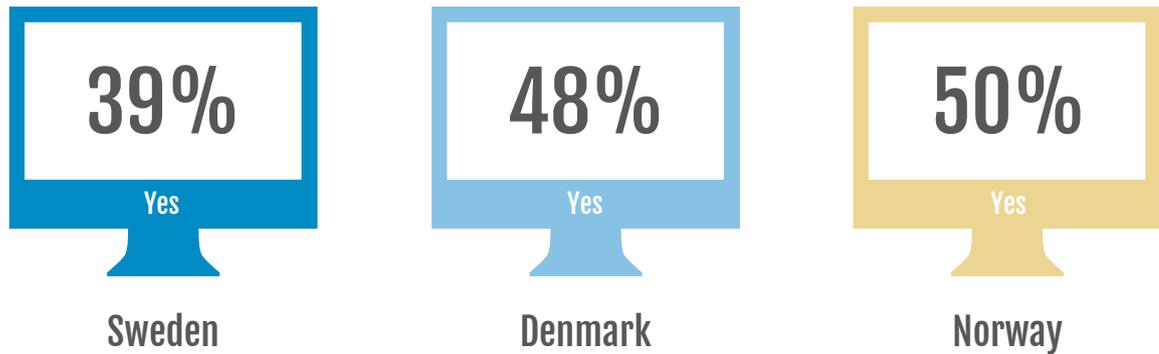


The reasons for using a mobile device to shop online are quite similar among the three countries. Norway stands out where both purchases through apps and opening offers via e-mail are by far the most common reasons. Although the differences are small between the countries, Norwegians are

more likely to cancel a purchase if the website is not mobile friendly. The reason might be that Norwegian online retailers focus less on customizing mobile sites or that Norwegians simply have less tolerance.

Shopping abroad most common in Norway and least common in Sweden

% | Have you purchased anything from a foreign website? |



Not surprisingly, Norway has the largest share who shop from foreign online stores. Norwegians can simply find lower prices in other countries more often than its neighbours. In Sweden, the percentage shopping in a foreign online

store is the lowest. Online stores are increasingly becoming better at tailoring their stores to foreign buyers, which in turn means that you as a consumer do not always perceive an online store as foreign.

Nordic consumers look for bargains abroad

% | Why did you or why did you not shop from a foreign website? |

● Sweden ● Denmark ● Norway



The reasons for buying at foreign online stores are similar in all three countries - lower prices and greater choice. Norway differentiates yet again, where consumers value these reasons more. The reasons for not shopping in a foreign online store are basically the same for Sweden and Denmark but Norway stands out. Norwegians are the least uncertain about their

rights and do not think of it as difficult to return products. This is not surprising, as the Norwegians are the most accustomed to shopping in foreign online stores. However, the main reason for not buying in foreign online stores is uncertainty about duty and VAT in Norway, even though there are minor differences between the countries.

FUTURE OUTLOOK

DIBS' e-commerce expert Patrick Müller talks about the development of e-commerce, and looks towards the future.



THE MOBILE REVOLUTION has changed many industries, shattered and created companies and new services. Nowadays, we always carry our most valuable possession around with us. We look at our phones numerous times daily and manage our social contacts increasingly via social media. It is of course no wonder that sales from mobile devices is increasing explosively.

At the same time the difference between the most successful online stores and those who have not yet realised the emerging power of digitalization is increasing. If you do not understand that the consumer wants more than an online catalog, that your customers want to choose where, when and how the products are delivered and that they demand to communicate with you in the channels of their choice, the future of your business is uncertain. And future demands are increasing. I'm about to point out some current trends and chances are that you already think it's difficult to keep up. Unfortunately, I can't offer any relief. Change

“

The development of artificial intelligence will affect how we make purchases in the future

will never be this slow again. The first payment methods designed in the spirit of what is called Mobile First have now reached the market, and it's only the beginning. We are in the midst of developing next-generation payment solutions built for mobile

devices. The latest generation of payment methods include Swedish Swish, Danish MobilePay and Norwegian Vipps, all of which started off with so-called P2P payments, or payments solutions between individuals, which then expanded to include other payment solutions for e-commerce and retail trade. Internationally, there are countless mobile payment solutions but it's a long shot that you have paid by Apple Pay, Pay Android, Samsung PAY or MasterPass yet. However, the mobile focus in development of new payment solutions will most likely lead to easier payments via mobile devices than laptops in the near future.

Another trend that is swiftly moving us into the future is payments via Internet of Things. There are already washing machines that automatically order detergents when they run low and printers that order new ink automatically. Another interesting example is Easy Park's cooperation with Volvo, which resulted in built-in parking payment. Will the future of e-commerce be completely frictionless? It looks like it.

The development of artificial intelligence will also affect how we make purchases in the future. The Japanese robot Pepper

can understand the emotional state of humans and adapt to their behaviour. Pizza Hut plans - in cooperation with Mastercard – to let Pepper both receive order and payment.

Another interesting technology that is expected to boom is chat bots - a program that simulates human conversation. The advantages range from lower support costs to higher sales. But as always, it depends on the acceptance of consumers. The most obvious use for chat bots are customer support questions. You can however already order flowers in the US from a chat bot at 1-800-Flowers.

For many years, virtual and augmented reality has been trending without really taken off. There have been virtual fitting rooms but not much more. Now we see the first truly successful use of augmented reality in the game Pokémon Go. Still, we lack a bestseller in e-commerce. Several companies, such as IKEA, have used augmented reality in their apps, but so far this has generated more PR than sales.

Do you feel that these trends are unattainable? Or do you project endless possibilities? Let me remind you once more, change will never be this slow again. ■

FROM TRADITIONAL TRAVEL AGENCY TO ONE OF THE MAJOR NORDIC ONLINE PLAYERS

CASE: FLYGPOOLEN

Uvet Nordic was founded in 1998 as Flygpoolen. The company has grown from a traditional agency with a modest annual turnover to become one of the largest travel agencies online with SEK 1 billion in turnover. Uvet Nordic helps hundreds of thousands of customers with airfares, hotels and rental cars. The biggest challenge is the daily monitoring of changes in customer purchasing patterns, new technical solutions while finding profitability in an industry with low margins and high competition. We asked press officer Anna Löfgren a couple of questions about e-commerce.

WHAT KIND OF E-COMMERCE SOLUTIONS DO YOU HAVE?

Since the launch of our first website in 2004 we have become more and more e-commerce based, and we are now one of the Nordic region's largest online travel agencies. We have a multi GDS solution, which means that our travellers can book flight tickets and pay regardless of system. Uvet Nordic operates in twelve European countries with over seven different brands, and we use mainly DIBS payment solution but also local payment methods in other countries. Support is available in any local language via our customer service centre.

DO YOU HAVE AN APP?

No, because we do not need it at the moment but it may be interesting in the future. However, we have developed an entirely new mobile-friendly website and booking platform to meet the increasingly growing trend to search and book travel through mobile devices.

TELL US ABOUT THE REASONS FOR YOUR SUCCESS.

Since 2013, we have grown by more than 100 percent with a turnover of SEK 1.5 billion from last year. During the years 2013-2016 we have increased our bookings

by 427 percent, our travellers by 476 percent, and expansion to new countries by more than 1000 percent. Approximately 80 percent of sales is from e-commerce, and the proportion is growing. Some success factors are a growing market and the fact that we invested early in e-commerce and dared to take risks by expanding outside the Nordic region, which we will continue to do aggressively. Our team consists of extremely competent people who have been here from the beginning. It's all about being sensitive to trends, keeping up with technological developments and consumer behaviour, and listening to our passengers in order to give them the best possible service.

HOW MUCH OF YOUR SALES COMES FROM MOBILE DEVICES?

Customers buying through mobile devices account for about one fourth of our total e-commerce sales, a share which is increasing rapidly, especially in recent years. But our travellers still look primarily via mobile phones and then completed the booking and payment via a computer. This is due to various reasons: safety and security, for example. One reason might be that the customer wants to have an overview and be sure to get it right, because buying a trip usually involves a lot of money. Or that payment via mobile devices is still in a development phase.

What are the most interesting e-commerce trends?

Customers are looking for faster and easier ways to book travel, which is why mobile commerce is growing. Our challenge is to meet the technical development and travellers' wishes. It is unbelievably exciting to be in the middle of this evolution, but above all very rewarding to have the opportunity to work creatively and create innovative solutions.



Interview with
Anna Löfgren
Press Relations Manager

SIMPLICITY

– The key to success in e-commerce

Everyone within e-commerce are constantly working to make the customer experience as easy and seamless as possible. This concerns the entire chain, from having an easily understood and flexible website - of course also mobile-optimized - to the payment solutions and possibly also a logistics solution. Trying to reduce administrative work in order to spend more time on sales is also important for e-retailers. One solution for this is using automated processes.

THE CONSUMER

Simplicity is everything to the consumer. Consumers shop because it's quick, easy and saves time. We have seen this evolve over the years into becoming the main reason for shopping online. Simplicity is also reflected in "easy to compare prices" as well as "wider choice", that are also highly valued reasons to shop online by consumers. The act of buying ultimately needs to be easy, or else potential customers will quickly switch to another website. The requirements for simplicity are particularly important on mobile devices where we have less patience and require a straightforward way to purchase without any interference.

THE WEBSITE

Conversion is a massive area only touched upon in this report. Essentially the main goal is that consumers visiting a website actually make a purchase. Many things can go wrong here and directing visitors exactly where you want them to go is easier said than done. Conversion optimization experts believe that the most important point to keep in mind is that consumers need to understand the site, and therefore the ability to measure visitor behaviour is essential and a great advantage. Thus, a webpage needs to have a good structure where it is very easy to search

and find what you want. As previously mentioned, optimizing the website for mobile devices is necessary nowadays when a very large number of the Nordic consumers are shopping online from their mobile phones or tablets. Features such as simple sign in, speed and convenience are important factors for perceiving a mobile experience as good.

THE PAYMENT

Our survey confirms that many consumers use certain payment methods precisely because they perceive them as the easiest. We can also see that nearly half the consumers have cancelled a purchase online. Consumers typically cancel purchases because the online store doesn't offer the right payment method, requires registration or lacks important information for the consumer. Consider adding additional payment methods, only require the customer information you actually need, and be sure to present clear information regarding contact information, delivery times and product availability.

We also see that a substantial amount of Nordic want to avoid entering their card number upon each new purchase and many would shop more online if they did not have to enter their card information each time, with a slightly higher proportion for mobile commerce. If you have many recurring customers, you should consider offering the option to save card details in order to simplify following purchases.

LOGISTICS SOLUTIONS

The logistics solution is the last piece of the puzzle for anyone selling physical goods. Making it easy for the consumers is also important when it comes to delivery. A simple advice is to offer several delivery options that allow consumers to choose their preferred alternative. Be aware that the labels used shipping companies use for their services rarely help the customer. It is better to use names like "home delivery" or "collect at delivery point". Do not forget to review the customers' return routines. Return shipping labels in the package and fast refunds are essential. Integrating booking and inventory systems may also give e-retailers an advantage because of the reduced administrative burden.

SECURE PAYMENTS

There are many risks and legal requirements concerned with online payments. A major reason for allowing a payment service provider to take care of your payments is that they usually focus exclusively on payments. In this section Susan Kaae, Chief Product Officer at DIBS, explains some of the new rules the EU has developed for e-commerce and how payment service provider features can help decrease risk. You'll also learn a bit about the certification DIBS go through each year.



Susan Kaae
DIBS Chief Product Officer

Legal issues

The Payment Service Directive, or PSD, is a European legislation designed to create rules for all payment solutions within the EU, with a focus on cross-border trade. The directive has been developed primarily to increase consumer protection.

The part of the regulations related to requirements of secure authentication is particularly important for online merchants. In order to protect consumers, it is required that they should identify themselves as the proper cardholders. Verified by Visa or MasterCard Secure Code, also known as 3D Secure, are two examples –but there are other solutions available for identifying the card holder. 3D Secure is an extra security step in which consumer identify themselves with an additional code. This means that fraud is no longer a concern for the online store, because the cards issuer assumes the risk in the event of fraud, so-called liability shift. Adding an extra step in the payment process may however result in a lower conversion rate.

DIBS has developed a solution, SecurePay, which examines each transaction and only applies 3D Secure to transactions that might be fraudulent. This is not visible to the consumer and is therefore not an extra step in the payment process. As a result, the online store will skip 3D Secure on some transactions and also bear the risk of fraud on these transactions.*

**Not all acquirers accept risk-based fraud management.*

Fraud

One example of online fraud is when a person buys something with a stolen credit card. Another situation might be that someone claims he or she has not used the card, or received any goods, and therefore refuse to pay for them.

HOW CAN ONLINE RETAILERS DETECT PAYMENT FRAUD?

Firstly, it is important to get to know your customers - examine the data and try to identify a pattern of what a "normal" purchase looks like. What does a "normal" customer buy, for how much, when do they shop and so on. Be aware that anything that looks too good to be true probably is and is worth an extra check. It is important to take a closer look at the customer pattern if you find a suspicious transaction, for example by checking that the name and address match. Contact the suspected customer and ask questions - perhaps there is a reasonable motive for buying 20 laptops.

WHAT CAN YOU DO TO REDUCE THE RISK OF FRAUD?

You can add 3D Secure on your credit card transactions. In addition, you can invest in an anti-fraud system, either directly in your online store or through your payment provider. An anti-fraud system normally investigates various parameters to identify suspicious payments.

PCI – what is it really?

Payment Card Industry Data Security Standard (PCI DSS) is a security standard including both rules and procedures for optimizing the security of card transactions and thus protects cardholders against fraud. PCI DSS is founded by Visa, Mastercard, Discover and American Express, and everyone who is in contact with card data must be PCI-certified. A PCI certification consists of several different requirements that together act to protect consumers. Among other things, the PCI certification has special requirements for the physical environment, the technical systems and the employees. The certification is an ongoing process and it is important to keep up to date with the latest security requirements. The online store can choose to go through the extensive and costly certification themselves, or to use a PCI-certified partner (such as DIBS) that handles card information and payment communication between the online store and the customer securely.

PIONEERS ON SELLING MOBILE SUBSCRIPTIONS ONLINE

CASE: CBB MOBILE

CBB Mobil A/S is a sole online business selling mobile subscriptions, mobile broadband and mobile phones, dedicated to deliver simple low-cost solutions with a high level of customer service. The company launched 2001, is owned by Telenor Group since 2004 and now consists of more than 150 employees. We asked Rune Riera, Head of Online at CBB Mobil, a couple of questions about e-commerce.

WHAT TYPE OF E-COMMERCE SOLUTION DO YOU HAVE?

We are currently running a desktop and mobile website solution. We deliberately chose to custom build much of the mobile elements in order to maximize performance. This in spite of the added internal resource strain this creates in terms of maintenance, design, execution and deployment.

HOW ABOUT AN APP?

Not yet, as we are still working to get the scope of a possible app just right. We don't want to launch an app just to be able to say that we have one. It's in CBB's DNA to build best in class digital projects and this is no exception. We are listening to what our customers want, and are balancing the user experience that a native app can give as opposed to what you already get from a mobile website. We want to create that extra experience to differentiate the app from the mobile website.

TELL US ABOUT YOUR SUCCESS AND THE SUCCESS FACTORS.

As we are a sole online business, all of our sales comes from e-commerce. Our main channels are online through the websites, telemarketing and our own customer service – all running through our e-commerce solution at some point.

This January, we launched a complete redesign of our website cbb.dk that has given us outstanding conversion rates. We launched the mobile website in early May and are even more pleased with raw performance in terms of CVR that are well above expectations. As purchases in the telecom industry are very complex and personal it can be quite difficult to obtain high conversion rates, especially on mobile. So we are very pleased. And by constantly optimizing site performance inhouse, there is plenty of room for improving performance even further.

HOW LARGE SHARE OF YOUR CUSTOMERS SHOP MOBILE?

About 25-30 percent of our sales comes from mobile – and the number is rising.

WHAT IS THE MOST INTERESTING TREND IN E-COMMERCE?

Mobile! Nothing new about this, but it seems that the rapid growth rates of sales from mobile that we see internationally finally have come to Denmark, along with a broad array of easy-pay solutions that are very interesting.



Interview with:
Rune Riera
Head of Online, CBB Mobil

TIPS & ADVICE

On this page, we have gathered tips and advice in various areas. Some may be obvious to those having been in business for a long time, but if you are new or relatively new in the business we recommend you read this carefully. And if you have any sorts of questions you are welcome to contact us!

OFFER MORE WAYS TO PAY

A third of those who cancelled a purchase online did so because they could not pay the way they wanted. A rule of thumb is to make sure you make sure to offer the most common payment methods within your market.

SAVE YOUR DATA

Make sure the customers do not need to fill out unnecessary data and save the data between the purchases. Most payment providers have solutions for saving card details and new payment solutions such as MasterPass saves all the information needed. Many consumers say they would shop more frequently in online stores that save card details.

MARKINGS FOR INCREASED TRUST

You can use several safety labels in your online store. Some are local and others cover several markets. The latest initiative comes from the European e-Trade EMOTA, which has launched a European safety mark consisting of twelve participating countries. Many studies show that security labels increase consumer confidence in the online store.

ADAPT TO MOBILE DEVICES

If you do not yet have a mobile-friendly website, it is high time to get it. It is probably the most important measure you can take - about half of your customers buy through mobile phones, according to our statistics, and about 40 percent have cancelled a purchase from a webpage that was not mobile-friendly.

ADAPT TO THE LOCAL MARKET

Competition is fierce, and eventually there will be time to sell to new markets. Make sure to offer local payment methods; there are major differences in payment behaviour in the Nordic countries alone. Being clear about the terms and conditions as well as to offer support in the local language are also important factors for consumers. See our advices about this on page 31.

INCREASE CONFIDENCE

You should show what payment methods you accept already on the homepage. Payment provider logos have a high degree of recognition among consumers and evoke trust in your online store.

SWEDISH E-COMMERCE

CONTINUES TO GROW

– Annual turnover exceeds

SEK **100** BILLION

THE ONLINE SHOPPING among Swedish consumers continues to grow and has grown by SEK 10 billion compared to 2015. This is a growth of 11 percent. For 2016 it is estimated* that the total market for e-commerce trade in Sweden, that is, for travel, physical goods and services, will exceed SEK 100 billion in sales. Since DIBS began to measure the turnover the market five years ago, sales have increased by an incredible 43 percent, from more than SEK 70 billion to SEK 100 billion. E-commerce in Sweden is thus now on a par with the restaurant industry, with a turnover of over SEK 100 billion. So why has e-commerce grown so much – and why does it continue to increase? In addition to the fact that we have had generally good economic growth in Sweden, this depends largely on three driving forces:

THE TECHNICAL DEVELOPMENT

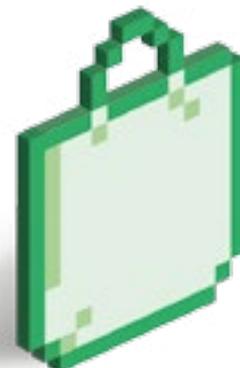
First came the Internet, then we had phones that were as powerful as computers and now we are in the midst of the development of the Internet of Things and an increase in digitization as a result of this development. Logistics solutions are very developed and payment methods have evolved and become better and easier. With our modern technology, which is constantly developing, there are actually no limits to how much e-commerce can progress. Read more about this on page 25, where our e-commerce expert Patrick Müller makes predictions about the future of e-commerce.

CONSUMER BEHAVIOUR AND NEEDS

In the past, going online to shop was done primarily to save money. And even if you can still do so, most people now shop online due to convenience – not having to go to the store saves a lot of time and effort. Online shopping enables consumers to compare prices and do research at the same time, by reading reviews, for example. And consumer behaviour has developed – we now want to be able to pay for both food and energy bills online. Digitization, smartphones and tablets have all been embraced by consumers and are affecting their behaviour. Read more about Swedish consumers on page 26.

BUSINESSES RECOGNIZE THE NEED TO OFFER E-COMMERCE

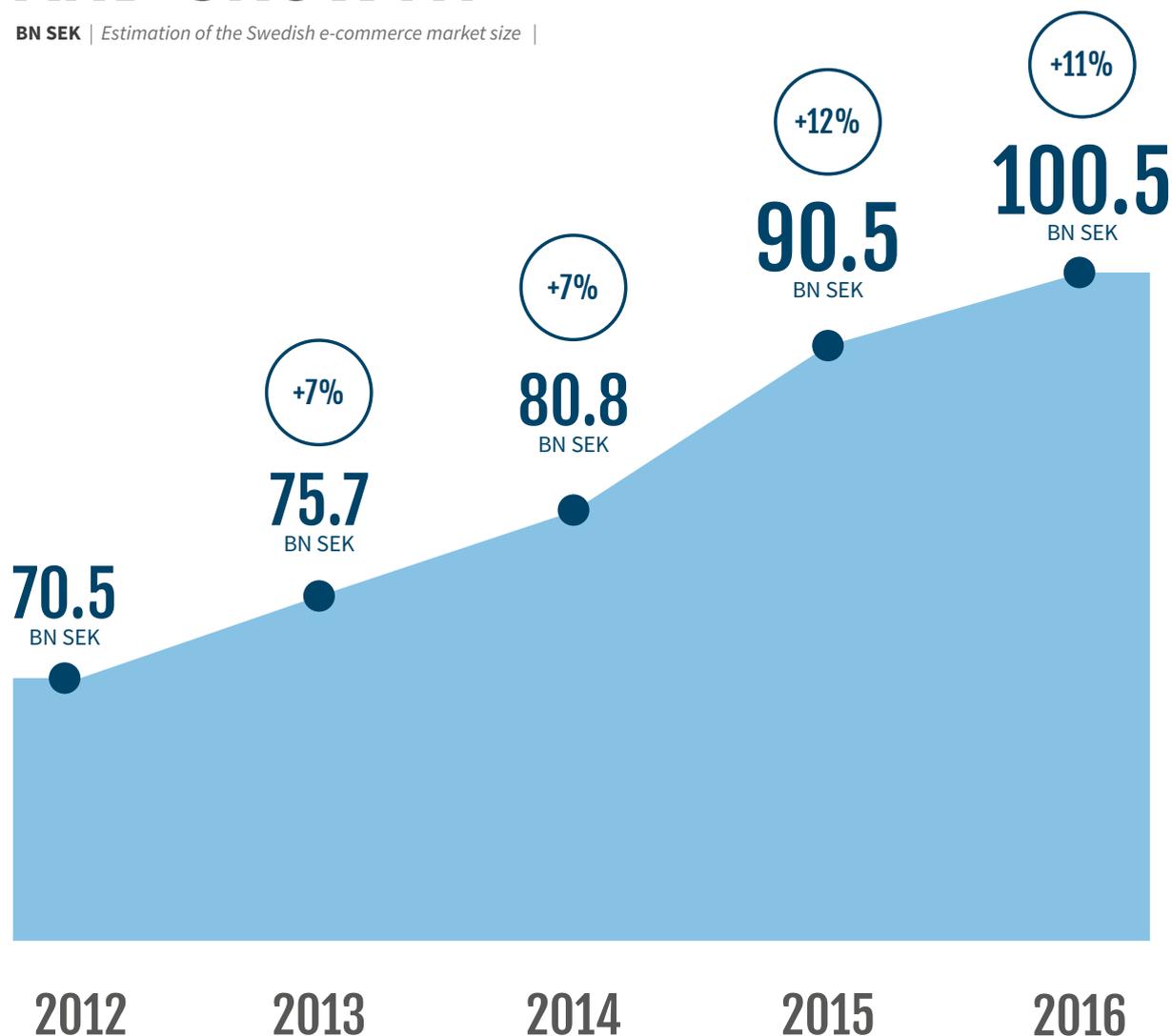
As mentioned above, doing so meets consumer needs and opens up new opportunities to increase sales, and reduces the risk to be overtaken by others. Areas that are not traditionally associated with e-commerce are adapting to the needs of consumers, which means that more and more companies and industries are starting to offer e-commerce. At the same time, margins and costs for this type of service is a challenge. What is common for all e-commerce players is the need to constantly develop to make it as easy and smooth for the consumer as possible. E-commerce is certainly here to stay, and we believe that the developments of recent years, which have occurred at an incredible pace, will continue. We look forward to continuing to follow the e-commerce development and we hope you find the contents of this year's report interesting and rewarding. ■



*This calculation is based on the actual increase compared with the previous year among thousands of Swedish online stores that are connected to DIBS.

THE MARKET TURNOVER AND GROWTH

BN SEK | Estimation of the Swedish e-commerce market size |



TURNOVER SEK

100.455.000.000

11%

growth since
last year

43%

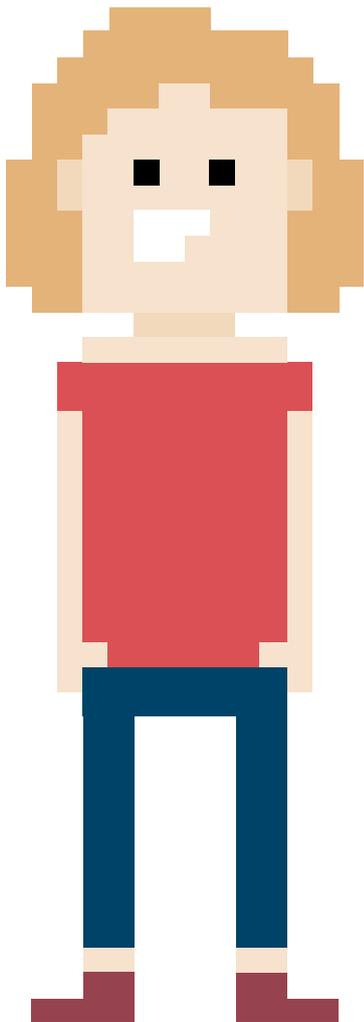
growth in the
last five years

The Swedish e-commerce market for travel, physical goods and services has a turnover of SEK 100.5 billion. This is 11 percent, and SEK 10 billion, more than last year. In five years, e-commerce has increased by 43 percent, or SEK 30 billion.

E-COMMERCE DISTRIBUTION

IN SWEDEN

% | How is your online spending distributed? (Last three months) |

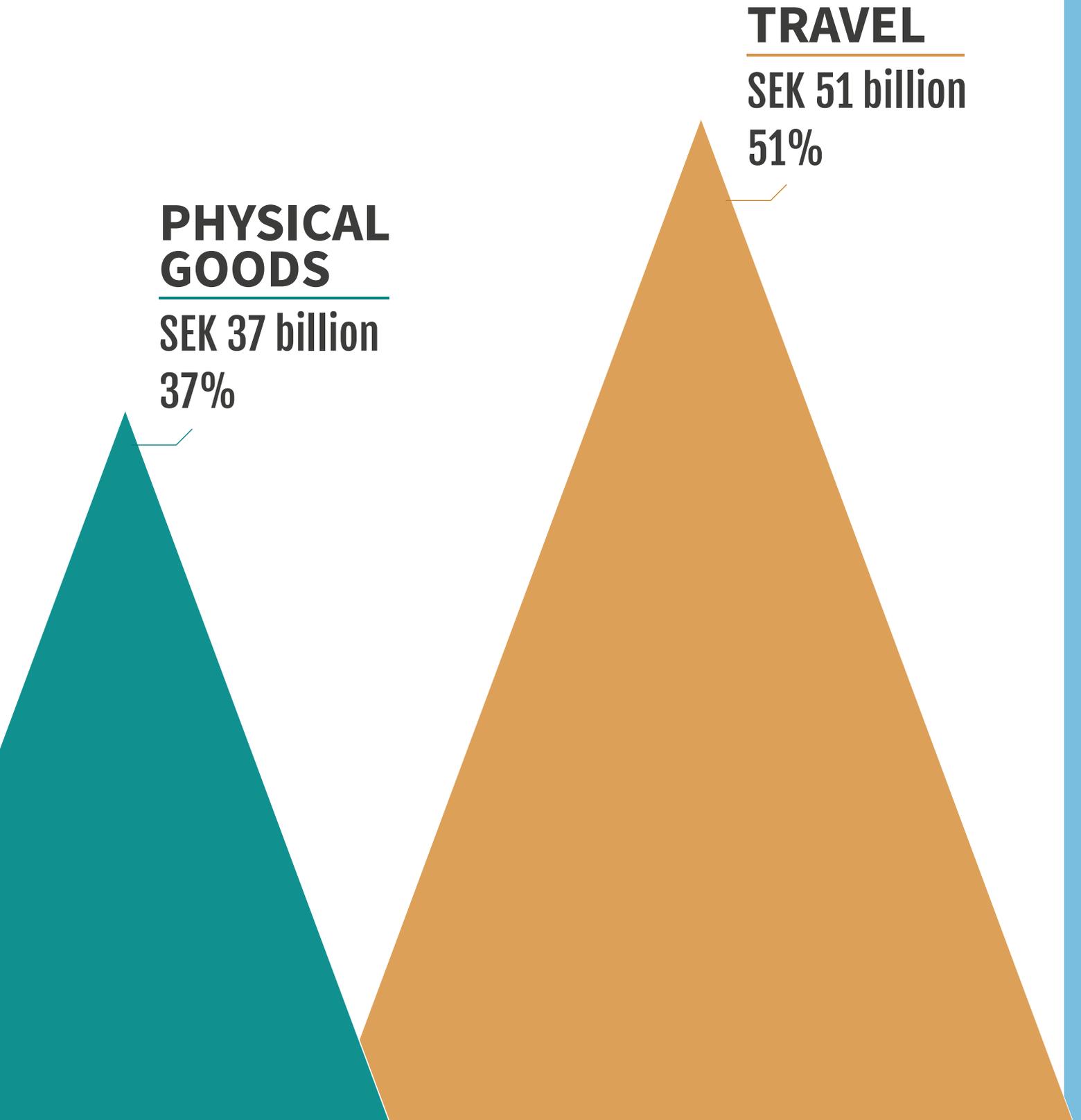


E-COMMERCE IS MADE up of increasingly different types of goods and services but still consists primarily of travel. Yet travel's proportion of the total market in Sweden is increasing, despite the increase in number of industries starting to sell online. In 2016, travel accounts for just over half of all online spending in Sweden, followed by physical goods with more than a third and services with just over a tenth. This entails a share of turnover of approximately SEK 51 billion for travel, SEK 37 billion for physical goods and SEK 12 billion for services. If recent times hadn't been so strong for travel in Sweden the travel industry's share would probably have decreased, as we nowadays buy everything online. Industries and services that have been very strong in recent times are gambling in the form of casino, poker and betting, media, entertainment and even online newspapers. And within physical goods, food, body and health products and building materials have increased strongly, the latter albeit from low levels.

Beginning with this year's report, DIBS will describe the various categories as detailed as possible, as presented in the following pages. ■

SERVICES
SEK 12 billion
12%

DISTRIBUTION



PHYSICAL GOODS

SEK 37 billion

37%

TRAVEL

SEK 51 billion

51%

TRAVEL

– the largest market segment

51%



The reason the travel industry accounts for such a large part of e-commerce is natural. In addition to the fact that it costs a great deal to travel, the travel industries were early in moving their business online. As travel is not a tangible product, which neither needs to be tested nor delivered, and the consumer can compare prices and do research on their destinations simultaneously. It is now natural and simple to buy a train journey online or download a bus pass.

51

SEK billion is the annual turnover for travel

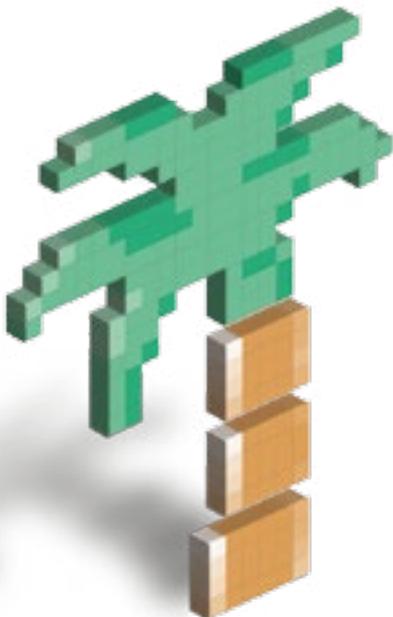
9%

increase since last year

THE TRAVEL INDUSTRY'S share of the total e-commerce market has grown strongly compared to last year. From 42 percent to 51 percent market share this year. That is to say, a little over half of all turnover – SEK 51 billion - consists of travel. Within travel, package tours is the largest category with more than a third of sales, followed closely by air travel. Hotels come in at a strong third with just over a fifth of the turnover. These three categories together account for nearly half of all online trade.

So despite increased terrorism and civil unrest around the world Swedes still travel like never before. But this is not that surprising: Sweden has had a good economy recently and is, according to the National Institute for Economic Research, in the midst of a boom. Employment ratio is high, businesses are doing well, and it's inexpensive to borrow money. There is also a price war in air travel and hotels, the travel industry is struggling with low margins and they earn their money mainly on add on services such as insurance and car hire. It is a challenge to stand out and offer added value when consumers are primarily chasing prices. And no one has probably missed commercials on television for websites offering to search

and book hotels or airfares, all of which have been catalysts for increased travel. In addition to the three major types of travel, there are, of course, both train and bus journeys around the country as well public transport. Many Swedes travel this way frequently but because it's not as costly as air fares it makes up a minor part of the total sales in the travel category. Taxis are the least bought online or through apps, with only a percentage of the sales. This still represents nearly half a billion SEK. This is a rather hefty increase compared with just some years ago when people didn't pay online for taxi services at all. ■



THE TRAVEL SEGMENT IN DETAIL

The table shows the distribution of the entire segment. On the following page we take an in-depth look at four types of travel, the two largest and the two that we find especially interesting at the moment.

| | Share of travel turnover | Turnover (BN SEK) | How many buy | Spend most  | Spend least  | | |
|--|--------------------------|-------------------|--------------|--|---|---|-------------|
| | | | | Gender | Age group * | Gender | Age group * |
|  Package tours | 35% | 17,7 | 11% |  | 55-65 år |  | 15-24 år |
|  Flight tickets | 33% | 16,9 | 25% |  | 45-54 år |  | 15-24 år |
|  Hotel | 21% | 11 | 25% |  | 35-44 år |  | 15-24 år |
|  Train and bus | 5% | 2,6 | 22% |  | 15-24 år |  | 66-74 år |
|  Rental car | 2% | 1,2 | 5% |  | 66-74 år |  | 55-65 år |
|  Taxi | 1% | 0,5 | 8% |  | 25-34 år |  | 66-74 år |

* both men and women

THE TABLE SHOWS HOW THE **TRAVEL** SEGMENT IS DISTRIBUTED:

Share of travel turnover refers to the share of consumer spending online according to travel type (of the total segment).

Turnover is how much consumers spend online, in SEK, within each category type.

How many buy is the share of consumers who purchased the travel type online between January and April.

A CLOSER LOOK AT FOUR TRAVEL CATEGORIES

PACKAGE TOURS



Package tours is the largest travel type with over a third of the travel turnover, nearly SEK 18 billion. It is also the single largest type of all, and although not that many buy package tours - about one in ten Swedes - on the other hand, it is costly. In addition to the before mentioned reasons, many Swedes still have last year's cold summer fresh in their memory, and want to guarantee a sunny summer. The eldest consumers spend the most money on this, as well as those with the highest income, not unexpectedly. But we can't help busting a myth: it is consumers in Stockholm who spend, on average, most money on package tours, not rural residents. People do not book package tours on their mobiles to any significant degree, which is understandable because a big screen is preferable when examining destinations.



Family demographic* who
Spend the most: Senior citizens - SEK 3260 on average**
Spend the least: Pre family - SEK 1030 on average**

FLIGHT TICKETS



Flight tickets is the second largest with a third of sales, almost SEK 17 billion. One in four Swedes shop flight tickets online - but it's cheaper than ever to fly, which affects sales turnover. Previously mentioned reasons, as well as the price war, are driving this category, and a large number of Swedes visited the European Football Championship in France last summer. Men spend somewhat more than women, and mostly 45-55 year olds, families with older children, as well as high-income earners. The youngest spend of course the least which also applies to package tours. Flight tickets are bought more by mobile than package tours, which is natural as a flight ticket contain less information and many booking sites are very mobile friendly. And several airlines have apps.



Family demographic* who
Spend the most: Adult families - SEK 3630 on average**
Spend the least: Pre family - SEK 1410 on average**

TRAIN AND BUS



Train and bus travel around the country accounts for just over SEK 2 billion of the turnover. Many Swedes use this way of travel, but due to low prices it represents a minor part of the travel turnover. Bus and train companies have become increasingly better at e-commerce, mostly through apps. And within public transport, which is beginning to take off, SL has launched its new app in Stockholm and Västtrafik has made a success with their new app in Gothenburg. For regional rail and bus services, we see that it is the youngest consumers who spend the most on this, actually three times as much as 66-74 year olds, who are the ones who spend the least. More than half of this is from mobile devices, mostly mobile phones. I



Family demographic* who
Spend the most: Pre family - SEK 410 on average**
Spend the least: Senior citizens - SEK 130 on average**

TAXI



Taxi services are the least bought online or through the app, with only a percent of sales. This is still nearly half a billion SEK which is a pretty hefty increase from just a year ago when people didn't pay online for taxi services at all. Uber, which has become a real challenger in the industry with its distinctive services, which are completely app driven. Uber has dominated so far, but several taxi companies have recently launched their own apps and more are underway, and we think this will continue to develop strongly. Males and those in the 24-34 age group spend the most on taxi online, while women and the eldest spend the least. In addition, two thirds of those who purchase taxi services online do so from their mobile phones, this is the highest share out of all products and service types.



Family demographic* who
Spend the most: Adult families - SEK 80 on average**
Spend the least: Active empty nesters - SEK 40 on average**

* For more on consumer demographics, go to page 38-41 ** Average per three months



PHYSICAL GOODS

37%



– continued growth through new product categories

Physical goods are what people primarily associate with e-commerce. At the beginning of e-commerce development people bought their products online because it was usually cheaper, while now it is because it's easy and saves time. Fashion online has grown strongly by continually making it easier for consumers with good technical solutions to visualize the clothes and free shipping and returns. The benefits of buying goods online is saving time, comparing prices and being able to research complex products such as electronics.

SEK 37

BILLION
Annual turnover for
physical goods

3%

increase
since last year

PHYSICAL GOODS' SHARE of total sales increased slightly compared with last year. From 34 percent last year to 37 percent this year. Thus, goods account for over a third of all sales – SEK 37 billion. Unsurprisingly, the categories of car, boat and motorcycle holds the largest share of turnover, with almost a quarter of sales, i.e. SEK 8 billion, despite the fact that barely one in ten Swedes buy within the category. The second largest is the traditionally strong e-commerce category electronics, with nearly one fifth of the turnover. And almost a third of all Swedes bought this online. Fashion – that is, clothing, shoes and accessories – is the third largest in the goods segment with 15 percent of the sales. Fashion accounts for about SEK 5.7 billion of sales and is by far the category most consumers buy: half of all Swedes bought this online; followed by home furnishings, which is also purchased by many but only represents just over a tenth of sales turnover. Groceries, which is growing and holds several successful examples, have now been purchased online by almost one-fifth of Swedes, but is not that large in terms of turnover. The grocery industry is maturing with many large chains moving online. Body and health is the second

most bought with just over 40 percent buying the category online. This percentage of sales is somewhat modest.

Physical goods are dependent on the economy, just like travel: when the economy is good and people have jobs and wages people buy more. But trade in goods online has the opportunity to become increasingly independent of the economy: clothing and food is always need, just like body and health products. And people can shop around more easily online because it's easy to compare prices online through price comparison sites. Some of the pros of buying groceries online, besides convenience, is that all meals are included, while our weakness "impulse shopping" when in the grocery store is avoided. ■



THE PHYSICAL GOODS SEGMENT IN DETAIL

The table shows the distribution of the entire segment. On the following page we take an in-depth look at four types of goods, the two largest and the two that we find especially interesting at the moment.

| | Share of physical goods turnover | Turnover (BN SEK) | How many buy | Spend most  | | Spend least  | |
|--|----------------------------------|-------------------|--------------|--|------------|---|------------|
| | | | | Gender | Age group* | Gender | Age group* |
|  Car, boat & motorcycle | 23% | 8,8 | 7% |  | 66-74 år |  | 35-44 år |
|  Home electronics | 18% | 6,6 | 29% |  | 35-44 år |  | 66-74 år |
|  Fashion | 15% | 5,7 | 50% |  | 35-44 år |  | 66-74 år |
|  Home furnishings | 11% | 4 | 24% |  | 35-44 år |  | 66-74 år |
|  Food & groceries | 9% | 3,2 | 17% |  | 35-44 år |  | 66-74 år |
|  Body & health | 7% | 2,6 | 41% |  | 66-74 år |  | 55-65 år |
|  Physical media | 5% | 1,8 | 38% |  | 35-44 år |  | 66-74 år |
|  Sport & leisure | 4% | 1,5 | 15% |  | 35-44 år |  | 66-74 år |
|  Building materials | 4% | 1,5 | 6% |  | 55-65 år |  | 15-24 år |
|  Children's toys | 3% | 1 | 16% |  | 35-44 år |  | 66-74 år |

* both men and women

THE TABLE SHOWS HOW THE *PHYSICAL GOODS* SEGMENT IS DISTRIBUTED:

Share of goods turnover refers to the share of consumer online spending according to each category (of the total goods segment).

Turnover is how much consumers spend online, in SEK, within each category type.

How many buy is the share of consumers who purchased the category type online between January and April.

A CLOSER LOOK AT FOUR TYPES OF GOODS

CAR, BOAT AND MOTORCYCLE



Car, boat and MC represent the largest category with nearly a quarter of the turnover in the physical goods segment, i.e. SEK 8 billion. Although only one in ten Swedish consumers buy this category online. This can be explained by a generally strong phase for car sales recently and possible that some respondents count their purchases on online peer-to-peer auction sites as e-commerce. More commonly however, is smaller purchases such as spare parts and other accessories for cars, motorcycles and boats. Not surprisingly, men spend the most money on this – about six times more than women. The top spenders are the eldest age groups, perhaps due to a higher interest in the category in general.



Family demographic* who
Spend the most: Senior citizens - SEK 1970 on average**
Spend the least: Active empty nesters - SEK 300 on average**

ELECTRONICS



The traditionally strong e-commerce category electronics is the second largest within the physical goods category with nearly a fifth of the turnover, more than SEK 6 billion. Almost one-third of the Swedes buy electronics online. This is natural, since the Swedish people are tech-friendly and the advantages of comparing prices and doing research online is especially strong in this category. Technology often requires fairly long textual explanations, and it often pays off to browse for the same product at a cheaper price. Again, it is the men who spend the most on electronics, more than twice as much as women. The elderly spend the least. People living in cities also stand out; perhaps there is more gadget hype in cities than rural areas.



Family demographic* who
Spend the most: Adult families - SEK 1120 on average**
Spend the least: Senior citizens - SEK 570 on average**

FASHION



Fashion, namely clothing, shoes and accessories, is the third largest category with 15 percent of sales. This category, which accounts for about SEK 5 billion in sales, is also most commonly purchased online out of all products and surveys in this report. Half of all Swedes purchasing fashion online. Again, it is not surprising that women the most on fashion, nearly twice as much as men. Young families and the age group 34-44 stand out in terms of high spending, probably due to hectic lives and the convenience of online shopping.



Family demographic* who
Spend the most: Young families - SEK 970 on average**
Spend the least: Senior citizens - SEK 270 on average**

BODY AND HEALTH



The Body and health products' share of sales is modest, only 7 per cent, but it still represents almost SEK 3 billion. This type of goods is the second most bought in all categories; four out of ten Swedes bought this online. Only fashion is more frequently bought online. This type of product has increased significantly in recent times, especially after the state run pharmacy monopoly ended and basically all pharmacy chains started selling online. Women spend a lot more than men on this category, more than half of all women have bought body and health products online. Clearly the biggest spenders, however, are the elderly, probably because they need pharmacy and health products more. The convenience of home delivery is a an advantage compared to making your way to the pharmacy.



Family demographic* who
Spend the most: Senior citizens - SEK 510 on average**
Spend the least: Active empty nesters - SEK 240 on average**

* For more on consumer demographics, go to page 38-41 ** Average per three months



SERVICES

– a segment of high potential

12%



The online services segment includes many of the more recent e-commerce categories such as digital media and online casino and betting. The services segment is the smallest in terms of turnover, yet we predict a great growth opportunity. This is due the digital revolution opening up to new categories within services. We believe that the category will grow rapidly due to the many possibilities that e-commerce brings, as we have witnessed within the parking industry, for example.

SEK **12**

BILLION
Annual turnover for
the services segment

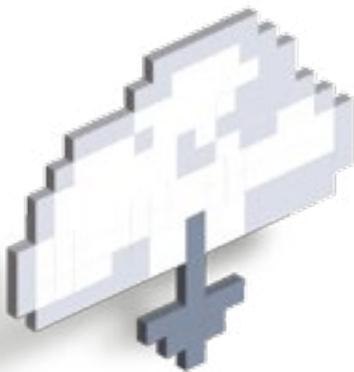
EVEN AS THE smallest segment, services still represent just over SEK 12 billion in sales. Within the segment, online gambling such as betting, casino and poker represents the largest share with over a third of the services turnover, although only 15 percent of Swedes spend money on online gambling.

Online tickets to events however, is commonly purchased by more than one third of Swedish consumers and ticket sales account for almost one third of the turnover within the services segment. The third largest category is telecommunication, that is, subscriptions and refills of prepaid cards, with 10 percent of sales turnover. The telecom category is usually purchased on a regular basis, which adds up to a fairly large sum. The second most commonly purchased category within services is digital media, almost a third of the Swedes buy digital media online and the category represents a tenth of the turnover of services. Learn more about how Swedes prefer to consume media and computer games on page 24.

Other services which so far stands for a smaller portion of sales are memberships (such as online dating,

gym and associations) and parking. The latter is purchased by almost a fifth and naturally represents a small part of the turnover due to low prices.

Services such as online games and travel, are well established but towards a limited target group who gamble or travel. As our society becomes more digital, we are likely to see a very high growth in the services segment. This may be for example charging digitally for public services such as daycare fees, hospital fees or building permits. ■



THE SERVICES SEGMENT IN DETAIL

The table shows the distribution of the entire segment. On the following page we take an in-depth look at four types of services, the two largest and the two that we find especially interesting at the moment.

| | Share of services turnover | Turnover (BN SEK) | How many buy | Spend most  | Spend least  |
|---|----------------------------|-------------------|--------------|---|---|
| | | | | Gender  Age group* | Gender  Age group* |
|  Online gambling | 34% | 4,1 | 15% |  35-44 år |  56-74 år |
|  Online tickets | 29% | 3,5 | 36% |  45-54 år |  15-24 år |
|  Telecom | 10% | 1,2 | 19% |  55-65 år |  15-24 år |
|  Digital media | 9% | 1,1 | 31% |  25-34 år |  45-54 år |
|  Memberships | 7% | 0,9 | 13% |  25-34 år |  35-44 år |
|  Education & courses | 5% | 0,6 | 5% |  15-25 år |  35-44 år |
|  Erotica | 3% | 0,4 | 19% |  45-54 år |  15-24 år |
|  Parking | 2% | 0,3 | 17% |  25-34 år |  15-24 år |

* both men and women

THE TABLE SHOWS HOW THE **SERVICES** SEGMENT IS DISTRIBUTED:

Share of services turnover refers to the share of consumer online spending according to each category (of the total services segment).

Turnover is how much consumers spend online, in SEK, within each category type.

How many buy is the share of consumers who purchased the category type online between January and April.

A CLOSER LOOK AT FOUR TYPES OF SERVICES

ONLINE GAMBLING



Online gambling, which includes casino, poker and betting, is clearly the largest category within the services segment in terms of turnover. Swedes spend SEK 4 billion on this, even though only one in ten Swedes engage in online gambling. The industry has grown very strong online TV commercials about online gambling sites are frequent. Twice as many men as women are gambling online and the men spend ten times more than women. As is often the case with gambling, it is those with the lowest income who gamble more often and spend more money. There is also an over-representation in northern Sweden where consumers spend between ten and twenty times more on gambling than the rest of Sweden.



Family demographic* who
Spend the most: Young families - SEK 2260 on average**
Spend the least: Adult families - SEK 130 on average**

TICKETS



Many Swedes buy tickets to various events online – more than one third of the population. This type of service also accounts SEK 3.5 billion in turnover. The big ticket sales companies now have apps that allow you to buy tickets smoothly – you just need to show your phone when attending an event. Interestingly, for all different demographic groups, this is about the same, around a third. High-income earners and city dwellers are distinguished, however, by the fact that almost every other person in this group buy tickets online. Men spend more than women and young spending families spend the most as well as the age group 55-65 years. The youngest consumers spend the least, about half as much as other groups.



Family demographic* who
Spend the most: Young families - SEK 630 on average**
Spend the least: Pre family - SEK 290 on average**

TELECOM



Telekom, i.e. subscriptions and prepaid cards, is the third largest, with one-tenth of the turnover, or just over a billion SEK. Refilling the cell phone needs to be done regularly but usually not at large sums. Again, it is interesting that about the same share across all demographic groups are buying this online. For example, 20 percent of the youngest and 19 percent of the oldest. Adult families also stand out, with twice as much spending as others, suggesting that parents top up the mobile phone for their children. Read our case on the page 16 for more on telecom.



Family demographic* who
Spend the most: Adult families - SEK 270 on average**
Spend the least: Pre family - SEK 110 on average**

ONLINE ADS



Advertisement expenses such as eBay, Blocket and Tradera represent a very small portion of the turnover, not even one percent. It is however, a commonly purchased category, around one in five Swedes buy online ads. The cost of ads is low, which explains the low turnover. Within the category, we see several market challengers who will surely change the price structure, in which Blocket has dominated the Swedish market thus far. For example, Schibsted launched a competitor to their own website Blocket, and more marketplaces for trading products and services via apps have been launched lately.



Family demographic* who
Spend the most: Young and adult families - SEK 60 on average**
Spend the least: Pre family and senior citizens - SEK 30 on average**

* For more on consumer demographics, go to page 38-41 ** Average per three months

888000

**SPECIAL
EVENT**

ADMIT ONE

SUBSCRIPTION SERVICES

Subscription services such as tv- and music streaming services and pre-packed grocery bags have become well established on the Swedish market in the last few years. Improved technology makes a wide range of high quality online music and tv available at a low monthly cost - unlimited and legal. Pre-packed grocery bags delivered regularly makes life easier for many families. And companies offering subscription services enjoy regular sales income and strengthened customer loyalty.

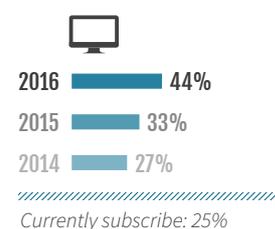
Swedes have clearly embraced paying for tv- and music streaming, around one third of consumers pay monthly for available services such as HBO, Netflix or Spotify. All the while the music and film industry have gone from losing money to illegal downloading to making money by adapting to new changing consumer behavior.

To pay for online newspapers has also begun to develop. Newspapers have suffered financially in the last few years and it is challenging to convince consumers to pay for news that were initially free. However, this is slowly changing, globally and in Sweden. For example, Swedens largest newspaper Dagens Nyheter have increased their online subscribers base by 5 000 per month.

% | Share who have subscribed |

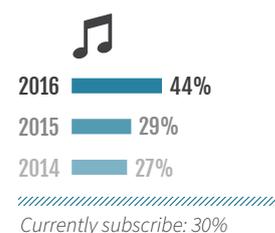
TV/VIDEO STREAMING

Do you spend hours on end on your favourite TV series? You are not alone. Nowadays almost half of Swedish consumers have paid monthly for TV/video streaming at some point. This is a large increase compared to last year. One in four Swedes subscribe right now. Young families are the most frequent subscribers; more than four out of ten do so. The eldest age group are least likely to subscribe to TV/video streaming, even though growth is steady in this age group as well. As the popularity of these services is growing, we are likely to see an even wider and more refined range of TV shows and movies for all generations.



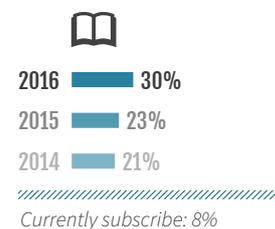
MUSIC STREAMING

Music streaming roughly follows the same pattern as TV/video streaming and has the same share of users. As with TV/video streaming, half of all Swedes have subscribed to music streaming services and almost one third currently do so. Consumers seem to be more loyal to their chosen music service than their online video/TV streaming platform – this is probably because you finish watching a TV series and then switch to another service. On the other hand music streaming services offer a very wide selection that is more than enough. The youngest up to 34 years old use this service the most and almost half of the consumers in this age group currently subscribe to a music streaming service.



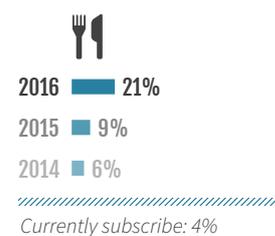
NEWSPAPERS

Newspapers have struggled with generating profit for some time now and consumers are used to free news online. However, our survey suggests that this is changing. Almost one out of three Swedes have paid monthly for an online newspaper at some point and ten percent are doing so currently. The pattern among the age groups is opposite to TV and music streaming. It is clear that the share of consumers who buy online newspapers increases with age. We are yet to see if young consumers will follow.



GROCERIES

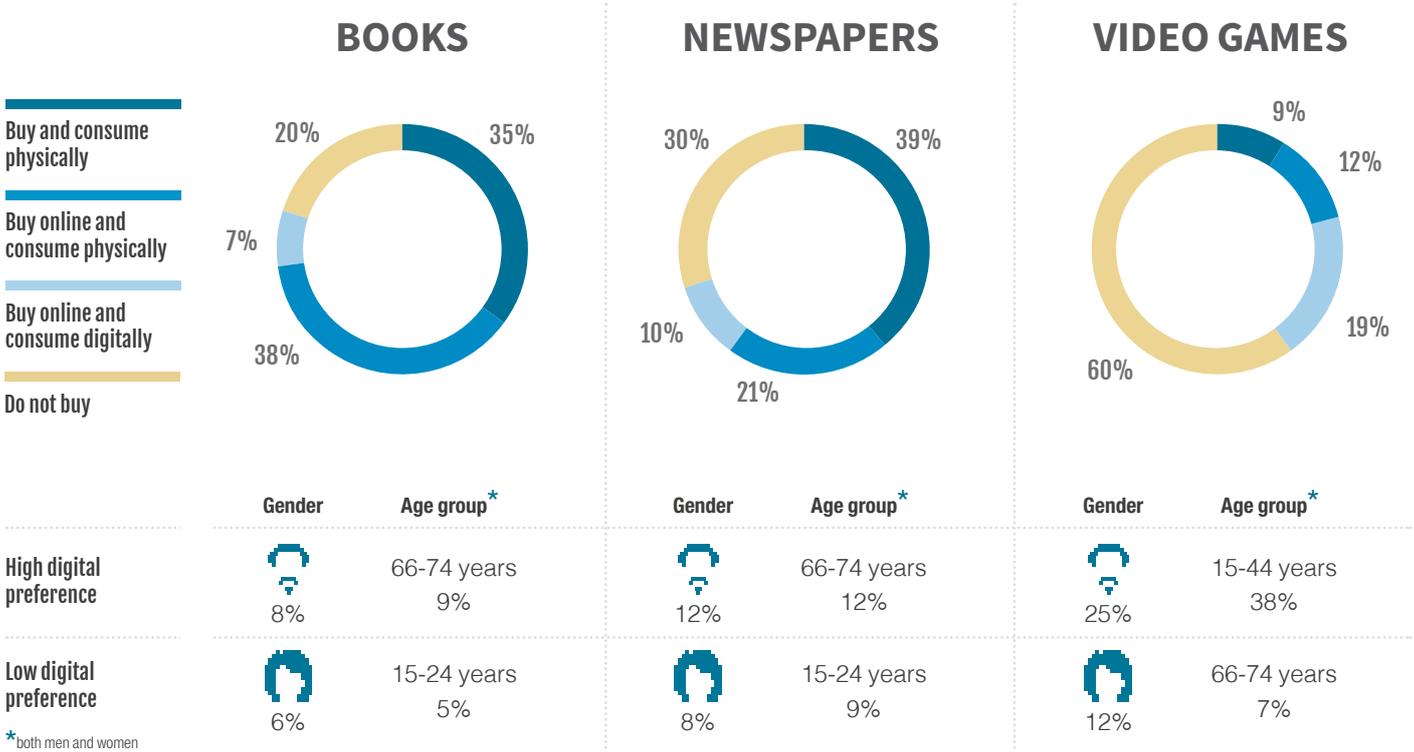
Buying pre-packed groceries online is something that many of us now have tried - more than one in five people. And although the four percent that does this right now appears to be low, this is still about 300 000 Swedes. Young families juggling are the most frequent buyers, one out of ten consumers in this group currently subscribe to regular grocery deliveries. Consumers in Stockholm also stand out, which is probably due to many available options combined with more daily stress.



THE MEDIA AND VIDEO GAMES ON THE INTERNET

People have been buying books, magazines and video games on the internet for a long time. However, the trend has changed dramatically in recent years, and yet again digitalisation is the strongest drive. The large video game players offer services that not only provide information about games, but also let people play for free and download new games. Some things, however, don't change.

% | How do you prefer to buy and consume the following products? |



*both men and women

One area that hasn't changed is books, where less than 10 percent of Swedish consumers want to read them digitally. Regardless if buying books in physical stores or online, it seems like people in general would rather curl up with a physical book, or bring it for a trip, than read it on a tablet. Books is also the area where the highest share of people prefer buying online – almost half of the Swedish population. Women aged 35-44 prefer it the most.

People still prefer reading physical newspapers too, as only 10 percent prefer buying and reading online. What is interesting is that there is almost no difference between any demographic groups, i.e. Swedish people cling to physical books or newspapers. Women, the youngest demographic and those living in the north, prefer this the least of all, even if the youngest demographic also buys newspapers to a smaller extent than the average.

Video games, however, is the category that has become most digital. Almost 20 percent of the Swedish population prefers buying games solely online. The cloudification in this category is thus very extensive, and lots of people play games. Almost a third of the Swedish population buys games online, where the most common consumers are men, unsurprisingly, and the youngest demographic up to 34 years of age. However, everyone buys and plays video games nowadays, both men and women alike, and in all age groups.



CONSUMERS

Swedish consumers are a large and financially strong group. Internet penetration is high and consumers are tech-savvy, which are great conditions for e-commerce.



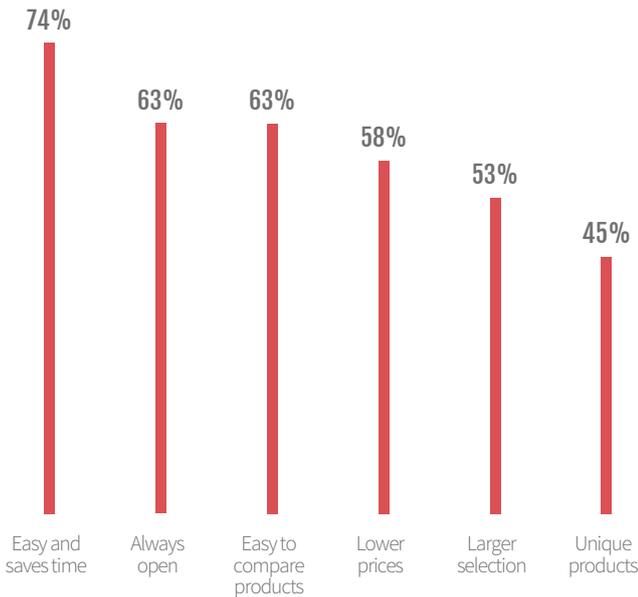
Population age 15-74

7.3 million

95%
internet penetration

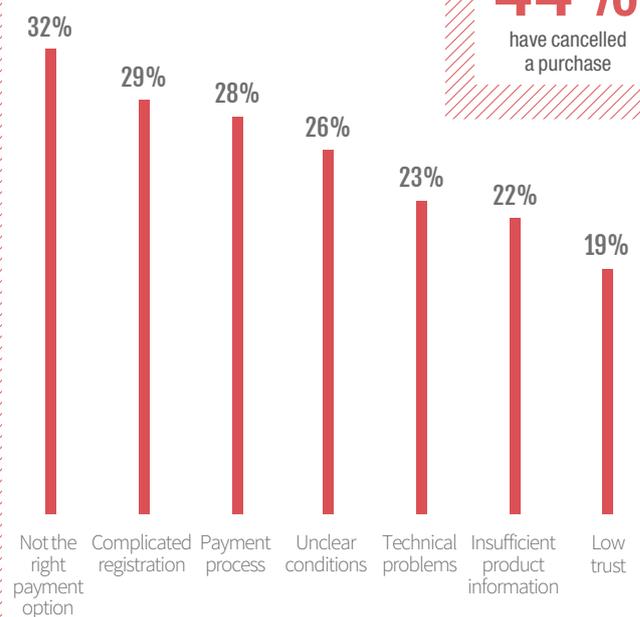
8 of 10
have a smartphone

% | Why do you shop online? |



The reason why consumers shop online has gone from saving money to convenience, which is now the most common reason. The fact that online stores are always open and that comparing is easy also motivate consumers.

% | Why did you cancel the purchase? |



More than four out of ten Swedes have cancelled an online purchase during the last three months. A third of consumers state that their preferred payment method was missing as the reason why. Complicated registration, problems with the payment and unclear conditions are other common reasons for cancelling a purchase. As online shopping increases, so do consumer demands, see page 15 for advice on how to meet these demands.

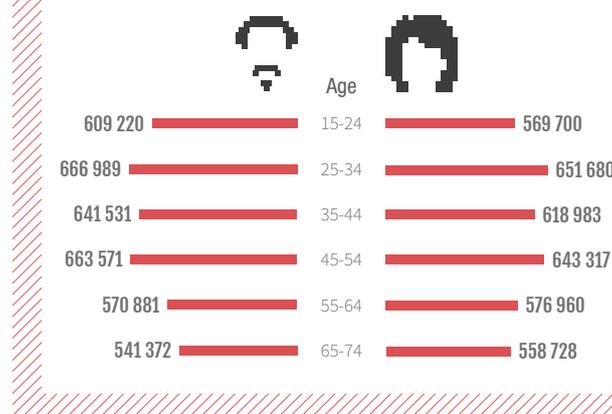
MEN AND WOMEN

In this section we explore the online shopping behaviour and demographic groups.

We will start with men and women. The coloured numbers show the changes from last year.

| |  |  |
|--|---|---|
| Shop occasionally (up to 10 times per 3 months) | 77% | 75% |
| Shop often (more than 10 times per 3 months) | 12% | 14% |
| Shop via mobile device | 48% 6% | 53% 12% |
| Shop via smartphone app | 24% 4% | 21% 7% |
| Have cancelled a purchase | 43% 7% | 46% 5% |
| Shop from foreign online stores | 45% -1% | 32% -1% |
| Prefer card payment | 44% -4% | 34% 1% |
| Prefer online bank payment | 21% 0% | 25% -2% |
| Prefer invoice | 19% 1% | 28% -2% |
| Prefer card payment on mobile | 42% -8% | 38% -2% |
| Prefer online bank payment on mobile | 15% 2% | 21% 2% |
| Prefer invoice on mobile | 19% 1% | 27% 1% |

Swedish consumers divided by men, women and age groups



MEN

There are approximately 3,7 million Swedish men between the ages of 15-74. The largest group is 25-34 with almost 670 000 men. The smallest group is 65-74 years old with about 540 000 men. Men shop online as much as women, but with a slightly smaller share who shop often. Men tend to buy more travels, electronics, digital media and online gambling than women do. Surprisingly, men also spend more on home furnishings than women.

WOMEN

There are 3,6 million women in Sweden ages 15-74. The largest group is 25-34 years old with 650 000 women. The smallest group is 65-74 years with almost 560 000 women. Women shop online as much as men do, but slightly more women shop often. Women tend to buy more public transport, fashion, body and health and children's toys.

AGE GROUPS

On this page we will take a closer look at consumer behaviour in different age groups. See the number of consumers in each age group on the previous page. Online shopping is clearly for everyone. Also among the older consumers who have developed strongly in the last few years. The coloured numbers show the changes from last year.

| Age | 15-24 | 25-34 | 35-44 | 45-54 | 55-64 | 65-74 |
|--|------------|-------------|-------------|------------|------------|-------------|
| Shop occasionally (up to 10 times per 3 months) | 74% | 80% | 78% | 78% | 75% | 72% |
| Shop often (more than 10 times per 3 months) | 14% | 15% | 15% | 12% | 12% | 6% |
| Shop via mobile device | 52% 5% | 63% 2% | 62% 9% | 53% 11% | 39% 17% | 27% 10% |
| Shop via smartphone app | 23% 1% | 31% 5% | 26% 4% | 24% 8% | 14% 6% | 12% 9% |
| Have cancelled a purchase | 44% 4% | 53% 14% | 50% 6% | 44% 7% | 40% 3% | 30% 2% |
| Shop from foreign online stores | 43% -2% | 42% -10% | 48% 6% | 40% 1% | 30% -3% | 24% 2% |
| Prefer card payment | 43% -1% | 44% 0% | 41% -3% | 37% 1% | 36% 1% | 32% -9% |
| Prefer online bank payment | 18% -6% | 21% -2% | 19% -2% | 28% 2% | 27% -2% | 27% 2% |
| Prefer invoice | 19% 0% | 20% 0% | 22% -1% | 22% -4% | 29% 2% | 34% 2% |
| Prefer card payment on mobile | 44% -5% | 45% 3% | 40% -11% | 40% 0% | 31% -6% | 33% -15% |
| Prefer online bank payment on mobile | 14% -3% | 16% 3% | 17% 6% | 21% -1% | 14% -2% | 36% 11% |
| Prefer invoice on mobile | 22% 8% | 16% -10% | 26% 5% | 23% 2% | 36% 9% | 24% 0% |

FAMILY SITUATION

On this page we look further into family demographics.

The coloured numbers show the changes from last year and the family groups are explained at the bottom of this page.

| | Pre family | Young family | Adult family | Active empty nesters | Senior citizens |
|--|------------|--------------|--------------|----------------------|-----------------|
| Shop occasionally (up to 10 times per 3 months) | 77% | 76% | 78% | 77% | 70% |
| Shop often (more than 10 times per 3 months) | 13% | 20% | 12% | 11% | 8% |
| Shop via mobile device | 53% 5% | 69% 1% | 58% 12% | 43% 15% | 26% 8% |
| Shop via smartphone app | 24% 0% | 32% 10% | 26% 7% | 17% 7% | 9% 5% |
| Have cancelled a purchase | 47% 8% | 53% 8% | 48% 7% | 38% 2% | 34% 4% |
| Shop from foreign online stores | 45% -2% | 41% -2% | 42% 1% | 33% -1% | 24% -1% |
| Prefer card payment | 44% -1% | 42% -6% | 38% 3% | 37% 1% | 29% -8% |
| Prefer online bank payment | 19% -4% | 22% 8% | 25% -3% | 24% -3% | 30% 2% |
| Prefer invoice | 20% 2% | 21% -5% | 22% -2% | 27% -1% | 35% 4% |
| Prefer card payment on mobile | 45% -4% | 42% -4% | 37% -1% | 35% -7% | 30% -12% |
| Prefer online bank payment on mobile | 13% -1% | 17% 5% | 21% 3% | 20% 2% | 29% 0% |
| Prefer invoice on mobile | 21% 4% | 20% -5% | 22% -3% | 31% 6% | 36% 11% |

Pre family:

The person is 15-45 years old without children.

Young family:

The person has children living at home younger than 6 years old.

Adult family:

The person has children 7 years old or older living at home.

Active empty nesters:

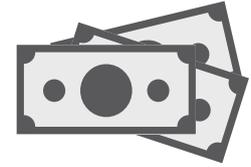
The person is 46 years old or older without children living at home and is active on the job market.

Senior citizens:

The person is 46 years old or older without children living at home and is in-active on the job market.

CROSS BORDER

SHOPPING IS FARILY CONSTANT



Swedish consumers continue to shop in foreign web shops.

This is a threat to Swedish merchants who are only active on the Swedish market.

However, it may also lead to opportunities, as e-commerce is global, and hopefully, our insights may help take advantage of them.

ALMOST EXACTLY THE same amount of people use foreign web shops this year as last year, and compared with the figures ten years ago, there is almost no difference – 37 percent and 39 percent respectively. So, what conclusions can be drawn? You could say that Swedish web shops have both succeeded and failed in competing with foreign web shops.

We've had a closer look in this year's report and will contribute starting this year with deeper insights into how and why Swedes buy from foreign online stores – and why they don't. Men aged 35-44 use foreign web shops the most, almost 50 percent. Women use web shops the least, 35 percent, and the oldest demographic represents just under 25 percent. What stands out are rental cars, along with clothes and accessories, where 46 percent and 42 percent respectively have been purchased in a foreign web shop.

WHY SWEDES BUY FROM FOREIGN ONLINE STORES

The main reason for shopping abroad is the price, as stated by almost two thirds of the Swedish population. The second most common reasons are that certain products are not available in Swedish web shops – 50 percent – as well as an overall greater product range – 40 percent. There are no clear differences between demographic groups. What stands out, though, which is somewhat troubling for Swedish web shops, is that the youngest groups cite "more trust" as one reason to use foreign web shops. Just over 10 percent of the respondents state this reason, but it is the highest figure across all groups.

WHY SWEDES DON'T SHOP FROM FOREIGN ONLINE STORES

Taking action on the previously mentioned information can be tricky for Swedish web shops. However, the reasons for not wanting to use foreign web shops are significantly clearer.

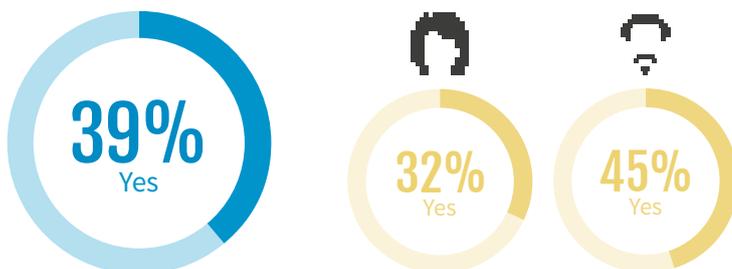
The main reason not to shop from a foreign web shop is uncertainties regarding consumer rights. Just over 40 percent of Swedish people mention uncertainty with regards to warranty and return policies as the reasons. Also, uncertainties regarding import duty and VAT, as well as general payment and shipping conditions are also key factors.

Difficulties with returning products is obviously one of the main reasons, as stated by almost 40 percent. Swedish web shops clearly have a big advantage here, especially so called omnichannel stores, where it is possible to collect or return products seamlessly between online and physical stores.

One interesting reason, which is stated by almost one third, is the practice of avoiding foreign web shops in order to support local companies. Foreign web shops will obviously never be able to challenge this issue, aside from trying to appear as Swedish, which a lot actually do. However, this is something Swedish web shops could use to their advantage. The youngest respondents feel this is the least important factor, while the oldest feel it is the most important one. Customer support in local language is also important for many people. ■

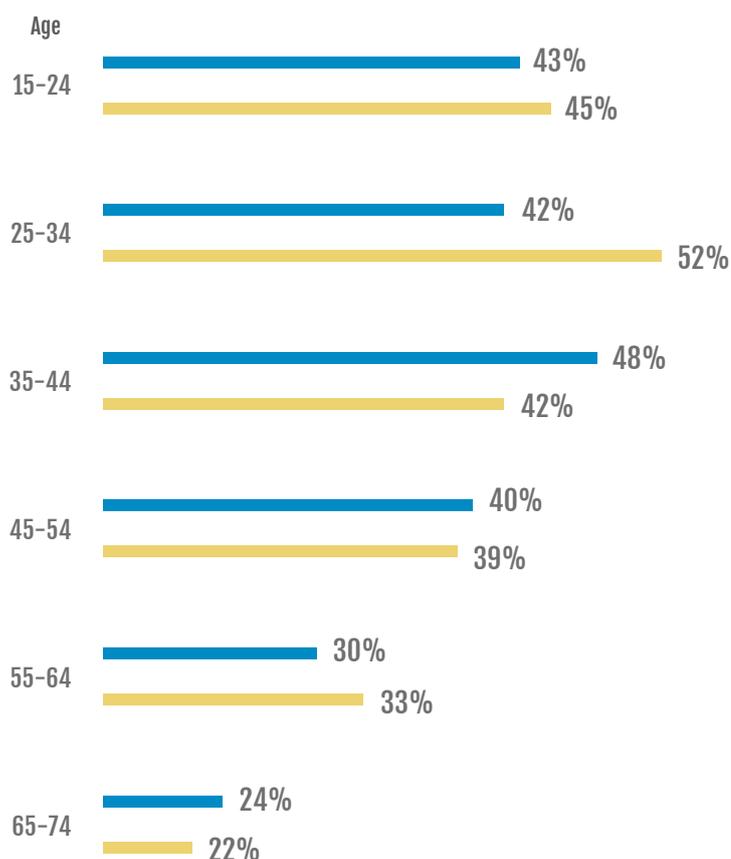
Cross border shopping is more common among men...

% | Do you shop from foreign online stores? |



Strong increase among consumers age 25-34

% | Do you shop from foreign web shops? | 2015 2016



So, what can Swedish web shops do to increase sales?

We have put together a "quick fix" guide that can help you with this.

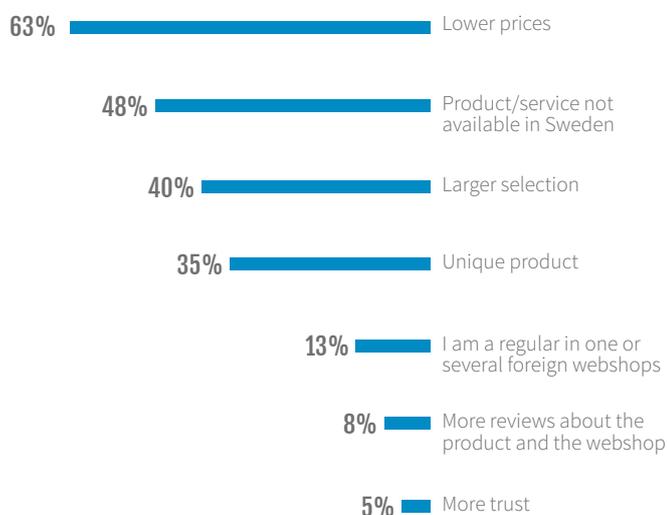
FOR SWEDISH CONSUMERS

- Identify which products many Swedes buy in foreign online stores and offer this. Even if the price is more reasonable abroad, a Swedish store has a great chance of beating competition based on previously mentioned reasons.
- Ensure it's clear that the web shop is Swedish. Many prefer to support Swedish web shops and perhaps by informing how the business contributes to society with taxes, environmental focus and work opportunities, this could potentially be the winning factor when competing for customers, as many stores sell the same products the same way and to approximately the same price.

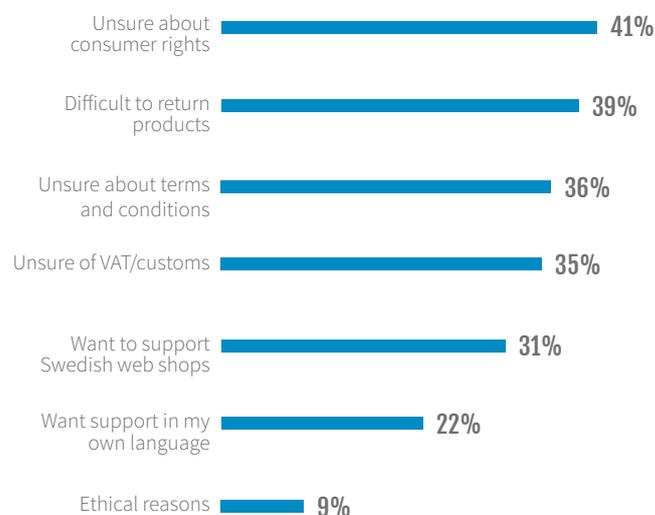
FOR FOREIGN CONSUMERS

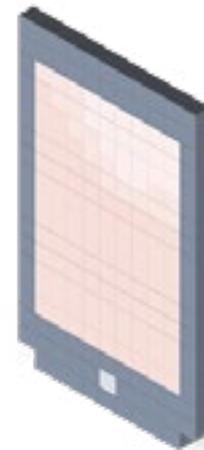
- Clearly indicate the terms and conditions for foreign customers, either in English or other languages. The terms and conditions include everything from customs and VAT, warranty and shipping to consumer rights.
- Find out which country your customers live in. Both for optimising the marketing but also finding which languages you should offer as well as understanding possibly relevant cultural aspects.
- Customise! Consider offering local support, in addition to local languages, currencies and payment methods.

Why do you shop from foreign online stores?



Why don't you shop from foreign online stores?





MOBILE SHOPPING HAS REACHED THE HALFWAY MARK

It probably hasn't escaped anyone that mobile phones are important for e-commerce. From when our phones became small computers with internet access, the development has continued rapidly with tablets, mobile-friendly websites, apps and mobile payment methods. In 2016, mobile e-commerce will reach a milestone by passing the 50 percent mark, i.e. more than half of the Swedish population is now shopping online via smartphones or tablets.

2016 WAS THE YEAR when mobile e-commerce passed the 50 percent mark – 51 percent, i.e. just over half of the Swedish population is now also using mobile phones or tablets to shop online. The number is now approaching four million Swedish consumers, which is somewhat historic, although not strange, since the trend has been strong for years. The percentage of people owning smartphones in Sweden has increased dramatically in recent years, and even if the increase has stopped, closer to eight out of ten people in Sweden own a smartphone according to the Study "The Swedes and the internet 2015". More than every second person owns a tablet, meaning internet access is almost 100 percent. This trend has both been created and spurred on by an increase in mobile-friendly websites, as well as apps and mobile-friendly payment methods. Also, when it is just as easy to shop online as from a computer, it creates an incentive for the industry to continue improving mobile shopping.

What is particularly interesting this year is that those who have previously lowered the average for mobile e-commerce are now increasing the figure – dramatically. The increase in the 55-65 demographic is some 17 percentage points, approaching 50 percent. The increase in the oldest age group is just as big, and represents the biggest jump in five years. A very large group of people – over two million – who also have great purchasing power and more time on their hands, have now begun to adopt online shopping via smartphones or tablets. We think targeting

450%
five year increase of
mobile shopping among
older consumers

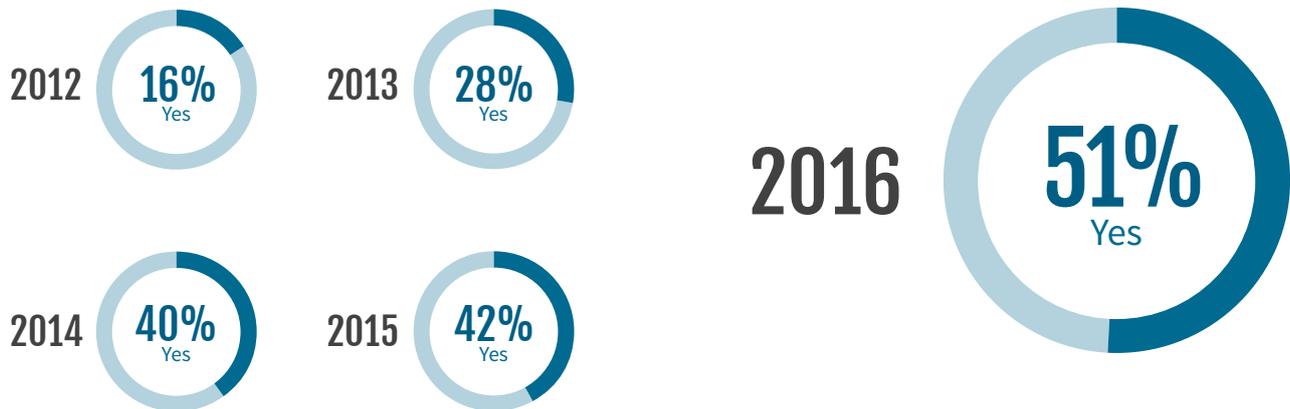
this age group could be a good idea.

Other age groups are also increasing. Only the 25-34 demographic is barely increasing at all, but only because the usage was already the highest of all age groups. Both the youngest and 45-54 age group reach 50 percent.

E-commerce from mobile devices is thus becoming increasingly important. Just in a few years, more people will use smartphones instead of computers, provided that the development continues at this rate. If a company plans to launch a web shop today, the mobile version is often developed first according to the "Mobile First" strategy. The new payment methods that have recently become available are best suited for mobile phones. ■

More than one out of two people shop online via mobile devices

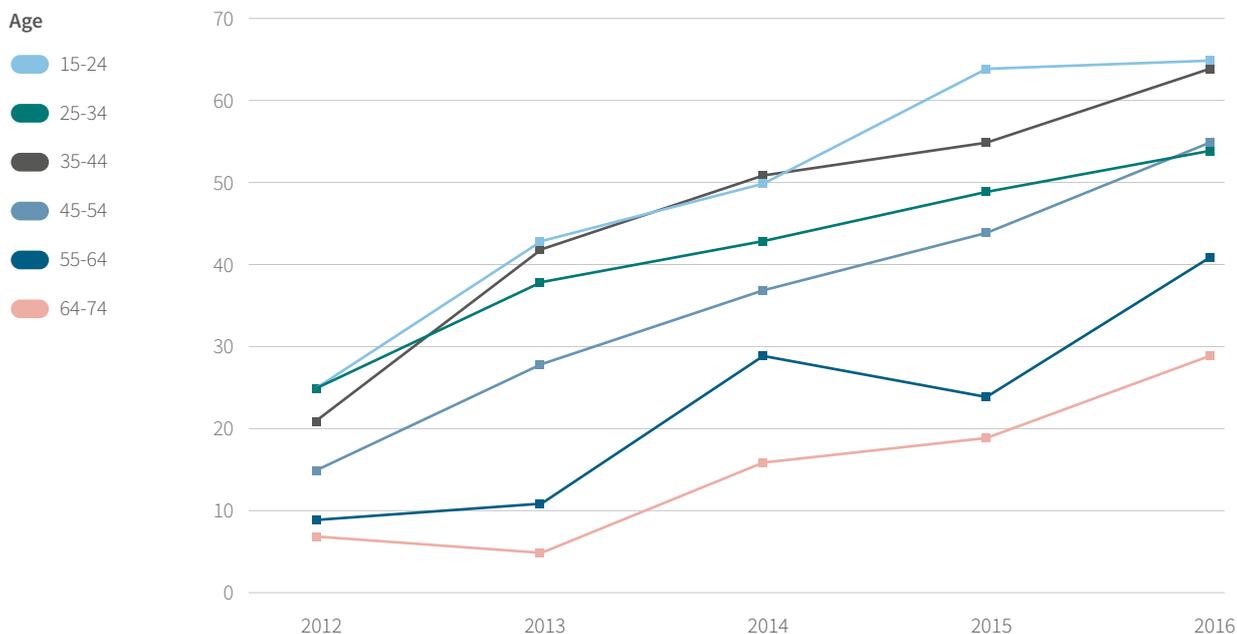
% | Have you purchased anything via your smartphone or tablet in the past three months? |



The trend in mobile e-commerce in Sweden has been strong for several years, increasing significantly this year – more than half of the Swedish population is now shopping online with smartphones or tablets, which represents a threefold increase since 2012.

Stronger increase among older consumers

% | Have you purchased anything via your smartphone or tablet in the past three months? |

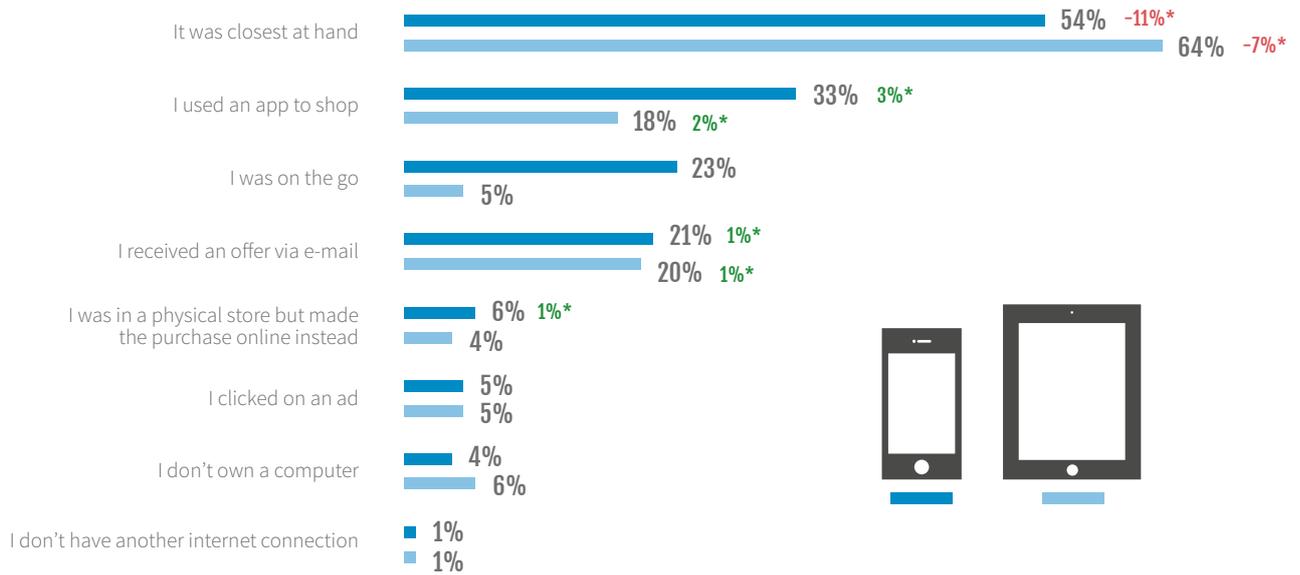


Although increases are taking place in all age groups, the 55-65 demographic is strongest at some 17 percentage points. This represents an almost twofold increase in the number of users, meaning it is approaching 50 percent. In the oldest age group, the increase is 10 percentage points,

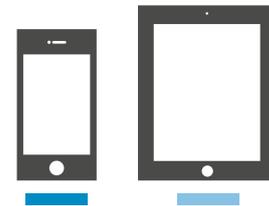
which is the biggest jump in five years. These two age groups exhibit a remarkable increase in a five year period – approximately 450 percent. Only the 25-34 demographic has barely increased, which can be explained by the fact that the level of use was already high.

Convenience still the main reason, although others are on the rise

% | Why did you shop on your smartphone or tablet? |



*Increase/decrease since 2015



What is the best time for sending e-mails?

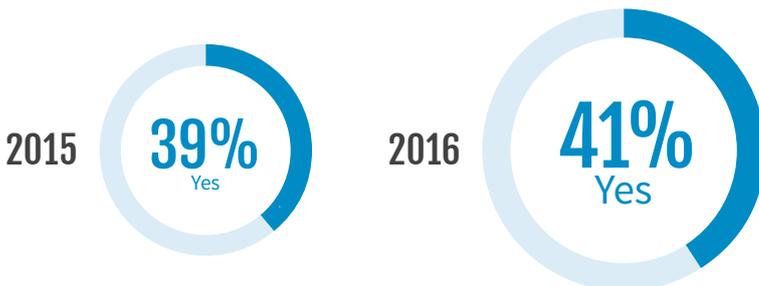


Marketing software company Hubspot have analysed more than 20 million e-mails over a ten month period and reviewed the best time to send e-mail in terms of opening rate. The answer is Tuesdays at 11 am. At this time it is 20 percent more likely that the e-mail will be opened by the recipient.

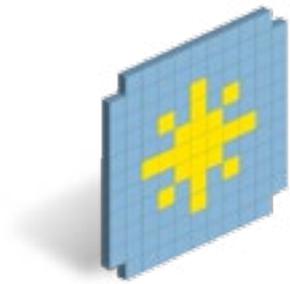
The main reason for shopping via mobile devices is convenience, i.e. they are always close by. However, we are seeing a slight increase in other reasons, such as using apps for shopping, or opening offers via email. Only small changes can be observed in the other areas.

Many consumers cancel purchases because sites are not mobile-friendly

% | Have you cancelled an online purchase because the website was not mobile-friendly? |



Quite a significant amount of customers still cancel purchases because websites are not mobile-friendly. In fact, this trend is increasing somewhat. The industry has not kept pace with consumer behaviour in mobile e-commerce. Ensure that websites are mobile-friendly!



TO APP

– or not to app?

THE NUMBER OF apps have exploded since the launch of the smartphone. A lot of apps come and go but some become quite successful. Shopping via apps is a rising trend and today around one in five have made a purchase through an app on either a mobile phone or a tablet. Most purchases come from mobile phones. In the realm of public transport, apps have almost become standard and the taxi industry has begun developing along the same lines. Similar trends are seen in a lot of different industries.

There are several advantages to use apps as a sales channel for selling goods and services. People have a tendency to browse around their phone and their various apps quite often. With apps you obtain a higher degree of control over your customers and their behaviour pattern. This means you can personalise the supply even better. An app is also more flexible, which makes

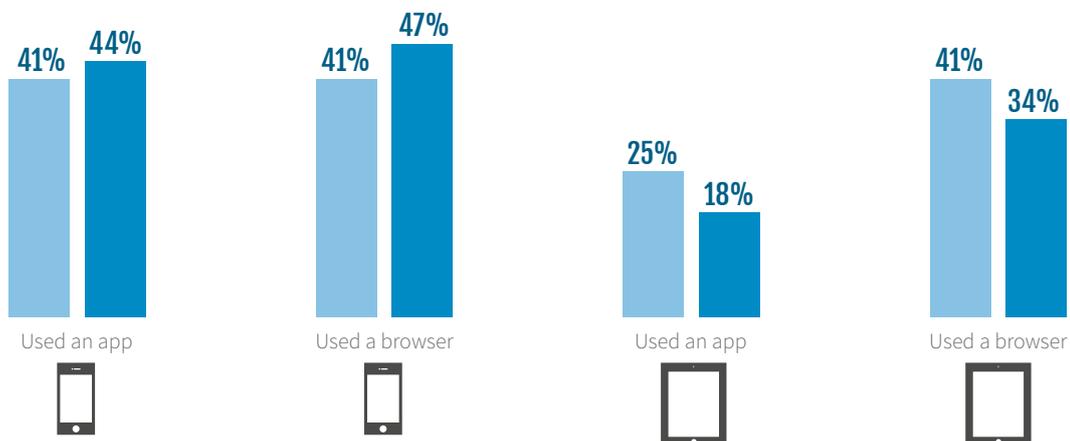
it possible to customise the offer to suit different segments. An app is also a great marketing channel because you can send the customer notifications for campaigns or promotions.

The big disadvantage with an app is of course the cost of developing and maintaining the app. Before developing an app, you might want to rethink a couple of things. If a user is to download an app it requires a strong brand and customer loyalty. In the Nordic region the market is smaller than in for instance the US or China, which means that the number of users is relatively small. That being said, there are several successful examples of company apps in Sweden and we think the trend will continue.

Smartphone shopping is increasing

% | How do you make purchases on mobile devices? |

2015 2016



Smartphones are becoming an increasingly important sales channel while tablets are decreasing. Purchases via smartphone apps continues to grow. One out of four Swedish consumers who shop on mobile devices now use smartphone apps to shop. On the contrary, purchases via tablet apps is decreasing.



ONLINE PAYMENTS

Online payments is our area of expertise. Even though a lot is going on in this area, consumer behaviour is difficult to change. Traditional payment methods still dominate, although they have decreased somewhat in favour of new payment methods. We believe it will be possible to use wide range of payment methods in the future, i.e. the market will become increasingly fragmented, and very few purchases will be cancelled due to the payment solution.

THE SITUATION HASN'T CHANGED, or maybe it is about to change completely. The truth probably lies somewhere in between. In this year's report, we can see that it takes time for new payment methods to be embraced by consumers. Cards, invoices and online banking still dominate, although they have decreased slightly due to the new payment methods. We have also observed a difference between what payment methods customers use and what they actually prefer. Consumers state that the reasons for using the various payment methods are convenience, safety and speed.

As mentioned, the popularity of mobile e-commerce has increased rapidly. Numerous solutions have been introduced on the market, such as Apple Pay, Samsung Pay and Android Pay – although none have had an impact in the Nordic countries yet. The popular service, Swish, has now released its e-commerce solution in Sweden, and Mastercard's solution, Masterpass, has also been launched. Vipps has really broken through in Norway, and Danish MobilePay is already being widely used by Danish consumers to make online payments via their smartphones. The new payment methods are slowly on the rise, and they have jointly made it easier to pay, as they reduce friction.

Friction leads to cancelled purchases – 44 percent of Swedish consumers have cancelled an online purchase, which is actually an increase of 6 percentage points from last year. We obviously

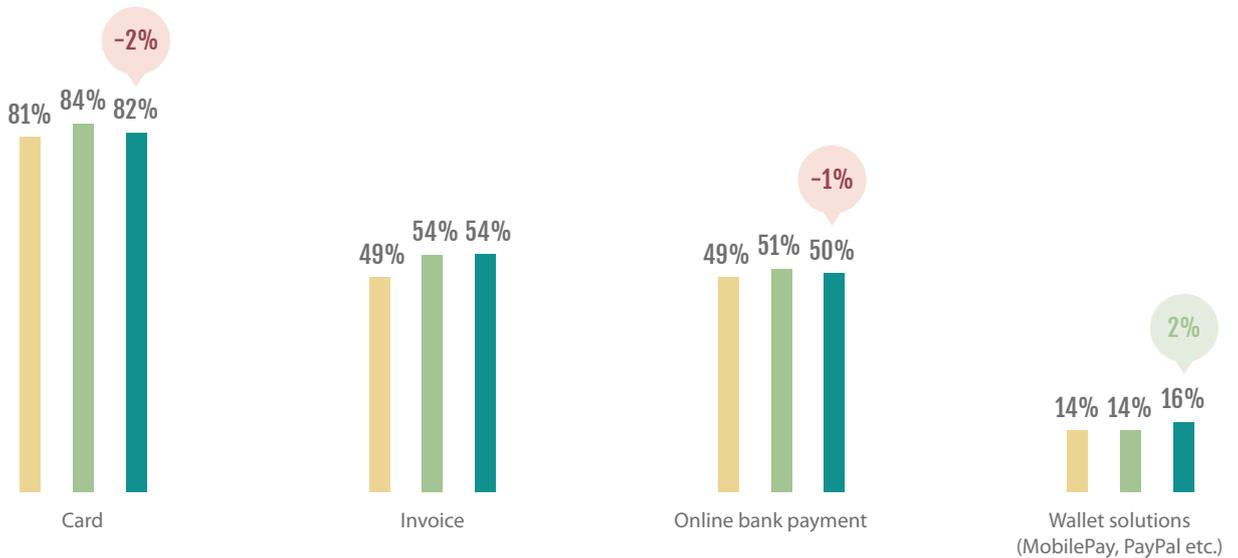
don't like this, and our goal is to contribute to improving the industry. Cancelled purchases often occur because web shops don't offer the right payment method, require registration, or that important information to the customer is missing. The e-commerce world is far from perfect, however many are trying to improve and simplify online shopping. For instance, consumers will not have to enter their credit card details every time when shopping in the future, as it will be remembered by DIBS. Half of the Swedish population would like to avoid having to enter their credit card number for each new purchase. Approximately 25 percent would shop more online if they didn't have to do that – the percentage is slightly higher for mobile commerce. This source of friction will, however, soon be a thing of the past.

DIBS believes in a future where not a single purchase will be cancelled because of the payment method, although we still have quite a long way to go. ■

New payment methods somewhat more popular

% | Which payment methods have you used in the last three months? |

2014 2015 2016



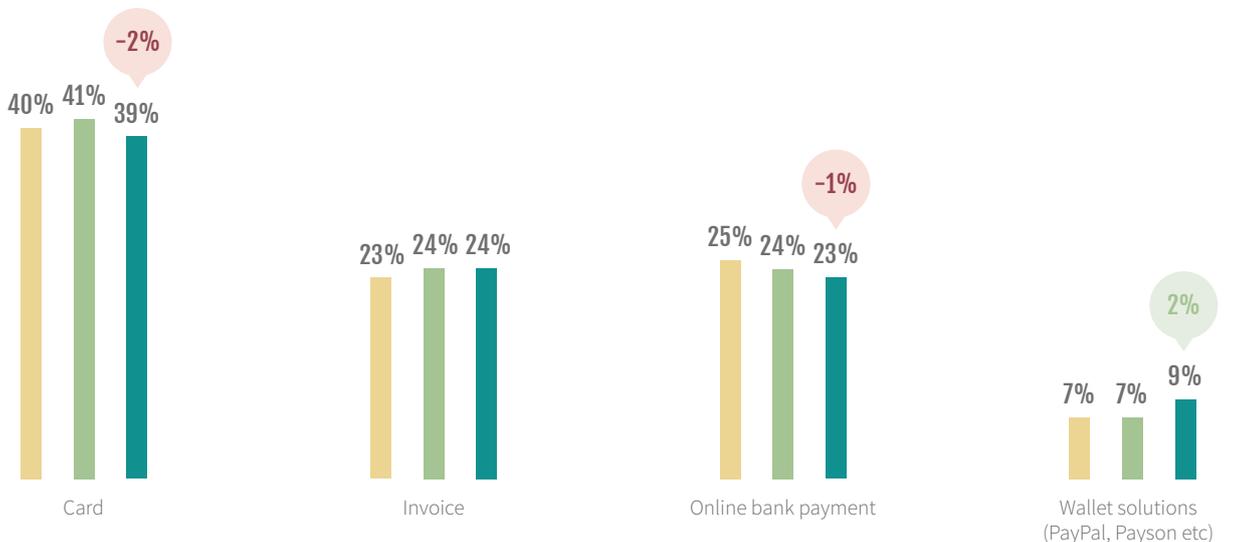
Cards are the most commonly used and preferred payment method, followed by invoices and online bank payments, which are also popular. People are used to paying with cards online because of familiarity from shopping in physical stores. Payment methods such as PayPal and Payson etc. are increasing slowly however,

both in terms of use and preference. Cards are both used and preferred to approximately the same extent in all demographic groups, with the exception being high-income earners, which represent the highest proportion. Payment by invoice is both used and preferred the most by women and the oldest demographic.

Consumers still choose mainly cards

% | Which payment method do you prefer? |

2014 2015 2016



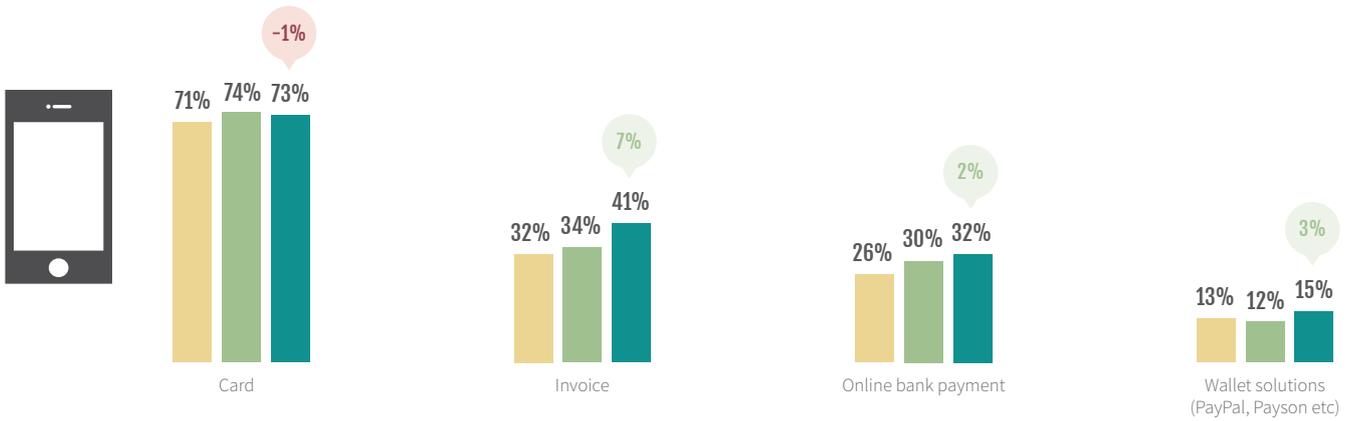
Despite an increase in wallet solutions, it is clear that card payment are still preferred when the customers get to choose. Invoices and online payments take second place in terms of preference, and the distribution between consumers is approximately the same. Since

consumers have different preferences in terms of payment methods, it is important to offer several methods. In a long-term perspective, only small changes in preferred payment methods take place, making the process of adding a new payment method a one-time effort.

Card use is decreasing slightly, invoices and wallet solutions are increasing

% | Which payment methods have you used in the last three months |

2014 2015 2016



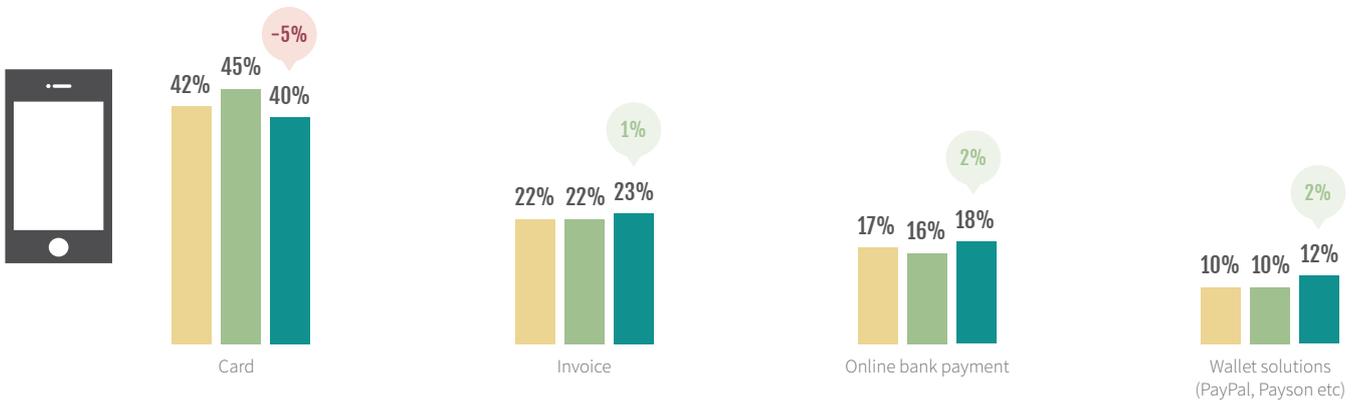
On mobile devices, using cards as payment methods is decreasing, whereas all other payment methods are increasing. This also applies to preferences. So far, only small differences can be observed, however it is clear

that consumer behaviour is changing slowly, while the development of technology and new solutions is taking place at a high rate. Men and younger people use wallet payments such as PayPal and Payson the most.

Traditional payment methods are still the most popular

% | Which payment method do you prefer? |

2014 2015 2016

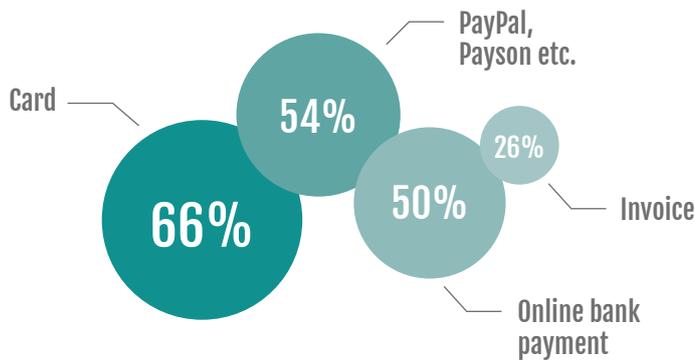


Also in terms of consumer preferences, the traditional payment methods are still the most preferred. However, cards are decreasing again. Invoices, online banking and wallet solutions are increasing somewhat as pref-

erences. Just as above, men and younger people use wallet payments such as PayPal and Payson the most.

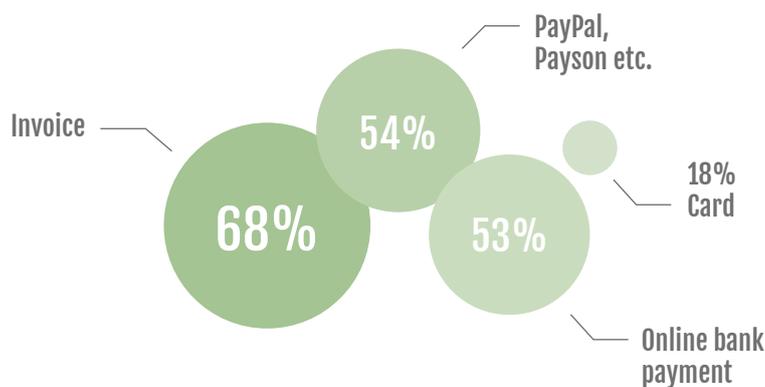
Simplicity, safety and speed are key

% | Why do you prefer the payment method? |



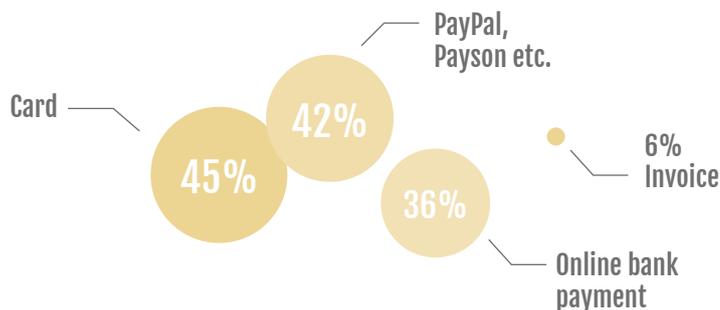
SIMPLEST

A simple payment method is very important to consumers. Again, consumers want to avoid friction. Cards are perceived as the simplest method by just over two thirds, and there are no differences between age groups. Wallet solutions, such as PayPal, are perceived as simplest by just over 50 percent, while online banking gets 50 percent. Invoice payments are perceived as the least simple, at just over 25 percent, probably due to the fact that two different transactions take place – one during the actual purchase, and one during payment.



SAFEST

Invoices are perceived as the safest method by more than two thirds of consumers. Consumers may feel this method is the safest as no bank account is connected to the actual purchase. Both wallet solutions and online banking are perceived as safest by just over 50 percent, while cards are perceived as the least safe method by just under 20 percent. It is clear that consumers do not yet feel comfortable with card payments despite being protected in various ways, even with guaranteed safety from banks. More information on how to protect yourself and customers against fraud can be found on page 15.



FASTEST

Cards are perceived as the fastest payment method, at just over 50 percent, which isn't strange since everyone is used to paying with cards. There are small differences however, as both wallet solutions and online banking are perceived as fast by approximately 40 percent. Payment via invoice stands out for natural reasons, as it involves two transactions with a certain period of waiting time in between.

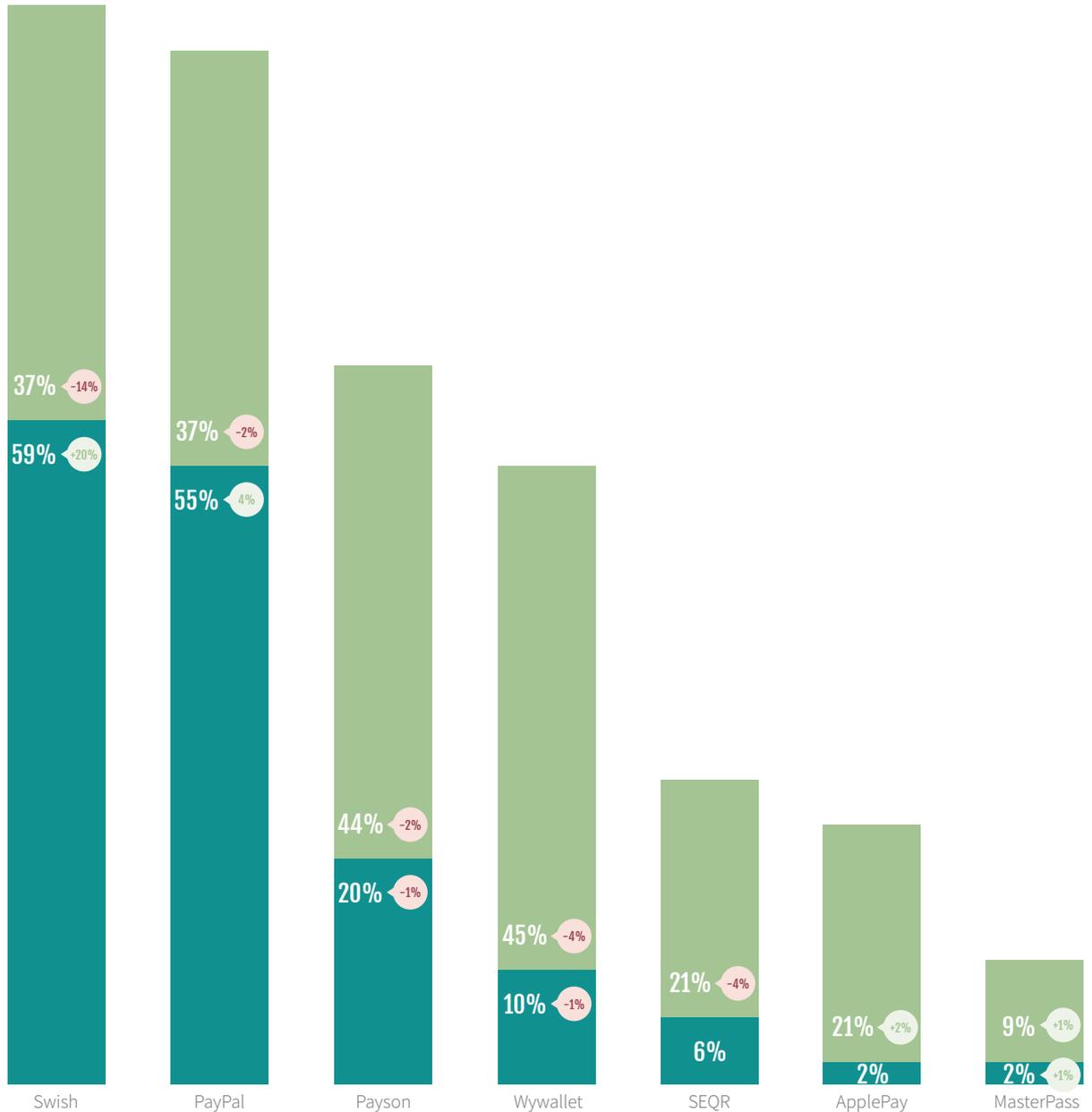
CONCLUSION – OFFER SEVERAL PAYMENT MEHTODS

The conclusion for merchants is that it is important to offer several payment methods since they all fulfil different consumer needs. Some consumers may be more comfortable with the security of card payments and think of them as fast and convenient, whereas others may prefer invoices for the same reasons. The difficulty of knowing a certain consumers' preference is a strong reason for offering several payment alternatives.

Swish is booming

% | Which of the following payment methods do you know?

Know of but have not used Know of and have used

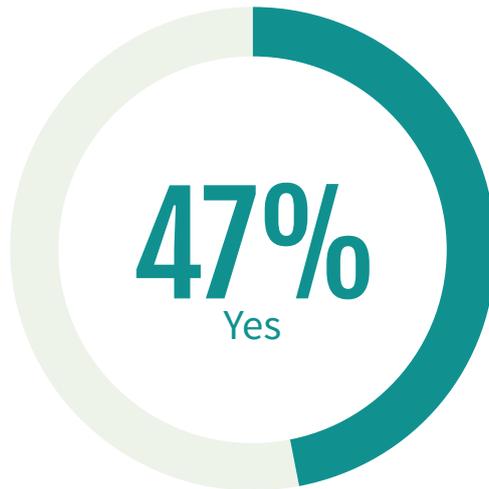


Swish has had a fantastic journey in Sweden. Public awareness of the payment method is almost 100 percent, and more than 50 percent of the Swedish population has used it. Women and younger people use it the most. Use of PayPal is also increasing – its public brand awareness is currently at 92 percent – and more than 50 percent of the Swedish population use it. Masterpass has increased with

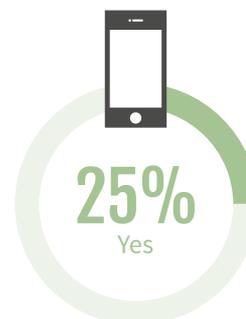
a modest 2 percentage points, and the rest of the payment landscape has only seen small changes. It is worth noting that quite a large portion of the older demographic uses these new payment methods, albeit to a lesser extent than the younger one.

Many consumers want to avoid entering their card number

% | *Would you prefer not having to enter your card details upon each purchase?* |



% | *Would you shop more if you did not have to enter your card details upon each purchase?* |



One measure that could potentially simplify the payment process for customers – where credit and debit cards are still dominating – is to decrease the friction by making it possible for the customer to avoid having to enter the card number for each recurring purchase. Almost half of the respondents want this, and it is most popular among the oldest demographic, at 60 percent. The youngest demographic finds this feature the least important. Obviously, it is somewhat higher among

those who use their mobile phones or tablets for shopping, due to the small screen size.

Just over 20 percent of Swedish consumers state that they would shop more if they didn't have to enter their card details. There are no real differences between age groups – 25 percent of those who use their smartphones for online shopping say they would shop more if they didn't have to enter their card number. This is more common among men and the oldest demographic.

DANISH E-COMMERCE

IS BOOMING

– Now more than

DKK 70 BILLION
annual turnover

DANISH E-COMMERCE KEEPS growing and has increased by almost DKK 12 billion compared to 2015. That is an increase of 20 percent. Since DIBS began measuring the total market size five years ago, turnover has increased by a staggering 70 percent from around DKK 40 billion to DKK 70 billion.

But why is e-commerce growing so rapidly? It is partly due to relatively good economic growth in Denmark and partly due to three driving forces:

THE TECHNOLOGICAL DEVELOPMENT

With the internet as a starting point and mobile devices as powerful as computers, the technological development is contributing to the increase in the development of e-commerce. Today logistics are highly developed and the methods of payments have gotten both better and simpler. With our modern technology continually getting better, there are no limits to how e-commerce will develop in the future. Read more about this on page 25, where our expert on e-commerce, Patrik Müller, predicts the future of e-commerce.

CONSUMER BEHAVIOUR AND NEEDS

Earlier on, Danish consumers primarily shopped online to find lower prices. Even though you will still find deals online, most people shop online today because it is convenient. Not having to go to the store means saving a lot of time and effort. Online shopping also enables consumers to compare prices, do research and read reviews all at once. Consumer behaviour keeps developing and today consumers want to be able to pay for groceries and their electricity bill online. Mobile devices also contribute to changes in consumer behaviour. Read more about Danish consumers on pages 74-77.

BUSINESSES RECOGNIZE THE NEED TO OFFER E-COMMERCE

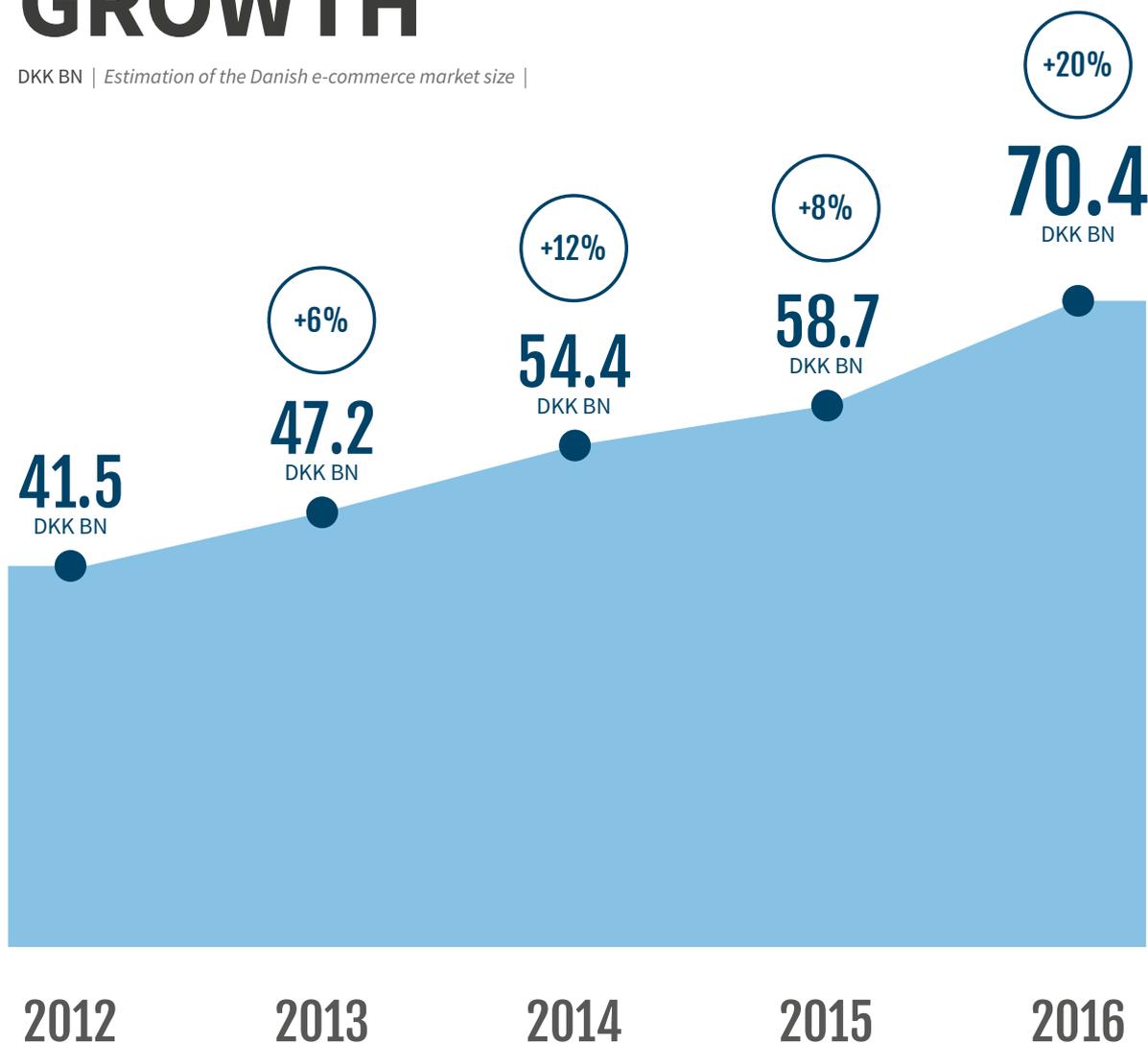
As mentioned above, doing so meets consumer needs and opens up new opportunities to increase sales, and reduces the risk to be overtaken by others. Areas that are not traditionally associated with e-commerce are adapting to the needs of consumers, which means that more and more companies and industries are starting to offer e-commerce. At the same time, margins and costs for this type of service is a challenge. What is common for all e-commerce players is the need to constantly develop to make it as easy and smooth for the consumer as possible. E-commerce is certainly here to stay, and we believe that the developments of recent years, which have occurred at an incredible pace, will continue. We look forward to continuing to follow the e-commerce development and we hope you find the contents of this year's report interesting and rewarding. ■



*This calculation is based on the actual increase compared with the previous year among thousands of Danish online stores that are connected to DIBS.

MARKET SIZE AND GROWTH

DKK BN | *Estimation of the Danish e-commerce market size* |



TURNOVER

70.440.000000

70%

Growth in the
last five years

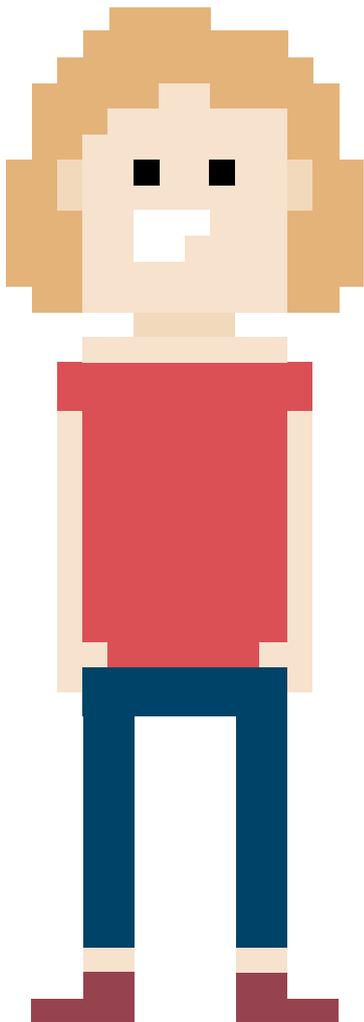
20%

Growth since
last year

The Danish e-commerce market for travel, physical goods and services has a turnover of DKK 70.4 billion kroner. That is almost DKK 12 billion (20 percent) more than last year. In five years the Danish e-commerce has increased by 70 percent.

THE DISTRIBUTION OF E- IN DENMARK

% | How is your online spending distributed? (Last three months) |



E-commerce, which in total has a turnover of around DKK 70 billion in Denmark, is comprised of ever more varied types of physical goods and services, but the primary category is travel. The share of travel in the total Danish market is even growing in spite of the increasing number of businesses going online. In 2016 travel makes up more than half of the total online spending, followed by goods with a third and services with 15 percent. This means a distribution of around DKK 37 billion kroner on travel, DKK 23 billion on goods and DKK 10 billion on services.

If the Danes were not so possessed by wanderlust, the share of travel would probably have diminished, since we buy almost everything online these days. Services, which have seen an immense increase lately, comprise such things as online gambling, in the form of casino, poker, betting, entertainment and even parking. With regards to goods, groceries, health products and building materials have seen a substantial increase, although the latter came from a low level.

In this year's report, DIBS will describe the different categories in as much detail as possible, which you can look forward to on the following pages. Our expert on e-commerce, Patrik Müller, will expand on which types of industries we will be seeing online in the future later in the report. ■

SERVICES
DKK 10 billion
15%



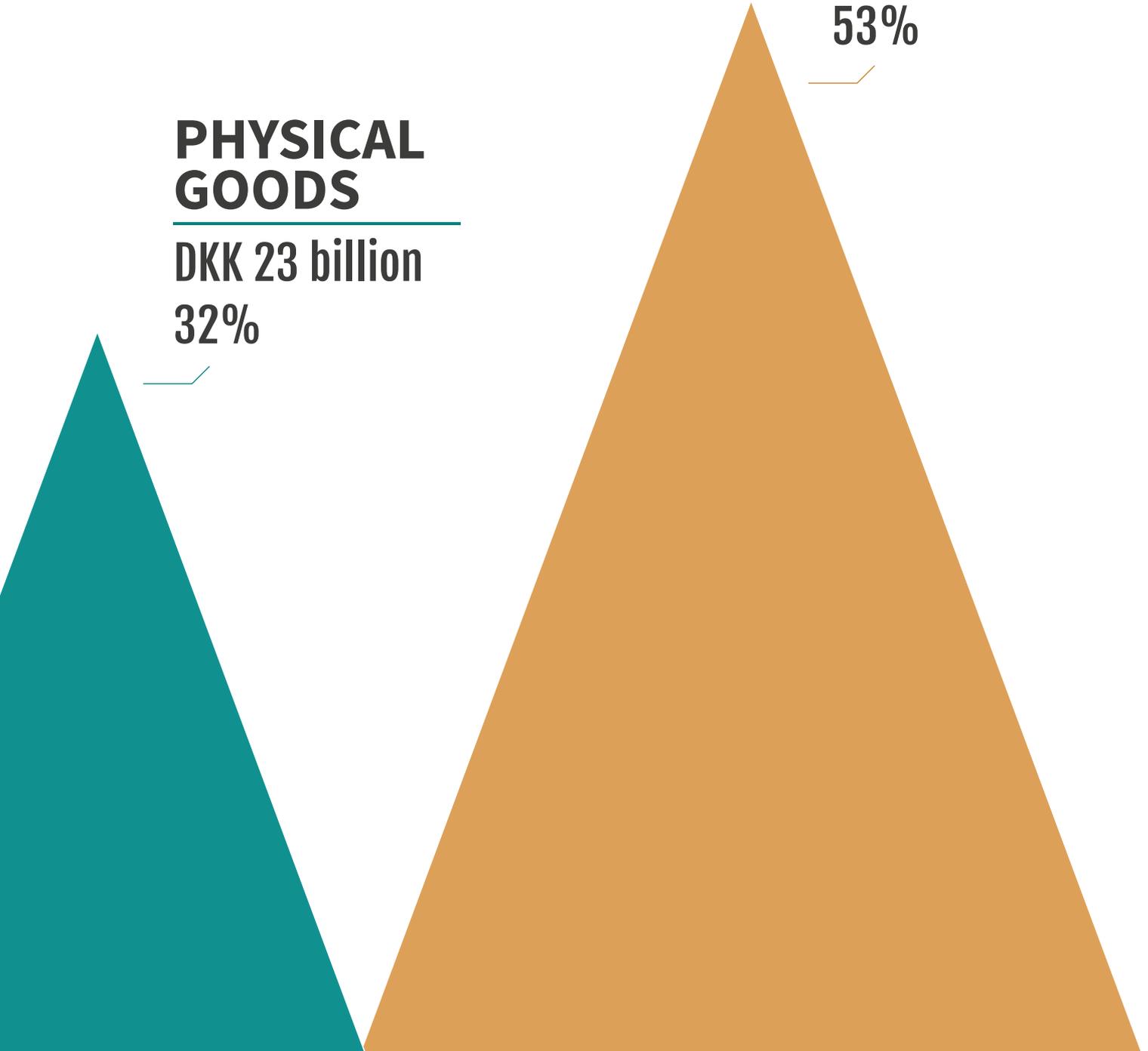
-COMMERCE

TRAVEL

DKK 37 billion
53%

PHYSICAL GOODS

DKK 23 billion
32%



TRAVEL

– still the largest segment

53%



There is a natural cause for why the travel industry makes up such a large part of e-commerce. Besides the fact that types of travel such as package tours and flights cost quite a lot of money, the travel industry moved their sales online early on. Travel is a service that needs not be tried on or delivered and it is easy to compare prices and research destinations online. Today it is commonplace and very simple to buy a bus or train journey through an online store or an app.

DKK 49

billion is the annual turnover for travel

9%

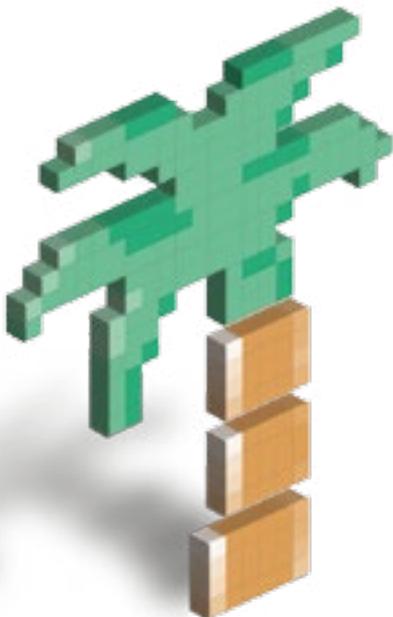
increase since last year

THE SHARE OF travel in the total Danish online spending has increased somewhat from 50 percent in 2015 to 53 percent in 2016. This means that more than half of the entire turnover – DKK 37 billion – is made up of travel. Within the category package tours are the largest with around a third of the turnover, closely followed by flight tickets. Hotels arrive at a solid third with about a fourth of the turnover within the segment. These three categories within travel combined make up almost half of the total Danish e-commerce market.

Despite the increase in terror threats and more disturbances around the world the Danes travel more than ever. This is no big mystery; the Danish economy has been relatively sound lately compared to other countries in Europe. The level of employment is still relatively high, business is doing well and it is comparatively easy to borrow money. Added to this a price war has been raging lately within both air travel and hotels. The travel industry is struggling with low profit and is mostly making money on added services such as insurance and car rentals. It is a challenge standing out in a market where consumers primarily go after good prices. Aside from this, competition is intense

and several television ads packed with different search services for both cheap hotels and plane travel are regularly run. This all contributes to an increase in travel activities. Apart from the three biggest forms of travel, busses and trains obviously remain. These are something a lot of Danes use very often, if not daily, but since they are relatively inexpensive they represent a smaller part of the turnover within the travel segment.

Taxi services are the least purchased online, comprising less than 1 percent of the turnover, although we are still speaking of a nice sum of DKK 140 million. This is a very considerable increase compared to a couple of years ago, when nobody paid for taxi services online. ■



THE TRAVEL SEGMENT IN DETAIL

The table shows the distribution of the entire segment. On the following page we take an in-depth look at four types of travel, the two largest and the two that we find especially interesting at the moment.

| | Share of travel turnover | Turnover (BN DKK) | How many buy | Spend most  | Spend least  | | |
|---|--------------------------|-------------------|--------------|--|---|---|------------|
| | | | | Gender | Age group* | Gender | Age group* |
|  Package tour | 36% | 13,3 | 11% |  | 66-74 yr. |  | 15-24 yr. |
|  Flight tickets | 32% | 11,8 | 23% |  | 45-54 yr. |  | 15-24 yr. |
|  Hotel | 25% | 9,2 | 24% |  | 45-54 yr. |  | 15-24 yr. |
|  Public transport | 4% | 1,5 | 25% |  | 15-24 yr. |  | 66-74 yr. |
|  Rental car | 3% | 1,3 | 5% |  | 45-54 yr. |  | 15-24 yr. |
|  Taxi | 0% | 0,1 | 4% |  | 25-34 yr. |  | 66-74 yr. |

*both men and women

THE TABLE SHOWS HOW THE **TRAVEL** SEGMENT IS DISTRIBUTED:

Share of travel turnover refers to the share of consumer spending online according to travel type (of the total segment).

Turnover is how much consumers spend online, in DKK, within each category type.

How many buy is the share of consumers who purchased the travel type online between January and April.

A CLOSER LOOK AT FOUR TYPES OF TRAVEL

PACKAGE TOURS



Charter travel is the largest form of travel, making up more than a third of the turnover within the segment, a total of a staggering DKK 13 billion. Even though only a few are buying package and charter travel – every tenth Dane – these are quite expensive and therefore are the largest category of all, when you look at e-commerce in general. Apart from the aforementioned reasons, a lot of Danes probably still remember the cold summer of last year and want to guarantee their time in the sun. The older segment spend the most on package and charter travel, as well as people with high incomes. People from smaller towns also spend a lot in this category and consume nearly double as much as people from big cities. Package and charter travel is less purchased via mobile devices.



Family demographic* who...
Spend the most: Senior citizens - DKK 3660 on average**
Spend the least: Pre family - DKK 390 on average**

FLIGHT TICKETS



Flight tickets are the second largest form of travel with a third of the turnover, DKK 12 billion. One in four Danes buys this online, but since flying is cheaper than ever this affects the turnover of the companies. The aforementioned reasons and the war being waged on prices also affect the category. Men spend somewhat more on plane tickets than women and it is mostly 45-54 year olds and families with children who spend money on this form of travel. The very youngest spend the least. Travel by plane is purchased somewhat more via mobile than package tours, the reason probably being that a plane ticket is a very simple matter and many booking sites are well adapted to viewing on mobile devices. More and more airlines are also offering apps.



Family demographic* who...
Spend the most: Adult families – DKK 2780 on average**
Spend the least: Senior citizens - DKK 650 on average**

TRAIN AND BUS



Travel by bus and train make up around DKK 1.5 billion of the turnover. This is something a lot of Danes buy and very often, but since it is not very costly it makes up a smaller portion of the turnover within the category. The bus and train companies have gotten better at accommodating e-commerce especially through good and functional apps. Within train and bus travel in Denmark today the use of apps is almost the norm. There is no difference between men and women. The very youngest spend the most on this form of travel, twice as much as the average and three times as much as the 66-74 year olds, which are the group that spend the least. More than four out of ten Danes buy this from their mobile devices and mostly from the smartphone. It is, as with plane tickets, very easy to buy bus and train travel from your mobile phone.



Family demographic* who...
Spend the most: Young families - DKK 310 on average**
Spend the least: Senior citizens - DKK 120 on average**

TAXI



Taxi trips are bought least often online and represents only 1 percent of the turnover. Still, this correlates with DKK 140 million, which is a solid increase if you compare it to only a few years ago, where you could not pay online for taxi travel. The company Uber has established itself significantly within the field with their very different business model that is completely app driven. Uber still dominates but more taxi companies have launched apps of their own and more are coming. It is very probable that this industry will see substantial development in the years to come. Men and ages 25-34 buy this online the most, while women and the very oldest buy it the least. It is also the form of travel that is bought the most from smartphones –more than a third have used their smartphone to buy this.



Family demographic* who...
Spend the most: Young families - DKK 60 on average**
Spend the least: Senior citizens - DKK 10 on average**

*For more information about the users and family situation, see pages 74-77. **Average per three months.



PHYSICAL GOODS

32%



– continued growth through new types of goods

We often primarily associate physical goods with e-commerce. In the beginning of the development of e-commerce you would look for goods online because it often was cheaper. Players such as nemlig.com and NEXT Insurance changed their industries by being among the first to go digital. Clothes and shoes are still growing by making it easier for the customer to shop. This is done with good technical solutions which help to visualise the clothes – you now see moving models – and free delivery and returns. The advantages of shopping online include saving time, comparing prices and being able to read up on more advanced products, such as electronics, at the same time.

DKK 23
billion - annual turnover
for physical goods

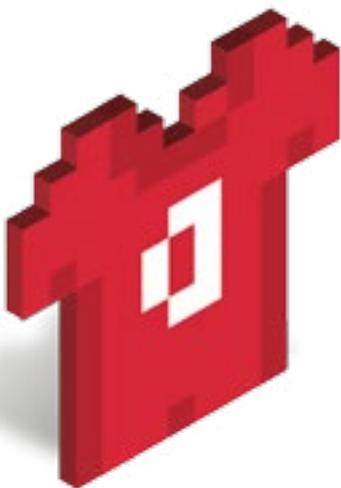
10%
decrease since
last year

PHYSICAL GOODS' SHARE of the total turnover has diminished somewhat compared to 2015. From 36 percent last year to 32 percent this year. This means that physical goods make up a third of the total turnover, DKK 23 billion. Within the segment it is electronics, which is a traditionally popular type of goods, that is the largest with one fifth of the turnover, DKK 5 billion. Almost a third of Danes have bought electronics online. Second largest is the fashion category, which contains clothes, shoes and accessories, with a fifth of the total spending in the goods segment. This type of goods is responsible for around DKK 5 billion of the turnover and it is also the category people buy the most: Almost one in two Danes have bought fashion online.

Then follows home furnishings with a lot of customers but only a tenth of the turnover within the category. Within the category groceries we see a lot of successful examples and today more than one in ten of the Danish buy this online, giving it as much turnover as home accessories. Health products are being bought by many online

today, almost one in three, but the share of the turnover is still modest.

E-commerce often provides the consumer with lower prices on certain goods, since it is easy to compare prices online, among other things through the many price comparison portals that we see more and more of. This often leads to a war on prices on the popular goods and therefore the consumer will often be able to find them at significantly lower prices than in physical stores. ■



THE GOODS SEGMENT IN DETAIL

The table shows the distribution of the entire segment. On the following page we take an in-depth look at four types of goods, the two largest and the two that we find especially interesting at the moment.

| | Share of goods turnover | Turnover (BN DKK) | How many buy | Spend most  | | Spend least  | |
|--|-------------------------|-------------------|--------------|--|------------|---|------------|
| | | | | Gender | Age group* | Gender | Age group* |
|  Home electronics | 21% | 4,9 | 29% |  | 55-65 yr. |  | 15-24 yr. |
|  Fashion | 20% | 4,6 | 46% |  | 35-44 yr. |  | 66-74yr. |
|  Home furnishings | 11% | 2,5 | 19% |  | 25-34 yr. |  | 15-24 yr. |
|  Food & groceries | 11% | 2,5 | 14% |  | 66-74 yr. |  | 15-24 yr. |
|  Building materials | 8% | 1,8 | 8% |  | 55-65 yr. |  | 15-24 yr. |
|  Car, boat & motorcycle | 7% | 1,5 | 4% |  | 55-65 yr. |  | 25-34 yr. |
|  Sports & leisure | 6% | 1,3 | 17% |  | 45-54 yr. |  | 66-74 yr. |
|  Body & health | 6% | 1,3 | 27% |  | 45-54 yr. |  | 15-24 yr. |
|  Children/toys | 5% | 1,1 | 14% |  | 25-34 yr. |  | 66-74 yr. |
|  Physical media | 5% | 1,1 | 27% |  | 55-65 yr. |  | 25-34 yr. |

*both men and women

THE TABLE SHOWS HOW THE *GOODS* SEGMENT IS DISTRIBUTED:

Share of goods turnover refers to the share of consumer online spending according to each category (of the total goods segment).

Turnover is how much consumers spend online, in DKK, within each category type.

How many buy is the share of consumers who purchased the category type online between January and April.

A CLOSER LOOK AT FOUR TYPES OF GOODS

HOME ELECTRONICS



The traditionally strong e-commerce category, electronics, is the largest with almost a fifth of the turnover – around DKK 5 billion. Almost a third of all Danes have shopped for electronics online, which is no surprise, since the Danes love new electronics and it is easy to read about the products online. Technology often requires a lengthy introduction in text and checking the same product several places pays off, when you want to get the best price. Men again are leading the field and buy almost twice as many electronics online as do women. The older spend the most – almost twice as much as the average, while the youngest shop the least electronics. People located in the capital also stand out with high levels of spending.



Family demographic* who...
Spend the most: Adult families - DKK 850 on average**
Spend the least: Senior citizens - DKK 480 on average**

FASHION



Clothes, shoes and accessories are second largest within the category with a fifth of the turnover. This type of goods, consisting of around DKK 5 billion, is also the one most people buy online. Almost half of the Danes have bought fashion online. It is no surprise that women, young people and adult families spend the most, although women do not spend that much more or buy more often compared to men. The age group 35-44 stands out with a high level of spending.



Family demographic* who...
Spend the most: Adult families - DKK 970 on average**
Spend the least: Senior citizens - DKK 380 on average**

FOOD & GROCERIES



Groceries are bought online today by more than one in ten people in Denmark, for a turnover of around DKK 2 billion. There are signs of the industry maturing, with large chain such as Nemlig.com and Aarstiderne flooding the attention of the Danes. Women spend far more money than men, and it is not entirely unexpected that young families spend the most. The youngest buy almost no groceries online. The larger cities stand apart from the smaller by spending around 5 times more, which is probably due to delivery options. The advantages of prepacked grocery bags for instance are not only ease and convenience. By shopping for groceries online the consumer is able to avoid impulse buying in the store and be better able to manage the food budget.



Family demographic* who...
Spend the most: Young families - DKK 620 on average**
Spend the least: Pre family - DKK 170 on average**

HEALTH PRODUCTS



Health products hold a comparatively modest share of the turnover, only 6 percent. This type of physical goods is however the one bought by second most if we look at all the categories, only surpassed by fashion. Almost four out of ten Danes have bought health products online. Health products have gone up considerably lately. Women spend twice as much as men and almost one in three women have shopped for this online. The age group 45-54 and the very youngest spend the most.



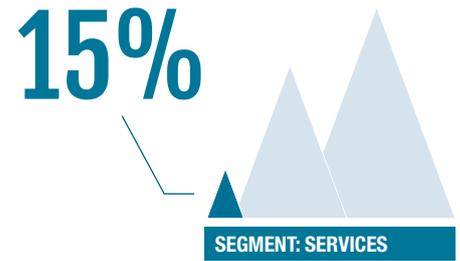
Family demographic* who...
Spend the most: Young families - DKK 220 on average**
Spend the least: Senior citizens - DKK 130 on average**

*For more information about the users and family situation, see pages 74-77. **Average per three months.



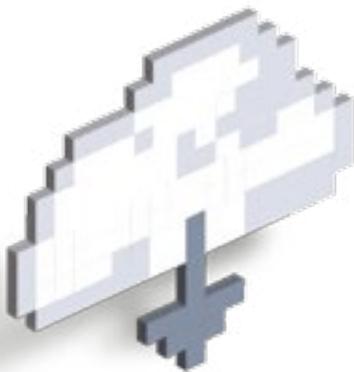
SERVICES

– a segment of high potential



The online services segment consists of many of the more recent categories such as digital media including online newspapers, apps, computer games, gambling for money in the form of casino and betting, tickets for events, telecom, parking and much more. The category is the smallest within e-commerce, but the one with the strongest potential for development. This is because a lot of the types of services within this category are new or relatively new services, that have gone digital and thus opened up for new possibilities. We are convinced that this category will grow rapidly in the time to come. E-commerce has the power to change industries, as we have seen with parking.

DKK 10
billion - annual
turnover for services



The share of services in the total turnover is 15 percent. Even though the category is small it still generates a turnover of around DKK 10 billion. Within the category the purchase of tickets for events is largest with almost a third of the turnover or almost DKK 3 billion. This type of service is also the one bought the second most online – more than a third have bought tickets within the last three months. Not entirely unexpected, gambling for money such as casino, poker and betting is second largest with around a fourth of the turnover, even though only 13 percent of the Danes do this.

Telecom, as in topping up your mobile phone, stands for a tenth of the turnover. A lot of people do this – almost one in three – and very regularly, but for much smaller amounts. More and more are buying digital media. One in four Danes has done this and it represents just short of a tenth of the turnover within the category. Read more about these fascinating types of services on page 72, which deals with online purchases of media, television and computer games. Other services that for now make up a lesser part of the turnover are subscrip-

tions to services such as online dating, fitness, clubs, parking and erotics. The former has been purchased by nearly every fifth Dane and as such make up a larger part of the turnover than the rest.

Services such as gambling and games are, like travel, well established online, but still something only a few make use of. When an increasing number of industries, and consumers, go digital, we will probably be seeing considerable growth within services. As an example, housing services and the public sector such as municipalities have already begun accepting payment for certain services online. It is already possible to pay fees for things such as building permits and child care online. ■

THE SERVICES SEGMENT IN DETAIL

The table shows the distribution of the entire segment. On the following page we take an in-depth look at four types of services, the two largest and the two that we find especially interesting at the moment.

| | Share of services turnover | Turnover (BN DKK) | How many buy | Spend most  | | Spend least  | |
|--|----------------------------|-------------------|--------------|--|------------|---|------------|
| | | | | Gender | Age group* | Gender | Age group* |
|  Online tickets | 28 % | 2,8 | 36 % |  Male | 55-65 yr. |  Female | 15-24 yr. |
|  Online gambling | 25 % | 2,5 | 13 % |  Female | 35-44 yr. |  Male | 66-74 yr. |
|  Education & courses | 11 % | 1,1 | 6 % |  Male | 25-34 yr. |  Female | 66-74 yr. |
|  Telekom | 11 % | 1,1 | 28 % |  Female | 55-65 yr. |  Male | 15-24 yr. |
|  Digital media | 8 % | 0,8 | 25 % |  Female | 66-74 yr. |  Male | 15-24 yr. |
|  Memberships | 8 % | 0,8 | 16 % |  Male | 55-65 yr. |  Female | 66-74 yr. |
|  Erotica | 6 % | 0,6 | 1 % |  Female | 35-44 yr. |  Male | 66-74 yr. |
|  Parking | 3 % | 0,3 | 12 % |  Female | 45-54 yr. |  Male | 15-24 yr. |

*both men and women

THE TABLE SHOWS HOW THE **SERVICES** SEGMENT IS DISTRIBUTED:

Share of services turnover refers to the share of consumer online spending according to each category (of the total services segment).

Turnover is how much consumers spend online, in DKK, within each category type.

How many buy is the share of consumers who purchased the category type online between January and April.

A CLOSER LOOK AT FOUR TYPES OF SERVICES

TICKETS



More than a third of Danes today buy tickets online for various events. This type of service makes up around a third of the turnover, almost DKK 2 billion. A lot of the large ticket players today have apps, where you can both buy and show your tickets, when entering the venue. It is interesting that the various demographic groups buy this equally much. There is also no difference between men and women. The older spend somewhat more on tickets, but it is the age group 55-65 that spend the most. The youngest spend the least, around half of the other groups.



Family demographic* who...
Spend the most: Senior citizens and adult families - DKK 480 on average**
Spend the least: Pre family - DKK 250 on average**

ONLINE GAMBLING



Gambling for money, such as casino, poker and betting is second largest within the category with around a fourth of the turnover. This means the Danes gamble for more than DKK 2 billion, even though it is only around one in ten who makes use of this service. The industry has grown considerably and the number of adds from the gambling companies has increased significantly. Almost three times more men than women gamble online and men spend five times as much as do women on gambling. The age group 35-44 spend the most, as do high income receivers and city dwellers.



Family demographic* who...
Spend the most: Adult families - DKK 990 on average**
Spend the least: Senior citizens - DKK 70 on average**

DIGITAL MEDIA



Digital media, such as newspapers, books, computer games and more make up for just about a tenth of the turnover within the category. It is becoming more and more normal for Danes to buy this online and one in four has bought digital media. We will look more closely at this category on page 72. Men spend significantly more than women, but surprisingly the older, even though they buy the least (only one in five) spend the most. The age group 35-44 buy digital media the most.



Family demographic* who...
Spend the most: Active empty nesters - DKK 170 on average**
Spend the least: Pre family - DKK 80 on average**

PARKING



With a modest 3 percent of the turnover parking is second smallest within the category. More than one in ten of the Danes have paid for this via apps. Parking is a comparatively new industry online. EasyPark has, as we noted in the report from last year, been the biggest player. An app for parking makes it easy to pay for it and we are likely to see some development here in the future. Even though there are no great differences between the demographic groups, men buy this more than women and the most spending comes from the age group 45-54. People living in the capital stand out, not unexpectedly, since most parking spaces in the capital cost money.



Family demographic* who...
Spend the most: Young and adult families - DKK 50 on average**
Spend the least: Senior citizens - DKK 20 on average**

*For more information about the users and family situation, see pages 74-77. **Average per three months.





SUBSCRIPTION SERVICES

Subscription services such as television and music streaming have, like pre packed grocery bags, made a serious breakthrough in recent years. The new, technological solutions for internet based music and television give consumers a wide selection at comparatively low, monthly costs. Buying pre packed grocery bags and having them delivered to your house on a regular basis makes life easier for a lot of people, especially families. To companies and web shop owners, returning clients are particularly favourable. Here the companies receive a steady income from a loyal client. It also benefits the consumers who do not have to worry about ordering because of the flexible subscription services.

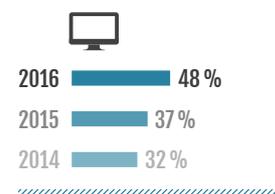
The Danes have undoubtedly adopted the concept of paying for both television and music streaming. As of now around one in four Danes pay every month for some of the services available on the Danish market. Among others these are suppliers such as HBO, Netflix and Spotify. This is an enormous difference compared to earlier, when illegal downloading originally put a lot of pressure on the film and music industry. Money is now being made again.

Paying for newspapers online is also developing but the media companies are still struggling in this area. Changing consumer behaviour around something that has been free for a long time is difficult.

% | Share who have subscribed |

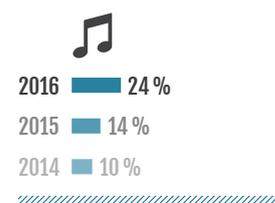
TV/VIDEO STREAMING

Today almost every other Dane has paid or is paying for TV/video streaming, and can hardly wait for the next episode to present itself. This is a significant rise compared to last year. One in three Danes now subscribes to such a service. There are no major differences between men and women or among age groups. Young families make use of this the most and more than half subscribe to such a service as of now. The oldest use it the least, but even within this age group use is rising. The supply will most likely be adapted to this segment, thus contributing to further growth.



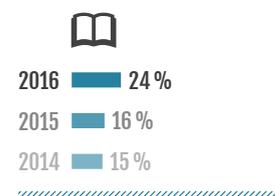
MUSIC STREAMING

Music streaming roughly follows the same pattern as TV/video streaming, but with a significantly lower share of user. But the category is growing: Almost one in four Danes have paid or are paying for music streaming. Around one in ten Danes is paying for music streaming as of now. The youngest up to 34 years use this service the most. The least use we find among the oldest, where the share of users does not even make it to one percent. Danish use is far lower than in Sweden and Norway, but this may be due to the fact that a lot of telecom and television companies in Denmark offer these services as a supplement to their package deals.



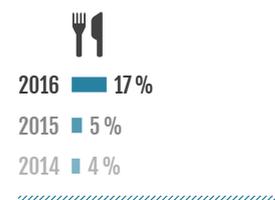
NEWSPAPERS

Almost one in four Danes have paid or are paying for online newspapers. 6 percent currently subscribe to an online newspaper. It is worth noticing that there are no major differences between the age groups. The youngest have a slightly lower use while people in big cities and with high income use it somewhat more. It is too early to foretell if the newspaper industry has begun the journey toward a brighter future, but it is an interesting development to follow.



GROCERIES

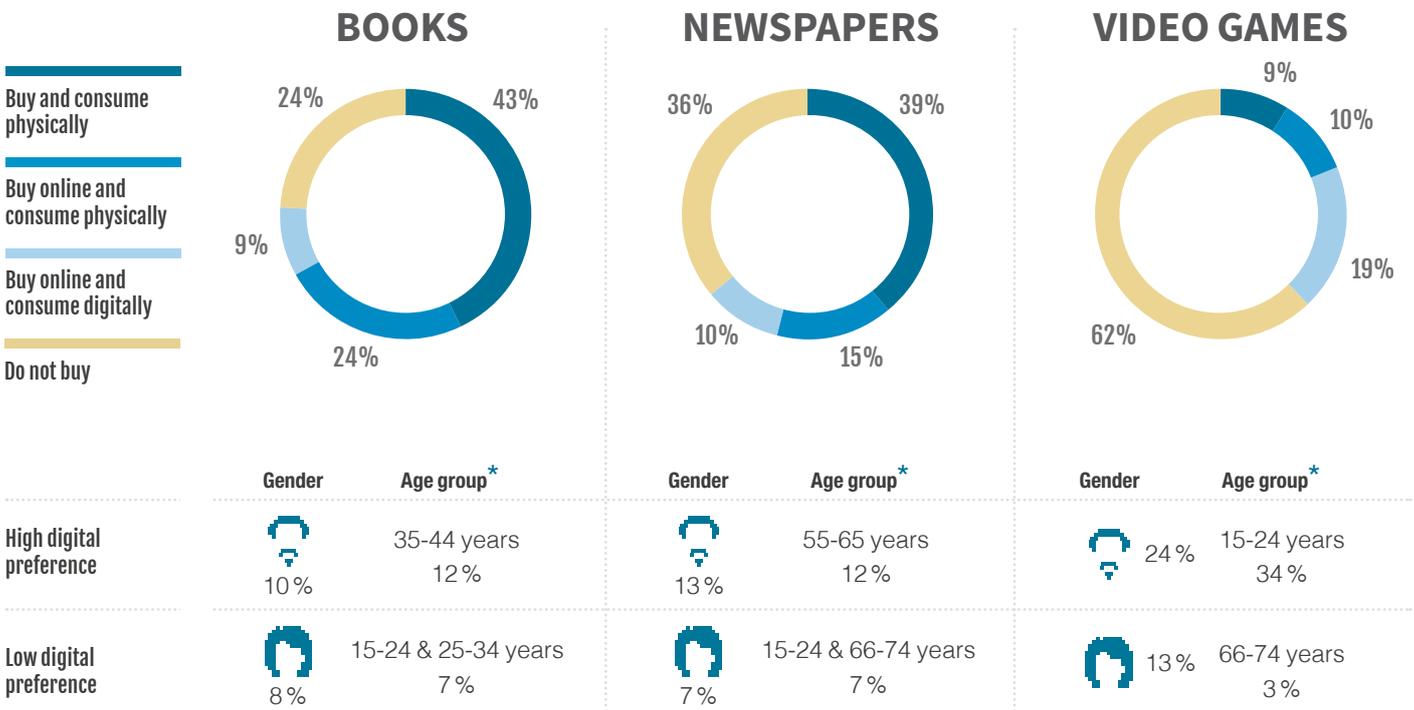
Buying pre packed grocery bags online is something a lot have tried – almost one in five. Only 5 percent subscribe as of now and the turnover is therefore somewhat low. But we are still speaking about 215 860 Danes. Young families use this service the most; here we see one in ten subscribing. For the age group 35-44, one in ten has also used this service. The capital also stands out in this category, probably because of larger availability and better logistical factors.



THE MEDIA AND VIDEO GAMES ON THE INTERNET

Buying books, newspapers and television and computer games online is no longer a new thing. But the way we shop has changed significantly the last few years. Again it is new digital formats that are driving the change. Cloud solutions and digital platforms within television and video gaming make it easier and more flexible today than ever before. However, some things do not change.

% | How do you prefer to buy and consume the following products? |



*both men and women

Compared to books the situation is unchanged and less than one in ten Dane read their books digitally. Whether you buy your books online or in the store it seems as though most people prefer sitting down with a physical book to reading on a tablet. Books are also what people buy the second most online and no less than one in three Danes have bought books online. The age group 34-44 are the ones using this the most.

We have already dealt with online newspapers in the segment on subscription services. But it is worth noticing that the Danes still prefer newspapers in their physical form. Only one in ten prefer to read the paper online. Men and the oldest are the ones who buy online newspapers the most and men actually twice as much as women. The youngest prefer the physical format least of all and buy newspapers a bit less than average.

Television and computer gaming is the category which as of now is being bought digitally the most. Almost one in five Dane buy this online and use it exclusively digitally. The "Cloudification" within this category is very strong and today you do not need to have a physical product. Mobile gaming has also gained a strong position and almost one in three Danes spend money on this. Men and the youngest up to 34 years use this the most. But today a lot of people buy and play digital games. Although significantly less with the older age groups where only a few percent do it.



CONSUMERS

Danish consumers are a small but still relatively strong group economically speaking. E-commerce is a nice fit in Denmark, because internet penetration is high and consumers are very technologically savvy and good at adapting to new technological solutions and services.



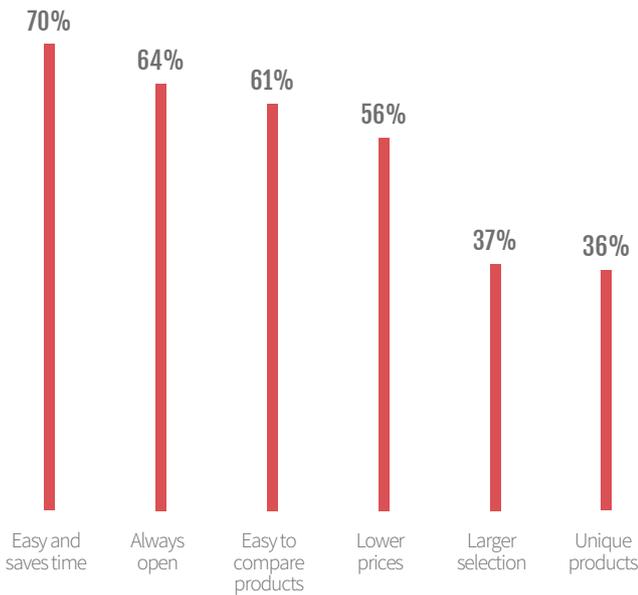
Population age 15-74

4.3 million

96%
internet penetration

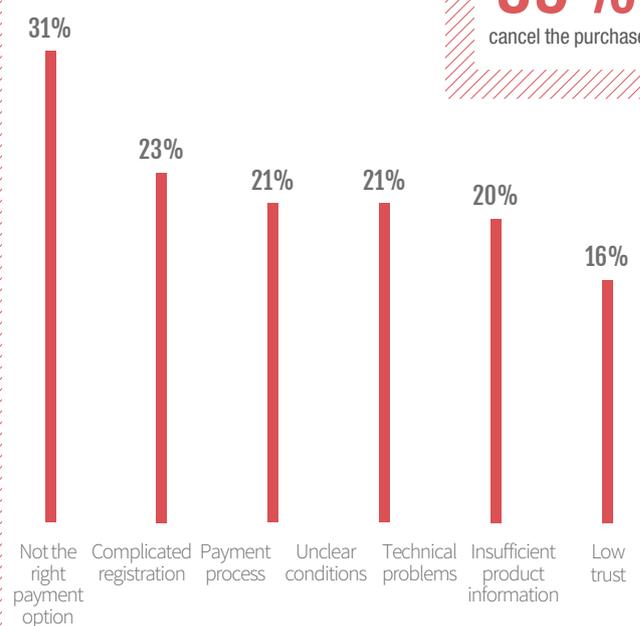
8 of 10
have a smartphone

% | Why do you shop online? |



The primary reason for shopping online has changed in the course of a few years from saving money to the fact that it is easy and saves time. That the web shop is never closed and that it is easy to compare products are also significant reasons. Reasons such as lower prices and larger selection are also still important factors.

% | Why did you cancel the purchase? |

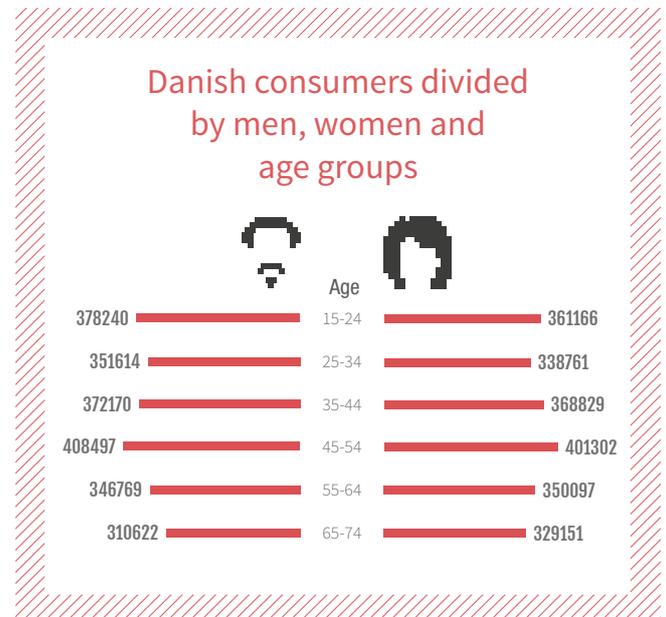


Almost four out of ten Danes have cancelled an online purchase during the last three months. The main reason for cancelling a purchase, making up for roughly a third, is unclear terms, followed by inadequate information about the product. The consumer finding registration bothersome and technical problems are also significant reasons and make up for around a fifth.

MEN AND WOMEN

On the following pages we take an in-depth look at the various demographic groups and their online shopping behaviour. We will start with men and women. The coloured numbers show the changes in percent compared to earlier years.

| |  |  |
|--|---|---|
| Shop occasionally (up to 10 times per 3 months) | 78 % | 75 % |
| Shop often (more than 10 times per 3 months) | 13 % | 12 % |
| Shop via mobile device | 45 % 4 % | 46 % 8 % |
| Shop via smartphone app | 22 % 3 % | 17 % 2 % |
| Have cancelled a purchase | 40 % 7 % | 39 % 4 % |
| Shop from foreign online stores | 53 % 1 % | 41 % -2 % |
| Prefer card payment | 82 % -6 % | 81 % -6 % |
| Prefer online bank payment | 11 % 6 % | 9 % 3 % |
| Prefer invoice | 2 % 0 % | 2 % 0 % |
| Prefer card payment on mobile | 65 % -13 % | 68 % -10 % |
| Prefer online bank payment on mobile | 25 % 15 % | 19 % 9 % |
| Prefer invoice on mobile | 2 % 1 % | 4 % 2 % |



MEN

There are about 2.2 million men in Denmark between the ages of 15-74. The largest group is 45 to 54 with nearly 409 000 men. The smallest group is 66 to 74 with around 311 000 men. Men shop online almost as much as women, all though among the men we find somewhat more who shop often. Men in general buy more travel, cars, boats and motorcycles, electronics, digital media and online gambling than women do. Men also buy more children's toys online, which is a bit more surprising.

WOMEN

There are around 2.1 million women in Denmark at the ages of 14 to 74 years old. The largest group is 45 to 54 with around 401 000 women. The smallest group is 66 to 74 with almost 329 000 women. Women shop online just as much as men, but fewer shop often. There is a tendency for women to buy more train and bus travel, fashion, health products, memberships and groceries.

AGE GROUPS

On this Page we will take a closer look at consumer behaviour in different age groups. See the number of consumers in each age group on the previous page. Online shopping is clearly for everyone. Also among the older consumers who have developed strongly in the last few years. The coloured numbers show the changes from last year.

| Age | 15-24 | 25-34 | 35-44 | 45-54 | 55-65 | 66-74 |
|--|--------------|-------------|--------------|-------------|--------------|--------------|
| Shop occasionally (up to 10 times per 3 months) | 77 % | 83 % | 75 % | 79 % | 74 % | 74 % |
| Shop often (more than 10 times per 3 months) | 11 % | 10 % | 19 % | 13 % | 13 % | 8 % |
| Shop via mobile device | 46 % 9% | 54 % -4% | 59 % 7% | 48 % 9% | 37 % 10% | 21 % 3% |
| Shop via smartphone app | 25 % 5% | 23 % -5% | 29 % 6% | 17 % 2% | 12 % 5% | 7 % 4% |
| Have cancelled a purchase | 38 % 7% | 45 % 5% | 46 % 7% | 42 % 5% | 36 % 10% | 25 % 0% |
| Shop from foreign online stores | 57 % 3% | 48 % -6% | 51 % -1% | 57 % 6% | 37 % -3% | 29 % -1% |
| Prefer card payment | 75 % -13% | 82 % -5% | 80 % -7% | 84 % -4% | 83 % -5% | 86 % -1% |
| Prefer online bank payment | 15 % 8% | 11 % 4% | 13 % 7% | 8 % 4% | 7 % 3% | 4 % 1% |
| Prefer invoice | 2 % 1% | 2 % -1% | 1 % -2% | 3 % 2% | 1 % 3% | 3 % 0% |
| Prefer card payment on mobile | 52 % -23% | 74 % -1% | 64 % -16% | 77 % -3% | 67 % -10% | 61 % -19% |
| Prefer online bank payment on mobile | 29 % 11% | 14 % 0% | 26 % 15% | 14 % 6% | 22 % 6% | 35 % 7% |
| Prefer invoice on mobile | 5 % 4% | 4 % -1% | 2 % 0% | 2 % 2% | 3 % 3% | 0 % -2% |

FAMILY SITUATION

On this page we look further into family demographics.

The coloured numbers show the changes from last year and the family groups are explained at the bottom of this page.

| | Pre family | Young family | Adult family | Active empty nesters | Senior citizens |
|--|-------------|--------------|--------------|----------------------|-----------------|
| Shop occasionally (up to 10 times per 3 months) | 79% | 78% | 74% | 79% | 73% |
| Shop often (more than 10 times per 3 months) | 10% | 19% | 18% | 11% | 9% |
| Shop via mobile device | 45% 2% | 69% 0% | 55% 13% | 39% 9% | 25% 4% |
| Shop via smartphone app | 23% 0% | 30% 2% | 23% 6% | 13% 4% | 9% 3% |
| Have cancelled a purchase | 40% 5% | 52% 11% | 46% 10% | 36% 4% | 24% 0% |
| Shop from foreign online stores | 54% -1% | 50% -6% | 52% 1% | 45% 8% | 29% -7% |
| Prefer card payment | 80% -7% | 80% -8% | 81% -9% | 84% -2% | 85% -4% |
| Prefer online bank payment | 12% 5% | 14% 8% | 12% 7% | 7% 3% | 4% 1% |
| Prefer invoice | 1% -1% | 1% -1% | 3% 1% | 1% -3% | 4% 2% |
| Prefer card payment on mobile | 59% -15% | 74% -7% | 73% -10% | 65% -14% | 65% -10% |
| Prefer online bank payment on mobile | 26% 12% | 17% 11% | 15% 10% | 25% 4% | 27% 9% |
| Prefer invoice on mobile | 2% -1% | 5% 4% | 4% 3% | 2% 2% | 2% 1% |

Pre family:

The person is 15-45 years old without children.

Young family:

The person has children living at home younger than 6 years old.

Adult family:

The person has children 7 years old or older living at home.

Active empty nesters:

The person is 46 years old or older without children living at home and is active on the job market.

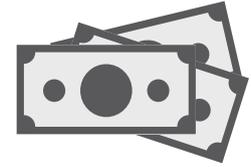
Senior citizens:

The person is 46 years old or older without children living at home and is in-active on the job market.

CROSS BORDER

SHOPPING HAS STAGNATED

The Danes have always shopped in foreign web shops and this continues to this day. For the Danish web shop owner, who only sells to the Danish market, this can be considered a threat. But it could also mean possibilities since e-commerce open up to a global market with many, possible customers.



EXACTLY JUST AS many Danes shop online abroad this year as in 2015. If you compare the number with ten years ago, there is hardly any detectable difference, 49 percent compared to 48 percent this year. It could be said that Danish online stores have both succeeded and failed at competing with the foreign online stores. Or that foreign and Danish web shops have done equally well in the last ten years.

In the report at hand we have taken a closer look at the cross border e-commerce. More than half of men, the youngest and the age group 45-54 shop abroad, which represents the highest share among all demographics. Women and the oldest shop the least, four out of ten women and three out of ten of the oldest respectively. Fashion and home electronics are the most commonly purchased types of goods abroad by Danish consumers.

WHY DANISH CONSUMERS SHOP ABROAD

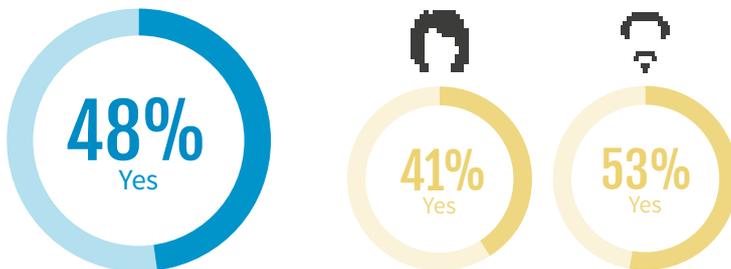
The main reason for shopping in a foreign online store is lower prices. Almost two out of three Danes state this as a reason. That a certain product is not available in a Danish online store and that foreign shops offer a generally larger supply are the following stated reasons with respectively half and a third. There are no major differences between the demographic groups. Interestingly one out of ten of the youngest state "greater trust" as a reason for shopping in foreign online stores.

WHY DANISH CONSUMERS DO NOT SHOP ABROAD

A lot of Danes still choose the national online stores over the foreign ones. If you know why, we think Danish companies will easily be able to make the consumers feel even more secure in the future.

Cross border shopping is more common among men...

% | Do you shop from foreign online stores? |

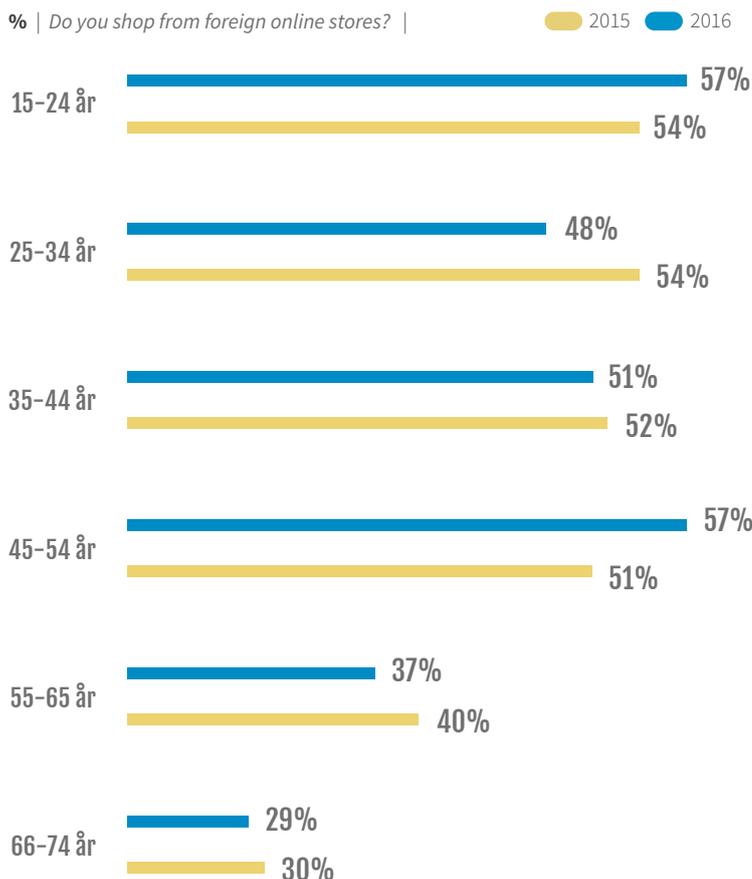


The main reason for not shopping abroad is insecurity about consumer rights. Almost one out of ten Dane state that insecurities around warranty, shipping or a change of mind can be a reason for not shopping in a foreign online store. About a third states that insecurities around tax and customs and the general terms and conditions are significant reasons.

Difficulty returning products is obviously also one of the more significant reasons. Almost four out of ten state this as a reason for not shopping in foreign online stores. Here Danish shops have a clear advantage, especially the so-called omnichannel shops, where you can pick up and/or return the product without boundaries between the internet and the physical shop.

An interesting reason why many choose not to shop in foreign online stores is, that a lot of people want to be supportive of Danish shops. A third of the Danes state this as a reason. Among the youngest this reason is the least important, while the oldest think it is the most important. There is nothing the foreign shops can do about this, other than try to be perceived as Danish, which a lot of them do today. But Danish web shops can use this to their advantage. Support in one's own language is important to many and around a fifth state this as a reason. Support in one's own language is the most important among the oldest. ■

Highest increase among consumers aged 45-54



So, what can Danish web shops do to increase sales?

We have put together a "quick fix" guide to help you.

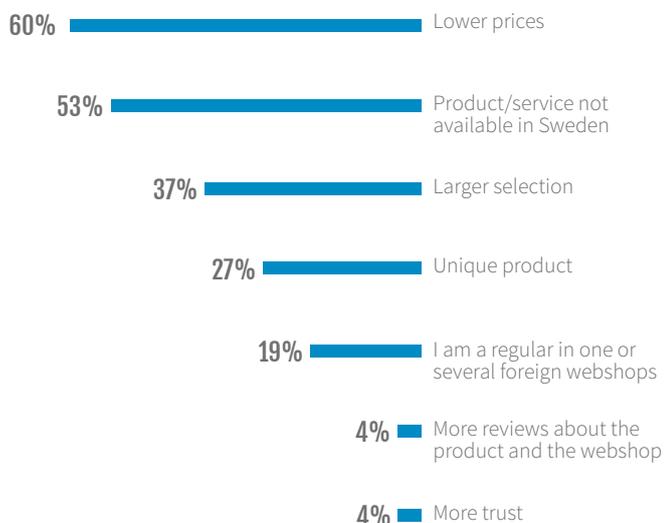
FOR DANISH CONSUMERS

- Identify which products many Danes buy in foreign online stores and offer this. Even if the price is more reasonable abroad, a Danish online store has a great chance of beating competition based on previously mentioned reasons.
- Ensure it's clear that the web shop is Danish. Many prefer to support Danish online stores and perhaps by informing how the business contributes to society with taxes, environmental focus and work opportunities, this could potentially be the winning factor when competing for customers, as many stores sell the same products the same way and to approximately the same price.

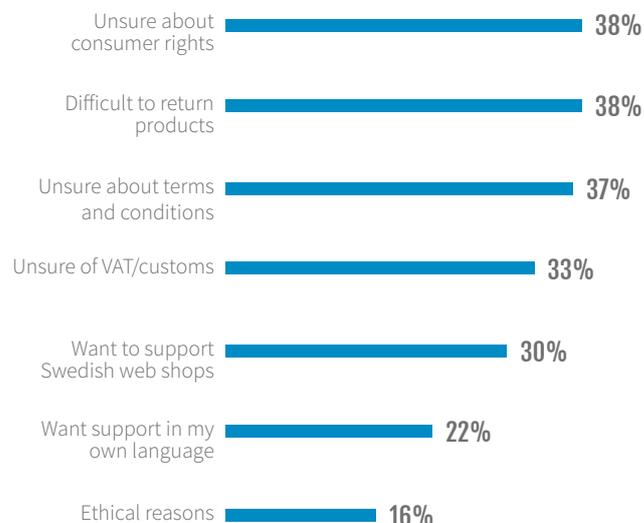
FOR FOREIGN CONSUMERS

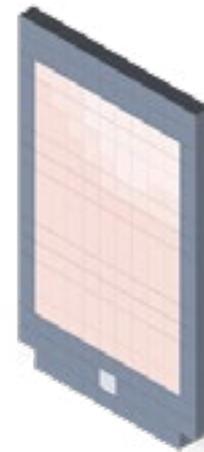
- Clearly indicate the terms and conditions for foreign customers, either in English or other languages. The terms and conditions include everything from customs and VAT, warranty and shipping to consumer rights.
- Find out which country your customers live in. Both for optimising the marketing but also finding which languages you should offer as well as understanding possibly relevant cultural aspects.
- Customise! Consider offering local support, in addition to local languages, currencies and payment methods.

Why do you shop from foreign online stores?



Why don't you shop from foreign online stores?





MOBILE SHOPPING

- is approaching the half way mark

That the smartphone today is an important foundation for e-commerce is more or less considered a fact. Since the smartphone turned into a tiny computer with internet access, the development has rushed along with tablet, mobile friendly websites, apps and mobile payment solutions. The growth in Denmark is very solid and almost half of all Danes today shop online via their smartphone or tablet.

TODAY ALMOST HALF – 45 percent - of Danish consumers shop from their smartphone or tablet. This is an increase of 5 percentage points compared to last year. The number is approaching 2 million users and the trend has been rising for several years. The share of people owning a smartphone in Denmark has risen significantly in later years, and even though the curve has levelled somewhat a survey by eMarketer shows that eight out of ten Danes own a smartphone. Many also own a tablet, which means that internet access is now almost total (96 percent). This trend is both created and driven by the increasing number of mobile friendly websites, apps and mobile payment solutions. When it is easier to shop from your mobile phone than your computer, it motivates web shop owners to continue contributing to a more flexible shopping experience through all channels.

This year it is particularly interesting that the consumers, who lowered the average earlier on, are now increasing it – in some case quite significantly. The increase in the age group 55-65 is at an impressive 10 percentage points. The increase among the oldest is a modest 3 percent. The age group 55-65 shows a remarkable increase over 5 years of more than 400 percent. A very large group of people – around 2 million – who possess a lot of purchasing power and have a lot of time on their hands has begun shopping online via their smartphones or tablets. It is also interesting, that not all age groups are growing. We also

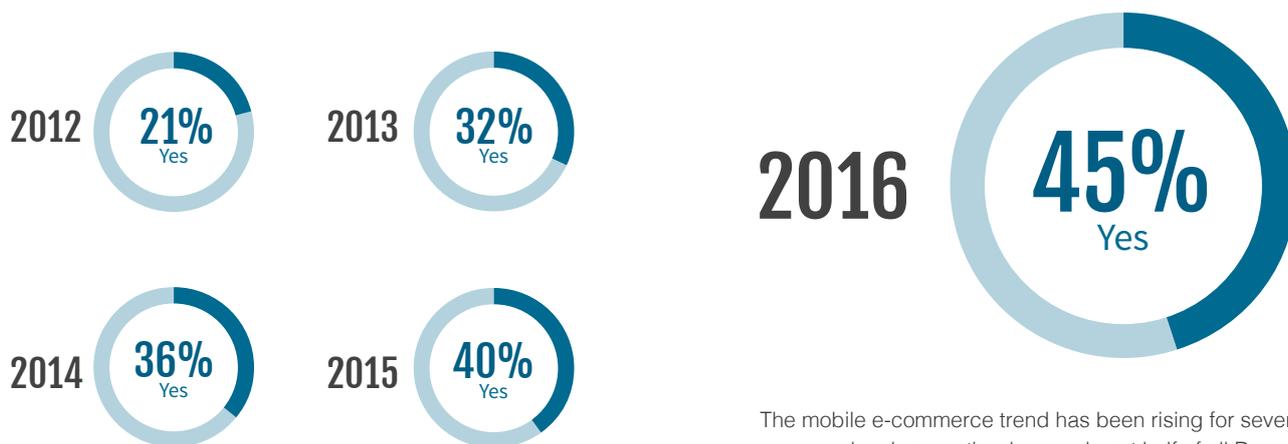
430%
five year increase of
mobile shopping among
older consumers

see a decline in the age group 25-24. Here spending drops by 4 percent, but this is also where spending was at its highest earlier.

E-commerce from mobile devices thus grows increasingly more important. Within the next couple of years we will in all likelihood see more consumers doing more of their shopping via their mobile phone than their computer. When a business today wants to build an online store the mobile version often gets designed first leading to the well-known strategy “Mobile First”. New forms of payment being introduced to the market are also best suited for mobile use and help strengthen mobile e-commerce. ■

More than half are now shopping through a mobile device

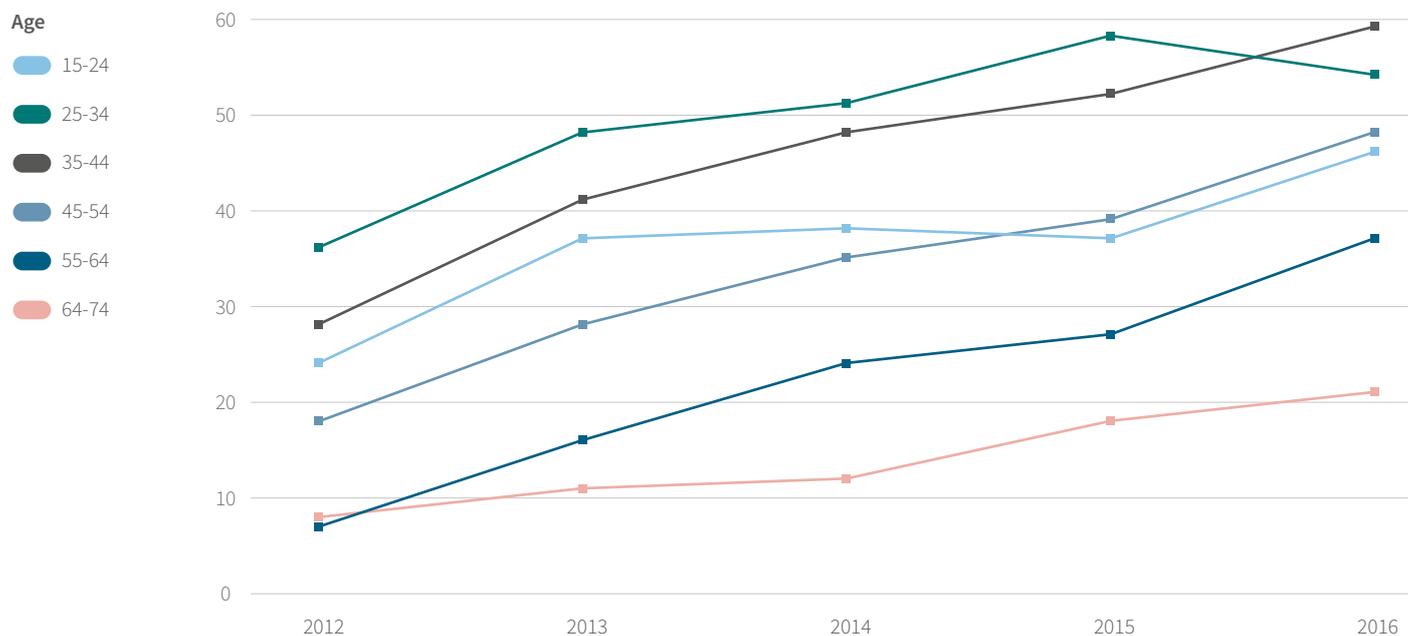
% | Have you purchased anything via your smartphone or tablet in the past three months? |



The mobile e-commerce trend has been rising for several years and makes another leap – almost half of all Danes are now shopping online via their smartphone or tablet. This is more than double in comparison to 2012 and means that over one million Danes more shop through a mobile device compared to then.

Stronger increase among older consumers

% | Have you purchased anything via your smartphone or tablet in the past three months? |

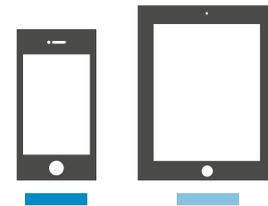
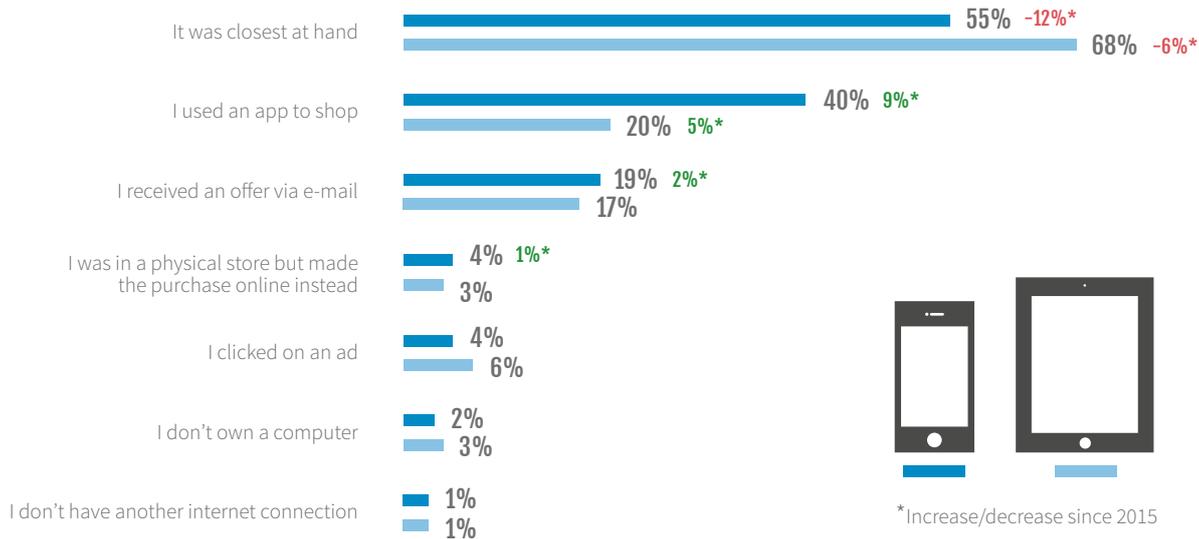


We see an increase in almost all age groups, but among the 55-65 year olds an increase of an impressive 10 percentage points has taken place since last year. This is the fastest growing age group, where the number of users has quadrupled since 2012. The age group 35-44 shop most

often of all through mobile devices and is also growing – now 6 out of 10 in this age group shop via mobile devices. It is only the age group 25-34 that has decreased since last year. Here usage was at its highest of all during the later years and still lies at the top.

Convenience still the main reason, although others are on the rise

% | Why did you shop on your smartphone or tablet? |



When is the best time for sending an e-mail?

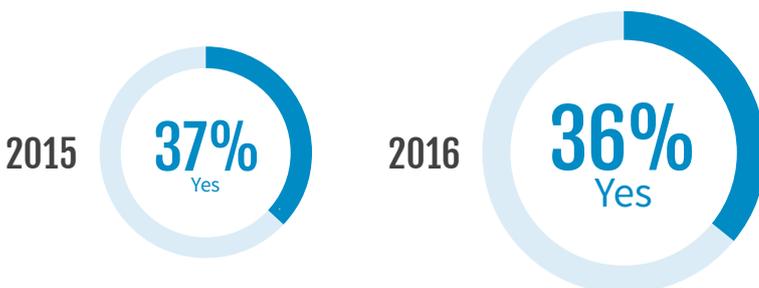


Marketing software company Hubspot have analysed more than 20 million e-mails over a ten month period and reviewed the best time to send e-mail in terms of opening rate. The answer is Tuesdays at 11 am. At this time it is 20 percent more likely that the e-mail will be opened by the recipient.

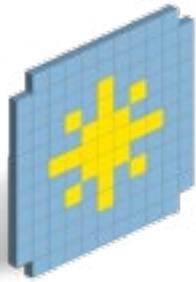
The Danes keep shopping via mobile devices because the device was closest at hand. We do see how other reasons are causing an increase, such as the use of apps for shopping or receiving an offer via email. Shopping via apps is done by all age groups and just as much. Mostly women and the age group 35-44 open offers that are sent by mail.

Many cancel their purchase because the website is not mobile friendly

% | Have you cancelled an online purchase because the website was not mobile-friendly? |



Many people still cancel their purchase because the web shop is not optimised for mobile use. The younger users are more inclined to abort because of this, while the older users have more patience. That so many still cancel their purchase in online store that are not mobile friendly, suggests that the industry has not managed to adapt to consumer behaviour with regards to shopping from mobile devices. Therefore, it is a crucial to ensure a mobile friendly website.



TO APP

– or not to app?

THE NUMBER OF apps has exploded since the launch of the smartphone. A lot of apps come and go but some become quite successful. Shopping via apps is a rising trend and today around one in five have made a purchase through an app on either a mobile phone or a tablet. Most purchases come from mobile phones. In the realm of public transport, apps have almost become standard and the taxi industry has begun developing along the same lines. Similar trends are seen in a lot of different industries.

There are several advantages to using apps as a sales channel for goods and services. People have a tendency to browse around their phone and their various apps quite often. With apps you obtain a higher degree of control with your customers and you can save their behavioural patterns more easily.

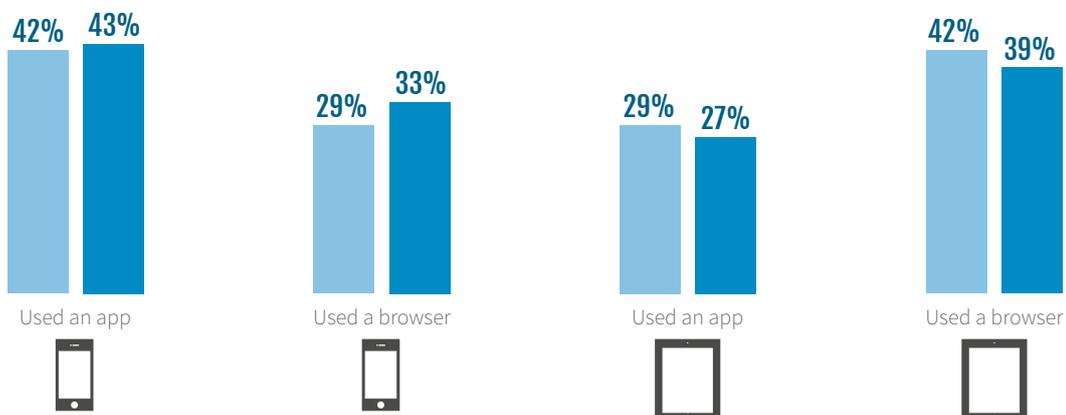
This means you can personalise the supply even better. An app is also more flexible, which makes it possible to customise the offer to suit different segments. In addition, an app is a great marketing channel because you can give the customer notifications directly on their smartphone in relation to campaigns or promotions.

The great disadvantage is of course the cost of developing and maintaining the app. If you need to calculate the costs it is a good idea to consider other parameters. If a user is to download an app it requires a strong brand and customer loyalty. In the Nordic region the market is smaller than in for instance the US or China, which means that the number of users is relatively small. That being said, there are several successful examples of company apps in Denmark and we think the trend will continue.

Purchases through apps are increasing via smartphones but decreasing via tablets

% | How do you make purchases on mobile devices? |

2015 2016



The mobile phone is growing rapidly as a means of shopping while tablets are receding. Purchases made through apps via the mobile phone keep growing and now 4 out of 10 Danes, who shop via their mobile phone do so through an app. Purchases made via tablets are somewhat receding.



ONLINE PAYMENTS

At DIBS we specialise only in payments. Even though a lot is happening within the field, changing consumer behaviour is difficult. The Danish national credit card, Dankort, still dominates completely as the preferred form of payment but it has receded somewhat in favour of new forms of payment. In the report at hand we see that there is a difference between the forms of payment being used and the ones that are actually preferred. We believe that people will be using a variety of payment methods in the future, which means that the market will become even more fragmented than it is today. Fewer purchases will be cancelled due to available payment methods.

IN THE REPORT this year we see that it takes time for new payment methods to enter into consumer behaviour, which has not changed much in the later years. Dankort and credit cards still dominate but have as mentioned receded a little since last year primarily because of MobilePay, which continues to strengthen its position in Denmark. We also see that there is a difference between the forms of payment consumers are using and the ones they prefer. Simplicity, security and speed are the main reasons for why consumers choose the different payment methods.

Mobile e-commerce has as we know made a strong breakthrough. Hundreds of thousands of Danes are already paying for their online goods via MobilePay or Swipp, which has been used a bit more since last year. New forms of payment thus are slowly making headway. At the same time new global technological solutions such as ApplePay, SamsungPay and AndroidPay have emerged – although none of them have gotten a foothold in Denmark yet. All the new forms of payment have in common that they make it easier for the consumer to execute the payment – they reduce the hassle.

A result of trouble with payment is that many cancel their purchase. Nearly 4 out of 10 consumers in Denmark have cancelled an online purchase due to this. That is an increase of 5 percent

since last year. This is not a positive development and it is our goal to contribute to improving this with regards to the payment solutions offered by DIBS. The cancelled purchases often happen because vital information is needed by the consumer, or because of lengthy registration processes. Another reason could be that the web shop does not offer the form of payment the consumer wants.

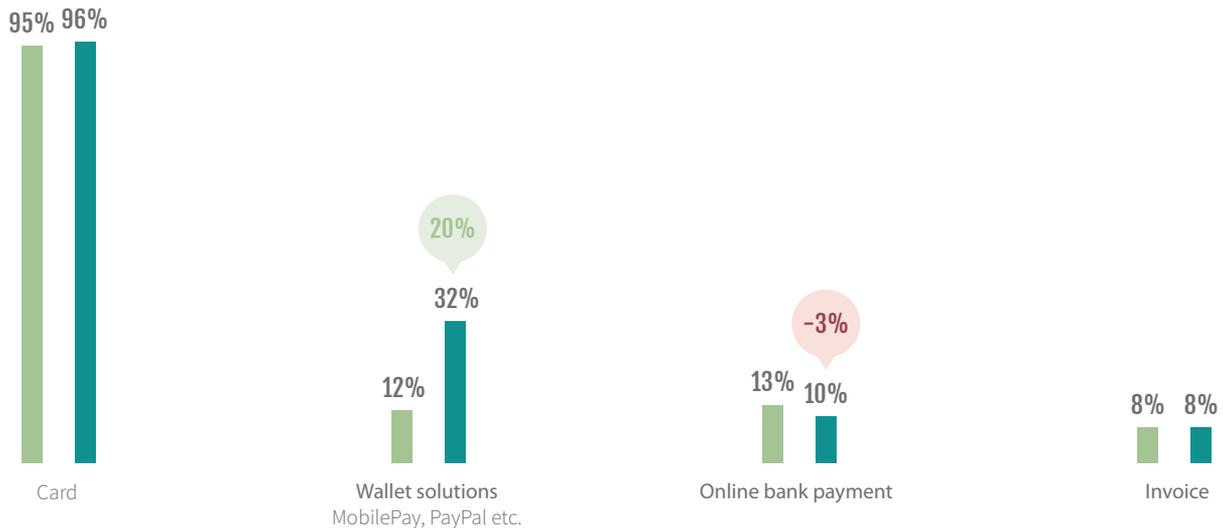
We are working on making it better and simpler to execute online payments. As an example, the consumer will not have to enter their credit card information upon each purchase in the future. Every third Dane wants to not have to provide credit card information with each purchase. Therefore, the card details will be stored and remembered by DIBS, in order to simplify the following purchase across all online stores connected to DIBS and Nets. About every tenth Dane state that they would shop more online if they did not have to enter their card details every time, especially when it comes to mobile shopping.

DIBS firmly believe in a future where not a single purchase is cancelled because of payment. ■

Wallet solutions are increasing

% | Which payment methods have you used in the last three months? |

2015 2016



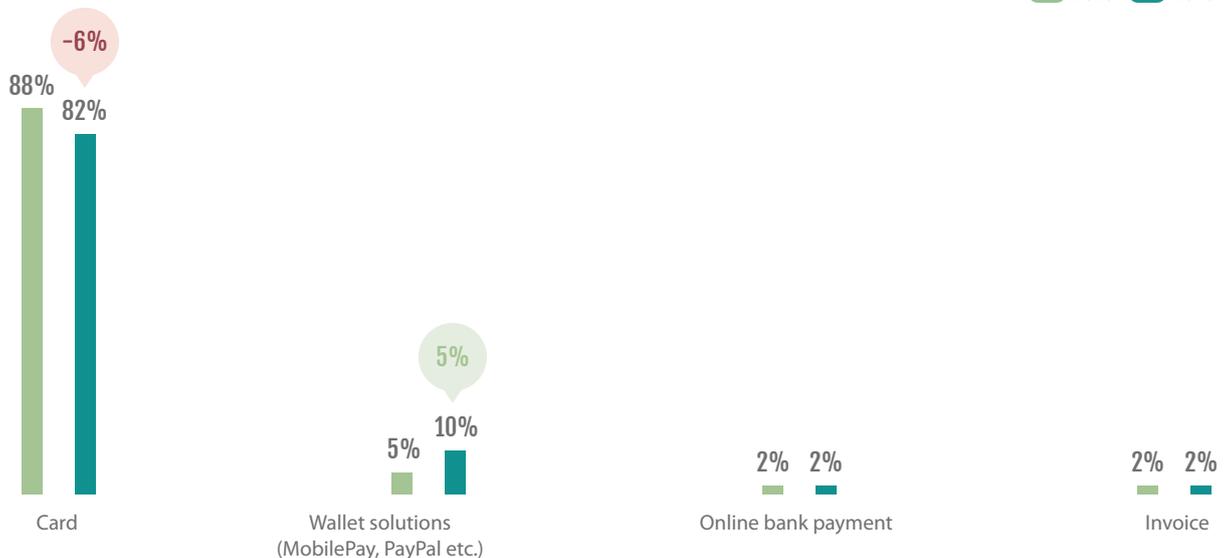
It is still Dankort and other payment cards that are used the most for online payment. We do however see an increase in the new forms of payment when it comes to use and preference. MobilePay has made a strong step forward and today more than a quarter use this form of payment. Many

consumers probably use it primarily for money transfer even though a lot of online stores are offering it as a form of payment. Women and the younger up to 44 years of age both use and prefer MobilePay the most, the oldest the least.

More also prefer wallet solutions

% | Which payment method do you prefer? |

2015 2016



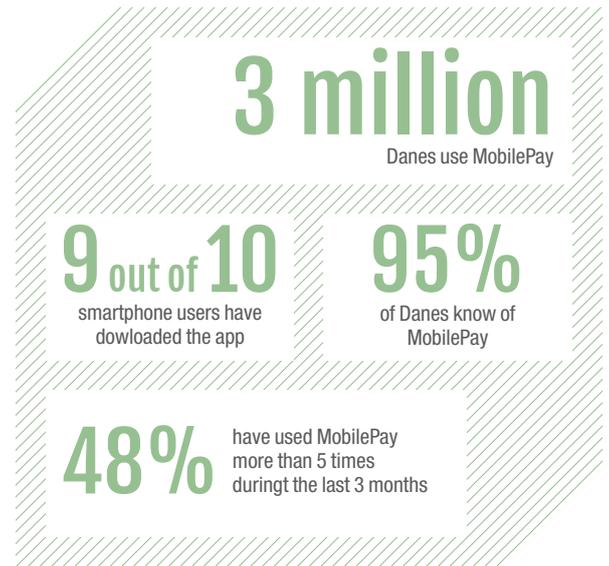
Wallet solutions are not only increasing in use, they are also increasing in preference. Even though Dankort and other cards traditionally have had an unshakeable position, the Danes have begun to embrace the new forms of payment on a larger scale. As the new forms of pay-

ment are becoming more well-established in the Danish market, consumer trust increases even among the older, who have become active with regards to e-commerce.

MOBILEPAY

The successful app for money transfer, MobilePay, has built a large user base in record time. More than 3 million Danes use the app, while 95 percent know of it. More than half the users have transferred or received money using MobilePay more than five times within the last three months. The success is also evident by more and more choosing MobilePay as payment when shopping online.

If you look at how women and men use the app it is clear that more than twice as many women to men prefer to pay with MobilePay. One possible explanation is that women are more social and find themselves in situations where one pays and the other transfers her money by MobilePay. Almost 8 out of 10 use the app because it is the easiest and quickest way to transfer money to each other, pay in a shop or online.



% | Which payment methods have you used in the last three months? |



% | Which payment method do you prefer? |



% | Which payment methods have you used on your smartphone or tablet in the last three months? |



% | Which payment method do you prefer on smartphone or tablet? |

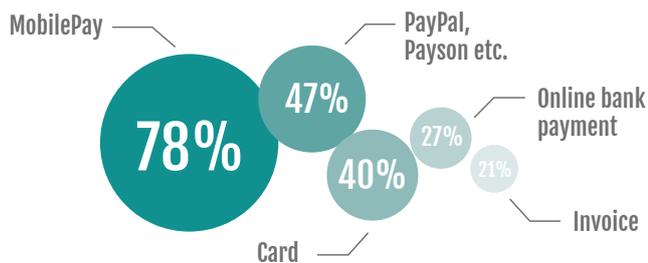


Why do you prefer MobilePay?



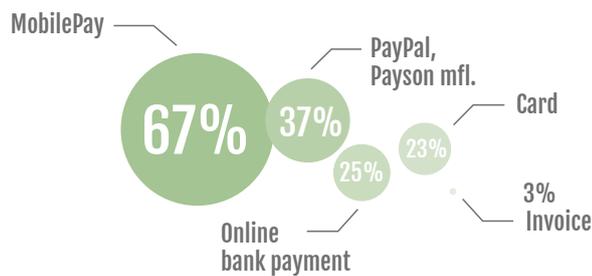
Security is most important followed by simplicity

% | Why do you prefer the payment method? |



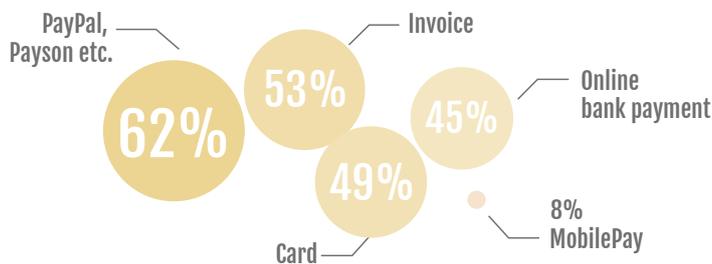
SIMPLEST

That the payment method is simple is very important for the consumer. For the first time we see that a wallet solution is perceived as being very simple, namely MobilePay, where 8 out of 10 Danes choose this form because it is the most simple. After that comes PayPal and cards with around 4 out of 10 Danes. Invoice is perceived as the least simple with barely a fifth. This is probably because invoice use creates two payment transactions: one when purchasing and another one when paying.



FASTEST

MobilePay is perceived as the fastest form of payment with about two thirds. This is no big mystery since payment is done by a couple of swipes on your phone. PayPal is perceived as second fastest with about a third and then slight differences present themselves between cards and online banking. Invoice stands out for obvious reasons – it entails two transactions with waiting time in between.



SAFEST

PayPal is, with two thirds, the form of payment method perceived to be the most secure by Danish consumers. Then comes invoice with around half followed by cards and online banking. The fewest perceive MobilePay as the most secure, probably because it is a relatively new form of payment. On page 15 you can read more about how you as an owner of an online store can guard yourself and your customers against fraud.

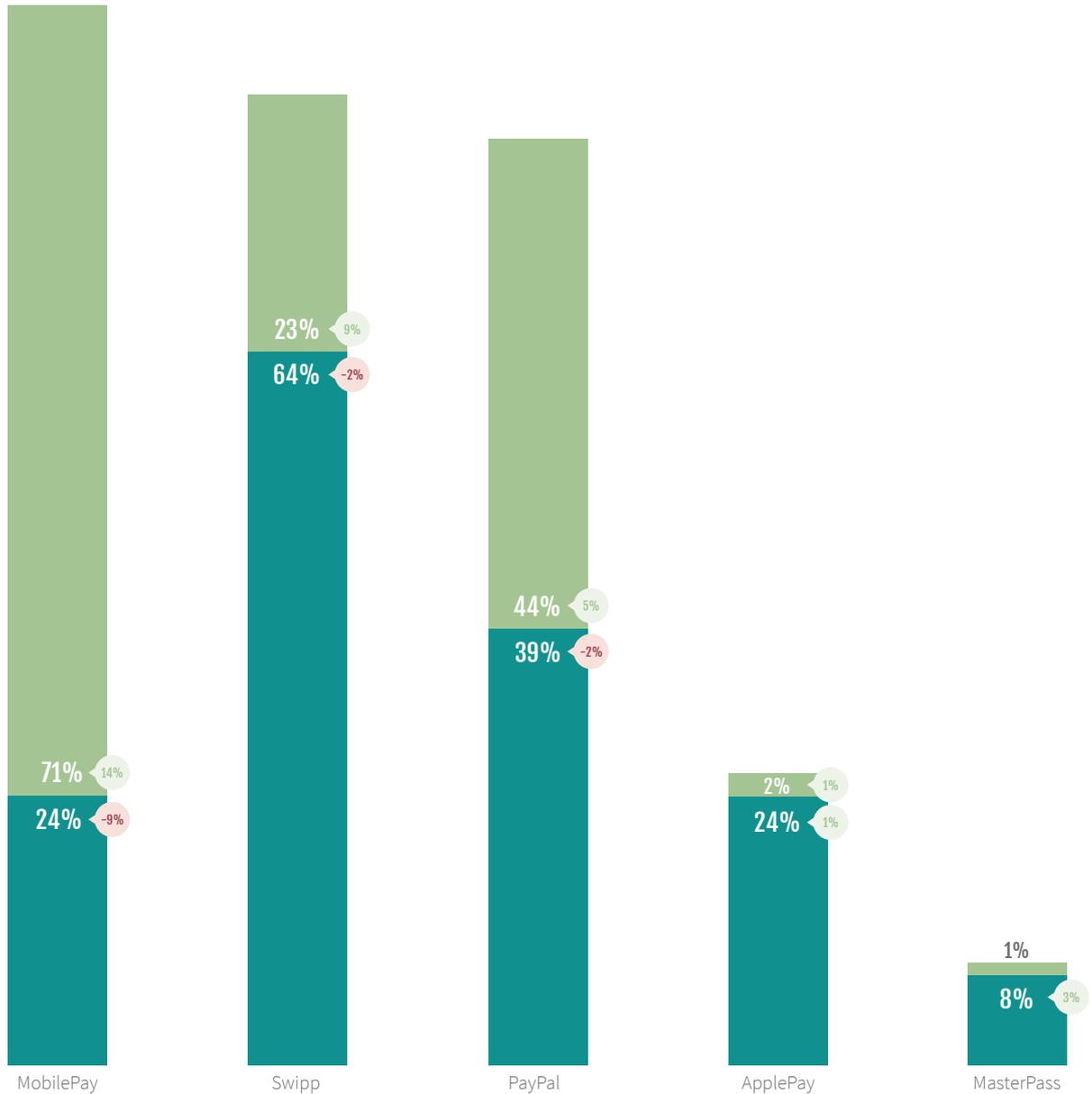
CONCLUSION

Perhaps some customers feel more secure about the safety of card payments while others prefer the ease and speed of paying via their mobile. Others are more cautious and prefer PayPal or invoice. Because it is difficult to know anything about each person's preferences, it becomes important that the online store offers payment methods which accommodate the various priorities of the customers.

Use of MobilePay is increasing

% | Which of the following payment methods do you know? |

Know of and have used Know of but have not used



The two dominant forms of payment on the Danish market as of now are MobilePay and Swipp. MobilePay is, in comparison to Swipp, further along with its e-commerce solution and use of MobilePay has increased by an impressive 14 percentage points since last year. And knowledge of the payment method is close to 100 percent. Swipp has also increased significantly – 9 percentage points.

Even though we do not see any greater effect by global players, ApplePay or the Google solution AndroidPay, they will most likely make an impact when they enter the Danish market. Demographically speaking, the report tells us that it is the younger age groups who use mobile payment solutions the most, even though half of the oldest have used MobilePay.

Many would like to avoid having to enter credit card information

% | *Would you prefer not having to enter your card details upon each purchase?* |



% | *Would you shop more if you did not have to enter your card details upon each purchase?* |



Something that can simplify payment for the consumer, where payment by card is still dominant, is not having to enter their credit card information upon each purchase. More than a third of Danes would like to be rid of this, especially among the younger and those up to 44 years of age. This is somewhat higher among those who shop via mobile devices, where as much as 4 out of 10 would like to rid of entering card details. Some consumers state that they would shop

more in an online store if they did not have to enter any credit card information. This goes for a bit more than one in ten and nearly one in five of those shopping via mobile devices. This is relatively low compared to the neighbouring countries of Sweden and Norway, but is probably due to the fact that payment by card still has a much stronger position in Denmark.

E-COMMERCE

CONTINUES TO GROW

– Now more than

NOK **90** **BILLION**
annual turnover

THE NORWEGIANS' ONLINE shopping continues to increase and has grown 16 percent, or NOK 12 billion, since 2015. The entire market for Norwegian e-commerce including travels, physical goods and services, is valued at NOK 90 billion. Since DIBS began measuring the market size five years ago, the turnover has increased by an incredible 75 percent, from about NOK 50 billion to 90 billion.

So why does e-commerce keep growing? Besides a strong economy in Norway in general, it depends mainly on three driving forces:

THE TECHNICAL DEVELOPMENT

First came the Internet, then we had phones that were as powerful as computers and now we are in the midst of the development of the Internet of Things and an increase in digitization as a result. Logistics solutions are advanced and payment methods have evolved to become better and easier. With our modern technology, which is constantly developing, there are actually no limits to how much e-commerce can progress. Read more about this on page 25, where our e-commerce expert Patrick Müller makes predictions about the future of e-commerce.

CONSUMER BEHAVIOUR AND NEEDS

We used to shop online mainly to save money and find bargains. Although we still get bargains online, today consumers shop online primarily because it's easy and saves time – not having to go to the store saves time and effort. It's often convenient to shop online as it's easy to compare prices, do research and read testimonials from other customers. Consumer behaviour has developed, now for example we want to be able both to buy food and to pay energy bills online. Digitalisation, smartphones and tablets are embraced by consumers and influence their behaviour. Read more about Norwegian consumers on page 110-113.

BUSINESSES RECOGNIZE THE NEED TO OFFER E-COMMERCE

As mentioned above, doing so meets consumer needs and opens up new opportunities to increase sales, and reduces the risk to be overtaken by others. Areas that are not traditionally associated with e-commerce are adapting to the needs of consumers, which means that more and more companies and industries are starting to offer e-commerce. At the same time, margins and costs for this type of service is a challenge. What is common for all e-commerce players is the need to constantly develop to make it as easy and smooth for the consumer as possible.

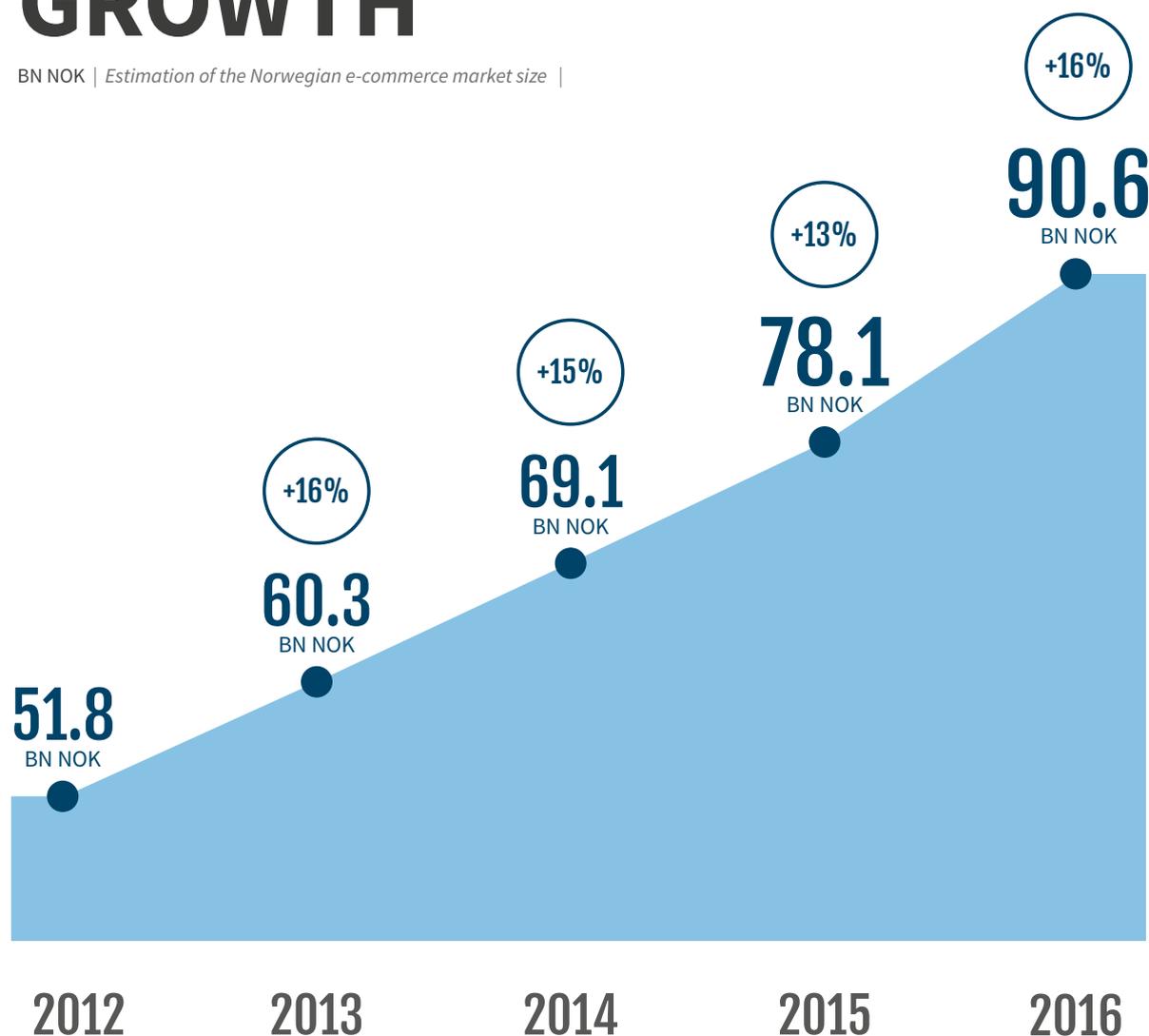
E-commerce is certainly here to stay, and we believe that the developments of recent years, which have occurred at an incredible pace, will continue. We look forward to continuing to follow the e-commerce development and we hope you find the contents of this year's report interesting and rewarding. E-commerce is definitely here to stay and we believe that the recent years' top speed development will continue. We look forward to talking about this exciting industry and hope that you will find the content of this year's report both interesting and rewarding. ■



*The calculation is based on the actual increase since last year among thousands of Norwegian online stores connected to DIBS.

MARKET SIZE AND GROWTH

BN NOK | *Estimation of the Norwegian e-commerce market size* |



TURNOVER

90 596 000 000

16%

Growth since last year

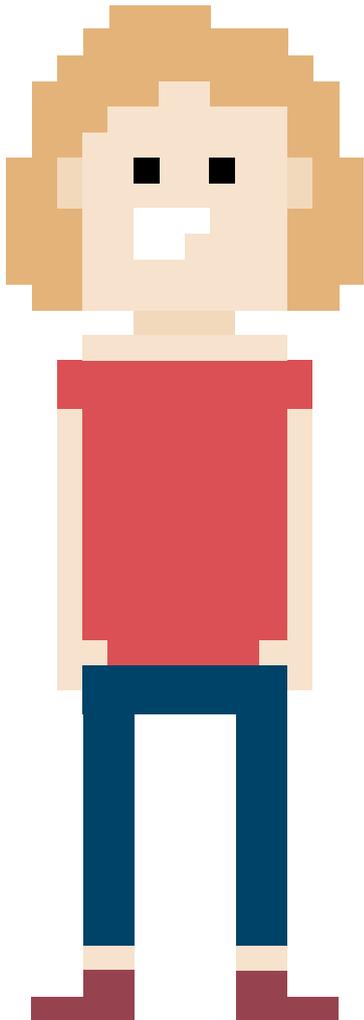
75%

Growth in the last five years

The Norwegian online market for goods and services has a turnover of NOK 90.6 billion. That is an increase of more than 12 billion (16 percent) compared to last year. In five years, e-commerce has increased by 75 percent. The figures are based on actual increase of approximately 15 000 online stores in the Nordic region.

THE DISTRIBUTION OF E- IN NORWAY

% | How is your online spending distributed? (Last three months) |

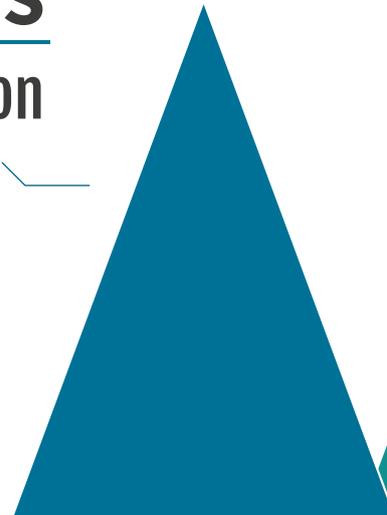


E-COMMERCE CONSISTS OF several types of physical goods and services, but the largest segment is travels. Travel's share of the entire e-commerce market in Norway has increased, despite the increasing number of industries selling online. In 2016, travel make up almost half of the online turnover in Norway, followed by physical goods with a third and services with just about one tenth. That means a distribution of approximately NOK 45 billion for travels, 30 billion for goods and 15 billion for services.

Norwegians have great purchasing power for travel, and buy just about everything online. Industries and categories that are growing are gambling, including casino, poker and online betting, and media for entertaining. Within the physical goods category groceries, beauty and health products, and construction materials have increased considerably.

DIBS will, starting with this year's report, describe the different categories as detailed as possible, as presented in the following pages. ■

SERVICES
NOK 12 billion
15%



-COMMERCE

TRAVEL

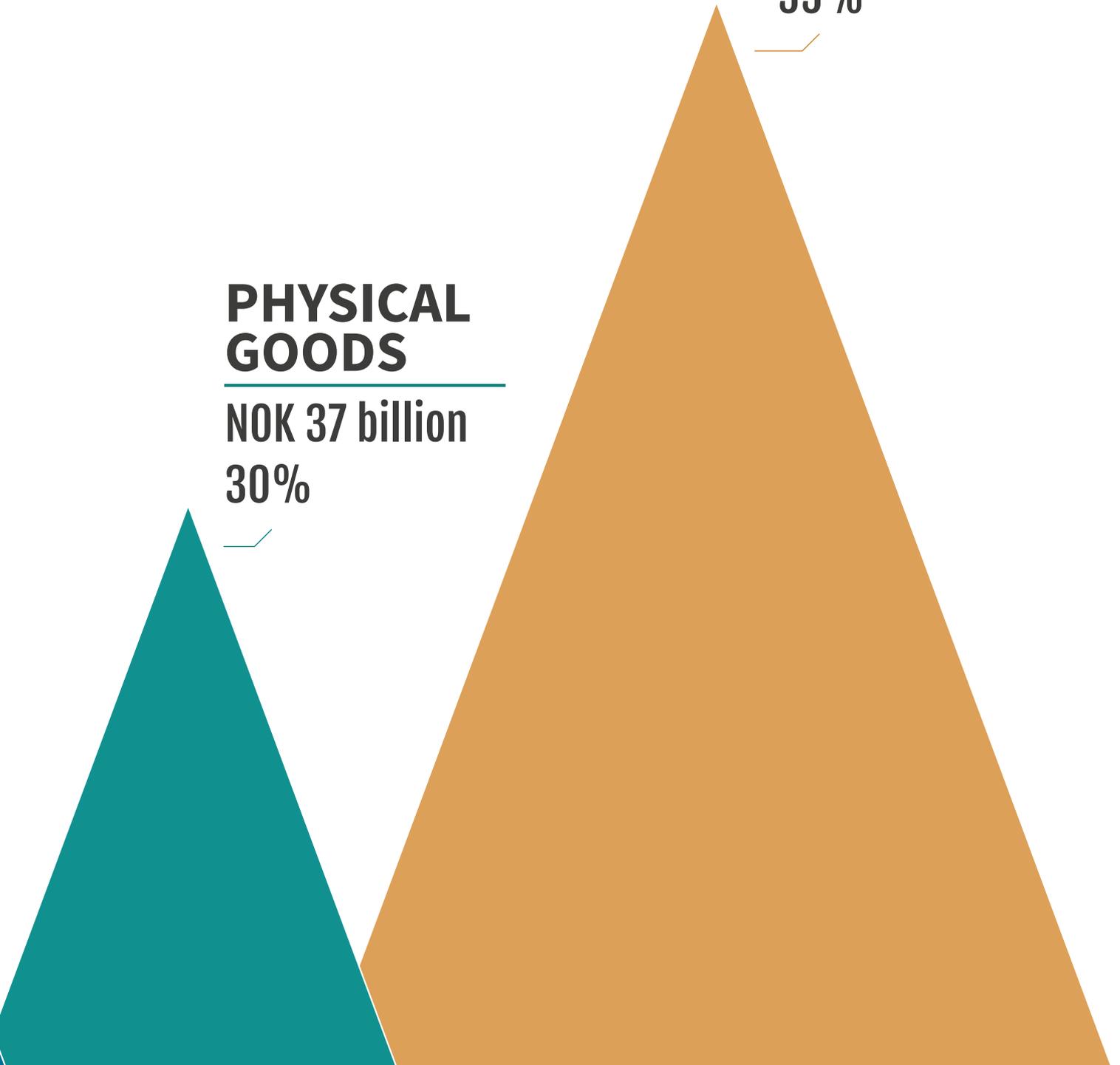
NOK 51 billion

55%

PHYSICAL GOODS

NOK 37 billion

30%



TRAVEL

– the largest market segment

55%



Travelling is costly and thus the category represents a large share of the e-commerce market. Apart from travelling being expensive, the travel industry was quick to move their business online. A flight ticket is a non-physical product that doesn't need to be tried on or delivered and you can easily compare prices and research your travel destination online.

NOK **49**
billion is the total
turnover for travel

7%
increase since
last year

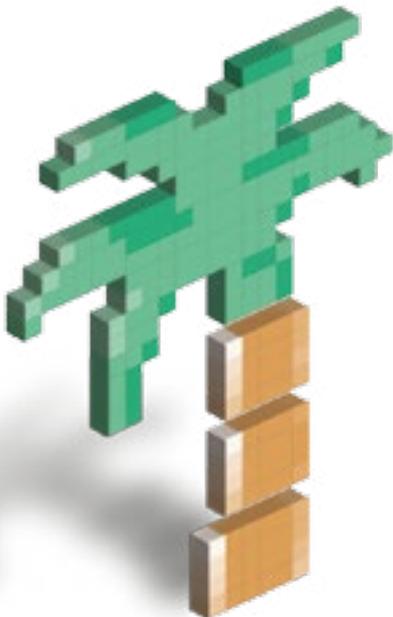
TRAVEL'S SHARE OF the e-commerce market is increasing compared to last year. From 48 percent to 53 percent this year. This means that more than half of all turnover – 49 billion – consists of travel. Within the category, flight tickets definitely account for the largest sales with almost half of the turnover. Packaged tours represent a slightly smaller part with about one fourth. Norwegian consumers differ from their Nordic neighbours where packaged tours represents the largest share. Hotels are in third place with a fifth of the turnover within the category. These three groups represent almost half of all sales online.

So despite the oil crisis, increased terrorist threats and unrest around the world, Norwegian consumers are frequent travellers. Although unemployment has increased in connection with the oil crisis, we are still well positioned in Norway. Purchasing power is about the same, as the Norwegian currency has decreased in value, which strengthens export. The employment rate remains high, Norwegian businesses are doing well and interest rates are low. There is also strong competition for airfares and hotels, the travel industry is struggling with low margins and makes money pri-

marily on additional services such as insurance and car rentals. It's a challenge to stand out and provide added value when consumers are chasing prices. TV commercials for different websites where you can search and book hotels or flights are frequent. All of these are key drivers for a growing travel industry.

Besides the three largest types of travel in terms of turnover, public transport is not to be forgotten, both around the country and in the cities. Many Norwegians buy public transport services online on a regular basis, but as it isn't as expensive it represents a smaller portion of the turnover within the travel category. Taxi represents the smallest share of turnover with less than 1 percent of the turnover. It still represents a considerable sum of almost half a billion NOK. This is a fairly big increase compared to some years ago when nobody paid online for taxi services.

The table on the next page shows the distribution within the entire category and on the following page we look deeper into some of the travel types, the two largest and the two we find especially interesting right now: public transport and taxi. ■



THE TRAVEL SEGMENT IN DETAIL

The table shows the distribution of the entire segment. On the following page we take an in-depth look at four types of travel, the two largest and the two that we find especially interesting at the moment.

| | Share of travel turnover | Turnover (BN NOK) | How many buy | Spend most  | Spend least  |
|--|--------------------------|-------------------|--------------|---|---|
| | | | | Gender Age group* | Gender Age group* |
|  Flight tickets | 47% | 24 | 39% |  35-44 yr. |  15-24 yr. |
|  Package tour | 23% | 12 | 10% |  66-74 yr. |  15-24 yr. |
|  Hotel | 22% | 11 | 29% |  35-44 yr. |  15-24 yr. |
|  Public transport | 4% | 2 | 33% |  35-44 yr. |  66-74 yr. |
|  Rental car | 1% | 1 | 7% |  55-65 yr. |  15-24 yr. |
|  Taxi | 1% | 0,5 | 9% |  66-74 yr. |  45-54 yr. |

*both men and women

THE TABLE SHOWS HOW THE **TRAVEL** SEGMENT IS DISTRIBUTED:

Share of travel turnover refers to the share of consumer spending online according to travel type (of the total segment).

Turnover is how much consumers spend online, in NOK, within each category type.

How many buy is the share of consumers who purchased the travel type online between January and April.

A CLOSER LOOK AT FOUR TYPES OF TRAVEL

FLIGHT TICKETS



Flight tickets represents the largest share of turnover within the travel category with a total of NOK 23 billion. Many Norwegians buy this online – almost four out of ten. Air travel is cheaper than ever due to price wars and lower oil prices. Interesting for Norway is that, unlike Sweden and Denmark where package travels have the biggest sales, Norwegians prefer to book and plan their own trips. Perhaps the Norwegians' adventurous genes are the reason for this. Men spend more money than women on flight together with the age group 45-55 years, families with older children and those with a high income. The youngest spend the least. Air travels are more often bought with smartphones than packaged tours, which is natural as flights are easy to book and many booking sites are mobile friendly and many airlines now have their own apps.



Family demographic* who...
Spend the most: Adult families - NOK 10 490 on average**
Spend the least: Active empty nesters - NOK 2090 on average**

PACKAGE TOURS



Package tours are the second largest travel type in the category, representing about one fourth of the turnover, NOK 11 billion. Not many buy this – about one in ten Norwegians, and it's expensive. A clear trend is that Norwegians enjoy luxury travel, they don't mind spending money and they prefer exotic destinations. Our oldest spend a lot of money on this as well as those with a high income, which is no surprise. And we can confirm a myth: people living outside the cities spend more money on travel packages than those living in the cities. These types of travels are not bought via smartphones as often, as most people would like to sit at a large screen and learn more about the destination and compare prices.



Family demographic* who...
Spend the most: Senior citizens - NOK 3810 on average**
Spend the least: Young families - NOK 1180 on average**

PUBLIC TRANSPORT



Public transport such as bus, tram, subway, train and boat represent about 2 billion of turnover in this category. Many Norwegians buy this – 1/3 – and often, too, but as it's not as expensive it represents a smaller part of the turnover. The public transport companies have gotten better at e-commerce and especially thanks to their own apps – and just as with air travels, it's very easy to buy passes for public transport with a smartphone. When it comes to public transport within cities, apps are almost standard in Norway. Successful examples of this are NBS and Ruter. There are no real differences between men and women or a specific demographic group, except that it's the age group 35-44 year who are the primary buyers and the oldest who buy the least. Almost 7 out of 10 buy their public transport passes from their mobile devices and especially from smartphones. This is higher compared to Sweden and Denmark.



Family demographic* who...
Spend the most: Adult families - NOK 610 on average**
Spend the least: Senior citizens - NOK 200 on average**

TAXI



Taxi travel accounts for the least sales online, with less than 1% of the turnover. It is however almost half a billion NOK which is a considerable increase compared to a couple of years ago when you didn't pay for taxi fares online at all. Uber has become a major player within the industry with their new business that is conducted via an app. Uber dominates for the time being, but several taxi companies have recently launched their own apps, such as TaxiFix from Oslo Taxi, and more are coming. We believe that this will increase considerably in the future. The age group 24-34 years and the oldest are the most frequent buyers of this service online, both have natural reasons for doing so. It is also a kind of service or product with most sales via mobile phones – almost 2/3 do this.



Family demographic* who...
Spend the most: Pre family - NOK 130 on average**
Spend the least: Young families - NOK 40 on average**

*For more information about the users and family situation, see pages 110-113. **Average per three months.



14251 km
8855 mi INDIA

2890 km
1796 mi CANADÁ

7846 km
4875 mi MARRUECOS

5628 km
3497 mi ALASKA

0 km
0 mi XCRET

33 km
20 mi XEL HÁ

7305 km
4539 mi HAWAII

575 km
357 mi PORTUGAL

18263 km
11347 mi GRECIA

2277 km
1415 mi COLOMBIA

1357 km
8424 mi KENIA

6208 km
3857 mi CHILE

13835 km
7975 mi CHINA

2513 km
1561 mi

3 km
2 mi XPLOR

PHYSICAL GOODS

30%



– market share remains

Physical goods are what we first and foremost associate with e-commerce. In the beginning of the development of e-commerce we looked for products online as they were often cheaper, but now we shop because it's easy and saves time. Fashion online has grown greatly by continuously making it easier for consumers with technical solutions to visualise the clothes as well as offering free shipping and returns. The advantage of shopping online is that you save time, you can compare prices and you can read up on more advanced products such as electronics.

NOK 27
billion - annual turnover
for physical goods

THE PRODUCTS PERCENTAGE of the entire turnover is constant compared to last year at 30 percent or NOK 27 billion. Within the category it's the traditionally strong e-commerce category electronics that dominates, with a fifth of the turnover, i.e. NOK 6 billion, and almost one third of all Norwegians have bought this online. The second largest category is, somewhat unexpectedly, the category of cars, boats and motorbikes, with almost a fifth of the turnover, despite the fact that not even one in ten Norwegian has bought this. Fashion, including clothes, shoes and accessories comes after with 16 percent. This product category covers NOK 5 billion of the turnover, and is the type of product that most people buy online, almost every second Norwegian.

Groceries follow the fashion category, with several successful examples. More than one in ten Norwegian buys groceries online and this represents a tenth of the turnover. We believe that this industry will mature once the large chains start with e-commerce. After groceries, three product types follow with an equally large turnover: beauty and health products, home and garden, and sports and lifestyle, each covering 7 percent of the turnover. Beauty and health products are bought by a third

of the Norwegians. Sport and lifestyle products – the Norwegians' favourites – are bought online by one out of five Norwegians. Products, just like travel, depend on the economy – when the economy is strong and people have jobs and good incomes, we shop more. Online retail could become independent of the economic situation, as we always need clothes and food just as we always need beauty and health products. It's easier to push down prices online, as it for example is easy to compare prices through price comparison sites. Some of the advantages of buying for instance pre packed grocery bags, besides the convenience, is that all meals are included and we avoid our big weakness – “impulse shopping” – when we are in the grocery store. ■



THE GOODS SEGMENT IN DETAIL

The table shows the distribution of the entire segment. On the following page we take an in-depth look at four types of goods, the two largest and the two that we find especially interesting at the moment.

| | Share of goods turnover | Turnover (BN NOK) | How many buy | Spend most  | | Spend least  | |
|--|-------------------------|-------------------|--------------|--|------------|---|------------|
| | | | | Gender | Age group* | Gender | Age group* |
|  Home electronics | 21% | 6 | 28% |  | 25-34 yr. |  | 66-74 yr. |
|  Car, boat & motorcycle | 17% | 5 | 8% |  | 35-44 yr. |  | 66-74 yr. |
|  Fashion | 16% | 4 | 45% |  | 25-34 yr. |  | 66-74 yr. |
|  Food & groceries | 10% | 3 | 12% |  | 15-24 yr. |  | 55-65 yr. |
|  Sports & leisure | 7% | 2 | 20% |  | 35-44 yr. |  | 66-74 yr. |
|  Home furnishings | 7% | 2 | 15% |  | 25-34 yr. |  | 66-74 yr. |
|  Body & health | 7% | 2 | 33% |  | 45-54 yr. |  | 66-74 yr. |
|  Physical media | 5% | 2 | 33% |  | 35-44 yr. |  | 66-74 yr. |
|  Children/toys | 5% | 1 | 11% |  | 25-34 yr. |  | 66-74 yr. |
|  Building materials | 4% | 1 | 3% |  | 25-34 yr. |  | 66-74 yr. |

*both men and women

THE TABLE SHOWS HOW THE **GOODS** SEGMENT IS DISTRIBUTED:

Share of goods turnover refers to the share of consumer online spending according to each category (of the total goods segment).

Turnover is how much consumers spend online, in NOK, within each category type.

How many buy is the share of consumers who purchased the category type online between January and April.

A CLOSER LOOK AT FOUR TYPES OF GOODS

HOME ELECTRONICS

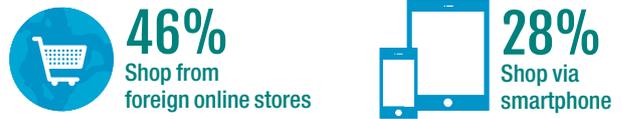


The traditionally strong e-commerce category of electronics dominates with a fifth of the turnover, NOK 6 billion. Almost a third of Norwegians have bought this online, which is natural as we enjoy spending money on electronics, it's easy to compare prices and you research online. Electronic products often require a long explanatory text and it often pays off to browse for the best price available. Again, more men shop for electronics online than women do, three times as often. The oldest spend the least. Those who live in cities also stand out; they might be more hooked on electronic gadgets than those who live outside the cities.



Family demographic* who...
Spend the most: Pre family - NOK 1250 on average**
Spend the least: Senior citizens - NOK 460 on average**

CAR, BOAT AND MOTORCYCLE



Car, boat and motorbikes make up the second largest category, with almost a fifth of the turnover, almost NOK 6 billion. This despite the fact that not even one in ten Norwegian has bought this online. One explanation is the strong increase in online car sales, led by Tesla, and that car sales through sites like Finn.no are considered online commerce. Most people, however, buy products for lower amounts from this category, such as spare parts and other accessories for their cars, boats and motorbikes. Not surprisingly, men spend more money than women do on this – three times as much, to be exact. The oldest spend absolutely the least of all, completely the opposite compared to Sweden.



Family demographic* who...
Spend the most: Young families - NOK 1030 on average**
Spend the least: Senior citizens - NOK 120 on average**

SPORTS & LEISURE



The Norwegians' favourite – sports and leisure products – accounts for almost a tenth of the turnover, NOK 2 billion. One in five Norwegians buys this product category online. We expected this category to be even bigger and we are looking forward to monitoring the future development. Men spend twice as much money on sports items than women, and the biggest spenders are the age group 35-44. We also note that residents in Oslo and Akershus spend much more than the average.



Family demographic* who...
Spend the most: Young families - NOK 530 on average**
Spend the least: Senior citizens - NOK 50 on average**

HOME FURNISHINGS



Home furnishings account for a tenth of the turnover and 15 percent of the Norwegian consumers buy this. Within this segment, IKEA recently launched a new concept where you order online and have the goods delivered to certain delivery points. What is interesting about this category is that men spend more than women do. Are Norwegian men more interested in homeware than women are, or do men use their credit cards more often? The biggest consumers are the age group 25-34, which is the age when many people create their homes. The oldest spend the least.



Family demographic* who...
Spend the most: Pre family - NOK 550 on average**
Spend the least: Active empty nesters - NOK 120 on average**

*For more information about the users and family situation, see pages 110-113. **Average per three months.



SERVICES

– a segment of high potential

The online services segment includes many of the more recent e-commerce categories such as digital media and online casino and betting. The services segment is the smallest in terms of turnover, yet we predict a great growth opportunity. This is due the digital revolution opening up to new categories within services. We believe that the category will grow rapidly due to the many possibilities that e-commerce brings, as we have witnessed within the parking industry, for example.



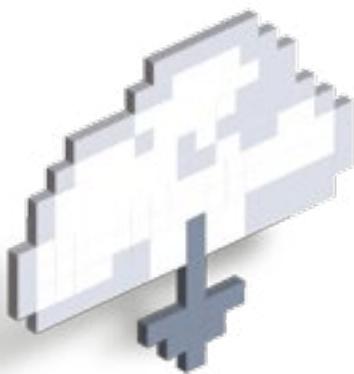
NOK 14
billion - annual
turnover for services

SERVICES' SHARE OF the entire e-commerce market is the smallest, compared to physical goods and travel, and accounts for 15 percent of the total market, or NOK 12 billion. Within the category, online gambling, including casino, poker and betting, is the largest group, with one fifth of the turnover or NOK 4 billion – despite the fact that only one in ten Norwegians gambles online. After gambling comes tickets to events with a turnover of NOK 3,5 billion. Many Norwegians buy online tickets – more than one out of three. The third largest type of service within the segment is telecom, meaning refilling pre-paid cards, with 15 percent of the turnover. Many Norwegians buy this type of service; approximately one in three Norwegian has paid for this online lately.

Digital media is the Memberships for online dating, fitness clubs, and associations, is purchased online by 15 percent of Norwegian consumers and represents 11 percent of the services turnover. After memberships come three service types with the same turnover: education and courses, online advertising and digital media, which account for 10 percent each of the turnover. Of these three types, digital media is the most common, more than one in three Norwegian consumers buy

this type of service online. Read more about these services on the following pages. Last but not least, we find parking, with a modest 3 percent of the turnover. Just over one in ten Norwegians have paid for this online via an app.

As the digital development continues to impact industries that most people use, we are sure to see a huge growth of in the services segment. Examples are housing cooperatives, and the public sector where the government is pushing for digitalisation, we are also going to see municipalities gradually beginning to charge municipal taxes online. In a few years we are likely to pay for fees such as water and nursery bills online. The table below shows the distribution within the entire category. On the next page we take a closer look at four types of service. ■



THE SERVICES SEGMENT IN DETAIL

The table shows the distribution of the entire segment. On the following page we take an in-depth look at four types of services, the two largest and the two that we find especially interesting at the moment.

| | Share of services turnover | Turnover (BN NOK) | How many buy | Spend most  | Spend least  |
|---|----------------------------|-------------------|--------------|---|---|
| | | | | Gender Age group* | Gender Age group* |
|  Online gambling | 22% | 3 | 14% |  15-24 yr. |  66-74 yr. |
|  Online tickets | 19% | 3 | 36% |  66-74 yr. |  15-24 yr. |
|  Telecom | 15% | 2 | 29% |  25-34 yr. |  45-54 yr. |
|  Memberships | 11% | 2 | 15% |  25-34 yr. |  45-54 yr. |
|  Digital media | 10% | 1 | 33% |  15-24 yr. |  66-74 yr. |
|  Education & courses | 10% | 1 | 6% |  25-34 yr. |  15-24 yr. |
|  Advertising | 10% | 1 | 2% |  15-24 yr. |  45-54 yr. |
|  Parking | 3% | 0,5 | 13% |  35-44 yr. |  66-74 yr. |

*both men and women

THE TABLE SHOWS HOW THE **SERVICES** SEGMENT IS DISTRIBUTED:

Share of services turnover refers to the share of consumer online spending according to each category (of the total services segment).

Turnover is how much consumers spend online, in NOK, within each category type.

How many buy is the share of consumers who purchased the category type online between January and April.

A CLOSER LOOK AT FOUR TYPES OF SERVICES

ONLINE GAMBLING



Online gambling, including casino, poker and online betting, is the largest group with 1/5 of the turnover. Norwegians gamble for NOK 3 billion, despite the fact that only one in ten Norwegians gamble online. The industry has grown a lot and nobody has missed the gambling companies' frequent TV commercials. What is interesting is that there is almost no difference between Norwegian men and women whilst Swedish men gamble for an incredible ten times as much as women. Consumers who spend the most on gambling are the youngest and residents of Oslo and Akershus.



Family demographic* who...
Spend the most: Pre family - NOK 1030 on average**
Spend the least: Senior citizens - NOK 40 on average**

TICKETS



Event tickets are commonly purchased by more than one in three Norwegians. Who doesn't buy cinema tickets online nowadays? This type of service accounts for almost one fifth of the turnover, which is almost as much as gambling. The large ticket providers even have their own apps where you can buy tickets and just show the ticket in the app at the entrance to the cinema. There are small differences across demographic groups. Women use it slightly more than men, and especially the oldest, followed by the age group 35-44. The older Norwegians are therefore strong consumers of culture. The youngest spend, not surprisingly, the least.



Family demographic* who...
Spend the most: Senior citizens - NOK 800 on average**
Spend the least: Young families - NOK 340 on average**

TELECOM



The category telecom, such as prepaid mobile top-ups, is the third largest, with 15 percent of the turnover, NOK 2 billion. Mobile topups are done regularly, but we refill small sums. Almost one in three Norwegians buy telecom online, and it's interesting and surprising to note that all age groups spend more or less equal amounts on this online. Men spend more than women, and the age group 15-34 spend the most. Families with children stand out a bit, which suggests that parents pay for their children's mobile.



Family demographic* who...
Spend the most: Adult families - NOK 480 on average**
Spend the least: Senior citizens - NOK 180 on average**

MEMBERSHIPS



Membership services like online dating, fitness clubs, sports clubs etc. account for 11 percent of the turnover, which is about NOK 2 billion. Men spend twice as much as women – whether it's because they exercise more or are on more dating sites remains unsaid. The age group 25-34 spends more than twice as much as the average and four times as much as the oldest. Geographically, residents in Oslo and Akershus spend on average the most on this type of service.



Family demographic* who...
Spend the most: Pre family - NOK 430 on average**
Spend the least: Young families - NOK 90 on average**

*For more information about the users and family situation, see pages 110-113. **Average per three months.



SUBSCRIPTION SERVICES

Subscription services such as tv- and music streaming services and pre-packed grocery bags have become well established on the Norwegian market in the last few years. Improved technology makes a wide range of high quality online music and tv available at a low monthly cost - unlimited and legal. Pre-packed grocery bags delivered regularly makes life easier for many families. And companies offering subscription services enjoy regular sales revenue and strengthened customer loyalty.

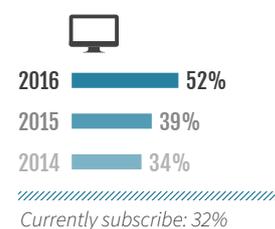
There is no doubt that Norwegians have embraced paying for streaming services, especially TV and movies. Today, approximately one in four Norwegians pay for services such as Netflix, HBO or Spotify. This is a strong development from the time when illegal downloading took out video stores and destroyed the film and music industry. Today, the streaming industry generates enormous amounts of money and satisfied customers.

It is also increasingly common to pay for newspapers online, and most media groups offer this. It's no secret that the media has been under a lot of pressure in the last few years as consumers have become used to free news. But this is starting to change and there are signs of it in Norway as well as worldwide. Aftenposten is perhaps Norway's best example of this right now, although it is too soon to tell

% | Share who have subscribed |

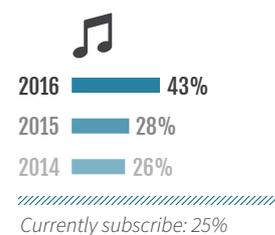
TV/VIDEO STREAMING

Have you ever spent hours on end on your favourite tv series, or are you getting fed up with your friends who never stop talking about the series they are following? You are not alone. More than half of the Norwegians have subscribed to TV/movie streaming online at some point. This is a significant increase from last year. There are no significant differences between men, women or age groups, except among the youngest who subscribe the most. Even though older consumers subscribe the least, there is an increase since last year. Perhaps the supply will be adapted to suit this consumer group which will contribute to further increase.



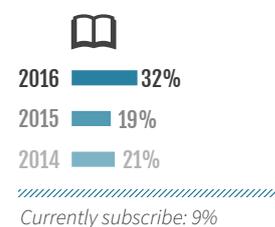
MUSIC STREAMING

Music streaming follow approximately the same pattern as TV/Video streaming but is slightly less popular. The category is still growing, more than four out of ten Norwegians have paid monthly or are currently paying for music streaming, 25 percent subscribe currently. Again, the oldest consumers are using this service the least.



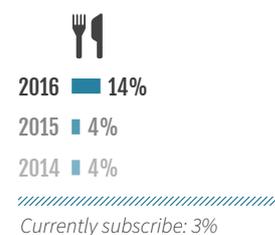
NEWSPAPERS

Is the newspaper industry on its way to get consumers to pay for news online? It seems likely. Almost one out of three Norwegians have paid for online newspapers at some point. Almost one out of ten consumers currently subscribe. Men subscribe more often than women and the age groups 35-44 and 66-74 years have the most subscribers. The youngest subscribe the least and only half as much as the average. Whether the newspaper industry is heading towards a brighter future is too early to say, but it is indeed an interesting development to keep an eye on.



GROCERIES

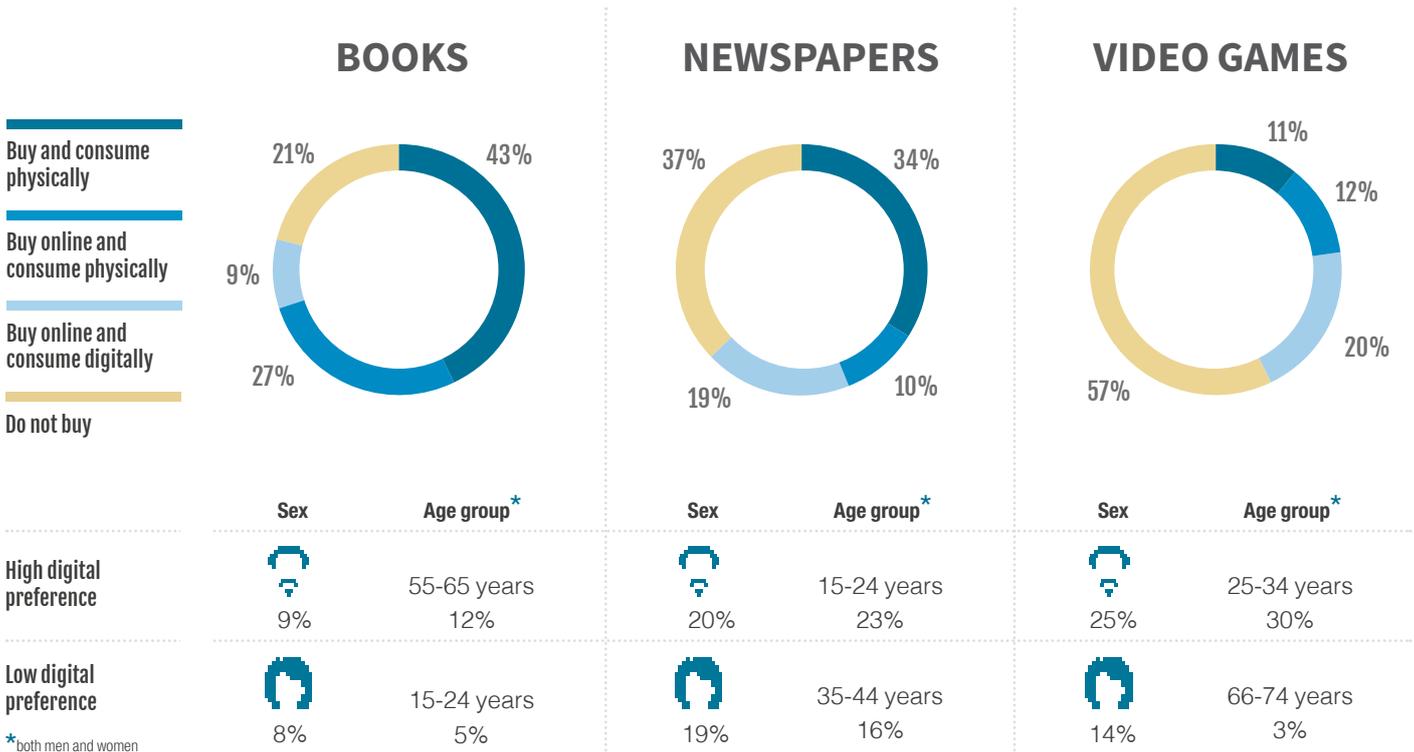
Many have already tried to buy groceries and meal boxes online. It's still less than in Sweden and Denmark, which is probably due to the geographical challenges in Norway which limits the supply. Although only 3 percent subscribe to this, that represents a total of 120 000 Norwegians. Young families and ages 25-34 subscribe the most, and those living in Oslo spend twice as much as the average, which is most likely due to availability and hectic weekdays.



THE MEDIA AND VIDEO GAMES ON THE INTERNET

People have been buying books, magazines and video games on the internet for a long time. However, the trend has changed dramatically in recent years, and yet again digitalisation is the strongest drive. The large video game companies offer services that not only provide information about games, but also let people play for free and download new games. Some things, however, don't change.

% | How do you prefer to buy and consume the following products? |



Less than one in ten Norwegians want to read books digitally and regardless of whether you buy the book in a physical store or online, the preference is strong towards physical books rather than. Books are the second best-selling online, with more than a third of Norwegian consumers buying books online. The age group 35-44 buy books the most; other than that there are no significant demographical differences.

We talked about newspapers online in the previous section on subscription services. And although Norwegians prefer to read a physical newspaper – almost half – there are many more in Norway who only read online compared to Sweden and Denmark. It is primarily the youngest and the age group 55-65 who read online. When it comes to online newspapers it seems as though the Norwegians are far more digital than their Nordic neighbours.

TV and video games are the category that has become the most digital. One in five Norwegians buy video games online and consume them digitally. Cloud solutions within the category are the most popular. There are many who play, almost one in three Norwegians buy games online, and the most common user is, not surprisingly, men in the age group up to 34 years. However, both women and men are buying and playing digital games to a large extent.

THE NEWS

Financial

Technology

Science

Space

Country



Short-term market volatility



CONSUMERS

Norwegian consumers are a small yet financially strong group with the second strongest purchasing power in the world. Internet penetration is high and consumers are tech-savvy, which are great conditions for e-commerce.



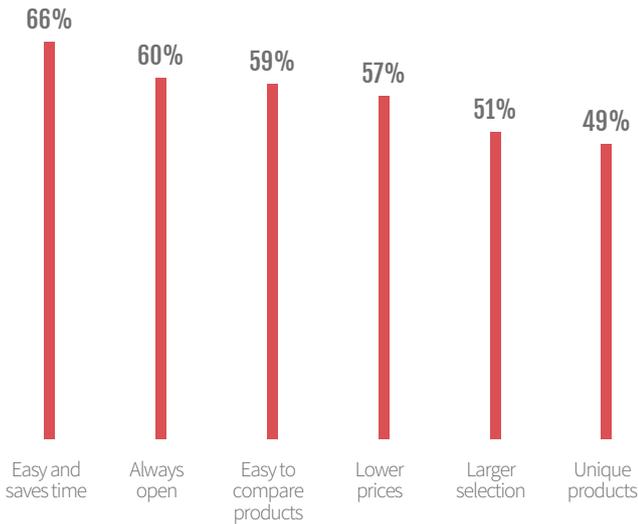
Population age 15-74

3,9 million

96%
internet penetration

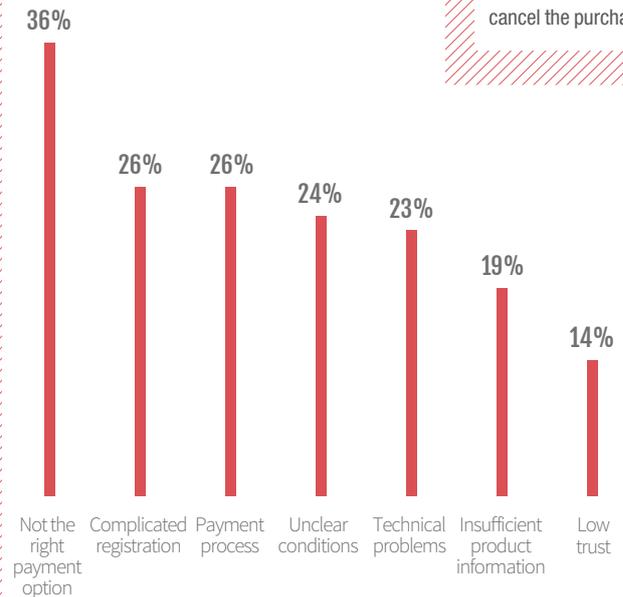
8 of 10
have a smartphone

% | Why do you shop online? |



The main reason to shop online has gone from saving money to being convenient and saving time, and this in only a few years. The fact that the shop is always open and that it's easy to compare products and prices are also important reasons. Lower prices and wider selection are also important.

% | Why did you cancel the purchase? |



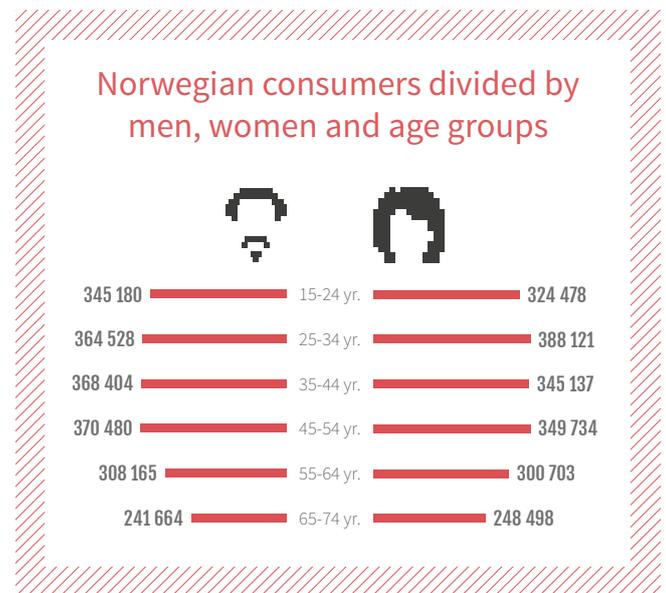
43%
cancel the purchase

A high four out of ten Norwegians have cancelled a purchase online. The main reason is unclear conditions, followed by the consumer not finding their preferred payment method and that the registration process was difficult. As a result of increased online shopping, consumers' demands on the online stores increase. See our tips and advice on page 14 on how to simplify the online shopping experience.

MEN AND WOMEN

In this section we explore the online shopping behaviour and demographic groups. We will start with men and women. The coloured numbers show the changes from last year.

| |  |  |
|--|---|---|
| Shop occasionally (up to 10 times per 3 months) | 78% | 74% |
| Shop often (more than 10 times per 3 months) | 13% | 13% |
| Shop via mobile device | 47% 9% | 48% 11% |
| Shop via smartphone app | 28% 10% | 21% 6% |
| Have cancelled a purchase | 43% 7% | 43% 8% |
| Shop from foreign online stores | 55% -2% | 44% -6% |
| Prefer card payment | 64% 6% | 62% -12% |
| Prefer online bank payment | 4% -8% | 4% -8% |
| Prefer invoice | 11% 1% | 15% 2% |
| Prefer card payment on mobile | 60% 1% | 56% 6% |
| Prefer online bank payment on mobile | 3% -4% | 4% -7% |
| Prefer invoice on mobile | 8% -1% | 13% 3% |



MEN

There are approximately 2 million male consumers in Norway aged 15-74 years. The largest group is 45-54 with just under 371,000 men. The smallest group is the age group 66-74 years with just over 241,000 men. Men shop online as much as women, but there are slightly fewer who shop often. Men tend to buy more travels, motor, electronics and digital media.

WOMEN

There are more than 1.9 million women in Norway between the ages of 15-74. The largest group is 45-54, with just under 350,000 women. The smallest group is 66-74 years with nearly 250,000 women. Women shop online as much as men, but there are some areas where women shop more frequently. Women tend to buy more public transport passes, beauty and health products and event tickets. Norwegian women also gamble online more than Norwegian men, which differs from the other Nordic countries.

AGE GROUPS

On this Page we will take a closer look at consumer behaviour in different age groups. See the number of consumers in each age group on the previous page. Online shopping is clearly for everyone. Also among the older consumers who have developed strongly in the last few years. The coloured numbers show the changes from last year.

| Age | 15-24 | 25-34 | 35-44 | 45-54 | 55-64 | 65-74 |
|--|-------------|-----------|------------|------------|------------|-------------|
| Shop occasionally (up to 10 times per 3 months) | 72% | 75% | 76% | 79% | 77% | 74% |
| Shop often (more than 10 times per 3 months) | 14% | 20% | 18% | 10% | 9% | 6% |
| Shop via mobile device | 61% 22% | 59% 3% | 55% 10% | 42% 15% | 34% 7% | 23% 2% |
| Shop via smartphone app | 34% 11% | 34% 6% | 30% 10% | 21% 10% | 10% 2% | 10% 4% |
| Have cancelled a purchase | 52% 16% | 47% 9% | 46% 1% | 46% 11% | 31% 1% | 29% 4% |
| Shop from foreign online stores | 49% -12% | 61% 0% | 59% 1% | 49% -1% | 42% -7% | 28% -2% |
| Prefer card payment | 59% 3% | 56% 9% | 60% 9% | 69% 11% | 67% 6% | 69% 16% |
| Prefer online bank payment | 1% -14% | 4% -6% | 2% -8% | 4% -3% | 4% -8% | 10% -15% |
| Prefer invoice | 13% 6% | 13% 2% | 15% 4% | 12% -3% | 11% -4% | 17% 3% |
| Prefer card payment on mobile | 55% -1% | 48% 3% | 57% 3% | 69% 11% | 61% 0% | 84% 8% |
| Prefer online bank payment on mobile | 1% -10% | 5% -9% | 2% -3% | 2% -2% | 7% -2% | 0% -6% |
| Prefer invoice on mobile | 7% -6% | 11% 4% | 11% 0% | 12% 3% | 12% -2% | 4% 4% |

FAMILY SITUATION

On this page we look further into family demographics.

The coloured numbers show the changes from last year and the family groups are explained at the bottom of this page.

| | Pre family | Young family | Adult family | Active empty nesters | Senior citizens |
|--|------------|--------------|--------------|----------------------|-----------------|
| Shop occasionally (up to 10 times per 3 months) | 74% | 78% | 78% | 78% | 71% |
| Shop often (more than 10 times per 3 months) | 17% | 17% | 12% | 9% | 7% |
| Shop via mobile device | 52% 9% | 67% 9% | 53% 15% | 34% 78% | 25% 5% |
| Shop via smartphone app | 31% 6% | 39% 19% | 22% 10% | 13% 4% | 11% 6% |
| Have cancelled a purchase | 47% 8% | 48% 7% | 49% 10% | 37% 7% | 26% -2% |
| Shop from foreign online stores | 59% -1% | 52% -6% | 50% -5% | 45% -3% | 26% -11% |
| Prefer card payment | 61% 7% | 55% 11% | 62% 8% | 68% 6% | 71% 18% |
| Prefer online bank payment | 2% -10% | 3% -5% | 6% -3% | 4% -7% | 7% -14% |
| Prefer invoice | 13% 5% | 18% 3% | 10% -3% | 13% -1% | 16% 1% |
| Prefer card payment on mobile | 58% 4% | 50% 4% | 60% 4% | 60% 1% | 86% 14% |
| Prefer online bank payment on mobile | 2% -9% | 3% -6% | 4% -3% | 6% -3% | 0% -4% |
| Prefer invoice on mobile | 7% -1% | 12% -2% | 12% 3% | 15% -1% | 9% 9% |

Pre family:

The person is 15-45 years old without children.

Young family:

The person has children living at home younger than 6 years old.

Adult family:

The person has children 7 years old or older living at home.

Active empty nesters:

The person is 46 years old or older without children living at home and is active on the job market.

Senior citizens:

The person is 46 years old or older without children living at home and is in-active on the job market.

CROSS BORDER

SHOPPING DECREASES

Norwegians continue to shop online abroad – but to a lesser extent. This is good news for Norwegian online stores only selling to the Norwegian market, in a larger perspective this is a threat. On the other hand, it may also lead to opportunities, as e-commerce is global, and hopefully our insights may help take advantage of them.

FEWER NORWEGIANS SHOP in foreign online stores this year compared to last year, from more than half to just half. What conclusions can we draw from this? We can say that Norwegian online stores both have succeeded better in competing with foreign online stores, and that the dark predictions that Norwegian e-commerce would lose dramatically to foreign competitors have not been fulfilled - quite the contrary.

We've had a closer look in this year's report and will contribute starting this year with deeper insights into how and why Norwegians buy from foreign online stores – and why they don't. Men and consumers aged 25-44 use foreign online stores the most, almost 50 percent. Women and the oldest do so the least. Clothes and accessories and electronics are the best sellers.

WHY NORWEGIANS BUY FROM FOREIGN ONLINE STORES

The main reason for shopping abroad is the price, as stated by more than two thirds of the Norwegian cross border buyers. The second and third most common reasons, according to almost 50 percent, are that the product is not available in a Norwegian online stores, and a generally wider selection in foreign online stores. There are no clear differences between demographic groups.

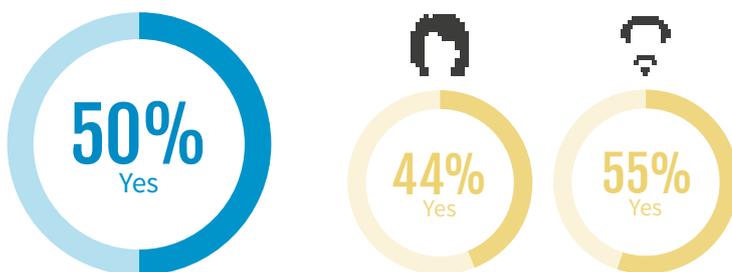
What still stands out – which is somewhat troubling for Norwegian online stores - is that the youngest state "more trust" as a reason to shop from foreign online stores. Only 5 percent state this, but it is the highest figure across all groups.

WHY NORWEGIANS DON'T SHOP FROM FOREIGN ONLINE STORES

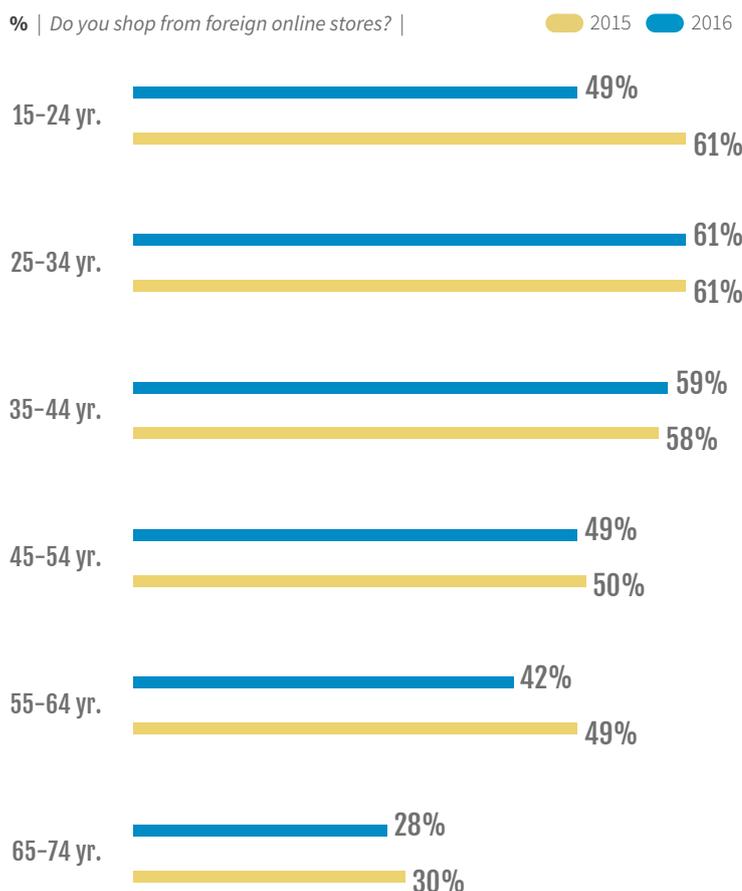
Taking action on the previously mentioned information can be tricky for Norwegian online stores. However, the reasons for not wanting to shop cross border are significantly clearer. The main reason are uncertainties about customs and VAT, as well as not being sure about consumer rights. 4 out of 10 indicate uncertainty about consumer rights as the main reason for not shopping abroad. Uncertainty about warranty, return of goods, as well as general payment and shipping conditions are also key factors according to almost a third. Difficulties with returning products is obviously one of the main reasons, as stated by 30 percent. Norwegian online stores clearly have a big advantage here, especially so called omnichannel stores, where it is possible to collect or return products seamlessly between online and physical stores. One interesting reason, which is stated by almost a fifth, is the practice of avoiding foreign online stores in order to support local companies. Foreign online stores will obviously never be able to challenge this issue, aside from trying to appear as Norwegian, which a lot actually do. However, this is something Norwegian online stores could use to their advantage. The youngest respondents are finding this factor less important than other age groups, while the oldest feel it is the most important one. Customer support in local language is also important for many people. ■

No trend shifts in sight...

% | Do you shop from foreign online stores? |



...apart from some age groups



So, what can Norwegian online stores do to increase sales?

So, what can Norwegian web shops do to increase sales? We have put together a "quick fix" guide that can help you with this.

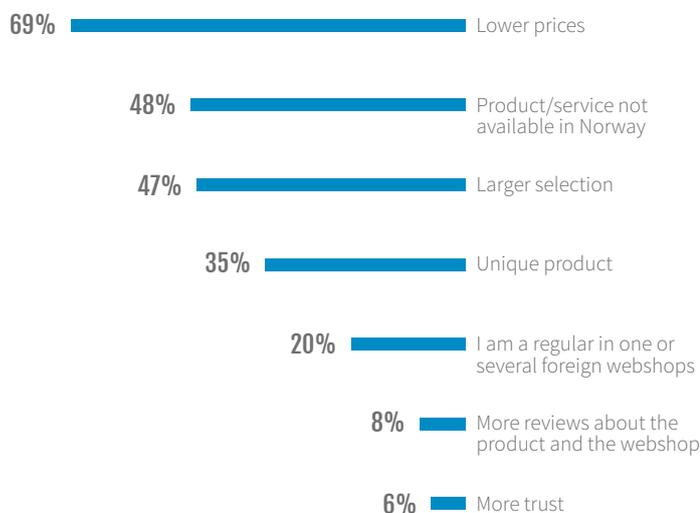
FOR NORWEGIAN CUSTOMERS

- Identify which products many Norwegians buy in foreign online stores and offer this. Even if the price is more reasonable abroad, a Norwegian store has a great chance to beat the competition based on previously mentioned reasons.
- Ensure it's clear that the web shop is Norwegian. Many prefer to support Norwegian stores and perhaps by informing how the business contributes to society with taxes, environmental focus and work opportunities, this could potentially be the winning factor when competing for customers, as many stores sell the same products the same way and to approximately the same price.

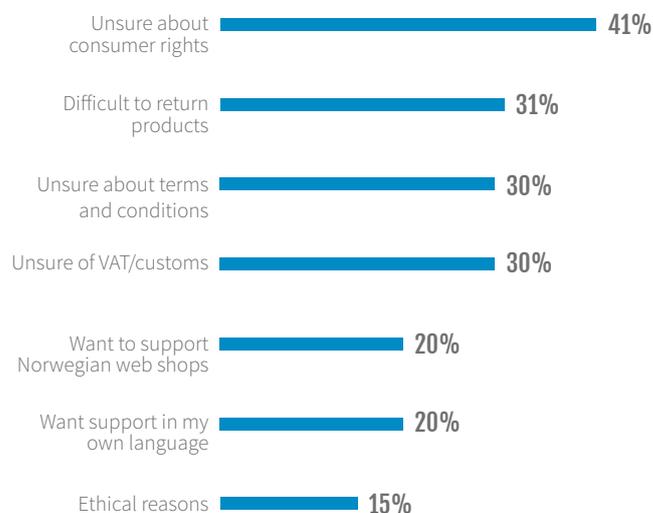
FOR FOREIGN CUSTOMERS

- Clearly indicate the terms and conditions for foreign customers, either in English or in other languages. The terms and conditions include everything from customs and VAT, warranty and shipping to consumer rights.
- Find out which country your customers live in. Both for optimising the marketing but also finding which languages you should be able to offer as well as understanding cultural aspects that could be relevant.
- Customise! You should consider offering local support, in addition to local languages, currencies and payment methods.

Why do you shop from foreign online stores?



Why don't you shop from foreign online stores?

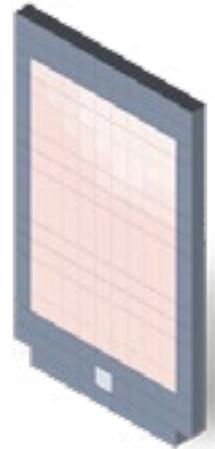




MOBILE E-COMMERCE INCREASING AGAIN

Approaching the halfway mark

It probably hasn't escaped anyone that mobile phones are important for e-commerce. From when our phones became small computers with internet access, the development has continued rapidly with tablets, mobile-friendly websites, apps and mobile payment methods. The increase in Norway is enormous and almost half of all consumers now shop online from their smartphone or tablet.



NOW ALMOST HALF – 48 percent – of Norwegians shop from their mobile devices such as smartphones or tablets, which is an increase by 10 percentage points since last year. The number is approaching 1.9 million Norwegian consumers and the trend has been strong for several years. The number of people with a smartphone has increased strongly during the past years, although the increase is beginning to stagnate, with 8 out of 10 Norwegians owning a smartphone according to a survey from Telenor. Many also have a tablet. 4G coverage is at an incredible 98 percent in Norway, so internet access is almost complete. This trend has both been created and spurred by an increase in mobile-friendly websites, as well as apps and mobile-friendly payment methods. Also, when it is just as easy to shop online from a smartphone as from a computer, it creates an incentive for the industry to continue improving mobile shopping.

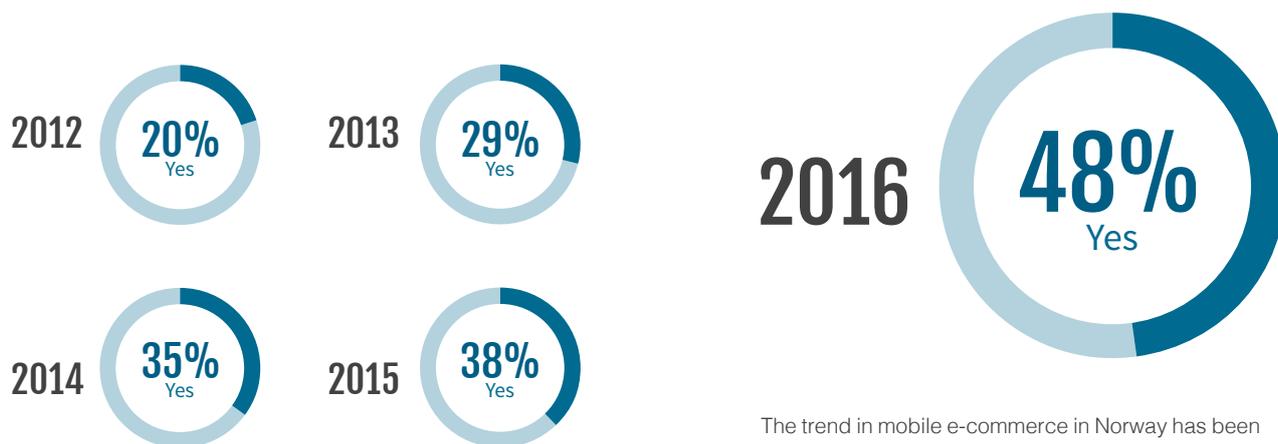
What is particularly interesting this year is that the increase is consistent in almost all age groups, except one, where Norway differs from Denmark and Sweden. In our neighbouring countries, mobile trade increases enormously among the oldest, while it is a smaller increase in Norway. Last year however, there was a massive increase in this age group. Mobile commerce increases considerably among the youngest – as much as 22 percentage points. The second largest increase is in the age group 45-54 years with almost 15 percent, followed by the age group 35-44 years with 10 percent. The smallest increase is within the age

group 25-34 years with only a few percent. Previously, these were the top users. The older consumer have truly become accustomed to mobile shopping during these past years. This is a large consumer group with strong purchasing power and a lot of time on their hands, and they are now shopping online with their smartphones and tablets. We think targeting this age group could be a good idea.

E-commerce from mobile devices is thus becoming increasingly important. Just in a few years, more people will use smartphones instead of computers, provided that the development continues at this rate. If a company plans to launch a web shop today, the mobile version is often developed first according to the "Mobile First" strategy. The new payment methods that have recently become available are best suited for mobile phones. ■

Almost half of consumers shop online via mobile devices

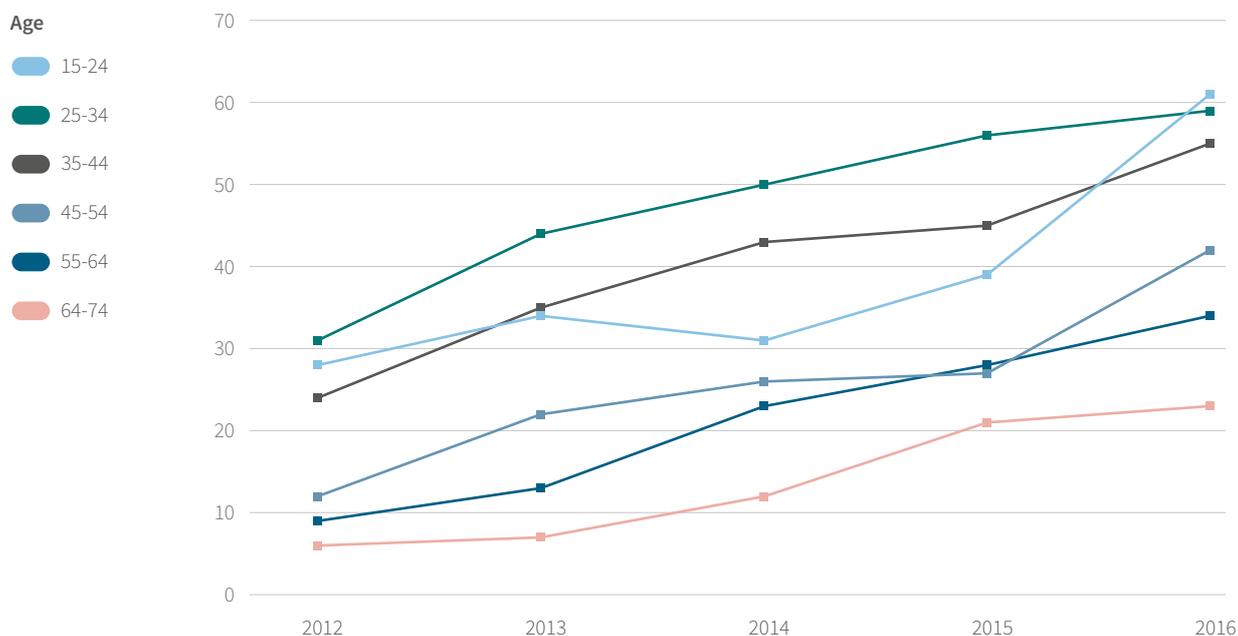
% | Have you purchased anything via your smartphone or tablet in the past three months? |



The trend in mobile e-commerce in Norway has been strong for several years and this year mobile shopping has taken a great leap forward – almost half of the Norwegian population is now shopping online with smartphones or tablets, which represents a doubling since 2012.

Stronger increase among older consumers

% | Have you purchased anything via your smartphone or tablet in the past three months? |

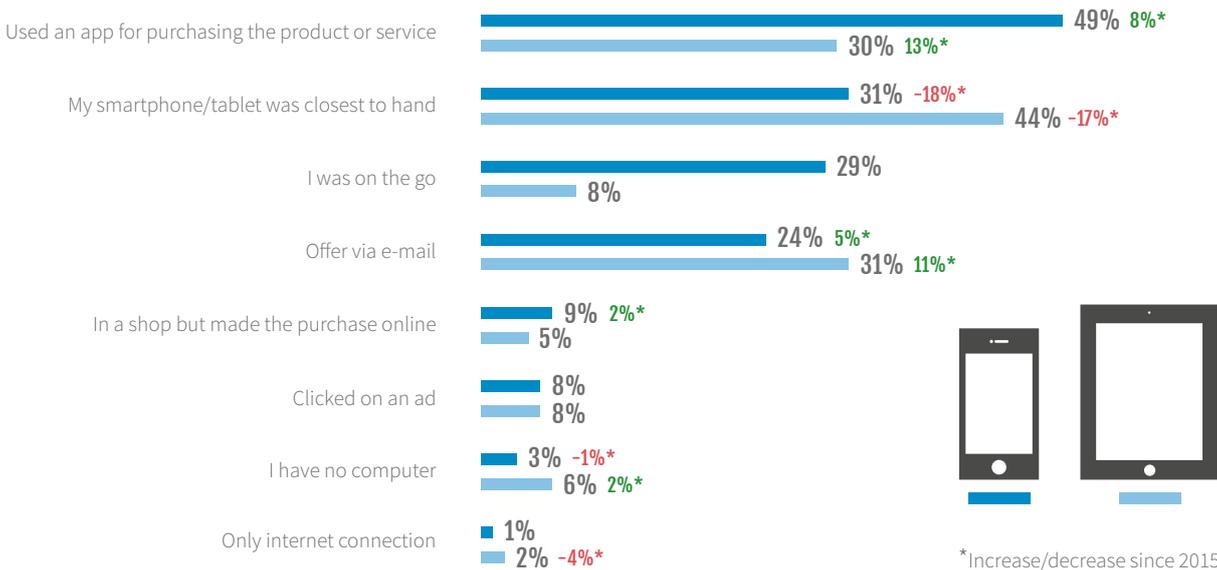


Increases are taking place in all age groups, and among the youngest there is a 22 percent increase – almost a doubling in the number of users. The age group begins to approach two thirds. The increase in the age group 45-54 years is also

large, 15 percentage points, which is the largest increase in five years. It's only the oldest that barely increase, although nearly one out of four shop on mobile devices.

Convenience still the main reason, although others are on the rise

% | Why did you shop on your smartphone or tablet? |



What is the best time for sending e-mails?

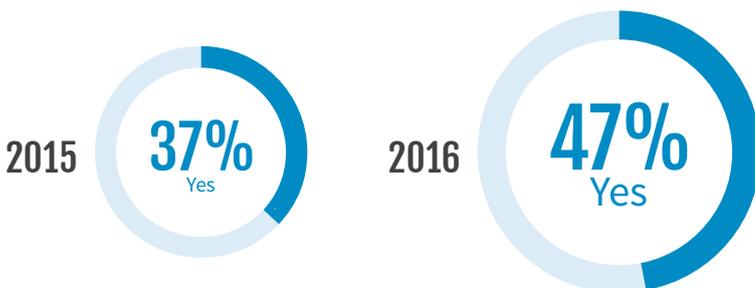


Marketing software company Hubspot have analysed more than 20 million e-mails over a ten month period and reviewed the best time to send e-mail in terms of opening rate. The answer is Tuesdays at 11 am. At this time it is 20 percent more likely that the e-mail will be opened by the recipient.

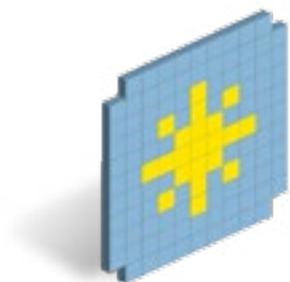
The main reason for shopping via mobile devices in Norway is “apps”, according to almost 50 percent. Other important reasons with nearly a third are that the device was nearby, or that the consumer was on the move. However, we are seeing a slight increase in other reasons such as opening an offer via email, and being in a physical store, but choosing to purchase online instead. Apart from this, there are only minor changes from earlier.

Many consumers cancel purchases because sites are not mobile-friendly

% | Have you cancelled an online purchase because the website was not mobile-friendly? |



Quite a significant amount of consumers still cancel purchases because websites are not mobile-friendly. In fact, this trend is increasing somewhat. The industry has not kept pace with consumer behaviour in mobile e-commerce. Ensure that websites are mobile-friendly!



TO APP

– or not to app?

The number of apps have exploded since the launch of the smartphone. A lot of apps come and go but some become quite successful. Shopping via apps is a rising trend and today every third Norwegian have made a purchase via an app on either a mobile phone or a tablet. Most purchases come from smartphones. In the realm of public transport, apps have almost become standard and the taxi industry has begun developing along the same lines. Similar trends are seen in a lot of different industries

There are several advantages to use apps as a sales channel for goods and services. People have a tendency to browse around their phone and their various apps quite often. With apps you obtain a higher degree of control over your customers and their behaviour pattern. This means you can personalise the supply even better. An app is also more flexible, which makes

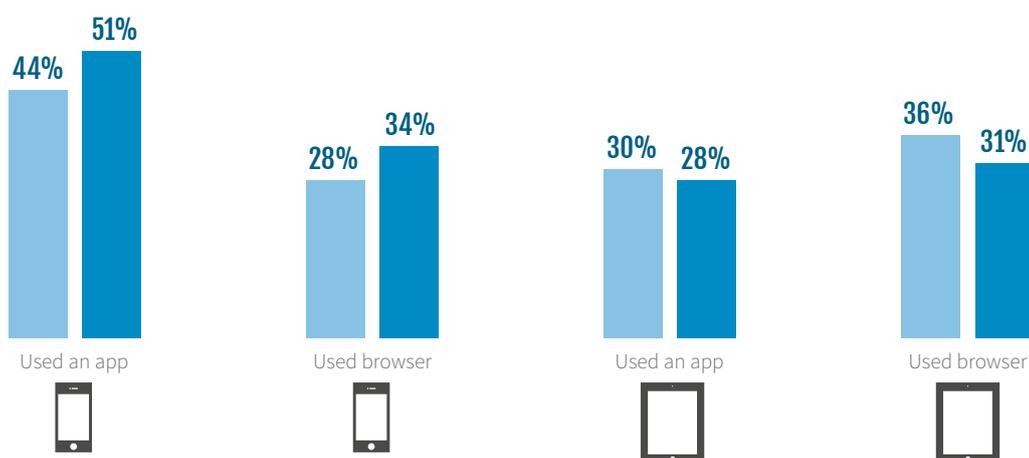
it possible to customise the offer to suit different segments. An app is also a great marketing channel because you can send the customer notifications for campaigns or promotions.

The big disadvantage with an app is of course the cost of developing and maintaining the app. Before developing an app, you might want to rethink a couple of things. If a user is to download an app, it requires a strong brand and customer loyalty. In the Nordic region the market is smaller than in for instance the US or China, which means that the number of users is relatively small. That being said, there are several successful examples of company apps in Norway and we think the trend will continue.

Shopping via smartphones is increasing

% | How do you make purchases on mobile devices? |

2015 2016



Smartphones are becoming an increasingly important sales channel while tablets are decreasing. Purchases via smartphone apps continues to grow. More than half of consumers who shop on mobile devices now use smartphone apps to shop. On the contrary, purchases via tablet apps is decreasing slightly.



ONLINE PAYMENTS

Online payments is our area of expertise. Even though a lot is going on in this area, consumer behaviour is difficult to change. Traditional payment methods still dominate, although they have decreased somewhat in favour of new payment methods. In this year's report, we see that there is a big difference between the payment methods used and the ones actually preferred. We believe it will be possible to use wide range of payment methods in the future, i.e. the market will become increasingly fragmented, and very few purchases will be cancelled due to the payment solution.

THE SITUATION HASN'T changed, or maybe it is about to change completely. The truth probably lies somewhere in between. In this year's report, we see that it takes time for the new payment methods to become embraced by consumers. Card and invoice dominate in Norway, although they have decreased slightly due to the rise of new payment methods. We have also observed a difference between what payment methods the Norwegians' use and the ones they actually prefer. The consumers state that the reasons for using the various payment methods are convenience, safety, and speed.

As mentioned, the popularity of mobile e-commerce has increased rapidly. Numerous solutions have been introduced on the market, such as Apple Pay, Samsung Pay and Android Pay – although none has had an impact in the Nordic countries yet. The popular service Vipps have launched their payment solution here in Norway and have truly become a huge success. Swish is very well-known and popular in Sweden and hundreds of thousands of Danes use MobilePay for their online payments. The new payment methods are slowly on the rise, and they have jointly made it easier to pay, as they reduce friction.

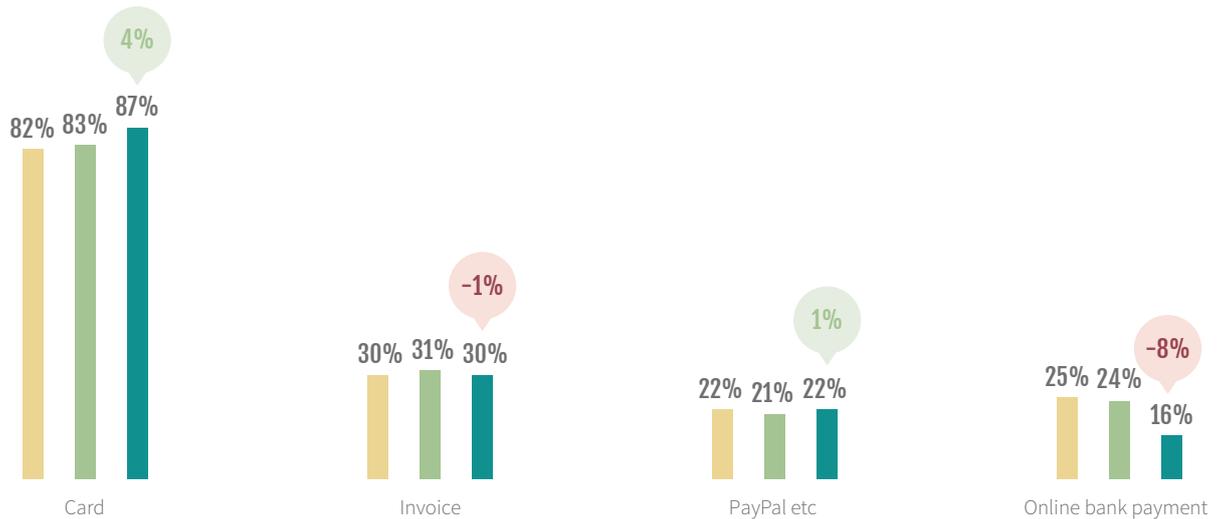
Friction leads to cancelled purchases – 43 percent of Norwegian consumers have cancelled an online purchase, which is actually an increase of 7 percentage points from last year. We obviously do not like this, and our goal is to contribute to

improving the industry. Purchases are often cancelled because of uncertainty regarding terms and conditions, that the online store does not offer the preferred payment method, requires registration or that the online store is missing important information for the customer. The e-commerce world is far from perfect, however many are trying to improve and simplify online shopping. For instance, consumers will not have to enter their credit card details every time when shopping in the future, as it will be remembered by DIBS. Almost half of the Norwegian population would like to avoid having to enter their credit card number upon each new purchase. Every fifth person would shop more online if they didn't have to do that – the percentage is slightly higher for mobile commerce. This source of friction will, however, soon be in the past. DIBS believes in a future where not a single purchase will be cancelled because of the payment method, although we still have quite a long way to go. ■

Norwegians still prefer cards

% | Which payment methods have you used in the last three months? |

2014 2015 2016



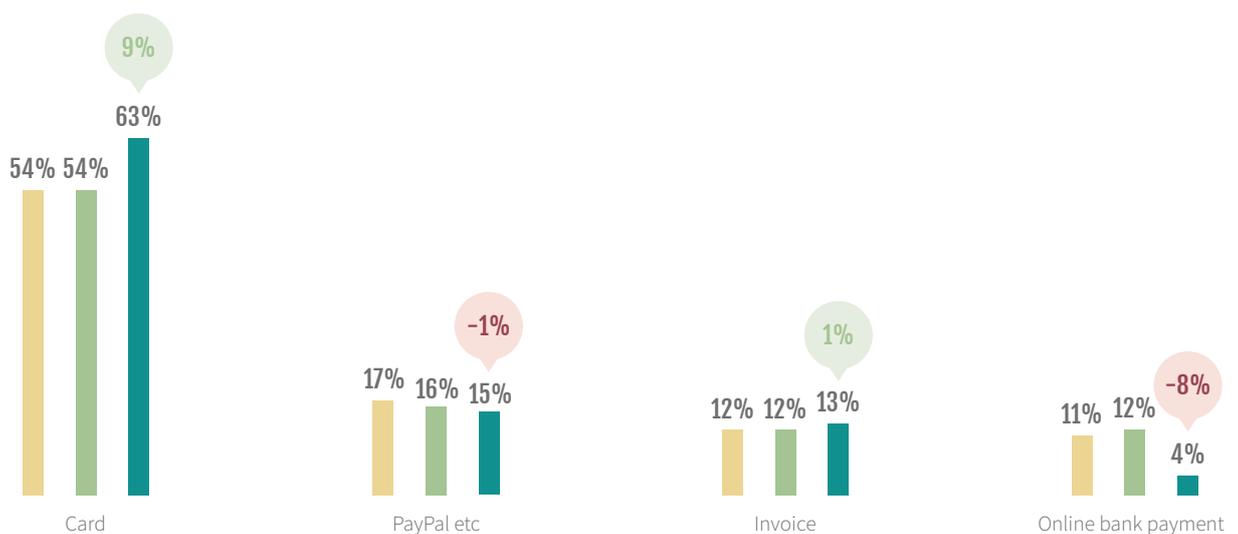
Cards are the most commonly used and preferred payment method, and the usage is increasing. People are used to paying with cards both online and in physical stores. Invoice is the second most used and this is decreasing, although payment via online banking is decreasing the most. Payments

by wallet solutions such as PayPal have enjoyed an increased usage, but are less preferred than before. Cards are both used and preferred to approximately the same extent in all demographic groups. Payment by invoice is both used and preferred the most by women and the oldest demographic.

Direct payment via online banking is declining

% | Which payment method do you prefer? |

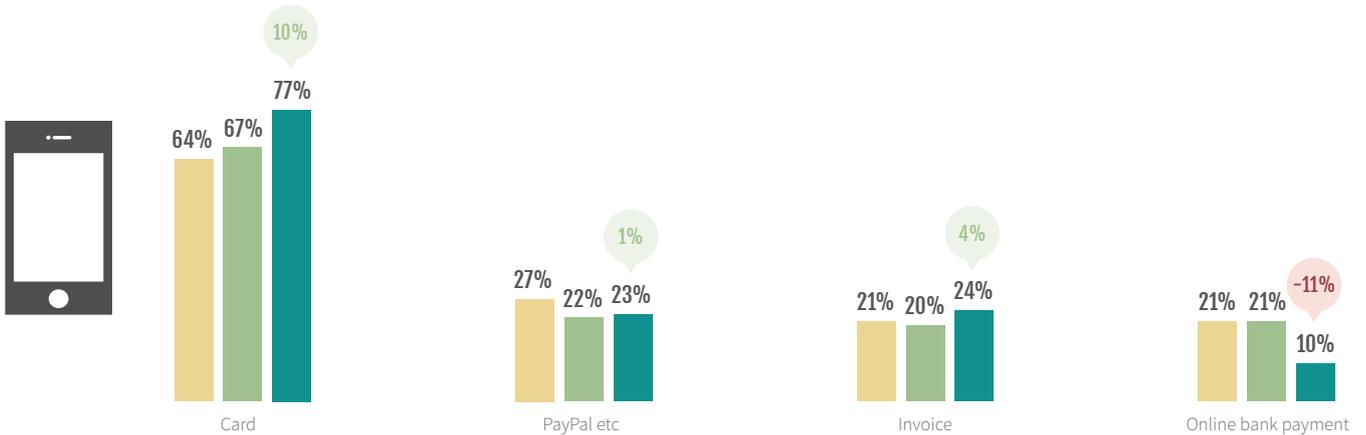
2014 2015 2016



Cards and invoice are the most commonly used...

% | Which payment methods have you used in the last three months? |

2014 2015 2016



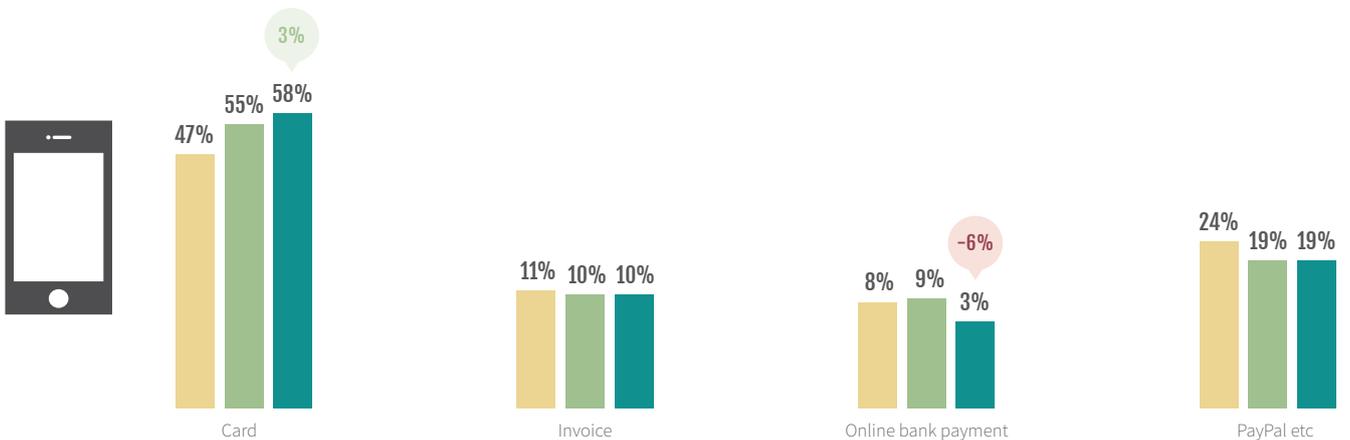
On mobile devices, cards as payment method is increasing in terms of both usage and preference, and is the most used and the most preferred. Apart from payment via online banking, which is decreasing, there are few differences

and it's clear that consumer behaviour is changing slowly, while the development of technology and new solutions is happening fast. Men and the youngest prefer payment such as PayPal the most.

...whilst card and PayPal are the most preferred

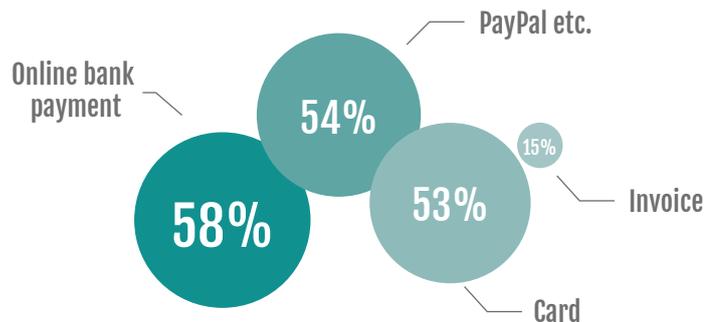
% | Which payment method do you prefer? |

2014 2015 2016



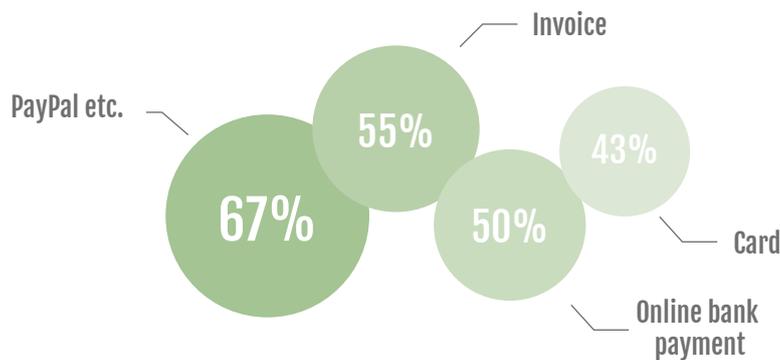
Simplicity, safety and speed are key

% | Why do you prefer the payment method? |



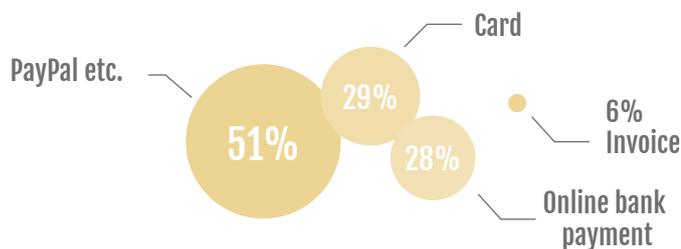
SIMPLEST

A simple payment method is very important to consumers. Again, consumers want to avoid friction. Almost 6 out of 10 Norwegians perceive direct payment via online banking as the simplest. Cards and wallet solutions such as PayPal and are perceived as the easiest by more than 50 percent. Invoice payments are perceived as the least simple at 15 percent, probably because it entails two different transactions: one for the purchase, and one during the payment.



SAFEST

Wallet solutions like PayPal are perceived as the safest by two thirds of consumers. More than 50 percent perceive invoice the safest – probably because you don't need an account for the transaction. Online banking comes third with just above 50 percent, while 4 out of 10 Norwegians perceive cards as the safest. It is clear that consumers do not yet feel comfortable with card payments despite being protected in various ways, even with guaranteed safety from banks. More information on how to protect yourself and customers against fraud can be found on page 15.



FASTEST

Wallet solutions are clearly perceived as the fastest payment method by more than 50 percent of the Norwegian consumers. No surprise there; you only need to make a single keystroke on your mobile phone. Card payments comes second with almost one third of consumers. Invoice stands out for obvious reasons – this entails two different transactions with a short waiting time in between.

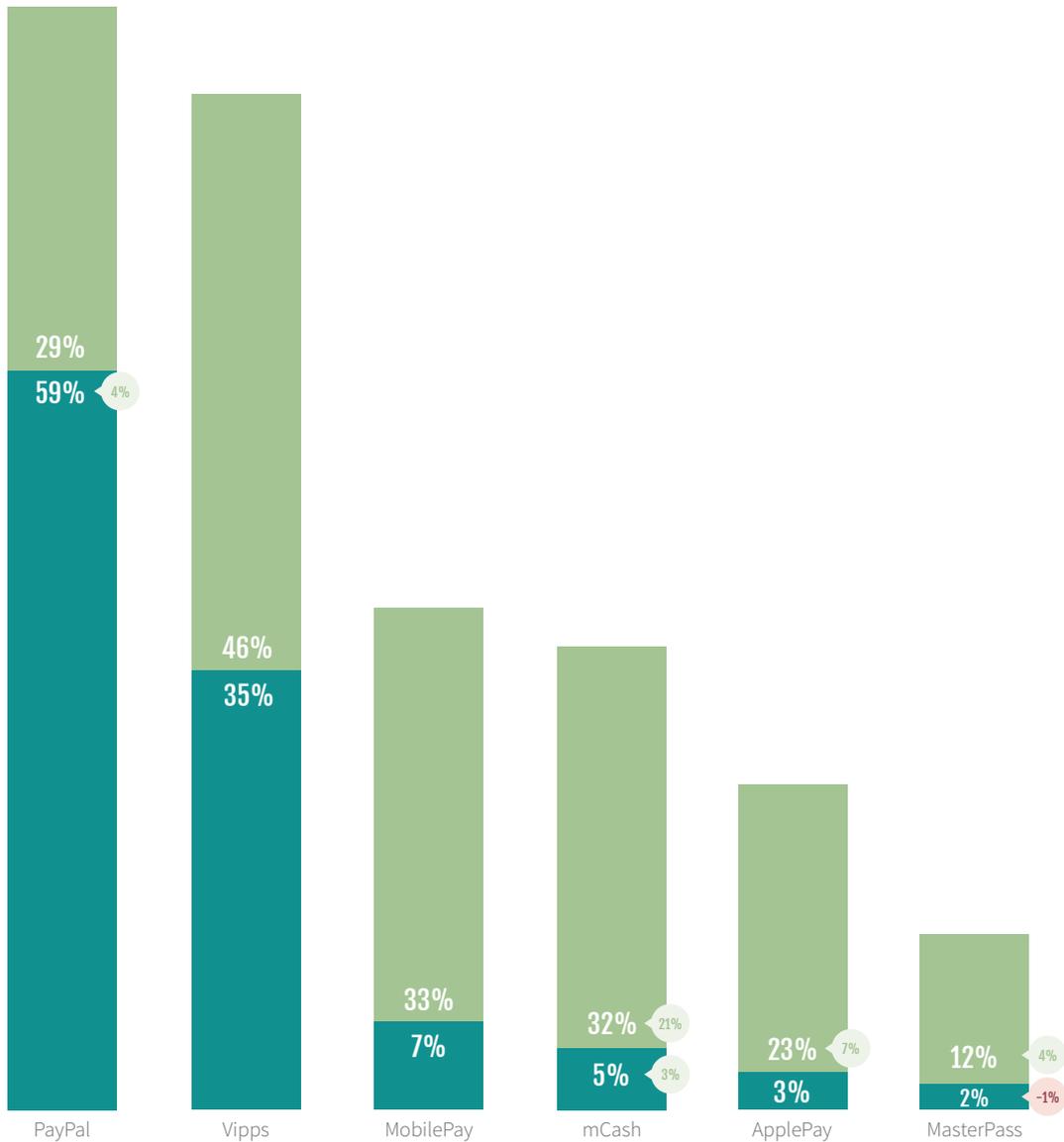
CONCLUSION – OFFER SEVERAL PAYMENT MEHTODS

The conclusion for merchants is that it is important to offer several payment methods since they all fulfil different consumer needs. Some consumers may be more comfortable with the security of card payments and think of them as fast and convenient, whereas others may prefer invoices for the same reasons. The difficulty of knowing a certain consumers' preference is a strong reason for offering several payment alternatives.

Breakthrough for Vipps – otherwise small changes

% | Which of the following payment methods do you know?

Know of but have not used Know of and have used

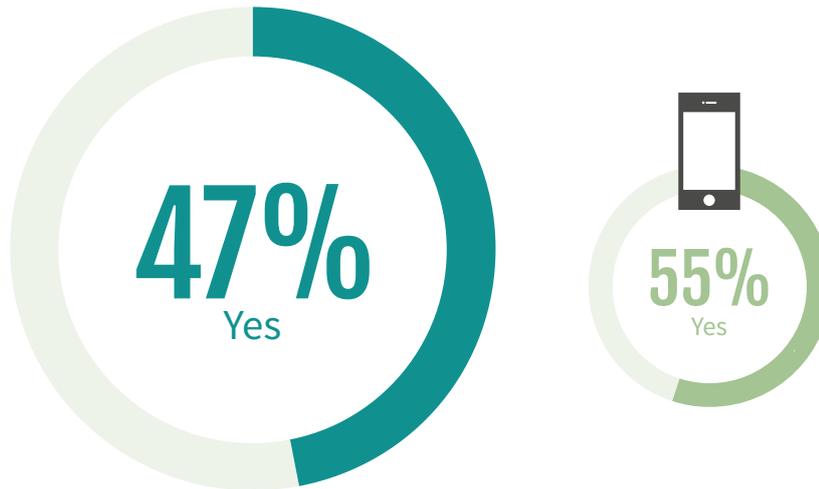


Vipps and mCash have had an amazing journey in Norway. Public awareness of Vipps is already at an incredible 81 percent, and about one third have used it. The awareness of mCash has increased considerably but the number of consumers who have used it is modest. PayPal is also increasing – its public brand awareness is currently at 88 percent – and more than two thirds of the Norwegian population have used it. Masterpass has increased by 4 percentage points, and the rest of the payment landscape

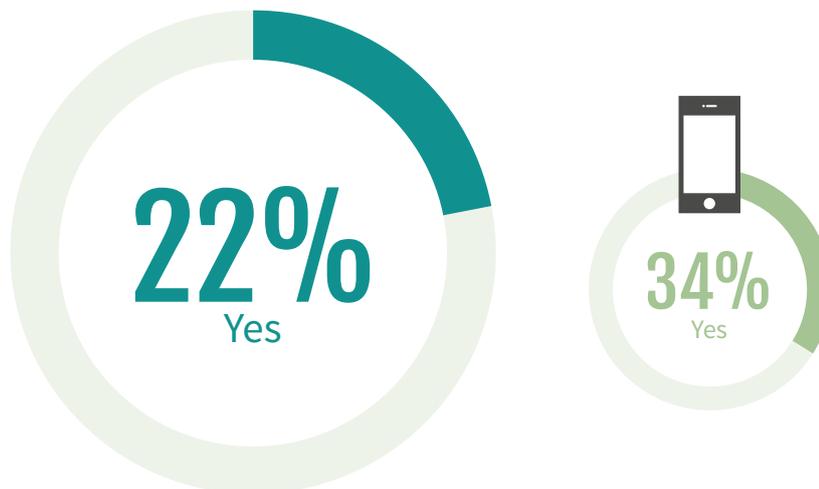
has only seen small changes. It is worth noting that quite a large proportion of the older demographic uses these new payment methods, albeit to a lesser extent than the younger ones.

Many consumers want to avoid entering their card number

% | *Would you prefer not having to enter your card details upon each purchase?* |



% | *Would you shop more if you did not have to enter your card details upon each purchase?* |



One measure that could potentially simplify the payment process for customers – where credit and debit cards are still dominating – is to decrease the friction by making it possible for the customer to avoid having to enter the card number for each recurring purchase. Almost half of the respondents want this, especially in the age group 25-34. The youngest demographic finds this feature the least important. Obviously, it is somewhat higher among those who use their mobile phones or tablets for shopping, due to the small screen

size. Just over a fifth of Norwegian consumers state that they would shop more if they didn't have to enter their card details. There are no real differences between the age groups, except the age group 15-24 years who state this to a larger extent than other age groups. A little over a third of those shopping via their smartphones and tablets say that they would do it more often if they didn't have to enter the card details, especially men and the youngest consumers.

