

r&c worlds *Express*

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Highlights

- Chinese shoppers are adopting the Internet much faster than global peers
- Deals are the top reason shoppers in China turn to the Internet
- One-third of Chinese online shoppers make purchases at least once a month using a smart phone—and 39% use tablets to do so
- Chinese consumers are some of the highest users of social media in our survey

The Great Leap Online

When the World Bank proclaimed in January 2012 that “The world economy has entered a dangerous period¹,” one of the more promising factors in the mix was China. And that’s still holding true for the immediate future, as the World Bank prediction for economic growth in China is around 8.6% in 2013, and just slightly less in 2014—far and away surpassing anything coming out of developed countries.

China’s sustained economic expansion over the past three decades has created an entire generation of new consumers. According to a report by the Shanghai Academy of Social Sciences, two in five people will be part of the China middle class by 2020², creating new markets for domestic and international retailers alike.

Future shock

But it’s the future of multichannel shopping in China that should really catch the attention of retailers and consumer companies around the world. The number of potential Chinese multichannel shoppers alone is mind-boggling. According to Internet World Statistics, China today has around 500 million Internet users, or almost twice the number in the United States. What’s more, that number has grown 20 times since 2000, compared to a growth rate of only about two-and-one-half times in the United States over the same period. One Chinese holiday—Chinese Singles Day—qualified as the world’s busiest online shopping day in 2012, with more than \$1.6 billion in online sales in 13 hours.³

Moreover, there is vast upside for additional growth because of the millions of Chinese citizens who are entering the middle class every year. As Cheung Yan, Chairlady of Nine Dragons Paper (Holding) Limited told PwC in an interview for our 15th annual CEO Survey, “There is still room for improvement on the living standards of most of the Chinese population. We have not reached a balance point on this, so this will constitute a strong driving force for future domestic consumption growth.”

¹ World Bank, Global Economic Prospects - The Global Outlook in Summary 2010-2014. (<http://go.worldbank.org/35TX7FMWS0>)

² PwC 15th annual CEO survey, China-specific report; Pwc.com

³ USA Today, November 11, 2012 <http://www.usatoday.com/story/money/business/2012/11/11/singles-day-chinas-online-shopping-holiday/1697299/>

Chinese shoppers consistently use their PCs, tablets and smart phones to shop far more often than any other global shoppers in our survey.

Developed markets are clearly counting on spend from these upwardly mobile Chinese consumers, but Chinese consumers are a world apart—both literally and figuratively—in terms of why and how they shop.

A recent PwC survey of 11,000 online shoppers around the world, *Demystifying the online shopper: 10 myths of multichannel retailing*, delves into the world of e-commerce in China and 10 other countries. It turns out that Chinese shoppers are in a class by themselves, adopting the Internet as a retail channel much faster than their global peers and running ahead of the pack in terms of using new devices and social media. Chinese shoppers consistently use their PCs, tablets and smart phones to shop far more often than any other global shoppers in our survey. And, what’s more, they love doing it.

Spirited shoppers

When it comes to shopping in brick-and-mortar stores, it’s Chinese shoppers that exhibit the most passion for shopping. Nearly half our Chinese respondents said they enjoy shopping in stores for pleasure, and relatively

few (just 19%) would see deals or sales promotions as an important reason to get them there. Like shoppers in other countries, the ability to see and touch the merchandise is the driving factor here, along with getting the product immediately. On the other hand, most Chinese shoppers don’t go to a physical store looking for a specific product or brand, which is quite different from our respondents in mature markets.

The same mindset applies when it comes to online shopping, as less than half of Chinese shoppers say they go to an online store looking for a specific product or brand. Chinese shoppers are notoriously not brand loyal, so this “open-mindedness” could be a boon for both online and brick-and-mortar retailers whose shoppers could be swayed by an attractive in store or online promotion.

But they do look for value. While bargains may not get them into physical stores to shop (they’re already there because they enjoy it), deals do get them online. Deals, in fact, are the top reason online shoppers in China say they turn to the Internet. Almost 70% said they turn to online shopping for lower prices and better deals, and the ability to comparison shop also was important, with 41% naming it as a factor. Vouchers or coupons were the number one reason Chinese respondents would visit a specific online store, with friends or expert recommendations being second.

Chinese shop online much more frequently than other respondents in our survey; 58% say they shop online at least weekly. Somewhat surprisingly, most have been shopping online for fewer than five years, but the velocity with which they’ve caught up and surpassed other geographies is even more astounding.

What are the most important factors that attract you to shopping at a physical store in general? (Chinese survey respondents)



Source: PwC Global Multi-channel Survey 2012

What are the most important factors that attract you to shopping online in general?
(Chinese survey respondents)



Source: PwC Global Multi-channel Survey 2012

Shopping on the go

The PC is still the workhorse of online shopping, with 87% using their PCs to shop each month. But it's online mobile shopping that's significantly more popular in China than elsewhere. That's not surprising, given that the use of smart phones is so widespread—China can boast around one billion mobile phone users. Mobile phone access has been more widespread than broadband in the country, so many shoppers got started online shopping by using their mobile phones, rather than first using a PC and then graduating to using their phones. According to our data, around a third of Chinese online

shoppers make purchases at least once a month via their smart phone, and half of those who shop online with pure player leader Taobao use their smart phone.

But smart phones are not the only devices that eager Chinese shoppers are using for retail therapy on the go; the future of tablets also looks bright. Tablets are becoming much more affordable in China, and research firm Gartner forecasts that prices will continue to drop. The company predicts that media tablet sales will eventually match those of mobile PCs in the country.⁴ That trend seems to already be taking shape. While only 17% of global online shoppers turn to their tablets to buy something at least once a month, 39% of Chinese respondents do, and 21% make a habit of it every week. What's more, nearly one in four Chinese online shoppers say they plan to use their tablets or their smart phones even more often to shop next year

The place of tablets in the overall purchase journey is still sorting itself out, and it may be that tablets play a particular role. Separate research suggests users turn to their tablets to research products across all categories.⁵ Thus, the potential of the device as an advertising channel could be important. A recent study showed that tablet users are highly receptive to advertising, with 47% reporting that they interact with ads on their tablets at least once a week.⁶

⁴ Gartner Reveals Top Five IT Predictions for China in 2013 and Beyond, <http://www.gartner.com/it/page.jsp?id=2244517>

⁵ OPP Portrait tablet user

⁶ Ibid

Social media mavens

What about the use of social media websites to shop? Social media has been touted as the next big thing in online shopping, but our results don't support that hype. For the most part, our data indicates that social media will be at best a backwater sales channel for the immediate future (currently only a tiny minority of respondents use these sites frequently to shop). On the other hand, Chinese multichannel shoppers are much more committed users of social media to shop; around 30% do so at least monthly. Chinese consumers are some of the highest users of social media in our survey, so it may naturally follow that they gravitate towards using it to shop. Of our Chinese respondents, almost 60% use the medium to follow the brands they like.

As China goes, so goes the world?

While online shoppers in China are well ahead in terms of the Internet as a retail channel, our results don't suggest that they'll necessarily be pulling the rest of us along in their direction. One reason is that their shopping and social media habits are just that much different than the rest of our survey respondents. But the most compelling reason harks back to the infrastructure issue. As PwC advisory principal Sean O'Driscoll explains, "I'm not fully discounting the idea that consumers behave differently in different countries, but I think consumer behavior as we think of it may be more related to infrastructure than we realize. In China they are not evolving into this behavior—they are leaping straight into it because of the lack of land line/physical infrastructure constraining the change."

I have used social media... (Chinese survey respondents)



Source: PwC Global Multi-channel Survey 2012

China turned out to have by far the youngest online shoppers, with 81% of our respondents just 34 years old or younger.

The demographics of Chinese shoppers may be different enough to impact their shopping habits, as well. Though the online survey audience we used for each country was nationally representative for age, gender and employment status, the actual respondents in China turned out to have by far the youngest online shoppers, with 81% of our respondents just 34 years old or younger. By comparison, of our US shoppers, just 50% were in the same age range. Another difference: Chinese shoppers were more often employed, with 66% being employed full time versus just 33% of US respondents, for example. The Chinese doing the shopping are young and relatively well off, whereas that does not seem to be the case in many of the Western markets in our survey. These age and employment differences will certainly impact shopping behaviors now and for some time to come.

If you're Chinese, you'll probably ask a friend

Beyond that, we found other notable behavior differences. For one thing, a key reason Chinese consumers go online is to find product reviews. But when it comes to deciding which online store to visit, recommendations from

friends and experts are much more important to Chinese consumers than they are to shoppers elsewhere in the world. A separate survey of Chinese consumers underscores the fact that Chinese are particularly sensitive to the opinions of people close to them; in fact, about two-thirds of respondents in that survey said they learned about an electronics or a clothing product from a friend or family member.⁷ Maybe even on social media.

Clearly, Chinese shoppers are engaged and thriving, but the landscape changes quickly—and will likely change even faster as affluence increases and e-commerce continues to take off. Companies need to look before they leap and adopt the right approach to entice motivated Chinese buyers. The prize is the world's biggest online retail market.

⁷ Wall Street Journal Chinese Shoppers Seek Second Opinions - quoting McKinsey survey of Chinese consumers (<http://blogs.wsj.com/scene/2011/11/01/chinese-shoppers-seek-second-opinions/>)

Resources

For more in-depth reading about Chinese and global consumers' multichannel shopping habits, read *Demystifying the Online Shopper: 10 myths of multichannel retailing* at www.pwc.com/r&c.

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