

# *Get to Know Your Chinese Cross-Border Buyers*

Research Findings

July 28, 2015



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# Introduction



The phenomenal growth in the Chinese market is an undeniable opportunity for retailers in the United States. With the expanding ability of merchants to reach Chinese consumers online and steadily increasing online sales from China, cross-border sales by Chinese buyers from US retailers will take a leap forward in the near future.

What do Chinese cross-border buyers want? What makes them turn to US retailers rather than searching only domestic sources? What sorts of products do they gravitate toward? What factors increase their comfort with cross-border purchasing? How can we at PayPal facilitate and support relationships between Chinese customers and US retailers?

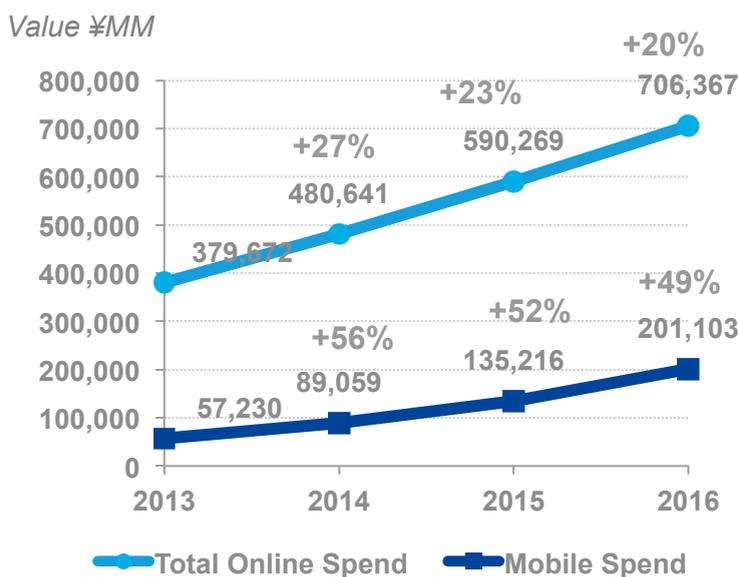
As part of our ongoing efforts to understand global retail dynamics, we commissioned two research projects this past year in partnership with Ipsos MORI and Nielsen's Harris Poll. We began by looking into the cross-border habits of buyers in 22 countries and then focused particularly on the Chinese landscape. We are eager to share our findings with you.

# Increasing online sales in China offer retailers almost limitless opportunities.

The growth of the Chinese market has been widely heralded. Our research on Chinese online buying confirms strong growth potential across a wide spectrum of retail sectors.

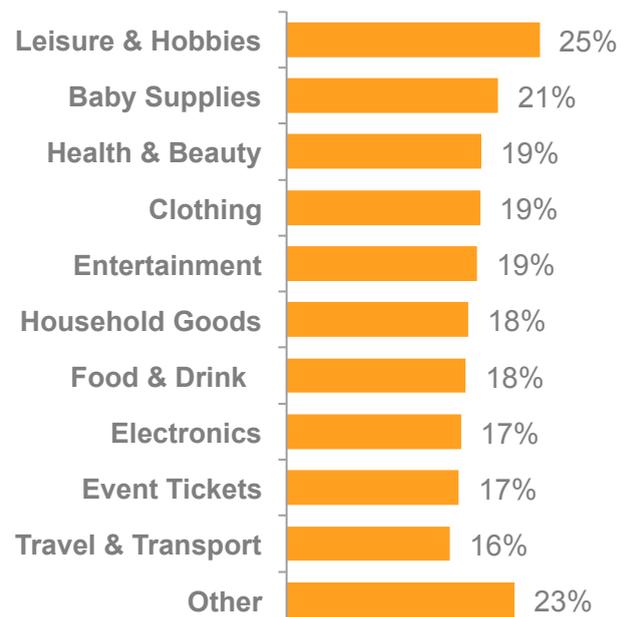
Overall online purchasing is expanding swiftly, with **projected growth rates of 20% or more** in the next few years. Online sales through **mobile devices show particularly strong gains (49%)** and a relatively even level of growth is expected over a wide range of product categories. Such a quickly expanding and diverse landscape offers opportunity for everyone.

Estimated & Forecasted Online & Mobile Commerce 2013-2016



Total online spend includes mobile spend. Mobile includes smartphone and tablet spend.

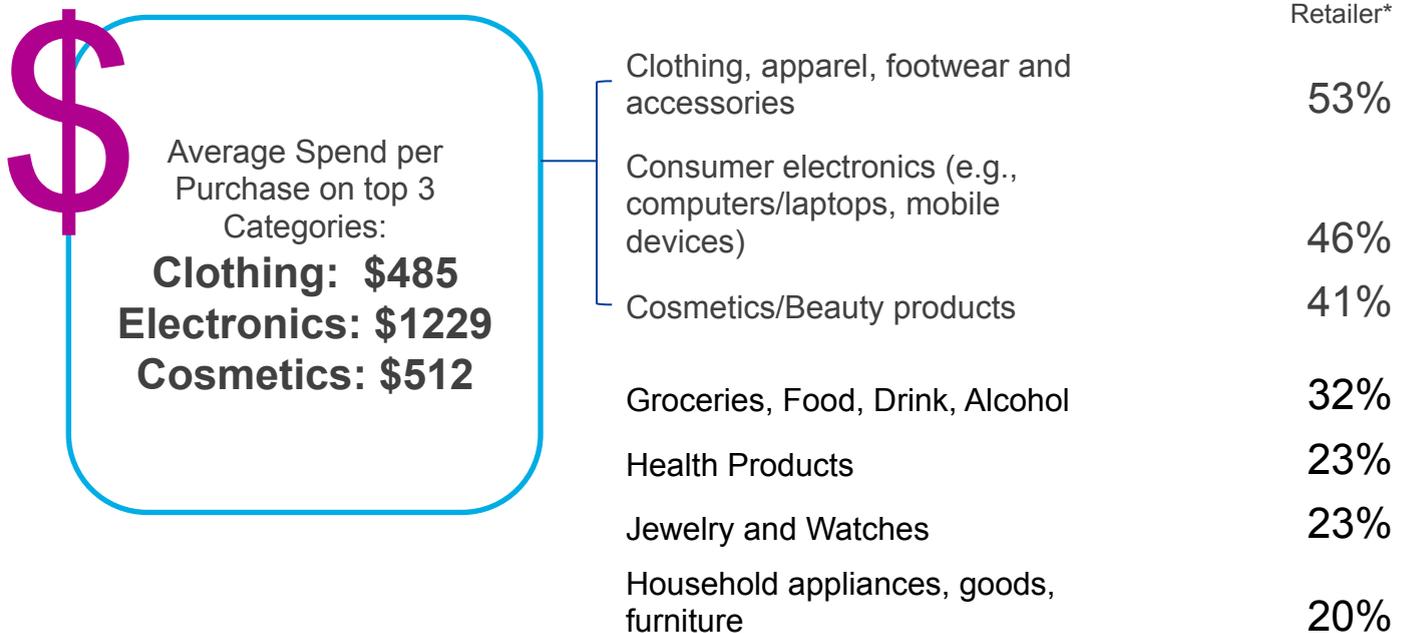
Forecasted Growth in Total Online Spend (2015)



# Opportunity exists across a wide spectrum of products.

Chinese cross-border buyers look to US retailers for a broad range of products, with the strongest sellers found among Apparel, Consumer Electronics, and Cosmetic and Beauty products.

With growth in online purchasing across all categories surveyed projected near 20% and cross-border buying on the rise, US retailers of all types have a unique opportunity to reach the Chinese consumer.



Source Harris Poll; Respondents who make cross-border purchases from US; Base = 996; Qcqx25 - From which of the following types of products do you purchase from retailers in the United States? Please select all that apply.

# US retailers are a preferred source for Chinese buyers.

When Chinese buyers look to make a cross-border purchase they look to you – the US retailer – more than anyone else.

In fact, the US tops the list of sources for Chinese cross-border purchases, with 14% of online shoppers having purchased from the US in the past 12 months – **putting the US ahead of Hong Kong, Great Britain, and Japan.**

We fully expect this trend to accelerate as Chinese online buyers continue to expand their cross-border purchasing. **Over half (52%) plan either to begin to purchase cross-border or to increase such purchasing in the next 12 months.**

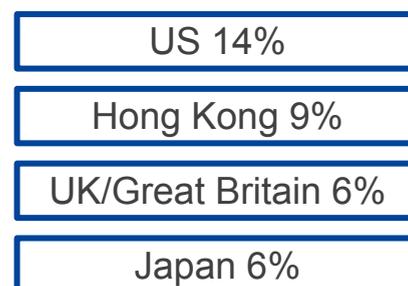
*Over half of Chinese online adults plan to start or increase cross-border purchasing.*

Cross-border Online Shopping Intentions in Next 12 Months Among Online Adults



Source Ipsos MORI; Q36f. In the next 12 months, how do you think your online shopping habits will change, if at all, in terms of how often you purchase from online stores in your country or from another country? Base: 566; Internet users excluding those saying 'don't know';

Top Countries/Regions for Cross-border Shopping (%)



Source Ipsos MORI; Q27. Thinking about shopping online, from which of the following country or geographies' websites have you purchased in the past 12 months? Base: Online shoppers n = 639

# Three key drivers spur online purchases from US retailers.

We know that Chinese cross-border buyers look to the US as a prime source – but why? What makes them choose a US retail website rather than a domestic one? Our research helps us understand the rationale behind the cross-border buyer’s thinking.

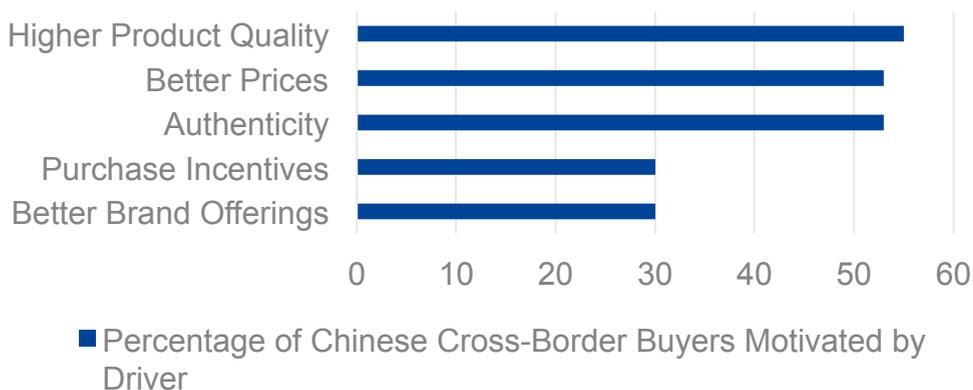
**Higher product quality, authentic American items, and value drive movement toward US retailers.**

**Quality –**  
products that are superior to what is available outside the US

**Authenticity –**  
products which originate in the US and reflect American culture and ethos

**Value –**  
a good, fair price for products they perceive as high quality

## Drivers of Chinese Online Purchases from US Retailers



Source Harris Poll; Qcqx05 - For which of the following reasons, if any, do you make online purchases from retailers in the United States? Please select all that apply. Base 972, those who make online purchases from US retailers

# Information from trusted, familiar sources drives cross-border sales.

Perhaps because of their concern with securing authentic, quality items, Chinese cross-border buyers gravitate toward trusted, familiar sources of information as they search for the perfect product:

Major search engines

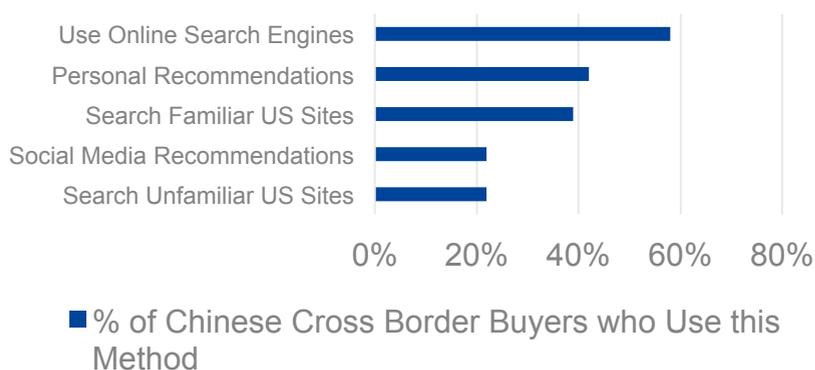
Recommendations from family and friends

US retail websites they already know

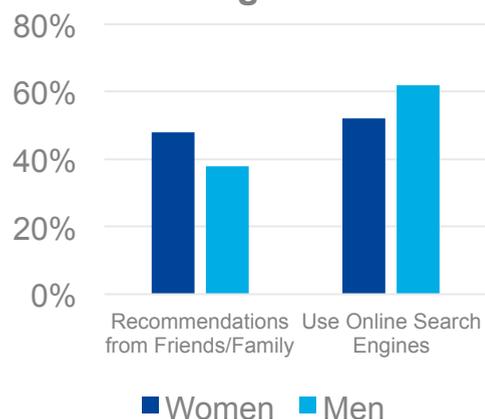
They are almost twice as likely to get a recommendation from a family member or friend as to search social media for tips or to venture onto a retailer site that is unfamiliar.

Among Chinese who buy online from US retailers, men tend to rely on search engines more than women do, and women are more likely than men to turn to personal recommendations.

Paths to cross-border purchases from US retailers



Preferred pathways by gender



Source Harris Poll; Qcqx10 - Which of the following describe the steps you take when looking to make a purchase from the United States? Please select all that apply. Base those who have made cross-border purchases from US retailers, n = 996

# Cost-savings are a secondary concern for cross-border buyers.

Cross-border buyers want a good price on quality products, but they are not penny-pinchers.

Purchase incentives lag far behind the top-tier reasons for buying from US retailers: Quality, Authenticity, and Value.

Even though promotions are not top priority, they do take advantage of good deals. Personal recommendations and social media keep them informed of discounts from US retailers and **1/3 say they wait for US holiday seasons to capitalize on special deals.\***

Drivers for cross-border purchases from US Retailers	% of cross-border purchasers motivated by driver
Higher Quality Products	55%
Better Prices	53%
Authenticity (e.g., product originating from the U.S.)	53%
Purchase Incentives	30%
Better Brand Offerings	30%
Item Not Available in China	27%
Larger Product Selection	25%
Brand Not Available in China	25%
Convenience	21%
Fast Shipping	20%
Int'l Shipping/tracking	15%
More Availability	13%

\* Source Harris Poll; Qcqx10 - Which of the following describe the steps you take when looking to make a purchase from the United States? Please select all that apply.

Source Harris Poll; Qcqx05 - For which of the following reasons, if any, do you make online purchases from retailers in the United States? Please select all that apply. Base 972, those who make online purchases from US retailers

# Summary



Online sales are increasing at an overall projected rate of more than **20%** through 2016, with evenly distributed expansion across a wide spectrum of retail sectors.

**Over half** of Chinese online shoppers are planning to begin or increase cross-border buying.

US retailers are the **#1 destination for Chinese cross-border buyers** – ranking above Hong Kong, the UK, and Japan.

They seek out US retailers for **Quality, Authenticity, and Value.**



They use a relatively conservative product search strategy, focused on major search engines, personal recommendations, and familiar, trusted US retail sites.

Convenience, Safety, and built in Purchase Protections guide choice of payment method.



**A safe payment method is the #1 encourager** of cross-border buying.

# Data Sources

## Studies commissioned by PayPal 2014-2015

### Ipsos MORI

On Behalf of PayPal, Ipsos MORI interviewed a representative quota sample of 800 adults (aged 18 or over) who own and/or use an internet enabled device\* across China. Interviews were conducted online between 25<sup>th</sup> September and 14<sup>th</sup> October 2014. Data was weighted to known incidence of online shoppers. This research was carried out to the international quality standard for market research, ISO 20252:2012

\*Desktop computer/Laptop/ notebook computer/Tablet /Smartphone/Some other type of mobile phone/Electronic organizer / PDA with wireless voice and data features/Games console with Internet connectivity (e.g. Wii)

### Harris Poll

This survey was conducted online within China between June 17-22, 2015 among 1,313 adults (aged 18 and over) by Harris Poll on behalf of PayPal via its Quick Query Global omnibus product. Figures for age, sex, region and marital status were weighted where necessary to bring them into line with their actual proportions within the online population.

All sample surveys and polls, whether or not they use probability sampling, are subject to multiple sources of error which are most often not possible to quantify or estimate, including sampling error, coverage error, error associated with nonresponse, error associated with question wording and response options, and post-survey weighting and adjustments. Therefore, the words "margin of error" are avoided as they are misleading. All that can be calculated are different possible sampling errors with different probabilities for pure, unweighted, random samples with 100% response rates. These are only theoretical because no published polls come close to this ideal.

Respondents for this survey were selected from among those who have agreed to participate in surveys. The data have been weighted to reflect the composition of the adult online population. Because the sample is based on those who agreed to participate in the online panel, no estimates of theoretical sampling error can be calculated.