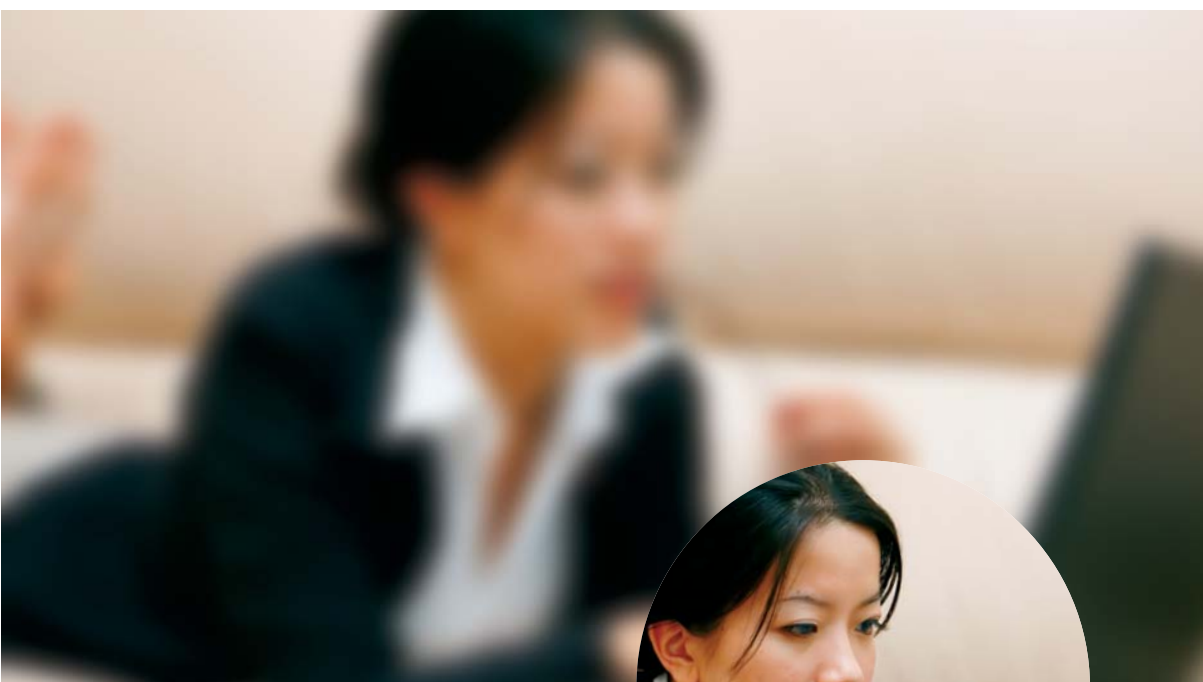


# Economic Crisis and Preference for Online Shopping in Asia/Pacific, Middle-East, and Africa





## MasterCard Worldwide A Global Knowledge Leader

MasterCard Worldwide is widely recognized as a knowledge leader around the world. Over the years, the global payment solutions company has devoted extensive resources to developing a deeper understanding of the payments card markets and the business and economic environment through surveys and independent research studies. Some of these initiatives include the MasterCard Worldwide Index of Consumer Confidence, MasterCard Worldwide Index of Women's Advancement, MasterCard Worldwide Centers of Commerce, MasterCard Worldwide Index of Consumer Purchasing Priorities and MasterCard Worldwide Index of Consumer Resilience. Today, these MasterCard offerings are much sought after by analysts, academics and decision makers in financial institutions, government agencies and multi-national organizations.

Launched in 1993, the MasterCard Worldwide Index of Consumer Confidence has proven to be an excellent barometer of the general consumer pulse in Asia/Pacific. The twice annual survey analyzes prevailing consumer perceptions of economic conditions for the next six months. Its insights into the dynamics of consumer sentiment, and the market paradigm deliver value to a variety of audiences, including customers and business partners.

In 2003, MasterCard established the MasterIntelligence Knowledge Panel comprising leading economists and business strategists from China, Hong Kong, India, Japan, Korea and South East Asia. In 2006, it was expanded to become a global knowledge panel, which now conducts research and provides insights on the economic and business environment globally. The panel is headed by Dr. Yuwa Hedrick-Wong, Economic Advisor (Asia/Pacific), MasterCard Worldwide.

Today, MasterCard continues to demonstrate its commitment by not only adding value with cutting edge research but also through sharing knowledge in new areas. Its knowledge leadership is well recognized and unrivaled.



Although the course of the global economy has been filled with surprises, it hasn't diminished the enthusiasm for online shopping in Asia/Pacific, the Middle East, or Africa. If anything, shopping online has become even more popular.

## Economic Crisis and Preference for Online Shopping in Asia/Pacific, Middle-East and Africa

An earlier Insights report "Online Shopping in Asia/Pacific— Patterns, Trends and Future Growth" (published in 3Q 2008 and based on a survey conducted in December 2007) concludes that:

Online shopping in the Asia/Pacific region is set to expand rapidly in coming years, underpinned by rapid economic growth, with China and India set to lead the region. In addition, internet penetration rates in less-developed countries like China, India and Thailand are poised to improve significantly as internet usage grows and associated infrastructure is developed in the region: this will also boost online shopping rates.

However, a great deal has happened since then. Even before the financial market meltdown in September - October 2008, the National Bureau of Economic Research in the US, the research agency tasked with determining if the US is in recession; announced in September 2008 that the US had actually been in recession since the end of 2007.

In the second half of 2008, the fallout from the US recession and the meltdown of the financial market became painfully evident in the global economy. In Asia, exports plunged from the peak in the summer of 2008. By January 2009, Korea's exports dropped by 33.8% from its peak in July 2008. Taiwan's exports fell by 46% from its peak in August 2008. All markets in Asia saw their exports decline in similar fashion, though less drastic than that of Taiwan and Korea.

Not surprisingly, consumer and business confidence in Asia sank. In such an economic environment, would the positive trend of online

shopping previously projected hold up? Would the long term growth prospects, so confidently projected earlier, now be in jeopardy? To answer these questions; a new survey was conducted in December 2008; covering not only the markets surveyed in December 2007; but adding two new markets, South Africa and the UAE. As we will explain, it appears that the global economic crisis has not dented the enthusiasm for online shopping in the Asia/Pacific, Middle East and Africa region: If anything, online shopping appears to have become even more popular than before.

### The Online Survey

This survey was done between December 3 and 21 in 2008. The sample size is 5,037, covering 10 markets in Asia/Pacific, Middle East and Africa; consisting of both an online survey and face-to-face interviews. The distribution of the sample was:

Hong Kong	n = 500	China	n = 504
Australia	n = 506	Singapore	n = 521
Korea	n = 500	Japan	n = 502
India	n = 500	Thailand	n = 501
South Africa	n = 500	UAE	n = 303

The sample was restricted to individuals between the ages of 18 and 64, with bank accounts, and who accessed the internet at least once a week.

The demographic, education and income profiles of the respondents are summarized in Table 1. The respondents in all markets tend to be in their 30s; with Japanese respondents slightly older, with a mean age of just over 40 years. The gender split is roughly equal, the exception being UAE where 74% of the respondents were male. Virtually all respondents have a high school education and above.

**Table 1. Respondent Characteristics**

	Mean Age	Gender (Male/Female)	Marital Status (Single/Married)	Education (High School+)	Mean Income (US\$)
<b>Total</b>	<b>37.6</b>	<b>52/48</b>	<b>42/58</b>	<b>98%</b>	<b>31,450</b>
<b>Hong Kong</b>	<b>38.6</b>	<b>50/50</b>	<b>42/58</b>	<b>97%</b>	<b>29,675</b>
<b>China</b>	<b>37.7</b>	<b>48/52</b>	<b>48/52</b>	<b>100%</b>	<b>20,075</b>
<b>Australia</b>	<b>39.9</b>	<b>44/56</b>	<b>37/63</b>	<b>99%</b>	<b>33,661</b>
<b>Singapore</b>	<b>39.0</b>	<b>51/49</b>	<b>40/60</b>	<b>100%</b>	<b>39,300</b>
<b>Korea</b>	<b>39.7</b>	<b>51/49</b>	<b>40/60</b>	<b>100%</b>	<b>29,778</b>
<b>Japan</b>	<b>40.6</b>	<b>56/44</b>	<b>38/62</b>	<b>100%</b>	<b>40,908</b>
<b>India</b>	<b>35.2</b>	<b>49/51</b>	<b>36/64</b>	<b>99%</b>	<b>23,386</b>
<b>Thailand</b>	<b>36.0</b>	<b>50/50</b>	<b>54/46</b>	<b>100%</b>	<b>22,269</b>
<b>South Africa</b>	<b>35.3</b>	<b>48/52</b>	<b>41/59</b>	<b>98%</b>	<b>34,145</b>
<b>UAE</b>	<b>33.6</b>	<b>74/26</b>	<b>80/20</b>	<b>99%</b>	<b>46,178</b>

Source: MasterCard.



In high-income markets such as UAE, Japan, Australia, Hong Kong and Singapore, the online shoppers we surveyed tend to have income levels quite similar to the average in their market.

**Table 2. Respondent Income Versus Per Capita Income of the Market**

	1. Market Per Capita Income (US\$)	2. Mean Income of Respondents (US\$)	2 ÷ 1
<b>Hong Kong</b>	<b>30,710</b>	<b>29,675</b>	<b>0.97</b>
<b>China</b>	<b>3,247</b>	<b>20,075</b>	<b>6.18</b>
<b>Australia</b>	<b>46,986</b>	<b>33,661</b>	<b>0.72</b>
<b>Singapore</b>	<b>39,462</b>	<b>39,300</b>	<b>0.99</b>
<b>Korea</b>	<b>17,455</b>	<b>29,778</b>	<b>1.70</b>
<b>Japan</b>	<b>38,543</b>	<b>40,908</b>	<b>1.06</b>
<b>India</b>	<b>961</b>	<b>23,386</b>	<b>24.33</b>
<b>Thailand</b>	<b>4,177</b>	<b>22,269</b>	<b>5.33</b>
<b>South Africa</b>	<b>5,730</b>	<b>34,145</b>	<b>5.96</b>
<b>UAE</b>	<b>58,390</b>	<b>46,178</b>	<b>0.79</b>

Sources: IMF, CEIC, MasterCard.

The mean income of the respondents is compared with the per capita income in their respective markets in Table 2. An interesting pattern emerges from the calculation of the ratio of the mean income of the respondents and the per capita income of their respective markets. In high-income markets such as UAE,

Japan, Australia, Hong Kong and Singapore, the respondents tend to have a level of income that is similar to the per capita income in their own markets; or slightly below. In Japan, the respondents have a mean income slightly higher than the per capita income; whereas in UAE it is significantly lower. Among low per capita



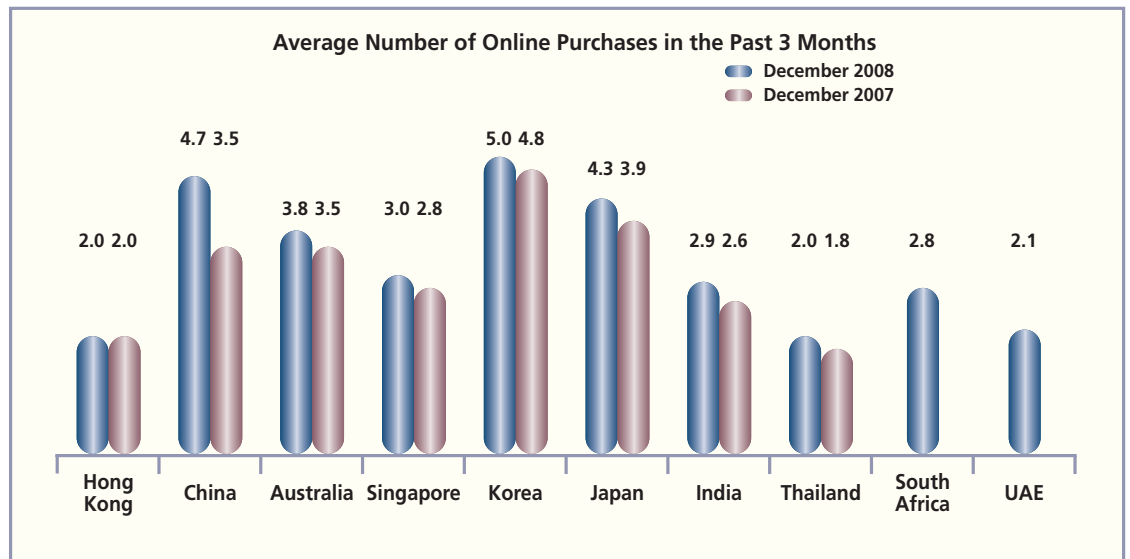
The mean income of the online shoppers we surveyed in India was an astonishing 24.33 times higher than India's per capita income.

income markets, on the other hand, the mean income of respondents tends to be much higher than the per capita income level in their respective markets. In China, it is 6.18 times higher; in Thailand, 5.33 times higher; and in South Africa, 5.96 times higher. The exception is India. The mean income of respondents from India is an astonishing 24.33 times higher than India's per capita income.

### Key Findings

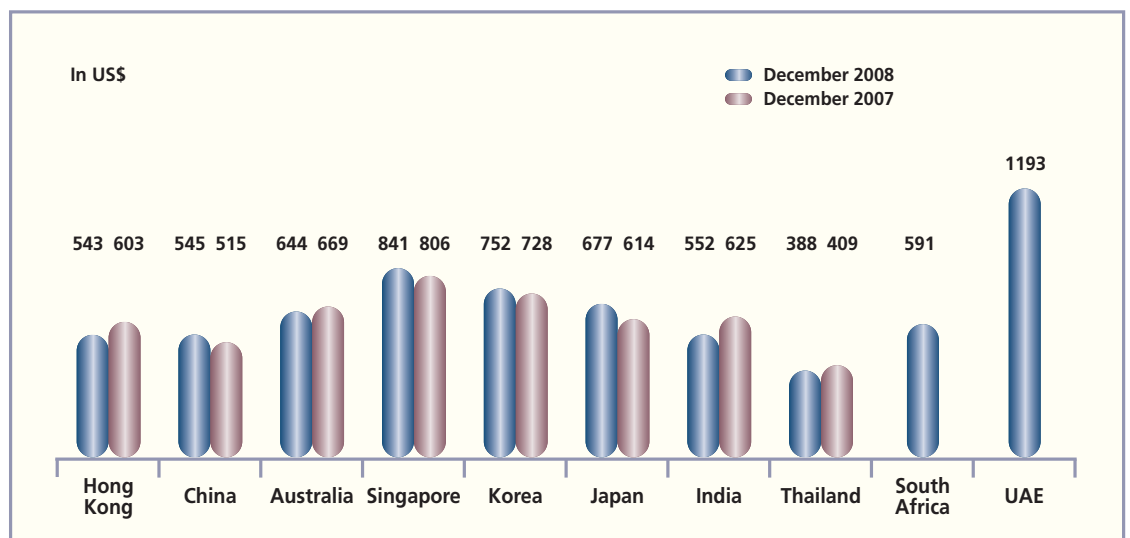
Chart 1 shows a comparison of the frequency of online purchases in the three months prior to December 2007 and December 2008. With the exception of Hong Kong, where the frequency stays the same; more online shopping was done in December 2008 than in December 2007 (South Africa and UAE were surveyed for the first time in December 2008).

**Chart 1. Frequency of Online Purchases**



Source: MasterCard.

**Chart 2. Spending on Online Shopping in the 3 Months Prior to December 2007 and December 2008**



Source: MasterCard.

The average spending on online shopping between 2007 and 2008 is compared in Chart 2. While there was a slight decrease in the average amount spent in Hong Kong, Australia, India and Thailand in December 2008 compared with a year ago; there was a slight increase in China, Singapore, Korea, and Japan. UAE has the highest average online shopping spend, at US\$1,193.

In terms of the types of merchant websites being visited, websites for music downloads are the most popular, as Table 3 shows. These are followed by supermarkets, book and DVD stores, retail outlets for clothing and accessories, and home appliances and electronics. Hotels and airlines are among the least visited websites.

With respect to the respondents' stated intention of doing more online shopping in the next three months, with the exceptions of Hong Kong, Singapore (the intention to shop online in the future declined in both markets) and Korea (intention unchanged), all other markets reported an increased intention for future online shopping in December 2008 than a year ago, as shown in Chart 3.

**Table 3. Frequency of Visiting Merchant Websites**

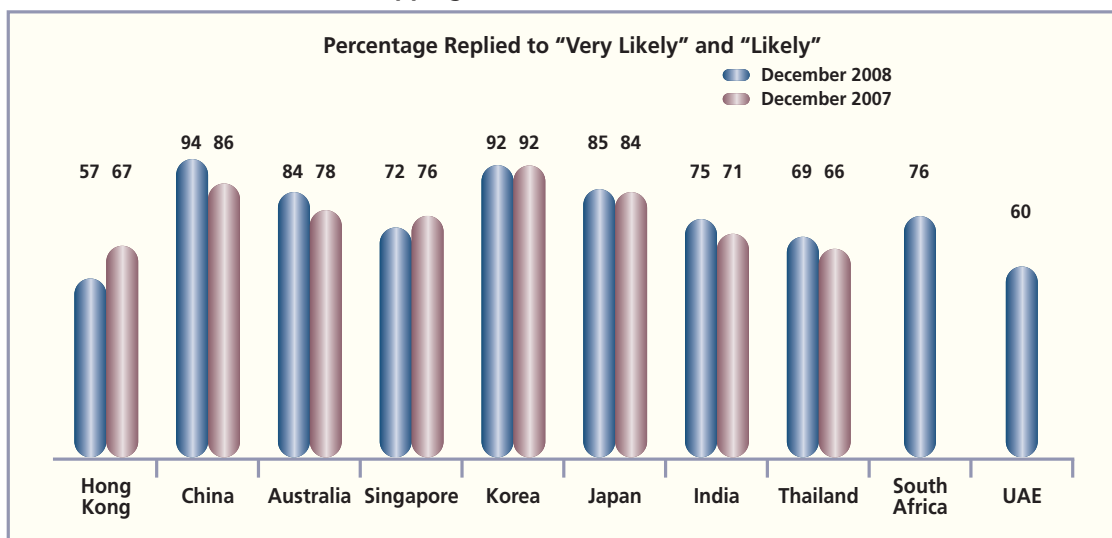
Merchant Category	Average Visits Per Week
Supermarket/Stores	2.5
Cinema	1.7
Music Download	2.8
Concert and Theater Tickets	1.5
Retail Clothing and Accessories	2.3
Home Appliances and Electronics	2.0
Hotels	1.4
Airlines	1.4
Travel Agents	1.5
Books/CDs/DVDs	2.4

Source: MasterCard.



The most popular websites are those providing music downloads. These are followed by supermarket websites and those that specialize in selling books, CDs and DVDs.

**Chart 3. Intention for Online Shopping**

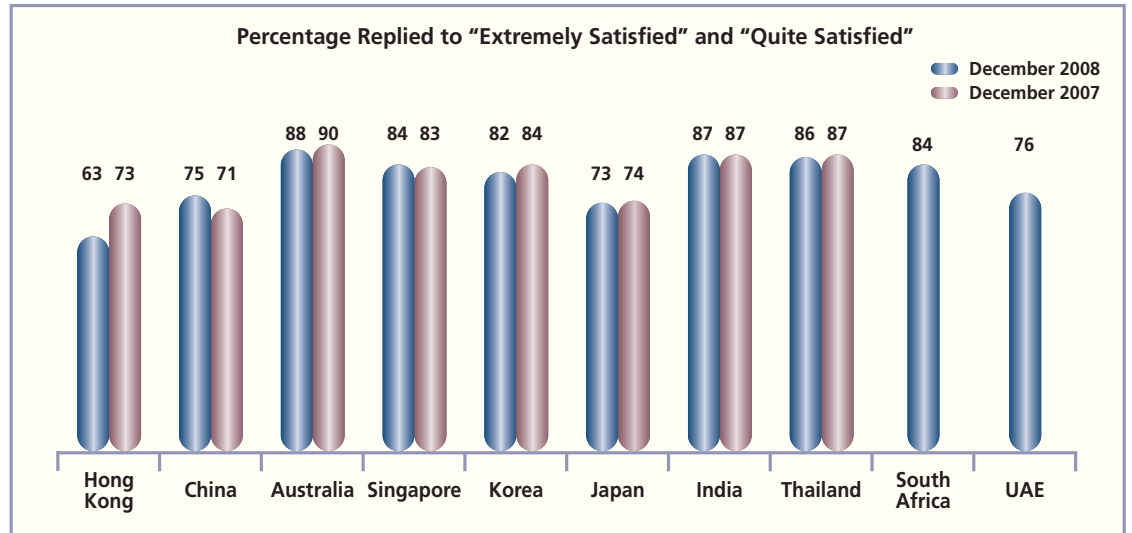


Source: MasterCard.



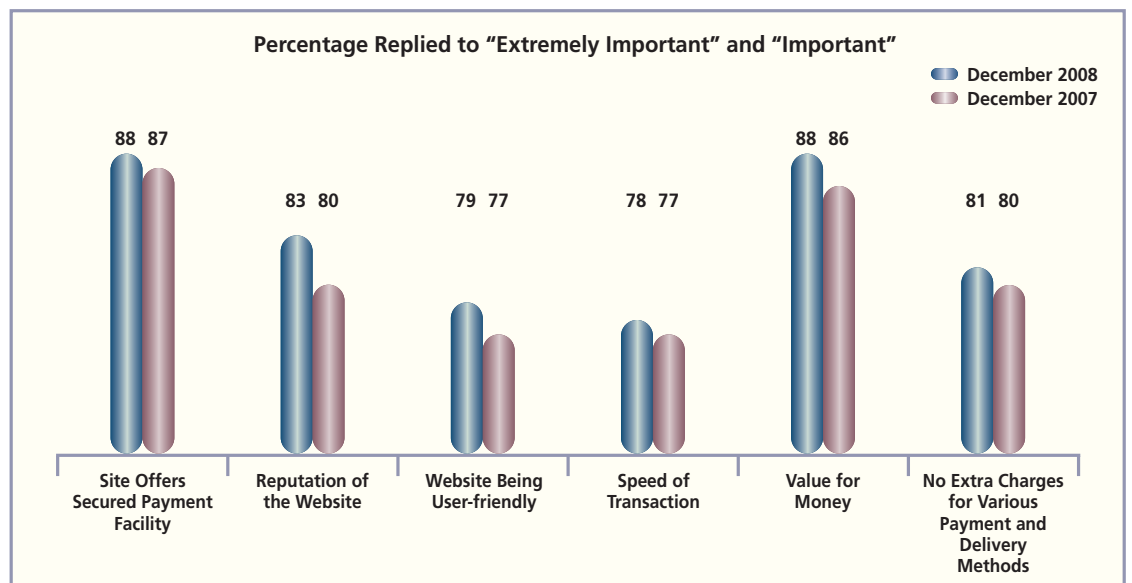
Compared to a year ago, online shoppers are, by and large, more satisfied with online shopping than before.

**Chart 4. Overall Satisfaction with Online Shopping**



Source: MasterCard.

**Chart 5. Importance When Considering Whether to Make an Online Purchase.**



Source: MasterCard.

In terms of satisfaction with online shopping, it appears that online shoppers were by and large more satisfied in December 2008 compared with the year before. The exception is Hong Kong, where online shopping satisfaction dropped noticeably. There was also a very slight drop in satisfaction in Australia; and a virtually unchanged level of satisfaction in Thailand and India. These comparisons are summarized in Chart 4.

Security and value for money are the two most important factors for online shoppers. These two factors were both important in December 2007; but have since become even more so for the online shoppers one year later. The reputation of the website is the third most important factor, followed by the belief that there should be no extra charges for the use of different payment and delivery methods. Finally, user-friendliness and the speed of transaction

were also deemed important. Chart 5 summarizes the comparison between December 2007 and December 2008. Without exception, all these factors have become more important in December 2008 than a year earlier.

### Conclusions

The strong growth trend of online shopping previously reported appears to have held up well in Asia/Pacific, Middle East and Africa; in spite of the global economic crisis. Consistent with earlier findings, online shoppers tend to be relatively young, well educated; and in markets with a low per capita income, they tend to be in the higher-income segments.

The fact that in most of the markets surveyed, there has been an increase in the frequency of online shopping as well as some increases in the spending total. This suggests that the economic crisis could have made online

shopping more attractive. One key reason may be that comparing prices is easier when shopping online; hence achieving the important objective of “value for money.”

Past research has consistently shown that during times of economic downturn; consumers may or may not cut back on their spending; but they invariably tend to shop wisely. Online shopping may well allow them to shop wisely, even more so than before.



**The strong growth of online shopping in Asia/Pacific, the Middle East and Africa has held up quite nicely, despite the global economic downturn.**

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