

# Asia/Pacific, Middle East and Africa Online Shopping Study 2010





## 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, MasterCard Worldwide Index of Consumer Resilience and MasterCard Worldwide Index of Consumer Spending Capability. Today, these MasterCard offerings are much sought after by analysts, academics and decision makers in financial institutions, government agencies and multinational 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, MasterCard Worldwide. In 2009, an African Knowledge Panel was established.

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.

## Asia/Pacific, Middle East and Africa Online Shopping Study 2010



Online shopping has taken a lead in South Korea and China with 85% and 84% of respondents citing that they use the internet to shop online.

Consumers in China are most likely to make a purchase online within the next 6 months, according to 93% of respondents.

The results of the index show the gap in online shopping is closing in the Asia/Pacific, Middle East and Africa (APMEA) region; last year we saw a huge spike with India and Thailand jumping in terms of their increasing ease of shopping online, bringing them close to numbers for some of the more mature markets like China, Singapore, Hong Kong and Malaysia. While scores in India and Thailand have stabilized since last year, this year we see a jump in markets like China and Malaysia.

Markets like South Korea, Australia, New Zealand and Taiwan— already well-established in online shopping— have also stabilized and continue to maintain a lead over other markets. Japan is an exception which has interestingly shown a continuous decline in its propensity for online shopping since 2008. The drop is primarily due to more people seeing their preference

to shop in-store and to look at the physical product as a barrier to online shopping, fewer people perceiving online shopping as convenient and fewer people disagreeing that they feel insecure shopping online.

The index score was based on the following questions:

- For what purposes do you usually use the internet?
- How likely is it that you will make an online purchase in the next 6 months?
- Proportion of those who did not state 'prefer to shop in-store, to look at the physical product' as a reason for not purchasing anything online in the past 3 months
- To what extent do you agree or disagree with each of the following statements:
  1. It is convenient to shop online
  2. I do not feel secure shopping online

**Table 1. APMEA Regional Online Shopping Index**

Market	2010	2009	2008
South Korea	63	65	65
Japan	57	62	70
New Zealand	54	55	–
Australia	52	51	51
Taiwan	51	52	–
UAE	47	44	43
Malaysia	44	33	–
Singapore	40	40	36
China	38	30	25
Thailand	34	33	25
India	32	31	21
Hong Kong	29	30	25
Indonesia	17	–	–
Philippines	12	12	–
South Africa	8	8	8
Global Index	36	33	28

## A brief note on the weighting methodology used for the Online Shopping Index

### Market Index Scores

The Market Index scores were weighted by internet penetration statistics for each of the markets. These statistics were primarily based on data from Euromonitor International, United Nations, Department of Economic and Social Affairs, Population Division, but some calibrations were also done for certain markets using some secondary sources:

- In many Asian markets, we know that there is a substantial difference in internet penetration in urban versus rural areas. Therefore for markets having a significant proportion of rural areas, namely, China, India, Malaysia, Philippines, Thailand and Indonesia, we took into consideration urban internet penetration rates, to ensure that their internet penetration did not get unduly deflated to the significant rural base.

- Further, we know that our sample, which is based on a self-selected panel of respondents, are more skewed towards Tier 1 cities and corresponding urban areas. Therefore, in markets such as China and India, we calibrated the internet penetration rates to adjust for the higher penetration found in higher-tier cities.

### Regional Composite Score

To compute the regional score, the Market Index Scores were multiplied by the urban population in the respective market (based on Euromonitor scores) and then added up. This figure was then divided by the total urban population across all the markets covered, to provide the regional composite score for the respective year.



**In both intent to purchase online in the next six months as well as indicating that they frequently access the internet for the purpose of shopping, Malaysia has surpassed Australia.**

## Online Shopping and Purchase Intent

Leading markets for online shopping:

- South Korea (85%), China (84%) and Japan (75%) continue to lead the way in terms of being the most likely to access the internet for online shopping.
- They also led in terms of the number of items purchased online in the last three months
- China averaged 5.6 items, up from 5.1 items in 2009
- South Korea and Japan remained stable in the number of items purchased at 5.9 items and 5.1 items respectively
- China, South Korea, India and Thailand are also the most likely to make a online purchase in the next six months:

Some of the other markets, like India and Thailand, who showed huge spikes last year are seeing continued moderate growth in 2010:

- India is up to 67% in 2010 from 54% in 2008
- Thailand up to 67% in 2010 from 43% in 2008

But the biggest story is Malaysia, which is now comparable to Australia in terms of intent to make a purchase online in the next six months as well as accessing the internet for online shopping.



In China, the percentage of people stating that they preferred to shop in stores so that they could see the actual product has decreased markedly— 58% gave this reason in 2009, but only 34% in 2010.

**Table 2. How likely is it that you will make an online purchase in the next 6 months?**

Market	2010
China	93%
South Korea	86%
India	86%
Thailand	83%
New Zealand	79%
Taiwan	78%
Singapore	75%
Malaysia	74%
South Africa	73%
Australia	72%
UAE	69%
Indonesia	68%
Hong Kong	65%
Japan	62%
Philippines	49%

In 2009, the markets that were the least likely to access the internet for online shopping were the UAE (29%), Philippines (30%) and Malaysia (33%). While the Philippines is still low (27%), this year we are seeing a big jump in the percentage of people accessing the internet for shopping in Malaysia and UAE:

- Malaysia is up to 55% in 2010, from 33% in 2009
- UAE is up to 42% in 2010, from 29% in 2009

The future outlook for these markets looks good as well, with 69% of people from UAE (compared to 62% in 2009) and 74% from Malaysia (versus 54% in 2009) saying that they are likely to make an online purchase in the next six months.

**Table 3. For what purposes do you usually use the internet?**

Market	Percentage saying "online shopping"
South Korea	85%
China	84%
Japan	75%
Thailand	67%
India	67%
Taiwan	66%
Singapore	64%
New Zealand	59%
Australia	58%
Malaysia	55%
South Africa	51%
Hong Kong	49%
Indonesia	44%
UAE	42%
Philippines	27%

It seems that in terms of future plans however, some of the more mature online shopping markets— Australia and Japan for example, are actually showing declines in their likelihood to make an online purchase in the next six months.

- Japan is down to 62% from 85% in 2008
- Australia is down to 72% from 84% in 2008

This is despite the fact that there is still a high percentage of respondents who access the internet for online shopping.

### Barriers and Bridges to Online Shopping

Among respondents who haven't purchased anything online in the last six months, security still seems to be the primary reason, with 49% of respondents indicating that they are "not sure that making transactions online is secure or safe." 69% of respondents suggest "enhance payment security, improve users' confidence in online transactions" as a way to improve online shopping.

In Singapore, China, Malaysia and Thailand we are seeing the concerns around security being mitigated over time. In these markets there was a substantial decrease in respondents who do not feel secure shopping online:

- China went down to 35% from 44% in 2009
- Singapore went down to 29% from 37% in 2009
- Thailand went down to 45% from 54% in 2009
- Malaysia went down to 40% from 48% in 2009

In China in particular, we see a substantial decrease in the number of people who cited preferring 'to shop in-store, to look at the physical product' as reasons for not purchasing online— from 58% in 2009 to 34% in 2010.

**Table 4. To what extent do you agree or disagree with the following statement: "I do not feel secure shopping online" (Top two box scores)**

Market	2010
Hong Kong	40%
China	35%
Australia	29%
Singapore	29%
South Korea	43%
Japan	34%
India	48%
Thailand	45%
UAE	45%
South Africa	34%
Malaysia	40%
New Zealand	24%
Taiwan	41%
Philippines	41%
Indonesia	46%



In Singapore, China, Malaysia and Thailand, there has been a substantial decrease in concerns about the security of shopping online.



The percentage of respondents who stated that goods are much less expensive online grew from 46% in 2008 to 53% in 2010.

**Table 5. What are the reasons for not purchasing anything online in the past 3 months? "Prefer to shop in-store, to look at the physical product"**

Market	2010
Hong Kong	61%
China	34%
Australia	46%
Singapore	59%
South Korea	46%
Japan	38%
India	55%
Thailand	58%
UAE	58%
South Africa	60%
Malaysia	55%
New Zealand	39%
Taiwan	52%
Philippines	57%
Indonesia	56%

There is a slight increase in the number of people going online to shop for bargains. Overall, the percentage of respondents who said that 'most goods are much cheaper online than offline' went up from 46% in 2008 to 53% in 2010. This is most pronounced in China (where

**Table 6. To what extent do you agree or disagree with the following statement: "It is convenient to shop online" (Top two box scores)**

Market	2010
Hong Kong	57%
China	83%
Australia	71%
Singapore	72%
South Korea	81%
Japan	75%
India	71%
Thailand	77%
UAE	58%
South Africa	79%
Malaysia	67%
New Zealand	76%
Taiwan	77%
Philippines	64%
Indonesia	55%

it went up from 78% in 2009 to 82%), UAE (where it went up from 37% in 2009 to 48%) and South Africa (where it went up from 34% in 2009 to 41%).

### Categories of Online Shopping:

Airlines, online gaming, events ticketing, and music downloads and books are still the categories in which people spend the largest percentages online.

**Table 7. What is the proportion of your offline vs. online shopping for these merchant categories in the past 3 months?**

Categories (Percentage Online)	2010	2009
Airlines	73	75
Online Gaming/Virtual World Sites	68	73
Music Concert or Performing Arts Ticketing	67	63
Music Download (e.g. iTunes)	66	70
Books/CDs/DVDs	62	57
Hotels	62	63
Travel Agents	58	57
Cinema	55	49
Retailers for Clothing and Accessories	51	44
Home Appliance and Electronic Products	50	39
Baby Products	50	N/A
Restaurants/Home Delivery of Meals	44	38
Supermarket/Superstores	40	33



Just as in 2009, the purchase of airline tickets is the category that captured the greatest percentage of online spending in 2010.

However, we are seeing a substantial increase in the percentage of online spending in historically 'touch and feel' categories such as restaurants or supermarkets.

The increased statistics around online supermarket shopping is especially pronounced in markets like:

- China went up from 27% to 33% online (from 2009 to 2010)
- India went up from 39% to 46%
- Japan went up from 17% to 47%

- South Korea went up from 39% to 50%
- Singapore went up from 24% to 32%
- Taiwan went up from 48% to 61%

Notably, when it comes to actual websites visited in the past 3 months, it appears that home appliances and books/dvds are more often visited, suggesting that that people look for these online but end up purchasing them elsewhere, or else not at all.



The number of people reporting that they access the internet with their mobile phones more than doubled in just one year—from 8% in 2009 to 19% in 2010.

**Table 8. Which of the following merchant websites have you visited in the past 3 months?**

Top Two Box (Percentage)	2010	2009	2008
Home Appliance and Electronic Products	43	42	48
Books/CDs/DVDs	41	41	42
Cinema	40	41	34
Airlines	39	39	42
Retailers for Clothing and Accessories	38	40	40
Music Download	37	37	34
Supermarket/Superstores	32	42	29
Online Gaming/Virtual World Sites	32	29	N/A
Restaurants/Home Delivery of Meals	29	29	N/A
Travel Agents	29	24	30
Hotels	29	28	29
Music Concert or Performing Arts Ticketing	17	14	16
Baby Products	12	N/A	N/A

### Internet Access

We see an increase in percentage of people accessing the internet via their mobile phones:

- 19% of respondents say they access the internet from their mobile phone versus 8% who indicated that last year
- Leading the charge in the Asia region in terms of mobile internet access are South Africa (39%), Singapore (33%), India (25%), Malaysia (20%), Thailand (20%), and UAE (20%)

The percentage of respondents who access the internet via Wi-Fi has also increased from 15% in 2008 to 31% in 2009. In UAE this more than doubled—from 28% in 2009 to 57% this year.

### Ethical Spending

70% of respondents across Asia have purchased items in the last 2-3 years because they were based on fair trade principles, up from 66% last year.

- This is especially pronounced in Thailand (95%), Malaysia (85%), and China (86%)
- China and South Korea lead in terms of making these types of purchases online (68% and 81% respectively)

Respondents are generally willing to spend more for 'responsible products,' i.e.:

- 61% said they are willing to spend more for products that are environmentally friendly
- 55% said they are willing to spend more for products based on fair trade principles

- 56% are willing to spend more if they know that a percentage will be donated to a good cause

The most cited reason for making a purchase online was choice:

- For those who purchased online for products that are environmentally friendly, 58% said it was because there was more choice online
- For those who purchased online for products based on fair trade principles, 60% cited the same reason
- For those who purchased online for products where a percentage was donated to a good cause, 50% cited the same reason.



**Environmental-friendliness is an advantage when selling online in the Asia/Pacific, Middle East, and Africa regions—61% of respondents indicated that they are willing to spend more for eco-friendly products.**

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