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Annual Online Shopping Spend of Women in Low Tier Cities Is Only RMB 339 Less Than Their Tier 1 & 2 Counterparts

MEC research decodes e-commerce potential of women in 583 low tier cities

MEC China, (www.mecglobal.com), today announced new research into women's online shopping behavior in low tier cities. Women are half the population and control the majority of disposable income in their families, as they are often the principal purchaser of groceries and daily necessities. In China, many women also make purchase decisions for their parents and in-laws. In the past, they shopped in brick and mortar stores. Nowadays, 44% of women in tier 1 and 2 cities and 23% of women in low tier cities also shop online. The research from MEC uncovered that in terms of per capita spend on e-shopping in the past year, women in low tier cities, who spent an average of RMB 1757, were only RMB 339 behind the spend of their tier 1 and 2 counterparts.

China's geography is massive and its middle and affluent classes are spread out all over the country in pockets of growth and wealth. However, the reach of physical stores of big or international brands is often limited to large, urban cities. E-commerce allows marketers to break out of the limiting reach of brick and mortar stores to satisfy the needs of consumers all over the country. Broadband Internet is now available to approximately 90% of the population in China, providing a widespread foundation for the development of e-commerce. Credit Suisse forecasts that China's e-commerce would reach RMB 2, 703 billion by 2015, accounting for 6.7% of retail sales.

MEC's research was taken from three waves (2007, 2009 and 2011) of GroupM Knowledge's Project Deep Dive (PDD) survey data to look at online shopping behavior of women living in tier 3 and tier 4 (provincial level cities, county level cities and counties) markets, with a focus on skincare and cosmetic products. The 2011 wave alone covered 583 low tier cities and a sample size of 3800+ women.

More Chinese women are getting into online shopping. Although the rate of increase of the penetration of online shopping in low tier cities are not as high as tier 1 and 2 cities, the former still boasts a 77% increase, moving from 13% penetration in 2007 to 23% in 2011. The Internet is a source of information for 56% of females in tier 3 and 4 markets, providing them with more details about brands and their products. Although they are still quite traditional, with 62% of women saying that traditions and customs are most important, 73% believe it is important to keep on learning new things. In terms of impulsive purchase (39%) and desire to be trendy and modern (52%), their scores are even higher than their tier 1 and 2 counterparts. With these mindsets, their willingness to buy imported brands and trust well-known brands also shows an increase of 120% and 62% respectively.

While the users of online shopping in low tier markets tend to be younger, mainly from 20 to 29 years old, the users of tier 1 and 2 cities have a broader age range, from 20 to 39 years old. The rate of increase of the online spending power of women in low tier cities (146% increase since 2009) is faster than those of tier 1 and 2 markets (45%). Women from low tier cities also spend a higher percentage of their monthly household income on e-shopping than their counterparts in tier 1 and 2 cities (2.3% vs. 1.8%). All these hint at the huge potential of e-commerce in low tier markets. The top three online shopping categories are apparel/shoes/bags, skincare/cosmetic/perfume and daily household consumables.

Looking at skincare and cosmetic products, female e-shoppers use more of these two categories of products than females in general (13% and 25% more respectively), putting them close to the usage rate of women in tier 1 and 2 markets. This is especially true in cosmetic products. While slightly less than one-third of females in low tier markets use cosmetic products, 52% of female e-shoppers in these markets use them. This usage rate is only 2% lower than their tier 1 and 2 counterparts. A look at brand awareness shows that female e-shoppers in low tier markets have a higher awareness than females in general. The ranking of the top 5 brands in terms of brand awareness is similar between low tier cities and tier 1 and 2 markets. Having a good online shopping platform on top of the already widely established brand awareness will give these brands a big competitive advantage.

Top 5 Skincare Brand Awareness			
Tier 1/2 females	Tier 1/2 female e-shoppers	Tier 3/4 females	Tier 3/4 female e-shoppers
Olay	Olay	Dabao	Olay
Dabao	L'Oreal	Olay	Dabao
L'Oreal	Dabao	Mininurse	Avon
Tjoy	Tjoy	Avon	Tjoy
Mininurse	Nivea	Tjoy	Minimurse

Top 5 Cosmetic Brand Awareness			
Tier 1/2 females	Tier 1/2 female e-shoppers	Tier 3/4 females	Tier 3/4 female e-shoppers
Maybelline	Maybelline	Maybelline	Maybelline
L'Oreal	L'Oreal	Avon	L'Oreal
Avon	Avon	L'Oreal	Avon
Aupres	Aupres	Chcedo	Chcedo
Mary Kay	Estee Lauder	Mary Kay	Mary Kay

Online shopping as a distribution channel can offer huge potential for marketers. There are many implications:

Offline and online channels and platforms are intertwined

Consumers tailor their usage of offline and online channels and platforms based on availability, immediate needs, size of shopping list and convenience in terms of time spent or geographical distance. Offline and online should no longer be seen as standalone silos, but should be treated as integral components of a single business model. The key is to drive traffic from offline to online and vice versa as consumers move along the purchase pathway.

From e-commerce to social commerce

Social commerce refers to the use of social strategies to anticipate, personalize and energize the shopping experience. Chinese consumers are very social in their purchase process. They want confidence in what they buy from their friends, and insight from their community. They are prolific reviewers and readers of online product reviews. As this evolves, the marketing mix will likely be more and more driven by consumers. Marketers need to use new ways to sense and shape demand. The role of brands is to be consumer’s friend and mentor, forging emotional linkages with consumers. Brands can also create conversations with consumers and provide them with materials to talk about in the social space.

Building trust

The issue of trust is central to building an effective, long-lasting online relationship with consumers. This is especially true for the China market, as consumers have an underlying wariness of fake products being sold online. Reviews and recommendations from friends and fan communities serve to alleviate some of the distrust. However, there are multiple facets of consumer trust online, such as product quality, Internet safety, efficiency, return policy, warranty etc. Success for any e-commerce player in China involves tackling the various components affecting trust along every step of the purchase pathway.

Mobile strategy

70% of female online shoppers of low tier cities use their mobile phone to access the Internet at home, so a mobile strategy to offer convenience and flexibility is necessary. The mobile strategy should be integrated into the e-commerce and communication plan via the use of gamification, augmented reality, social couponing and mapping/geospatial technologies etc.

Theresa Loo, Strategic Planning, Analytics and Insight Director, MEC China said: "The vast number of female consumers and their control of the family's disposable income give them lots of leverage over a brand. As more female consumers from low tier cities go e-shopping, marketers without an online shopping strategy are going to miss out. The challenge is to redesign the shopping experience across channels and platforms to provide a truly customer-centric purchase experience."

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About MEC

MEC delivers value by creating, implementing and measuring communication solutions that actively engage people with brands.
Media planning and buying ~ Digital media ~ Search ~ Mobile ~ Performance marketing ~ Social media ~ Analytics and Insight ~ Sport, Entertainment & Cause ~ Multi-cultural ~ Content ~ Retail ~ Integrated planning.

Our 4,000 highly talented and motivated people work with domestic and international clients in 84 countries. We are a founding partner of GroupM. To find out more, visit us at www.mecglobal.com

Methodology

Data are drawn from GroupM Knowledge Center's Project Deep Dive (PDD) surveys. PDD looks at consumption and media behavior of consumers in low tier cities (provincial level cities, county level cities and counties). 3 waves of research have been carried out in 2007 (709 cities, N = 6153), 2009 (542 cities, N = 7577) and 2011 (583 cities, N = 9571) respectively. To give PDD context, GroupM Knowledge Center has also built in a structure for comparing its findings with China National Resident Survey(CNRS), which consists of data for tier 1 & 2 cities, allowing for comparison between city tiers.