

# **Greater e-China Insights**

Online behaviors and attitudes  
in Greater China

**A project in  
collaboration with  
chinadotcom corporation**



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**GREATER e-CHINA INSIGHTS****Cheskin Research**

Cheskin Research is a leading strategic market research and consulting firm helping companies compete in the new global Internet economy. In a world of constant change, Cheskin makes it possible for businesses to take effective action. The company does so by helping its clients anticipate and understand the ways in which customers, cultures, and technology are evolving. It provides these insights through the use of innovative products and services such as digital ethnography, uniquely well-informed consulting, predictive modeling, and trend analysis. Cheskin focuses its expertise in the areas of media, product development, branding, position, and packaging. With the support of a diverse multilingual research staff representing over 20 different countries and cultures, Cheskin helps clients gain an understanding of their customers in multicultural markets and use that understanding to develop relationships based on trust, authenticity, and mutual benefit.

For more information on Cheskin Research or to learn more about how we can help you connect with your customers and markets, visit our website at [www.cheskin.com](http://www.cheskin.com) or contact:

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**chinadotcom corporation**

chinadotcom corporation [NASDAQ: CHINA] is a leading pan-Asian integrated Internet company offering web solutions, portal and online marketing services. Through its three business units, chinadotcom provides a full range of Internet services around the Asia Pacific region that; 1) build e-business strategies and solutions (Web Connection), 2) distribute content via its portal platform ([china.com](http://china.com), [cww.com](http://cww.com), [hongkong.com](http://hongkong.com), and [taiwan.com](http://taiwan.com)), and 3) sell services through online marketing (24/7 Media Asia).

Fuelling the growth of each of these three business units is a synergistic investment strategy that leverages on chinadotcom's existing operational and cost infrastructure.

By partnering with companies that have proven and successful track records, such as America Online, Softbank, Trans Cosmos and Agence France Presse, chinadotcom is well positioned to create long term shareholder value through its investments.

The company has offices across more than 10 markets, including Japan, Korea, Australia, Hong Kong, Taiwan, Singapore, Thailand, Malaysia, and the USA. For more information about chinadotcom, please visit [www.corp.china.com](http://www.corp.china.com) or please contact:

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## Introduction

With the imminent acceptance of China into the World Trade Organization, a giant barrier to global trade is about to fall. As part of the agreement to grant China permanent normal trade relations (PNTR) and acceptance into the WTO, the US has been assured of participation in China's Internet and telecommunications development. In order to help customers take advantage of this historic opportunity, Cheskin Research, in collaboration with chinadotcom corporation, conducted an online study of Chinese Internet users to understand their attitudes and behaviors regarding e-commerce, trust, privacy and online marketing, and their participation in the online environment.

Opportunities to tap into the Greater China<sup>1</sup> market abound. But marketers must understand that Chinese are not one homogeneous group, but differ greatly across geographic regions. The 17 million online users in Mainland China are not necessarily the same as their counterparts in Hong Kong, Taiwan and North America. Identifying and understanding these regional differences is key to a successful marketing strategy.

With a combined total population of more than 1.3 billion people, the ethnic Chinese market cannot be ignored. This groundbreaking study will help companies understand and capitalize on this complex and diverse market.

## Research Objectives

*Greater e-China Insights* was undertaken to gain understanding of the Chinese Internet population in Greater China. Specific objectives were:

- Determine marketing opportunities for e-commerce in the region
- Understand online users and discover who is driving the Internet revolution
- Define current online behaviors, including activities, services and purchases
- Understand attitudes toward online trust and privacy
- Identify barriers to e-commerce growth
- Define marketing implications of findings
- Compare Greater China findings with those of North America Chinese respondents to understand possible future trends

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<sup>1</sup> For the purposes of this report, "Greater China" is defined as Mainland China, Hong Kong and Taiwan.

## Methodology

An online survey was conducted with visitors who were intercepted from chinadotcom corporation's five portals:

- china.com
- english.china.com
- taiwan.com
- hongkong.com
- english.hongkong.com

Respondents were asked to complete a 20-minute questionnaire in their language of choice (English, simplified Chinese or traditional Chinese). A total of 3396 responses were gathered, 732 in English, 1568 in simplified Chinese and 1096 in traditional Chinese. For the purposes of this report, only self-identified ethnic Chinese respondents who live in Greater China and North America are included, a total of 2886.

Our online sample breaks down as follows: 1556 from Mainland China, 1041 from Hong Kong, 174 from Taiwan, and 115 from North America. It is important to note the Mainland China respondent base in this study generally reflects demographic data from other studies of online users, specifically, CNNIC's biannual report. Therefore, we believe these data are generalizable to the overall online population of Mainland China. Comparative data for Hong Kong and Taiwan were not available.

Respondents were asked questions in the following categories:

- Attitudinal profile, including perceived barriers, advantages of online use, trust and privacy issues
- Behavioral profile, including online activities, services and purchase activity
- Demographic profile

## Highlights of the Study

1. Despite barriers, there is significant but targeted potential for e-commerce growth throughout Greater China.
2. Geographic location is the main differentiator of online behavior. Mainland China residents differ significantly from those in Hong Kong, Taiwan and North America. Their offline circumstances and experiences often affect online behavior.
3. e-Commerce benefits outweigh barriers for users in Mainland China, North America and Taiwan. Intent to purchase in the future is high for these regions. This is a good indication of the potential for e-commerce success in Mainland China. The Internet provides a means to augment what is lacking in their offline environment.
4. Hong Kong users choose to shop in the real world instead of online. The preponderance of fun, convenient, sophisticated shopping opportunities, combined with common online barriers, make these users the least likely purchasers. The Internet has a higher entertainment value in this region and this may be where the greatest opportunity for growth lies
5. Overall, Internet trust is relatively low in Greater China, though Mainland China users are least concerned with trust and privacy issues. They are more willing to trade personal information for better service or price, presumably due to their desire for more options in their lives.
6. Limited technology penetration in Mainland China is not a deterrent to online usage. A third of the respondents regularly access the Internet from Internet cafés. Also, one third are online more than 20 hours a week.
7. Viral marketing has high potential in Mainland China. When they find a site they like, Mainland Chinese are more likely to recommend it to friends and family.
8. Lack of convenient payment method and fulfillment issues are significant barriers to e-commerce. Users in Greater China use COD as a payment method much more than North American users.
9. Brick-and-mortar presence may be the key to online success in Greater China. Those without an established name or physical presence are less trusted.

## Detailed Findings

### Introduction

Greater China accounts for one fifth of the world's population and comprises a diverse group of consumers, ranging from billionaire techno-savvy businessmen to poor farmers and factory workers earning the equivalent of only a few dollars per month. This group has seen a rapid advance of Internet technology and e-commerce penetration, especially in Taiwan and Hong Kong. But Mainland China, which is thought to be in its infancy of Internet growth, has also advanced faster than most people realize. Current Internet penetration is 17 million, or about 1.3% of the population. Growth is astronomical, estimated to double every six months, according to Deloitte Touche Tohmatsu. This growth is occurring in the midst of some formidable barriers, such as government restrictions, limited availability of technology, and concern with online trust and privacy.

In North America, the Chinese population is highly connected to the Internet. An estimated seventy percent are online in the US, and they are more experienced in all aspects of using the Internet for information and e-commerce than their counterparts in Greater China. Many are immigrants, speak Mandarin or Cantonese at home, but are bilingual, using English to access Chinese-related websites.

<b>Online Population</b>			
	<u>Total Population</u>	<u>Online Population*</u>	<u>Online Population % of Total</u>
Mainland China	1.3 Billion	16.9 million	1.3%
Hong Kong	7.0 Million	1.9 million	27%
Taiwan	22.0 Million	6.4 million	29%
North America Chinese	3.0 Million	2.1 Million	70%
* Compiled by Nua Internet Surveys, July 2000			
** Estimate; these figures are for the US only and do not include Canada.			

### **North America Chinese Provide Important Comparison**

Data from our North America Chinese respondents form the basis for an important comparison. The fact that this Chinese population lives in North America sets them apart from their Greater Chinese counterparts. They are tech-savvy, affluent and educated (81% have a college degree or higher) and are generally satisfied with the selection of products and services available to them on the Internet. They are also older than their Greater China counterparts, with the mean age of 33.2.

Although North America Chinese users are not representative of the general market in North America, these ethnic Chinese are influenced by their surrounding environment and mirror some of the aspects of the overall North American online population. Exposure to more advanced technologies, greater access to the Internet itself and its myriad goods and services heavily influence Internet attitudes and behaviors of North America Chinese users.

As Internet usage grows, communication with the outside world will undoubtedly increase. Users in Greater China will become even more sophisticated as they are exposed to more and more information from around the world. Two factors, in particular, will affect the future of the Internet in Greater China.

1. When China becomes part of the WTO, they will be forced to open their doors to outside participation in commerce, specifically in telecommunications and the Internet. This will affect the information available to this market, and reduce existing barriers to e-commerce.
2. Technology is becoming ubiquitous, affordable and readily available in all parts of the world. Penetration of telephones, Internet appliances and wireless (m-commerce) devices will increase Internet usage.

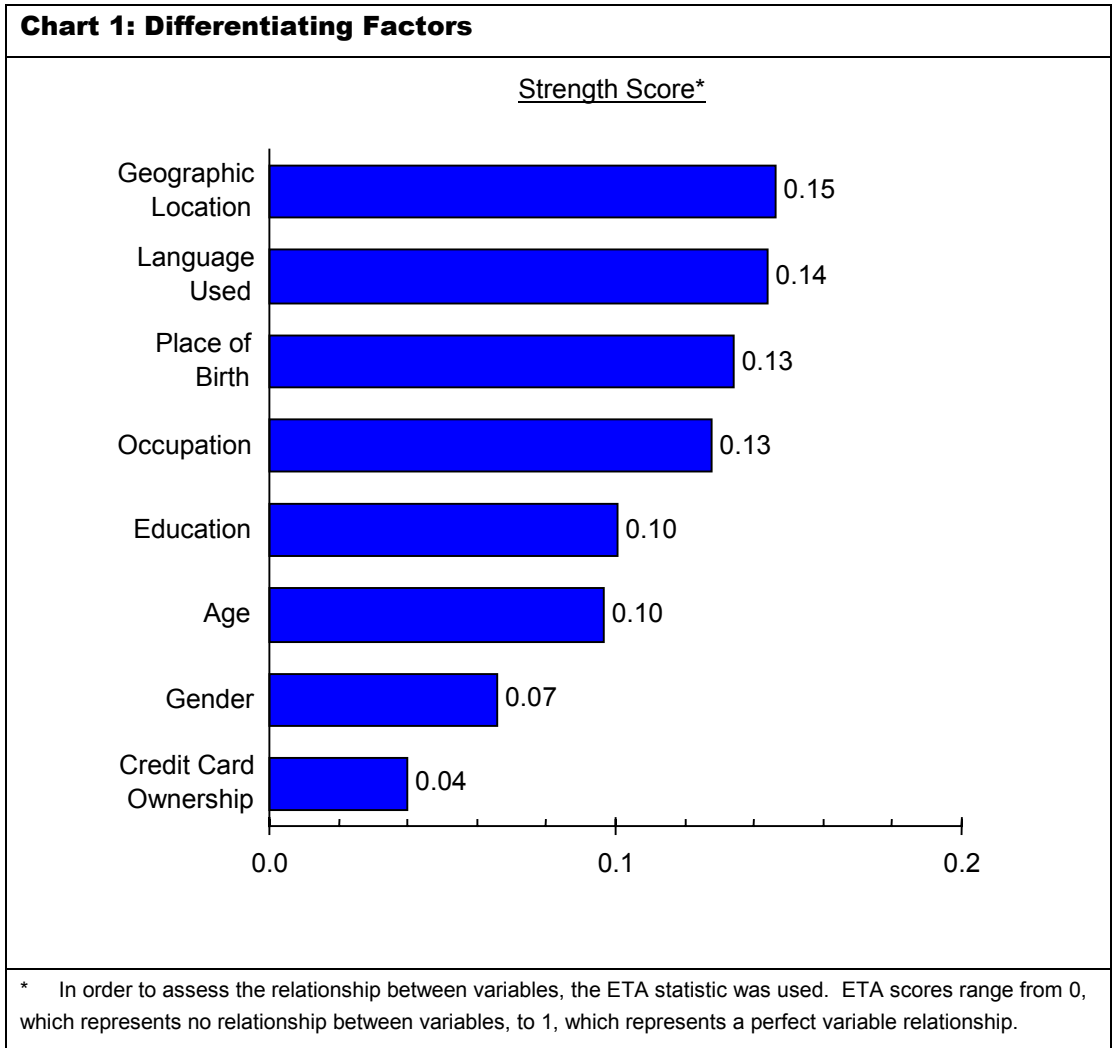
As Greater China becomes more permeated with outside influences, it may eventually provide a similar online environment to that of North America. In this scenario, certain aspects of North American Chinese users can indicate future trends in the Greater China online population. Caution must be taken however in relying too heavily on these behavioral differences to predict the future of the Greater Chinese online population. Offline environment, language and other cultural influences also come into play.

Nevertheless, understanding the differences between North American and Greater China markets offers interesting information to marketers who have had success in the ethnic Chinese market in North America and intend to expand their business in Greater China. And it can offer a point of reference to marketers who have had success in the North American general market and intend to expand into Greater China, although for these marketers, further study would be necessary.

**Commonalities and Differences Across Regions**

Chinese online users across Greater China and North America come from different social and economic backgrounds, speak different languages and dialects, and perhaps hold different attitudes and beliefs. We found, not surprisingly, that this affects their online behaviors.

Our data show that geographic region, i.e., where a person currently lives, is the top differentiator of all possible factors, followed closely by language used and place of birth.



Due to the strength of geographic location in these differentiators, we further analyzed the data by geographical region, identifying specific behaviors that characterize these users and make them unique to each other. These will be discussed in detail in the following regional sections of this report.

### ***Who's Leading the Internet Revolution?***

Across Greater China and North America, young, techno-savvy males are leading the Internet revolution among Chinese users. Nearly  $\frac{3}{4}$  of our sample base are 30 years of age and below (81%), male (72%) and connected with computers, PDAs, mobile phones and WAP-enabled devices. Thirty four percent (34%) are students.

### ***What Do They Do Online?***

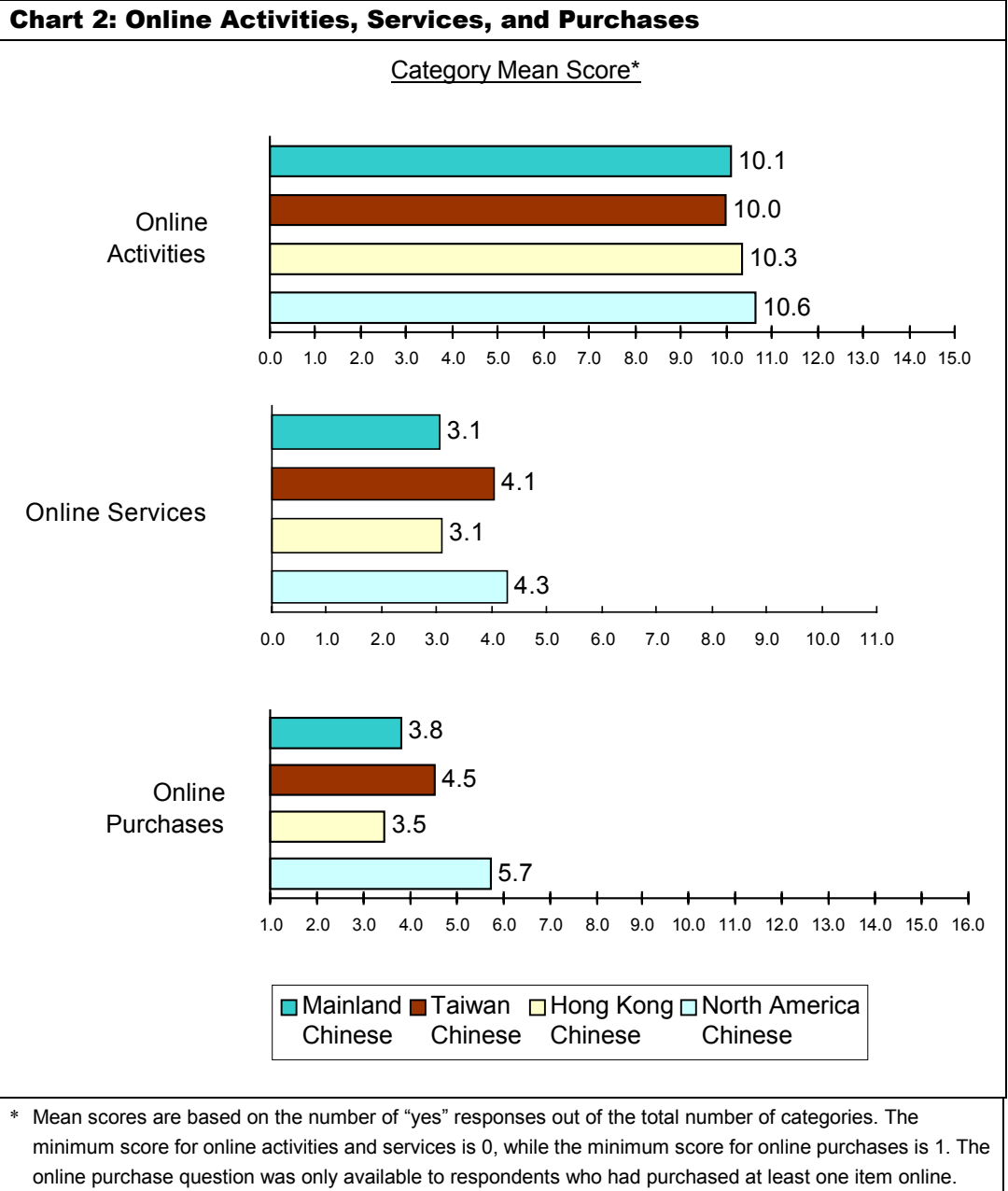
Online behavior varies across regions, as mentioned before. There are some commonalities, but also some differences that need to be mentioned.

For instance, participation in non-transactional Internet activities is comparable across all regions, while the use of online services and purchases vary significantly by region. The high level of participation in these online activities might be attributed to the anonymous or personal nature of these interactions, which normally do not require a monetary transaction. Online services and purchases demand that more information be shared with the website, such as credit card number, shipping address, etc., which the user may be reticent to share.

In our study, respondents reported varying experience with online purchases. The percentage of online purchasers for each group is: Mainland China 32%, Hong Kong 42%, Taiwan 36% and an impressive 75% of North America Chinese have made a purchase online.

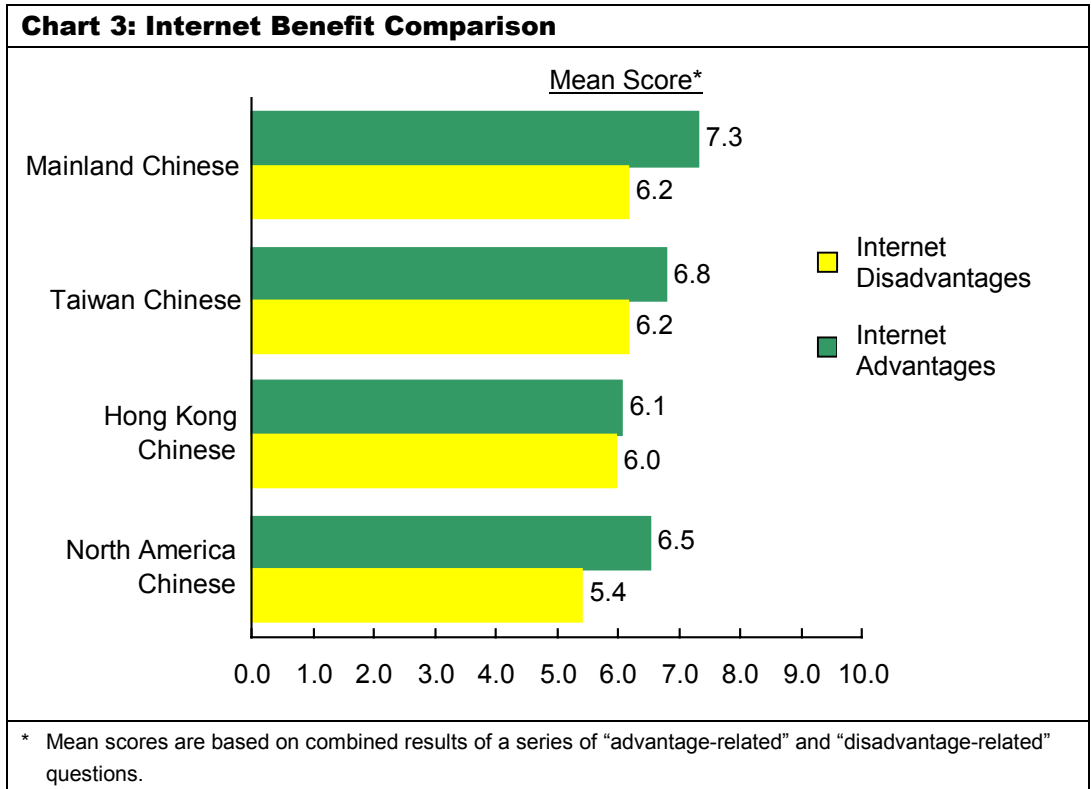
<b>Online Activities</b>		
<u>Activities</u>	<u>Services</u>	<u>Purchases</u>
• Emailing	• Taking online classes	• Books/music/video
• Downloading	• Using online classifieds	• Software
• Searching	• Using employment services	• Travel packages
• Chatting/messaging	• Auction	• Event tickets
• Watching streaming media	• Banking	• Groceries
• Playing games	• Booking tickets for events, travel or making reservations for hotel and restaurant	• Airline tickets
• Using Internet phones	• Other services	• Clothing
• Posting messages/pictures		• Stocks/financial services/insurance
• Sending greeting cards		• Other products
• Other activities		

Although there is a significant gap between Mainland China and Hong Kong in terms of overall economic development and annual per capita income, the levels of services used online are comparable. It may be surprising to learn that Hong Kong actually trails Mainland China in terms of online purchase, which will be addressed in the following sections.



**Online Attitudes**

The perceived benefit of the Internet is the relation between its advantages and disadvantages. All regions find a positive benefit to the use of e-commerce and the Internet, although for Hong Kong, the benefit is negligible, and is reflected in their online behavior. Mainland China seems to perceive the most benefit, and they embrace e-commerce just as much as their counterparts in North America.



The Benefit Scale above is derived from a combined result of Internet advantage-related questions compared to the combined result of Internet barrier or problem-related questions. These questions addressed the following issues:

Advantages

- Shopping without leaving home
- Enjoyment of the experience
- Ability to price compare

Disadvantages

- Shipping cost
- Fulfillment problems
- Payment method problems
- Lack of tactile experience

Respondents agree the top three advantages to the Internet are:

1. Information gathering – they find the Internet an easy way to find information;
2. Shopping convenience – they don’t have to step outside their home to make a purchase; and
3. Price comparison – they find shopping for prices convenient on the Internet.

<b>Top Three Advantages</b>	
Total Sample	<u>Mean Scores*</u>
The Internet is an easy way to get information.	8.5
To me, a big advantage of shopping online is that I can make purchases without stepping out of my door.	7.3
To me, a big advantage of shopping online is that I can easily compare prices on the Internet.	7.3
* Mean scores are based on an 11-point scale where 0 means "strongly disagree" and 10 means "strongly agree".	

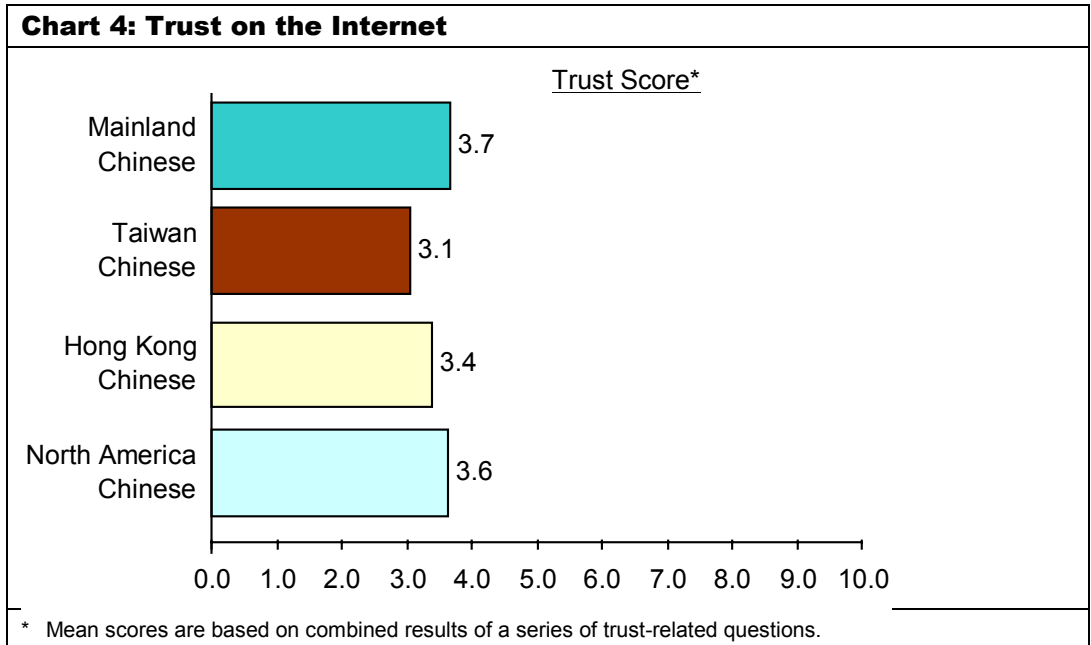
In addition to these online advantages, respondents generally agree on some common disadvantages, or barriers, to using the Internet:

1. Inability to physically see and touch the merchandise – they miss the tactile part of the buying process;
2. Online privacy – they worry about identity risk and how their personal information might be handled by a website; and
3. Trust issue regarding credit card usage – they are reluctant to use a credit card to purchase online, fearing credit card fraud.

<b>Top Three Difficulties</b>	
Total Sample	<u>Mean Scores*</u>
To me, a big problem of shopping online is that I cannot touch the merchandise.	7.7
I am worried about how personal information I might give on a website is handled.	7.6
To me, a big problem of shopping online is the risk of using credit card online.	7.5
* Mean scores are based on an 11-point scale where 0 means "strongly disagree" and 10 means "strongly agree".	

**Trust and Privacy**

As indicated above, trust and privacy issues pose a significant barrier to e-commerce in these regions. Across the board, respondents in Greater China and North America score relatively low on the Trust Scale when compared to similar attitudes of general market respondents in the US and Latin America.<sup>2</sup> Mainland Chinese are the most trusting among all groups, closely followed by North American Chinese. Chinese in Taiwan are the least trusting.



The Trust Score is a combined result of a series of trust-related questions. These questions specifically address the following issues:

- Whether respondents would trust a company that has Web presence only;
- Whether respondents would purchase from a website they have not heard of;
- Whether respondents think of the Internet a reliable information source;
- How cautious respondents are about giving away their personal information and how worried they are about the handling of personal information on a website.

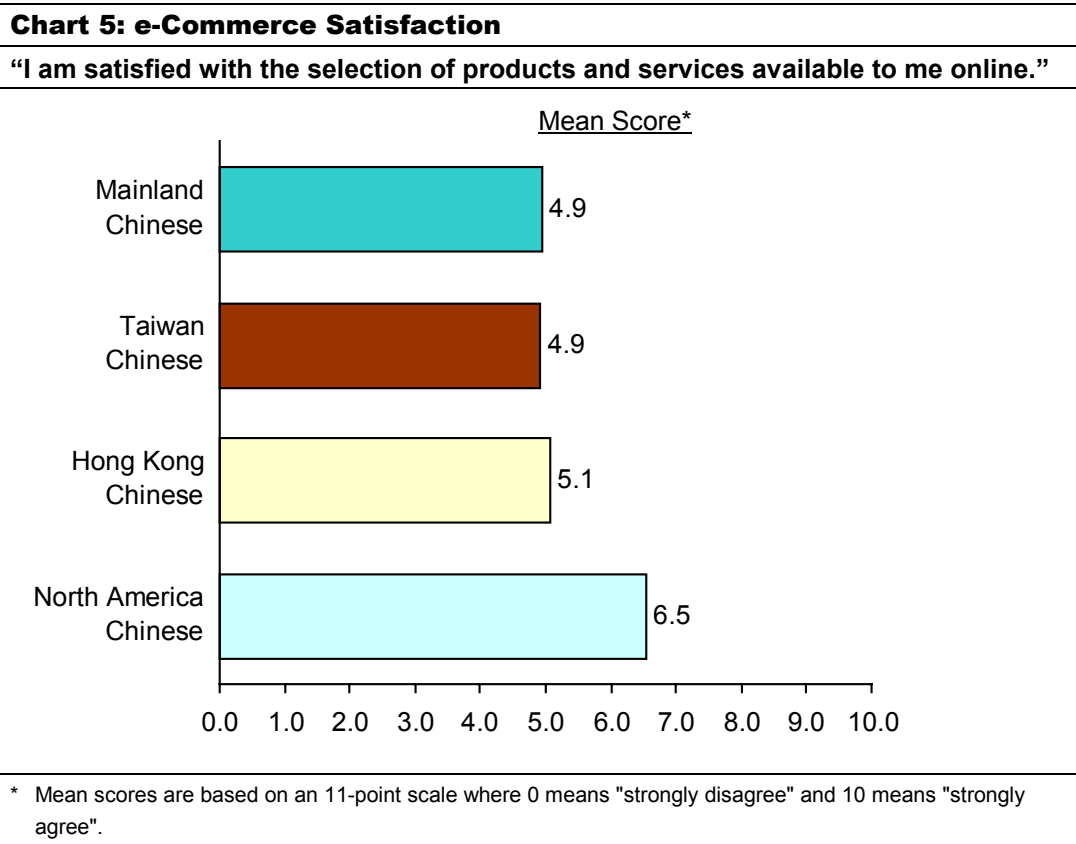
Because the concept of trust is associated with a number of factors essential to online transactions, including security and privacy, it is crucial to the development of e-commerce. Understanding the implications of generally low trust scores across Greater China is imperative for marketers. For instance, a low trust score may not necessarily correlate to low purchase behavior as it does in other regions of the world. This may be due to cultural differences.

Additional information on trust and privacy issues is included in the regional sections.

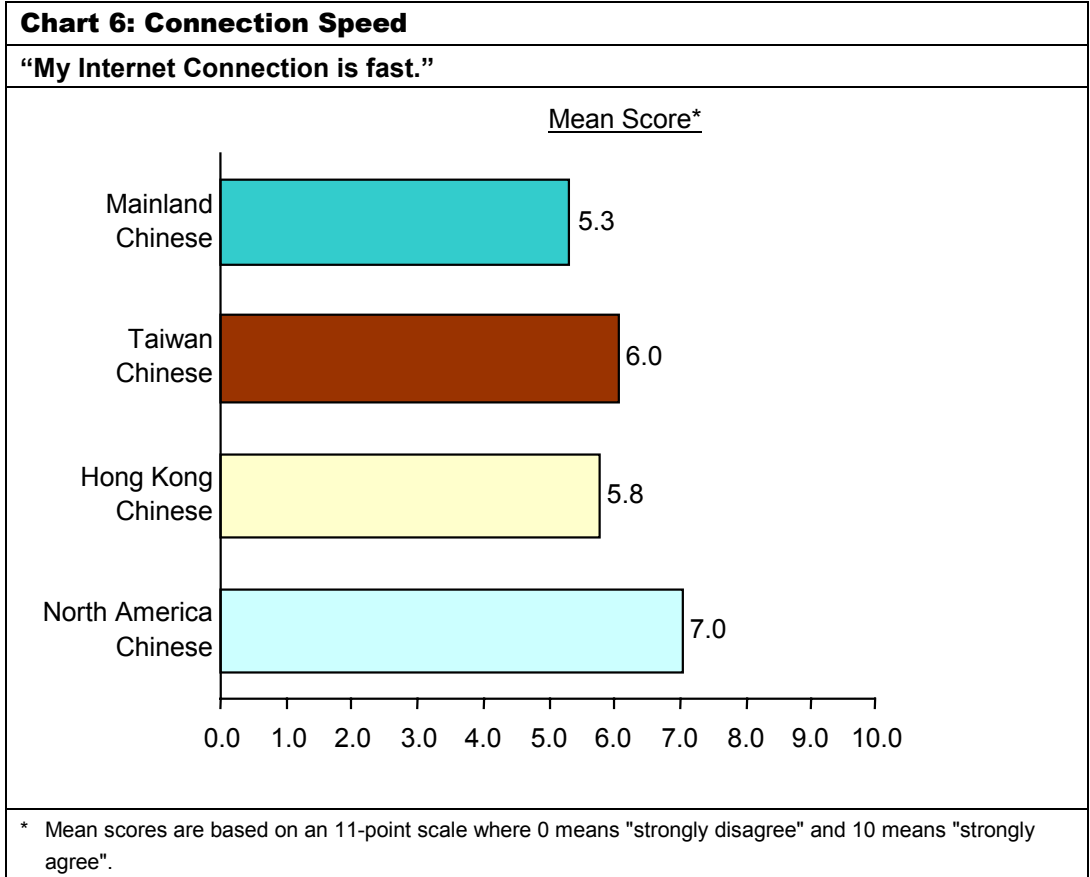
<sup>2</sup> See “Trust in the Wired Americas,” © 2000 Cheskin Research

**e-Commerce Satisfaction Levels**

Greater China’s online users make fewer purchases and use online services less than their counterparts across the ocean. They also are less satisfied than North America Chinese with the selection of online products and services available to them online. This might very likely be due to their limited selection compared to the wide array of online products and services available to North America Chinese from general market websites. Eighty-two percent (82%) of North America Chinese took the survey in English, although seventy-five (75%) of them were born in Greater China, suggesting that general market, English language websites are used by this audience, offering them an abundant choice of products and services. This is encouraging news for those who intend to explore the e-commerce market in Greater China. There is definitely room for improvement.



Another area of dissatisfaction is online connection speed. Across Greater China, but especially in Mainland China, Internet users are generally more dissatisfied with their connection speed than those in North America. However, they seem to find alternate solutions, or simply put up with reality, as nearly half of our respondents stay online 15 hours or more per week.

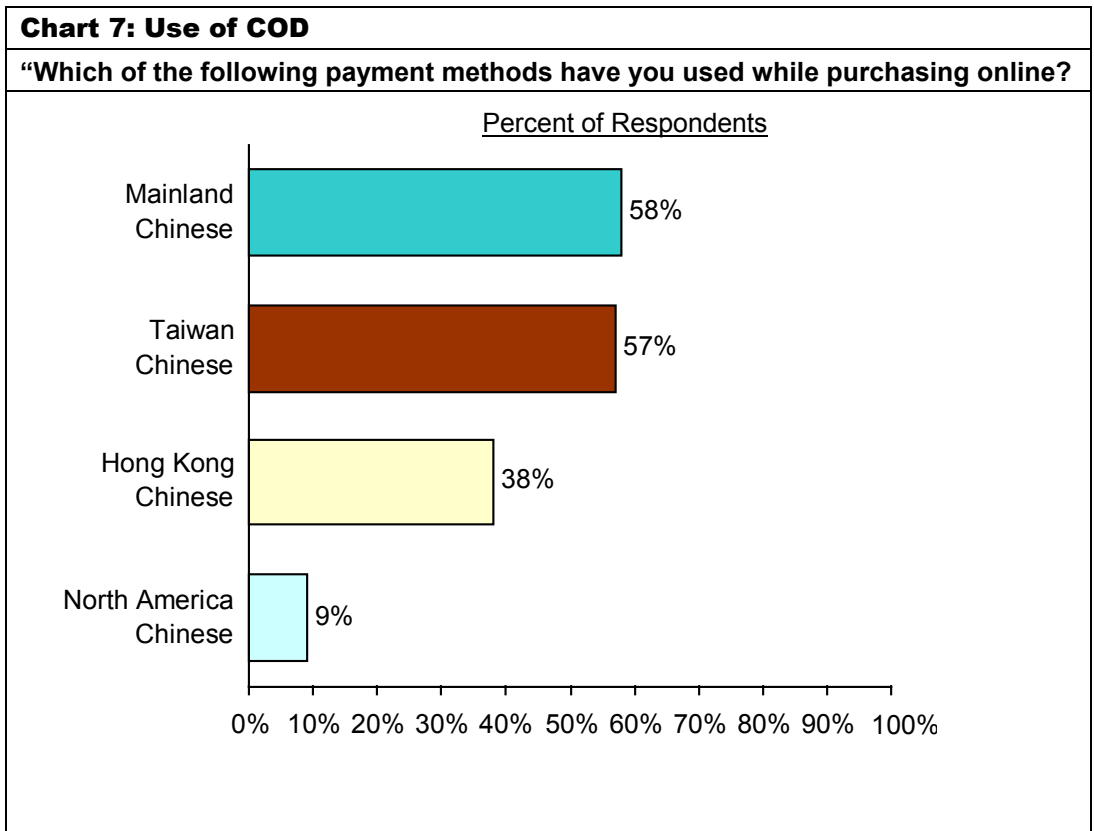


**Caution to Potential Marketers**

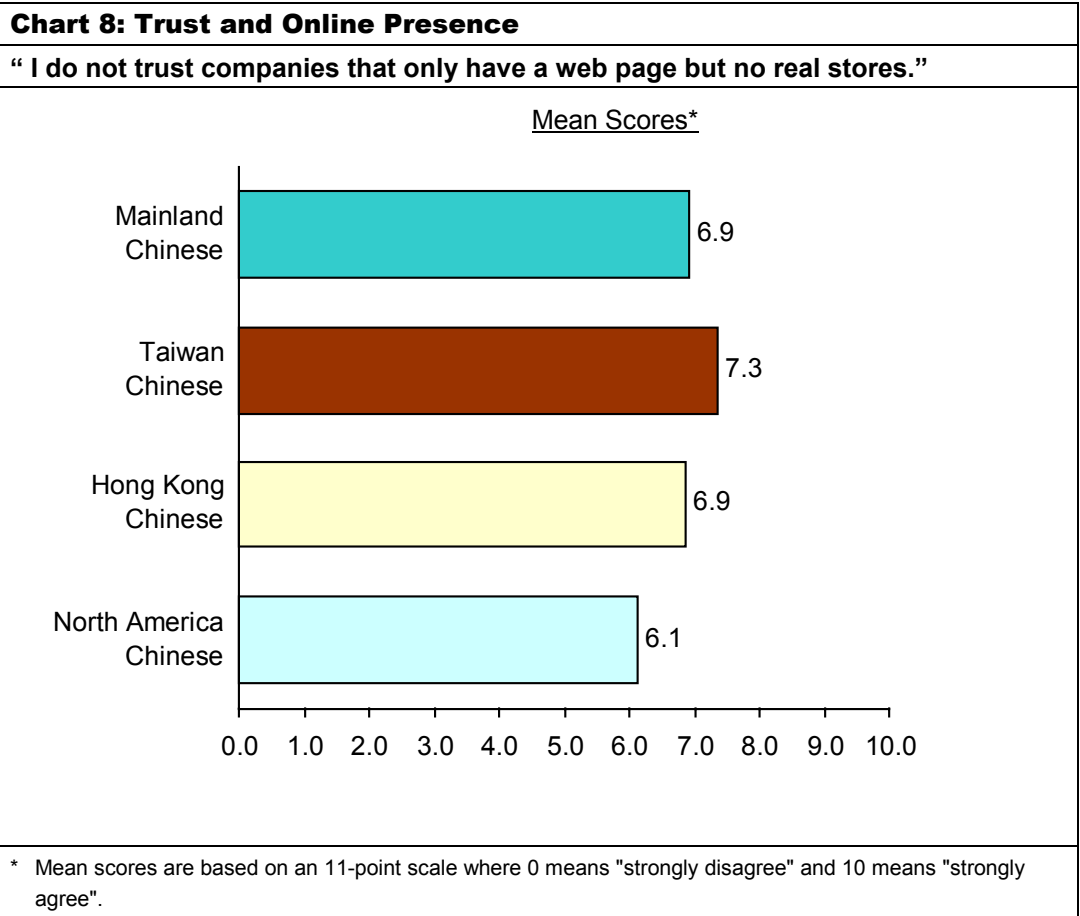
The concern about using credit cards online is much higher throughout Greater China than in North America, where they still cite lack of a convenient payment method as a barrier to e-commerce. The use of COD (cash on delivery) as a payment method is consistently higher throughout Greater China than in North America, although credit card penetration varies among Hong Kong, Taiwan and Mainland China.

When looking further into this barrier, we found that all respondents in Greater China use COD at a much higher rate than their North American counterparts. This may be due to their concern of using a credit card online, fear of invasion of their privacy, or a more cultural explanation, such as the propensity of Chinese to use a cash-based payment system.

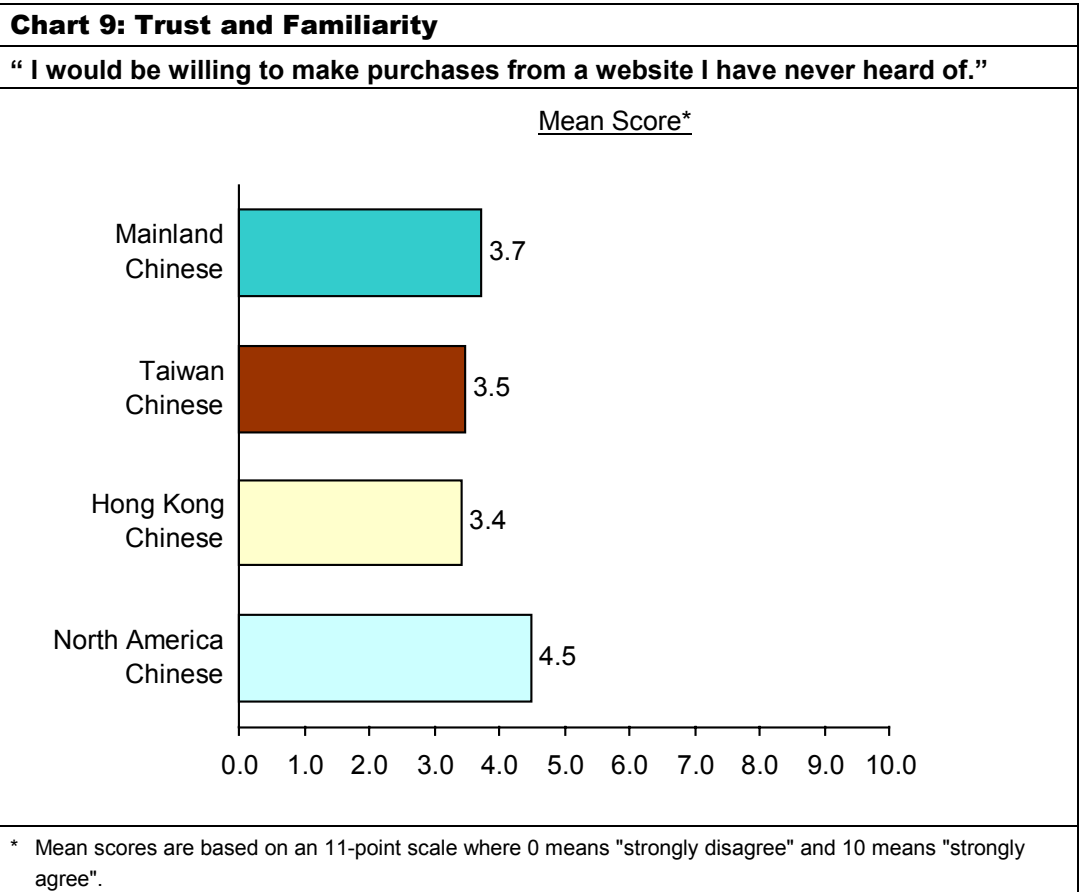
Overall, finding a convenient payment method is still a problem for most people in Greater China.



Another barrier to e-commerce in Greater China is that consumers in this region have less trust in companies that have a website but no brick-and-mortar presence. This may have to do with Greater China respondents' current perception of e-commerce. Their attitude may change as e-commerce in the region blossoms, but at the moment, it might be a good idea to have an offline presence or at least provide good offline customer support via phone or e-mail.



Greater China Chinese are also less likely to purchase from a website they have never heard of. This is good news for big companies that have established a solid brand name in this region, but perhaps a bit discouraging for smaller companies and e-commerce entrepreneurs. However, as addressed later in the report, even for newcomers, there are ways to succeed in e-commerce if companies are able to identify the right market, are aware of the unique local culture of the targeted region, and provide good service.



Shipping costs associated with online purchases on the surface are less of an issue in Greater China than in North America, which is good news to retailers interested in this area. However, it is our hypothesis that the more experience gained with online purchases, the more these consumers will be concerned about shipping costs. In the case of Mainland Chinese, it is not that they don't care about shipping costs, rather they may not have yet made enough purchases to be concerned, or the value of the merchandise they can acquire online merits the cost of shipping. Hong Kong Chinese have the biggest problem with the concept of paying for shipping costs when purchasing online since they can conveniently buy most goods and services from multiple sources just outside their door.



**Regional Details**

The balance of this report illustrates how people’s offline life experience, which is determined partially by their geographic location, affects their online behaviors and attitudes. Important information on each region is discussed, and comparison is made between Greater China and North American Chinese online users.

**Mainland China Uses the Internet to Complement What’s Lacking**

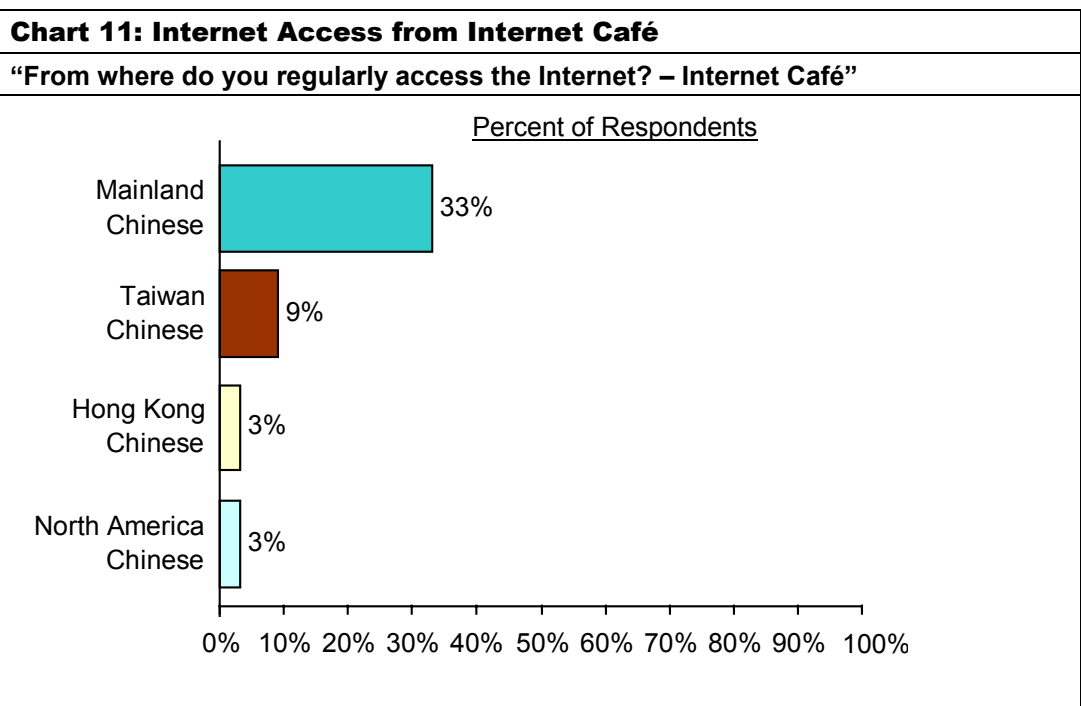
**Making the Most of It**

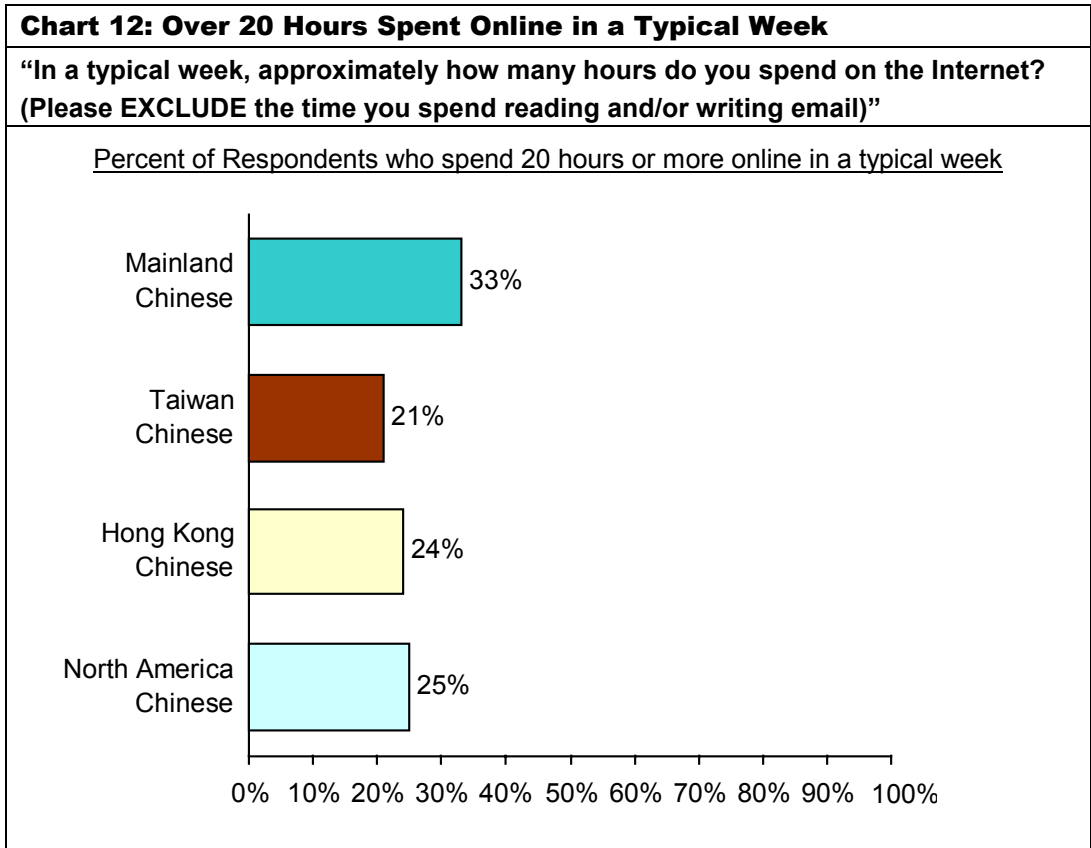
Mainland Chinese Internet users currently number approximately 17 million, or 1.3 percent of the total population. Although they are faced with a series of practical difficulties, such as government restrictions, slow or no Internet access from home, low credit card penetration and relatively low computer ownership, they have overcome these problems and eagerly embrace the Internet. They look to the Internet to help better their lives and extend their reach into the outside world.

*Use of Internet Cafés*

One third of Mainland Chinese users (33%) report they regularly access the Internet from Internet cafés, which is significantly higher than any other group. Not surprisingly, the percentage of Mainland Chinese users accessing the Internet from home, work, and school is significantly lower than all other regions.

Once they get online, they tend to stay online. Mainland China has the highest percentage of heavy users of the Internet, with a third (33%) of them spending over 20 hours on the Internet in a typical week, excluding the use of email.

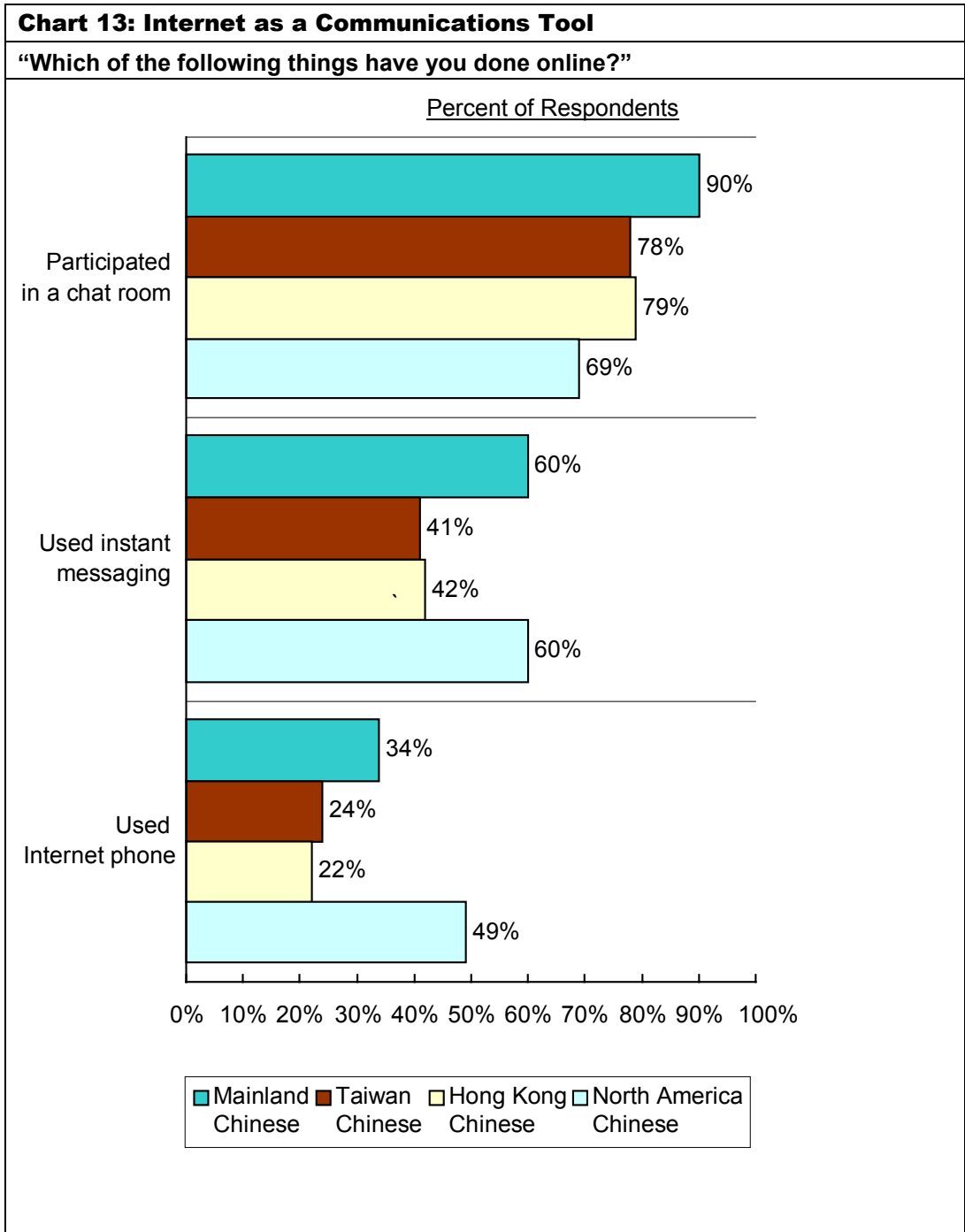




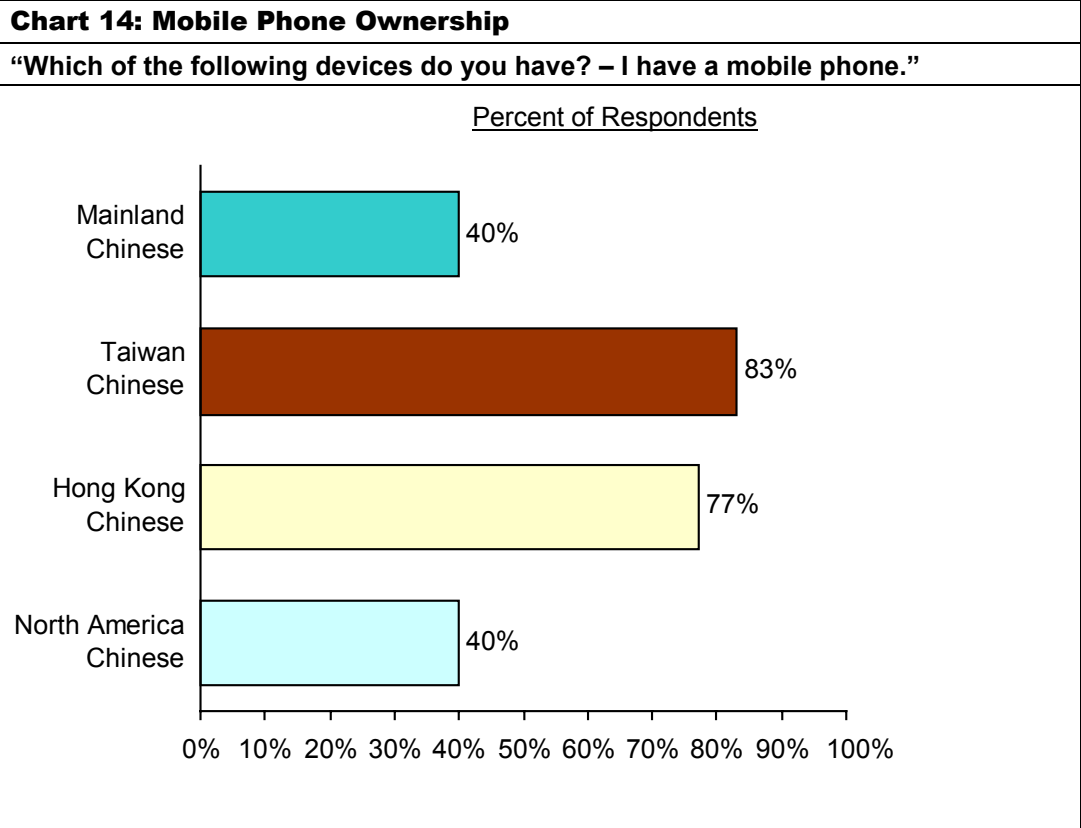
**The Internet as a Communication and Education Tool**

The mean scores of respondents' online activities are comparable across regions, as illustrated in the previous section. However, Mainland Chinese users have a greater tendency, especially compared to their counterparts within Greater China, to use the Internet as a communication tool.

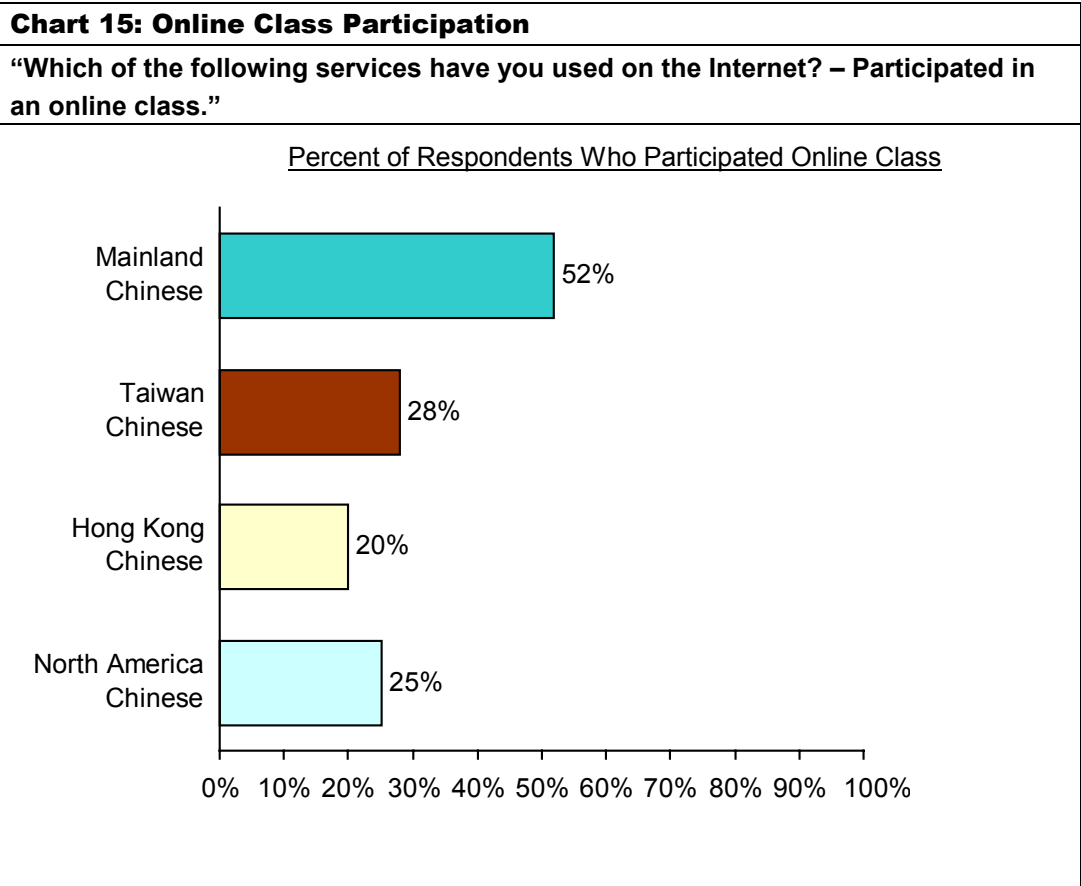
Mainland Chinese users score higher on certain activities compared to Hong Kong and Taiwan users, such as online chat rooms, instant messaging and Internet phones.



An interesting contrast is the low mobile phone penetration in Mainland China. Even though a computer might not provide the same flexibility a mobile phone does, it seems that Mainland Chinese users have found the Internet an acceptable substitute to allow for instant, interpersonal communication.

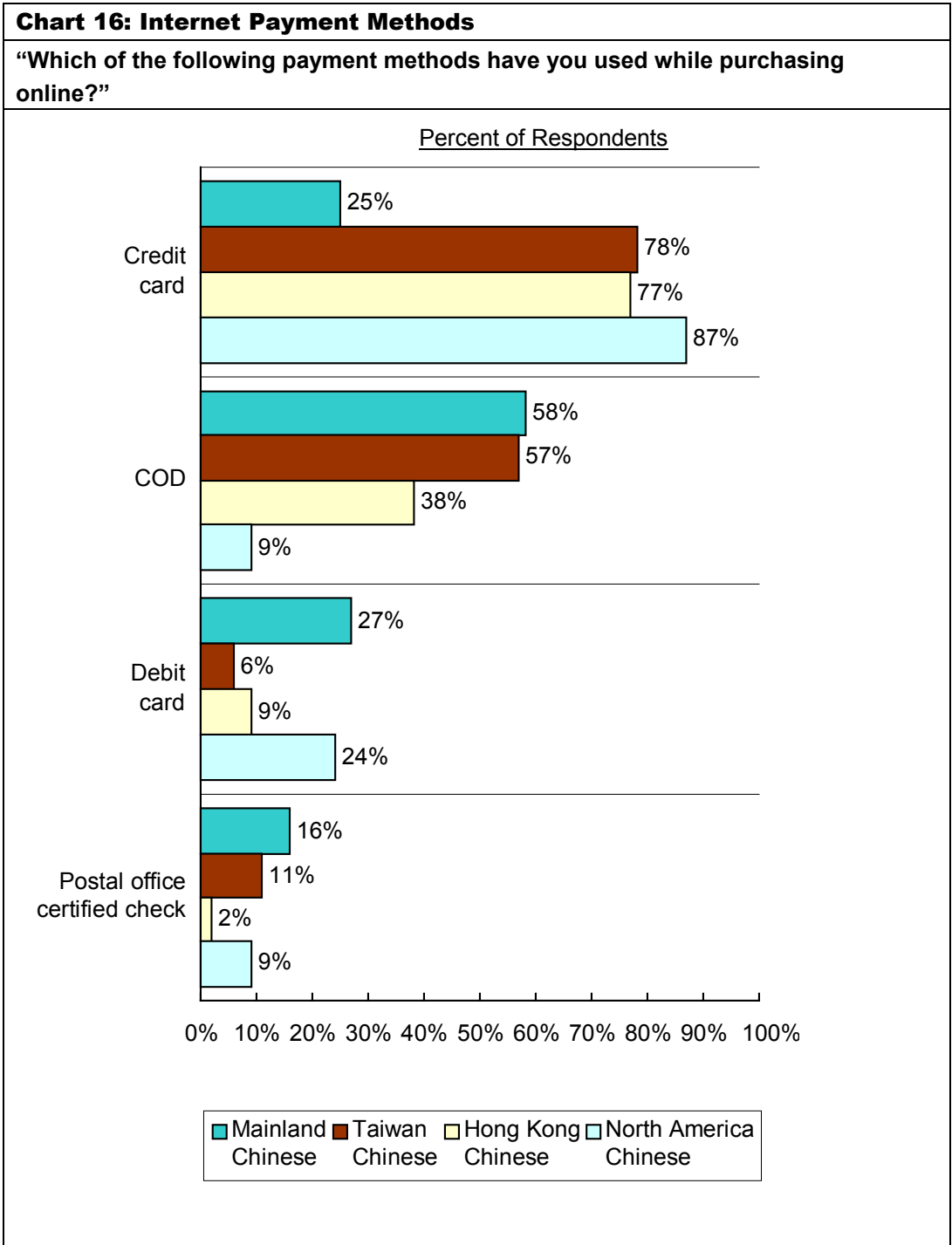


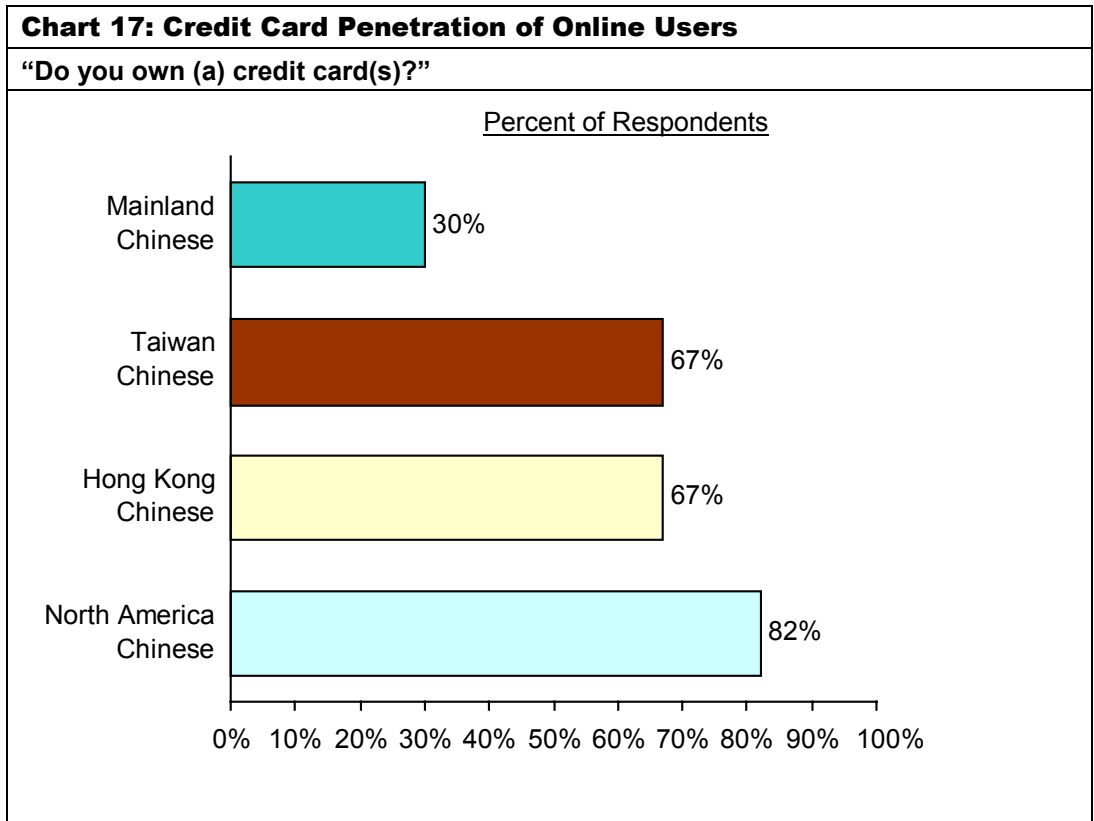
The participation in online educational classes is phenomenal in Mainland China. The percentage is about twice that of other regions. While people in Hong Kong, Taiwan, and North America may have doubts about the quality of education in a virtual setting, Mainland Chinese users are enthusiastic about this new opportunity made available by Internet technology, especially given the fierce competition in obtaining higher education in Mainland China.



**Use of Alternative Payment Methods**

Credit card penetration in Mainland China is lower than in Hong Kong, Taiwan, and North America, but Mainland Chinese users have nevertheless found alternative payment methods in order to purchase online. The most popular alternative payment methods include COD, debit card, and postal office certified check.





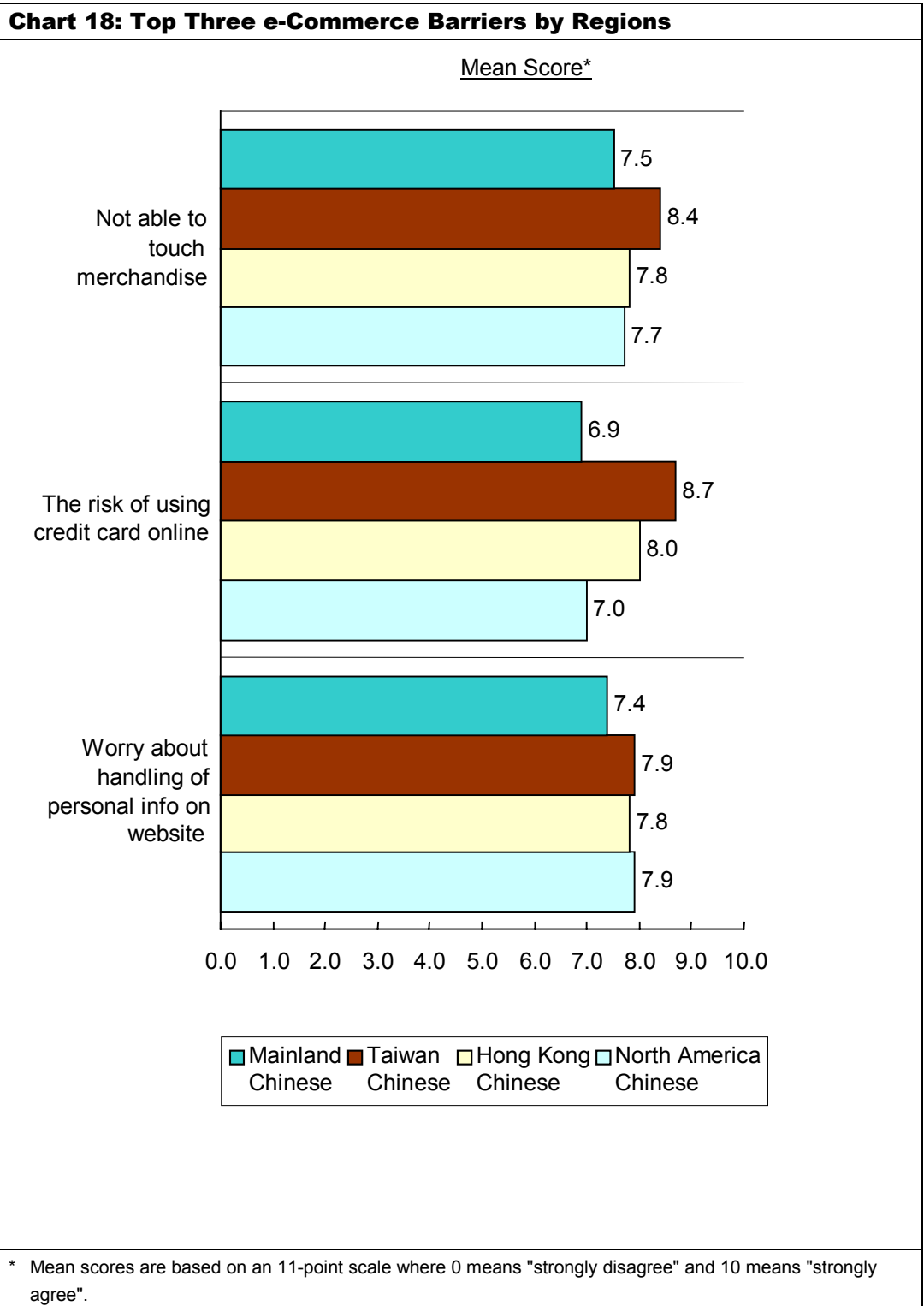
**Craving for More**

The difficulties of e-commerce that most Mainland Chinese users face are perhaps very frustrating to them. However, they do not seem to be overly discouraged and, in fact, seem tolerant of some of the difficulties of e-commerce and quite optimistic about the future.

As discussed above, the top three difficulties in online purchasing for the total sample are:

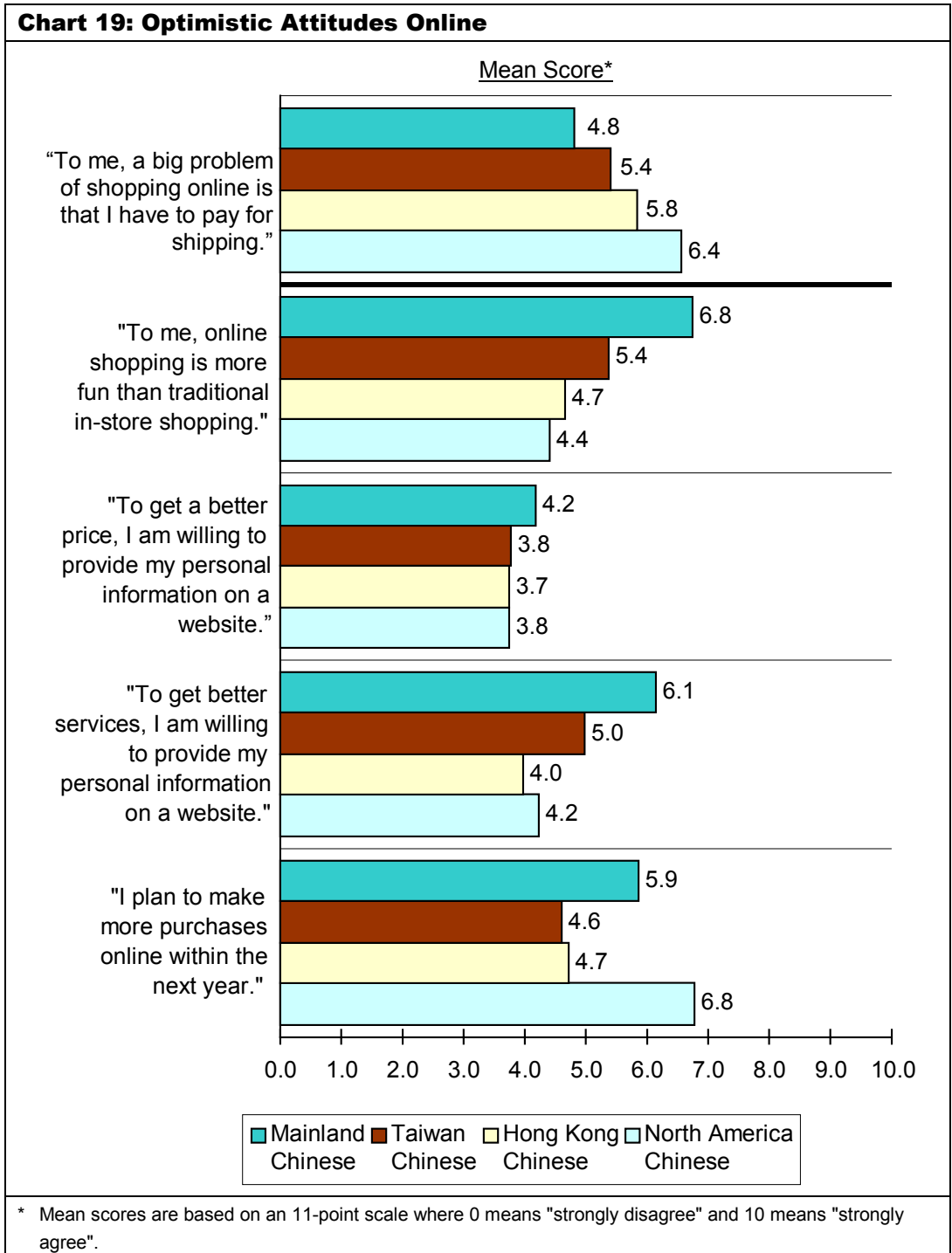
- Not being able touch the merchandise;
- The risk of using a credit card online;
- Worrying about the handling of personal information given on a website.

While Mainland Chinese users share these perceptions with their counterparts outside of Mainland China, they do so to a significantly lesser degree, especially compared to Chinese in Hong Kong and Taiwan.



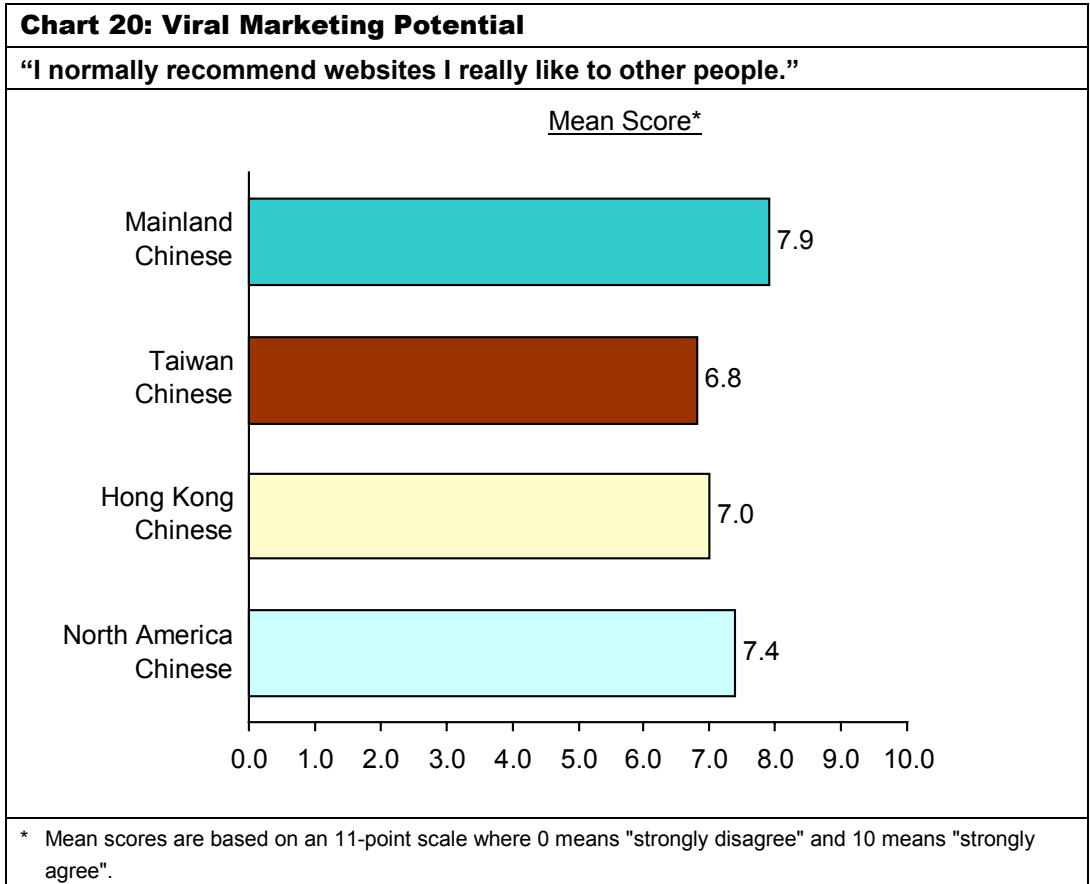
**Optimistic Attitude**

In fact, Mainland Chinese users seem to have an extremely optimistic attitude towards e-commerce. Compared to the rest of the sample, they are more willing to pay for shipping, take more pleasure in shopping on the Internet, are more willing to provide their personal information in exchange for better prices and services and, perhaps most importantly, plan to purchase more within the next year.



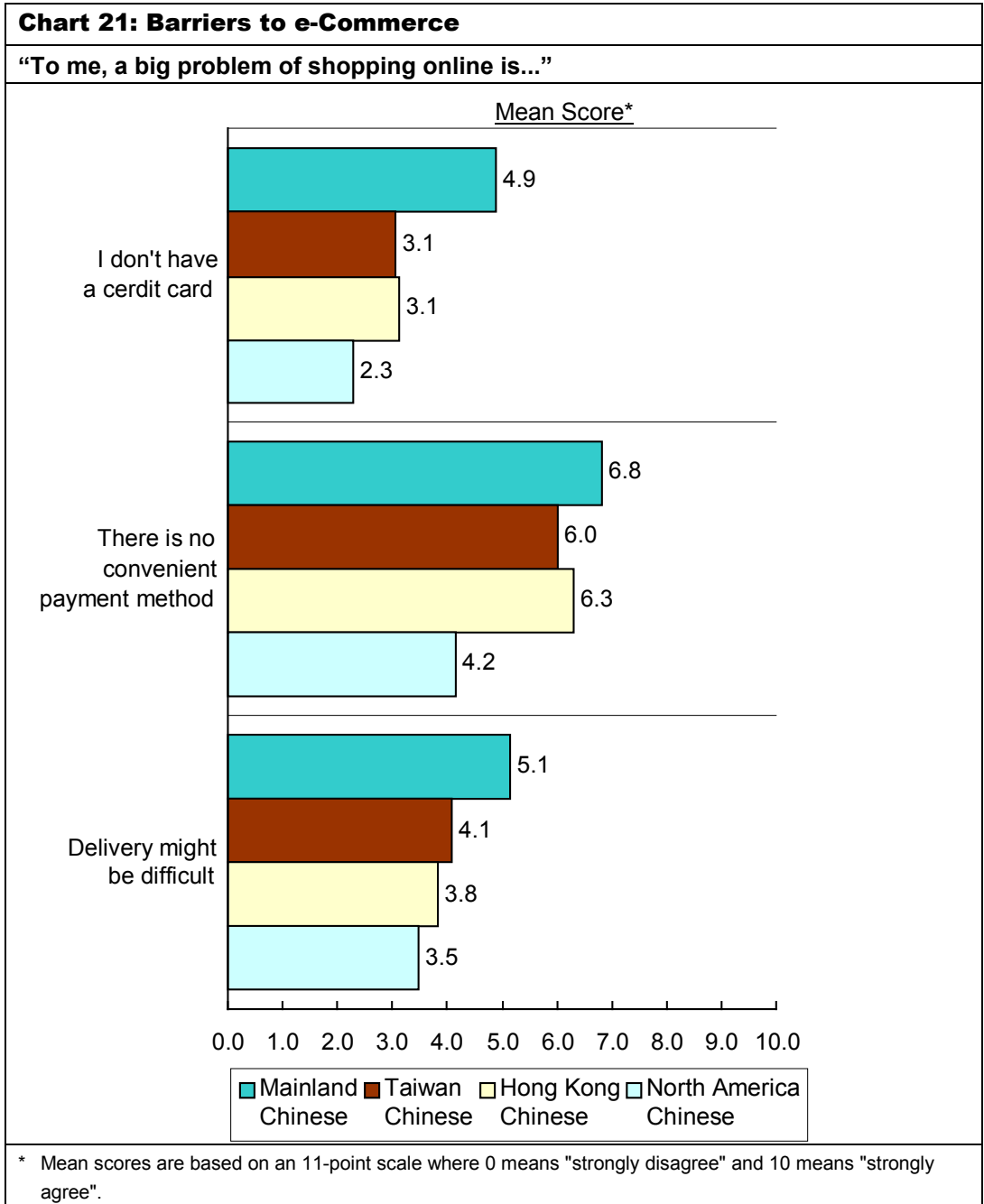
**Viral Marketing Potential**

Besides their willingness to provide personal information for better prices and services, Mainland Chinese users are more likely to recommend a good website to their friends and family. This is good news for marketers who might look to viral marketing in their early launch stages.



**e-Commerce Barriers**

As mentioned earlier, Mainland Chinese users are somewhat more tolerant of some of the difficulties intrinsic to e-commerce. Yet they are stifled, to a large degree, by a set of other difficulties caused by the lack of certain infrastructures in the region, such as the credit and postal service systems.



Although Mainland Chinese users go out of their way to explore alternative solutions to problems, these practical difficulties, until they are reduced or solved, may remain significant barriers to the development of e-commerce in Mainland China.

## **e-Commerce Potential**

The e-commerce potential in Mainland China is obvious. Currently, the online population, which is only 1.3 percent of the total, is dominated by young, tech-savvy males. Many of them are students. The size of this group can be expected to increase rapidly and purchase power to grow significantly over the next few years.

Currently, products such as books, software, and electronics seem to be widely available on Mainland China-based websites. Categories such as music, video, travel packages, airline tickets, stocks and financial services, medicine, groceries, as well as insurance, are still relatively rare on the Web and might be areas for potential growth.

Clothing is not widely available online in Greater China. However, when clothing is purchased online, it is usually females who do the buying. This is true across all regions of Greater China. This might be a potentially lucrative market, as more and more Chinese women are going online.

Service is another promising area. Mainland China users crave better service. Areas such as employment services, auctions and banking can prove popular. Restaurants, hotels and airline companies will also find the Internet a good tool to improve their reservation services in Mainland China. Online education is certain to generate enthusiastic reactions from Mainland China consumers.

While opportunities seem to abound, barriers to e-commerce are still significant. As mentioned previously, low credit card penetration and inefficient delivery service are two major problems that could stifle the development of e-commerce in Mainland China. Additionally, below are other factors marketers should keep in mind while targeting this market.

- **Government regulation:** The financial and insurance industries are under close control of the government. So is the education system. Reforms in recent years seem to indicate that institutions or enterprises that used to be state-owned have been or are being privatized, including banks, insurance companies and even schools. Western companies are being allowed to enter these areas gradually and under various restrictions. Businesses interested in these areas should be cognizant of government regulations.
- **Cultural issue:** Marketers should also be aware of local cultures and customs. For instance, although medicine and grocery items seem to have great potential in terms of e-commerce, further market research would be necessary in order to understand consumers' offline experience in these areas and their perceptions about buying these products on the Internet.

As mentioned before, geographic location is the strongest differentiator of online behavior. When the sample is narrowed down to include Mainland Chinese only, geographic location within Mainland China is still the driving factor. Regional differences within Mainland China pose an interesting research question that should be addressed before marketing forays are made into this complex nation.

## **Hong Kong Looks to the Internet for Entertainment-Related Activities**

### *Shopping is a Social Activity*

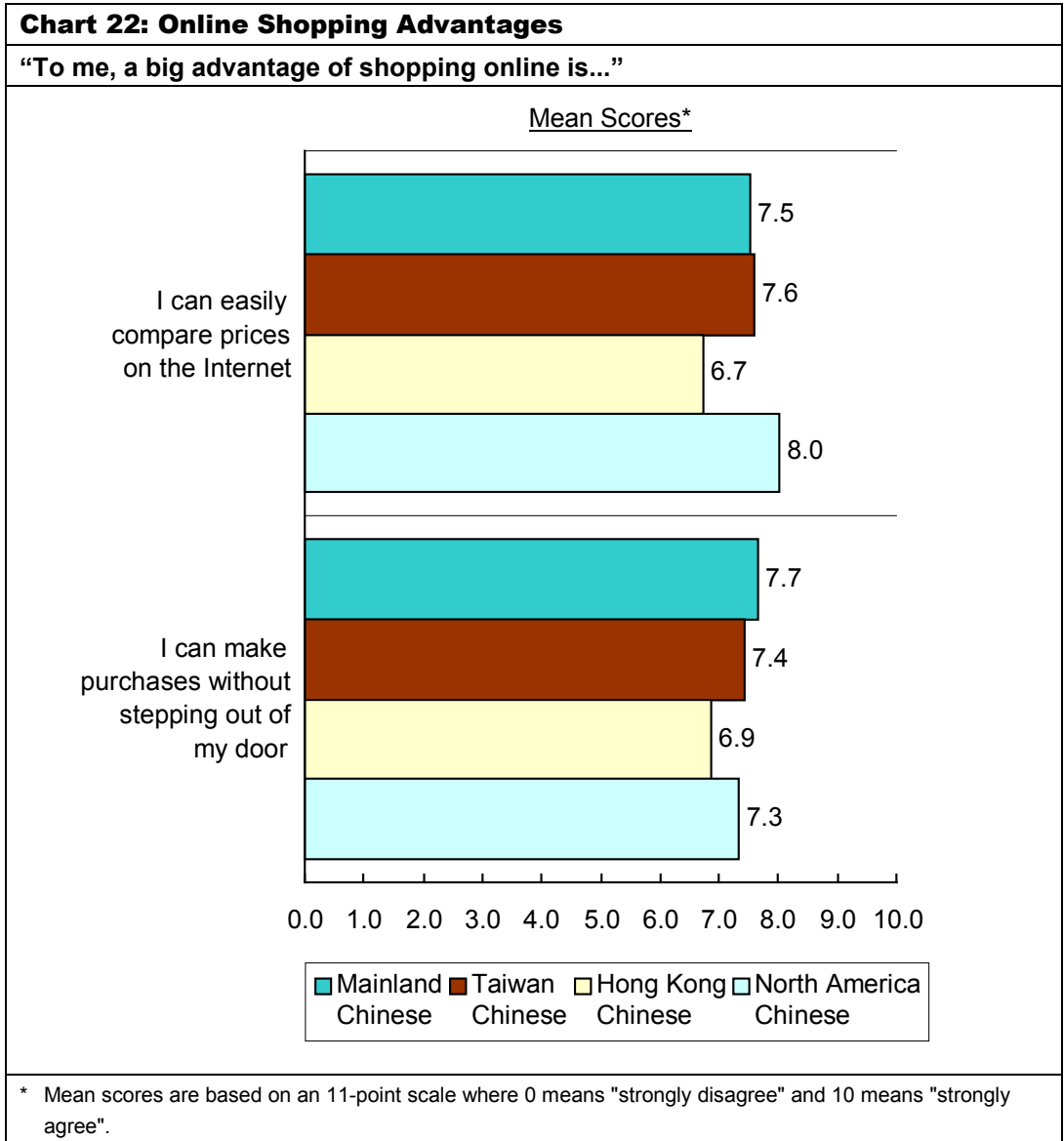
Hong Kong is a shopper's paradise. People from around the world flock to Hong Kong for its wide array of shopping opportunities, ranging from large department stores to very targeted specialty stores. Shopping is found virtually everywhere, and is easily accessed via public transportation. For many residents of Hong Kong, shopping is actually a social pastime, and they view shopping as a chance to see friends, congregate, go out, and have fun. This real world environment has a significant influence on the online sensibilities of this region's population.

### *Hong Kong on the Go*

Hong Kong Chinese are also a very mobile society. They are constantly on the go, and stay connected while out and about via cell phones. In addition, of all the groups surveyed, Hong Kong Internet users have the highest penetration of WAP-enabled (Web Application Protocol) phones – 10% as opposed to 6% in Taiwan, 5% in Mainland China and 3% in North America.

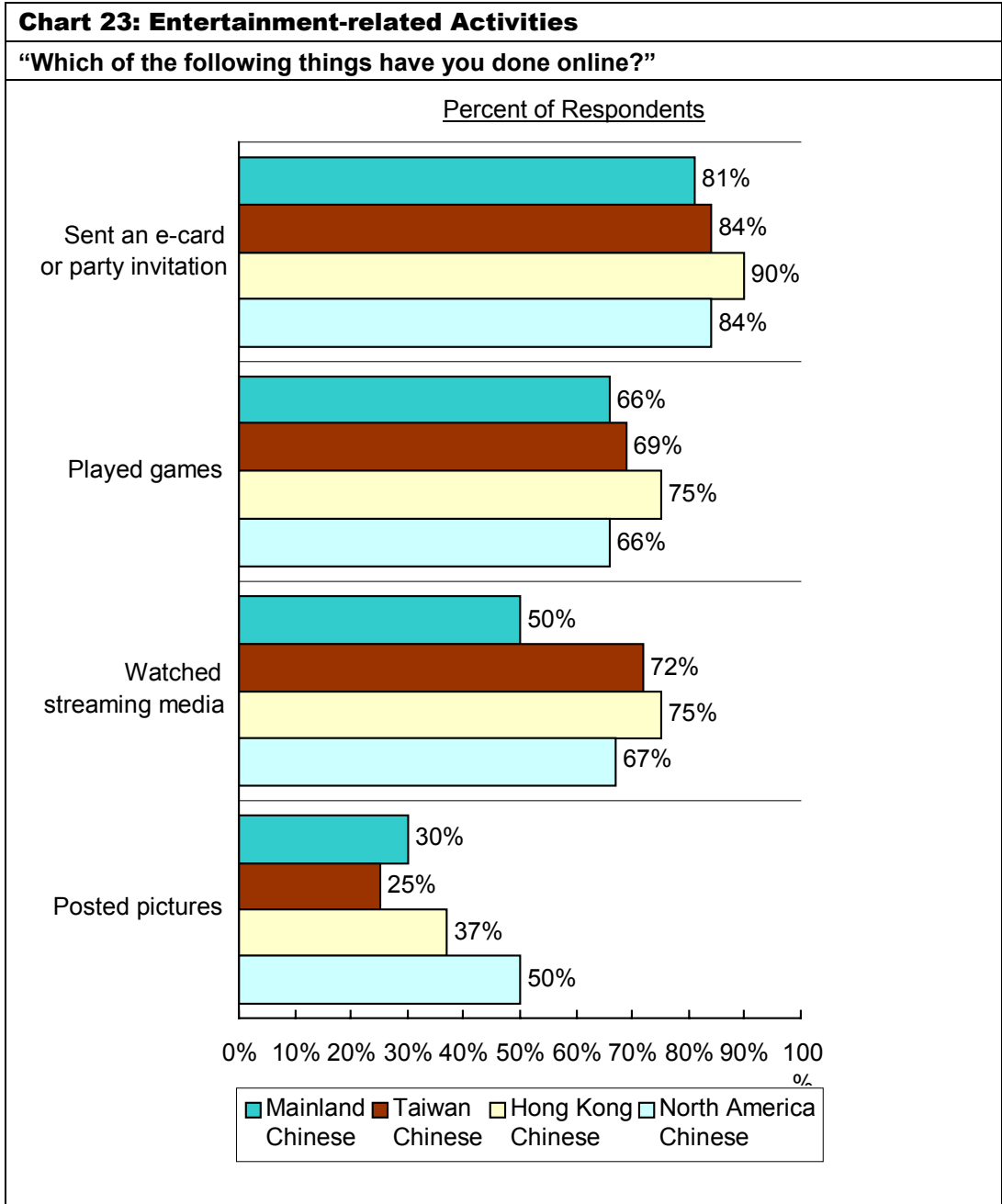
**Real World Choices Affect Online Behavior**

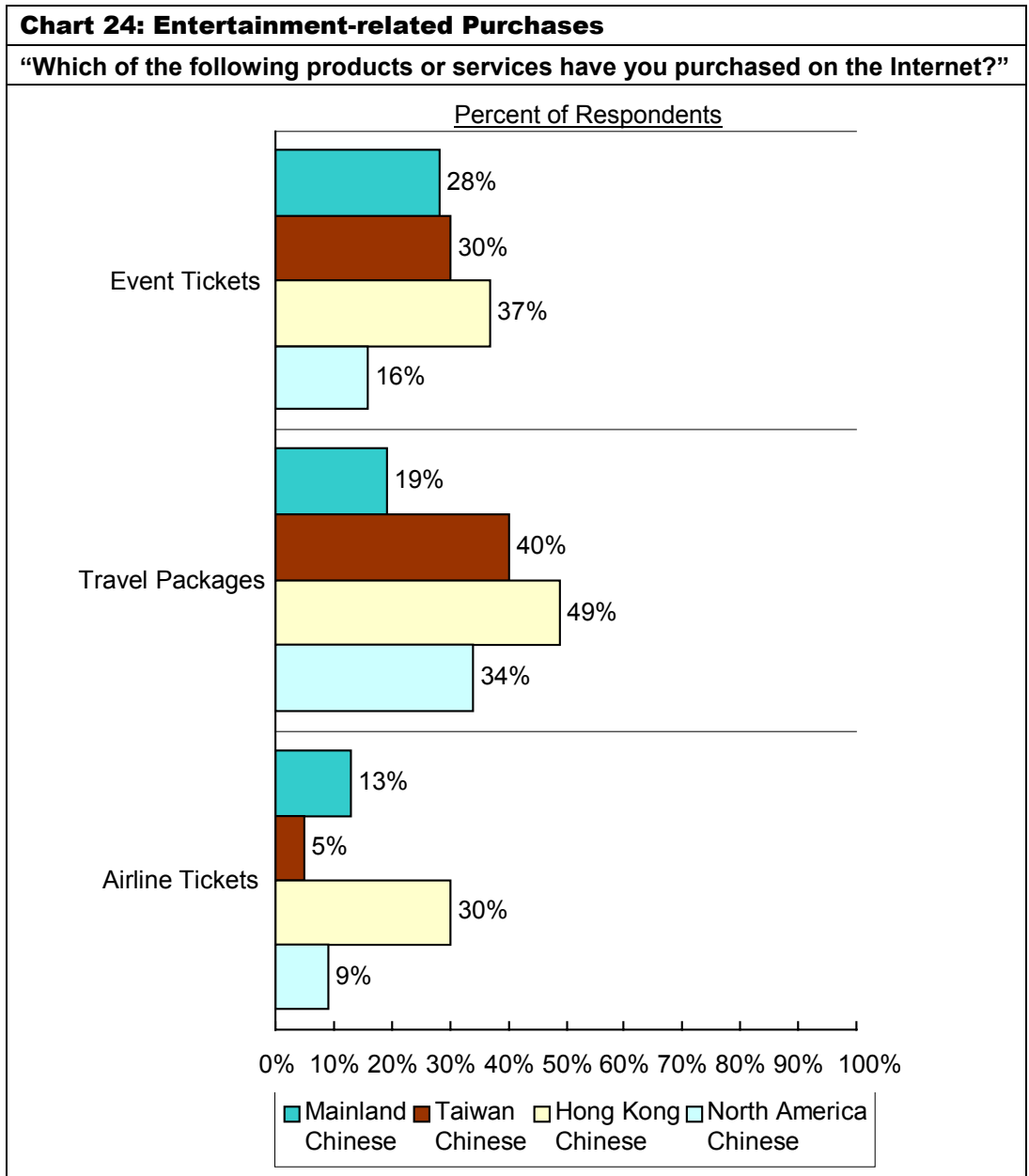
These factors make Hong Kong online users a unique group. Experiences and opportunities in their “real” world affect their online behavior and attitudes. Internet shopping offers little excitement, variety or choice that cannot be found, literally, around the corner. It’s little surprise then, to find that these users rank lowest on the benefits scale of shopping online.



**Entertainment-Related Activities Enhance a Busy Lifestyle**

Still, Hong Kong offers potential e-businesses a youthful, energetic market that’s eager to use the Internet to enhance their lifestyle. Instead of using the Internet as an alternative to “real” shopping, online users in Hong Kong tend to use it for entertainment-related online activities, such as sending e-greeting cards and party invitations, playing games, watching streaming video and posting pictures. They also purchase event tickets, travel packages and airline tickets – all entertainment-related activities.





Hong Kong Chinese also have the highest penetration of set-top boxes such as Web TV, 12% as compared to 2% for Mainland Chinese, 1% for Taiwan, and 4% for North American Chinese; which they use to access the Internet.

**Attitudes Toward Trust**

Along with all respondents in our sample, those in Hong Kong are concerned with online trust. They are not very willing to compromise personal data in exchange for better price or service, probably a reflection of their relatively low perception of benefits of shopping online, in general.

**e-Commerce Potential**

This region offers marketers a targeted, potentially lucrative market in Greater China. Seen as the gateway to Mainland China, it's a hub of activity for offline commerce. The challenge to e-business in Hong Kong is the multitude of options available in the real world. The convenience, choice, variety and social aspect of shopping in Hong Kong far exceeds what is available online. Therefore, companies should target their efforts toward high technology products and entertainment-related goods and services, such as travel, events, cinema and restaurant reservations. Advertisers can be assured of high traffic on e-greeting card, party invitation, and instant relay chat sites, but must be cautious in their efforts, as the Chinese market, in general, is already jaded toward online advertising and email.

Not surprisingly, Hong Kong Chinese are less inclined than other users in Greater China to increase their online purchase activity in the future. However, the concentration of their activities around entertainment-based goods and services provides ample opportunity for companies to successfully target this market.

## **Taiwan's Sophisticated Internet Users**

If Hong Kong Chinese seem to particularly favor the flexibility of WAP phones, and tend to use the Internet for entertainment, Taiwan's Internet population would probably rather invest in their home computers to get a faster connection, and tend to use the Internet for more practical purposes.

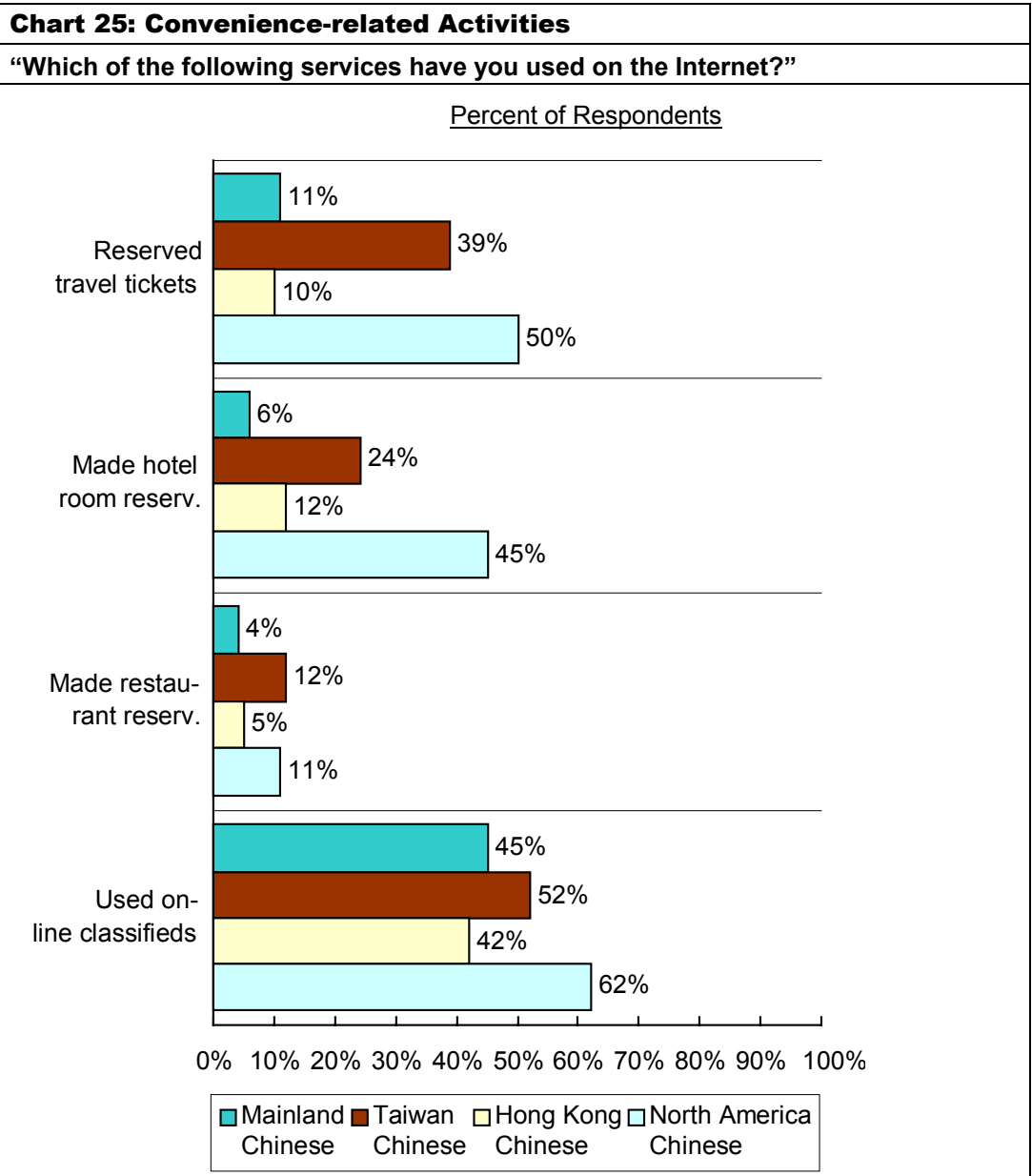
Twenty-two percent (22%) of Taiwan respondents report using cable to access the Internet, which is significantly higher than other areas in Greater China. They actually have the highest level of mobile phone penetration, but the percentage drops when respondents were asked if they own a mobile phone with WAP application.

### **A Tool to Manage Their Lives**

Taiwan has the highest percentage of e-commerce users in Greater China. They are technically savvy and use the Internet to better manage and organize their busy lives. They score significantly higher on using services on the Internet than other regions in Greater China, second only to North America (See chart 2). They use the Internet to search classified listings, make reservations for hotels and restaurants, and to book tickets for traveling.

They also score much higher on online purchases in general, compared to Mainland China and Hong Kong. Several items stand out when compared with purchase levels among other regions. These are stocks, financial services and non-food groceries, which Taiwan respondents use/purchase at a significantly higher percentage than Chinese in Mainland China and Hong Kong. Throughout other parts of Greater China, buying non-food groceries online seems to be a new concept, still relatively unaccepted. And levels of buying stocks and financial services are higher only in North America. We believe this represents a more sophisticated level of e-commerce in Taiwan.

They welcome the efficiency and convenience brought to their lives by Internet technology, although they do encounter difficulties and problems when it comes to trust and privacy issues in the e-commerce world.



### Less Trusting Attitude

Taiwan scored the lowest of all respondents on the trust scale compared to all other regions. They have the least trust for a company that has only a Web presence, have the most doubt about the reliability of information on the Internet, and worry the most about how their personal information is handled on the Web.

They are also the most concerned about the risk of using a credit card online. Credit card penetration in Taiwan is twice as high as in Mainland China (Chart 17), however, these respondents use COD as a method of payment online just as much as Mainland Chinese (Chart 7). This may be due to the fact that people in Taiwan tend to use cash for many transactions such as daily shopping or dining out in family restaurants. However, they also score the highest on the statement “To me, a big problem of shopping online is the risk of using a credit card online” (Chart 18).

If compared to Mainland Chinese, this general attitude of distrust among Taiwan respondents could be attributed to the fact that they have more experience with online purchase and use of credit cards online, and are more aware of the risks. However, when compared to the more experienced North America Chinese group, they still score lower on the trust scale. This lack of trust could be one of the major roadblocks to further development of e-commerce in Taiwan. Aggressive steps are being taken by credit card companies and financial institutions to lower risk of credit card fraud and identity theft, which may mitigate this potential barrier.

Only 14% of Taiwan respondents said they own a debit card, while the percentages for Mainland China, Hong Kong and North America Chinese are 50%, 28%, and 62%, respectively. This may be another indication of the level of sophistication of Taiwan’s Internet users, who understand that using a debit card could involve more inherent risk than credit cards and, as a result, avoid using them. Another explanation is the possibility that they simply want to have their money work for them, so they keep non-interest-bearing checking accounts low, with the bulk of their money in savings or money market accounts.

Still, Taiwan users have a high level of activity in what some would consider a high privacy risk area, financial services and stock purchases. Somehow, they have gained enough trust in their online financial service providers to enact transactions in this area. This is a good sign for companies wishing to enter this e-commerce field.

### Still Room for Growth

Despite the barriers mentioned above, there is still potential for e-commerce growth in Taiwan, especially given the high computer literacy and purchasing power in this region. Internet access is easier and more convenient than in other parts of Greater China, and less restricted by government regulations. This has contributed to the high level of online purchase activity seen in Taiwan today. And, twenty percent (20%) of Taiwan respondents say they intended to purchase more online within the next year, increasing the online activity of an already very Internet-friendly group.

This is a region that holds promise for e-commerce.

Marketers who focus on service-related industries, such as stock trading, financial services, banking, events, travel, hotel, and restaurants can expect to do well. Offering excellent service, especially in the areas of monetary transactions and personal information handling on the Internet, can help newcomers find success in this market.

### Recommendations for eBusinesses and Marketers

e-Commerce growth potential in Greater China is obvious. However, to identify specific markets with high growth prospects may take some effort. The regional commonalities and differences addressed earlier were intended to give interested marketers and e-tailers a general idea of consumers' current experience with, and perspective of, e-commerce. In order to identify potential markets for either short-term profits or long-term growth, marketers will need to drill deeper for more specific information on their region of choice.

Mainland China Chinese and North America Chinese seem to share the same enthusiasm about e-commerce and its effect on their lives (see chart 3). However, driving this enthusiasm are factors that differ greatly between the two regions, and which will likely result in different online behavior and attitudes towards e-commerce. To be more specific, consumers in North America have been enjoying the convenience and efficiency made available through sophisticated infrastructures such as the transportation and telecommunication systems. To them, what e-commerce brings is yet a higher level of technological advancement and an enhancement to their lives. Consumers in Mainland China, however, may find innovative ways to combine technology with their traditional lifestyle, and use the Internet to satisfy needs that aren't currently met with their offline infrastructures. While North America Chinese and Mainland China respondents share the same enthusiasm for e-commerce, they may differ significantly in their online behaviors. This is true for other regions of Greater China as well. It is worth the effort of marketers to thoroughly understand these regional differences before investing in this market.

Marketers also need to be aware of barriers to e-commerce growth. Currently, barriers include inconvenient payment methods, delivery problems, as well as trust and privacy issues. Payment methods and delivery problems are temporary barriers that can be solved, probably in the near term. In fact, some companies with strong interest and commitment in e-commerce development in this region are looking at innovative ways to meet these challenges. Consumer attitudes towards trust and privacy issues may take some time to change.

Currently, Chinese respondents have relatively lower trust scores than the US general market. This may be due to the fact that historically, in the offline world, Chinese businesses have rarely put emphasis on building relationships with their customers through establishing trustworthy brand names or providing customized services. Mainland Chinese consumers have relatively low expectations about what they can demand in terms of trust and privacy issues, while respondents in Hong Kong and Taiwan have perhaps become somewhat “cynical” in their attitude. In the short term, businesses and marketers should not be too discouraged by this barrier, since it is an attitude carried over from offline experiences. Regardless of their trust level, consumers nevertheless continue to make purchases, both online and offline. However, as competition in the e-commerce arena increases and consumers have more choices, they will become more savvy in dealing with trust and privacy issues, potentially affecting their online purchase behavior.

Companies who start building trusting relationships with their online audiences in the early stages will be rewarded with customer loyalty. And, in this rapidly evolving market, trust may be the difference between success and failure.