GLOBAL RESEARCH REPORT

FLOW Cross-Border E-Commerce Consumer Report

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Overview

The state of e-commerce is rapidly evolving and it has become increasingly challenging for retailers to keep pace with all the changes in cross-border shopping behaviors and expectations. To that end, Flow commissioned a multi-market research report in order to:

- **Understand how the Pandemic has impacted consumer preferences for online shopping in the top 8 markets: US, UK, Australia, Canada, France, Germany, Japan and China.**
- **Uncover opportunities in demand areas post-pandemic with respect to the changing shopper preferences when it comes to localized experiences from product browsing to order fulfillment.**

Research Methodology

- **The international study included 28 questions related to consumer attitudes and behavior toward e-commerce. Each market had a total of 385 respondents, which were defined as adults 18-54 who shopped for a variety of products online in the past year.* The sample was then filtered by apparel shopping to be trended versus 2019. All data was analyzed and reported at a 95% confidence level. Survey questions covered 5 major areas:**
  - » Cross-border shopping behaviors (e.g., categories, barriers, expectations, etc.)
  - » General shopping behaviors (e.g., promotions used, retailer selection, etc.)
  - » Customer service and shipping (e.g., delivery windows, free shipping, etc.)
  - » Retail website user experience and checkout preferences (e.g., currency, payment, etc.)
  - » Pandemic impact (e.g., frequency of shopping, shipping window, etc.)

**Product categories purchased include: Apparel, Shoes, Jewelry, Beauty, Consumer Electronics, Sporting-Outdoor equipment, Toys-Hobbies, Home decoration and furnishings*

Cross-Border Shopping

This report will explore trends in "Cross-Border Shopping" pre/post Pandemic to understand:

1. Who are cross-border shoppers?
2. What countries do cross-border shoppers buy from?
3. What categories do cross-border shoppers buy?
4. What are the barriers to cross-border shopping?
5. Do cross-border shoppers care about localized language?

By "Cross-Border", we are referring to an online retailer that is located outside of the shopper's home country.

76%

76% of shoppers have made a cross-border purchase, up from 69% in 2019.

Who are cross-border shoppers?

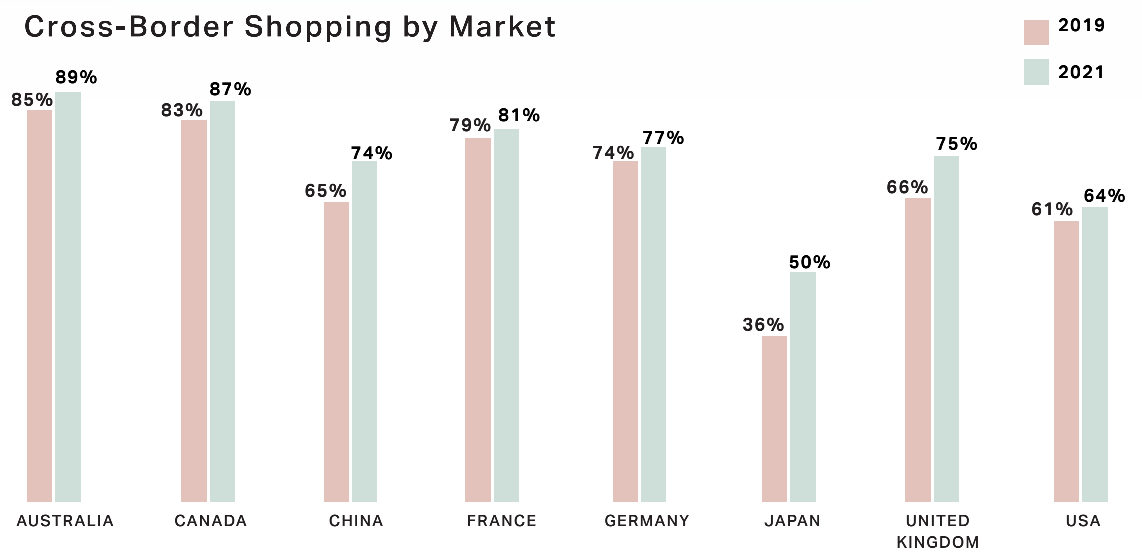
Overall, cross-border shopping has grown significantly with 3 out of 4 online shoppers (76%) having shopped from outside their home country versus 69% in 2019.

Looking across the top 8 markets, Australia (89%), Canada (87%), France (81%) and Germany (77%) ranked the highest in cross-border shopping, consistent with 2019 rankings.

Three in four UK and Chinese shoppers (74% and 75%) showed significant increase in cross-border shopping versus 2019 (+9pt each).

US Shoppers remained consistent with approximately two-thirds of shoppers buying from outside the country – about the same as in 2019 (64%).

While Japan ranked last in cross-border shopping (50%), it also showed the greatest growth versus 2019 (+14pt).

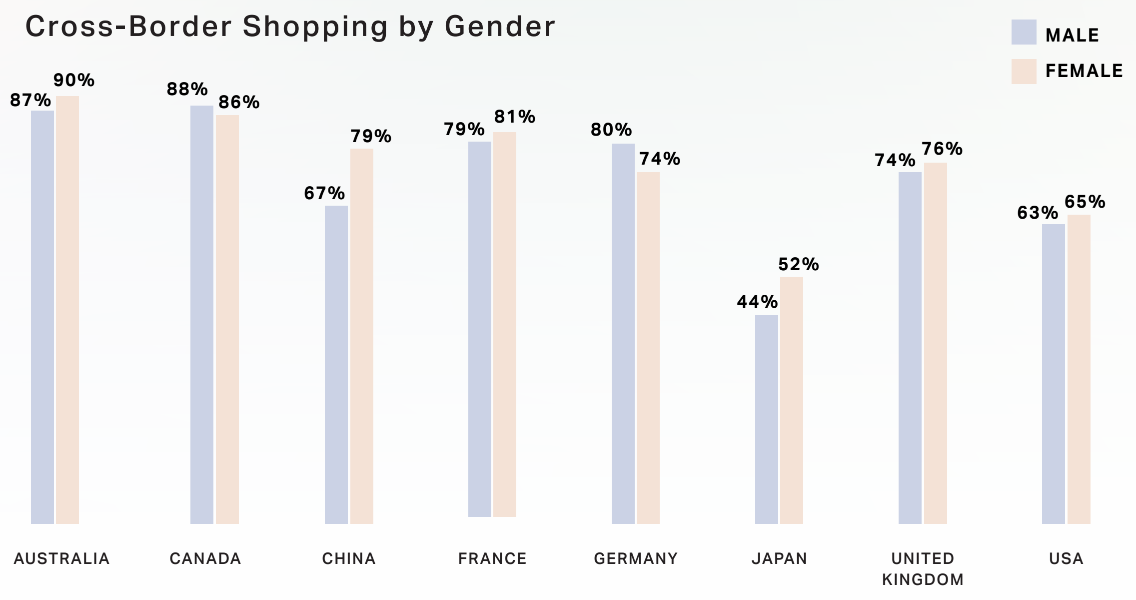


Australia (89%), Canada (87%), France (81%) and Germany (77%) ranked the highest in cross-border shopping

FLOW E-Commerce Survey, 10/2018 (N=3,080), 5/2021 (N=2021) Apparel Shoppers ages 18-54. All results reported at 95% Confidence level.

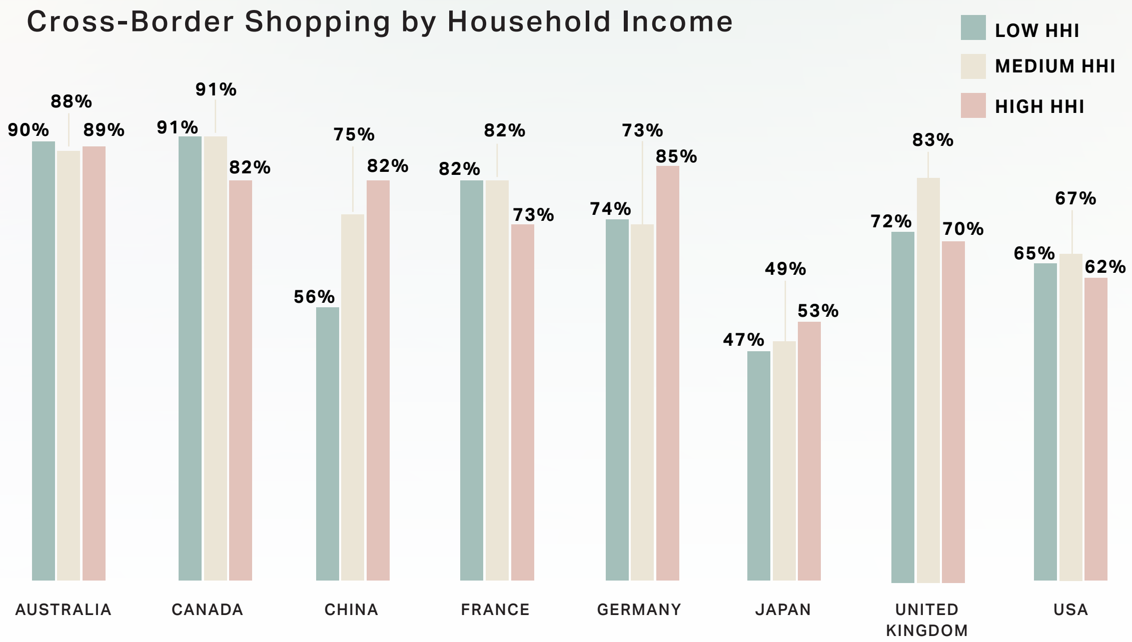
Surprisingly, there were minor differences by demographics in each market.

- **Women in China and Japan were more likely to shop cross-border than men. However, no differences across gender were observed in other markets.**



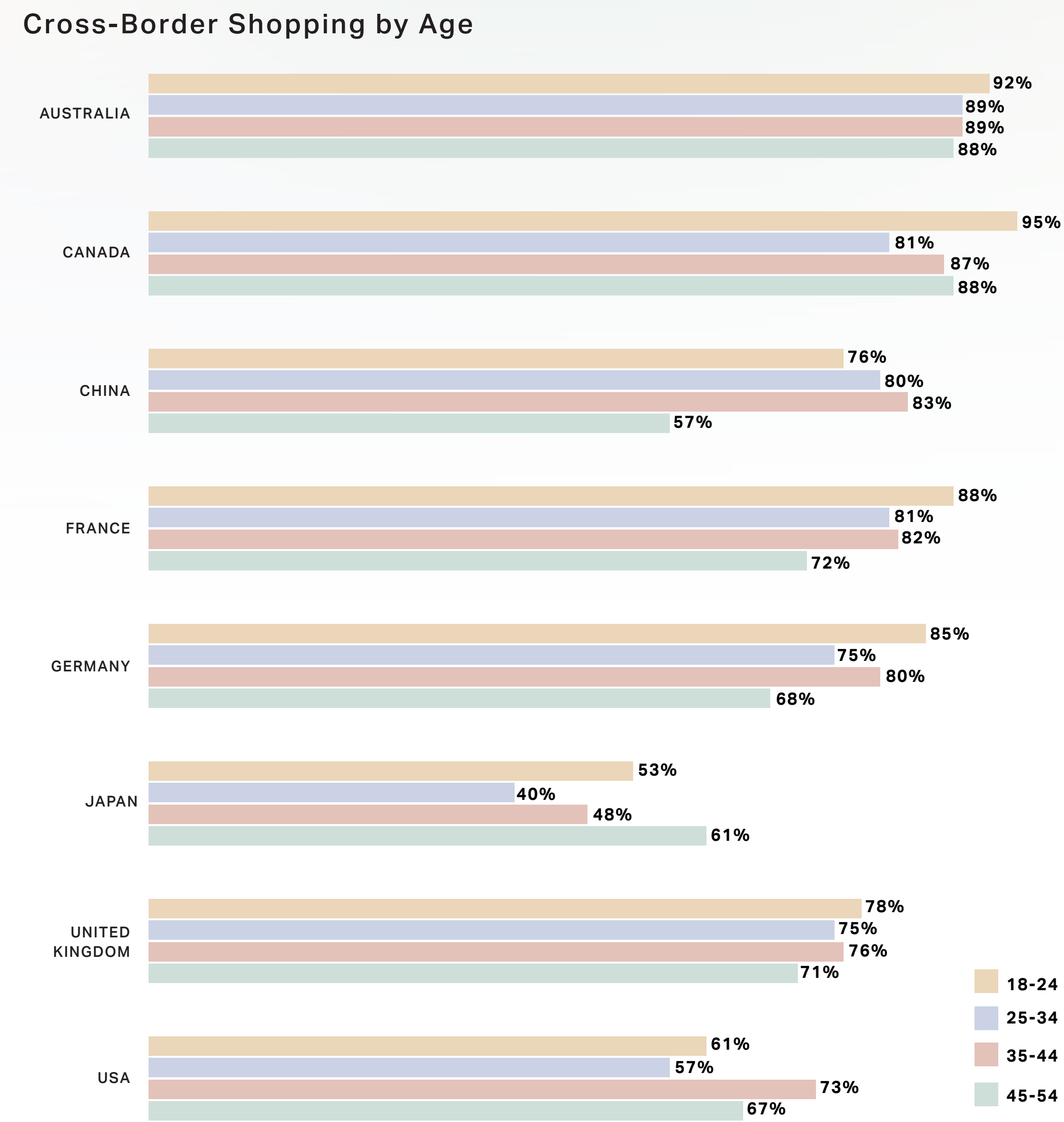
FLOW E-Commerce Survey, 5/2021 (N=2021) Apparel Shoppers ages 18-54. All results reported at 95% Confidence level.

Household Income was a non-factor with respect to Cross-Border Shopping, except in China and Germany.



FLOW E-Commerce Survey, 5/2021 (N=2021) Apparel Shoppers ages 18-54. All results reported at 95% Confidence level.

- Similar to trends seen in 2019, younger respondents (ages 18-24) were more likely to shop than their older counterparts (ages 45-54), especially in China, France, Germany.



FLOW E-Commerce Survey, 5/2021 (N=2021) Apparel Shoppers ages 18-54. All results reported at 95% Confidence level.

What countries do cross-border shoppers buy from?

USA, China and UK consistently ranked among top 3 countries purchased from in most markets, consistent with 2019. Similarly, ranking variations were observed based on geographic proximity.

- For example, New Zealand appeared in the top 5 for Australia (16%), Netherlands and Austria for Germany (12% and 10%), and Canada for USA (18%).
- Among EU partners, French shoppers were much more likely to buy from Germany (25%) than vice-versa (8%) reversing the trend from 2019.
    - » Both countries were equally likely to buy from the UK post-Brexit with 29% of French and 26% of German shoppers purchasing from the UK.

Top 5 Countries Purchased Cross-Border

	AUSTRALIA	CANADA	CHINA	FRANCE	GERMANY	JAPAN	UK	US
1	USA	USA	JAPAN	CHINA	CHINA	USA	USA	CHINA
2	CHINA	CHINA	SOUTH KOREA	UK	UK	SOUTH KOREA	CHINA	UK
3	UK	UK	USA	GERMANY	USA	JAPAN	FRANCE	CANADA
4	NEW ZEALAND	FRANCE/ HONG KONG	HONG KONG	USA	NETHER-LANDS	UK	GERMANY	JAPAN
5	HONG KONG	GERMANY/ S. KOREA	UK/FRANCE/ AUSTRALIA	SPAIN	AUSTRIA	FRANCE	JAPAN	FRANCE

Source: FLOW E-Commerce Survey, 5/2021 (N=2021), Apparel Shoppers A18-54, All results tested at 95% confidence level

In terms of trends, the table below highlights the differences for cross-border shopping 2021 versus 2019. For example, Australian and Canadian shoppers were more likely to buy from the USA vs. 2019 (+12pt and +8pt), whereas China saw increased demand from French and German shoppers (+13pt each).

Trend Analysis 2021-2019 (Point difference)

'21 vs. '19	AUSTRALIA	CANADA	CHINA	FRANCE	GERMANY	JAPAN	UK	USA
USA	12%	8%	-7%	4%	-8%	5%	5%	0%
CHINA	0%	6%	0%	13%	13%	11%	6%	-2%
UK	-3%	2%	2%	-4%	-9%	-3%	0%	-13%
NEW ZEALAND	3%	-1%	5%	-1%	0%	-4%	-1%	2%
HONG KONG	-6%	0%	-4%	-6%	0%	-4%	-6%	-1%
JAPAN	-1%	-3%	-6%	0%	1%	0%	0%	1%
CANADA	0%	0%	1%	0%	0%	0%	-1%	-4%
SINGAPORE	0%	1%	-2%	2%	1%	0%	1%	0%
SOUTH KOREA	2%	2%	5%	-1%	1%	13%	1%	-1%
GERMANY	-2%	4%	4%	2%	0%	-3%	-2%	5%

Source: FLOW E-Commerce Survey, 5/2021 (N=2021), Apparel Shoppers A18-54, All results tested and highlighted at 95% confidence level

+12%

Australian

Australian and Canadian shoppers were more likely to buy from the USA vs. 2019

+8%

Canadian

What categories do cross-border shoppers buy?

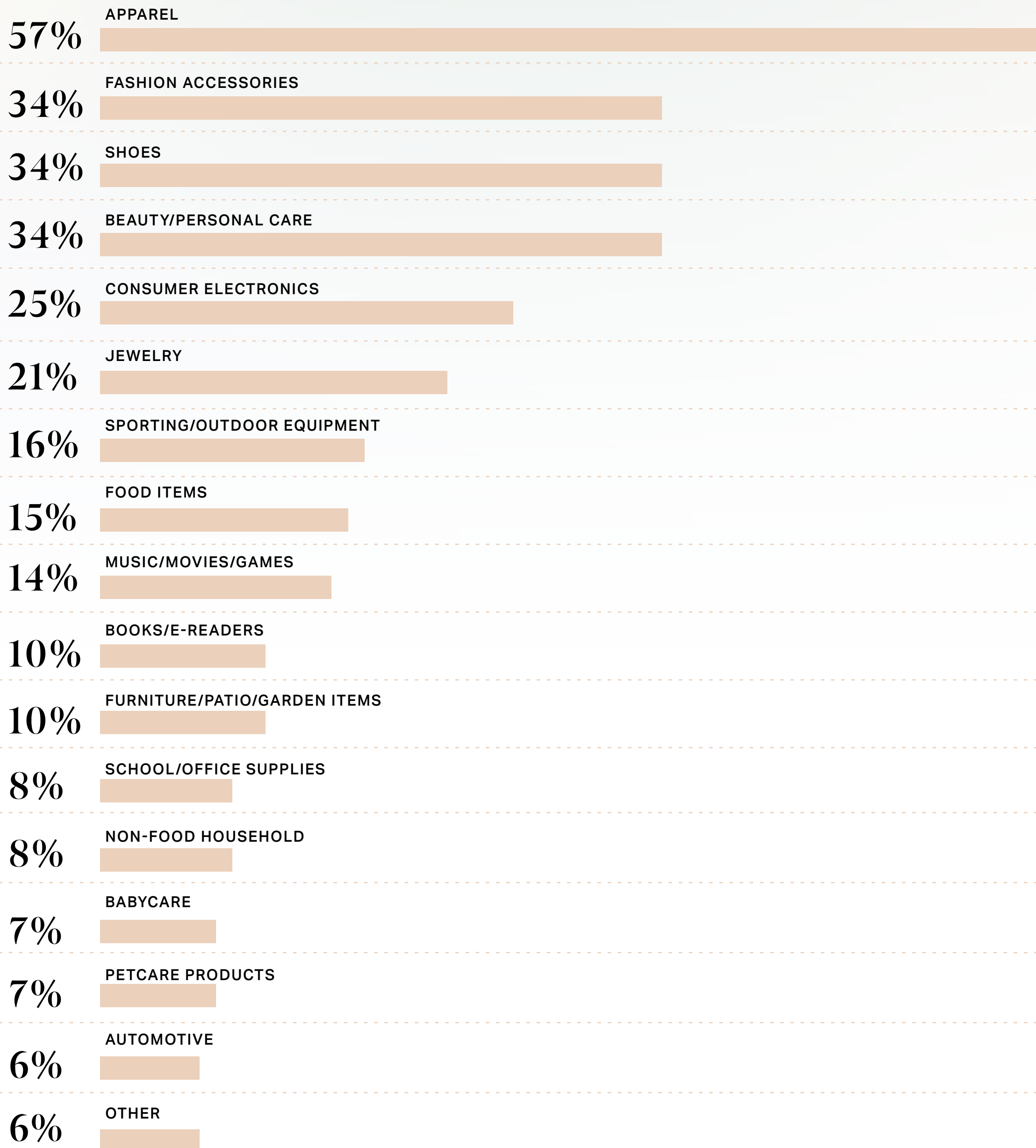
In looking at apparel shoppers, this group was interested in a wide variety of categories when buying cross-border. Most popular categories included shoes, fashion accessories and beauty/personal care (34% each), similar to trends in 2019. A few cross-border shoppers also mentioned consumer electronics (25%), jewelry (21%), sporting goods (16%), and food items (15%).

Country specific highlights include:

- **Across the 8 markets, Chinese shoppers were more likely to shop beauty/ personal care, sporting goods, food items and baby care, which is similar to 2019.**
- **Japan, who saw the greatest increase in cross-border shopping overall, showed increased demand for fashion accessories, beauty and food items.**
- **US shoppers continued to over-index on jewelry purchases compared to other countries.**

The most popular categories for apparel shoppers across all 8 markets included shoes, fashion accessories and beauty/personal care (34% each), similar to trends in 2019.

Product Category Purchased Cross-Border



Source: FLOW E-Commerce Survey, 5/2021 (N=1526), Apparel Shoppers A18-54, All results tested at 95% confidence level

With respect to category trends, personal care and beauty showed a significant increase versus 2019 for cross-border shoppers in 5 out of the 8 markets. Additionally, country-level data showed interesting trends 2019 vs. 2021. For example, US shoppers were more likely to buy furniture/patio & garden items as well as consumer electronics versus 2019, while French and German shoppers were more likely to buy shoes.

Trend Analysis 2021 vs. 2019 (percentage point difference)

'21 vs. '19 (percentage point diff)	AUSTRALIA	CANADA	CHINA	FRANCE	GERMANY	JAPAN	UK	USA
Apparel	-2%	-15%	-7%	0%	1%	3%	10%	7%
Shoes	3%	-2%	-2%	10%	9%	6%	6%	6%
Fashion Accessories	4%	8%	-4%	0%	2%	23%	13%	14%
Jewelry	-2%	5%	4%	-7%	5%	10%	10%	8%
Beauty/personal care	9%	1%	24%	0%	2%	26%	9%	16%
Food items	3%	1%	7%	-1%	-1%	6%	0%	5%
Petcare products	5%	0%	-2%	0%	1%	0%	4%	5%
Babycare	2%	3%	-4%	3%	0%	0%	6%	6%
Consumer Electronics	-3%	6%	-6%	0%	-4%	1%	-1%	8%
Non-food household	1%	5%	-1%	-1%	3%	2%	5%	6%
Books E-readers	-5%	2%	-7%	-3%	-6%	-4%	3%	2%
Automotive	4%	2%	-1%	3%	5%	0%	1%	2%
Music/movies games	-2%	1%	-1%	-1%	-11%	-5%	-3%	3%
Furniture/patio garden	1%	2%	-3%	5%	3%	4%	4%	8%
School/office supplies	-1%	6%	-2%	1%	-1%	-2%	5%	5%
Sporting/outdoor equipment	5%	-1%	-6%	3%	6%	2%	3%	7%

Source: FLOW E-Commerce Survey, 5/2021 (N=1526), Apparel Shoppers A18-54, All results tested and highlighted at 95% confidence level

What are the barriers to cross-border shopping?

Non-Cross-Border Shoppers

When asked about barriers to cross-border shopping, non-shoppers cited the same concerns as 2019. Overall, high shipping costs was the biggest concern noted by 45% of total respondents, followed by preference for local retailers (38%), slow product delivery (36%) and concerns over site security (34%). About 1 in 4 respondents also cited lack of trust for cross-border retailers (26%) and high taxes (25%).

Country specific highlights included:

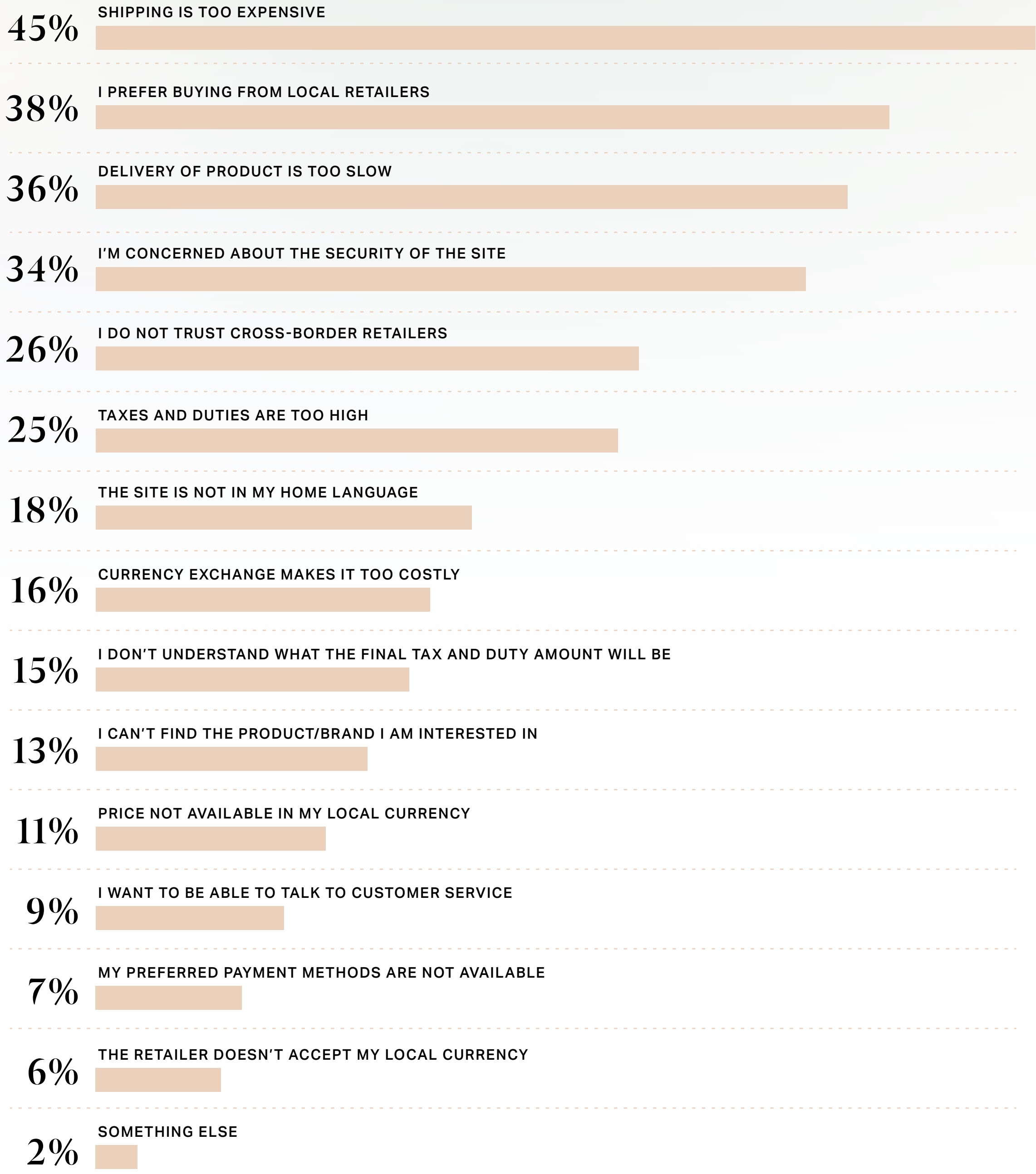
- **In Japan, where cross-border shopping is the lowest, concerns over site security and lack of localized language remained significant barriers.**
- **For French and German shoppers, the ability to speak to customer service was more important than for other countries.**
- **Australia and Canada cited currency exchange making it too expensive to shop cross-border as the US dollar has remained strong versus those currencies.**

In terms of trends, preference for buying local was significantly higher post pandemic (+9pt) and noted across Chinese, French and US shoppers (+19 pt, +12pt and +10pt respectively).

45%

45% of non-cross-border shoppers across all markets noted high shipping costs are the biggest barrier.

Barriers to Shopping Cross-Border (Non-Shoppers)



Source: FLOW E-Commerce Survey, 5/2021, N=495, Apparel Shoppers A18-54 who never shopped cross-border

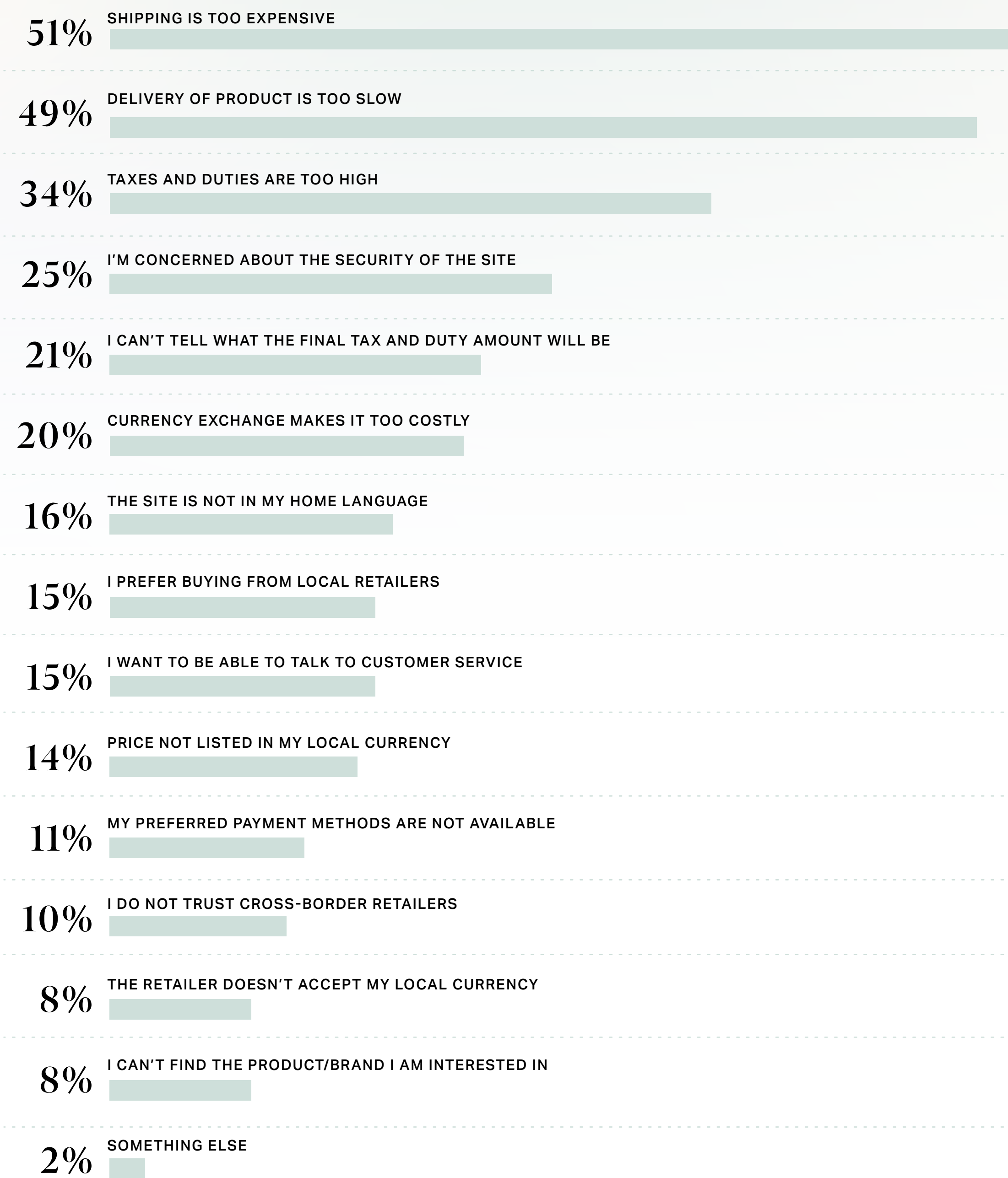
On the other hand, when asked the same question, cross-border shoppers cited similar concerns. Half of those respondents mentioned expensive shipping (51%) or slow product delivery (49%) as the main reason for not shopping more. One-third also cited high taxes (34%).

Meanwhile, preference for local retailers and lack of trust for cross-border retailers were significantly less important among cross-border shoppers versus non-cross-border shoppers (15% versus 38% and 10% versus 26% respectively).

Cross border shoppers highlighted different factors as barriers to buying more from other countries.

- **When looking across markets, shipping costs were a significant factor for Australian, Canadian and UK shoppers who buy from the USA (66%, 59% and 59%).**
    - **These shoppers also shared concerns over currency exchange rate with USD.**
- **Site security remained an issue for shoppers in Japan, France and USA (51%, 38% and 31%).**

Barriers to Shopping Cross-Border (Shoppers)

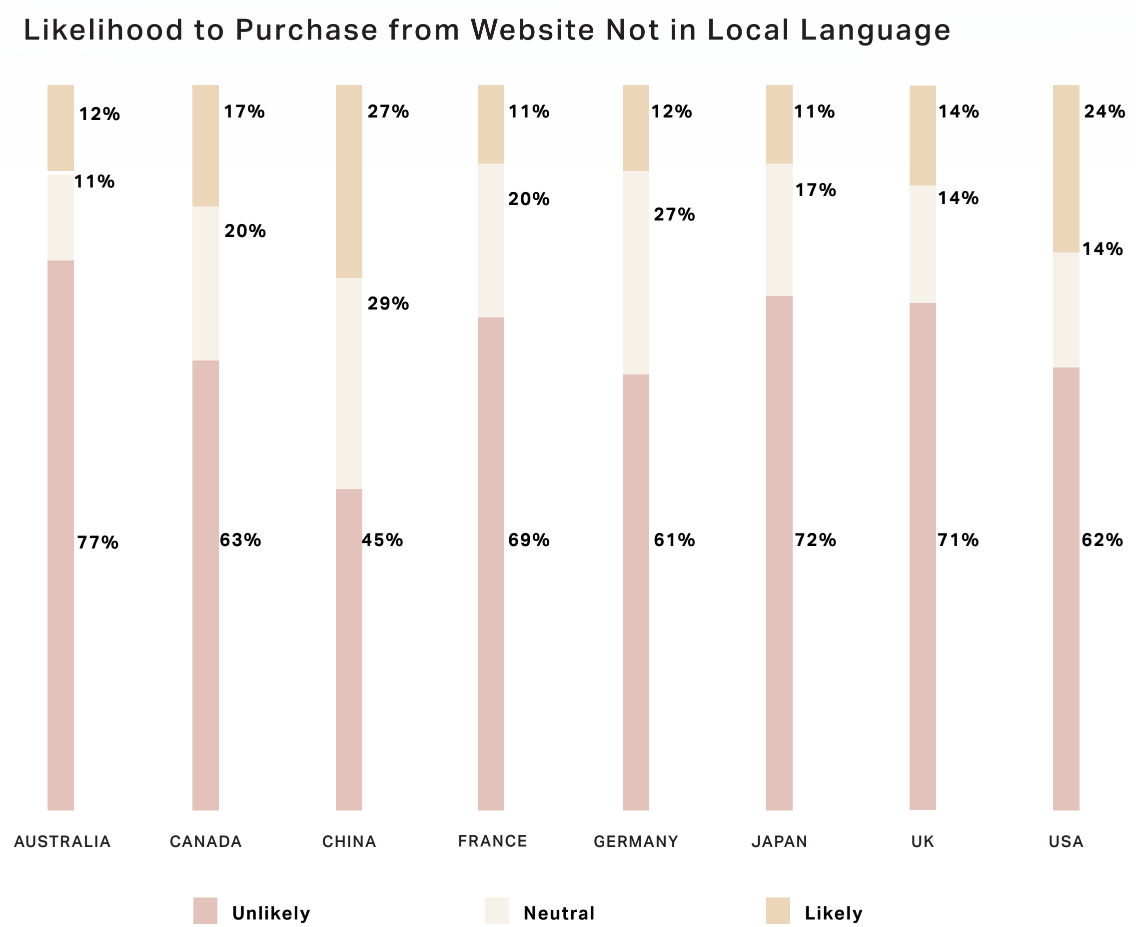


Source: FLOW E-Commerce Survey, 5/2021, N=1526, Apparel Shoppers A18-54 who shop cross border

Do cross-border shoppers care about localized language?

There were significant differences with respect to local language needs when shopping online.

- Among English-speaking shoppers, over two-thirds said they would not purchase if the site was not in English (Australia: 77%, Canada: 63%, UK: 71%, USA: 62%).
- Three-in-four Japanese shoppers (72%) also said they would not purchase if a website was not in their own language.
- On the other hand, over half of Chinese shoppers (55%) said they were “neutral” or would likely purchase anyway.



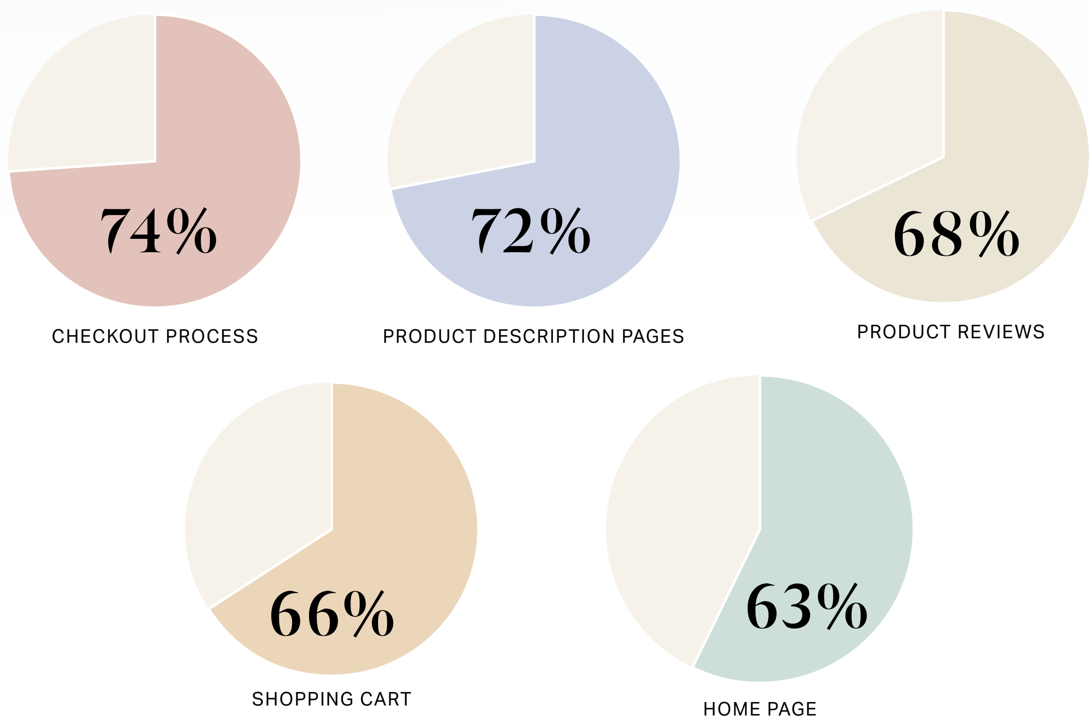
Source: FLOW E-Commerce Survey, 5/2021, N=2021, Apparel Shoppers A18-54

Overall, it is worth noting that the percent of shoppers unlikely to purchase from a website not translated into the local language increased double-digits compared to 2019. This was true especially for China (+27%), France (+17%), Germany (+14%) and Australia (+10%).

In terms of website content, the majority of shoppers agreed that checkout, product pages, and reviews were the most important areas needed in their own language (74%, 72% and 68%).

- **Not surprisingly, English-speaking countries said they needed all areas of the website in English.**
- **Among Chinese shoppers, product pages and reviews were cited as especially important to have in the local language.**

Localized Language Expectations Across All Markets

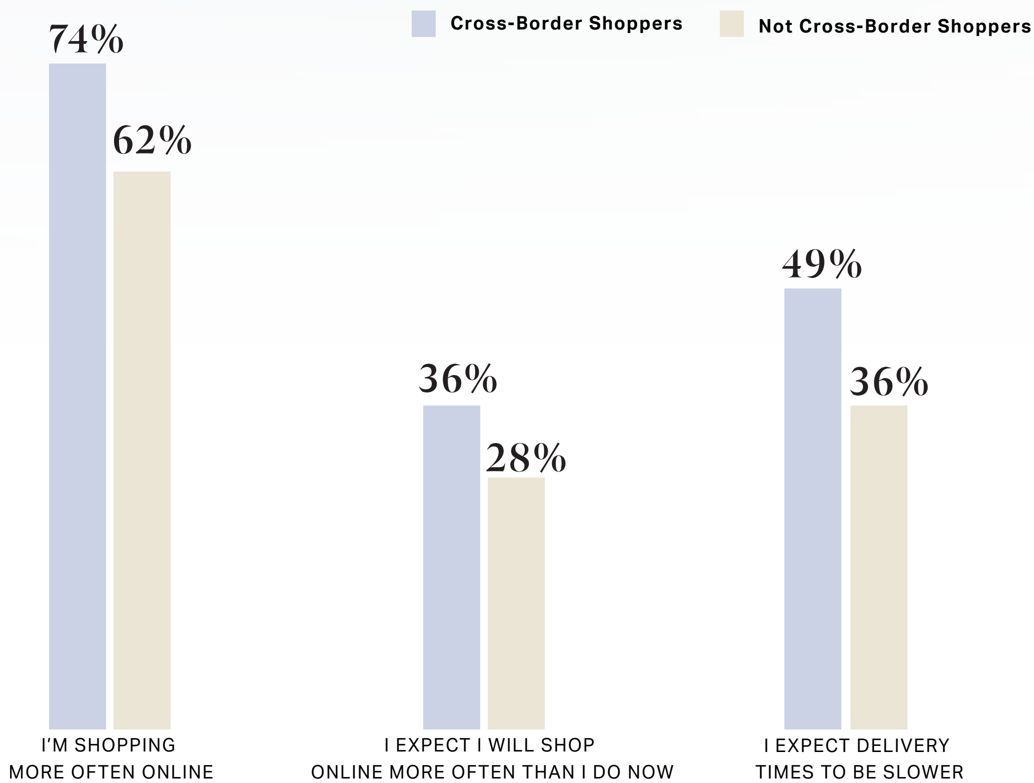


Source: FLOW E-Commerce Survey, 5/2021, N=2021, Apparel Shoppers A18-54

Did the Pandemic Impact Cross-Border Shopping?

Lastly, in order to understand the impact of the pandemic, respondents were asked questions regarding their shopping behaviors. Cross-border shoppers were much more likely to say that they shopped more often online and will continue to do so in the coming year.

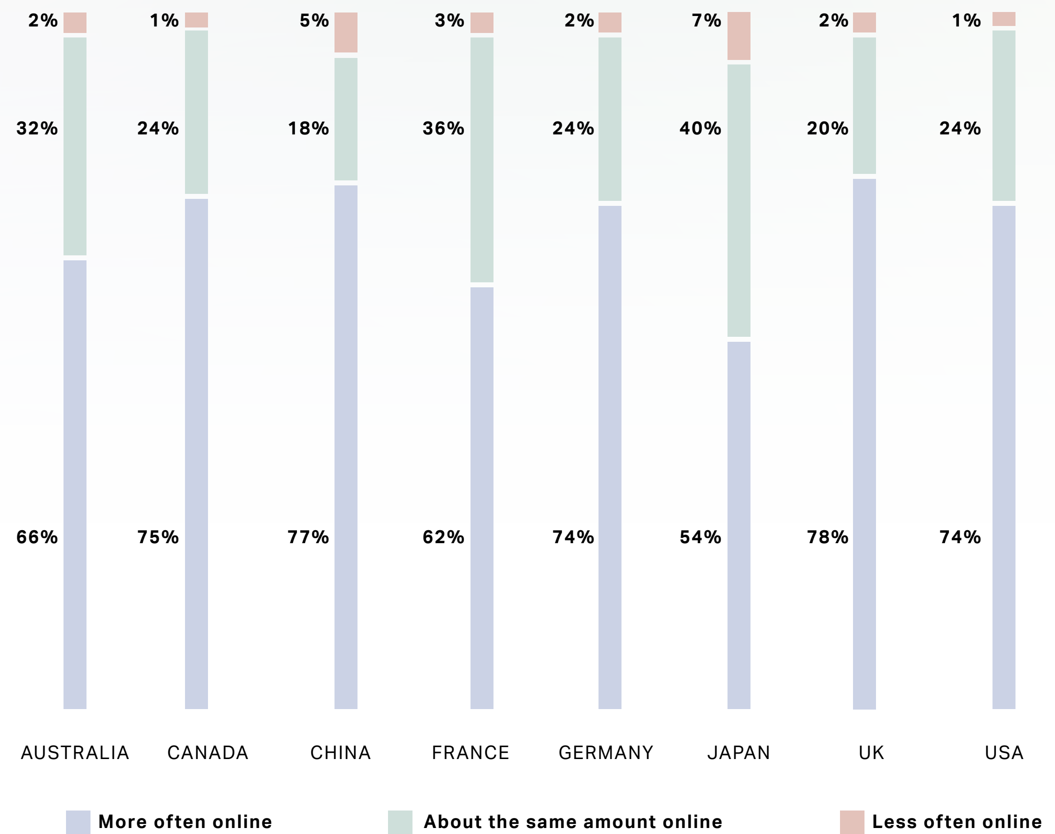
Post Pandemic Impact (Cross-Border Shoppers vs. Non-Shoppers)



Source: FLOW E-Commerce Survey, 5/2021, N=1526 (Cross-Border Shoppers), N=495 (Non-Shoppers), A18-54

Overall, respondents in 5 out of 8 markets stated they shopped more often online as a direct result of the pandemic. In fact, 3 out of 4 shoppers in the UK, China, Canada, Germany, and US agreed with this statement (78%, 77%, 75%, 74%, 74%). Conversely, only half of Japanese shoppers saw the pandemic impacting their shopping online (54%).

Post Pandemic Impact



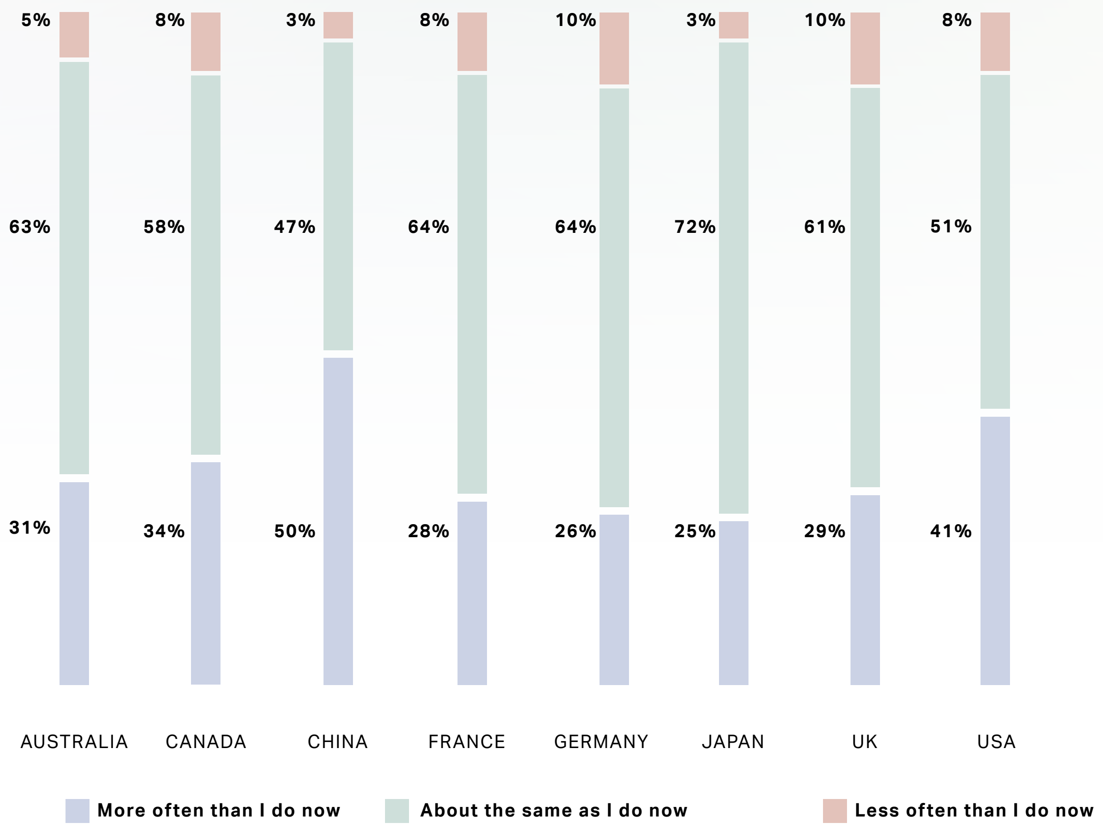
Source: FLOW E-Commerce Survey, 5/2021, N=2021, Apparel Shoppers A18-54

The Pandemic impact on online shopping was noted regardless of gender, age and household income in most markets, except for:

- **Chinese and US shoppers in high income households were more likely to shop online due to the pandemic compared to lower income households.**

Looking ahead, Chinese and US shoppers are more likely to do more shopping online over the next year, while remaining markets expect their shopping behavior to remain consistent.

Future Online Shopping Impact by Country

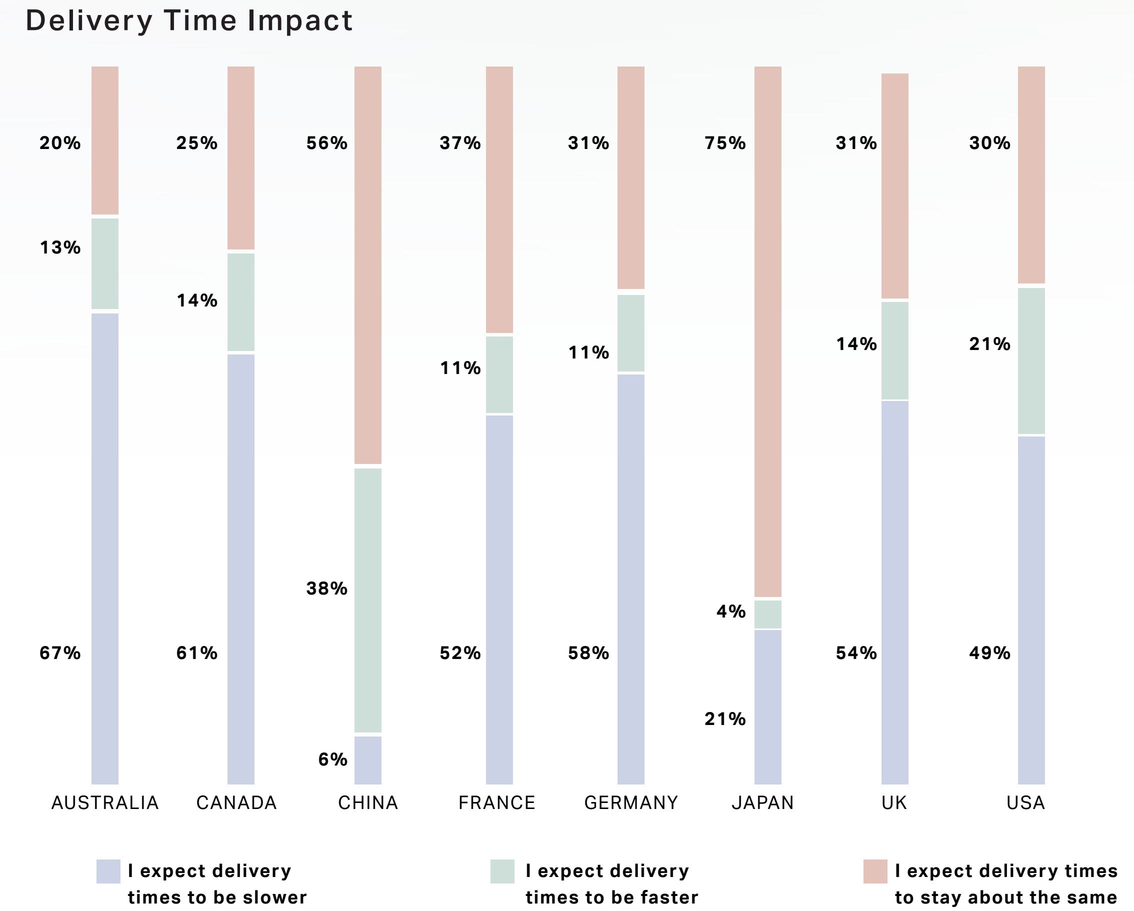


Source: FLOW E-Commerce Survey, 5/2021, N=2021, Apparel Shoppers A18-54

Future online shopping trends were consistent across gender, age and household income in every market, with the exception of:

- **Canadian and German men were more likely than women to say they will shop more often than they do now.**
- Shoppers ages 18-34 in the UK, Canada and Germany stated they will shop more online than their 35-54 counterparts.

Finally, we asked shoppers about their expectations for delivery time post pandemic. For the most part, shoppers expect the delivery window to be longer, except in China and Japan. As seen in 2019, the expectation for shipping continued to be much higher for China than any country, with 38% of shoppers expecting delivery times to be faster.



Source: FLOW E-Commerce Survey, 5/2021, N=2021, Apparel Shoppers A18-54

What should retailers do about the findings?

The results of this study reveal important implications for cross-border retailers. Overall, each market has distinct shopper profiles and concerns that need to be addressed in a localized fashion.

This level of customization includes:

- **Localizing language in key markets (particularly English-speaking)**
- **Optimizing checkout experience (e.g., taxes and duties)**
- **Addressing barriers to cross-border shopping (e.g., shipping, delivery, site security)**
- **Understanding the needs of cross-border shoppers better (e.g., product categories, customer service).**

To learn how you can maximize revenue and grow your cross-border e-commerce business, contact us today at hello@flow.io and speak with a Flow expert.

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Flow's technology is the powerful solution preferred by growing brands to accelerate and optimize their global expansion and drive cross-border sales in over 200 countries worldwide. Merchants across the globe, such as MZ Wallace, Charles & Colvard, and Outerknown, trust Flow to drive increased cross-border revenue by localizing shopping experiences and optimizing conversions. Founded in 2015, Flow is based in Hoboken, NJ with a globally distributed workforce and additional offices in Dublin.

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