GLOBAL RESEARCH REPORT

Cross-Border E-Commerce Trends
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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 technological innovation and consumer expectations. To that end, Flow commissioned a multi-market research report in order to:

• Understand the current landscape of e-commerce websites from a supply-side and demand-side perspective for the top 11 markets: Australia, Brazil, China, Canada, France, Germany, India, Japan, South Korea, UK, USA.*

• Evaluate all aspects of the e-commerce experience to establish “best practices” in each market.

• Unearth opportunities in high-demand areas that are not currently fulfilled by those e-commerce sites in respective markets.

*Top websites by traffic based on Similar Web data within the clothing category for 2017
Research Methodology

The research methodology for this project included two phases:

1. **SUPPLY-SIDE:** The first phase of the project included crowdsourced data collection across 122 variables for 137 websites in 11 markets (10-15 websites per market). Retail websites included brand.coms, department stores, and marketplace sites. The researched variables ranged from Homepage features and Product Description Page to the Shopping Cart and Checkout.

2. **DEMAND-SIDE:** This phase included an in-depth survey of 44 questions related to consumer attitudes and behaviors on e-commerce sites. The sample was defined as ages 18-54 who had shopped for apparel online in the past year. Each market had a total of 385 respondents. The data was analyzed and reported a 95% confidence level. Survey questions covered 4 major areas:
   - Cross-border shopping behaviors (e.g., categories, barriers, expectations, etc.)
   - General shopping behaviors (e.g., apparel shopping, promotions used, etc.)
   - Customer service and shipping (e.g., delivery windows, free shipping, out-of-stock handling, etc.)
   - Retail website user experience and checkout preferences (e.g., product description page, currency display, payment, navigation, etc.)

This report will explore the demand-side of the research and examine online cross-border shopping across the top 11 markets. By “cross-border,” we are referring to an online retailer that is located outside of the shopper’s home country.
Cross-Border Shopping

67% of shoppers have made a cross-border purchase.
Who Are Cross-Border Shoppers?

Overall, cross-border shopping was quite common among online shoppers ages 18-54. In fact, looking across all markets, two-thirds of shoppers (67%) said they purchased from retailers outside their home country.

The highest incidence of cross-border shoppers came from:

- **Brazil**: 86%
- **Australia**: 85%
- **Canada**: 83%
- **France**: 79%
- **Germany**: 74%

About two-thirds of UK (66%), Chinese (65%), and USA (61%) shoppers said they had purchased cross-border.

India, South Korea, and Japan were the least likely to shop outside their home country.

- **India**: 56%
- **S. Korea**: 41%
- **Japan**: 36%
PERCENT OF CROSS-BORDER SHOPPERS BY COUNTRY

CANADA 83%

UK 66%

GERMANY 74%

FRANCE 79%

US 61%

BRAZIL 86%

CHINA 65%

JAPAN 36%

S. KOREA 41%

INDIA 56%

AUSTRALIA 85%
Surprisingly, with the exception of age, there were minor differences by demographics in each market.

Women in India and the UK were more likely to cross-border shop than men. In contrast, men in Brazil and South Korea were more likely to cross-border shop than women. However, negligible differences across gender were observed in other markets.

**Cross-Border Shopping by Gender**

Women in India and the UK were more likely to cross-border shop than men.
Presence of children in the household influenced shopping behaviors in China, South Korea, India, and Brazil.

<table>
<thead>
<tr>
<th>Country</th>
<th>No Child</th>
<th>Yes Child</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>85%</td>
<td>86%</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>78%</td>
<td>90%</td>
<td>12%</td>
</tr>
<tr>
<td>France</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>51%</td>
<td>70%</td>
<td>19%</td>
</tr>
<tr>
<td>India</td>
<td>77%</td>
<td>80%</td>
<td>3%</td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S. Korea</td>
<td>33%</td>
<td>60%</td>
<td>27%</td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>60%</td>
<td>62%</td>
<td></td>
</tr>
</tbody>
</table>
Higher household income was a factor in China, Japan, and South Korea.
Age, however, showed significant differences for 7 out of the 11 markets.

- Specifically, ages 45-54 were less likely to shop cross-border than younger age groups in Brazil, China, Germany, Japan, the UK, and the USA.
- South Korea was the exception where ages 45-54 had a higher penetration of cross-border shoppers than millennials in that country.
Cross-border shopping showed significant differences by age for 7 out of the 11 markets.
Most Popular Countries For Cross-Border Purchases

The USA, China, and the UK consistently ranked among the top 3 countries purchased from in most markets. Additionally, some ranking variations were observed based on geographic proximity.

- For example, New Zealand appeared in the top 5 for Australia (13%), Singapore for India (17%), Austria for Germany (10%), and Canada for the USA (22%).

- Among EU partners, French shoppers were much more likely to buy from Germany (23%) than vice versa (9%). However, both countries purchased from the UK at similar rates (France: 33%, Germany: 35%).

<table>
<thead>
<tr>
<th>Country</th>
<th>#1</th>
<th>#2</th>
<th>#3</th>
<th>#4</th>
<th>#5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>USA</td>
<td>CHINA</td>
<td>UK</td>
<td>HONG KONG</td>
<td>NEW ZEALAND</td>
</tr>
<tr>
<td>Brazil</td>
<td>CHINA</td>
<td>USA</td>
<td>JAPAN</td>
<td>HONG KONG</td>
<td>UK</td>
</tr>
<tr>
<td>Canada</td>
<td>USA</td>
<td>CHINA</td>
<td>UK</td>
<td>JAPAN</td>
<td>HONG KONG</td>
</tr>
<tr>
<td>China</td>
<td>JAPAN</td>
<td>USA</td>
<td>HONG KONG</td>
<td>S. KOREA</td>
<td>FRANCE</td>
</tr>
<tr>
<td>France</td>
<td>CHINA</td>
<td>UK</td>
<td>GERMANY</td>
<td>USA</td>
<td>HONG KONG</td>
</tr>
<tr>
<td>Germany</td>
<td>CHINA</td>
<td>UK</td>
<td>USA</td>
<td>AUSTRIA</td>
<td>FRANCE</td>
</tr>
<tr>
<td>India</td>
<td>USA</td>
<td>CHINA</td>
<td>UK</td>
<td>SINGAPORE</td>
<td>AUSTRALIA</td>
</tr>
<tr>
<td>Japan</td>
<td>USA</td>
<td>CHINA</td>
<td>S. KOREA</td>
<td>UK</td>
<td>HONG KONG</td>
</tr>
<tr>
<td>S. Korea</td>
<td>USA</td>
<td>JAPAN</td>
<td>CHINA</td>
<td>UK</td>
<td>HONG KONG</td>
</tr>
<tr>
<td>UK</td>
<td>USA</td>
<td>CHINA</td>
<td>HONG KONG</td>
<td>GERMANY</td>
<td>FRANCE</td>
</tr>
<tr>
<td>USA</td>
<td>CHINA</td>
<td>UK</td>
<td>CANADA</td>
<td>JAPAN</td>
<td>MEXICO</td>
</tr>
</tbody>
</table>
Looking across the markets surveyed, which countries do cross-border shoppers purchase the most products from?

- 45% US
- 41% China
- 26% UK
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.

The most popular product categories include shoes (32%), fashion accessories (31%), consumer electronics (31%), and beauty/personal care (26%). Several cross-border shoppers also mentioned jewelry (18%), music/games (18%), sporting goods (15%), and books/e-readers (15%).

Country specific highlights include:

- Across the 11 markets, Brazilian shoppers over-indexed for almost all categories, including niche items such as automotive, pet care, and baby care.
- Chinese shoppers were more likely to shop beauty/personal care, sporting goods, food items, and baby care.
- Indian shoppers were more interested in fashion accessories, consumer electronics, jewelry, and sporting goods.
- USA over-indexed on jewelry, but they did not over-index on other categories.
- Apparel shopping was most popular among Brazilian and Canadian shoppers.
## Cross-Border Shopping by Category*

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing</td>
<td>58%</td>
</tr>
<tr>
<td>Shoes</td>
<td>32%</td>
</tr>
<tr>
<td>Fashion Accessories</td>
<td>31%</td>
</tr>
<tr>
<td>Consumer Electronics</td>
<td>30%</td>
</tr>
<tr>
<td>Beauty/Personal Care Products</td>
<td>26%</td>
</tr>
<tr>
<td>Jewelry</td>
<td>18%</td>
</tr>
<tr>
<td>Music/Movies/Games</td>
<td>18%</td>
</tr>
<tr>
<td>Sporting/Outdoor Equipment</td>
<td>15%</td>
</tr>
<tr>
<td>Books/E-Readers</td>
<td>15%</td>
</tr>
<tr>
<td>Food Items</td>
<td>14%</td>
</tr>
<tr>
<td>Furniture/Patio/Garden Items</td>
<td>9%</td>
</tr>
<tr>
<td>School/Office Supplies</td>
<td>8%</td>
</tr>
<tr>
<td>Baby Care Products</td>
<td>7%</td>
</tr>
<tr>
<td>Non-Food Household Products</td>
<td>7%</td>
</tr>
<tr>
<td>Pet Care Products</td>
<td>6%</td>
</tr>
<tr>
<td>Automotive</td>
<td>6%</td>
</tr>
</tbody>
</table>

*Responses of apparel shoppers surveyed across 11 markets*
What Are the Barriers to Cross-Border Shopping?

When asked about barriers to cross-border shopping, respondents who had not shopped cross-border cited similar concerns.

Looking at these non-cross-border shoppers, high shipping costs were the overall biggest concern noted by 46% of total respondents, followed by slow product delivery (38%). The next three most important factors cited include: preference for local retailers (28%), high taxes & duties (28%), and concerns over site security (28%).

Almost 1-in-5 respondents were also concerned with the lack of language translation on the site (21%), lack of trust for cross-border retailers (21%), and unclear final tax & duty amounts (20%).

Country specific highlights include:

- In Canada, Brazil, and Australia, where cross-border shopping was highest, taxes and duties ranked in the top three most common barriers to cross-border shopping (61%, 33%, and 30%) among those who never shopped outside their home country.

- Chinese non-cross-border shoppers also cited distinct concerns, such as inability to find products/brands they are interested in (23%), the acceptance of preferred payment methods (22%), and ability to talk to customer service (19%).

- In Japan and South Korea where cross-border shopping was lowest, respondents noted that a website not in their home language is a key reason for not shopping cross-border (41% and 36% respectively).
46% of total respondents across all markets that have not made a cross-border purchase noted that high shipping cost is the greatest barrier to cross-border shopping.
Similar to non-cross-border shoppers, the high cost of shipping and slow delivery were noted by over half of respondents who did purchase outside their home country (54% and 50% respectively). Cross-border shoppers also said that high taxes and duties (36%) and currency exchange rates (28%) made it costly to buy more from other countries.

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 (14% versus 28%; 11% versus 21% respectively).

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

- When looking across markets, the currency exchange rate was a significant factor for Canadian (49%) and Australian (45%) shoppers.
- Site security remained an issue for shoppers in France, Japan, and the USA (32% each).
- More than 1-in-5 shoppers in India were concerned with local payment options not being offered (21%).
Customer service availability was most important to shoppers in the USA (23%) and India (22%).
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.

<table>
<thead>
<tr>
<th>Country</th>
<th>Percent of Shoppers Not Purchasing from a Non-English Site</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>75%</td>
</tr>
<tr>
<td>Canada</td>
<td>73%</td>
</tr>
<tr>
<td>UK</td>
<td>72%</td>
</tr>
<tr>
<td>Australia</td>
<td>67%</td>
</tr>
</tbody>
</table>

- 74% of Japanese shoppers said they were not likely to purchase if a website was not in their own language.
- The opposite was true for India and China, where the majority said they would purchase anyway (61% and 59% respectively).
- Interestingly, about half of South Korean shoppers remained neutral on this question (46%).
Likelihood to Purchase if Website Was Not in Local Language:

AVERAGE ACROSS ALL MARKETS

- 28% SOMewhat/Very Likely
- 20% Not Likely
- 52% Somewhat/Very Unlikely

BY COUNTRY

- Australia: 28%
- Brazil: 20%
- Canada: 52%
- China: 20%
- France: 52%
- Germany: 28%
- India: 52%
- Japan: 20%
- South Korea: 52%
- UK: 28%
- USA: 20%
In terms of the website content, the majority of shoppers agreed that product description pages (67%), product reviews (63%), and the checkout process (63%) were the most important areas needed in their own language.

- Not surprisingly, around three-fourths of respondents in English-speaking countries said they needed all areas of the website in English.
- South Korean shoppers had lower expectations compared to other markets, with only half stating they wanted to see product description pages (55%) and product reviews (52%) in Korean.
Do Cross-Border Shoppers Expect the Same Retail Catalog?

The expectation for seeing a cross-border retailer’s full product catalog was quite high across the board.

- The majority of shoppers expected the product catalog for cross-border retailers to be the same (50%) as or offer more products (29%) than local counterparts.
- South Korea was the only exception where 40% said they expected to see fewer products on a cross-border e-commerce site.

Product Catalog Expectation for Cross-Border Retailers vs. Local Retailers

- Australia
- Brazil
- Canada
- China
- France
- Germany
- India
- Japan
- S. Korea
- UK
- USA

- More products than local merchants
- Same number of products as local merchants
- Fewer products than local merchants
Cross-border shoppers expect as many or more products than local merchants.
How Do Cross-Border Shoppers Prefer to Remit Taxes and Duties?

Lastly, online shoppers consistently preferred to remit taxes at the point of purchase (70%) rather than upon product arrival (30%).

However, this was not the case in India, where half of the shoppers actually preferred to remit taxes upon product arrival.

<table>
<thead>
<tr>
<th>Country</th>
<th>Remit at Purchase</th>
<th>Remit upon Arrival of the Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td></td>
<td></td>
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<tr>
<td>Brazil</td>
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<td>S. Korea</td>
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<td>UK</td>
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<tr>
<td>USA</td>
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</tbody>
</table>

In India, half of the shoppers preferred to remit taxes upon product arrival.
What’s Next?

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.

As illustrated in this report, when it comes to selling internationally, there are various factors retailers and brands need to consider including:

- Demographic differences across markets for cross-border shopping
- Most popular countries for cross-border purchases
- Product categories most commonly purchased cross-border
- The barriers preventing customers from cross-border shopping
- Impact of localized language across different markets
- Other specific needs and expectations of customers across different locales

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.
Most e-commerce businesses struggle with the complexities of selling their products internationally. The problem is they don’t have the tools nor the flexibility they need to sell cross-border, and existing solutions are missing the mark. At Flow, we believe there’s a better way and that global e-commerce should simply work. We have first-hand experience with cross-border challenges from our days working at well-known global brands, which is why we built a next-generation engine to power global growth for ambitious e-commerce businesses. Our solution automates and simplifies every aspect of the international e-commerce process for our customers. We remove the barriers of cross-border commerce by offering benefits such as multi-currency pricing, cost-efficient and rapid shipping, international payment options, well-defined taxes and duties, and simple returns. Now global brands like MVMT Watches, MZ Wallace, Outerknown, Charles & Colvard, and others can increase their customer conversion and grow international revenue starting today. Let it Flow.

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