

What Caused More Chinese Consumers to Shop Necessities Online during the Pandemic Compared with Americans?

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ABSTRACT

Under the influence of the epidemic, and the wave of going online, the markets in the United States and China have completely different reactions. This paper discussed the possible factors that form the different situations in online and offline necessities markets in China and the United States. Through the analysis of the market's statistics, the work concluded mainly two possible causes: the distinct focuses during the purchase process attributed to the differences in cultural aspects; diverse lockdown policies and different preferences between hedonism and utilitarianism attributed to the differences in ideologies between countries.

Keywords: Fast-moving consumer goods, online market, cultural difference, daily necessities, pandemic.

1. INTRODUCTION

The Covid-19 Pandemic that occurs throughout 2020 has brought a series of impacts on global trends [1]. To overcome the difficulties brought by the lockdown and the requirements of keeping the social distance, the requirement for online shopping experienced an incredible proliferation. Consequently, e-commerce was able to flourish during the epidemic, which refers to a vast e-commerce increment[2] and the enormous increase in the number of users of e-commerce [3]. Because of the differences in development degrees within countries, the reflections are far from identical. However, the influences are different based on their diverse nature and demands regarding various industries [2]. According to the statistics, it is evident that FMCG (ex: necessity), the fast-moving consumer goods industry, is one of the industries that surged most during the pandemic as it for e-commerce[2]. This research will deeply investigate the reasons and motivations for why the influence on the online shopping of necessities in China is more significant than in the US from the cultural perspective during the pandemic.

2. DATA OF ONLINE MARKET IN CHINA AND THE US

Research shows that in the first four months of 2020, China's total retail sales of consumer

goods amounted to RMB10.68 trillion (\$1.5 trillion), a decrease of 16.2% compared with the same period last year, while sales of online retail reached RMB 2.56 trillion (\$360 billion), an increase of 8.6%[4]. The data indicate that while the total retail sales of consumer goods in China decreased during the pandemic, online retail sales increased. Thus, it is true that Chinese consumers were influenced due to the outbreak. Furthermore, "on JD.com alone, more than 160,000 tons of staple items and daily necessities were delivered to customers' doorsteps in time - helping to prevent a great toilet paper panic from occurring in offline stores"[4]. The majority of Chinese consumers purchase necessities online instead of going to vendors or dime stores.

The United States is the largest e-commerce country in the world based on several key categories in 2019 [5]. In addition, due to the COVID-19, online retail sales in America are increasing, especially for the necessities. According to the statistics provided by Google, the attention paid to toilet paper, which is an archetypal object of FMCG (necessities), experienced a surge in May 2020[6]. However, the proportion of retail non-e-commerce sales is overwhelming compare with the number of retail e-commerce sales. According to the data from the US Bureau of the Census, the highest proportion of online retail sales to total retail sales occurred in the second quarter of 2020 which reached 16.2%, the proportion of online retail sales in the United States

declined again in the third quarter of 2020 to 14.3% [7]. Moreover, the data from APTISI Transactions on Management shows offline retail sales in the United States in 2018, 2019, and 2020 amounting to 90.1%,

89.0%, and 85.5% of total retail sales in the country, respectively[8]. Therefore, it is true that the pandemic had little effect on the United States based on the data shown above.

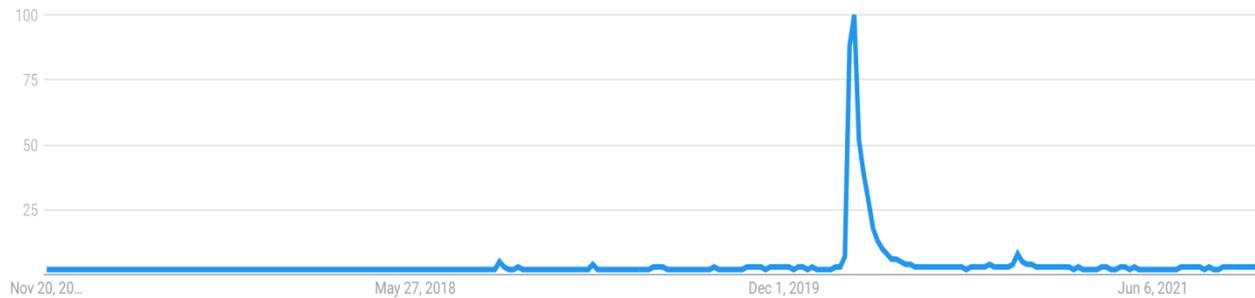


Figure 1 The popularity of top search queries in Google Search across the United States

In conclusion, the increasing proportion of online retail sales in China shows that online shopping became the priority in this country. However, the ratio of offline retail sales in the US is more considerable. The data indicate that China has a significant influence on the online shopping of daily necessities during the epidemic.

3. ANALYSIS

3.1. Culturally Different Markets

It is commonly believed that China and the United States have different cultures and beliefs. China and the US have nearly polar opposite scores on individualism and collectivism on Hofstede’s scale[9]. In addition, a large number of collective have regarded the cultural orientation of Chinese consumers as a collectivist orientation[10].

The major cultural difference influenced Chinese and the US consumers to act differently. Chinese people tend to pay more attention to interpersonal relations. They attach a great deal of importance to how their behaviors may affect their relationships with friends, neighbors, and others in their environment [11]. Therefore, the Chinese tend to consider others' feelings or even worry about other individuals' perspectives, which refer to face problems. Face in Chinese, mianzi, refers to a sense of perceived self-worth. Crucially, this perception becomes even more important when one considers one’s relationships with others who encompass different social circles such as a network of friends, relatives, or colleagues. [12] [13]

However, according to Hofstede’s research, China has different configurations of the five cultural dimensions in comparison with Western countries (e.g. United States)[14]. China has a high degree of uncertainty avoidance[15]. There are two uncertainties when buyers purchase things offline. Firstly, consumers

have no idea about which seller they will face (unfamiliar people). Secondly, consumers cannot make sure whether the goods they buy are worthy or not, so they will compare different stores until they feel satisfied with their choices. The two factors aforementioned caused the occurrence of the tendency that Chinese consumers were willing to buy goods online. Besides, online shopping provides consumers with more choices and convenience, it also helps buyers avoid having conflicts (buyers do not need to communicate or establish relationships with strangers) and face problems (buyers do not need to worry about face problems if they decide not to buy the goods). Thus, Chinese consumers are greatly affected due to culture during the period of the pandemic, they choose to buy necessities online.

Based on the research that the US is individualistic, which is highly different from China. The cultural orientation of American consumers is often regarded as an individualistic orientation[10]. In other words, Americans tend to have monochronic thinking in terms of interpersonal relationships, so they certainly do not concern about family, friends, or community as much as the Chinese do. Americans tend to be more tolerant of ideas or opinions from anyone and allow the freedom of expression[16]. Hence, due to the cultural differences between China and the US, more Chinese would choose to shop online, Americans tend to shop offline, which is a phenomenon during the epidemic situation.

3.2. Different “Ideologies”

3.2.1. Different awareness about the importance between Hedonism and Utilitarian

As the largest domestic market globally, the Chinese market is much more active than the US market[17]. Utilitarian and hedonic variables, which can be transformed to PU (perceived usefulness) and PEOU (perceived ease of use), influence the consumers’ choices in both countries.

Statistics show that perceived usefulness influences more on Chinese consumers, while perceived ease of use is more likely to have a more significant impact on American consumers invalid source specified[18]. As for the factor contributing to the current situation, the different developing stages between China and the US cause different perspectives. With the proliferation in the number of vendors and supervision deficiency in the early 21st century, shop offline was not considered a convenient and satisfying way for consumers; a series of problems occurred, such as uncompetitive price [19] and inconvenience[20]. Instead, it becomes a reluctant way. In that case, once e-commerce was published and popularized in China, it was welcomed by plenty of consumers, highly dependent on its convenience and cheapness.

However, as for the US, which has developed a considerate traffic network and transportation for a few decades, consumers have already gotten used to the excellent offline shopping experiences. Thus, consumers are not likely to pay attention to e-commerce and step out of their comfort zone and change their shopping habits-see or feel products in person and get their items right away[21]. When the trend of e-commerce swept the globe. Therefore, the acceptance of e-commerce and mobile shopping are much higher in China than in the US. Combined with the previous point, Americans are more likely to use mobile shopping if they directly perceive it as easy to use.

In conclusion, it is the preference between hedonism and utilitarianism that results in American clientele's indifference towards electronic commerce.

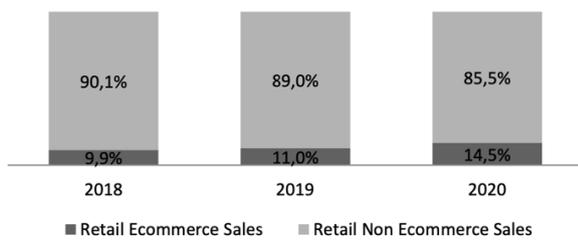


Figure 2 Percentage of Online versus Offline Retail Sales in the United States

3.2.2. Different lockdown policies that highly influence people's behaviors

The distinct lockdown policies also play an essential role in forming the difference between the US and China. The Chinese government has lockdown Wuhan City temporarily since January 23, 2020[22]. Nationwide, to facilitate compliance, the government called on community workers and volunteers to set up 24-hour checkpoints at neighborhood entrances to register anyone entering or leaving[23]. At the same time, the lockdown policies in the US are much looser. Even though restrictions are ramping up in many areas as cases

surge nationwide and more than 310 million Americans were under directives ranging from "shelter in place" to "stay at home" [24] [25], the government did not publish relevant policies to foster the implementation of these policies. People could go outside arbitrarily to shop or enjoy themselves in some places, which allowed the locals to buy the FMCG products(necessities) in the pattern they were used to and led to the good offline sale during the outbreak.

In summary, the different lockdown policies based on the unique ideologies provide a much better condition for offline shops in the US and partially lead to the retardation for electric commerce.

4. RECOMMENDATION

Implement more activities and provide more welfare online to attract (Chinese) consumers. According to my research, the high sales of daily necessities on JD. com indicate that individuals are more likely to buy cheaper products online. Furthermore, relative online retail platforms like Taobao and eBay all provide discount coupons. Therefore, it is a win-win strategy for both consumers and firms.

Practice how to communicate with clients or promote commodities to them in a proper way. Because of the culture in China, that Chinese have a high degree of uncertainty avoidance, and they consider interpersonal relationships and "mianzi". Hence, people tend to refuse to shop offline frequently. Thus, employees must improve their EQ, provide a comfortable condition to customers.

Preach the legislators to consider more when to publish a new law or stipulation, especially the influence brought by the new policies. Because every regulation will have an unexpected consequence to a particular industry, once the new rule is too strict, it will have detrimental influence and, even worse, lead to the industry's disaster.

Orient the development according to the local culture and ideology. As a point mentioned above, different cultures will highly impact people's decisions. Internet companies should modify the developmental strategies and guiding principles instead of sticking to certain aspects of operation, which would cause a loss in profit and market share for companies.

5. CONCLUSION

This paper focused on the cultural and ideological differences between China and the United states. Examining the reasons why the effects on Chinese consumers are overwhelming compared with the online sales of daily necessities in the US, during the pandemic: Chinese individuals are prone to concern more about interpersonal relationship because of the belief in

collectivism; Chinese clients take into account convenience, usefulness, and comparative advantage as a result of Utilitarian. The study concerns how the retail industry evolved in the past few decades and the traditional thoughts rooted in both countries when drawing the conclusions. However, due to the lack of the precise primary data in online and offline necessities markets in both countries, the research based on the current available sources might have some flaws. This work is looking forward to the reveal of more data after the pandemics so that the results can have a deeper and precise conclusion, and come to a further one.

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