

Scrutiny Panel – Consumer Survey

Analysis of Results

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INTRODUCTION

The Corporate Services Scrutiny Panel which has been reviewing the introduction of a Goods and Services Tax commissioned this consumer survey in order to investigate the impact of setting a de minimis level on the value of imports on consumer trends in the use of online shopping.

Clearly, Internet shopping is already popular and steadily increasing year on year. GST is likely to push the trend even harder but the Panel is investigating whether the 3% GST charge will actually make a significant difference in consumer purchasing habits.

This is particularly an issue for local retailers who believe that setting a high de minimis level (the Minister has indicated that he is minded to set the level at £400) would encourage Islanders to turn to the internet to escape the 3% GST charge. In their view a high de minimis level would be create an unfair competitive disadvantage for local retailers and they are calling for a lower level at about £100.

The objective of the survey then is to investigate how important price is as a factor (for different types of goods / services) in deciding whether to buy on line in comparison with non-price factors (such as pre- and after-sales service).

The survey was undertaken by the Marketing Bureau Ltd in various locations around Jersey to ensure we received equal feedback from both male and female consumers and also equal response across the age categories.

We collected 400 surveys split equally over the four age groups 18-25, 26-35, 36-50 and over 50s.

SUMMARY

The principal findings of the survey are:

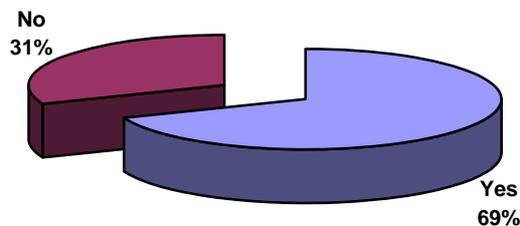
- 69% of people surveyed used the Internet for shopping. (Q 3)
- The majority of goods purchased (60%) are under £100. (Q6)
- 34% of people gave price as an important factor when choosing to shop on-line, other factors were convenience (32%) and larger selection (23%). (Q8)
- The most popular items for purchase on line were clothing (30%), electrical goods (16%), computing (12%) and household (10%). (Q7)
- The most important factors encouraging people to shop at a local retail store rather than online are the ability to have your product immediately after purchase (24%), closely followed by convenience (22%) and having the product displayed and demonstrated (17%). (Q10)
- Only 7% said that shopping locally was their only option. (Q10)

- As to factors that might discourage local consumers from shopping at local retail stores, opening times (30%) and limited choice (19%) were considered more important than price. Only 12% gave price as the reason for not shopping locally. (Q11)
- Just under half of respondents (46%) said that they would be encouraged to search the Internet for items rather than shop locally in order to make a tax saving of £2.55. (Q12)
- If the tax saving was in the region of £12.00, approximately two thirds of respondents (67%) would be encouraged to search the Internet rather than shop locally. (Q13)
- 38% of respondents said that they would be deterred from buying online if they were required to pay tax on the goods before they were released. (Q14)

MAIN FINDINGS

Q3

This chart is showing the divide between people who use the Internet for shopping and those who do not:

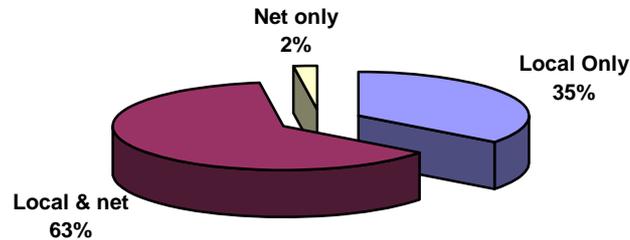


Out of the 400 people surveyed 69% said that they shopped online and 31% said that they did not use the Internet for shopping.

Of the 69% who answered yes they do use the Internet for shopping, 31% of these were in the 18-25 age group, 28% in the 26-35 age group, 25% in the 36-50 age group and the remaining 16% fell into the over 50's age group.

Q4

This chart is showing the divide between local shoppers, Internet shoppers and consumers who use both local stores and the Internet for their purchases:

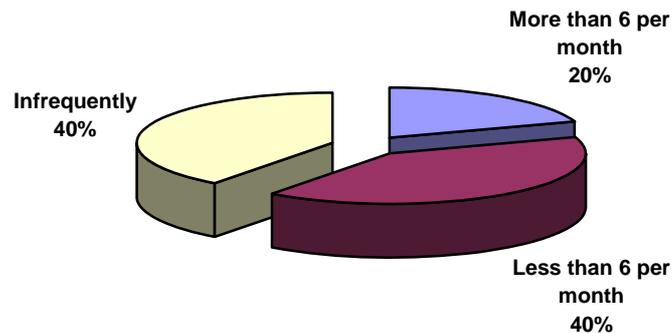


Our findings show that there is only a small amount of consumers who shop solely over the Internet at 2% and the largest group in these findings are people who use both the Internet and local stores for purchases with a percentage of 63%. Which leaves the remaining 35% of the people surveyed as consumers who exclusively shop at local retail stores.

INTERNET SHOPPING TRENDS

Q5

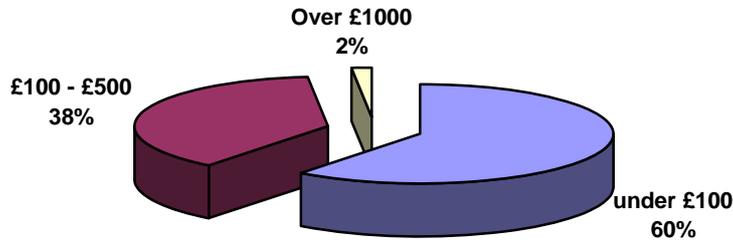
This chart is showing the frequency in which local consumers who shop online purchase goods:



The results for this question showed that the minority of internet shoppers purchase online more than 6 times per month with 20% of local consumers choosing this option. With an equal amount of people answering that they use the Internet for purchases less than 6 times per month or infrequently.

Q6

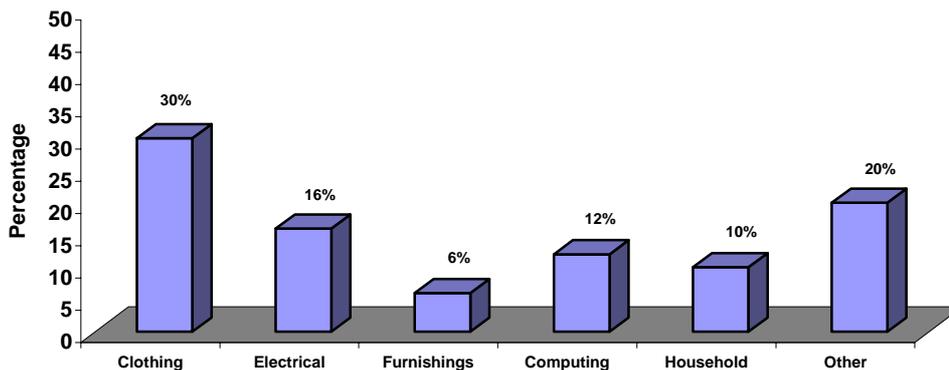
This chart is showing the average spend for consumers at any one time on purchases made over the Internet:



It is clear from the graph above that the majority of purchases made on the Internet are made on goods under the £100 mark with this percentage being 60%. This shows that should a low de minimis level of £100 be brought into effect on purchases made over the internet this would affect mainly the 40% of consumers who make internet purchases over £100. The graph also shows that it is the occasional 2% of consumers who purchase goods or services from the Internet over the £1000 mark.

Q7

This graph shows the main products or service that consumer search the Internet to purchase:



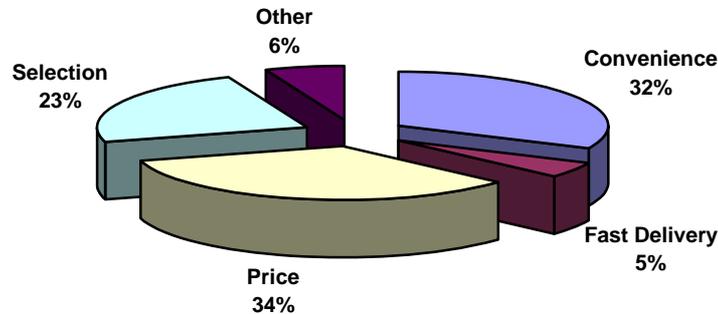
Clothing came in as the leading category consumers shopped for online. Electrical goods were another popular category with furnishings being the least popular. Of the people who selected other as an option for this question 33% of them identified travel as their main online purchase.

Consumers who purchase travel services over the Internet are likely to fall into the category of consumers who spend over £100 at any one time on purchases on the Internet.

CONSUMER ATTITUDES TOWARDS SHOPPING ONLINE

Q8

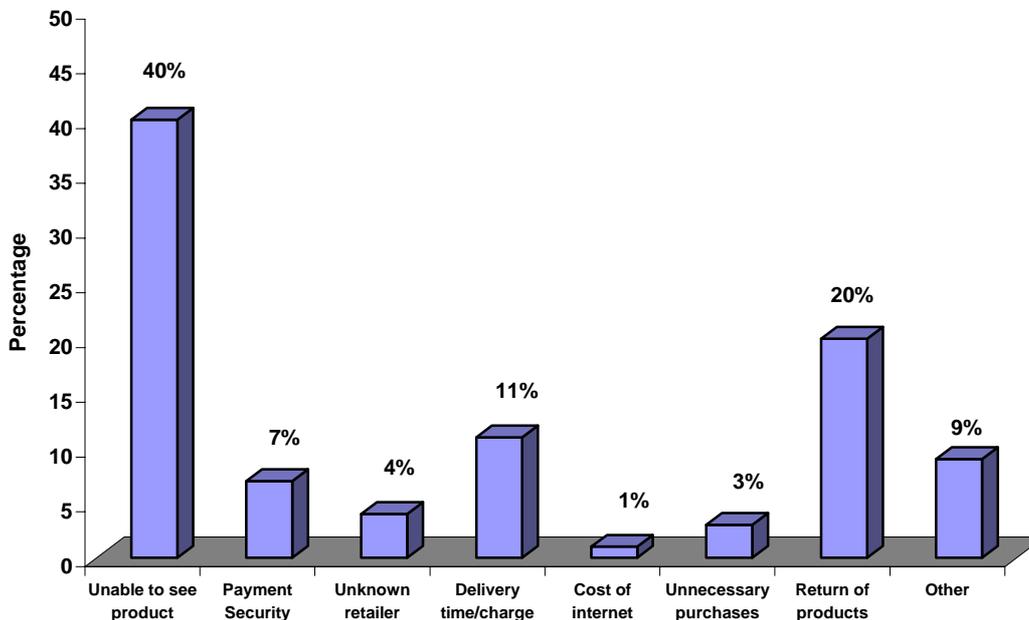
This chart is showing the factors that encourage people to shop online:



The chart shows that both price and convenience are main factors when choosing to shop online with selection not far behind. This shows that price is already an important factor of why local consumers would choose to purchase goods over the Internet rather than at a local store.

Q9

This chart is showing the factors the disadvantages of people from shopping online:

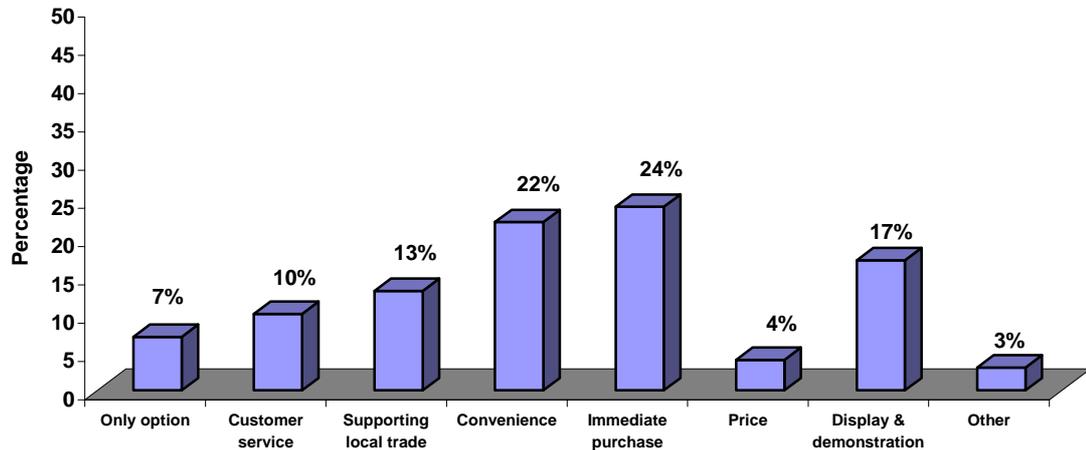


We can see that not being able to see the product before you purchase it, is the main reason that will deter local consumers from shopping online. Also the inconvenience of returning unsuitable goods is also seen as a big disadvantage. Of all the people who answered other to this question 62% of them thought that there were no disadvantages to shopping online.

CONSUMER ATTITUDES TOWARDS SHOPPING AT LOCAL RETAIL STORES:

Q10

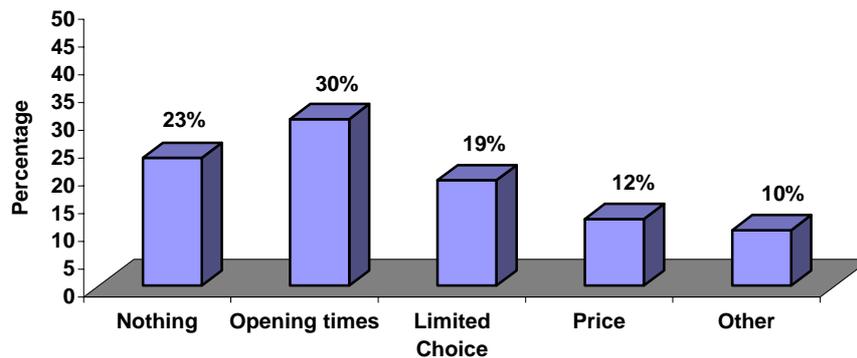
This chart is showing the factors that encourage local consumers to shop at a local retail store:



The chart shows that the ability to have your product immediately after purchase is the main factor that people find encourages them to shop at a local retail store, closely followed by convenience. Having the product displayed and demonstrated also proved an encouraging factor to shop locally, with price being the factor that people believe least encourages them to shop at a retail store. Interestingly 7% of consumers revealed that they shop locally because it is their only option.

Q11

This chart is showing the factors that discourage local consumers from shopping at local retail stores:

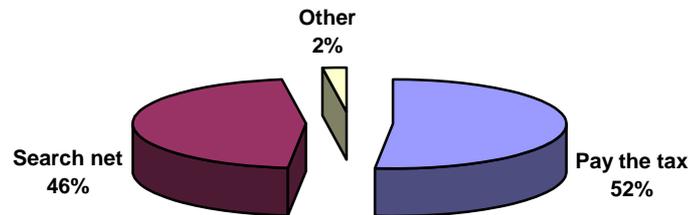


This chart shows that 30% of consumers are discouraged from shopping in local retail stores due to opening times, 19% for limited choice and 12% price. 23% of shoppers were not discouraged by anything from shopping at local retail stores.

PREDICTED CONSUMER TRENDS ONCE THE TAX IS INTRODUCED:

Q12

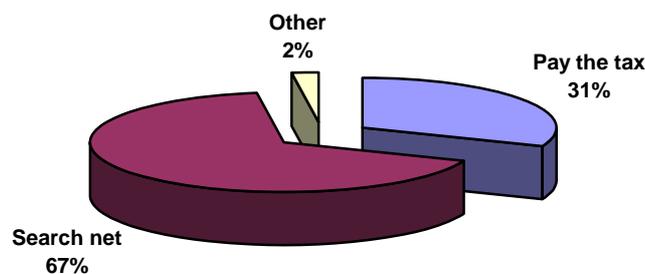
This chart is showing the divide in local consumers who would or would not search the Internet if they were required to pay £2.55 in tax on a purchase of £85.00:



This chart shows that it is evenly distributed between the consumers who would pay the tax and the consumers who would search the net for the goods although it does sway slightly towards paying the tax. 2% of the people who were asked this decided that they would not choose either and a common answer from such people was that they would go to the UK to purchase goods.

Q13

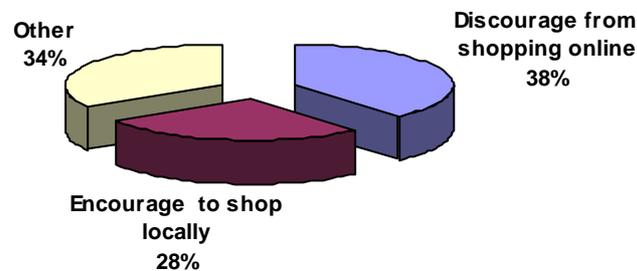
This chart is showing the divide in consumers who would or would not search the Internet if they were required to pay £12.00 in tax on a purchase of £400.00:



This chart shows that as the value of the product and the amount of tax gets higher the consumer is more reluctant to pay the tax and would, in most instances search the Internet for the same goods. As above, we had a similar amount of consumers not wanting to answer this question with either of the options given and indicated that they would shop in the UK more often when the tax came into effect.

Q14

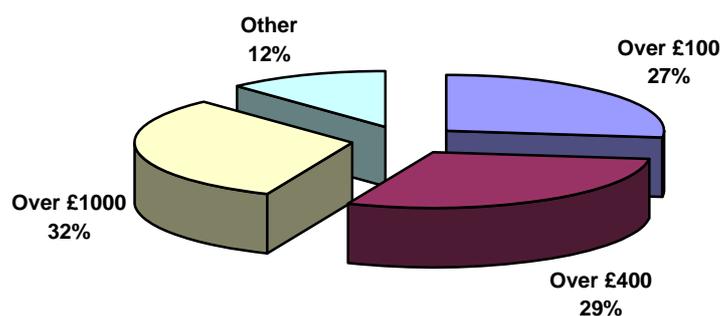
This chart is showing the divide in consumers who would be discouraged to shop online if they had to pay tax before they could collect their goods:



This chart shows that if it was required for people to pay tax on purchases from the Internet before the goods are released to them, that 38% would be discouraged from shopping online and 28% said they would be encouraged to shop locally. Of the 34% of consumers who answered “other” to this question 9% said they would purchase the product online anyway and a further 9% said it would depend on the price and the product itself. 5% answered that they would neither be encouraged to shop locally or discouraged from shopping on the Internet if they had to pay the tax before collecting their goods.

Q15

This chart shows the level at which consumers believe they should be taxed on goods purchased over the Internet:



The highest is 32% of consumers believe we should not start paying tax on Internet goods until we spend over £1000, but there were a high percentage of consumers who believe that the de minimis level should be set low at either £100 or £400. Of the 12% of consumers who decided not to choose a level at which goods and services tax should be introduced to Internet purchases, nearly half of them stated that they feel they should not be required to pay tax on any goods.