

China's Apple boycott: Small... for now

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The Takeaway:

As U.S.-China tensions escalate, will Chinese consumers retaliate against U.S. products, and specifically Apple? U.S. media reported growing boycotts of Apple products after the arrest of Huawei's CFO in December 2018 and again in May 2019 after the U.S. moved to ban Huawei networks. RIWI's daily tracking shows a) about half of Chinese Internet users are aware of calls to boycott Apple, b) those who prefer North American products do not plan to switch... yet, and c) there is a small drop in intentions to buy Apple products... so far.

As the trade war escalates and China uses the full range of tools it has available, it may expand consumer boycotts of U.S. products. If herd behavior kicks in, what is now only a small effect could escalate rapidly and dramatically, negatively impacting the growing number of U.S. companies that depend on Chinese sales for a significant share of their revenues. RIWI's daily tracking will identify if such an inflection point occurs in real-time.

The U.S.-China trade and technology war has intensified. This follows almost a year of dramatic U.S.-China trade tensions, including: (a) new tariffs threatened and imposed by both countries multiple times; (b) trade talks showing signs of promise and then breaking off; (c) the arrest in December 2018 by Canada of Huawei's CFO at the request of the U.S.; and (d) in mid-May 2019 an executive order by U.S. President Donald Trump paving the way to ban Huawei from U.S. networks.

Many U.S. and global companies now derive a significant and growing share of their revenues from Chinese consumers. Apple is especially vulnerable to China-U.S. tensions, as it both assembles its phones in China and depends on Chinese consumers for a substantial part of its revenue.

Over December 2018, there was widespread U.S. and global media coverage of an informal boycott of Apple products by Chinese consumers. News outlets reported that Chinese companies were supporting this consumer-led initiative by incentivizing or threatening their employees to boycott Apple products and buy Huawei ones. Apple's Chief Executive Tim Cook, by contrast, said that if there was such a boycott, it was small, and "maybe a guy standing in front of a store or something". Again in mid-May 2019, media reported a growing movement to boycott Apple products and switch to Huawei.

Was there a boycott of American products including Apple after December 2018? Is there a boycott now? If tensions escalate further, will we see a ramp-up in retaliation against U.S. products? RIWI started tracking a range of consumer sentiment signals from a broad-based set of Chinese residents on a continuous daily basis in June 2018, before the trade war began in July 2018. RIWI does not mine social media or blogs that can be censored by the People's Republic of China. We deployed RIWI technology to determine whether there is actually

evidence of a growing boycott. The idea is to separate the signal as much as humanly possible from the noise, and to do so in real-time. Getting a clear signal on this is otherwise difficult, since Apple no longer releases detailed product category sales data by geography, and as a result, estimates that relied on such data are no longer considered reliable. Even if Apple did release these data, they would not be predictive of what is happening among Chinese buyers now. ‘Social listening’ methods such as using algorithms to mine social media posts can also be misleading, since social media is either censored or self-censored in the PRC; President Trump’s May 6, 2019 threat to raise tariffs on Chinese goods was not reported on Chinese social media.¹

RIWI accesses a vast set of Chinese respondents, randomly drawn from anyone using the Web in China - the world’s largest Web-using population. Anyone who uses the Web in China could be potentially exposed to RIWI’s questions. Sixty percent of RIWI daily Chinese respondents report to us that they have never answered a survey of any other kind before. Each day, RIWI gathers data from a fresh group of respondents. This contrasts with typical surveys in China that often draw on a vastly narrower group of paid, habitual survey-takers on email access panels. (Email access survey panels consist of people who register to participate in regular online survey panels in exchange for money and are likely to capture the most vocal or most likely Chinese to participate in a boycott.)

RIWI finds that:

- There is no significant difference in the share of Chinese consumers who preferred North American household goods or electronics before December 2018 compared to March-May 2019, or before and after mid-May.
- One in two Chinese Internet users have heard about calls to boycott Apple, so awareness is broad-based but far from universal.
- One in seven self-reported that they participated or plan to participate in such boycotts.
- As expected, awareness of a Canada Goose boycott (in the wake of the Huawei CFO arrest by Canada) is much lower.
- Chinese mostly learn about boycotts from social media and state news.
- The share of Chinese smartphone respondents who intend to buy iPhones next fell by 4 percent after the May Huawei ban was set in motion.

Chinese consumers did not change their preferences for North America

We first looked at where Chinese consumers preferred to buy their products and services from, and then we sought to observe whether this preference fell after December 2018. We asked respondents from which global region² they prefer to buy products and services. We asked these questions before any questions about boycott awareness to avoid priming respondents to think about a boycott. Most Chinese consumers who expressed a preference for particular countries preferred to buy Chinese products and services. Chinese consumer preferences towards North American products/services did not decrease since the December 1 arrest of the Huawei CFO, nor after the U.S. Huawei ban.

¹ See <https://www.marketwatch.com/story/quid/C19B238C-7646-11E9-AF83-3EDAD499F327>.

² Answer options included China, other Asian countries, North America, Europe, other, no preference.

Share who prefer North American products June-November 2018 vs March-May 2019



Source: RIWI data, continuous China tracking, Jun 21-Nov 30, 2018 and Mar 1-May 29, 2019. 27,662 Internet users, data weighted by age and gender to general population.

Intentions to invest in property outside of China remained constant as well. Both pre- and post-December 1, 2018, one in five respondents planned to invest in property outside of China in the next year. Of those planning to invest, one in five plan to invest in property in the U.S., the same share as for the previous year. This did not change after mid-May.

Moderate awareness of informal boycott, stated participation relatively low

We also looked at whether China's broad-based Web-using population was aware of calls to boycott Apple or American products and whether they felt they had "participated" in this boycott. One in two reported that they had seen calls to not buy Apple products. These findings were consistent for both urban and rural respondents and across provinces. RIWI respondents said they were slightly less aware of a general boycott of American products than of an Apple-specific one.

While one in two is aware, only one in seven say they have participated or plan to participate in an Apple boycott.³ Frequent survey takers are likelier to say they boycott: while more than one in five of the frequent survey takers amongst RIWI respondents say that they participated in the boycott, just over one in ten non-habitual survey takers said they participated. (Relying on

³ This is far lower than reported in a pre-trade war 2018 *Financial Times* survey of urban respondents in which over one in two said they would probably or definitely boycott U.S.-branded goods if there were a trade war. The circumstances are different since there is now a specific Apple boycott during a real trade war rather than a hypothetical boycott in advance of the trade war. However, the large difference is more likely explained by: (a) RIWI's reach, which extends to as diverse and random a set of online respondents as possible, including those in rural areas, as well as (b) the anonymous nature of RIWI data collection practices, which makes it more likely that respondents will answer truthfully, minimizing the potential social desirability bias to report that one is being patriotic in the face of a trade war.

traditional survey data could therefore risk overstating boycott participation.)

Recently, have you seen any calls to not buy Apple products?

Participated/Planning to participate



Source: RIWI data, continuous China tracking, Feb 28-May 29, 2019. 6,380 Internet users, data weighted by age and gender.

As a point of comparison, we also asked about calls to boycott Canada Goose, a second brand subject to speculation of a boycott after the Huawei's CFO's arrest. While smartphones are ubiquitous in China, Canada Goose jackets are more of a luxury item and not as well known, and so it is not surprising that awareness is lower. Still, about one in three respondents say they are aware of the brand, and one in three of those aware say they participated in a boycott.

Recently, have you seen any calls to not buy Canada Goose products?

Participated/Planning to participate



Source: RIWI data, continuous China tracking, Feb 28-May 29, 2019. 6,300 Internet users, data weighted by age and gender.

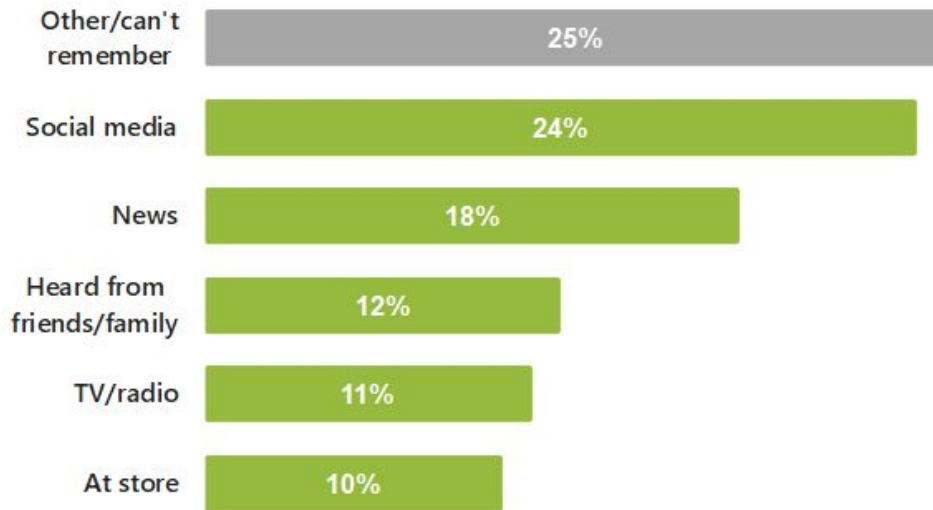
While RIWI's surveys are anonymous and seek as much as possible to minimize social bias in data collection, it could be seen in China as socially advantageous to indicate that one has participated in the boycott, so actual participation rates may be lower than respondents suggest.

Social media key to spread of boycott calls

In January 2019, Apple's CEO downplayed rumours of a boycott: "There are reports, sort of sporadic reports, about somebody talking about not buying our products because we're American, maybe a little bit on social media, maybe a guy standing in front of a store or something. My personal sense is that this is small". RIWI data shows that more than half of Chinese respondents were aware of the boycott and the most commonly cited source was

social media and news websites/newspapers.

Where did you mainly see calls to boycott?



Source: RIWI data, continuous China tracking, Feb 28-May 29, 2019.
3,530 Internet users, data weighted by age and gender.

iPhone purchase intent fell slightly after May Huawei ban

Are relative market shares of Apple, Huawei and others likely to change as a result of these disruptive events in the China-U.S. dispute? We looked at a separate daily tracking feed on Chinese smartphone purchase intentions where respondents were not prompted about a boycott. We drew from anyone using a smartphone to surf the Web in China and asked which smartphone brand they intend to purchase next among 13 popular smartphone brands. Chinese-made smartphones dominate the market, with Huawei, OPPO, Vivo, and Xiaomi making up about 70 percent of the market. Apple is the only true American competitor with just over 10 percent market share.

Since May 13th, with both countries threatening tariffs and the U.S. banning technologies that could pose a national security threat - widely understood as targeting Huawei - purchase intent for Apple decreased by 4 percent. Purchase intent for Huawei increased by 1 percent. Intentions to buy Huawei phones increased by 4 percent after the Huawei CFO arrest (Sep 1-Dec 1, 2018 compared to Dec 2, 2018-Jan 31, 2019), and intentions to buy iPhones decreased by 2 percent,⁴ less than the Huawei increase (some of Huawei's gain came at the expense of other Chinese smartphone brands).

⁴ Apple's trade-in incentives may have played a role in keeping Apple purchase intent from sliding further. A few weeks after the start of the boycott, Apple increased its trade-in incentives in China to stimulate sales, allowing consumers to trade in major Chinese competitors' phones, including Huawei, Xiaomi and OPPO for iPhones.

Which smartphone brand will you get next? Pre-Huawei ban vs post-Huawei ban



Note: Pre-Huawei ban is Apr 19-May 13 and post-Huawei ban is May 14-29, 2019.
Source: RIWI data, continuous China tracking, Apr 19-May 29, 2019.
2,268 smartphone users.

Taken together, the recent data do not show a dramatic change in overall Chinese consumer appetite for U.S. or North American products, nor universal awareness of nor participation in a boycott. But they do show a modest drop in intentions to buy iPhones.

In late May, some bank analysts predicted a dramatic drop in iPhone sales in China. UBS and Citi both cited the China-U.S. trade war as damaging Apple sales and have lowered their price targets on Apple. The Bank of America by contrast finds that globally intent to purchase iPhones has not decreased, based on its almost 200,000 respondent RIWI survey. According to the Bank of America analyst, iPhone purchase intent in China rose from 26 percent in April to 29 percent in May.

RIWI will be able to track whether this purchase intent changes quickly, and whether there is a dramatic ramp up in boycott activity against Apple and against other iconic American brands as the effects of the U.S. Huawei ban become clearer.

To find out how consumer intentions are changing in real-time as the trade and technology war unfolds, to add questions to RIWI's real-time China tracking, or to learn more about RIWI's customized real-time trackers available for all countries, please contact:

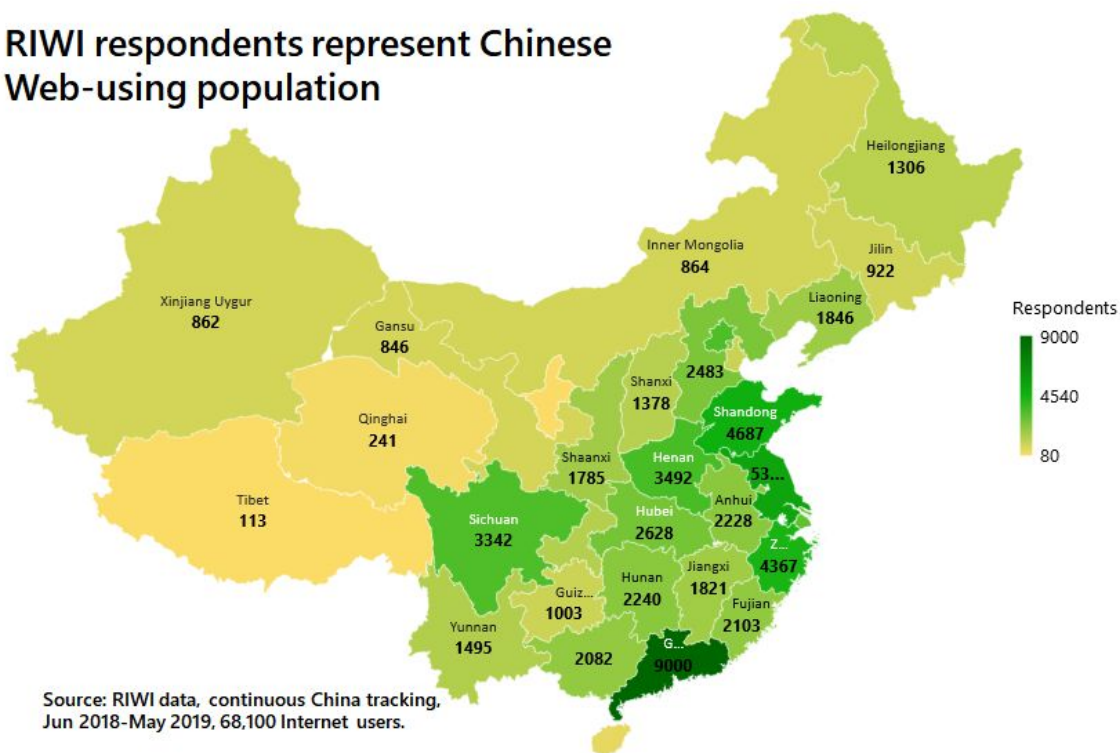
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RIWI reaches a broader set of voices

RIWI is a global trend-tracking and prediction company that is a leader in data quality, privacy, and security (see [here](#) for more information). RIWI technology is used extensively and under long-term agreements by the Bank of America, the U.S. State Department and by other G7 government agencies, the World Bank, UN agencies, and academics at top Universities such as Harvard and Oxford. RIWI won the “Rising Star” award for data that yields an investment edge at the 2019 Battle of the Quants in New York City.

Better, more reliable data depends on hearing from a broad array of random voices. RIWI technology reaches the broadest possible set of respondents, drawing in populations otherwise not included in data collection. In China and globally, RIWI captures views of respondents representative of the Web-using population. RIWI’s randomized respondent-engagement approach gathers broad-based sentiment from across all of China, including from urban and rural regions, and from across age groups. RIWI respondents remain anonymous and RIWI does not collect, process, store or transfer personally identifiable data, allowing respondents to provide their views freely and securely, reducing social desirability bias. RIWI respondents are not incentivized to participate in RIWI surveys in any way.

RIWI respondents represent Chinese Web-using population



For more on RIWI’s award-winning technology and its applications, see: <https://riwi.com>.