

DIGITAL CHINA

MODERN CHINESE CONSUMER\$

A HANDY GUIDE FOR MARKETERS 2019



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MODERN CHINESE CONSUMERS

**A HANDY GUIDE FOR
MARKETERS**

by Ashley Galina Dudarenok

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ChoZan - your business school for digital China.

- Presenter of the world's top 2-day Chinese digital marketing training program for entrepreneurs and teams
- Keynote speaker on topics related to modern Chinese consumers, digital marketing and New Retail
- Custom-made corporate trainings
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Products:

- Social media video masterclasses: A certificate course you can take at home giving you the latest insights and tools to advance your marketing career
- The China Marketing Circle: This private group delivers curated news, updates, trends and case studies in Chinese social media. It's the only group you'll need to stay on top of your China digital marketing game.

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- Specialists in China digital marketing strategy development
- Chinese social media marketing project execution

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Introduction

China is one of the most dynamic and appealing markets in the world. With more than 500 million active online shoppers, China attracts brands and companies from all over the world. Multifunctional social media platforms, mobile payment apps, mini programs, non-stop shopping festivals, thousands of influencers (KOLs) promoting brands on their live streaming channels and instantly changing trends can overwhelm even experienced marketers, not to mention newcomers.

Who should I target? How can I sell my product to them? These and many other questions occupy marketing departments around the world. In an attempt to stay on trend and increase brand awareness, many Western companies have already merged their e-commerce and social media efforts. But establishing a social media presence doesn't guarantee success in China. How

much do you know about recent trends in social media?

We've created this mini-book to help marketers better understand ten key consumer profiles in 2019. You'll also find out about hot trends on Chinese social media in the summer and fall of 2019. We'll dive into case studies and information that will empower you to take action and make wise decisions when it comes to your marketing budget.

In the past 8 years, I've worked with over 300 brands helping them tap into China. Since 2016 I've been a speaker at over 90 events and run my signature Chinese social media masterclasses across Asia, Europe and the Middle East. You're in safe hands.

Learn more about my China digital marketing trainings at chozan.co and get all the details about my social media marketing agency services at alarice.com.hk.

CHAPTER 1

Why You Need to Be in the China Market

With more than 1.4 billion people, China still tops the board with the world's largest population. It also has the world's largest e-commerce economy, which had 9 trillion RMB (1.2 trillion USD) worth of online retail sales in 2018.

It's a huge market full of potential but it's not straightforward. Before stepping into this unique market, there are four things you need to know in advance.

1 China is not a single market

In this book, “the China market” is used as shorthand but the truth is China is not one market. Different groups and regions have different needs and experience different trends. It’s actually a collection of 34 distinct markets, which correspond to China’s administrative divisions.

Think about it. You’d never sell to someone in Iceland the same way you’d sell to someone in Italy. And you’d never sell to someone in rural Arkansas the way you’d sell to someone in Los Angeles. They’re different.

The same principle applies in China and that’s what makes it a much more complicated market than people realize. There are no one-size-fits-all situations or solutions when one talks about China.

2 Social media mania is everywhere

Every day, Chinese people log in to their social media accounts to receive the latest news, connect with friends and family and contact brands and vendors to make enquiries, complaints and purchases.

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They also browse on a variety of online sales channels, including Taobao, Tmall and JD.com to find the latest products and sales campaigns. Convenient mobile payment apps, like Alipay and WeChat Pay, and express delivery services facilitate their online purchases.

Nearly everyone in China is not just on social media but active on it. In the early days of social media, it was very attractive to people because it was one of the few places you could talk to people in different parts of China and the world anonymously. It was a hotline to the latest news that was hard to find elsewhere. Over time, it became an accepted part of daily life.

3 Shopping is a national strategy in China

Private consumption in China has grown at a rapid pace in the past decade and retail sales have grown at double-digit rates for years. It's now the primary driver of China's economic growth.

China's economic growth used to depend heavily on exports.

However, with a growing internal economy, improved economic infrastructure, a slump in

international market demand, and increasing labour costs, the importance of exports has decreased in recent years. Its transition to a more sustainable mode is driven by consumption, the service industry and innovation. This is why China has been encouraging people to shop more to stimulate domestic demand and boost consumption-driven growth.

4 Social media marketing and mobile payments are king

Chinese consumers are moving from brick-and-mortar stores to online channels. They not only flock to major e-commerce platforms but are also leveraging all kinds of social media platforms to look for product information, get recommendations from bloggers and peers, seek out customer service and even purchase directly.

China's social media mania unites consumer groups with diverse purchasing behaviours in a large, fragmented market. This means a prominent presence on social media is an entry point for newcomers and essential for those already in the market.

With more and more people shopping online and the rapid development of mobile tech and

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networks, the popularity of mobile payments in China is increasing and Chinese people are using less and less cash.

And mobile payment apps aren't just used online. Smartphones and tablets are everywhere in China and payments through apps are widely accepted in brick-and-mortar stores. The country is developing a cashless retail ecosystem, although there will still be a role for cash for the foreseeable future. To achieve success in China, full compatibility with China's mobile payment systems and China's overall e-commerce ecosystem is vital.

Whether you're an entrepreneur who plans to do business in China or not, you need to know about these developments if you want to stay ahead of the game. Although these transformations are currently taking place in China, their effects will be felt elsewhere and will travel beyond its borders. Social media is not an option in this market. It's a requirement.

If you're wondering how to get into the China market, have urgent questions or want to hone your digital media presence in China, contact us at natalia@alarice.com.hk to schedule a consultation.

CHAPTER 2

The Development of the Chinese Consumer

Understanding the mindset and preferences of Chinese consumers is the key to the China market. To understand, one must first understand the path Chinese consumers have taken over the past 30-40 years. Then we'll examine different consumer groups that are emerging in the fastest changing market in the world.

It's a vast nation with lots of trends and regional diversity but the integration of social media in daily life and increasing purchasing power is affecting the whole country.

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Consumer behaviour in China started to change and evolve in the late 1970s after China's reform and opening-up policy was adopted. The path can be divided into several phases.

In the 1980s

In this decade, right after the initiation of key reform policies, the growth of the domestic economy resulted in a continuous rise in incomes and consumption levels. In the mid-1980s, a limited number of international goods made their way into China and a market-based system was formed to replace the planned economy. At first, Chinese consumers could only purchase international goods from a few designated state-owned stores.

As time went on, rules were relaxed little by little. Chinese companies could set up privately-owned entities to sell both domestic and foreign goods. Then foreign companies were allowed to set up joint ventures to sell products in brick-and-mortar stores or through other sales channels. Finally, foreign retailers and brands could operate on their own in China.

With more money at their disposal, Chinese consumers' thirst for consumption grew quickly, especially for daily necessities. Another benefit of

economic reform was that Chinese people finally had an opportunity to learn more about other countries. They envied the good living conditions and high living standards in foreign countries. It was during this time that they started to cultivate a preference for international brands and imported goods. Things were just getting started.

In the 1990s

China then progressed to being a sellers' market. With limited access to information, consumers tended to show conformity when purchasing and often followed the crowd. If they saw someone with a special item, then they wanted one too. For those with the means, there wasn't much thought about need or practicality. This was a phase of buying what you saw, instead of thinking critically.

During this time, awareness of the concept of "consumers" gradually emerged. However, consumer credit remained an unknown field.

After 2000

From 2000-2010, Chinese consumers matured as more and more products became available to them. The landscape slowly transformed into a buyers' market.

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During this period, consumers showed more thought when selecting products. As there were more and more goods to choose from, they started to compare them in price and quality before buying. At the same time, concerns over product quality and safety were raised.

Unlike the previous decade, they began to abandon the habit of following the crowd. Instead, they wanted to show their personality and distinguish themselves with their purchases.

Frequent shifts in interests, styles and personalities were reflected in the way they selected products. They were willing to try different styles and types of products to show “you are what you buy”. They started to have more requests. As their tastes changed frequently, brands and merchants needed to respond quickly to fast-moving trends in order to succeed.

CHAPTER 3

Modern Chinese Consumers

Consumption in China is expected to grow to 6.1 trillion USD by 2021. Although estimates have been tempered by recent tariff and trade disagreements, China's standard of living is still expected to keep increasing and the country still has large segments of the population that are underserved.

A large proportion of Chinese people live in smaller cities and rural areas. Reports indicate that over 50% of sales from the Luxury Pavilion in Alibaba's Tmall are from customers who live outside Tier 1 and 2 cities. On top of this, by 2021, 70% of spending is expected to come from those in the 18-35 year age group, who are mostly China's Millennials.

Understanding the mindset and preferences of Chinese consumers is crucial to success in the China market.

What are they really like?

While old ideas and stereotypes may persist, the truth is Chinese consumers, especially those in top tier cities, are the most sophisticated and spoiled in the world.

The China market is currently flooded with a wide variety of domestic and foreign brands offering a vast array of products. However, with increasing purchasing power, there's still an eagerness for novelty and even more quality choices.

This is why most Chinese consumers, especially those in first and second tier cities, prioritize product quality. They expect high calibre personalized products and services that are reasonably priced. They're also accustomed to quick turnarounds so they want them fast. Having said that, it's not realistic to describe all Chinese consumers as a whole.

There are a variety of consumer types and markets within China and to understand Chinese consumers more deeply, we need to divide them

into different consumer groups. Each of them has their own characteristics and purchasing preferences. Let's take a dive into today's most significant consumer groups.

The 2018 book *China's Evolving Consumers: 8 Intimate Portraits*, edited by Tom Nunlist, has a wealth of insights about modern Chinese consumers. This compilation has fascinating perspectives because in addition to research, some of the writers are insiders writing about their own experiences and those of their peers in a given demographic. We see this book as an important reference in this section along with our own observations and experience in the market.

1 The New Middle Class

China's new middle class is driving consumer spending growth. While the majority of Chinese consumers are not in the affluent or middle-income groups, there is a huge middle class, it's growing and it's expected to reshape China's consumption market. It's expected that the number of middle class families will rise as a result of China's plans to achieve an urbanization rate of over 65% by 2030.

Meanwhile, as coastal areas are already devel-

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oped and saturated, the urbanization process will expand to western and inland areas. According to McKinsey, the share of the middle class from first tier cities is expected to decrease to from about 40% in 2002 to 22% by 2022 while the middle class in lower tier centers, especially third tier cities, grows.

Another driving force is the implementation of the two-child policy that replaced the one-child policy in 2016. The policy was introduced in the hopes of avoiding the demographic time bomb of an aging population, boosting domestic consumption in the short term and to helping balance the working age population in the long run.

This group isn't a direct counterpart to the middle class as understood in the West. Goldman Sachs estimates its size at 146 million using the metric of an average annual income of nearly 12,000 USD or 83,000 RMB. While others, using varying salary thresholds, come up with different numbers, it's clear that it's a large market.

How are they similar to and different from the middle class in the West?

The vast majority of them are urbanites who live in highrises rather than suburbanites who live in

detached houses. They have enough leisure time and spending power to be able to seriously consider lifestyle choices.

They have the means to take vacations, collectively spending \$261 billion in 2016 according to the United Nations World Tourism Organization. Goldman Sachs predicts they'll be spending \$450 billion vacationing overseas by 2025.

They enjoy the ambiance of a coffee shop enough to support over 4,000 Starbucks outlets in more than 160 cities in China, not to mention all of Starbucks' competitors both foreign and domestic. The upper end of the group sent more than 300,000 of their children overseas to school in 2015, contributing \$9.8 billion to the US economy alone.

These lives of comfort and choice that were nearly unimaginable 20 years ago, and some of the rapid shifts that have taken place in Chinese society, also mean that traditional and modern ways coexist and family life has more variation than in the past. For example, some of these families have "three generations under one roof", as in the past, while others don't.

They generally spend less than 50% of their in-

come on necessities, and are willing to spend more on life experiences, fine dining, wellness, lifestyle products and affordable luxury products. Products that go on the body or in the body are a focus of intense spending.

2 Wealthy “Tuhao”

Attitudes toward wealth changed dramatically as China opened up under Deng. The rich aren't scorned by the Communist party and are seen as key to the country's success and economic prosperity. China has plenty of millionaires and billionaires, although less per capita than many other places.

Tuhao (土豪) roughly translates as “new rich,” and is seen as mildly unflattering. Tuhao includes the people, usually men and usually outside top tier cities, who made vast amounts of money in the early days of opening up in the 1980s and 90s.

The term has also grown to include purchasing behaviour by ordinary people that is seen as spontaneous. This was a time when entrepreneurship was new, risky, largely unregulated and still frowned upon by many. No returns were assured at the time and many ventures were highly

suspect.

Real estate investment is a prime source of wealth in China and many in this group used relationships with local governments to buy public assets cheaply and benefitted when China's urbanization drive kicked into high gear.

Others lucked into huge payouts from local governments who were redeveloping areas within or near cities. There was little guidance, regulation or oversight so the sums people received varied greatly. Many were cheated and underpaid but others did very well for themselves. Small farmers and property holders suddenly became *chaierdai* (拆二代), "rich through demolition," a *tuhao* sub-group.

Others established their wealth with businesses and investments, IT, mining, pharmaceuticals, finance, digital industries including online gaming, e-commerce and energy.

Since many *tuhao* are from poor or working class backgrounds and became suddenly wealthy, they feel a need to broadcast their new status with ostentatious displays that are often seen as tawdry or lacking in sophistication by other elites and younger generations who have grown

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up with different ideas about fashion and taste. They want the world to see how “luxurious” their lives are. As such, their consumption habits are often criticised or made fun of.

However, because of them, China is second only to the US in terms of retail space dedicated to luxury products and, in 2016, China accounted for one third of the world’s luxury spending.

In the past, shows of wealth, such as luxury watches, were used as proxies to demonstrate stability, reliability, trust and connections. This was especially so for business owners when dealing with potential partners or local officials within China. They were also seen as portable stores of wealth in case of emergency.

This has changed somewhat in recent years with government policies that were introduced to curb graft and the movement of funds out of the country. Import duties from 30 to 60 per cent were levied and actions were taken against agents making overseas purchases for customers. This has resulted in a shift to antique and pre-owned luxury watches.

There has also been mockery of things tuhao have traditionally spent their money on leading

to a preference for goods associated with taste and class, such as red wine, and items that show restraint.

This group has also started donating its money and time to good causes. For a nation not known for its charity, this may indicate those that have come from humble roots may not have forgotten them and want to put their money to practical use.

For all these reasons, it's important to consider a luxury customer's background and motivations as well as the current social and regulatory climate in China. It's also important to focus on products that are subtle and low key while still having some that are more vivid and loud.

A quote from China's Evolving Consumers sums it up nicely, "China's rich want to be recognized as a class with class."

3 Maturing Millennials

Chinese Millennials, born in the 80s and 90s and now between 20 and 39 years old, are hitting prime consumption age. Described as educated, open-minded and tech-savvy, they make up 31% of China's total population, representing 415

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million consumers. BCG estimates that by 2021, Millennials will make up 46% of China's urban population. They are gaining in purchasing power and will gradually become the main consumers of products and services.

Due to the implementation of the one-child policy in 1979, most of them are the only child in their family and had parents and grandparents eager to give them the best of everything. They were the center of the universe. The little prince/princess/emperor factor is strong in this generation, which makes them prioritize their desires instead of their needs. As a result, when it comes to consumption, they're more demanding and more willing to spend. They want good products and services and they want them fast. They're eager to lead a quality life, instead of merely satisfying their basic needs.

On top of that, Chinese Millennials grew up during China's economic reforms and the digital revolution that brought increasing global connectivity. They're far more educated and globally aware than their parents. They love to show their close connection to the rest of the world by buying standout and niche foreign brands. This also demonstrates their one-of-a-kind tastes and distinguishes them from the crowd.

Chinese Millennials highly cherish individuality and originality and never hesitate to spend more to get the products and services they want. They are health, wellness and fitness conscious, brand sophisticated and are trading up to premium, luxury, and foreign products in the cosmetics and body care categories.

As they grew up with the internet, they are accustomed to both the real world and virtual worlds. They're far more advanced at e-commerce participation and at integrating tech into everyday life than their Western counterparts. Exploring, purchasing and interacting online are their daily routines. Therefore, it's no surprise that they're savvy online, active social media users and relentless mobile shoppers.

4 The Younger Generation: Post-00s / Gen Z

China's Gen Z live very different lives from their parents and are caught between saving for large purchases or enjoying life and spending now. Keep in mind that big ticket items, such as real estate or cars, cost much more in China in relation to income.

They're willing to spend on their own interests and save money to invest in practicalities and

passions in the long-term. They usually don't consume to excess or spend beyond their means. According to Tencent's recent survey, 84% of Post-00s respondents say they wouldn't spend more than they're able to.

The ease of e-commerce is the magnet pulling this group to do their spending now. The number of online shoppers in China has steadily increased since 2006 reaching 467 million by 2016. In 2015, people aged 10 to 19 made up 24.5% of those shoppers and people aged 20 to 29 made up 31% of the total.

This young generation is more brand conscious, more likely to have engaged in overseas travel and grew up with digital consumption. Alibaba and JD.com have a 75% market share in e-commerce with niche players taking up the rest and those under 28 make up 40% of shoppers on Alibaba's Taobao. They are well-versed in getting discounts and deals and flock to apps and sites that specialize in group buying and other discounts.

China turns out tons of fresh graduates every year from local universities and returning from abroad. They're always looking for something new and want to improve their health and skills.

Health-related apps, time-saving tips and stress management guides are very popular with this group as are promotions, discounts and group buying.

Since the one-child policy wasn't relaxed until 2016, most of them are only children. As most of their parents are also the only child in their family, this generation is called "second generation only children (独生子女二代)".

As they never had to share their parent's love, attention or resources with siblings and were born in an era of affluence, they're somewhat spoiled. Having grown up during a time of rapid technological development, they're open to new experiences, respect differences and show a greater ability to adapt than previous generations. They like to express their feelings and views and challenge authority.

This generation is savvy about online influencers and they feel that they can categorize them into trusted sources that they can rely on and those who are just out to make money. As such, social media doesn't seem to have the same influence on their decisions as it does on those older than them. In their opinion, many online promoters are materialistic and money-oriented. They

don't think their recommendations are reliable. They're more likely to respect influencers who demonstrate knowledge and expertise, have a background or qualifications related to their on-line activities or have a primary income source from another profession.

When it comes to the choice between domestic and foreign products, it's worth noting that over 50% of respondents don't consider foreign products better choices. They think domestic products are as good as foreign ones.

5 Single Young People

Young people in China are increasingly choosing to postpone marriage and childbearing. In 2017, about 15% of China's population were single adults with almost half of them between the ages of 20 and 29. Due to high property prices and the increasing costs of raising a family, many young people are avoiding settling down.

With more disposable income on hand and fewer responsibilities, this group prefers quality products and treating themselves. They spend more money on entertainment and recreation (including e-sports, animation, comics and videos), tourism, personal products, cosmetics, small

household appliances and vocational training.

An Alibaba report shows that in recent years, solo use items are gaining traction. Sales of mini-microwaves have increased 970%, mini-washing machine sales have gone up 630% and sales of personal hot pots have increased 200%. Restaurants and food manufacturers are making more options for solo diners and Japanese chain Muji is now making rice cookers, ovens and kettles in smaller sizes.

And they're not afraid to spend. 43% of tier 1 city residents and over 67% of those living in 3rd to 5th tier cities are living paycheck to paycheck. In a survey of singles including Beijing, Shanghai and Shenzhen, 31.6% of singles spend most on entertainment or social consumption and 28.6% buy luxury products without hesitating.

Social media influencers and key opinion leaders (KOLs) are important to this group. They want to look good on the outside and be good on the inside. This is driving growth in the fitness and athleisure markets. Some in this market estimate that between 30% and 40% of their customer base is single.

This group's companionship needs are expected

to boost the pet industry and industries associated with socializing, such as catering and board games. A Sinolink Securities report predicts that convenience stores and delivery services will also become big growth areas for the future.

6 Young Men

Young male consumers, especially the post-95 generation, have become another consumption force. They care much more about their appearance and personal image than previous generations, so they're willing to spend more on haircare, clothing and fitness. A remarkable increase in male grooming products has been noticed in this consumer group.

The rise in popularity of highly polished young K-pop and C-pop stars has started a trend among young men in China to buy beauty products. The mainland male skincare and cosmetics market is expected to reach 1.9 billion yuan by the end of 2019.

Men are adding more products to their routines, they want better products and they want products that are made for men rather than unisex products.

And they do a lot of their shopping online. A survey by China's bankcard association reports that 23% of male consumers spend more than 5,000 RMB a month shopping online. By the end of 2017, 47% of China's online shoppers were male and 65% of the country's cross-border e-commerce shoppers were male. Young men between 18 to 26 in top-tier cities were key drivers of that growth.

7 White-collar Women

They're career-focused, image conscious, well-rounded individuals living in cities who seize the day while always setting goals and looking ahead. They seek lifestyle products that make them feel confident but aren't ostentatious. They're interested in longevity and holistic health.

Many of these women, though they live in top tier cities now, are from humble backgrounds in smaller cities or rural areas. Their strong competitive drive and perfectionism can sometimes get in the way of healthy personal relationships. They may feel the need to stand out as the highest achiever among their friends and may have impossibly high standards for romantic partners or marriage prospects.

Their need to stand out extends to their clothing and fashion choices. They're willing to spend on quality makeup and unique yet trendy clothes. They lead workaholic lifestyles and like to dress well. They're willing to change career trajectory and get further education depending on business and industry trends. More and more are willing to start their own businesses as well.

They enjoy their careers and the single lifestyle but also face strong internal and family pressure to marry and have children. As a result, they live with anxiety and uncertainty about conflicting roles, expectations, desires, goals and opportunities which change as they get older and enter middle age.

Being subject to these pushes and pulls from different directions, different aspirations and different ideas about how to achieve them means that they shouldn't be addressed as a single monolithic group. On top of that, marketing campaigns aimed at working women that assume they're all the same or aimed at one subgroup may encounter a backlash. As such, it's best to be subtle and embrace the diverse choices women make.

The book *China's Evolving Consumers*, presents

a telling example of how things can go wrong for brands. SKII made an ad featuring single women talking to their mothers. The mothers were regulars at a matchmaking meeting in a park in Shanghai where parents tried to arrange matches for their children.

The women talked about their real marriage concerns and worries in the emotional ad. The ad resonated with women who had decided on a more traditional path but flopped with women who have decided to make a go of things on their own. It didn't play well with women who see a life forged on their own as exciting rather than pitiable.

Successful single women want their independence, courage and achievements to be admired and showcased and are averse to a view of life that casts them as people who are destined to follow a list of predefined roles and responsibilities that don't reflect their personalities.

8 Young, Urban Couples

Most in this group were born in the 1980s (Post 80s in China) and 1990s (Post 90s). The older couples in this group are mostly married while the younger ones are mainly in serious relation-

ships or living together. The age for marriage in top tier cities is around 33 years old for men and 30 years old for women. In smaller cities and rural areas, more traditional beliefs persist and women are often married before they're 27 while men usually marry before they're 30.

In the 1980s, people married at around 23 years old for men and 20 for women. The age of marriage has risen for several reasons. There are about 30 million more men than women and long hours devoted to studies and then to careers leaves little time to socialize. All that time spent studying and working means women outpace men in terms of education and career achievements, making it more difficult for them to find partners who meet or exceed their expectations.

More couples live together before marrying due to greater social acceptance and many in this group are also delaying marriage due to fears of becoming *fang nu*, or “house slaves” stuck paying off a mortgage for the rest of their working lives.

All the same, there's enormous family and social pressure to marry leading some to make poor decisions that have seen the divorce rate rise 63% in the last ten years. Their strong belief in

education as a means of advancement and self development has come from their parents and they will transmit it to their children.

A favourite pastime for couples with children is finding and investing, mostly online, in safe products, educational toys and classes for their young ones. While some young couples enjoy ostentatious items that show off their status, others prefer a low key approach and prefer to save money or spend it on health supplements, fresh fruit, sporting goods, quality skincare, travel opportunities and red wine. They're also strong consumers of services, including travel, hospitality, healthcare, entertainment and personal care.

Among these couples are those who've come to live in cities from more rural areas. In some of these places, the one child policy was enforced less strictly so some of them have brothers and sisters although for a majority, their children will never have aunts, uncles or cousins. If their parents were granted properties by the state and have been lucky with investments, they can help their children with down payments, childcare and will also pass on their wealth to only one child, enabling them to have a good start in their adult life.

Young urban couples are all involved with a third party — their mobile phones. The Post- 90s generation are digital natives and those born in the 80s came of age with the internet and have been avid users ever since.

These groups are early adopters, novelty seekers, constant users making up 54% of all internet users in China and have particularly embraced the mobile internet. For many, lacking brothers, sisters, cousins and other extended family bonded them even more strongly to their phones. It has transformed the way they watch entertainment, get information do their shopping and interact socially.

In 2017, there were 81 million paid online video users in the mainland, most of them taking in that content on their phones throughout the day as they worked. They also get news and information from friends, websites, newsletters, updates and more.

They can shop wherever they are at any time. Highly integrated social media, online markets and mobile payment systems have made China the world's largest e-commerce market. In 2016, the National Bureau of Statistics reported that retail sales online had reached \$745 billion USD

which was an increase of 26.2% from the previous year.

Online sales make up 15.5% of the total retail of \$4.7 trillion USD. Most young couples without children treat their homes as a place to sleep and sometimes eat. Their social life and most of their meals are outside the home. This is ironic given what a financial burden an apartment is for these young couples.

In lower tier cities, there's less pressure and more free time but also lower wages and a more subdued lifestyle. This creates a dilemma for some young couples. Those from lower tier cities yearn for the wages and opportunities of larger cities while a micro trend has begun among couples from larger centres who are moving to smaller cities in search of more free time and less stress.

One key trend to be aware of with this group is premiumization. With most of their money going toward mortgages, young couples can be very value oriented or very focused on high quality, depending on the product concerned. For example, young couples have a strong preference for premium imported baby milk powder. Other products that have been predicted by Kantar to benefit from this trend are yogurt, biscuits, skin-

care, makeup and personal care products.

9 Young Mothers

Young mothers in China are often caught between tradition and modernity. They're caught between a new life they're building for themselves and their child, two sets of parents and grandparents from another generation.

Grandparents in China often play a much more active and vocal role in the lives of their grandchildren. This can even mean debating the child's parents over which specific brands to buy or even what to feed their children. This can be further complicated by brands that, knowing the strong role grandparents can play, have created their advertising messages specifically to sway this older generation.

The path mothers choose to navigate this minefield is respectful yet passive. They listen, look after their parents' health and buy them supplements while ignoring negative comments, tucking away gifted items they don't like at the back of drawers and venting to other mothers outside of the family. The products mothers choose also provide a way for them to be distinct from their own parents and to establish their new identi-

ty as mothers. They allow mothers to introduce new routines that help them, placate their child while avoiding upsetting their parents.

They're also busy trying to keep up with the Joneses and many of their decisions are highly influenced by what they see other young parents doing. While they respect their parents, mothers tend to disregard their advice as from another era. They seek advice in person and online from other mothers who they trust and do a lot of other research before making purchasing decisions. They're very cautious and aware of health and safety issues.

This focus on health can be seen in the kitchen. Modern ovens, cookware, juicers, blenders and yoghurt makers are hallmarks of this focus on health. The family eats out less and fresh food, imported items and organic food are staples.

These outlays, as well as extra costs for children's clothing and pre-school, help young mothers build their identity as mothers and part of the middle class, but they also put financial pressure on families. Even with good salaries, couples can feel like they're on a treadmill trying to keep up with expenses. They feel financially fragile. Mothers also spend on themselves with beau-

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ty remaining a priority. Gym memberships are seen as a necessity if not to attend classes then to demonstrate a commitment to health and fitness and keep up with their peers.

Motherhood is seen by young mothers as a transformative role. It has helped them to learn and grow and become strong, enabled them to bond with a new community of women, mostly online and has helped them to navigate new roles within their extended families. Their consumption and online engagement has played a large role in this.

10 Senior Citizens

Instead of staying home and looking after their grandchildren, modern seniors are more willing to pursue a lavish lifestyle than previous generations. They're cultivating their own interests and travelling.

Meanwhile, health products and medical services are also in strong demand with this group. Today's seniors have saved with a view to enjoying their retirement and many have saved a hefty portion of their money over China's economic growth years and have sizeable nest eggs. They have enough to contribute to the education of

their children and grandchildren, spend on themselves and pass wealth on to the next generation.

The retirement age is around 55 for women and 60 for men. Still active, seniors are taking up hobbies and sports in greater numbers, learning to play instruments, dancing, doing tai chi, joining groups of all kinds, hiking and traveling. They can be seen in city parks in the early morning exercising or dancing in groups. While those born before 1960 hold more tightly to their purse strings, for those born after 1960, although they have conservative tastes and tend to cook at home, they're not afraid to occasionally spend money on travel and are taking their chance to see the world. They don't see their savings as emergency funds any more.

However, travelling abroad is so new to them, other countries are so unknown to them and foreign languages are so unfamiliar to them that they tend to travel in groups. They trust group tour organizers to know the best places to stay, the most interesting sights and local specialties to eat but they prefer small groups that allow some freedom, show authentic local life and don't make them stand out as they travel. Older travellers feel that they need guides to bridge

language and cultural barriers.

Seniors are also interested in maintaining their health. Vitamin and mineral supplements are a common gift to older members of the family. Health foods and reasonably priced fitness classes aimed at their age group are appreciated by many older Chinese people.

Elder care facilities are also a focus of investment from within China as well as by global firms. Traditional state care centres have rooms that are shared by up to 7 people. This isn't where China's middle class elderly want to spend their later years. They want to be in places that allow recreation and socializing and have organized events for them to take part in. As this generation of elderly is used to smartphones, integrated digital solutions can be used to connect them to other seniors and their families.

The 2 Uniting Forces Among All Chinese Consumers:

Mobile Digital First

As mentioned in Chapter 1, no matter the age or income group, Chinese people use mobile digital solutions all the time. Because of the wide range

of mobile digital solutions available there, many daily tasks are accomplished on one's phone. On top of that, its huge population means that it has the largest group of internet users in the world, estimated by the China Internet Network Information Center (CNNIC) at over 800 million in 2018 with 98% accessing the internet via mobile devices.

Chinese consumers depend more and more on their phones and the internet for social networking, news, entertainment and shopping. They also do a variety of daily errands and tasks, like paying for public transportation, sharing work-related files, ordering food and delivering online purchases, with multi-functional apps like WeChat. According to Nielsen, nearly 60% of Chinese consumers spend over two hours on their smartphones every day, while 14% spend more than five hours.

In tandem with this, e-commerce has grown rapidly in China. Statistics from CNNIC show that over 70% of Chinese people who have access to the internet have made online purchases. China is the top online retail market in the world, and it's the absolute leader in digital consumption by population size and market scale.

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The explosion of e-commerce in China can also be attributed to all the services backed by online sales channels, digital payment tools and express delivery services. With a variety of e-commerce platforms available, users only need to download an app to check out products anytime, anywhere.

Express delivery service providers are also widespread and reliable with logistics information that can be viewed and tracked easily via apps. It's like having a mall in your pocket. The two most used mobile payment tools in China are Ant Financial's Alipay and Tencent's WeChat Pay. They can be used online and in physical stores and their speed and reliability are key contributors to the popularity of online shopping in China.

The internet has also made foreign products more accessible through cross-border e-commerce platforms. Young adults between 18 and 35 are the biggest cross-border shoppers. The most up to date estimate of cross-border transaction volume is from iiMedia in 2017 which predicted the total for 2018 to hit 9 trillion RMB (1.3 trillion USD).

Social Media and Social Commerce

As mentioned earlier, nearly everyone in China, young, old and of all socio-economic levels, is active on social media. The number of active social media users in China is in the hundreds of millions and the average daily time spent on social media, via any device, is about 2 hours. The huge popularity and usefulness of apps and platforms like WeChat and Weibo, for people across age groups and social classes, also plays a huge role.

For Chinese people, social media is not only a tool that they use to receive the latest news and connect with friends and other like-minded people, but also a place where they can enjoy all kinds of entertainment, go shopping and do their daily errands.

On social media, people share their experiences and their purchases. As their connections are close family, friends and trusted sources, especially on WeChat, they're more likely to trust their comments and recommendations.

People considering buying a new item also go through comments and feedback on social media as part of their decision-making process

before they buy. Concerns about fake positive feedback on e-commerce platforms are widespread so people look to key opinion leaders and influencers on social media for more reliable feedback. And they're not just looking for product reviews, they're also looking for ideas about what to buy.

As a result, social media has become a battlefield for brands. They offer discounts, launch campaigns, create ads and invite celebrities and credible bloggers to create word-of-mouth posts in order to reach their potential customers.

Chinese consumers can now finish the whole purchasing process from research and selection to final transaction on social media, or even within one app. This convenience has caused them to rely on social media more and more for their online shopping needs and has made social media a major sales channel.

This is how and why social media is so closely connected with e-commerce in China.

If you want to know more about this dynamic market and the best way to get your brand in the mix, join my signature 2-day Chinese Digital Marketing Masterclass near you, or ask us to design a custom

training for your organization.

Email us at natalia@chozan.co for more information on my global training events or to schedule a custom training for your team.

CHAPTER 4

Outbound Chinese Tourists

Improved living standards, a growing interest in tourism and relaxed travel regulations for Chinese citizens has led to a huge rise in the number of outbound Chinese tourists. This provides huge opportunities for companies that don't have a physical presence in China. According to the China National Tourism Association (CNTA), in 2018, Chinese tourists made 140 million outbound trips and spent over 174 billion USD on shopping, dining, sightseeing and entertainment outside China.

In 2018, the influence of Millennials began to show. For the first time, the proportion of post-90s (Millennial) tourists exceeded the post-70s (Gen X) demographic. And it seems that the two

most important groups to look out for in terms of tourism are Millennials and seniors.

Most recent reports indicate that Millennials are the major driving force for outbound tourism. In comparison to other groups they travel more frequently and head abroad 2-3 times per year. They're also less picky in terms of destination, climate or exchange rate. For them, the actual travel experience is more important.

They want to experience unique cultures and cuisines. As a result, they're venturing further and further from home. In 2018, there was a noticeable increase in trips to Central Asia, Western Asia and Africa. Nordic countries are also becoming more and more popular. In terms of spending, leading categories are shopping, accommodation, dining, tourist attractions and recreation. Three key factors affecting purchasing decision are discounts, quality and price.

Another very important category of Chinese outbound tourists are seniors. China is aging and once people retire, they're more willing to travel. In comparison to younger travellers, most of them are willing to use mobile payments overseas and will ask merchants about this option. They prefer to use a payment system they're fa-

miliar with. On average, they also spend around 300 USD per day, which is similar to the amount Millennials spend.

The most effective ways to reach out to chinese travellers are KOL promotions, cross-border ads and word of mouth marketing. For KOL promotions, product trials and special promotional codes which they can share with their audience are the most popular.

Brands can also put ads on different apps and platforms such as Ctrip and Mafengwo, which is similar to Tripadvisor. You can publish travel guides, interact with consumers, and promote your guides through various channels.

For the word-of-mouth marketing, XiaoHongShu (RED / Little Red Book) is best. It's a social e-commerce shopping app offering vast amounts of user-generated content and, because it's highly regulated and trusted, personal recommendations on the site can have a powerful effect. Users sharing travel experiences and shopping tips can have a profound effect. The conversion rate on XiaoHongShu is around 8%.

Chinese consumers and tourists are a huge market. If you want to understand them better and you're

looking for custom-made training for your marketing team or want to join my China Digital Marketing Masterclass near you, touch base with my team via email at natalia@chozan.co.

If you want to increase your expertise at your own pace in your own location, you can take our comprehensive video course online at chinamasterclass.teachable.com. Use code [ASHLEY15] for a 15% discount.

These actionable insights will help you connect with Chinese consumers in China as well as Chinese tourists in your area.

CHAPTER 5

Trends for Summer and Fall 2019

The purchasing power of the post -90s and post -95s generations in China is rapidly increasing

In 2018, among Taobao and its affiliates, the number of Post-95s luxury market purchases had increased by 445% compared to 2016. Meanwhile compared with 2016, the number of Post-90s purchasers had increased by 163%. Post-90s and Post- 95s consumers also make up a larger portion of the luxury market. In 2018, their purchases accounted for nearly 40% of the total amount. Contrasting sharply with only 16%

in 2016.

It's time for the “lazy economy”

According to a Taobao report about the “lazy economy”, throughout last year, consumption of lazy products increased by at least 150%. Lazy products are usually smart home devices or appliances and gadgets that do discrete tasks very quickly. People who were born after 1980 are huge fans of these products. They also include items in the beauty category such as dry shampoo and auto hair curlers. According to the latest data, Chinese people are spending over 16 billion RMB on these kinds of products.

For marketers, it's important to understand that modern Chinese consumers are very sophisticated and at the same time very spoiled. They're used to convenience and marketers need to have this convenience and comfort in mind when promoting goods and services.

What you need to know about the pet economy

Life in a Chinese megacity can be tough, so plenty of people are coping daily with stress and pressure. Animal elements are being used more and more by marketers to bring a sense of com-

fort, companionship and healing. According to a 2018 white paper on China's pet industry, there are 22.6 million cat owners and 33.9 million dog owners in China. The consumer market for pets in China stood at 170.8 billion RMB in 2018, an increase of 27 % from 2017. On average, consumers spent around 5,016 RMB per pet.

Compared to more developed countries, China's pet industry is still in its infancy, but it's set to expand quickly. With the growth of China's national economy, people have more disposable income for pets.

Marketers can gain the most from this trend by applying cute animal element to products, using animals in advertising campaigns, creating animal memes to promote products or by cooperating with pet bloggers.

The games industry for girls and women is on the rise

Gaming is on the rise globally, and there's a huge misunderstanding that it's only popular among males. In Mainland China, 50% of gamers are female and the market value for the games industry for girls and women is expected to reach 8.29 billion USD in 2020.

Girls play the same games as boys but they also like fashion-related and romance themed games. Games related to matching characters for an in-game dating journey are very popular right now. Marketers and business owners should keep this trend in mind for romance related festivals or for campaign inspiration when promoting their products.

Recycling in Shanghai and green marketing

Another big trend this summer was related to new regulations in Shanghai relating to the sorting of garbage and recycling. There was plenty of discussion about it on social media, as starting from July 1st, violators have to pay up to 29 USD as individuals and 7,276 USD as companies for violations.

As it wasn't very clear how to actually sort waste items properly, it became a hot topic on all social media platforms, appearing over 10 million times. Lot's of WeChat mini programs, VR games spring up in order to educate Shanghai residents. The national government is aiming to apply similar regulations in 46 key cities by the end of 2020, so it will definitely give marketers, especially those in green businesses or those with eco-friendly products, more opportunities

to engage with potential customers.

The silver economy

The Chinese population is aging and this demographic shift can't be neglected by brands anymore. By silver-haired consumers, we mean people between 50 and 80 years old focusing on those aged 65 and up.

Fewer and fewer people are now living with their parents and grandparents so the older generation has started seeking attention online. Older bloggers and special apps for seniors have started popping up.

Another important thing to remember is that seniors spend money not only on themselves, but also on their children and grandchildren.

Night consumption

According to the latest data from Alibaba, 9-10 pm is the time with the highest volume of transactions and night spending accounts for more than 36% of each day's total. Of the cities in the country with the highest night consumption, 9 are located in the south of China. 8 pm - 11 pm is prime time for post-90s online to consume infor-

mation and order food takeaways.

The rise of men's grooming

Chinese men are spending more and more on skin care, hair care and, yes, makeup. The growth rate for men's skin care and cosmetics from 2016 to 2019 is expected to be 13.5%.

However, according to a recent Tmall report, of beauty brands on the platform that stated that their products were suitable for men, only 45% offered male-specific products.

Most men's grooming consumers live in 1st and 2nd tier cities. According to Toutiao male users aged 18-30 read more content related to make-up. In Q1 2019, beauty related articles and comments increased 80% in tier 1 cities and 118% in tier 2 cities compared to Q1 2018. The most important platforms for marketers to watch out for are Chao (the male version of RED) and Bilibili (over 25 % of the beauty bloggers are male).

Marketers can also reach their male consumers by targeting girlfriend and wives. Around 30% of male skin care and hair products and 19 % of men's makeup are bought by women. Over half of the women are 19 to 30 years old.

After-sales service and second-hand chic

On July 21st, China's second-largest e-commerce platform, JD.com, opened its first-ever offline luxury service center in Sanlitun, Beijing. The center will provide a range of services such as cleaning leather goods, jewelry and watch repair, tailoring and second-hand luxury good reselling. JD plans to open dozens of luxury centers in China in the second half of 2019.

According to the 2019 China Luxury Consumption Report, about 23.9 million Chinese consumers bought luxury goods in 2018. They spent 770 billion yuan and bought one-third of the world's luxury goods. And it's worth noting that while Shangpin.com, a luxury e-commerce site that had been in operation for nine years, has closed down, second-hand luxury goods trading markets, such as PLUM, are emerging making luxury goods more affordable.

JD will gain new users and this move will also break JD's old image as a place for men to buy electronic products. For brands, in addition to opening an account on Weibo and adding e-commerce functions on WeChat, it might be a good time to join JD.com.

The lure of lower tier cities

Alibaba has added a third shopping festival called “99 Good Deals Day” on, you guessed it, September 9th. In August 2019, Alibaba officially announced that the annual discount day on Juhuasuan, Alibaba’s flash sales, C2C retail and group buying platform, would be turned into a full-fledged shopping festival.

However, unlike Alibaba’s other festivals - the Double 11 Global Shopping Festival and the 6.18 Mid-year Shopping Festival - this one is aimed squarely at lower-tier cities. One key feature is easier, more direct discount rules compared to Double 11 and 6.18, which sometimes have coupon usage rules that make discount rate calculations difficult.

Juhuasuan’s main competitor is Pinduoduo, another strong group buying e-commerce platform established in 2015. This festival will help it compete and win in lower tier cities.

Do you want to join an exclusive group of China watchers and get up-to-date, curated insights like these? Are you interested in case studies, market trends, reports and more about China’s online world? If so, you need to join the China Marketing Circle.

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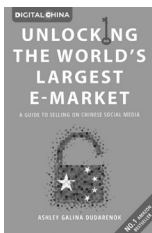
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Conclusion

Chinese consumers are influential not only in their domestic market, but their cross-border purchasing power is increasing year by year and they have become a huge force in tourism all around the globe. There's no excuse not to work with them, even if you are not physically in China.

If you want to know how, get in touch. We'd love to work with you.

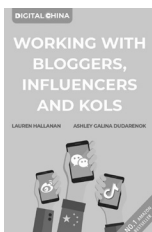
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For dynamic, energy-filled keynote speeches related to Chinese consumers, e-commerce, social media marketing and more, Ashley fits the bill. For more information, contact us at natalia@chozan.co.

If you have any questions, please get in touch with me directly at ashley@chozan.co or call (+852) 3709-2258.

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"Ashley understands the ecosystems of WeChat, Chinese social media and social commerce, Chinese consumers and Chinese New Retail at a level, and with a depth and breadth of knowledge, that places her among the elite thinkers and doers in Chinese Digital Commerce."

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"Ashley doesn't only create content that's incredibly interesting and valuable, but also shares her inspiration and spreads knowledge of the fast-changing, growing economy that Westerners need to adapt to when expanding into China."

— Jia Song, China Enterprise Business Center



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Her specialties are China market entry, Chinese consumers and New Retail.

