

Understanding China's teen consumers

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Teenagers in China fall into several distinct segments, so companies must identify the right group and tailor their marketing approach accordingly.

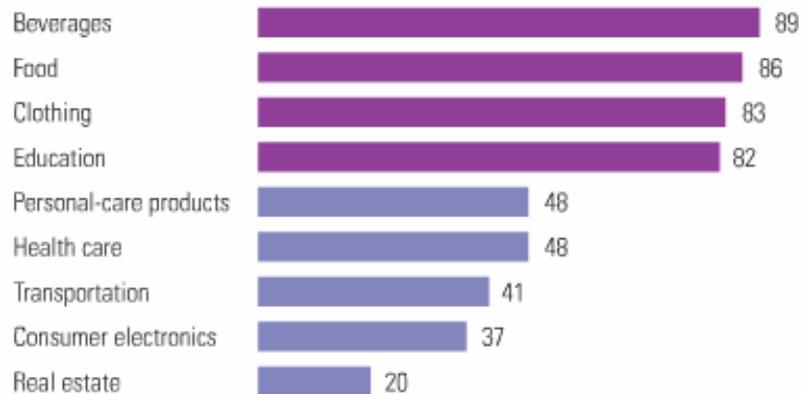
At first glance, urban teenagers in China mirror their peers around the world: they embrace what's new and racy and walk around in branded clothes. But this first impression is deceptive, for a closer look reveals a consumer group that's a unique mix of modern tastes and traditional values, with behavior very different from that of its Western counterparts. Marketers lulled by similarities between Chinese teens and those in developed countries could fail to connect with a group that already controls billions of dollars in annual spending.

Our research¹ found that direct spending on or by urban teens in China totals 290 billion renminbi (about \$36 billion) a year. This figure includes about 60 billion renminbi in pocket money² and around 230 billion renminbi that families spend on their teenage children annually. These expenditures include 70 billion renminbi each for food and education (tuition, tutors, and textbooks, for instance) and 30 billion renminbi for clothing. Across income brackets, about 90 percent of the parents we surveyed said they would spend more on their children if they could. Beyond this direct spending, our teen respondents said they also influence a broad range of family purchases (Exhibit 1)—as do teens around the world—which, we estimate, adds 225 billion renminbi to their market value.

Can we get that?

% of respondents who answered 'strongly agree,' 'agree,' or 'somewhat agree'

I influence my parents on purchasing decisions in the following categories:



Source: Sept 2005 McKinsey interviews with 793 Chinese consumers aged 12 to 17

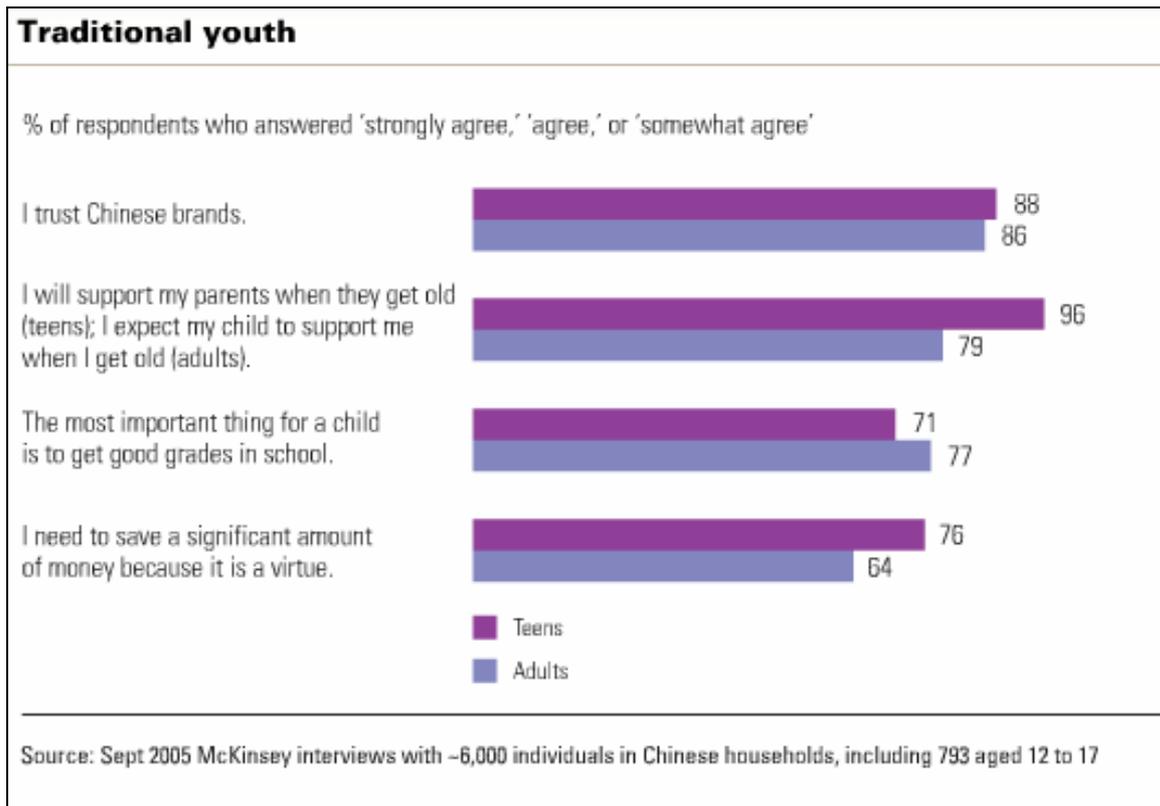
Modern aspirations with traditional values

A solid understanding of how teens in China differ from their counterparts around the world is important when companies design marketing strategies for this influential group. Our research shows that Chinese teens are modern in many ways, yet they can also be very traditional.

Like urban teens elsewhere in the world, those in China are much more conscious of name brands and fashionable trends than their parents are. Sixty-five percent of teens in our sample said it is very important to keep up with the latest fashions, compared with 48 percent of the adults. The gap narrowed when certain product categories were discussed. Among the teens, for instance, 80 percent said they prefer name-brand mobile phones, compared with 70 percent of the adults, and 80 percent also favor name-brand clothes, compared with 75

percent of the adults. But when you look at those respondents with the greatest degree of conviction, the gap is significant. For mobile phones, 19 percent of the members of our teen sample said they strongly prefer name brands, compared with 5 percent of the adults; for clothes, the spread was 14 percent to 5 percent, respectively.

But this familiar image of a teenager blurs when we asked Chinese teens about their values and behavior. In many respects they are more traditional than their parents. For example, 96 percent of our teenage respondents said they expect to support their parents during old age, compared with 79 percent of parents who anticipate such support from their children (Exhibit 2). Teens likely learned these values from elder family members and in school and have yet to face life experiences that would challenge them.



Interestingly, 88 percent of the Chinese teens we surveyed said they trust domestic brands; 65 percent also trust foreign ones.³ While this trust in local products was in line with results from our adult survey, teens trust foreign goods more than their elders do. This pattern probably reflects a generation whose only experience has been a robust economy with a prominent multinational presence and rapidly emerging, successful Chinese companies. The current generation of teens is simultaneously more traditional and more modern than its predecessors—in essence more confident of its place in the world.

This nationalistic strain indicates that companies could miss the mark by targeting rebellious teens, a strategy common in developed countries. In contrast, Mengniu Dairy, China's second-largest dairy, combines feelings of national pride and modernity in its campaigns. (Chinese teens, unlike their Western counterparts, are big consumers of milk and yogurt products.) The dairy sponsored the Super Girl television show, the Chinese version of the American Idol talent program. Heralded as the country's most successful commercial television program, the show proved very popular among young viewers—especially teens. Sales of a sour yogurt drink, promoted heavily on the show, more than tripled during the course of the program's second season, which ended in the summer of 2005.⁴

Differences in the way Chinese teens spend their free time compared with teens in other markets could also trip up unwary companies. As in most developed countries, TV rules in

China: teens there spend about a third of their free time watching it. But they also read books, newspapers, and magazines during 22 percent of their free time—almost eight hours a week, a higher share than in developed markets. As TV advertising rates increase and more commercials crowd the airwaves, companies with products aimed at teens could consider promotional activities in bookstores and newsstands, ways to sponsor or advertise in books, or marketing materials that are more text heavy than would be common in the developed world. Older teens tend to spend less of their free time watching TV and more time listening to music or playing computer games, while the time spent reading is relatively constant across age groups.

Finding the right segment

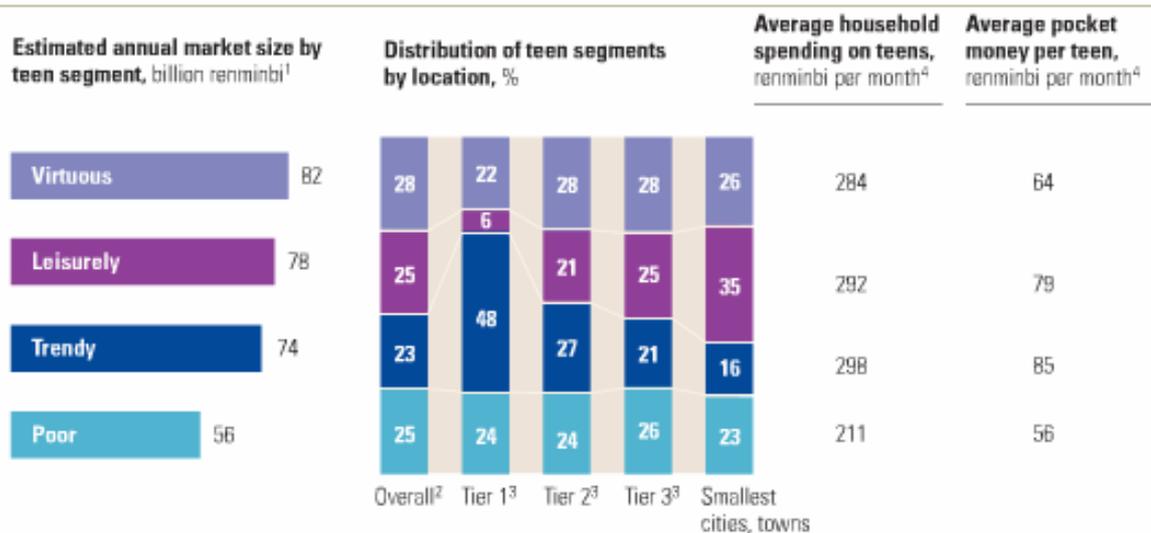
Like adults, urban teens are not homogeneous. We found that attitudes vary considerably by city size, for instance. Teens living in the tier-one cities put much greater importance on social status and on getting good grades than do those living elsewhere, while teens in the smallest urban settings have a stronger desire to study abroad. Not surprisingly, attitudes also shift with age: 16- and 17-year-olds are more fashion conscious than younger teens and less likely to place importance on good grades or overseas study.

However, marketers should look beyond demographics. They will have greater success targeting segments, each with its own distinctive tastes and behavior, that cut across these standard groupings. We have identified four such segments: trendy, poor, leisurely, and virtuous (Exhibit 3). Teens falling into the trendy segment, dominant in the tier-one cities, receive the most attention from the media and marketers. But they are the smallest teen segment and, after poor teens, represent the smallest market, at 74 billion renminbi annually (Exhibit 4).

Segmenting Chinese teens	
Trendy	<ul style="list-style-type: none"> • Brand conscious and image driven; trust foreign brands • More pocket money than other segments; strong influence on family food and beverage purchases • Early adopters of technology; of all segments, spend the most in Internet cafes • Equate success with money, status; good grades are most important • Unlikely to consider fast food unhealthy; only 8% believe canned soft drinks are unhealthy, compared with overall average of 22%
Poor	<ul style="list-style-type: none"> • Would like to buy branded products but find them costly; trust Chinese brands • Least amount of pocket money, spend on snacks, beverages; strong influence on family food purchases • Admire people with newest technology; spend 38% of free time watching television • Important to get good grades; want to study overseas • Least likely to consider fast food, canned soft drinks to be unhealthy
Leisurely	<ul style="list-style-type: none"> • Almost as much pocket money as trendy teens, spend on music; have some influence over household purchases, eg, beverages, clothing • Watch less television than other segments but listen to music, watch videos, and surf the Internet more than most • Do not equate success with money, status; saving money is important; good grades not that important • Consider fast food, canned soft drinks somewhat unhealthy
Virtuous	<ul style="list-style-type: none"> • Not brand conscious or image driven • Modest amount of pocket money, spend the most on books; have little influence over family purchases • Watch more television than other segments • Do not equate success with money, status; saving money, good family life are important; want to study overseas • Consider fast food, canned soft drinks unhealthy

Source: Sept 2005 McKinsey interviews with ~6,000 individuals in Chinese households, including 793 aged 12 to 17

Variations on a teen



¹ 1 renminbi = \$0.12.

² Figures do not sum to 100%, because of rounding.

³ Cities are sorted into tiers based on factors such as population and GDP per capita; 2nd-tier cities are the 40 cities (primarily provincial capitals) after Beijing, Guangzhou, and Shanghai; 3rd-tier cities include the next 60.

⁴ Average household spending excludes pocket money, ie, money from parents, grandparents, relatives, part-time jobs, scholarships.

Source: Sept 2005 McKinsey interviews with ~6,000 individuals in Chinese households, including 793 aged 12 to 17

A closer look at these results suggests ways for companies to target desirable segments more effectively. Virtuous teens—the largest segment in second- and third-tier cities—are more likely, for example, to believe that fast food and soft drinks are unhealthy, so they might respond to promotions for healthier alternatives at restaurants and retail outlets. Since trendy and leisurely teens are about twice as likely as teens in the other segments to search the Internet for information before making a major purchase, Web sites could be a critical tool for reaching them.

Also, the spending habits reported by each group can help companies identify which segments are the most valuable for certain products. Poor teens, for example, spend 44 percent of their pocket money on snacks, a larger share than any other group, creating a market worth about 5 billion renminbi annually. Trendy and virtuous teens are the biggest book buyers, with each segment purchasing about 6 billion renminbi worth of goods in this category. And the leisurely segment spends about 1.7 billion renminbi at restaurants and 1.5 billion renminbi on music CDs and tapes each year (according to their own estimates), much more than any other group.

Teens represent a significant market for many consumer goods companies in China. Marketers must carefully select target segments and stay focused on them by addressing their values and choosing the right channels. Companies will succeed only by exploring the differences that set Chinese teens apart from those in the rest of the world.

About the Authors

Ian St-Maurice is an associate principal and Claudia Wu is a consultant in McKinsey's Shanghai office.

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Notes

1 We interviewed about 6,000 individuals in households throughout China, from the largest cities to semirural communities, and talked with 793 consumers aged 12 to 17 in those families.

2 Approximately 50 billion renminbi comes from parents each year, with the remaining 10 billion renminbi from sources such as other relatives, part-time jobs, and scholarships. Rural teens were not part of our study, but we estimate that if their pocket money were included, the annual total would be about 80 billion renminbi.

3 Teens were asked separately whether they trusted domestic and foreign brands and could answer yes to both.

4 Normandy Madden, "Real winner of Super Girl is Mengniu Dairy," AdAgeChina, October 10, 2005.

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