

Chinese consumers: an international comparison

Mike Sherman, Synovate, uses international research to show how China's leading-edge consumers compare with those of the US and UK

KNOWLEDGE IS GOLD. In order to understand a market, full information is required. We all know that China is changing, however, many marketing professionals would benefit from a deeper knowledge of the country as some of what they do know is often stereotypical and anecdotal.

The following findings from Synovate are intended as a starting point to help marketers begin their successful journey into China's young but growing market place.

Furthermore, you will be able to contrast and compare China with the US and UK markets.

The findings are drawn from our Hotspots research, which was conducted mid-2006 and covered 20 emerging markets. The research covered the urban areas of Beijing, Shanghai and Guangzhou, commonly known as Tier 1 as they are the most affluent markets in China. These areas are clearly setting the pace in China, making them the most studied and interesting to learn from.

Additional markets in China are categorised as follows: Tier 2, provincial

capital cities; Tier 3, small cities; and Tier 4, rural areas.

Chinese Tier 1 consumers display many of the same attitudes and habits as their US and UK counterparts. All three markets place great importance on family, health, education, having a good job, and a good home (see Table 1). What is clear, though, is that the Chinese place a higher value on health, education and a good home.

Shop 'til they drop

While Tier 1 consumers shop in many of the same types of store as their UK and US counterparts, it appears DIY and online stores have yet to catch on in China. What is interesting is that they tend to shop more often as the other markets, with the Chinese reporting 278 trips to the major retail channels versus 223 in the US and 262 in the UK (see Table 2).

China is also becoming acquainted with global retailers: 70% said they know of US retail heavy weight Wal-Mart (which has only 50 stores in China), while 96% had heard of the French champion Carrefour, which has 85 stores. However, Tesco is virtually unknown - only 10% of the Chinese have heard of it, probably due to its virtual absence from China.

Spending versus saving

The biggest difference between the markets appeared in how the Chinese would spend an increase in their income, compared to the Americans and the British. Asked if they would mainly spend, save, invest or pay off debt if their income grew by 20%, the Chinese are much more apt to spend the money. As Table 3 shows, just over half of those interviewed would spend more, while their US and UK counterparts have clearly already spent the money, and would use additional income to reduce their debt.

Interestingly, much of the spending increase would go towards basics like better food (37%) and clothing (38%). Perhaps some of that will be designer clothing, as only 13% report owning designer clothing today (as opposed to 25% in the US and 29% in the UK).

The entrepreneurial spirit is also more

TABLE 3
What would they do with a 20% increase in income? (%)

	China	US	UK
Spend	51	12	12
Save	27	28	27
Invest	19	18	17
Pay off debt	3	42	44

evident in China, with 19% of investors looking at new business opportunities - almost three times the rate seen in the US and UK.

However, what they are less likely to invest in is real estate. Only half as many (18% versus 36% in the US and 40% in the UK) see real estate as an attractive investment, probably discouraged by recent press reports of a potential real estate bubble.

Life is good

Overall, the Chinese are more satisfied with the status quo and are optimistic about the future: 33% strongly agree that 'today life is good for me and my family', versus 22% in the US and only 6% in the UK. While life is good, they expect it to get better: 60% strongly agree that things will be better in five years (versus 19% in the US and 11% in the UK); 57% believe their country has a bright future (versus 12% in the US and 3% in the UK); and 39% believe their country is innovative (versus 19% in the US and 6% in the UK).

One area they are not so optimistic about is the environment: the Chinese are much more concerned about the environment than their US and UK peers. Specifically, 56% believe the environment is a major issue and a further 60% believe their environment is too polluted - more than double the figures for the US and UK.

Ownership and consumption

Unsurprisingly, Tier 1 Chinese consumers have not yet reached the US and UK levels of product ownership and consumption. Far fewer own a car, have a credit card, invest in stocks or travel by airplane (see Table 4).

TABLE 1
What is very important to them? (%)

	China	US	UK
Health	96	72	75
Family	84	81	77
Education	76	50	53
Good home	72	50	48
Retirement savings	48	57	44
Good income	45	49	36

TABLE 2
Where have they shopped in the past 12 months? (%)

	China	US	UK
Convenience store	78	73	66
Supermarket	85	95	97
Local food store	76	79	76
Department store	67	80	75
DIY	23	50	66
Online	24	75	81



Mike Sherman is executive director of Customer Insights - Asia, at Synovate, specialising in strategic research. mike.sherman@synovate.com

When it comes to some consumer products, Chinese usage rivals - if not exceeds - the West. Many people are surprised to hear beer consumption in China surpasses that in the UK, and that China is now the world's largest beer-market (although the Czechs remain the beer drinking champions, consuming 157 litres per capita versus only 22 in China). Imagine the size of the market if the Chinese were to get as thirsty! Cola and fast-food consumption is also on par with that in the West, so one wonders if the growth of diet centres can be far behind.

One area of remarkable ownership in China is the mobile phone. China has the largest mobile phone user base of any country, with China's Ministry of Industry Information reporting almost 450 million mobile phone users as of October 2006. This is illustrated in our survey, where 91% of Chinese Tier i respondents reported owning a mobile phone, nearly equalling the UK (93%) and exceeding the US (86%).

While many product categories are large and growing, quality remains an issue. Only 22% of Chinese consumers agreed that local products are as good as international brands (versus 34% in the

US). But the multinationals should beware of complacency as 61% of the Chinese said they would prefer a local brand if the cost and quality were the same - which exceeded both the US at 45% and the UK at 31%.

What does all of this mean to marketers?

The above findings have focused on a cross-section of Tier i Chinese, American and British consumers. One topic of interest within these populations is C K Prahalad's 'bottom of the pyramid' theory that there is strong potential in the poor. Here we see a fascinating contrast between China, the US and the UK: in China, attitudes of both the lower and middle classes are similar but their purchasing patterns are not, while in the US and the UK, both attitudes and purchasing patterns are different.

Synovate split the population into a bottom quartile, two middle quartiles and a top quartile, and then compared the bottom and middle to discern differences in opinions and behaviours. Interestingly, the attitudes and beliefs of the Chinese bottom and middle segments of the population are quite similar: they place similar importance on family, education, a good home and income (although the bottom segment places more importance on

income). They are also similarly, if not almost identically, optimistic and satisfied today (life is good).

Where they differ, not surprisingly, is in product ownership. Low-income consumers have lower ownership of products and services across the board. However, this does not necessarily mean they do not have anything, only that they need to be more judicious in choosing what to buy. Take mobile phones: 96% of middle-income consumers own one, while lower-income consumers are only 15% behind at 81%. This means that four out of five Tier i low-income residents own a mobile phone.

Some of those phones are older, second-hand, reconditioned phones, but do not assume that is always so. In one recent set of interviews in rural China (Tier 4), some respondents - most of whom make less than US \$1000 per year - proudly showed off their state-of-the-art Motorolas and Nokias. Some were gifts from their children working in the major cities, but others had chosen to spend their meagre savings on this one important item. And it was not just the ownership that was remarkable: these owners are savvy consumers who can knowledgeably explain product and brand differences.

The US and UK situation is quite different, with low-income consumers showing substantial differences in both attitudes and purchasing habits.

The findings revealed here bode well for companies looking to sell in China, mainly because of these attitudes shared by the lower and middle segments. As low-income consumers increase their earnings and see their purchasing power grow, their similar attitudes are likely to lead to the same purchasing behaviours - and brand preferences - as exhibited by the more affluent middle class. In contrast, capturing low-income potential in the West will be much more difficult, since differences in attitudes suggest a wholly different approach is necessary to unlock these consumers' potential.

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TABLE 4
What do they own/use? (%)

	China Tier 1	US	UK
Car	18	85	54
Bank account	85	98	96
Credit card	57*	80	75
Equity investments	29	51	29
Mobile phone	91	86	93
Larger flat-screen TV	48	30	39
Airline	17	24	32
Beer	67	41	52
Whiskey/Scotch	12	11	23
Cola	80	79	64
Fast-food chain	70	84	65
Face make-up	27	31	45
Shampoo	95	94	95

* Note: many Chinese confuse ATM/debit cards with credit cards, so this number is probably significantly overstated.