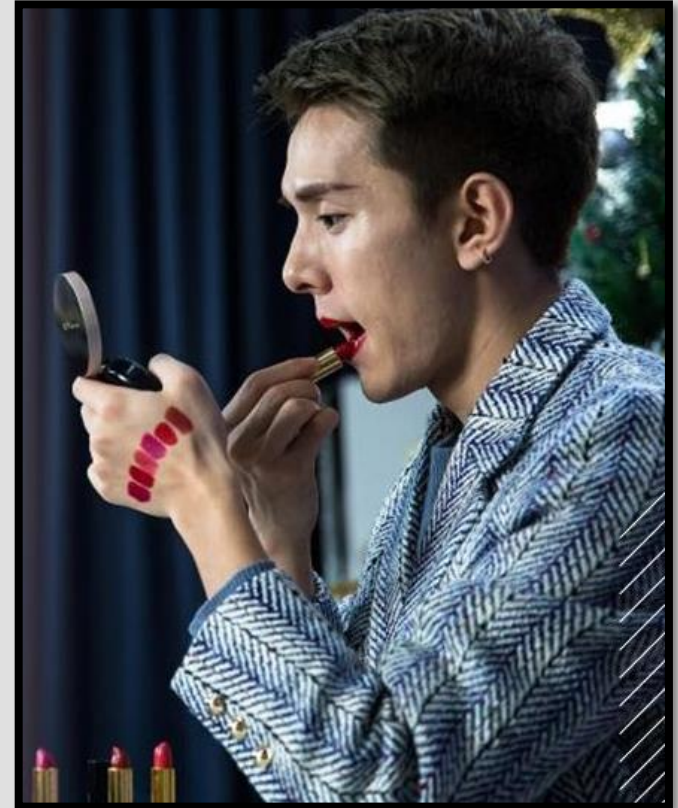


3 important consumer trends

Western brands need to know
about China

July 2020



The magnitude of China's middle-class growth is transforming the nation.

As recently as 2000, only 4% of urban households in China was middle class.

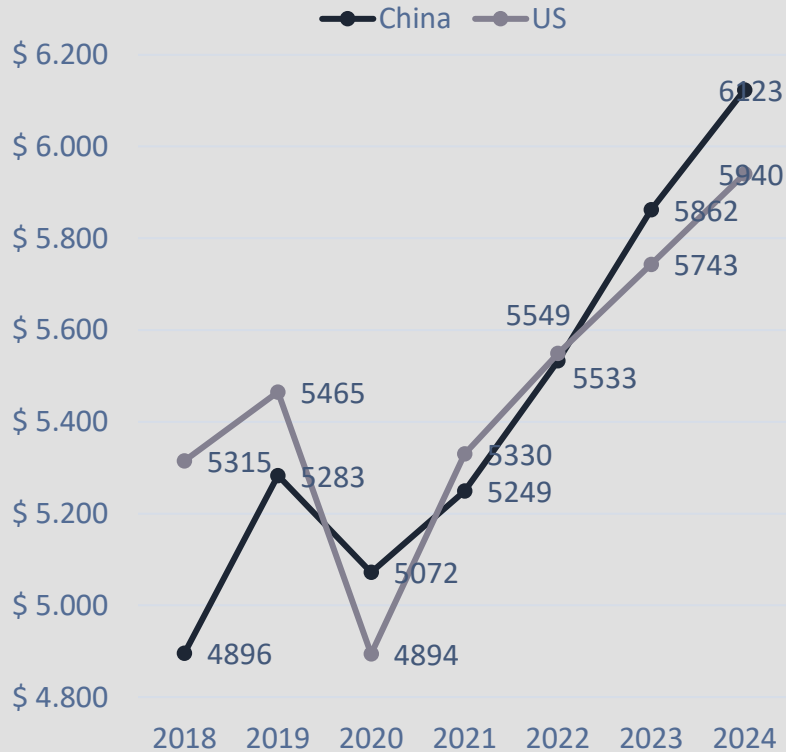
By 2012, that share had soared to 68%.

By 2022, China's middle class is expected to become **630 million** – that is, **76%** of the urban Chinese households and **45%** of the entire population.

76 percent of China's urban population will enter the middle-income bracket by 2022.



Total retail sales in China and the US, 2018A – 2024F



Source: Emarketer

China is expected to surpass the US as the world's largest consumer market this year

In 2020, China's per capita GDP will exceed **\$10,000**, and its middle class will become the main force behind consumption.

In 2019, **consumer retail** spending increased **8 percent** YoY, counting \$5.3 trillion in total.

Despite decline in 2020 caused by Covid19, China will still become the **world's largest retail market** this year.

China's retail ecommerce sales grew 27.3% YoY in 2019



China's retail ecommerce sales in 2019 grew much faster than total retail, increasing 27.3% year over year to **\$1.9 trillion**. By 2023, retail ecommerce sales will represent **63.9% of total retail sales**. Consumers will spend **\$2.090 trillion** (RMB14.440 trillion) on retail ecommerce this year, an **increase of 16.0%**. That is 7.7 percentage points less than our pre-pandemic forecast but still hundreds of billions of dollars in additional spending compared with 2019.



A big step forwards in online shopping habits

In the first four months of this year, China's total retail sales of consumer goods amounted to **RMB10.68 trillion** (\$1.5 trillion), a decrease of 16.2% compared with the same period last year, while sales of **online retail** reached RMB2.56 trillion (\$360 billion), an **increase of 8.6%**.

Chinese consumers are changing shopping habits in response to COVID-19



China is ahead of the curve in its recovery from the recent COVID-19 outbreak, with many provinces slowly returning to normal levels of activity. Factories are restarting production and consumers are beginning to spend again.

However, the crisis has had a dramatic and lingering impact on the nation's shopping habits, with implications for brands in China and globally.



STRONG RECOVERY OF CONSUMER CONFIDENCE

JD.com 618 festival 2020 sales statistics



2,000
brands

grew by more than
100% year over year



187
brands

received more than
¥100M in orders



100
million RMB

live-streaming orders
within 2 minutes



500%
growth

of orders on
JD supermarket



**A RECORD-BREAKING
YEAR FOR JD.COM:**

618 revenues grow 33%
in the post-COVID era

*618 Grand Promotion is the
biggest mid-year shopping
festival, and the second
biggest shopping festival in
China after Single's Day
11/11*

3 IMPORTANT CONSUMER TRENDS WESTERN BRANDS NEED TO KNOW



1

Livestream buying

big step forwards in online shopping and entertaining habits

2

Higher responsibilities

Young consumers buy necessities for the whole family

3

Value for money

The rise of Consumer-to-manufacturer (C2M) products

A black and white photograph of a man sitting at a desk, engaged in a livestream. He is pointing his right hand towards the camera while holding a small, fluffy white dog with his left hand. The desk is cluttered with various items: a laptop in the foreground, a ring light on a stand to the left, a professional video camera on a tripod, a smartphone on a stand, a water bottle, a coffee cup, and some papers. The background is a plain wall with a curtain on the right side.

1. Livestream buying

While overall retail consumption was down 16.2% in the first quarter of 2020, ecommerce sales increased by 8.6% compared to the same period in 2019.

Online food sales jumped 32.7% from January to March this year.

—National Bureau of Statistics of China



京东生鲜

海参

搜索

我的购物车

扫码

红毛丹 冷盘熟食 面包糕点 青椒火腿 鸡蛋 芦笋 泡菜

首页

东家菜

优选100

试吃

品质保障



新鲜水果



海鲜水产



猪牛羊肉



禽类蛋品



新鲜蔬菜



速冻食品



饮品甜品

新鲜开张

芒果19.9元4斤

鲜活速达

泰国进口金枕头榴莲约2.2

89.90元

This shift from offline to online is significant and has continued after the lockdown, leading customer's online shopping habits to leapfrog at least one or two years, especially in the grocery category.

Livestreaming e-commerce has taken the lead

Chinese people's attention is more than ever focused on the digital world with an ever-growing internet user base. With the rise of KOLs, it was only a questions of time before live-streaming become the norm when marketing in China. The total scale of China's live streaming e-commerce industry reached **RMB 433.8 billion** in 2019 and is expected **to double** by the end of 2020.



Louis Vuitton debuts livestreaming on Little Red Book.

Source: iResearch

Brick and mortar shopping malls, along with other sectors, are being rescued by livestreaming e-commerce

During the epidemic, with **5G developing**, livestreaming has shown even more possibilities. 5G capabilities have made a big difference, as signals are more stable and pictures are clearer. In addition to retail, **livestreaming has really stood out in education, entertainment, and tourism.**



Douyin offers livestream education.

2 million users watching livestreamed real estate events on Taobao Live

During the epidemic, more and more industries turned to livestreaming e-commerce and it moved beyond the standard products. People were even selling houses. On April 24, Evergrande Group, one of China's biggest real estate companies, had over 3.8 million viewers for its livestream and it racked up 7.12 million likes. During the broadcast, **38 discounted apartments sold out in one second.**



*Real Estate agent shows properties to his fanbase via
livestreaming*

Live-streaming helped China's farmers survive the pandemic. It's here to stay.

Local villagers in Xiping County of central China's Henan Province are relying on live streaming as a new marketing tool to sell clothes amid the COVID-19 epidemic. The apparel industry creates a significant amount of jobs in China, especially in rural areas. Since March, the monthly registration of livestreaming enterprises has reached a record high. In May, the number hit **2,877 – 684 percent higher** than the same period in 2019.



D Live's top influencers Xu Fei who helped Ao and Li promote their flowers. Broadcasts typically last one to two hours. At its peak, this one surpassed 1 million viewers.



2. Higher Responsibilities

Young people are the main driver of lockdown shopping, as they are savvier about using online shopping apps.

Data indicates that since the beginning of this year, more than 70% of consumers born after 1995 have shifted from "buying only for themselves" to "buying necessities for the whole family"





More farmers are now selling fresh produce on live streams in China

Furthermore, when many young people returned from major cities to their homes in China's lower-tier cities, they helped their family members to engage with online shopping - and to some extent they have driven the penetration of brand, quality and authentic products into lower-tier city markets.

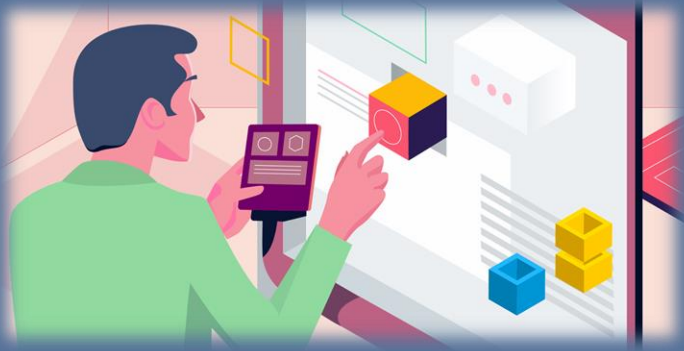
Young consumers become more mature

**Millenials and GenZ have created more awareness of the need to protect the family
Data shows a 34-fold increase in transaction volumes of disposable cleaning products and a 340% increase in purchases of sterilization products year-on-year.**



3. Value for money

Consumer-to-manufacturer (C2M) products



As consumers become more **cautious in making purchase decisions** in the face of ongoing pandemic uncertainty, sales of **customized** products that are more directly tailored to consumers' needs are rising. Consumer-to-manufacturer (C2M) products, which are designed based on big data analysis of direct customer feedback, are increasingly popular, **satisfying consumer demand and providing good value for money** are increasing popular.

These products are designed based on insights gleaned from data generated by targeted consumers and are thus able to provide more customized functions at reasonable cost, resulting in **better value for money**.



Health and fitness is here to stay

China's affluent younger generation had never experienced a domestic economic downturn prior to COVID-19. The virus has forced them to think harder about spending, saving, and trade-offs in purchasing behavior.

Consumers are seeking **better quality and healthier options**: more than 70 percent of respondents in McKinsey & Company's COVID-19 consumer survey will continue **to spend more time and money purchasing safe and eco-friendly products**, while three-quarters want to **eat more healthily** after the crisis.



Thanks!

**Chat to West meets East to develop
your China market strategy**

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