



New gold mines of China

December 2011

Italian parliament



Chinese National People's Congress

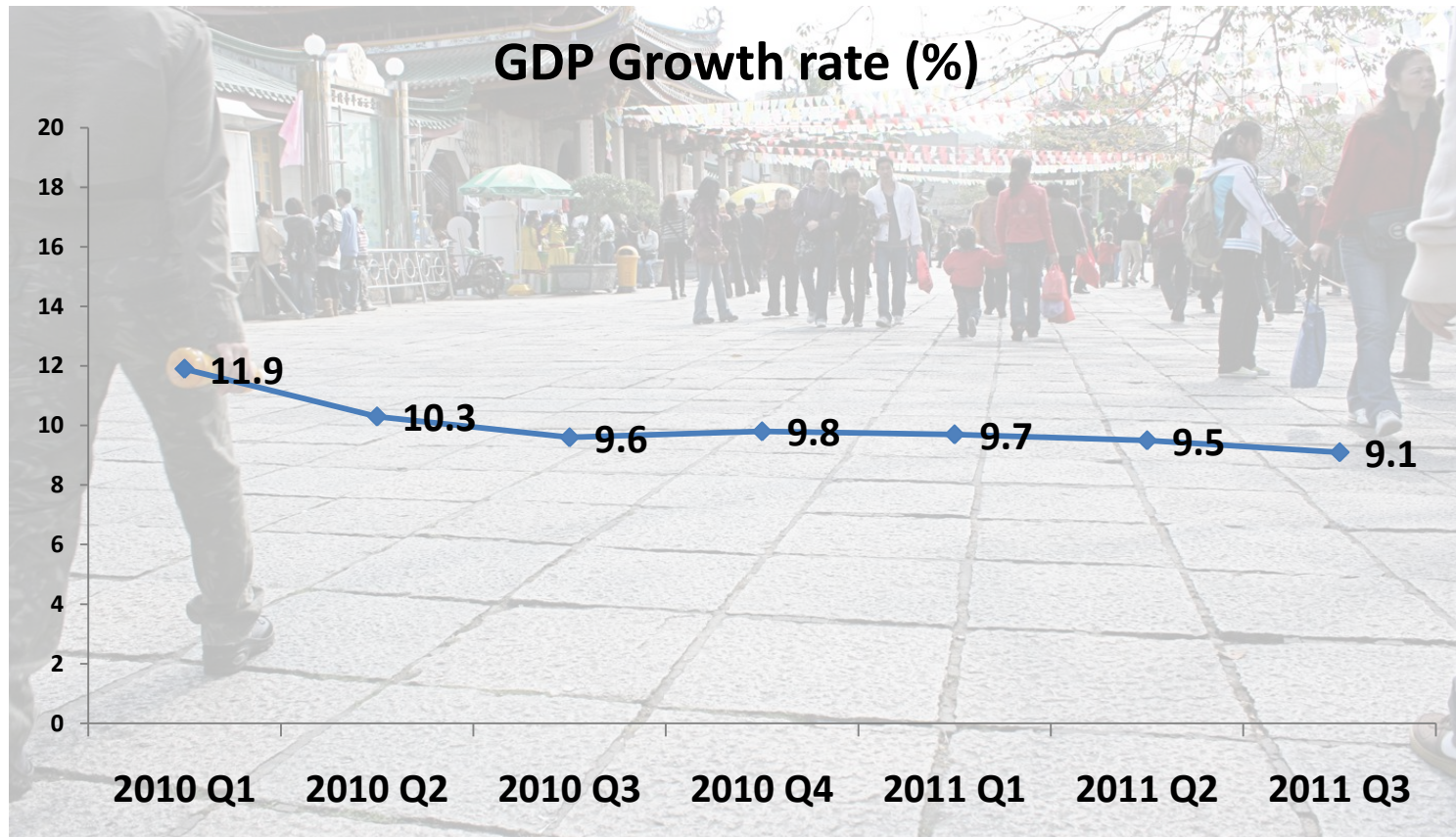


We have begun to expect the Western democratic institutions to display a certain degree of debate and even raucousness. However the Chinese equivalent legislative bodies, whose leaderships largely consist of engineers are believed to be much more disciplined and expected to go about their business in a focused manner, confining themselves to the weighty matters of national economy and defence.

However the recent meeting of the Central Committee of the Communist Party emphasised the need to boost country's cultural soft power



May be an opportune moment
As the numbers are also softening



The rapid growth in China over the last three decades have certainly resulted in several contradictions and co-existing trends in seemingly opposite directions.

Newton's law of Consumer trends in China

For every
consumer trend
that you can see
in China



There is an
equal and
opposite trend

China last 30 years

With much reason to celebrate

- Average growth rate of over 9% a year
- Poverty rate reduced from 65% to 10%
- All millenium development goals achieved or within reach



China last 30 years

Still much to look for

- Still need to improve the living standards of the huge rural populace
- Challenges of inclusive growth, yawning income gaps and providing affordable housing.

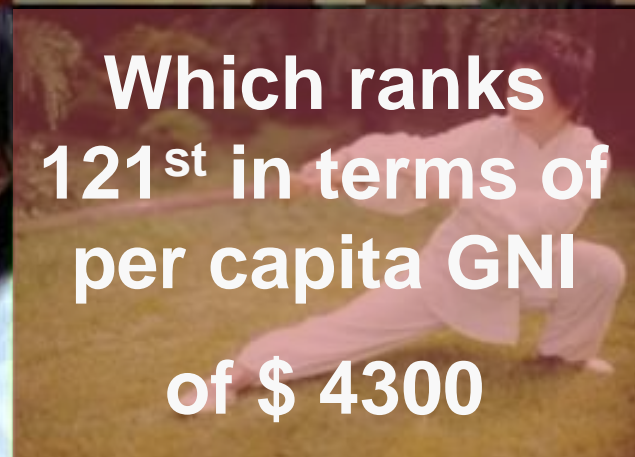


Welcome to the
2nd largest
economy
in the world!





Welcome to the
2nd largest
economy
in the world!



Which ranks
121st in terms of
per capita GNI
of \$ 4300

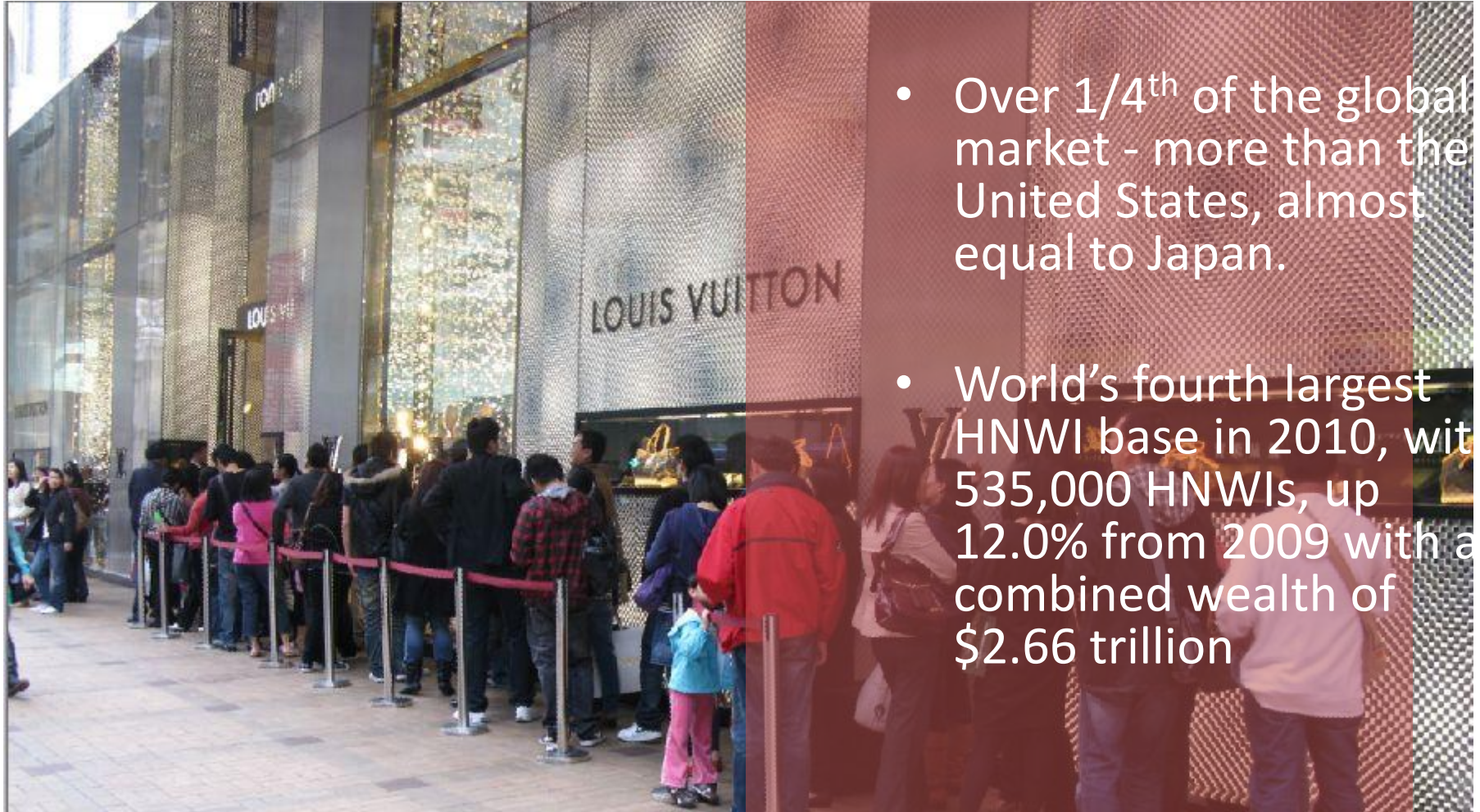
Is this a typical Chinese consumer?



Or these?



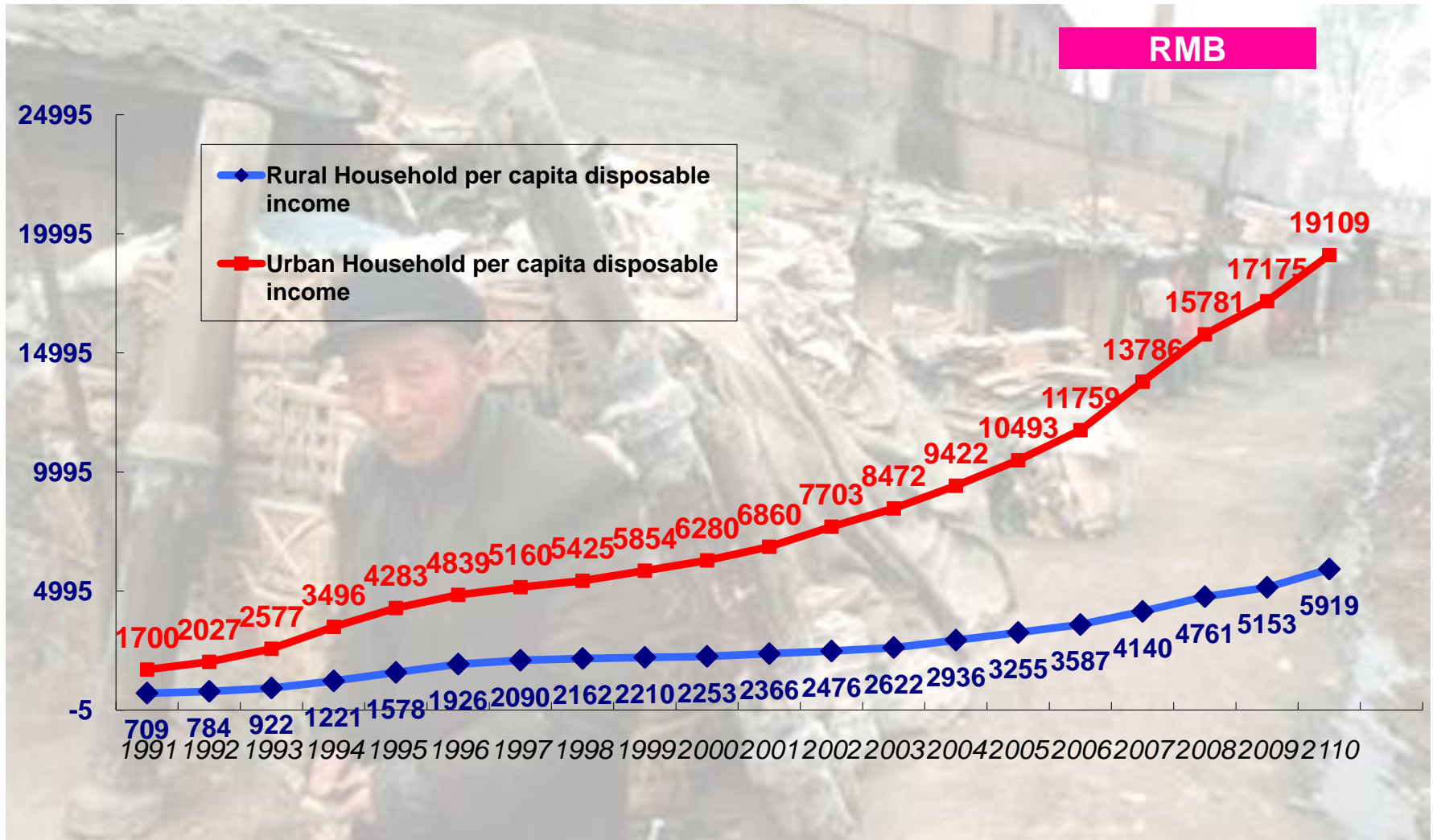
China: Soon to be the largest luxury market in the world



- Over 1/4th of the global market - more than the United States, almost equal to Japan.
- World's fourth largest HNWI base in 2010, with 535,000 HNWIs, up 12.0% from 2009 with a combined wealth of \$2.66 trillion

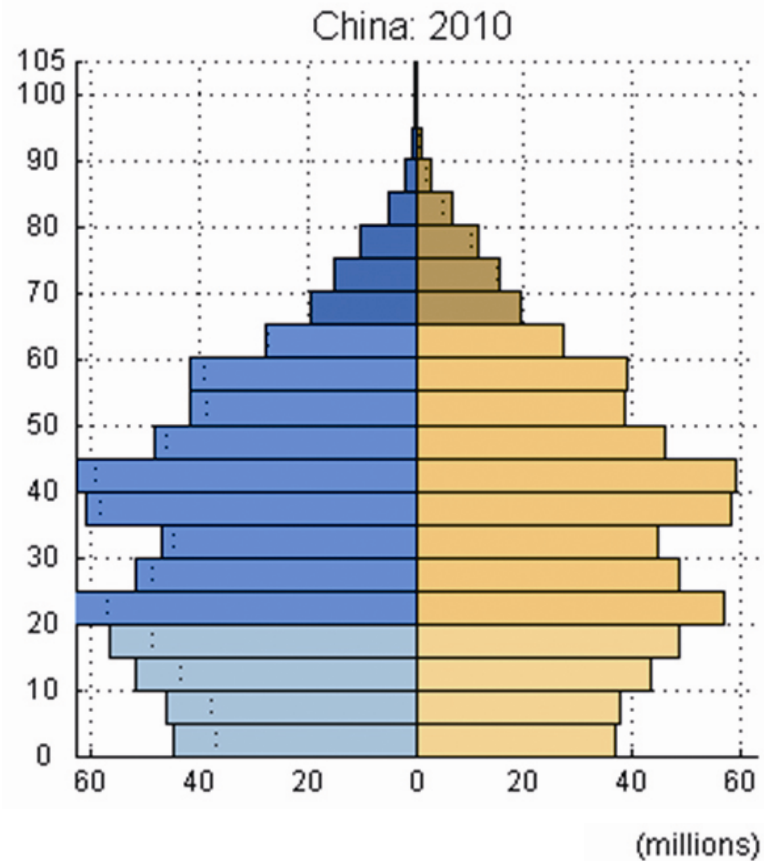
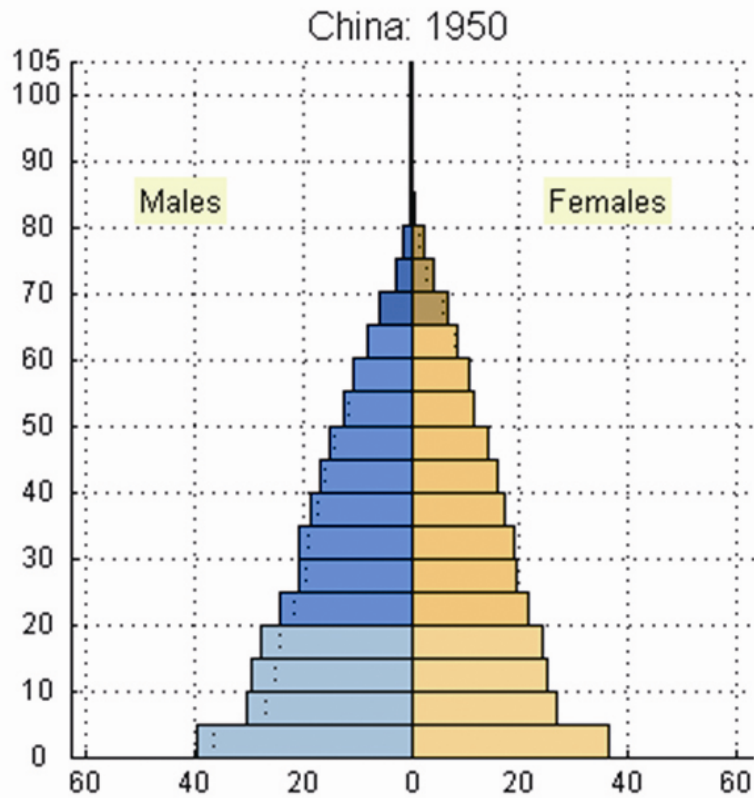
Yet 674 m Chinese consumers live in rural China

With a per capita income of less than US 1000



Large youth population 222 m under 15 years of age

Population by age groups and sex (absolute numbers)

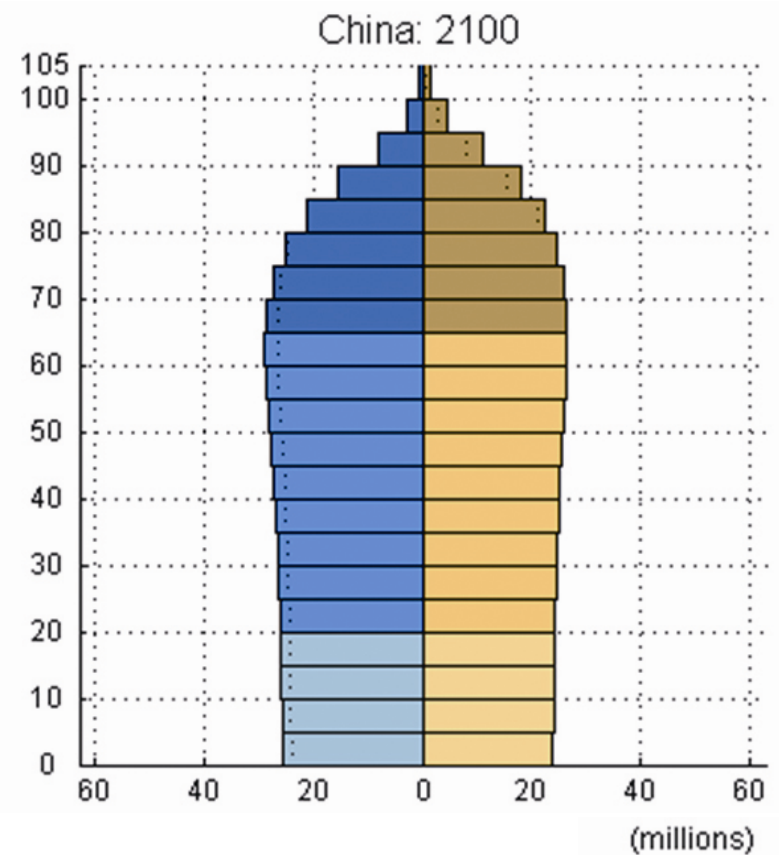
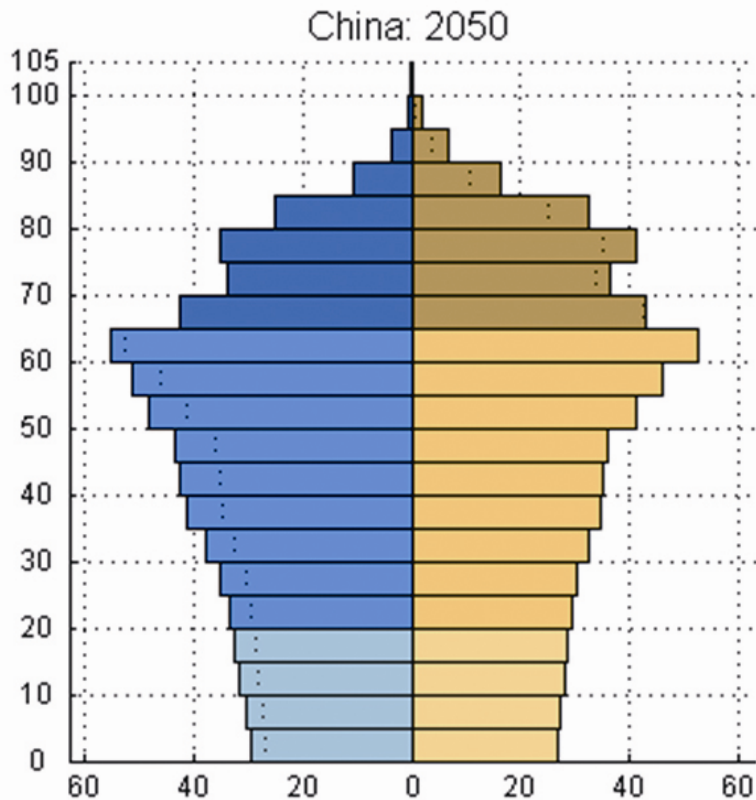


But also the largest grey population in the world

China had 178 million people aged 60 and above in 2010

Further rapid ageing expected in the coming years

Population by age groups and sex (absolute numbers)



The key challenges and opportunities today

Rapid urbanization

Declining demographic dividend

Gender imbalance

Inexorable march of internet

Changing structure of the economy

Resulting gold mines

Fortune in smaller tier cities

Premium and luxury products

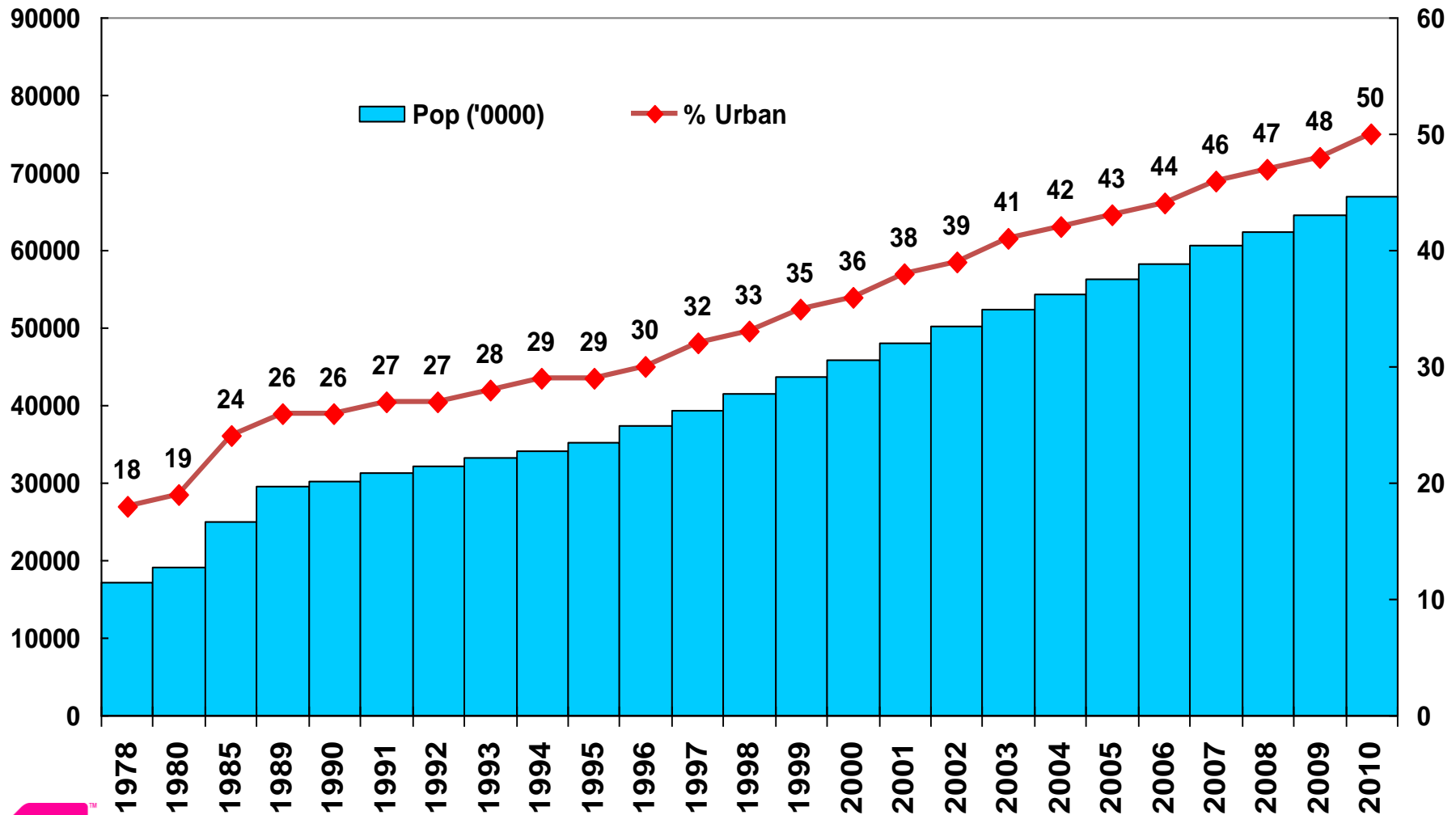
E-commerce

The services sector

Health and well being industry

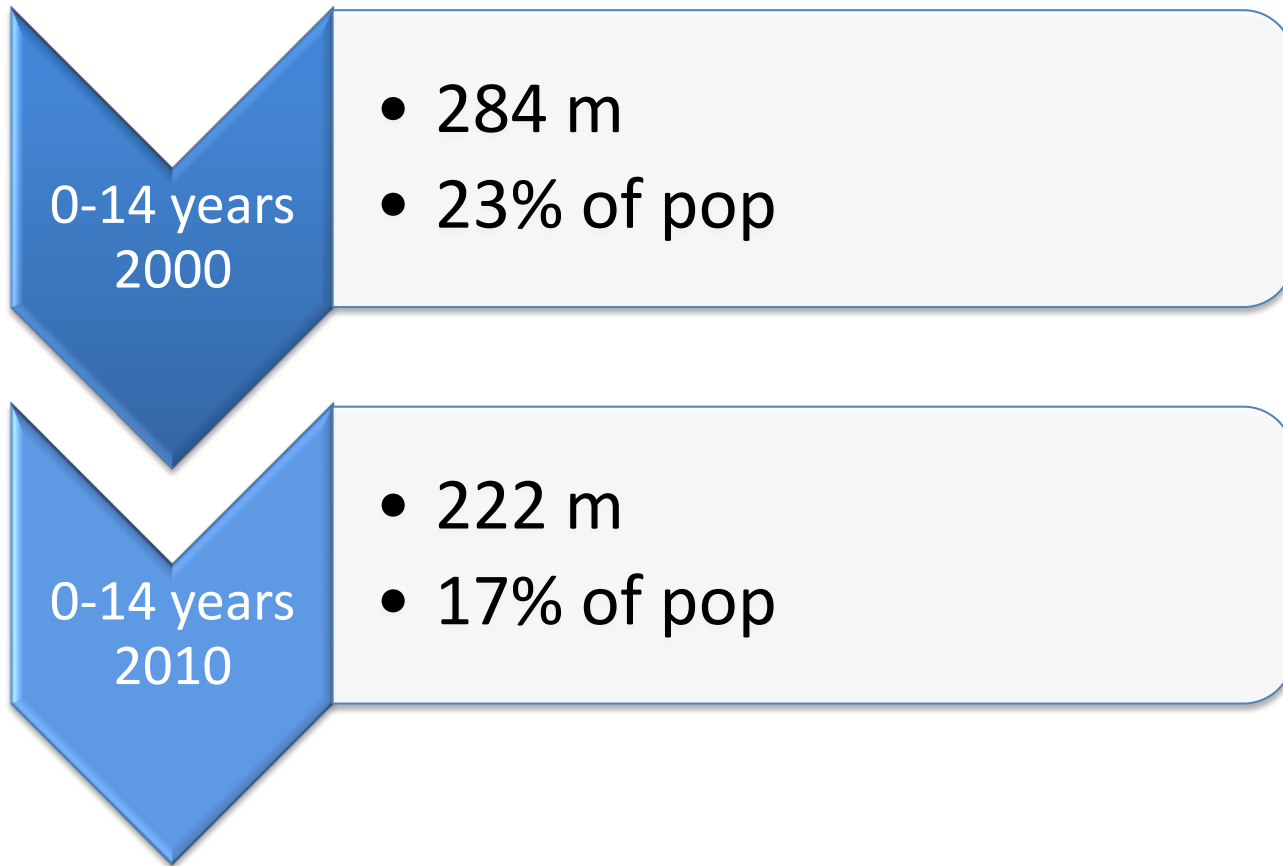
1. Rapid urbanization

15 million urban consumers added every year in China!



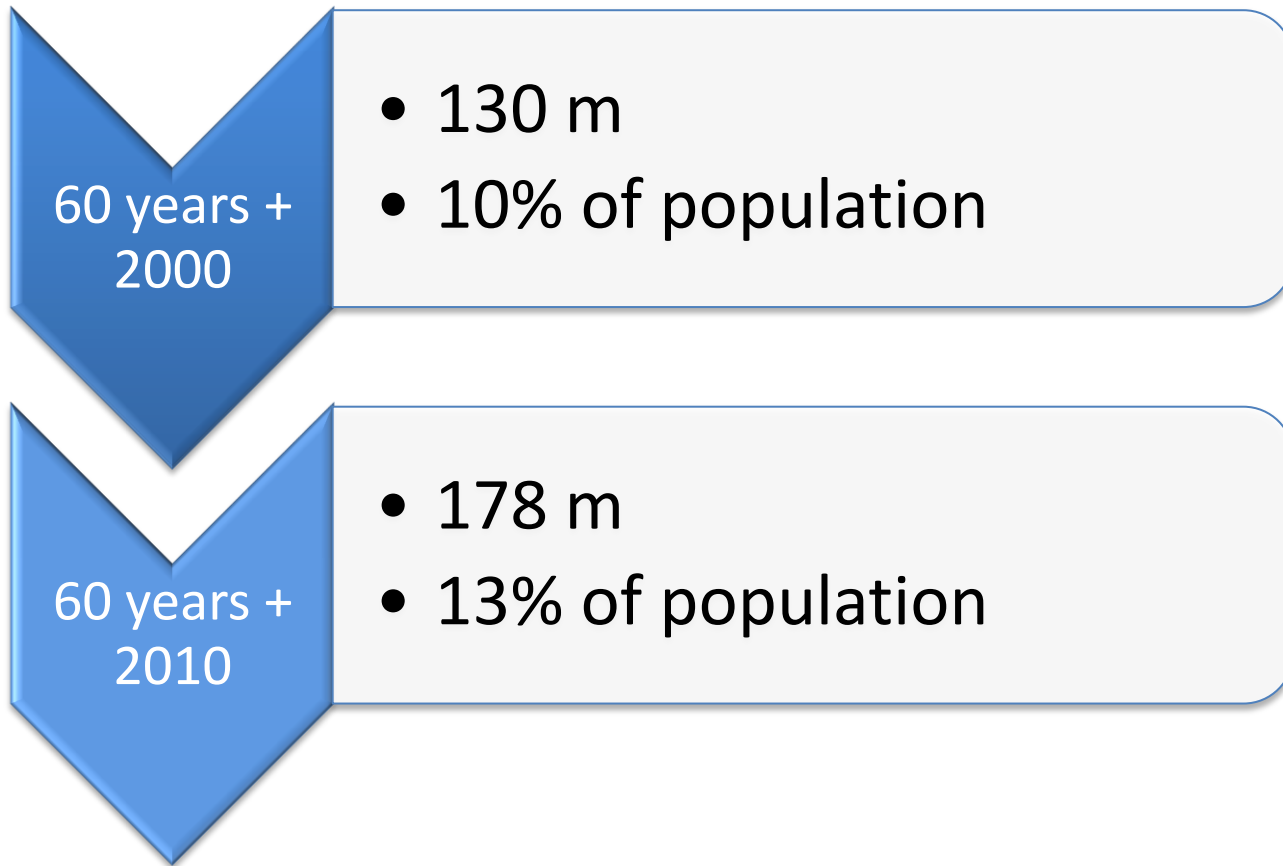
2. Dwindling demographic dividend

Supply of cheap labour in decline



2. Dwindling demographic dividend

China' dependency ratio to go from 38 to 64 in 2050



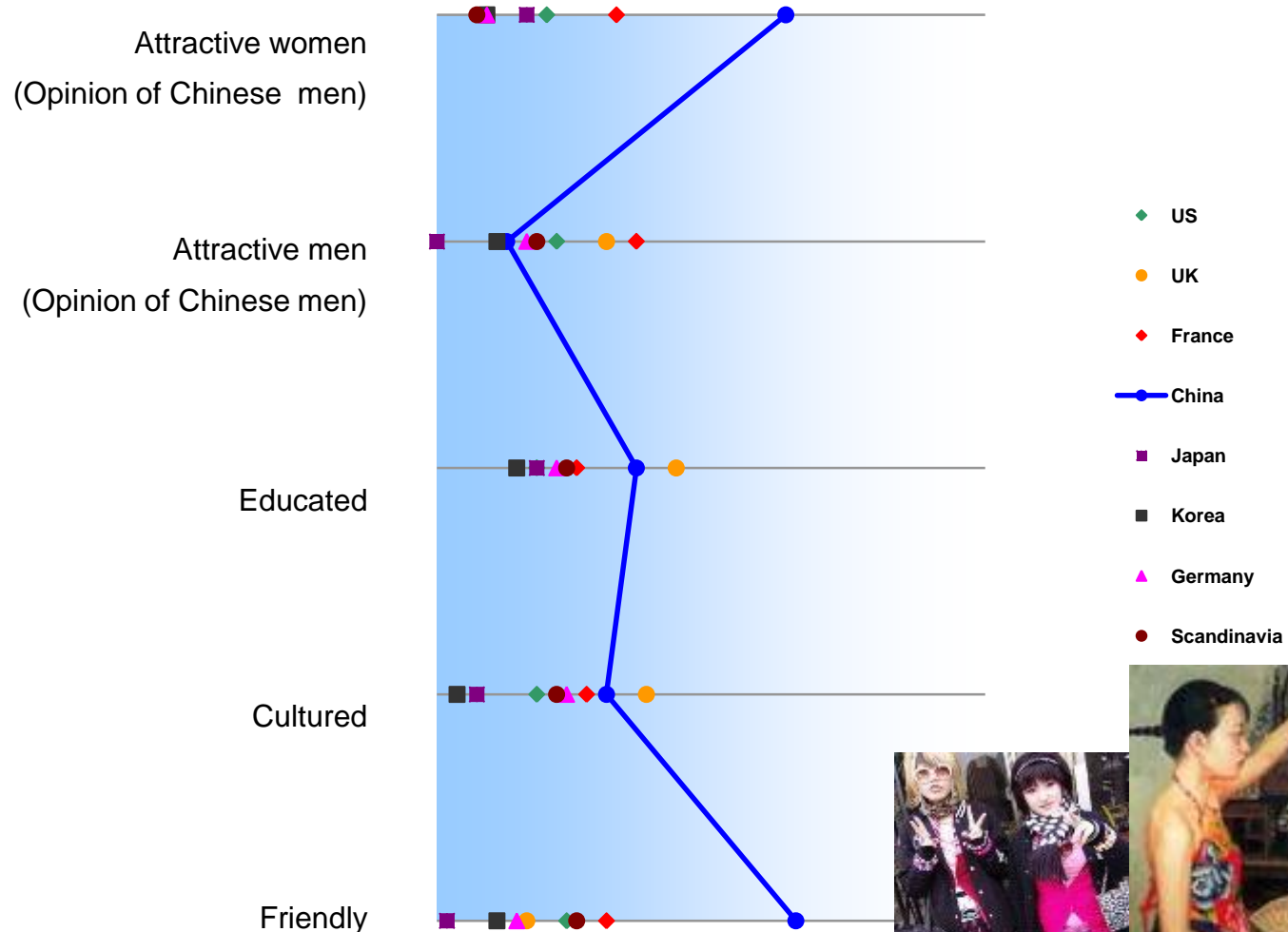
3. Gender imbalance

51.3 % of China's population is male



Experts estimate that 24 million Chinese men will be unable to secure a bride in the next 10 years.

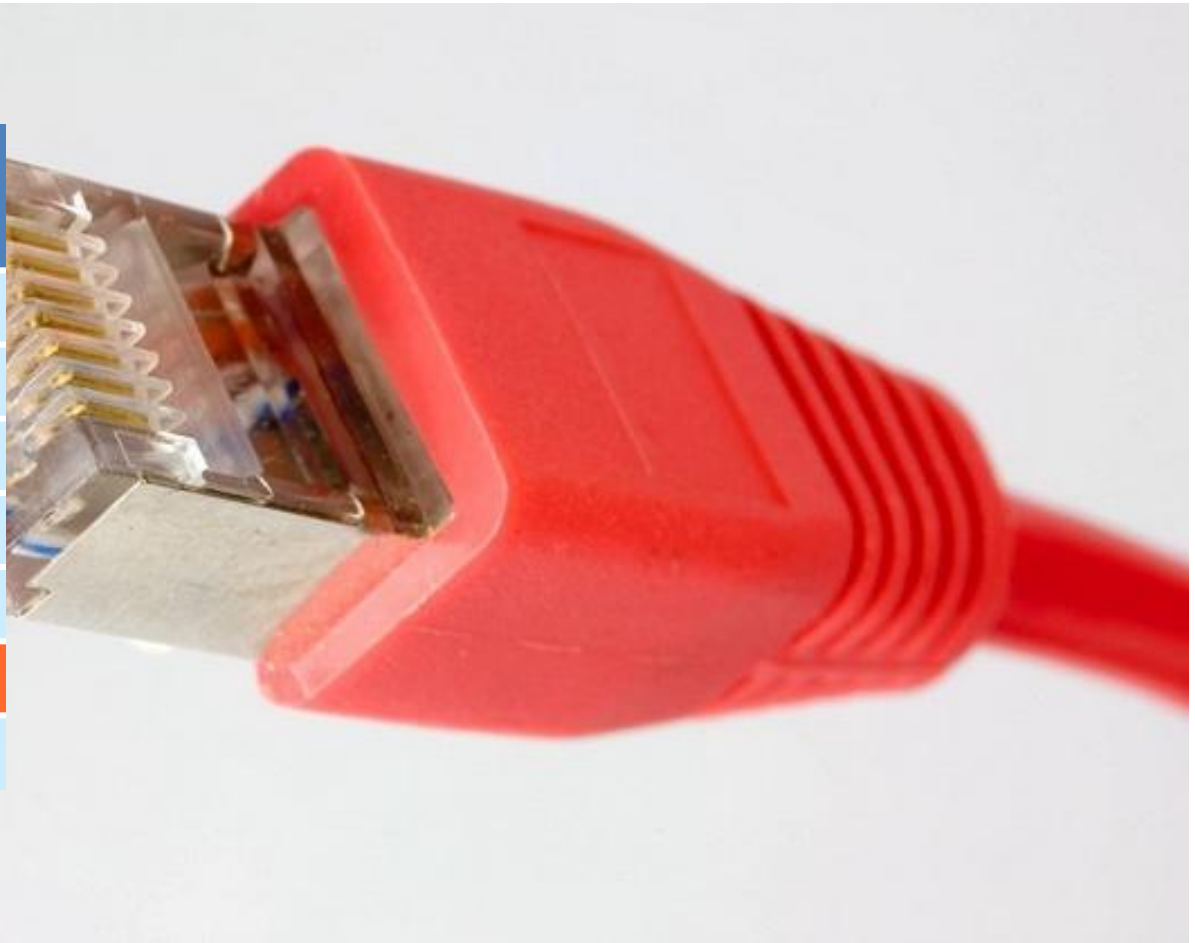
Problem further compounded with Poor perception of Chinese men among Chinese women!



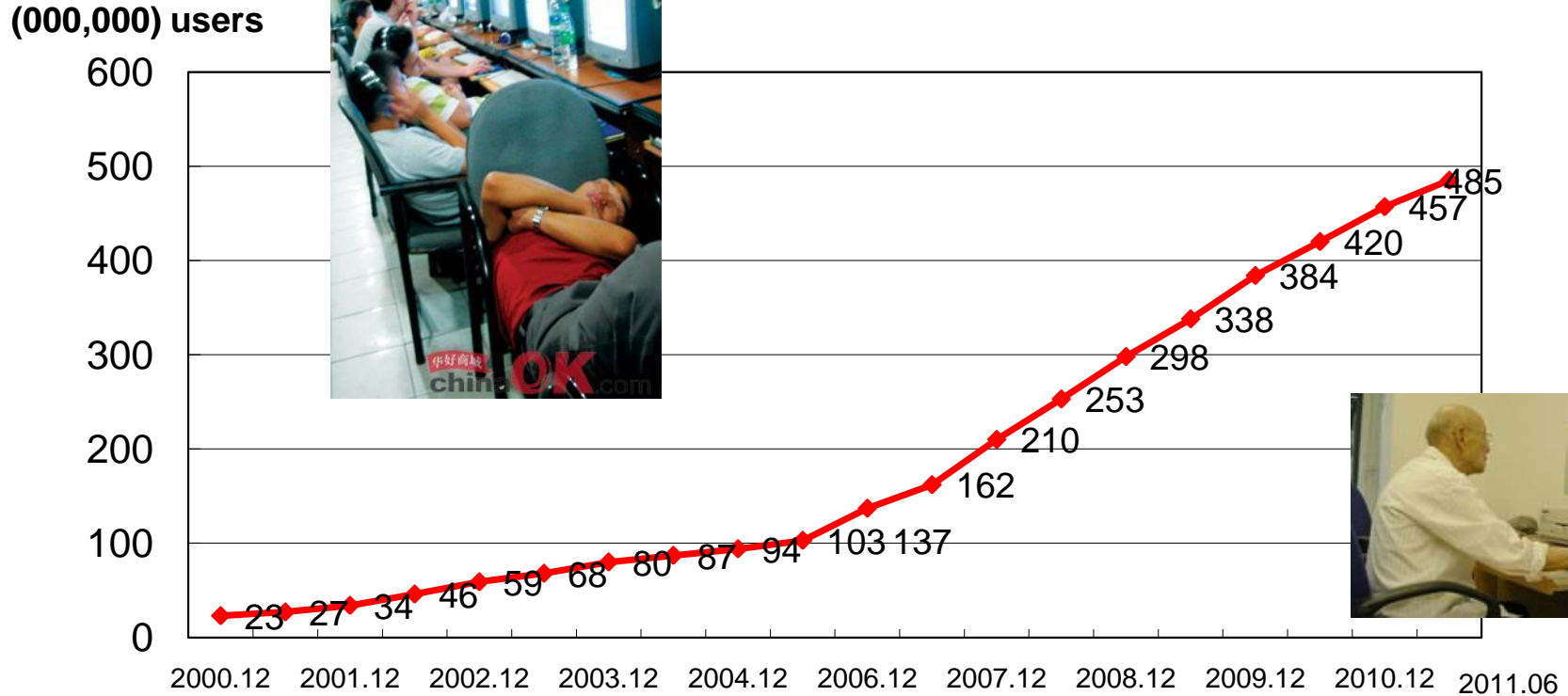
4. Inexorable march of the internet

Though China has relatively low penetration of internet as compared to the West

Country	Internet Penetration in 2011 (%)
Japan	78.4
America	78.2
Korea	80.9
Brazil	37.4
Russia	43
China	36.2
India	8.4



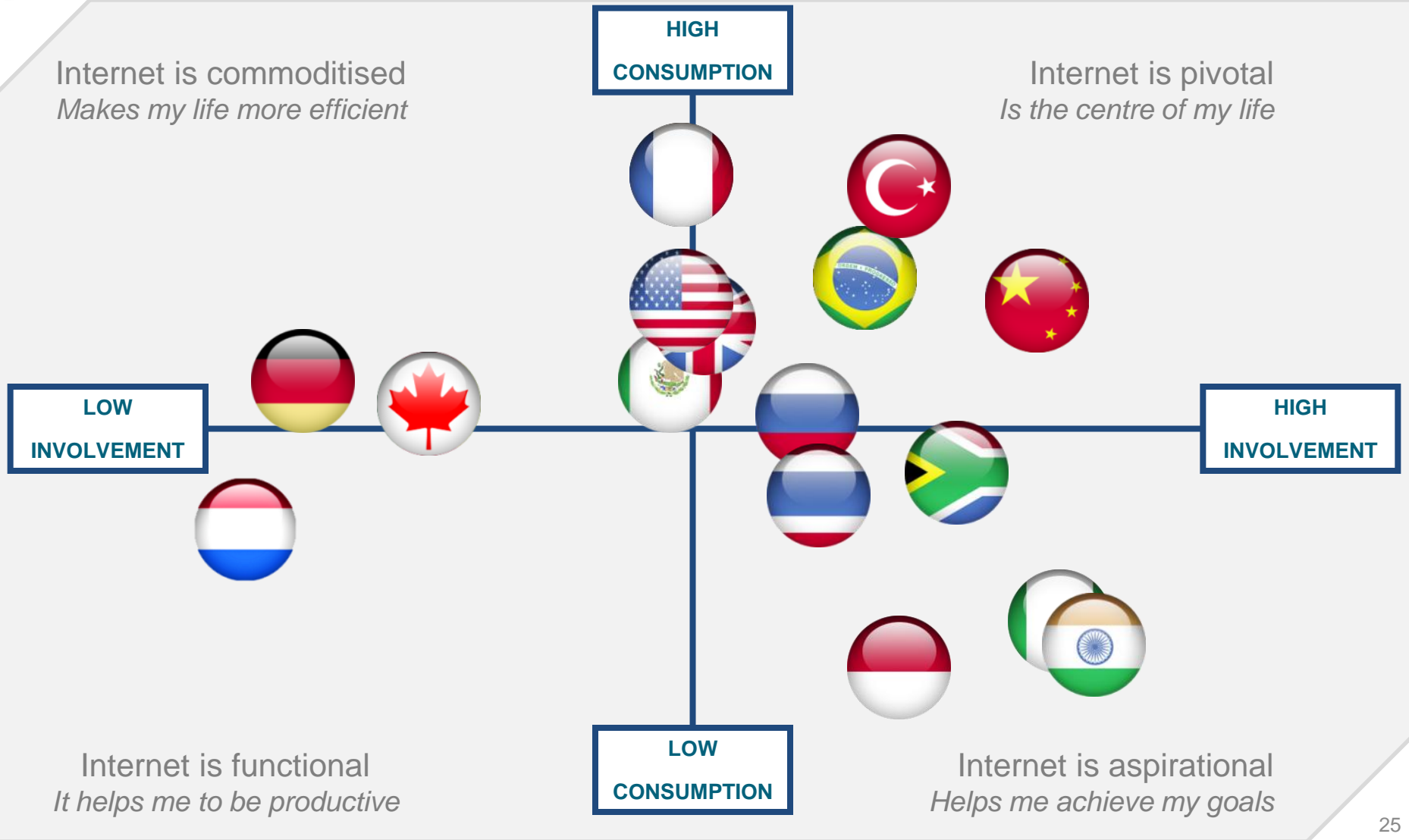
Yet it has the world's largest population of internet users in the world



China is the home to the largest internet population in the world!



In China consumers are highly involved with the internet, and it is a pivotal medium



Where little debate is seen in the public domain or protests on the street



隆重庆祝中华人民共和国成立 60 周年 首都举行盛大阅兵仪式和群众游行

胡锦涛检阅受阅部队并发表重要讲话
江泽民吴邦国温家宝贾庆林李长春习近平李克强贺国强周永康出席

【新华社北京 10 月 1 日电】 60 年前，一个古老而伟大的国家，迎来了她 60 周岁的生日。在这 60 年里，中国走过了不平凡的道路，取得了举世瞩目的成就。今天，我们隆重庆祝中华人民共和国成立 60 周年，这是全国各族人民的一件大事，也是世界华人的盛事。

10 月 1 日上午 10 时，首都各界 50 万人隆重集会，庆祝中华人民共和国成立 60 周年大会在北京天安门广场隆重举行。中共中央总书记、国家主席、中央军委主席胡锦涛在天安门城楼上，同首都各界代表欢聚一堂，共庆这一历史时刻。

胡锦涛在讲话中，回顾了新中国 60 年来的光辉历程，高度评价了中国人民取得的伟大成就，并对中国未来发展提出了殷切期望。他强调，要坚定不移地走中国特色社会主义道路，坚持改革开放，推动科学发展，促进社会和谐，为全面建设小康社会、开创中国特色社会主义事业新局面而努力奋斗。

大会在雄壮的国歌声中拉开帷幕。胡锦涛首先发表了重要讲话，随后宣读了中央军委命令，授予在抗震救灾中作出突出贡献的部队和人员荣誉称号。接着，举行了隆重的阅兵仪式，胡锦涛检阅了受阅部队，并发表了重要讲话。



胡锦涛同志在庆祝中华人民共和国成立 60 周年大会上的讲话 (第二版)



But every conceivable topic is discussed on the internet



The image shows a screenshot of the PRC internet forum 'bbs.people.com.cn'. The header features the site's logo and a banner for the 'People's Republic of China Forum' (人民网强国论坛), stating it is the top choice for internet users. Below the header are navigation tabs for various forums like 'Strong Nationality Forum', 'Government Plaza', 'People's Interviews', etc. The main content area has a sidebar with 'Hot Topics' and 'Interviews'. The central article is titled 'Anti-American Aid, We Win in Spirit!' (抗美援朝，我们赢的是骨气!) and discusses the 'Sunshine Policy' and property taxes. A large image shows stacks of Chinese Yuan banknotes with the text 'Inflation and Poverty' (通货膨胀 劫贫济富).



The image shows a screenshot of the Chinese internet forum 'kdn.net'. The header includes the site's logo and the slogan 'Objective, Fair, Rational, Broad'. It features a search bar and a list of categories such as 'Discussion', 'Forum', 'Blog', etc. Below the header is a 'Shop' section for 'kdn.net' and a list of forum posts with columns for status, author, and date. The posts include titles like 'Kaidi's Treasure Chest: Wine, Wine, Wine' and 'Civilization City: Zhang Jiaji City, I'm 'Disappeared'?'.



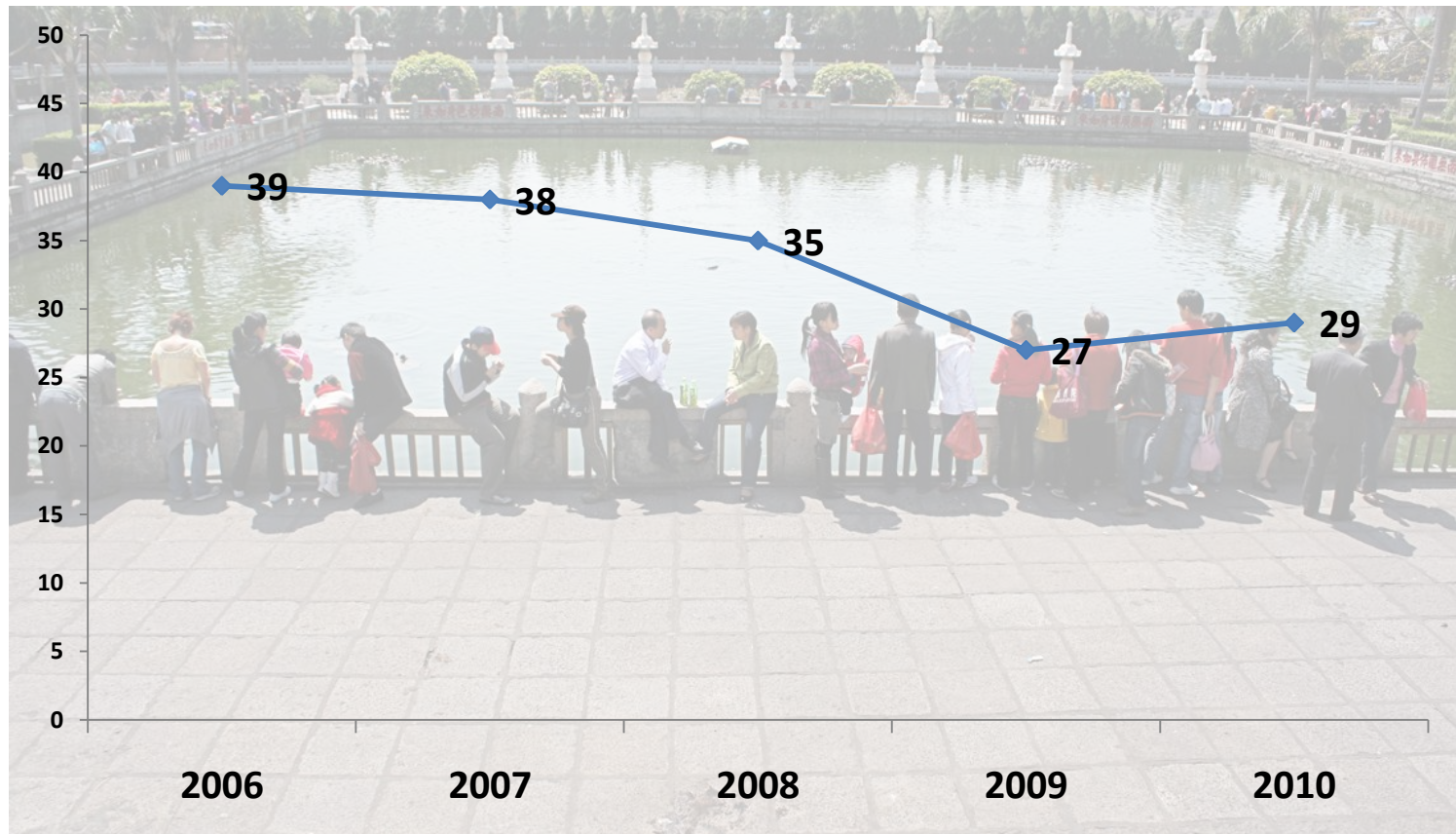
The image shows a screenshot of a Chinese internet forum page. The header features a banner for 'Song and Photo Collection' (唱响亚运献首歌) and 'Microblogging with PRC Journalists' (微博与人民日报记者零距离). Below the header are navigation tabs for 'Original Selections' (原创精选) and 'Network Selections' (网络精选). The main content area has a sidebar with 'Elected' (E政) and 'Original Selections'. The central article is titled 'Li Gang on CCTV, Students Why Sealed?' (李刚能上cctv，学生为何被封口?) and discusses the 'Sunshine Policy' and property taxes.



The image shows a screenshot of a Chinese internet forum page. The header features a banner for 'Sunlight is New, Warmth is Constant' (阳光日新 温暖常在) and 'Help! Tianyuan's Interview' (求助 天涯杂谈栏目). Below the header are navigation tabs for 'Discussion', 'Forum', etc. The main content area has a sidebar with 'Default Forum Management' (默认论坛管理) and 'Elected' (E政). The central article is titled 'Li Gang on CCTV, Students Why Sealed?' (李刚能上cctv，学生为何被封口?) and discusses the 'Sunshine Policy' and property taxes.

5. Changing structure of the economy

Export of goods and services (% Share of GDP)



Emerging cities set to drive growth in China in the coming decade

Fortune in small towns and villages

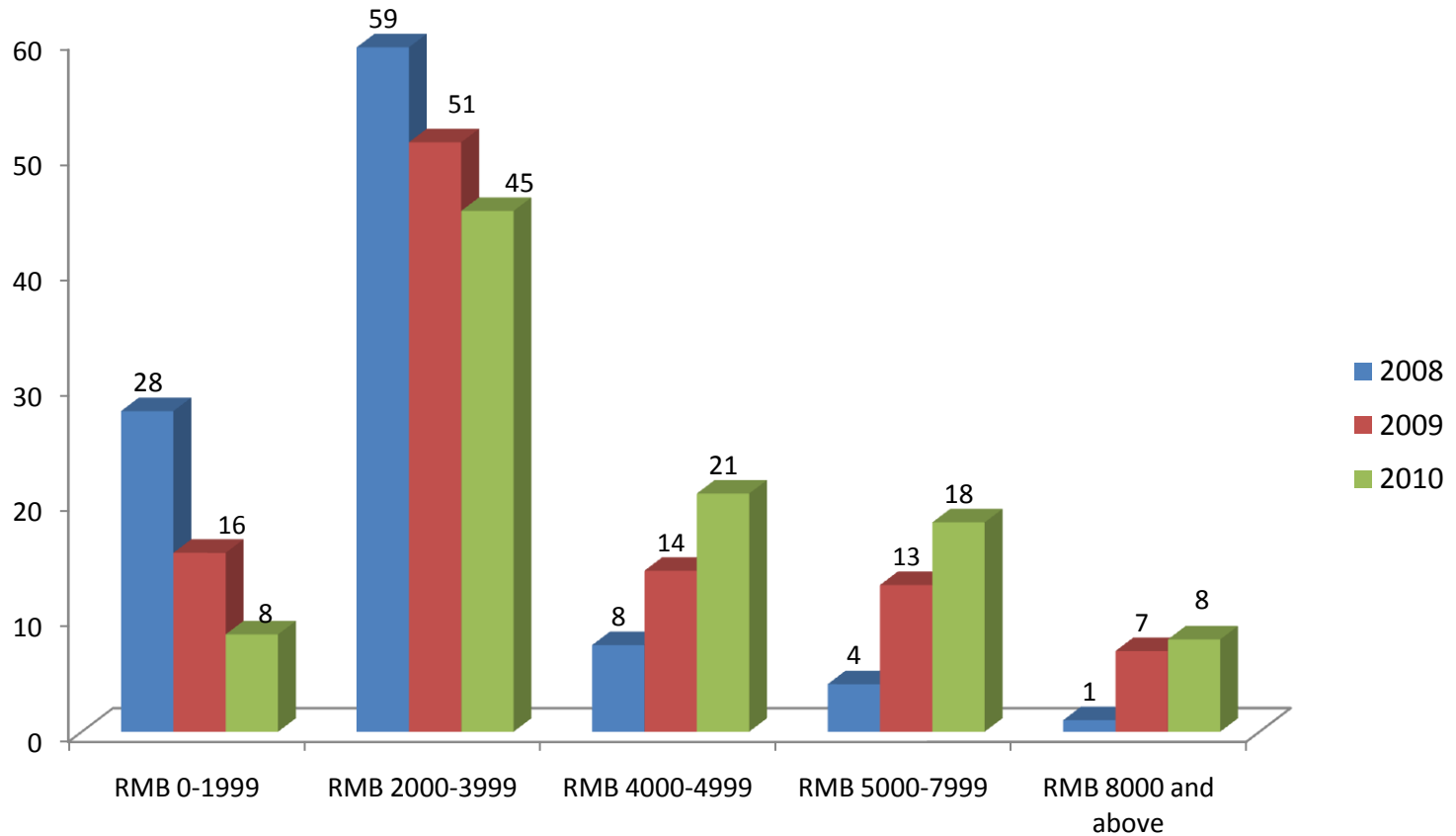
Large number of cities: (by end of 2009) in total **283**
prefecture-level cities, **367** county-level cities and
1,581 counties.

More than **250 million** consumers in tier 3
and tier 4 cities.

Source: China Statistical Yearbook, 2010

With increasing affluence

Monthly household income in top Tier 3 cities.



Source: CNRS data base.

Living in towns which are in transition



TTs

Vs.



OTs



Rickshaw

Vs.



Private cars



Old houses

Vs.



New apartments



Traditional entertainment

Vs.



Modern entertainment

Now rapidly developing modern shopping environment



Internet opening their world



An internet user in a village in Shanxi province
Photo by *Cindy Liu*, TNS China

Icafé and mobile supplementing their access

Mode of accessing internet in last four weeks%	Total	Tier 1	Tier 2	Tier 3	Tier 4
PC	95	98	96	94	91
At home	77	91	81	74	64
At work	43	63	53	38	14
At school	10	12	11	10	4
In iCafé	27	22	25	27	34
Mobile	48	59	52	45	34

Source: TNS RI, Digital life China report

Local Brands Are Still Important

1.  **NOKIA**
Connecting People
诺基亚
2. 
3.  **淘宝网**
4.  **SONY**
make.believe
5. 
6. 
7.  **Bai du 百度**
8.  **PHILIPS**
sense and simplicity
9. 
10.  **中国移动通信**
CHINA MOBILE
移动通信专家

Tier 1 likes...



1.  **NOKIA**
Connecting People
诺基亚
2.  **淘宝网**
3.  **Bai du 百度**
4. 
5.  **中国移动通信**
CHINA MOBILE
移动通信专家
6.  **Haier**
一个世界一个家
7. 
8.  **lenovo**
9. 
10.  **Canon**
Delighting You Always

Tier 3 likes...





Socialist Luxury

Premium and luxury products

Chinese consumers often buy low priced products and shanzhai versions of international brands

- Price a strong guiding factor



But willingly trade up as well as trade down

Store label kitchen roll and LV bags



The same consumer displays extreme price sensitivity for one product (normally functional products of low perceived differentiation) and an extraordinary premium for another product (mostly a visible consumption product or a product of high perceived differentiation).

Success needs recognition, to be seen

Yi(4)



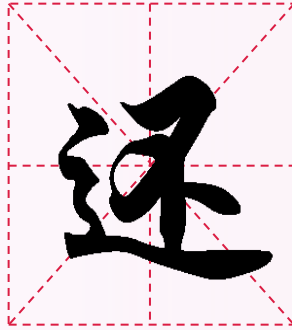
wear

jin(3)



Expensive clothes

huan(2)



Return

xiang(1)



hometown



SHOULD

Jin(3)



Expensive clothes

yi(1)



wear

ye(4)



Dark night

xing(2)



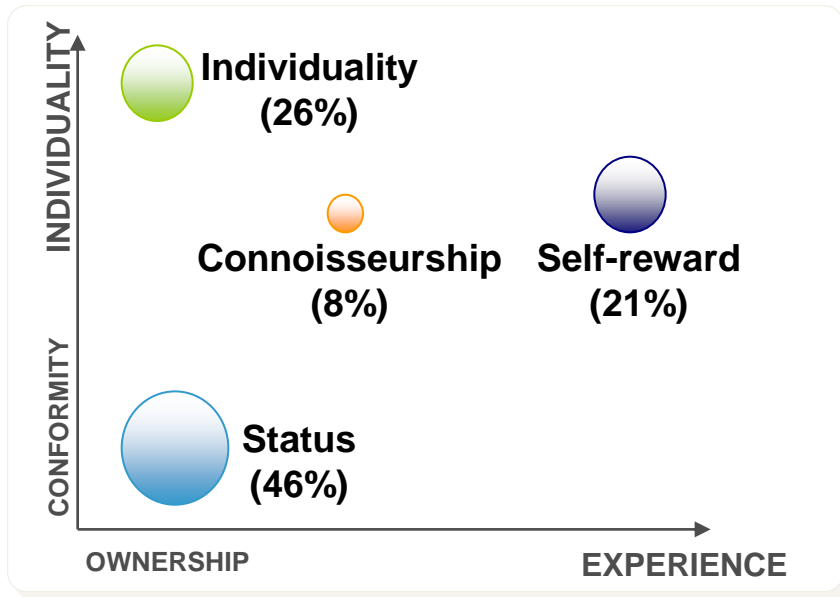
Walk



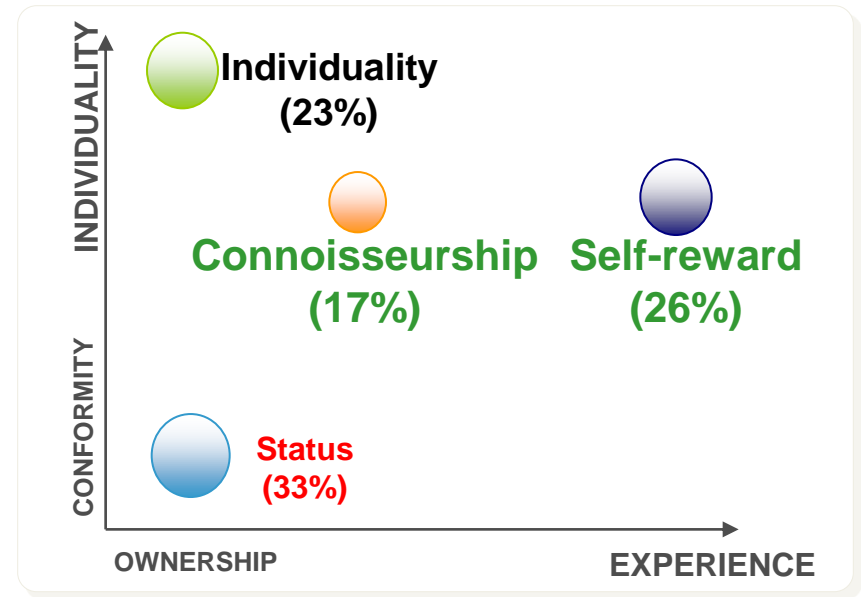
SHOULDN'T

The market is evolving toward the more sophisticated needs states: Connoisseurship and self-reward growing while Status declining

2008



2009



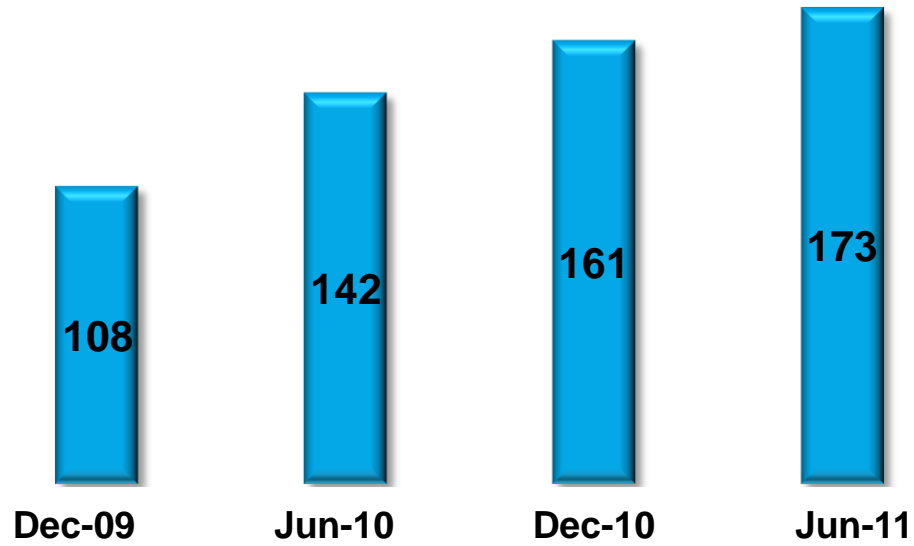
Source: Chinese Consumer
Luxury brands survey



E-commerce

With Chinese characteristics

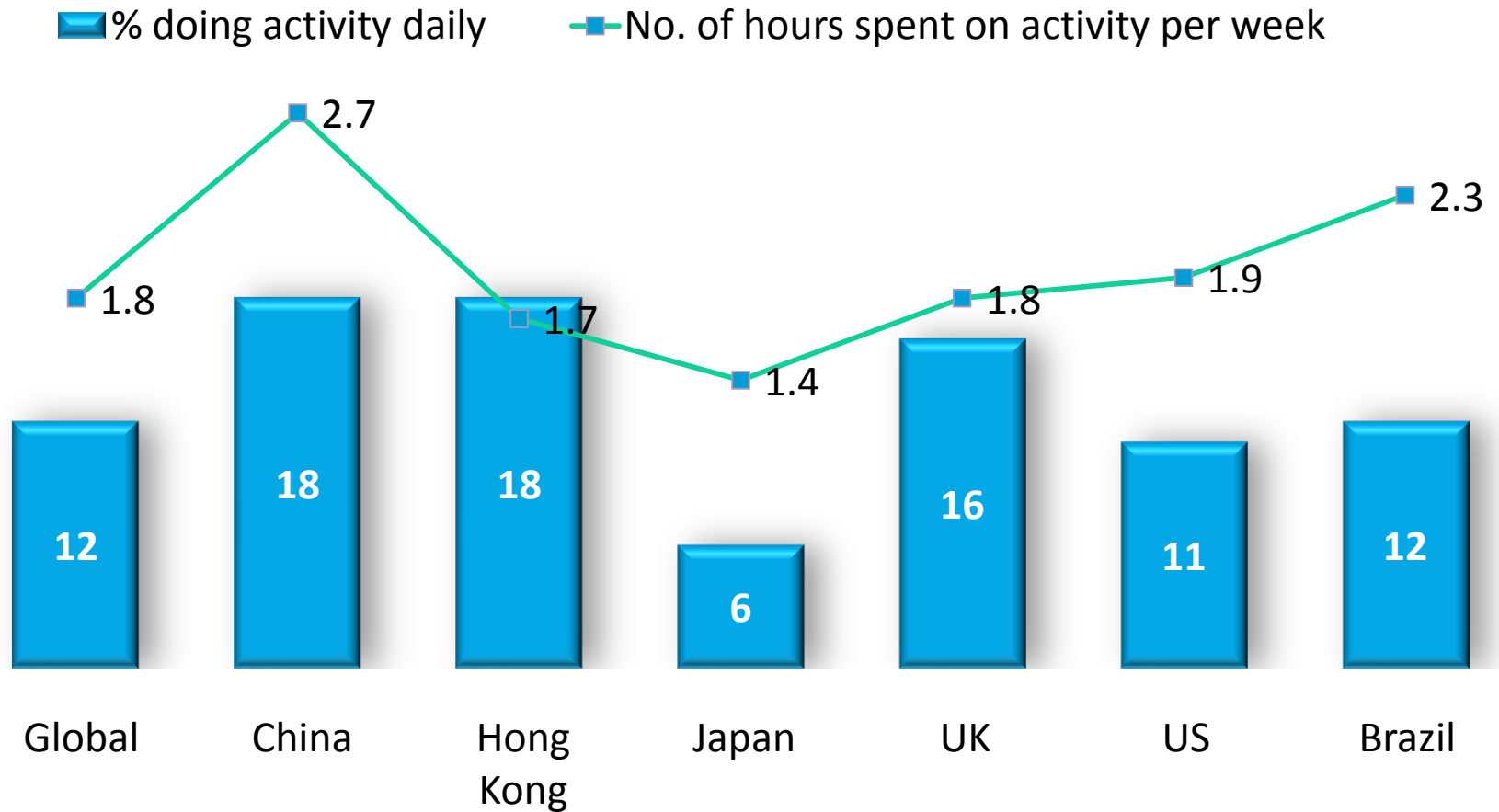
China online shopping user population (million)



Chinese online shoppers more frequent and more intensive



Shopping



E-commerce

100 billion yuan (US \$ 15.6 billion)

- Online B2C sales in 2010 in China

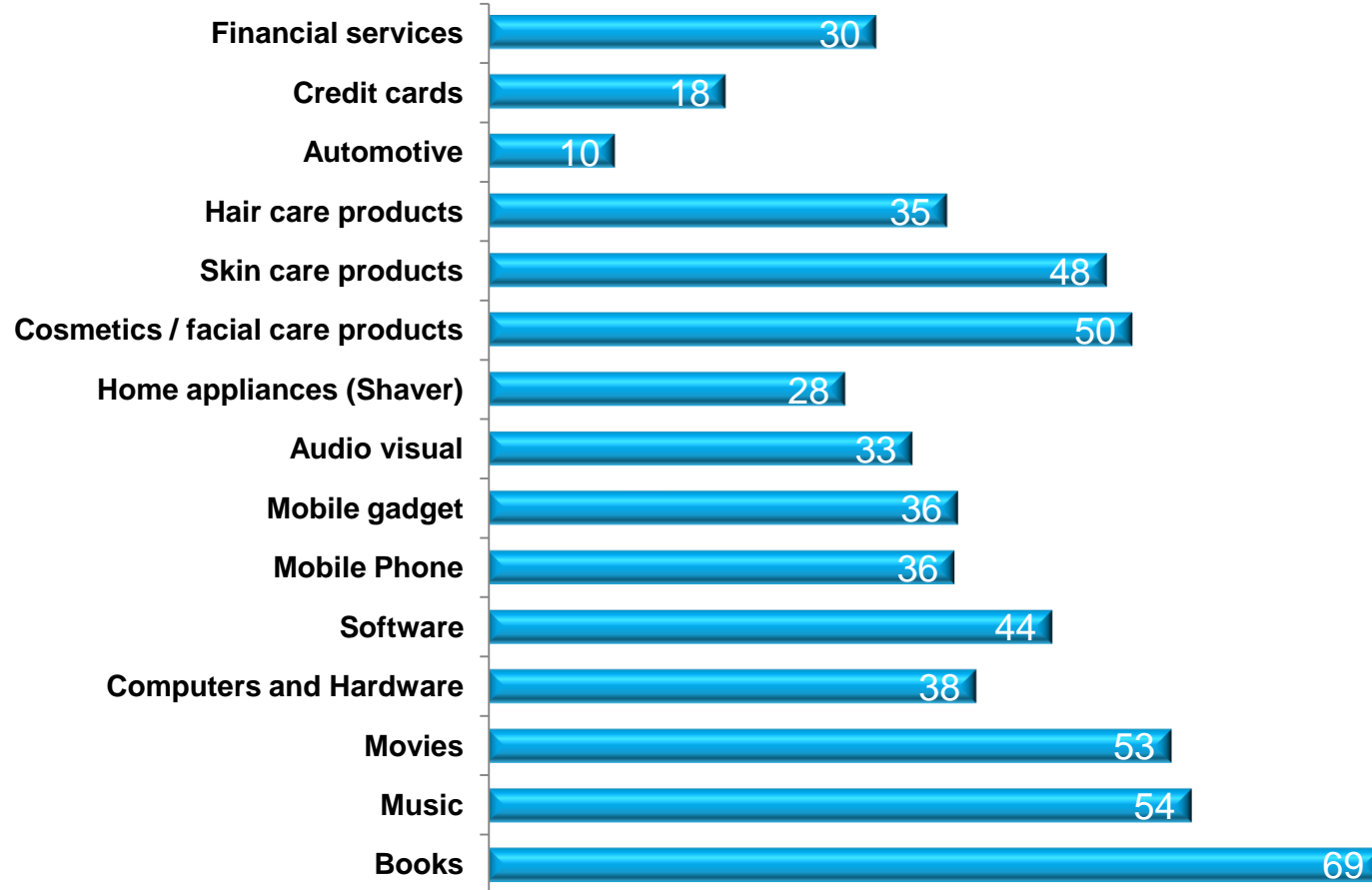
200 billion yuan (US \$ 31.2 billion)

- Online B2C sales expected in 2011

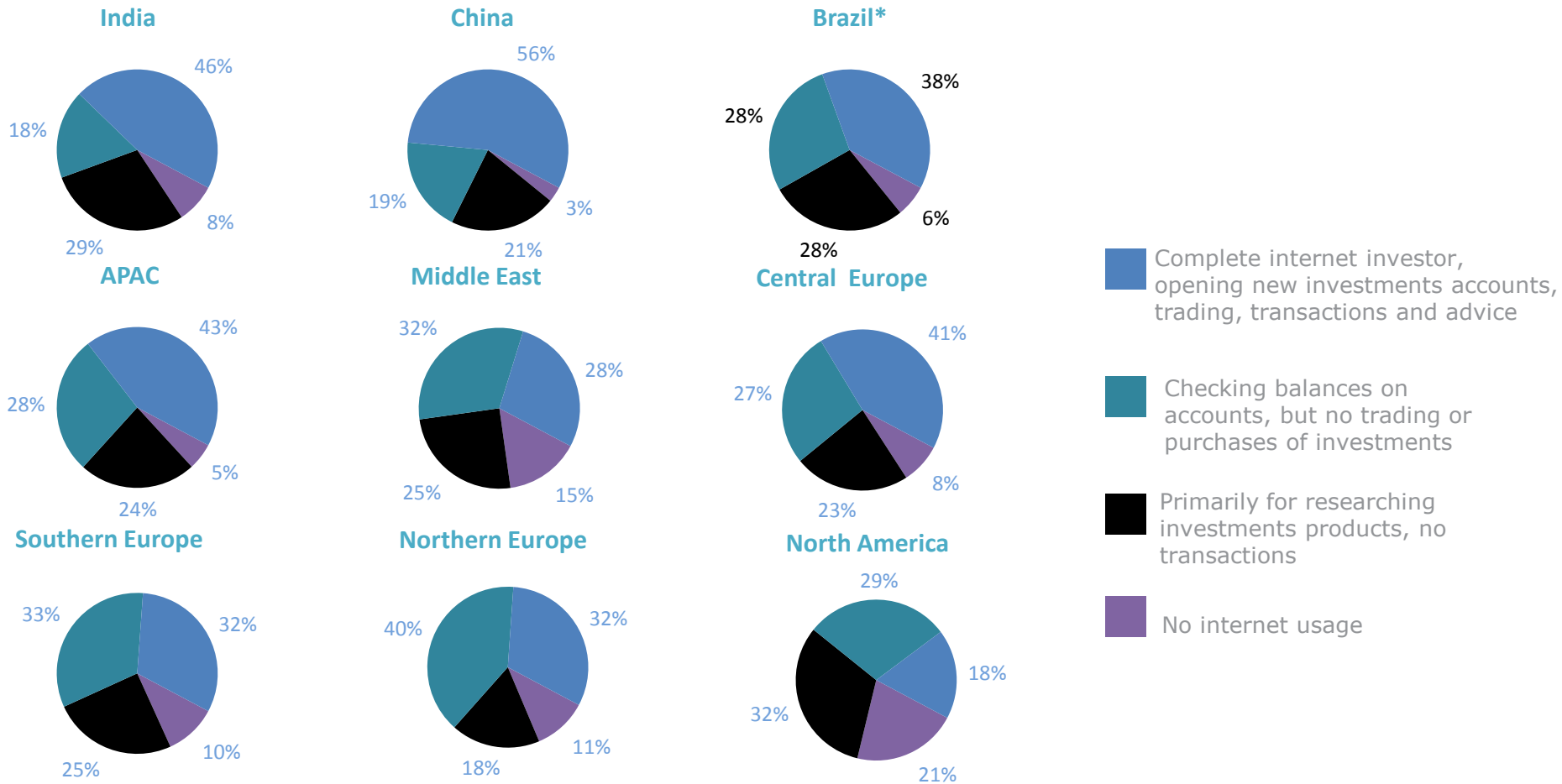


It is not just books and music – Chinese e-shoppers buy a large range of products, including several low cost products.

■ % of Internet users who shopped online in P1Y



Chinese and Indian affluent most likely to use internet for financial services or investment purposes



VCOTTON 維棉

dazhe.cn 名品折扣网

Tmall.com 淘宝商城

麦包包

joyo 卓越 amazon.cn

乐淘

中粮 COFCO

我买网 WOMAI.COM

ctrip.com 携程旅行网

淘宝网

S.CN 名鞋库

悠品 51youpin.com 中国创意生活百货首选

去哪儿? Qunar.Com 聪明你的旅行

Moonbasa 梦芭莎 M18.com 麦考林 全球女性·时尚网购

好乐买 OkBuy.com

360buy.com 京东商城

当当网 dangdang.com

eLong.com 艺龙

VANCL 凡客诚品

LAFASO 乐蜂网 值得信赖的女性购物网站

banggo 邦购 www.banggo.com

易迅 51buy.com 网上数码家电大卖场

订票客 您身边的订票专家 dingpiacke.com

CAMEL 骆驼官方商城

VIP 唯品会 VIPSHOP.COM

Masa Maso 玛萨·玛索

yintai.com 银泰

汇奢尚 THE LUXURY CLUB

rutisher 若缇诗·欧式高品位时尚女装

YOUYOU 优购 买好鞋 上优购

时尚起义 红孩子 redbaby

尚品 ShangPin.com 让尚品取悦你

tns fclub.cn 聚尚网 名品折扣 限时抢购

vegaga 为她他

ihaveu 优众

Category
Airline ticket
Baby Care
Bag
Bedding
Book
Clothes
Cosmetics
Food
Hotel
Luxury product
Shoes
Skin Care
Ticket
Travel
Underwear
Airline ticket

Significant activity seen among the retailing giants in the Chinese e-commerce space



2006

- Carrefour launched boostore.com and made the service available in key cities in China



2010

- Walmart launched its first online store, Sam's Club in Shenzhen



2011

- Walmart acquired a minority stake in Chinese online grocery store Yihaodian



2011

- Walmart established an e-commerce headquarter in Shanghai



2011

- Tesco declared its aim to tap online shopping in China

Group buying – a rage in China



Growth of 125%

42.2 million users by the middle of 2011

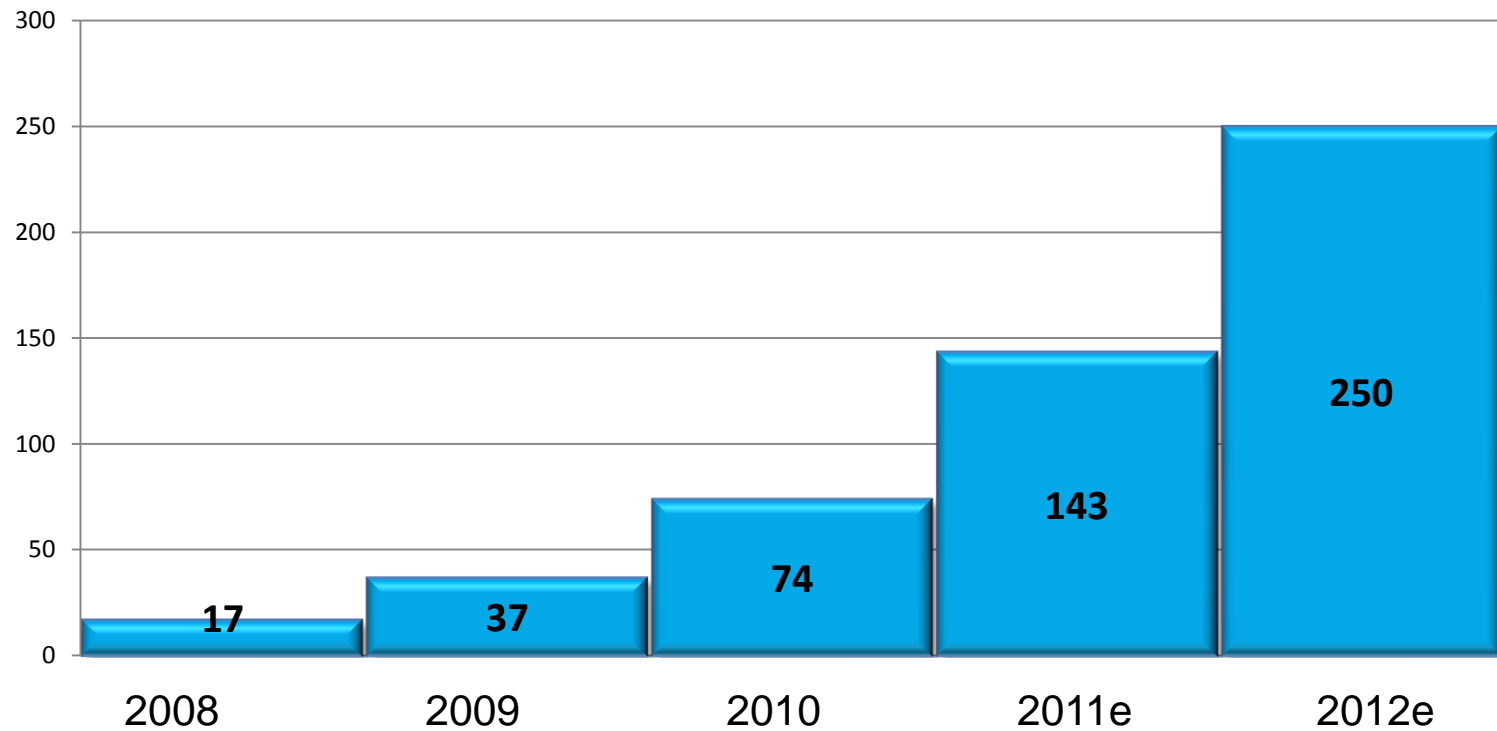


18.7 million users at the end of 2010



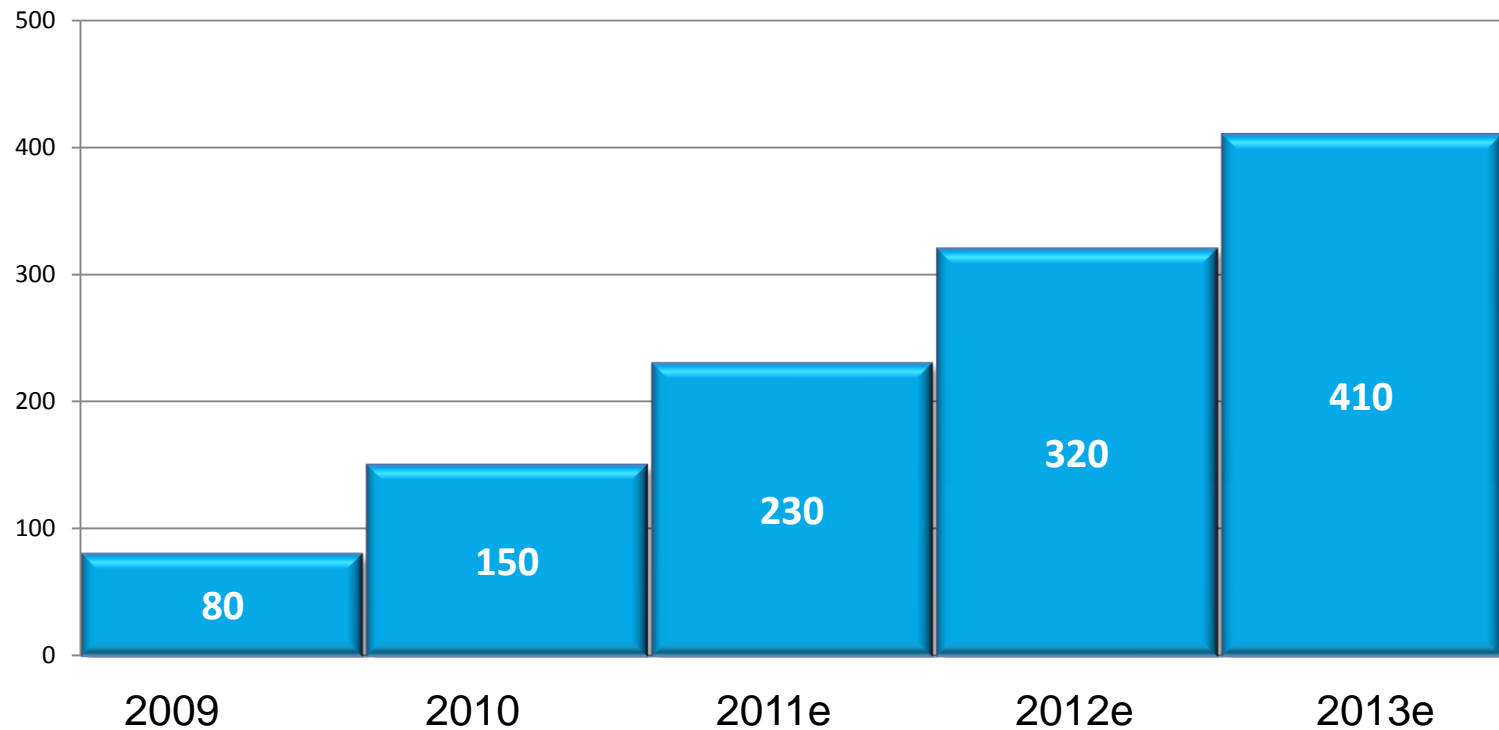
China's mobile e-commerce users

Unit: million people

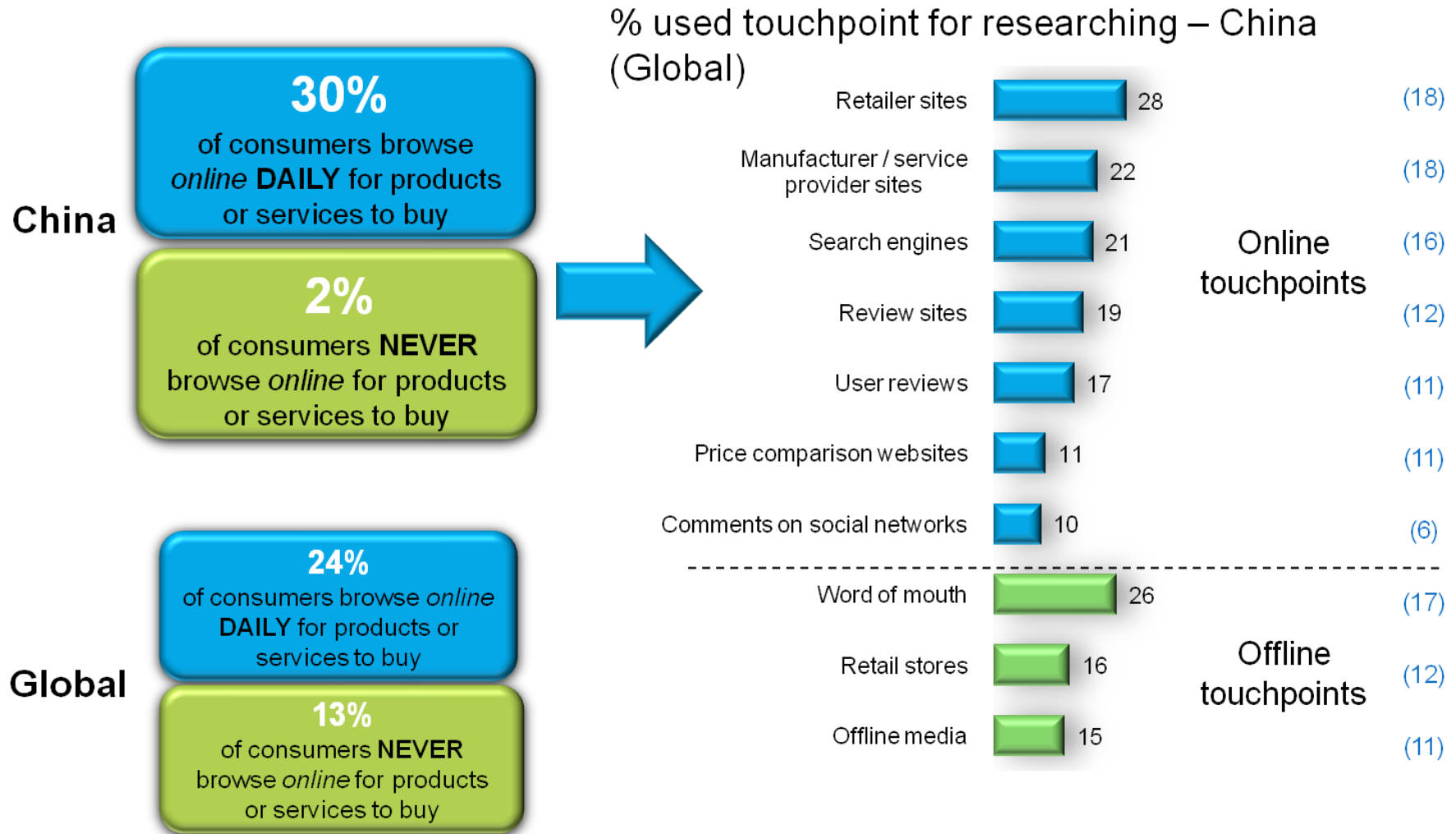


Number of Chinese people who do payment by mobile phones

Unit: million people



Should not forget the role of internet for as a tool for brands to connect with consumers



I1: Frequency of online activities / OS3: Research sources
 Bases: All respondents 48804 / 2023



A photograph of three young women sitting together, looking at their smartphones. The woman on the left is wearing a blue top, the middle one a red and blue patterned top, and the one on the right a white top. They are all focused on their devices.

谢谢

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