

# Spending Habits in Lower Tier Cities - China - October 2020

Report Price: £3695 | \$4995 | €4400

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## This report looks at the following areas:

- Consumer confidence change
- Acceptance of spending on credit
- Attitudes towards luxury spending
- Brand perceptions and selections
- Focuses in leisure spending

Compared to Tier 1 and 2 cities, lower tier cities suffered less from the outbreak of the COVID-19 pandemic in the first half of the year. However, they are also less sensitive to the economic recovery and confidence rebound in the second half of 2020. Currently, consumers tend to be cautious with spending, but are not downgrading. When choosing brands and products that suit themselves, they think more about the occasions where the products can be used, the significance of the products and how they can meet their emotional needs. Taking into account the costs of trial and error, they explore the fun brought by all kinds of consumption.

Through quantitative (based on the quantitative data from multiple Mintel Reports in 2019 and 2020) and qualitative research (based on in-depth interviews with 20 respondents from 10 Tier 3 or lower cities), this Report analyses the differences in consumer behaviour and attitudes in different city tiers. This Report examines changes in consumer confidence before and after COVID-19 and changes reflected in spending on credit, luxury spending, domestic product spending and leisure spending; it also explains to brands what strategies would effectively increase their competitiveness in lower tier cities using a series of cases.



“Economic uncertainty has made lower tier city consumers’ attitudes and behaviour more cautious. However, they are still pursuing premium brands and quality products. Their concern is not resulting in a ‘consumption downgrading’; on the contrary, it may lead to higher expectations of product value and meaningful consumption.”

– Yuxi Shao, Associate analyst

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## Table of Contents

### OVERVIEW

- **Introduction**
- **Key issues covered in this Report**
- **Objective and Methodology**
- **Quantitative Research Methodology**  
Figure 1: the sample structure for each city is as follows:
- **Qualitative Research Methodology**  
Figure 2: Interviewed cities in the qualitative research  
Figure 3: Profiles of respondents to the qualitative research

### EXECUTIVE SUMMARY

- **Consumer confidence change: consumers are more cautious, but no sign of consumption downgrading**  
Figure 4: Confidence in improving future finances, by city tier, 2020  
Figure 5: Actions to control spending – actions to take first, February 2020
- **Acceptance of spending on credit: it brings “cumulative” pleasure**  
Figure 6: Affinity credit cards, by city tier, May 2020
- **Attitudes towards luxury spending: the needs for differentiation and expanding usage occasions**  
Figure 7: Attitudes towards luxury spending, by city tier, May 2020
- **Brand perceptions and selections: promoting brand image through cultural characteristics**  
Figure 8: Impression comparison between premium domestic brands and foreign brands, December 2019
- **Focuses in leisure spending: a combination of online content and offline shopping**  
Figure 9: Attitudes towards arts and crafts activities, by city tier, September 2019
- **What we think**

### INTRODUCTION TO LOWER TIER CITIES IN CHINA

- **Population and spending power**
- **Spending by Tier 3 and lower cities increases and takes a larger share**  
Figure 10: City populations and sales, by city tier, end of 2018
- **Per capita disposable income and spending power grows**  
Figure 11: Per capita salary vs per capita retail sales, by city tier, 2018

### What's included

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- **Spending confidence since the COVID-19 outbreak**

Figure 12: GDP sector compositions, by city tier, 2018

Figure 13: Changes in financial status, percentage of respondents claiming they are 'better off', by city tier, February-September 2020

Figure 14: Confidence in improving future finances, very confident – somewhat confident, by city tier, February-September 2020

- **Demographic profile/analysis**

- **Gaps between city tiers narrowing in both economic and educational respects**

Figure 15: Educational level of surveyed respondents, June 2017-20

Figure 16: Car ownership and gym membership, by city tier, June 2017-20

### CONSUMER CONFIDENCE CHANGE: CONSUMERS ARE MORE CAUTIOUS, BUT NO SIGN OF CONSUMPTION DOWNGRADING

- **What difference does quantitative data suggest?**
- **Confidence in improving financial status slightly weaker than in Tier 1 and 2 cities**

Figure 17: Confidence in improving future finances, by city tier, March-September 2020

- **Consumer concerns did not lead to consumption downgrading**

Figure 18: Actions to control spending – actions to take first, February 2020

Figure 19: Actions to control spending – actions to take first, June 2020

- **Why the difference as suggested by qualitative research?**
- **The pursuit for brands stays the same, but consumers are more sophisticated**

- **A positive correlation between the pursuit of brand names and income**

- **What does this mean for brands?**

- **Consumers are more cautious, but no sign of consumption downgrading**

- **Case study: "multi-step inspection" by Dewu**

Figure 20: The Dewu APP, 2020

- **Case study: JD.com offers hassle-free trial with digital products**

Figure 21: Hassle-free trial service by JD.com, 2020

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Infographic Overview

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## ACCEPTANCE OF SPENDING ON CREDIT: IT BRINGS "CUMULATIVE" PLEASURE

- **What difference does quantitative data suggest?**
- **Promotions encourage consumers to spend on credit**  
Figure 22: Credit and loan used, by city tier, May 2020
- **Affinity cards co-branded with ecommerce and shopping malls are most popular**  
Figure 23: Affinity credit cards, by city tier, May 2020
- **Why the difference as suggested by qualitative research?**
- **Daily discounts provide "cumulative" pleasure**
- **Young people "buy it now and start enjoying it today", while the middle-aged save for a rainy day**
- **What does this mean for brands?**
- **Spending on credit brings "cumulative" pleasure**
- **Case study: "Diverse Youths" credit cards for young people by Bank of Communications**  
Figure 24: The "Diverse youths, let's be friends" campaign of Bank of Communications credit card, 2020

## ATTITUDES TOWARDS LUXURY SPENDING: THE NEEDS FOR DIFFERENTIATION AND EXPANDING USAGE OCCASIONS

- **What differences does the quantitative data reveal?**
- **Desire for premium products has been sharply impacted**  
Figure 25: Attitudes towards luxury spending, by city tier, May 2020
- **Luxury products need to have something both "in common" and "personal"**  
Figure 26: Factors affecting luxury fashion purchase, by city tier, February 2020
- **Why the difference as suggested by qualitative research?**
- **"Sentiments" and emotional factors of luxury purchase**
- **"Leaving unused" luxury products need more usage occasions**
- **What does this mean for brands?**
- **The needs for differentiation and expanding usage occasions**
- **Case study: Rimowa Unique suitcase customisation**  
Figure 27: Rimowa suitcase customisation service, 2020
- **Case study: wandering in Disneyland wearing Gucci "Mickey Mouse capsule" collection**  
Figure 28: KOLs wandering in Disneyland wearing "Mickey Mouse capsule" collection, 2020

### What's included

Executive Summary

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Powerpoint Presentation

Interactive Databook

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### BRAND PERCEPTIONS AND SELECTIONS: PROMOTING BRAND IMAGE THROUGH CULTURAL CHARACTERISTICS

- **What differences does the quantitative data reveal?**
- **Acknowledgement of quality and taste of domestic athleisure brands**  
Figure 29: Brand selection of athleisure products, by city tier, December 2019
- **Premium domestic brands win out regarding cultural characteristics and functionality**  
Figure 30: Impression comparison between premium domestic brands and foreign brands, December 2019
- **Why the difference as suggested by qualitative research?**
- **The quality of daily leisure products is most valued**
- **Employ local cultural elements to improve product quality**
- **What does this mean for brands?**
- **Employ local cultural elements to improve product quality**
- **Case study: OPPO smart TV puts "Colour China" into the film**

Figure 31: OPPO "Colour China" commercial, 2020

- **Case study: the time-honoured brand Marie's interprets Chinese New Year blessings in colours**

Figure 32: "100 Years of Marie, First time out" pop up event, 2020

### FOCUSES IN LEISURE SPENDING: A COMBINATION OF ONLINE CONTENT AND OFFLINE SHOPPING

- **What difference does quantitative data suggest?**
- **Participate in arts and crafts activities and experience diverse culture**  
Figure 33: Main participation reasons, by city tier, October 2019
- **Get inspired by traditional culture and showcase aesthetics**  
Figure 34: Attitudes towards arts and crafts activities, by city tier, September 2019
- **Why the difference as suggested by qualitative research?**
- **Consumers like to participate in traditional cultural activities**
- **Virtual experiences integrating content and shopping hold great potential**
- **What does this mean for brands?**
- **A combination of online content and offline shopping**
- **Case study: Tmall Xinwenchuang integrates cultural symbols with "Chinese Gifts"**

Figure 35: "Chinese Gifts" by Tmall Xinwenchuang, 2020

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Full Report PDF

Infographic Overview

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- **Case study: Minsheng Bank introduces an intangible cultural heritage-themed credit card**

Figure 36: "Protect it and pass it on" by Minsheng Bank credit card, 2020

### APPENDIX – ABBREVIATIONS

- **Abbreviations**



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