

Five Consumer Trends in China We'll See in 2018

The country's 300 million strong and growing middle-class is just starting to flex its spending muscles

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As more residents of China become flush with disposable income, they're likely to spend more on goods and services delivering an improved lifestyle.

Here are how some consumer trends might play out in the Middle Kingdom during the coming year:

No. 1: Alibaba's "New Retail" Strategy

"New Retail," the phrase coined by Alibaba to describe its tech-infused omnichannel strategy, will expand in 2018. The idea, exemplified by Alibaba's [Hema Supermarket expansion](#), is to make the transition between online and offline channels as seamless as possible. For example, during the [Singles' Day online shopping event](#), Alibaba set up 1,000 smart pop-up stores outfitted with quick response (QR) barcodes, smart speakers and other IoT devices to more easily enable online purchases. The firm also rolled out an augmented reality game—similar to the smash hit Pokemon Go game—to help drive traffic to retail stores. In 2018, look for the country's digital giants make more moves in the offline space.

No. 2: Homegrown Brands Lose Their Stigma

Some of the image issues that have plagued China's homegrown brands may be dissipating. There are signs that Chinese consumers increasingly consider products based on issues like value, price, and quality—regardless of their country of origin. A recent **McKinsey & Company** study found that consumers in China overwhelmingly prefer local brands to foreign ones in the majority of product categories surveyed. Among those categories were fresh food and poultry, laundry detergent, beer, personal care items and small electronics. The categories for which foreign brands were stronger included infant milk powder, wine and some types of cosmetics.

Consumers in China Who Prefer Local vs. Foreign Brands, by Product Category, July 2017
 % of respondents

	Prefer local brands	Somewhat prefer local brands	Somewhat prefer foreign brands	Prefer foreign brands
Fresh food and poultry	59%	32%	6%	3%
Laundry detergent	55%	34%	8%	3%
Beer	50%	35%	7%	8%
Tissues and hygiene	50%	34%	11%	5%
Milk	50%	31%	8%	11%
Personal care	47%	34%	12%	7%
Small electronics	45%	32%	13%	10%
Apparel and footwear	42%	34%	14%	10%
Large electronics	39%	28%	16%	17%
Personal digital gadgets	38%	26%	18%	18%
Face moisturizer	33%	28%	23%	16%
Fashion accessories	31%	27%	25%	17%
Baby skincare	28%	30%	25%	17%
Infant milk powder	27%	20%	26%	27%
Foundation	26%	31%	26%	17%
Wine	26%	22%	28%	24%
Color cosmetics	22%	29%	32%	17%

Note: ages 18-65 living in 44 cities and 7 rural villages/towns
 Source: McKinsey & Company, "Double-clicking on the Chinese consumer," Nov 23, 2017

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No. 3: Retail Goes Automated

In 2017, urban consumers were treated to **automated retail experiences** in smart stores such as BingoBox and EasyGo, which were outfitted with technologies like facial recognition, computer vision and frictionless payment methods. In many ways, China is at the vanguard of this still-emerging trend. Alibaba recently released footage of its "car vending machine," which use a combination of a mobile app, an

unmanned garage, facial recognition technology, and consumer data to automate and simplify the car shopping experience.

No. 4: Consumers Upgrade

Increased wealth among consumers meant that they are often willing to pay up for product upgrades, superior experiences and new product categories. New experience seekers have helped drive 10% annual growth in the leisure sector since 2011 according to [OC&C Strategy Consultants](#), benefiting service providers like cruise ship companies and theme parks. But the trend can also be seen in other consumer habits. For example, there was a threefold increase in the number of craft breweries in China during 2016, according to the Economist.

No. 5: Paying Up for Premium Digital Content

More than ever, consumers in China are willing to pay for premium digital content. According to [JPMorgan Chase](#), the number of pay subscribers on the country's video-on-demand (VOD) services—a sector led by iQiyi, Tencent Video, and Youku Tudou—will expand from 144.0 million this year to 234.3 million by 2020. The desire among platforms to provide premium digital content has led to a fight among them for exclusive streaming rights. In one reflection of the trend, Youku recently signed licensing deals with NBCUniversal and Sony Pictures Television to provide their content libraries to Chinese consumers.