

# New middle class gains ground

China's urban consumers shift focus from blatant status projection to purchasing based on quality and substance

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China's middle class is expanding at an unprecedented pace.

According to consultancy McKinsey & Company, by 2020 more than three-fourths of China's urban consumers will earn between 60,000 yuan (\$9,000) and 229,000 yuan per year. That translates to nearly 400 million people in the middle-class category.

And due to a surging number of higher-paying jobs in the services and technology industries, 54 percent of them will be classified as "upper middle class", meaning they have an annual income between 106,000 yuan and 229,000 yuan.

Beneath the topline figures are some significant shifts in consumption dynamics.

Research by Chinese news service CBN Weekly and Japanese apparel brand Uniqlo uncovered the consumption pattern of China's new middle class who are willing to pay a premium for quality.

Released in August, the survey polled more than 12,000 respondents aged 20 to 45 across relatively wealthy cities. Minimum monthly income was set at 8,000 yuan.

Respondents showed a preference for good craftsmanship, with 84 percent favoring quality over price.

More than 70 percent said they shop more "rationally", meaning that despite loyalty to established brands, they are open to different schools of thought and do not necessarily look for big logo items.

Jin Liyin, a marketing professor at Shanghai-based Fudan University, attributed the changing attitude toward brands to the evolving benefit structure: From more blatant status projection to more substance-driven.

"Gone are the days when people used to define a life of good quality through possession of certain items or conspicuous logos," Jin said. "The new middle class sees consumption not as a badge of honor, but as a source of value."

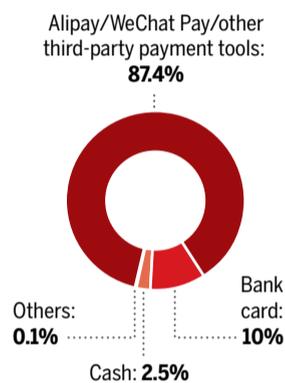
Quality of life must be built around personal choices and filled with one's individual traits, the report said. Corporate social responsibilities borne by brands are also factored into the new middle class' requirements.

Meanwhile, this group of consumers is seeking emotional satisfaction through better taste or higher status. For instance, a store's

## How the country's income-earners spend their money

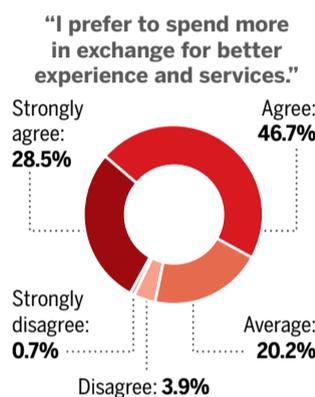
### METHOD OF PAYMENT

Payment choices of the Chinese middle class



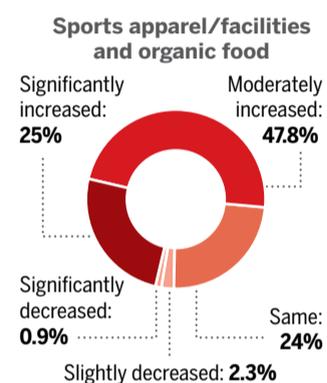
### QUALITY OVER PRICE

Do you agree with the following statement?



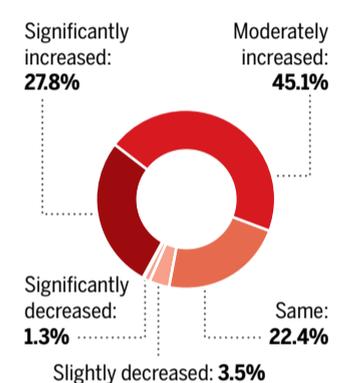
### HEALTHY HABITS

Increased expenditure on healthy lifestyle in the past few years:



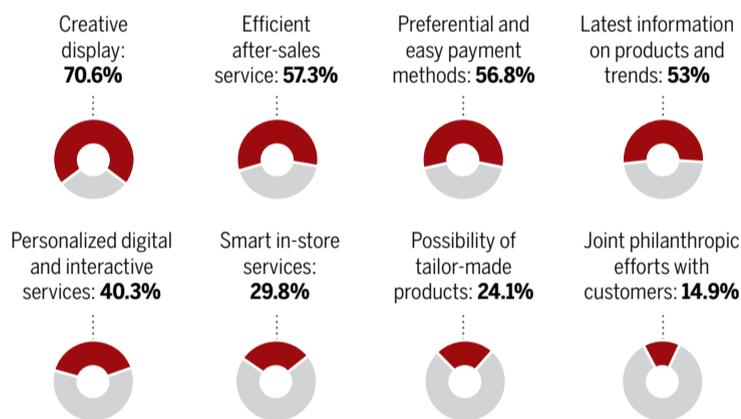
### LEISURE AND TRAVEL

Increased expenditure on leisure and travel in the past few years:



### FORMING SHOPPING PREFERENCES

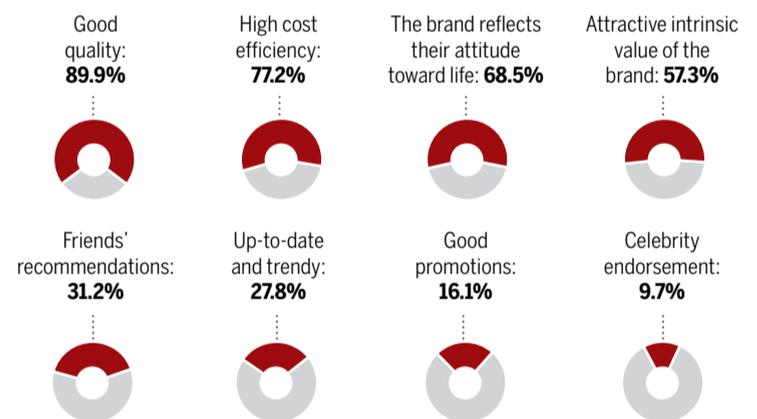
What kind of elements would increase your preference for a brand/store?



Sources: CBN Weekly and Uniqlo Co Ltd

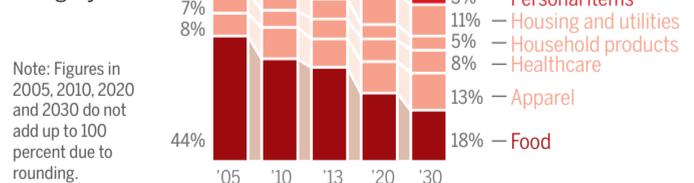
### BRAND LOYALTY

Reasons why consumers 'adopt' a brand:



### WHERE THE MONEY GOES

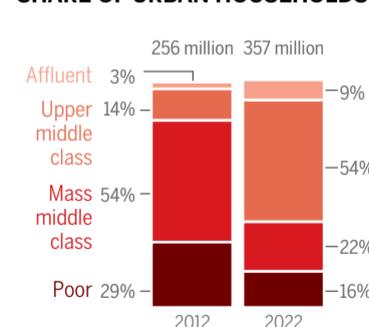
Per-household annual consumption in China by category



Note: Figures in 2005, 2010, 2020 and 2030 do not add up to 100 percent due to rounding.

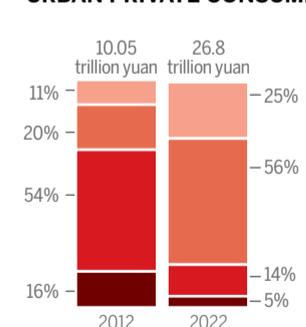
Source: McKinsey & Company

### SHARE OF URBAN HOUSEHOLDS



Note: Figures do not add up to 100 percent due to rounding.

### URBAN PRIVATE CONSUMPTION



CHINA DAILY

ambience may serve as a catalyst for an impulse purchase, according to the research.

China's new middle class places health high on their list of priorities. More than 70 percent said they would develop sporting habits and adjust their daily routine for a balance of work and rest.

To be more specific, 73 percent said they have set aside money in their budgets for sports apparel, workout facilities and organic food.

Also on their radar are arts and leisure, with two-thirds of those surveyed allocating more money for such activities. About 72 percent said they saw "incremental" growth in travel spending.

The increasing expenditure goes to more sophisticated and experiential activities, according to a report by consultancy Oliver Wyman. It showed a surge in the total spent by Chinese travelers overseas in comparison to last year.

"Chinese travelers continue to shift their spending toward more meaningful experiences, such as exquisite dining, extraordinary cultural journeys and even adventurous sports," said Hunter Williams, a partner at Oliver Wyman.

And they are also among the most keen to embrace digital wallets. An overwhelming 87 percent ranked e-payments as their top choice for purchases, while 83 percent use the payment methods on a daily basis.

Newsfeeds provided by brands via mobile communication platforms are well received, with four in five people saying they are prone to making purchases based on merchants' recommendations.

"You see a shifting definition of success from money, power and social status, to the pursuit of well-being and personal realization. That's what defines the new middle class," said Jin from Fudan University.