

MARKETING

China's 7 wealthy consumer types

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In China's rapidly evolving economy, not all high net worth individuals are the same. In fact, there are many "types" that luxury brands must account for. Image credit: Shutterstock

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Due to its relatively young age and enormous size, luxury consumption in China has seen a very different trajectory than it has in the West over the past few decades.

Despite a recent slump in global luxury spending and China's slowing economy, Chinese luxury consumption is showing no signs of deceleration, and it is continuing to buoy most luxury industries.

By 2025, [Chinese luxury spending](#), which already accounts for a third of global luxury spending, is expected to double the past decade's already jaw-dropping figures thanks to China becoming the country with the most high-income households worldwide.

For luxury industries to cope with these developments and maintain their status amidst fierce competition, they must understand how China's affluent consumers differ from conventional luxury consumers around the world but they must also know how to distinguish from the country's various types of wealthy consumers.

Furthermore, Chinese purchasing trends are shifting quickly among generations, meaning brands must be even more up-to-date and dynamic in their marketing efforts.

McKinsey & Company, a management consultancy that has been closely monitoring Chinese luxury consumption habits for almost a decade, concludes that, besides differing from other countries' wealthy consumers, [China's elite luxury buyers](#) also differ greatly from each other.

Many luxury brands and industries have learned the hard way that marketing approaches and entry strategies that worked elsewhere in the world are obsolete and even counterproductive in China.

Plus, the mere quantity of affluent consumers in China means more variation in categories, so the common oversimplification of "ultra-rich" is an inefficient way to label them.

Different segments of HNWI high net-worth individuals will have different purchasing patterns and behavior, and by profiling wealthy Chinese in a more specific manner, brands can maximize their potential in the market.

Recent market research profiling China's HNWI's tried to calculate the rate at which this consumer market will expand over the coming decade, and their results showed that more than half of China's current wealthy consumers were not wealthy five years ago a pattern that's been recurring for nearly three decades.

This shows that purchasing behavior can significantly transform with time and are prone to changes. This reveals a market that has the potential to be re-shaped and re-defined by aspiring companies rather than one that brands need to strictly adapt to, as is commonly believed.

This is due to a lack of awareness and recognition of products and services that simply did not exist or were out of reach for Chinese HNWI's in China a few years ago.

Differences from the rest of the world

The research points out some conclusive differences between China's rich and those in the United States a good standard for Western wealth.

One notable difference is the age of wealthy consumers. In China, 80 percent are under the age of 45, while that age accounts for just 30 percent of wealthy citizens in the U.S. That number is even lower in many European countries.

The Chinese side also placed significantly higher values on products' functional benefits rather than their emotional benefits, which was the exact opposite of U.S.-based respondents.

Lastly, trust in foreign brands and trust in Internet/social media advertising are both much higher for Chinese HNWI.

Studies have identified three psychological determinants that are unique to the average wealthy Chinese consumer.

The first is "value consciousness," which refers to an affinity to seek the most value for a given price. This relates to the Chinese consumer's strong leniency towards functional benefits as compared to other countries.

The second trait is "susceptibility to normative influence," which is very in line with China's conformist and highly collectivist culture where citizens are driven by more by social needs than self-expression. The influence of social norms plays a big role in consumption motives in China.

The third and final trait is "the need for uniqueness," which is a counterbalance of the previous point, wanting to distinguish oneself from others.

Segments among wealthy Chinese

Yet these traits are still very common generalizations, which, while helping to make a distinction between China and the West, still place all of China's wealthy into one category.

However, China's wealthy consumers differ enormously in terms of both internal factors (psychological purchasing habits and motivation) and external factors (life satisfaction and demographics).

To understand the many differences in needs and expectations among China's HNWI, seven categories have been formulated, categorized here from the highest income to lowest:

Luxuriant (22 percent): At the top of the list is the highest-income consumer group, most of whom reside in tier-1 cities and have a higher percentage of women.

As low-key "fashion-leaders," they place value on luxury goods of the highest quality and are less concerned with brand names or displays of wealth, though they tend to be more brand-loyal. They are likely to pay top price for worthy products, and they display behavior that shows more concern for health, environment, and family safety than the other groups.

Demanding (13 percent): These are the hardest working among the ultra-wealthy and the hardest to please.

This group favors products that help them stand out from the rest and has a greater desire to show off their purchases. They are also less likely to pay premium prices for the best products.

Flashy (22 percent): As the name suggests, they are big spenders with a strong emphasis on brand names, and they have the highest tendency to boast about their purchases.

Although they have lower annual incomes than the first two groups, their overall purchasing may amount to more in certain luxury industries. They actively seek out value deals and the cheapest prices but are also fairly willing to pay top-price and are less concerned with environmental or health issues.

Urbane (14 percent): A similar purchasing attitudes to the "luxuriant" but with a lower annual income and a higher percentage of men. They are sophisticated, but are low key, purchase less and care about quality more than a brand name, yet they are somewhat brand-loyal.

This group's respondents scored the lowest with their desire to show off purchases, but they are moderately inclined to pay premium prices.

Climber (8 percent): This smaller sub-group has greater numbers in **tier-2 and tier-3 cities**. They are heavily influenced by the wealthier sub-groups and try hard to identify and socialize with society's wealthiest people to gain and maintain status. They are less financially confident and therefore less likely to spend on luxury goods that are not necessities. They are also very price-conscious, actively seeking the cheapest options.

Down to earth (10 percent): These are younger and newer to the luxury lifestyle and have larger groups in tier-2 cities. They place value on family more than social life even less value on high-end products or foreign brands. They are more financially confident but also feel more pressured, so they prefer low-key but valuable product purchases.

This group scored lowest on both willingness to pay more and willingness to show off.

Enthusiast (11 percent): Mostly in tier-2 cities, they have the lowest income among the wealthy, yet their purchasing habits suggest a desire to spend more than they can afford. They like to show off **luxury products** that help them stand out and aren't bothered by look-alike products. They are prepared to pay a high price if it means getting to show off a desirable product, and they prefer big brand names but are not limited to just one or a few brands.

Based on these findings, the sub-categories of "flashy," "luxuriant," "urbane" and "enthusiast" make up almost 70 percent of China's HNWI's, and they are arguably the most attractive profiles for luxury brands, making them primary targets.

Segments are also somewhat city-specific, meaning that market-entry methods and campaigns should be employed based on city tiers and the segments that are unique to them.

Wealthy consumers in the four main cities (tier 1), as an example, are generally more conservative when it comes to luxury spending and saving, and they place more value on family and environment.

These segments can give brands a general idea of what marketing campaigns and efforts may be most effective.

More "flashy" sub-groups, for example, who are inclined to show-off and place more emphasis on brand names, should naturally be marketed towards with bold, flashy advertising.

Meanwhile, some segments have also shown a lot of prone-to-change behavior, so considering each segment's rate of growth is also an important factor for brands that want to establish an early-brand advantage by marketing to small segments that are quickly growing and gaining importance.

The two fastest-growing groups right now are "climbers" and "down-to-earth" consumers, which both primarily reside outside of **tier-1 cities** and are expected to increase in size significantly more than the other subcategories over the next few years.

THESE FINDINGS serve as a very good starting point for relevant industries that want to understand these target consumers.

By being able to identify the dominant social norms for each segment, brands can position their products more effectively and make better evaluations about how to navigate China's emerging luxury consumers.

Early-movers who can implement this knowledge into their branding will be able to not only survive, but even thrive in China's unforgiving **luxury market**.

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