

RESEARCH

40pc Chinese consumers intend to spend more in next year: BCG

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By RACHEL LAMB

Approximately 40 percent of Chinese consumers intend to increase spending in the next 12 months, a drastic contrast from the 9 percent of U.S. and British consumers who intend to spend more during this time, according to a new study from Boston Consulting Group.

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Despite U.S. and British consumers' growing anxiety about spending, Chinese confidence is up from 36 percent in 2011 and 23 percent in 2010. The biggest hesitation for luxury consumers in the U.S. and Britain is job security, saving and global conflict.

"On the eve of the Presidential election, Americans remain financially insecure," said Michael J. Silverstein, a Chicago-based senior partner at BCG. "They admit and recognize they are saving too little and they have fear of the future for themselves and their children and they believe there is a high probability of global conflict – they believe Chinese gains are America's loss.

"This contrasts sharply with the Chinese consumer who believes a recovery is underway and they will have a better life and so will their children," he said. "They believe talk of conflict is exaggerated.

"They have high current savings rates and believe they will spend more in the future. Only

a minority have anxiety about the future.”

This survey was conducted by 4,000 consumers in China, the United States and Britain in August 2012.

Big spenders

The majority of Chinese consumers – 51 percent – believe that their economy will improve. Likewise, 80 percent of Chinese consumers believe that their children will live better lives than they did.

About 40 percent of Chinese are still intent on spending more of their income.

Only 34 percent of the Chinese are anxious about the future compared to 60 percent of U.S. consumers.

Meanwhile, the majority of U.S. consumers are fearful, anxious and stressed, according to the study.

One in five employed Americans worry about job security and 14 percent of U.S. consumers are saving 15 percent of income or more.

Also, only 24 percent of U.S. consumers believe that their children will live a better life than they do. And, almost 70 percent of Americans believe a global conflict is on the horizon.

“The most surprising finding is that three years into the U.S. ‘recovery’ from the Great Recession so little progress is registered,” Mr. Silverstein said. “Most of this, of course, is attributable to the fact that so little growth has happened in the U.S.”

Saving up

There have been reports claiming that Chinese spending is actually slowing down. However, the study attributes these reports to the cyclical nature of the economy.

“There is no question that the sales numbers out of China are showing some high volatility,” Mr. Silverstein said. “We believe that the China growth story is a long-term one.

“The cycles in the market provide opportunities and if you have deep pockets, now is the time to expand in China,” he said. “In 2020 the luxury market in China will almost certainly be much larger than it is today and being strongly distributed will make a huge difference.

“Now is the time to go to the second and third tier cities.”

Indeed, marketers need to continue to market to Chinese consumers, especially since it is known that they are still wanting to spend on luxury goods.

The Chinese consumer still has cash in their pocket and a propensity to spend – they have many newly wealthy and a great sense of optimism, according to Mr. Silverstein said. Indeed, they are the easiest market left on the planet.

Meanwhile, U.S. and British consumers need to be pried from their money and marketers need to deliver innovative goods, sold with style and grace, and take an important place

in consumers' lives.

“It is a challenge but doable,” Mr. Silverstein said. “Successful luxury companies will carve out unique space in their consumers’ minds.

“They will double down efforts to ‘know’ their consumers as individuals,” he said. “They will cater to their needs and help them fulfill their dreams.

“It is not a static business. If you don't do it, someone else will.”

Final Take

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