

CONSUMPTION BEHAVIOR IN CHINA 2009

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Chinese Consumers Increase Spending

By Michael Zhao¹

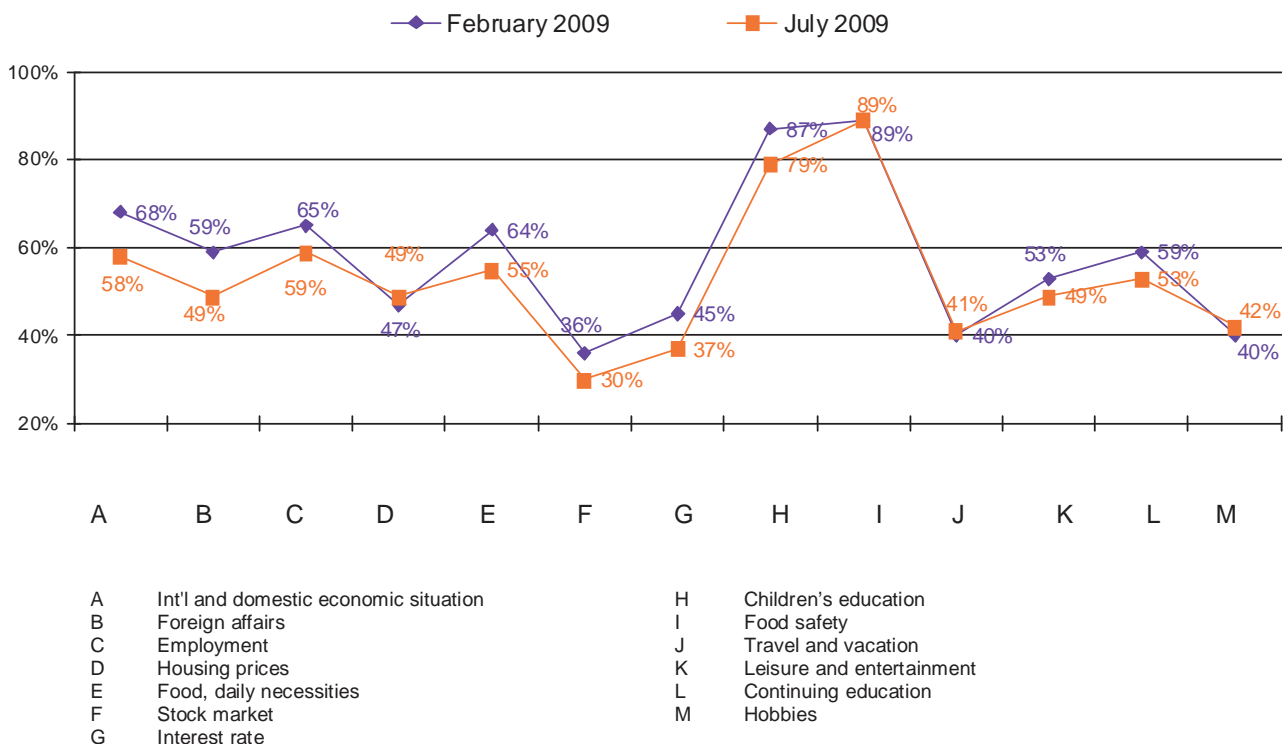
Recently a friend of mine called me. She sounded very excited, "I just bought a long-dreamed-for Louis Vuitton handbag at Plaza 66. It is on discount now." I can almost see luxury-obsessed customers rushing in and out of Plaza 66, the elite location where LV neighbors with Hermes, Prada, Celine, Versace, Cartier, etc., and I cannot help wondering, first "what is going on?" and secondly, "is LV the same brand as the one I know?"

The answer is yes to my second question despite the minimal discount offered as a friendly gesture at a time of economic downturn. And well, I soon find some clue to what is happening with my friend and others at Plaza 66 from the findings of the two-wave nationwide consumer consumption behavior and confidence index study that CBC Marketing Research conducted in February and July 2009. In each wave, a total of 945 consumers, aged 16 to 49 years old from nine cities across China, were interviewed.

Positive attitudes and rising confidence among Chinese consumers

When the recession first hit in 2008, more people chose to hold on to their money. But now a rather positive attitude and increasing confidence has been noticed among respondents in the surveys. If it is not getting any better, but neither is it getting any worse.

Overall Concernedness (Very Concerned + Concerned)



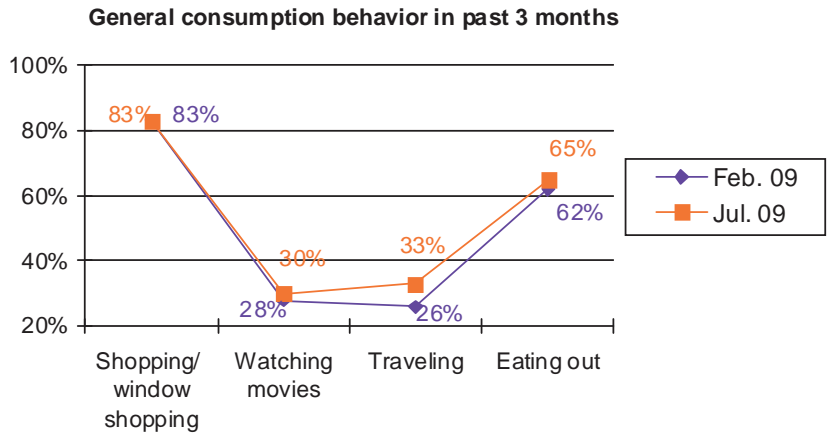
—Source: **CBC** Marketing Research

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Generally more consumption activities in the past three months

In the 2nd wave, consumers are generally less concerned about the international and domestic economic situation, China's foreign affairs, food/daily necessities' prices, employment situation, etc., indicating the gradually rising consumer confidence which originates from the improving domestic environment.

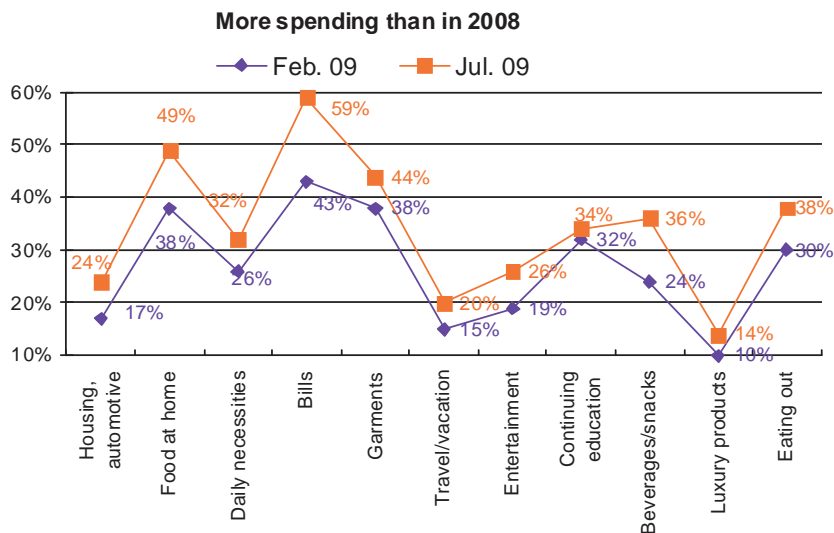
In the July survey, respondents are found to have conducted more consumption activities in the past three months, especially traveling where there has been an increase of 7% compared with the previous wave.



Source: CBC Marketing Research

Consumers are spending more! Good news for all

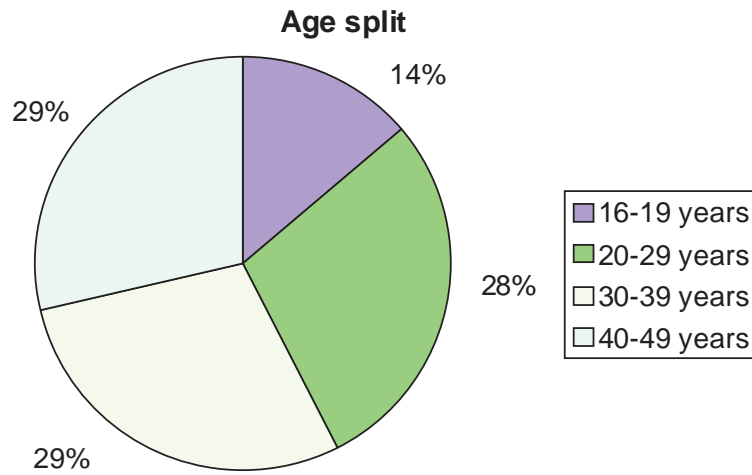
More spending is recorded in all categories in July compared with February, especially on household bills, beverages/snacks, food at home, garment and big-item purchases (housing, automotive). This is in line with the previously detected enhanced consumer confidence. Isn't this very good news?



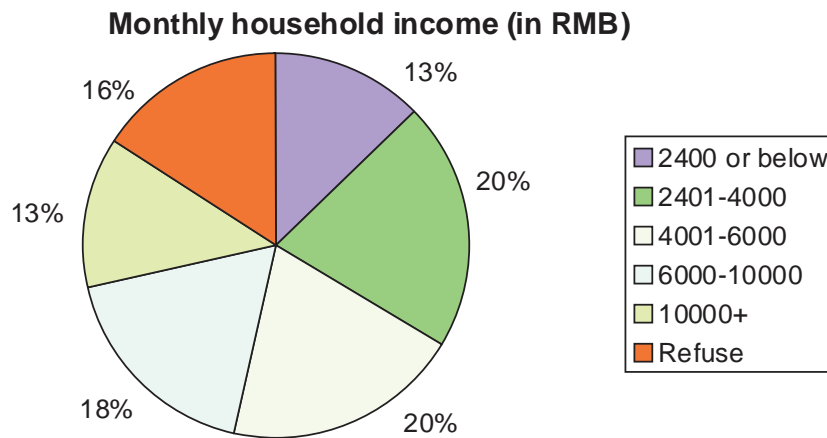
Source: CBC Marketing Research

Respondent's profile

- Geographical coverage:
 - o Tier 1 cities (Beijing, Shanghai and Guangzhou), Tier 2 cities (Shenyang, Chengdu and Changsha), and Tier 3 cities (Yantai, Shantou and Guiyang)
- Sample size:
 - o 105 interviews in each city, equal split by gender
- Age and income:



Source: **CBC** Marketing Research



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