

Chinese Consumers Pay More, But Expect More

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SHANGHAI (AP) — Chinese consumers can afford to splash out more on higher quality products but also expect better value for their money than in the past, an American Chamber of Commerce study found.

China's consumer market is forecast to become the second largest in the world after the U.S. by 2015. Both Chinese and foreign companies are struggling to keep up as the market evolves, said the report, released Wednesday.

"There is no doubt that the Chinese marketplace is maturing," said Joni Bessler, a partner with consultancy Booz & Co. in Shanghai, who helped compile the report.

The past divide between luxury or premium products and affordable ones is blurring as the middle class grows, with most consumers expecting good value and wide choices, even for less expensive goods.

"The race is on to see who really captures this buyer segment," Bessler said.

For companies like Kraft Foods Inc. and PepsiCo. Inc., that means tailoring products to suit local tastes while leveraging the company's global brand name.

Kraft spent much time researching Shanghai consumers, going into their homes, to understand their preferences in developing a branding strategy for its famous Chips Ahoy and Oreo cookies, said Haiyan Wang, chief marketing officer for Kraft Foods China.

Melded with social media through games and videos, in China the branding campaign plays on typical local stereotypes, where their "cookie guys" include a persnickety female character meant to epitomize feminine but tough Shanghainese ladies and an indecisive "chewy" guy who is her Shanghainese male counterpart.

"Without a knowledge of who our customers are and what their needs are, branding is not easy to do," Wang said.

The consumer market strategies report released Wednesday outlines major trends as reported by dozens of companies in various industries, including consumer goods, autos and financial services.

It says Chinese are increasingly concerned with health and quality of life. As growing numbers travel abroad, they are becoming more familiar with foreign brands and the variety and quality of goods available overseas and expect the same at home.

Chinese living in the biggest cities, such as Shanghai and Beijing, are more focused

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on value but able and willing to pay more.

"Value consumers are not spendthrifts," the report says. "Although they are willing to spend for value, they want to be certain they are actually getting what they pay for."

Those with lower incomes or living in smaller provincial cities are more price conscious, but also choose from a much wider range of products than in the past — making the markets increasingly competitive for both foreign and local companies, it says.

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