



THE YOUNG YUANG

Number two in a series of articles by





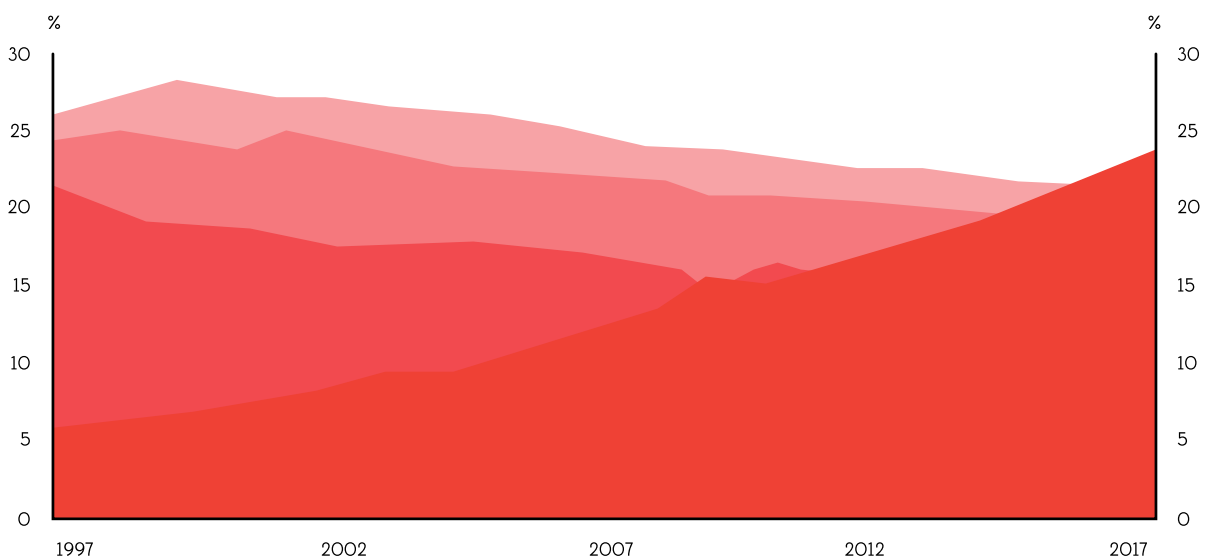
UNDERSTANDING THE YOUNG MIDDLE-CLASS IN CHINA COULD PAY DIVIDENDS FOR BRITISH BRANDS

The incredible Chinese economic boom of recent times has changed the face of global commerce for good. Nine years ago, to everyone's surprise, Goldman Sachs predicted that China would become the world's largest economy by 2035. A recent OECD report has brought that forward to 2016. There's no doubting the tour de force that is the Chinese economic juggernaut, and its restless upward trend has made the Western world look on with envy.

It is widely known that Chinese people in general now have more disposable income than ever before. But perhaps less understood is the growth of an emerging middle class. In particular, there is one demographic that has more spending power than most people realise, and it is one that British brands would do well to take note of.

Young Chinese consumers today are a different breed altogether from those that went before. Whilst family hierarchies are still observed, the young have many more opportunities than their parents and grandparents once had, and they are taking advantage of their newfound role on the global stage with relish.

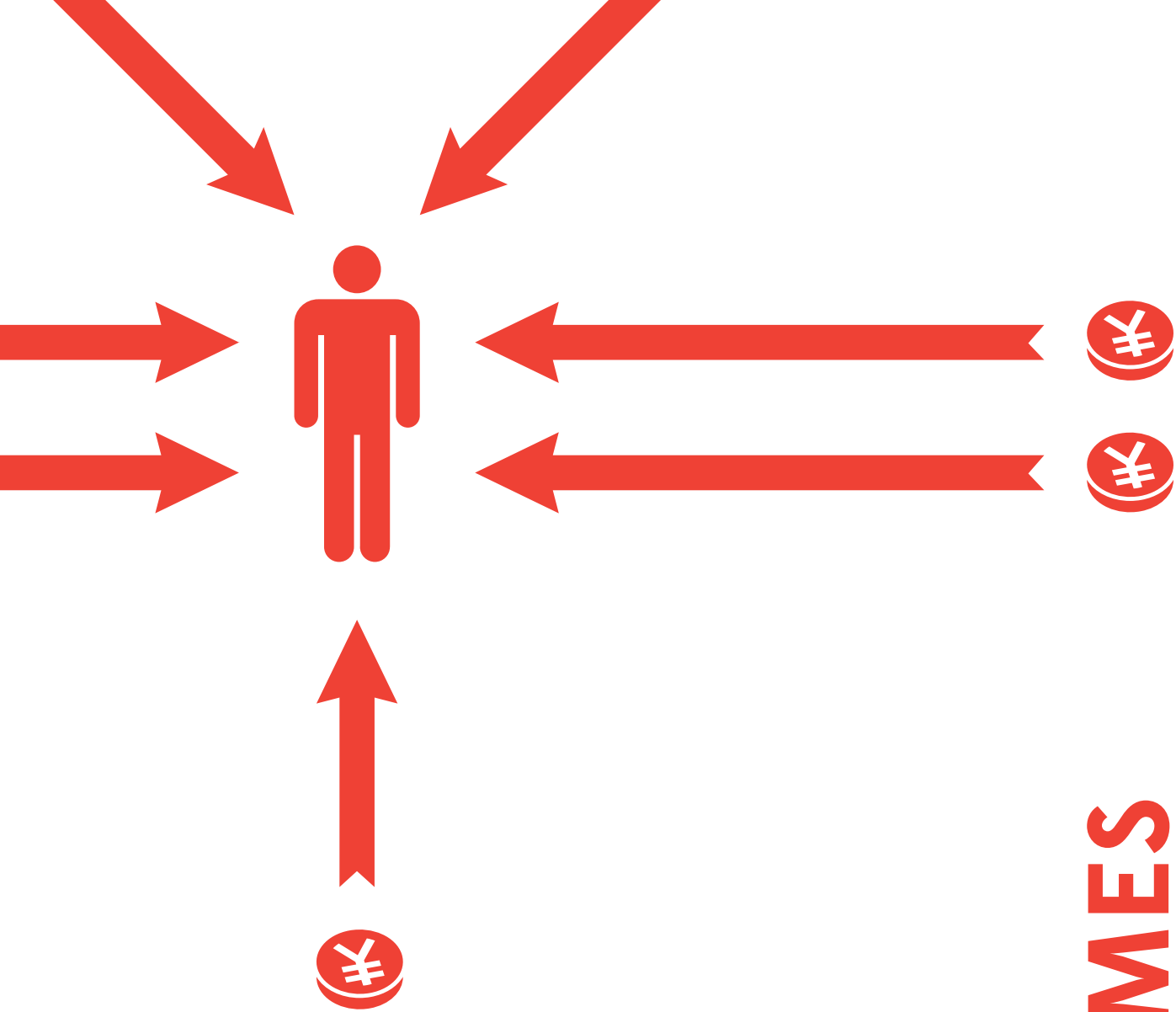
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Shares in world manufacturing value-added at constant 2000 market prices

Source: World Development Indicators; OECD estimates for 2009 and later.





Those born after 1990, in particular, are exploiting their status as products of the government's one-child policy. In Chinese culture, senior family members are expected to take care of their young, including their financial welfare, meaning that a young middle-class Chinese person today can draw an income from up to six family sources – two parents and four grandparents. As they are inevitably the only child, that can turn into a pretty tidy sum of money. Add a seventh stream – income from a job – and they become a very attractive prospect for marketers.

ONE CHILD... SEVEN INCOMES

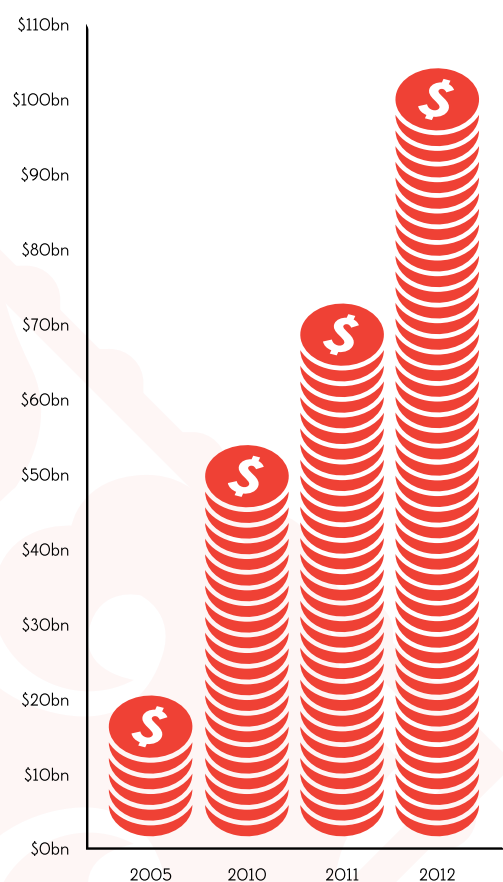
You can see it in the figures. Growing numbers of young Chinese consumers are travelling and being educated overseas. They are also using their substantial income – only dreamed of by most of their Western counterparts – to buy more luxury goods.

Brands such as Tiffany, Hermes and Gucci have seen sales soar in recent years and have substantially increased the number of stores in the region. What's more, many Chinese tourists are heading to Europe to buy their luxury goods so they can avoid paying a 'luxury tax' and make savings of up to 50%.

According to CB Richard Ellis Consultancy, Chinese tourists have an average spend of £202 a day on trips to Europe. And, with more than £600 frequently being spent on one shopping trip, it's easy to see why UK retailers are becoming increasingly interested in China's middle class.

There's a certain zeal with which the new generation of middle-class Chinese are spending their money. This is, in part, influenced by a change in perspective, made much broader by their foreign travels, educational experiences and, of course, the Internet.

The sheer buying power of this demographic, their level of education and openness to new ideas could be very beneficial for mid to high range British brands targeting Chinese consumers. With millions more middle-class predicted to emerge, good quality British brands can really take advantage, as the luxury market is extremely competitive and cost-intensive.



Chinese Tourism Expenditure

Source: World Tourism Organization (UNWTO)®

TARGETING

EFFECTIVE

In the past, British brands have tended to focus on Macro rather than Micro trends. The key to reaching this demographic is to understand their nature and how they interact with brands, particularly through social media. Having a clear understanding of this group of consumers will help British brands select the most effective channel or platform to market and conduct sales of their products.

The young generation of Chinese is connecting with social media in very sophisticated ways. Platforms such as Sina Weibo (a more advanced version of Twitter) are used not only to engage consumers but also for the actual sale of goods.

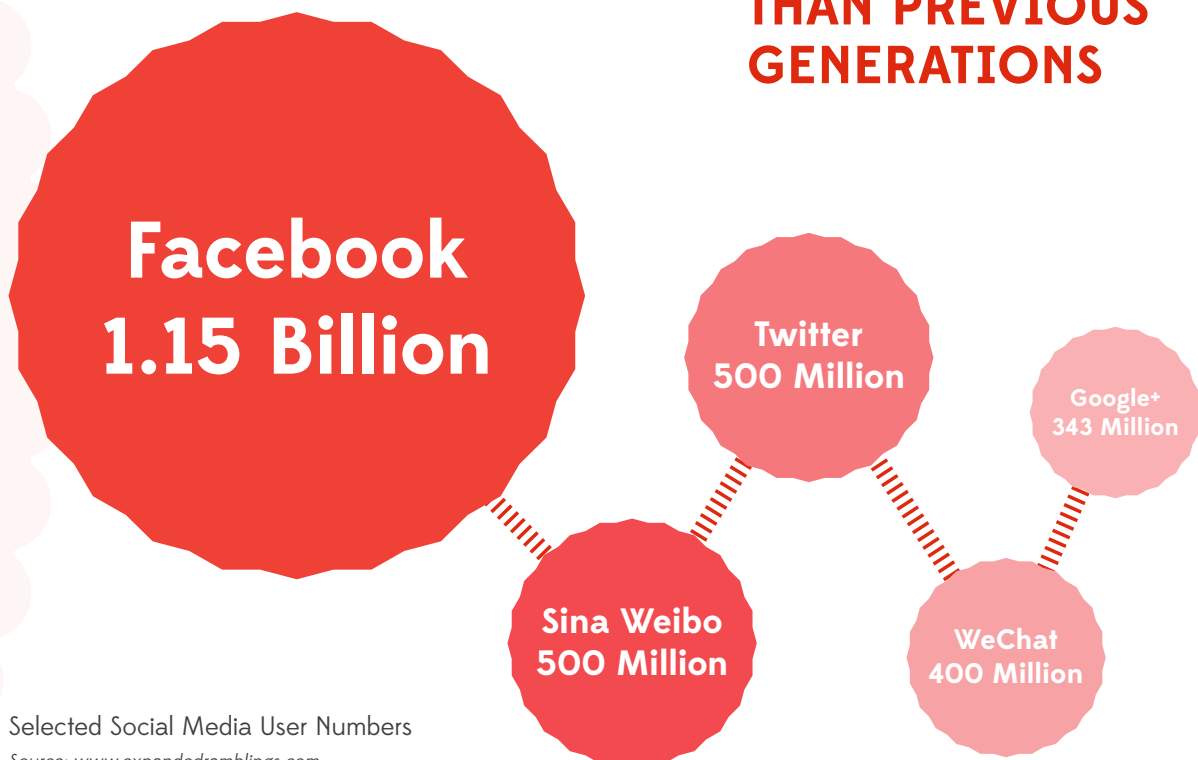
Last year, for example, Mercedes Benz experimented selling limited editions of their Smart Cars direct to consumers via Weibo, enjoying some success. Similarly, Swiss watchmaker IWC has reached high levels of popularity after running social media campaigns to coincide with store launches in Beijing and Macau.

Indeed, many Chinese companies have helped to advance a culture of impulse buying, exploiting both social media and instant payment platforms to bring in sales, literally at the touch of a button.

But it's not just about the Internet. Young Chinese are much more engaged with the world around them than previous generations. This has made them more politically minded, more conversant in English and other languages and, interestingly, more willing to embrace a culture of individuality, particularly when it comes to style. It is here that British brands can really make their mark. After all, 'Brand GB' is a powerful global signature at the moment and one that certainly appeals to the '7 Income Streams' demographic.

As the British economy splutters back into recovery mode, brands here should be looking to take advantage of Chinese growth. There are, of course, other areas of the Chinese market worth considering. But the young, self-titled 'little princes and princesses' are where the real money is.

YOUNG CHINESE ARE MUCH MORE ENGAGED WITH THE WORLD AROUND THEM THAN PREVIOUS GENERATIONS



Selected Social Media User Numbers
Source: www.expandedramblings.com

ABOUT THE AUTHOR

Ben Hui is the Managing Director of **UKC Company**, a full service brand communication agency based in Manchester. As a native Chinese speaker, Ben utilised his experience as a China-UK business consultant and brings an international perspective to UKC Company. Ben is also the founder of CING, the Creative Industries Networking Group.

UKC Company's Chinese social media marketing package is part of 'Marketing to China', a new range of branding and communications services which will help UK companies penetrate the Chinese market. For more information about UKC Company's Weibo Marketing Services, please contact newbusiness@ukc.company

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