



**Ashok Sethi, TNS**

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**Consumer Trends and Luxury Products**

# Consumer trends

- Demographic and socio-economic trends
- Environmental trends
- Changing consumer mind-set and the luxury consumer

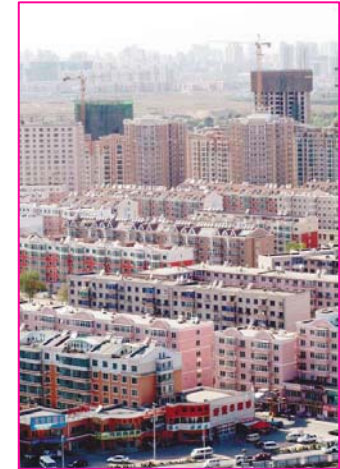


# Demographic and Socio-economic trends



# Demographic and Socio-economic trends

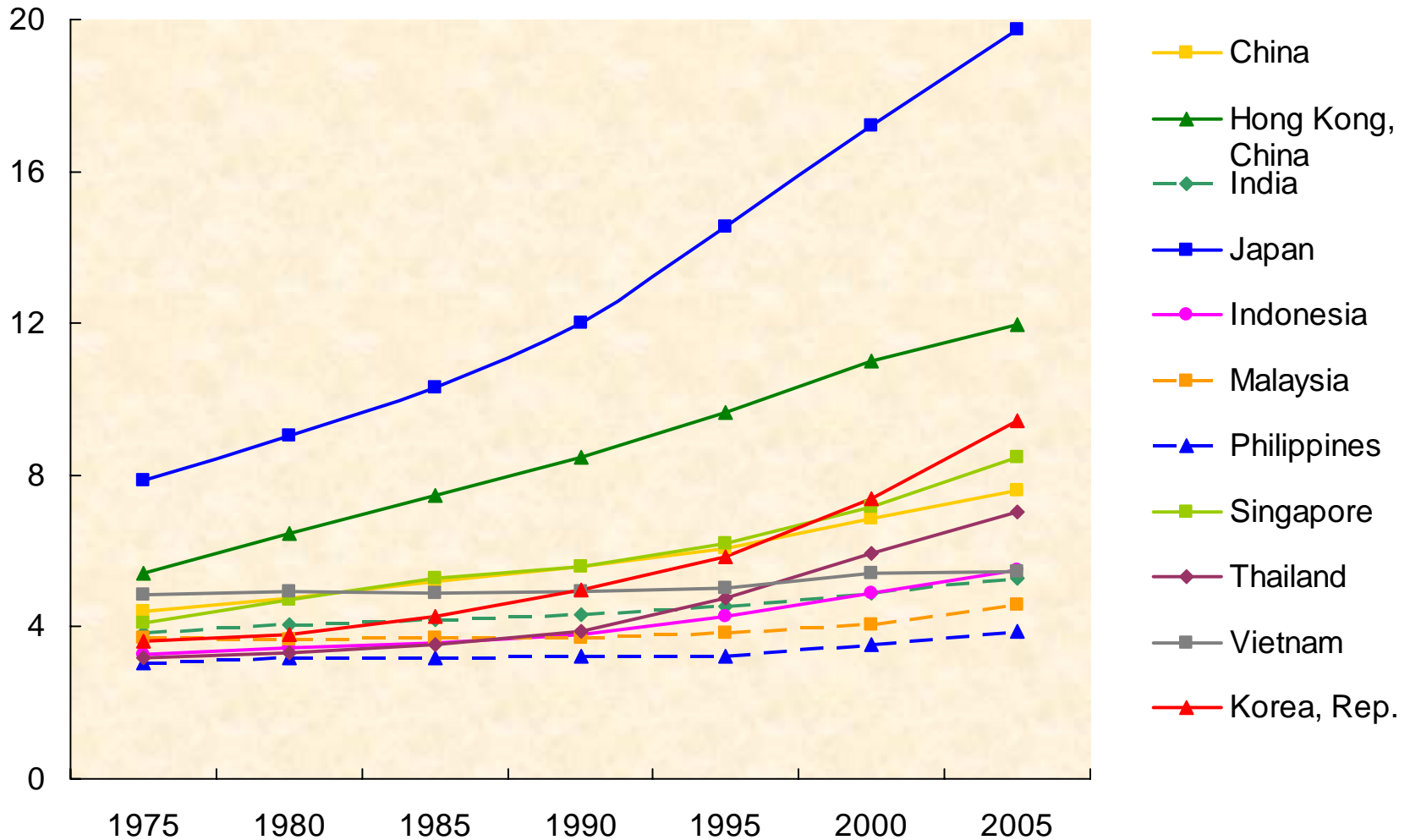
- The greying consumer
- Urbanization
- Rising incomes
- Emergence of the independent female consumer
- Smaller families



# The Greying Consumer

% of population over 65 years

Source: World Bank

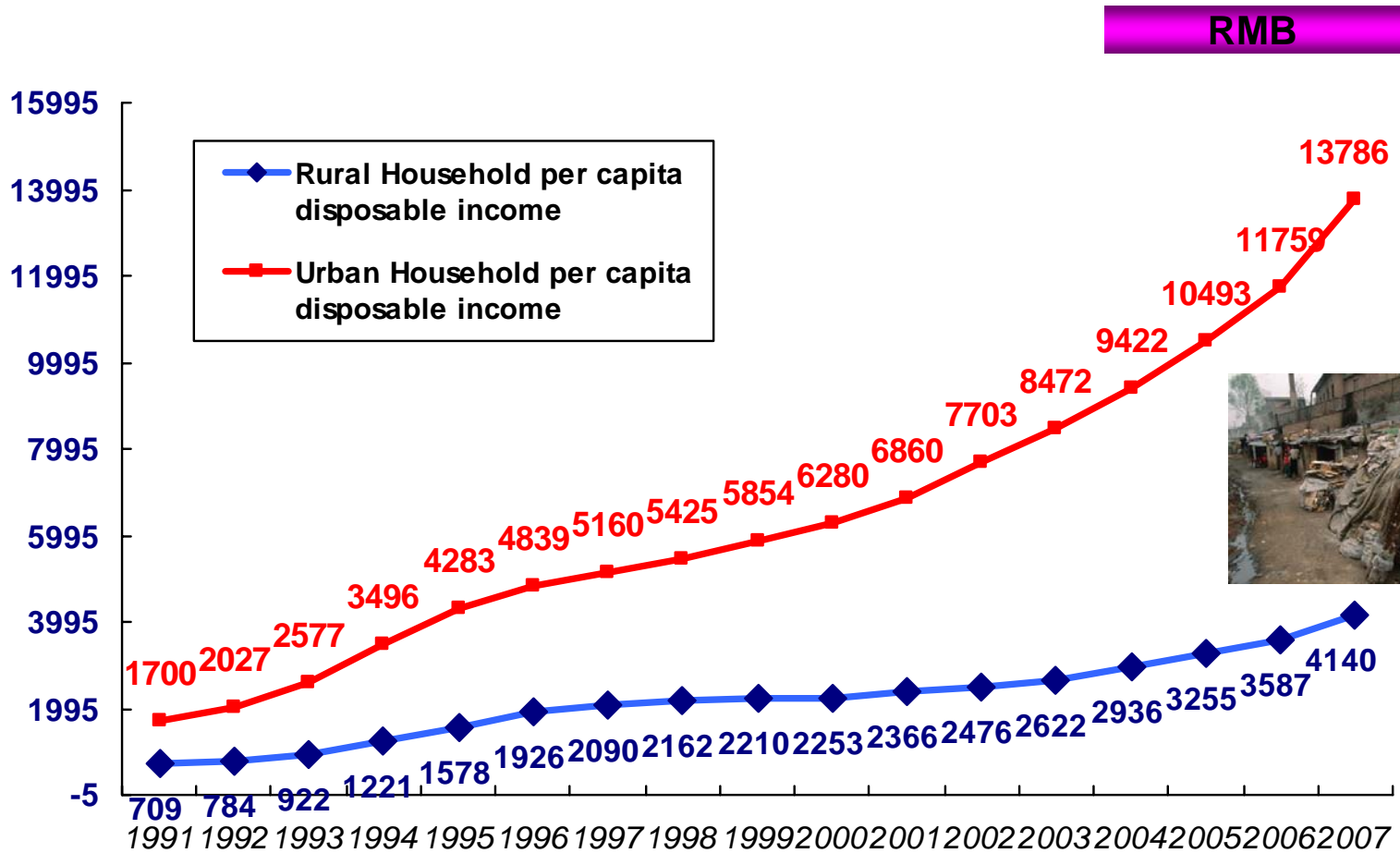


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China had 153 million people aged 60 and above by end of 2007 – 11.6% of the population.

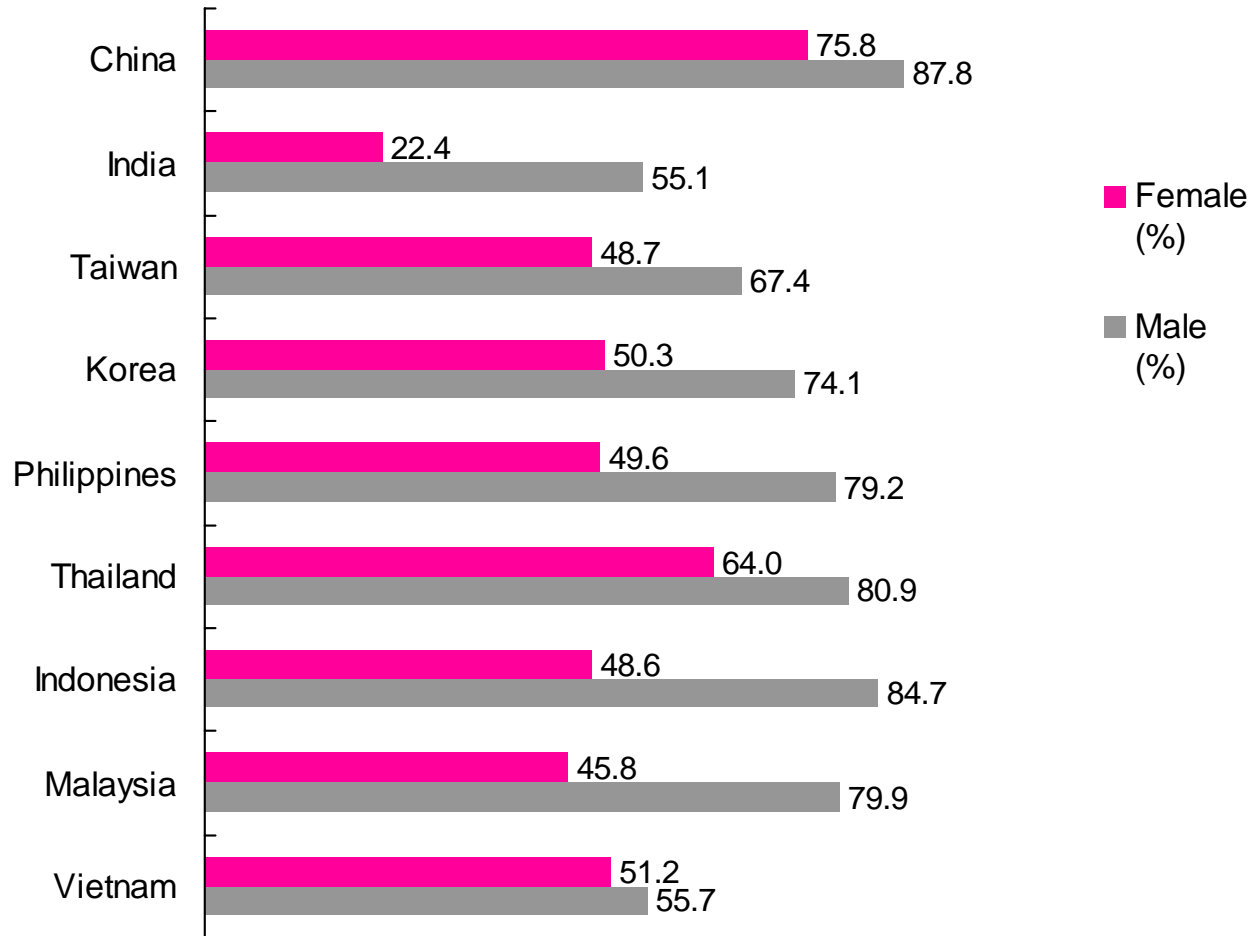
# Rising Incomes and spends

Rate and quantum of increase different for urban and rural



# The independent female consumer

Traditional concept of “housewife” does not exist in most of China



Employment%:

\*Data estimated in 2005

\*Source: Asian Development Bank (ADB)- Key Indicators 2007 ([www.adb.org/statistics](http://www.adb.org/statistics))

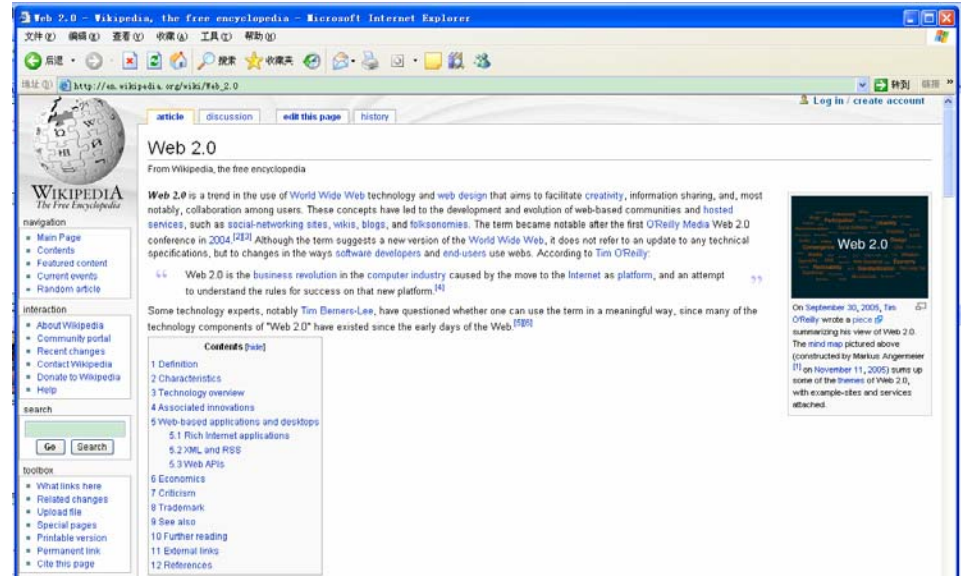


## Environmental trends



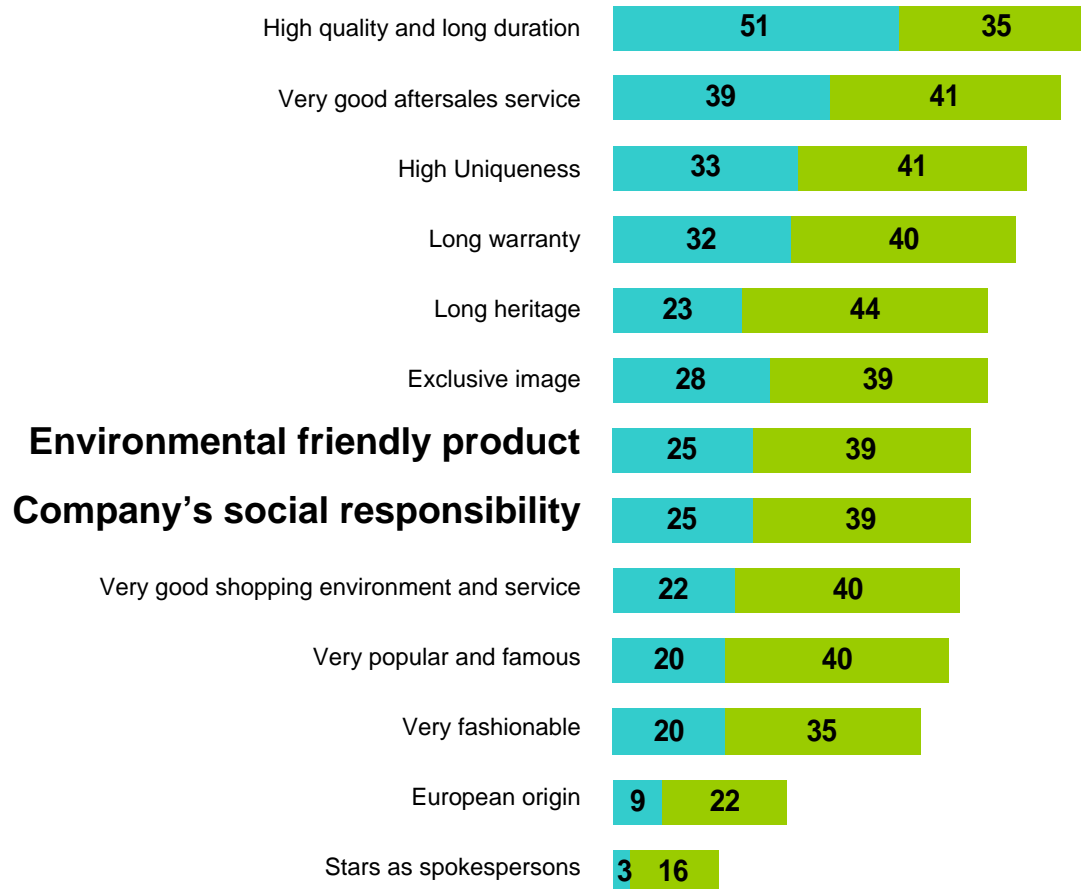
# Environmental trends

- The green consumer
- Web 2.0
- Growing prominence of Asia and increasing nationalism



# Triggers for paying the luxury premium

In fact this is one of the key benefits consumers are willing to pay a premium



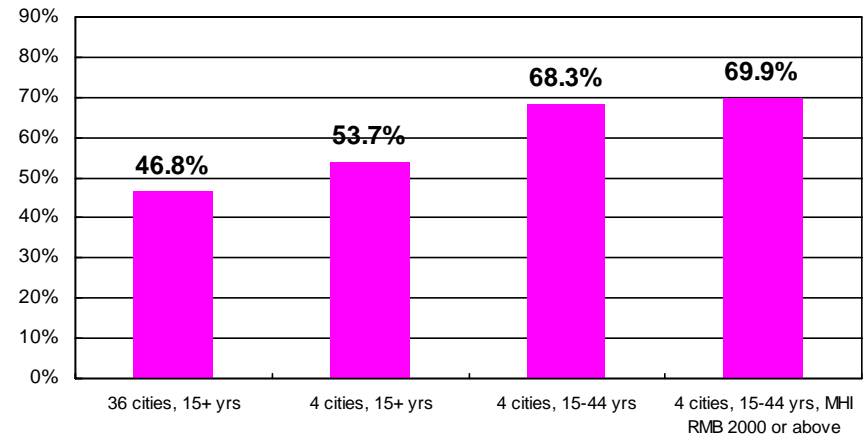
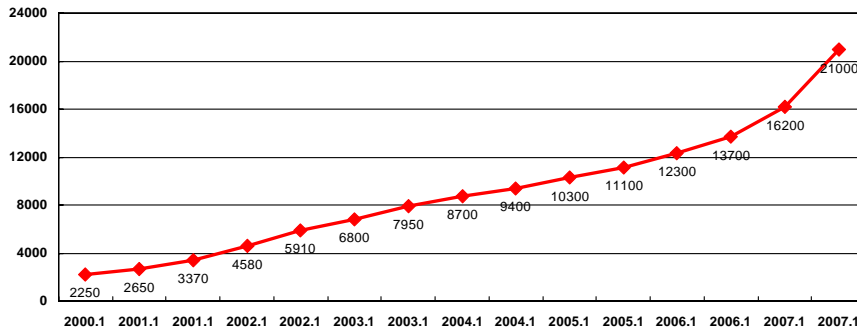
Top 2 box %

*Green is fashionable.  
Green is the new status symbol!*

# Web 2.0

## Implications

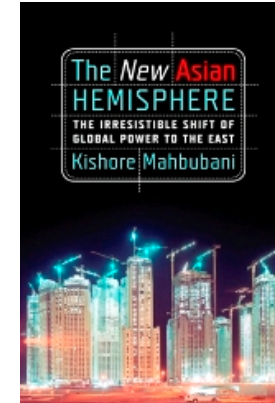
- High reliance on information from the net
  - Consumers make much more informed choices
  - Transparency critical
- Web 2.0 or user generated content
  - An opportunity to tap into consumer creativity
  - A threat if left unmonitored and ignored



# Growing prominence on the world stage

## Belligerent nationalism

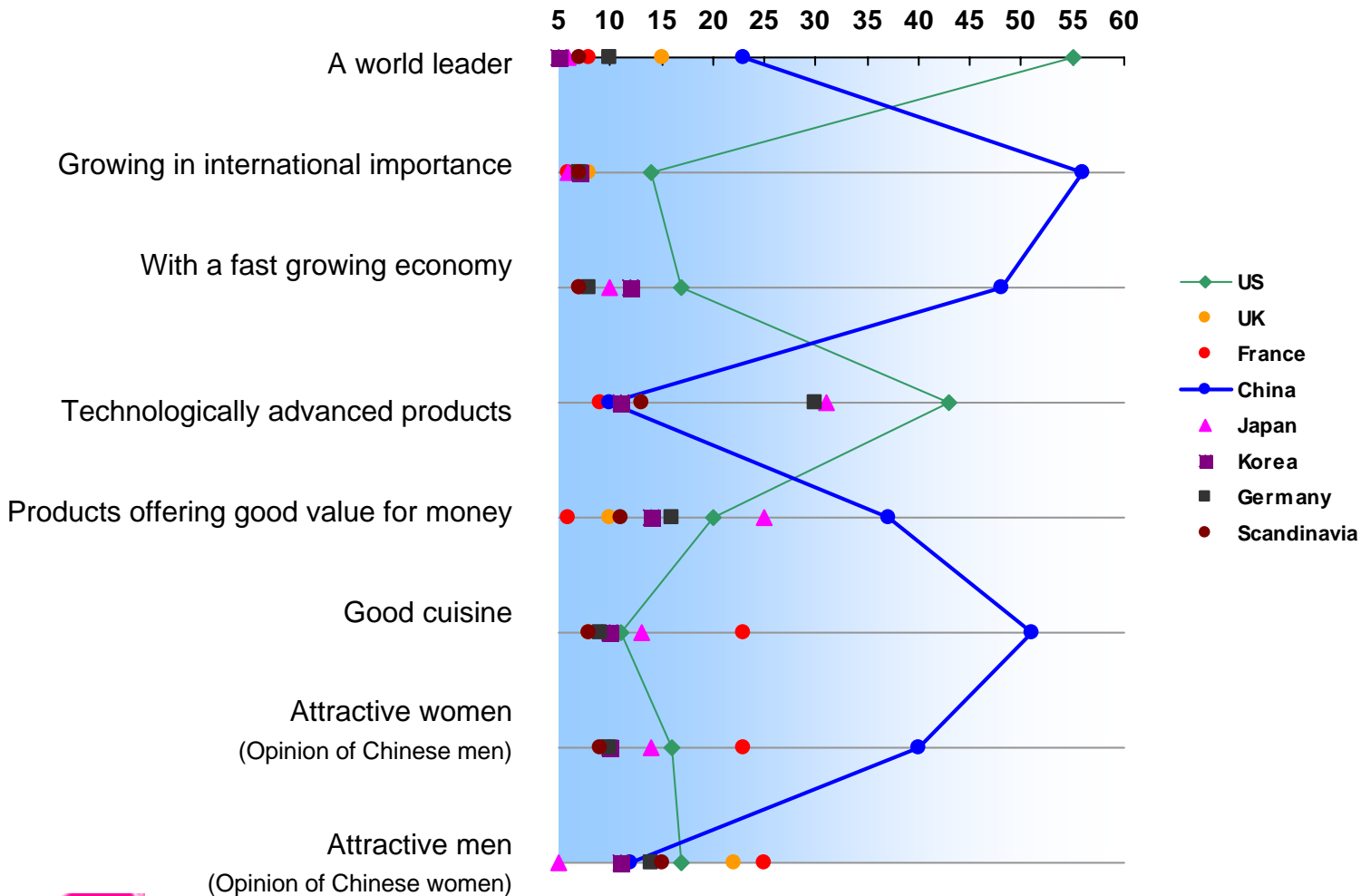
- Economic performance
- Economic clout and influence
- Excellence in sports
- Reaching for the space!



**Asia and China now the centre of the world!**

# Chinese view of the world

## Chinese self-perception – proud but not arrogant





## Changing consumer mindset and the luxury consumers



# From affiliation to individualism

## Concomitant of changing demographics



Traditional marketing always sold products in the context of husband/children/wife/family/friends (“ buy this and be a good mother!”). However current sentiment - “I” am important and deserve it! Consumption now legitimate for oneself!

# Trade up & trade down

## Store label kitchen roll and LV bag



The same consumer displays extreme price sensitivity for one product (normally functional products of low perceived differentiation) and an extraordinary premium for another product (mostly a visible consumption product or a product of high perceived differentiation).

Luxury products market in China is forecasted to become the largest in the world in another decade or so.

# From products and services to solutions and experience

## Implications

- Moving from functional needs to emotive needs
- From functional to emotional gratifications
- Hence from products to experiences
- Diluting the product category boundaries
- Creating opportunities for companies to collaborate



Nike + iPod



Mplayer (iRiver + Disney)

# Ascendance of Design

## Implications

- From the marketer's perspective
  - Decreasing opportunities for product differentiation
  - At the same time a strong need to uniquely position the brand
- From the consumer's point of view
  - Demand to find greater value
  - Desire for higher gratification
- As a result design reigns supreme in almost all product categories
- From product, to packaging, to advertising to web design



# Ascendance of Design

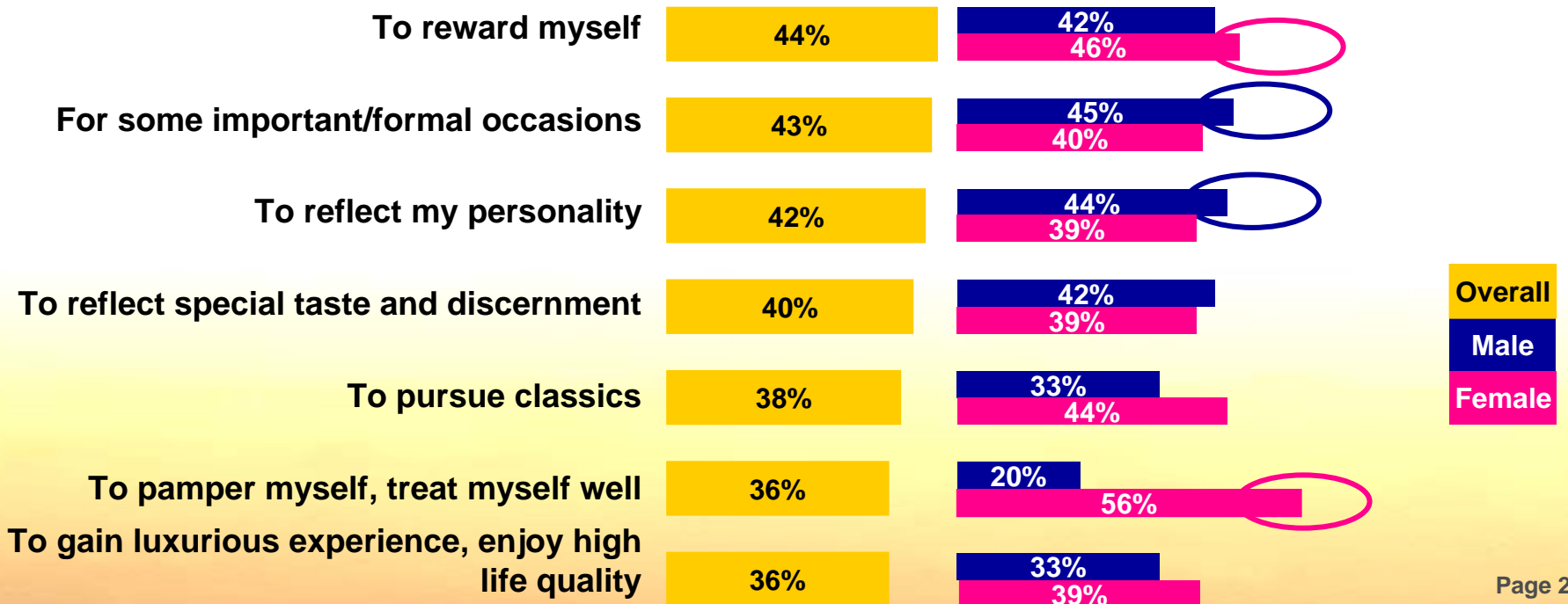
Design finds a role even in credit cards





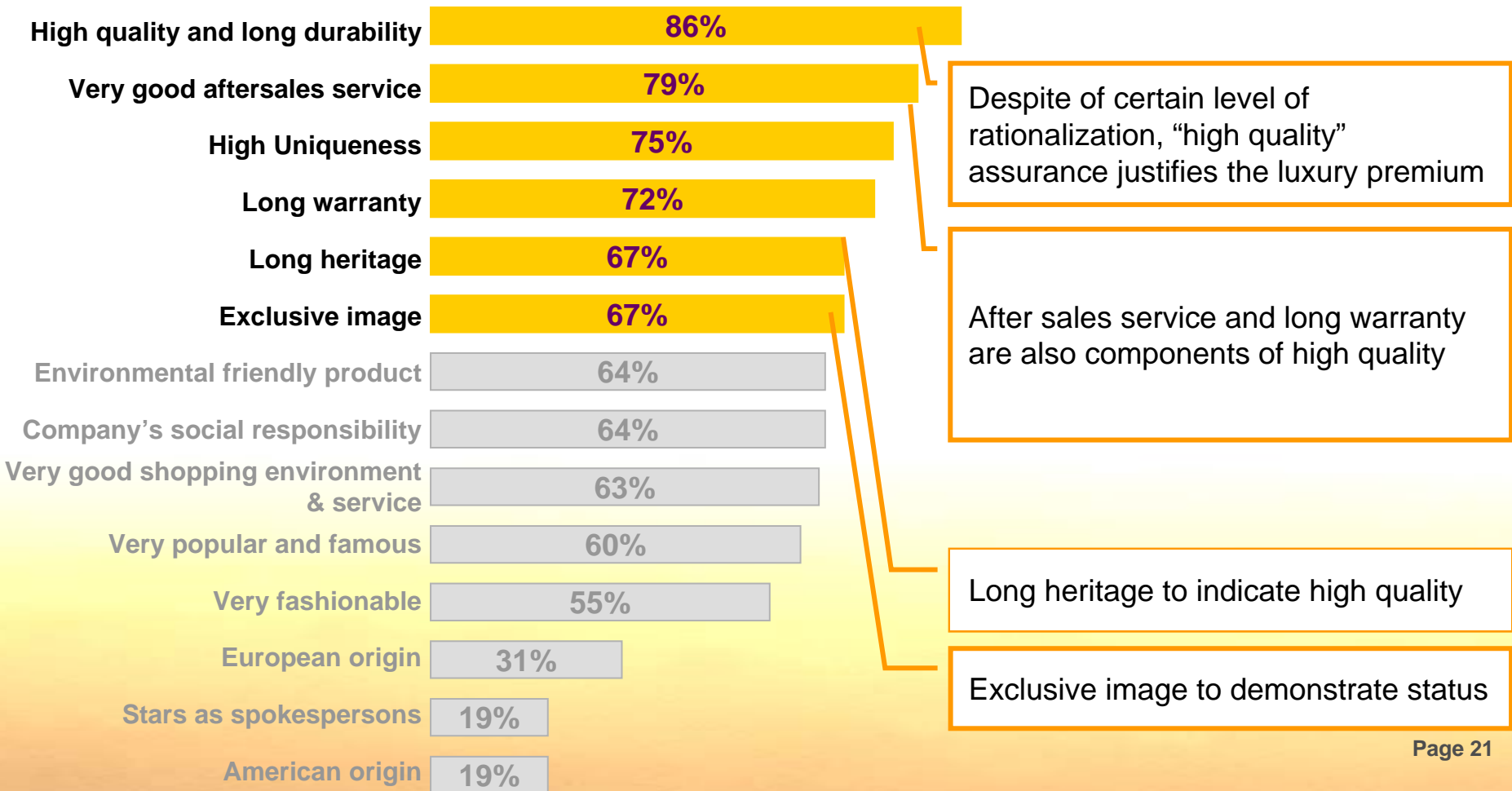
# Status, self-reward/pampering, individuality, discernment - the key motivations for luxury ownership

*For what reasons would you buy luxury goods?*



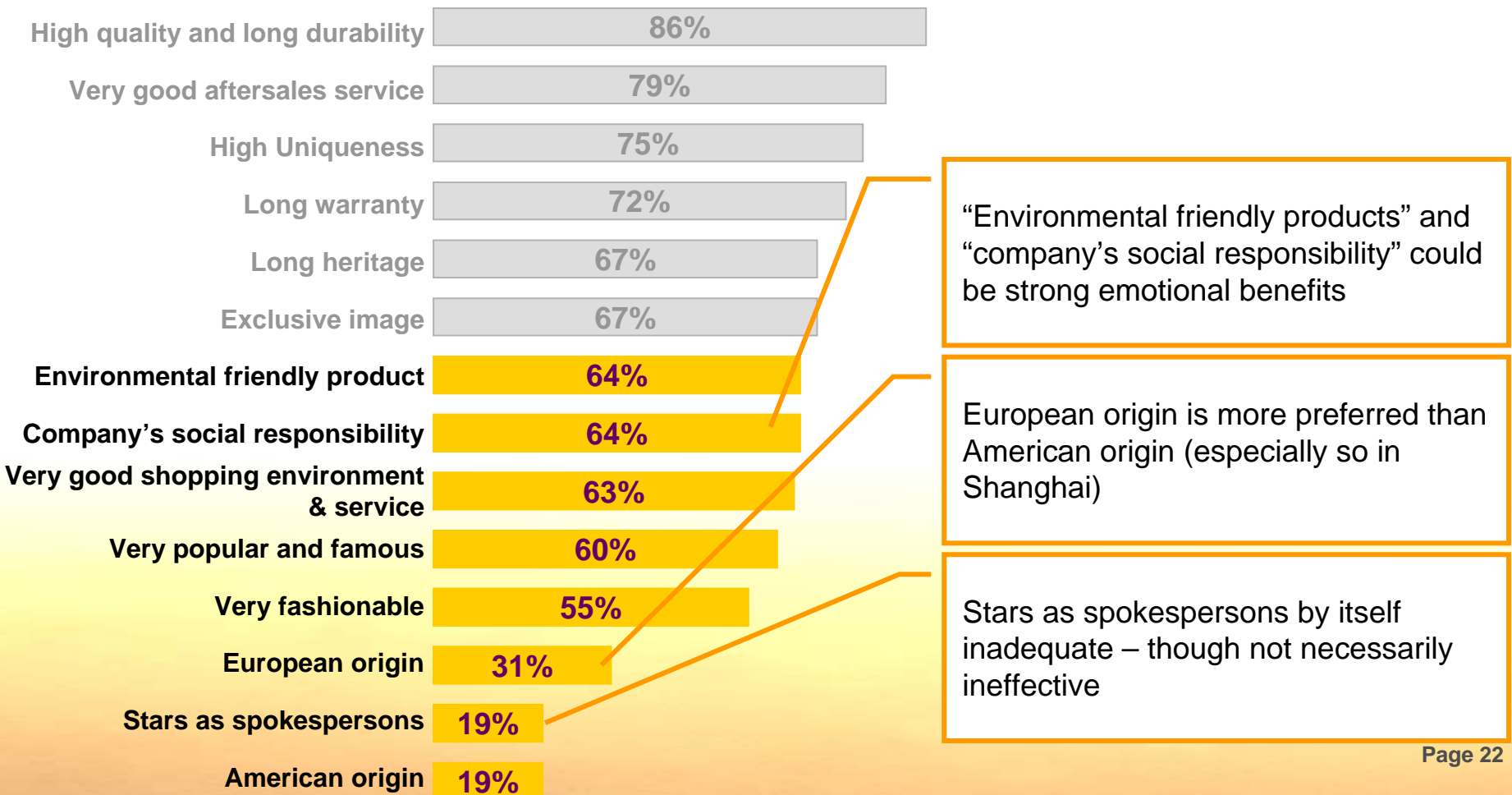


# What are the key characteristics that Chinese consumers are looking for in a luxury brand?



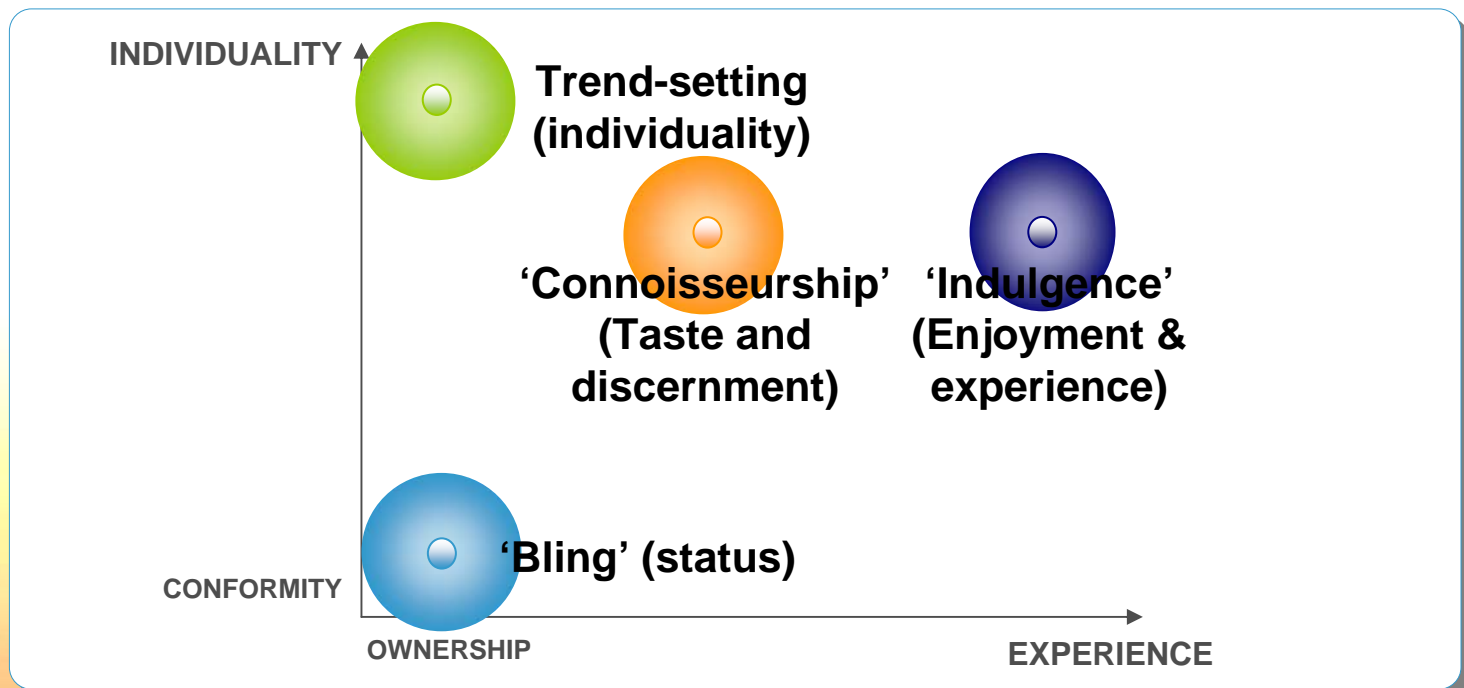


# What are the key characteristics that Chinese consumers are looking for in a luxury brand?



As the market grows in sophistication, signs of segmentation and differentiation emerge

**4 Need states are identified among the wealthy luxury users. Beyond status symbol, needs of luxury consumers have evolved towards two directions: individuality and experience**



# Luxury for individuality and fashion

Has more than twenty luxury bags of different brands

Started to read fashion magazines from early twenties, and dreamed to own the luxury items



**Ms. Li (single)**

**30, Chengdu**

**Occupation: white-collar, MNC**

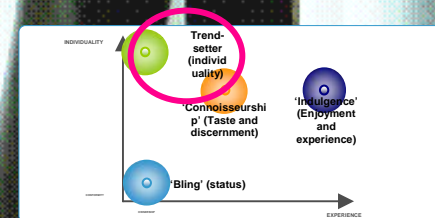
**Assets: unknown**

**Annual income: RMB200k**

Shops in Shanghai and HK for more choices and trend-setting styles.

Wants to be different, buy both well-know 'dream' brand and offbeat niche brands

*'I tend to buy some not-so-popular brands among international luxury brands such as Lancel and Coach.'*



## Surging need for Indulgence: experiencing luxury

Recently moved to an apartment in Xin Tian Di area; rent is RMB 20k per month

*'I don't want to buy apartments because I don't have the money to buy the good ones, and I'm not sure which city I'll stay a few years from now.'*

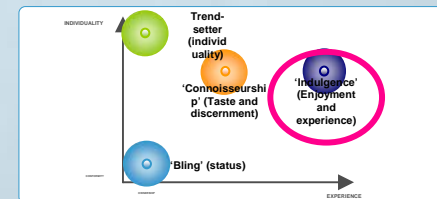


**Mr. Yang, Shanghai**  
28, single  
Occupation: private equity (MNC)  
Assets: 200-400k  
Annual income RMB500k-800k

In past 6 months, traveled to Africa and Japan; Each cost about RMB 30k

Often goes to western restaurants which cost RMB 200-300 per dinner

*'Have you tried the best Italian food in Shanghai? I'm going to take you to.'*



# The latest fashion of connoisseurship

Started to buy Armani (and only Armani ever since) when attracted by an Armani shirt with Chinese traditional style buckles



**Mr. Kong, Beijing**

**37, married**

**Occupation: biz owner**

**Assets: unknown**

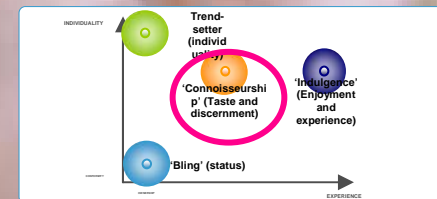
**Annual income: unknown**

Collector of watches, tobacco pipes, Chinese antique furniture, Chinese jade, etc.

VIP collector of limited edition Damascus knives

*“When I talk to people about luxury goods, I usually know better than others.”*

*‘Luxury to me is a slice of time and space that is owned and appreciated by myself. I enjoy the peace and pleasure when there’s only me and my collection.’*





## Implication to marketers

- Differentiate and conquer
- Super luxury - limited edition
- Collectible luxury
- Luxury experience
- Recognize Chinese luxury
- Green luxury
- And, don't forget "Status"



*Thank you!*

Presenter's contact information

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