

# Five Trends Transforming China's Consumer Economy

## China's Consumer Boom Will Continue

Even if China's GDP growth slows to 5.5%, personal consumption is projected to increase by **about half, to \$6.5 trillion**, by 2020.

But growth is only part of the story: demographic, social, and technological forces will transform China's consumer economy.

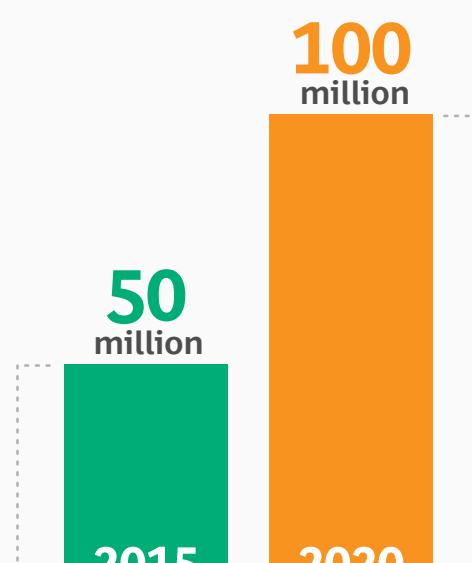
# 1

## The Rise of the Upper-Middle Class

Households earning more than **\$24,000** annually will increase their consumption **by 17% per year through 2020**.

These upper-middle-class and affluent households will account for **81% of China's incremental consumption through 2020**.

Number of Chinese households earning **more than \$24,000**.

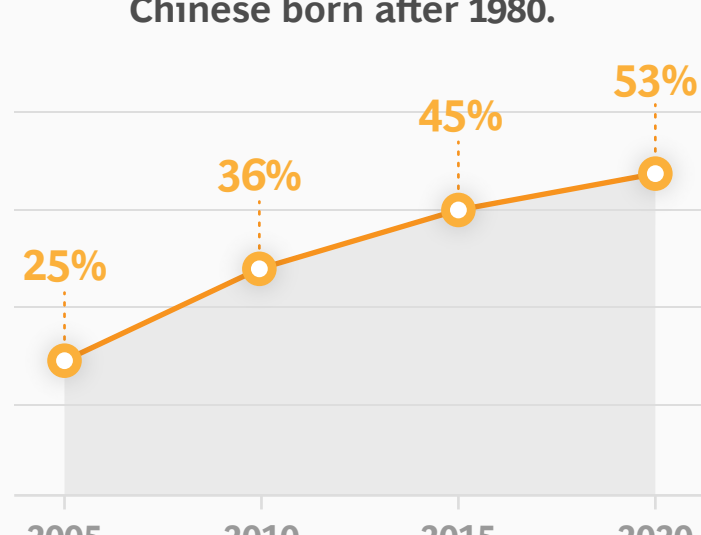


# 2

## The Emergence of a New Generation

Consumers aged 35 or younger today spend a greater share of their incomes than their elders and are projected to account for **65% of consumption growth** from 2015 through 2020.

Share of urban consumption by Chinese born after 1980.



Compared with their elders, Chinese aged 35 and younger are

- eight times** more likely to be college graduates,
- twice** as likely to have traveled overseas
- far** more brand conscious

# 3

## The Growing Power of E-Commerce

With 410 million online shoppers in China, e-commerce now accounts for **15%** of private consumption, up from 3% in 2010.

Over the next five years, **consumer e-commerce is projected to:**

- Generate annual revenue growth of **20%** per year, compared with 6% growth at physical retail outlets
- Grow from **\$600 billion** in annual sales to **\$1.5 trillion**
- Account for **42% of all growth in Chinese consumption**
- Account for **24% of all consumer transactions**

# 4

## Services Will Drive Growth

Over the next five years, spending on consumer services is projected to grow by **11% per year** and **account for 51%** of growth in urban consumption.

Share of Chinese consumers saying they recently spent money on these services.

● Emerging-middle and middle class ● Upper-middle class and affluent

Eating out



Personal care and fitness



Outbound travel



Entertainment



Education



LEGEND:

**Emerging-middle- and middle-class households** = annual disposable income of \$10,001 to \$24,000.

**Upper-middle-class households** = annual disposable income of \$24,001 to \$46,000.

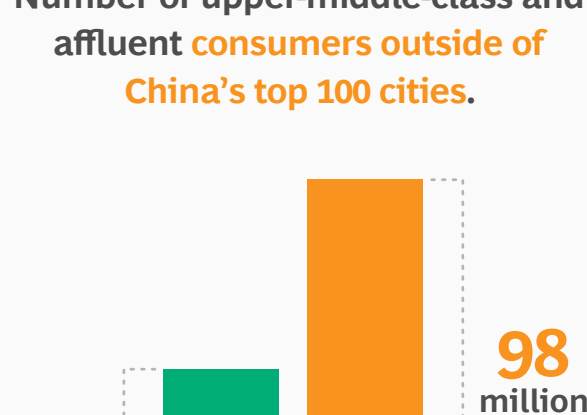
**Affluent households** = more than \$46,000 in annual disposable income.

# 5

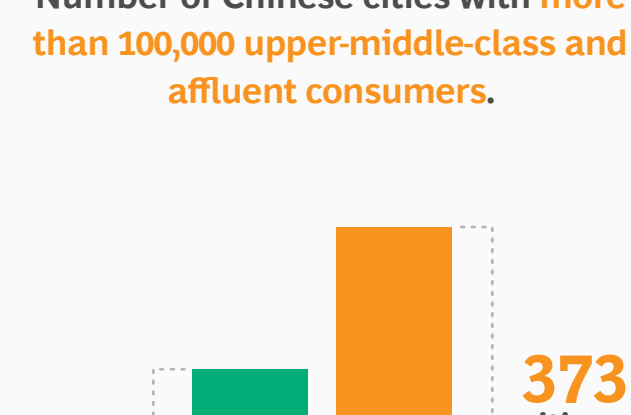
## The Continuing Importance of Small Cities

Companies will have to venture beyond the biggest metro areas to capture China's growth opportunities. **More than 300 Chinese cities** will have high concentrations of upper-income consumers.

Number of upper-middle-class and affluent consumers outside of China's top 100 cities.



Number of Chinese cities with more than 100,000 upper-middle-class and affluent consumers.



To capture the biggest growth opportunities in China, consumer product companies need to **develop strategies designed to win over wealthier, younger, more tech-savvy consumers, who are spread across an expanse of cities.**

Source: This infographic is based on research conducted by BCG's Center for Customer Insight.