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CONSULTING GROUP



ABOUT US

RTG CONSULTING GROUP

RTG Consulting Group is a unique end-to-end business consultancy that offers custom strategies and solutions for luxury and premium brands, with a focus on luxury consumers in Asia. It comprises of three independent business units:

- RTG Intuition (Research & Insights)
- RTG Solutions (Management Consulting)
- RTG Inspire (Brand Strategy)

RTG Consulting Group has offices in Singapore, Shanghai, and Paris.



Q3 2023 INSIGHTS

DATA SPOTLIGHT: CHINESE CONSUMPTION

RESEARCH INTRODUCTION

A QUANTITATIVE STUDY TO ASSESS OVERALL SENTIMENT AND CONSUMPTION BEHAVIOURS OF CHINESE CONSUMERS.

1,000

Quantitative Surveys

A ONE-YEAR TRACKING BASED ON 1,000 SAMPLES COLLECTED IN JUNE 2022, AND JUNE 2023.

18-53

Post 00s/90s/80s/70s

THE STUDY FOCUSES ON A WIDE RANGE OF AGE GROUPS TO GAIN A BROADER UNDERSTANDING OF CHINESE CONSUMERS.

4

Key Chinese Cities

SURVEY RESPONDENTS COME FROM CHINA'S TOP METROPOLISES, INCLUDING SHANGHAI, BEIJING, GUANGZHOU, AND CHENGDU.

1:1

Male : Female Ratio

THE MALE AND FEMALE RATIO OF RESPONDENTS WAS KEPT AT 1:1.

> 12k

Monthly Household Income (in RMB)

MONTHLY HOUSEHOLD INCOMES OF SURVEY RESPONDENTS ARE MORE THAN 12K RMB.

“A SHIFT IN CONSUMPTION PATTERNS”

Covid-19 has irrevocably impacted the consumption patterns of consumers all over the globe, China notwithstanding. While China continues to roll out measures to revive its economy, consumers are also recalibrating their consumption behaviors. It is important to remember that for the world's second most populous nation, the pandemic only truly ended in December 2022, putting them in the early stages of the recovery process. The country has just embarked on its journey to deleverage and restructure debt – a move that will only see results in the longer term. What does this mean for consumers and their consumption habits?

Marc-Olivier Arnold
Partner & Chief Strategy Officer
RTG Group Asia



Based on a study we conducted with Chinese consumers across ages, a slow resurgence of consumer demand across various categories, especially travel and leisure has been observed. While the overall recovery of China's economy remains sluggish largely due to weak exports and a faltering real estate market, positive signs have been observed in the consumer sector. During the 618 shopping festival in June, e-commerce platforms achieved a 5% YOY growth in gross merchandise value (GMV) overall, indicating a gradual pickup in consumption demand. What are consumers looking for in this uncertain climate, and what does this mean for brands?

Lydianne Yap
Research Director
RTG Consulting Group



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Q3 2023 INSIGHTS KEY TAKEAWAYS

CONSUMER CONFIDENCE



- ▶ Consumer confidence is gradually recovering with about 67.6% optimistic about the future
- ▶ 21.8% intend to increase their spending, especially the Post 90s generation
- ▶ Reallocation of spending is expected to continue evolving in the short- to mid-term

TRAVEL & LEISURE



- ▶ Travel spending intentions on the rise, especially with the Post 80s and Post 90s generations
- ▶ More opt to spend on travel & leisure compared to luxury fashion & leather goods, at least in the short-term
- ▶ Domestic travel is widely preferred

LUXURY FASHION & LEATHER

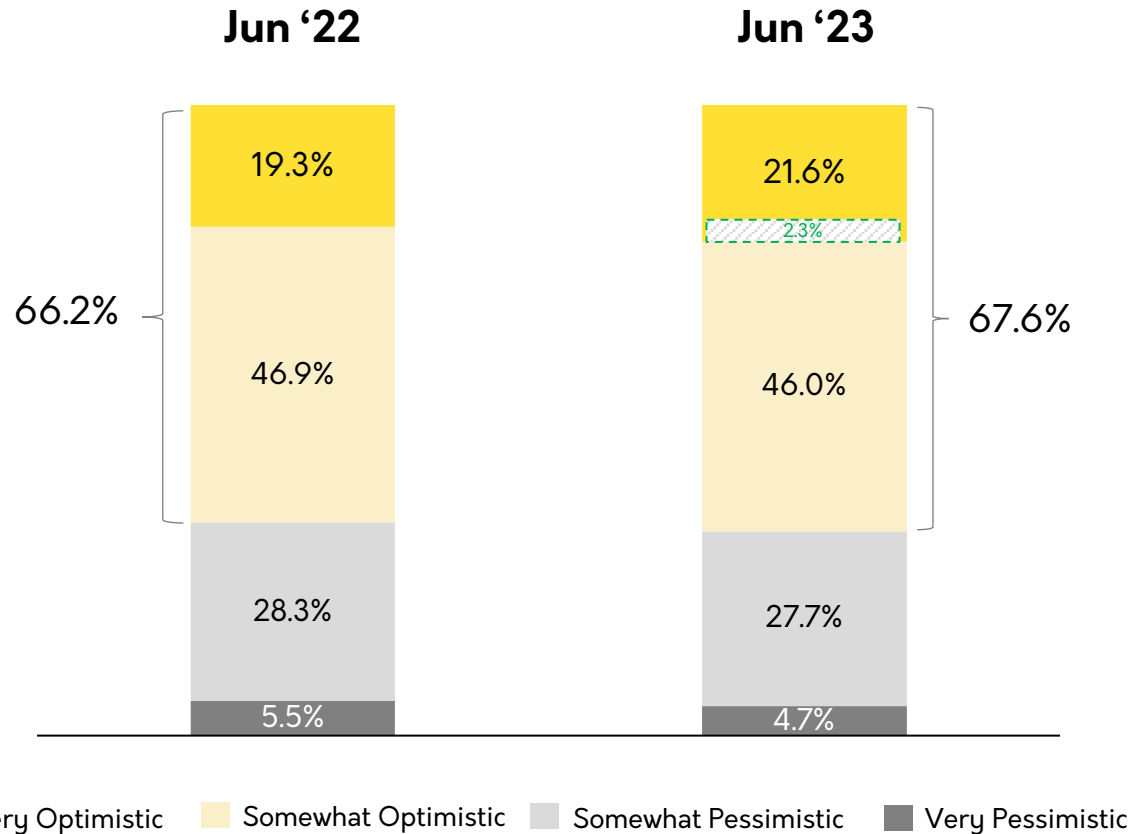


- ▶ 55.2% of consumers intend to spend the same or more on this category
- ▶ Younger generations are likely to increase or retain their spending while older generations take a cautious approach
- ▶ Spending on luxury fashion & leather is expected to be on a slower rebound

Q3 2023 INSIGHTS CONSUMER CONFIDENCE

MORE THAN 67% OF CONSUMERS IN CHINA ARE OPTIMISTIC ABOUT THE FUTURE

Optimism levels are slowly increasing and stabilizing, signaling a gradual return of consumer confidence



RTG INSIGHTS

- ▶ China has been gradually rolling out stimulus policies aimed at improving the economy. As these policies are being introduced in stages, the full effects they bring might not be felt in the short term, and a longer-term view should be adopted.
- ▶ The real estate crisis in China should be closely monitored as fluctuations in property prices will have a direct impact on consumption intentions. With an estimated 70% of household wealth being tied up in the property sector, a depreciation of these assets will inevitably affect discretionary spending.

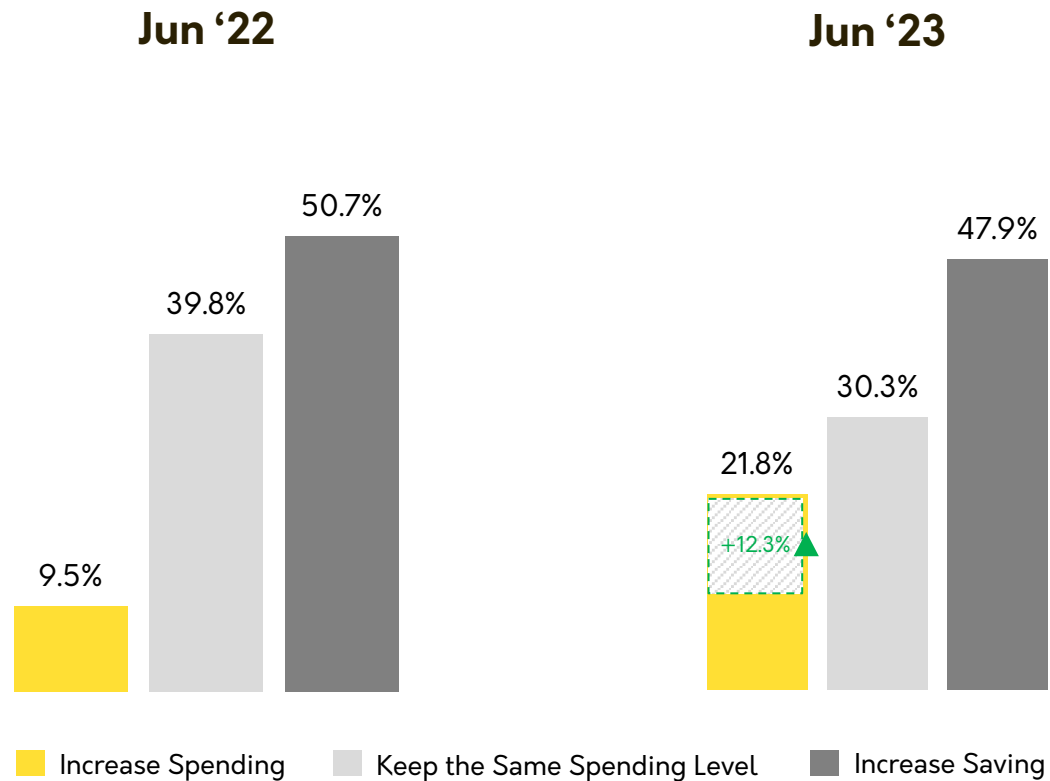
An increase in Chinese consumers feeling very optimistic (slightly more than 1 in 5) suggests a rising confidence in China's economy, despite the slower than expected economic recovery and potential debt crisis. This shift aligns with the overarching trend of increased optimism, supported by the 67.6% of surveyed Chinese consumers who feel optimistic about the future.

Question: How do you feel about the future?

Q3 2023 INSIGHTS CONSUMPTION INTENTIONS

ABOUT 1 IN 5 CONSUMERS ARE LOOKING TO INCREASE SPENDING LEVELS

The proportion of consumers looking to increase spending has more than doubled compared to a year ago



RTG INSIGHTS

- ▶ While GDP for Q2 missed market predictions, a consistent year-on-year growth of 5.5% in the first half of 2023¹ was observed. According to the National Bureau of Statistics of China, consumption and services contributed significantly to China's economic recovery.
- ▶ To further bolster economic growth, the Chinese government has started rolling out a series of consumption support policies aiming to increase consumer spending.

Overall, 21.8% of Chinese consumers have expressed an intention to increase their spending this year, more than double the proportion of consumers that indicated this in 2022. Despite saving being the predominant sentiment, the proportion of consumers who intend to increase saving has also decreased slightly, suggesting that more consumers might be reallocating their disposable incomes to spending in the short- to mid-term.

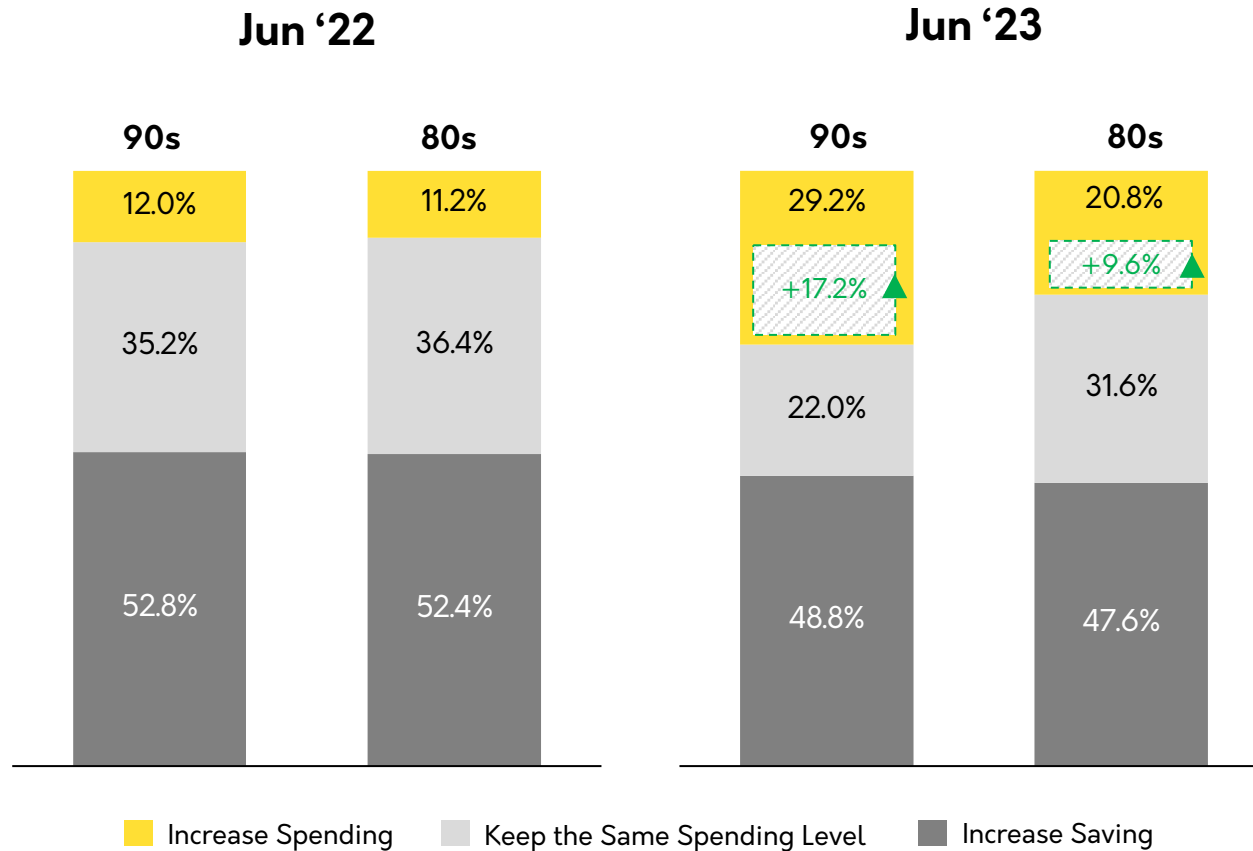
Question: Overall, what is your spending plan in the next six months?

1: National Bureau of Statistics of China, http://www.stats.gov.cn/english/PressRelease/202307/t20230715_1941276.html

Q3 2023 INSIGHTS CONSUMPTION INTENTIONS

90S GENERATION EXHIBITS HIGHEST INTENTIONS TO INCREASE CONSUMPTION

29.2% of Post 90s consumers plan to increasing spending, significantly higher than other age groups



RTG INSIGHTS

- ▶ During the pandemic, China's zero-Covid policy resulted in Chinese consumers saving up to a third of their household income² as a precautionary response to the social and economic uncertainty.
- ▶ However, even prior to the pandemic, Chinese consumers were also known for consistently maintaining one of the highest savings rates globally.³

Across age groups, Post 90s and Post 80s Chinese consumers have shown the biggest change in consumption intentions as the country continues to transition out of its Covid era. Nearly 1 in 3 Post 90s generation Chinese are looking to increase their expenses in the next 6 months – more than double the number that said the same last June. A similar growth in spending intentions was also observed in those born Post 80s, though to a lesser degree.

Question: Overall, what is your spending plan in the next six months?

2: Bloomberg, <https://www.bloomberg.com/opinion/articles/2023-01-11/chinese-consumers-where-will-they-splash-their-extra-827-billion>

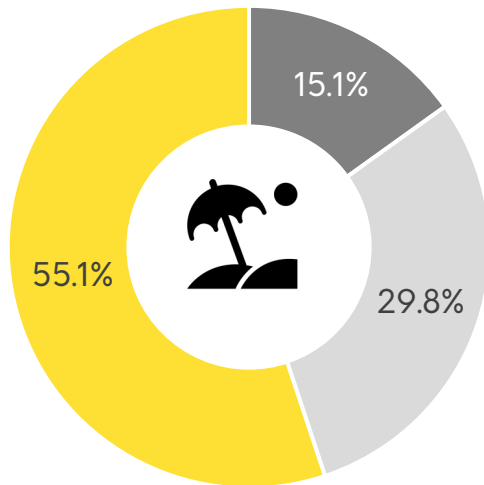
3: International Monetary Fund, <https://www.imf.org/-/media/Files/Publications/WP/2018/wp18277.ashx>

Q3 2023 INSIGHTS CONSUMPTION INTENTIONS

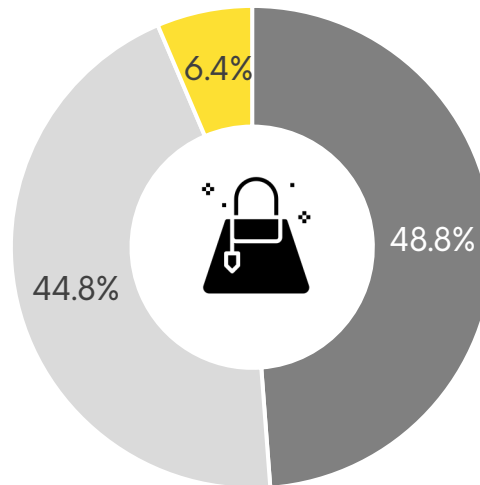
MORE THAN HALF OF CONSUMERS INTEND TO SPEND MORE ON TRAVEL & LEISURE

While almost half of consumers intend to spend less on luxury fashion and leather goods

Travel & Leisure



Luxury Fashion & Leather Goods



■ Spend More ■ Spend the Same ■ Spend Less



RTG INSIGHTS

- ▶ With Covid restrictions having been lifted about 9 months ago in China, revenge travel is still very much at the forefront of consumers' minds – expressed through the surge of travel during the Mid-Autumn Festival and National Day holiday.
- ▶ As travel (both domestic and international) becomes available, consumers must decide between spending on travel & leisure activities and indulging in luxury fashion & leather goods.

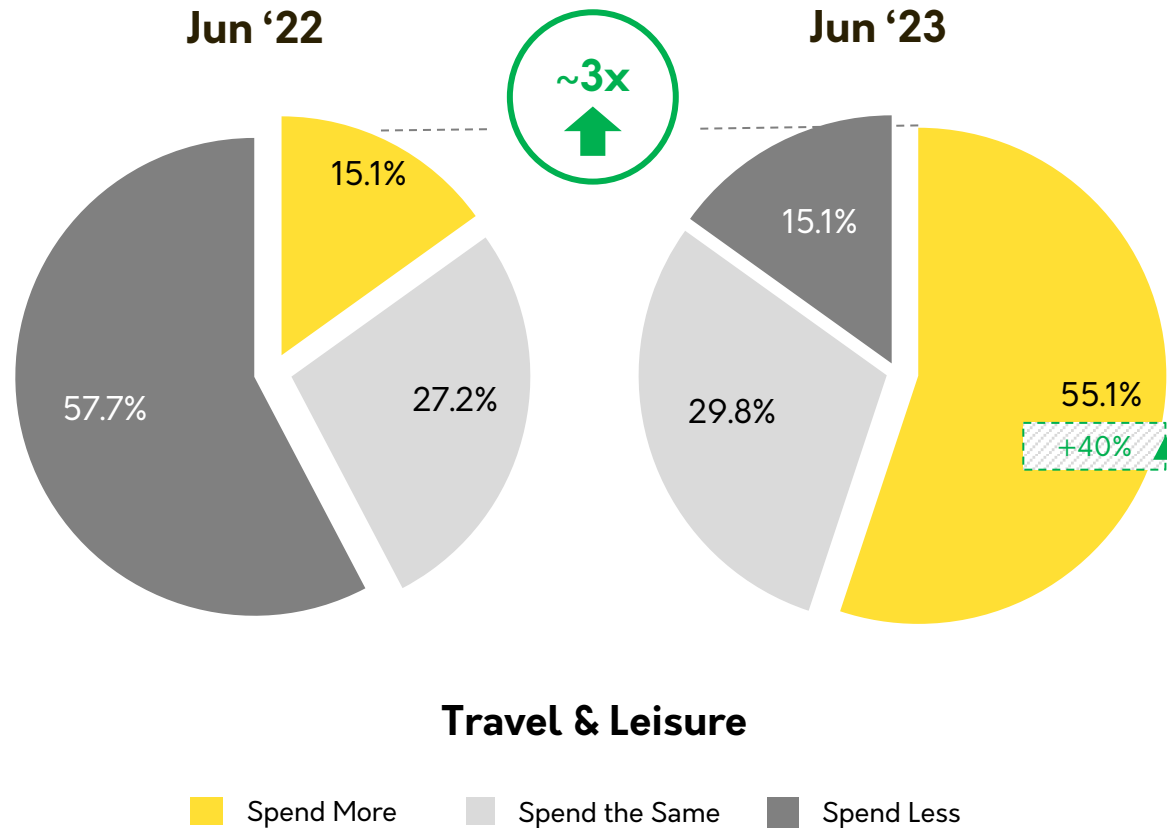
While 55.1% of Chinese consumers plan to increase their spending on travel & leisure, only 6.4% say that they plan to increase their spending on luxury fashion & leather goods. This growing willingness to spend on travel & leisure likely stems from pent-up demand and may result in a short- to mid-term reallocation of consumer spending to travel & leisure instead of luxury fashion. This is expected to run its course, and consumer spending patterns are likely to keep evolving over the next few months.

Question: Please select your spending plan on the following categories.

Q3 2023 INSIGHTS TRAVEL CONSUMPTION

SPENDING INTENTIONS FOR TRAVEL & LEISURE MORE THAN TRIPLED

Nearly 9 in 10 intend to spend at least the same amount, if not more, as compared to past year.



RTG INSIGHTS

- ▶ Following China's reopening, there has been an increase in passport renewals and tourism visa applications, indicating strong interest in international travel. However, application wait times remain long and is likely to impact travel intentions in the short term.
- ▶ In the first half of 2023, there was a surge in domestic travel. Over the Labor Day holiday, there were about 274 million domestic trips made, a 70.8% increase compared to last year and returning to pre-Covid levels in 2019.

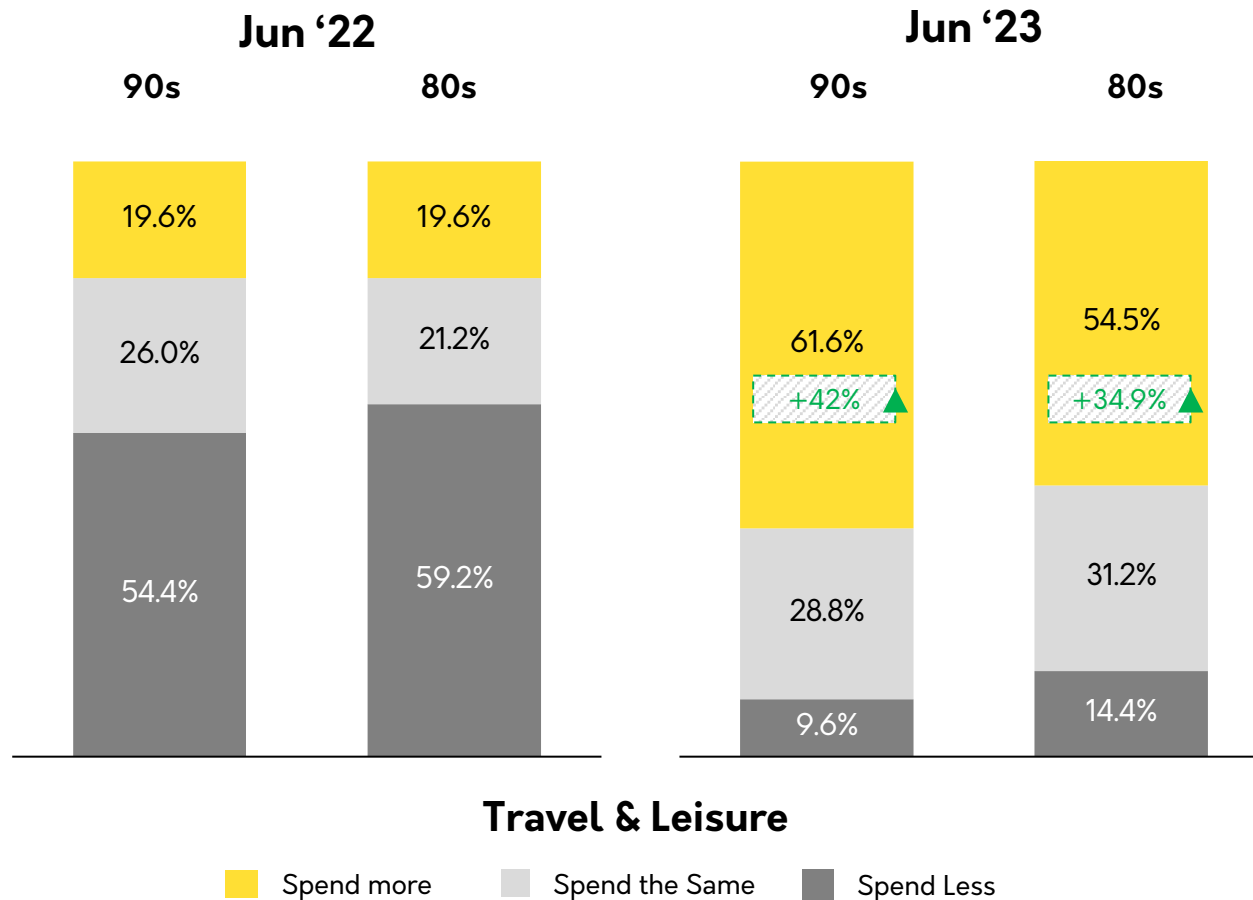
A shift in spending preferences: More than half of Chinese consumers (up from 15.1% a year ago) now intend to spend more on Travel & Leisure, expressing a strong desire to travel. Travel spending remains resilient – about 85% claim that they will spend more or maintain their current level of travel spending. This indicates a strong growth trend for this sector in the future.

Question: Please select your spending plan on the following categories.

Q3 2023 INSIGHTS TRAVEL CONSUMPTION

INCREASE IN APPETITE FOR TRAVEL & LEISURE LARGELY DRIVEN BY POST 80S & 90S

Intention to spend more is now the predominant option – showing a glimpse of the pent-up demand for travel



RTG INSIGHTS

- ▶ Being in their prime years, the Post 80s and Post 90s generations likely felt the impact of the lockdowns in China on their opportunities to travel and socialize more keenly than the other generations.
- ▶ At the same time, as travel costs remain high, the fact that these generations are in their prime income-generating years and have disposable income also plays a role in supporting demand.

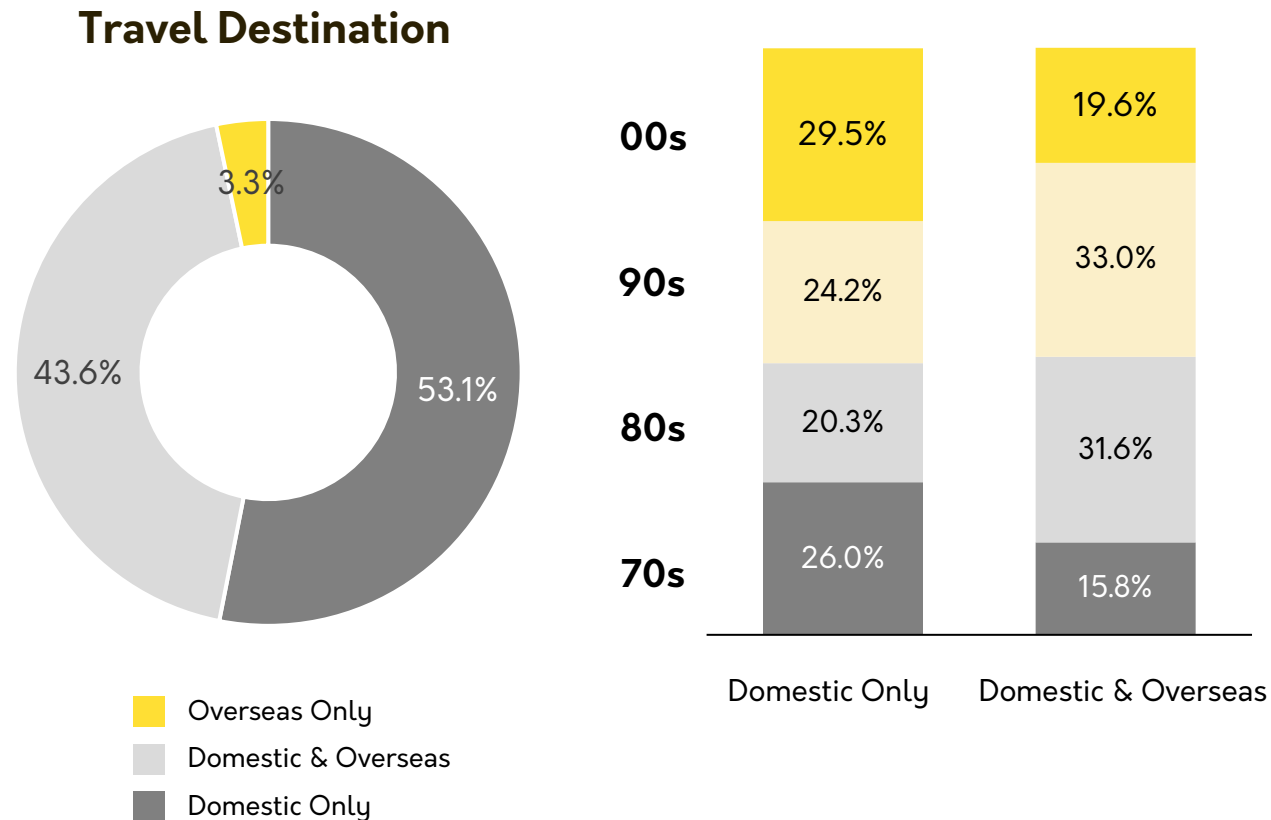
Post 80s and Post 90s consumers displayed similar sentiments in June 2022, with only 1 in 5 (19.6%) intending to spend more on travel and leisure and more than half intending to spend less. A year later, the intention to increase spending is now the default consensus among these generations of consumers. This indicates that there is a 'revenge spending' demand, especially for these consumers.

Question: Please select your spending plan on the following categories.

Q3 2023 INSIGHTS TRAVEL CONSUMPTION

DOMESTIC DESTINATIONS THE KEY DRIVER FOR TRAVEL SECTOR

Only a handful intend to solely travel overseas, while 1 in 2 opt for domestic-only travel plans across all age groups



RTG INSIGHTS

- ▶ In the first half of 2023, a total of 168 million inbound and outbound trips were recorded in China, achieving a 169% year-on-year growth⁴.
- ▶ This interest in domestic destinations was also observed over the recent National Day, with over 826 million domestic trips during the holiday, reflecting 71.3% year-on-year growth⁵.

More than half of Chinese consumers have indicated their intention to opt for domestic-only travel plans, with 43.6% of consumers considering a mix of domestic and international destinations. This preference for domestic travel remains consistent across age groups. The current challenges affecting international travel, including high costs, political tensions with the West, and reduced airline operations, are expected to continue affecting the inclination to travel abroad for now.

Question: Where would you plan to travel?

4: National Immigration Administration, <https://en.nia.gov.cn/n162/n237/c116023/content.html#:~:text=entry%2Dexit%20management-,In%20the%20first%20six%20months%20of%202023%2C%20the%20immigration%20management,the%20same%20period%20in%202019>
 5: China's Ministry of Culture and Tourism, <https://shorturl.at/cgFGX>

Q3 2023 INSIGHTS LUXURY CONSUMPTION

MORE THAN HALF INTEND TO SPEND AT LEAST THE SAME AMOUNT ON LUXURY FASHION

However, 2 in 5 are more cautious and would reduce their expenditure for the category



RTG INSIGHTS

- ▶ Before the pandemic, up to 70% of luxury spending by Chinese shoppers was made abroad⁶, partly due to China's high VAT and import taxes.
- ▶ Despite price harmonization measures, price gaps for this category between China and Europe remain significant and may dampen demand to “spend more” in the short- to mid-term as international travel has yet to fully pick up.

Overall, intention to spend for Luxury Fashion & Leather Goods remains resilient – significantly more (+7.9%) are allocating the same budget, if not more, as compared to June 2022. However, given the wider economic climate, brands might be slow to observe growth in consumption for this category, with over 44.8% of consumers still adopting a conservative stance and choosing to spend less on luxury fashion & leather goods.

⁶: Bloomberg, <https://www.bloomberg.com/news/articles/2023-05-02/rich-chinese-shoppers-buy-luxury-at-home-not-abroad-after-covid>

Q3 2023 INSIGHTS LUXURY CONSUMPTION

CLOSE TO HALF OF POST 70S & 80S PLAN TO SPEND LESS ON LUXURY FASHION

While about 60% of Post 90s plan to spend the same or more in this category



RTG INSIGHTS

- ▶ Luxury fashion brands should prioritize the concerns of younger consumers, such as adopting sustainable and ethical practices to align with the growing consciousness of today's consumers.
- ▶ Brands can consider circular or pre-owned initiatives, especially as these topics grow in popularity with younger generations. Over 85% of Gen Z luxury goods consumers have considered purchasing pre-owned luxury.⁷

Post 90s consumers are willing to spend more on Luxury Fashion & Leather Goods than other age groups. Older groups are more cautious about spending in this category. As more than half of Post 90s and Post 00s consumers intend to spend more or spend the same, they present a significant opportunity to luxury brands moving forward. Consumers from these generations have very different considerations when it comes to luxury purchases, and brands will need to adapt their messages accordingly.

7: Statista, <https://www.statista.com/statistics/1393601/china-attitude-towards-second-hand-luxury-goods-among-generation-z/>

Q3 2023 INSIGHTS AT A GLANCE

CONSUMER CONFIDENCE



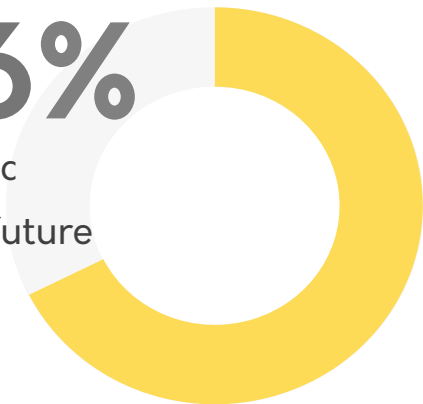
1 in 5 looking to increase spending

29.2%

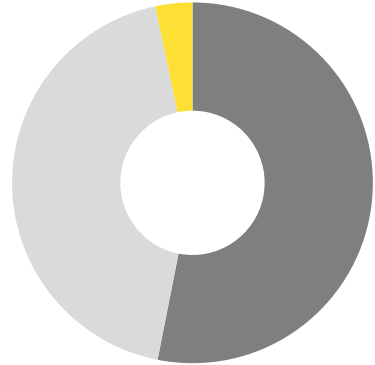
POST 90s

67.6%

Are optimistic towards the future



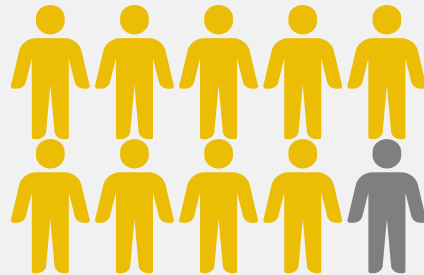
TRAVEL & LEISURE



53.1%
Domestic only

43.6%
Domestic & Overseas

3.3%
Overseas Only



9 in 10 intend to spend the same or more

LUXURY FASHION & LEATHER



2 in 5

intend to reduce expenditure on luxury fashion

PLAN TO SPEND LESS

48%

POST 80s

48.8%

POST 70s

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SHANGHAI - PARIS - SINGAPORE

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