



CHINA'S NEXT
CONSUMPTION FORCE

LOWER-TIER CITIES

2022

HELLO!

Lower-tier city residents have become a prominent consumer group in China and the market is developing fast. Living costs are lower than in higher-tier cities and so residents are willing to spend more to try new things. There are lots of young people who have plenty of free time and save less than those in higher-tier cities, so they are at the forefront of growth in these regions. This report reveals insights into the lower-tier city market so that marketers know where to focus when targeting this increasingly powerful group of spenders. Let's go get them!

Ashley Galina Dudarenok
Founder, Alarice and ChoZan, LinkedIn Top Voice



Follow my LinkedIn for daily China insights



Sign up to my bi-weekly China Digest

<https://chozan.co/>
<https://alarice.com.hk/>
<https://ashleydudarenok.com/>

YOUR CHINA DIGITAL SOLUTIONS



● MARKETING RESEARCH AND STRATEGY

We will conduct various researches to generate the insights of the market, consumer, competitor and etc, to build up your brand tailored brand marketing strategy that will allow you to start and grow your business in mainland China.

● SOCIAL MEDIA MARKETING

Through creative content creation on social media accounts, We'll help you to deepen the communication with younger audiences, and build up your brand social persona to strengthen your brand image on social media landscape.

● INFLUENCER MARKETING AND CAMPAIGNS

We will help you to develop the integrated marketing campaign cross channel which creating consistent creative content across different platforms to provide a comprehensive experience to your target audience



● CHINA CONSULTING CALL

The quickest way to get your specific, urgent China marketing or e-commerce question answered. Speak with our team if you need to get a new perspective or overcome obstacle in project related to Chinese consumers, social media marketing or e-commerce and get on the right track fast with your projects.

● CHINA TRENDWATCHING

We help brands to recognise and to react to Chinese consumers emerging demands, industry transitions and market shifts at China speed. Our clients get competitive advantage to pivot business models and enhance brands capabilities to respond to the future opportunities and uncover import treats in China.

● KEYNOTE SPEECHES AND TRAININGS

Our China keynotes and corporate masterclasses are tailored for brands to boost teams strategising speed and accuracy. We use outcome based approach for materials preparation to align teams in visions, support in ideas validation and bring tools and techniques crucial for brands to outperform competitors.

GOT A QUESTION?
DROP US AN EMAIL BY
SCANNING THE QR
CODE



CONTENTS

1. MARKET INSIGHTS	06
2. CONSUMER INSIGHTS	20
3. LOWER-TIER CITY YOUNG PEOPLE	35
4. E-COMMERCE INSIGHTS	44
5. ACTIONABLE TIPS	60

Over 70% of Chinese people live in third-tier cities or lower and in rural areas, but this previously neglected demographic has grown significantly in recent years. China's rural retail consumption exceeded urban growth for the 8th consecutive year in 2021.

This consumer group are defined by their lifestyle, close networks and crucially, the dominance of young people, with **under 35s representing 65% of the population in lower-tier cities**. Lower-tier city residents are increasingly online and are a major player in the development and growth of e-commerce.

1. MARKET INSIGHTS

MARKET INSIGHTS

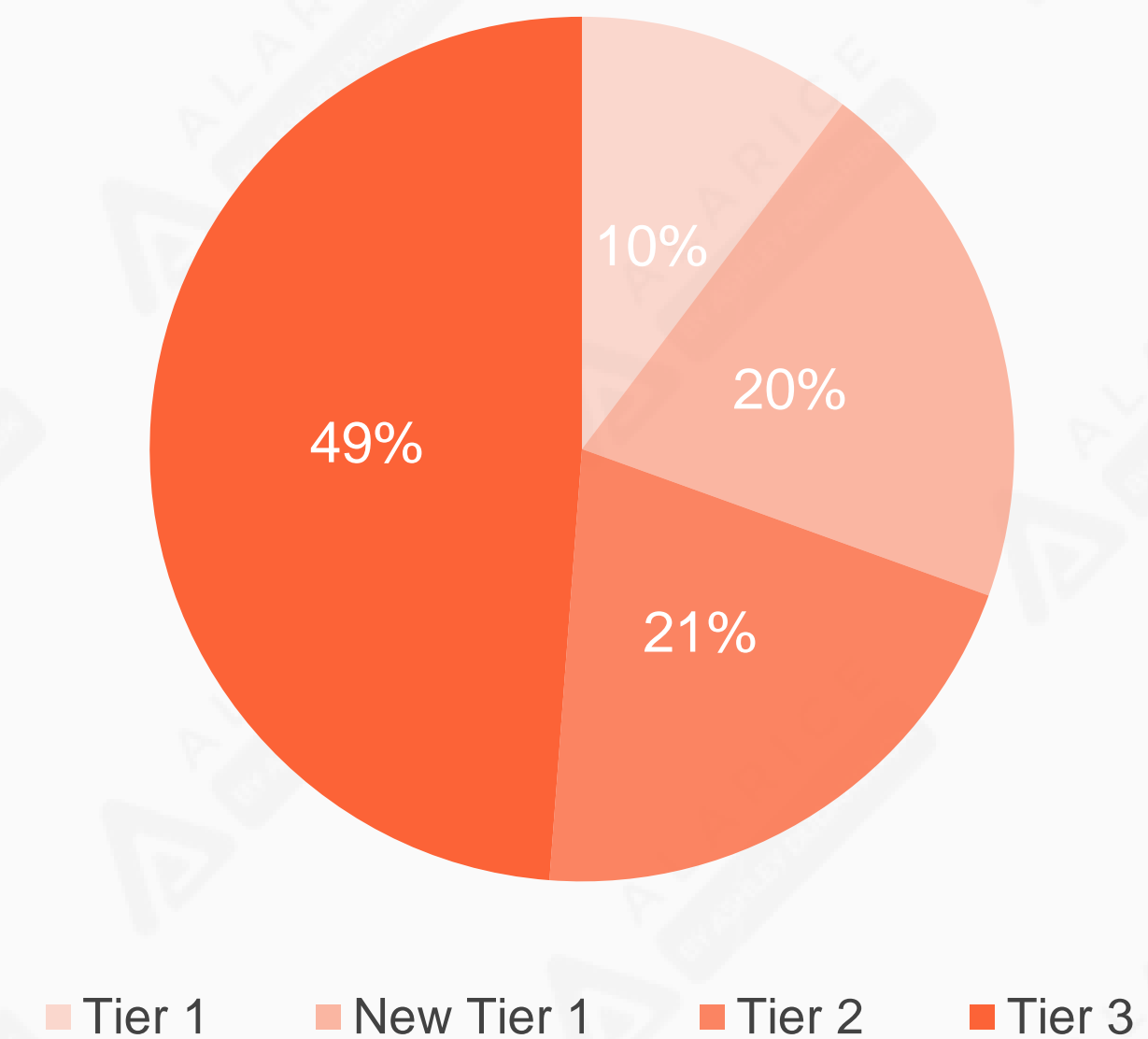
WHAT IS THE LOWER-TIER CITY MARKET (XIACHEN MARKET)?

Tier systems are widely used to classify Chinese cities. The tiers are used by analysts to study consumer behaviour, income level, politics, and local trends to help tune strategies to local conditions.

The lower-tier city market is the retail market which covers the Xiachen cities (Tier 3 or below), which is almost half of the whole China market.

	CITIES
TIER 1	Beijing, Shanghai, Guangzhou, Shenzhen
NEW TIER 1	Chengdu, Chongqing, Hangzhou, Wuhan, Xian, Tianjin, Suzhou, Changsha, Dongguan, Ningbo, Foshan, Hefei, and Qingdao
TIER 2	Baoding, Zhoukou, Shangqiu, Zunyi, Jinan and Weifang, Hefei Ningbo, Kunming, Fuzhou, Wuxi, Xiamen, Dalian, Haerbin, Wenzhou, Guizhou, Huizhou, Jiaxing, Zhuhai, Taizhou, Yantai etc.
LOWER-TIER CITIES	Any tier 3 or below cities, provinces and rural areas

CHINA'S RETAIL MARKET AMONG TIERED CITIES



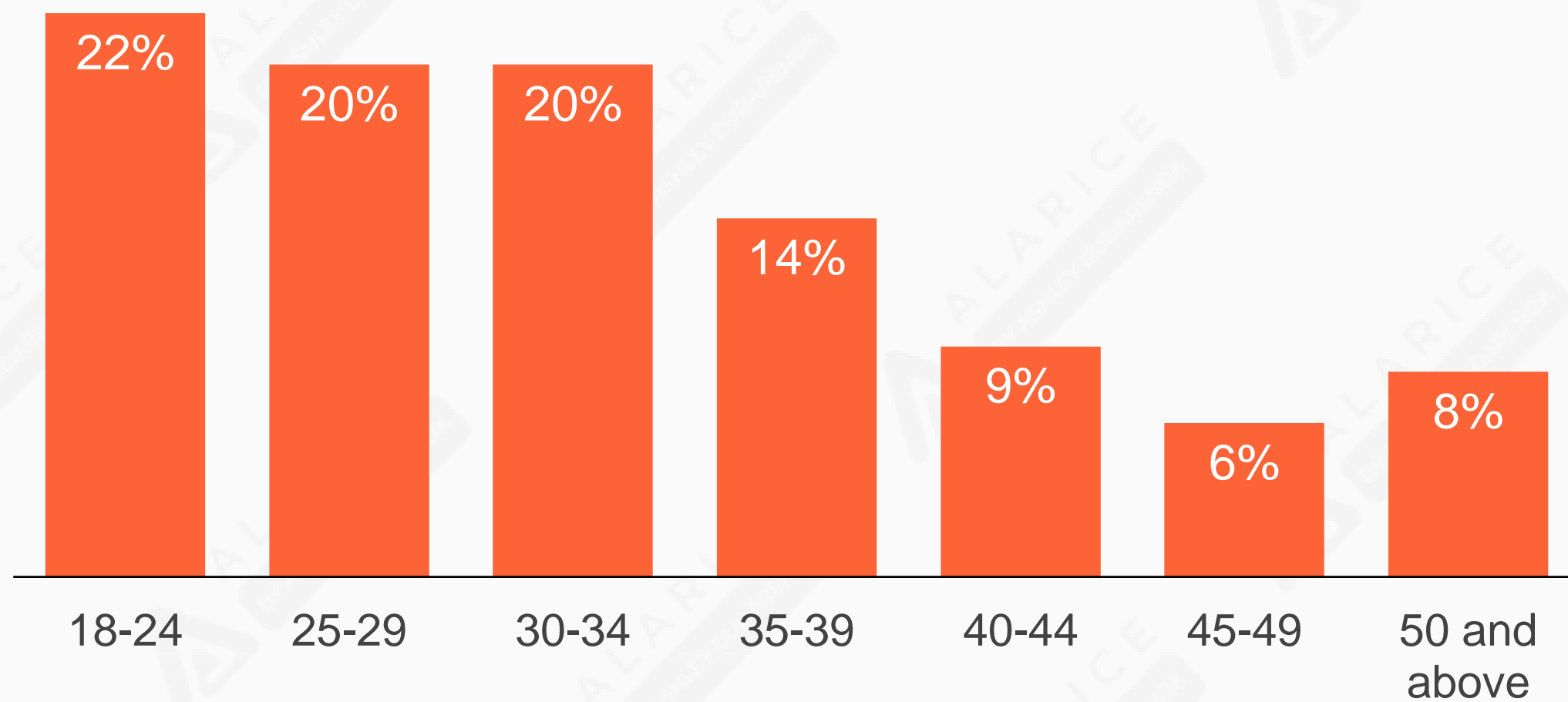
MARKET INSIGHTS

LOCATION AND AGE

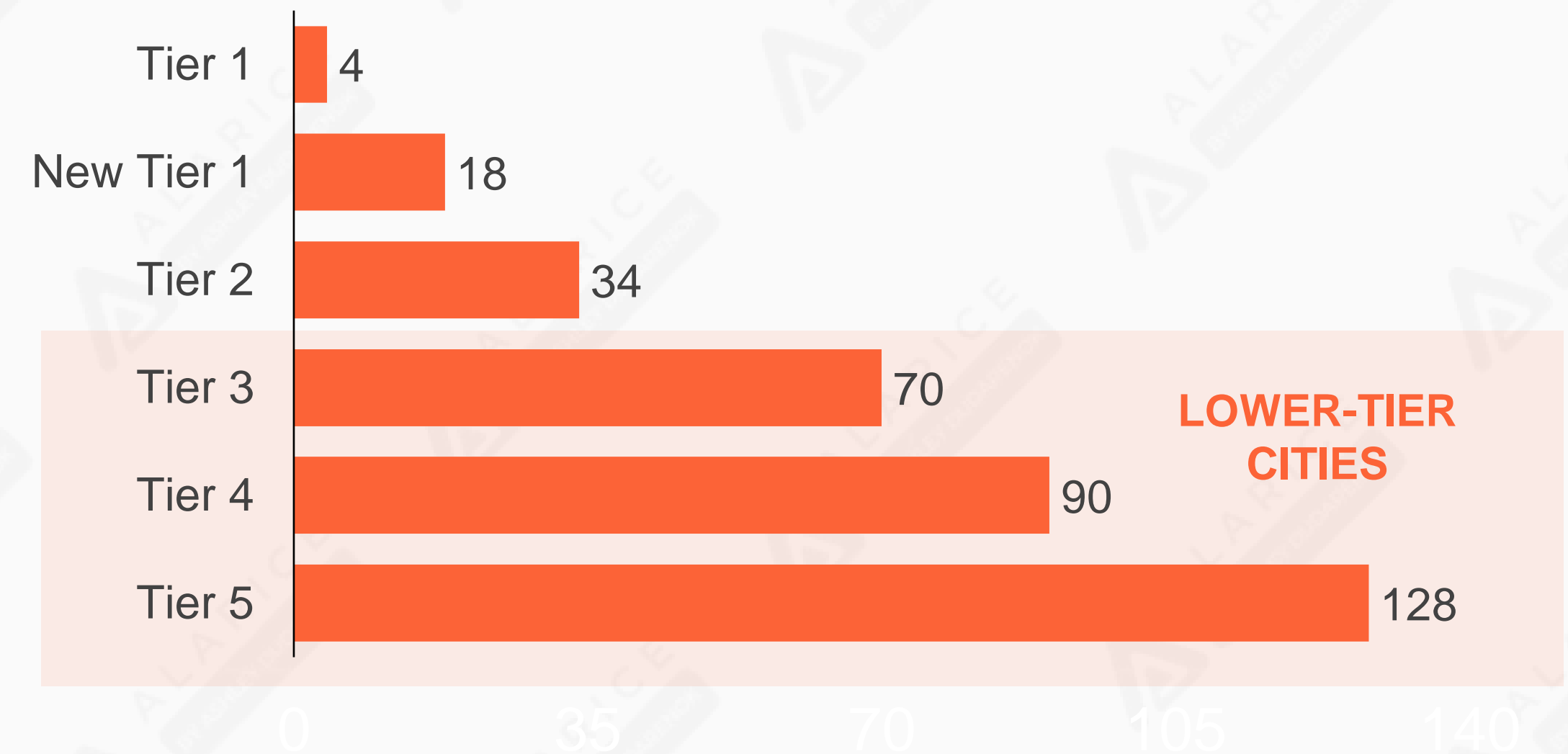
Lower-tier city residents represent over 70% of China's population and over half of them are aged 34 and under.

	NON-LOWER-TIER CITIES	LOWER-TIER CITIES AND RURAL AREAS
POPULATION	390 million	1.04 billion
PROPORTION	28%	72%

LOWER-TIER CITIES AGE DISTRIBUTION %



NUMBER OF CITIES IN DIFFERENT TIERS

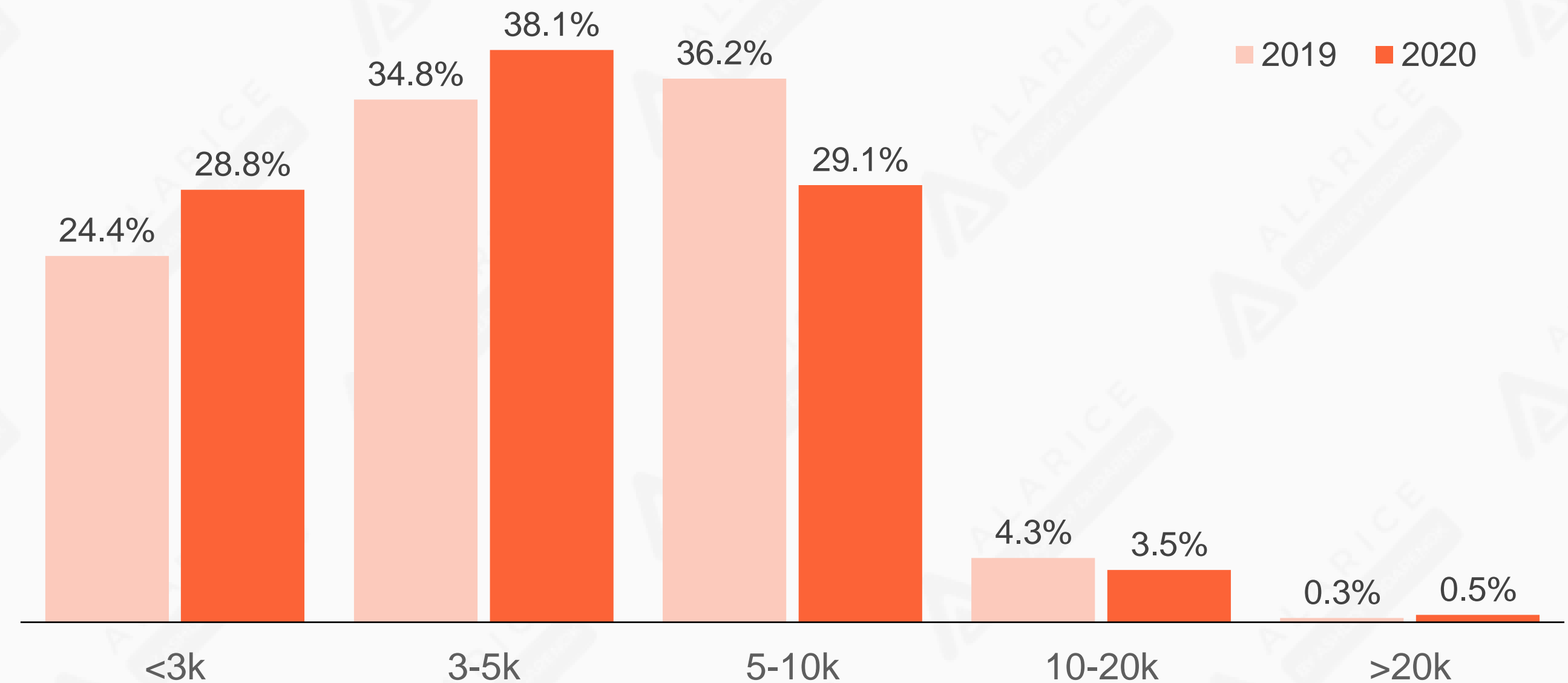


MARKET INSIGHTS

INCOME

As of 2021, the highest proportion of lower-tier city consumers earn **between RMB 22,960-39,230 a month**. Whilst the number of people earning between RMB 5000 and 20,000 in 2020 went down from the year before, **the number of those earning less than RMB 5000 increased**. This has been attributed to the rising number of young people in lower-tier cities.

LOWER-TIER CITY RESIDENTS' INCOME IN 2019-2020 (IN RMB)



MARKET INSIGHTS

STRENGTHEN INTERNET RURAL REVITALISATION POLICY

2021 THE FOURTH AND THIRD SESSION OF THE NATIONAL PEOPLE'S CONGRESS

- Support the economy of lower-tier cities
- Emphasize information digital technology

STATE COUNCIL STANDING COMMITTEE MEETING

- Unlock rural consumption potential
- Expand rural consumption
- Boost rural consumption

NATIONAL RURAL INDUSTRY DEVELOPMENT PLAN FROM 2020 TO 2025

- Build a rural shopping network platform
- Guide different types of industries into rural markets

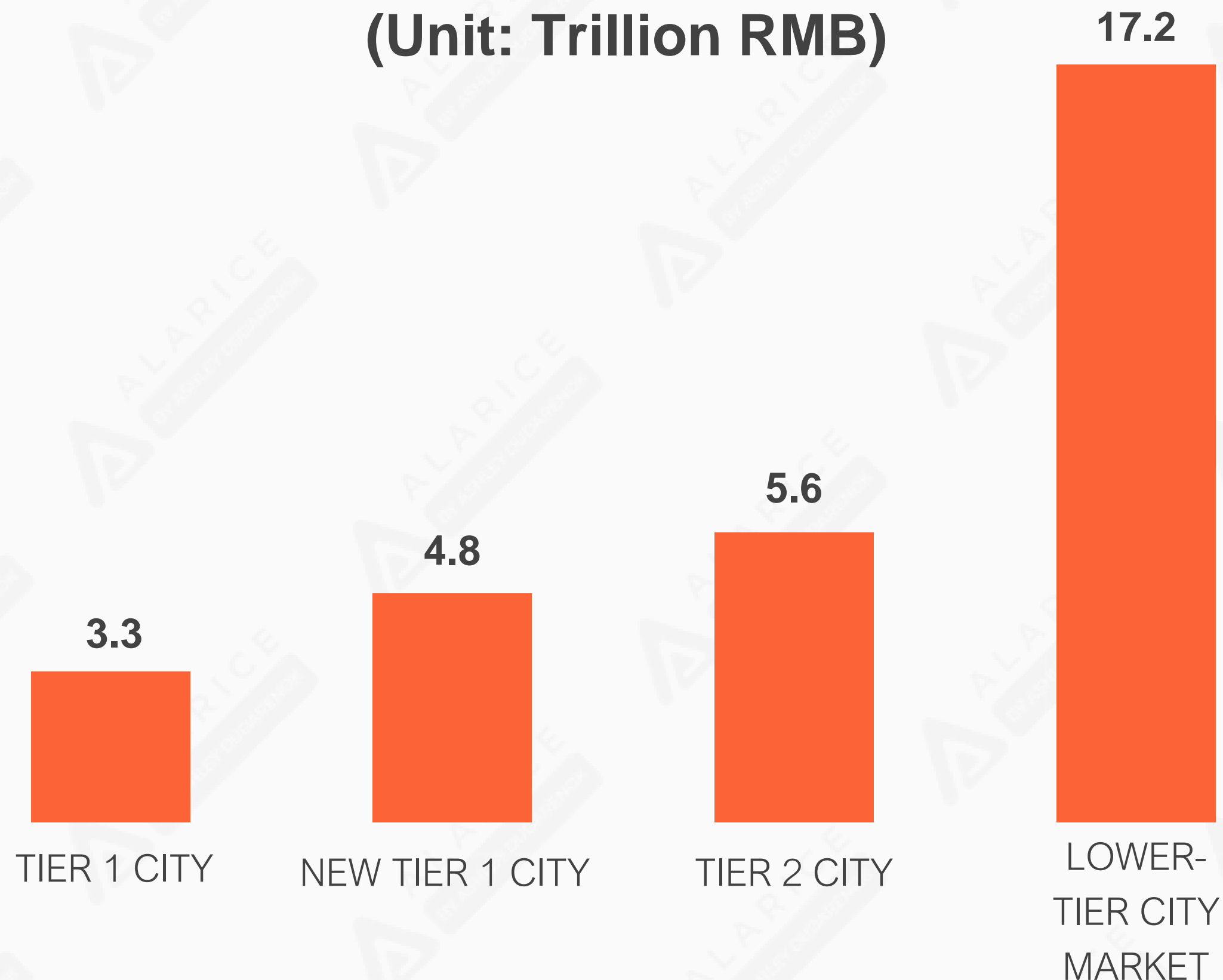
2021 THE FOURTH AND THIRD SESSION OF THE NATIONAL PEOPLE'S CONGRESS

- Propose to optimise the layout of urban and rural commercial outlets
- Expand the coverage of e-commerce in rural areas
- Improve rural logistics infrastructure network

MARKET INSIGHTS

MARKET SIZE: CONSUMPTION IS OVER 17 TRILLION

Consumption scale (Unit: Trillion RMB)



The consumption scale of the four first-tier cities of Beijing, Shanghai, Guangzhou and Shenzhen **totals 3.26 trillion**.

The consumption scale of new first-tier cities such as Chengdu, Hangzhou and Nanjing **totals 4.84 trillion**.

The consumption scale of 30 second-tier cities such as Dalian, Xiamen and Jinan **totals 5.61 trillion**.

The consumption scale of the lower-tier city market is triple more than the other 3 kinds of city. Rural online retail sales for 2021's Q1-Q3 alone **totaled 1.4 trillion yuan**. It also outpaced urban growth rate for the 8th consecutive year (5.9 trillion yuan), with a YoY increase of 12.1%.

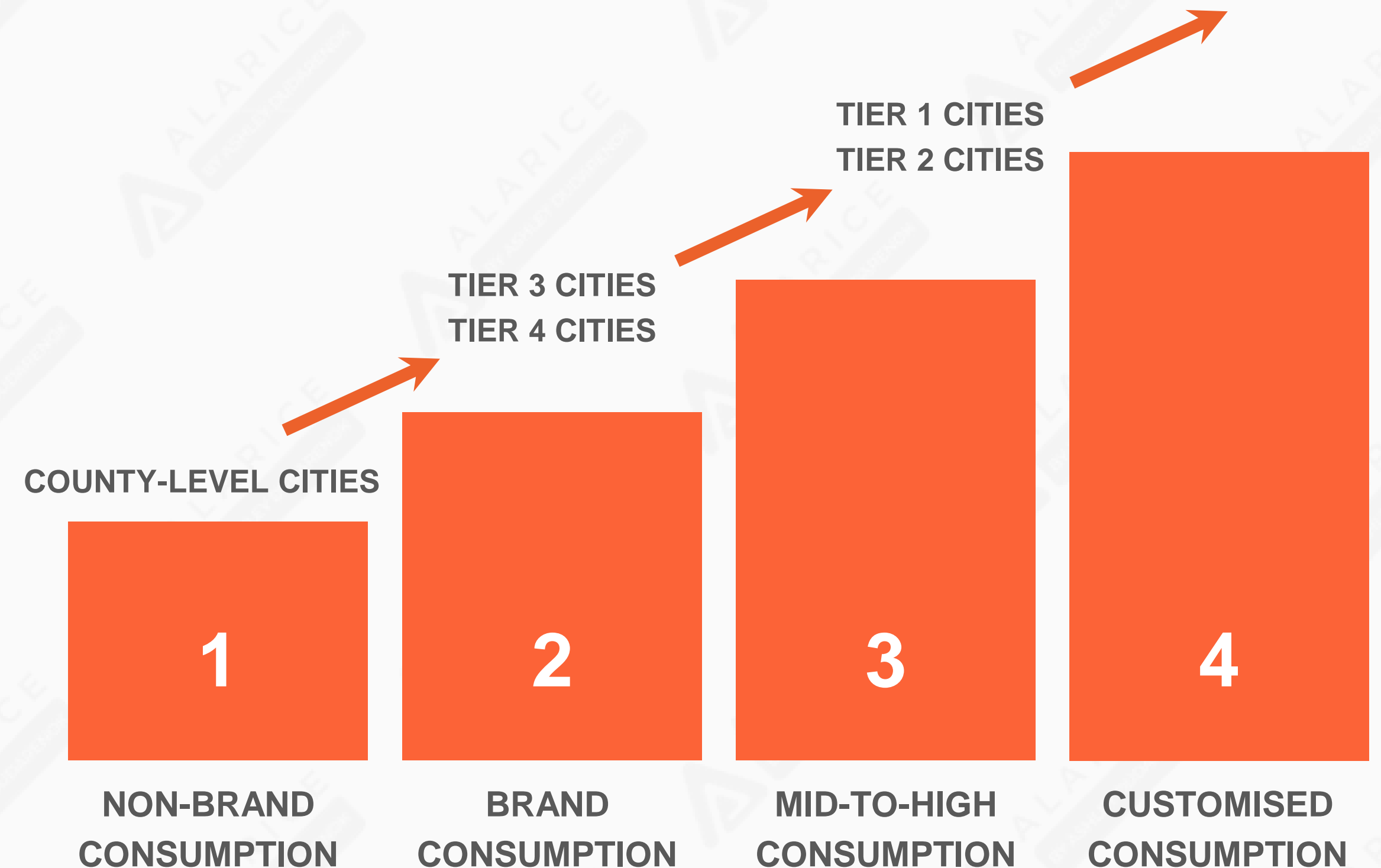
CONSUMER INSIGHTS

THE STRUCTURAL UPGRADE OF CONSUMPTION IN THE LOWER-TIER CITY MARKET WOULD DOMINATE

The consumer confidence index is **higher than that of first- and second-tier cities.**

The focus of consumers in the lower-tier city market has expanded from basic clothing, food, housing and transportation to leisure and entertainment, fashion and luxury, etc.

Purchasing decisions are only based on the cost-effectiveness of goods and services, and different groups are slowly pursuing individualisation, branding, and high-end goods.



CONSUMER INSIGHTS

HIGHLIGHTS

781 million

The number of users in the lower-tier city market

6 hours

Average daily online usage time

90 million up

Short videos and online videos entering the lower-tier city market

62.6%

Short video consumers in the lower-tier city market

400 million

Lower-tier city e-commerce users

80% up

Growth rate of smart home devices in the lower-tier city market

CONSUMER INSIGHTS

CONSUMERS IN TIER 4 AND 5 CITIES BOOSTED, INCREASING BY 7.4%



TIER 1 CITIES



TIER 2 CITIES



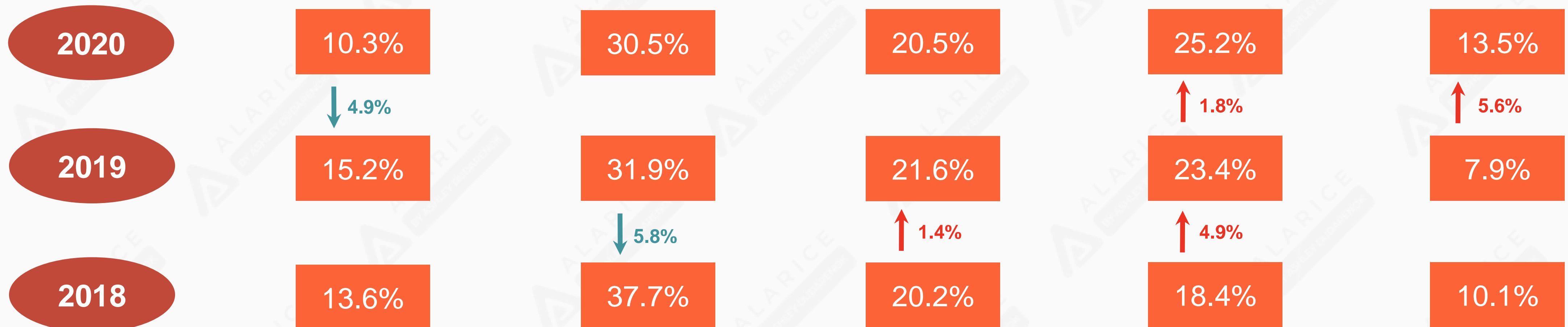
TIER 3 CITIES



TIER 4 CITIES



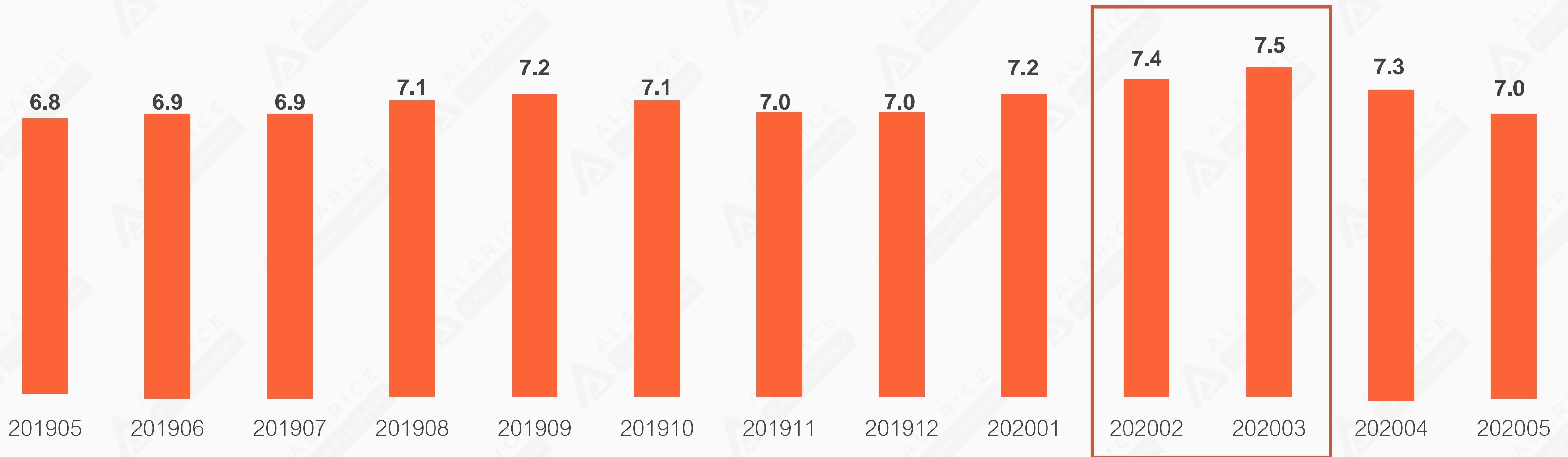
TIER 5 CITIES



CONSUMER INSIGHTS

ACTIVE USERS IN THE LOWER-TIER CITY MARKET EXCEEDED SINCE THE COVID PERIOD

Scale of active users in the lower-tier city market in 2019-2020 (Unit: 100 million)

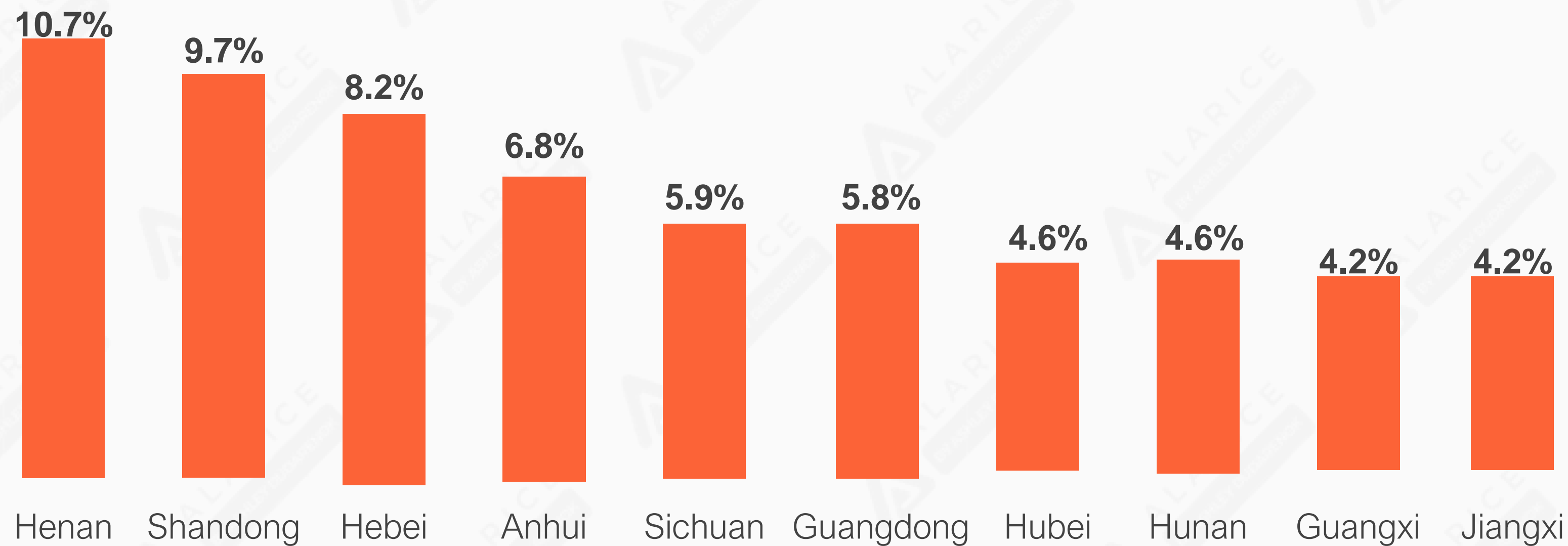


Covid period

CONSUMER INSIGHTS

THE LOWER-TIER CITY POPULATION OF HENAN AND SHANDONG DOMINATES IN CHINA

Geographical distribution of users in the online lower-tier city market in 2020

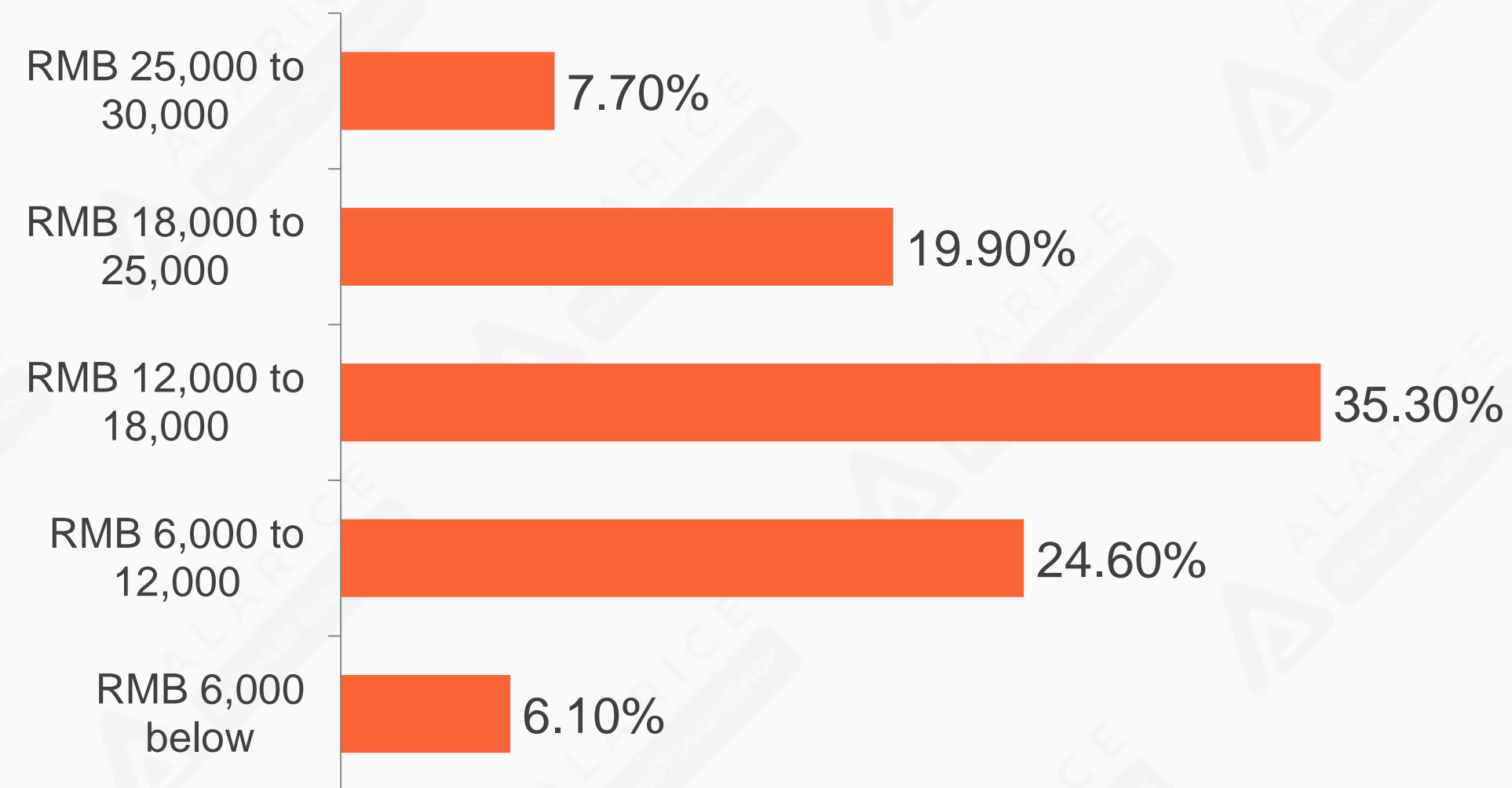


CONSUMER INSIGHTS

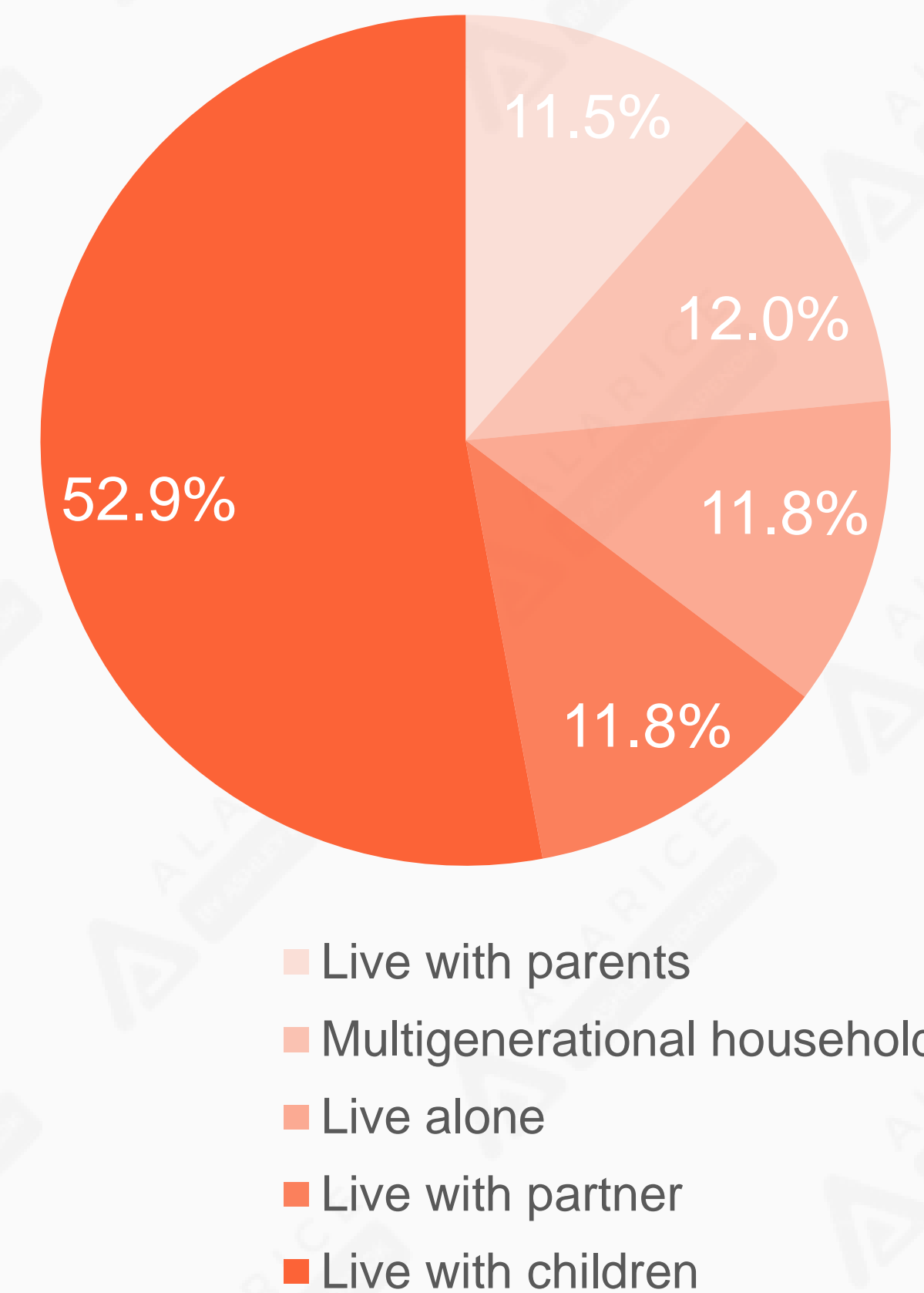
HOUSEHOLD STATUS OF LOWER-TIER CITY CONSUMERS

The average monthly pre-tax income that's below RMB 18,000 occupies about 66%.

LOWER-TIER CITIES' AVERAGE MONTHLY PRE-TAX INCOME



LOWER-TIER CITIES LIVING ARRANGEMENTS



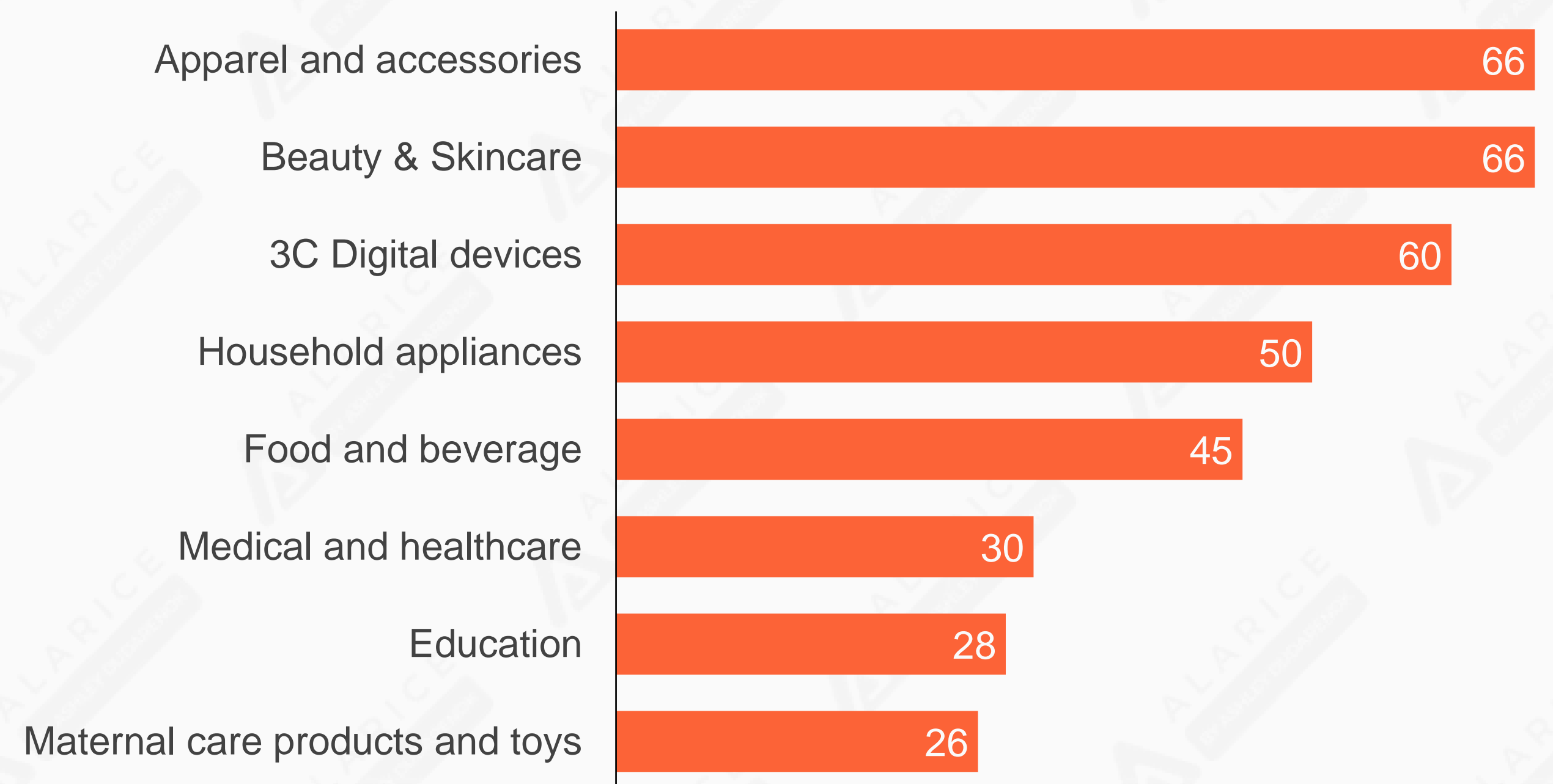
CONSUMER INSIGHTS

CONSUMPTION BEHAVIOUR OF LOWER-TIER CITY RESIDENTS

The most popular products with lower-tier city consumers are apparel and accessories, beauty and skin care products, and 3C digital devices.

	FEMALE	MALE
TOP 1	Gift Set	Casual Pants
TOP 2	Mask	Hoodie
TOP 3	Cream / Lotion	Down Jacket
TOP 4	Facial Cleanser	Jacket
TOP 5	Serum	Denim Jeans
TOP 6	Toner	Coat

LOWER-TIER CITY CONSUMER CATEGORY TGI 2022 (%)



EXPERT BITE



KATHY YANG

Head of Digital Products at
Alarice and ChoZan

Q: WHICH INDUSTRY DO YOU THINK WILL WIN BIG WHEN IT COMES TO GLOBAL BRANDS IN LOWER-TIER CITIES IN 2023?

The home appliance industry might be the winner in 2023.

Reasons are as follows.

Context/policy: In recent years, as China pushes forward its national rural revitalization policy, rural consumption has been largely boosted. In August 2022, the Chinese government announced a new round of promotion of spending on green and smart home appliances in rural areas as well as the replacement of old home appliances.

Customer needs: Smart home appliances with rich technological features, such as the all-in-one washing machine and frost-free refrigerator, can provide customers with more innovative functions and better experience, especially for those living in rural areas / lower-tier cities with basic home appliances over the years.

Affordability: Residents in lower-tier cities tend to be more price-sensitive so discounts, subsidies and preferential policies offered by the country may further stimulate their purchasing desire.

**GOT A QUESTION? DROP KATHY AN
EMAIL BY SCANNING THE QR CODE**



2. CONSUMER INSIGHTS

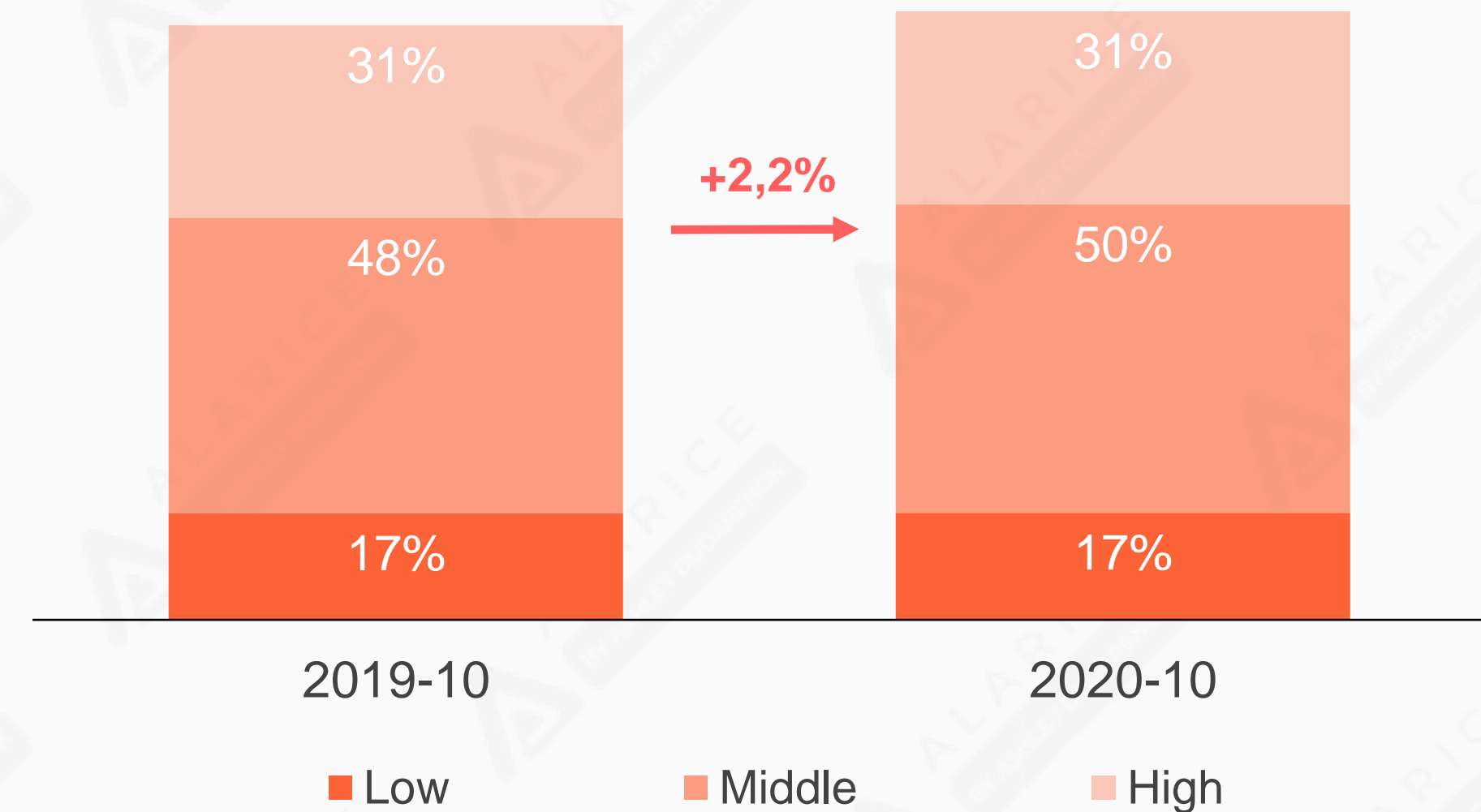
LOWER-TIER CITY YOUNG PEOPLE

POTENTIAL MARKET SIZE

Post-00s and Post-70s are the fastest-growing potential consumer groups in the lower-tier markets. Older generations are also going online with tech adoption.

In fact, **23% of online mobile users are above 51 years old.** This online-consuming age group also much prefer content concerning educational information.

ONLINE SPENDING WILLINGNESS OF LOWER-TIER CITY USERS

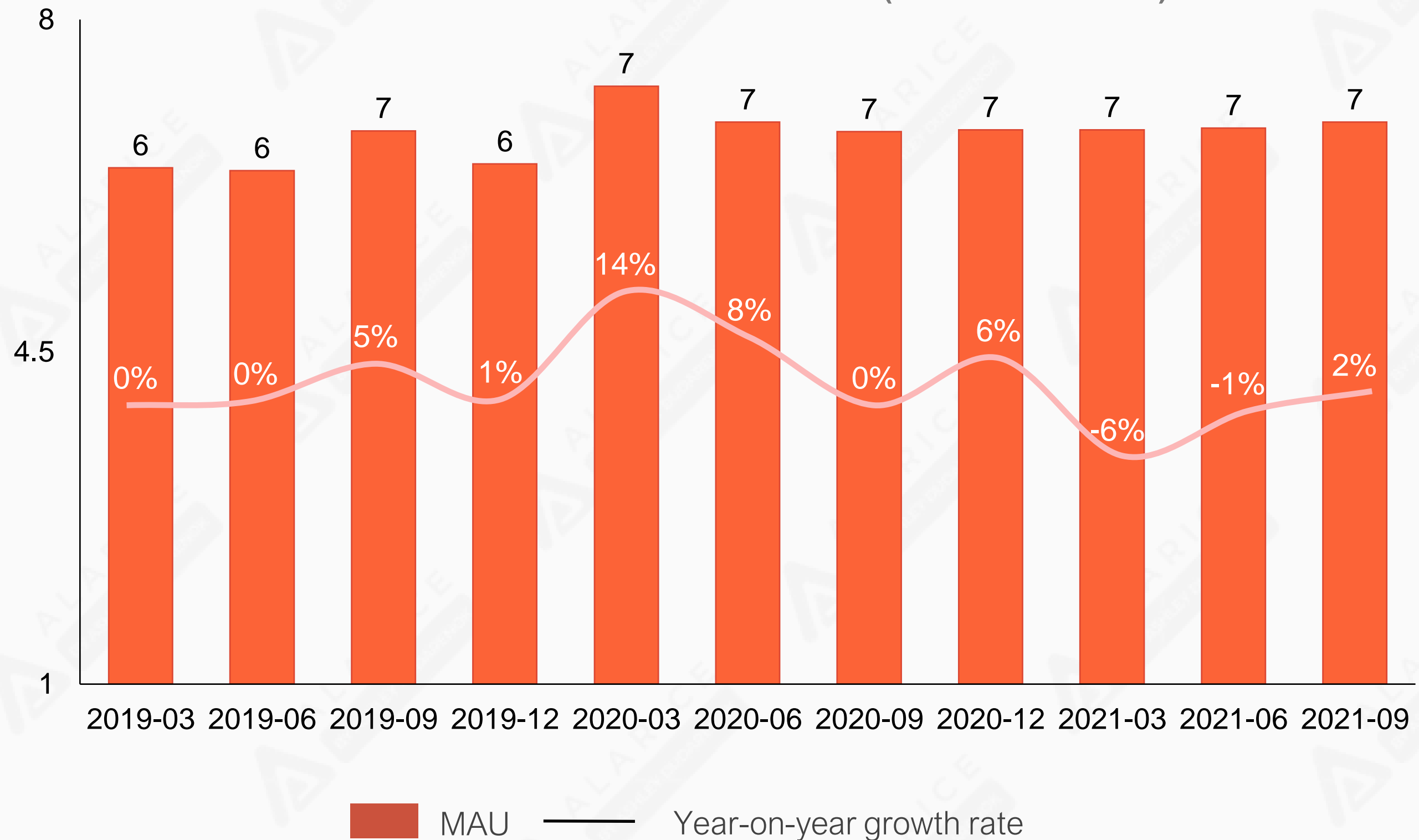


LOWER-TIER CITY YOUNG PEOPLE

MAU SIZE

In lower-tier cities, for those brands who would like to keep a long customer relationship with them, young people in the lower-tier city market will be a reasonable consumer group as long-term target customers.

SCALE OF MONTHLY ACTIVE USERS OF LOWER-TIER CITY MARKET USERS IN 2019-2021 (UNIT: 100 MILLION)



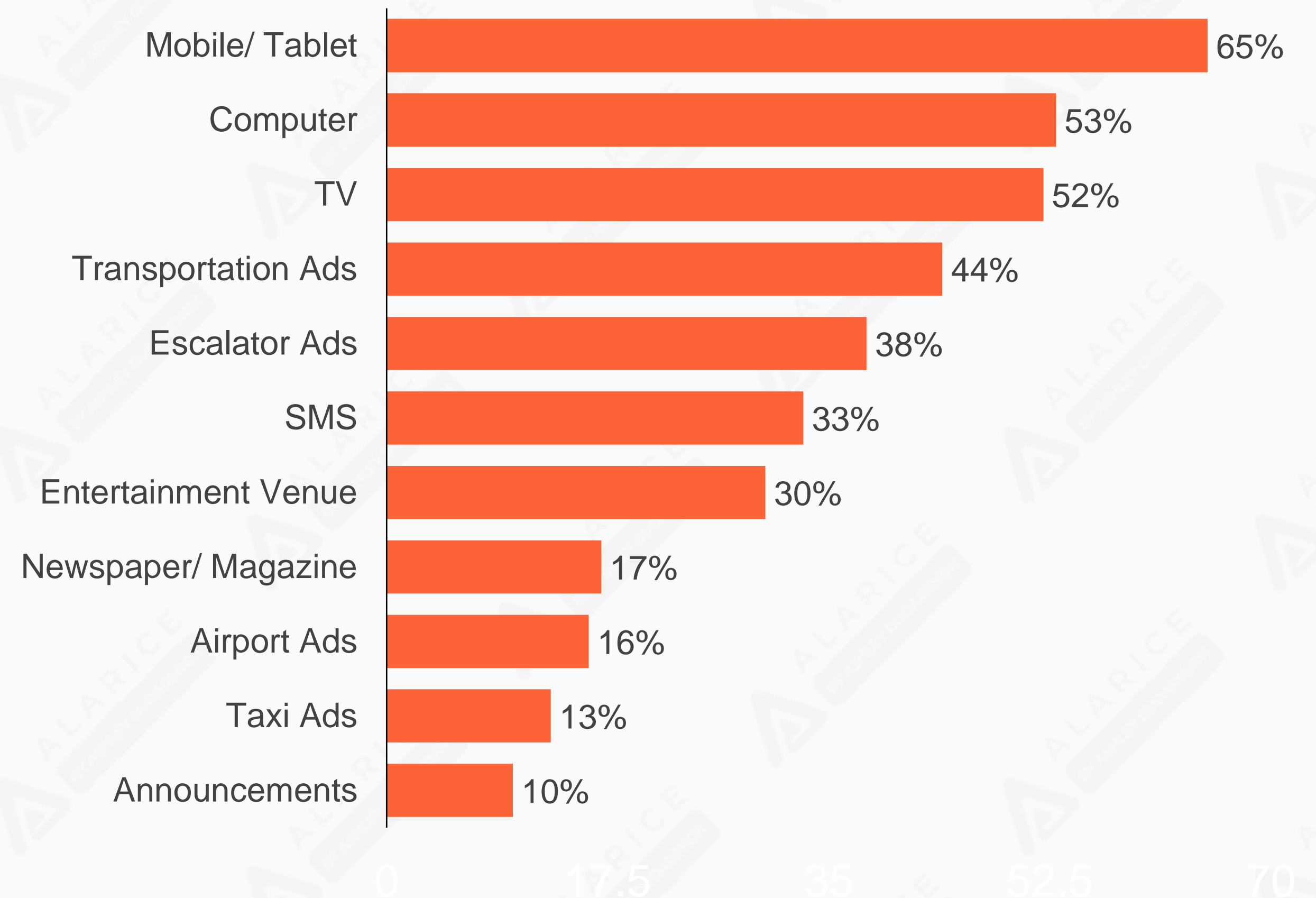
CONSUMER INSIGHTS

INFORMATION TRANSMISSION

In lower-tier cities, the most commonly encountered advertising channels are **digital**, such as phones and tablets.

Two-thirds of brands focus on KOL promotion, followed by short videos, and official social media operation.

LOWER-TIER CITY RESIDENTS MOST FREQUENTLY ENCOUNTERED ADVERTISING CHANNELS



CONSUMER INSIGHTS

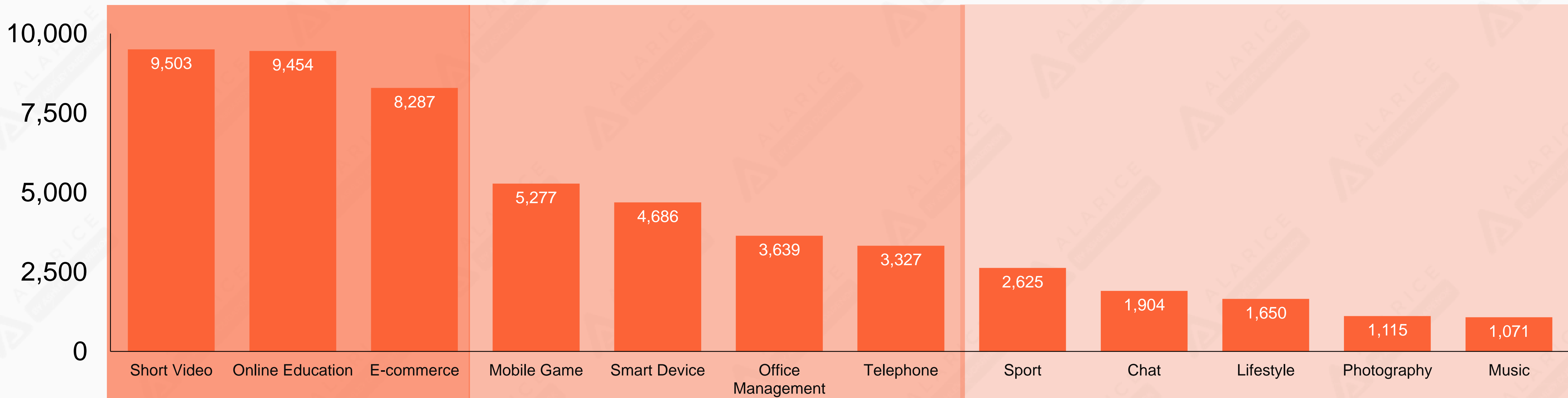
SHORT VIDEOS AND ONLINE EDUCATION HAVE BECOME “XIACHEN STARS”

NEW LOWER-TIER CITY USERS IN THE MOBILE INTERNET SEGMENT
IN 2020 (UNIT: 10 THOUSAND)

The first echelon: Up for 100 million

The second echelon: Up for 20 million to 60 million

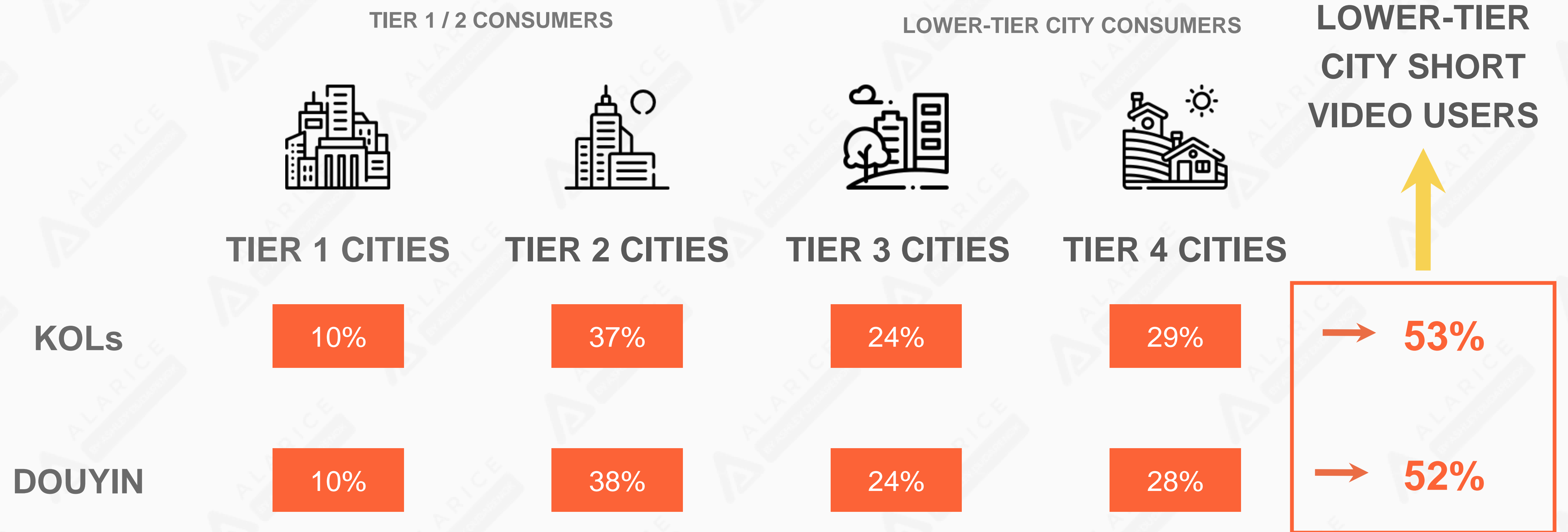
The third echelon: Up for 10 million to 20 million



CONSUMER INSIGHTS

SHORT VIDEOS DOMINATE THE LOWER-TIER CITY MARKET

Among users in the short video industry, **second-tier cities account for nearly 40%**, but lower-tier city markets generally account for more than half. On the Douyin platform, the proportion of users in second-tier cities is slightly higher.

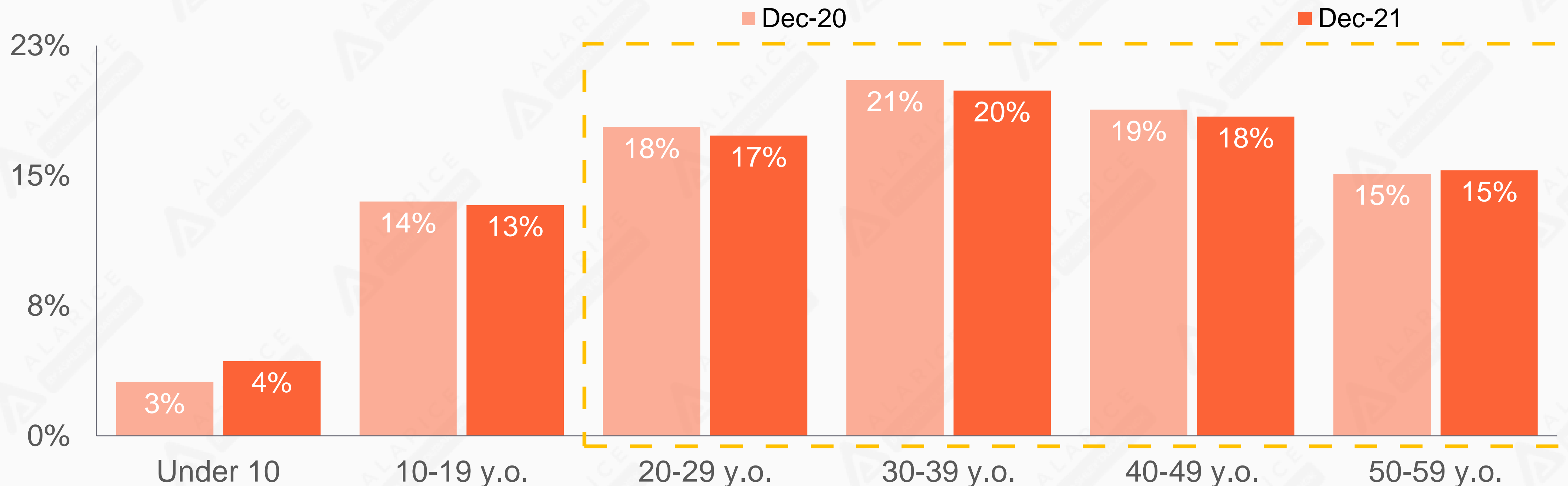


CONSUMER INSIGHTS

MALES AND USERS OVER 30 ARE DOMINANT IN THE LOWER-TIER CITY MARKET

In the lower-tier city market, the proportion of male and female users is basically the same, while women in first- and second-tier cities are 7 percentage points higher than men. As of December 2021, 48.5% of internet users are women.

People under the age of 25 account over half of them, which is slightly lower than that in first-tier cities, and there are more users over the age of 30.



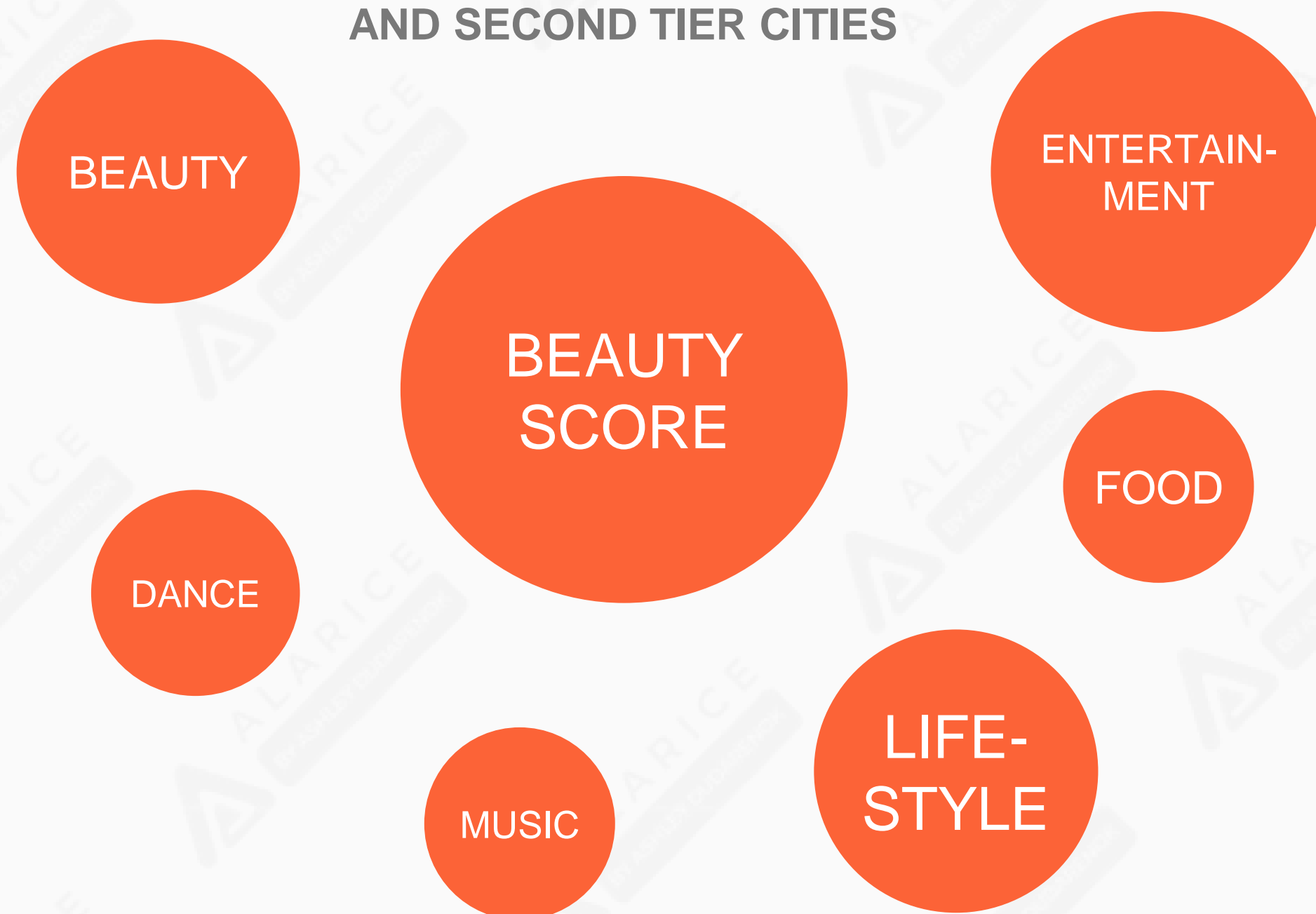
CONSUMER INSIGHTS

PREFERENCE OF LOWER-TIER CITY MARKET

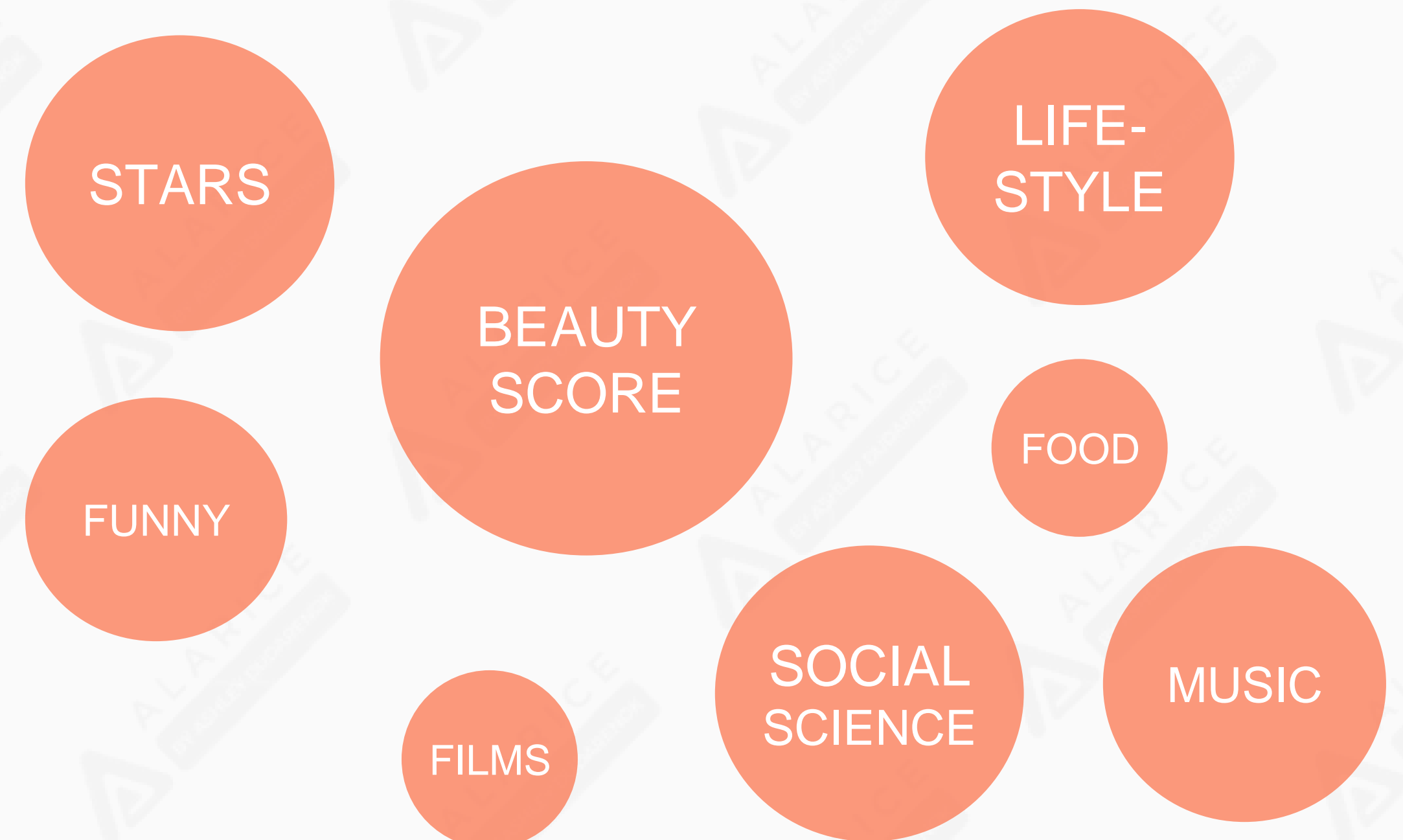
In the lower-tier city market and first- and second-tier cities, the categories of “Xiao Jie Jie”(beauties) and "entertainment" categories are the most popular among users, but utilising these contents have little advantage in the lower-tier city market.

“Beauty Score” is a popular topic no matter the market, so it is much more important to **emphasise the style of brand image**.

POPULAR CATEGORIES IN FIRST AND SECOND TIER CITIES



POPULAR CATEGORIES IN THE LOWER-TIER CITY MARKET



CONSUMER INSIGHTS

ONLINE INFLUENCERS ARE MORE POPULAR IN LOWER-TIER CITY MARKETS

Online influencers (KOLs, KOCs) have a greater impact on lower-tier cities, especially when it comes to gaming and dancing content

HOT TOPICS



GAME



BEAUTY



DANCE



CREATIVITY

COLD TOPICS



FITNESS



**ARTS &
CRAFTS**

CONSUMER INSIGHTS

ONLINE INFLUENCERS ARE MORE POPULAR IN LOWER-TIER CITY MARKETS

Fourth-tier cities and those below have a high degree of attention when it comes to influencers with 300K to 500K followers.

FAN VOLUME TGI

INFLUENCERS WITH 3 MILLION+ FOLLOWERS



105

TIER 3 CITIES



108

TIER 4 CITIES

INFLUENCERS WITH 300K-500K FOLLOWERS



152

TIER 1 CITIES



213

TIER 4 CITIES

CONSUMER INSIGHTS

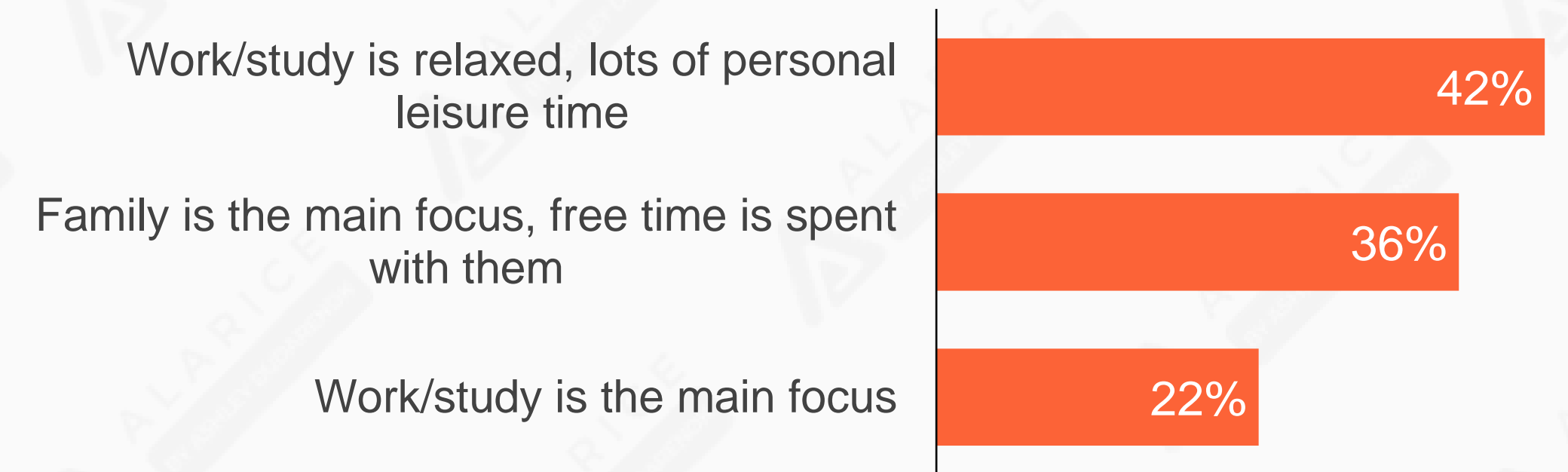
LIFESTYLE DEFINES CONSUMPTION

RELAXED LIFESTYLE

Lower-tier city residents lead a more relaxed lifestyle. **41.9%** said their work is relaxed and they have a lot of free time, while only 22.2% said their work is busy.

The 'free-time entertainment group' (空闲娱乐派对) - those who claim to have plenty of free time and do not engage in the 996 lifestyle - account for almost **70% of the population**

FOCUS OF DAILY LIFE OF LOWER-TIER CITY RESIDENTS



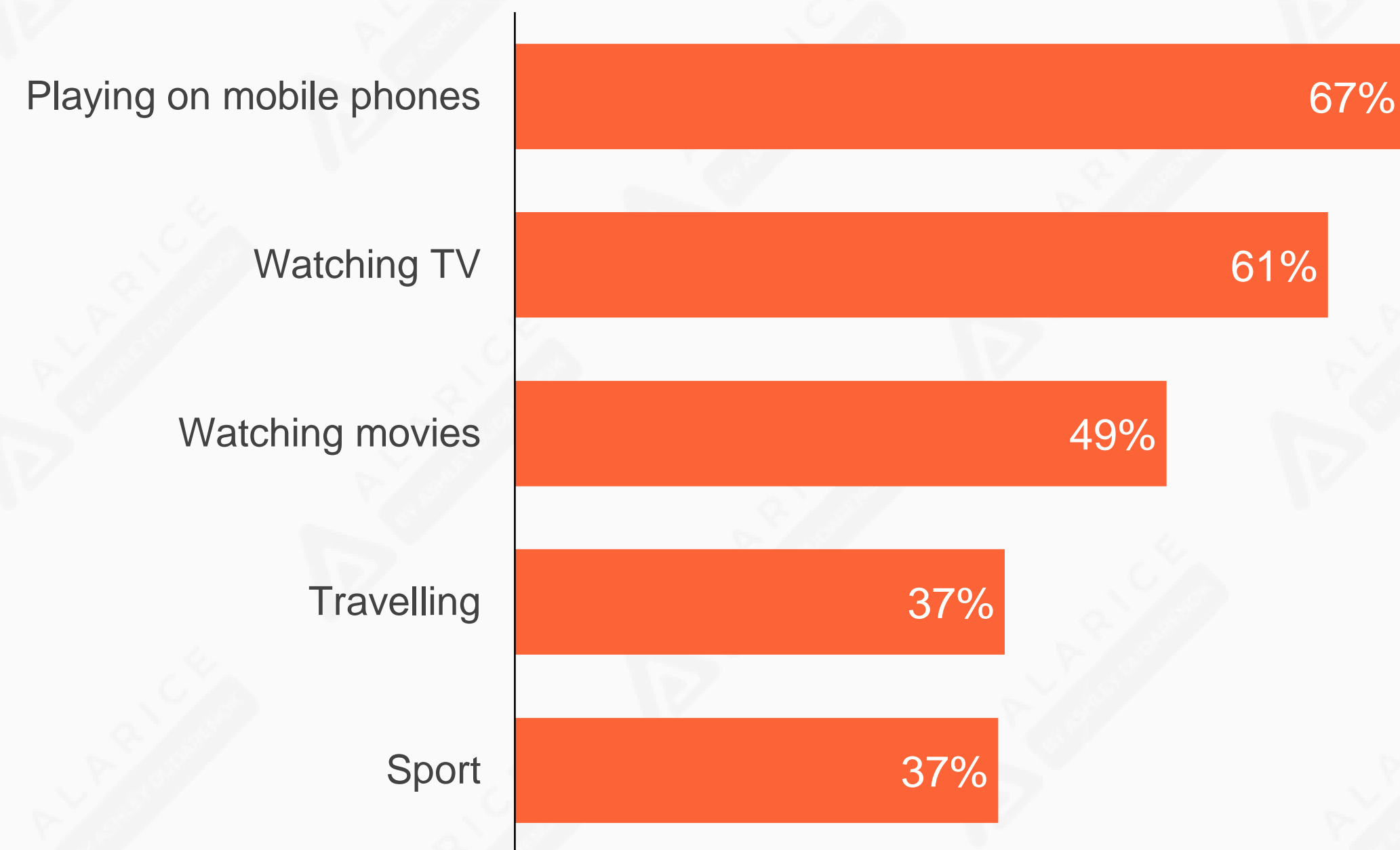
CONSUMER INSIGHTS

LIFESTYLE DEFINES CONSUMPTION

HOBBIES

Video games stands as the most popular free-time activity among lower-tier city residents. This includes both mobile games and PC games.

LOWER-TIER CITY USERS' MAIN FORMS OF ENTERTAINMENT

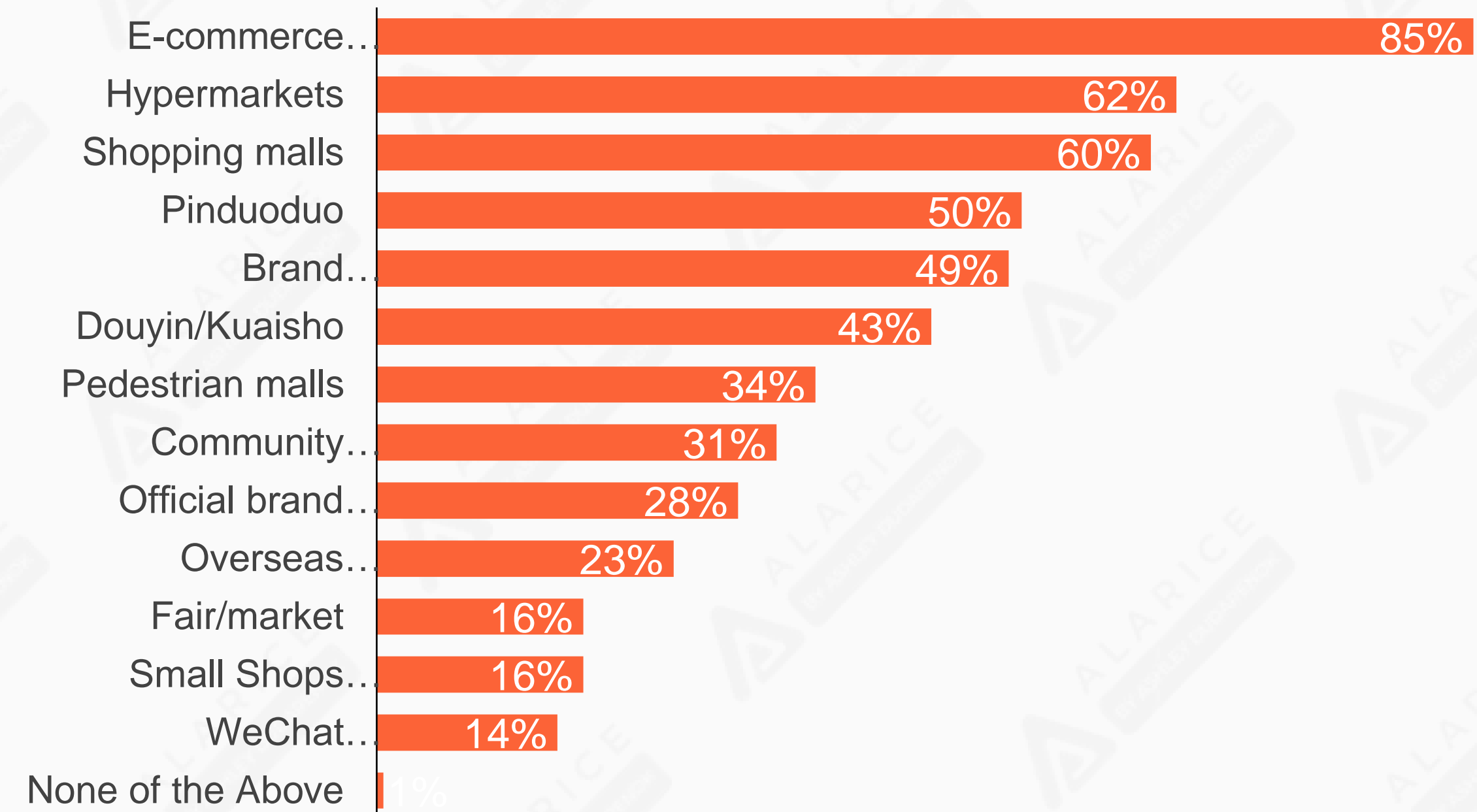


CONSUMER INSIGHTS

ONLINE AND OFFLINE

The mobile web has become increasingly integrated with people's daily lives and is being used by lower-tier city residents to address their **daily offline needs**, such as online shopping.

PROPORTION OF INTEREST AND PREFERENCE ACTIVITY OF LOWER-TIER CITY USERS IN 2022



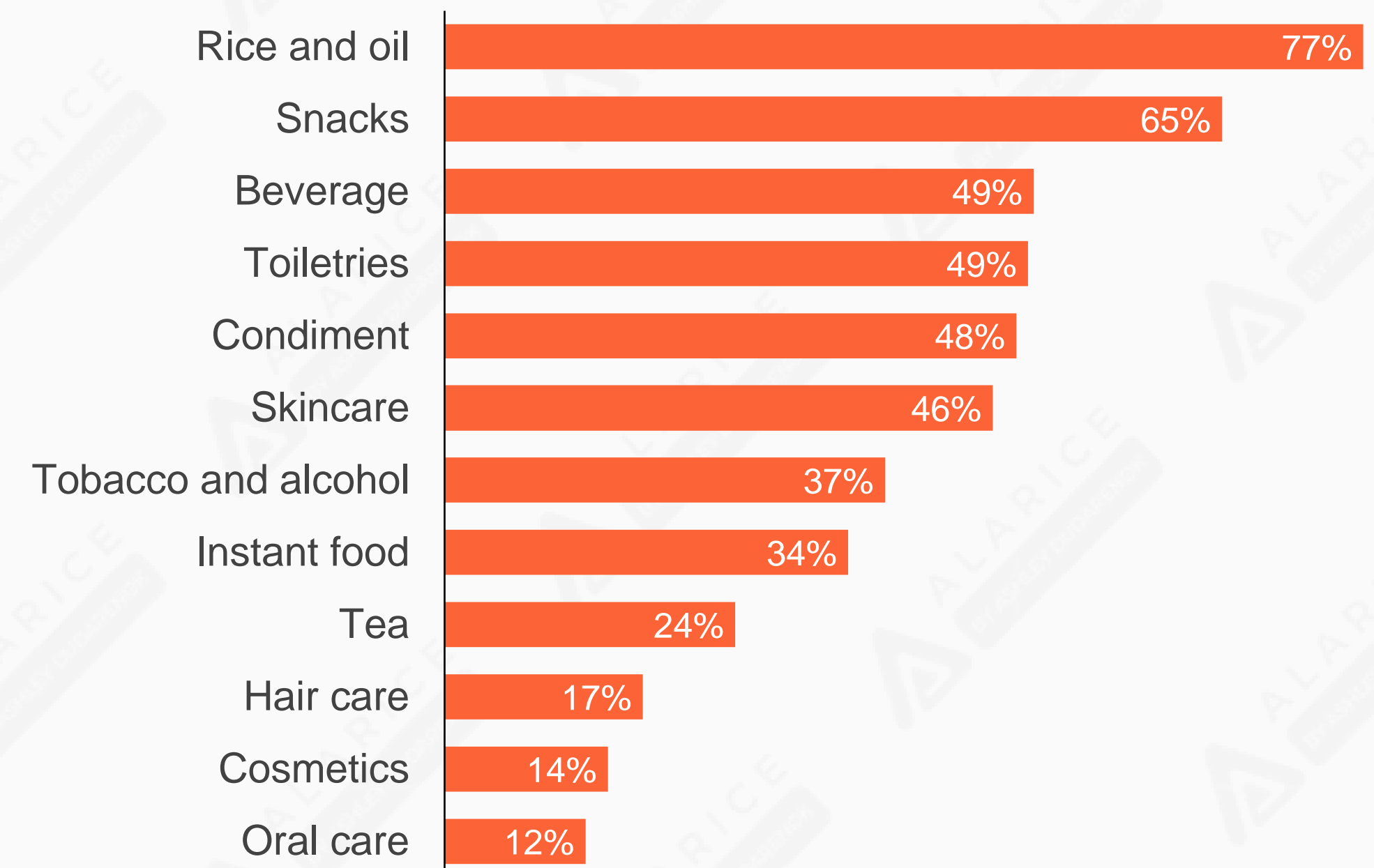
CONSUMER INSIGHTS

CONSUMER GOODS ARE DOMINATED, ENTERTAINMENT CONSUMER GOODS HAVE POTENTIAL

Various types of fast-moving consumer goods in the lower-tier city market are divided into three categories: **basic consumer goods**, **leisure consumer goods** and **entertainment consumer goods**.

Consuming type	Proportion
Basic consumer goods	44.03%
Leisure consumer goods	37.28%
Entertainment consumer goods	18.69%

PROPORTION OF VARIOUS CONSUMER GOODS



EXPERT BITE



JACQUELINE CHAN

Project Director at
Alarice and ChoZan

Q: WHAT WOULD BE GOOD PRACTICE FOR BUSINESSES WHO ARE NEW IN ENTERING THE LOWER-TIER CITY MARKET?

Compared with top tier cities consumer, low tier cities young consumers have **more spare time for a leisure lifestyle**. They usually spend lots of time on social media platforms, especially on short video platforms and live streams.

Hence, in order to deepen the communication with the lower-tier cities' audience, brands could **focus on the short video platforms**, such as Douyin & Kuaishou, and **live streaming as well**. Combining with gamification elements, it will help the brand to achieve quick winning campaigns in lower-tier cities.

GOT A QUESTION? DROP JACQUELINE AN EMAIL BY SCANNING THE QR CODE

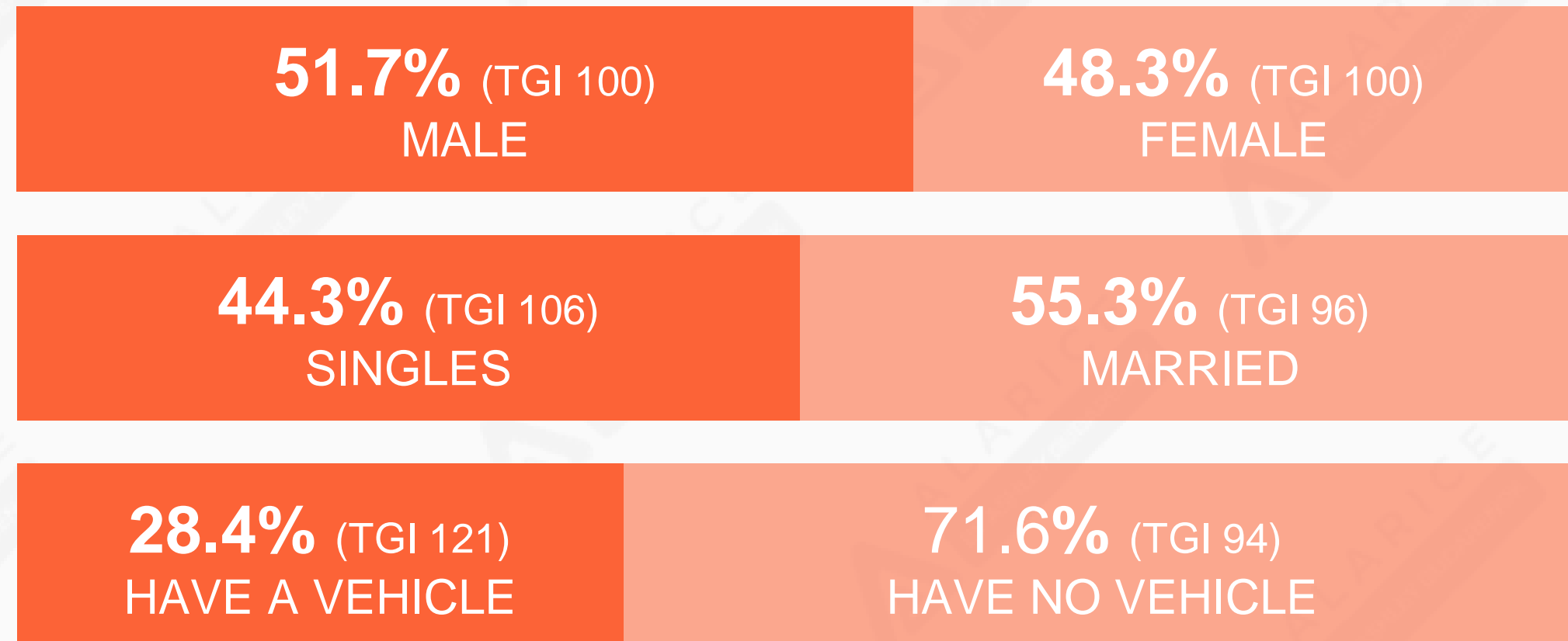


3. LOWER-TIER CITY YOUNG PEOPLE

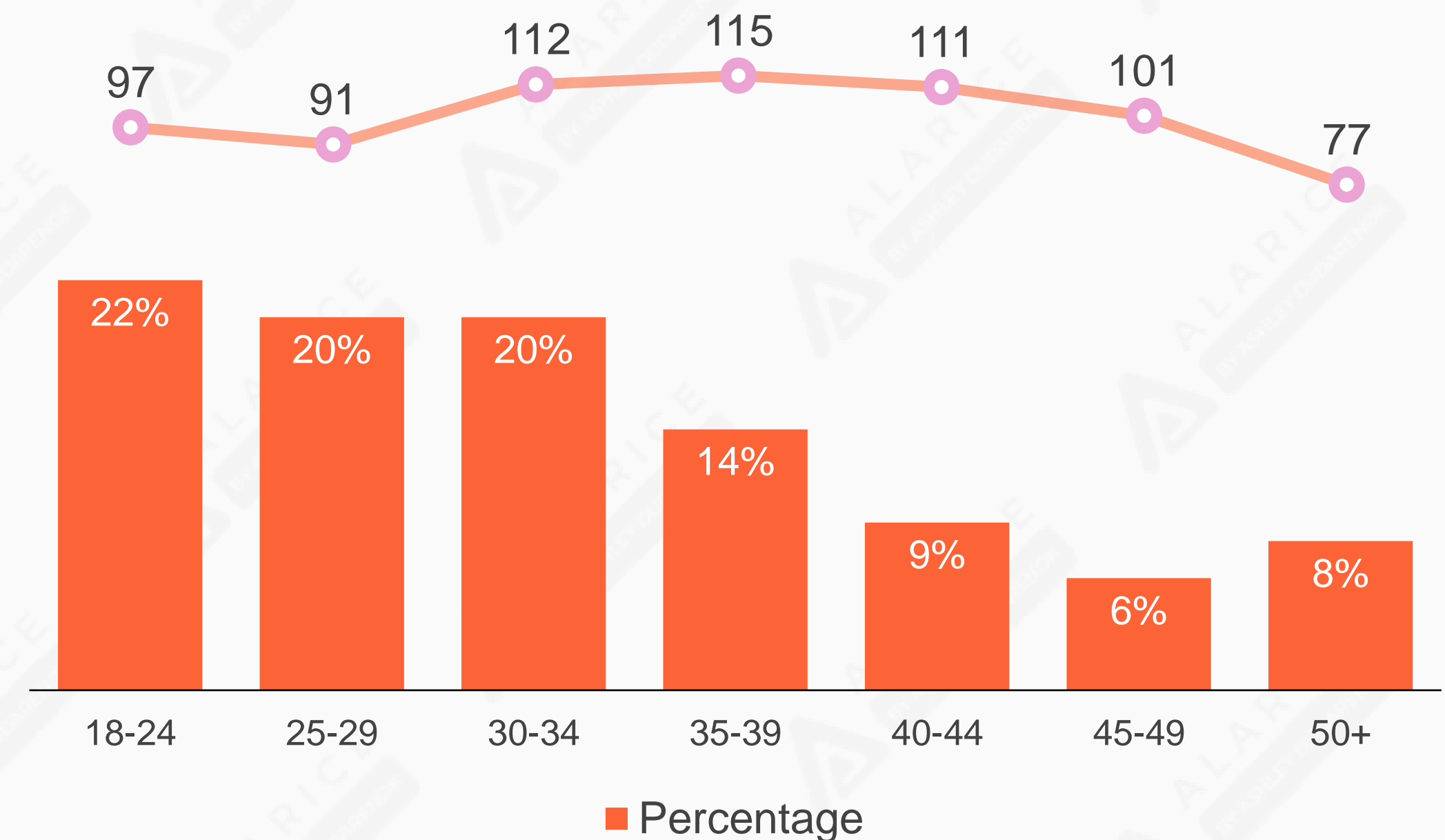
LOWER-TIER CITY YOUNG PEOPLE

YOUNG PEOPLE IN THE LOWER-TIER CITY MARKET

The lower-tier city market is mostly made up of young, single consumers, while middle-aged, married consumers tend to have higher TGIs (Target Group Index).



THE LOWER-TIER CITY MARKET BY AGE GROUP



LOWER-TIER CITY YOUNG PEOPLE

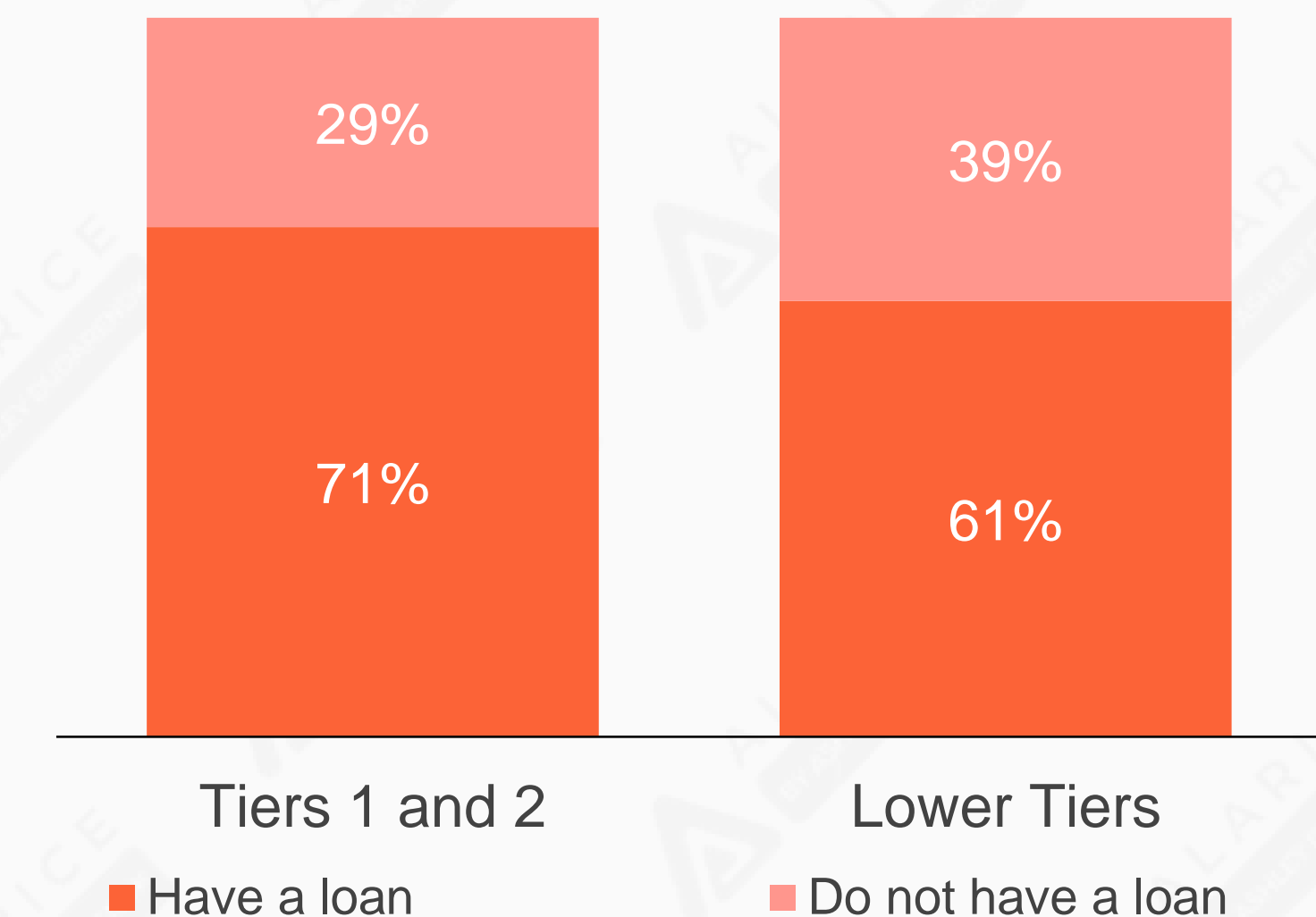
SPENDING POWER

Young people in lower-tier cities are less likely to save for the future and have fewer loans than their higher-tier city counterparts, leaving them with money to spend. Because of this, **13.4% of those born in the 90s are not in debt.**

In Tier 1 and Tier 2 cities, the number of young people with personal consumption loans, credit card spending, instalments and delayed payments, P2P online loans, car loans and mortgages exceeds those in lower-tier cities.

- Young Free Spenders are digital natives from Tier 2 and under who are increasing their spending across different categories.
- This accounts for **60% of the spending growth.**

PERCENTAGE OF YOUNG PEOPLE WITH LOANS



LOWER-TIER CITY YOUNG PEOPLE

LIFESTYLE

DAILY ROUTINE OF YOUNG PEOPLE

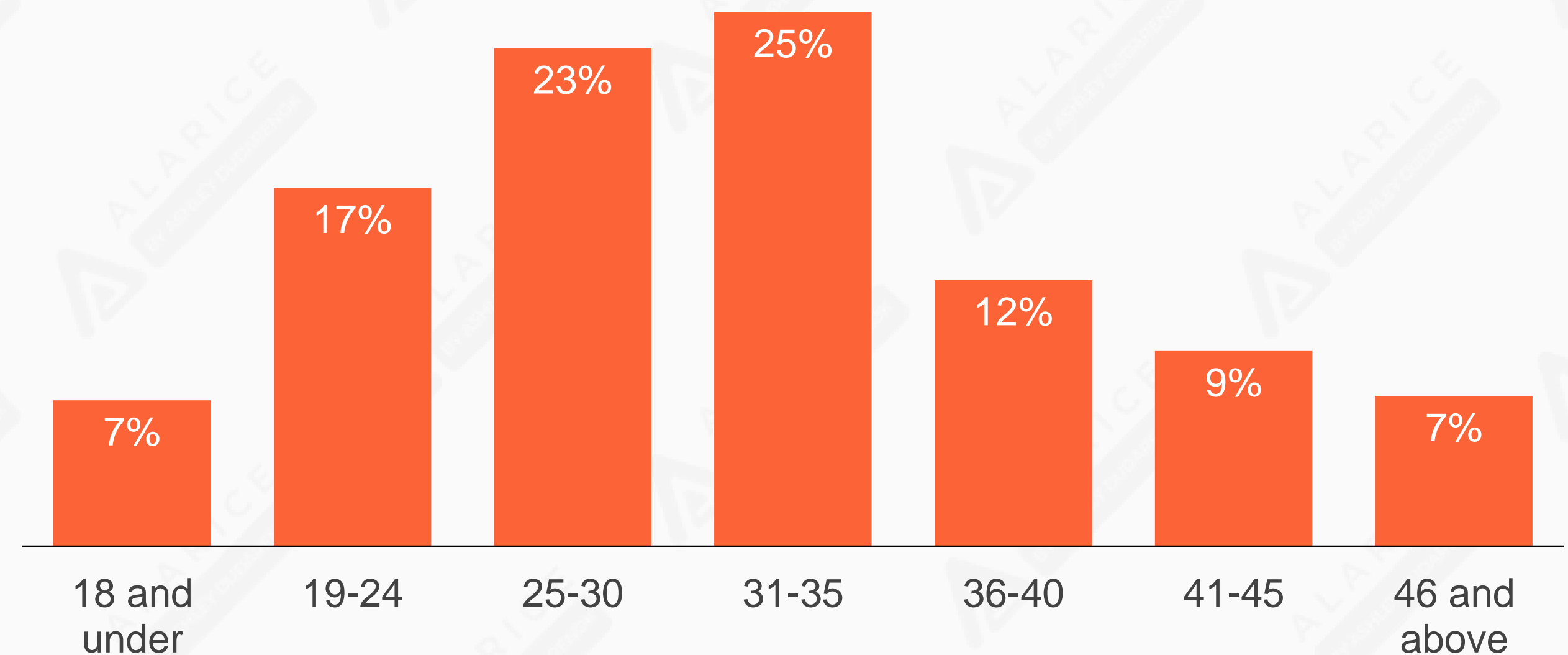
Lower-tier city young people work fewer hours than their higher-tier city counterparts, meaning they have more time for shopping, socialising and entertainment.

	HIGHER-TIER CITY YOUNG PEOPLE	LOWER-TIER CITY YOUNG PEOPLE
TIME SPENT WORKING	~13.5 hours	~9.5 hours
LEISURE TIME	~2.5 hours	~5 hours
TIME SPENT SLEEPING	~8 hours	~7.5 hours

LOWER-TIER CITY YOUNG PEOPLE

ONLINE BEHAVIOUR

AGE DISTRIBUTION OF MOBILE INTERNET USERS IN LOWER-TIER CITIES



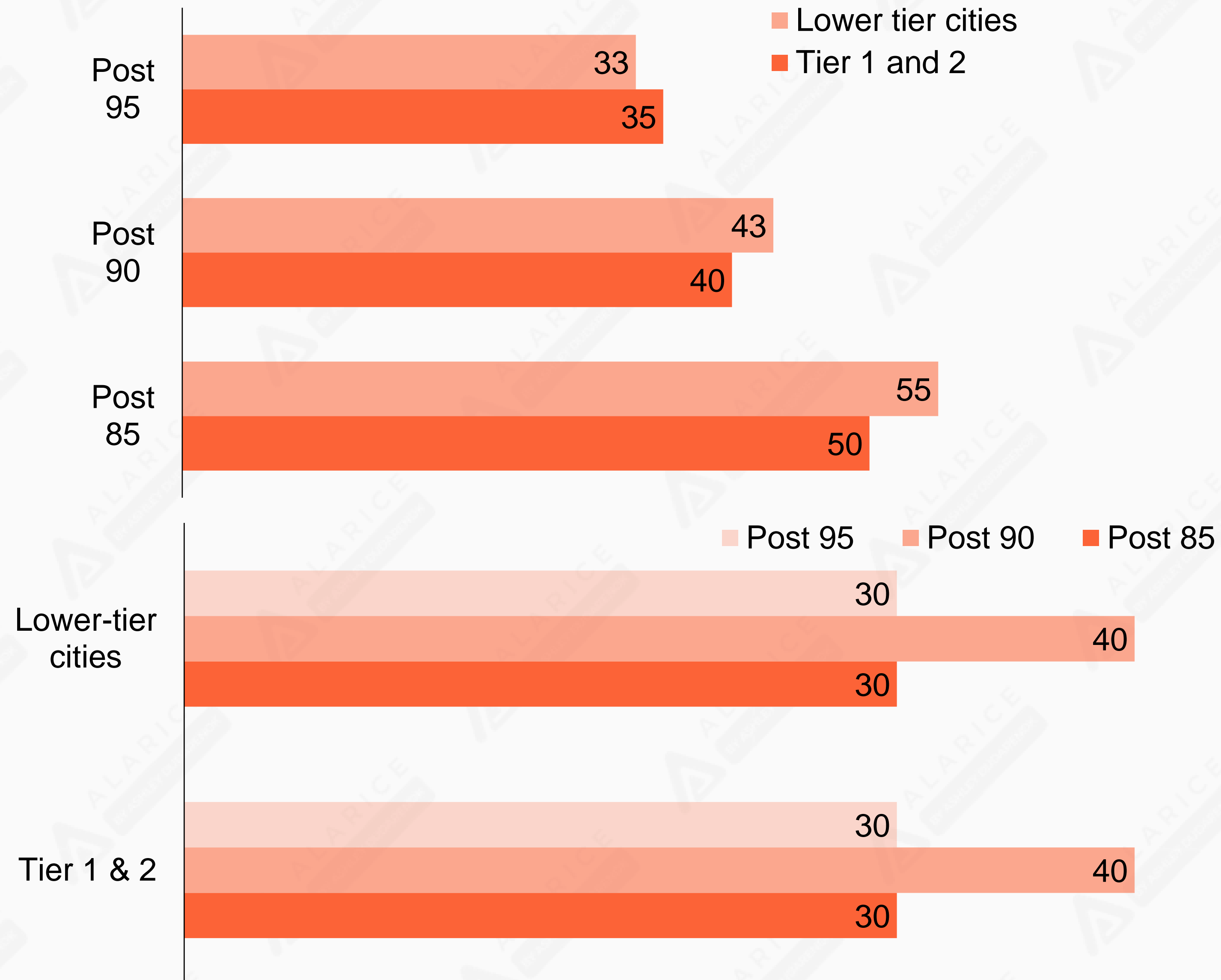
Most mobile internet users in lower-tier cities are under 35.

LOWER-TIER CITY YOUNG PEOPLE

ONLINE BEHAVIOUR

In lower-tier cities, the growth in consumption inspired by social media amongst young people has been significant in recent years.

Young people in lower-tier cities are heavily influenced by online celebrities. The **growth of consumers** from internet celebrities is **faster** amongst **post-85s and post-90s** in lower-tier cities than in tier 1 and tier 2 cities, and more money is being spent by these groups on online celebrities.



LOWER-TIER CITY YOUNG PEOPLE

CONSUMPTION TRENDS

LUXURY PRODUCTS

Consumption of luxury products is growing across lower-tier cities. This growth is particularly notable amongst young people, with the average age at which residents own luxury products now being almost the same as in higher tier-cities.

AVERAGE AGE OF OWNING FIRST LUXURY PRODUCTS



NATIONAL

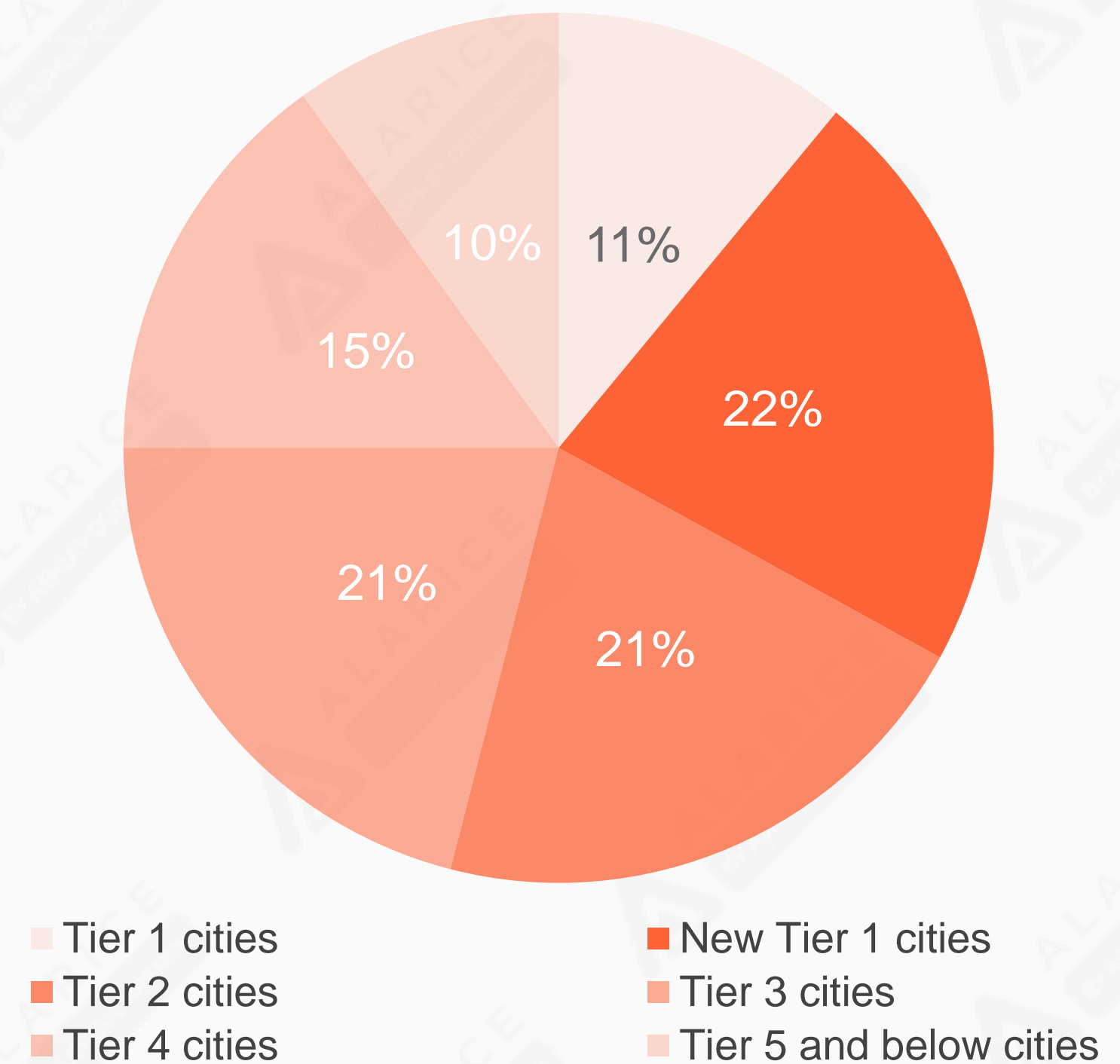


HIGHER-TIER CITIES



LOWER-TIER CITIES

DISTRIBUTION OF HIGH-END CONSUMERS BY CITY TIER 2022



LOWER-TIER CITY YOUNG PEOPLE

CONSUMPTION TRENDS

GUOCHAO TREND

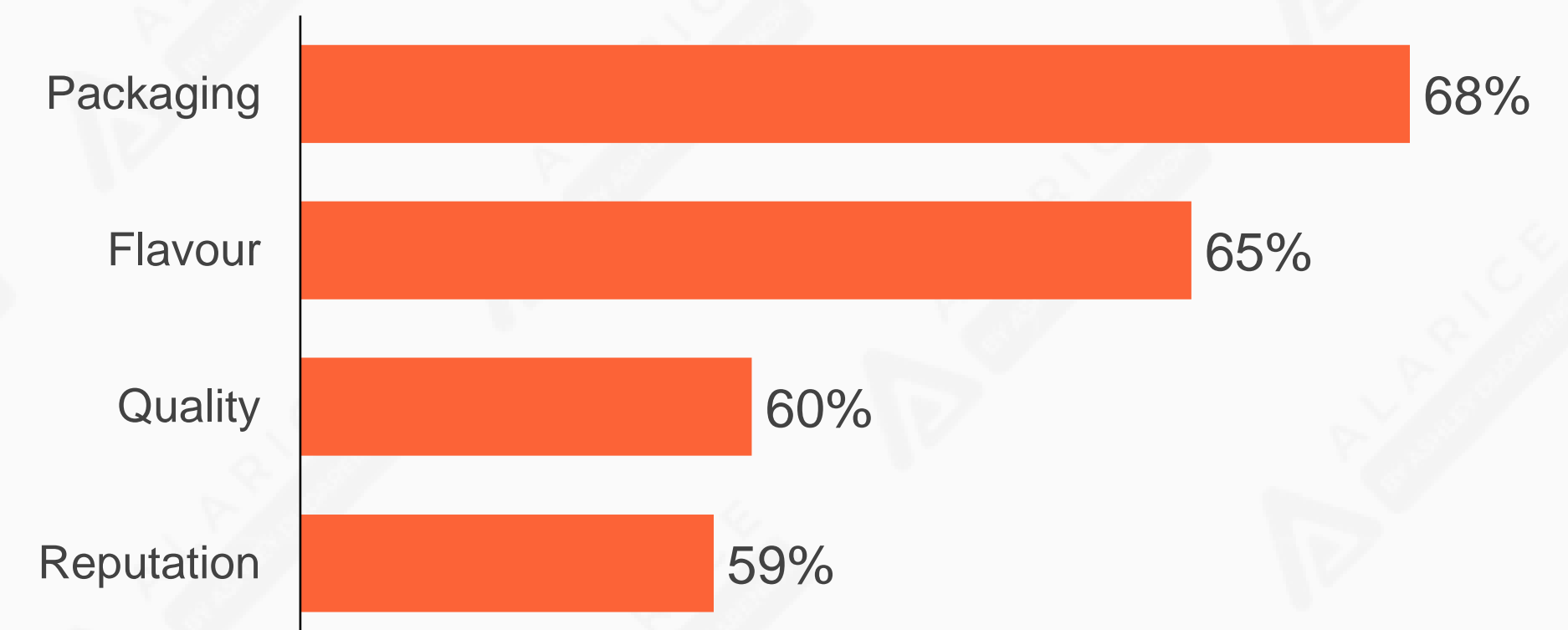
Lower-tier city young people are particularly prominent in the Guochao trend, with total spending on domestic products **exceeding** that of higher-tier city young people.

Whilst they value the quality and branding of foreign goods, domestic goods are valued for their packaging, and because domestic products better suit their tastes.

REASONS WHY IMPORTED FMCGS ARE FAVOURED



REASONS WHY DOMESTIC FMCGS ARE FAVOURED



EXPERT BITE



SYCA JIANG

Head of Strategy at
Alarice and ChoZan

Q: WHAT TREND WERE YOU MOST SURPRISED BY WHEN IT COMES TO LOWER-TIER CITIES FOR THE PAST YEAR?

With the deep popularity of the internet, user traffic in lower-tier markets accounts for **more than half of all markets in China**. In April 2022, the average monthly internet usage time of users in the lower-tier market has **exceeded 160 hours**.

The proportion of female users in the lower-tier market and middle-aged and elderly people over 40 years old is prominent. The lower-tier cities has **become the main front for female consumption and silver-haired group consumption**.

**GOT A QUESTION? DROP SYCA AN EMAIL
BY SCANNING THE QR CODE**



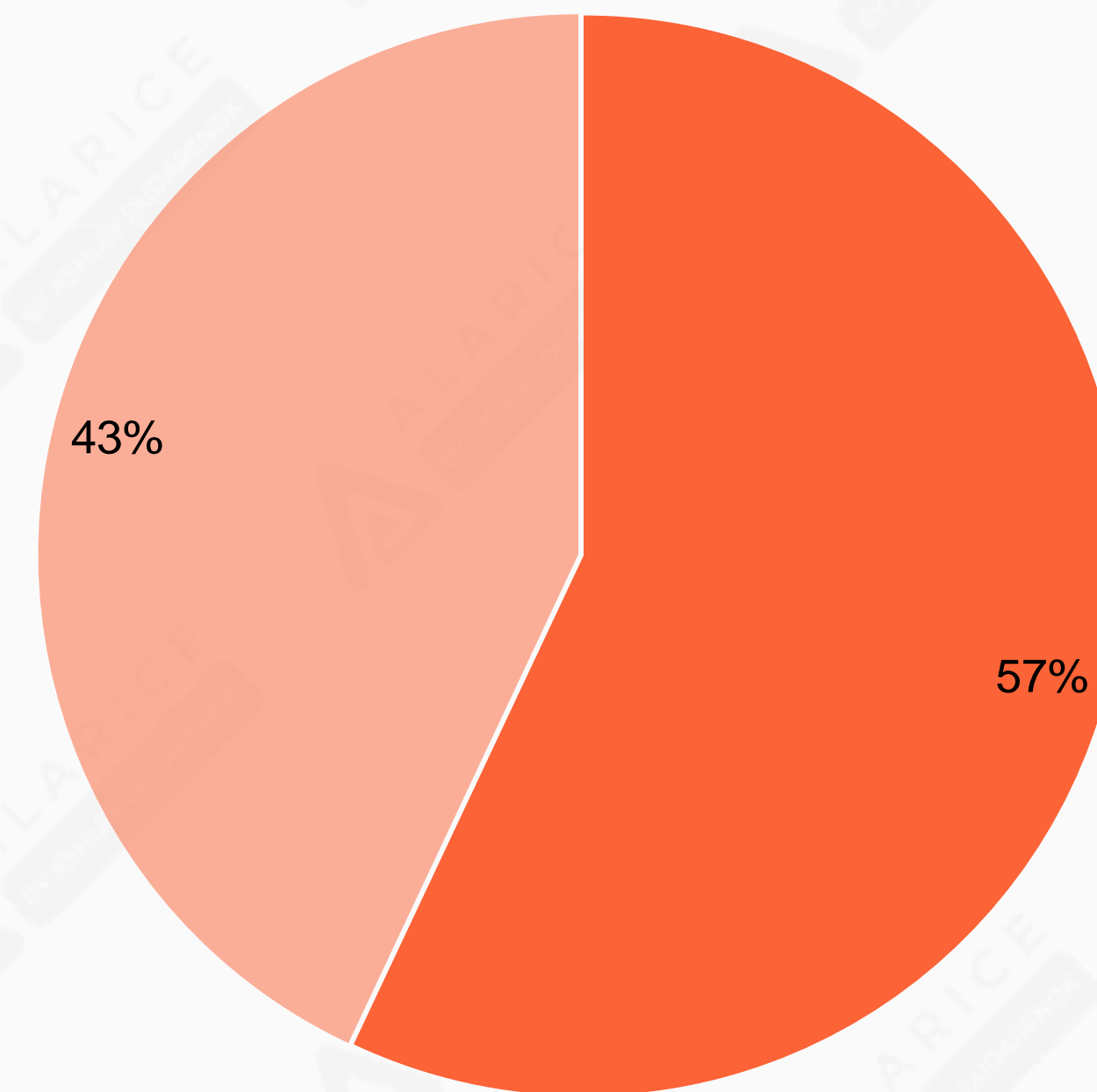
4. E-COMMERCE INSIGHTS

E-COMMERCE INSIGHTS

ONLINE POPULATION

- The increasing number of online purchasing demonstrated the great potential of the market.
- The number of lower-tier cities consumption accounted for 57%, which means the market is getting important.
- Transactions in lower-tier cities went up by 174% in 2021.

OVERALL E-COMMERCE MARKET



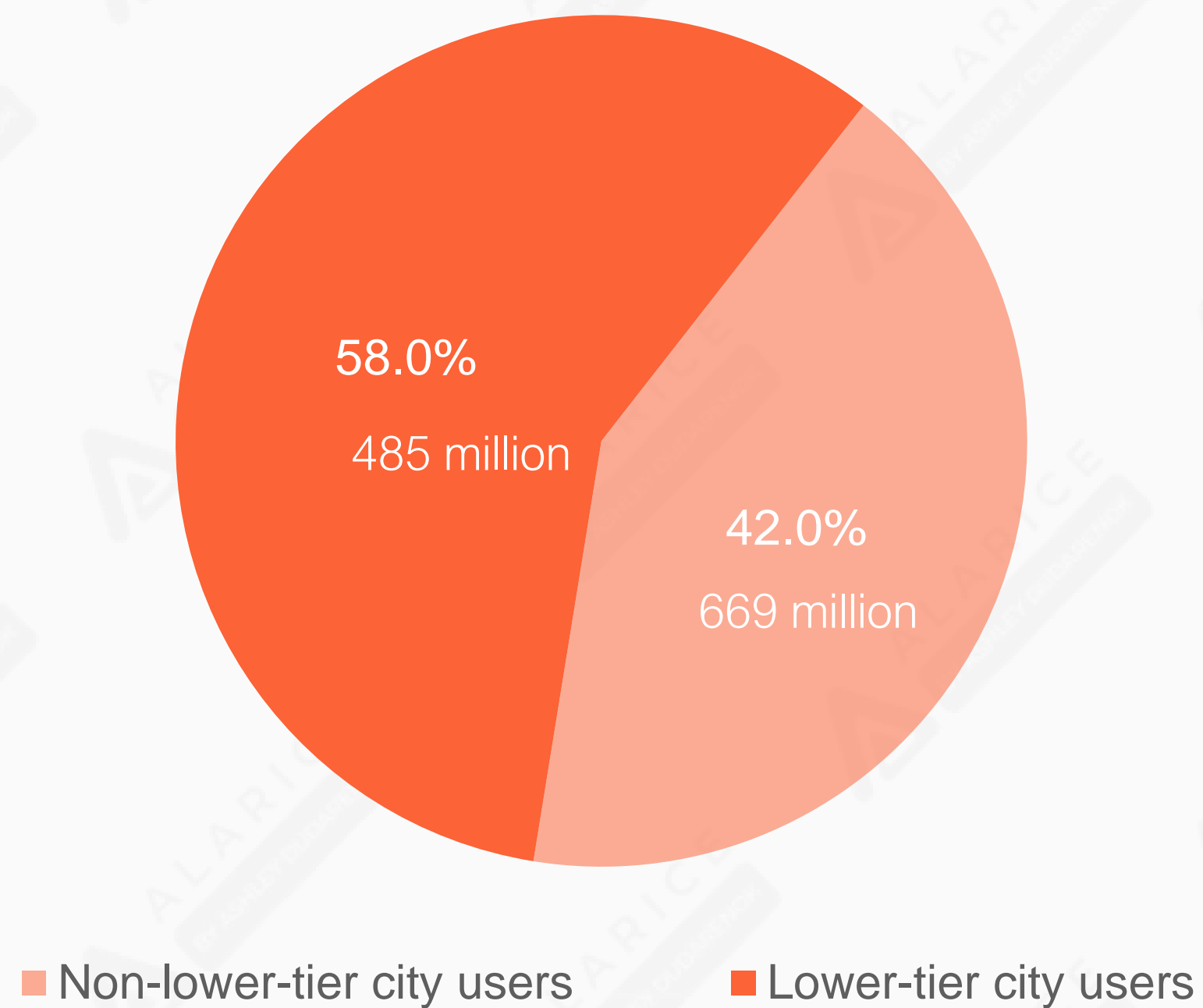
■ Lower-tier cities
■ Tier 1 & 2

E-COMMERCE INSIGHTS

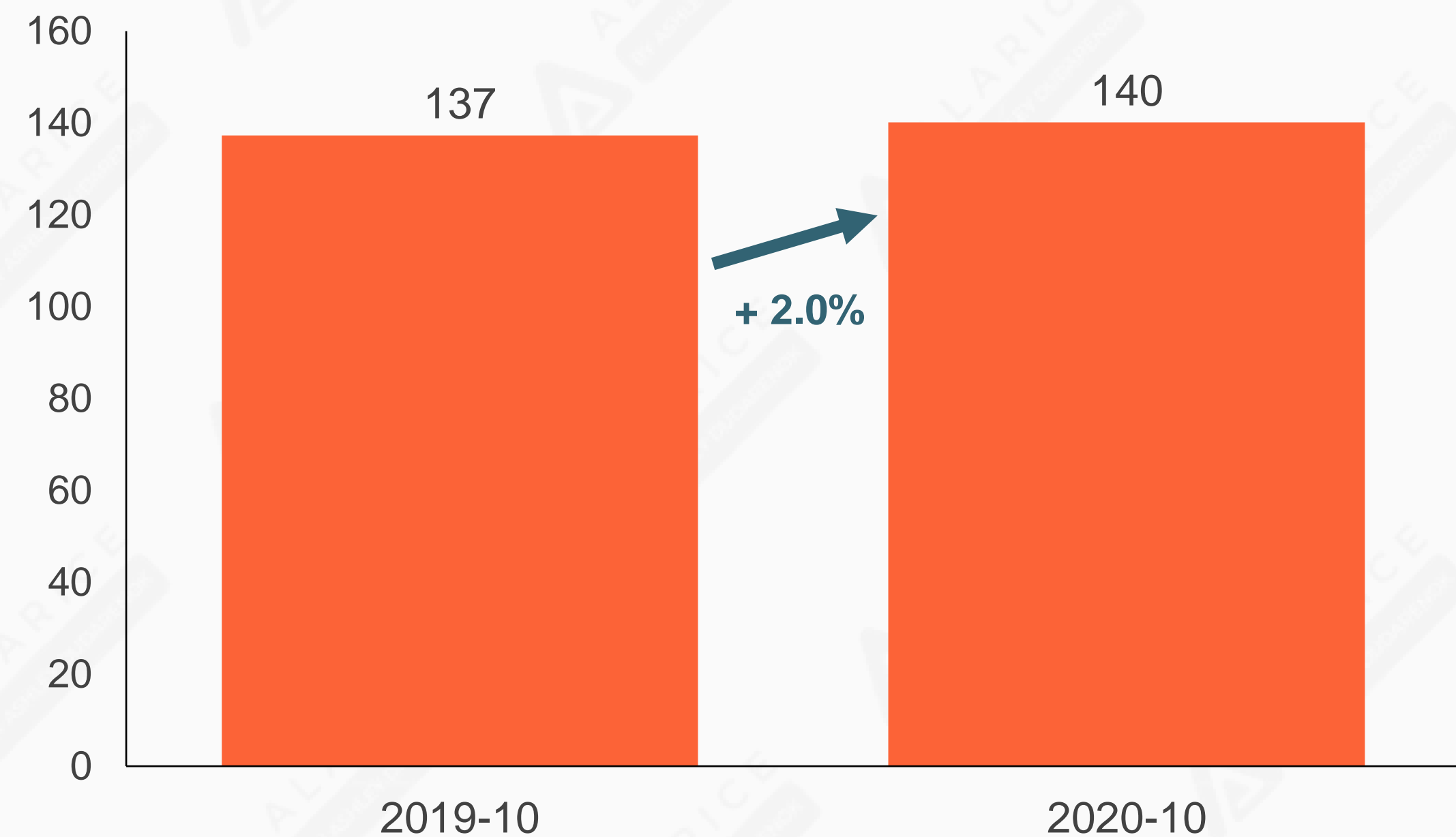
ONLINE POPULATION

Lower-tier cities users already make up over half of the mobile market and are spending more and more time online

THE PROPORTION OF DIFFERENT USERS IN 2020



Monthly per capita usage market of lower-tier city residents (Unit: Hour)

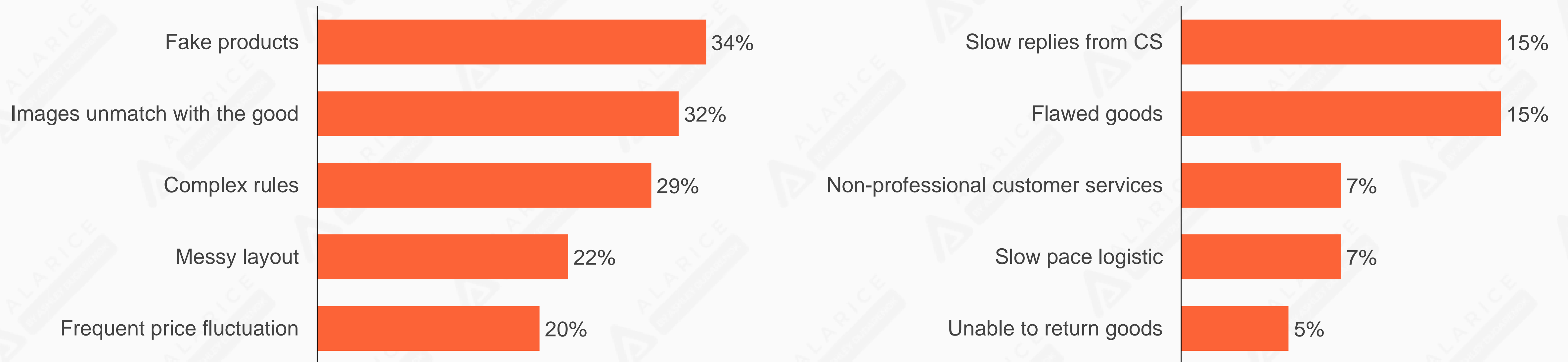


E-COMMERCE INSIGHTS

COMMON E-COMMERCE CHANNEL COMPLAINT REASONS

Fake products, wrong products, and complicated promotion rules are also the reasons that easily lead to user dissatisfaction.

THE PROPORTION OF COMMON E-COMMERCE CHANNEL COMPLAINT REASONS



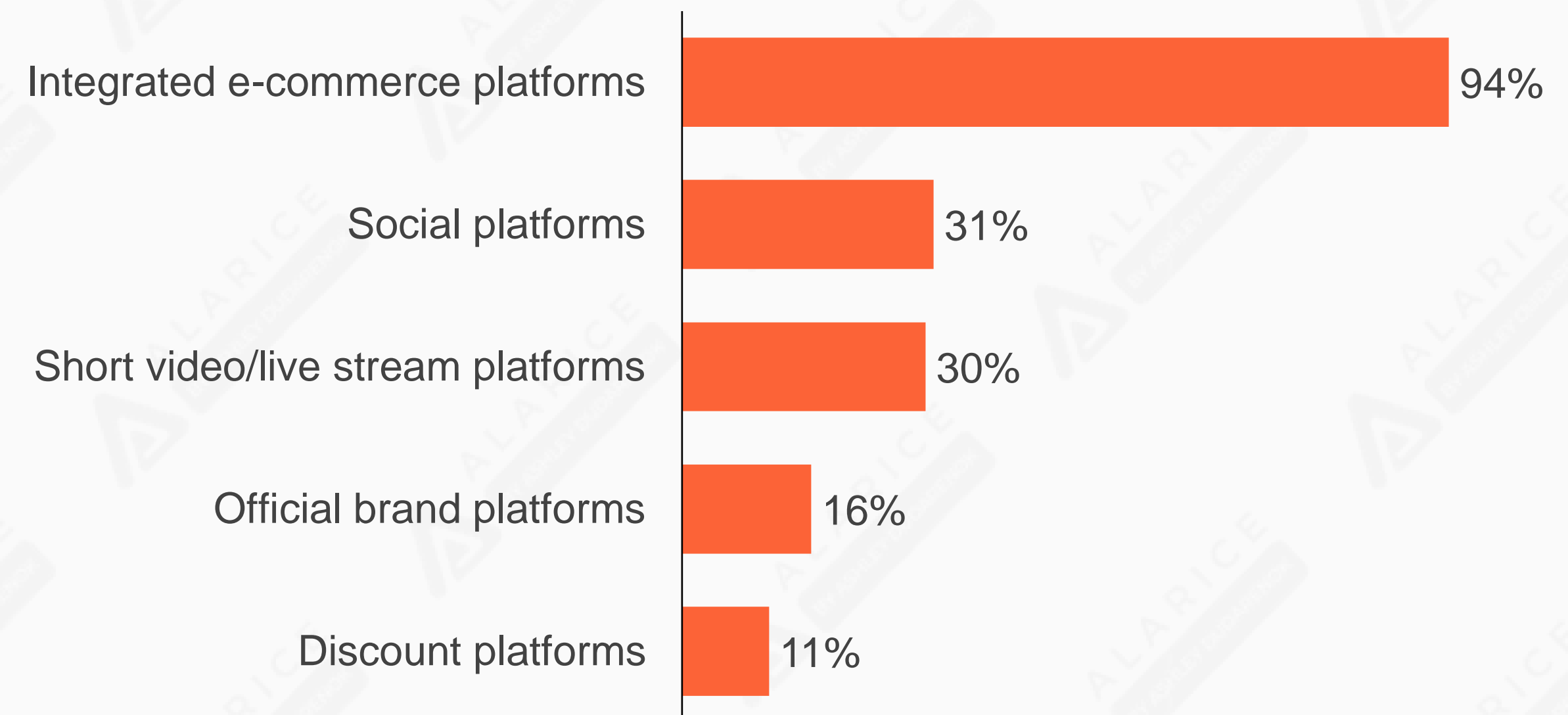
E-COMMERCE INSIGHTS

PREFERRED E-COMMERCE PLATFORMS

The e-commerce market is expanding beyond higher-tier cities. During the 618 festival in 2021, more than **81% of new users came from lower-tier cities.**

Of all online consumption settings, nearly all lower-tier city users prefer to use integrated e-commerce platforms such as Taobao and JD.

PREFERRED ONLINE CONSUMPTION SETTINGS



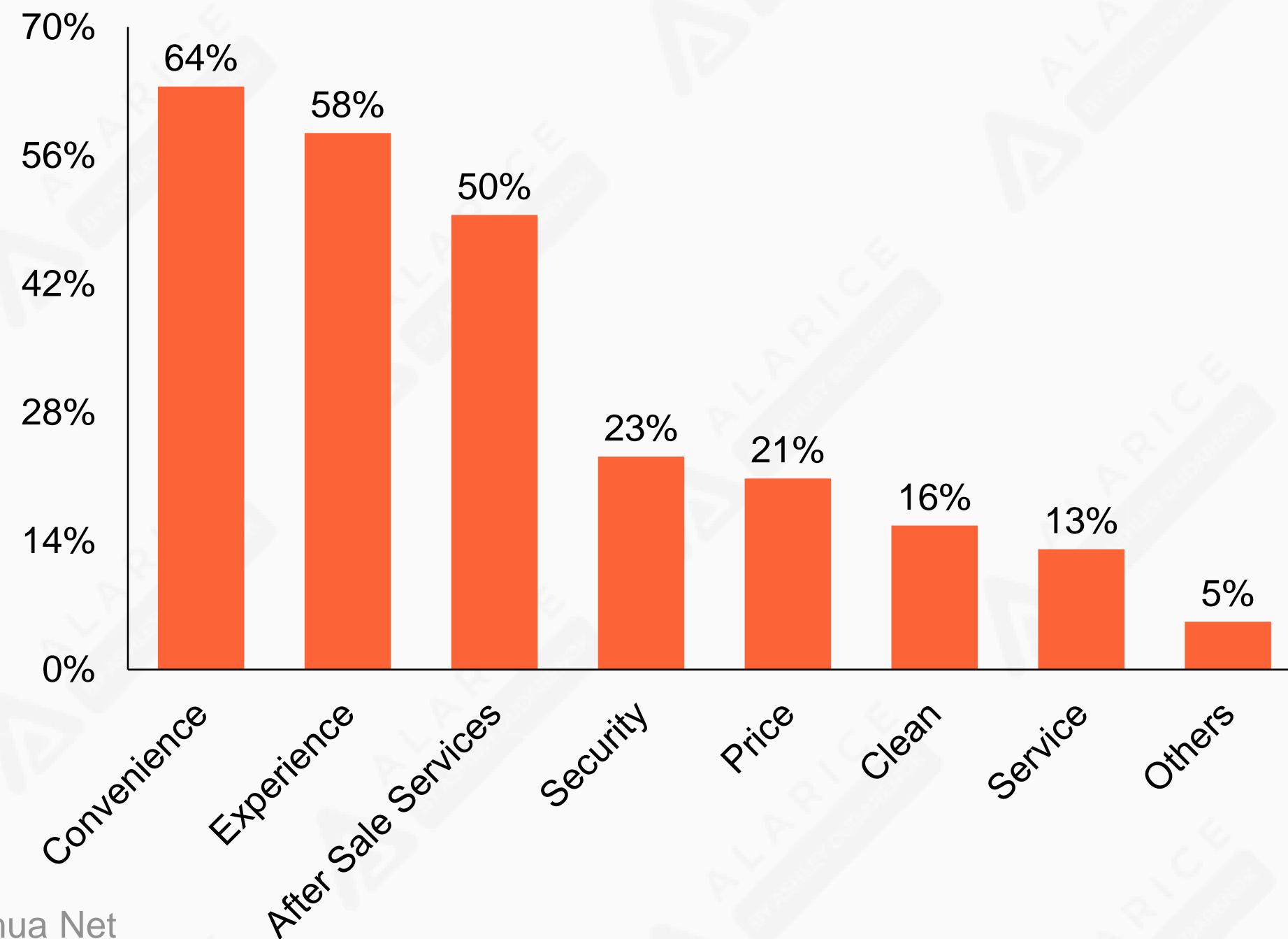
E-COMMERCE INSIGHTS

REASON TO PURCHASE ONLINE

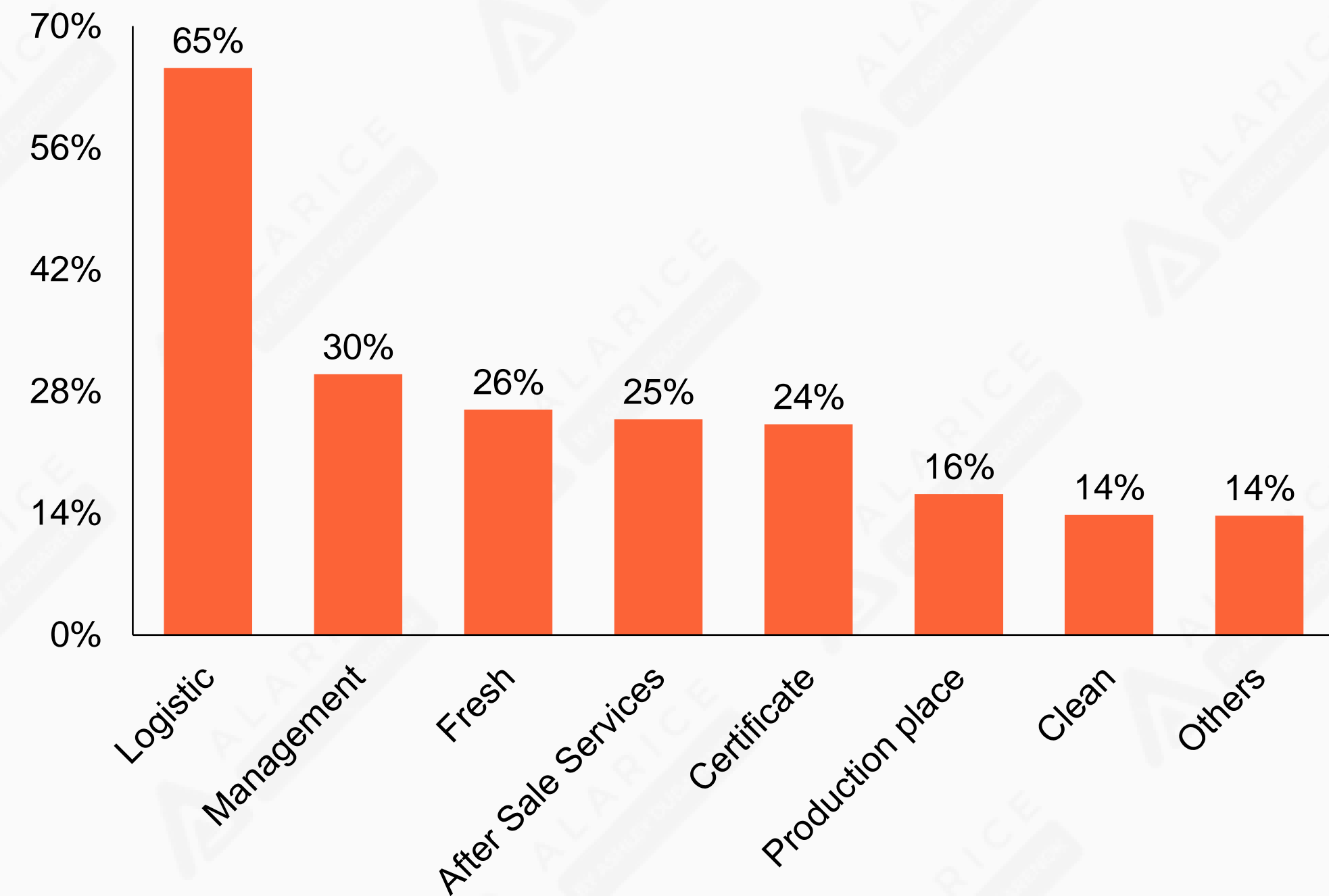
The e-commerce market is expanding beyond higher-tier cities. During the 618 festival in 2021, more than 2/3 of new users came from lower-tier cities. JD.com recorded 90% increase in total new users in 2021.

Of all online consumption settings, nearly all lower-tier city users prefer to use integrated e-commerce platforms such as Taobao and JD.

Offline Purchasing



Online Purchasing



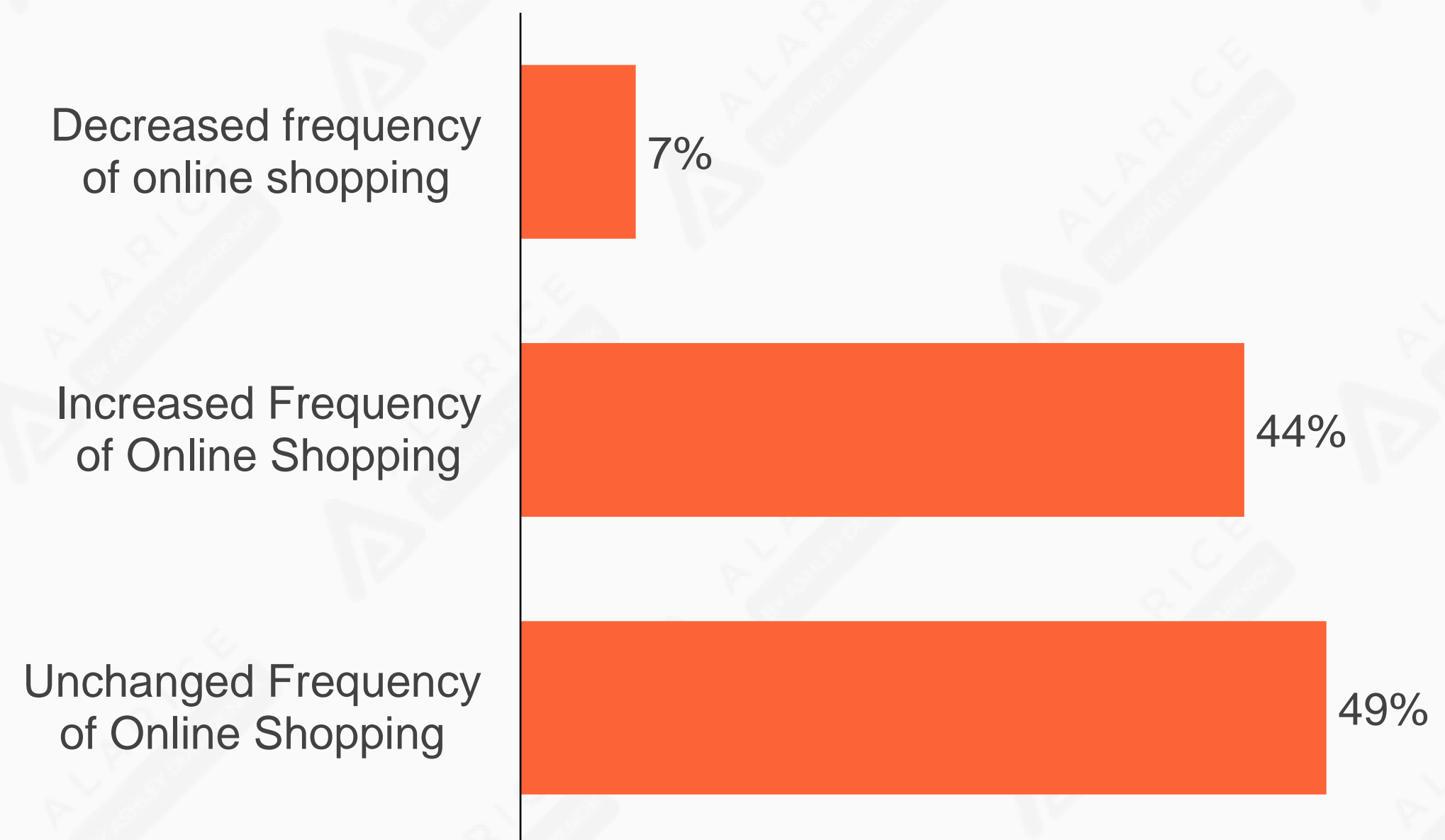
E-COMMERCE INSIGHTS

ONLINE SHOPPING GROWTH

Nearly half of all lower-tier city residents shop online 1-3 times a week.

- 40% increased their online shopping frequency.
- 90% tried at least one new channel

PROLIFERATION OF ONLINE SHOPPING IN LOWER-TIER CITY USERS

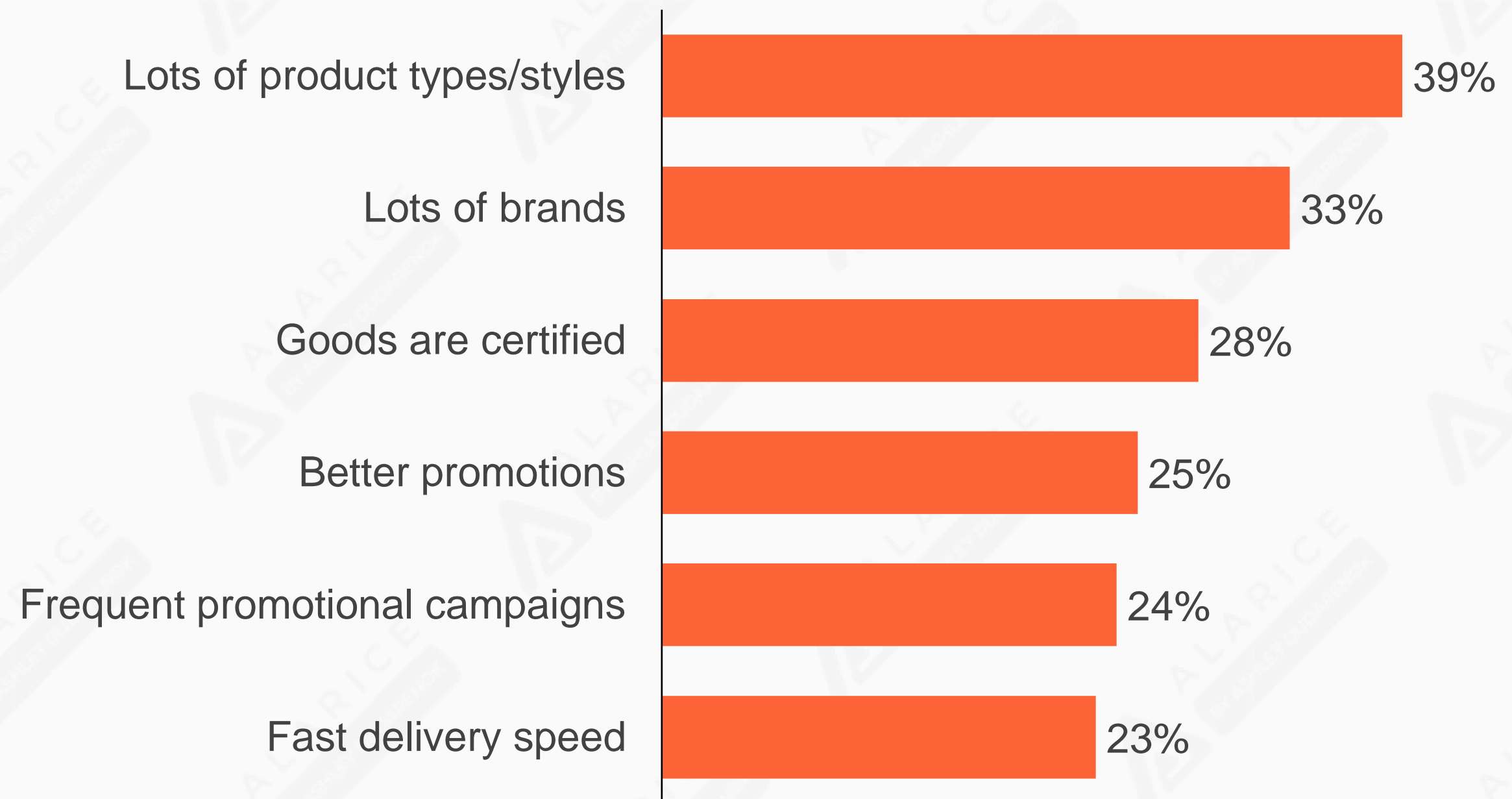


E-COMMERCE INSIGHTS

WHY LOWER-TIER CITY RESIDENTS CHOOSE E-COMMERCE

Lower-tier city residents choose online shopping mainly for product and price purposes as well as service.

REASONS FOR FREQUENTLY USING ONLINE SHOPPING

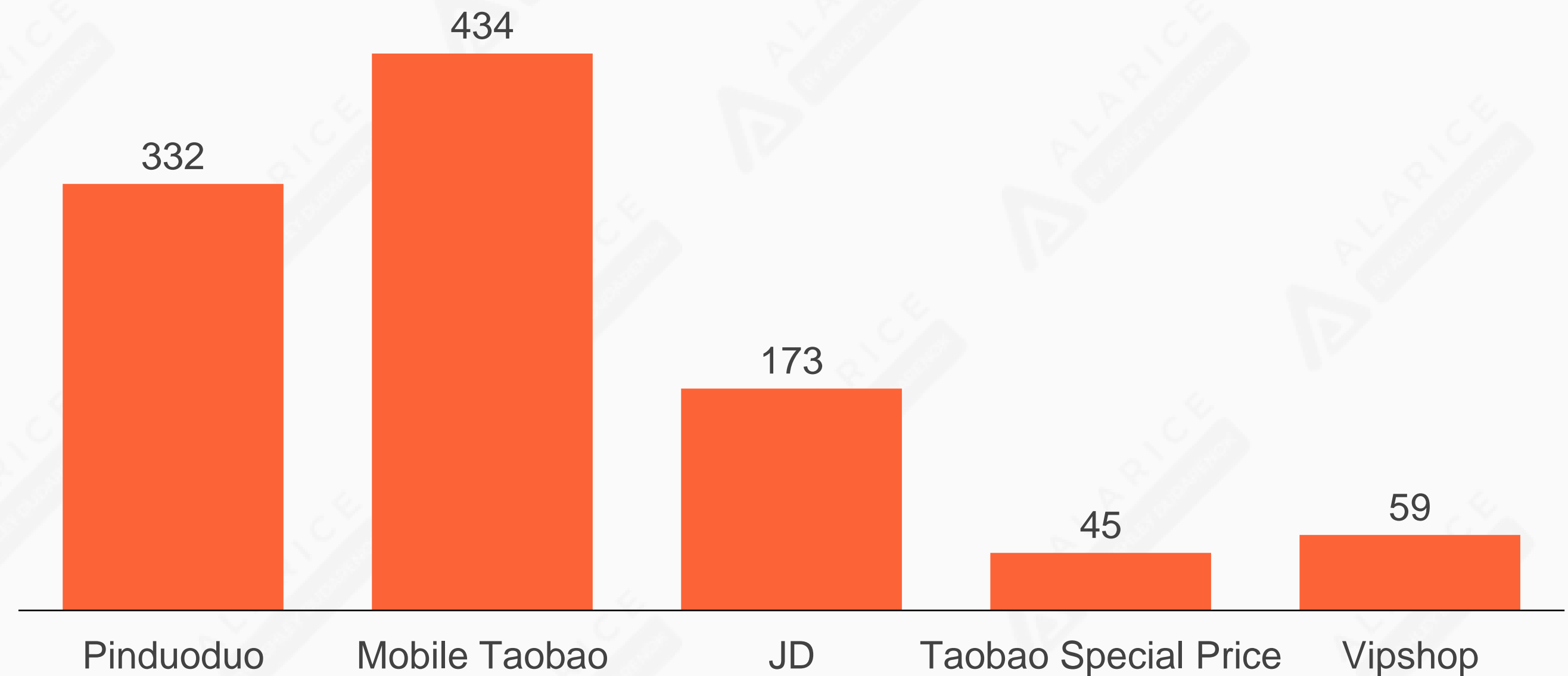


E-COMMERCE INSIGHTS

E-COMMERCE PLATFORMS

THE TOP 5 LOWER-TIER MARKET MOBILE SHOPPING APPS BY MONTHLY ACTIVE USERS (2020)

The top 5 shopping apps by monthly active users are Pinduoduo, Taobao, JD, Taobao Special Price and Vipshop

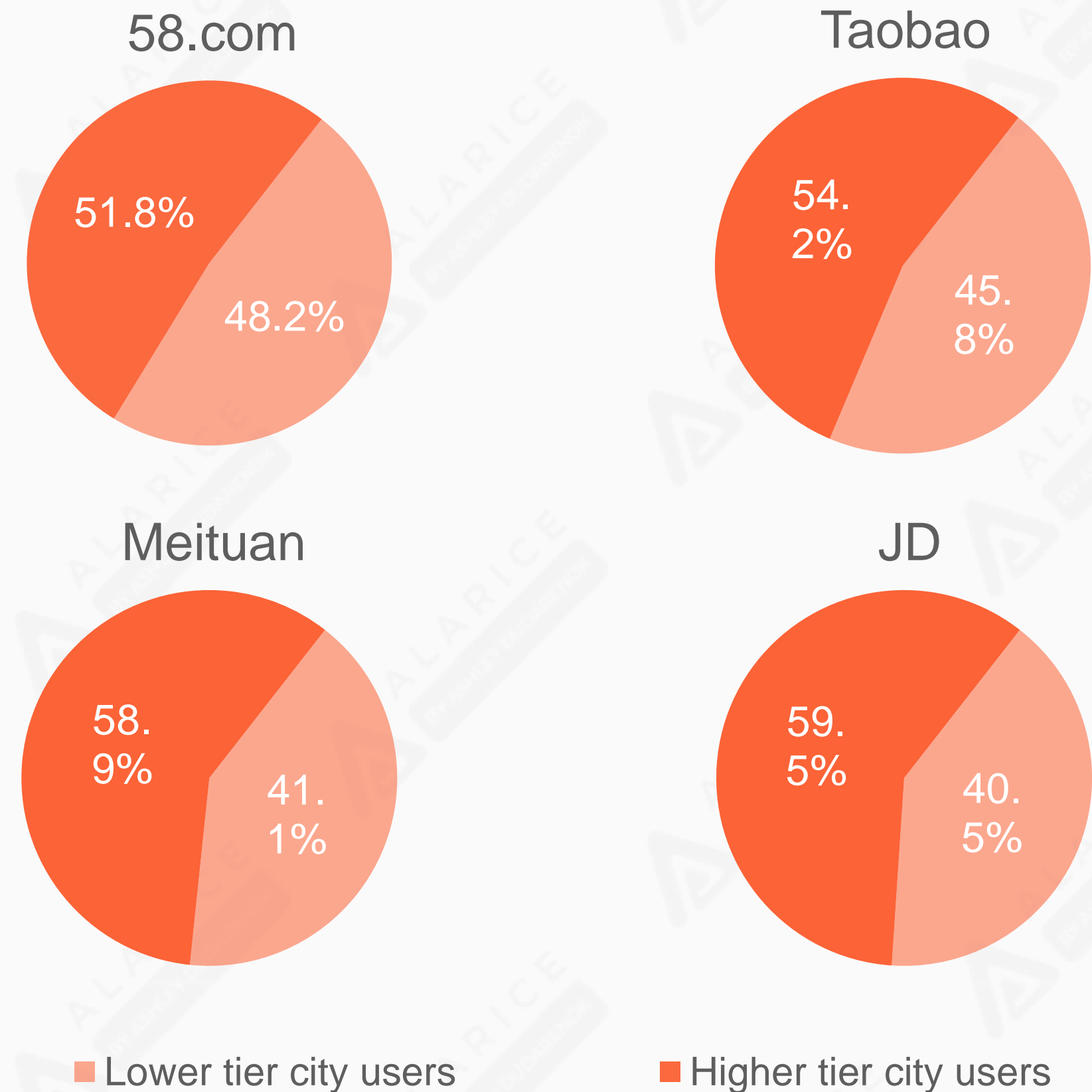


E-COMMERCE INSIGHTS

LOWER-TIER CITY CONSUMERS' PRESENCE ON E-COMMERCE

PROPORTION OF LOWER-TIER CITY USERS ON SERVICE APPS

Lower-tier city residents account for 40-50% of users on apps such as 58.com, Taobao, Meituan and JD



E-COMMERCE INSIGHTS

SOCIAL RELATIONSHIPS AND E-COMMERCE BEHAVIOUR

Lower-tier city residents have large networks with deep relationships. They often consult friends and family when buying products.

32.3% of lower-tier city residents obtain information on products from active recommendations by their network and **24.1% ask their friends about products.**

MAIN WAYS OF OBTAINING PRODUCT INFORMATION FOR LOWER-TIER CITY CONSUMERS

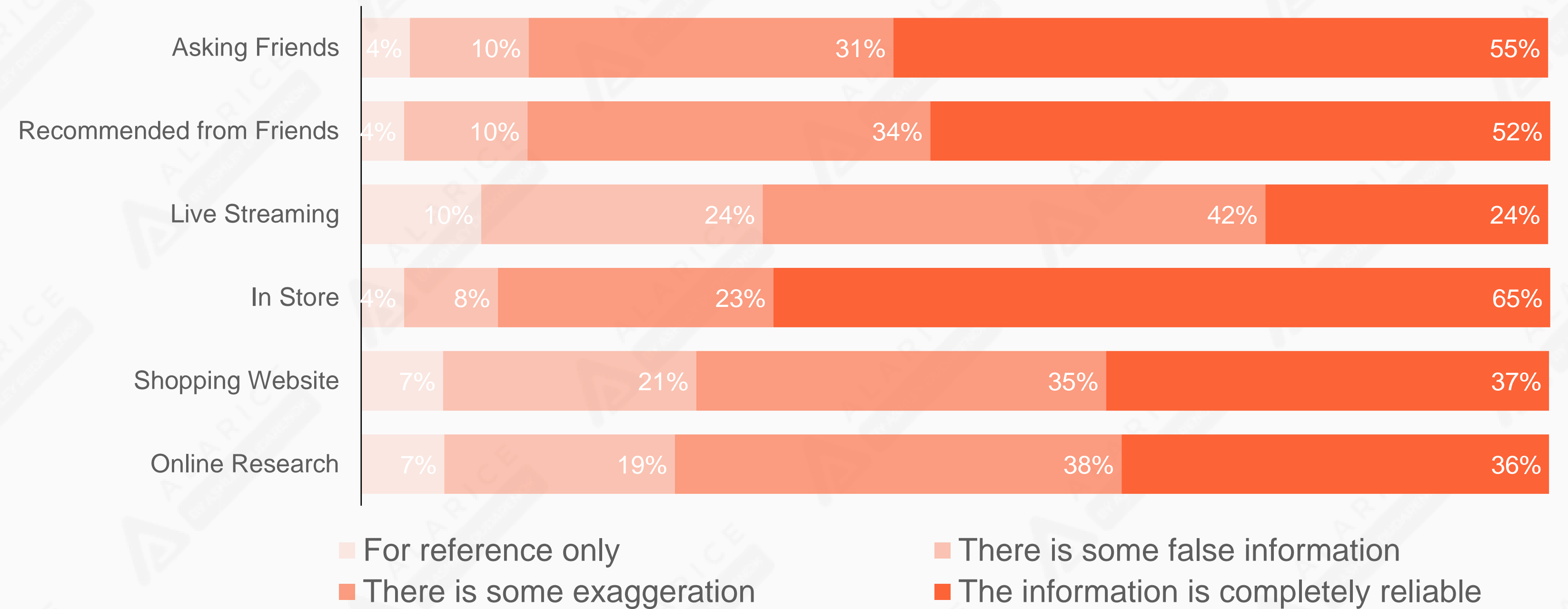


E-COMMERCE INSIGHTS

SOCIAL RELATIONSHIPS AND E-COMMERCE BEHAVIOUR

Acquiring information from friends about products means the information is deemed more reliable than information taken from live streams or company websites.

SOURCE OF CONSUMER RESEARCH PRODUCTS



E-COMMERCE INSIGHTS

SOCIAL RELATIONSHIPS AND E-COMMERCE BEHAVIOUR

PLATFORMS CAPITALISE ON CLOSE NETWORKS

The close relationships displayed within social networks in lower-tier cities makes platforms such as Pinduoduo and Jingxi popular. These platforms allow for an element of group-buying so consumers can share the shopping experience with their network.

Mini-programs experienced a 32% increase YoY, with an **80% increase in paying users that use mini-programs**. Currently, WeChat has 1 million mini-programs that shows the increase in use.

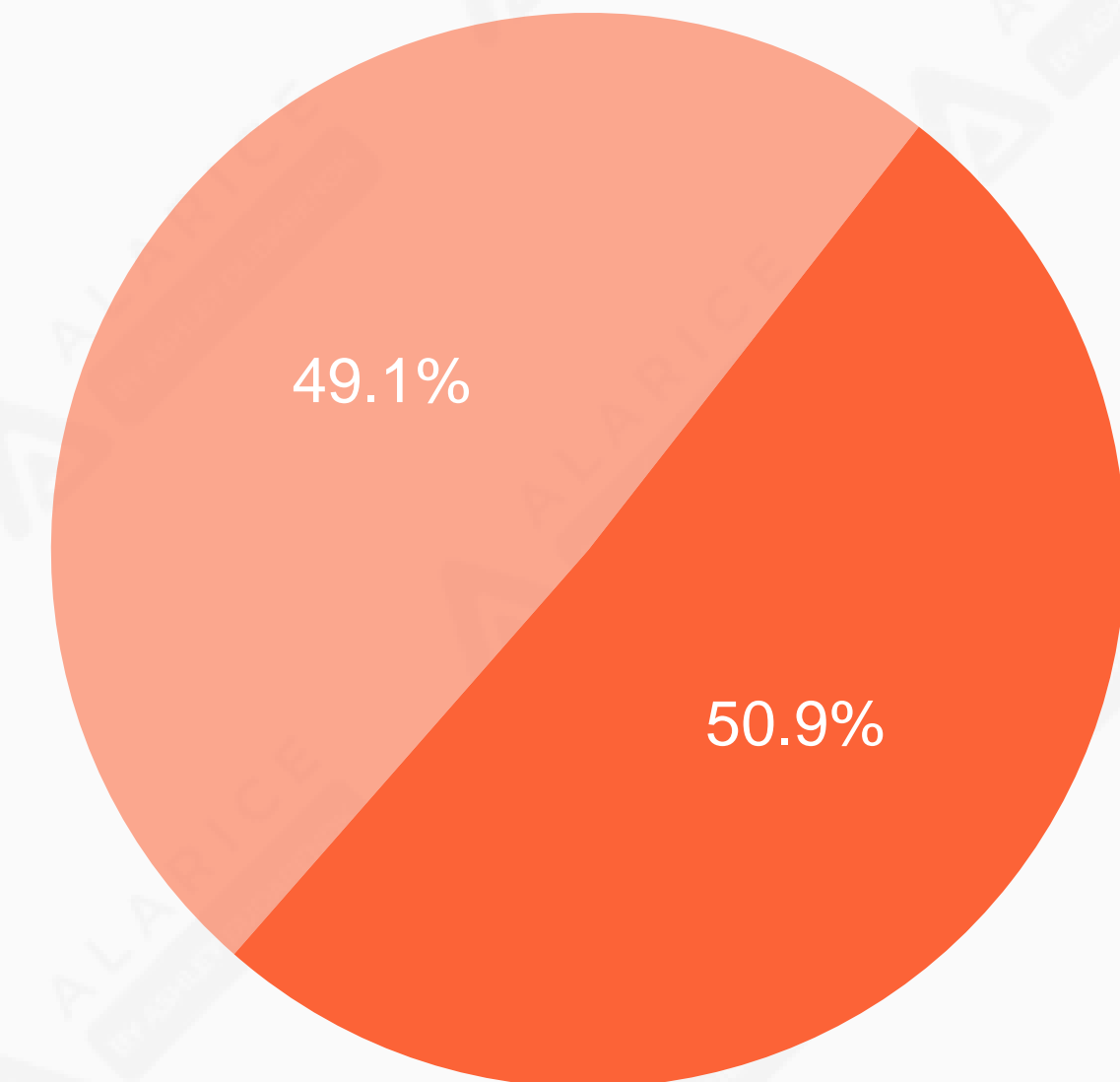
TOP E-COMMERCE MINI PROGRAMS DURING
2020 DOUBLE 11

	MINI PROGRAM	INDEX
TOP 1	Jingxi	10000
TOP 2	Pinduoduo	9853
TOP 3	JD.com	9082
TOP 4	JD Earnings	8471
TOP 5	Suning	8221

E-COMMERCE INSIGHTS

LIVE STREAMING

PROPORTION OF LOWER-TIER CITY USERS WHO HAVE WATCHED A LIVE STREAM



■ Have not watched a livestream ■ Have watched a live stream

Almost half of lower-tier city residents have watched a live stream. Online livestream users reached 638 million, an increase of 75.39 million (YoY), which is 63.1% of total Internet users.

E-COMMERCE INSIGHTS

LIVE STREAMING

LIVE STREAMING AND ONLINE SHOPPING

Aside from visiting the shop or brand website, live streaming is one of the main ways residents find out information about a product.

Over 60% of live stream viewers tune in to understand more about products they want to buy.

REASONS FOR WATCHING LIVE STREAMS	PERCENTAGE OF USERS
To understand detailed information about products they want to buy	60.4%
To see if the live streams have anything worth buying	59.4%
To take part in live stream discounts	52.2%
To just have a look	41.7%

EXPERT BITE



YOLANDA YUAN

Head of Social Media Products
at Alarice and ChoZan

Q: WHAT TRENDS ARE YOU EXPECTING TO SEE WHEN IT COMES TO LOWER-TIER CITIES IN 2023?

Entertainment: I see a surge in entertainment consumption. Compared with first-tier cities, users living in lower-tier cities are less busy with work and have more leisure time, so they have a strong demand for entertainment consumption. In terms of platforms, the popularity of short videos will continue. In particular, **the link between short videos and e-commerce is becoming increasingly close**, allowing users to complete consumption behaviors in the entertainment process.

National Pride: With China's increasingly tough foreign policy, **national pride will continue to rise** in the lower-tier city market.

Changes in consumer focus: Consumers in lower-tier city markets tend to be in smaller social circles, and will form community relationships composed of close individuals, with closer mutual influence. This stimulates the need for an extroverted society, and consumption categories that contribute to higher social status and identity expression. Hence, I see **markets such as luxury goods, clothing, cars, vacations getting a boost in consumption** when it comes to lower-tier cities.

GOT A QUESTION? DROP YOLANDA AN EMAIL BY SCANNING THE QR CODE



5. ACTIONABLE TIPS

ACTIONABLE TIPS

#1

1. CREATE PRODUCTS TO BE SHARED

Lower-tier city residents are sociable, and they take feedback from the people they trust very seriously. During last year's Double 11, the most popular mini programs in lower-tier cities were those that involve a **social, group-buying element (Jingxi and PDD)**.

Offering a reliable, trustworthy service and product is paramount. This way, it is possible to build up a loyal network of buyers who feel comfortable sharing the shopping experience with their friends and family.

Make sure product pages are **up-to-date and easy to share with others - privately or on social**.

Remember to create something that lower-tier city residents would be proud to share with their friends and family.

ACTIONABLE TIPS

#2

2. TARGET LOWER-TIER CITY LIFESTYLE

China is a diverse market, so it is necessary to be familiar with different consumer groups and how they behave.

The lower-tier city population is dominated by young people. Furthermore, only **22% of residents said work is their main focus so they have plenty of free time**, unlike their higher-tier city counterparts. Their main hobbies focus on the digital, including spending time on their phones and watching films and tv.

By contrast, **36% of lower-tier city residents said that family is their main priority over work** and growth in consumption of baby products is faster in lower-tier cities than in higher-tier cities. China's Youth Day attracted a lot of lower-tier city Gen Z consumers on JD, which accounted for **19% of China's 260 million consumers**.

It is important that product design, content development and advertising consider these elements that define lower-tier city consumption.

ACTIONABLE TIPS

#3

3. MOBILISE YOUNG CONSUMERS

Lower-tier city young people spend less time working, saving for the future and paying off loans than young people in tier 1 and tier 2 cities. They have income available and their willingness to spend this money online is growing - young people constitute **25% of the population of lower-tier cities** but **60% of the total spending growth**.

Take note of product sectors that are prominent amongst young consumers, such as luxury, cars and lifestyle products. **Over half of the online car population are between 25-34 years old**, with German cars being the most popular with lower-tier city residents overall. Almost half of luxury consumers are from lower-tier cities, with the age at which lower-tier city consumers buy their first luxury product now being almost as young as in higher-tier cities. Lower-tier city consumers become parents at a younger age than their higher-tier city counterparts, so there is a faster growth in the consumption of baby products.

Embrace online trends, such as the popularity of internet celebrities. Post-85s and post-90s spend more on internet celebrities than their equivalents in higher-tier cities.

ACTIONABLE TIPS

#4

4. DO NOT FORGET TRADITIONAL ADVERTISING

In lower-tier cities, whilst the most commonly encountered media are digital, traditional advertising methods such as TV advertisements and advertisements outside shops still hold significant influence and should not be neglected. Chinese viewers spend an average of around 1.5 hours per day on online TV, the 6th biggest market worldwide.

TV advertising reaches 52% of residents whilst advertising through mobile phones reaches 65%.

ACTIONABLE TIPS

#5

5. MAKE COMPETITIVE FOREIGN GOODS

Lower-tier city consumers love buying foreign goods so it is important to make sure your product can compete.

The quality and brand of foreign goods are particularly valued.

Make sure you have a brand that is perceived as both **trustworthy and popular**. The more people share your brand with others the better, as feedback from networks is highly trusted by lower-tier city residents, thus creating a **legitimate image for your brand**.

Place emphasis on developing high quality products and ensure this is made clear in product advertising.

ABOUT US

YOUR CHINA DIGITAL SOLUTIONS



● MARKETING RESEARCH AND STRATEGY

We will conduct various researches to generate the insights of the market, consumer, competitor and etc, to build up your brand tailored brand marketing strategy that will allow you to start and grow your business in mainland China.

● SOCIAL MEDIA MARKETING

Through creative content creation on social media accounts, We'll help you to deepen the communication with younger audiences, and build up your brand social persona to strengthen your brand image on social media landscape.

● INFLUENCER MARKETING AND CAMPAIGNS

We will help you to develop the integrated marketing campaign cross channel which creating consistent creative content across different platforms to provide a comprehensive experience to your target audience



● CHINA CONSULTING CALL

The quickest way to get your specific, urgent China marketing or e-commerce question answered. Speak with our team if you need to get a new perspective or overcome obstacle in project related to Chinese consumers, social media marketing or e-commerce and get on the right track fast with your projects.

● CHINA TRENDWATCHING

We help brands to recognise and to react to Chinese consumers emerging demands, industry transitions and market shifts at China speed. Our clients get competitive advantage to pivot business models and enhance brands capabilities to respond to the future opportunities and uncover import treats in China.

● KEYNOTE SPEECHES AND TRAININGS

Our China keynotes and corporate masterclasses are tailored for brands to boost teams strategising speed and accuracy. We use outcome based approach for materials preparation to align teams in visions, support in ideas validation and bring tools and techniques crucial for brands to outperform competitors.

GOT A QUESTION?
DROP US AN EMAIL BY
SCANNING THE QR
CODE



CONTACT US



www.alarice.com.hk
www.chozan.co



jacqueline@alarice.com.hk
ashley@chozan.co



T: +852 3563 7723



Hong Kong
Shenzhen
Shanghai

COPYRIGHT © 2022 ALARICE INTERNATIONAL LIMITED

ALL RIGHTS RESERVED. THIS REPORT OR ANY PORTION THEREOF **MAY NOT BE REPRODUCED OR USED IN ANY MANNER WHATSOEVER WITHOUT THE EXPRESS WRITTEN PERMISSION OF THE PUBLISHER** [ALARICE INTERNATIONAL LIMITED] EXCEPT FOR THE USE OF BRIEF QUOTATIONS FOR REFERENCE PURPOSES.

ALTHOUGH THE AUTHORS AND PUBLISHER HAVE MADE EVERY EFFORT TO ENSURE THAT THE INFORMATION IN THIS PAPER WAS CORRECT AT PRESS TIME, THEY DO NOT ASSUME AND HEREBY DISCLAIM ANY LIABILITY TO ANY PARTY FOR ANY LOSS, DAMAGE, OR DISRUPTION CAUSED BY ERRORS OR OMISSIONS, WHETHER SUCH ERRORS OR OMISSIONS RESULT FROM NEGLIGENCE, ACCIDENT OR ANY OTHER CAUSE.

THE PUBLISHER HAS MADE EVERY EFFORT TO ENSURE THAT URLS FOR EXTERNAL WEBSITES REFERRED TO IN THIS PAPER ARE CORRECT AND ACTIVE AT THE TIME OF PUBLISHING. HOWEVER, THE PUBLISHER HAS NO RESPONSIBILITY FOR THE WEBSITES AND CAN MAKE NO GUARANTEE THAT A SITE WILL REMAIN LIVE OR THAT THE CONTENT IS OR WILL REMAIN APPROPRIATE.

EVERY EFFORT HAS BEEN MADE TO TRACE ALL COPYRIGHT HOLDERS BUT IF ANY HAVE BEEN INADVERTENTLY OVERLOOKED, THE PUBLISHER WILL BE PLEASED TO INCLUDE ANY NECESSARY CREDITS IN ANY SUBSEQUENT REPRINT OR EDITION.