Value A Key Concern In China

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The perceived value of goods and services, rather than just their price, is becoming an increasingly prominent factor in the purchase decisions of Chinese consumers, a new report has indicated.

Results from a survey of 150 companies, conducted by the American Chamber of Commerce in Shanghai and Booz & Company, a consultancy, suggest that "value" is the single most important consumer trend currently affecting both Chinese-owned and international businesses.

The growth in consumer product choice and the rise of e-commerce were ranked as the second and third most important trends by the research.

In all, 87% of respondents said that the value trend meant that consumers will be increasingly willing to spend extra on goods and services that are high-quality and durable. Just 34% believe it means there will be a greater expectation among shoppers of paying less for similar quality goods.

The poll also found that 83% of respondents see consumers' hunt for value as helping to boost brand loyalty levels over the long term.

According to the report, the consumer cohort that is the major driver of the value trend is urban-dwelling, aged between 31 and 50, and on an above-average annual income (11-50,000 RMB).

Perceptions of value vary depending on whether consumers are living in tier one cities or in smaller towns, where the cost of goods and services is a much more pressing issue.

But the report also suggested that price would become still less important in these areas over the years to come, due partly to a rapid increase in the number of consumer products available to shoppers.

Brenda Foster, president of AmCham Shanghai, also noted an increasing similarity in the business strategies of Chinese and international firms as they react to the changing consumer marketplace.

For example, in 2011 international firms ranked finding and developing talent as one of the two biggest challenges they, while Chinese firms put less emphasis on the issue. But both types of companies put human resources problems as one of their top two for the 2012 survey.

"In their strategic approach to the market, as well as in their responses to the challenges they face in product development, marketing and sales - domestic and international companies have converged," she said.

"This, in turn, has made an already competitive Chinese consumer market much more competitive."

Nevertheless, two-thirds of survey participants agreed that foreign firms as best positioned to respond to the value trend. Just one in five multi-national companies and one in ten Chinese companies said that domestic players are more effective in selling to the value consumer.

Data sourced from AmCham Shanghai/Booz & Company; additional content by Warc staff

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