Understanding Chinese Millennial’s Apparel Shopping Behavior and Attitudes
- Survey findings
Asia Distribution and Retail
August 2018
I. Key messages
II. Background and objectives
III. Major findings
   A. Chinese millennials’ apparel shopping attitude, motivations and behavior
   B. Brand performance evaluation
   C. New technology expectation
I. Key messages
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Casual, simplistic, sporty, Korean style, and smart casual are the top five dressing styles preferred by Chinese millennials.</td>
</tr>
<tr>
<td>2.</td>
<td>Chinese millennials are motivated to add new items, purchase for the new season and replace other items.</td>
</tr>
<tr>
<td>3.</td>
<td>Impulse purchase is the norm for females; males like to plan their purchases.</td>
</tr>
<tr>
<td>4.</td>
<td>WeChat and Weibo are the most popular channels to receive latest fashion information.</td>
</tr>
<tr>
<td>5.</td>
<td>Chinese millennials give priority to quality, style and design over price.</td>
</tr>
<tr>
<td>6.</td>
<td>Chinese millennials spend the most on casual wear, sportswear and formal attire.</td>
</tr>
<tr>
<td>7.</td>
<td>Females spend the most on fast fashion brands over a 3-month period while males spend the most on sports brands; many buy clothes at least once every two to three weeks.</td>
</tr>
<tr>
<td>8.</td>
<td>About two-thirds of Chinese millennials shop at both offline and online channels; but offline channel is still preferred when it comes to buying clothes.</td>
</tr>
<tr>
<td>9.</td>
<td>Multi-faceted shopping malls is the most popular channel among all.</td>
</tr>
<tr>
<td>10.</td>
<td>Chinese millennials greatly value brand attributes of good reputation, trustworthiness and service professionalism.</td>
</tr>
<tr>
<td>11.</td>
<td>Uniqlo is the strong number one apparel brand in Chinese millennials’ mind, followed by H&amp;M, Meters/bonwe, Zara and Gap.</td>
</tr>
<tr>
<td>12.</td>
<td>Most Chinese millennials think that new retail technologies will enhance their overall shopping experience and purchase intentions, but will not replace the need for effective in-store sales associates.</td>
</tr>
</tbody>
</table>
II. Background and objectives
Chinese millennials have become “super consumers” – one of the most promising consumer groups and targets of many brands. Their upbringing, values, attitudes and lifestyles will have a significant impact on their expectation towards brands in their shopping journey. Understanding their preferences and mindset, as well as their purchasing behavior is of paramount importance for businesses.

In this study, we explore Chinese millennials’ apparel shopping attitudes, motivations and behavior, as well as their brand preferences. We also identify key brand attributes that are most important to Chinese millennials. Last but not least, we look at Chinese millennials’ perception towards retail technologies.

* This report is an excerpt from a more comprehensive study conducted by Fung Business Intelligence which is for internal use only.
Research methodologies

We conducted the consumer study through focus group discussions and quantitative survey.

**Phase 1: Qualitative focus group discussions**

- Four focus group discussions were conducted in Shanghai and Wuhan in late August 2017; two groups per city (one younger group with respondents aged 18-25, and one older group with respondents aged 26-35). There were six respondents for each focus group.

*For more information about the highlights of the focus group discussions, please refer to our qualitative report:*

*Chinese middle class millennials’ apparel shopping journey – Preliminary insights: focus group findings (October 2017)*
Phase 2: online quantitative survey

• A quantitative online survey was conducted in mid November to quantify the observations from the focus groups; and to identify the white space in China’s apparel market.

• A total of n=600 Chinese millennials (aged 18 – 35) were invited to fill out the online survey, in Shanghai, Beijing, Guangzhou, Wuhan and Chengdu.
III. Major findings
A. Chinese millennials’ apparel shopping attitude, motivations and behavior
Clothing is important in representing the personal tastes of Chinese millennials
Top five dressing styles preferred by Chinese millennials

**Casual**
I.T, Uniqlo, ZARA, Hollister, A&F, Vans, Nike, Adidas, Converse, New Balance

**Simplistic**
No brands mentioned

**Sporty**
Nike, Adidas, Converse, New Balance

**Korean**
No brands mentioned

**Smart casual**
Zegna, GXG, ZARA, K-Boxing
Impulse purchase is still the norm, especially for female.

Reasons for buying clothes in the past three months:

- To add some new items: 65.2%
- Purchase for new season: 63.1%
- Need replacement: 54.4%
- No specific reasons, just impulse purchase: 44.6%
- Keep up with fashion trends: 43.7%
- For some special occasions: 25.8%
- Attractive promotions: 25.0%
Impulse purchase is the norm, especially for female

In our focus group discussions, we found that:

**Impulse purchase**

- Many respondents, especially female, find it easier to buy the items they want when shopping without purpose
- They like to shop with friends and family
- They will go into any stores that look attractive to them, especially stores that offer:
  - Seasonal sale/ promotions
  - Great window display that shows the latest collection and stylish design
  - Eye-catching sales sign
  - Interior design with a theme or special lighting
  - New arrivals, especially for the brands they prefer
WeChat and Weibo are the most popular channels to receive latest fashion information

*Channels to receive information on latest fashion trends and styling tips*

- **WeChat**: 71.6%
- **Weibo**: 68.1%
- E-commerce platforms: 61.6%
- Websites of apparel brands: 60.5%
- In-store elements (window displays, sales services, etc.): 56.7%
- Mobile apps: 53.0%
- Prints (Magazines/Print ads): 42.2%
- Word-of-mouth: 30.0%
- Search engines: 27.3%
- Outdoor ads (including billboard, metro ads, etc.): 25.7%
- TV commercials— including free/paid TV commercials: 24.7%
- Online forums: 22.9%
- News websites’ homepages (e.g., Baidu Mobile drop-down news): 14.0%
- Pop-up ads from apparel brands: 13.4%
- MMS/SMS: 3.4%
Over 82% of Chinese millennials use apparel brands’ app to either check new clothing items, buy clothes or check for latest promotions.

82.8% of respondents have downloaded and used the mobile app of an apparel brand.

Functions of apparel brand’s mobile app
Respondents who have downloaded apparel brands’ mobile app and used it (n=492)

- Check new clothing items: 77.0%
- Buying clothes: 67.6%
- Check if there’s any recent promotions: 64.9%
- Check membership points accumulated: 50.4%

[Note: more younger millennials (23.0%, vs. mature millennials, 10.7%) have never downloaded any mobile app of apparel brands.]
“Good quality”, “style that fits me” and “good looking design” are the three most important factors influencing Chinese millennials’ buying decision.

**Consideration factors of buying clothes**

<table>
<thead>
<tr>
<th>Consideration factor</th>
<th>T2B % (score 4 and 5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good quality</td>
<td>88.8%</td>
</tr>
<tr>
<td>The style fits me</td>
<td>87.9%</td>
</tr>
<tr>
<td>Good looking design</td>
<td>87.1%</td>
</tr>
<tr>
<td>Good value for money</td>
<td>78.6%</td>
</tr>
<tr>
<td>Big name/ famous brand</td>
<td>75.1%</td>
</tr>
<tr>
<td>Keep up with fashion trends</td>
<td>72.9%</td>
</tr>
<tr>
<td>Many new arrivals/new collections</td>
<td>69.1%</td>
</tr>
<tr>
<td>Promotions (e.g. vouchers, in-store discount, etc.)</td>
<td>58.0%</td>
</tr>
<tr>
<td>Country of origin</td>
<td>51.0%</td>
</tr>
<tr>
<td>The celebrity I like is the brand’s spokesman</td>
<td>46.2%</td>
</tr>
<tr>
<td>Recommended by Key Opinion Leaders (KOLs)</td>
<td>36.2%</td>
</tr>
</tbody>
</table>
Over a three-month period, Chinese millennials spend the most on casual wear, followed by sportswear, and formal attire.

*Distribution of total expenditure on different clothing categories in past three months (Females vs. Males)*

**FEMALES**

- Casual wear
- Sportswear
- Formal attire
- Other categories

**MALES**

- Casual wear
- Sportswear
- Formal attire
- Other categories

Remark: The three-month period in our survey was from late August to early November, 2017.
Females like to buy clothes from fast fashion brands, while males prefer sports brands

Clothing categories/brands that Chinese millennials spend the most on (Females vs. Males)

**FEMALES**

- Fast fashion brands: 87.5%
- Sports brands: 66.3%
- Apparel brands (non-fast fashion): 50.3%
- Luxury brands: 8.8%

**MALES**

- Sports brands: 78.0%
- Fast fashion brands: 67.5%
- Apparel brands (non-fast fashion): 58.0%
- Luxury brands: 6.5%
Majority of Chinese millennials buy clothes at least once every two to three weeks; and over 10% of female millennials will do their shopping at least once a week.

**Frequency of buying new clothes**

- **Once every two to three weeks**
  - Females: 45.0%
  - Males: 48.2%

- **At least once a week**
  - Females: 11.2%
  - Males: 4.0%

*Remark: In this survey, respondents are required to have bought any clothes at least once a month.*
About two-thirds of Chinese millennials shop at both offline and online channels; but offline is still the preferred channel when it comes to buying clothes.

**Overview of shopping channels**

- **Bought from OFFLINE channels ONLY, 24.9%**
- **Bought from ONLINE channels ONLY, 9.4%**
- **Bought from BOTH offline and online channels, 65.7%**

**Highlights from focus groups**

**OFFLINE purchase**
- Can **see** the color, **touch** the fabric directly
- Can **try on** and purchase on the spot
- Can pick up the clothes immediately
- No need to worry about fake products, especially for luxury brands
- Enjoy the in-store service and experience, e.g. free drinks, sofa, etc.
- Enjoy the sense of satisfaction and achievement when shopping in-store
- Items they buy mostly in physical stores: winter clothes such as jackets, and clothes for important occasions.

**ONLINE purchase**
- **Time-saving** (especially for working people)
- **Convenient** (return and exchange policy)
- Various brands and full range of products, size, color, design, etc.
- Frequent promotions especially during shopping festivals (e.g. 11.11 Shopping Festival)
- Ease the pressure from sales associate; no hard sell from retailers
- Enjoy the pleasure of unpacking the parcels (feel like opening gifts)
Majority of Chinese millennials are satisfied with both their online and offline shopping experience

**Online shopping experience – satisfaction**

- Very dissatisfied: 0.2%
- A little bit dissatisfied: 0.3%
- Neutral: 11.5%
- A little bit satisfied: 51.3%
- Very satisfied: 36.7%

T2B ratings (“Very satisfied” + “A little bit satisfied”): 88.0%

**Offline shopping experience – satisfaction**

- Very dissatisfied: 0.0%
- A little bit dissatisfied: 1.0%
- Neutral: 9.6%
- A little bit satisfied: 51.0%
- Very satisfied: 38.3%

T2B ratings (“Very satisfied” + “A little bit satisfied”): 89.3%
Shopping malls is the number one shopping channels for Chinese millennials, followed by apparel brands’ online flagship stores and department stores.

**Detailed breakdown of shopping channels**

<table>
<thead>
<tr>
<th>Shopping Channel</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shopping malls/ shopping centers</td>
<td>58.8%</td>
</tr>
<tr>
<td>Apparel brands’ online flagship stores</td>
<td>53.0%</td>
</tr>
<tr>
<td>Department stores</td>
<td>47.2%</td>
</tr>
<tr>
<td>Apparel brands’ official websites</td>
<td>40.8%</td>
</tr>
<tr>
<td>Brands discount websites such as vip.com</td>
<td>33.0%</td>
</tr>
<tr>
<td>Hypermarkets</td>
<td>30.1%</td>
</tr>
<tr>
<td>Non-flagship stores on e-commerce platforms</td>
<td>28.9%</td>
</tr>
<tr>
<td>Outlets</td>
<td>23.0%</td>
</tr>
<tr>
<td>Daigou for items not available in China</td>
<td>18.0%</td>
</tr>
<tr>
<td>Small-size independent apparel store</td>
<td>17.0%</td>
</tr>
<tr>
<td>On street/ marketplace</td>
<td>13.7%</td>
</tr>
<tr>
<td>Maternal and child store</td>
<td>7.6%</td>
</tr>
<tr>
<td>Others</td>
<td>1.6%</td>
</tr>
</tbody>
</table>
B. Brand performance evaluation
Brand attributes that matter most to Chinese millennials are good reputation, trustworthiness, good quality, value-for-money, and professionalism

*Top 10 most favorite non-apparel brands*

Top 5 common attributes among the top 10 most favorite non-apparel brands:

- The brand good reputation (65.0%)
- The brand is trustworthy (65.0%)
- The brand offers products/services with good quality (63.1%)
- The products are value-for-money (62.7%)
- The brand is professional (60.3%)

Remark: About 120 brands were mentioned by Chinese millennials, mainly brands selling daily necessities such as shampoo brands, toothpaste brands, supermarkets and cigarette.
Uniqlo is the strong number 1 apparel brand, followed by H&M, Meters/bonwe, ZARA and GAP
• UNIQLO is a very strong brand in China’s apparel market. The brand takes the leadership position in all key indicators, including brand awareness (both total and unaided), brand interested in, brand consideration and brand purchased.

• Chinese millennials like UNIQLO because:
  • Product quality is good
  • Fashionable design
  • Brand with good reputation
  • Youthful
  • Value-for-money
H&M comes second in terms of all key indicators, including brand awareness, brand interested in, brand consideration and brand purchased.

Chinese millennials like H&M because:

- Beautiful design
- Brand is trustworthy
- Product quality is good
- Style suits me
- Brand with good reputation
• Meters/bonwe comes **third** in all key indicators, including brand awareness, brand interested in, brand consideration and brand purchased.

• Chinese millennials like Meters/bonwe because:
  - Product quality is good
  - Beautiful design
  - Brand with good reputation
  - Well-design apparel items
  - Simple design
• ZARA comes **forth** in all key indicators, including brand awareness, brand interested in, brand consideration and brand purchased.

• Chinese millennials like ZARA because:
  • The design is simple, with good temperament and classic
  • Product quality is good
  • Style suites me
  • Fast refreshment cycle

“ZARA, has online and offline stores and has its own APP. I can check the latest styles in the APP, and go to have a try at physical stores if like, lastly I can purchase online.”

Younger millennial, female, Shanghai
GAP occupies the **fifth** position (except brand awareness) in China’s apparel market. The brand ranks the fifth position in all key indicators, including brand interested, brand consideration and brand purchased.

Chinese millennials like GAP’s professional image, which is distinctively different from other key brands in the market; other than that, millennials like to purchase products from the brand because:

- **Product quality is good**
- **Style suites me**
- **Beautiful design**
- **Convenient to have both online and offline stores**

*GAP’s latest promotion on the Chinese New Year 2018.*
C. New technology expectation
Majority of Chinese millennials think that new retail technologies will enhance their overall shopping experience and purchase intentions

*Use of retail technologies to enhance overall in-store shopping experience and purchase intentions*

- **56.3%** will significantly enhance my shopping experience
- **39.3%** will slightly enhance my shopping experience
- **4.4%** will not change my shopping experience
- **0.3%** will worsen my shopping experience

T2B ratings: 95.6%

- **52.6%** will significantly increase my purchase intentions
- **44.9%** will slightly increase my purchase intentions
- **2.1%** will not change my purchase intentions
- **0.4%** will worsen my purchase intentions

T2B ratings: 98.5%
To understand Chinese millennials’ perception on technology innovations and applications, we presented four technology concepts adopted by apparel brands and retailers in China and other countries during the focus group discussions. These concepts are:

- **Concept 1:** 3D body scanning with AR technology
- **Concept 2:** Guided shopping experience with Virtual Reality (VR) technology
- **Concept 3:** Shopping at unmanned store
- **Concept 4:** Virtual mirror for trying-on
Overall speaking, Chinese millennials think in-store technological elements will contribute to building a better brand image; yet sales associates are still essential in creating a good in-store shopping experience.

- Respondents did **not have strong reactions** (either positive or negative) towards the concepts. That said, they expressed that brands and retailers that adopt advance technology in-store give them **a young, professional, trendy, creative and caring image**; and this is **more relevant to sportswear brands**.

- Some respondents commented that **sales associates are more important** than technology in contributing to a good in-store shopping experience when shopping for clothes. In-store technological elements can enrich the overall shopping experience to a certain extent and they are particularly useful for checking size and color availability, providing styling recommendation and settling payment.
Contacts

Asia Distribution and Retail

Teresa Lam
Vice President
Email: teresalam@fung1937.com

Renne Chan
Research Manager
Email: rennechan@fung1937.com

Fung Business Intelligence
10/F, LiFung Tower,
888 Cheung Sha Wan Road,
Kowloon, Hong Kong
Tel: (852) 2300 2470
Fax: (852) 2635 1598
Email: fbicgroup@fung1937.com
http://www.fbicgroup.com/