FASHION SHOPPING IN CHINA

Perceptions, shopping behavior and brand preferences of Chinese consumers

GfK, June 2016
Agenda

1. Understanding how Chinese consumers shop for fashion
2. Gaining insights for better decision making
3. Your growth from knowledge
Understanding how Chinese consumers shop for fashion
Fashion and lifestyle retailers and brand manufacturers have to transform to succeed in a rapidly changing market environment.

**Complex markets**
Emerging competition from inside and outside the industry and expanding global businesses.

**Digitalization**
Greater channel fragmentation, more (online) touch points and mobile growth means navigating this complex, fast-changing landscape is a struggle.

**Changing behavior**
Customers are 24/7 connected and becoming more demanding. They expect seamless experiences across all channels and touchpoints and are less loyal than ever before.
We help Fashion & Lifestyle companies around the world understand the dynamics of their marketplace and how shoppers behave in order to create sustainable competitive advantage.
When entering or operating in the Chinese market, western companies face many challenges. In terms of different market characteristics, but also in terms of shopping behavior. Companies need to get a better understanding of the Chinese consumer and their fashion shopping behavior. They must have the insights to optimize channels and provide their customers with the best shopping experiences.
We help you to get a better understanding of the characteristics of the Chinese market for fashion

By providing insights in the following topics

<table>
<thead>
<tr>
<th>Determining fashion styles in China: which fashion styles are common and what is the desired style perception at different types of occasions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifying value drivers when shopping for fashion products: what are important levers and barriers when buying fashion products i.e. clothing, shoes, jewelry</td>
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<tr>
<td>How do Chinese consumers behave when shopping for fashion products in terms of frequency, spending and shopping channels, and how does this differ across categories?</td>
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<tr>
<td>Insights in the role and importance of (high-end) brands in the fashion shopping behavior of Chinese consumers</td>
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<tr>
<td>Mapping the structure of the online channel for fashion shopping in China</td>
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<tr>
<td>Mapping customers brand relationships and brand image of a selection of brands in order to compare competitive set in terms of positioning</td>
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</table>
Gaining insights for better decision making
Study objectives

This study provides a comprehensive view of shopper behavior in the Chinese fashion industry

The main focus of the study is on understanding Chinese consumer behavior with regards to Fashion & Lifestyle, giving insights in 3 key topics:

- General perception of fashion
- Customer purchase journey
- Brand perceptions
Research design

The research design has the following specifications

- Research Method: quantitative, online interviews
- Target Group: 18-55 years old, both men and women
- Geographical coverage of the sample includes Tier 1, 2 and 3 cities in China, covering north, east, south and west.
- Net sample Size: 1250

* A further explanation of the geographical coverage is provided on page 10.
Geographical coverage

**Tier 1 (4 cities)**
- Beijing
- Guangzhou
- Shanghai
- Shenzhen

**Tier 2 (15 cities)**
- Shenyang
- Changchun
- Nanjing
- Ningbo
- Jinan
- Wuhan
- Xi’an
- Chongqing
- Dalian
- Harbin
- Hangzhou
- Xiamen
- Qingdao
- Chengdu
- Tianjin

**Tier 3**
Random selection of about 20 cities across all seven regions
Deliverables

An **insights report** will be delivered, covering the following topics:

1. General perception of fashion
2. Customer purchase journey
3. Brand perceptions

A detailed overview of what is included in the insights report can be found on the following pages.

The **insights report** is available for the price of € 4,000,- (VAT excl.) and will be available two weeks after contract confirmation.

Additional **deep dives** are possible for extra costs. More information on this can be found on page 19.
## Deliverables insights report (1/2)

### The insights report includes:

#### 1. General perception of fashion
- Fashion style of Chinese consumers
- Fashion & Lifestyle items which are used to express consumer’s fashion style
- How Chinese consumer’s would like to be perceived in different types of occasions
- For what occasions are Chinese consumers more willing to spend more on fashion

#### 2. Customer Purchase Journey
- Fashion categories purchased in the past 12 months (Clothing, Shoes, Sportswear, Accessories, Jewelry, Watches, Sunglasses, Optical frames)
- Insights in the following aspects for 1 of the categories above (client’s choice):
  - Buying frequency in the past 12 months
  - Total spending in the past 12 months
  - Importance of aspects when buying products of this category
  - Purchase channels (online vs. offline) + store types/platform
- Information and inspiration sources for fashion & lifestyle (in general, not per category)
- Buying of fashion items (in general) abroad (in general, not per category)
  - % of Chinese consumers that buy fashion & lifestyle items abroad
  - Percentage of total fashion spending that is spent abroad
  - Top 5 foreign countries where Chinese consumers buy fashion & lifestyle items
  - Motivation to buy fashion & lifestyle products in foreign countries
Deliverables insights report (2/2)

The insights report includes:

3 Brand perceptions

- Top 20 most known fashion & lifestyle brands in China (based on aided awareness)
- Brand funnel for client’s own brand + 7 other brands of choice*. The funnel includes:
  - Top-of-mind awareness
  - Aided awareness
  - Consideration
  - Buying

- Customer brand relations** and brand image for client’s own brand + 7 other brands of choice

* Only brands that are covered in the questionnaire can be reported. If client's own brand is not covered, they can pick one other brand of their own choice from the brand list. The full list of brands is at page 15. ** An explanation of this concept can be found in the appendix of this document.
The following 67 brands are covered in the survey

<table>
<thead>
<tr>
<th>Brands that are covered</th>
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<tbody>
<tr>
<td>Abercrombie &amp; Fitch</td>
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<tr>
<td>Adidas</td>
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<tr>
<td>Alexander McQueen</td>
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<tr>
<td>Bulgari</td>
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<tr>
<td>Burberry</td>
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<tr>
<td>C&amp;A</td>
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<tr>
<td>Calvin Klein</td>
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<tr>
<td>Cartier</td>
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<tr>
<td>Chanel</td>
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<tr>
<td>Christian Dior</td>
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<tr>
<td>Coach</td>
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<tr>
<td>Diesel</td>
</tr>
<tr>
<td>Dolce&amp;Gabbana</td>
</tr>
<tr>
<td>Dunhill</td>
</tr>
<tr>
<td>Ermenegildo Zegna</td>
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<tr>
<td>Fendi</td>
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<tr>
<td>Forever 21</td>
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<td>Furla</td>
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<tr>
<td>GAP</td>
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<tr>
<td>Giorgio Armani</td>
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<tr>
<td>Gucci</td>
</tr>
<tr>
<td>H&amp;M</td>
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<tr>
<td>Hermes</td>
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</tbody>
</table>
Chinese consumers describe their own fashion style as simple and casual

How they would like to be perceived by others depends on the type of occasion

Description of one’s own fashion style (top 5)

<table>
<thead>
<tr>
<th>Style</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Simple</td>
<td>45%</td>
</tr>
<tr>
<td>Casual</td>
<td>43%</td>
</tr>
<tr>
<td>Mature</td>
<td>28%</td>
</tr>
<tr>
<td>Modern</td>
<td>23%</td>
</tr>
<tr>
<td>Elegant</td>
<td>22%</td>
</tr>
</tbody>
</table>

Desired style perception per occasion

- **At the office**
  - Professional
  - Confident
  - Trustworthy

- **Time with family**
  - Friendly
  - Ease/Relaxed
  - Passionate

Base: all respondents (n=1.250)
Two fifth of Chinese consumers have bought fashion & lifestyle products abroad in the past year

40% of Chinese consumers have bought fashion products abroad in the past year

Fashion shopping abroad: Penetration and destinations

- 27% of Chinese consumers bought fashion products in the United States.
- 56% bought in Hong Kong.
- 45% of this group shops fashion products in European countries.
- 50% bought in Korea.
- 43% bought in Japan.
- 15% bought in Australia.
- Other countries: 3%

Base: all respondents (n=1,250) / All respondents who have bought fashion & lifestyle products abroad in the past year (n=495)
Luxury brands well represented in the awareness set of Chinese consumers

Chanel is mentioned spontaneously by almost a quarter of Chinese consumers

Top 5 fashion and lifestyle brands with highest spontaneous awareness

- Chanel: 24%
- Nike: 17%
- Dior: 14%
- Louis Vuitton: 12%
- Uniqlo: 10%

*Base: all respondents (n=1,250)*
Growth from Knowledge
Passion, creativity and expertise for our clients across the globe

**Global network**
Global expertise and knowledge exchange, and local know-how

**Deep industry knowledge**
Industry specialist who understand your customers and the challenges affecting your sector

**Best practice solutions**
Customized solutions and Cutting-edge research tools

**Qualitative specialists**
International qualitative experts working with clients

**Big data and smart analysis**
Linking multiple sources of data for deeper insight and more informed decision-making

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GfK. Growth from Knowledge. Trusted for quality. For 80 years.

- 13,000 passionate experts
- We are the trusted source of relevant market and consumer information.
- We deliver globally vital insights into local markets – in 100 countries.
- Thought leader in the industries we serve

...enable our clients to create winning strategies to enrich consumers’ lives
Appendix
GfK Consumer-Brand relationship uses human relationship metaphors to measure brand connections with consumers

CBR for your own brand and 7 other brands of your own choice*

- Intuitive – based on human relationship metaphors
- Scientific foundation
- Expresses the social and emotional aspects of brands

* Only brands that are covered in the questionnaire can be reported. If client’s own brand is not covered, they can pick one other brand of their own choice from the brand list. The full list of brands that are covered in the questionnaire is included in the appendix.
Leading Edge Consumers are the consumers who are most likely to shape the future

Those who are early buyers, who are passionate about the category, and/or influence others in the category

Early Adopters
Innovators who value new products or ideas “before their time”, and who are also predictive of the rest of the population

Influentials
Leading indicators of trends with a history of being years ahead of the mainstream; word-of-mouth leaders who are often called upon by others to offer advice, insight, information

Passionate Shoppers
Emotionally connected to shopping and thus, highly involved
Increasing fierce competition, rapid internationalization greater channel fragmentation with more and more omni-channel touch points and resulting changes in consumer behavior means winning in this complex fashion and lifestyle world is an evolving challenge. Successful brands and retailers need to make the right tactical and strategic marketing decisions based on best shopper insights in an industry that is rapidly changing from supply driven to demand driven.

GfK’s fashion and lifestyle industry researches provide insights based on both, actual point of sales data as well as qualitative market research expertise for our clients to understand not only what was sold but also why. Leveraging our thought leadership in innovative, digital research solutions with deep industry knowledge and combining our data sources with clients’ data and other data assets in a unique way, we turn research into smart business decisions for brands and retailers to create winning strategies for sustainable business success.