State of High-end Home Appliances in China 2021

A look into consumers and key market trends

GfK Market Study Report Dec 2020

GfK China
Compared with April, the overall consumer confidence has increased significantly, especially in first-tier cities and high-income groups.

Data source: GfK consumer research
Changes in economic conditions, consumer confidence
As economic growth has picked up, consumers' worries about inflation, domestic economic depression and unemployment are significantly reduced.

Social issues of concern to consumers %

- Food Safety and Health: +7
- Epidemic disease (plague): -5
- Health care and nursery: +4
- Inflation: -10
- Environmental pollution and protection: +6
- Enough income to live in: -2
- Education problem: +1
- Domestic economic depression: -11
- International security and stability: -3
- House prices (rents) have risen: +2
- The appreciation and preservation of household financial assets: +2
- Global climate change/ global warming: +4
- Personal information leakage: +3
- Unemployment: -7
- Isolated by the international community and other countries: 0
- Animal protection and management: 0
- Illegal and criminal activities increased: +1
- Bribery and Corruption: +1

Data source: GfK consumer research
What are your major social issues of concern in the next six months? Please choose up to three answers
The expected income of high-income households will increase significantly, which will further drive high-end consumption. They led the way in expected increases in spending on appliances and home furnishing/renovation.

Annual household income forecast in 2020

<table>
<thead>
<tr>
<th>Monthly household income%</th>
<th>Revenue increase</th>
<th>Revenue decrease</th>
<th>Net increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 12,000</td>
<td>39</td>
<td>41</td>
<td>45</td>
</tr>
<tr>
<td>12,000-20,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20,000-50,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 50,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Areas of increasing household expenditure in the next six months

- Household appliances
  - Below 12k: 22
  - 12k-20k: 30
  - 20k-50k: 47
  - Over 50k: 42

- Home / Furniture / Decoration
  - Below 12k: 14
  - 12k-20k: 14
  - 20k-50k: 14
  - Over 50k: 14

Data source: GfK consumer research

How do you expect household income to change in 2020 compared to a year ago? In the past three months, as a result of the epidemic, how has your consumption concept and brand attitude changed?
The consumption attitude of quality and timely enjoyment is very common among high-income groups, and the attitude of pursuing quality life is relatively recognized by different income groups.

The epidemic affects consumption concept

- "I feel that the most important thing is to have fun and enjoy the moment."
  - strongly agree + agree %
- "From now on, my life must be more exquisite and quality."
  - strongly agree + agree %
- "In the future, I will pay more attention to timely consumption and enjoy the present. No one knows which will come first, tomorrow or the unexpected."
  - strongly agree + agree %
- "After the epidemic is over, I will spend more money on the products I want and treat myself as much as possible to enjoy life."
  - strongly agree + agree %

Personal Income%

Data source: GfK consumer research

20-Feb N=5000; 20-Apr N=2034; 20-Nov N=2031 In the past three months, affected by the epidemic, how has your consumption concept and brand attitude changed? Has the epidemic caused you to think about life in a new way and change your life concept?
The market share of the high-end home appliance market continued to increase. Major domestic appliances, kitchen appliances, health and small clean domestic appliances increased significantly after the epidemic.

Offline Market, Jan to Oct 2020

Changes in the proportion of High-end Sales of Home Appliances (offline market)

Kitchen Appliance includes: Hoods, Hobs, Dishwasher, Cooking, Steam Oven

Data source: GfK Retail Monitoring Data
Who are the consumers of high-end appliances?

The post-80s generation accounts for a prominent proportion
- the post-60s generation
- the post-70s generation

High-end consumers

Total

First-tier and new first-tier cities 61%, +15% from total

First-tier cities
New first-tier cities
Second-tier cities
Third-tier cities

The majority of managers are in high-end consumer enterprises
- Self-employed private proprietor
- Managers of large and medium-sized enterprises

High-end consumers
Total

Mobile phone brand

40% +3% from total

34% +13% from total

High-end home appliance users: the highest unit price of major domestic appliance that more than 10,000; Or the users whose unit price of the highest category of small domestic appliances is more than 5000 yuan + whose monthly household income is more than 20,000 N=458

Data source: GfK consumer research
They advocate family value, have the courage to pursue, and enjoy exquisite life.

**High-end consumers believe that:**

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>87%</td>
<td>The family is the forever harbor. Spend more time with your family</td>
</tr>
<tr>
<td></td>
<td>(+5% from total)</td>
</tr>
<tr>
<td>85%</td>
<td>From now on, my life must be more delicate and high-quality</td>
</tr>
<tr>
<td></td>
<td>(+7% from total)</td>
</tr>
<tr>
<td>80%</td>
<td>All that I can think of from now on, I must try my best to fight for and</td>
</tr>
<tr>
<td></td>
<td>can not live up to time</td>
</tr>
<tr>
<td></td>
<td>(+8% from total)</td>
</tr>
<tr>
<td>69%</td>
<td>Carpe diem, living in the moment is the most important thing</td>
</tr>
<tr>
<td></td>
<td>(+6% from total)</td>
</tr>
</tbody>
</table>

High-end home appliance users: the highest unit price of major domestic appliance that more than 10,000; Or the users whose unit price of the highest category of small domestic appliances is more than 5000 yuan + whose monthly household income is more than 20,000 N=458

Data source: GfK consumer research

E8. The following are some statements about the attitude towards purchasing home appliances. According to your own opinion, to what extent do you think these statements describe you.
High-end consumers pursue diversification & smart functions of home appliances, value appearance design, and are willing to pay for innovative technologies.

High-end market consumers' attitudes towards purchasing home appliances

"I like rich functional home appliances that can meet my various needs in daily life."

"I pay great attention to the intelligence and humanization of home appliances. Easy to operate is very important."

"I pay much attention to the design and appearance of home appliances, which can decorate myself and my living environment."

"I am curious about new and innovative technologies, and I am willing to pay higher prices for home appliances that contain new technologies or advanced functions."

High-end home appliance users: the highest unit price of major domestic appliance that more than 10,000; Or the users whose unit price of the highest category of small domestic appliances is more than 5000 yuan + whose monthly household income is more than 20,000 N=458

Data source: GfK consumer research

Following the EB are some statements about customer’s attitude when buying home appliances. Please according to your own opinion, to what extent do you think these descriptions describe yourself.
The characteristics of high-end brands in consumers' minds are derived from design, brand, process, technology, etc. Telling a good brand story is especially important for high-end consumers.

### Characteristics of high-end products

<table>
<thead>
<tr>
<th>Feature</th>
<th>High-end consumers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Artistic design</td>
<td>45</td>
<td>42</td>
</tr>
<tr>
<td>Unique brand concept</td>
<td>43</td>
<td>38</td>
</tr>
<tr>
<td>Sophisticated craft</td>
<td>42</td>
<td>42</td>
</tr>
<tr>
<td>High technology</td>
<td>41</td>
<td>37</td>
</tr>
<tr>
<td>Brand connotation and accumulation</td>
<td>38</td>
<td>32</td>
</tr>
<tr>
<td>Recommended by professionals</td>
<td>37</td>
<td>35</td>
</tr>
<tr>
<td>International big name</td>
<td>37</td>
<td>28</td>
</tr>
<tr>
<td>Personalized customization</td>
<td>30</td>
<td>25</td>
</tr>
</tbody>
</table>

High-end home appliance users: the highest unit price of major domestic appliance that more than 10,000; Or the users whose unit price of the highest category of small domestic appliances is more than 5000 yuan + whose monthly household income is more than 20,000 N=458

Data source: GfK consumer research
Consumers' perceptions of major international brands tend to be high-end, while some domestic brands have successfully established a high-end image in consumers' minds after years of hard work.

Data source: GfK consumer research
Four trends of high-end home appliance products

- Artistic Design
- Creative Innovation
- Core Technology
- Intelligent Interaction
Home appliance manufacturers cater to high-end consumer groups to pay attention to the "appearance", high-end home appliance products artistic flavor into the primary element.

The design of refrigerator door type is getting richer. Refrigerator multi-door & SBS doors (Unit %)

Regular five-door | Six doors | American three-door
Cross four-door | Regular four-door | F + five-door
Side-by-side Two-door | Side-by-side | Side-by-side
Two-door | Three-door

Appearance design of washing machine

The panel material of the refrigerator

Cylindrical design of air conditioning

Small home appliance Colorful, retro, IP co-branded design

Color TV Painting wall art TV

Data source: GfK Retail Monitoring Data
Innovation is the source power to promote the high-end of home appliances.

Innovative home appliances continue to emerge

Home micro-climate regulator
Fresh air conditioning (air conditioning + fresh air + purification + humidification + dehumidification)

Wine & Beauty refrigerator
(Refrigerator + Wine cabinet + Beauty makeup preservation)

Home laundry care center
Washing machine, clothes Dryer integrated machine
(Washing machine + tumble dryer)

Source: GfK Retail Monitoring Data
High-end products are the first to apply innovative technology, focusing on optimizing the product's essential functions, while providing the ultimate user experience.
High-end products focus on smart control. Active intelligence, and human-computer interaction is the main development trend of intelligent home appliances in the future.

**Smart control value portion of refrigerators, washing machines and air conditioners**

<table>
<thead>
<tr>
<th>Price Segment</th>
<th>Refrigerator</th>
<th>Washing Machine</th>
<th>Air Conditioner</th>
<th>Smart TV</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020.1-10</td>
<td>24</td>
<td>48</td>
<td>66</td>
<td>56</td>
</tr>
<tr>
<td>Mid-low end</td>
<td>High end</td>
<td>Ultra-high end</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-end</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High end</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ultra-high end</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Value share of auto dosage in washing machines by price segment**

<table>
<thead>
<tr>
<th>Price Segment</th>
<th>Washing Machine</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020.1-10</td>
<td></td>
</tr>
<tr>
<td>Mid-low end</td>
<td>6</td>
</tr>
<tr>
<td>Mid-end</td>
<td>49</td>
</tr>
<tr>
<td>High end</td>
<td>61</td>
</tr>
<tr>
<td>Ultra-high end</td>
<td>80</td>
</tr>
</tbody>
</table>

**Value share of AI voice control in TV by price segment**

<table>
<thead>
<tr>
<th>Price Segment</th>
<th>Smart TV</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020.1-10</td>
<td></td>
</tr>
<tr>
<td>Mid-low end</td>
<td>56</td>
</tr>
<tr>
<td>Mid-end</td>
<td>72</td>
</tr>
<tr>
<td>High end</td>
<td>81</td>
</tr>
<tr>
<td>Ultra-high end</td>
<td>90</td>
</tr>
</tbody>
</table>

The price segment is divided according to the product unit price, the middle and low end is the unit price of 6 thousand yuan, the middle is 6-10 thousand yuan, the high end is 10-20 thousand yuan, the super high end is more than 20 thousand yuan.

Data source: GfK household appliance market retail research.

Intelligent refrigerator
- Recognize membership, AI voice interaction
- Customize meal plans and manage health data
- Remote monitoring of ingredients

Intelligent air conditioning
- Intelligent temperature sensing
- Automatic adjustment
- AI voice control

Smart washing machine
- Automatic judgment of clothing materials, customized washing mode
- Intelligent washing and drying linkage
- Intelligent automatic delivery
- Intelligent Human-Computer Interaction

Smart smoke oven
- Smoke oven linkage
- Man-machine interaction
- Intelligent screen

Smart TV
- AI voice control

Intelligent Sweeping Robot
- Intelligent Route Planning
- Accurate identification of obstacles
Brand Value - Refrigerator

Data source: GfK POS Brand Value Feb20-Aug20
Brand Value - TV

Data source: GfK POS Brand Value Feb20-Aug20
Brand Value - Washing Machine

Data source: GfK POS Brand Value Feb20-Aug20
The purchasing journey of high-end consumers.

**Purchasing motivation**
The direction needs to be improved in future appliance purchases.

- Protect the health of the whole family: 49
- High-end, quality life: 41
- Whole house intelligent experience: 40
- Improve space utilization: 33

**Information acquisition trend**
What ways of purchasing appliance will become more popular?

- Offline experience: 49
- Online live streaming: 45

**Key purchasing factors**
The characteristics of appliances paid attention to

- Quality and durability: White house hold appliances
- Appearance and technology: PPTV
- Energy conservation and environmental protection: House hold power
- Health and safety: Small kitchen electrical appliances
- Intelligent control: Personal care

**Purchase channels**
Which channel to buy large home appliances

- MDA: 66
- SDA: 50
- Offline physical stores: 10
- Suning: 7
- Branded stores in a mall: 9
- Gome: 8
- Online channels: 4
- JD: 34
- Tmall: 23
- Suning Commerce: 7
- Others: 6

High-end home appliance users: the highest unit price of electricity category that more than 10,000; Or the users whose unit price of the highest category of small home appliances is more than 5000 yuan + whose monthly household income is more than 20,000 N=458

Data source: GfK consumer research
High-end market consumers of major domestic appliances pay more attention to the channel service experience. High-end market consumers of small domestic appliances pursue higher purchasing convenience.

**Factors affecting channel selections %**

**MDA**
- Good after-sales support: 45% High-end Market Consumer
- Good installation service: 43%
- Complete product models: 35%
- Easy to find products: 35
- Enough stocks: 29
- A professional one-to-one service: 23
- Online channels cannot satisfy the product experience: 20
- Can purchase with other home appliances: 19
- Can be customized: 14

**SDA**
- Easy to buy: 45
- Free delivery: 37
- Complete product models: 37
- Good after-sales support: 35
- Fast delivery: 30
- Good installation service: 29
- Enough stocks: 25
- Can purchase with other home appliances: 21
- Can be customized: 17

High-end home appliance users: the highest unit price of major domestic appliance that more than 10,000 ; Or the users whose unit price of the highest category of small domestic appliances is more than 5000 yuan + whose monthly household income is more than 20,000 N=458

Data source: GfK consumer research
Offline is still the main channel of high-end home appliances sales, but the market share of online high-end products is also growing. Especially affected by the epidemic this year, the online purchase has become the first choice of more consumers.

**Choice of channel**

Sales share of refrigerators, washing machines and air conditioners by price segment 2020.1-10

<table>
<thead>
<tr>
<th>Price Segment</th>
<th>2019</th>
<th>2020Q1</th>
<th>2020Q2</th>
<th>2020Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>45</td>
<td>57</td>
<td>29</td>
<td>13</td>
</tr>
<tr>
<td>0-4,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4,000-10,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 10,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sales growth rate of high-end products above 10,000 yuan through offline channels

- 2019: -26
- 2020Q1: -26
- 2020Q2: 15
- 2020Q3: 33

Source: GfK Retail Monitoring Data
High-end users focus more on whole-house intelligent experience, and the distribution trend of high-end products in the future will be driven by scenario-based marketing and intelligent Experience Hall.

Consider buying electricity in the future, Which of the following aspects of your home life would you like to focus on?

- **Online** scenario-based marketing
  - Bathroom
  - Kitchen
  - Bedroom
  - Living room
  - Balcony

- **Offline** Smart Home Experience Hall

Source: GfK research
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