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China's Small Electrical Appliances Market: A Consumer Survey (Executive Summary)

China is now one of the leading electronics and electrical appliances consumer markets in the world. As the purchasing power of mainland residents, especially the middle class, continues to rise, the demand for high quality small home appliances, capable of meeting their daily requirements and raising their living standards, is considerable. While information technology products, such as smartphones, are immensely popular on the mainland at present, the sale of small household appliances still occupies an important position in the country's electronic and electrical products market. At the same time, in Hong Kong there are substantial number of manufacturers and traders engaged in handling these products and they are devoting considerable effort into developing the medium to high-end of the mainland market.



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The Hong Kong Trade Development Council (HKTDC) recently conducted a questionnaire-based survey with regard to the mainland small home appliances (kitchen appliances) market. The survey focused on eight mainland cities and was carried out



during the period December 2014 to end of January 2015. The eight cities covered were - Beijing, Shanghai, Guangzhou, Wuhan, Chengdu, Shenyang, Nanjing and Qingdao. A total of 1,621 middle- to upper-class consumers were surveyed with regard to their home appliance (kitchen appliances) purchasing preferences and history over the past 12 months, as well as to their likely future demands. The findings of the survey are summarised below.

- **Middle Class Prefers Higher Grade and User-Friendly Products**

The demand of middle-class consumers for small kitchen appliances is wide-ranging, running from electric pressure cookers, induction stoves and coffee machines, to electric stewing pots, yogurt makers and noodle makers. The majority of consumers (88%) expressed a preference for medium-range or above products. Apart from factors such as quality, price and brand, about 50% of the consumers also placed an emphasis on the user-friendly nature of products. Overall, more than 30% of the consumers surveyed indicated a preference for simple design and a desire to buy multifunctional products. Tellingly, only a small number of consumers had a preference for small kitchen appliances featuring bright colours and fancy designs.

As to the main reasons why consumers buy small kitchen appliances, two main factors emerged - replacing an existing broken product (43%) and improving quality of life (28%). It may be significant to note that impulse buying while window-shopping at traditional retailers or browsing online accounts for a somewhat small share of the overall number of purchases.



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- **Online-to-Offline Consumer Behaviour**



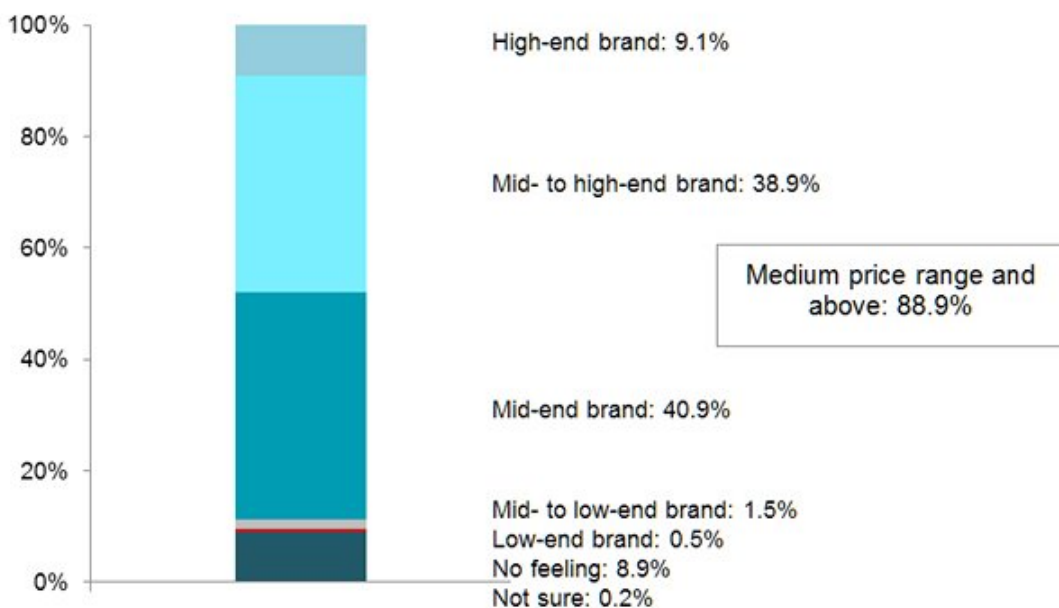
As online shopping is fast becoming a global norm, it is no surprise that it also plays a significant role in the mainland consumer market. According to the survey, about 18% of consumers used online platforms for their latest purchase of small kitchen appliances, with the majority of them conducting their online shopping via taobao.com and jd.com, the mainland's two largest e-commerce platforms. It is also worth noting that a large proportion of consumers (82%) currently still buy small kitchen appliances at bricks-and-mortar stores, such as dedicated counters at large hypermarkets and specialty stores in shopping malls. With this in mind, Hong Kong companies looking to develop their mainland market share are advised to strike an appropriate balance between online and offline channels.

Hong Kong companies should also be aware that many consumers are now familiar with online-to-offline (O2O) shopping. When setting out to buy electrical appliances, they often check out the product and its price at both physical stores and online shops before committing to a purchase at their preferred shop or website. When consumers undertake O2O and online shopping activities, they typically favour domestic mainland online resources, with cross-border online shopping only accounting for a relatively small percentage of the current market share. As such, Hong Kong companies wishing to make use of the Internet to access the mainland market may need to rely on the mainland's proprietary online platforms to effectively capitalise on business opportunities.

- **Hong Kong Brands: Mid- to High-end Image**

Overall, some 89% of consumers see Hong Kong branded small kitchen appliances positioned in the medium price range and above. In the first-tier cities, such as Beijing, Shanghai and Guangzhou, up to 97% of the respondents hold this view. Bearing this positioning in mind, Hong Kong companies can take advantage of the positive image of Hong Kong brands in order to successfully develop their presence in the mainland market. Also worth consideration is the fact that 82% of the respondents expressed a willingness to try new or less well-known small kitchen appliance brands, provided that they met all of their requirements.

Consumer Perceptions of Hong Kong-branded Small Kitchen Appliances





Despite the positive awareness in the tier one cities, there are a small number of consumers in the tier two cities who maintain they have no interest and no awareness of Hong Kong brands. Certain consumers are also somewhat sceptical about products or brands that are less well-known. In view of this, Hong Kong companies that are new to the mainland market can try and attract consumers by leveraging on the Hong Kong brand advantage, while also offering value-for-money products and sales promotions. They should also consider carrying out more promotional initiatives, provide more product information and seek to enhance their brand awareness in order to attract consumers.

- **Eco and Smart Elements Create Value**

Hong Kong companies should also consider adding value to their products. According to the survey, when consumers are considering purchasing small kitchen appliances, 88% of them said they would pay increased attention to environmental protection and energy saving factors, including giving consideration to such product features as energy efficiency, non-toxic materials, high product durability and the use of green materials. Additionally, 61% of the respondents recognised the importance of smart home compatibility, stating a concern as to whether products can be connected or controlled by smart devices and via the Internet. Unsurprisingly, it was younger consumers who were more interested in these smart home devices. In terms of small kitchen appliances that incorporate a range of smart, energy-saving and eco-friendly design features, consumers generally indicated a willingness to pay an average premium of 11% in order to purchase them.

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