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## China's Electronics Market: A Consumer Survey of Audio-Visual and Wearable/Connected Items (Executive Summary)

With China now one of the leading consumer electronics markets in the world, as the purchasing power of mainland residents - especially the middle class - continues to rise, the demand for high quality consumer electronics is also increasing dramatically. Typically, the most in-demand items include all kinds of audio-visual products, as well as wearable and connected goods. While information technology products, such as smartphones, are immensely popular on the mainland, consumer electronics still occupy an important position in the market. At the same time, Hong Kong has a substantial number of manufacturers and traders engaged in this sector, with many of them proactively developing the medium- to high-end of the mainland market.



China is one of the leading consumer electronics markets in the world (1)



China is one of the leading consumer electronics markets in the world (2)

The Hong Kong Trade Development Council (HKTDC) recently conducted a questionnaire-based survey of the mainland consumer electronics market. The survey focussed on eight mainland cities and was carried out in the period December 2014-January 2015. The eight cities surveyed were Beijing, Shanghai, Guangzhou, Wuhan, Chengdu, Shenyang, Nanjing and Qingdao. The poll asked 1,621 middle- to upper-class consumers about their consumer electronics (audio-visual products and wearable/connected items) purchasing preferences and history over the past 12 months, and their likely future intentions. The findings are summarised below:

- The Middle Class Prefer Medium- to High-end Products

Whether audio-visual goods or wearable/connected items, a majority of middle-class consumers (87%) expressed a preference for products in the medium range or above.



Aside from factors such as quality, price and brand, more than 40% of respondents placed a high level of importance on user-friendliness (45%) and simple design (40%). When buying audio-visual products, consumers also attached considerable importance as to whether the product matched their home décor and if it had a streamlined design or came in high-tech colours. For wearable/connected items, they tended to pay more attention to whether the product was compact or fashionable.

Two main reasons emerged as to why consumers bought electronic products: replacing a broken product and improving quality of life. Before making a purchase, they would often seek the opinions of relatives, friends and colleagues. Product information provided by shops and sales promotion counters also came into consideration. Not many consumers, however, admitted to making impulse buys based on design or product function while window shopping at traditional retailers or browsing online.

- Online Shopping and O2O Consumer Behaviour

With online shopping fast becoming a global norm, it is no surprise that many mainland consumers are also engaging in O2O (online-to-offline) shopping. With this in mind, Hong Kong companies wishing to enter the mainland market should not overlook the significance of online sales and O2O purchases.

Some 19% of those surveyed used online platforms for their latest consumer electronics' purchases, with a majority shopping at taobao.com and jd.com, the mainland's two largest e-commerce platforms. A large proportion of consumers (81%), however, still shop at bricks-and-mortar stores, such as dedicated counters and specialty stores. With this in mind, Hong Kong companies looking to develop their mainland market share are advised to strike a balance between online and offline channels.

Consumers often check out a product and its price at both physical and online stores before buying at their preferred shop or website. Some 29% of those polled undertook this kind of O2O-related shopping activity. Despite this, making an enquiry at physical stores and buying direct still remains the most common buying behaviour of consumers when purchasing electronic products. Up to 77% of those surveyed buy audio-visual products this way, while only 66% buy wearable/connected items via this route. This reflects the fact that consumers have differing O2O shopping behaviour when it comes to different product sectors.



Many mainland consumers are of O2O shopping behaviour (1)



Many mainland consumers are of O2O shopping behaviour (2)



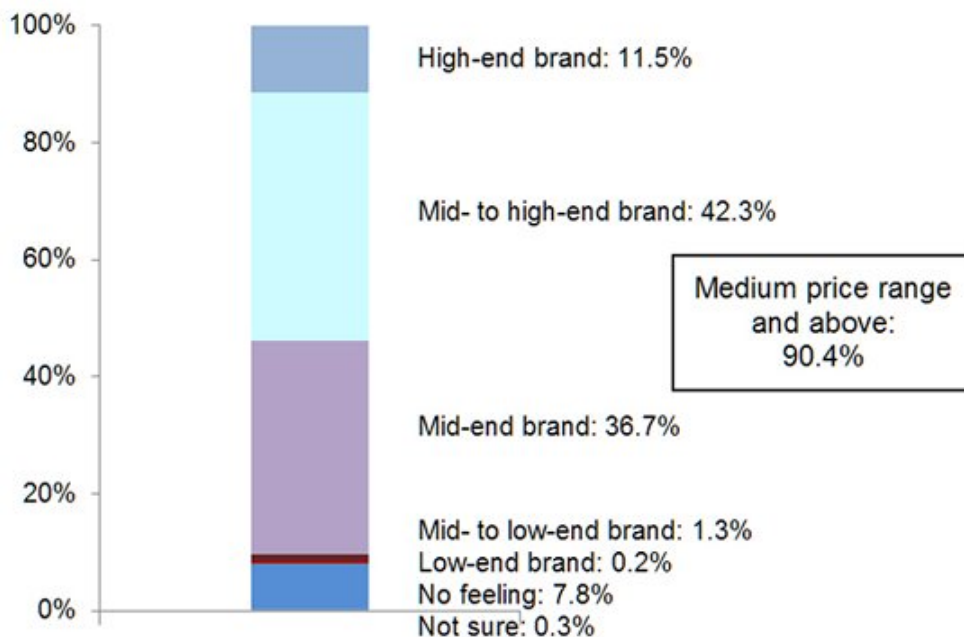
It is worth noting that when consumers shop online, they typically favour domestic mainland ecommerce platforms, with cross-border online shopping accounting for only a relatively small percentage of the current market share. As such, Hong Kong companies may need to rely on the mainland's proprietary online platforms to effectively capitalise on internet business opportunities in the mainland market.

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

Overall, some 90% of middle-class consumers perceived Hong Kong brands as positioned in the medium price range and above. Of these respondents, more than 53% view Hong Kong brands as mid-to-high or high-end, with less than 2% placing Hong Kong brands at the low-to-medium range or low-end of the market. This shows that Hong Kong brands are very favourably perceived in the mainland market. Additionally, some 82% of respondents expressed a willingness to try new or lesser-known electronic products brands. Bearing this in mind, Hong Kong companies new to the mainland market can leverage on the positive image of Hong Kong brands to enter the first-tier cities where they have a higher overall approval rating.

Hong Kong companies should be aware, however, that a small number of consumers in the tier two cities maintain they have no interest in Hong Kong brands. Certain consumers are also somewhat sceptical when it comes to lesser-known brands. Hong Kong companies new to the mainland market can attract consumers by playing up the Hong Kong brand advantage, while offering value-for-money products and sales incentives. To attract consumers, they should also consider carrying out additional promotional initiatives, while providing more product information and seeking to enhance their brand awareness.

**Consumer Perceptions of Hong Kong-branded Electronic Products**





- Identify Demand for Eco and Smart Products

Hong Kong companies can consider adding value by incorporating eco and smart elements into their products. In terms of environmental protection, for instance, they can highlight energy efficiency benefits and the use of non-toxic materials. They should also maximize their promotional activities in those cities, such as Guangzhou and Qingdao, where greater interest is shown in such products. Additionally, as smart gadgets become increasingly popular, more and more consumers are recognising the potential of smart consumer electronics. In particular, younger consumers are more interested in smart/high-tech items, whether audio-visual products or wearable/connected items. In light of this, Hong Kong companies, as well as employing the branding and sales promotion strategies mentioned above, can add eco-friendly and smart elements to their products in order to attract consumers. Consumers generally indicated a willingness to pay an average premium of 11% to purchase such products.

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