Emerging Consumer Trend in China: “Guochao”

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The rise of homegrown Chinese brands seems to be one of the strongest trends in China. “Guochao” has become a buzzword ever since China’s sportswear brand Li Ning’s successful debut at New York fashion week in 2018. Its “Wudao(悟道)” collection is embedded with traditional Chinese culture, the four big Chinese characters 中國李寧, or China Li Ning in English, are believed to be a symbol of cultural confidence which has its roots in China’s rapid rise over the past few decades.

Young Chinese consumers have grown up in a period of strong economic growth and thus are very proud of their country. Their parent’s generation preferred foreign brands and products over local brands with a general perception that foreign products were of better quality. Today, this perception has changed, and many young consumers feel no difference whether it is local or foreign and prefer whichever brand is trendier. Additionally, the escalating tensions between China and the US have accelerated domestic substitution as strengthening patriotism pushes more Chinese people to shop local brands. Lastly, booming e-commerce platforms in China play an essential role in the process. A digital world makes domestic brands' penetration easier and faster. Key opinion leaders rely on Alibaba’s Taobao platform, Tiktok, and Kuaishou to promote and sell goods through live streaming.

Domestic brands are adopting digital trends faster than their foreign competitors. We believe this “Guochao” trend is likely to last as long as domestic brands continue to adapt to consumer preferences and improve their products accordingly. The new generation prefers quality, aesthetics, embedding Chinese culture and high-tech elements, and telling their brand stories via the ever-changing channels.

WHICH INDUSTRY WOULD BENEFIT FROM THIS TREND?

We see the emerging local brands trend across different consumer industries and categories, including mobile phones, home appliances, sportswear, apparel, cosmetics, and packaged food. For instance in Sportswear, China Li Ning is a high-end brand that Li Ning launched in 2018. Anta and Li-Ning products tend to sell 40-50% cheaper than those of Nike and Adidas. China Li Ning has launched some product lines at similar price points to those foreign brands, but still, they have been prevalent among many Chinese consumers. Another example is the smartphone market in China. In 2015, Apple and Samsung had 38% and 11% of market share, respectively; in 2019, their market share fell to 21% and 2%, respectively. Meanwhile, the top 4 Chinese smartphone brands had a combined market share of 35% in 2015 and 73% in 2019¹.

THE OUTLOOK FOR FOREIGN BRANDS IN CHINA

China is becoming one of the world’s largest consumer markets and is still a lightly penetrated market with untapped potential. This provides opportunities to both foreign and local brands. Foreign brands are no longer preferred not just because they are from overseas. Quality of local brands has improved, trust has been built and more importantly the mindset of local consumers has changed. Thus, foreign brands will also need to understand Chinese consumers better and be more innovative to attract the younger generation’s attention, after the low-hanging fruit has been picked. Foreign brands have to stay more relevant with local consumers need and adapt to fast changing demand in the country.

¹ Baidu and the Research Institute of the People.cn, 2020
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