1. *Culture Differences*
Dimensions of Cultural China Compared to U.S.
Hofstede’s Cultural Dimensions

- Individualism-collectivism
- Masculinity-femininity
- Power distance
- Uncertainty avoidance
Individualism-Collectivism

Individualism
- High value on autonomy
- Individual achievement
- Privacy

Collectivism
- High value on group
  - Family, clan, organization
- Loyalty
- Devotion
- Conformity
Masculinity - Femininity

Achievement

- Success
- Assertive acquisition of money/power
- achievement

Relationship

- Equality of genders
- Caring for disadvantaged
- Harmony
Power Distance

Acceptance of Difference in Power

High-Power Distance
- Accept position
- Follow authority
- Concentrated & centralized authority
- Hierarchical

Low-Power Distance
- Avoid concentration of authority
- Decentralized
- Fewer layers of management
Uncertainty Avoidance

Reaction of Ambiguity

Low Uncertainty Avoidance
- Embrace unpredictable
- Less adherence to rules, procedures, or hierarchies
- Risk taking desirable

High Uncertainty Avoidance
- Threatened by ambiguity
- Need stable & predictable workplace
- Reliance on rules
Cultural Differences

Individualistic (IDV) vr. Collectivist – look out for self, self reliant, loose bonds with others

Power distance (PDI) – acceptance of power and wealth inequality

Long-Term Orientation (LTD) – importance of tradition, protecting face
What effect do these cultural differences have on retailing?

- Shopping behavior
- Store management
Shopping Behavior in China
Shopping During Mao Era

Ration coupons were required to buy cloth, but a selection of fabric drew customers to Beijing Department Store on Wangfujing Street in 1983.
Shopping as Leisure

Exhibit 3: Chinese consumers see shopping as one of their favorite leisure activities and one of the best ways to spend time with family.

Percent of respondents answering "strongly agree" or "agree"

"Shopping is one of my favorite leisure activities"

"Going shopping with my family is one of the best ways to spend time with them"

Brand Conception

"Well-known brands are of better quality"
Percent of strongly agree or agree

<table>
<thead>
<tr>
<th>Brands</th>
<th>2008 data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>8</td>
</tr>
<tr>
<td>U.K.</td>
<td>9</td>
</tr>
<tr>
<td>U.S.</td>
<td>16</td>
</tr>
<tr>
<td>China¹</td>
<td>45</td>
</tr>
</tbody>
</table>

Over the years, brands and prices have remained important in China

- More than 40% of Chinese consumers think well-known brands are of better quality (from 41% in 2007 to 45% in 2010)
- Around 26% of Chinese consumers think expensive products are of better quality (from 23% in 2007 to 30% in 2010)

"Expensive products are of better quality"
Percent of strongly agree or agree

<table>
<thead>
<tr>
<th>Prices</th>
<th>2008 data</th>
</tr>
</thead>
<tbody>
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<td>Japan</td>
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<td>U.S.</td>
<td>10</td>
</tr>
<tr>
<td>China¹</td>
<td>30</td>
</tr>
</tbody>
</table>

¹ 2010 data

Local vs. Foreign Brands

Exhibit 2. The Preference for Foreign or Local Brands Varies Across Categories

- Consumer electronics: 28% prefer foreign, 47% prefer local
- Home appliances: 36% prefer foreign, 37% prefer local
- Designer and luxury goods: 33% prefer foreign, 31% prefer local
- Skin care and cosmetics: 25% prefer foreign, 39% prefer local
- Personal care: 19% prefer foreign, 42% prefer local
- Apparel and footwear: 19% prefer foreign, 42% prefer local
- Home décor: 14% prefer foreign, 50% prefer local
- Health-care and nutritional products: 13% prefer foreign, 50% prefer local
- Household care: 13% prefer foreign, 46% prefer local
- Food and beverages: 8% prefer foreign, 53% prefer local

Note: Percentages do not add up to 100 because respondents could choose to be neutral.
## Young Consumers Preferences

**Exhibit 1. Young Consumers in the Top Three Cities Show the Strongest Preference for Foreign Brands**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Brand Preference (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local</td>
</tr>
<tr>
<td>41-to 50-year-olds</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>103</td>
</tr>
<tr>
<td>31-to 40-year-olds</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>101</td>
</tr>
<tr>
<td>18-to 30-year-olds</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>672</td>
</tr>
<tr>
<td>Top three cities</td>
<td>32</td>
</tr>
<tr>
<td>Tier 1 cities</td>
<td>35</td>
</tr>
<tr>
<td>Tier 2 cities</td>
<td>37</td>
</tr>
<tr>
<td>Tier 3 cities</td>
<td>35</td>
</tr>
</tbody>
</table>

*Source: BCG China Consumer Behavior Quantitative Research (survey of 3,535 consumers in 11 cities, 2007).*

*Note: Percentages do not add up to 100 because respondents could choose to be neutral.*
Shifts in Behavior

- Brand to Value
- Collect information from internet and other sources
- Shift from traditional channels - Dept. Stores and brand exclusive stores to hypermarkets, supermarkets, Internet

Increasing Consumer Sophistication
- Demand products with more function, better value, better price, variety
- Consumers gain more access to product information—brands, products, prices and channels
Shift in Consumption

China's Urban Household Expenditure

1985
- Food: 54%
- Clothing: 16%
- Home appliances & services: 11%
- Transportation & Communication: 3%
- Housing: 4%
- Entertainment: 1%
- Others: 1%

2009
- Food: 37%
- Others: 14%
- Housing: 12%
- Transportation & Communication: 10%
- Home appliances & services: 10%
- Clothing: 7%
- Entertainment: 6%
- Others: 4%

Source: National Bureau of Statistics

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