Locations in Chinese Retail Industry
Segment 5: Consumer Behavior in Retail Site Selections
Learning Objectives:

- Understand the different types of consumers
- Know the relationship between consumer behavior and retail store locations

Learning Contents:

- Shopping styles
  - Group buying shopping
  - Convenient shopping
  - Comparison shopping
  - Destination shopping
  - One stop mall shopping
- Lifestyle Segmentations
Chinese Retailing Characteristics

- Lifestyle and consumer behavior characteristics in China
  - Example 1: Group Effect Shopping
  - Example 2: Convenient Shopping
  - Example 3: Comparison Shopping (Price War)
  - Example 4: Destination Shopping
  - Example 5: One Stop Mall Shopping
Group Buying Shopping

Phenomenon:
- “Tuangou” which translates to “group buying” is when consumers approach retailers collectively as a big group to get big discounts
- Consumers offers to buy in bulk in exchange for lower prices
- Usually organized via website or weibo (Chinese personal blog)
- This concept is also known as group bargaining

Products
- Applicable to all products (electronic, appliance, furniture, cars, cosmetics etc.)

Implications
- Retailers will have to offer more discounts but they will have more sales
Convenient Shopping

- **Phenomenon**
  - Many stores (i.e., convenience stores) are likely to choose locations where consumers have easy access or high traffic areas such as CBDs, residential communities, and subway stations.
  - Specialty stores will open in a specific area where other retailers are selling similar products.
    - Examples:
      - Wedding Store Street
      - Clothing Street
      - Furniture Street

- **Products:**
  - Food and consumer goods

- **Implications:**
  - Chinese customers are likely to pay more at these retail stores because there is less commuting expense.
Comparison Shopping (Price War)

- **Phenomenon:**
  - Stores with the same product offerings usually compete against each other in price if they are located closely to each other.

- **Products:**
  - Food and consumer goods

- **Implications:**
  - It is very easy for supermarkets to be dragged into the price war if they are located close to each other.
  - Consumers have greater bargaining power to drive down prices.
Destination Shopping

- **Phenomenon:**
  - Some retailers are likely to open stores at a specific location without any competitors or similar product offerings nearby
  - Example:
    - IKEA

- **Products:**
  - Products with unique characteristics and special features

- **Implications:**
  - Loyal customers will more likely shop at these destination stores even if commuting expenses are high
One Stop Mall Shopping

Phenomenon:
- In CBD districts, consumers, especially white collars and elite groups, are likely to shop at up-scale malls
- This is a growing trend in China

Products:
- All kinds of commodity

Implications:
- Increasingly, consumers who wants the luxury lifestyle prefers to shop at up-scale malls for all their products and services
Example: Jusco (Failed in Site Selection)

- Jusco is a middle-to-upscale department store/mass merchandiser in Japan
- Failed in China because Jusco opened their stores in Shanghai near railway stations which is populated mostly by the working class
- Implications: Sufficient market research must be conducted prior to opening a new store

Jusco offering major discount on their last week of store opening from July 17 to July 23
Lifestyle Segmentation in China

- **Subject Segmentation**
  - Social
  - Group
  - Individual

- **Value Segmentation (most relevant to this module)**
  - Blue-collar lifestyle
  - Consuming lifestyle
  - Leisure lifestyle
  - Social lifestyle
  - Political lifestyle

- **Community Segmentation**
  - City lifestyle
  - Rural district lifestyle
Lifestyle Segmentation in China

Blue-collar lifestyle: Basic consuming potential

Consuming lifestyle: Fashionable and luxury goods

Picture above: First Gucci store in China
Lifestyle Segmentation in China

Leisure lifestyle: Enjoys the shopping experience

Social lifestyle: Networking and socializing
Lifestyle Segmentation in China

Political lifestyle: A very important class in China. They usually shop at CBD or SBD because they care more about their public image.
## Lifestyle Relative to Site Selection

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