China’s Generation Z outspend peers in US, UK on luxury goods

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They are confident, carefree and spend over US$7,000 a year on luxury goods – even before they turn 21.

Meet China’s Generation Z. Spoiled by parents and grandparents for being the only child in their families, these youngsters are living it up compared to their cautious, conservative peers in the West, according to a new survey. They are pumped up about the future and not worried about their career prospects or international politics, notwithstanding a trade war at their doorsteps.

A study by research firm OC&C Strategy Consultants, reveals marked differences in attitude and lifestyle among young Chinese adults. The findings also help explain why the largest luxury brands are so dependent on continued splurging in Asia’s biggest economy.

“This is a generation that has never known worry, so they spend more and save less,” said Adam Xu, a partner at OC&C based in Shanghai. “We don’t know if they’ll grow up to be successful but we do know that they are already a significant spending force that consumer brands must pivot towards.”

China's Generation Z ‘prefer domestic names to foreign brands’

China’s Generation Z landed in an unusually sweet spot. Products of the country’s one-child policy and its astronomic economic growth in the 1990s and 2000s, these children did not have to share while growing up and saw only an ever-rising wealth creation.

By contrast, their peers in the US and Europe witnessed the 2008 financial
crisis and its brutal aftermath, are graduating with historically high student debt, may not earn enough to afford a roof over their heads and are seemingly more politically conscious than in the past.

The survey questioned 15,500 people born in 1998 and after, across nine countries including Brazil, France, Germany, Italy, Poland, Turkey, UK and the US. Almost 2,000 youngsters were from China.

Chinese Generation Z accounts for 15 per cent of their household’s spending in the survey compared with 4 per cent in the US and the UK. Although the vast majority are not yet drawing a salary, they are big on consumption.

Jasmine Wang, 22, admits to a weakness for perfumes. The graduate student from Shanghai has 20 to 30 bottles of limited edition scents from brands like Guerlain, Tom Ford and Chanel, which can cost more than 2,000 yuan (US$295) per bottle.

Healthy from inside out: Gen-Z Chinese adopt parents’ wellness regimes

Besides a monthly allowance of 2,500 yuan from her parents, Wang says she has free use of their bank card and the so-called “red packets”, or cash gifts, from grandparents on either side.
“I think that it’s harder for families in the West because university fees are so expensive and they usually have more than one kid,” Wang said. Her parents only had to pay 5,000 yuan per semester for her time at Fudan University, a Shanghai college that is one of China’s top schools.

In a separate survey last year, the same research firm found that over half of Chinese Generation Z shoppers spent more than 50,000 yuan on luxury goods last year, compared to their stingier elders. Only 32 per cent of Millennials spent that much, compared to 34 per cent of Generation X.

China’s slowdown is weighing on everyone from American farmers to Apple to Macau’s casinos as gross domestic product growth slows to lowest level in a decade. But that has not dented Generation Z’s desire to seek Yeezys, a limited edition line from Adidas, and cult skincare brands so far.

Gen Z, millennials hold key to China’s luxury goods market

The survey has uncovered two worrying trends. Youngsters in China seem to turning their back on a habit treasured by their elders – saving – endangering their nation’s record of having one of the world’s highest
savings rates. And they are willing to take on debt to fund their purchases, according to Xu.

Wang says she tries to save but often spends more what she set aside on Singles' Day – an annual shopping festival invented by Alibaba Group Holding. “Somehow I end up spending 20 or 30 per cent more than what I planned.”

Alibaba owns the South China Morning Post.