

China's Super Consumers

Savio Chan & Michael Zakkour, Wiley, 2014,
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A half century ago, the increasing household income drove up the consumption level in the United States, contributing to social development and reshaping the global economic landscape. Now as the fast-growing middle class in China gradually becomes the country's major source of productivity, a rapidly expanding group of Chinese wealthy consumers are changing the world at a pace unprecedented in human history, and in ways almost impossible to foresee even a few years before.

In *China's Super Consumers*, Chan and Zakkour define the new class of wealthy consumers in China as super consumers. The book explains the inevitability of consumerism and the resulting super consumers in China from historical, cultural, and political perspectives. Since China's history, politics and culture are different from those in Western countries, the processes and mechanisms that drive the emergence of super consumers are unique as well. Therefore, how to better understand and deal with China's super consumers has increasingly become a huge challenge faced by business professionals and policy makers around the world. In order to turn such challenge into opportunities, one has to acquire in-depth understanding of Chinese consumers and learn to be adaptable to the constantly

changing environment.

The book is divided into two parts. The first part focuses on how Chinese super consumers are formed historically, and how the formation is different from that in other economies. China's aggressive economic reform accelerated the rapid development of domestic consumer markets, leading to a huge consumer boom. Recent trends include mass urbanization, amplified exposure to Western brands and lifestyles, and rapid entry and investment by hundreds of new foreign companies. With an annual GDP growth rate of more than 10% in the past three decades, changes in China's business landscape and consumption patterns within one year are equivalent to 5-6 years of changes in Western counterparts. As a result, the authors argue that any multinational company planning to tap into China's huge consumer market and capture its super consumers, no matter whether it is a century-old firm with strong brand recognition or an emerging company specializing in new technologies, must conduct sufficient due diligence before entering into the market. After all, China's historical and cultural roots of consumerism are different from those in Western societies, and even within China, consumer behaviors vary across distinctive regions.

The second part provides advice for people who want to do business with China by addressing the opportunities arising from such a rapidly changing and evolving consumer market. It looks at trends in e-commerce, tourism, luxury buying and other commercial sectors. With the rapid development of China's econo-

my, the gradual liberalization of government regulation, and the further maturity of the consumer market, more and more foreign companies entered the Chinese market, but not all of them were successful. As the authors point out at the end of the first chapter, any China strategy has a six-month shelf life, but after that, it stinks. The success of capturing China's super consumers relies on timely adjusting a firm's corporate strategy to the constantly changing industry environment. Furthermore, China's consumer market is not really a market. It is actually 22 distinct market clusters, each with huge variations in climate, geography, language, income levels, economies, history, and culture. The authors believe that this is the most accurate way to define the Chinese market, as mass consumption is no longer confined to the relatively developed coastal areas of China, and the development of consumption in different clusters varies significantly. Analyzing consumer patterns by clusters will help companies better locate their brand marketing and product segmentation, and hence capture emerging opportunities in the marketplace.

Though the book succeeds in getting into the minds of Chinese consumers and explaining what the authors see inside, I feel that there are at least three fundamental issues the authors do not fully address. The first is the macroeconomic condition that China is currently facing. The authors attribute the significant growth in China's super consumers to the success of economic reforms, which pushed GDP growth to a historically high level. However, China's economy has been manufacturing-driven and export-led throughout the past few decades, whereas consumption has made a limited contribution to the overall GDP growth. Even if now China's super consumers can largely drive domestic consumption, it is unlikely that China's transformation to a con-

sumption-driven economy will be completed in just a few years. As China's economic growth is slowing down to 5-6% with a still low consumption contribution, the most crucial obstacle for multinational firms operating in China is not how to capture the latest consumer preferences, but how to deal with rising labor costs. For instance, a company can achieve continuous sales growth under favorable consumption environment, but profitability may decline as it incurs more expenses at the same time. Therefore, multinational companies targeting China's super consumers should not only analyze and conduct research on the constantly changing consumption environment, but also evaluate the potential impact of rising labor costs and relatively inefficient manufacturing on their business performance. Moreover, China's transformation to a consumer society might hurt some of its trading partners, especially those emerging economies that have long depended on the demand in Chinese export manufacturing for their commodity exports. Meanwhile, foreign importers may find that consumer goods manufactured in China now cater more to local tastes and preferences. These are all essential macroeconomic concerns that may potentially affect the success of a company's China strategy, and any analysis regarding China's super consumers cannot be separated from these concerns.

Another fundamental issue that the authors miss in the book is the growing consumption of healthcare, sports, and entertainment in China. Indeed, traditional goods and services still account for a significant portion of China's total consumption, but consumption in those emerging sectors is rising as well, especially when nationwide problems such as population aging and environmental degradation are becoming more serious. No doubt, the growth of business-to-business and wholesale e-commerce

in China is likely to continue as online shopping has become more and more popular among super consumers. But at the same time companies like Uber and Didi, which operate based on online-to-offline commerce, have gradually entered people's lives. In the near future, there might be new business models that drive consumer trends to new directions. However, other than illustrating how to deal with China's super consumers right now, the authors do not spend much effort exploring how these consumer trends will develop in the future.

Last but not least, the authors do not elaborate on the impact of China's super consumers on government policies. Although the target readers of the book are business professionals rather than policymakers, doing business in China always involves interacting with relevant policies. It is crucial for foreign business owners to understand how changes in policies caused by shifting consumer patterns will affect their businesses in China. For instance, the growing service-oriented industry influences the Government of China to shift its taxation system from business tax (BT) to value-added tax (VAT). The reform removes completely the BT by introducing the VAT which taxes only the value added at each link in the production chain, and it avoids the double taxation of the BT regime, which is based on the

tional companies targeting the huge consumer base in China.

Overall, Chan and Zakkour's *China's Super Consumers* gives readers an introduction to the contemporary consumption environment in China. The book is extremely helpful for those who know little about China to gain useful insight about modern Chinese consumers, and it provides business professionals at multinational firms with practical guidance on how they can harvest the fruit of consumer trends in China. Nevertheless, the book could have incorporated deeper analyses of the impact of shifting macroeconomic conditions on consumers and the growing consumption of non-traditional goods and services in sectors such as healthcare, sports, and entertainment. In addition, the shifting consumption environment may cause government policies, including taxation and regulation, to further change the business environment. Had the book taken into account all these components, it would become a more comprehensive guide for both foreign business professionals and domestic policy makers to understand the rapidly growing consumer trends in China.

Reviewed by Jiasu Deng, Duke University. He thanks Professor Edward Tower for his valuable suggestions.

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