Nanjing: Profile of a Consumer Market

1. Economic Review and Development Planning

Nanjing is the capital city of Jiangsu province and an important commercial hub. Contribution from tertiary industry towards its GDP rose from 44% in 1997 to 55.8% in 2014, surpassing the provincial average of 46.7%. Nanjing is also one of the key cities in the Yangtze River Delta region for commerce, trade, finance, tourism and logistics. In 2014, the GDP of Nanjing reached Rmb882.1 billion, with a year-on-year growth of 10.1% and a 13.6% share of Jiangsu’s GDP. Reckoned in terms of permanent population, its per capita GDP stood at Rmb107,545 in 2014.

![Nanjing's GDP in recent years](chart)

Jiangsu has a thriving private economy and the highest number of private enterprises among all provinces in China. As for Nanjing, the number of its private enterprises surged from 80,000 in 2005 to 200,100 in 2014, making up about 12.8% of the total number in Jiangsu. There has also been substantial growth in direct foreign investment in Nanjing, where the amount of foreign capital actually utilised jumped from US$1.4 billion in 2005 to US$3.29 billion in 2014, representing an average annual increase of about 10%. Currently, out of the gross output value of industrial enterprises above a designed scale, nearly 35% come from foreign-invested enterprises.

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Nanjing is also a tourist city. In 2014, it received a total of 94.19 million domestic visitors and 570,000 foreign visitors, generating a total of Rmb15.21 billion in tourism receipts.

In respect of the service sector, Nanjing will focus on developing producer service industries related to advanced manufacturing. It will improve on its policy on the software industry and will drive for a talent-based development in this industry; it will nurture enterprises in logistics; it will improve on tourist amenities to enhance the overall competitiveness in the tourist industry; and it will step up the pace of large commercial project construction and build commercial streets with signature characteristics. At the same time, Nanjing will actively develop the headquarters economy in a bid to attract major domestic enterprises and multinationals to set up regional headquarters or research and development centres.

Nanjing is well on its way to becoming a mega city. Its city proper will be expanded southwards in the future. Within the city proper, the three districts of Xinjiekou, Hexi and Nanjing South Station will become the principal city centres. In the master plan, Xinjiekou as the traditional city centre, will be upgraded to take on commerce and business as its main functions. Hexi New Town district will highlight its functions in business, culture and leisure, etc. For South Station, there will be expansion and development and the focus will be on the development of a commercial circulation sector. Development will also be fully extended to Jiangbei New Town district and Xianlin sub-city during the 13th Five-Year Plan period. As the Metro underground railway is scheduled to be fully open in 2017, development of these new urban districts will gather speed. Following the rapid development of the transport network, the Nanjing “one-day living circle” has been formed, and the “urban circle” with Nanjing as the core encompasses the cities of Zhenjiang, Yangzhou, Huai'an, Ma'anshan, Chuzhou, Wuhu and Chaohu.

2. Nanjing’s Consumer Market

2.1 Growth in Retail Sales

In 2014, Nanjing’s total retail sales of consumer goods amounted to Rmb416.7 billion, up 18.9% from that of the previous year. The size of its retail market is the second largest among all cities in Jiangsu province, trailing only Suzhou. Yet its per capita retail sales, based on permanent population, was even higher than Suzhou’s.

Using retail sales as an indicator, the consumer market of Nanjing has maintained robust growth in recent years, with an average annual growth rate of 16.6% from 2009 to 2014. Reckoned in terms of permanent population, the per capita retail sales of Nanjing in 2014 was close to Rmb51,000, indicating a sustained growth in both its overall spending power and market size.

In the 2014 retail sales of enterprises above designated size, there was a growth of 10% in cars; 11.5% in clothing, footwear, headgear and textiles; 22.8% in daily-use articles; 11.2% in food, beverages, tobacco and wine; 15.1% in cosmetics; 20.5% in western and Chinese traditional medicines; 20.9% in petrol and related products; 11% in building and decoration materials; and 63.5% in electromechanical products and equipment.
In concert with the city’s urban development and the growing affluence of its population, products which are symbolic of modern home living or reflecting middle or affluent class consumption patterns have recorded faster growth in recent years. For example, there has been a significant rise in the purchase by Nanjing households of high-end durables such as computers, mobile phones and family sedan cars, while housing, education, tourism, transportation and communications have also become hot items.

Such a trend is also reflected in changes in household ownership of consumer durables in the last few years. Basic home appliances, such as washing machines and refrigerators, are already quite common in Nanjing, so the growth in their ownership has stabilised in recent years. Yet an obvious rise is noted in the average ownership rate of other products, such as home-use air conditioners, mobile phones, computers and cars.

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<th>Average ownership of consumer durables per 100 urban households at year-end</th>
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<td>Washing machine</td>
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2.2 Per Capita Disposable Income and Consumption Expenditure

In 2014, the per capita disposable income of Nanjing’s urban households rose by 8.8% to Rmb42,568 and their per capita consumption expenditure increased by 7.2% to Rmb25,855. From 2009 to 2014, per capita disposable income grew at an average annual rate of 10.8% while per capita consumption expenditure grew at an average annual rate of 9.6%.

According to the 2012 figures, the per capita disposable income for the highest-income households was Rmb83,954 and their per capita consumption expenditure was Rmb44,274.

3. Characteristics of Nanjing’s Consumer Market

3.1 Population Structure

In 2013, Nanjing had a permanent population of 8.188 million, constituting 10.3% of the provincial total. As compared with figures in 2005, its permanent population increased by 18.7%, representing an average annual growth rate of 2.2%. Comparing its permanent population figure with its household registration, based population of 6.43 million, it can be seen that Nanjing is a city that draws in non-native migrants.

According to China’s 2010 6th population census, among Nanjing’s permanent population, about 52% were males; 9.5% were aged between 0 and 14, 81.3% were aged between 15 and 64, and 9.2% were aged above 65.
The education level of Nanjing’s permanent population has risen markedly, where 26.1% have attained university level, 20.8% senior secondary level, 29.7% junior secondary level and 16% primary level. As compared with the findings of the 5th census conducted 10 years earlier, the proportion of population that has attained university-level education has risen from 12,351 to 26,119 per 100,000 people.

There were 2.37 million households in Nanjing, with an average size of 2.77 persons. The average household size had decreased by 0.15 person from 10 years earlier.

3.2 Characteristics of Consumers

Survey findings show that in Nanjing’s total retail sales, about 40% come from out-of-town consumers, especially consumers coming from within the one-hour urban circle of Nanjing. The geographical advantages of Nanjing have created a magnetic effect. Moreover, on China’s top 100 retailers’ league, there are six retail giants with sales surpassing Rmb100 billion and two of them are found in Nanjing. Generally speaking, the consumer market of Nanjing has the following characteristics:

**Spending on education, cultural activities and entertainment grows rapidly**

Blessed with rich education resources and an ancient cultural heritage, Nanjing has a vast cultural consumer market. To the majority of Nanjing citizens, especially young people, cultural articles and activities such as movies, performances, reading, works of art, karaoke and clubbing are their favourite pastimes. Take movies as an example. In 2013, box office receipts of the city topped Rmb460 million, accounting for 23% of the provincial total and ranking among the top 10 cities nationwide. Also, leisure and entertainment venues of different grades and characteristics constitute Nanjing’s unique “night life culture”. Currently, there are over 400 dancing and singing clubs and over 300 entertainment establishments in the city. Development of the entertainment and performances market is steady. Nanjing people also like reading. Librairie Avant-Garde (Xianfeng Bookstore), Jinling Bookstore and Keyi Bookstore are widely popular.

**Tourism consumption keeps escalating**

Nanjing city not only includes hills, waters and greenery, but also has a large number of historical sites as well as impressive commercial facilities. Against this backdrop, development of urban tourism embracing cultural, ecological and urban attractions is rapid. At present, there are 53 Grade A tourist spots in the city, including Dr Sun Yat-sen’s Mausoleum, Confucius’ Temple and Xuanwu Lake. During the Spring Festival golden week in 2015 alone, Nanjing received about 4.33 million foreign and domestic visitors and reaped Rmb4.2 billion in tourist receipts.

Cities neighbouring Nanjing’s one-hour economic circle include Ma’anshan, Wuhu, Liu’an, Chuzhou, Anqing and Liuhe of Anhui province; and Yangzhou, Wuxi, Changzhou and Zhenjiang of Jiangsu province. The importance of this extensive coverage is not to be overlooked. In a move to extend the coverage of Nanjing’s tourist resources, the Nanjing East Long-Distance Bus Station will be transformed and developed into the city’s integrated tourist hub, opening direct routes of public transport to major tourist spots in neighbouring provinces and cities.

**Health-related consumption in search of quality of life increases**
Last year, the spending of Nanjing residents on various items of health-related consumption rose rapidly. Hot spots of health-related consumption mainly include fitness, elderly care and home care services. Young people are keen on sports and activities such as fitness, yoga, swimming, tennis and mini-marathons are popular. On the other hand, as the ageing population continues to expand, the demand for elderly care and home care services is pressing. The willingness of Nanjing people to spend more on staying healthy is also reflected by the fact that they are becoming more and more picky in what they eat. As a result, organic vegetables and fruits sold at premium supermarkets, such as Metro and BHG, are favoured by Nanjing citizens. Take eggs, for example. In 2014, Nanjing people’s per capita spending on fresh eggs amounted to Rmb107, of which, organic products, including free-range chicken eggs, green eggs and organic eggs, accounted for a considerable share of fresh egg consumption.

Information consumption has huge potential

As Nanjing issued a series of measures in 2014, including the Implementing Opinions on Promoting Information Consumption to Accelerate Development of the Information Technology Industry, aimed at stimulating information consumption. E-commerce has been sweeping across the city’s retail sector at a high speed, changing consumer behaviour and the marketing pattern of business operators. In 2014, online retail sales in Nanjing reached Rmb98.8 billion, up 59.9% year on year. Take for example white collar workers in the city, it is noticeable that they are glued to their mobile phone almost every hour and every minute of the day. An increasing number of Nanjing people are enjoying the convenience of information consumption, which ranges from holding department meetings on WeChat, calling taxis by the Didi Dache app and buying movie tickets and ordering meals on mobile apps, to making payments by PayPal after shopping at supermarkets.

High-end consumption makes a splash

While high-end consumption in China is hit by overseas online shopping and offshore shopping, commercial tax revenues of Nanjing’s Xinjiekou district continued to rise and broke the Rmb500 million mark in 2014. Reportedly, sales at Deji Plaza, the centre of high-end consumption of luxury goods in the city, surged to the record-breaking figure of Rmb6.6 billion. Surveys found that as the pace of internationalisation accelerates and the price of luxury goods drops, the young people of Nanjing have become the major force in consumption. Young consumers under the age of 40 have become the main buyers of luxury goods. The consumption concept of the post-80s and post-90s generations of today is different to that of their parents, they are willing to splurge on enjoying a high quality of life.

Compared with first-tier cities, such as Shanghai, Beijing and Guangzhou, Nanjing is on par in terms of overall purchasing power, brand awareness, and rational consumption. However, where obtaining foreign information and accepting new things are concerned, Nanjing people are probably a bit slow and are more conservative in making purchases. As for shopping options, following the entry of upmarket foreign department stores and large shopping malls into the city, shopping centres housing leisure, entertainment and shopping under one roof are increasingly winning the hearts of the younger generation in Nanjing.

4. Profiles of Nanjing’s Major Commercial Districts
As the pace of urbanisation quickens, shopping centres in Nanjing are gradually extending from the city centre to neighbouring areas. Traditional commercial districts, such as Xinjiekou and Hunan Road, riding on the city’s booming commerce, are dominated by shopping centres, department stores and specialised marts. Meanwhile, new commercial districts in Hexi, Fuzimiao and Nanjing South Station are taking shape. The Fuzimiao Commercial District used to be frequented by visitors from outside the city. But since the opening of comprehensive shopping facilities, such as Aqua City and Shopping Fun, this commercial district has become immensely popular. In the Hexi CBD, over 30 commercial projects have been planned and completed. As for Nanjing South Station, the new town in the southern part of the city, apart from being a transportation hub, a large scale commercial CBD embodying shopping, entertainment, leisure, office and residential facilities will be formed here soon.
Xinjiekou: Expansion of core commercial district

Hailed as “China’s No.1 Commercial District”, Xinjiekou is an established financial, commercial and trade centre in Nanjing with over a hundred years of history. Clustered in this commercial district are Hongwulu Financial Street, Zhenghongjie Commercial Pedestrian Street, Taipinglu South Gold and Jewellery Street, Wangfu Food Street, and Changjianglu Cultural Street. Leading stores in the Xinjiekou Commercial District include Deji Plaza, Golden Eagle International Shopping Centre, Central Emporium and Grand Ocean Department Store.

Where transportation is concerned, the Xinjiekou station is the interchange station of Metro Lines 1 and 2, which traverse the city proper. The average daily passenger traffic at Xinjiekou district is estimated to reach 500,000, and on holidays and festival days the maximum passenger traffic may well exceed 1 million. The Xinjiekou Commercial District is growing, extending to cover Zhujiang Road and Daxinggong.

Hunan Road: Second round of upgrade and transformation

Hunan Road used to be the second largest commercial district in Nanjing. In December 2014, the district launched its second round of upgrade and transformation by building the Hunan Road Underground Commercial Street, which is, in effect, a second Hunan Road. Upon completion, the Hunan Road Underground Commercial Street will connect seamlessly with various complexes in the vicinity, weaving together catering and entertainment facilities and bringing about mixed operation of street level and underground retailers.

According to the development plan, the Hunan Road Underground Commercial Street is scheduled for completion by early 2016. It will have a construction area of about 90,000 sqm, of which 8,000 sqm will be devoted to dining facilities. This underground commercial street will stretch from Zhongshan North Road in the west to Central Road in the east, covering Citizen Square on Shanxi Road. One of the major moves in creating underground space is to “link” the Xuanwumen Station of the Nanjing Metro Line 1 with the Zhongshan North Road Station on Line 5, which is on the drawing board.

Fuzimiao: Where modern trend meets historical culture

The Fuzimiao Commercial District is well known for its cultural tourism, while embracing modern commerce. Compared with other commercial districts, consumers coming to Fuzimiao to shop usually come here to eat, drink, shop and sightsee. Traditional gourmet food in this commercial district finds great favour with tourists. At the same time, modern commercial facilities, such as Aqua City and Shopping Fun, are increasingly winning the hearts of both the locals and visitors. The Fuzimiao Station of Metro Line 3 will undoubtedly enhance the attraction of these two nearby shopping malls.

Building of key projects like Maoye Xintiandi and Zhongshan Tesco in the Fuzimiao Commercial District is gathering momentum. Meanwhile, modern retro business is also emerging in this commercial district. For instance, the Laomendong project, which boasts “the most Nanjing” cultural atmosphere, will combine ancient residential buildings from the Ming and Qing dynasties with modern commercial facilities in order to add cultural flavour to this commercial district. Here, ancient and modern business models co-exist.

Zhongyangmen: Led by planning
Zhongyangmen is known as Nanjing’s No.3 commercial district. With Nanjing Commercial Building as its landmark, this district is home to nearly 20 large and medium-sized shopping malls of different types and other commercial facilities. It is also a wholesaling, retailing, transportation and distribution centre. In August 2014, the Zhongyangmen Long-Distance Bus Station was relocated. According to the development plan, this area will be developed into a public square housing leisure, shopping and office facilities. The Zhongyangmen commercial area will, taking advantage of its current industrial distribution, develop into a “three belts, five groups” region. This means that traditional wholesale and retail markets such as Jinqiao, Yuqiao and Xinqiao will gradually undergo transformation to align with newly built integrated complexes and theme shopping centres to form the core of the public square.

Hexi: A unique rich men’s district

To home buyers in Nanjing, Hexi bears the unique label of “rich men’s district”. In this commercial district, large commercial complexes including Wanda Plaza, New Town Plaza, Zhongtai International Square, Olympic Suning Tower and Yurun International Plaza have been completed and opened for business. Currently, Nanjing is planning to build over 50 HOPSCA (hotels, offices, parks, shopping, convention centres and apartments) in the city, 17 of which will be located in Hexi district. In the years to come, high-end commercial complexes such as Deji Plaza and Golden Eagle International Shopping Centre will also be found here. With its advantages in development space, transportation network, ecological environment, planning and commercial resources, Hexi is tipped to become one of the major commercial districts in East China in the next generation.

Chengnan: Passenger flow estimated at 100 million at Nanjing South Station

According to the development plan, Nanjing South Station will be developed into the third largest commercial centre in the city after Xinjiekou and Hexi. In future, this commercial district will see the development of different types of property, such as residential blocks, office buildings, hotels and shopping centres. As an important hub in Nanjing’s transportation network, the South Station is unparalleled in its massive transit passenger flow. Currently, Nanjing South Station is already linked to Metro Line 1, Line 3 and the Airport Line. In future, it will also connect with Metro Line 6 and Phase I of Ninghe Intercity Rail Line (from Nanjing to Hexian county in neighbouring Anhui province). By 2030, passenger flow at Nanjing South Station is projected to reach 58 million. Adding the traffic from rail transport and long-distance buses, passenger flow at South Station will approach 100 million. At present, the new Nanjing South Station Commercial District is taking shape. In the future, this district will give emphasis to fostering such projects as high-end commercial and trade sector, e-commerce, and cultural and creative industries.

Chengbei Maigaoqiao Commercial District

The Maigaoqiao district is clustered with supermarkets, department stores, branded chain stores, chain-operated eateries and auto 4S stores, complete with a full range of supporting facilities. Xuanwu Changfa Plaza, the first HOPSCA here, is set to propel the commercial development of this district. In future, the district will focus on developing high-end service industries as well as devoting great efforts to bringing in talents and promoting the clustering of modern technology industries.

Jiangbei Commercial District
Jiangbei is one of the three sub-cities designated by Nanjing city. In the years to come, it can be expected that this commercial district will house a great number of residents relocating from Nanjing city proper. According to the development plan, by 2030 total population of Jiangbei sub-city will reach 1.87 million. At present, large commercial centres in Jiangbei include Hongyang Square and Suning Tianrun Plaza. In April 2014, the Nanjing One City opened for business, adding to Jiangbei Commercial District a new shopping centre, with catering and entertainment facilities under one roof. In the past, transportation used to restrain the commercial development of Jiangbei. However, the opening of the Weiqi Road cross-river tunnel and Metro Line 3, as well as the future completion of a number of other cross-river passages in Jiangbei linking both sides of the Yangtze River, will give a push to the development of residential and commercial facilities in the district.