Shenzhen: Profile of a Consumer Market

1. Economic Overview and Development Planning

Guangzhou and Shenzhen, the key development cores in the Pearl River Delta, are heading in the direction of the service trades and high value-added industries. According to the 2015 Blue Book on Urban Competitiveness published by the Chinese Academy of Social Sciences, Shenzhen ranks first among China's large and medium-sized cities, overtaking Hong Kong for the first time as China's most competitive city. In 2014, Shenzhen’s GDP was Rmb1,600.2 million, up 8.8% from the previous year. Growth in added-value of primary industry accounted for less than 0.1% of the city’s GDP, while those of the secondary and tertiary sectors accounted for 42.7% and 57.3% respectively. As far as modern industries are concerned, modern services registered a growth in added-value of Rmb620.1 billion, an increase of 10.5% over the previous year, while advanced manufacturing saw a growth of Rmb482.4 billion, up 9.8%. Reckoned in terms of its permanent population, Shenzhen’s per capita GDP stood at Rmb149,497 in 2014.

Shenzhen’s foreign trade is slowing down. Its total import and export value of foreign trade amounted to US$487.8 billion, representing a drop of 9.2% from the previous year. Of this, total export value amounted to US$284.4 billion, down 7.0% and accounting for 12.1% of the country’s total export value and 44.0% of the province’s total export value. Total import value was US$203.4 billion, down 12.3%. Its total export value of foreign trade topped all large and medium-sized Chinese cities for 22 consecutive years.
In industry, the added-value of industrial enterprises above a designated scale reached Rmb650.1 billion, up 8.4% from the previous year. According to the targets of the *Shenzhen City Master Plan (2010-2020)*, industrial added-value will reach Rmb1 trillion by 2020. Shenzhen will continue to promote the transformation and upgrade of traditional industries, increase the share of R&D expenditures in GDP, and support the development of innovative industries.

In 2015, Shenzhen started 434 major projects with a total investment of Rmb766.8 billion. Most of these projects are in the fields of industry and transportation. Industrial development will mainly take the form of clusters and development and construction in major regions. In order to improve the industrial layout, Shenzhen will concentrate resources to advance 15 major regional development projects, with focus on the building of the Beizhan (North Station) business district, the Dayun New City, the Pingshan central district, and the core promoter area of the International Bio-Valley. The planned construction of the Shenzhen Bay Super Headquarters Base will be accelerated to attract “Fortune 500” multinational companies and large domestic enterprise groups to set up headquarters and international operation centres in this base. Efforts will be made to accelerate the upgrade of the Shenzhen New and High-Tech Industries Development Zone, the Northern District and other districts, ensure that the Yantian Comprehensive Bonded Area pass the state acceptance test for formal operation, and promote the upgrade and transformation of the export processing zone and the western port area.

In a bid to optimise transportation and ease traffic jams, Shenzhen started construction of its tram system in 2015. "Integration of the special economic zone" is another priority for development in 2015. In order to promote construction of the Guangdong-Hong Kong-Macau Big Bay Area, Shenzhen will accelerate the development of cross-border infrastructure projects, including the Guangzhou-Shenzhen-Hong Kong passenger line,
the Liantang/Xiangyuanwei border checkpoint and Stage 4 of the Shenzhen River Regulation Project, and promote regional development projects such as the Lok Ma Chau Loop.

Under the general framework of Guangdong-Hong Kong-Macau cooperation, the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone will be used as a platform to further deepen cooperation between Shenzhen and Hong Kong. Efforts will be made to build a legal environment of business and an open system of industrial development policies that accord with international practice to attract internationally influential modern service companies to invest in the zone. Priority will be given to the development of modern services such as finance, modern logistics, information service, science and technology and specialised services. Shenzhen is actively promoting cooperation with Hong Kong by supporting Hong Kong banks in developing renminbi service and promote the free flow of capital between the two places. It is also strengthening close cooperation between universities and research institutions in the two cities, actively attracting Hong Kong laboratories and R&D centres to set up branches in Shenzhen, and improving the cross-border transport system.

2. Shenzhen’s Consumer Market

2.1 Growth in Retail Sales

In 2014, retail sales of consumer goods in Shenzhen amounted to Rmb484.4 billion, up 9.3% year on year and accounting for about 17% of Guangdong's total retail sales. In the retail sales of enterprises above a designated size, precious jewellery sales increased by 24.5%, sales of cultural goods and office appliances increased by 20.9%, sales of telecommunications equipment increased by 19.7%, sales of sports and recreational goods increased by 19.3%, sales of daily-use articles increased by 15.9%, sales of food, beverages, tobacco and wine increased by 11.7%, car sales increased by 11.5%, sales of clothing, footwear, headgear and textiles increased by 7.1%, sales of home appliances and audio-visual products increased by 0.9%, and sales of newspaper and magazine dropped by 5.5%.
2.2 Per Capita Disposable Income and Consumption Expenditure

In 2014, per capita disposable income of urban households in Shenzhen was Rmb40,948 and per capita consumption expenditure was Rmb28,853.
3. Characteristics of Shenzhen’s Consumer Market

3.1 Population Structure

At the end of 2014, Shenzhen had a permanent population of 10.78 million, accounting for 10.1% of the provincial total. According to China’s sixth population census, only 2.6 million of this number have household registration and 75% of the city’s population are migrants. Among the permanent population, 54% are male, with 9.8% belonging to the 0-14 age group, 88.4% belonging to the 15-64 age group, and 1.8% aged 65 or above.

The education level of the permanent population has risen substantially. Among the city’s population, 17% had university education, 24% had senior high school education, 44% had junior high school education, and 9% had primary school education. Compared with the fifth national census 10 years earlier, the number of people with university education increased from 8,060 to 17,175 per 100,000 people in the city.

There were 3.5 million households in Shenzhen, with an average size of 2.11 persons. The average household size had decreased by 0.52 person from 10 years earlier.

3.2 Characteristics of Consumers

Shenzhen is a young immigrant city. In addition to local residents, Shenzhen consumers also include migrant workers, Hong Kong citizens, tourists and business travellers.

Outstanding spending power

Compared to their counterparts in other large mainland cities, Shenzhen consumers have
evidently stronger spending power. Shenzhen's consumption needs are diversified because people from different social strata have different characteristics. In addition to daily-use articles and food, branded clothing, cosmetics, consumer electronics, jewellery, and sports and recreational equipment, culture and education are consumption hot spots for the people of Shenzhen. Further, they are keener on products with high price-performance ratio than brand names per se. Thus, reckless spending is a rare phenomenon and even high-end consumers, like entrepreneurs and senior executives, are very rational when it comes to famous label shopping.

Consumption in Shenzhen and Hong Kong closely related

Because of the proximity of Hong Kong to Shenzhen, the convenient transportation between the two cities and their differential in prices, one major characteristic of high-end consumers in Shenzhen is their going to Hong Kong for famous label shopping. It is estimated that 90% of Shenzhen’s high-end consumers choose to go to Hong Kong to shop for upmarket goods in watches, handbags, cosmetics and jewellery. Hong Kong citizens’ consumption in Shenzhen, on the other hand, is mainly focused on popular consumption in dining and entertainment. The high-end brands in Shenzhen are meant mainly for tourists and corporate customers.

For their daily shopping, Shenzhen white-collar workers earning Rmb4,000 to Rmb10,000 a month would patronise department stores, shopping centres, hypermarkets and also specialised wholesale markets where value-for-money merchandise is available. People are not too concerned whether the products are famous brands; rather, they are after unique styles and good prices to express their personalities.

Diversity in consumption habits

Shenzhen consumers are willing to spend on dining and they like eating out with friends and relatives. Irrespective of whether it is a weekday or a weekend, there is no shortage of patrons in mid- to high-end restaurants.

Shenzhen consumers attach importance to cultural activities, leisure and sports. In recent years, Shenzhen’s consumption in sporting and recreational goods, tourism, cultural goods and office appliances grew rapidly. For sports and recreation, the average wage earners like to play badminton, tennis, basketball and table tennis whereas the high-income group would favour playing golf in exclusive clubs. With the popularisation of golf, quite a number of middle-income fad-followers have also come to like golfing.

Leisure travel is an important consumption component of Shenzhen household consumption. Shenzhen consumers prefer scenic destinations with unique natural beauty, such as Lijiang in Yunnan and Tibet. If they travel abroad, their preference is Southeast Asia and Europe.

In cultural and educational consumption, due to differences in cultural background, there are fewer Shenzhen consumers going to watch cultural performances than in cities such as Beijing and Shanghai. Instead, because many people coming to Shenzhen have the intention of starting their own business and getting rich, they are more eager to acquire knowledge on becoming wealthy. So they prefer buying books on finance and economics and signing up on training courses of this nature.

Consumption characteristics of a young city
Shenzhen is a young city. Young Shenzhen consumers are fashion savvy and like to try out new things and this characteristic is reflected in the way they consume.

In shopping for daily-use articles, food and drinks, Shenzhen consumers today prefer going to large shopping complexes and have high demands on environment, service attitude and convenience. Fewer and fewer people are going to farm produce markets or wet markets to buy staple and non-staple foods. Shopping frequencies reveal that 70% of the people would go to large shopping malls at least once a week.

Payment by cards is also very common in Shenzhen and is a way of consumption and life for the younger generation. A lot of youths born in the 1980s are buying home appliances and digital products through hire purchase. In addition, Shenzhen consumers are fond of online shopping and a large slice of the online transactions carried out on major Chinese shopping websites such as Taobao and JD.com is attributable to the city.

By contrast, Shenzhen’s consumer market for the elderly is limited in size and consumption is mainly restricted to healthcare articles and clothing.

Spending on children is developing in leaps and bounds. In addition to buying clothing and toys, parents are very willing to spend on education, through the buying of books and signing up for all sorts of extra-curricular training courses. When it comes to buying baby products, parents are very concerned with quality and safety and their standards are very high. Therefore a lot of Shenzhen residents are shopping for milk powder and diapers in Hong Kong and this has become a big feature of Shenzhen’s consumer market.

4. Profiles of Shenzhen’s Major Commercial Districts

Renminnan

With Renmin South Road as its axis and situated right next to the Luohu checkpoint, here one can find large shopping malls, including Luohu Commercial City, International Trade Centre Building and King Glory Plaza, as well as the two large clothing wholesale markets of South China Fashion Market and Petrel Fashionable Dresses.

Since it is a long-established commercial district, Renminnan is the most thriving place for dining and entertainment in Shenzhen. In addition to mid- and up-market hotels, such as Sunshine, Shangri-La and Best Western Shenzhen Felicity, there are many high-class entertainment establishments including theatres, dance halls, karaoke parlours and discotheques as well as numerous restaurants in this district. As such, this is a prime destination for night life.
Dongmen

Also called the “Old Street”, Dongmen pedestrian walk is historically the oldest commercial district in Shenzhen, offering fashionable consumption of mass appeal. The countless boutiques, specialty stores and snack bars here lure shoppers with their trendiness, value-for-money and rich characteristics, not least tourists, youths and low-income people.

Not only can one find old-fashioned balconied buildings characteristic of the deep south of China, but there are also large modern shopping malls and comprehensive department stores here, including Maoye, Lilian Sun Plaza and Rainbow, as well as commercial buildings such as Wangjiao Shopping Plaza, Sun Hung Kai Business Centre, Jiulongcheng and Yuegang Commercial Centre. Thus, this is the largest commercial district in Shenzhen with the highest concentration of shops and the most comprehensive range of merchandise.

Huaqiangbei

Huaqiangbei is Shenzhen’s answer to Nanjing Road of Shanghai. It is a major commercial district with the most comprehensive range of businesses covering several dozen sectors, including general merchandise, clothing, jewellery, dining and finance.

In addition to dozens of large shopping malls and specialised markets as well as two food streets, Huaqiangbei also boasts the largest full-range electronics market in China and is home to SEG electronics market, Huaqiang electronics market, Yuanwang digital mall and other large electronics stores. Shoppers can also find specialised home appliance retailers such as Gome, Suning and Sundan. Thus, it is the destination of choice for local residents and tourists who want to buy mobile phones and other fashionable digital products.

While the full ranges of low- to high-end merchandise offered in department stores such
as Maoye, Rainbow and NICO are welcomed by Shenzhen’s middle-class consumers, the two food streets on Huafabei and Zhenghua Road offer a medley of Chinese cuisines from Guangdong, Sichuan, Hunan and Jiangxi, as well as different types of feature snacks.

Futian Central District

The Futian Central Business District, with its horde of malls, is the place for wining, dining and having fun and the place to go for white-collar workers employed in the surrounding top-grade office blocks. It is becoming a commercial district for consumption at diverse levels and in all respects. The Shenzhen Convention and Exhibition Centre is situated in this district. In addition to large shopping complexes, including Coco Park, Gou Wu Gong Yuan (literally “Shopping Park”) and Rainbow, one can find a number of five-star hotels, such as Marco Polo Shenzhen, Shangri-La, Ritz Carlton, Four Seasons and Golden Central.

Shenzhen Bay

Nanshan has seen rapid growth in recent years and has developed into a multifunction business district for commerce, culture, leisure, recreation and office space in the region, with Houhai at the centre and extending to the OCT Resort, Shekou and Xili. The Nanshan Commercial and Cultural Central District, the Europe Town, Yitian Holiday Plaza, Kingkey Banner Center and Shekou Garden City Center around the Shenzhen Bay, together form the Shenzhen Bay business district. Following the advance of major projects, including the Qianhai-Shekou free trade zone, Houhai financial headquarters district and Dashahu innovation corridor, Shenzhen Bay is rapidly emerging as Shenzhen’s new commercial district.

Bao’an

Currently, this has evolved into a vibrant commercial district with GLC Shopping Centre
as its centre and is home to facilities such as Baorun decorative materials mall, a cultural industries park, Jinxiangjiang furniture city, a farm produce wholesale market and the Baomin Road food street, etc.

There is plan to develop one or two commercial streets in the new Bao’an commercial district to lure the setting up of professional shops selling all types of chic products and also bringing in high-end department stores, hypermarkets, large professional shops and brand-name stores. As well, the district will encourage development of cultural and entertainment projects in order to become a large commercial district, with a full range of functions and industries in western Shenzhen.

**Longgang**

The central district of Longgang has a business area of more than 1.2 million sqm, equivalent to the business area of Dongmen and Huaqiangbei put together. It represents the next generation of commercial districts in Shenzhen. The presence of new department stores, such as Mall City, Grandbuy and Haiya next to traditional large-size shopping malls such as Rainbow, China Resources Vanguard and Shirble, has given consumers a larger range of venues to choose from.


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