



Chinese
Millennials
Taskforce



8 Things to Know to Succeed in China's Shoe Market (2018)

*A thematic survey of China's BAT Generation born
between 1980 and 2010 on their shoe shopping habits*

by Elvis Luk, DPhil



Takeaways

1. Sneakers dominate the shoe cabinet
2. Balinghou, Shanghaiese, women are shoeaholics
3. Platform shoes for guys are in demand
4. Mindful spenders with planned purchase
5. Quality comes first, then dressing trend
6. Don't expect bloggers/ad to help raise sales of a specific product
7. Jiuwuhou are single-handed consumers
8. Pay attention to overall shopping experience

Facts & figures

Of the **2,170** BAT respondents,

- each owns **21.2 pairs** of shoes on average, among which **4.3 pairs** are sneakers;
- **44%** bought 4 to 7 pairs of shoes last year;
- **22%** collect shoes for appreciation

At the pre-purchase stage,

- **51%** motivated by styles that they like, followed by needs risen from sports/work (**42%**) and replacement of damaged shoes (**36%**);
- only **19%** of them make impulse purchases and **13%** buy shoes without practical reasons

At the point of purchase,

- **79%** think quality/comfortability influence their decision on which pair to get;
- **72%** care whether the pair matches fashion trend;
- only **18%** and **24%** of the respondents find celebrity branding and fashion bloggers influential to their purchase decision

In terms of shopping experience,

- **48%** agree that they are willing to spend a lot of time on finding a pair of shoes that they like;
- **52%** agree that pleasure comes after a great shoe shopping experience

Introduction

Our ancestors made shoes to protect us from heating floor and random sharp objects on the ground surface, but modern designers have brought shoes to the next new level by pairing them with clothes.

Everyone in China, which is of 1.3 billion people, needs one pair of shoes, at least. Purely in 2016, the sales of footwear in China was up to HKD451.2 billion (equivalent to USD57.2 billion), according to the Hong Kong Trade Development Council. Of this, the sales of women's shoes delivered HKD220.8 billion in revenue terms, accounting for 49% of the total, while the sales of men's footwear brought in a further HKD170.4 billion (38%). Sales of children's shoes, meanwhile, accounted for HKD60.0 billion (13%). By 2021, it is estimated that the mainland footwear market will be worth around HKD547.8 billion.

The Chinese footwear market has witnessed a steady growth over the past few years. From 2012 to 2016, the total sales of footwear market in China had risen by HKD87.5 billion, the average annual growth was 6% in other words.

Footwear brands competed hard to get a fraction in the market – in this report, we look into the effectiveness of different marketing practices as well as various factors that are taken into account by the BAT consumers at each point of their shopping journey.

451.2 (HKD billion)

2016 footwear sales in China

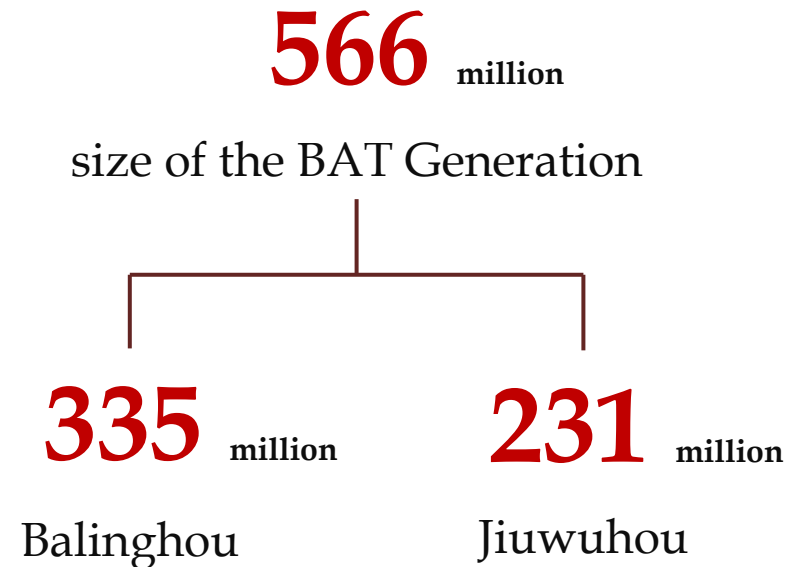
6%

average annual growth 2012-16

China's BAT Generation: big, unique, influential

China's three Internet giants, namely Baidu, Alibaba and Tencent, or collectively known as BAT, have continued to dominate online search, e-shopping, gaming and instant messaging as early as the 2000s. Named after the three Internet behemoths, the BAT Generation is relevant to the cohort of Chinese-born in the years between 1980 and 2010 and is representing 566 million consumers. It is a generation which can significantly differentiate themselves from any generation before – it is big, unique and influential compared to their parents' generation and western counterparts.

The BAT Generation is often categorized into two separate buckets: Balinghou (Millennials born between 1980 and 1994, now aged 24-38) and Jiuwuhou (Z-lennials born between 1995 and 2009, now aged 8-23). Raised in single-child households in light of China's one-child policy, and growing at a time when China's economy and wealth were taking off, the Balinghou and Jiuwuhou are spending more generously and demonstrating more individualized preferences.



Respondent profiles

The analysis of this report is based on a questionnaire survey conducted from early January to mid-February 2018 among a sample of 2,170 BAT respondents in three Chinese cities: Hong Kong (1,048), Shanghai (622) and Wuhan (500). Of these respondents, 1,507 (69%) are Balinghou (born between 1980 and 1994) whereas 663 (31%) are Jiuwuhou (born between 1995 and 2010).

While male made up of 32% of the total number of respondents, female was of 68%.

In terms of occupation, 46% of the total respondents are white-collar workers, 19% are students and 11% are freelancers. On the other hand, 42% of the respondents have personal income below HKD10,000 per month; 37% have monthly income between HKD10,000-20,000; only 21% exceed HKD20,000 in income.

3

cities

2,170

BAT respondents

42%

earn <HKD10,000/mth

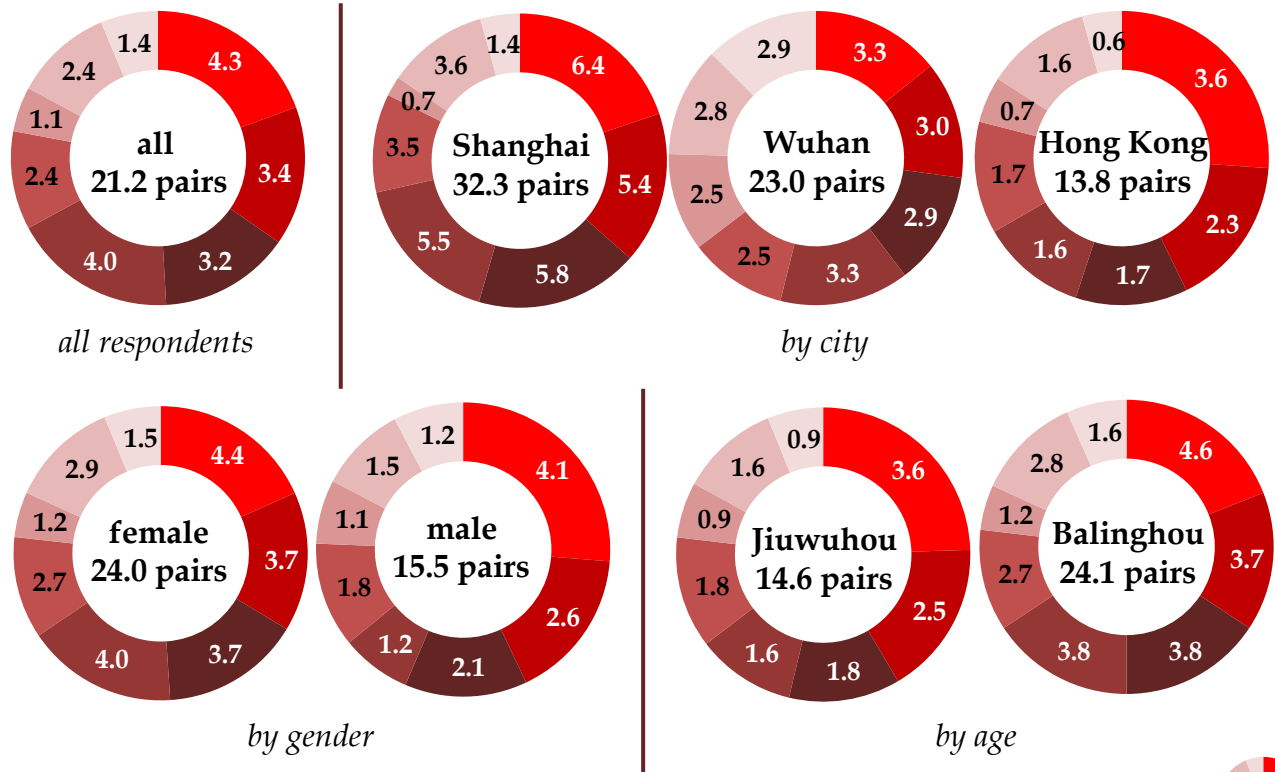
1. Sneakers dominate the shoe cabinet

Perhaps we have never counted pair by pair in our own shoe cabinet – but this research has found that each respondent owns 21.2 pairs of shoes on average. However, there are differences at city level. While respondents from Shanghai and Wuhan have 32.3 pairs and 23 pairs respectively, Hong Kong with just 13.8 pairs on average is significantly lagging behind. Though the three cities demonstrate numbers with large gap, they do have a similarity. Respondents from the three cities obviously like sneakers better than other type of shoes, such as lifestyle shoes, leather shoes, high-heels/platform shoes and so on. Each respondent has 4.3 pairs of sneakers on average.

Apart from geographical differences, gender and age differences are also observed. Each female respondent has 24 pairs of shoes on average while 15.5 pairs for a male counterpart.

Cutting respondents into two buckets according to their age groups, Balinghou and Jiuwuhou, the research has found that each from the older group owns 24.1 pairs on average while the Jiuwuhou, the younger group, owns 14.6 pairs.

Q.2 How many pairs of shoes do you own? (n=2,170)



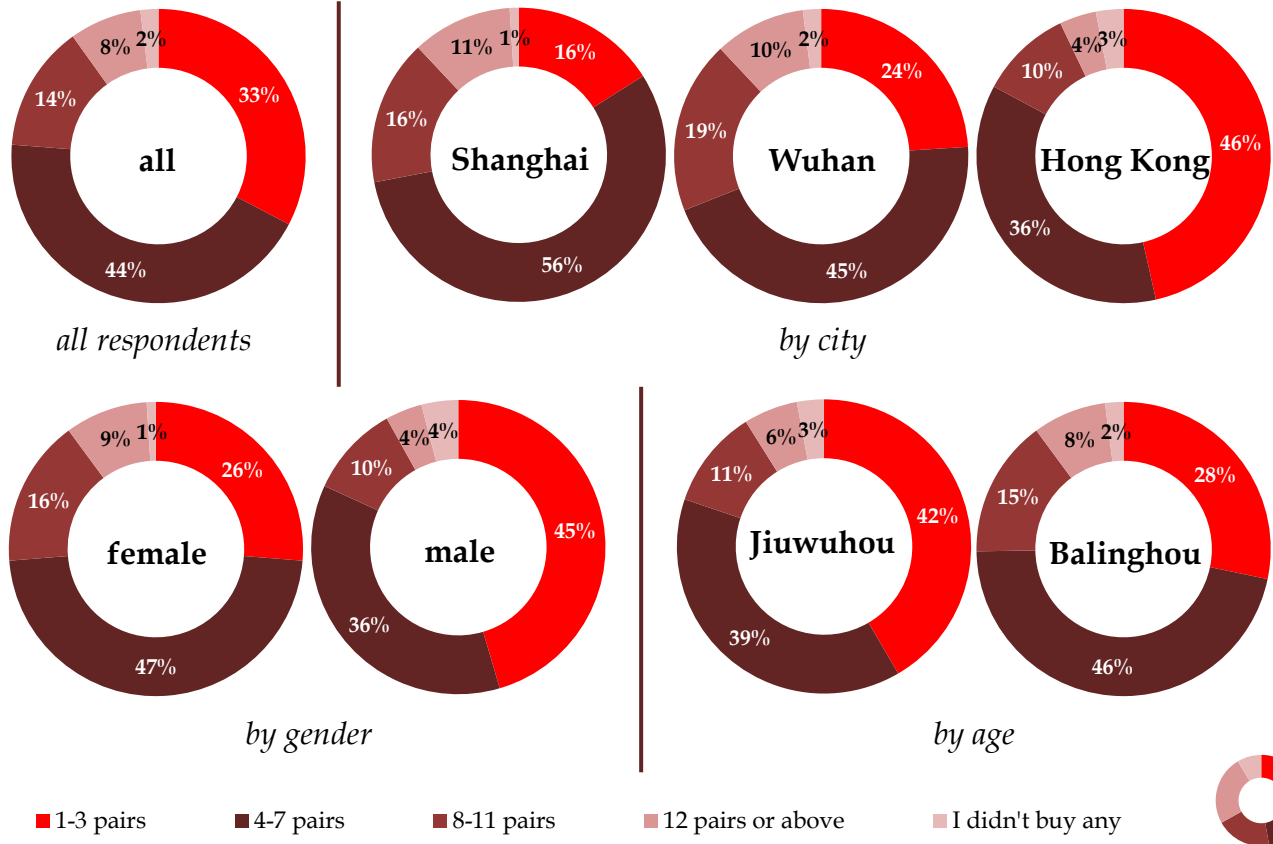
2. Balinghou, Shanghaiese, women are shoeaholics

Most of the respondents, 44% of the total, bought 4 to 7 pairs of shoes in 2017, but respondents from Shanghai are definitely more enthusiastic than those in Wuhan and Hong Kong. Over half (56%) of the Shanghai respondents bought 4 to 7 pairs last year, and 11% of them bought 12 or more pairs in 2017. It is not too much to say that Shanghaiese are shoeaholics for they virtually got one pair a month last year.

Not only regional difference is observed but also gender difference. 45% of male respondents bought 1 to 3 pairs of shoes in 2017 while 47% of female respondents bought 4 to 7 pairs last year. It implies that male usually has lower desire to buy shoes. The difference between female and male gets more significant when it comes to more pairs of shoes.

Balinghou, the older generation, obviously bought more shoes than Jiuwuhou. 70% of Balinghou respondents bought 4 or more pairs in 2017 while only 55% of Jiuwuhou respondents did the same.

Q.3 How many pairs of shoes did you buy last year? (n=2,162)

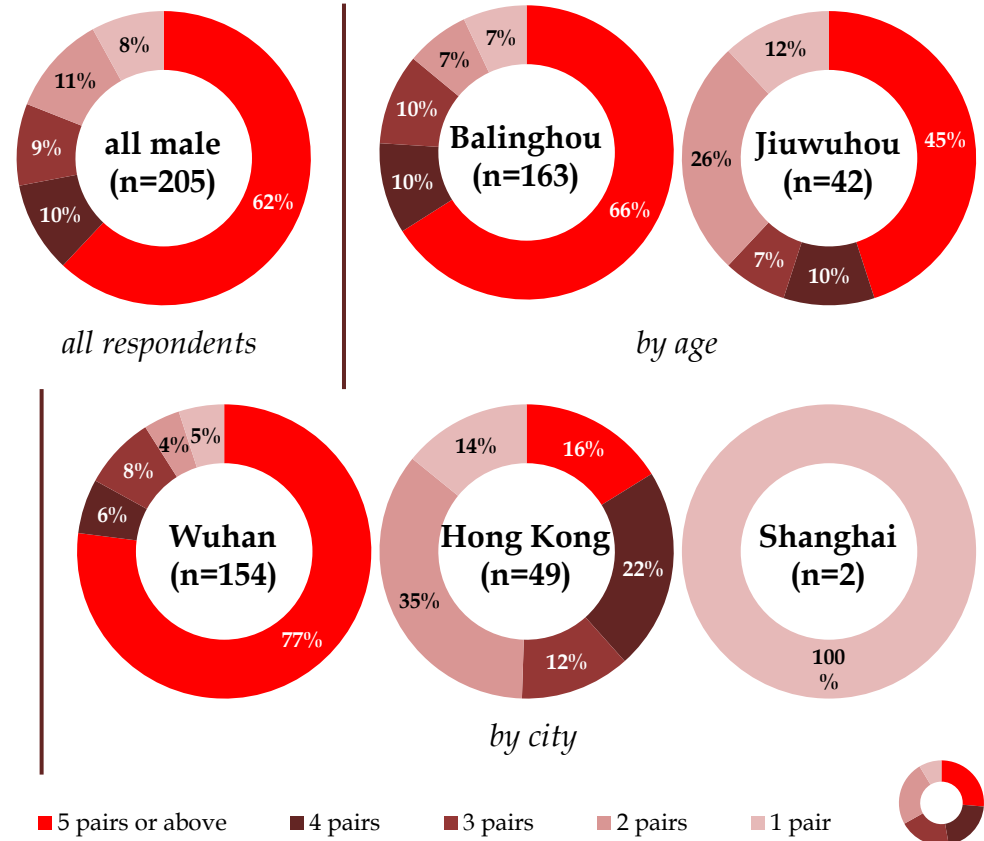


3. Platform shoes for guys are in demand

In the past, guys couldn't appear taller unless someone did magic. But now, platform shoes for guys are in the service which are more than ready to offer help.

Thanks to the booming K-pop culture, 1 in 3 of the 697 male respondents own platform shoes and over 62% of them have 5 or more pairs in their shoe cabinets. Different ages also present inclination on platform shoes – while only 20% of all Jiuwuhou male respondents (n=215) having platform shoes, the figure for Balinghou male respondents is up to 34% (n=482).

Number of platform shoes owned by male respondents (figures derived from Q3)



4. Mindful spenders with planned purchase

What would motivate the BAT Generation to pay a new pair of shoes? To 51% of the respondents, they would be motivated by styles that they like, whereas 42% of them would be motivated by needs risen from sports or work. Looking for a replacement of damaged (36%) or shabby (32%) shoes is also a reason triggering their purchase.

The research also finds that only 19% of the respondents would make impulse or spontaneous purchases and 13% would buy shoes without reasons. The results suggest that the respondents are conscious about their purchases. They do not want to buy anything they don't like or they don't need – keeping money in their own pocket unless there is very reasonable spending ground.

At city level, Hong Kong has the same top three reasons as the overall figure but the order of the three is upside down. Most of the respondents from Shanghai agree with the first two reasons while replacement for damaged shoes (18%) only ranks the 9th for the city. Instead, they would see whether the pair is fashionable enough (41%).

Respondents from Wuhan give the most different reasons for getting a new pair of shoes. While bloggers and KOLs are very ineffective to respondents from Shanghai (17%) and Hong Kong (6%), those from Wuhan make it the top reason for buying a new pair (47%). Wuhan respondents also care so much about how trendy the pair is (46%), followed by the fact whether the pair presents their own personal style (43%).

Q.4 What usually trigger your purchase of new shoes? (n=2,170)	All	Rank by city		
		SH	WH	HK
Style that I like	51%	1	3	3
Needs created by sports/work	42%	2	5	2
Shoes were damaged	36%	9	7	1
Fashion trends	32%	3	2	7
Old shoes to be replaced	32%	6	4	5
New edition	31%	4	6	4
Discount	28%	5	8	6
Recommendations from bloggers/KOLs	19%	10	1	12
Impulse buying	19%	7	9	8
Limited edition	14%	8	11	9
Random/no reason	13%	11	10	10
Recommendations from family/friends	6%	13	13	11
Life is boring	4%	12	12	13

5. Quality comes first, then dressing trend

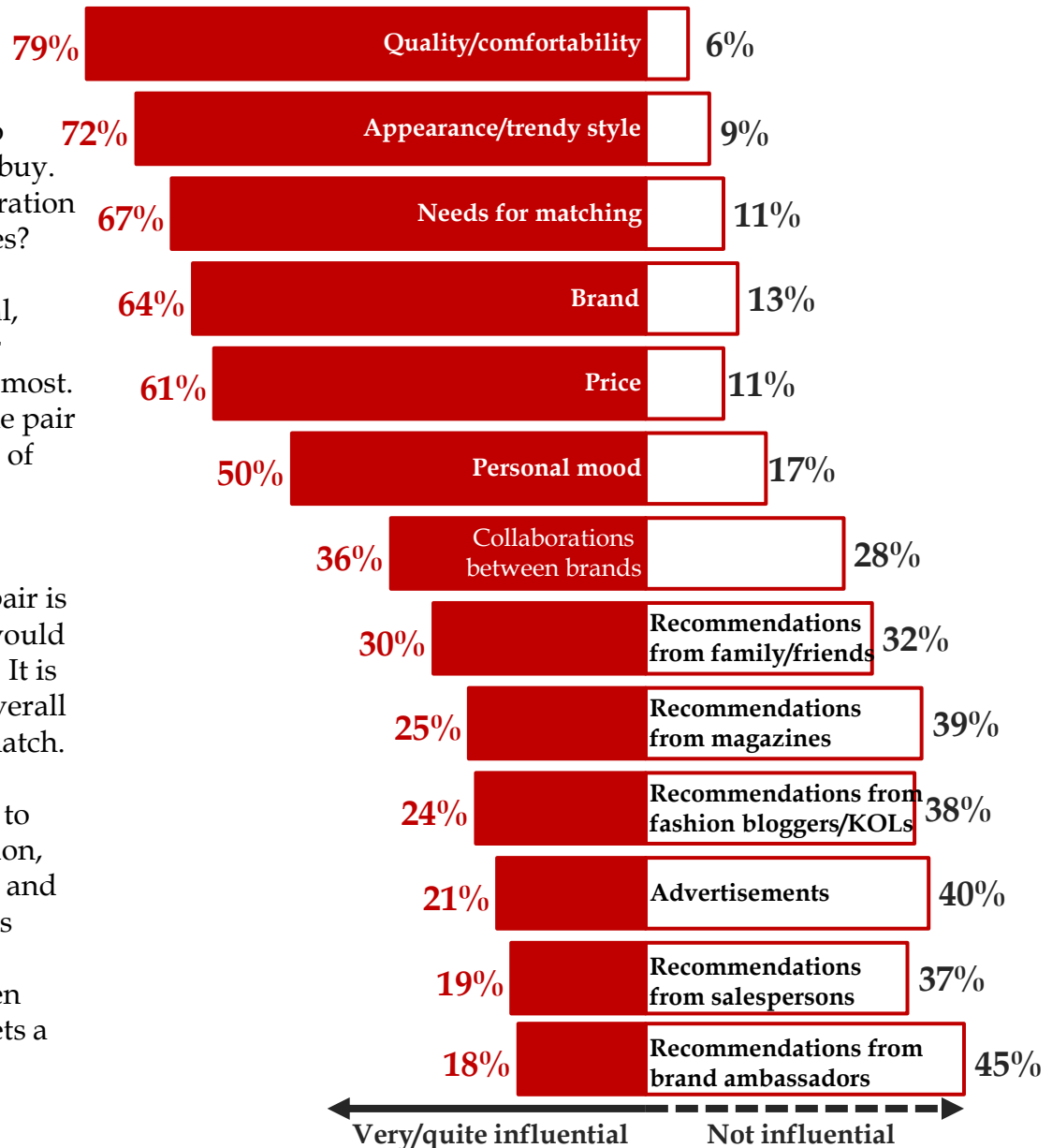
Once the buying process is triggered, it comes to the practical stage of determining which pair to buy. But based on what criteria would the BAT Generation pick one pair of shoes out of the other 100 choices?

To a majority of the respondents, 79% of the total, quality and comfortability that shoes could offer influence their decision on which pair to get the most. At city level, the quality and comfortability of the pair means so much to Shanghai respondents as 95% of them find it very or quite influential.

While the respondents weighed quality and comfortability most heavily, appearance of the pair is also highly important. 72% of the respondents would care whether the pair matches the fashion trend. It is important for shoemakers to keep track of the overall fashion trends as to design shoes which could match.

But of course, not all the consumers would stick to current fashion trends. Parisian chic, Lolita fashion, American casual and Rock 'n' Roll never get old and they have their own fans. 67% of the respondents would see if the pair could fit their needs for matching their own clothing style. It is wise when shoemakers make and stick to a line which targets a specific group of consumers, creating its loyal customers.

Q.5 How influential are the following factors when you are deciding which pair of shoes you will buy? (n=2,170)



6. Don't expect bloggers/advertisement to help raise sales of a specific product

In these few years, marketers put a lot of money, especially in China, into KOL/blogger marketing and advertisement. Sometimes it could cost up to a million RMB for one promotional article. While the fee is tremendous, how do we measure the success of the investment? In 2016, BBC interviewed Papi Jiang, one of the top KOLs in China. In the same year, her first video advertisement was sold at 22 million RMB (equivalent to USD3.4 million).

But in our survey, only 18% and 24% of the respondents find celebrity branding and fashion bloggers influential to their purchase decision, and only 21% and 25% said they would easily be persuaded by advertisements and magazines to buy a pair of shoes.

But we cannot brush over the fact that these parties can influence the overall image of the brand – where 64% of the respondents find brand image important. So to make sure the money dropped into the water would make waves, it is important to look into the profiles of the bloggers or the publications so to make sure they could enhance the brand image but not confusing the existing and potential consumers.

only **24%** think
fashion bloggers could
influence their purchase decision

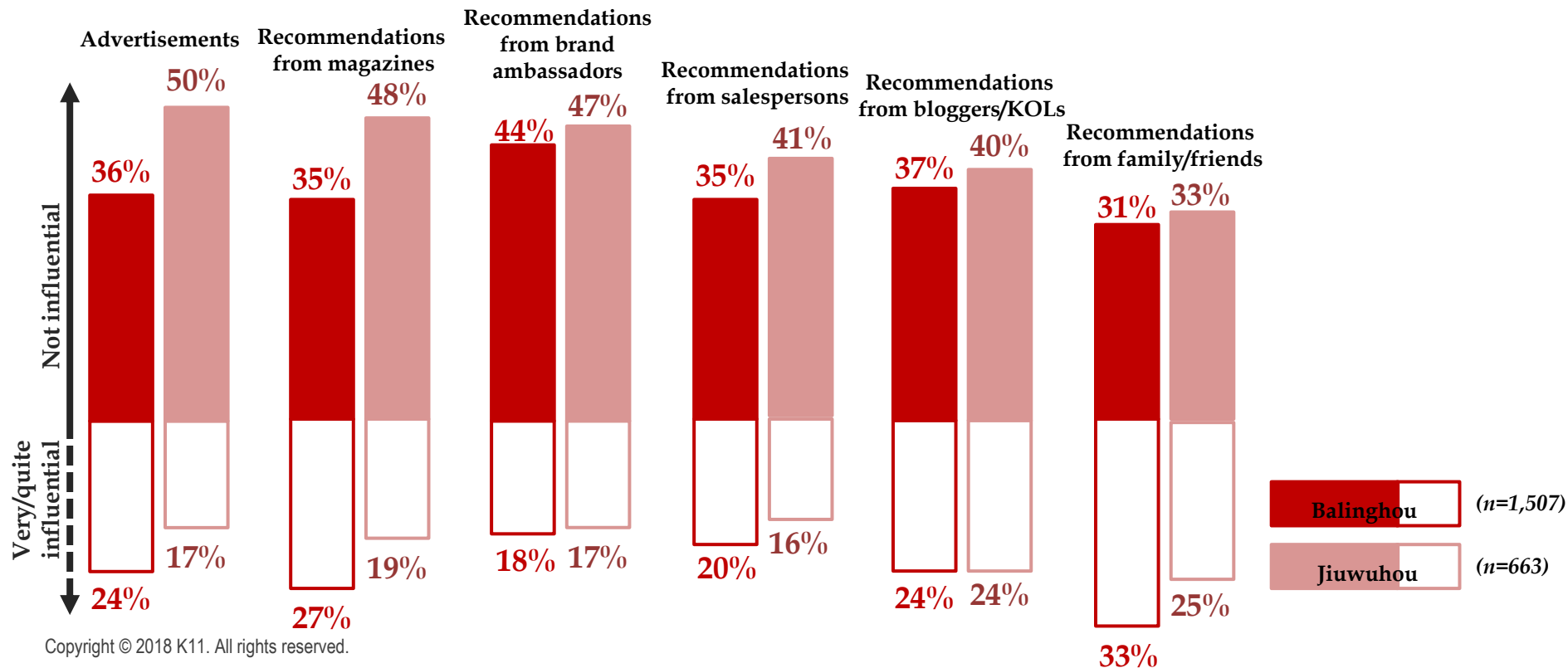
only **21%** think they would be
persuaded by advertisements

but **64%**
regard brand image important

7. Jiuwuhou are single-handed consumers

Compared to their Balinghou predecessors, the younger Jiuwuhou are growing up with a healthier Chinese economy and appear eager for independent thinking – not waiting for their parents to teach them things or tell them how to make decisions. The survey findings suggest that Jiuwuhou are obviously more independent than the Balinghou when making a choice. In other words, their purchase decisions are less likely to be affected by others. The largest difference between the two generations is seen from the influence of brand advertising and magazines, whereas around 14% more of Jiuwuhou than Balinghou finding advertisements and magazines not influential in intervening their purchasing decisions.

Q.5 How influential are the following factors when you are deciding which pair of shoes you will buy? (n=2,170)



8. Pay attention to overall shopping experience

While shoes protect feet, a desired pair could build confidence for 60% of the respondents. And to 41% of the respondents, the desire for shoes is in their DNA. Perhaps not hugely surprising, 48% of the respondents are willing to spend time on hunting a right pair of shoes and at the same time they stay rational as impulse purchase is not their thing. Only 28% of the respondents could gain satisfaction from impulse purchase. As mentioned earlier, respondents usually have planned purchases, making rational choices based on their own practical needs and not easily influenced by external parties such as brand ambassadors, advertisement and articles on magazines. In other words, it is difficult to change their minds at the point of purchase.

So it comes to the question of how a specific product can attract consumers when there are over a thousand of brands to choose from. It is all about the brand image, which is important for giving potential consumers a certain perception of the brand in which the consumers will decide whether the brand image could fit their personal taste and lifestyle. Brands with strong image and stories behind will be more likely to win hearts of the BAT consumers.

But brands are still capable to do something at the shop. To 52% of the respondents, a great shoe shopping experience would make their days. And 38% of the respondents would pay a new pair when they are motivated by a good mood. Though their mood cannot directly influence their purchasing decision, 38% of the respondents would be motivated to take out their cash or credit card freshly from their wallets when their mood is good.

And here, salespersons play a big role in establishing an enjoyable atmosphere for consumers by offering well-rounded service. While salespersons are people who go inside the stock and get our size, they can also be experts who give valuable fashion advice.

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Q.6 Do you agree with the following statements? (n=2,170)	Agree/ strongly agree	Disagree/ strongly disagree
Wearing a pair of shoes that I like gives me confidence	60%	11%
Pleasure comes after a great shoe shopping experience	52%	14%
I'm willing to spend a lot of time on finding a pair of shoes that I like	48%	17%
The desire for shoes is in my DNA	41%	17%
When I'm upbeat, I'm more willing to buy shoes	38%	25%
Compared to clothes and accessories, I'm more willing to spend money on shoes	31%	22%
Impulse purchase gives me satisfaction	28%	32%
I'm willing to buy a pair of uncomfortable shoes that I like	15%	55%

Appendix: how about China's neighbours?

UK - size of footwear market

Mintel, a market intelligence agency, indicates in its Footwear Retailing - UK (July 2016) report that the sales of men's footwear grew 9% from HKD39.4 billion in 2015 to HKD42.6 billion in 2016, but the sales of women's footwear fell 2.5% from HKD61.2 billion in 2015 to HKD60.1 billion in 2016. China shared the same trend though not in terms of magnitude. From 2015 to 2016, men's footwear rose by 4.2% and reached HKD170 Billion while the sales for women's footwear dropped by 1.3% (HKD220 Billion), according to Hong Kong Trade Development Council.

Size of men's and women's footwear market in 2016 (HKD billion)

103		390
UK		China

UK - main reasons for purchase

NPD, a market research company, published a report in 2014 indicating 59% of female in the UK buy new shoes when they have to replace worn out shoes while 38% would take great sale as the main motivator for purchase. However, our survey finds a very different result for China. Most of the BAT female respondents, 56%, would spend money when they see styles they like and 41% of them would be motivated by needs rising from sports and work.

Main reason for buying a pair of shoes

59%		56%
to replace worn out shoes - UK		see the style they like - China's BAT Gen

US - men's favorite shoes

FDRA, a shoe trade organization focusing on footwear, finds that 35% of its male respondents are most likely to purchase casual sneakers. The report, called 2017 Holiday Shoe Sales Survey, also says 18 to 29 year olds are most likely to buy performance shoes (34%) and casual sneakers (29%). Our survey finds that, sneakers dominate shoe cabinets of Chinese BAT male, where each male owns 4.1 pair of sneakers, followed by 2.6 pairs of lifestyle shoes.

Men's favorite shoes

35%		4.1 pairs
likely to purchase sneakers - UK		sneakers owned by male BATers - China

UK - source of inspiration

NPD also says in its 2014 report that most of the 18 to 34 year-old women would be inspired by magazines and online fashion sites for which pair to get. They would also be influenced by trends and motivated by fashion, impulse and in-store shopping experience. In China, according to our survey, 33.6% of BAT female would trust recommendations from family and friends the most, followed by 28.2% of them taking recommendations from magazines.

Women's source of inspiration

magazines/ online fashion sites		family/friends
UK		China's BAT Gen

Appendix: how about China's neighbours?

Malaysia - time spent on looking for a pair

Chic Outlet Shopping revealed its research result in 2016 indicating that 81% of female shoe shoppers would spend an average of two weeks a year looking for a perfect pair of heels. Our survey finds that one in two BAT women in China would be willing to spend a lot of time looking for a perfect pair.

81%

women spend 2 weeks in a year looking for a perfect pair of heels - Malaysia

48%

women willing to spend a lot of time looking for a perfect pair - China's BAT Gen

Malaysia - money spend on shoes

Chic Outlet Shopping also finds that 77% of Malaysian women would put money into a secret designer shoe fund every month. The study also finds that Malaysian women would spend up to HKD260,196 on shoes over a lifetime. 40% of its respondents would buy a new pair as soon as they get their paycheck, implying that they would get a new pair every month. It also finds that more than one in three women respondents would celebrate success with a new pair of shoes.

\$260,196 HKD

women spend on shoes over a lifetime - Malaysia

About K11 Chinese Millennials Taskforce

K11 Chinese Millennials Taskforce conducts original and thematic research with an aim to decode Chinese Millennials and Gen Z's consumption pattern, while offering substantive insights for Western brands to navigate China's retail market. At 566 million strong, and with their unique upbringing shaped by the Chinese family structure, economy and society, China's formidable Millennial and Gen Z population (the BAT generation) is pushing the transformation of China's consumer market – and in fact, the global market – forward with new patterns of consumption.

About K11 Group

Founded in 2008 by entrepreneur Adrian Cheng, K11 Group combines art and commerce in commercial and residential real estate, and a growing portfolio of brands across different sectors in Greater China and around the world. Marking its 10th anniversary, K11 Group announced its most ambitious museum-retail development K11 MUSEA in June 2018, situated at the heart of the new \$2.6bn Victoria Dockside art and design district developed by parent company New World Group in Hong Kong, scheduled to fully open in 2019. In addition to its flagship K11 Art Malls, K11 Group also operates K11 Atelier, a network of office buildings for the next-generation workforce; open education platform K11 Kulture Academy; the terrarium-inspired transformative retail concept K11 Natural; consulting and market research institution K11 Chinese Millennials Taskforce; and K11 Art Foundation, China's first not-for-profit to incubate Chinese artists and curators.

K11 Group is based in Hong Kong and has operations in Greater China, as well as investments in Europe and the US.

Through K11 Group, Cheng's stated aim is to constantly innovate and “connect China's cultural ecosystem and its emerging millennials and Generation Z with the world”, creating a new global identity for Chinese millennials. By 2023 K11 Group will have gained a footprint in nine cities across Greater China.

