



CHINA EXECUTIVE BRIEFING

Consumer insights of Chinese Consumers for marketing executives

Insights from ProsperChina's Quarterly survey of over 16,000 Chinese Consumers providing unique knowledge to identify opportunities and understand the marketplace. Visit the new ProsperChina.com website.

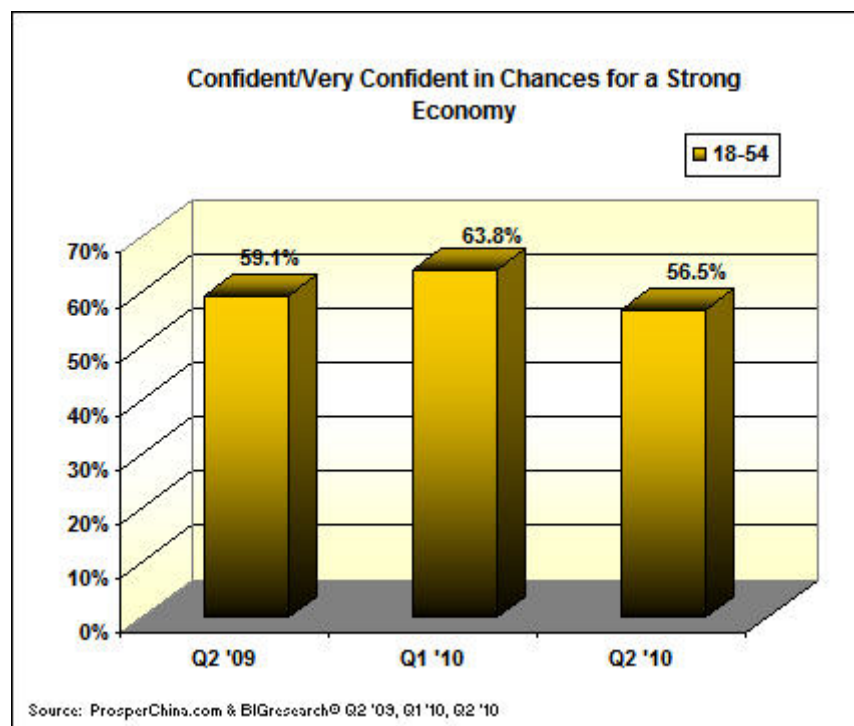
July, 2010

Talking Points:

- Consumer Confidence declines in Q2
- 24.3% planning to buy/lease a car
- Fewer say they are better off financially
- Consumer practicality drops
- Carrefour and Walmart #1 and #2 for groceries
- 6 month outlook for durable goods takes a summer vacation
- Starbucks #1 coffee destination, KFC #1 for fast food

Economy

When asked about chances for a strong economy during the next 6 months Chinese Consumers are feeling less confident than they were last quarter and last year. Confidence has dropped more than 7 points since last quarter (56.5% Q2 '10 vs. 63.8% Q1 '10) and is down nearly 3 points year-over-year (59.1% Q2 '09).



Focus on needs over wants has decreased year-over-year (41.4% Q2 '10 vs. 45.4% Q2 '09) and remains flat quarter-over-quarter (41.4% Q2 '10 vs. 41.3% Q1 '10). Becoming more practical/realistic in purchases has decreased year-over-year (58.6% Q2 '10 vs. 62.7% Q2 '09).

Personal/Financial

Employment outlook declines quarter-over-quarter with 32.2% (vs. 25.4% Q1 '10) of Chinese Consumers anticipating more layoffs over the next six months than at present.

Confidence in the Chinese Stock Market has decreased quarter-over-quarter (58.3% Q2 '10 vs. 66.1% Q1 '10) and year-over-year (58.3% Q2 '10 vs. 62.1% Q2 '09) with consumers being less likely to answer that they would definitely invest/probably invest.

Flat from last quarter, 31.1% of Chinese Consumers 18-54 say they will be driving less due to fluctuating gas prices, up 4.4 points since last year's reading (Q2 '09) of 26.7%. Consumers are maintaining their coping methods when dealing with fluctuating gas prices.

As a result of fluctuating gas prices, are you doing any of the following?			
	Q2 2009	Q1 2010	Q2 2010
Buying more store brand/generic products	11.5%	11.5%	12.0%
Doing more comparative shopping online	34.7%	37.0%	35.8%
Doing more comparative shopping with ad circulars/newspapers	12.5%	12.3%	12.2%
Shopping closer to home	30.3%	31.5%	31.6%
Shopping for sales more often	30.1%	26.6%	26.6%
Shopping more online	30.0%	33.4%	33.3%
Taking fewer shopping trips	19.9%	17.2%	17.5%
Taking public transportation more	38.5%	38.5%	38.5%
Using coupons more	18.3%	15.6%	15.2%
Deferring auto maintenance/tires	6.1%	6.6%	6.8%

*The sum of the % totals may be greater than 100% because the respondents can select more than one answer.

Source: ProsperChina.com & BIGresearch® Q2 '09, Q1 '10, Q2 '10

Year-over-year, Consumers' personal financial situation appears to be improving as the number of people "better off" rose to 31.9% (vs. 23.9% Q2 '09). However, quarter-over-quarter those "better off" has dropped 5 points (37.0% Q1 '10).

Year-over-year and quarter-over-quarter, 18-54 year old Chinese Consumers who agree/strongly agree about the statement, "I am saving enough to meet my future needs," remains consistent across the board (20.2% Q2 '10, 20.2% Q1 '10, 20.0% Q2 '09).

The number of Chinese Consumers 18-54 planning to save more than they did last year is up year-over-year (38.4% Q2 '10 vs. 34.9% Q2 '09), although quarter-over-quarter has decreased (38.4% Q2 '10 vs. 42.6% Q1 '10).

Nearly 4 in 10 Chinese Consumers 18-54 own a car, flat from last quarter (38.8% Q2 '10 vs. 38.8% Q1 '10) and up 5 points year-over-year (33.8% Q2 '09).

The card used most often for personal expenditures is a Bank Debit Card (35.0%), followed by Visa (30.7%) and Master Card (8.6%), while (17.0%) do not have a credit card. The top three payment categories for credit card for payment are: Electronics/Furniture (44.9%), Clothing (37.1%) and Health & Beauty Aids (33.2%).

Retail

Carrefour (15.3%) remains #1 for where Chinese Consumers 18-54 shop for groceries most often. Rounding out the top 3 are Wal-Mart (13.1%) and DaRunFa (7.5%) in Q2 '10 which is consistent with Q2 '09.

TaoBao.com keeps the lead spot for where consumers shop most often for Apparel/Clothing with 13.5%. Rounding out the top 3 in Q2 '10 are Parkson (6.8%) and New World (4.2%).

In Q2 '10, Guomei (33.5%) holds the lead for where consumers shop most often for Electronics with Suning coming in second (22.8%) among consumers choosing that retailer most often.

KFC holds the top spot for the fast food restaurant Chinese Consumers 18-54 eat at most often with 31.9%, followed by McDonalds at 15.3% and Pizza Hut coming in third at 5.5%.

Chinese Consumers pick Starbucks for where they purchase their coffee at most often with 21% in Q2 '10. KFC comes in second at 15.4% and McDonalds is third with 10.9%.

Online Retail

When it comes to researching products online, 95.9% of Chinese Consumers 18-54 regularly/occasionally research before purchasing them in person or in a store, consistent year-over-year (96.2% Q2 '09) and slightly down from last quarter (96.8% Q1 '10).

The top 5 products Chinese Consumers researched online in the last 90 days are Apparel (48.0%), Electronics (39.7%), Appliances (39.6%), Shoes (32.8%) and Beauty Care & Cosmetics (31.4%).

More than 9 in 10 Chinese Consumers 18-54 regularly/occasionally purchase products online, up year-over-year (92.2% Q2 '10 vs. 90.0% Q2 '09).

Down slightly from Q1 '10, 81.3% of Chinese Consumers 18-54 regularly/occasionally search the internet on a mobile phone device (vs. 81.9% Q1 '10).

Future Purchases

In Q2 2010, purchase intentions for big dollar durables look to be put on hold compared to a year ago. Major home improvement or repair shows slight improvement, while intent to purchase remains flat for furniture, house and stereo equipment.

Q2 '10 Purchase Intentions Compared to Q1 '10 and Q2 '09

Category:	Q1-10	Q2-09	Category:	Q1-10	Q2-09
Computer	down	down	Stereo Equipment	down	flat
Furniture	down	flat	TV	down	down
Home Appliances	down	down	DVD/VCR	down	down
House	down	flat	Digital Camera	flat	down
Jewelry/Watch	down	down	Vacation Travel	down	down
Major Home Imp/Rep	flat	up			

*Flat is defined as a change of +/- .3 points from previous year or quarter.

Up year-over-year, 24.3% of Chinese Consumers plan on buying/leasing a car/truck within the next 6 months (vs. 22.8% in Q2 '09).

The China Quarterly provides insights on affluent Chinese Consumers between the ages of 18 and 54 years old. This group of digitally connected consumers represents a large, rapidly growing market for luxury and everyday brand usage. They offer high potential for sales in other categories and markets. In the 20th series of the China Quarterly, BIGresearch® reveals the economic outlook, lifestyle, and media consumption of Chinese Consumers. At total of 18,089 Adult respondents completed the 2nd Quarter, 2010 survey between May 19 – June 7.

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