

New Product Development Opportunities: research on domestic consumption by the new middle class of South China

Elaine Ann, Founder/Director, Kaizor Innovation

Carmen Tsui, Master of Arts in Design, School of Design, The Hong Kong Polytechnic University

Eric Wear, Associate Professor, School of Design, The Hong Kong Polytechnic University

With the growth of its economy, China has an emerging middle class with rising levels of consumption. Our research aimed to discover the kinds of design opportunities this is creating. It is commonly thought that China is a homogeneous market with a population of 1.3 billion people stretching across a land size comparable to that of the U.S., developing at a rapid rate of over 7 percent annually in recent years. However, one needs to be mindful that China is in a state of gradually opening up its planned economy to the integration of global market economy. In the process of achieving that, the country is geographically divided into different economic zones, each zone having unique strategic importance to the country's overall developmental goals. Through an ethnographic research into one of these economic zones, this research seeks new product development opportunities for the international design industries. In this case, the Pearl River Delta (PRD) economic zone was chosen so as to consider the subtle inter-relationships between governmental policy-directed economic development and the rise of a middle class. The aim was not only to gain a better understanding of the current situation there, but also to evolve a conceptual framework for discovering opportunities for design in the China market.

The South China Experience



Fig. 1. The Pearl River Delta, the major economic zone of South China.

We focused on the Pearl River Delta (PRD) in south China as this region has the highest number of specially designated areas for economic reform, some of these established since the beginning of the 1980s. Having begun reform a decade earlier than Shanghai, the PRD has accumulated more than twenty years of experience in market economy operations, building up a critical mass of middle class consumers as well as a manufacturing base for both high-level domestic production output and international exports. Home to less than 3 percent of China's population, its manufacturing industry accounts for nearly one-third of the country's domestic output. It is estimated that the combined GDP of the greater PRD is approaching the size of the Taiwanese economy, and in five years time it will be approaching that of the South Korean economy. Another major reason in selecting the PRD as the object of investigation is its proximity and close ties with Hong Kong, the most developed and internationally well-connected urban center in this region. Hong Kong serves as financial, managerial and information centre for the region, as well as being a major point through which exports are trans-shipped.

This ethnographic research was carried out in three different cities in the Pearl River Delta, namely Guangzhou, Shenzhen, and Hong Kong, between October 2003 and January 2004. Each city was chosen for the synergy it creates in this region: Guangzhou is historically the center of China's Guangdong province, Shenzhen borders Hong Kong and was the first Special Economic Zone to experience economic reform in the Mainland, while Hong Kong is the most advanced market economy in this region. This ethnography research was distinctive in these ways:

- Ten homes were visited in each of the three cities. This allowed a holistic, broad-stroke overview of the respondents' patterns of living, working, leisure activities, social life, pursuit of a more desirable environment, and aspirations for their personal future.
- Home was considered an appropriate contextual setting for this research because culturally and socially the respondents were at ease and could readily describe everyday design and product relations in the context of an on-site interview.
- A bi-cultural perspective was adopted, with the research undertaken by a team well-versed in Chinese culture as well as international design practice. This allowed links to be made between local issues and insights for design as it occurs in mature market economies.

The Consequences of Government Policy and the Rise of a Middle Class



Fig. 2. & Fig. 3. Temporary furniture in the homes of job seekers moving from other China provinces.

The Pearl River Delta demonstrates how China's government policies have spurred the development of urban centers for investment, entrepreneurship and other vibrant economic activities. These act as magnets for talents, attracting migrants from other parts of China in search of job prospects and a more open society. In the PRD, 40% of its nearly 28 million people are migrants from other provinces. This mix of imported talents is forming the core of the productive force. Many of the newcomers are young, highly mobile adults, including both manual workers and skilled university graduates. Others are married but temporarily separated from their immediate families so as to take advantage of

opportunities to earn income in the PRD. There are also those who came to these urban centers earlier, and now have established families in these adopted cities. Each group develops close networks of friends and colleagues that together form cultural or social groups as illustrated in the diagram below.



Diagram showing mindsets in Shenzhen and Guangzhou: "Bobos" refers to the blending of bourgeois and bohemian values; the term coined was by David Brooks in Bobos in Paradise. "Xiao Kang" was the term used by the late Chinese leader Deng XiaoPing to describe the Chinese way of modernization, and the achievement of a middle class living standard.

1. The Need to Maintain Long Distant Relationships Amongst Friends and Families



Large-scale migration has created family separations that are being addressed by many new communication devices and strategies. For example, internet phones are found in homes as a means to keep in daily contact with distant friends and family members without incurring high cost phone bills. The use of the internet for both voice and text was found to be common among all generations and was often embraced by the elderly as well. The gradual breakdown of families is also giving new importance to friendship and other kinds of networks of personal relations.

Fig. 4. Using the internet for text and voice communication with friends and family.

2. Modern Home Appliances As Treasured Possessions



Fig. 5. to Fig. 7. Inventive use of fabric covers to protect dust collection on washing machines in Hong Kong and Shenzhen.

As individuals have higher discretionary spending, many modern home appliances are now treated as essential possessions. Yet there are practices regarding these that reflect embedded Chinese cultural values. For instance, these objects not only have pure utilitarian value, but also represent a possession to be taken good care of. So, while it is common to place washing machines in kitchens or on balconies, users are uneasy with the exposure of the washing machine to kitchen fumes or external weather conditions. They consequently wrap the machine in protective plastic or otherwise cover it. This also protects the machine top when it used as a surface for storage.

3. Health & Environmental Awareness in Response to Urbanization

The quality of environmental conditions in the home, including concern for food and water quality, hygiene and cleaning, and air quality is a major concern for families. Respondents in Guangzhou and Shenzhen were attracted to technological solutions to these kinds of problems, such as the common use of a high temperature disinfectant cabinet for sterilizing tableware after hand-washing to maintain hygiene. Tableware would then remain stored in this cabinet to avoid dust.



Fig. 8. Disinfectant cabinet to sterilize dishes after hand-washing



Fig. 9 to Fig. 10. Distilled water is frequently used as drinking water instead of tap water (Guangzhou and Shenzhen).

The use of distilled water distributors in the home is also common. Respondents comment on the lack of confidence in the tap water quality supplied by the municipal pipelines, especially as there are extensive and rapidly developing urban projects going on. There is concern for the urban environment, especially in respect to pollution, vegetation and access to natural landscapes. There are unmet desires for a greener environment that are only partially realised now in the selection of home location, recreational interests, and vacation plans. The above are examples of products that are designed to address environmental concerns in relation to people's health care; there are also other examples that show respondents' own creativity and inventiveness in resolving other issues related to cleaning and hygiene that are not yet addressed by products available in the market.



Fig. 11. Clear plastic "condom" to prevent dust collection on remote control.



Fig. 12. Self-invented squat toilet cover



Fig. 13. Lace-fabric cover over the TV set.

Many incremental improvements can be made, while there is a larger design opportunity to create situations that provide premium environmental rewards and assurances across food safety, hygiene, air quality, and natural (living) materials. Where the resulting designs can be purchased by individuals as personal living improvements, there may be a considerable market. On a broader scale, there should be further exploration of the desirability of more environmentally satisfying conditions in urban settings and the implications for their maintenance and sustainability.

4. Good Quality and Low Priced Mainland Products Win Over Local Customers

Chinese-made home appliances, such as DVD players, TV sets and air conditioners, are preferred to top foreign brands. In recent years, certain Chinese home appliances brands have developed a level of quality that makes them very competitive to foreign products while maintaining a low price point. Products from local Mainland brands are usually considered desirable owing to reliable guarantees and after-sales service. The opportunity for foreign companies to gain market share in China lies not only in providing excellent quality designs appropriate to the needs of Mainland users, but also in considering product life cycle and services.

5. Adapting Products to Mainland Housing Environments

Much of the housing developed in Mainland China has not been designed to accommodate modern appliances such as ventilation hoods, air conditioners, washing machines etc. Often, products and their environments are poorly related and neither policies nor markets have yet evolved to coordinate standards and conditions. Circumstances were repeatedly identified during our research where consumers had to make post-installation adjustments to adapt the product to the housing environment. This can be seen in different areas of the house such as:

In the kitchen, gas cookers are preferred over electric cookers because of the need for a much higher heat level in Chinese cooking, which generates more oil residue in the kitchen environment. As a result, Chinese kitchens require cooking hoods to disperse oil and fumes. However, housing has often not been provided with sufficient ventilation systems so users add ventilation-pipes extending from the kitchen to the outside of the building. These in turn may be covered in some manner to protect them from cooking fumes (Fig 14).

The same situation exists with indoor split-unit air-conditioners, which were not installed during housing development. Users also have to drill holes in the wall to extend the air conditioner duct to the exterior of the building. With much after-purchase adjustment required, home products designed for the Mainland market need to take into consideration the housing environment. Products that allow for easy fabrication into the existing living system will better meet the needs of the Mainland users.



Fig. 14. Housing not designed for installing kitchen cooking hoods.



Fig. 15. Housing not designed for installing for split-unit air-conditioners as shown by the exposed duct.



Fig. 16. Gas pipe in kitchen is exposed; becomes a convenient means to store knives and chopping board.

6. The Emerging Expressive and Self-Gratifying Consumer Life Style

a) *Display of Objects to Show Social Status and Taste*

Display arrangements in living rooms showcase personal taste and status and indicate interests to visitors. Products and their display systems satisfy both functional and emotional needs, and reflect changing social and cultural trends, including a growing fascination with international or Western culture.



Fig. 17 to Fig 19. Expensive wine bottle collection and souvenirs displayed in living areas.



Fig. 20 to Fig. 22. Display of rose petals and clean, minimal furnishing reflect eagerness to pursue a modern lifestyle based on Western examples.

b) *Romanticism in Private Areas of the Home*

Whether married or co-habiting, young couples use their home to give expression to their relationships and to seek concrete improvements in living conditions. A master bedroom and en suite bathroom (often determined by the woman) may represent private romance (Figure 23 & 24) or sensual attention to the body by incorporating a Jacuzzi (Figure 25), large mirrors or extensive display space for cosmetics. The en suite bath is significant as a new private space in Mainland flats and one that differs from the shared 'public' toilet that is otherwise present. (Figure 12.)



Fig. 23 to Fig. 24. Prints with erotic connotations on bedding covers reflecting open-mindedness in private life (Shenzhen and Guangzhou)

Fig. 25 Jacuzzi in en suite bathroom.

c) Small-scale and personalized consumption in Hong Kong

By contrast, in Hong Kong, our research identifies a much more mature and stable consumer market that has also evolved into a distinctive condition reflecting urban life. Compared with the expanding personal space in the Mainland cities, in Hong Kong, space is constrained and younger adults have limited opportunity to acquire substantial private spaces. Self-expression is exercised through collections of miniature objects or through a computer. It is, for instance, common to see massive collections of popular cartoon characters in Hong Kong homes, collected by both adults and young people alike.



Fig. 26. to Fig. 28. Collections of popular cartoon characters beside personal computers in the space-constrained homes of Hong Kong.

There is also a desire for a discrete, private, and intimate space, even within a family living in crowded conditions. This is often devised around a sleeping space for an individual, with a small display area (such as a shelf) and a computer and/or television. This is especially the condition for young adults living with parents. In order to create privacy, families may accept or build very small spaces – so small that the bed must be custom-built to fit. Issues to do with ventilation and storage are often very inventively resolved.

Conclusions

1. Product development for the China market needs to take into consideration of the effects of government policies.

Government policy continues to play a profound role in influencing people's daily life and the social trends it affects cannot be ignored in product design development. From the Open Door Reform Policy in 1979, to the One Child Policy in 1978 or the Housing Reform Policy in 1992, much of where people live, how families are structured, and how people own their houses, has been influenced in large part by macro governmental policy. This also influences users behaviour and mindset and in turn affects companies' product strategies.

2. The China market should be tackled by economic regions.

The different regions of China have experienced different conditions of market development and varied mindsets have emerged. It is also important to see that these phenomena are regional and not simply limited to individual cities. The Pearl River Delta is an important instance of this regional circumstance.

3. Market segments grouped by mindsets.

The middle class remains a new group in China and one that is evolving in the different regions. Grasping the desires of these new consumers may be done by considering their motives and life conditions – what we have termed here as a mindset.

4. Trust and friendship and network.

The large-scale migration of well-educated young people to the booming economy in the South has led to lives more free of familial responsibilities and social constraints. Lacking local family ties, friendships are of more importance, with friends providing information about new products, and responding to each others' lifestyle. Consumers often rely on word-of-mouth recommendations from friends and co-workers when considering new purchases and tend to rely on well-known domestic brands. The lack of trust has also limited consumer use of the internet for purchases. In the face of the sheer quality of the new products or services, user satisfaction plays a critical role with word-of-mouth the main channel of spreading knowledge about brands and products amongst friends and family.

5. Hong Kong as an information center, and a testbed for new products for the Mainland market.

Hong Kong acts as an information centre for the Pearl River Delta Region and this is strengthened by its mature media and a legal environment that assures a free flow of information. With an established and mature middle class, Hong Kong often sets regional trends and is the first city in the region to embrace new products. To a certain extent this is sustained by the attractiveness that Hong Kong holds for retailers and design firms seeking to test the potential for products in the Chinese market. Hong Kong is an attractive travel destination for Mainland shoppers, and has recently seen a large rise in Mainland tourists as a consequence of the Solo Traveller Scheme negotiated between Hong Kong and the Chinese central authorities.