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The cornerstone  
of consumption  
in the new era

# A Study on the Demand Trends of Young and Middle- aged Consumers in County Markets

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CAPITAL  
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In May 2022, the General Office of the CPC Central Committee and the General Office of the State Council issued the “Opinions on Promoting Urbanization with County Towns as Important Carriers” (the “Opinions”).

The Opinions emphasize that county towns are an integral part of China’s urban system and a key element for integrated urban-rural development—they play a critical role in promoting new urbanization and structuring new urban-rural relationships.

Firstly, county towns represent an important element of China’s urban system. As of the end of 2021, county towns and county-level cities accounted for nearly 30% of the country’s total permanent urban population. Counties and county-level cities accounted for about 65% of the total number of county-level administrative divisions. Promoting the development of county towns is conducive to guiding the agriculture-dependent population to move toward urbanization and in refining the spatial structure of urbanization, wherein cities at all levels and small towns can exist and grow in harmony.

Secondly, county towns provide important support for integrated urban-rural development. Promoting the development of county towns can help accommodate the increasing needs of farmers to work and settle in county towns, drive rural development and agricultural modernization, and strengthen ties between county towns and neighboring cities.

Thirdly, the development of county towns is an important driver for expanding domestic demand. Currently, investment and consumption in county towns is much lower compared to cities—the per capita investment in municipal utility fixed assets is only around half of that of urban districts of prefecture-level cities and the per capita consumer expenditure is only around two third of that of urban districts of prefecture-level cities. Promoting the development of county towns can help tap new investment and consumption potential.

Fourthly, the development of county towns is an important guarantee for people’s well-being. Improving industry supporting facilities can help cultivate

advantageous industries and stabilize job opportunities in county towns; improving municipal facilities can help consolidate the fundamental support required to run county towns; and improving environmental infrastructure can help upgrade the living environment of county towns.

With the ongoing efforts to create a new, “dual-cycle” development model, it is particularly important to view counties as the cornerstone market for consumption.

In the second half of 2021, the team from BA Capital spent half a year visiting numerous county towns across different parts of China, to study consumer behavior in counties, and published a research report titled “The cornerstone of consumption in the new era—A study on the demand trends of young and middle-aged consumers in county markets” (hereinafter referred to as the “study”). The status quo, consumer demand trends, and industry opportunities in county markets are analyzed in the report through the perspective of primary market investors. Following is an outline of the core contents of the study.

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# Research Summary

The study involved three phases totaling five months. Phase 1 was a field survey, during which we visited 13 local permanent households in 10 representative county towns and surveyed their growth history, daily consumption, time allocation, and future expectations.

After the visit, we observed the local cities and studied the consumption activities. The list of county towns chosen for the survey is as follows:

Fig. 1 Basic information of cities covered under the quantitative survey

## List of cities covered under the quantitative survey

County-level City/County	GDP 2020 (RMB 100 million)	Population from 7th Census (10,000)
Fengcheng, Jiangxi	535.2	106.6
Gaoyou, Jiangsu	838.2	71.0
Dongping, Shandong	216.9	68.7
Changle, Shandong	330.3	58.4
Zhao'an, Fujian	287.6	56.1
Sihui, Guangxi	607.6	52.7
Xiangtan, Hunan	501.1	79.3
Anguo, Hebei	106.9	36.3
Shishou, Hubei	208.9	47.4
Emeishan, Sichuan	351.9	41.9

Source: BA Capital 2022H1 County Economy Consumer Survey

Phase 2 was a quantitative survey based on the field survey results, during which we distributed questionnaires and received 1,613 effective responses covering 495 county level cities (151) and counties (344) across 156 prefecture-level cities and 11 provinces in different parts of China.

Phase 3 was the data analysis, model calibration, and report writing. During this phase we cleaned and analyzed data from the collected questionnaires, structurally calibrated the samples with respect to region, gender, age, marriage, and childbirth according to demographic data released by the National Bureau of Statistics and the Seventh National Census, drew conclusions by referring to expert interviews and researches of some institutions, and wrote this report.

Based on the study, we found that, young and middle-aged county residents lead a relatively comfortable life, with overall life satisfaction of 7.8 points (out of 10 points), annual average household income of approximately RMB 95,000 (before tax), high house and car ownership rate, and abundant free time—7.2 hours of work, 8 hours of sleep, and 2.5 hours of entertainment per day; in terms of consumption structure, rigid consumption of life and safety needs account for 60% while social and entertainment consumption account for 40%. Benefitting from the infrastructure investment in county towns, life in these places are not so different from modern cities. Among the respondents, there was an approximately 50% preference each for online and offline shopping. Furthermore, county town residents were generally optimistic about the future. More than 80% of the respondents expected their future income to remain unchanged or increase.

Based on the study, we found that there are seven common demands of county consumers, including (by degree of importance): **companionship** (quality time with spouse/children/friends to create good memories), **upgrade without extra cost** (good value for money— upgrade quality without extra cost), **meet basic needs** (meet basic needs of everyday life), **diverse career options for children** (provide children with multiple skills), **enrich life** (make everyday life more interesting and exciting), **consumption upgrade** (live a life that is decent, with quality everyday necessities), and **following trends** (give gifts that the recipient knows are high-quality products).

Finally, we tried to identify some industry development opportunities from the demand perspective and suggest five industries that have tremendous potential in counties: 1) categories that county residents have high willingness to upgrade, such as large and small household appliances, local snacks with the upgrade in food consumption, and other nationally available products; 2) categories with strong brand awareness for county residents, such as maternal & baby care, children's health, food grains and oil, and other daily necessities; 3) money for value retail that can upgrade residents' consumption without extra cost, such as specialty variety stores; 4) experience consumption that can improve companionship quality, such as offline social spaces; and 5) online content/entertainment/social media that can enrich cultural life, such as short videos and games. There are several different business opportunities under each of these industries.



A study on the demand trends of young and middle-aged consumers in county markets

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# Part I

## County Market Overview





# 1. Basic county statistics

According to China Statistical Yearbook 2021, as of end of 2020, China had 1,817 county-level administrative divisions, including 388 county-level cities, 1,312 counties, and 117 autonomous counties. Their downtown districts and neighboring towns (excluding rural areas) are collectively referred to as “counties”.

As of end of 2020, the urban permanent population in county-level cities and county towns was approximately 250 million (including 160 million for county towns and 90 million for county-level cities. Also, according to China Statistical Yearbook 2021 (County-level), in 2020, the total GDP at the county level (including their respective towns, townships, and villages) was approximately RMB 39 trillion, accounting for 39% of national GDP of that year. The per capita consumer expenditure for county urban residents was around two thirds of that of city residents. The overall consumer expenditure for county urban markets was around 20% of that of national urban consumer expenditure.

Among the 18~40-year-old permanent county residents who responded to our quantitative survey, returnees from big cities (defined as those having worked in first-tier/new first-tier/second-tier cities for at least a year) account for 25%, locally born and resident people (hereinafter referred to as “locals”) account for 65%, and rural people working and settled in county towns (hereinafter referred to as “former rural”) account for 10%. By gender, men account for 51% and women for 49%. By age structure, people aged 18~25 account for 26%, 26~30 account for 28%, 31~35 account for 28%, and 36~40 account for 18%, with the 26~35 age group taking a higher proportion than the national average. By family status, single young people, married without children (including divorced), and married with children (including divorced) account for 33%, 8%, and 59%, respectively.

## 2. County infrastructure

The development of county infrastructure contributes to a robust local economy and consumer market. In June 2021, in the “Report of the State Council on work related to the construction of a modern comprehensive transportation system” delivered to the 13th National People’s Congress at the request of the State Council, the Minister of Transportation Li Xiaopeng noted that railways and expressways in China have covered more than 95% of cities with a permanent population of more than 200,000, and civil aviation airports have covered 92% of prefecture-level cities. A BA Capital field survey of 10 cities and counties also found that it takes 1~3 hours to travel from county towns to the nearest airport and half an hour to the nearest railway station.

In terms of logistics, packages can mostly be delivered to the door of recipients. Though the delivery timeframe is slightly longer than first or second tier cities, the difference is limited—packages from other provinces arrive within two days or even on the next day. According to a field survey, it takes two days for goods to travel from Shanghai to Emeishan or from Hangzhou to Zhao’an, and goods from Ezhou can reach Xiangtan on the next day. Public records show that “Xiniao” in Alibaba’s Cainiao network mainly provides package delivery service in county towns, with a co-distribution program covering more than 1,000 county towns; SF International’s “Ishoufa” is already serving 37,000 township/town sites. In 2019, JD Logistics announced its “within 24-hour delivery in counties and towns” initiative, which is now available in about 600,000 administrative villages and delivers packages to 93% of counties and 84% of towns across the country within 1 or 2 days.

Cold chain logistics is also being further developed across China. The “Special program of the national supply and marketing cooperatives to develop cold chain logistics for public farm products in the the 14th Five-Year Plan period period” published by the All-China Federation of Supply and Marketing Cooperatives announced its plan to build 600 county-origin farm product cold chain logistics centers, each of which will drive a number of onsite fresh-keeping warehouses, to form a county-township-village cold chain logistics service network to benefit farmers. In the field survey, we tested the delivery service of JD cold chain to

Changle in Shandong, and were told by the customer service that goods are available from multiple warehouses, shipment is made within 48 hours, and cold chain delivery takes only 3 days (excluding potential delay caused by COVID-19).

In terms of communication infrastructure, according to the “Statistical Bulletin of Communication 2021,” as of end of 2021, 5G base stations covered 98% of counties and 80% of towns. The field survey revealed that there is no difference in network and communication experience in counties and towns compared to big cities, providing a guarantee for various e-commerce platforms to access households in counties. Our survey showed an average of 1.8 online purchases per week by young people in counties over the past year, with a penetration rate of 90% for e-commerce and 65% for community group purchase.



Ruyuan City Plaza

In terms of commerce, unlike the “shopping street,” “mom-and-pop stores,” or supermarkets frequently seen years ago, large one-stop commercial complexes stand out as new entertainment and social spaces in county towns. As of 2021, 40 out of the 380 Wanda Plazas in China are now located in counties (including those under construction). Of the 100-plus Wuyue Plazas operated and being constructed by Xincheng Holdings, 22.2% are located in third and lower-tier cities. Based on a field survey, both Gaoyou and Sihui host operational Wuyue Plazas, covering the same amount land area and with the same level of spatial and visual quality compared to shopping malls in first-tier cities. Besides national

chain commercial landed estate brands, regional brands are also growing in the direction of developing commercial complexes and malls. In Dongping, Shandong, the Ruyuan City Plaza on Xishan Road (see photo below) boasts a business area of 50,000 square meters. Located adjacent to Jinhui Commercial Street, it is now home to health care and beauty care chain store Watsons and lifestyle retailer MINISO, as well as cinemas. Ruyuan Hotel is also located in the same block. An urban commercial complex is now taking shape.

At the same time, in cities where urban complexes/shopping malls have not yet been established, large-scale department stores or shopping streets in county towns serve as shopping venues. In Anguo, for example, there are department stores named Yijiawang Shopping Center, Zhengtai Shopping Center, and Shengda Shopping Mall. Although the types of businesses in these department stores are not as good as those in a shopping center, the volume is almost comparable.

From the brand perspective, domestic brands have comprehensively penetrated the county market, whereas international brands are lagging in this direction. In terms of specific retail businesses, among the 10 county towns in the survey, each has at least 3 chain supermarkets covering a land area of more than 1,000 square meters. Fast food brands like KFC and Wallace can be found almost everywhere. At least 5 tea and leisure brands are in operation. There are also several entertainment venues like cinemas and theaters.





A study on the demand trends of young and middle-aged consumers in county markets

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# Part II

## Demand Trends of County Consumers

The purpose of our study was to understand the profile of consumers, such as their personal experiences, family composition, and how they allocate their time, and then observe their income/expenditure structure and the underlying causes. In this part, we first outline the fundamentals of county life and then discuss the common demands of county consumers.



## 1. Fundamentals of county life

### 1.1 Easy life

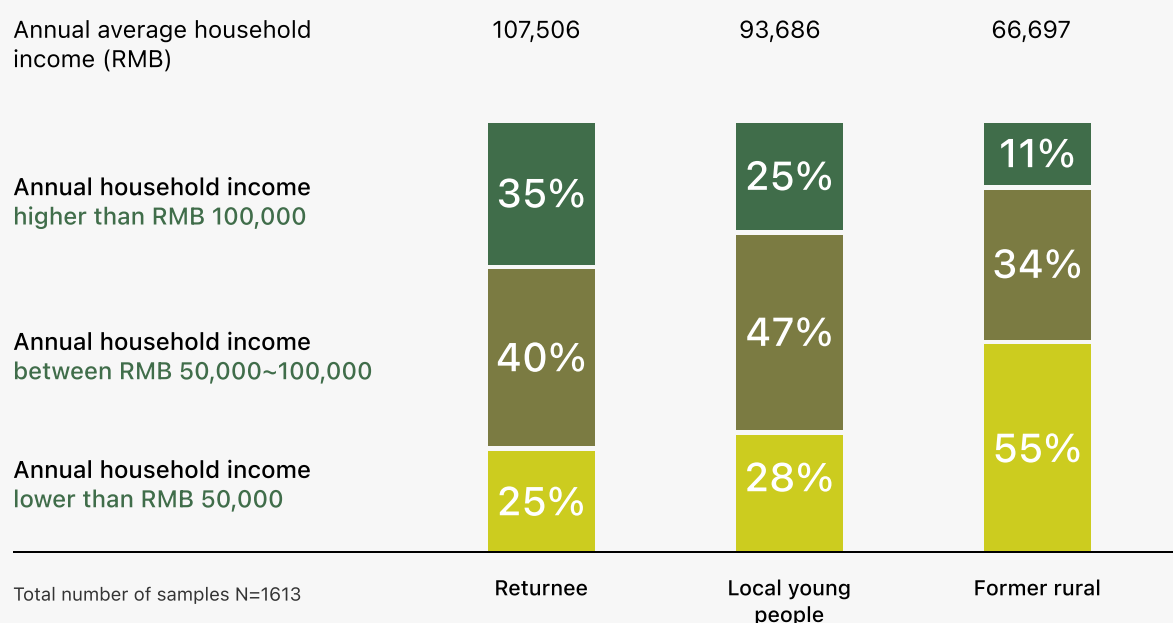
Our quantitative study revealed an average life satisfaction of 7.8 among county town residents (in a scale of 1 to 10), with 67% choosing 8 or above and 85% choosing 7 or above. Job opportunities brought about by national economic development have ensured county town residents have sufficient income to purchase a house and car. According to our study, among the employed population in counties, white collar workers (48.8%) account for a larger proportion than blue collar workers (30.9%); the proportion of people working full time from home is not high, and more diverse niche job opportunities and entrepreneurs have appeared, such as freelancers (e.g., uploaders, anchors, freelance photographers), who account for 12.9%. Almost 10% of the respondents are self-employed or entrepreneurs; doctors, teachers, lawyers, and other full-time workers account for about 8%.

Income is the first determinant of consumption power. Our quantitative survey revealed an average annual income of approximately RMB 95,000, an average monthly income of approximately RMB 7,900, and a median annual income of

around RMB 90,000, for county households (all figures are pre-tax).

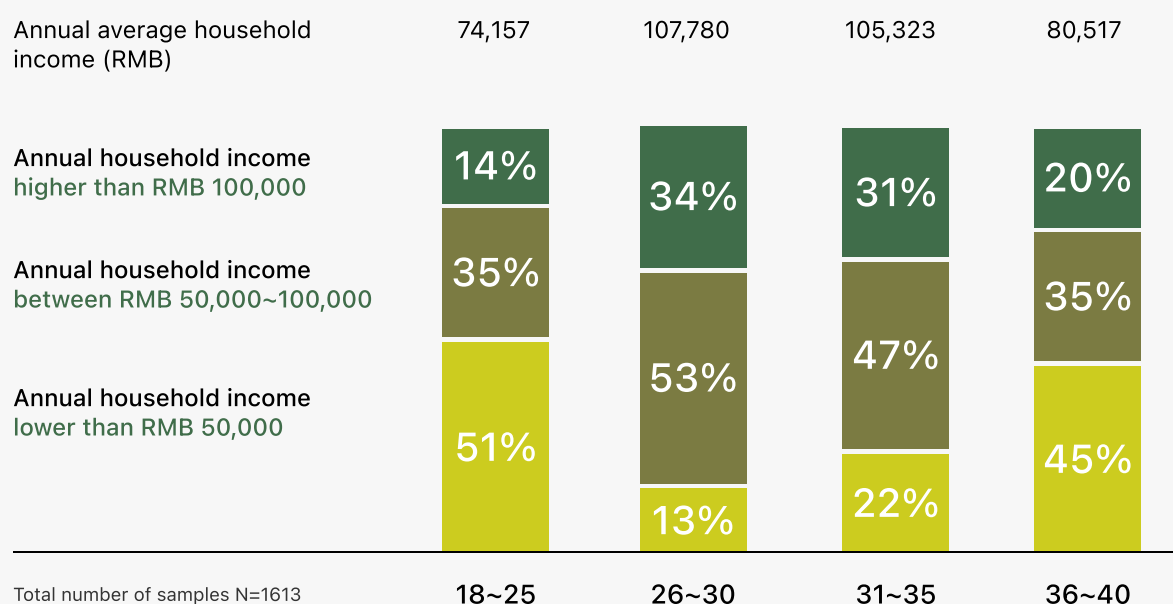
The average annual savings amount of county households is RMB 34,000. The average savings rate is 36%. The annual household expenditure is about RMB 48,000 (approximately RMB 4,000/month).

Fig. 2 Annual household income of different types of consumers



Source: BA Capital 2022H1 County Economy Consumer Survey

Fig. 3 Annual household income of consumers of different ages



Source: BA Capital 2022H1 County Economy Consumer Survey

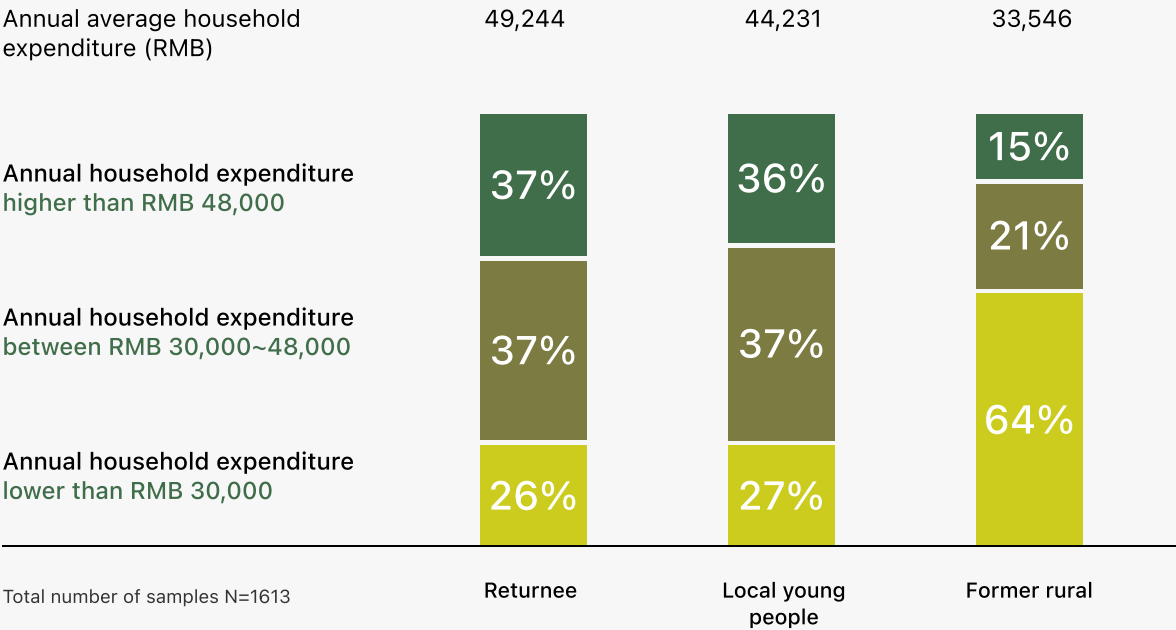


If we define residents with annual pre-tax household income of RMB 100,000 or more as county town middle class, about 40% of the households fall under this category and for such households, the savings rate is about 38%. If we define residents with annual household income of RMB 150,000 or more as high-income households in county towns, about 13% of the households fall under this category, and their savings rate is about 42%.

County town residents have high house ownership rates. Our quantitative survey revealed that among county town residents, 60% have their own house, 5% have two houses, 30% live in their parents' house, and only 6% rent a house. County town residents also have lower pressure to buy houses and repay housing loans. Among self-owned houses, 58% were purchased by making a full payment, and 43% were purchased or built using parents' money. Also, houses of county town families are larger in terms of built-up area—the average built-up area of self-owned houses is 135 square meters. The reason for this is that there are many self-built houses in counties, and typical self-built houses are mostly 3~4-story buildings with a built-up area per floor of 50 square meters or more.

Several examples can be taken based on the field survey. Mr. Shen from Zhao'an, Fujian (returnee, 28, married with children), built a house with a total built-up area of 150 square meters, costing RMB 250,000. His parents live with him, and they paid the entire cost of building the house. The commercial property purchased by Ms. Yin from Dongping, Shandong has a built-up area of 123 square meters. She purchased the property in 2016 at a rate of RMB 3,000 per square meter; the property is located in a medium to high-end community, in the locality.

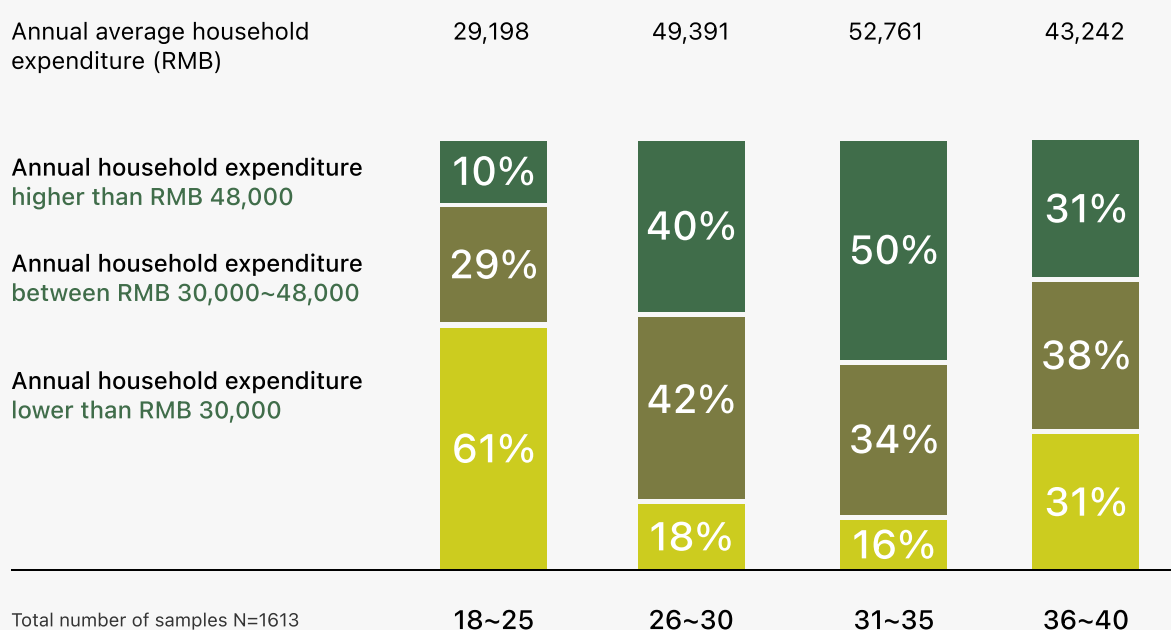
Fig.4 Annual household expenditure of different types of consumers



Source: BA Capital 2022H1 County Economy Consumer Survey; the expenditure does not include loan repayment or major purchases (house, car).

Besides property, county town residents also have a high car-ownership-per-household ratio. In our survey, 56.5% of the visited households owned a car. Among the car-owning households, 74% bought their car by making the full payment. Owning a house and car and having sufficient income ensures residents enjoy a high well-being index.

Fig. 5 Annual household expenditure of consumers of different ages



Source: BA Capital 2022H1 County Economy Consumer Survey; the expenditure does not include loan repayment or major purchases (house, car).

## 1.2 Robust consumption

Based on study, we found that the average working hours for young and middle-aged county residents is approximately 7.2 hours, which is lower than the 9.5 hours per capita level as per the 2021 national statistics. This means that county residents enjoy more free time. They spend an average of 2.5 hours on online entertainment (including short videos, games, and online shopping) and the rest of the time on housework, social activities, and parent-child activities. Compared with their big city counterparts, young people in the county spend more time on online entertainment. Mr. Tang from Xiangtan, Hunan (32, married with children) said, “In my spare time, I browse Toutiao and TikTok, where I can find lots of interesting and new things such as “Syrian style home décor,” and I can find out what trendy new stores have opened in Changsha and in our county, such as Dim Sum Bureau of Momo, Tiger Attitude, and Willove Bakery.”

Fig. 6 Monthly expenditure of respondents

Unit: RMB/month (ratio %)

**2%**

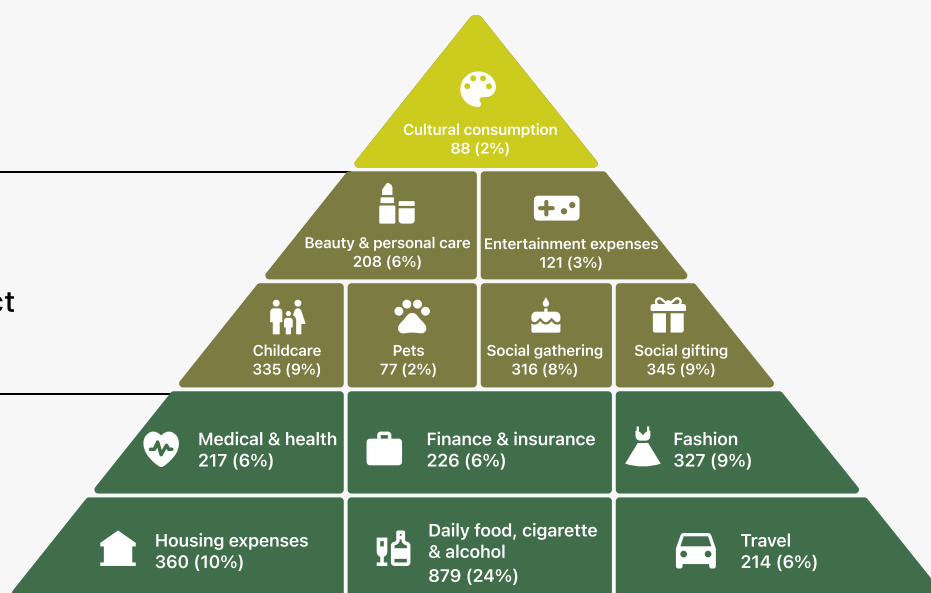
**Recognition & self-identity**

**38%**

**Social & respect**

**60%**

**Life & completeness**



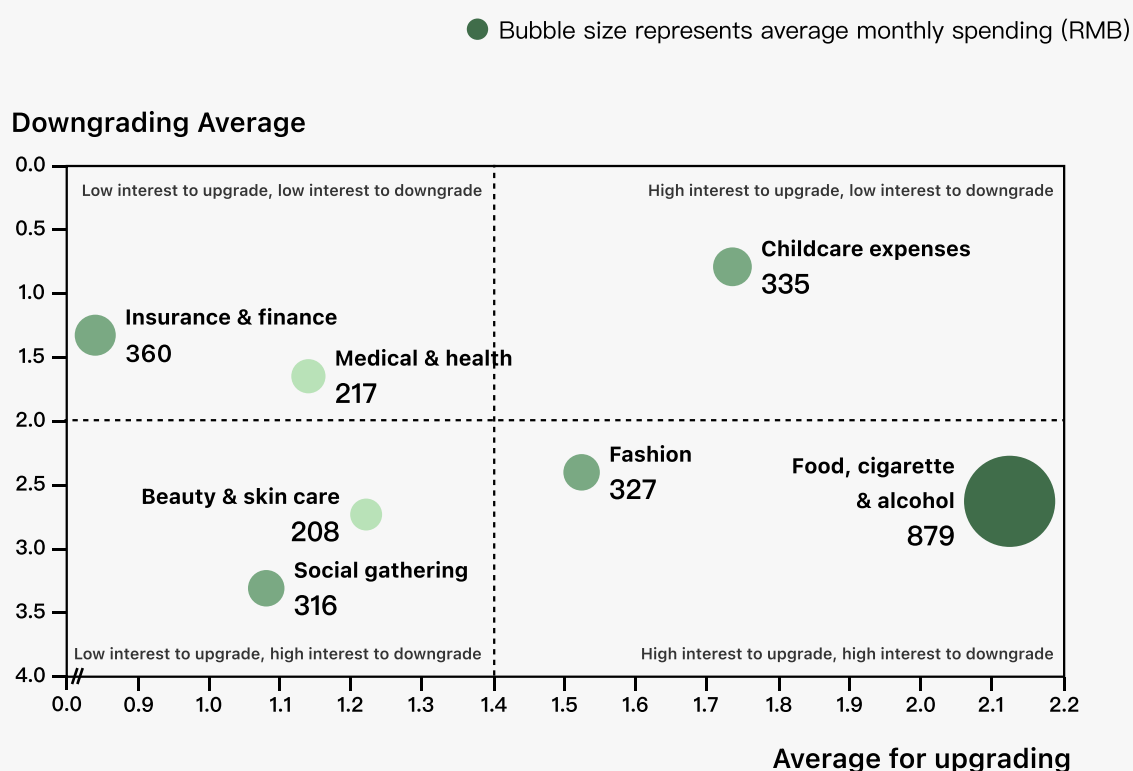
Total number of samples N=1613

Source: BA Capital 2022H1 County Economy Consumer Survey



Although county residents live a relatively easy life, based on the consumption structure, county consumption is still dominated by rigid demand. When asked on which categories they would increase spending if their income increased in future, the top priority remained food and other rigid demand categories.

Fig. 7 Upgrade/downgrade priority for daily consumption categories



Higher the average index, more likely it is to increase/reduce expenditure on the category. As the number of choices differs, the average upgrade/downgrade index cannot be compared.

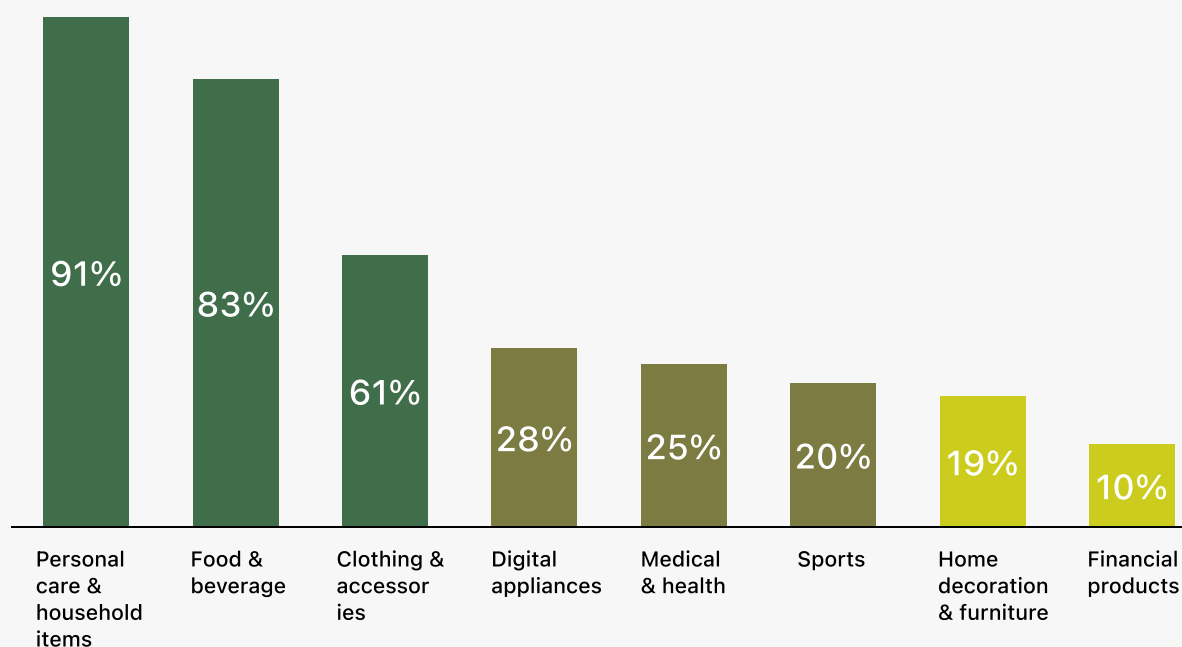
Total number of samples N=1613

Source: BA Capital 2022H1 County Economy Consumer Survey

## 1.3 In line with modernity

Internet and other new infrastructure have enabled county people to access nice and affordable products. Shopping has become easier and access to everyday necessities is guaranteed. Ms. Yuan from Anguo, Hebei (local, 26, married with children) said, “I mainly follow my favorite celebrities and top live streamer on TikTok.” Based on our quantitative survey, we found an offline to online shopping frequency ratio of 52%:48% for young county consumers. The penetration rate of online e-commerce platforms over the past year was as high as 90%; group purchase, online food ordering, and social commerce also had a 40%~50% penetration rate. Ecommerce penetration rate of different, traditional FMCG food and beverages and personal home care exceeded 80%. Clothing also had high online purchase levels (61%). There is still room to increase the online purchase levels for the remaining categories.

Fig. 8 Categories purchased online by respondents in the past year



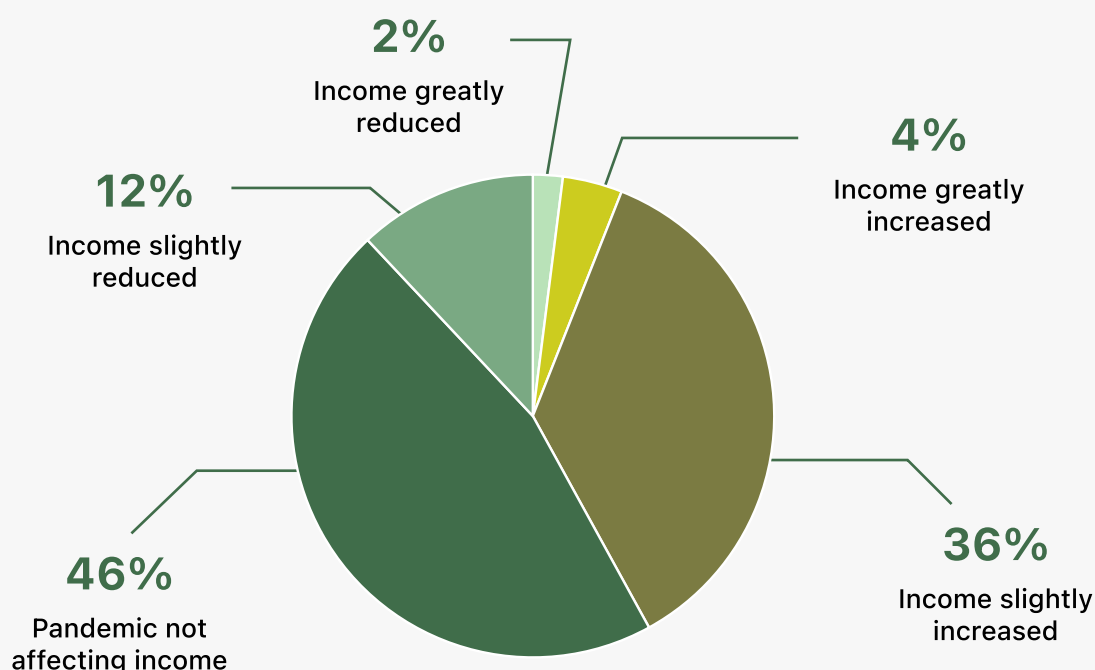
N=1608, online shoppers in the past year

Source: BA Capital 2022H1 County Economy Consumer Survey

## 1.4 Promising future

When asked about their expectations for the next three years, 40.1% of the respondents believe that there will be an increase in their income and 45.8% of the respondents think that their income will remain unchanged. The impact of the pandemic on income seems to be relatively limited for county consumers.

Fig. 9 Expected changes in respondents' household income in the next two to three years



Source: BA Capital 2022H1 County Economy Consumer Survey

The county market, in general, is the cornerstone of the Chinese consumer market. Most residents own a house and car and have little to no loans. Their income is stable and increasing. They are optimistic about the future and have high risk resistance. However, their current spending is driven by consumer staples, suggesting that there is plenty of room for higher discretionary spending.

## 2. Mentality of the middle class in county towns

In our study, county town residents with a pretax annual household income of RMB 100,000 or more are defined as middle class, and they were found to have higher satisfaction in terms of county town life. In the past, county towns were under developed, hence the middle class in county towns were not satisfied with their life quality and yearned a better life in cities. However, with the recent rapid development of county towns, the middle class prefer life in the town rather than the cities.

There are two reasons for this phenomenon. First, the development of infrastructure, logistics, and business has largely improved the living environment and quality of counties, making county towns more livable. Ms. He from Emeishan (former rural, 41, married with children) said, “There have been a lot of construction activities in Emeishan over the past 18 years. The government has spent money on reconstructing old communities. The sports facilities and walls of the entrance of my building have been repaired. Many buildings with elevators have been built. There are more parks. The riverside paths have been made even more beautiful than before. Medical facilities are more advanced. There are more large shopping malls and supermarkets. We even have RT Mart and Walmart now.”

Second, people can easily lead a reasonably well-off life staying in county town. Ms. Meng from Shishou, Hubei (local, 27, unmarried) said, “I returned to Shishou immediately after graduating from college. I thought about staying in Wuhan, but the salary in Wuhan was about the same as here in Shishou. Everyday life here is convenient and comfortable, and the cost is not high. If I stayed and worked in Wuhan, my house rent and daily expenses would make it impossible to save any money.” Her views were echoed by Ms. Yuan from Anguo, Hebei (local, 26, married with children), who also said, “If I had to choose again, I would still choose to stay in Anguo. Small as it is, it has everything I need. It’s easy to buy anything here.”

From the quantitative survey result, among the middle-class households with pretax annual household income of RMB 100,000 or more, average life satisfaction is 8.0 out of 10 points, which is higher than the overall level for counties (7.8 points), and 71% gave more than 8 points (compared to the overall level of 67% for counties). Regarding the inclination towards living in big cities, an average of only 9.4% of the county town middle class were seriously considering moving into a big city, with unmarried people having a stronger desire. From yearning for big cities to being content in living in county towns, the county town middle class are more pragmatic with respect to their lives.

Fig. 10 Desire to live in big cities of county middle class

### Consider living in a big city?

	Unmarried	Without children	With children
Base	104	55	279
Yes, and I'm preparing for it	16%	8%	7%
Yes, but I haven't taken action	26%	30%	26%
Yes, but I'm not sure	32%	23%	31%
No, never	26%	39%	36%

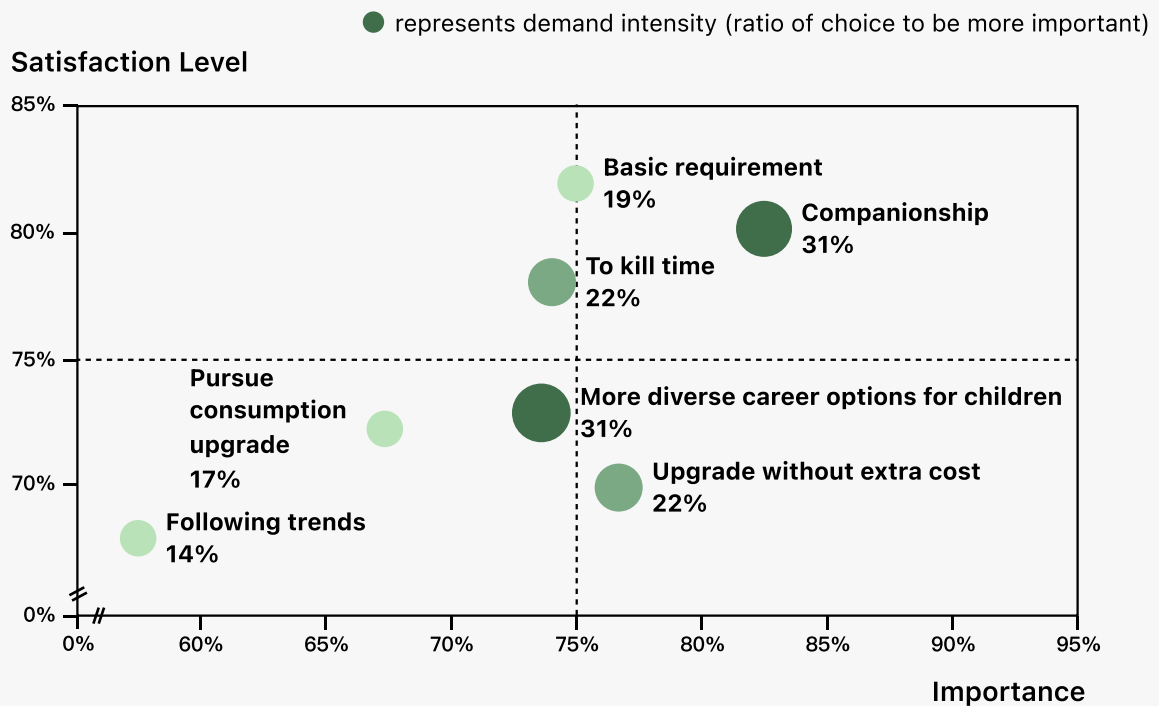
Source: BA Capital 2022H1 County Economy Consumer Survey



### 3. Common demands of county consumers

Among the seven common demands identified in our study, companionship and consumption upgrade without extra cost are ranked most important; basic needs and companionship needs are mostly satisfied. Pursuing consumption upgrades and following trends are the lowest in both importance and satisfaction (see diagram below). The importance and satisfaction of a demand are related to two factors: (1) they are highly related to family life cycle. As the family life cycle matures, companionship and access to career options are increasingly important. Also, as more people begin to pursue higher quality, the issue of upgrading without extra cost is becoming increasingly prominent; and (2) they are related to the returnee/local/former rural status. Returnees are more concerned about companionship, since this is one of the reasons for their return; formal rural residents prefer their children have access to more career options so that their future generations can continue to live in county towns.

Fig. 11 Seven demands among county consumers and their satisfaction degrees



Satisfaction degree here means the degree of satisfaction of a consumer who deems the demand to be important.

Total number of samples N=1613

Source: BA Capital 2022H1 County Economy Consumer Survey

The following is an analysis of each of the six items under the seven categories in addition to the basic needs.

### 3.1 Companionship: quality time with partner/children/friends to create good memories

#### Causes

As people from the younger generation develop their individualistic personality, they are more aware of the need to establish a boundary with their original family. At the same time, the concept of intimacy is also changing. The idea that intimacy needs to be managed is rooted more deeply in people's minds. County residents have a strong sense of family. The younger generation are more accepting of support from their parents. For them, it is a very common practice to live with their parents and receive their parents' financial support. In the context of living with their parents, they hope to find independent space for their own small family and have higher-quality emotional interaction with their partner. At the same time, most of the friends of young county town residents are their childhood friends who are geographically closer. They have more spare time and provide each other with frequent companionship and support.

Based on the quantitative survey, 97% of the young and middle-aged residents in counties live in the same town as their parents; 40% of the consumers live together with their parents, and even if they don't, more than 60% meet their parents every week; 72% receive financial

support from their parents; among families with children, 90% of the parents often or occasionally help take care of the children.

### Current solution to meet demand

Currently, solutions to meet this demand are quite limited locally in county towns since the supply of entertainment and cultural consumption related services is limited. 62% of the young and middle-aged county town residents spend their spare time in meeting or dining with friends/family; 28% visit entertainment venues with friends/family. Mr. Shen from Zhao'an, Fujian stated, "I meet with my childhood friends at least once a week, go out for dinner at food stalls, drink tea or eat takeout food at each other's home or sing at karaoke bars. We generally do not go to different places, but stay in the same place and have fun enjoying a nice meal and chatting. I spend around RMB 1,000 on these gatherings. This is half of my monthly expense. We take turns to pay the bill. If we go to a karaoke bar, the cost for four of us, plus drinks, is a little more than RMB 1,000. A night snack costs more than RMB 200 for the four of us." 31.1% of the young and middle-aged county town residents travel around and take short trips. As Mr. Gao from Changle, Shandong (local, 28, single) said, "We have few options for eating and hanging out, so, four of my close friends and I go to larger cities nearby about once or twice a month, and it's very convenient to go and return the same day. For example, we went to Weifang Sinomall



before the New Year and enjoyed a buffet meal as well as barbecue, crawfish, and fried chicken. We had a great time hanging out!”

When asked if they would be interested if a new venue opened in their town where they can have fun/social gatherings and who would they like to go with to such venues, 75% replied they would be interested; 62% would most likely go with their family; 36% said they would likely go with their friends.

## **3.2 Upgrade without extra cost: excellent value for money—upgrade quality without extra cost**

### **Causes**

The increase in household income brought by national economic development and the advancement of urbanization are also prompting an “urban lifestyle.” The upgrade in basic qualities brought about by China’s manufacturing industry is driving an upgrade in people’s consumption quality and experience. At the same time, the development of short videos and e-commerce also offers county town people access to better-quality, more diverse lifestyles, and consumption options. County consumers are looking for and expecting solutions for “upgrade without extra cost,” for many categories.

## Current solution to meet demand

County town residents are seeking cost effective options. Mr. Tang from Xiangtan, Hunan (local, 32, married with children) said, “Hot pot restaurants generally charge RMB 80 to RMB 100 per person, but QiQi Ditan Hot Pot in Wanjiali Plaza in Changsha charges only RMB 50 per person. It is highly suitable for us low-income people. The restaurant has a “Syrian style” ambiance with a strong sense of design and quality. It resembles the nostalgic style of Wenheyoun in the 70s and 80s. There are only low tables and campstools. The ingredients are placed in small cups and saucers in bright, clean freezers. Everything looks very clean and different from the cheap, oily, and dirty mom-and-pop stores. It feels elegant and decent here.” Based on market study, we also found that there are many affordable variety stores in county towns, making it possible for county town residents to enjoy high quality products at low cost. At the Fenxiang Hawk 3 Yuan store in Zhao’an, Fujian, you can buy a headphone, an aesthetic patterned glass, or a Japanese-style soy sauce for RMB 3.

Besides, county consumers are already quite used to searching for great value for money products on e-commerce platforms. Mr. Tang is quite experienced in upgrading clothes without extra cost: “During junior college in Changsha, I used to wear the brand Metersbonwe, but I upgraded after I started working at my job. I buy light fashion clothes of some famous brands, such as Jack & Jones, Baleno’s high-end series,

Peacebird, Nike, or GXG, which cost an average of RMB 300~500 on Vipshop. They are not very expensive, but their quality and design are both pretty good. Now, I don't save much money, because saving money will reduce my life quality and I won't be able to buy nice clothes."

Using more high-end-looking yet affordable small household appliances also represents a typical solution for upgrade without extra cost. While unpacking a box, Ms. Yin from Dongping, Shandong (former rural, 38, married with children) told us, "Our family income is RMB 10 thousand a month. It's just enough for the five of us and we can't save money, nor is there much money left to buy better brands for myself or the family. The new Meiling tea bar machine we bought on JD.com cost only RMB 278. That is quite cheap. With that, we don't have to boil water on the gas stove anymore. What's more, it is a water dispenser, a tea pot, an electric kettle, and a health drink pot. It can be remotely controlled, too. Now life feels more exquisite!"

### 3.3 Access to diverse career options for children: Equip them with diverse skillsets

#### Causes

In the new era, county residents are looking for different career paths for their children. The development of We-Media has also led to people understanding how a particular skill can make life different. As a result, parents are reorienting their views on education to emphasize its relevance to daily life in the hopes that their kids will be equipped with the knowledge and skills necessary for future growth.

#### Current solution to meet demand

The State Council's "Opinions on Promoting Urbanization with County Towns as Important Carriers" explicitly identified the need to expand the supply of educational resources; give play to the role of enterprises, vocational schools, and technical schools; focus on new occupations, new job types, and positions in short supply; strengthen vocational skills training, improve the compliance with market demand, put into effect training subsidy policies, and smooth the channels for training subsidies to directly reach enterprises and trainees.

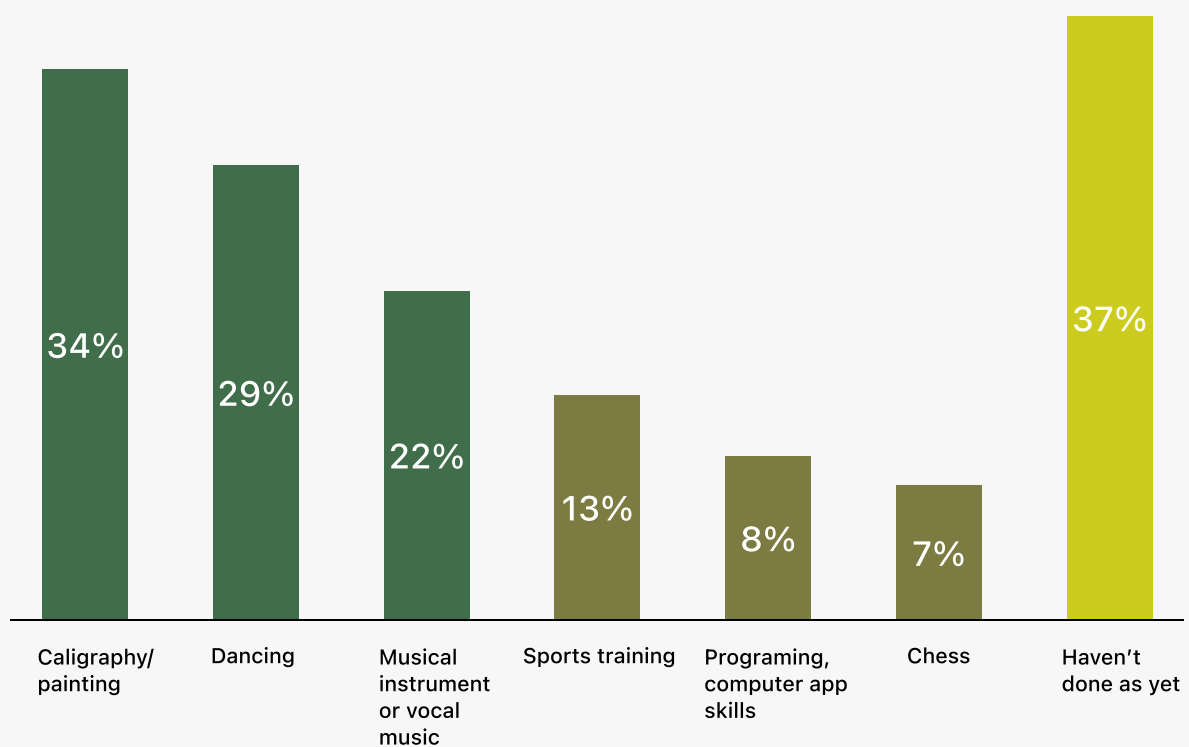
During our field survey, we noticed that dancing, painting, and programing are booming in county towns. Mr. Tang from Xiangtan, Hunan (local, 32, married with children) said, "My child is 7 years old now and we pay more than RMB 10,000 for



his Chinese painting classes, which is a tenth of the family expenditure. This year he is going to take a grading test and will attend more classes. This is not only to cultivate his interests, but he has an option to become an art student in the future, too. So, we think we will invest more on his painting in the future.” Mr. Gao a programming teacher from Changle, Shandong (local, 28, single), said, “Programming education is seeing increased momentum after the “double reduction” policy (reduce homework and private tutoring). As the state advocates learning programming, many children—from kindergarten and primary school to junior middle school—are learning programming here. Previously, there were two training centers, but now, there are four. All of them are doing good business. Parents spend RMB 400~6,000 on it every year.”

Based on our quantitative study, we found that among the 942 county town respondents with children, 63% paid for extracurricular courses beyond the scope of the "double reduction" policy (reduce homework and private tutoring) policy. The top three courses are calligraphy and painting (34%), dancing (29%), and musical instruments or vocal music (22%). When asked for the reason why they paid for these classes, 55% chose "hope to cultivate different interests in my children," which was the highest among all choices, followed by "my child likes it" (52%).

Fig.12 Extra-curricular/training courses paid by respondents for their children



N=942, respondents with children

Source: BA Capital 2022H1 County Economy Consumer Survey

Fig. 13 Purpose respondents buy extra-curricular/training courses for children

## Purpose to enroll children in extra-curricular courses

	All	Children aged 4~6	Children aged 7~12	Children older than 12
Base	686	272	278	38
To cultivate personal interests/hobbies in the child	55%	59%	53%	33%
The child is interested/likes it himself/herself	52%	55%	52%	52%
Hope the child will have a larger social circle	34%	29%	37%	35%
Everyone I know have their children attend training/extra-curricular courses	18%	19%	16%	14%
Hope my child will have the chance to have a career in related trade/industry	16%	13%	18%	13%
The schools mandates that the child attend training/extra-curricular courses	9%	9%	8%	11%
I have no time to look after my child. The training/extra-curricular course teachers can do that instead	9%	14%	4%	5%

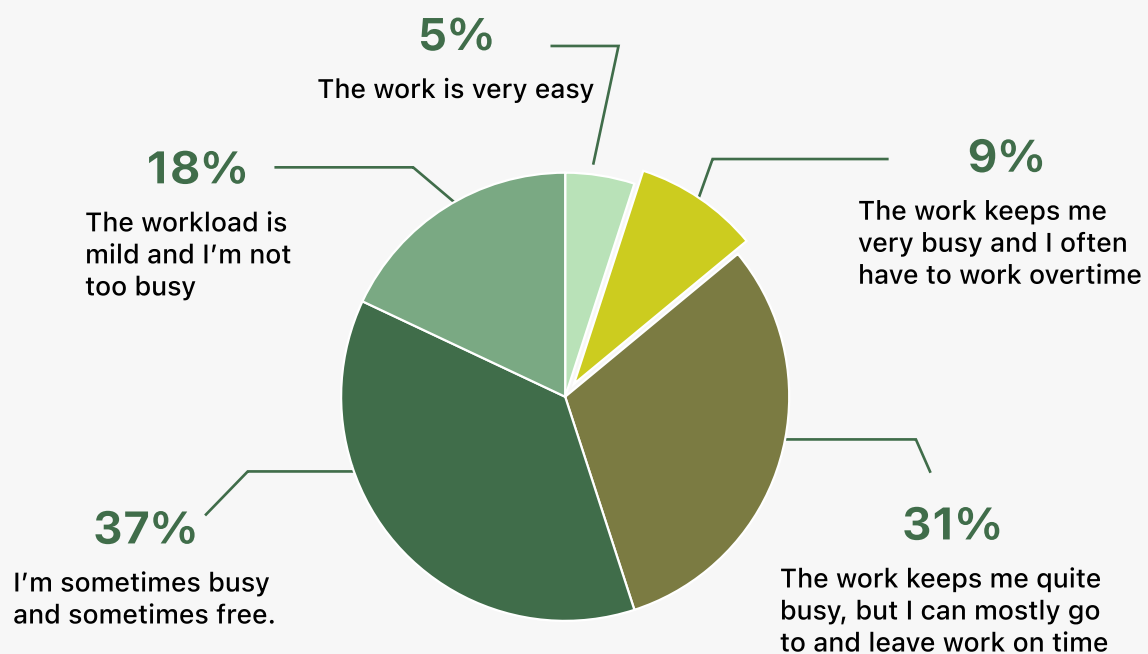
Source: BA Capital 2022H1 County Economy Consumer Survey

### 3.4 Enrich life: make everyday life more interesting and exciting

#### Causes

Less overtime (only 9% of the respondents said they often work overtime), less professional competition, and slower pace of life ensure county town residents can enjoy more leisure hours after work and on weekends (see diagram below).

Fig. 14 Respondents' perception of work burden



N=1534, respondents with full-time job

Source: BA Capital 2022H1 County Economy Consumer Survey

County people do not have a large budget for entertainment and leisure. On the other hand, as the entertainment facilities and services in county towns are not novel and diverse enough and their costs are relatively high, the county residents' demand for entertainment and leisure cannot be sufficiently met.

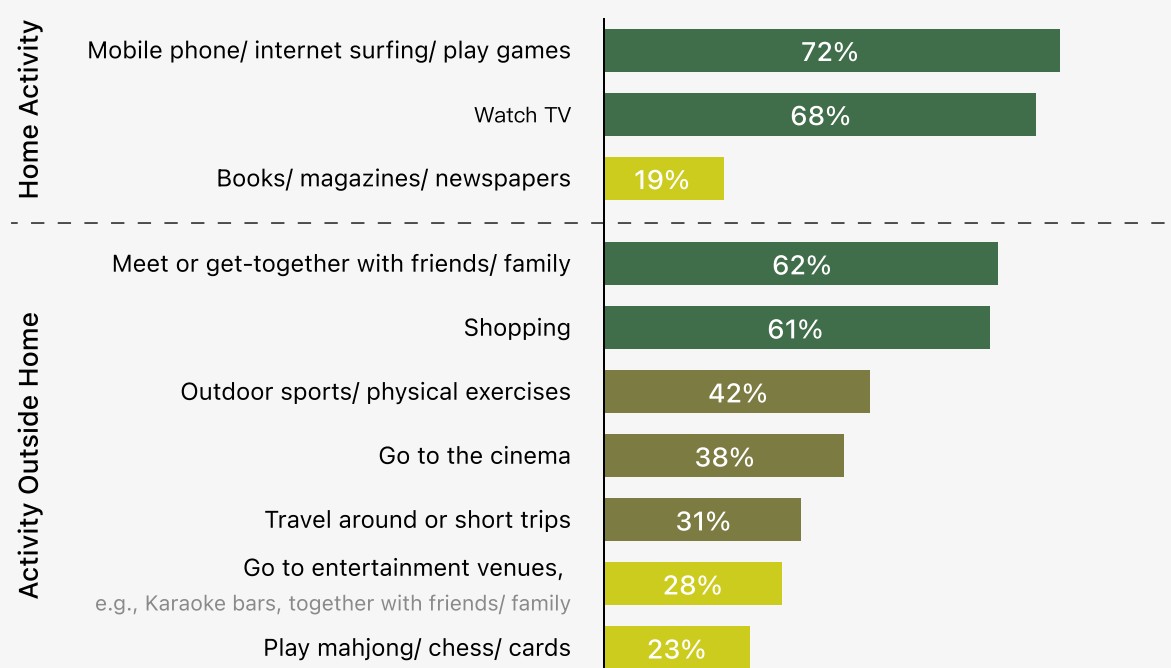
### Current solution to meet demand

Short videos and takeout snacks are common solutions. Ms. Yang from Sihui, Guangdong (local, 31, married with children) said, "In the past, I worked long hours and there was no TikTok, and I didn't know how to browse the internet on my mobile phone. I simply slept when I had nothing else to do. Now that there is TikTok. I spend five or six hours browsing TikTok every day to kill time. I'm addicted and can't stop myself." Mr. Shen from Zhao'an, Fujian (returnee, 28, married with children) said, "My parents shop and cook all three meals. Fujian dishes are comparatively light, but I prefer something heavier. So, I order takeout food almost every other day as a night snack. It costs only RMB 20 or RMB 30 per order and is not that expensive. I frequently order Zhengyi Chicken Steak and Nice Burgers—fried fast food. They are delicious! At times, my wife and I take a stroll after dinner and we eat some snacks at Happy Sweet Potato. The place is packed in the evening and we must wait a long time even for a cup of milk tea that costs only around RMB 8 or RMB 9, which is quite cheap!"



Based on the quantitative study, we found that surfing the internet, watching TV, and meeting up with friends/family and shopping are the main forms of entertainment and leisure for young and middle-aged county residents. About 75% of the respondents leave work before 6 p.m. With a 15-minute life circle, they can basically get home before 6:15 p.m. They spend an average of 1.24 hours on short videos, 0.6 hours on online shopping, and 0.7 hours on games.

Fig. 15 Respondents' daily entertainment



Total number of samples N=1613

Source: BA Capital 2022H1 County Economy Consumer Survey

## 3.5 Consumption upgrade: live a decent life with quality everyday necessities

### Causes

This is mainly because county town residents want to express their identity but lack the proper means. Financial capability is still an important factor in defining a person's identity among his/her peers. Nevertheless, living with parents while having their own family earlier in life cause that young and middle-aged county residents to develop their own individualistic personality later than their big city counterparts. Compared with big cities, the relative lack of cultural consumption and career-based identity have limited their way of establishing identity.

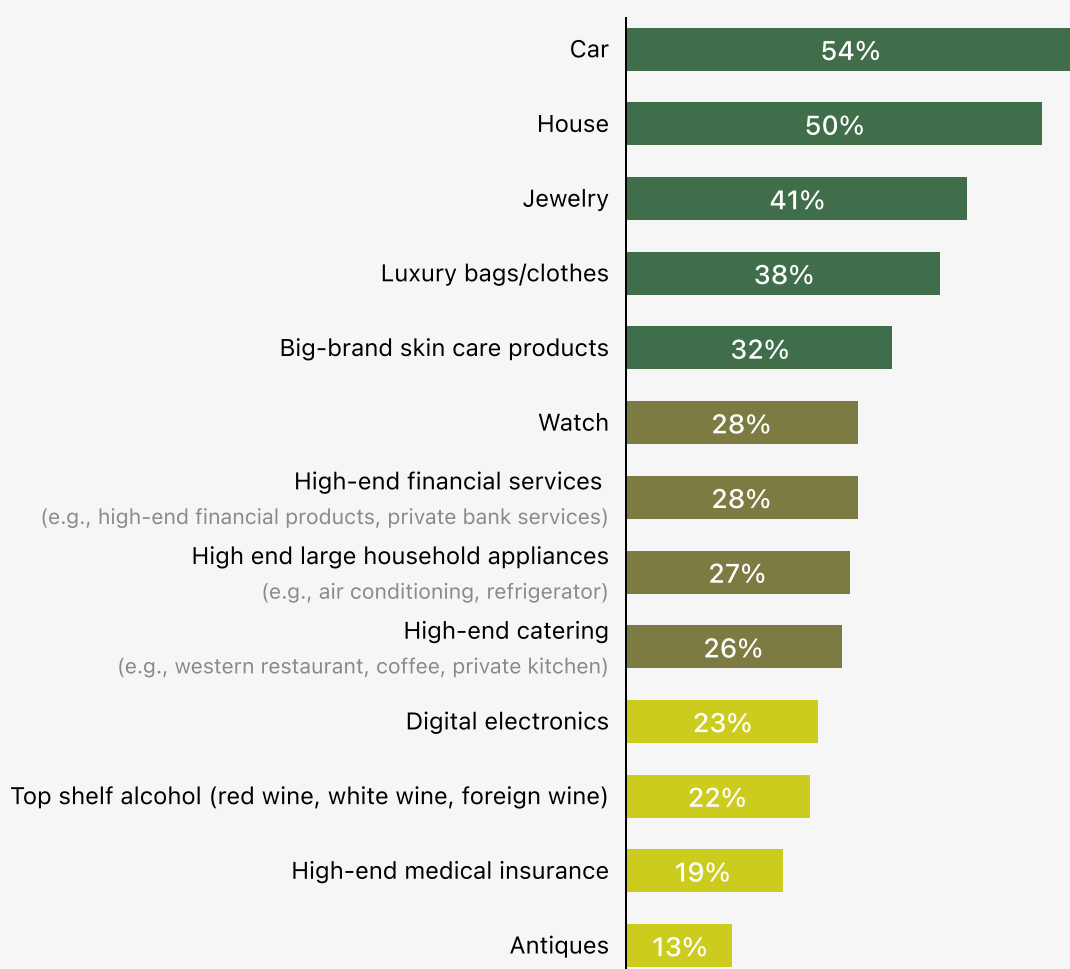
### Current solution to meet demand

The self-identity of consumers is confirmed by categories commonly accepted to be representative of identity, such as (top 5) car, house, jewelry, luxury goods, and skin care products (see diagram below).

During a field interview, Mr. Shen from Zhao'an, Fujian (returnee, 28, married with children) said, "If my small family's annual income reaches RMB 50,000 to RMB 60,000, I plan to buy a new car with more features. The Honda car that I presently own has limited features. I bought a car with intermediate level of features. It only has a home control screen and doesn't have

any new functions like variable cruise control. It takes six or seven hours to drive to my in-laws' home and I must keep my foot on the accelerator all the time. That's too tiring. So, I want a more high-end car!"

Fig. 16 Consumer categories deemed by respondents to showcase self-identity



Total number of samples N=1613

Source: BA Capital 2022H1 County Economy Consumer Survey

## 3.6 Following trends: gifting high-quality products

### Causes

With the ongoing urbanization, the family & friends circle of the young and middle-aged generation keeps shrinking. In big cities, various interest spheres have gradually taken shape, pushing boundaries to open and establish new emotional-support interpersonal networks. In county towns, with the transition from an acquaintance-based society to a semi-acquaintance-based society, traditional social rules are becoming more flexible. Despite this, county towns have not broken away from their geographical territories yet. Affected by the traditional code of conduct in the local society, county towns are still an acquaintance-based society compared with big cities. People still tend to follow established social rules, exchanging gifts with commonly accepted social norms and maintaining a proper relationship with acquaintances.

Mr. Shen from Zhao'an, Fujian (returnee, 28, married with children) needs to prepare decent gifts for his father-in-law: "I'm not close to my relatives. Although they live nearby, we don't have interact much. We don't have much to share, and it feels embarrassing. When we visit my in-laws on the second day of the New Year, I must take the visit seriously—I buy Furongwang cigarettes that costs over RMB 200 a carton,

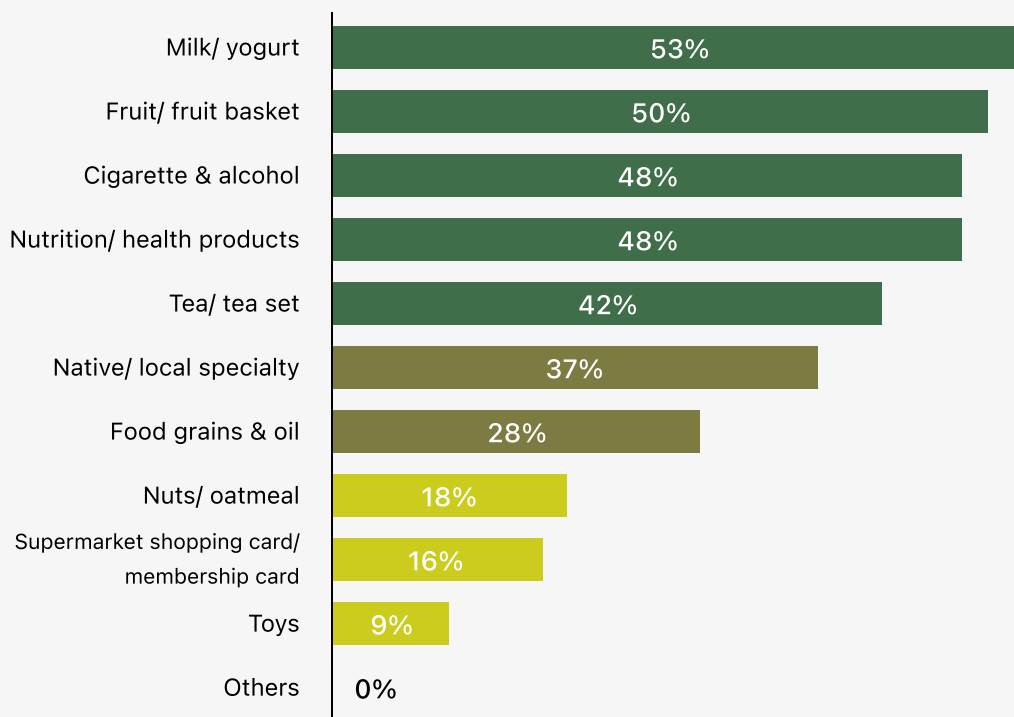
even though my father-in-law doesn't smoke. After all it is a usual practice in Fujian. If he smoked, I would buy Chunghwa, which is better and costs over RMB 400 a carton. I also buy over a dozen gift boxes of snacks for my wife's relatives, including Three Squirrels, Bicol, and Bestore, and a box of cherries and the local seafood popular in the county." Ms. He from Emeishan (former rural, 41, married with children) also said, "When giving gifts on festivals, regular milk is hardly presentable now. Organic milk is the right choice instead. This box of Jule organic milk is a gift I received from others for the New Year."

### Current solution to meet demand

Following trends is ranked as least important among all demands and the responses do not differ significantly among different groups of people. The common choice of gifting are primarily traditional rigid demand categories (food and beverage related).



Fig. 17 Categories preferred by respondents as a gift



Total number of samples N=1613

Source: BA Capital 2022H1 County Economy Consumer Survey

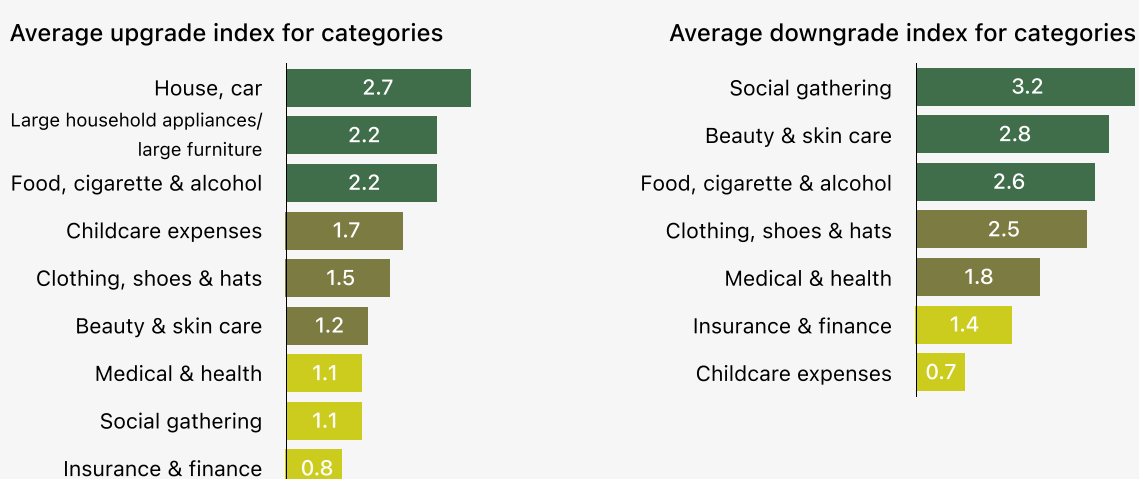
We conducted our field observation right around the Chinese New Year. In county stores and supermarkets, organic milk brands on sale included Yili Satine and Mengniu Teresu, and high-end yogurt brands included Ambposial, which were placed at more prominent places than ordinary brands.

## 4. Upgrade priority of county town consumption categories

Based on the common demands of county consumers, we further tested the willingness to upgrade and downgrade categories. In terms of upgrade priority, house, car, and large household appliances/furniture are still top upgrade priorities for consumers. Among daily consumption categories, food, childcare, clothing, shoes, and hats are top upgrade priorities; when there is a need to reduce spending, social gatherings and beauty and skin care are the first consumption categories that are cut.

A closer look at daily consumption (excluding house, car, and large household appliances/furniture) reveals that for families without children, food, clothing, and skin care are categories that consumers prefer to invest first, and social gatherings are the category they cut off first in times of crisis. For families with children, “childcare” is a strongly rigid consumption category. Parents consider increasing childcare expenses when they can afford them, but try to avoid reducing children’s expenses in times of financial difficulties (see diagram below).

Fig. 18 Upgrade and downgrade priority for county consumer categories



The higher the average index, the higher priority given to increase/decrease spending on the category. Because the number of options is not identical, the upgrade and downgrade indexes are not comparable to each other.

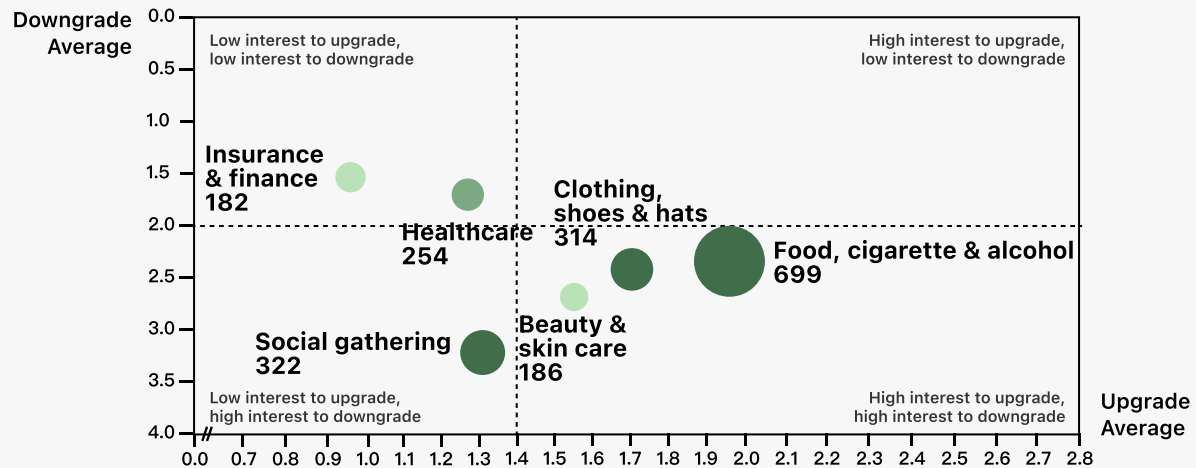
Total number of samples N=1613

Source: BA Capital 2022H1 County Economy Consumer Survey

Fig. 19-1 Respondents' upgrade/downgrade priority for daily consumption categories—with and without children

**Unmarried/married without children**

● Bubble size represents average monthly spending



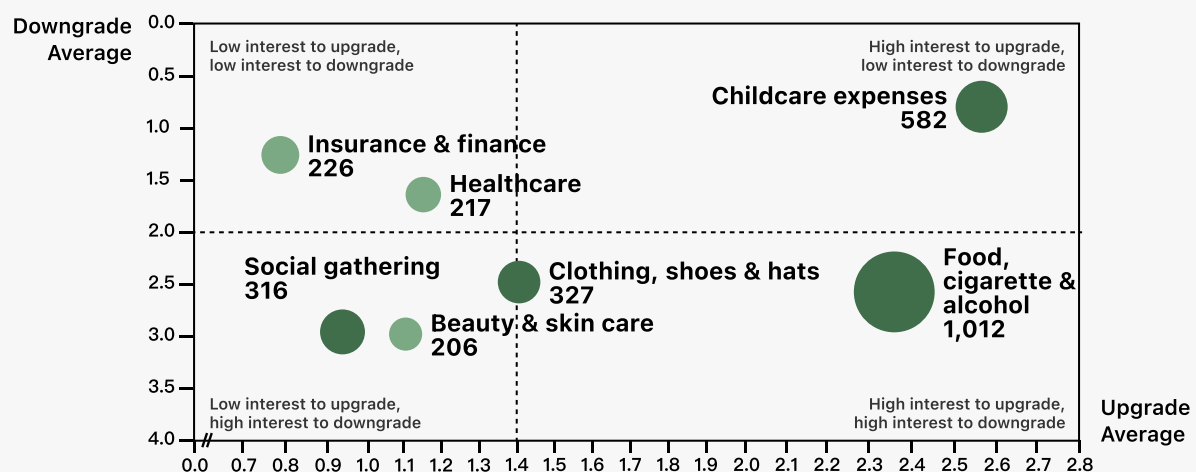
Higher the average index, the more limited is the increase/reduction in expenditure for the category. As the number of choices differs, the average upgrade/downgrade index cannot be compared.

Source: BA Capital 2022H1 County Economy Consumer Survey

Fig. 19-2 Respondents' upgrade/downgrade priority for daily consumption categories—with and without children

**Married with children**

● Bubble size represents average monthly spending



Higher the average index, the more limited is the increase/reduction in expenditure for the category. As the number of choices differs, the average upgrade/downgrade index cannot be compared.

Source: BA Capital 2022H1 County Economy Consumer Survey

To summarize, county town residents no longer worry about survival but are more concerned about planning for the future. Although their daily consumption mostly remains on the middle and low levels of material consumption, they already possess a strong awareness of higher-order consumption like companionship and respect. As they become increasingly conscious of their individuality and individualistic needs, their need to please others and to follow trends gradually diminishes. With respect to the future, county town residents are prudently optimistic. Although different people have different ways of living their lives, they all believe they will harvest what they sow.



An aerial photograph of a complex highway interchange with multiple lanes and overpasses. A large green semi-transparent rectangle is overlaid on the left side of the image, containing text. The right side of the image shows a continuation of the highway with a similar green overlay.

A study on the demand trends of young and middle-aged consumers in county markets

# Part III

## Industry Development Opportunities for Counties



Based on the general conditions of county economy and the consumption concept and habits of county residents, in this part of the study, we try to identify some industry development opportunities from the perspective of demand and verify these opportunities through the quantitative survey. Accordingly, five industries have large development opportunities in county towns.

**They are:**

- 1 Categories with high interest to upgrade, such as large and small household appliances, local snacks bought due to food upgrade, and other nationally available categories;
- 2 Categories where brand is prioritized, such as maternal and baby care, children's health, food grain and oil and other daily necessities.
- 3 Cost effective retail that can upgrade consumption without extra cost, such as specialty variety stores;
- 4 Experience consumption that can improve companionship quality, such as offline social integrated spaces;
- 5 Online content/entertainment/social that can enrich cultural life, such as short videos and games.

There are several business development opportunities under each of these industries. Following is an outline of our findings for each of the demands.



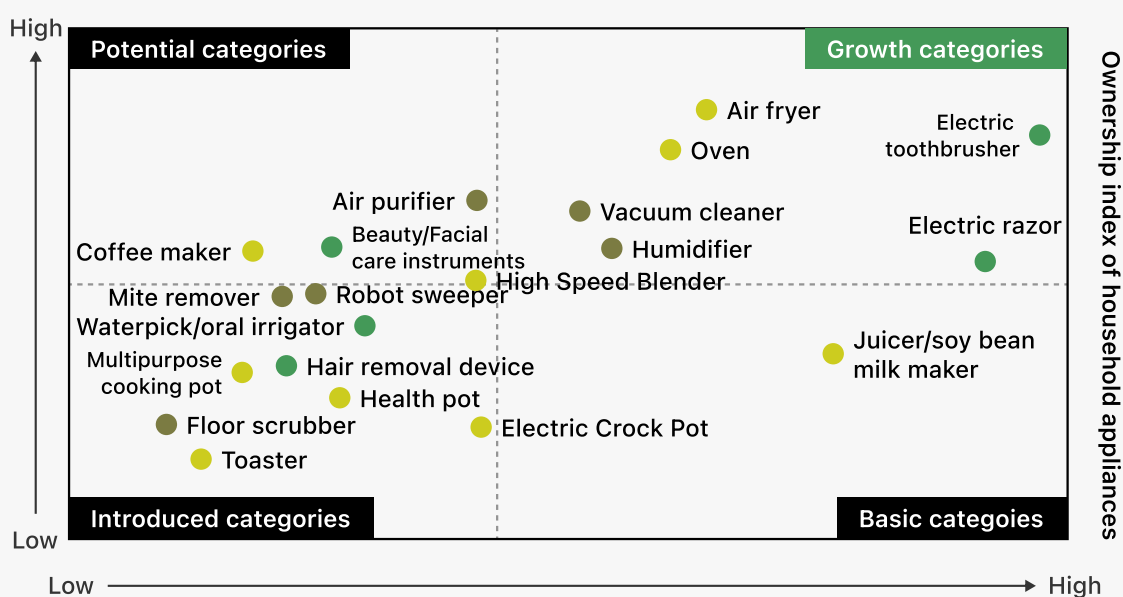
# 1. High-willingness-to-upgrade categories: large and small household appliances

Based on the survey, among the county consumers surveyed, the household ownership and declared purchase interest for small household appliances were both higher than expected. Electric toothbrushes and electric razors under the personal care category, air fryers and ovens under the kitchen appliance category, and vacuum cleaners and humidifiers under the environmental category have the potential of becoming high penetration products at the county-level in the future.

Fig. 20 Respondents' household ownership of small household appliances and future consideration

● New small kitchen appliances    ● Home environment appliances    ● Personal care appliances

## Consideration index for the next 6 months



Data contained herein are unverified data claimed by respondents and are provided here for reference only.

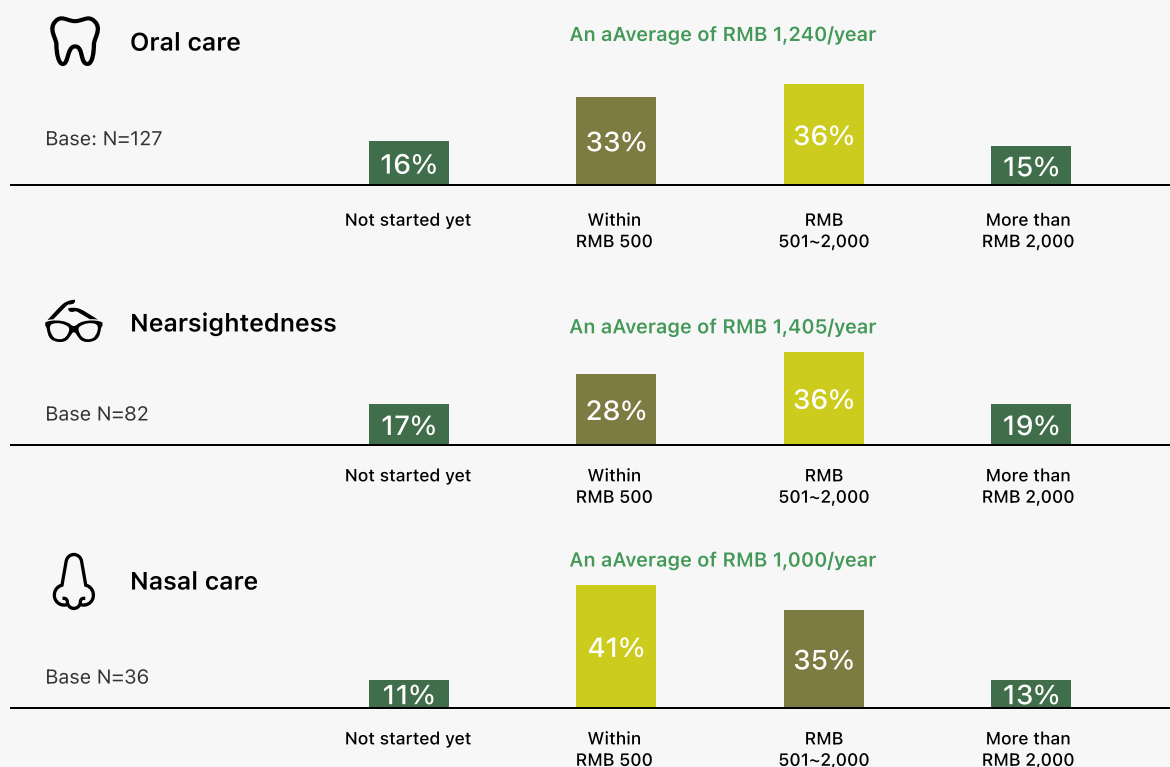
Total number of samples N=1613

Source: BA Capital 2022H1 County Economy Consumer Survey

## 2. Brand-first categories: maternal and baby care, children's health, food grain and oil, and other daily necessities

Childcare is the most rigid category for families with children. Related maternal and baby care businesses have considerable scope for growth among the county population. At present, county families spend about RMB 1,000 or more a year on their children's ear, nose, and throat-related problems (see diagram below). With respect to Otho-K, which is quite popular among children with moderate to high levels of nearsightedness in higher-tier cities, a fifth of the surveyed families of nearsighted children showed strong interest and were willing to pay RMB 2,000 per year, which is 2.2% of the income of these families.

Fig. 21 Respondents' spending on children's health problems



Source: BA Capital 2022H1 County Economy Consumer Survey

Fig. 22-1 Concept test result of Ortho-K

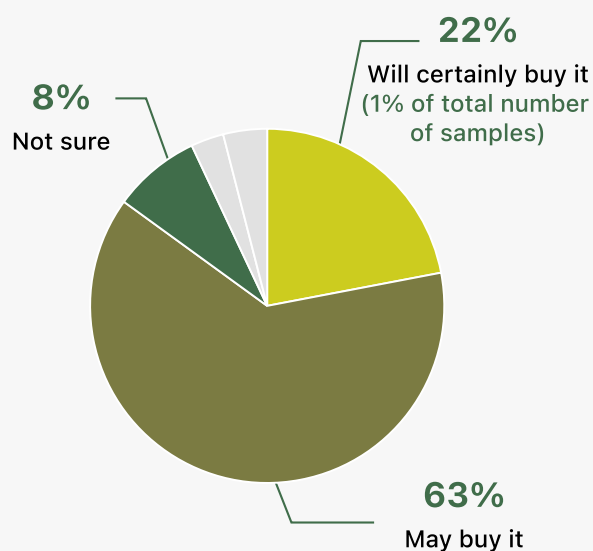


### Concept card of Ortho-K

Scientifically termed corneal shaping lens, Ortho-K is made from breathable hard corneal contact lens material. It uses the shape of the lens to correct the radian of the cornea and temporarily reduces the degree of nearsightedness. Simply wear the lens every night to regain normal sight without having to wear the lenses in the daytime. Ortho-K can delay the increase in nearsightedness to some extent. A new lens can be used for 1 to 1.5 years.

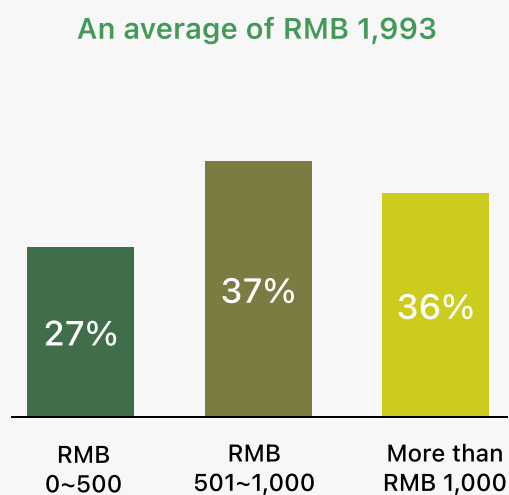
Fig. 22-2 Concept test result of Ortho-K

**Q&A** How interested are you to buy this product if it is available near where you live and what price is acceptable? (Select only one)



Extremums have been excluded when calculating the willingness to pay

**Q&A** How much would you be willing to pay for this product (insert)



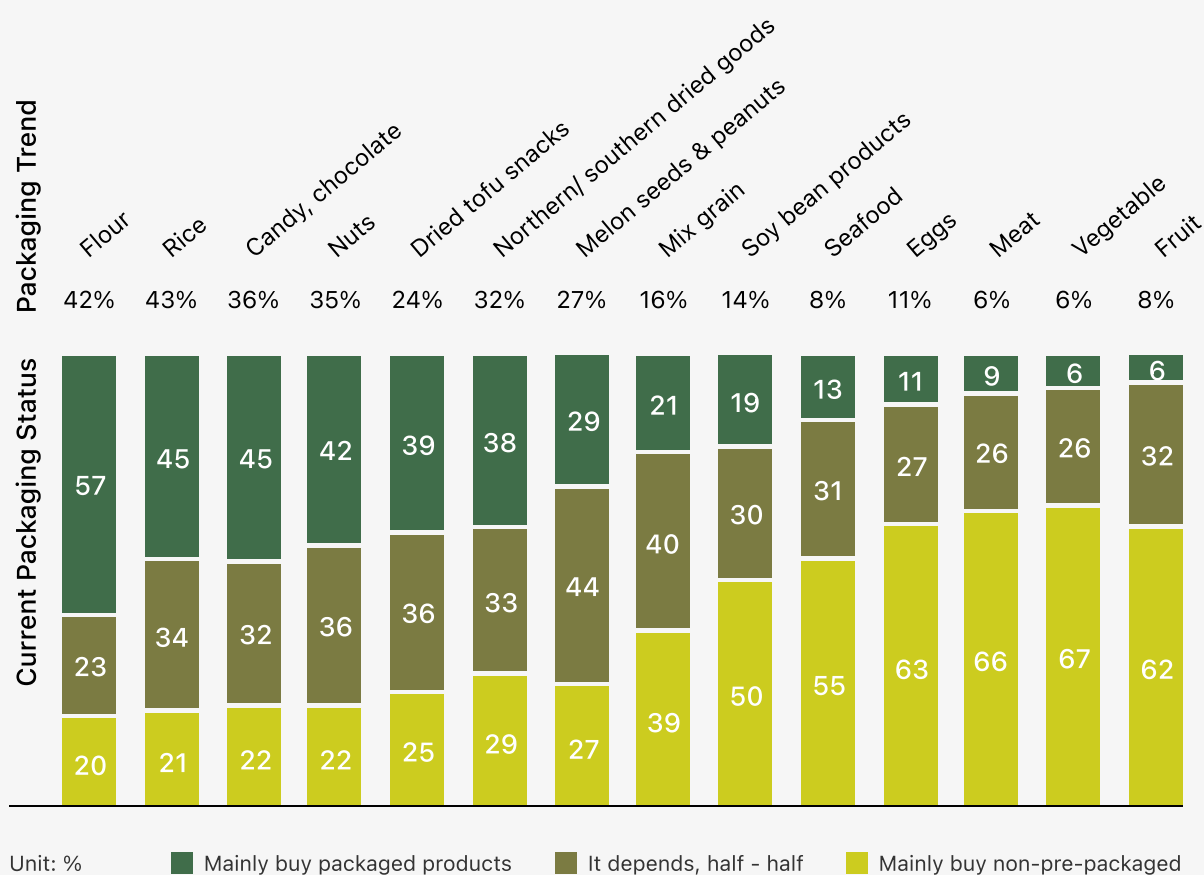
The base is small and data are provided for reference only

Source: BA Capital 2022H1 County Economy Consumer Survey

The survey also revealed that food grain, oil, and other daily necessities are shifting from non-pre-packaged purchases to pre-packaged products, signifying that these products are undergoing a transition from unbranded towards branded purchases.

Fig. 23 Packaging and trends of livelihood categories

### Packaging trend – More will buy packaged products than before



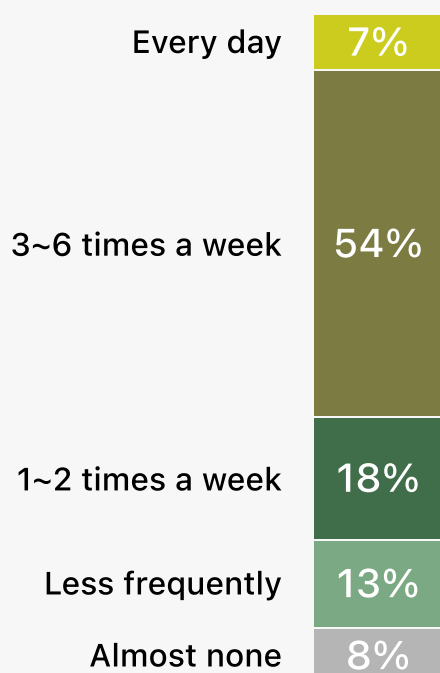
Source: BA Capital 2022H1 County Economy Consumer Survey

### 3. Value for money retail: Variety stores

At snack variety stores, for example, county residents eat snacks an average of 2.4 times per week, with young women and returnees having a higher consumption frequency. People prefer to buy different kinds of snacks together. Impulsive consumption and planned consumption make up half each of the study respondents, as is the case with respect to high and low brand loyalty.

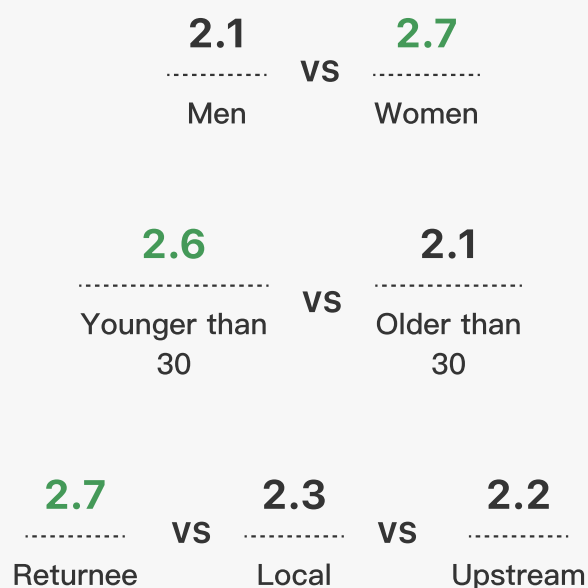
Source: CA Capital 2022H1 County Economy Consumer Survey

#### Average consumption frequency: 2.4 times a week



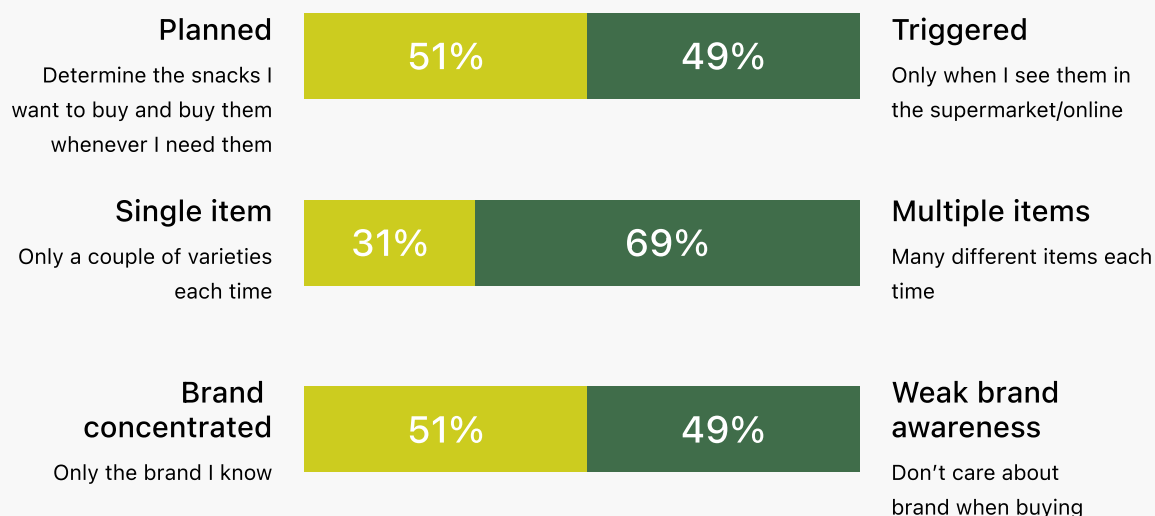
Total number of samples N=1613

#### Average consumption frequency by group



Source: BA Capital 2022H1 County Economy Consumer Survey

Fig. 25 Respondents' snack buying behavior



N=977, respondents consuming more than twice a week

Source: BA Capital 2022H1 County Economy Consumer Survey

Based on the high frequency, multi-category purchase, and high proportion of impulsive consumption found during the study, we suggest that snack variety stores have great potential in the county market. In fact, some brands have already entered these markets and are in the initial development phase.



## 4. Experience consumption: offline social integrated spaces

Given that companionship has the highest importance among all demands, we tested the attitude of young and middle-aged county residents toward offline social integrated spaces. The concept card is as shown below. The results showed that 16% of the respondents expressed strong interest in this concept and high interest to buy, and are primarily high-income people and returnees. Based on the purchase frequency, the acceptable price is RMB 120 per purchase, and based on the annual spending, the acceptable price is RMB 700 per year.

Fig. 26 Concept test for integrated spaces—concept card

Welcome to **X space**. You are now in a comprehensive space where both adults and children can enjoy and socialize. We have different blocks here:



### Comprehensive entertainment section

including video games, private cinemas, chess and card rooms, and other purposed entertainment venues



### Parent-and-child section

including children's amusement facilities, children's skill learning centers, parent-and-child restaurants



### Sports and sci-tech section

including skating, skateboarding, dancing, and other community activity venues



### Social & leisure section

including dining halls, bars with band performances, cafes



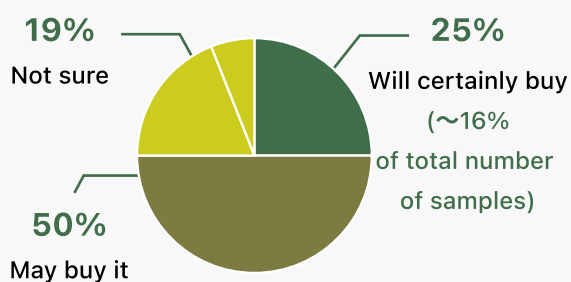
### Exhibition & fair section

where exhibitions and fairs are provided on regular basis

Fig. 27 Concept test result of X space

## Interest degree

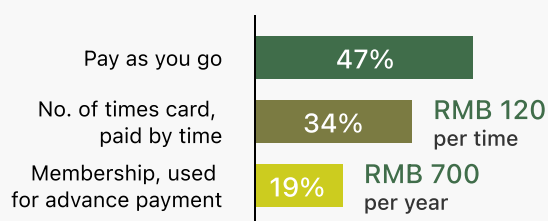
**Q&A** How interested are you to go to this space if it opens near where you live and what price is acceptable?



Base: samples having high social demand, N=1004

Purchase method and willingness to pay<sup>①</sup>

**Q&A** Which payment type do you prefer? (Select only one); how much will you pay to buy the no. of times/membership card of this store? (Insert)



Base: samples having high interest degree, N=255

## Portrait of potential customers

People interested in the integrated space concept are more likely to be women, high income, and returnees.

Dimension	Group	Index vs Overall <sup>②</sup>	
Gender	Men	43%	85
	Women	57%	116
Age	18-25	24%	104
	26-30	31%	95
	31-35	34%	115
	36-40	11%	76
	Mean	29.6	99
Marital status	Unmarried	34%	104
	Married without children	10%	110
	Married with children	56%	96
Income level	Low	21%	94
	Moderate	30%	79
	High	49%	123
	Mean	103,333	109
Sample type	Returnee	37%	145
	Local	56%	84
	Upstream	7%	89

Base: samples having high interest degree, N=255

<sup>①</sup> Extreme values have been excluded when calculating the willingness to pay

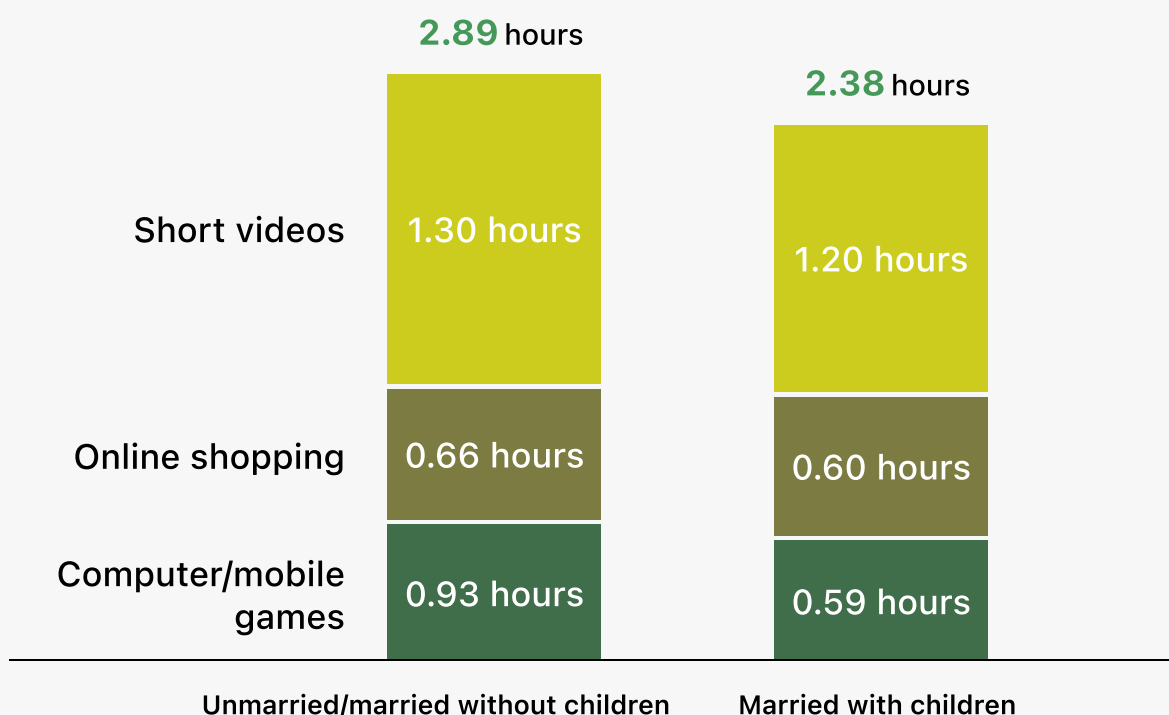
<sup>②</sup> Index=ratio of a group choosing this option/ratio of total groups choosing this option\*100.

Source: BA Capital 2022H1 County Economy Consumer Survey

## 5. Online content/entertainment/short videos, gaming

As discussed, the core difference between county and big city consumers is time affluence— ample time available on a daily basis, which presents opportunities for short videos, social apps, and game industries. The respondents spend 1.63 hours on short videos, 0.88 hours on online shopping, and 1.58 hours on games. Furthermore, people without children spent an average of 2.89 hours on three types of entertainment—1.3 hours on short videos, 0.7 hours on online shopping, and 0.9 hours on games), which is longer than the time spent by people with children—1.2 hours on short videos, 0.6 hours on online shopping, and 0.6 hours on games).

Fig. 28 Average time spent by respondents on main online entertainment per person per day



Total number of samples N=1613

Source: BA Capital 2022H1 County Economy Consumer Survey

# Part IV

## Conclusion

Counties are the basic units of national economy. The market is not only large, but also has increasing potential. According to the Think Tank Data of the Development and Research Center of the State Council, the total retail sales amount of consumer goods in county towns in China was approximately RMB 5.1 trillion or 12.5% of the national total, and the total retail sales amount of consumer goods in counties was approximately RMB 18.4 trillion or 45.1% of the national total, in 2019 [1]. However, the per capita consumer expenditure of county town residents was only around two thirds of that of prefecture-level cities, suggesting that there is still large room for improvement.

Understanding county consumers is the first step to leveraging consumers as the drivers of county economy.

From our field interviews and quantitative survey, we discovered that generally, young and middle-aged county residents are content and living and working peacefully. They have both money and time, as well as a promising future. Their consumption structure is more rigid and their future upgrade interests are still dominated by improvements in rigid demands (household appliances, food). Experiential demands have some scope, but those willing to pay for experiences are mainly county town middle and upper classes. Overall, the young and middle-aged county residents enjoy a moderately well-off life in all aspects.

As an important link connecting cities and villages, what we can expect from counties is that, with the continuous growth in urbanization and the strong empowerment of digital technology, county consumption will enter a new development stage. However, compared with the demand levels, the society's

focus and investment in county markets in the past were not on the same order of magnitude.

Secondly, the imbalanced development among individual regions, the different levels of commercial infrastructure, and the different local characteristics across the vast territory of China all add to the difficulty in getting an accurate picture of county markets. Compared with the more populous big cities, counties are quite different in terms of living environment, income, and infrastructure. Only by field visit, survey, and data analysis can we gain an accurate outlook on county consumption.

Finally, demand trend research is just a facet of BA Capital's exploration and practical efforts related to county economy. We suggest that technology innovation, infrastructure improvement, and supply-side value chain modernization can inject strong growth impetus into county economy. We will continue to bring you novel research findings and share our practical experiences concerning the development of county economy.

Reference: [1] Create "big cities", establish a new pattern of county consumption, Development and Research Center of the State Council



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