



BY EDWARD RUSSELL

Generation ME

A new breed of technology savvy, gadget-toting, independent-minded adults are emerging as the yin to China's traditional yang, turning the market on its head and creating a whole new dynamic for business in China.

For members of America's generation Y, it is often hard to grasp that a group of our peers do not share the same CNN-overloaded, self-empowered outlook America has imbued on us. When we were young, chores were rewarded with an allowance and our young lives were marked by signs of increasing independence from the first time our parents let us stay home alone to our first part-time job. All along the way, we were encouraged to be all that we could be, no matter what that "all" might be.

On the outside, China's generation Y is much the same. While their parents may not have been so individualistically encouraging, generation Y is a group of colorful, energetic, optimistic and materialistic young adults.

Observe generation Y in any of Shanghai's numerous malls and you see that they cut their hair like their favorite pop star, watch movies with their friends, tote the latest cell phone, gossip and joke. On the outside, they are strikingly ordinary teenagers or young twenty-somethings that would fit in just as easily in any American suburban mall.

But peel away the outer layer and China's generation Y becomes something all its own.





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Who is generation Y?

Generation Y has traditionally been defined as born sometime between the early-1980s and the mid-1990s. These definitions often include peculiarities such as adults who do not remember the space shuttle Challenger disaster or who grew up listening to Whitney Houston’s famous self-loving ballad, “The Greatest Love of All.” These definitions are correct, but generation Y is so much more – it is a generation that wants to show its worth through its work, but in its own way.

Generation Y’s determination to excel through work has convinced Jim Clifton, chairman and CEO of The Gallup Organization, that generation Y is “the best generation yet.” Explaining his opinion, Clifton shares, “Generation Y really wants to work, they want to manifest their talents into something important and they define the value of their life by their job.”

Programs like *Sesame Street* nurtured generation Y, painting the image of a happily pluralistic, equal opportunity America for young generation Y. Parents of generation Y reinforced these values and taught that it’s okay to be themselves. With this congruous mix of influences, generation Y in the U.S. has grown into an independent, worldly, internet and tech savvy generation with a diverse spectrum of interests.

Amena Schlaikjer, a project driver for the innovation consulting firm ?WhatIf!, feels that many of generation Y’s values in the U.S. and elsewhere in the world also exist in China. “We can no longer define generations by age groups, now it’s about psychographic groups. The values of generation Y are really universal cultures of influence in a world that is not dictated by borders so much anymore.”

Because of its sheer size – nearly 200 million strong – China’s generation Y will dramatically impact both China and the rest of the world. Generation Y is internet reliant, interested in getting rich and increasingly looking for a way to assert its independence.

But what sets China’s generation Y apart from its peers is the outside perception that it is materialistic and insensitive to global social issues.

In China, generation Y members walk a tightrope between a strong sense of entitlement and six-fold familial obligations that push them to attain the all-important high-paying job and be the perfect son or daughter.

The difference a generation makes

With all the major changes across China in recent times, the biggest change has been in China’s people, says Dave McCann, an HR partner who has worked at PricewaterhouseCoopers (PwC) in Beijing for 10 years.

“The English is so much better today, candidates are much better prepared – they even know who PwC is – and there is a greater self-confidence and understanding of China’s evolving place on the global stage,” says McCann. Positive attributes of generation Y include technology savvy, interest in work-life balance, demand of a personal touch from employers and interest in giving back to the community.

“Inside, they [generation Y] still have fundamentally similar values to their elders,” says Hai Yan Zhang, a Colorado-based cross-cultural business consultant and managing partner with Gordon & Associates. “Many fundamental values are still there, although certain behaviors – the way they dress, act, communicate – contrast with their elders.”

Generation Y’s parents and grandparents played a large role in their upbringing. One of the hallmarks of China’s 1979 one-child policy was placing generation Y at the “center of the universe” for their parents and grandparents. From this position, many in generation Y were instilled with a strong dose of Confucian ideals and a slightly-skewed idea that the world centered on them.

Zhang describes how the cultural attributes of Confucian hierarchy, importance of personal relationships and use of indirect communication are still prevalent in China’s generation Y.

Michael Stanat, manager of business development at SIS International Research in New York, authored the seminal English-language resource *China’s Generation Y*. In his book, Stanat describes how many parents of generation Y shelter their children, removing all “distractions” from their lives so that they can study and do well on exams but denying them the time to focus on personal dreams and aspirations.

The heavy emphasis on education and removal of “distractions” has, according to Stanat, resulted in generation Y’s lack of knowledge on politics or themselves. Parents’ and grandparents’ expectations of generation Y are to get a “high-paying” job and to, in essence, toe the line to financial success.

Stanat cites the fact that some households devote up to 70 percent of income to their child; be it for a computer, clothes, school tuition or exam

preparation. He attributes this lavish indulgence of generation Y to, among other reasons, parents who are determined for their children to not experience the same hardships they went through during the latter years of the Cultural Revolution.

A common derogatory label applied to China's generation Y is "little emperor" or "*xiao huangdi*," stemming from their often privileged, and in some cases, spoiled upbringing. Popularized by Jing Jun's 2000 book *Feeding China's Little Emperors*, the term is often used to refer to generation Y's more common use of "I, I, I" where older generations are known from their uniform "we."

China's new "me" generation is a unique mix of self-indulgent, fun-loving but globally aware and hardworking consumerists who are redefining China's consumer market.

200 million consumers

Hands down, China's generation Y is a generation of consumers. After growing up with the vast majority of their parents' household income dedicated to them, generation Y, as KPMG's report *Luxury Brands in China* framed them, is "a new breed of brand-savvy, luxury-conscious, and in some cases rather spoiled children, who know what they want, expect the best and are not shy about demanding it."

Consumer sales have been rising steadily in China. According to Deloitte, total consumer retail sales totaled US\$785 billion in 2006, a 14 percent rise over 2005. The same year, consumer spending amounted to 41 percent of China's GDP.

Generation Y will be a big contributor to consumer spending, as they are often more likely to purchase a product for its perceived social status than for whether or not they actually want it. Schlaikjer, who has worked with surveyors to establish generation Y's various product tastes, finds that, "To be cool in generation Y, you need to know about the latest stuff – gadgets and pop culture – not so much current affairs or politics."

While western goods carry a certain status among many in China's generation Y, their actual product preferences are surprisingly for Chinese goods. Stanat found that focus group respondents drawn from China's urban generation Y population, either preferred Chinese-manufactured goods over western-manufactured goods, or were undecided between the two. The only preferred western goods were pharmaceuticals.

The preference for Chinese goods plays into how



A GROWING TASTE FOR FASHION

In 2006, China's retail apparel market was the third largest in the world, after the U.S. and Japan. According to Deloitte, the market was worth US\$84 billion in 2006 and is growing at 12 percent annually.

In April 2007, the low-price, fast-fashion Swedish retailer Hennes & Mauritz AB – better known as H&M – opened its first retail store in China on Shanghai's Huaihai Road. "Fast-fashion" is the current phenomenon sweeping the apparel retailing business. The phrase, as it denotes, brings high-fashion to the masses quickly; fast fashion leader Zara averages five weeks from design to delivery and turns over 11,000 new items each year.

Pernilla Halldin, a spokesperson for H&M, confirms that China has major potential for expansion, "China has high fashion awareness and spending power. Shanghai, as the Paris of Asia, has this awareness and high customer potential." Accordingly, the opening of H&M's first Shanghai store was a great success and the retailer has already opened two additional China stores and plans worldwide growth of 10-15 percent annually.

H&M's 2007 third quarter results for Greater China, including Hong Kong and Shanghai, were approximately US\$20 million. The retailer's first outlets in Greater China opened in Hong Kong on March 10, 2007 and in Shanghai on April 12, 2007.

"The Divided department is where H&M's most trend sensitive customers are found," says Halldin. "They are very fashion-conscious, quick to adopt the latest looks, devote a lot of time to shopping and want to create their own personal style. This is where, among others, generation Y belongs."

H&M's retail format is a good fit for Chinese consumers and generation Y especially. Most of generation Y is only now in their mid-20s and while urban salaries are rising, fashion at an affordable price rings true for generation Y.

Fast-fashion especially appeals to generation Y, who in China, as Schlaikjer identifies, is fickle. "Their opinions are based on new things and what they think they are expected to do."



CONSUMER GENERATION: Driving much of China's US\$84 billion apparel industry, generation Y's tastes are fickle and contemporary, staying close to global shopping trends.

generation Y is very proud of their country. Ask any member of generation Y on the street about China and you are more likely to hear about China's beautiful scenery, how good changes in recent years have been or the country's growing importance in the world than about questions on product quality or complaints over government policy.

What China's generation Y consumers demand most are brands or marketing campaigns aimed at them and through the mediums they use most. This trend captures generation Y's growing individuality and use of technology in many aspects of daily life.

Internet prowess

The internet is one of the most important characteristics of generation Y. Schlaikjer sees the internet as the primary means of connecting generation Y around the world and creating a truly

global psychographic group.

Message boards (BBS) and blogs are by far the most popular forms of online communication for generation Y in China. According to Edelman's 2007 *China Stakeholder Study*, 48 percent of Chinese people have used BBS or blogs versus the regional average of 30 percent.

The popularity of BBS and blogs has created new challenges for marketers. Derek Ng, a Shanghai-based account director for Edelman's marketing practice, explains that, "The popularity of social media is no longer something corporations can ignore. It presents new challenges to marketing professionals as there is a need to balance the need for messaging control while engaging in dialogue with the online community."

"I know it's a cliché to say this generation is tech savvy, but the truth is they absolutely are," admits McCann.

Generation Y's heavy use of the internet did

not develop in a vacuum. With parents placing heavy familial obligations on the generation's shoulders and the education system encouraging rote memorization instead of discussion, BBS and blogs emerged as a way for generation Y to vent their problems. Like their peers around the world, China's generation Y uses the internet as a forum to query their friends' opinions on their questions and concerns.

But generation Y's increased tech savviness has come at a price. Many fear that the popularity of online and impersonal communication will have a negative effect on them in the future. On top of generation Y's heavy internet use, limited in-class discussion and their parents' objective to shelter them and keep them away from distracting social situations are predicted to have an impact on communication skills.

All of these complaints are valid but as the world becomes more electronic media-driven, generation Y's technological adeptness will serve it well. The internet will enable generation Y to go places undreamed of by their parents and allow the generation to really show their individualistic nature through blogs and MySpace pages.

Leaving a personal touch

No one really knows where generation Y will lead China. There are many congruous hopes for the generation, ranging from Schlaikjer's for greater environmental awareness to McCann's for fundamentally better employers and managers.

One issue that continually crops up when referring to generation Y and the future is their lack of a definitive dream. Generation Y's parents have infused in them a desire to succeed financially, but how they will do that and assert their growing desire for independence is largely unknown.


"The youth [generation Y] have goals on, generally, what things they have to do in life, whether it be providing for their parents or raising a family," shares Stanat. "But in terms of means to achieve the goals, parents define these."

Coupling their goals of a high-paying occupation with the values they superficially express is a difficulty for generation Y. Schlaikjer sees potential in the generation but says, "They [generation Y] often have a hard time understanding the concept of joining an organization for idealistic instead of financial reasons."

Even with their ambiguous route to riches, generation Y is already leaving its mark on China.

The generation loves its country and domestic consumer markets are booming, with luxury goods alone predicted to grow at least 10 percent per annum until 2015. Workplaces, both Chinese and foreign, are adapting, and according to McCann, generation Y is laying the foundations to be fundamentally "better employers and people to work with in the future."

"People of my generation have difficulty seeing the world through the eyes of the younger generation. Things we try to recognize now are instinctive to them, like work-life balance, giving back to the community and really engaging with people," says McCann. "People want to be engaged more and generation Y [as managers] understands this...this is the world I want to see my children work in."

If nothing else, generation Y is optimistic. Clifton observes that generation Y in China is extremely gungho about the future and that there is also "something more to patriotism in place here...even when young people [generation Y] get mad at the country, they still love China." 

Edward Russell is Associate Editor of Insight.
He can be contacted at
edward.russell@amcham-shanghai.org.

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