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MasterCard Worldwide Index of China's Affluent— Discretionary Spending and Lifestyles

Demographic Profile:
Age, Education, Income,
and Gender

How They Balance
Work, Money,
and Leisure

Their Business and
Leisure Travel Patterns

Their Attitudes and
Involvement in China's
Social Well-Being

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MasterCard Worldwide is widely recognized as a knowledge leader around the world. Over the years, the global payment solutions company has devoted extensive resources to developing a deeper understanding of the payments card markets and the business and economic environment through surveys and independent research studies. Some of these initiatives include the MasterIndex™ of Consumer Confidence, MasterIndex™ of Retail, MasterIndex™ of Travel & Asian Lifestyles, MasterIndex™ of Women's Advancement, and Asia/Pacific Merchant Smart Card Study. Today, these MasterCard offerings are much sought after by analysts, academics and decision makers in financial institutions, government agencies and multi-national organizations.

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Today, MasterCard continues to demonstrate its commitment by not only adding value with cutting edge research but also through sharing knowledge in new areas. Its knowledge leadership is well recognized and unrivaled.



MasterCard Worldwide Index of China's Affluent— Discretionary Spending and Lifestyles



The number of affluent consumers in China is growing fast and their market power is being felt far and wide. Luxury goods sales in China were up by 50% in 2006.¹ Already the world's third largest luxury goods consumers, China's affluent are expected to displace Japan as the world's

largest luxury goods consumers in the next decade. Shanghai is set to join Mumbai and Moscow as the future fashion capitals of the world.² And the affluent of China are also avid overseas travelers, hence their spending power will affect the travel and hospitality industry globally as well.

The Affluent of China are Avid Overseas Travelers

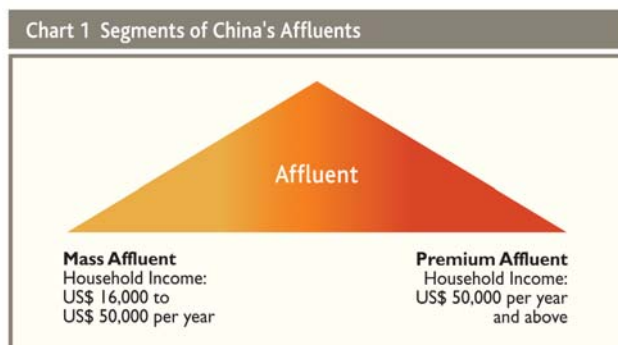
In order to better understand this increasingly important consumer segment, MasterCard has launched a new bi-annual index, the "MasterCard Worldwide Index of China's Affluent." The first half of the year will survey and analyze key features of the lifestyles of China's affluent. In the second half of the year, the Index will examine and identify their preferences in terms of top domestic and international brands in ten product and service sectors.

This is the inaugural report on the results of the first half of the 2007 MasterCard Worldwide Index of China's Affluent, focusing on their spending patterns, lifestyle features, as well as their attitudes toward work, family and social issues.³

Discretionary Spending and Lifestyles

The affluent segment of China is defined as consisting of two sub-segments, as illustrated in Chart 1. First, there are the mass affluent whose household income ranges from US\$16,000 to

US\$50,000 a year. The premium affluent, on the other hand, are those who earn more than US\$50,000 a year. As detailed in the Appendix, about 25% of the affluent are in the premium



affluent category. Overall, both the mass affluent and the premium affluent are young and well educated.

35% Spent Between US\$5,000 and US\$15,000 on Leisure and Recreation

In 2006, 35% of the affluent households spent between US\$5,000 and US\$15,000 on leisure and recreational activities, 7.4% of them spent more than US\$10,000 and 63.8% spent US\$5,000 or less as shown in Table 1.⁴ A spending level of US\$10,000 appears to be the dividing line between the mass affluent and the premium

Table 1 Discretionary Spending on Leisure Activities

Annual Spending	Percent of Total HH Spending	Beijing	Shanghai	Guangzhou
US\$15,000 +	1.2%	1.0%	2.0%	0.5%
US\$10,001 to 15,000	6.2%	9.5%	4.5%	4.5%
US\$5,001 to 10,000	28.8%	32.5%	29.0%	25.0%
US\$3,001 to 5,000	36.8%	30.0%	43.5%	37.0%
Less than US\$3,000	27.0%	27.0%	21.0%	33.0%

affluent. Most of the premium affluent spent more than US\$10,000 while most of the mass affluent spent less than US\$10,000 on such activities.

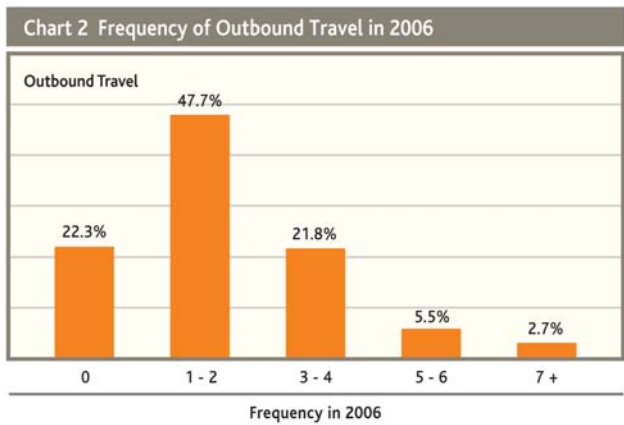
Table 2 Priorities for Spending Time and Money

	Identified by % of Affluent as Priorities
Outbound Travel	75.1%
Domestic Travel	69.3%
Fitness/Gym	56.4%
Visits to Theme/Amusement Parks	43.9%
Playing Sports	37.1%
Socializing/Partying	20.9%

In terms of spending priorities, both overseas and domestic travel are clearly the most attractive options. As shown in Table 2, these are followed by joining a fitness center, visiting theme parks, playing sports, and socializing and partying.

Outbound Travel

Chart 2 shows the frequency of overseas travel by the affluent. Close to half (47.7%) traveled overseas between one and two times in 2006,



while 21.8% traveled between three to four times a year.

The profile of travelers who traveled overseas more than 5 times in 2006 consists of mostly those with annual incomes over US\$50,000 (87.5%). In other words, these are the premium affluent consumers, and not the mass affluent. The vast majority are male (77.3%) and university educated (84.4%).

In terms of their overseas travel destinations, Hong Kong is the overwhelming favorite as shown in Table 3. Macau is in the number two spot, followed by Thailand, Singapore and Japan.

Although destinations like France, Germany, and Italy are at the bottom of the list; each with less than 10% of the affluent travelers visiting them in 2006, they are poised to become more important in the future. These are identified by the affluent as their most favored travel destinations in future, along with those in the US and Australia.

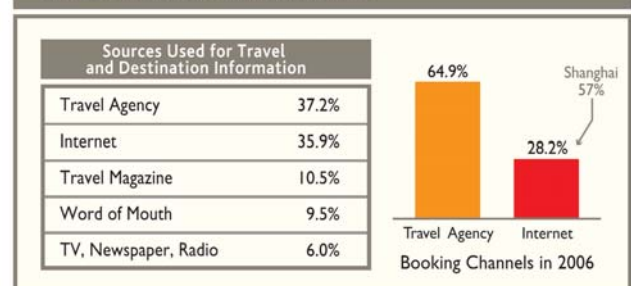


Table 3 MasterCard Worldwide Index of China's Affluent

Destinations	Visited by % of Affluent Outbound Travelers in 2006
Hong Kong	85.6%
Macau	51.7%
Thailand	34.8%
Singapore	30.5%
Japan	18.7%
Malaysia	17.6%
South Korea	12.9%
Australia	10.5%
US	10.5%
France	9.4%
Germany	8.4%
Maldives	7.1%
Italy	5.8%

The affluent continue to rely on travel agencies to plan as well as make bookings for their overseas travel, as shown in Chart 3. As an information source, the Internet ranks only slightly behind travel agencies. In 2006, only 28.2% of affluent travelers used the Internet for their travel reservations, versus 64.9% who continued to use travel agencies. But using the Internet as a channel for information and booking is a trend that is likely to accelerate in future. In 2006, for example, 57% of the affluent travelers in Shanghai used the Internet to make their own bookings.

Chart 3 Sources of Travel Information



For business travel overseas, the patterns of destinations visited by the affluent travelers are very different between the three cities as detailed in Table 4. While Hong Kong is still the top destination for all three cities, US and Singapore take second and third place

Hong Kong is Still The Top Destination

respectively for the affluent in Beijing. For the Shanghai affluent, Singapore and Japan are in second and third place; whereas Macau and Thailand are in the second and third place for

Table 4 MasterCard Worldwide Index of China's Affluent
Outbound Business Travel - Frequent Destinations in 2006

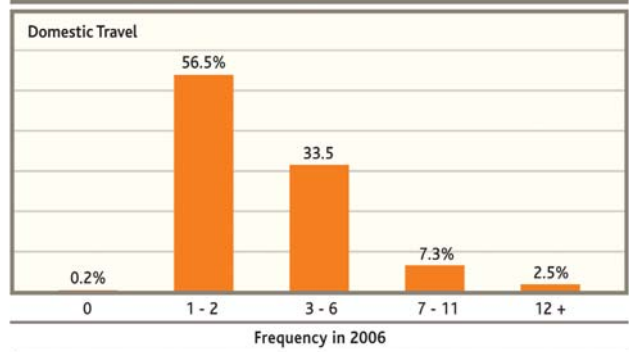
Beijing		Shanghai		Guangzhou	
Hong Kong	79%	Hong Kong	80%	Hong Kong	90%
US	34%	Singapore	31%	Macau	49%
Singapore	15%	Japan	25%	Thailand	13%
Japan	11%	South Korea	15%	Japan	12%
Thailand	10%	Macau	14%	Singapore	11%
Macau	8%	US	13%	US	9%
South Korea	7%	Thailand	11%		
		France	9%		
		Germany	9%		

the affluent in Guangzhou. Some 9% of the affluent in Shanghai had also visited France and Germany in 2006.

Domestic Travel

The frequency of domestic travel by the affluent in 2006 is shown in Chart 4. Over half traveled domestically between 1 to 2 times and about one-third traveled 3 to 6 times.

Chart 4 Frequency of Domestic Travel in 2006



When traveling domestically, almost half of the affluent prefer nature and scenic tours; and less than one-quarter prefer visiting cultural and historical sites. Interestingly, the patterns are very different between the three cities. Close to one-third of the affluent in Beijing prefer beach resorts; while only 5.5% and 6% in Shanghai and Guangzhou expressed the same preference.

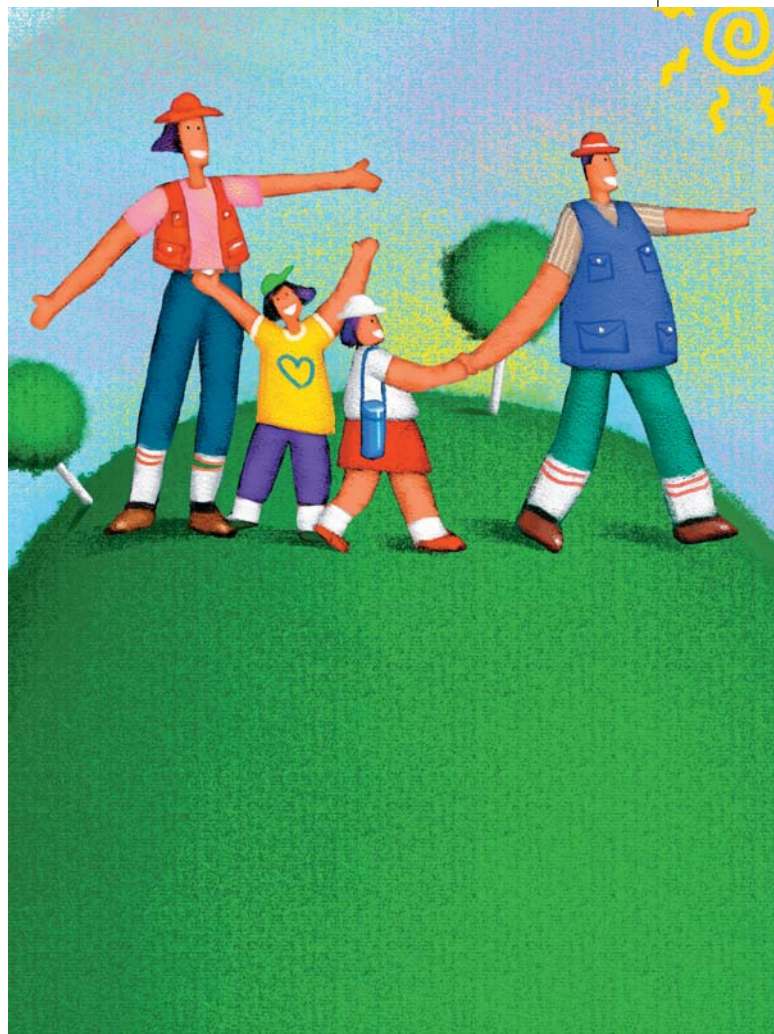


Table 5 Most Preferred Destination Types for Domestic Travel

	Percent of Total HH Spending	Beijing	Shanghai	Guangzhou
Nature and Scenic Tour	46.2%	41.5%	50.0%	47.0%
Cultural/Historical Sites	23.0%	11.5%	24.0%	33.5%
Beach Resorts	14.5%	32.0%	5.5%	6.0%
Others	16.3%	15.0%	20.5%	13.5%

There appears to be a correlation between income levels and frequency of domestic travel as shown in Table 6. For domestic affluent travelers who made 7 to 11 trips in 2006, their profile is one of earning a higher income, mostly male, aged 41 to 50 years; and in senior management positions. For those who traveled domestically only 3 to 6 times in 2006, they tend to be younger, with slightly lower annual income, and there is a more even split between male and female.

Table 6 Profile of Frequent Travelers

Frequency of Travel	Traveler Profile
3 to 6 Times Per Year	<ul style="list-style-type: none"> • Annual Income US\$40,000 to US\$50,000 • More Even Split Between Male and Female • Age 31 to 50
7 to 11 Times Per Year	<ul style="list-style-type: none"> • Annual Income US\$50,000+ • Mostly Male • Senior Management Position • Age 41 to 50

Regular Leisure Activities

A set of regular leisure activities and interests have been identified for the affluent. As summarized in Table 7, watching foreign films is the all time favorite. Over 80% of the affluent in Beijing and Shanghai did so regularly in 2006; while over 60% of the affluent in Guangzhou did likewise.

This preference for foreign films is that much more striking in Beijing and Shanghai while the second ranking leisure activities; going to traditional drama and concerts in Beijing and going to popular music concerts in Shanghai, are reported by lower percentages of the affluent (31.9% and 57.0%). The overall profile of

Watching foreign films is the all-time favorite activity

regular foreign film goers is that they are relatively young; belong to the mass affluent category in terms of income; and there are more females than males. They are very well educated: over 80% of them hold university and post-graduate degrees.

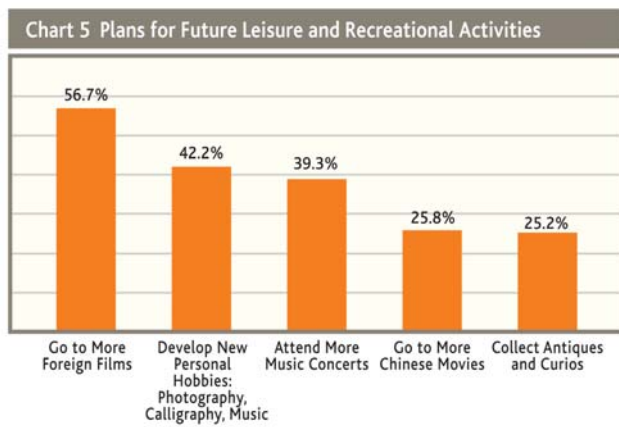
There are also strong differences between the three cities. Attendance of popular music concerts is the highest in Shanghai (57.0%) and lowest in Beijing (25.5%). In Shanghai, 27% of the affluent attended foreign operas and concerts on a regular basis in 2006; such activities are largely lacking in both Beijing and Guangzhou.

Table 7 Regular Leisure Activities and Interests

	Beijing	Shanghai	Guangzhou
Foreign Films	81.5%	86.0%	63.8%
Chinese Films	23.5%	51.5%	52.6%
Traditional Drama/Concerts	31.9%	27.0%	32.7%
Popular Music Concerts	25.5%	57.0%	55.6%
Foreign Operas and Concerts	0.0%	27.0%	0.0%

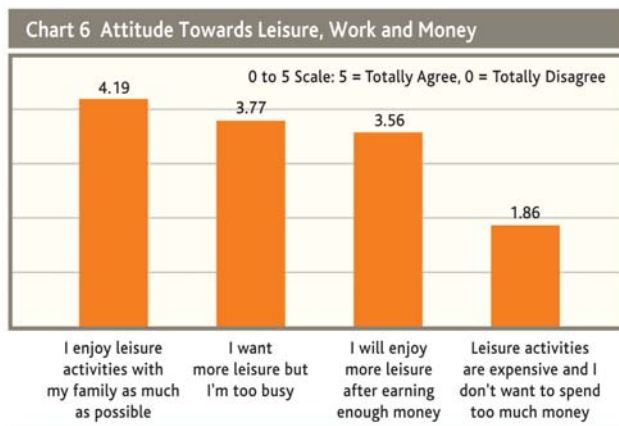
In terms of their future plans, it seems that the affluent will be going to even more foreign films as shown in Chart 5. 42.2% plan to develop personal hobbies such as photography,

calligraphy, and learning how to play a musical instrument. About a quarter of them also plan to go to more Chinese movies and to begin collecting art and curios, which clearly could become a growing business.



Work, Leisure and Family

Chart 6 shows their attitudes toward leisure and work. There appears to be some tension between a desire to enjoy leisure which is constrained by insufficient time and a mindset inclined towards earning money for now.



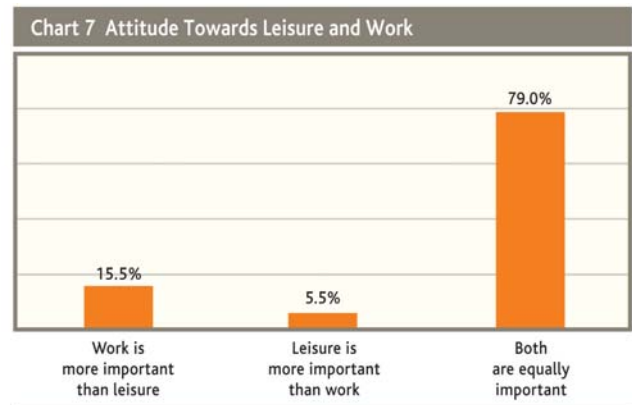
This sense of tension between wanting more leisure and having to work hard is also reflected in the long hours put in by the affluent, as shown in Table 8. Over half of them work

Table 8 Average Number of Hours Per Day at Work

Number of Hours Worked	Percent of Total Households	Beijing	Shanghai	Guangzhou
Fewer Than 8 Hours	29.5%	21.1%	39.0%	28.5%
8 to 10 Hours	55.4%	57.8%	53.0%	55.5%
10 to 12 Hours	14.5%	20.1%	8.0%	15.5%
More Than 12 Hours	0.6%	1.0%	0.0%	0.5%

between 8 to 10 hours a day. Shanghai's affluent seem to be able to avoid working long hours; only 8% work between 10 and 12 hours a day and none work more than 12 hours a day.

Overall, the affluent of China seem to value both work and leisure; and as seen in Chart 7, the vast majority believe that both are equally important.



Regarding their attitudes toward the family, the affluent clearly are very family-oriented. They are virtually unanimous in believing that a happy family is the most important thing in life and express the desire to spend as much time as possible with their families. However, they do not strongly disagree with the view that they need to sacrifice leisure time with their families for the sake of advancing their careers; hence the same tension between work, leisure and family is again revealed here.

Table 9 Attitudes to Family

0 to 5 Scale: 5 = Totally Agree, 0 = Totally Disagree	
A happy family is most important in life	4.46
I spend as much time as possible with my family	4.19
I would sacrifice leisure time with my family for my career	2.61

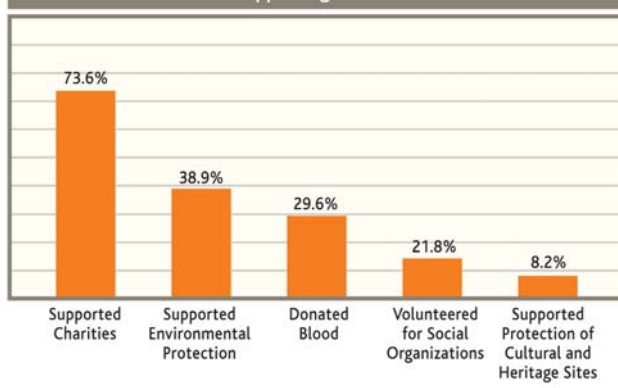
The affluent of China appear to be quite public-spirited. The vast majority agree with statements about helping the less fortunate, volunteering for charities, paying attention to international affairs and contributing to country and society, as seen in Table 10.

Table 10 Attitudes to Social Welfare and Public Affairs

	Totally Agree	Agree	No Opinion
I am willing to help the disadvantaged	38.2%	44.8%	16.7%
I like to volunteer for charity work	34.0%	47.7%	17.0%
I am interested in international affairs	42.8%	40.7%	15.2%
I pay close attention to economic and social issues in China	45.7%	46.3%	7.7%
I am obligated to contribute to country and society	38.7%	43.3%	18.0%

In terms of what they actually did in 2006, most of the affluent donated to charities, and over one-third supported some form of environmental protection initiative. These are followed by

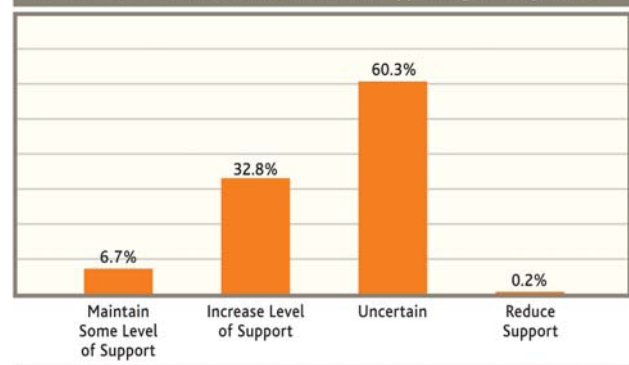
Chart 8 Involvement in Supporting Civic Issues in 2006



donating blood and doing volunteer work as Chart 8 shows.

Looking to the future, about a third plan to increase their support to charities and environmental protection as shown in Chart 9; but the majority seem not to have made their minds up yet.

Chart 9 Planned Future Involvement in Supporting Worthy Causes



Appendix: Research Methodology and Data Details

The field research of this study was carried out by the China Economic Monitoring and Analysis Center in Beijing during the first half of 2007. Random surveys were carried out in the three key cities of Beijing, Shanghai and Guangzhou. 300 valid random survey samples of face-to-face interviews were conducted in each of the cities. Some of the key detail background data of the respondents are summarized in Tables A1 to A5.

In terms of gender, there is a close split between male and female, with marginally more male than female overall, particularly in Shanghai. There was an equal split in Guangzhou as shown in Table A1. The age breakdown of the

Table A1 Gender Breakdown of Respondents

	Percent of Total Households	Beijing	Shanghai	Guangzhou
Male	52.5%	51.0%	56.5%	50.0%
Female	47.5%	49.0%	43.5%	50.0%

respondents is shown in Table A2. By and large, this is an overwhelmingly young consumer segment.

Table A2 Age Breakdown of Respondents

	Percent of Total Households	Beijing	Shanghai	Guangzhou
Less than 30	24.8%	28.0%	27.5%	19.0%
31 to 40	42.3%	45.5%	44.0%	37.5%
41 to 50	27.2%	24.0%	22.5%	35.0%
51 to 60	5.7%	2.5%	6.0%	8.5%

Table A3 shows the educational levels of the respondents. The affluent of China are clearly extremely well educated; with the highest educational level in Beijing.

Table A3 Education Levels of Respondents

	Percent of Total Households	Beijing	Shanghai	Guangzhou
< Junior College	33.2%	20.5%	26.5%	52.5%
Bachelor Degree	54.0%	60.0%	62.0%	40.0%
Master Degree	11.7%	17.0%	11.5%	6.5%
Doctorate Degree	1.2%	2.5%	0.0%	1.0%

In terms of income, some 25% of the affluent are the “premium affluent,” defined as those earning US\$50,000 or more per year as shown in Table A4.

Table A4 Income Levels of Respondents

US\$	Percent of Total Households	Beijing	Shanghai	Guangzhou
16,000 to 20,000	29.3%	28.0%	35.0%	25.0%
20,001 to 30,000	17.3%	21.0%	16.5%	14.5%
30,001 to 40,000	16.3%	15.0%	14.0%	20.0%
40,001 to 50,000	12.0%	11.0%	9.5%	15.5%
50,001 to 60,000	14.3%	14.0%	11.5%	17.5%
60,000+	10.7%	11.0%	13.5%	7.5%

The affluent appear to be asset rich as well, as shown in Table A5. An impressive 94.7% own their homes. More impressive still is that 64.5% of them own their homes outright. In Guangzhou, an astonishing 83.5% own their homes outright.

Table A5 Property Ownership Status of Respondents

	Percent of Total Households	Beijing	Shanghai	Guangzhou
Own with Mortgage	30.2%	46.5%	27.5%	16.5%
Own Outright	64.5%	49.0%	61.0%	83.5%
Renting	5.3%	4.5%	11.5%	0.0%

1. Briefing: Italian Luxury Goods. *The Economist*. April 14, 2007.

2. Venet, E.F. “Shaping the New Looks” *Newsweek*, May 15/22, 2006.

3. See Appendix for research methodology and details of the respondents.

4. These expenditures are net of spending on auto, housing and housing related items.



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