Research on the Present Situation and Improvement Strategies of Consumer Supply and Demand from the Perspective of Supply-side Innovation

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Abstract. In recent years, a notable trend in my country's consumer market is the rapid development of overseas consumption, and a large amount of mid-to-high-end consumption flows abroad. Changes in the consumption structure of Chinese residents and strong overseas consumption reflect the current contradiction between the supply and demand structure of Chinese consumption, especially mid-to-high-end consumption, and supply-side structural innovation is the main way to solve this contradiction. Based on the current situation of domestic and foreign consumption in my country, this research explores ways to promote consumer supply-side innovation through multiple levels and perspectives to gradually meet consumers' growing needs for a better life, guide the return of purchases and consumption, and promote consumption prosperity in the domestic market.

1. Introduction

Domestic Economy has shifted from a stage of rapid growth to a stage of high-quality development, and the consumer demand of residents has also increased significantly. The report of the 19th National Congress of the Communist Party of China mentioned many times that consumption has become the primary driving force of the economy, becoming the first driving force of economic growth for the fourth consecutive year.

Although consumption has become the driving force and focus of China's economic transformation, it is also the driving source of the upgrading of the consumption structure, but the supply of goods and services in many areas is still unable to meet the needs of consumption upgrading. The supply of high-quality goods is insufficient and the prices are high, which has also become The deep-seated reasons that promote overseas consumption of Chinese people. With their higher brand awareness and product reputation, foreign products have catered to the upgraded consumer demand of residents and filled the gap between domestic independent supply and consumer demand in the context of consumption upgrades¹. A large number of mid-to-high-end consumption flows abroad. At present, Chinese residents spend about 200 billion US dollars on overseas shopping a year, and the shopping list includes both high-end goods and daily consume.

This also shows that my country's consumption development still has shortcomings and weaknesses. The main contradiction in our society has been transformed into a contradiction between the people's growing needs for a better life and unbalanced and inadequate development.
One of the manifestations is that the supply of goods and services cannot meet the needs of consumption upgrading. The supply-side innovation is a permanent solution to this contradiction. Based on reality, this research analyzes the prominent contradictions between supply and demand in my country's consumer sector as reflected by the phenomenon of overseas consumption expenditures, and aims to explore ways to promote innovation on the consumer supply side through multiple levels and perspectives, and gradually meet the growing needs of consumers for a better life[2]. Guide the return of purchases and consumption to promote consumption prosperity in the domestic market.

2. An Analysis of the Motivation of Chinese Residents' Overseas Consumption

2.1. The Rapid Economic Development Promotes the Improvement of Residents' Consumption Level

With the development of the economy, the income level of my country's residents has increased significantly, and consumption expenditure has increased. The pace of consumption upgrading is also gradually accelerating, which is mainly reflected in changes in consumption concepts and content. In the concept of consumption, more attention is paid to the quality of consumption. The consumption is shifting from the pursuit of quantity to the pursuit of quality. Organic food, green vegetables, free-range pork, free-range eggs, etc., these green and healthy foods are continuously delivered to the people's table. Second, the content of consumption has become more diversified, and consumption has shifted from popularization to flexible customization. Clothing, catering, tourism, etc., customization has become a high-frequency word[3]. Consumers are increasingly pursuing diversified and personalized forms of consumption. Consumption has shifted from more pursuit of food, clothing, housing and transportation to both material and spiritual consumption.

In contrast, although domestic consumption has maintained steady growth, it has shown a slowdown in growth. When the domestic market cannot satisfy consumers' pursuit of high-quality products such as safety, health, and greenness, consumers turn to overseas shopping and "oversea shopping" to meet consumer demands that cannot be satisfied in the domestic market. The supply structure cannot better satisfy the residents' pursuit of quality and individualized mid- to high-end consumer demand, which has become the most prominent contradiction between supply and demand in the domestic consumer sector.

2.2. The Continuous Increase in the Number of Middle-class and High-net-worth Groups Promotes Changes in the Consumption Structure

The continued expansion of the middle class and high-net-worth groups will reshape the domestic consumer market. The annual income of middle-class families is generally between 106,000 and 229,000 yuan. Their consumption behavior is more mature and they are more willing to pay a premium for product quality. The expansion of non-essential consumption will become one of the important engines driving the increase in consumer spending in the next decade. With the growth of the middle class, the demand for mid-to-high-end and high-quality products and services is on the rise, and improvement consumption is growing rapidly[4]. (The middle class defined above only accounted for 4% of Chinese urban households in 2000. In 2015, it reached 109 million people, accounting for 11% of the national adult population. By 2022, more than 75% of Chinese households will become middle-class households.)
3. Analysis of Overseas Consumption Trends

While the overseas consumption of Chinese residents continues to rise, the consumption trend is also undergoing tremendous changes. The consumption trend of brand diversification is more obvious, the growth of consumption in pursuit of in-depth experience has accelerated, and overseas consumption has gradually matured.

3.1. Natural Structure Characteristics of Outbound Consumers

Post-80s outbound consumption is the main consumer, and the trend of national consumption is obvious. From the perspective of consumer groups, matching their wealth and physical strength, the post-70s and post-80s are still the backbone of outbound travel, with the post-80s accounting for 31% and the post-70s accounting for 17%. Middle-aged and elderly people before 70 accounted for 24%. However, more and more post-90s and 00s join the ranks of outbound consumption, accounting for 16% and 13% respectively, showing a trend of younger outbound consumption.

3.2. Regional Characteristics of Outbound Consumers

The main driving factor for outbound tourism consumption is economic growth, and the significant increase in national income has boosted overseas consumption. Judging from the experience of Japan, South Korea and other countries, before the national income reaches 10,000 US dollars, the growth rate of overseas consumption can reach between 30% and 40%, showing a high growth trend. In 2017, my country's per capita GDP reached 8836 US dollars, which is in the range of high growth in overseas consumption, and such rapid growth will continue for a long time. According to relevant data, the cities with the highest per capita spending in 2018 were cities with higher income levels such as Beijing, Shanghai, Suzhou, and Wenzhou[5].

3.3. Purchasing Target Characteristics of Outbound Consumers

With the change in consumption concepts, the purchase goals of Chinese people's outbound consumption have undergone tremendous changes, from chasing consumption of luxury goods to high-quality daily necessities that are closer to life, such as Japanese toilet seats, rice, rice cookers, cold medicine, and diapers. Moreover, the geographical division of labor for overseas shopping is very clear. According to multiple survey results, consumers are highly price sensitive, and lower prices are the most important factor influencing consumers to purchase consumer goods abroad. Domestic and foreign products The difference in prices is the most direct cause of the continuous outflow of consumption. In the surveyed regions, the commodity price gaps between mainland China and Hong Kong, Japan, the United States, the United Kingdom, France and other countries are very large. The spread between domestic and foreign prices makes consumers feel that they buy more and earn more.

3.4. Personalization of Outbound Consumption and Increase in Experiential Consumption

Traditional products and travel methods are increasingly unable to meet the needs of Chinese consumers, and outbound travel is no longer just about shopping and shopping. According to reports released by Ctrip's theme tours, customized tours, overseas play platforms, etc., "Top 10 new ways to play outbound travel in 2019", including going to Hong Kong for HPV vaccination, going to Finland to enjoy the aurora, cycling on US Highway 1, and going to Africa Hunting, holding a romantic wedding in the Middle-earth world in New Zealand, and experiencing the life of European aristocrats in Downton Abbey can all become important contents for Chinese tourists' in-depth experience.
At the same time, based on hundreds of millions of search keywords on the Internet, the report released the top ten thematic keywords for outbound leisure tourism in 2018, including islands, food, natural exploration, outdoor sports, family parenting, five-star hotels, shelter from the cold and summer, urban leisure, depth Experience, recuperate. The personalization of outbound consumption and the increase in experiential consumption indicate that Chinese consumers no longer simply pursue material satisfaction, and spiritual enjoyment is becoming a new driving core\(^6\).

4. The Mismatch of Consumer Supply and Demand Depends on Supply-side Innovation to Solve

Many emerging consumption patterns arise not because of changes in consumer demand, but because innovations in consumer supply activate and release new consumer demand. This requires us to abandon the traditional view of only looking at consumption from the perspective of the demand side, start more from the supply side, carry out supply-side structural reforms, and solve the problem of mismatch between supply and demand in the consumer market to adapt to new consumer demand.

4.1. Improve the Quality of Supply-side Products and Services

Quality is one of the main lines of deepening supply-side structural reforms. To solve the structural imbalance of consumer supply and demand, and to carry out supply-side structural reforms in the consumer sector, the fundamental way is to target mid- and high-end consumer demand, adhere to high-quality development, and improve the quality of the supply system. As the main attack direction. In order to adapt to the ever-increasing trend of consumer consumption standards and consumption requirements, it is necessary to accelerate reforms in the consumer sector, increase the degree of competition among supply entities, improve and enhance the quality of supply-side products and services, so that more consumer demand can stay in the country.

4.2. Reduce Supply-side Product Prices

According to research findings, the main reason for the difference in domestic and foreign commodity prices is that the manufacturer's pricing strategy, dealers' cost and profit, and various taxes and fees in the circulation link have jointly pushed up the price of foreign products in the domestic market. Therefore, by adjusting the circulation channels and methods of consumer goods, channels are flattened, costs are reduced with a short channel model, and the intermediate costs of domestic circulation are continuously reduced, so that commodity prices are more reasonable; tax rates and tax systems have a direct impact on the prices of foreign imports\(^7\). It is necessary to optimize the unreasonable areas of my country's taxation system. Lowering tax rates and adjusting the tax system can all play a role in reducing taxes, allowing consumers to directly enjoy price concessions.

4.3. Increase Personalized and Diversified New Consumer Supply

The consumption concept in the consumption upgrade no longer emphasizes the object-centered, but emphasizes the consumer-centered, the improvement of life quality, the satisfaction of individual needs, the good consumption experience, and the spiritual connotation beyond the physical product. Therefore, in order to better meet the demand for consumption upgrades, increasing the supply of personalized and diversified new consumption is one of the important paths. Generally speaking, enterprises must adapt to the new changes in consumer demand in the new era,
innovate technologies and business models with the times, actively introduce and cultivate new formats and models that can provide new or composite consumer experiences, and strive to create aggregated retail and catering An urban commercial complex with multiple service functions, such as leisure and health, entertainment, culture, education, etc., to provide higher-quality products and services to enhance user experience and quality of life and focus on the satisfaction of individual needs\[8\].

4.4. Promote Deep Integration and Promote Industrial Optimization and Upgrading

The report of the 19th National Congress of the Communist Party of China stated that it is necessary to "accelerate the development of advanced manufacturing", "cultivating new growth points, forming new kinetic energy", "supporting the optimization and upgrading of traditional industries", etc., each of which points out the direction for reform and development. It can be seen that to guide the return of overseas consumption, it is necessary to fundamentally accelerate the adjustment and upgrading of the industrial structure, generate new momentum, create effective supply, curb low-end and ineffective supply, and promote domestic industries in general competitive fields to move toward mid-to-high end, and provide consumers with more High-quality "Made in China".

5. Conclusion

The phenomenon of high expenditures for overseas consumption reflects the contradiction between the supply and demand structure in China's consumption field. Speeding up the promotion of supply-side structural reforms and solving the problem of mismatch between supply and demand in the consumer market is a fundamental solution to guide overseas consumption backflow. Improving supply-side product quality, reducing supply-side product prices, increasing personalized and diversified new consumer supply, promoting deep integration, promoting industrial optimization and upgrading, and generating new momentum are the specific solutions proposed in this article from the perspective of supply-side structural reform , In order to guide the return of overseas consumption and promote consumption prosperity in the domestic market.

References