

PwC's Voice of the Consumer Survey 2024
China report

How retailers and
brands should
reinvent their growth
pathways amid
unprecedented
changes



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Foreword

Imagine a renowned chef in a bustling kitchen, once celebrated for their culinary expertise. The chef's restaurant has seen better days. In recent years, however, the once steady stream of diners has slowed to a trickle, and the chef faces the daunting task of keeping the kitchen's business afloat. To survive and thrive in this new reality, the chef must take on a journey of reinvention, exploring new pathways to attract and retain customers, who now have tighter pockets and more selective stomachs than before. This involves experimenting with innovative recipes, sourcing unique ingredients, and reimagining the entire dining experience to cater for evolving tastes and preferences.

This analogy somewhat mirrored the situation now faced by many brands and retailers in China, who found themselves navigating a challenging landscape marked by slow consumer market growth and heightened competition. Major shopping festivals, such as the recently concluded 618 Sales Gala, which traditionally drive substantial sales, have seen lacklustre performance, highlighting the struggle to stimulate consumer spending despite aggressive discounting strategies. Besides, the shift towards value-conscious purchasing has diluted the impact of these peak sales events, further complicating efforts to boost retail sales. The broader economic landscape is also marked by uneven recovery, with robust industrial production contrasting with tepid consumer demand.

Despite these challenges, the long-term prospects for China's retail sector remain robust. Continued urbanisation and rising income levels are expected to drive sustainable consumption growth in the medium to long term. As market confidence improves, the growing number of upper-middle and high-income households – the backbone of the consumer market - will likely translate their high savings into increased spending. Moreover, the Chinese government's push for green and healthy consumption, along with the rapid expansion of e-commerce and digital marketplaces, presents new opportunities for growth and innovation.

In our last annual study, we discussed the normalisation of the Chinese economy as it emerged from the pandemic and how brands can future-proof their strategy for the country's consumption recovery. The journey towards full recovery is a winding one with many turns that are still unfolding. As we delve into the latest trends and statistics in our 2024 Voice of Consumers Survey, it becomes evident that the market is undergoing significant transformations, driven by various economic, social, and technological factors.





One of the most notable trends in the Chinese consumer market is the rapid evolution of new consumption patterns and scenarios. Driven by advancements in information technology, various business models and consumption scenarios have emerged, catering to diverse themes and geographical spaces. For instance, the popularity of city walks, domestic tourism, immersive exploration of urban landscapes, and the rise of home-grown brands reflect a shift towards experiential and culturally enriched consumption. Meanwhile, the sports economy has thrived amidst the Olympic Year, with increased public health awareness driving the demand for outdoor sports equipment and related products.

On the digital front, the Chinese consumer market is witnessing a transformative wave driven by the rapid adoption of Generative AI (GenAI). This technology is not just a buzzword but a revolutionary force reshaping how businesses interact with consumers, manage operations, and deliver personalised experiences. The willingness of Chinese consumers to embrace and invest in AI technologies presents a unique opportunity for brands to innovate and differentiate themselves.

We invite you to explore the full report to uncover the detailed findings and strategic recommendations that can help your business thrive in the increasingly dynamic and multifaceted market. By embracing reinvention pathways, brands can not only meet the current operational challenges but also position themselves as seasoned chef to win back the tastebuds of their diners – when they start eating out again.

Michael Cheng

PwC Mainland China and Hong Kong
Consumer Markets Leader

Section 1

How the latest economic uncertainty impacts China's consumer market?



As 2024 unfolds, the Chinese consumer market presents an unprecedented challenging and somewhat concerning picture. Despite hopes for a robust recovery earlier this year, consumer sentiment unexpectedly weakens, with retail sales growth slowing to just 2% year-on-year in June, falling short of market expectations. This is compounded by persistent volatility in asset prices and a general atmosphere of economic uncertainty, with savings rate maintain at a relatively high level of 31.7% in 2023, down slightly from the 2022 baseline of 33%.

Adding to these concerns, China continues to face deflationary pressures, with the consumer price index (CPI) increasing by a mere 0.2% year-on-year in June 2024, while the producer price index (PPI) declined by 0.8%, affecting future price expectations of purchasing decisions.



On the bright side, there are green shoots of recovery, as the food sector saw a 11% growth in June compared to a year ago, while the automotive industry is firing on all cylinders with a 17% overall increase and a whopping 37% surge in electric vehicle sales. E-commerce continues to be a bright spot, with online retail sales expanding by 8.4% year-on-year in 2023 to reach 15.43 trillion yuan. While the market isn't out of the woods yet, these figures suggest that China's vast consumer base of over 1.4 billion people, including a burgeoning middle-income group exceeding 400 million, may help steady the ship and drive economic growth in the medium to long term.

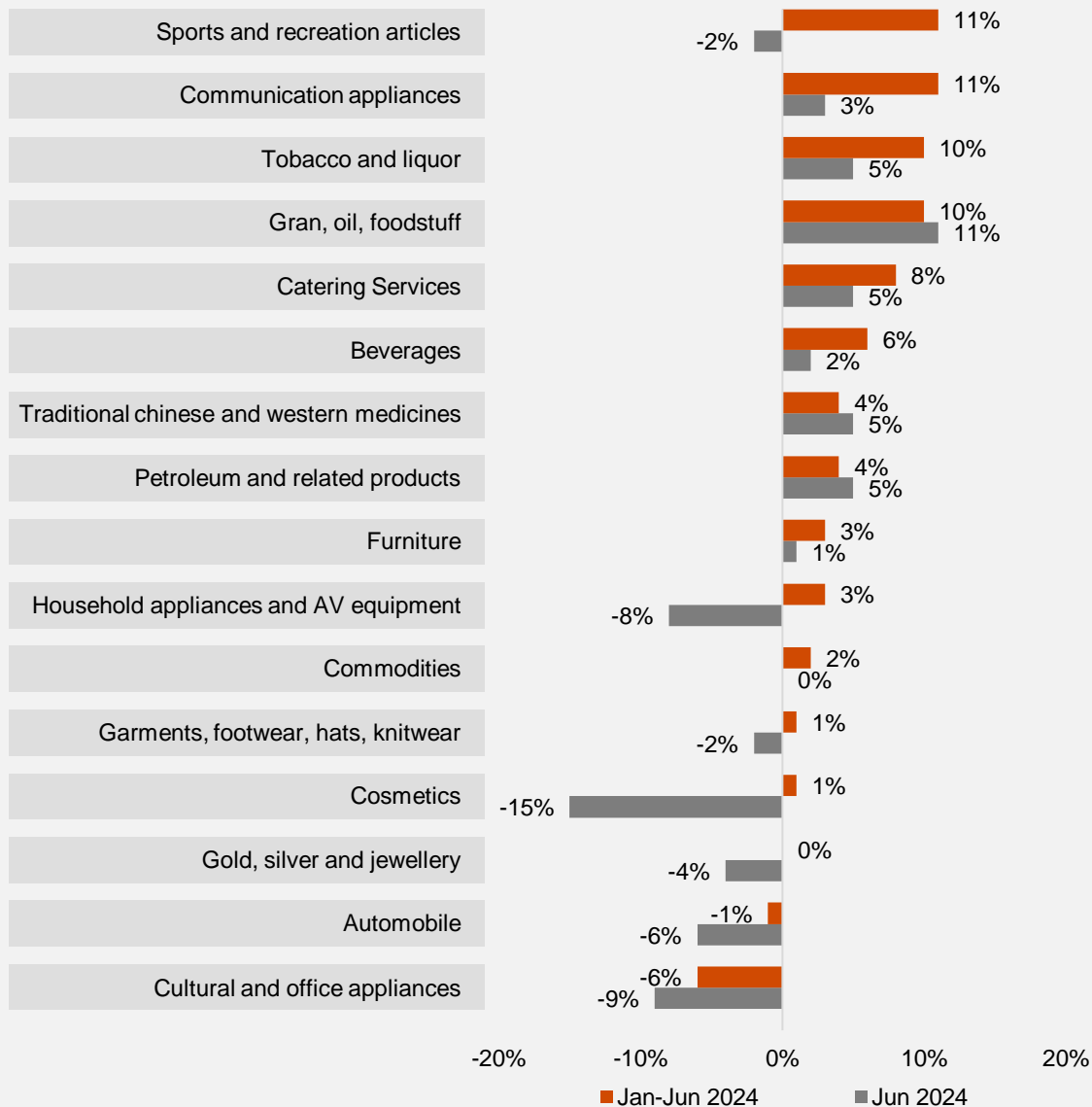


Source: National Bureau of Statistics of China

Note: The above percentages have been rounded up to the nearest whole number for ease of presentation.



Figure 2: China retail sales by major consumption type, 2024 (YoY % change)



Source: National Bureau of Statistics of China

Note: The above percentages have been rounded up to the nearest whole number for ease of presentation.

Hong Kong's retail sector continues to face headwinds in 2024, despite experiencing a modest recovery in the previous year following the reopening of borders. The market has been grappling with a 6.6% decline in the first half of 2024. This setback can be attributed to increased outbound travel, a strong local currency affecting the purchasing power of Mainland tourists, and a notable surge in northbound consumption by Hong Kong residents. Retailers are also facing a talent shortage, particularly in areas like customer relationship management and data analytics, which are essential for advancing omnichannel retail operations. The evolving consumption landscape underscores the urgent need for retailers to adapt swiftly to remain competitive, while also calling for enhanced policy support from the government.

Zooming to Asia Pacific, despite ongoing economic uncertainties, the region emerges as a powerhouse, with Southeast Asia standing out as a particularly vibrant growth spot. The Asia Pacific economy is projected to grow by 4.5% in 2024, with Southeast Asian nations like Vietnam, the Philippines, and Indonesia expected to expand by nearly 6%, 6%, and 5% respectively. Consumer sentiment across the region is cautiously optimistic, with 55% of APAC consumers expecting their financial condition to improve by the end of the year. However, economic concerns persist, with rising prices and affordability topping the list of challenges. The middle class continues to expand, projected to make up nearly two-thirds of the global middle class by 2030, driving demand across various sectors from luxury goods to cosmetics and health products, particularly in rapidly developing Southeast Asian markets.

China's latest policy direction and expected implications for the consumer market

The concept of "New Quality Productive Forces" (NQPF) was introduced by Chinese government in September 2023 and has since become a central theme in China's economic strategy. This concept, represents a shift from traditional growth models, has major repercussions on the country's evolving consumer market in the future.

Focus areas	Policy directions	Market implications
<p>Technological Innovation</p> <p>1</p>	<p>NQPF is driven by revolutionary technological breakthroughs, including advancements in new materials, green industries, high-end equipment, and future-oriented sectors such as the metaverse, brain-computer interfaces, and humanoid robots. This focus on cutting-edge technology aims to enhance productivity and foster new industries.</p>	<p>Digital and E-commerce Expansion: China is the world's largest e-commerce market, and the integration of NQPF will likely accelerate the digitalisation of the consumer market. Online retail sales, which grew by 8.4% in 2023, are forecasted to increase by over 14% in 2024, driven by advancements in digital technologies and consumer preferences for online shopping.</p> <p>Rural Commerce and the Silver Economy: NQPF is expected to enhance rural commerce through improved e-commerce platforms and supportive policies. Additionally, the aging population's substantial purchasing power will fuel the silver economy, creating new market opportunities.</p>
<p>Industrial Transformation</p> <p>2</p>	<p>The strategy involves the transformation and upgrading of traditional industries, nurturing emerging industries, and planning for future industries. This includes optimising industrial chains and bolstering the resilience and security of supply chains.</p>	<p>Growth in Service Consumption: The service sector, including catering, culture, tourism, and entertainment, has already shown robust growth. With NQPF driving innovation in these areas, service consumption is expected to continue its upward trajectory, becoming a major engine of economic growth.</p> <p>Emergence of New Consumption Patterns: The development of new industries and technologies will lead to the emergence of new consumption patterns. For instance, the popularity of city walks and the rise of home-grown brands reflect changing consumer behaviours that are likely to be further influenced by NQPF.</p>
<p>Innovation in Production Factors</p> <p>3</p>	<p>NQPF emphasises the innovative allocation of production factors, including labour, capital, and technology. This approach aims to increase total factor productivity and drive high-quality development..</p>	<p>Enhanced Product Quality and Variety: As industries adopt high-tech innovations and improve efficiency, consumers can expect higher quality products and a greater variety of goods and services. This will cater to the growing demand for premium and diverse consumer options, particularly among the expanding middle-income group.</p> <p>Increased Disposable Income: The focus on high-quality development and technological innovation is likely to boost economic growth, leading to higher disposable income and further stimulating consumer spending.</p>
<p>Environmental Sustainability</p> <p>4</p>	<p>A key aspect of NQPF is promoting green and sustainable development, aligning with global trends towards eco-friendly practices.</p>	<p>Green and Sustainable Products: With a growing emphasis on environmental sustainability, there will be an increased demand for eco-friendly and sustainable products. This trend is driven by both consumer values and government policies promoting green manufacturing and consumption.</p> <p>Health and Wellness: The demand for health and wellness products and services is on the rise, reflecting a shift towards healthier lifestyles. NQPF will likely support this trend by fostering innovation in the nutrition, healthcare, and wellness sectors.</p>

Section 2

Consumer trends and reinvention pathways



1 Addressing the price/cost challenge as consumer spending shifts

Recent economic indicators reveal cautious outlook among Chinese consumers. Retail sales growth, while positive, reflects a more moderate pace of consumption. Consumer sentiment remains somewhat subdued, as evidenced by the consumer confidence index, which dipped from 88.2 points in April to 86.4 points in May, and further to 86.2 in June 2024. These figures paint a nuanced portrait of Chinese consumers who are continuing to spend, albeit with a degree of caution.

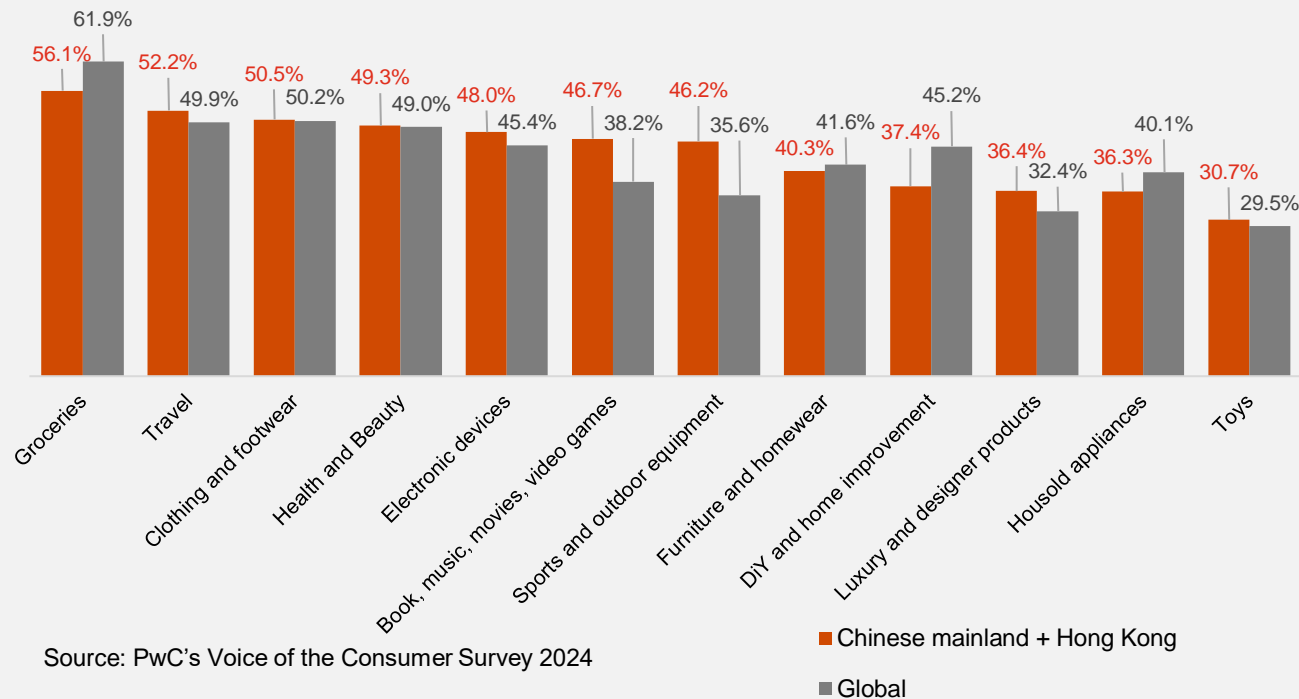
When thinking about their spending patterns over the next 6 months, Chinese consumers are more likely to increase their purchase of essentials, non-discretionary items, with the top categories being grocery (China: 56%; Global: 62%), clothing and footwear (China:50%; Global:50%), and health and beauty (China:49%: Global: 49%), as opposed to categories that are less likely to directly impact their quality of life. This reinforces the observation from last year's (2023) survey that 67% of Chinese consumers (Global: 86%) were concerned about the rising cost of living in relation to their personal financial situation.

In fact, the prevailing macro uncertainties, such as weak job market outlook and asset price depreciation, have translated into high household savings rate, which remains significantly higher than 2020 levels, indicating a cautious approach to spending among Chinese consumers. The higher propensity to save has significantly impacted China's consumers, prompting many to rethink their spending priorities and behaviours. While this trend bodes well for discount retailers, the general tightening of spending could eventually lead to an oversupply, necessitating a scaling back of production. This, in turn, may result in a more challenging operating environment for retailers in price-sensitive categories, calling into question their ability to rein in costs and predict demand changes.





Figure 3: Thinking about your spending over the next 6 months, please choose, to the best of your ability, your expectations on spending on...



Chinese consumers are becoming increasingly conscientious about their spending, diligently comparing prices across different channels and retailers, seeking value through promotions or discounts, and even delaying purchases in certain categories altogether. For example, this year's 618 online sales gala, while still breaking records in gross merchandise value (GMV), saw e-commerce giants like Alibaba, JD.com, and PDD adopting new strategies to attract price-sensitive shoppers, such as eliminating pre-sales and extending the sales period to offer more spontaneous and competitive deals. Despite the overall growth in GMV, many merchants reported declining profits due to intense price competition and higher return rates, reflecting a more cautious and value-driven consumer base.



However, cautious spending has opened new doors for certain sectors, particularly in the new-style tea drink market. According to the 2023 New Tea Drink Research Report by CCFA, the market value of China's new-style tea drinks is projected to surpass 200 billion yuan by 2025, showcasing the sector's robust expansion. Many brands have adjusted their pricing strategies, with some products now available at a unit price of around RMB 10, making them more accessible to a broader consumer base. Mixue Ice Cream and Tea, known for its affordability and wide appeal, gained significant presence both in China and international markets.

This trend extends beyond just tea drinks. Food and beverage retailers in China have generally performed well as consumers prioritise essential expenditures. For instance, Meituan, China's leading food delivery app, saw its revenue grow by 25%, while Luckin Coffee reported a 42% growth. Similarly, Coca-Cola experienced robust growth in its juice and coffee sectors in China. These examples illustrate how companies are capitalising on the shift in consumer priorities, turning cautious spending into a golden opportunity.

There are also pockets of the consumer market that have defied the gravity of "rational consumption". For example, the ACGN (Anime, Comic, Games, and Novel) economy continues to gain traction among the GenZ and millennials injecting new vitality into the cultural industry. Also, virtual idols have become a significant trend in China's marketing landscape, offering brands a novel and less costly way to engage with consumers through digital spokespersons. Recently, there has been a sharp increase in shops selling ACGN IP merchandise, known as "Guzi shops" (a transliteration of the English word "Goods"), which have become a new revenue driver in traditional malls. For instance, at Chengdu Tianfu Red Shopping Centre, Guzi shops now account for over 40% of the total, driving a year-on-year sales increase of over 150% from January to May in 2024.



Reinvention pathways:

This heightened sensitivity to price tags suggests that retailers in China need to be particularly attuned to broader economic conditions and their potential impact on consumer confidence and spending behaviour. Retailers should consider adopting flexible business strategies that can quickly adapt to economic fluctuations. This might include diversifying product offerings, implementing dynamic pricing strategies, and maintaining a robust online presence to mitigate the impact of economic downturns.

In particular, keeping costs down while ensuring the same perceived quality is of particular importance. Restaurants and shops need to adopt local sourcing and technology-driven efficiencies to reduce operational costs without compromising quality. Global brands like Uniqlo and Zara, and domestic players like Giordano and Jiangnanbuyi, are leveraging advanced inventory management systems and data analytics to optimise stock levels and reduce holding costs. These innovations are crucial as Hong Kong consumers increasingly travel to Shenzhen for more affordable shopping and dining experiences, driven by lower prices and the convenience of electronic payments and improved transportation networks.

Whether it's the ACGN transformation of traditional shopping malls or taking advantage of new IPs such as virtual idols, these trends clearly show Chinese consumers' strong endorsement and active participation in new economic models. This goes to show that, even in the "red ocean" of intense competition, domestic brands should set sail in the "blue ocean" by drawing inspiration from these examples and actively incorporating New Economy elements to seek growth.

In more price-competitive and saturated markets, retailers are increasingly leveraging digital tools to deliver more targeted, personalised offers to specific customer segments. This tailored approach not only enriches the customer experience but also enables brands to differentiate their products in a crowded marketplace. By tapping into data analytics and customer insights, businesses can create compelling products that resonate with individual preferences, ultimately driving higher engagement and improving sales conversion rates.



2

Finding the next hidden gems in China's luxury market

China is expected to become the world's largest personal luxury market by 2030, with a market size of US\$148 billion, while the global market for personal luxury is projected to grow to US\$464 billion by 2025 and US\$606 billion by 2030, at an annual growth rate of 6%, according to *PwC's 2024 Mainland China and Hong Kong Luxury Market*. This growth will be fuelled by intergenerational wealth transfers, new customer exploration, a rise in experiential luxury, high growth potential in Hainan, and enhanced online and offline services.

However, recent trends reveal a considerable decline in sales for most top luxury brands in the Chinese Mainland, Hong Kong, and Macau, largely due to economic uncertainty and weakness of the Chinese Yuan impacting the purchasing power of outbound tourists. For example, the continued depreciation of the Japanese Yen against the US Dollar has made Japan a more attractive shopping destination for luxury consumers, diverting spending away from other markets. While luxury giants like Kering, LVMH, and Richemont have reported varying degree of sales declines in China, Prada and Hermès have managed to buck this trend through innovative strategies. Prada has leveraged the popularity of its Miu Miu brand,

while Hermès has maintained strong performance with its ultra-luxury positioning and limited supply strategy, demonstrating that brand strength can help mitigate broader market challenges.

On the other hand, despite a demand slowdown in Q2 2024, Hong Kong's personal luxury market is poised to find its footing and expected to grow at a CAGR of 4.5% from 2023 to 2030, reaching HK\$ 125.8 billion by 2030. This growth projection will be driven primarily by three categories: leather goods, jewellery, and timepieces. Luxury brands are increasingly integrating elements of culture, entertainment, food, and lifestyle into their offerings. From cultural heritage sites and concerts to trendy destinations, Michelin-starred cuisine, traditional flavours, filming locations, and art exhibitions, the diverse consumption patterns indicate that travellers to Hong Kong would prioritise on experiential offerings. The luxury segment will also benefit from the latest Chinese government policy support in raising the duty-free shopping allowance for Chinese Mainland tourists from 5000 RMB to 12,000 RMB per trip. However, the city still has quite a journey ahead to catch up with Hainan's current annual duty-free allowance of 100,000 RMB per person.

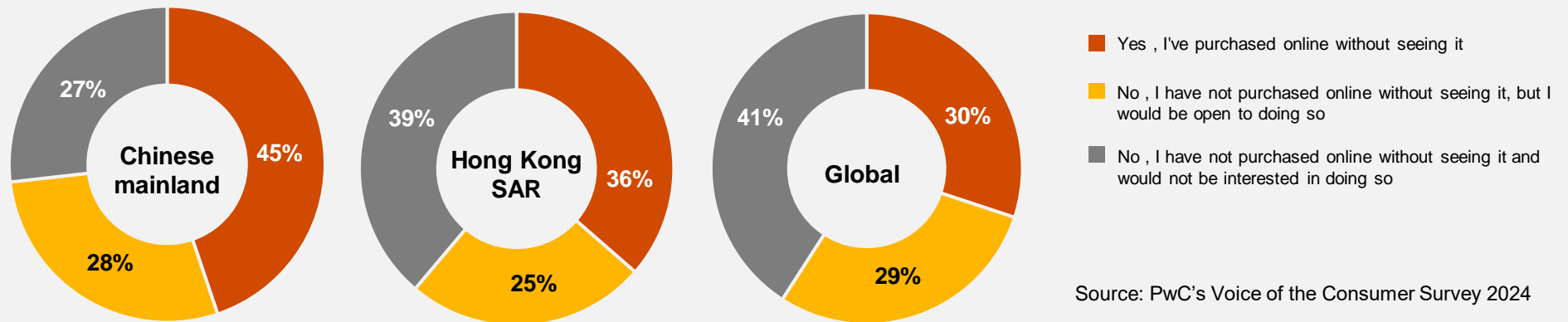
Another driving force for the future growth of the luxury segment is the unprecedented wave of wealth succession, where the high-net-worth families in China, according to Caixin Global, are expected to transfer an estimated 18 trillion RMB of wealth to the next generation over the next decade, with this figure projected to grow to 92 trillion RMB over the next three decades.

As our Luxury Market report suggests, these young HNWI's are more value-oriented, focusing on the intrinsic worth and sustainability of products rather than mere brand prestige. They seek personalised and unique luxury experiences over mass-market luxury goods. These consumption traits imply that luxury brands need to adjust their strategies to meet the demands of this emerging affluent group. While the ultra-premium luxury market may benefit from wealth inheritance, competition remains intense among luxury brands in the lower and medium price ranges.



Figure 4: Which, if any, of the following significant purchases have you made or would consider purchasing online without having seen the physical product? (Luxury or designer products)

Have you purchased or would consider purchasing online without having seen the physical product Luxury or designer items?



Source: PwC's Voice of the Consumer Survey 2024

Apart from the shifting consumption patterns of China's affluent consumers, there is also a broader trend of the average consumers increasingly using online channels for significant luxury purchases. They are more likely to buy high-end items online without seeing them first, including luxury or designer products (Chinese mainland: 45%, Hong Kong: 36%, Global: 30%), tech items (Chinese mainland: 67%, Hong Kong: 51%, Global: 56%), furniture (Chinese mainland: 47%, Hong Kong: 39%, Global: 39%), and even cars (Chinese mainland: 27%, Hong Kong: 17%, Global: 13%).

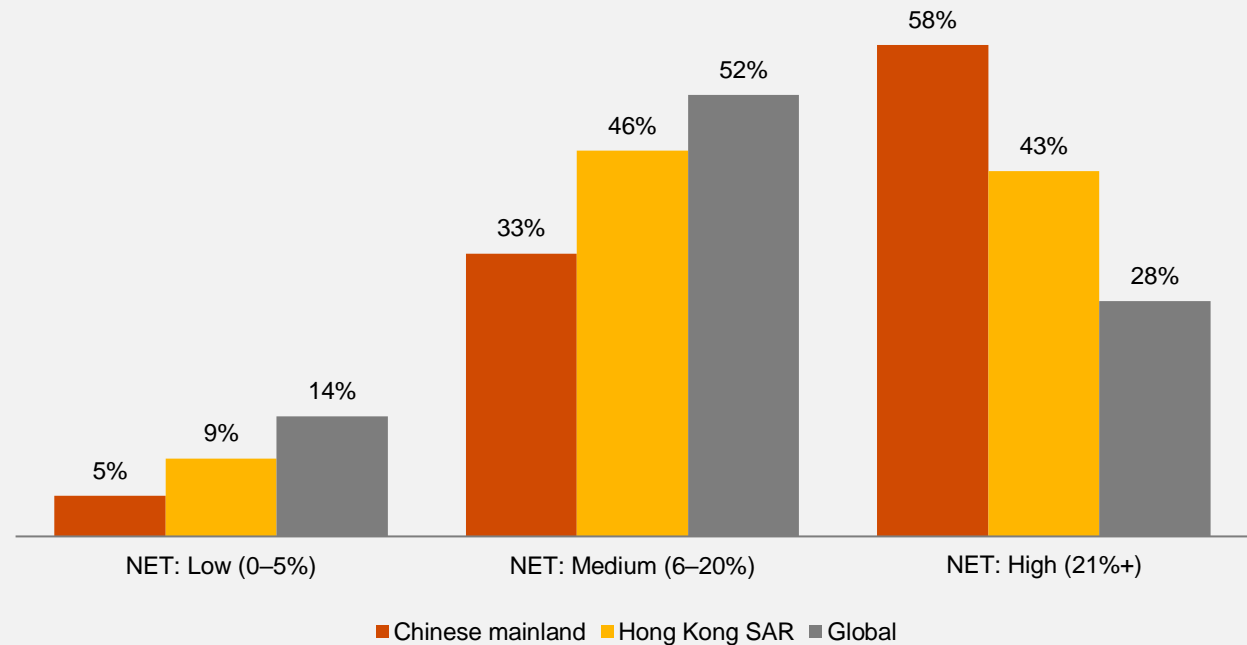
These encouraging figures reflect the growing confidence of Chinese consumers in online shopping platforms, driven by their convenience, extensive product information, and competitive pricing.

This has added to both opportunities and challenges for the luxury e-commerce sector as brands strive to maintain their exclusivity and brand image while adapting to the digital marketplace. The rise of online shopping has led luxury brands to invest heavily in e-commerce platforms; however, this shift has resulted in issues such as overstocking and weakened ability over price control, especially as multi-brand retailers struggle to remain profitable amid discounting pressures.

Therefore, while online demand for luxury goods has grown, many luxury brands continue to prioritise offline experiences, recognising their crucial role in brand building and customer engagement. In 2023, Hainan's duty-free sales reached RMB 43.76 billion, a 25.4% increase year-over-year, with a substantial portion attributed to in-store purchases. Major luxury brands have been expanding their physical presence in Hainan, attracted by the preferential tax policies and the opportunity to offer immersive brand experiences.



Figure 5: What percentage of your monthly income do you plan to save or invest in the next 12 months?



Source: PwC's Voice of the Consumer Survey 2024

For instance, Haitang Bay, located in Hainan, is strategically positioned as a duty-free shopping destination specialising in high-end cosmetics and perfumes. Renowned beauty brands such as Estee Lauder and Lancome are investing in flagship stores, pop-up exhibitions, and exclusive events to offer unique, personalised shopping experiences for their prestigious customers. These offline touchpoints are crucial for building brand loyalty, showcasing craftsmanship, and providing the tactile, sensory experiences that are integral to luxury consumption.

Recently, Chinese consumers tend to allocate a larger portion of their monthly income to savings or investments compared to the global average, which influences their luxury spending habits. In Chinese mainland, 58% of consumers save or invest over 20% of their monthly income, while 43% of Hong Kong respondents do the same. In contrast, only 28% of global respondents report similar saving or investment behaviours. This inclination for saving and investment allows Chinese consumers to accumulate wealth, which

they can potentially channel into luxury purchases that serve dual purposes: they fulfil traditional desires for self-pleasure and personal expression, while also offering potential for capital preservation and appreciation. Luxury products, despite the recent setback in sales, are increasingly viewed not just as status symbols, but as valuable assets that can appreciate over time, making them an attractive option for consumers looking to safeguard their wealth.

Reinvention pathways:

To capitalise on the substantial intergenerational wealth transfer, luxury brands should offer ultra-premium products that appeal to the next generation of high-net-worth individuals. Gen Z has distinct preferences shaped by global exposure and a preference for unique, self-fulfilling, high-quality items. Brands should focus on integrating elements of the experiential retail, offering not just products but also exclusive, culturally rich experiences. Additionally, leveraging digital platforms and e-commerce is crucial, as Chinese consumers increasingly make significant luxury purchases online.

The tendency of Chinese consumers to save or invest a larger share of their monthly income has significant market implications, particularly for luxury brands. This suggests that Chinese consumers prioritise long-term financial security, which luxury brands can leverage by repositioning their products as investment pieces. By emphasising the enduring value, uniqueness, craftsmanship, and potential appreciation of luxury items, brands can appeal to the investment mindset of these consumers. For instance, marketing campaigns could highlight the resale value of luxury goods, the rarity and exclusivity of limited editions, and the heritage and timelessness of their products.



3 Telling a good brand story

at home and abroad

In the competitive landscape of Chinese domestic brands, telling a compelling brand story is crucial for capturing consumer interest and loyalty. Chinese consumers, particularly those from the younger generation, are highly influenced by narratives that resonate emotionally and culturally. Effective brand storytelling in China involves understanding the unique preferences and values of the target audience, which often includes a penchant for innovation, a strong digital presence, and a connection to cultural heritage. Brands that can weave these elements into their narratives are more likely to stand out in a highly competitive and crowded market.

When asked which factors could influence them to try a new brand over a brand they are loyal to, Chinese mainland consumers are sensitive to factors such as value for money (Chinese mainland: 29%, Hong Kong: 40%, Global: 42%) and promotional offers (Chinese mainland: 19%, Hong Kong: 30%, Global: 27%). They are also particularly drawn to innovation, valuing innovative products (Chinese mainland: 27%, Hong Kong: 17%, Global: 20%) and company reputation as a trend setter (Chinese mainland:

20%, Hong Kong: 13%, Global: 13%). In contrast, Hong Kong consumers tend to value quality more, citing high quality (Chinese mainland: 28%, Hong Kong: 35%, Global: 27%) and reputation as a trusted brand (Chinese mainland: 25%, Hong Kong: 29%, Global: 24%) more often than global average.

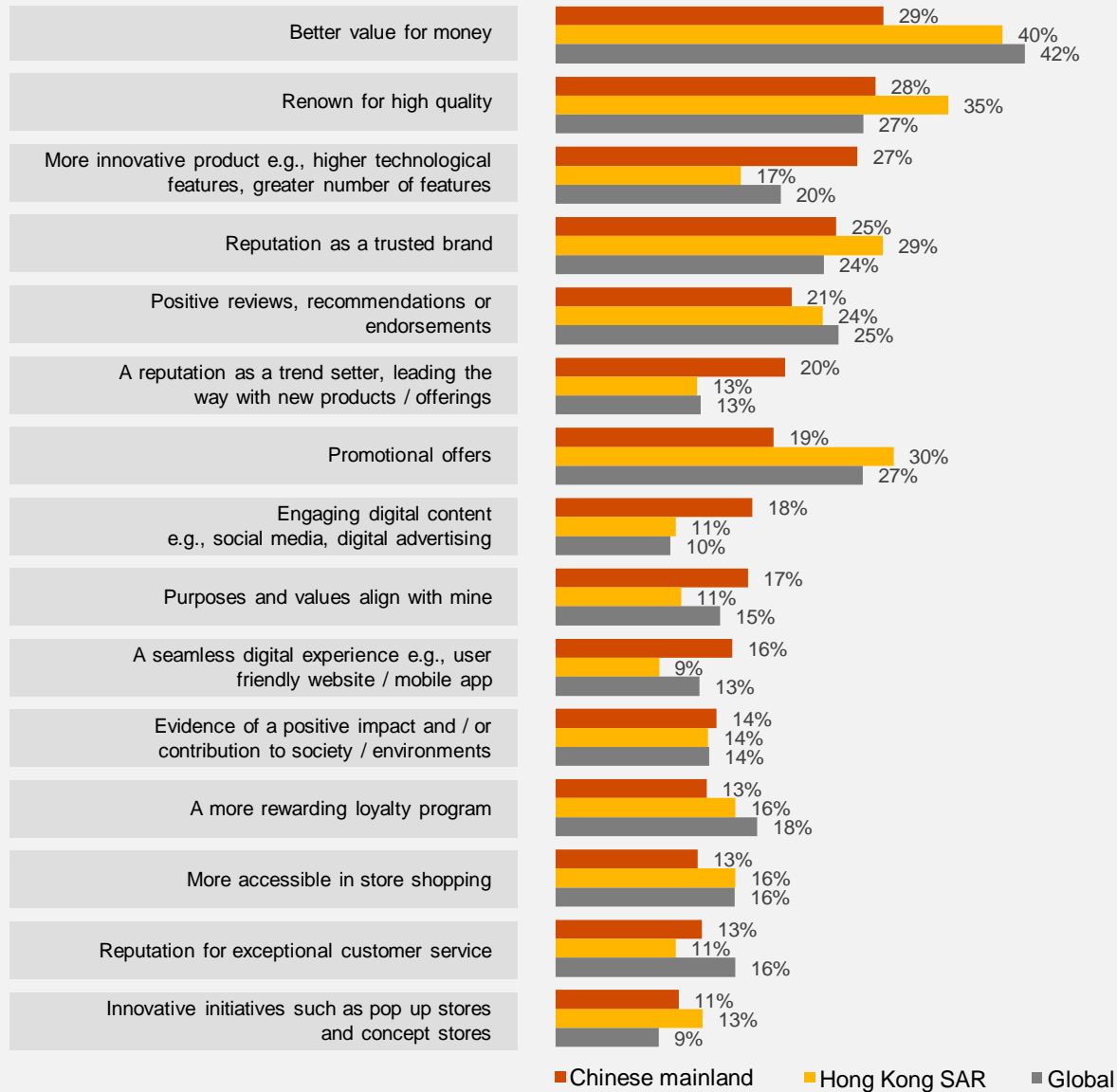
This is further reinforced by their rapid adoption of digital technologies and social media, which significantly influence their purchasing decisions. Chinese consumers are known for their enthusiastic embrace of e-commerce and digital payments, with many relying heavily on online reviews and social media recommendations before making a purchase. This digital savviness extends to their preference for brands that are perceived as innovative and forward-thinking.

Lululemon, for example, has successfully leveraged digital channels and social media to connect with Chinese consumers. By fostering interactive communities and collaborating with influential KOLs, the brand has effectively built brand awareness and cultivated customer loyalty among tech-savvy consumers.






Figure 6: Thinking of one of your favourite brands that you are loyal to, which of the following would entice you to try out a new brand that offers the same type of product(s)?



Social media plays a pivotal role in the average Chinese consumers' purchasing journey. Chinese mainland and Hong Kong consumers agree that they use social media to discover new brands (Chinese mainland: 71%, Hong Kong: 70% Global: 67%), purchase products directly (Chinese mainland: 63%, Hong Kong: 43%, Global: 46%), to be persuaded to buy products by influencers (Chinese mainland: 58%, Hong Kong: 49%, Global: 41%), and to engage with brand campaigns (Chinese mainland: 55%, Hong Kong: 44%, Global: 41%), much more so than the global average.

This trend is exemplified by the dominance of social media and mobile commerce platform Xiaohongshu (Little Red Book). With its unique positioning that resonates with the younger demographics, the platform has become a key channel for product discovery, where users rely heavily on recommendations from KOLs and KOCs, allowing users to engage with brand campaigns and make purchases directly within the app. This dynamic highlights how influencer marketing is reshaping consumer behaviour in China, driving both persuasion and engagement with brands.

 **Figure 7: To what extent do you agree with the following statements about social media?**



Source: PwC's Voice of the Consumer Survey 2024

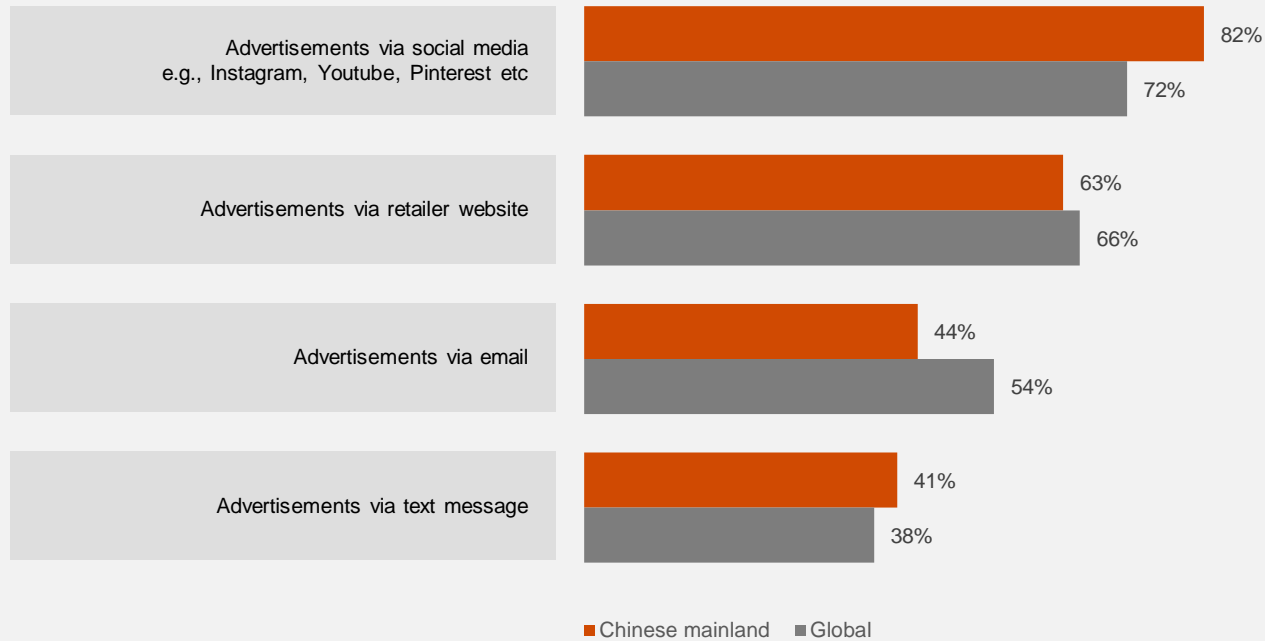


By the same token, Chinese mainland consumers are more sensitive to advertisement on social media, but less to email campaigns. They declare personalised advertisements via social media to have the most influence over

them to a greater extent than the global average (Chinese mainland: 82%, Global: 72%). They also view email advertisement as being less effective (Chinese mainland: 44%, Global: 54%).



Figure 8: Which type of personalised digital advertising is most likely to influence you to purchase? (Ranked in top three)



Source: PwC's Voice of the Consumer Survey 2024

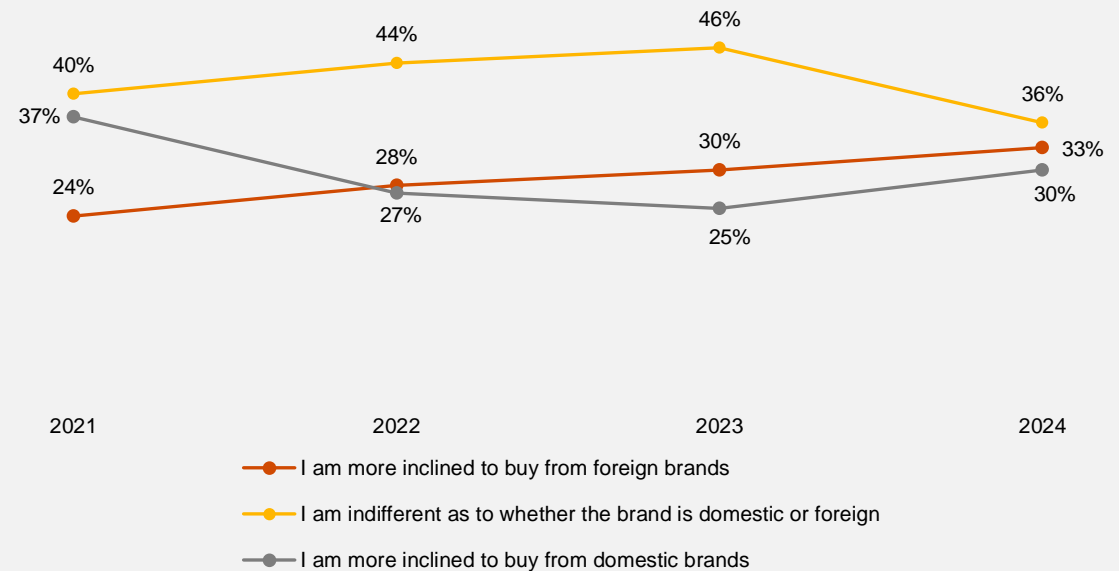


Building on these insights, recent trends in Chinese social media have shown an even deeper integration of social commerce and content creation. In 2024, we're seeing the rise of "shoppertainment" on platforms like Douyin and Xiaohongshu, where entertainment, social interaction, and e-commerce seamlessly blend. Live streaming has evolved beyond simple product demonstrations to include interactive games, AR try-ons, and virtual shopping experiences.

Meanwhile, the concept of "private traffic" has continued to thrive and allow brands to cultivate closed communities on platforms like WeChat to foster deeper customer relationships and drive repeat purchases. User-generated content (UGC) continues to be a powerful force, with consumers increasingly trusting peer reviews and recommendations over traditional advertising. These trends underscore the growing importance of social media not just as a marketing channel, but as a comprehensive ecosystem for discovery, engagement, and transaction in the Chinese consumer journey.



Figure 9: Relative to last year and considering all else as equal, are you now more inclined to buy from foreign or domestic brands in China?



Source: PwC's Voice of the Consumer Survey 2024

Compared to last year, and all things being equal, 30% of Chinese consumers are more inclined to buy from domestic brands, while 36% remain on the fence. Although this inclination has tapered off in the past few years, there is still a strong home-field advantage for domestic brands in China, where consumers view them as offering more bang for their buck and having their finger on the pulse of local consumer habits.

At the 2024 China Brand Day gala, 50 Chinese brands, including Huawei, DJI, TikTok, Wuliangye, and BYD, showcased their global appeal and quality, underscoring the rising influence of "China chic." These brands, selected based on online votes, export volumes, media presence, and expert appraisals, span diverse sectors such as technology, entertainment, food and beverage, cosmetics, and automobiles.

This highlighted the dedicated efforts of domestic brands to expand their global footprint and enhance foreign awareness of China's homegrown products. Particularly, Chinese brands have shown enormous potential in attracting Asia-Pacific consumers. Facing fierce competition in the domestic e-commerce and live-streaming sectors, many leading streamers have begun expanding their overseas business through platforms like TikTok and collaborating with local influencers.

Data from the Chinese Ministry of Commerce indicates that in 2023, China's cross-border e-commerce import and export volume reached 2.38 trillion yuan, a 15.6% year-on-year increase. Exports amounted to 1.83 trillion yuan, growing by 19.6%. This growth is largely attributed to the robust supply chain capabilities of Chinese brands.

Along their journey of "going global", however, practitioners should be alert to the ongoing trade tensions, while investing more in brand development, so they can move beyond competing solely on price and manufacturing capabilities.

In terms of brand influence, the total value of China's 500 Most Valuable Brands in 2024 came at 38.57 trillion RMB, an increase of 12.35% over last year, according to World Brand Lab. These brands span over 20 different industries, including food and beverages, banking, and computer and electronics-related enterprises. The top leading brands are predominantly banks, with internet companies like TikTok, JD.com, Pinduoduo, and Tencent also ranking highly.



Reinvention pathways:

These findings indicate that brands aiming to capture and retain the loyalty of Chinese consumers should prioritise continuous innovation and position themselves as leaders in technological and product advancements. By focusing on cutting-edge features and staying ahead of market trends, Chinese brands can differentiate themselves and build strong brand loyalty. This innovation-centric approach can also enhance their brand value, making them more appealing in markets where innovation is highly prized.

The trend of Chinese brands expanding into overseas markets is gaining momentum, driven by a combination of innovation, strategic partnerships, and a focus on high-quality growth. As domestic competition intensifies, and the local market becomes more saturated, Chinese companies are increasingly looking abroad for new opportunities, despite ongoing challenges in international trade. This shift is evident in the success of brands like BYD, Xiaomi, Huawei, Shein, and Temu (owned and operated by PDD), which have made significant inroads into global markets by leveraging their strengths in technology, design, and cost efficiency.



4 Making the trust premium

work for you

In the rapidly evolving landscape of global consumer expectations, understanding regional differences is crucial for businesses aiming to build trust and loyalty. In China, consumer behaviour is shaped by unique cultural, economic, and social factors that distinguish it from global trends. These factors not only influence purchasing decisions but also dictate the level of trust consumers place in various brands.

As our findings (figure 10) suggest, the level of trustworthiness attached to products and services bought by Chinese consumers seems higher than their global counterparts across industries. Healthcare, airlines, and technology are among the most trustworthy sectors by consumers scoring 7.50, 7.50, and 7.44

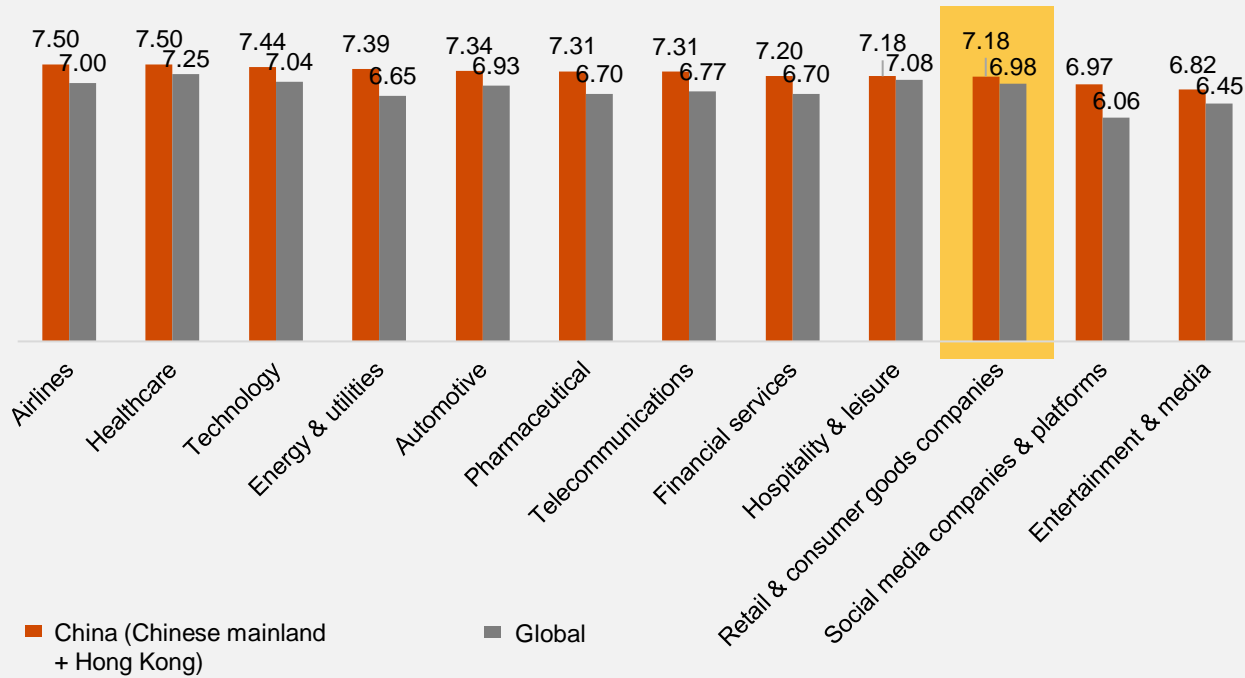
respectively from a band of 0 to 10. Social media platforms (6.97), and entertainment and media (6.82) fall in the low end of the trust spectrum, whereas retail and consumer goods companies (7.18) are considerably trusted but with further room for improvement. High brand trust can be explained by a positive change of perception towards Chinese brands over the years thanks to improved quality, innovation, international status, and cultural resonance.

However, it is important to recognise that, despite commanding a higher trust premium than the global average, China's retail sector still has significant work to do in winning "the hearts of their customers" and ultimately converting that trust into repeated purchases.





Figure 10: On a scale of 0 to 10, to what extent do you think companies in each of the following industries are generally trustworthy?



Source: PwC's Voice of the Consumer Survey 2024

To earn trust for good, retailers should channel resources to work on their “trust enhancers”, or specific areas most valued by their customers in establishing trust with companies.

According to our study (figure 11), Chinese consumers, although shy of their global counterparts, consider personal data protection (Chinese mainland: 40%, Hong Kong: 43%, Global: 54%) as the most important factor affecting their trust in a company, followed by the offering of high-quality products or services

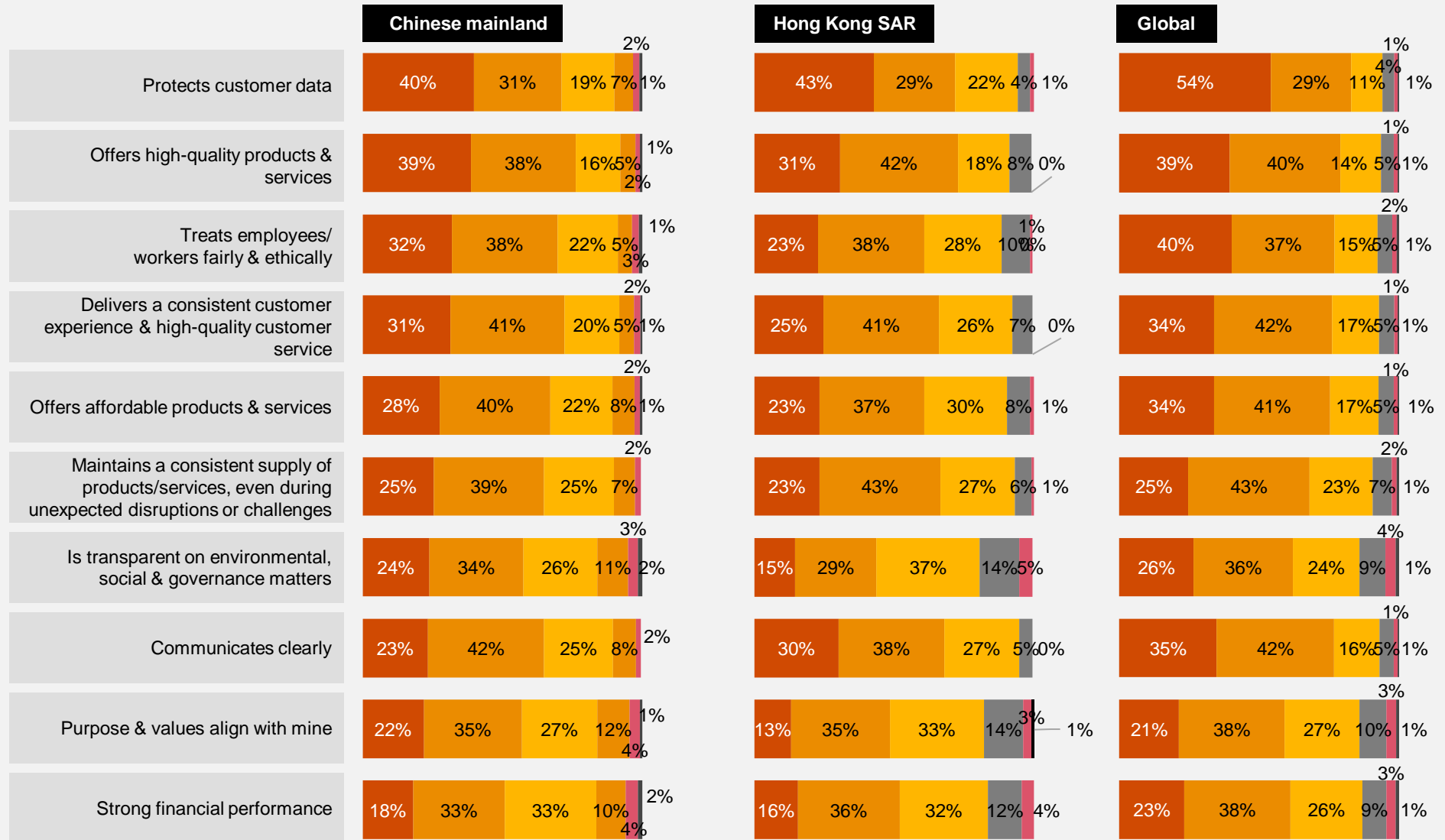
(Chinese mainland: 39% Hong Kong: 31%; Global: 39%), and fair and ethical treatment of employees (Chinese mainland: 32%, Hong Kong: 23%, Global: 40%).

As Chinese consumers continue to value personal data protection, the enactment and continued evolution of China’s Personal Information Protection Law (PIPL) presents an ample opportunity for retailers to leverage data privacy as a means to build consumer trust.





Figure 11: How important or unimportant are each of the following areas to building your trust in a company?



Extremely important Very important Moderately important Slightly important Not important Don't know

Source: PwC's Voice of the Consumer Survey 2024

Reinvention pathways:

While Chinese consumers exhibit a higher trust premium in certain sectors, there are clear areas where companies can improve to build deeper trust premium. For many consumer brands, well-executed loyalty programs are a golden standard for doing just that. By offering tailored incentives and personalised experiences, businesses can cultivate a sense of belonging and appreciation among their customers through communication and engagement, effectively turning them into brand advocates. For instance, Alibaba's 88VIP membership program, which offers exclusive benefits across its ecosystem, has been instrumental in cementing customer loyalty by making members feel like they are part of an elite club. Similarly, Shangri-La Circle offers a tiered membership structure that provides exclusive experiences such as free room nights, dining experiences, and spa treatments.

On the other hand, businesses must adhere to the rigorous standards set by PIPL, which mandates strict data handling, storage, and processing protocols to protect consumer privacy. This regulatory environment necessitates that companies prioritise compliance to avoid legal repercussions, even if consumer demand for data protection appears lower than their global counterparts. Chinese retailers must navigate the dual pressures of stringent regulatory requirements and evolving consumer expectations. Adhering to PIPL and other ethical standards not only ensures compliance but also positions companies to gain consumer trust and loyalty over time.



5 Leveraging China's growing interest for sustainability

As climate awareness spreads in China, Chinese consumers are becoming more sensitive to sustainability matters which has an impact on their purchasing behaviour. In our survey, this is characterised by half of Chinese mainland respondents signalling they are buying more sustainable products or products with a reduced climate impact (Chinese mainland: 50%, Hong Kong: 30%, Global: 46%). This shift in consumer behaviour reflects a growing awareness of sustainability issues and a willingness to make more environmentally responsible choices, despite a more cautious spending atmosphere.

In particular, the travel industry has felt the shift towards sustainability, as Chinese consumers are increasingly getting itchy feet for greener pastures. Wellness travel and eco-tourism have seen a remarkable surge in popularity in recent years. For instance, destinations like Moganshan, known for its bamboo forests and

tea plantations, have become hotspots for eco-conscious travellers seeking a retreat from urban life. Similarly, the ancient town of Wuzhen has embraced sustainable tourism practices with water conservation measures.

Our survey indicates that 50% of Chinese mainland consumers (Hong Kong 30%; Global:31%) are traveling less or differently by selecting a lower carbon footprint option such as a train, cycling, or even walking. This echoes with the growing trend of city walking and cultural tourism as popular alternatives to more carbon-intensive forms of travel. For example, the city of Xi'an has developed extensive pedestrian-friendly routes that allow visitors to explore its rich history and cultural heritage on foot, reducing reliance on motorised transportation. In Shanghai, the Bund waterfront area has been redesigned to prioritise pedestrians and cyclists, encouraging sustainable urban exploration.

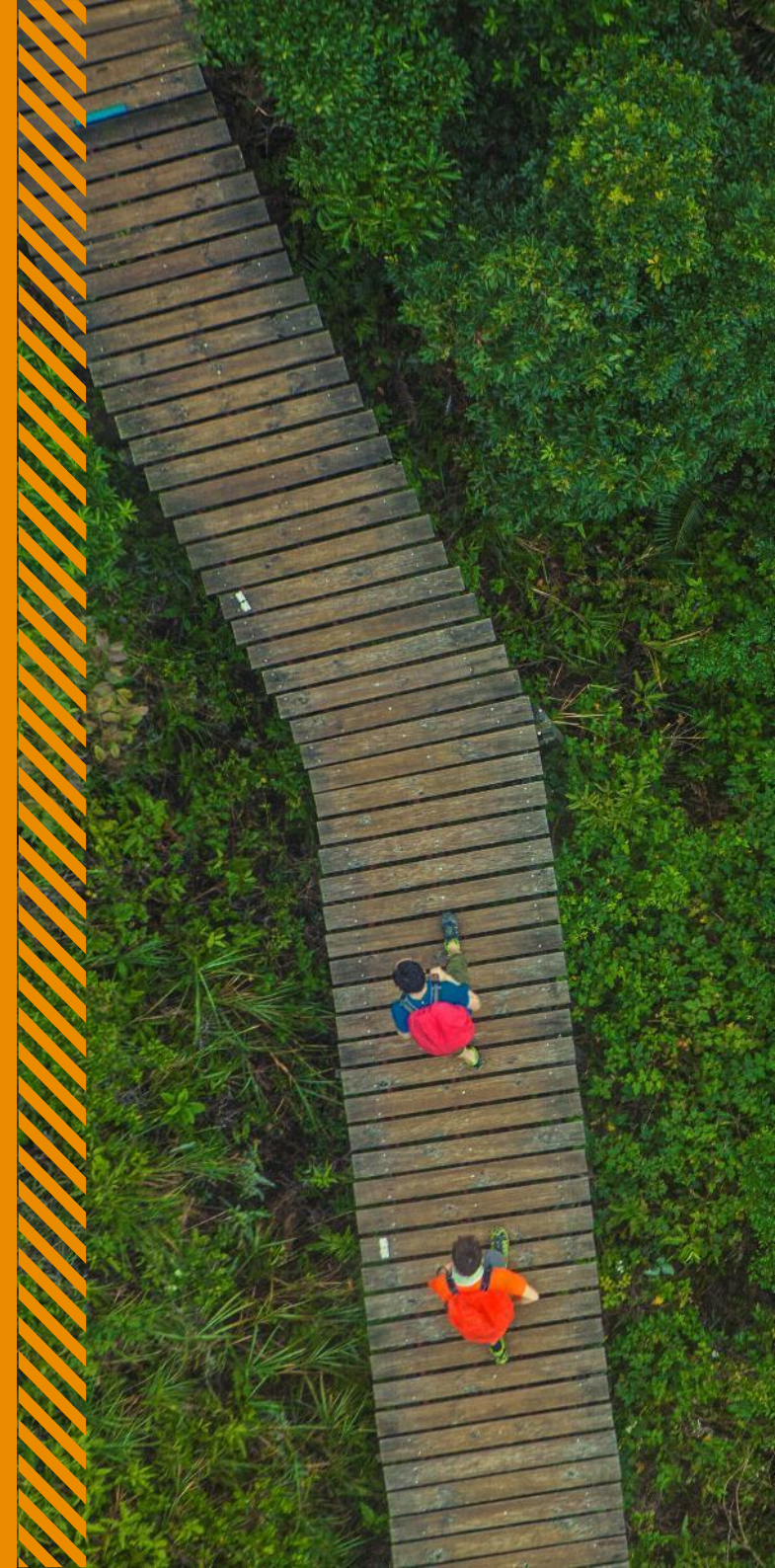




Figure 12: What actions or behaviors, if any, have you taken to reduce your impact on climate change?

	Chinese mainland	Hong Kong SAR	Global
I am buying more sustainable products or products with a reduced climate impact (products with recycled materials, natural, second hand, fewer plastics)	50%	30%	46%
I travel less or differently e.g., selecting a lower carbon footprint option (such as a train instead of flight)	50%	30%	31%
I am making more considered purchases, with the aim of reducing my overall consumption	35%	38%	43%
I am eating different foods (e.g., less meat, more plant-based foods)	34%	25%	32%
I have purchased or plan to purchase an electric vehicle	30%	16%	24%
I use renewable electricity as a power source	27%	23%	25%
I am reducing online purchasing to reduce carbon related to transport	23%	21%	22%
I have decided not to have children / have a smaller family	11%	21%	14%

Source: PwC's Voice of the Consumer Survey 2024

Although Chinese mainland consumers share the same heightened sensitivity to sustainability with their global counterparts, cultural and societal factors influence their expectations when it comes to brand sustainability. For example, having brands meet government and industry sustainability standards seem to be more important for Chinese mainland consumers than it is for global consumers on average (Chinese mainland: 33%, Hong Kong: 25%, Global: 25%) and thus becomes a more decisive factor in brand communication. Concurrently,

Chinese mainland consumers give less importance to communication efforts revolving around waste management initiatives (Chinese mainland: 32%, Hong Kong: 43%, Global: 40%). These gaps in consumer expectations are reflected in which ESG factors wield the most influence on consumers' purchasing journey.



Figure 13: What information about a brand's sustainability performance and practices would increase your likelihood to purchase from them? (Ranked in top three)

	Chinese mainland	Hong Kong SAR	Global
Positive impact on nature conservation and / or water conservation	39%	29%	34%
Renewable energy usage	34%	26%	29%
Eco-friendly packaging	34%	33%	38%
Meets certifications and industry standards	33%	25%	25%
Waste reduction and recycling	32%	43%	40%
Social responsibility programmes	24%	20%	20%
Lower carbon footprint	23%	28%	26%
Supply chain transparency	23%	18%	21%

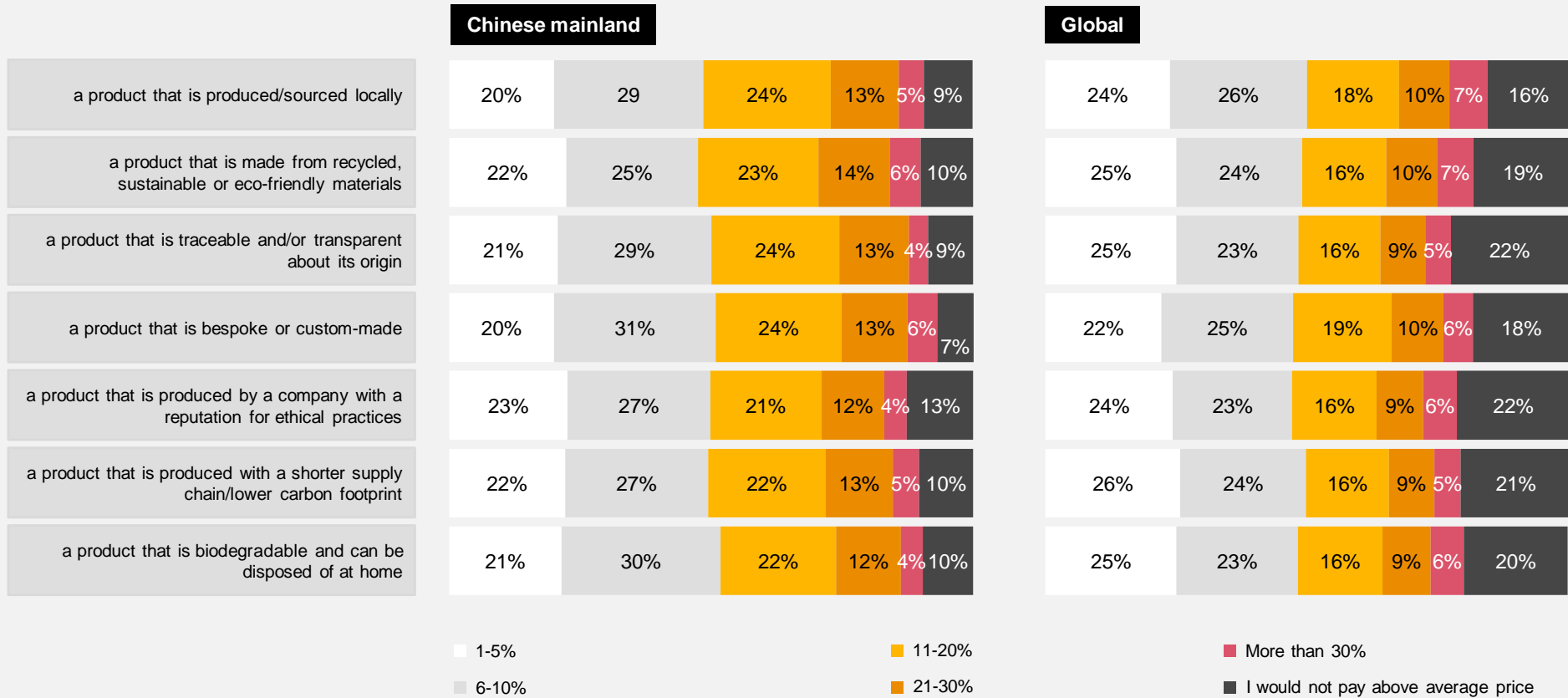
Source: PwC's Voice of the Consumer Survey 2024

These discrepancies in consumer environmental expectations and awareness highlight that there is no one-size-fits-all sustainability communication strategy blueprint for MNCs dipping their toes in the Chinese market. Chinese consumers typically value price first and sustainability second. However, changing outlooks on the environment, largely fostered by government-led awareness initiatives, and consumers' tendency to link sustainability credentials with better health outcomes have created a well of opportunities for brands to advertise how sustainable their products and service offerings are. This becomes clear when considering that Chinese consumers are more inclined to pay a premium for sustainably friendly products.

Indeed, the evolving mindful consumption trend sees consumers not solely valuing price but also taking a deeper look at a company's values and ethics, gravitating towards brands focusing on sustainability and quality. PwC's 2024 Workforce Hopes and Fears survey shows that 84% of Chinese mainland workers consider that employers are responsible to reduce their environmental impact, putting pressure on companies to make efforts to meet those sustainability expectations. These efforts are not without rewards, as our survey highlights that the proportion of Chinese mainland consumers that is willing to pay more for an ESG-friendly product is on average 10 % higher than the global average.



Figure 14: How much above an average price would you be willing to pay for...



Source: PwC's Voice of the Consumer Survey 2024

Reinvention pathways:

Innovating the product/service aspects of sustainable consumption

Brands can leverage Chinese consumers' growing environmental consciousness by promoting eco-friendly travel alternatives and carbon offset programs. In contrast, Hong Kong consumers seem to be less engaged in climate actions, indicating a pressing need for increased awareness and education on sustainability issues. The willingness of Chinese mainland consumers to pay more for ESG-friendly products being higher than the global average also presents a lucrative opportunity for brands to develop and market premium, sustainable products. For example, Master Kong introduced high-quality, healthy products such as "Tea Heritage" and "Liangshi Zhuyi" broth noodles to meet consumers' demands for nutrition and health, aligning with consumers' sustainability and quality expectations. Another example is Trip.com, which has been actively promoting sustainable travel options and carbon offset programs. Their recent report highlights the importance of educating travelers about eco-friendly travel practices and collaborating with hospitality providers.

Investing in the backbone of sustainable supply chain

Apart from the physical "green" elements that are directly felt by consumers, another major avenue for companies to explore in their quest of sustainability in China is supply chain reinvention. China's commitment to carbon neutrality by 2060 underscores the importance of sustainable supply chains, with initiatives like the Green Supply Chain Initiative promoting environmentally friendly practices throughout the supply chain. With the advancement of sustainable supply chain practices and circular economy initiatives, retailers must adapt to these evolving standards to remain competitive and compliant with regulatory requirements. Amidst fierce competition in the logistics industry, Cainiao Network reduced its carbon footprint through end-to-end digitalisation and ESG practices, leading to successful partnerships with global fast-moving consumer goods giants such as Nestlé and PepsiCo.



6

Enhancing the purchase journey

through channel innovations

In today's rapidly evolving retail landscape, channel innovation is the name of the game for brands aiming to meet the changing expectations of consumers. As digital technologies reshape shopping behaviours, retailers must adapt their strategies to create seamless and engaging experiences across various platforms. This integration of online and offline channels not only enhances customer satisfaction but also fosters brand loyalty in a competitive market.

Chinese consumers' purchasing journey has been significantly influenced by the country's rapid digitisation, leading to an increase in online retail and prompting brick-and-mortar shops to modernise their sales experiences to retain customers. When considering in-store

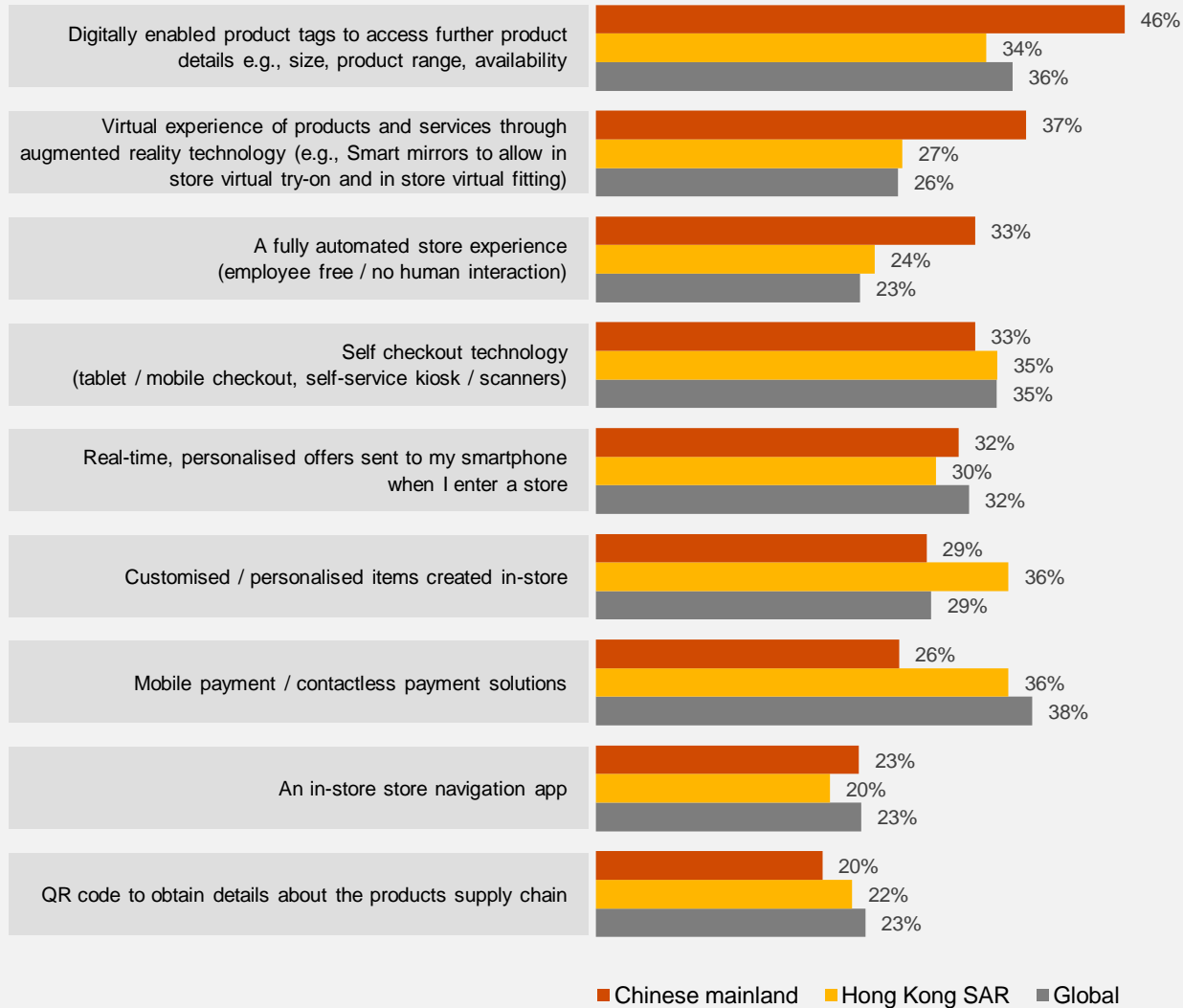
experiences, mainland Chinese consumers show a strong interest in digitally enabled product tags (Chinese mainland: 46%, Hong Kong: 34%, Global: 36%), Virtual Reality (Chinese mainland: 37%, Hong Kong: 27%, Global: 26%), and automated stores (Chinese mainland: 33%, Hong Kong: 24%, Global: 23%).

To stay ahead of the curve, in-store retailers are focusing on providing diverse experiential offerings, integrating entertainment elements, and ensuring excellent after-sales service. Many brands are incorporating augmented reality (AR) technologies to create immersive shopping experiences that blend the digital and physical worlds, captivating consumers and fostering deeper engagement with brand campaigns.





Figure 15: Thinking about the in-store experience, which of the following technologies, if any, would encourage you to shop in-store? (Ranked in top three)



Source: PwC's Voice of the Consumer Survey 2024

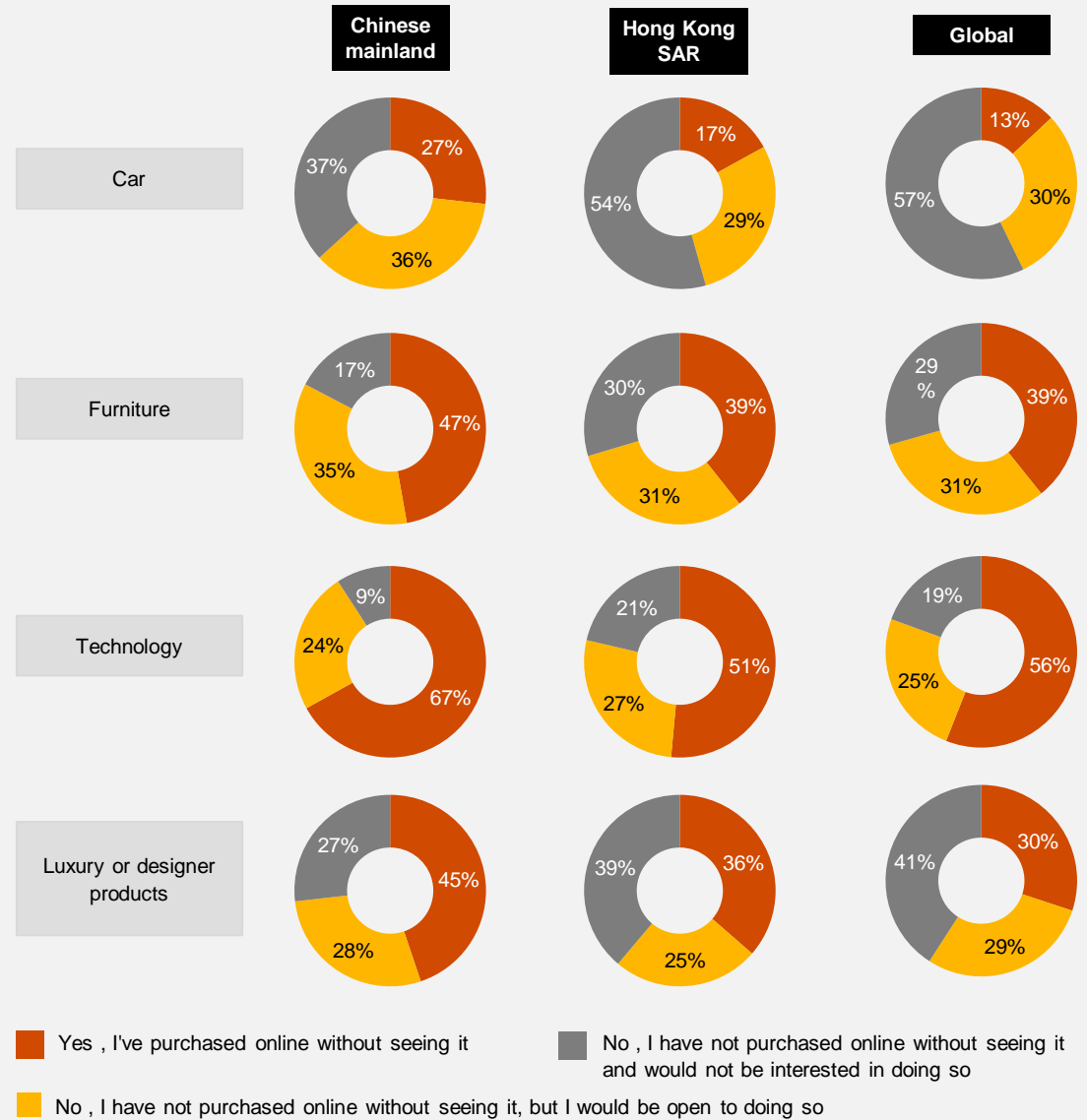


The prominence of online retail sales in China, which in 2023 accounted to an all-time high value of 27.6% of the country's total retail volume, have created an environment in which Chinese mainland consumers are more comfortable in making big-item purchases on online platforms. Thus, 67% of our Chinese mainland respondents declared they bought tech items online (Hong Kong: 51%, Global: 56%), furniture (Chinese mainland: 47%, Hong Kong: 39%, Global: 39%), luxury or designer products (Chinese mainland: 45%, Hong Kong: 36%, Global: 30%), and even cars (Chinese mainland: 27%, Hong Kong: 17%, Global: 13%).

This willingness to purchase expensive items online without having seen the physical product beforehand signals brands that online platforms are prime channels to sell premium products in China. By adopting a mix of innovative in-store sale experience and a solid online presence on China's major e-commerce platforms, foreign brands can thus smooth out purchasing frictions by meeting Chinese customers' sale experience expectations.



Figure 16: Which, if any, of the following significant purchases have you purchased or would consider purchasing online without having seen the physical product?



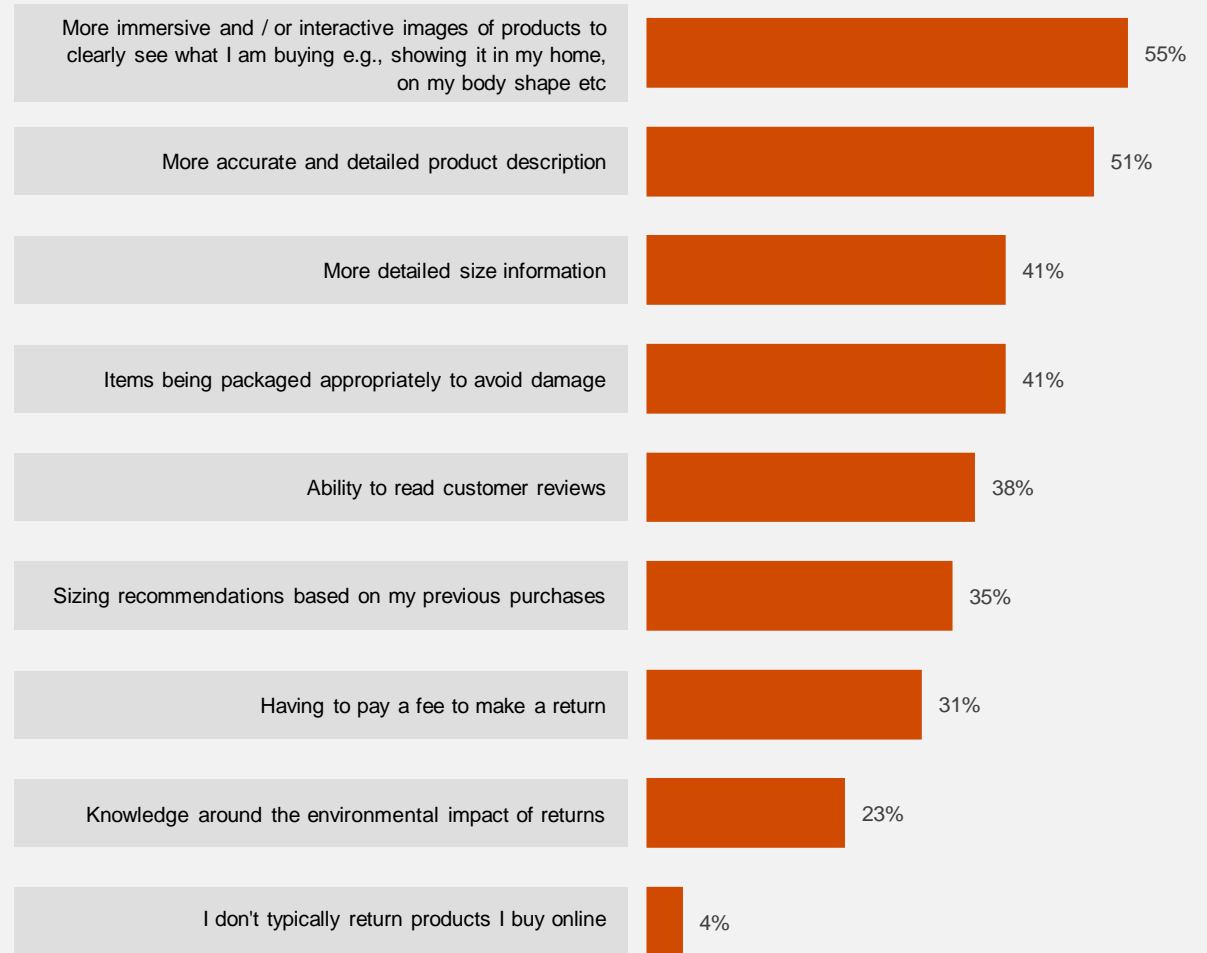
Source: PwC's Voice of the Consumer Survey 2024

On brands' quest for frictionless retail, minimising the chance of product returns is of utmost importance. Although a positive return experience has the potential to increase customer satisfaction and/or loyalty, returns are overall something retailers want to avoid if possible. As emerging technologies are revolutionising the world of retail both in-store and online, these new tools, such as AI-powered virtual try-ons and predictive modelling, can be put in place to lessen the risk of product return after an online purchase.

When asked what factors could reduce the risk of returning a product bought online, Chinese mainland consumers were much more likely to cite a more immersive or interactive product visualisation experience (Chinese mainland: 55%, Hong Kong: 29%, Global: 38%). Augmented Reality (AR) has notably been on the rise as a mean to provide unique retail experiences to consumers in China, and especially in the luxury industry . Other popular means among Chinese mainland consumers that could potentially reduce product returns include more accurate and detailed product descriptions (Chinese mainland: 51%, Hong Kong: 49%, Global: 47%), more detailed size information (Chinese mainland: 41%, Hong Kong: 39%, Global: 43%), and items being packaged appropriately to avoid damage (Chinese mainland: 41%, Hong Kong: 30%, Global: 39%).



Figure 17: Thinking specifically about any products purchased online which you have returned, which of the following factors, if any, would reduce the number of returns you make? (asked of Chinese mainland respondents)



Source: PwC's Voice of the Consumer Survey 2024

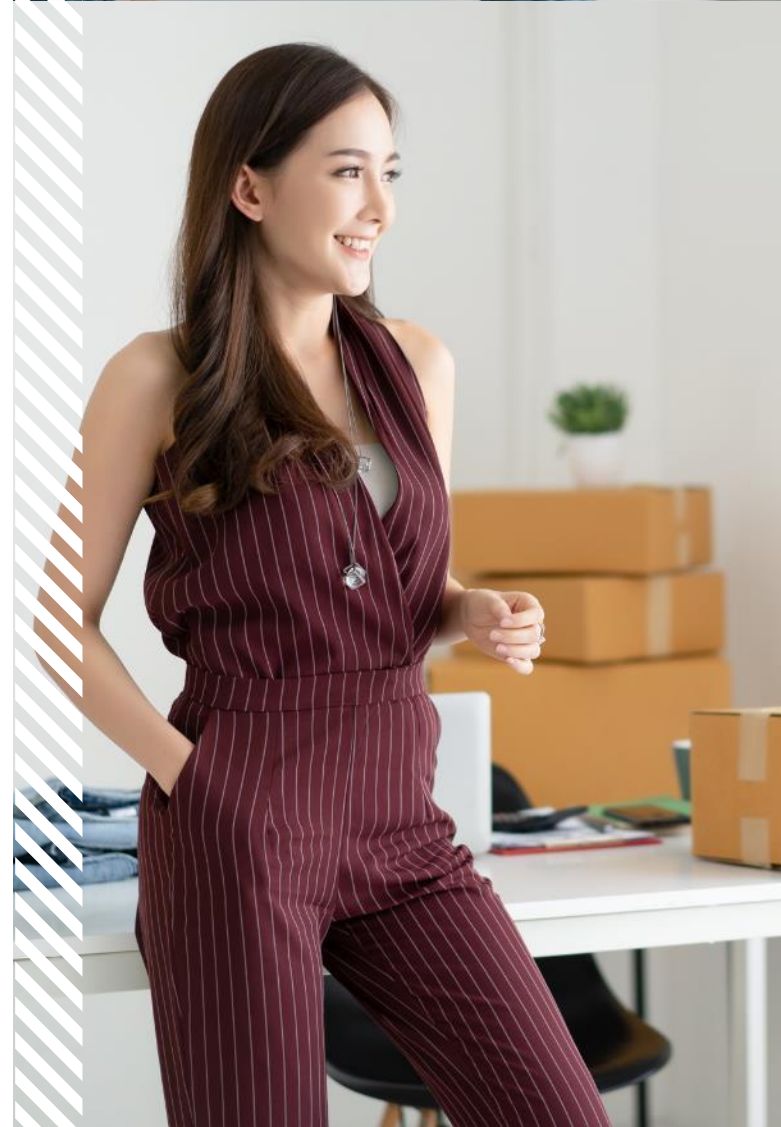
Reinvention pathways:

Brands and retailers must embrace a more flexible and organic omnichannel strategy to meet consumers' evolving expectations for a dynamic mix of online and offline experiences. By implementing a seamless omnichannel strategy, companies can create a consistent and effortless experience across various touchpoints. This approach allows them to leverage a unified customer identification system, enabling the creation of a comprehensive single customer view.

Brick-and-mortar retailers in particular must rise to the challenge of China's push for digitisation and the government's emphasis to develop new quality productive forces. With online retail's ever-expanding share of the market coupled with

heightened consumer expectations, they should consider rethinking their in-store experience to stay on top of the competition.

As a global leading sports brand, Nike has been successful in meeting consumer expectations through the implementation of an omnichannel marketing strategy. These include launching the Nike App, which enhances the in-store purchasing experience through AR try-ons and personalised recommendations; allowing consumers to design shoes online and pick up their creations in store; and being highly active on Chinese social media by sharing the latest product information and collaborating with sports stars and fashion KOLs to conduct creative marketing campaigns.



7

Surfing on the

Chinese wellness industry wave

Chinese consumers increasingly value health and wellness, leading to a change in consumer habits in regard to wellness, food consumption and sports-related activities. Although Chinese consumers are historically quite cost-conscious, when it comes to dietary choices, Chinese mainland respondents to our survey have shown to be less price sensitive, focusing more on health and convenience. In general, they express relatively less consideration when buying food products (Chinese mainland: 35%, Hong Kong: 59%, Global: 52%). Instead, their top three considerations revolve around nutritional information (Chinese mainland: 47%, Hong Kong: 49%, Global: 46%), their general health (Chinese mainland: 44%, Hong Kong: 48%, Global: 57%), and overall convenience (Chinese mainland: 40%, Hong Kong: 39%, Global: 34%).

The growing interest in health and wellness is not limited to food consumption. China's sports and fitness market has also experienced significant growth, with the market value reaching US\$55 billion by 2023. This

development is fuelled by the rapid expansion of fitness clubs and gyms nationwide, alongside heightened individual fitness and health awareness during the pandemic. Popular sports activities among Chinese consumers include running, basketball, badminton, swimming, soccer, yoga & Pilates, martial arts, and group fitness classes.

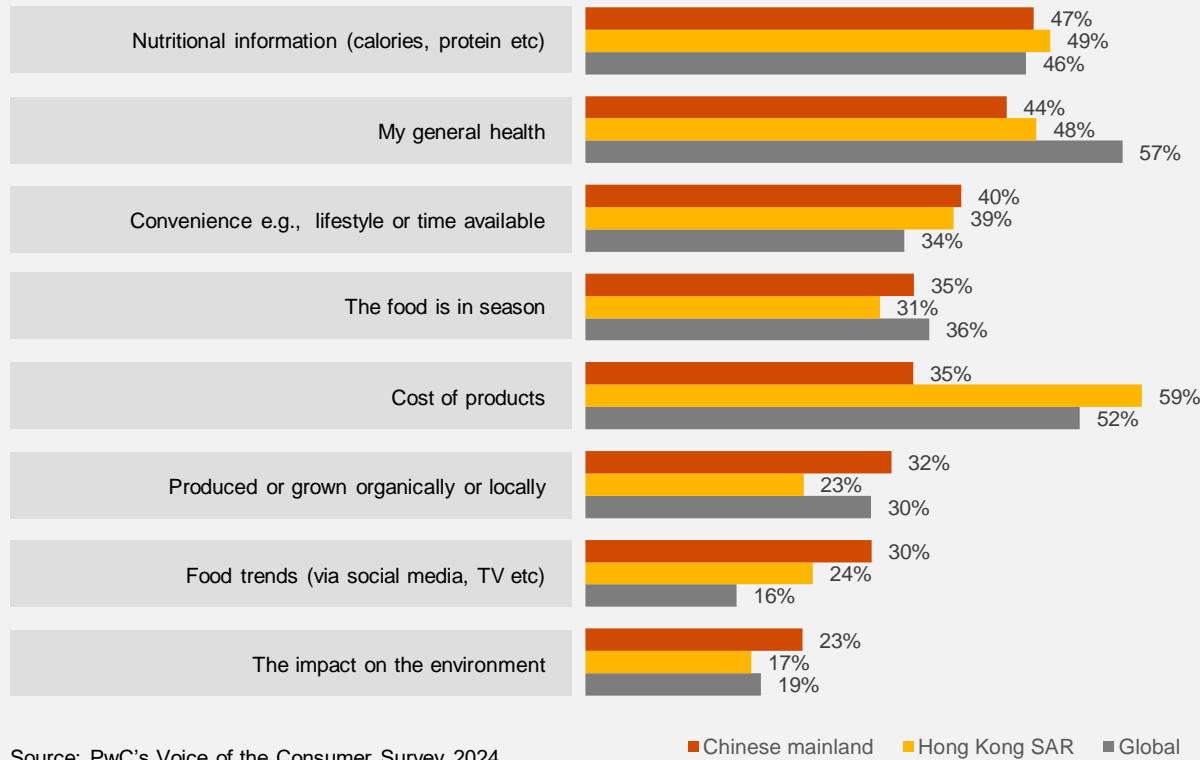
The "fitness wave" has hit particularly Gen Z and Millennials, who engage in healthy activities for stress relief and for having social interactions with other people. Outdoor sports, such as hiking, stream climbing, and pickleball, have also gained traction, with views of related videos on Douyin increasing significantly in recent years.

To cater for the growing demand for sports and fitness, the Chinese government has launched initiatives like the "Healthy China 2030 Plan" to promote health and wellness among its citizens. The plan includes provisions for increasing sports participation rates, improving public facilities, and enhancing healthcare services.





Figure 18: Which of the following do you consider when making food & dietary choices? (Ranked in top three)



Source: PwC's Voice of the Consumer Survey 2024

The 2024 Paris Olympics has reignited a surge of enthusiasm for sports and fitness among Chinese consumers. Online sales of tennis, table tennis, and other sporting goods have skyrocketed as Chinese athletes win gold medals in Paris. Retailers are integrating sports into their business models to create unique experiences and boost

sales. The "sports+" concept combines sports with tourism, entertainment, and e-commerce to engage consumers. E-commerce platforms like Tmall and JD.com have launched Olympic-themed sales campaigns to capitalise on consumer enthusiasm.

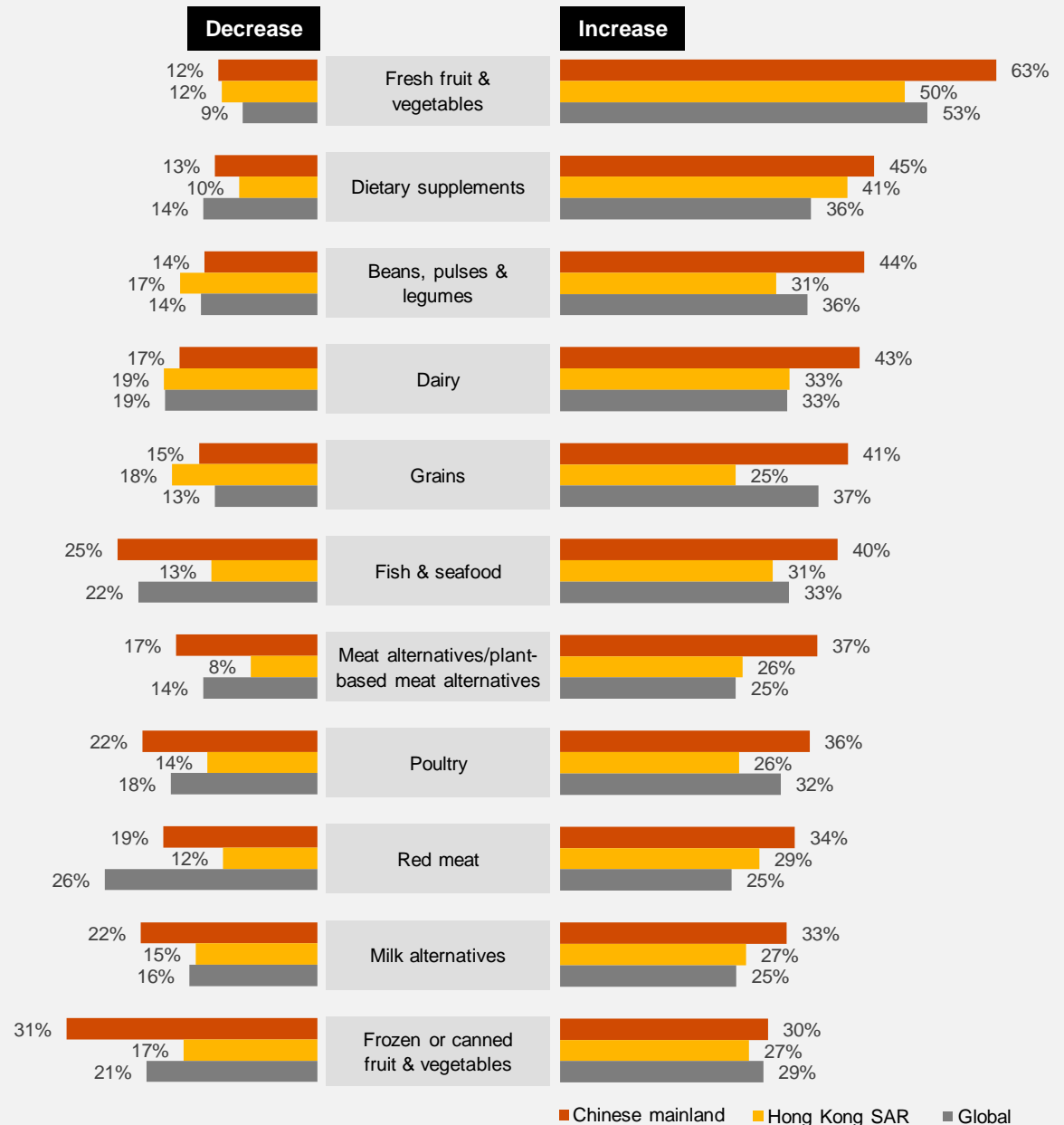


Aspiration for a healthier lifestyle, combined with Chinese government initiatives to promote wellness and increase health literacy, may have been key contributors in recent consumer dietary preference shifts. Our survey showed that fresh fruits and vegetables (Chinese mainland: 63%, Hong Kong: 50%, Global: 53%), dietary supplements (Chinese mainland: 45%, Hong Kong: 41%, Global: 36%), and beans, pulse, and legumes (Chinese mainland: 44%, Hong Kong: 31%, Global: 36%), all staples for a healthy diet, have been the food categories seeing the fastest rise in consumption from Chinese mainland consumers in the past 6 months at the time of the survey.

Additionally, milk alternatives and meat alternatives have also seen stronger consumption increases in the Chinese mainland than in the rest of the world on average. These trends are also set to continue in the future as respondents expressed the same interest in continuing to increase their consumption of those product categories in the coming year. Here again these consumption shifts offer a clear course of action for food companies to capitalise on the health trend in China.



Figure 19: How has your consumption of the following food groups changed, if at all, over the past six months?



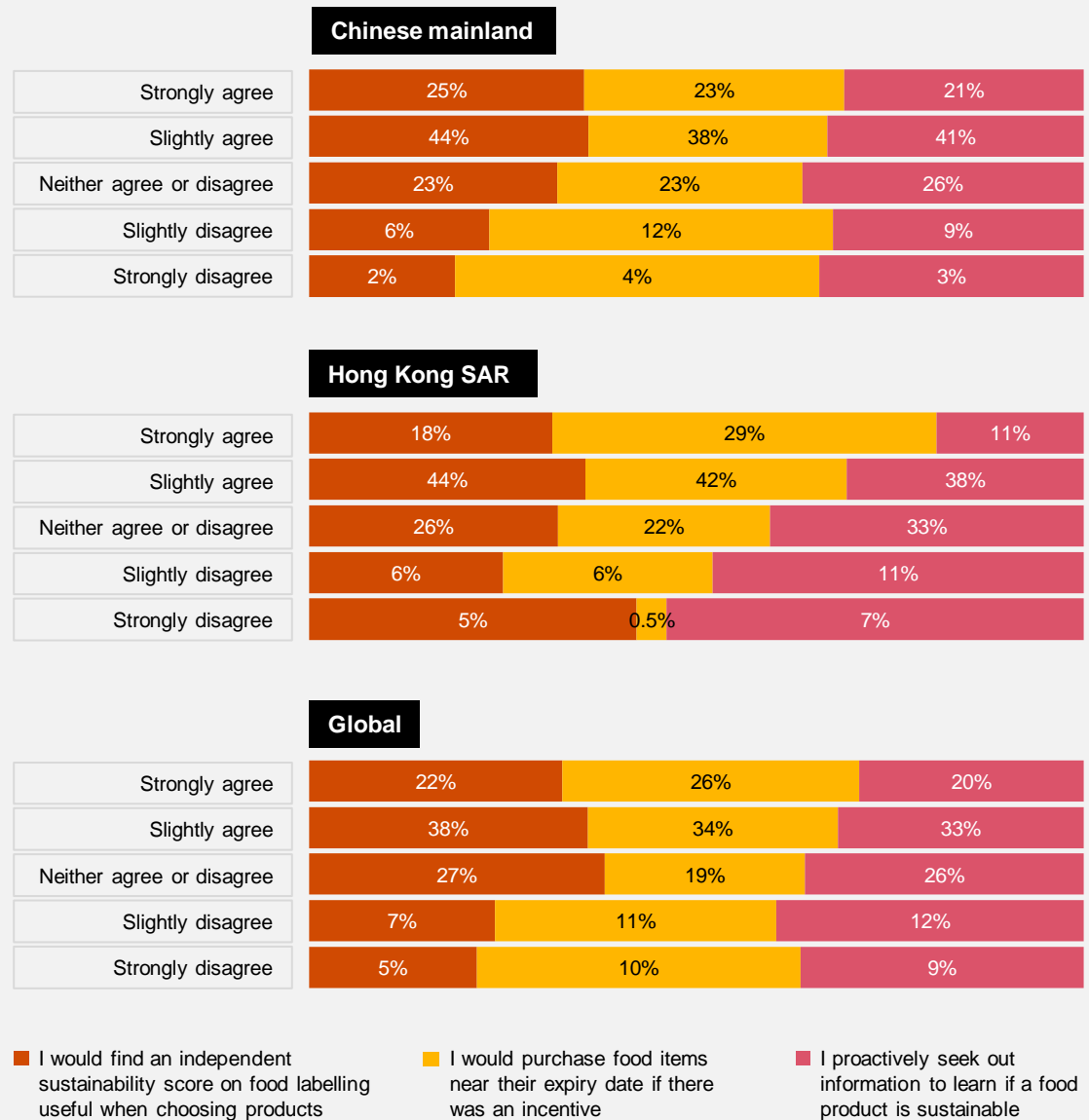
Source: PwC's Voice of the Consumer Survey 2024

On a worldwide scale, our survey highlighted consumers' desire not only for a healthier diet, but also more sustainable food production. Food companies have been caught in a dilemma of increasing food production for a growing global population while at the same time trying to reduce their environmental footprint. The actions taken for the latter resonate with consumers everywhere around the globe and Chinese consumers are no exception.

Chinese mainland respondents to our survey indicated they would be interested in an independent sustainability score for food products (Chinese mainland: 69%, Hong Kong: 62%, Global: 60%), purchasing food items nearly expired if there was an incentive (Chinese mainland: 61%, Hong Kong: 71%, Global: 60%), and proactively seek out sustainability information for food products (Chinese mainland: 62%, Hong Kong: 49%, Global: 53%) at a greater rate than their global counterparts. Considering these heightened consumer expectations related to sustainability, the message for food companies leaves little room for interpretation: adapt your offer or risk having environmentally conscious customers shift towards more sustainable competitors.



Figure 20: To what extent do you agree or disagree with the following statements?



Source: PwC's Voice of the Consumer Survey 2024

Reinvention pathways:

The health and wellness trend is gaining significant traction, with consumers increasingly embracing a diet rich in fruits, vegetables, and plant-based foods, while also incorporating dietary supplements and fish into their daily regimens. This shift isn't just a flash in the pan; it represents a fundamental change in consumer attitudes towards nutrition and well-being.

Cost considerations are taking a back seat as health-conscious consumers are willing to put their money where their mouth is when it comes to nutritious options. This paradigm shift has opened up a world of opportunities for health-focused food brands and retailers. They're now in a prime position to cater to this burgeoning demand by offering convenient, nutritious options that tick all the right boxes for health-savvy consumers.

A case in point is Bestore, a leading Chinese snack brand that broke new ground in China's mass market for healthy snacks, focusing on low-calorie products with reduced salt, sugar, oil, and additives. Three Squirrels, popular e-commerce snack brand, has also pivoted towards healthier offerings, launching a series of "light snacks" under its sub-brand "Squirrel's Workshop" in order to appeal to Thehealth-

conscious consumers, particularly among younger demographics.

sports and fitness industry has experienced a parallel surge in health-related consumption trends. There is a growing demand for sports nutrition products, including protein supplements, energy bars, and functional beverages designed to support athletic performance and recovery. Consumers are increasingly seeking products that not only enhance their physical performance but also align with their overall health and wellness objectives.

This shift in consumer preferences has catalysed the rise of clean label sports nutrition products, which prioritise natural ingredients and minimise artificial additives. Furthermore, there is a notable trend towards personalised nutrition, with many athletes and fitness enthusiasts utilising mobile applications and wearable technology to monitor their nutritional needs and tailor their dietary intake accordingly. This convergence of technology, sports, and nutrition is creating novel opportunities for brands to develop innovative products and services that cater to the health-conscious and active consumer base.



8 Charting the path to Generative AI

and Intelligent Mobility

The pace of GenAI development has been nothing short of phenomenal in China. The country has been firing all cylinders in driving GenAI innovations, including technologies like intelligent chatbots and autonomous driving, according to data from the United Nations' World Intellectual Property Organisation (WIPO). Between 2014 and 2023, Chinese inventors filed over 38,000 GenAI-related patents, more than six times the number filed by the United States, which ranked second with approximately 6,276 patent applications.

Supported by AI growth and policy measures aiming at improving accessibility and aligning with the central government's stated goal to digitise the Chinese economy, China's smart devices market has been booming. It is thus not surprising to see Chinese mainland consumers express a stronger interest for smart devices

than their global counterparts, particularly smart electronics (Chinese mainland: 70%, Hong Kong: 61%, Global: 61%), automobiles (Chinese mainland: 47%, Hong Kong: 37%, Global: 39%), and sport equipment (Chinese mainland: 41%, Hong Kong: 26%, Global: 28%) products.

Meanwhile, Hong Kong and global consumers express more interest for smart travel bookings (Chinese mainland: 38%, Hong Kong: 47%, Global: 47%). These differences could be attributed to various factors such as existing technology infrastructure, cultural preferences, or varying levels of exposure to AI-driven services.



The many applications of AI in the field of smart devices enables a widened product portfolio and new service offerings. Indeed, a recent PwC study, *The Path to Generative AI Value*, reveals that only 15% of the potential value of GenAI is attributed to chatbots for which the technology is commonly recognised. This indicates significant upside for retailers to enhance efficiency and drive product development. Furthermore, the advent of AI technology and the capabilities it unlocks is also picking consumers' interest in smart devices, opening new niches and opportunity avenues that are ripe for the taking for brands that can adapt fast enough to the shifting demand.

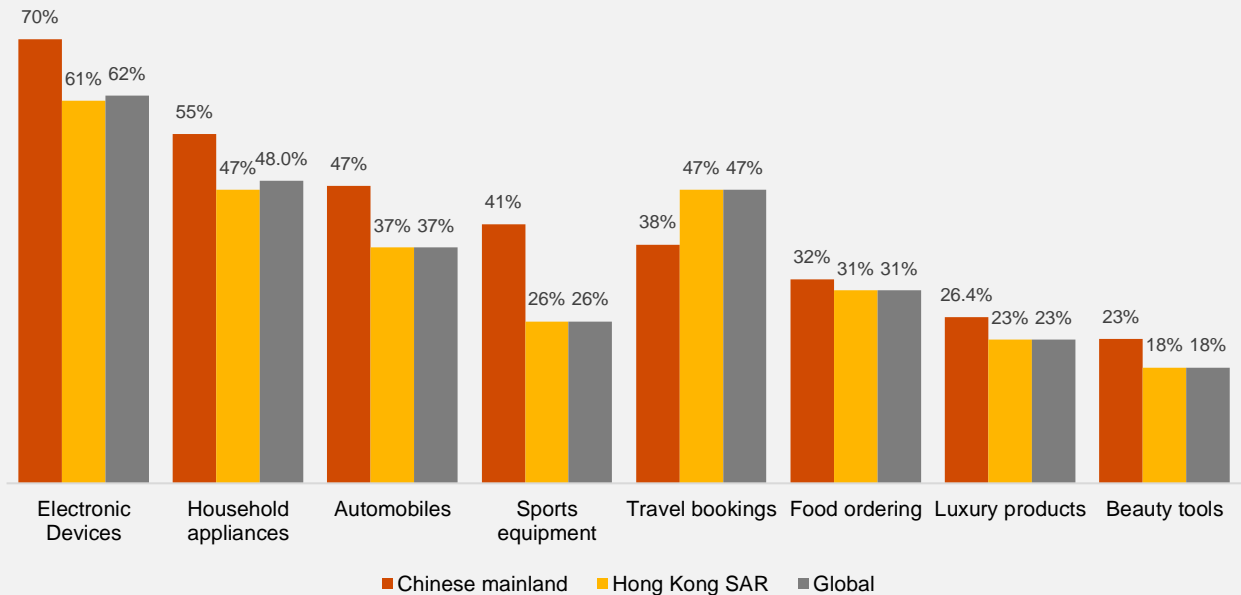
One of the key enabling factors that has tremendously boosted AI opportunity prospects in China is that Chinese mainland consumers are more trusting toward the technology. Chinese respondents have indeed expressed more trust in AI capabilities for providing product recommendations (Chinese mainland:60%, Hong Kong: 53%, Global: 50%), handle customer service (Chinese mainland: 57%, Hong Kong: 37%, Global: 44%), execute

financial transactions (Chinese mainland: 37%, Hong Kong: 28%, Global: 27%), provide medical diagnosis (Chinese mainland: 38%, Hong Kong: 31%, Global: 25%), and give legal advice (Chinese mainland: 31%, Hong Kong: 22%, Global: 23%).

By considerably reducing friction at the selling point, this higher confidence in technology in China lowers one of the most difficult fences companies must jump over to sell any emerging product: consumer trust. The effects of this higher trust in AI can also be observed in *PwC's 2024 Workforce Hopes and Fears Survey*, which highlights that polled Chinese workers are using GenAI much more than their global counterparts both at and outside of the workplace.



Figure 21: Thinking about the future of technology & its ability to deliver personalised digital experiences, how important to you is it that the following types of goods or services are "smart" or enabled by AI?



Source: PwC's Voice of the Consumer Survey 2024

In parallel to this apparent enthusiasm for AI comes a seemingly diminished concern about the inherent risks that are bundled with such technology. Mirroring Chinese CEOs who are reportedly less concerned about AI related risks, as highlighted in our 27th annual Global CEO survey China report, Chinese consumers also expressed less concerns about the inherent risks of AI technology across the board compared to the global average.

This relatively low sensitivity to AI risks among Chinese mainland consumers is especially pronounced in areas related to the loss of human interaction in daily life (Chinese mainland: 40%, Hong Kong: 30%, Global: 21%), AI inability to apply human judgement (Chinese mainland: 38%, Hong Kong: 24%, Global: 19%), and the lack of transparency behind AI technology development (Chinese mainland: 34%, Hong Kong: 22%, Global: 17%).

However, it is important to note that despite Chinese consumers' tendency to be more trusting towards AI and less wary of the technology's inherent risks, they are still at least somewhat concerned about the various issues related to AI, such as AI governance and the risk of inaccurate information (hallucination). This underlines the uphill battle companies will have to fight to win consumers' trust over AI implementation, even in markets more receptive to the technology such as China.



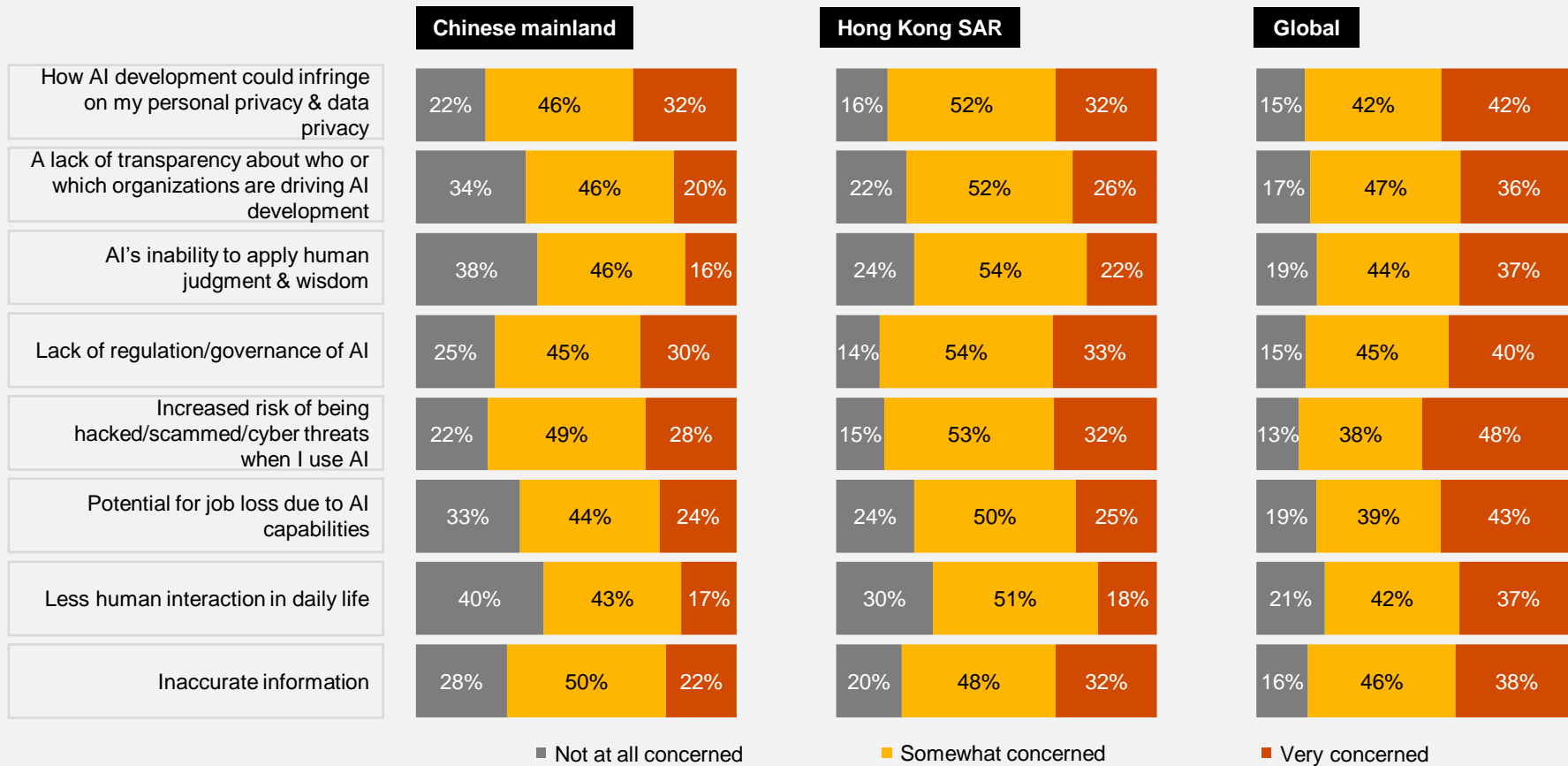
Figure 22: Considering the recent advancements in AI technology, which of the following activities would you trust AI to do accurately in place of a human interaction?

	Chinese mainland	Hong Kong SAR	Global
Provide product recommendations to me (e.g., new items, sizing advice, personalised nutrition advice)	60%	53%	50%
Collate product information before I purchase (e.g., product details, recommendations, comparisons)	58%	49%	55%
Handle customer service (e.g., handle complaints, answer questions about products, services or order status)	57%	37%	44%
Support with written communications (e.g., provide the first written draft of a document or email)	50%	43%	44%
Provide a medical diagnosis and / or treatment recommendations	38%	31%	25%
Execute financial transactions (e.g., obtain a mortgage, purchase insurance)	37%	28%	27%
Recommend stocks and provide other investment advice	31%	31%	31%
Give legal advice	31%	22%	23%

Source: PwC's Voice of the Consumer Survey 2024



Figure 23: How concerned, if at all, are you about the following potential outcomes of future development & capabilities of AI technology?



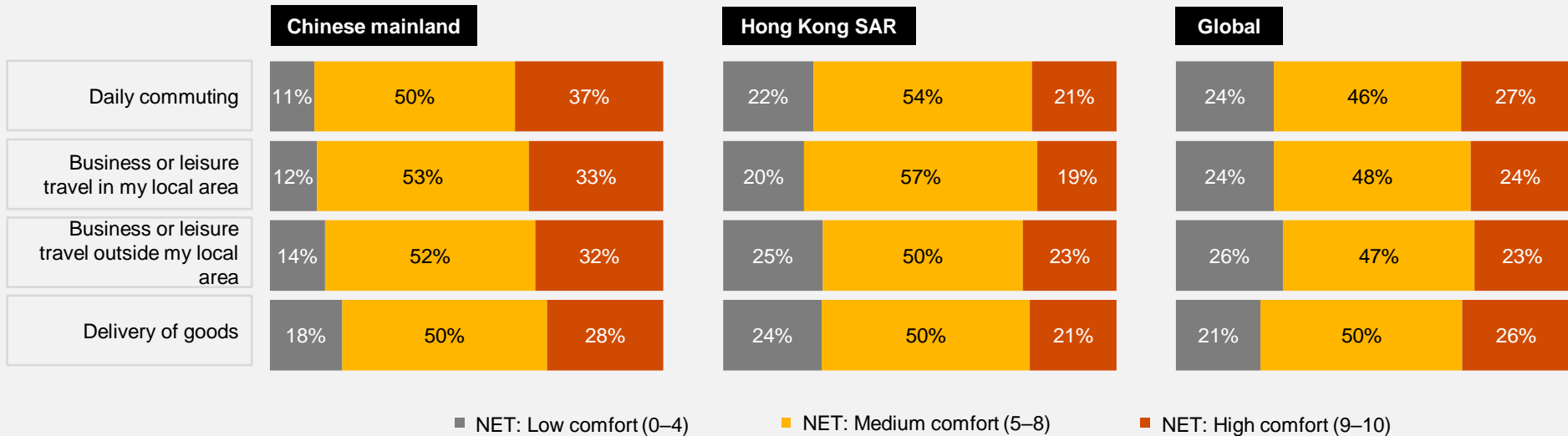
Source: PwC's Voice of the Consumer Survey 2024

Another outcome of increased AI adoption can be seen in the field of autonomous driving and its broader acceptance by Chinese consumers. As Chinese tech companies heavily invested in what could be a future cab hailing industry revolution, the success of these pilot programmes have seemingly warmed up public opinion about the idea of traveling in a fully self-driven vehicle. As a result, Chinese consumers expressed greater comfort with the idea of using fully autonomous vehicles than their global counterparts across various use cases,

being particularly open to the concept for their daily commute (Chinese mainland: 87%, Hong Kong: 75%, Global: 73%). A prime example of this trend is Apollo Go, Baidu's autonomous taxi service, which has gained significant traction in cities like Wuhan. Innovative services like this have not only demonstrated the feasibility of autonomous transport but has also contributed to a growing acceptance of AI-driven solutions in consumers' daily life.



Figure 24: On a scale of 0 to 10, how comfortable would you feel using a fully autonomous vehicle in each of the following scenarios?



Source: PwC's Voice of the Consumer Survey 2024

Reinvention pathways:

China's rapid advancement in AI is significantly reshaping consumer markets, driven by high trust in AI capabilities and strong interest in integrating emerging technologies into everyday products. The relatively low concern about AI risks among Chinese consumers further accelerates adoption, contrasting with global apprehensions. Besides, the integration of AI in consumer electronics is transforming the smartphone industry. Apple is at the forefront of incorporating full AI features into their next iPhone model, while Chinese brands like Meizu and Oppo are making strides in using AI-enabled handsets to enhance user experiences.

Consumer brands in China have a significant opportunity to leverage the country's robust autonomous vehicle and drone delivery markets, driven by increasing technological adoption and supportive government policies. Chinese consumers demonstrate greater comfort with advanced mobility technologies, including fully autonomous vehicles, indicating a market primed for innovative transportation and delivery solutions.

For instance, retailers could partner with autonomous vehicle companies to offer driverless pickup or delivery services, enhancing convenience for customers. Similarly, integrating

drone delivery options could significantly reduce last-mile delivery times and costs, particularly in urban areas. Brands could also explore using autonomous vehicles or drones as mobile showrooms or pop-up stores, creating unique and immersive shopping experiences.

Apart from specific use cases, it is clear that GenAI can be applied in a broader range of areas within the operations of a consumer goods company, including creative content marketing, customer support, demand forecast, and supply chain management. When implementing GenAI, it is essential to assess its value and feasibility in relation to the retailer's own circumstances such as data readiness, technical feasibility, and end-user adoption.

To win consumers' trust in the implementation of AI, companies must take practical steps such as establishing robust AI governance frameworks and ensuring their transparency to consumers. Retailers can learn from leading examples such as Microsoft in clearly communicating their AI policies, including how data is collected, used, and protected at each step along the value chain. This transparency not only demystifies AI operations but also reassures consumers about the ethical use of AI technologies.



9

Strengthening the importance of human capital with technology

The Chinese consumer market and workplace are intricately intertwined, forming an interdependent ecosystem that drives the nation's economic growth and social development. China's 740 million employees, as both workers and consumers, play a dual role in shaping market trends and workplace dynamics.

The retail market is currently facing a significant talent shortage, a challenge that has become particularly acute in certain sectors. For example, Hong Kong's food and beverage industry has been grappling with a severe labour shortage, with many restaurants struggling to find qualified staff to fill key positions.

On a positive note, the Greater Bay Area (GBA) initiative is providing new opportunities for economic integration and worker mobility. The GBA's focus on facilitating cross-border talent flow is helping to address some of these workforce challenges. For instance, Hong Kong has introduced several schemes to attract top talent, such as the Top Talent Pass Scheme, which aims to bring in highly skilled professionals from around the world, including the Chinese mainland.

While policy-directed cross-boundary worker mobility schemes offer promising solutions, they are set against a backdrop of rapid technological change and evolving consumer behaviours. The PwC 2024 Hopes and Fears Survey sheds light on the complex dynamics at play. According to the survey, Chinese mainland workers identify technological change, including GenAI and robotics, as a primary driver impacting jobs in the coming years, with 43% citing it as a key concern. Additionally, changing customer preferences (41%) and a competitive environment (38%) are significant factors influencing the job landscape. This evolving environment creates both challenges and opportunities for the retail sector, particularly regarding workforce dynamics.

As retailers increasingly adopt AI technologies to enhance operations and customer experiences, they encounter a dual challenge: the need for skilled workers who can effectively leverage these technologies and the imperative to maintain human elements in service delivery. While AI can streamline processes and improve efficiency, it cannot fully replace the nuanced understanding and emotional intelligence that human employees bring to customer interactions. Therefore, the integration of AI alongside human capabilities is essential not only for addressing the talent shortage but also for fostering a more resilient workforce.



The potential influence of GenAI on careers is viewed with a mix of hope and apprehension among workers. Many express optimism about GenAI's ability to create opportunities for learning new skills, enhancing creativity at work, and improving overall work quality. This sentiment is crucial, as it highlights the importance of upskilling and reskilling existing employees. By offering training programs that focus on both technical skills related to AI and soft skills like customer service and problem-solving, retailers can empower their workforce to adapt to new technologies while ensuring job security. This approach not only mitigates the skills gap but also fosters a culture of continuous learning and professional development.

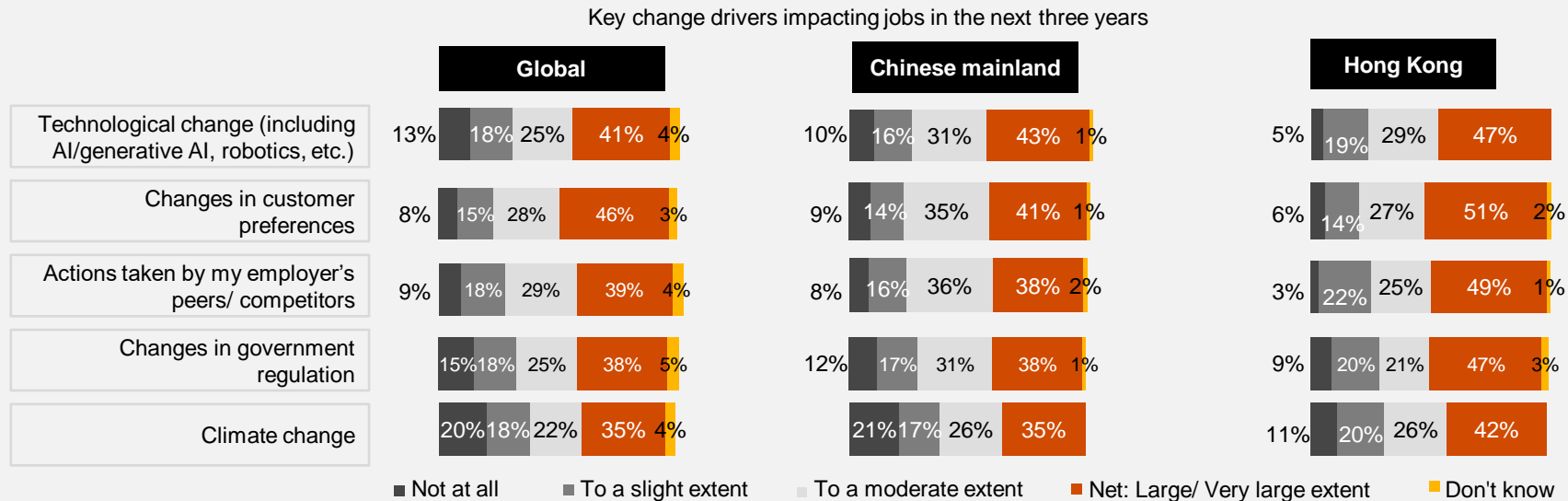
However, alongside this optimism, there are also fears that AI adoption might negatively impact their work. Concerns about increased biases and the potential for incorrect or misleading information underscore the need for careful implementation of AI technologies. Retailers must address these fears by clearly communicating how AI will augment human capabilities rather than replace them. For instance, AI can handle repetitive tasks, allowing employees to focus on higher-value activities that require human insight and creativity. By emphasizing the complementary relationship between AI and human workers, retailers can enhance job security and build trust within their teams.

Furthermore, the integration of AI can lead to improved job satisfaction among employees. By automating mundane tasks, workers can engage in more meaningful work that aligns with their skills and interests. Retailers can further boost satisfaction by involving employees in the decision-making process regarding AI implementation, ensuring their voices are heard and their concerns addressed. This inclusive approach fosters a sense of ownership and engagement, making employees feel valued and integral to the company's success.

Changes in Job



Figure 25: In the next three years, to what extent do you think each of the following will impact your job?



Source: PwC Global Workforce Hopes and Fears 2024

Note: Total percentages shown may not be 100 due to rounding and/ or some options are excluded.

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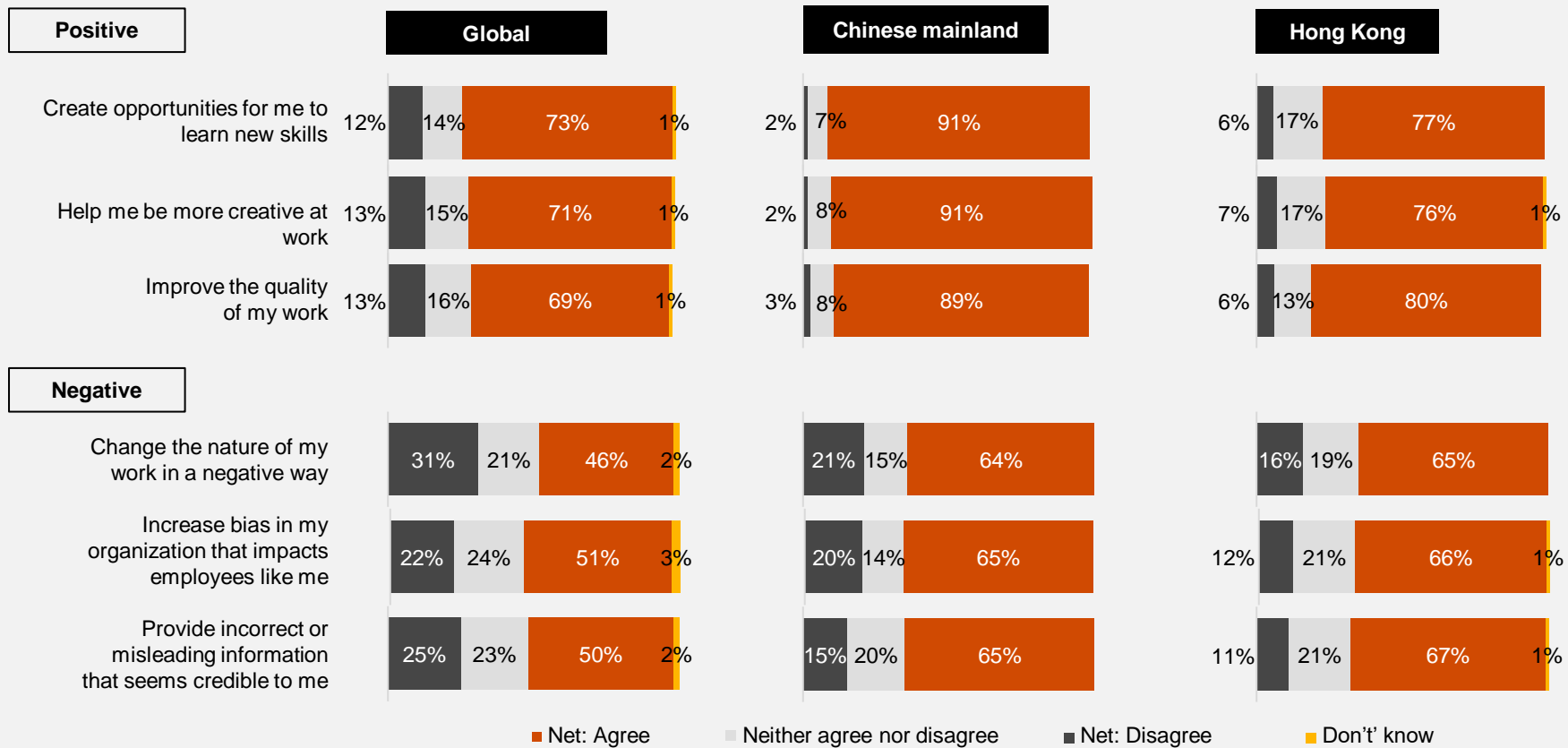
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GenAI



Figure 26: Thinking about the potential impact of GenAI tools on your career, do you agree or disagree with the following statements?



Source: PwC Global Workforce Hopes and Fears 2024

Note: Total percentages shown may not be 100 due to rounding and/ or some options are excluded.

Reinvention pathways:

In conclusion, technological change, particularly through GenAI and robotics, is significantly influencing the job market. While there is optimism among employees about the opportunities for skill development, enhanced creativity, and improved work quality that AI can bring, concerns remain about potential negative impacts, such as increased biases and misinformation. This dual perspective underscores the necessity for careful and responsible implementation of AI technologies to ensure they benefit both employees and the overall workplace environment.

To further synthesise AI and human workers for better outcomes, retailers can explore the following reinvention pathways:

Collaborative Intelligence: Retailers can build dynamic teams that combine AI tools with human expertise, harnessing the strengths of both to deliver exceptional customer experiences. By utilising AI to manage repetitive tasks and analyse data, employees can concentrate on high-impact activities that require creativity, emotional intelligence, and strategic insight, ultimately enhancing service quality and customer satisfaction.

Agile Workforce: Retailers can cultivate a workforce that is flexible and responsive to change. By promoting a culture of continuous learning and offering employees opportunities for skill enhancement, retailers can ensure their teams remain relevant and equipped to meet evolving consumer demands in a rapidly changing marketplace.

Customer-Centric Design: Retailers should prioritise customer-centric design principles when integrating AI technologies. By focusing on the needs, preferences, and feedback of both employees and customers, retailers can develop AI systems that are intuitive and user-friendly, ensuring a seamless shopping experience that aligns with the brand's values and enhances customer loyalty.

Responsible AI Governance: Retailers can implement strong ethical AI governance frameworks to ensure the responsible and transparent use of AI technologies. By establishing clear guidelines and policies, retailers can foster trust with both employees and customers, while addressing concerns related to AI bias and misuse, ultimately leading to a more positive brand reputation and customer relationship.



Section 4

Conclusion and recommendations



As we conclude our exploration of China's consumer landscape, it's clear that the market is undergoing significant transformations driven by economic shifts, technological advancements, and evolving consumer preferences. Despite challenges such as cautious spending and economic uncertainties, opportunities abound for brands that can adapt, innovate, and reinvent.

The report highlights key trends affecting retailers and brands and the reinvention pathways they can take to stay competitive and achieve sustainable growth. Chinese consumers' heightened sensitivity to macroeconomic volatility necessitates agile business strategies that can adapt to economic fluctuations, while their relatively lower concern about inflation provides an opportunity to focus on value-added services and premium offerings.

The increasing interest in both essential and non-essential spending, particularly in categories like groceries, travel, clothing, and health and

beauty, underscores the need for retailers to enhance the shopping experience through convenience, quality, and personalised services. The robust market for electric vehicles and the growing comfort with fully autonomous vehicles reflect a readiness to adopt advanced mobility technologies, driven by environmental awareness and supportive government policies.

Moreover, the strong trust in AI capabilities and the significant role of social media in the purchasing journey indicate that brands must prioritise continuous innovation and effective digital marketing strategies. The emphasis on sustainability, with Chinese consumers willing to pay more for ESG-friendly products, presents a lucrative opportunity for brands to develop and market premium, sustainable products.

It is of paramount importance for retailers to reinvent their growth pathways, as summarised below, in order to maintain relevance and capitalise on new market dynamics.



Reinvention pathways:



Implement flexible strategies to navigate economic fluctuations

Retailers in China must remain highly responsive to economic conditions to maintain consumer confidence and spending. Adopting flexible business strategies, such as diversifying product offerings, implementing dynamic pricing, and enhancing online presence, can help mitigate economic downturns. Additionally, reducing operational costs through local sourcing and technology-driven efficiencies is crucial to maintaining perceived quality while keeping prices competitive.



Leverage intergenerational wealth transfers to drive new growth

Luxury brands should target the next generation of high-net-worth individuals by offering ultra-premium products that cater to Gen Z's distinct preferences for unique, high-quality items. Integrating elements of the experience economy and leveraging digital platforms and e-commerce are crucial to capturing this market.



Innovate to enhance overall brand appeal

Chinese brands can build strong domestic loyalty and enhance their international appeal by prioritising continuous innovation and technological advancements. This approach not only differentiates them in a competitive local market but also positions them as leaders in global markets where innovation is highly valued.



Turn compliance efforts into building consumer trust and loyalty

Businesses must prioritise compliance with regulations such as the PIPL to avoid legal repercussions despite low consumer demand for data protection. This will ensure compliance and build consumer trust over time.



Promote a healthy dose of sustainability in where it matters

Brands can capitalise on Chinese consumers' growing environmental consciousness by promoting eco-friendly travel alternatives and carbon offset programs. With a higher willingness to pay for ESG-friendly products, companies have a lucrative opportunity to market premium, sustainable offerings.

Reinvention pathways:



Rethink and rewire your omnichannel strategy

Retailers must adopt a flexible and innovative omnichannel strategy to meet consumers' expectations. Brick-and-mortar retailers in particular should consider rethinking their in-store experience to maintain competitiveness.



Deliver the wellness elements in your offerings

Food brands can seize on the growing movement of health-conscious consumers that rely less on cost considerations in dietary choices and more on health and convenience to offer convenient, healthy, and nutritious options.



Embrace new tech enablement beyond the hype

Businesses can lean on China's rapid advancements in AI and the open-mindedness of the Chinese consumers to this technology to develop more AI-enabled products and services. Meanwhile, the robust EV market in China offers troves of opportunities for companies with advanced mobility offers.



Adopting a holistic approach for AI and human collaboration

To thrive in an AI-driven retail landscape, it is crucial for retailers to strategically combine AI capabilities with human expertise, fostering a collaborative, agile, and customer-centric workforce underpinned by responsible governance.

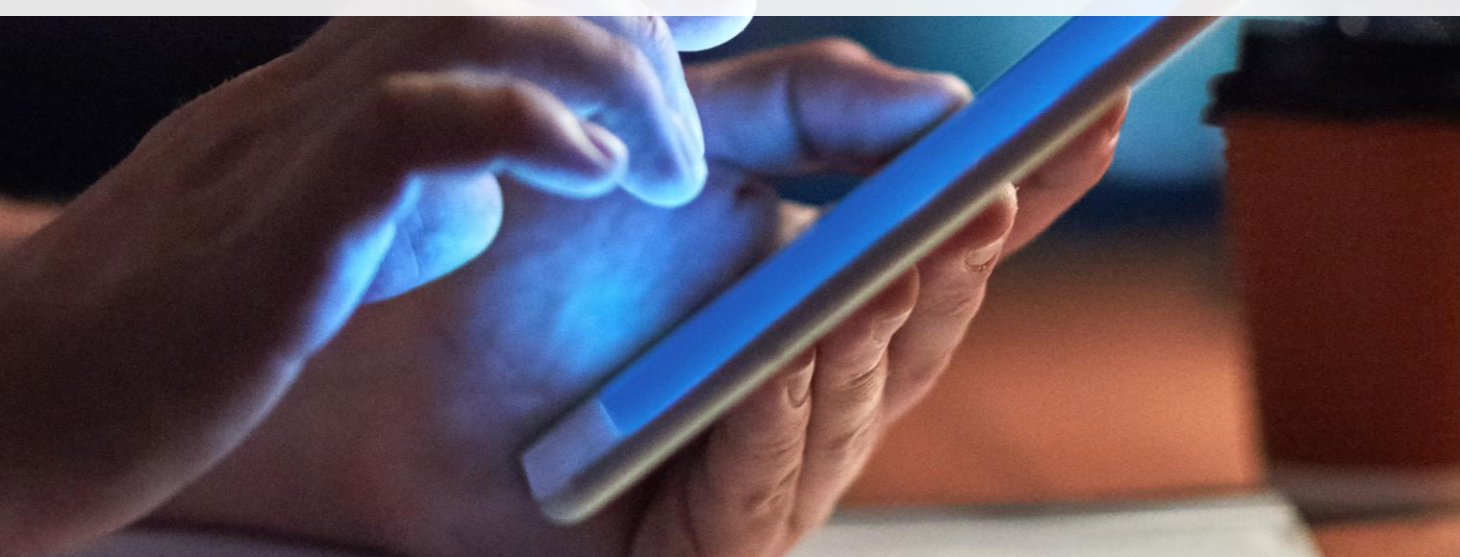
About the survey

The Voice of Consumers Survey builds on insights amassed over 15 years of consumer research by collecting the perspectives of more than 20,000 consumers across 31 countries and territories on a wide range of issues, including caring for the environment, attending to their health, being open about data, finding value for money and embracing AI.

In January and February 2024, PwC surveyed 20,662 consumers across 31 countries and territories: Australia; Brazil; Canada; Chinese mainland; Czechia (Czech Republic); Egypt; France; Germany; Hong Kong SAR, SAR; Hungary; India; Indonesia; Ireland; Malaysia; Mexico; the Netherlands; the Philippines; Poland; Qatar; Romania; Saudi Arabia; Singapore; Slovakia; South Africa; South Korea; Spain; Thailand; United Arab Emirates; Ukraine; the United States; and Vietnam. The respondents were at least 18 years old and were asked about a range of topics relating to consumer trends, including shopping behaviours, emerging technology and social media.

This survey and its analysis were undertaken by PwC Research, our global centre of excellence for primary research and evidence-based consulting services. Percentages shown in charts may not add up to 100% due to rounding.

For more details, please visit: www.pwc.co.uk/pwcresearch



Contact us



Michael Cheng

PwC Mainland China and Hong Kong
Consumer Markets Leader

+852 2289 1033

michael.wy.cheng@hk.pwc.com



Jennifer Ye

PwC Mainland China
Consumer Markets Leader

+86 (21) 2323 3325

jennifer.ye@cn.pwc.com

Authors:

Michael Cheng

Jennifer Ye

Chief Editor:

Terrance Lui

Project management and research:

Esther Mak

Michelle Man

Creative:

Delney Chua

Special thanks to:

Anita Peng

Chris Mo

Chiang Ling Li

Jacky Wen

James Lee

Lyris Wong

Michael YH Cheng

Nicole Sun

Sheila Zheng

Steven Zhong

Tim Edmunds

Wenjing Cao

Wilson Wu

www.pwchk.com

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