Entering a new stage of growth

Accenture Chinese Consumer Insights 2022

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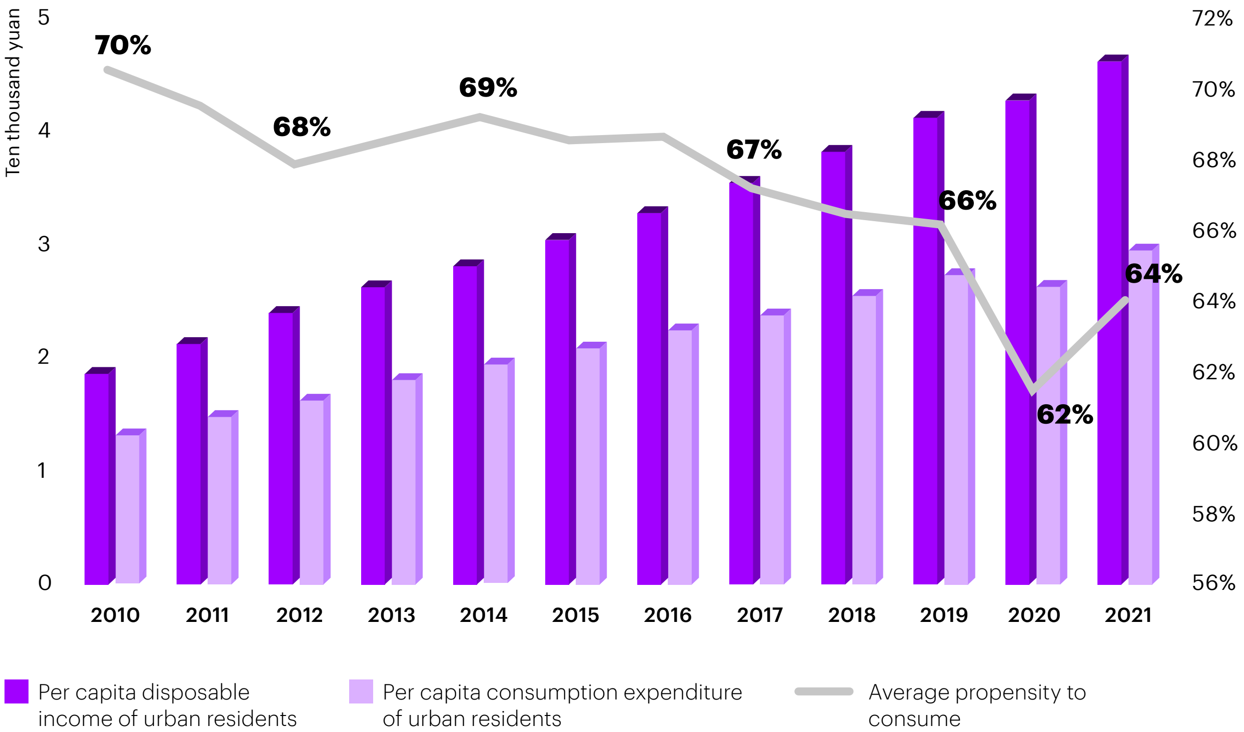
Goodbye, giddy growth: a new pace for the new normal

China's economy is entering a new stage, where the breakneck speed of previous decades is replaced with a more steady pace. Double-digit GDP growth that was once the norm has since cooled; the focus is now on the quality of economic growth over increasing numbers quantitatively.

In parallel with the economy's transition toward a new—more sustainable—normal, the Chinese consumer is evolving, spending less but more thoughtfully. Over the past decade, growth in residents' disposable income has slowed, as has consumer spending and propensity to consume (see Figure 1). Residents' propensity to consume fell to a historic low of 62% in 2020 on the back of pandemic-related concerns. Although the propensity to consume recovered to 64% in 2021, it remained below pre-pandemic levels.[1]

Figure 1: Residents' propensity to consume has continued to decline over the past decade, dropping to a historical low after the outbreak of the COVID-19 pandemic



Data source: WIND, Accenture analysis
Note: Average propensity to consume refers to the ratio of per capita consumption expenditure to per capita disposable income
The percentage labels on the graph are shown as rounded integers

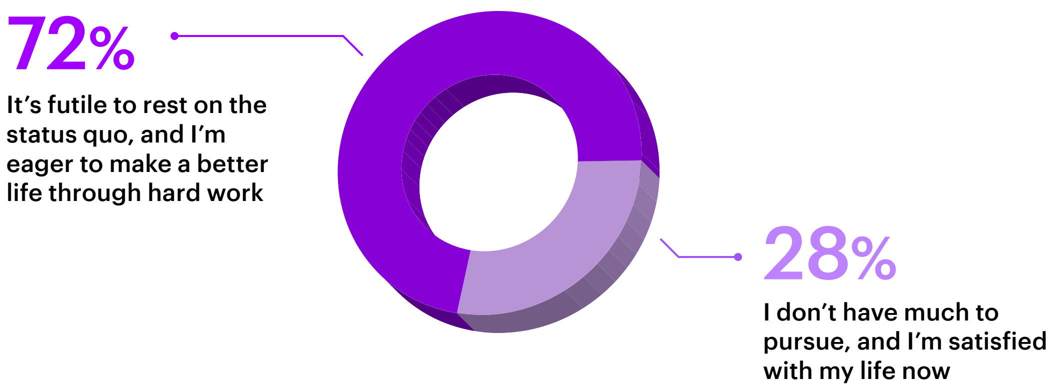
Whether it is slowing GDP growth or reduced propensity to consume, it is clear that the Chinese consumer market is no longer in an era of unbridled growth. Rather than a decline, however, this transition marks the maturation of the Chinese consumer as hundreds of millions are lifted out of poverty into the consumer class.

Furthermore, what is "slow" growth for China is still extraordinary growth relative to the rest of the world and the future growth potential of the Chinese consumer market remains immense. For one, China boasts the world's largest middle-income population, which is expected to double from 400 million to 800 million people in the next 15 years.[2] Clearly, the Chinese consumer market cannot be ignored; in fact, understanding how the Chinese consumer is changing will be key to success for any company that operates in the region.

Striving, re-imagined

Diligence and industriousness have long been key elements of Chinese culture. Over the past century, these characteristics have guided the Chinese people to strive not only for their country's prosperity, but also their own happiness. Data from Accenture's Survey of Chinese Consumers 2021 confirms that same spirit is alive and well. More than 70% of our survey respondents agreed that "it's futile to rest on the status quo, and I'm eager to make a better life through hard work" (see Figure 2).

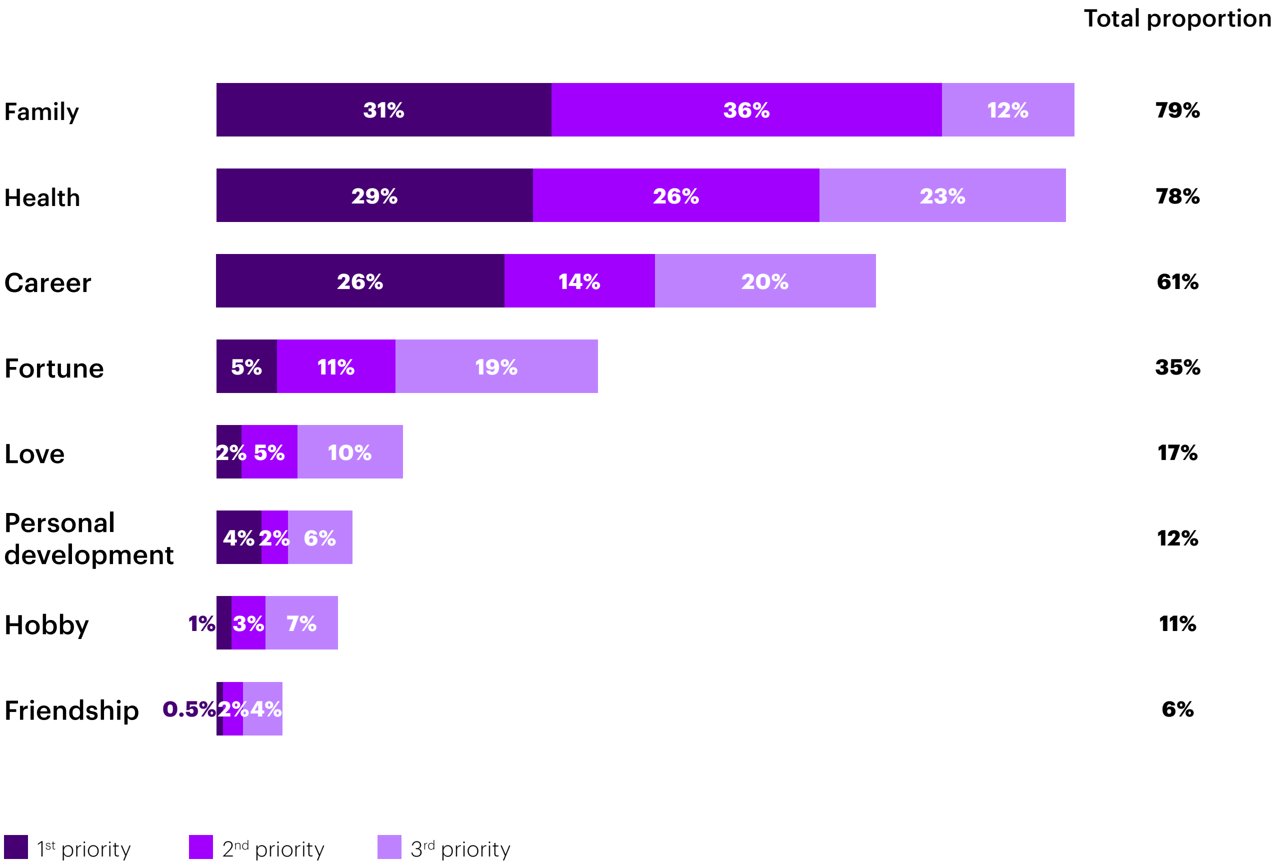
Figure 2: Over 70% of the respondents agree "it's futile to rest on the status quo"



Question: Which of the following two descriptions do you agree more to? N=10,140
Data source: Accenture China Consumer Survey 2021

While the belief in hard work remains strong, the pandemic has prompted people to rethink their priorities. Career ranks a distant third among the things valued by the respondents (see Figure 3), behind the top priorities of family and health. We have a good reason to believe that the emphasis on family and health will profoundly affect people's consumption decisions for a long time to come.

Figure 3: Chinese people's top 3 priorities (family, health, and career)



Question: Based on your current life stage, which three of the following options do you value most? (Sorted from high to low); N=10,140
Data source: Accenture China Consumer Survey 2021

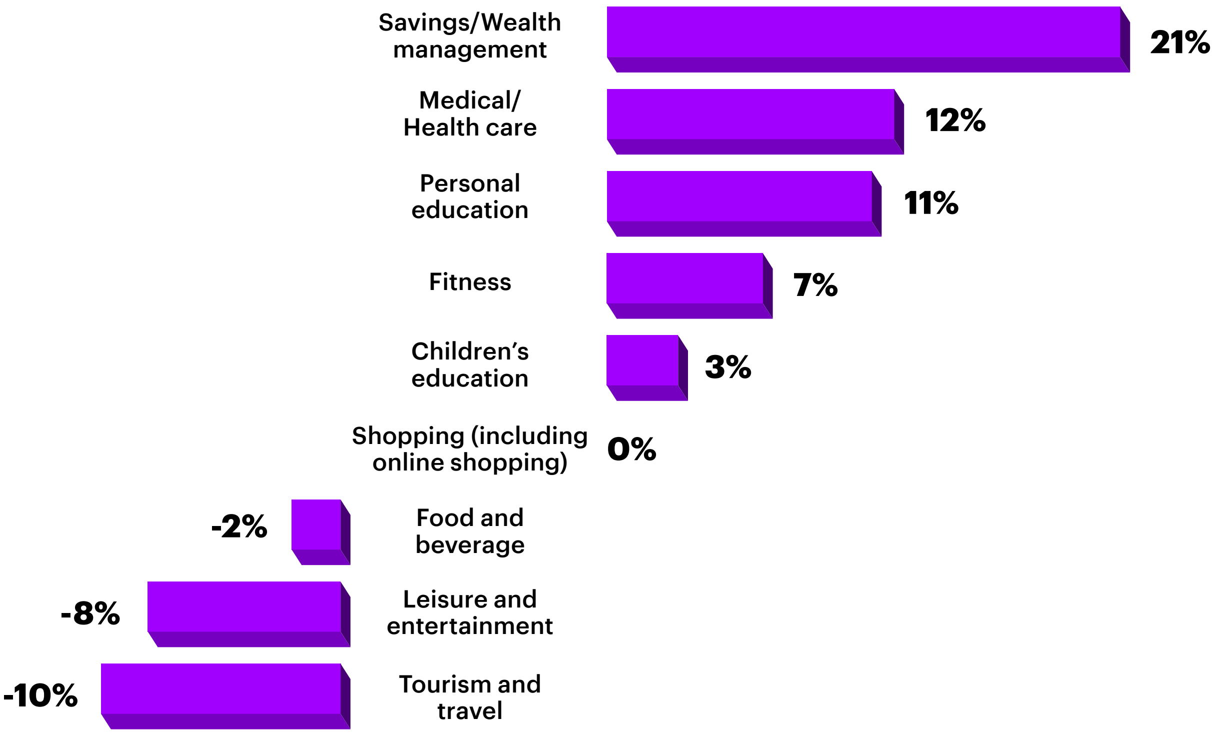
Future-focused and forward looking

Consumers in China continue to focus on price and functionality when making their purchasing decisions. However, as their living standards and definitions of value expand, people are increasingly focused on product quality, brand identity and the purchase experience. The pandemic has prompted people to rethink the meaning of consumption. They now consider their purchases as investments. That is, they value the goods or services they buy not only in terms of current enjoyment, but also in terms of future returns.

When we look back at data from the 2017 Accenture China Consumer Survey, we find a higher proportion of respondents in 2021 are planning to increase their contributions to savings and investments in wealth management, medical care, education and fitness. In contrast, there is a decline since 2017 in the proportion of respondents expected to increase their spending on food and beverages, leisure and entertainment, and tourism (see Figure 4). **This indicates that Chinese consumers are maturing rapidly, thinking globally and shifting their focus from instant gratification to long-term happiness and value.**

Figure 4: Compared to 2017, more consumers plan to increase investments in wealth management, health and education

Changes in the proportion of consumers willing to increase investment in (Figures in 2021 compared to those in 2017)

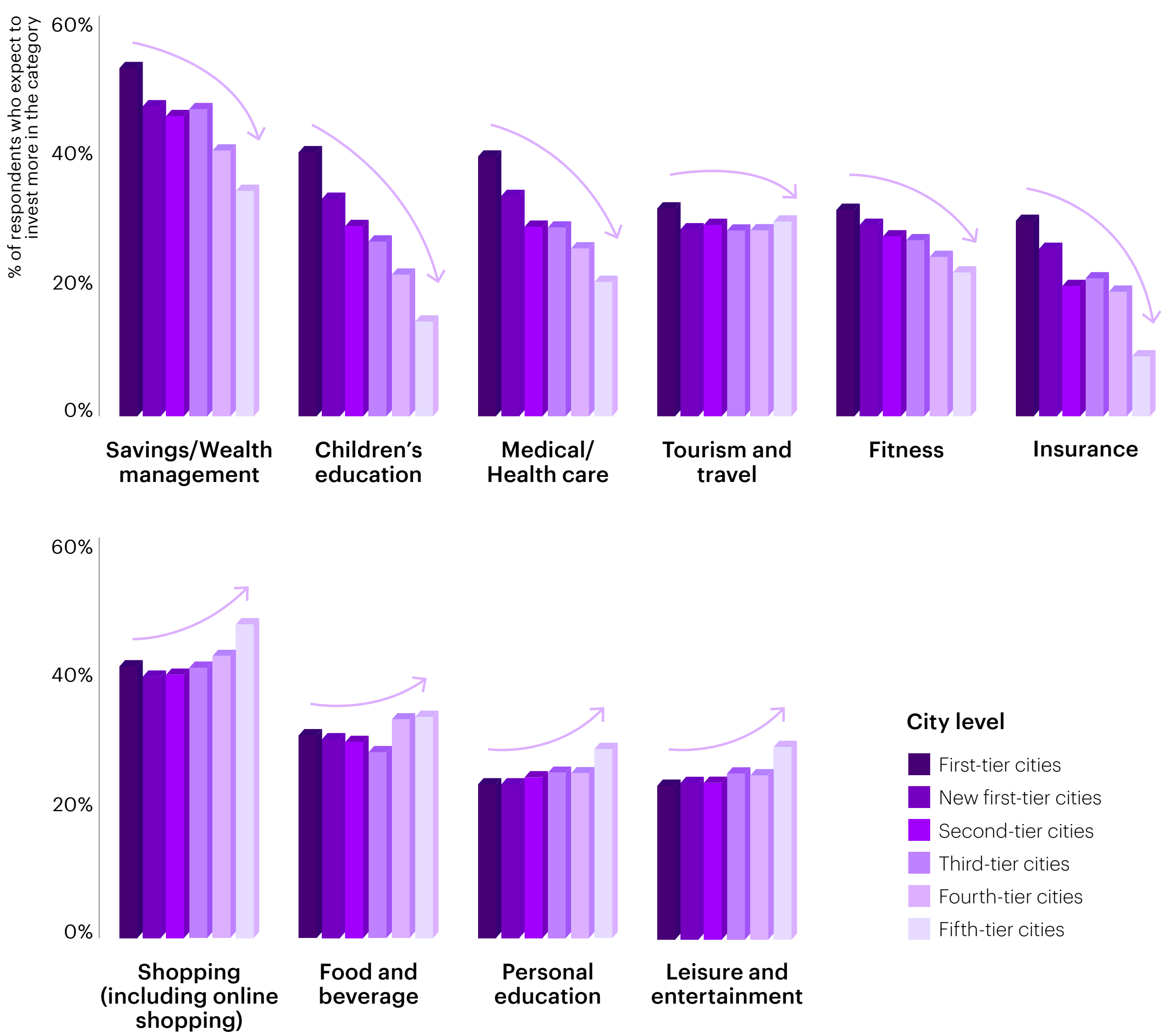


Question: In what areas do you plan to increase investment in the coming year? (Multiple choice), N=10,140 (2021); N=4,060 (2017)
Data source: Accenture China Consumer Survey 2021; Accenture China Consumer Survey 2017

Changing priorities across city tiers

Given China's vast territory and large population, we see regional disparities in disposable income, as well as in the availability of goods and services. As a result, there are significant differences in consumption propensity across different city tiers (see Figure 5). **Compared to those in first- and second-tier cities, respondents in lower-tier (third-tier and below) markets are significantly less inclined to invest in savings/wealth management, medical/insurance, children's education, and sports and fitness. They are more willing to increase their spending on shopping, food and beverage, personal education, and leisure and entertainment.** As their income levels go up and urban clusters continue to grow, people's desire for goods, experience and long-term value is bound to grow steadily. As a result, the consumption potential of lower-tier markets will be unleashed at an accelerated pace.

Figure 5: In 2021, there was still a significant disparity in residents' consumption propensity across city tiers



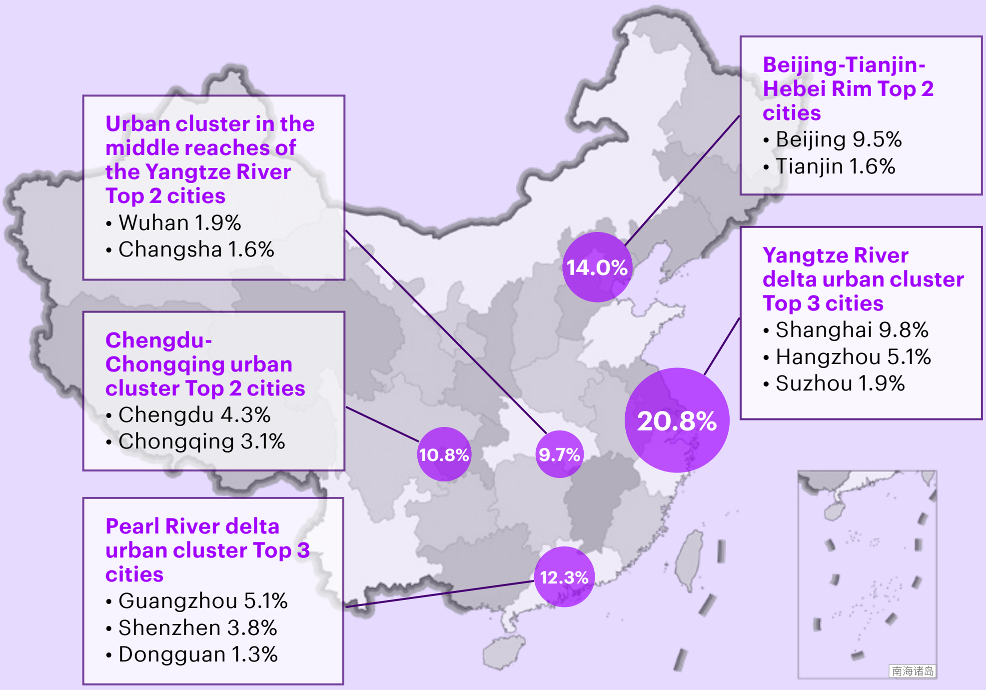
Question: In the coming year, which of the following items do you expect to invest more in? (Multiple choice), N=10,140
Data source: Accenture China Consumer Survey 2021

The Draw of Megacities

China's large scale urbanization has dramatically increased the country's consumption, but even more growth remains on the horizon. As of the end of 2021, nearly 65% of permanent residents in China were urban residents.[3] The development of urban clusters has further accelerated the clustering of China's consumer market within cities. The total retail sales of consumer goods in the three urban clusters—namely, the Yangtze River Delta, the Pearl River Delta and the Beijing-Tianjin-Hebei Rim—accounted for more than 40% of the country's total.[4] In order to predict where future regional growth might occur, we asked survey respondents about their perceptions regarding the cities they would most like to live in in the future.

Our survey findings showed that **nearly 70% of the respondents' ideal settlement cities are located in five major urban clusters: the Beijing-Tianjin-Hebei Rim, the Yangtze River Delta, the Pearl River Delta, the Chengdu-Chongqing cluster, and the middle reaches of the Yangtze River** (see Figure 6). Among the first-tier cities, Beijing and Shanghai are the two most popular desired home locations for Chinese consumers. Hangzhou—a new first-tier city—ranks third. Guangzhou, the capital of Guangdong province, ranks fourth. Chengdu and Chongqing, the core cities of the Chengdu-Chongqing cluster, rank fifth and seventh, respectively. Shenzhen, a young first-tier city, ranks sixth. When choosing their ideal cities, people usually take living costs and cultural atmosphere into consideration, as well as the city's economic development potential and employment opportunities.

Figure 6: Top 10 cities and top 5 urban clusters for ideal settlement in 2021



Ranking	City
1	Shanghai
2	Beijing
3	Hangzhou
4	Guangzhou
5	Chengdu
6	Shenzhen
7	Chongqing
8	Zhengzhou
9	Xi'an
10	Suzhou

Map Approval Number: GS(2019)1833
Prepared under the supervision of the Ministry of Natural Resources
Source: Standard Map Service System of the Ministry of Natural Resources

Question: Based on your current life stage, if you are allowed to choose freely, which is the ideal city in which you would prefer to live? N=10,140
Data source: Accenture China Consumer Survey 2021, EIU (Economist Intelligence Unit)

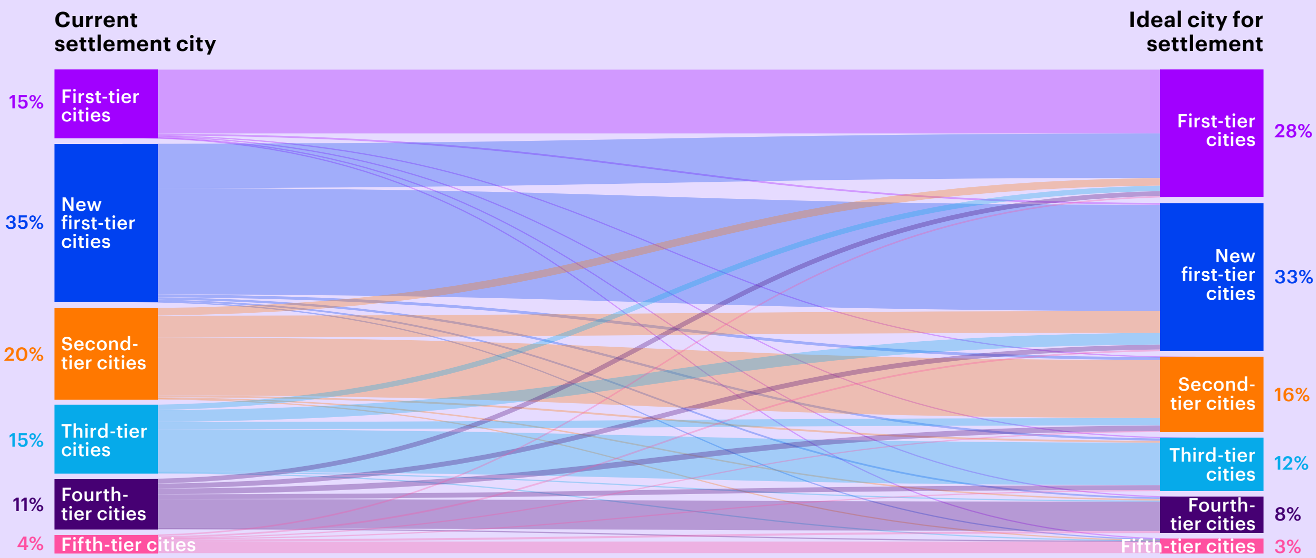
Definition of city level:
First-tier cities (total: 4): Beijing, Shanghai, Guangzhou and Shenzhen
New first-tier cities (total: 15): Tianjin, Chongqing, Shenyang, Nanjing, Wuxi, Suzhou, Hangzhou, Ningbo, Qingdao, Zhengzhou, Wuhan, Changsha, Dongguan, Chengdu and Foshan

Among the top 10 preferred settlement cities nationwide, Beijing, Shanghai, Guangzhou and Shenzhen (**the Top Four**) are regarded as the most ideal settlement cities by nearly 30% of our survey respondents. Among the respondents currently living in first-tier cities, more than 90% would choose to stay in first-tier cities. Among the respondents currently living in new first-tier cities, nearly 30% hope to settle in the Top Four, which is also the intention of nearly 10% of the respondents in the second- and lower-tier cities. More opportunities, more tolerance, higher salary levels, and more premium educational and medical resources have turned first-tier cities into huge magnets for people from all regions and all age groups.

Unlike first-tier cities (where housing prices and living pressures are intimidating), **new first-tier cities** are more accessible settlement destinations given their lower average real estate prices and living costs. Among the respondents currently living in new first-tier cities, nearly 70% plan to stay put as their cities continue to grow. About 20% of respondents in both second- and third-tier cities consider new first-tier cities as their ideal homes. Each new first-tier city has unique features, providing people with more choices upon which to make their decisions. For example, Hangzhou, Suzhou, Nanjing and Xi'an have high-quality entertainment venues and academic institutions, which appeal to people interested in cultural opportunities. Chengdu and Chongqing, on the other hand, provide a slower pace of life, a good consumption base and a large consumer population. Meanwhile, Zhengzhou is a transportation and manufacturing hub in the central region and a key node in the "Belt and Road" initiative.

Less day-to-day pressure, lower housing costs and the company of family and friends are the main factors that attract people to stay in **second- and lower-tier cities**. Even in the fourth- and fifth-tier cities, 60% of respondents would choose to stay. While China's urbanization reflects the desire of many people to experience big city living, smaller cities still hold a certain appeal (see Figure 7).

Figure 7: The choice of an ideal city reflects diversified values



Question: Based on your current life stage, if you are allowed to choose freely, which is the ideal city in which you would like to live? N=10,140
Data source: Accenture China Consumer Survey 2021

Our research suggests that Chinese people are not only striving for a better life, but also redefining what "a better life" means to them. Their choices about where to live reflect a yearning for more growth opportunities, public resources and diverse lifestyles. As regional development and technological advancements continue, urban clusters will provide even more satisfying urban functions, higher-level public services and comprehensive competitiveness in economic, cultural, environmental and policy terms. People living in urban areas will be able to access more material things as well as a more satisfying cultural life, thereby releasing even more consumption potential.

Meeting multi-faceted demands with multidimensional value

As the consumer market enters a new stage, organizations need a new approach, one that meets the multi-faceted demands of increasingly sophisticated consumers. These are the findings of our survey of more than 10,000 Chinese consumers aged 18-65, which showed that both long-term trends and short-term pandemic shocks have changed their values—and spending patterns.

When Accenture initiated its China Consumer Research program a decade ago, we advocated studying the Chinese consumer market from four dimensions: technology evolution, urbanization, inter-generational shifts and social value. Today, we still adhere to a multi-dimensional perspective when seeking to understand the changes in people's lifestyles, consumption mindset and behaviors, the driving forces of those changes and future trends.

Comparing the results of Accenture 2021 Global Consumer Survey we have accumulated over the years, a clear picture emerges: Chinese consumers have developed global, multi-dimensional perspectives, shifting their focus from instant gratification to long-term happiness and value. Through insights clustered across five themes, we explore how the Chinese consumers are evolving and how companies need to respond.

Me Economy

Less is More

Master of Time

Tech for Good

Green Growth

01

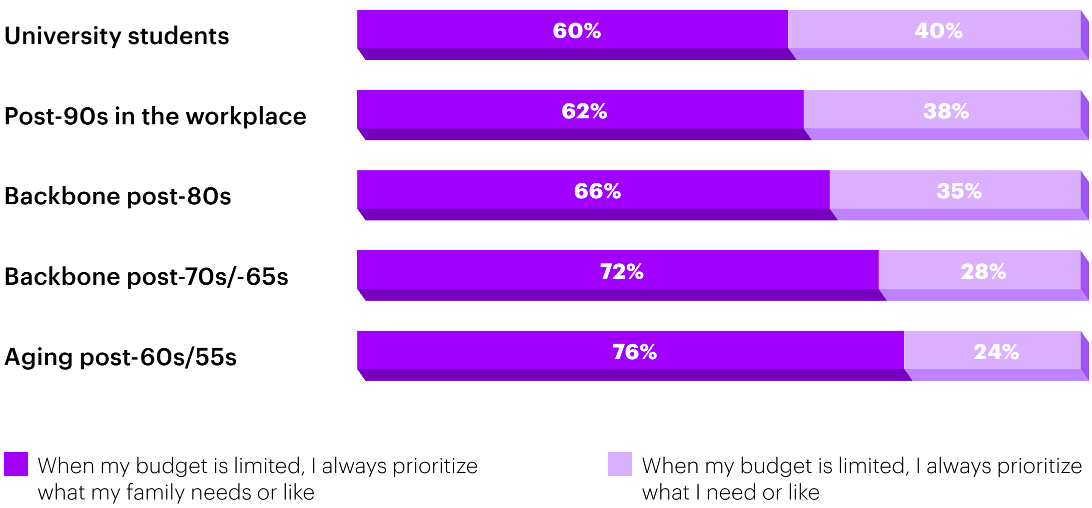
Me Economy

What does it mean to be a consumer in a collectivist culture? In China, the needs of family members are especially important when it comes to deciding on major purchases that will affect the whole household, such as cars or home appliances. But demographic trends, rising incomes and the possibilities afforded by technology have put profound changes into motion.

When family comes first

Urbanization has lured more people to core cities and regions from their hometowns. The number of people living alone in all age groups has increased significantly, exceeding 125 million in 2020, an increase of 39% year on year.[5] Although mass urban migration means that more people than ever live on their own, more than 80% of the respondents in our 2021 survey still live with their families. For these people, the needs of family members still play an important role in the consumer decision-making process, particularly when budgets are limited. On average, 70% of the consumers surveyed put their families' needs above their own. Even among university students, the proportion is as high as 60% (see Figure 8).

Figure 8: When their budgets are limited, people generally prioritize the needs of their family members



Question: Which of the following two descriptions do you agree more to? (Single choice) N=10,140
Data source: Accenture China Consumer Survey 2021

One person, one shopping cart

Although family considerations influence the Chinese consumer, the rise of e-commerce platforms has shifted decision-making power from the head of the family to individual family members. In line with this trend of individualization, companies are improving their customer segmentation ability and directly communicating with end users. Both tech-savvy youth and demographically dominant elderly are being targeted with highly customized strategies.

"When shopping, the child makes his own decision. We don't have to choose for him at all, and he doesn't prefer what we choose."

— Female, 42 years old, currently living in Beijing

"My parents live in their hometown and have just retired in their early 60s. They use both electronic products and Taobao, and they shop (online) by themselves."

— Male, 40 years old, currently living in Hangzhou

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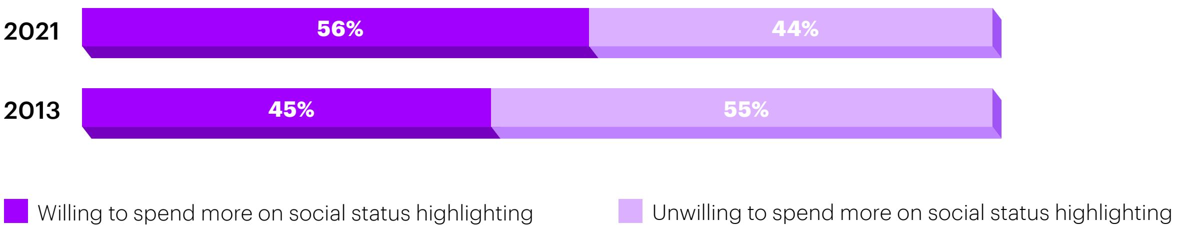
Poizon, an online shopping community focusing on young adults aged 18 to 31, has developed a "cycle of addiction" by promoting discussions on fashion and culture, encouraging celebrities to use the app as an exclusive channel for new product launches. In the first half of 2020 alone, nearly 10,000 products under more than 400 brands were launched on the platform, of which nearly 100 were exclusive worldwide launches.[6]

At the other end of the spectrum, older customers are catered for with products and services tailored to meet their needs. Tmall, for example, launched a "venue for elders" for the first time during the November 11 Shopping Spree in 2021, which led to elderly users ranking first among Taobao newbies (23%). First-time middle-aged and elderly users also represented sizable consumer groups on JD.com and Pinduoduo—17.1% and 24.4%, respectively.[7]

From we to me

The ongoing reduction in family size, the shift in decision-making power to individuals and the explosion of product offerings have all contributed to the rise of individualism and a growing willingness to spend on "me", not just "we". Non-essential goods have become a main expense and a way for people to express their identity. Indeed, the proportion of consumers willing to increase spending on products that highlight their personal identity rose to 56% in 2021 from 45% in 2013 (see Figure 9). Among consumers with a monthly income of over 20,000 yuan (US$3,150), more than 70% are willing to pay a premium to highlight their social status (see Figure 10).

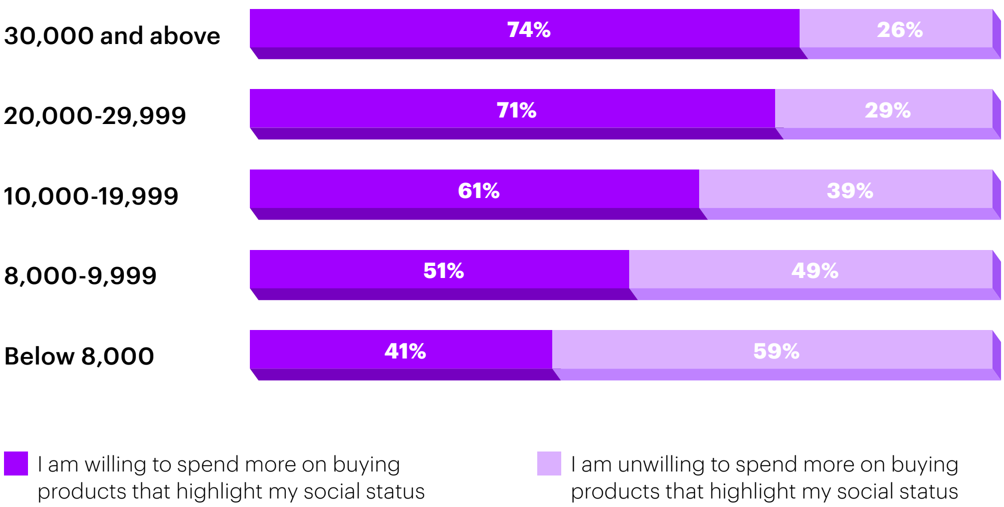
Figure 9: Compared to 2013, more consumers are willing to buy products that highlight their personal identity



Questions: (1) Which one of the following two descriptions do you agree more to in 2021? (Single choice); N=10,140; (2) Please state how much you agree to the following remarks back to 2013: Do you agree with the following statement? I am unwilling to buy popular products, and I am more willing to increase spending to buy products that highlight my personal identity. (Single choice); N=3,000
Data source: Accenture China Consumer Survey 2021; Accenture China Consumer Survey 2013

Figure 10: The higher their income levels, the more willing consumers are to pay a premium for products that highlight their social status

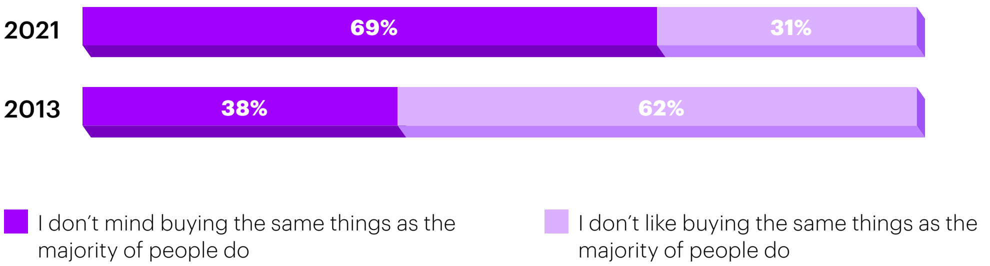
Household monthly income after tax (RMB, Yuan)



Question: Which of the following two descriptions do you agree more to? (Single choice); N=10,140
Data source: Accenture China Consumer Survey 2021

The ongoing reduction in family size, the shift in decision-making power to individuals and the explosion of product offerings have collectively contributed to the rise of individualism, with family members growing more sensitive to their own needs. What's interesting is a drastic rise in the number of respondents claiming "I don't mind buying the same things as the majority of people do" from 38% in 2013 to 69% in 2021 (see Figure 11). This indicates that when making a shopping decision, people tend to care about their own needs and preferences (i.e., "I like" or "I will"), rather than the perspectives and comments of others.

Figure 11: Compared to 2013, there has been a drastic rise in the number of respondents saying "I don't mind buying the same things as the majority of people do"



Questions: (1) Which one of the following two descriptions do you agree more to in 2021? (Single choice); N=10,140; (2) Please state how much you agree to the following remarks back to 2013: I don't like buying the same things as the majority of people do (Single choice); N=3,000
Data source: Accenture China Consumer Survey 2021; Accenture China Consumer Survey 2013

Food for thought

As people increasingly make decisions on what to buy for themselves, their individuality is directly reflected in their consumption patterns. Consumption has become a way for people to shape their own style; consequently, they pay attention to their own needs and preferences above the comments of others. However, valuing one's family remains a cornerstone of Chinese culture. This means that people can love themselves, but they are still expected to take care of their family responsibilities. In light of this trend, companies need to consider the following issues:

- **How can we better segment and communicate directly with end users?**
- **Do we meet the true needs of consumers?**
- **Can we account for the fact that consumers play multiple roles as an individual and as a member of a family?**

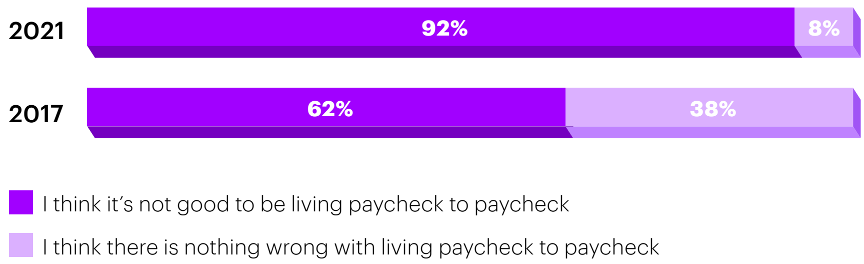
02
Less is More

Since the outbreak of COVID-19, people have been rigorously examining their needs, paying more attention to the value of the things they buy, and carrying out multi-faceted comparisons to identify the most suitable items among multiple brands and channels. By comparing and researching products, Chinese consumers are now emphasizing the sense of meaning and originality those products bestow.

Return to rationality

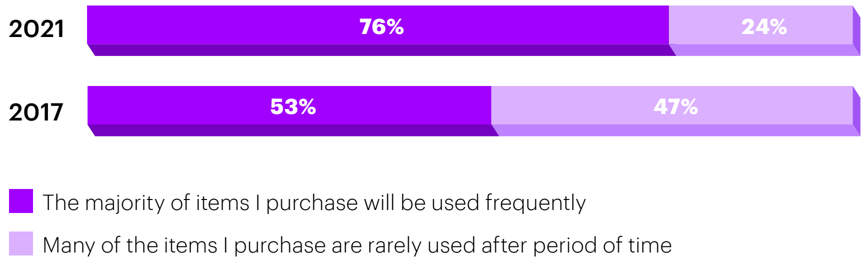
The pandemic has fundamentally altered the Chinese consumer's philosophy of consumption, making them more restrained and pragmatic. In 2021, more than 90% of our survey respondents believed that "I think it's not good to be living paycheck to paycheck," an increase of 30% from 2017 (see Figure 12). Similarly, nearly 80% of the respondents stated that "the majority of the items I purchase will be used frequently," an increase of nearly 20% over 2017 (see Figure 13).

Figure 12: Since 2017, there has been a dramatic rise in the proportion of respondents not satisfied with "living paycheck to paycheck"



Questions: (1) Which of the following two descriptions do you agree more to in 2021? N=10,140; (2) Please state how much you agree to the following remarks back to 2017: I think there is nothing wrong with living paycheck to paycheck. (Single choice) N=4,060
Data source: Accenture China Consumer Survey 2021; Accenture China Consumer Survey 2017

Figure 13: Since 2017, there has been a dramatic rise in the proportion of respondents stating that "the majority of my items purchased will be used frequently"

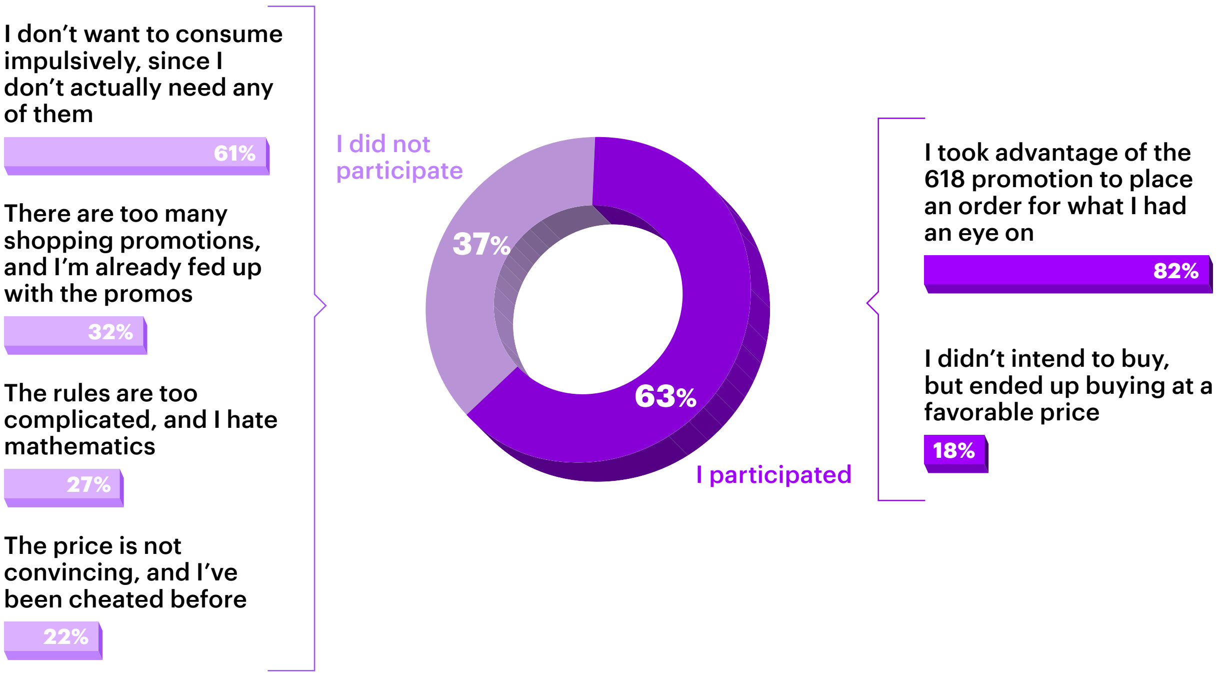


Questions: (1) Which of the following two descriptions do you agree more to in 2021? N=10,140; (2) Please state how much you agree to the following remarks back to 2017: The majority of my items purchased will be used frequently. (Single choice) N=4,060
Data source: Accenture China Consumer Survey 2021; Accenture China Consumer Survey 2017

Not swayed by sales

As uncertainties rise, people are more inclined to scrutinize their consumer spending. As shown in Figure 14, in a survey of Chinese consumers in June 2021, close to 40% of the respondents did not take part in the 618 Shopping Spree, with the top reason being that they did not want to consume impulsively. Of those who did buy something, over 80% of indicated they had prepared a shopping list in advance, suggesting that they were not simply attracted by low prices but looking for value.

Figure 14: Nearly 40% of the respondents did not participate in the 2021 618 shopping festival



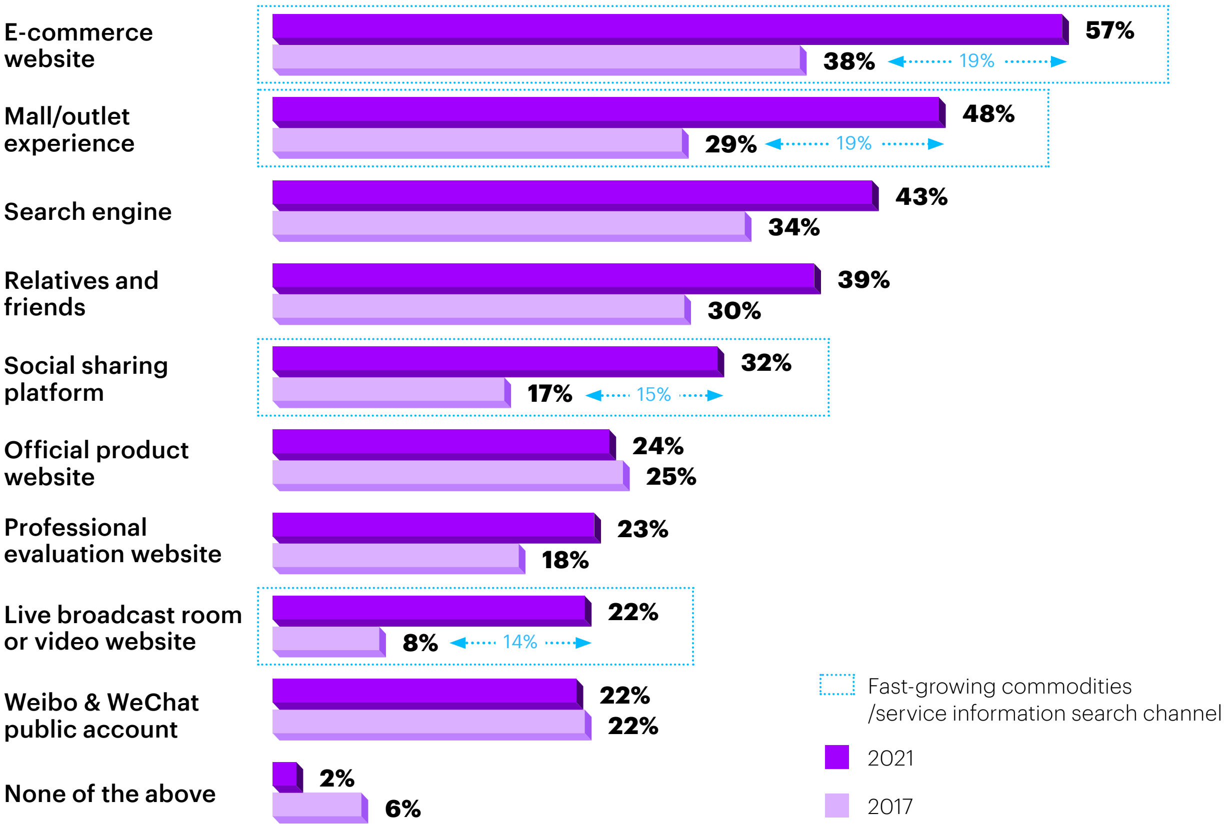
Questions: (1) Did you participate in the 618 Shopping Spree this year? (Single choice) N=10,140; (2) What kind of products did you mainly buy? (Single choice) N=6,371, from the respondents who participated in the 618 Shopping Spree in 2021; (3) What is the main reason for your absence in the 618 Shopping Spree? (Multiple choice) N=3,769
Data source: Accenture China Consumer Survey 2021, N=10,140

Research first, buy later

In addition to restraining their shopping impulses and reducing unnecessary expenditures, people have begun to conduct in-depth research and thorough comparisons before deciding on what to buy. One outcome of this trend is the emergence of "ingredient-holics", particularly in the beauty product market, where the safety and efficacy of products have become the primary focus for discerning consumers. Our 2021 survey findings show that 60% of the respondents will compare the prices of a product on various shopping websites before placing an order, searching for products or services across two to four channels.

As shown in Figure 15, the four major channels that have grown most significantly since 2017 are e-commerce websites, malls/outlets, social sharing platforms and live broadcast rooms/video sharing websites. These shifts reflect big changes in China's consumer market—and in omni-channel sales. The accelerated upgrades of offline channels include the transformation of department stores to shopping centers. The rise of social sharing platforms, along with the "recommend" and "remove from the cart" features that are common in the new normal, have contributed to the rapid growth of new Direct-to-Customer (DTC) brands. Live broadcast rooms and video websites displaying comprehensive product features via anchors have significantly shortened the time consumers have to make shopping decisions. Thanks to such changes, purchasing behavior has become more fragmented. Overall, purchasing has become a more social and entertaining activity.

Figure 15: Top five channels through which consumers with clear purchase needs search for product/service information



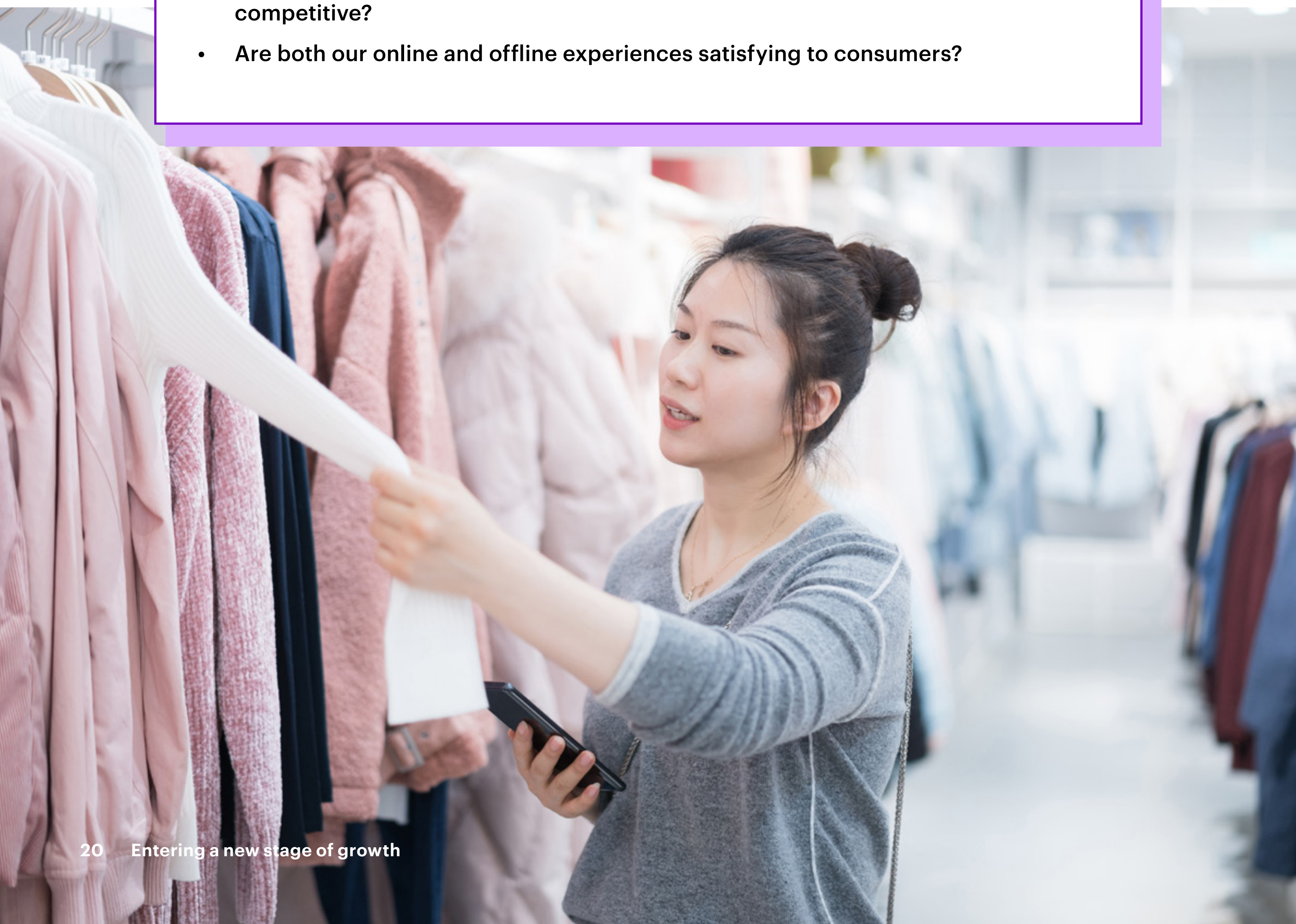
Question: When you have a clear purchase in mind, what methods do you use to access product/service information? (Select up to 5 options)
N=10,140 (2021); N=4,060 (2017)
Data source: Accenture China Consumer Survey 2021; Accenture China Consumer Survey 2017

The plethora of convenient information channels presents a huge challenge for brands looking to win the attention and loyalty of consumers. In our 2021 survey, approximately 80% of respondents regarded the selection process as an integral part of the consumer experience. Further, consumers prefer to compare various options prior to purchase, with nearly 40% of the respondents agreed with the statement "Even if I have a favorite brand, I will make frequent comparisons across multiple brands".

Food for thought

As consumers take time to prudently consider every shopping decision, they not only create a more precise picture of their own needs, but also develop a comprehensive, in-depth product savviness. Companies must not only improve their product quality and customer experience, but also take into account their product's cost-effectiveness. This requires them to focus on the specific needs of segmented customer groups and scenarios, highlighting the features that consumers care most about. Also, with consumers now accustomed to comparing products across multiple channels, companies must up their game in omni-channel marketing and services. Online and offline experiences that complement each other is a key way to impress rational consumers. To win consumers' hearts and minds, an organization needs to consider the following questions:

- **What features are most valued by our target customers?**
- **Is our brand a symbol of quality? Is the price of our product or service competitive?**
- **Are both our online and offline experiences satisfying to consumers?**

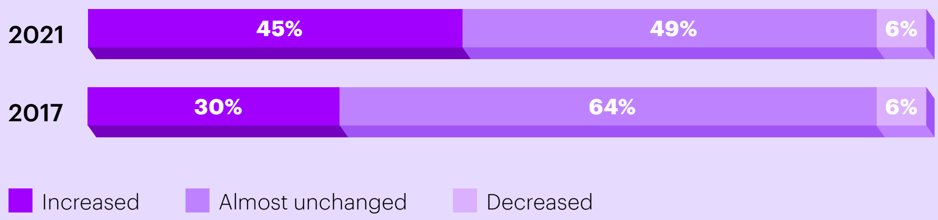


Value matters for both domestic and international brands

In response to growing demands for personalized consumer experiences, brands have accelerated their product upgrades over the past two to three years. International brands have launched personalized products for the Chinese market, while established domestic brands transformed themselves to regain the public's trust and attention. Even emerging brands have had to respond, by rolling out top-selling offerings that met the needs of specific consumer segments. New brands and products—from cosmetics to apparel to food and beverage items—have popped up, greatly extending the list of product options. China's fast-evolving e-commerce and content platforms not only enable products to be pushed to consumers faster, but also make it easier for consumers to compare and choose across brands and platforms. As a result, brands are finding it more and more difficult to maintain consumer loyalty.

According to the Accenture 2021 survey, 80% of respondents "have tried new brands recently", 45% "have tried new brands more frequently in the past year" (see Figure 16), and 90% have tried at least a new purchase channel (including live broadcast e-commerce, fresh food e-commerce, community group buying, street fashion communities, etc.).

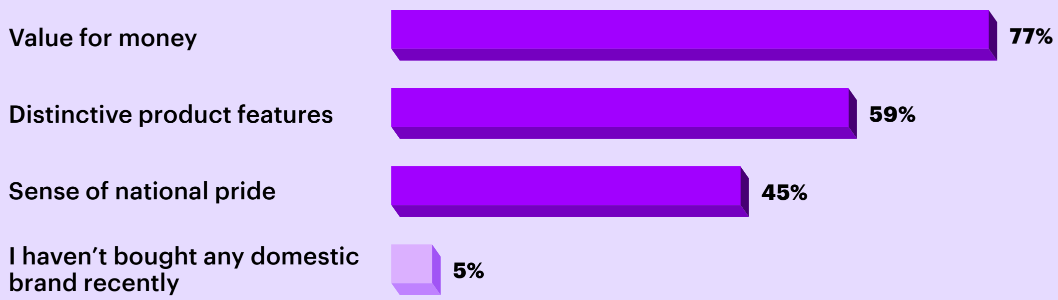
Figure 16: Compared to 2017, more consumers are trying new brands at a higher frequency



Question: Compared with last year, has the frequency at which you tried new brands changed? N=10,140 (2021); N=4,060 (2017)
Data source: Accenture China Consumer Survey 2021; Accenture China Consumer Survey 2017

The quality of domestic products in China has improved rapidly alongside the increase in variety. Innovative marketing methods have also emerged, and Chinese consumers have experienced a boost in cultural self-confidence. Together, these trends have made domestic brands and products ever more appealing. In certain categories, such as food and beverages, local brands even score outperform their foreign counterparts. When asked why they prefer local brands, 80% of the respondents choose "value for money", 60% choose "distinctive product features", and nearly 50% choose "the sense of national pride" (see Figure 17).

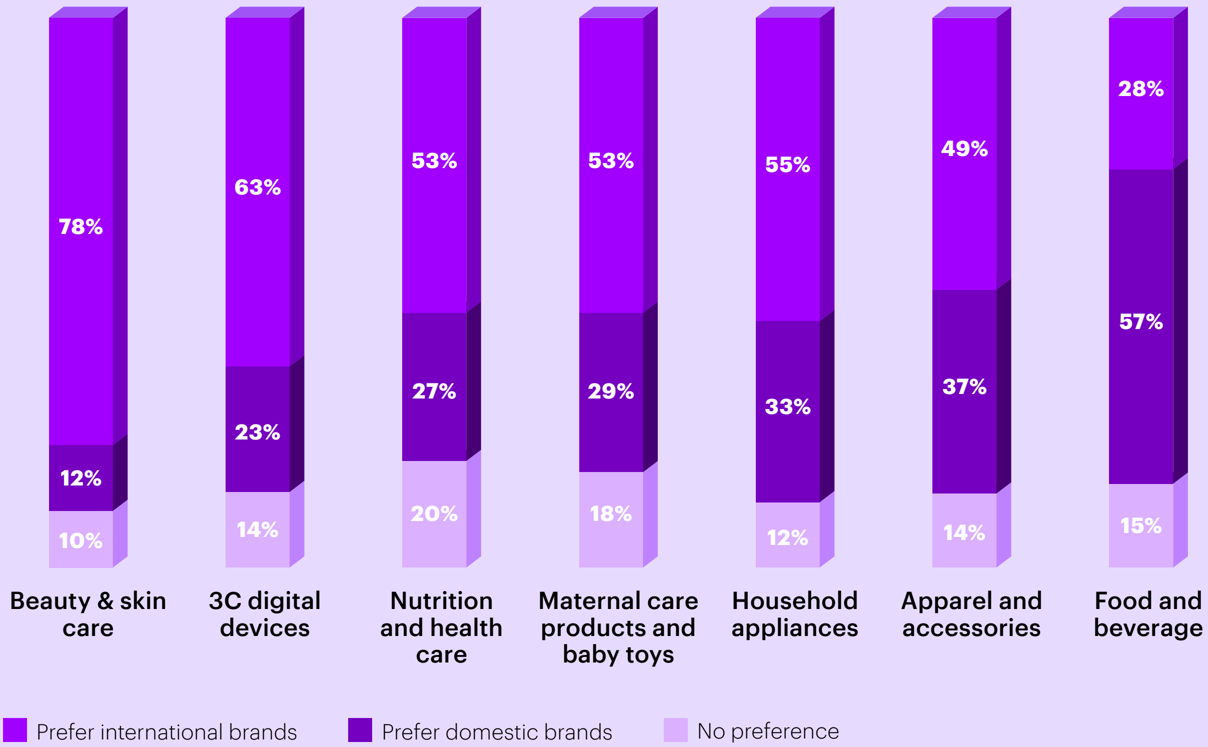
Figure 17: Reasons why consumers prefer domestic brands



Question: Please recall your recent experience of buying domestic brands and state the main reason prompting your decision to buy. N=10,140
Data source: Accenture China Consumer Survey 2021

While a number of Chinese consumers prefer domestic brands, **international brands still dominate in most categories. This is especially evident in beauty & skincare and 3C digital devices (i.e., computers, communications and consumer electronics)** categories, for which over 60% of the respondents prefer international brands. **The only category dominated by domestic brands is food and beverage.**

Figure 18: International brands still have dominant advantages in most categories, especially beauty & skin care and 3C digital devices



Question: Among which of the following categories do you tend to choose international brands? What about domestic brands? N=10,140
Data source: Accenture China Consumer Survey 2021

Rather than blindly pursue popular or prestigious brands, consumers now attach greater importance to a commodity's specific functionality and features. At the same time, brands have gradually shifted the manner in which they build a competitive edge. The arena for brands to compete has expanded from design and marketing to R&D and supply chain capabilities. According to our consumer research, among the reasons why consumers are attracted to new brands, 51% are due to their distinctive products.

New domestic brands have debuted quickly via new marketing channels and many of these new offerings have become top-sellers. However, new domestic brands still have a long way to go when competing with well-established domestic and international brands. In the diverse and rapidly changing Chinese market, popular and time-tested brands are building strong R&D and supply chain capabilities. These capabilities appeal to Chinese consumers who are increasingly researching and comparing products and making decisions based on more than whether a product will meet their needs. In addition, brands must deliver high-quality content through the information channels that are most likely to capture the attention of their target consumers. Doing so allows them to carve a deeper brand imprint, build brand awareness and, ultimately, drive more sales.

03

Master of Time

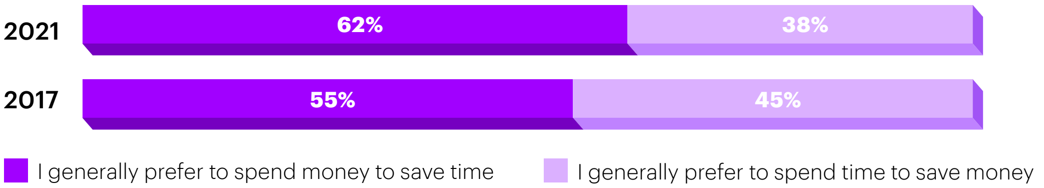
China joined the ranks of upper-middle income economies in 2010. That year marked a turning point when Chinese people began to change their relationship with time, pursuing work-life balance and growing accustomed to paying for services or using online channels to free up spare time. While Chinese people are now spending their spare time in various ways—with family, exercising, exploring the world—one thing is clear: They cherish their leisure time.

The cost of convenience

For a culture that extols the virtues of hard work and efficiency, "leisure" might be unfamiliar pursuit. Compared with people in other countries, Chinese residents have less leisure time, with far fewer paid-time-off days than their counterparts in major developed economies. It's also worth noting that the time Chinese people spend caring for their children and the elderly has increased significantly over the past decade, more than doubling from 0.4 hours to 0.9 hours per day between 2008 to 2018.[8] Working adults, in particular, have very little time for themselves. But all that is changing.

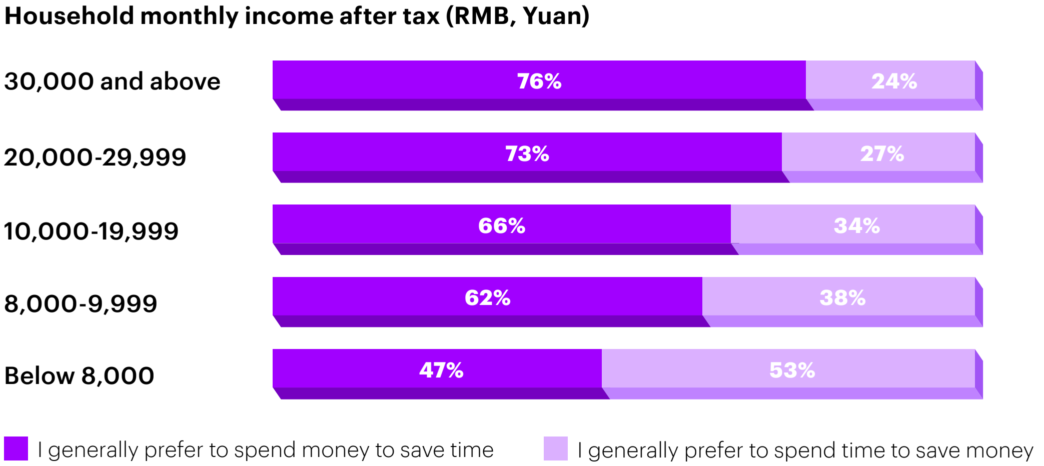
With the rise in living standards and the availability of services, more than 60% of our survey respondents indicated they are willing buy time and pay for convenience. That's an increase of 7% since 2017 (see Figure 19). Moreover, we found that when people have a higher income, they are more likely to cherish time—and are more willing to pay for it (see Figure 20).

Figure 19: More consumers are willing to "pay for time" since 2017



Questions: (1) Which of the following two descriptions do you agree more to? (Single choice) N=10,140; (2) Please state how much you agree to the following remarks back to 2017: "It's worth paying for time." (Single choice) N=4,060
Data source: Accenture China Consumer Survey 2021; Accenture China Consumer Survey 2017

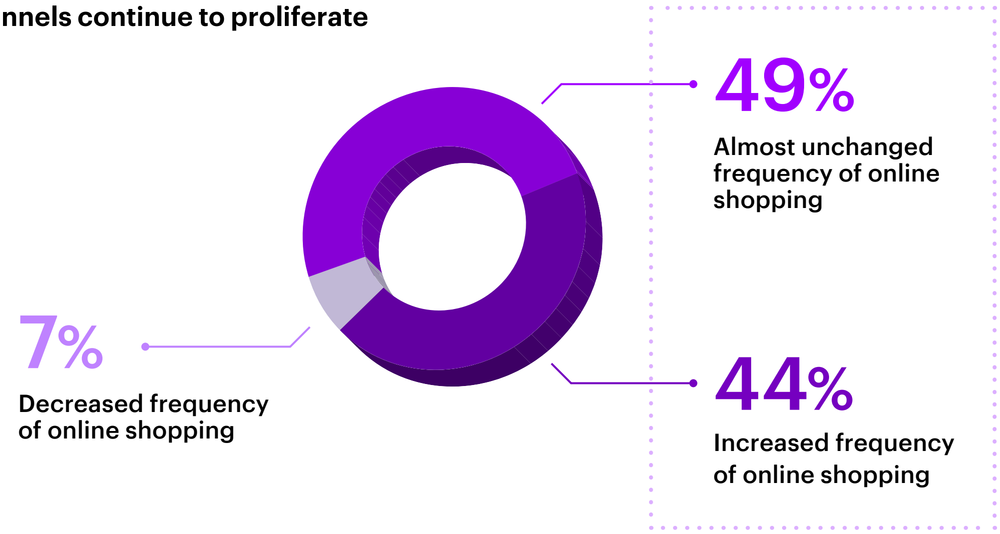
Figure 20: The higher their income, the more willing consumers are to pay a premium for convenience



Question: Which of the following two descriptions do you agree with more? (Single choice) N=10,140
Data source: Accenture China Consumer Survey 2021

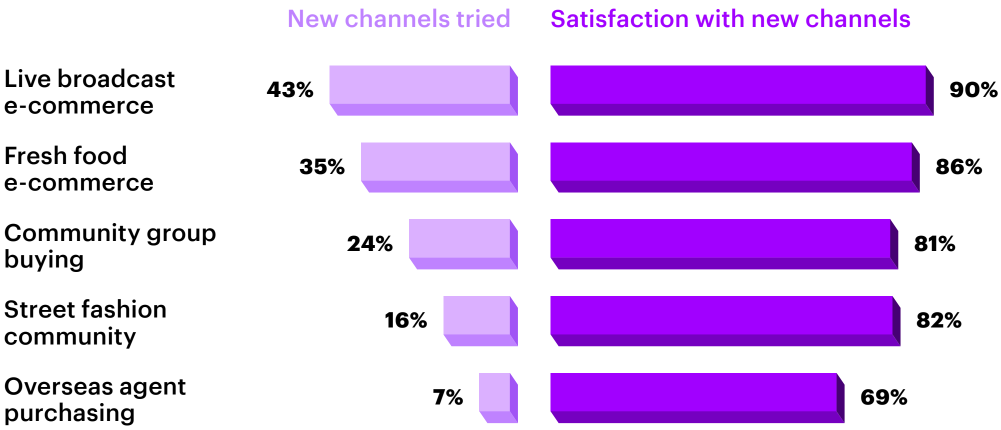
The unrelenting pursuit of more time has accelerated the growth of online channels offering convenience. Among all respondents, over 40% have increased their online shopping frequency (see Figure 21) and more than 90% have tried at least one new channel (see Figure 22) in the past year.

Figure 21: As the importance of convenience rises, online channels continue to proliferate



Question: Compared to last year, has the frequency of your online shopping (including all categories and all channels) changed? (Single choice) N=10,140
Data source: Accenture China Consumer Survey 2021

Figure 22: People have both high enthusiasm and satisfaction when it comes to trying new channels



Questions: (1) Which of the following new shopping channels have you tried? (Multiple choice) N=10,140; (2) Which new channels are you satisfied with and will continue to use? (Multiple choice, with questions only asked on the channels that the respondent has tried)
Data source: Accenture China Consumer Survey 2021

A taste for leisure

At the beginning of the pandemic outbreak, travel was restricted and demand for digital service options began to surge. People embraced a fully "cloud-based" life and spent much more time on their smartphones. As more and more online social and entertainment offerings became available, people gradually assumed a life of solitude. But humans are social creatures and crave connection, making them eager to leave their homes and engage with others in person.

People at different stages of life have different amounts of leisure time, and they spend that time doing different things. College students, for example, tend to try various activities to identify and cultivate their own interests, as well as to make friends. Busy young parents use their leisure time to relax, either alone or with friends. Aging parents have plenty of time and a wide range of hobbies.

With rising incomes and a greater willingness to pay for convenience, Chinese consumers are increasingly seeking out leisure opportunities. Companies, on the other hand, seem to have adopted a wait-and-see approach when it comes to investing in creating more leisure offerings, largely due to the long return on investment cycle across the service industry and the impact of the pandemic. As a result, the leisure consumption opportunities in the market are inadequate. In fact, the proportion of service consumption in China has just exceeded 50%, compared to over 70% in developed economies. This suggests there is a great and untapped growth potential in leisure offerings. Offline channels will likely attract more experience seekers—but only if they can provide consumers with unique leisure and entertainment scenarios, in addition to convenient shopping experiences.

"Painting is a pure hobby, and I end up gaining a group of like-minded friends."

— Female, 20 years old, currently living in Qingdao

"Do face and body care to feel happy and relaxed, and have afternoon tea with friends."

— Female, 36 years old, currently living in Shanghai

"Insist on sports and swimming."

— Male, 35 years old, currently living in Shanghai

"Going shopping, traveling, meeting and chatting with friends, and going to college to learn photography, singing and exercise. There are many things to do."

— Female, 62 years old, currently living in Beijing

K11

K11 Art Mall features a revolutionary museum-retail concept in which culture, entertainment, shopping and living all revolve around art. K11 Art Mall displays a permanent collection of young local artists' works. But it also allows the public to experience different local art works and performances while shopping and strolling through various multi-dimensional spaces. This environment encourages exchanges between local artists and the public, nurtures art appreciation and gives young artists more opportunities to showcase their works. It offers its visitors vibrant, eclectic, provocative and playful environment to shop and spend their leisure time. In the second half of 2020, the sales of K11 in four mainland cities increased by nearly 35% year-on-year. With the opening of Wuhan's K11 Art Mall II and AVENUE 11, the sales of K11 in the Chinese mainland increased by 50% year-on-year in the first three weeks of December.[9]

Personal—and personalized—experiences

As the Chinese economy and personal incomes have grown, people's material needs have been basically satisfied. But their demand for cultural and personal growth experiences is increasing year by year. Take tourism as an example. People no longer brag about how many attractions they have visited. Instead, they are slowing down and paying more attention to the cultural meaning and quality of the attractions they visit. This new mindset places higher requirements for hotel quality and services at scenic spots.

In addition, services targeted at self-improvement have huge growth potential. The number of respondents planning to spend more on personal education and fitness increased by 11% and 7%, respectively, from 2017 to 2021 (see Figure 23). According to the estimates of Forward Business Information Co., Ltd., in 2020, the domestic adult education market reached 1 trillion yuan[10] (US$157 billion) and the fitness industry exceeded 300 billion yuan[11] (US$47 billion).

Growth opportunities exist not only in tourism, education and fitness, but also in the retail sector. If a brand can reward its customers with innovative products and services, and make them feel valued, it can keep them engaged and loyal, thereby increasing its revenue.

Da-Jiang Innovations, better known as DJI, is the world leader in drone technology. DJI doesn't just sell consumer drones; it enables users to have a rich shooting experience supported by specialized software and a dedicated community. On the DJI Fly APP, there are detailed guides to help users with different skill levels overcome technical barriers and focus instead on creativity. Rich creation templates allow users to shoot and cut quickly. Powerful track editing capabilities and an extensive music library help to bring videos to life. After their shoots, users can directly upload their footage to online platforms, communicating, sharing and growing together with the aerial photography community.[12]

Figure 23: Compared to 2017, more respondents are willing to invest in their own education and health

Question: In the coming year, which of the following do you expect to invest more in? (Multiple choice) N=10,140 (2021); N=4,060 (2017)
Data source: Accenture China Consumer Survey 2021; Accenture China Consumer Survey 2017

Food for thought

As income levels rise, people place more value on leisure and are attracted to products and services that help them save time. Companies can capitalize on this trend in many ways. For example, a well-designed product manual can help consumers learn about the product faster, while more transparent pricing can help consumers make quicker decisions. An efficient customer service system reduces the waiting time for pre-sales or after-sales services. To meet consumers' growing demand for quality leisure time, cultural enjoyment and personal growth, organizations need to consider the following issues:

- **How can we design services for consumers who value time?**
- **How do our target consumers want to enjoy their leisure time?**
- **How can we attract or nurture potential consumers through cultural and/or personal growth experiences?**

04

Tech for Good

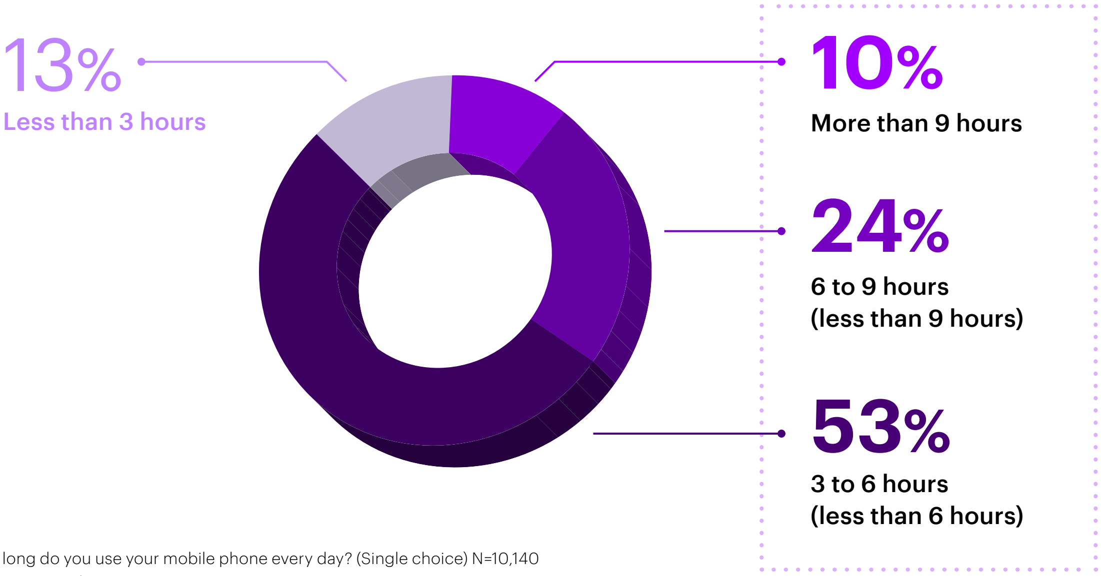
Over the past two decades, we've seen the rapid development of technologies and a proliferation of applications. Intelligent life, enabled by always-on digital connections, is no longer a novel concept; it has become the new normal. People now assess the value of technologies along multiple dimensions—not only in terms of the convenience they bring about, but also in terms of the human-centric experience they deliver.

Useful and ubiquitous

Chinese consumers have a strong desire to try new things. They are open and positively inclined to use digital technologies, evidenced by their embrace of a variety of intelligent devices ranging from smart phones to smart homes.

Nearly 90% of the consumers we surveyed use mobile phones for more than three hours a day (see Figure 24). The younger they are, the longer they spend on their mobile phones. Approximately 50% of undergraduate respondents use mobile phones for over six hours a day. The mobile phone—which enables a range of activities from making payments to planning travel, social networking and carrying out work functions—has almost become an extension of the user's body.

Figure 24: Nearly 90% of consumers use their mobile phones for more than three hours a day

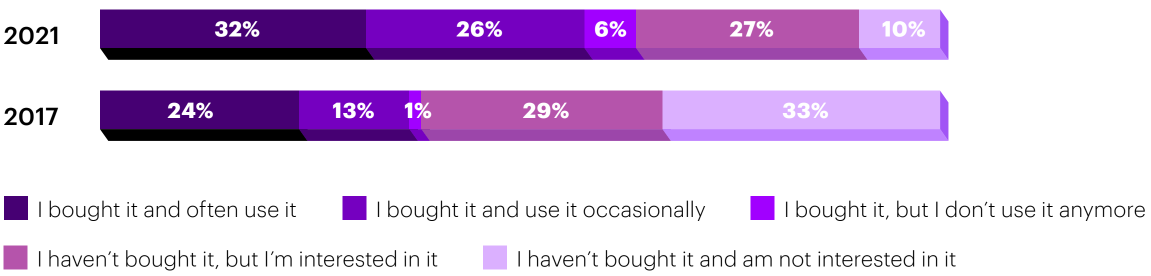


Question: How long do you use your mobile phone every day? (Single choice) N=10,140
Data source: Accenture China Consumer Survey 2021

Smart speakers, smart door locks and robotic vacuums have found their way into households, where they provide safety, comfort and convenience. The pandemic's longer stay-at-home orders made these home technologies even more appealing, since people wanted more comfort and convenience in their living spaces.

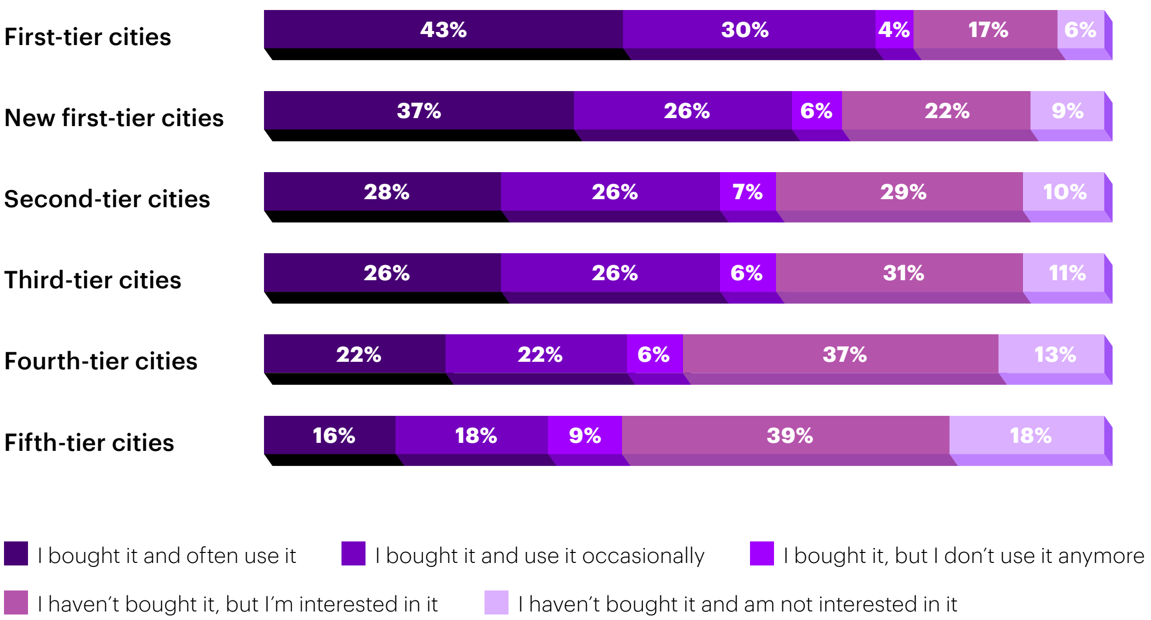
The proliferation of smart home appliances increased substantially from 2017 to 2021. More than 60% of our 2021 respondents purchased them, with half of all respondents using them regularly (see Figure 25). But there is still ample room for growth in the smart appliance market. The relatively low penetration rates of smart appliances in lower-tier cities (see Figure 26) and the passion for smart products exhibited by people born after 2000 (see Figure 27) suggest strong potential for the future smart home appliance market.

Figure 25: Compared to 2017, the penetration rate of smart home appliances increased significantly



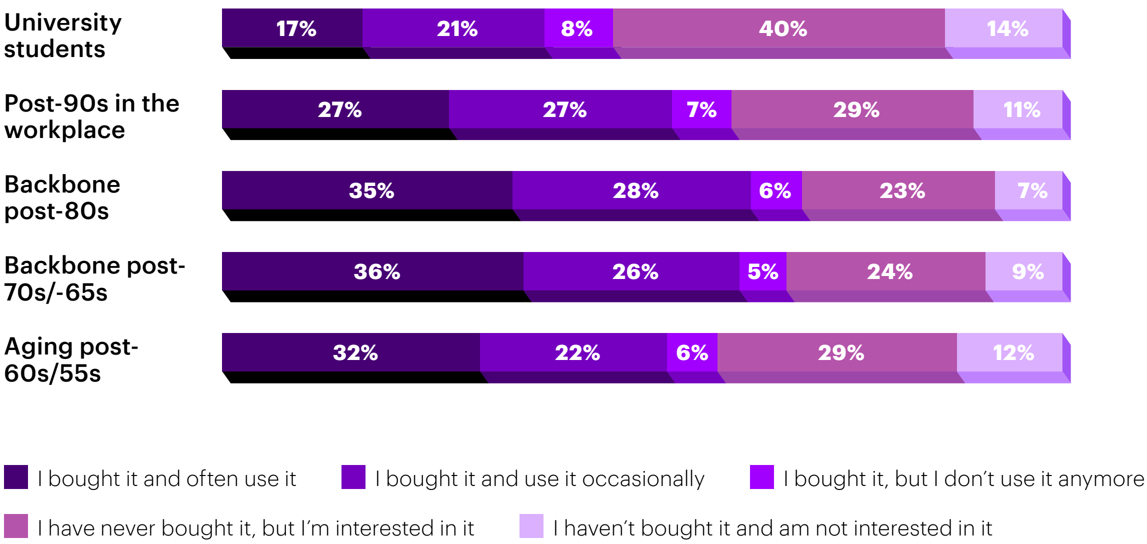
Question: Have you ever purchased smart home appliances, such as smart speakers, robotic vacuums, smart refrigerators and other home appliances that apply AI or IoT technology? (Single choice) N=10,140 (2021); N=4,060 (2017)
Data source: Accenture China Consumer Survey 2021; Accenture China Consumer Survey 2017

Figure 26: The lower-tier cities present high growth prospects for smart products, given the comparatively lower penetration rate currently



Question: Have you ever purchased smart home appliances, such as smart speakers, robotic vacuums, smart refrigerators and other home appliances that apply AI or IoT technology? (Single choice) N=10,140 (2021)
Data source: Accenture China Consumer Survey 2021

Figure 27: Consumers born after 2000 are particularly fond of smart products and represent a source of new growth in the future



Question: Have you ever purchased smart home appliances, such as smart speakers, robotic vacuums, smart refrigerators and other home appliances that apply AI or IoT technology? (Single choice) N=10,140 (2021)
Data source: Accenture China Consumer Survey 2021

Discerning about devices and data

While they are no strangers to technology, Chinese consumers do not simply welcome new technologies unconditionally. Rather, they scrutinize their digital technologies as never before, weighing the pros and the cons. For example, they value the ability to communicate through their mobile phones anywhere and anytime but also recognize that constant and uncontrolled use can cause many problems. "Mobile phone dependence" is an issue for all users, including the elderly and adolescents. Tellingly, more than 70% of our respondents—an increase of nearly 20% since 2017—hope to reduce the time they spend on their mobile phones. It's easy to understand why: mobile phone dependence can cause physical and mental issues. Parents worry that preteens' use of electronic products will negatively affect their vision and physical development. Arguably, office workers face the greatest risks; sitting in front of their screens for long stretches of time has led to occupational diseases.

HUAWEI

People expect suppliers to upgrade their smart products without sacrificing the health of users and their families. Huawei shows how this can be accomplished.

Huawei's "Phone Health" service allows consumers to keep track of how much time they spend on their phones and also set limits on how long the phone will be available. Huawei's smartwatch can remind users to stand up and take a break every hour, and when the user's heart rate exceeds a limit for more than 60 seconds, the watch will vibrate to alert the wearer.[13]

"Since it has a considerable impact on one's eyes, cervical spine and lumbar spine."

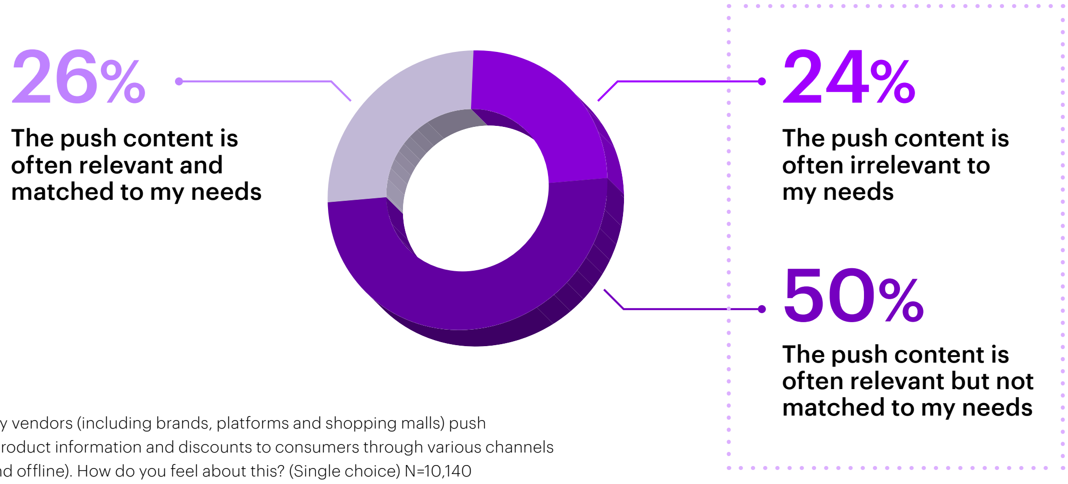
— Male, 28 years old, currently living in Hefei

"Sleep is affected."

— Female, 30 years old, currently living in Jinan

People are often "forced to tolerate" push ads. In our 2021 consumer survey, 70% of respondents indicated they were willing to share personal data for better services. Yet, 50% believed that the push frequency was excessively high, and about 20% thought the content being pushed was completely irrelevant to them (see Figure 28).

Figure 28: Almost three quarters of Chinese respondents are unsatisfied with the content delivered via push communications



Question: Many vendors (including brands, platforms and shopping malls) push personalized product information and discounts to consumers through various channels (both online and offline). How do you feel about this? (Single choice) N=10,140
Data source: Accenture China Consumer Survey 2021

In September 2021, the Data Security Law of the People's Republic of China was enacted. In force since November 2021, the Personal Information Protection Law of P.R.C sets out specific requirements that companies must follow to protect consumers' data and obtain consumers' consent before pushing content or targeted recommendations. Subsequently, many e-commerce and social platforms have provided users with the option to turn off personalized recommendations and advertisements.

Chinese consumers are savvy today and no longer enamored by smart devices. They expect vendors to provide truly valuable products and services.

"I worry about not getting my money's worth. Even if the ad is persuasive, the product might be mediocre, failing to provide any qualitative leap in value."

— Female,36 years old, currently living in Shanghai

"It might not be difficult to use, but it's hard to figure it out. Some smart products are hard to handle, but if someone teaches me, I will definitely try new things."

— Female, 62 years old, currently living in Beijing

Food for thought

Mobile phones are now necessities and smart products are ubiquitous in households across China. This proliferation has led to a rise in demands for products that not only protect users' health, safety and data privacy, but also deliver humanized services. To meet such demand, companies need to build sustainable competitiveness. From product design to manufacturing and promotion to services, companies need to align their products to the specific needs of consumers and take the initiative to enhance transparency and communication so as to win and maintain the trust of Chinese consumers. While striving for technical superiority in its products and services, an organization needs to consider the following issues:

- **How can we meet the health and safety requirements of users through product and service design?**
- **Does the data we collect and process provide true value to our customers?**
- **Does the product or service we provide consider the inclusiveness of technology?**

05

Green Growth

Chinese consumers are increasingly aware of the impact of their individual behaviors on society and the environment, as well as the importance of sustainable development. Environmental protection is now “cool” and fashionable, and people are willing to devote energy and money to fulfill their sustainability promises. At the same time, people hope that environmental protection will not depend just on individuals’ behaviors. They yearn for a societal response and expect the government and enterprises to play a greater role to achieve a win-win situation that drives both convenience and sustainability.

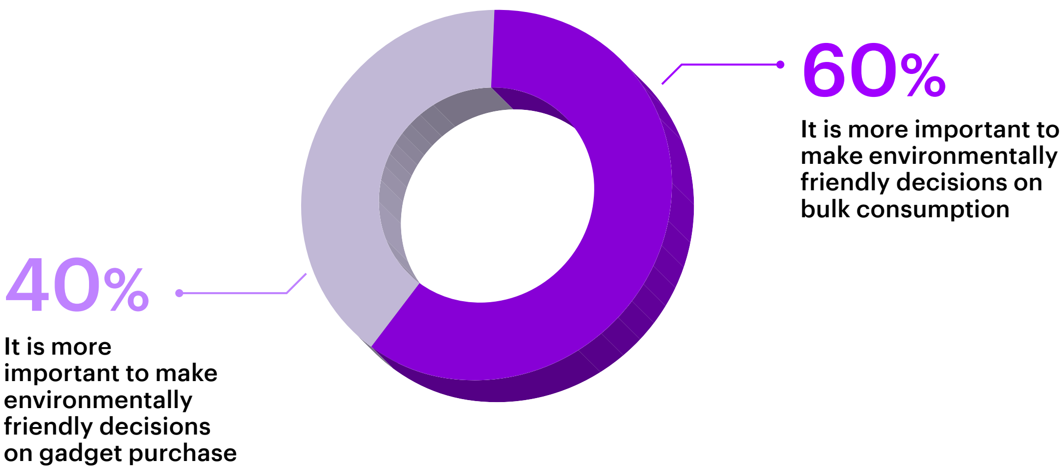
The awakening consumer

Since China announced its goal of carbon neutrality, people are paying more and more attention to the climate and environmental issues. They are now more aware of the impact their individual behaviors have on society and the planet.

According to Accenture's 2021 Global Consumer Survey, 98% of Chinese respondents recognize the "value of environmental protection and sustainable development, which will influence our own behaviors and product selection." Consumers' attitudes about their consumption are shifting, too, from "give ME what I want" to "support the ideals WE believe in".

70% of respondents to our 2021 China Consumer Survey stated that "the majority of my items purchased will be used frequently", an increase of 23% over 2017. Chinese consumers' interest in environmental protection is further reflected in the fact that 60% of respondents believe that it is more important to make environmentally friendly decisions when purchasing big items, since "the energy consumption is greater". The remaining 40% believe that it is more important to make environmentally friendly decisions on smaller purchases, since "little gadget purchases add up" (see Figure 29).

Figure 29: 60% of Chinese respondents believe that it is more important to make environmentally friendly decisions on bulk consumption



Data source: Accenture Global Consumer Survey 2021, N=2,002 (China)

Universal public participation in environmental protection

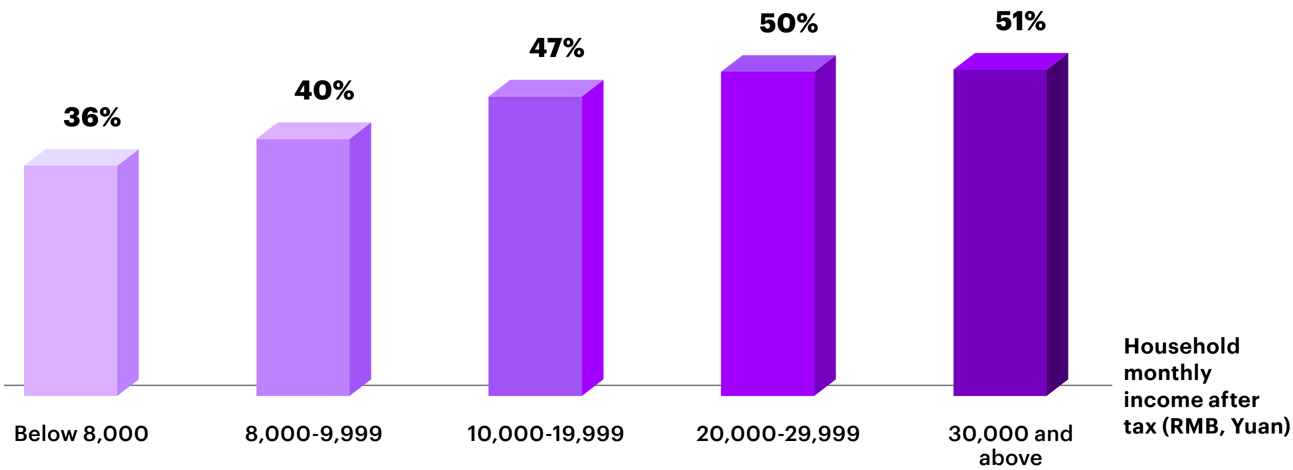
More and more young people are choosing an environmentally friendly lifestyle. For them, protecting the environment is cool, trendy and fashionable. Bringing one's own reusable cup when buying coffee, wearing vintage clothes and buying eco-friendly apparel are considered both environmentally friendly and fun. In response to this trend, many brands now provide consumers with easy and interesting options to consume sustainably.

Manner Coffee, a local coffee chain founded in 2015 in Shanghai, offers low-cost, high-quality products. Its boutique model of serving budget-friendly specialty coffee has become part of the brand's essence. Manner's packaging is simple: The disposable cups provided in its outlets are plain white, with self-adhering stickers. Since opening its first store in 2015, Manner Coffee has encouraged green behaviors. For example, customers get a 5-yuan discount if they bring their own cup, and an 18-yuan discount if they bring their own container when buying coffee beans. Such incentives, which aim to reduce the use of disposable containers, have been widely appreciated by consumers.[14]

Across the country, more consumers are taking action to protect the environment. In fact, **43% are willing to pay a premium for green products, with those that earn more being more willing than the average** (see Figure 30).

Given the popularity of environmentally sustainable lifestyles, sales of green products—despite their relatively higher prices—have experienced rapid growth. This is reflected in data from the National Household Appliances Industry Information Center, which shows that high-energy-efficiency and low-energy-consumption home appliances are top sellers in the market. From January to October 2021, the retail sales of energy-efficient refrigerators, air conditioners and washing machines made up 59.3%, 69.3% and 63.6% of category sales, respectively.[15] During the November 11 shopping carnival in 2021, Suning.com actively promoted its old-for-new (trade-in) services and doubled its efforts to promote energy-saving green products. Its omni-channel trade-in sales were up by 74% and its sales of new energy-efficient air conditioners climbed by 69%.[16]

Figure 30: The more they earn, the more willing consumers are to pay for environmentally friendly product features



Question: When picking up products, in addition to price, quality and functions, would you be willing to pay extra for the environmentally friendly features of a product? (Single choice) N=10,140
Data source: Accenture China Consumer Survey 2021

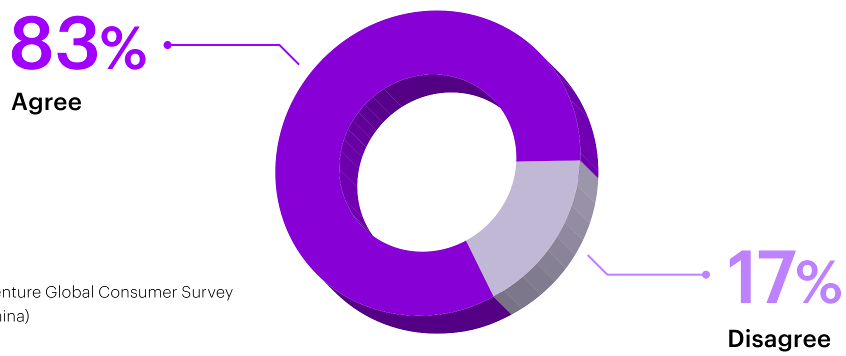
Going green together

Environmental protection is a hot social topic—and one that requires the participation and commitment of multiple parties. Findings from Accenture's 2021 Global Consumer Survey revealed that 83% of Chinese consumers agree that "the entire society, including all organizations and individuals, should begin to move toward sustainability" (see Figure 31). Chinese consumers expect entities to use all means at their disposal to save energy and reduce their emissions.

Our results show that consumers increasingly base their purchase decisions on the image, values and mission of brands and businesses.

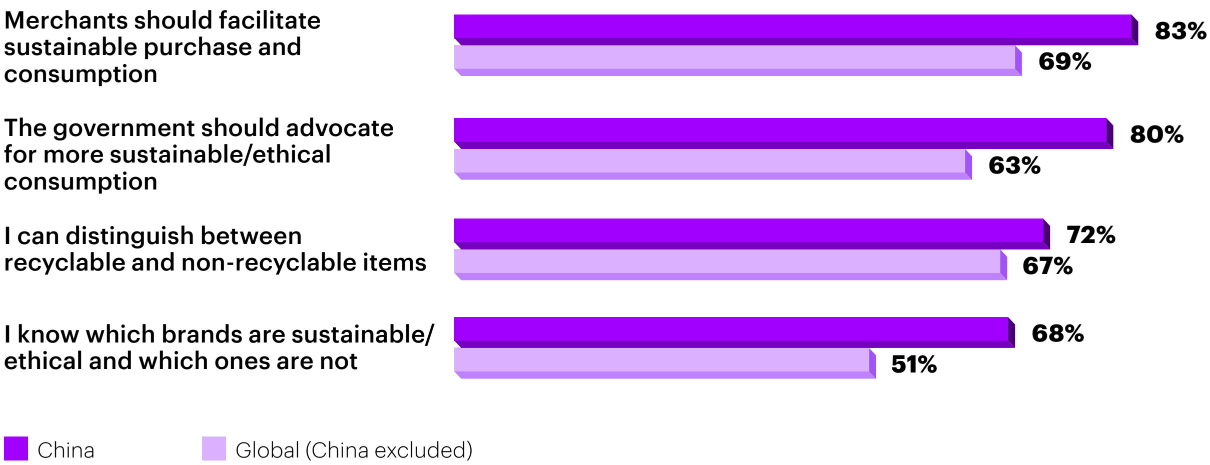
In a recent Accenture COVID-19 survey, 68% of Chinese consumers surveyed believed they were able to identify whether a brand is "sustainable". In making that determination, they not only consider the quality or price of the product, but also the brands' values and the resulting actions they take. Chinese consumers also expect the government and companies to play a role in protecting the environment. Among the respondents, 83% believe that organizations should provide more convenient options for sustainable consumption and 80% think the government should promote sustainable consumption (see Figure 32).

Figure 31: 83% of Chinese respondents agree that "the entire society, including all organizations and individuals, should begin to transition towards sustainability"



Data source: Accenture Global Consumer Survey 2021, N=2,002 (China)

Figure 32: Consumers expect the government and enterprises to play a greater role in driving sustainability agendas



Data source: Accenture's tenth round of COVID-19 survey (February 25-March 5, 2021), N= 8,833 (Global); N= 820 (China)

Midea, a Guangdong-born household appliance and industrial equipment manufacturer, has integrated an environmental management philosophy into its product life cycle, covering design, production, use, disposal and recycling. The company has not only incorporated energy management capabilities in its production processes through digital technology, but also advocated for green manufacturing throughout the supply chain.[17] These efforts have paid off; after enhancing its green manufacturing capability five years ago, Midea recorded an extraordinary compound revenue growth of 15.5%.

ANTA, Chinese sportsware maker, has figured out how to recycle disposable plastic bottles into polyester fibers. Doing so has enabled the company to cut its overall cost by 30%-50% compared to its foreign peer brands. ANTA has also added traceability elements to the spinning process of its recycled polyester. That means it can track its yarns, fabrics and garments to ensure that environmental protection standards are adhered to across the entire manufacturing process.[18]

Accenture believes that sustainability is the new digital. In the future, every company must strive to be a sustainable company. Their competitiveness and future viability depend on it.

Food for thought

The green economy has generated a lot of interest globally and is also an idea that holds great appeal to people across China. The concept of sustainable development is subtly changing people's perceptions of consumption, and non-environmentally friendly products and practices will inevitably undermine people's trust in a company or brand. People expect the government and business community to play a greater role in creating a sustainable economy. If a company can establish a mission that is consistent with the interests of consumers, it can cultivate brand loyalty. It can, in short, secure deep, engaging and long-lasting relationships with consumers, whose attitude toward the brand will shift from "a supplier of products I want" to a brand that supports "our" common ideals.[19] Given this trend, an organization needs to consider the following issues:

- **Are we a responsible company in the eyes of consumers?**
- **How can we become more socially responsible, while ensuring growth?**
- **How can we provide consumers with more convenient and interesting environmentally friendly options?**

Unlocking the potential of China's maturing consumers

China is undergoing lightning-fast social changes. Its consumers, who have more choices than ever before, are maturing rapidly. In their purchasing decisions, they are becoming more prudent and acting autonomously. They judge goods and services by functional value, emotional value and long-term returns. They tend to work hard to make a living, but they increasingly crave cultural experiences, entertainment and growth opportunities. Day by day, they are gaining a greater sense of social responsibility. **For all these reasons, we believe China is on the cusp of becoming a mature consumer society.**

As income levels continue to rise and urban clusters continue to grow, the true consumption potential of Chinese consumers will be unleashed. China's people will intensify their pursuits of commodities, experiences and long-term value. No company can achieve high-quality growth without focusing on the needs and desires of the people they serve. Increasingly, that means providing multi-dimensional value—and formulating long-term strategies and implementation plans to bring that value to life.

We believe three mindsets will set companies on the right course to capture China's consumption potential:

Be purpose-led

Think about the mission and values of your company from a macro perspective and develop socially responsible strategies and implementation plans. For instance, develop people-oriented applications, reduce the impact of your business activities on the environment, and take steps to contribute to common prosperity.

Accelerate innovation

Gain insights into people's inner desires and quickly adapt to their ever-changing preferences. This means learning from consumers and using those insights to constantly innovate your customers' experiences. A true experience innovation culture requires an organization to not only promote a new purpose, but also reform business practices across the entire organization. Doing both will narrow the gap between the brand promise and the brand experience that is delivered.

Provide multi-dimensional value

Help people solve their problems and strive to make the lives of consumers, employees, suppliers and other stakeholders better. Cultivate long-term, enduring consumer relationships and strengthen consumer confidence in your company and brand. By standing for something bigger than what they sell, companies have the chance to recast their customer relationships and connect with consumers on a deeper level.

About the Research

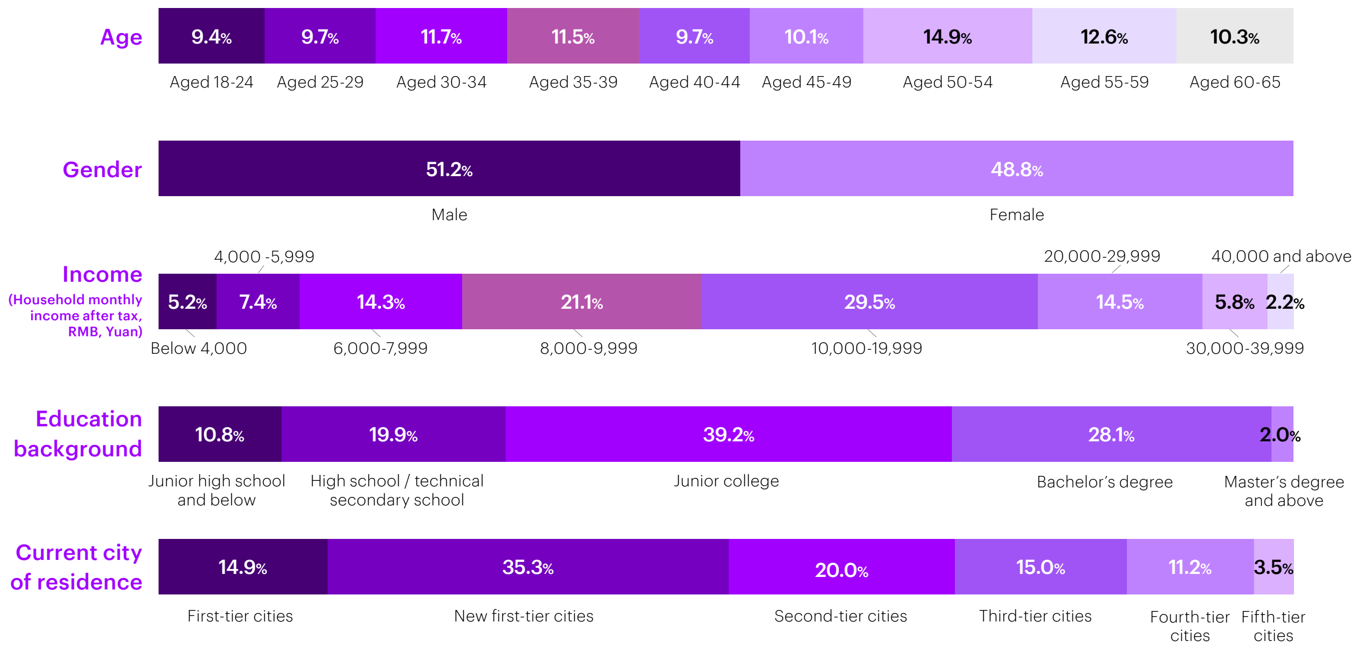
Accenture China Consumer Research 2021

Accenture designed its 2021 China Consumer Research to explore the changes in consumers' behaviors, habits and preferences in a market environment adjusting to the effects of a global pandemic and accelerated digital advances. The research is divided into two parts, qualitative and quantitative.

The qualitative research (conducted in April-May 2021) aimed to identify new consumption trends. The five groups of people interviewed via an online community and online forum included: undergraduates (aged 18-22), young office workers (aged 23-30), young parents (aged 28-35, with children under the age of 6), backbones (aged 35-45, with children over the age of 6). The online community interview targeted two sets of respondents: 20 undergraduates and 24 young office workers. The online forum interview targeted three sets of respondents: young parents, the backbones, and aging seniors—each group consisting of 8 respondents.

The quantitative survey (conducted in June 2021) was carried out via mobile phones. Survey respondents were aged 18-65. The questionnaire, which took about 15 minutes to complete, covered lifestyles, consumption concepts and consumption behaviors. The online consumer questionnaire survey respondents proportionally reflected the demographic data of China's seventh census, which was conducted in October 2020. A total of 10,140 completed surveys were collected, covering 91 cities from the first to fifth tiers nationwide.

The distribution of the quantitative research respondents in terms of age, gender, income, education level and city is as follows:



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