



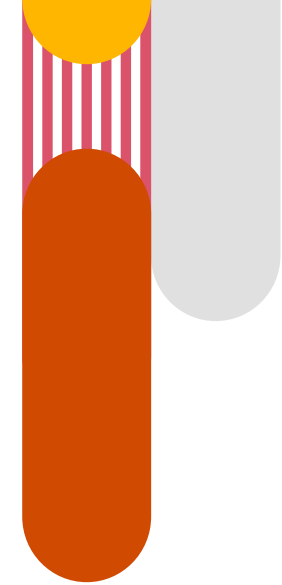
2023 Global Consumer Insights Survey China report

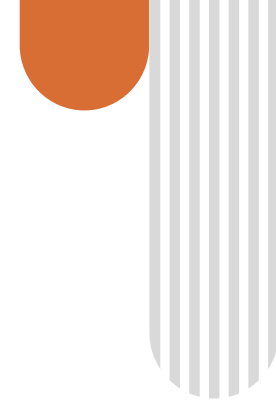
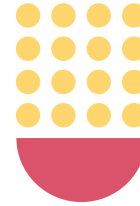
Seizing the Moment: Is your brand strategy ready for China's consumption recovery?



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Foreword

Even before the end of Covid-19 pandemic, the daily routines of Chinese consumers from bustling cities to rural villages had been undergoing constant changes. As China emerges from the pandemic with a refocus on economic recovery, changes are likely to accelerate for the typical Chinese consumer, as they face transformation in their consumption patterns and habits, from the rise of generative AI, revenge travelling, and changing attitudes towards health, wellness, and sustainability.

As we navigate through the course of 2023, both consumers and brands are grappling with powerful internal and external sources of frictions that can disrupt commerce and undermine customer satisfaction. In fact, 67% of CEOs based in the Chinese mainland and Hong Kong believe their business will no longer be economically viable after a decade if they stay on the current path, citing multi-faceted factors impacting profitability, ranging from changing customer demand/preferences, supply chain reconfiguration, and technology disrupters. ⁱ

It is against the backdrop of a rapidly evolving reality facing Chinese consumers that we launch this year's issue of Global Consumer Insights Survey China report. Our study has revealed a number of new trends that are reshaping the frontier of the consumer market.

First, the advent of large language models, and their many applications in business, has brought much excitement to retailers, revolutionising the way they interact with customers, showcase products, and manage their operations. Our survey suggests that, as consumers strive for frictionless experiences, they are venturing beyond conventional e-commerce and technology-mediated physical experiences and exploring next-generation digital platforms, including generative AI, Web 3, and the constantly evolving metaverse.

China's economic normalisation also presents a good timing for foreign brands to establish local presence, and for domestic brands to diversify outside of China leveraging cross-border ecommerce. With greater brand mobility and the eagerness of Chinese consumers to resume their pre-pandemic routines, including in-store shopping and travel, competition is becoming more intense and revolves around brands' ability to deliver superior customer experience and manage various points of friction along the purchase journey, both online and offline.





Meanwhile, with the growing digitisation of everyday work and leisure activities, data security and privacy concerns are emerging as a critical source of friction for consumers. Recent changes in data privacy regulations have garnered significant attention from retailers who are keen to explore how they can build trust and remove consumer frictions through the ethical use of data.

Among trends that continue to reinforce after the pandemic, Chinese consumers continue to feel the pinch of financial uncertainty, underscored by less than optimistic job prospect, and as such are tightening their belts to rebalance spending across different categories. A majority of surveyed consumers plan to adopt some form of cost-saving behaviour over the next six months.

Luxury spending in China remains intact despite lower net increase compared to other categories, with more purpose-led purchases motivated by the 'feel-good factor', the desire to keep up with the trend, and as a store of value or investment. Sustainable living and eco-friendly products continue to demand higher price premium despite a more cautious spending pattern. The source-local trend gains further traction as retailers seek to shorten and proliferate their supply chains to reduce disruptions amid geo-economics.

As consumers change and adapt, retailers must do the same to stay relevant and competitive. In a market that is subject to continuous volatility, retailers will likely find themselves in a completely new race – one that requires the balancing act of ensuring business viability today, while giving full play to long-term priorities that help drive sustainable growth for tomorrow. They must leverage a diverse strategy toolbox to ensure that they are on track for sustainable growth in this new era.

We invite you to peruse our report for a comprehensive overview of our China-specific findings and how they can help brands and retailers navigate the next phase of retail evolution. By tapping into these insights, we are hoping to empower brands to seize the moment with confidence and refine their brand strategy for the post-pandemic new normal, capitalising on China's consumption recovery and carving out new paths towards sustainable growth and success.

Michael Cheng

PwC Asia Pacific, Mainland China and
Hong Kong Consumer Markets Leader

Insights in a snapshot

New trends in focus:

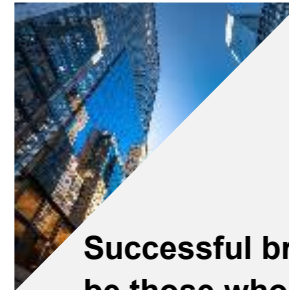
- Generative AI opens up a blue ocean for digital-ready retailers
- Building digital trust through better management of data privacy
- Foreign brands are exploring new opportunities amid China's economic normalisation
- Revitalisation of previously restrained sectors, as seen in the surge of 'revenge travel' and cultural activities

Trends that are here to stay:

- Love for luxury continues but with more targeted spending
- Domestic brands accelerate pace of growth on source-local trend and cross-border ecommerce
- Sustainable living and eco-friendly products continue to demand higher price premium
- Various points of friction still persist to impact the delivery of customer experience

Existing trends that are receding:

- Impulsive purchases reverted to rational consumption behaviours amid uncertain outlook
- Supply chain disruptions showed sign of easing with reopening and production resumption
- At-home economy and hybrid working gave way to physical and scenario-based consumption



Successful brands and retailers will be those who can:

- Unlock the power of brand story-telling
- Transcend non-price attributes across borders
- Reduce the price-experience gap to foster brand loyalty
- Create path of least resistance to deal with various frictions
- Balance cost and benefits beyond technology hypes



Exploring the four key aspects of change...




Economy

1. China's economic normalisation and what it means for the consumer market



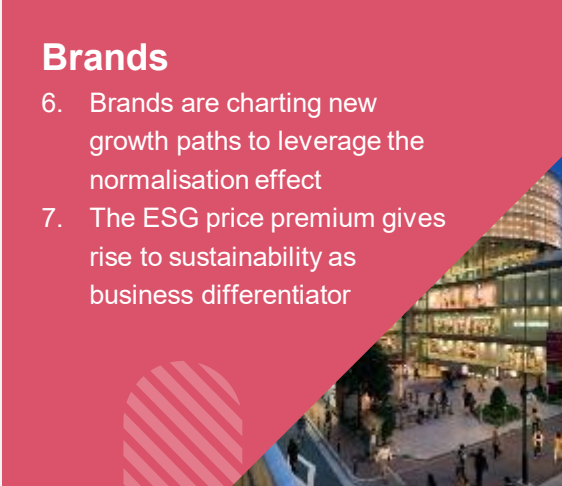
Technology

2. Harnessing the power of generative AI for retailers and brands
3. Moving beyond the hype of the Metaverse evolution



Experience

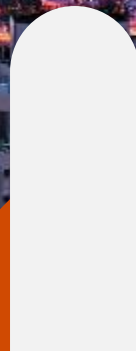
4. Pursuit of frictionless consumer experience
5. Exploring supply chain innovations to address customer pain points



Brands

6. Brands are charting new growth paths to leverage the normalisation effect
7. The ESG price premium gives rise to sustainability as business differentiator

Economy

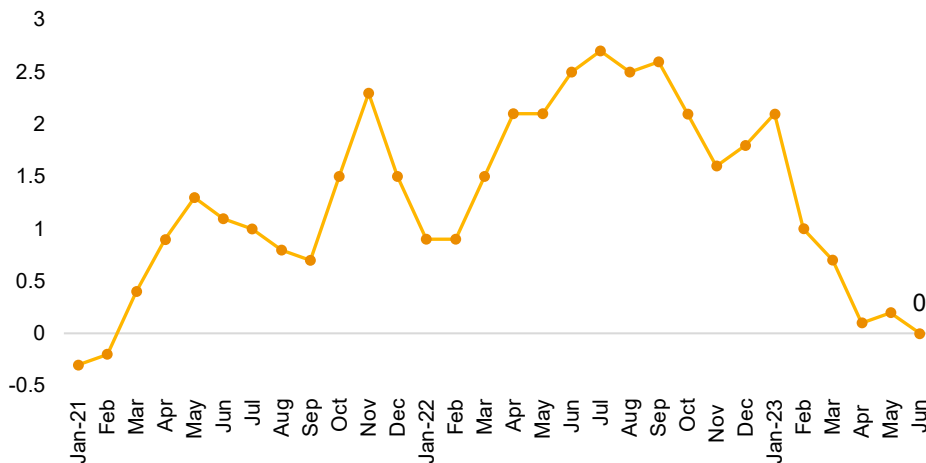


1. China's economic normalisation and what it means for the consumer market

A market overview and policy watch

From a macroeconomic standpoint, the Chinese economy has exhibited a positive momentum of recovery, as evidenced by a 5.5% GDP growth rate in H1 2023, exceeding the government's full-year growth target of 5% for 2023. However, the youth unemployment rate reached a new high of 21.3% in June, which may further undermine consumer confidence. Consumer Price Index (CPI) had been on a downtrend since January 2023 and is expected to remain stagnant in Q3, heightening the potential risk of deflation. Consequently, financial institutions are adjusting their projection for China's GDP growth in 2023 to 5%, down from the earlier average estimate of 5.5% in April, as recent economic data reveals a deceleration in economic momentum due to weak demand.

 **Figure 1: China's CPI from 2021 to 2023 (YoY %)**



Source: National Bureau of Statistics of China

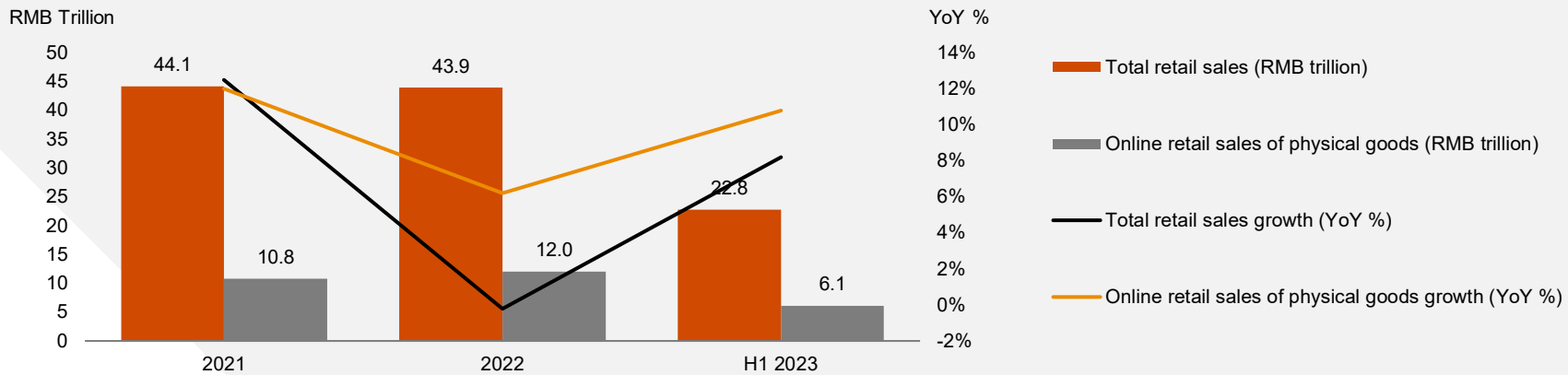
 **Figure 2: China's unemployment rate from 2021 to 2023 (%)**



Source: National Bureau of Statistics of China

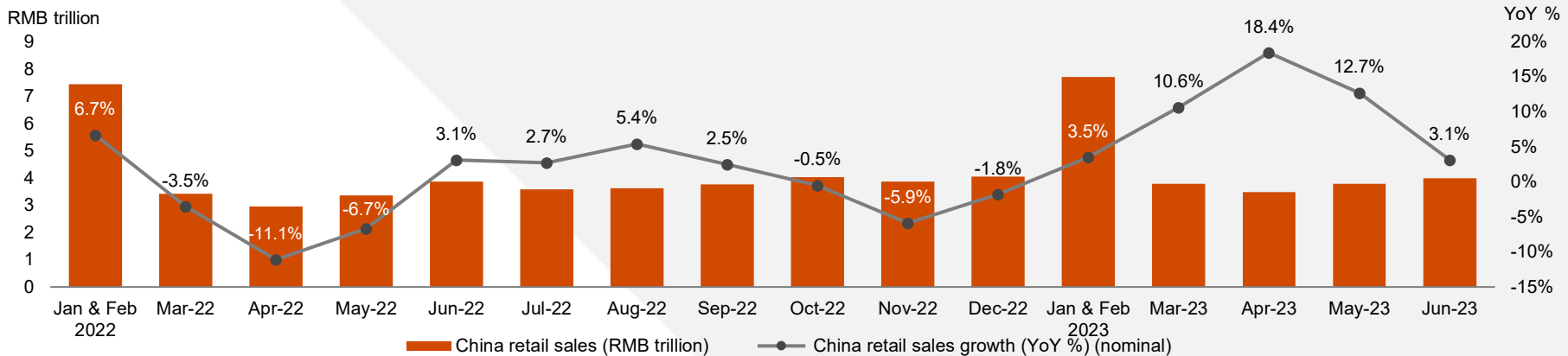
During the first half of the year, China's retail market staged a gradual recovery, with total retail sales of consumer goods increasing by 8.2% year-on-year to reach RMB22.8 trillion, although monthly retail sales experienced a slowdown in June 2023, compared to a 12.7% increase in May. Despite concerns over the strength and duration of economic recovery, the country's retail sector is largely stable with final consumption expenditure contributing over 77% of economic growth.

Figure 3: China retail sales and growth from 2021 to 2023

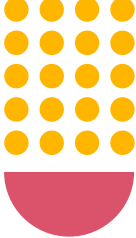


Source: National Bureau of Statistics of China

Figure 4: 2022 - 2023 China monthly retail sales



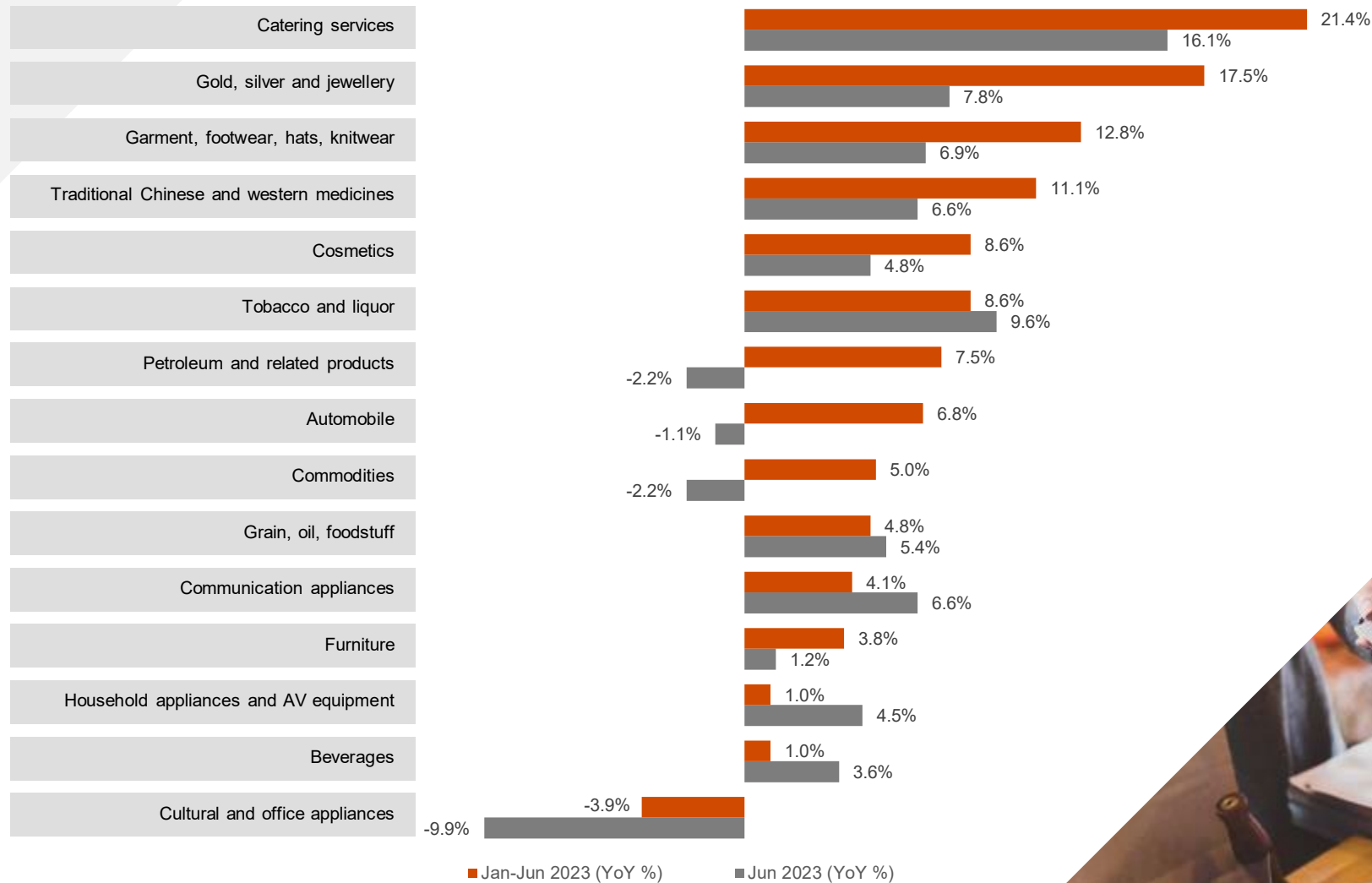
Source: National Bureau of Statistics of China



The retail sales picture suggested that consumption recovery in the first half of 2023 was mainly driven by catering services, luxury, and apparel and footwear. Sales of upgraded goods – the second best-selling category after catering services – grew rapidly, with retail sales of gold, silver, and jewellery increasing by 17.5% and cosmetics by 8.6% in H1 2023. It is noteworthy that petroleum and related products, automobile, commodities, cultural and office appliances, were the four categories experiencing a setback in sales on a monthly basis in June.



Figure 5: China retail sales by selected categories in Jun and the first half of 2023 (YoY %)



Source: National Bureau of Statistics of China

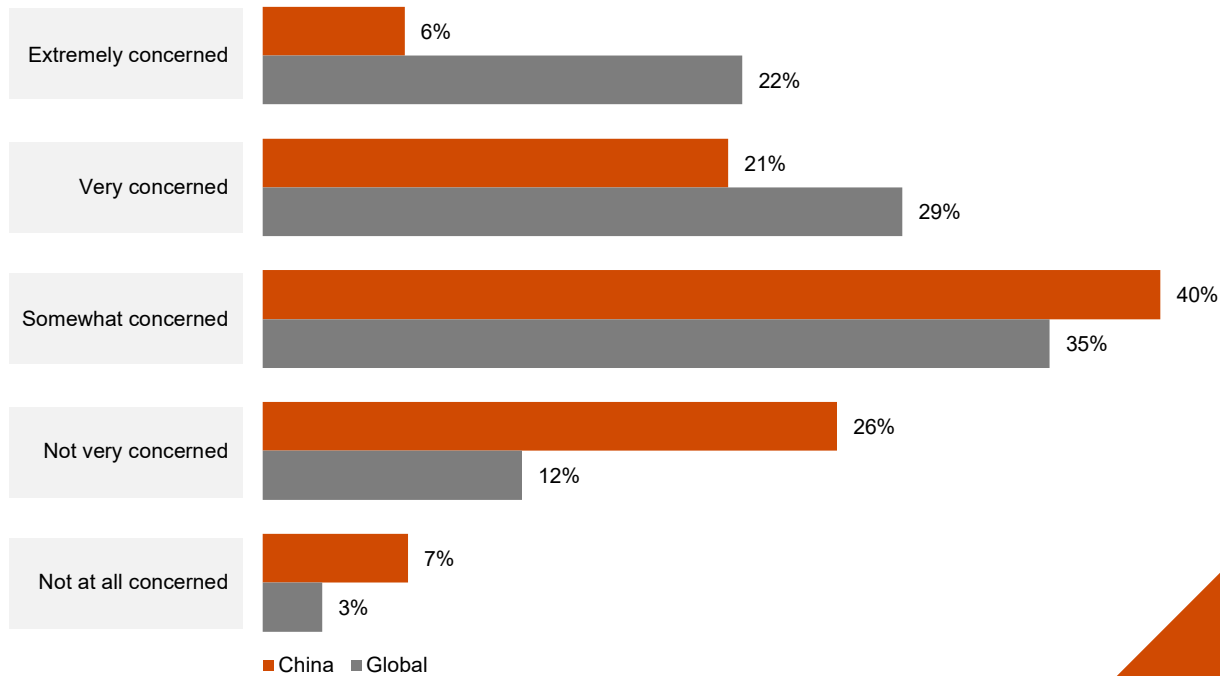


Rational consumption behaviour driven by uncertain economic outlook

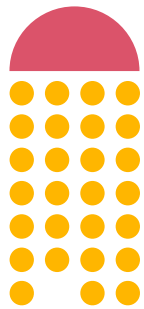
In light of the current economic situation, Chinese consumers' concern around the rising cost of living in relation to their personal financial situation is evident, with 67% of surveyed respondents (Global: 86%) expressing such concerns.



Figure 6: Considering the current economic climate and potential cost of living impact, how concerned are you about your personal financial situation?

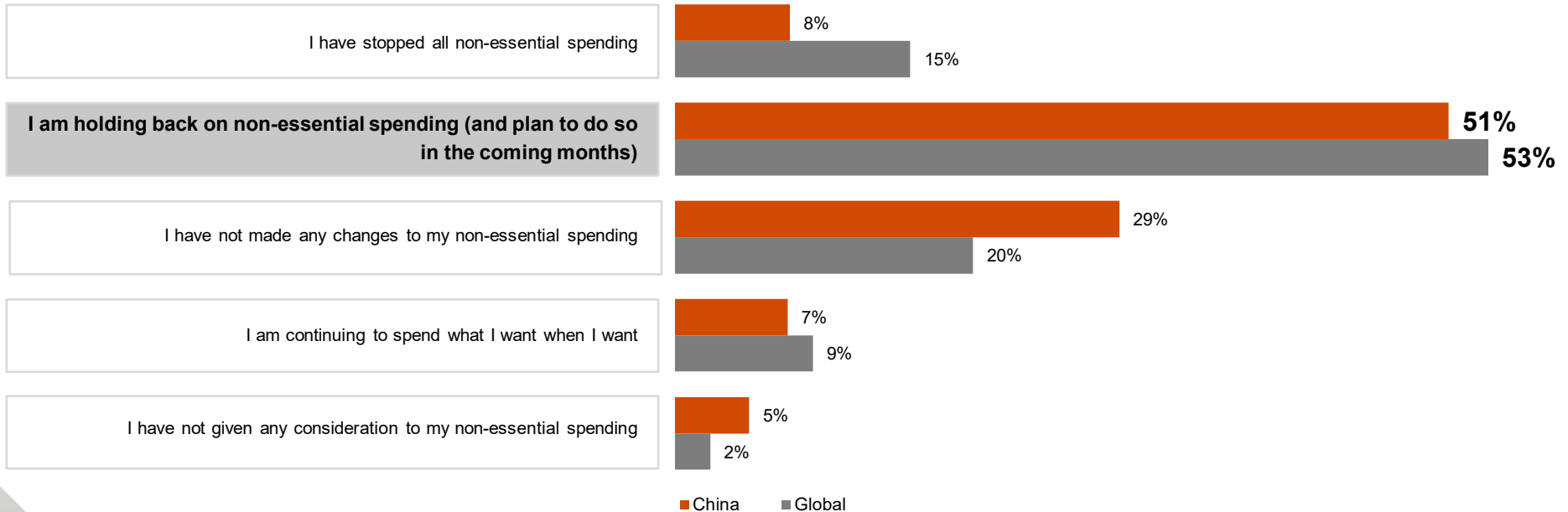


Source: Global Consumer Insights Survey 2023



Although the degree of financial concern felt by Chinese consumers is less acute than their global counterparts, it is already weighing on the expenditure on non-essential items, with 51% said they are (Global: 53%) holding back on non-essential spending considering the current economic climate. It is clear that personal finance now plays a bigger role in influencing consumer decisions and the likelihood of people engaging in cost-saving shopping behaviours.

Figure 7: Considering the current economic climate, which of the following statements best describes your situation regarding non-essential spending? By this we mean spending after paying for essentials such as food, clothing, utilities, mortgages, taxes etc.




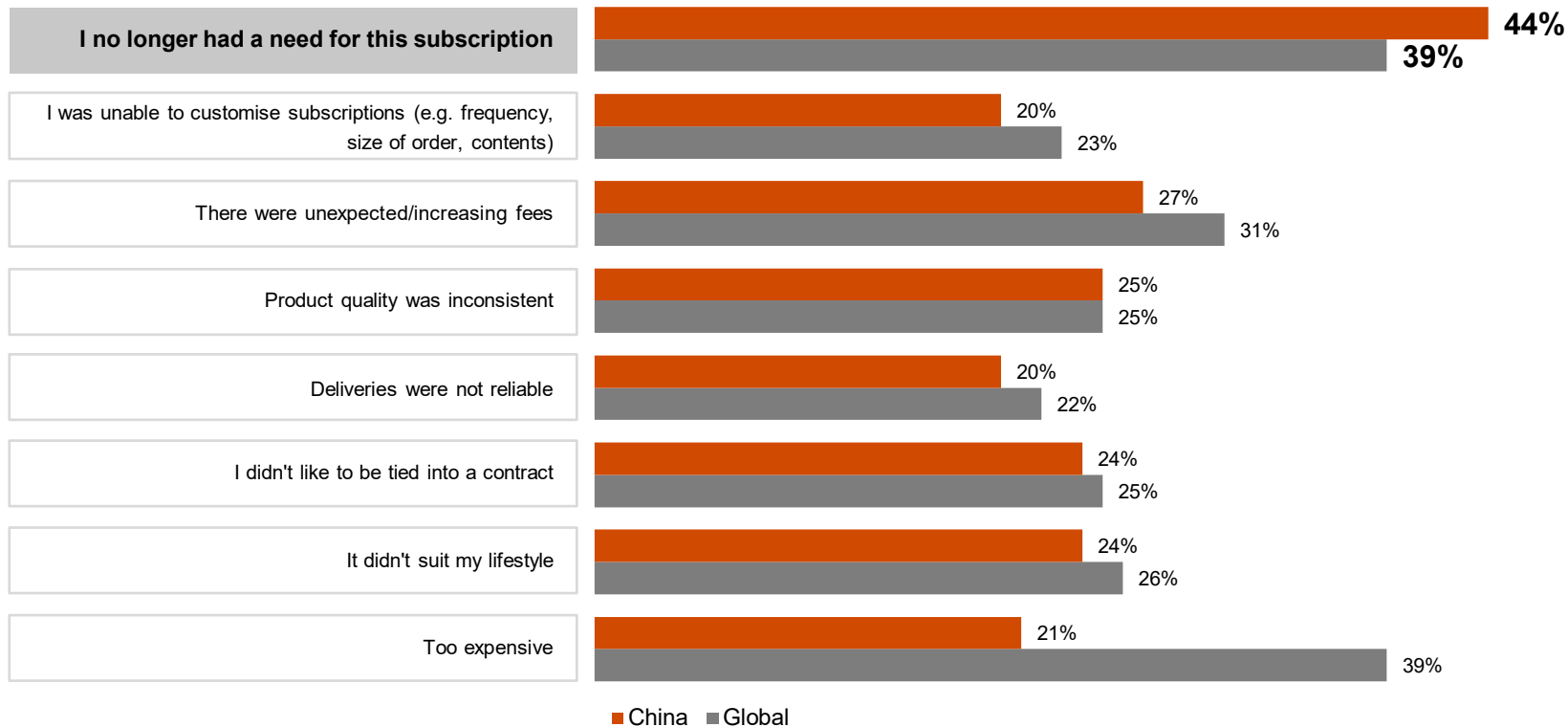
Source: Global Consumer Insights Survey 2023

For more essential items or services, however, Chinese consumers are not trading down, but they are getting much smarter about what they buy and where. They are very creative at finding the cheapest way to buy the brand they want, whether it's through WeChat groups, parallel imports, or the latest livestreaming deal. Without compromising on the brand and product they desire, they are making more rigorous trade-off decisions and more actively seeking discounts and promotions.

One of the most significant changes in consumer behaviour has been a shift towards more pragmatic and rational decision-making. This is due to a combination of factors, including reduced consumption needs amid the prior lockdowns and restrictions, increased economic pressures on households, and general uncertainty about the future. As a result, consumers are less likely to make impulse purchases and are focusing more on product quality and value, as well as taking advantage of promotions and comparing prices across different sellers.

With rational consumption back in fashion, Chinese consumers have joined the global trend of online subscription cancellation, particularly impacting the revenue of media and content streaming companies. 44% of our surveyed consumers (Global: 39%) cited a lack of need for continuation as the primary reason for cancelling their subscriptions, while other reasons included unexpected or increasing fees, concerns over contract ties, and the perceived high cost of subscriptions.

 **Figure 8: You have indicated that you have cancelled a subscription in the past. Which of the following best describes your reason(s) for deciding to cancel?**



Source: Global Consumer Insights Survey 2023

Another notable trend is the increasing skepticism of recommendations and a preference for doing independent research. With the abundance of information available online, consumers are more likely to seek out reviews and feedback from other customers, as well as compare prices and features across different products and brands. This has challenged the traditional marketing strategies of companies, which have relied heavily on influencer and celebrity endorsements, and has made it harder for brands to stand out from the competition.

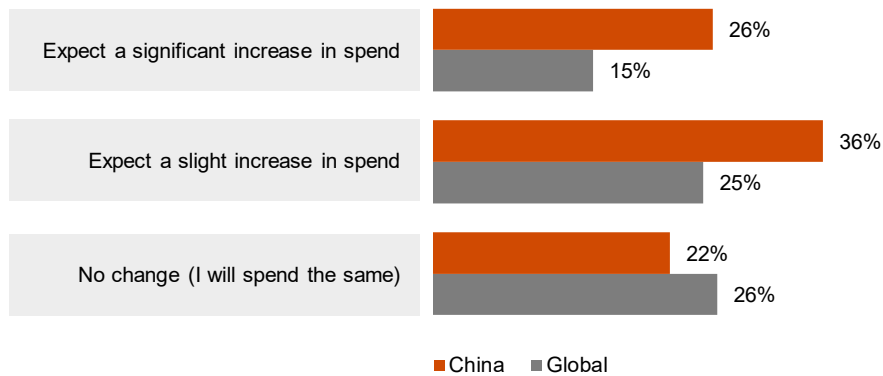


Consumer mobility improves with cultural activities in full swing

Chinese consumers showed enthusiasm for both domestic and outbound travel. To a much greater extent than their global counterparts, 62% of Chinese consumers expected they would increase spend on travel. More than 50% of Chinese consumers anticipated they are likely or extremely likely to travel on an international flight in the next six months.



Figure 9: Thinking about your spending over the next 6 months, to the best of your ability, please describe your expectations on spend for travel-related activities.



Source: Global Consumer Insights Survey 2023



Figure 10: In the next 6 months, how likely are you to...



Source: Global Consumer Insights Survey 2023

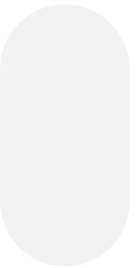
China's May Day holiday in 2023 shows recovery of tourist confidence. The total number of domestic trips during the holiday was 274 million, up about 71% year-on-year and 119% over the same period in 2019, generating 148 billion yuan in tourism revenue, up 129% year-on-year, and doubling over the same period in 2019. ⁱⁱ

As the country's biggest duty-free zone, Hainan has experienced a significant boost in inbound tourism. Changes in the pricing strategies of selected luxury brands and the strengthening Hong Kong's currency against the renminbi in the previous year have eroded the city's price advantage for certain high-end goods, thereby redirecting some potential shoppers to Hainan. As a result, Hainan's duty-free goods sector has witnessed a surge in the number of shoppers and sales, achieving a historic high during the first quarter.

Outbound travel also recorded a significant increase, despite international flight capacity yet returning to pre-pandemic levels. As per Tuniu, a prominent Chinese online travel agency, approximately 30% of users who travelled abroad visited Hong Kong and Macau, while other popular destinations included the Maldives, Singapore, Thailand, and the United Arab Emirates. ⁱⁱⁱ

The recovery of tourist and cultural activities presents a major opportunity for the tourism, hospitality and retail sectors. The surge in the number of domestic trips, tourism revenue, and consumer spending on travel indicates that Chinese consumers are eager to resume their pre-pandemic travel and leisure activities.

Retailers can leverage this trend by developing targeted marketing campaigns and offering attractive discounts and promotions to entice customers to purchase travel-related products and services. Additionally, they can focus on enhancing their online presence and e-commerce capabilities to cater to the growing number of consumers who prefer to book travel, cultural performances, and purchase related products online.



In sum, for many businesses, China's normalisation marks a positive sign for previously impacted sectors. Commercial activities start to improve along with relaxed social distancing measures, coupled with the removal of mask mandates and faster pace in institutional opening-up and consumption upgrading. The convergence of a robust middle class, low inflation, and restrained spending resulted in the accumulation of significant savings, which consumers are ready to spend once again when they become more confident about the economy and their personal finance.

At the same time, the Chinese government has rolled out successive measures to revive the economy, including support for household consumption, issuance of special bonds to fund targeted projects, and stabilising measures for various sectors such as banking, technology, and real estate. ^{iv}

Over the longer term, retailers need to be mindful of and responsive to the impacts of recent policy levers in the following five key areas in order to stay competitive and take advantage of the country's economic normalisation.

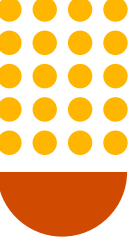
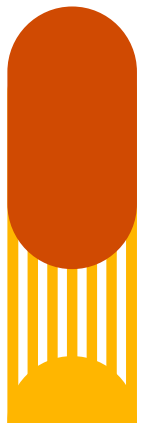


Domestic consumption with targeted upgrading will be in focus:

China launched a new round of nationwide car purchase campaigns in a major push to shore up demand and began easing monetary policy to support the economy. On 13 Jun, 2023, People's Bank of China lowered the interest rate for the first time in 10 months in a bid to restore market confidence and boost growth amid downward pressure. More stimulus is expected to come as the country is mulling a broad package of stimulus measures to boost slowing economy.

Household savings set to unleash on policy support to boost income growth:

The Two Sessions in March 2023 confirmed a raft of policies aimed at stimulating demand and unlocking consumer savings. Meanwhile, policy reforms such as lifting the retirement age to expand the labour force, strengthening employment, and reinforcing health insurance and benefits, should enhance household income over time. Securing income growth and improving consumer confidence remain key policy priorities for delivering a more sustainable consumption recovery.





Demographic shifts accelerating the change in demand patterns:

China's population in 2022 shrank for the first time in 60 years as demographic shifts and reduced childbirth continue to alter spending patterns. At the same time, China has been taking steady measures to improve basic elderly care services to provide a cushion for one of its most vulnerable groups in order to cope with the country's ageing society, with around 280 million people aged 60 and above as of the end of 2022.

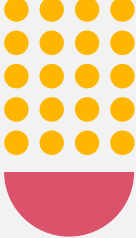
Supply chain disruptions due to geo-economic fragmentation:

Geopolitical tensions exert pressure on industrial supply chain affecting prices and availability. The persistent tension in the China-US trade relation underscores the importance of supply chain diversification. The combined impact of tariffs, the Covid-19 pandemic, and other challenges has prompted retailers to seek opportunities to diversify their sourcing and establish resilient supply chains that can adapt to changing market conditions and meet consumer demands.



More stringent data and consumer protection laws altering the game:

The dynamic landscape of China's Personal Information Protection Law (PIPL) highlights the need for marketers and brands to adopt first-party data strategies that comply with evolving regulations to safeguard consumer data. The introduction of the Standard Contract Measures on June 1, 2023 has further clarified regulations for businesses engaging in cross-border transfers of personal information. With PIPL in place, Chinese consumers are now better protected against big tech and digital marketing by allowing them to reject automated decisions and preventing personal information handlers from using data mining to offer different prices to different consumers.



Technology



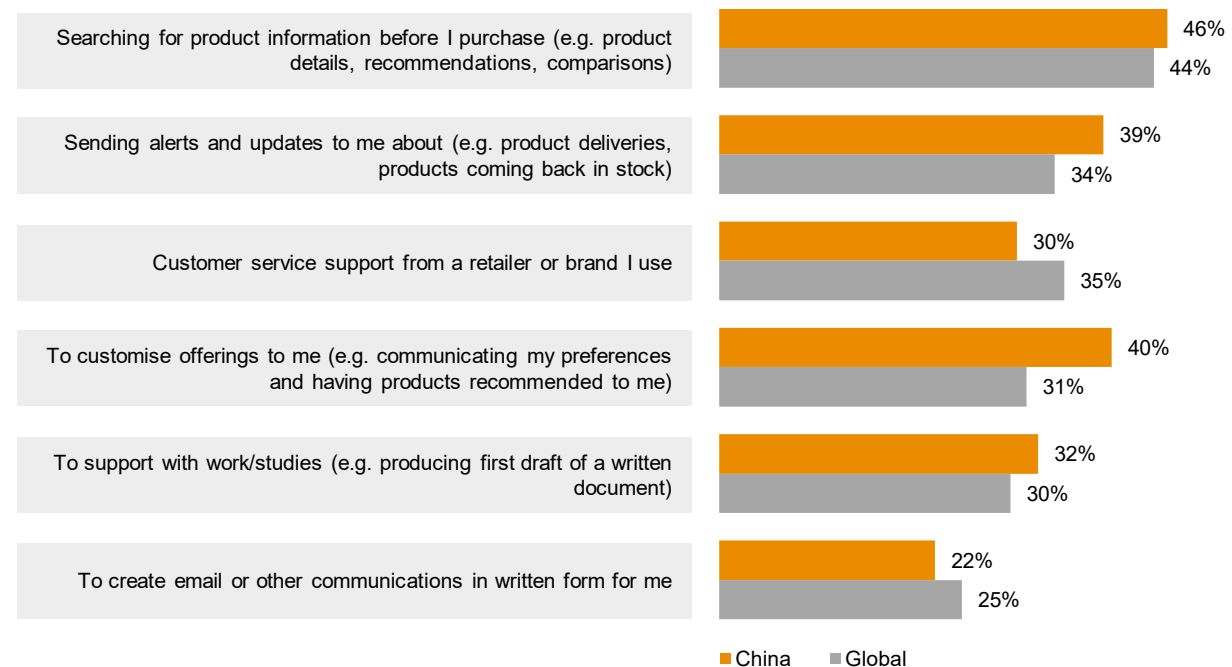
2. Harnessing the power of generative AI for retailers and brands

ChatGPT, along with other variations of generative AI, has taken the world by storm since its debut last November and revolutionised many industries due to its advanced conversational capabilities. Chinese tech companies are already scrambling to roll out ChatGPT-like AI chatbots or products. After Baidu's 'Ernie Bot', Alibaba's version of ChatGPT has also been released, named 'Tongyi Qianwen', which is currently in the internal testing phase and will be eventually added to all Alibaba applications, from e-commerce to mapping services. ^v

The application of advanced chatbot technology is ever-increasing for the consumer market. When asked about what functions of a chatbot are most appealing to them, Chinese consumers are interested in using various functions of a chatbot, including searching for product information (46%; Global: 44%), personalising offers (40%; Global: 31%), sending alerts and updates about products (39%; Global: 34%), as well as enhancing customer services and support (30%; Global: 35%).

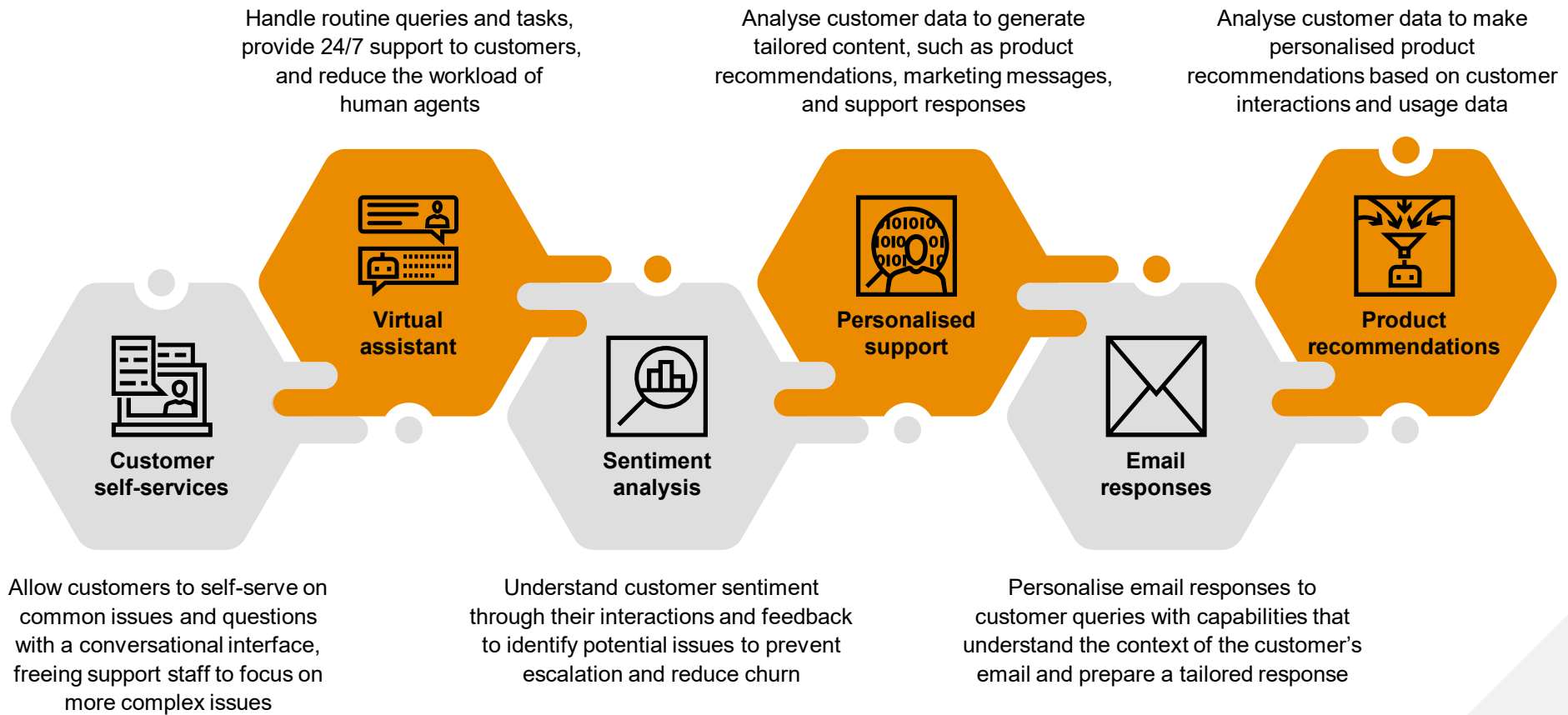


Figure 11: Recently there have been major increases in the capabilities of what chatbots can do. Which, if any, of the following functions of a chatbot would you be interested in using?



There are numerous ways brands can harness the power of generative AI. For example, AIGC-powered systems have the potential to revolutionise customer service, which until now, has been a pain point for B2C brands trying to improve service quality and reduce costs in their external communication channels. The wide applications of AIGC not only allow retailers to streamline high-frequent and repetitive tasks for better cost control, it also enables innovate use cases in private domain operations such as virtual KOC live streaming, create personalized content and product recommendations, enhance customer responsiveness through intelligent chatbots, or perform sentiment analysis to better handle customer complaints.

Generative AI use cases in customer services



Interactivity is perhaps one of the most imaginative aspects of AIGC technology. Combined with AI intelligent text, audio and imaging technology, AIGC makes it possible to create real-time interaction between characters in the video and users, and even the creative use of virtual KOCs to sell products via live streaming.

In response to rapid development of AIGC, the Cyberspace Administration of China (CAC) released the 'Measures for the Administration of Generative AI Services (Draft for Public Comments)' in April 2023 to solicit public opinion. The Draft, consisting of 21 articles, addresses the regulatory principles and specific requirements pertaining to AIGC products and services. It is anticipated that the new regulations will draw a line for the healthy growth of the industry, and AIGC providers will need to exercise caution on generated content from multiple perspectives such as use of algorithms, training data requirements, data privacy, IP protection, and so on.

Key considerations for retailers to adopt Generative AI



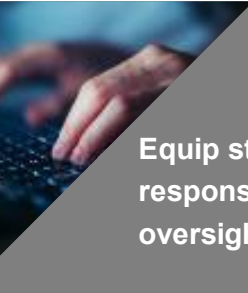
Set risk-based priorities



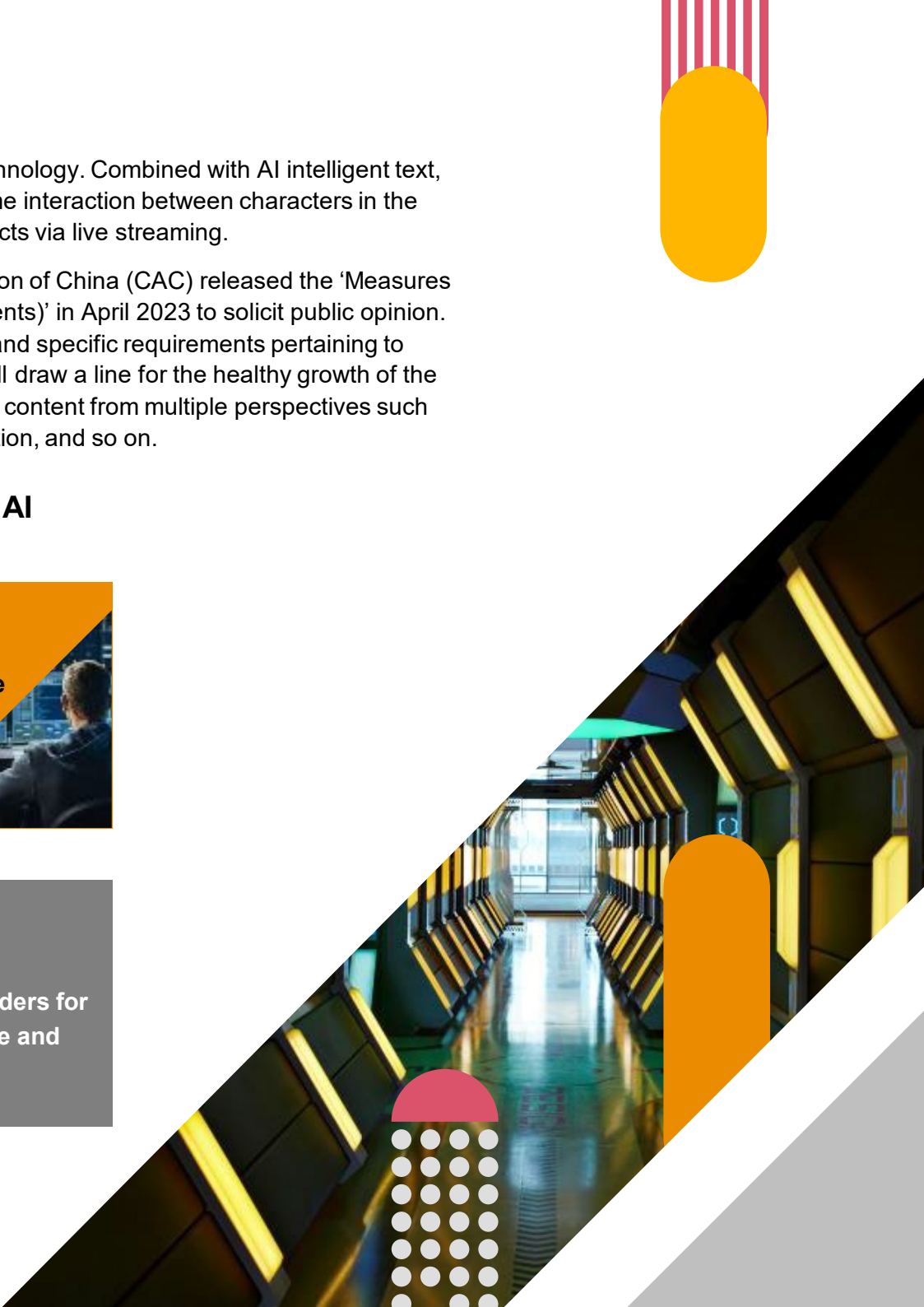
Pilot an impactful use case



Revamp cyber, data and privacy protections



Equip stakeholders for responsible use and oversight



3. Moving beyond the hype of the Metaverse evolution

The Metaverse wave has permeated in China over the past two years, and despite its popularity cooling off in recent months, has brought about a host of exciting business opportunities. Leading tech giants such as ByteDance, Tencent, and Baidu are experimenting with metaverse-style applications, trademarking metaverse-related terms, and investing in the VR/AR industry.

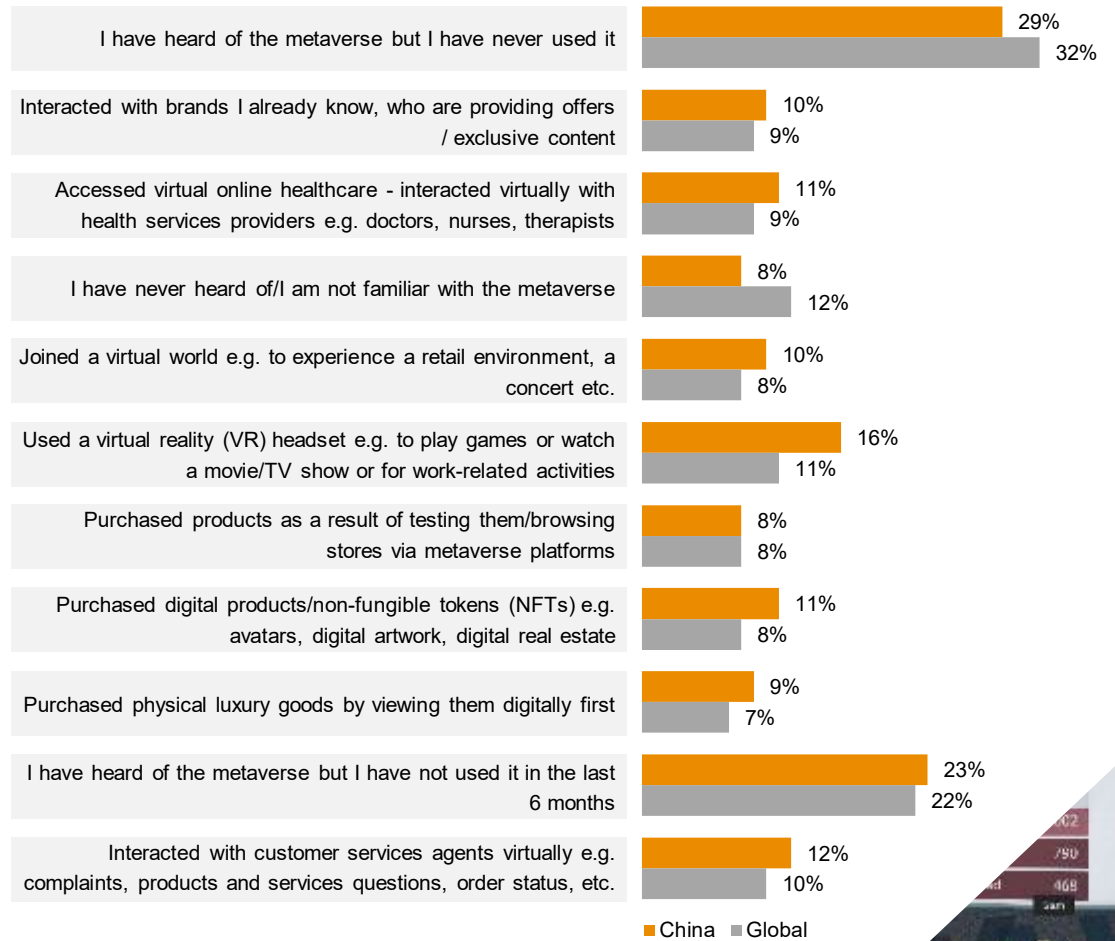
Our study indicates that, for many Chinese consumers, metaverse-related activities are still in the experimental or early adoption phase, although they are found to be more aware of and actively engaged in the Metaverse, compared to their global counterparts. Only 8% of Chinese respondents (Global: 12%) said they have never heard of or not familiar with virtual reality.

16% of Chinese consumers said they have used a virtual reality headset for entertainment in the last 6 months, 12% interacted with customer services agents virtually, 11% have purchased digital products or NFTs. Other commonly cited metaverse activities include accessing virtual online healthcare, interacting with brands, joining a virtual world, as well as purchasing products as a result of testing or browsing them via metaverse platforms.

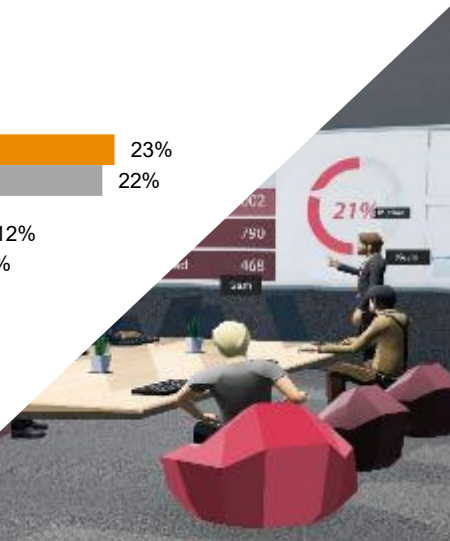
Meanwhile, luxury brands such as Burberry, Louis Vuitton, Balenciaga, and Gucci have been at the forefront of shaping the future of the fashion industry. These brands are exploring the potential of the metaverse to create novel revenue streams and offer immersive customer experiences. On the other hand, Maxim's Group has introduced a mobile gaming app named 'eatie' that operates on Web3 technology, the first of its kind in Hong Kong that combines food and gaming themes, allowing customers to earn points and rewards in the real world by playing virtual games.



Figure 12: In the last 6 months, which of the following metaverse-related activities have you participated in?



Source: Global Consumer Insights Survey 2023

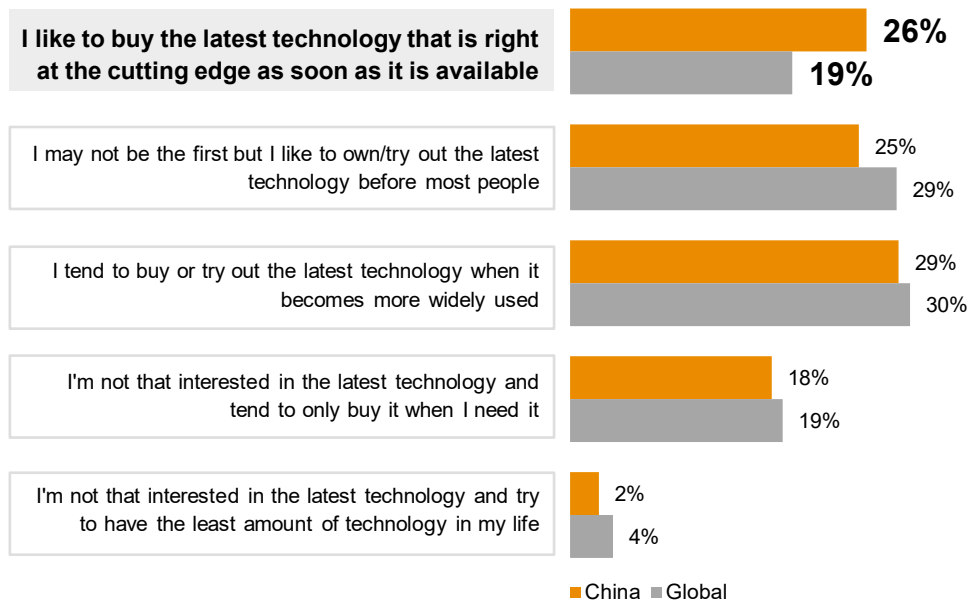




Looking closer at consumer preferences when it comes to technology innovations, 26% of Chinese consumers (Global: 19%) said they like to buy the latest technology that is right at the cutting edge as soon as it is available, as opposed to 29% (Global: 30%) who prefer to wait till such technology becomes more widely used.




Figure 13: Which of the following best describes your personal preference when it comes to technology?





Source: Global Consumer Insights Survey 2023

Given a higher degree of market awareness, the consumer metaverse in China is set to become a new battle ground for brands to compete for eyeballs and virtual world spending. PwC predicted the metaverse economy as the next frontier, projected to grow to US\$1.5 trillion in 2030, mainly driven by web3 and AR/VR technologies. It is likely to incrementally reshape the strategies and physical operations of retailers to enhance omnichannel experience. Retailers should consider the following factors to make such experience more accessible to customers:

- 

Compatibility
Ensure that the Metaverse platform used is compatible with a range of devices, from high-end VR headsets to smartphones and laptops.
- 

Accessibility features
Incorporate accessibility features, such as text-to-speech and captioning, to accommodate customers with visual and hearing impairments.
- 

User-friendly interface
Make sure that the Metaverse experience is easy to navigate, intuitive, and user-friendly, to appeal to customers who may not be tech-savvy.
- 

Bandwidth requirements
Keep in mind that some customers may have limited internet bandwidth, so the Metaverse experience should be designed to work on slower internet connections.
- 

Inclusivity
Ensure that the Metaverse experience is inclusive and culturally sensitive, to avoid alienating any groups of customers.

Experience





4. Pursuit of frictionless consumer experience

With Chinese consumers resorting to more cautious spending in view of a tougher financial outlook, providing a seamless and frictionless customer experience has become an important non-price differentiator in helping retailers to attract and retain customers. A frictionless customer journey refers to a seamless and effortless interaction between the customer and the retailer, where every touchpoint – from browsing and researching, channel of purchase, to delivery and customer support – is designed to provide maximum convenience and ease of use.

It is important for retailers to identify the key sources of friction along the consumption journey if they are to win customer loyalty and drive repeat business. It comes down to closing the expectation gaps in five areas, that is digital trust, pre-purchase research, convenience at points of purchase, product authenticity, and post-purchase cognitive dissonance.

Mitigating consumer concern over data privacy

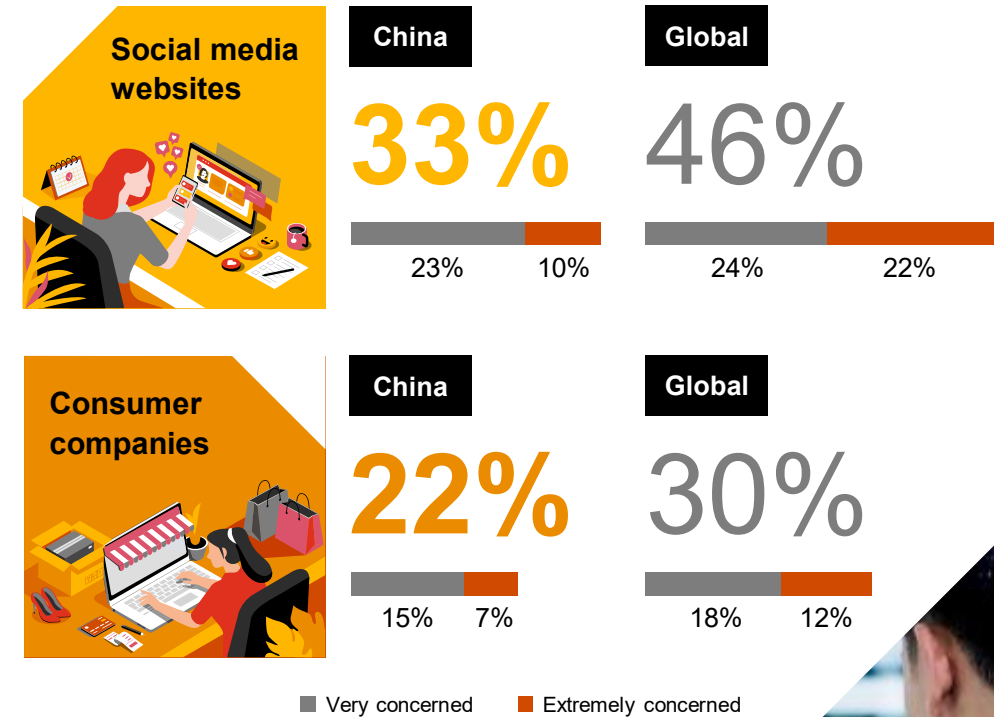
Consumers are seeking less friction – but that doesn't necessarily mean opting only for e-commerce, or for physical experiences that are entirely mediated by technology. They're continuing to experiment with the next generation of digital platforms. And as more of everyday work and leisure life continues to go digital, mobile and virtual, concerns about data security and privacy have emerged as a significant source of friction.

When asked about the extent of concern over the use of personal data while interacting with a range of companies, 33% of Chinese consumers are extremely or very concerned about sharing their personal data with social media companies, while 22% said the same about consumer companies.

In response to this, retailers can take proactive measures to mitigate concerns and safeguard their customers' personal information. This can involve implementing robust data security measures, such as encryption and secure payment gateways, to protect against cyber threats. Retailers can also prioritise transparency by clearly communicating their data collection, usage, and sharing policies, and providing customers with clear options to manage their data, let alone offering opt-in programs that allow customers to voluntarily provide their data in exchange for personalised recommendations or other benefits.



Figure 14: To what extent, if at all, are you concerned about the privacy of your personal data when interacting with the following types of companies?



Source: Global Consumer Insights Survey 2023



Clearly with the introduction of PIPL in recent years and subsequent policy updates, Chinese retailers are scrambling to ensure compliance with the new regulations by adopting new approaches to protect their customers' personal information, especially when violations can be as hefty as 5% of annual company revenue. We summarise some of the challenges and opportunities for retailers as they navigate the new regulatory landscape.

Notes: 1) certified by a professional institution; 2) organised by the national cyberspace authority

Source: PwC PIPL analysis

Challenges

Extraterritorial applicability

- International companies located outside China and have collected or intended to collect PI from China should assess how they should take compliance steps with China data law

Get personal consent & regulate automated decisions

- Big data analysis for personal behaviours, pricing etc., must ensure legality, transparency, security and fairness
- Proper rules should be implemented for automated decision-making

Cross-border data transfer

Cross-border data transfer must use mechanisms set out in the law, including:

- Obtaining certification of cross-border personal information transfer ¹⁾
- Passing security assessment ²⁾
- Entering into standard contract prepared by Chinese regulator

Private domain and membership system management

Brands can build long-term trust and relationship with consumers to

- Obtain user-authorised personal information
- Provide membership benefits and avoid the big data-enabled price discrimination and misleading in marketing

Optimise internal data management to avoid risks

- Organise implementation of compliance and rectification plan
- Determine the operation authority level based on information sensitivity
- Apply security technical measures such as encryption and de-identification

Enhance digital asset management capabilities

- Develop advanced algorithm to manage data as digital asset to maximise data utilisation

Opportunities

Removing informational friction

58% of Chinese consumers are inclined towards using e-commerce channels, such as Taobao or Tmall, to typically research the items or products they intend to buy, followed by social media platforms such as Xiaohongshu and TikTok (43%), customer reviews (32%), and search engines (31%). Although this is a common phenomenon given the immense popularity and convenience of online platforms, for brands, this might imply an over-reliance on third-party channels for promoting and marketing their products as only 28% of respondents typically research their products on brand websites, five percentage points lower than the global average. Brands will have to work harder to regain control over ‘the first checkpoint in the consumer journey’ to drive engagement on their own websites and ensure a more direct and impactful brand-consumer relationship.

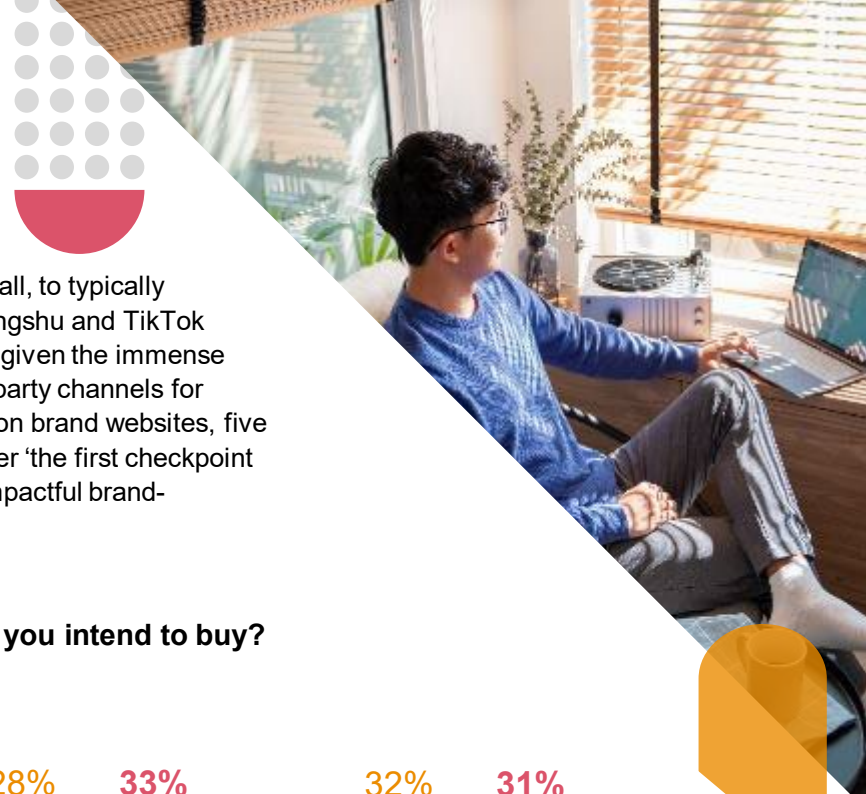
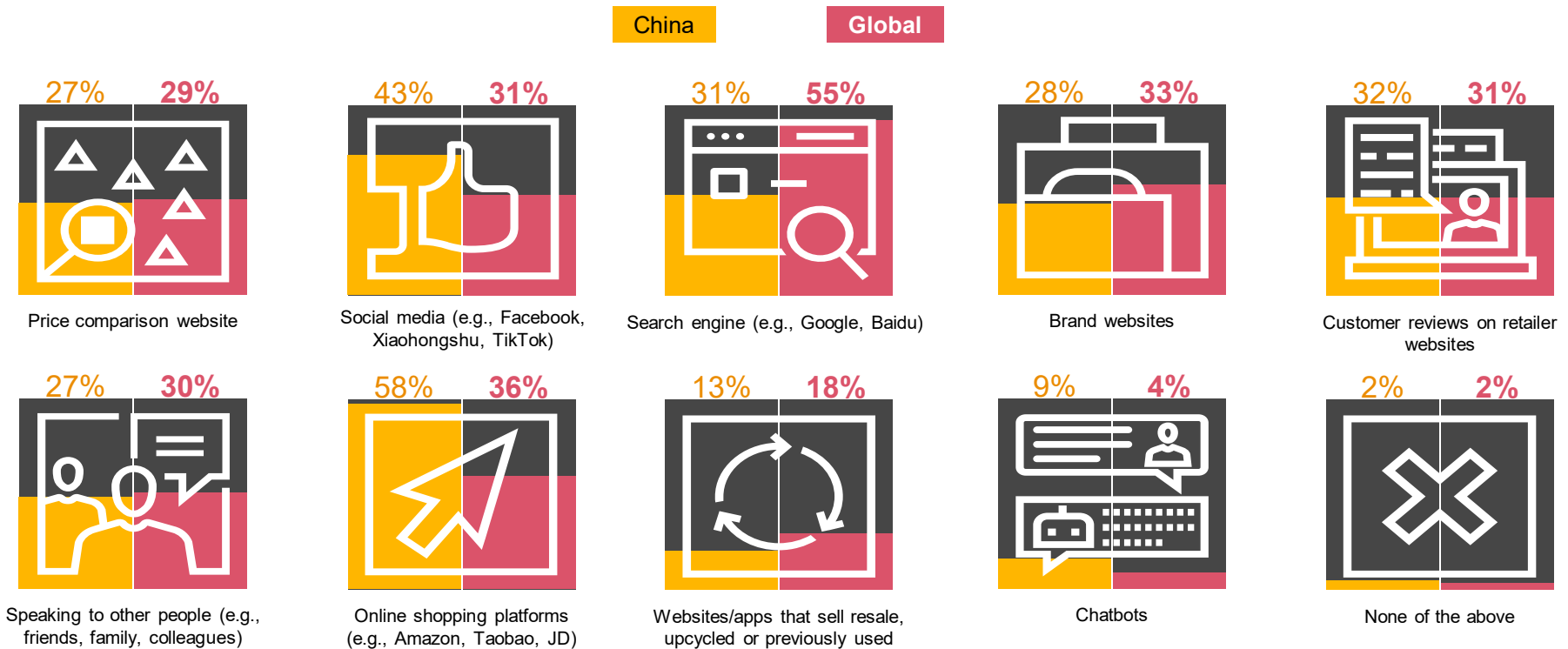


Figure 15: In general, where do you typically research the items/products that you intend to buy?

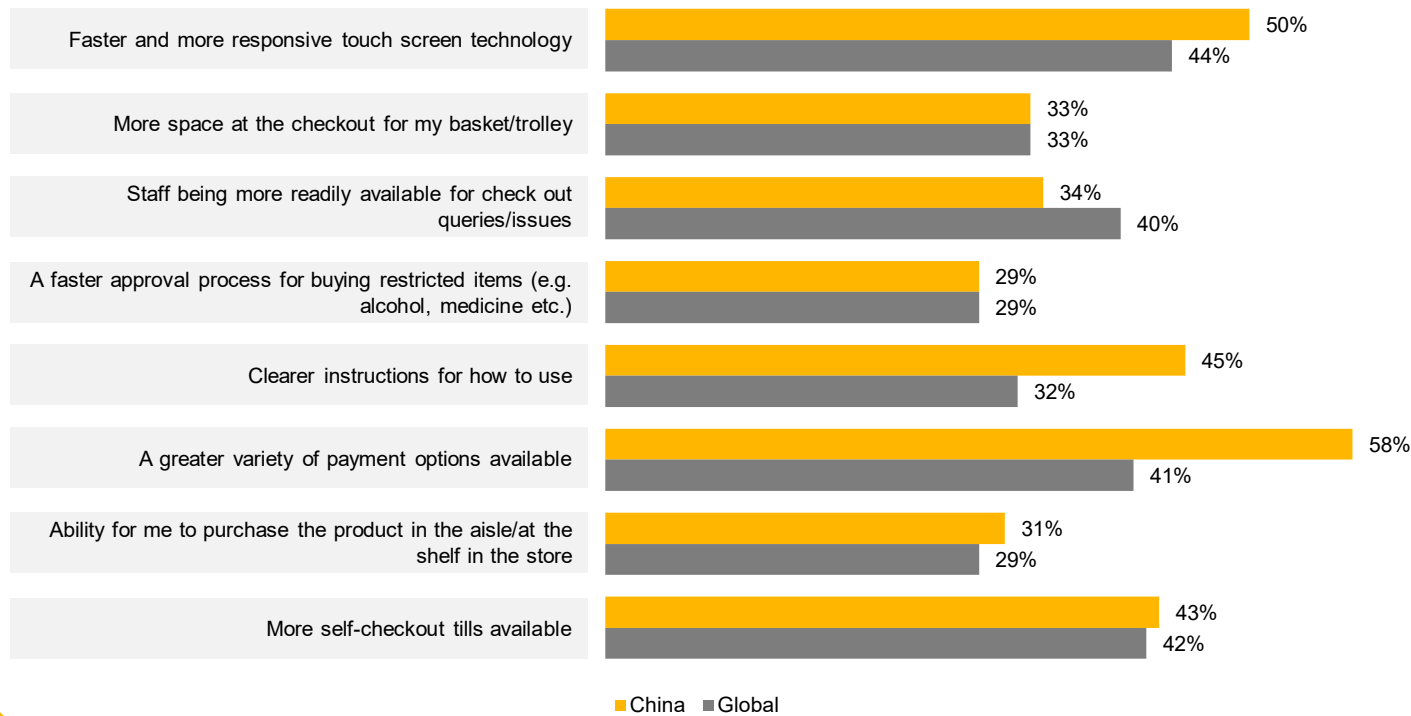


Reducing time friction with automation

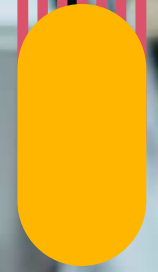
Retailers across the country are cashing in on automation to reduce time friction and improve the customer experience, as evidenced by the wide availability of self-checkout tills. Chinese consumers said a greater variety of payment options available (58%), advanced touch screen technology (50%), and clear instructions (45%) would encourage them to use self-checkout more often in physical stores.



Figure 16: Thinking about a time when you have used a self-checkout in a physical store, which, if any, of the following would encourage you to use them more often?



Source: Global Consumer Insights Survey 2023



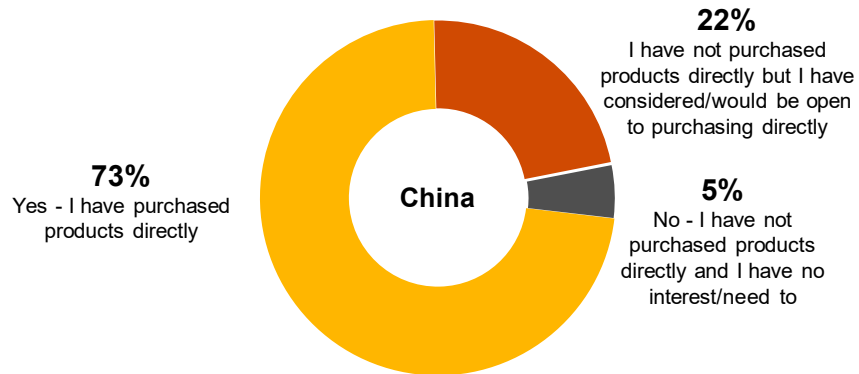
Circumventing the authenticity barrier

One salient finding from our survey is that consumers are progressively bypassing conventional intermediaries and marketplaces in favour of purchasing directly from brands. A majority of consumers (73%) have attested to making purchases directly from a brand's website, and we anticipate that figure to escalate. An additional 22% have conveyed that despite not having done so yet, they are contemplating the direct-to-consumer (DTC) option.

Among those have purchased products directly from brand's website, product authenticity (62%), more choices (43%), better service and delivery time (39%), as well as competitive prices (37%) are cited as the key motivators. Electronics is the largest category Chinese consumers brought via DTC means, followed by clothing and accessories, and beauty and personal care products.



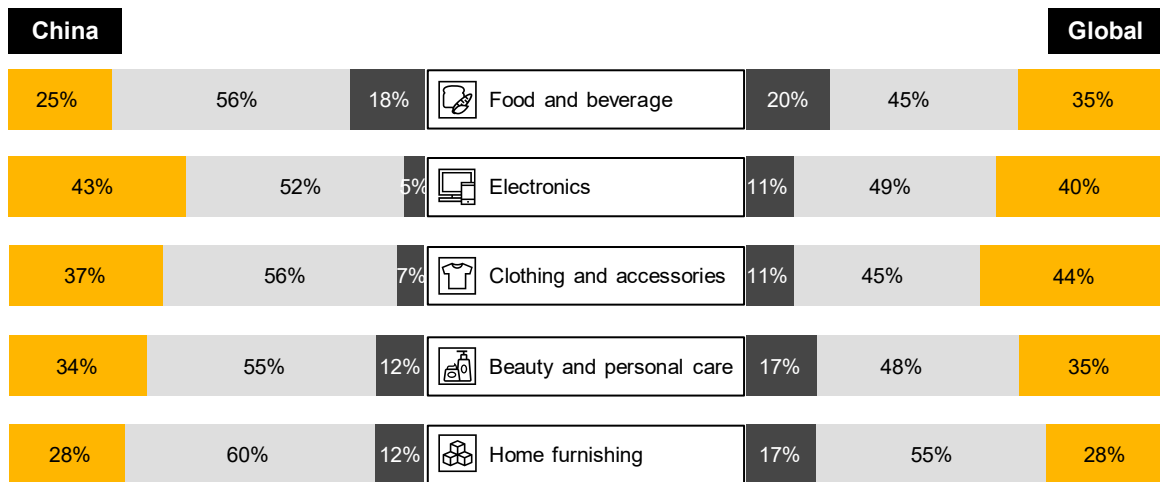
Figure 17: Thinking of products that you buy, have you ever purchased or considered purchasing them directly from the brand's website?



Source: Global Consumer Insights Survey 2023



Figure 18: Which, if any, of the following product categories have you purchased or would consider purchasing directly from the brand's website?



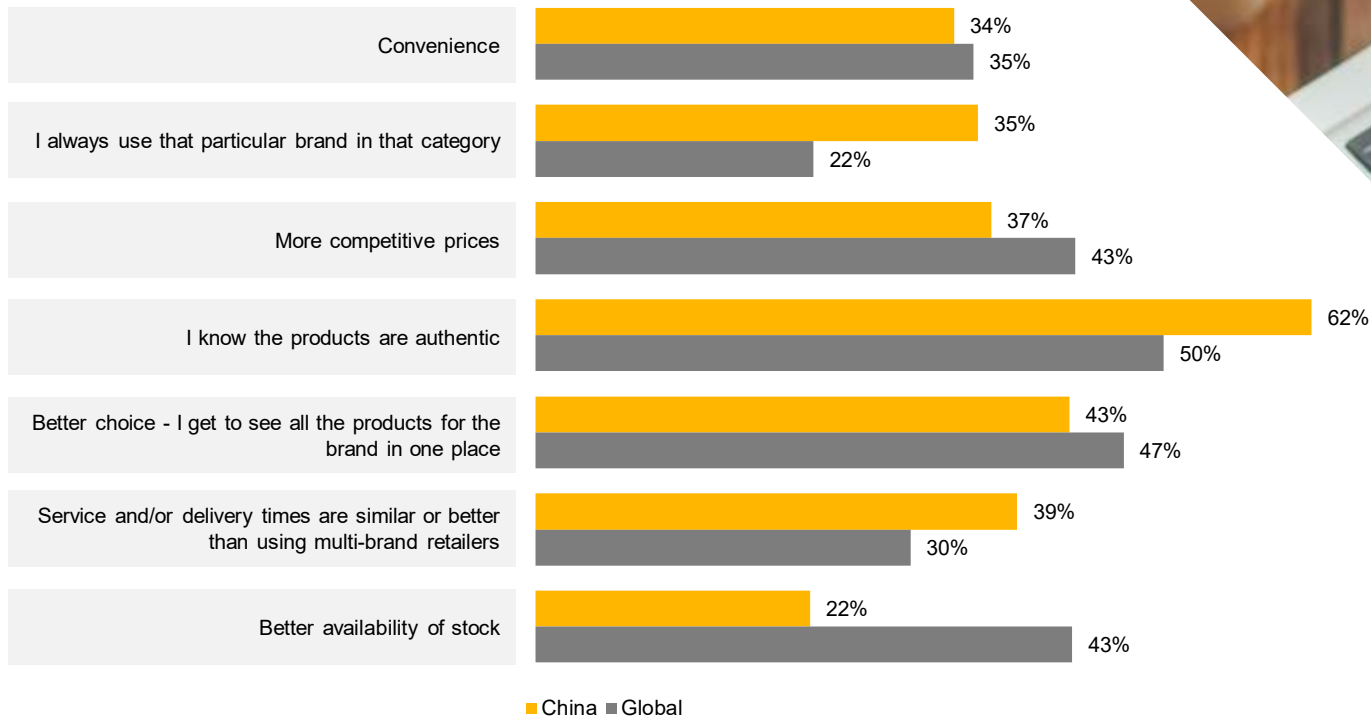
■ Have purchased directly. ■ Would consider purchasing directly. ■ Would not consider/have no interest in purchasing directly.

Source: Global Consumer Insights Survey 2023



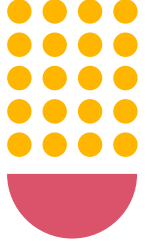


Figure 19: What are the main reasons why you have purchased or would consider purchasing products directly from the brand's website?



Source: Global Consumer Insights Survey 2023

Brands would be wise to leverage DTC trends. By utilising appropriate marketing tools and technologies, they can establish a greater frequency of connection with the end consumer, circumventing the need for retail partners. In fact, those capable of maintaining sophisticated e-commerce channels and optimising digital marketing technology have augmented control over customer experience, access to valuable customer data and insights, and improved profit margins and revenue opportunities.



Managing post-purchase cognitive dissonance

Another crucial point of friction arises post-purchase. Returns have always been an inherently challenging aspect of the shopping experience. However, with the proliferation of e-commerce, returns have become a more convoluted issue for online retailers compared to physical retailers, primarily due to cost fluctuations in shipping and logistics. The upsurge in online shopping during the pandemic further compounded the situation.

Our survey sought to determine the factors that could potentially diminish the frequency of returns made by Chinese consumers. It suggests that providing more precise sizing information (49%) and the ability to read reviews from other customers (49%) both stood out as the most significant factor, surpassing greater accuracy in product descriptions by four percentage points. Interestingly, 4% of online shoppers confessed that they typically do not return items, a much lower proportion than their global counterparts.

In summary, brands must identify, isolate and mitigate the many frictions that stand between them and their customers, and between their customers and optimal experiences. Beyond meeting consumers where they are—physically and psychologically—companies must invest to ensure that they'll be able to meet them where they will be in the future.

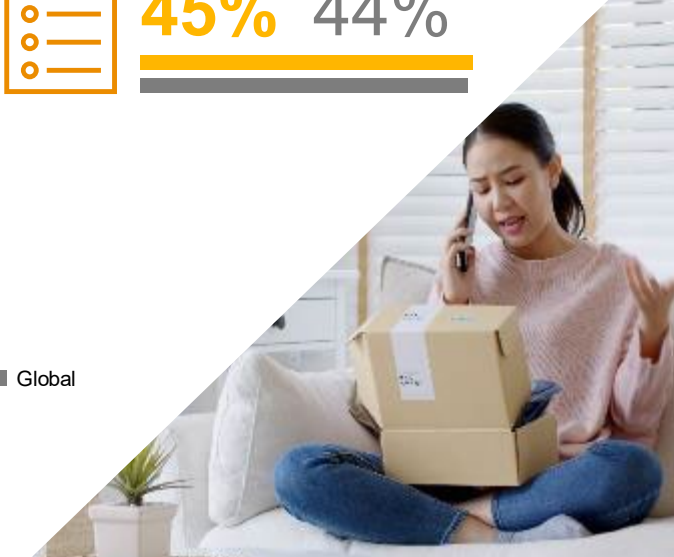
A discernible discrepancy exists between the perceptions of executives and consumers regarding the reasons why customers may abandon a brand. While executives may attribute customer attrition to price changes or competitive factors, many consumers attribute it to negative experiences with products and customer service. This 'price-experience gap' underscores a fundamental disconnect regarding the factors that can drive customer loyalty. To retain customers and engender loyalty, brands should prioritise delivering exceptional customer experiences, through mitigating and removing various points of frictions.



Figure 20: 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?



Source: Global Consumer Insights Survey 2023





Delivering differentiated customer experiences through digital technology

Leveraging superior store experiences via user-generated contents (UGCs)

Consumer brands are investing in the enhancement of their in-store experiences by focusing on store designs, revamping decorations, incorporating interactive elements, and creating inviting social spaces. Brick-and-mortar stores are evolving into experiential centres, providing customers with unique and captivating experiences throughout their journey. This not only delights customers but also motivates them to share their experiences through short videos, pictures, or user reviews on social media. As a result, word-of-mouth marketing is amplified, attracting more potential buyers and fans online at virtually no additional cost.

Enabling innovative user interactions with digital tools

Brick-and-mortar stores have undergone a remarkable transformation, surpassing their traditional role as mere sales outlets. They have become pivotal touchpoints that offer interactive experiences, value-added services, and digital immersion to consumers. Companies are leveraging digital technologies to design tailored interactions and immersive experiences that cater to users' preferences and circumstances. Advanced technologies like AR (Augmented Reality), smart mirrors, and RFID (Radio Frequency Identification) are being deployed in brick-and-mortar stores to enhance the product selection process and improve service efficiency. By doing so, consumer brands not only enrich their interactions with customers and boost conversion rates but also gather valuable sensor data to analyse consumer preferences. This data can be used to continuously enhance in-store experiences, including product displays and customer services.

Prioritising user engagement through digital applications

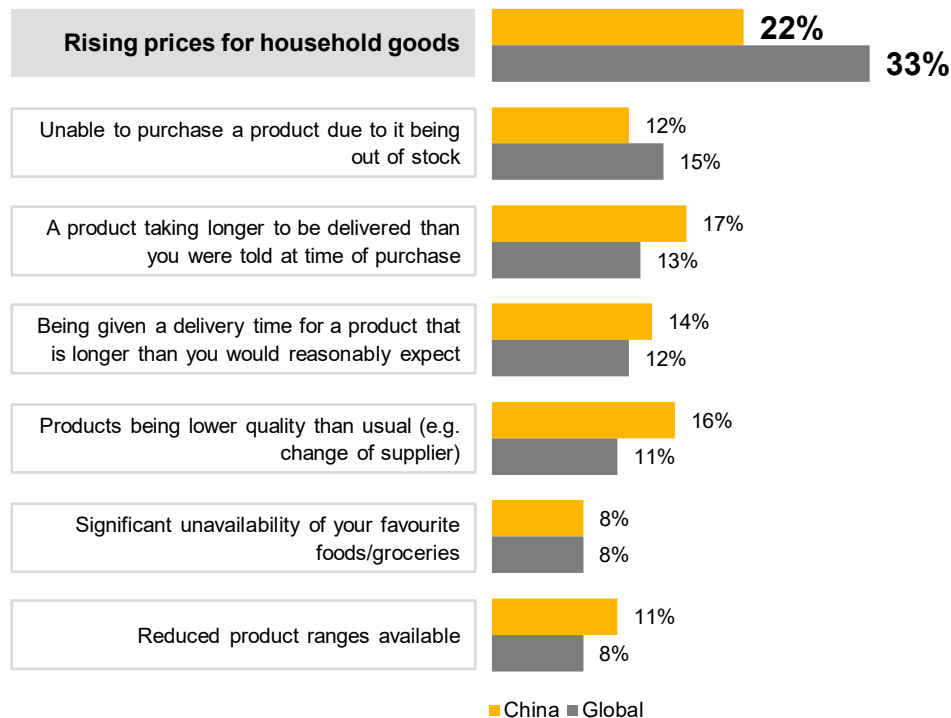
Recognising the immense value of their existing customer base, consumer brands are placing a heightened emphasis on user engagement. Brands are using advanced data analytics and tools to extract diverse insights from their existing customers. With the aid of data-driven insights, brands can effectively fine-tune their marketing strategies, catering to their customers' needs, ensuring customer satisfaction, and fostering their long-term loyalty. To further enhance their efforts, brands are utilising typical Mar-tech tools such as CDP (Customer Data Platform), SCRM (Social CRM), and MA (Marketing Automation). These tools empower brands to conduct in-depth analytics and execute targeted marketing campaigns that focus on their existing customer base.



5. Exploring supply chain innovations to address customer pain points



Figure 21: Which of these issues is having the greatest impact on you when purchasing a product online?

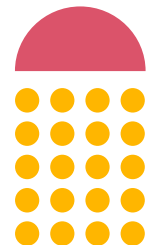


Source: Global Consumer Insights Survey 2023

Industrial supply chains in China, once disrupted by the pandemic, is now gradually normalising with the return of manufacturing activities and resumption of logistics network. However, consumption appears to be bouncing back at a much faster pace due to policy stimulus and pent-up demand, raising the question of whether retailers can deliver products and services efficiently with their current supply chain setups.

In fact, supply chain issues are manifested in ways that impact online shoppers as well, an indication of the frictions that can build up in online environments. When asked to identify issues they've experienced 'almost always or frequently' while shopping online, 22% of Chinese consumers named the rising prices of household goods, highest among all categories but still shy of 33% reported by their global counterparts.

A lower proportion cited delivery time longer than they were told at time of purchase and reasonably expected, products being lower quality than usual, and inability to buy a product because it was out of stock. Apart from rising price being less of a concern for Chinese consumers, most supply chain pain points are reportedly more pronounced than the global average.



Looking at in-store shopping experiences reveals a similar pattern. While 26% of Chinese consumers considered rising prices for household goods as the biggest 'experience killer', lesser portion of them reported issues arising from long queues, busier store locations and out of stock products remain the factors most impacting consumers shopping in-store. This highlights the need for retailers and supply chain managers to prioritise and address these common issues to improve customer satisfaction and loyalty.

Apparently, the ability to address supply chain pain points will form a new source of competitiveness for retailers, as they start to realise the importance of localising or shortening their supply chains to reduce the risk of logistical or transportation disruptions. Product shortages and higher prices are forcing businesses to pivot and provide new solutions for customers to access products and services.

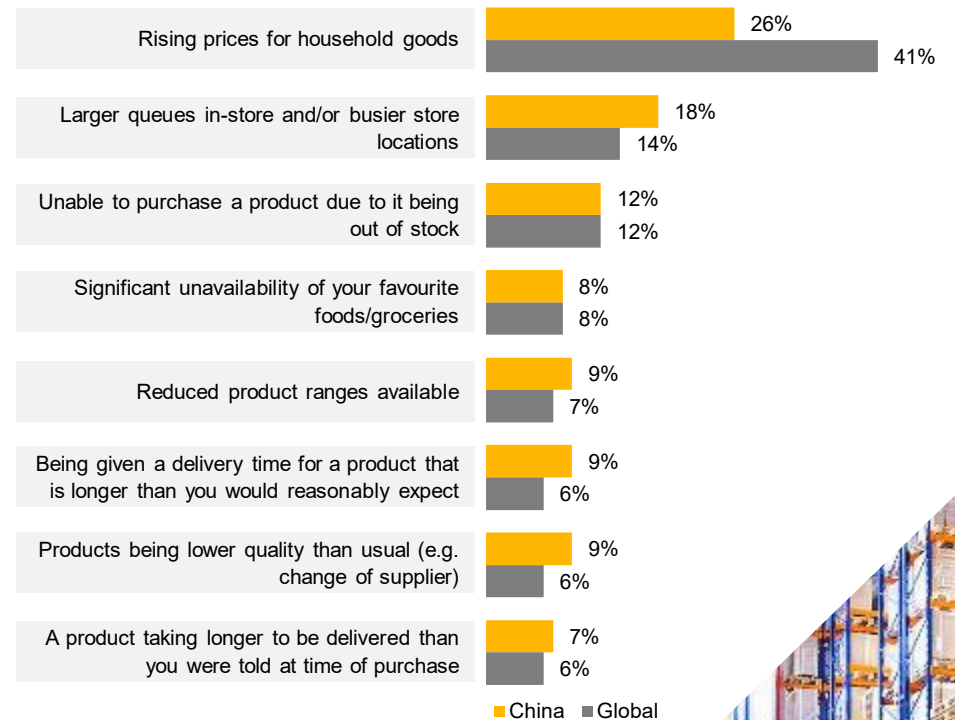
Localisation, end-to-end digitisation, and circular economy will become major themes for supply chain innovation. In particular, the source-local trend continues to gain traction as manufacturers seek to consolidate their upstream supply chains while investors bargain hunt on undervalued companies. The successful commercial debut of China's home-grown C919 passenger jet has already prompted market expectations for a fast expansion of the domestic aircraft production supply chain, giving travelers another economically viable option. ^{vi}

On the other hand, advanced AI and natural language models present the potential to optimise supply chain management for retailers. By using machine learning algorithms to analyse data from multiple sources, such as sales data, customer behavior, and external factors like weather and seasonality, generative AI can identify patterns and make predictions about future demand for a particular product, as well as identifying slow-moving products or those that are likely to expire soon, thereby reducing the likelihood of excess inventory and stockouts.

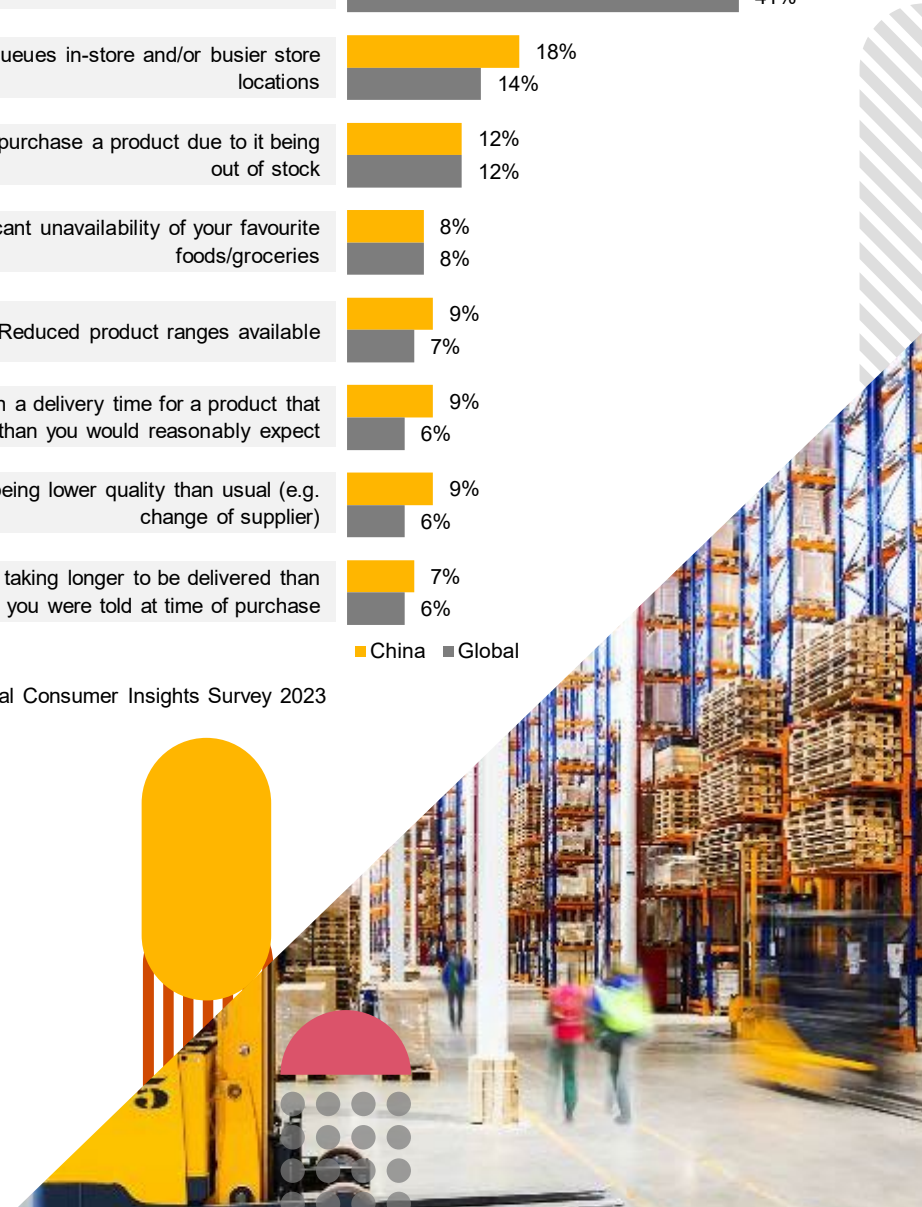
For example, a US-based food and drug company has implemented a predictive ordering platform leveraging AI-generated real-time insights to manage the supply chain for its fresh products, allowing it to reduce waste and increase sales, in addition to simplifying the end-to-end planning process. Similarly, Tomorrow AI leverages existing supply chain data and integrates it with precise weather forecasts to generate comprehensive scenarios that enhance store resilience, reduce downtime, and ensure worker safety.



Figure 22: Which of these issues is having the greatest impact on you when purchasing a product in physical stores?



Source: Global Consumer Insights Survey 2023



Brands



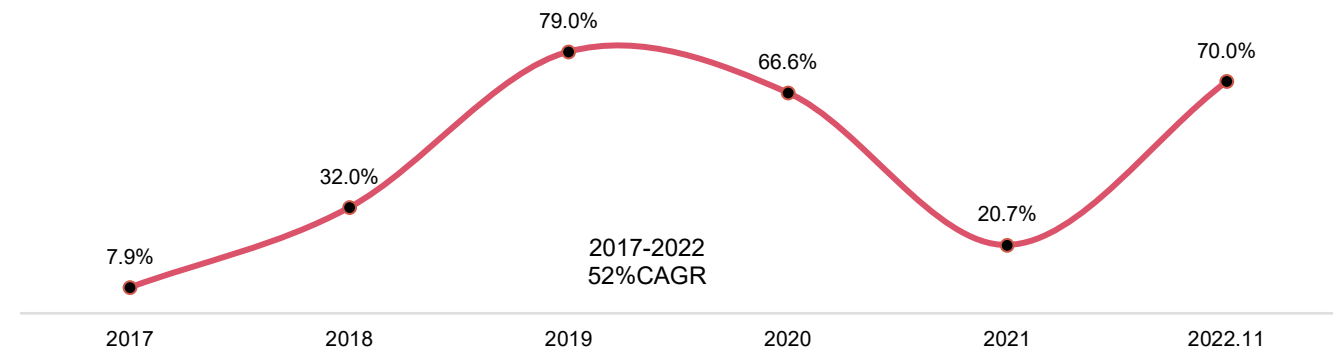
6. Brands are charting new growth paths to leverage the normalisation effect

Foreign brands making inroads to bank on the normalisation effect

Imports of consumer goods in China are increasing gradually, with a 6.6% YoY increase in the first half of 2023. Cross-border e-commerce imports also rose from 1.8 trillion yuan to 3.4 trillion yuan between 2017 and 2022, with a 14% compound growth rate. Overseas brands are entering the domestic e-commerce market at an accelerating rate. Tmall Global, for example, had nearly 8,500 new brands join in the past year alone. The compound annual growth rate of overseas brands entering China from 2017 to 2022 was about 52%, signifying the rapid development of China's online import consumption market.



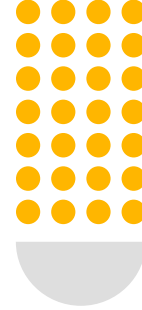
Figure 23: The number of overseas merchants entered Tmall Global from 2017 to Nov 2022



Source: Emerging Trends in the Chinese Consumer Market usher in New Opportunities for Overseas Brands

At the beginning of 2023, the Central Economic Conference proposed to further stabilise the expectations of foreign investment, promote steady and expanded foreign investment, and cultivate new growth points for international economic and trade cooperation. On January 1, 2023, the 'Encouragement of Foreign Investment Industrial Catalogue (2022 Edition)' officially came into effect, expanding market access and further opening up the modern service industry sector.

At the same time, building international consumption centres has been a key policy initiative, as outlined in the country's 14th Five-Year Plan, to promote high quality growth in consumption and upgrading. Following the footsteps of the five pilot cities – Shanghai, Beijing, Guangzhou, Tianjin and Chongqing, over 20 cities across the country have launched development plans and action plans to cultivate and build international consumption centres, attracting global brands to deepen their presence in the Chinese market. With the gradual manifestation of policy effects, it is believed that overseas brands will also usher in new opportunities for development in China.

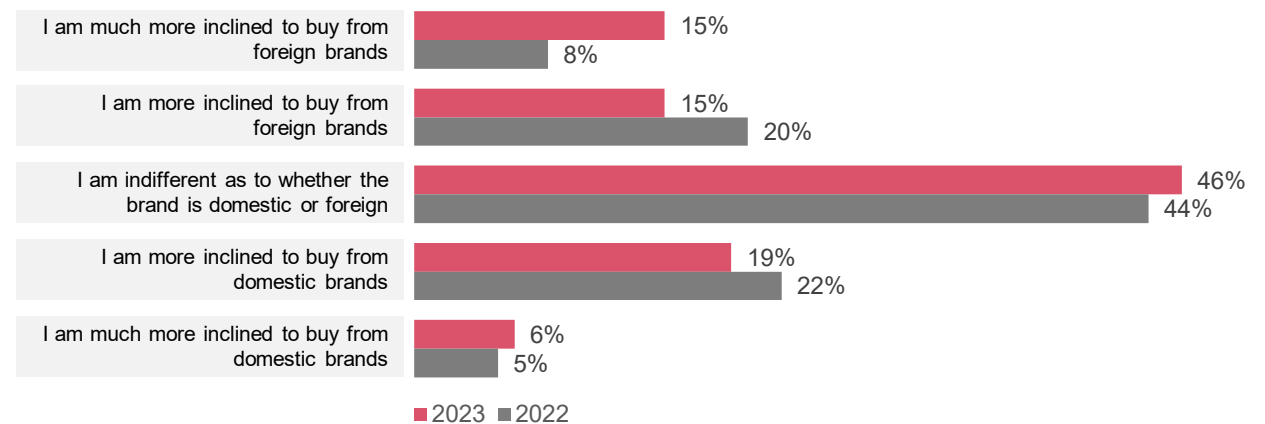


Domestic brands seek growth on source-local trend and cross-border ecommerce

Compared to last year and considering all else equal, 25% of Chinese consumers are more (or much more) inclined to buy from domestic brands, while 46% said they are indifferent. Although such inclination has receded since the last time our survey was conducted, there is still a strong preference for domestic brands in China, where consumers perceive them as being more cost-effective and having a better understanding of local consumer habits. This has created new opportunities for local brands to compete with international brands, particularly in sectors such as food and beverage, where consumers are becoming more conscious of the origin and quality of their products.

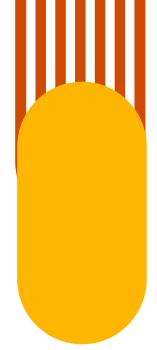


Figure 24: Relative to last year and considering all else as equal, are you now more inclined to buy from foreign or domestic brands?



Source: Global Consumer Insights Survey 2023

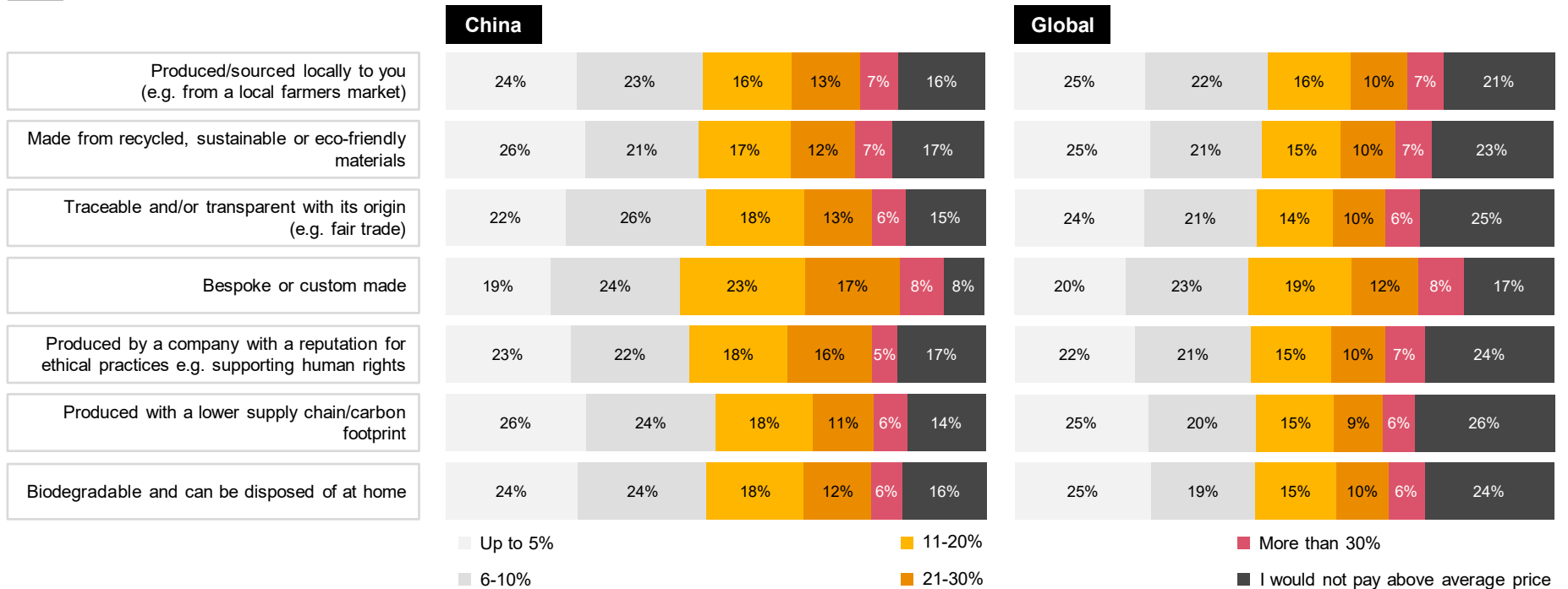




Chinese domestic brands should refine their strategies to move beyond price competition and prioritise delivering superior non-price attributes that are valued by consumers. Our survey reveals that Chinese consumers are highly motivated by the factors of customisation, sustainability, and transparency when making purchasing decisions. Considering the current economic climate, to a much greater extent than their global counterparts, 92% of Chinese consumers are willing to pay varying degree of premium for products bespoke or custom made, 86% for products produced with a lower supply chain/ carbon footprint, and 85% for products that has traceable and/or transparent origin, and 84% for locally sourced products. Remarkably, Chinese consumers exhibit a lower tendency than their global counterparts to resist paying above-average prices across various product attributes. This observation potentially suggests a greater inclination towards embracing novel consumption concepts..



Figure 25: How much above an average price would you be willing to pay for a product that is...?



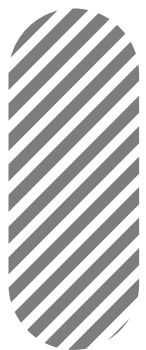
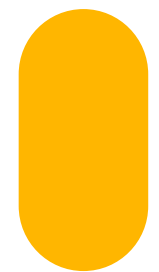
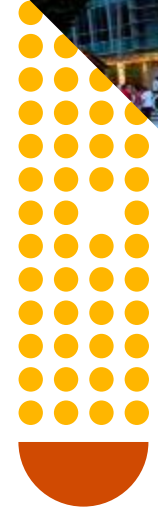
Source: Global Consumer Insights Survey 2023

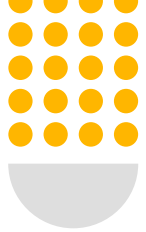
Besides, given China's lifting of restrictive measures, it's time for domestic brands to rethink their international strategies to seek growth in neighbouring countries particularly in South-East Asia via cross-border ecommerce. Tencent, Lazada, Huawei, and other Chinese companies have expanded their footprints to open shops in Southeast Asia to take advantage of the region's physical proximity, rising spending power, and greater acceptance of Chinese brands.

According to data from the General Administration of Customs, China's cross-border e-commerce segment saw its import and export scale reach 2.11 trillion yuan in 2022, representing a 9.8% increase. E-commerce exports alone totalled 1.55 trillion yuan, posting a nearly 12% uptick. The number of Chinese brand owners on Amazon has increased nearly threefold over the past three years, with their turnover experiencing double-digit growth last year.

In November 2022, the Chinese government approved the creation of comprehensive pilot zones for cross-border e-commerce in 33 additional cities and regions, marking the seventh round of such pilot areas and bringing the countrywide total to 165. This move was aimed at further stimulating foreign trade growth. ^{vii}

Hong Kong-based Television Broadcaster (TVB) teamed up with Chinese e-commerce giant Alibaba's e-marketplace Taobao on livestreaming in a deal expected to significantly boost income through cross-border e-commerce. Leveraging its wealth of talented artists and robust content production capabilities, TVB successfully converted viewership into dollars spent in a series of livestreaming sessions that supply mainland customers with high-quality goods from Hong Kong and a wide range of foreign countries. ^{viii}



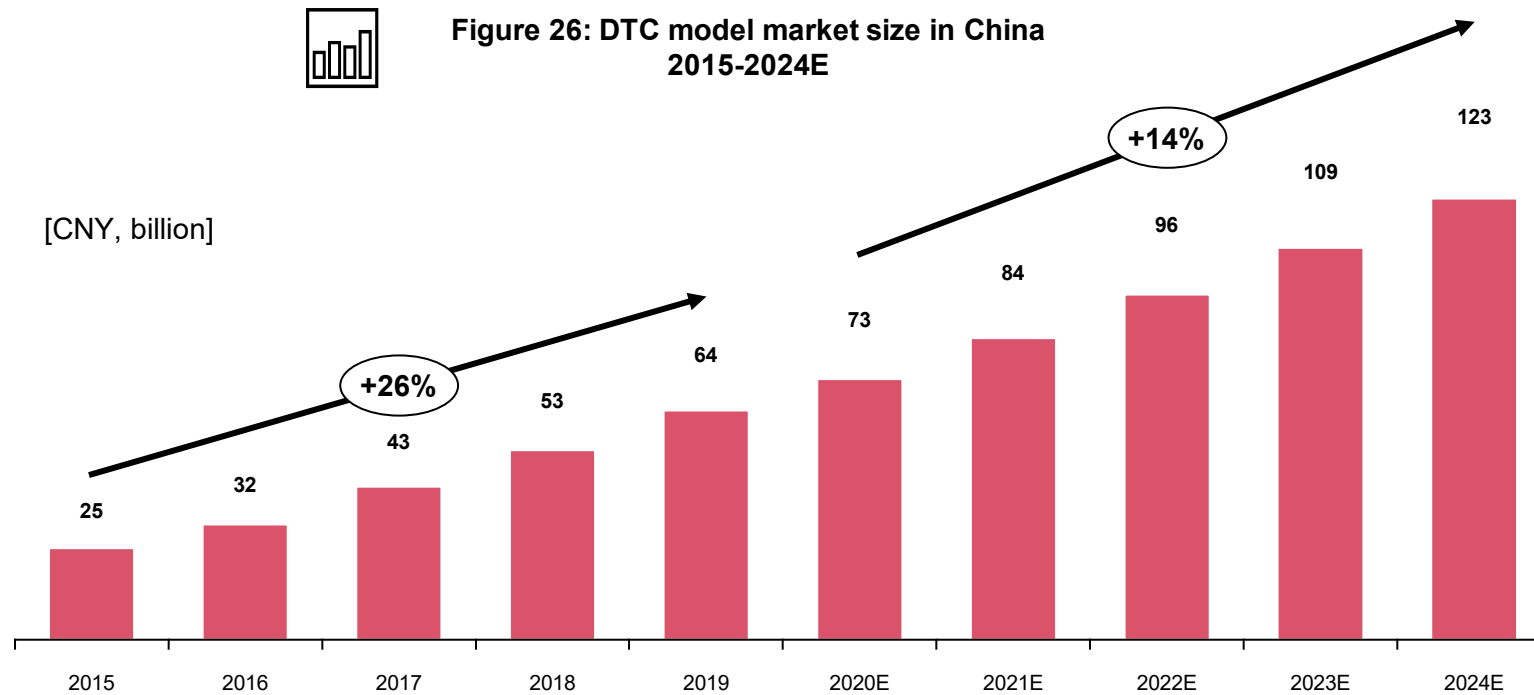


DTC as a pivotal growth driver for major players in Chinese consumer market

Digital transformation has paved the way for the Direct-to-Consumer (DTC) model to become a prominent avenue for new growth among both Chinese and global players, particularly in the context of the COVID-19 era. In fact, numerous leading global brands have announced their intent to undergo substantial transformations of their distribution channels, with DTC becoming their primary go-to-market strategy. Their aspirations include driving half or even 60% of their total global revenue through DTC within the next 3 to 5 years.

In line with this trend, Chinese consumer brands are strategically adopting DTC models to seize new growth opportunities. Both durable goods brands and FMCG brands are eager to rebuild their relationships with consumers through direct interactions facilitated by digital technology and platforms. This approach enables them to gain better insights into evolving customer demands, co-create products at a faster pace, and adapt to the paradigm shift in marketing.

For example, Li-Ning's self-operated stores follow a digitally-enabled DTC strategy focused on precision cultivation, ensuring a balance between customer experience and sales to drive overall store efficiency. The company recognises the significance of its store network as vital touchpoints for creating the unique 'Li-Ning-style experience'. To achieve this, Li-Ning invests in upgrading and renovating store decorations, incorporating interactive installations, and designing social spaces that foster a dynamic sports and social ambiance within the store.



Source: 'Enlighten Fashion Brands' Routes to the DTC Model' whitepaper, PwC Strategy&

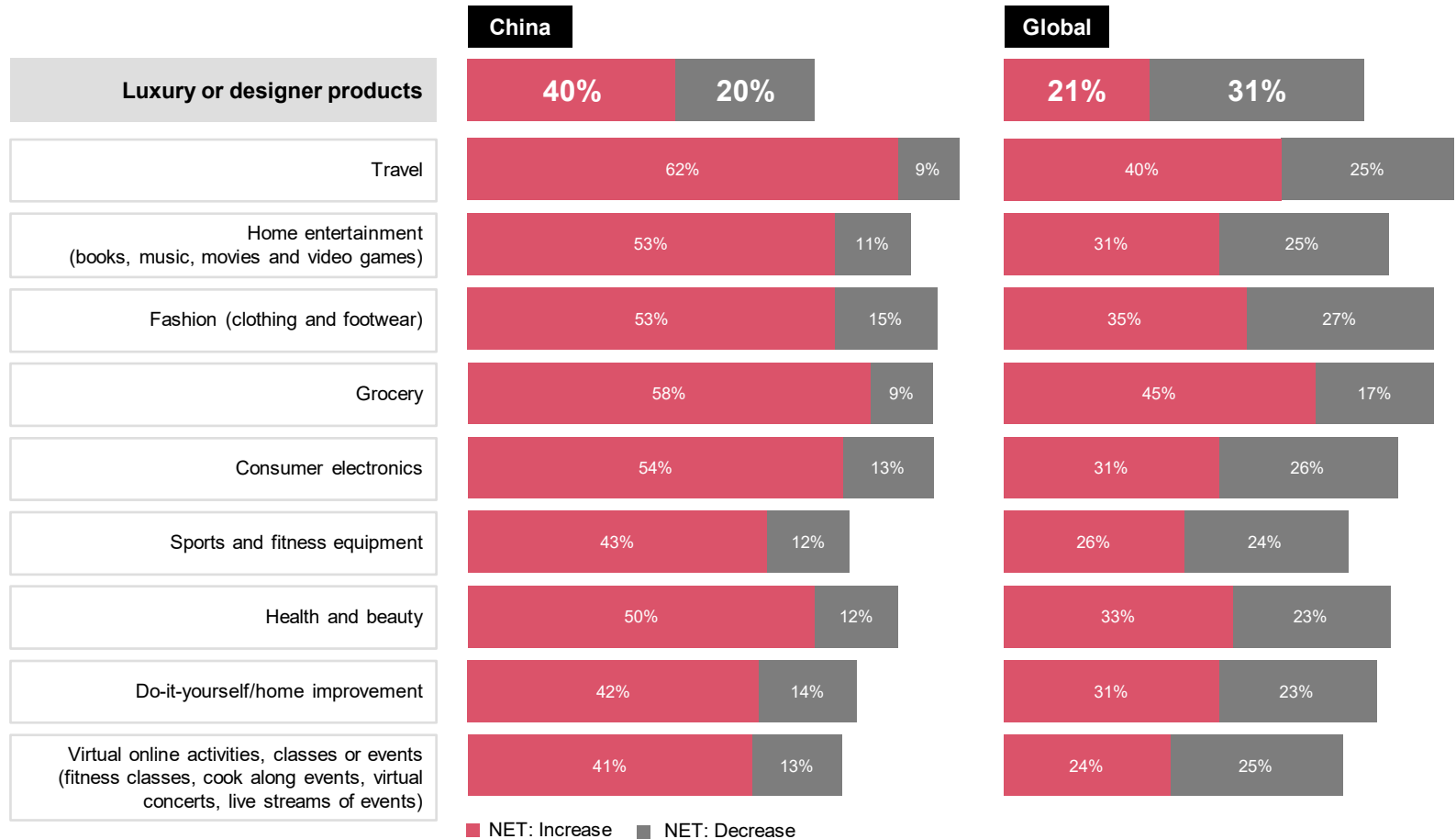
Love for luxury continues with more targeted spending

Luxury spending by Chinese consumers remain intact despite a more uncertain economic outlook. 40% of surveyed consumers intend to increase their spending on luxury or designer products, far-exceeding their global counterparts, with only one in five stating they will decrease their spend in this category in the next six months.

The lower net annual increase in spending is likely due to a shift in consumer priorities towards essential goods such as groceries, and health and beauty, especially in the context of post-pandemic uncertainty. There is still solid demand for luxury goods in general, albeit at a slower rate of growth compared to other categories.



Figure 27: Thinking about your spending over the next 6 months, to the best of your ability, please describe your expectations on spend across the following categories

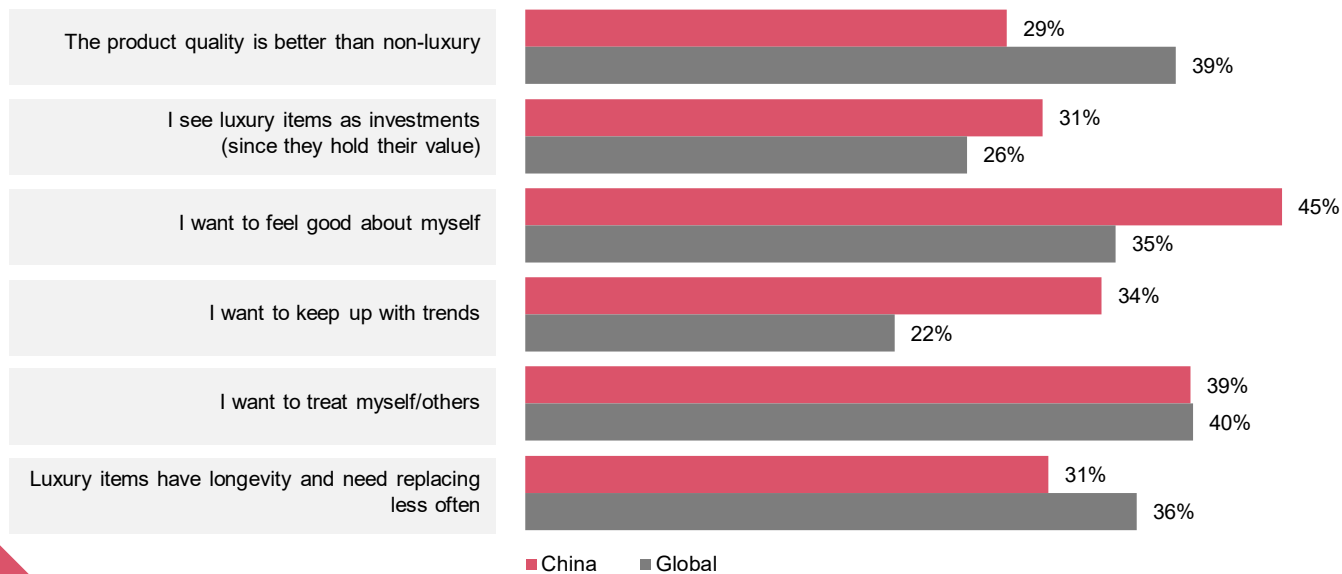


Source: Global Consumer Insights Survey 2023

While the top reasons for purchase relate to viewing luxury items and as a treat for themselves and others (39%), keeping up with trends (34%), and seeing them as a store of value or investment (31%), the strongest driver of future spend in this category is the personal 'feel-good factor' (45%), reinforcing the important role luxury plays in building one's 'social currency', or the ability to influence others in social networks and communities. For those who plan to reduce spend in this area, a considerable portion cited decline in personal finances (48%) and a change in their shopping habits to buy more non-luxury products (42%).

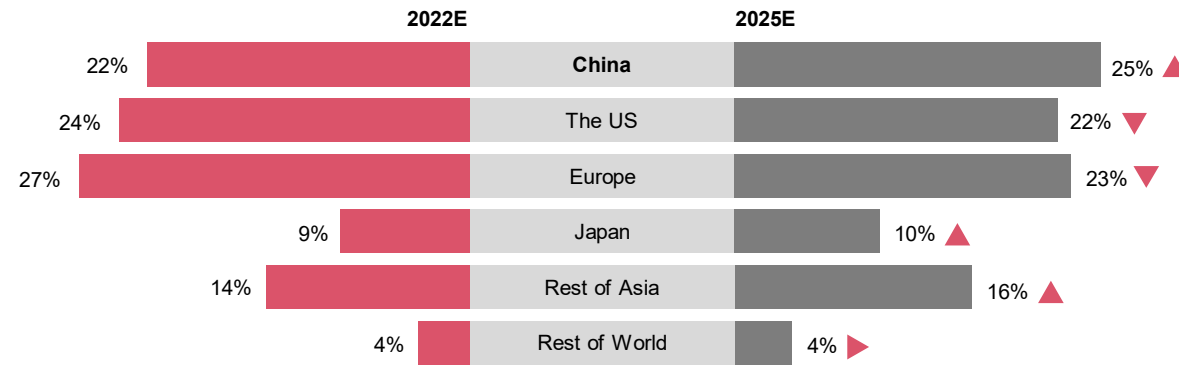


Figure 28: Why do you buy luxury or designer products?



Source: Global Consumer Insights Survey 2023

Despite 2022 broad market slowdown, demand for luxury set to regain momentum with the reversal of pandemic measures and the resumption of inbound and outbound travel. PwC forecasts that by 2025, the size of China's luxury goods market will reach 816 billion yuan, accounting for approximately 25% of the global luxury goods market.^{ix}


Figure 29: Luxury Market Share by Region


Source: Mainland China and HK Luxury Market Insights

Looking at luxury market share by region, the differences observed in the Chinese mainland and Hong Kong extend to other growing Asian economies, where there is an increasing need for social currency and a desire for luxury goods. Mature luxury markets like the US and Europe are currently focused on the wave of regulations sweeping across various industries and countries, such as the German Supply Chain Act (LkSG) and the Corporate Sustainability Due Diligence Directive (CSDDD). In contrast, growing economies are seeking luxury products with sustainability as an expectation. As the implementation dates for regulations facing the luxury industry draw nearer, it is projected that mature markets will maintain stable growth, while the rest of Asia will drive the growth agenda.

Sector wise, luxury brands are rapidly expanding and optimising their presence in the beauty industry through the introduction of new and sustainable product lines, such as the launch of N°1 De Chanel by Chanel, and the establishment of dedicated beauty divisions, as exemplified by the Kering Group. Moreover, these brands are committed to promoting a luxurious lifestyle by venturing into the hospitality sector, as seen with the likes of the Louis Vuitton Hotel and Homme, and the fitness industry, as demonstrated by the HermèsFIT pop-up gym. These strategic expansions aim to cater to the discerning needs of HNWIs.

Additionally, luxury brands are exploring opportunities in the film industry, with Saint Laurent pioneering the world's first film production company operated by a luxury brand. Furthermore, they are collaborating with renowned theatres, as evidenced by Valentino's partnership with 'Sleep No More' in Shanghai in 2023, in order to promote both their culture and products. LVMH's Sephora has also introduced the 'China Accelerate' brand incubator program, aimed at nurturing the growth of five Chinese premium beauty brands. The company will provide extensive support over the next three years to assist each brand in achieving annual sales of 100 million yuan.

The recent visits of luxury group executives to China reflect their optimistic attitude towards the Chinese market. Since the end of 2022, many luxury brands have accelerated their expansion into the mainland market aided by cross-border ecommerce and Hainan duty free zone. For instance, Versace has debuted five new boutiques in Chengdu, Hangzhou, Shenzhen, and Nanjing, while the renovated Hermès Nanjing flagship store has reopened its doors to customers, with Prada opening its second boutique at Sanya Phoenix International Airport.^x

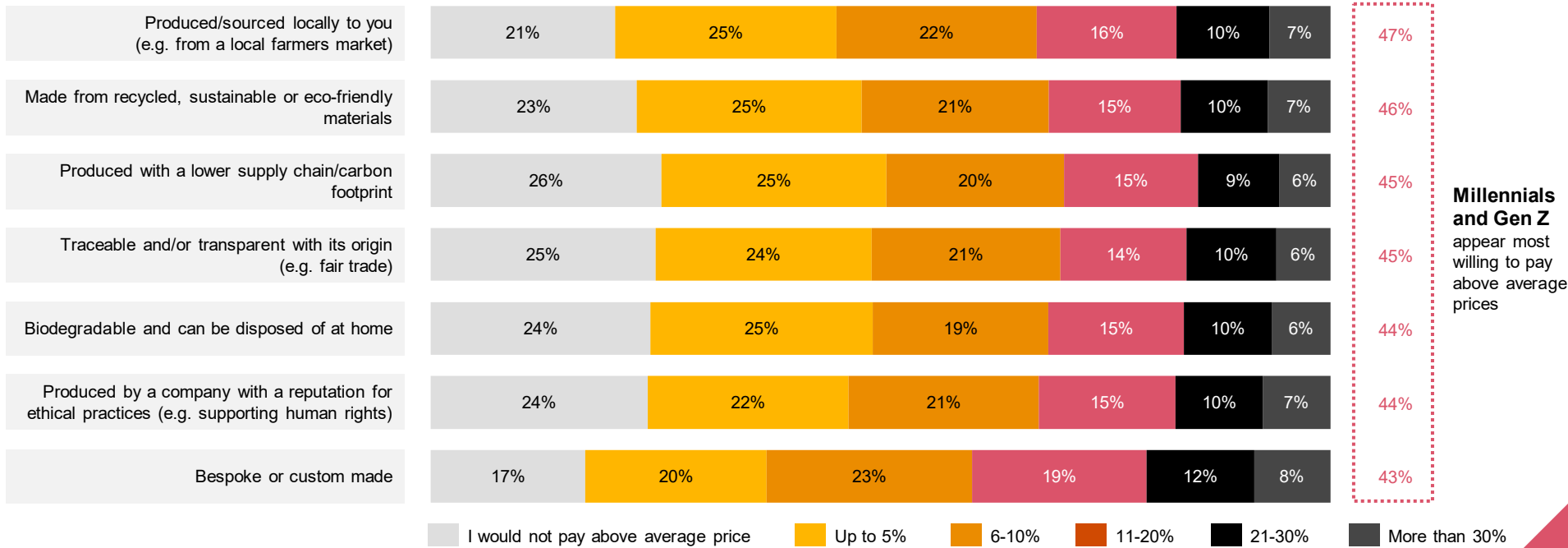
7. The ESG price premium gives rise to sustainability as business differentiator

Global consumers are paying increasing attention to sustainable consumption, as 40%+ of respondents are willing to pay up to 10% above the average price for products and services with a positive ESG association.

Chinese consumers are placing a growing emphasis on eco-friendly products that align with their personal values and beliefs. Our study indicates that consumers in China are willing to pay a premium of up to 20% for products that are environmentally friendly and perceived to be trustworthy. This shift in consumer behaviour is driving many large consumer goods companies to prioritise ESG factors into daily business operations.



Figure 30: % above average price that global consumers would pay for a product that is...



Source: Global Consumer Insights Survey 2023



Figure 31: Consumers willing to pay up to 20% above average price for ESG-related products or services

NET: Willing to pay up to 20% above average price	Middle East and Africa						SEA					Asia Pacific			Americas				Western Europe							
	Global	Egypt	UAE	South Africa	Qatar	Saudi Arabia	Philippines	Indonesia	Malaysia	Vietnam	Thailand	Singapore	India	Chinese mainland	Australia	South Korea	Hong Kong	Japan	Brazil	USA	Mexico	Canada	France	Spain	Germany	Ireland
Bespoke or custom made	20%	44%	26%	28%	27%	23%	29%	34%	18%	22%	21%	10%	27%	28%	17%	12%	13%	12%	27%	19%	19%	13%	16%	15%	15%	16%
Produced by a company with a reputation for ethical practices e.g. supporting human rights	17%	38%	29%	25%	25%	20%	34%	29%	21%	21%	20%	6%	31%	22%	9%	9%	13%	5%	23%	19%	17%	10%	11%	11%	11%	10%
Made from recycled, sustainable or eco-friendly materials	17%	31%	31%	22%	24%	14%	33%	28%	15%	26%	16%	8%	31%	21%	10%	9%	7%	6%	22%	17%	16%	10%	11%	12%	12%	10%
Produced/sourced locally to you (e.g. from a local farmers market)	17%	30%	28%	26%	21%	20%	36%	28%	22%	18%	18%	7%	27%	22%	12%	9%	7%	6%	20%	18%	15%	11%	16%	12%	12%	10%
Biodegradable and can be disposed of at home	16%	34%	20%	18%	26%	16%	32%	28%	15%	24%	20%	8%	30%	20%	11%	7%	9%	5%	22%	17%	19%	9%	13%	13%	11%	11%
Traceable and/or transparent with its origin (e.g. fair trade)	16%	32%	25%	21%	22%	24%	25%	29%	18%	23%	21%	8%	28%	20%	10%	11%	10%	6%	21%	16%	15%	7%	12%	10%	9%	10%
Produced with a lower supply chain/carbon footprint	15%	30%	25%	19%	21%	21%	25%	23%	15%	15%	16%	7%	26%	19%	10%	11%	7%	6%	18%	15%	15%	8%	12%	10%	8%	10%
Mean % spend above average price	9.77	15.3	13.2	11.76	13.47	11	14.59	14.32	10.12	12.13	11.28	6.84	14.13	11.79	7.65	8.04	7.63	5.07	11.41	9.41	10.08	6.69	8.34	7.81	7.34	7.53

Source: Global Consumer Insights Survey 2023

← Increasing willingness to pay above an average price – the darker the yellow, the greater the likelihood of paying 20%+ above the average price



To better execute their ESG strategies, leaders are engaging with suppliers that adhere to strict ESG standards. By selecting suppliers that prioritise sustainability and ethical considerations, these companies can better meet customer requirements, enhance brand reputation, and gain a competitive edge in the Chinese market. Therefore it is increasingly crucial for companies to pay close attention to ESG factors in their business operations and supply chain management to remain competitive and ensure long-term growth and success.

One key area of interest is circular model innovation which is gaining traction in the luxury industry, with major brands making investments in second-hand luxury rental and resale segment through C2C or B2B2C platforms. Gucci and Kering co-launched a circularity hub in February 2023, aiming to redefine the value chain from raw materials and design to production and logistics, while creating a more sustainable and circular approach to consumption.

On top of this, three emerging themes - young generation, gamification and sincerity - have become essential for ESG promotion and consumer education:

- **Young generation**, including Gen Z and Alpha, represents a targeted consumer group for ESG promotion and sustainable consumption. This dynamic and energetic demographic has a strong preference for products that embody meaningful ESG elements. For example, JD and P&G have collaborated on the "Zero Carbon Youth" program, which aims to incorporate ESG and zero-carbon practices into the daily lives of young people. Similarly, IKEA communicates the concept of a sustainable lifestyle, emphasising how it can help consumers save money.
- **Gamification** is another effective approach to interact and engage with consumers by leveraging AI-powered technology to create customised experiences with a social impact. For instance, the DNA fragrance and multi-sensory digital fragrance experience involve extracting small amounts of DNA from floral samples to synthetically reproduce scents and provide an interactive journey for consumers through VR headsets. This immersive experience allows users to engage with fragrances through touch, smell, sound, and sight.
- **Sincerity** can be approached in various ways. Firstly, by reducing shopping waste and enhancing consumer experiences through AI, AR, VR, and even the metaverse. Examples include virtual makeup and immersive art exhibitions, which enhance consumer experiences while minimising environmental impact. Secondly, promoting and offering discounted defective products, such as items with flawed packaging, encourages a sustainable, circular, and reusable lifestyle. Lastly, responsible store design plays a role, including the use of sustainable materials for decoration (as seen in Anya Hindmarch's practices) and printing green identification codes on products (as done by Stella McCartney).

Brands are actively responding to consumer by embracing circularity in their supply chains and recognising the value of sustainability. Rather than viewing sustainability as a mere "compliance" requirement, brands are now leveraging it as a differentiating factor that adds value to their products and services. This shift in mindset has sparked innovative collaborations and transformative changes in how brands approach sustainability as a 'value-adding' differentiator, and how they develop sustainable DTC engagement along the customer journey to enhance interaction, as illustrated in the following examples.

Examples of Consumer Sustainable Marketing and Engagement

 Product	 Luxury	 Marketing	 Incentive	 Business Model
Informative & Interactive Packaging	Circularity in action	Dedicated Green Product Promotion	Sustainable Incentive Programmes	Innovative Revenue Generation
L'Oréal China: Environmental & Social Impact Labelling	LVMH: Partnership with Nona Source, Cedre, Weturn	Haier & Midea: On-line Green Product Event	Nestle/Coca-Cola/Liby: Green Credit	Unilever China: Sell digital Ads on its bottle recycling machine
Interact with consumers through scanning the barcode on the package for detailed introduction of product impact on environment and society	Partnerships with start-ups to recycle deadstock / waste from different lines of business for re-use / re-sale to deliver products with low environment imprint	Launched dedicated green product events with Tmall and JD to attract environmentally cautious consumers	Collaborate with partners, such as 'Ali 88 carbon account', to offer carbon credit as incentives for consumers' purchasing and other sustainable behaviour	Set up bottle recycle machines at places with large traffic volume (e.g. campus, and shopping malls) and generate revenue by selling Ads displayed on the machines



Conclusion and recommendations

With the world getting back to normal and China's refocus on economic recovery, the message to brands and retailers is clear: They need to take bolder steps to rejuvenate and build their business models for sustainable growth under the ever-changing competitive landscape.

Brands and retailers are facing a dual imperative world where success hinges on the company's ability to simultaneously tackle the challenges of today and run the race of tomorrow. From enhancing customer experience to adopting the right approach to technology, they should rethink their strategy in the following high-impact areas:

Unlock the power of brand story-telling

In today's competitive marketplace, it's crucial for brands to tell a compelling story about their products and the values they stand for. One of the most effective ways to achieve this is through **loyalty programs, which enable brands to establish a direct connection with consumers.** By interacting with customers through these programs, companies can shape how their brand is perceived. As such, membership operations should be viewed as a critical component of **systematic brand building**, with continuous communication of brand positioning during the process to reinforce users' awareness. By leveraging the power of customer communities, brands can unlock new opportunities for growth and drive long-term loyalty from their audience.



Transcend non-price attributes across borders

Customisation, sustainability, and transparency are key factors that are highly valued by Chinese consumers when making purchasing decisions. This underscores **the importance for brands to offer products that are bespoke, locally sourced, sustainably produced,** and have traceable origins. With China's reconnection to the world, there will be immense opportunities for both domestic and international brands to **cater to these new values through cross-border ecommerce.**



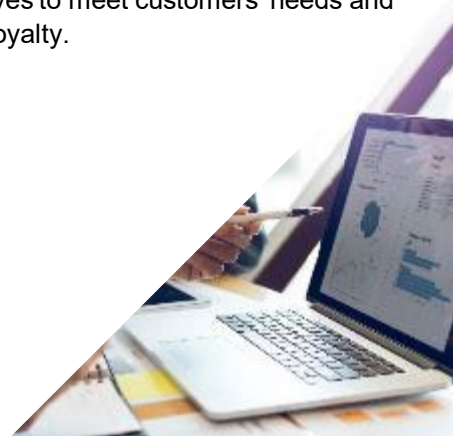


Reduce the price-experience gap to foster brand loyalty

Executives and consumers have differing opinions on the reasons why customers abandon a brand. Executives attribute it to price changes or competition, whereas many consumers point to poor experiences with products or customer service. This discrepancy, known as **the 'price-experience gap,'** highlights a mismatch in understanding what drives customer loyalty. To retain customers, companies should prioritise delivering exceptional experiences rather than solely focusing on low prices.

Create path of least resistance to deal with various frictions

Consumer-facing companies must focus on resilience and conduct scenario planning to mitigate the impact of uncontrollable macro-level frictions such as **weak demand, global recession, and trade disruptions.** To prevent friction caused by insufficient staffing or failed experience management, companies should **prioritise operational excellence and innovate with technology to create satisfying phygital experiences.** Companies must also monitor changing customer behavior due to economic or personal circumstances and invest in initiatives to meet customers' needs and build loyalty.



Balance cost and benefits beyond technology hypes

As more retailers jump onto the bandwagon to consider the adoption of metaverse and generative AI, it is crucial to conduct a **thorough cost-benefit analysis.** While these technologies offer benefits such as increased sales and customer engagement, retailers must also evaluate the upfront investment and ongoing maintenance costs. It is essential to ensure that the use of these advanced technologies is actually **in sync with their brand value position, business strategy and customer needs.**



About the survey

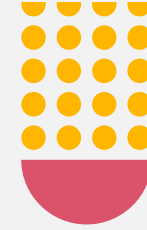
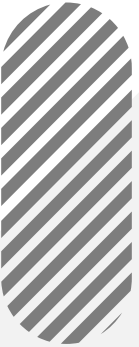
The 2023 Global Consumer Insights Survey is a biannual study seeking to keep a closer watch on changing consumer trends. For our latest pulse survey, we polled 8,975 consumers across 25 territories (Australia, Brazil, Canada, Chinese mainland, Egypt, France, Germany, Hong Kong SAR, India, Indonesia, Ireland, Japan, Malaysia, Mexico, Philippines, Qatar, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Thailand, United Arab Emirates, United States, Vietnam).

We have adopted a 'pulse' approach since 2021 in order to remain attuned to changes in the worldwide landscape and connected to the behaviour of the global consumer. This annual study – composing of two semi-annual pulse surveys – seeks to keep a closer watch on changing consumer trends. It was put into the field in late autumn 2022 and in spring 2023.

Among the 18,155 global participants of the past two pulse surveys, more than 1276 consumers are from Chinese mainland and Hong Kong. The questionnaire was translated into 14 languages and fielded in March 2023. The respondents were at least 18 years old and were required to have shopped online at least once in the previous year.

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



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