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2023 China Consumer Insight and Market Outlook White Paper

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Contents

In the past two decades, China's economy has thrived, people's living standards have steadily improved, and the consumer market is full of dynamism. Consumption has become the biggest contributor to China's economic growth today. On the one hand, China’s consumer market in 2023 will face growth challenges given the impact of pandemic fluctuations and the arrival of the post-pandemic era. On the other hand, the government has continuously introduced policies aimed to expand domestic demand, encourage new forms of consumption, and drive high-quality growth. This reflects how China’s consumer market is undergoing rapid upgrades and innovation in consumption patterns and business models, and is welcoming a new phase of development. Against this backdrop, we conducted a nationwide consumer survey on the consumer goods and retail industry. The survey aims to provide an analysis on the predictable future development trends of the consumer goods and retail industry based on changes in consumer behavior and attitudes in the face of the post-pandemic era and new technological advancements. We hope to help consumer goods and retail companies deepen their understanding of consumers and the market, explore new consumer trends, and grasp the keys to winning the market.

1. China Consumer Market Outlook

China's consumer market is embarking on a new path towards building a new pattern of development: In the long term, China's consumer market is full of resilience and dynamism. In the short term, it continues to forge ahead despite challenges

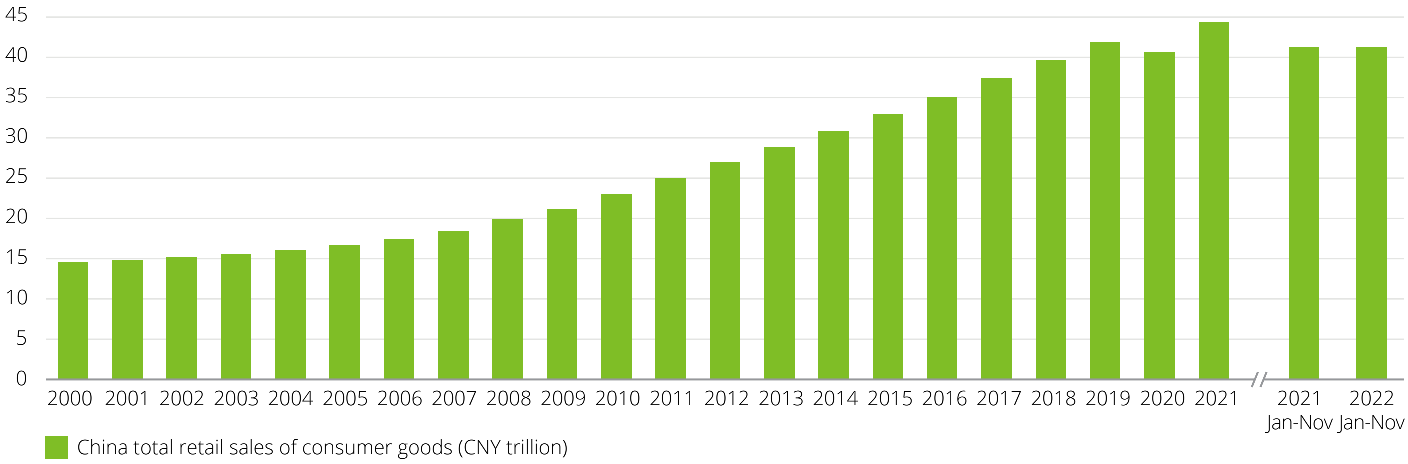
- **From a long-term perspective, with the continuous growth of citizens' disposable income and China's retail sales of consumer goods, consumption has become the main driving force of the Chinese economy**

Over the past two decades, China's economy and society have experienced tremendous growth, and the consumer market has shown both vitality and resilience, even in the face of the COVID-19 pandemic. Total retail sales of consumer goods have grown more than tenfold in 20 years, with the first breakthrough of CNY 40 trillion in 2019. Despite the negative consumption growth due to the impact of the epidemic in 2020, the market still showed high resilience.

According to data from the National Bureau of Statistics, China has the world's largest and fastest-growing middle-income group, with more than 400 million people as of 2017 and still growing. Over the past 20 years, the per capita disposable income of Chinese citizens has risen steadily, reaching CNY 35,100 in 2021, an increase of more than eight times compared to CNY 3,700 in 2000. The income gap between urban and rural residents has gradually narrowed: Data shows that for many years now, the real growth of per capita disposable income of the rural population has exceeded that of the urban population. In 2021, the per capita disposable income of the urban population was CNY 47,412, with a real growth of 7.1% YoY, while that of rural population was CNY 18,931, with a real growth of 9.7%. YoY. The growth rate of rural per capita income was 2.6% higher than that of urban per capita income. Recently, especially since the pandemic, China's per capita savings rate has risen significantly. In just three years, the rate rose from 29.9% in 2019 to 35.3% in the first nine months of 2022, indicating a huge potential to transform and unleash the consumer market.

Today, consumption has become the main driving force of China's economy. In 2021, final consumption expenditure contributed 65.4% to China's economic growth and boosted the economy's growth rate by 5.3%.

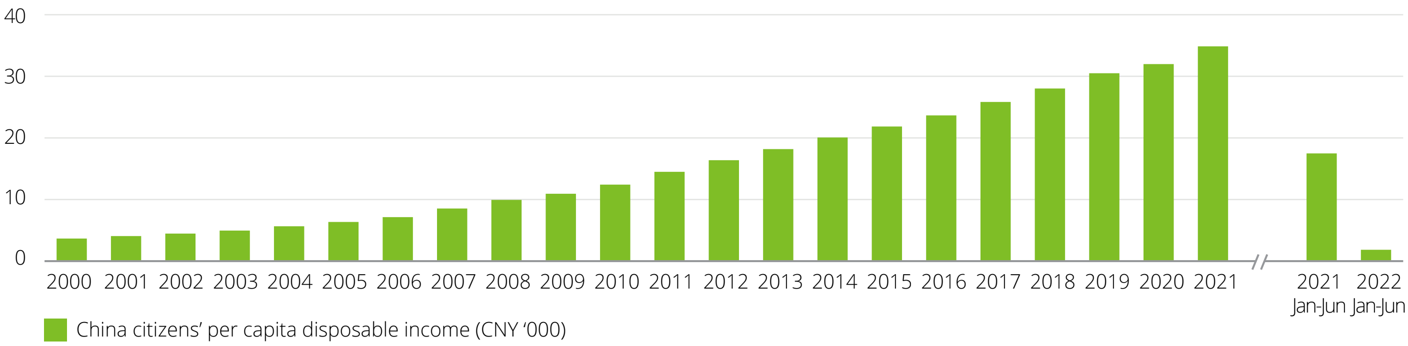
Figure 1-1: Continuous growth in China total retail sales of consumer goods
Unit: CNY trillion



Source: National Bureau of Statistics of China, Deloitte Research

Figure 1-2: Chinese citizens' per capita disposable income rises over the years

Unit: CNY '000

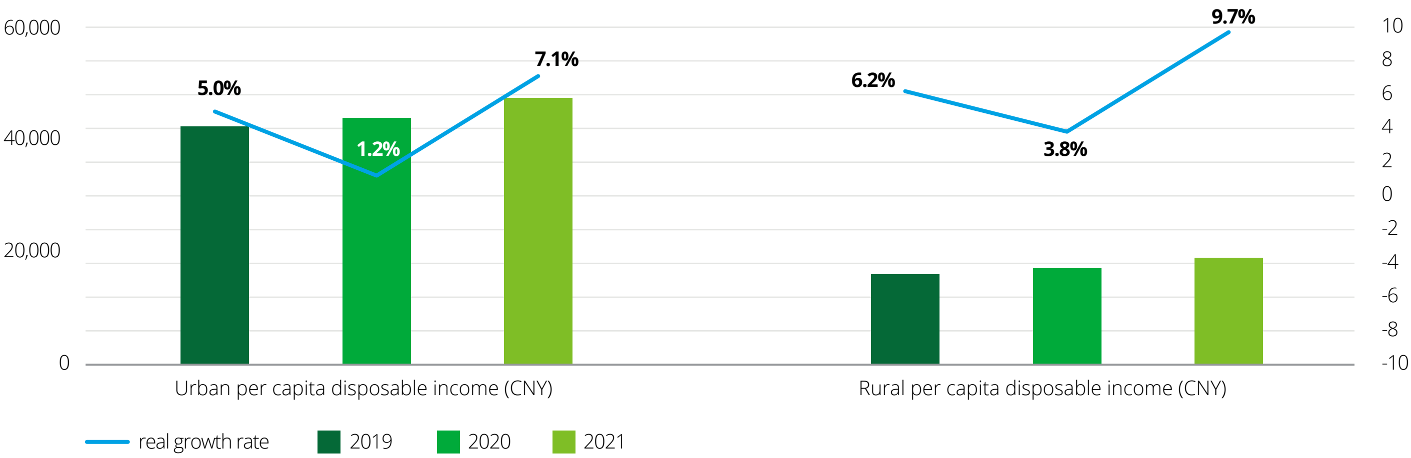


Source: National Bureau of Statistics of China, Deloitte Research

Figure 1-3: Changes in urban and rural per capital disposable income

per capita disposable income (CNY)

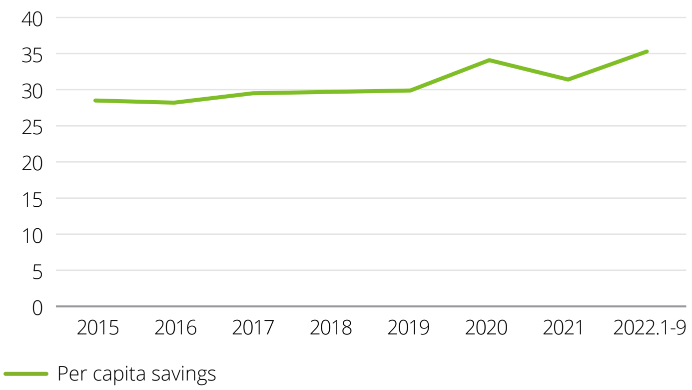
real growth rate (%)



Source: National Bureau of Statistics of China, Deloitte Research

Figure 1-4: Per capita savings rate in China has risen significantly

Unit: %

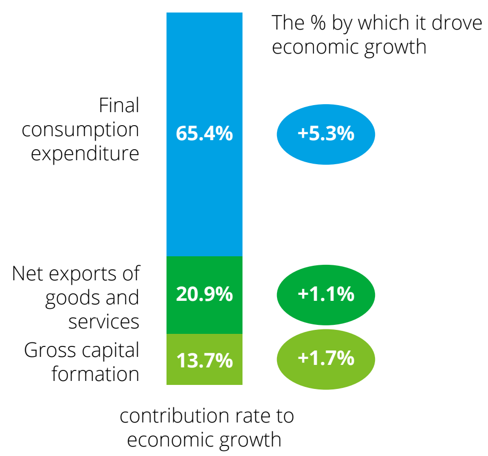


Per capita savings rate = (Per capita disposable income – per capita consumption expenditure) / Per capita disposable income

Source: National Bureau of Statistics of China, Deloitte Research

Figure 1-5: The "troika", consumption, exports and investment, that drives China's economic growth in 2021

Unit: %



Source: National Bureau of Statistics of China, Deloitte Research

- **In the short term, the growth rate of the total retail sales of China's consumer goods has declined and consumer confidence is at a historical low, China's consumer market faces challenges**

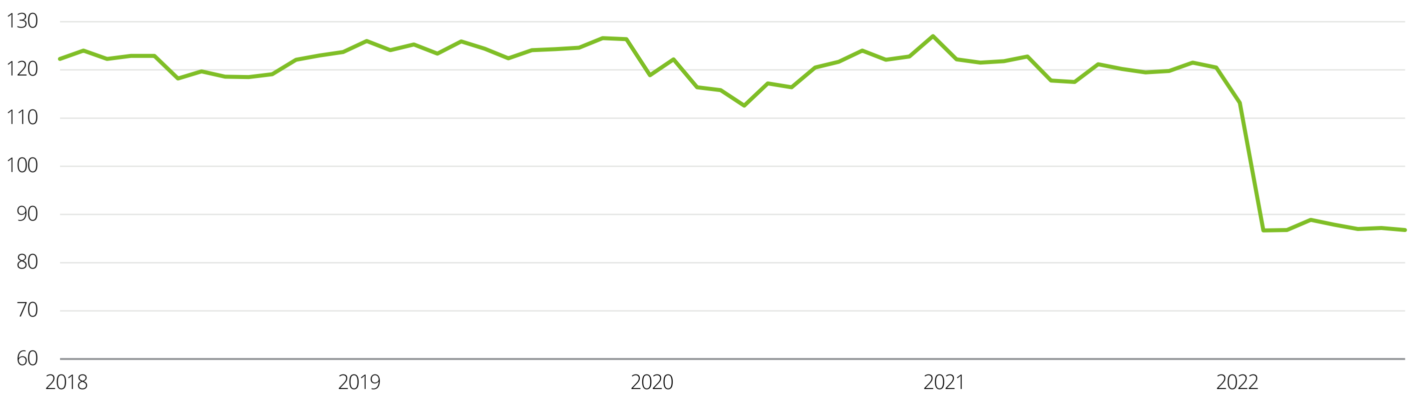
China's retail sales of consumer goods have slowed down and continue to fluctuate since the second half of 2021. The growth rate fell from double-digits in the first half of 2021 to low single-digits, impacted by the pandemic that led to a severe economic slowdown in major cities. The growth rate fell to -11.1% in April 2022 and was negative again in October and November. Consumer confidence in China also reached a historical low in 2022 and has remained low, reflecting a cautious attitude towards the economy and consumer trends.

According to our consumer survey, a significant number of consumers have reduced their willingness to spend on non-essential items such as luxury goods, toys, alcohol and tobacco. More than 40% of consumers reported decreased spending on luxury goods while 20% had cut back on more than half of their spending. Over 30% of consumers reported a decrease in spending on toys, alcohol and tobacco. However, the willingness to spend on staples such as food and beverage, personal care, and household goods remains strong. Less than 15% of consumers have reduced their spending on staples over the past year, with over 30% reporting an increase. The decline in spending on non-essentials is mainly attributed to the impact of the pandemic on consumers' willingness or need to go out, and consumers' attitudes towards spending. Over 20% of consumers consider these two factors to be the most important, while over half of consumers consider them to be in the top three most important factors.

Figure 1-6: The growth rate of total retail sales of consumer goods slowed and has been fluctuating since the second half of 2021

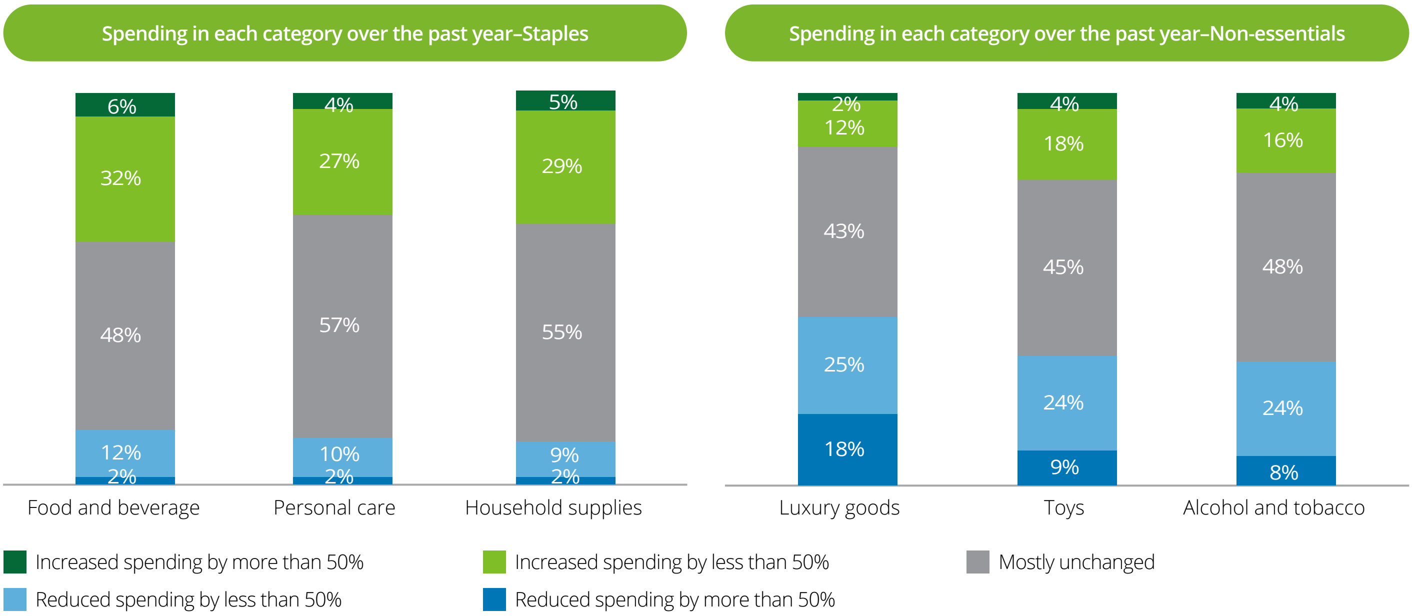
Source: National Bureau of Statistics of China, Deloitte Research

Figure 1-7: Consumer confidence at historical low in 2022



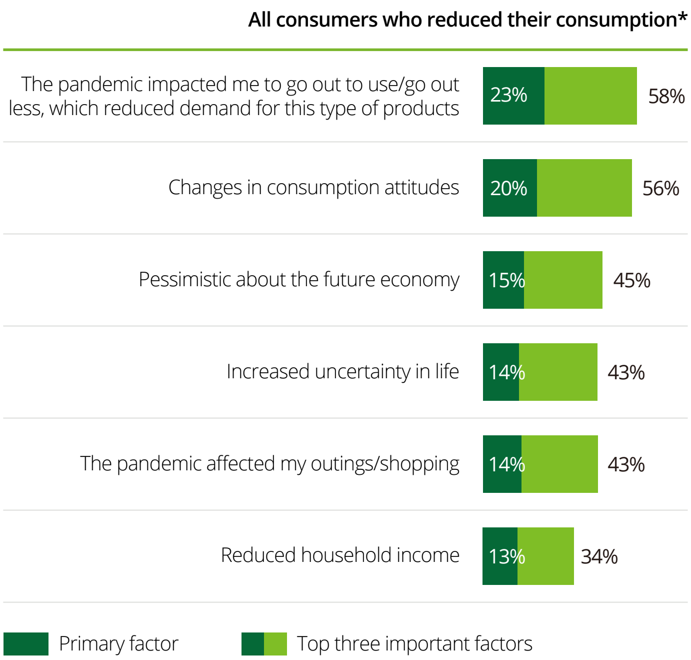
Source: National Bureau of Statistics of China, Deloitte Research

Figure 1-8: Changes in consumer spending patterns in the past year



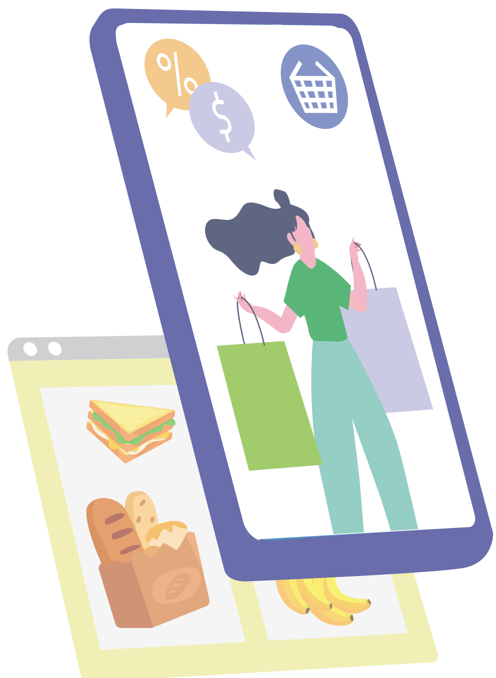
Survey Question: Compared to a year ago, have your consumption habits changed in the following product categories in the past year? [Single Choice]

Figure 1-9: Reasons for decreased willingness to spend



*Weighted average by category

Survey Question: What are the top three reasons for reducing consumption in these categories? Please select the top 3 descriptions (1 = most aligned, 3 = least aligned) [Ranking]



- **Looking to the future, the nation is making efforts to expand domestic demand, create new buying scenarios, drive new consumer dynamics and lead high-quality development through policy measures. The digital ecosystem continues to optimize new retail models, and the Chinese consumer market will enter a new phase of development**

In recent years, China has intensively introduced policies to expand domestic demand, drive consumer dynamics, and lead high-quality development. Since COVID-19, the General Office of the State Council has issued the "Opinions on Leading New Consumption with New Forms and Models" and the "Opinions on Further Releasing Consumer Potential to Promote the Continuous Recovery of Consumption". Under the guidance of new forms and models, the State Council actively promotes the expansion and improvement of new consumption to facilitate the orderly recovery and development of consumption. The report of the 20th National Congress of the CPC further emphasized the expansion of domestic demand, enhancing the fundamental role of consumption in economic development, and emphasizing high-quality development. In December 2022, the CPC Central Committee and the State Council issued the "Outline of the Strategy for Expanding Domestic Demand (2022-2035)", and the National Development and Reform Commission released the "14th Five-Year Plan for Expanding Domestic Demand Strategic Implementation Plan." They clearly identified "boosting consumption across the board and accelerating the quality and upgrading of consumption" as an important work to be facilitated in the strategy for expanding domestic demand and set out related requirements and task.

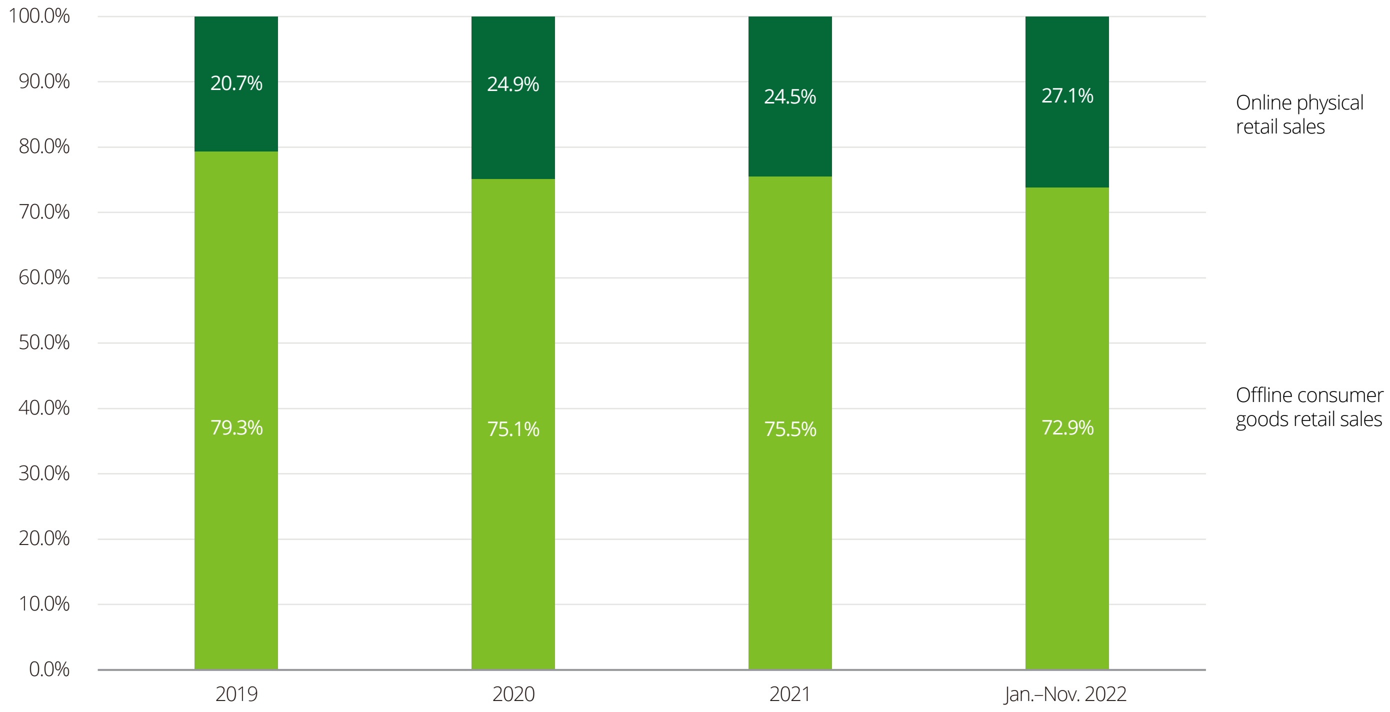
The successive policies show that China is further defining the crucial role of consumption in economic growth. The government clarifies the importance of consumption as "the ultimate need, the leading role of domestic circulation, and a persistent pull on the economy, essential to securing and improving living standards", and states that "final consumption acts as a lasting driving force for economic growth".

Meanwhile, the transformation of China’s consumer market from satisfying basic needs to providing high-quality products and services is clear. The policy strongly emphasizes and reiterates that "high-quality development is the primary task of building a socialist modern country in a holistic way", and proposes "an organic combination of expanding domestic demand and strengthening supply-side structural reform", and "a commitment to improving the total factor productivity". This means that China’s consumer market has left behind the period of unregulated growth behind and will usher in a new development paradigm in which consumer demand is constantly upgraded, requiring high-quality products and services to satisfy material and spiritual consumption needs.

In addition, the policy highly encourages innovation. It proposes to enhance the organic integration of online and offline consumption; explore new avenues of buying scenarios, forms, and business models; stabilize the foundation of consumption while comprehensively innovating and upgrading products and services; strongly promote green consumption; fully penetrate lower-tier markets; and accelerate the cultivation of new consumption. The goal is to " cultivate a number of new consumption demonstration cities and leading enterprises by 2025, significantly increase the proportion of online retail sales of physical goods in total retail sales of consumer goods, and popularize and mature new forms of consumption such as 'Internet + services' ".

Under a strong policy push, we can see that the new retail models fostered by the digital ecosystem have continued to be optimized over the past few years. The share of online physical retail in total retail sales continues to increase, from 20.7% in 2019 to 27.1% in the first 11 months of 2022. The trend towards the rapid development of new forms of consumption and business models is clear.

Figure 1-10: Continuous increase in the proportion of online physical retail in total retail sales



Source: National Bureau of Statistics of China, Deloitte Research

2. 5 Major Trends in China's Consumer and Retail Industry

How have consumer attitudes changed in the consumer goods and retail industries changed over time? What are their consumer behavior and preferences? What new products, channels, technologies, and scenarios are at the forefront of consumer innovation? To answer these questions, we conducted a nationwide consumer survey to understand consumers' lifestyles, attitudes and behavioral preferences, particularly in relation to emerging trends and changes, and to explore the underlying reasons for these changes. Our analysis aims to provide insights into the foreseeable future development trends of the consumer goods and retail industries. We have summarized five major trends of the Chinese consumer insights for the consumer goods and retail industry in 2023: return to consumer rationality, pursuit of experience that pleases oneself, embrace diverse innovation, live green and sustainable, and pursuit of technological advancement.

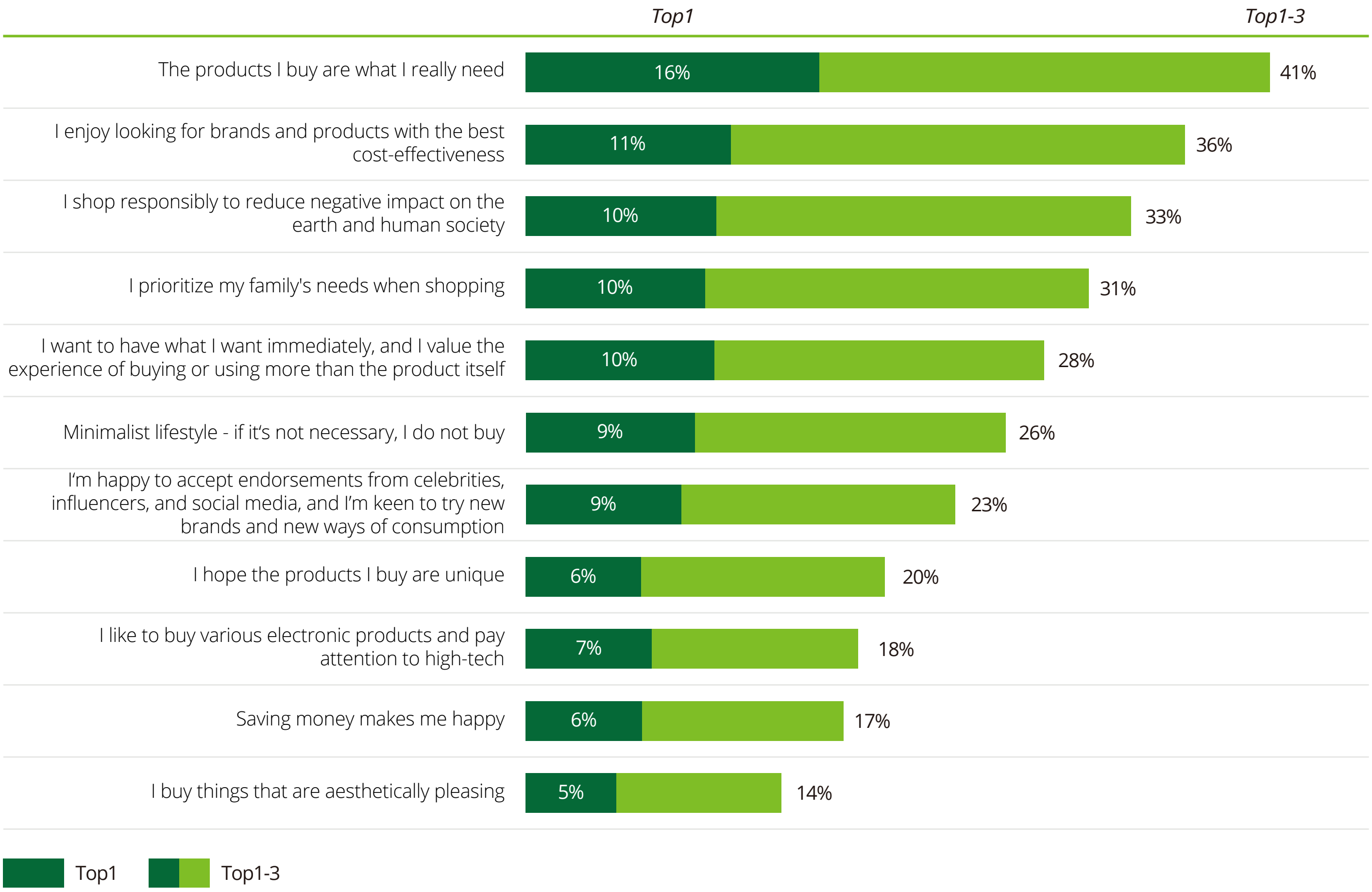
2.1 Return to Rational Consumption

In the aftermath of the pandemic, consumers have become more pragmatic and rational in their purchasing decisions, based on reduced consumption needs as well as increased economic pressures and life uncertainties. People have reduced impulse purchases, prioritizing product quality and value, taking advantage of promotions, and comparing prices across multiple sellers before making a purchase. With much more information available, consumers are taking recommendations with a pinch of salt, making their own choices after careful research and comparison instead of blindly following trends. This shift in consumer behavior has favored domestic brands, which are seen as more cost-effective and have a better understanding of Chinese consumer habits.

- **Rational Consumption Mindset:**

  Consumers are becoming more pragmatic and rational. They are basing their purchasing decisions based on their actual needs and they are doing a lot of research and comparison shopping to reduce impulse buying. The survey shows that when it comes to consumer attitudes, 41% of respondents cited "I only buy what I really need" as one of the top three consumer mindsets. "I am willing to look for the best value brand and product" was close behind, with 36% of respondents choosing this. This result highlights that practicality and rationality have become the mainstream consumer attitudes.

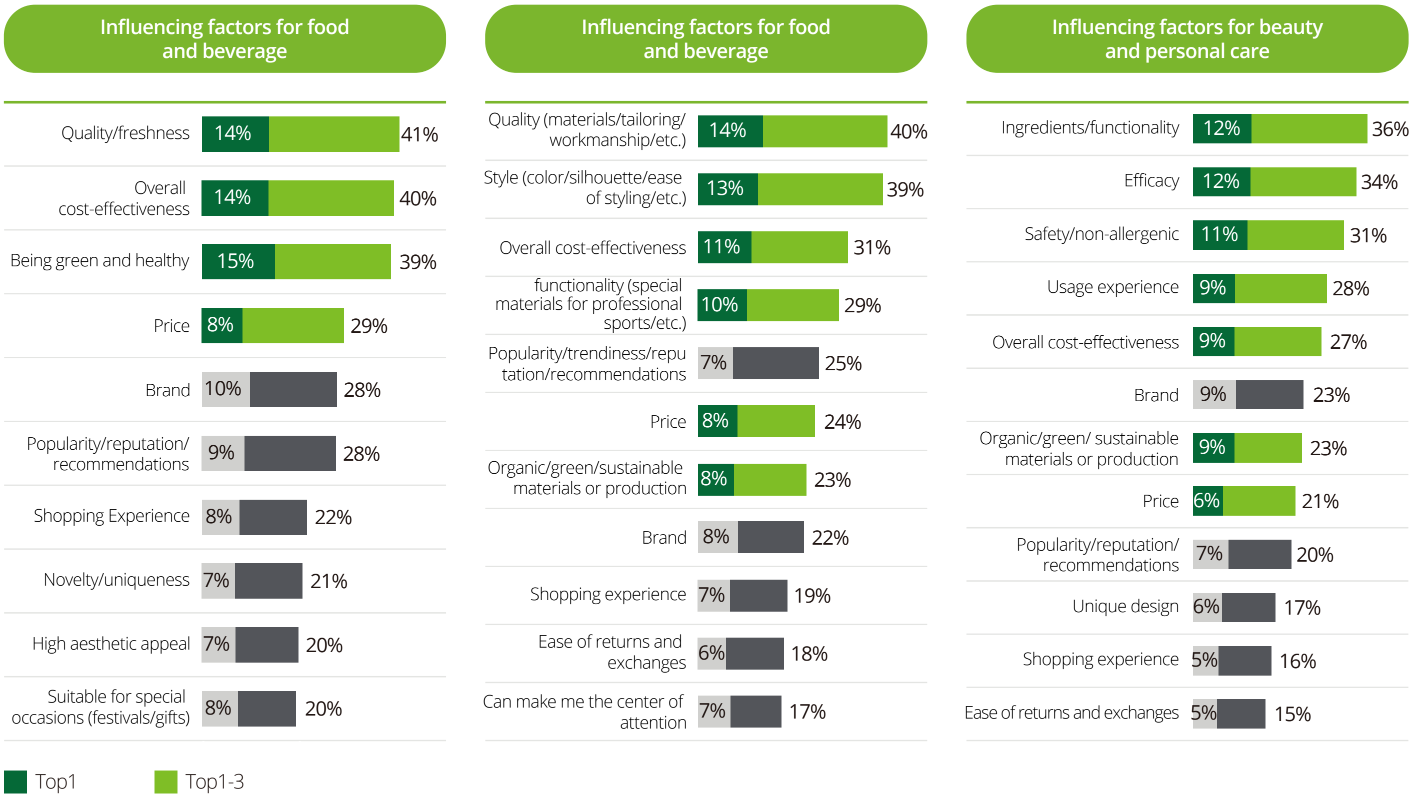
Figure 2-1: Rationality and practicality become the mainstream consumer attitudes



Survey Question: Which of the 1 to 3 descriptions below best align with your consumer mindsets? Please select the top 3 descriptions (1 = most aligned, 3 = least aligned). [Ranking]

When it comes to product choice, consumers generally value the practical and intrinsic value of a product. This trend is reflected across several major categories. In the food and beverage category, around 40% of consumers cite product quality/freshness, overall cost-effectiveness, and being green and healthy as the top three factors influencing their purchase decisions. In clothing, shoes, and hats category, quality (materials/tailoring/workmanship/etc.), product style (color/silhouette/ease of styling/etc.), and overall cost-effectiveness and functionality (such as special materials required for professional sports, etc.) top the list. In the beauty and personal care category, the top three considerations chosen by more than 30% consumers are ingredients/functionality, efficacy and safety/non-allergenic. So quality, functionality, safety, cost-effectiveness and other hard economic factors are the focus of today's pragmatic and prudent consumers.

Figure 2-2: Factors that influence buying decision for each category



Deloitte Survey: When purchasing xx category, what are the 3 most important factors you consider? Please select the top 3 in the order of importance (1 = most important, 3 = least important). [Ranking]

- **Fervently Research-oriented and Willing to Compare:**

As consumers have become more rational, their buying behavior has also changed. Consumers are willing to “do their homework”, research thoroughly, and carefully select and compare products in order to make the best choice. The survey shows that over 90% of consumers are interested in comparing prices, and around 80% of consumers actively look for coupons. Of these, 31% of respondents said they carefully compare prices for all products they purchase; 30% of respondents only carefully compare prices when purchasing relatively expensive products (such as electronic products, clothing, and bags); and only 6% of respondents rarely compare prices when shopping.

In addition to comparing prices, most consumers also look for coupons. The survey found that 59% of respondents actively search for coupons before shopping or checking out; 22% of respondents collect coupons when they see a store sign/APP pop-up with a coupon; and only around 7% of respondents pay no attention to coupons. It is clear that consumers are price-sensitive and have a strong sense of participation. They want to be in control of their consumption and make the best choices for themselves.

Figure 2-3: Most consumers compare prices and search for coupons when shopping

Consumers compare prices	
I carefully compare prices for all products	31%
I carefully compare prices only when purchasing relatively expensive products (e.g. electronic products/clothing/bags)	30%
I compare prices when the price is higher than I expected/remembered	23%
I will compare prices during major promotions (e.g.11.11 Shopping Festival)	10%
I rarely compare prices when shopping	6%

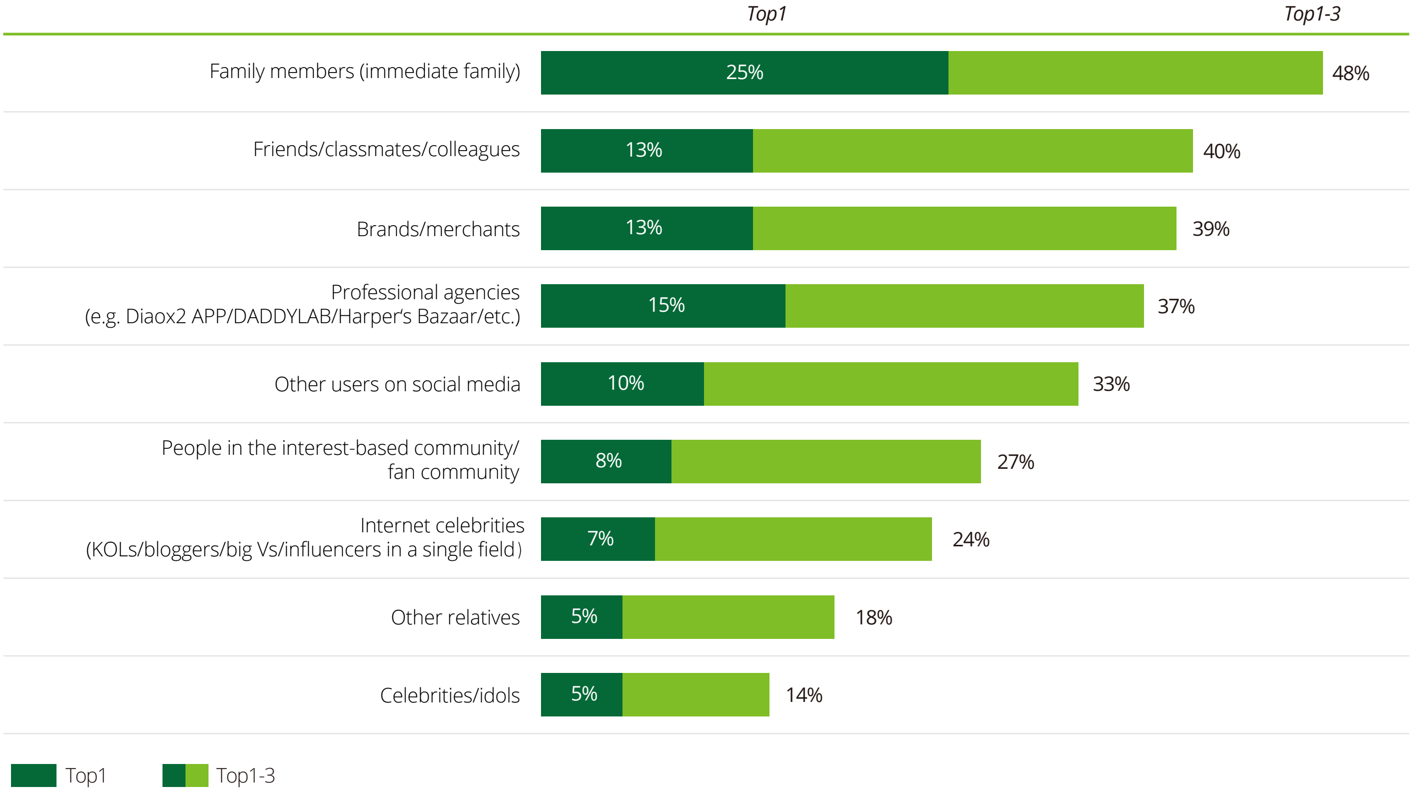
Consumers search for coupons	
I always search for coupons before shopping	32%
I will search for coupons before checking out	27%
I will collect coupons when I see them (e.g. at store signs/APP pop-ups)	22%
I don't actively look for them, but if customer service/sales send me coupons, I will use them	12%
I don't pay attention to coupons	7%

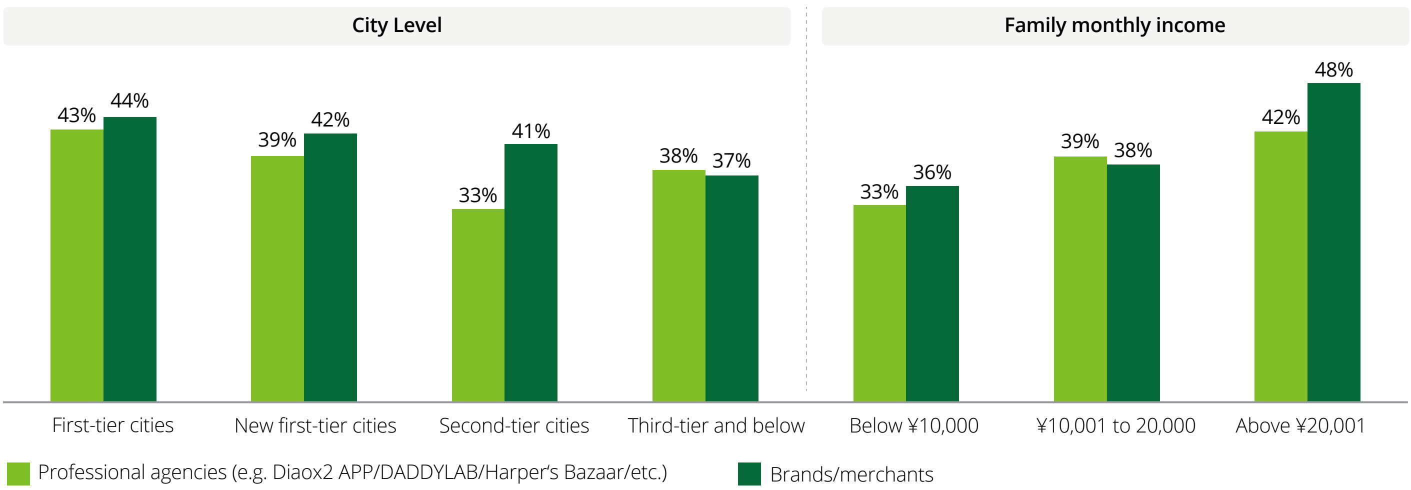
Survey Question: Do you compare prices across different channels when shopping? [Single Choice]
Survey Question: Do you look for coupons when shopping? [Single Choice]

- **Trust Comes First and Refusal to Blindly Follow:**

Consumers tend to trust the opinions of people whom they have real-life relationship with more, while also paying attention to the opinions of official sources and professional testing agencies. According to the survey results, when asked "Whose opinions or recommendations have the greatest influence on your shopping?", 25% of the respondents listed immediate family members as their biggest influence and 49% listed them in their top three influences, well ahead of other options. Friends/classmates/colleagues, brands/merchants/professional agencies were close behind with almost 40% of consumers considering them as their top three influences. When comparing different consumer groups, consumers with higher urban and income levels are more likely to trust official websites and professional testing agencies. From a city-level perspective, consumers in first-tier and new first-tier cities are more likely to trust official websites and professional testing agencies. From an income perspective, the higher the monthly family income, the higher the consumer's trust in official websites and professional testing agencies. "Trust" is becoming a prerequisite for deciding who can influence consumers' purchasing behavior. Consumers have learnt to make their own rational choices and refuse to blindly follow trends without being swayed by a plethora of groups and their opinions.

Figure 2-4: The extent to which consumers' shopping behavior is influenced by different groups



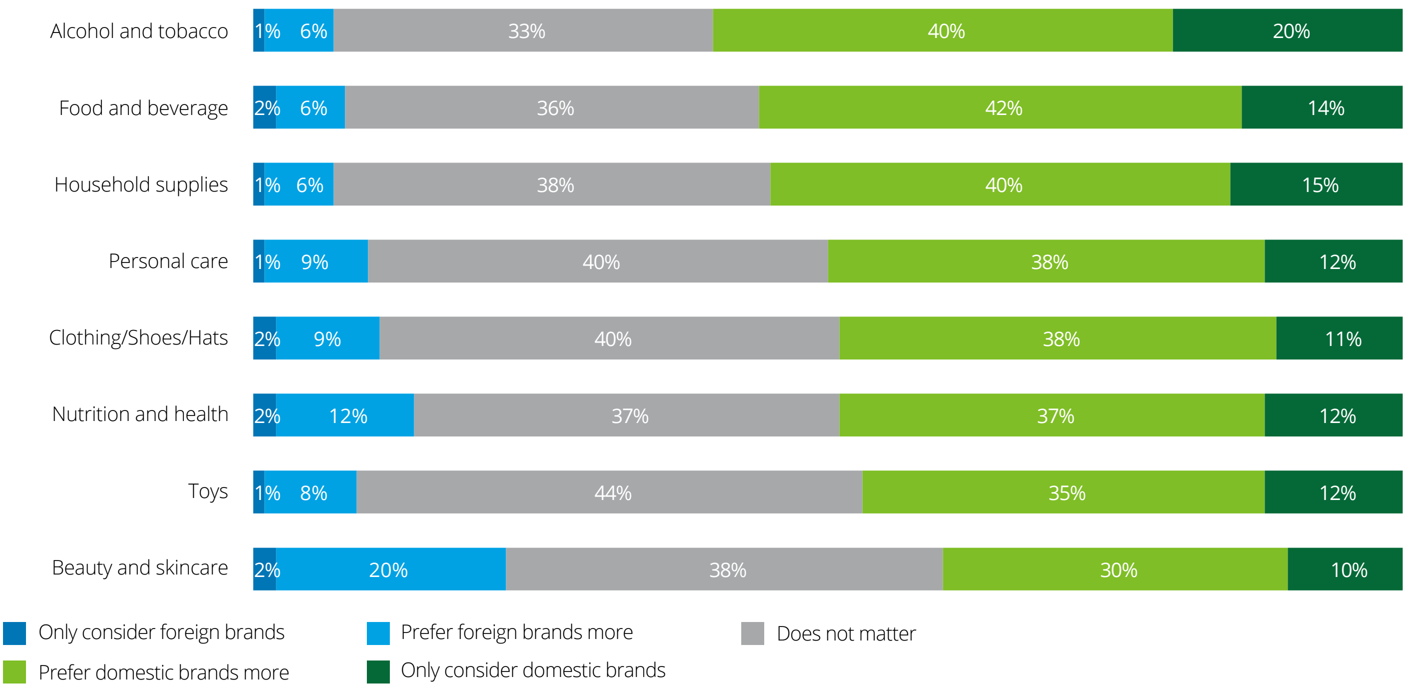


Survey Question: Whose opinions or recommendations have the greatest influence on your shopping? Please select the top 3 groups in the order of influence (1 = greatest influence, 3 = least influence). [Ranking]

- **Domestic Brands Become the Practical Choice:**

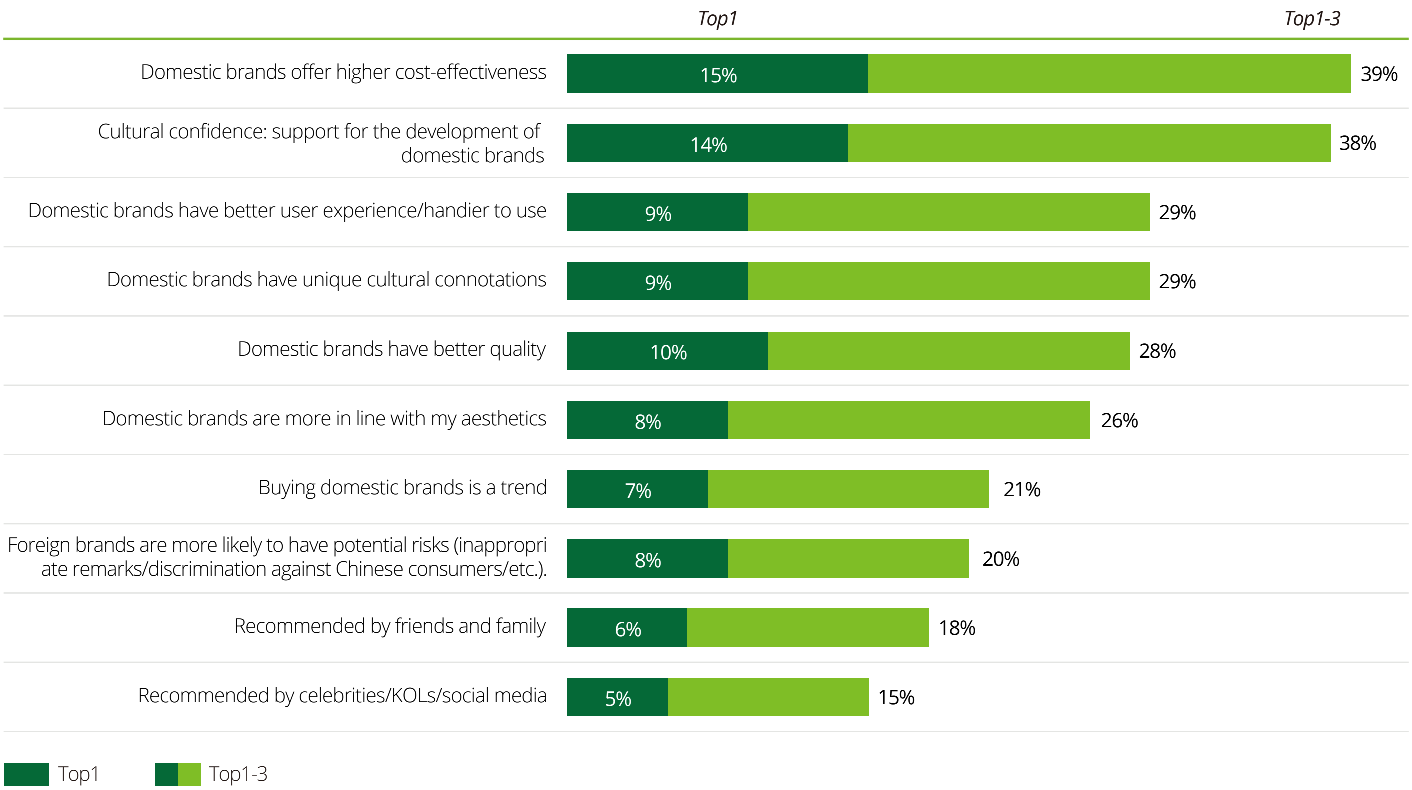
As domestic brands continue to improve their brand power, product capabilities, and channel strength, their market competitiveness has greatly increased, and many domestic brands have become consumers' favorites. Research shows that domestic brands are preferred by consumers due to their advantages such as high cost-effectiveness and better understanding of consumer habits. According to the survey results, a significant proportion of consumers prefer domestic brands in each of the major categories. Consumers are most inclined to purchase domestic goods in the categories of alcohol and tobacco, food and beverage, household supplies, and personal care products. In these four categories above, over half of the consumers prefer domestic brands, and a significant proportion of consumers consider only domestic brands. In terms of the reasons for choosing domestic brands, nearly 40% of respondents believed that the higher cost-effectiveness is an important reason. In addition, more than a quarter of respondents chose reasons such as "better user experience/easier to use", "unique cultural connotations", or "more in line with my aesthetics", indicating that domestic brands' deep understanding of Chinese consumers is one of their core advantages. Riding on the wave of practical and rational consumption, domestic brands have once again advanced forward and gained market recognition.

Figure 2-5: Consumer preferences for domestic brands in each category



Survey Question: When buying the following categories, to what extent do you tend to purchase domestic brands? [Single Choice]

Figure 2-6: Consumers' reasons for choosing domestic brands



Survey Question: Overall, what are the 3 most important factors when purchasing domestic brands? Please select the top 3 in the order of importance (1 = most important, 3 = least important). [Ranking]

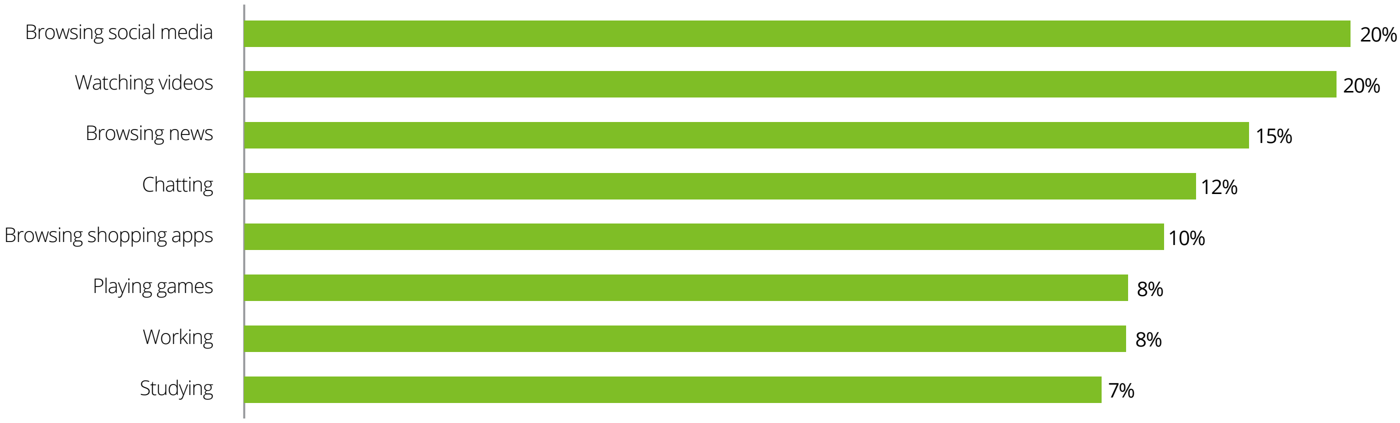
2.2 Pursuit of Experience that Pleases Oneself

As the public has become more affluent and product and channel options have increased, consumers not only seek to satisfy material needs, but also hope to achieve physical and spiritual satisfaction and pleasure, and seek experiences that are pleasing. Social attributes are now deeply embedded in the entire shopping journey, where consumers enjoy social interactions at various stages such as information research, decision-making, experience sharing, etc. Meanwhile, consumers value brick-and-mortar retail for its more transparent information, more intuitive and hands-on experience, and immediate access. Consumers are increasingly concerned about the security of their personal information and express frustration with the current state of privacy protection. They are increasingly taking active steps to protect their privacy and interests.

- **Social Brings Happiness:**

Socializing has become one of the main sources of joy for consumers, and social attributes are also embedded throughout the entire shopping journey. Channels with strong social attributes such as live streaming, WeChat public accounts/video accounts, and short-video platforms have become a playground that could help consumers search for information, influence their decision-making, and share their shopping experiences. People spend the most time on their phones socializing. Over 20% of respondents ranked browsing social media among the top three activities they spend the most time doing on their mobile phones while nearly 20% of consumers said watching videos was among their top three activities, including watching short videos that have strong social attributes. And 12% of respondents indicated chatting on their phones consumes a significant amount of their time.

Figure 2-7: Activities that consumers spend the most time on their phones

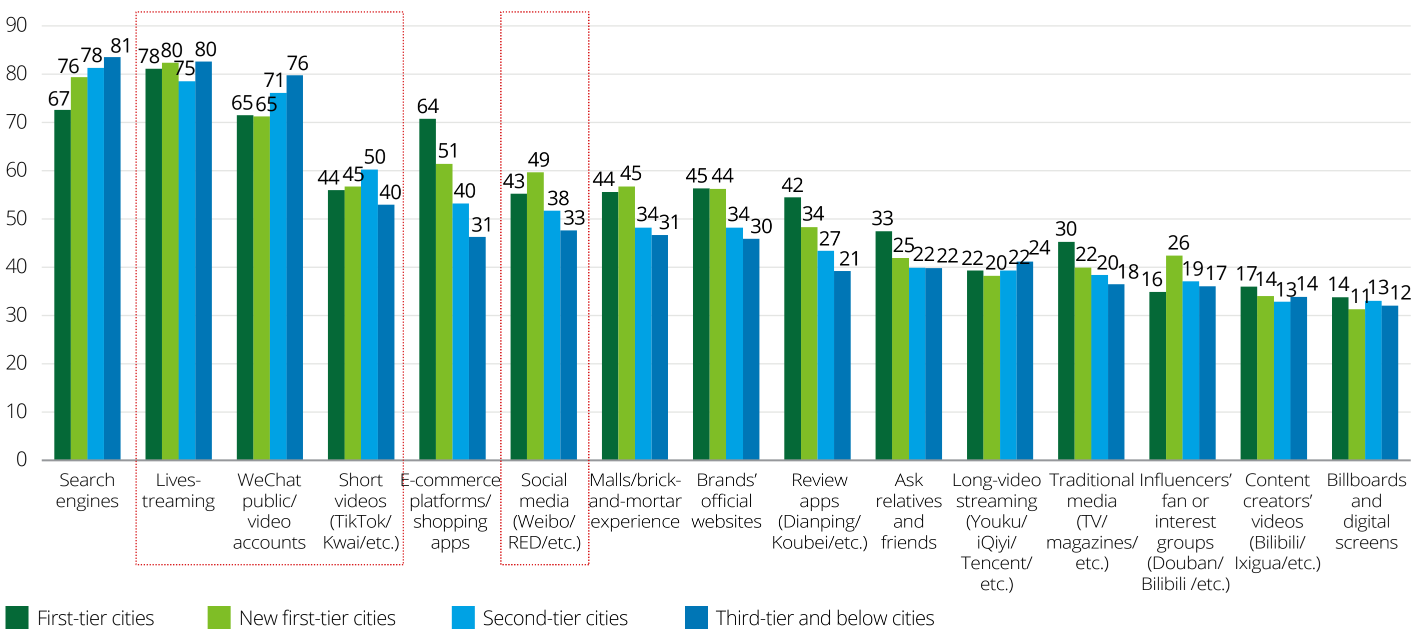


Survey Question: In the past year, which 3 scenarios did you spend the most time on your phone? Please select top 3 choices in the order of time spent (1 = longest time, 3 = shortest time). [Ranking]

Consumers have become accustomed to enjoying social pleasures throughout the entire shopping journey, from information searching to decision-making and experience sharing. At the stage of information searching, survey results show that live streaming, WeChat public accounts/video accounts, short-video platforms and other social media channels have also become important channels for consumers to obtain information in addition to search engines.

Figure 2-8: Channels where consumers obtain information about products or services

Consumer Choice Percentage(%)

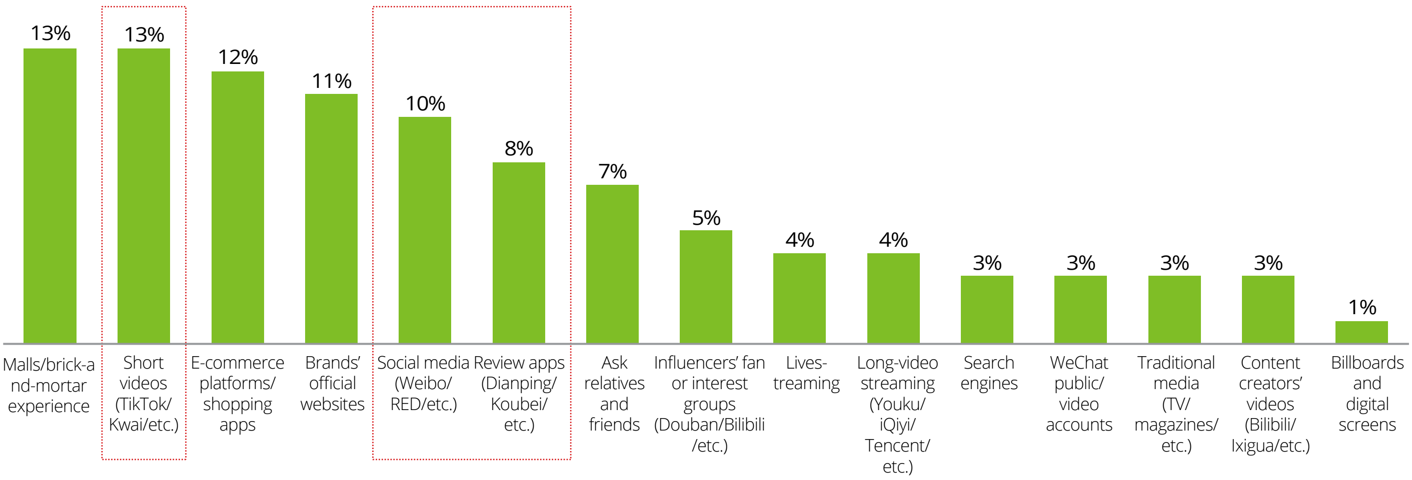


Survey Question: Which of the following channels do you tend to obtain information about products or services? [Multiple Choices]

In the decision-making phase, aside from official channels such as e-commerce platforms/shopping apps (13% of consumers), shopping malls/brick-and-mortar stores (12% of consumers), and official brand websites (11% of consumers), consumers also use highly social channels such as short-video platforms (13% of consumers), social media (10% of consumers), and review-oriented apps (8% of consumers) to help them make the best purchase decisions.

Figure 2-9: Channels that most influence consumers decision-making

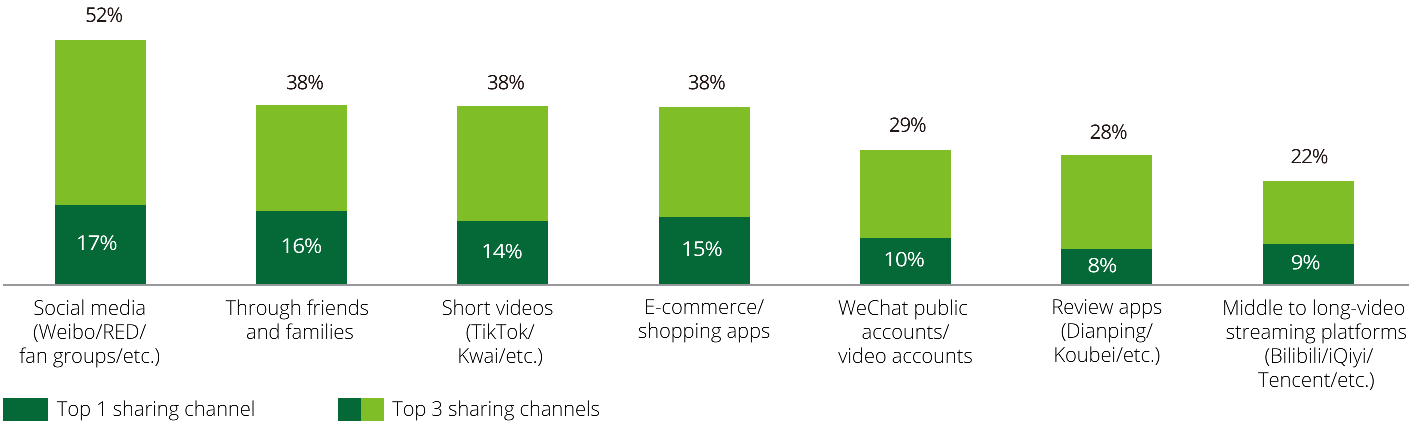
Consumer Choice Percentage(%)



Survey Question: Out of these channels, which has the greatest impact on your consumption decisions? [Single Choice]

Consumers are willing to share their shopping experiences and engage in deeper social connections based on interests and experiences. Only 13% of consumers said they rarely or never share. In terms of channels for experience sharing, over half of the respondents listed social media as one of the top three channels. This was followed by communicating with family and friends and sharing on short video apps, with nearly 40% of consumers choosing each. In terms of the content they share, consumers see it as a form of self-expression and are less likely to share other people's thoughts. The content they share tends to be more about their subjective feelings and thoughts, while objective information about products or services comes after. The most commonly shared content includes user experience, reasons to purchase, price, shopping experience, and information about the product or service itself. 51% of respondents usually share their expereince of using a product or service. 42% usually share the reasons or scenarios for buying a product or service. Price, shopping experience, and information about the product or service itself were each chosen by more than 35% of respondents. The main drivers behind most consumers' sharing behavior are to help others and express themselves. 35% of respondents said their main goal was to provide relevant information and guidance to others, while 23% said it was to express their own emotions and attitudes.

Figure 2-10: The proportion of channels consumers use to share product information or shopping experiences

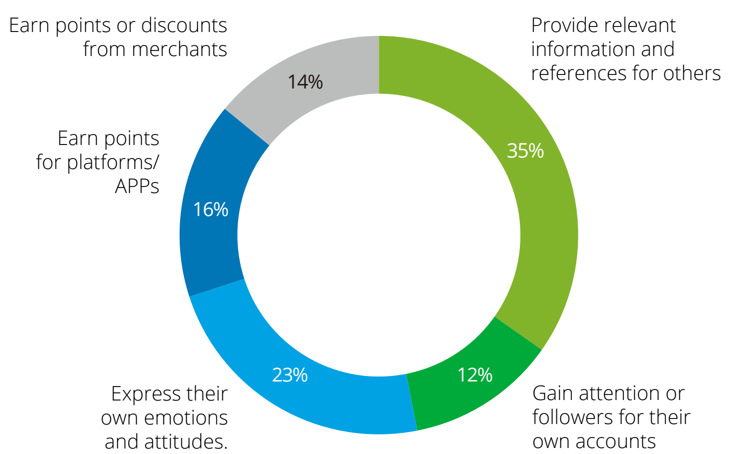


Survey Question: Which channels would you use to share product information or shopping experiences? Please select 1 to 3 channels that you use the most in the order of frequency (1 = most frequent, 3 = least frequent). [Ranking]

Figure 2-11: Content that consumers tend to share about shopping

Survey Question: What content do you usually share when sharing product information or shopping experiences? [Multiple Choices]

Figure 2-12: Purpose of consumers sharing shopping content



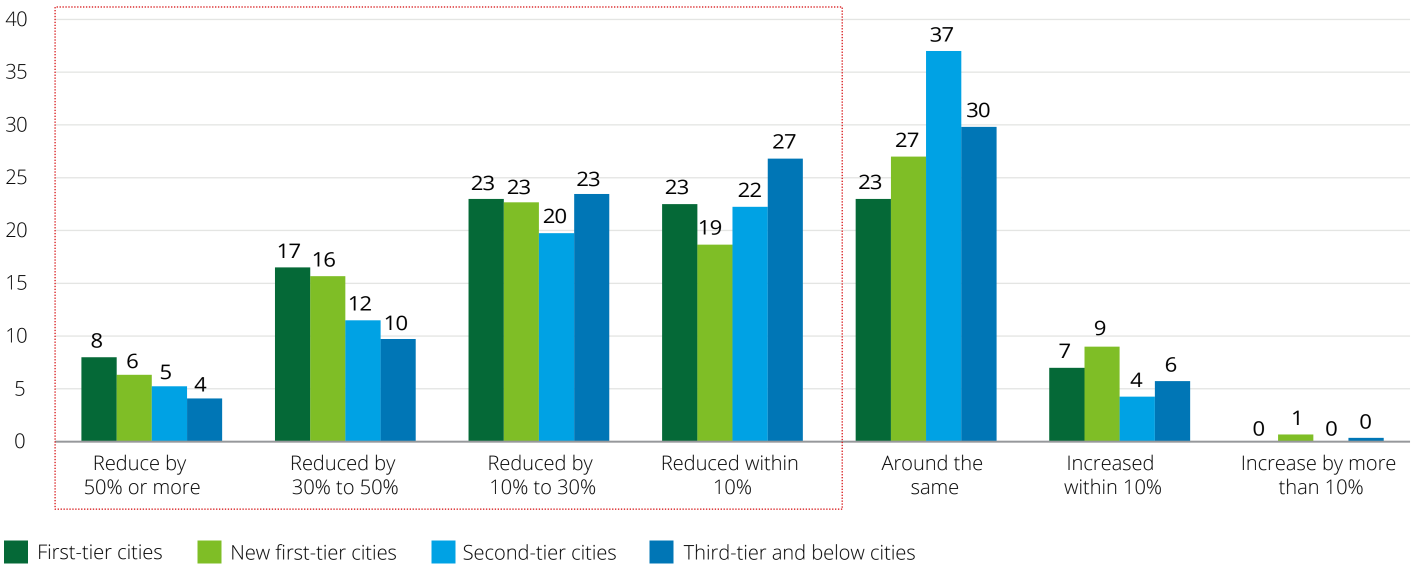
Survey Question: What is your main purpose for sharing product information or shopping experiences? [Single Choice]

• **Unique Experience with Brick-and-Mortar Retail:**

The rapid growth of online retailing in recent years has led to the emergence of new channels and platforms, new marketing strategies, and a wide range of products. In addition, the impact of the pandemic has led to less frequent visits to brick-and-mortar stores, with the decline most pronounced in first-tier and new first-tier cities. However, brick-and-mortar retail still has its unique value, offering consumers a unique experience through transparent information, intuitive and hands-on experience, and immediate availability. According to the research, consumers still recognize the irreplaceable benefits of brick-and-mortar retail. 38% of respondents believe that having immediate access to the product is one of the top three most important reasons for shopping in-store. 37% of respondents believe that the quality of goods is better guaranteed, and 35% of respondents choose offline stores because they can experience a more direct sensory experience of products (such as their materials and texture).

Figure 2-13: Consumers have reduced their frequency of visiting brick-and-mortar stores

Consumer Choice Percentage(%)



Survey Question: Overall, how has the frequency you visit brick-and-mortar stores in the past year change compared to earlier? [Single Choice]

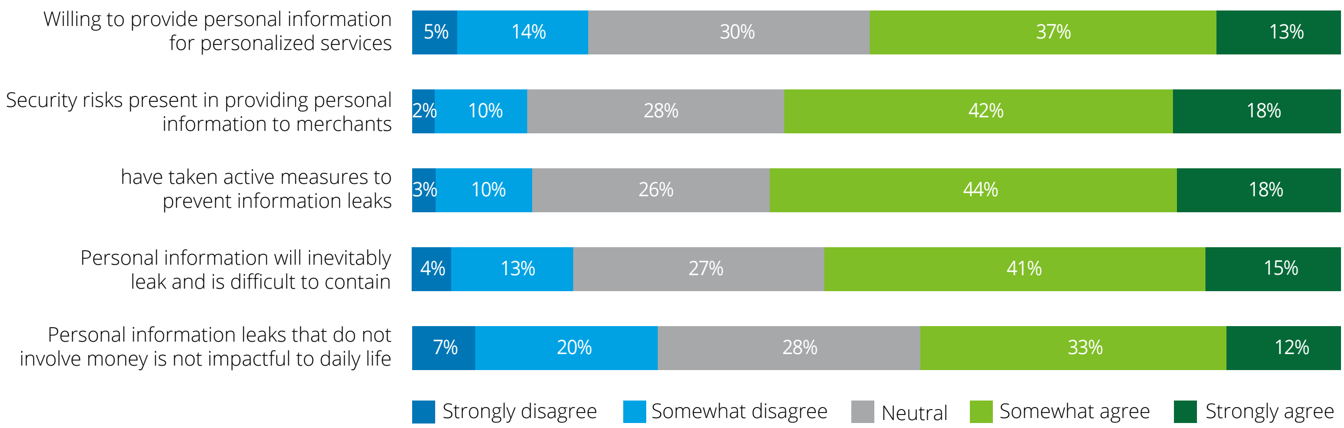
Figure 2-14: Reasons consumers choose to visit brick-and-mortar stores

Survey Question: What are the 3 most important reasons you visit brick-and-mortar stores? Please select in the order of importance (1 = most important, 3 = least important). [Ranking]

- **Emphasis on Personal Information Security:**

With the development and expansion of data technology and its applications, consumer privacy and personal information security have become a concern for society and the public. "The Personal Information Protection Law of the People's Republic of China", which took effect on November 1st, 2021, regulates the handling of sensitive personal information and improves the complaint and reporting mechanism for personal information protection. The implementation of this law has effectively addressed social concerns and provided strong legal protection to resolve popular and difficult issues in personal information protection. Consumers are increasingly concerned about the security of their personal information. Surveys show that they need both convenient shopping experiences and privacy protection. Most respondents are willing to share more information for quality personalized services, but they are also concerned about the security risks of sharing their privacy with merchants. Consumers feel somewhat helpless about the current state of privacy protection, but they are taking proactive steps to safeguard their privacy. According to the survey, 62% of respondents indicated that they have taken active measures to prevent information leaks.

Figure 2-15: Consumers' attitude towards personal information privacy



Survey Question: To what extent do you agree with the following statement about personal information of members or consumers? [Single Choice]

2.3 Embrace Diverse Innovation

The rise of technology, changes in the social environment, and policy incentives have created a fertile ground for business model innovation. In this decade, a variety of new retail channels and scenarios have emerged, ushering in the era of the "Now Consumer". "Now consumers" are pursuing new lifestyles and consumption habits. They embrace innovation, enjoy trying new things, and are highly energetic and receptive. This study explores the popular trends in new retail channels and buying scenarios, including live streaming, instant retail, and home leisure consumption. Our research found that live streaming and instant retail are increasingly becoming the norm for consumers. The pandemic has led consumers to passively adopt "home mode," unlocking various opportunities for leisure consumption at home. Consumers have discovered the joy of these at-home activities and are now actively pursuing them. The rise of the "home economy" emerging from this new buying scenario could become a long-term consumption focus.

- **Proactively Try New Retail Forms:**

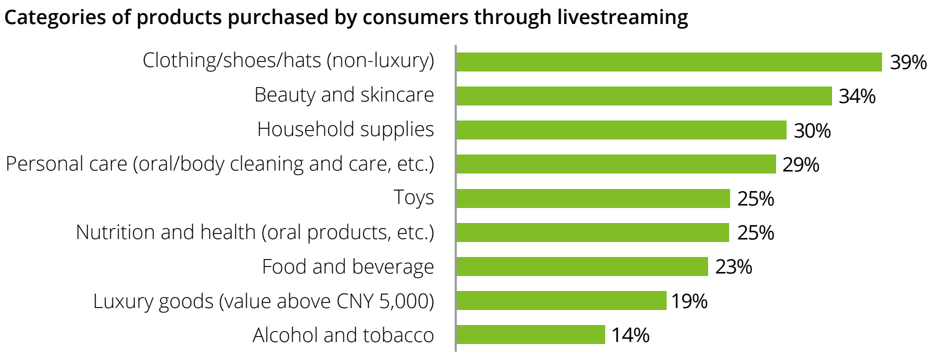
The Now consumers are no longer limited to traditional shopping channels and are more willing to explore and try different ways of shopping. Live streaming and instant retail are two typical examples and are currently the most popular new forms of retailing. We conducted a survey on the frequency, brand preferences, and subjective motivations for live streaming shopping and instant retail. We found that 67% of consumers have experienced live streaming shopping, with the most common categories being clothing/shoes/hats (39%), beauty and skincare products (34%), and household supplies (30%). The main reasons consumers are attracted to live-streaming shopping include "low price/strong promotion," chosen by 24% of respondents, followed by "more direct understanding of the product," chosen by 21% respondents, and "gain more perks and benefits" ranked third, chosen by 18% of respondents.

Meanwhile, instant shopping has gradually attracted more consumers with its convenient and timely features. The survey found that nearly 70% of consumers experience instant retailing at least once a month, and this proportion will increase to over 80% in the next three months. The top three categories that are most frequently purchased through instant shopping are food and beverages (selected by 24% of consumers), household products (selected by 22% of consumers), and personal care (oral/body cleaning and care, etc.) (selected by 17% of consumers). The variety of product categories and offerings, the ability to meet urgent needs, and the low prices/strong promotions are the top three reasons why consumers choose instant shopping.

It is evident that new retail forms such as live streaming and instant retailing, along with their respective characteristics, are gaining consumer recognition and gradually becoming mainstream, creating a diverse and thriving new retail market. Consumers are willing to accept and actively try different forms of retail. Depending on the category and specific needs of each purchase, they will choose and mix different shopping channels that offer different experiences.

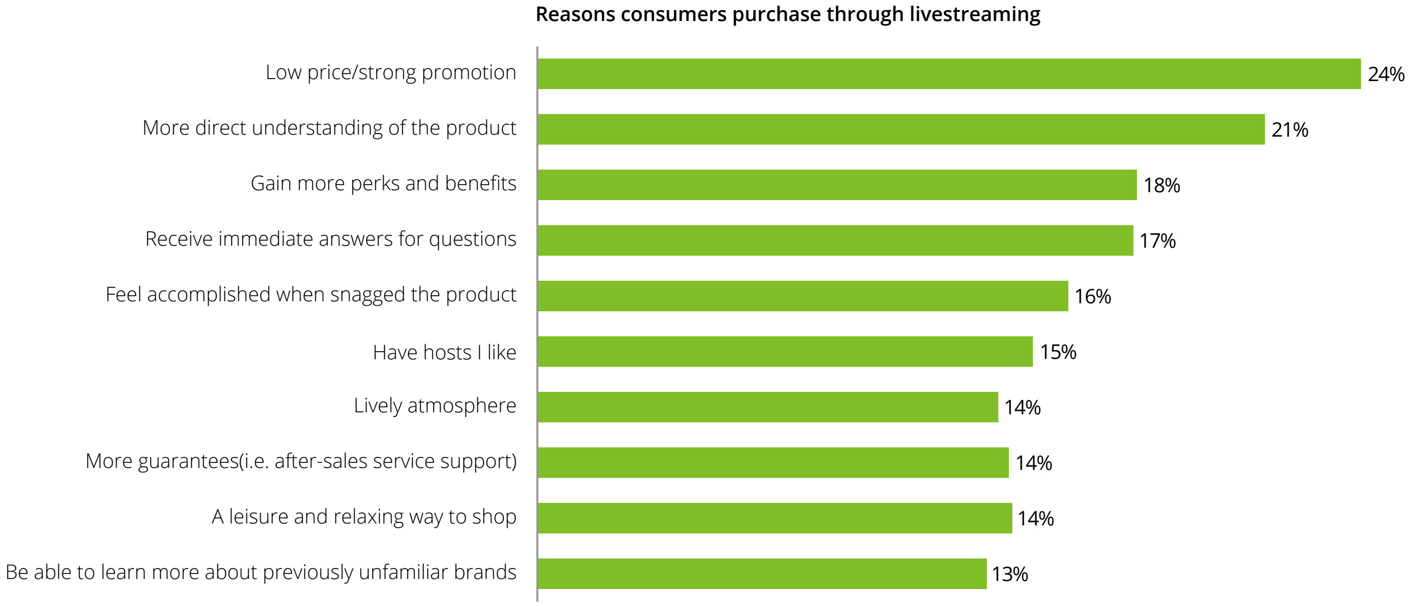
Figure 2-16: Percentage of consumers who have experienced shopping through live streaming

Figure 2-17: Product categories that consumer purchased through live streaming



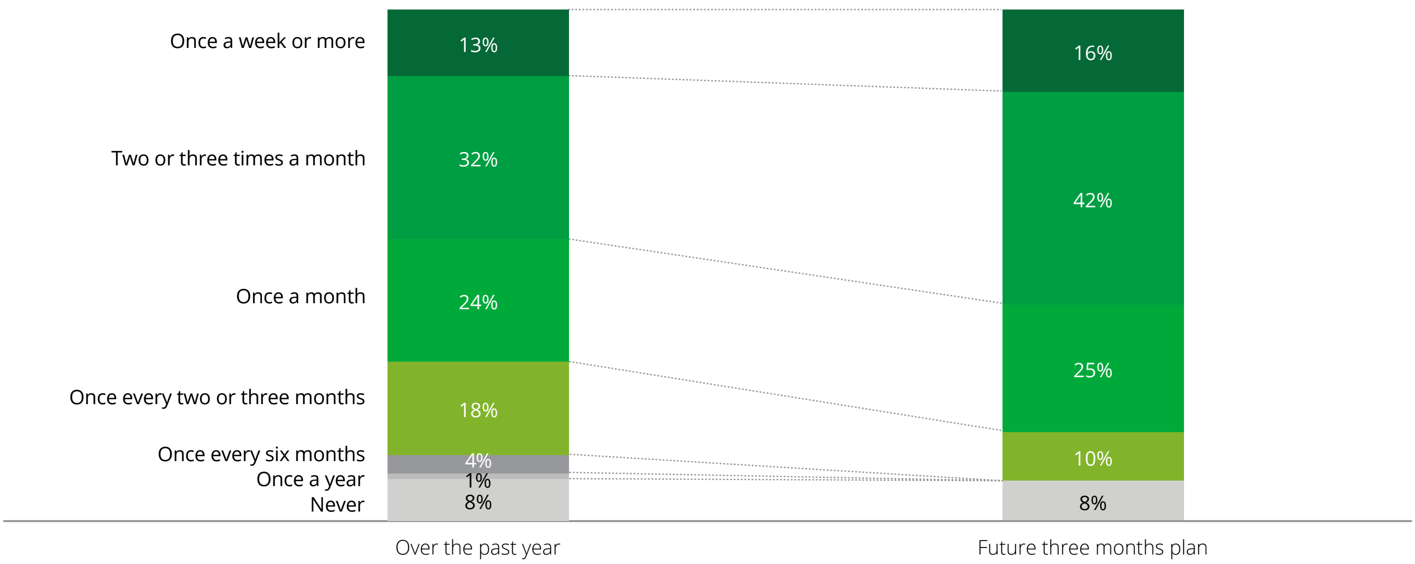
Source: Deloitte Survey: Through which channels do you typically purchase the following categories of products? Please select all the channels that apply to each row. [Multiple Choice]

Figure 2-18: Reasons why consumers shop via livestreaming



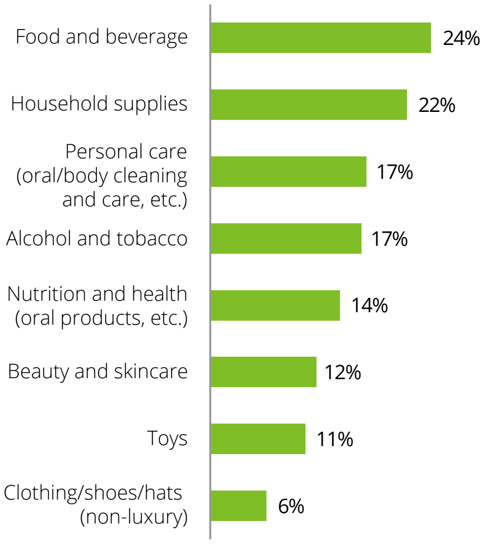
Survey Question: Why do you choose to purchase via live streaming? Please select the top 3 factors that are most important to you, in order of importance (1 = most important, 3 = least important). [Ranking]

Figure 2-19: Consumer frequency of using instant retail



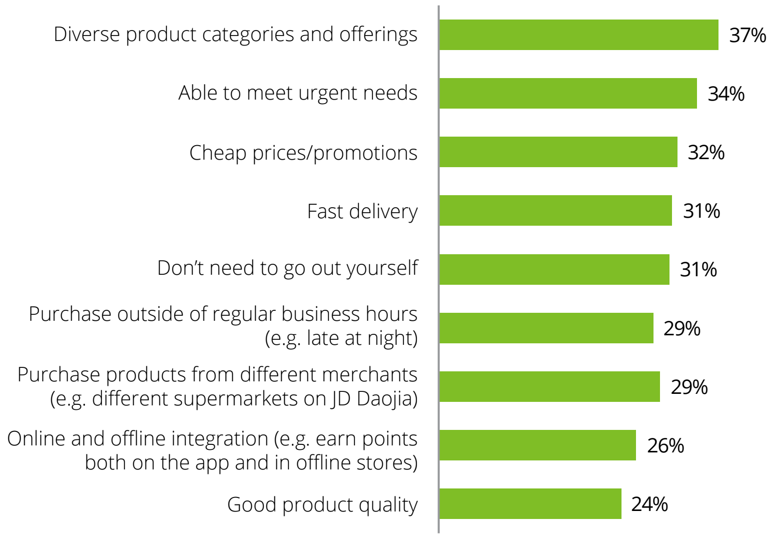
Survey Question: In the past year, how often have you experienced instant retailing? [Single Choice]; In the next three months, how often do you plan to experience instant retailing? [Single Choice]

Figure 2-20: Product categories that consumers have purchased through instant retailing



Survey Question: Through which channels do you typically purchase the following categories of products? Please select all the channels that apply for each row. [Multiple Choices]

Figure 2-21: Reasons why consumers shop via instant retail

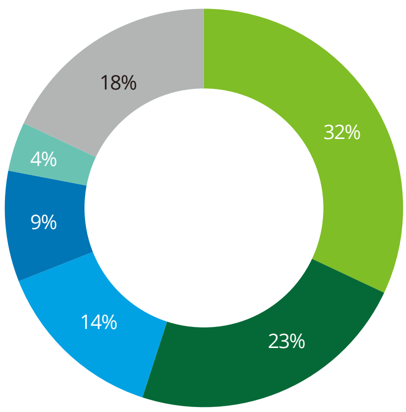


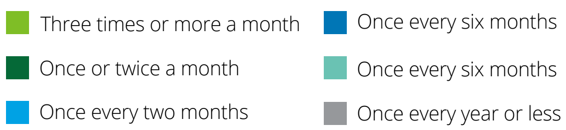
Survey Question: What are the reasons you choose to shop through instant retail? [Multiple Choices]

- **Home Leisure Becomes an Emerging Context for Consumption:**

Due to the impact of the pandemic, people have started the "stay-at-home mode" and the home has expanded its role from living to also working. People want to seek comfort and quality in their homes, so leisure activities at home based on people's various interests, such as fitness, cooking, and flower arranging started to rise. In the future, as consumers become more accustomed to productive activities at home, home leisure will become a more regular form and scenario of leisure and entertainment, continuously driving the development of the "home economy". According to the survey results, more than 80% of respondents have engaged in home-based leisure consumption. 32% make purchases three times or more per month, which is the largest proportion of respondents. 23% respondents make purchases for leisure consumption at home 1-2 times per month, which ranks second. Consumers are increasingly looking for new, multi-functional, technology-enabled, and hyper-convenient products to meet their leisure needs at home. Among them, 24% of respondents think that the novelty of the products on the market can be improved, 23% think that the function can be more comprehensive, 22% expect more technological improvements, and 20% hope that the products can better serve "lazy consumers."

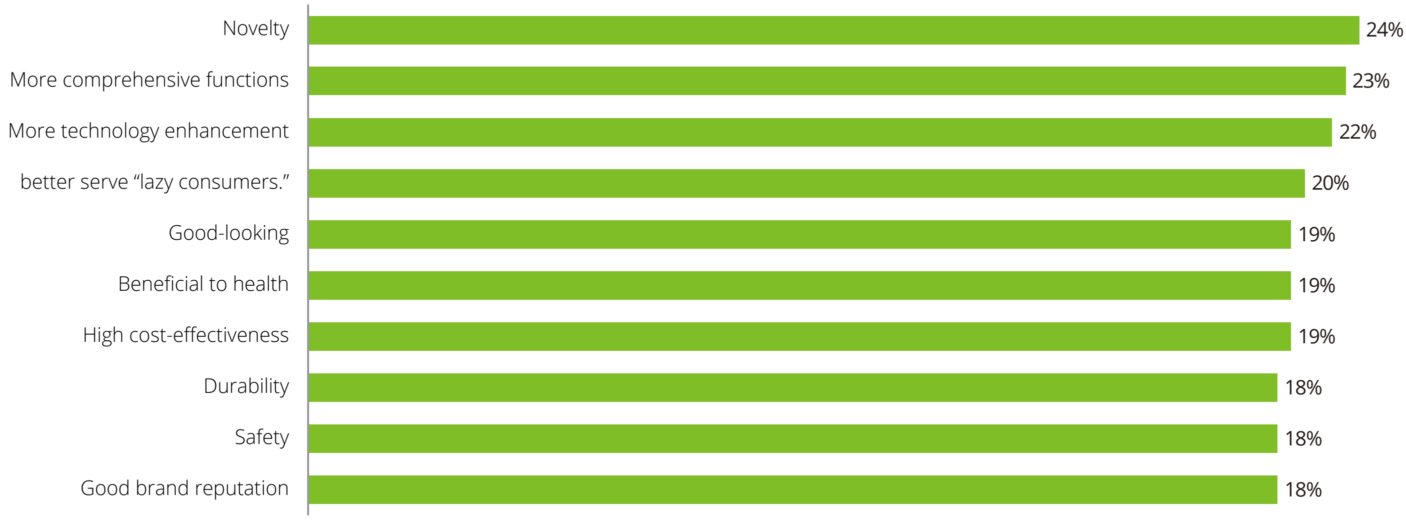
Figure 2-22: Consumer frequency of leisure consumption at home





Survey Question: In the past year, which of the following activities have you done? Please choose the frequency of each activity. If you did not experience any activity in the past year, please select the last column. [Single Choice]

Figure 2-23: At-home leisure products have not met consumers' demands



Survey Question: What features do you think the products should have to help you experience the activities listed above? What features do the products currently lack or require improvement? Please check the features you think the products should have for each scenario. [Single choice]

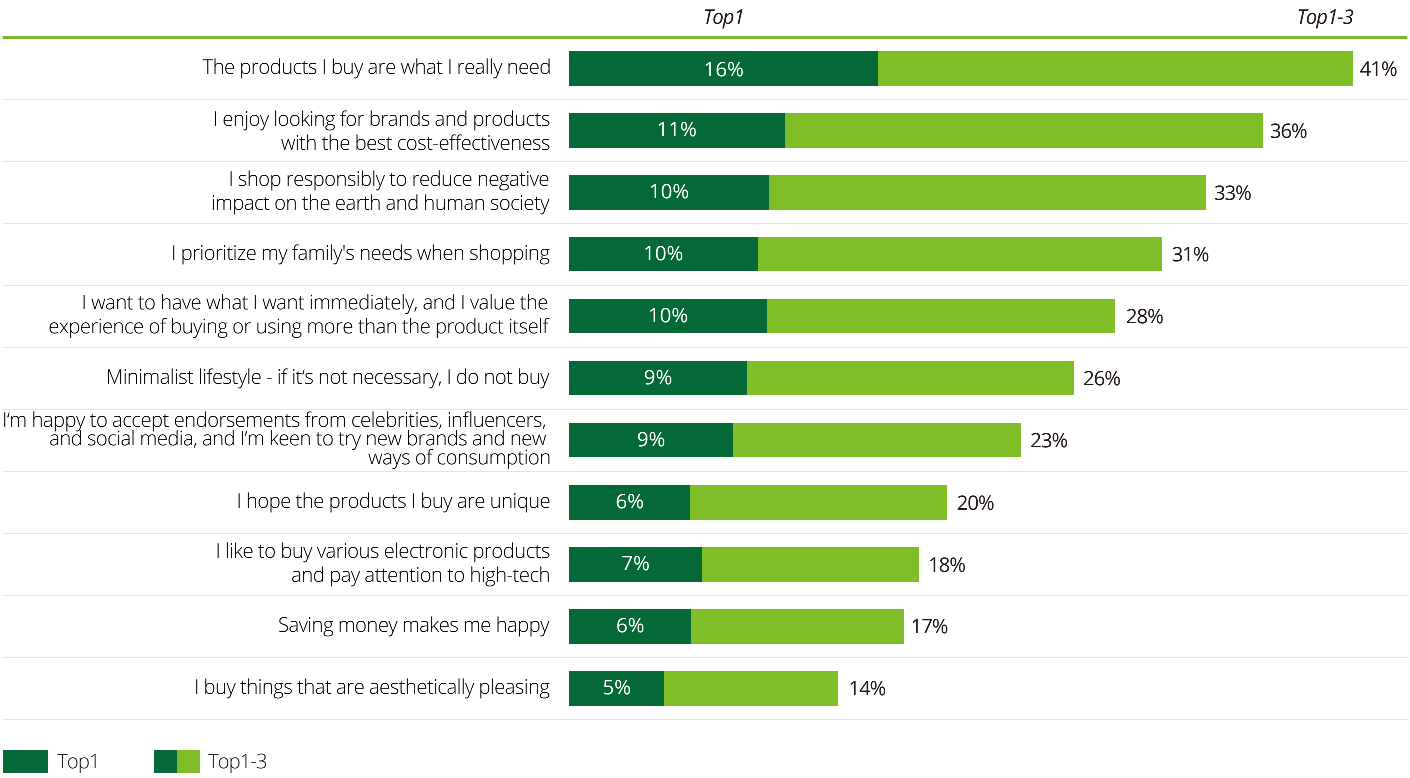
2.4 Be Green and Sustainable

China's promotion of green and sustainable development, including its efforts towards advancing carbon peaking and neutrality, its participation in global climate change governance, and its pursuit of a harmonious relationship between man and nature, has led to widespread public acceptance and recognition of the concept of green and sustainability. This concept is also reflected in consumption patterns, as consumers are aware of the social responsibility associated with their consumption behavior. Following the proposal of "promoting green consumption and establishing a green, low-carbon production and lifestyle" by the 20th National Congress, consumers have increasingly incorporated the idea of green and sustainability into their consumption. Some consumers are also willing to pay a premium for green consumption. In the future, green consumption is expected to remain a lasting trend for consumers, as awareness and adoption of sustainable practices in their consumption behavior continues to grow.

- **High Social Awareness and Responsibility:**

  The concept of "I shop responsibly to reduce negative impact on the earth and human society" has been widely recognized by consumers. More than 30% of respondents selected this option as one of their top three consumer attitudes, ranking third after "actual needs" and "cost-effectiveness". Among them, 10% of consumers even chose "responsible consumption" as their first choice, reflecting consumers' strong sense of social awareness and responsibility.

Figure 2-24: High social awareness and responsibility among consumers

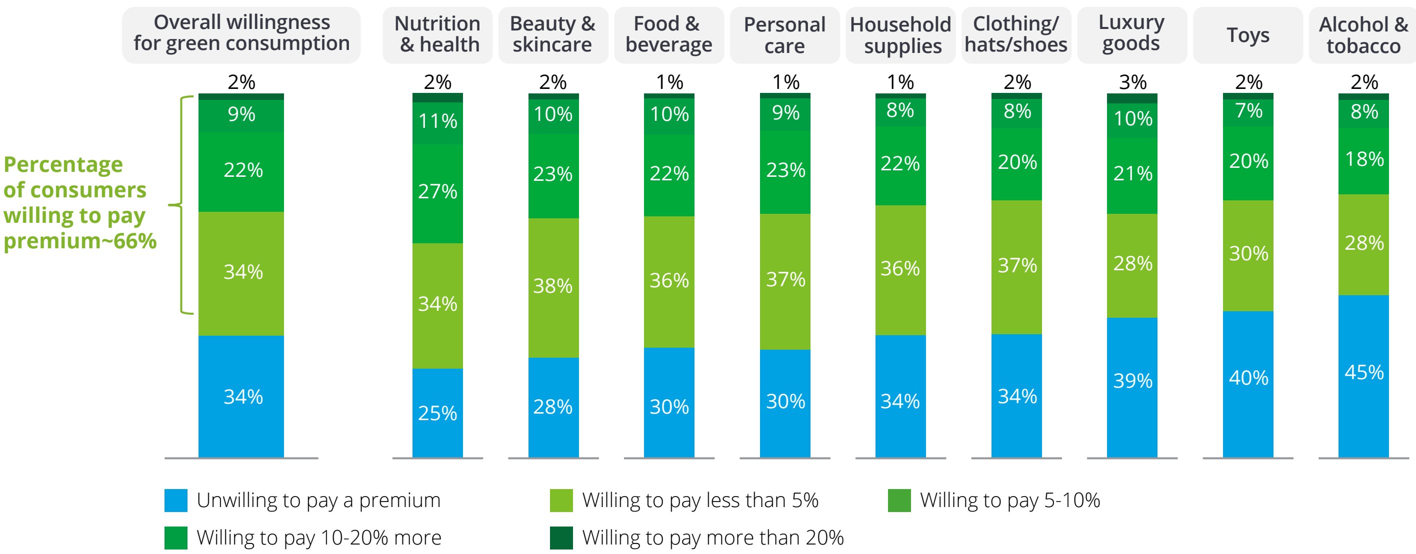


Survey Question: Which of the following descriptions best describe your consumer mindset? Please select the top 3 in the order of alignment (1 = most aligned, 3 = third most aligned). [Ranking]

- **Increased Willingness for Green Consumption:**

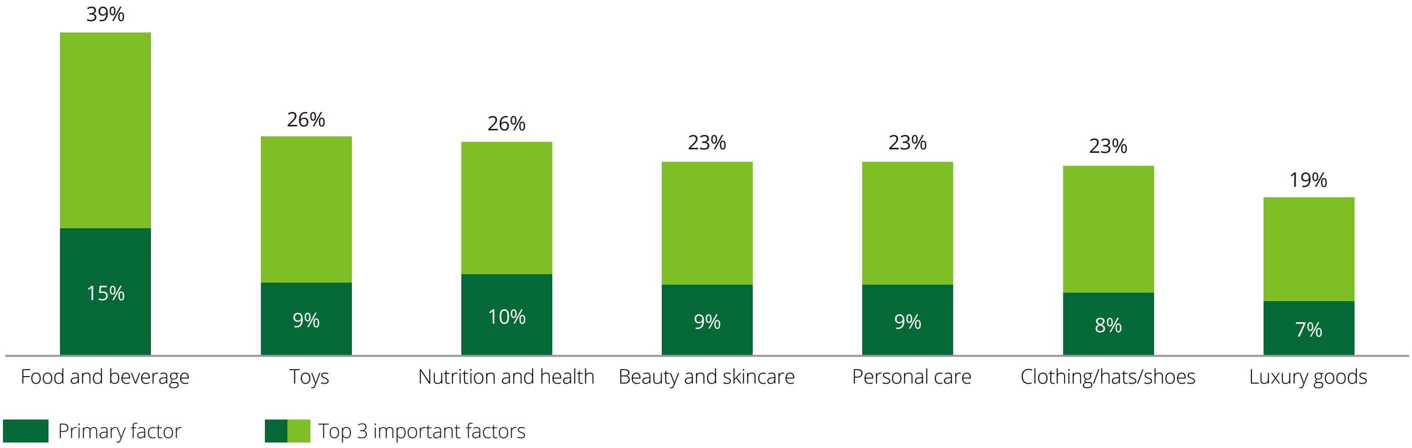
As social responsibility becomes more prominent, we have found that consumers are increasingly willing to translate their green consciousness into buying behavior. The survey results show that more than 60% of consumers are willing to pay a premium for green consumption, but the premium would be within 10% or less for most consumers (56% of the total population). The products for which consumers are most willing to pay a green premium for are nutrition and health, beauty and skin care, food and beverage, and personal care, with the premiums of 75%, 72%, 70%, and 70%, respectively. In addition, “green and sustainable practices" have become an important consideration for consumers when purchasing food and beverage, toys, and nutrition and health products. Nearly 40% of consumers consider "green and sustainable practices" to be one of the top three considerations when buying food and beverages, and more than 15% of consumers consider it to be the primary factor. In the categories of toys as well as nutrition and health, "green and sustainable practices" have become an important consideration for more than 25% of consumers, and a primary consideration for nearly 10% of consumers.

Figure 2-25: Willingness of consumers to pay a premium for green consumption



Survey Question: How much premium are you willing to pay for green consumption (i.e., how much more are you willing to pay compared to regular products) when purchasing the following categories? Green consumption includes products made with more environmentally friendly raw materials, packaging and production methods; lower carbon emissions during transportation and use; and better protection for people involved in production and trade. [Single choice]

Figure 2-26: The proportion of "green consumption" as a key consideration factor in consumer purchasing behavior



Survey Question: When purchasing xx category, what are the top 3 factors you consider? Please select the top 3 in the order of importance (1 = most important, 3 = third most important). [Ranking]

2.5 Pursuit of Technological Advancements:

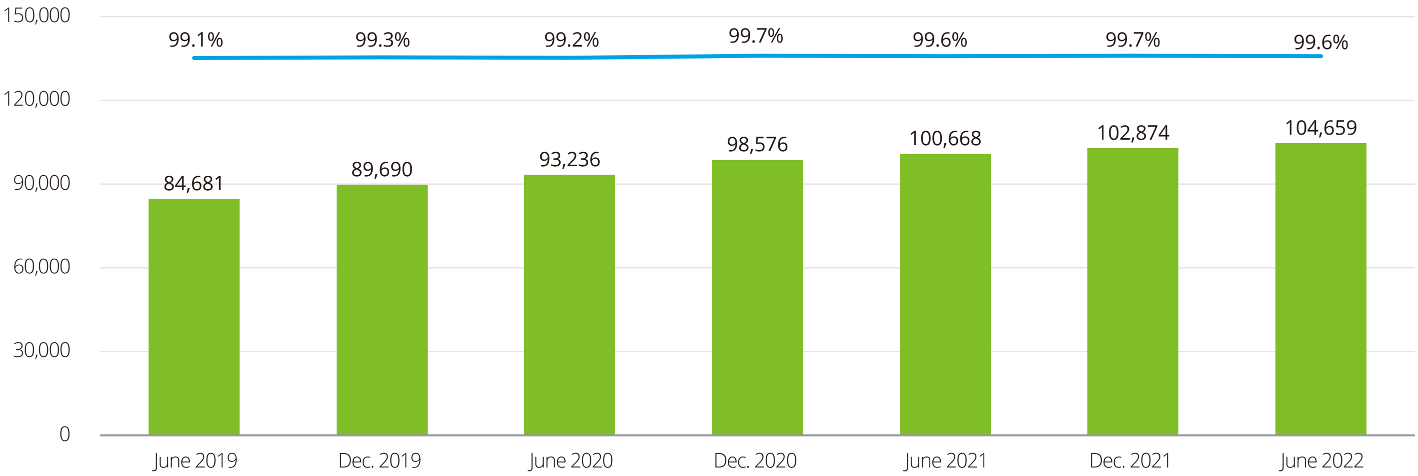
The past decade has been a period of rapid internet development, with continuous innovation in Internet technology, service forms, and business models. With the advent of the "new infrastructure," the retail ecosystem is becoming more digitalized, intelligent, and efficient. The widespread adoption of the latest innovations in underlying technologies, such as 5G, cloud computing, IoT, big data, and artificial intelligence, is propelling the advancement of retail technology. Chinese consumers exhibit strong curiosity and acceptance of new technologies, and are eager to experience the conveniences and innovations they bring, driving the continuous advancement of technology. For example, around 2015, the sharing economy began to boom, with shared bikes, power banks, and massage chairs, and more entering the market. This highlighted the strong ability of the Internet to allocate physical resources to meet consumer needs. Around 2016, visual media such as live streaming and short videos further enriched the form of Internet services, satisfying consumers' entertainment needs while providing new business models for traffic monetization. Currently, mobile Internet has become widely popular, and the proportion of elderly Internet users is rapidly increasing. Consumers remain enthusiastic about new technologies and look forward to the maturation and application of the metaverse.

- **Widespread Adoption of Mobile Internet:**

Chinese consumers are very willing to embrace and try new technologies. Mobile Internet has been rapidly popularized, and mobile phones have become an integral part of people's lives. As of June 2022, the number of Chinese mobile Internet users has exceeded 1.05 billion, accounting for 99.6% of the total Internet users. It is worth noting that the proportion of elderly Internet users is also increasing significantly. According to the "Statistical Report on Internet Development in China" published by the China Internet Network Information Center (CNNIC) over the years, the proportion of Internet users over 60 years old was 1.3% in 2000 and only rose to 1.9% in 2010, but then grew rapidly to 11.2% in 2020. This shows that mobile Internet has become an "everyday necessity" for Chinese consumers now.

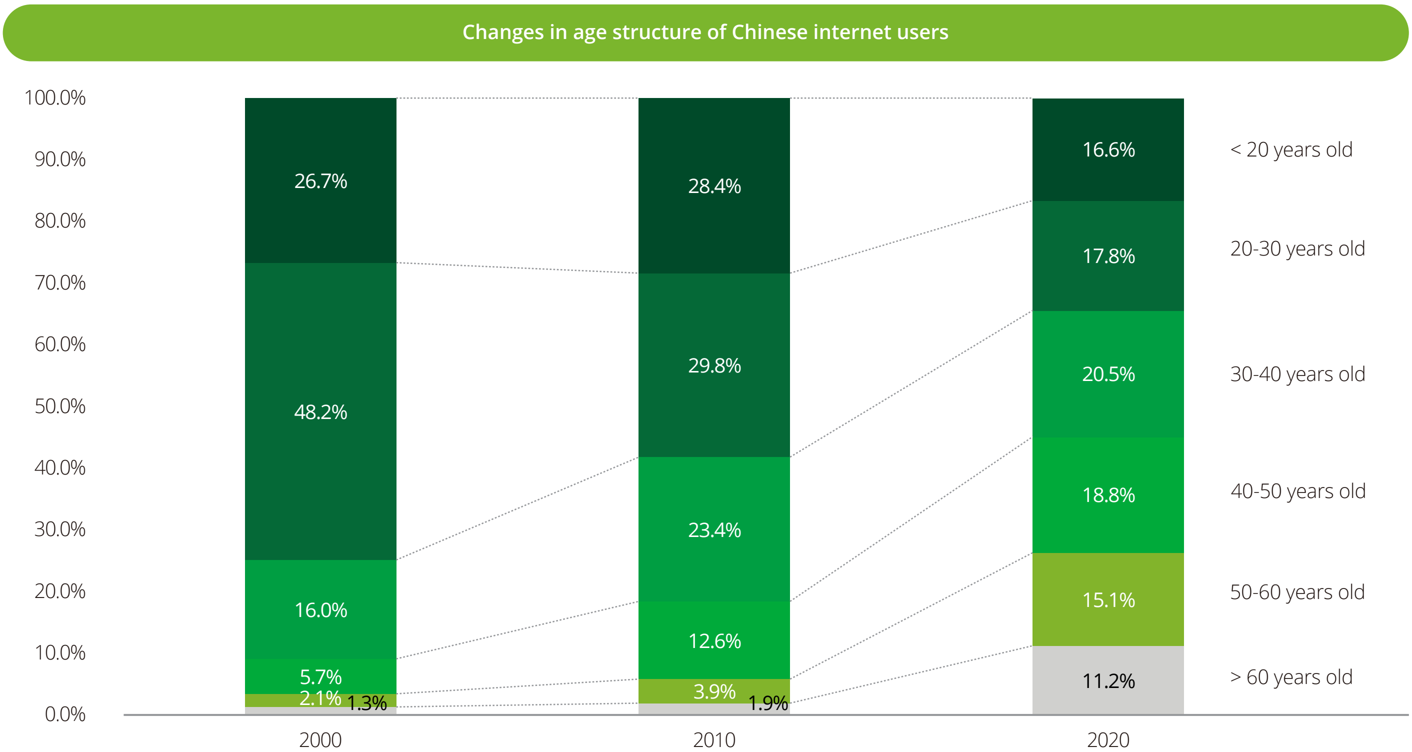
Furthermore, with the popularization of 5G technology, the speed and stability of mobile Internet access have dramatically improved, and the user experience is also being constantly optimized. People are using mobile Internet more in-depth. Mobile data traffic in China is also growing steadily, from 74.5 billion GB in the first half of 2020 to 124.1 billion GB in the first half of 2022. The survey also found that consumers spend a considerable amount of time on their mobile phones every day, with nearly half of the respondents using their phones for more than 4 hours per day in the past three months. Of these, 18% of the respondents spend 4-5 hours online each day, 15% spend 5-6 hours, and 15% of consumers spend over 6 hours online each day.

Figure 2-27: The proportion of Chinese mobile Internet users over total Internet users
Unit: 10k people



Source: Ministry of Industry and Information Technology, Statistical Reports on Internet Development in China by the China Internet Network Information Center (CNNIC) over the years, Deloitte Research

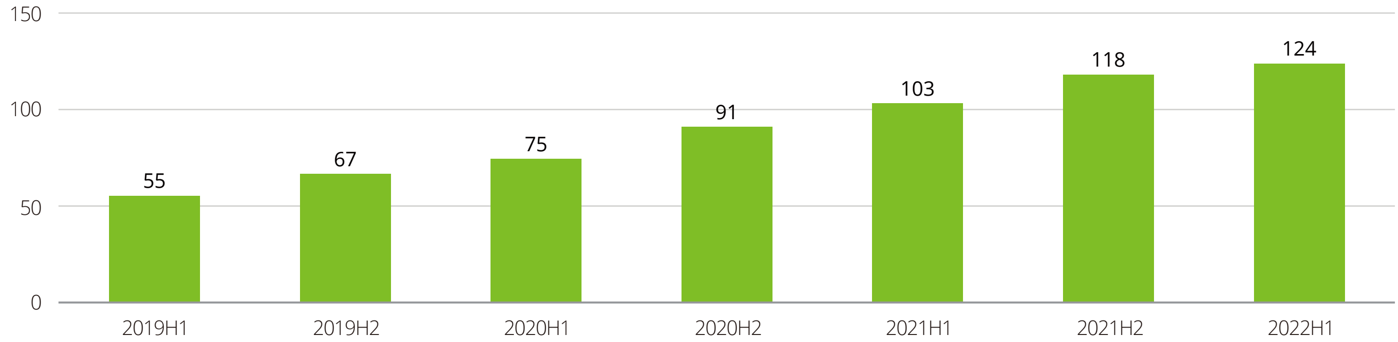
Figure 2-28: The proportion of elderly Internet users have increased substantially



Source: Ministry of Industry and Information Technology, Statistical Reports on Internet Development in China by the China Internet Network Information Center (CNNIC) over the years, Deloitte Research

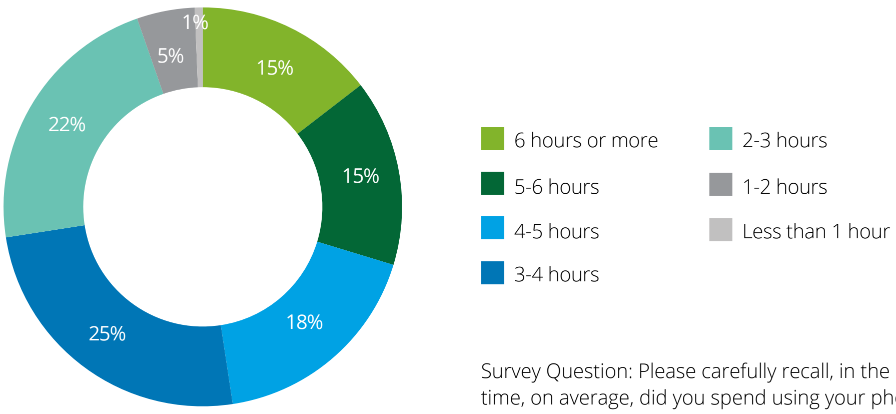
Figure 2-29: Chinese mobile data traffic

Unit: billion GB



Source: Ministry of Industry and Information Technology, Statistical Reports on Internet Development in China by the China Internet Network Information Center (CNNIC) over the years, Deloitte Research

Figure 2-30: Consumer mobile phone usage duration



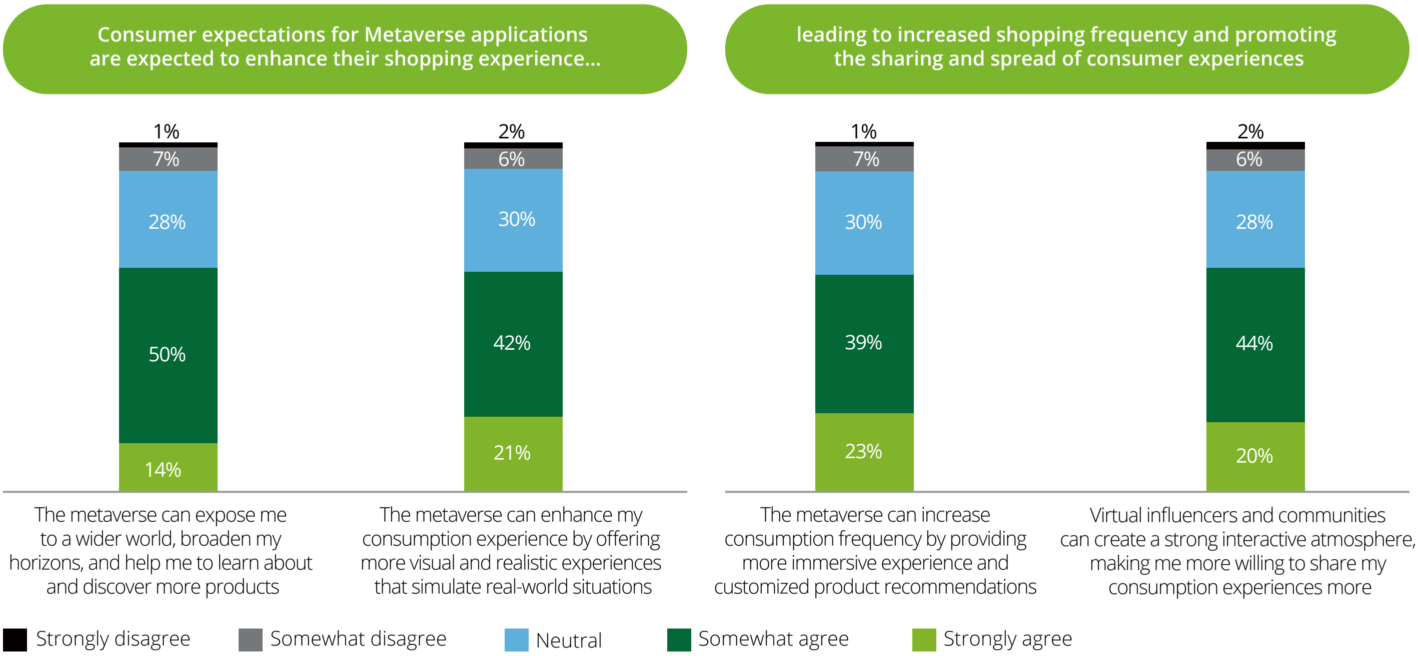
Survey Question: Please carefully recall, in the past three months, how much time, on average, did you spend using your phone each day? [Single Choice]

- **Anticipating the Maturity of Metaverse:**

Since the start of the "Metaverse Year" in 2021, the metaverse has grown rapidly in just two years. So far, it is still undergoing rapid development in China. In the consumer goods and retail industries, brand players are actively entering the game to capture the new territory of consumer metaverse. Companies are either designing digital products and expanding virtual scenarios for marketing, digging deep into the value of intellectual property (IP), or stimulating scenario-based consumption demand and creating new traffic flows for offline retail through virtual and real-life interaction using XR, AI, 5G, and other technologies. Essentially, the metaverse provides consumers with new ways to access information and new consumption scenarios, greatly enhancing the "what you experience is what you get" shopping experience.

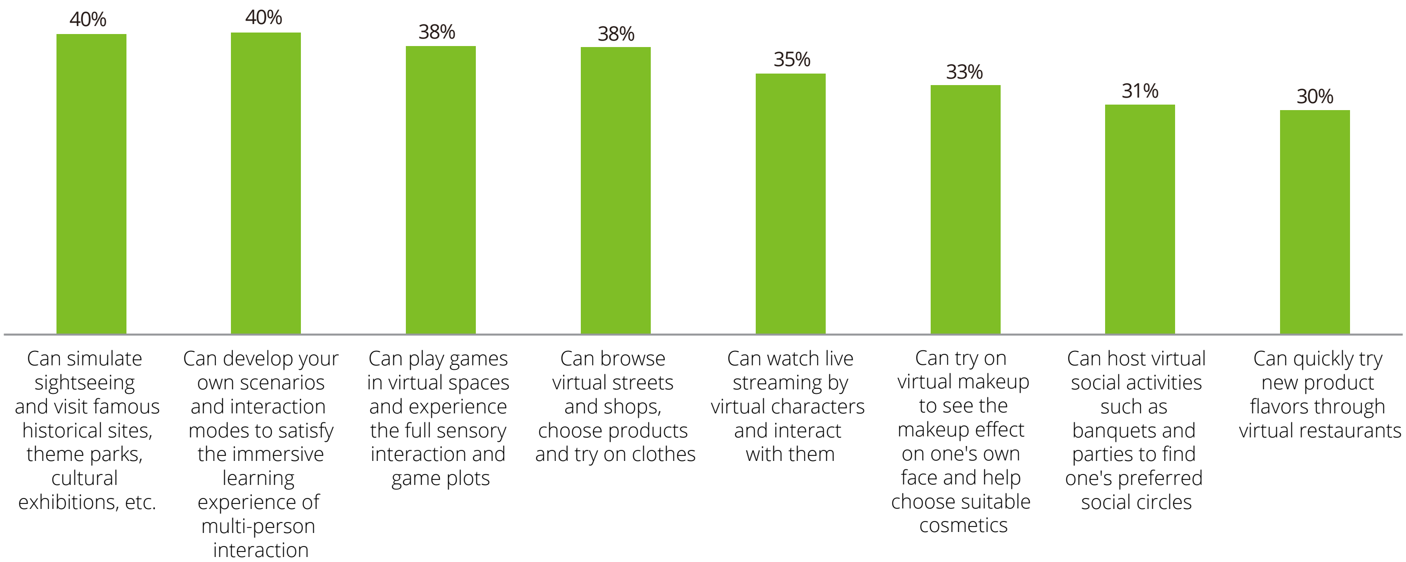
In addition, the metaverse has also created data-driven business opportunities for the consumer goods and retail industries. This survey shows that Chinese consumers are excited about the metaverse, but their understanding of its application and value creation is still based on imagination and speculation. Over 60% of consumers expect that the application of the metaverse will enhnce the shopping experience, leading to increased frequency of consumption and promoting the sharing and dissemination of experiences. 64% of respondents believe that the metaverse can help them learn about and discover more products, while 63% agree that the metaverse can enhance their consumption experience by offering more visual and realistic experiences that simulate real-world situations. 62% of respondents agree that the metaverse can increase their frequency of consumption by providing more immersive experiences and more customized product recommendations. 64% believe that virtual influencers and communities in the metaverse can create a highly interactive atmosphere, making them more willing to share their consumption experiences. Consumers have a wide range of imaginative ideas when it comes to discussing the application of the metaverse, but there is not yet a clear consensus on mainstream uses.

Figure 2-31: Consumer expectations for the impact of the metaverse on consumption



Survey Question: To what extent do you agree with the following description of the impact of the metaverse on consumption? [Single Choice]

Figure 2-32: Consumer understanding of metaverse applications



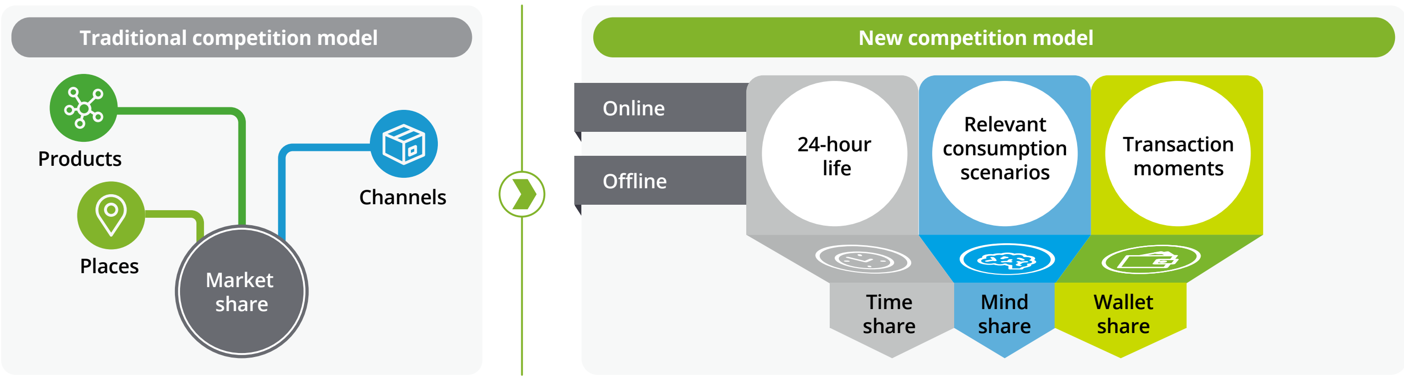
Survey Question: What is your understanding of the metaverse? Please select the following descriptions that best describe your understanding of the metaverse. [Multiple Choices]

3. Advice for Consumer Goods and Retail Companies

After 20 years of rapid growth, the Chinese consumer market has entered a new stage of high-quality development. The digital ecosystem has led to the continuous optimization of the new retail models. New consumption modes and business models are developing at an accelerated pace. All of these are all stimulating new consumer dynamics and leading China on a new path to a new development paradigm. Against this generational backdrop, Chinese consumers' consumption attitudes and behaviors have also changed. They are becoming more rational, reducing impulse purchases, emphasizing product quality and value, making good use of promotions, and are willing to compare prices across retailers before making purchases. In addition to satisfying material needs, they also want to obtain physical and spiritual satisfaction and pleasure, and seek experiences that are pleasing. They embrace diversity and innovation, are willing to try new things, and show high energy and acceptance towards new consumption forms and scenarios. They are committed to social responsibility and are willing to pay a premium for it. They follow technological advancements and are optimistic and hopeful about the impact of new technologies on consumption, giving free rein to their imagination.

Deloitte suggests that to better serve consumers, consumer goods and retail companies should strive to capture consumers' time, mind, and wallet share 24/7, both online and offline.[1] We present the following recommendations for consumer goods and retail companies:

Transformation of market model



1: For more insights, please refer to "Now Consumer is Reshaping the Online Retailing: Report on 2019 Top 100 Enterprises by Online Sales" jointly published by Deloitte China and the China Chain Store and Franchise Association.

Compete for Consumer Time Share:

- **Build a brand's private domain, lay out omnichannel consumer operations, and create unique brand experiences:** Social attributes are deeply embedded in every stage of the consumer shopping journey. Consumers enjoy the pleasure that social interactions bring at various stages, such as searching for information, making decisions, and sharing experiences, and consider it a part of the shopping experience. Companies should strengthen their omnichannel consumer operations and create unique brand experiences. Deloitte proposed "Six Winning Rules for Omnichannel Consumer Operations in the Post-Pandemic Era"[2] to help companies achieve mutual benefit in both the public and private spheres and achieve collaborative growth. With an omnichannel approach, companies can improve brand equity, optimize marketing efficiency, and maximize the customer lifetime value.

Compete for Consumer Mind Share:

- **Lead with a strong value proposition and build brand trust to win brand recognition:** "Trust" has become a prerequisite for consumers to decide who can influence their buying behavior. Consumers trust the official voice of brands. They also recognize the value proposition of social responsibility such as "green sustainability," and consider it as one of the key factors in making consumer choice. Therefore, the royal road to increasing brand value and market performance, as well as to gaining consumer recognition, is through leading value propositions, gaining consumer trust, and winning brand recognition.

- **Create an open business ecosystem that can adapt to changing consumer needs:** In the market environment of heightened uncertainty, consumer demands are also complex and shifting, especially for consumers today who pursue technological advancement, actively embrace change, and have an imaginative vision for innovation and change. In order to respond flexibly to consumer changes, companies should build a well-developed business ecosystem and always take initiatives to win over consumers.

Compete for Consumer Wallet Share:

- **Focus on product value for money:** Discerning and rational consumers have higher demands on both the quality and price of products, hoping to buy goods that meet their real needs and provide value for money. Only a balanced cost-effectiveness can capture the true demands of increasingly rational and pragmatic consumers.

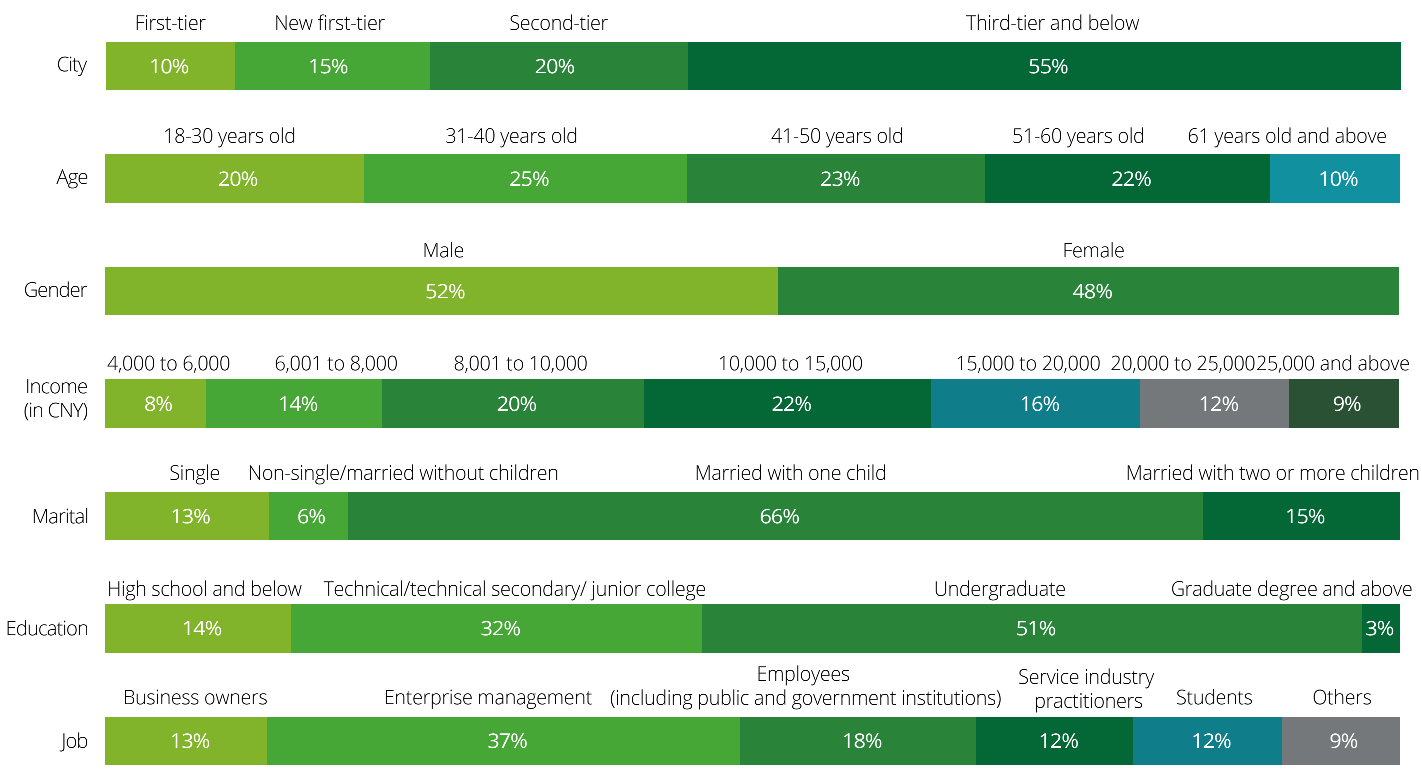
- **Prioritize omnichannel integration to meet diverse consumer needs:** Consumers are willing to explore and try different forms of retailing. They will independently choose, combine, and experience different shopping channels from all the different options, depending on the category and specific needs of each purchase. Consumer goods and retail companies should accelerate their omnichannel deployment, create high-quality omnichannel experiences, and combine the characteristics of each channel to meet consumers' diverse shopping needs.

2: For more content, please refer to "Six Winning Rules for Omnichannel Consumer Operations in the Post-Pandemic Era."

Appendix: About Deloitte 2023 Consumer Insights Survey on Consumer Goods and Retail Industry in China

Deloitte's 2023 Consumer Insights Survey in the Consumer Products and Retail Industry in China aims to explore the changes in consumer attitudes and behaviors in the new norm of the post-pandemic era and the wave of new technological developments. Based on these changes, the survey analyzes the foreseeable future development trends of the consumer goods and retail industry.

This quantitative study was conducted in November 2022, using an online questionnaire form, with respondents ranging in ages from 18 to 73. The questionnaire covers consumer background information, consumer attitudes, shopping behaviors, lifestyles, interests and values, and more. This online survey sample set quota is based on the demographic structure data from the Seventh National Population Census, with a sample size of 2000, covering 301 cities/autonomous regions from first to fifth-tier cities in China. The questionnaire was designed by Deloitte and Deloitte did not access or collect any personal information or data from consumers during the survey, but collected consumer feedback through a commissioned market research company with qualifications.



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