How China's Urban Millennials and Gen Z Live and Spend

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OVERVIEW

Understanding urban millennials and Gen Z: Opportunities they offer

In 2019, millennials (born between 1980 and 1994) and Generation Z (born between 1995 and 2009) accounted for almost 40% of the population in China. The proportion of the population living in urban areas reached around 60% in 2019, and is projected to reach 65% by 2025. The demographic landscape and population trends have put a specific segment in the spotlight – urban millennials and Generation Z, which together represent one of the most critical forces shaping the outlook for the Chinese consumer market, as their attitudes towards digital convenience, shopping preferences and lifestyles are driving the growth of the relevant sectors and providing new market opportunities.

Urban millennials and Generation Z were born and / or live in a different socioeconomic environment than their parents and to previous generations, with significant opportunities to benefit from the economic growth of China. Their distinctive features include a strong attachment to smartphones, a willingness to pay extra for premium or smart products, pride in domestic brands, a preparedness to make thorough searches for high-quality products for babies and pets, in particular, and a willingness to spend on self-entertainment activities.

Understanding urban millennials and Gen Z: Opportunities they offer

In order to help local and global businesses understand Chinese urban millennials and Generation Z, and seize the market opportunities they offer, this report is divided into three themes and eight relevant trends, profiling this distinctive and important consumer segment:

- **Theme 1 – Ubiquitous Digital Convenience**: Living on Smartphones, Keeping Up with Influencers, Comfort and Convenience in the Home.
- **Theme 2 – Developing Shopping Preferences**: Premiumisation: A Tale of Two Groups, Redefined "Made in China".
- **Theme 3 – Modern Urban Life:** Pets as Family, Advanced Parenting, Self-Entertainment.

The impacts of COVID-19 on each theme and the implications for business will also be discussed.

Theme 1: Ubiquitous Digital Convenience

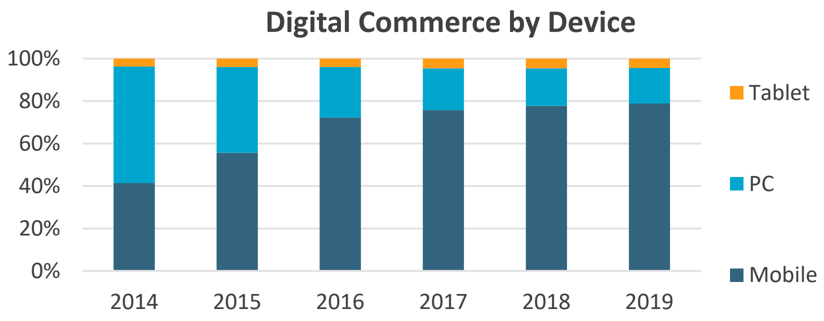
Chinese urban millennials and Generation Z are experts in smartphone and internet use to achieve convenience in their daily lives, which can be referred to as “digital convenience”. Regular activities amongst this consumer segment, such as managing their daily routines and seeking shopping advice, are seeing digital devices play an increasingly central role.

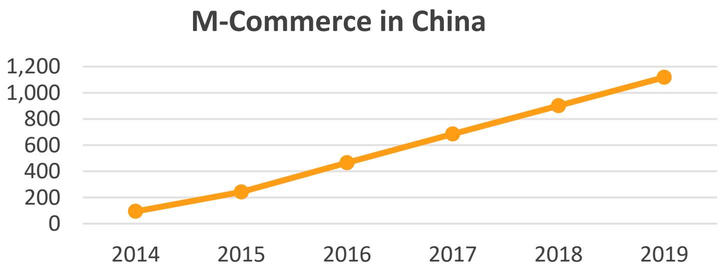
Living on Smartphones

Surge in mobile payment leads to significant reliance on smartphones

M-commerce refers to payment transactions conducted via a mobile device. Purchase transaction examples include ring tones, apps, SMS payments, NFC and e-commerce activity using a mobile phone. P2P money transfer and payment transactions utilising a laptop or desktop computer are excluded.

- The rapid growth in m-commerce was supported by the development of mobile communications. Efficient infrastructure construction enables rapid network upgrades offering higher speeds and better quality.
- The mobile payment pioneers, in particular Alipay and WeChat, have contributed strongly to growth by offering consumers unprecedented convenience.





45%

2019 value share of Chinese M-commerce in the global M-commerce value

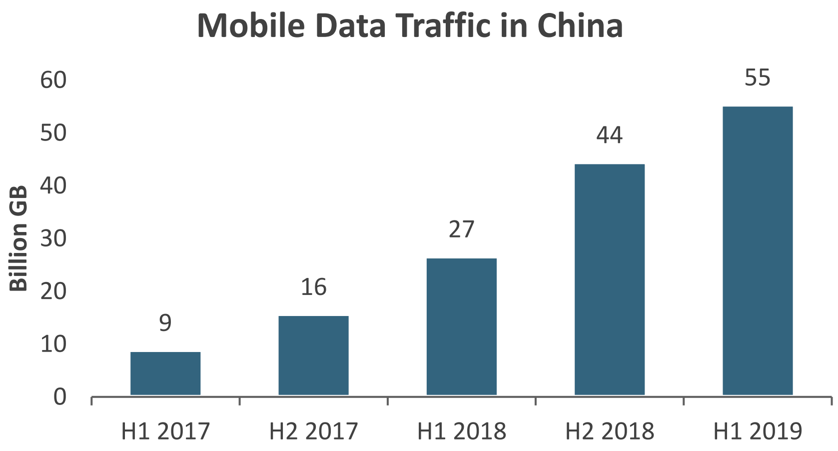
1,118

Billion USD in 2019 of Chinese M-commerce

+64%

2014-2019 CAGR of Chinese M-commerce

Diversified mobile applications satisfy daily needs and drive smartphone usage

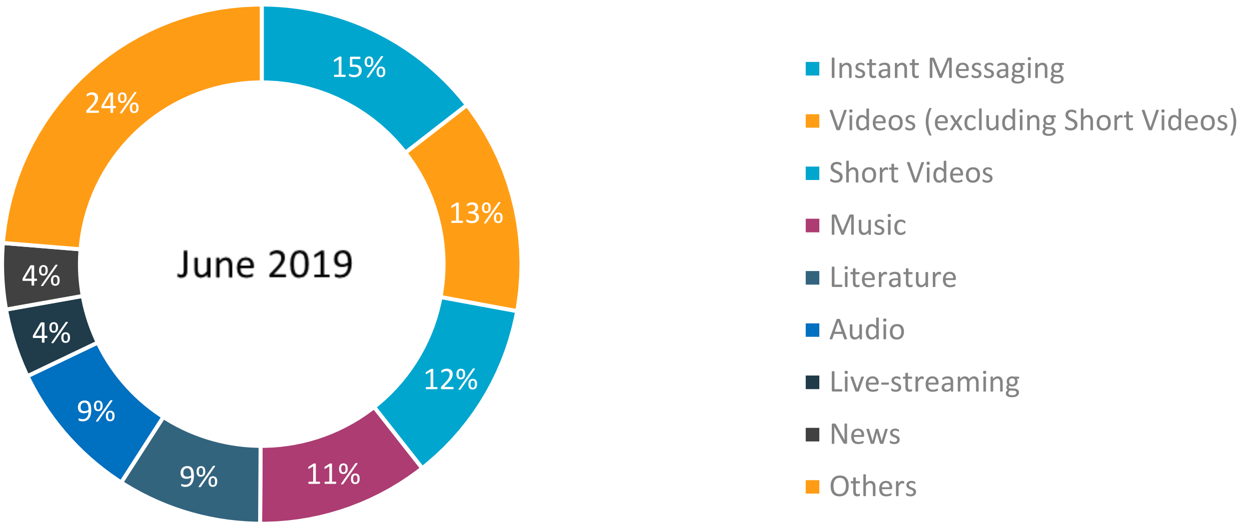


Source: China Internet Network Information Center (CNNIC)

- The rise in mobile data traffic is being driven by longer hours of use and more diverse applications. Mobile app functions are covering more aspects of life, especially so-called "super apps", such as WeChat, Alipay and Taobao, which are improving the user experience.
- Apps are becoming more diversified to enhance user appeal. Videos account for a quarter of mobile app sessions. An increasing number of short video platforms entertain consumers with user-generated content and precisely targeted recommendations.
- Brands are keen to interact with consumers through smartphones. They take advantage of the super apps by developing official accounts and mini-apps. Also, they are active on short video and live-streaming platforms to increase exposure and achieve purchase conversion.

Diversified mobile applications satisfy daily needs and drive smartphone usage

Mobile Applications Sessions Breakdown



Source: China Internet Network Information Center (CNNIC)

Modern Chinese routine: Using mobile apps throughout the day

Check messages via WeChat work group → Pay for breakfast in one scan → Order and get lunch in around 30 min → Click and pick up coffee at store

→ Scan the QR code to ride a subway → Order dinner ingredients to home → Turn on A/C before arrival at home → Start an online session to keep fit

Keeping Up with Influencers

50.7%
Beauty and Personal Care

56.1%
Apparel and Personal Accessories

55.9%
Travel

50.9%
Small Consumer Electronics

Consumers researching and comparing products on a smartphone when purchasing, by category

The smartphone is an important device during Chinese consumers' decision-making process when shopping, especially when purchasing apparel, personal accessories and travel.

36.5%
Large Consumer Electronics

Consumers who go shopping for leisure at least weekly

34% Among Chinese consumers

18% Among worldwide consumers

Consumers who rely on user reviews when purchasing skin care products

56% Among Chinese consumers

38% Among worldwide consumers

Seamless integration of content created by influencers in e-commerce marketplaces: Short video apps

TikTok

320 million daily active users

Content focuses on creativity, in the form of light entertainment; e-commerce is linked through embedded product URLs.

Source: Tik Tok

KuaiShou

200 million daily active users

Content is more straightforward and down-to-earth, targeting low-tier consumers.

Source: KuaiShou

Short video apps increase sales through livestreaming and company, drama, review and celebrity videos, **empowered by influencers.**

Seamless integration of content created by influencers in e-commerce marketplaces: Shopping and consumer decision app

Shopper communities

- Product recommendation
- Un-boxing videos
- Product try-on, etc.
- Examples: RED, Yi Tiao, Zhidemai

Bridge social platform with e-commerce

- Users can purchase products within the app.

Shopping and consumer decision apps leverage the power of influencers including **KOLs (key opinion leaders) and KOCs (key opinion consumers) to promote products.**

Live-streaming enhances interaction between influencers and consumers

Internet Retailing Landscape in China

32%

Internet Retailing CAGR (2014-2019) in China

87%

Mobile Internet Retailing % of Internet Retailing in China in 2019

Taobao Live-streaming

- 9 million daily active users
- Involves half of the show-business community in China, hundreds of CEOs, and many county officials
- Goes beyond static images and text to offer real-time interactions between seller and buyer

Taobao Live-streaming X Double 11 Festival

- **CNY20 billion**
  - Sales value derived from Taobao live-streaming during 2019 Double 11
- **50%+ brands on Tmall**
  - Participated in Taobao live-streaming during 2019 Double 11

Comfort and Convenience in the Home

Food and grocery

Place orders for meals, groceries and even medicines in the app and then just wait for delivery. Examples include meal and medicine, fresh food and grocery delivery apps

In-home life

Place orders for pedicures, housekeeping or facilities maintenance in the app, with specialists then coming to the residence. Examples include beauty service, housekeeping service, and “do it for me” apps

Medical

Make appointments and consult with doctors via the app. Examples include medical service apps

Errands

Place orders in the app, asking delivery staff to purchase food, pick up laundry and undertake other tasks for the user. Examples include errand service apps

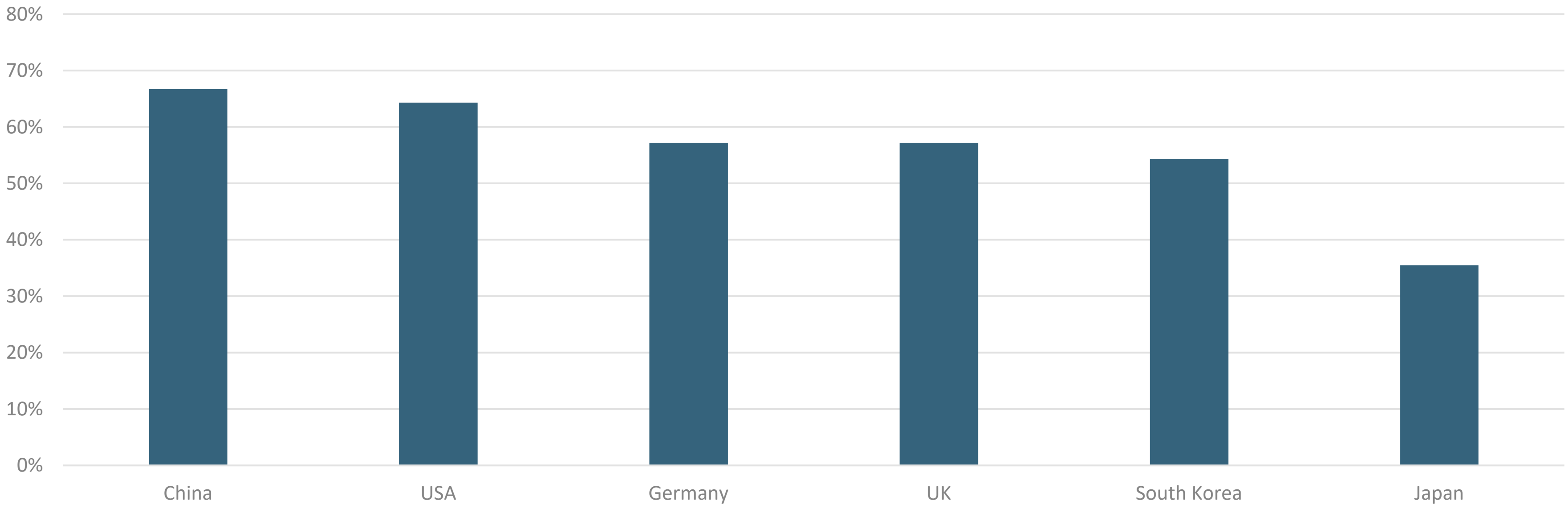
China's distinctive market environment helps consumers pursue a simplified life

How Chinese consumers' lives are made easier

Device	Services / products providers	Mobile payment system	Consumer attitudes
▪ 366 million units ▪ 2019 smartphone sales in China, which in 2011 surpassed the US to become the largest market	▪ 560,000+ units ▪ Life service apps in China	▪ 1.5 times ▪ Ratio of China's mobile m-commerce retail value to sum of second and third largest markets in 2019	▪ Looking for simplified life

China's distinctive market environment helps consumers pursue a simplified life

Proportion of respondents who agree or strongly agree with the statement: "I find I am looking for ways to simplify my life"



USD68 billion

Consumer foodservice delivery sales value in China (the largest market globally for this category), 2019

104%

Consumer foodservice delivery sales value CAGR in China, 2009-2019

1.3 times

Ratio of China's consumer foodservice delivery value to sum of second and third largest markets in 2019

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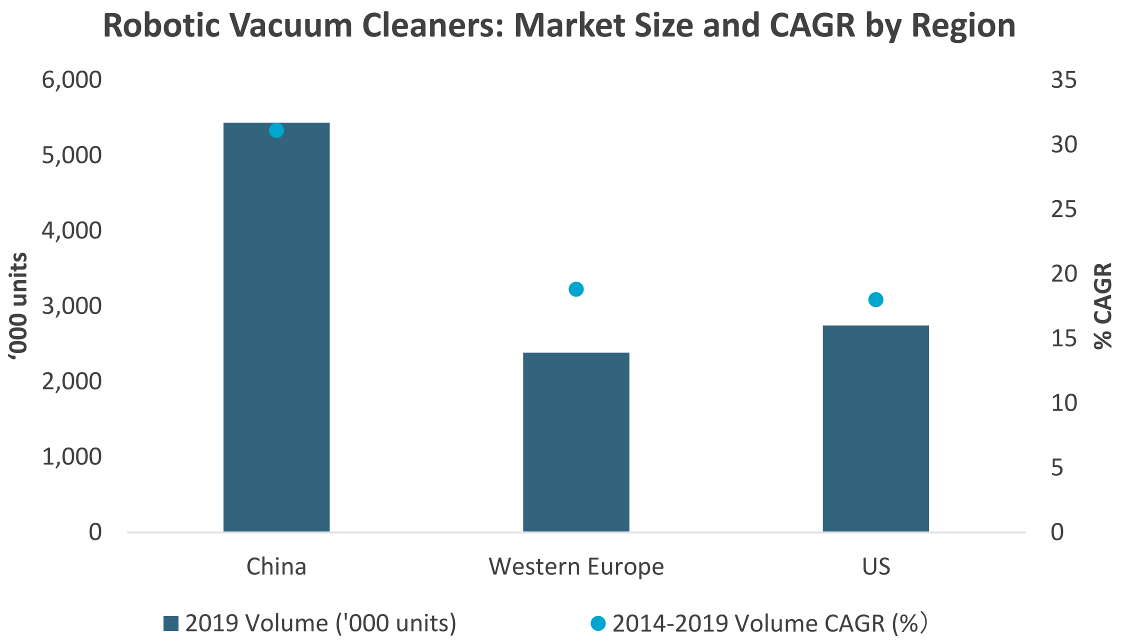
Pursuit of convenience boosts growth in food delivery and robotic vacuum cleaners



31%

Sales volume CAGR of robotic vacuum cleaners in China, 2014-2019

5.4 mn

Sales volume of robotic vacuum cleaners in China, 2019

Source: Euromonitor International – Passport Consumer Foodservice, Consumer Appliances, 2020 edition

Key lessons to learn

Business implications

- Omnichannel marketing is essential to catch consumers' attention in the digital age. Greater emphasis needs to be placed on WeChat accounts and mini-apps, short videos and live-streaming, as they have become important purchase channels.
- Effective live-streaming should involve comprehensive product showcases and real-time interaction with consumers, leveraging recommendations from key opinion leaders as well as exclusive discounts to attract consumers.
- In-home convenience offers considerable opportunities for online service providers and manufacturers to innovate, in terms of "do more for consumers" or providing a holistic experience. Robotic vacuum cleaners and TV manufacturers partnering with wellness apps to provide in-home personal training are examples of this

Key lessons to learn

COVID-19 impacts

- Awareness of service apps is increasing, which could lead to long-term gains as the home seclusion caused by the COVID-19 pandemic leads to a greater dependence on smartphones. More hours are being spent on devices for daily routine tasks and entertainment. This is expected to continue as the potential of mobile apps is realised.
- The growing focus on e-commerce provides opportunities for brands to engage with consumers using new marketing techniques, such as social media campaigns and live-streaming. As part of this channel shift, communication is expanding beyond product information and recommendations. Brands are trying to make an emotional connection with consumers at a difficult time. Influencers are offering nutrition guides and live-streaming work-out tutorials to meet demand.
- Online services are increasing their penetration due to the outbreak, as more consumers rely on mobile apps to meet their daily needs. Fresh food and meal delivery services have seen a surge in orders, causing stock and delivery slot shortages at peak times. Online medical service providers offer preliminary consultation services to alleviate the pressure on hospitals. The epidemic is a growth opportunity for such service providers, not only in the short term but also post-outbreak, as consumers who had not previously used such services now have greater awareness of the convenience they offer.

Theme 2: Developing Shopping Preferences

Chinese millennials and Generation Z have benefited from China’s economic growth and rising urbanisation in the past decade, and their pursuit of better living standards and increased national pride is reflected in their purchasing decisions.

Premiumisation: A Tale of Two Groups

10.0%
Shenzen

7.8%
Shanghai

7.6%
Guangzhou

Growth in higher tier cities driven by consumers’ willingness to pay for premium products

Consumer Expenditure Per Capita , CAGR 2013-2018

7.5%
Beijing

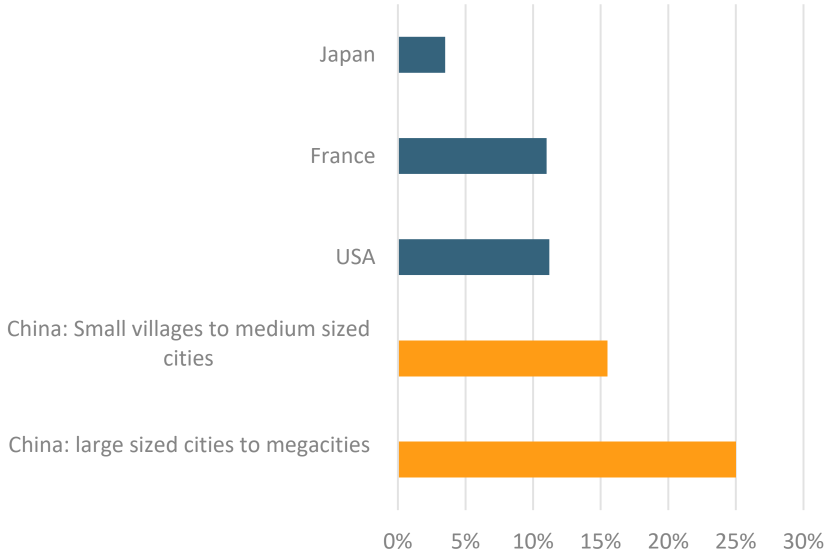
3.7%
New York City

1.2%
Paris

0.6%
Tokyo

Growth in higher tier cities driven by consumers' willingness to pay for premium products

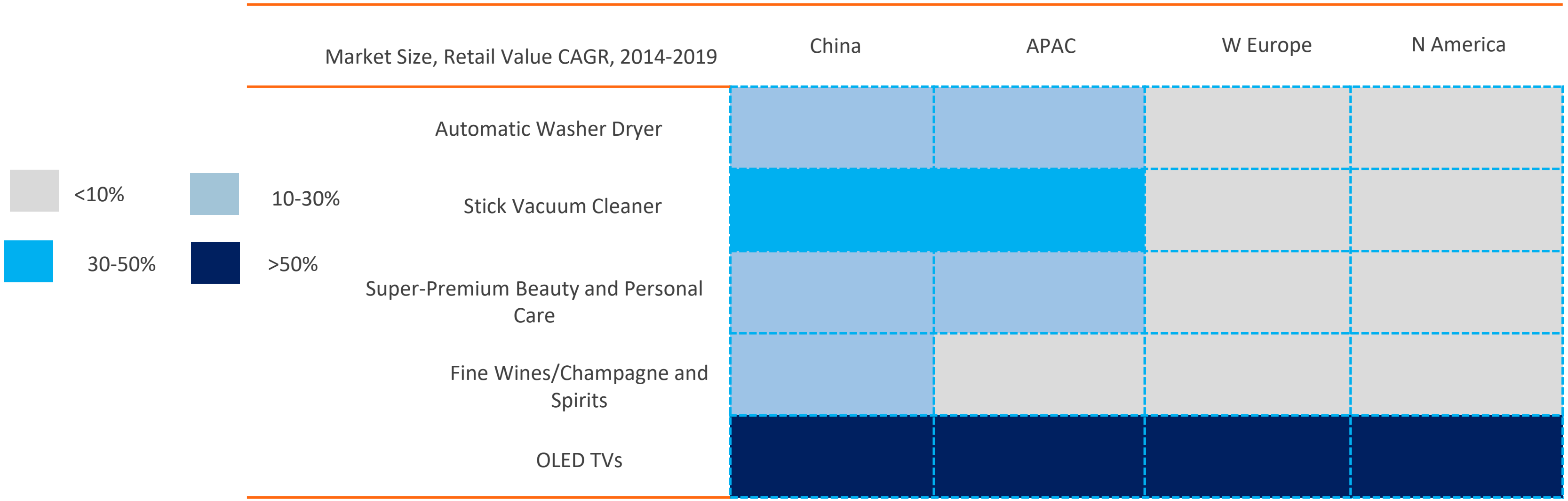
Proportion of Respondents Willing to Pay 20%+ More for Premium Beauty Brands



Growth in consumer expenditure in China's high tier cities has far exceeded that in many developed countries, partly driven by consumers' willingness to pay a significant premium for good quality

Demand for premium products drives growth in a range of consumer goods categories

Consumers in China's high tier cities are seeking to satisfy their demand for premium products in multiple categories, leading to growth rates that exceed those in more developed regions. Dyson, for example, has benefited from its ability to meet demand in terms of aesthetics and functionality.



Source: Euromonitor International – Passport Consumer Appliances, Consumer Electronics, Luxury Goods, 2020 edition

More than 4 times

Ratio of average unit price of Dyson’s stick vacuum cleaner to that of standard vacuum cleaners in China, 2019

11 percentage points

Market volume share growth for Dyson in standard vacuum cleaners in China over 2015-2019

Premium features

Stylish design and multifunctionality as main drivers

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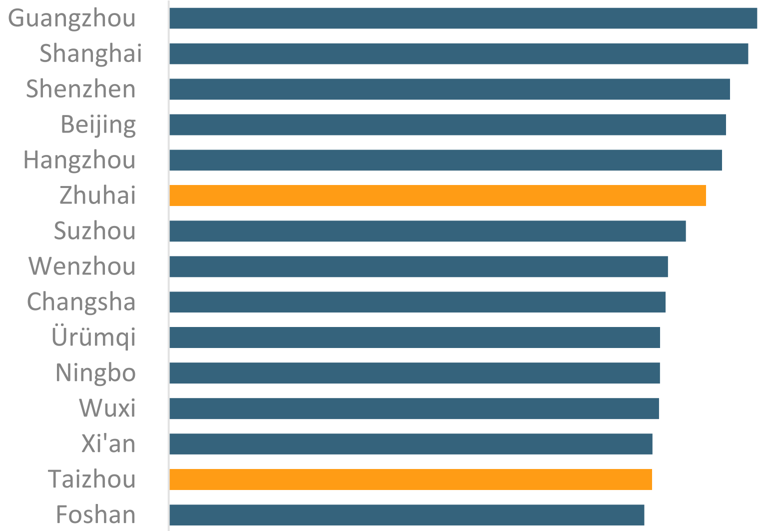
Some low tier cities are seeing high expenditure levels and strong growth

Top 15: Consumer Expenditure Per Capita, 2018



Top 15: Consumer Expenditure Per Capita CAGR, 2013-2018

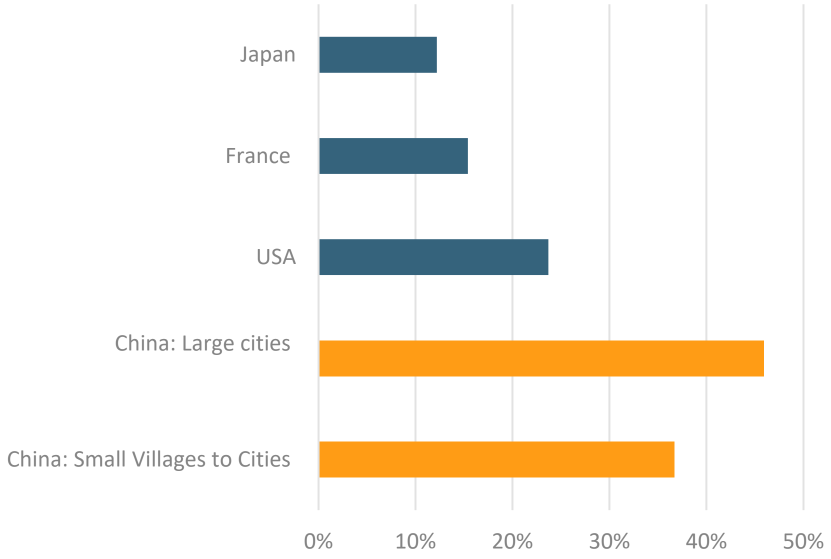
High tier cities   Low tier cities

Source: Euromonitor International – Passport Economies, 2019 edition

Note: "Low tier cities" refers to third tier cities and below

Some low tier cities are seeing high expenditure levels and strong growth

Proportion of Respondents Who Intend to Increase Spending on New Technology in the Next 12 Months



Although not to the same extent as metropolitan consumers, "small towners" – people who live in low tier cities – are willing to spend an increasing amount on products offering premium features like new technology, which even transcends some developed markets, and will help increase their expenditure.

Small towners' desire for more premium products benefits brands, such as Xiaomi and Jingxi

Self-defined "premium" for "small towners"

- "I am not seeking traditional premium or luxury, but mass to middle range products that might be priced higher than my past purchase."
- "I expect these products to have upgraded designs, and good quality functions, components, etc."

Xiaomi's Volume Share Growth in China 2016-2019

Robotic Vacuum Cleaners		+15 pp
Rice Cookers		+3 pp
Air Purifiers		+10 pp
Electric Toothbrushes		+11 pp

Connected models available

Source: Euromonitor International – Passport Consumer Appliances, 2020 edition

60%

of Xiaomi Experience Stores in China are located in lower tier cities

Small towners' desire for more premium products benefits brands, such as Xiaomi and Jingxi

Source: JD.com

- Launched by JD.com in 2018 to target "small towners"
- Some offers directly from factories with credentials verified by Jingxi to ensure both quality and affordability
- 70%+ of Jingxi users are from lower tier cities
- 300%+ growth in average number of daily orders over 18 October to 10 November 2019 compared to September

"Small towners" helped Xiaomi to achieve substantial share increases in various categories and Jingxi to see strong growth. Xiaomi's products are affordable and well-designed, offering functions like connectivity, while Jingxi offers high quality and affordable goods.

Redefined “Made in China”

Chinese consumers embrace national pride and show a preference for local brands

China Cool Action, by Tmall

- Tmall initiated the "China Cool Action" campaign in May 2018, aimed at helping domestic brands thrive and promoting traditional culture.
- Tmall collaborated with 50 local brands in the campaign.
- The campaign generated a significant response on social media and attracted attention to local brands, helping to boost sales.

Source: Tmall

90%

of Chinese consumers have a positive perception of local brands

76%

of Chinese consumers increased consumption of locally branded products in the last year

National pride drives consumers' preference for local brands

ANTA

No.3 brand in China's sportswear market, following Nike and adidas

CNY28.2 billion
2019 retail sales value

20%
CAGR (2014-2019)

Empowered by new technology, such as A-Flashfoam

Collaborated with NASA and Coca-Cola to launch trainers

Li Ning

No.2 domestic brand in China's sportswear market, following ANTA

CNY18.6 billion
2019 retail sales value

15%
CAGR (2014-2019)

Li-Ning's designs combine Chinese elements with global fashion trends.

It is present at Western fashion events, and has become an iconic label in China

Bosideng

No.1 down coat brand in Chinese market

CNY15.5 billion
2019 retail sales value

15%
CAGR (2014-2019)

Collaborates with well-known designers who have worked with international luxury brands

Launched a premium mountain climbing range, aimed at the top end of the down coat industry

Perfect Dairy

No.1 domestic brand in China's colour cosmetics market

CNY15.5 billion
2019 retail sales value

15%
CAGR (2014-2019)

Leverages the fast-growing e-commerce channel in China

Invests in KOLs / KOCs to engage with younger consumers

Innovates by working with intellectual property owners

Chinese brands revived through the nostalgia trend

Artic Ocean 北冰洋

- Reached retail sales value of over CNY900 million, with a CAGR over 2014-2019 of 56%
- Established in 1936, launched new packaging, such as plastic packaging and sleek can packaging
- Emphasis on product quality, with juice content of 4% and no additives

Feiyue 飞跃

- Established in the 1920s, during the republican period, and one of the most popular sports brand in China during the 1970s and 1980s.
- It suffered from competition from international brands in the 1990s but recovered since the millennium
- It is promoted by celebrities and KOLs both from China and from abroad

White Rabbit 大白兔

- A domestic toffee brand, which has a strong emotional bond with Chinese millennials
- It has collaborated with other classic domestic brands, such as with Maxam to launch milk-flavoured lipstick, and ScentLibrary to launch fragrances

Key lessons to learn

Business implications

- To attract young Chinese consumers and seek business growth, domestic brands could emphasise product innovation, a stronger fashion sense, offer better "value for money" and aim to build emotional connections with them.
- Functionality and aesthetics are two aspects which appeal to high-tier consumers in China, who are willing to trade up to premium products. At the same time, Chinese "small towners" are also chasing premiumisation in their own way, although pricing still plays a crucial role, thus it will be helpful for businesses to adopt direct-to-consumer (D2C) or similar models that remove intermediaries in the distribution chain, helping to keep prices affordable.

Key lessons to learn

COVID-19 impact

- The coronavirus crisis sped up the process of localisation or "buying domestic", as many international brands were forced to suspend production, while overseas logistics faced a significant slowdown. With consumer patriotism reaching new heights, domestic brands have unprecedented opportunities to grow.
- According to Euromonitor International's Baseline Scenario Forecast (2019-2024) for China, with the impact of COVID-19, households with annual disposable incomes of more than USD45,000 will see income growth of over 50% between 2019 and 2024, while households with annual disposable incomes below USD15,000 are projected to suffer a slump in incomes over the period. Consequently, those consumers in higher-tier cities who can already afford to spend on premium products are expected to continue their metropolitan premium-orientated lifestyles after the outbreak, while "small towners" are projected to see a slowdown in their advances towards such lifestyles, and will focus more on brands offering both good quality and affordability, as budgets are tighter.

Theme 3: Modern Urban Life

Living in urban areas nowadays has a more diverse meaning for Chinese millennials and Generation Z. Apart from conventional daily work and life, increased focus on care for pets and children and entertainment for single people has lead to rising purchases of relevant products and services.

Pets as Family

72%

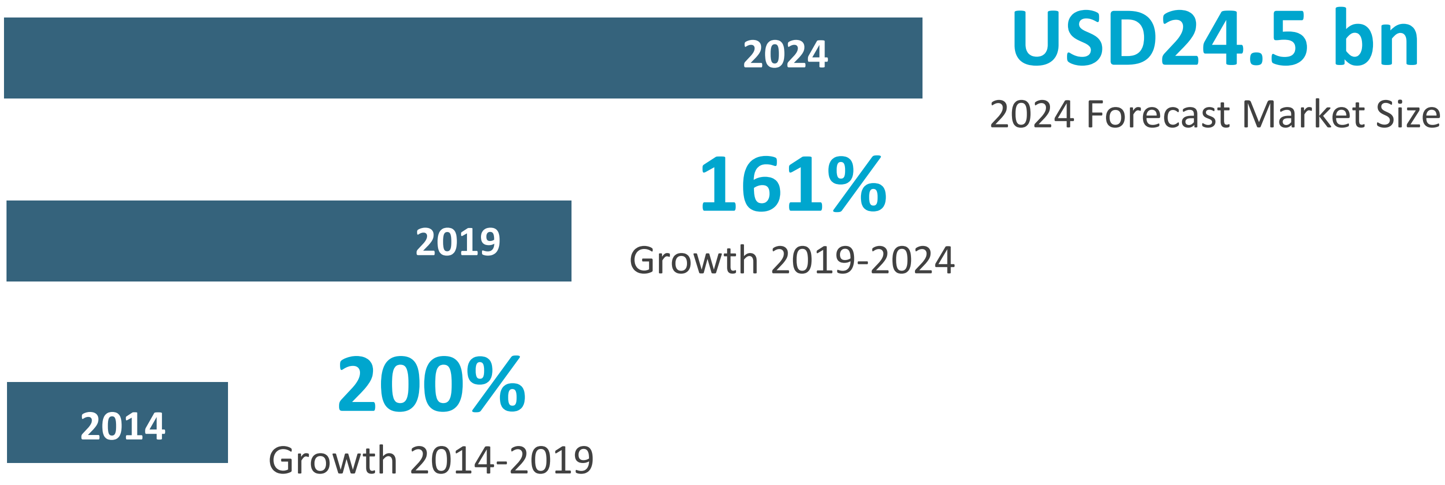
of interviewees in China consider pets as beloved family members

Over 80%

of interviewees aged 15-29 consider pets as family members

"Pets as family members" empowers pet care market

China: Pet Care Market 2014-2024



Source: Euromonitor International – Passport Pet Care, 2020 edition

Humanisation: Pets mirror humans' lifestyles

My pet is stylish

- Other pet products: clothing and accessories
- Pet owners like to dress up their pets the way they do to their children
- Childrenswear witnessed a CAGR of 14% over 2014-2019, while the CAGR for apparel in general was 6%

My pet consumes high protein food, like me

- Wet pet food is consumed as a staple
- High-protein wet pet food is gaining popularity in China, as it is considered nutritious
- Wet food in China is projected to grow at a CAGR of 29% over 2020-2025, the highest growth among all pet food categories

My pet has its own furniture

- Other pet products: beds, sofas and toys
- Like children, pets now have their own furniture and spaces
- Sales of pet furniture during China's major online shopping festival Double 12, in 2019, were up by 200% compared with 2018

My pet enjoys smart products

- Other pet products: smart feeder
- The trend for smart pet products, such as smart feeders, leashes and air purifiers, is as strong as for human smart home devices
- Petkit is the leading smart pet products player in China, and obtained C-round investment of USD20 million in 2019

Pet owners rely on internet to raise their pets

Service Navigating

- Pet owners will often refer to service navigating apps, like Dianping, to acquire information about the services needed for pet raising, therefore exposure on these navigating apps can help raise brand awareness.
  - Service centre
  - Clinics
  - Amusement park
  - School

Grocery Shopping

- Internet retailing in China accounts for nearly half of pet care products retail sales. Tmall.com and JD.com are the top two websites that manufacturers cannot ignore when considering such channels. In addition, manufacturers can also use online live-stream broadcasting to promote their products and boost sales.
  - Food
  - Product

Community Interacting

- Like parents, pet owners are keen to learn about pet raising, interact with other owners and share the fun moments they have had with their pets. Apps like Lingdang aim to meet this demand. As with parenting communities, manufacturers can create content for pet raising communities to help them bond with consumers.
  - Discussing parenting skills
  - Match-making for children
  - Sharing pet videos

Advanced Parenting

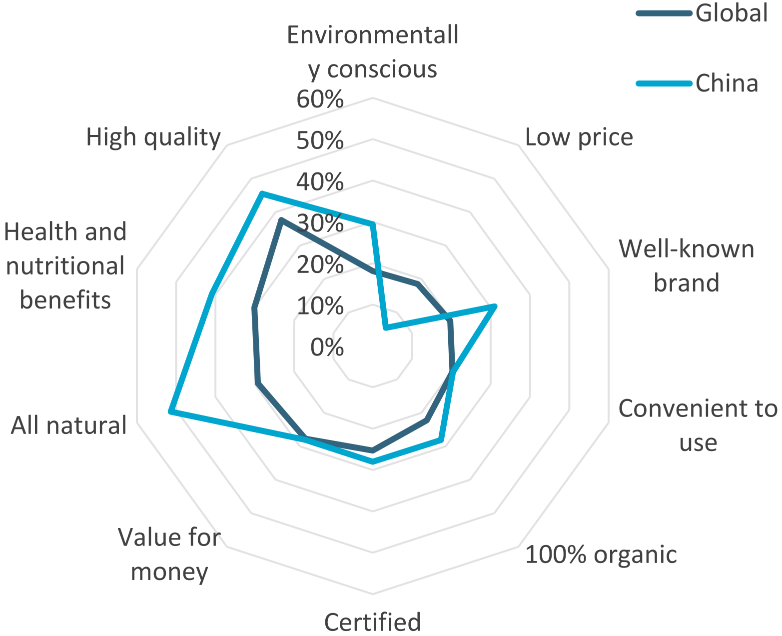
Chinese parents put particular emphasis on natural ingredients, health benefits and quality

Safety issues have troubled Chinese parents, encouraging them to purchase baby products that address these concerns.

The most notorious safety incident happened in 2008, when baby milk formula from the market leader Sanlu was tainted by melamine, causing kidney ailments in thousands of babies. The scandal increased demand for safe baby food products. However, these concerns still exist as other fake baby products are still sold illegally.

Parents with concerns are likely carefully to study ingredients, brands and distribution channels to ensure that the products they buy are safe to consume.

What Features Do Parents Look for When Buying Baby Products?



Source: Euromonitor International's Lifestyles Survey (2017)

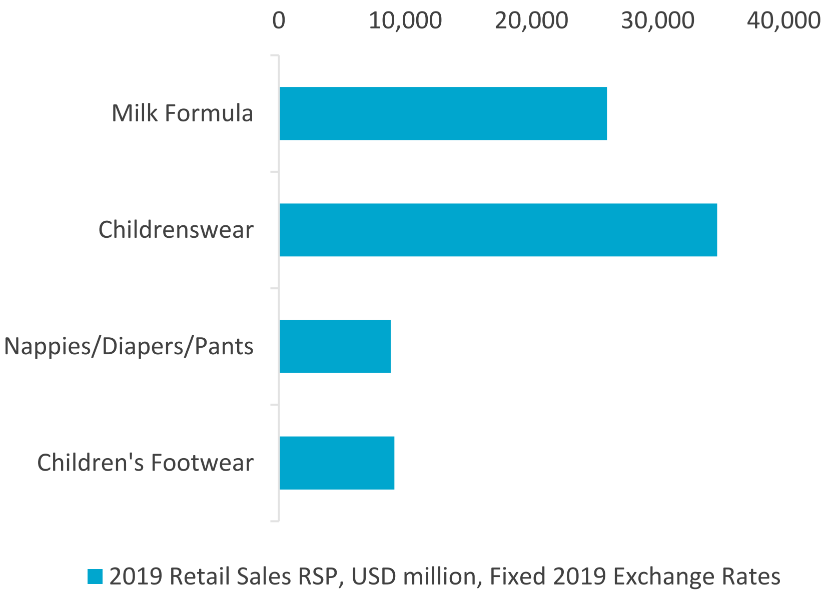
High spending on baby products by Chinese parents

Despite a declining birth rate, baby products in China are seeing strong retail value growth, due to increased penetration and price rises.

While China is still well behind developed countries in GDP per capita, parents in the country tend to be prepared to spend generously on their offspring. For example, Chinese parents spent USD531 on average annually on milk formula for 0-3 year-olds in 2019, which was 23% higher than in the US.

Country	GDP per capita (USD)	Average Annual Spending on Milk Formula (0-3 year-olds)
China	USD10,136	USD531
United States	USD63,602	USD431

Retail Sales Value and CAGR by Category in China



Source: Euromonitor International – Passport Packaged Food, Apparel and Footwear, Tissue and Hygiene, 2020 edition

Manufacturers from many categories launch specialised products for babies and children

Safety concerns have expanded from traditional baby products to the entire living environment, which offers opportunities for manufacturers operating in a range of categories. Brands which typically offer general goods have developed products clearly positioned for babies and children. Innovations are typically focused on areas such as dietary intake, travel, safety and hygiene.

The rise of baby-specific products also drives premiumisation. These products are typically higher priced than regular versions, due to the delicate ingredients and additional functions. Parents are often willing to pay a premium for high quality.

Baby Water, Nongfu Spring

- Mineral content in accordance with domestic and international standards
- Designed for dissolving baby milk formula

Baby Soy Sauce, Shinho

- Sourced from organic non-GMO soybeans
- Free from multiple additives.
- Less salt and sodium than regular soy sauce

Children Smart Watch, XTC

- Supports HD video calling and ensures child safety
- Locates children accurately via GPS and can report to the police when needed

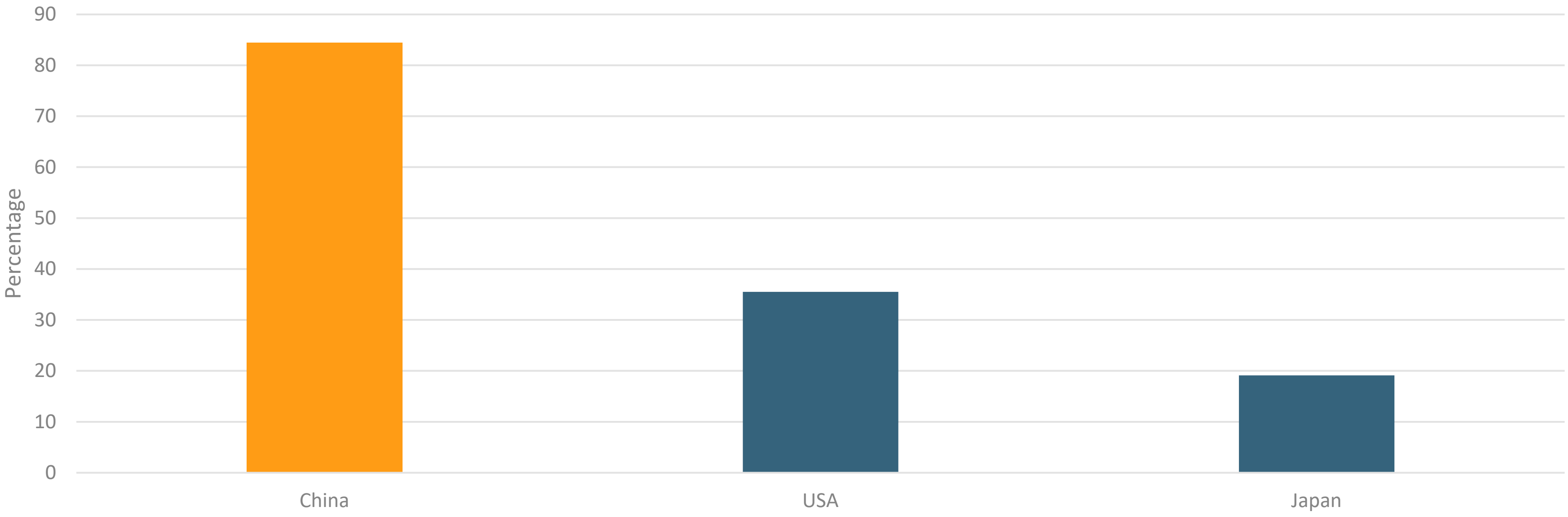
Baby Washing Machine, MiniJ

- Integrated washer-dryer exclusively for baby clothing
- High temperature washing and effective sterilisation

Self-entertainment

China is witnessing rapid growth in the number of single people

China is No.1 globally in the number of single households and in forecast growth



Single household % in China

16% in 2014

18% in 2018

Marriage rate

9.9% in 2014

7.3% in 2018

Divorce rate

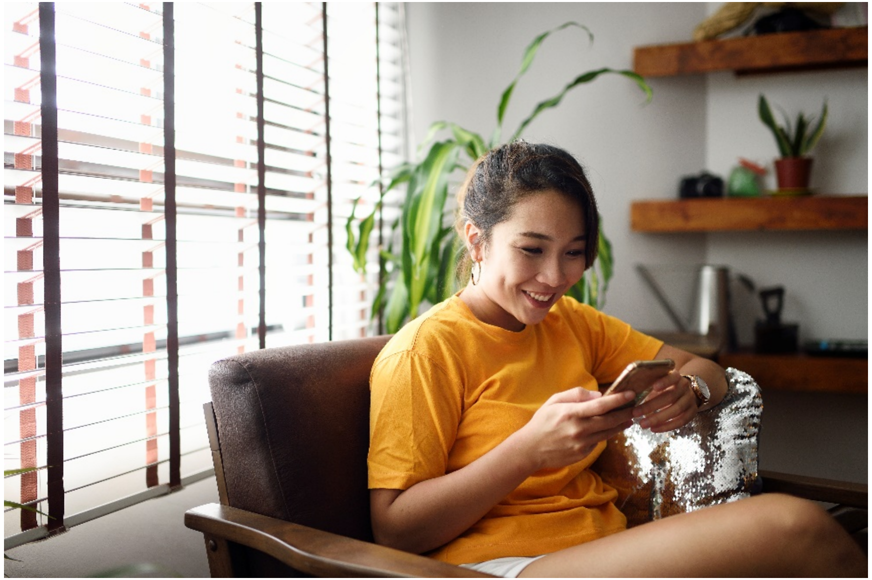
3.2% in 2014

2.7% in 2018

Singles are favouring self-entertainment

Top 5 items to increase spending on by Chinese consumers aged 20-34

- Travel / holidays
- Clothing / footwear
- Groceries
- Education
- New technology



Singles are favouring self-entertainment

Travelling alone is also popular

Travel Alone %

12%

2019 New Year

16%

2020 New Year

Source: Ctrip 2020 New Year Chinese Travelling Report

- The majority of single Chinese intend to increase spending on items, such as travel, clothing, new technology and groceries
- For the New Year holiday 2020, the proportion of Chinese people travelling alone increased by four percentage points compared with 2019, further demonstrating single people's growing inclination to do things alone

Self-entertaining business catering to singles' needs are gaining popularity

Enjoy an individual meal

Haidilao

- Self-heating hot pot in individual pack size
- The traditional hot pot dining occasion can be experienced alone, with a high degree of convenience
- Self-heating hot pot manufacturer Haidilao achieved revenue of over CNY400 million in China in 2019. The whole market is expanding rapidly

Date a virtual "prince charming"

Mr Love: Queen's Choice

- Mobile dating app targeting women
- Offers a virtual relationship with men with different voices, backgrounds and personalities to offer diverse experiences
- Mr Love: Queen's Choice has received wide attention domestically and has expanded overseas
- The app has been so successful that an animated cartoon series has been based on it, which will be released in China in July 2020

Seek continuous surprises

Pop Mart

- Blind collectable dolls
- Excitement from opening unknown sets and exchanging duplicate collectables with others increases social contact in a "self-partnered" life
- Retail sales value of blind collectables within dolls and accessories in China reached USD296 million in 2019

Key lessons to learn

Business implications

- To target young consumers, foreign manufacturers are recommended to customise products to the needs of singles and other relevant demographic groups, which constitute a large proportion of millennials and Generation Z, rather than directly introducing products sold overseas to China. For example, products in individual pack sizes, which enhance emotional bonding or offer constant surprises could prove successful.
- There are opportunities in premiumisation to target parents and pet owners, as these consumers are typically willing to pay for high quality and nutritious food. In addition, safety is of prime importance, and products that reinforce the concept of safety are favoured. Internet retailing, which is already a major channel in baby food and pet care, continues to gain share, therefore this channel is worth looking at.

Key lessons to learn

COVID-19 impacts

- Online-everything: Outdoor activities were suspended during lockdown leading to an increasing reliance on the internet, which has persisted since the lockdown was lifted.
- Shift from imports to domestic offerings: Due to travel restrictions, fewer Chinese consumers are travelling abroad to make purchases, and are turning to cross-border e-commerce – with more foreign brands opening online shops on Chinese e-commerce platforms - or domestic options when purchasing baby products and pet food.
- Interactive items favoured: Lockdown and the delayed opening of schools have led to parents spending more time with their children (similarly for pet owners with their pets), leading to increasing sales of interactive items, such as construction toys, pet accessories and pet toys.

Conclusions: Three themes and eight corresponding trends in brief (1)

Theme 1: Ubiquitous Digital Convenience

Living on Smartphones	Mobile applications on smartphones offer a level of convenience that many younger consumers would now find it difficult to live without. Burgeoning mobile payment applications and a wide range of other apps enable consumers to accomplish many everyday tasks on their smartphones. The convenience of communication, shopping, recreation and booking transportation on a single device has made many consumers very reliant on their smartphone.
Keeping Up with Influencers	The smartphone has been an important means for Chinese consumers to research and purchase products. Various mobile applications enable consumers to do this, exemplified by short video apps, and shopping and consumer decision apps, which seamlessly integrate content created by influencers and e-commerce. Live-streaming – a new form of consumer engagement – further enhances the real-time interaction between product and consumer, and can eventually lead to business growth.
Convenience in the Home	Chinese consumers are enjoying greater convenience in the home thanks to the high penetration of smartphones, the proliferation of service providers, advanced mobile payment systems and consumers' pursuit of a simplified life. Sectors such as food delivery and robotic vacuum cleaners have benefited from the pursuit of convenience.

Conclusions: Three themes and eight corresponding trends in brief (2)

Theme 2: Developing Shopping Preferences

Premiumisation: A tale of Two Groups	Consumers in China's higher tier cities are willing to pay extra for more sophisticated products, while "small towners" in lower tier cities are also seeking more premium items, which has led to the rapid growth of brands highlighting quality and affordability, like Xiaomi and Jingxi, launched by JD.com.
Redefined "Made in China"	Chinese consumers are increasingly proud of their country, which has led to a preference for local brands. Domestic brands have made efforts to strengthen their position through leveraging new technology and adopting fashionable styles. Established traditional brands are also exploiting the nostalgia trend to re-create their brand images and engage with younger consumers.

Conclusions: Three themes and eight corresponding trends in brief (3)

Theme 3: Modern Urban Life

Pets as Family	According to Euromonitor International's Lifestyle Survey 2019, 72% of Chinese people consider pets to be family members, which has encouraged the development of China's pet care market. Pet owners like to treat their pets in a similar way to how they treat themselves or children in terms of the pet products and services they buy, often via the internet.
Advanced Parenting	Chinese parents are prepared go the extra mile to identify high-quality products for their babies, out of safety concerns. They also tend to be very generous when it comes to the next generation. Besides regular baby products, parenting now involves more categories, with countless variants of baby-specific products, which can be an increasing challenge for parents in terms of their expertise and financial resources.
Self-Entertainment	China is witnessing a burgeoning number of single Chinese people, who are willing to spend on products and entertainment for themselves. This favours sales of products, facilities and services that cater to demand for self-entertaining.

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