Mind the Generation Gap

Understanding Generational Divides and Subdivides in the Chinese Consumer Market

Chinese Consumers of the Future 2023 – the Generation Shifts

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By Cinthia Chen, Stacey Li, Florence Li, and Ben Chen
Mind the Generation Gap

When it comes to future consumers, most businesses think of Gen Z, and a lot of research is focused on this group. However, will the future consumer market really be dominated by this generation? How should we view the other generations? After asking a series of searching questions, we have arrived at a new answer: Firstly, the opportunities presented by generations other than Gen Z cannot be ignored. Generations X and Y are the twin engines of the consumer market in terms of both size and purchasing power. Secondly, generations are dynamic concepts, and certain underlying generational characteristics will remain constant across age and life stages—a phenomenon that will continue to incubate niche markets. Finally, various sub-groups are gradually emerging within each generation, creating highly divergent consumer demands. Now and over the long term, businesses must both grasp the overall generational trends and dive deep to uncover the underlying opportunities that changing generational patterns present.

Cynthia Chen
Managing Director and Partner
Leader of Center for Customer Insight in China

After several difficult years, China is on the cusp of a new dawn. With the relaxation of public health measures and a clear policy shift to stimulating domestic demand, China’s domestic economy is showing initial signs of recovery. In recent months, there were signs of recovery in travel, finance, and consumption indicators. As businesses look to the future, their challenge is how to adapt to the new policy and demand environment in order to seize the opportunities presented by resurgent consumer demand.

From a macro perspective, the growth of the middle class and consumption in lower-tier cities will be steady drivers of consumption resilience over the next several years. It is estimated that, from 2022 to 2030, China’s middle-class and affluent consumer (MAC) population will increase by 80 million, reaching nearly 40% of the total population: a source of long-term resilience for the consumer market. Over 70% of these new MACs will live in third-tier cities and below, meaning lower-tier cities will be an increasingly important part of the market. (See Exhibit 1.)

Exhibit 1 - China expects to add 80 million MACs by 2030, with over 70% from lower tier cities

<table>
<thead>
<tr>
<th>MAC population to increase by 80M by 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in Chinese population structure by income level Unit: M, income level (post-tax monthly household disposable income in RMB)¹</td>
</tr>
<tr>
<td>2022E</td>
</tr>
<tr>
<td>Affluent &gt;=29.9K</td>
</tr>
<tr>
<td>1,413</td>
</tr>
<tr>
<td>18</td>
</tr>
<tr>
<td>308</td>
</tr>
<tr>
<td>287</td>
</tr>
<tr>
<td>458</td>
</tr>
<tr>
<td>195</td>
</tr>
</tbody>
</table>

Most new MACs will come from tier 3 cities

<table>
<thead>
<tr>
<th>Distribution of new MACs by city tier Unit: M</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022E</td>
</tr>
<tr>
<td>Tier 1</td>
</tr>
<tr>
<td>110 (20%)</td>
</tr>
<tr>
<td>183 (33%)</td>
</tr>
<tr>
<td>110 (19%)</td>
</tr>
<tr>
<td>473</td>
</tr>
</tbody>
</table>

Sources: BCG MAC Database; BCG analysis.

¹ 2022 definition, adjusted annually based on an expected CPI of 2.5%.
In addition, trading up will continue to be a marked trend. Our research shows that even during the relatively difficult period of the past 2–3 years, Chinese consumers demonstrated a strong desire to trade up and an increased willingness to pay a premium for quality across multiple product categories. Quality and brand are also becoming more closely linked in consumers’ minds. (See Exhibit 2.)

Meanwhile, China’s population structure is undergoing rapid change. On January 17th, the National Bureau of Statistics released data showing that China’s population had decreased by 850,000 by the end of 2021, marking the first year of negative growth in 61 years. At the same time, the proportion of the population aged 65 and over in China has reached 14.9%, making it a moderately aged society according to United Nations standards. Population structure is closely related to the makeup of consumer generations, which is why businesses should pay close attention to these changes.

We can understand generations of consumers in terms of two coordinate systems: one is the temporal coordinate system, based on year of birth; the other is the social, cultural, and historical coordinate system in which they live. Significant historical events and cultural experiences leave indelible marks on groups of people in their formative years, thus shaping similar values and ideas. Generations are a dynamic concept that reflects both the ebbs and flows that follow age and generational turnover, as well as the unique imprints left by major social and historical experiences.

For businesses, researching future consumers requires not only understanding the relatively fixed demand preferences that come with different life stages, but also dynamic observation of intergenerational differences, especially those consumption attitudes and beliefs that will follow generations as they pass through new life stages.

**Exhibit 2 - Trading up: Chinese consumers show strong willingness to trade up for better quality across many categories**

<table>
<thead>
<tr>
<th>Category</th>
<th>Trade up %</th>
<th>Trade down %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; Beverage</td>
<td>26%</td>
<td>5%</td>
</tr>
<tr>
<td>Health care</td>
<td>27%</td>
<td>11%</td>
</tr>
<tr>
<td>Personal &amp; HH chemicals</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Home appliances &amp; durables</td>
<td>7%</td>
<td>-8%</td>
</tr>
<tr>
<td>Fashion &amp; Luxury</td>
<td>13%</td>
<td>2%</td>
</tr>
<tr>
<td>Investment</td>
<td>13%</td>
<td>-4%</td>
</tr>
<tr>
<td>Lifestyle services/experience</td>
<td>6%</td>
<td>-9%</td>
</tr>
</tbody>
</table>

Net ratio (%) = % of respondents trading up minus % of respondents trading down
Positive ratio indicates strong willingness to trade up, whereas a negative ratio means more consumers tend to trade down; the higher the number, the stronger the willingness

Sources: BCG CCI-Chinese Future Consumer Survey (Oct 2022, N=9,000); BCG analysis.
It is against this background that we present this report, which monitors the pulse and evolution of Chinese consumers in order to help businesses understand how the experiences, lived environment, attitudes, interests, and needs of Chinese consumers will shape future demand. Our aim is to provide insight and support for businesses looking for opportunities in a rapidly changing environment.

China Consumers Across Four Generations

Taken as a whole, 80% of China’s population of 1.4 billion can be said to be composed of four generations: “Gen Z,” “Gen Y,” “Gen X,” and the “baby boomers.” These generations are the main creators of social wealth, with Gen X and Gen Y consumers accounting for over 60% of total income. (See Exhibits 3, 4 and 5.)

“Gen Z” is defined by an unprecedentedly expansive mental world. Influenced by deep digitization and globalization, Gen Z have absorbed a massive amount of information through social media, with the result that they value personal emotions, aesthetics, intellectual enjoyment and spiritual fulfillment more than any of their predecessors. They tend to relate to more segmented circles and subcultures. In terms of life stage, most of them are currently single (79%), and they are the most educated generation so far, with their career still largely in the beginning phase.

“Gen Y” is a generation that experienced accelerated personal development. They were the first generation of only-children in China and as such received both more attention and more expectations than the two generations that went before them. Having benefited from the expansion of compulsory education and urbanization, many of them moved from small towns to work and settle in medium and large cities, striving to improve themselves. A majority of Gen Y (73%) have now already married and had children. Their dual family and workplace responsibilities mean that their individuality sometimes has to take a back seat to meeting the expectations of others.

“Gen X” is the generation of accumulated material wealth. Born in the early stages of the reform and opening up period, this generation holds the belief that knowledge is power and only through hard work can one improve oneself. It was Gen X that accumulated the first generation of social and personal wealth, becoming the backbone of the reformed market economy. Of all the generations, they currently hold the highest positions in the workplace and have the highest levels of income.

Exhibit 3 - Four generations account for 80% of China’s population, with Gen X and Y leading in population and income

<table>
<thead>
<tr>
<th>Generation</th>
<th>Population size</th>
<th>Population share</th>
<th>Income share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1949 and before</td>
<td>120M</td>
<td>8%</td>
<td>22%</td>
</tr>
<tr>
<td>1950–1964</td>
<td>Baby boomers2</td>
<td>250M</td>
<td>18%</td>
</tr>
<tr>
<td>1965–1979</td>
<td>Gen X2</td>
<td>330M</td>
<td>23%</td>
</tr>
<tr>
<td>1980–1994</td>
<td>Gen Y2</td>
<td>320M</td>
<td>22%</td>
</tr>
<tr>
<td>1995–20093</td>
<td>Gen Z2</td>
<td>230M</td>
<td>17%</td>
</tr>
<tr>
<td>2010 and after</td>
<td>Gen α</td>
<td>170M</td>
<td>12%</td>
</tr>
</tbody>
</table>

Sources: 7th Population Census; China Statistical Yearbook 2021; BCG CCI-Chinese Future Consumer Survey (Oct 2022, N=9,000); BCG analysis.

1 The total income of the four generations = 100%, as consumer income outside the four generations only accounts for a small proportion and is not included in the income analysis. Income share is calculated based on BCG CCI quantitative survey;

2 In 2023, the ages of the generations are: Baby Boomers 59–73 years, Gen X 44–58 years, Gen Y 29–43 years and Gen Z 14–28 years;

3 Gen Z in this report is limited to 18 years and above.
“Baby boomers” are a generation characterized by perseverance and dedication. Born during a period of relatively limited material resources, they possess rich social and economic experience, and their hard-working and practical nature has laid the foundation for their sense of responsibility and dedication towards their families and communities. As they move into retirement and a life of leisure, they have more free time to focus on themselves and explore new possibilities in their silver years.

Our quantitative and qualitative research into the development and evolution of these consumer generations, as well as their attitudes, beliefs, and consumption behaviors, have given us two important insights.

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**Exhibit 4 - Preferences and values differ by generation given distinct experiences of growing up**

<table>
<thead>
<tr>
<th>Description</th>
<th>Gen Z</th>
<th>Gen Y</th>
<th>Gen X</th>
<th>Baby boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>A generation of rich spiritual life</td>
<td>Gen Z: Digital natives born in an age of rapid globalization, constantly exposed to massive info on mobile</td>
<td>Gen Y: The first generation of only children who benefited from compulsory education, grew up in the PC era, and experienced urban migration</td>
<td>Gen X: Backbone of reform, accumulated personal wealth through hard work and innovation</td>
<td>Baby boomers: Born in an era of material deprivation, they are hard-working and resilient, with rich social experiences and a strong sense of community &amp; family</td>
</tr>
</tbody>
</table>

**Sources:** Public info; BCG analysis.

1 In 2023, the ages of the generations are: Baby Boomers 59–73 years, Gen X 44–58 years, Gen Y 29–43 years and Gen Z 14–28 years
In the past few years, an obsession with youth has swept the consumer market, and many brands have rushed to focus on Gen Z, studying their needs, preferences and behavior patterns in order to seize opportunities for future brand development. However, from the perspective of the population base and per-capita category consumption, Gen X and Y will remain the main drivers of consumption for a considerable time to come. While they may not be as willing to try new things as Gen Z, Gen X and Y have a stronger willingness to consume and to trade up in various categories: they are more willing to pay more for a higher quality of life. (See Exhibit 6.)

The vastly different experiences of each generation as they grew up have shaped their collective memories and value orientations, such that they do not exhibit the same consumer attitudes and preferences as their counterparts did at the same age. At the same time, differing life experiences within each generation are constantly producing new subcultures. It is this evolving segmentation that is driving companies to seek more than ever to understand the generations’ commonalities and differences. (See Exhibits 7, 8 and 9.)

Sources: BCG CCI-Chinese Future Consumer Survey (Oct 2022, N=9,000); BCG analysis.

1 Index = value of a given group/average value of the total population *100.
Exhibit 6 - Gen X and Gen Y spend more than other generations across most categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Gen Z²</th>
<th>Gen Y</th>
<th>Gen X</th>
<th>Baby boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium offerings</td>
<td>78</td>
<td>117</td>
<td>117</td>
<td>82</td>
</tr>
<tr>
<td>Affordable treats</td>
<td>69</td>
<td>112</td>
<td>128</td>
<td>102</td>
</tr>
<tr>
<td>Health &amp; lifestyles</td>
<td>106</td>
<td>134</td>
<td>84</td>
<td></td>
</tr>
<tr>
<td>Everyday essentials</td>
<td>113</td>
<td>101</td>
<td>98</td>
<td></td>
</tr>
</tbody>
</table>

Source: BCG CCI-Chinese Future Consumer Survey (Oct 2022, N=9,000); BCG analysis.

1 Represents each generation’s annual per-capita spending on categories, index = 100 means being on par to the overall average, index > 100 means higher than the overall average; index < 100 means lower than the overall average;

2 Gen Z are not yet financially independent, and part of their expenses is paid by their parents.

Exhibit 7 - Clear generational differences in persona

- **Gen Z**
  - Create subcultures, crave comfort

- **Gen X**
  - Socialize for status, seek quality

- **Baby boomers**
  - Drive granfluence, eat for health

- **Gen Y**
  - Pursue professionalism, value productivity
### Exhibit 8 - Four generations have distinct beliefs and attitudes

#### Life attitudes
- **Gen Z**
  - I enjoy my time alone
  - I value my personality
  - I want to get recognized by others
  - It’s OK to be mediocre
  - I have a strong need to connect and belong
- **Gen Y**
  - I follow and discuss current events
  - I hope to connect with Chinese culture
  - I like to follow rules
- **Gen X**
  - I am willing to pay premium for quality products and services
  - I often spend to reward myself
  - I prefer big brands
  - I research carefully before purchase
  - I want the best value for money

#### Social conception
- **Gen Z**
  - Independent and confident
  - Redefine success
  - Pursue value for money
- **Gen Y**
  - Respect rules
  - Trust professional brands
  - Focus on result and efficiency
- **Gen X**
  - Value social belonging; follow current events
  - Seek conventional success
  - Buy from famous brands for self-gifting
- **Baby boomers**
  - Conservative; adhere to rules
  - Stay true to themselves and pursue their own interests
  - Buy from famous brands for self-gifting

#### Spending mindset
- **Gen Z**
  - Perceived importance:
    - Above average
    - Below average
  - Preference: Resonance, relevance
  - Interest group:
    - ACG dance
    - Console gaming
    - ACG events
    - Niche sports
    - Shutterbug
    - Slasher
    - Garage kits
    - Medical aesthetics
- **Gen Y**
  - Preference: Mainstream, athleisure
  - Interest group:
    - Running
    - RV trips
    - Golden oldies
    - Casual games
    - Yoga
    - Home appliances
    - Binge watching
    - Theme parks
- **Gen X**
  - Preference: Family wellbeing
  - Interest group:
    - Healthy eating
    - Health insurance
    - Prudent investment
    - Running
    - Country life
    - Home theater
    - Venture investment
    - Home appliances
- **Baby boomers**
  - Preference: Nostalgia, wellness
  - Interest group:
    - Healthy eating
    - Health insurance
    - CPC history
    - Square dancing
    - Fashion
    - Snowbird
    - Military
    - Life hacks

### Sources:
- BCG CCI-Chinese Future Consumer Survey (Oct 2022, N=9,000); BCG analysis.

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### Exhibit 9 - Generations differ in interests

#### Preference
- **High**
- **Low**

#### Gen Z
- **Resonance, relevance**
  - Interest group:
    - ACG dance
    - Console gaming
    - ACG events
    - Niche sports
    - Shutterbug
    - Slasher
    - Garage kits
    - Medical aesthetics

#### Gen Y
- **Mainstream, athleisure**
  - Interest group:
    - Running
    - RV trips
    - Golden oldies
    - Casual games
    - Yoga
    - Home appliances
    - Binge watching
    - Theme parks

#### Gen X
- **Family wellbeing**
  - Interest group:
    - Healthy eating
    - Health insurance
    - Prudent investment
    - Running
    - Country life
    - Home theater
    - Venture investment
    - Home appliances

#### Baby boomers
- **Nostalgia, wellness**
  - Interest group:
    - Healthy eating
    - Health insurance
    - CPC history
    - Square dancing
    - Fashion
    - Snowbird
    - Military
    - Life hacks

### Sources:
- the perspectives of China Top 100 Shared Interests Groups 2.0 tagging system by Ocean Insights; BCG analysis.
Based on in-depth research by the BCG Center for Customer Insight, we present vivid and distinct consumer profiles for each generation.

**Gen Z: Create subcultures, crave comfort**

Independence, diverse definitions of success, and emphasis on value for money are defining characteristics of Gen Z. They grew up in a time of great material abundance and an information explosion, allowing them to pursue their own independent paths. In terms of shopping habits, Gen Z consumers tend to carefully compare products, trusting user ratings and reviews on online platforms. This makes them more knowledgeable about the functionality and features of products. In terms of consumption priorities, they are willing to spend a lot of time and money on hobbies and interests, but may be very frugal in other areas, such as everyday needs. The philosophy of “save where you can save, spend on what is worth spending on,” deeply resonates with Gen Z. (See Exhibit 10.)

Gen Z likes to spend their time and money on creating subcultures and pursuing personal comfort.

**Creating Subcultures**

Gen Z is characterized by strong cultural self-confidence and a desire to explore. They are no longer satisfied with mainstream leisure activities and instead create diverse subcultures and niche circles as they explore and cultivate their own passions. Language is a part of their identity, with fellow enthusiasts recognizing each other and communicating using in-group slang distinct to their circle. Aesthetics are also vital to Gen Z: such as personal image, dance, photography, aesthetic product design, etc.

Therefore, for a brand to attract the attention of Gen Z consumers, it must enter their circles and understand their likes and interests. Only then can it win their trust and make itself relatable. (See Exhibit 11.)

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**Exhibit 10 - Gen Z: Persona**

**Personal attitudes**

**Independence**
Growing in a time of great material abundance and information explosion, good at comparing and researching, not following blindly

**Diverse definitions of success**
The Buddhist is not about lying flat, but about the fact that the definition of success is diverse and does not cling to the traditional definition of excellence

**Cultural confidence**
Growing up witnessing the development of the country, appreciating what is associated with Chinese culture, and continuing to spawn subcultures and niche circles

**Consumer needs**

- **Independence**: value personality and defy homogeneity
- **Indulgence**: escape from the bustle for fun and refreshing experience
- **Basic functions**: pursue value for money, convenience and reliability

**Independence vs. Fitting in**

- Gen Z
- Gen Y
- Gen X
- Baby boomers

**Enterprise vs. Indulgence**

- Gen Z
- Gen Y
- Gen X
- Baby boomers

**Advanced vs. Basic functions**

- Gen Z
- Gen Y
- Gen X
- Baby boomers

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**Sources:** BCG CCI-Chinese Future Consumer Survey (Oct 2022, N=9,000); BCG analysis.

1 The graphs below display standardized scores. Taking the first dimension (Independence vs. Fitting in) as an example, >0 means on par with the average, >0 means inclination towards Independence, and <0 means inclination towards Fitting in.
Craving Comfort

Gen Z has a strong sense of hedonism and quitting the rat race. They hope to carve out their own world while growing and developing personally. They look for stress-relief and emotional release in pleasures such as playing with pets and indulging in rich audio-visual entertainment. Related products and services (such as pet food and supplies and services, VR/AR devices, home smart projectors, etc.) have broad appeal among Gen Z, serving as sources of companionship and warmth through lonely times. (See Exhibit 12.)

Gen Y: Pursue professionalism, value productivity

Balancing responsibilities while striving for personal growth and higher quality are typical characteristics of Gen Y. As Gen Y must juggle the dual responsibilities of work and family, they are forced to sacrifice some of their individuality to meet social expectations, but deep down they nevertheless crave personal space. In terms of shopping, Gen Y has higher demands for paid professional services and advanced functionality (e.g. smart tech), to help them save time and improve their efficiency. (See Exhibit 13.)

Exhibit 11 - Gen Z: Create subcultures

Proud of their cultural heritage, the expressive and independent Gen Z allow subcultures to emerge and thrive with their entrepreneurship in personal passions and elevated sense of aesthetics in fashion and lifestyles.

Many subcultures and lingo emerge

<table>
<thead>
<tr>
<th>Subculture</th>
<th>Activity</th>
<th>Lingo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recreational outdoors</td>
<td>Camping</td>
<td>Glamping, campsite, bushcraft, temperature rating, R value...</td>
</tr>
<tr>
<td></td>
<td>Frisbee</td>
<td>Ultimate, Dodgebee, huck, stall count, turnover...</td>
</tr>
<tr>
<td>Professional outdoors</td>
<td>Hiking</td>
<td>Heavyweight, lightweight, UL, night trail, loop, traverse...</td>
</tr>
<tr>
<td></td>
<td>Biking</td>
<td>Corner, out of saddle, jump, casual biking, mountain biking, cadence...</td>
</tr>
<tr>
<td>Extreme sports</td>
<td>Skiing</td>
<td>Sideslip, dual, freestyle, off piste, powder snow...</td>
</tr>
<tr>
<td></td>
<td>Surfing</td>
<td>Barrel, duck dive, forehand, backhand, legrope...</td>
</tr>
<tr>
<td>Indoor fitness</td>
<td>Yoga</td>
<td>Sideslip, dual, freestyle, off piste, powder snow...</td>
</tr>
<tr>
<td></td>
<td>Fat-burning workout</td>
<td>Zumba, heavy sweating, Pamela, Liu Genghong, “cloud fitness”...</td>
</tr>
<tr>
<td>Street sports</td>
<td>Skateboarding</td>
<td>Ollie, kickflip, impossible, grab, boardslide, kicker ramp...</td>
</tr>
<tr>
<td></td>
<td>Surfskating</td>
<td>Swallow tail, diamond tail, round tail, bushing-based system, spring-based system...</td>
</tr>
</tbody>
</table>

Gen Z lead aesthetic-savvy lifestyles

E.g., Gen Z make up the majority of medical aesthetics consumers, there are more medical beauty consumers aged 18–25 than any other generation.

“The most obvious trends in China’s medical aesthetics industry are generational expansion and migration. GE refers to the expansion from Gen Z to other generations, with Gen Y being the most significant source of the incremental user base. GM refers to the demand for MA is fluid, with different generations shifting to new projects as they change age and life stage. For example, Gen Z chooses body contouring to reap the image dividends of the social relations change phase as early as possible. As a result, the future of the MA will become more specialized and segmented.”

—Renjie Guo, VP, Dreame tech China

“Gen Z” do not blindly believe in brands because of their popularity and history but like to dig up new products that others do not know yet. Meanwhile, “Gen Z” has a strong sense of subcultural, such as the gaming subcultural, the anime subcultural, the vlogging subcultural, etc… If you want to communicate with Gen Z, you need to arouse their interest first, instead of selling directly, you can often get short cut by working with the opinion leaders in their subcultural.

—Xing Jin, CEO, SoYoung

Sources: BCG CCI-Chinese Future Consumer Survey (Oct 2022, N=9,000); BCG analysis; 2021 Medical Aesthetics Whitepaper, SoYoung.
Exhibit 12 - Gen Z: Crave comfort

Gen Z are quitting the rat race. Besides personal development, they also need the space to relax and recharge.

Emotional support from "fur babies"

Gen Z start to consider furry friends as part of the family as petting becomes an important source of pleasure.

- Pet attention index\(^1\) for different generations

<table>
<thead>
<tr>
<th>Generation</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gen Z</td>
<td>1.4</td>
</tr>
<tr>
<td>Gen Y</td>
<td>0.9</td>
</tr>
<tr>
<td>Gen X</td>
<td>0.5</td>
</tr>
<tr>
<td>Baby boomers</td>
<td>0.9</td>
</tr>
</tbody>
</table>

In the past years, consumers are increasingly demanding stress reduction and home ownership, which has led to the development of the pet economy, especially the "Gen Z", but under the influence of the general environment, Gen Z are becoming more rational, paying attention to some real value to their pets, rather than popular concepts. This has led to better growth for products with better taste and evidence (e.g. wet food, raw food).

— Xiaodong Chen, Head, Nestlé Purina Pet Food Greater China

Sources: BCG analysis; Chinese Smart Projection Market Monthly Tracker, RUNTO.

\(^1\) Index = percentage of people of a given generation who choose pets as an important hobby / percentage of the overall population.

Exhibit 13 - Gen Y: persona

Personal attitudes

- Carrying expectations: Gen Y is the first generation of only children in China. The concentration of family resources and attention has not only given them more care, but has also placed more expectations.

- Striving for progress: Taking on heavy responsibilities in the workplace and at home, striving to meet the expectations of all.

- The popular choice: Due to time and energy constraints, Gen Y prefer a more popular choice than Gen Z's circle and niche culture.

Consumer needs\(^1\)

- Fitting in: try to balance between self and others, with others being more important.
- Enterprise: aspirational to drive personal growth.
- Advanced functions: customization & smart tech.

Sources: BCG CCI-Chinese Future Consumer Survey (Oct 2022, N=9,000); BCG analysis.

\(^1\) The graphs below display standardized scores. Taking the first dimension (Independence vs. Fitting in) as an example, =0 means on par with the average, >0 means inclination towards Independence, and <0 means inclination towards Fitting in.
Pursuing Professionalism

Gen Y was the first generation of only-children in China. While they benefited from the greater concentration of family resources and attention, they have also always carried a greater weight of expectation. This has given them a heightened sense of competition. Outcome-oriented and time-poor, they are more prone to rely on professional services and are willing to pay for them. This tendency to seek professional solutions applies not only to their personal consumption but also to how they approach educating their children. (See Exhibit 14.)

Valuing Productivity

Juggling career and family and often racing against time, efficiency is paramount for Gen Y. Therefore, products that improve efficiency and free them up to do other things — such as small home appliances, semi-finished/pre-made dishes, and pre-prepared seasonings — are all welcome assistants to Gen Y. They help them meet their families’ needs for a clean and comfortable home and convenient and delicious food, while also helping release them from household chores. (See Exhibit 15.)

Gen X: Socialize for status, seek quality

Fitting in and striving for traditional success are the typical values of Gen X consumers. They attach great importance to fitting in with others. They actively maintain social relationships and hope to gain a sense of belonging from them. In socializing, they value identity recognition, and therefore want to present themselves as more sophisticated and professional in their peer group. (See Exhibit 16.)

Gen X wishes to enjoy an above-standard quality of life and is willing to spend money and time on identity and quality-oriented socializing.

Exhibit 14 - Gen Y: Pursue professionalism

Gen Y are 1st-gen only children that enjoy the undivided attention of the family and have high ambitions; willing to pay for professional services/products to achieve personal goals

Outcome-oriented fitness goals

Unlike Gen Z who play sports for fun, Gen Y develop exercise habits to achieve specific fitness goals (body shaping, fitness improvement, etc.)

- Gen Y prefer physical training such as running, swimming & yoga; Gen Z love social sports like frisbee, skateboarding & flag football
- GAS data shows that, Gen Y, accounting for 22% of China’s population, contribute ~80% of gym membership fees

As Gen Y grow older and become parents, they are paying more attention to health when buying food, promoting the growth of light-salt, low-fat and zero-cal products, while “Gen Z” is punk health-conscious that the taste, the emotional links, the creativity is more important than health which is more of a psychological comfort

—Luyan Liu, Sales director & EC head, Fu ling zha cai

Professional solutions to cultivate well-rounded children

- Fitness: sign kids up for physical training to improve their adaptability to environment and events, incl. discriminability, coordination, etc.
- Hobbies: send kids to interest classes to foster creativity, collaboration and perseverance
- Thinking & social skills: use parenting tools to hone kids’ thinking skills and enable remote social activities

Sources: BCG analysis; General Administration of Sport of China (GAS).
Exhibit 15 - Gen Y: Value productivity

Gen Y, who must juggle career and family, usually race against time, trying to get everything done with maximum efficiency to have some leisure and me-time.

Main consumers of productivity-boosting appliances
- Small appliances have a higher penetration rate among ‘Gen Y’.
- ‘Gen Y’ s willingness to upgrade to small appliances that improve efficiency is significantly higher than others.

Kitchen tricks to speed up cooking
Gen Y prefer semi-ready meals & compound seasoning as a quick and easy way to cook and eat at home.

New cooking options:
1. Semi-ready meals
   - The penetration of semi-ready meals is higher among Gen Y than others.
   - Gen Y is more willing to upgrade their consumption (1.1 times higher than the average).

2. Compound seasoning is a fast-growing segment in the seasoning market, with a 5-year CAGR of 13.2%.

“From pregnancy to adulthood is the golden 19 years when the Chinese are most willing to put effort into cooking at home. As young parents, the "Gen Y", want their cooking to be delicious and creative, suitable for sharing on social media, meanwhile, demand convenience and speed of cooking, thus, compound seasonings are becoming popular.

—Xuejun Wu, VP, TEWAY FOOD

Sources: BCG CCI-Chinese Future Consumer Survey (Oct 2022, N=9,000); BCG analysis; iiMedia, 2022.

Exhibit 16 - Gen X: persona

Personal attitudes
- **Fitting in**: They place a high value on fitting in with others and actively maintain social relationships in the hope of gaining a sense of belonging and identity.
- **Striving for traditional success**: There is a consensus to reject the Buddhist in terms of wealth and status, and to strive for success as traditionally defined.
- **Keeping up with the times**: They are not old-fashioned and are open to new ideas and new things, thus demonstrating their openness to change.

Consumer needs
- **Fitting in**: hope to fit in social circle via consumption
- **Enterprise**: outcompete others for status & recognition
- **Advanced functions**: trust and reward self with big brands & latest tech

Sources: BCG CCI-Chinese Future Consumer Survey (Oct 2022, N=9,000); BCG analysis.

1 The graphs below display standardized scores. Taking the first dimension (Independence vs. Fitting in) as an example, =0 means on par with the average, >0 means inclination towards Independence, and <0 means inclination towards Fitting in.
SOCIALIZING FOR STATUS

Gen X experienced rapid economic growth, career development, and rapid improvement in their standard of living in adulthood. Achieving a conventional definition of success is therefore a consensus goal for them. Beyond material success, they have a strong demand for social integration, identity recognition, and belonging. Unlike Gen Z, who prefer virtual networking, Gen X crave status and recognition in offline social circles. This makes them the main customer group for leisure and social consumption, such as high-end tea rooms and luxurious afternoon tea. In addition, the average proportion of their dining that they choose to do in high-end restaurants is twice that of other generations.

For Gen X, luxury brands and high-quality products are both a reward for themselves and a necessity for maintaining social status. At social occasions, they feel the need to present themselves as dignified, refined, and tasteful. Compared to other generations, they are more willing to pay a brand premium, while considerations of product style, model, and material are less important. (See Exhibit 17.)

SEEKING QUALITY

 Compared to other generations, Gen X attribute greater importance to conspicuous product quality and advanced functionality, in line with their need for social status. This is true not only for products directly related to personal image, but also for all kinds of living and lifestyle goods. For example, in household appliance consumption, Gen X has the highest willingness among the four generations to purchase products from high-end brands and with smart tech. (See Exhibit 18.)

Exhibit 17 - Gen X: Socialize for status

<table>
<thead>
<tr>
<th>Mainstay of mid/high-end social occasions</th>
<th>Treat self with luxury brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example: leisure consumption</td>
<td></td>
</tr>
<tr>
<td>• Gen X are primary consumers of high-end</td>
<td>• Driven by social needs</td>
</tr>
<tr>
<td>teahouses and afternoon teas</td>
<td>Likely to buy from a brand that is popular among friends to fit in, with data higher than other generations</td>
</tr>
<tr>
<td>• % of Gen X dining at luxury restaurants is 2x the average</td>
<td>• Brand as #1 purchase criterion</td>
</tr>
<tr>
<td></td>
<td>Brand is a KPC for all, yet the #1 consideration differs by generation:</td>
</tr>
<tr>
<td></td>
<td>- Brand for Gen X</td>
</tr>
<tr>
<td></td>
<td>- Design for Gen Z</td>
</tr>
<tr>
<td></td>
<td>- Material for boomers</td>
</tr>
<tr>
<td></td>
<td>• Willing to pay a higher premium</td>
</tr>
<tr>
<td></td>
<td>Gen X spend &gt;RMB 7,500 per luxury purchase, more than other generations</td>
</tr>
</tbody>
</table>

Luxury goods spending per time index for different generations

<table>
<thead>
<tr>
<th></th>
<th>Gen Z</th>
<th>Gen Y</th>
<th>Gen X</th>
<th>Baby boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index</td>
<td>0.9</td>
<td>1.0</td>
<td>1.1</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Sources: BCG CCI-Chinese Future Consumer Survey (Oct 2022, N=9,000); BCG analysis.

1 Index = average luxury spending per time of a generation / average luxury spending per time of the overall population.
Baby boomers: Drive granfluence, eat for health

Baby boomers are more self-sufficient in solitude: they no longer need to socialize as frequently or prove themselves to others. Instead, they are truer to their own needs. To the extent that their finances allow, they are willing to pay for good brands and experiences. They fill their ample free time with their hobbies and interests, such as nostalgia for the past (e.g., “red” and military nostalgia groups), travel, square dancing, and senior fashion. The baby-boomer approach to consumption is relatively conservative: their fixed habits and preferences formed over the years are not easily changed. (See Exhibit 19.)

Driving Granfluence

As some of the baby boomers have entered retirement, they are now free from work and family constraints and can explore anew their individual personality and hobbies. Baby boomers leverage online platforms to develop new and rich personal interests, with some even developing multiple identities in diverse areas, as part of a fulsome retirement. In terms of content, they are more attracted to amusing short videos rather than text. For example, there are more and more middle-aged and elderly key opinion leaders (KOLs) emerging on short-video platforms who take “silver” life as their theme and attract large followings. (See Exhibit 20.)
Exhibit 19 - Baby boomer persona

**Personal attitudes**

**Reclaiming oneself**
Mostly alone but self-sufficient, no longer needing to socialize as much or prove to others, but to be true to themselves.

**Nostalgic and traditional**
Cognitive and behavioral habits remain traditional and conservative, favoring choices that are within their own perceptions.

**Start a slash life**
More leisure time and less family commitments, baby boomers acquired multiple identities through the cultivation of interests.

**Consumer needs**

- **Independence**: value self-sufficiency and control over life
- **Enterprise**: desire respect, but also easily feel content
- **Advanced functions**: trust big brands, willing to pay more for better experience

Sources: BCG CCI-Chinese Future Consumer Survey (Oct 2022, N=9,000); BCG analysis.

1 The graphs below display standardized scores. Taking the first dimension (Independence vs. Fitting in) as an example, =0 means on par with the average, >0 means inclination towards Independence, and <0 means inclination towards Fitting in.

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Exhibit 20 - Baby boomers: Drive granfluence

Free from work and family constraints, baby boomers leverage social media to relaunch their own agenda, leading a happy and fulfilling retirement.

**Baby boomers as the main source of new Internet users**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gen Z</td>
<td>724</td>
<td>779</td>
<td>833</td>
<td>932</td>
<td>983</td>
<td>-7%</td>
</tr>
<tr>
<td>Gen Y</td>
<td>27%</td>
<td>25%</td>
<td>23%</td>
<td>21%</td>
<td>20%</td>
<td>-9%</td>
</tr>
<tr>
<td>Gen X</td>
<td>49%</td>
<td>48%</td>
<td>46%</td>
<td>43%</td>
<td>41%</td>
<td>+4%</td>
</tr>
<tr>
<td>Others</td>
<td>13%</td>
<td>14%</td>
<td>15%</td>
<td>13%</td>
<td>16%</td>
<td>+9%</td>
</tr>
</tbody>
</table>

**Flex digital muscles in pursuit of personal passions**

- For baby boomers, shorts platforms are an easy-to-use time-killing alternative equipped with interest-based algos and abundant creative content.
- As granfluencers share their daily lives on Douyin and Kuaishou, they form new identities and a large following.

**Popular granfluencers**

- **I am Grandma Tian**: 36.331 followers (M) - New rural lifestyles
- **High-heels-only Grandma Wang**: 13.999 followers - Fashion for seniors
- **LaoFanGu**: 13.190 followers - Cooking
- **Uncle Mona**: 17.127 followers (M) - Retirement lifestyle

Sources: BCG analysis; eMarketer.
Eating for Health
Growing up in the era before globalization, baby boomers identify more with traditional values. Their grasp of digital technology varies and they are therefore less sensitive to changes in trends and fashion. The legacy of collectivism makes them more reliant on word-of-mouth or small social circles for information. At the same time, as the older generation, they have a strong desire to live long and prosper. Their age and particular experience means that baby boomers practice the traditional emphasis on prevention over treatment and prefer food-based nutritional products. BCG Customer Insight’s research also confirms that, for products such as dietary supplements, boomers have higher awareness, purchase penetration, single purchase amount, and willingness to pay more than any of the other three generations. (See Exhibit 21.)

Exhibit 21 - Baby boomers: Eat for health

Health as the top priority
• With health as their top priority, baby boomers have a high demand for relevant products
• Baby boomers show higher penetration, average ticket size and willingness to pay in supplements than the other three generations

Belief in "food as medicine"
• A third-party survey shows that TCM supplements have the highest penetration in baby boomers

Penetration of TCM supplements by generation

With the ideals to "live long and prosper", baby boomers practice the traditional beliefs of prevention over treatment and prefer food-based nutritional products

Sources: BCG CCI-Chinese Future Consumer Survey (Oct 2022, N=9,000); BCG analysis.
1 Percentage of respondents who made at lease one purchase in the past 6 months.
2 Percentage of respondents who trade up - percentage of respondents who trade down.

Future Inspiration
To win different consumer groups, companies need a deeper understanding of these groups - ever finer segmentation and their potentially highly divergent values and behavioral patterns. Brands need to dynamically monitor the preferences and behavior of consumers from different generations. They must differentiate between the behavior pattern changes that naturally ebb and flow according to life stage and the value choices and preferences unique to each generation. By doing so, they can formulate more precise product strategies and optimize their business portfolios. In particular, consumer companies need to:

As a result of the epidemic, consumers are becoming more health conscious, which has increased the penetration of health products, including vitamins, probiotics etc. As the key consumers of healthcare, the "baby boomers" not only have strong purchasing power but also have a stable purchasing behavior and can take certain products for years; in terms of trends, they increasingly prefer food with the same source of medicine and Chinese medicine concept.

—Yiming Yuan, CR jiangzhong GM
a. **Grasp a balanced understanding of consumer groups.** Gen Z has received a lot of attention in the past few years, with many reports detailing their preferences and behavior. Many companies believe that “to capture the youth is to capture the future.” Gen Z will undoubtedly still be important in the future, but companies must also recognize the vast size and consumption power of the other generations, especially Gen X and Gen Y. Particularly in categories that target the two generations as the core customer base, the opportunity for upgrading cannot be ignored.

b. **Distinguish constants and variables across generations.** As the generations evolve, emerging trends and fashions will naturally influence every generation, while each major life stage inevitably brings with it certain relatively fixed preferences. At the same time, certain underlying attitudes, beliefs, and cultural markers, accumulated by each generation in their formative years, will follow them throughout their entire lifecycle. To study future consumers, companies need to examine generational differences and identify the constants amidst the change.

c. **Mine segmented opportunities and expose growth potential in existing markets.** Insight into segmented markets has become more important than ever. The sub-segment is now the only segment. The thresholds to building large single product barriers are going to become higher and higher. However, companies can consider precisely targeting specific consumer groups and finely-segmented demands, thereby creating new opportunities.

“The overall demographic dividend may have disappeared, but a middle class of over 400 million constitutes a powerful consumer base, and the Chinese consumer market continues to possess tremendous resilience. What is worth noting is that the significant changes in China’s population structure will more fundamentally impact the market. In the past, brands have focused more on how consumption differed across market tiers. Our latest survey shows how, apart from region, each generation’s distinct collective experiences have given them different value orientations and attitudes to consumption. By properly grasping these intergenerational differences, I am sure that companies can discover more growth opportunities in their existing markets.”

— Veronique Yang
Managing Director & Senior Partner
Leader of BCG Consumer Practice in China
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Research Methodology

This report was compiled by BCG’s Center for Customer Insight (CCI). Research was primarily based on CCI’s 2022 Q3–Q4 quantitative consumer survey, which was conducted in October 2022 and sampled 9,000 Chinese consumers, aged 18–65, from tier 1–5 cities, across all income levels, and covering 45 categories across food, clothing, live, and travel. The survey was used as the basis for an in-depth analysis of the principles, attitudes and behaviors of Gen Z, Gen Y, Gen X, and baby-boomer consumers.
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