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16 April 2024



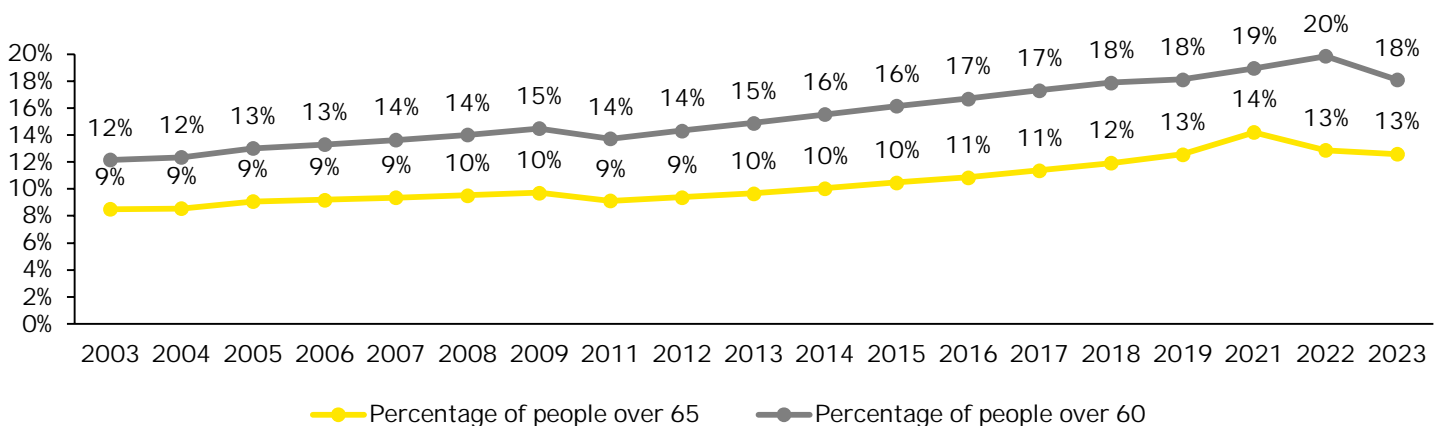
# Implications for brand marketing based on observations of consumer behavior among Gen Z and the silver generation

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In 2023, China witnessed a significant increase in its total retail sales of consumer goods, reaching RMB47.1 trillion. This marked a growth of 7.2% compared to the previous year. Notably, final consumption expenditure played a crucial role in driving economic growth, contributing 4.3 percentage points to the overall growth. This was a notable increase of 3.1 percentage points from the previous year, highlighting the growing importance of consumption in the economy. In fact, consumption accounted for 82.5% of the economic growth, emphasizing its fundamental role in driving the economy forward<sup>1</sup>. Furthermore, in January 2024, China's State Council released guidelines to bolster the "silver economy". This policy document, the first in China named after the "silver economy," focuses not only on the consumption patterns of Gen Z, but also sheds light on the silver economy. The silver economy encompasses a wide range of economic activities aimed at providing products and services to older individuals and helping people prepare for old age. It is a diverse industry with a long industrial chain, offering immense potential for growth. This document outlines 26 initiatives across four key areas, emphasizing the significance of the silver economy and its potential impact on the well-being of the elderly population.

According to data, the Gen Z population in China is approximately 260 million<sup>2</sup>, making up around 18.44% of the total population. As Gen Z emerges as the dominant consumer force, their consumption preferences are significantly shaping the consumer market, indicating future consumption trends and styles. While the saying "whoever captures the hearts and minds of the young wins the world" holds true in the realm of consumption, it is important to note that older individuals are also contributing to incremental consumption. With the growing number of elderly individuals and intergenerational transfers, more and more seniors are joining the consumption wave, displaying preferences for pleasurable and health-oriented products. As China's demographic structure evolves and the population of individuals aged 60 and above increases, the elderly has become a crucial target group for the consumer goods market. By the end of 2023, statistics showed that 61.3% of the working-age population will be between 16 and 59 years old, while 21.1% will be 60 years old and above, with 15.4% being 65 years old and above. According to the United Nations standard, a population aged 65 and above exceeding 14% signifies a moderately aging society, and China's aging rate is projected to rise steeply in the future<sup>3</sup>. The growing presence of older individuals in the consumer market is not coincidental, as they have accumulated a certain level of wealth and possess higher expectations for quality of life. Gen Z is increasingly inclined towards health care and cooking, while the seniors are embracing smart digital products. Numerous studies highlight the ascent of Gen Z and the silver economy as the new protagonists in the consumer landscape. Their influence in the fast-moving consumer goods (FMCG) market is becoming increasingly prominent, making them the focal point of brand competition.



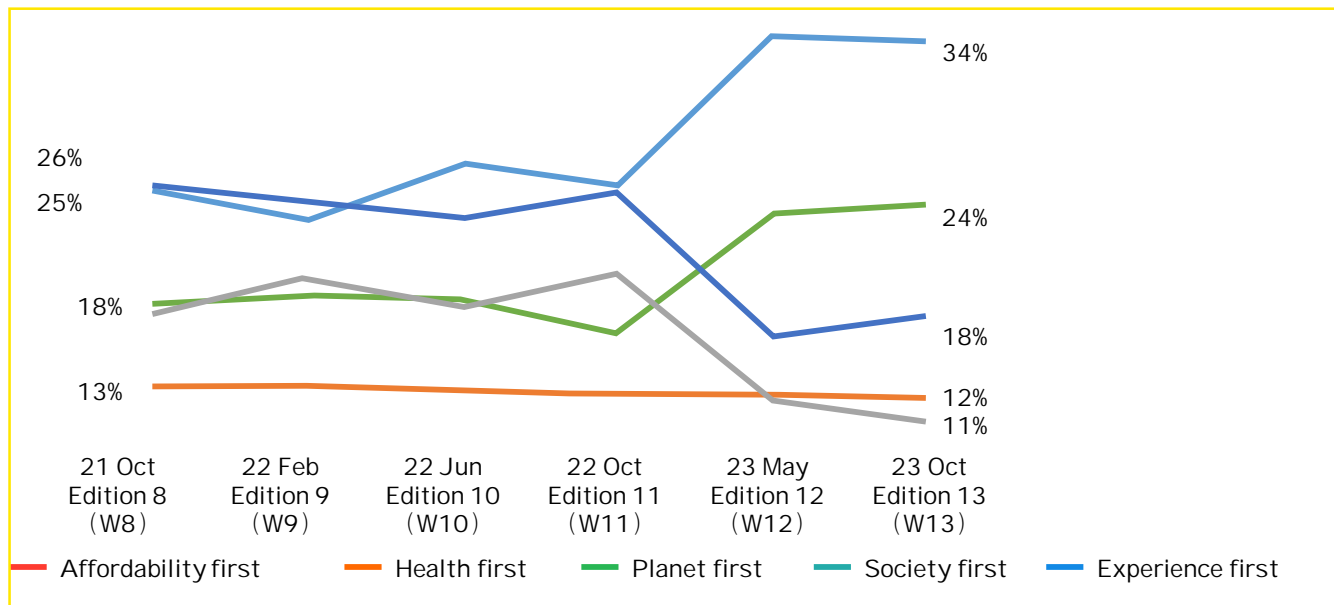
<sup>1</sup> Source: gov.cn [https://www.gov.cn/lianbo/bumen/202402/content\\_6930516.htm](https://www.gov.cn/lianbo/bumen/202402/content_6930516.htm)

<sup>2</sup> Source: Annual data from National Bureau of Statistics of China <https://data.stats.gov.cn/easyquery.htm?cn=C01>

<sup>3</sup> Data from the 2010 population sample survey of the National Bureau of Statistics of China (not included in the database)

The 13th edition of the Future Consumer Index, released in January 2024, involved a study of 22,003 consumers across 28 countries and territories worldwide, including China. The survey was conducted from September 2023 to October 2023. The findings indicate a global shift towards prioritizing value for money and physical well-being in products and services. This trend suggests that personal interests are taking precedence over group activities, with a renewed emphasis on individual needs (see Figure 1). Rising prices and economic uncertainty are prompting consumers to focus on self-care, cut down on daily expenses and reduce spending on various leisure activities.

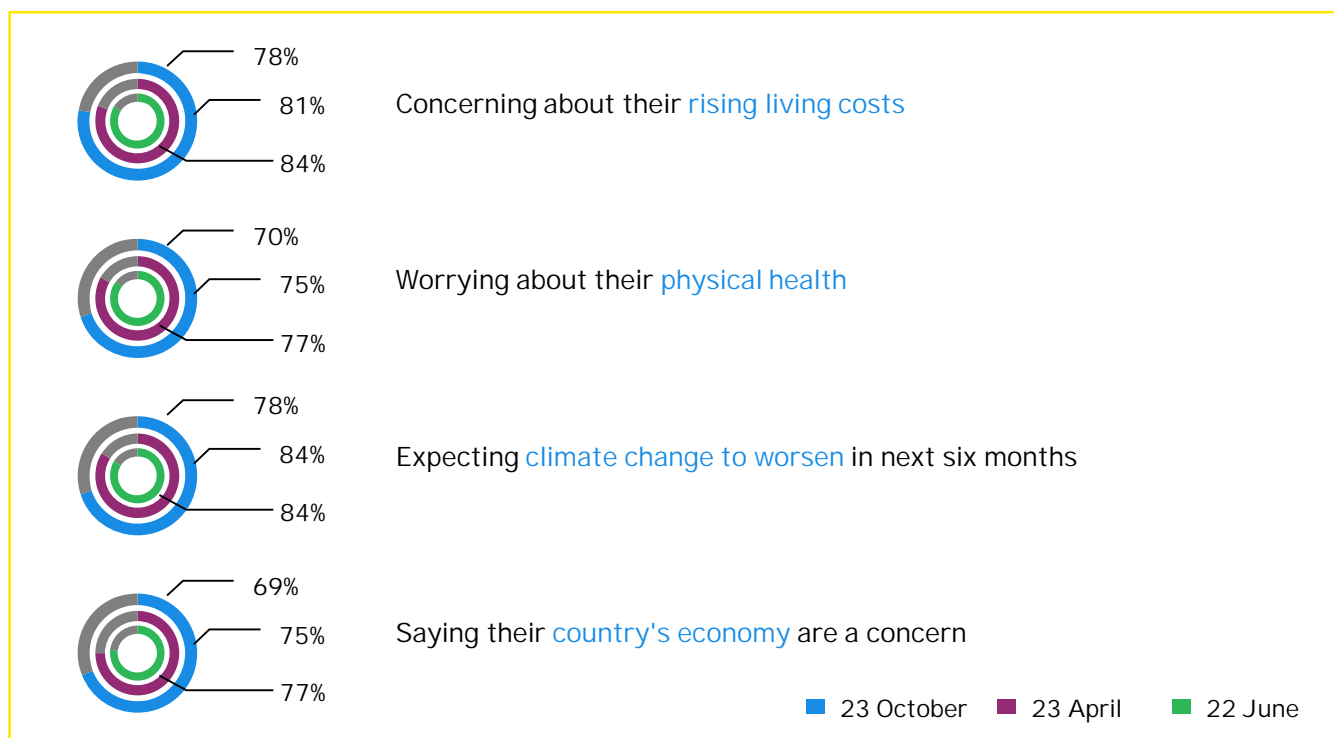
Figure 1: Percentage of five consumer types in each group of respondents



Source: EY Future Consumer Index, December 2023

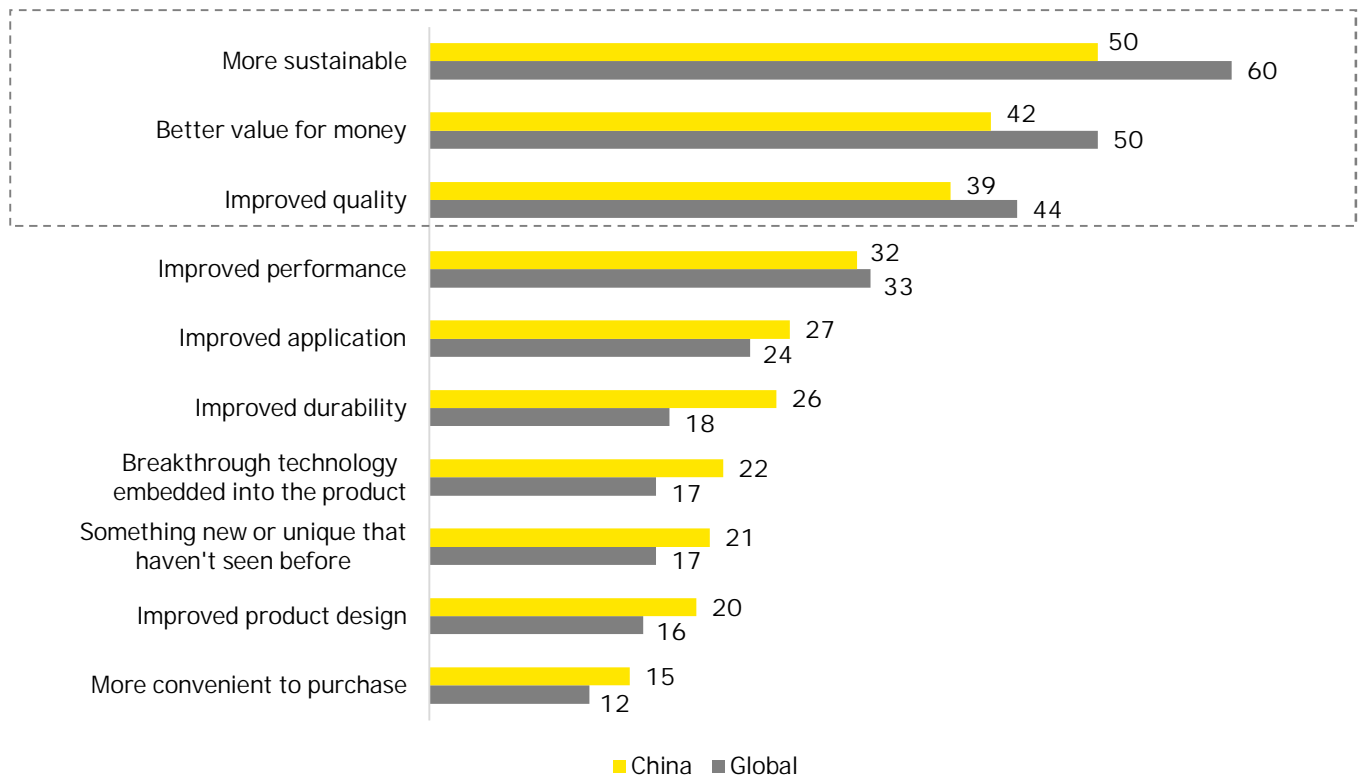
Chinese consumers are being influenced by the increasing cost of living to adjust their lifestyle, as shown in Figure 2. Factors such as improved value and quality, along with sustainable functionality, will play a significant role in steering consumers towards selecting new brands, as depicted in Figure 3.

Figure 2: consumer concerns



Source: EY Future Consumer Index, December 2023

Figure 3: Percentage of consumers choosing new brand products due to the following considerations



Source: EY Future Consumer Index, December 2023

In the market's age-based segmentation, both Gen Z and elderly individuals, who form the primary consumer population, exhibit unique characteristics in their consumption behaviors. These distinctive features can be primarily observed in the following aspects:

## Gen Z prioritizes personalization and quality experience over blindly chasing after brands, while also advocating for sustainable development

In recent times, the consumption mindset of Gen Z has gradually shifted towards rational consumption. This implies that they are now making more careful choices when it comes to goods and services, rather than blindly following brands and prices. Instead, they are placing greater emphasis on quality and practicality. In the past, European and American brands held a dominant position in the market. However, in recent years, Chinese national brands have made significant improvements in quality, with some even reaching the level of internationally recognized brands. As a result, consumers are now paying more attention to the quality of national brands, leading to increased recognition and trust in the market. The continuous growth and innovative development of national brands have prompted consumers to reevaluate and appreciate the value of local brands, particularly those with unique designs and excellent quality. In the coffee industry, the monopoly of well-known foreign chain stores has been broken, with numerous popular domestic coffee shops emerging. The distinctive and unique designs embraced by each coffee shop has resulted in long queues at their first stores in various regions. Social media platforms are awash with images of consumers savoring their visits, eager to experience the range of new flavors on offer. Compared to the past, Gen Z now places greater importance on the quality and experience of a product or service. They are more inclined to choose products and services of high quality rather than solely focusing on low prices and quantity. When shopping, they conduct multiple comparisons and opt for products that offer better value for their money. Additionally, they are increasingly mindful of product quality and are willing to pay for premium products.

Gen Z is known for their emphasis on personalized and tasteful consumption. They have a strong desire to express their uniqueness and personal values through their purchasing decisions. Growing up in a society that is materially abundant, Gen Z's consumption concepts are focused on spiritual satisfaction and subjective well-being. They seek to find meaning in their consumer behavior, such as individual satisfaction and a sense of identity. When it comes to shopping, they prioritize the uniqueness and differentiation of products. They are open to trying out new brands and products that cater to their personalized needs and individual preferences. In 2023, beverage companies made a significant impact with their cross-border marketing strategies. They collaborated with luxury labels to create co-branded bags and mixed products with famous liquor brands. The price of a cup of milk tea, for example, offers consumers a multi-faceted experience, which has generated a tremendous response from consumers. Through these innovative marketing approaches, luxury brands are finding new ways to connect with Gen Z, potentially opening the door to their understanding and appreciation of luxury brands.

In recent times, due to the rise in environmental consciousness, Gen Z has shown a greater interest in eco-friendly consumption. They prioritize environmental protection and sustainable development, opting for green products and brands to minimize harm to the environment. Additionally, they show support for second-hand items and the sharing economy to reduce waste and pollution. Chinese consumers, particularly Gen Z, are increasingly embracing sustainability and translating their beliefs into actions. With the emergence of the "new normal" economy, consumers are transitioning from immediate gratification to sustainable practices, making "green consumption" a prominent trend in the future.

## Elderly individuals exhibit a significant desire for recreational travel, strive for a high standard of living and prioritize health-conscious consumption

With the advancement of the economy, the elderly in today's society are not only seeking basic necessities like food and shelter, but they also possess the characteristic of "having both money and leisure," which is becoming increasingly prominent. Having their survival needs fully met, they are more inclined to venture outside their homes in order to experience a leisurely and fulfilling retirement life through travel and leisure activities. According to AgeClub, travel and leisure account for 57% of the discretionary spending structure among Chinese senior citizens<sup>4</sup>. In comparison to other age groups, the elderly have already entered retirement and have accumulated a certain level of wealth, resulting in higher net assets and lower debt ratios. This strengthens their purchasing power, and consequently, the unit price of various tourism-related expenditures tends to be higher for this demographic. Additionally, retired senior citizens possess more leisure time and longer periods of uninterrupted disposable time compared to consumers in other age groups. On one hand, this flexibility allows them to travel with different groups of people at staggered intervals, expanding the range of available travel opportunities and the frequency of their trips. On the other hand, without the demands and pressure of work, older individuals can choose to embark on longer journeys to more distant destinations, thereby increasing the demand for diverse and enriching travel products. Furthermore, the absence of work-related obligations enables them to opt for extended travel durations, leading to a heightened demand for tourism products that cater to their specific needs, such as summer vacations, winter getaways and residential and recreational tourism offerings, which are particularly favored by the elderly.

The elderly are now able to leave their homes more often due to economic progress, which has also increased their motivation to pursue beauty and excellence. According to the National Bureau of Statistics, there will be a significant increase in retirements in 2023, with approximately 14.88 million men (aged 60 and above) and 13.85 million women (aged 55 and above) entering retirement. This includes individuals from the expanded civil servant cohort in the 1980s. These senior citizens have benefited from reform and liberalization, resulting in a higher economic status, more disposable income and the ability to meet their spiritual needs. They now engage in more outdoor recreational activities, such as square dancing and attending senior universities. This social landscape has fueled their desire for beauty and excellence, leading to a rejuvenated consumption pattern focused on youthfulness, vitality and display-oriented products like clothing and beauty items.

Over the past few years, there has been a noticeable improvement in the living standards of Chinese residents. Consumer health awareness has also been on the rise, with a greater emphasis on the health benefits of food. This trend is particularly evident among the elderly population with specific health needs. People are now not only focused on eating well but also eating healthily. According to JD sales data, online sales of products promoting eye and brain health, bone health, regulation of 3-Hyper conditions (hypertension, hyperlipidemia, hyperglycemia) and food & medicine homology for the elderly have all experienced year-on-year growth rates exceeding 50% from January to September 2023. These figures surpass the overall growth rate of the nutritional products market<sup>5</sup>.

<sup>4</sup> Jiemian News 《“银发旅游”潜力无限，三大问题不容忽视》 <https://www.jiemian.com/article/9084333.html>

<sup>5</sup> qq.com 《银发族消费持续升级：爱美也爱健康 青睐旅游、乐器、摄影等消费》 <https://new.qq.com/rain/a/20231023A05SU900>

## Gen Z deeply resonates with the silver generation

In the current landscape, emerging categories of consumption that prioritize quality such as digital consumption, green consumption and health consumption are poised to be the primary drivers of growth in the consumer market. According to the May 2023 China Economic Life Survey conducted by the National Bureau of Statistics of China and other institutions, the top three consumption priorities for individuals aged 18-35 include travel (32.77%), digital products like computers and cell phones (31.67%) and health care (31.04%)<sup>6</sup>. Interestingly, apart from digital products, travel and health and wellness, these consumption preferences closely align with those of the elderly. While Gen Z has traditionally been associated with a focus on entertainment, recent trends indicate a growing resonance between Gen Z and the silver generation in terms of consumption patterns.

For instance, a Gen Z influencer on social media recently shared their experience of traveling to Hainan with their parents and subsequently becoming a mascot for the "glowing seniors" tour group, actively assisting older individuals in taking photos and videos. This shift can be attributed to the fact that older individuals often seek cost-effective travel options with moderate intensity and a strong emphasis on emotional connection, mirroring the quality-oriented and value-conscious approach of Gen Z in their daily consumption habits. The emotional aspect is particularly noteworthy, as older individuals are accustomed to daily expressions of politeness such as "good morning" and "good night," and are more inclined to trust and appreciate strangers. This emotional depth in interpersonal interactions is something that Gen Z, who have grown up in the digital age, may lack. Consequently, when Gen Z and the silver generation come together during travel experiences, it often leads to a profound sense of mutual understanding and care, enriching the overall journey and fostering meaningful connections between the two generations.

When it comes to healthcare, it extends beyond just being a monopoly of the silver generation. Nowadays, young individuals who prioritize their health contribute billions of dollars to the market. They engage in various health maintenance practices such as daily Baduanjin exercises, taking essential liver tablets for late nights, consuming sesame pills to prevent hair loss, indulging in foot baths, moxibustion, massages and other means of preserving their well-being. As the lives of Gen Z become more prosperous, they also become increasingly concerned about the detrimental factors affecting their overall health. Health remains one of the most promising sectors in China, aligning with the strategic objective of "Healthy China 2030".

In terms of managing cultural tourism and recreation, businesses must find ways to enhance the accessibility of cell phones and internet devices for the elderly. Additionally, they need to find strategies to captivate the attention of Gen Z amidst a market flooded with homogenized and cost-effective products. To seize the opportunities presented by these trends and capture both the Gen Z and elderly markets, businesses should prioritize enhancing their digital intelligence and offering personalized quality.

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<sup>6</sup> ThePaper.cn 《年轻人钱花哪儿了？调查：31.04%的人想用在保健养生》 [https://www.thepaper.cn/newsDetail\\_forward\\_22954541?commTag=true](https://www.thepaper.cn/newsDetail_forward_22954541?commTag=true)

## The key takeaways

The 13th edition of the Future Consumer Index reveals that consumer interest in physical and mental well-being remains robust, with a continued emphasis on home living, financial savings and essential priorities. Consequently, the pivotal factors influencing consumer purchasing decisions are product quality and value for money. In response, brands are strategically realigning their offerings to meet evolving market demands and customer expectations.

Both Gen Z and the silver generation, each with distinct consumer requirements, are not merely purchasing items but rather seeking a lifestyle or even a sense of tradition that mirrors their inclination to share their experiences with the world. While traditional perspectives view successful sales as the culmination of the value chain, contemporary consumers view the receipt of goods as just the beginning of their purchasing journey. They engage in diverse forms of sharing, actively communicating with family, friends and even strangers on social platforms to discuss their unique product experiences. This approach significantly influences business operations moving forward. For companies, products are not just sold once but should also embody a sense of respect for consumers. Enterprises must carefully select products, emphasize product value, manage communication channels effectively, monitor social feedback and product reviews, and highlight cost-effectiveness to attract and retain customers, thereby navigating the pressure of the market cycle.

Consumers in the rational approach to shopping simultaneously consider the quality and value of the product. They also have higher expectations for enterprises, demanding products that are "decent and frugal." When products are labeled as "xx magic tool" with surprising discounts, "basic and practical," or "best value for money," they tend to be more appealing to consumers. In 2024, one of the most popular buzzwords at the beginning of the year is "xxx is affordable, but the other is more cost-effective." This concept, known as the "cost-effective" culture, is highly embraced by Chinese consumers. As "cost-effective" becomes a highly anticipated factor for consumers, businesses need to be cautious about price increases. They should consider empowering their products throughout the entire value chain, aligning with the current consumer trend of being "decent and frugal."

In relation to the upstream supply chain, companies have the option to collaborate with suppliers in terms of sourcing, integrate their supply chain resources, enhance control and delve into the hard discounter model. The hard discounter model entails the systematic optimization of the supply chain and selling cost structure by retail enterprises in order to achieve consistent low-priced sales. To ensure product quality, enterprises can utilize small sample products from well-known brands with lower brand premiums as their main attraction for consumers. Simultaneously, they can focus on developing private label products or non-branded but high-quality products without brand premiums. By creating a "super product" to capture attention and selecting high-quality, low-priced products for incremental growth, enterprises can prioritize delivering value to consumers while maintaining a reasonable level of profit as hard discounters. As the number of enterprises in a city reaches a certain scale, consumers begin to recognize the value of the enterprise brand. At this point, the enterprise can consider establishing its own supply chain and creating its own brand to further enhance the scale effect, reduce price differences between intermediaries and successfully implement the hard discounter model. Presently, numerous well-known domestic chain superstores have already begun exploring this model. For instance, a member-based warehouse store from the United States introduced a limited quantity of specially priced famous brand liquors as a selling point in China, resulting in a fierce competition and a surge in demand. This approach also directly promotes their own membership system. Renowned brands are keen on collaborating with large retailers to introduce co-branded products, thanks to the significant number of member customers. In return, retailers offer affordable and high-quality private label items to further enhance customer loyalty. This creates a win-win situation for all parties involved. By maintaining a balanced and cooperative relationship with the original brand supplier during these transitions, the company can gain a competitive advantage in the stakeholder landscape.



In the process of store operation, enterprises can carry out personalized operation. If the enterprise is worried about the high cost of personalized design, it may also consider the ordinary store as a face or functional unit, so that more consumers get a standardized brand experience, and through a few boutique flagship stores in the presentation of its uniqueness, which is now also the first choice of a very large number of food and beverage enterprises. At the same time, from the perspective of personalization, many companies have also started cross-border cooperation with other brands. In short, the store operation itself is also branding its brand expression, therefore the product itself can be used for both content and marketing activities. In the era of excessive commodities, shopping and consumption is not only a need for people to meet their daily lives, but can also bring them the emotional value of relieving stress and increasing the sense of well-being in life. The 2023 Zibo barbecue boom, concerts held in an explosive manner as well as southern tourists on the fire of Harbin tourism, all reflecting the importance of personalized operations on consumption.

The primary challenge to be addressed after the conclusion of sales is the business's ability to attract and retain customers. Effective marketing involves creating a mutually beneficial relationship where consumers feel they have gained value from the business, while the company maintains customer loyalty through the delivery of high-quality products at competitive prices. Despite the prevailing trend of reduced consumption, both the silver generation and Gen Z continue to pursue the goal of self-gratification. While personalization and brand pursuit were previously key to achieving this, the modern focus has shifted towards inner peace. Consumers now seek comfort in their purchases, even when on a budget. The silver generation, with their wealth of life experiences, are more cautious with their spending, aiming to balance comfort with affordability. For instance, following the advice of seniors can lead to purchasing fresher and more affordable produce. Strategies such as membership discounts, referral programs, product bundling and loyalty points systems enhance the concept of gift-giving. By offering additional products for a minimal fee, cash-back rewards and engaging in live streaming shopping events, a thriving "deal-hunting" economy can be fostered, benefiting both businesses and consumers alike.

The Chinese Ministry of Commerce has designated 2024 as the "Year of Consumption Promotion." It is continuing to organize a series of consumption promotion activities and is introducing targeted policies and measures to stimulate potential consumption. Due to the diversified development of purchasing channels and available brands, consumer behavior has become more rational. However, price sensitivity does not equate to downgrading the pursuit of quality. Consumers' mentality of "I can buy the expensive products, but the deal must be cost-effective" has led them to choose products with a better price advantage when the quality is close to that of the product. This more prudent approach to consumption is a positive step by consumers in addressing their desire for consumption, focusing on "pleasing oneself" and defining their own life in a more autonomous manner to lead a more fulfilling life.

For more information, please feel free to contact us:



Eric Huang

Partner, Assurance Services  
Ernst & Young Hua Ming LLP  
eric.huang@cn.ey.com



Liz Li

Senior Manager, Assurance Services  
Ernst & Young Hua Ming LLP  
liz.li@cn.ey.com



Anny Shen

Manager, Assurance Services  
Ernst & Young Hua Ming LLP  
anny.shen@cn.ey.com



Allison Xu

Manager, Assurance Services  
Ernst & Young Hua Ming LLP  
allison-j.xu@cn.ey.com

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