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Why conscientious consumption will (eventually) drive sales in China

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Research shows that luxury brands must prioritize sustainability to appeal to younger customers in China, but does that truly translate to sales?
Image courtesy of Burberry

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We have heard it before: Luxury brands need to make a difference and show a [genuine interest in sustainability](#) if they want to connect with younger demographics. But is this a successful strategy in China?

Younger demographics are indeed embracing ethical consumerism in China. However, consumer behaviors are still often at odds.

According to research by [AliResearch](#), 66 million customers (16.2 percent) on Alibaba's China retail marketplaces bought five or more green products in 2015, and they were open to paying an average of 33 percent more for green products. But despite these encouraging reports, some contradictions should be addressed.

Take, for example, data from "[The Report on Consumer Awareness and Behavior Change in Sustainable Consumption](#)," which shows that the domestic market for eco-products is "currently not competitive, and is limited to niche consumers."

According to the report, 50 percent of Chinese consumers are willing to pay a premium of up to 10 percent for eco-products. But here is where the situation gets tricky because the driving forces behind green consumption are "food safety and health, environmental protection, and reducing overall costs."

Unfortunately, the luxury industry cannot satisfy these needs. And the same determination of priorities is reinforced by Alibaba's own data of online purchasing from 2015, which showed that, out of a variety of products, total retail sales for [household appliances](#) took the largest share of eco-products, followed by maternity and childcare products and, finally, food. Fashion and apparel did not occupy top positions on the list.

An alternative study quoted by China Sustainable Consumption Research Program highlights that even though intentions to buy eco-friendly products do exist, consumers are not willing to pay a significant premium for green products.

From 2011 to 2015, CCFA and the Department of Environment of RUC conducted studies on consumer willingness to

pay a price premium for eco-friendly products in Beijing, Shanghai, Wuhan and Shenzhen. The surveys showed that 46.1 percent of the consumers are willing to pay a 5 percent premium for eco-products, and 25.1 percent are willing to pay a 5 to 10 percent premium.

While the data might seem encouraging, it also reflects consumer behavior for tier-1 cities and does not necessarily reflect it in **lower-tier cities**.

Disparities in income levels and differences in consumer sophistication create a diverse sustainability landscape, so luxury executives need to be prepared for an environment where sustainability might not be profitable for their business.

Concerning the future, we foresee that younger "green consumers" will push the country in a sustainable direction.

The core values, beliefs, and attitudes of Chinese Gen Zers are affiliated with those of their Western counterparts. But this is hardly surprising if we consider that this is a generation that has directly seen various environmental crises and the health impact of global warming.

In 2019, **global strategy consulting firm OC&C** conducted an in-depth survey of 15,500 respondents from nine countries and assessed that Gen Zers in China "are more concerned by environmentally-friendly consumption" (25 percent versus 13 percent for Gen Zers across the globe).

"Chinese millennials and Generation Z consumers are driving these demands for sustainable brands, as they are more enticed by purpose-driven brands that advocate sustainability and have a green heart," said **Jessie Lee, a senior strategy consultant at OrgHive**.

"This shift towards conscious consumerism is mainly driven by their health concerns with safe, natural, and/or organic materials due to China's plethora of counterfeit scandals in previous years," she said.

In an article that is part of the World Economic Forum Annual Meeting, Philipp Rickenbacher, CEO of Bank Julius Baer, echoed the idea that citizens from developing economies experience the fallout of an environmental crisis more directly, making them "more sensitive" to green policies.

Meanwhile, the COVID-19 crisis has only sped up the green trend among younger demographics. According to **GlobalData's research**, the demand for healthy and authentic food and drinks has reached its apogee in China.

On the whole, it is hard to imagine a future in which luxury brands will not adhere to the highest sustainability standards so they can satisfy the needs of their core consumers.

But analyzed from a short-run perspective, sustainable branding comes with high, direct costs that cannot deliver an instant payoff. Yet, a green brand image may boost brand equity, which represents a long-standing benefit.

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