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Study shows healthy living, with Chinese characteristics

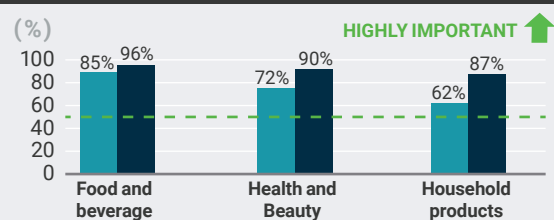


Consumers around the world are pursuing a healthier lifestyle, whether that's through eating better, exercising more, tending to their emotional well-being, or caring for the planet.

But, according to a recent AlixPartners survey, Chinese consumers stand out in their attention to these issues. In China, a rapidly expanding middle class, with concerns over obesity, pollution, and food safety, is driving a health food and exercise revolution.

AlixPartners surveyed more than 4,500 individuals in China, France, Germany, the United Kingdom, and the United States to evaluate health-and-wellness preferences across consumer product segments, geographic regions, age groups, and value chain stages. While about half of all respondents across those five countries stated that living a healthy lifestyle became more important to them over the course of the past year, more than three quarters of Chinese respondents agreed with that statement. And demand for healthy consumer products, essential components of a healthy lifestyle, was strong across the board (figures 1 and 2).

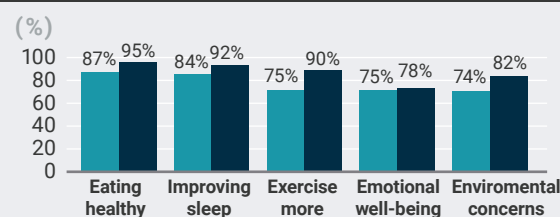
FIGURE 1: IMPORTANCE OF HEALTHY PRODUCTS



■ Global ■ China

Source: 2018 AlixPartners Global Health & Wellness Study
 Note: Percentage of respondents indicating that it was highly important to them to purchase healthy products by category

FIGURE 2: IMPORTANCE OF HEALTHY LIFESTYLE BEHAVIORS



■ Global ■ China

Source: 2018 AlixPartners Global Health & Wellness Study

WHAT MIGHT BE THE CAUSE?

The Chinese middle class is currently estimated at about 430 million people, which is expected to expand to 780 million over the next decade.¹ And while the population as a whole is aging, the middle class is actually getting younger. Almost half of all people living in Chinese cities are under 35 years old. These consumers have become increasingly sophisticated, travel more internationally, and are among the most digitally connected in the world.

Life expectancy in China now approaches that of the United States. However, with high rates of smoking and pollution, a more Westernized diet, and a more sedentary lifestyle, the country now faces rising rates of obesity, cancer, diabetes, and heart disease. According to the World Health Organization, more than 30% of Chinese adults—roughly 400 million people—are overweight, and about 6% are considered clinically obese.² While those relative percentages are lower than countries like the United States, this still means that China has the largest population of overweight people in the world.

Environmental concerns are particularly pressing for Chinese consumers. In 2014, a five-year governmental soil survey showed that up to 40% of the arable land in China is polluted.³ Air pollution is also a major concern, driven by the widespread use of coal power, particularly in northern China.

The Chinese government has responded by taking steps to improve the health and well-being of the population. In 2015, they implemented a new food safety law and followed in 2016 with the “Healthy China 2030” plan, which encourages diet and exercise and promises access to improved healthcare. Its national action plan on air pollution, initiated in 2013, has reduced coal consumption throughout the country, with coal use in Beijing falling by 50% in the past five years.⁴

DIFFERENT IDEAS OF A ‘HEALTHY LIFESTYLE’

Chinese respondents placed a high importance on every lifestyle category we measured, but their definition of “healthy” differed dramatically when compared to the rest of the world.

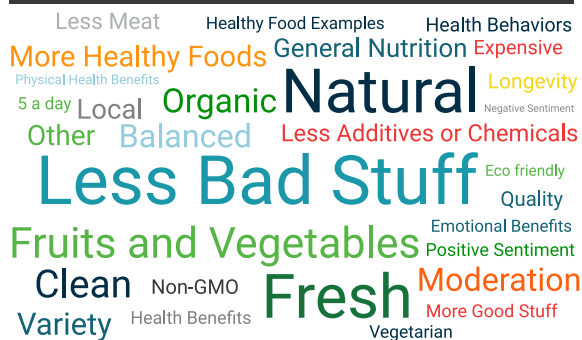
In part, this may be due to traditional concepts of health and wellness in China, which focus on a balance in diet and lifestyle. Traditionally, the kind and amount of food one eats is seen as intimately relevant to one’s health, with food as a form of medicine. By some measures, then, the increase in health consciousness in China can be understood as a return to these roots.

Chinese respondents in our survey focused on the physical benefits of pursuing a healthy lifestyle, and diet was the most important factor in becoming or staying healthy. In other countries, particularly the United States and the United Kingdom, the focus was more on avoiding less healthy foods, such as those high in sugar, fat, or carbohydrates (figures 3 and 4).

FIGURE 3: EATING HEALTHY IN CHINA



FIGURE 4: EATING HEALTHY IN REST OF WORLD



Note: France, Germany, UK, and USA

Source: 2018 AlixPartners Global Health & Wellness Study

¹ Kharis, Homi, ‘The Unprecedented Expansion of the Global Middle Class: An Update,’ Global Economy and Development Working Paper 100, Brookings Institution, February 2017.

² World Health Organization, Global Health Observatory data, http://www.who.int/gho/ncd/risk_factors/overweight/en/.

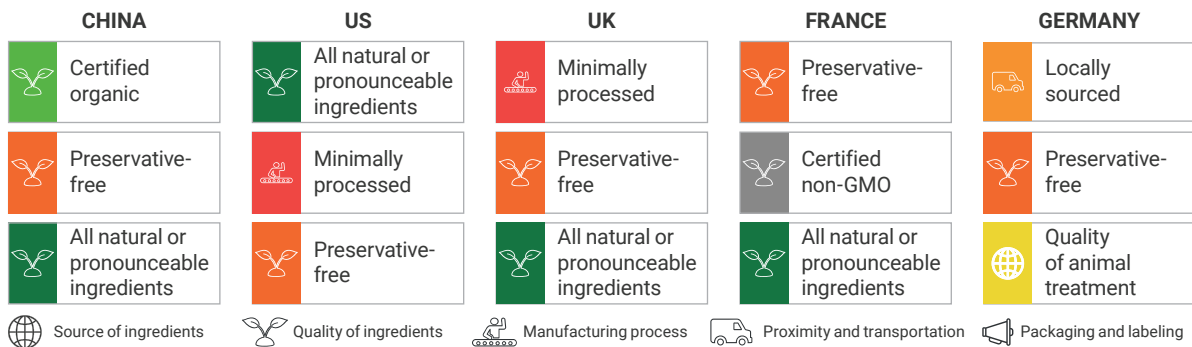
³ ‘More than 40% of China’s arable land degraded: report,’ China Daily, November 5, 2014, http://www.chinadaily.com.cn/china/2014-11/05/content_18871081.htm.

⁴ ‘How China cut its air pollution,’ The Economist, January 25, 2018, <https://www.economist.com/the-economist-explains/2018/01/25/how-china-cut-its-air-pollution>.

HEALTHY EATING AROUND THE WORLD

"You are what you eat" has never been more relevant. According to our survey, when purchasing healthy foods, Chinese are most looking for quality products that are certified organic and have natural, preservative-free ingredients. In the countries we surveyed, Chinese consumers value certified organic foods the most, recognizing this as a mark of food quality. They were also the least likely to value locally sourced foods (figure 5).

FIGURE 5: FOOD AND BEVERAGE – MOST IMPORTANT ATTRIBUTES BY COUNTRY



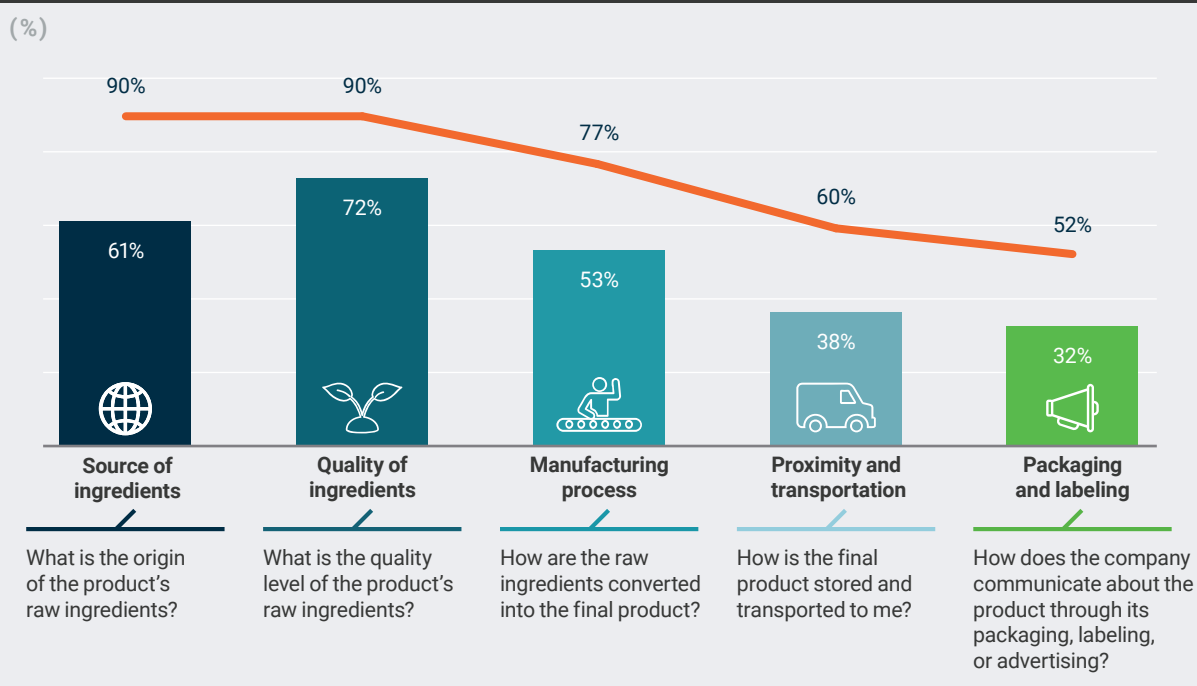
Source: 2018 AlixPartners Global Health & Wellness Study

ORIGINS AND QUALITY

When consumers consider all of the steps that companies take to add value to their "healthy" products, also known as the value chain, a clear pattern emerges across all categories and countries. Consumers are most concerned with the ingredients and sourcing of their products, and, to a slightly lesser degree, how they are manufactured. How these products get to them is less important, and how they are marketed is of least importance. Regardless of country, the value placed on marketing by consumers is about half that of the quality of ingredients (figure 6).

China is unique in that consumers place the same importance on the source of ingredients as their quality, indicating they view these two attributes as intrinsically tied. This could stem from levels of pollution in China, a history of contaminated foods, and brand counterfeiting. Many consumers therefore prefer to purchase products from outside China.⁵ Indeed, food imports have been growing at about 15% per annum, and this year, China is expected to become the top importer of foreign food products in the world.

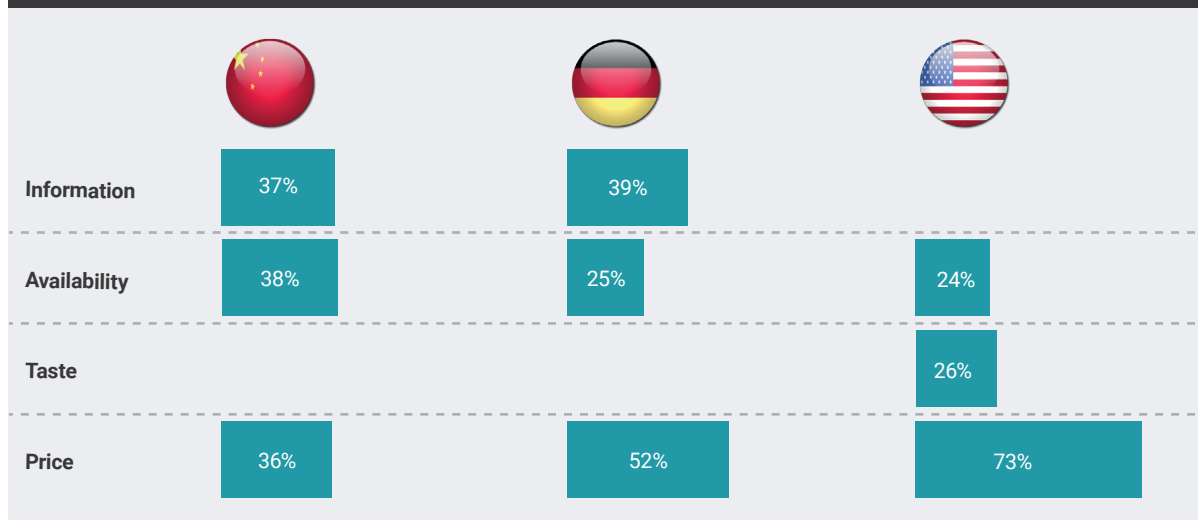
FIGURE 6: HIGH CONSIDERATION WHEN PURCHASING HEALTHY PRODUCTS



Source: 2018 AlixPartners Global Health & Wellness Study

⁵ 'China's Constant Food Safety Scandals Lift Affluent's [sic] Taste For Foreign Brands,' Jing Daily, March 3, 2014, <https://jingdaily.com/chinas-constant-food-safety-scandals-lift-affluents-taste-for-foreign-brands/>.

FIGURE 7: TOP THREE BARRIERS WHEN PURCHASING HEALTHY BY COUNTRY



Source: 2018 AlixPartners Global Health & Wellness Study

Chinese consumers’ attitudes toward baby care products are indicative of these concerns. We found that 91% of respondents placed a high level of importance on both the source and quality of baby care products, compared to a global average of 70% and 76%, respectively. A decade has passed since tainted baby milk powder in China poisoned over 300,000 children, killing 6, and it is likely that this and similar incidents have decreased trust in local products and increased demand for many imported products.⁶

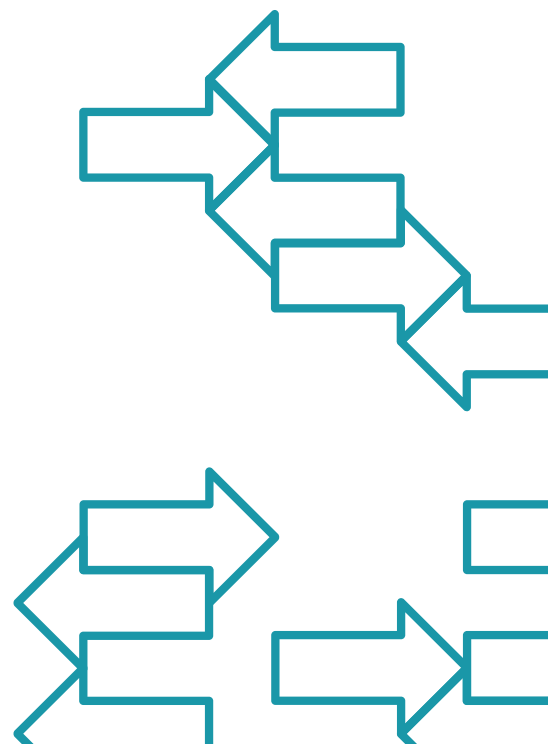
BARRIERS TO PURCHASE

Although consumers place a high value on the importance of purchasing healthy and clean products, there is a discrepancy between those aspirations and their reported behavior, which varies by segment and country. Globally, the gap between the importance of purchasing these products and consistency of purchasing them ranges from 9% for food and beverages, 8% for household products, and 12% for health and beauty products.

However, this gap is the smallest in China where price is less of a factor. Chinese consumers are willing to pay more for products they view as clean and healthy.

The biggest barriers for Chinese consumers are the availability of products and confusion over whether these products are good for them (figure 7). Getting healthy products to the consumer is, therefore, a gating item. Secondly, clarity of labeling becomes critical. Repeated scandals have reduced Chinese consumers’ confidence in food quality. There is a significant opportunity, therefore, for marketing to play a role as educator and make it easier for consumers to cut through the confusion when buying healthy products.

⁶ Yanzhong Huang, “The 2008 Milk Scandal Revisited,” Asia Unbound Blog, Council on Foreign Relations, July 16, 2014, <https://www.cfr.org/blog/2008-milk-scandal-revisited>.



IMPLICATIONS AND ADVICE FOR CONSUMER GOODS COMPANIES

Consumers' desire to live a healthy lifestyle and demand for healthy products continues to soar around the world, driven by global health issues, food quality concerns, and environmental pressures. Chinese consumers, in particular, place a high value on healthy consumer goods and are willing to pay for them.

Our study shows that:

1. Tailored strategies will triumph over a one-size-fits-all approach.

Consumer preferences vary in specific ways across product categories, stages of the value chain, geographic regions, and age groups. Consumer products companies must understand what consumers really want, which attributes they are willing to pay for, and how their preferences differ by country and other dimensions.

Looking specifically at food and beverage, for example, the Chinese are deeply concerned about both the source and quality of their food and are willing to pay a premium for those products they consider to be healthier and cleaner.

If we delve deeper into one category, we can see the specifics more dramatically. For bread and baked goods, for example, Chinese households with children are the ones most concerned about clean and healthy products. These households will pay a premium for products with certain qualities – specifically ones that are produced in smaller batches and are fortified. They also value a short transit time from factory to store. Messaging against these attributes and being able to provide proof that these products truly deliver on their promises will be essential to growing market share with this group of consumers.

2. Given confusion by different products' healthy claims, marketing must move beyond traditional brand building to focus on educating consumers.

In China, and in the other countries we surveyed, consumers frequently cannot identify which products are good for them and which are not. Transparency and authenticity in the quality of ingredients is key for the consumer.

To tap into authenticity, it may be necessary to move beyond traditional marketing channels and tap into non-traditional means of communicating with consumers, like word of mouth, to help gain trust and deepen product understanding.

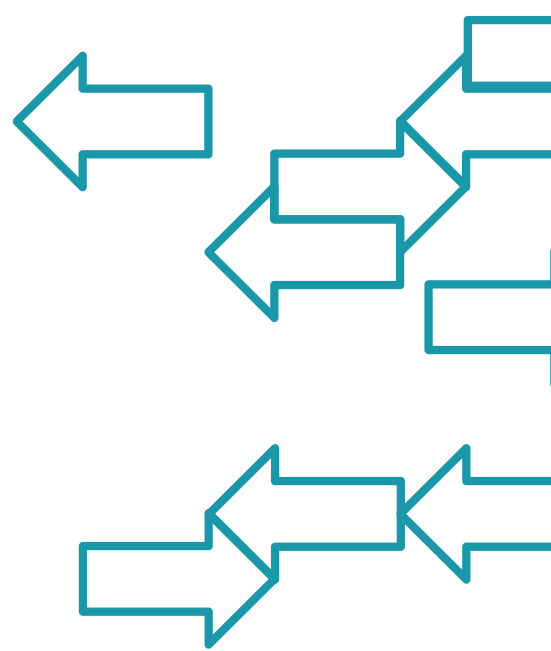
3. For Chinese consumers, the lack of availability of healthy products is also a major hurdle.

How do you ensure that the product is getting to the consumer? Develop an effective and efficient distribution network, including e-commerce and mobile-enabled platforms for an increasingly digitally-connected consumer base in China.

Find tactics to make your products accessible at the point of sale, whether that's in bricks-and-mortar stores or online.

This barrier may also be a function of consumer education. While healthy products may be available, Chinese consumers remain confused about which products are actually good for them.

Taking into account these factors, companies will be best positioned to effectively market their healthy products in the Chinese marketplace. Winning will require precision in investment and execution in the face of complexity. **A**



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These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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