

# China's Gen Z+

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Understanding the digital natives' needs and tastes  
– and the investment opportunities that follow



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The undernoted table shows which examples from this paper were held by Baillie Gifford at 31 March 2023.

Company	Baillie Gifford Share Holding in Company (%)
Pop Mart	0.17
Tencent (owner of WeChat, Douyin and QQ)	1.08
Alibaba (owner of Taobao and AliPay)	1.22
ByteDance (owner of TikTok and Dongchedi)	4.55
Meituan	4.33
PDD Holdings (owner of Pinduoduo)	2.23
Baidu	1.08
JD.com	0.87
Kuaishou Technology	0.50
NetEase	0.12
Proya Cosmetics	0.75
L'Oréal	0.58
Li-Ning	2.28
Jiangxiaobai	36.70
NIO	7.89
Li Auto	1.29
Apple	0.37
Samsung	0.58
CATL	0.45
Tesla	0.82
Volkswagen	2.38

Source: Thomson Reuters.

Companies not held by Baillie Gifford: Bilibili, SINA Corp (owns Weibo), Xiaohongshu, Yatsen Holding (owner of Abby's Choice and Perfect Diary), YouTube, Huawei Technologies

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Pop Mart's expansion plans include films and theme parks. © Shutterstock.

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# Introduction

- **China's Gen Z+ is a digitally-savvy cohort who have grown up in a period of rising prosperity and national confidence**
- **The grouping extends the standard Gen Z demographic to take in those aged between 12 and 36**
- **They are increasingly loyal to Chinese brands, ecologically aware and online for hours of the day. They rely on friends and influencers' recommendations but often report feelings of loneliness. However, they should not be viewed as being a homogenous group**
- **Resulting shifts in patterns of consumption create compelling investment opportunities in a growing number of forward-thinking Chinese companies**

Qin fiddles with her bleached hair as **Pop Mart's** Robo Shop vending machine produces her selection. Unwrapping its contents, the 21-year-old feels a spark of excitement as she spies the cartoon-like rabbit figure. Pop Mart has deliberately produced the model in low quantities to create a sense of rarity.

The Beijing-based company's 'blind box' toys, which are bought sight unseen, are hugely popular with China's youth, propelling the 11-year-old firm to a market cap that topped US\$18bn at one point earlier this year. The business plans to build on its success by moving into comics, films, games and even theme parks. Its founder Ning Wang has told Baillie Gifford that Disney is an inspiration. At this rate of growth, it's not inconceivable Pop Mart could one day match the American firm's size. It is a stark example of the massive opportunity China's Gen Z+ offers their country's most agile and innovative companies.

Size matters. China's Generation Z+ numbers more than 450 million people, according to one tally. That's about 30 per cent more than the US's entire population. Within a decade, it will be the biggest segment of China's 700 million-strong middle class. And its rise is expected to help supercharge overall spending. China's total consumption is forecast to increase by \$9tn between 2019 and 2030, taking it to \$17tn.

This report explores the factors that define Gen Z+, the investment opportunities the group presents and reasons why companies that take a differentiated approach can enjoy a competitive advantage. At Baillie Gifford we take the long-term view and understand that disruptive and secular shifts take time to play out. When exploring an investment, our focus includes the company's strategy, culture and ideal growth scenario over an extended timespan. These concepts are often alien to others in a market where the average holding period is closer to five months than five years.

Balancing global perspectives with insight from our five Mandarin-speaking investors in Shanghai deepens our understanding, particularly through discussions with company founders, academics and independent thinkers. A tie-up with Beijing's Tsinghua University explored healthcare. And a new relationship with the China-UK Low Carbon College of Shanghai Jiao Tong University will address decarbonisation and other green technologies – subjects very much on Gen Z+'s minds.

Within this report, we also hear directly from China's under-37s. Digital marketing agency Alarice International conducted interviews across a range of cities, large and small.

# Meet Gen Z+

China's Gen Z+ has grown up over a period of radical change. It has different views, cultural traits and needs to its predecessors, not to mention more disposable income. This report defines the cohort as those born between 1985 and 2009, and so ranges from early teens up to those in their mid-30s. This group has ridden the second wave of China's 'reform and opening-up', giving its members much more choice about work and leisure than their parents.

The group also has many other reasons to feel confident and optimistic about life in China. Members have seen the nation overtake Japan to become Asia's biggest economy. They have witnessed its growing influence abroad thanks to the Belt and Road initiative, whereby Beijing invests in foreign infrastructure projects. And they have observed its economy bounce back more quickly than many other countries from the worst effects of the Covid pandemic.

Gen Z+ has also grown up alongside many tech superstars, including:

- **Tencent**, owner of the super-app **WeChat**, which has close to 1.3 billion active users in China, as well as being a major force in video games and other digital entertainment.
- **Alibaba**, whose ecommerce platforms sold more than \$1.2tn of merchandise in its last financial year, dwarfing Amazon.
- **Bytedance**, owner of video app siblings **Douyin** and **TikTok**, which frequently top app store charts worldwide.
- **Meituan**, whose app is used by close to eight million merchants to send deliveries of groceries, meals and more.
- **Pinduoduo**, whose ecommerce platform lets shoppers club together to qualify for discounts. The six-year-old firm has amassed 850 million active buyers – more than the entire population of Europe.

Others include **Baidu**, **Bilibili**, **JD.com**, **Kuaishou** and **NetEase**. These are a source of national pride, the creators of millions of jobs and an inspiration to other entrepreneurs. By being able to spot patterns in their customers' behaviours, they can tailor their services to each individual and spot opportunities for new products with mass appeal. And thanks to Alibaba and Tencent's cloud-computing platforms, it's now relatively easy for start-ups and older Chinese brands to buy in the capabilities to do likewise.





Shanghai's annual ChinaJoy expo is popular with vloggers and gamers. © Barcroft Media/Getty Images

## Digitally networked

Members of Gen Z+ are hyper-connected. There will be 822 million 5G connections in China by 2025, according to one forecast. It predicts that will be more than four times as many as in the US and eight times the number in Japan. Consequently, China's mobile internet will become faster and more reliable. This is likely to favour video-based content, which Gen Z+ already spends an average of about 3 hours 45 minutes a day watching. It could also help feed their growing appetite for multiplayer video games and other online social experiences, of which our case study Li Hong is a fan, as they benefit from 5G's lower lag times.

Despite being more networked than ever, Gen Z+'s members often mention feeling lonely. China's now-abandoned single child policy is a factor in this. It led to improved education standards and higher household discretionary incomes. But it means many members of Gen Z+ lack siblings and cousins.

*Many female members of Gen Z+ are prioritising other goals over early matrimony*

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The widespread availability of 5G data should make new kinds of media rich services within apps possible. © Fred Dufour/AFP/Getty Images.



Furthermore, a preference for male offspring has contributed to a situation where there are nearly 35 million more unmarried men than women across all age groups, according to the 2021 census. Without either children of their own or nephews and nieces, they will need entertainment and a sense of belonging from elsewhere, creating potential market opportunities.

Meanwhile, many female members of Gen Z+ are prioritising other goals over early matrimony. After marriage they are typically expected to care for both their own parents and their in-laws without other family members to share the load, in addition to carrying out the bulk of other household duties. By waiting longer to wed, they have more money to spend on themselves. And as case study Zhu Qian demonstrates, that can mean more purchases of premium cosmetics and tea house treats. Companies that are mindful of these cultural and demographic traits have the potential to be handsomely rewarded.



## Case study:

**Zhu Qian**

**Age: 27**

**City: Zhangzhou, Fujian (Tier Three)**

**Population: 903,000 (154th largest)**

I currently sell consumer electronics, and also make money from my own art.

But I want to improve myself, and am studying for a bachelor's degree as well as taking online courses in English and photography.

In my spare time, I love watching anime cartoons, and my friends and I share video clips online via **Bilibili** and **Tencent Animation**.

I'm also passionate about talent shows, and buy merchandise and other products endorsed by my favourite idols. Then I sometimes share the details with others on [the Twitter-like microblogging service] **Weibo**.

I try to stay healthy, and with skincare I focus on a product's ingredients. I especially like Chinese brands. I often meet friends at a tea house, but we avoid milk tea as it has too much sugar.



*Those in higher-tier cities  
typically earn more money, but  
they also face larger bills, higher  
debt and longer work hours*

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Kaifeng is ranked as being a Tier Four city despite being home to more than one million people.



## Different tiers

Gen Z+ isn't homogenous. Outsiders sometimes focus on the inhabitants of Tier One and Tier Two cities like Shanghai, Chengdu and Chongqing, and then extrapolate from there. But there are more than 300 urban areas in China whose populations top half a million, including smaller, less affluent Tier Three, Four and Five places like Zhangzhou, Kaifeng and Neijiang, where some of our case studies live. (The tiering system is an unofficial but widely used method to rank China's cities in terms of size and wealth.)

Those in higher-tier cities typically earn more money, but they also face larger bills, higher debt and longer work hours. As Beijing-based case study Liu Xiaohan mentions, this puts them under pressure to save. So it can be the lower-tier cities' residents who have both more money to spend and time to enjoy it.

Trust in brands is lower in smaller cities, according to some surveys, with members of Gen Z+ more likely to be swayed by other people's recommendations than advertising. There's also evidence that those in higher-tier cities are more health-focused. This would make them more likely to buy diet drinks and other fitness-focused foodstuffs than those in lower-tier cities, where taste and price are prized. Tier Two-dwelling case study He Weishen bears this out with his purchases of sports drinks and protein powders, while Tier Four's Shang Yun claims not to worry about calories when she eats out at local restaurants.

But there are some commonalities. Many members of Gen Z+ have a deep-rooted belief that everyone is unique, and that specialised, cool products can be used to express themselves. There is an appetite to try new brands rather than to stick with established ones, and a belief that imported goods aren't necessarily better than domestic ones – or at least that Chinese companies are improving in quality.

Gen Z+ also tends to be more comfortable than previous generations in forming friendships and communities that are completely virtual, and many purchases are influenced by others online. This may be the recommendations of users with similar interests, or brands promoted by 'key opinion leaders' (KOLs) – the Chinese term for influencers – who are typically paid for their endorsements. Case study Shang Yun alludes to this when she talks about using the social shopping apps **RED** and **Alibaba's Taobao**, as does Zhu Qian when she mentions seeking out products endorsed by her 'idols'. And because this generation is used to both picking up ecommerce orders from physical shops and using apps while browsing in-store, they do not distinguish between online and offline shopping in the same ways as many of their counterparts overseas. This helps give smaller, more nimble companies a chance to build market share – and this is where our research is focused.



## Case study:

**Shang Yun**

**Age: 25**

**City: Kaifeng, Henan (Tier Four)**

**Population: 1.3 million (88th largest)**

I married when I was 20, and we have a five-year-old son. My husband didn't want me to work for others, so I opened my own children's clothes store.

We don't need the money – our home is mortgage-free – but it gives me a personal income.

I mostly socialise online. Social media apps are also great to pursue my interests. I use **Xiaohongshu** (also known as **RED**) to chase fashion trends, **Taobao** to buy clothes, and **Douyin** to spot new Chinese beauty products, which I think are of better price and quality than imports.

But when I do go out to eat with friends, I don't worry much about sugar or calories.

I stopped posting my own videos to **Douyin** because of privacy concerns. But I still use it to study medical beauty solutions as I'm thinking of opening a second shop to sell them.

I often buy co-branded products – where two companies, or a business and an influencer team up to create new items. I also like blind boxes. However, I've stopped being a superfan as I'd now rather spend my money on my family.

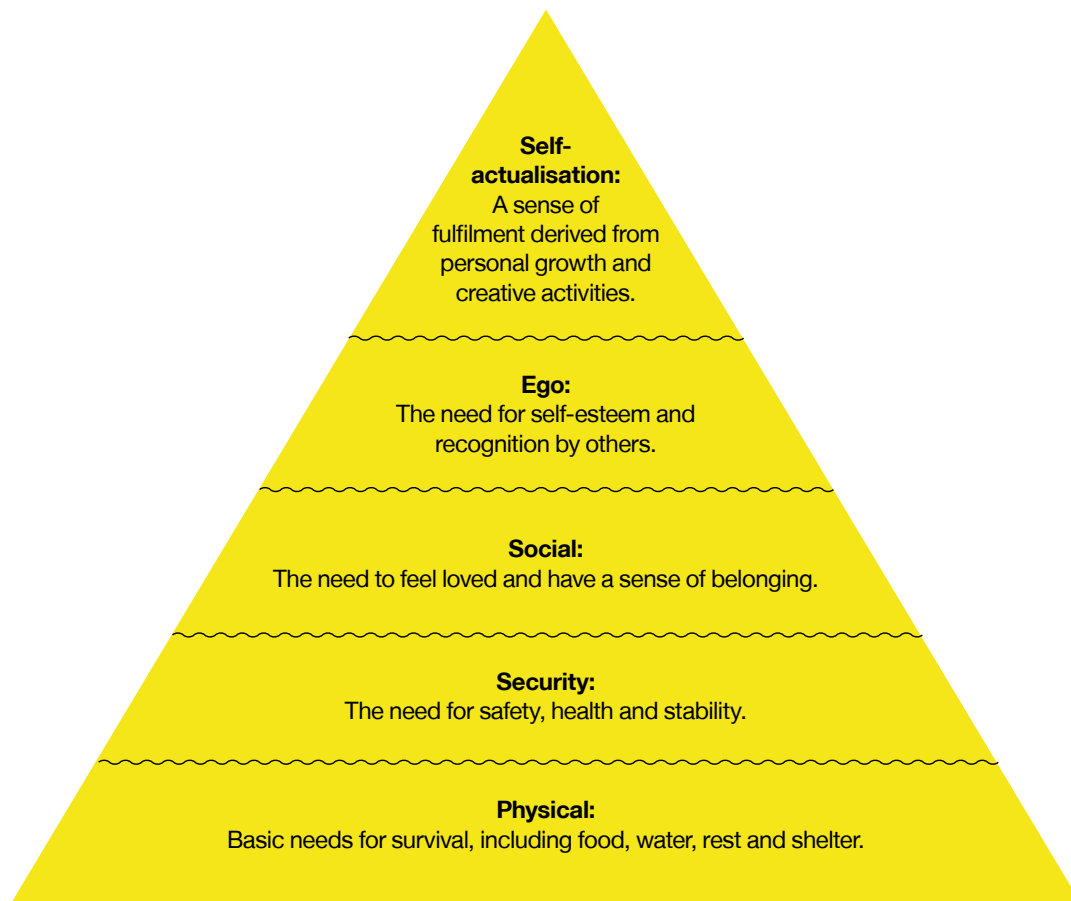




Li-Ning's 2019 fashion shows helped turn around the brand's fortunes. © John Lamparski/Getty Images.

# Human needs

A long-established psychological theory also helps make sense of this cohort. Maslow's Hierarchy of Needs suggests there are five layers of human needs, each of which comes into play only if those below have already been fulfilled.



*Many in Gen Z+ now feel a duty to buy eco-friendlier products and follow sustainable principles, even if this means spending more*

Thanks to improved living and health conditions, Gen Z+'s needs have shifted further up the hierarchy than those of their parents. Hence they feel a need to be creative, for example, case study Zhu Qian's interest in art, photography and animation. They also enjoy the prestige of influencing others, as seen from He Weishen's livestreaming and other influencer activities.

However, that doesn't mean the other levels can be disregarded. At the 'physical needs' base, for example, it's relevant that much of Gen Z+ experienced severe air pollution while growing up. The government is taking steps to address the problem, including President Xi Jinping's pledges to freeze China's growth in greenhouse gas emissions by 2030 and achieve carbon neutrality by 2060. But many in Gen Z+ now feel a duty to buy eco-friendlier products and follow sustainable principles, even if this means spending more. By taking advantage of this changing landscape, companies with the right strategy can scale up quickly and create new markets.



## Case study:

**Qin Wenyu**

**Age: 21**

**City: Nanjing, Jiangsu (New Tier One)**

**Population: 9.2 million (8th largest)**

I'm a university student majoring in design.

My ideal lifestyle would be a good work-life balance with financial freedom.

I want to take time before getting married, and for now am happy with my two cats.

I'm a **Pop Mart** superfan. Buying its blind boxes has helped me learn about fashion trends.

Being a superfan is a big part of my life, and I've made lots of friends via social network fan groups.

**Bilibili** is my favourite video app. However, the social media app I use the most is **WeChat** for instant messaging – I prefer it to its rival **QQ**, which I find to be over-complicated and a bit garish.

I buy new shoes and clothes every month, but I'm not persuaded by celebrity advertising.



Abby's Choice was launched as its own brand in 2018 in response to customer feedback. © Abby's Choice.



# Invest with **Z**eal

China's Gen Z+ has a curiosity for new products, a growing interest in Chinese brands, and often turns to apps for inspiration rather than more traditional marketing channels. Companies that take account of all this can become disruptive forces.

This dynamic is at play in China's cosmetics industry. Per capita spend on cosmetics products in China is still a fifth to a sixth of that in developed markets such as Japan and South Korea, mainly because customers buy fewer items. But the gap is expected to shrink as disposable incomes rise and China's Gen Z+ ages. That bodes well for **Yatsen**, which runs several of China's bestselling cosmetics companies despite only having been in business since 2016. It converses with Gen Z+ consumers across **WeChat**, **Bilibili**, **Douyin**, **Kuaishou** and other social media to market its wares and to hone its research and development.

The creation of **Abby's Choice** is a case in point. The brand came into being after Yatsen created a virtual influencer 'Abby' to promote lipsticks and other make-up sold via its **Perfect Diary** division. Abby's online beauty tutorials proved popular, but her followers' feedback indicated they were struggling to deal with acne and other skin problems. Based on this, the company launched a range of skincare products targeted at young college students and white-collar workers. Within three months of launch, the Abby's Choice brand had matched the level of sales it had taken Perfect Diary a year to achieve. Such tactics helped the firm achieve a 73 per cent revenue rise over its last financial year, and a 31 per cent increase in the number of customers it sold to directly without going via a third-party store or other intermediary.

**Proya**, an older cosmetics firm that aims to become the L'Oréal of China, has also had success targeting this demographic. Its bubble masks – which produce foam as they cleanse – made for good selfie videos, and it sold more than 1.3 million of them per month on **Alibaba's Tmall** at their peak.

## Livestreamed ecommerce

China Gen Z+’s embrace of ecommerce offers huge opportunities to the brands that use it as well as the platforms that host it. A good example of this is livestreamed sales. **Alibaba** pioneered the format in 2016 with **Taobao Live**, and it has surged in popularity during China’s Covid lockdowns. More than \$61bn worth of goods were sold via Taobao Live in 2020, over which period its number of daily active users doubled. And that’s just the tip of the iceberg, since others – including **Pinduoduo**, **Douyin**, **Kuaishou**, **Xiaohongshu**, **Baidu**, **WeChat** and **JD.com** – are all pursuing their own livestreaming efforts.

The experience is tailored for use on mobile phones. While the host – who is typically a member of Gen Z+ – shows off a product, users can click to get a closer look at the item, scroll through a list of all the goods being promoted, and post questions and comments, which other users can see. The host tailors his or her pitch to this live feedback and typically offers discounts and prizes to drive impulse buys and keep people watching. Users are sometimes offered rewards to incentivise them to invite friends to join in.

Part of the appeal is authenticity. Viewers get to see what a product really looks like rather than an airbrushed image, and the most popular hosts have accrued tens of millions of followers off the back of having selected and tested the items they promote. In addition, livestreams expose those living in lower-tiered cities to products they would otherwise have never seen.

This is how new markets rapidly develop and create opportunities that weren’t possible five years earlier. China is leading the world in social ecommerce innovation, making it a very fruitful market to seek the next generation of winners.



### Case study:

**He Weishen**

**Age: 23**

**City: Zhongshan, Guangdong (Tier Two)**

**Population: 2.9 million (39th largest)**

I work in sales – it’s my fourth job in four years.

During the pandemic I earned money by livestreaming for three or four hours a day. But it was too draining and time-consuming for the amount I made.

I used to be skinny, so started to build myself up by going to the gym and playing basketball. Now my passion is staying fit, and I consume sports drinks and supplements like protein powder, beef jerky and buckwheat crackers.

I share photos on **RED’s** shopping community app and have fans who follow me there. Sometimes I get free food and drink in return for posting photos of the tea shops and restaurants I visit. I also use **Weibo** and **Douyin**.

## Guochao style

Gen Z+'s perception of China being on the rise gives companies an opportunity to appeal to a sense of patriotism by drawing on tradition, but doing so with a fresh spin.

Sportswear business **Li-Ning** turned round its fortunes by doing this. It was founded by and named after a gymnast who won six medals at the Olympic Games in 1984. After early success, the firm struggled in the early 2010s when it tried moving from being a value-for-money brand to a premium one. But a design revamp in 2018 got it back on track. It tapped into Guochao (国潮), which roughly translates as the 'national trend', and involves drawing on nostalgia for China's past. In Li-Ning's case, it incorporated Hanzi (written Chinese characters) and retro-imagery into its clothes, as well as basing some items around the red and yellow colours of China's flag.

The spirits-maker **Jiangxiaobai** has also given a modern twist to China's heritage. The firm sells baijiu, a colourless drink that is sometimes compared to Scotch whisky because of the large number of varieties produced and the fact it is typically drunk by an older male demographic. Jiangxiaobai targets both male and female members of Gen Z+ by selling 'lighter' versions, some of which have lower-than-normal alcohol content and fruit flavours. This makes them better suited for use in cocktails. It also uses modern designs to help its bottles stand out, some of which feature a cartoon figure wearing a checkered scarf, following a fashion adopted by many youngsters.

The company has also experimented with co-branding goods with other firms, which as case study Shang Yun mentions is a popular strategy. In Jiangxiaobai's case, it has collaborated with dairy firm **Mengniu** to sell boozy ice cream treats for 'big kids', as well as formed tie-ups with the soft drinks brand Sprite and the biscuit snack Pocky. In doing so, the drinks firm demonstrates how a leadership team with a strong vision can disrupt a long-established and complacent industry and create products with mass appeal to Gen Z+.



Li-Ning's 2021 range included clothes that prominently featured Hanzi symbols. © VCG/Getty Images.



Jiangxiaobai sells some of its products in small bottles that are designed to be shared among friends. © Bloomberg/Images.



Owners of NIO cars can make use of battery-swap stations, such as this one in a Shanghai parking lot. © Bloomberg/Getty Images.

## Electric revolution

Gen Z+'s desire to live an eco-friendlier lifestyle plays well for China's electric vehicle (EV) makers. In 2020, a total of 25 million passenger vehicles were sold in the country. That number is forecast to continue rising, and the government aims for about half of all sales to be 'new-energy vehicles' by 2035, the bulk of which are likely to be EVs. But with dozens of automakers producing or at least working on electric vehicles, many are likely to fall by the wayside.

Here, meetings with company founders can help tease out what distinguishes one firm from another. **NIO's** CEO William Li highlights two factors in his firm's favour. The first is the user community it has cultivated, where existing owners effectively act as ambassadors, spending time with potential buyers to encourage a purchase. The second is a decision to put a swappable battery at the heart of its vehicles. This meant the company could launch a subscription service in which users upgrade to a higher-capacity battery pack if they need longer range, rather than being locked into whatever decision they made at point of purchase. Longer term, it also helps protect the cars' resale value as battery degradation isn't a factor.

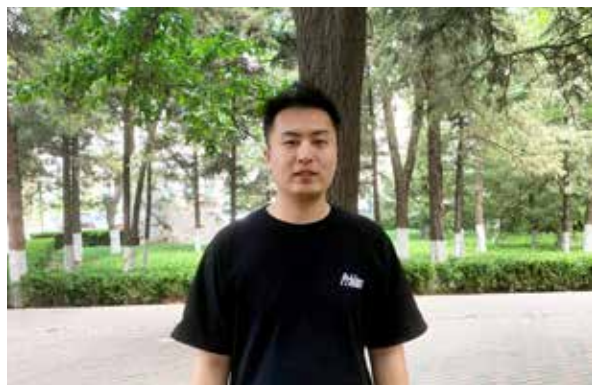
Our Shanghai team has also met Xiang Li, founder of the start-up **Li Auto**. It targets its EVs at wealthy Gen Z+-ers who have children, and it produces content for **ByteDance's** car

information app **Dongchedi** to reach them. Li said he believes "optimised performance only comes with integrated software and hardware", a lesson he said he had learned from Apple, Samsung and Huawei. As a result, his firm is developing its own operating system, sensors, algorithms and even computer chips, rather than outsourcing the work to others.

Another exciting related firm is the battery specialist **CATL**. It has already established a 61 per cent global market share in lithium iron phosphate cells, which are popular with EV-makers for their long lifespans and safety performance. It also recently unveiled a sodium-based alternative, which could provide its customers with a cheaper alternative in time. Beyond automakers, the firm is poised to benefit from China's investment in renewable projects, as its batteries can store the energy they produce until it is required.

These companies are also eyeing opportunities beyond China. NIO recently put its ES8 electric sport utility vehicle on sale in Norway marking its first international foray. And CATL already supplies its batteries to Tesla and Volkswagen, among other automakers. This demonstrates the scale of the opportunity the switch to EVs offers.





## Case study:

**Liu Xiaohan**

**Age: 25**

**City: Beijing (Tier One)**

**Population: 20.9 million (2nd largest)**

I'm a back-office worker. But I plan to start my own business, maybe a restaurant, and am studying in my spare time to be better qualified.

In the meantime, my parents have helped me buy a house and car, which allows me to save a third of my monthly income and to make investments.

I hope to get married before I'm 30 and have two children.

But currently, I spend up to seven hours a day on social media apps, mainly **WeChat**, **Douyin** and **Weibo**.

I don't like shopping online, though, as I distrust discounted products.

Instead I go to malls, where I buy myself Chinese brands, which continue to improve in quality.

I also like to buy treats for my friends. They support me emotionally, and you never know who might open doors for you in the future.

## App evolutions

Another theme of Gen Z+ is its near insatiable appetite for digital entertainment. **ByteDance's Douyin** has become the go-to app for the cohort, with 600 million daily active users, as of August 2020. Despite the huge popularity of its ad-supported short videos and livestreams, the company's leadership describes the platform as still being in its infancy.

One route to maturity may lie via ecommerce. All the data the app gathers about its users' interests provides a means to connect them to merchants selling products that might appeal.

In April, Douyin coined the phrase 'interest-based ecommerce' to describe this, explaining that its goal was to help users discover their hidden needs and direct them to merchants who could satisfy them. To support this, it has encouraged hundreds of big brands to launch 'flagship stores' on its platform, with L'Oréal and Huawei among those taking the bait. In addition, it has developed its own payment system, **Douyin Pay**, as an alternative to **Alibaba's Alipay** and Tencent's WeChat Pay, and is reportedly testing a delivery service too.

Other video-streaming apps rapidly expanding into this area include **Kuaishou** and **Bilibili**.

Kuaishou also specialises in short-form clips and livestreams but is more reflective of users' day-to-day activities than Douyin, particularly those from lower-tiered cities. Bilibili's focus is longer clips including anime cartoons, documentaries and video-game streams, and it is often compared to Google's YouTube.

Both have reported triple-digit revenue gains from their ecommerce operations in recent earnings reports, despite taking the decision to put community building and other long-term goals ahead of short-term profits.



Honour of Kings is one of Tencent's most popular mobile games.  
© Bloomberg/Getty Images.

## Game on

Video games are Gen Z+'s other favourite form of digital fun. China is the world's biggest gaming market, generating more than \$44bn of revenue in 2020, according to one study.

As two of the world's largest publishers and developers, **Tencent** and **NetEase** look set to continue being the biggest domestic beneficiaries, despite regulators limiting when and for how long under-18s can play some games.

But there are signs of others breaking through. **Bytedance** has spent large sums buying a handful of independent developers. **Bilibili** recently unveiled a batch of self-developed PC and mobile games and has more to come, representing a shift in focus from publishing third-party titles. And small but innovative start-ups continue to make a splash despite their rivals' greater spending power.



## Case study:

**Li Hong**

**Age: 22**

**City: Neijiang, Sichuan (Tier Five)**

**Population: 654,000 (236th largest)**

I'm a graduate working for a construction company. But I want to become a teacher or public servant.

I'm in a relationship and I see myself married with a child and a cat.

I frequently use **Weibo** to find celebrity gossip as well as to follow political news.

But my passion is to play online multiplayer games, including **Tencent's Honour of Kings**. I also often watch famous players livestream their own gameplay on **Bilibili**, and I'm the administrator of a related **WeChat** group.

China is important to me, and I won't buy brands like Nike or Adidas if they continue to disrespect Chinese consumers.

During Covid, I had no income for months. It made me realise the importance of wise advice, good health and financial independence.

# Conclusion

China's Gen Z+ has a unique approach to life that is playing out in a variety of social, cultural and economic spheres. These give rise to shifting patterns of consumption, which support the development of innovative brands and in some cases begin trends that become global in scale.

Unlike in decades past, the attractions of foreign brands across cars, cosmetics and more broad consumption are giving way to a focus on national pride and local brands. This opens up large opportunities for forward-looking companies that deliver goods and services tapping into this. Today young Chinese are drinking **Jiangxiaobai**, driving **NIO** EVs and using **Yatsen's** cosmetics, all while wearing **Li-Ning's** sportswear.

These names are still unfamiliar to many outside China, but they could soon have global relevance. **ByteDance's TikTok** recently announced it had passed one billion international users. It shows that a Chinese company can hit the sweet spot with a global Gen Z+ audience despite intense competition from Western counterparts.

It is impossible to know for sure which Chinese companies these under-37s will propel to success. But the sheer size of the cohort and Gen Z+'s curious nature present exciting opportunities to those who are willing to engage in deep research, focus on growth and patiently give companies time to mature.

# Authors



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Sophie joined Baillie Gifford in 2010 and is an investment manager in the Emerging Markets and China A-share Teams. She has also been co-manager of the China Fund and a member of the International All Cap Portfolio Construction Group since 2014. Sophie is a CFA Charter holder. She graduated MA in English Literature from the University of Edinburgh in 2008 and MPhil in Eighteenth Century and Romantic Literature from the University of Cambridge in 2009.



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Linda joined Baillie Gifford in September 2014 and is an investment manager and member of the Long Term Global Growth and the China A-Share Team. After five years in Edinburgh, she relocated to Baillie Gifford's Shanghai office in December 2019 as Head of the Investment Team. Prior to joining Baillie Gifford, Linda spent four years as a global equity analyst with Aubrey Capital and two years in real estate investment in China. She graduated BComm in Accounting and Finance from the University of Auckland, New Zealand in 2007 and MSc in Finance and Investment from the University of Edinburgh in 2011. Linda is a native mandarin speaker.



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# Appendix

Much of the research for this paper was sourced from Baillie Gifford's internal library and individual companies' investor relations releases. However, it also draws on the following sources:

- China Association of Automobile Manufacturers
- CKGSB
- Gavekal Fathom China
- GSMA
- Harvard Business Review
- iResearch
- Jing Daily
- McKinsey & Company
- National Business Daily
- Newzoo
- OC&C Strategy Consultants
- OECD
- Quest Mobile
- Reuters
- South China Morning Post
- Tech Buzz China by Pandaily
- UBS
- Vogue Business
- World Bank
- World Trade Organization





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