Sustainability in China
What Sustainability Means to the Chinese Consumer
Do you know where your stuff comes from?

More and more, global consumers are asking themselves where what they buy comes from, how it’s made, and who’s making it. There is a rise in conscious consumption, with many now only purchasing products that are environmentally or ethically sustainable. At TSI, we’ve seen this first-hand in briefs from our clients asking for more conscious new product development, sustainable packaging, and good-for-you products. The big question, though, is whether or not consumers in the world’s largest market care enough to make these new products a success.

This edition of the TSI Navigator™ Compass digs into our data-rich findings when it comes to the unique perspective Chinese consumers have towards sustainably. That includes what they define sustainability as, how this impacts their product choices, and what it means in their daily lives. While there are similarities with global consumers, as with everything in China there are always aspects unique to the market.

Andrew Kuiler
Founder & CEO
TSI: YOUR BRIDGE TO 3 BILLION APAC CONSUMERS

Asia-Pacific, home to 60% of the world’s consumers, is rapidly changing. Keeping up with these changes, and then making sense of them, is what the TSI team does each day. What’s our secret?

TSI’s dynamic data-intelligence platform, Navigator™, collects, analyses, and visualises the F&B landscape in multiple Asian markets.

The industry’s first and only dynamic data-intelligence platform, the TSI Navigator™, has been delivering real-time quantitative insights on Chinese consumers for well over a year. We’re very excited to announce expansion of the Navigator™ into three additional markets: Indonesia, Japan, and Thailand. With this expansion, we’re able to go even deeper into what’s shaping consumer behaviour in Asia’s fastest-growing markets.

We’re based in Shanghai, APAC’s new R&D centre, with touchpoints throughout the region.

TSI started with a simple premise: to understand Asian consumers, you have to be in Asia. That’s why we set up our headquarter offices in APAC’s new regional hub: Shanghai. Over the past several years, we’ve also developed an extensive network of partners across the region to truly understand consumer trends and market dynamics.

We’ve answered key questions for brands in our work across Asia-Pacific.

TSI’s completed work in most major Asian markets, including Australia, China, Hong Kong, Japan, Korea, Malaysia, New Zealand, Singapore, Taiwan, and Thailand. From bringing an Australian live lobster brand to China, through to identifying what the ideal sun care brand looks like for Japan, our regional experience is second to none.
Evelyn heads TSI’s innovation practice – focusing on transforming data and human-led insights into tangible executions that are methodological, meaningful, and measurable. Her academic background in Sustainability Design, and an MBA that focuses on building businesses for good, means she easily straddles the creative, sustainability, and commercial divides. Her hearty love for food, and ears on the ground, put her in prime position to help future-proof F&B brands in Asia.

John lead’s TSI’s marketing and communication work, but is also one of the world’s leading voices on private-sector sustainability. His previous work includes posts with the United Nations, McKinsey, A.C. Nielsen, and as a consultant with BSR, the world’s largest sustainability-focused business network. John advises the U.S. Green Chamber of Commerce and is the author of “Sustainability for the Rest of Us: Your No-Bullshit, Five-Point Plan for Saving the Planet.”

With a passion for sustainability and circular design, Tim is an integral part of TSI’s design and innovation work. He also has a diverse background across product design and branding, working to expertly distil user insights into concrete design recommendations that help brands and products connect with customers. Tim’s focus is on thinking of newer, better design methodologies that are suited to the world’s future challenges.
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THE RISE OF SUSTAINABLE CONSUMPTION

OUR METHODOLOGY

Using TSI Navigator™, we surveyed over 600 consumers across all age demographics. The focus was on Chinese first-tier cities (e.g. Shanghai, Beijing), second-tier cities (e.g. Hangzhou, Nanjing), and third-tier cities (e.g. Wenzhou, Zhuhai). The survey questions probed reactions to various environmental and social sustainability drivers. We also conducted in-depth interviews with several consumers and distributors, as well as a series of in-house TSI Sustainability Collage Workshops.

We added questions to our latest edition of TSI Navigator™ looking at:
- Where sustainability ranks among other purchase drivers
- Specific actions consumers associate with a brand claiming to be sustainable
- Willingness of consumers to pay more or less for a sustainable brand

Thanks to Covid-19, consumers have become hyper-aware of the need for better products, companies, and ways forward. The World Economic Forum calls it the global eco-awakening, noting today’s consumers “…do want to live more sustainably. Many expect businesses to play a positive role in society and feel that when it comes to driving positive change, brands bear as much responsibility as governments.”

There is now an expectation for brands to be ethical, with 90% of consumers in Asia-Pacific wanting brands to stand for something. A 2021 survey found nine in ten Australians want sustainable products, with 85% of those surveyed asking for more transparency from businesses. Beyond this, a recent GlobalData report shows, “…almost 38% Australians…and 56% Indians…” are influenced by the environmental, ethical, or social responsibility records of a company. Nearly 2/3 of consumers in The Philippines and Indonesia place plastic pollution high on their list of concerns. Across the region, poverty alleviation, food security, and wellness round out the most pressing issues for APAC consumers.

Where there’s a bit of a blank space, though, is in how all of this applies to Chinese consumers. The pace at which the market is evolving, millions entering the middle class each year, and it’s unique characteristics mean China is likely to view this growing global trend a little differently.

In this edition of the Compass, we take our in-house TSI data and research to unlock how Chinese consumers think about sustainability. We’ll also explore the differences this might present to brands operating in the world’s largest market. Our goal is that this first-of-its-kind examination will help frame a broader conversation about not only sustainability in China, but also across the entire Asia-Pacific region.
CASE STUDY: THE TSI SUSTAINABILITY COLLAGE WORKSHOP

TSI’s in-house Sustainability Collage Workshop digs deep into the thinking of consumers to gain an understanding of how they interpret key aspects of sustainability. Through the Workshop, we identify imagery which can be used to support sustainability messaging, as well as generate inspiration for brands to build a full-scope sustainability activation strategy. Notable clients using our Sustainability Collage Workshop include Dove Chocolates and Silver Fern Farms.

Part of this includes the articulation of concepts like the United Nations Sustainable Development Goals, as well as social and environmental campaigns from around the world. We use a multi-pronged, hands-on approach that incorporates visual cards, activities, and open discussion.

The Workshops act as a bridging tool to help consumers and companies understand more about sustainability in China.

Over the course of four sessions, the TSI Sustainability Team meets with groups of consumers, customers, and experts to explore their understanding of what sustainability means in the Chinese market.

For more information on our Sustainability Collage Workshop, or to sign up, contact Evelyn Hussain at evelyn@thesilkinitiative.com.
SUSTAINABILITY AND CHINESE CONSUMERS

THERE ARE FOUR MAIN ECO-SEGMENTS

Through our analysis and research, TSI has discovered four main eco-segments. These range from consumers who have very little knowledge of sustainability, to those who are waving the green flag of eco-consciousness.

Eco-unfamilars are simply those that have yet to adopt any form of sustainable consumption. This may be due to a lack of awareness, access, or outright denial.

Eco-adopters actively seek out information on sustainable consumption and lifestyle choices. They may have been exposed to messaging, either from brands or the Government, but have yet to adopt sustainability as a key purchase driver.

Eco-ambivalents have taken the steps to educate themselves on sustainable consumption. They learn about social causes and take actions like donating to charity, recycling their waste, or taking public transportation.

Eco-leaders, the smallest segment, are keen to share and collaborate with others in the environmental and social activism space. They also pioneer, promote, and take part in various social causes. Sustainable consumption is part of their lifestyle.

Although 52% of Chinese say they are influenced by the environmental record of a company, turning that influence into a purchase driver is not as evolved. That's because sustainability still sits near the bottom of considerations when it comes to purchase drivers. While most consumers agree sustainability-related issues are important, they just aren't important enough to base purchase decisions around. Other considerations, like quality, taste, and safety, continue to be the most critical to conversion.

Government regulations, announcements, and promotion have helped to increase awareness of sustainability issues across the country. When asked, though, most consumers associate terms around eco-purchases and sustainability to food safety and the environment. Anything beyond this, for example claims around social initiatives or labour rights, is considered outside the scope of sustainable consumption. Given China's unique political landscape, most consumers believe these "other" issues fall under the purview of the Government to handle.
THE MOST IMPORTANT FACTOR: QUALITY AND TASTE

Regardless how sustainable, eco-friendly, or healthy a product might be, Chinese consumers will never compromise on quality and taste. This is the number one factor brands must keep in mind, especially if they are going down the sustainability route. We’ve already seen negative public perception around taste when it comes to eco-friendly products. A case in point is the relatively low adoption of plant-based meats across China, not because they are considered unhealthy, but because most don’t believe they taste good.

The need for quality and taste is even higher for daily consumables. Meats, confectionary, and other staple goods must deliver on expected taste. Even when they do, consumers expect the packaging and messaging to match. Essentially, consumers are looking for any little thing to dissuade them from spending more at the register. Our data shows 65%, though, would pay a bit more. Striking that price-point balance, while securing quality, taste, and the right messaging, are all critical to success.

“Taste is the most important factor. There’s no way sustainability will get me to change my behaviour if the product doesn’t even taste good.”

Eco-Ambivalent, 31, Shanghai.

WHAT’S DRIVING ECO-ADOPTION

Although sustainable consumption is new in China, and there is a vicious cycle inhibiting further acceptance, that doesn’t mean eco-adoption isn’t happening. There are three big drivers brands can capitalise on to take Chinese consumers from being Eco-unfamiliars to Eco-adopters.

• **Lifestyle.** Lastly, sustainable consumption helps build a better lifestyle overall. From electric vehicles to waste sorting, regenerative practices to recycling, all of this helps ensure a higher quality of life. Products that do not fit the bill are increasingly being shunned as they are viewed not contributing to the betterment of society.

“I think every individual should take the responsibility of being sustainable, so together as a society we can develop.”

Eco-Leader, 21, Shanghai

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**Sweet Snacks and Confectionary: Key Purchase Drivers (%)**

<table>
<thead>
<tr>
<th>Factor</th>
<th>First Choice</th>
<th>Top 5 Choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taste good</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Safe</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Natural</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>Variety of Flavours</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>High quality ingredients</td>
<td>47</td>
<td>47</td>
</tr>
<tr>
<td>Good value for money</td>
<td>42</td>
<td>42</td>
</tr>
<tr>
<td>Relevant to my lifestyle</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Serves nutritional needs</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Acts sustainability / cares about environment</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Easily available</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Unique pack formats</td>
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<td>2</td>
</tr>
<tr>
<td>Trust source of origin</td>
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</tbody>
</table>

Source: TSI Navigator™ - Most important drivers of category purchase SWEET SNACKS, August 2021
Base: All respondents for protein category, n=100

**Most important driver when purchasing sweet snacks and confectionary (%)**

**THE TSI NAVIGATOR™ COMPASS | OCTOBER 2021**
BARRIERS TO ADOPTION STILL EXIST

Although there is an increase in sustainable consumption, major barriers still exist to full adoption.

- The most obvious is cost. As with other markets around the world, most sustainable products are relatively expensive. While Chinese consumers have increasing disposable income, they are largely still frugal in their purchase decisions. TSI Navigator™ data shows only 30% of consumers are willing to pay a high premium for sustainable brands. Unless a product’s eco track record can justify the spend, through quality, taste, or societal contribution, it’s unlikely to fly off the shelves.

- Brands that support sustainable practices are viewed as progressive and caring, which boosts overall brand image. There is, however, a general lack of education and effective communication when it comes to sustainability. As consumers might not understand how these practices impact their daily lives, any image boosts may not result in actual consumer conversion.

- There is also an image problem associated with sustainable brands in the F&B space. While most consumers view these products as being healthy and safe, given the need to meet stringent certifications, they are concerned this will negatively impact the taste of the product.

“I’d consider buying the more sustainable product only if it’s offering something better than all its competitors. I won’t base my choice on sustainability alone.”

Eco-Leader, 25, Shanghai
GETTING BRAND POSITIONING RIGHT

Our expert analysis, backed by data-rich insights from TSI Navigator™, not only shows what sustainability means to the Chinese consumer. It also unlocks how brands can capitalise on this to get their positioning right. Based on our findings, we strongly believe there are five key elements to keep in mind when developing sustainability positioning.

CLAIMS MUST BE EASY TO UNDERSTAND AND HAVE CLEAR BENEFITS

Given concepts around sustainability are still relatively new in China, it’s important for brands to provide easy-to-understand claims with direct benefits to consumers. We explored some of the most common sustainability claims to see how well they resonated with Chinese consumers.

Low Resonance
- Safe work conditions
- Female empowerment
- Traditional farming methods
- No forced labour
- No child labour
- Fair wages

Medium Resonance
- Farming communities
- Supporting social causes
- Community education
- Fair-trade products

High Resonance
- Certified ingredients
- Environmental protection
- Supply chain transparency

Not all claims are created equal. This chart shows some of the winning (and losing) sustainability claims we’ve discovered brands can make.

A BRAND’S STORY MUST BE RELEVANT TO CHINESE CONSUMERS

Aside from being easy to understand, a brand’s sustainability story must also be relevant. Showcasing how your brand is helping cocoa farmers in Indonesia is great, but will not resonate well with Chinese consumers. That’s because they want to see how your product, brand, and company is working to help address the unique issues China faces each day. These can be highly local and should include issues consumers can observe, have experienced, or can benefit from.

Top of the list are environmental stories, particularly around air and water pollution, and issues of food safety. Your brand can also explore discussing issues pushed by the central Government, like waste sorting, single-use plastics, and electric vehicle use. If you want to get hyper-local, consider philanthropic causes helping marginalised communities. No matter which issue you choose to focus on, though, make sure your claims are backed up with concrete numbers, real contributions, and solid proof.

FROM THE OUTSIDE, IN

When scanning supermarket shelves, the first thing consumers are going to see about your product is its packaging. So, why not use that to convey the right story? Chinese consumers we interviewed were especially conscious of how a product’s packaging either supported or went against any claims of sustainability. First impressions count, and that couldn’t be truer in this case.

Sustainable packaging primarily emerged as a response to over-packaged products across the Chinese market. From individually wrapped pieces of fruit to massive boxes holding small products inside, there has been a backlash against such wasteful practices. Now, consumers link how a brand presents itself in physical form with what it’s saying on a pack. This is especially true in the food and beverage space. Luckily, package design is a cost-friendly way of tapping into sustainability messaging. Consider the use of recycled materials, minimal design aesthetics, and reduction in overall pack size as a way to entice, delight, and attract eco-conscious Chinese consumers.
SUSTAINABLE PRODUCTS ARE SEEN AS MORE SINCERE

Our analysis included use of TSI-licensed Hotspex™ heatmap technology. The Hotspex™ heatmap is a comprehensive collection of associations on the specific emotional attributes a brand or product expresses. With its eight different “zones,” each representing a different key emotional attribute, the map helps marketers and their partners determine a brand’s right emotional space.

One can divide each zone into three sections: core, middle and outside. As associations move from the middle of the heatmap to the outside, they change from positive to negative.

Here, you can see sustainable products are considered to be more sincere and loyal to their customers. These sentiments are particularly acute versus non-sustainable brands.

MAKE IT TANGIBLE

Brands have a real opportunity to capitalise on sustainability through creative, tangible campaigns. Consumers we interviewed had the best impression of sustainability programs that brought them along for the ride. Virtual activities, interactive displays, and offline events were all ways some brands engaged consumers in their sustainability messaging. These types of campaigns were also rated as most impactful and memorable for consumers.

“I like how easy it is to plant a tree via Alipay. I appreciate companies like Alipay making it so convenient for me to do something good.”

Eco-Leader, 21, Shanghai
TSI strongly believes in the importance of quantitative data when analysing and determining consumer trends. Qualitative insights are good, but only go so far. Numbers, however, speak volumes. That’s why we created TSI Navigator™, the industry’s first and only dynamic data intelligence platform that collects, analyses, and visualises the food and beverage landscape across various Asia-Pacific markets. Navigator™ explores 10 F&B categories across 8 of the most important cities in China, as well as in Indonesia, Japan, and Thailand. These are all markets where companies are looking to for growth.

The monthly TSI Navigator™ Compass is based on TSI Navigator™ trend analysis, quantitative analysis, literature reviews, and qualitative interviews with industry leaders. It also draws on TSI’s industry expertise in flavour profiling, snacking, consumer products, food and beverage, and wellness.

This research is part of The Silk Initiative’s continued examination of consumer trends throughout the region. With this report, The Silk Initiative (TSI) aims to educate foreign and domestic brands on the latest topics prevalent to business success in the food and beverage, consumer packaged goods, fast moving consumer goods, and wellness sectors.

This edition was written by John Pabon, with contributions from members of the TSI China team. The authors wish to thank external interviewees and other TSI colleagues who provided feedback. Any errors that remain are those of the authors. Please direct comments or questions to John Pabon at john@thesilkinitiative.com.

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ABOUT TSI

DATA IN. ASSETS OUT. MEASURABLE RESULTS.

At The Silk Initiative, we use data-led foresight to future-proof ambitious consumer brands. Our business is to create and validate data-driven brand strategy solutions for our clients’ future ambitions.

TSI is one of the world’s few consumer goods brand consultancies sitting at the intersection of foresight, strategy, innovation, and creative development. We work with partners across research and development, marketing, consumer insights, and futures. From our base in Shanghai, we help clients around the world make smarter brand and product decisions by combining our tools and services, excellent advisory, future-focused thinking and tangible, actionable assets.

We do this through three distinct practice areas to help companies discover, innovate, and scale their market opportunities.

Discover. Whether it’s short-term brand diagnostic work or comprehensive brand positioning, we take a comprehensive look at your category, consumers, and competitors to provide a complete assessment of opportunities and future risks, helping you feel informed and competent as a brand owner.

Innovate. Our proprietary innovation development and visual design approaches bring brand, product, pack, and communication platform ideas to life. This gives your business culturally inspired, relevant solutions that will get noticed in the market today and in the future.

Scale. Our rigorous brand validation techniques help our clients understand the measurable future return on investment of their brand strategies. This ensures you have the confidence, excitement, and motivation to maximise your market potential.

In addition, our proprietary tool, Navigator™, is the industry’s first dynamic data intelligence platform that collects, analyses, and visualises the food and beverage landscape across markets in Asia-Pacific. Navigator™ looks at 12 major F&B categories from consumers across 8 key cities in China, as well as in Indonesia, Japan, and Thailand, to understand drivers and trends in real time. The tool is designed to help companies make smarter decisions in food and beverage across the region, particularly when it comes to innovation.
The TSI Navigator™ Compass:
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