

Seizing Opportunities for a Winning Future

China Consumer Sentiment Report on AI 2024

October 2024

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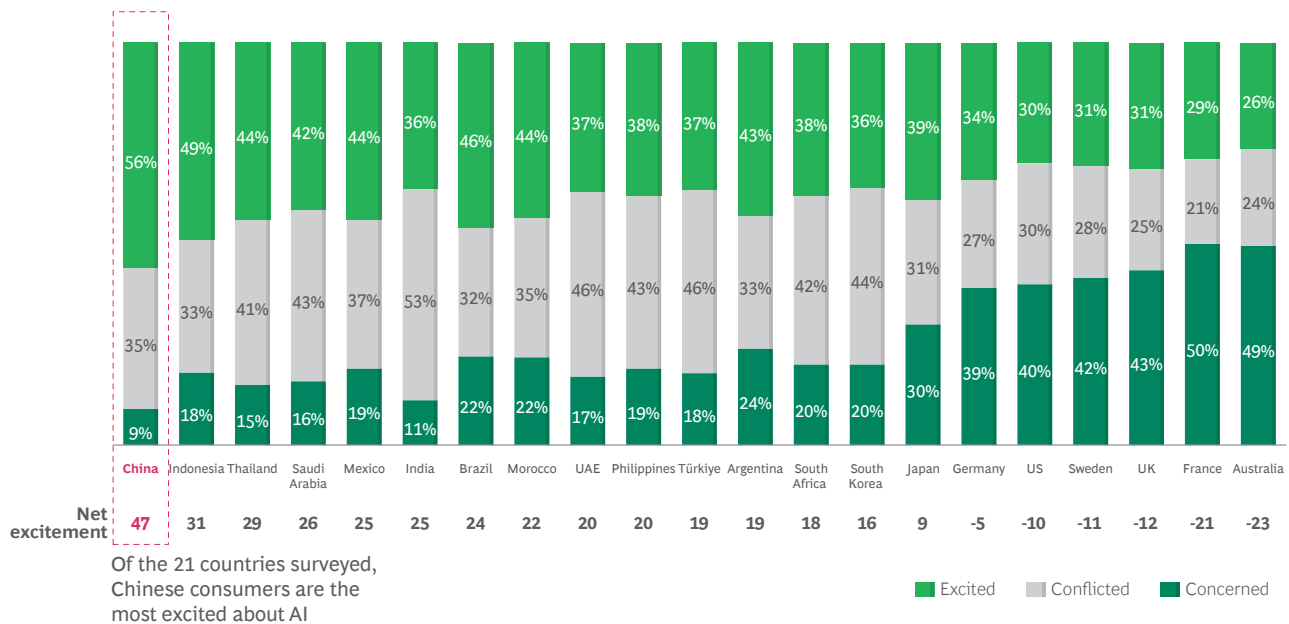
Seizing Opportunities for a Winning Future

While the age of AI is well and truly here, many businesses are struggling to keep pace with new models exhibiting enormous leaps in capability within short time spans. AI investments are also prohibitively costly and may affect the current talent pool and business processes. As such many businesses have adopted a wait-and-watch approach, instead of formulating forward-looking AI strategies. On the other hand, consumers have embraced AI with proactive enthusiasm. They are not only happy to try what is on offer but are also looking forward to experimenting with more advanced AI functionalities. This was the key insight offered by a survey of 3,000 Chinese consumers conducted by BCG's Center for Customer Insight (CCI) to unpack the extent to which Chinese consumers understand AI, as well as what their concerns are. This research can help Chinese businesses gain a deeper understanding of consumers' excitement about AI, better address their concerns, and help them tap into AI's potential.

Five days after its release, ChatGPT's user registration exceeded one million. Two months later, the number of active users surpassed 100 million, making it the application with the fastest user growth ever in history. This points to the relatively higher awareness regarding generative AI (GenAI) across the world. A BCG CCI survey of 21,000 consumers from 21 countries, released earlier this year, also showed that consumers in China are most excited and positive about AI compared to other countries. As such businesses stand to gain much from understanding how Chinese consumers are perceiving AI. (See Exhibit 1.)

Exhibit 1 - BCG's consumer survey across 21 countries found that Chinese consumers are the most excited about AI

Consumers' attitude towards AI in surveyed countries (%)



Sources: BCG CCI Global Consumer Sentiment Survey 2023; BCG analysis.

Note: "Excited" describes respondents who expressed only positive sentiment. "Concerned" describes those who expressed only negative sentiment. "Conflicted" describes those who expressed both positive and negative sentiments. Net excitement = % of excited - % of concerned. Not all columns sum to 100% due to rounding.

Awareness: High AI Penetration Among Chinese Consumers

Of the 3,000 Chinese consumers we surveyed, over 80% are aware of GenAI and 44% have used GenAI or its related functions. (See Exhibit 2.)

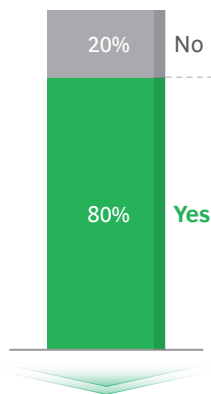
Those who are aware of and use GenAI tend to be younger, better educated and of higher income. For example, Gen Z and Gen Y have higher awareness and adoption rates than Gen X. Awareness among the affluent class is an impressive 99%, far higher than 73% of the mainstream middle-class. There is hardly any geographical variation in terms of awareness of GenAI and it is relatively high in general. In terms of adoption rate, on the other hand, tier 1 cities stand out. (See Exhibit 3.)

A reason for the generally higher level of awareness across various city tiers is that Chinese consumers learn about AI from vastly different sources. Short videos and social media networks are the two major mainstream channels which play a key role in the dissemination of AI knowledge and promoting AI applications. Professional information platforms are also an important contributor. Together, they have been rapidly popularizing GenAI among the masses. (See Exhibit 4.)

Although Chinese consumers have some concerns, they still expect AI to bring about significant changes to their workplace and everyday life.

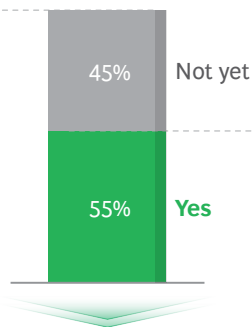
Exhibit 2 - In China, both awareness and adoption of GenAI is relatively high

Q: Have you heard of or are you aware of GenAI?



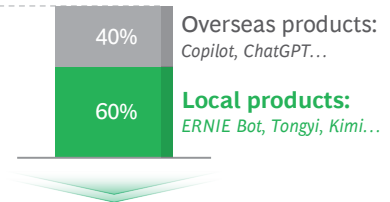
Awareness¹: 80%
(80% of all survey respondents are aware of GenAI)

Q: Have you used GenAI in the past 12 months?



Adoption¹: 44%
(55% of the 80% who are aware of GenAI have used it)

Q: What products have you mainly used?

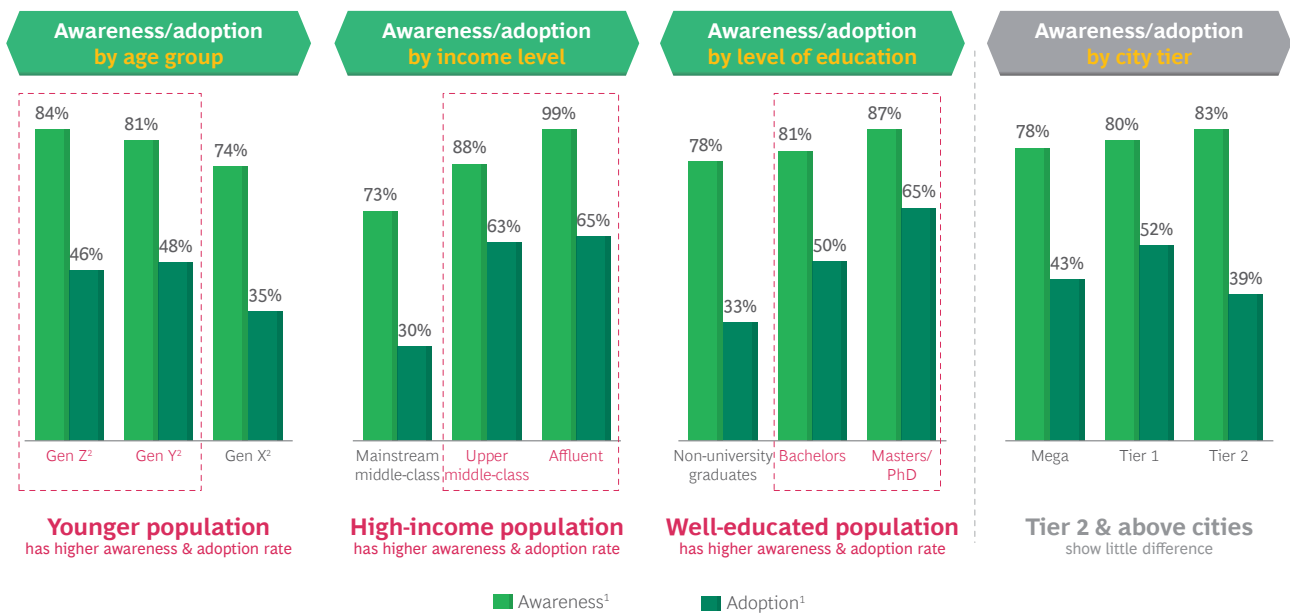


Local products: 60%
(60% of GenAI users mainly used local products)

Sources: BCG CCI China Consumer Sentiment Survey 2024; BCG analysis.

¹ Awareness and adoption rates as a proportion of the entire survey group.

Exhibit 3 - Younger, high-income and well-educated population tends to have relatively higher awareness and adoption rates

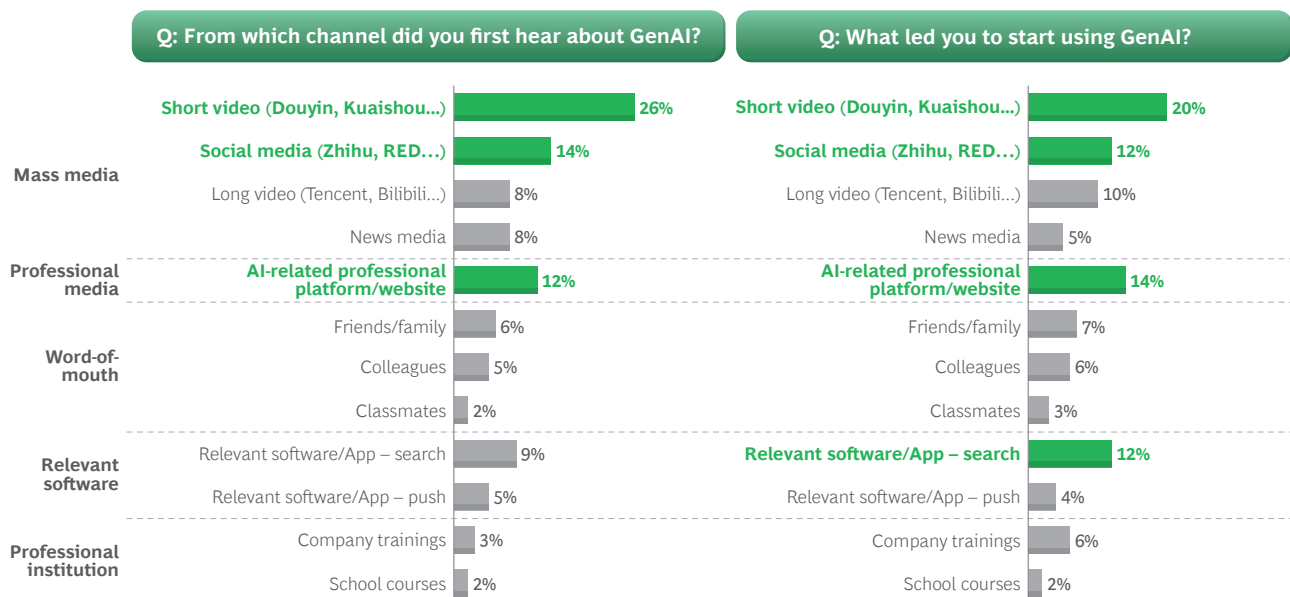


Sources: BCG CCI China Consumer Sentiment Survey 2024; BCG analysis.

¹ Awareness and adoption rates as a proportion of the entire survey group.

² In 2024, Gen Z refers to age 18-29, Gen Y refers to age 30-44, and Gen X refers to age 45-59.

Exhibit 4 - Chinese consumers have learned about GenAI via diverse channels



Sources: BCG CCI China Consumer Sentiment Survey 2024; BCG analysis.

Applications: Equal Emphasis in Everyday Life and Work

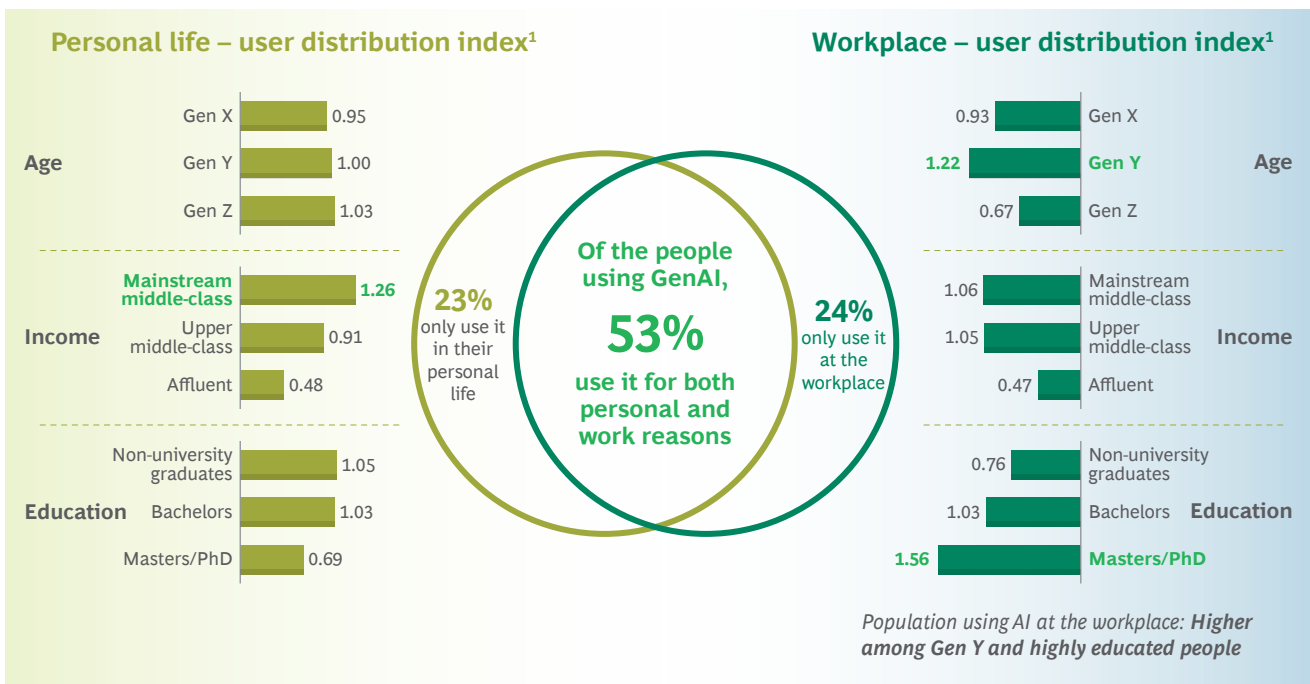
Most of the applications we use today are fit-to-purpose, i.e., their use is limited to specific aspects of our personal life or the workplace. The advantage of GenAI, or large model products, is its versatility. Our research found that more than half (53%) of GenAI users have actively tried this technology in their personal life and at the workplace. In the personal sphere, middle-income and higher groups are the primary users of AI. At the workplace, Gen Y and those with higher education backgrounds (Masters or PhD) account for a significantly higher share of AI users. (See Exhibit 5.)

A further deep dive into user behaviors in both settings revealed a consistent pattern: approximately 60% of respondents use AI at least once a week. In addition, most of them do not use just one GenAI product but tend to explore and use three or more different types of products to help them in their daily life and at work. (See Exhibit 6.)

Respondents in both cases said they are excited about using AI applications in their daily life and look forward to leveraging it to enhance their creativity and communication skills. They also hope to gain valuable free time by working efficiently and enjoying personalized product and service recommendations and experiences.

Exhibit 5 - GenAI tools have penetrated both personal life and the workplace

In green: share of group significantly higher than sample average²

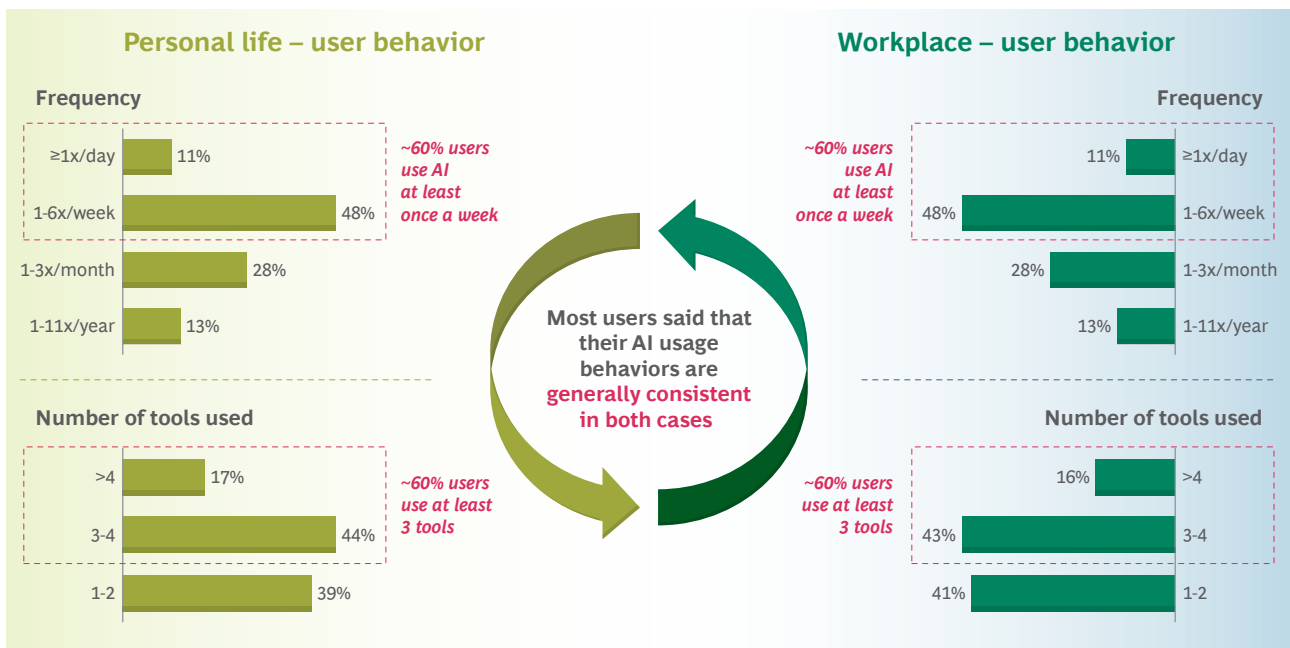


Sources: BCG CCI China Consumer Sentiment Survey 2024; BCG analysis.

¹ Distribution of people who only use GenAI in either personal life or at work; Distribution index = the proportion of a certain type of group in a certain scenario/the proportion of a certain type of group among all AI users.

² Index > 1.2.

Exhibit 6 - User behavior similar in both cases: AI is used at least once a week, and multiple tools used simultaneously



Sources: BCG CCI China Consumer Sentiment Survey 2024; BCG analysis.

The survey also revealed the complexity of consumer sentiment. Some respondents felt concerned and conflicted about the technology. Their primary concern was about personal data security and breach of privacy. This was followed by concerns that the true value add of the applications is below expectation, and also the fear of over-reliance on AI tools reducing one's independence.

To understand Chinese AI users better, let's look at the typical profile of those who use AI in their personal life and those who use it at their workplace. These are of course examples, and not exhaustive categories.

Below are two examples of users who leverage AI in their daily life. (See Exhibit 7.)

Exhibit 7 - Typical profile of AI users in their personal life

User A: Motivated mother



Basic information	
Gender:	Female
Age:	43/Gen Y
City:	Shanghai
Family income (monthly, after tax):	~RMB 50K
Education:	Bachelor
Profession:	Foreign trade/ Designer

Main functions used: information retrieval, professional services

"After my child started learning math, I have been using AI to automatically generate math problems. Once she is done, I take a photo, and AI reviews and grades her answers instantly. I think **it benefits education significantly.**"

"Nowadays, many parents have forgotten what they learned in the past. **AI can help parents quickly fill in knowledge gaps and look for information.** For instance, an AI tool for solving math problems was introduced by the tutoring center. By taking photos and uploading them, it can quickly provide theories and solutions."

User B: Active socializer



Basic information	
Gender:	Male
Age:	40/Gen Y
City:	Shanghai
Family income (monthly, after tax):	~RMB 20K
Education:	Bachelor
Profession:	E-commerce/ Aftersales service

Main functions used: content creation, content enhancement

"I often **use AI to create personalized content.** I upload photos onto an AI App, and it automatically generates personalized reviews based on the photos, which I can then post on platforms like Dianping and RED. Those reviews are similar to those written by real people and won't be banned by the platforms."

"In my daily life, I also use AI to **create fun images, memes, or videos,** which I then share with friends or post online for interaction. For example, I can upload a photo onto an AI App, and it can automatically generate a dancing video. My family and friends find it especially entertaining."

Sources: BCG CCI China Consumer Sentiment Survey 2024; BCG analysis.

USER A: MOTIVATED MOTHER

Typical users in this category would be women in their 40s who need to tutor their children. They mainly use AI for information retrieval or professional services to provide educational support for their children through online classes, applications, etc. For example, they use large model GenAI tools to generate personalized educational resources such as practice problems or use multimodal large models to analyze geometry problems and dynamically present the problem-solving process by way of image recognition technology. These practical functions can supplement the time and effort they invest in their children's education and make their lives easier.

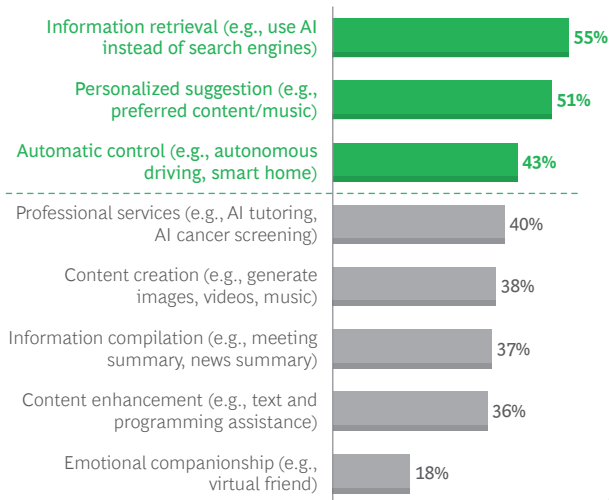
USER B: ACTIVE SOCIALIZER

This category includes Gen Y consumers who are active users of social media. They use AI mainly for content creation or to improve their efficiency. For example, they often use AI to produce personalized writing for their social media accounts, or to generate images, memes or videos, thereby enhancing their social interaction efficiency and content appeal.

Our survey showed that in the personal sphere, information retrieval, personalized suggestions, AI assistants and smart home appliances are the most frequently used GenAI functions. Some of the most frequently used AI tools in China are ByteDance Doubao, ERNIE Bot, Tencent Yuanbao, and Tongyi Qianwen (not in any particular order). Chinese consumers are aware of and appreciate the wide range of functions these products have. (See Exhibit 8.)

Exhibit 8 - The most frequently used functions in personal life are information retrieval, personalized suggestion, and automatic control

Q: What GenAI functions have you used over the past 12 months?¹



The most frequently mentioned AI tools

ERNIE Bot
Baidu

"I usually use it for information retrieval and simple content creation. It can also answer some professional questions. It can be a substitute for Zhihu and Baidu."

Tencent Yuanbao
Tencent

"This is the latest model. It can not only quickly search and retrieve information and materials, but also produce simple content/documents."

Doubao
ByteDance

"You can think of Doubao as your attentive assistant. It interacts with you in a tone you're familiar with, answers your questions, helps you write, and makes life more convenient."

Tongyi Qianwen/Wanxiang
Alibaba

"It can perform basic information retrieval. More often, I use it for fun graphics and video creation, and then interact with others online."

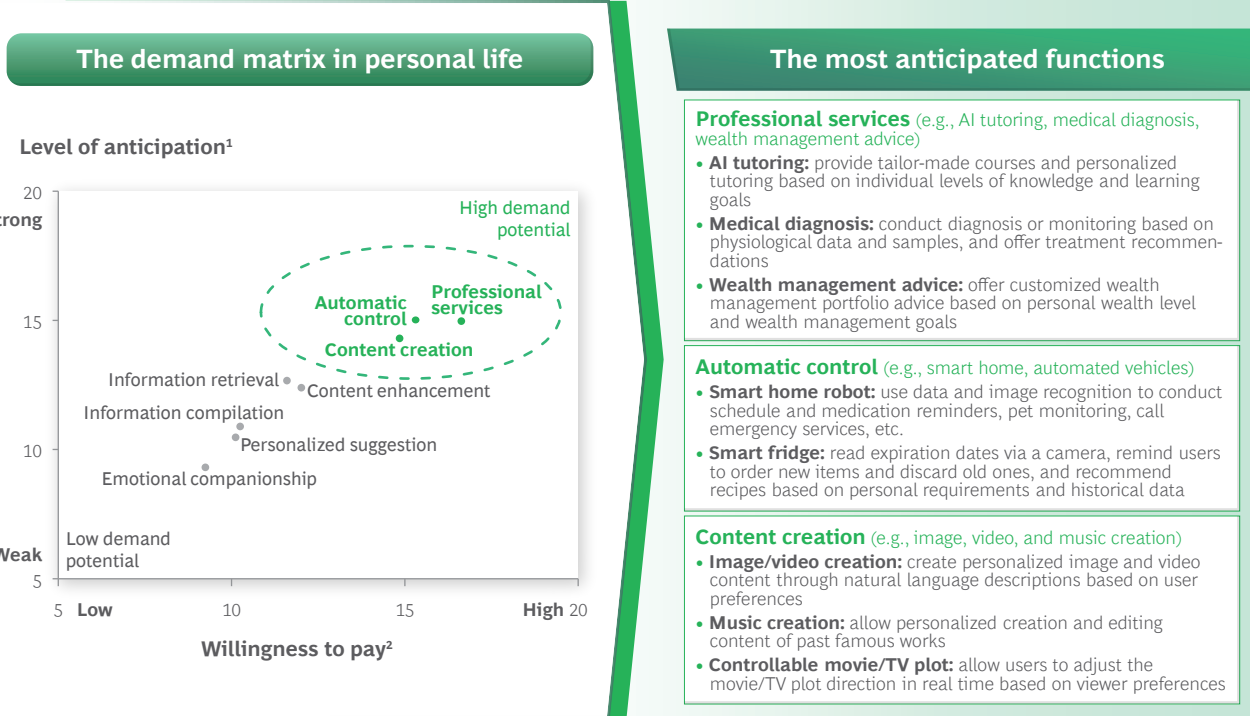
Sources: BCG CCI China Consumer Sentiment Survey 2024; BCG analysis.

¹The target audience of this question is all respondents who have used GenAI over the past 12 months.

By placing the willingness to pay and level of anticipation on the x and y axes respectively, we arrive at an AI demand matrix for everyday life. Applications with high survey results in both dimensions indicate high demand potential. These include content creation, automatic control (such as smart homes and autonomous driving), and professional services (tutoring and medical diagnosis, among others). (See Exhibit 9.)

Let's look at examples of two typical user profiles at the workplace. (See Exhibit 10.)

Exhibit 9 - Professional services, automatic control and content creation are the most anticipated functions in personal life



Sources: BCG CCI China Consumer Sentiment Survey 2024; BCG analysis.

¹ Level of anticipation: The degree to which the respondent feels excited and wants to try.

² Willingness to pay: The extent to which the respondent is willing to pay a premium for this application.

Exhibit 10 - Typical profile of AI users at the workplace

User C: Smart worker

User D: Efficient analyst

Sources: BCG CCI China Consumer Sentiment Survey 2024; BCG analysis.

USER C: SMART WORKER

The daily work of this category of personnel involves significant content creation tasks. The powerful content creation capability of AI applications can markedly improve their work efficiency, lowering the content creation threshold so that they can focus on more critical tasks.

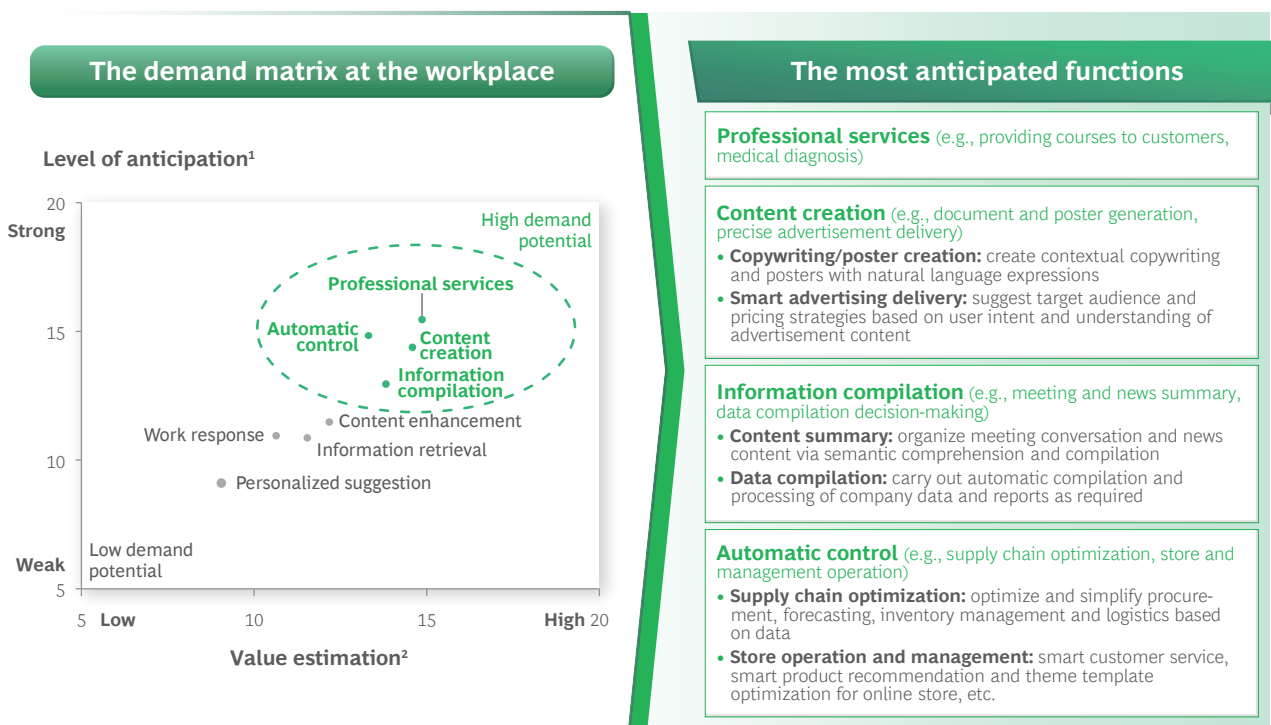
USER D: EFFICIENT ANALYST

This type of user has more data-intensive tasks and is responsible for extracting and analyzing valuable information from massive data sets to support decision-making. GenAI and machine learning models can significantly enhance their capabilities, not only quickly analyzing large amounts of data, but also automatically generating analysis and providing recommendations for optimization.

Advanced information compilation (meeting summary, data summary), professional services (medical diagnosis) as well as additional content creation (writing, accurate placement), and automatic control (supply chain optimization and store operation and management) are future functions eagerly anticipated by users. These high-demand potential GenAI products will boost the efficiency of employees. (See Exhibit 11.)

Taking the above into account, GenAI, a technological revolution that spans personal life and work, is driving innovation and efficiency improvements at an unprecedented pace. Although Chinese consumers are generally optimistic on AI, particularly about its applications at work, they remain vigilant about possible challenges, particularly in terms of potential risks associated with data security and over-reliance.

Exhibit 11 - Professional services, content creation, information compilation and automatic control are most anticipated at the workplace



Sources: BCG CCI China Consumer Sentiment Survey 2024; BCG analysis.

¹ Level of anticipation: The degree to which the respondent feels excited and wants to try.

² Value estimation: The extent to which the respondent believes it will help the enterprise increase revenue and reduce costs.

Insight: Personal Efficiency Enhancement Is just the “Tip of the Iceberg”; Business Transformation Is the Next Wave

After more than a year of breakneck growth and widespread consumer application, GenAI has continued to spread, and has the potential to reshape our personal life and work. (See Exhibit 12.)

In daily life, GenAI will drive “personalization and creativity”. For example, hastened by AI, various media platforms are switching from mass to personalized and customized approach. Each individual will have their own unique user interface and method of interaction. This will have a deep impact on content creation, advertising placement and marketing.

At the workplace, GenAI will drive “efficiency and effectiveness”. An increasing number of people have begun to habitually switch to AI tools at work, and the development of intelligent agents (an autonomous entity that can perceive its environment, make decisions, and take actions to achieve specific goals) will allow every worker to have their own personal assistant. Not only can this unleash productivity but also boost the overall operational efficiency of businesses.

What impact will GenAI, with its ability to boost personal efficiency, have on an entire business? We forecast an exponential increase in the value it generates. (See Exhibit 13.)

Exhibit 12 - GenAI will significantly drive “personalization” and “efficiency”, and even disrupt industries

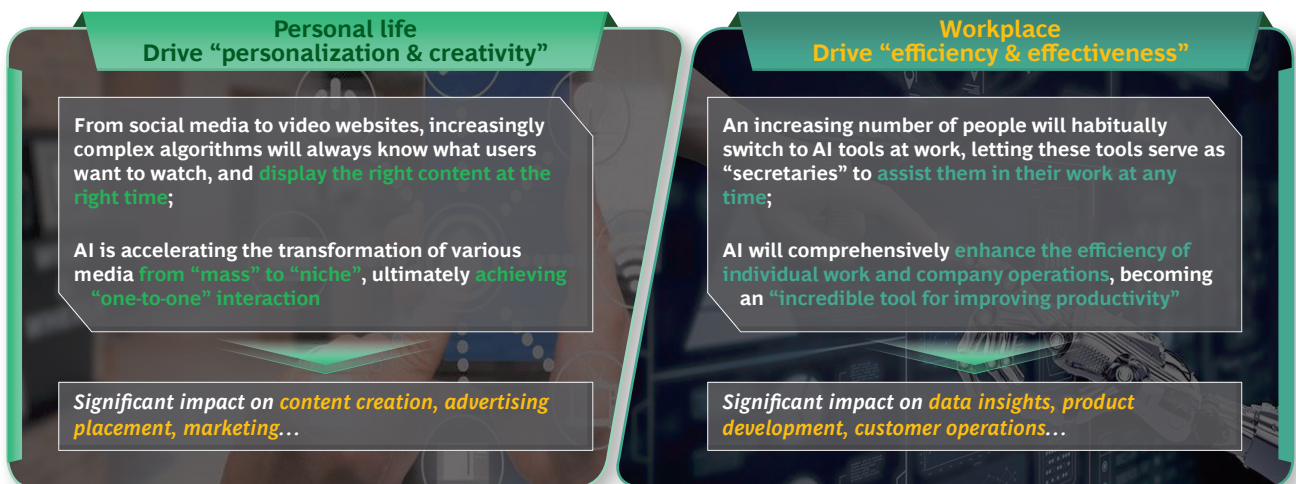


Exhibit 13 - Deploying GenAI will not only enhance a firm's core competitiveness, but also help in attracting talent



Enhance core competitiveness

Improve productivity

By deploying AI tools and integrating them into work routines, productivity is expected to improve by 10%-20%, e.g., meeting minutes, code development, contract review

Increase revenue

Leverage GenAI to create unique competitive advantages for key business segments or processes based on an enterprise's characteristics

Construct a "GenAI business model"

Establish innovative products with the potential to disrupt industries, thus creating new sources of income



Attract top, young talent

Interest in cutting-edge technology

Young talent often pursues innovation and is interested in emerging technologies. GenAI, as a cutting-edge technology, can pique the curiosity of young talent and their desire to explore

Long-term learning and development platforms

Talent also values learning and development opportunities. By deploying GenAI, employees will be empowered to master the latest technology trends, and enhance personal skills, laying a solid foundation for their long-term development

Excellent work experience

Talent prefers to engage in challenging and creative work. By deploying GenAI, companies can optimize workflows, and reduce repetitive and tedious tasks, thereby being able to meet the expectations of top talent better

First, GenAI is expected to increase the core competitiveness of a business. AI already take over large amounts of standardized and repetitive content creation and allow employees more time to focus on strategic and creative work, thereby improving productivity, raising efficiency and creative capabilities of an entire team. Elsewhere, a business can use AI to generate personalized content, optimize product design or provide GenAI based value-added services, thereby increasing market competitiveness and making it more attractive to customers.

A business that deploys GenAI technology is also particularly attractive to the young who like to keep up with emerging technologies. This group especially values an environment that can facilitate lifelong learning and career development. By integrating GenAI into its operations, a business can not only motivate employees to closely follow latest technology trends, but also offer them valuable practical opportunities to upgrade their professional skills. In addition, AI has not only optimized workflows, reduced tedious and repetitive work, but also made increased productivity and improved creativity a priority.

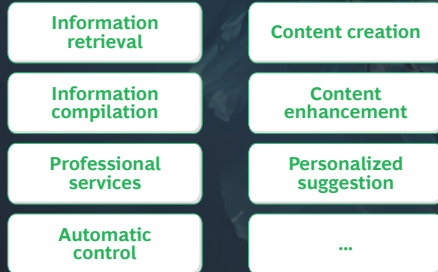
How should businesses position GenAI opportunities within their organizations? We recommend conducting an internal review and assessment based on the following three questions:

- **Does it have rich data assets?** Data is the fuel that oils the engine of continued training and personalization. GenAI can utilize large amounts of data within and outside a business (such as corporate database, social media and log files) to produce, optimize and innovate content, improving its quality and making it more useful for the company.
- **Is labor requirement high or low?** In jobs that require more personnel (such as customer service and software development), GenAI can overcome labor bottlenecks through automatic processing of data, boosting return on investment (ROI) and innovation.
- **What is the share of structured thinking?** GenAI can rapidly optimize tasks with a high proportion of structured thinking (such as drafting and review of contracts), improving efficiency and accuracy.

Exhibit 14 - Companies that create customized AI products based on their business models will be able to stand out from the pack



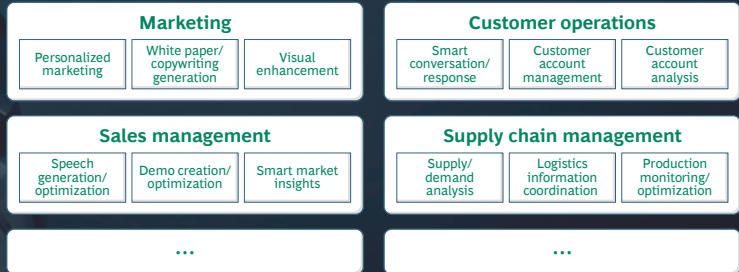
The current applications of GenAI are just the “**tip of the iceberg**”, mostly **universal tools** that solve simple problems



Basic requirements for future businesses: Deploy GenAI tools systematically in work routines to achieve improvement in productivity



In the future, businesses that create **customized GenAI products** based on their business models and characteristics will unleash significant AI value, overcoming organizational capability bottlenecks



Key unique advantages to become a leading business of the future: Create customized AI products compatible to one’s own business model, resolve complex corporate issues, improve end-to-end organizational capabilities, and achieve breakthroughs in efficiency and outcome

The potential of GenAI far exceeds the applications of current universal tools, and it is crucial that business leaders acknowledge this. We believe that personal efficiency enhancement is just the “tip of the iceberg” in this phase of AI’s revolution. This is because currently, GenAI applications that personal users have tried are mostly basic. Task requirements such as improving information retrieval, content creation, personal suggestion and automatic control, are straightforward applications as far as mobilizing the capabilities of large model products is concerned. Given most business have not effectively coupled large language models (LLMs) into internal corporate data or business processes, the true potential of GenAI use cases at the workplace is yet to be discovered. (See Exhibit 14.)

Therefore, when deploying GenAI universal tools in daily routines, businesses can enhance and improve productivity somewhat. However, they must recognize that universal

technologies, when widely adopted, will unlikely offer any single business a competitive advantage. As large model products become widely available and used, simply using existing universal solutions will not make a business stand out in the competition. Therefore, businesses must go beyond universal tool applications, and turn towards in-depth customized strategies, and design and develop GenAI applications that are focused on their unique business requirements and operating models.

A key differentiating advantage of a future leading business will not be whether it is able to apply universal AI technologies but whether it is able to build customized AI products based on its business model to help resolve complex corporate problems and improve end-to-end organizational capabilities. Only then can it achieve breakthroughs in efficiency and outcomes and seize the core advantages brought about by the GenAI wave.

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