

## The Rise of China's Emotional Economy

Aubrey's investment strategy focuses on market-leading companies whose products can define or transform their industries. Cultivating a loyal customer base, which translates into pricing power and sustainable profitability, is key to many of these business models. My colleague, Tom Dalrymple, recently wrote about [Netflix and Spotify](#) (for our Global Conviction Strategy), two companies that have proven how powerful consumer loyalty can be.

In China, we see parallels emerging with a wave of companies monetising small-ticket purchases ranging from affordable subscriptions and collectibles to digital experiences. These purchases are driven by identity, entertainment, and belonging and have remained resilient even in weaker macro conditions. This is known as the Emotional Economy.

### The shift in Chinese consumer behaviour

While emotions drive much of this consumption, the more fundamental shift has been the transformation of Chinese consumers' perception of content and membership. A decade ago, subscription models struggled: users expected free access, piracy was widespread, and intellectual property carried little weight. Paying for digital services felt unnecessary.

Today, the landscape looks very different. China has entered a rapid expansion cycle of cultural and IP industries, where Gen Z and younger millennials view subscriptions as the default way to access quality services. Paying for unique IP, early access, or premium experiences is now expected, while stronger content enforcement and the rise of domestic IP creators have made subscriptions synonymous with legitimacy, quality, and even status.

This change mirrors the Western journey with Netflix and Spotify: initial scepticism giving way to mass adoption once platforms became indispensable. In China, the same shift is reshaping consumer behaviour and laying the foundations for a business environment built on recurring revenue, loyalty and community.

### Tencent Music: from streaming to superfan economy

The music-plus-fandom model transforms listening into an interactive community experience. Tencent Music Entertainment ("TME"), often dubbed China's Spotify, has demonstrated the success of this business model by driving paid conversion through music paywalls<sup>1</sup> which reframe premium access as more rewarding and higher-quality. By 2Q25, it had 125 million paying subscribers (22.5% paying ratio). Additionally, TME has layered a superfan tier on top of its standard VIP membership to offer additional perks such as high-quality sound experience, early/exclusive releases, larger download quotas, and priority concert presales. With 15m SVIP users, this structure enables TME to further monetise its most engaged listeners, boost ARPPU<sup>2</sup>, and strengthen retention.

### Pop Mart: collectibles, community, and fandom

Pop Mart, which licenses or develops a portfolio of pop culture/designer IP characters including blockbuster characters like Labubu (see picture), has turned a niche market into a global cultural phenomenon. Four of its characters have become multi-billion RMB sources of revenue with thirteen

---

<sup>1</sup> Paywalls delayed/restricted access to popular music content for non-payers.

<sup>2</sup> Average revenue per paying user

generating over 100m RMB of revenue each. Its blind-box<sup>3</sup> format drives repeat purchases, while scarcity and memberships deepen loyalty. For millennials and Gen Z, the emotional appeal lies in the thrill of surprise and the sense of satisfaction of completing collections, akin to football/Pokémon cards.

The results underscore this phenomenon: 51% of sales come from repeat customers, while Pop Mart's domestic membership programme has surpassed 59 million registered users with overseas numbers growing rapidly. The "little luxuries" of blind boxes have proven resilient, highlighting the enduring power of fandom-driven consumption attested to by the queues that line up outside Pop Mart stores globally.

### **Meitu: digital self-expression at scale**

Self-expression and self-presentation are key drivers of social media usage, particularly among Gen Z and millennials. In China, WeChat's classic "nine-picture post" has become a ritual among friend groups, while on Red Note<sup>4</sup> users curate aesthetic diaries for wider audiences; internationally, similar behaviours are evident on Instagram and other platforms. Meitu, China's leading photo-editing software company, sits at the centre of these habits. Its ecosystem attracts 280 million monthly active users (MAUs), including 98 million overseas, with 15 million paying subscribers (a 5.5% paying ratio). While the ratio is modest, it leaves significant headroom for growth as users migrate to premium AI-powered features such as advanced filters and retouching. Most interestingly, beyond consumer subscriptions, Meitu is extending its AI productivity tools to e-commerce merchants. This dual-track strategy positions Meitu to monetise both consumers and enterprises in an increasingly hyper-social, image-driven digital landscape.

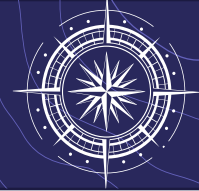
### **The Common Thread: emotional economy**

What unites these three companies is not just their growth, but their business model innovation. The success of Tencent Music's premium tiers, Pop Mart's blind boxes, and Meitu's paid AI tools reflects the same shift in behaviour, where each company has found a way to embed itself in consumers' emotional lives. By reinforcing these drivers with paywalls, authenticity, and social rituals, they convert engagement into recurring revenue streams. These offerings are low-cost but deliver outsized satisfaction, making the emotional economy particularly resilient across economic cycles.



<sup>3</sup> Blind boxes are sealed packages containing a random toy from a themed series, creating surprise and encouraging repeat purchases to complete collections.

<sup>4</sup> Red Note is a social media app called Xiaohongshu in China.



## Biography

### Camellia Huang | Investment Analyst



Camellia joined Aubrey in 2020 as an Investment Analyst after gaining a range of experience in previous roles.

Camellia started her career in investment management at Seven Investment Management in London and Qianhai Equity Exchange in Shenzhen. She then worked at Aberdeen Standard Investments where she was an Investment Analyst in Private Markets across their Corporate Finance, Diversified Assets, Infrastructure Equity and Private Equity teams.

Camellia has gained a Master's degree in Accounting and Finance from the University of Edinburgh. She has lived and studied in both China and Australia and is fluent in Cantonese, Mandarin and Hakka. She has also completed Level 1 of the CFA course and has achieved the CFA ESG certificate.

## Further Reading

If you would like to read further articles, please select the following link - [Aubrey Research](#)

If you would like to receive more articles like this, [sign up to the Aubrey mailing list now.](#)

## Important Information

This document has been issued by Aubrey Capital Management Limited which is authorised and regulated in the UK by the Financial Conduct Authority and is registered as an Investment Adviser with the US Securities & Exchange Commission. You should be aware that the regulatory regime applicable in the UK may well be different to your home jurisdiction. Aubrey Capital Management has taken reasonable care to ensure the accuracy of this information at the time of publication, but it is subject to change without notice and it does not in any way constitute investment advice or an offer or invitation to deal in securities.

Past performance is not a guide to future returns and may not be repeated. Aubrey Capital Management Limited accepts no liability or responsibility for any loss of any kind arising out of the use of this document or any part of its contents.