

# CHINA UPDATES

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## **Beijing Authority Strengthens Regulation over Food Expiration**

Beijing FDA is to step up controls and inspection over in-bulk food, freshly-made food and food with a short shelf life in reaction to a recently-released regulation over food expiration.

The regulators said they would strengthen the punishment to the illegal producers who blur the expiration date on the package or mislead consumers on the expiration date.

The recent regulation says that the food manufacturer should label the exact production date of the food, which means that the date when the food is packaged should be indicated as the date of the food production. The date cannot be re-labeled or re-printed after that.

The regulation calls for the food regulators to step up inspection on food expiration. And to those food which is going to expire soon, the local stores and supermarkets should indicate it to the consumers.

The expired food need to be recycled to the factory and destroyed by the manufacturer, instead of being disposed randomly or for further process, said the regulation. (Source: Beijing Youth Daily)

## **National Drug Expo Opened in Suzhou**

Over 2000 pharmaceutical companies showed up at the 71st National Drug Expo at the International Exhibition Center in Suzhou, Jiangsu province.

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The expo opened this Monday. The three-day exhibition expects to attract over 100,000 visitors to attend the meetings.

The exhibition includes 3400 booths that cover brands of drug, TCM and health product. Besides, the exhibition includes other products in health field, including infant-use products and medical equipment.

The exhibition includes seminars that talk about marketing and fund raising in the health industry. (Source: ttlxh.com)

### **CFDA Vows to Better Regulate Health Product Market**

China's food regulators said in a recent seminar that the government would strengthen regulation on health product comprehensively, in reaction to the fast growing local market.

Academics said in the seminar that an increasing number of Chinese consumers are paying attention to health products. The growth rate of local market would be about 11%.

Officials with CFDA said in the seminar that the authority launched a five-month crack-down campaign on illegal health products. The campaign spotted 1.37 boxes of illegal health food and 4000 kilos of substandard ingredient, which worth more than 500 million yuan.

797 factories involved were asked to suspend from operation. (Source: Beijing Business News)

### **Shanghai to Improve Regulation on "Cold Food Chain"**

Local authority in Shanghai said they would set up committees on health food, food production, food circulation and catering, according to local media.

The local food regulators would also strengthen controls over the so-called "cold food chain", which refers to the processing, storage, transport and sales of perishable food. This kind of food need to be processed in low-temperature environment to

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ensure the food's quality.

The food circulation committee is to release regulation on storage of perishable food, ice cream and tofu to enhance the production and quality of related food. (Source: Oriental Website)

### **Sanlu Brand Reappears in Local Supermarkets as Organic Food**

Zhejiang Sanlu Industrial Co said Thursday that the company will rebuild the Sanlu brand, which was embroiled in a tainted-milk scandal five years ago, into a leading organic food brand, according to a company official.

The Sanlu (meaning three deers) brand has reappeared on the market again recently with its major products being organic grain food.

"Our business target is to revive the brand of 'Sanlu,' and build it into a world-famous organic grain food brand," Yang Xiangdong, marketing director of Zhejiang Sanlu Industrial Co, told the Global Times Thursday.

Five years ago, the Hangzhou-based enterprise won the bid at an auction for the Sanlu brand for 7.3 million yuan (\$1.2 million), after Shijiazhuang-based Sanlu Group went into bankruptcy due to a melamine adulteration scandal, which led to the deaths of at least six children and affected 300,000 children.

Currently, Sanlu organic grain food is sold in supermarkets like Century Mart, said Yang.

Zhejiang Sanlu has been preparing to launch its organic grain food since it won the brand auction in 2009, and has gained organic food certificates issued by organizations in China, the US, Europe and Japan in the past four years, according to Yang.

But the reappearance of the Sanlu brand has raised concerns about whether the brand could win back trust from consumers.

"The company (Zhejiang Sanlu) took a big risk in remodeling this brand, as the brand already has been labeled as 'unsafe' among consumers due to the tainted-milk scandal," Li Zhiqi, chairman of Beijing Zhiqi Weilai Marketing and Consultancy Co, was quoted by Beijing Times newspaper as saying Thursday.

"It will cost much for the company to redeem the reputation of the Sanlu brand," said Li.

## Cookiemaker Announces Plans to Roll into Smaller Cities

Illinois-based food company Mondelez International Inc is exploring new ways to reach customers in third- and fourth-tier cities in China to combat slowing growth in the market.

Wang Haiyan, Mondelez's Asia Pacific and China biscuit category leader, said the company has expanded to second- and third-tier cities in recent years, to venues including hypermarkets as well as local convenience stores and community shops.

"We hope no matter how remote the place is, if there is an option, consumers will find our products," she said.

Despite weak growth in the biscuit or cookie market in the nation last year - which some say was affected by the government's austerity campaign as well as the economic slowdown - Wang says China holds immense potential as a



But Yang of Zhejiang Sanlu said that they are still optimistic about the brand value for Sanlu.

The "Sanlu" brand used to be worth 14.9 billion yuan in 2006, the China Brand Asset Evaluation Center was quoted by Xinhua as saying in 2009.

Yang also confessed that some consumers did query the relationship between Sanlu organic grain food and Sanlu milk power, and have concerns about whether they are safe to eat.

"We have been informing them that our Sanlu organic grain food has obtained authoritative certificates, and also Zhejiang Sanlu has no relationship with the previous dairy company, except for the brand name," Yang noted. (Source: Global Times)

market.

China's average consumption of cookies, as biscuits are alternately known, is currently one-fifth or fourth of that of developed countries, indicating much room for market development, Wang said.

Mondelez, a global snacking company with 2013 revenues of \$35 billion and brands that include Nabisco, maker of Oreos, and chocolatier Cadbury, has seen revenues in emerging markets increase by nearly 9 percent.

China was up slightly, reflecting weak cookie results offset by strong performance in gum.

The power brands decreased 5.6 percent primarily due to Oreo cookies in China.

Mondelez's household penetration in major cities is about 70 percent, though lower in smaller cities, with 62 percent in third-tier cities and 58 percent fourth-and fifth-tier cities, which highlights the opportunities for the snackmaker to reach more consumers in the lower-tier cities, said Jason Yu, general manager of Kantar Worldpanel, the international consumer survey company. (Source: China Daily)



## Buyer Beware

A campaign by online marketplace taobao.com to crack down on fraudulent practices has sparked anger among some vendors.

Hua Lizi, who runs a store selling cosmetics and jewelry on the website, said 47 out of her 50 products were taken down by Taobao last week.

"I have lost a lot of money because of this," said Hua, who is based in Beijing. "I still have plenty of inventory but now I may have to throw it away."

Hua was just one of hundreds of small business owners who have seen their products being taken down by taobao.com, which launched a campaign in November to crack down on shop owners who fake sales records in order to boost their rating and attract customers.

"Curtailing fraudulent credit ratings, fake products and intellectual property rights infringement is the bottom line of Taobao Marketplace's ecosystem," the company said in a note e-mailed to the Global Times Monday. "We want to give honest shop owners a fair competitive environment."

Consumer-to-consumer website taobao.com is one of the largest online marketplaces in China, but it has suffered accusations in recent years that many of the products sold on it are fake.

This is one of the reasons why its parent company, Alibaba Group, in 2008 launched business-to-consumer website tmall.com, an e-commerce website for registered businesses, which theoretically offers lower risks of buying fake goods.

Since then, many shoppers have turned to tmall.com, even though prices on it are usually slightly higher, leaving vendors on taobao.com trying different ways to earn high credit ratings so as to win customers back. One of the methods that has been widely used is manipulating their sales records.

"Cheating on the credit rating is necessary for us to survive," said Hua, who admitted that some of her sales figures had been fabricated.

"When everybody is hyping the number of sales and positive reviews, you will be at a disadvantage if you don't," she said.

Taobao grants the shops "hearts", "diamonds" and "crowns" to represent an ascending order of credit ratings, based on the number of positive reviews the stores have earned and how many products have been sold.

A store's credit rating can have a significant effect on its sales, since shoppers often consider the rating to be aligned with the quality of the products being sold.

A store's credit rating is also connected with how high it can be placed when a shopper searches for a product online, Lu Zhenwang, founder of Shanghai Wanqing Consulting Group, told the Global Times Monday.

"Tmall.com stores usually come first in the search results. Then there are taobao.com shops with a large number of positive reviews and high sales figures," Lu said. "That motivated some shop owners to fabricate their sales records."



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Fabrication of credit ratings is assisted by organizations that specialize in boosting sales figures. A member of the customer service staff surnamed Su at such an organization, called Crown Studio, told the Global Times Monday that for a fee of about 10 yuan (\$1.65) her company will make three fraudulent purchase orders.

"We usually buy a certain number of a designated product at our client's shop. The client then pays the money back to us immediately without mailing the goods. And we then give high ratings and positive reviews for the product," Su said.

"We know that taobao.com is cracking down on credit hyping, but if you falsify only a few orders each day, you will not be caught," she noted.

The rampant manipulation of credit ratings is "directly threatening" the shopping environment that Taobao has created for its customers, the company said in the note. The firm has started monitoring some stores and also organizations that assist with boosting credit records, the note said.

The firm declined to disclose how many shop owners it has found to be fabricating sales records and how many products it has taken down.

After the products are taken down, shop owners can either put them back up without any previous ratings and reviews, or file an application to taobao.com to prove that their transactions were legitimate.

Lu said that although Taobao's campaign will hurt some vendors, it is necessary and will benefit both shop owners and customers in the long run.

"Many store owners have relied on fabricating sales records to attract shoppers for years. Now they are being forced to upgrade the quality of their products or they will be out of the game," Lu said.



"The campaign is also necessary for taobao.com, which is losing customers to jd.com and other e-commerce platforms."

Although the campaign was initiated with good intentions, it has triggered anger and vengeful actions from some shop owners.

According to a Legal Daily newspaper report published Sunday, a group of taobao.com store owners went onto tmall.com shops such as Japanese fashion brand Uniqlo and ordered a large number of products to make them go out of stock, and then didn't pay for them.

There have also been accusations that the campaign has made mistakes that have resulted in unfair treatment for some business owners.

Xi Shiyun, who owns an online shop selling Tieguanyin tea, said she was furious when Taobao took down 12 of her bestselling products last week.

"I was shocked and irritated," Xi, a resident of East China's Fujian Province, told the Global Times Monday. "Taobao said it took off the products

because I conducted 'fraudulent transactions,' but all my deals were done in a legitimate way."

Xi said taobao.com grew suspicious after a returning customer bought 20 kilograms of a high-end tea at 399 yuan per kilogram before this year's Spring Festival.

"I can only get 10 orders in a good day. I earned my high ratings by ensuring the quality of my tea and keeping good relationships with my returning customers," she said. "Now taobao.com ripped my ratings away and I have to start all over again."

Taobao is dealing with complaints from shop owners, who will be allowed to get back the previous ratings and reviews for removed products if their application is approved.

But Xi said she is not filing a complaint, as she is worried that taobao.com might punish her further if it does not accept her complaint.

Hua, meanwhile, said she is already turning to other new products. (Source: Global Times)

## **Smartphones and Social Media Power China's E-Shopping Revolution**

When twenty-something marketing assistant Li Hui needed to find a dress to wear to her sister's wedding in Jiangjiakou last summer, she looked online. Although shopping malls and bridal boutiques are plentiful in Beijing, where she lives, Li says that shopping online is "faster and more convenient" and offers a wider selection. And it's easier to compare prices online.

Li's affinity for e-tailing is hardly unique in China, where three-quarters of online shoppers make purchases at least weekly, according to a new survey by PricewaterhouseCoopers. And mobile is king. Of those online shoppers, 77 percent made at least some of their purchases online using smartphones.

Meanwhile, social media is increasingly an important force for defining taste and driving purchases in China (even as government censorship limits online political discussion). Eighty-six percent

of survey respondents in China told PWC that they use social media platforms, such as Tencent's Weixin (WeChat), to collect information about brands or to make purchases directly.

China's new middle class has shown greater eagerness to shop online than consumers in all other countries surveyed. In the U.S., just a quarter of online shoppers make weekly purchases, and only 29 percent shop using their mobile phones. While the U.S. is home to social-media powerhouses Facebook and Twitter, just 29 percent of American online shoppers told PWC that they gather brand information or make purchases through social media platforms.

In addition to China, a preference for e-shopping on mobile devices is evident in other developing countries, where many consumers who never owned desktop computers now have smartphones. According to PWC, 69 percent of India's online shoppers make purchases using their mobile phones. So do 49 percent of South Africa's online shoppers.

In China, Alibaba's Taobao.com is the single largest platform for consumers looking for anything from sunglasses to wedding dresses. Alibaba also allows small businesses to set up their own online stores through Taobao—a service now utilized by urban and rural entrepreneurs alike to find new customers.

As of December 2013, more than 2 million Taobao stores were registered to rural IP addresses in China. One example is an online store selling "naturally grown" fruits and vegetables from the tiny hamlet of Bishan in Anhui province to health-conscious urban consumers. Village officials promote seasonal selections online using Sina Weibo, China's Twitter. (Source: Bloomberg)

## **Shopper and Alipay join Forces to Serve Chinese Consumers**

Shopping for goods in the U.S, is about to become a whole lot easier for Chinese consumers, as Alibaba has announced that starting this summer it will

combine with ShopRunner Inc. to allow them to shop on the Web directly from U.S. retailers who otherwise have a difficult time reaching the ever expanding Chinese eCommerce market.

The team up will allow the approximately 300 million consumers already enrolled with Alipay–Alibaba’s payments arm– to purchase goods from U.S. retailers already affiliated with ShopRunner. The company further guarantees delivery to China within 10 business days.

The new platform gives consumers a new way to access coveted U.S. goods, especially from retailers who are hesitant to set up shop in one of Alibaba’s three main marketplaces.

Retailers, particularly luxury and health and beauty brands, are deeply concerned with their reputation,” said Fiona Dias, chief strategy officer for ShopRunner told The Wall Street Journal. “This partnership with Alibaba ensures that Chinese consumers know that what they are getting is authentic and comes at the same price as what Americans are paying.”

While some will be surprised by this development, particularly those who derided ShopRunner as an alternate version of Amazon Prime, Karen Webster won’t be. She predicted this move to reach Chinese consumers when Alibaba first announced its investment in ShopRunner several months ago. (Source: [pymnts.com](http://pymnts.com))

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