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Trans-border E-commerce Exposes Problems

In the past two years, China's trans-border e-commerce has developed rapidly, and the national regulators have also designated five cities as pilot cities to promote trans-border e-commerce industry. But still this market is quite problematic.

The outstanding problems include foreign milk powder products which plan to sell in the local market lack for approval by the national authorities, and companies sold across borders often lack for sales approvals from the related companies. The channels for the companies to get into China are often in the gray area. It is also hard to guarantee that the goods imported are not fakes.

“Almost 99% of companies are not able to obtain all the official certificate asked by the authority for imported goods, especially for food and beverages,” said an industry people.

Song Liang, an expert of milk powder, said that the national regulator pays a lot of attention to the issues concerning imported goods. “A draft on milk powders sold on trans-border e-commerce platforms will be released next year,” said Mr. Song. (Source: ce.cn)

Tianjin Held Practice on Food Safety Emergency

CFDA and the local government of Tianjin co-held a practice to tackle with food emergency earlier this month, as part of the local governments' efforts to improve local food safety management.

The practice includes a simulating exercise at a local large-scale



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expo when many staffs are food poisoned. The expo's director reported this case to related regulators in time, and the inspectors checked the food menu and the sales channels of food involved.

The inspectors also recalled the batch of shrimp which was found to be problematic, and launched a special medical team to help victims. A press team was also set up to release information about this emergency in time. (Source: Tianjin.gov)

Goat Milk Found to be Substandard

The state food and drug regulators released a notice recently on the inspection result of infant formula products.

The inspection covered 513 batches of domestic products, and 12 of them are found to be problematic. 9 batches of them are goat milk.

The inspection also covered 120 batches of imported milk. None of them are found to be substandard.

The national authority launched this inspection from July to September. Products from 93 companies are checked.

CFDA has requested local food and drug regulators, including those in Shanxi, Henan, Heilongjiang and Henan province, to investigate into related cases. (Source: Southern Daily)

China Plans Tighter E-commerce Checks to Tackle Shoddy Goods

China will ramp up inspections of goods bought online, a regulator said on Tuesday, seeking to root out low-quality goods that have plagued firms like Alibaba Group Holding Ltd as well as the country's broader image.

The State Administration for Industry and Commerce (SAIC) plans to step up random quality checks for goods bought online, according to a statement on the regulator's website. The SAIC will take into account consumer reports, and press for cooperation

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Companies like Alibaba, rival JD.com Inc and a plethora of others have been called out by China's regulators for enabling the sale of low-quality goods as well as counterfeit products. But authorities are also keen to shake off China's broader reputation as a market plagued by consumer safety scares and rampant intellectual property infringement.

The issue has affected e-commerce leader Alibaba in particular. China's biggest Internet company has feuded in the past with the SAIC over the dubious nature of goods sold on the firm's platforms, with Alibaba's shares tumbling after one unusually public spat earlier this year.

Merchants found to be selling goods that don't meet the regulator's standards will be made to stop sales, the SAIC said. The e-commerce platforms on which they operate will also bear responsibility for removing the products, it said.

Platforms that don't cooperate will have the matter referred to their local regulator, according to the SAIC.

"Anything that protects Chinese consumers is good news," said a Beijing-based spokesman for JD.com, the country's second-biggest e-commerce firm.

An Alibaba spokeswoman said the company welcomes "any regulations that promote the healthy development of e-commerce in China."

Earlier this month, China's cabinet said it planned to eradicate intellectual property rights infringement on the Internet within three years. (Source: Reuters)

Chinese Online Healthcare Market Worth 17b Yuan

China's online healthcare market is estimated to be worth 17 billion yuan (\$2.7 billion) this year, an industry report said Tuesday.



Last year, it was worth 10.9 billion yuan, indicating strong growth momentum, according to iResearch.

Medical and healthcare services are not evenly distributed in China, with 80 percent of them in big cities. Hospitals in Beijing, Shanghai and Guangzhou are notoriously crowded as patients across the country swarm to visit experienced doctors.

Companies such as Spring Rain and Kingdee are wading into the online market to make health care more accessible. Kingdee launched "M-health", (or Mobile Internet Health) last year and forged a partnership with 160 hospitals by August.

"Within a year since we went online, we have had

more than 1.3 million subscribers and served more than 100 million patients. The number of transactions on the platform hit more than 2.5 million," said Chen Dengkun, general manager of Kingdee Healthcare and Medical Software Technology Co Ltd.

Online healthcare will become more popular due to good service and convenience, said Zhang Rui, CEO of Spring Rain. (Source: China Daily)

Medical Tourism Draws China's Interest, Funds

Foreign government officials are visiting China in growing numbers to tout their medical tourism sectors as the industry becomes a hotspot for overseas investment from the nation.

Paul R. LePage, governor of the US state of Maine, told the Global Times on Saturday that his government welcomes more investment from China, including medical tourism, although education, aviation and manufacturing have been the top three sectors for Chinese investment there so far.

He made the comment at an investment forum in Beijing, noting that Maine has strong research and development institutions such as Jackson Laboratories and the Foundation for Blood Research, and the region has a wealth of forest reserves and an advanced biotechnology sector. All of these are attractive to wellness tourists, he noted.

According to speakers at the forum, a joint project co-developed by the Beijing-based Seven Ocean Investment Ltd and the Central Maine Medical Center in Maine has started a project in the state, and it is expected to come into operation within two years.

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Peter E. Chalke, president and CEO of Central Maine Healthcare, told the Global Times on Saturday that the project will introduce Chinese medical treatments to better serve clients.

Wellness travel has become popular in recent years. The Chinese Luxury Traveler 2015 report released in June by Hurun, which conducts research into affluent households, said 60 percent of wealthy Chinese males have traveled for medical treatment and nearly 60 percent of the nation's billionaires prefer the hospitals overseas.

A report released by Stanford Research Institute International and the Global Wellness Institute last year estimated that global spending on health tourism reached \$438.6 billion in 2013. (Source: Global Times)

Health Authority to Promote App-Based Service

China's National Health and Family Planning Commission has partnered with Beijing-headquartered mobile health company Chunyu to launch an app-based diabetic management program, demonstrating the health authority's intention to promote the new model of medical service delivery.

The app helps monitor patients in real time, searching for personalized treatment and providing follow-up services, according to Fan Jing, vice president of Chunyu at the Future Technology Summit held by NetEase.

China has more than 110 million people suffering from diabetes, official statistics show. Among adults, more than 11 percent have the condition but many remain undiagnosed or have their blood sugar level poorly controlled.

"The latest program highlighting the use of a diabetes management app would involve more family practitioners from grassroots clinics and improve people's access to diagnosis and long term care," he said.

For intervention of chronic diseases, mobile health tools enhance efficiency, optimize limited resources and reduce costs, he added. (Source: China Daily)

Zoetis To Tap into China's Animal Health Market

Zoetis, the world's largest producer of medicine and vaccinations for pets and livestock, recently announced the completion of a new plant in China's Suzhou and a R&D lab in Beijing. The new plant will add 30% of production capacity to the company.

"The new production facility will produce about 10,000 tons of products each year, which will not only meet the local demand, but will also use for export," said Roman Trawicki, President of its Global Manufacturing and Supply organization. (Source: huanqiu.com)

Rare Store Sales Data Highlights Wal-Mart's China Challenge



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A rare glimpse at figures for a number of Wal-Mart Stores Inc's China outlets shows sales slid 6 percent last year, casting a shadow over the firm's target for China to account for a quarter of its global retail growth over the next five years.

The U.S. retail giant doesn't break out its China store sales, but a local joint venture partner submitted filings with the data to a Chinese asset exchange platform as part of a planned sale of minority stakes in 21 Walmart stores. Wal-Mart had 415 China stores at the end of August.

Combined revenue at those 21 stores fell 6 percent to 26.6 billion yuan (\$4.2 billion), the data show, illustrating Wal-Mart's challenge to drive sales growth in the world's second-largest economy, where retailers are under pressure from a cooling economy and the rise of shopping online.

International firms from luxury brands such as LVMH and Burberry to global auto makers, are feeling the pinch as China's consumers tighten their belts.

The data, released in filings from a unit of state-backed conglomerate China Resources Corp (CRC), show no obvious single factor impacting performance at the stores, which vary in size and age. The 21 stores, located across China from Beijing to far-western Sichuan, employ some 30,000 staff, including more than 20,000 at a single outlet in the southern city of Shenzhen. Wal-Mart says it has more than 100,000 employees in China.

Wal-Mart CEO Doug McMillon this week acknowledged China was a "bit tough", but the world's largest retailer by revenue maintains that in the long-term China is an "exciting, dynamic, large and competitive market".

"As the middle class continues to grow we see an incredible opportunity and we have been putting

the pieces in place," McMillon said on an investor call on Wednesday.

Wal-Mart plans to grow its China footprint by nearly a third with around 115 new stores to open by 2017.

In August, Wal-Mart said comparative sales in China dipped 1.4 pct in May-July.

To be sure, the Chinese filings provide only a temperature check on part of Wal-Mart's China business, but analysts said the stores' combined sales slide was still a worrying sign. The filings, posted on the Shanghai United Assets and Equity Exchange, show 18 of the 21 stores saw sales decline last year.

"If on average across these 21 stores there's a 6 percent drop, that's more than you'd expect," said Torsten Stocker, Hong Kong-based retail analyst with AT Kearney. "They've previously never really released China-specific data so it may well be concerning them. If I was in their shoes I'd be a bit worried."

He noted the data covers only a small selection of Wal-Mart's China stores, adding: "It fits the story that the last couple of years have been pretty tough. It's still a very difficult environment for foreign retailers."

A Wal-Mart spokeswoman declined to comment beyond an earlier statement saying the firm respected the "investment decision" of its joint venture partner. China Resources, which is seeking more than \$500 million for the stake in the stores, did not respond to queries about why it was looking to sell, though it does have other retail interests including a venture with Britain's Tesco PLC .

Bentonville, Arkansas-based Wal-Mart slashed its global outlook on Wednesday for the next fiscal



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year, sparking the steepest one-day drop in the company's shares in a quarter of a century.

The China filings show debt levels at the 21 stores have also risen, with total liabilities equal to around 80 percent of total assets as of end-May, up from 76 percent in 2013. Profits and margins, however, improved over that period, signaling a successful drive to rein in costs.

China's food retail market has been cooling, while local rivals have eaten away at international firms' market share, according to market research firm CTR China. The market grew at 3.4 percent in the second quarter, down from closer to 10 percent in early 2013.

This has seen Wal-Mart, France's Carrefour (CARR.PA) and Tesco all see sales growth slip, with average same-store sales growth dropping into negative territory last year, according to consultancy OC&C.

"The ability of Western retailers to really compete in China isn't going to get any easier. Some advantages they had for a number of years - branding, supply chain, back office - the local guys are catching up on that," said AT Kearney's Stocker.

Wal-Mart has been beefing up its online presence in China to counter slowing growth offline, buying out e-commerce firm Yihaodian.com in July. (Source: Reuters)

Chinese Play Growing Part in Online Shopping

Foreign brands and retailers are ready for another Chinese "Duo Shou Day", which translates into one's hands being chopped because of an inability to refrain from online shopping.

Rewarded with good revenue on Singles Day on Nov 11, many international merchants are hoping to attract more Chinese online shoppers on Black Friday, the day-after-Thanksgiving shopping spree.

"Singles Day was very strong for us in both traffic

and conversion," said Kent Helbig, chief technology officer for Ashford.com, a retailer based in Brooklyn, New York. "We are continuing this strong partnership and cooperation with Alipay into Black Friday, with even more aggressive offers for our Chinese audience."

Ashford CEO Mozes Hoch said that Chinese shoppers are better customers than Americans for their business, which focuses on reselling luxury watches.



The company started its collaboration with Alipay ePass last year, and Hock said that with the added Alipay payment option to its website and fast logistics network provided by Alibaba Group Holding Ltd, their connection to China has been brought to a different level.

"I was walking or using a bicycle," he said. "Alipay brought us on a private plane to China. A 747."

Ashford has been in China for two and a half years and now gets 40 percent of its transactions from IP addresses in China. That number is expected to keep growing.

Two of its men's Swiss watches, 50 percent off and 60 percent off, made to the top 10 of Alipay's Black Friday deals among fashion goods from major department stores, including Saks Fifth Avenue, Neiman Marcus and Bloomingdale's.

"With the knowledge of the size of China's e-

commerce market and particularly after learning about Alibaba and Singles Day, most of the US and European brands and merchants are fully recognizing the potential of reaching China's market via e-commerce," said Jonathan Li, co-founder of Silicon Valley-based BorderX Lab, which provides Western brands with advertising channels to increase their presence and sales in the Chinese market.

After talking with more than 200 merchants, he concluded that many have tapped into China's market through cross-border sales.

"Some also start getting on Tmall or JD for China entry. Thirdly, they start to make use of China social media such as Weibo and Wechat," he said.

Luxury fashion brand Oscar de la Renta has recently joined Alipay ePass. Seattle-based jewelry retailer Blue Nile also has joined Tmall.

"For many years, Black Friday was a US-focused shopping event. Last year, we saw increased interest from customers in other parts of the world," said Jon Sainsbury, president of international for Blue Nile.

"This year, we anticipate further globalization of Black Friday and customers shopping Blue Nile from around the world, especially from China," he said.

Smaller and younger fashion boutiques also have

their eyes on China. British designer brand Charlotte Olympia discovered last year that Chinese customers love the products, said Bruno Oghittu, e-commerce director.

For Black Friday, the brand created a free-shipping promotional code specifically for China, posted on Dealmoon, a popular deal site with the Chinese consumers.

"There are a few classic styles that are really popular," said Bruno. "But Chinese girls are definitely some fashionistas. They also love fashion styles a little bit 'crazy'."

To serve its customers better during the holiday season, Ashford now has 25 customer service representatives who speak Mandarin or Cantonese.

"Chinese customers want to be treated respectfully when they are making a high-end purchase," Hoch said. "They want to have a person to talk to." (Source: China Daily)

China Updates is published weekly by the U.S. – China Health Products Association, a non-profit organization dedicated to the promotion of dietary supplements and nutritional ingredients. The association's major focus is the continued development of China's overall natural health product industry as well as offer business services to its global members.

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