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INSIDE THIS ISSUE

China's New Regulations for Supplements Explored at Expo West

CFDA Released Notice on Health Food Naming

Chinese Consumers of Health Product Getting Younger

Over 30% of Health Products Over-packaged

Nutritionist to Become a Popular Job

Wine Firms Must Adapt to Savvier Consumers

Metrosexuals Spawn a \$1b Cosmetics Market in China



China's New Regulations for Supplements Explored at Expo West

Anaheim, CA - Join Jeff Crowther from U.S.-China Health Products Association and special guest Daniel Yiu from Alibaba for an in-depth look at China's dietary supplement industry including updates on the new regulatory changes, market environment and a review of China's booming cross border e-commerce. This event is free to attendees of Expo West / Engredea

March 11, 2016 4:00 – 5:00pm

Anaheim Marriott - Platinum Ballroom 3

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CFDA Released Notice on Health Food Naming

To better regulate health food, the state regulator of food and drug recently released a document on health food naming.

The notice requires local regulators to strict follow relevant regulations on health food naming. Starting from the coming May, the name of health food should not include any description about product function, including improving immunity, or any other descriptions that might mislead consumers.

Additional regulations will come out later to address names that



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include similar wording or sound of health product function.

Companies can put on the original product name on the product package after they change the name and get official approval. The text size of original product name should not be bigger than half the size of the new name. The expiration period stated on the product should not be longer than that of original product.

Starting from 2017, product companies should not put on the original name on their products.

Local regulators should step up regulations on health product sales. (Source: CFDA)

Chinese Consumers of Health Product Getting Younger

Thanks to the rise of e-commerce and change in strategy of health companies, an increasing number of younger people are buying health products.

Chinese people used to think that they don't need doctors until they are sick, but now they understand that they need to take positive measures to prevent disease, a change that benefits the development health product market.

The overseas health products are developing sales channels in China and promoting their brands as a necessary nutrition supplier to families, instead of only targeting at patients or senior citizens.

According to a recent survey about consumption on imported goods, Chinese consumers have increased their spending on maternity products and well as other health products. In Tmall international, health products have been one of the most popular goods that are favored by local consumers.

It also shows that females have become the major contributing force of health consumption. Those female consumers who are between the age of 22 to 50 years old have contributed 60% of health food sales online. (Source: money.china.com)

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Over 30% of Health Products Over-packaged

According to market regulators of Shanghai, over 30% of health food that they inspected recently were spotted to be over-packaged.

The recent inspection covered 70 batches of health food, and the problematic health food included big names like By-Health.



Industry people argued that in the food industry, over-package is a serious problem. Among the 3 million tons of garbage in Beijing every year, 830,000 tons of them are found to be product packages. 600,000 tons of them were from over-packaged products.

According to national regulation, packages of food and cosmetics should be no more than three layers, and the packaging cost should be no more than 15% of the product's selling price. (Source: South Daily)

Nutritionist to Become a Popular Job

In a recent press conference of State Council, Wang Longde, deputy minister of Health, said that all collective food providers should have nutritionists, and the relevant regulation system has been mapped out.

"In the future, all kindergartens, hospitals, schools, restaurant and cafeterias of workplace should have nutritionists," reads an upcoming regulation on public nutrition.

A report by the national broadcaster CCTV said that China desperately needs nutritionist. Currently China has less than 4000 professional nutritionists now and in need of another 5 million.

Last October, nutritionist was listed by the national labor and civil service department as one of the eleven new professions, which will be very popular in the next three to five years.

In a certain big cities include Beijing, Shanghai and Shenzhen, an intermediary level of nutritionist can earn 150,000 to 200,000 yuan per year. (Source:sohu.com)



Wine Firms Must Adapt to Savvier Consumers

ASC Fine Wines, the biggest China-based wine importer, recently closed its Wine Residence private members' club in Shanghai, following its closure of the Beijing Wine Residence in September 2014. The facilities offered retail, tasting, and dining services to its high-net-worth private and corporate clients, with membership fees ranging from \$12,000 to \$24,000 per year. ASC's closure of its Shanghai club shows imported high-end wines, especially those from Old World winemakers such as France, are facing a hard time in China.

Some analysts have blamed China's economic slowdown and the ongoing government anti-extravagance campaign for the plight of high-end wine importers. But is this justified? Mid-market wine producers have responded quickly to market trends and manage to sell well in China through expanding their sales channels across the country, indicating that high-end foreign wine brands need to adjust their localization strategies in order to survive.

The Chinese wine market is currently too saturated after a raft of producers and importers rushed in, hoping to cash in on China's 78 billion yuan (\$12.3 billion) retail market.

But after several years of double-digit growth in wine consumption, Chinese consumers' appetites have started to shift away from Old World high-end vineyards toward more diversified and lower-priced options. Image-hunting is not the biggest concern any more as consumers have grown more price-sensitive.

Alternative purchasing channels have also reshaped the market. On the Internet scene, e-commerce has become an indispensable channel for expanding

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distribution and increasing brand awareness, especially for consumers in smaller cities. Foreign retailers and importers are also increasingly leveraging social media platforms such as WeChat and Weibo to reach consumers and ensure social media engagement.



On the off-line side, wine associations, especially those from New World countries, are opening more offices and launching more retail promotions, consumer fairs, trade shows, tasting roadshows and other similar activities in China's major cities.

The change in China's wine industry landscape has seen the previously untouchable position of Bordeaux and Burgundy vintages being neutralized, with Chinese wine consumers becoming more attentive to the price-quality ratio and more knowledgeable about the myriad varieties of wines produced globally.

Mid-market wine producers from the New World - countries such as the US, Australia, New Zealand, and Chile - have also proved to be more market savvy. For instance, Australia's largest winemaker, Treasury Wine Estates, which represents leading brands such as Wolf Blass, Penfolds and Beringer, has recently announced a partnership with NBA China, the basketball league's Chinese arm.

It has also signed distribution deals with online retailers in China such as Tmall, JD.com Inc, and

wangjiu.com.

And the newly signed China-Australia Free Trade Agreement (FTA) is only expected to add a positive bounce to the already promising sales of Australian wines in China.

Since the signing of the New Zealand-China FTA in 2008, New Zealand's wine exports to China have increased dramatically - from NZ\$2.1 million (\$1.37 million) in 2007 to NZ\$27.1 million in 2015.

Meanwhile, Chile has become the third-largest exporter of wines to China after France and Italy. Chilean winemakers have also been doing their best to build sales networks. Brands such as Concha y Toro have gained widespread consumer recognition, and the volume of their wines exported to China has seen steady growth in the past few years.

The US is also fighting to secure its slice of the pie. The opening of the Robert Mondavi wines exclusive flagship store on Tmall marked the determination of American wine producers to solidify their China presence.



Therefore, it seems that the Chinese government's austerity measures and recent economic slowdown have actually coincided with an increase in



opportunities, at least for New World wines. This means importers of high-end wines from the Old World should focus their attention and resources on portfolio optimization as well as e-commerce platform construction and expansion into smaller cities. Nurturing China's growing wine consumption is not about selling expensive wines based on brand value and prestige any more.

Introducing a kaleidoscope of global wine cultures to Chinese consumers seems to offer a more promising path forward. (Source: Global Times)

Metrosexuals Spawn a \$1b Cosmetics Market in China

At the luxury Truefitt & Hill gentlemen barbershop and grooming salon located in the Yintai Centre in Beijing's financial district of Guomao, a Chinese barber with a pencil-style moustache patiently waits for local businessmen to finish work and sit in his chair.

The Beijing franchise, part of the world's oldest gentlemen barbershop brand, opened last year in the Chinese capital with a focus on the barber's chair and facial care.

The British retro-looking barbershop offers a wide variety of grooming services specifically designed for men, including manicure, skin nourishing and anti-hair loss treatments.

Nonetheless, the most sought-after service is the traditional hot towel wet shave with a face massage available for 300 yuan (\$47). "Chinese men are increasingly interested in looking good", explained Zhu Liya, general manager of the Truefitt & Hill Beijing branch. "More and more men are now spending money for personal grooming services".



Although the metrosexual phenomenon, which implies men spending heavily on grooming products, is still stronger in countries like South Korea and Japan, the interest among Chinese men in personal care services has been growing rapidly.

Facial skin care is the men's grooming category that is experiencing the most dynamic growth in China, with beauty products for men quickly rising in popularity.

"China is becoming the world's largest market for men's skin care products", said Neil Wang, global partner and president at consulting firm Frost and Sullivan China. "The market size is over \$1 billion, followed by South Korea with total sales value of about \$0.7 billion".

The size of the male facial skin care market in China is projected to reach 11.5 billion yuan (\$1.85 billion) by 2020 from 7.3 billion yuan (\$1.14 billion) in 2014, according to market research firm Mintel Group Ltd.

"More than 80 percent of the Chinese men hold an opinion that skin care is important," said Wang from Frost and Sullivan. "They are willing to spend about 25 minutes every day on skin care products on average".



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Driving the increasing consumption of male cosmetics is the widespread belief in China that looking good plays an important part in succeeding socially and professionally.

Ding Chen, a 30-year-old businessman who spends up to 600 yuan every two months on personal care, particularly on moisturizers, cleansers and cologne, said: "Men spend money on beauty products for improving self-confidence, attracting women and building a better self image. After all, good first impressions can make a big difference."

That is also an opportunity for foreign brands, which currently take 76.6 percent share of the men's grooming market in China, to launch beauty products for appearance-conscious consumers.

Satoshi Hirota, a press representative of Japanese cosmetics manufacturer Shiseido Company Ltd, said: "We anticipate huge growth potential in the male beauty market as more and more men are paying attention to their appearance. This year, sales of Shiseido Men's lotion and emulsion in China rose by more than 10 percent from the levels in 2014".

Shiseido, which developed the Aupres Mens beauty line exclusively for the Chinese market back in 1994, expects the men's skin care market in the country to maintain a growth momentum of over 10 percent in 2016. The company is also using the boom in men's beauty products as an opportunity to boost spending in China.

"We cannot reveal the exact amount but we are planning to invest more for expanding points of contact with consumers," said Hirota.

Germany's Beiersdorf AG sees huge potential in online sales for its Nivea beauty brand in China due to a change in the younger generation's shopping behavior.

Online sales in the men's grooming market in China currently account for 40 percent of total sales, according to US-based information provider Nielsen Holdings NV.

Inken Hollmann-Peters, vice-president of Corporate Communications at Beiersdorf, said: "Unlike five years ago when hypermarket and supermarket channels were still dominant, now more men choose to shop from online or cosmetic stores. We estimate a growth (in the men's grooming market in China) of around 15 percent or more from 2015 to 2020 for both online and offline channels."

United States-based Procter & Gamble Co, manufacturer of Gillette razors and the Olay Mens Solutions skin care brand, agrees that most men are moving from offline to online channels to purchase grooming products.

Erica Li, a press representative at P&G said: "They even use e-commerce search as the first step to gain product knowledge."

Increasing disposable income and the desire for a better lifestyle are some of the factors that are expected to keep driving the industry in the coming years, with men being increasingly adventurous with high-end beauty products that go beyond the most basic needs.



Chen Wenwen, a senior beauty analyst at Mintel, said: "There is still huge potential in the men's grooming market in China as customers move on to pricier categories, particularly eye care, serum, or facial cream products with makeup benefits." (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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