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Swisse Partners With Vipshop

Australian leading health brand Swisse announced last month that it teamed up with Tmall International to tap into Chinese market officially. Recently, it also announced that it has signed a contract with Vipshop, another major high-end e-commerce platform based in Guangzhou to promote this brand in China.

Vipshop has become one major Chinese strategic partner for Swisse.

Swisse has become the best-selling health brand in Tmall International three months after the brand set up a store on this online platform. （Source: sohu）

Shanghai Cracked Fake Milk Powder Case

Regulators with Shanghai public security have cracked a fake infant formula case with over 17,000 bottles of milk powder involved.

These milk products were sold to vendors in several cities across the country.

The local regulators have arrested six suspects so far. Food and drug regulators in Shanghai said in its official Weibo account that the authority is assisting public security regulators to track down the fake products, especially those sold online, and will punish illegal product vendors seriously.

The State Food and Drug regulators earlier said that the food safety office of the State Council has dispatched some inspectors to Shanghai to monitor the local inspection. The latest result shows that the fake products they seized are found to meet the national standard and have no safety risk.

CFDA required that all online platforms and other third-party sales platforms should operate based on laws.

Spokesman of CFDA reminds the local consumers to buy products via legal platoforms. (Source: sohu,com)

Health Wine Industry Developed Sustainably

With the rise of living standard, Chinese consumers are raising awareness towards health. The current market value of China's health wine market is less than 0.5% of baijiu, a strong traditional liquor, which means that the development potential of health wine is big.

"The era when the high-end white wine can gross a lot of money in a short time has passed, now it is time to develop the health industry in a healthy way," said Tie Li, a wine industry expert.

The real health wines are usually produced by fermented traditional Chinese medicine with a series of complicated procedures.

"No matter it is health food or ordinary food, it is forbidden to add in elements of western medicine," said Wang Zhong, deputy secretary in general of China Health Association.

Experts say that a national standard that targets at health wine is to be rolled out. (Source: Chongqing Morning Daily)

Doctors' Company 'Raises Tens of Millions of Yuan for Clinics'

The head of the country's only company comprised of independent private physicians says that the tens of millions of yuan it recently raised from investors will be spent on outpatient surgery clinics.

Zhang Qiang, the founder of Dr. Smile Medical Group, a Shanghai-based company, told Caixin on April 4 that the firm recently completed a round of financing.

He declined to provide details about the investors and the exact amount the company received.

Most doctors in China are contractually bound to a single hospital. While the public hospital system offers job security and benefits, it prohibits doctors from practicing in more than one place, which would allow them to supplement their incomes.

This has been changing since 2009, when the government changed its rules to let doctors practice at multiple places. More than 50 doctor groups have emerged since the policy change, and some 10,000 physicians employed by public hospitals have joined them. The groups introduce the physicians to medical institutions where they can provide services and earn extra money.

Zhang, a well-known vascular surgeon and a former department head of a public hospital in Shanghai, quit his job in 2012 and started Dr. Smile in July 2014.

Most Chinese doctors attached to the physicians groups only work after their regular jobs, keeping their posts at public hospitals, but doctors at Dr. Smile are entirely on their own.

The group has more than 20 medical workers on nine teams, each with different specialties, Zhang said.

Zhao Heng, the founder of Latitude Health which provides consulting services for medical investors, said Dr. Smile will face obstacles attracting more doctors willing to leave stable jobs at public hospitals.

Working outside the system also means a lack of protection from public hospitals because medical liability insurance is carried by medical institutions rather than doctors, Zhao said.

Dr. Smile got 50 million yuan from investors in June, Zhang told Caixin back then, but that funding fell through. Zhang said this was because his company made a "strategic adjustment" and the investors "happened to encounter difficulties."

The firm plans to hold another round of fundraising early next year, he said.（Source: Caixin）

Yunnan To Improve Cross-Border Trade, Industry

Province's foreign trade surged last year; lessons learned in pilot free trade zone will shape future

Yunnan province will enhance regional connectivity and develop trade routes along its 4,060-kilometer-long international border over the next five years, according to its top leader.

Li Jiheng, who is also a deputy to the National People's Congress, said developments in the transportation infrastructure, e-commerce, biomedicine and electronic information sectors would help Yunnan companies establish new manufacturing facilities and service branches in Southeast Asian and South Asian countries over the course of China's 13th Five-Year Plan (2016-20) period.

"We will work to achieve greater industrial capacity in cooperation with neighboring countries, as well as launch demonstration projects based on the principle that enterprises are at the forefront. We will provide support and ensure that all commercial operations are market-based," Li said.

Yunnan, which has a population of 47.2 million and borders Myanmar, Laos and Vietnam, recorded $24.5 billion worth of foreign trade in goods last year, up 12.9 percent year-on-year.

Its foreign trade in services, meanwhile, reached $5.3 billion - a 23 percent increase over the year before.

The province will now apply the experiences and operational models learned from the China (Shanghai) Pilot Free Trade Zone to diversify its trade activities and attract foreign direct investment, Li said.

It will also utilize the infrastructure, such as highways, railways and airports, that has been built as part of the Silk Road Economic Belt and the 21st Century Maritime Silk Road initiatives.

"With more than two years of development, the Belt and Road Initiative has proved to be a practical tool for driving regional connectivity and cooperation under the current global business setting," Li said.

According to Yunnan's transportation blueprint, investment in road and water transportation will reach 100 billion yuan ($15.39 billion) in the province this year and is expected to top 500 billion yuan by 2020.

Construction of the Wudongde hydropower project, which will be China's third largest dam and deliver 10,200 megawatts upon its completion in 2020, is also expected to contribute to the regional economy.

"In the long-term, the provincial government will improve and implement fiscal, tax and financial policies aimed at gaining foreign investment, promoting wider use of the renminbi in neighboring markets and making good use of bilateral industrial-capacity cooperation funds, as well as promoting greater use of Chinese equipment, technology, standards and services in neighboring markets," said Li Jiang, an NPC deputy and Yunnan's vice-governor.

She added that the province will work toward developing mechanisms for achieving compatibility in customs clearance procedures, building international logistics networks and accelerating the development of border and cross-border economic cooperation zones, overseas economic and trade cooperation zones. (Source: China Daily)

China To Further Deepen Reform Of Healthcare System

China will further deepen reform in healthcare this year with key factors for the reform discussed at a meeting of the central government on Wednesday.

The State Council, the country's cabinet, convened a regular executive meeting Wednesday and determined that healthcare reform should benefit more people.

Key sectors for healthcare reform this year were decided at the meeting, which was presided over by Premier Li Keqiang.

Plans discussed included expanding the number of cities piloting urban public hospital reform from 100 to 200, implementing a tiered medical care pilot project in 70 percent of the country's prefectural-level areas, and improving the compensation system in a bid to abolish the drug price addition policy of public hospitals in new pilot cities.

Other focuses included implementing a centralized procurement of drugs used by public hospitals, improving the performance-based remuneration system in grassroots health institutions, and building a national network for basic health insurance settlement so that people can reimburse their medical expenses in different places.

Critical disease insurance will cover all people within the year, according to the healthcare reform plan, which noted that subsidies per capita for basic health insurance and basic public health services will be raised.

The number of resident physicians receiving standardized training will be increased by 70,000, including 5,000 pediatricians, according to the meeting. (Source: Xinhua)

Chinese Cosmetic Brands Outsold Foreign Peers

Despite economic slowdown and intense competition from Japanese and South Korean cosmetic and skincare brands, Chinese players are fighting back to regain consumers.

According to the China Shopper Report 2015, released by consulting firm Bain & Co in July last year, Chinese retailers contributed 87 percent to the overall market growth in 2014, accounting for about 70 percent of the market value in 26 monitored categories.

They outsold foreign brands in 18 categories, making the biggest gains in skincare and color cosmetics.

Bruno Lannes, partner at Bain's Shanghai office, said Chinese cosmetic brands made gains by executing smart strategies designed to appeal to local shoppers.

"For example, Chinese skincare brand Pechoin advanced by starting from smaller cities and expanding into larger markets with upgraded products and a premium brand image.

"Media-heavy investment helped cosmetics brand Kans boost its penetration in offline channels to gain market share from foreign competitors."

Expectation of a rise in demand in the future has also driven domestic retailers to increase the pace of opening stores, according to Deloitte China.

On the other hand, overseas retailers have a more conservative approach to allocating their resources. They face intense competition from local companies on top of uncertainty over domestic and global economic growth.

Xie Wenjian, general manager of Shanghai Jahwa United Co Ltd, said that from a cultural perspective, the rise of local brands is the result of "the rising oriental natural power".

Chinese consumers' preference for herbal and traditional Chinese medicine has prompted the growth of local brands, he said.

Shanghai-based Jala Group, known for its leading brands including Chando and Maysu, has been one of the successful players. In 2015, the group saw its total sales revenue rise by 15 percent year-on-year.

Sales of its products at department stores and supermarkets grew by a more significant 19 percent. Three skincare products under the group's key brand Chando managed to clock annual sales of more than 100 million yuan ($15.3 million) each last year.

According to Zheng Chunying, chairman of Jala, 2014 was a turning point for Chinese domestic brands. In that year, their collective sales overtook that of foreign brands for the first time.

Much of that success can be attributed to research and development in which Chinese companies invested heavily. Jala, for instance, invested 5 percent of its annual turnover in R&D in 2015.

This meant the quality of Chinese products improved to be comparable with foreign brands. In some cases, Chinese products were even considered superior.

"Of course, the rise of Chinese domestic brands is also due to government support. The central government has been educating consumers about domestic brands. Chinese consumers now have a rational understanding of local brands, and are not unduly swayed by the notion that all foreign brands must be superior by default," he said.

Chinese e-commerce websites have also provided more opportunities for cosmetics brands to grow. During the Nov 11 online shopping festival last year, Chando's sales reached 103 million yuan, double the previous year's figure.

Among the 500,000-plus consumers who bought Chando products that day, 85 percent were first-time buyers. From Nov 1 to 10, Chando's offline sales also surged by more than 60 percent year-on-year. Sales of its makeup products alone increased by 52 percent year-on-year.

Many other domestic cosmetic and skincare brands seized the Nov 11 opportunity and competed with celebrated global brands. Flash sale giant Vipshop Holdings Ltd hosted many Chinese brands on its online platform, such as Shanghai-based Kans and Pechoin, and Beijing-based Dabao, which squared up against many European and US brands, including Estee Lauder, Olay and Elizabeth Arden.

"Domestic players now understand the importance of brand-building. This has greatly helped their sales in China. We have seen rapid increase in sales of Chinese makeup and skincare brands on our platform," said Zhang Dan, public relations manager of Vipshop. (Source: China Daily)

China Sets New Online Import Tax Rules To Level Playing Field

China will change the tax rules on online retail goods from April 8 to level the playing field for e-commerce platforms and traditional retailers and importers.

Retail goods purchased online will no longer be classified as "parcels," which enjoy a "parcel tax" rate, lower than that on other imported goods. Instead, online purchases from overseas will be charged in the same way as any other imported goods, the Ministry of Finance (MOF) announced on Thursday.

"Parcel tax is not for trade purposes, which is exactly what online retailing is. It is unfair to conventional importers and domestic producers," said Zhang Bin of the Chinese Academy of Social Sciences.

China levies parcel tax on imported goods worth less than 1,000 yuan ($150), and the rates is mostly 10 percent. Taxes under 50 yuan are waived. As demand for overseas goods grows, online purchasing agents have taken advantage of parcel tax and used new methods such as repackaging and mailing products separately to avoid tax.

The new policy only allows a maximum of 2,000 yuan per single cross-border transaction and a maximum of 20,000 yuan per person per year. Goods that exceed these limits will be levied the full tax for general trade, the MOF said.

According to a 2015 survey by Amazon China on online imports, most buyers are under 35 and around 90 percent have a college education. More than half earn more than 5,000 yuan per month.

The new policy will speed up customs clearance so consumers will receive most orders from overseas within two weeks, instead of the current two months.

Cross-border e-commerce has been booming in China. The country plans to set up more cross-border e-commerce pilot zones to attract businesses, create jobs and nurture new business models that will boost foreign trade and stimulate the economy, the State Council announced in January.

The expansion of the pilot zones came at a time when the country is facing sluggish foreign trade. Total export and import value for 2015 decreased 7 percent year on year, falling for the first time in six years.

The Ministry of Commerce predicted the volume of cross-border e-commerce in 2016 will reach 6.5 trillion yuan and will soon account for 20 percent of China's foreign trade. (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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