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Ningbo Enhances Regulation on Health Food

The local market regulator of Ningbo launched a special campaign to inspect health food and wine with traditional Chinese medicine ingredient sold in the southern city.

The campaign targets at illegal additives added in the relevant products and false advertisement. The inspection will cover production and sales processes.

Some of the special wines are found to falsely claim to be able to serve as medicines and cure diseases. And an increasing number of health food also claimed to cure diseases without getting production approval.

The authority said that problematic products would be pulled from shelf right after they spot any. (Source: Qianlong.com)

Illegal Organic Product Case Spotted in Shanxi

Recently, the market regulator in Shanxi province spotted a false advertisement case involved an illegal organic product, which exposed the problem of an increasing number of substandard organic product sold in the local market.

It is reported that in 2015, over 150 million organic products are sold in the country's market, many of which are substandard products.

The problematic products usually bear logo of organic food without any official approval or certificate number.

In some smaller vegetable supermarkets, organic products that have expired are still sold.

Authorities should strengthen regulations over organic food. (Source: Guangming Daily)

Lundbeck Promotes Mental Health in China

The first International Neurology and Psychiatry Disease Summit opened in Beijing on May 21. More than 300 neurologists and psychiatrists from all over the world attended.

Søren Kjeld Kristensen, the CEO and general manager of Lundbeck China, declared the opening of the third Chinese Neurology and Psychiatry Disease Week, which is aimed at further increasing the awareness of mental diseases among Chinese people.

Lundbeck is a Denmark-based pharmaceutical company. It was founded in 1915 and specializes in neurological and psychotropic medicines. Lundbeck has many branches around the world and has been in China for 10 years.

According to Kristensen, Lundbeck China will continue to bring new high-quality medicine to China and create opportunities for international exchanges on mental health. (Source: Global Times)

Over 70% Consumers Are Not Satisfied With Local Health Food Market

A recent report released by China Consumer Association says that about 70% consumers are not satisfied with the domestic health food market. Over 60% of them do not believe in health food advertisement.

The report also shows that over 40% consumer surveyed said they preferred foreign health products. Only 9.49% said they preferred made-in-China products.

About 40.97% consumers said they later found health products they bought are fake or substandard.

The report shows that many consumers surveyed are mostly concerned about false advertisement (Source: Youth Daily)

China's Health-Care Market Poised For Gains Amid Shifting Values

Yu Rong, chairman of Meinian Onehealth Healthcare, has set his sights on cleaning up the preventative health-care services sector on the Chinese mainland in what he perceives as a "just-in-time" consolidation.

The focus will be on constant improvement amid growing public awareness of the importance to safeguard health.

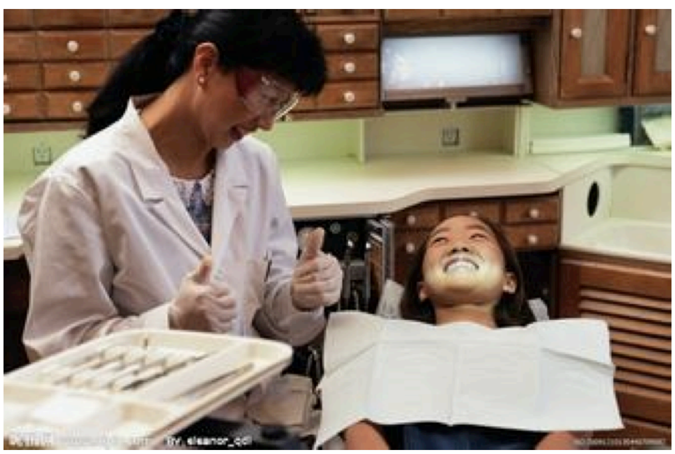
Meinian and iKang Healthcare are the two largest groups engaging in medical examinations on the mainland, putting their best foot forward in tapping a 100 billion yuan (HK$120 billion) health-check market.

"A consolidation of the industry is urgently needed to avoid unhealthy price wars," Yu said. "Preventative healthcare is an industry related to people's lives and priority should always be given to the quality of service and a heightened industry standard."

Meinian is leading a clutch of investors to bid for the control of iKang with an offering price 40 per cent higher than the bid by iKang's chairman, Zhang Ligang.

The two acquisition offers are in line with the efforts to take US-listed iKang private.

Yu said that investors were preparing a detailed growth plan for iKang if they were to win the bidding war.



IKang would maintain its namesake brand and independent operations with a synergy between the two health-check companies created if the Meinian-led investor group were to emerge triumphant.

The two companies would join hands on data analysis and researches, Yu said, laying the groundwork for a mega business empire that could encompass health-examinations, medical research, early diagnostics and disease prevention.

Currently, health check services in China cost from several hundred yuan to thousands of yuan depending on the extent of tests conducted.

Heads-on competition between Meinian and iKang with a focus on reducing prices to woo clients has deterred the companies from strengthening research and development capabilities, Yu said.

"Rivalry is not always beneficial to a long-term development if cut-throat competition, or a price war, becomes a stumbling block for further growth of the industry," Yu said. "We need to avoid irrational price cuts but focus on expansion, research and innovation."

Healthcare is believed to be a highly lucrative new sector in China's economy, buoyed by rising affluence and a government efforts to spur spending on consumption.

Beijing aims to bolster consumer outlays to drive long growth of the economy. Last year the health check industry was valued at 100 billion yuan.

" It's part of China's strategy to spur the development of the healthcare industry and it's a good time for us to make things happen," Yu said. "Health checks can play a vital role in medical treatment since data collected by us could help deepen research."

According to a research report by Haitong Securities, hospitals across the nation held the lion's share of the health check market, with the biggest three specialised medical examination groups – Meinian, iKang and Ciming Health - accounting for a combined 2.6 per cent share.

Meinian acquired Ciming last year.

It is expected that the mainland's health check market will grow 15 per cent annually and Yu predicts that Meinian could achieve a year-on-year growth of 50 per cent.

Meinian, listed on the Shenzhen Stock Exchange, reported sales of 21 billion yuan in 2015, up 46.9 per cent from a year earlier.

Yu said the company will expand into China's smaller cities and expects 10 million customers in 2016.

" Compared to the hospitals, Meinian, as a specialised preventative health-care service provider, won't morph into a dominant player in the sector despite a projected rapid growth," Yu said. "But we hope to establish a system for disease prevention to largely save medical costs for the country and patients."

In tandem with the fast development of genetic technology and its expanded application, a patient could save on health care costs in the long term thanks to the early diagnosis and prevent.

Yu added that Meinian would invest in the latest technologies such as artificial intelligence.

"Each widespread chronic disease in China could usher in a market worth more than a hundred billion yuan," he said. "Advanced medical treatment and first-class medical services will hold the key to a successful business." (Source: scmp)

In E-Commerce Rush, Some Companies Are Getting Burnt

Many companies are eyeing a piece of the e-commerce pie in China, but many are getting their hands burnt in the process as well

It is no secret that China is the world's largest e-commerce market, thanks to the staggering amounts of money Chinese consumers have been spending online. According to China's National Bureau of Statistics, online retail transcations in the country hit 3.877 trillion yuan ($589.61 billion) in 2015, a 33.3 percent increase from a year earlier.

But while China may be the global leader in e-commerce, online sales actually only contribute to about 11 percent of the total retail sales in the country, based on findings by global information company Nielsen.

However, Nielsen also estimates that online sales are growing at a staggering rate of 53 percent year-on-year, an indication of the immense potential of China's e-commerce industry. Naturally, many companies have rushed to establish e-commerce platforms to sell their products, but not all of them, even the big players, have tasted success.

"China's e-commerce market is evolving very quickly and it is difficult for an internet platform to keep up without strong China-centric funding and resources," said Ben Cavender, principal of China Market Research Group.

"There are tremendous opportunities for e-commerce to grow further but right now it is still at an early stage. In three to five years, two to three dominant players will emerge from the competition," said Cavender.

Metao.com, a Chinese cross-border e-commerce provider that entered the scene in October 2013, is reportedly facing imminent closure despite receiving $35 million in investments in 2014. One of its customers had apparently lodged a complaint to the Economic Information Daily claiming that she has yet to receive her orders which were placed a month ago, and that her calls to the customer service hotline have gone unanswered.

On April 7, suppliers of local grocery platform Yummy77.com gathered in front of the company to demand for payment, only to discover hours later that the Shanghai-based company went bankrupt, according to a Xinhuanet report.

Yummy77.com, which was officially launched in May 2013, was regarded as a leading grocery e-commerce company in Shanghai, thanks to its prompt delivery services and generous discounts. In May 2014, Amazon China made its first investment in the Chinese mainland by injecting $20 million into Yummy77.com, swelling its evaluation to $100 million.

Li Chengdong, an independent e-commerce strategy analyst, said that the fall of the e-commerce site was largely due to factors such as the lavish spending on the construction of warehouses and a logistics network, an inexperienced management team, and the fact that buying fruit and vegetables online is still a novelty to the majority of Chinese consumers.

It also did not help that competition in this particular e-commerce segment was stiff. Data from Forward (Qianzhan) Intelligence Co Ltd shows that China's fresh grocery e-commerce market expanded from 1 billion yuan in 2011 to 56 billion yuan in 2015. The consultancy also projects the market size to reach 128.3 billion yuan by 2018.

This promising outlook naturally lured several major players to vie for a slice of the pie. Among them were Chinese e-commerce giants Alibaba, Yihaodian, and JD.com.

To exacerbate matters, buying fresh products online is more expensive than doing so at a physical store. Consulting firm Analysys.cn revealed that the average cost for fresh produce sold online in China is twice that of other products because they are expensive to store and transport.

Li said that most e-commerce sites for fresh produce in China are still struggling to make ends meet, and that having adequate financing is key to survival.

Coincidentally, British online fashion and beauty retailer ASOS also met its Waterloo in China on April 7, announcing that it would discontinue local operations (asos.cn). ASOS CEO Nick Beighton also said that the company will continue to do business in China via its main website (asos.com) and that the decision was made to "serve our growing customer base in China in a more efficient and less costly manner".

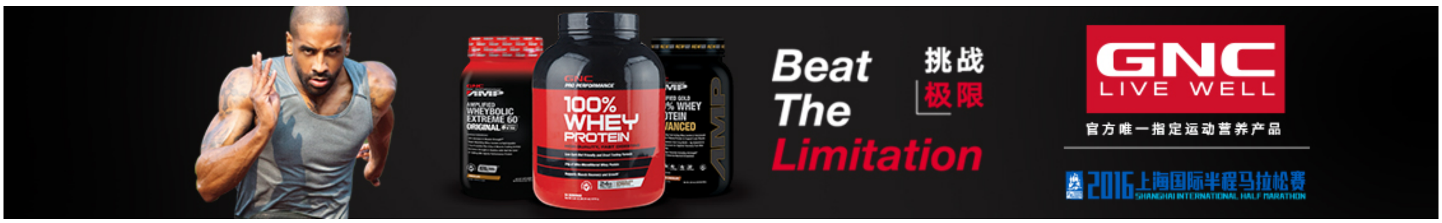
Despite the growth in online apparel sales in China — according to a report by the China National Textile and Apparel Council, 723.2 billion yuan worth of apparel was traded online in 2015, a 20.57 percent growth from the previous year — ASOS posted a total loss of 8.6 million euros ($9.8 million) since entering the Chinese market in 2013. In contrast, the brand boasts an average growth rate of 20 percent in the international market.

Li said that the poor performance of ASOS is caused by its unsuccessful marketing in China by failing to reach its target consumers.

Cavender believes that more players will exit the highly competitive e-commerce scene in China unless they can effectively differentiate themselves from competitors.

"While e-commerce is growing quickly, it is a very competitive market with a lot of online stores fighting for customers. Because they have to offer both a high level of service and competitive prices in order to attract customers, margins are very thin," said Cavender.

"Companies need to be responsive to consumer needs, both in terms of brands and products offered, and in terms of service quality. If a site has the same products as everyone else and cannot deliver faster or offer something different, consumers will just choose the cheaper, more established option." (Source: China Daily)



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