



# CHINA UPDATES

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## **Survey: 70% Bought Fake Products**

According to a recent survey done via online and offline channel of Southern Daily, 80% of interviewees bought health products and 70% of them bought fakes.

77% of the interviewees bought health product online, and 45% of them bought health product from major local e-commerce platforms including taobao.com under Alibaba Group.

30% said they would opt for direct buying from the brand's official website, and 20% of them said they would choose professional websites.

The survey result also shows that the favorite health products of Chinese web users are vitamin and protein food, which account for about 41% of the total purchases. Books on health topics and health equipment are at the second and third spot of the most bought health products by the local consumers.

Besides, diet products and products that boost sexual performance are also what the local consumers said they often buy online.

The interviewees said that they mostly buy the products for family members, which account for 50%. Only 6% said they bought health products for their friends.

40% of the interviewees said they spend less than 500 yuan per year on online shopping for health product. One third said they would spend 500 to 1500 yuan for this purpose and only 3% said they would spend over 6000 yuan for it. (Source: Southern Daily)



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## China Has Over 20,000 Green Food

By the end of 2014, China has about 8,700 green food companies, which produced over 21,000 products.

China now has about 80,000 authorized pollution-free agricultural products with about 33,000 company applicants. The standard rate of spot check on pollution-free agricultural products is 99.2%, and 99.5% for green food, and 98.4% for organic food.

Ma Aiguo, chief of department of agricultural products quality inspection of Ministry of Agriculture, said that the recent campaign that targets at promoting the development of modern agricultural industry has boosted the quality of agricultural products and the brand influence of local companies. (Source: Guangzhou Daily)

## 70% in China Have Sleep Problems

According to a recent survey done by institutions including Xinhua News Agency and China Health Promotion and Education Association, about 70% of the interviewees admit that they have some sleep problems, and women have more problems in this regard than men.

The survey was conducted on March 20 in Beijing which aims to let the public have a better understanding of their sleep issues.

Only 26.4% said that they don't have any sleep problem at all. 42.2% said it usually takes them more than half an hour to fall asleep, and 37.8% of them said it takes them 30 to 60 minutes to fall asleep.

The major reasons that caused sleep problems include career-related issues (over 50%), followed by family relation and office relation. 60.2% said that they would not resort to professional institutions for help when they face sleep problems. (Source: rmzxb.com)

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## China to Tighten Supervision of Cosmetics Industry

China's drug watchdog is soliciting public opinion on tighter supervision rules for the production of cosmetics.

According to the temporary rules on production and inspection released by the China Food and Drug Administration (CFDA) on Tuesday, cosmetics manufacturers must establish a mechanism to ensure their products are traceable from warehouse to sales.

The CFDA will also require manufacturers to monitor and report adverse reactions related to their products and set up a product recall system.

The rules mandate that manufacturers deal with adverse reaction cases that may be linked to their products after investigation and assessment. The recall process should also be documented, the CFDA said.

For subcontracted products, the new rules ask the contractors and subcontractors to clarify their responsibilities and ink an agreement to guarantee product quality.

China's cosmetics market has seen a compound annual growth rate of 10.8 percent over the past decade.

A report released at the HB Global Cosmetics Summit 2014 in January showed China's annual cosmetics sales topped 200 billion yuan (about 32 billion US dollars) in 2014, snatching a market share of 8.8 percent globally, second only to the United States. (Source: Xinhua)

## Bacardi Launches Tea-Distilled Liquor in China



Bacardi Ltd. is aiming to create its own tea party.

The closely held company, known for its namesake rum, is rolling out a tea-distilled liquor in China in a bid to differentiate itself in a spirits market that sank amid a government-led austerity campaign.

Bacardi started by selling 2,000 bottles of “Tang,” a China-inspired, light-green alcohol made from green tea leaves, in upscale restaurants for around 1600 yuan, or roughly \$260, for a 500ml bottle starting in May, said Matt Djokovic, Bacardi’s Asia Pacific innovation director said in an interview Thursday. If it catches on, global distribution is planned in the next three to five years, he said.

By creating a tea liquor, which Bacardi says is the first of its kind, the maker of Bacardi Rum, Grey Goose vodka and Bombay Sapphire gin is trying to separate itself on liquor shelves crowded with competitors vying for China’s consumers. “We wanted to create growth, not imitation,” said Emmanuel Pouey, Bacardi’s vice president of

global innovation.

Foreign alcohol companies such as Diageo PLC of the U.K. and France’s Pernod Ricard have poured into China in recent years, competing against local Chinese liquor makers for share in a market where sales reached \$97.3 billion in 2014, up nearly 10% from a year earlier, according to market research firm Euromonitor International.

All are looking for ways to increase alcohol sales in China, especially after a Communist Party campaign against waste and corruption led to a sharp drop in gift-giving of luxury goods such as alcohol among bureaucrats and executives of state companies. Many middle-class consumers are still willing to spend on high-end liquor.

Pernod Ricard, whose sales dropped 16% in the six months ended Dec. 31, has been pushing slightly lower-priced products in China while attempting to boost sales in other markets, such as the U.S. Diageo also has introduced lower-priced products. Sales of Diageo’s Scotch, which make up more than a quarter of the company’s total global sales, fell 6% in the six months ended Dec. 31. The company said challenging conditions in China were partly to blame.

Mr. Djokovic declined to comment on Bacardi’s sales. He said the Bermuda-based company’s strategy is to win a coveted spot on the Chinese dinner table, where Chinese consume most of their alcohol, unlike their bar-going Western counterparts. China’s makers of white spirits have dominated the dining experience in traditional Chinese restaurants, so Bacardi’s approach is to go after higher-priced restaurants that are likely to sell Chinese-Western fusion fare, said Mr. Djokovic.

Whether Chinese consumers will go for a spirit infused with the national drink remains to be seen. It took Bacardi four years to develop methods to extract complex sugars from tea leaves, ferment them and then blend in other flavors and French spring water, said Mr. Djokovic.

Industry insiders say that China's middle-class consumers are becoming more experimental with cocktails, spirits and wine. "As consumers become more comfortable with their buying decisions and start to lose the fear of making a bad choice, it is opening the door for companies to try new concepts," said Ben Cavender, a principal at Shanghai-based consultancy China Market Research.

Bacardi is starting out with a small batch of 2,000 bottles because, executives said, the company has yet to build capacity for larger-scale production but will do so if the demand is sufficient.

Still, Mr. Cavender said that Chinese consumers often shy away from products foreign companies tailor for the Chinese market and instead prefer what is available for consumers in other markets.

Mr. Pouey, the Bacardi executive, said while he agrees that Chinese consumers like foreign goods, they ultimately prefer Chinese ingredients.

Bacardi's annual revenue is estimated at more than \$5 billion. Its portfolio of more than 200 brands sold more than 62.5 million cases world-wide in 2013, making it the No. 4 player in the spirits industry by volume behind Diageo, Pernod Ricard and Beam Suntory, Inc., according to alcohol-industry tracker IWSR.

Bacardi may face an uphill battle trying to sell Tang beyond China's borders. It will take a lot of education for consumers, said Jeremy Cunnington, an analyst at Euromonitor. "There is massive competition for share of consumers' throats and wallets and it will be interesting to see how Bacardi tries to differentiate it—who its target market is and what drinking occasion is it for," Mr. Cunnington said.

Industry experts say that similar spirits, such as the Korean liquor soju, that are made from rice, wheat, or barley, don't have wide appeal in the U.S.

Infused and flavored spirits, Mr. Cunnington said, are increasingly catching on in the U.S.

Mr. Pouey said he is confident the drink will have appeal in the West. He also says the name Tang, typically known in the U.S. as a fruit-flavored drink, won't be a problem, since it is registered under a very different drink category than the family-targeted, powdered beverage that was once taken on manned spaceflights.(Source: WSJ)

### Nurses 'Must Be More Patient'

Nurses are being urged to improve their service and stop being impatient when answering patients' questions.



Hospitals should improve nursing services, such as adopting creative ways of serving patients, regulating nursing procedures and encouraging nurses to improve how they communicate with patients, the National Health and Family Planning Commission said in a notice on Tuesday.



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Hospitals should provide more support to nurses by creating a better working environment for them, along with better training and higher pay, the commission said, and nurses should also be managed better to encourage them in their work.

"I don't think the problems can be solved just by issuing a notice," said a nurse at a general hospital in Beijing who asked to remain anonymous.

"It is a sensitive topic. Suppose a nurse attends dozens of patients every day; it is almost impossible to be smiling and patient all the time."

The health authorities should try to reform the current medical system to solve the problems at the root, the nurse said.

In a survey carried out by Sina.com and posted on its website, 83 percent of respondents said they had encountered impatient nurses. However, 53 percent said the major reason for their impatience was because of a flawed medical system that gave them an excessive workload.

More than 8,000 netizens participated in the survey.

"Even if nurses have a heavy workload and have to work night shifts, that is not an excuse for being unprofessional," one netizen commented.

Health authorities have taken a number of measures in recent years to provide better healthcare to all patients.

They have given more autonomy to doctors to allow them to practice medicine in medical institutions other than where they are employed, and have channeled medical resources from large general hospitals, which are usually swarming with patients, to smaller hospitals and clinics, which usually lack

enough doctors and nurses to attract patients.

Hospitals and clinics in China provided 7.3 billion outpatient services in 2013, and there were about 70,000 disputes between medical workers and patients, according to the National Health and Family Planning Commission.

Such disputes, which sometimes resulted in injuries or even the deaths of doctors or nurses, have attracted much public attention in recent years.

About a quarter of doctors believe inadequate services and a lack of communication with patients is a major cause of violent disputes between doctors and patients or their families, according to a survey of 3,704 doctors by the Chinese Medical Doctors Association.

Yu Ying, a former emergency doctor at Peking Union Medical College Hospital, said that she used to attend dozens of patients every day at the hospital and often spent most of her time dealing with fights and quarrels between nurses and patients' families. In such circumstances, it was hard to enjoy being at work, she said. (Source: China Daily)

## China Gets Serious Against Pollution

China will combat environmental pollution with an iron fist this year, Premier Li Keqiang said in his annual government work report Thursday, listing the reduction of energy consumption as one of the major development goals.

In a work report delivered during the third session of the 12th National People's Congress, Li pledged to promote energy efficiency, emissions reduction and environmental protection.

According to Li, the level of carbon dioxide should be cut by at least 3.1 percent this year. Both



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chemical oxygen demand and ammonia nitrogen emissions should be reduced by around 2 percent, and emissions of sulfur dioxide and nitrogen oxides should be cut by around 3 and 5 percent, respectively.

China's government work report had not given the environmental index much importance for at least a decade, the Xinhua News Agency reported.

"This is the last year for the government to meet the targets set by the 12th Five-Year Plan. Premier Li's iron hand policy shows that authorities will strengthen law enforcement and tighten supervision over environmental matters," Wang Tao, a scholar with the Carnegie-Tsinghua Center for Global Policy, told the Global Times.



Wang believes it is not difficult to achieve these goals considering the environmental protection measures adopted last year. "Authorities should deal with various pollutants in a comprehensive way and avoid causing collateral environmental damage," he said.

The country will strive to cut emissions of coal-based power plants and promote zero-growth of coal consumption in key areas.

Li also promised to promote new-energy vehicles, reduce vehicle exhaust emissions, raise the national fuel quality and standards and provide gasoline and diesel fuel that meets the highest

national standards in key cities. All pollution-causing vehicles registered before 2005 will be banned from the road, he stressed.

China will "put great weight" behind the development of renewable energy, work actively to develop hydropower and stress safety in developing nuclear power, in addition to exploiting shale gas and coal seam gas.

Curbing water pollution and working on environmental protection taxes will also be important tasks this year.

Jia Kang, the former head of the Research Institute for Fiscal Science under the Ministry of Finance, said that a lack of environmental taxes is one cause of the slow progress in the country's environmental protection efforts.

"Accelerating the passing of laws on environmental taxes could make firms more aware of their environmental responsibilities. Previous measures, which mainly came in the form of fines, did not seem to affect some huge companies," Wang said, adding that the country's environmental protection campaign should go hand in hand with economic development.(Source: Global Times)

### **Wal-Mart to Open 30 New Chinese Stores in 2015**

US retailer Wal-Mart Stores Inc has decided to open 30 new stores in the Chinese mainland in 2015 as its market share continues to grow in the local market, according to a press release the company e-mailed to the Global Times on Wednesday.

As of the end of 2014, Wal-Mart has achieved a market share increase in the hypermarket sector in China for eight consecutive quarters, data from market researcher Nielsen Co showed.

Among Wal-Mart's top four stores in terms of sales

revenue in 2014, three of them are Wal-Mart's Sam's Club warehouse outlets in China, the press release said.

A Sam's Club in Shenzhen, South China's Guangdong Province, has been the No.1 store in annual sales revenue in 2014 among all of Wal-Mart's stores in the world for the seventh year in a row.



Wal-Mart has confidence in the Chinese market, Sean Clarke, CEO of Wal-Mart China, was quoted in the press release as saying.

With strong performance in China, the retailing giant plans to further expand in the Chinese market.

Wal-Mart will open about 30 new stores in China and also will invest more than 370 million yuan (\$59.4 million) to upgrade around 50 stores in the country in a bid to provide better service to customers, the press release said.

Facing fierce competition in the Chinese retailing market, some foreign companies have pulled out of the country or opted for cooperation with local partners.

UK retailer Tesco set up a joint venture with Hong Kong-based China Resources Enterprises in 2013. In the same year, Chinese retailer Wumart Stores Inc acquired 36 outlets of Thai retailer CP Lotus in China.

Wal-Mart China has also cut more than 20 mid-

level managerial jobs in China in an effort to lower its costs, media reports said in November 2014.(Source: Global Times)

## Starbucks Takes Aim At "Massive" China Ready-To-Drink Market Through Pact With Tingyi

Global coffee chain Starbucks said today it will team up with Tingyi Holding, controlled by Taiwan's billionaire Wei clan, to expand in China's growing ready-to-drink beverage (RTD) market.

"We are pleased to work with Tingyi, a leader in China's RTD beverage category, to unlock the massive ready-to-drink market and grow local demand for Starbucks," said John Culver, group president, Starbucks Coffee China and Asia Pacific, Channel Development and Emerging Brands, in a press statement.

Tingyi will manufacture and sell the drinks; Starbucks will provide "coffee expertise, brand development and future product innovation."

The ready-to-drink coffee and energy category is a \$6 billion business, and is projected to grow by 20% over the next three years, according to EuroMonitor.



The move will further expand Starbucks' business in China. The country is already Starbucks' fastest-growing market outside the U.S. with more than 1,500 stores in nearly 90 cities, and more than 25,000 employees.

Currently, Starbucks sells bottled frappuccino beverage

in nearly 6,000 locations including select Starbucks retail stores, grocery and convenience stores throughout mainland China. Under the new agreement, Starbucks and Tingyi plan to bring new and existing bottled frappuccino in the marketplace during 2016, which will be followed by innovation and an increased number of locations and cities for consumers to purchase Starbucks RTD products, the statement said. It didn't say what the innovation would be.

Tingyi is a leader in China's ready-to-drink tea and instant noodle market. ( Source: Forbes )

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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