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Health Products bothered by False Ads

Officials of Food and Drug Bureau of Mudanjiang, Heilongjiang province, said that how to tell the difference and function of health food has become a hot topic among local consumers.

It is said that there are some groups of salesmen who organize tours and travels for elderly consumers. They usually exaggerated the functions of the health food they sell. The officials remind the local consumers that health products are not drugs. They cannot cure diseases.

The local regulators said that the problem of false advertisement is severe in the health product market. The consumers should buy those products from official channels like pharmacy and supermarket chain. (Source: dongbei.net)

Chinese and American Experts Talks Over Food Safety Law

On May.9, the drug regulation research center of East China University of Science and Technology held a seminar on the new food safety standard and law in Shanghai.

The deputy chief of legal department of CFDA introduced the background of the newly added items in the regulation, and how this law can help to transform government's function and promote reform of the regulation system.

Michael Roberts, law professor of UCLA, introduced the legal background of balancing the food safety standard and consumer's rights protection in America.

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Attendees also discussed potential problems in the law enforcement and how to make the new law more coherent to the current food safety standard. (Source:jcrb.com)

International Health Promotion Program Launched in Beijing

China Medical Health International Exchange Promotion Association kicked off the International Health Promotion Program in Beijing.

Officials from China Health and Family Planning Committee, CFDA, Ministry of Foreign Affairs and 10 other medical companies attended the conference.

Zhang Fenglou, president of China Health Care Association, introduced the current situation of China's health education and health promotion efforts, and announced the official launch of the program.

Officials of the Association said that the program aims to introduce the latest information related to health from outside the country, and promote the idea of how to keep fit for the elderly consumers. It also aims to raise health awareness among the public. (Source: China Food Journal)

Next Opportunity: Will China's E-Commerce Revolution Lead to Accessible Biologics?

Each year investors looking to ride the next big wave of opportunity convene at China's Healthcare Investment Conference to test the waters. This year, the promise of technology to tackle some of China's most complicated health care woes, summed up by the term e-Health, generated the most buzz.

In 2014, the money began to flow in the direction of China's e-Health sector with more than 80 deals totaling \$1.7 billion, said Franck Le Deu, partner in consulting firm McKinsey & Co.'s Greater China health care practice.

Many have high hopes that new analytics, mobile and cloud technologies could be transformative,

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especially now that corporate giants such as Alibaba Group have entered the fray.

"Health care is a strategic priority for Alibaba," said Li Ma, vice president of strategy and product for Alibaba Health (Alijk.com). "What do we want to achieve? It is not just about selling drugs online; it is about the looming social problems China faces."

Looking beyond the world of health care, online commerce is thriving in China, partly due to Alibaba's pioneering efforts. It seems reasonable to expect that Chinese consumers' fondness for buying everything from food to cars online might help get drugs into patients' hands faster and more affordably.

China has proven itself willing to rapidly adopt new technologies, said Richard Yeh, head of China Healthcare Research at Citi Research, and with digital disrupting business models, China can leapfrog some of its systemic health care troubles, similar to how mobile networks overtook telephone landlines.

China already has the largest e-Retail market in the world, having surpassed the U.S. in 2013. By 2018, it is expected to be valued at \$1.13 billion and account for 18.3 percent of the country's overall retail market, according to McKinsey.

In an uncertain world where trust between buyer

and seller is weak, many of China's 630 million internet users prefer social networks to guide their purchases, and the vast majority use mobile devices to get online.

It is also important to note the behavioral preferences of that vast group of consumers can change swiftly. A recent McKinsey iConsumer survey found the rate of change within China's e-commerce sector is happening much faster than originally predicted and in a direction that supports online pharmacies.

In particular, the survey found the demand for innovative online shopping experiences is rapidly accelerating and that consumers are showing a newfound enthusiasm for online-to-offline (O2O) services, which is how online sales of OTC drugs currently work.

Alijk is hoping to exploit that latest O2O trend, and as Ma explained, executives have seen "explosive growth beyond our expectations," with some 200 cities and 20 provinces signed on to the third-party online pharmacy platform.

But Alijk is not alone. Other online pharmacies such as Jingwei (yaofang.cn) directly own 4,294 offline pharmacies while Kaixinren (360kxr.com) has 136, according to the Citi 2015 Healthcare Handbook.

While Alibaba's health services will be multifaceted, including a "cloud hospital" that was announced on April 19, Ma described the mobile health app that will allow patients to source prescription drugs online. The app is designed to allow consumers to upload a prescription, search nearby pharmacies to see where it is stocked and then compare prices before deciding to confirm an order. The drug can then either be delivered or picked up.

"This is not really changing the traditional way of buying medicine," said Ma. "The actual sale is offline, and the ordering process is done online."

But it does allow buyers of medicines more choice than is currently the norm. If China's e-commerce is

at the cutting edge, then the way prescription drugs are typically bought and sold is best described as highly inefficient, with hospitals taking a monopoly position.

"Eighty percent of drugs are sold through hospitals; this causes a lot of problems," said Ma. "We are looking at a model to link pharmacies to consumers using a market approach that makes prices more reasonable. It will be more efficient and convenient while at the same time guaranteeing safety."

Ma added, "This will require collaboration with chain drugstores."



The current system permits hospitals to gain a significant portion of their revenue from in-house pharmacies. That has created well-documented perverse incentives leading to overprescribing of drugs, and a preference to write scripts for the most expensive medicines.

The Glaxosmithkline plc scandal brought attention to that murky situation when the London-based big pharma was charged for paying bribes in excess of ¥3 billion (US\$500 million) in order to boost drug sales. (See BioWorld Today, Sept. 22, 2014.)

The government is aware of the hospital pharmacy problem and is trying to reform the situation from multiple avenues, McKinsey's Le Deu told BioWorld Today. "A key priority of the government is to accelerate the reform of public hospitals, and

getting rid of their dependency on income from pharmacies is an important aspect in making this happen."

Of course, that will raise a serious problem of how hospitals will collect revenues. And, not surprisingly, the process of flowing prescription drugs away from hospitals toward drug stores has created resistance. "There is a vested interest for the hospital and the barriers are there," said Ma.

But it is not just a simple matter of the government stepping in and injecting hospitals with cash to replace the income derived from pharmacies. As Le Deu pointed out, the government's emphasis is to ensure that hospitals better price their services, find sustainable revenue sources and modernize to become more efficient.

But policymakers have shown their willingness to push hospitals in that direction via limited competition from online pharmacies. The May 2014 draft of the CFDA Measures for the Supervision and Administration of Internet Food and Drug Business Operation included plans to allow sales of a specified number of prescription drugs to be sold online.

In January, Reuters reported that a senior health care policy advisor said the CFDA is expecting to allow online prescriptions sales in the first half of 2015.

While all signs are pointing in a promising direction, Le Deu cautioned there are many challenges that still need to be overcome before online pharmacies start selling the more complex and higher-priced biologics.

The quality and "trustability" of drugs is a big issue in a country where fakes are common and people are hoping to find low-cost alternatives to drugs

they may not otherwise be able to afford. (See BioWorld Today, Feb. 12, 2015, and June 18, 2014.)

Even where authentic therapies are available for purchase, cold chain storage required for biologics is only as effective as its weakest link; maintaining storage from pharmacy to patient will be daunting.

"There is a big question of the logistics," Le Deu said. "It is one thing to sell pills in a box; it is another thing to sell biologics that need to be kept refrigerated and require special care."

Another hot topic is patient privacy, and how that can be managed over the cloud.

"How can an HIV patient be guaranteed that if they go online and try to buy drugs that their identity will be kept secret? This could be particularly sensitive in the China context," Le Deu noted.

However, it is clear that there is room to make biologics more accessible and affordable and online pharmacies might help to make that happen. While they dominate the market in the U.S., biologics only accounted for 12.9 percent of the overall pharma market in China (based on 2013 sales data), according to Citi's 2015 Chinese Healthcare Handbook. (Source: bioworld.com)

Wal-Mart Says It Will Go Slow in China

Wal-Mart Stores Inc. is ratcheting down its ambitions in China, after years of watching its growth stymied by the challenge of quickly opening large numbers of stores across the country. The lightning-fast surge in e-commerce and its own missteps have also given the retailer pause.

"We'll grow, but our goal is not to be the biggest retailer in China. Our goal is to be the most trusted," said Chief Executive Doug McMillon at a



news briefing in Beijing on Wednesday.

Wal-Mart plans to open 115 new stores across China by 2017, creating more than 30,000 jobs and bringing to 530 the number of stores the retailer has in the world's most populous country. However, that is only a fraction of the 5,187 it has in the U.S.

When Wal-Mart entered China in 1996, it aimed to mirror the U.S. expansion in China, opening thousands of stores across the country.

Wal-Mart wants to slow down to focus on quality, Mr. McMillon said, adding, "We're investing in the long term."



The company realized it was aiming to grow too fast in the country, said Raymond Bracy, a spokesman for Wal-Mart in China. Stores in some locations failed and had to be closed. "Now we want to get it right with greater success from day one when opening a store," he said.

The adjustment matters, experts say, because Wal-Mart has long viewed China's vast consumer market as important growth territory. The retailer is relying on international growth as U.S. sales rose a slim 0.5% last year, excluding newly opened stores.

Wal-Mart opened its first two stores in China in 1996. By 2010 it had 279 but then it slowed new

openings. Under its current expansion plan, it isn't even attempting to double the 2010 number.

Industry watchers say the retailer likely would have expanded more rapidly across China if not for a mixture of its own missteps, such as choosing poor locations, bureaucratic red tape and a slowing economy.

Wal-Mart said in February that its fourth-quarter net sales in China fell 0.7% from a year earlier, and sales at stores open a year, a measure known as same-store sales, dropped 2.3%.

But experts say Wal-Mart has lost ground by moving too slowly and sticking too closely to its U.S. strategy in fast-paced China.

Wal-Mart needs to bulk up faster, said Richard McKenzie, partner at consultancy OC&C Strategy Consultants. In the U.S., building scale has given Wal-Mart power to pay its suppliers less for shampoo and other products because it is buying in bulk. "Scale is very important in grocery retail," said Mr. McKenzie.

Some industry watchers also criticize Wal-Mart for stores in China that appear rundown compared with rivals. According to market-research firm Euromonitor, China Resources Enterprise Ltd., which has thousands of stores across China, has overtaken Wal-Mart in market share with outlets similar to Whole Foods' upscale stores in the U.S.

Wal-Mart said Wednesday it would invest 370 million yuan (\$59.6 million) to remodel 50 of its stores this year.

Executives at Wal-Mart say the Chinese marketplace is a moving target, as in-store sales growth dwindles for most retailers and formidable Chinese online rivals emerge.

To be sure, Wal-Mart was one of the first retailers—



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foreign and domestic—to set up online in China; in 2012 it acquired a majority stake in e-commerce site Yihaodian, which dominates milk sales online. However, Yihaodian is still tiny compared with e-commerce giant Alibaba Group Holding Ltd. and second-largest player JD.com. It accounts for a mere 1.4% of online transactions, while Alibaba holds a 61.4% share, according to market-research firm iResearch.

This week, Wal-Mart will be rolling out an app in China that enables shoppers to order goods on their phones and either pick them up in a store or have them delivered by Wal-Mart's own employees. But some of its rivals in China have already created ways for customers to order online and pick up at convenience stores near their homes.

Mr. McMillon, who is known for being digitally savvy, said there is “room for improvement” online.

Wal-Mart previously has said that the Chinese government's austerity campaign has pinched sales, with efforts to stamp out waste in government and at state-owned firms lowering demand for items tied to China's gift-giving culture, such as alcohol, gift cards and moon cakes. (Source: WSJ)

Be Alert: No Health Food Can Enhance IQ or Memory

As the annual college and high school entrance exams are coming soon, many Chinese parents are buying all kinds of health food to help their kids to get an upper hand in the exams, which provides opportunities for illegal vendors.

The CFDA hence reminds the public again that the state authority has never approved any IQ-improving health food. The products that claim to be able to improve immunity and alleviate fatigue are not able to enhance memory or intelligence. The consumers need to be alert of any false advertisement and protect their rights.



The regulator said it would strengthen regulation on these type of false advertisement during this period. (Source: zgqt.com)

Sephora to Spruce Up Its Online Profile in China

Cosmetics company Sephora is giving itself an online makeover in China, where e-commerce is proving to be a tough battle for many Western retailers.

The unit of LVMH Moët Hennessy Louis Vuitton SA is opening a flagship store on Chinese e-commerce provider JD.com's website to rev up sales of its beauty products online, said Anne Veronique Buel, president of Sephora Asia. Sephora, which already sells on its own e-commerce platform in China, will sell exclusive products and launch new cosmetics on JD.com before they roll out elsewhere, said Ms. Buel.

The deal marks a global first for the retailer. In other countries, Sephora draws customers to its own website and hasn't teamed up with another e-commerce company to build sales.

But in China, it is a different story. Sephora and other multinational companies are struggling to get attention online, as companies like Alibaba Group Holding Ltd., China's largest e-commerce provider by transactions, and No. 2 player JD.com

Inc. dominate e-commerce.

“You have to know that what is happening in China is not happening in the rest of the world,” said Ms. Bruel.

Sephora doesn’t disclose sales data for China.

Getting a cut of China’s booming online sales is more important than ever as growth at brick-and-mortar stores is slowing.

The share of sales of beauty and personal-care products, including cosmetics and shampoo, from China’s physical retail stores dropped to 70% in 2014 from 88% in 2009, while sales on the Web increased to 15.5% from 0.7% in the same period, according to the most recent available data from market research firm Euromonitor. Non-retail channels, such as direct sales and even hair salons, make up the remainder.

Sephora, which runs 175 stores, has had a rocky road since entering China in 2005. It closed some China-based stores in recent years after sales of perfumes, lipsticks and the like slumped. It launched its own website in China in 2013. But analysts say it hasn’t matched the traffic of rival cosmetic retailers like Beijing-based Jumei International Holding Ltd., which focuses on e-commerce and listed on the New York Stock Exchange last year.

The company will focus on building its brand online, where it sees its highest growth figures, said Helen Zhou, Sephora China’s vice president of marketing and e-commerce.

Still, Sephora plans to open additional physical stores in China’s smaller cities, reaching a total of 200 in China by year-end, said Ms. Zhou.

Sephora’s online move is also part of an emerging trend for Western companies to link up with China’s online giants. In March, Amazon.com opened a flagship store on rival Alibaba’s marketplace Tmall, aiming to sell more goods, like imported food, toys and shoes, online. Alibaba and

JD have opened up international sections of their sites to expand access to foreign products, like imported wine and mixed nuts, for Chinese consumers.

Sephora is one of the two chains in LVMH’s fast-growing selective retailing unit, which accounts for about 30% of the company’s revenue. (Source: WSJ)

Organic Food Finds Footing in Growing Chinese Market



Organic food is seeing increasingly high demand in China, as the country's middle class gains stronger purchasing power and awareness of healthy living and dietary concerns increase.

Chinese urbanites are seeking alternative options to purchase safe and healthy products, partly spurred by recent food scandal incidents, the China Daily newspaper said in a report on Friday.

"Even though imported organic food can be expensive, it's an investment I'm willing to make for my family's health," Liu Rui, a frequent shopper in Beijing's Ole supermarket, told China Daily. Consumers like Liu are propping up China as the world's fourth-biggest consumer of organic products.

"China is a market that attracts great attention from the world's organic traders," Wang Yunhao, director of China Green Food Development Center (CGFDC), said at an organic food fair on May 28.

The sales volume of organic products in China is around 20 to 30 billion yuan per year, said Wang.

Major industry players like Denmark, Germany and Australia are eyeing the potentially lucrative market in China and have recently showcased their dairy, meat, and wine products at the China International Organic Food Fair (Biofach China), the second largest organic food fair in the world, in Shanghai in May.

"We export nearly 80 million yuan worth of organic products to China every year since we got our certificate in 2013," Ejvind Pedersen, chief adviser of Danish Agriculture & Food Council, said, adding that organic milk and baby formula are the best-selling products in China.

All imported products have to be certified in China after audit and onsite inspection by a certification committee before they can get on Chinese supermarket shelves.

Soybeans and oil are also among the top demands in China, Ejvind added.

Local companies are also starting to tap into the country's hunger for healthy food. Hona Organic, a company specializing in organic condiments, believes that the desire to enjoy the original taste of food is what drives the demand.

"Eating organic is not just a lifestyle, it's also a choice to protect the environment and to respect [sic] the nature," said Kang Yanli, the marketing manager of Hona Organic. "By not using chemical fertilizer, we are protecting not only ourselves but also farmers and animals in ecosystem."

According to statistics, China has 731 certified organic food companies, with an annual output of 13.48 billion. An industry report says that the organic food sector is expected to grow by 1-1.5 percent in China by 2018. (Source: Yibada.com)

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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