



CHINA UPDATES

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309 New "Blue Hat" Approved

In the first half of this year, 309 new "blue hat" were approved by Chinese state regulator, including 95 kinds of nutritional supplement.

At the same time, 98 products got their approvals renewed and 77 had their approval transferred.

The passing March is a peak time for products to get new approvals.

In the past six months, 24 local companies got 34 approvals from the government. A company based in southern Guizhou province tops with 4 new "blue hat" approvals. (Source: Shuzheng Kangxun)

China Health Product Summit Kicked Off

This year's China Health Food Industry Forum was recently kicked off in Beijing. The Forum was co-held by China Food Daily and China Health Care Association.

Representatives from several key companies, officials and experts attended the forum, among over 400 industry people. The forum will be held regularly each year in July.

The Forum is supported by CFDA and aims to promote development of local health industry and technological progress. (Source: China Food Daily)

Ali Health Live Broadcast Health Food Sales

Ali Health, the healthcare arm of Alibaba Group, recently



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launched several live-streaming campaigns of selling health food on its platforms.

The e-commerce platforms under Alibaba Group invited celebrities to drink bird's nest soup in front of camera, which gave a boost to the sales of that specific product.

The company earlier live broadcast the sales campaign of medlar by partnering with the local government of Ningxia, which launched a medlar festival to promote its local medlar products.

Before that, Ali Health live broadcast a surgery conducted by a high-end hospital in Beijing, and released the hospital's health products and medical equipment from this hospital on its e-commerce platforms for audiences who are interested to buy after watching the programming. (Source: Ebrun.com)

Brexit to Bring Cheaper British Goods into China, JD Director

Chinese e-commerce giant JD.com said on Friday British goods will come into Chinese market at cheaper prices after the country voted to leave the European Union (EU).

"British products will be more competitive," Tony Qiu, director of JD Worldwide, made the remarks in Paris at a news conference after discussing with French companies about coming out on top in the Chinese market.

Since British people voted to leave the EU last Friday, the pound has dropped almost 8 percent against the dollar, accompanied with plunges in global stock markets.

He said it's not clear yet whether the Brexit will impact the company's business.

JD does have the ambition to sell goods to the European people in the long run, he added.

JD.com, China's second largest e-commerce platform, has already partnered with French brands, such as L'Oreal and Evian, to direct sell French

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JD.com together with Alibaba Group, the biggest player in the field of e-commerce, account for about 80 percent of online retail sales in China.

In late June, Wal-Mart sold its online retail site Yihaodian to JD.com. The deal will see Wal-Mart become a retailer inside Yihaodian rather than have a separate online store entirely. The partnership with JD.com is seen as a way for the U.S. giant to gain a stronger foothold in the highly competitive Chinese e-commerce market. (Source: Xinhua)

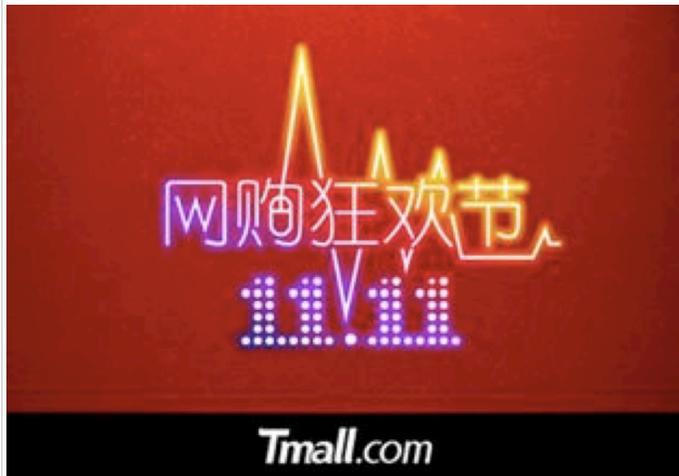
Mobile Taobao Users in China Skew Younger

Over 60% of mobile Taobao app users are under 30, according to research by Alibaba, Taobao's parent. Taobao is a marketplace analogous to sites like eBay or Amazon, and research shows that the app is equally popular across genders in China.

Alibaba also reports that in April 2016 Taobao users launched the app over seven times per day. On average, they also looked at nearly 19 items.

More broadly, users have begun to frequent the app more often. In 2014 only 33% of monthly users visited Taobao daily; Alibaba projects that figure to be over 45% in 2016.

Sources outside Alibaba corroborate Taobao's dominance of the market in China, along with Tmall, another Amazon-like venue for commerce in China. But what Kapronasia and Disruption House found in their March 2016 report reveals that the two platforms are popular with younger buyers especially for cross-border purchasing.



While Amazon is available in China, millennial digital buyers often opt for Taobao or Tmall. About 20% of those who made cross-border digital purchases said they used Amazon, which is a significant figure, though it doesn't approach the nearly 60% who used Alibaba's app and site services.

So while Amazon is certainly not an unknown quantity in China, digital buyers and internet users—especially those who are younger—prefer the Alibaba outlets when it comes to making online purchases. (Source: emarketer)

Wal-Mart to Sell Chinese E-Commerce Business to JD.com

Wal-Mart Stores Inc. is switching strategies in China, striking a deal to forge a partnership with one of the country's largest e-commerce players rather than continue trying to crack the fast-growing but competitive market on its own.

Wal-Mart on Monday said it will sell its Yihaodian website to JD.com Inc.—the second-largest online retailer in China, after Alibaba Group Holding Ltd. U.S.-based Wal-Mart will receive a 5% stake in JD.com, valued at roughly \$1.5 billion at recent prices, and access to JD.com's delivery network and shoppers.

JD.com American depositary shares rose 4.6% to \$21.06 on the Nasdaq Stock Market amid the news, which was reported earlier by The Wall Street Journal. Wal-Mart shares rose slightly to \$71.10 on the New York Stock Exchange.

The Chinese retail landscape has become cutthroat as the economy slows and consumer buying behavior shifts online and to mobile-phone purchases much faster than in the U.S. JD.com and Alibaba are battling for customers, promising delivery in under an hour in some cities and pushing into rural towns.

Wal-Mart has struggled to expand in the country, even though it gets about one-third of its \$482.1 billion in annual sales outside the U.S. The retailer opened its first store in China in 1996 but only has about 430 there today, or one-tenth as many as in the U.S. Foot traffic to Wal-Mart's Chinese stores has fallen for nine quarters straight, though spending per trip is on the rise.

The retailer first invested in Yihaodian in 2012 and took full control of the business last year. The website has built a niche in grocery sales but accounts for just 1.5% of China's retail e-commerce market, according to data from consulting firm iResearch. JD.com and Alibaba together command about 80% of the market.

“We have seen high-quality U.S. retailers go into China and not be that successful,” said Charlie O'Shea, Moody's lead retail analyst. Joining with JD.com “gives Wal-Mart an entree into China that

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will be tough for it to do on its own,” he said.

The sale allows Wal-Mart to quickly ramp up online sales nationally in China, said Dan Toporek, a spokesman. Yihaodian is strong in southern and eastern China, he said, but JD.com “vastly expands our reach to a much broader set of customers in China and also provides a physical network for delivery.”

As part of the deal, Wal-Mart is giving up its right to start a new Chinese website, but can continue to operate its local Wal-Mart and Sam’s Club apps and websites, according to financial filings. The company expects the transaction to boost earnings by a range of 16 cents to 19 cents a share in the current quarter.

Wal-Mart said in July last year that it had taken full control of Yihaodian from its minority partner, paying \$760 million for the 49% stake it didn’t already own. Wal-Mart executives have said they want to move faster to grab a larger piece of the expanding online and mobile Chinese shopping market, slowing the growth of their store expansion in the country.

JD.com, like Wal-Mart, has focused on selling directly to consumers. It has tried to expand its offerings as it competes with the larger Alibaba, which operates consumer-to-consumer website Taobao and merchant-to-consumer online marketplace Tmall. Unlike Alibaba, JD.com has largely built out its own logistics network, including dozens of warehouses and tens of thousands of delivery workers.

JD.com has been chipping away at Alibaba’s market share, and its revenue growth has outpaced Alibaba for the past seven quarters. Still, its market share in sales of products online to consumers is about 23%,

compared with TMall’s 58%, according to data from consulting firm iResearch.

Competition has heated up in Yihaodian’s grocery niche as local Chinese retailers have gone online and many startups have entered the field to sell things as diverse as imported avocados and dishwashing detergent. The deal will help JD.com broaden its selection of imported products using Wal-Mart’s supply chain, said Mr. Toporek, the Wal-Mart spokesman.



JD.com has bolstered its food offerings, for example, through its investment in FruitDay, a Chinese online produce retailer, and is expanding imports, including signing deals with Australian milk companies and U.S. meat and vegetable producers.

Morgan Stanley advised Wal-Mart on the latest deal, while JD.com didn’t have a financial adviser. (Source:WSJ)

China Health Costs Raise Patient Debt

As China’s medical bills rise steeply, outpacing government insurance provision, patients and their families are increasingly turning to loans to pay for healthcare, adding to the country’s growing burden of consumer debt.

While public health insurance reaches nearly all of



China's 1.4 billion people, its coverage is basic, leaving patients liable for about half of total healthcare spending, with the proportion rising further for serious or chronic diseases such as cancer and diabetes.



That is likely to get significantly worse as the personal healthcare bill soars almost fourfold to 12.7 trillion yuan (\$1.9 trillion) by 2025, according to Boston Consulting Group estimates.

For many, like Li Xinjin, a construction materials trader whose son was diagnosed with leukaemia in 2009, that means taking on crippling debt.

Li, from Cangzhou in Hebei province, scoured local papers and websites for small lenders to finance his son's costly treatment at a specialist hospital in Beijing, running up debts of more than 1.7 million yuan, about 10 times his typical annual income.

“At that time, borrowing money and having to make repayments, I was very stressed. Every day I worried about this,” said Li, 47, adding that he and his wife had at times slept rough on the streets near the hospital.

“But I couldn't let my son down. I had to try to save him,” he said. Li's boy died last year.

The debts will weigh him down for a few more years yet.

Medical loans are just part of China's debt mountain — consumer borrowing has tripled since 2010 to nearly 21 trillion yuan, and in eight years household debt relative to the economy has doubled to nearly 40 percent — but they are growing.

That is luring big companies like Ping An Insurance Group, as well as small loan firms and P2P platforms, as China's traditional savings culture proves inadequate to the challenge of such heavy costs.

The stress is particularly apparent in lower-tier cities and rural areas where insurance has failed to keep pace with rising costs, said Andrew Chen, Shanghai-based healthcare head for consultancy Parthenon-EY.

“It's a storm waiting to happen where patients from rural areas will have huge financial burdens they didn't have to face before,” he said, adding people would often take second mortgages on their homes or turn to community finance schemes.

China's government has moved to ramp up rural health insurance, boost coverage for major illnesses and put pressure on drug companies to slash prices, but it is an uphill battle.

Official data show up to 44 percent of families pushed into poverty were impoverished by illness.

The Ministry of Health, which did not immediately respond to requests for comment, is currently investigating the impact of these costs on the country's labour force.

“Typically, what happens in China is the whole family contributes when someone gets a severe disease like cancer,” Severin Schwan, chief



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executive of Roche Holding AG, the world’s biggest maker of cancer drugs, told Reuters.

“When it comes to innovative medicines, the financial burden is just too much. Families can go broke.”

Roche itself has schemes in China to make cancer drugs more affordable, including an insurance scheme developed with Swiss Re.

There are no reliable figures for total healthcare lending, as lenders do not usually advance the money for healthcare-specific purposes.

“If you want to use it for medical bills, cosmetic surgery or plastic surgery that’s all fine,” says Ping An Puhui, which advertises that its loans can “alleviate the pain of illness” and “bring new hope to sick families”.

But there is plenty of anecdotal evidence from online lenders that it is a growing segment.

“Our loan numbers have risen steadily, and no small number of people have used these for medical purposes,” said Li Jin, a customer service worker at peer-to-peer (P2P) lender ppdai.com.

“Healthcare costs are high, and lots of people don’t have good state cover, so they need a loan.”

China Minsheng Banking Corp has launched a healthcare loan scheme in the western city of Chengdu, while Shanghai Pharmaceuticals Holding Co Ltd rolled out a loan scheme in April to help patients access expensive drugs.

Some desperate patients are pawning their personal belongings.

“They use things of various value from jewellery to purses and even cars,” said Chen Yi, an office worker at online lender minbaodai.cn.

“Previously the majority of people were looking for extra cash flow for their business, but last year and this we’ve seen a rise in healthcare loans.” (Source: Reuters)

The advertisement features a black background. On the left, a muscular man in a grey tank top is shown in a running pose. In the center, three GNC product containers are displayed: a red tub of '100% WHEY PROTEIN', a black tub of 'WHEY PROTEIN', and a black tub of 'WHEY PROTEIN'. To the right of the products, the text 'Beat The Limitation' is written in white and red, with the Chinese characters '挑战 极限' (Challenge Limit) in white. Further right, the GNC logo 'GNC LIVE WELL' is shown in white on a red background, with the Chinese text '官方唯一指定运动营养产品' (Officially designated sports nutrition product) below it. At the bottom right, the logo for the '2016 上海国际半程马拉松赛' (2016 Shanghai International Half Marathon) is displayed.

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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