



CHINA UPDATES

October 18, 2016 – Issue 216

INSIDE THIS ISSUE

USCHPA's Crowther to Present at OTC Conference in Singapore

Hebei Spotted Nearly 6700 Illegal Food and Drug Cases

GuangXi to Use New Health Food Production Permit

Jiangxi Regulator Warns Elderly Health Food Consumers of False Advertisement

Smartphones Drive E-Commerce Explosion

Online Healthcare Still Gains Ground Despite Hiccups



USCHPA's Crowther to Present at OTC Conference in Singapore



Jeff Crowther will be presenting at Nicholas Hall's Asia-Pacific OTC conference in Singapore on October 21, 2016. Crowther's 40 minute presentation will cover China's developing dietary supplement industry including market overview, latest regulatory changes and cross border e-commerce.

Nicholas Hall's OTC conference brings together the world's leading marketers to share in their passion for, and understanding of, self-medication. Now in its 3rd year, the growing Asia-Pacific OTC Conference will reveal the countless possibilities for improving industry offerings to consumers in the region's myriad diverse markets.

Over the course of the two-day conference, Nicholas Hall and a line-up of industry key opinion leaders, through their presentations, will provide new and innovative marketing



Are you seeking a reliable partner to help you navigate and successfully enter the China dietary supplement market?

TSI has the **expertise** to help.

Contact your TSI representative today to learn more.



www.tsichina.com
www.tsiinc.com

strategies and provide essential updates on global and regional trends and developments in consumer healthcare. Home to rapidly expanding middle classes, tough regulatory processes and a plethora of distribution networks, there will be plenty for speakers to discuss and participants to learn. (Source USCHPA)

Hebei Spotted Nearly 6700 Illegal Food and Drug Cases

The provincial food and drug regulators of Hebei province released the list of illegal food and drug cases spotted in the third quarter this year.

6695 illegal cases of this kind were spotted during this period, up by 32% from last year. Relevant vendors were fined by over 38 million yuan in total. 194 of them are health food cases.

about 40 health food and medical equipment ads have been accused of conducting false promotion.

Among the nearly 12000 complaint reports from local consumers received by the provincial regulator, the number of which was up by nearly 15%, 817 are about health food cases and 245 are about makeup products. (Source: changcheng.net)

Guangxi to Use New Health Food Production Permit

The provincial FDA of Guangxi recently kicked off a campaign to have the local health food production companies to use new version of food production permit.

The campaign will be conducted based on the principle of combining application review and on-site check. Five situations in which companies can apply for a delay in obtaining new version of permit are also detailed by the regulator.

The campaign will be conducted in three phases,

So little.  **So much.**

Powerful Phospholipid EPA & DHA
Excellent User Experience
Smaller Dose, Easy Digestion

 **AkerBioMarine™**
Antarctic 

www.superbakrill.com

including self-review and application, regulator's review and sending out new permit. The process is expected to be completed by middle November. (Source: Guangxi Daily)

Jiangxi Regulator Warns Elderly Health Food Consumers of False Advertisement

The consumer association of Jiangxi province sent alerts to warn local elderly consumers to be careful when purchasing health food, and stay away from so-called “expert seminar” which aims to lure consumers to buy health products.

Some of the illegal vendors take advantage of elderly consumers' mentality by alleging to send out products for free or offering free trials of their products. Most of these products are accused of conducting false advertisement, said the association.

Local consumers are urged to buy health products via legal channels. (Source: Jiangxi.net)

Smartphones Drive E-Commerce Explosion

Three years ago the popular Chinese messaging app enabled users to send digital red envelopes via their mobile devices.

According to the digital news website Quartz: “Tens of millions of smartphone owners attached their bank cards to the app — thereby opening the

door for purchasing rides, meals, and other goods on WeChat.”

WeChat’s parent company Tencent reported that users sent more than 8 billion red envelopes by the end of Feb 8 this year, an eightfold increase from the previous year. The popularity of the app even prompted Alibaba and the search engine Baidu to imitate the idea.

China has become the e-commerce center of the world, with almost half of all online shopping carried out on smartphones.

Speaking to China Daily Asia Weekly, Rajiv Biswas, Asia-Pacific chief economist with consultancy IHS Global Insight, said the Chinese e-commerce market is already the largest in the world, having overtaken the United States, with an estimated 400 million Chinese consumers already buying online.

Chinese online retail sales of goods and services in the first quarter of this year reached US\$158 billion, up 27.8 year-on-year, he added.



E-commerce retail sales in China last year increased by 42.1 percent to US\$672 billion, accounting for over 40 percent of all global e-commerce retail sales, according to the independent market research company eMarketer.

Nielsen’s latest Global Connected Commerce report said that in the 52 weeks ending June 2015, Chinese consumers spent the most on groceries and foodstuffs, with online sales of household products in China growing 86 percent, beverage sales up 72 percent and food sales up 52 percent, indicating the country is “experiencing an online shopping boom”.

“China’s online retail ecosystem is evolving quickly,” the report said. “Today, it’s not just people’s purchasing habits that are going digital: The whole retail experience is changing.

“The purchasing behavior of Chinese consumers is fast evolving with the advent of new technology.”

E-commerce is increasingly going mobile and the use of devices like smartphones to make purchases is “significantly higher” than average compared to other countries surveyed.



According to eMarketer, the e-commerce market in China is expected to reach US\$1.57 trillion by 2018.

Analysts say with the development of mobile networks, the mobile commerce market is booming.



So what is driving online retail sales and e-commerce in China?

Rising demand for foreign products, new platforms and a push by the government are propelling the trend, according to the McKinsey Quarterly business publication, released in February.

“As incomes have risen in China, its consumers have stepped up their purchases of imported goods. But now, impatient for the latest products and better prices, they can buy directly from foreign retailers and suppliers at the click of a mouse or the swipe of a screen,” the report said.

“Cross-border consumer e-commerce amounted to an estimated 259 billion yuan (US\$40 billion) in 2015, more than 6 percent of China’s total consumer e-commerce, and it’s growing upward of 50 percent annually.”

The report noted that Alibaba’s e-commerce site Tmall has expanded with a cross-border site, Tmall Global, while US e-commerce giant Amazon is also increasingly active in China.

More than 50 percent of these transactions are being carried out on smartphones, a trend visible throughout the region.

Southeast Asia is said to be one of the most mobile-centric regions in the world with countries like Singapore leading the way on smartphone penetration, and others like Indonesia and Thailand leapfrogging desktop PCs altogether.

As late adopters to the Internet, most households in the region never owned a desktop computer, and as smartphones were made more affordable and accessible, they have quickly become the main device by which people go online.

Jonathan Rees, advisory partner and digital lead for the Association of Southeast Asian Nations with consultancy EY, said smartphone penetration is expanding rapidly in Asia as brands release lower-priced handsets into the market.

“In developed markets such as Hong Kong and Singapore, smartphone penetration is already north of 80 percent,” he said.

Online retailers who aim to continue high growth patterns need to go beyond thinking “mobile friendly” and think “mobile first”, he added.

While regional data for mobile commerce is sparse, data from Singapore indicates that one-third of e-commerce consumer spending occurs via smartphones, according to Google.

“Anecdotally, some Internet retailers reported that number surpassed 50 percent across Southeast Asia in 2015,” Google said.

Japnit Singh, senior director for Singapore and India with Spire Research and Consulting, said the growing penetration of smartphones has led to a boost in e-commerce throughout the region.

“Currently close to 45 percent of online consumers are using their mobile phone, which is up from less than 10 percent in 2011.”

It would not be surprising if smartphones become the dominant mode of e-commerce for Asian consumers, Singh added, given that smartphone penetration in Asia Pacific is almost three times that of PC penetration.

“This would be especially so for rural parts of Asia.

“At the same time, in China, India, Thailand and Indonesia — where the gap between PCs and smartphones is high — mobile commerce already



GMP Services
注册服务

To learn more about NSF cGMP Services, [click here](#)
Experts in auditing, consulting, training and testing

欲了解更多服务信息请点击
审核、咨询、培训和测试专家团队

dominates, with more than 50 percent of the consumers using mobile phones to make online purchases.”

Biswas of IHS pointed out that the Indian e-commerce market is much smaller than China’s, but is growing rapidly, with e-commerce sales estimated to have risen from US\$4 billion in 2009 to US\$40 billion this year.

“Much of this growth has been helped by the rapid growth in sales of smartphones and tablets, which have facilitated online buying by Indian consumers.”

He noted that in the first quarter of this year, sales of smartphones in India grew by 23 percent year-on-year. “In Southeast Asia, e-commerce is also growing rapidly, buoyed by the rapid growth in the size of the middle class.

“IHS forecasts that Indonesia (in e-commerce) will grow at about 5 percent per annum over the next decade, with GDP forecast to reach \$3.8 trillion by 2030, up from an estimate of US\$930 billion in 2016.”

Biswas said that Indonesia’s e-commerce market is estimated to be worth \$6 billion this year, dominated by e-sales to Indonesian consumers for travel-related spending, notably on airlines and hotels.

Despite the rapid growth in online retail and e-commerce throughout Asia, smartphone sales globally are expected to grow by just 7 percent this year, down from 14.4 percent in 2015.

According to research firm Gartner, the slowdown in the global smartphone market has been apparent for more than a year, with mature Western markets saturated and China’s growth engine also slowing as demand has topped out.

Gartner sees the biggest opportunity for smartphone growth in India and estimates 139 million smartphones will be sold there this year, growing 29.5 percent year-on-year. (Source: China Daily)

Online Healthcare Still Gains Ground Despite Hiccups

Industry insiders explained that as more and more market players join in, many of them are providing identical services and are unable to seek out a feasible business model. Some even warn that the widely-considered promising industry will experience a "chilling winter" following a boom.

Yang Hongqiao, president of Sinldo Information Technology, which offers mobile medical care, said many apps providing online medical services are just playing the role of a connector between doctors and patients and cannot offer other value-added services.

Therefore, it's difficult for those enterprises to receive further investment after A-round and B-round financing because investors would only pour money into one or two leaders in the sector.

Moreover, services provided by those enterprises don't have core medical value, which means they are not able to develop a good business model, he added.

Despite shrinking capital, there's still a promising market for the internet-based medical care industry.

According to a survey by international consultancy Accenture published in May, more than 70 percent of over 20,000 respondents in China said they had once used the internet to get healthcare services, and 98 percent said they were interested in internet-based medical care.

A report by market research firm IDC shows that China's online medical care is growing faster than ever before since this year, with dozens of internet medical organizations already making diagnosis online. Patients' trust in online medical services and their quality supervision system have thus strengthened.

The organization estimates that revenue generated from internet-based medical diagnosis services would hit 110 million yuan this year and rise to 16.7 billion yuan by 2020.

"Internet technology provides a convenient and safe environment for the development of internet-based medical services," said Leon Xiao, senior research manager of vertical industry research and consulting at IDC China.

"In addition, the support from local health authorities has helped solve concrete problems in the process. Insurance companies and healthcare enterprises are making an effort to integrate into the system. These will help internet-based medical care to develop in a clearer direction and make it an important innovation in medical care services."

Jiang said the internet-based medical care industry is developing at an early stage, but the main problem is that the Chinese mainland's social security system, which covers most patients' medical bills, does not apply largely to the online healthcare sector.

Nevertheless, he's optimistic about the industry's future.

"The long-standing problem of 'difficult to see a doctor and expensive to receive medical treatment' cannot be solved with the traditional healthcare system. As the government becomes more open to private medical care institutions, its attitude toward the new industry will change in coming years. With a more open social security system and supplementary commercial health insurance, the industry is expected to see strong growth," Jiang said. (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.

If you have comments, suggestions or would like to advertise, please contact us at:

news@uschinahpa.org

