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Cross Border FTZ Model Extended to end of 2017

November 15, 2016 saw a post go out on China’s Ministry of Commerce’s site stating that the agency was extending the grace period of cross border e-commerce that is using the Free Trade Zone (FTZ) distribution model.

Back in April 2016 a variety of products were not included on a list of approved products for cross border commerce. Health products were not on that list. The following days saw chaos ensue. Many global players using FTZs saw their sales crash as FTZ officials froze sales and shipments of supplements. A month later the government realized this move hurt foreign players as well many Chinese businesses and the FTZs, so a grace period was enacted giving those involved until May 17, 2017 to find alternative business models.

The cross border model has proven to be quite successful and because of this the government today has extended that grace period until the end of 2017. Many are hoping the government will realized this business model is here to stay and the grace period will be ended. (Source: MOFCOM / USCHPA)

Alibaba Holds Record Breaking Singles Day

November 11th marks Alibaba’s annual “Singles’ Day” e-commerce spending spree, which has become the world’s largest online shopping day. In 2015, Alibaba accumulated US\$14.3 billion in sales. This year they topped that by reaching US\$17.73 billion and generating over 65 million packages. During Singles’ Day, Alibaba broadcasts a running total of sales down to the second through social media. Although the total sales figure



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tallied at midnight November 11th is amazing. What is truly mind blowing is that in the first 20 seconds of sales, consumers racked up US\$14.6 million in purchases.

However, there were some glitches with the Alipay payment system in the first few hours. The volume of shoppers hunched over their devices waiting for “Singles’ Day” to kick off at midnight were just too many for the system to handle. However, it was rectified in short order. (Source: USCHPA)

Hangzhou Launched Inspection Over Health Food

Local market regulator in Jiande of Hangzhou recently launched special campaign towards health food market.

The campaign would pay special attention to illegal additives issue, and would require local companies to self-inspect first. All the requirements were sent to companies via QQ, Wechat and text messages. False advertisement is also another key area of inspection.

Companies are required to raise awareness of responsibilities and conduct standard procedures in production.

Illegal vendors and companies spotted in the campaign will be added to a special inspection list and will be specifically checked during regular inspections. (Source: jdnews)

Health Food Seminar Held in Jinan

Recently a series of health food summit were held in Jinan of Shandong province, which were also to celebrate the ten-year anniversary of founding of Shandong Health Technology Association.

Shandong has been a vital base for production, processing, marketing, consumption and export of health food in China.

Wang Jianzheng, deputy director of food safety office of Shandong province, said that numbers including the total production capacity, assets, sales are growing rapidly in Shandong, ranking high

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Shandong has over 160 health food companies, generating 12 billion yuan in production value and over 10 large scale companies. (Source: iqilu.com)

Lanzhou Inspects Local Health Food Market

Lately a series of local reports on illegal sales conduct in Lanzhou’s health market has drawn attention from regulators.

Recently, a couple of regulators co-launched campaigns to spot and crack down illegal conducts in the local health food market.

Seminars are also held by regulators to raise awareness of protecting consumer rights among the local consumers, and trainings were organized for local regulators to step up efforts in inspection.

In the inspections, regulators have spotted several illegal vendors who sell health food to elderly consumers on seminars and other marketing events. Relevant organizers are punished by the inspectors. (Source: Lanzhou Daily)

Wal-Mart, JD.com Cozy Up as Singles Day Nears

Wal-Mart Stores Inc. is taking another stab at China's highly competitive online shopping market

by forming a closer relationship with Chinese e-commerce giant JD.com.



The retailers on Thursday announced new initiatives that expand on their 4-month-old alliance just in time for China's busiest shopping day: Nov. 11, the annual Singles Day extravaganza.

JD.com agreed to enlarge its website to include a flagship store for Wal-Mart's "warehouse club" division, Sam's Club. A warehouse club is a store that sells wholesale quantities of products to the public.

The companies also agreed to let Wal-Mart shoppers in Guangzhou and Shenzhen take delivery of purchased products through JD.com's delivery network. Also, during a 10-day promotional period, JD.com shoppers will be able to buy items through Sam's Club at member-discount prices.

The closer partnership is designed to give JD.com shoppers wider access to a variety of imported products that Wal-Mart sells, a JD.com statement said.

On Singles Day last year, JD.com reported about 10 million purchases during a 10-hour period, up 180% from the previous year. That same day, rival Alibaba

Group — China's largest e-commerce company and creator of Singles Day in 2009 — reported 91 billion yuan (\$13.5 billion) in sales through its Tmall website.

Wal-Mart and JD.com launched a strategic alliance in June when the former sold its Chinese online shopping site, Yihaodian, to the latter for equity worth about \$1.5 billion.

Some saw the deal as a setback for Wal-Mart, which operates more than 400 brick-and-mortar stores in China and has been in the country for about 20 years.

Wal-Mart bought a 17.7% stake in Yihaodian in 2011 and took full control in July 2015. But the website struggled in a market crowded with domestic players, with Alibaba, JD.com and Suning vying for a customer base estimated last year at 380 million, three times more than there were in 2010, according to the marketing research firm Nielsen.



Under Wal-Mart's control, Yihaodian's share of the online shopping market shrank to less than 0.3% in 2015 from 2.6% in 2013, according to the e-commerce research website 100ec.cn.

The JD.com tie-up reflects Wal-Mart's determination to grow its global online sales, which totaled \$14

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billion last year. Wal-Mart plans to invest \$11 billion in online shopping ventures during the company's 2017 fiscal year.

Wal-Mart recently bought the U.S. e-commerce company Jet.com and is currently looking at investing in Flipkart, India's largest online shopping site, media reports say. (Source: caixin)

Skincare, Make-Up Drive Consumer Goods Growth

China's skincare and make-up sectors registered strong growth of 12 and 10 percent respectively last year with South Korean and Japanese brands making up the lion's share of the increase, according to an industry report.

The ratio is higher than the overall growth of 3.1 percent in the fast moving consumer goods sector, according to latest figures published by Kantar Worldpanel, indicating that the cosmetics sector remains an important growth engine of China's FMCG market.

"Chinese consumers are becoming more sophisticated, and are opting to buy more premium products which are fueling the value growth of these sectors. This presents brand-new opportunities for both international and domestic players," said Jason Yu, general manager of Kantar Worldpanel China.

Dabao, a brand acquired by Johnson & Johnson, leads Kantar's 2016 Cosmetic Brand Footprint ranking, which measures which brands are being bought most often by the most consumers.

Daobao products were chosen by 23.1 percent of the population, on average twice a year.

Pechoin occupies second place and was the fastest riser in terms of consumer touch points, adding

more than 3.6 million families to its brand over the last 12 months.

The double-digit growth of the cosmetic sector was mostly driven by trading up, which accounted for 82 percent of market growth, said the report.

Despite strong growth in the cosmetics market, the competitive landscape in China also went through rapid transformation, the report said.

Among all the 4,000 brands tracked by Kantar Worldpanel, only 40 percent of them saw an increase in net sales.

Among the top 20 growing brands in the market, a rise in penetration accounted for 78 percent of their collective growth, proving that the continual recruitment of shoppers is the key way to grow sales.



Aside from Pechoin, Hans, Innisfree, Dr. Morita and Shiseido also managed to grow their consumer reach faster than the other players.

South Korean Amorepacific Group Inc, which owns brands including Innisfree, had its revenue in China grown from 464 billion South Korean won (\$0.42 billion) in 2014 to 765 billion South Korean won in 2015, according to its annual financial report for the



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year ended Dec 31, 2015.

Yu said: "Consumers today have unprecedented choices available to them thanks to overseas travel and e-commerce, yet the growth of Chinese brands and South Korean/Japanese brands is noticeable.

"While consumers are more ready to trade up, those brands which advocate health, efficacy and fun are winning consumers' choices, on the back of unique product and marketing innovation as well as smart Omni-Channel deployment. "

The report also found out that consumers are embracing natural and safe product concepts. Successful brands differentiate themselves by advocating new concepts, benefits and usage occasions, as well as pure and natural ingredients. (Source: China Daily)

Time to Raise the Bar On Child Health: Survey

More than 70 percent of Chinese people believe children and adolescents should have annual physical checkups at professional hospitals, rather than at school health centers, according to a Chinese Medical Doctor Association survey.

The survey, released on Monday, also shows nearly 70 percent of people believe the checkups organized for students should include psychological consultation.

The survey was based on feedback from 42,404 people across China, including people of different professions, such as company employees, doctors, government employees, students and migrant workers, according to Yu Kong, director of the association's Adolescence Medicine Committee.

Nearly 32,000 of those surveyed said children and adolescents should have checkups at professional hospitals, compared to more than 8,500 respondents saying they should have checkups at schools, while some others said they didn't care. Students in China must have physical checkups before they are admitted to a school at a higher level, and all students should have a regular

checkups every year when at school, according to health and education regulations. Schools should organize students to have checkups, the regulations state.

Wu Di, an endocrinology doctor at Beijing Children's Hospital, said in recent years the number of children suffering diseases such as hypertension and obesity had increased, but in many cases they were diagnosed at professional hospitals rather than at school health centers.

"Students in China in general have check ups at their schools rather than at more professional hospitals," Yu, from the Chinese Medical Doctor Association, said. "This is because school authorities are in charge of the checkups."

However, the regulations were made decades ago and should be updated to suit the new situations, she said.



For example, most schools don't cover sexual development and psychological consultation at the check-ups, according to the regulations, but the number of students facing these problems has been increasing in recent years and serious consequences could occur if the problems are not properly addressed, she said.

Related regulations for checkups should be revised to reduce health risks for children and adolescents, she said.

For example, health authorities should be allowed to take part in student checkups, while current

checkups should be extended to cover more private areas such as sexual checkups and psychological consultation, she said.

Yan Chunmei, a pediatrician at the Beijing Children's Hospital, said it was a good idea to transfer students to professional hospitals for regular checkups, but she was afraid big hospitals would be even more crowded as a result.

"Many hospitals such as Beijing Children's Hospital are already very crowded, and doctors are overburdened," she 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.

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