



# CHINA UPDATES

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## **Health Forum Held in Beijing**

In preparation for the 9th Global Conference on Health Promotion this month, a health forum was held in Beijing on November 11.

Jointly staged by the National Health and Family Planning Commission, China Health Education Center, Life Times, Global Times, and Amway, the forum saw health experts giving lectures on the benefits of healthy living.

Zhu Shankuan, the deputy head of Zhejiang University's Public Health Institution was among the speakers. Zhu shared aspects of Zhejiang University's Wellness Living Laboratory Project with guests. Aimed at promoting a healthy living and health conscious practices around the world, the project was established by Zhejiang University and Stanford University in 2014.

Nutriline, a brand under Amway donated \$10 million to the project in the same year. The 9th Global Conference on Health Promotion is co-organized by the World Health Organization and China's National Health and Family Planning Commission. It will be put on in Shanghai on November 21. (Source: Global Times)

## **CFDA: Products by Four Dairy Companies Are Found Problematic**

China's state regulator of food and drug recently released information about four dairy product companies, whose food production system in China is found to have problems.

The four companies are Wyeth, Abbott, Weichuan and Beimgmate. Problems include production permit and



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management system of food safety.

The four companies are requested to modify relevant problems. The inspections are regular ones conducted by the state regulators instead of spot checks.

The local regulators will be responsible to monitor the updates of the four companies' improvement. (Source: CFDA)

### **China Seeks to Revive Physical Retail Amid Online Shopping Spree**

As people across the country are glued to their smart devices or computer screens in the hope of snapping up a bargain or two in China's annual online shopping event, Singles' Day, central authorities are extending a helping hand to the nation's struggling high streets.

In a guideline released Friday, the State Council advised physical stores that should they want to survive in the current retail environment they must restructure, innovate and integrate their businesses.

Physical retail need to understand their customer's lifestyles and habits and use that information to guide their selection of products, the guideline said.

Quality and efficiency are of utmost importance, the guideline underscored, and the future of the retail industry was the integration of online and offline entities.

The guideline also promised policy support, including lower taxes, to ensure a fairer environment.

In recent years, China's physical stores have been overshadowed by the rise of online market places such as Alibaba and JD.com. The situation has been exacerbated by soaring rents and rising wages.

China's online retail sales increased 26.1 percent year on year to nearly 3.5 trillion yuan (514 billion US dollars) from January to September, outshining the 10.4-percent overall retail growth.

On Friday, Singles' Day sales had beaten last year's record of 91.2 billion yuan by 3:19 p.m., just over half

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way through the day-long event. (Source: Xinhua)

### **Government Departments Cracked Down on Illegal Medical Institutions**

Six state government departments, including health committee, public security department and CFDA, teamed up in the past months in cracking down on illegal medical services, and closed 5088 small clinics that are not up to standard.

In the campaign over the past three months, the local regulators received over 7,300 complaint cases from the public. Over 30,000 illegal medical practices were spotted by health departments of all levels.

The campaign has six departments coordinated their efforts in cracking down illegal practices nationwide, and established an information releasing system to expose substandard medical services. (Source: ifeng.com)

### **News Food Safety Regulation Released**

The Legal office of the State council recently released an updated legal document of the food safety law.

The draft provides details on punishment measures towards some illegal conducts.

“The new draft reveals the determination by the

state regulator on implementing the new food safety law, which would improve the protection of food safety in China to a great extent,” said Xiong Binwan, professor with Beijing-based Renmin University.

The new draft also addresses some of the existing problems related to food safety issues, protecting rights of food companies.

Companies of health food, food of special use and infant formula, whose product is already up to the standard of product formula and processing, are not required to register with the regulators per company standard, according to the new draft. (Source: Suzheng kangxun)

### Online Shopping For Daily Necessities in China is set to Become Mainstream

Online sales of packaged foods, alcoholic drinks and personal care products in China are expected to continue its explosive growth trajectory, thanks to a key demographic that is relying more on e-commerce for their daily necessities, a survey has found.

A survey of 4,600 people across 16 Chinese cities by consultancy OC&C found more consumers aged between 30 and 50 said they would turn to online shopping for shampoo and other daily necessities in the coming six months than those aged between 18 and 29.

Jack Chuang, partner, Greater China, OC&C Strategy Consultants, said convenience and price were factors in the shift to online shopping.

“The growing middle class want to save money on everyday consumables so they can use these savings towards a better lifestyle including for dining out or buying international fashion brands,” Chuang said.

China’s online spending on fast moving consumer

goods (FMCG) -- the category spanning infant formula, to soft drinks, and beauty products -- stands at more than US\$25.3 billion, up from US\$1.4 billion in 2010, according to Euromonitor International.

Younger generations, including those born post-1980s and 1990s are also set to drive online sales of FMCG thanks to increasing average household incomes and the new two-child policy, the report said.



China’s population to peak in 2029 under two-child policy: family planning official

Rising online spending by this demographic is expected to be more long-term compared to older consumers, as it will be a few years before this group have the need and means, Steven Kwok, manager, Greater China for OC&C, said.

Chinese consumers are drawn to buying these daily goods online as they work long hours and improvements to logistics operations have made deliveries more convenient, the OC&C report found.

The survey asked respondents to rate e-commerce platforms by product category based on their experiences. Amazon.cn came out top for infant milk formula as parents are driven to pay a premium

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for milk powder amid concerns about the safety of locally brands, with benlai.com taking No 1 spot for packaged food and soft drinks.

Wine9 was the favourite for wine as it provides a personal touch by suggesting grape varieties to pair with certain foods while sfbest.com was most highly rated for beauty and personal care products, the report found.

Yihaodian is an example of the smaller Chinese e-commerce sites seen by some as offering a better shopping experience than the market leaders.

Taobao, which is operated by Chinese e-commerce giant Alibaba, appeared once in the top five rankings for the four categories, even as its 2015 Single's Day sale raked in US\$14.3 billion in sales.

Kwok said that while Taobao and Tmall are the largest players, their shopping experiences are not necessarily the most enjoyable in the eyes of consumers when compared to more specialist sites.

OC&C's report found Alibaba commanded a 52 per cent market share for FMCG compared to its 70 per cent overall market share for online shopping.

However both Taobao and sister e-commerce site Tmall received the highest brand awareness and shopper penetration across the four major categories. JD.com took third place across the four categories for both brand awareness and for percentage of consumers who had shopped on the site.

Brands planning to reach Chinese online consumers should not focus on just one e-commerce player, the report found, and should instead use the strengths of each platform in terms of traffic, service and quality as well as considering in-house operations.

The report noted that cosmetics chain Sephora, which was rated fourth for beauty and personal care

e-commerce sites, runs stores on platforms including JD.com but also ensures customers visit its own website by only listing around half its products on third party sites. (Source: scmp)

## Singles Day: How China's Alibaba Wants to Change Shopping

Every year on 11 November, millions in China and across Asia engage in a massive shopping spree online. Many visit Tmall and Taobao - Alibaba's answers to Amazon.

Traditionally customers do their shopping on their websites and mobile apps. But this year Alibaba appears to be piloting several new concepts aimed at changing the way people shop.

One highlight is the Buy+ virtual reality (VR) experience.

Customers either use a VR headset or buy a 1-yuan (12p, \$0.15) cardboard frame - similar to Google Cardboard - to slot in their smartphones and explore virtual replicas of stores such as Macy's and Costco.

Those with headsets can "walk" around the shop, "pick up" items to examine them virtually, and make instant purchases by staring at floating buttons.

Observers say VR shopping could take off as it gives online shoppers a more immersive experience - and Alibaba is the first to do it in a big way.

"If brands could do it themselves, it would encroach on Alibaba's eco-system. So this way the company is pre-empting that and building their own VR mall to keep these brands in their eco-system," says Jack Chuang of OC&C Strategy Consultants.

But there is one big problem - the lack of affordable hardware. Not everyone can afford expensive headsets, and smartphones, while widely used,



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offer a limited and sub-par VR experience.

Like in previous years, Alibaba has been holding online contests and giveaways of vouchers known as "red packets" in the lead-up to 11 November.

This year it's also using augmented reality - the same technology behind the hugely popular game Pokemon Go.

Gamifying shopping, where customers have to make repeat visits to win rewards, helps to "lock" customers into particular retailers, says Andrew Milroy of Frost and Sullivan.

"Pokemon Go has done a lot to accelerate the acceptance of augmented reality and gamification. Both will do well and can be expected to be widely used by online retailers over the next few years."

But shoppers may soon grow tired of the novelty factor. Mr Chuang points to the steep drop-off of players of Pokemon Go several months after its launch, and says businesses will have to figure out how to use augmented reality in more complex ways.



Alibaba has also made livestreaming introductions to foreign retailers for Chinese consumers, and held an "interactive television" event with its lavish countdown show on Thursday night featuring celebrities like Kobe Bryant and OneRepublic.

Observers say such attempts to innovate show Alibaba is intent on getting first mover advantage, and these new ways of shopping are likely to take

off in Asia first, where the company is aggressively expanding.

"Asian countries like China, Japan, South Korea have more experience leapfrogging technology and their consumers are more willing to adopt these new technologies. But there's nothing to stop them from spreading to other countries as well," says Mr Chuang. (Source: BBC)

## USCHPA Releases Suggests to China FDA

On November 19, 2016, the U.S.-China Health Products Association submitted its comments and suggestions to China's Food and Drug Administration in relation to FDA's latest draft of the Food Safety Law Implementation Regulations.

The association gathered concerns and input from its members before generating the report, which highlighted unclear areas of the draft. For example, asking for clarification on a new traceability system, which was only referred to as a concept and not clearly defined as to its details or what agency(s) will be in charge.

Also the regulations refer to a "Health Food Material List". However, the list has not yet been published. The association stressed the importance for the industry to be able to review such a list and asked for estimation on its publication date.

Another point of contention among members especially OEM companies was the draft's article 97 in which it states

*"a company cannot use the same formula to register or record special food in different brands; a company cannot use the same name to register or record special food with different formulas. Special foods include health food, infant formula food, and formulas for special medical purpose".*

This would unfairly hurt OEM / Contract manufacturers that make one formula available to multiple companies. (Source: USCHPA)



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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