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Qingdao Cracks Down on Selling Health Food Via Seminars

The local food and drug regulator of Qingdao has addressed five cases that involve selling health food through seminars and meetings since February. Eight companies were asked to modify their operations and products that value at over 90,000 yuan were confiscated by the regulators.

To better regulate health food sales, safeguarding consumers' due rights, the FDD of Qingdao launched a special campaign to crack down illegal sales via seminars since February. The campaign will cover all markets in Qingdao till August.

Operation approval of illegal vendors is likely to be revoked if found the vendor is conducting sales of this kind. The food and drug regulator will team up with police authority to crack down on illegal health food marketing. (Source: Qigndao News)

Liaoning Consumers Right Group: Elderly Consumers Alert of Health Food Sales Fraud

The local consumer rights group have spotted an increasing number of vendors are using "health seminars" to attract elderly consumers to buy health food.

In the seminars, the vendors will brainwash the consumers to make them fall into sales trap. So the consumer rights group remind the elderly consumers to be careful about the false advertisement choose health food in a scientific way.

Consumers should not believe the vendors who say the health food will cure any disease or replace drugs. When purchasing



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health food, consumers should choose those with official approval of sales and those with blue hat. (Source: news.youth)

Alibaba Injects \$488 Million Health Food Assets into Ali Health

Alibaba Health Information Technology Ltd said on Friday controlling shareholder Alibaba Group Holding Ltd would sell HK\$3.8 billion (\$488.3 million) worth of health food and nutritional products businesses to the company, further developing it into Alibaba's healthcare flagship platform.

Alibaba Health will buy Ali JK Nutritional Products Ltd from Alibaba Group in a deal to be settled by the issue of 1.19 billion shares at HK\$3.2 apiece, or a 6.16 percent discount to the last close, the company said in a filing to Hong Kong bourse.

The deal will bring a broader set of merchants into the online healthcare community, while the company will obtain more stable and sustainable revenue growth, the Hong Kong-listed firm added.

Alibaba Health saw its adjusted net loss narrowed to 98.3 million yuan (\$14.3 million) for the year ended in March, from a 161.5 million yuan loss in the year-ago period amid rapid growth of its pharmaceutical e-commerce business. (Source: Reuters)

US Rides China's E-Commerce Wave

A San Jose, California-based company is selling to China's vast middle class, the fastest growing in the world, through Alibaba, and doing what Jack Ma, the chairman and founder of the ecommerce giant, wants to duplicate in order to create 1 million jobs in the US over five years, report Chang Jun in San Francisco and Linda Deng in Seattle.

American small- and medium-sized businesses — such as retailers of cosmetics, apparel, maternal and baby products, and health supplements and even farmers — are cashing in on the huge purchasing power of China's vast and fast-growing middle class through e-commerce while creating jobs for Americans.



A prime example is 100% Pure, a San Jose, California-based company with a 15,000-square-foot complex from which Chinese consumers can buy organic cosmetics and other beauty products directly through Tmall.com, e-commerce giant Alibaba's business-to-consumer (B2C) platform.

Ric Kostick, founder and CEO of 100% Pure, said that when he and his two business partners started their business, they were concerned that the hefty service fee they had to pay to brokers and middlemen for packaging and ingredients would impede their company's growth.

Then, in that same year, "I found a packaging store through browsing Alibaba and couldn't wait to share that with my partners," recalled Kostick, "Why wouldn't we just go to this website and contact suppliers directly?"

They became adept at using Alibaba's search mechanism and rating system to find reputable suppliers worldwide without wasting time traveling or vetting vendors. "We can spend our time and money more wisely on developing our products and, ultimately, benefit our customers," said Kostick.

On June 20-21, Alibaba Group Holding Ltd will host a conference in Detroit to teach US businesses what Kostick has learned: How to sell to the company's 443 million customers in China on the world's biggest e-commerce site.

It's a move by Alibaba chairman and founder Jack Ma to fulfill a promise he made to US President-elect Donald Trump: Get 1 million small- and medium-sized US businesses enrolled on his Alibaba online platforms to sell their products to China's growing middle class and create 1 million jobs in the US.



With 12 retail stores in the US and about 150 employees, 100% Pure is a \$20-million wholesale business that sells about 600 different products worldwide.

Kostick said the next target market is China, where the company has a subsidiary in the city of Tianjin, about a one-hour drive from Beijing. He has hired a Chinese general manager to lead a 10-member team to launch sales through Tmall.

"We will ship from Portland (Oregon)," said Kostick, adding that the company initially will only offer top-selling products to Chinese consumers.

To continue to use Tmall's marketing channels and to take advantage of sale opportunities like 11.11 Single's Day shopping, 100% Pure will be competing against local and international competitors, but Kostick said his company will succeed. "We did our solid market research, and noticed that China is surpassing Japan to become the second-largest spender in the cosmetics and beauty products sector," he said.

Stadium Goods, a retailer and marketplace in New York City founded in 2015, specializes in collectible sneakers and also has connected with Alibaba.

It started when a Chinese shopper walked into its Manhattan bricks-and-mortar store and paid \$10,000 in cash for about 50 pairs of Nike Air Jordans to resell to basketball enthusiasts in China.

That purchase, together with several similar transactions made by visiting Chinese shoppers, gave co-founders John McPheters and Jed Stiller of Stadium Goods a clue as to just how strong the Chinese market might be.

Statistics show that basketball fans pump up annual sneaker sales in the US to approximately \$1.2 billion and \$6 billion worldwide. "Within China, there's such a desire to get these products that the path forward was very clear," McPheters, the CEO, said.

The duo decided in August 2016 to launch a flagship store on Alibaba's cross-border platform Tmall Global. They took advantage of Alibaba's annual 11.11 Global Shopping Festival in November, the world's largest online sale by transactions and trade volume. They used a combination of coupons and gifts to attract Chinese consumers instead of relying solely on large discounts. The result was a spike in transactions that day.

McPheters acknowledges that entering the Chinese market via Tmall Global has helped drive growth: "Obviously, Alibaba was big for us. We've seen a big jump in sales from it."

Five months after the partnership, Stadium Goods announced that it had raised \$4.6 million led by Forerunner Ventures and the Chernin Group, and will use part of the investment for international expansion, including the Chinese market.

Besides hiring two full-time and one part-time



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staffer in New York dedicated to online China sales, Stadium Goods said it is "in a position now where we can add as it grows."

Jennifer Kuperman, head of International Corporate Affairs at Alibaba, told China Daily in a recent interview that Ma's pledge to create 1 million jobs in the US is nothing but "conservative," based on what they have seen happen in China.

Alibaba will keep functioning as a gateway to China and continue to help American businesses of all sizes access the tremendous Chinese market, and especially meet the increasingly sophisticated needs of the growing middle class, she said.

"Whether they are big brands or small- or medium-sized businesses or farmers (in the US), we help them sell to the swelling population of middle class in China – 300 million Chinese consumers now and a half billion five years from now – they are looking for quality international products especially in certain categories. And where are they looking for these international products from? The United States is one of those markets," said Kuperman.

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Cross-border e-commerce imports into China grew about 30 percent to \$182 billion (1.25 trillion yuan) in 2016 and will grow at a similar pace in 2017, said research firm iResearch.

According to Chinese research firm CBN Data and Alibaba Group, Chinese consumers in 2016 can buy products on Tmall Global in 3,700 categories from big brands or retailers from 63 countries. Among the 14,500 brands now available on Tmall Global, 80 percent are new comers to China's market.

Best-selling are foreign cosmetics products and food. Milk powder, baby food and dietary supplements are some of the most popular items on Tmall Global. Since 2014 when Alibaba initiated collaborations with the US Department of Agriculture and local farm produce organizations, Chinese consumers have been able to purchase directly through Tmall seasonal American fruits such as cherries and apples and wild caught seafood from Alaska.

Keith Hu, director of international operations at Northwest Cherry Growers, an organization that represents growers in Washington, Oregon, Utah, Montana and Idaho, said Chinese shoppers consumed about 10 percent of the 200,000 tons of cherries from those states' total in past years. "China is the largest overseas market for the Northwest cherry industry and will continue to be a key market," he said.

Hu works with major supermarket chains and specially fruit chains in China to market cherries from his organization, and he also teams with Tmall to promote the Northwest cherry brand.

China is also one of the top five export markets for Washington apples, consuming roughly \$30 million worth of Washington Red Delicious and Gala, two main varieties, between September 2015 and August 2016.



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Chinese consumers are very quality conscious and care about the origin and safety of their food, which makes the Tmall market a perfect fit for Washington apples, said Lyons.

Exports for the current season, which will end on Aug 30, are projected to increase by 25 percent from last season, "We anticipate that China will continue to be a major market for the 2017 Washington apple harvest season (Sept 1, 2017 – Aug 31, 2018)," said Lyons.

Kostick of 100% Pure echoed Kuperman's comments about creating jobs in the US. (Source: China Daily)

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