



# CHINA UPDATES

November, 21 2017 – Issue 273

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## **Heilongjiang Strengthens Control Over Imported Food**

According to the regulators of Heilongjiang Import and Export Bureau, the provincial regulators will step up regulations over imported food and health food, which aims to protect due rights of consumers.

A special campaign is expected to be kicked off soon and will last for five months. Health food fraud and false advertisement will be specifically highlighted in the campaign.

The campaign will pay special attention to food imported from Japan, imported honey products and health food.

Companies which are found to conduct illegal sales will be punished severely, whose operation approval will also be confiscated. (Source: Xin Evening News)

## **Ten Departments Team Up to Crack Down Over Health Food Fraud**

Ten government agencies jointly crack down over sales fraud and false advertisement of food and health food in Liaoning province.

The campaign will start from this month till next June. The involved agencies include food safety office, public security bureau, industry and commerce bureau, food and drug administration and cyberspace office.

The campaign specifically aims to spot health food and general food that are sold without official approval, and illegal conducts that are suspected to involve false advertisement, including meetings and marketing campaigns.



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During the campaign, the provincial regulators will facilitate local consumers to report on illegal conducts related general food and health food, and will punish companies whose sales and promotions fail to meet standard. (Source: huaxia.com)

## China's Online Retail Sales Near \$1t Mark in 2017

China's 2017 online retail sales is approaching \$1 trillion that will buttress the country's position as the largest e-commerce market in the world, S&P Global Ratings said on Monday.

The rating agency said the estimation is based on record online spending during the country's Singles Day shopping carnival last Saturday. Driven by that, China's online retail industry's annual growth will be 20-25 percent in next 12-24 months.



According to Syntun, a Beijing-based e-commerce data provider, the online sales totaled 254 billion yuan (\$38.26 billion) at this year's event.

The huge number of transactions last Saturday indicated that Chinese online retailers still have enough space to grow, financial news portal stcn.com said quoting Shalynn Teo, an analyst at S&P.

More product categories will go online, and the increasing mobile penetration will promote the online sale momentum, Teo said.

In addition, purchasing online will become more popular in China's third- and fourth- tier cities and rural areas, the analyst added.

China's online retail sales surged 34 percent year-on-year to 5.54 trillion yuan in the first 10 months of this year, surpassing the 10.3 percent increase in overall sales of consumer goods, official data showed on Tuesday.

In next 12-24 months, the intense competition will put pressures on the Chinese online retailers, Teo warned, adding that the pricing power in addition to rising marketing and delivery expenses will lead the industry's margins to slip.

"But higher growth and improving operating leverage will ease the risks," Teo said. (Source: China Daily)

## Foreign Nutritional Product Brands Seek New Growth Strategies in China Under More Regulated Market

China's health supplement market is forecast to be worth 180 billion yuan (US\$26.5 billion) by 2020, up from 120 billion yuan in 2015, according to a report published in May by consulting firm Roland Berger.

China may soon overtake the US as the largest nutritional products market in the world thanks to rising health awareness among the mainland population and the country's growing per capita GDP.

"Increasing health conscious behaviour and rising



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incidence of lifestyle diseases has led to a significant rise in the demand for health supplements,” said Vipassa Kakroo, senior food and beverages consultant at Persistence Market Research. “Moreover, the shifting trend towards preventive health care in China, which reduces health care expenditure, has also contributed to the demand for nutrition products.”

For most foreign products, the main sales channels in China are e-commerce platforms like Taobao, operated by Alibaba Group, which owns the South China Morning Post. With the thriving cross border e-commerce, international companies have been able to bypass mainland regulations on health products and avoid local taxes, which has given them an edge in price competition with domestic products. In 2015 Australian vitamin company Swisse generated more than 700 million yuan in sales on Tmall, the e-commerce platform within Taobao, making it the most popular nutrition brand on the site.

However, foreign brands selling products to the mainland are now required to pay import tariffs and comply with a pre-approved import list under a series of new regulatory changes.

In April this year, Beijing announced updated guidance on cross border e-commerce that directly affect bonded warehouses, where international brands ship merchandise for sale to Chinese consumers without being subject to normal import duties or quality checks.

Under the changes, bonded warehouse products face tariffs ranging from 1.9 per cent to 11.9 per cent. The updated guidance also shortened the list of overseas products which could be purchased online and distributed through bonded warehouses without registration with the China Food and Drug Administration.

According to the Roland Berger report, e-commerce platforms have grown considerably in China, replacing pharmacies as the second-largest sales channel for health supplement products. But direct-sales remains the top sales channel for nutritional products, accounting for 49 per cent of total sales. Pharmacies and other traditional distribution models still play a critical role in China, especially in rural areas.

“International brands have mostly relied on online channels and expanded in first and second tier cities,” said Joe Jin, a partner at Roland Berger Shanghai. “Their influence in some lower-tier cities is limited and almost non-existent in the offline, direct sales market.”

Jin said one potential strategy for new players is to enter the market through direct-sales licensing and then leverage e-commerce sales channels for rapid expansion. Meanwhile, traditional offline channels such as pharmacies should also be considered, he added.

However, it is not easy for foreign brands to penetrate the offline market because the health supplement industry is one of the most tightly regulated in China.

The rise and rise of China’s modern-day yuppies, and what it means for consumption

“Companies need to comply with a stringent regulatory framework, requiring registration of the product under China’s Food and Drug Administration. The process not only requires extensive investment of time but also involves intensive clinical trials, meaning it is a cost intensive process,” said Kakroo from Persistence Market Research.

Legal registration for nutritional supplement products in China requires a license issued by the



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country's Food and Drug Administration, with approved products able to include the FDA's blue hat logo on their packaging.

So far, about 700 imported health supplement products have been granted "blue hats" while 13,000 Chinese products have the same recognition.

Facing tighter regulations and lured by the market potential, foreign brands have come up with another way to bypass the registration process: cooperating with local companies. (Source: scmp)

### **Alibaba's Singles Day Lures More Global Brands, Amassing Billions in Sales**

To put those sales figures into perspective, Singles Day has surpassed the transaction volume for America's Black Friday and Cyber Monday events combined, according to Fung Global Retail & Technology.

The day also far outpaces Amazon's Prime Day, which is the most equivalent 24-hour, online shopping experience in the U.S.

Held every Nov. 11, Alibaba's Singles Day started as a day for those individuals not in romantic relationships to celebrate themselves by shopping online. The 24-hour phenomenon has quickly become the world's largest shopping day of the year.

In 2017, Singles Day is expected to break more records, as more than 60,000 global brands are set to participate.

Names like Lululemon, Adidas, Bose, Gap, Mac Cosmetics, Nike, Procter & Gamble, Macy's and Zara all have a presence on Alibaba's Tmall platform, which continues to grow. Tmall is essentially Alibaba's online version of a shopping mall. Alibaba is also in the midst of constructing its first physical mall, right next to its corporate headquarters in eastern China.

This year, apparel is the most sought-after Singles Day category, followed by household supplies and footwear, according to a survey by Fung Global. And just like shoppers get a jump-start on some Black Friday bargains in the U.S., roughly two-thirds of Fung Global's survey respondents indicate they will start shopping for Singles Day prior to Nov. 11.

"The extension of the Singles' Day event is similar to what has been happening in the US, where the influence of one-day shopping holidays is diminishing as retailers adopt a season-long approach to marketing and promotions," FGRT Managing Director Deborah Weinswig wrote.

Estee Lauder's makeup brand Mac, for example, has partnered with Alibaba to open a temporary storefront where customers can experience an augmented reality lipstick trial. There, Mac will also be promoting its deals for Singles Day, encouraging shoppers to visit Tmall.com on Saturday.

In total, Alibaba's 2017 Singles Day is promising 15 million product listings from more than 140,000 different brands. (Source: CNBC)

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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 and to offer its global members a wide variety of business services to assist in their China endeavors.



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