China Natural Dietary Supplements Market and the Trend

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Social Background
China and Natural Dietary Supplements
Traditional Dietary Supplements Consumption Habits

- Traditional Chinese dietary supplements consumption habits
  - All year through
    - Tailored herbal formula
    - Food + herbs
    - “Yellow wine” + herbs
    - Food combination with specific ways of processing
  - Seasonal factors and the implications of the “24 Solar Terms”

- Modern dietary supplements consumption
  - 1920s - 1940s
  - 1950s – 1970s
Classification of Dietary Supplements and Functions

- Classification
  - Traditional Chinese herbal and non-herbal formula
  - Modern supplements with nutrients
  - Functional supplements

- The 27 approved functions for functional supplements category
  - Immune system improvements
  - Adjutant for cardiovascular
  - Radiance adjutant protection
  - Anti-aging
  - Sleep rescue
  - Eye sight protection
  - Digestive improvements
  - Bone improvements
  - ...
Market Trend & E-commerce
China Modern Dietary Supplements Market
From late 1980s

- Ups and downs
  - Late 1980s
    Apollo, Wahaha, Chinese Turtle (Pelodiscus Sinensis) essence, bee products
  - Mid 1990s
    Yang Zhenhua 851, Sanzhu, Naohungjin (DHA)
  - Prior 2003
    Sharp decrease due to over promising and lack of social responsibility

- SARS & immune system focus
Suboptimal Health Conditions, Main Consumer Groups, and Consumption Behaviour

- Environmental issues, pressure, and suboptimal health conditions
- “Middle-class” and average annual market growth rate over 20%
- Aging society and overall market situation
  - Middle-aged and senior age group - 50% market share
    - 2015 10% of the population over 65
    - 2035 20% of the population over 65
  - Students - 30% lack in protein, calcium, zinc, vitamin A, B2
  - Female annual expenditure on dietary supplements > NZ$ 12 billion
- 95% households keep dietary supplements
- Gifting culture
China Dietary Supplements Market and the Potentials

- By July 2015 SFDA approved of 15,802 supplements, of which 739 imported
- 35% nutritional supplements; 65% functional supplements
- Market gap - per capita annual consumption
  - 1/35 of European
  - 1/20 of American
  - 1/15 of Japanese
  - 0.07% of total household expenditure on dietary supplements
- With 20% annual growth rate market potential by 2020 > NZ$100 billion
- Significant market growth expected by 2020 particularly in rural areas
- Over 10% annual market growth rate for imported supplements
- Confusion around dietary supplements and medicines
Market Share between Functional and Nutritional Supplements

- 65% Functional supplements
- 35% Nutritional supplements
Overview of Current Local Production

- Current local production size round NZ$ 70 billion
- Beijing, Shanghai, Guangdong, Shandong, Jiangsu, and Zhejiang taking lead
- Production capacity huge but vulnerable and segmented
  - Round 3000 manufacturers, mostly small to medium size
  - 2% of local manufacturers with an investment of over $25 million
  - Less than 20 manufacturers with a revenue of over NZ$ 250 million
- R & D vs. advertisements
Main Export Markets and Import Sources

- Major export markets
  - USA – fish oil
  - Chilli – fish oil (unprocessed)
  - Japan – royal jelly

- Major import sources
  - USA
  - Holland
  - Thailand
  - Germany
  - Taiwan
  - Malaysia
  - Japan
  - Korea
Some Familiar Brands
Main Sales Channels

- Traditional sales channels
- Franchise retail stores
- Direct sales from manufacturers
- “Store in store”
- Telephone selling
- Conference sales
- Exhibition sales
- E-commerce, big data, and 45 Bonded Zones
  - O2O
  - C2B
E-commerce

2011-2015 E-Commerce Turnover in China

- 2011: 1.37 trillion NZD, 46.40% growth
- 2012: 1.92 trillion NZD, 39% growth
- 2013: 2.85 trillion NZD, 47.10% growth
- 2014: 3.85 trillion NZD, 37.30% growth
- 2015: 6.02 trillion NZD, 34.50% growth

Note: The turnover figures are in trillion NZD and the growth rates are percentages.
Major E-commerce Platforms
Cross Border Collaboration
Collaboration for Synergy and Opportunity

- Production cooperation
- Innovation and market expansion
- Market visit and professional exhibitions

Healthplex & NutraceuAtical China 2016
21st to 23rd June 2016, Shanghai
Crowe Horwath Involvements

- Crowe Horwath and NZ Natural Products
- Crowe Horwath and NZ China food safety cooperation
- Crowe Horwath global network
- Crowe Horwath overseas business origination and market structuring services
China & Beyond
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