Issue 4

The RED Edition

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INTEGRA

Message From the CEO

Dear Readers,

618 is over and what a month. For a festival that once grew quietly in the shadow of Double 11, what we have just witnessed was anything but that. Historically the testing grounds for Double 11 and 12, 618 this year was an opportunity for brands that launched their Tmall or JD stores in Q1 to get an understanding of their market potential and better prepare for peak retail season in Q4. With an estimated total sale of 578.48 billion RMB, this 618 was anything but that. In fact, it wasn't just the increase in GMV that was a clear sign of a successful festival, but, as highlighted in our previous issue, the startling figure of more than 357 new brands achieving number 1 status in their categories during Double 11, this jumped to more than 459 during just the first 15 days of the 618 shopping festival.

With tightening restrictions for brands coming into China, such as extensions on mandatory Chinese labelling for supplements, sports nutrition, infant nutrition & health foods, coupled with tighter regulations on media platforms, it would seem that China is becoming an increasingly difficult market for some brands to navigate. New brands to market need to acknowledge that this is just as much, if not more of a headache for well-established brands.

Over the last few months, content posted on Little Red Book has seen increased scrutiny as the platform continues to attempt to position itself towards non-commercial and more attractive content. Although this is certain plus for platform users, it has also meant that China's favorite product seeding platform is becoming more difficult to navigate and brands are now lining up to utilize recently launched product review tools.

Tmall continues to leverage its influence over the retail market in China, each year taking a larger share of the market. The double-edged sword of Tmall is that it is now becoming increasingly expensive. Brands used to worry over the expensive start-up costs, including tech fees and deposits required, but these costs now seem trivial compared to the staggering fees TP fees coupled with a platform that is seeing CPC and CPM costs increase year on year.

As demonstrated in Josh Gardner of Kung Fu Data's recent article comparing WeChat and Tmall, the apparent answer is that brands are left with limited options. With over 52% of the retail market forecasted to be online by next year and with your average WeChat mini-program generating only USD49,000 per year in sales, Tmall remains the only real viable option.

China's go-to platform for all things lifestyle, beauty and baby products, Little Red Book is undergoing its biggest makeover since its launch. Although the platform has been able to manage inflating KOL prices and fake buying better than its competitors, in order to continue this, the platform needs to change its model and move away from the mass review format that many agencies have been taking advantage of to create noise and flood the platform.

On the other hand, many brands are now left wondering where WeChat sits in their strategy. Its closed ecosystem is no secret but with dwindling user readership, brands need to better utilize the platform in order to keep it relevant. Mass sampling, eye-catching designs and less frequent postings seems to be the trend that allows for a better ROI model, but the question remains: How many brands are willing to invest into the platform and get the most out of each post?

Douyin, on the other hand, has continued its explosive growth, with KOL prices now between two to ten times higher than any other platform. The king of entertainment boasts the lowest CPE, but with reducing capability in linking to Tmall, many are left wondering how the platform will function long-term for driving sales, unless they open their own stores on the platform itself.

For many brands, RedFern Digital suggests using a mixed approach when it comes to platform utilization and to always ensure that brands keep the end-game in mind: When and where is the brand selling?

Ecommerce was once was an avenue that justified offline sales in the middle kingdom but now offline has found itself in reverse. At RedFern Digital, we have found ourselves carrying out more offline sampling than ever before, as offline has become the most affordable avenue to capture consumer attention, attract first time trial and then later convert into repeat online purchases. What is clear is that there is no one channel or platform that can help a brand unlock their China success, but a combination of them all.

- Ryan Molloy, CEO

M: (86) 158 2116 8708
E: ryan@redfern.com.cn
W: www.redferndigital.cn

REDFERN DIGITAL

3 The *Future* of China in Video

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The Future of China in Video

By Ryan Molloy, RedFern Digital

The announcement this time last year that Kuaishou would create a strategic partnership with JD.com and sell JD products directly within their APP was ground-breaking. With Little Red Book only allowing brands to release high quality video and images, WeChat launching their video channel, Douyin now with well over 600 million users and Kuaishou livestreaming topping more than 25% of total online retail sales in 2020, it is clear that China is moving towards video-focused content.

One video platform that has been overlooked by many brands is Bilibili, the home of Gen Z. With 86% of its users under the age of 35 and a total of 202 million monthly active users, one out of two Gen-Zers in China is a user. As the Gen-Zers age and increase their purchasing power, Bilibili will offer ample opportunities for brands and currently has not seen the KOL price inflation that is occurring on platforms such as Douyin. RedFern suggest that brands watch this space closely given its increasing ties to Alibaba and increasingly strong performance for diverting traffic to Tmall.

The days of long-form content and in-depth articles are slipping away as consumers move away from needing brand-confidence and education to focusing on how they relate to brands. As a result, brands need to re-invent themselves and incorporate entertainment and lifestyle in video formats into their China media strategies.

With Douyin KOL pricing now the most expensive across all media platforms, brands can no longer rely on KOLs to create their content for them. There is a need to explore approaches where KOL's can integrate into their branding and localization in China by developing catchy and entertaining methods and videos that not only embody the brand identity but also possess a chance for virality. Douyin's own promotional tool, Dou+, allows brands to create such videos and amplify them, which has the potential to lead to significant increases in follower base and memorable brand experiences at a far more affordable cost than using over-priced KOLs.

To match the dynamic shift in the market, Redfern Digital has significantly scaled up their production team to offer visual design support that accommodates all platforms across media and ecommerce.

To learn more about how to better visually represent your brand in the China market and capture the attention of your target consumer, reach out to us!

Shopping Online Through China:

Festivals Throughout the Year and the Recent 6.18 Mid Year Festival

Shopping Online Through China:
Festivals Throughout the Year and the Recent 6.18 Mid Year Festival

By Sandra Weiss, RedFern Digital

When it comes to China, a major driver of online shopping is the wide range of festivals that take place throughout the year. They provide an opportunity for brands to develop campaigns or offer promotions and discounts to customers.

Two of the largest shopping festivals in China are:

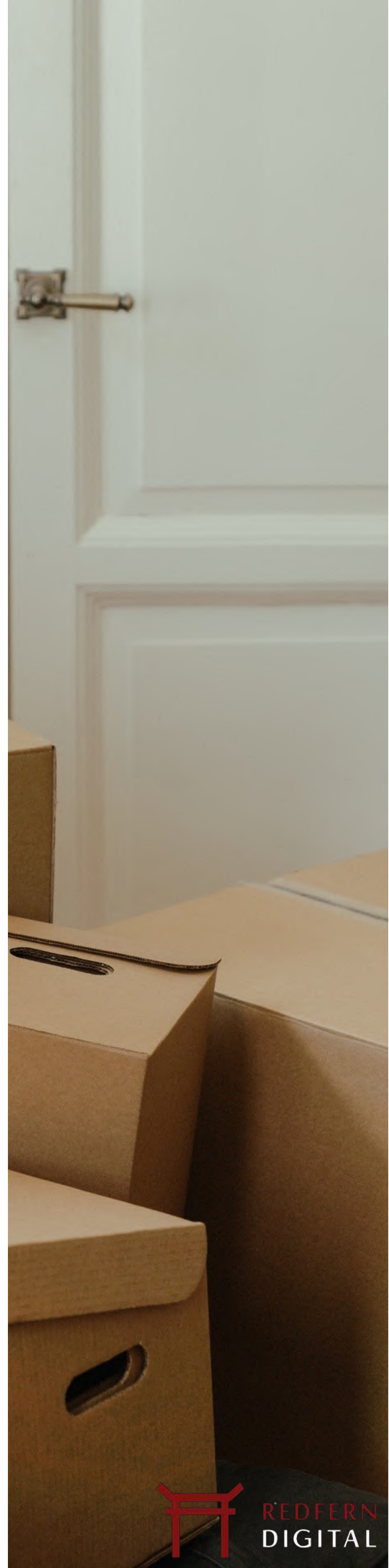
The 6.18 Mid-Year Shopping Festival is a nationwide event celebrated from the June 1 to 18, during which brands and e-commerce platforms will run promotions, offer discounts or hold livestreams. The recent 6.18 saw JD.com reach a total transaction volume of over RMB343.8 billion during the 18-day period. Although Alibaba has not released their total sales numbers for this festival, Tmall has stated that 25 brands exceeded RMB100 million in sales on the first day, June 1.

The Singles Day Shopping Festival is also a nationwide retail event, during which brands often offer their largest discounts of the year. Since its conception, Double 11 has also grown to last a number of days, and, for many brands, is the key sales period of the year. The last Double 11 Day in 2020 generated a total transaction volume of over RMB271.5 billion RMB for JD.com and RMB498.2 billion for Alibaba.

Outside of these, there are also a variety of other more niche festivals, some based on more traditional or cultural celebrations, that brands can consider participating in, depending on their relevance to the brand's category. A few of the popular shopping festivals in China include:

- **Chinese New Yea**r: Occurs on the first day of the new year based on the lunisolar Chinese calendar
    - A traditional festival that is widely celebrated throughout China. The practice of gifting during this holiday is long-established. Many brands take advantage of this by releasing limited edition packaging or gift boxes.
- **International Women's Day:** Occurs on March 8th
    - In China, this holiday has developed into a female-focused shopping festival where brands and E-commerce platforms will hold campaigns and promotions directed at women.
- **9.9 Wine Festival:** Occurs on September 9th
    - Launched by Alibaba, this festival focuses on the alcohol category, due to the Chinese character for "Nine" (九， 'jiu') having the same pronunciation as the character for "Alcohol" (酒， 'jiu').
- **Double 12 Shopping Festival:** Occurs on December 12th every year
    - Another festival launched by Alibaba, Double 12 is an opportunity for brands to continue holding promotions and developing campaigns after the Double 11 shopping extravaganza.
- **National Day Golden Week:** Occurs on the first week of October
    - China's National Day occurs on October 1st every year, and is followed by the "Golden Week", which is a nationwide week holiday. Since millions of Chinese customers take the opportunity of this holiday to both travel and shop, many brands also take advantage by developing campaigns or promotions specifically for this week.
- **Qixi Festival:** Occurs on the seventh day of the seven month of the lunisolar Chinese calendar
    - This shopping festival is based on a traditional Chinese folk story about the two lovers, Niulang and Zhinu. As a result, it can be considered the Chinese equivalent to Valentine's Day, with many brands promoting couples or lover focused campaigns.

**Please note the holidays described above are only a select few of the large variety of shopping festivals celebrated in China.*



Choosing shopping festivals to participate in

A common misconception among brands is that the only shopping festivals they should take note of or participate in are the two largest ones, the 6.18 Mid-Year Shopping Festival and the 11.11 (Double 11) Single's Day Shopping Festival. Although these two are the largest and have the widest audience, brands should also consider smaller festivals that are still relevant to their brand, category and target consumer.

Benefits of participating in the larger shopping festivals include the ability to reach consumers who are in 'shopping mode', with high purchase intention. As these large shopping festivals come with the expectation of massive discounts or other promotions, Chinese customers are used to purchasing in bulk during these time periods. However, due to the scale of these shopping festivals and the number of participating brands, competition can be very high, which makes it challenging for smaller brands to stand out. Since larger and more established brands will also likely have a larger budget, they are able to invest more in paid media such as livestreams and key opinion leaders during these events.

On the other hand, smaller shopping festivals will generally be less competitive, since participation among brands is lower, and, depending on the festival, more targeted towards specific groups of customers, e.g., International Women's Day.

6.18.2021 – Mid-Year Shopping Festival

With the recent Mid-Year Shopping Festival, once again new records were set. According to data from Syntun, the total sales that China experienced reached 578.48 billion RMB, which was an increase of 26.5% compared to last year. The largest platforms when it comes to sales are Tmall, JD and Pinduoduo.

Alibaba's 618

Alibaba began their pre-sales for 618 early on the 24th of May, with balances paid out on June 1 and discounts lasting until June 20th. According to Cainiao, over 1 million shoppers were able to receive the products they had pre-purchased by 8am on June 1.

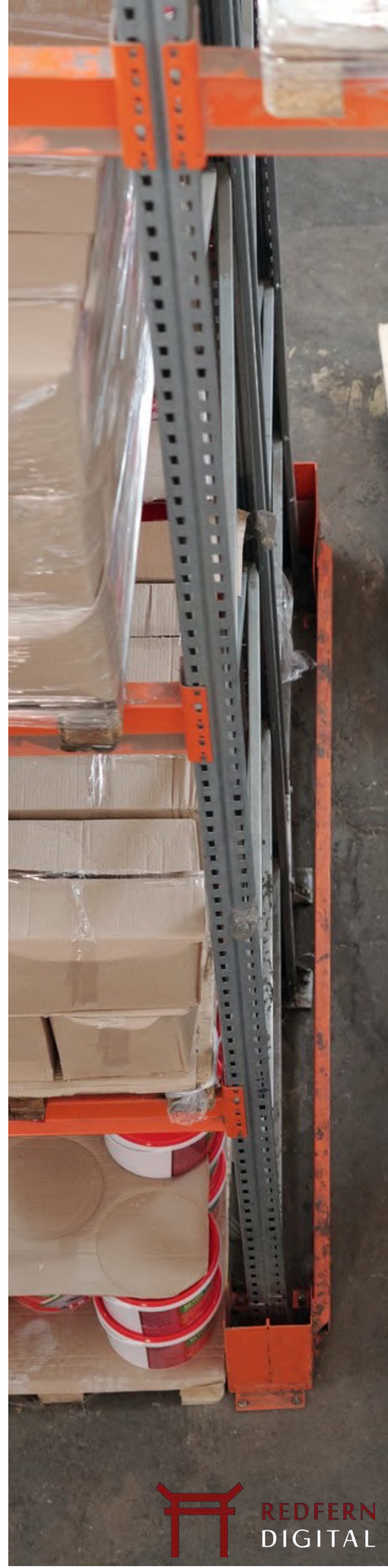
In order to support spending and encourage purchasing, Tmall provided RMB10 billion in coupons or subsidies during 618. Total merchants participating exceeded 250,000, twice the rate compared to last year. Combined, these brands offered 13 million discounted products, of which 1.4 million were new to market.

Livestreaming continued its trend, with more than 100 celebrities broadcasting through Taobao Live, along with more than 500 CEOs.

Among more established brands, a focus of this year's festival was on loyalty programs and membership engagement. Alibaba worked with brands to boost the reach of membership invitations and increased benefits exclusive to members. In fact, these programs were able to help increase sales of 25 brands to over RMB100 million on the first day, June and led to more than 60 million new members across brands on Alibaba's platforms. The surge in new members allowed over 20 brands to build up a community of over 10 million members on Tmall.

Chinese consumer interest for imported continues to rise, with cross-border platform Tmall Global seeing a sales value of more than RMB100 million just three minutes into the event. The record set last year by Tmall Global was surpassed just 8 hours in.

No specific total sales data was released by Alibaba for the 6.18 shopping festival this year.



JD's 618

In order to bolster interest and participation in its 6.18 shopping festival campaigns, during a kick-off event on May 20th, JD announced that this year, the focus for the platform would be on live streaming, short video, quizzes and graphics.

Similar to Alibaba, JD also invited celebrities (more than 300) and brand executives (from more than 600 brands) to participate in live stream events throughout the three weeks of promotion.

JD partnered with more than 1,000 KOLs from a range of different categories to recommend their favorite products and drive traffic among their follower bases to JD.com.

Moreover, during the shopping festival, more than 30,000 new brands and stores were launched on JD Super, which is JD's online supermarket.

This year, JD also signed a collaboration agreement with Douyin worth more than RMB20 billion, allowing users to directly purchase JD products on Douyin during the 618 festival, without needing to leave the platform.

Overall, JD reported over RMB343.8 billion in transactions during the 18 day period of its 6.18 shopping festival, which was a growth of 27.7% compared to last year.

As shown by the recent 6.18 Mid-Year Festival, many of the trends that have become popular over the past year continue to shine, including the focus on live streaming and short video, and on building community. In order to continually succeed in the China market, brands need to focus on long-term engagement with customers, building up brand loyalty, allowing for direct interactions through livestreams, and focusing on producing content in a variety of different mediums.

Ranking War in the China E-commerce Market

Ranking War in the China E-commerce Market

By Vera Niu, RedFern Digital

The COVID-19 pandemic had a huge impact on the offline economy, but it has also promoted the development of the online retail industry. Consumption, brand marketing and sales channels have all digitized, and the penetration rate of the e-commerce industry has continued to increase. New formats of e-commerce have developed such as livestreaming e-commerce and social commerce, providing access to e-commerce across an increasing range of people. Younger consumers are coming of age and are gradually becoming the main consumers and e-commerce users. Thus, consumption needs and consumer characteristics of the new generation of customers have changed, causing the continued expansion of the boundaries of and participation in domestic business.

The major e-commerce giants are constantly competing with each other and pushing the boundaries.

During the pandemic, WeChat Mini Programs became crucial in connecting the online and offline worlds, especially in sectors such as government, medicine, online education, fresh, retail, etc. These industries have seen surges in popularity online. Due to online shopping, online food ordering, cloud entertainment and other digital activities, such as online events, live broadcasts, and community group buying. This has helped merchants open up online sales channels and further pushed social platforms into e-commerce.

Pinduoduo, which has a close cooperation with WeChat, is positioned perfectly for the lower tier cities (known as the 'sinking market' in Chinese). Through group buying and discounting, Pinduoduo's average user count surpassed Taobao for the first time last year, becoming one of the three major domestic e-commerce giants. Although Pinduoduo's overall revenue, sales and profits cannot be compared with Taobao, the explosive increase in number of users on Pinduoduo has proven the success of its business model and revealed the platform's potential for future development.

Alibaba also launched their own direct competitor to Pinduoduo, Taobao Deals. In March 2021, Taobao Deals developed a Mini-Program for WeChat. The application process has been initiated and is undergoing review among the relevant departments of Tencent. Every new step undertaken by the giants in China's tech world may lead to unpredictable shifts to the future of E-commerce in the country.

With Alibaba's 18.2 billion RMB anti-monopoly fine, the domestic e-commerce market will usher in a fairer environment. The giants in the E-commerce industry will re-evaluate their positions, leading to new possibilities for brands looking at the market. The new developments in the discount E-commerce sector will also make the competition among the sinking market tougher than ever.

Secondly, new forces have also entered the E-commerce market.

1. A new social commerce platform called "团好货" was quietly launched by Meituan last year, offering lifestyle services, products and group purchases. The new platform is not only a direct competitor among other group purchase platforms (such as Pinduoduo and Taobao Deals), but could also potentially threaten Alibaba's position in the market.
2. Douyin, which began as a platform for social content, transformed into a social commerce platform on the eve of the 6.18 Mid-year Shopping festival last year. Relying on the influence and price advantages of KOL live broadcasting, Douyin's e-commerce features took off quickly, exceeding 30 billion GMV in January of this year.

One of the shortcomings of the e-commerce livestreams hosted on Alibaba's Taobao Live is that successful broadcasts are too concentrated among the top live streamers. Reducing the dependence on these top live streamers and supporting brands to hold their own through their brand accounts is one of the main topics Taobao needs to address moving forward. This said, Taobao has held its own in the past against competition, remaining as the top livestreaming platform against relatively newer social platforms such as Douyin and Kuaishou.

Cross-border e-commerce livestreaming did not develop as a separate segment, and instead utilizes live streamers across all categories. In 2021, Douyin and Kuaishou will focus on building up their cross-border e-commerce capabilities through their platforms.

3. Didi's foray into the community e-commerce sector through "橙心优选"will be an important step for the company towards further expansions into the space, converting more rigid offline demand into online traffic. Recently, Didi tested its first self-operated e-commerce features within the Didi App. Called "Today's Popular Models", these features will be similar to Pinduoduo and "团好货" group purchasing features, using low prices and the formation of purchase groups among users to increase market share.

Whether it is Alibaba, JD, Meituan, Bytedance or Kuaishou, all are continuing to expand online in terms of scope and reach. In the long run, these developments will help the companies with their valuations, while also encouraging competition and future innovation in China's E-commerce ecosystem.

GACC Degree 248 & 249: What do they mean for Overseas Food Exporters to China?

GACC Degree 248 & 249:

What do they mean for Overseas Food Exporters to China?

By Frank Ren, RedFern Digital

On April 12, 2021, the General Administration of Customs of China (GACC) issued Order No. 248 - The People's Republic of China Provisions on the Administration of Registration of Overseas Enterprises Producing Imported Food (hereinafter referred to as "Administration"), which will come into effect on January 1, 2022. The former "Provisions on the Administration of Registration of Overseas Enterprises Producing Imported Food" announced in 2012 will no longer be effective once the new one launches.

The new version of "Administration" has a number of adjustments on the requirements for the registration of overseas manufacturers of imported food.

- Expanding the registration scope of food production enterprises.
- Stipulating the methods of assessment and censorship on the imported food manufacturers' registration, including paper audits, video assessments, on-site inspections, etc.
- Some special types of food producers need to be recommended by their national (regional) authorities to GACC for registration.
- Registration validity and renewal of registration will be extended to 5 years, which is the same as the validity of domestic food production licenses.

The "Administration" is issued to implement the provisions of the Food Safety Law on the registration of overseas food production enterprises that import food into China.

On the same day, GACC also released another new regulation worth noting among food suppliers overseas - The Administrative Measures on Import and Export Food Safety, as GACC Decree 249.

The new policy will also come into effect on January 1st, 2022, replacing many previous regulations, including Quarantine (AQSIQ) Decree 144, General Administration of Quality Supervision, Inspection, and the AQSIQ decrees related to the regulation of the import and export of dairy, meat, honey, and aquatic products.

It is necessary for overseas brands in the food industry to fully comprehend the impact of the new policy if they want a seat at the table when it comes to the imported food market in China. The main adjustments from the new policy include:

- The introduction of the "conformity assessments of food imports" concept
- Pointing out that the minimum sales packages of imported health food and foods for certain dietary purposes must be equipped with printed Chinese labels instead of only affixed ones.
- Imported fresh & frozen meat and aquatic food products require instructions on their packaging, both inner and outer ones.
- Declaring that manufactures and operators of imported and exported food products are held responsibility for issues related to their products.

Foreign brands importing into China should pay particular attention to the section in the new policy regarding packaging regulations for certain types of products. Compared to the regulations for imported IMF in 2013, product ranges that require printed Chinese labels on their sales packages has been extended to include sports nutrition, infant supplementary food, supplementary food for pregnant women and nursing mothers, formula products for medical use, imported health foods, etc.

The impact brought by the new regulations for overseas exporters and operators within food industry in the China market cannot be ignored. To meet the requirements of the policy changes for imported product packaging, overseas food brands will need to make adjustments to their packaging and ready these new designs within six months, before the regulation comes into effect. This will lead to a series of questions:

- Is the seven-month period enough time for the overseas food brands to get ready? Especially when taking into account various considerations such as budget reallocation, production coordination and marketing replanning.
- Will these procedures that need to be conducted make financial sense for the brand?

As another option, selling through Cross-border E-commerce channels (CBEC) might be worth it, as it allows overseas food exporters to sell to Chinese consumers while they get ready for future export under the general trade model.

Selling products through CBEC channels, such as Tmall Global, provides overseas food brands with a number of benefits:

- The CBEC platforms where the brands list their products can provide additional confidence to Chinese consumers as they trust the platform. This is especially true for brands that have limited recognition and presence in the market.
- The stores on the CBEC platforms will be owned by the brand instead of local distributors, which offers brands more control on in-market branding and ROI.
- The new regulation on imported food product packaging does not apply to CBEC, which suggests that brands, if unable to take action in time to be compliant, can still sell the stock that had originally been planned for general import through CBEC channels instead.

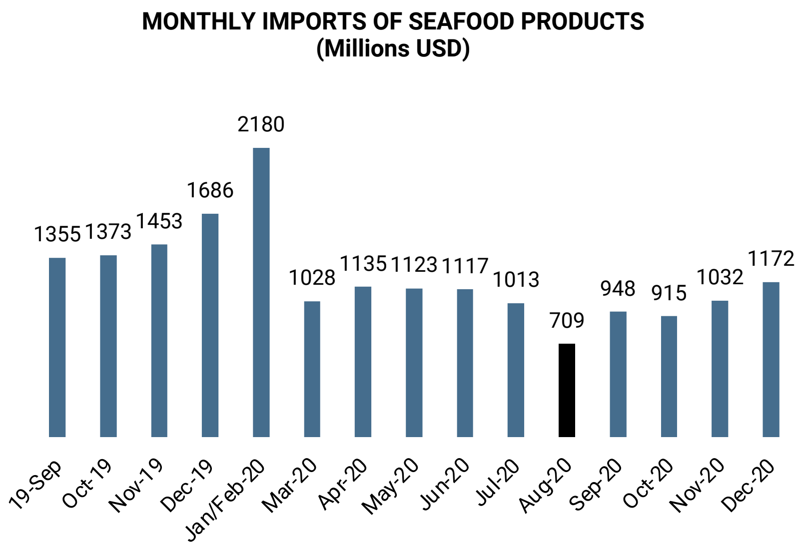
Diving into ***the Seafood Opportunity*** *in China*

Diving into the Seafood Opportunity in China

By Elijah Cao, RedFern Digital

The demand for seafood food in China has continued to rise in recent years because of the increasing middle-class population and the popularity of short videos and livestreams. Many videographers or live-streamers will choose high-end products such as lobsters or tuna, attracting viewers through the decadence of the ingredients.

Between 2009 and 2019 Chinese consumer demand for Boston Lobster from Canada and the US grew 30%. Despite demand dropping during August of last year due to fresh or frozen seafood being listed as a possible source of COVID-19 transmission, in the following months, demand has been recovering, with monthly imports catching up to pre-COVID-19 levels.



Nonetheless, many younger consumers made the shift to choosing ready-to-eat products over fresh or frozen seafoods, which some had previously avoided due to fears about the addition of preservatives or other artificial additives. Popular products among these consumers include self-heated hotpot packs or noodles.

Another trend that has led to the increase of interest in ready-to-eat food products is the increasing number of single, middle-class individuals living in cities, who lead busy and stressful lives that leave them with little time to cook for themselves. Seafood dishes have posed an additional challenge to Chinese consumers due to complex preparation and cooking techniques, which has created a large market for ready-to-eat seafood products.

On Tmall, ready-to-eat seafood products can be very easily found, with examples from both foreign and domestic brands launching products that include canned tuna, seafood salad and grilled eel. Both foreign and domestic brands. John West, an Australian tuna brand, has been able to provide products that fit into this niche, offering both canned and ready-to-eat meal products. Among domestic brands, more and more have also begun launching pre-cooked seafood products.

These ready-to-eat seafood products have received positive feedback from young Chinese consumers. On the popular social media platform, Little Red Book, nearly 10,000 articles or posts exist surrounding the topic of ready-to-eat seafood.

However, foreign brands looking to enter this niche market need to ensure that their products are premium, high-quality, and healthy in order to compete and stand out from local competition. Important points of differentiation that need to be communicated through marketing can include the lack of additives or preservatives, special packaging technology that ensures long shelf-life or freshness, etc.

In addition to a rising demand for ready-to-eat seafood products, smaller packaging formats are also gaining popularity because of smaller family sizes and the preference among working singles, to live alone. Oftentimes, younger working Chinese consumers will not purchase large quantities of groceries or food products at once due to their preference for fresh ingredients and their inability to consume all the food products before they expire. To adapt to these circumstances, Hema, a fresh food market that is focused on integrating online and offline channels, has launched a series of product packaging types that are smaller in size and specifically targeted towards this consumer group.

For seafood products, reasons preventing Chinese consumers from purchasing large quantities at once is the relatively expensive price tags and the fear of food waste. As a result, smaller packaging for seafood products shows potential in the market.

For brands operating within the frozen seafood sector, ensuring that the cold-chain logistics networks are safe is crucial to instill confidence in consumers. Before making the purchase, Consumers may check to see if the products were tested for contamination by COVID-19 at each step of the cold chain process. In fact, many E-commerce platforms in China have already implemented regulations that require seafood products to pass safety checks and proof of testing before they qualify for sale on the platform. Brands that are able to clearly provide testing results will be able to reassure consumers as to the safety and quality of their products at the time of delivery.

drinks99

Insights on the Alcohol Sector in China

Drinks99 is a premium import and distribution company for luxury spirits, liqueurs and soft drinks. With offices in Hong Kong and China, we have been supplying top bars, restaurants, hotels and retailers, with craft products since 2012.

RedFern Digital conducted an interview with Daniel O'Connor, Director at Drinks99, discussing the Alcohol industry in China and contemporary insights.

Insights on the Alcohol Sector in China

Interview with Daniel O'Connor, Director at Drinks99.

** Please note the definitions for the following terms in the context of the alcohol industry:*

- ***On-trade:*** *Drinks that are purchased to be consumed on-premise, e.g., at bars or restaurants*
- ***Off-trade:*** *Drinks that are purchased to be consumed at home, e.g., through retail markets*

Could you please provide some background into your and Drinks99's experience within the Alcohol sector?

Our company portfolio is focused on on-trade, mixology, cocktail and cocktail bars, and we're almost in our 10th year of operations. Around 7 years ago, we opened up a Hong Kong office, which is led by our co-founder, Simon Disler, while I effectively lead the China operations. Over the past year or two, we've also started to distribute into other territories such as Taiwan, Macau, and now Singapore. From a brand perspective, a lot of the brands don't want to deal with multiple distributors in different countries, so they like what we do. Our operations are not just focused on whole-sale, but also on brand building, which can include organizing events, media, PR, depending on the needs of the brand and what they want to achieve in the market.

We've got a few different categories, gin, whisky (Scotch whisky, American whisky, Irish whisky), vodka, bitters, we also do a non-alcoholic section with a 0% ABV category. One of our stellar brands is Teapigs, for which we're partnering with RedFern Digital for some of the media work.

How has the Alcohol industry in China developed over the past decade?

When we first started around 9 years ago, within the drinks industry and the early on-trade distribution for cocktails, there were very limited product offerings. However, over the past 3 to 4 years, especially in cities like Shanghai and Shenzhen, there has been a boom in the alcohol industry when it comes to innovations, concepts, number of bars, and types of products available on the market. All of this means that bartenders, bar owners and consumers are becoming savvier at knowing what makes a good product and what products they enjoy consuming.

A few years ago, drink offerings were very simple, with crowd pleasing drinks that were either sweet or sour. Nowadays, the different types and standards of drinks are varied, with a range of different flavour profiles offered. People are building menus around different concepts based on flavours and profiles.

With all the rapid changes happening, it can be hard to keep up, so brands need to always be thinking of what's going to be the next best product to distribute into China and continue to evolve alongside China's drinks sector.

What are some methods that foreign alcohol brands can use when entering the alcohol market in China?

Before entering the market, brands need to look at their recipes and see if the taste profile of their products fits with consumer preferences in China. If not, then the brand may need to edit the recipe.

A lot of foreign brands struggle with marketing because their core USPs or messages may not translate well or are not well understood in China. Some brands enter the China market and think they can just copy and paste what they are doing in foreign markets, but for a lot of them, the level of market education required is not there.

Successful foreign brands will try to create a 360 degree model, focusing on both establishing a strong digital presence to fully convey their brand message, while also building up offline channels. Brands often hire ambassadors to travel around China, holding tutorials and offering one-on-one experiences with bartenders or bar owners to further market and brand education. This type of activity is important as bartenders, bar owners or F&B directors are only able to push a product if they have an understanding of it and can convey the brand message to consumers. All of this allows brands to target consumers through their favorite cafes, restaurants, bars, online stores, or media accounts they follow.

With that being said, brands entering China oftentimes need to re-strategize 2 to 3 years later, re-evaluating their key message and determining if their messages are being fully understood.

drinks99

Are there particular alcohol varieties that see the greatest potential in China?

Obviously, you've got the 'brown spirits", for example aged malts, scotch and whisky. These are still the biggest market and see the biggest growth opportunity. Compared to cognac, whisky has become very popular. The alcohol type is highly respected and sought after, especially products with high age-statements, such as 20 or 25 year old bottles. Seen as having a presence or grandeur, whisky is regarded as a good investment because, generally speaking, prices will increase, and people often see whisky as a sign of wealth.

For 'white spirits' or more cocktail centric spirits, gin is trending in China. When looking at the volumes, whisky is on a completely different level to gin, however, from an on-trade perspective, there is a large demand for gin. An obvious point that must be mentioned is that for whisky, a long period of time is required to produce a good liquid, which leaves brands investing upfront then waiting. Whereas with gin, within 24-36 hours, brands can have the alcohol produced, bottled and ready to go.

Over the past 12 to 24 months, a lot of local brands have launched, such as Peddler's Gin, which is a Shanghai gin brand that has become very successful in the market. These local brands increase competition, since when choosing between unknown foreign alcohol brands or locally made ones, consumers will usually choose the local brands. Reasons for this include how these brands formulate their products and taste profiles specifically for the China market.

Who are the main consumers that are driving the growth of the alcohol industry?

The answers to this question are very category dependent. If we take the cocktail market, the main consumer group consists of young, single professionals or young couples that have studied abroad and enjoy the atmosphere in a cocktail bar. Part of this atmosphere includes the bartender, who customizes the drinks and makes it in front of the guests, creating a one-on-one feeling, with the bartender acting as a guide and introducing the drink and flavour profile.

For the whisky market, the demographic is slightly older, anywhere above the age of 30. These consumers often have an appreciation for cigars as well, which they smoke while sipping whisky. The combination of whisky and cigars is very popular at the moment, as a favoured past-time among older gentlemen is to invest in a bottle of whisky and enjoy the drink while smoking cigars with friends or colleagues. In the off-trade market, whisky tends to be a strong product that is often purchased for the purpose of gifting. In China, people will often gift bottles of whisky at dinners, events or parties.

In comparison, the cocktail sector is much less active when it comes to retail or off-trade channels, as visitors of cocktail bars are unlikely to make these drinks at home. This is a future growth challenge and opportunity in the drinks industry, where cocktail focused brands need to think about how they can start distributing on a larger scale and allowing consumers to easily make cocktails at home with simple ingredients.

What factors do consumers look for when purchasing specific types of alcohol?

Consumers look at a variety of different factors including country of origin, brand, tasting notes, flavour profile, novelty, price, consumer spending habits, etc.

For pricing, consumers will frequently conduct price references before purchase, checking online liqueur stores or looking for recommendations from friends, family or influencers. The average Chinese consumer will conduct a lot more checks before purchase compared to the average Western consumer.

Brand image and reputation is also extremely important in the alcohol industry, which makes some of the bigger names in the whisky industry, such as MaCallan and Laphroaig, highly sought after. Larger age statements are generally presumed to be of better quality.

Between online and offline channels, which one has the most growth potential?

Online channels are definitely growing, especially as consumers become more knowledgeable about alcohol varieties and more confident about purchasing the products online for their own consumption at home.

Alcohol brand ambassadors will likely continue with their on-trade education, while also including livestreaming to reach a wider online audience.

With that being said, the on-trade channels will always have demand, because people will always want to go out and get the experience of being at a bar or restaurant.

What are some new product developments or concepts that have become popular in recent years?

A new product type that has become popular recently is non-alcoholic spirits or 0% ABV (alcohol by volume) drinks, which are made using the same process as normal alcohol, but in the last phase of the distillation process, the alcohol is removed. These beverages have become popular among younger consumers who are unable to or may not want to drink, but still want the experience of going to a cocktail bar or drinking without getting drunk. These products are often branded and marketed in the same way as an alcoholic product.

Especially this year, the no or low alcohol sector has seen significant growth, which we've experienced first-hand through one of our 0% ABV brands called Seedlip. In the context of a bar, Seedlip would be used and mixed by the bartender in much the same way as alcohol is used in a normal cocktail. When we first launched the brand into China three years ago, there was a lot of confusion as to whether the drink was alcoholic, non-alcoholic or flavoured water, so it took a long time to build up brand and market education.

Can you share some insights on what has given key competitors in the alcohol industry an edge against the rest of the market?

Brands need to be reactive to the market, which was made very clear during COVID-19. Some of the brands that primarily focused on on-trade channels needed to make quick pivots, expanding into online activations, online seeding, livestreaming, etc. The brands that have fared well over the past 18 months have been able to adapt quickly, and re-focus their resources to digital channels.

Generally speaking, large alcohol brands operate by having multiple hands on the ground, with sales representatives going to different bars, asking what drinks are served, introducing the brand's products, and working with the bar to get the product onto the menu.

Brands that have done really well focus on making their brands trendy and appealing online, which means collaborating with the right influencers through the right channels, holding online tutorials, trainings or giveaways, or finding other methods to get their messages out there.

What should new entrants to the alcohol market be aware of from a legal standpoint?

The very first thing brands should consider is whether their trademark and Chinese brand name is fully registered and up-to-date. Since China uses a "first-to-file" trademark system, brands that do not take the required steps to protect their IP may become embroiled in a legal battle with third parties who trademarked the brand IP first.

Brands also need to be aware that China customs are very strict for imported products. Brands that are going through the general trade routes, as opposed to cross-border route, will need customs agents that are fully aware of whether the brand's products and ingredients can legally be imported into China. Since many ingredients, such as herbs, botanicals or food items, are restricted from being imported, many brands have had to reformulate their recipes for the China market. Chinese customs will also frequently change their regulations in terms of products or ingredients that are allowed, so focusing on products that have risky or unique ingredients may not be the best idea as it could lead to problems in the future.

What advice would you provide to brands that are looking to entire China's alcohol sector?

Brands should consider conducting some sort of market research and look at competitor studies of similar products to get an idea of price points, marketing strategies, product positioning, etc.

A mistake that brands make is to jump into China without an official Chinese name, which could lead to bartenders coming up with their own names, resulting in the loss of control over the brand image and brand dilution.

For pricing, there are quite a few kinks in the distribution chain, so brands should establish their on-trade price and retail price beforehand, ensuring that there is enough margin for all the players while still leaving the price acceptable to the end consumers. Wholesalers can sometimes be difficult to work with when it comes to maintaining a stable retail price, so brands should establish clear agreements on pricing standards. If these agreements are not in place, brands may find that large wholesalers who are struggling to move through products may drop them quickly, resulting in the products being found on Taobao or Tmall for very low prices, which would the entire brand strategy in terms of pricing and image.

Establishing an online presence has become crucial, even before the brand officially launches into the Chinese market. Brand seeding should be started before product launch, as it will begin to generate vague awareness to the product, making it more familiar to consumers when it finally launched. Working with a media partner to build up a digital presence is strongly recommended before starting wholesale distribution as it provides consumers with a reference point. Oftentimes consumers will look up brands or do a few reference checks on social platforms prior to purchase, therefore having that presence ready-to-go can help streamline the customer purchasing journey.

knudsen&CRC
Certification & Regulatory Compliance

Animal Testing No Longer Mandatory after New Cosmetics Laws in China

Knudsen&CRC provides certification solutions within health food, medical devices, and cosmetics, and offers regulatory advice for imported general food, infant formula, organic certifications, pet-food, alcohol, and more.

RedFern Digital conducted an interview with Mette Knudsen, CEO of Knudsen & CRC., discussing the new cosmetics laws in China that will no longer require animal testing for imported cosmetics.

Animal Testing No Longer Mandatory after New Cosmetics Laws in China

Interview with Mette Knudsen, CEO of Knudsen & CRC

Could you please provide a bit of background into your and your company's experience with regulatory compliance in China?

We started off as the regulatory compliance department of a consulting company, after which we outgrew the original company and formed our own Certification and Regulation Compliance company (Knudsen&CRC) that solely focuses on regulatory strategy. We have a very passionate team and since our establishment, we've expanded our focus to all of Asia, and have opened offices in Europe, with US planned next year, to be closer to our clients.

How did the Chinese government come to implement new cosmetic regulations?

In the last 30 years, we have not had any new laws within the cosmetics industry in China, so you can imagine how much in demand these new regulations are. The Chinese government has been working on them for around the last 3-4 years, developing a novel regulatory framework that is both amazing and really complicated in the sense that there are more safety requirements for the products than in any other market.

Therefore, in June 2020, the State Council announced a new cosmetics regulation called the Cosmetic Supervision and Administration Regulation (CSAR), which came into effect on January 1st, 2021. As a follow up to this general regulation, on March 4th, 2021, the National Medical Products Administration (NMPA) in China released the Administrative Measures on Cosmetic Registration and Notification, which came into force on May 1st, 2021. These new measures officially specify that animal testing will no longer be mandatory for imported cosmetics.

What are the regulations that have replaced animal testing requirements?

When selling imported cosmetics that are not tested on animals in China, the products need to have a Good Manufacturing Practice (GMP) certificate or Quality Management System (QMS) certificate, proving that the cosmetics' manufacturer has passed the Good Manufacturing Practice of their home country. The biggest challenge from this is that the certificate needs to be signed off by the government, rather than by third parties, which is what normally happens in Western countries. Once regular cosmetics brands can show proof of a GMP certificate from their home country that is signed off by the government, then they can generally avoid animal testing when importing into China.

Regular cosmetics means regular skincare, haircare, etc., as opposed to special cosmetics, which could include hair dye, hair perm, anti-freckle and whitening products, sunscreen and anti-hair loss products. Products for kids and children are also regulated as special cosmetics, for which mandatory animal testing requirements are still in place.

Although this new GMP requirement has caused a lot of headaches, especially among US brands where they don't have this kind of mechanism in place, it has been a huge game-changer for cruelty-free cosmetics brands as they can now enter the Chinese market.

How do the new cosmetics regulations differ from the previous ones?

One of the main differences is that animal testing was previously mandatory for all imported cosmetics, and now it is no longer required. However, the new regulations also pose some new challenges when it comes to the safeguard mechanisms that have been put in place. A lot of documentation and information is required from the brands, on both the product and the raw materials used. The reason behind this is because the Chinese government wants to avoid 'kitchen sink' cosmetic products, which are products that contain harmful substances such as heavy metals.

Although a lot of documentation is required, the entire process and uploading of the information can be carried out online, which makes registering much easier. As an example, in the past we would need somewhere between 500-1000 pages of printed paper to complete a single product registration.

What types of documentation are needed for product registration under the new regulations?

The documentation includes qualification documents of the applicant and production entity, basic information about the product, technical and safety reports such as certificates of analysis, testing reports, or other documents that indicate the products are safe for use. Testing is required not only on the final product, but also on the raw materials.

In addition, new requirements have also been put in place where brands making efficacy claims on their products must show proof of these claims through documentation. As an example, if a brand says a product provides anti-aging effects or has any other function, then this must be proven through scientific literature, human tests, consumer surveys, lab tests, etc.

As you can imagine, this means the documentation required for product registration under the new laws is massive but will also help to fight against misleading or false product claims among brands.

Are there any other requirements that brands should know about under the new cosmetics regulations?

One of the new requirements of the law is that both the applicant and the entrusted production entity shall appoint a quality and safety person with more than five years of working experience in the cosmetics industry. This person will be responsible for product safety and quality control, quality management supervision, adverse reaction monitoring and reporting, etc. If something happens in regards to product safety, then this person is responsible and will be liable, directly facing the punishments imposed by the authority.

Particularly for imported cosmetics registrations, the foreign applicant is also required to appoint a responsible agent (legal entity) in China. This China-based legal entity must fulfill several requirements that include having an office, having a cosmetic business scope, and having at least 4-5 employees. The legal entity will be responsible for cooperating with the supervision and inspection work of NMPA, marketing communication and advertising compliance, sales and distribution, assisting with product recall, adverse reaction regular reporting, warehouse control and customer complaints handling, etc.

As a part of the services we offer at Knudsen&CRC, we are able to act as the Responsible Person in China for brands.

Could you provide a brief breakdown of the steps that cruelty free brands should take when entering the China market?

The first step is always to ensure that the trademark has been registered. This is something that we constantly repeat, and yet many brands still don't do it and then encounter difficulties later because they haven't protected their trademarks.

The next step is to decide on the owner of the product registration or the responsible person. I would strongly recommend that all brands use the product owner as the owner of the product registration, or at least avoid using the distributor. The reason for this is because the owner of the product registration will have full access to all the information or trade secrets regarding the product formula, production process, raw material suppliers, etc. We had a very bad case in 2020 where one of our clients provided the product registration to their distributor, who then took everything and copied the product entirely with the information they obtained access to.

The third step is to screen the raw materials, which we provide as a service, free of charge. Sometimes brands will use ingredients and raw materials such as probiotics or specifics oils that may not be approved in China. In these cases, brands can either decide to re-formulate, to not register in China, or to apply for a new raw material registration, which involves animal testing. As a cruelty-free brand, this may not be an option.

Finally, after determining whether the raw materials are approved in China, the brand will normally decide on the products that they want to register, which is when the actual product registration process begins. Normally, within 4-6 months the products will be registered, after which the brand can start selling in China. Under the new law, regular product filings are for lifetime, whereas previously the products needed to be re-filed after 4 years. The special cosmetic registrations are currently still only valid for 5 years.

How do you see the new regulations changing the timeline for registration?

With the new online system, I think it will make the time to market much shorter. This is a huge advantage for many cosmetics brands, especially color cosmetics, which are almost like a fashion product where the fashionable colors are always changing. So, the shortened time to market will be hugely beneficial.

Are there any parts of the new cosmetics regulations that you anticipate brands will find the most difficult or confusing?

I think it depends on where the brand is from. If brands are used to the European regulations, they will likely not find it too confusing because the regulations are similar, apart from the need for more documentation. For brands from the US, for example, the documentation requirements may be much more difficult to fulfill because they don't already have it. The brands will need to go back and test everything for the first time, especially when it comes to the raw materials.

The responsible person part of the new regulations may also be a point of confusion because of the number of requirements, even among European brands.

Are there any categories where you are seeing a particular trend with the types of brands that will be entering the China market after these new cosmetics regulations have come into effect?

There are no specific categories. Every single brand, from low-end and cheaper color cosmetics to high-end premium skincare, will take advantage of these new regulations. China is soon to be the biggest market in the world for cosmetics and is growing faster than any other market. For most brands, they don't have a choice anymore, especially with the new lack of need for animal testing. They need to enter the market to be able to compete in the future, which has caused the demand for registration in China to explode.

Do you have a case study that you could provide us with when it comes to importing a cruelty-free brand into China?

As a part of a pilot program we started in 2018 and that continues to run today, we worked with a number of regular cosmetics brands to launch into China without animal testing. One of these brands is the Australian premium skincare brand Subtle Energies, which is currently being sold in The Peninsula Hotel. The brand is Leaping Bunny certified, which is a cruelty-free certification. To import into China through the program, Subtle Energies needs to comply with cosmetic regulations, such as using only approved raw materials, while also shifting a portion of the manufacturing process into an approved facility within China.

Small but mighty: Britain's small businesses are built for exporting

By David Lloyd, General Manager UK, Netherlands & Nordics at Alibaba Group.

Alibaba Group's businesses are comprised of commerce, finance, logistics and big data powered by cloud computing. Our mission is to make it easy to do business anywhere.

Small but mighty: Britain's small businesses are built for exporting

We must help them to look past their current trading difficulties and realise their full, global potential.

By David Lloyd, General Manager, UK, Netherlands & Nordics at Alibaba Group.

Britain's businesses are rapidly losing their appetite for exports. An unpleasant combination of the Covid-19 pandemic and recent difficulties in international trade relations has left a sour taste in their mouths that is putting their potential for recovery and future growth at risk.

The figures support this. Last week, the ONS announced UK exports to the EU dropped by 40% in January , while The Institute of Directors revealed 17% of its members had halted all trade with our European neighbours and of those, 42% said this stop was permanent, not just a pause.

These problems have a significant knock-on impact, not just on exports but on business confidence and future ambition too. Businesses that once had planned to export, or even used to export successfully, have been put off by what they've seen in the news.

If you look at the food and drink industry, just 12% of businesses in that sector expect to export more in 2021 than they did in 2020 – where a significant drop in export volumes was already recorded against 2019. 44% expect to export at the same level, while another 44% expect to export even less.

I would predict this figure to be even higher among small businesses, who in most cases don't have the time or the manpower to dedicate to understanding and navigating new export rules or processes, often considering themselves "too small" to export.

Forming long distance relationships

We also must not forget that British products are highly coveted overseas, not just for their history and provenance but for their superior production quality too. Research from Barclays Corporate Banking shows 64% of Indians, 57% of Chinese, and 48% of Emiratis would pay more for goods made in the UK because they believe the quality to be higher than that of goods produced in their own countries.

Yet research we commissioned among UK small businesses late last year showed us that just one in five UK small businesses planned to do any exporting at all in 2021. Of those, just 7% said they would look to China as their next export market, despite the fact that it is the world's largest e-commerce market and has set a target to grow by more than 6% during 2021.

And while I understand there are perceived cultural and geographical barriers, small businesses need to consider what it takes to succeed in international markets and be confident that they're often better prepared for exporting than their larger competitors.

Set up for success

Small businesses must look to exploit their competitive advantage when exporting. Their smaller size often means they're much nimbler and more capable of making changes at speed than their larger competitors. This is central to success in international markets like China, where new trends can take off much more quickly than at home.

Small businesses exporting for the first time also have the advantage of being able to define their business' positioning in a new market. In developing markets, international brands are often considered premium (and can attract higher spenders) by virtue of being produced overseas.

Technology has also increasingly levelled the playing field between larger and smaller firms, something which has only been accelerated by the Covid-19 pandemic. Small firms do not need to invest in expensive bricks and mortar stores overseas, when online marketplaces can showcase their products alongside the category's biggest brands, all on the same app or website. Most marketplaces keep set-up costs low, and then charge exporters based on a percentage of sales. This means small businesses don't need to worry about having lots of working capital in order to start selling overseas.

A growing international trend of KOCs (key opinion consumers) or micro-influencers, means firms don't need to spend the kind of large sums they'd associate with traditional influencer marketing in order to their brand profile, instead they can use cost effective KOCs to reach smaller but highly relevant audiences, who are more likely to go and make a purchase.

Going global

For small businesses with global ambitions, there is support out there. Earlier this month the government announced how it will deliver a 'Global Britain' as part of its 'Build Back Better' plan. Put simply, this means grants of up to £2,000 for SMEs to help with training and professional advice on exporting, and a new 'Standard Buyer Loan Guarantee' scheme which ensures UK exporters get paid upfront by providing finance to overseas companies buying from the UK.

This combined with a global shift towards e-commerce, which has been accelerated by the Covid-19 pandemic, and the fact that many of the world's largest economies have a strong affinity for British products, means there's never been a better time for small businesses to start exporting. With technology making it easier than ever to take your business global, they might just want to look further afield for where to begin.

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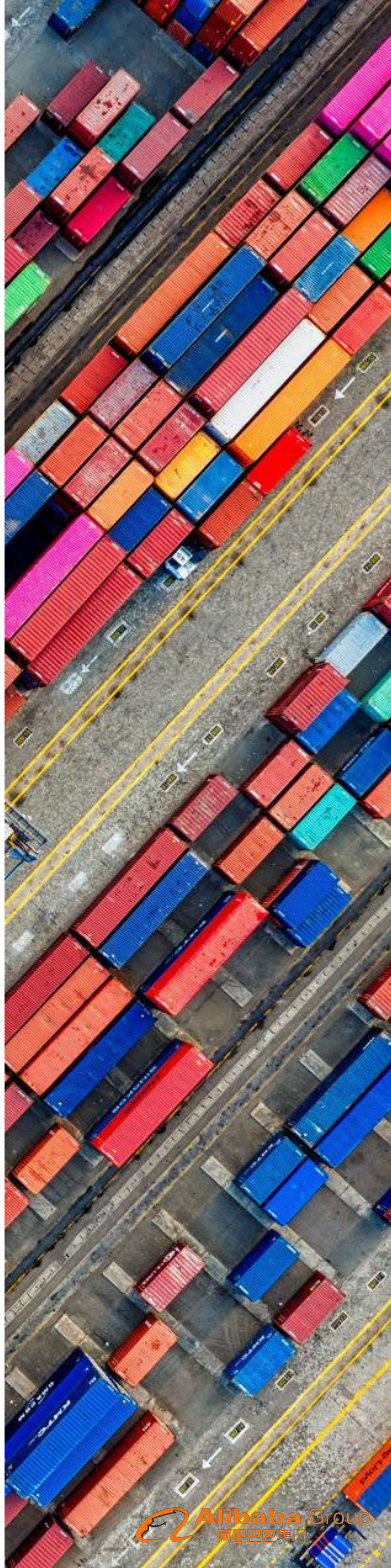

China Steps Up Protections for Copyright Works

By Pierre Wong, Managing Director of Integra Group Shanghai

Integra Group is a dynamic management accounting practice and consultancy with a mission to help SMEs in China. We believe accountants should do more than just be bean counters. Through us, businesses gain valuable insights into how their business is performing via cloud-based dashboards and regular business growth meetings.

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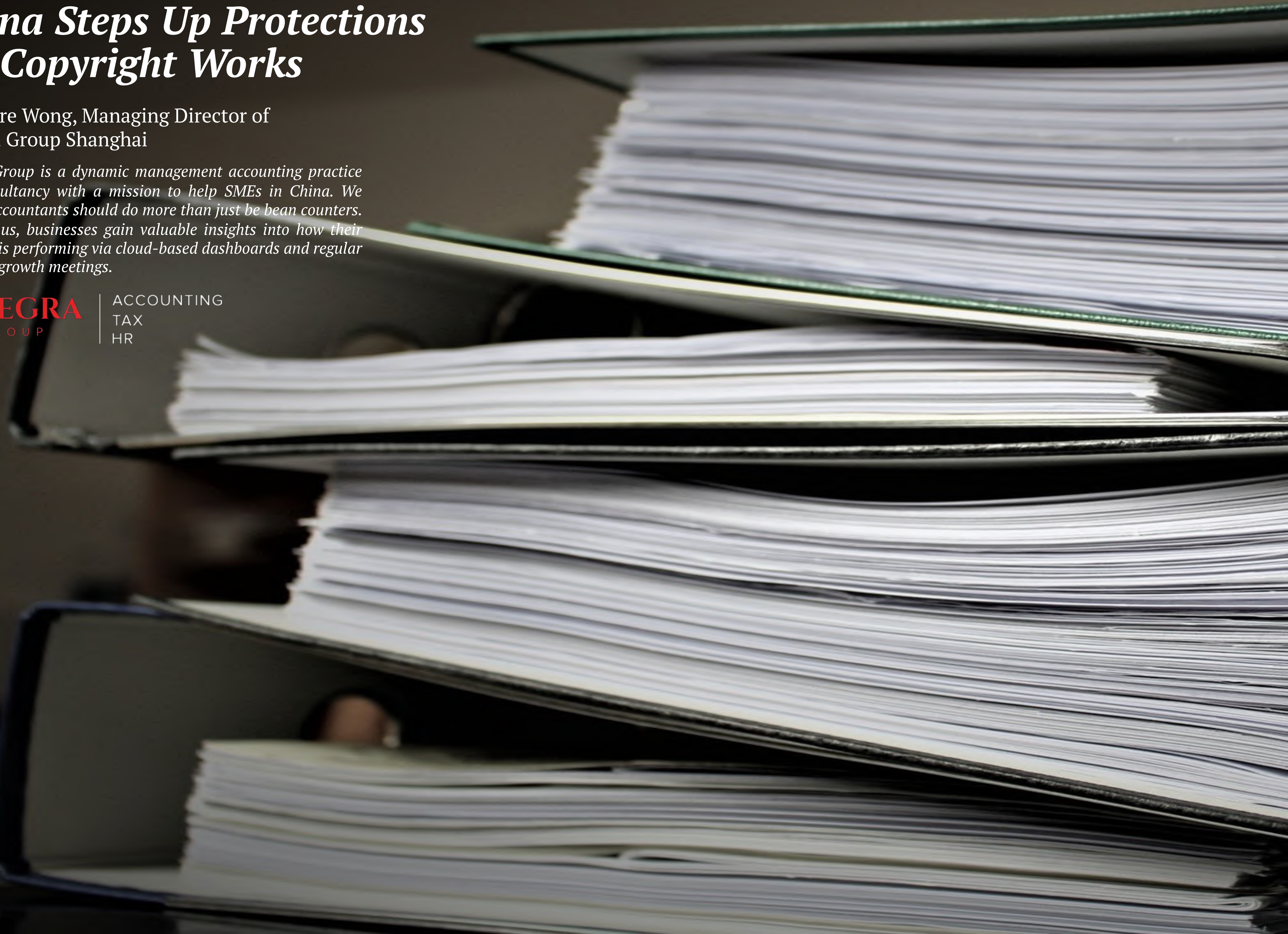

China Steps Up Protections for Copyright Works

By Pierre Wong, Managing Director of Integra Group Shanghai

On June 1st, 2021, the newly amended Chinese copyright law (hereinafter "the amendments") will take effect, bringing with it enhanced protections for copyright holders and creators in China. The focus of the amendments (available here in Chinese) is to provide greater recourse in China for copyright holders for infringements on their rights and provides courts with more power to investigate copyright claims and levy punitive damages for violations.

The amendments significantly increase the penalties imposed on copyright infringement in China. Notably, the amendments introduce new punitive damages for serious and willful infringement of copyright materials, an increased upper limit for statutory damages, new evidence burdens for copyright infringers, and provides creators in China greater protection for works not clearly covered by previous legislation.

Punitive damages for serious and intentional infringement

Article 54 of the newly amended copyright law states that where copyright or copyright-related rights are infringed, the infringer shall pay according to the actual losses suffered by the rights holder or the illegal gains of the infringer. The amended law also states that for serious and intentional infringement, the infringer can be fined by the people's court for an amount up to 5 times in punitive damages – marking the first time that punitive damages are adopted in China's copyright law.

Punitive damages are based on the actual losses suffered by the rights holder or illegal gains by the infringer, as chosen by the rights holder. Thus, those engaged in the intentional infringement on a copyright holders rights to a specific work now face damages to the amount of 1 – 5 times their illegal gains in damages.

Until the amendments, it remains to be seen how the courts interpret "serious" and "intentional" infringement criteria for levying punitive damages on copyright violations. However, the new amendments provide courts with significantly more recourse for handling and levying punishment for certain forms of copywrite violations.

Increased upper limit for statutory damages

In scenarios where the copyright holder's losses or the infringer's illegal gains are difficult to calculate or evidence is insufficient, courts can impose statutory damages on the infringer in the form of lump-sum payment to the copyright holder. The amendments increase the upper limit for statutory damages tenfold - from RMB 500k (USD $76,800) to RMB 5 million (USD $768,000) - and introduce a new minimum of RMB 500 (USD $76).

New evidence burden for copyright infringers

Article 54 also provides courts greater power to investigate copyright claims and determine the amount of compensation based on copyright holder's losses and the infringer's illegal gains.

Where the evidence needed to calculate damages – such as accounting records and books – the court can order the infringer to hand-over evidence in their possession. If the infringer does not provide the relevant records, or provides false records, the people's court may determine the amount of compensation by referring to the claims of the copyright holder and the initial evidence provided by the claimant.

Broadening copyrightable works

Article 3 of the copyright law provides the types of works which are considered to be copyrightable works. Under previous copyright law, Article 3 contains an open-ended category for "other works as provided for in laws and administrative regulations". The amendment replaces the language of the open-ended category with "other intellectual achievements that meet the characteristics of the work". The amendment provides a broader interpretation of copyrightable works without requiring intervening legislature or other administrative authorities.

Protections for "Audio-visual" works

Prior to the amendments, copyright law in China has provided protections for "cinematographic works and works created by a process comparable to cinematography". Under the amendments, the old definition has been replaced with the broader term "audio-visual works". While it remains to be seen how authorities will interpret the broadened terminology, it's expected to facilitate copyright protection of new media works such as live-streamed sports, e-sports, and emerging forms of works such as short videos and animations.

Scope of infringeable activities

In the amended law, article 53 provides an updated list of activities that constitute infringement state that the infringer shall bear civil liability for their actions which violate the rights of the copyright holders. The amendments mostly follow that of existing copyright law while amending activities to include technological copyright management tools and updated language.

The following list outlines infringeable activities:

- Copying, distributing, performing, screening, broadcasting, compiling, or disseminating the copyright work to the public through information networks without the permission of the copyright owner, unless otherwise provided for by this law;
- Publishing books for which others enjoy exclusive publishing rights;
- Copying and distributing audio and video recordings of performances without the permission of the performers, or disseminating performances to the public through information networks, unless otherwise provided for in this law;
- Copying, distributing, or disseminating audio-visual works to the public through information networks without the permission of the producers of the audio-visual work, unless otherwise provided for in this law;
- Broadcasting, copying or disseminating radio and television works to the public through information networks without permission, unless otherwise provided for in this law;
- Intentionally circumventing or destroying, as well as facilitating the circumvention or destruction of, technical measures intended to protect the copyright material without the permission of the copyright owner or copyright-related right owner, unless otherwise provided by laws and administrative regulations;
- Deliberately deleting or altering the copyright management information on a work, audio-visual works, etc., without permission, as well as knowingly providing to the public works, audio-visual works, etc., whose rights management information is deleted or changed without permission, unless otherwise provided by laws and administrative regulations;
- Producing or selling works that impersonate signature elements of another.

Additionally, Article 53 provides courts the power to classify certain infringement activities to be damaging to the public and impose additional penalties. In case of damage to the public interest, the court shall order the infringer to cease its infringing activities, confiscate illegal gains, and destroy infringing products, materials, tools, and equipment used in their production.

Courts may impose additional penalties of less than RMB 250,000 (USD $38,400) where no illegal income was obtained, income is hard to calculate, or illegal income is less than RMB 50,000 (USD $7,680). In case illegal income obtained is above RMB 50,000 (USD $7,680), courts may impose additional penalty of between 1 to 5 times the amount of illegal income.

Implications of China's new copyright law

In the past, experts have criticized copyright legislation in China for being too lenient – imposing a maximum limit of only RMB 500,000 (USD $76,800) for infringement. However, with the new increased maximum threshold for statutory damages and the introduction of punitive damages, the cost for infringing on copyrighted materials is significantly higher than before and likely to deter a great number of potential infringers from doing so in the future.

The amendments also broaden the scope of copyrightable works and provides several novelties to the types of work the law protects. This helps bring China's copyright law up to date with emerging creative media and provides creators greater protection for works not clearly covered by previous legislations, such as short videos and live streaming.

With China's new copyright law entering into effect on June 1st 2021, what remains to be seen is if the amendments will act as a deterrent for copyright violations in China and how copyright holders will enforce their rights under the new amendments.

RedFern Digital is a China specific, full-service agency that helps brands navigate the digital ecosystem, increase their brand awareness and convert that awareness into sales. After 17 years in China, RedFern has grown alongside our clients, some of which are now among the most successful brands in-market.

Our team specializes in

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- Content Marketing & Paid Media
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