# The RED Edition Special Issue 2021





C The grand event has ended, and countless brands are looking back at Double 11 to understand what went well and what missed the mark, as well as how they may be able to change their approach in coming years.

Inspirations for Chinese New Year 2022: Learning from Successful CNY Campaigns

> As one of the most celebrated events in China and a festival often associated with gifting and reunions with family and friends, Chinese New Year presents a commercial opportunity for brands in terms of localization, marketing, and promotions.

Partner Insight: An Inside Look at the Health Supplements & Vitamins Category in China

When it comes to characterizing China's health supplements market, key features include speed of market pace, speed of consumption, and speed of growth, all of which make it a very dynamic market that requires constant learning and constant adjustments to marketing strategy.



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*Aside from the festival's continued growth in* terms of sales numbers, participating consumers, participating brands, and discounted products, the Singles' Day National Shopping Festival has always been a reflection of current or growing trends in the China market.

# Looking into the Health Foods Landscape in China

C C The Consumer Health market (Health Foods - 保健食品) in China is one that is heavily regulated by the Chinese government administration. Regardless, it has expanded over recent years, experiencing explosive growth.

Partner Insight: An Inside Look at **Regulatory Compliance in China** 

> *As the regulations have changed quite* significantly, it's important to understand what the requirements are for the client's specific product, especially because every single product category may have a slightly different registration procedure.

Health Foods & Supplements







# Message From the **CEO**

# Dear Readers,

The grand event has ended, and countless brands are looking back at Double 11 to understand what went well and what missed the mark, as well as how they may be able to change their approach in coming years. Unfortunately, as revealed in this issue, this year's Double 11 did not quite hit the mark in terms of year-on-year growth in total sales, with only 8.45% growth on Alibaba, although JD.com did see 28.5% growth. Additionally, it is evident that domestic brands are stepping up their game when it comes to new product development (NPD), price point and marketing spend, which means that not only did this Double 11 witness less growth in comparison to last year, but it was far more competitive.

With this year's Double 11 still reaching an impressive RMB540.3 billion in total sales on Alibaba and RMB349.1 billion in total sales on JD.com, there are few markets throughout the globe that have an economy and purchasing power growing at the rate of China's, and that can compete in terms of demand for premium products. Therefore, for most brands, the question is how they can better optimize their strategy to introduce new product lines, spend budget more economically, and carry out research with the goal of preparing themselves for the market. Ultimately, brands can no longer execute mass-marketing campaigns and rely on Tmall in-app marketing. They have the two options of either playing a slow-burn game of investing in small activities that matter and building their brand over several years or launching an aggressive customer acquisition strategy. If the latter option is the priority, then all budget needs to be dedicated wholly to ROI, while marketing for the purpose of awareness needs to be set aside. The target becomes finding new customers, retaining them, and finally, once they have purchased 3-4 times, launching media campaigns to keep the brand in the minds of the consumers.

In this issue, we took a closer look into the Nutritional Health category. As highlighted by Benii Lamb, Director of China & South Asia at Vitabiotics, he discusses the changing shape of the VMS market, which is undergoing very similar issues to those detailed above. Firstly, understanding your market is key. China is heavily focused on prevention rather than cure and this opens up opportunities with the younger demographics. Moreover, there is an increasing need for specialized products. Paying close attention to search behavior is becoming increasingly important for understanding how a VMS brand should be undertaking NPD. Finally, brands need to pursue localization with a much greater effort than ever before since "being premium is no longer enough".

As Double 11 and Double 12 came to an end, many brands have directed their attention towards Chinese New Year to take part in one of the biggest gifting periods on the planet. For Chinese consumers, Chinese New Year is about tradition, making it crucial for brands to take this into careful consideration. Below is a brief checklist of factors that brands should take into account when taking part in Chinese New Year Campaigns.

- participate in the festival.
- 2. Your campaign needs to take into account the traditional rituals of Chinese New Year.
- and logistics throughout the entire year.
- Chinese people before launching.
- focus on other occasions of the year.

We will be back in touch again with our next Red Edition in 2022. With that being said, on behalf of the entire team at RedFern Digital, I would like to wish everyone a Merry Christmas and a Happy New Year.

1. Domestic collaborations are a great way to increase your customer base and to fully

3. Sales for Chinese New Year occur before the day itself (as is the same for Christmas Day). For this reason, it is vital to ensure that all campaigns and E-commerce promotions are scheduled for prior to the week itself. The weeks that follow CNY are some of the slowest in terms of sales

4. Ensure that your brand does not come across as culturally insensitive or undertake any campaigns that may be deemed patronizing. Should you not be aligned with an agency in China, ensure that you thoroughly assess your campaign concepts with a multitude of local

5. The period is all about gifting and bulk-buying. Chinese consumers spend 3-4 glorious days (sometimes longer) eating, drinking, and spending time with family. Ensure that your product is in a category that people are likely to gift or bulk-buy during this time, otherwise it is better to

# - Ryan Molloy, CEO

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# Deep Dive into Double 11, 2021

Trends, Consumption Habits, and Changes for the Future



# **Deep Dive into** Double 11, 2021: Trends, Consumption Habits, and Changes for the Future

## By Sandra Weiss, RedFern Digital

As many are already aware, China's largest annual shopping festival is called Singles' Day or Double 11. Since its inception, the festival has expanded from sales promotions occurring on just November 11th, to almost a whole month of discounts and promotions. This year, pre-sales for the event began on October 20th, while sales started on October 31st for JD.com and November 1st for Alibaba

Every year since the festival has been held, Singles' Day has broken its own record in terms of sales achieved. The sales numbers for 2021 are as follows: Alibaba Group saw a GMV of RMB540.3 billion and JD.com saw a transactional volume totaling RMB349.1 billion.

Alibaba's Total Sales and Growth Rate during the last five Double 11 Shopping Festivals			JD.com's Total Sales and Growth Rate during the last five Double 11 Shopping Festivals		
Year	Total Sales (Billion RMB)	YOY Growth Rate %	Year	Total Sales (Billion RMB)	YOY Growth Rate %
2021	540.3	8.45	2021	349.1	28.5%
2020	498.2	85.6	2020	271.5	32.8%
2019	268.4	25.7	2019	204.4	27.9%
2018	213.5	26.9	2018	159.8	25.7%
2017	168.2	39.3	2017	127.1	More than 50%

Source: RedFern Digital 2021

## Livestreaming

-21

In the past few years, and especially since COVID-19, livestreaming has become a primary part of E-commerce, closely integrating entertainment with online shopping. Over Singles' Day, E-commerce livestreaming once again took center stage, with Taobao Live featuring over 700 KOLs. celebrities, and brand representatives in livestreams from October 20th until the end of the festival. Thus, livestreaming was a key mechanism through which brands engaged consumers and drove sales during the festival.

The top livestreamers in the country were able to sell billions of RMB over the course of the festival.

- Li Jiagi, one of the top livestreamers in China, reached a cumulative transaction value of RMB11.5 billion during his streams for Singles' Day. The estimated sales volume of his livestream room was RMB37.71 million and the maximum sales value of a single product he promoted was RMB389 million
- Viva, another top livestreamer in China, also streamed during Singles' Day. Over her 14 cumulative hours of streaming during the festival, she sold a total sales value of RMB8.533 billion. Her estimated cumulative sales volume was at RMB26.89 million, and the maximum sales value of a single product she promoted was RMB490 million.

With these impressive sales figures, livestreaming has been established as a successful method of driving sales and conversion. However, before conducting a livestream or deciding to collaborate with a livestreamer, brands need to understand that not every livestreamer is able to pull in these high viewership and sales numbers. Brand held livestreams should be heavily marketed to drive attendance, and prior to collaborations with livestreamers, brands should conduct research into whether the livestreamer is an appropriate fit for the brand, and what their conversion rates are during their past livestreams.

According to iResearch, in 2020, the E-commerce livestreaming market in China exceeded RMB1.2 trillion and saw an annual growth rate of 197%, and by 2023, the market is predicted to exceed RMB4.9 trillion.

# The Largest Singles' Day Yet

As previously discussed, this year's Double 11 Festival saw the highest sales vet. Alibaba had over 290,000 brands participating in their promotions and over the course of the festival, Tmall offered discounts on over 14 million products to over 900 million Chinese consumers. Meanwhile, the transaction volume of 31 brands selling through JD.com surpassed RMB1 billion, while Apple surpassed RMB10 billion in sales.

However, this year's festival was also a more toned-down event, with Alibaba forgoing their usual gala and performances for more lowkey live broadcasts from the company's Hangzhou campus. Although records were set compared to previous years, Alibaba saw the lowest YOY growth in sales since the festival began.





### Sustainability & Diversity

A focus of the event this year was on sustainability and diversity, which shows a growing trend among Chinese consumers, and presents an opportunity for brands that are able to demonstrate these characteristics through their products and brand story. As an example, within the first minute of November 11, Tesla was able to sell more electric car charging stations than during the entirety of the festival last year.

Both Tmall and JD have ramped up their efforts to become more environmentally friendly.

Tmall issued RMB100 million worth of 'green vouchers' for the festival, with the aim of encouraging more sustainable purchases, and boosted the visibility of over 500,000 eco-friendly and low-impact products across categories. According to Alibaba, green products were purchased by more than 2.5 million consumers during Singles' Day.

Tmall also pushed their "Goods for Good" program, wherein Alibaba donated RMB1 each time a consumer shared on social media what they purchased through this program, with proceeds going to support senior citizens living alone, lowincome workers, and 'left-behind children' in remote areas of the country. Between October 20th and November 4th, the program raised more than RMB60 million.

In terms of recycling or reducing the use of packaging material, Alibaba's logistics arm Cainiao provided recycling services at over 60,000 package pickup stations, while JD promised to use 25cm less adhesive tape and 210 grams less paper for each package delivered on Singles' Day.

JD stated that compared to last year, they reduced their carbon emissions by 26,000 tons during this Singles' Day shopping festival, while Alibaba stated they reduced their carbon emissions by 18,000 tons. When it comes to inclusivity, a new option for 'senior mode' was added to the Taobao shopping app that would make the user interface more friendly to senior citizens. Features of the 'senior mode' include voice-assistance, simplified navigations, and large font sizes and icons.

### **Consumer Demographics**

As consumers from the younger generations and lower tier cities are increasing their consumption power, this had impacted the overall consumer demographics of the festival. JD.com stated that during their Double 11 promotions this year, consumers aged between 18-35 years old accounted for over 70% of pre-sales, while consumers from lower-tier cities made up 77% of all shoppers. Alibaba stated that spending among lower-tier cities and more rural regions of the country increased by almost 25% compared to the previous year.

This shift in demographics presents an opportunity for brands to expand beyond targeting consumers living in first-tier cities.

Aside from the festival's continued growth in terms of sales numbers, participating consumers, participating brands, and discounted products, the Singles' Day National Shopping Festival has always been a reflection of current or growing trends in the China market. Brands can look at data on the event released by the largest E-commerce Giants, JD and Alibaba, or conduct research on competitor brand sales figures in order to determine which ingredients, functions, packaging, product format, and other features are trending and becoming more popular among consumers.





# **Inspirations** for **Chinese New Year 2022**

Learning from Successful CNY Campaigns

# REDFERN DIGITAL

# **Inspirations for Chinese New Year 2022** *Learning from Successful* CNY Campaigns

# Bv Sandra Weiss. RedFern Digital

As one of the most celebrated events in China and a festival often associated with gifting and reunions with family and friends, Chinese New Year presents a commercial opportunity for brands in terms of localization, marketing, and promotions. However, since the festival holds enormous cultural importance in China, brands should ensure any marketing attempts are relevant and sensitive to the country and culture.

# Chinese New Year 2022: Year of the Tiger

Chinese New Year in 2022 will fall on February 1st and will usher in the year of the Tiger.

During CNY, many brands will hold promotions, offer discounts, design special packaging, or release limited edition products or gift sets for Chinese New Year celebrations, with the imagery used often associated with the Chinese zodiac animal of the incoming year. These campaigns and releases sometimes occur weeks in advance of Chinese New Year, which is also when consumers begin to shop for the festival.

## Campaign Highlights from CNY 2021:

## Coca Cola's CNY Confessions Ad

- Coca Cola released an ad focused on telling the stories of three young individuals living in China during the pandemic, conveying how the situation "inspired a shift in perspective of what truly matters - family, friends, connection and love" -Bassam Oureshi, head of IMX at Coca Cola.
- The ad was able to engage with viewer emotions, while at the same time encouraging viewers to share their own stories and thus create user-generated content (UGC).

mage Source: Coca Cola



## Doraemon x Gucci

- With collaborations becoming more popular over the past couple years, Gucci partnered with the iconic Japanese cartoon character, Doraemon, to create a capsule collection. As the collection was inspired by the Chinese zodiac animal of 2021 - the Ox, the character's original blue robot cat appearance was redesigned for some of the items in the collection to include bovine horns and have a golden coloring. The campaign also included an augmented reality component as customers could scan the Gucci packaging or art walls located in Shanghai and Hong Kong through the Gucci app and watch Doraemon perform a dance.
- Marketing for this CNY campaign was widespread across multiple touchpoints, including WeChat, Douyin, Xiaohongshu, Weibo and even included an offline pop-up location.
- Through this collaboration, Gucci was able to tap into the nostalgia that many Chinese consumers hold for Doraemon, as it was a popular icon from their childhood, while the collaboration was able to add a sense of prestige and novelty to Doraemon.

Images Source: Gucci











### Johnnie Walker's Limited Edition Year of the Ox Scotch

• For Chinese New Year 2021, Johnnie Walker collaborated with Chinese artist Shirley Gong to create a limited-edition version of their Blue Label bottle. The art on the bottle showcased an Ox standing over mountain clouds, representing prosperity and good fortune, and combining a Chinese art-style with the Scottish alcohol brand.

Image Source: Johnnie Walker



Nike Air Jordan 1 Low "CNY" Special Release

Nike designed and launched a special edition of their Nike Air Jordan 1 Low inspired by Chinese New Year and the Year of the Ox. The sneakers used a bold combination of black and red, with Ox imagery in classic Chinese art-style, metallic gold thread, and gold tassels tied with red thread. By tastefully including Chinese cultural characteristics, Nike was able to release a special edition footwear that is high quality, aesthetically well designed, and shows appreciation for China and CNY.

Image Source: Nike



# Tips for developing your own successful CNY campaign

- Cultural relevance and respect are more important than ever, especially when it comes to a festival that is ingrained into Chinese tradition. Brands need to show that they appreciate Chinese culture and aesthetics through using appropriate colors, symbols, art-styles, and imagery, while also conveying a festive tone for Chinese New Year. One method of doing so could be working with a local Chinese creative team or artist to come up with culturally relevant and aesthetically pleasing designs that will resonate with Chinese consumers.
- Although many Chinese New Year campaigns include moving campaigns or videos that engage the viewers' emotions, it is important to note that CNY campaigns should generally not be overly serious or sad. The festival is a time of celebration, humor, family and reunion, and any emotions brought up through the campaigns should relate to these elements and can demonstrate that the brand is attentive to and understands their Chinese consumers.
- Brands sometimes choose to use humor and puns in their CNY campaigns. When done appropriately, such as ensuring that any jokes used are not culturally insensitive, these types of campaigns can gain huge interest from consumers, especially among the younger generations.
- With the increase in popularity of video, releasing engaging content in the form of a video that emphasizes the values and traditions of the festival could elevate the brand campaign, especially if shared on social media.
- Encourage user-generate-content through your CNY campaigns to increase word-of-mouth marketing, which is extremely powerful when it comes to brand awareness. Examples include creating challenges on Douyin to encourage participation from users, or encouraging responses to questions, prompts, and providing prizes for the best responses.
- Use a variety of media platforms to promote your campaign, ensuring that touchpoints exist across any channels that are relevant to your brand, such as WeChat, Xiaohongshu, Douyin, Weibo, Kuaishou, Bilibili, etc.

As competition among both foreign and domestic brands continues to rise, brands will need to develop unique campaigns for Chinese New Year that can differentiate themselves from the crowd, and ideally engage consumer's emotions and encourage their healthy interaction. Particularly among foreign brands, the creation of a culturally relevant campaign that does not overstep but is still able to resonate with Chinese consumers will be a careful balancing act that could bring massive positive attention.



# Looking into the Health Foods Landscape In China

# REDFERN DIGITAL

# Looking into the **Health Foods Landscape** in China

### By Khanya Gundwana, RedFern Digital

The Consumer Health market (Health Foods - 保健食品) in China is one that is heavily regulated by the Chinese government administration. Regardless, it has expanded over recent years, experiencing explosive growth particularly during the years of 2006 - 2016. The market value amounted to RMB289,981 million (US\$45,510 million) in 2020 and can still be considered a promising market as it is expected to continue to grow annually by 8.5% between 2021-2025.

In October 2021, the sales revenue for the overseas food and supplement market was greater than RMB1.1 billion.



**Consumer Health Market in China (2006-2025)** 

The most popular product forms are tablet, capsule, powder, granule, and liquid. It is worth noting that the chewable or gummies form is making an upward projection in terms of preference.

Some newer brands in the health foods category that are popularizing the chewable and gummies forms are the American vitamin brand, Olly, and Australian brand, Unichi. Unichi has differentiated their product format shape into "bear gummies". These brands are innovating in product formats, moving away from traditional capsules, which greatly attracts the younger generations and as a result, has allowed them to achieve fast development in the China market.

During this year's Double-11 shopping festival, total sales volume of Imported Health Supplements category (海外膳食营 养补充食品) reached RMB2 billion.

# Monthly Sales Value by Product Format (RMB)



**Monthly Sales Volume by Product Format** 



Source: Alibaba Monthly Sales Data

# **Top 5 Products**

Of the overseas food and supplement products that are currently in the China market, we have listed the top five highest selling during the Single's Day or Double 11 festival in 2021.

Taking the number 5 spot, with RMB10.3 million in revenue, is the liver detox tablets from Australian company, Swisse.

Second place goes to the women's health product "Princess Luna" from the Italian company, Mom's Garden, gaining over RMB13.5 million in revenue.

Coming out on top was American company, Move Free, with three of their products taking spots in the top 5 best-selling products. Taking 1st, 3rd and 4th place were their capsules for joint health, produced by Schiff. Move Free occupied three places on the list of highest selling products, as they are offered in different packages - 120 or 200 capsules, sold in sets of 2 or 3 bottles, and collectively generated over RMB37 million in revenue.

287,290,278

298.840.341

1,545,332

1,374,636





## **Top 5 Brands**

As of October 2021, there were 2605 international brands operating within the China market. These are the leading top 5 brands in the health foods industry that dominated during the Double-11 2021 festival.

In fifth place is American brand, GNC, for its deep-sea fish oil products. They generated a revenue of RMB37 million.

Providing supplements for gastrointestinal health, Australian brand, Life Space, takes the fourth position with RMB40 million in revenue.

Standing at the third podium is Australian Blackmores, with RMB71 million in sales, with their line of fish oil related products.

Taking the silver medal is American brand, Move Free, whose joint health products performed outstandingly in the individual products chart, allowing them to rake in RMB96 million. Move Free may have come out on top in the highest selling products category, however they were not the overall winners of this season.

Outperforming any competitor, and doing so by a huge margin, in first place is Australian brand, Swisse, with RMB266 million in sales during the November sales period. Their top products are supplement complexes targeted for various consumer groups – active people, pregnant women, and the elderly. Swisse had reported double digit GMV growth and retained the top spot in several E-commerce platforms during the Double-11 sales.

These brands have gained their success in China by continuously developing deep insights into the Chinese consumer, paying attention to how the consumers shop, tailoring products and marketing and creating new consumer segments. They have built strong relationships with key sales and distribution partners, media, and their consumers as key opinion leaders (KOLs). They have managed to maintain leading positions in their respective home countries, thereby building consumer trust.

Brands such as Swisse have established strategic partnerships with all five of China's largest E-commerce platforms, namely, Tmall, JD.com, Kaola.com, VIP.com and Xiaohongshu (Little Red Book). This has, in turn, led these brands to establish themselves in offline retail trading partnerships.

Douyin (China's version of TikTok) has become increasingly popular as an online shopping destination, particularly among consumers that are part of Generation Z. Swisse's gross merchandise value (GMV) on Douyin increased by 316% during the 2021 618 shopping festival. Blackmores hosted a livestream event for the purpose of consumer education during the Double-11 festival. Among some of their popular products was the Omega Triple Super Strength Fish Oil, CoQ10 Heart Health and Mega B Complex.

A newcomer to the China market, Australian brand, Brauer, had sold over 20 000 units of Brauer kids DHA within a day, which shows the power of livestreaming and E-commerce.

Of the top performing brands this past Double-11 season on Tmall, it is worth noting the Chinese health foods brands that were also strong competitors. Namely, By-Health, Shouxiangu, Simeitol, and Keylid.

China's health food giant, BY-HEALTH, has continued its dominance three years in a row by leading the vitamin and dietary supplements (VDS) charts on both JD and Alibaba's sites. It achieved RMB600 million (US\$93.9 million) in sales and a YOY growth of 38.3%. Sales from its international product range achieved a YOY growth of 200%.

BY-HEALTH has an international range which currently has 10 to 15 SKUs, with the products manufactured in the US or Australia. Their bestseller during the Double-11 festival in China was the milk thistle, as well as their newly launched melatonin product, which gained popularity among Chinese consumers, particularly the night owls. Their second best-seller this season, Sleep Pro, was only launched in the middle of 2021. The company found that the type of consumer that chooses to purchase milk thistle usually works for long hours, are inclined to protect their liver, and tend to experience issues with sleep. As such, the company observed that consumers who purchased Sleep Pro were the same ones who purchased the milk thistle product.

## Top 10 Best-Selling Health Food Brands on Tmall from Nov 1 to Nov 11, 2021

1. Swisse	6. Shouxiangu	
2. By-Health	7. Simeitol	
3. Move Free	8. Keylid	
4. Blackmores	9. Fancl	
5. MuscleTech	10. Life Space	

Source: Tmall Sales Data

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### **Top 5 Categories**

These were the categories and health effects that Chinese consumers were most concerned about in this year's 11-11 season.

- Supplements targeted at heart health and other cardiovascular issues (心血管营养补充剂) achieved RMB255 million worth of sales, putting this category at the very top.
- The second greatest health concern among Chinese consumers is regarding their bones and joints (骨关节营养 补充剂). Supplements in this group generated RMB226 million in sales.
- Coming in a third place are beauty nutrition supplements ( 服美容营养补充剂), which managed to accumulate RMB163 million in sales.
- Comprehensive nutritional supplements (综合营养素补充剂) generated RMB118 million in revenue, putting this category in the fourth position.
- Bringing in RMB103 million in sales and rounding up the best performing categories is probiotics and other microbial supplements (微生物营养补充剂).

The leading sub-categories of the overall market share, as of October 2021, are beauty and nutrition supplements, taking 25.2%.

Statistics have shown that skin health products consist of 53% of the shopping habits of the demographic aged between 20 to 50 years old, followed by liver protection products. This is followed by heart health supplements (10,3%), comprehensive nutrient supplements (8.9%), bone and joint health supplements (8,8%), probiotic supplements (7,4%), and immunity boosting supplements (6,4%).

According to the Alibaba's 2021 Tmall Healthcare Trend Report, products addressing hair loss, weight loss and a lack of sleep continue to be popular categories as well. Sales of sleep aids, including supplements, sleep patches and electronic devices, had a 220% growth rate. Amongst Chinese consumers, sleep enhancement is one of the trending categories in the VDS industry.

Alibaba Health also identified a 56% rise in healthy foods that are conveniently packaged to eat on-the-go – such as sesame balls, bird's nests, and goji-berry beverages. The report described their growing popularity as part of the market's "fragmented healthcare" trend, meaning more and more Chinese consumers are looking for products or treatments to manage their health in their spare time.

Market Share of Health Supplement Sub-Categories by **Monthly Sales Value** 



- Beauty & Nutrition Supplements
- Heart Health Supplements
- Comprehensive Nutrient Supplements
- Bone and Joint Health Supplements
- Probiotic Supplements
- Immunity Boosting Supplements
- Weight Loss Dietary Supplements
- Endocrine Health Dietary Supplements
- Digestive Supplements
- Sports & Weight Management Foods
- Eye and Vision Supplements
- Other Supplements

Source: Alibaba Monthly Sales Data



# PARTNER INSIGHT

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Interview with Benji Lamb, Director of China & South Asia at Vitabiotics.

Vitabiotics is the UK's No 1 & largest vitamins company, behind well-known brands such as Pregnacare, Wellwoman, Wellman, Osteocare & Perfectil. Vitabiotics sell in over 100 countries, with China a top 3 market globally.

# **()** VITABIOTICS

An Inside Look at the Health Supplements & Vitamins Category in China

# An Inside Look at the Health Supplements & Vitamins Category in China

Interview with Benji Lamb, Director of China & South Asia at Vitabiotics.

# Could you please provide some background into your experience within the health supplements & vitamins sector in China?

I am the director of China & South Asia at Vitabiotics. As the UK's number one vitamin and supplements brand, we have a strong heritage and manufacture our products in the UK. I currently lead our growth in China, primarily on E-commerce, wholesale, marketing, brand exposure, and localized appeal. Although we have a large portfolio of over 450 sub-brands, at the moment, we focus on about 50 of these sub-brands in Asia.

# How would you characterize China's health supplements & vitamins market today?

When it comes to characterizing China's health supplements market, key features include speed of market pace, speed of consumption, and speed of growth, all of which make it a very dynamic market that requires constant learning and constant adjustments to marketing strategy.

China is a very E-commerce focused market. When it comes to selling through cross-border E-commerce, brands do not require local registrations like in many other countries. This allows brands to test the market, build up sales volume, and demonstrate proof of concept prior to entry through domestic sales channels, which do require local registration.

If overseas brands are able to enter the market and get it right in terms of localizing their products and retaining their foreign identity while still being highly relevant to Chinese consumers, then they can perform extremely well. We are a heritage 50year-old business that sells products across multiple categories including Mother & Baby, Healthcare and Beauty, and we utilize a hybrid branding that combines our British identity with an aesthetic that appeals to Chinese consumers.

Chinese consumers are also generally very savvy when it comes to researching formula, dosage, and ingredients, and will frequently compare different overseas and domestic brands to find the product that best fits their lifestyle.

# What has been the impact of COVID-19 on this market?

COVID-19 accelerated the already growing market even more and led to more savvy consumers. I would also say that there is a general rising demand for domestic brands. However, there is still the argument that supplements is strongly supported as a cross-border industry, since Chinese consumers have a lot of trust in overseas formulas for products they ingest, especially from established overseas brands. Since Vitabiotics has been selling supplements for 50 years and has that strong heritage, we are a little more sheltered from the rise in domestic brands. It's still a balancing act for brands. Being an overseas brand and having that international premium identity is still relevant, but it is not enough anymore.

Brands cannot expect Chinese consumers to buy their products simply because they are foreign. Instead, they need to ask themselves how they can resonate with Chinese consumers, develop proper localization strategies for branding and different product formats, and understand what tones to use in their marketing. Although country of origin is still relevant, brands should emphasize their heritage and quality while building up trust among consumers. The sector is becoming more and more competitive, and overseas brands need to up their game.

COVID-19 has also caused an acceleration in social media plans. Brands need to be on the media channels such as Douyin, Weibo, WeChat, Kuaishou, Little Red Book, etc. Brands also need to have appropriate video assets for the China market, as video is currently huge. Most of our offsite display ads that we're doing for Tmall are in video.

Although COVID-19 has strained the supply for us and many other brands in the sector, maintaining supply in China is essential because it is a decade long investment market. When it comes to repeat retention products, like vitamins and supplements, it's about the cumulative effects. Therefore, not being able to put the product into the hands of Chinese consumers would affect long-term strategy and cause consumers to switch to other brands, especially as domestic brands continue to grow in popularity.

# Has this growth in domestic brands impacted the way you approach the China market?

We deeply respect the savvy Chinese brands and there is so much learning to be had from them. The vitamin and supplements market size and various niches make it ripe for competition, especially positive competition that pushes for innovation and spurs everyone forward, allowing us to better serve our niches.

The growth in domestic brands has led us to doing more in terms of localization.





The cartoon aesthetic has become popular in China, so we created local IP of a cartoon British tawny owl, which was used through our stores as imagery. We've also taken on local designers to develop designs that fuse Chinese and British styles. Livestreaming is also a channel we increased our focus on.

### Have you seen a difference in how domestic and foreign brands approach the markets in China?

There are certain limitations that overseas brands have if they are selling through cross-border E-commerce and do not have full domestic registrations, such as limitations on claims that can be made in terms of product function, use, and health efficacy. As domestic brands do not have these restrictions, there is a difference in the scope of marketing that can be done.

Many successful overseas brands in China compartmentalize their China operations, and although we are building out Vitabiotics China, we haven't compartmentalized fully as our China operations are still run by myself from the UK and China.

## What are some key differences between the vitamins and health supplements industry in China compared to that of other countries, such as the UK?

China is a very digitally led market, which for vitamins and supplements can include online pharmacies, E-commerce platforms, cross-border platforms, etc. In contrast, the UK still places a greater emphasis on offline retail, pharmacies, overthe-counter channels, and doctor's recommendations. In China, physical retail presence is still important, but for many brands, it just isn't feasible for market entry due to the complexities of registration and the investments required.

For ourselves, our entire strategies for the UK and for China were the opposite way around. In the UK, we started 50 years ago in the offline retail space and grew outwards, only moving into E-commerce in the last few years. In China, we launched through cross-border E-commerce, and have the long-term goal of launching offline after a few years.

# How has livestreaming affected your marketing strategy?

As we work in multiple categories, it can be category dependent. We're more restricted in livestreaming for Mother & Baby products because it is more of a niche segment, so our livestreaming efforts are focused on more general healthcare products.

In general, we work with about 5-8 livestreamers per month to create an echo chamber of different livestreamers who regularly work with us and promote our products. Just being featured on one stream occasionally is not enough, since there needs to be multiple touchpoints for consumers to interact or be exposed to the brand. As a result, livestreaming has had a tangible impact on our GMV. Tracking the cost of new customer acquisition of initial purchase and the retention of our customers is extremely important as we are selling a regularly used product, and these figures have both been impacted by livestreaming. Since these streams are live, they also allow us to immediately tweak our strategy, such as when it comes to product selection, special gifts, tailored experiences, etc.

## Are there specific Chinese consumer demographics that are driving sales and growth in the vitamins and supplements sector?

The consumer demographic is hugely dependent on the category, formula, and specific vitamin product. However, as a whole, the supplements and vitamins sector in China is heavily focused on prevention rather than cure. Chinese consumers tend to begin taking supplements at a younger age compared to overseas customers, which makes Gen-Z and Millennial consumers important demographics.

One of our sub-brands focused on eye care and lutein-based products, Visionace, is an example of this. In the UK, we primarily sell Visionace to consumers that are over 50 years old, whereas in China, our main consumers are among Millennials or younger.

# What factors do consumers look for when purchasing health products?

The factors are dependent on the type of health product and the branding and brand image that is chosen. In terms of our packaging, we clearly emphasize that we are a heritage UK brand, which differentiates us from Chinese brands that have their own branding style. Our product packaging look more like a brand designed by pharmacists or medical professionals, as do many other major overseas supplement brands. You might not see this branding style with domestic brands that choose not to use the pharma aesthetic and instead, want to go for a branding style that is more on the curve, for new-era vitamins that are targeted towards Gen-Z consumers.

There is no right or wrong in terms of branding style as there is space for both types of product offerings. I believe that our packaging really resonates with Chinese consumers, especially since its unaltered packaging from the UK. The packaging and product are the same as if the consumer were to buy it in the UK, which has huge value for discerning consumers that have a propensity for UK products. It's about striking a balance. We talked about localization, and for our brand, this plays out more digitally, so when it comes to digital marketing, E-commerce shopfronts, and online product details pages.

Branding oftentimes plays out differently according to the sector, so when applied to vitamins and supplements, it can be a question of different value propositions.





# Are there any ingredients, product formats, or product functions that are trending among Chinese consumers?

One would be prune juice in the Mother & Baby category, which is seeing huge growth and is now a trending pregnancy product. Brands that are looking at new product development can use E-commerce tools to look at what keywords are trending, and what keywords consumers are searching. There is a lot of insights to be had when it comes to what consumers are actively searching for, both in terms of ingredients and product functions. This is one of the reasons we ended up selling a lutein-based eye-care product, because lutein search volumes were high. Other keywords that have been strong in search include iron, folic acid, and calcium liquid.

Gummies as a product format is becoming increasingly popular, along with soft-capsule products, although I'd still say that tablets remain the definitive form of health supplements or vitamins. My opinion on gummies is that they resemble sweets quite heavily, so are very separate from the more serious pharma and nutraceutical products. If your doctor prescribes you something, it's usually in the form of a pill that is ingested, so I think there is a fundamental association between healthcare and capsules.

### Do you think that brands in this sector in China are shifting more towards purely digital sales channels? Or will they continue to open offline sales channels as well?

I think a combination of online and offline is still the eventual goal for a lot of brands. One major factor that any brand that wants to do offline needs to consider is the registration involved. Due to the huge investments that registering in China domestically can involve, brands should generally ensure that they are able to show proof of concept in terms of retail value and already know what their potential return on investments could be.

Once registered, brands can access new sales channels not only in the offline retail space, but also online, through domestic E-commerce channels such as Tmall domestic and JD domestic, which is still where the bulk of E-commerce GMV is sold.

The long-term strategy for brands is oftentimes to test and learn through cross-border, establish proof of concept, and build strong foundations, then go in for domestic registrations. Afterwards, the brand can expand both offline and online.

# What has been the significance of Social Commerce in the vitamins and health supplements sector?

Social commerce is quite a unique phenomenon to China. Among the Key Opinion Consumer (KOC) community, they don't necessarily sell the products directly, but they share product reviews through their networks. One platform for this type of social commerce is Xiaohongshu or RED, which allows for the seeding of products and building up of brand ranking and indexing through hashtags, notes and images of the product and brand.

KOCs can drive this kind of engagement by generating their own content that includes recommendations for other users. These recommendations are not coming from the brand or from an obviously paid KOL or livestreamer, and so are more trusted and can be very powerful for promoting the product to the masses. Social commerce is incredibly important for us and for many other brands.

# What should new entrants to the market be aware of or take into consideration when entering the China market?

It is important to consider the minimum threshold of investment that is required and to understand that a brand will not necessarily have a guaranteed ROI. Brands need to be ready to invest a significant amount over the first 12 to 18 months of market entry, while knowing that at this stage, the return on investment is not guaranteed and no brand equity has yet been built in China. However, the vitamin and health supplements sector is still separated into small niches that can be highly profitable, so I certainly believe that most brands will find ROI in China, among their target demographics.

Another important aspect to consider is finding partnerships with the right TPs and wholesale distributors. Brands need to be cautious about what their long-term strategy is when signing contracts and what they are prepared to give away in the early stages of market entry, for example we didn't give away any exclusivity in China.

There are so many different models to choose from, and no clear right or wrong method. Instead, brands should think about where they want to be, because they should only enter China if they are aware of their long-term plan after 10-15 years. Building up sales and brand equity in China takes time.

Prior to entry, brands also need to understand the eco-system, and educate themselves on how different the channels are and know which channels are the most appropriate at each point in the China journey.

The last thing I would say is that, when entering China as an overseas brand, you need to leave your ego at the door with it. You need to listen to the voices on the ground that know more than you do and understand how Chinese commerce works, then use that to make the most locally applicable decision for your brand.



# PARTNER INSIGHT

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# An Inside Look at Health Foods & Supplements Regulatory Compliance in China

Interview with Raymond Ng, Director of Business Development at Accestra Consulting

Accestra Consulting is a specialist China regulatory affairs outsourcing partner for the pharmaceutical, medical devices and health food & supplements industry. Accestra delivers regulatory solutions in compliance with China NMPA (Formerly CFDA) Regulations. Website: www.accestra.com Email: info@accestra.com)



# An Inside Look at Health Foods & Supplements Regulatory Compliance in China

Interview with Raymond Ng, Director of Business Development at Accestra Consulting

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

Accestra Consulting is a specialist with China regulatory affairs. We're a partner for a lot of international companies looking for market access into China. The industries we focus on are pharmaceutical, medical devices, and food, which includes dietary supplements and nutritional supplements. We deliver regulatory solutions in compliance with China and NMPA regulations and we believe in going the extra mile to help deliver quality work for our clients, supporting them to find the best regulatory options.

A bit about myself, I'm the Business Development Director at Accestra, and my work is mainly focused on understanding what our clients want in terms of the objectives they have for coming into China, then helping them with the step-by-step procedures that ensure they have a smooth market entry into China.

## In the past few years, how has China reformed its regulatory process of getting new imported health supplements approved?

The regulations and policies differ significantly between the two different channels of cross-border E-commerce and general trade.

Over the past few years, the biggest opportunity that has made it easier for companies to enter into China, especially in the nutritional supplements space, is cross-border E-commerce. Using this channel, the policies are fairly relaxed, so the main challenge for selling nutritional supplements into China via cross-border E-commerce is making sure that the products are compliant to the local country they manufacture in, meaning registration in China is not needed.

However, selling through general trade and into offline retail stores means a completely different and stricter set of regulations, which were reformed in 2016. Before the reform in 2016, there was only the registration pathway, which typically took between 2-5 years for products to get registered for all types of nutritional supplements across the board. However, the reform added another pathway, the filing pathway, which has enabled some categories of nutritional supplements that meet the criteria to go through the registration process more easily and in under one year. For nutritional supplements, it's really the claims made on the labels that determine the pathway to take, and correspondingly, the testing required to prove efficacy, since you cannot just make claims without proving them. The priority for the regulatory authorities is making sure the product is safe, so there are quite a lot of safety tests as well.

As the regulations have changed quite significantly, it's important to understand what the requirements are for the client's specific product, especially because every single product category may have a slightly different registration procedure.

# Are there any categories, functions, or specific ingredients, where you are seeing a particular trend with the types of products that brands are registering and importing into the China market?

Since COVID-19, there have been many supplements and products related to helping improve the immune system, especially as people are now more conscious of their health, for example, common supplements such as Vitamin C.

Over the past few years, supplements for improving the respiratory system have also become quite in demand, because of more awareness about the pollution and the air quality.

Additionally, supplements that help with joint issues, such as knee or joint pain, have become popular, especially supplements that are bought by younger people for their parents or the older generation as gifts during Chinese New Year.

Generally, I think these three categories have been on the rise in terms of product registrations and approvals in China.

# What do you see in terms of future expected regulations and how can brands be better prepared in advance?

Regulations in China are often not pre-announced, and it can be hard to predict what new regulations will look like beforehand. This is why it is important to always be aware and updated on the latest regulations as they are released, then adapt to the new rules.



One recent policy is known as the GACC Registration, and for health supplements, it means that they will need to prepare and make sure that the Chinese labeling is printed directly on the product before its arrival in China, post the deadline of January 1st, 2022. Previously, they could just paste it when the products arrive in the Chinese port, sticking the Chinese label on top of the printed original label in the original language.

However, because of the potential for mislabeling or because people might rip the labels off, combined with the fact that the Chinese government sees health supplements as quite a highrisk category, this new labeling requirement has been put in place. This labeling requirement will also have an impact on food related companies, and not just supplements.

# For labelling requirements, are there restrictions regarding efficacy claims and what types of claims can be made on the labelling?

The requirements are very strict in terms of claims. When going through the registration pathway that I mentioned before, there are a total of 24 claims on the list, which the company must first choose from. If the claim that the company wants to make is not on the list, then they cannot register.

## Could you provide a breakdown of the general process that nutritional health, vitamins, or supplements companies need to go through when trying to navigate regulatory compliance, register their products, and successfully enter the China market?

As I mentioned, there are two main pathways for dietary supplements to get registered in China: the registration system and the filing system. The filing system was put in place after 2016 and offers a simpler approach to getting the products approved, whereas the registration system is more complicated and is more based on the claims that products are making.

Image Source: Accestra Consulting



Starting with the filing system, it is mainly focused on the more commonly used nutritional supplements, and its scope includes about 23 categories of vitamins or minerals. So, if the product is listed among the 23 categories, then you can qualify to file your product into China and go through the more accelerated registration process. Examples of the categories include the most common nutritional supplements such as vitamin C, vitamin D, vitamin K, vitamin B, folic acid, biotin, calcium, magnesium, fish oil, etc. Products going through this system take around 6 to 12 months to complete registration, from testing to approval. The tests required for this system are simpler than the registration system, and don't require animal testing or human clinical trials, but include hygiene tests, such as microbe testing to see bacterial growth, and stability testing. to test the stability of the product in different environments. The testing can cost between US\$15,000 to US\$25,000, and the timeline for completing the registration can take between 6 to 12 months.

Next is the registration system, also known as 'Blue Hat Registration'. Previously, there were 27 claims that dietary supplement products could choose from, but now the recent policy has reduced this number to 24. Examples of these claims include certain functions such as enhanced immunity, improvement of sleep, boosting energy, digestive support, etc. Products that are making a claim from the list can gualify for registration. However, the registration process is more complicated than the filing system, and there are several tests that need to be conducted on the product, including hygiene testing, stability testing, efficacy testing, and toxicology testing. The last two tests are used to prove the effectiveness of the product and whether the product contains any toxic substances that could cause harm to the consumer. Depending on which claim the product is making, animal testing and human clinical trials may also be required. The entire process can cost around US\$50,000 to US\$200,000 and the timeline for the easier claims could take around a year at the earliest, while the more difficult claims could take several years.

So, if your product is able to meet the requirements for the filing system, then it would be a much easier pathway to China market registration and entry.

# What types of documentation are needed for market entry of nutritional health products, vitamins, or supplements?

Aside from data collected through testing, the application will include other required details such as the basic information about the company and product, the labeling situation, the ingredients list, and the nutritional value of the products.



Other information required includes sharing the GMP (good manufacturing practice) situation in the company's own country, providing information on the processing and manufacturing background, as well as the qualifications of the company.

## What is the difference between the registration process in China compared to other countries when it comes to health supplements?

It depends on the country. In the US, it's much easier to register certain types of supplements because it is more of a complaint driven market, where if the consumers make a complaint about a product, then there could be a lawsuit filed. However, in China, it is more of a regulated environment, where all companies must be registered and follow the same system, making it much more difficult to register nutritional supplement products in China compared to the US. I would say the US is one of the most relaxed countries in terms of getting products to market for nutritional supplements. Europe is in between China and the US, and Japan has quite strict regulations, similar to China.

## Which part of the regulatory process do you find that foreign brands coming into China find the most difficult or confusing to navigate?

Oftentimes the most difficult part is really understanding the different pathways, especially because the regulations can be confusing and are mostly in Chinese, which means it could be difficult to find information in English, for example. This is also true when it comes to interpreting the policies correctly, determining which pathway is the most suitable, and deciding on the strategy that is best for the product in terms of timeline, cost and resources required. Every product may have their own very specific situation, which requires its own method of navigating the registration process, so it's important for companies to have a partner who can advise them on the best options.

Foreign brands also often have difficulties with keeping up with the regulatory changes, which is something that companies need to always stay up to date on.

## Do you have a case study that you could provide us with when it comes to a nutritional health brand entering the China market and navigating the regulatory process?

One case study is a nutritional drinks product that contained a lot of different vitamins.

We helped the company to get the product classified as a beverage, rather than a dietary supplement, which allowed it to avoid the need to go through registration, saving on cost, time, and resources.

To do this, we helped to evaluate the product's formulation and ingredients, making sure it followed the food standards, then tried to balance this with what claims can be made on the label under the food regulations, rather than the dietary supplements regulations.

For smaller to medium-sized companies especially, they often cannot afford the timeline, costs, and resources required to invest in Blue Hat Registration. So, for these companies, we would recommend evaluating the options to see if they can classify their product as a food product, which would mean much more relaxed regulations and is what we did in the case of this beverage product.

# What key advice would you give to a health food brand currently trying to enter the China market and navigate the regulatory process?

I think many companies are disconnected when it comes to understanding how things work in China, compared to their own market. The regulatory framework is quite complicated, so it's important to work with partners who have expertise in this area and can advise the brand independently on their situation.

Many companies have a short-term approach to the China market and spend a lot of time and money going to exhibitions and finding a distributor, then ignore the regulations aspect of market entry and just pass it on to the distributor. However, the distributor's main interest is going to be selling the product, and they may not be completely knowledgeable about regulations or may not consider the long-term interests of the exporters. If the distributor were to do the registrations for the company, then the question of ownership of the registrations could come up, especially if there are disagreements in the future. As a result, many companies discover these problems as they happen, which is much too late.

Therefore, my advice is for companies to invest earlier on and get independent advice on the registration process. By doing this, the company can gain an understanding of the regulatory pathways or the best strategy for them, which will help the company in the long-term.



# The **BED** Edition Special Issue 2021

**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.

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