



# China Natural Dietary Supplements Market and the Trend

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18<sup>th</sup> March 2016  
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# Social Background

# China and Natural Dietary Supplements



# Traditional Dietary Supplements Consumption Habits

- Traditional Chinese dietary supplements consumption habits
  - All year through
    - Tailored herbal formula
    - Food + herbs
    - “Yellow wine” + herbs
    - Food combination with specific ways of processing
  - Seasonal factors and the implications of the “24 Solar Terms”
- Modern dietary supplements consumption
  - 1920s - 1940s
  - 1950s – 1970s

# Classification of Dietary Supplements and Functions

- Classification
  - Traditional Chinese herbal and non-herbal formula
  - Modern supplements with nutrients
  - Functional supplements
  
- The 27 approved functions for functional supplements category
  - immune system improvements
  - Adjutant for cardiovascular
  - Radiance adjutant protection
  - Anti-aging
  - Sleep rescue
  - Eye sight protection
  - Digestive improvements
  - Bone improvements
  - ...

# Market Trend & E-commerce

# China Modern Dietary Supplements Market

## From late 1980s

### ➤ Ups and downs

#### ➤ Late 1980s

Apollo, Wahaha, Chinese Turtle (Pelodiscus Sinensis) essence, bee products

#### ➤ Mid 1990s

Yang Zhenhua 851, Sanzhu, Naohungjin (DHA)

#### ➤ Prior 2003

Sharp decrease due to over promising and lack of social responsibility

### ➤ SARS & immune system focus



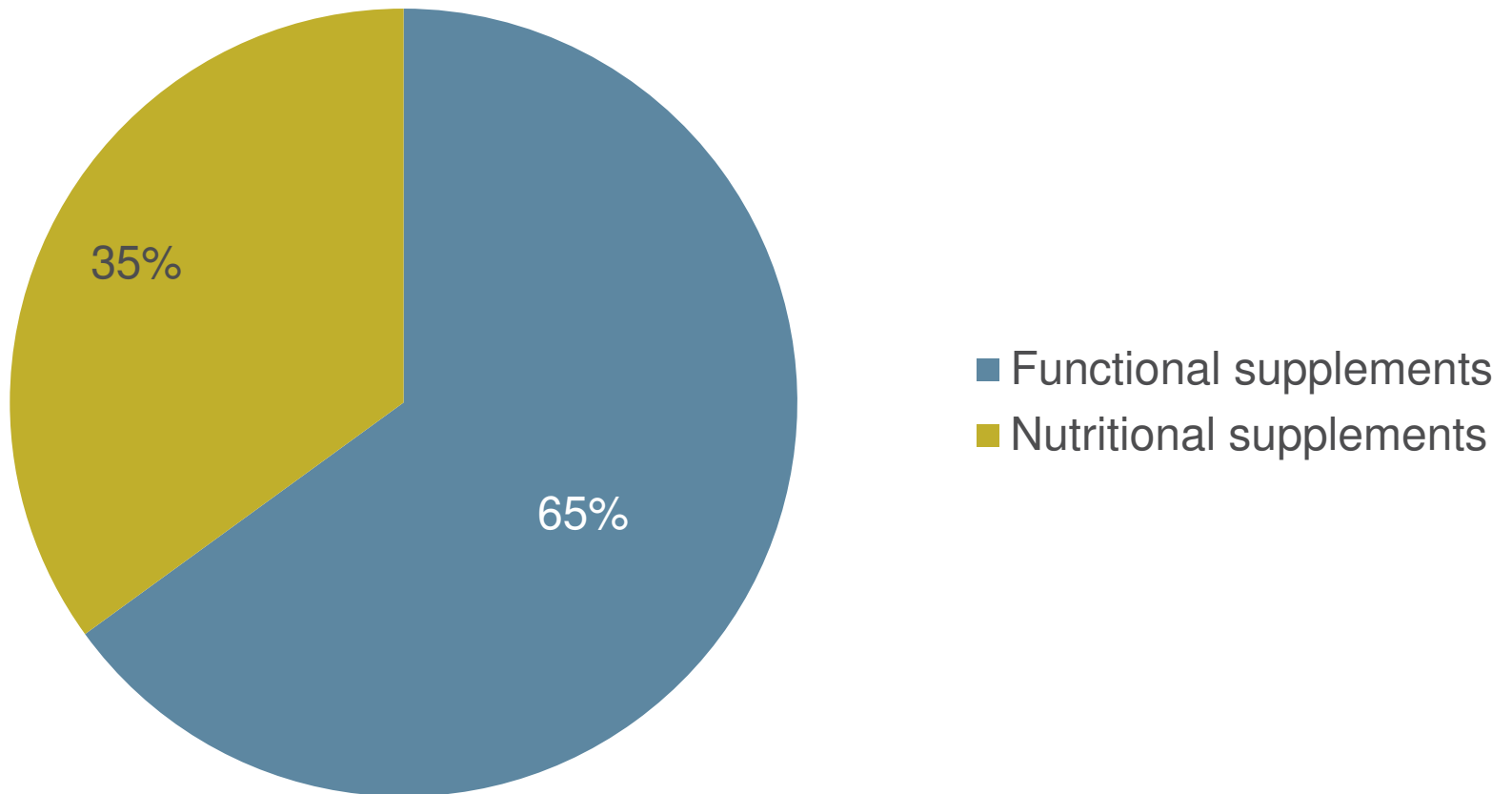
# Suboptimal Health Conditions, Main Consumer Groups, and Consumption Behaviour

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

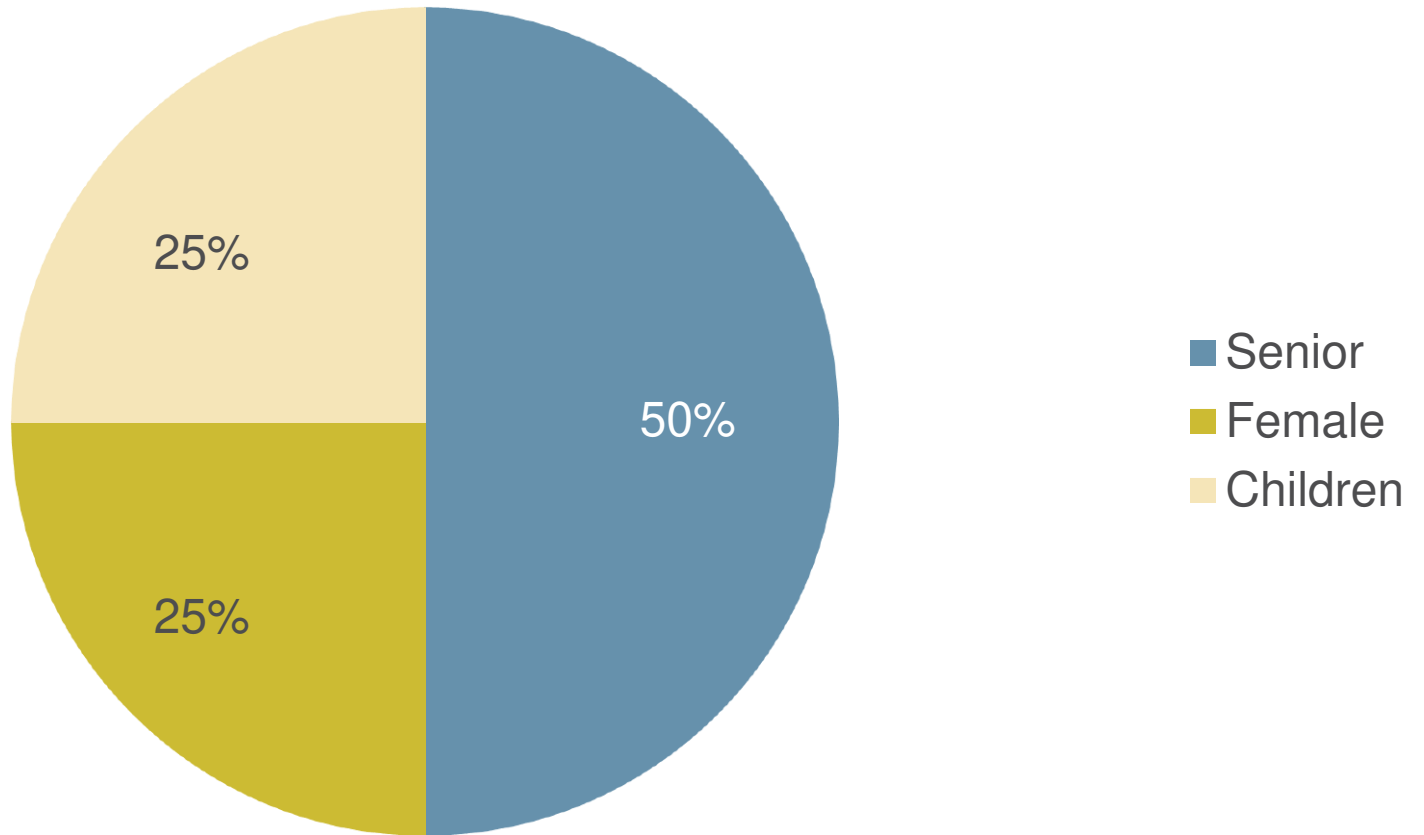
## China Dietary Supplements Market and the Potentials

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

## Market Share between Functional and Nutritional Supplements



## Market Groups



## Overview of Current Local Production

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

## Main Export Markets and Import Sources

- Major export markets
  - USA – fish oil
  - Chilli –fish oil (unprocessed)
  - Japan – royal jelly
  
- Major import sources
  - USA
  - Holland
  - Thailand
  - Germany
  - Taiwan
  - Malaysia
  - Japan
  - Korea

## Some Familiar Brands



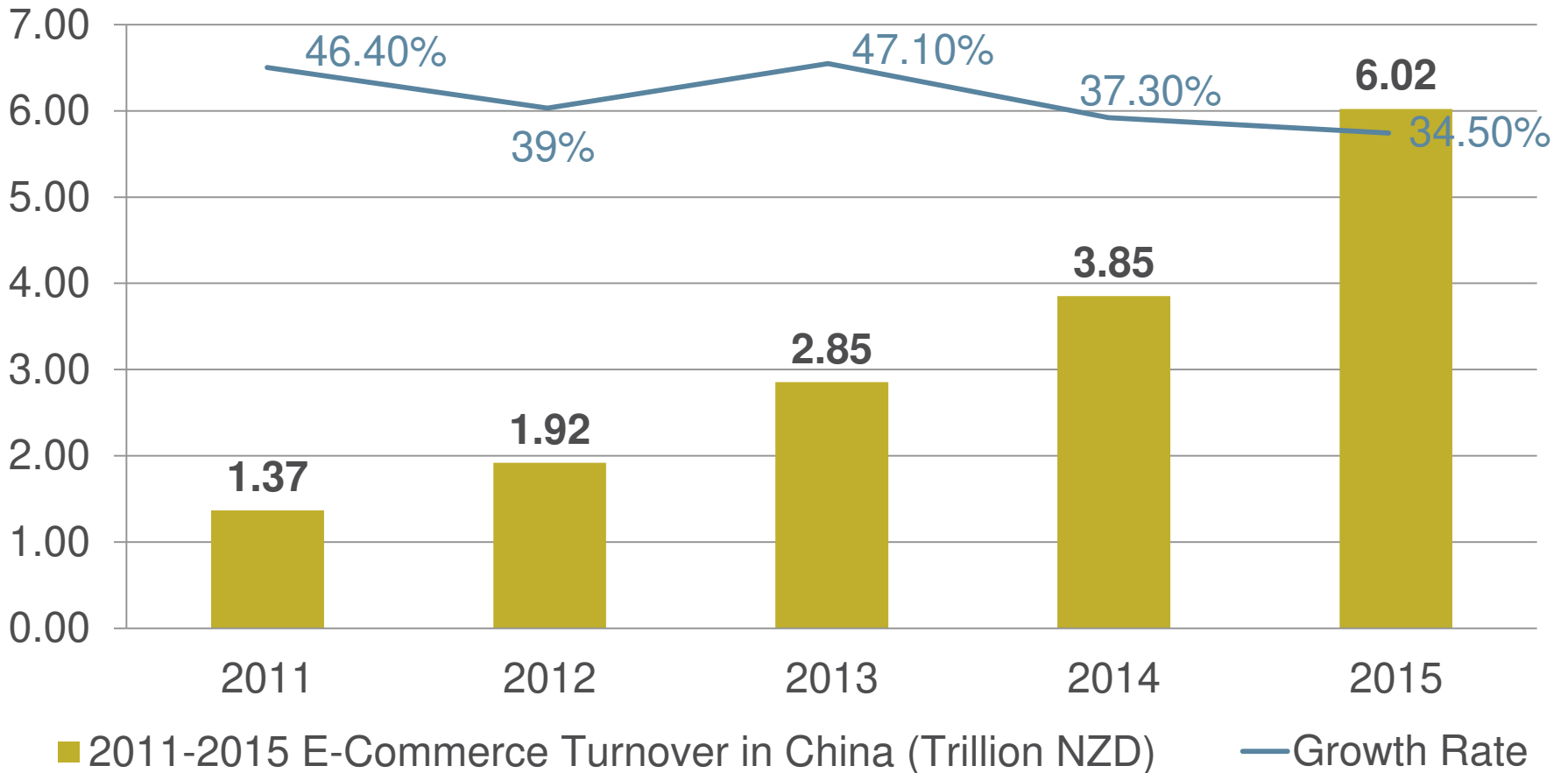
## Main Sales Channels

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



## E-commerce

### 2011-2015 E-Commerce Turnover in China



## Major E-commerce Platforms



# Cross Border Collaboration

## Collaboration for Synergy and Opportunity

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



**Healthplex & NutraceuAtical China 2016**  
**21<sup>st</sup> to 23<sup>rd</sup> June 2016, Shanghai**  
*<http://www.hncexpo.com/en/index.html>*

# Crowe Horwath Involvements

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



# China & Beyond



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