VEDP International Trade
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China Consumer Market

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Summary

Only a decade ago Chinese consumers were conscious about maximizing the value of each hard-earned renminbi (RMB). Today, a broadening and maturing middle class in China enjoys vastly higher incomes that spurs demand for quality products and, increasingly, services.

New retail concepts launched by top brands have also fueled the consumption boom in China. Research firms Bain & Company and Kantar Worldpanel indicate that annual growth in consumer products sales volume reached 4.3% in 2017, up from 3.6% growth the previous year. This also marks the first increase in year-on-year growth.

Although Chinese consumer confidence is increasing, firms must keep up with faster product iteration. Over half of the brands in the top 100 list for consumer products will fall out of the list in 10 years. While Chinese consumers have more money to spend, they also have more choices leading to greater competition between brands. The market requires constant innovation to fill the needs of the newest generation of consumers who are interested in trying new products.

This report provides insight to understand, gain confidence, and ultimately penetrate the Chinese consumer market. Useful information includes marketing tips, identifiable sales channels, and specific regulation.

Finally, this report recommends that firms interested in penetrating the Chinese market enter partnerships with reliable and experienced agents in China. These agents must have their own sales channels, market experience, and marketing strategies. After reading the following report, manufacturers and consumer products brands will be better prepared and more confident to discuss their business plans with a future Chinese partner.

(Throughout the report, US dollar values are calculated using the following rate: USD1.00=RMB6.79)

Objective

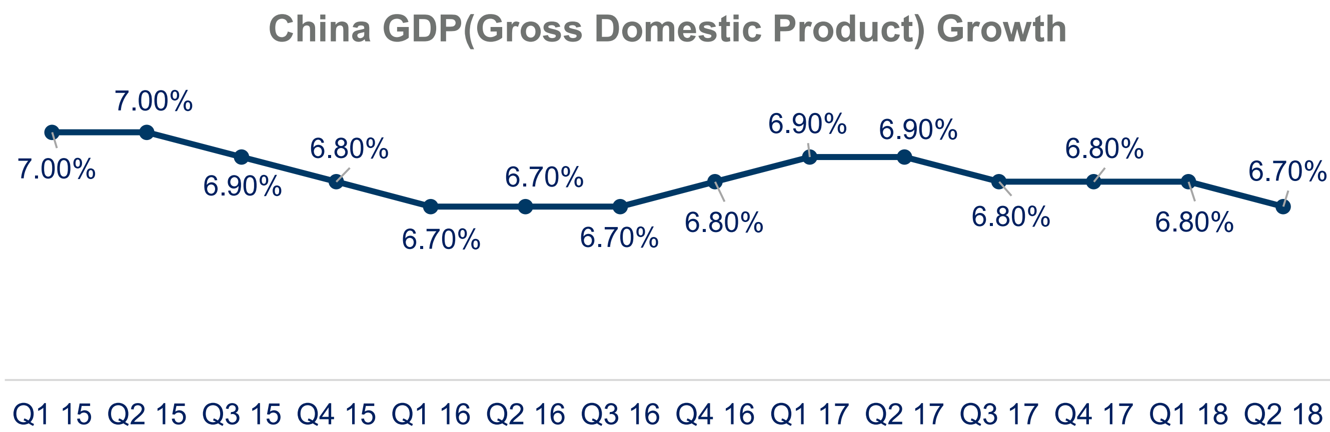
To offer Virginia companies a concrete overview of the Chinese market for consumer products, including trends, analysis, and recommendations. The report will be subdivided as follows:

- Summary of current trends (market size, market segments, consumer behavior, and marketing)
- Analysis of a company's best entry strategy
- Competition analysis: top 5 competitors in selected consumer product sectors
- List of trade shows with basic details and contact information
- Information on pertinent local legislation and regulations

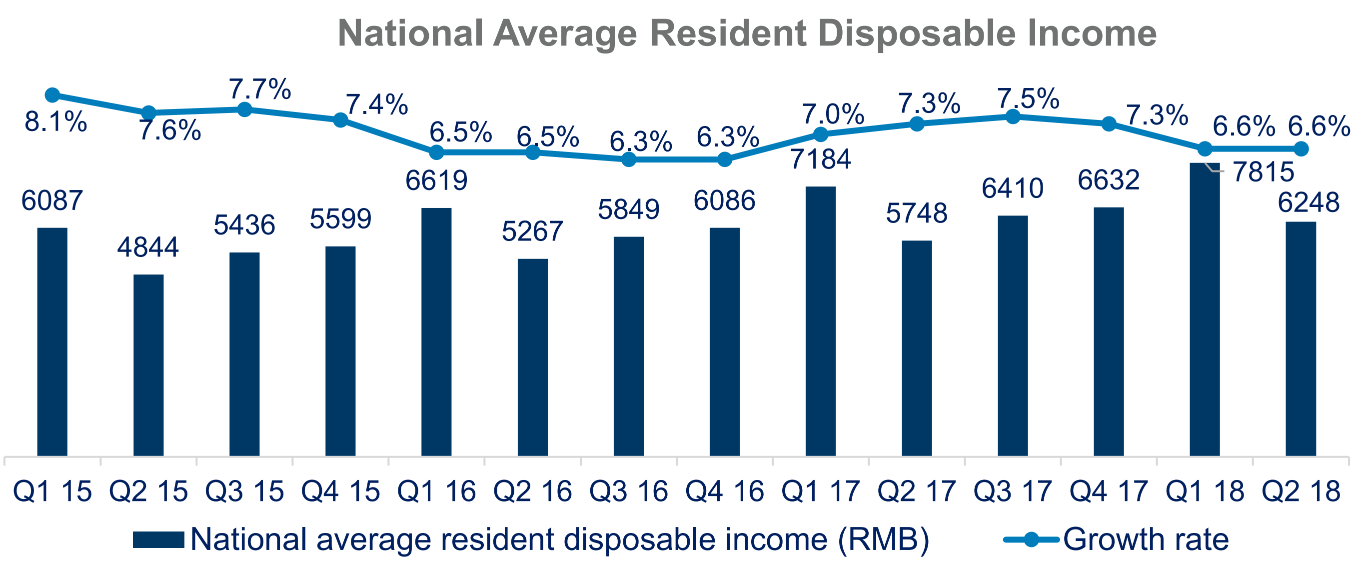
Figures, Graphics and Indicators

Chinese economic growth and optimism has experienced a significant upswing over the past 12 months as measured through a variety of metrics, including GDP growth, Consumer Price Index growth, disposable income, and consumer confidence.

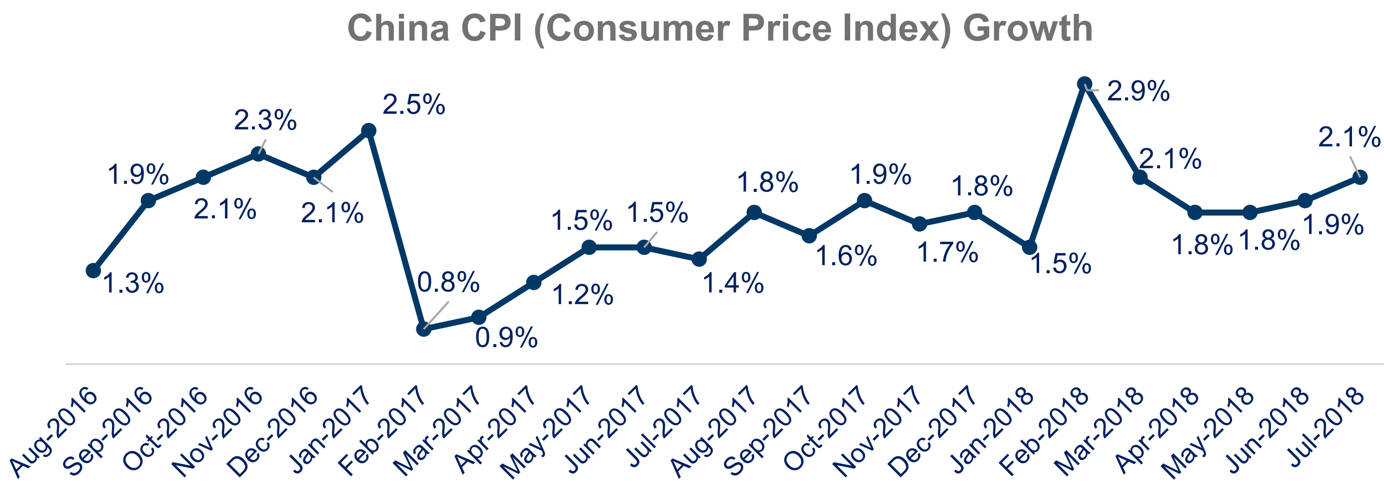
China's economy continues to perform strongly, with 6.6% growth projected for 2018. Four decades of reform have transformed China from one of the poorest countries in the world to the second largest economy, as reported by the IMF in its latest annual assessment of the economy.



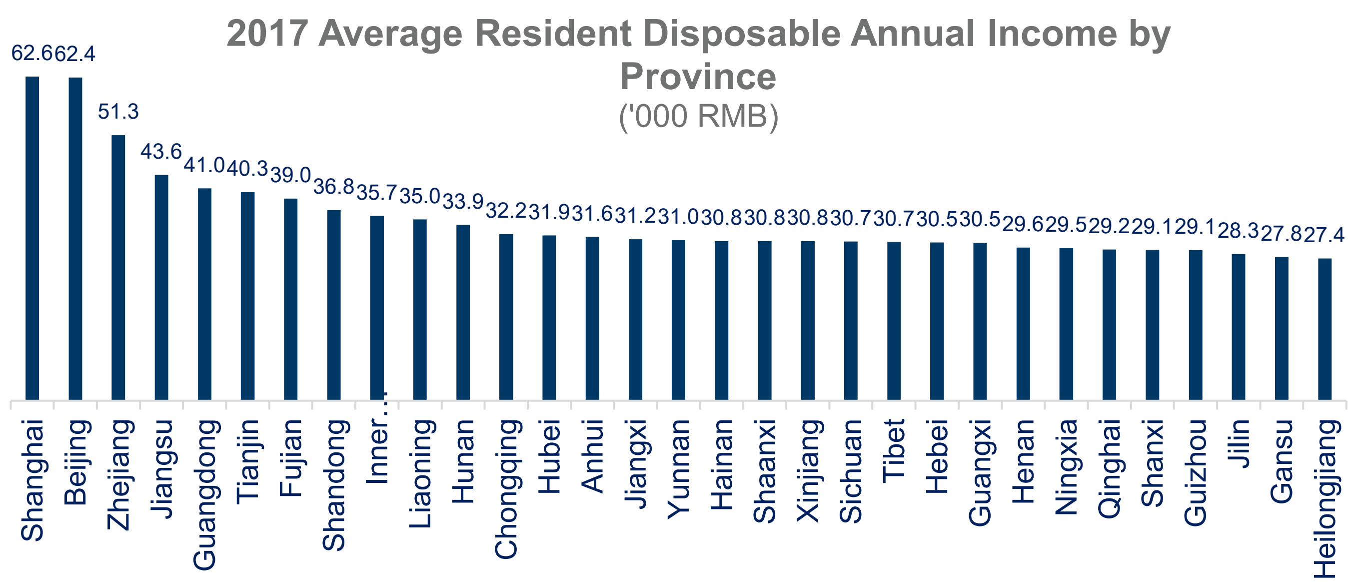
Source: National Bureau of Statistics of China



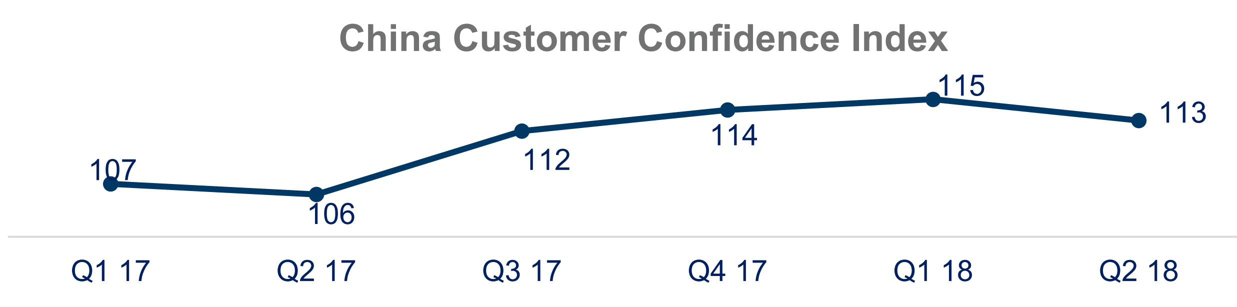
Source: National Bureau of Statistics of China



Source: National Bureau of Statistics of China



Source: National Bureau of Statistics of China



Source: China Consumer Confidence Survey

Consumer Trends

Consumption Characteristics of the New Generation

The population and the market in China are changing. There is no longer a single, one-size-fits-all definition of the Chinese consumer. The new generation of consumers puts more emphasis on emotional and interactive experiences. Popular products attract consumers through customizable packages and in new shopping venues. Fitness has become a social tool as consumers post step counts and exercise routines via apps on social media. Auto sales focus on self-satisfaction and offer an outlet to exhibit one's taste and personality.

SUPER CONSUMERS

Some Chinese consumers have evolved into "super consumers", a term coined by authors Savio Chan and Michael Zakkour. This new demographic, which makes up 10% of the population, is responsible for over 30% of the total sales volume in the market. Their frequent purchases contribute to substantial sales growth and profit.

EMERGING WOMEN CONSUMERS

Women are entering traditionally male consumption areas, especially sports. According to The Nielson Company, a 30% increase in women following soccer occurred between 2011 and 2015. From 2015 to 2017, the percentage of women in national marathons went from 10% to 46%. Women are also contributing to growth in sportswear consumption.

EMERGING MILLENNIAL CONSUMERS

Consumers born in the 1990s are the new growing power. Born in the Internet era, they are very different from the older generations, even those born in the 1980s. They also differ from their Western peers.

These consumers grew up in a rapidly changing China, which is also unfamiliar to their parents. During this period, the whole society accumulated wealth quickly and was widely influenced by Western culture and emerging technology. Millennials will contribute 20% of the total consumption growth of China until 2030, more than any other generation.

This generation has varied opinions of success, health, family, brand, product and personal future. A deep dive of how they define 'success' results in a myriad of answers. McKinsey sorted these consumers into five distinct segments:

39% Happiness seekers	**27% Success seekers**	**16% Laid back**	**10% Spendthrifts**	**8% Homebirds**
86% Believe success means pursuing a happy life	**64%** Believe success means being rich	**32%** Believe that “as long as you work hard, you can change your life”	**48%** Are willing to spend to try new things	**96%** Have parents paying for big ticket items
54% Not concerned about brands, but the actual product	**58%** Buy what they like	**Less likely** To pay a premium for new technology	**38%** Believe expensive products are better	**47%** Willing to pay for the latest technology
53% Willing to pay extra for environmentally friendly products	**Less likely** To save for rainy days: only 28% believe one should always prepare for uncertainty		**42%** Proud to afford small luxury items to show their taste	**54%** Seek out and pay a premium for quality

Source: *McKinsey China 2017 Consumer Survey*

Companies who think carefully about their story and whether it will resonate with these segments based on their beliefs and attitudes will have an advantage. Understanding the specific motivations of each subset will help companies tailor their marketing messaging for a more targeted reach.

While top tier cities remain the focus, companies should pay close attention to the large populations of young people in lower tier cities and rural areas. These consumers are optimistic about their future spending power and there is significant opportunity to enter these markets early through e-commerce.

CAPTURING THE NEW GENERATION OF CONSUMERS

The new generation of Chinese consumers has heightened autonomy, a stronger focus on health, and a more mature understanding of the brand. Multinational companies must understand and grasp the nuances of consumers to build attractive brands and product features.

Suggestions for winning over the new generation include:

- Develop differentiated products with unique and emotional experiences
- Create more products for Chinese women and millennials and market existing products towards these growing segments of Chinese consumers
- Improve interaction with consumers on social media and develop the brand loyalty of potential super consumers.

Consumer Segments

China is one of the most differentiated consumer markets in the world. Growth rates vary across regions and social statuses, with the highest growth obviously in urban population centers. Understanding China's complex market is a prerequisite for success.

CITY CLUSTERS

McKinsey & Company's Cluster Map divides Chinese cities into 22 urban agglomerations, each developing around one or two central cities. The research shows that the behavior of consumers varies even between similar urban agglomerations. For example, 52% of Shanghai urban consumers prefer brand-name products, compared with 36% in the Xiamen-Fuzhou urban cluster.

Consumer preferences in product design can also vary from region to region. For example, consumers in Shenzhen's urban cluster prefer light, thin digital cameras, while those in Guangzhou prefer models with large display screens.

Moreover, consumers in different urban agglomerations have different preferences for media. For example, 95% of consumers in the "central plains city cluster", which includes cities such as Zhengzhou, Luoyang and Kaifeng, enjoy national television such as CCTV, the country's most influential station, while 62% of Shanghai city consumers prefer the city's TV shows.

SOCIAL STRATIFICATION AND CONSUMPTION

China's current social structure centers on a large middle class, while the upper and lower strata are relatively small. In general, the consumption characteristics of each class can be summarized as the following:

Upper Class Consumption Habits

The disposable income of the Chinese upper class grew 9.1% in 2017, according to the Nikkei Asian Review. These actors have high wealth accumulation, profitable real estate assets, and better access to social resources. As foretold by development economists, growth in disposable income has motivated the Chinese upper class to seek new avenues for self-actualization, such as through culture, a balanced and healthy lifestyle, care for the environment, and social issues.

At the same time, the Chinese upper class balances a newfound need for privacy with "conspicuous consumption" (displaying their accumulated wealth and status to others). This may motivate the high concentration of spending on luxury goods, such as a recent surge in high-end liquor. Most of this social class has overseas travel or residence experience and developed consumption habits from their lifestyles abroad.

Middle and Lower Class Consumption Habits

The middle and lower classes make up the vast majority of the Chinese population. The disposable income of the upper-middle, middle, and lower-middle classes increased 7.7%, 7.2%, and 7.1% respectively in 2017. The lower-class disposable income advanced 7.5%, 1.8 points more than in 2016, signifying that anti-poverty programs are having some effect. Their consumption habits center around food, education and housing. These consumers place much less of an emphasis on consumption experience than the upper class.

Contrary to the upper class, they have historically been sensitive to price, preferring product quality to brand reputation. However, with the development of the economy and the improvement of education, these consumption habits are gradually changing. The latest trends among the middle class have been somewhat worrying. Personal consumption slowed in 2017 for smartphones and automobiles. The large portion of Chinese GDP growth last year that is attributable to consumption (59%), is primarily "government consumption", such as for public health insurance.

Market Trends

The Chinese consumer products market requires frequent innovation to satisfy the changing tastes of the newest generations. Brand owners must understand how Chinese consumers make purchasing decisions to achieve success in a highly competitive market. The following information on market trends is adapted from the latest Chinese consumer reports from The Nielson Company and McKinsey & Company.

Future Prospects

CONSUMER CONFIDENCE

Consumers are confident – but risks remain. Consumer confidence helps to define market strategy and identify growth opportunities. Since early 2016, consumer confidence has grown significantly in China to reach a ten-year high. China's Consumer Confidence Index (CCI) rose from a low of 100 in the spring of 2016 to 115 in August of 2017, a level that exceeds its peak in 2007, right before the onset of the global financial crisis.

Will confidence remain at the same level or continue to rise? Speculation on this matter can be risky. While the CCI reached 115, it still fluctuates greatly. In the past 10 years, CCI has dropped to 97 and climbed to 107 several times.

There are several reasons to take a more cautious stance towards the future. One such reason is the very high levels of debt that the Chinese economy overall, and households, are taking on. In 2017, the total leverage ratio in China hit 266%, the highest level it has ever reached. Meanwhile, household debt reached 50%, the highest on record, albeit lower than in other developed countries. Aside from debt levels, income growth is slowing. This indicator has dropped considerably, falling from 10.1% in 2012 to 6.3% in 2016.

Chinese consumers are also facing rising costs for education and higher home prices, especially in tier-1 cities, despite government measures to cool the market. While these are all relatively short-term indicators, the rising long-term cost of caring for elderly family members is set to become one of the biggest burdens on the budgets of Chinese consumers.

The one-day online sales phenomenon known as Singles' Day offers the strongest evidence of robust consumer confidence. Singles' Day, also known as "Double Eleven", began as an alternative to Valentine's Day to become the single largest e-shopping day globally. With an estimated $25 billion in sales on Alibaba.com and a further $19 billion on JD.com, China's two largest ecommerce platforms, Singles' Day this year easily beat last year's sales by close to 40% and was larger than Black Friday and Cyber Monday in the U.S. combined.

Case Study: Huawei[1]

Total cost is less of a concern among affluent Chinese consumers, who are becoming more adept at discerning value for money. The Chinese technology company Huawei, for example, is popular among consumers seeking an attractive, technologically advanced and, most importantly, Chinese, alternative to the iPhone, even though it is only slightly less expensive. Consumers are also willing to pay a premium for top overseas brands that they believe offer the best functionality, design, and quality. For example, British technology firm Dyson saw Chinese sales grow by more than 200% in 2016, despite its products costing considerably more than the local alternatives.

[1] From *Double-clicking on the Chinese consumer - McKinsey & Company 2017 China Consumer Report*

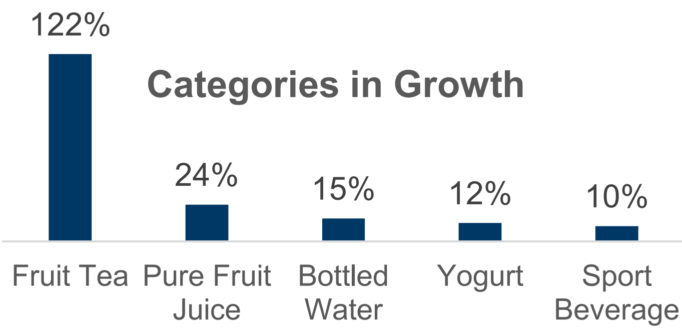
HEALTH AWARENESS

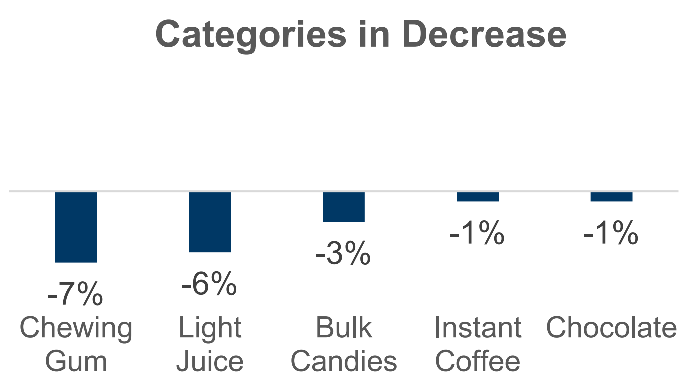
Consumers are more health-conscious than ever before—but different consumers define health differently. One positive externality of China's economic boom is that bigger paychecks mean more disposable income to spend on health and fitness. This trend is most evident among wealthy urbanites.

Chinese consumers have different opinions and understanding of health, which influences their purchasing decisions and lifestyles. Their interpretation of healthy living, in general, differs greatly from Western views. While the latter has long-advocated vigorous exercise regimes and careful diets, Chinese people have historically, focused on harmony between mind and body. Foods are valued for specific properties and are a major component in Chinese traditional medicine, while traditional forms of exercise, like tai chi, are low impact and focus on restoring positive flows of energy.

In the past 10 years, Chinese consumers have been paying more attention to the effects of food, sports and their environment on quality of life. About 65% of consumers are looking for a healthier lifestyle. As a result, fruit tea, pure fruit juice, and yogurt are booming.

Food and beverage products grew by 5.6% overall.
(From October 2016 to September 2017)





Source: *2017 Interpretation of China Consumer Market*, The Neilson Company

Although China is still in a nascent stage for health awareness, forward-thinking companies have an opportunity to shape perceptions by aligning with trade associations, educational institutions, and regulatory bodies that promote healthy habits.

Carefully constructed multi-platform marketing campaigns are essential. Companies in the health and fitness space must think beyond the product and create a broader offering. Tapping into China's massive online communities, for example, with health and wellness information will allow companies to connect the dots between product and lifestyle.

Case Studies: Nike[2]
Nike appeals to health-conscious Chinese consumers with its Nike+ Run Club, an app that not only tracks running and provides a virtual coach but also connects runners in the same community through Nike running clubs. This association between the activity and the brand naturally leads participants back to Nike products, such as running shoes. Having placed the consumer rather than the product at the center of its strategy, Nike has benefited from both engagement and sales. The app appeals to the largest exercising population in China (50 percent of its runners say they run regularly), and it promotes healthy living, as well as its products, through the community.

Nike is not alone in the Chinese market. Adidas announced plans to open 3,000 more stores over the next three years, bringing its total to 12,000 stores. Reebok, a subsidiary of Adidas, plans to open 500 stores in three years. Specialist sports brands are rapidly gaining a following, too. As of November 2017, yoga apparel brand Lululemon had 10 stores in mainland China, having entered the market in 2016 with just three outlets. French sporting goods and apparel chain Decathlon grew sales by 34% in 2016 on the back of 51 new store openings, which brought its total in China to 214 by year-end.

Changes of Attitude to Brand Origin

Chinese consumers are taking a more nuanced view of brands, both global and local. In recent years, Chinese consumers have slowly abandoned embracing either international or local brands and developed a sharp eye for any brand that delivers value for money.

Value is followed by a desire for products that cater to their unique tastes and, lastly, good after-sales service and support.

In many cases, Chinese brands have become credible competitors for strong foreign brands. This is especially true in the personal electronics and personal care categories, where they have cemented their position over the last five years. In 2017, Chinese brands accounted for 63% of the market in categories such as personal electronics, up from 43% in 2012. For personal care, Chinese brands made up 76% of the market in 2017, compared to 61% in 2012.

As such, it is fair to say that when Chinese consumers buy local brands, they do so not because they are local but because they offer better value, suitability, and service. Both foreign and local brands have the opportunity to grow in China as long as they can appeal to the increasingly nuanced needs of consumers.

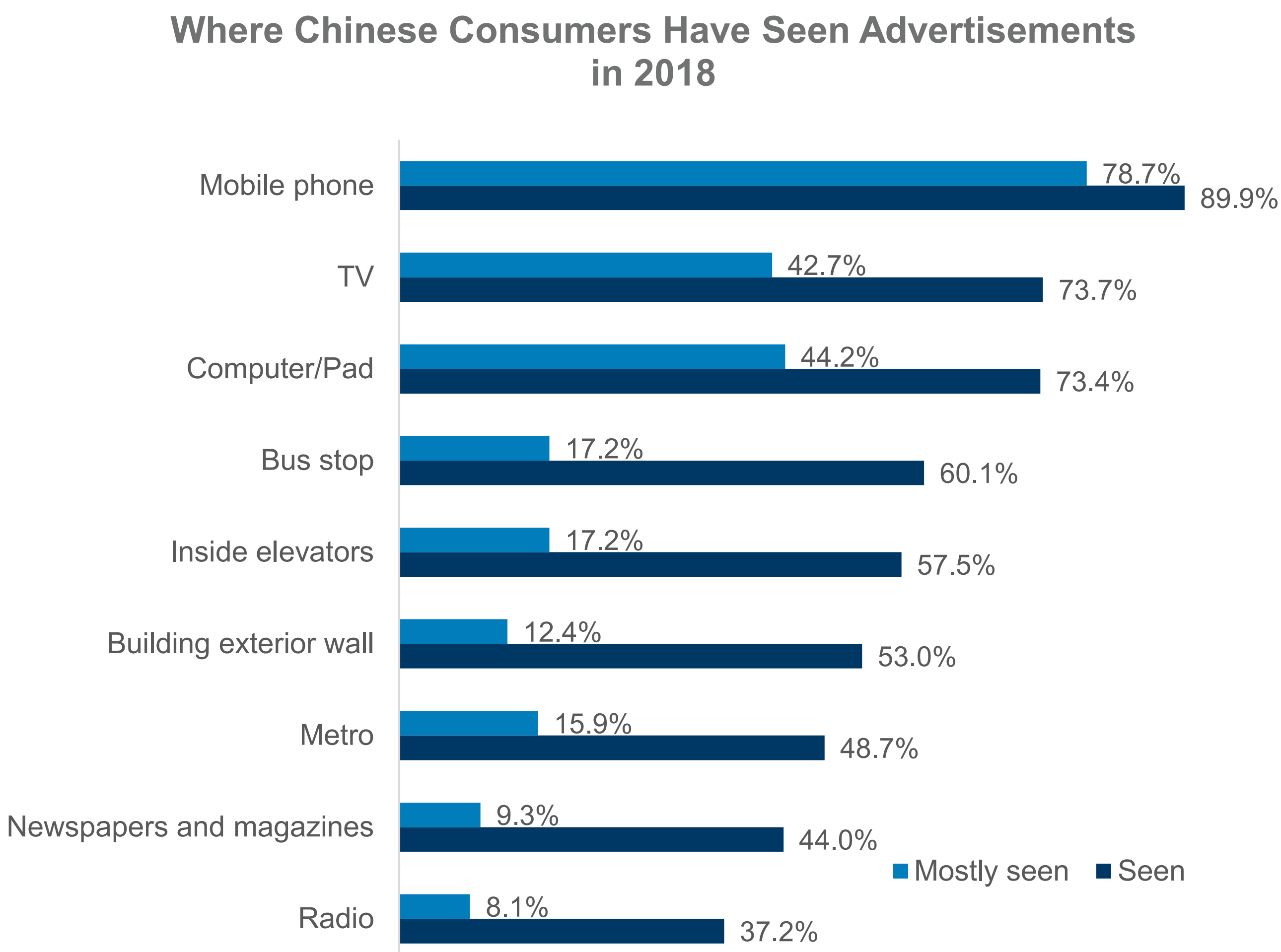
[2] From *Double-clicking on the Chinese Consumer - McKinsey & Company 2017 China Consumer Report*

Marketing Trends

Mobile Usage

Internet usage makes up a large part of Chinese society. Most users are surfing the Internet through mobile devices. Through mobile devices, consumers can complete the entire purchasing process from advertisement viewing and product comparison to decision making and ordering. This new channel is rapidly replacing traditional channels. According to the 2017 Interpretation of China Consumer Market by The Neilson Company, 96% of the 721 million Chinese Internet users are more likely to use a mobile app to make a purchase, compared to 65% in the United States.

The following chart shows where Chinese consumers have seen advertisements. Although TV and exterior building walls are important channels, the combination of mobile phone and computer/pad is the largest channel.



Source: Public data consolidated by iResearch and www.yidianzixun.com in *China New FMCG Marketing Insights Report*

MARKETING CHANNELS ON MOBILE PHONES

Consumers’ shopping routes are diversifying.

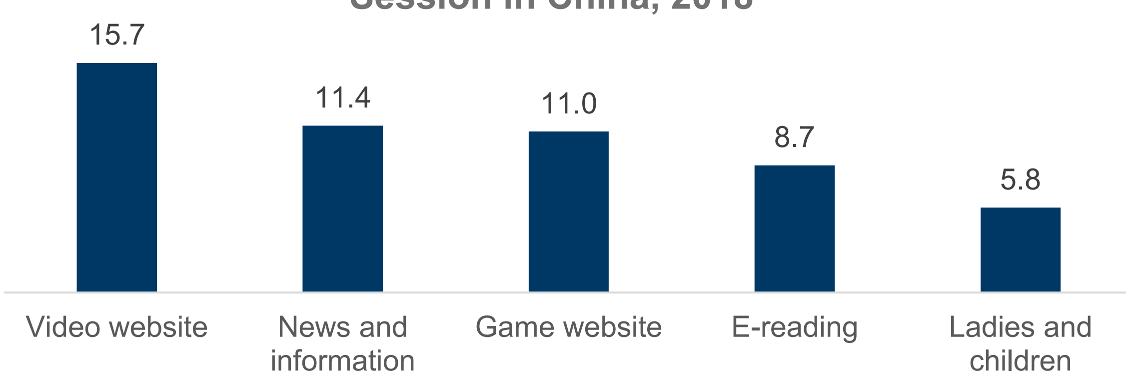
Online and offline integration and OMO (Online-Merge-Offline) can be in self-service supermarkets, the physical stores of e-commerce entities, as well as traditional retail stores.

Purchase Channels of Most Chinese Consumers in 2018

Source: Public data consolidated by iResearch / www.yidianzixun.com in *China New FMCG Marketing Insights Report*

Mobile phone apps have become a major channel to reach consumers. Videos, news and information, and games are major mobile app categories commanding consumer attention. Apps also permit quicker transactions than in traditional channels, a phenomenon known as fast-moving consumer goods (FMCG). According to study by iResearch, the most popular news and information apps in China are Tencent News and Toutiao (Today’s Headline).

Top Categories for Average Minutes Spent per Single Session in China, 2018

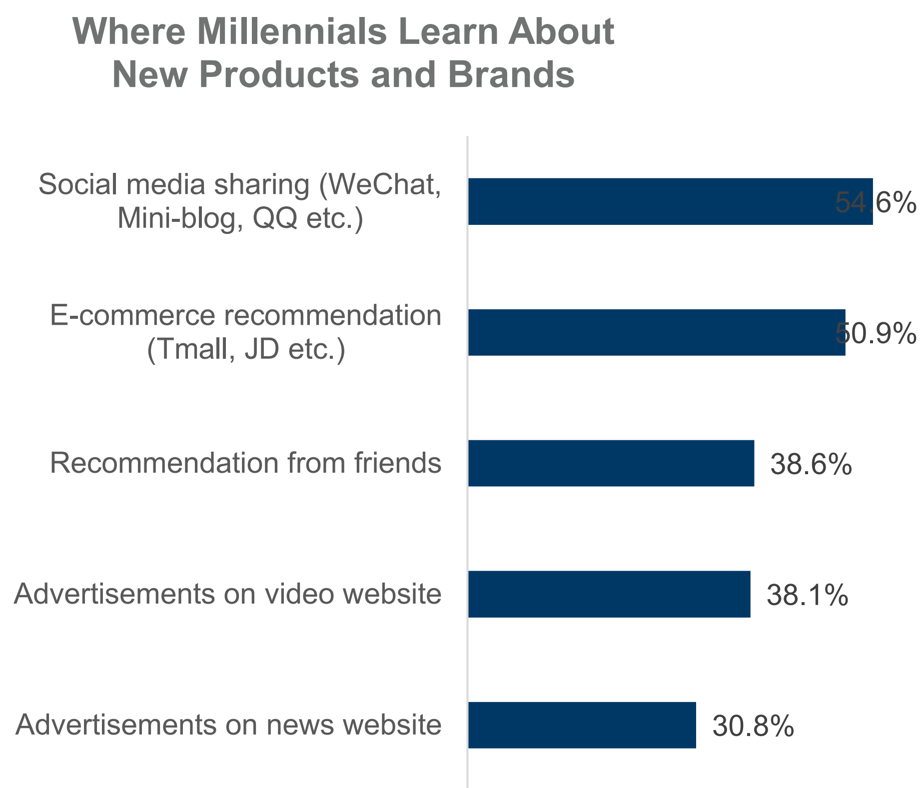


Source: Data provided by mUserTracker of iResearch

TARGETING YOUNGER CONSUMERS

According to an iUserSurvey by iResearch, more than 40% of Chinese consumers consider app advertisements to be relevant to them.

Moreover, millennials are increasingly decision makers, albeit open to influence. They frequently rate companies online, and follow recommendations for particular products. They mainly acquire new product information through social media platforms and e-commerce websites.



Source: Survey of 21 major websites by iUserSurvey of iResearch

Many news and information platforms also launch short videos to attract young users. Over half of the consumers born after 1995 have watched these short videos. They contain vivid and abundant information.

Major Sales and Promotion Seasons

The following are the traditional big days for retail promotions:

- Calendar New Year (January 1)
- Labor Day (May 1)
- The National Day (October 1 and surrounding days)
- Christmas Day (December 25 and surrounding days)

E-commerce companies created two popular promotional days that off-line stores are now following:

- Double Eleven/ Singles' Day (November 11)
- Double Twelve (December 12)

Additionally, many retailers use national holidays and traditional festivals for promotions. With the exception of the Qingming Festival, many of these holidays depend on the lunar calendar. As such, the date may vary from year to year:

- Spring Festival (late January – early February)
- Lantern Festival (February)
- Qingming Festival (April 5)
- Dragon Boat Festival (June)
- Chinese Valentine's Day (August)
- Mid-Autumn Festival (late September – early October)
- Double Ninth Festival (October)

Chinese people (especially the younger generation) also celebrate some western holidays:

- Valentine's Day (February 14)
- Mother's Day (second Sunday of May)
- Father's Day (second Sunday of June)
- Thanksgiving Day (fourth Thursday in November)

Key Consumer Product Sectors

Baby Products

In 1979, China introduced its controversial “one-child policy” to limit population growth. However, resulting gender discrimination and a retreat in the share of the working age population caused the government to revise the policy in the 1980s and in 2013 before replacing it with a “two-child policy” in 2016. While demographic challenges persist due to increased mortality from pollution and high costs of education, a new baby boom is occurring. By 2020, there will be 261 million babies and children in China.

The Chinese middle class is growing in size and parents usually invest heavily in their limited number of children. These parents are also wary of Chinese-origin formula and dairy products, and frequently import such products from Western countries.

FOOD

According to a survey by Hong Kong Trade Development Council (HKTDC) in 2017, on average, Chinese parents spend RMB826 a month on baby food. They prefer to buy baby food through physical channels, primarily hypermarkets (large supermarkets). However, 23% of parents have also developed the habit of buying baby food online from domestic e-commerce websites.

CLOTHES

Chinese parents born in the 1980s and 1990s are more willing to spend large amounts of money on clothes for their children than previous generations. In addition to quality, safety, brand reputation, style and design, they also pay attention to the functions of clothing. They care most about whether the material is “soft and comfortable” and “non-allergic to skin”.

Chinese parents prefer to buy their children’s clothing from physical channels, primarily department stores (51%) and hypermarkets (47%).

TOYS

Chinese parents have a reputation for doing whatever they can to give their children an early advantage in life by trying to develop their intelligence and stimulate their creativity and imagination.

Chinese parents have a reputation for seeking to develop their children’s intellectual capacity and creative talents early in life. The survey commissioned by HKTDC pinpoints department stores and hypermarkets as the main channels for toy purchases, with 48% of respondents having used them. 24% of parents shop online through channels such as domestic maternity and baby/online shopping websites/apps, 8% use cross-border e-commerce websites and 7% favor collaborative commerce (c-commerce), such as those available through the WeChat app.

COMPETITIVE LANDSCAPE IN CHINA

Brand	Origin	China Website
Pigeon	Japan	http://www.pigeon.cn/
gb	China	https://www.haohaizi.com/
Johnson	USA	https://www.johnsonsbaby.com.cn/
Pampers	USA	https://www.pampers.com.cn/
HUGGIES	USA	http://www.huggies.com.cn/
AVENT	UK	www.avent.com
NUK	Germany	http://www.nuk.com.cn/
Combi	Japan	http://www.combi.com.cn/
Fisher-Price	USA	https://www.fisher-price.com/zh_CN/index.html
Happy Dino	China	http://www.happydino.com/
Heinz	USA	http://www.heinz.com.cn/
Nestle	USA	http://www.nestle.com.cn/
Gerber	USA	http://www.nestle.com.cn/
FangGuang	China	http://www.fgcare.com/
HiPP	Germany	https://www.hipp.cn
Biostime	China	http://www.biostime.com.cn
Weilsen	China	http://www.shways.com/
Wakodo	Japan	https://www.wakodo.co.jp/chinese/

INTERNATIONAL TRADE SHOWS

CBME China

http://www.cbmexpo.com/en/

Dates: July 24-26, 2019

Venue: National Exhibition and Convention Center, Shanghai

World's Largest Trade Fair for Child Baby Maternity Products and Services; 3,300 exhibitors, 4,700 brands, 293,757 sq. meters

China International Baby Articles Fair

https://en.china-kids-expo.com/

Dates: October 16-18, 2018

Venue: Shanghai New Int'l Expo Centre (SNIEC), Shanghai

International, high quality, professional trade platform; 2,400 exhibitors, 3,600 brands, 70,000+ buyers, 220,000 sq. meters

Cosmetics

The cosmetics sector in China has been growing rapidly with the development of the Chinese economy in recent years. Data from Euromonitor reveals that total retail sales of skincare and makeup products in China reached RMB186.7 billion and RMB34.4 billion, respectively, in 2017, achieving year-over-year growth of 10.3% and 21.3%, respectively.

According to the HKTDC survey, younger women are more likely to wear makeup, with 88% of women aged 20-30 wearing makeup regularly compared to 83% of women aged 31-45. Men are also beginning to care for their skin, with 63% of male respondents using cleansing cream, lotion or face cream.

The main consumer groups for makeup products, the generations born in the 1980s and 1990s, value the appearance and trendiness of products and are highly aware of product updates. As a result, many brands are collaborating with film and television stars and beauty bloggers or placing embedded ads in film, television, and entertainment events as a way to boost sales.

SALES CHANNELS

Department stores, supermarkets and specialty stores represent the top three sales channels. It is estimated that retail sales of cosmetics through these three major channels account for approximately two-thirds of the entire cosmetics market. However, online makeup sales and personal care item sales are growing at rates 11 times and eight times the respective rates of growth in physical stores. Other sales channels for cosmetics in China include wholesale markets, cosmetics counters, drugstores, beauty parlors and direct selling. Online shopping channels have also recorded significant growth in recent years.

Many overseas brands have entered the China market by acquiring domestic brands and making use of their distribution networks. For example, *L'Oréal* acquired *Mininurse* and *MG,* and *Johnson & Johnson* acquired *Dabao*. Some overseas brands are establishing their presence in the China market through online shopping platforms.

COMPETITIVE LANDSCAPE IN CHINA

Brand	Origin	China Website
Estee Lauder	USA	https://www.esteelauder.com.cn
Lancôme	France	https://www.lancome.com.cn
L'Oréal	France	https://www.lorealparis.com.cn
SK-II	Japan	https://www.skii.com.cn
Shiseido	Japan	http://www.shiseido.com.cn
Maybelline	USA	https://www.maybellinechina.com
Olay	USA	https://www.olay.com.cn
Herborist	China	http://www.herborist.com.cn/
Pechoin	China	http://www.pechoin.com/
CHANDO	China	http://www.chcedo.com/

LOCAL LEGISLATION AND REGULATIONS

The following list includes local legislation and regulations that companies must consider when exporting to China. Item IV of the linked HKTDC report provides detailed analysis of each regulation.

- Detailed Rules for the Implementation of the Regulations on Cosmetics Hygienic Supervision
- Standardization Law of the People's Republic of China (Revised Draft 2016)
- Regulations on the Administration of Cosmetics Labelling
- Instructions for Consumer Goods – General Labelling of Cosmetics (GB 5296.3-2008)
- Naming Requirements for Cosmetics
- Administrative Measures on the Inspection, Quarantine and Supervision of Import and Export of Cosmetics
- Administrative Measures on Organic Product Certification
- Safety and Technical Standards for Cosmetics
- Matters Related to Cosmetics Production Permit

http://china-trade-research.hktdc.com/business-news/article/China-Consumer-Market/China-s-Cosmetics-Market/ccm/en/1/1X000000/1X002L09.htm.

INTERNATIONAL TRADE SHOWS

China International Beauty Expo (CIBE)

http://www.chinainternationalbeauty.com/indexEn.html

A tradeshow of professional beauty, cosmetics, raw materials, and packaging in three cities every year.

Beijing session:

Dates: February 26-28, 2019

Venue: China National Convention Center

2,300 brands, 130,000 buyers, 100,000 sq. meters

Guangzhou session:

Dates: March 10-12, 2019

Venue: China Import and Export Fair Complex

3,100 exhibitors, 200,000 buyers, 300,000 sq. meters

Shanghai session:

Dates: May 6-8, 2019

Venue: National Exhibition and Convention Center

2,200 exhibitors, 200,000 buyers, 230,000 sq. meters

China Beauty Expo

www.cbebaiwen.com

Dates: May 20-22, 2019

Venue: Shanghai New Int'l Expo Centre (SNIEC), Shanghai

One of the largest beauty exhibitions in the world; focus on beauty and personal care products. Over 4,000 exhibitors from over 30 countries, 260,000 sq. meters space in 2018.

Cosmoprof and Cosmopack Asia

https://www.cosmoprof-asia.com/en-us/

One fair with two events covering the entire cosmetics supply chain, from raw materials and ingredients to final products. In 2018, Cosmoprof and Cosmopack Asia registered 87,284 attendees from 135 countries and regions and 3,030 exhibiting companies from 53 countries and regions.

Cosmoprof Asia

Dates: November 12-14, 2019

Venue: Hong Kong Convention & Exhibition Centre (HKCEC), Hong Kong

Exhibitors from the avant-garde supply chain: leaders in raw materials and ingredients, machinery and automation, primary and secondary packaging, contract manufacturing, applicators, and private labels.

Cosmopack Asia

Dates: November 13-15, 2019

Venue: AsiaWorld-Expo (AWE) - Hong Kong International Airport, Lantau

An exhibition of finished products: cosmetics and toiletries, natural and organic products, hair, and nail salon products and accessories.

Food and Beverage

According to the US Food Industry Association, China will be the biggest food importer in 2018 with over RMB 480 billion of imports. Although physical trade is still the main channel for food imports, cross-border e-commerce is steadily increasing its penetration of the market with its lower tariff exposure, lower costs, and higher efficiency.

The wine, beer, and spirits industry has been growing quickly and is expected to continue this trend. According to the latest statistics from Pernod & Ricard, the Chinese liquor market grew 5-8% last year. Industrial insiders are expecting a double-digit increase in the next 5 years. Imported liquor holds a major market share. According to the Customs statistics, China imported RMB6.75 billion liquor in 2017, an increase of 8.03% from 2016.

LOCAL LEGISLATION AND REGULATIONS

Below is an article, written by the USDA in 2017, about the local legislation and regulations companies should be paying attention to when considering exporting to China: People's Republic of China - Food and Agricultural Import Regulations and Standards.

INTERNATIONAL TRADE SHOWS

The 100th China Spring Food and Drinks Fair (Tang Jiu Hui)

http://www.qgtjh.com

Dates: March 21-23, 2019

Venue: Chengdu International Convention & Exhibition Center, Chengdu

Exhibition of manufacturers and dealers in the fields of alcohol, food, beverages, condiments, food additives, food packaging and food machinery.

HOTELEX Shanghai 2019

https://en.jiagle.com/hotelex-shanghai-exhibition/

Dates: April 1-4, 2019

Venue: Shanghai New Int'l Expo Centre (SNIEC), Shanghai

Part of a series of hospitality equipment, supplies, and fine food fairs. HOTELEX Shanghai covers the entire hospitality and catering value chain from catering equipment supply, tableware, to food & beverage, baked goods, ice cream, coffee & tea, wine & spirits, and more.

SIAL China

http://www.sialchina.com/

Dates: May 14-16, 2019

Venue: Shanghai New Int'l Expo Centre (SNIEC), Shanghai

The third biggest food show in the world, with 19 years' experience in the market. Major market players from retail, hotel/restaurant/catering (HoReCa), food services, the import/export trade, and manufacturing attend this show.

Craft Beer China Conference & Exhibition

http://www.cbcechina.com/en/

Dates: May 15-17, 2019

Venue: Shanghai World Expo Exhibition and Convention Center, Shanghai

Almost 300 national and international brewers and related businesses will present their unique products and technologies at this show. The range of exhibited products includes raw and processed craft brewing materials, manufacturing equipment, the latest technology as well as consulting services.

Vinexpo Hong Kong

http://www.vinexpohongkong.com/

Dates: May 26-28, 2020

Venue: Hong Kong Convention & Exhibition Centre, Hong Kong

In 1998, Vinexpo Hong Kong was the first B2B exhibition organized in Asia. 20 years later, this show has become the must-attend event and a strategic platform for importers, buyers and sommeliers from the Asia-Pacific trade.

Hong Kong International Wine & Spirits Fair

http://hkwinefair.hktdc.com/dm/2016/lapsed/index_en.html

Dates: November 7-9, 2019

Venue: Hong Kong Exhibition and Convention Centre, Hong Kong

Annual exhibition for the wine industry held by HKTDC.

FHC (Food & Hotel) China

http://www.fhcchina.com/en/media.asp

Dates: November 12-14, 2019

Venue: Shanghai New Int'l Expo Centre (SNIEC), Shanghai

Industries include food, beverage, meat, seafood, oil, dairy, fresh produce, beer, baked goods, tea & coffee, chocolate, wines & spirits, and restaurant & food service. 2450 participants attended the last edition from 69 countries and regions, including delegations from the U.S., U.K., France, Germany, Italy, Japan, Korea, Australia, and Denmark. Parallel events include ProWine China, iFresh etc.

HEALTH FOOD

The Chinese definition of “health food” differs from the Western idea of healthy or clean eating. The term “health food” in this context refers to products that are marketed as having specific health functions or containing vitamins and minerals to supplement intake. These specific definitions separate the products designated as “health food” from those that are simply healthy.

In 2014, the Chinese government announced a plan to promote the health of its population by focusing on the development of health food and nutrient-fortified food. As a result, total sales of health food on the Chinese mainland surged to RMB237.6 billion in 2017, up 438% from RMB44.2 billion in 2012. By 2021, the size of the health food market in China is expected to exceed RMB300 billion.

Contrary to expectations, the generations born in the 1980s and 1990s are not the primary driver of this growth. A report by HKTDC indicates that consumption by the elderly accounts for more than 50% of all health food sales. The “two-child policy” and new baby boom are also expected to impact the health food market, as rising pregnancy numbers will encourage parents to purchase healthy options for themselves and their children.

COMPETITIVE LANDSCAPE IN CHINA

Brand	Origin	Chinese Website
By Health	China	http://www.by-health.com
Nutrilite	USA	http://nutrilite.amway.com.cn
Yangshengtang	China	http://www.yst.com.cn
DEEJ	China	http://www.dongeejiao.com/
Centrum	USA	https://www.centrum.com.cn
Caltrate	USA	https://www.caltrate.com.cn/
TRT	China	http://www.tongrentang.com/
GNC	USA	http://www.gnc.com.cn/

LOCAL LEGISLATION AND REGULATIONS

Health food is regulated separately in China from other food and beverages. The following list includes local legislation and regulations that companies must consider when exporting to China. Item IV of the linked HKTDC report (following page) includes detailed analysis of each regulation.

- Regulations for the Administration of Direct Selling and Regulations on the Prohibition of Pyramid Selling
- Provisional Rules on the Examination of Health Food Advertisements
- Regulations on the Administration of Consigned Production of Health Foods
- Opinions on the Further Strengthening of the Supervision of Health Foods (For Public Comment)
- National Food Safety Standard – Health Foods (GB 16740-2014)
- Administrative Measures on the Registration and Record Filing of Health Foods
- Plan to Address Food and Health Food Fraud and False Advertising (the Plan)
-

http://china-trade-research.hktdc.com/business-news/article/China-Consumer-Market/China-s-Health-Food-Market/ccm/en/1/1X000000/1X002L54.htm.

INTERNATIONAL TRADE SHOWS

Natural Health and Nutrition Expo

http://www.nhnexpo.com/homeEn.jhtml

Provides a forum for global manufacturers of health food and nutrition to promote their brand and develop business channels in China.

Shanghai Expo

Dates: May 13-15, 2019

Venue: National Exhibition and Convention Center (Shanghai)

Guangzhou Expo

Dates: December 4-6, 2018

Venue: China Import and Export Fair Complex (Guangzhou)

Healthplex Expo 2019
Natural & Nutraceutical Products China 2019

http://www.hncexpo.com/index.php?s=/Index_en

Middle and high-end health products.

Shanghai Expo

Dates: June 19-21, 2019

Venue: National Exhibition and Convention Center (Shanghai)

Guangzhou Expo

Dates: December 17-19, 2018

Venue: Poly World Trade Center Expo, Guangzhou

Home Décor

According to Goldman Sachs, China will be the top home décor market in the world in four years. The home décor industry stands to benefit from a recent real estate boom in China fueled by fewer loan requirements. Chinese consumers enjoy decorating; as such, there are six major categories (with market sizes) of home décor products in China's market:

1. Decoration and furniture ($89 billion): including bedroom, living room, study, kitchen, toilet and furniture;
2. Renovation ($65 billion): including floor (carpet), wall painting, gutters, wall tiles, etc.;
3. Household products ($14 billion): tableware, kitchenware, etc.;
4. Large cooking equipment ($12 billion): gas range, etc.;
5. "White" appliances ($56 billion): washing machines, refrigerators, air conditioners, etc.;
6. Other equipment ($28 billion): microwave ovens, dishwashers, etc.

The Chinese market is the second largest in the world, having maintained an 8% growth rate in the past five years compared to 4% in the U.S. and 1% in Japan. A surge in demand is also spreading from Tier-1 to Tier-2 and Tier-3 cities. Renovation accounts for only 21% of China's home décor market, compared to 67% in Japan. Thus, the renovation market could be the next area for expansion in China. Finally, Chinese consumers care increasingly about environmentally friendly home décor products.

LOCAL LEGISLATION AND REGULATIONS

The following list includes local legislation and regulations that companies must be aware of when considering exporting home décor goods to China. Item IV of the linked HKTDC report provides detailed analysis of each regulation.

- Instructions for Use of Products of Consumer Interest Part 6: Furniture
- Testing Method for Burning Behaviors of Furniture and Subassemblies Exposed to Flaming Ignition Source
- Determination of Furniture Dimethyl Fumarate Content
- Safety and Technical Requirements for Glass Furniture, Furniture Industry Terminology
- Technical Requirements and Testing Method for Connectors Used in Furniture
- General Safety Requirements of Outdoor Leisure Furniture, Seating and Tables
- Limits of Harmful Substances in Plastic Furniture
- General Technical Requirements for Children's Furniture (GB 28007-2011)
- Test of Mechanical Properties of Furniture
- Code of Management for the Sales and After-sales Services of Rosewood Products (SB/T 11147-2015)
- Technical Requirements for Environmental Labelling Products - Furniture
- General Technical Requirements for Indoor Stone Furniture (GB/T 32282-2016)

http://china-trade-research.hktdc.com/business-news/article/China-Consumer-Market/China-s-furniture-market/ccm/en/1/1X000000/1X002L63.htm.

INTERNATIONAL TRADE SHOWS

The 43rd China International Furniture Fair

http://www.ciff-gz.com/index.php?s=/Pc/Index/index/sid/8.html

Dates: Phase 1: March 18-21, 2019

Phase 2: March 28-31, 2019

Venue: China Import & Export Fair Complex & Poly World Trade Center Expo, Guangzhou

With the experience of 38 past editions, CIFF is known as the "barometer" of China's furniture industry and "Asia's furniture sourcing center".

The 25th China International Furniture Expo

http://www.furniture-china.cn/en-us/

Dates: September 9-12, 2019

Venue: Shanghai New Int'l Expo Centre (SNIEC), Shanghai

The China International Furniture Expo, better known as "Furniture China", has been the leading event in the industry for over two decades. Over 100,000 participants are involved in this world-class B2B trade fair every year.

General Trade Regulations of China

According to China's amended Foreign Trade Law, all types of businesses, including private enterprises, may engage in foreign trade once they have filed the correct records. Chinese citizens may also trade abroad in a personal capacity. The following trade regulations are adapted from the website of the Hong Kong Trade and Industry Department (HKTID).

Import Duties and Quotas

In order to satisfy expanding demand for foreign goods, the Chinese State Council decided in 2015 to take steps to promote the import and export of consumer goods. Import tariffs on certain daily consumer goods in high demand were lowered while the scope of products eligible for lower tariffs was widened.

The dutiable value of an imported good is its CIF value, which includes the normal transaction price of the good, plus the cost of packing, freight, insurance and commission.

Consumer goods subject to consumption tax in China include tobacco, alcoholic drinks, firecrackers and fireworks, high-end cosmetics, oil products, fine jewelry and precious stones, golf balls and golf equipment, high-end watches, yachts, disposable wooden chopsticks, hardwood floorboards, motorcycles, small motor cars, batteries, and coatings.

Imported agricultural products subject to tariff rate quotas include wheat, maize, rice, soybean oil, rapeseed oil, palm oil, sugar, cotton, and wool.

Import Licensing

Under the 2018 Catalogue of Goods Subject to Import License Administration, only two categories of commodities - ozone depleting substances and key used mechanical and electronic products - amounting to a total of 139 items under 10-digit tariff codes, are now subject to import licensing control.

In order to monitor imports, China implements a system of automatic import licensing for certain mechanical and electronic products, which can be imported freely. To import mechanical and electronic products subject to automatic import licensing, the importer should file an application with the Ministry of Commerce (MOFCOM) for an Automatic Import License before completing customs formalities.

Customs Declaration and Inspection Paperwork

In 2018, the forms for the declaration and inspection of imported and exported goods were merged into a single customs declaration form. The items to be declared are largely the same as listed in the original customs and inspections declaration forms. The instructions for these forms and the list of items that must be declared have been published by the General Administration of Customs (GAC) as the Instructions for Completing the Customs Declaration Forms for the Import and Export of Goods (No. 60 [2018]), the Templates of Declaration Forms for Imported and Exported Goods, the Recordation Lists of Imported and Exported Goods (No. 61 [2018]), and the Template of e-Declaration Forms for Import and Export Goods (No. 67 [2018]).

Product standards

All goods listed in the Catalogue of Import and Export Commodities Subject to Inspection and Quarantine or Subject to Inspection as laid down in other Laws and Regulations must be inspected. Safety licenses and other regulatory requirements apply to imports of medicines, foodstuffs, animal and plant products, and mechanical and electronic products.

In 2002, China implemented a new system of compulsory product certification. Under this system, a unified catalogue, standard, mark, and fee schedule were put in place, under the China Compulsory Certificate (CCC). Products must carry the CCC mark to be imported, sold, or used in China. Catalogues of products requiring the CCC mark have been drawn up and published.

The CCC catalogues cover the major product categories of electronics and appliances, such as electrical wires and cables, circuit switches, and electric devices for protection or connection, low voltage electrical apparatus, small power motors, electric tools, welding machines, household appliances and appliances for similar uses, audio and video apparatus, information technology equipment, lighting equipment, motor vehicles and safety parts, motor vehicle tires, safety glass, agricultural machinery, firefighting equipment, safety safeguard technology products, telecommunications terminal equipment and wireless LAN products. Details can be found on the CNCA website.

Apart from CCC certification, some products are subject to additional requirements - for example, telecoms and internet equipment must meet Ministry of Industry and Information Technology standards, while motorcycle engines, refrigerators, air conditioner compressors, televisions and other electrical household appliances are required to have safety licenses.

China has a complex system governing the standards and hygienic conditions of food and agricultural products, wines, and cosmetics imported into the mainland. The public health administration of the State Council has also established regulations governing the use of genetically modified (GM) food and ingredients to ensure quality and safety.

Trade Description and Labelling

All goods sold in China must be labelled in the Chinese language with a true description of their contents, grades and specifications as to quantities where applicable, the production date and expiration date (in particular for food-related items and pre-packaged foods), and explanatory warnings of any potential hazard associated with the products.

China has adopted an additional labelling system for the management of GM agricultural bioproducts and publishes a catalogue accordingly. All GM agricultural bioproducts listed in the catalogue must be properly labelled if they are to be sold in the Chinese market.

Conclusion

Consumer spending has kept pace with staggering economic growth in China over the last decade. Not only are consumer product sales increasing, tastes are shifting drastically, and mobile platforms and social media are contributing to faster product iteration and transaction speeds. While spending habits still vary by social class, the middle and lower classes, whose purchasing power is growing, are increasingly prone to seeking quality products, rather than simply the lowest price causing the success of companies such as Huawei and Dyson. Health has also become a priority, fueled in part by the rising influence of sports as an aspect of social interaction. Apps such as Nike+ Run Club appeal to the newest generation of consumers and are a top channel for advertisements..

These trends are especially present in four main consumer product sectors: baby products, cosmetics, food and beverages, and home décor. The replacement of the “one-child policy” has led to a new baby boom, resulting in a comparable boom in baby products such as food, clothes, and toys. The increased focus on health has extended beyond the emergence of sports as a major social aspect into the realm of physical appearance, including cosmetics, skin care, and personal care products. It has also spurred substantial demand in the health food market. The fourth major product sector, home décor, is emerging because of the real estate boom in recent years.

In a response to the booming economy and the domestic demand for foreign goods, the Chinese government has simplified import regulations and streamlined customs regulations. They have also clarified product standards and labelling requirements.

Appendix of References

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- McKinsey & Company 2017 China Consumer Survey
- The Neilson Company 2017 China Consumer Market
- 中国新快消品营销洞察报告 “China New FMCG Marketing Insights Report” by iResearch and www.yidianzixun.com
- Hong Kong Trade and Industry Department (HKTID)