

Original Paper

Market Research of Nutrition and Healthcare Products Industry in China

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Abstract

The nutrition and healthcare products industry is the largest health industry in China except the pharmaceutical industry. Optimistic market prospects, attractive product profits make enterprises face fierce competition, and market research on this industry is imperative. Based on the current situation of the market of the nutrition and healthcare products industry in China and the existing problems in marketing management, this paper analyzes the nutrition and healthcare products market segments and marketing models, also puts forward some suggestions on the development of the nutrition and health products business from the macro and micro levels.

Keywords

healthcare products marketing models develop

1. Introduction

Healthcare product is a kind of food that has healthcare function and is used in accordance with the prescribed amount for the purpose of supplementing nutrients and strengthening body. Nutritional and healthcare products can be classified according to the category of functional consumer groups, etc. With the improvement of residents' consumption level, China's nutrition and healthcare products industry faced an unprecedented development opportunity. According to the survey, in recent years, China's nutrition and health products market sales show a trend of continuous growth, industry concentration has increased, while the scale of enterprises is also expanding. Majority of consumers are in urgent need of cost-effective personalized products that meet their personal needs, and the newly emerged e-commerce platforms all play a role in promoting the stable and sustainable development of the nutritional and healthcare products industry in China.

2. Development Status of Nutritional and Health Products Market in China

With the increasing per capita disposable income level and the constantly focus on nutritional healthcare, China's nutritional health products industry development prospect is bright, market is well regulated and environment is positive. More and more middle-aged people joined the healthcare food consumption, presents the centralized trend in regional market structure. Chinese lifestyle is changing these years too. More population is joining the gym player group, healthcare awareness is greater than before and ratio of aging population is getting larger in China. All these factors drove the rapid growth of nutritional supplements.

Consumers' consumption consciousness especially influenced by the recent outbreak of corona-virus, which drives China's healthcare products industry into the golden decade, nutritional healthcare products industry scale has significantly increased (Shen, 2018).

From the perspective of the industrial value chain, the marketing section of healthcare products contains 70% revenue sharing, and the production section contains 20% revenue sharing. From the perspective of the profit level of the healthcare product industry, the overall profit level of the industry is very high, and the mainstream of healthcare product enterprises can have more than 60% gross profit rate on average.

3. Existing Problems in the Marketing of Nutrition and Healthcare Products in China

3.1 Crisis of Trust in the Industry

The short-sighted behavior of some healthcare products enterprises has disturbed the whole market discipline. They sell fake and shoddy products, bombarded product advertising, and once a single customer complaint is being raised, they could not handle it properly, then they quickly disappeared. Consumers have doubts about the integrity of the whole industry afterward.

3.2 Simplex Marketing Method, Low High-tech Product Content

The phenomenon that enterprises pay more attention to publicity than quality occurs from time to time, resulting in the lack of competitiveness of products and short life cycle of product. At the same time, there are fewer product categories and more single product for lots of enterprises.

3.3 Inaccurate Marketing Target Positioning

In order to attract more consumers to purchasing their products, lots of enterprises prefer to launch products that can adapt to many groups of consumers, , but there is no exact function of products and caused frequent abuse of healthcare products, or led to unnecessary adverse effect.

3.4 Rely on Excessive Publicity

Some enterprises focus on advertising to pursuit sales profits. They use keywords to attract the attention of consumers, or excessively promote the efficacy of products in the publicity instead of pay attention to investing in R&D and product quality. As a result, there is no scientific basis, also cannot withstand any test or verification by consumers for a long time period.

3.5 Marketing Personnel Quality is Uneven

The large turnover of employees in the nutrition and healthcare products industry caused the lack of professional nutrition and health knowledge among the front-line sales staff. The relatively low quality of staffs have also caused a negative impact on the whole industry performance.

Identifying the problems that exist in the marketing modes can really help in addressing the problem from the root cause, protecting healthcare products and industry's benign development. Meanwhile, healthcare products companies can receive consumer recognition only by overcoming the above flaws, realizing the maximization of corporate profits and the maximization of enterprise value (Liu, 2018).

4. China's Nutrition and Healthcare Products Industry Market Analysis

China's nutrition and healthcare products industry market size is estimated in the next five years reach about 350 billion RMB, the growth rate of each category of products in the market is around 10%. Depending on different standards, China's nutrition and healthcare products industry can be divided into different market segments.

According to the attributes of different sales channels, China's nutrition and health products market can be divided into brand market and contract manufacturing market. In the market, By-Health is the industry leader. The sales volume of H&H International Holdings in 2019 is about 3.4 billion yuan. In addition, among the leading enterprises, there are not many enterprises with sales volume of more than 1 billion yuan. Market participants are scattered and the head is not obvious, and there are a large number of long-tail companies, providing a lot of opportunities and potential for future market entrants. In 2019, the sales of Xianle Health, the leading enterprise in the OEM market, reached 1.58 billion yuan, while other enterprises were basically below 500 million yuan, which showed an obvious gap. At the same time, it also indicated that there was huge growth space and potential for enterprises in the industry.

Depending on product categories, it can be divided into immunity strengthening healthcare products, fatigue relieving products, lipid lowering products, nutritional supplements, sleep improving products and glucose lowering product. The sales volume of the universal functional health products for enhancing immunity is the highest, and the supermarket is the main channel for enhancing immunity products. Anti-fatigue health care products occupy the mainstream position in the market, which mainly adopts the marketing method of combining the main and auxiliary media with emotional marketing and holding promotional activities. Blood lipid lowering and glucose lowering health care products are mainly for the elderly, and shopping in the mall is the main way for the elderly to buy such health care products. Nutritive supplements can be divided into five categories: brain and intelligence products, calcium supplements, blood supplements, kidney and Yang supplements, and vitamin supplements, which can be sold online and offline. Sleep improvement products are mainly aimed at middle-aged and elderly groups, mainly concentrated in small pharmacies and health care products stores around hypermarkets and residences.

With the different consumer group, China's nutrition and health products industry is mainly divided into maternal, infant, child healthcare products market and the elderly health products market. Infant and child healthcare products are mainly home management companies as the main sales channels, OTC, maternal and child stores as auxiliary channels; In terms of marketing of healthcare products for the elderly, large supermarkets or chain drugstores can be selected for vivid product display in TV media for publicity.

5. Marketing Mode of Nutrition and Healthcare Products Industry in China

5.1 Main Marketing Models of China's Nutrition and Health Products Industry

The sales channel is roughly divided into direct sales, e-commerce, WeChat business, pharmacy, supermarkets and other channels. By 2020, E-commerce and WeChat business accounted for about 42%, and direct sales account for only about 28%, the pharmacy around 22%. As you can see, China's e-commerce and WeChat business sales model has occupied a large share of the market. This is largely because of the customer's worry of quality and efficacy. Healthcare products can successfully establish the brand power and control the channels will be winners for the future market share.

5.1.1 Drugstore Marketing Model

Traditional marketing mainly includes the marketing of individual retail drugstores and chain retail drugstores. The market size of traditional marketing shows a growing trend. However, with the comprehensive implementation of the "two-ticket system" (A special regulation in China to minimize distribution agents in the value chain.), small-scale chain drugstores and individual drugstores are facing the end of being eliminated or acquired. In China, retail drugstore chain rate is increasing, sales concentration is increasing, and sales scale is continuously expanding.

5.1.2 Business and Supermarket Channel Distribution Model

The sales channel of healthcare products is wider than that of medicine and medical supplies, and the distribution of retail terminals is more intensive than that of other channels. The supermarket has a relaxed shopping environment and a complete variety of products. More importantly, the price of similar products in the supermarket is lower than that in the pharmacy store, and the supermarket often holds some promotional activities irregularly. In addition, with the variety and diversification of the categories and dosage forms of healthcare food, the supermarket market will be a new channel to grow in the future.

5.1.3 Direct Selling Model

Direct selling mode account for half of the health product industry by the end of 2018, which is also in line with the direction of transformation to the service industry in the 13th Five-Year Plan and the development direction of personalized services. However, compared with the distribution mode, direct selling mode has high operating costs and complicated application procedures, which is subject to stricter supervision by the government. After the government strengthened the supervision of direct selling enterprises in 2018, the channel is gradually becoming more disciplined. At present, the channel

is greatly challenged by e-commerce and WeChat business.

5.1.4 E-commerce and WeChat Business Model

With the rapid development of internet, e-commerce and online shopping has gradually become an important part of healthcare products sales channel, especially during and after the pandemic. Online sales channels started late, but grew fast. In 2018, the sales volume of healthcare products of e-commerce channels in China was about 82.1 billion RMB, up 32.8% year on year. E-commerce models mainly include C2C and B2C models, professional healthcare products online customization model, comprehensive health products B2C model. The recent web celebrity sales combined Tik Tok and Snapshot and other tools, which also laid a solid network foundation and platform for the development of e-commerce and WeChat business.

5.2 Upgrade of Nutrition and Healthcare Products Marketing Model

5.2.1 Personalized Nutrition and Healthcare Products

With China's market policy and sales environment changing for healthcare products, healthcare products industry is experiencing a major change. The core of the change is from purely focus on product sales transfer to improving customer experience and providing personalized nutrition solution. Healthcare advisory and personalized products and services is the inevitable development direction of healthcare products and industry.

5.2.2 Nutrition and Healthcare Products under WeChat Business Marketing

With the fragmentation of mass time, WeChat marketing has become a new marketing fashion. WeChat marketing makes full use of the huge fans on WeChat to increase enterprise stickiness, improve customer experience and increase enterprise performance.

6. Suggestions on Strengthening Marketing Management of Nutrition and Healthcare Products in China

The market of nutrition and healthcare products in our country still has a large space of growth and profit, the country and the nutrition and healthcare products enterprises should grasp the opportunity to strengthen their competitive advantages in the industry. The industry will flourish, change people's life and consumption mode, also improve the overall quality of life.

In terms of macro policies, the government should adjust the policies and regulations related to industrial standards of the nutrition and healthcare product industry in China to implement more serious punishment on illegal activities. At the same time, encourage enterprises innovate, and transform marketing model.

From microscopic marketing, nutrition and healthcare products enterprises should change the marketing strategy, from a simplex marketing channel to multiple marketing, from product concept and marketing to digital and content marketing, from mass marketing to the personalized marketing. They also need to enhance training for sales personnel, improve their comprehensive quality, building up excellent marketing team, set up innovative marketing strategies.

7. Conclusions and Prospects

This paper has analyzed the nutrition and healthcare products market segments and marketing models, also puts forward some suggestions on the development of the nutrition and health products business from the macro and micro levels for companies to adapt to the new internet era of consumer consumption and to meet the demand of healthcare products market.

China's nutrition and healthcare products industry is still in the history making moment, innovation is the fundamental development of enterprises, only to choose appropriate marketing model, and to give the products in the way needed by customers, China's nutrition and healthcare products' upgrading and transformation goal can be realized.

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