China's wellness market

White Paper

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daxueconsulting
beijing shanghai

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*"The next richest Chinese person will come from the **health industry**"*

- Jack Ma

Section I: Health Food

> *People are growing in affluence and in their awareness of personal health and what they can do. They don't just go to see the doctor if they're sick. Illness and food safety issues are growing globally and not just in China. I think it's a good time now, especially in the last few years where we've seen the most change for **health and wellness** in general*
>
> *- Kimberly Ashton, co-founder of Yin Lifestyle and Sprout Lifestyle*

What drives the growing health awareness in China?

Economic growth and increasing willingness to pay for quality has given rise to higher health awareness in China, accelerating the paradigm shift from reactive to proactive consumption. China is rapidly becoming the world's largest market for healthy eating. A report by Boston Consulting Group had shown that the health and wellness market will be worth $70 billion US by 2020.

The consumer shift from reactive to proactive consumption

Reactive consumers are characterised as having a lack of curiosity about health and rely on traditional lifestyles until told otherwise by their doctors. Today's Chinese consumers are connected to the internet, socially active, curious and combine knowledge from the internet, friends to incorporate their own healthy habits into their lifestyles.

Healthy China 2030

On October 2016, President Xi Jinping announced the Healthy China plan stating that a health-conscious China will be a prerequisite for the all-round development of people linking its importance directly to the country's future social and economic development.

According to an official report published by the Chinese government in 2019, data showed that health awareness among Chinese citizens has been improving over recent years. 17% of Chinese people had a good knowledge about health in 2018. This figure was obtained from a national wide survey that tests the health awareness, lifestyles and basic skills among citizens aged between 15 and 69 .

The government report states that 22.4% of urban residents had basic health awareness and skills to make right decisions for their health whereas 13.7% residents in rural cities had basic knowledge to make the right decisions for their health.

This continuing trend of health awareness has led Chinese consumers to pursue a healthy lifestyle and some are even investing their disposable income in organic foods. Even before COVID-19, Chinese consumers were shifting their behaviour to be proactive. In turn, this has positively impacted the health food market which includes local and international food brands, supplement brands and premium dairy brands. Simultaneously, low nutrition food products such as instant noodles have been on the decline in recent years.

Health food consumption in high vs. low tier cities

Top tier cities like Shanghai and Beijing have seen a major trend in detox, juice cleansing and healthy foods in the last few years. A report from Mintel indicated that plant protein drinks rose to popularity with almost 87% of Chinese consumers now drinking plant-based protein drinks.

These products are predominantly soy, grain based and natural juices signalling a huge opportunity in the drinks segment. Natural juices and drinks have also seen rise in consumption with coconut water consumption notably experiencing a rise by 30% from 2019.

Lower tier cities in China also provide huge market opportunities for brands to scale. The cheaper living costs and less hectic working schedules have allowed people to have more disposable income. While, people in lower tier cities currently have less health awareness the trend of healthy eating, exercising has been growing rapidly.

COVID-19 accelerated the already existing growing health awareness trend

A May 2020 survey by BCG showed that 33% of Chinese indicated they intended to purchase more fresh and organic food after COVID-19, which 27% indicated they would purchase more vitamin and health supplements.

While COVID-19 may have accelerated the growth of health awareness in China, data reveals that consumers were already relatively health conscious well before COVID-19. After Healthy China 2030 was launched the key goals were to increase health awareness among topics such as obesity and the need to increase overall physical activity.

Fitness and weight have become some of the hottest topics on social media platforms like Weibo, Xiaohongshu and WeChat.

Unhealthy products are seeing sales decline

A decade ago, a Chinese company called Henan Lotus was the world's largest producer of monosodium glutamate (MSG), a controversial flavour-enhancing ingredient which has been said to cause health problems. At the time, China became the largest consumer of MSG.

Fast forward to present times Henan Lotus faces monumental challenges as a rapid decline in MSG consumption could force them to miss out on a fast-moving consumer market seeking healthy products worth $180 billion.

Euromonitor revealed that more than half a billion Chinese consumers made conscious efforts to limit MSG in their diet. Their concerns shifted more towards nutrition and the positive perception associated with healthy eating drove purchases.

It was not just MSG that felt the decline, a host of products sales have been on the decline in China. Sales of chewing gums have seen a decline by 14% in the last two years, chocolates and confectionaries experienced a decline by 6% and 4% respectively based on survey results published by Bain and Kantar Worldpanel. Coca-Cola is among one of the companies where their centralized strategy has stagnated their growth amidst growing health awareness amongst Chinese consumers .

Healthy food replaces unhealthy food

The shift to healthy eating resonates with President Xi Jinping's call for Healthy China 2030 as China has rising obesity levels and related diseases like diabetes linked with poor eating habits.

Consumers seem to ride the wave of healthy eating trends in China and local and international brands are looking to cash in on this opportunity. Domestic soda brand Genki Forest advertises its products as 0 sugar, 0 calories, 0 fat, a message that may not have meant much to consumers a decade ago.

For instance, Coca-Cola introduced a Sprite Zero in 2018 followed by Sprite Fiber+ which is said to contain the same amount of a fiber as two apples.

Coca-Cola also invested in a Chinese yoghurt brand LePur. LePur has been growing rapidly in China selling more than one million units of Greek-style yoghurt a month. The founder was quoted as saying "Coke made the deal because their theme is going healthier". In the dairy market in China natural fruit juices, coconut, aloe waters, oat milk, soybean milk, almond milks have gained popularity amongst Chinese consumers. Additionally, Meituan Dianping a prominent food delivery platform in China reported in 2018 that orders for salads on their platform grew by 160%.

The health awareness movement in China

In 2020, a whopping 60% of consumers stated that checking ingredient labels on packaged foods was the most important factor while purchasing a product. Transparency and information sharing have become a deciding factor for Chinese consumers regardless of local or foreign brands. With a wide array of options in the market the power has shifted in the hands of the consumer and companies must make sure they play their cards right.

According to McKinsey's consumer report where around 25 categories or product purchases were closely tracked, consumers mentioned that they had spent the most on fresh milk in 2018 compared to 2017. Yogurt featuring natural ingredients was the most popular product among millennials and Gen Z.

A typical top tier working professional normally spends about 500 Yuan ($71.5) a month on snacks. These consumers mentioned that they consciously eat healthy snacks such as nuts and dried fruits which are both delicious and healthy. It was important to them that the snacks they consumed were high in protein, clean and sanitary.

COVID-19 accelerated a stay at home economy early in the year for Chinese consumers and a business research report by a Beijing based think tank EO intelligence revealed that sales volume for China's healthy snack market would peak to 3 trillion Yuan in 2020 and surpass the 4 trillion Yuan mark by 2025. There was an increased attention and awareness around the quality, freshness and nutritional value of snacks.

Data from Alibaba Group's Tmall platform revealed that in February 2020, sales of nuts, and fresh produce increased by 122% and a 72% year on year respectively.

Digital platforms' data shows Chinese consumers are purchasing more healthy food

Salad orders
+160% YoY
On Meituan (2018)

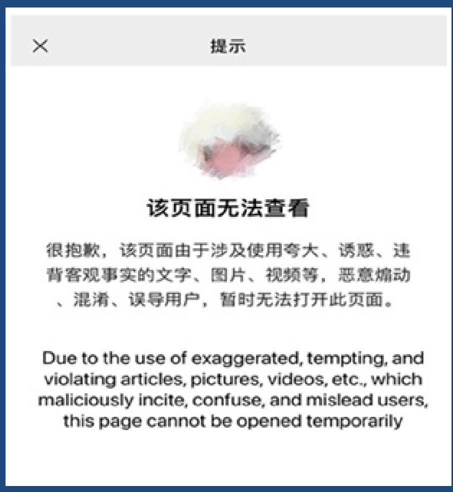
Nut sales
+122% YoY
On Tmall (2020)

Fresh fruit & vegetable sales
+72% YoY
On Tmall (2020)

Low health awareness makes consumers vulnerable to scams in the digital age

For senior citizens who are retired and have lot of spare time, health related articles WeChat are the main learning source for improving health awareness. However, some misconceptions and even frauds may emerge in those articles, misleading elderly and even sometimes causing them financial loss.

For instance, an article on WeChat suggested that eggs and sweet potatoes or carrots and certain mushrooms cannot be eaten together. Sometimes the products recommended in articles are ones that entice or wrongly convince senior citizens to purchase certain products without delivering its promised value. Sometimes this can lead to senior citizens losing money. WeChat has since paid strict attention to these rising problems and deactivated WeChat official accounts that spread misinformation.



What do Chinese consider to be "healthy"?

Survey on health perceptions in China

Daxue consulting conducted a survey to learn more about the promising wellness market in China. This survey aimed to understand changing health perceptions in China, including health knowledge, dietary habits, and familiarity with health trends and diets. The data collected stems from 747 respondents, 84% of them under 30 and 72% of them from tier 1 and tier 2 cities.

From this survey, it is evident that Chinese scientific understanding of health and nutrition are improving. A majority of respondents were able to correctly distinguish which nutrients are healthy; despite they are still unfamiliar with some less-used elements like trans-fat and Omega-3 fatty acid. Young Chinese tend to believe their own daily routine and eating habits are unhealthy, signaling that there is recognition of where they can improve their health.

This leads us to believe that there is room for health related products or diet trends to enter the country. However, according to the survey, respondants are naturally skeptical of diet trends like meal replacement and keto and would like to see more proof of effectiveness before experimenting.

"In a world with a wealth of information on the internet, some of it accurate, some of it not, much of it conflicting, there is a myriad of ideas about what is healthy. Our aim is to understand not just whether Chinese consumers are making healthy lifestyle decisions, but what they actually consider to be healthy.

What is your perceived health level of the following nutrients?

	Very unhealthy	Unhealthy	Neutral	Moderately healthy	Very healthy	Unfamiliar
Protein	0.1%	1.1%	11.2%	56.0%	30.3%	**1.3%**
Added sugars	3.5%	19.1%	43.8%	28.0%	4.3%	**1.3%**
Fat	1.6%	14.1%	39.9%	37.1%	5.9%	**1.5%**
Trans fat	19.8%	31.1%	24.8%	8.4%	2.1%	**13.8%**
Omega-3	0.9%	3.5%	32.0%	24.2%	8.4%	**39.9%**
Caffeine	2.8%	18.7%	47.4%	25.7%	3.2%	**2.1%**
Fiber	0.1%	0.9%	5.9%	58.8%	33.2%	**1.1%**
Carbs	1.1%	6.2%	30.1%	49.7%	12.3%	**0.7%**

N=747

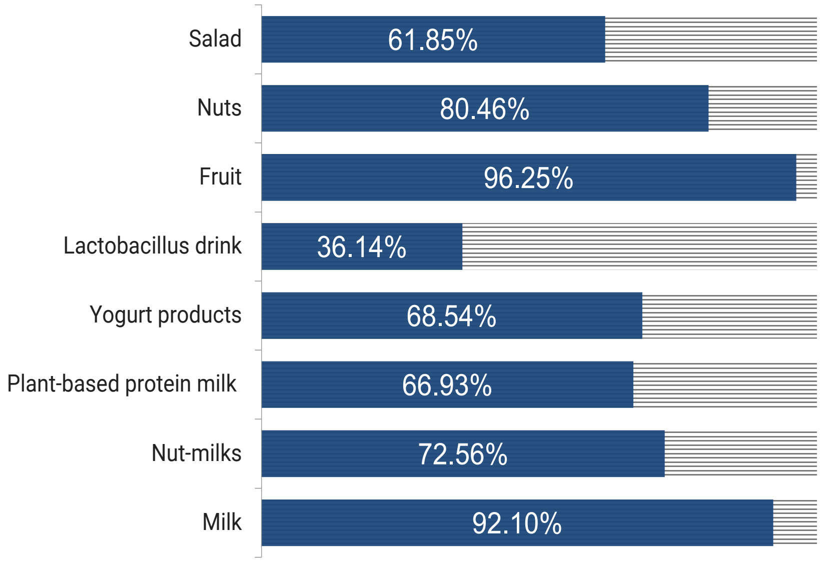
It's not surprising to see that most people recognize protein and dietary fiber are healthy. Compared with other nutrients, these two have the strongest recognition; over 30% of people consider them very healthy. What is surprising, is respondents opinions on added sugar (not to be confused with natural sugar in fruit), something that is widely recognized as unnecessary to the diet in the west, has a relatively neutral perception in China, with only around 22% of respondents saying it is unhealthy.

On a similar note, 13.8% of respondents were not familiar with trans-fat, but for those who were familiar, have relatively healthy perceptions of it. Trans fats are recognized as a dietary hazard in the west, as they are a type of fat that the body cannot burn. However, around 35% of our Chinese survey respondents saying they believe Trans fats are either neutral or healthy. It is likely that many people have heard of trans-fats, but are unaware of how they impact the body.

Fat vs. carbs are often pit against each other as culprits of weight gain. While some advocate for low-carb and high-fat diets (the keto diet, for example), on the contrary, many would argue that fat causes health problems and carbs are a necessary staple. A population's belief towards fat and carbs shapes to what extent certain diet trends can influence the population. Based on our survey, China is not an ideal setting for the globally trending keto diet, as carbs are perceived as healthier than fat.

In addition, although the sales growth rate of Omega-3 products like fish oil in China (11.4%) was expected to far exceed the current market leader, the United States (0.2%) in 2018, only 60.11% of the respondents know what Omega-3 fatty acid is. However, the growth trajectory in awareness of specific nutrients is promising for China's vitamin market.

Do you consider the following food healthy?

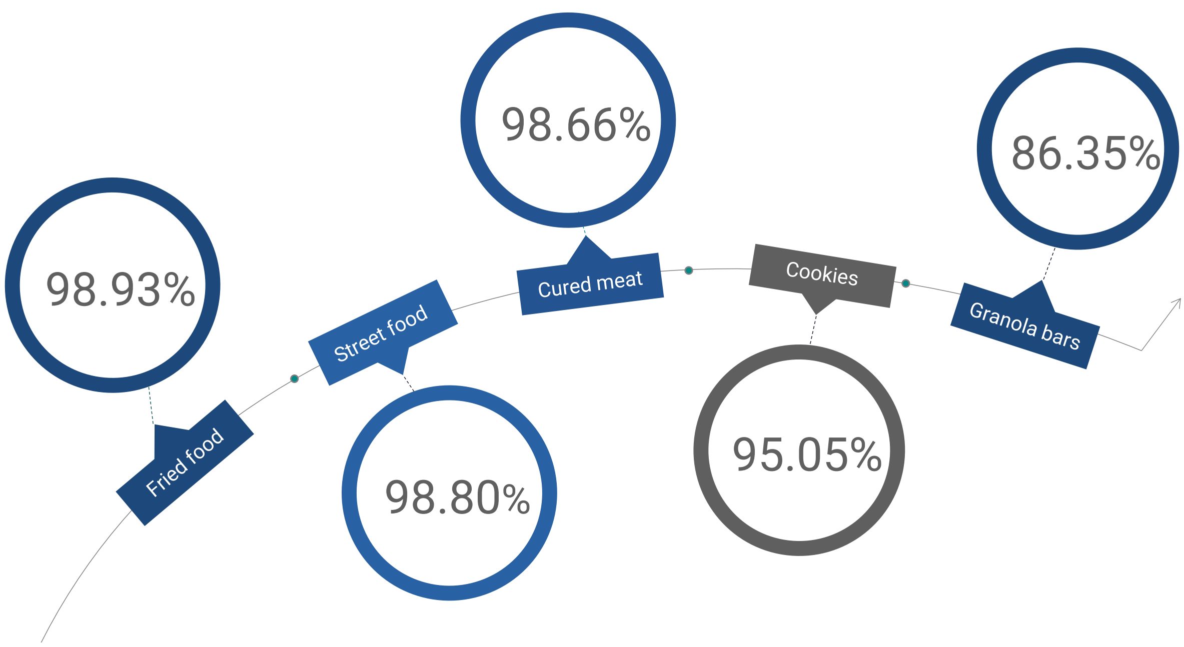


N=747

Salads are not perceived as positively in China as in the west, as hot food is often preferred for health

More respondents believe milk is healthier than plant-based or nut milks, despite the high prevalence of lactose-intolerawnce in China.

Do you consider the following food unhealthy?

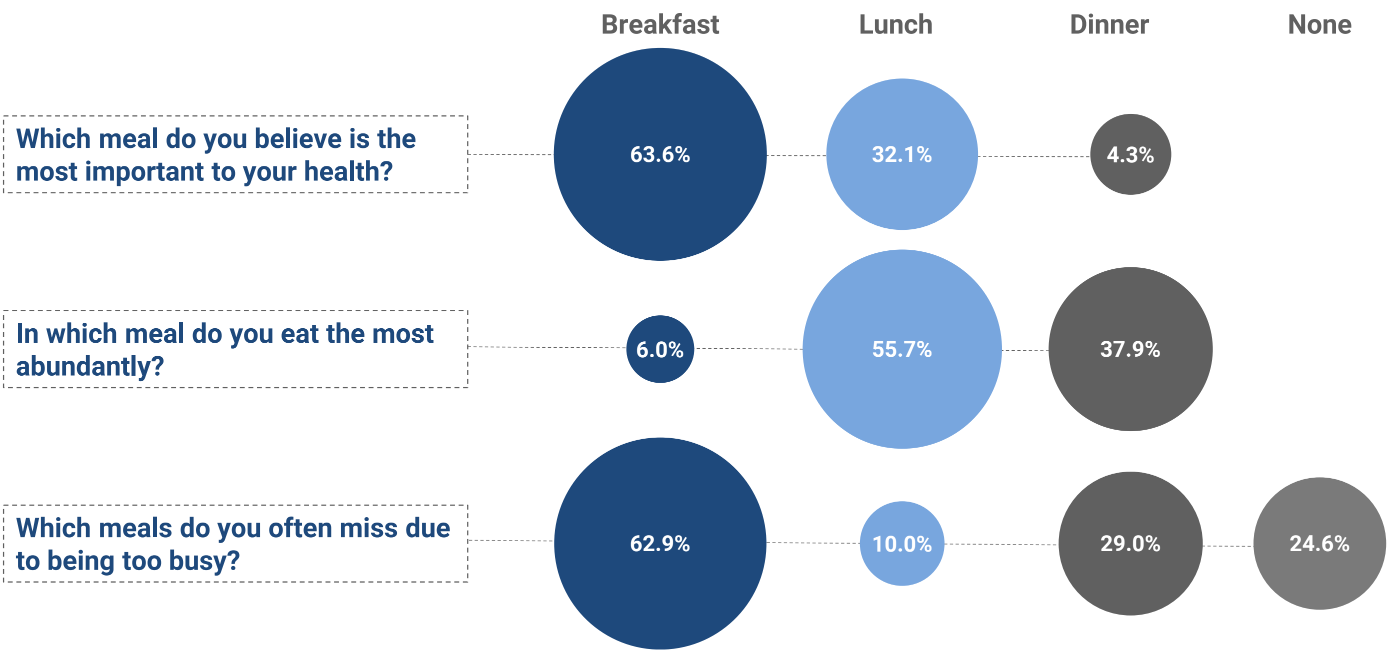


N=747

Among the top foods that respondents rated 'unhealthy' were granola bars, something that is often marketed as a 'healthy food' in the West. Additionally, cured meat is commonly eaten in China, but is recognized as unhealthy.

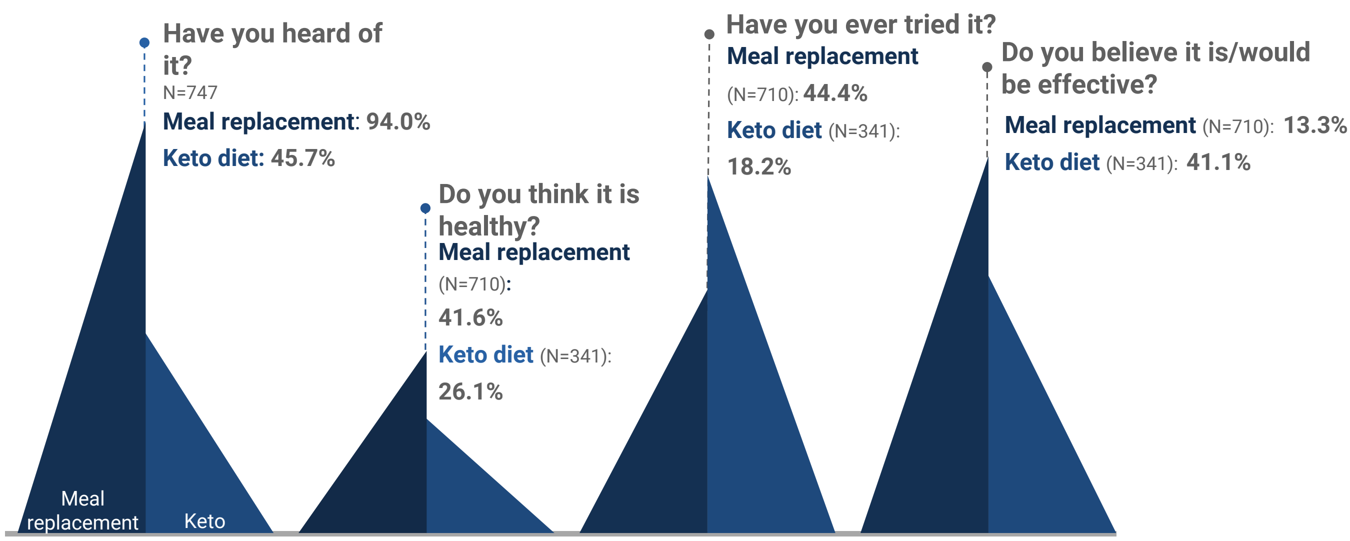
Chinese survey respondent perceptions on the importance of each meal

— While most believe breakfast is the most important for health, it is the most skipped meal, and eaten the least abundantly.



N=747

The prevelence of meal replacement and the ketogenic diet

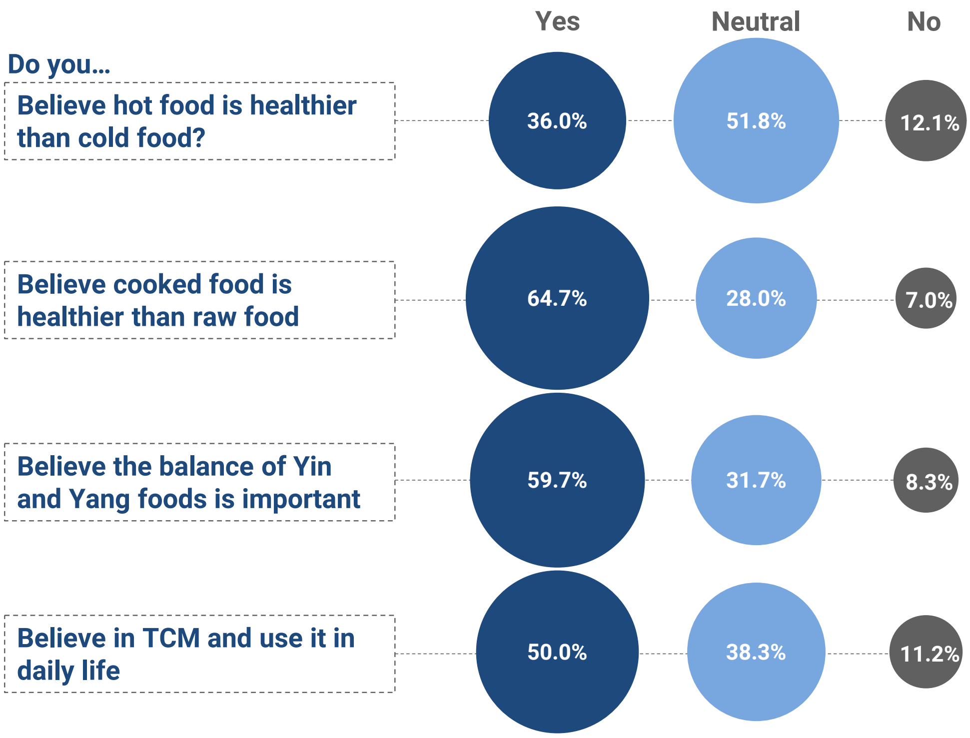


N=747

Meal replacement is a time-efficient diet where smoothies and drink mixes provide a meal's worth of nutrients.

The Ketogenic diet is a high-fat, low carb diet meant to get the body to burn fat instead of carbs, causing fat loss.

Respondents beliefs towards traditional Chinese medicine



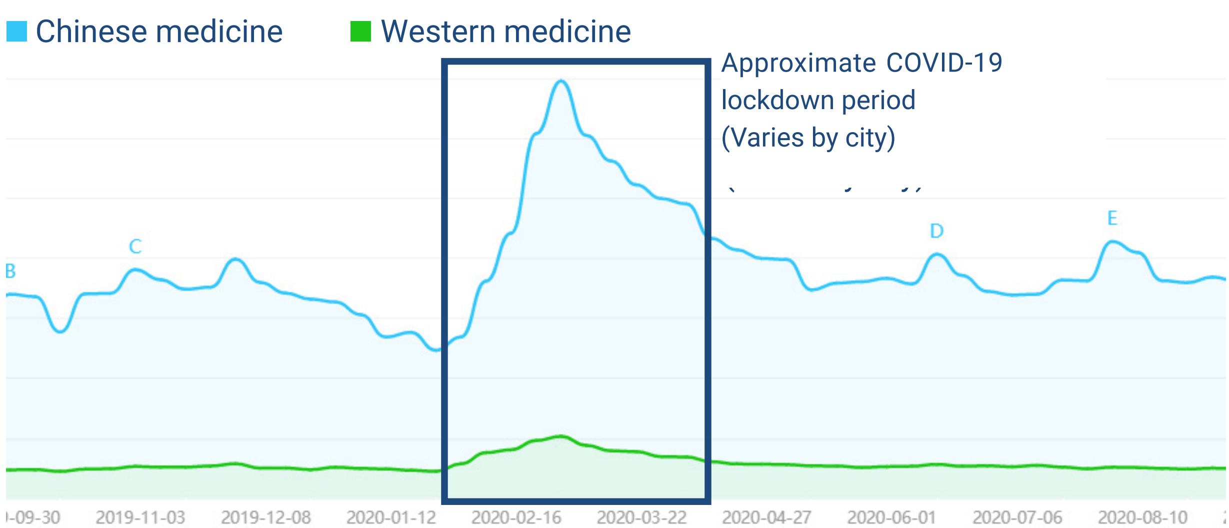
Despite TCM being an 'ancient' practice, a majority of our young Chinese survey respondents believe or somewhat believe in traditional Chinese medicine concepts when it comes to food.

For example, most believe that cooked food is healthier than raw food. Hence, only 62% of Chinese believe salads are healthy.

N=747

Baidu search trends of Chinese medicine vs. western medicine
(Sept. 2019 - Sept. 2020)

*Search index does not represent actual search amount



Source: data from Baidu Index

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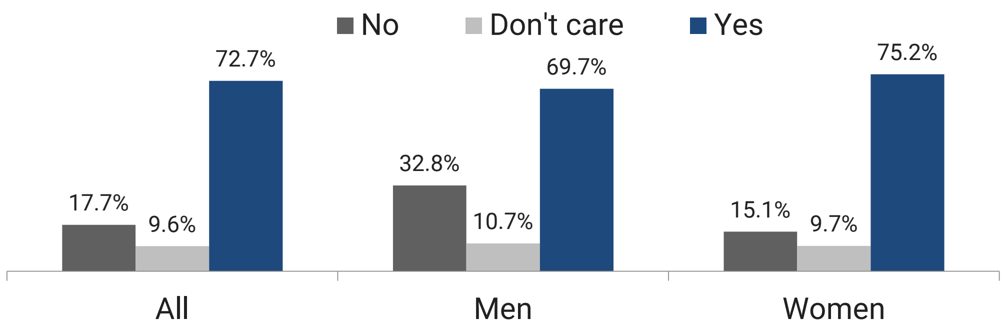
Do you believe you need to lose weight?



N=747

According to a government report, in 2020 more than half of Chinese were overweight. However, China's threshold for 'overweight' is only a BMI of 24, less than the global standard of 25. Hence, weight-loss is increasingly a concern in China, especially among women who face very strict societal standards.

How do you evaluate the health level of your own habits?

	Very unhealthy/ weak	Unhealthy/ weak	Neutral	Moderately healthy/ Strong	Very healthy/ Strong
Daily routine	11.0%	38.2%	29.6%	17.4%	3.6%
Eating habits	2.4%	19.3%	46.2%	28.1%	3.8%
Health awareness	1.2%	11.2%	39.0%	42.0%	6.3%

N=747

While self-evaluation questions do not indicate actual health level, they do show areas where respondents desire to improve.

Marketing to where consumers desire to improve is key for aspirational consumers.

China's health food and diet trends

Organic food, meal replacement and veganism

Along with the increasing health awareness of Chinese consumers, markets like organic food, vitamins and supplements are on the rise. Meanwhile, more people are using plant based traditional Chinese medicine (TCM) in their daily lives. In 2021 the health food market in China is estimated to be around RMB 330.7 billion in size.

The National Food Safety Standard defines "health foods" as foods that claim to have specific health functions or vitamins, supplements and mineral intakes that aim to enhance health along with a balanced diet.

We narrowed down on the three health food trends of organic food consumption, meal replacement, and vegetarianism.

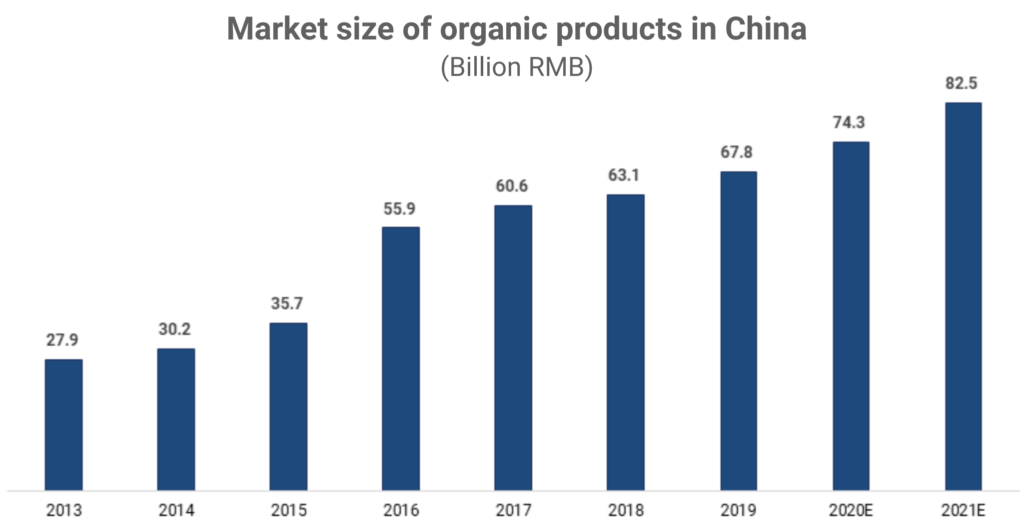
The increase of organic food consumption is reflective of the Chinese consumer's willingness to pay extra for high-quality ingredients, paired with an increased sense of wellness and drive for sustainability.

Meal replacement is a trend driven by the need for convenience and the drive to lose weight. In China, meal replacement is more popular among women, and is often used to control calorie intake. Like many diet trends, meal replacement is bolstered by social media like Xiaohongshu.

Lastly vegetarianism and veganism are on the rise in China, though the trend penetrates proportionally less consumers than in western countries or other Asian countries like India. However, this does not mean that the market for vegan products is limited, as non-vegetarian consumers have shown they are open to eating vegan-market products like plant-based meat.

Trend #1: Organic food

The concept of organic food was introduced in China after the reform and opening-up policy. By 2018, China's organic agriculture acreage ranked the third in the world, accounting for 4.5% of the total acreage of organic agriculture in the world and 50% in Asia. Frosm 2002 to 2013, many relative laws were introduced to regulate the market environment of organic agriculture. Thus after 2013, organic agriculture in China entered rapid development stage.



Data source: Qianzhan and Chyxx

Threats of organic food consumption

Most Chinese consumers are price sensitive and look for value when buying organic food. But, are organic products safer than other products? Are foreign imports really worth paying 2-3 times the cost of domestic items? These are some questions Chinese consumers ask when they buy organic food.

Based on our social listening, the concerns Chinese netizens express are that they don't think that organic food's high price match its nutritional value, some also doubt whether brands use "organic" as a marketing term without real higher nutritional value. Additionally, in terms of the environmental aspect, the organic food industry is not as efficient on environment-protecting as people imagined. The production of organic food also exhausts a large amount of carbon dioxide and occupies much more land than traditional agriculture. In all, most Chinese consumers consider it as luxury not a necessity.

Growth points in China's organic food consumption

Unlike other countries which mainly consume organic vegetables and fruit, milk dominates China's organic market because of its nutrition and perceived benefit of improving the immune system.

Because of the perceptions of organic milk's benefits to the immune system, the sales of organic milk and milk powder of the brand Junlebao rocketed more than 50% during the outbreak.

Meanwhile, the sales of foreign milk powder takes up 60%-65% of total national sales in China. Hence, dairy companies said they are very optimistic about the organic milk market in China post the Covid-19.

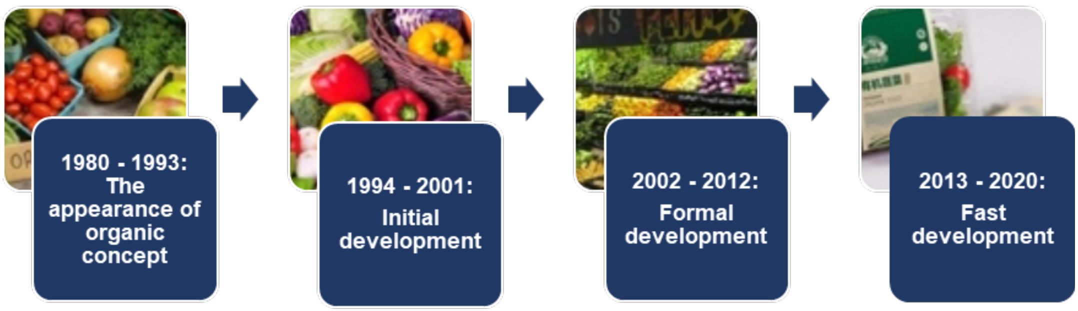
Organic food consumers include families with small children, white collar families, government workers, and families that have a member with health issues.

Organic food regulations and production in China

The Chinese government has strict demands of organic production, including the atmosphere quality, organic irrigation water, unpolluted soil and natural processing. Organic food in China has to satisfy the following requirements:

- No genetic engineering
- No pesticides
- No fertilizers
- No growth regulators
- No feed additives
- Must follow the natural rules and ecology principles

Stages of organic development in China



In China, most organic foods are cultivated by organized systems, not like other countries where organic foods are supplied by individuals. According to the International Trade Centre, there are three main organic food production models in China:

1. A corporation leases land from farmer and pays them.
2. Under the permission of local government, a company signs an organic food production contract with farmers.
3. An organic producer association, where farmers conduct large-scare organic food production together.

Trend #2: Meal replacement

Fitness, weight control, or just for convenience:

What drives the growing meal replacement market in China?

Following the global diet trend, the meal replacement market in China is on the rise. The result of Daxue consulting's survey on perceptions of healthy diet in China shows that the majority of the Chinese consumers have become familiar with the concept of meal replacement. Additionally, Euromonitor International forecasts that the market size may reach 120 billion RMB in 2022. The growth of the market can be understood by the wider healthy eating trend in China, in conjunction with the consumers' increasing demand of convenient meal options.

According to CBNData's report, the number of consumers and the consumption of the Chinese meal replacement market both doubled in 2019. Moreover, its media exposure, based on the Sina media index, has been steadily increasing. The industry was brought to the spotlight by state-run media like China Daily with positive report in the end of 2020. In the report, a regular meal replacement consumer commented that "the meal replacement industry has huge potential for growth, and the market needs not only products, but also education about healthy eating." In conjunction with the increasing awareness of food nutrition and the trend of healthy diet, the meal replacement market in China will continue to expand, and the brands have to know the users' needs and concerns to capture the market.

Chinese meal replacement consumers: Urban, women, and on a diet

In China, the concept of meal replacement is still relatively new and many consumers are still skeptical of the possibility of replacing solid meals with food like smoothies and yoghurt. Regular consumers of meal replacement are still the minority and many consumers purchase them out of curiosity or only as their diet occasionally. CBNData's report points out that only 22 percent of consumers who had purchased meal replacement products online spent more than 1,000 yuan on meal replacements in 2019, but more than 60 percent of them consume meal replacements at least once a week, and 20 percent do so once a day.

According to the report, women are the main consumers of meal replacements in China, accounting for more than triple of the consumption amount by male consumers in 2019. This is due to larger weight loss demand among female consumers, and most of meal replacement products position themselves as an option for weight control.

The products are popular among Millennials and Gen Z, due to their high demand for weight control and convenient diet options. Those born after 1995 contributed to the most consumption amount as the age group, possibly because their wider acceptance of non-traditional diets and their more frequent use of social media, where meal replacement brands emphasize their marketing.

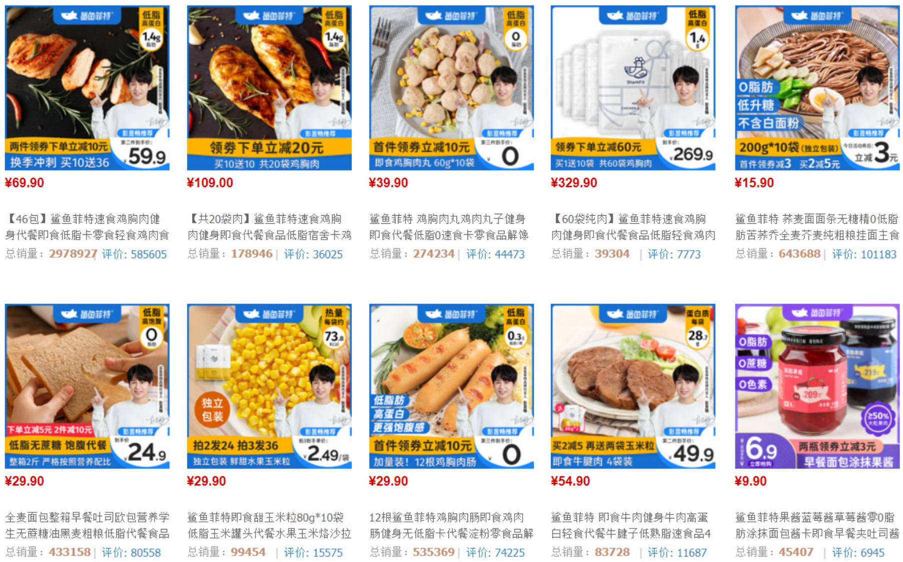
People in the first and second-tier cities are still the main consumers of meal replacement products, due to their larger demands on convenient food option and the better penetration of the diet trends in those cities, assisted by the offline presence of products in gyms or stores. At the same time, the brands should bring their attention to the slower but also steady growth of the market in the lower-tier cities. Brands can put more effort into the sinking market to accelerate the overall growth of the meal replacement market and gain market share.

Chinese meal replacement brands

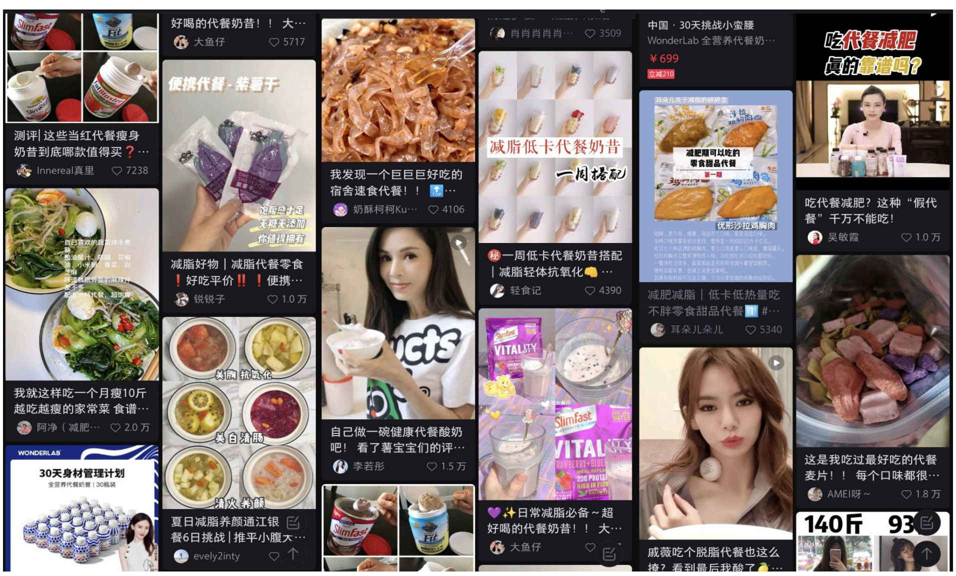
CBNData's report indicates that the number of brands in the market doubled from 2018 to 2020. The biggest brands in the online channels are Herbalife specializing in meal replacement smoothies, Sharkfit specializing in pre-cooked chicken breast, and MissZero specializing in instant meals. The three brands are representative of the actors in the Chinese meal replacement market. While Herbalife provides wider categories of diet supplements, the latter two specialize in the meal replacement, and specifically, Sharkfit for fitness enthusiasts, while MissZero for those on a diet.

Examining popular brands in the market which specialize in meal replacement products, we can find that although they are known for their specialized categories, they are expanding their products offering to other types of meal replacement categories in order to capture more market share. In general, most brands offer the common categories like smoothies, yoghurt, energy bars and pre-cooked meals.

Source: Tmall (MissZero (left), Sharkfit (right)), promotional materials



Source: Tmall (Sharkfit), meal replacement product categories



Source: Xiaohongshu, trending posts for meal replacement

Meal replacement trends are taking over Xiaohongshu

On Xiaohongshu, meal replacement is a trending topic, with more than 280 thousands posts about meal replacement. A wide range of meal replacement products are shared; the most popular categories of meal replacement on Xiaohongshu are smoothies, powders and snacks. The majority of content is posted by female users and put emphasis on the products' effects on weight control and other types of health benefits like vitamin supplement and digestion improvement.

Ingredient list is high priority

Rather than sharing their personal weight control experiences using the products, most users highlight the ingredient list to offer a more direct way of demonstrating the benefits.

At the same time, the taste of the product is also emphasized in most the posts. Even when bearing the goal of weight control in mind, the majority of the consumers are not willing to compromise on the taste of the products. Although there are a wide range of meal replacement products that can help the consumers achieve their weight control purpose, those offering a wide variety of appetizing flavors are the ones that stand out on social media.

Source: Xiaohongshu, posts questioning the efficacy of meal replacement

Chinese netizens criticisms of meal replacement

On Xiaohongshu, some of the trending posts criticize the proclaimed health benefits of meal replacement and its efficacy on weight control. Hence, brands needs to pay more attention to their marketing to differentiate themselves from snacks and use more scientific evidence to convenience prospective consumers.

Perceptions on meal replacement's health benefits among Chinese

According to Daxue consulting's survey on perceptions of healthy diets in China, the majority of the respondents are relatively aware of meal replacement as a diet option in China. 94% respondents have heard of it and 26.4% of them claim to be familiar with it. Compared to keto diet, another globally popular diet trend, meal replacement is significantly more well-known in China. Our analysts suggest that the popularity of meal-replacement products is due to its recent aggressive market expansion and promotion in the Chinese market.

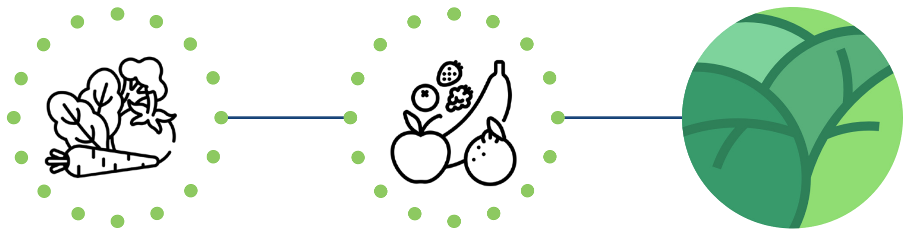
However, the report also points out that despite the consumers' familiarity with the trend and its popularity on social media like Xiaohongshu, only 38.9% of them have ever tried meal replacement themselves. Moreover, 57.3% of the respondents who have heard of meal replacement consider it unhealthy and 86.1% of them think it has a weak or no effect on losing weight. Our analysts draw attention to its presence on social media and point out that the nature of most of posts is product recommendations and sharing experiences. The seldom presence of of scientific data or proof for benefits of meal replacement may have led to the lack of confidence in this new health product in China.

Elevated by the general trend of healthy diet in China, brands in the market still have some work to do to convince more consumers of the health benefits of meal replacement. Other than emphasizing the products' effects on weight loss and their convenience, brands should put more effort in showing their products' health benefits and their capability of replacing a solid meal without compromising nutrition intake. Only by doing so, they can attract those skeptical of meal replacement's health benefits, and further expand the market.

Trend #3: Vegan and vegetarianism

The growth of vegan and vegetarianism in China

In the last few years, Chinese consumers' interest in meatless meals has soared. Chinese people are becoming more health-conscience and more conscientious about their food choices. They are increasingly aware of the negative consequences of consuming too much animal products, hence are open to eating plant-based foods. According to a report by Euromonitor, China was projected to be the fastest-growing market for vegan products between 2015 and 2020, with a growth rate of 17.2%. Chinese people are increasingly aware of the negative consequences of consuming too much animal products, hence are open to eating plant-base foods.



Barriers to veganism's growth in China

However, being vegan or vegetarian in China is still very challenging. Although Chinese consumers have a wide range of plant-based food options, a typical Chinese meal contains a lot of meat. It's not that the average Chinese diet consumes more meat than an average western diet, but rather meat is distributed among many dishes. Even many "vegetable" dishes are flavored with meat, hence sticking to veganism in China is very difficult.

Moreover, most people do not yet understand the vegan movement in China, so ordering a plant-based meal in a common Chinese restaurant can also be tricky. But this situation seems like it is being changed – Chinese, vegetarian restaurants have mushroomed in recent years, especially in first-tier cities such as Beijing and Shanghai. If you search "素食餐厅" (Chinese for vegetarian restaurant) on dianping.com (Chinese Yelp), over 500 results in Shanghai and almost 500 results in Beijing will be found.

Why veganism is trending among the younger generation?

Before China's reform and opening up at the end of the 1970s, meat was still a luxury for most Chinese families. Unsurprisingly, as the meat has become more accessible and affordable, Chinese consumers started consuming huge amounts of meat without considering health. For many Chinese people – especially those who have experienced an empty stomach in their early lives – eating no meat is still a synonym for starvation and malnutrition. Most people believe that meat is one of the most nutritious foods, and a diet without meat will make you weak or even sick. Although it is very hard to cut out meat from Chinese consumers' daily regimen, more and more people in China have learned the health consequences of eating an unbalanced diet. At the same time, young people are becoming more aware of different issues caused by meat-consumption, such as animal rights and environmental impacts – such questions contribute to the development of the vegan movement in China.

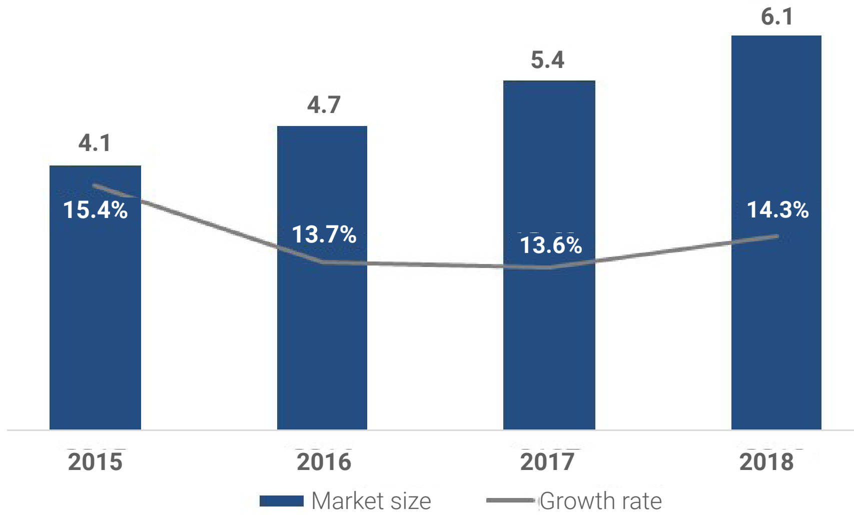
The tradition of eating vegetarian food in China

Although in modern China, meat is an indispensable part of a typical dining table, vegetarianism in China was actually rooted in religion and culture. Buddhist monks are not allowed to kill for food or accept an animal product which has been killed for them. Many temples in China run their own monastic restaurants within the institutions. Visitors of Buddhist temples – no matter religious or not – enjoy a nice vegetarian meal in the temple. It is a delicacy for many Chinese people which comes along with a good conscience of not killing lives for the meal. In the past, Chinese people would give up on meat for a certain period of time to show the Buddha their devotion.

Chinese consumers are very open to vegan meat, even if they are not vegetarian

Among the new industries surfing on the health trend, substitute meat in China has shown a lot of potential. The Chinese plant-based meat industry was worth 6.1 billion yuan (910 million USD) in 2018 with a 14.2% year-on-year increase. Although some European countries and the US are showing faster growth, China is one of the largest consumers of vegan meat, representing about one fourth of the world's market.

Plant-based meat market size in China
(2015-2018, Billion RMB)



Source: The plant-basd meat market in China is on the rise from Good Food Institute

Health concerns push for lower meat intake in China

Reason given by Chinese consumers to reduce their meat intake
(2018)

Source: Health remains the main determinant in eating less meat in China from Denzan Shira

Although the vegan movement in China is experiencing fast growth, it is interesting to note that only a small percentage of the Chinese population that identify as vegan. In fact, only 5% of Chinese consumers are vegetarian, which is relatively low in East-Asia, especially compared to nations like Vietnam or India.

Nevertheless, consumption of substitute meat in China is on the rise, mainly thanks to the fact that non-vegan Chinese people are open to vegan meat. According to a study by the Good Food Insitute, 86.7% of people surveyed claimed to consume plant-based meat products despite over 90% of respondents not identifying as vegan. This interest in alternative meat is both cultural, as Chinese "meatless" meat culture goes centuries back, and also more importantly comes from an ever increasingly health aware consumer base.

Take-aways

For international companies who want to enter the market of vegan food in China

- A typical Chinese dining table contains a lot of meat and other animal products. For the middle-aged and older generation, a meatless diet is synonymous with malnutrition. Hence, veganism in China is still far from mainstream.

- Substitute meat in China is a very promising market, with a year on year increase rate of 22.6% in 2019 (according to Chyxx), the industry benefits from a relatively high penetration rate as most Chinese consumers are willing to try out vegan meat even if they are not vegan or vegetarian.

- China has a long history of imitating meat with plant-based ingredients. Consumers are familiar with many kinds of vegetarian dishes which taste and look like meat or other animal products.

- Concerns about animal rights and environmental impacts, as well as the vegan movement in China, are still at the early stage in China. For the mass consumers, purchasing vegetarian food in China- is more about a healthy diet.

- Environmental pollution and food safety have been seen as crucial issues in China; imported product is often considered more nutritious and safer due to stricter quality control.

Traditional Chinese medicine

As ancient of a practice as it is, traditional Chinese medicine (TCM) is finding its place in the modern Chinese lifestyle. TCM is a healing approach that originated in China thousands of years ago. Today, TCM medicine is still used for a wide variety of treatments, and even incorporated into modern medicine practices in China. Even for consumers who do not actively seek it out, TCM theories such as hot and cold balance are often incorporated into daily meals, and herbs are still used in products ranging from teas to cosmetics.

TCM widely used for Chinese COVID-19 patients

Source: XinhuaNet (新华网), Lianhua Qingwen is considered by Chinese doctors as one of the most effective TCM to treat COVID-19 and has been spread abroad

Before the COVID-19 outbreak, analysts had already predicted the strong growth of TCM market. Given that TCM was apparently used to treat over 90% of patients in Hubei during the COVID-19, according to Xinhua News, it is predictable that public trust in TCM will increase, leading to growing demand in the market. The demand here refers not only to the treatment of confirmed diseases but also to general health optimization. TCM is known for optimizing health by balancing the entire body system, hence it is a preventative medicine. Many Chinese believe TCM is effective for general health optimization and treating minor or chronic ailments. Compared to western medicine, they believe TCM does less harm to one's body because its side effects are minimal. These perceptions have been rooted in the minds and hearts of the majority of individuals in China.

> *TCM, in general, is a different philosophy at looking at health. It's a more preventive way of looking at health. For example, a lot of people here in Beijing eat radish after eating, and a radish has specific substances which make the probiotics start working. This is the same for nuts and seeds. You see Chinese people eat a lot of seeds especially after dinner, this is for the same reason. Chinese dates are often eaten before dinner because it lessens your appetite, so you don't eat too much.*
>
> *- Gordon Dumoulin, founder of Dumoco*

What TCM Skeptics say

Some say the theoretical foundation of TCM was much weaker than that of western medicine which is backed by sound physiochemical studies and research data. TCM is an experience-based subject and has a high level of ambiguity and uncertainty. The status quo of TCM is that there is a lack of evidence to prove its efficacy due to its complexity.

A traditional Chinese medicine prescription may have dozens of ingredients, thus it's hard to tell which ones are effective, along with what is the effective dosage, and whether it remains more effective if we single out each ingredient. Even though it has been used in clinical diagnosis and treatment for centuries, it remains an issue to explain TCM's pharmacological mechanism. Nevertheless, TCM has garnered enough momentum in the modern China to be used on a wide-array of treatments, often alongside western medicine or other methods.

What TCM is often used to treat

Some of the top issues where TCM was incorporated into young Chinese consumers' lives are for sleep issues, obesity, diabetes, dental issues, and boosting the immune system.

Sleep issues:

Chinese people are sleeping much less than the global average, due to a combination of factors like high stress and anxiety. Also, as a population which relies on their mobile phones for a lot of activities, some of this has been due to long hours of playing games on mobile phones or, social media, cutting their sleep time to much less than the recommended amount.

Young Chinese millennials and new parents have been resorting to TCM and learning traditional based methods to mitigate and address sleep issues.

Obesity/Diabetes:

According to the statistics provided by the International Diabetes Federation, the world has approximately 425 million adults diagnosed and living with diabetes, from which 114 million cases are in China.

Not only does China account for over a quarter of the world's diabetes patients, but an estimated half of these cases are undiagnosed.

At this rate the diabetes treatment market is experiencing a boom but still does not fulfil national demand. The issue is so serious that the World Diabetic Organization is considering diabetes in China to be a "crisis". This signals a market opportunity for both foreign and local brands to solve a vital issue the country faces.

Simultaneously, Chinese consumers have been looking for substitutes for sugar-based products.

Dental issues:

Dental hygiene awareness in China is relatively low. For instance, results from a research published in a Global health Journal revealed that amongst 172,425 sample residents aged between 3-74 in China, fewer than 50% of respondents brushed their teeth twice a day, resulting in a flurry of dental issues.

However, the Chinese government has identified this as a major public health issue and is already implementing several policies to address and raise awareness amongst Chinese consumers.

Immunity:

After the COVID-19 outbreak, immunity has been of immense importance. Foreign brands selling vitamins and supplements, and TCM have gained popularity as preventive and immunity boosting foods that keep viruses at bay and enhance the general health of the body.

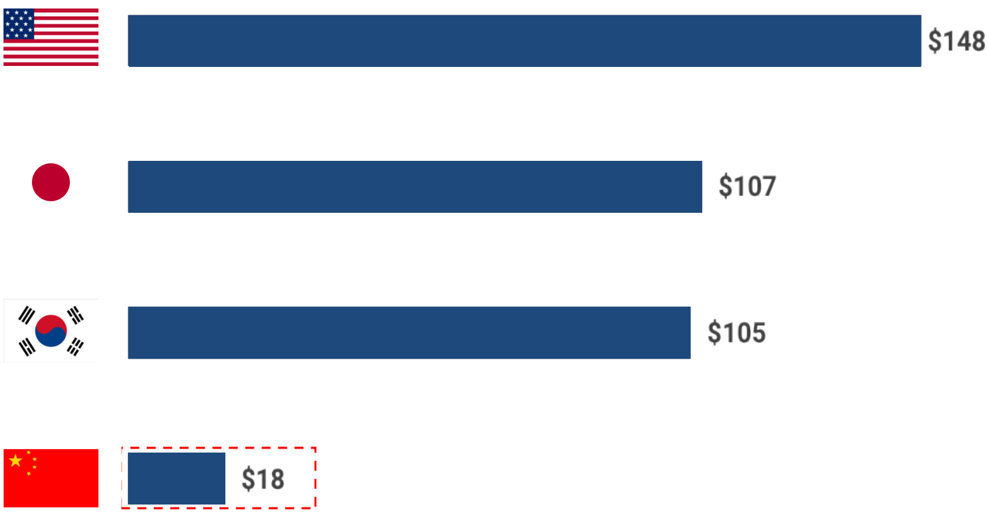
Vitamins and supplements consumption in China

Along with the increasing health awareness of Chinese consumers, vitamins and supplements consumption is on the rise.

Despite the positive health perceptions around health supplements in China, the consumption and penetration rates compared to other developed markets are still very low. The awareness around these health supplement products is still very low and the growing popularity of TCM may make the market extremely competitive.

However Chinese consumers demonstrate a high acceptance of vitamins and supplements, meaning the market shows a lot of latent potential. China's current market to the 1970's market in USA when the health supplement industry experienced a boom in the market. They predict a similar boom in the China market as the consumer awareness grows.

Annual per capita expenditure on health supplements by country
(2019)



Source: chyxx（中国产业信息院）

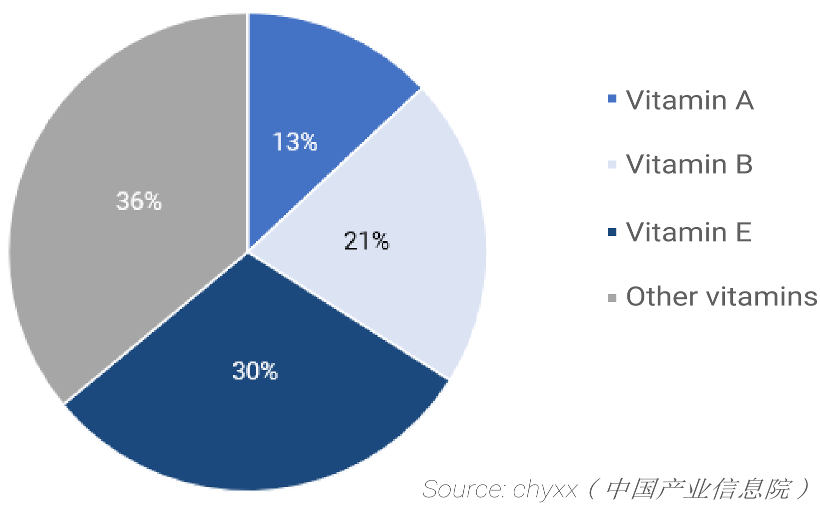
China's per capita health supplement consumption in $US dollar was quite low comparing to developed markets like that of USA and Japan signaling room for growth, although the market will be fiercely competitive due to the resurgence of TCM.

The most favored product types among Chinese online buyers were nutritional supplements mainly being vitamins followed by traditional supplements like ginseng, and beauty and slimming products.

Vitamin E is the most popular vitamin in China, followed by vitamin C

Vitamin E is the most popular vitamin in China, making up 36% of the market. Followed by vitamin C, which takes 30%. The popularity of vitamin E is is partly due to the fact that Chinese believe it can prevent cancer. Chinese' vitamins preference is different from other countries, such as USA, where vitamin D is very popular.

Market Share of Vitamin Market in China by Vitamin Types
(2019-2020)

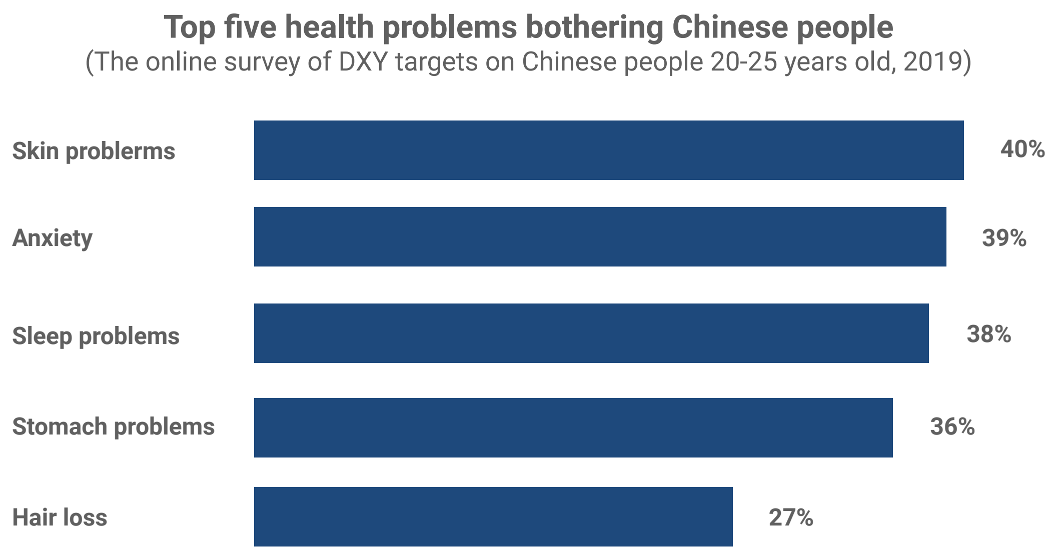


Source: chyxx（中国产业信息院）

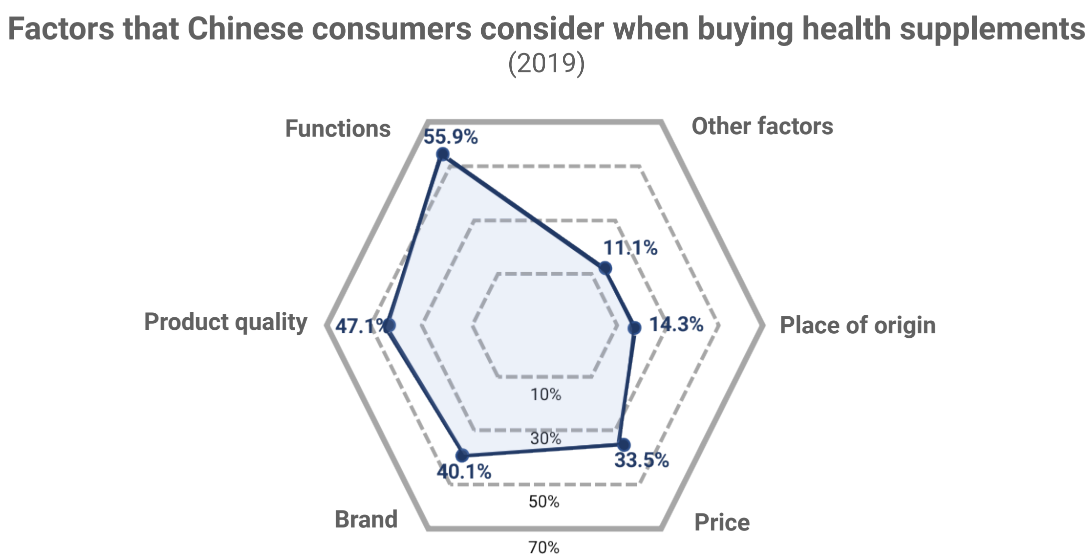
Skin care is the #1 concern among Chinese vitamin consumers

Vitamins which target skin health have large market potential in China. From information by DXY (丁香医生), 40% of the survey participants regard skin problems as a bothering health problem.

Skin problems, as the biggest health problem plaguing Chinese people, have led to an increased demand for vitamins, as some vitamins are beneficial to skin health. Vitamin A, C and E can help skin maintain a youthful state, prevent pigmentation, freckles and wrinkles. Thus, they are popular in vitamin market in China. For example, Gold Partner (黄金搭档) sold over 90,000 monthly vitamin C chewing tablets, which is #1 vitamins product for skin problems on Tmall. Considering the apparent concern for skin health, it is also no surprise that China's skincare market is booming.



Source: DXY (丁香医生), Top Health Problems Chinese Concern



Source: iimedia, Main Drivers of Buying Vitamins and Health Supplements

Function, product quality, brand and price are four main drivers of purchasing, according to an analysis, which aims to research what factors effect most when Chinese consider buying vitamin and health supplement.

Most customers' positive perceptions are related to functions. On Weibo or Zhihu, Chinese consumers mentions the function of relieving fatigue and skin whitening ect., when talking about vitamins health supplement.

Social listening: Main drivers of purchasing health supplements

Effectively relieve fatigue

为了缓解视疲劳，可能手机看多了，我也开始吃保健品了。
I probably spend too much time on my phone, in order to reduce fatigue, I started to take health supplements.

Skin whintening

平常摄入蔬菜少的话可以补充维生素 C+E，以及葡萄籽，搭配吃可以美白。我大学的时候就是靠吃维生素美白。
If you eat less vegetables, you can have some vitamin C and E and grape seeds supplements. They are good for skin whitening. I had a lot of vitamins for skin whitening at college.

Supplement nutrition

对于一些特殊人群，比如孕妇和老人需要补钙；经常熬夜，经常喝酒的人也是非常需要补充 VB。
For special groups, such as pregnant women and the elderly, need calcium. People who drink a lot of alcohol need vitamin B.

Enhance immunity

最近疫情闹得这么凶，外面可以买到的蔬菜水果品类又少，所以像我这种易感体质必须增加一点营养补充剂来增强免疫。
Because of the pandemic, there are less fruit and vegetables available. Therefore, people like me who are likely to catch a cold need some health supplements to enhance immunity.

Source: Sample of Weibo & Zhihu Posts in 2020

Core obstacles of purchasing vitamins and health supplements

There is a large gap between China and developed countries in per capita consumption of health supplements. In 2019, per capita expenditure spent on health supplement was only $18 on vitamins and health supplements, while in America, it was $148, eight times higher than in China. However, the market is now growing fast as COVID-19 stimulated the consumption in China.

Factors, such as Price, product effect and reputation, will stop potential customers from purchasing vitamins and health supplement. Most complaints of health supplements result from effect. Consumers gave negative comments when the high price does not match the value. In addition, the reputation of health supplement in China is damaged by media. Most Chinese customers are bombarded with negative information of health supplement, which to some extent embedded a negative image of vitamins and health supplements in Chinese.

Other obstacles, such as the size of tablets and taste, also potentially stop people from purchasing vitamin and health supplements. Although Centrum (善存)'s multivitamin products have high popularity online, Chinese customers complain the design of bottle and the size of tablets on RED (小红书).

Social listening: Main drivers of purchasing health supplements

High price

再也不买保健品了， 贵是贵得个要死，作用是没有， 处方药它不香吗？
Will never buy health supplements any more. They are too expensive and useless. Isn't medicine enough for us?

Low effect

吃了一个月的保健品，效果约等于无。
I have been taking health care products for one month but there is little effect.

Side effect

本人被推销过保健品吃后留下了很多后遗症，胃就没有好过。事实证明根本不靠谱。
I was recommended to take health supplements, but there were a lot of side effects and my stomach never felt good again.

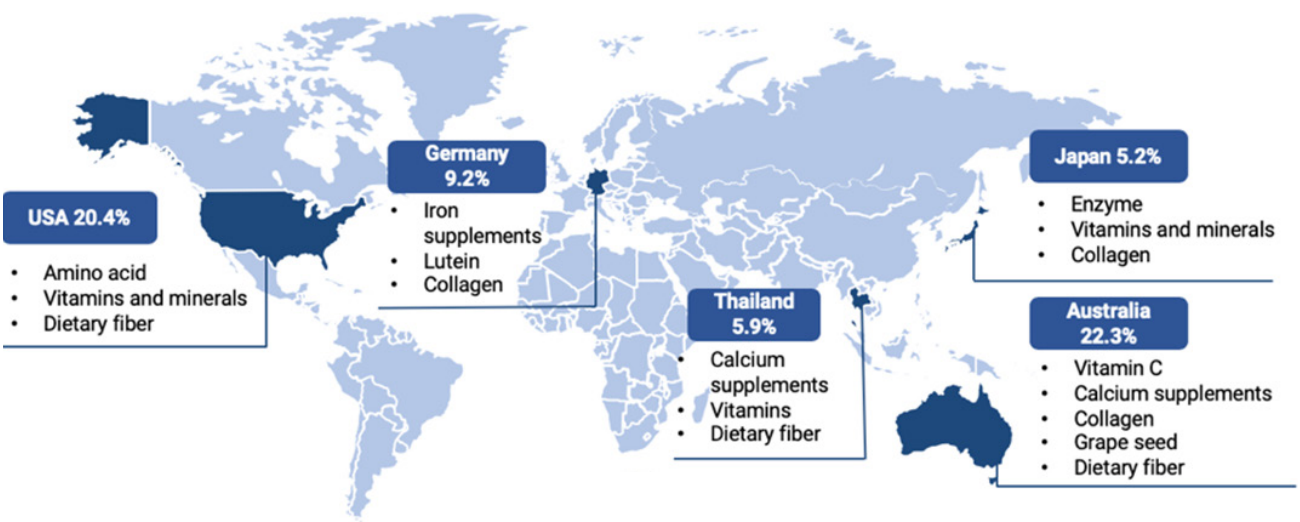
Bad reputation

网上保健品的负面新闻太多了，感觉国内保健品的名声已经被败坏了。
There are too many negative online news about health supplements. I feel that the reputation of domestic health care products have already been destroyed.

Source: Sample of Weibo & Zhihu Posts in 2020

Vitamins and health supplements from Australia and USA are the most popular in China

Market share of China's imported health supplements by countries
(Top 5 countires, 2018)



Source: CBNDATA, Customs data

2018's customs data by CBNDATA, shows that Australia and U.S.A are top two import countries of the vitamin and health supplement market in China. Australia and U.S.A account for 22.3% and 20.4% of VDS imports to China respectively. Their brands quickly seized China's health supplements market share by cross-border and social e-commerce.

Take-aways

What can we learn about the vitamin and health supplement market in China?

- **Physical and mental health are both important for Chinese people**

  Many Chinese people are eager to have both physical and mental health. Therefore, in addition to promoting physical health, how to help consumers relieve mental pressure is also an important sales point for all health-related brands in the Chinese market.

- **People under 30 are the key customers for many brands**

  Many health supplements brands aim to build a youthful brand image to reach out more young consumers in China. They frequently used young KOLs and actors as spokespersons. At the same time, Baidu index analysis shows young Chinese consumers have the most interest in vitamins and health supplements.

- **Skin health is a top concern of Chinese vitamin consumers**

  More and more Chinese people are bothered by skin imperfections. Because of Chinese beauty standards, skin whitening is an important driver for Chinese women to take vitamins. Therefore, some health supplements launched products targeting skin problems and received positive feedback.

- **COVID-19 stimulated consumption in the vitamin market in China**

  The COVID-19 outbreak brought great attention to physical health, Chinese people showed strong demands on vitamins and health supplements to enhance immunity.

Section II: Fitness Trends

A gym entrepreneur's insights on how to attract Chinese fitness consumers

Number one is creating an opportunity for people to learn about fitness, experiencing it without it been very hard. The second biggest driver in this is to make [clients] feel they are not risking anything, they don't need to be afraid

- Tom Xiong, CEO and founder of Move Shanghai

China's fitness appetite is growing as fitness becomes the new lifestyle

The sports and fitness market in China has seen exponential growth, from about 500 gyms in 2001 to approximately 49,860 fitness clubs by the end of 2019 in mainland China according to the China Fitness Industry Data Report by IHRSA. Also, according to a report released by the National Bureau of statistics almost 400 million people have actively taken part in exercises regularly in 2019 signalling a huge potential for foreign and local fitness companies to target the China market.

However, the spending surrounding fitness in China is still not up to par with developed nations. Only 4.9% of the whole population attend gyms. This is significantly lower than the 20% proportion of gym-goers in USA and 14% in the UK. However, China's fitness industry output in terms of revenue has been growing rapidly.

Riding on the trend health and wellness in China, fitness KOLS have begun to play an increasingly important role in influencing millennials and gen Z towards a healthy lifestyle with sports and fitness at the heart of the healthy lifestyle movement. Fitness influencers have created a wave of fitness followers and positively orchestrated a lifestyle change by sharing their personal stories in the form of the "before and after" story phases. They have been the critical and key component in creating a positive shift in mindset with regards to body positivity, body image, especially in a society that often shames young women for not boasting a slim body.

What fitness perceptions and habits do Chinese people embrace?

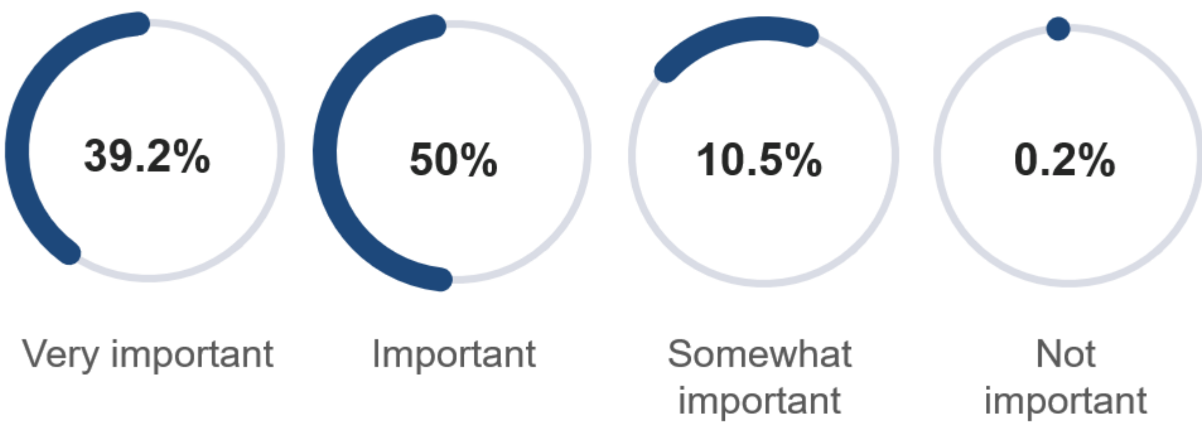
Survey on fitness habits in China

Along with China's increased health awareness, not only will there be more athletes and fitness fans, but the expenditure per capita is also set to increase. Because of the expected development of exercise habits in China, we investigated what specific sports and fitness perceptions and habits Chinese people embrace.

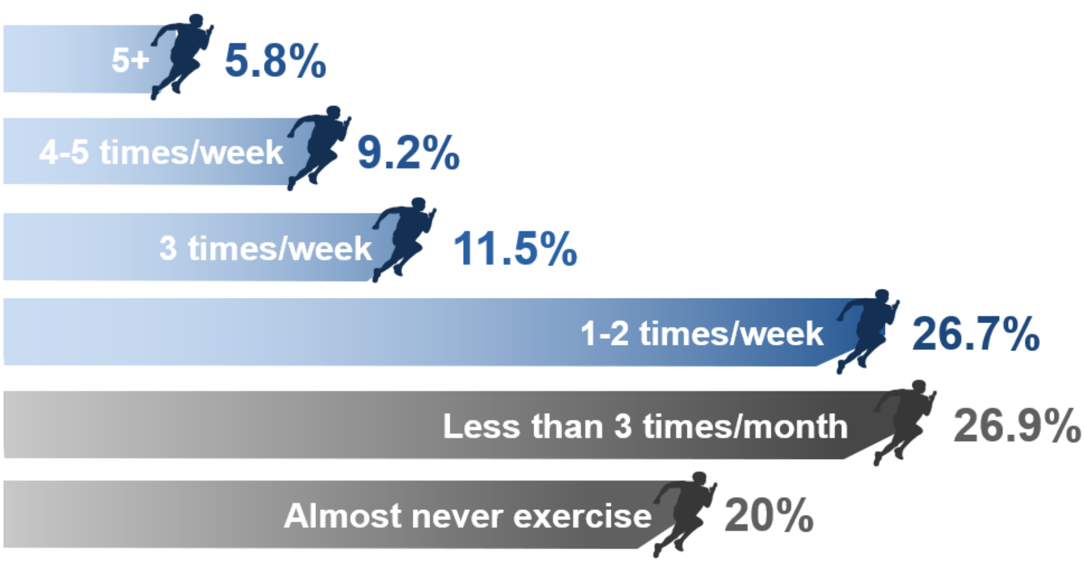
The survey answers two main questions: one, what is the perceived importance of fitness and exercise; two, what forms of exercise do Chinese prefer. The data collected stems from 1,354 respondents, 85.8% of them between 18 and 24, and 88.5% of them being women. Therefore, this survey is not necessarily representative of the Chinese population as a whole, it gives a sense of exercise habits of young Chinese adults, especially women, which is often the target market of fitness brands.

Through this survey, we found that the respondents view exercise as important, but there is room for their habits to further develop, in terms of length of time exercising and engagement. Our Chinese respondents prefer to exercise alone and often outdoors. Also, they prefer convenient and low-cost activities like running and walking outside. Despite having a huge fitness market, expenditure per capita is still low. So it is not surprising that compared with western countries, both gym memberships and advanced fitness nutritional supplements like protein powder and creatine powder are consumed less in China. However, the trajectory is clear that increasingly more Chinese take interest in exercise and are joining the fitness economy.

How important is exercise to you?



How often do you exercise?

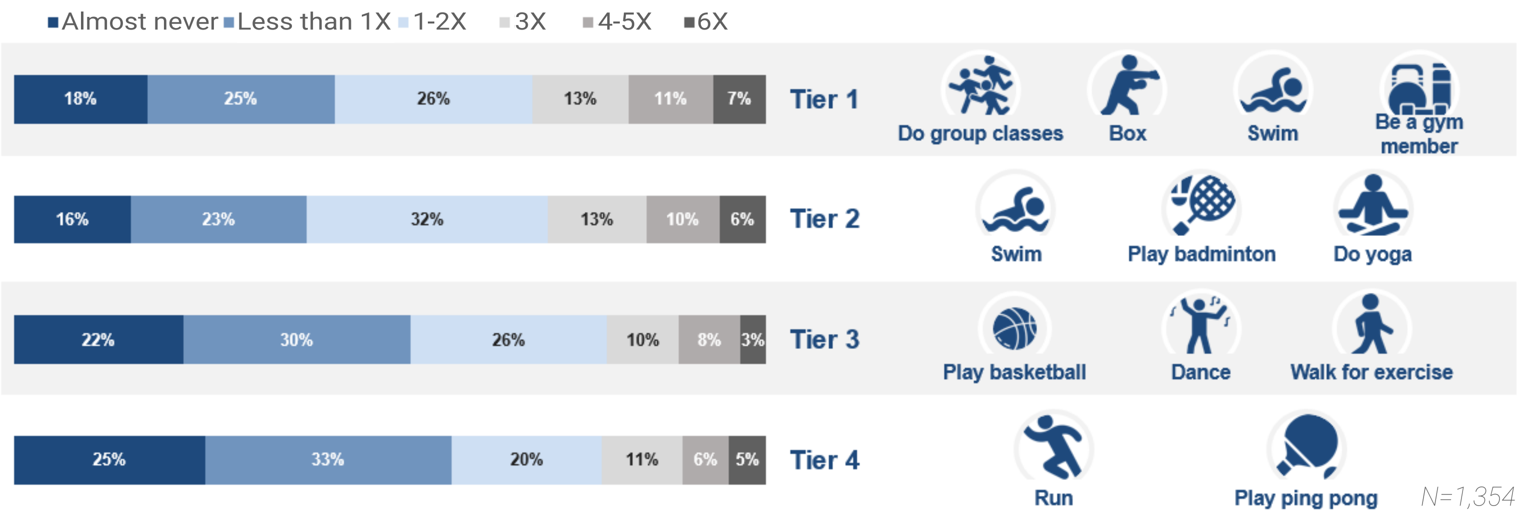


N=1,354

City-tier distribution and workout habits

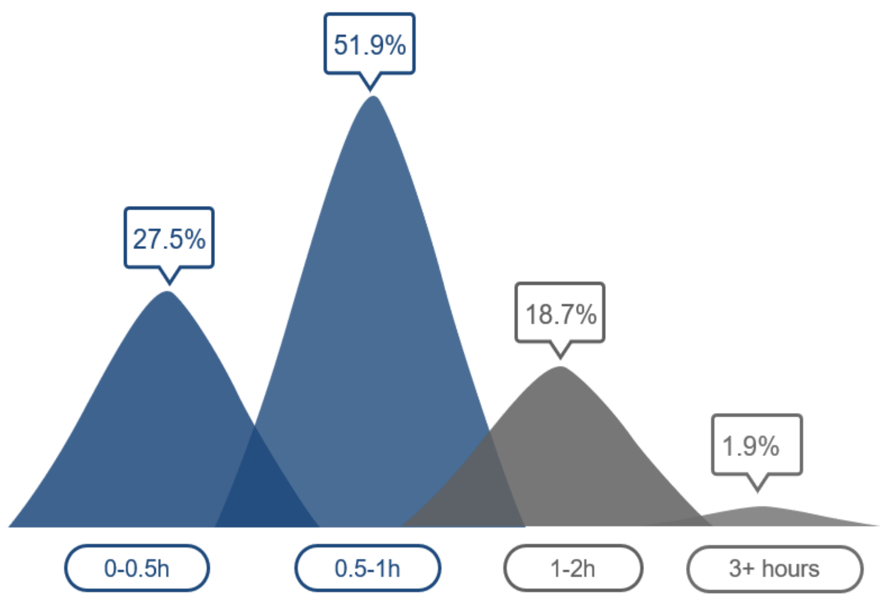
- Overall, respondents from lower tier cities workout less frequently than the tier-1 and 2 counterpart.
- Tier-1 and 2 city respondents were more likely to exercise 3+ times a week.

How often those from different tier-cities workout on a weekly bases | **Those in these cities were more likely to...**



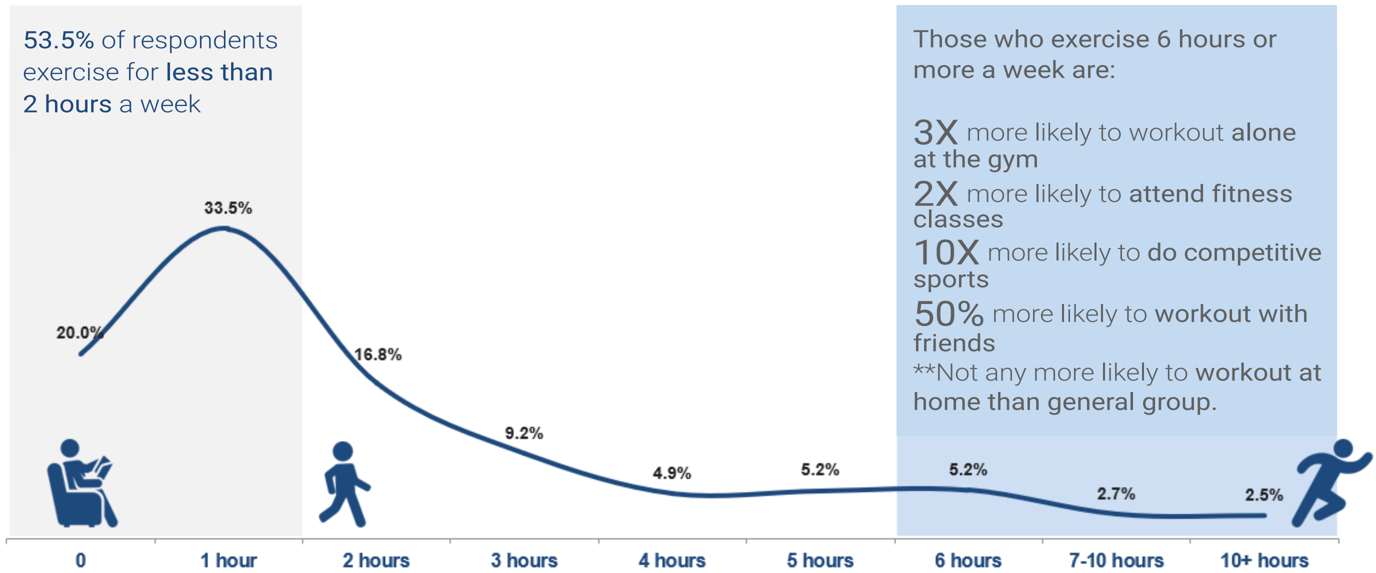
N=1,354

How long, on average, are your workouts?



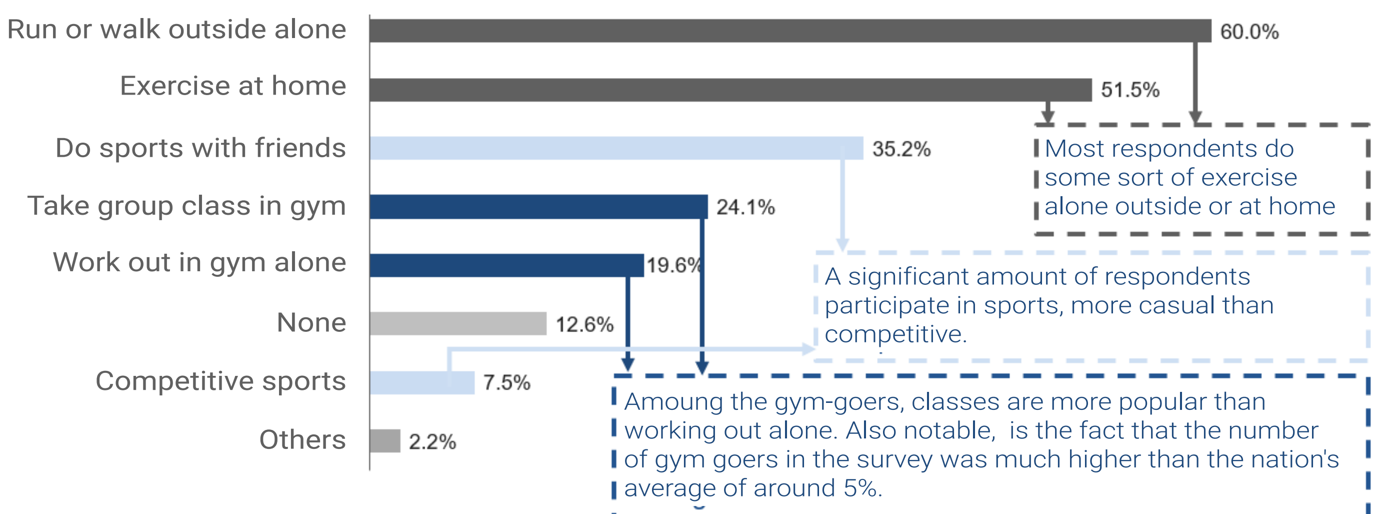
N = 1083, question only applies to those who workout on a monthly basis

How many hours a week do our respondents workout?



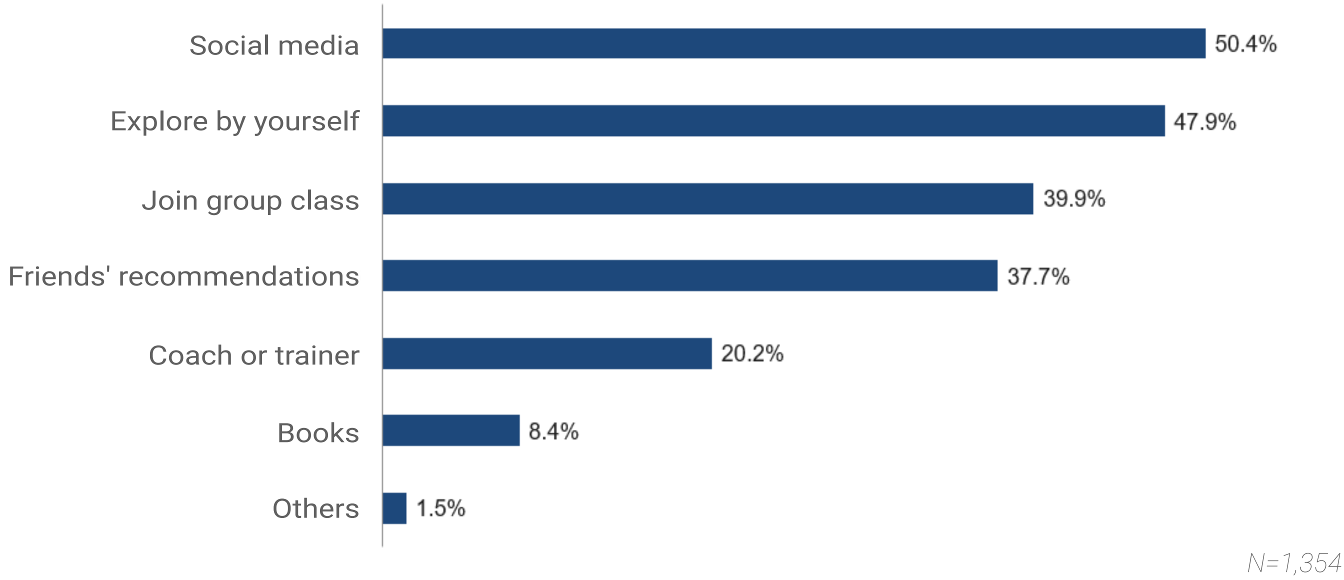
N=1,354

What exercises do you do? (Choose all that apply)

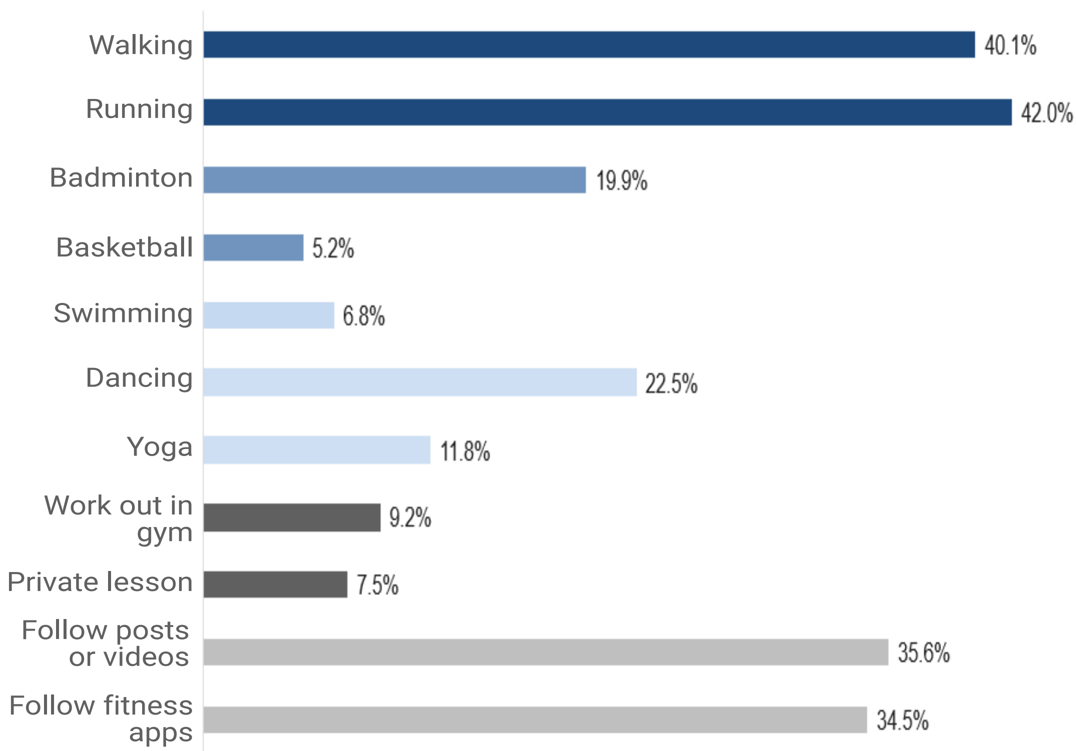


N=1,354

How do you learn about workouts?



What exercise do you do currently?



Running & walking is the most basic exercise done by most people

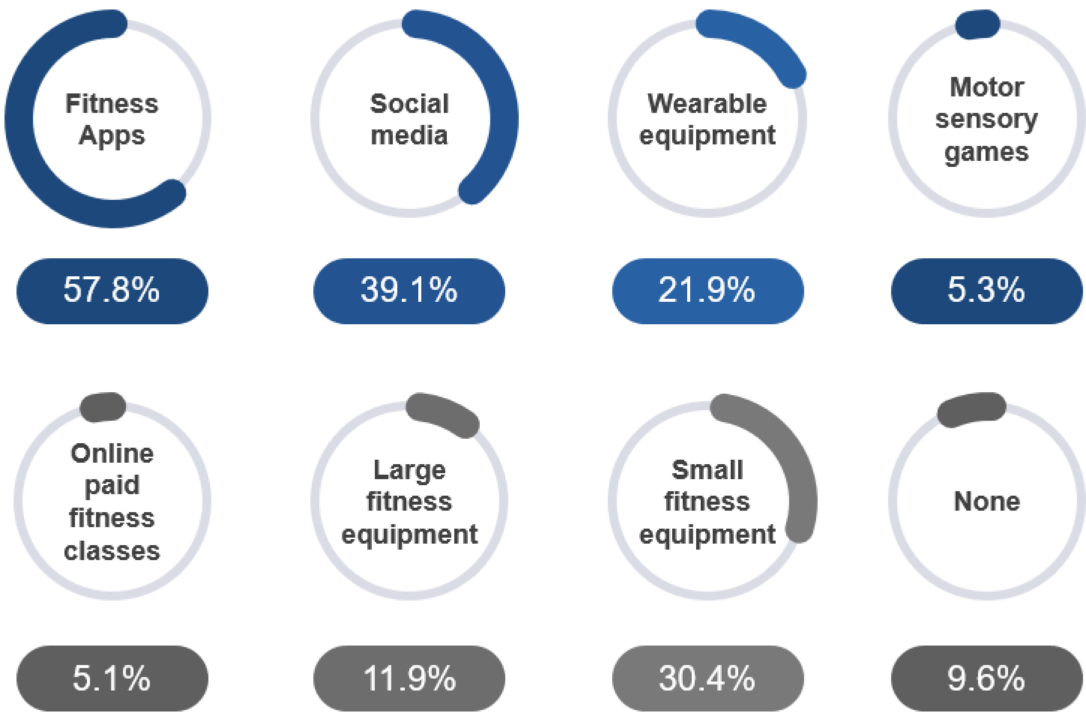
Sports like Basketball are relatively less popular among our respondents, likely due to lower number of male respondents.

The number of **gym goers** in the survey was hgither than the nation's average of around 5%.

Social media & apps are key to reaching Chinese exercisers

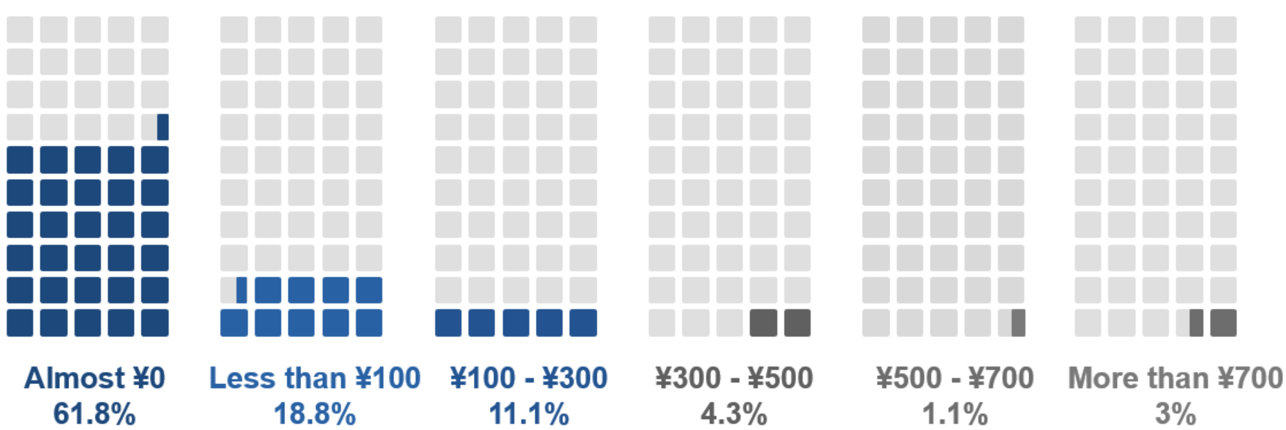
N=1,354

Which equipment or app do you possess and use?



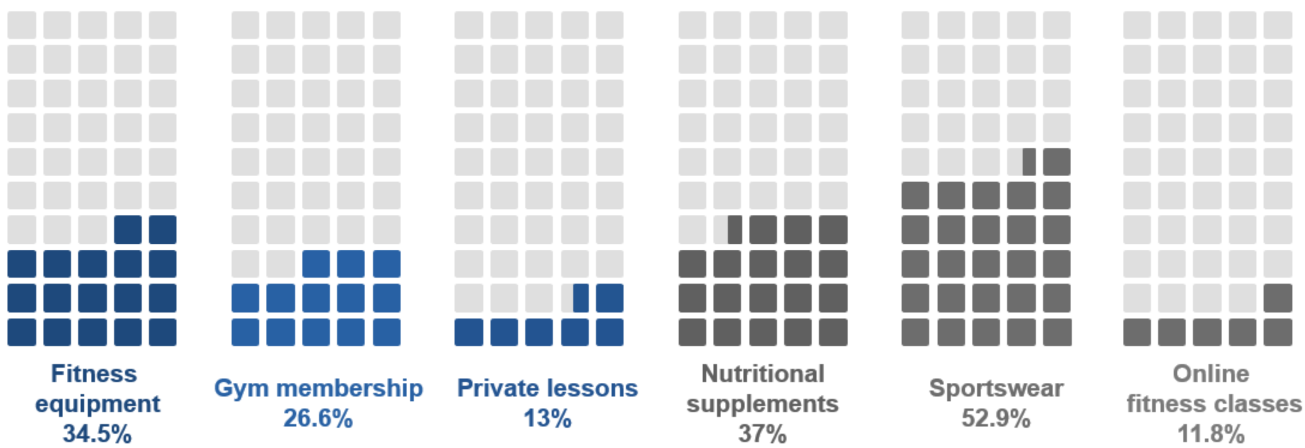
N=1,083 Choose all that apply

How much money do you spend on fitness a month?



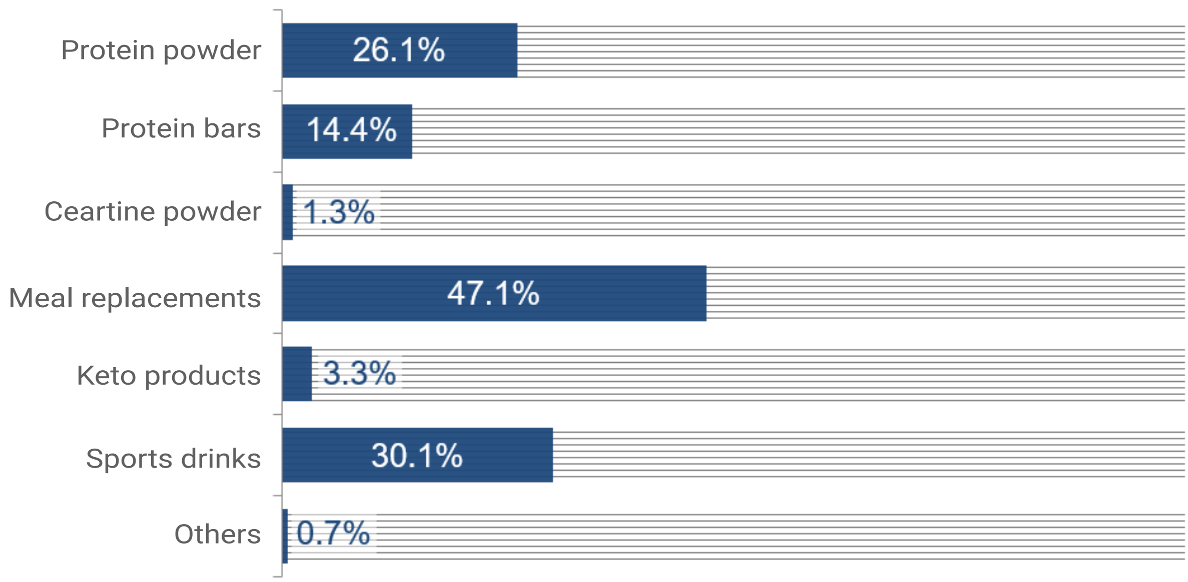
N=1,354

What fitness-related products do you spend money on?



N=1,083 Choose all thN=565 Question only applies to those who spend money on fitnessat apply

What fitness nutritional products do you consume currently?



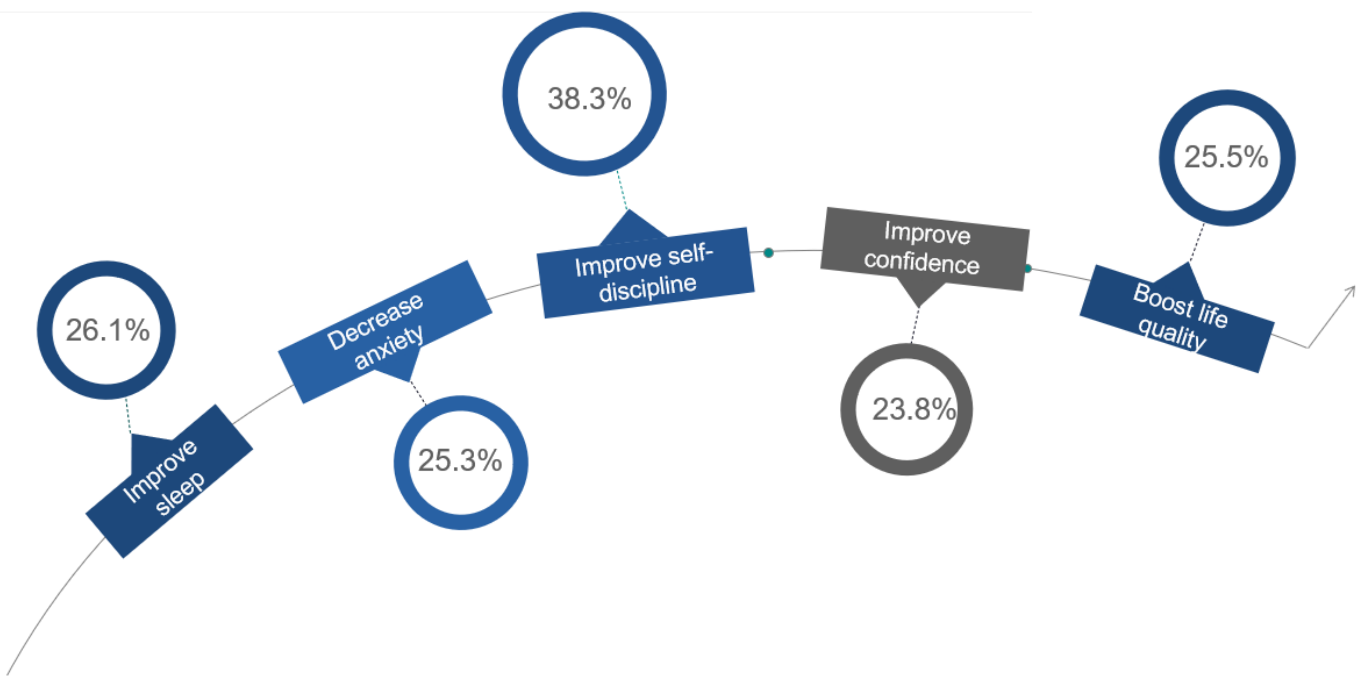
N=1083, question only applies to those who spend money on fitness

What fitness KOLs/ social media do you use for fitness?

Size of word corresponds to more mentions, blue for platforms and grey for KOLs.

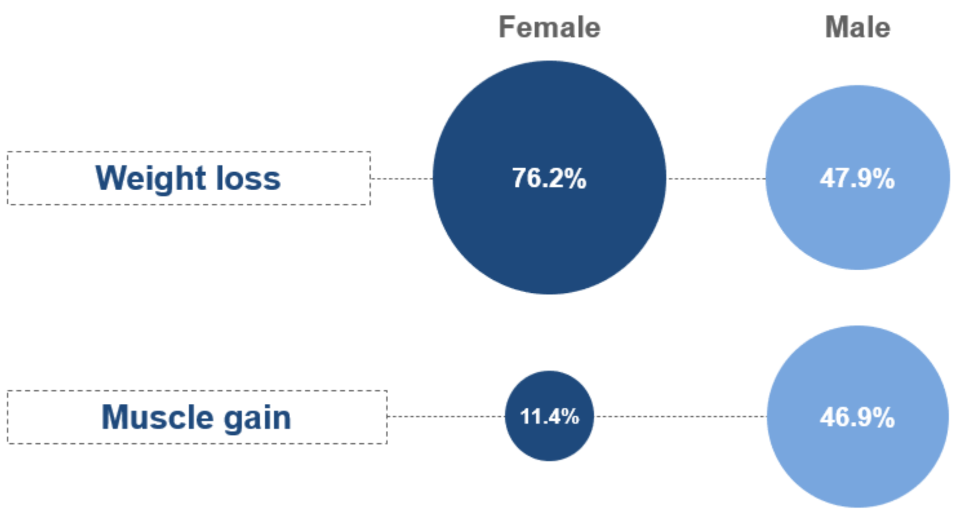
N=292, question only applied to those who say they use social media for fitness

Reasons Chinese respondents work out



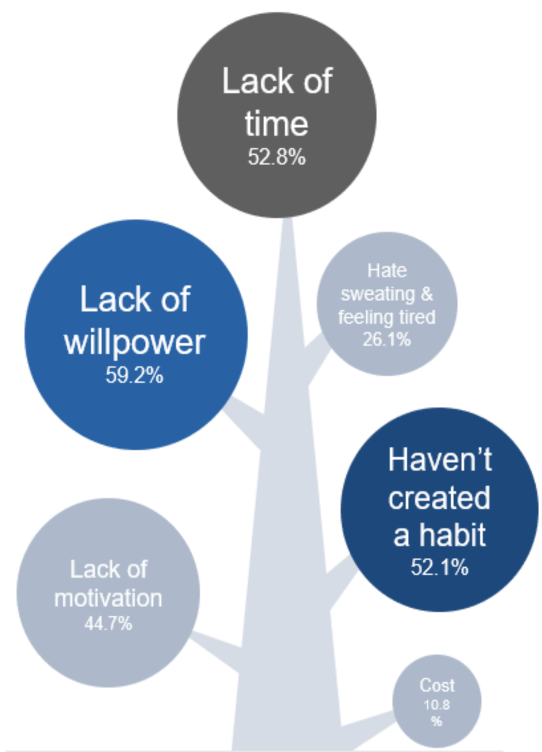
N=1,354

Gender comparison: exercise for losing weight and muscle gaining



N=1,083 Multiple choice

What barriers do you face in your fitness goals?



N=1,354

Trending fitness activities

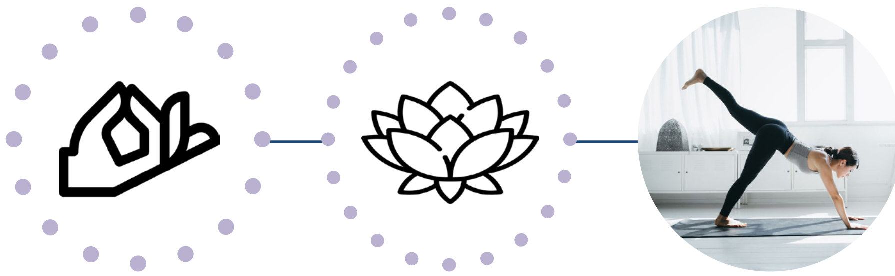
Yoga and boxing

The two increasingly popular activities of yoga and boxing represent a larger premiumization trend in China's fitness consumption. Both sports require added equipment consumption and pricey membership or lesson fees, along with more experienced or even licensed coaching, and are often 'add-ons' to standard gym memberships. In the future we can expect yoga, boxing and other fitness trends to trickle down into lower-tier cities, reaching more consumers as disposable income increases.

Trend #1: Yoga

Tier-1 are fostering a growing yoga culture bolstered by fitness digitalization

The annual revenue of the yoga market in China reached 25.4 billion yuan in 2017 and was projected to reach 46.8 billion yuan in 2020. Sales of yoga-related products, such as yoga apparel, mats, and other equipment, as well as yoga courses drive the market growth.



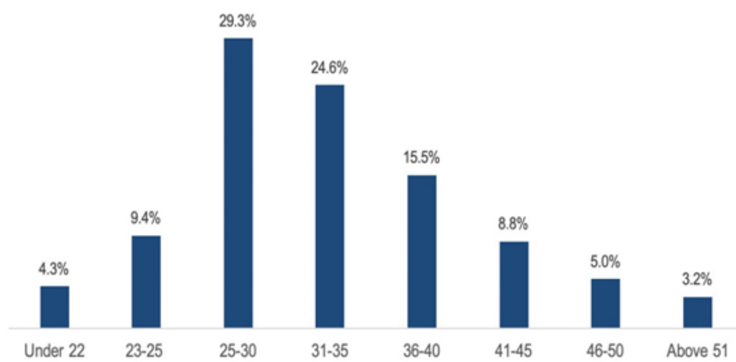
The per-customer spending on yoga products and services is low

Though most gyms and fitness clubs in China offer yoga courses and services, the per-customer spending on offline yoga classes is limited. Some large and medium-sized fitness clubs offer free yoga classes to attract more store traffic to convert to memberships, which they then up-sell personal training classes.

In 2018, the total amount of spending of offline yoga courses (68.9%) was higher than that of online courses (31.1%). However, after the global COVID-19 pandemic which pushed China's fitness industry further online, Chinese yogis have become more inclined to take digital classes. Moreover, given the nature of yoga, many customers prefer to undertake yoga exercises at home following the guidance of fitness APPs like KEEP. What's more, many large companies are starting to provide employees with in-house free yoga classes as employee benefit. These factors open the yoga market to a wider range of consumers.

> "*__Cost-effectiveness__ and __social networking__ are the key decision-making factors for mid-market yoga consumers. But this is not the case in the premium market.*"

Age distribution of yoga practitioners in China



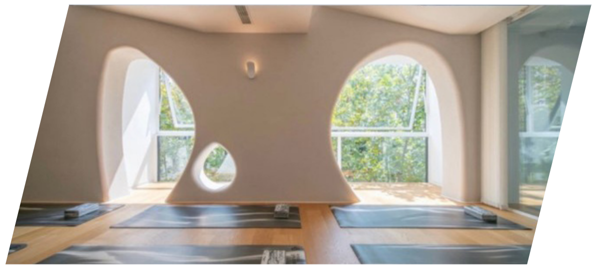
Source: Chinabaogao.com

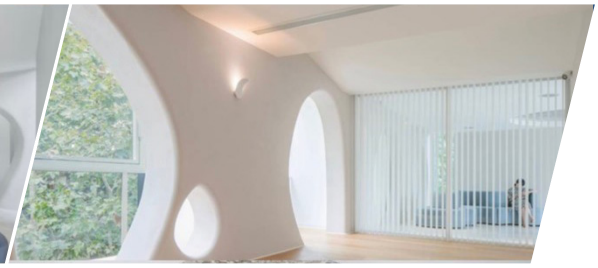
Customer segmentations of the Chinese yoga market

In general, Chinese women are more likely to undertake light exercises such as walking or yoga than men. Yoga studios are concentrated in tier-1 and tier-2 cities, with Beijing, Shanghai, and Chengdu leading the number of yoga studios in China. Accordingly, 65.8% of Chinese yoga practitioners are in tier-1 and tier-2 cities.

According to insights from a Lululemon sales assistant in China, in traditional yoga studios, which offer free or affordable courses for the mass market, the majority of consumers are women in their 30s and 40s. "They are yoga lovers and attend yoga classes for self-help as well as social needs, and tend to hang out in groups and treat yoga as a social activity." Hence, she finds word-of-mouth marketing to be effective among this group of consumers.

> “ ***Premium experience*** and ***expertise of trainers*** are the major decision-making factors.





Source: Dazhong Dianping Mobile App., A premium speciality yoga studio in Shanghai

The premium yoga market in China

In premium yoga/pilates studios, which offer specialty yoga courses, the consumer base shows a wider gender range. From our discussion with the Lululemon sales assistant, we learned men and women in their 30-40s with high disposable income are the core premium yoga clients. It’s worth pointing out that only in more premium yoga studios that male consumers are present and they are mostly medium to high income.

The price for one premium yoga class is normally between 200-400RMB, and some go up to 800RMB. The facilities, environment, and trainers in high-class yoga studios are better, and the offerings are more diverse as well.

Some studios will offer trainers with certified yoga coach training courses. High-end consumers tend to buy one-on-one classes and are also consumers of expensive yoga clothes and yoga mats.

Prospects of the yoga market in China

In a fast-paced society with a culture for low-indulgence, yoga is still enjoyed by a minority of the population with disposable income. Among the population of yogis, there are customer segments with distinctive needs. Hence, it requires different sets of knowledge and skills from businesses in the China’s yoga market to tackle the target segments. As the market gets more competitive, it remains clear that future battleground will demand comprehensive solutions rather than cheap prices.

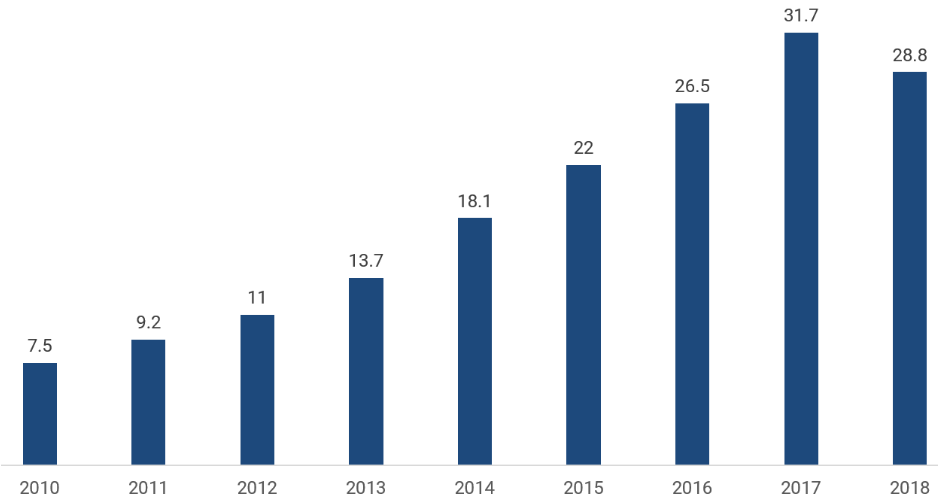
Trend #2: Boxing

The rising Chinese boxing market and the women driving it

With the changes in Chinese fitness consumer groups and improved spending power, increasingly more people choose niche sports such as boxing to satisfy their diverse fitness needs. Although there is still a big gap in the recognition and participation of boxing compared with western countries, thanks to large population base in China, boxing market in China is still promising. The size of the Chinese boxing market was 322 billion yuan in 2017 and is predicted to reach 856 billion yuan in 2022.

Especially in tier 1 cities like Beijing and Shanghai, the number of boxing gyms is increasing rapidly, and people who do boxing in these cities have high willingness-to-pay for this sport. For example, in the annual consumption of Beijing fitness boxing members is more than 20,000 yuan.

The Chinese boxing market size
(Billion Yuan)



Source: Intelligence research group, The development trend of Chinese boxing industry from 2010 to 2018

Two main kinds of boxing gyms in China

Source: WeChat public account of Roman X-T group training class

1) Urban boxing gyms

Target consumer group: White collars with spending power who regard boxing as a hobby for stress reduction and fitness.

Features: The technical expertise of these boxing gyms is relatively low. However, the environment, social atmosphere and service quality is one of the main factors attracting clients.

Locations: Usually in tier-1 or 2 cities' business districts or high-end residential areas

Prices: Due to the high rent and various operating costs, the fees are also high, annual memberships range from 5,000 RMB to 12,000 RMB.

2) Professional boxing gyms

Target consumer group: Athletes interested in professional boxing for a career or a life-passion.

Features: The purpose of the professional boxing gym is to train professional boxers, even boxing champions, to participate in competitions. These gym have a rigorous training system, with high training intensity, and strict requirements for boxers. Some boxing gyms even provide board and lodging so that full-time or part-time athletes can devote themselves to boxing training.

Locations: These boxing gym do not have very high environmental requirements, and due to cost-saving reasons, most of the locations are selected in relatively remote areas.

Prices: Tuition-based payment system, the boxing gym also may share part of the commission from the students' appearances if they compete professionally.

Source: DianPing (大众点评), Aboro Academy boxing gym

While the fitness boxing consumer market is made up of urban boxing gyms, it is the professional boxing gyms that drive the market of boxing viewership.

As boxing gets more popular, standard gyms are fighting for their share in the market. 2019-2020 White Paper on the Development of China's Gym Market published by Deloitte indicated that the top gyms such as PHYSICAL, INGYM, etc. equip themselves with boxing facilities to better satisfy customers' diverse fitness needs. But the boxing coaches in fitness gym are not exclusive to boxing; they also teach other kinds of exercise and are reported to be less professional by gym members.

In addition, the area of smaller gyms like for private training studio is usually between 100-200 square meters. They don't have enough space to build a high-quality boxing training ring. However, for targeting casual athletes, or those just starting out, offering additional boxing classes to a standard gym is one way to retain clients while offering something extra.

Why boxing is getting popular in China, especially among women

The growth of female boxers in China is estimated as one of the main driving forces for the market. Figures from Tmall show that the sales of boxing gloves for women increased by 75 percent between 2017 and 2018. A report released by the retail firm Suning shows that the annual purchases of boxing gloves by female shoppers skyrocketed 354 percent compared to 2018. In Beijing, the proportion of female boxers is 50%, and is increasing. The next question is what attracts so many Chinese women to boxing?

Boxing is an efficient method of weight loss

Although the mainstream aesthetic of Chinese society has become more diversified, "pale", "young", and "thin" might still be China's beauty standards for women. In our survey on fitness habits in China, 76.2% of the female participants exercising for the purpose of losing weight. In our survey on health perceptions in China, 74.8% of the women believe they need to lose weight because of aesthetic considerations.

As boxing is a highly efficient sport for losing weight, many Chinese women are finding the traditionally masculine sport is the solution to their body goals. Huang Wensi, a professional Chinese boxer who won the Asia Female Continental Super Flyweight Championship gold belt in 2018, says boxing is "the best fat-burning exercise for office workers". Data shows that about 45 minutes of boxing can consume 500 to 800 calories. "Focusing specifically on punching, ducking and foot movement, these exercises will improve reaction times and coordination as well as help people to tone up," the 31-year-old says, adding that "punching really sculpts your arms and shoulders".

Also, compared with other aerobic exercises like running or rope skipping, boxing is much more intellectually stimulating. Although many casual boxers never enter a real match, training with coaches still causes athletes to switch up their routine, hasten their reflexes, and especially at first, constantly learn new moves.

Female celebrity endorsements

Xie Na, one of the most famous TV hosts in China, showed her figure on social media after three months of working out, including boxing. One reason Xie Na says she chose boxing was to lose weight.

The other reason for this was she wanted to better protect her babies. "Once I knelt and picked up the baby. I didn't expect that I suddenly lost my strength and fell backwards, so I tightly guarded the baby in front and fell to the ground", said by Xie Na during a TV show. To prevent such a horrible thing happening again, Xie Na started boxing. Chinese netizens were moved by her love for her children, and were also astonished by what a huge difference that boxing could bring to one's figure in a such short period.

Source: Chinese famous TV host Xie Na doing boxing

Boxing brings a sense of security to Chinese women

One way women achieve security is by having a stronger body. A considerable number of Chinese women choose to achieve this through boxing. Boxing can help improve coordination of the body and shorten the reaction time of the brain. In all, it can enhance the explosive power of the human body. All these make Chinese women feel more secure in the face dangerous situations.

In addition, more women joining boxing is a sign which shows the development of gender equality in China. Boxing was once regarded as a sport only men could do. But nowadays, Chinese females not only have the chance to try and join this sport without any judgement, but also bring a huge influence on Chinese boxing market, letting their needs being heard and seriously considered.

Take-aways for the boxing market in China

- China's boxing consumers are mainly located in high-tier cities.
- Most novice boxers start in their local gym, then may join a boxing gym later. Additionally, there are professional facilities for training professional athletes. Many of these athletes become coaches are more casual facilities later in life.
- Women are a growing target consumer base of boxing in China. Many women do the sport to lose weight, and female celebrities have boosted the public's interest in the sport by showing their health progress from boxing.
- China's boxing market is growing fast, and is due to expand into lower tier cities.

The digital future of Chinese gyms

KEEP and SUPERMONKEY brands study

Traditional brick-and-mortar gyms in China are increasingly struggling to make ends meet. At the same time, China's fitness industry is becoming more digital with new-retail stores and offline apps, and more flexible by allowing consumers to attend classes they want without annual membership fees. As conventional gyms in China will slowly be replaced, gyms and various exercises offered online and offline with the help of technology will take its place.

Comparison of main business models in China's fitness industry

Type	Business model	Pros	Cons	Prime examples
Traditional fitness gym	"Annual card + private lessons," comprehensive fitness services, rich in experience and resources	Comprehensive facilities and service, private training	Price, low retention rate of coaches, less value on customer experience	Will's gym, Tera Wellness
Private fitness studio	Mainly set up by coaches and others with broad customer network, small business scale	Personalized and quality courses, one-to-one service, high customer retention rate	Small scale, less management experience, over-reliant on coaches' resources	Onefit, Rosejay
"New-style" gyms	Diversified business model, monthly/pay-per-use cards retail, innovative	Low barriers to entry, high market penetration, high sales per square foot	Small scale, profitability yet to be observed	SUPERMONKEY, Lefit
Online content & social platform	"One stop shop" fitness solutions, gradually infiltrate offline	Traffic, reduces consumer barriers to enjoying fitness	Competition, profitability yet to be improved	Keep, Fittime

Source: Guotai Securities

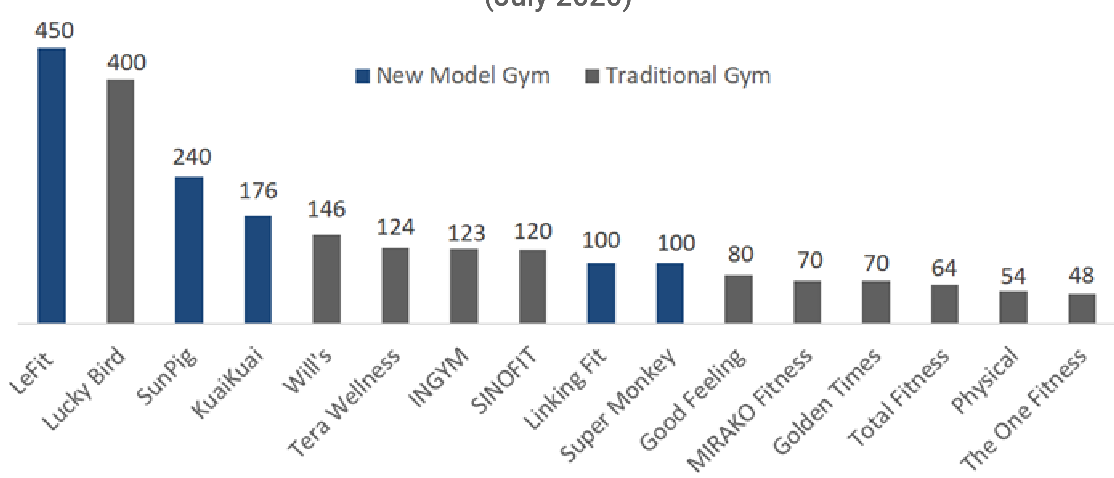
Female celebrity endorsements

Traditional gyms in China have predominantly operated on maintaining heavy assets business model which allows them to operate in one city as their headquarters and its neighboring cities as expansion. This process is slow and expensive.

Additionally, traditional gyms tend to have poor customer service as most trainers double as salesmen dependent on commission. Rather than having monthly memberships or flexible pay-per-class options, gyms sold one to five years' of membership at once. In contrast, new-model gyms like LeFit have differentiated themselves by using a light-asset model, franchising and digitized their services, propelling them to faster growth and expansion across China.

In May 2019, the monthly active user of China's fitness apps reached 64.2 million according to Quest Mobile, which is only around 4 million fewer than the number gym members in the country. On top of this, the outbreak of COVID-19 in China compelled Chinese people to stay at home, promoting more online fitness apps usage. Two of these fitness apps that stand out in China's tier-1 cities are KEEP and Supermonkey.

Number of stores of leading gyms in China (July 2020)



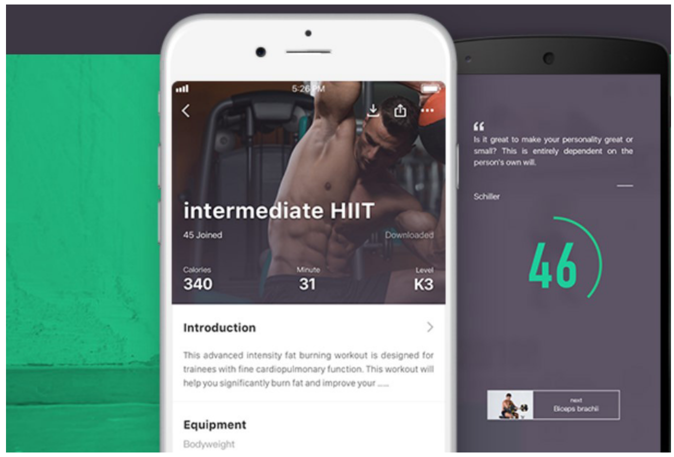
Source: 2019-2020 China Health and Fitness Market White Paper, Deloitte

Brand #1: Keep

A fully online Chinese fitness company

Keep is provides users with exercise monitoring and guidance, instagram-like social networking, sports equipment sales and nutrition advising. After launching in February 2015, the Chinese fitness app has accelerated the industrial transformation of online fitness. In the beginning of 2020, Keep raised 80 million dollars in its series E financing, totally obtained 254 million dollars investment in its series A, B, C, D and E financing. Keep became China's first tech-sport company having obtained 5 turns investment.

Quest Mobile's data also shows Keep's MAU reached 24.5 million in September 2019, dominating China's online fitness market. Keep's initial product positioning was to create an online playground that was more than just a gym. Here, users can participate in any form of exercise, and bond with fitness partners through social networking. Now its business is covering online sports app, sports products sales and Keepland offline fitness club.



Source: Keep app

Who are "Keepers"? Keep's target user group

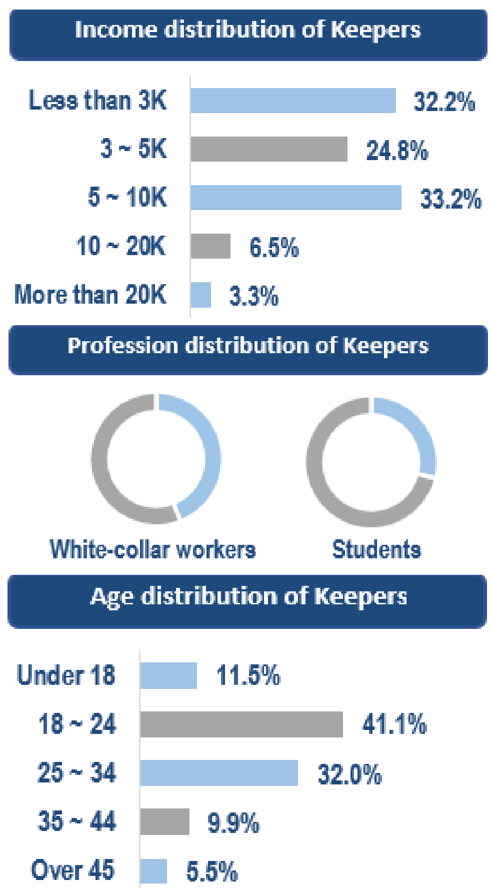
Keep's target users are fitness newcomers, who may be urban white-collar workers and college students. Geographically, the Chinese fitness app has a clear focus on young people in tier 1 and tier 2 cities. They are more susceptible to have a strong willingness to work out because of their stressful daily work and irregular lifestyle. As for gender distribution, Keep has more female users than male users: 51.2% female users, 48.8% male users. Keepers are generally young, with more than half of them are under 25. In terms of income, keepers are concentrated in the low-income range of 5,000 to 10,000 RMB per month. And 37.4% of keepers have bachelor's or master's degrees and above.

Exercise behavior analysis of Keepers

In January 2020, Keep released the National Sports Life Report, and Keepers have shown amazing enthusiasm and engagement. The report analyzed the exercise behavior preferences of the over 200 million Keep users. Keepers have accumulated a total of 22.4 billion minutes of exercise. On average, they work out 4.6 times per week, with each workout lasting 20 minutes. 62.2% of Keepers like exercising from 8 to 11PM after work.

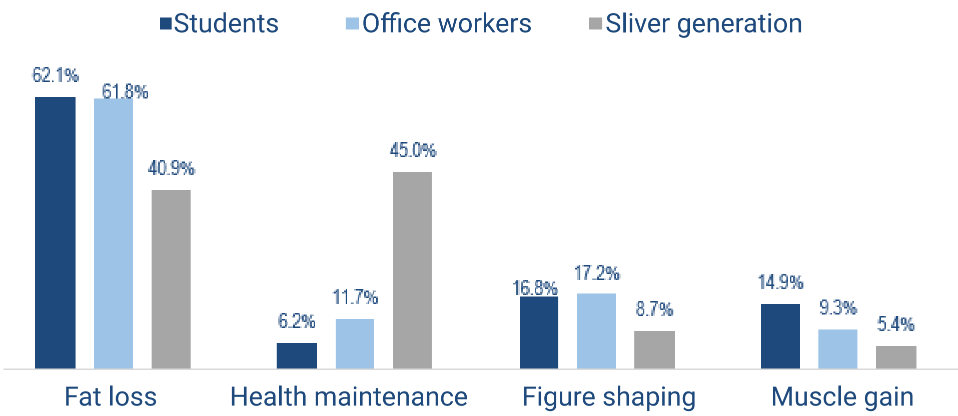
There are also geographical differences. Users from tier 1 cities like Beijing, Shanghai, Guangzhou, Chengdu and Shenzhen significantly exercise more than those in other cities. As for fitness spending, keepers spend an average of $126 per month. 90s and 00s are more willing to invest in themselves, and women spend more than men.

Age groups is also a factor in exercise preferences. For instance, while students and office workers aim for to lose weight and get in shape, the silver-generation lays emphasis on simply maintaining health.



Source: Zcool

Workout preferences of Keep users



Source: Keep, workout preferences across generations in Keep

Users of different age groups like different workouts. Students like squats, office workers like planks, and silver generation likes wall squats. But for the majority of keepers, abdominal muscles are the most popular muscle group to train.

Keep's business model for turning user traffic into profit

Source: Keep, membership promotion pack and in-app store

Keep gets monetary return in four ways: e-commerce, paid courses, memberships, and advertising.

Keep launched the e-commerce function in version 3.0 released in April 2016. Currently, the Keep store has four self-branding categories, food, sports equipment, sports apparel and sports commodities. Keep's courses are geared towards different needs, with prices focused on ¥16.90 to ¥99.

By sharing professional fitness knowledge and inviting celebrities to participate, Keep's paid classes are well received by users. Keep adopts nudge marketing to promote their long-term memberships, by reducing membership price as duration goes, and the lowest price for one month is ¥9. After opening the membership, users can enjoy customized courses and exclusive training plans. With advertising partnerships with famous brands such as Volvo, SKECHERS and Adidas, Keep can also generate a significant amount of profit.

Selling fitness equipment is Keep's largest revenue generator. Aimed at the urban and family users, Keep has developed smart sports equipment. Its star product is the Keep treadmill, which is networked to Keep's cloud and uploads data in real time. Around its user demographic, Keep developed many products, including smart body-fat scale, sports apparel, equipment, and supplies. Now Keep's products have covered users' four scenarios of eating, wearing, using and practicing.

Brand #2: SUPERMONEY

How SUPERMONKEY brings the new retail trend to the fitness industry?

Founded in 2014, the SUPERMONKEY gym chain started out as a 24-hour self-served gym box in Shenzhen. Within a year, it offered group class studios and expanded to Shanghai and Beijing in 2016 and 2018, respectively. To date, SUPERMONKEY owns more than 150 physical stores in prime areas of nine major cities across China, including Guangzhou, Nanjing, Hangzhou, and Wuhan, and it has accumulated more than 300,000 paid users.

Unlike traditional gyms with annual membership fees, SUPERMONKEY gym brands itself as a low commitment fitness center that is easily accessible through their WeChat mini program and convenient locations. It offers over 100 high-quality group classes divided into six main categories: slimming and shaping, boxing and dance, yoga and Pilates, regeneration, performance enhancement, and children's development.

Moreover, SUPERMONKEY bought the rights to Les Mills, which has already existing fitness class curriculums and equipment. SUPERMONKEY instructors get certified in Les Mills to teach those classes.

One of the most important contributing factors to SUPERMONKEY's strong brand identity is its distinguishable and coherent store design. The theme of bright yellow and black evokes feelings of vitality, energy, and cheer, which are all suitable for the fitness industry.

Source: photoshot of SUPERMONKEY fitness course

Source: photoshot ot SUPERMONKEY MId-night fitness party

Reshaping the fitness industry in China with WeChat mini-programs and a retail model

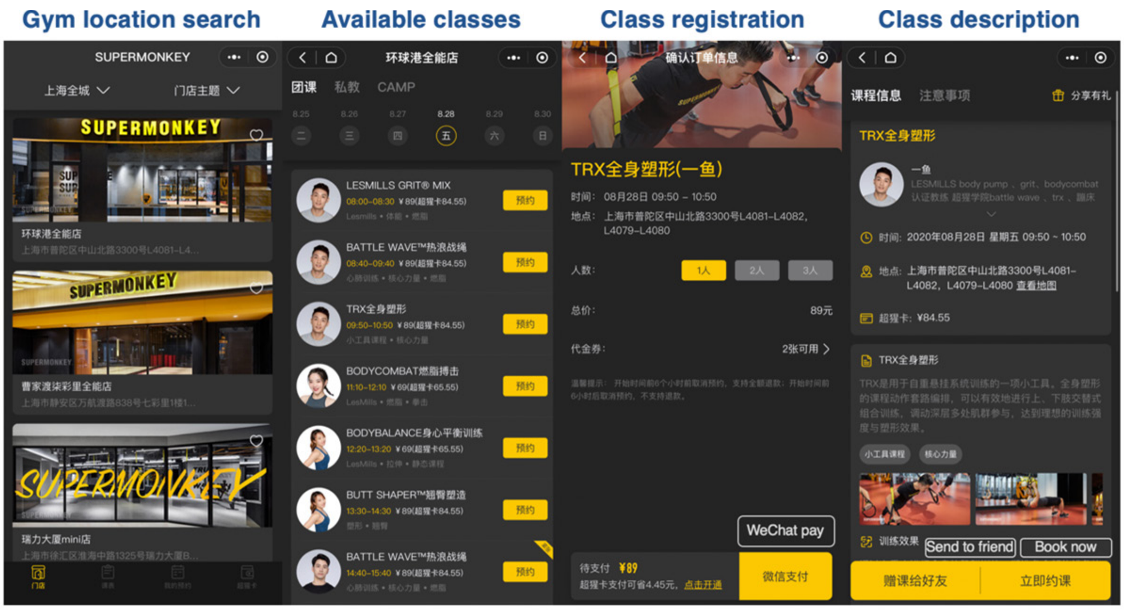
WeChat mini-programs as the primary platform for class bookings

In 2018, among all social media platforms in China, WeChat had the highest number of monthly active users (MAU) at over 1 billion. WeChat mini programs are effective for SUPERMONKEY as it offers a user-friendly experience and has an easier registration process for members. Users are able to book a class instantly without membership commitment, and this shift towards a more retail model in the fitness industry in China focuses on customers' freedom and breaks away from traditional fitness centers where annual cards are common.

SUPERMONKEY's WeChat mini program is conveniently integrated with the brand's WeChat official account. Any WeChat user is able to access the mini program within a few clicks without any registration process. It displays the available group classes that range from 69 RMB to 159 RMB.

The mini program serves the brand well for its automation and self-serve processes. It notifies gym-goers two hours in advance and a 6-digit access code to the gym is sent ten minutes prior to the class. Users scan a QR code provided by the trainer to sign in to the class.

User interfaces of SUPERMONKEY WeChat mini program



Source: SUPERMONKEY WeChat

WeChat in-app marketing is effective for capturing user interest post-workout

After a class is finished, SUPERMONKEY pushes mini program notifications to users and further engages with them, such as a feedback survey rating the class and the trainer, user ranking of time spent on exercising, and a link to class picture that easily allows users to share on WeChat moments. Thus, for brands, WeChat mini programs have an advantage over separate APPs as development costs and user downloads can be avoided and marketing activities can be conducted easily.

All within WeChat, the brand can push new coupons and classes to users. WeChat not only is a powerful tool in terms of fulfilling the gym's automation processes, but it is easy for the brand to get their name out through word-of-mouth strategy, which constitutes 80% of their user origin.

A retail model to sell a fitness service

SUPERMONKEY's studios have no front desk or admins, meaning it is completely self-served except for the courses led by trainers. Also with no lockerrooms, the brand is able to make use of its real estate on what really makes it profitable: classes.

Each SUPERMONKEY studio runs from 6AM to 11PM typically, and the average daily classes is around 10-12, with each lasting about an hour. Their group classes range from 20-50 people. According to the founder, the company uses different prices to distinguish user needs at different time periods.

What brands can learn from SUPERMONKEY's market strategy

More young people in China are willing to pay a premium for new experiences, which include shaping their bodies and obtaining better health. SUPERMONKEY as a "new-style" gym in China responds well to changing consumer demands and aims to be a brand that combines fitness and lifestyle. With their convenient store locations and a quick booking system, SUPERMONKEY's retail model allows for high capacity of the flow of people. Such "new-style" gyms in China have deemed to be popular amongst consumers, but there are challenges to overcome with this new model and it is yet to be explored in China. However, one thing is clear: Chinese people are paying more attention to their health than ever before.

Section III: About daxue consulting

Beijing | Shanghai | Hong Kong

Daxue Consulting is a market research and management consulting firm focusing on the Chinese market. We leverage a multiple-methodology approach in order to support clients' needs, combining traditional methodologies with technology-driven tools. Our commitment to understanding clients' challenges and base all our recommendations on data have convinced more than 200 clients to work with us and come back to us for new research projects.

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Daxue's approach

RESEARCH 调研 — *as the base for* → **CONSULTING** 咨询

RESEARCH 调研

IN-HOUSE ORGANIZED
We do not outsource

TRADITIONAL METHODOLOGIES
Interviews, cold calls, focus groups, surveys, and etc.

SOFTWARES AND TOOLS
3rd-party software and in-house built scrapping tools

ACCESS COUNTRY-WIDE
Able to run research across all layers of population

MASSIVE
Data-driven and cross-checking from many angles

CONSULTING 咨询

RESEARCH-DRIVEN
Consulting backed up by massive research

AGILE
Market discovery -> market validation -> market entry

COLLABORATIVE
We encourage frequent meetings and workshops with our clients

TRANSPARENT
Full insights into our work with frequent intermediate updates

INDUSTRY PARTNER NETWORK
Built-up over 350+ projects and 100+ podcasts

CROSS-CULTURAL UNDERSTANDING
Mix of foreign-educated Chinese and China-educated foreigners

Our history

2 people — 8 people — 16 people — 30+ people

2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

2012 Beijing

2014 Shanghai (new HQ)

2020 Vietnam, Korea, and USA representative offices

Our APAC network

A research and consulting firm headquartered in China, with an Asia-focus and a presence on three continents.

Meet our project leaders

Li Lu
Senior consultant
Grauduated from EM Strasbourg Business School
Experience leading projects in the sports industry

Yuwan Hu
Associate director
Graduated from University of Bourgogne and INSEEC
7 years global working experi-ence in market research field
Experience leading projects in cosmetics and the food & beverage industries

Mike Vinkenborg
Senior consultant
Grauduated from Rotterdam School of Management
Experience leading projects in the food & beverage industry

Our past and current clients

350+ clients with 600+ projects for the past 7 years

A recognized expertise on the Chinese market

Regularly featured and quoted in global publications

Our latest quotations in recent publications

The New York Times | TechInAsia | France Bleu

Le Temps | SBS News | Asia Weekly

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