

# **Year in Review: Top News in Chinese Disposable Hygiene Products**

## **Industry in 2017**

China National Household Paper Industry Association

In 2017, the market capacity of China disposable hygiene products industry continued to grow steadily with more fierce market competition. The high-end consumption trend, comprehensive implementation of the two-child policy and aging population have presented new opportunities for the China disposable hygiene products industry, which attracted a new round of investment and capacity expansion. Meanwhile, in order to maintain the competitiveness in China market, the multinationals have continued to increase imports of high-end products. Since the profit margins were squeezed by the changes of market landscape and rising prices of raw materials, the enterprises were forced to carry out R&D, innovation, equipment upgrade, and consumption reduction. A number of enterprises have stood out from the competition. Some enterprises began to develop and march into overseas markets in various ways.

**I.** The investment fever is in the ascendant. It is not achieved by copying the existing project simply, but by project upgrade instead.

1 The existing domestic hygiene product enterprises invested to expand capacity, upgrade technology and equipment, and introduce intelligent manufacturing.

On the basis of working as OEM for overseas brands, some enterprises like Cosom and U-play have begun to launch their own brands to the developed markets.

Hengan and other leading enterprises have started to explore the Southeast Asian market.

Some large pharmaceutical enterprises, textile enterprises and dairy enterprises outside the hygiene product industry, such as Mayinglong Pharm, Shuangfeiren Pharm and Beingmate, have entered into the disposable hygiene product industry with large investment projects and advanced technologies.

Some well-known brands in e-commerce and Wechat business channels have invested to build plants and started production on their own.

2 The existing projects of multinationals in China are progressing smoothly and there have been few new investments.

In 2017, the Kimberly-Clark's diaper production base in Tianjin was completed and put into operation. The Japan Daio Paper constructed a new diaper plant in Nantong Jiangsu and expanded the production capacity of current plant. P&G established the China digital innovation center in Guangzhou.

**II.** The high-end trend of disposable hygienic products continued with the upgraded products springing up one after another.

- 1 The upgrade of sanitary napkin products is mainly reflected in the air permeability, fitness and individualization. The natural materials are favored by consumers, while the tampon market is growing rapidly though with a small proportion.
- 2 Due to the customers' preference for imported baby diapers, the multinationals continued to import the high-end products, while the domestic brands strived to develop and upgrade products. The niche innovation and differentiated products have become the advantages in competition. The product quality of many domestic brands has reached and even exceeded that of multinational brands. However, the product stability needs to be further improved and the brand cultivation needs to be strengthened to gain the trust of consumers.
- 3 Adult diapers products are upgraded to achieve the air permeability, deodorization, wet indication and other functions.
- 4 The functions of wet wipes products are becoming more and more differentiated and diversified.

**III.** The raw material suppliers invested in production expansion to meet the growing market demands, and perform the customized R&D innovation to follow the high-end trend of products.

The suppliers of nonwovens, SAP, films, hot melt adhesives, closed systems, cores and packaging materials introduced the advanced equipment and enlarged production capacity to provide more materials with stable performance and high added value. And they are developing the natural and degradable materials.

**IV.** The overall level of homemade equipment has been improved, while that of the leading enterprises has reached the advanced international level. The customization, high-end orientation and differentiation are the development trends.

**V.** Tianjin Yiyi and Beijing Dayuan have been successfully listed on the National Equities Exchange and Quotations. Xiamen Yanjan has been officially listed on the Shenzhen Stock Exchange GEM. While the enterprises have set foot on the capital market, breaking through the capital bottleneck, their business management also has become more standard.

**VI.** The enterprises have actively tried the O2O, social marketing, Wechat business and other new marketing models to explore new retails. P&G, Hengan, Kidsyard, Daddybaby, LEO and other traditional enterprises have attempted the new marketing modes, and developed new marketing patterns. The brands in Wechat business like Care Daily have achieved remarkable results.

**VII.** In the first three quarters of 2017, the import volume and amount of disposable hygiene products continued to increase. And the overall growth was higher than that in the same period of 2016. The imported diaper products experienced the highest increase by 19.14% (the increase rate was 7.69% at the same period of 2016). The average price of imported sanitary napkins (including tampons) was increased significantly, which indicated the high-end trend of imported products and the increasing proportion of tampons. As the major import category, the total import volume of baby diapers accounted for 93.7% of disposable hygiene products and the total import amount accounted for 90.8%. Its increase rate of import volume was higher than that of the overall disposable hygiene products. Since the import tariff of diapers had been reduced to 0 in China from December 1 2017, the competition between the overseas brands and domestic brands of baby diapers become more intensified.

**VIII.** As the price of raw materials is still rising, the manufacturers are faced with greater operating pressure. So the enterprises need to increase income & benefit and reduce expenditure & cost through enterprise management to ensure the basic profit.