



# Cosmetics & Toiletries Market Overviews 2015

*Compiled by U.S. Commercial Service Hong Kong*



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## Comparison by Import Market Size and Market Entry

Country	Population (million)	Current GDP per Capita (US\$)	C&T Market Size (by import values) (US\$ million)	Import Duty Rate on C&T (%)	Regulations L=Labeling R=Registration CFS= Cert of free sale GMP= Cert of Good Mfg Practices V/S=VAT /Sales Tax, O=Other
Japan	127.1	37,800	13,874	0-5.4	L, O
Russia	142.47	24,800	13,500	13.5-15	L, R, CFS, V, O
China	1,355.7	12,900	11,881	6.5-10	L, R, V
South Korea	49.03	35,400	6,300	0-8	R, CGM, CFS, O
India	1,236.3	5,800	3,330	28.8	L
Australia	22.5	46,600	2,800	0	L, R, V/S
Turkey	81.6	19,600	2,250**	20	R, V/S
Thailand	67.7	14,400	2,025	30	R, CFS/ CGM
Hong Kong	7.1	55,200	2,000	0	None
Indonesia	253.6	10,200	1,500	0-10	L, R, V, S, CFS
Taiwan	23.3	43,600	1,230	7.5-10	R, CFS, V
Malaysia	30.07	24,500	604*	0-25	L, R, CFS, CGM
Philippines	107.6	7,000	438	1-10	L, R, V
Singapore	5.5	81,300	400	0	L, R, V/S
New Zealand	4.4	35,000	375	0-5	L
United Arab Emirates	5.6	65,000	Not available	5	L, R, O
Vietnam	93.4	5,600	Not available	20-30	R, CFS, V, O

\*\* 2009 \*2008

C&T: Cosmetics & Toiletries

## Market Overview

This report covers 17 markets: Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Russia, Singapore, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, and Vietnam, with a combined population of about 250 million.

These 17 markets have a combined cosmetics and toiletries market worth of US\$60 billion. In several of the largest markets like Russia, India and China, U.S. cosmetics and toiletries constitute less than 3% of the total market size. Therefore, there are tremendous export opportunities for U.S. companies. Japan is the regions' largest cosmetics and toiletries market followed by Russia, China, and South Korea. Market penetration of international brands in India and Indonesia is still very low. Hong Kong whose market size is about 17% of China's, imports about the same amount of cosmetics and toiletries from the U.S. And Hong Kong has one of the most open market for selling cosmetics and toiletries, as it has no registration or labeling requirements, no import duties or value-added taxes. Not all of the markets are free markets like Hong Kong. China, South Korea, Russia, Thailand and many others have stringent registration requirements but are not inaccessible; it only requires the appointment of an experienced local importer/distributor that is familiar with the regulations.

Market entry strategies vary from market to market, but most countries require the appointment of a local distributor/agent to handle the registrations and execute the best marketing and selling strategy to suit local conditions. In Thailand and Taiwan, direct selling is prevalent and effective and in Japan it is growing in popularity. In China, E-commerce of cosmetics and skin care products is prevalent.

U.S. cosmetics and toiletry suppliers are known for being innovative and for producing quality and technologically-advanced products at competitive prices in most of the Asia Pacific markets. In this region, U.S. cosmetics and toiletry products faces stiff competition from Japanese and French products. The innovative packaging and the Asian consumers' perception that Japanese products are more suitable for Asian skins have sometimes given Japanese products the edge over American and European products. It is therefore crucial that U.S. exporters modify product names and packaging to suit local demand. While a product made for "whitening" skin is politically incorrect to use in the U.S., skincare products for lightening pigmentation spots on the face are best simply named "whitening products" rather than lightening products or brightening products. A smaller product size is required in Hong Kong to suit the younger consumers' tastes, and for ease of carrying in bags but in China, the Philippines, India or Vietnam, a smaller size is required for affordability as the unit costs is lower than for a standard American-size item.

Each market also has its own sectors that had better selling prospects than others. While most markets cite anti-aging, hair products, make-up, whitening skincare products and sun-screen and sun-care products as the sectors with the best sales prospects, in the Philippines, whitening deodorant and underarm products are among the products with the best sales prospects. Mass-market products sell better in India and Vietnam than premium products and men's cosmetics and skincare products are growing in popularity not only in the mature markets of Japan, Hong Kong and South Korea but also in India. Medical spa and doctor's prescription-strength skincare products and products containing naturally-derived and organically-grown ingredients are in high demand in the 17 markets.

## Shares of U.S. Total Exports of Cosmetics &amp; Toiletries

Country	2013	2014	Percent Change
	<i>In US dollars (millions)</i>		
Australia	526	541	+3%
Japan	475	449	-6%
Korea	339	390	+15%
Hong Kong	411	361	-14%
China	350	356	+2%
United Arab Emirates	240	273	+12%
Singapore	243	267	+9%
Taiwan	159	160	+1%
Thailand	117	119	+2%
Russia	110	101	-9%
Philippines	66	68	+3%
Malaysia	53	61	+13%
India	47	55	+15%
New Zealand	41	43	+5%
Indonesia	46	41	-12%
Turkey	34	37	+8%
Vietnam	21	33	+36%
<b>Total</b>	<b>3,278</b>	<b>3,355</b>	<b>+2%</b>

Sources: Data on this site have been compiled from tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission.

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\*\* 2009 \*2008  
C&T: Cosmetics & Toiletries

# AUSTRALIA

## Overview

Demand for cosmetics and toiletries is estimated at US\$2.8 billion. Imports satisfy 50 percent with the U.S. holding a 30 percent share of the import market. Given Australia's relatively small population of 23 million people, import competition is very high and the market has shown annual growth rates of around five percent over the past two years.

The cosmetics and toiletries industry in Australia is strongly influenced by the importance of personal appearance, both for women and men. Australia's median age is 37 years and over the past two decades the median age has increased by 4.7 years. With an ageing population, Australians are becoming more concerned with wellness issues and seek products that prolong a youthful appearance.

Sub sectors continuing to experience growth are color cosmetics, hair care and beauty salon products.

Color cosmetics offering appearance-enhancing benefits along with anti-aging properties are in a good position for continued growth. Increasingly, suppliers are seeking goods that emphasize, preserve and protect rather than just for cosmetic appearance, e.g., wrinkle reduction products.

Prospects are also promising for professional hair products assisted by the support of a world-renowned hairdresser or hair care company. The demand for hair straightening products is increasing, as is colorants in the men's market. Likewise, growth in the beauty salon market is primarily due to professional-based regimes being desired by Australian consumers.

Innovative quality brands incorporating premium natural and/or organic ingredients are popular. Australian women are also keen to try new salon products in a professional salon/spa environment.

U.S. companies entering the Australian cosmetic and toiletries market should consider offering innovative products. Distributors in Australia seek novel brands and in particular, products with unique benefits.

## Market Issues and Regulatory Regime

As a result of the Free Trade Agreement between the United States and Australia, the general import duty on cosmetics and toiletries decreased on January 1, 2005, from five percent to zero. Further information about duties and customs requirements can be obtained by viewing the Australian Customs Service website: [www.customs.gov.au](http://www.customs.gov.au).

When cosmetics and toiletries are shipped to Australia, the goods are subject to GST (Goods and Services Tax), a broad-based tax of 10 percent. While the responsibility to pay GST to the Australian Taxation Office lies with the producer/supplier, it is the consumer who finally bears the GST cost. The importer pays the GST to the Australian Customs Service.

Australia has strict regulatory requirements regarding cosmetics ingredients and labeling. Primarily, ingredient safety falls under the National Industrial Chemicals Notification and Assessment Scheme (NICNAS), administered by the Department of Health and Ageing, which require approval for use of a wide range of substances, including ingredients in cosmetics. For further information, NICNAS can be found at [www.nicnas.gov.au](http://www.nicnas.gov.au).

Cosmetic and toiletry products are subject to approval by the Therapeutic Goods Administration (TGA), which is part of the Australian Government. There are many issues concerning the registration process, as suppliers are required to demonstrate that a product is not considered to be a therapeutic good, otherwise the release of the product in Australia must follow the requirements of the Therapeutic Goods Act. Some sunscreens for example must be registered with the Australian Register of Therapeutic Goods. Further information on approval processes, including costs, can be obtained from [www.tga.gov.au](http://www.tga.gov.au).

### Distribution channels

There has been a marked shift in retailing of cosmetics and toiletries in Australia in recent years. Sales by traditional retailers and pharmacies are being eroded by major supermarkets. Nearly half of all cosmetics and toiletries (45 percent) are purchased through major supermarkets such as Coles and Safeway (Woolworths).

Pharmacies and cosmetic retailers (a group which once occupied a large portion of the market) now represent 35 percent of cosmetic and toiletry sales. General merchandise retailers such as Target, Kmart, and Big W stock cosmetics and toiletries at very competitive prices. However, premium cosmetics and fragrances continue to be sold by pharmacies, cosmetic retailers and department stores.

Sales growth in supermarkets is being stimulated by the increasing number of women staying in the workforce and quality products, previously exclusive in the premium and mid-market sectors, now migrating to the mass-market. This move from traditional retailers and pharmacies results in growth in the skin care and hair care sub-sectors.

Traditional distributors and retailers have also lost market share to online retailers. The growth in online retailing has created increased price competition.

### For More Information

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# CHINA

## Overview

China's cosmetic market has been expanding rapidly over the past 20 years. Despite this significant growth, China's cosmetic consumption is still far from saturation, and the country is expected to remain a dynamic market. Nationwide sales are expected to grow at an average of 10 percent in the years ahead according to market research firm Kline & Co.

## Market Demand

With a population of 1.3 billion, of which 480 million are urban residents, China has the largest number of potential cosmetic customers in the world. As a result of China's fast economic growth, living conditions should continue to improve, providing an increasing number of people with purchasing power to buy cosmetics.

Despite rapid growth, China's cosmetic market is still at a low level of development. Although China is potentially the largest customer base in the world, its per capita yearly spending on cosmetics is only about \$15. Despite this, China provides reasonable business opportunities for foreign cosmetic producers, particularly in the areas of imported middle and high end products. After 20 years of development, China's cosmetic market has become highly competitive. However, there remains potential for new entrants, provided that they adopt appropriate market entry strategies, find the right manufacturing or distribution partners, use effective marketing strategies, and make suitable products for various customer groups at reasonable price points.

Consumers can be assembled into three categories: upper, middle and lower. Factors that affect purchasing are brand, quality and price, in addition to their purchasing power. Those consumers that purchase imported brand products (high-end market) are considered high-income earners living in medium-sized to large cities. This category comprises mainly young and middle-aged women who favor well-known cosmetics brands from Japan, Europe and the U.S.<sup>1</sup>

## Market Data

According to HKTDC Research, total retail sales of skin products on Mainland China were

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<sup>1</sup> <http://china-trade-research.hktdc.com/business-news/article/China-Consumer-Market/China-s-cosmetics-market/ccm/en/1/1X000000/1X002L09.htm>

around 73 billion RMB, and make-up products hit 16 billion RMB in 2011. For skin products, this was a 14% increase over last year, and for make-up products this was a 13% increase.<sup>2</sup>

The continuous double-digit growth of the Chinese beauty market is driven by both rising disposable income and fierce competition motivating female and male urban white-collar workers to invest in their personal appearance.

China's Imports of Major Cosmetic Products during Jan-Nov 2012

Description	Jan-Nov 2012 (US\$ million)	YoY change (%)
Perfumes and sprays	83.071	22.4
Lip make-up preparations	36.426	35.3
Eye make-up preparations	50.102	3.4
Powders, whether or not compressed	38.029	10.5
Other (including preparations for the care of the skin, suntan preparations, etc.)	918.459	8.1
Shampoos	41.173	38.3
Preparations for permanent waving	3.896	21.9
Hair lacquers	8.157	10.3
Other	44.817	15.9
Personal deodorants and antiperspirants	5.83	22.5

Source: *Global Trade Atlas*

## Best Prospects

### Skin Care Products:

Compared to other product segments, sales of skin care products have experienced the fastest growth in recent years. Competition in this market is fierce with prices and target customers varying significantly. The market segment for middle grade products is increasing. Domestic products are more price competitive than imported ones. However, the attraction for higher quality, name brand products is solid. Facial products especially designed for Asian skin are well received by Chinese consumers. Creams and lotions have the largest sales volumes followed by facial wash creams and bath creams. Additionally, anti-aging products have also progressively become prevalent for those looking to stay youthful and combat

<sup>2</sup> <http://china-trade-research.hktdc.com/business-news/article/China-Consumer-Market/China-s-cosmetics-market/ccm/en/1/1X000000/1X002L09.htm>

aging.<sup>3</sup>

#### Make-up Products:

These products have great sales potential. Advertising and sales promotions greatly influence the purchasing decisions of make-up products. Consumers usually require make-up to reflect their personal styles. As such, various brands share this market. No one brand has an overwhelming market share. Eye make-up has experienced substantial growth in recent years, which has assisted this product segment in producing the largest sales among make-up products. Moreover, green consumerism is building momentum on the Mainland; and therefore, simple, natural and environment-friendly features of make-up products are likely to become more significant in the future.<sup>4</sup>

#### Baby-Care Products:

The market for baby-care products has been expanding in recent years. Given the one-child policy, many parents in China do not hesitate to increase spending for their only child. Johnson & Johnson holds the largest market share in this sector. Domestic products are competitive in price, but weak in new product development. Many young women and mothers also like to use baby or children's skin care products as they are gentler and allergy-free.

#### Sunscreen Products:

As the awareness about the harm of ultraviolet rays increases, the market for sunscreen has grown rapidly in recent years. Waterproof sunscreen products are enjoying increasing sales, and sunscreen products with whitening functions are also gaining favor among young Chinese women.

#### Cosmeceuticals:

Another category of cosmetics - cosmeceuticals - have peeked the attention of consumers. "Cosmeceuticals" are the synthesis of cosmetics and pharmaceuticals. Examples of products in this group are spot lightening cream, acne treatment and acne ointment. Chinese herbal cosmetics are slated to create a new market within the cosmeceutical sector. As the overall cosmeceutical market begins to further open up, its market potential is estimated at 20 billion RMB with an annual growth rate between 10 and 20%. So far there are over 170 players in this market with some of them being prominent pharmaceutical companies in China. Cosmeceuticals seem like a promising market in the future.<sup>5</sup>

#### Cosmetics Products for Men:

Skin care products for men have become increasingly important in China. In 2011, this segment saw a 34% increase. According to the National Bureau of Statistics of China, the

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<sup>3</sup> <http://china-trade-research.hktdc.com/business-news/article/China-Consumer-Market/China-s-cosmetics-market/ccm/en/1/1X000000/1X002L09.htm>

<sup>4</sup> <http://china-trade-research.hktdc.com/business-news/article/China-Consumer-Market/China-s-cosmetics-market/ccm/en/1/1X000000/1X002L09.htm>

<sup>5</sup> <http://china-trade-research.hktdc.com/business-news/article/China-Consumer-Market/China-s-cosmetics-market/ccm/en/1/1X000000/1X002L09.htm>

male population in 2010 represented 51.27% of the total population. Looking closer at the data, men represent only 12.7% of the market; thus, leaving room for possible significant growth in the future. Men in this category are concerned with both oil control and facial cleansing. Facial cleansers are the most popular product for men; however, there is an increasing demand for certain specialty products such as sun-blocks and masks.

There is an apparent concern for aging and skin coarseness among men purchasing these types of products.<sup>6</sup>

### Key Suppliers

There are more than 3,000 cosmetic enterprises registered in China with more than 25,000 brands. Of all the brands, over 500 come from foreign countries with France, the United States, Japan and South Korea being the 4 largest brand origins.

Over the past two decades, foreign companies have been very successful at increasing brand awareness in China. Although several large domestic firms are trying to catch up in their brand building, foreign companies still dominate the market. According to the *Beijing Youth Daily*, foreign cosmetics brands currently account for almost 80 percent of sales volume, as they occupy almost all of the high-end market. And many of them are now expanding into middle and low end markets. Leading players/brands include L'Oreal, P&G, Uniliver, Henkel, Shiseido, Revlon, Chanel SA, Lancôme, Dior, Estee Lauder, Maybelline, Vichy, etc.

Despite the economic downturn, L'Oreal, the world's largest cosmetic company by revenue, registered a strong sales volume of RMB 9 billion (around US\$ 1.3 billion) in China in 2010, an increase of 11 percent over the previous year making China the largest market in the Asia-Pacific region for the company.

### Prospective Buyers

Department stores, specialty stores, professional beauty salons and some commercial websites typically buy and/or sell cosmetics in China.

#### Department Stores

Department stores are known in China for retailing high-quality products. As such, most of the prominent international cosmetics companies sell their products through high-end department stores in China's metropolitan areas. Department stores must, however, closely monitor the quality of the products that they retail, as some international cosmetics products are counterfeits or smuggled into China without proper official registration to guarantee their safety and quality.

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<sup>6</sup> <http://china-trade-research.hktdc.com/business-news/article/China-Consumer-Market/China-s-cosmetics-market/ccm/en/1/1X000000/1X002L09.htm>

Nowadays, most department stores in China tend to source products from distributors rather than source directly from manufacturers, as they do not want to spend too much time going through the lengthy registration process for cosmetic products.

### Specialty Stores

These stores retail the products of famous international cosmetics companies and a variety of small to medium-size domestic companies. Many specialty stores are now contacting manufacturers directly for their cosmetics supplies, thus bypassing the wholesalers. Hong Kong based Watson's and Sasa, and Sephore of France are major players.

Department stores, along with specialty stores, are the top sales channels to consumers.

### Drugstores

Consumers are now purchasing cosmetics through drugstores, especially since the cosmeceuticals market is increasingly becoming popular. This industry is currently dominated by foreign companies. There are, however, local pharmaceutical companies that have entered into the market. For instance, the domestic company called Longrich has created a two-pronged approach. Longrich distributes its products through shopping centers and supermarkets, in addition to local pharmacies.<sup>7</sup>

### Beauty Salons

Beauty salons have been opening rapidly in China. A large number of high-end beauty salons and clubs are located in hotels, office buildings and high-end department stores. These beauty salons require their customers to register as members before receiving services. The salon's skin care services are used regularly by these members. The majority of the skin care products used in beauty salons are products from foreign companies, as customers prefer the higher quality and effectiveness.

### Internet

Shopping on-line has grown rapidly in China in recent years. According to statistics released by the Information Office under the State Council of China, the number of Internet users in China reached 384 million in 2010. Net purchasers (those who have purchased something over the internet for at least one time) account for about 26% of all the internet users. In 2011, China's online cosmetics market exploded by 67% (37.3 billion RMB), and was positioned to hit 57.7 billion RMB in 2012 according to market surveys.

Selling cosmetics online have proved to be a viable medium of distribution. Consumers have several online platforms to purchase cosmetics. Customer to Customer (C2C) platforms such as Taobao.com (the biggest online C2C outlet in China) provide lower cost cosmetics; however, the authenticity of these products cannot be verified. Therefore, consumers should

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<sup>7</sup> <http://china-trade-research.hktdc.com/business-news/article/China-Consumer-Market/China-s-cosmetics-market/ccm/en/1/1X000000/1X002L09.htm>

proceed with caution or purchase cosmetics online from more reputable sources. Taobao.com, itself, does not sell cosmetics, rather only offers an online platform for individuals to buy and sell products.

More trustworthy online options are facilitated by business to customer (B2C) platforms, such as Tmall.com, which offers cosmetics directly from online shops. Tmall.com is a spin off from Taobao and was established in 2008. By 2011, Tmall was separated into its own entity to specifically serve the B2C platform. Tmall.com presently offers more than 70,000 major multinational and Chinese brands from more than 50,000 merchants. Numerous prominent cosmetics companies (L'Oreal, Adidas, P&G, Unilever, Estee Lauder, Dior, Lancome, Shiseido, Mary Kay, etc.) and brands have opened online stores on Tmall.

Furthermore, consumers can purchase cosmetics online from retail websites that specialize in cosmetics such as Lefeng.com and Jumei.com.

Nevertheless, selling and buying cosmetics on the internet is a growing trend and the reality in China that every player must face and deal with. US cosmetic firms are encouraged to explore this selling channel by either considering establishing their own e-commerce websites or working with reputable Chinese e-commerce companies that are not only capable of launching and marketing their products to the world's largest internet population, but more importantly, protecting their IPR in this country.

## Market Entry

### Distribution Companies

When it comes to selling imported cosmetic products, finding a local distributor often is the first and most preferable option. Good local distributors understand the market situation very well and can tell if a new-to-market product has any potential in China. More importantly, local distributors are in the best position to help new-to-market foreign companies navigate the very complicated import and registration process with different Chinese government agencies, thus significantly saving time for foreign companies wanting to enter the Chinese market.

### Direct selling

Direct selling has historically been a popular channel for selling cosmetic products into different markets. However, direct selling in China has a turbulent history and still contains legislative challenges. As part of China's WTO commitment to allow market access for "wholesale or retail trade services away from a fixed location" by December 11, 2004, China issued two long awaited regulations governing the sector on September 2, 2005. Upon analysis, these new regulations are more restrictive than those of any other country in the world. Multi-level marketing (MLM) organizations are characterized as illegal pyramids, compensation is capped at 30% based on personal sales, and language exists which will require the construction of fixed location "service centers" in each area where sales occur. Significant barriers exist for new entrants, as evidenced by a 3-year foreign experience rule,

an actual registered capital of 80 million RMB (US\$10 million) and a required 20 million RMB (US\$2.5 million) bond deposit.

There are currently 10 to 12 large-scale international firms in China that have been operating under direct-sales model. Given the very strict requirements, companies should carefully consider whether they want to adopt the direct selling model in China.

### Localized production

To gain a firm footing in China, many foreign cosmetic companies have chosen to set up factories in China. Most of the foreign brands that are selling well in China are now manufactured in China. Usually these foreign companies would set up factories at development zones or industrial parks near the big cities, like Beijing, Shanghai and Guangzhou, to capitalize on lower production costs. While the initial investment for setting up a factory could be huge, it brings key benefits such as being closer to consumers, clear sales channel, easy control over brand image and lower labor cost. P&G, for example, has set up several manufacturing facilities across the country allowing it to compete with domestic counterparts even on prices, a fact that would be impossible without the localized production.

In addition, foreign cosmetic firms have attached great importance to the development of 'China-specific' products in the long run. L'Oreal opened a skin and hair research institute in Shanghai in 2005 that will create products designed specifically for Chinese women. In 2011, Estee Lauder expanded its Shanghai R&D center to the second R&D center in Asia, and one of eighth global R&D centers. Shiseido, Japan's biggest cosmetics company, is expanding a similar research facility in Beijing, where its China headquarters is located. According to media reports, those companies say they will experiment with traditional Chinese herbs with the aim of including them in new products.

### Acquisitions

International giants have found that acquiring local firms is one of the most effective ways to expand to second and third-tier regions, or medium and low-end markets. China has the most cosmetic manufacturers in the world and about 90% of these manufacturers are small and medium-sized firms holding a relatively small percentage of the market share. However, many of these firms have well-established regional distribution networks, especially in small cities and the vast rural areas that foreign brands have yet to take. For example, French firm L'Oreal acquired Mini Nurse and Yue-Sai, both of which were famous local brands, in 2003. This deal effectively gave the firm an extended reach to many small cities that it had never been able to focus on in the past.

## **Market Issues & Obstacles**

According to the SFDA (State Food and Drug Administration) under the Ministry of Health, People's Republic of China, all foreign cosmetic product manufacturers must complete a safety and health quality test, and obtain a hygiene permit before they are allowed to sell in

the Chinese market.

#### Safety and Health Quality Test

This test is performed by organizations appointed by the SFDA. At present, there are three such organizations authorized by SFDA to administer such tests. The test normally takes 2-6 months while costs vary from \$700 to \$6,000 depending on the types and complexity of the products. Following is the contact information on these organizations:

China Center for Diseases Control (China CDC)  
Institute for Environmental Health and Related Product Safety  
#27, Nanwei Road, Beijing 100050, P.R. China  
Phone: 86-10/6302-2960; Fax: 86-10/6317-0894  
[www.chinacdc.net.cn](http://www.chinacdc.net.cn)

Shanghai Center for Diseases Control (Shanghai CDC)  
Environmental Health Section  
#1380 Zhongshan Road West, Shanghai 200336, P.R. China  
Phone: 86-21/6275-8710 x 21; Fax: 86-21/6209-6059  
[www.scdc.sh.cn](http://www.scdc.sh.cn)

Guangdong Center for Diseases Control (Guangdong CDC)  
Public Health Research Institute  
#176 Xingang Road West, Guangzhou 510300, P.R. China  
Phone: 86-20/8419-7952; Fax: 86-20/8446-9324  
[www.cdcp.org.cn](http://www.cdcp.org.cn)

#### Hygiene Permit for Imported Cosmetics

This permit is granted by SFDA. The maximum time taken to review and evaluate imported cosmetics is eight months. According to some local companies that help cosmetic firms apply for this permit, actual length ranges from two to eight months. A committee under SFDA convenes to review and evaluate imported cosmetics four times a year in March, June, September, and December. Companies need to submit the following documents:

Samples of declared product;

- Formula of declared product;
- Flow chart of production process for declared product;
- Quality standard of declared product;
- Authorization letter from exporter (when using agent for registration);
- Exporter's local sales permit for declared product;
- Quarantine Certificate from exporter's government agency.
- User's guide and usage warning for declared products.

The contact information of SFDA is as follows:

State Food and Drug Administration  
 A-38 Beilishi Road, Xicheng District, Beijing 100810, P.R. China  
 Phone: 86-10-6831-5572  
 Fax: 86-10-6831-5776  
 Email: [slfwzx@sFDA.gov.cn](mailto:slfwzx@sFDA.gov.cn)  
[www.sFDA.gov.cn](http://www.sFDA.gov.cn)

It should be noted, however, that foreign cosmetic companies are not allowed to apply for a health permit by themselves. Instead, they need to use a local company to apply on their behalf. There are a number of local companies that provide such service.

#### Free Sales Certificate (FSC)

US companies exporting cosmetics to China needs to obtain a FSC from the FDA in the US indicating that their products are actually being sold and marketed freely in the US market. Details about the FSC issued by FDA can be found at the following webpage:

<http://www.fda.gov/downloads/RegulatoryInformation/Guidances/ucm125822.pdf>

In addition to FDA, some US trade associations also issue this certificate to US companies. Here is the contact information of two such trade associations:

Personal Care Products Council (PCPC)  
 1101 17th Street, NW, Suite 300, Washington D.C. 20036-4702  
 Phone: (202) 331-1770  
 Fax: (202) 331-1969  
<http://www.personalcarecouncil.org/>

Independent Cosmetic Manufacturers & Distributors (ICMD)  
 1220 W. Northwest Hwy Palatine, Illinois 60067  
 Phone: 1-800-334-2623  
 Fax: 847-991-8161  
<http://www.icmad.org/membership/certificates.asp>

#### Tariff rate

As of January 1, 2005 there is a final bound tariff rate of 10% applied to imported lip and eye make-up preparations and powders. Other imported cosmetics are subjected to a 6.5% tariff rate and came into play in 2008. Value Added Tax (VAT) is 17%.

HS Code	Description	(%)
33030000	Perfumes and sprays	10
33041000	Lip make-up preparations	10
33042000	Eye make-up preparations	10

33043000	Manicure or pedicure preparations	10
33049100	Powders, whether or not compressed	10
33049900	Other (including preparations for the care of the skin, suntan preparations, etc.)	5,6.5
33051000	Shampoos	6.5
33052000	Preparations for permanent waving	10
33053000	Hair lacquers	10
33059000	Other	10

Source: Customs Import and Export Tariff of the People's Republic of China 2013

### Consumption tax

China introduced the cosmetic consumption tax in 1994. Since hair and skincare products were relatively expensive, the government decided to levy a 17 percent consumption tax on these products in order to balance consumption and increase its fiscal revenue. In 1999, the government lowered the cosmetic consumption tax rate to 8 percent, as improving living standards had made some of these products parts of everyday life for many families. However, the consumption tax on high-end and luxury cosmetics such as make-up and perfume products was increased from 8 percent to 30 percent in April 2006. The consumption tax for hair and skincare products remains at 8 percent.

### Trademarks

Generally speaking, China's trademark registration is fairly inexpensive and straightforward. To show its commitment to WTO pledges, local judges are encouraged to promote rule of law and act against infringements on behalf of the foreign litigants. But, remember that China's system is 'first to register' rather than 'first to market'. So, if you are seriously looking at this market, registering BEFORE you enter China can save a lot of time, money and frustration should you face infringement at a later stage. The worst case scenario is to have a competitor or other local firms register your brand name in the early stages of your market entry, forcing you to fight an uphill battle for your name. To learn more about protecting your trademark in China, please visit <http://beijing.usembassy-china.org.cn/iptrade.html>

### Administration of raw materials for cosmetics

China's authorities have periodically updated the list of ingredients that are prohibited or restricted for use in cosmetics placed on the market.

The regulation issued by the Ministry of Health modifies the Hygienic Standards for Cosmetics, which provide the specifications for cosmetics sold in China. The new regulation adds 790 substances to the list of chemicals prohibited from use in cosmetic products, bringing the total number of substances to 1,286.

According to a survey conducted among exhibitors at the Cosmoprof show in Shanghai in January 2007, most of the foreign companies welcomed the new regulation. Some experts believe that in practice foreign cosmetics makers should not be affected by the new standard, as the newly regulated substances are already covered by the European directive on cosmetic products. Therefore, it should mainly affect local producers whose production

standards are below those laid out by the new regulation.

### Trade Events

**Shanghai Beauty Expo:** May 20 - 22, 2013

Shanghai New International Expo Center

Website: [www.cbebaiwen.com](http://www.cbebaiwen.com)

### Resources & Key Contacts

China Association of Fragrance Flavor and Cosmetic Industry

Website: [www.caffci.org](http://www.caffci.org)

### State Food and Drug Administration (SFDA)

Website: [www.sfda.gov.cn](http://www.sfda.gov.cn)

### For More Information

The U.S. Commercial Service in China can be contacted via email at:

[yan.shen@trade.gov](mailto:yan.shen@trade.gov) (Beijing); [janet.li@trade.gov](mailto:janet.li@trade.gov) (Shanghai); [Angela.han@trade.gov](mailto:Angela.han@trade.gov)

(Guangzhou); Phone: 8610-8531-3557; 8621-6279-7630; 8620-3814-5543 or visit their website:

[www.export.gov/china/en/](http://www.export.gov/china/en/)

# HONG KONG

## Summary

Hong Kong's cosmetics, toiletries and skincare market is dominated by imports, as it has a very small manufacturing sector of its own. France was Hong Kong's largest supplier of the US\$2 billion market in 2014. The U.S., China, Japan and Korea (South) were the other major suppliers. Hong Kong imported US\$474 million worth of cosmetics, toiletries, and skincare products from the U.S. in 2014. Imports will likely grow between about 4% in 2015 and 2016, despite a slower rate of spending on these products from mainland Chinese visitors to Hong Kong.

Hong Kong is an important launch pad for marketing cosmetics and skincare products into the mainland Chinese market; it acts as a showcase for the Chinese tourists (60 million in 2014) that annually visit Hong Kong to shop. There are tremendous opportunities for U.S. suppliers to export to Hong Kong, as local retailers and distributors are eager to increase the variety of products that they can offer to the mainland Chinese tourists, and also eager to cater to the needs of the local population, which is increasingly looking for skincare with the latest anti-aging and skin "whitening" technology.

There are no import duties on cosmetics, toiletry and skincare products in Hong Kong and registration is not required for cosmetic products. The top ten brands accounts for about 70% of the market. Skincare products generate the lion's share of Hong Kong beauty business, followed by make-up and nail products, then perfumes and fragrances. To remain competitive in the local market, it is important to work closely with a Hong Kong distributor to promote the brand, and adapt the products and packaging to suit local tastes. U.S. cosmetic and toiletry products are well received in Hong Kong and enjoy a reputation of high quality, high product safety and hygiene standards, and competitive prices.

## Market Demand

In 2014, the size of the cosmetics and toiletries market in Hong Kong was estimated at US\$2 billion. The more than 60 million tourists that visited Hong Kong in 2014 (of which 47 million were from mainland China) augmented demand from the local market of 7.2 million people. A Nielsen survey on mainland Chinese tourists' purchases revealed that cosmetic and skincare products were among the top shopping purchases, followed by electronics/photographic products, clothing, and jewelry/watches. The owner of an international Italian fashion and cosmetics brand commented at their Hong Kong flagship store opening, its first in Asia, that Hong Kong " ...increasingly represents a launch pad into the Chinese market; it creates the trends and acts as a showcase for this market." While China has reduced import duties on cosmetics and skincare products, thereby reducing the retail price difference between Hong Kong and China, mainland Chinese tourists are still attracted to buying these products in Hong Kong rather than in China. According to

industry sources, the perceived authenticity and reliability of the products in Hong Kong stores outweighs the price consideration. Apart from import tariffs that the mainland imposes on cosmetics, there are also VAT and product registration costs which do not exist in Hong Kong. U.S. cosmetic products enjoy an excellent reputation among Chinese consumers.

Sulwhasoo, a premium South Korean skincare brand chose Hong Kong as the first overseas market over the U.S, Japan, and France. Sulwhasoo cited Hong Kong consumers' high receptivity to new products and the open regulatory environment as reasons for choosing Hong Kong. As such, a proliferation of international cosmetics and skincare products' brands have established distribution and retail outlets in Hong Kong and have used Hong Kong as their first market to launch in Asia. This comprehensive listing of international brands, coupled with zero tariffs on imported cosmetics, perfumes and toiletries, have made Hong Kong a major cosmetics shopping destination for the tourists in the region.

The mega and luxury casino resorts in neighboring Macau (an hour ferry ride from Hong Kong) that have opened in the past five years feature facilities such as medical spas and skincare treatment centers for the many casino and MICE visitors. Macau received 31.5 million visitors in 2014 (compared with 60 million for Hong Kong.) Demand for high quality skincare, aesthetic medical, and body treatment products and spa management services will increase in Macau. Many Hong Kong companies and cosmetic product retailers also distribute their products to Macau or operate retail stores there.

Hong Kong is also an important entrepôt for re-exporting to China. Many U.S. companies sell their cosmetics and skincare products to China through Hong Kong distributors, as the latter are familiar with the complex product registration procedures and logistics of importing into China. Importers in China must apply to the Ministry of Health for a cosmetics import license and the regulations governing the issue of this license are very strict, particularly on the use of raw materials derived from cows. Many Hong Kong distributors have also opened skincare, hair salons and spas in China and are therefore familiar with selling skincare and cosmetic products to these institutions.

#### Market Data

US\$ million

	2014	2015	Growth (2015) E	2016E	Growth (2016) E
Imports	3,541	3,695	4%	3,843	4%
Local production	101	111	10%	123	11%
Exports	1,657	1,769	7%	1,893	7%
Total Market	2,014	2,037	1%	2,072	2%
Imports from U.S.	474	488	3%	508	4%
Exchange Rates	7.8	7.8		7.8	

Sources: Hong Kong Trade Statistics and Industry Sources

E: estimate

#### Domestic Production

There are about 60 manufacturers of cosmetics and toiletries in Hong Kong, producing mostly lower-priced to mid priced products under their own labels for export to Southeast

Asia, the U.S. and China and OEM /private label production for skincare salons, spas, dermatologists and medical practitioners.

China and Hong Kong signed the Closer Economic Partnership Agreement (CEPA) on June 29, 2003 allowing several categories of goods, including cosmetics and toiletries, to be imported into China through Hong Kong free of any tariffs (subject to Hong Kong origin requirements.) Under CEPA's rules of origin for cosmetics and toiletries, mixing, blending and heating are processes that must be performed in Hong Kong to qualify as a Hong Kong-origin product. Domestic production of cosmetics, toiletries, and skincare products is expected to increase as more local manufacturers take advantage of CEPA to produce for export to mainland China and for private labels. To qualify for the duty-free access to China, U.S. manufacturers must transfer some blending and mixing processes to Hong Kong.

### Imports

Hong Kong's imports of cosmetics and toiletries increased 8 % in 2014 comprising skincare products, make-up, perfumes, hair and bath products. The five largest suppliers were France, USA, China, Japan, and Korea. There is little demand for "Chinese" brands; the majority of imports from China were branded products of foreign companies like Procter & Gamble, Wella, L'oreal, Unilever, Kanebo, Kao, and Colgate-Palmolive that have manufacturing plants in China.

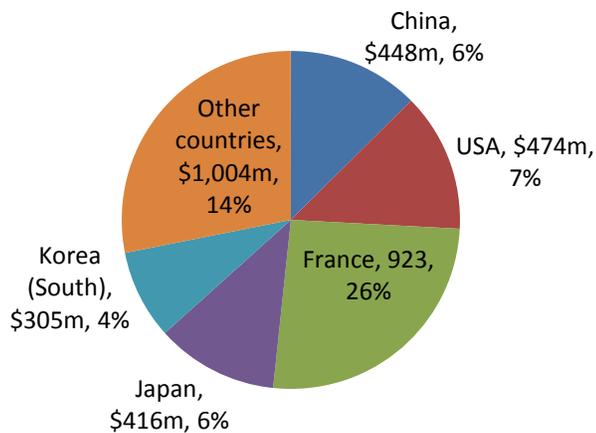
Many foreign manufacturers of cosmetic products have established factories in China to avoid the high import tariffs and other restrictions on domestic retailing and wholesaling. With these foreign manufacturers supplying Hong Kong from factories in China, Hong Kong's imports from China will continue to increase.

### Best Prospects

- Complete line of facial whitening products especially those containing Vitamin C
- Facial skin anti-aging creams and lotions
- "Dermo-skincare products" for retail distribution
- Hair coloring products
- Fake eyelashes & semi-permanent eyelash extensions
- Nail colors, nail-care products, artificial nails, soft nail gels
- Body treatments, slimming treatments, massage and bath products for use in spas and professional skincare salons
- Sun protection products
- Skincare, cosmetic and toiletry products made of organically-grown and naturally derived ingredients, also hypo-allergenic, with low concentrations of fragrance and preservatives
- Skincare products for men
- BB creams and CC creams for face
- Colour cosmetics & eye liner
- Facial creams and body creams containing snail slime (Snail creams)

## Key Suppliers

### Hong Kong's Imports of Cosmetic, Toiletry and Skincare Products by Country of Import, and percentage share, 2014



## U.S. Market Position

Imported U.S. cosmetics and toiletries reached US\$474 million in 2014, accounting for 17% of Hong Kong's cosmetics and toiletries imports, Hong Kong's second largest supplier after France. The major items from the U.S. in 2014 consisted of make-up/beauty preparations for the skin (US\$342 million), perfumes and toilet waters (US\$49 million), and hair products (US\$23 million.)

Cosmetics and toiletries imports from the U.S. dropped 2% in 2014. The increasing popularity of skincare and cosmetic products from Korea which are lower in prices than those from the U.S. may have resulted in consumers switching from American brands to Korean brands to take advantage of the lower prices. American products also face competition from Japanese products that enjoyed lower prices from an appreciation of the Hong Kong dollar against the Japanese yen. American products generally enjoy a reputation for innovative products, competitive prices and stringent quality control on product safety. Procter & Gamble Hong Kong is one of the market leaders in the cosmetics, toiletries and skincare products sector. Its skincare brands, SKII and Olay, are advertised widely in the local media and enjoy brisk sales. Both SKII and Olay have a comprehensive range of whitening skincare products, which are popular in Hong Kong. Other leading U.S. skincare brands in Hong Kong are Estee Lauder, Neutrogena, Clinique, Kiehl's, Nu Skin, H2O+, Artistry (Amway's), Usana, Elizabeth Arden, La Mer, and Skinceuticals. In the nail color sector, the U.S. brand OPI dominates in the nail salons.

Local importers frequently cite the need for foreign suppliers to adapt the packaging and size to local tastes. American suppliers should also try to package higher-end potent skincare products in glass jars or bottles to enhance their product image. A local personal care chain store prefers to stock Japanese products on their shelves as they are attractively packaged, especially important given limited shelf space in most Hong Kong stores. This chain store also commented that the Japanese suppliers were willing to adapt packaging to suit the display configurations of their stores.

The strength of U.S. cosmetics and toiletries is in skincare and hair care products for professional use and mass-market hair products. Extensive brand-building activities and

competitive pricing of U.S. mass-market hair product suppliers like Procter & Gamble, Johnson & Johnson, and Colgate-Palmolive contribute to the success of the U.S. as the market leader in this sector. Manufacturing of these products, however, is mostly in China or other Asian countries. For professional skincare products, Hong Kong consumers prefer U.S. products for their technological advances in product formulations and manufacturing. Consumers also trust the high safety standards that the USFDA imposes on manufacturers.

Currently, the HK\$ is pegged at 7.8 to the US\$ and has fluctuated little since the inception of the linked rate policy in 1983. It is therefore advantageous for Hong Kong importers and distributors to buy products from the U.S., as the U.S. dollar currency fluctuations will not affect the exchange value of the Hong Kong dollar and U.S. dollar.

### Competitors

France supplied US\$923 million or 26% of Hong Kong's cosmetics and toiletries imports in 2014, including US\$683 million of make-up and skincare products and US\$226 million of perfumes and toilet waters. Imports of higher-end French brands of make-up and skincare products and perfumes will continue to remain strong with demand from mainland Chinese tourists and local consumers as the main driving forces for future growth. French perfumes, cosmetics and skincare products enjoy a long tradition of quality and will also remain popular with Hong Kong consumers. Popular French brands in Hong Kong include L'Occitane, Lancome, Clarins, Biotherm, Chanel, L'oreal, Christian Dior, Guerlain, Givenchy, Vichy, YSL, Avene, Darphin, Decleor, and Rene Guinot.

Japan was Hong Kong's fourth largest supplier of imported cosmetics and toiletries in 2014, with US\$416 million or 12% of Hong Kong's total imports of cosmetic and toiletries. About 87% or US\$361 million of Japan's exports of cosmetic and toiletries to Hong Kong were make-up and skincare products. Local consumers cite suitability of Japanese skincare products and color cosmetics to Asian skin type and skin color as the reason they prefer Japanese products to American and European products. In addition, Hong Kong consumers prefer Japanese packaging and consider Japanese products to be fun, modern and stylish. Local importers commented that Japanese manufacturers were willing to adapt their packaging to local tastes and to the tight space configurations of the local retail chain stores. Hong Kong's imports of Japanese cosmetics and toiletries will continue to remain strong especially with the recent depreciation of the Japanese yen to the Hong Kong dollar. Popular Japanese brands in Hong Kong include Shiseido, Kose, Fancl, IPSA, Sofina, Kanebo, Menard, and Biore.

### Prospective Buyers

Hong Kong's per capita GDP was around US\$39,800 in 2014. Hong Kong consumers between 30-49, comprising Hong Kong's largest age group (33% or 2.3 million) and having the highest disposable income, are the biggest buyers of imported cosmetics and toiletries.

The increasing number of men in Hong Kong using cosmetics and skincare products prompted Shiseido Hong Kong to start a Shiseido Men's Club in 2005 and Shiseido has since then been conducting grooming seminars for men. The trainer at the Hong Kong branch of

the Chantecaille cosmetics firm that markets unisex makeup describes the market potential for men's makeup as huge and one that is "...growing rapidly."

Another large group of prospective buyers is Hong Kong's 60 million visitors. One cosmetic-specialty retailer reported about US\$1 million worth of sales, the highest in one day, in one of its outlets that is frequented by mainland Chinese visitors.

In the B2B market for skincare products, there are about 100 dermatologists, 50 plastic surgeons, 60 private medical practitioners, and about 70 medi-spas (spas with medical practitioners) that offer aesthetic medical treatments such as chemical peels, botox injections, fillers, IPLs, and other skin laser treatments. These institutions also prescribe and retail skincare products. According to the Hong Kong Census and Statistics Department, there are more than 5,000 registered beauty-related establishments employing more than 40,000 practitioners including beauticians, nail artists, make-up artists and beauty products' sales persons.

### **Make-up and color cosmetics, skincare products, manicure and pedicure products**

An increasing number of Hong Kong girls are using make-up at a younger age. Lip colors and nail colors are more popular than eye colors. Permanent eye make-up such as eyebrow and eyeliner tattooing is common among the older women. False eyelashes and semi-permanent eyelash extensions are extremely popular. In make-up products, Hong Kong consumers favor the pastel and natural beige colors and the pale tones of Japanese facial foundation products that are formulated for Asian skin tones.

In the market for skincare products, French, American, Japanese, Korean and Swiss products are most popular. France is Hong Kong's largest supplier (US\$682 million) of imported skincare products, color cosmetics, and nail products, followed by the Japan (US\$361million,) U.S.(US\$342 million,) and Korea (\$292million.) A Hong Kong University study on public opinion found that Hong Kong women spent an average of US\$114 per year on facial skincare and the amount far outweighs their spending on care for different parts of the body.

In the skincare segment, SKII's whitening range is among the market leaders. Fancl, with its emphasis on whitening and preservative-free ingredients, has also enjoyed wide acceptance. Manufacturers of mass-market skincare, like Beiersdorf AG (Nivea White), L'oreal, Olay and Neutrogena, compete well with the premium brands on price and quality. The French brand Vichy is also a bestseller in Hong Kong's retail chain stores.

To compete in the skincare products market in Hong Kong, the manufacturer **must have** a whitening product or line (as opposed to "lightening" or "brightening") and an anti-aging line. An Asian Market Intelligence report indicated that one-third of women in Hong Kong use face whitening products. Kiehl's, a New York-based company, introduced a whitening skincare line in Asia; it was launched in Hong Kong before the U.S.

Hong Kong consumers, according to a brand manager of a leading French skincare product company, are more demanding than their western counterparts in care and treatment of facial skin - they expect products to deliver smoothness, luminosity, and a fair, flawless complexion visibly in a week. As such, distributors often translate anti-aging products into Chinese names that suggests almost-immediate results, such as the 'miracle water'.

Skincare products for men are growing in popularity, with an increasing number of men-only skincare salons opening. President and managing director of L'Oreal Hong Kong said, "we see emerging segments that probably didn't exist a few years ago," citing men's and sun care markets, plus the dermo-cosmetics segment, among others as trends that will drive the market in the next few years.

In the dermo-skincare products for professional channels segment, the U.S. is the market leader and brands such as Skinceuticals, Skinmedica and Obagi are well known. There is, however, competition from the OEM and private label products of the medical practitioners and larger salons. In marketing products to the medical practitioners and salons, it is important to include quotes of the key opinion leaders (KOLs), before and after treatment photographs, and results of clinical trials; all of which must be translated into Chinese. Owing to increasing demand for dermo-skincare, several of Hong Kong's leading skincare and personal care retail chains are planning to launch their own line. There are therefore immense opportunities for U.S. private label and contract manufacturers of dermo-skincare products to supply these retailers, who often operate retail stores not just in Hong Kong but throughout the region.

The suncare and sun tan market in Hong Kong is worth about US\$400,000 with a short season for sun tan products of 4-5 months. The major brands are Hawaiian Tropic, Banana Boat, Ocean Potion, Coppertone, Neutrogena and Mentholatum's "SunPlay" (available only in the Asia Pacific region and Japan). The best seller is Mentholatum's sun block of SPF130+.

#### **Personal and skincare products using organically-grown and naturally-derived ingredients**

The market for these products is still relatively small with a customer base of less than 20,000. To sell these products in Hong Kong, local distributors sometimes retail them in smaller bottles than non-organic products for the prices to remain competitive.

#### **Hair products**

Hair coloring is common and widely accepted. The influx of younger, male and female consumers of hair colorants has fueled the growth of hair products in Hong Kong. Hair salons use Goldwell, L'oreal, Wella, and Schwarzkopf. Other major suppliers of professional hair-care products are Paul Mitchell, Sebastian, Tigi, Matrix, Nioxin, and Redken.

#### **Bath preparations and soaps**

Hong Kong consumers have shifted away from traditional products such as bar soaps and bath salts to liquid soaps and bath additives. As many Hong Kong households do not have bathtubs, sales of bath salts and soaks are primarily geared toward the spa market.

#### **Perfumes and fragrances**

Brand name is the most important factor affecting Hong Kong consumer purchasing decisions for perfumes. Brands associated with clothing designers such as Calvin Klein, Kenzo, Issey Miyake, Marc Jacob, Donna Karan, and Giorgio Armani, tend to sell better than mass-market fragrance products. Local consumers prefer lighter and floral fragrances and

perfumes. Demand for body sprays is growing after Victoria Secret opened several retail stores in Hong Kong that retail more body sprays than lingerie.

## Market Entry

As a channel for retailing cosmetics, department stores in Hong Kong tend to operate more like landlords than retailers. Most do not purchase their own stock but lease their floor space to local distributors of branded cosmetics to operate as concessionaires. They charge between 25 and 35% of the lessees' sales turnover as rent. Having a facial treatment room behind the concessionaire counter has proven to be effective in marketing products in the competitive environment of department store cosmetic floors.

Apart from the department stores, Watson's and Mannings are the two largest personal care chain stores. Suppliers to these chain stores must provide 3-6 months credit along with listing and promotional fees for introducing new products into their stores. The minimum listing fee is about USD 6,500 per SKU. In addition, Watson's has a global buying team and a regional buying team based in Hong Kong handling purchasing for 17 markets and 10 markets, respectively. A U.S. company may be contracted to supply more than one market from the headquarters in Hong Kong.

Other retail outlets for cosmetics and toiletries are the 1,500+ independent dispensaries, supermarket chain stores (Park 'N Shop, Wellcome and Vanguard) and cosmetics specialty stores (Sa Sa, Bonjour, and Colourmix). Sa Sa and Bonjour tend to retail brand cosmetics from parallel import sources or grey market dealers (imported from unauthorized distributors in a third-country) and products from Japan, Taiwan, Korea, U.S. and the EU. The largest of these outlets is Sa Sa (with about 35% local market share and 280 stores,) in Hong Kong, Macau, Singapore, Malaysia, Taiwan, and China. Sa Sa is now the largest cosmetic retail chain in Asia, retailing more than 600 brands including a range of products made of naturally-derived ingredients. Sa Sa imports about 100 brands directly from overseas manufacturers and the rest are from local distributors and suppliers. Sa Sa and Bonjour are extremely popular with mainland Chinese tourists, who account for more than 40% of their sales.

Joyce Boutiques, a high-end specialty apparel store, also retails about 40 small and niche premium skincare, hair care, body care, and cosmeceutical brands (such as Eve Lom, NV Perricone, ) under the Joyce Beauty brand. 60% of Joyce Beauty brands are sold exclusively at their stores. As a sign of the growing potential of the cosmeceutical market, Harvey Nichols, which opened in September 2005, devoted part of its department store space to a well-being section called "Beyond Beauty" featuring "the best edited selection of beauty brands - global and niche, cult and everyday products," along with treatment rooms. Beyond Beauty offers skincare, hair care, spa products, fragrances and products for men, with brands such as Ultraceuticals (Australia,) Dr. Brandt, June Jacobs Spa (US,) Intelligent Nutrients (US,) The Organic Pharmacy, Noesa (Germany,) Strivectin-SD (US,) DDF, Jeneuve (Switzerland,) Cowshed, Zirh, and Maxwell's Apothecary (for men).

In Hong Kong, the importer is often also the wholesaler and the distributor and sometimes even the retailer. The retailers of Sa Sa, Bonjour, Joyce Beauty and Harvey Nichols do import products directly from foreign suppliers. The chain stores of Watsons and Mannings,

however, prefer to buy from local distributors. The chain stores often ask for a 50% discount of the price that the distributor proposes and marks up the retail price five times. Very often the local retail price is 15-30% higher than the retail price of the same product in the U.S. In many cases, the local retail price is intentionally set higher than that in the U.S. to project a product of a higher image, imported and made in the U.S. Even the display counters, and overall marketing image is set a few notches higher than its market positioning in the U.S.

B2C internet sales of cosmetics and skincare is gaining popularity in Hong Kong. Many local consumers not only use the internet for market research on new products, blogging and comparing prices, but also for purchasing products not yet available in Hong Kong and products whose online prices are cheaper than retail prices in Hong Kong. Local distributors are concerned that these parallel imports are hurting their sales and often demand that the American principals shut down the websites retailing parallel products that they distribute. American suppliers must take into consideration the online prices of parallel imports when fixing their export prices to the local distributor.

The best way to enter a market is through appointing a local agent or distributor. Many Hong Kong distributors have agreements with their overseas principals to include Macau and mainland China. The U.S. manufacturer must, however, provide launch support to the appointed agent or distributor in the form of product samples and sachets for distribution to consumers, salons, doctors, etc. For retail channels, they must be willing to invest jointly with the appointed distributor in advertisements and other brand-building activities. The Hong Kong consumer, according to a local distributor of personal care products is very advertisement-driven in their purchases. If there are no advertisements for the brand, it will be perceived by the Hong Kong consumer as unknown and therefore not a good product. Advertising on local television, on buses, minibuses, trams or outdoor billboards and in the print media, and internet is essential to promote a brand.

As Hong Kong is one of the world's largest centers for Chinese language publications, it is essential for the appointed distributor to cultivate good relationships with the local media to ensure regular features on their products. Fashion/beauty/lifestyle magazines such as Marie Claire, Cosmopolitan, Elle, and Bazaar publish their Chinese editions in Hong Kong, some of which are distributed in mainland China, Southeast Asian countries, and in Taiwan. These write-ups are essential in building brand and product awareness in the Chinese-speaking markets of Asia. Editors of these publications expect product samples together with product literature and photographs when requesting publicity through their magazines.

Social media such as internet beauty forums, blogs, Facebook, and Weibo have become the latest platforms for promotions of skincare products and cosmetics as they are one of the major influencers to consumers' purchasing decisions. U.S. brands of cosmetics and skincare products are often discussed in the blogs, featured in the product reviews and some also advertise in these websites. [Beauty Exchange](#), [Elle](#), and [She Critiques](#) are a few of the more popular beauty websites.

Other brand-building and promotional activities include make-up demonstrations by overseas make-up artists, makeovers at cosmetic counters, celebrity endorsements of products and engaging bloggers to attend product launches, and to review products.

Exhibiting at local trade fairs is another important way to enter the market. Exhibitors often locate agents and distributors at trade fairs. Cosmoprof Asia (held annually in Hong Kong in November) is an international trade show featuring cosmetics, toiletries, perfumes, hair products, products for professional salon and spa use, along with raw materials for making and packaging cosmetics and toiletries. It is popular with U.S. manufacturers because buyers from around the world, local importers/distributors and beauty industry professionals visit this fair to find new partners, new products or new companies to represent. U.S. exhibitors have enjoyed tremendous success at this show, locating new customers or finding distributors not only in Asia but also from the rest of the world. The U.S. Department of Commerce has certified the show for the past few years. Further information on Cosmoprof Asia is available at <http://www.cosmoprof-asia.com>.

The preferred method of quoting for product order enquiries is "CIF landed," and in US Dollars. Local importers pay their overseas suppliers through letters of credit, telegraphic transfers, and bank drafts in the preferred foreign currency of the exporter. Payment by telegraphic transfer is the most popular.

The Hong Kong dollar (HK\$) is freely convertible and there are no regulations that hamper inward or outward remittance of capital or profits.

#### Market Issues & Obstacles

There are no tariffs on imported cosmetics, toiletries and skincare products. Hong Kong accepts U.S. product labeling and there is no local mandatory labeling or registration requirements on cosmetic products. As long as the cosmetic product does not claim to cure a medical condition on its labels, promotional materials or usage instructions, registration is not required. Skincare products containing hydroquinone do, however, require registration, which normally takes nine months to a year to complete. Inquiries on whether a skincare product requires registration should be directed to the Department of Health, Pharmaceuticals Registration and Import/Export Control Section. The email address for enquiries is [pharmgeneral@dh.gov.hk](mailto:pharmgeneral@dh.gov.hk), telephone number: (852) 2319-8451 Fax. Number: (852) 2803-4962. Information on registration of products is available at <http://www.psdh.gov.hk/eps/webpage.jsp>.

#### Trade Events

Sisters BeautyPro Trade Fair

September 22-24, 2015, Kowloon Bay International Trade & Exhibition Center

Website: [http://www.iesg.com.hk/bp\\_expo\\_2015\\_9th/pdf/SBPF\\_Saleskit\\_Info.pdf](http://www.iesg.com.hk/bp_expo_2015_9th/pdf/SBPF_Saleskit_Info.pdf)

Cosmoprof Asia

November 12-14, 2014, Hong Kong Exhibition and Convention Center, Hong Kong

Contact: Sogecos s.p.a.

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[www.cosmetic.org.hk](http://www.cosmetic.org.hk)

Contact: Mr. Simon Kwok, President

(The association has about 3,000 members from local distributors, retailers, and the Hong Kong offices of international companies. Its main function is to upgrade the image and service standards of the local industry and to present a united industry voice)

**For More Information**

The U.S. Commercial Service in Hong Kong can be contacted via e-mail at:

[sweekeng.cheong@trade.gov](mailto:sweekeng.cheong@trade.gov); Phone: 852-2521-5233; Fax: 852-2845-9800; or visit their website: [www.export.gov/hongkong](http://www.export.gov/hongkong).

# INDIA

## Overview:

Effective, April 1, 2013, India introduced a compulsory registration system for imported cosmetics products. All cosmetic products imported for sale in India is required to be registered with the Central Drugs Standard Control Organization (CDSCO) which is the Indian licensing authority within the office of the Drug Controller General of India in the Ministry of Health & family Welfare, Government of India (GOI). This mandatory requirement to register all imported cosmetics represents important costs in terms of time and money, and administrative requirements for foreign companies to market their cosmetics products in India.

India is one of the fastest growing consumer markets in the world, moving from unorganized informal markets to organized retail, including shopping malls in major Indian cities as well as tier II cities in the country. The cosmetics/beauty industry is one of the booming retail sectors in India with strong potential for U.S. companies. The beauty and cosmetics sector in India has shown continued strong growth, with increasing shelf space in retail stores and boutiques in India, stocking cosmetics from around the world.

## Government Policy

The Indian licensing authority for registration of all cosmetics imported in India is the office of the Central Drugs Standard Control Organization (CDSCO) in the office of the Drug Controller General of India (DCGI). The DCGI's office administers the Indian Drugs and Cosmetics Act of 1940, which governs the manufacture, sale, import, export and clinical research of drugs and cosmetics in India. For more information on the DCGI please refer to: <http://www.cdsc.nic.in/forms/contentpage1.aspx?lid=1423> . For additional information on key officials, please visit: <http://www.cdsc.nic.in/forms/contentpage1.aspx?lid=1441>

## Major Guidelines

An application for the issue of a Registration Certificate for cosmetics intended to be imported into India can be made either by: the manufacturer themselves having a registered office in India; or by their authorized agent; or by the manufacturer's subsidiary in India authorized by the manufacturer; or by any other importer. Any other importer refers to any person or business entity intending to import cosmetics other than the manufacturer or its authorized agent or subsidiary.

The fee for registration is U.S. \$250 per brand of cosmetics applied for, which may include any number of variants, color, shades or pack sizes. If an importer wants to import more than one brand, a fee of \$250 for each brand has to be paid and submit separate application for each.

A brand in this case is defined as the category of cosmetics products as mentioned in the

Column 3 of the annexure provided below. It does not mean the trade name of any imported product of the manufacturer or the manufacturer's name itself.

A single application may be made while applying for registration of more than one brand of cosmetics (including its different variants and pack sizes) and manufactured at one or more manufacturing locations by the same manufacturer. A single application in the prescribed form can therefore cover more than one brand and many manufacturing units corresponding to the product brands.

The authorization by a manufacturer to his authorized agent in India has to be documented by a Power of Attorney. The power of attorney shall be executed and authenticated either in India before a magistrate; or in the country of origin of the manufacturer before an equivalent authority or attested by the Indian Embassy in the manufacturer's country; or apostille from Hague convention member countries is also accepted.

In case of any changes in the product specifications, ingredients or variants after being granted the registration, the applicant has to inform about the changes to the registration authority at least 30 days before the imports.

The label of imported cosmetics products has to have the registration certificate number and the name and address of the holder of the registration certificate. In addition, the labels should also have the name and address of the manufacturer, and the name of the country of manufacture. If the product has not been manufactured in a facility owned by the manufacturer, the name and address of the actual manufacturer or the name of the country of manufacture should be mentioned on the label

The time period for issuance of the registration certificate is usually within six months from the date of submission of the application form and the required documents. The duration of a registration certificate is for a period of three years from the date of its issue unless it is suspended or cancelled sooner for any reason.

Cosmetics products imported into India in bulk for re-packaging and re-processing and 100 percent export to other countries are exempted and will not require registration. The importer will still however need to take necessary permission from the office of the CDSCO and provide a written undertaking that the imported products will not be released for domestic sales in India. The same applies for import of cosmetics for research purposes such as packaging trials, and consumer and other shelf life or transport studies.

Bulk imports of cosmetics into India for re-packaging and sale in the Indian market are not exempted and would need to be registered.

List of required documents for application of the registration certificate include:

- Covering letter by the applicant
- Form 42
- Payment receipt
- Power of Attorney
- Original or copy of the label
- Free Sale Certificate/Marketing Authorization letter/Manufacturing license in the country of origin

- Product specification and testing protocol
- List of countries where import permission or registration has been granted
- Pack insert, if any, and
- Soft copies of information about the brands, products and the manufacturer.

Particulars of the manufacturer and manufacturing facilities should include name and complete address of the manufacturer and manufacturing facilities along with contact numbers and email addresses; name, address and contact details of the of the applicant; and a brief profile of the manufacturer's business activity in the domestic as well as global market. Particulars of the cosmetics to be registered - brand names of the cosmetics along with their category, variants and pack sizes to be imported for sale in India should also be included.

### Registration Procedure

The proposed application process for the issue of a registration certificate for an imported cosmetics brand is as follows:

- An application for registration has to be made in hard copy as well electronically in the prescribed Form 42 along with a cover letter to the office of the CDSCO, Drug Controller General of India in New Delhi along with the prescribed fee of \$250 or in equivalent Indian rupees for each brand.
- The cover letter for the application should be on the letterhead of the importer or the authorized agent applying for the registration duly stamped and signed by an authorized person. An authorization by the manufacturer to his Indian agent would need to be duly authenticated either in India before a magistrate or in the country of origin before an equivalent authority.
- The office of the Drug Controller General acknowledges the receipt of the application on a copy of the cover letter with a stamp specifying an acknowledgement number and date of receipt for tracking and future reference.
- The registration fee would need to be paid in designated branches of the Bank of Baroda either in U.S.\$ or in equivalent Indian rupees and the original copy of the receipt submitted along with the application for registration. In case of direct payment of fees by a foreign manufacturer in the country of origin, fees can be made through electronic transfer from any bank in the country of origin to the Bank of Baroda branch in Kasturba Gandhi Marg, New Delhi. Proof of such payment would need to be submitted along with the application for registration.
- Following the application and review by the Drug Controller General's office, a registration certificate valid for three years is issued within six months of the date of application received.
- In case of any importer already holding registration for a finished cosmetic product wanting to import the same product in bulk, the bulk product will be endorsed on the original registration on submission of an application with the relevant documents provided the brand is already registered.

All enquiries on registration of cosmetics should be addressed to:

Drugs Controller Office (Cosmetics Division)  
Central Drug Standard Control Organization (CDSCO)  
Directorate General of Health Services  
Ministry of Health and Family Welfare, Government of India  
FDA Bhavan, ITO, Kotla Road

New Delhi - 110 002

Phone: +91-11-2323 6975/65

Fax: 91-11-2323 6973

Email: [dcic@nic.in](mailto:dcic@nic.in)

Website: [www.cdscocnic.in](http://www.cdscocnic.in) ; <http://www.cdscocnic.in/forms/list.aspx?lid=1582&ld=1>

### Current Market and Trends

Mounting aspirations, emergence of a young urban population with increasing disposable income in Indian cities, an increase in the number of working women, changing lifestyles, increased affordability of lifestyle-oriented and luxury products, and greater product choice and availability are the main drivers of demand for imported cosmetics products in India.

The total size of the Indian retail beauty and cosmetics market is currently estimated at around \$3.33 billion<sup>8</sup>. The cosmetics market in India is growing at 20 percent annually, much faster than that of the United States and the European markets. Premium global brands are gaining sales as Indian consumers move from functional products to more advanced and specialized cosmetic products. With the beauty service industry growing rapidly in India, the spa segment in recent years has also been growing, not just only in the number of spas, but also in the diversity of spas and products available.

U.S. products are viewed as high quality but awareness levels are low for smaller U.S. brands. Even with a good growth rate, penetration of cosmetic and toiletries is still however low in India as compared to other Asian countries. A 20 percent growth rate in this sector translates into promising potential for U.S. companies. Opportunity areas in this sector include color cosmetics, fragrances (fragrance is the most popular import purchase), specialized skin care and hair care products, professional salon products, nail care products, and spa equipment and products.

### Market Entry

Key factors to successfully entering the beauty and cosmetics market in India include careful research and analysis of existing sales channels and consumer preferences, which will allow U.S. companies to determine the pricing structure, the product mix and brand positioning; finding the right partners who have knowledge of the local market and procedural issues; good planning; maintain consistent follow-up and supply; aggressive due diligence to ensure that partners or distributors are credible and reliable; and perhaps more importantly, patience and commitment to the market. Understanding the Indian skin types and color is very important, as also a visit to this market to understand ground realities.

Developing innovative pricing strategies is also very important, as India is a very price sensitive market. Indian consumers want the best but many are not always willing to pay for it. Understanding the attitudes, preferences and aspirations of the different segments of India's consuming class is very crucial to achieving success in the Indian market. For example, given the price-sensitivity of the Indian consumers, many cosmetic and toiletries companies launched their products in smaller pack sizes to make them more affordable. Small pack sizes have proved to be very popular in the Indian market as it offers a consumer lower purchase cost that they can afford and at the same time the opportunity to try new products.

The normal time period has been seen to be around three years for an imported brand to make a market entry and succeed in this market and be considered as a serious player. The initial volumes are likely to be low while the cost of operations is high. During the initial years at least, Indian importers normally look for strong marketing and advertising support from their foreign principals for building the brand in this market.

The U.S. Commercial Service (USCS) in India offers [customized solutions](#) to help U.S. businesses enter and succeed in the Indian market. To identify potential agents or distributors in India, U.S. companies can take advantage of the [Gold Key Service](#) and the [International Partner Search](#) program offered by the U.S. Commercial Service through its seven offices in India. To conduct a background check on potential partners, U.S. companies can also take advantage of the Commercial Service's [International Company Profile](#) service.

Labeling requirements: It is mandatory for all pre-packaged goods meant for direct retail sale imported into India to bear the following labeling declarations: i) name and address of the importer; ii) generic or common name of the commodity packed; iii) net quantity in terms of standard unit of weights and measures; iv) month and year of packing in which the commodity is manufactured or packed or imported; and v) maximum retail sales price (MRP) at which the commodity in packaged form may be sold to the end consumer. The MRP includes all taxes, freight transport charges, commission payable to dealers, and all charges towards advertising, delivery, packing, forwarding and the like. Compliance of the above-stated requirements has to be ensured before the import consignments are cleared by customs in India.

Specifically for cosmetics, a product shall carry on both the inner and outer labels:

a). Name of the cosmetic. b). Name of the manufacturer and complete address of the premises of the manufacturer where the cosmetic has been manufactured (Note: If the cosmetic is contained in a very small size container, where the address of the manufacturer cannot be given, the name of manufacturer and his principle place of manufacture along with zip code has to be indicated). c). Names of ingredients in the order of percentage of content.

On the outer label: a). A declaration of the net contents expressed in terms of weight for solids/ semi solids, fluid measure for liquids. (Note: In the case of package of perfume, toilet water or the like, the net content which does not exceed 60 ml or any package of solid or semi solid cosmetic where the net content doesn't exceed 30 gms, the statement of net content need not appear). b). The names of ingredients in the order of percentage of content.

On the inner label: a). Where a hazard exists, adequate directions for safe use, warning, caution or special direction required to be observed by the consumer, statement of the names and quantities of the ingredients that are hazardous or poisonous. b). The names of

ingredients in the order of percentage of content.

Batch number preceded by the letter "B" (Note: Any cosmetics containing less than 10 gms in solid form or semi solid form and 25 ml or less in the case of liquid cosmetics are exempted). In the case of soaps instead of batch number, the month and year of manufacture of the soap shall be indicated on the label.

Manufacturing license number preceded by the letter "M." (Note: Where a package of a cosmetic has only one label, the label shall contain all the information required to be shown on both the inner and outer labels).

Import procedure and documents required: The import procedure for importing cosmetics into India consists of the following standard steps:

1. The U.S. exporter provides the proforma invoice stating the offer price, which is inclusive of the insurance and freight cost. On reaching an agreement on the mode of payment (which can be wire transfer of funds or a letter of credit), the Indian importer places the order for the product.

2. Exporter sends the consignment by sea or airfreight. At the port of entry in India, the Indian importer or its customs clearing agent is responsible to clear the goods after the payment of import duties.

3. Before any cosmetics are imported, a copy of the registration certificate has to be supplied to the collector of customs at the port of entry.

4. Besides the "bill on entry," which is to be submitted by the Indian importer in four copies, the following standard documents are required:

- Signed invoice (original + 2 copies) or statement showing the name and quantities of each article of cosmetic included in the consignment and the name and address of the manufacturer along with itemized market value of all the contents
- Packing list
- Contract Copy (Purchase order and payment terms)
- Bill of Lading if shipped by sea or Airway Bill if sent by air
- Insurance document
- Product catalogs

**Banned items:** India prohibits the manufacture and import of any cosmetic products containing hexachlorophene, lead, arsenic or mercury compounds. No cosmetic product prohibited for manufacture, sale or distribution in its country of origin is allowed to be imported in India except for the purpose of examination, test or analysis.

### Market Issues & Obstacles

Though Indian import tariffs on cosmetics have been significantly reduced over the last several years, it is still quite high. The total customs duty for cosmetics and beauty products classified under HS Code 3303 to 3307 is currently 28.852 percent. The components of this total duty includes a basic custom duty of 10 per cent [applied on the cost insurance freight

(CIF) value of goods]; an additional duty of customs popularly called countervailing duty or CVD of 12 per cent; and a special CVD of four percent. The special CVD of 4 percent is intended to represent the incidence of sales tax, value added tax and similar levies applicable on domestic goods. The countervailing duty is equivalent to the local excise tax on similar articles manufactured within the country.

Pricing is a major barrier for this sector. High import tariffs together with high air freight cost makes the effective landing cost at approximately 2.2 times the ex-factory price to an importer. Multiple taxation including local taxes, high internal shipment cost, trade margins and discounts to salons/spas are other factors that drive the prices higher. Accounting for these factors as well other items such as technical and marketing supports, makes the price to the end consumer very high. Many international brands have had to re-work their pricing strategies and develop special pricing for the Indian market. Developing an innovative pricing structure for India is one of the key success factors for this market.

India allows import of cosmetics into the country only through specified ports of entry, which includes: Chennai, Kolkata, Mumbai, and Cochin sea ports; and Delhi, Mumbai, Chennai, Kolkata, Bangalore, and Ahmedabad airports. The officer appointed by the Indian government at the port of entry is empowered to take samples for analysis if required.

### Competition in the Market

The beauty and cosmetics sector in India has had continued strong growth, with increasing shelf space in retail stores and boutiques in India stocking imported cosmetics and beauty products. Many foreign brands with a strong support structure and an India specific pricing strategy have made a platform for their brands in the Indian market.

The Indian market, which was traditionally a stronghold of a few major domestic players like Lakme and Ponds, has seen a lot of foreign brands enter the market over the last two decades. India's import of just lip make-up preparations, eye make-up, manicure/pedicure preparations, perfumes and toilet waters, and other toiletries from the U.S. in 2013 was \$10.5 million.<sup>9</sup> France, Germany, U.K. and the United States have been the traditional suppliers with imports gradually increasing from Malaysia, China, Dubai, Thailand, and even Israel in recent years. The strong growth of organized retail in India is also creating a demand for more imported cosmetics products, even in second tier cities where disposable incomes are larger and the demand was subdued because of lack of choices and options.

The growth rate in the cosmetics market reflects an increasing demand for beauty care products in India. Premium global brands are gaining sales as Indian consumers move from functional items to more advanced and specialized cosmetic products. Many international brands like Revlon (the first international cosmetics brand to enter India in the mid-nineties), Avon, Burberrys, Calvin Klein, Cartier, Christian Dior, Estee Lauder, Elizabeth Arden, Lancome, Chambor, Coty, L'Oreal, Oriflame, L'Oreal, Yardley, Wella, Schwarzkopf, Escada, Nina Ricci, Rochas, Yves St. Laurent, Tommy Hilfiger, Max factor, Max Mara, Shiseido, Body Shop, Maybelline New York, MAC, and many more have been present in India for quite some years now.

With more and more international brands entering India in recent years, competition has

increased but domestic brands like Lakme continues to do well. Lakme accounts for approximately 35 percent market share. With the beauty service industry growing rapidly in India, the spa market in India is also expanding rapidly. Local brands currently account for approximately 70 percent of the spa market in India and the balance is international spa firms many of whom have partnered with leading hotel brands and other partners.

### Trade Events

U.S. Beauty & Wellness Trade Mission, 2016

Location: New Delhi, Mumbai, and Bangalore

Date: TBD

Contact: Manjushree Phookan; Smita Sherigar; Parul Dudeja

Beauty World, May 15-17, 2016, Dubai

Contact: Manjushree Phookan; Smita Sherigar; Parul Dudeja

### Indian Beauty & Hygiene Association

The American Business Corner (ABC) program is a U.S. Commercial Service, India initiative that provides access to India's rapidly growing tier II cities by partnering with local chambers of commerce across India to facilitate trade with the United States. Through the ABC program, companies can exhibit their catalogs and business materials to source trade leads, increase brand visibility and maximize sales and profits in the most cost effective manner. ABCs are exclusively available to American companies and distributors of American products in the Indian market. To learn more about the ABC program and participation details visit:

<http://export.gov/india/americanbusinesscorners/index.asp>

### Resources & Contacts

Drug Controller of India, Ministry of Health, Government of India

<http://cdsco.nic.in/>

The Drug and Cosmetics Act

<http://www.cdsco.nic.in/forms/contentpage1.aspx?lid=1888>

Indian Beauty & Hygiene Association

<http://ibhaindia.com/index.html>

Reserve Bank of India

<http://www.rbi.org.in/home.aspx>

Ministry of Finance, Government of India

<http://finmin.nic.in/>

### Indian Visa - Entry/Exit Requirements

**Source:** Guidelines on Registration of Import of Cosmetics, Central Drugs Standard Control Organization, Director General Of Health Services, Ministry Of Health And Family Welfare, Government Of India

### For More Information

The U.S. Commercial Service in Bangalore, India, can be contacted via e-mail at [office.bangalore@trade.gov](mailto:office.bangalore@trade.gov); Phone: 91-80-2220 6401/6404; or visit their website:

[www.export.gov/india](http://www.export.gov/india)

# INDONESIA

## Overview:

Indonesia imported \$567.3 million worth of cosmetics and toiletries in 2013. In 2014, the total import value of cosmetics and toiletries products slightly decreased to \$495.6 million. This decrease is primarily due to the drastic fall in Rupiah/Dollar currency exchange, where Rupiah has lost 10% of its value against the dollar since November 2013. U.S. products accounted for over \$36.8 million of all imported cosmetic products. The sales prospects remain good with steady growth projected over the next two years. Local products dominate 87 percent of the market. Imported cosmetics with international brands have strong hold of the market, with about 70 percent share. Local brands make up about 20 percent of the market while the rest belongs to illegal imports, which are mostly from China. The international brand market is mostly dominated by U.S. and European companies such as Unilever and L'Oréal. Despite rapid growth in the industry and sharp competition among brands, Indonesia is still a good potential market for imported cosmetics. The market is expected to grow at an average of 10-15 percent annually.

There are no restrictions on importing cosmetic products to Indonesia. However, imported cosmetics must be registered at the National Agency of Drug and Food Control (Indonesian acronym BPOM). Registration of imported cosmetics can be done only by local agents or distributors. Import duties for cosmetic products are 10 percent. In addition, a value-added tax (VAT) of 10 percent is imposed on all imported cosmetic products. BPOM has taken tough measures on registration of imported cosmetics. The current registration process is slow, with indefinite time for results. This might impact the number of newly imported cosmetic products in the long run, as distributors may focus more on existing products in the Indonesian market.

## Market Demand

The demand for cosmetics and toiletries has increased substantially over the past years and is expected to continue to have growth of 10-15 percent in the coming years.

Overall demand of cosmetics and toiletries in Indonesia will continue to increase substantially, despite the extremely tight competition. Domestic manufacturers are successful in the middle and low-end market segment, and supply most of the local demand. There is good acceptance of imported cosmetics in Indonesia which represents around 16 percent of the total market. Most popular cosmetics brands have entered the Indonesian market and are experiencing growing sales.

In the cosmetics sector, skin care products accounted for more than 76 percent of total imports. The U.S. was the largest supplier in this category. Business sources predict that the market size and sales for skin care products will continue to increase due to the growing awareness of the value of skin-care treatment for both males and females. An increasing

number of men, as well as working women, are more concerned about their skin care, driving the demand for men-oriented products, as well as anti-aging and skin whitening products. The market for both local and imported anti-aging and whitening products still has potential to grow.

Men's cosmetics and toiletries are becoming popular and the potential is large. Men's personal grooming products have shown an increase in recent years, a sign that this segment of the Indonesia cosmetics market is growing. Most men's cosmetics are sold in department stores and through multi-level marketing companies.

The growth potential is also affected by increased demands from the service industry such as beauty parlors and spas. Spas and salons offering treatment programs have increased in number. More people seek professional help for facial and skin treatment, stimulating the growth in sales for skin care products. More new upscale beauty salons and skin care clinics were opened in shopping centers. The number of professional hair care salons selling specialty products has also increased.

In addition to generic spa and beauty treatments, spa businesses and related product lines have increased their offerings to consumers. Wedding spa or pre-wedding body and beauty treatment has become a trend in Indonesia, contributing to the growth of the skin care market. Presently, local products dominate the market for skin and body care. The Indonesian spa industry is widely recognized particularly in the hotel and resort areas. There are increasing opportunities for spa aromatherapy supplies, since local producers lack the research capabilities to develop quality products.

### Market Data

According to Badan Pusat Statistik (Statistics Indonesia), the total import market for cosmetic and toiletries products in Indonesia decreased by 13 percent from \$567.3 million in 2013 to \$495.6 million in 2014. This decrease was driven by the current economic situation and the high dollar exchange rate.

Due to the effect of the economical downturn and increases in food prices, business sources predict consumers will cut back on secondary expenses. There will be a decline in the purchasing power of the middle and lower income segments of the population and this group will shift their consumption to lower-priced products. The high income segment will not be affected by the change in the economy, and will continue to drive the demand up for imported cosmetic products.

### Best Sales Prospects:

1. Skin Care Products: Anti-aging and whitening products; products that protect, nourish and rejuvenate aging skin
2. Hair care products: hair treatment products to maintain healthy hair and to prevent hair loss
3. Massage Products used in spas for skin treatment

### Key Suppliers

Indonesia has approximately 760 manufacturers producing numerous cosmetic products. These producers are mostly cottage industry level producing affordable cosmetics, soaps, lotions and skin care products. In contrast, the largest producers are major skin care companies operating licensed manufacturing facilities in Indonesia including Revlon (produced by PT. Rudy Soetadi & Co. Ltd.), Ponds, Vaseline and Dove (produced by PT. Unilever), and L’Oreal (produced by PT. Yasulor). Among the leading national cosmetic companies are PT. Martina Berto, PT. Mustika Ratu, PT. Vitapharm, and PT. Ristra Indolab. They produce traditional herbal and non-traditional skin care treatments.

Other country exporters of cosmetic products competing with the U.S. include Thailand (43.56%), France (16.02%), U.K. (7.07%), China (5.72%), Italy (3.53%), Australia (2.42%) and Japan (1.48%). Some of the product brands found in the market are Guerlain, L’Occitane, La Prairie, ROC, Clarins, L’oreal, Yves Saint Laurent, Givenchy, Nivea, Oriflame, Seba Med, Shiseido, Kanebo, SK-II, and Kose. In the lower market segment, Chinese and Korean products pose strong competition, especially with domestic producers. Chinese products are perceived as affordable, with high quality traditional ingredients. Thailand was the largest exporter of skin care products and shampoos to Indonesia, accounting for over 36% of the total imports in 2014.

U.S. imports accounted for 7.43 percent of the total imports. This official number likely understates the percentage of U.S. imports because many U.S. products were shipped through Singapore. U.S. products are also manufactured in other ASEAN countries and exported to Indonesia. Consumers’ acceptance of U.S. products is fairly high and they are well positioned in the Indonesian market. U.S. products include: Procter & Gamble, Clinique, Obagi, Estee Lauder, MAC, Elizabeth Arden, Revlon, Neutrogena, Cover girl, Olay, H2O, Bath & Body Works, and Victoria’s Secret. Some of the products used in beauty parlors are Murad, Sothys, Dr. Cos, ROC, DuraSkin, and Miracle White.

### Prospective Buyers

Given its population of 240 million, Indonesia is a potential market for cosmetic products. Of this population, 12-15 percent are estimated to be in the middle-high income range. These are people who can afford to buy imported products. These high-end consumers are concentrated primarily in urban areas. For this group, quality, trends and brand names play an important role in their personal choices.

Distributors notice that products with labels printed “Made in USA” appeal more to consumers. Middle-aged consumers exhibit strong preferences and they tend to become loyal to one brand. Reputation and name recognition continue to drive their cosmetic purchases. Young consumers are more inclined to shop around, use different products, and select from different brands. High-end consumers are willing to pay a higher price for well-known branded products, which convey higher social status. The middle and lower level income groups are very price conscious and susceptible to economic swings.

Indonesians nowadays are increasingly image and fashion conscious. Daily make-up has

become a basic need among working women. While women continue to be the dominant consumers of cosmetic products, sales to the male market segment are steadily increasing. The younger generation has also become regular users of cosmetics and skin care products.

Consumer spending increases during holiday seasons, such as Lebaran or Idul Fitri (Muslim celebration), Chinese New Year and Christmas. Stores take advantage of these times of the year as demand increases during these festive seasons

## Market Entry

In Indonesia, cosmetics are sold through specialty stores, drug stores, department stores, supermarkets, multi-level marketing (MLM), skin care clinics, and beauty salons. Amway, Nu Skin, Tahitian Noni, Sunrider, Forever Living, Herbalife, and Oriflame are among the MLM companies. U.S. exporters wanting to sell their cosmetics products in this market should appoint a local distributor that will conduct the registration process, and introduce the products to the market.

Indonesian consumers are attracted to branded products. They also tend to be image conscious. Brand loyalty is most likely gained by quality with good packaging, distribution, promotion, and pricing rather than cheap products.

Indonesian women are market followers. They try to follow the fashion trends that are popular in other Asian countries, such as, Singapore and Hong Kong. According to industry sources, products that are popular in Singapore would have good prospects in Indonesia.

Since the cosmetics market in Indonesia is highly competitive, creation of a strong brand through promotion is recommended for substantial entry into the market. Successful products tend to contain unique formulas or ingredients not available in Indonesia. In addition, a strong marketing campaign and advertising play a major role in promoting awareness of products and brands and in expanding market reach. Business sources indicate that cosmetics companies use print media as their primary advertising channels to promote imported cosmetics.

U.S. manufacturers seeking to enter the Indonesian market should consider the following points:

- Work closely with the local agent or distributor giving full support to product launch and marketing.
- Support the local agent or distributor with the necessary papers required for registration at the National Agency of Drug and Food Control (Indonesian acronym BPOM).
- Be responsive and flexible in complying with consumer needs/demands.

## Market Issues & Obstacles

The National Agency of Drug and Food Control (Indonesian acronym BPOM), regulates and controls the registration, distribution and quality of cosmetics. Imports of cosmetics must

comply with Indonesian law. Sales of cosmetics products are regulated through the Directives to Register Cosmetics stated in the “Stipulation on Registration Implementation” and through the Decision of BPOM No. HK 00.05.4.1745, dated May 5, 2003.

Registration of imported cosmetics can be done only by local distributors that have authorization from overseas manufacturers.

There are no formal import barriers on cosmetics. The import duty for cosmetics is 10 percent plus 10 percent VAT. Rates are 0-5 percent for products originating in ASEAN FTA members.

Manufacturers or importers must register all cosmetics whether locally produced or imported with BPOM. Likewise, the manufacturer or importer must fulfill the criteria for registered cosmetics regarding the safety, quality, packaging, and labeling of the products. Labeling must contain honest and complete information that is not misleading and must not contain unwarranted claims. Products should be of good quality, use proper manufacturing methods, and use only safe materials outlined by the BPOM.

To register, cosmetic importers must submit an application form to the BPOM which includes the following technical data specified in forms A through D:

Form A:

- The formula (qualitative and quantitative), functions and references of each ingredient used
- Manufacturing procedures

Form B:

- Raw material specifications
- Container and lid specifications

Form C:

- Specifications and finish product inspection procedures
- Certificate of Analysis of the finished goods
- Stability test of the finished goods

Form D:

- Information on the benefit, usage, and warning (if any), as stated on the label
- Sample of production code and its explanation
- Marking on label, and/or brochure, or others attached to the cosmetics
- Samples of products (2 items)

The foreign company must also provide the following documents:

- **Letter of Authorization:** from the manufacturer authorizing the agent or distributor to register product(s) and to distribute product(s) in Indonesia. This letter must be endorsed by the Indonesian Embassy.
- **Certificate of Free Sale:** stating that the products are produced and marketed in the United States in general conformity with U.S. requirements. The certificate must be legalized by the Indonesia Embassy.
- **GMP certificate:** issued by the manufacturer, and must be endorsed by the Indonesian Embassy.

On December 19, 2014, the National Agency of Drug and Food Control (Indonesian acronym BPOM) recalled 68 items of counterfeit, fake and unregistered imported and locally produced

cosmetics. This action came after BPOM conducted tests and found that the cosmetics contained dangerous chemical ingredients. BPOM continues to conduct regular samplings and post-market monitoring on all cosmetics in the market, including high-end and popular cosmetics. The organization has collaborated with customs to prevent illegal and harmful cosmetics from entering the country.

In addition, BPOM has taken tough measures on registration of newly imported cosmetics. Although the cosmetics law of 2003 is still in effect, registration is now more complicated, requiring additional documents and prolonging processing time. This registration process frustrates the distributors and may affect new cosmetics imports as distributors concentrate on existing products and withhold new products.

### Trade Events

Name: Cosmobeaute Indonesia

Date: October 15-17, 2015

Location: Jakarta, Indonesia

Contact: PT Prakarsa Sinergi Utama

Email: [info@ptprakarsa.com](mailto:info@ptprakarsa.com)

Website: [www.cosmobeauteindonesia.com](http://www.cosmobeauteindonesia.com)

### Resources & Key Contacts

Further information on BPOM registration procedures can be obtained from:

Dra. Frida Tri Hadiati, Apt. (until December 2015)

Director of Traditional Medicines, Food Supplement and Cosmetic

Badan Pengawasan Obat dan Makanan - BPOM

National Agency of Drug and Food Control

Jalan Percetakan Negara No. 23

Jakarta 10560, Indonesia

Tel. (62-21) 424-4819

Fax. (62-21) 424-4819

Association:

Dra. Nurhayati Subakat, Apt.

Chairman

Indonesian Cosmetics Association

Apartemen Istana Harmoni

GF- Unit 1C, Kompleks Harmoni Plaza

Jalan Suryopranoto No. 2

Jakarta Pusat 10310

Phone / Fax: (62-21) 6385-7298

Email: [perkosmi\\_indonesian@yahoo.co.id](mailto:perkosmi_indonesian@yahoo.co.id)

### For More Information

The U.S. Commercial Service in Jakarta, Indonesia can be contacted via e-mail at: [Pepsi.Maryarini@trade.gov](mailto:Pepsi.Maryarini@trade.gov); Phone: (62-21) 526-2850; Fax: (62-21) 526-2855; or visit their website: [www.export.gov/indonesia/en](http://www.export.gov/indonesia/en)

# JAPAN

## Summary

Japan is one of the world's largest markets for cosmetics and personal care products, and has a long tradition of using cosmetics, making Japanese cosmetics manufacturers highly competitive. In fact, the oldest Japanese cosmetics manufacturer dates back to 1615. Japanese consumers today are highly sophisticated and conscious of quality, product value, and the brands they buy and use.

Japan's market size for beauty and personal care products account for roughly 30% of the aggregate Asia Pacific market, which is roughly one third of the global market. From the viewpoint of not only the size but also the trends and market demand, Japan can be regarded as a gateway to other Asian markets. Success in the Japanese market can raise product/brand profile and visibility, particularly in other Asian markets. The U.S. is the second largest exporter of cosmetics to Japan. U.S. manufacturers of cosmetics should keep an eye on the Japanese market as it offers rewarding opportunities for competitive U.S. brands and products.

## Market Demand

Japanese consumers are very sophisticated and particular about the quality and safety of the products they buy and use. Furthermore, the recession and subsequent job insecurity has created a trend of frugality, and consumers are becoming even more selective and value conscious. Products must be nicely designed, packaged, and promoted. Consumer needs and tastes may change with seasonal trends and fashion changes, and they may be eager to try something new and different from time to time, as long as products and value propositions are appealing.

As described in more detail in the Best Prospects section, key products are aging-care, skin lightening, and skin moisturizing cosmetics and toiletries. Popular items for Japanese consumers are those products of high performance, quick-acting skincare products and/or crossover products with multi-appeal attributes. Quick-acting spot skincare products for specific parts of the body are also popular items. Furthermore, organic or natural products, luxury products, and unique or branded products are in demand in the marketplace. Men's skincare and personal care products are drawing an increasing amount of attention in the Japanese marketplace.

## Market Data

Measured in Japanese yen, the Japanese cosmetic market in 2014 grew 2.9% from the year earlier in all fronts, domestic shipment, import and export.

Cosmetics imports to Japan in 2014 grew 1.05% to 217.1 billion yen from 214.8 billion yen a year ago, despite sharp depreciation of the Japanese yen against U.S. dollars. This again renewed the highest in volume since the year 2003. The U.S. remained the second largest cosmetics exporter to Japan (18.6% of the total import market) only after France with a market share of 25.3%. China remained third with an 8.5% share, down by half a percentage point from 2013.

Skincare products as the largest import category increased a hefty 8.8% to 88.2 billion yen (\$834.1 million at the exchange rate of 105.74 yen to the dollar) in 2014, which compares to 81.0 billion yen in 2013 and 71.5 billion yen in 2012. U.S. skincare imports in 2014 grew to 20.1 billion yen (\$190.7 million), up 3.4% from 19.5 billion yen in 2013 despite unfavorable exchange rates for Japanese importers, following a remarkable recovery by 21.8% in yen terms from the previous year of 19.2 billion yen in 2012.

U.S. imports accounted for 22.8% of the total skincare imports, compared to 24.1% in 2013 and 26.9% in 2012. Imports from France remained the largest in 2014 with a total volume of 29.1 billion yen (\$275.8 million), or 33.0% of the total, compared to 34.9% (28.2 billion yen) in 2013.

The hair care product category which includes shampoos, rinses, preparations for hair perms, and hair lacquers has recently become the second largest import category. Around 2010, Thailand began growing as a sourcing base of hair care products to Japan reportedly as the result of the relocation of domestic manufacturing facilities, and has outranked the U.S. and China. 2013 imports from Thailand, however, decreased to 31.7 billion yen (\$299.9 million), following a record high of 37.7 billion yen in 2012. The U.S. remained as a second largest exporter position with 5.4 billion yen (\$51.1 million), though declined by 6.1% from 5.7 billion yen the year earlier. China came third with total imports of 4.0 billion yen (\$38.3 million), down 16.3% from the previous year's 4.8 billion yen.

Fragrance imports in 2014 recorded a strong growth of 4.4% to 21.4 billion yen (\$202.3 million) from 20.4 billion yen in 2013. The U.S. was the third largest exporter with 2.0 billion yen (\$19.6 million) in 2014, almost remained flat from the year before, following France (12.8 billion yen or \$121.5 million), and Italy (3.8 billion yen or \$36.4 million).

Make-up imports in 2014 were 28.3 billion yen (\$268.2 million), up 5.1% from 26.9 billion yen, continuing growth trends since 2009. France remained the leading supplier with exports of 9.5 billion yen (\$90.3 million), up 3.5% from 9.2 billion yen in 2013, followed by China with 5.2 billion yen (\$49.6 million), a remarkable jump of 15.5% from 4.5 billion yen in 2013. The U.S. was a third with 4.1 billion yen (\$39.1 million), down 7.8% from 4.4 billion yen in 2013.

Industry sources are cautiously optimistic about the business environment for cosmetics in 2015 despite the negative impact of consumption tax hike by 3% to 8% from 5%, and weak Japanese yen against the dollar and Euro. Based on the constant exchange rate, the industry expects the overall market in 2015 will maintain at least 2014 levels, and probably post a modest increase.

### Cosmetics Market in Japan

(Calendar Year Base, Millions of Yen, Millions of Dollars)

	2011	2012	2013	2014	2015 E
Total	1,402,415	1,470,514	1,507,715	1,551,609	1,580,470
(US\$)	17,596	18,423	15,448	14,674	14,947
Shipment	1,367,518	1,403,368	1,428,690	1,486,786	1,516,522
(US\$)	17,158	17,582	14,638	14,061	14,342
Import	166,653	191,884	214,893	217,145	219,316
(US\$)	2,091	2,404	2,202	2,054	2,074
Export	131,756	124,738	135,868	152,322	155,368
(US\$)	1,653	1,563	1,392	1,441	1,469
Exchange Rate	79.70	79.82	97.60	105.74	105.74

Source: Ministry of Economy, Trade and Industry, Trade Statistics of Japan

Note: Exchange rates are annual average rates January thru December

\*"Cosmetics Market" includes skincare (HS3304.91-99), hair care (HS3305.10-90), makeup preparations (HS3304.10-91), fragrance (HS3303.00), and toiletry goods such as pre-and after-shaving, bath salts, etc. (HS3307.10-90).

### Best Prospects

Industry sources report that Japanese consumer interest in beauty and health continues to be high. Japanese consumers are traditionally more interested in skincare than make-up and fragrances. The skincare segment accounts for the largest share of the market, a striking contrast to Western countries where make-up preparations have the largest share. Japanese cosmetics consumers are known to be highly brand and quality conscious.

Best prospects include:

Skincare products with high performance and multi-appeal attributes in the following specific appeal areas such as aging-care, skin lightening, and skin moisturizing as well as quick-acting spot skincare. Products with multiple functions (e.g. BB creams or "all-in-one" creams) are especially popular.

Natural, organic products in particular for sensitive skin and troubled skin are becoming more popular in various channels and price ranges.

Men's skincare and personal care products, such as cleansing foam, toning lotion, moisturizing emulsion, skin revitalizer, anti-shine refresher, deep cleansing scrub, hydrating lotion, eye soother, tanning lotion, fragrance, and deodorant products.

Fragrances, especially new product launches with a light-feel scent.

Make-up preparations particularly mascara with moisturizing, thickening, curling, or other special features. Mineral make up products are gaining popularity. Cleansing products that wash off makeup easily and gently, as well as makeup that is easy to wash off is also increasing in popularity.

### Key Suppliers

No official information is available on how many cosmetics manufacturers and importers exist in Japan. Industry sources estimate that there are approximately 4,000 companies with 130,000 brand items being distributed in Japan today. Major Japanese cosmetics manufacturers include Shiseido (<http://www.shiseido.co.jp>), Kanebo (<http://www.kanebo-cosmetics.co.jp>), and Kosé (<http://www.kose.co.jp>). They are the "Big Three" in Japan's cosmetics industry, and cover market segments from highly prestigious brands to economy self-selection brands. In addition, there are major niche players in some product segments. Major foreign brand companies in Japan include P&G, AVON, ESTÉE LAUDER, L'ORÉAL, REVLON, and LVMH, to name a few.

There are many new entrants to the cosmetics market, such as drug companies, food and beverage manufacturers, and a photo film maker. These companies launch new skincare products capitalizing on their technological expertise such as biotechnology/nanotechnology, fermentation technology, or anti-oxidation technology. For example, Fujifilm entered the Japanese skincare market making full use of its technological expertise in using collagen as a raw material and for anti-oxidation processes. These nanotechnologies are a by-product of manufacturing photo films to prevent fading. Furthermore, it is not unusual that retailers launch their own brand with the help of contract manufacturers. A leading catalogue house, Senshukai, recently launched a hair care product which they developed internally. Furthermore, contract manufacturers are creating their own brands in search of market opportunities.

More new entrants means increased competition, leading to innovative products and new ingredients that further vitalize the industry as a whole.

### Prospective Buyers

Cosmetics are distributed in Japan through the following four channels. An industry source estimated the share of each channel for the last four years as follows:

High-prestige brands, including U.S. and European brands, are usually placed in the company-owned retail channel or in some form of voluntary chain store network employing a counseling-based selling system (department store counters, cosmetics specialty stores, and boutiques). In such cases, the manufacturer deals directly with its own accounts through its own sales force or subsidiaries.

However, general distributorship is the most conventional channel, with products flowing from manufacturer to wholesaler to retailer. In this system, the manufacturer delegates distribution to the wholesaler/distributor and supports marketing via advertising and promotion. Consumers go directly to the store shelves where they look for the cosmetics of their choice, and no individualized professional counseling is offered.

While products traditionally marketed through this channel have typically consisted of daily necessities such as basic cosmetics and hair care items at relatively low prices, the variety of cosmetics distributed through this system is expanding. Many imported cosmetics are distributed via this general distributor system. A wholesaler imports products directly and supplies them to retailers, or an importer brings in a product from an overseas manufacturer and supplies it to wholesalers, who supply the retailers.

The direct marketing channel includes traditional door-to-door sales, TV shopping, mail order (catalog) sales, and Internet shopping. Avon, Amway, and Nu Skin are traditional door-to-door companies having a legal presence in Japan, but it appears that growing numbers of imported cosmetics brands are focusing more on this channel because of its relative ease to gain quick access to the market (consumers) compared to other channels.

### Japanese Cosmetics Shipment by Distribution Channel (Percentage)

	2010	2011	2012	2013	2014 E
Chain store system	29.6	28.6	27.8	27.3	27.6
General distributorship	34.4	34.6	34.7	34.6	34.6
Direct marketing (Non-store)	27.7	28.2	29.1	29.7	29.4
Others	8.3	8.6	8.4	8.4	8.4

Source: Syukan Syogyo Jan. 1, 2015

Note: "Others" includes institutional/professional channels such as aesthetic salons, spas, beauty salons and barber shops supplied directly by manufacturers or through distributors/wholesalers. Some cosmetics and toiletries are sold to the customers of these establishments.

### Market Entry

Japanese cosmetics consumers are known to be highly brand quality, and value-conscious. It is important to understand that advertising claims are more restrictive in Japan than in the U.S. For example, efficacy claims using statistical data are not yet allowed. Therefore, product image, texture, and scent may play a greater role in the purchase decision than in the U.S.

In addition, consumers in Japan are very particular about the design and finishing touches (quality) applied to packaging. Also, their needs and tastes may change with seasonal trends and fashion changes. Thus, in cultivating and attracting consumers, new foreign brands may need to invest in developing brand awareness, as well as in user education. Cosmetics importers suggest that they are not interested in taking a look at a new products or brands presented to them unless the product is sharp looking and has an “attention getting story” to tell (i.e., how the concept has been developed, famous people who use it, unique characteristics, etc.).

This is because consumers do not just buy a cosmetics product, but rather buy the total value -- or total appeal -- of the product. Industry sources suggest well-known celebrity endorsements may contribute to a successful launch.

Companies wishing to enter the Japanese market are advised to develop a product mix with unique features and ingredients and to target the correct market channel in order to attract the interest of buyers, and Japan’s highly demanding consumers. Japanese cosmetics manufacturers are highly competitive and sophisticated, and they, too, are striving to bring new products with highly effective ingredients to the market. Import duties for cosmetics range from zero (HS: 3303, 3304, 3305) to 5.4 percent (HS: 3307).

### Market Issues & Obstacles

Japan’s Pharmaceutical and Medical Device Law (the “PMDL”), formerly known as the Pharmaceutical Affairs Law (the “PAL”) governs the cosmetics industry in Japan. According to the PMD, made effective in April 2005, a company that intends to market or import cosmetics products must obtain a license for marketing cosmetics on a commercial basis (“*keshohin seizoh hanbaigyo no kyoka*” in Japanese) from the appropriate local government offices for each business office location. For the company that intends to manufacture cosmetics, a license for manufacturing cosmetics (“*keshohin seizogyo no kyoka*”) must be obtained for each manufacturing location.

To obtain a license for marketing cosmetics on a commercial basis, an applicant company is required to comply with GQP (Good Quality Practice) and GVP (Good Vigilance Practice) in terms of quality control and post-marketing safety management in accordance with the standards specified by MHLW (Ministry of Health, Labor, and Welfare) Ministerial Ordinances.

Thus, the applicant company must have a Product Quality Manager (“*hinshitsu hoshoh sekininsha*”), a Safety Control Manager (“*anzen kanri sekininsha*”), and a General Marketing Business Controller (“*sokatsu seizoh hanbai sekininsha*”). The General Marketing Business Controller, who supervises the other two managers, must be a licensed pharmacist or a specialist who has completed university-level or equivalent pharmacology or chemistry courses. A manufacturer of cosmetics must designate a responsible engineering manager who supervises practical manufacturing of cosmetics for each manufacturing establishment.

The law does not yet permit a foreign company to make direct application from overseas for a license to market cosmetics products to Japan. Thus, a U.S. company that wishes to export its products to Japan first must find a qualified Japanese importer or representative or it must set up a Japanese subsidiary. Upon receipt of the manufacturing or marketing license, the applicant company needs to file a notification of the product to be manufactured or imported.

PMDL also stipulates that containers or wrappers of cosmetics products shall show the name and address of the marketer, name of product, production number or production code, name of cosmetic ingredients contained\*, the shelf life of cosmetics if the product concerned is not stable for three years, and other information required by MHLW ordinance.

\* A full ingredient listing on the container as required in the United States was put into force in Japan on April 1, 2001. Also, MHLW implemented Positive and Negative Lists of cosmetics

ingredients. Accordingly, ingredients, the safety of which have been confirmed, can be mixed freely in a cosmetic product at the responsibility of the manufacturer or the marketer concerned, as long as the finished product meets the definition of cosmetics as described in the Pharmaceutical Affairs Law.

It is important for U.S. exporters and manufactures to note that some ingredients listed on the positive list are allowed only for limited uses in Japan, even if they have been widely used in other countries. For example, formaldehyde-donor-type preservatives (Imidazolidinyl Urea and DMDM Hydantoin) are not permitted in Japan with the exception of rinse-off type products, e.g., shampoos (warning labels are required for products containing these preservatives). Quaternium-15 is not approved in Japan. At the moment, suppliers who discover that their products do not meet existing standards usually seek resolution of their problems through product reformulation. This avoids complications with MHLW's strict requirements for safety and supporting data.

Several helpful publications in English are available from Yakuji Nippo (fax: 81/3/3866-8408, URL: <http://www.yakuji.co.jp/>). The regulatory agency for the cosmetics and toiletry products is the Ministry of Health, Labor and Welfare (MHLW), Pharmaceutical and Food Safety Bureau, Evaluation and Licensing Division or "*Shinsa Kanri-ka*" in Japanese (phone: 81/3/3595-2431, fax: 81/3/3597-9535 URL: <http://www.mhlw.go.jp/>). Also, helpful information is available at the International Cosmetic Legal and Regulatory Database of the Personal Care Products Council (<http://www.personalcarecouncil.org/>).

## Trade Events

### COSME TOKYO 2016 & COSME TECH 2016

Date: January 20-22, 2016

Venue: Tokyo Big Sight, Tokyo

Organizer: Reed Exhibitions Japan Ltd.

Phone: 81-3-3349-8509, Fax: 81-3-3349-4922

URL: <http://www.cosmetokyo.jp/en/>, <http://www.cosme-i.jp/en/>

### Organic EXPO 2016

Date: February 10-12, 2016

Venue: Tokyo Big Sight, Tokyo

Organizer: NürnbergMesse GmbH

Phone: 49-911-8606-8615, Fax: 49-911-8606-8694

URL: <http://organic-expo.jp/en/>

### Tokyo Health Industry Show 2016

Date: March 16-18, 2016

Venue: Tokyo Big Sight, Tokyo

Organizer: UBM Media Co., Ltd.

Phone: 81-3-5296-1025, Fax: 81-3-5296-1018

URL: <http://www.this.ne.jp/eng/>

### Japan Drugstore Show 2016

Date: March 18-20, 2016

Venue: Japan Convention Center (Makuhari Messe), Chiba

Organizer: Japan Association of Chain Drug Stores

Phone: 81-3-6206-0067, Fax: 81-3-3525-4171

URL: <http://www.drugstoreshow2014.jp/english/index.html>

**Beautyworld Japan 2016**

Date: May 16-18, 2016

Venue: Tokyo Big Sight, Tokyo

Organizer: MESAGO Messe Frankfurt Corporation

Phone: 81-3-3262-8939, Fax: 81-3-3262-8442

URL: <http://www.beautyworldjapan.com/tokyo/e/>**DIET & BEAUTY FAIR ASIA 2016 & SPA & WELLNESS JAPAN 2016**

Date: September 12- 14, 2016

Venue: Tokyo Big Sight, Tokyo

Organizer: UBM Japan Co., Ltd.

Phone: 81-3-5296-1013, Fax: 81-3-5296-1018

URL: <http://www.dietandbeauty.jp/en/>, <http://www.spaandwellness.jp/en/>**Resources & Contacts**

Japan Cosmetics Industry Association

<http://www.jcia.org>

Cosmetics Importers Association of Japan

<http://www.ciaj.gr.jp>

The Personal Care Products Council

<http://www.personalcarecouncil.org/>

The American Chamber of Commerce in Japan

Committee on Toiletry, Cosmetics and Fragrance

<http://www.accj.or.jp/>

Japan Nailist Association

<http://www.nail.or.jp>**For More Information**

The U.S. Commercial Service in Tokyo, Japan can be contacted via e-mail at:

Tokyo.Office.Box@trade.gov; Phone: 81-3-3224-5074; Fax: 81-3-3589-4235; or visit their

website: <http://www.buyusa.gov/japan/en/>

# MALAYSIA

## Market Overview

Malaysia's total trade volume in cosmetics and toiletries is about US\$407 million in 2013, according to the Malaysia Department of Statistics. This demand was mainly met by imports. The top three leading importing countries are the United States, Japan and Thailand. Skin-care products (including sunscreen and after sun care) command the biggest market share with a total import valued at US\$229 million. Eye color cosmetic has the second largest share of the market with imports with a value of US\$20.6 million. Powder make-up (including pressed powder compact and blusher/ rouge) comes in at third placing with US\$20.2 million, while lip make-up preparation imports were US\$17.8 million. Manicure and Pedicure is becoming more popular. Malaysia's 2013 import for this product category is about US\$6.7 million. Malaysia imported US\$295 million of skin and beauty products in 2013. This is a decrease of about 5% from the previous year. Even so, if we use the comparison of total imports with the population size of 29.72 million, it is akin to each Malaysian spending US\$10 million on skin-care and cosmetics in 2013. Hence, the demand for this sector is expected to be optimistic beyond 2014.

## Market Demand

As of 2013, Malaysian population is 29.72 million. The demographics of the 15-64 age group is 68.5% of the population with per capita income of US\$10,400. With GDP valued at US\$312.4 billion, Malaysia is classified as an upper-middle income nation. In 2013, Malaysia imported about US\$295 million worth of cosmetics and toiletries. Skin-care products command the largest market share. In recent years, the skin-care trend is shifting towards private label manufacturing of skin care and color cosmetics rather than representing foreign brands. This is especially true for the skin-care products targeting the medical professional channels like dermatologists, and plastic surgeons. In Malaysia, majority of the demand would come from the spa and salon market, the retail stores, and multi-level marketing/ direct selling channel. Due to the industry trend shifting towards private labeling, in order for the U.S. brands with online presence to do well is to ensure its international pricing is similar or as close as their U.S. online pricing as possible. Malaysians are getting savvier in online shopping and would typically do a cost comparison between local and U.S. prices. If the foreign distributor is charging an unreasonably huge premium compared to the U.S. pricing, then the distributor may face resistance to their pricing model. Also, some distributors have indicated reluctance in taking U.S. brand with online presence if these distributors are unable to match or offer as close as the U.S. product pricing. A sweet spot would be if U.S. companies can work with the foreign distributor and have its products placed in the Malaysian market within and/ or not exceeding 10-15% U.S. Manufacturer's Suggested Retail Pricing (MSRP). A most recent market development in Malaysia is the emergence of Islamic Sharia law compliant or Halal cosmetics. Halal cosmetics are not allowed to contain porcine animal byproducts, and are typically alcohol free. If other forms of animal byproducts are used, it must be the Sharia compliant.

Malaysia sees halal cosmetics as a platform for alternative or parallel product development to meet the needs of this 60% Muslim majority country. This is seen as an alternative avenue to stimulate local manufacturing. The ultimate target market for Malaysian halal cosmetics manufacturers is to export to the Middle East. All Halal certification, monitoring and enforcement are performed by JAKIM, the Malaysian Department of Islamic Development.

United States			% Share			% Change	
Partner Country	2011	201	2013	2011	2012	2013	2013/2012
World	434464783	414909493	407223607	100.00	100.00	100.00	- 1.85
Singapore	49040644	41385124	41428451	11.29	9.97	10.17	0.10
United States	43954718	46632584	38566427	10.12	11.24	9.47	- 17.30
Japan	50683426	47654230	38253088	11.67	11.49	9.39	- 19.73
Thailand	43954001	35351377	38070857	10.12	8.52	9.35	7.69
France	31107504	33224338	28643662	7.16	8.01	7.03	- 13.79
Korea South	28010455	29919353	27101116	6.45	7.21	6.66	- 9.42
Indonesia	19250880	20819177	24303464	4.43	5.02	5.97	16.74
China	17796869	16716925	21862337	4.10	4.03	5.37	30.78
Hong Kong	20821039	18751804	19566976	4.79	4.52	4.80	4.35
Taiwan	20210725	20169994	18396717	4.65	4.86	4.52	- 8.79
Switzerland	10349703	10527337	14374785	2.38	2.54	3.53	36.55
Philippines	13059067	9110162	10415922	3.01	2.20	2.56	14.33
Australia	11470455	10053429	10022282	2.64	2.42	2.46	- 0.31
United Kingdom	10395008	8640814	7923644	2.39	2.08	1.95	- 8.30
Germany	9294512	8714784	7186682	2.14	2.10	1.76	- 17.53
Canada	5625609	6512430	6699514	1.29	1.57	1.65	2.87
Italy	8830891	6803429	6331268	2.03	1.64	1.55	- 6.94
United Arab Emirates	5379399	5519126	6313863	1.24	1.33	1.55	14.40
India	5824150	5182654	5571814	1.34	1.25	1.37	7.51
Vietnam	1912311	1970875	3524706	0.44	0.48	0.87	78.84
Saudi Arabia	2914793	4023447	3235686	0.67	0.97	0.79	- 19.58
Pakistan	677029	815790	2963178	0.16	0.20	0.73	263.23
Nigeria	2313284	1997051	2734931	0.53	0.48	0.67	36.95
Spain	2045695	1996235	2375265	0.47	0.48	0.58	18.99

The major U.S. skin-care competitors have traditionally been France and Switzerland. Increasingly, South Korea, Japan, Spain, Italy, Australia and New Zealand are all making inroads into the Malaysian market. Swiss skin-care products are perceived to be at the top end of the scale in terms of pricing, prestige and product efficacy. French products have long been regarded as the main go-to country for sourcing skin-care products. The Spanish and Italian skin and hair care providers are seen as value alternative EU providers. The Japanese has always been a supplier country of choice for the premium skin whitening product category. The Australians have always been a major skin-care country supplier to Malaysia.

Geographic proximity and a shared British Commonwealth legacy are some of the ties that bind these two nations. New Zealand products are perceived to be more green and eco-friendly centric. The advent of K-pop phenomenon has made all things South Korean, including cosmetics, very attractive.

Malaysia Total Trade

Commodity: 3304, Beauty Or Make-Up And Skin-Care Preparations (Other Than Medicaments), Including Sunscreens Etc.; Manicure Or Pedicure Preparations

## Market Data

The domestic production of cosmetics and toiletries products in Malaysia has been increasing its foothold in the market. Although some of the local manufacturers market their house brands, a big proportion is focused on contract manufacturing.

Malaysia is a net importer of cosmetics and toiletries. Malaysia imported US\$295 million of beauty products in 2013. Hair care products imports stand at US\$122 million for 2013. Importation of manicure and pedicure preparation for 2013 is US\$6.7 million.

Malaysia Import Statistics							
Commodity: 3304, Beauty Or Make-Up And Skin-Care Preparations (Other Than Medicaments), Including Sunscreens Etc.; Manicure Or Pedicure Preparations							
Calendar Year: 2011 - 2013							
Partner Country	United States Dollars			% Share			% Change
	2011	2012	2013	2011	2012	2013	2013/2012
World	321876252	310928913	294706366	100.00	100.00	100.00	- 5.22
United States	39934613	44364057	37206922	12.41	14.27	12.63	- 16.13
Japan	44926227	45811185	32967350	13.96	14.73	11.19	- 28.04
Thailand	35361199	28145201	28617030	10.99	9.05	9.71	1.68
France	31082269	33088724	28580457	9.66	10.64	9.70	- 13.62
Korea South	23862275	26737578	24434300	7.41	8.60	8.29	- 8.61
China	17452172	16180297	18759309	5.42	5.20	6.37	15.94
Taiwan	16445836	16933279	15386138	5.11	5.45	5.22	- 9.14
Indonesia	12092981	13149390	14945976	3.76	4.23	5.07	13.66
Switzerland	9980105	10276302	14341864	3.10	3.31	4.87	39.56
Singapore	19422075	11022900	13299845	6.03	3.55	4.51	20.66
United Kingdom	9491601	8509483	7890939	2.95	2.74	2.68	- 7.27

Australia	7667527	7628139	7808937	2.38	2.45	2.65	2.37
Germany	9041693	8671253	7095461	2.81	2.79	2.41	- 18.17
Canada	5568464	6451846	6584859	1.73	2.08	2.23	2.06
Italy	8785924	6797557	6331268	2.73	2.19	2.15	- 6.86
Philippines	8303985	5498528	6277487	2.58	1.77	2.13	14.17
Hong Kong	6489392	6622157	5513869	2.02	2.13	1.87	- 16.74
India	4715749	3940489	4334638	1.47	1.27	1.47	10.00
Spain	2021831	1954056	2375265	0.63	0.63	0.81	21.56

## Malaysia Export Statistics

Commodity: 3304, Beauty Or Make-Up And Skin-Care Preparations (Other Than Medicaments), Including Sunscreens Etc.;  
Manicure Or Pedicure Preparations

Calendar Year: 2011 - 2013

Partner Country	United States Dollars			% Share			% Change
	2011	2012	2013	2011	2012	2013	2013/2012
World	112588531	103980580	112517241	100.00	100.00	100.00	8.21
Singapore	29618568	30362224	28128606	26.31	29.20	25.00	- 7.36
Hong Kong	14331647	12129648	14053107	12.73	11.67	12.49	15.86
Thailand	8592802	7206176	9453827	7.63	6.93	8.40	31.19
Indonesia	7157899	7669787	9357488	6.36	7.38	8.32	22.00
United Arab Emirates	5291534	5429089	6056520	4.70	5.22	5.38	11.56
Japan	5757199	1843045	5285738	5.11	1.77	4.70	186.79
Philippines	4755082	3611634	4138435	4.22	3.47	3.68	14.59
Saudi Arabia	2800389	4013375	3235686	2.49	3.86	2.88	- 19.38
China	344697	536628	3103028	0.31	0.52	2.76	478.25
Taiwan	3764889	3236715	3010579	3.34	3.11	2.68	- 6.99
Vietnam	1778490	1890170	2867201	1.58	1.82	2.55	51.69
Nigeria	2313284	1995370	2734931	2.05	1.92	2.43	37.06

Korea South	4148180	3181775	2666816	3.68	3.06	2.37	- 16.18
Australia	3802928	2425290	2213345	3.38	2.33	1.97	- 8.74
Brunei Darussalam	2854853	3156551	1834876	2.54	3.04	1.63	- 41.87
United States	4020105	2268526	1359505	3.57	2.18	1.21	- 40.07

Malaysia Import Statistics							
Commodity: 330430, Manicure Or Pedicure Preparations							
Calendar Year: 2011 - 2013							
Partner Country	United States Dollars			% Share			% Change
	2011	2012	2013	2011	2012	2013	2013/2012
World	15755574	7832690	6732858	100.00	100.00	100.00	- 14.04
United States	2147326	1539814	1283203	13.63	19.66	19.06	- 16.67
Korea South	1028800	1079473	958416	6.53	13.78	14.23	- 11.21
Japan	471106	1235872	749786	2.99	15.78	11.14	- 39.33
Switzerland	844762	521053	718500	5.36	6.65	10.67	37.89
Thailand	317034	421386	430140	2.01	5.38	6.39	2.08
China	105985	110129	403248	0.67	1.41	5.99	266.16
Taiwan	360623	490940	374178	2.29	6.27	5.56	- 23.78
Singapore	6394419	360886	291001	40.59	4.61	4.32	- 19.36
France	2500677	752575	284646	15.87	9.61	4.23	- 62.18
United Kingdom	685226	245116	274423	4.35	3.13	4.08	11.96

Malaysia Import Statistics							
Commodity: 3305, Preparations For Use On The Hair							
Calendar Year: 2011 - 2013							
Partner Country	United States Dollars			% Share			% Change
	2011	2012	2013	2011	2012	2013	2013/2012

World	105858383	123817908	122939077	100.00	100.00	100.00	- 0.71
Thailand	65244930	72173693	65001148	61.63	58.29	52.87	- 9.94
China	2965970	6924495	13028222	2.80	5.59	10.60	88.15
Indonesia	6885060	8923079	8737273	6.50	7.21	7.11	- 2.08
Japan	8286511	8824592	5790565	7.83	7.13	4.71	- 34.38
United States	5051717	4995534	4835773	4.77	4.03	3.93	- 3.20
Canada	212402	665598	2954436	0.20	0.54	2.40	343.88
India	987069	1085728	2812884	0.93	0.88	2.29	159.08
France	1053273	2449595	2439695	0.99	1.98	1.98	- 0.40
Germany	2635707	2338021	2418073	2.49	1.89	1.97	3.42
Korea South	2470892	2530322	2270335	2.33	2.04	1.85	- 10.27
Spain	2755831	3519332	2262447	2.60	2.84	1.84	- 35.71
Italy	1740378	1771943	2081077	1.64	1.43	1.69	17.45

## Best Prospects

Typically, mass market/ value pricing products usually do better compared to prestige products due to pricing. Prestige brands are inherently self-limiting in its market share, especially so in an upper-middle income Malaysian economy. Across the board, the main skin-care concerns cited by most Malaysians falls under whitening/ lightening/ brightening of blemish and acne scars, and anti-aging. Anti-aging cosmeceuticals is the most sought after skin-care range. Non-surgical anti-aging products and therapies are best sellers in the salon and spas business. Other anti-aging treatments provided in the market are the use of ampoules, serums, mesotherapy and cosmeceuticals.

Other than anti-aging cosmeceuticals, rising demand is forecasted for shine-free and anti-blemish products. Oil-free hydration is highly in demand in comparison to any single store keeping unit (SKU) out of the entire skin-care product mix. Product formulations that provide matt/ silky and powdery finish would do well in a tropical country like Malaysia.

One of the product category star performers is sunscreen, sun-tan and sun-burn preventive preparation. There was a threefold increase in import value between 2011 and 2012 from US\$1.86 million to US\$5.8 million. The reason for this large increase is Malaysian concern for pigmentation and darkening of the skin tone. 2013 data was not available at the time this report was published. Japan is the lead sunscreen supplying country to Malaysia with almost a twofold increase in its import value for 2011-2012. Japan exported US\$2.75 million worth of

sunscreen to Malaysia. The U.S. holds the second position with a value of US\$765, 545. Canada holds the third position with a sevenfold increase in its exports to Malaysia for the same duration with a value of US\$407, 204.

Majority of the mass market cosmetics and toiletries available in the Malaysian market place are either manufactured domestically or in the ASEAN region. Market leaders for cosmetics in the fast moving consumer goods (FMCG) segment are the multinational corporations (MNCs). Unilever, L'Oreal, and Proctor and Gamble have strong presences in Malaysia. Popular mass market brands available in the market are mostly from the U.S.: Cover Girl; Maybelline; L'Oreal; etc. Popular higher priced color cosmetics brands available in the market are mainly from the Estee Lauder Companies, Moet Hennessy Louis Vuitton (LVMH), and Chanel. As for manicure and pedicure preparations, OPI is market leader.

In the case of private label skin-care market, the current trend is to have the products formulated overseas (EU and U.S. are the major product formulators) and the final production and packaging is performed in-country. However, domestic market perception of the end products manufactured thusly is not as favorable. Private label products both formulated and manufactured by the more economically developed countries (MEDC) are perceived to be significantly of higher quality.

Market perception of U.S. skin-care is that most of its products are primarily focused on skin rejuvenation, renewal and peeling. This rejuvenation process is achieved by the use of acids, i.e. AHA, BHA and other acids such as lactic and fruit as well as enzymes. Doctor brands (products bearing a Doctor's name) are rather popular and organic/ natural skin-care are gaining market acceptance.

Other than skin-care and color cosmetics, manicure and pedicure are gaining increasing market acceptance. Nail salons providing manicure, pedicure and nail art spa treatments are increasing in major urban and suburban areas. These nail salons are usually located in most middle to high-end shopping malls. Some standalone hair salons and spas also provide manicures and pedicures in major business parks and commercial shop-lots. Popular nail treatment and nail polish used in these salons are OPI and Jessica. Popular mass market nail polish and nail care brands are L'Oreal, Maybelline, Revlon, and Sally Hansen etc.

### Key Suppliers

Mass market cosmetics and toiletries are usually sold in pharmacies and supermarkets. A smaller range of these products can be found in most mom-and-pop convenient stores and mini markets. The high-end and prestige brands are usually sold in department stores and stand-alone retail stores and kiosks. Salon and spa brands are frequently marketed directly to the beauty salons and spa businesses. The distributor or agent would commonly have sales personnel make sales calls to the salons and spas. Organic/ natural/ specialty and some cult cosmetic brands are generally sold in standalone stores and organic stores in various shopping malls.

There is high prevalence of cosmetics and toiletries being sold via the multi-level marketing (MLM)/ direct sales distribution channel in Malaysia. Typically, the MLM companies have their own private labels. They would either buy in bulk or repackage the products locally or from the source country. Some of the cosmetic/ toiletries/ personal care MLM corporations in

Malaysia are: Amway, Avon, Cosway, Nu Skin, Nutri-Metics and Mary Kay. Amway and Cosway (a Malaysian MLM corporation with international presence that is part of a Malaysian conglomerate group) are competing neck-to-neck as the market leader. The poll positions between these two companies are interchangeable year to year.

Examples of various brands available in the market are listed per retail chain below:

Departmental stores:

SK-II, Clinique, Shiseido, Christian Dior, Chanel, Kanebo, Biotherm, Clarins, L'Occitane, Laura Mercier, Cosme Decorte, Origins, Haba, Jurlique, StriVectin, N.V. Perricone M.D., Dr. Sebagh, Dior, Lancome, Estee Lauder, Kose, Bobbi Brown, Shu Uemura, Dr.Ci:Labo, Anna Sui, RMK, Sisley, La Prairie, Guerlain, Laneige, Davidoff, Burberry etc.

Salon/ Spa brands:

Sothys, Thalgo, Phytomer, Guinot, Dermalogica, Jeanne Piaubert, Swissline, Casmara, Obagi, Dermaesthetics Beverly Hills.

Specialty/ Niche/ Cult/ Organic brands:

Aesop, Anick Goutal (fragrance), Avalon, Kiehls.

Pharmaceutical brands:

Neo Strata, Vichy, Avene, RoC, Eucerin, Sebamed, Neutrogena.

Nail Polish:

Maybelline, Revlon, L'Oreal, Sally Hansen for mass market brands. OPI and Jessica are the two popular professional brands in the market.

Hair care products are sold in the mom-and-pop grocery stores, mini markets, pharmacies, supermarkets, and hypermarkets. Organic hair products are usually sold at specialty organic stores, or at select high-end grocery stores. Professional hair care products are sold mostly at hair salons and specialty professional hair care retail stores.

## Prospective Buyers

As of 2013, Malaysia's population size is 29.72 million. Out of this, 68.5% are in the 15-64 years age demographic. Other than the typical Malaysian consumers of mass market FMCG cosmetic and toiletries that include both sexes of the population; the consumer profile of imported color cosmetics, skin, hair and nail care are the upper middle income urbanites. The bulk of job opportunities are centered in the highly urbanized cities of Malaysia especially Kuala Lumpur, Penang, and the Johor region near Singapore. Hence, it is also this group that would have higher disposable income to consume imported products. Malaysia is also seeing increasing demand for skin-care and grooming services by the urban male population.

High female work force participation (46.8% according to World Bank), better education, overseas exposure and familiarity with foreign cosmetics and skin care brands, and knowledge of the basic three step skin-care cleansing regimen are all factors that bode well for U.S. companies planning to do business in Malaysia. As for the institutional buyers, they can be divided into two categories: those that will promote a foreign brand name/ trade mark, and those that wish to promote their own private label.

## Market Entry

Securing the assistance of an agent or distributor is necessary for market entry into Malaysia. Notification with the Malaysian Drug Control Authority for most cosmetics and toiletries products is the next step, and this is only to be done by a Malaysian company/agent/distributor. Once, the product is notified for importation, the appropriate distribution channels are usually determined by the product target market. Further, as over 60% of the Malaysian population is Muslim, U.S. companies that intend to sell to the Muslim consumers should be aware of the local Malaysian Halal requirement. If necessary, having the product Halal certified by the Malaysian entity JAKIM would be advantageous as well. Halal is defined as what is permissible under the Islamic Sharia Law.

Malaysia recognizes three Islamic bodies in the U.S. Although most of the Halal certification is food related, increasingly we are seeing more of these requirements translated into cosmetics and usable goods. These certifying bodies are:

- [Halal Food Council International \(HFCI\)/ Halal Food Council South East Asia \(HFC-SEA\)](#), Salisbury, Maryland
- [Islamic Services of America \(ISA\)](#), Cedar Rapids, Iowa
- [The Islamic Food and Nutritional Council of America \(IFANCA\)](#), Chicago, Illinois

## Market Issues & Obstacles

The Guidelines for Control of Cosmetic Products in Malaysia is prepared in accordance to the ASEAN Cosmetic Directive. Under the Control of Drugs and Cosmetics Regulations 2007, the company or person responsible for placing a cosmetic product in the local market must notify the Director of Pharmaceutical Services (DPS) through [National Pharmaceutical Control Bureau](#) (NPCB) prior to product manufacture or importation. A written authorization from the product owner is required if the company or person notifying does not own the product. Cosmetics manufactured or marketed by ASEAN firms are exempt from registration.

The Government of Malaysia regulates the manufacture, sale and importation of cosmetic products in the following ways:

- Notification is necessary to DPS of all cosmetic products that are to be manufactured, for sale/ wholesale or imported.
- The company or person carrying out the notification must be registered with the authority. Applicant must be a company incorporated in Malaysia.
- Product can only be sold in the market once notified.
- The company or persons carrying out the notification to do post-market surveillance.

A company is required to submit the original Certificate of Analysis for cosmetics with skin-whitening ingredients. As a general rule, claimed cosmetic benefits must be justified by substantial evidence and/or by the cosmetic formulation or preparation itself. Cosmetic products should not make claims that are regarded as medicinal in nature. It is a legal offence to import, sell or offer to sell any products containing a substance under the Poison Control Act.

There are also indications that Malaysian Standard MS1500:2400 may be similarly used for cosmetics and personal care products. MS1500:2400 is intended for use in the production, preparation and handling of Halal food. The main concerns over the issue of Halal cosmetics

and personal care products for the majority Muslim population stems from derivative of collagen from porcine animal source (animal skin, fur, bones, nails, teeth and horns).

**Malaysian Cosmetics and toiletries Products 2014 Import Duty and Sales Tax Order**

	<u>Import Duty%</u>	<u>Sales Tax%</u>
<u>Skin-care preparations</u>		
Essential Oil	0	0 *
Perfumes in liquid, cream or solid form	0	0
Lip make-up preparation	0	0
Eye make-up preparation	0	0
Other skin care preparations (other than medicaments)	0	0
Cosmetic Face Powders Compress/not compress	0	10
Beauty creams, cleansing, cold and make-up creams	0	0
Skin food and skin tonics or body lotion	0	0
Sun-tan-sunburn preventive preparation	0	0
Eyelash brushes	15	10
Cosmetic application brushes	5	10
Travel sets for personal toilet	5	10
<u>Nail Manicure or Pedicure Instruments and Preparations</u>		
Nail polishes and varnishes	0	0
Nail removers	0	0
Nail polishes / varnishes	0	0
Nail varnish removers	0	0
Nail cleaners/clippers/files nippers	25	10
<u>Preparations for use on the hair</u>		
Shampoo	0	10
Preparations for permanent waving or straightening	0	10
Hair lacquers and others	0	10

Note:

\*IL: Import License required for Agar Wood Oil

### Trade Events

- [Beauty Expo](#), October 16-19, 2015, Kuala Lumpur City Center, Kuala Lumpur.
- [CosmoBeaute](#) July 6-9, 2015, Putra World Trade Center, Kuala Lumpur.

### Resources & Contacts

- [The Cosmetics, Toiletries and Fragrance Association of Malaysia](#)
- [Dermatological Society of Malaysia](#)
- [National Pharmaceutical Control Bureau](#)

### For More Information

The U.S. Commercial Service in Kuala Lumpur, Malaysia can be contacted via e-mail at: [Tracy.Yeoh@mail.doc.gov](mailto:Tracy.Yeoh@mail.doc.gov); Phone: 60-3-2168-5089; Fax: 60-3-2142-1866; or visit website: [www.BuyUSA.gov/Malaysia](http://www.BuyUSA.gov/Malaysia)

# NEW ZEALAND

## Market Overview

The cosmetics and toiletries market in New Zealand is a mature and competitive market comprising of discerning consumers who tend to be brand aware and price sensitive. Most New Zealanders (population 4.5 million people) live in urban centers where they enjoy good access to cosmetic and toiletry retailers including supermarkets, department stores and pharmacies. The Internet is increasingly changing how consumers buy. Most retailers manage a website and offer online sales. Buying online from international vendors e.g. [www.strawberrynet.com](http://www.strawberrynet.com) is popular. (New Zealand Post has an office in the U.S. to manage online sales from vendors who do not ship directly to New Zealand.) New Zealand is an aging population. Christmas is the high season for retail sales. New Zealand's cosmetic and toiletries market is valued at approximately US\$400 million per annum.

International brands are a significant component of New Zealand's cosmetics and toiletries market. Australian cosmetic and toiletries products represent 25.5% of New Zealand's total import market followed by the United States and France third. Under the Closer Economic Relations (CER) Agreement, Australian manufactured products enter New Zealand duty-free. Some U.S. firms manufacture products in Australia under license and export to New Zealand under CER. In 2014, New Zealand's total imports of cosmetic, toiletries and perfumes totaled US\$375 million. U.S. cosmetic and toiletries brands in 2014, totaled US\$66 million (18% total import market share). U.S. cosmetic and toiletry brands enjoy a reputation for quality and safety - they're also very visible. In 2014, New Zealand's cosmetic, toiletry and perfume exports totaled US\$80 million of which approximately 51% was exported to Australia and the United States.

New Zealand consumers closely follow international trends. Local consumers perceive natural cosmetics and toiletries as pure, gentle, and effective. Consumer growth trends are led by natural formulations to capitalize on New Zealand's aging population. Sun awareness with an appreciation for being outdoors means local consumers expect dual-purpose skincare products to help prevent skin cancer and early aging.

Product differentiation is important for brand growth as is increased consumer awareness coupled with fashion trends. Advertising is important to raise brand awareness and excitement about products.

## Market Access

- There are no import licensing requirements.
- Companies must comply with the following cosmetic group standard: <http://www.epa.govt.nz/hazardous-substances/approvals/group-standards/Pages/cosmetic.aspx>

- The Advertising Standards Authority governs advertising standards and provides a voluntary approval system for monitoring product claims.
- Tariffs range from 0-5%.
- New Zealand Customs restricts the import of aerosol sprays that contain ozone-depleting substances.
- Some product ingredients are culturally sensitive to New Zealand's indigenous population (the Maori) and Pacific Island people. For example, it is politically incorrect to use human placenta in any product for this market.

## Legislation

**Fair Trading Act:** This Act prohibits false or misleading information about a product or service. Legislation includes prohibition of packaging that gives a misleading or deceptive impression about the contents.

**Consumer Guarantees Act:** This Act regulates that manufacturers/importers must ensure all goods are of acceptable quality. The goods must be free from minor faults. Also the goods must be safe and durable; and correspond with any description, sample or demonstration model given or shown to the consumer.

## For More Information

Janet Coulthart  
U.S. Commercial Service, Wellington, New Zealand  
Email: [janet.coulthart@trade.gov](mailto:janet.coulthart@trade.gov)  
Ph: 64-4-462-6002  
Fax: 64-4-473-0770  
Website: [www.export.gov/newzealand](http://www.export.gov/newzealand)

# PHILIPPINES

## Overview

The Philippine market offers many good opportunities for sellers of American cosmetic products, particularly skincare preparations and special skin formulas. Total imports of cosmetics, toiletries and personal care products (lip and make-up, perfumes, soaps and shampoos, skin and nail care preparations) was valued at US\$257 million in 2011.

The bulk of the cosmetics and personal care industry is supplied by local production. Importation continues to grow. Cosmetics and personal care products from Thailand dominate the market, although U.S. manufacturers still maintain a reputation for high quality and name brand recognition among Filipino consumers. Filipino consumers have an affinity for American brands and usually associate them with quality.

Among the top American imports in the sector are lipstick, oil-free make-up foundations, perfumes, skin cleansers, facial cleansers, soaps, shampoos and conditioners. Price is a strong determining factor in most Philippine cosmetic purchases. American firms such as Avon, Colgate-Palmolive, Johnson & Johnson, Procter & Gamble, Sara Lee and Unilever have manufacturing facilities in the Philippines with product readily available in most retail outlets.

## Market Demand

The Philippines' total importation of cosmetics, toiletries, and personal care products rose slightly from \$254 million in 2010 to \$257 million in 2011. Thailand and Indonesia were the top suppliers with 33% and 21% market shares respectively.

Imports from Thailand and Indonesia were primarily toiletries that were formerly manufactured in the Philippines. These products, which are competitive with other locally produced goods, have eaten into U.S. market share.

Most of the toiletries that the Philippines imported from Thailand are U.S. brands. Likewise, local cosmetics and toiletries are U.S. brands manufactured by local subsidiaries like Colgate-Palmolive, Johnson & Johnson, and Procter & Gamble; and multi-level/direct-selling companies like Avon, Sara Lee, and Mary Kay.

Demand for raw materials and finished products for skin whitening and anti-ageing (glutathione, metathione, tretinoin, etc.) continues to grow. Local manufacturers of cosmetics, toiletries and personal care products use whitening ingredients to address local and export demands. Most companies include a whitening component in their entire product line -- from soaps and moisturizers to toners and UV-protection products and creams.

Philippine-made cosmetics, toiletries, and personal care products are exported to other countries, primarily to the Middle East. Some local products with whitening properties also

contain natural and organic ingredients from locally available sources such as green and ripe papaya and *kalamansi*, a local lime. Other skincare preparations may contain locally sourced avocado, aloe vera, virgin coconut oil, seaweeds, and alum.

The demand for cosmetics, toiletries, and personal care products continue to grow as consumers become more aware of the importance of health and hygiene. There are now also more products formulated for young skin aimed at young consumers.

### Market Data

In 2011, the Philippines imported \$257 million worth of Cosmetics, Toiletries and Personal Care products. Local production is valued at approximately US\$1.3 billion, based on industry estimates that local production of Cosmetics, Toiletries, and Personal Care products is about 80% of the market.

	Total Imports	U.S.A.	Thailand
2011 TOTAL	\$257	\$13	\$85
2010 TOTAL	\$254*	\$11	\$107

Source: National Statistics Office

Breakdown of importation (market share) is as follows: Thailand - 33%; Indonesia - 21%; China - 9%; Malaysia - 9%; U.S.A. - 5%; Singapore - 5%; Germany - 2%; and from other countries -16%.

\*This data differs from what was reported last year as several items have been removed from the list of products imported.

### Best Prospects

Products with best prospects for U.S. manufacturers include organic products, anti-acne creams, other medicated skin preparations, lip make-up, eye make-up, hair lacquers, nail care, and hair care - those with little or no domestic manufacturing operations at all.

A growing number of female consumers spend on facial and underarm whitening products, special hair care applications, and quality make-up products. Colored pressed powder; liquid foundation; rouges and blushers; and scents, toilet water, colognes, and body sprays, have always been consumer favorites.

Products for men and the youth also have good prospects. Although the majority of buyers are still women, marketing geniuses have persuaded a growing number of men to be conscious about grooming and looking good. Manufacturers and advertisers have also identified the youth as a huge consumer market sector and have positioned products and brands to target them.

### Key Suppliers

Domestic manufacturers include Avon Philippines, Cherry Laboratories; Colgate Palmolive Philippines; J&J Philippines; Jemica Cosmetics Manufacturing; S A Goldon Philippines Corporation; and Splash Corporation/Hortaleza Beauty Center (HBC); while imported products

include such brands as Avon (some Avon products are imported); Fullerton (Sara Lee); Mary Kay Cosmetics; Maybelline; Dial and Lander Products; Shiseido; Max Factor; L'Oreal; Kanebo; and numerous other brands.

Besides toiletries and personal care products, which are available in supermarkets, drugstores, and convenience stores, market top-sellers in cosmetics are those that are distributed through multi-level marketing or direct selling - Avon, Mary Kay, Fullerton (Sara Lee). Majority of these products are US brands. These imported goods are not only considered quality products, they are also price-competitive. If the choice between a locally manufactured product and an imported one is a few pesos, a consumer would likely buy the imported brand.

Filipino consumers are price conscious, but also look for quality in the products that they buy. Contrary to popular notion, China is not a popular source for less expensive cosmetics because of issues regarding toxic contents in cosmetics.

European brands, especially with designer labels are considered high-end, and therefore, expensive.

### **Prospective Buyers**

Since toiletries and personal care products are essential to grooming, prospective end-users are technically, the entire population. In reality, about 60% of the population has disposable income or some means of livelihood to afford basic grooming. The rest of the population (40%) is composed of dependents with no purchasing power.

Market demand drivers are the country's growing population; more women joining the workforce; better job opportunities and improved employment; and a general awareness for good grooming.

Cosmetics spell the difference between social classes. High-end make-up and skin and hair care have a market among women of leisure and women executives. Middle class women buy imported as well as local cosmetics, but may splurge on a signature cologne or lipstick from time to time.

A growing number of Filipino women are now also using whitening (bleaching) and anti-aging products. Industry speculates that this is a result of media influence -- advertisers use movie stars and other popular role models in their promotional campaigns. Movie stars either have glowing, tanned skin or white and luminous complexion.

While majority of buyers are female, a growing number of men are now more conscious about looking good. Many products are also being developed for the youth sector.

### **Market Entry**

The best way for a US company to sell to the Philippines and ensure broad exposure for its products is by working through a distributor who would distribute them nationwide through dealer or agent networks. The local distributor becomes responsible for registering the imported products with the Food and Drugs Administration (FDA).

Laws and regulations governing cosmetic products, including registration, may be found in the FDA website: <http://www.bfad.gov.ph>

Generally, local and imported cosmetic products are sold in retail outlets - specialty stores/boutiques, department stores, and most drug stores, and supermarkets.

High-end cosmetics, personal care products and toiletries are usually found in specialty stores or a special section of department stores. More affordable brands are in department stores and drug stores, or sold through multi-level marketing.

Print and broadcast media are important when introducing a product in the Philippines to help build brand name and product recall. Most of the popular brands, whether local or imported, promote through various advertising media - print, billboard, TV, even radio.

The Philippines imposes 1%-10% tariff duty and a 12% value-added tax (VAT) on imported cosmetic products.

### Market Issues & Obstacles

Restrictions, allowable active ingredients, and other registration requirements are also available in the aforementioned web link of the Philippine FDA.

Like food and drugs, all cosmetic products must be registered with the FDA before they could be sold in the market.

The average time that it takes to register a product with the FDA has improved. The registration process takes an average 3-4 months.

### Resources & Contacts

#### Bureau of Food and Drugs (BFAD)

Dr. Suzette Lazo, Director

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Email: [bfad@bfad.gov.ph](mailto:bfad@bfad.gov.ph); [shlazo@yahoo.com](mailto:shlazo@yahoo.com)

BFAD, Civic Drive Filinvest Corporate City, Alabang

Muntinlupa, Manila 1781

Web Site: [www.bfad.gov.ph](http://www.bfad.gov.ph)

#### Chamber of Cosmetics Industry of the Philippines, Inc.

Dr. Michael Turvill

c/o Hotel & Spa Essentials

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Sucab, Paranaque City, 1700

Phone: (632) 838-2167

E-mail: [mike@spaessentials.com.ph](mailto:mike@spaessentials.com.ph)

### For More Information

The U.S. Commercial Service in Manila, Philippines can be contacted via e-mail at: [Dey.Robles@trade.gov](mailto:Dey.Robles@trade.gov); Phone: (632) 888-6078; Fax: (632) 888-6606; or visit their website: [www.export.gov/philippines](http://www.export.gov/philippines).

# RUSSIA

## Overview

Russia is the world's 8th largest economy by nominal gross domestic product (GDP) and the 6th largest by purchasing power parity (PPP). It has the highest per capita GDP (\$14,000) of the BRICS countries (Brazil, Russia, India, China, and South Africa). Russia is a high income country, with a highly educated and trained workforce and sophisticated, discerning consumers.

Although Russia has recovered from the 7.9 percent contraction in GDP it experienced in 2009 as a result of the global financial crisis, economic growth has slowed substantially and GDP growth is projected to be flat in 2014.

In terms of trade in goods, Russia was the United States' 28th largest export market and the 18th largest exporter to the United States in 2013. Russia was the United States' 25th largest trading-partner overall. U.S. exports to Russia in 2013 were \$11.2 billion, a new record and an increase of almost 4% from 2012.

## Market Demand

During the last decade the Russian cosmetics and toiletries market was experiencing strong and steady growth and was one of the fastest growing industry sectors in Russia. However, in recent years, market growth has slowed. In 2011, the cosmetics market grew by 20% to record \$13.5 billion in sales. In 2012 and 2013, the market was stagnant, registering sales of \$14 billion in 2012 and \$13.8 billion in 2013. Some slowdown was reported in 2014 due to the general economic slowdown and local currency depreciation.

The last several years have been characterized by a growing demand for high quality and individualized cosmetic products. Both foreign and local manufacturers created awareness of different skin and hair types, as well as the advantages of using a full range of skin and hair products. Cosmetics started to be viewed as a means not only to achieve beauty but a general improvement in health. Beauty and spa salons are becoming more and more popular.

Due to the economic downturn, however, while women will continue to spend money to make their skin look better, visits to spas and beauty salons are becoming less regular; thus there is a growing demand for professional products for home use. With the local currency depreciating, prices on imported cosmetics and toiletries increase, thereby intensifying demand for mass market products with a combination of price and quality.

## Best Prospects

Currently, the following product categories have the biggest market share: perfumery, skin care, hair care, and decorative cosmetics. The highest demand is in the professional market segment. Distributors are looking for some unique, state of the art technologies that could be offered to doctors and professional estheticians.

## Key Suppliers

Domestic manufacturers only hold a 30% share of the market. Some foreign manufacturers like Avon, L'Oreal and Oriflame have organized their manufacturing in Russia. The competition between foreign and local manufacturers in the mass-market and middle-market segments is intense. Generally, foreign producers outpace local producers in the use of new technologies with respect to the manufacturing process and have larger marketing and advertising budgets.

Contract manufacturing is growing popularity in Russia because companies are trying to significantly reduce their costs. These companies include wholesalers, specialized retail chains, pharmacies, and bigger manufacturers. There are two types of contract manufacturers: research laboratories and cosmetics companies with their own brands.

## Market Entry

Most U.S. exporters gain marketing entry success by partnering with a Russian distributor or retail chain.

The market recently experienced significant changes to the distribution network with retailers becoming the key players in the market replacing distributors. Agency cosmetics and toiletries distribution channels include:

- Cosmetic retail chains (33.5%)
- Other (supermarkets, internet) (32.1%)
- Direct sales (21.9%)
- Outdoor markets (7.2%)
- Pharmacies (5.3%)

Distributors are shifting their business from developing wholesale trade to expanding retail chains. Specialized retail chains such as L'Etoile, Ile de Beaute, Yves Rocher and Rive Gauche, with outlets in all major Russian cities, are registering the fastest growth rates and account for 19% of all cosmetic sales in Russia.

The assortment of products offered in retail chains has also changed with middle-market and mass-market brands complementing exclusive in-house products. The share of mass-market products in retail chains has grown to 30% in the last few years. The consumer's attitude towards cosmetic stores has changed significantly as well. Customers now prefer to make cosmetic purchases in specialized places where qualified shop assistants are able to help them make selections.

The majority of mass and medium-market products are distributed by a number of import/wholesale firms that work directly with large multi-product retail chains.

An additional channel for mass-market and middle-market brands, as well as for curative cosmetics, is the pharmacy channel and especially the pharmacy chains. Russian consumers perceive cosmetics sold through pharmacies to be more reputable, safer and more effective. A very successful example of the brand which is sold exclusively in pharmacies is Vichy (L'Oreal).

A growing share of cosmetics and toiletries sales belongs to direct sellers like Amway, Avon, Mary Kay, Oriflame, and Faberlic.

Finally, the Internet has recently become a more important distribution channel, and there are many online stores.

A new and recent trend in the development of the market is a shift in the overall market share growth from the capital to the regions. This movement has brought the current ratio between large cities and regional cities to 50/50, which indicates a positive growth pattern for the regions. This is especially true in cities with a population of over one million and where there is a substantial number of people with high purchasing power.

Given the intense competition between foreign and local manufacturers, especially in the mass-market and middle-market segments, the cost of entering and developing the market is much higher than in previous years. Finding a niche is also becoming more difficult, and success in the market requires large investments in advertising, marketing, and promotion, including participation in cosmetics trade shows.

In the near future, success will largely be dependent on significant investments in advertising, marketing and promotion, and participation and promotion at specialized trade shows. U.S. manufacturers can improve their market visibility by offering exclusive cosmetic products and by employing qualified agents/distributors in the market. Pricing continues to be the most competitive factor which could limit export opportunities. U.S. producers may want to consider opening a representative office to initiate and/or strengthen agreements with retailers and other potential importers.

#### Market Issues & Obstacles

Russia's import duties on cosmetic products currently average 13.5 percent and go as high as 15 percent, plus the 18% VAT that applies to all imports. After full implementation of its WTO accession commitments, Russia's tariffs on U.S. cosmetic exports will be reduced to, and bound at, an average rate of 6.3%.

Foreign quality marks (for example, those "clinically tested" in another country) or a GMP (Good Manufacturing Practice) label on the product, while useful for marketing, are not a substitute for Russian regulatory documents. Therefore, foreign firms must complete a registration/certification process in Russia, regardless of what products they plan to distribute or the reputation of the exporter.

Starting July 2012, the new technical regulation "On the Safety of Cosmetic and Perfumery Products" came into force, which is applicable for the countries participating in the Customs Union: Russia, Belarus and Kazakhstan. This document stipulates the two ways by which cosmetic and perfumery products are assessed for conformity: either through declaration or state registration, a procedure similar to the [Safety Report](#) included in the [Product Information File \(PIF\)](#) required by the [Cosmetics Regulation EC 1223/2009](#) for [cosmetics](#) imported into the [European market](#). According to this document, a Certificate of State Registration is required for the following product categories:

- Self-tanning products;
- Skin whitening and bleaching products;

- Pigments for tattoo and permanent make-up;
- Intimate hygiene products;
- Products for individual skin protection against harmful work environment;
- Child care cosmetic products;
- Permanent hair dyes and hair bleaching products;
- Products for chemical hair straightening and permanent curling;
- Perfume and cosmetics produced with the use of nanomaterials;
- Hair removal/epilation products;
- Skin peel products;
- Fluorine-containing oral hygiene products with fluoride concentration exceeding 0.15% (or 0.05% for liquids);
- Teeth whitening products containing hydrogen peroxide or substances emitting hydrogen peroxide, including carbamide peroxide and zinc peroxide, with the concentration of hydrogen peroxide (either emitted or as an ingredient) between 0,1% and 6%.

The registration procedure consists of three main steps:

1. Evaluation of the technical and administrative file provided by the manufacturer, which includes a Certificate of Free Sale, a GMP statement or the corresponding ISO certificate, the composition of products, labels or their draft in Russian signed and stamped by the manufacturer or an authorized representative of the manufacturer, product samples etc.;
2. Toxicological testing and clinical trials in laboratories accredited according to the regulations of the Customs Union;
3. Entering the product and manufacturer's data as well as the test results into the Unified sanitary database of the Customs Union.

When the Certificate of State Registration is issued, it is valid for the entire life of the product.

Declaration of Conformity is required for the rest of the products not included in the list of products subject to state registration. Declaration of Conformity is a document by which the manufacturer or supplier of goods certifies that the product complies with the technical regulations of the Customs Union. The procedure for obtaining the Declaration is similar to the procedure of obtaining the Certificate, with the same documents required. The only significant difference is that the responsibility for the product's safety in the State Certification process is assumed by the certifying body, while in the case of Declaration it is assumed by the applicant - the manufacturer or importer of goods.

Since the aforementioned registration/certification procedures are time-consuming, experts recommend that foreign exporters and/or their Russian partners begin preparation for obtaining the proper documents before any sales contract is concluded. If a product does not have appropriate certificates, Russian customs may stop the shipment at the point of entry. Consequently, pre-contract registration/certification is a safer and significantly cheaper way to import and distribute products in Russia.

Because registration/certification procedures require direct contact between the authorized manufacturer's representative and experts from the appropriate regulatory bodies and government agencies, it is recommended that U.S. companies work with qualified partners (specialized consultant, distributor, or local representatives) on regulatory matters.

## Trade Events

Intercharm Professional St. Petersburg  
25-27 February 2015  
St. Petersburg  
<http://www.intercharmspb.ru/>

KosmetikExpo  
26-28 February 2015  
Moscow  
<http://www.ki-expo.ru/en/>

Intercharm Professional Moscow  
16-18 April 2015  
Moscow  
<http://www.intercharm.ru/professional/>

## Resources and Key Contacts

Association of Manufacturers of Perfumery, Cosmetics, Household  
and Hygiene goods  
<http://www.apcohm.org>

Russian Association of Perfumery and Cosmetics  
<http://www.pcar.ru>

Perfume Cosmetics Portal  
<http://www.intercharm.net>

Magazine “Kosmeticheskiy Rynok Segodnya” (Cosmetics Market Today)  
<http://www.krs-forum.ru>

## For More Information

The U.S. Commercial Service in Russia can be contacted via e-mail at:  
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website: [www.export.gov/russia/en](http://www.export.gov/russia/en)

# SINGAPORE

## Overview

The market for cosmetics and toiletries retail sector in Singapore is worth approximately US\$400 million based on industry estimates. The top five leading suppliers of cosmetics, toiletries and fragrances are France, U.S., Italy, Japan and China. The U.S. enjoys approximately 15% market share and this has stayed fairly constant over the last 5 years. Korean products are fast gaining popularity and imports from South Korea are now ranked 6th, due largely to the popularity of Korean pop culture, known as “K” Pop.

The beauty business is fairly resilient to economic cycles and continues to thrive in affluent Singapore. It is a very competitive industry given the almost non-existent barriers to entry. According to industry sources, an average of five new brands is introduced to the market each year which doesn't necessarily translate to a significant growth in the consumer base. To ensure market share, brands have to embark on aggressive brand building and advertising & promotions campaigns.

The retail landscape is dominated by departmental stores, major mass-market retailers such as personal care stores, supermarkets, hypermarkets and smaller retail chains and stores. The major mass market retail chains are Watsons with 109 stores, Guardian with 148 stores and Unity with 58 stores island-wide. Together, they account for over 75% of the market. Multi-level-marketing companies also compete in this arena and have done well, securing approximately 10% market retail market share. Online shopping is also fast emerging as a strong competitor to the traditional retail model as more people shop online and from around the world. Another retail segment worth noticing is the organic retail stores. It is still a relatively small market segment but over the last few years, more such concept stores have emerged, carving a niche targeting those interested in the organic and natural lifestyle.

U.S. companies seeking to expand into the emerging markets of Southeast Asia should consider launching their products in Singapore, which serves as a showcase for the region. With more than 70% of imports re-exported into the region, Singapore serves as an ideal gateway into the emerging markets of Southeast Asia.

There are no import or custom duties on cosmetics, toiletries and fragrances. A 7% goods and services tax (GST) is imposed on all goods sold and services rendered locally. Imports are subject to 7% GST, but payments are refundable for re-exports.

**Best Products:** Perfumes & Fragrances Skincare  
Color Cosmetics  
Haircare

**Regulatory Environment:**

The controlling authority for the regulation and licensing of cosmetics products intended for human use is the Health Sciences Authority, Ministry of Health. Firms must also comply with the Health Products (Cosmetics Products-ASEAN Cosmetics Directive) Regulations. You can download a copy of the Guidelines on the Control of Cosmetics Products at [www.hsa.gov.sg](http://www.hsa.gov.sg)

### Opportunities:

Products that have sun protection, anti-aging and brightening properties have experienced dynamic growth in recent years. Changing demographics and a more well-read and informed audience has led to more customers seeking products that have natural and organic ingredients.

Another trend is in the area of “cosmeceuticals”. Brands that invest in R&D and employ scientific breakthrough technology should highlight these as unique selling points in their branding and marketing materials.

The market for women’s products remains strong and the mainstay in this dynamic business but increasingly, firms are targeting the male and metrosexual market. Affluent men are more conscious of how they look and place high priority on personal grooming and appearance.

Pop and MTV culture has also seen more young adolescent girls experimenting with make-up and haircare. Recognizing this younger audience as a potential market, brands offer herbal, natural and less- harsh products to this younger market segment.

### Resources:

#### U.S. Commercial Service

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Fax: +65 6476 9080

Website: <http://export.gov/singapore>

#### Health Sciences Authority (Regulator)

<http://www.hsa.gov.sg>

#### Cosmetics, Toiletries, Fragrance Association of Singapore (CTFAS)

Website: [www.ctfas.org.sg](http://www.ctfas.org.sg)

Email: [secretariat@ctfas.org.sg](mailto:secretariat@ctfas.org.sg)

Spa Association of Singapore Website: [www.spaassociation.org.sg](http://www.spaassociation.org.sg) Email :

[secretariat@spaassociation.org.sg](mailto:secretariat@spaassociation.org.sg)

# SOUTH KOREA

## Overview

This report addresses the market for finished cosmetic products in Korea. The current “well-being” trend has led to increased opportunities for sophisticated cosmetics from the United States and other countries. Korean market demand in 2011 is estimated to be at about US\$6.3 billion and is expected to grow by approximately 10 percent annually over the next three years. According to the statistics of the Korea Pharmaceutical Traders Association (KPTA) and the Korea Cosmetic Association (KCA), the total market demand for cosmetics in 2010 was US\$5.6 billion. Of this, imported cosmetics accounted for US\$851 million, or 15 percent of market demand. The European Union was the largest source of imports, followed by the U.S. and Japan. Under Korea’s Cosmetics Act, foreign cosmetics are subject to “pre-market approval” or “pre-market notification”. Foreign suppliers must submit documentation required by the Korea Food & Drug Administration (KFDA) through their importers or subsidiaries based in Korea. The documentation is submitted to the KFDA or the Korea Pharmaceutical Traders Association (KPTA) to obtain pre-market licenses to enter into the Korean market.

The U.S.-Korea Free Trade Agreement (KORUS FTA) was ratified in the US and in Korea in late 2011 and is expected to be implemented in early 2012. Once the FTA has been implemented, tariffs on imported cosmetics will phase out over 10 years.

## Market Demand

Since early 2000, Korean women have become more receptive to Western products, especially in regards to foreign health and beauty items. As more Korean women enter the labor force and experience rising incomes, they have become avid users of imported cosmetics. As Koreans tend to be more health-conscious and are following the ‘well-being’ trend, they prefer natural and ‘green’ cosmetics. In particular, demand for functional cosmetics has been increasing rapidly in recent years. These include products which help whiten the skin tone, minimize the appearance of lines in the face and body, protect the skin from UVA and UVB rays, stop hair loss, and so forth.

Korean men are also becoming significant consumers of cosmetics, providing opportunities for cosmetics companies that feature men’s lines (e.g. skincare products, including after shave balm). As the Korean cosmetics market continues to be polarized, with products either focused on the premium end or on the lower-priced, mass-market end, two distinct groups of consumers are becoming target audiences: those shopping at low-cost cosmetics franchise stores and those shopping for very expensive and luxurious cosmetics at department stores.

The U.S. - Korea Free Trade Agreement (KORUS FTA) ratified in by both nations recently will bring further advantages to U.S. exporters upon implementation, as Korean tariffs on imported U.S. cosmetics are eliminated over three to ten years. These market trends portend good opportunities for U.S. companies in the years ahead.

### Market Data

In 2010, the Korean market for cosmetics was US\$5.6 billion, approximately a 15 percent increase over 2009. Industry sources forecast that local production will be increasing and the total market will grow around 10 percent annually over the next several years.

Currently, local production meets the majority of the demand for cosmetic products. Approximately 85 percent of the total market is supplied by Korean production, while imports that provide variety and have perceived high-quality capture the remaining 15 percent. However, although Korean production exceeds imports greatly in total sales, premium cosmetics still depend on imports. According to statistics from the Korea Cosmetic Industry Institute (KCII), leading segments among imported cosmetics were skincare products, perfumes, and some make-up products. The United States was the second largest source of imports after the EU, accounting for 26.5 percent of the market and a value of US\$226 million in 2010.

### Statistical Data

#### Korean Cosmetic Market Size 2009-2011

(Unit: USD million)

	2009	2010	2011 (E)
<b>Total Market Size (A+B-C)</b>	4,901	5,624	6,293
<b>*Total Local production ((A)</b>	4,615	5,370	6,014
<b>**Total Imports (B)</b>	702	851	936
<b>**Total Exports (C)</b>	416	597	657
<b>Imports from the U.S.</b>	171	226	249

Exchange Rate: USD1 = KRW1,120

Source: Compiled by CS Korea based on the statistics of the

\* Korea Cosmetic Association (KCA)

\*\* Korea Pharmaceutical Traders Association (KPTA)

Note: Local production values based on ex-factory prices; import values based on import prices.

### Best Sales Prospects

- Natural cosmetics (e.g., eco skincare products)
- Functional cosmetics for both woman and men (e.g., anti-aging skincare products)
- Hair care cosmetics with special functions (e.g., to protect against hair loss)
- Body care products (current market is small, but growing, e.g., body lotion)

### Key Suppliers

As of 2010, the Korea Food and Drug Administration had licensed 773 firms as manufacturers (including OEM manufacturers) and 1,105 firms as importers of cosmetics, according to the statistics of the Korea Cosmetic Association. Among them, approximately 50 Korean manufacturers and fewer than 50 importers are active, according to industry sources.

Two Korean companies, Amore Pacific and LG Household & Healthcare, dominate the Korean cosmetics market with approximately 50% market share, followed by Estee Lauder (U.S.) and L'Oreal (France).

The following is a list of leading Korean and foreign cosmetics companies which currently supply their brands to major department stores, such as Hyundai, Lotte, and Shinsegae in Korea:

Name of Suppliers (Country)	Main Brand
Amore Pacific (Korea)	Sulhwasoo, Hera, Amore Pacific
LG Household & Healthcare (Korea)	Ohui & Whoo
Estee Lauder Companies (U.S.)	Estee Lauder, Clinique, Aveda, M.A.C., Bobbi Brown, AVEDA, Aramis
Proctor & Gamble (U.S.)	SK-II, Anna Sui
Elizabeth Arden (U.S.)	Elizabeth Arden
L'Oreal (France)	Kiehl's, Lancome, Biotherm, Shuemura,
Chanel (France)	Chanel
LVMH (France)	Christian Dior, Guerlain, Benefit, Make Up For Ever, Fresh
Sisley Paris (France)	Sisley
Clarins (France)	Clarins
Bourgeois (France)	Bourgeois
La Prairie (Switzerland)	La Prairie
Shiseido (Japan)	Shiseido

Source: Beauty Nury [www.beautynury.com](http://www.beautynury.com)

Additionally, major OEM (Original Equipment Manufacturer) manufacturers of cosmetics in Korea include Kolmar Korea, Cosmax, Cosmecca Korea, and UCL. They produce all kinds of cosmetics and nutritional supplements for domestic and foreign suppliers.

## Prospective Buyers

- Department store
- Shops
- Drug stores (e.g., Olive Young, W Store, etc.)
- TV home shopping channels
- Supermarkets/hypermarkets

Department stores are traditionally known to feature high-end luxury brands while other channels, such as TV home shopping channels, drug stores, online malls, discount stores and door-to-door sales, are considered to be non-traditional retailers. Less-established imported brands are distributed through these non-traditional channels. The key suppliers in these non-traditional channels are difficult to list, as most of the imported brands sold in these outlets are specialized in different niche sectors.

## Market Entry

### Distribution Channels

Foreign cosmetics are imported by local importers/distributors or, occasionally, by local cosmetics manufacturers in Korea. They distribute the products to various buyer groups, such as department stores, shops, and TV home shopping channels. The local importer/distributor may directly cover the whole country on an exclusive basis. Or, the master distributor may contract with other regional sub-dealers to distribute nationwide. Major international subsidiaries sell directly to buyer groups using their own sales network or sell through multi-level marketing.

### Key Competitive factors

A good Korean representative is critical to successfully penetrating the market for two reasons. First, Korean distributors know their customers and competitors well, and can monitor market change in Korea. Secondly, the importer/distributor of the foreign supplier must submit required documents to KFDA or KPTA to obtain pre-market licenses. Since regulatory requirements from KFDA are strictly enforced, CS Korea usually recommends that a U.S. firm find a qualified Korean representative to handle import procedures and distribution in Korea.

## Market Access & Obstacles

### Regulatory Environment:

Under the Korea's Cosmetics Act, all foreign cosmetics are required to obtain import permission from the Korea Food & Drug Administration (KFDA) before they are imported into Korea. In Korea, cosmetics fall under two categories: functional cosmetics and regular cosmetics. Functional cosmetics contain whitening, anti-wrinkle, and sunscreen & sun tanning products. KFDA reviews only functional cosmetics for pre-market approval. For all other regular cosmetics, the Korea Pharmaceutical Traders Association (KPTA) has been authorized by KFDA to review and certify the import permission request submitted by the Korean importer. Therefore, all foreign suppliers must provide their importers with the required

documentation. These include Certificate of Manufacture, Certificate of Free Sale, and BSE relevant documents.

#### Import Procedures:

Overall, once the documents required by the KFDA are ready, a foreign supplier should send them to its importer in Korea. Upon receipt of these documents, the importer will then submit them to KPTA. KPTA, in turn, will review the documents and issue import permission for the approved product. The import permission will then be sent to the Korean Customs Service, indicating that the product has been cleared to be imported into Korea. Once the product has been cleared by Korean Customs, the importer is required to conduct a pre-market quality control test to ensure that the product complies with Korean safety regulations. This test is done within KFDA's authorized laboratories. While the samples are being tested, the importer works on putting Korean labels on each product. Once the quality control test is done and cleared, the importer is able to distribute the products inside the market. More details follow in A) and B).

#### A) For regular cosmetics

When a foreign supplier exports its regular cosmetic products to Korea, its importer is required to submit an import permission request called the "entry notice for customs clearance" through Electronic Data Interchange (EDI) to KPTA. Import permission for the product is required for customs clearance and requires the following documents. These documents should be provided to the importer by the supplier prior to the importation of the product.

- **Certificate of Manufacture (CoM)**

The certificate must be issued by the manufacturer. It must have the product name, ingredients, sources of the ingredients, etc., with their supporting documents:

- A listing of ingredient names must be included in accordance with the International Cosmetics Ingredients Dictionary (ICID) published by the Personal Care Product Council (PCPC) - [www.personalcarecouncil.org](http://www.personalcarecouncil.org) and must not be included in the negative list of KFDA.
- The percentage of each ingredient must be listed next to it, and the percentage total of the ingredients must add up to 100 percent when it is calculated.\*
- The certificate must have the complete address of the manufacturing company, the name and signature of the President of the manufacturing company, and it must be notarized.

\* Note that a change in 2009 in one of the cosmetics regulations allows the importer to submit a CoM with an approximate percentage of each ingredient, rather than the exact percentage. However, as the importer is required to keep a CoM with the exact percentage of each ingredient for future inspection, it is the normal practice for importers to submit a CoM listing full ingredients with the exact percentage of each, as it had been done previously. Also, ingredients that are required to be used within a limited time are exempt from this new regulation, that is, the exact percentage must be listed.

- **Certificate of Free Sale (CFS)**

The certificate must be issued by the manufacturing country's government or public organization. The manufacturer and product name should be written on the certificate. This certificate confirms that the product is being sold in the manufacturing country and/or abroad:

- It must be issued by a public institution such as the state Department of Health Services in the exporter's region, the local Chamber of Commerce, the state government body, Independent Cosmetic Manufacturers & Distributors (ICMAD - [www.icmad.org](http://www.icmad.org)), or the PCPC in the U.S.
- The document should identify the product by its full name as it is written on the manufactured good. The document must have the signature of the person issuing the certificate along with a seal when applicable.

• **BSE relevant documents**  
(i.e. BSE-free Certificate or Non-use of Animal Derivatives or Country of Origin)

- If the product does not contain any raw materials from cows, lambs, or goats, the certificate simply needs to state that the product does not contain raw materials from these animals. The certificate will need to be issued by the manufacturing company with the signature of the person in charge, and it must be notarized.
- In the event it does contain such materials, the BSE certificate needs to state the amount and type of the material used in the product. The product name should be written on the certificate with a lot number, and it needs to be provided by the raw material supplier. This certificate needs to be supplied for every batch of the product. Please note that KPTA has confirmed that the only products with a BSE certificate that they allow in the country are products with bovine skin.

• **Organic cosmetics:**

If your product claims to be organic, the required documents from the Korea Food & Drug Administration (KFDA) for import permission will be the same as those for the regular cosmetics. You do not need to list natural ingredients as 'organic' on the Certificate of Manufacture if that particular organic ingredient is not listed in the International Cosmetics Ingredients Dictionary (ICID). For example, you do not need to list organic lavender oil in your product as "organic lavender oil" on the Certificate of Manufacture. Simply state it as 'lavender oil', as you would for non-organic products.

However, labeling and advertising requirements for marketing cosmetics as organic are different from those for non-organic cosmetics. The product must meet the criteria indicated by the Organic Cosmetics Labeling, Advertisement Guideline in Korea. In addition, a copy of the organic certificate you obtained from the appropriate agency in the U.S. whether it be the USDA or any other agency, should be kept on record by your importer when you market the product as 'organic,' as KFDA requires the importer to keep it to avoid charges of false advertising.

## **B) For functional cosmetics (i.e. whitening, anti-wrinkle, and sunscreen & sun tanning products)**

When a foreign supplier exports functional cosmetics or cosmetics containing ingredients that are new, and/or are not listed in the KFDA's cosmetic ingredient dictionary (KCID), its importer in Korea is required to obtain "pre-market approval" from KFDA. With the functional cosmetics approval from KFDA, the importer again submits the aforementioned documents to KPTA through Electronic Data Interchange (EDI) for customs clearance. In order to obtain pre-market approval from the KFDA, more documents are required to prove safety & efficacy, or functions of the products.

### Labeling Requirements

According to the Cosmetics Act, the cosmetics label must be written in the Korean language. It can be written with other foreign languages.

#### Major labeling requirements in Korean include:

- Name of the cosmetic
- Name and address of manufacturer and importer/distributor
- All the ingredients used in manufacturing the cosmetic product (excluding the minor amount of ingredients harmless to human health as stated by the Regulation of the Ministry of Health and Welfare)
- Quantity or weight of the contents
- Manufacturing lot number
- Expiration date or period after opening the product (in cases where the shelf life after opening is listed, the date of manufacture should be listed as well)
- Price
- The words "functional cosmetics" in case of functional cosmetics
- Cautions for use

The label must be affixed to the product prior to marketing. Some Korean importers send label mockups so their foreign suppliers can print labels in the manufacturing country. This ensures that the manufacturer will be able to label products prior to shipment.

According to the revised Cosmetics Act announced in August 2011, all domestic and foreign cosmetics manufacturers will be required to indicate on the primary package, in addition to the labeling on the secondary/outer package, the following: product name, company name, batch number, and expiration date or period after opening in the Korean language. The regulation is scheduled to implement in February 2012. As of December 2011, no implementing regulation has been announced.

### Tariffs

Most cosmetic products enter Korea with an 8 percent (or less) tariff. This may vary depending on product items. Also, 10 percent VAT (of the invoice amount plus tariff value) is charged for customs clearance. The tariffs will be eliminated step by step over 10 years after the U.S.-Korea FTA implements.

## Trade Events

Name: Cosmobeauty Seoul

Date: May 23 (Wednesday) - 26 (Saturday), 2012

Location: Venue: Convention & Exhibition (COEX)

Website: [www.cosmobeautyseoul.com](http://www.cosmobeautyseoul.com)

## References & Key Contacts

Korea Food & Drug Association (KFDA)

Website: <http://www.kfda.go.kr/>

Korea Pharmaceutical Traders Association (KPTA)

Website: [http://www.kpta.or.kr/E\\_main.asp](http://www.kpta.or.kr/E_main.asp)

## For More Information

The U.S. Commercial Service in Seoul, Korea, can be contacted via e-mail at:

[heesook.baik@trade.gov](mailto:heesook.baik@trade.gov); Phone: 82-2-397-4172, Fax: 82-2-739-1628 or visit their website:  
[www.export.gov/korea](http://www.export.gov/korea).

# TAIWAN

## Overview

Increases in living standards and income along with changes in consumption patterns over the last several decades in Taiwan have given rise to a lucrative market for personal care products valued at an estimated US\$1 billion in 2009. Although the market had not increased much, the fact that it did show three percent growth of 2008 which shows the personal care products market remain strong despite the economic recession. This market is extremely competitive with most of the major international players involved in market development. Many of the popular brands and new to market personal care products have entered the Taiwan market in recent years. Expansion of sales channels together with increased male consumers and natural/organic ingredient products have contributed the growth.

Taiwan's personal care product market continues to be polarized, with products either focused on the premium end or on the lower-priced, mass-market end. Two distinct groups of consumers are becoming target audiences: those shopping at low-cost hypermarkets and drugstores and those shopping for very expensive and luxurious cosmetic at department stores.

## Market Trends

A growing part of the island's male consumers have increased the market for men's personal care products due to their changes in lifestyles and consumption patterns. Taiwan male consumers are becoming increasingly aware of wellness issues and place attention on products such as shaving preparation, shampoo and conditioner, shower gel, facial cream, lip care, facial scrubs, mask, moisturizer, sunscreens, and light and fresh fragrance and after shave products. In 2009, this market increased to about twelve percent of the whole market, with sales totaling US\$142 million. This market is expected to continue have annual growth of ten percent, and will soon reach US\$200 million. All multinational personal care products firms are pushing men's beauty lines because competition in the traditional female demographic has become overwhelming and sales growth difficult to maintain. The women's market is becoming saturated in Taiwan. Lately, this category of "grooming men", who purchase products for themselves, is increasing whereas in the past women used to buy the products for their boyfriends or husbands. Men's personal care products are becoming a significant market sub-sector. Major consumers were aged 14 to 28, but the industry experts forecast the demographic will expand to include higher age group in the future.

Natural and organic ingredients are reporting high demand because of the surge in consumer demand for chemically-clean products. Natural and organic is one of the fastest growing

sectors of Taiwan's personal care products industry. Some of the ingredients that are showing high demand are natural actives, natural extracts, organic oils, and essential oils, etc. The major advantage that US suppliers have over Asian manufacturer is that they have developed highly effective chemically-clean products. US suppliers have formulated, developed and launched certified natural and organic personal care products that meet the performance of conventional products, whereas local manufacturers have yet to make these kinds of products.

Baby health and beauty products also have niche opportunities in Taiwan. A few of the most popular imported natural/organic baby products brands in Taiwan include Burt's Bees, Earth Mama Angel Baby, Aveeno Baby, and Baby Organic. Some of the common factors Taiwan parents seek in baby/kids personal care products are: free from artificial scents, colors, and preservatives, paraben-free, talc-free, and products that only have natural/organic ingredients. These factors also apply for the products preferences of mother-to-be and lactating mothers. Fluoride-free organic toothpaste is also becoming popular, though Taiwan companies are currently not manufacturing these products.

Strong marketing is a necessity in Taiwan. In step with global promotions, international companies have spent large sums building brand advertising campaigns using promotions in local TV, newspapers and magazine ads. Important factors for product acceptance and success are brand image and perceived product quality, while price and special features are also rank significant.

### Market Assessment

Local consumers have traditionally claimed the suitability of Japanese skin care products to their Asian skin type as the primary reason for their preference of Japanese products over US and European products. SKII, Shiseido, Kose, and Shu Uemura are the most popular Japan-made brands. Both Estee Lauder and L'Oreal have introduced lines of whitening products especially formulated for Asians to combat this misconception.

Proctor & Gamble's Vidal Sassoon, Pantene, and Head & Shoulders are the market leaders in the retail shampoo market and L'Oreal's hair products are the leading hair dye/styling sector products. Johnson & Johnson, Neutrogena, Revlon and Dove are also popular brands. In the professional hair products sector, Paul Mitchell, Matrix, Redken, Aveda and Kerastase dominate the salons. Sales of styling agents and hairsprays have also increased as more consumers spend more effort in varying their hairstyles. The growth of hair coloring and styling products has been fueled by a new generation of consumers. In the past, Taiwan consumers considered fragrance products as luxuries or superfluous. The market has experienced a new wave of interest, in the last couple of years, as foreign suppliers, using strong media influence, successfully introduced several major brands of fragrance products. Light and fresh fragrance products are the preference among local consumers.

Local firms enjoy a strong position in personal hygiene products. Many of their products are

supplied from their joint venture factories in China. Taiwanese firms meet less than 15% of the local market demand for personal care products. Taiwan Shiseido, Kiss Me Cosmetics, Grandglory, and Mesasa are major local suppliers and are limited to the low-end market sector. Of the 111 registered firms engaged in cosmetics manufacturing in Taiwan, 80% are small operations with operating capital of less than US\$1 million. Cost concerns have prompted more than 70% of these firms to shift at least part of their production to mainland China. The others focus on OEM production and exporting to the United States, Middle-Eastern, and Southeast Asian markets.

### Statistical Data

In 2009, imported personal care products met 85% of local demand, as there was very little domestic production for local market. Japan was the largest supplier with a 33.4% share, followed by the U.S. (15.2%), France (13.3%), South Korea (3.8%) and Germany (3.5%).

Statistics: Taiwan's personal care products

Unit: US\$ million

	2008	2009	2010 (e)	Growth Rate
Import Market	1,041.7	1,068.3	1,100.0	2-4
Local Production	323.0	342.0	350.0	
Exports	215.8	216.8	220.0	
Total Market	1,148.9	1,193.5	1,230.0	2-4
Imports from US	154.5	162.2	167.1	4-6

ources: Industry Technology Intelligence Services (ITIS), Ministry of Economic Affairs 2010

The outlook for sales of foreign-made items should continue to be bright, since imported products are perceived to be superior to domestic brands. Imports are thus projected to increase at a faster rate than overall market growth. Japanese brands entered the market early and their influence has always been especially strong with brands such as Shiseido, Shu Uemura, Kanebo and Kose well recognized. Western brands, including L'Oreal, Estee Lauder and Proctor & Gamble's brand lines are also now well established. South Korea cosmetic and personal care products suppliers are the most aggressive party to expand their personal care products into Taiwan market with huge budget of branding and marketing their products.

### Market Demand

Most recently, leading players have begun to introduce products aimed at different age groups in an attempt to build market segmentation shares. Women 18 - 44 years old (population 4.7 million) represent 70 percent of the consumer base for skin care products. The market for anti-aging skin care products aimed at women aged 35 and older is strong and the prices that upper-end products in this category command reflect increasing levels of disposable income. The consumer base for cosmetics is expanding to include females aged 15 - 24 (population 1.8 million) since this group is starting to use make up products 5 - 8 years earlier than the previous generation of women. High school and college students have greater purchasing power than ever before and favor fashion and new-to-market products. As a

result, many local vendors conduct free skin care/make up seminars in office settings and on college campuses to demonstrate their products.

A small, but growing niche market exists for environmentally friendly and natural-ingredient based products. An increasing interest in environmental issues as well as organic and natural products parallels similar trends in Europe and the United States. This niche offers opportunities for U.S. manufacturers and some companies are aggressively marketing their lines. Aveda, Red Earth, Origins, Kiehl's and Body Shop are all active in this market.

### Market Entry

Given the large size and slow, but steady growth of Taiwan's market, there has been a flurry of investment from large cosmetic manufacturers, ingredient companies, and retailers over last two years. Large cosmetic companies such as Estee Lauder, Aveda, Kiehl's, L'Occitane, Aesop, Dr. Bronner's, Nature's Gate, the Body Shop, and Henkel have introduced certified natural and organic cosmetic products. Others like Clarins and L'Oreal have acquired dedicated natural and organic cosmetic companies. Brands like Jason, Burt's Bees, Nature's Gate, Avalon, J.R. Watkins, Dr. Bronner's, Nuxe, and Zero, with organic certified guarantees, have gained favor with local consumers distributing through local chain drugstores. Multi-level marketing is popular in Taiwan and companies such as Nuskin, Amway, and Sunrider are well-accepted brands. Local Taiwan companies have also launched many natural and organic cosmetics products under their private labels in local department stores and specialty stores.

Imported cosmetics and related products face import duties (around 7.5 -10 percent of the C.I.F. value), and a value-added tax (5 percent). Foreign-made personal care products are typically imported to Taiwan through branch offices, agents, or trading companies. Import licenses issued by the Board of Foreign Trade (BOFT) are required for all imported cosmetics-related products.

### Best Prospects

In recent years, the Asia-Pacific region has seen a booming cosmetics market with an increasing demand for natural and organic personal care products. In fact, the natural and organic niches are the fastest growing segments of the cosmetics industry, with sales increasing by about 20% a year compared to 2% for cosmetics overall. Increased consumer interest in chemical-free products is driving this surge in demand for natural and organic ingredients.

Taiwan consumers are increasingly knowledgeable about organic certification and natural standards, and foreign-made products are more trusted than local brands, due to local consumer perceptions that international certifications ensure product standards and quality. The major advantage that European and North American companies have over Asian companies is that they have developed highly effective chemical-free cosmetic products. Manufacturers in these regions have formulated, developed, and launched certified natural and organic cosmetics that meet the performance of conventional products, whereas Asian companies have yet to make such products. Consumers have confidence in the quality of

imported products because the local authorities have strict regulations on natural and organic products manufactured overseas to ensure purity and quality. As a result, natural products from foreign suppliers are prominently displayed on the shelves of many chain specialty stores and are well accepted by local consumers.

The greatest demand in this market is for facial cream/emulsion/liquid, foundation, lipstick, face covering cosmetics, eye makeup, cleansing cream/tonic, nail-polishes and decorating products, fragrance products and medicated skin care products, especially:

- Whitening Products
- Sunscreen Protection Products
- Anti-ageing Products

Sunscreen protection and whitening products are among the most popular medicated cosmetic items in Taiwan. Many consumers purchase skin care products rather than color makeup. According to one local major distributor's estimate, 35 percent of total sales go to whitening products while one-third of all customers purchase sunscreen protection products regularly.

### Distribution Channels

Distribution channels for personal care products are generally divided into following principal categories:

#### 1. Department Stores:

This is the primary channel for high-end and internationally recognized brands. Despite the cost and difficulty of acquiring top quality space and for first floor displays in department stores, this approach is important to the image of quality cosmetic products. This presents additional challenges for new-to-market brand products, which must compete with the existing international brands in this market. Taiwan's 50 major department stores account for approximately 42 percent of total cosmetics sales on the island.

#### 2. Specialty Stores:

This category covers a wide range of drugstores and discount store types, such as Sasa, Marsa, Cosmed, and Watson's. A relatively new phenomenon in Taiwan is the specialty chain store. These outlets have room for brand name discount products from different sources (parallel imports) and new-to-market products. Competitive pricing is the specialty stores' most important attraction. This strategy has secured more than 10 percent of total cosmetic sales.

#### 3. Hypermarkets

Natural/Organic personal care products began to spread among trendy professionals, capitalizing on this trend, many hypermarket malls that previously focused on this kind of products. Furthermore, private labels products saw strong growth through hypermarkets and acceptance is high by the consumers.

#### 4. Beauty and Skin Care Salons:

These sales outlets appeal to customers with strong brand loyalty and seek to establish long term relationships with clients who are able to invest in beauty programs. Around 15 percent of cosmetic sales are conducted through this channel.

#### 5. Direct Sales:

Direct marketing channels are still developing in Taiwan. "Multi-level marketing" programs offer an increasingly popular way to moonlight to supplement household income. There are estimated 600 "direct sales" businesses in Taiwan, specializing primarily in health foods and cosmetic products - skin care and cleaning products. Firms such as Avon, Amway, Nuskin, Mary Kay, and Sunrider have all successfully tapped the sales skills of the local population. Around 22 percent of total cosmetic sales are conducted through this channel.

#### 6. Internet Sales

Taiwan is one of the most wired countries in the world with around 70% of households having high speed internet access at home ranking it the 10th largest in per capital internet usage. Many individuals establish websites to sell brand name personal care products through parallel imports. It is a hot business model which may harm the business with the regular importers. Two major local internet service providers PChome and Yahoo Taiwan have established their shopping websites to sell dietary supplements, cosmetic and toiletries with great success.

#### 7. Home Shopping/TV Shopping

This is very popular distribution method for skin care and personal care products. In Taiwan, there are four major players: EHS (Eastern Home Shopping & Leisure), Momo (Fubon Multimedia Technology), Viva TV Homeshopping, and U-Life Shopping Channel on local television. Most of them handle consumer goods, especially dietary supplements and personal care products from local importers but imported from suppliers directly.

#### Resources & Contacts

Department of Health: <http://www.doh.gov.tw>

Food & Drug Administration, Department of Health: [www.fda.gov.tw](http://www.fda.gov.tw)

American Chamber of Commerce Taipei: <http://www.amcham.com.tw>

Taiwan Cosmetics Industry Association: <http://www.twcia-cos.org.tw>

Taipei Cosmetic Industry Association: <http://tcia2003.org>

#### For More Information

The U.S. Commercial Service in Taipei can be contacted via e-mail at [office.taipei@trade.gov](mailto:office.taipei@trade.gov); Phone: 886-2-2720-1550; Fax: 886-2-2757-87162; or visit their website: [www.export.gov/taiwan](http://www.export.gov/taiwan).

# THAILAND

## Overview:

Thailand's 2014 cosmetics industry was valued approximately \$7 billion (10% growth from 2013). Domestic market was about \$4 billion whereas export market was \$3 billion. Thailand has currently 40% market share in the ten Association of Southeast Asian Nations (ASEAN)'s cosmetics market. High-end, premium products accounted for 20% of the market whereas mid-tier and low-tier products made up 50% and 30%, respectively. Skin care products have the highest market share of 35%. Make-up products captured 31% of the market. Hair care products made up for 29% of the total market. Perfume had the lowest market share at 5%.

Within Association of Southeast Asian Nations (ASEAN) countries, Thailand is no.1 OEM cosmetics manufacturing for international cosmetics brands. Thai OEM cosmetics manufacturers are capable of producing premium quality products. According to the Thai Cosmetic Cluster, there are 762 cosmetics manufacturing plants; 80% are foreign-Thai joint ventures. Annual cosmetics exports are valued at approximately \$3 billion, 15% annual growth. Majority of cosmetic ingredients are imported.

The biggest overall sectors of the Thai skin care market are facial and body care. Factors such as increased consumer spending and rapid product development are cited as reasons for the expansion of the market, as well as social factors like changing attitudes towards looks among the younger generation and a greater demand for aesthetic services. The domestic skincare market is dominated by L'Oreal, which has approximately an 18% market share. Other major players include Beiersdorf Thailand and Unilever Thai Holdings. Anti-aging products in both higher and lower ends of the quality spectrum continue to have a strong presence in the Thai market. The use of anti-aging products has become common among both male and female consumers.

Whilst the demand for color cosmetics is promising, there are already a huge number of brands offered to Thai consumers in the marketplace. The category was therefore very aggressive in terms of brand awareness, product variety, price and accessibility. Due to the competitiveness of the category, there were certain brands which could not succeed even after strong attempts to increase their shares.

Hair care is another major category of the beauty and personal care industry in Thailand. Demand is huge, and there are also many different varieties of products offered to consumers across categories. The demand of Thai consumers has become more sophisticated, as they have continued to move towards value-added products. International manufacturers dominated hair care segment.

Brand image is a very important factor for marketing high-end cosmetic products in Thailand; the majority of these products are distributed via counter sales at department stores. Brand loyalty is strong in this market segment, while price competition is very rare. Premiums are used as promotional tools.

**Best Products:**

- Anti-aging facial treatment & wrinkle free eye treatment
- Whitening facial treatment and body lotion
- High-end make-up and skin care
- Men's grooming products
- Organic cosmetic and beauty products

**Opportunities:**

Consumer behavior and spending on cosmetic and personal care products will not change much as beauty and good appearance are still major concerns for most Thai women. Thai men have become increasingly interested in their health and appearance due to the influence of media and social changes. Thus, there is a rising demand for male-specific products in both skin care and hair care, as well as other grooming products. Growing popularity of the cosmetic products specially designed for men have attracted a lot more international manufacturers to enter this market during the past few years.

**Resources:**

Official contacts for import authorization and registration of cosmetic products are:

Cosmetic Control Division  
Food and Drug Administration, Ministry of Public Health  
Ms. Sumalee Pornkijprasan - Director Bureau of Cosmetic and Hazardous Substances Control  
Tel: (66) 2-5907140, 2-5907156  
Fax: (66) 2-5918446  
E-mail: [sumayee@fda.moph.go.th](mailto:sumayee@fda.moph.go.th)

U.S. Commercial Service  
Cosmetics Industry Commercial Specialist  
Ms. Kornluck Tantisaeree, Commercial Specialist  
Email: [ktantisa@trade.gov](mailto:ktantisa@trade.gov)  
Tel: (66) 2-205-5242  
Fax: (66) 2-255-2915  
Website: [www.buyusa.gov/thailand](http://www.buyusa.gov/thailand)

# TURKEY

## Overview

The cosmetics and personal care market size in Turkey is estimated as \$2.25 billion in 2009. The new Turkish Cosmetics Law numbered 5324 adopted in 2005, harmonized the legislation with the EU Cosmetics Directive 76/768/CEE and resulted in the market entry of hundreds of new international brands, addressing all segments from luxury to low-priced cosmetics. Turkey's high percentage of young people renders the Turkish cosmetics and personal care market a tough but promising battleground for both foreign and local companies.

## Market Data & Demand

Cosmetic and personal care market in Turkey is developing rapidly in line with the economic development and rise in disposable incomes. During 2005-2010, the market grew between 10 to 20 percent annually, except for the global crisis year of 2009, when there was a 5 percent contraction.

The total cosmetics and personal care market size in Turkey is estimated to be around \$2.25 billion as of 2009. Although this volume does not represent a very large portion of the world cosmetics and personal care market of \$333 billion (2008 figure), the growth in recent years has been quite impressive. The average cosmetics and personal care spending per capita in Turkey has reached €18 (Euros) from €13 in 2006.

The premium cosmetics (upscale perfumery, make-up and skin care products) market is estimated to be worth \$500 million. 80 percent of the market consists of imported products and 20 percent of local products. Among the imported cosmetics, 35 percent are make-up and beauty products, 27 percent hair care products, 15 percent shaving products, 13 percent perfumes and fragrances, 7 percent dental care and hygiene products.

Turkey also has a dynamic cosmetics and personal care manufacturing base, supplying the Turkish market as well as exporting to area countries. The number of manufacturing firms registered with the Ministry of Health is above 1,400, with about 430 of them engaged only in the production of eau de cologne. Other main products produced locally include, soaps, hair products, shaving products, depilatories, deodorants, and make-up products. Turkish producers in the sector are mainly family-run SME's.

Manufacturing under license for international companies is a common practice in Turkey. Turkish production capabilities offer opportunities for exports to other markets in the region as well, mainly to the Caucasus, Russia, North Africa, Middle East, Central Asia and Europe. Turkey's cosmetics and personal care exports in 2009 reached \$820 million. Soap (40%), surface active organic substances, body deodorants and shaving products, shampoos and hair products, lip and eye make-up, wet wipes and cleaning tissues command the highest share of exports to other countries from Turkey.

75 percent of the Turkish cosmetics market consists of foreign capital multinational companies. The market is dominated by multinational companies, mainly Unilever, Procter&Gamble, Beiersdorf, Henkel and Colgate Palmolive. In premium cosmetic products, the shelves of the Turkish pharmacies, department stores and perfumeries clearly reflect the huge penetration by foreign brands: Elizabeth Arden, Helena Rubenstein, LVMH, Estee Lauder, L'oreal, Clarins, Bobbie Brown, Sally Hansen, OPI, Murad, just to name a few.

In March of 2005, the new Turkish Cosmetics Law numbered 5324 was adopted, aligning Turkey's cosmetics regulations to the EU legislation. The new law became a milestone in the sector, opening the market to international companies as well as developing local production to universal standards for chemicals, formulation and packaging.

After 2005, hundreds of new international brands entered the Turkish cosmetics market, addressing all market segments from luxury to low-priced cosmetics. Most sell through distributors, although some larger companies prefer to enter directly, or through methods of joint ventures, licensing agreements, and acquisitions.

The market is predicted to maintain a growth trend in the long term, due to the following conditions:

- A population of 73 million with Europe's youngest age average provides a strong and developing consumer base. About half of the population is below the age of twenty five.
- Per capita cosmetics and personal consumption is very low in Turkey at € 18 compared with the West European average of € 149 (2009 figures). Consumption is expected to rise as disposable income as well as awareness on the benefits of cosmetics and personal care increases (Low per capita consumption is not due solely to low income levels).
- The increasing number of working women, the worldwide trend to look younger and more attractive result in growing demand for cosmetics and personal care products.
- The strategic use of Turkey as a springboard to Middle Eastern, Caucasian and Central Asian markets is expected to lure new investments. Many private label brands in Europe are considering Turkey for new production bases.

Best prospects are found in cosmetics products with naturally derived and organic materials, anti-aging creams and lotions, slimming/cellulite treatments, hair products (natural hair colors, straightening products), raw materials and active ingredients. Good potential exists for cosmetics products aimed at non-traditional consumers such as men, babies, and the elderly.

### Market Access

Cosmetics and personal care products are sold through below channels in Turkey:

Supermarkets: Mass market cosmetics and personal care products reach the consumers mainly through supermarket chains. Popular supermarket chains also offer products under their own private label.

Pharmacies: Turkey does not have drugstores, as by law, pharmaceuticals can only be sold at pharmacies. Turkish people trust pharmacists and many times ask the pharmacist for advice on health questions, which is also true for beauty and personal care issues. Therefore pharmacies are important channels to reach and inform the consumer face to face regarding products. There are over 22 thousand pharmacies all across Turkey, available cosmetics products and price ranges depend on the geographical area and size of the pharmacy. Around 6 thousand pharmacies offer premium cosmetics.

Perfumeries: There are many small mom&pop type cosmetics shops as well as larger cosmetics boutiques that have branched out into chains such as Tekin Acar, Sevil Kozmetik. These retailers are named “perfumeries” in Turkey. In addition to local perfumeries, Sephora also has cosmetic store chains located in the affluent shopping malls of Istanbul and Ankara. The product lines and prices of the perfumeries range from mass to super premium, depending on their store concept.

In addition, companies with individual branded store chains such as MAC, Kiehl’s, Inglot, Yves Rocher, Body Shop, and L’Occitane are in the market through their Turkish franchisors/distributors.

Cosmetics and personal care focused retail chains: In addition to locally owned cosmetics and personal care focused retailers such as Gratis, many new international companies have entered the market, concentrating in the largest cities. Some examples include, Hong Kong based Watsons, Douglas from Germany, and Rossman from Germany. In these stores, although the focus is on cosmetics and personal care products, other items such as household detergents, packaged food, stationary products, and simple jewelry can also be found.

Direct marketing: Direct marketing has proved a very successful concept in Turkey. Avon, established in 1993 is the market leader in overall cosmetics sales in Turkey. In the direct marketing segment, Oriflame and Amway also are in the market since 1993. Even during the global crisis year of 2009, direct marketing sales continued their upward trend in Turkey.

Cosmetics sections of department stores: Premium and super-premium cosmetics are sold at the cosmetics sections of the department stores such as Beymen, Harvey Nichols, YKM, Boyner. Due to the high competition to lure customers, some department stores buy directly from major international brands and sign exclusivity agreements, so that these brands can only be found at their stores.

Hairdressers, beauty salons and spas: Upscale hairdressers, beauty salons and spas offer their customers premium hair, skin care and make-up products, which they also use at their establishments.

Internet: Direct marketing companies in Turkey rely heavily on their internet sales. In addition, large perfumery chains are able to reach and sell to consumers in less developed cities of Turkey, through their websites. Internationally, cosmetics internet retailers such as <http://www.strawberry.net> are becoming increasingly popular, gaining reputation through word-of-mouth. These international retailers are able to offer 30-40 percent lower prices- avoiding the special consumption tax and the value added tax. It can be expected that the taxation of products purchased through foreign internet retailers will become a hotly debated topic in Turkey in the coming months.

Turkey's cosmetics market is a tough but promising battleground for both foreign and local manufacturers. Due to the rush of international brands to enter Turkey over the last five years, there are many alternatives available to the consumer. In order to gain market share, companies should be prepared to commit resources for the promotion of their products and brand building. In general, marketing costs are calculated as around 25 percent of the sales turnover, which is similar to European levels. Advertising in relevant media is important. Promotional and training activities targeting both representatives and customers are also essential tools for selling in Turkey. Some brands sponsor popular TV shows. In addition, it is useful to participate in major trade shows.

Pricing and payment terms must compete with European and Far Eastern prices, which is difficult in some cases given the disadvantage of higher shipping costs. European companies, which have a longer history of trading with Turkish buyers, usually are more flexible in accepting deferred payments - a common request by Turkish importers/distributors.

### Market Issues & Obstacles

A special consumption tax is levied on items considered as luxury in Turkey since 2002, including cosmetics, fur, automobiles. Cosmetics products are subject to 20 percent Special Consumption Tax (Ozel Tuketim Vergisi-OTV in Turkish) in addition to the 18 percent VAT (Value Added Tax) at CIF prices, taken at Customs during the import process.

Turkey is in accession talks with the European Union and has adapted the EU Cosmetics Directive 76/768/CEE in 2005. Therefore a company selling its products within the EU would be able to comply with the Turkish cosmetics regulations. Below are some major articles of the legislation:

- It is prohibited to produce, or package a cosmetic product, or to establish and operate an importing company without notifying the Ministry of Health. Enlarging the field of activity after the initial notification and without a subsequent notification to the Ministry of Health is also forbidden.
- Cosmetics companies are not allowed to operate without employing personnel qualified to render technical services.
- The technician required available in manufacturing or importing firms has the obligation to have knowledge of the country legislation. Pharmacists or chemists, chemical engineers, biologists or microbiologists who provide necessary documentation for proof of at least 2 years of working experience in the field of cosmetics may be employed as the responsible technician.
- The cosmetic product should not harm human health when applied under normal use. The presentation, packaging, and labeling of the product must include the producer's instructions for use.
- Cosmetic products containing inappropriate substances, or inappropriate amounts thereof, cannot be supplied in to the market.

### Upcoming Trade Shows

Beauty & Care Turkey

March 3-6, 2011

The Istanbul Convention and Exhibition Center (ICEC)

Istanbul, Turkey

Organized by Interteks Trade Exhibitions and Health&Beauty Group

Phone: +90 212 225 0920 (12 lines)

Fax: +90 212 225 0933

E-mail: [interteks@interteks.com](mailto:interteks@interteks.com)

<http://www.interteks.com/English/>

Beauty Eurasia powered by Cosmoprof

June 16-18, 2011

TUYAP Exhibition Center

Istanbul, Turkey

Organized by: Ipekyolu International and Sogecos/BolognaFiere

Phone: +90 212 222 9060

Fax: +90 212 210 6176

E-mail 1: [info@beautyeurasia.com](mailto:info@beautyeurasia.com)

E-mail 2: [sogecos@cosmoprof.com](mailto:sogecos@cosmoprof.com)

<http://www.beautyeurasia.com>

### Key Contacts

The Ministry of Health of Turkey

(T.C. Saglik Bakanligi)

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Sihhiye, 06434 Ankara, Turkey

Phone: +90 312 585 2250

E-mail: [info@saglik.gov.tr](mailto:info@saglik.gov.tr)

Web-Site:

<http://www.saglik.gov.tr/EN/Default.aspx?17A16AE30572D313AAF6AA849816B2EF4376734BED947CDE>

Cosmetics & Toiletries Industry Association

(Kozmetik ve Tuvalet Mustahzarları Sanayicileri Derneği)

Sahrayıcedit, Ataturk Caddesi

Eris Sitesi B Blok, Kat:1, Daire:10

Kadikoy, Istanbul, Turkey

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### For More Information

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[perim.akguner@trade.gov](mailto:perim.akguner@trade.gov); Phone: + 30 212 335 9197; Fax: + 90 212 335 9103 or visit their website: <http://www.export.gov/Turkey>

# UNITED ARAB EMIRATES

## Overview:

The UAE's beauty and cosmetics market is growing fast with overall spending expected to reach \$1.3 billion (Dh4.77 billion) by 2017. The value of imports is projected to increase primarily due to great emphasis on personal grooming and good looks. Such spending is driven not just by mere vanity, but also high consumerism, increased "discretionary" personal incomes and a strong social pressure on wellness.

Accordingly, sales of beauty products benefit from a number of factors, including high disposable income levels in the country, a strong shopping culture, travelling often and being exposed to global lifestyle and trends, and huge influx of tourists. The high demand can also be attributed to the rising trend of men beginning to use a widening range of beauty and personal care products.

Cosmetics is, therefore, one of the fastest growing preferred consumer retail categories in the UAE, and the booming market offers promising opportunities for quality U.S. brands. The market has seen a lot of foreign entrants to the market within the last two decades and with the organized retail in the UAE getting further established, it is also creating a demand for more imported cosmetics products. France, Germany, U.K. and the United States have been the traditional suppliers with imports gradually increasing from Turkey, India, China, Thailand, and Eastern European Countries in recent years.

## Market Demand

The UAE cosmetics industry's growth is driven by a number of factors, including increasing beauty awareness, high spending power, and wide offerings of beauty and skin care products across international brands. According to industry estimates, in 2012, UAE consumers spent the most on mass cosmetics - 43 per cent, premium cosmetics were the second-most popular - 27 per cent, followed by fragrances - 19 per cent and hair care - 11 per cent.

During that year, the skin care segment had seen a major growth, with both women and men opting to buy more anti-ageing, eye-contouring, sun protection, hair loss, and anti-cellulite products. A trend that's catching up lately is compelling companies to shift from investing in moisturizing creams with skin whitening features to see more toners and anti-ageing creams with similar features.

The organic cosmetics industry and the premium hair products also went up 30 per cent and 25 per cent respectively during that period. It is expected that both sectors will continue to see double-digit growth in the future. The increased preference for "Halal" cosmetics products is compelling local and international companies to adopt business strategies accordingly.

## Market Characteristics

In the UAE, the beauty sector comprising of cosmetics and well-being products, hair products, fragrances, etc. has been growing because of multi factors. Firstly, the harsh climatic conditions contribute to the demand for hair and skin care products in order to protect against dryness and damage. Secondly, change in population dynamics and growing income class has also led to disproportionate spending on luxurious beauty products. With young and largely “fashion conscious” population, there is a growing trend towards consumer urbanization and higher spending propensity. Finally, population increase coupled with rise in income has led to growth of the number of spas. The spa culture can also be attributed to increased tourism that the country has lately seen.

Apart from the above, the wide demographic spread in the UAE has compelled companies to import widespread range of products from across the price spectrum. The cosmetics and perfumes sector is thus one of the most competitive, innovative and dynamic sectors. This is mainly due to the current trend to increasingly accept premium beauty care products as an “affordable luxury” by both men and women in the UAE.

### Local/Regional Content Requirements:

Cosmetics products entering UAE will have to abide by safety regulations imposed by the Emirates Authority for Standardization and Metrology (ESMA) from time to time: [UAE Regulation for Cosmetics and Personal Care Products](#). A cosmetic product, by definition, means any substance or preparation intended to be placed in contact with external parts of human body. Any product that is used to clean, to keep in good condition, to protect, to correct body odors, to perfume or change one’s appearance, etc. is considered a cosmetic product.

However, exporters need to exercise care when dealing in “borderline” products (with medicinal claims) that might be classified as cosmetic products elsewhere, but in the UAE such products might require prior approval of the Ministry of Health.

Broadly, the cosmetic sector includes:

- Creams, emulsions, lotions, gels and oil for skin
- Face masks
- Make-up powders, after-bath powders, hygiene powders
- Tinting bases
- Toilet soaps, deodorant soaps
- Perfumes, eau de colognes, deodorants and antiperspirants
- Bath and shower preparations
- Depilatories
- Hair care/dressing products, hair tints and bleaches
- Products of waving, straightening and fixing
- Settling products
- Cleansing products
- Conditioning products
- Shaving products
- Make-up/removing-up products
- Products for application on lips
- Products for care of teeth and mouth

- Products for external intimate hygiene
- Sunbathing products
- Products for tanning without Sun
- Skin-whitening products; and
- Anti-wrinkle products

#### Perfumes:

With effect from July 30, 2014, the UAE Cabinet has passed a resolution that all traded perfumes in the UAE will be subjected to the mandatory registration to obtain certificate of conformity from ESMA.

Even though this is more like a certificate of conformity (COC) rather than a registration, it is to prove that the products that get this certificate comply with the standard. These products also get a quality mark on completion of a COC. Companies will get 6 month to start applying for COC with ESMA and ground enforcement will strictly begin after a year, i.e. from July 2015.

This does not affect registration with Dubai municipality and there is a need to continue to do Dubai municipality registrations. Dubai registration will be done by Dubai municipality only. For Companies that are regularly registering with Dubai municipality the process is a bit simpler; all technical documents submitted to Dubai municipality need not be resubmitted to ESMA. ESMA will honor the fact that the perfume is registered with Dubai Municipality.

However, there will be additional fee to obtain this COC and quality mark for perfume. There'll be a need to submit Dubai label assessment, trade license and product Artwork and, at times, ESMA might ask for MSDS and test report for perfumes.

#### Market Entry

Key factors to successfully entering the beauty and cosmetics market in the UAE include careful research and analysis of existing sales channels and consumer preferences, which will allow U.S. companies to determine the pricing structure, the product mix and brand positioning. Finding right partners who have knowledge of the local market and reach is of utmost importance because only local companies or foreign companies with representatives are generally permitted to do business here.

The U.S. Commercial Service (USCS) in the UAE offers customized solutions to help your business enter and succeed in the local market. To identify potential agents or distributors here, U.S. companies can take advantage of our matchmaking, [Gold Key Service](#) and [International Partner Search](#) support service. To conduct background checks on potential partners, U.S. companies can also take advantage of the Commercial Service's [International Company Profile](#).

U.S. companies interested know more about the services offered by Commercial service in the UAE may contact their nearest Assistance Center - <http://www.export.gov/eac/> located in the U.S.

**Label Assessment:** Dubai Municipality approval for cosmetics labeling is mandatory before any products enters the market - [Cosmetics Label Assessment](#). Companies have to submit [Requesting Form](#) along with samples.

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**Registration Procedure:** Cosmetics products entering the country through Dubai must get products registered by the Dubai Municipality - [Cosmetics Registration Procedure](#).

**Technical Guidelines:** The Dubai Municipality conducts laboratory tests to ensure that products entering the country meet requirements as specified by ESMA - [Technical Guidelines](#).

**Import tariffs:** UAE import tariff on cosmetics is currently 5 per cent. There is no sales tax, value added tax or other similar levies applicable on goods that are sold locally.

**Export procedure and documents required:** The following documents are required for UAE Customs clearance:

1. Import goods declaration.
2. Delivery order.
3. Original bill of lading.
4. Original or authenticated copy of the invoice.
5. Original or copy of the certificate of origin.
6. Packing list with HS codes

### Best Products/Services

According to sector analysts, perfumes, eye and facial make-up products, lip make-up, facial moisturizers, nourishing, anti-ageing products, skin whitening, etc., tend to lead the sector, followed by hair care, oral/dental hygiene and bathing products.

### Opportunities

There are a number of areas within the cosmetics and personal care sectors where increased opportunities might prevail. While perfumes, beauty, make-up and skin care products would most likely continue to rule the sector; perfumed bath products, hair preparations and room perfuming/ deodorizing products might see consistent growth in line with improved quality of life. Also, since men make up of around three quarters of the UAE population, products aimed solely at men show good potential. So do products that successfully tap ethnic sensitivities and professional products e.g. halal, salon, spa products.

In addition, with the growth in eco-consumerism, a strong demand for green and natural products is expected to remain. Even demand for anti-ageing products, which has witnessed increased acceptability in the last few years, is expected to continue.

### Challenges

While the current trend of eco-friendly products is likely to put cost pressures on manufacturers; stiff competition, new product innovation, wide choice of products and aggressive marketing being adopted by major companies provides obvious challenge for US Companies. In addition, the need for products to comply with the UAE cosmetics products regulations viz. labeling, ingredients, etc. might deter new companies from entering the UAE Market. Also, with the introduction of ESMA Standards for cosmetics in the UAE and Halal Cosmetics, U.S. companies will do well to proactively prepare for the changes.

## Trade Events

- Beyond Beauty Arabia - Abu Dhabi & Dubai - [www.beyondbeautyarabia.com](http://www.beyondbeautyarabia.com)
- Beauty Secrets Exhibition - Abu Dhabi - [www.al-hader.com/index.php](http://www.al-hader.com/index.php)
- Beautyworld Middle East - Dubai - [www.beautyworldme.com](http://www.beautyworldme.com)

## Contacts

- Ministry of Economy: [www.economy.ae](http://www.economy.ae)
- Federal Customs Authority: [www.customs.ae](http://www.customs.ae)
- Dubai Municipality: [www.dm.gov.ae](http://www.dm.gov.ae)
- Consumer Product Laboratory Section - Dubai Central Laboratory Department - Dubai Municipality, P.O. Box 67, Dubai, UAE. Tel: +971 4 33 69 900; Fax: +971 4 33 66 399; E-mail: [labs@dm.gov.ae](mailto:labs@dm.gov.ae); Website: [www.dm.gov.ae](http://www.dm.gov.ae)
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# VIETNAM

## Overview

The cosmetics sector in Vietnam is still developing. Presently, the sale of cosmetics and beauty products is largely uncontrolled and is plagued by a wide range of fake, mislabeled, and smuggled products. The Vietnamese cosmetics market is highly price sensitive and full of low cost “knock-offs”. International cosmetic giants must contend with these challenges when entering the market with their premium products. Vietnamese consumers typically spend about VND 45,000 (about US\$3) per year for cosmetics purchase at local street shops. Similar beauty products sold at department stores, supermarkets, and specialty cosmetics shops cost roughly twice as much.

Vietnamese consumers spent US\$82 million on beauty and skin care products in 2006. Illegal and unofficial imports are estimated to account for as much as 60 percent of these sales in Vietnam. Currently, Vietnamese women spend US\$3 - 4 per capita on cosmetics and beauty products per year. By contrast, other Asian countries spend the following amount per capita: Taiwan (US\$41.7), Korea (US\$40.9), Hong Kong (US\$35.7), Thailand (US\$19.5) and China (US\$10).

Consumer tastes and preferences for more sophisticated products are maturing and shifting towards quality brand names. This is especially so with younger consumers. Foreign companies already in Vietnam recognize the market’s future potential and are advertising aggressively. To capture more market share, local manufacturers are investing in more research and development, as well as marketing and distribution activities to compete with superior international brands. This growing and rapidly developing market offers numerous opportunities for American companies in the following segments: finished beauty products, raw cosmetics material and manufacturing technologies and related equipment for beauty products.

## Market Size

It is estimated that 90-95 percent of the market for international cosmetics products in Vietnam is centered in the most cosmopolitan areas of the country, including Ho Chi Minh City in the south and Hanoi in the north. Relatively few sales of international cosmetics occur outside of these cities.

Vietnamese consumers are still not as familiar with American brand cosmetics compared with cosmetics from other countries. Additionally, local production of brand and non-brand

cosmetic products is low compared with the level of imported beauty products. The market share for cosmetics products by foreign countries is as follows: Korea - 30%, EU - 23%, Japan - 17%, Thailand - 13%, US - 10%, and others - 7%.

### **Best Prospects**

There are hundreds of locally produced brands and other low prestige cosmetics labels from China, Thailand and Taiwan, targeted towards the mass of low-income consumers. Foreign make-up and skin care products are steadily gaining in popularity among Vietnamese consumers. Sales of skin care products are expected to grow at around 10-15 percent annually over the next three years, as this previously untapped market segment becomes cluttered with more and more foreign and domestic brands. Although Vietnamese consumers still prefer skin care products from Europe and Japan, locally produced products account for more than 50 percent of the market for skin care products.

The Vietnamese market for make-up products has transformed into a highly segmented one: development, distribution, and market positioning of such products are being targeted to consumer segments based on income, age, gender and profession. This contrasts with an earlier one-size-fits-all product offering evident less than a decade ago. Make-up products are expected to grow by approximately 7 percent per year over the next three years, with increasing demand for make-up products from Korea and Japan.

### **U.S. Market Position**

U.S. cosmetics brands are generally well accepted by Vietnamese consumers. Brands such as Maybelline, Revlon, and Clinique have done well. Vietnamese consumers have not yet been exposed to many higher end brands, such as M.A.C., Guess and Estee Lauder. Given the limited exposure of Vietnamese consumers to American brands, most consumers are still uncertain where U.S. products rank in terms of prestige among beauty products. Several high-end U.S. cosmetics brands are available in the local market due to smuggling, even though there is no advertising and promotional support to develop their market share or to cultivate brand awareness. In sum, the market potential for future sales of US cosmetics is good. Brand awareness is starting to grow and local consumers are steadily spending more on cosmetics and beauty products.

### **Distribution Practices**

Once suitable local distribution partners have been identified and selected, an effective distribution strategy must be formulated and implemented. There are three options:

1. Exclusive national distribution: Identifying and selecting a national distribution company to be the only licensed wholesaler in Vietnam.
2. Non-competing regional distribution: Identifying and selecting different distribution companies to be the only licensed wholesalers in each of the two primary local markets, Ho Chi Minh City and Hanoi.

3. Nationally tiered distribution: Identifying and selecting a primary national distribution company to resell to secondary or regional wholesalers.

Since the market in Ho Chi Minh City for cosmetics and beauty products is much larger than that of Hanoi, it is advisable to select a primary distribution company based in Ho Chi Minh City.

However, to serve the Hanoi market, a separate sales agent may be required because of the market's different characteristics.

## Regulation & Taxation

### *Regulation:*

Imported cosmetics and beauty products must be registered with the Ministry of Health (MoH) for quality assurance and identification purposes. The foreign party should have a contract with a local company that allows the foreign company to change the registration status of previously imported goods as well as any future imports to a different local distributor with appropriate notice if any problems should arise between the foreign exporter and the initial local distributor. The process of product registration is complex and often confusing to a foreign company. Local distributors are more familiar with the local requirements and for that reason can handle product registration easier and more efficiently.

### Company registration

There are no regulations requiring foreign companies to obtain registration prior to exporting cosmetics to Vietnam.

### Product registration

For products that fall under the cosmetic categories specified above, the exporter or importer must register the product with the MOH for quality assurance purposes. A permit must be obtained from the MOH to import the initial samples required for the health and safety inspections and quality assurance registration.

The term "cosmetics" encompasses "all substances or manufactured preparations used for direct application to external areas of the human body or to the teeth, gums or lining of the mouth with the sole or main purpose of cleansing, perfuming, changing appearance and body odor, and preserving or maintaining the body in a good condition"

The following items are classified as cosmetics that directly affect human health and welfare and are required to be registered for quality assurance purposes with the MoH for distribution and circulation within Vietnam:

- products applied to the skin (hand, face and legs) being creams, liquids, solutions, gels and oils;
- face masks (except for products not containing any chemical substance);

- all substances with a color foundation (in the form of liquid, paste or powder);
- make-up powders, powder used after showering, hygiene powders;
- hygiene soaps, deodorant soaps;
- perfumes, hygiene scents and fragrances;
- products used when showering and washing (salts, soaps, shampoos, gels);
- hair removal products;
- deodorant products for the body and anti-perspiration deodorants;
- hair care products, such as: hair coloring products, hair color removal products; hair waving products, products to stretch and set hair; permanent wave products; hair cleansing products (solutions, powders and shampoos); hair nourishing products (solutions, creams and shampoos); hair beauty products (solutions, gels and pomades);
- products used when shaving beards (creams, soaps and solutions);
- beauty products for the face and eyes;
- lipsticks;
- teeth and mouth care products;
- fingernail and feet care products;
- personal hygiene products for ladies;
- sunscreen and sun tanning products;
- anti-ultraviolet ray protection products;
- skin whitening products;
- face care (anti-wrinkling) products.

***Taxation:***

The Vietnamese Value Added Tax (VAT) is ten percent. The tariff rate is reduced from 50 to 30 percent for perfume and fragrant lotion from the U.S, from 50 to 20-30 percent for cosmetics. The import duty on cosmetics products is calculated on the CIF value of the shipment. The VAT tax on imported goods is based on their CIF value plus the assessed import duty.

**For More Information**

The U.S. Commercial Service in Hanoi, Vietnam can be contacted via e-mail at [Ngo.phuong@trade.gov](mailto:Ngo.phuong@trade.gov); Phone: (84-4) 3850-5199; Fax: (84-4) 3850-5064.

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For more information on exporting cosmetics and toiletries to the markets in this report, please contact the U.S. Department of Commerce Export Assistance Center Cosmetics/Toiletries Trade Specialist nearest to you.

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