Webinar: Beauty Product Opportunities in Asia 2017

Markets include:
• China
• Hong Kong
• Taiwan

Friday 8 September 2017
1:00pm-2:00pm
1. Select “Chat” function

2. Select “Host & Presenter”

3. Type your question here

3. Press ‘Send’
AGENDA

- Introduction
- Regional market snapshots:
  - China
  - Hong Kong
  - Taiwan
- Trade Events
- Q&A
# Austrade Team

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MARKET SNAPSHOT
CHINA

SERENA FONG
BUSINESS DEVELOPMENT MANAGER
GUANGZHOU
MARKET OVERVIEW

- **GROWING MARKET**
  - China was the world’s second largest cosmetics consumer market
  - Beauty products consumption USD 24/per capita, plenty of room for growth

- **YOUNGER END USER**
  - 20s-30s age group becomes the key consumer group
  - Baby & child-specific products registered strongest growth by 16.3% sales expansion

- **ONLINE Vs OFFLINE**
  - Social media and word-of-mouth is a strong marketing tool
  - Offline retailers remained the most popular sales channels, while online retailing continues to grow
MAJOR TRENDS

- Premiumization remains key
- Maternity and baby care products registered strongest growth
- Demand for men’s products on the rise
- Internet retailing/social media provides wider choice
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MofCom announcement on the direction of CBEC development on 17 Mar

Key message

- Steady/stability and healthy
- CBEC retail import commodities being supervised as personal items
- Strengthen e-commerce traders’ responsibility
- Improve regulatory measures and establish risk emergency response mechanism
- 15 comprehensive experimental areas for CBEC

Transition policies to be continuously implemented prior to the end of 2017
ONLINE SALES ON ALIBABA PLATFORMS OF SELECT CATEGORIES 2015 V 2016

Source: MarketEngine.com
KEY ADVICE FOR E-COMMERCE

- e-Commerce remains a highly effective way to enter market
- Budget for branding and marketing
  - Educate, advertise, incentivise
- Seek multiple sources of advice on pathways to market
- Cross-border is not the only way to sell imported products
  - Bulky merchandise may more cost effective under ChAFTA
CHALLENGES AND ISSUES

- A growing number of scams or unqualified leads
- Market access – product registration issues (Cruelty Free)
- Product not adapting to local end users
- Intellectual property and trade mark
- Strong competition from other countries
- Cultural and language barriers
- Increasing cost of doing business in China including HR, property, marketing and promotions and other operational costs
OPPORTUNITIES

- **Reputation** - Australian’s high reputation of producing safe, green, good quality products
- **Quality** - Premium imported products regarded as being of high quality
- **Safety** - Food and skincare product safety is a major concern amongst Chinese consumers
- **Direct platform for testing** - E-commerce & social media provide direct access for efficient market test
- **Tariff and ChaFTA** - Tariff cuts for imported cosmetics product, Australian cosmetics products will benefit from ChaFTA
MARKET SNAPSHOT
HONG KONG

VALERIE CHAN
BUSINESS DEVELOPMENT MANAGER
HONG KONG
HONG KONG IS AUSTRALIA’S SECOND LARGEST EXPORT MARKET

Low entry barriers

• No tariffs on imported cosmetics, skin care and health products
• Registration and local labelling are not required

Ideal trial market for Asia

• Affluent domestic population with high purchasing power
• Shop window showcasing international brands
• Significant consumer base from mainland Chinese tourists
• Important gateway to China and other Asian markets
HONG KONG BEAUTY PRODUCT DISTRIBUTION CHANNELS

Australian Suppliers

Distributors / Agents

e-Commerce platforms

Australian Brand Stores

Beauty Shops at high-end Department Stores
- Harvey Nichols - Beauty Bazzar
- Lane Crawford - Facesss - Joyce Beauty

Department Stores on Consignment
- AEON - APITA - City Super - Logon - PIAGO - Sogo - UNY - WingOn - Yata

Beauty Specialty Stores
- Aster - Angel - Bonjour - Colormix - Sa Sa

Pharmacy Chain Stores
- Mannings - Watsons

Multi-brand Shops
- A Beauty Bar - Beyorg - MiMingMart - Mekim - Nest Beauty

Supermarket
- City Super - Logon - ParknShop - Three Sixty - Wellcome

Health and Organic Stores
- Green dot dot - O’berry Living Stores - Organic Times

• Aesop • Anumi • Jurlique
MAJOR TRENDS

- Online-to-offline (O2O) commerce continue to grow rapidly
- Hong Kong as a base to access China through cross-border e-commerce
- International brands dominate beauty and personal care
- Mass and Korean beauty trends continue to lead
- Organic beauty expected to grow
CHALLENGES AND ISSUES

- Marketing – bilingual product brochures and samples
- Packaging – product size and color
- Labelling – traditional Chinese and English labels
- Pricing – being flexible
- Distributors – selling through appropriate channels
- Social media – Facebook or bloggers
OPPORTUNITIES

- Female’s functional skincare products & cosmetics
  - Anti-ageing, skin whitening and sun protection products
  - Natural colour cosmetics and mineral make up
  - Cosmeceutical products – efficacy & technology

- Natural, organic, certified organic products
  - Certified baby products
  - Natural oral products

- Men’s grooming products
  - Skincare products
  - Functional hair care products
MARKET SNAPSHOT
TAIWAN

JENNIFER CHEN
BUSINESS DEVELOPMENT MANAGER
TAIPEI
TAIWAN MARKET OVERVIEW

SKIN CARE INCREASES BY 3% IN CURRENT VALUE TERMS IN 2016, TO REACH TWD62.6 BILLION (APPROX. A$2.6 BILLION)

- International well-known brands dominate skin care/personal care market
- Sophisticated consumers well versed in beauty products
- Greater awareness of the dangers of using chemical-based cosmetics and other products
- Anti-agers continue to be well received

On the increase:
- Medical cosmetic clinics
- Pharma brands and doctor formula for skin care/personal care
- Internet retailing
MAJOR TRENDS

- **Hydrating** is the main theme in skin care and cosmetics.

- The skin whitening category experienced a slight decline – the market value share by the growth of micro-cosmetic surgery care products.

- The appeal of **pharma and doctor formula brands** is growing across skin and personal care products.

- Quick to adopt **Japanese and Korean** cosmetic trends.

- Targeting young consumers with low prices and wide product variety.

- **On-going price discount** throughout beauty and personal care.
QUICK TO ADOPT JAPANESE AND KOREAN COSMETIC TRENDS

JAPAN

TAIWAN
DISTRIBUTION CHANNELS

Exporters

Importers

Distributors

E-commerce + Home shopping (PChome, MoMo & Yahoo)

Retail (Cosmed, Watsons)

Department stores

On-line Shop

Direct Sale

Consumers

Parallel Import
RETAIL OUTLETS – NOT ONLY SELLING PRODUCTS, BUT...

...stimulating sales by create demand – e.g. Grouping products by rank and function, and offering test experiences
Challenges and Issues

1. Strong international and domestic competition
   - High-end cosmetic market is dominated by well-known international brands such as Shiseido, Lancôme, Estée Lauder, and Chanel
   - Mid-range brands such as Revlon, L'Oréal and Olay
   - Young brands such as DHC, Fancl, Laneige from Japan and Korea
   - Domestic Pharma brand, Dr. Wu increased in popularity
   - Other brands created by local make-up artists such as Nuier and Kevin
   - Natural ingredients brands, eg. Jurlique, Aesop and Kiehl’s
   - Small operators or importers are selling the products through the internet, blogs and social media

2. Less marketing support from Australia

3. Less international brand awareness

4. Competitive price
OPPORTUNITIES

- Natural, organic, and eco-friendly products
- Sunscreen protection
- Hydrating care products, such as CC cream
- Skin products emphasising special benefits such as slimming, whitening and firming
INTRODUCTION – COSMOPROF ASIA

- Asia’s leading business-to-business beauty trade show event
- Strong participation from industry players – 2,698 exhibitors from 49 countries and regions including 24 national and groups pavilions
- 76,818 trade visitors from 129 countries and regions attended Cosmoprof Asia 2016 www.cosmoprof-asia.com
To coincide with the region's leading cosmetics show, Cosmoprof Asia, Austrade invites you to the Cosmoprof Beauty Products Mission on 14-17 November 2017.

Activities include:

- Pre-event marketing in the Australian Beauty Product Guide which is distributed to buyers across the Asian region,
- Schedule and coordination of meetings with key customers, industry players and potential in-market partners (15-17 Nov),
- Australian Beauty Products Showcase (14 Nov),
- Roundtable market briefings and discussions with local Austrade experts to better understand Asian markets (14 Nov),
- Welcome to Hong Kong Networking Reception in Hong Kong (14 Nov).
<table>
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<th>Date</th>
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<tr>
<td>15-17 Nov 2017</td>
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<td>Hong Kong</td>
<td><a href="http://www.cosmoprof-asia.com">www.cosmoprof-asia.com</a></td>
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<tr>
<td>1-3 Feb 2018</td>
<td>LOHAS Expo</td>
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<td>25-27 Jul 2018</td>
<td>China Baby and Maternity Expo (CBME)</td>
<td>Shanghai</td>
<td><a href="http://www.cbmexpo.com">www.cbmexpo.com</a></td>
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THANK YOU!

ANY QUESTIONS?
HOW TO ASK QUESTIONS

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