Webinar: Beauty Product Opportunities in Asia 2017

Markets include:
- Japan
- South Korea

Wednesday 6 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:
  • Japan
  • South Korea

➢ Trade Events

➢ Q&A
# AUSTRADE TEAM

<table>
<thead>
<tr>
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<th>Title</th>
<th>Contact Information</th>
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<tbody>
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MARKET SNAPSHOT
JAPAN

AMANE KANEKO
BUSINESS DEVELOPMENT MANAGER
TOKYO
JAPAN MARKET CHARACTERISTICS

- Japan market a reference point in setting cosmetics trends in Asia
- Sophisticated and discerning market
- Cosmetics registration is mandatory and must be conducted in Japanese

Source: Yano Keizai
MAJOR TRENDS

- Cosmetics sales to inbound tourists very strong
- Successful brands establish omni-market presence for effective competition
- Aging demographic = anti-aging products will continue to be popular
- Functionality and price are often more important than natural/organic
CHALLENGES AND ISSUES

- Organic cosmetics must have accreditation
- ‘Natural’ cosmetics market entry challenging as consumers look to accreditation from imported items
- Accreditation is possible for natural cosmetics
- Alternately, wildcraft certification
- Excellent packaging a must
- Having a story is CRUCIAL
- E-Commerce
OPPORTUNITIES = EXPECTATION OF AUSTRALIAN COSMETICS

- Made in Australia
- Certified organic
- Certified natural
- Proven scientific evidence of efficiency through third parties
- Innovative ingredients: eg superfoods, fermented ingredients, probiotics
- Distinctive brand story
- Clear brand philosophy
MARKET SNAPSHOT
KOREA

DAHEE JULIA KIM
BUSINESS DEVELOPMENT MANAGER
SEOUL
MARKET OVERVIEW 2017

- 8th largest cosmetics market in the world (3.0%)
- Market size: **USD 12 billion (2016)**
- The total import of cosmetics (2016): USD 1.43 billion
- **Cosmetics imports from AU: US$11.5 million (0.8%), 134% growth**
- Domestic manufacturers with a 62.3% market share in 2016
- Annual growth rate of 8.2% for the last five years

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<tbody>
<tr>
<td>Total Market Size</td>
<td>5,947</td>
<td>6,831</td>
<td>7,102</td>
<td>7,759</td>
<td>9,036</td>
<td>12,040</td>
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<tr>
<td>Total Local Production</td>
<td>5,763</td>
<td>6,321</td>
<td>7,280</td>
<td>8,511</td>
<td>10,766</td>
<td>10,258</td>
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<tr>
<td>Total Exports</td>
<td>805</td>
<td>1,067</td>
<td>1,290</td>
<td>1,799</td>
<td>2,928</td>
<td>4,183</td>
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<tr>
<td>Total Imports</td>
<td>989</td>
<td>978</td>
<td>972</td>
<td>1,047</td>
<td>1,230</td>
<td>1,433</td>
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<tr>
<td>Imports from Australia</td>
<td>9.9</td>
<td>9.8</td>
<td>10.2</td>
<td>9.8</td>
<td>10.2</td>
<td>11.5</td>
</tr>
</tbody>
</table>

Exchange Rate: USD1=KW1,108 (2011), 1,126 (2012); 1,095 (2013); 1,053 (2014); 1,132 (2015); 1,161 (2016)
Sources: Datamonitor Personal Care Market Data, June 2017, Korea Pharmaceutical Traders Association (KPTA), Korea Cosmetic Association (KCA), Foundation of Korea Cosmetic Industry Institute (KEII, July 2017)  Unit: USD million / Total market size: Total local production – total exports + total imports
MAJOR TRENDS

- Bath and shower, colour cosmetics baby, and child-specific products were the three top categories.
- Big growth in 2016: premium unisex fragrances, intimate washes, BB/CC creams, mouth fresheners and mass face masks.
- Dermo-cosmetics are continuing to grow in 2016-2017.
- Premium unisex fragrances (niche premium brands) gain wide popularity.
- Koreans prefer mild and natural fragrance over strong fragrance.
- Bath and shower grew at 7% in 2016. Korean consumers prefer body wash/shower gels over bar soap.
There are two regulatory bodies:


**Cosmetics in Korea fall under two categories; functional cosmetics and regular cosmetics**

Functional cosmetics: whitening or brightening, anti-wrinkle, anti-acne products, and sunscreens and tanning products.

The MFDS reviews **only functional cosmetics** for pre-market approval.

For all other regular cosmetics to the Korea Pharmaceutical Traders Association (KPTA) to review and certify import permission.

**Required to submit** ingredient lists, a bovine free declaration (to prevent BSE), and certificates of free sales for examination.
The Korea-Australia Free Trade Agreement (KAFTA) was signed on 8 April 2014 and came into force on 12 December 2014.

2017 is the **fourth year** of KAFTA implementation. Duty taxes on some categories have been removed or around **1.3% this year**. There will be **zero duties and tariffs on cosmetics in 2018**.

<table>
<thead>
<tr>
<th>Category</th>
<th>Base Rate(%)</th>
<th>Staging Category</th>
<th>Year 1 12/12/2014</th>
<th>Year 2 1/1/2015</th>
<th>Year 3 1/1/2016</th>
<th>Year 4 1/1/2017</th>
<th>Year 5 1/1/2018</th>
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<tr>
<td>Skin Care</td>
<td>6.5</td>
<td>5</td>
<td>5.2</td>
<td>3.9</td>
<td>2.6</td>
<td>1.3</td>
<td>0.0</td>
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<tr>
<td>Make-up</td>
<td>6.5</td>
<td>5</td>
<td>5.2</td>
<td>3.9</td>
<td>2.6</td>
<td>1.3</td>
<td>0.0</td>
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<tr>
<td>Haircare</td>
<td>6.5</td>
<td>5</td>
<td>5.2</td>
<td>3.9</td>
<td>2.6</td>
<td>1.3</td>
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<tr>
<td>Washing/ Cleaning</td>
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<td>3</td>
<td>4.3</td>
<td>2.1</td>
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<td>Baby Cosmetics</td>
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<td>5</td>
<td>5.2</td>
<td>3.9</td>
<td>2.6</td>
<td>1.3</td>
<td>0.0</td>
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<tr>
<td>Preparation for oral</td>
<td>6.5</td>
<td>5</td>
<td>5.2</td>
<td>3.9</td>
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<td>hygiene</td>
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<tr>
<td>Personal deodorants</td>
<td>6.5</td>
<td>5</td>
<td>5.2</td>
<td>3.9</td>
<td>2.6</td>
<td>1.3</td>
<td>0.0</td>
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Skincare products with natural and organic ingredients (Australian-grown);
Natural colour cosmetics and mineral make-up;
Premium unisex fragrances;
Baby and child-specific products;
Functional hair care products (hair-loss, organic & men’s oiler hair);
Convergence of cosmetics and pharmaceutical/ cosmeceutical products for anti-ageing and anti-oxidation;
Online distribution and marketing for both domestic and cross-border shopping.

E-commerce (online cross-border trade)

Seoul Post will publish next month a practical E-commerce guide for Australian companies which includes market trends, Korean online consumers, opportunities, entrance strategies, regulations, and advice for Australian firms.
Distributional Channels for cosmetics

- Health & beauty specialist retailers: 25%
- Direct-selling: 18%
- Department stores: 16%
- Hypermarkets: 13%
- Internet retailing: 9%
- Homeshopping: 6%
- Supermarkets: 4%
- Pharmacies/drugstores: 3%
- Others: 6%

(Source: Euromonitor, Beauty and Personal Care in South Korea, May 2017)
AUSTRADE ACTIVITIES & EVENTS

DAMIEN ZUMBO
TRADE ADVISER
SYDNEY
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 regions 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).
## MAJOR EVENTS / ACTIVITIES IN 2017/18

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Name</th>
<th>Location</th>
<th>Website</th>
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<tbody>
<tr>
<td>7–10 Sep 2017</td>
<td>BeFe Baby Fair</td>
<td>Korea</td>
<td><a href="http://www.befe.co.kr">www.befe.co.kr</a></td>
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<td>11–13 Sep 2017</td>
<td>Diet &amp; Beauty Fair Asia</td>
<td>Tokyo</td>
<td><a href="http://www.dietandbeauty.jp">www.dietandbeauty.jp</a></td>
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<td>24–26 Jan 2018</td>
<td>Cosme Tokyo</td>
<td>Tokyo</td>
<td><a href="http://www.cosmetokyo.jp">www.cosmetokyo.jp</a></td>
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<tr>
<td>Feb 2018</td>
<td>BeFe Baby Fair</td>
<td>Korea</td>
<td><a href="http://www.befe.co.kr">www.befe.co.kr</a></td>
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<tr>
<td>April 2018</td>
<td>Cosmobeauty Seoul</td>
<td>Korea</td>
<td><a href="http://www.cosmobeautyseoul.com">www.cosmobeautyseoul.com</a></td>
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THANK YOU!

ANY QUESTIONS?
HOW TO ASK QUESTIONS

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