Beauty Product Opportunities to China Hong Kong and Taiwan

Friday 20 July 2018
HOW TO ASK QUESTIONS

1. Select “Chat” function
2. Select “Host & Presenter”
3. Type your question here
4. Press ‘Send’
AGENDA

- Introduction

- Dates and countries participating in our webinar series:
  - Tuesday 17 July: India, Myanmar and Thailand
  - Wednesday 18 July: Indonesia, Malaysia and Vietnam
  - Thursday 19 July: Japan, South Korea and the Philippines
  - Friday 20 July: China, Hong Kong and Taiwan


- International Trade Shows

- Q & A
MARKET SNAPSHOT
CHINA

SERENA FONG
BUSINESS DEVELOPMENT MANAGER
AUSTRADE – GUANGZHOU
MARKET OVERVIEW

Growing market

› Sales of skin care and make-up reach CNY186/A$27 bn and CNY34/A$7bn in 2017
› Sales of skin care and make-up are expected to reach CNY243/A$49 bn and CNY 57/A$10 bn in 2022

Younger consumers

› 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
Premiumization remains key

Colour cosmetics is the category with most dynamic growth

Maternity and baby care products registered strongest growth

Demand for men’s products on the rise

High tech and innovative products
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
CHALLENGES AND ISSUES

- Domestics brands performance catching up
- 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
### Classification of Cosmetics:

#### Non-special use cosmetics:
- Skincare
- Haircare
- Nail (toe) care
- Make-up
- Fragrance

#### Special use cosmetics:
- Hair growth products
- Hair dyes
- Hair perming products
- Depilating products
- Beauty breast products
- Bodybuilding products
- Sunscreens
- Deodorants
- Spot removing products
- Whitening products

### Table 1. CFDA requirements for imported non-special and special use cosmetics.

<table>
<thead>
<tr>
<th>Category of Product</th>
<th>CFDA Requirements</th>
<th>Timeline</th>
<th>CFDA review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imported non-special use cosmetics</td>
<td>CFDA Registration</td>
<td>1-2 months</td>
<td>2 months</td>
</tr>
<tr>
<td></td>
<td>Shanghai Pudong Filing*</td>
<td>1 month</td>
<td>2 weeks</td>
</tr>
<tr>
<td>Special use cosmetics</td>
<td>CFDA Registration</td>
<td>1-2 months</td>
<td>4-5 months</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3-7 months</td>
<td></td>
</tr>
</tbody>
</table>

Source: Knudsen & CRC
FREE TRADE AGREEMENT (FTA)

The China–Australia Free Trade Agreement (ChAFTA) entered into force on 20 December 2015. ChAFTA is an historic agreement that is delivering enormous benefits to Australia, enhancing our competitive position in the Chinese market, boosting economic growth and creating jobs.

- As shown in the table below, tariffs will be eliminated on Australian skincare, cosmetic, beauty and personal care products from **1st January 2019**.

<table>
<thead>
<tr>
<th>Product</th>
<th>HS Codes</th>
<th>Base Rate</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Essential Oils</td>
<td>3301 to 3301.90.90</td>
<td>15 – 20%</td>
<td>12 – 16%</td>
<td>9 – 12%</td>
<td>6 – 8%</td>
<td>3 – 4%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Perfumes and toilet waters</td>
<td>3303.00</td>
<td>10%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Beauty or make-up preparations and preparations for the care of the skin</td>
<td>3304 to 3304.99.00</td>
<td>6.5 – 15%</td>
<td>5.2 – 12%</td>
<td>3.9 – 9%</td>
<td>2.6 – 6%</td>
<td>1.3 – 3%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Preparations for use on the hair</td>
<td>3305 to 3305.90.00</td>
<td>6.5 – 15%</td>
<td>5.2 – 12%</td>
<td>3.9 – 9%</td>
<td>2.6 – 6%</td>
<td>1.3 – 3%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Preparations for oral or dental hygiene</td>
<td>3306 to 3306.90.00</td>
<td>10%</td>
<td>8%</td>
<td>6%</td>
<td>4%</td>
<td>2%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations</td>
<td>3307 to 3307.90.00</td>
<td>9 – 10%</td>
<td>7.2 – 8%</td>
<td>5.4 – 6%</td>
<td>3.6 – 4%</td>
<td>1.8 – 2%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Soap; organic surface-active products</td>
<td>3401 to 3401.30.00</td>
<td>10 – 15%</td>
<td>8 – 12%</td>
<td>6 – 9%</td>
<td>4 – 6%</td>
<td>2 – 3%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: DFAT FTA Portal
Source: Department of Foreign Affairs and Trade (DFAT) – China-Australia Free Trade Agreement (ChAFTA) – Schedule of Tariff Commitments
PITCHING YOUR BRAND TO POTENTIAL CUSTOMERS

- Unique selling point (functions) and brand story
- Tailored made and attractive packaging
- Consider some warm up marketing activities in Australia before exporting
- Fully utilising different channels to promote and market the products (market places, CBEC, KOL)
- Participate in local major beauty expos
E-COMMERCE

2016 RETAIL E-COMMERCE SALES WORLDWIDE

E-COMMERCE MARKETSHARE

CHINA  2016

43.2% - Alibaba
20.1% - JD.com
3.1% - Suning
2.7% - Vipshop
1.3% - Amazon.com

e-Markerter, "Market Snapshot", 2017
SOCIAL MEDIA

Wechat
- WeChat Public Account - Mini Program, WeChat Store (微店), customer service

Weibo
- Chinese Tweeter - showcase product, branding
- Interaction with potential buyers

Little Red Book
- Product review & share platform.
- Word of mouth marketing / KOL
- Connection to product via hyperlinks in users’ review - content consumption & e commerce

DouYin
- Most popular Chinese Short video platform
- KoL driven - go virus 20-29 aged, mostly female
- 154 million monthly active users
THANK YOU!
MARKET SNAPSHOT
HONG KONG

VALERIE CHAN
BUSINESS DEVELOPMENT MANAGER
AUSTRADE – HONG KONG
MARKET OVERVIEW

HONG KONG IS AN IDEAL TRIAL MARKET FOR ASIA

- Affluent domestic population with high purchasing power
- Significant consumer base from mainland Chinese tourists
- Shop window showcasing international brands
- Important gateway to China and other Asian markets

(Source: HKSAR Census & Statistics Department / Hong Kong Tourism Board / National Bureau Statistics of China)
TRENDS

- International brands dominate beauty and personal care
- Mass and Korean beauty trends continue to lead
- Natural and organic products for baby skincare and oral expected to grow
- Increasing demand for functional skincare products & cosmetics
  - anti-ageing, skin whitening and sun protection products
  - natural colour cosmetics and mineral make-up
  - cosmeceutical products with efficacy & technology
- Men’s grooming and functional hair care products on the rise
<table>
<thead>
<tr>
<th>Export Value</th>
<th>Total Market Share</th>
<th>Market Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>$109m</td>
<td>14%</td>
<td>2</td>
</tr>
</tbody>
</table>

(Source: Australian Bureau of Statistics on Global Trade Atlas)
CHALLENGES AND ISSUES

- Strong competition from other countries
- High operational cost
- Strong marketing and promotion strategy
- Flexible pricing structure
- Finding the right partner
PRODUCT REGISTRATION & LABELLING

HONG KONG HAS LOW ENTRY BARRIERS FOR IMPORTED GOODS

- No tariffs on imported cosmetics, skin care and health products
- Registration and local labelling are not required
- Bi-lingual labels is better
- Eye-catching packaging is recommended
- Robust IP protection
On 16 May 2017 the Minister for Trade, Tourism and Investment the Hon Steven Ciobo MP announced that Australia and Hong Kong launched negotiations for a free trade agreement (FTA).

An [Australia-Hong Kong FTA (A-HKFTA)] would complement our FTA with China and further integrate the Australian economy with Asia.

Hong Kong is a trendsetter in the region, demanding high quality products for its sophisticated and wealthy market and has long been a showcase market not only to engage domestic consumers but buyers from the Chinese mainland and across the region.
PITCHING YOUR BRAND TO POTENTIAL CUSTOMERS

**Profiling & Branding**
- Successful showcase in local trade fair
- Cosmoprof Asia
- Natural & Organic Products Expo

**Identifying new opportunities**
- Cross-border e-Commerce (CBEC)
- O2O and e-Commerce

**Distribution network**
- Selling through appropriate channels
E-COMMERCE IS GROWING IN HONG KONG

- Online-to-Offline (O2O) commerce continue to grow rapidly
- Hong Kong as a base to access China through CBEC
SOCIAL MEDIA BECOMES A KEY MARKETING TOOL IN HONG KONG

- Free flow of information with no access restriction to social media channels
- Hong Kong’s most popular social media platforms
  - Facebook
  - Google
  - Youtube
  - Instagram
  - WeChat (in China)
- Use of online bloggers / KOLs is popular
THANK YOU!
MARKET SNAPSHOT
TAIWAN

JENNIFER CHEN
BUSINESS DEVELOPMENT MANAGER
AUSTRADE – TAIPEI
MARKET OVERVIEW

- 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
OPPORTUNITIES

- Natural, organic, and eco-friendly products
- Sunscreen protection
- Hydrating care products, such as CC cream
- Skin products emphasising special benefits such as anti-aging, slimming, whitening and firming
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
All functional cosmetics and medicated cosmetics must be registered for pre-market approval.

Cosmetics:
- **Functional cosmetics**: such as whitening or brightening, sunscreens, hair dye products and hair loss prevention cosmetics.
- **Regular cosmetics**: without import permission and pre-market approval.

**Tariff and tax**
for imported cosmetics and related products is around **7.5 per cent to 10 per cent** of the CIF value, plus a five per cent value-added tax.
DISTRIBUTION CHANNELS

- Exporters
  - Importers
  - Distributors
  - E-commerce + Home shopping (PChome, MoMo & Yahoo)
  - Direct Sale

- Retail (Cosmed, Watsons)
- On-line Shop
- Department stores
- Consumers
- Parallel Import
Top three key online shopping mall (B2C) marketplaces and auction sites


- **Yahoo! Taiwan** - [https://tw.mall.yahoo.com](https://tw.mall.yahoo.com)

- **MoMo** - [https://www.momoshop.com.tw/](https://www.momoshop.com.tw/)

Image Credits: Pchome, Yahoo! And MoMo
Most common and popular social media

- Facebook / Instagram
- Blogs / Internet Celebrities
- Line Group
- YouTube
- FashionGuide

Image Credits: Facebook, Instagram, Line, YouTube and FashionGuide.
THANK YOU!
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### MAJOR EVENTS / ACTIVITIES IN 2018/19

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Name</th>
<th>Location</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-11 Sept 2018</td>
<td>Cosmoprof India</td>
<td>India</td>
<td><a href="http://www.cosmoprofindia.com">www.cosmoprofindia.com</a></td>
</tr>
<tr>
<td>14-16 Nov 2018</td>
<td>Cosmoprof Asia</td>
<td>Hong Kong</td>
<td><a href="http://www.cosmoprof-asia.com">www.cosmoprof-asia.com</a></td>
</tr>
<tr>
<td>13-16 Nov 2018</td>
<td>Austrade Cosmoprof Beauty Showcase and Mission</td>
<td>Hong Kong</td>
<td>Contact Austrade to express your interest</td>
</tr>
<tr>
<td>25-29 Jan 2018</td>
<td>Australia Day Sale Event</td>
<td>Malaysia</td>
<td>Contact Austrade to express your interest</td>
</tr>
<tr>
<td>23-26 Feb 2019</td>
<td>BeFe BabyFair</td>
<td>South Korea</td>
<td><a href="http://www.befe.co.kr">www.befe.co.kr</a></td>
</tr>
<tr>
<td>14-18 Mar 2019</td>
<td>Cosmoprof Bologna</td>
<td>Italy</td>
<td><a href="http://www.cosmoprof.com">www.cosmoprof.com</a></td>
</tr>
<tr>
<td>18-20 April 2019</td>
<td>Cosmobeaute</td>
<td>Vietnam</td>
<td><a href="http://www.cosmobeauteasia.com">www.cosmobeauteasia.com</a></td>
</tr>
<tr>
<td>29-31 Jul 2019</td>
<td>Cosmoprof North America</td>
<td>USA</td>
<td><a href="http://www.cosmoprofnorthamerica.com">www.cosmoprofnorthamerica.com</a></td>
</tr>
</tbody>
</table>
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