Beauty Product Opportunities to Indonesia, Malaysia and Vietnam

Wednesday 18 July 2018
HOW TO ASK QUESTIONS

1. Select “Chat” function
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3. Type your question here
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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
INDONESIA

ARMELITA ADHITYA
BUSINESS DEVELOPMENT MANAGER
AUSTRADE – JAKARTA
INSIGHT:

- Indonesia is projected to be the world’s 7th largest economy by 2030
- Indonesia’s ‘consuming’ class number 45 million and is forecast to increase to 135 million by 2030
- Imported cosmetic sales in 2015 reached US$441 million
- Indonesian consumers are becoming increasingly aware of their wellbeing
The cosmetics sector has grown 10%-15% annually due to increases in disposable income and aggressive marketing efforts by cosmetics companies.

People in urban areas of Indonesia are the biggest consumers of cosmetic products, while the rural population is showing higher interest in personal care products.

The Indonesian Government is prioritizing cosmetics as a focus of its National Development Plan for Industry until 2019.

The large Muslim population in Indonesia is a huge potential market for halal beauty products. The majority of Halal products are still offered by local manufacturers.

Local partners (distributor/importer) are mandatory.
TRENDS

- Growing popularity and awareness of natural and organic products
- International Brands dominate beauty and personal care
- Korean Beauty and personal care products are booming in Indonesia
- With the world’s largest Muslim population, there is increasing interest in Halal products and local brands such as Wardah have been the quickest to leverage this trend
OPPORTUNITIES

The demand for cosmetics and toiletries has increased substantially over past years. Imported cosmetics with International brands now hold a 70% market share

- Skin care products account for 76% of total imports
- Cosmeceutical product increases also include male products

Increased demand from the service industry such as beauty parlors and spas

- Natural, organic, certified organic products
- Specialty product such as professional hair care
- Aromatherapy supplies

Indonesians are among the most active users of the internet and this has proven to be a huge opportunity for beauty and personal care via social media.

E-commerce is an opportunity but it is still early and all products sold online must be registered in-country first and can’t be sent directly from overseas.
CHALLENGES AND ISSUES

- **REGISTRATION PROCESS:** With National Agency of Drug and Food Control (BPOM) may take longer than expected. It range from around 6 months to 2 years.

- **HALAL CERTIFICATION:** By October 2019 Cosmetics and skin care products need Halal Certification from government body in Indonesia. This regulation is not confirm yet but is already approved by government.

- **INTELLECTUAL PROPERTY (IP):** Occasionally brands are already registered by others in Indonesia. Our recommendation is to register your IP as soon as possible if you have an interest with the market.
HOW TO IMPORT COSMETICS AND SKIN CARE TO INDONESIA

• Establishing Connections with Local Agent or Representative

The Government of Indonesia implemented a new policy that the exporting company must have a local agent to represent the company in Indonesia. This local agent will obtain an import license. This import license is a must in order to bring the company’s products into the Indonesian market.

• Asking Your Local Agent to Get A Licensed Distributor Permit

The local agent should obtain a distributor permit which enables them to receive the products from the source company. The agent will then be appointed the official distributor of your products. Under the new law, only registered products imported by registered companies are able to enter Indonesian market.

• Registering Product to Indonesian Agency for Drugs and Food Control (BPOM)

Cosmetics and skin-care products must be registered with the National Agency of Drugs and Food Control (BPOM). Each product must be registered separately and BPOM will issue a notification along with a code or number that must be printed on each product’s packaging. The BPOM registration number is valid for 3 years and the company can extend the permit afterwards.

• Labelling

Labels must be in Indonesian and include the following information: the name of the product, the list of ingredients, net weight or volume, the name and address of the producer and the importer, the halal logo (If applicable), the BPOM registration number, the production code and the ‘best before’

• Paying the Import Duties

Generally, the import duties for cosmetic and skin-care products are 10 percent and will be paid by the importing company.
FREE TRADE AGREEMENTS (FTA)

The Indonesia-Australia Comprehensive Economic Partnership (IA-CEPA)
- This Agreement is not sign yet, hopefully it will be sign in near time.

The ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)
- Extensive tariff reduction and elimination commitments.
- Regional rules of origin provide new opportunities for Australian exporters to tap into international supply chains in the region.
- Promotes greater certainty for Australian service suppliers and investors, including through certain legal protections for investment in ASEAN territories.
- Provides a platform for ongoing economic engagement with ASEAN through a range of built-in agendas, economic cooperation projects and business outreach activities.

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Source: ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) – Indonesia: Schedule of Tariff Commitments
Since Australian products are not well known in Indonesia, the principal needs to help their local partner with promotion and marketing.

- Use artists or actors as brand ambassador.
- Use Social Media and social media influencers to promote your product.
Indonesia has the 5th biggest Internet Population in the world
- 90 million Indonesians have smartphones with 415 million mobile subscriptions
- 130 million active social media users
- Active social platforms in Indonesia:

**HOW TO MARKET YOUR PRODUCT IN E-COMMERCE**

**Product with no relationship in Indonesia:**
- You need to find a local partner
- Local Partner should register the product
- Local partner can list your product to e-commerce platform

**Product with existing relationship in Indonesia:**
- Your local partner can list your product to e-commerce platform
Social media play important role in promotion and marketing, especially for skin care and cosmetics.
MARKET SNAPSHOT
MALAYSIA

SANDRA LIM
BUSINESS DEVELOPMENT MANAGER
AUSTRADE – KUALA LUMPUR
MARKET OVERVIEW

4 ENTRY PATHWAYS

- **Pharmacy chains** with online websites are well established
- **Specialist stores** with digital platforms are fast expanding
- **Local distributors** are some of the largest participants in this market
- **Online retailers**, both local and international are increasingly popular
TRENDS AND OPPORTUNITIES

Look forward to in 2018

• **Safe & sustainable ingredients** i.e. harvesting natural ingredients

• **Customized & personalized beauty** i.e. AI distilled custom skincare

• **Beauty offerings with purpose** i.e. giving back to society

• **Digital technology** i.e. intuitive shopping experience
4 MARKET RESTRAINTS

- **Market access** i.e. product registration issues
- **Price sensitivity** i.e. preference for discounted items
- **Product innovations** i.e. combining cross-category benefits (moisturiser, sun-care, foundation)
- **Halal consumerism** i.e. preference for *Halal* cosmetics
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*Source: ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) – Malaysia: Schedule of Tariff Commitments*
PITCHING TO MALAYSIAN CONSUMERS

ALL EYES ON MALAYSIA FOR THE NEXT E-COMMERCE BOOM

CONSUMER CONFIDENCE IS ON THE RISE

How do Malaysians shop online and what are they buying?

136%
Mobile penetration in 2016

47%
Use their smartphones to shop online

39%
Purchase daily necessities like health & beauty, FMCG, grocery, kitchenware

23%
Buy fashion & accessories

20%
Like to buy unusual or hard to find items

APPROX. 7 MILLION
Shop online every month

DHL eCommerce – Excellence. Simply delivered.

Sources: Consumer Barometer by Google / Statista / 2016 Bain and Co.
E-COMMERCE

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LAZADA.COM.MY

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DEBORAH H
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Shop Australia

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The Model Cook
THANK YOU!
VIETNAM MARKET SNAPSHOT

HANH NGUYEN
BUSINESS DEVELOPMENT MANAGER
AUSTRADE – HO CHI MINH CITY
MARKET OVERVIEW

- Vietnam: expanding middle-income class and young users with changing lifestyle

- Beauty and personal care market, predominated by international brands: US$1,526m, +11.5% (2017); US$1,620m (2018f) +8.6 %CAGR 2018-2021f

- 2nd fastest growth rate in Asia Pacific (2017-2022f)

- Total cosmetic import (2017): US$840m, +27%; From Australia (2017): US$6.1m (0.7%), +119%

- US$16 per capita consumption (2017), plenty of room for growth

Cosmetics and personal care products are top physical goods for E-commerce

- Top 4 SEA countries with highest E-commerce penetration (Mid’17)
- 7% of total beauty market 2017, 9% 2021f is in e-commerce
- Beauty 50% online FMCG purchases (4 urban cities)

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1 Euromonitor Beauty and Personal Care in Vietnam, Jun 2018; 2 Statista July 2018; 3 ITC Trade Map- Jul 2018; 4 KantarWorldpanel ’17 5 GLOBALWEBINDEX, Q2&Q3’2017
Premium and prestige products are equally important in share and potential growth

Beauty is going NATURE and ORGANIC

Current trends: Deodorants (especially premium products), Skin care (whitening products and dermo-cosmetics), Colour Cosmetic, Baby and Child-specific Products

Future growth are predicted for: Deodorants, Fragrances, Skin care, Sun care

Demand for men’s products on the rise
OPPORTUNITIES

- **Skin care** the largest segment
- **Quality** - Premium imported products regarded as being of high quality
- **Reputation of Australian origin** - safe, green, good quality products
- **Channel** - E-commerce with increased number of licensed e-commerce trade platforms
- **Tariff under AANZFTA** - 0% since 2018

**Purchasing drivers**
- Origin, then price, function and quality
- Digital Engagement: Internet retailing/social media influenced and provides wider choice
CHALLENGES AND ISSUES

- Product not adapting to local end users. Regional differences
- Intellectual property and trade mark
- Strong competition from other countries: Singapore, Korea, Thailand, Japan, USA, EU…
- Best to have multi-channel strategy: online and in-store
- Unauthorised parallel products – mainly social media platform: the adverse effect of high internet penetration
PRODUCT REGISTRATION REQUIREMENTS

• Key regulatory authority for product registration: **Medicine Management department – Ministry of Health:**
  
  › Issue the valid cosmetic product proclamation receipt number
  
  › When: before the product’s importing to Vietnam
  
  › Timing: about 25 working days from submission of application dossier to MOH to complete cosmetic product registration

• **A must for product registration: an importer** (your subsidiary or your distributor)

• **Registration term of a cosmetic product shall be 5 years.** New registration needed after 5 years.
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### Schedule of Tariff Commitments

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Distribution channels for cosmetics

- Health and Beauty Specialist Retailers: 39%
- Traditional Grocery Retailers: 26%
- Modern Grocery Retailers: 17%
- Non-store: Direct Selling: 4%
- Non-store: Internet Retailing: 1%
- Non-retail channel: Hair Salons: 1%

(Source: Euromonitor, Beauty and Personal Care, Data FY 2017)
BE MINDFUL OF…

- **Local partner:** Establishing and maintaining a good relationship with your local partners is crucial if you want to do business in Vietnam successfully.

- **Discuss Quality and Service:** Price will continue to be an important factor for Vietnamese customers, but product quality and service are becoming more important.

- **Discuss product innovation pathway:** Consumers pay much more attention to innovative forms and packaging (especially for skin care and colour cosmetics).

- **Discuss market investment:** Potential investment with your future partner in branding, channel and market development.
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THANK YOU!
DAMIEN ZUMBO
TRADE ADVISER – CONSUMER
AUSTRADE – SYDNEY
PLEASE SUBMIT ANY QUESTIONS

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THANK YOU!