Raise your hand to ask and audio question (if you have a mic on your headset or are on a telephone handset)

Type question
AGENDA

➢ Introduction

➢ Regional market snapshots
  • Hong Kong
  • China
  • Taiwan
  • Japan
  • South Korea

➢ NA Markets Trade Events

➢ Q&A
# AUSTRADE NORTH ASIA TEAM

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
<th>Location</th>
<th>Contact Information</th>
</tr>
</thead>
</table>
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INTRODUCTION – COSMOPROF ASIA

- Asia’s leading business-to-business beauty trade show event
- Strong participation from industry players – 2,504 exhibitors from 46 countries and regions including 22 national and groups pavilions
- 63,241 trade visitors from 119 countries and regions attended Cosmoprof Asia 2016 www.cosmoprof-asia.com

NOVEMBER 2016
HONG KONG

15TH - 17TH
ASIAWORLD-EXPO
Ingredients, Machinery & Equipment, Packaging, Contract Manufacturing and Private Label.

16TH - 18TH
HONG KONG CONVENTION & EXHIBITION CENTRE
Extraordinary Gallery (all sectors), Cosmetics & Toiletries, Natural Health, Beauty Salon, Hair Salon, Nail & Accessories.

www.cosmoprof-asia.com
AUSTRADE SUPPORT

- Organising Pre-Cosmoprof Australian Beauty Products Opportunities Seminar and Networking Reception in Hong Kong (15 Nov)
- Introducing targeted buyers in Hong Kong on fee-for-services basis (14-18 Nov)
- Conducting Pre and Post-Cosmoprof market visits to Guangzhou, Seoul, Taipei and Tokyo (13-25 Nov)
- Conducting pre-show email marketing campaign and recruiting buyers across multiple Asian markets
- Distributing the Australian Health & Beauty Exhibitors Directory link to buyers in the region
- Distributing the list of beauty and health retailer stores in Hong Kong
- Hong Kong cosmetics insights videos on Austrade website
MARKET SNAPSHOT
HONG KONG

VALERIE CHAN
BUSINESS DEVELOPMENT MANAGER
HONG KONG
MARKET OVERVIEW

BEAUTY AND PERSONAL CARE RECORDS WEAK GROWTH OF 4% IN 2015 BUT GROWTH EXPECTED TO STAGNATE

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
• Significant consumer base from mainland Chinese tourists
• Gateway to China and other Asian markets
MAJOR TRENDS

- Reduced spending among mainland Chinese stalls growth
- International brands dominate beauty and personal care
- Mass and Korean beauty and personal care support local growth
- Growing popularity and awareness of natural and organic products
- O2O and e-Commerce continue to grow rapidly
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

- Baby skincare products
  - Natural, organic, certified organic products

- Men’s grooming products
  - Skincare products
  - Functional hair care products
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
## China – Australia Free Trade Agreement (CHFTA)

<table>
<thead>
<tr>
<th>Product</th>
<th>Current tariff rate</th>
<th>First year</th>
<th>2 year</th>
<th>3 year</th>
<th>4 year</th>
<th>5 year</th>
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<td>Cosmetics</td>
<td>10</td>
<td>8</td>
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<td>4</td>
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<td>4</td>
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<td>Skincare</td>
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<td>0</td>
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<tr>
<td>Soap</td>
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<td>12</td>
<td>9</td>
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<td>8</td>
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<tr>
<td>Essential oil</td>
<td>20</td>
<td>16</td>
<td>12</td>
<td>8</td>
<td>4</td>
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</tbody>
</table>
Cross Border E-commerce policy changed as of 8 April

1. Duty Changed
2. Positive Lists
3. Grace period till 12 May 2017

CBEC continue to grow

Australia is a popular source of products for CBEC

CBEC VS conventional Trade
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
TAIWAN

JENNIFER CHEN
BUSINESS DEVELOPMENT MANAGER
TAIPEI
TAIWAN MARKET OVERVIEW

GROWING SALES OF BEAUTY AND PERSONAL CARE, VALUED AT NT$3,510 MILLION (APPROX. A$146 MILLION) IN 2015

- 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
Growth in skin care driven by aging skin concerns and lower income females

Hydrating is the main theme in skin care and cosmetics

Skin whitening category experienced a slight decline, due to market growth of micro-cosmetic surgery care products

Growing appeal of pharma and doctor formula brands across skin and personal care products

Adopting Japanese and Korean cosmetic trends
CHALLENGES AND ISSUES

1) Facing strong international and domestic competition
   - Small operators or importers are selling the products through internet, blogs and social media
   - High-end cosmetic market are 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 eg. Nuier and Kevin
   - Natural ingredients brands, eg. Jurlique, Aesop and Kiehl’s

2) Less marketing support from Australia

3) Less international brand awareness

4) Price structure
MAIN OPPORTUNITIES

- Natural and organic products
- 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
MARKET SNAPSHOT
JAPAN

AMANE KANEKO
BUSINESS DEVELOPMENT MANAGER
TOKYO
MARKET OVERVIEW

JAPAN MARKET CHARACTERISTICS

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

Japanese Cosmetics Market Size

Source: Yano Keizai
MAJOR TRENDS

- Time-saving products remain popular
- Skincare products have largest percentage @ 46.2% 13.5 billion yen
- Men’s cosmetics saw strongest growth @ 1.7% 1.5 billion yen
- Major cosmetics purchases being conducted by in-bound tourists

Japanese Cosmetics Purchases by Category

Skincare: 46%
Makeup: 22%
Hair care: 18%
Fragrances: 8%
Men’s cosmetics: 5%
Others: 2%

Source: Yano Keizai
CHALLENGES AND ISSUES

- Organic cosmetics must have accreditation
- ‘Natural’ cosmetics market entry challenging as consumers and buyers increasingly look for accreditation
- Accreditation is possible for natural cosmetics
- Alternate, wildcraft certification
- Excellent packaging a must
- Having a story is crucial

Import structure
Australian supplier
Importer
(Wholesaler)
Retailer
OPPORTUNITIES

EXPECTATION OF AUSTRALIAN COSMETICS:

- Made in Australia
- Certified organic
- Certified natural
- Proven scientific evidence of efficiency
- Distinctive brand story
- Clear brand philosophy

RETAILERS SELLING AUSTRALIAN COSMETICS

- Specialty stores in Department stores: The Apothecary, Organic Market
- High-end lifestyle stores: Estination, Opaque, BALS
- Flagship Stores: Jurlique, Aesop
- Specialty cosmetic stores: Cosme Kitchen
- Variety Stores – midrange: Plaza Style, Shop-in
- Higher end pharmacies: Tomod’s
- eCommerce: Rakuten, Amazon Japan
MARKET SNAPSHOT
SOUTH KOREA

DAHEE JULIA KIM
BUSINESS DEVELOPMENT MANAGER
SEOUL
MARKET OVERVIEW

- **10th largest** cosmetics market in the world (2.8%).
- Market size: **USD 74 billion (2014)** - Largely driven by increased exports.
- The total import of cosmetics (2014): USD 1 billion
- **Cosmetics imports from AU: US$10.2 million (0.7%), 3.59% growth.**
- Domestic manufacturers with a 52% value share in 2015.
- Expected to grow approx. 7-8% over the next three years.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>Total Market Size</td>
<td>5,947</td>
<td>6,831</td>
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<tr>
<td>Total Local Production</td>
<td>5,763</td>
<td>6,321</td>
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<td>Total Exports</td>
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<td>Total Imports</td>
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<td>978</td>
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<td>Imports from Australia</td>
<td>9.9</td>
<td>9.8</td>
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Sources: Datamonitor Personal Care Market Data, Oct 2015, Korea Pharmaceutical Traders Association (KPTA), Korea Cosmetic Association (KCA),

Unit: USD million / Total market size: Total local production – total exports + total imports
CONSUMERS’ IMAGE-CONSCIOUSNESS SUPPORT PERFORMANCE

- Sophisticated ingredients & convenient packaging > natural herbal ingredients.
- **Colour cosmetics** grew 8% in 2015
- **Premium skin care**’s value share rose to 53%
  - (eg. Baby care, colour cosmetics, acne & hand care treatments)
- Mens grooming expected to grow 4% in 2016
- **Serums in liquid and oil format** in popularity
- **Convenient beauty products** – BB/CC creams, facial masks; and
- Dermo-cosmetics and pharma brands > small but growing.
There are two regulatory bodies:


2016 is the third year of KAFTA implementation. Duty taxes on some categories have been removed this year.

<table>
<thead>
<tr>
<th>Category</th>
<th>Base Rate(%)</th>
<th>Staging Category</th>
<th>Year 1</th>
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<tr>
<td></td>
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<td>3.9</td>
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<td>Washing/Cleaning preparations</td>
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<tr>
<td>Preparation for oral hygiene</td>
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<td>Personal deodorants</td>
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<td>1.3</td>
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OPPORTUNITIES & DISTRIBUTIONAL CHANNELS

OPPORTUNITIES
- Natural/Certified-organic products;
- Convergence/multifunctional products such as a combination of aging-care, whitening, sunscreen;
- Colour cosmetics with natural ingredients or functionalities;
- Premium hair care products with improved cosmetic ingredients;
- Men’s cosmetics (facial scrubs, facial masks, SPF products).

DISTRIBUTIONAL CHANNELS
- Drug stores, online shopping malls & TV home-shopping channels
- Three major: Olive Young by CJ, W-Store by Kolon, and GS Watson’s
- Social commerce & open market: Coupang, Wemap, T-Mon, 11st, Gmarket (Ebay)
- New retail channels – select shops and multi shops (eg Belport)
- Mobile shopping
NORTH ASIA MARKETS TRADE EVENTS

DAMIEN ZUMBO
TRADE ADVISER
SYDNEY
<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
<th>Location</th>
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<tbody>
<tr>
<td>China Baby and Maternity Expo (CBME)</td>
<td>20-22 July 2016</td>
<td>Shanghai</td>
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<tr>
<td>BeFe Baby Fair (inc. child-specific cosmetics)</td>
<td>25-28 Aug 2016</td>
<td>Seoul</td>
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<td></td>
<td>Feb 2017 (TBC)</td>
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<tr>
<td>Natural &amp; Organic Products Asia</td>
<td>31 Aug – 2 Sep 2016</td>
<td>Hong Kong</td>
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<td>Vitafoods Asia</td>
<td>1-2 Sep 2016</td>
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<td>Diet and Beauty Fair</td>
<td>12-14 Sep 2016</td>
<td>Tokyo</td>
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<tr>
<td>Cosmoprof Asia Hong Kong</td>
<td>15-18 Nov 2016</td>
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<td>Cosme Tokyo</td>
<td>23-25 Jan 2017</td>
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<td>LOHAS Expo</td>
<td>Mar 2017</td>
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<td>COSMOBEAUTY SEOUL 2017</td>
<td>April 2017</td>
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<td>China Beauty Expo</td>
<td>23-25 May 2017</td>
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<td>Biofach Japan</td>
<td>24-26 August 2017</td>
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### Market Options and Dates:

<table>
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<tbody>
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<td>14-15 Nov</td>
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<td>25 Nov</td>
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Mission registrations will open shortly.
Event details will be advised after the webinar.
THANK YOU!

ANY QUESTIONS?