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# Perception of European operators toward Thai Natural Skin Care Products

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# Natural cosmetics in Europe (I)

- Natural/organic cosmetic market have average growth 9% annually during 2003-2008 (Organic Monitor, 2009)
- **Kline Group**, forecasted that there are excellent prospects for natural cosmetics in Asia, Europe and the USA **until 2014**
- **From 2009**, **the growth** of the European natural cosmetics market **has been continuing but with slower rate** due to growing consumer ***price sensitivity and rising of new market entrants***
- Natural cosmetics **shares ~ 2% of total EU cosmetic sales** The revenue of the sector approach **€2 billion in 2010** (Organic Monitor, 2010)

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# Natural cosmetics in Europe (II)

- The highest market share products = Natural skin care
  The lowest market share products = Color cosmetics & deodorants (Organic Monitor, 2006)
- France, Germany and Italy are the fastest growing markets in Europe
- The distribution channels are:
  - Organic/health food shops, drugstores, pharmacies
  - Supermarkets, hypermarkets, department stores, discount stores
  - Spa wellness center/health club
  - Concept stores (e.g., Weleda), dedicated stores, & international retail networks (e.g., Melvita)

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# The main markets of Natural cosmetics in Europe: Germany

- Germany holds a market share of 5.6 % of total EU natural cosmetics (German Business Portal, 2011)
- In 2009, turnover €717 million (7% growth) (German Business Portal, 2011)
- The members of the German Cosmetic, Toiletry, Perfumery and Detergent Association (IKW - Industrieverband Koerperpflege- und Waschmittel e. V.) account for > 95% of the industry
- **The price competitiveness is very important**
- Main distribution channels:
  - organic supermarkets (Reformhaus) and specialized stores
  - mainstream retailers and even discounting stores

# The main markets of Natural cosmetics in Europe: Italy

- Italy has been increasing sales by over 20% annually (Organic Monitor, 2006)
- UNIPRO (a branch of CONFINDUSTRIA) is the main association for manufacturing companies operating in the cosmetics industry
- Italian consumers prefer to buy **the best quality products** they can afford while paying **close attention to money spent on them**
- **Natural active ingredients with innovative and artisan products** seem to be more promising in this market
- Main distribution channels:
  - herbalist shops and specialist retailers
  - large retailers
  - beauty centres, hotels, spas and salons

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# The main markets of Natural cosmetics in Europe: France

- France is the fastest growing market of natural cosmetic in EU with sales increasing by 23% in 2008 (Organic Monitor, 2009)
- It shares about 3% of the total French cosmetics market (Organic-Market info, 2010)
- 2 major Cosmetics Associations:
  - FEBEA: Fédération des Entreprises de la Beauté (http://www.febea.fr/)
  - COSMED: l'association des PME de la filière cosmétique (www.cosmed.fr) - SMEs
- **Low price products** with **fair trade** and **natural/organic cosmetic certifications** (e.g., **COSMEBIO, ECOCERT**) are important
- Main distribution channels:
  - Pharmacies and para-pharmacies, Bio retail-shops, Internet stores
  - Supermarkets and hypermarkets
  - Perfumeries, Multi-brand cosmetics and certified Organic products shops

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# Natural cosmetics standards in Europe

## Compulsory regulations

- Cosmetics Directive 76/768/EEC
- the EU Cosmetics Regulation (EC) No 1223/2009
- the EU regulation ‘REACH’ for chemicals
- Local regulations

## Voluntary standards

# ‘COSMOS’

# COSMetics Organic and natural Standard

- Created in 2010 to identify criteria regarding:
  - the products' origin,
  - processing,
  - composition (ingredients),
  - Packaging & labeling,
  - disposal
- 2 levels of certification
  - **Cosmos-Natural**
  - **Cosmos-Organic**
    - ≥ 95% of a product’s ingredients derived from agriculture
    - ≥ 20% of the whole product must be organic
- There is no COSMOS logo

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# ‘NATRUE’

- NATRUE is an association of **cosmetic producers** established in 2008 that have developed the NATRUE standard and NATRUE label
- No synthetic fragrances & colors
  No petroleum derived products (Parafines, PEG, -propyl-, -alkyl-, etc.)
  No silicon oils & derivatives
  No GMOs ingredients (complying with EU organic regulation)
  No irradiation of end product
  Botanical ingredients products may not be tested on animals
- 3 levels of certification,
  - **Natural cosmetics**
  - **Natural cosmetics with organic portion**
  - **Organic cosmetics**

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# Objectives

- ✓ To validate the interest of European importers, manufacturers and distributors of natural and organic cosmetics products to import and distribute Thai natural skin care products in Italy, France and Germany
- ✓ To explore the potential and barriers of natural skin care products from Thailand in Italy, France and Germany
- ✓ To explore the possibility to use natural and organic cosmetic standards to foster the competitiveness of Thai natural and organic cosmetics in the European market

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# Methodology and Data

- **The personal in-depth interviews according to a semi-structured interview outline**
- **Natural/organic cosmetics importers and distributors in Europe 6 persons**
  - 2 persons from Germany
    (1 of 2 is Thai cosmetics import/distribution)
  - 2 persons from Italy
    (1 of 2 is Thai cosmetics import/distribution)
  - 2 persons from France
- The information obtained from the survey was processed using **a content analysis**
- **Summary Report → Validation → Transcription → Content analysis**

# Factors influencing EU operators' decision to choose natural cosmetics

- Having no chemicals or synthetic ingredients
- Quality
- Good quality – price ratio
- Traceability
- Good marketing strategy of suppliers
- Others:
  - Fair Trade origin
  - No testing on animals
  - Organic certified ingredients
  - Paraben and Phenoxyethanol free

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# Thai natural cosmetics in Europe

- Not common in the European market
- Absence of information and product availability
- Low awareness from the operators and the consumers
- Raw materials to be used in production of natural cosmetics in Europe are more interesting than final products
- Most are distributed through spa/wellness centers/ health clubs and are used by professionals rather than general consumers
- Germany seems to be a more promising market
- France and Italy are more difficult

# Perceptions toward Thai natural cosmetics

| Strengths | Weaknesses |
| --- | --- |
| ➤ High quality products<br>➤ They are highly appreciated by consumers especially aroma-therapy<br>➤ Perceived as real natural products especially raw materials<br>➤ Artisanal production method | ➤ Low consumer awareness of Thai brand and products<br>➤ Low marketing/communication activities. No information provision about products' characteristics<br>➤ Poor commercial network<br>➤ Thai operators are not reliable enough in these aspects:<br>* standardizing quality of products<br>* timeliness<br>* regularity of supply<br>➤ Poor logistic structure<br>➤ Poor packaging |

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# Perceptions toward Natural/Organic cosmetics standard

- Not the precondition of success of products
- A tool for marketing orientation

**However…**

- It may increase consumer awareness
- It may be an extra guarantee for products coming from 3rd countries
- Certified raw material might have better chance
- **Fair trade** raw material and **animal test free** are mentioned as value-added options in the French market

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# Recommendations for Thai operators (I)

- The production have to comply with all the technical and hygienic EU rules before planning any export
- The registration to ‘General Cosmetic European regulation Compliance’ and ‘EU Competent Authority’ for cosmetic are crucial
- Excellent product quality based on high quality ingredients and standardized processes, as well as reasonable price
- Product differentiation and positioning as high quality-traditionally manufactured products linked to health, beauty, and wellness

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# Recommendations for Thai operators (II)

- Participating to international trade fairs
- A Thai SPA located abroad is a promising marketing channel
- Information provision, promotion and targeted communication strategies are also crucial (products characteristics, specific properties, instruction to use, etc.)
- Others :
  - Healthy business relationships,
  - Reliability and trustworthiness,
  - Quality control and traceability,
  - Ability to implement appropriate marketing strategies

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# Recommendations for Thai operators (III)

- A consortium of Thai producers, with the support of Thai government, should invest in a specialized marketing research and business intelligence (MRBI) unit
- MRBI unit tasks
  - The collection & diffusion of up-to-date information about the relevant regulation, market trends, and consumer behavior including quantitative surveys on cosmetics consumer preferences, awareness, knowledge, purchase intentions for Thai natural/organic products that may be used as the basis for new product development activities and for export-related investment decisions
  - To provide assistance in the organization of networking & communication activities and organize training activities in Thailand about the state of the art of good manufacturing and quality assurance practices, as well as training targeted to Thai marketing staff in Europe

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# Thank you very much for your warm attention!

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