



Flanders
State of the Art



COSMETIC AND SKINCARE PRODUCTS

IN HONG KONG

FLANDERS INVESTMENT & TRADE MARKET SURVEY



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1. OVERVIEW

Hong Kong is an excellent market for international cosmetic and skincare brands manufacturers. It is a world-class city that sets fashion and beauty trends for other Asian countries. Hong Kong is one of the most cosmopolitan and vibrant cities in Asia. Following world fashion trends closely, Hong Kong people are always on the lookout for top quality and highly innovative beauty products.

In addition, Hong Kong is the gateway to the mainland Chinese market. The beauty product sale on the local market is not only limited to local consumers, but is driven by tourists, especially those from the Chinese mainland. According to statistics, there are over 60 million tourists coming to Hong Kong every year, and cosmetic and skincare products are on top of their shopping lists. Brand availability, good services, product authenticity and competitive prices are the main reasons why tourists buy such items in Hong Kong. As no duty is applied on cosmetic and skincare products, prices are quite attractive to visitors, especially for shoppers from the mainland.

Hong Kong manufacturers are very limited in number, and as such the sale of locally manufactured products is not significant. Most of the local manufacturers produce low to medium-priced products and they are export-oriented to markets in the Chinese mainland, southeast Asia and the US. The major Hong Kong manufacturers are Jane Clare (<https://janeclare.com/pages/about-janeclare>), Choi Fung Hong (<http://www.choi-fung.com/products.php?CatId=248>), The House of Kwong Sang Hong Ltd (http://www.twogirls.hk/en/about_us.php) and the Happiest Thing (<https://www.thehappiestthing.com>).

Most of the Hong Kong companies in the beauty business are traders. Many of them act as agents for overseas manufacturers and they sell to wholesalers, retailers or re-export the products to neighbouring countries like the Chinese mainland, Macau, Japan, southeast Asia, etc. Hong Kong traders make good partners for foreign brand producers as they have extensive market knowledge, good business skills, a strong network, experience in foreign trade, etc.

The local beauty market is dominated by international brands such as Anna Sui, Borghese, Burberry, Chanel, Clinique, Dior, Elizabeth Arden, Estée Lauder, Fancl, H2O, Kanebo, Lancôme, Laneige, L'Oréal, Meiji, Moschino, Revlon, Shiseido, Shu Uemura, Sisley, SKII, etc.

In recent years we have witnessed the rise of Korean brands following the popularity of Korean culture in Asia. One reason for this popularity of K-beauty products is that they often use ingredients which have long been used in Asian cultures like ginseng, green tea, plant roots, rice or other Asian traditional herbal ingredients. Korean beauty brands like Innisfree, Laneige, Skinfood, Sulwhasoo, etc. are now well established on the market.

Due to very keen competition, new brands must have special features which set them apart from existing products. The special features often are their ingredients or innovative packagings. Using Asian traditional healing herbs by some Korean brands for example is attractive to Asian consumers as the applications of those herbs are known to them.

A number of skincare products have their own beauty treatment service salons to promote their own products: Clarins, Clinique, Glycel, Laneige, Shiseido, etc. Shiseido for example often invite regular customers to try their free treatments to promote product sales.

Apart from the retail side, professional beauty salons normally use salon brands such as cosmeceutical products.

2. LEGISLATION

There are no import duties on cosmetics, toiletry and skincare products and no special registration is needed, unless there are medical or therapeutic claims on the products. There is no mandatory testing (such as animal testing) on any product.

There are no local mandatory labeling or registration requirements on cosmetic products.

3. MARKET SIZE

Hong Kong has a local population of 7.2 million. It is also a trading hub for various goods. Each year a large number of tourists and business travelers visit the city. In the year 2017 the estimated total visitors to Hong Kong amounted to 60 million, 75 percent of whom were from mainland China.

Many mainland travellers make their purchases of personal care and beauty products in Hong Kong. Such products are among their top three shopping purchases. Hong Kong is therefore the ideal place to promote one's brand to mainland Chinese consumers.

Imported brands dominate Hong Kong's market for cosmetics, toiletries and skincare products. Hong Kong's market for such products is about 2.650 billion US dollars (total imports minus total re-exports). The import statistics show a steady increase over the last five years, with an increase of 15% between 2016 and 2017 alone. As mentioned before, Korean products are getting more popular. Korea was Hong Kong's largest supplier with an imported value of 934 million US dollars in 2016. France, Japan, China (the mainland) and the United States were the other major suppliers in that same year. The mainland is also the biggest re-export market for Hong Kong, with Macau in second place.

Code	Product label	2013	2014	2015	2016	2017
3304	Beauty or make-up preparations and preparations for the care of the skin, incl. sunscreen etc.	2,378,949	2,601,936	2,875,759	3,499,973	4,050,852
3303	Perfumes and toilet waters (excluding aftershave lotions, personal deodorants and hair lotions)	420,209	428,336	382,445	355,952	477,498
3307	Shaving preparations, incl. pre-shave and aftershave products, personal deodorants, etc.	227,617	238,992	260,900	271,852	281,022
3305	Preparations for use on the hair	226,771	231,034	260,964	239,412	229,476
3306	Preparations for oral or dental hygiene, incl. denture fixative pastes and powders; yarn, etc.	76,996	82,633	97,869	115,836	118,853
3302	Mixtures of odoriferous substances and mixtures,	73,851	87,689	85,152	90,947	108,853

	incl. alcoholic solutions, based on one, etc.					
3301	Essential oils, whether or not terpenes, incl. concretes and absolutes; resinoids; etc.	42,951	40,977	49,961	32,812	33,537

Hong Kong Re-exports of Cosmetics, Skincare and Toiletries from 2012 to 2016 (Unit: 1,000 USD)						
Code	Product label	2012	2013	2014	2015	2016
3304	Beauty or make-up preparations and preparations for the care of the skin, incl. sunscreen, etc.	963,023	1,012,792	1,081,734	1,233,408	1,415,988
3303	Perfumes and toilet waters (excluding aftershave lotions, personal deodorants and hair lotions)	202,020	208,017	221,862	202,967	193,482
3307	Shaving preparations, incl. pre-shave and aftershave products, personal deodorants, etc.	139,848	144,385	138,444	135,926	140,238
3305	Preparations for use on the hair	86,510	96,862	105,689	124,513	96,565
3306	Preparations for oral or dental hygiene, incl. denture fixative pastes and powders; etc.	30,792	30,468	39,177	43,714	51,633
3302	Mixtures of odoriferous substances and mixtures, incl. alcoholic solutions, etc.	27,068	31,068	32,300	30,725	37,783
3301	Essential oils, whether or not terpenes, incl. concretes and absolutes; resinoids; etc.	14,508	16,541	23,404	34,298	13,234

List of origin markets for a product imported by Hong Kong, China (Unit: 1,000 USD)					
Product: 33 Essential oils and resinoids; perfumery, cosmetic or toilet preparations					
Exporters	2012	2013	2014	2015	2016
World	3,264,216	3,447,344	3,711,598	4,013,049	4,606,782
Korea, Republic of	171,381	243,536	340,041	565,562	933,844
France	325,419	355,221	403,061	358,837	828,538
Japan	310,280	311,001	320,175	397,564	639,530
China	525,926	511,664	531,438	572,261	528,415
U.S.A.	391,432	416,382	361,383	409,577	491,926
United Kingdom	48,922	62,496	68,625	59,252	178,069

Taipei, Chinese	115,427	128,162	157,052	183,824	156,613
Italy	136,380	150,112	159,446	166,738	145,895
Germany	122,469	106,655	103,015	87,395	93,758
Singapore	459,919	509,284	558,420	504,225	91,831
Thailand	69,186	61,157	66,299	70,445	79,527
Switzerland	216,066	193,331	234,346	196,259	75,551

List of importing markets for a product re-exported by Hong Kong, China (Unit: 1,000 USD)					
Product: 33 Essential oils and resinoids; perfumery, cosmetic or toilet preparations					
Importers	2012	2013	2014	2015	2016
World	1463769	1540133	1642609	1805551	1,948,922
China	311077	320014	363566	542177	692,922
Macao, China	282177	352043	381158	394430	398,297
Japan	147337	125681	119759	165401	205550
U.S.A.	162182	148901	194327	212629	205432
Singapore	97634	100172	104290	118344	104608
Taipei, Chinese	56369	63659	65600	54536	61377
Korea, Republic of	41447	45238	61087	56689	56691
United Kingdom	28969	37135	40471	34985	33170
Australia	140532	126289	94132	48429	24632
Indonesia	5438	7789	5765	19080	23368
Thailand	9111	11868	15585	15449	17005
Philippines	12571	13134	11188	13602	16051

Sources: ITC calculations based on UN COMTRADE statistics.

The Hong Kong market for cosmetic and skincare products is highly competitive, as there are no barriers for entering the market. Top brands dominate the beauty sector. Skincare products account for 70 per cent of the total beauty business.

In July 2017, the Nielsen Cosmetic Panel did research on the local cosmetic and skincare consumption size and behavior of the female population aged 18-55 in Hong Kong. Here are some key figures from the Nielsen report:

- 96% of Hong Kong female consumers purchase skincare or cosmetic products, and they spend on average HK\$4,021 per year;
- Penetration levels of skincare products are higher than those of cosmetic products;
- Women aged 25-34 make the most trips to buy skincare or cosmetic products, averaging 11.0 trips per year, followed by those aged 18-24 who make 10.7 trips per year;
- The biggest spenders are women aged 35-44; they spent approximately HK\$5,000 in 2016, followed by those aged 25-34, who spent about HK\$4,700 in the same year;
- 40 percent of sales spent on skincare and cosmetic products is done in brand stores;
- Lipstick is the most purchased item, but perfume is the category where consumers spent the most;
- In the skincare category, moisturizers are the most frequently purchased item, while face masks are the highest spending category, with serums coming in second due to the high price point.

These data from the report provide some insights into consumer behavior in Hong Kong.

(Sources: Nielson Report, 2017)

4. DISTRIBUTION CHANNELS

Most of the local companies in the sector are traders acting as agents selling locally as well as to the Chinese mainland and other nearby countries. This is why many international brands choose Hong Kong as their regional centre for entering into Asia or the huge Chinese mainland market. Hong Kong traders have a long trading experience with foreign companies and are professional, knowledgeable and efficient. The local regulatory environment is open and simple, and there are no special registration or labelling requirements. All these factors make the market entry to Hong Kong relatively easier than in most other countries.

Some sole agents have their own retail shops. Please note that it is important to work closely with local agents in promotional activities so as to stay competitive.

Major sales channels for cosmetics include brand name stores, dedicated counters at department stores, specialty chain stores, pharmacies, beauty salons, direct selling, etc. Online shopping channels have also recorded significant growth in recent years.

a) Brand name Stores

Many major brands have their own official shops in busy shopping streets and major malls in Hong Kong. In fact, 10-15 percent of the shops in malls are beauty and personal care retailers. Normally consumers do not expect to have discounts at these official stores. The stores often have loyalty programmes to encourage their users to buy more products. The advantage of shopping at official brand stores is that one is able to find the latest products and the sales staff are more professional regarding product information.

Although it is estimated that 50 percent of sales on skincare and cosmetic products are through brand shops, the investment in operating own brand name stores is high. This is due to very high rent, commissions and operation costs in Hong Kong.

b) Beauty counters at department stores

Major stores like Harvey Nichols, Joyce Beauty, Lane Crawford, Sogo Department Stores, Wing On, etc. have important beauty counter sections. Harvey Nichols, Joyce and Lane Crawford are top-end retailers.

Lane Crawford Department Store has its own beauty sections and is associated with Facesss and Joyce Beauty. <http://www.lanecrawford.com.hk/beauty/>

Facesss is a brand of Lane Crawford for beauty products. Facesss, with stores in Admiralty, Harbour City and Time Square, features over 50 internationally reputed make-up, skincare, body & hair and fragrance brands. <http://www.labconcepthk.com/en/brand/623/FACESSS>

Joyce Beauty has established itself as a cult beauty destination in Asia featuring a portfolio of niche brands. <http://www.joyce.com/beauty/>

Harvey Nichols has one store in Hong Kong located at Landmark, Central, one of the most prestigious shopping malls in Hong Kong. <https://www.harveynichols.com/en-hk/>

Sogo has two stores in Hong Kong; its biggest store is in Causeway Bay, and it is also the biggest department store of the city.

Department stores like Sogo organize so called 'thankful weeks' to boost their sales. The sale of cosmetics and skincare products during these thankful weeks are surprisingly high. Discounts, special packages and free samples are offered during 'thankful weeks'.

<https://www.sogo.com.hk/cwb/en/home/index.php>

Brand shops attract the highest spending groups of consumers as they like to purchase the latest products and believe brand shops offer better services and better product knowledge.

c) Discounted cosmetics chains

Discounted chain stores are found in many main areas of Hong Kong. Those stores often offer substantial savings of branded products.

Major players are:

Angel Cosmetics (<http://www.angel.com.hk/beautybar/>)

Bonjour (<https://www.bonjourhk.com/?lang=en>),

Colourmix (<http://www.colourmix-cosmetics.com/>)

Sasa (<http://web1.sasa.com/SasaWeb/tch/sasa/home.jsp>).

These cosmetics chains are well established in Hong Kong. They sell cosmetic and skincare products at discounts. Their main buyers are local consumers as well as mainland travellers to Hong Kong.

In this market segment Sasa is the leading retail group. The company has stores not only in Hong Kong, but also in mainland China, Macau, Malaysia and Singapore. They stock a number of well-known brands plus some lesser-known quality brands. They also offer personal care accessories.

Sasa International Holdings Limited got listed on The Stock Exchange of Hong Kong Limited in 1997. It has over 280 retail stores and counters in Asia selling over 700 brands of skincare, fragrance, make-up and hair care, body care products, health and beauty supplements including its own brands and exclusive products. The Group employs approximately 5,000 staff in markets across the region, covering Hong Kong & Macau, Mainland China, Singapore and Malaysia.

In 2017, Sasa's turnover was HK\$7.75 billion, as compared to HK\$7.8 billion in 2016.

Bonjour is similar to Sasa and it has also stores in Macau and Guangzhou (mainland China). It has 27 years of retail operation experience. It is one of major cosmetic retailers with 38 shops and over 1,000 employees in China, Hong Kong and Macau. Bonjour is also a listed company with a turnover of HK\$1.93 billion in 2017.

Colormix is of a smaller scale compared to Sasa and Bonjour and has expanded to Macau as well. It has about 40 stores and targets younger generations.

Angel Cosmetics has fewer shops compared to Sasa, Bonjour or Colormix. It has also a shop in Macau.

d) Personal Stores and Pharmacies

Mannings (<http://www.mannings.com.hk/index.aspx?lang=EN>) and **Watson's** (<http://www.watsons.com.hk/Skincare/lc/010000>) are personal stores which sell cosmetics and skincare products, personal hygiene products, pharmaceuticals, healthcare products and some daily products. More mature consumers patronize more such shops for beauty products, according to reports.

At Watson's, one can find L'Oreal, Mabeline, Max Factor and Revlon, among other brands. Other brands include Bioderma, Collagen by Watsons, Curel, Dermacept, Eucerin, La Roche Posay, Neutrogena, Pure Beauty, Skin Advanced, Sebamed Uriage, etc. Watsons operates over 230 stores in Hong Kong and Macau, of which over 50 have in-store pharmacies, making Watsons the No. 1 Pharmacy Network in Hong Kong. Mannings belongs to the Dairy Farm Group and has 350 outlets in Hong Kong.

e) Beauty Salons and spas

Salon brands are normally only found in beauty salons and spas. These products adopt a different approach. Products are recommended to consumers via beauticians. Quite often their emphasis is more on ingredients; salon goers have more trust in their beauticians' advice.

f) Online sales

More and more brands see growth in their online business. Younger females are likely to do online shopping more. More mature women (aged 45-55) prefer chain drug stores.

Interesting to know is that the top 18% of consumers account for approximately 40% of spending. Brands may therefore want to target this highest spending group. Due to complicated import procedures and permit requirements of the Chinese mainland, some brands are not available on the mainland market. However mainland consumers can purchase cosmetics and skincare products from online services of Hong Kong companies. China has prepared legislation to close the door on cosmetic products entering the market without first obtaining the appropriate license, but implementation of this legislation has been postponed several times. So at the moment it is still possible to easily approach the Chinese market through e-commerce via Hong Kong, but please note that this could change at any given time.

g) Others

Some brands like for example **Nu Skin** use direct marketing methods. Since Nu Skin's arrival in Hong Kong, the company has been providing products to business partners for career opportunities for 25 years. The products are sold to users by their business partners.

5. TRENDS

1. Organic and Natural

"Organic and natural" cosmetics are made from mineral pigments and organic plants, ideal for sensitives or allergic skin types. Such products grow in popularity as more consumers are better educated and often have allergy concerns. Unlike conventional make-up, which contains artificial fragrances and petrochemical ingredients, new trendy makeup aims to be all natural. As the consumers become more concerned with wellness, it is noticeable that more and more consumers choose organic products including skincare products. Some brands promote themselves as natural cosmetics brands.

2. Anti-aging and whitening products

Anti-aging and whitening products are popular, as almost all Asian females prefer to have a fairer skin color. Like other major cities in the world, the aging population in Hong Kong is getting bigger and this drives the need for "cosmeceutical" products that combine cosmetics with vitamins, herbs, and sometimes pharmaceuticals, such as vitamin-C lotions, tea tree oil-infused cleansers and collagen masks, etc. Many medicinal beauty products focus on anti-aging skincare. The trend is that more and more people above the age of 55 are still on the job market; therefore, the need for anti-aging products is on the rise.

3. Colors

Colors and shades play an important role, and these elements are heavily influenced by fashion trends, tastes and seasonal moods. Hong Kong working women like to follow trends closely and are attracted to trendy new colors.

4. Easy beauty routine

People in big cities like Hong Kong are often too busy to follow a complicated beauty routine. Most people prefer to not to spend too much time on beauty routines. Simplicity is the key for answering to the need of working women.

5. Men's skin care products

More and more men use skincare products. A significant number of brands offer grooming products for men, usually cleansers, shaving foams, deodorants, face creams, etc.

6. RELATED ASSOCIATIONS

a) The Cosmetic & Perfumery Association of Hong Kong Ltd

Contact information on members which include importers, distributors, wholesalers and retailers can be found at the website.

www.cosmetic.org.hk

b) Hong Kong Retail Management Association

The Hong Kong Retail Management Association (HKRMA) was founded in 1983. HKRMA is the major retail association in Hong Kong. Its members, including many in the beauty sector represent more than 8,000 retail outlets employing over half of the local retail workforce.

www.hkrma.org

c) Hong Kong Cosmetic Technical Resources Centre

Hong Kong Cosmetic Technical Resources Centre (CTR) is jointly founded by CMA Testing and Certification Laboratories (CMA Testing) and International Cosmetics (Asia Pacific) Joint Development Centre with a mission to provide technical support, worldwide regulatory information and consultancy services on cosmetic products.

<http://www.hkctr.com/about.asp>

7. TRADE FAIRS

a) Cosmoprof Asia Hong Kong

The 23rd edition of Cosmoprof Asia (2018) will continue the successful formula of "1 Fair 2 Venues" and be held strategically across two venues: in the AsiaWorld-Expo (AWE), showcasing raw materials and ingredients, contract manufacturing and private label, machinery, primary and secondary packaging; and in the Hong Kong Convention and Exhibition Centre (HKCEC), hosting exhibitors of finished products ranging from cosmetics & toiletries, natural & organic, beauty salon, to hair salon and nail and accessories. The Fair usually takes place in November, each session lasts three days.

www.cosmoprof-asia.com

b) Natural and Organic Products Asia

Since 2014, Natural & Organic Products Asia (NOPA) has been the leading trade platform for all things natural and organic. The segment is dedicated to "Natural, Organic, Beauty Food, Beauty without Cruelty, Body & Skin Care, Free From, Fairtrade, Color Cosmetics, Hair Care, Personal Care, Suncare, Male Grooming, Mother & Child and Perfume".

The 2017's show attracted over 250 exhibitors from more than 31 nations & regions, showcasing thousands of natural, certified, healthy, wholesome and organic products in Hong Kong.

www.naturalproducts.com.hk

Cosmetics and Skincare Products in Hong Kong 2018

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The information in this publication is provided for background information that should enable you to get a picture of the subject treated in this document. It is collected with the greatest care based on all data and documentation available at the moment of publication. Thus this publication was never intended to be the perfect and correct answer to your specific situation. Consequently it can never be considered a legal, financial or other specialized advice. Flanders Investment & Trade (FIT) accepts no liability for any errors, omissions or incompleteness, and no warranty is given or responsibility accepted as to the standing of any individual, firm, company or other organization mentioned.

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