



Philippines: Cosmetics Industry

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Summary

The Philippines importation of cosmetics, toiletries, and personal care products (lip and make-up, perfumes, soaps and shampoos, skin and nail care preparations) was valued at \$118.2 million in 2007. Domestic production dominates the cosmetics industry with almost 80% share.

Although imports from the U.S. have dropped, the US still maintains its reputation for high quality. Thailand is the top exporter among third country suppliers; some cosmetics and most toiletries for sale in the Philippines come from Thailand. China, which did not figure in the top five suppliers of cosmetics last year, has exported more than \$5 million in Cosmetics, Toiletries, and Personal Care products in 2007.

American imports include lipsticks, oil-free make-up foundations, perfume, and skin care and hair care products. American firms such as Avon, Colgate-Palmolive, Johnson & Johnson, Procter & Gamble, and Sara Lee have manufacturing facilities in the Philippines and other ASEAN countries with their branded products readily available in most retail outlets.

As with most Philippine purchases, price is a primary factor for consideration.

Market Demand

The Philippines' total importation of cosmetics, toiletries, and personal care products reached \$118.2 million in 2007. Thailand was the top supplier with 34% market share. Malaysia's market share was 21%; Singapore 10%, and the U.S. with 6%.

Imports from Thailand and Malaysia were primarily toiletries that were formerly manufactured in the Philippines. These products, which are competitive with locally produced goods, have eaten into U.S. market share.

Most of the toiletries that the Philippines imported from Thailand are also U.S. brands. Likewise, local cosmetics and toiletries are U.S. brands manufactured by local subsidiaries like Avon, Colgate-Palmolive, Johnson & Johnson, Procter & Gamble, and Fullerton/Sara Lee.

Demand for raw materials and finished products for skin whitening and anti-ageing (glutathione, metathione, tretinoin, etc.) continue to grow. Local manufacturers of cosmetics, toiletries and personal care products use whitening ingredients to address local and export demands. Most companies include a whitening component in their entire product line -- from soaps and moisturizers to toners and sunblocks and creams. Philippine-made cosmetics, toiletries, and personal care products are exported to other countries, most notably to the Middle East. Some local products with whitening properties also contain natural and organic ingredients from locally available sources such as green and ripe papaya and *kalamansi*, a local lime. Other skincare preparations may contain locally sourced avocado, aloe vera, seaweeds, and alum.

The demand for cosmetics, toiletries, and personal care products continue to grow as consumers become more aware of health and beauty. There are now also more products formulated for young skin and aimed at young consumers.

Market Data

In 2007, the Philippines imported \$118.2 million worth of Cosmetics, Toiletries and Personal Care products. Local production is approximately US\$ 591 million, based on industry estimates that local production is about 80% of the market.

	Total Imports	U.S.A.	Thailand	Malaysia
2007 TOTAL	\$118	\$7	\$40	\$24
2006 TOTAL	\$148	\$9	\$63	\$33

Source: National Statistics Office

The Philippines experienced a downturn caused by rice shortage in the first half of the year and continuously rising fuel costs. Total imports of Cosmetics, Personal Care Products and Toiletries dropped by 20% (from \$148 million in 2006 to \$118 million in 2007). Industry is optimistic that the decline is temporary and the market will soon pick up steam.

Thailand was the biggest exporter with 34% market share; Malaysia was next with 21%; Singapore followed with 10%, and the US accounted for 6% of the market.

The U.S. is strongest in eye and lip preparations; nail care; hair lacquers; and bath salts. These are products that have little or no domestic manufacturing operations.

Best Prospects

Products with best prospects for U.S. manufacturers include hair care and skincare products (cleansers, toners, moisturizers, whiteners), and make-up.

A growing number of female consumers spend on facial and underarm whitening products, special haircare applications, and quality make-up products. Colored pressed powder; liquid foundation; rouges and blushers; and scents, toilet water, colognes, and body sprays, have always been consumer favorites.

Products for men and the youth also have good prospects. Although the majority of buyers are still women, marketing geniuses have persuaded a growing number of men to be conscious about grooming and looking good. Manufacturers and advertisers have also identified the youth as a huge consumer market sector and have positioned products and brands to target them.

Key Suppliers

Some of the major domestic manufacturers are Avon Philippines, Cherry Laboratories; Colgate Palmolive Philippines; J&J Philippines; Jemica Cosmetics Manufacturing; S A Goldon Philippines Corporation; and Splash Corporation/Hortaleza Beauty Center (HBC); while imported products include such brands as Avon (some Avon products are imported); Fullerton (Sara Lee); Mary Kay Cosmetics; Maybelline; Dial and Lander Products; Shiseido; Max Factor; L'Oreal; Kanebo; and numerous other brands.

Besides toiletries and personal care products, which are available in supermarkets, drugstores, and convenience stores, market top-sellers in cosmetics are those that are distributed via direct sell – Avon, Mary Kay, Fullerton (Sara Lee). Majority of these products are US brands. These imported goods are

not only considered quality products, they are also price-competitive. If the choice between a locally manufactured product and an imported one is a few pesos, a consumer would likely buy the imported brand.

Prospective Buyers

Since toiletries and personal care products are essential to grooming, prospective end-users are technically, the entire population. In reality, however, about 60% of the population have disposable income or some means of livelihood to afford basic grooming products. The rest (40%) are dependents who do not purchase.

Market demand drivers are the country's growing population; more women joining the workforce; better job opportunities and improved employment; and a general awareness for good grooming.

Cosmetics spell the difference between social classes. High-end make-up and skin and hair care have a market among women of leisure and women executives. Middle class women buy imported as well as local cosmetics, but may splurge on a signature cologne or lipstick from time to time.

A growing number of Filipino women are now also using whitening (bleaching) and anti-aging products. Industry speculates that this is a result of media influence -- advertisers use movie stars and other popular role models in their promotional campaigns. Movie stars either have glowing, tanned skin or white and luminous complexion.

While majority of buyers are female, a growing number of men are now more conscious about looking good. Many products are also being developed for the youth sector.

Market Entry

The best way for a US company to sell to the Philippine market is by working through a distributor who would register its products with the Bureau of Food and Drugs and distribute them nationwide through dealer or agent networks. This will ensure broad exposure for their products. A local distributor would be responsible for a registered product that is in the market.

Laws and regulations governing cosmetic products, including registration, may be found in the Bureau of Food and Drugs website: <http://www.bfad.gov.ph/>

Generally, local and imported cosmetic products are sold in retail outlets – specialty stores/boutiques, department stores, and most drug stores and supermarkets.

High-end cosmetics, personal care products and toiletries are usually found in specialty stores or a special section of department stores. More affordable brands are in department stores and drug stores, or sold through multi-level marketing.

Print and broadcast media are important when introducing a product in the Philippines to help build brand name and product recall. Most of the popular brands, whether local or imported, promote through various advertising media – print, billboard, and TV.

The Philippines imposes 1%-10% tariff duty and a 12% value-added tax (VAT) on imported cosmetic products.

Market Issues & Obstacles

Restrictions, allowable active ingredients, and other registration requirements are also available in the aforementioned web link of the Bureau of Food and Drugs (BFAD).

Like food and drugs, all cosmetic products must be registered with the BFAD before they could be sold in the market.

Besides stringent requirements for registration, the (registration) process itself is tedious and bureaucratic. Average time that it takes to register a product with the BFAD is from 6 to 18 months.

Trade Events

COSMOPROF ASIA 2008
November 12-14, 2008
Hong Kong Convention Centre
Hong Kong
<http://www.cosmoprof-asia.com>

Resources & Contacts

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