



Singapore: Cosmetics and Toiletries Market

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Summary

According to industry estimates, the Singapore cosmetics and toiletries retail sector is worth approximately US\$400 million. The U.S., France and Japan are the top three leading suppliers of cosmetics, toiletries and fragrances to Singapore. The U.S. enjoys a good reputation and is recognized by the consumer as one of the leaders in the industry. Its share of the market has stayed fairly constant over the last few years.

The beauty business is fairly resilient to economic cycles and continues to thrive in affluent Singapore. Industry sources say that approximately five new brands enter the market each year but this however, does not necessarily translate to a significant growth in the consumer base. To stay relevant, top brands invest heavily on marketing and research & development. Products are constantly evolving and improved upon to satisfy the needs and wants of the discerning consumer.

The domestic retail market is sophisticated with various market segments, from those with high disposable incomes who seek premium and high-quality products, to mass-market consumers who are more price-sensitive. Besides an affluent, local resident population, Singapore is also home to over a million foreigners, with a significant expatriate population that enjoys and demands a high-quality lifestyle.

U.S. companies seeking to expand into the emerging markets of Southeast Asia should consider using Singapore to launch their products and services. With more than 80% of all imports of cosmetics, toiletries and fragrances re-exported, Singapore serves as an ideal gateway into the region.

Market Demand

Over the last two years, suncare has been the dynamic growth sector as more awareness has been generated on the harmful effects of the sun's UV rays. Suncare products are being bundled with regular skin care programs and some are incorporated into facial creams for easy application. Men's grooming products and deodorants have also expanded. Growth is underpinned by an increasing number of "metrosexuals" – affluent men who are conscious of how they look and image-conscious women who place high priority on personal grooming and appearance. In addition, women at a younger age are starting to apply makeup and experiment with hairstyles and hair care. Multi-level marketing firms have also increased their market presence as they promote their products under the "holistic and wellness" label, cross-selling cosmetics, hair care, skin care and nutritional supplements.

Private labels fared relatively well, maintaining their market share in the past two years, largely due to the sustained popularity of "house brand" cosmetics and toiletries, such as Marks & Spencer, a brand largely accepted by Singaporeans as high quality. Other popular private labels include The Body Shop, The Natural Source and the more mass-market, Watsons and Guardian. Private label products also saw strong growth in personal care and men's grooming products.

The distribution channel with the greatest value share of cosmetics and toiletries sales in Singapore is department stores, accounting for nearly 31% of sales, followed by chain stores that are typically personal care stores and pharmacies located within suburban malls.

Growth in Singapore's cosmetics and toiletries market is expected to see more competition among the top premium brands and an increase in the number of companies serving specialized niche markets. One growth segment is the organics sector. While not going head-on against the larger companies, these niche players will serve to expand the market by providing either unique or complementary products to consumers.

Market Data

In 2007, U.S. exports to Singapore were valued at US\$150 million, a 15% increase from US\$130 million in 2006. U.S. imports accounted for approximately 11% of total market share, unchanged from 2006. Based on trade statistics available for the first seven months of the year, U.S. exports to Singapore are expected to increase in 2008, estimated to reach US\$165 million.

The U.S., together with France, continues to dominate the market for exports of cosmetics, toiletries and fragrances to Singapore. France continues to enjoy the No. 1 position for perfumes and skincare with the U.S. is in No. 2 position for perfumes and No. 3 for skincare preparations. Japan enjoys the No. 2 position for import of skincare preparations.

Best Prospects

Skincare

Sales of skin care products in Singapore continue to see growth as discerning consumers seek new and better products. A new marketing approach, termed "cosmeceuticals" is taking the industry by storm as cosmetics giants use biotechnology and medical breakthroughs in their skincare formulae. Today's skincare companies are marrying science to mass customization.

A newly carved niche market segment has evolved over the last few years and industry players classify this as the "metrosexual" sector. The more responsive marketers, such as veteran skincare companies, have developed marketing strategies to target the new-age man. A relatively new skin care product - facial cleansing wipes - was recently introduced by mass manufacturers in Singapore, targeting younger consumers who want a quick solution to cleansing their faces. They are also popular among busy working women.

Skin care products with whitening properties continue to remain very popular. Manufacturers of both premium and mass market brands are launching their own whitening ranges. Skin care manufacturers will see increasing demand among consumers for products that are natural, and which yield quick and visible results.

Consumers will be willing to spend on premium products as long as these products are able to deliver the desired results and at greater convenience. Sales of super premium products are expected to remain largely unchanged, as their prohibitive costs put them beyond the reach of the majority of consumers. That said, they also enjoy strong brand loyalty and will continue to be purchased by their loyal customers.

Color Cosmetics

Sales of color cosmetics in Singapore have remained constant these past two years. Facial make-up continues to be the most dynamic performing of all color cosmetics product. An increasing number of image-conscious, career women and the growing number of girls who start using make-up at a younger age contributed to the sustained performance of this sub-sector. The focus was on whitening products and products with SPF (sun protection factor). Given Singapore's harsh equatorial climate, such products are sought after. Whitening products continue to attract users in Singapore as Asian women in general prefer to have paler complexions.

The majority of women consider color cosmetics a necessity, a trend seen in many affluent societies with a significant population of working women. Thus, growth is expected to remain strong. Products such as eye make-up and nail products have increasingly become part of everyday grooming routines. Nail spas that also specialize in nail art are very popular and more women are visiting them on a regular basis. Brand loyalty to nail care and color is low, but women, regardless of their income levels, have also demonstrated a propensity to spend money on premium brands if products are particularly fashionable or attractive. This is particularly true for products such as lipsticks due to their relatively low prices.

Hair Care

Hair care sales continued to grow underpinned by an increased usage of colorants, styling agents and salon hair care products. Salon stylists have also begun using more aggressive sales tactics and promotion packages to encourage their clients to purchase from them. These hair stylists take on the role of advisers and provide styling advice to their patrons. Modern households tend to use more than one brand or type of shampoo in order to meet the varying needs of each family member. Consumers are also more likely to try a variety of shampoos and will typically have more than three different brands in the home at any one time.

Demand for hair conditioners and moisturizers grew over the past few years as consumers understand the need for "conditioning" in order to have healthy hair. In contrast, the rates of increase achieved by 2-in-1 products declined due to the perceived negative effects of such products. However, 2-in-1 products remain popular among cost-conscious consumers who prefer fuss-free hair care.

Sales of styling agents and hairsprays saw an increase as more consumers spend additional effort in varying their hairstyles. Styling agents are also popular among individuals who have short hair and follow trends in hair fashion. Hair colorants continue to enjoy brisk sales as there is a trend towards coloring hair in various shades of brown and other non-conventional colors like blond, purple and red, a change from most Singaporeans' naturally black or dark brown hair. Products that cover gray hair also enjoy popularity because of premature graying among some Singaporeans and an ageing population. Hair colorants are also now available in grocery stores as well as pharmacies/drugstores as previous restrictions limiting sales of these products to pharmacies were relaxed in June 2001. The growth of hair colorants is also fuelled by the influx of a new generation of younger consumers. School-age youths color their hair during school vacations and re-color them back to a more natural color when schools reopen. These younger consumers are more receptive towards change and open to experimentation with colors, viewing colored hair as an assertion of self-expression.

Fragrance

Sales of fragrances remained constant this past year. Premium women's fragrances dominated overall fragrance sales as women are more likely than men to own a variety of different perfumes / scents. The past two years have seen consumer preferences for fragrances that are light, fresh and fruity; as opposed to stronger, musky scents.

Fruity scents are very popular, often spiced with a hint of cinnamon or other Asian spice added to accentuate the "Asianess" of the fragrance. Men's fragrances registered an increase in growth as more "metrosexual" men purchased them. However, there still is a segment of the male population that considers fragrances to be a luxury, preferring not to spend unnecessarily on such items. Men, in general, do not place as much importance on the use of fragrances as women, with many preferring to use deodorants instead. Deodorants registered the highest growth rate in the past two years as more people are conscious of the need for personal grooming.

Sales of mass fragrances are extremely diverse and very fragmented. Various mass brands emerge every year, many of which are attempts to imitate popular premium fragrances. They are often released without fanfare or promotion.

Given the intense competition in the cosmetics and toiletries sector in what some industry players label as a recession-proof sector, prestige brand names are investing heavily to maintain and increase market share. In the last several years, the trend has been for such market leaders to launch novel programs such as "Rewards Programs" targeted at promoting brand loyalty, giving perks and freebies to keep the consumer happy and loyal. Advertising and promotion programs have also been stepped up to reinforce brand image and awareness.

Key Suppliers

Most of the cosmetics, toiletries and fragrances that are sold in Singapore are imported. The U.S. is among the top three major suppliers. U.S. cosmetics, toiletries and fragrance brands also invest heavily in advertising and promotions and enjoy "top-of-the-mind" brand awareness. American brands like Estee Lauder, Clinique, MAC, Dermalogica and many others are very entrenched and enjoy good sales and customer loyalty. They also invest heavily in research and development, marrying science and cosmetics. Over the years, more "cosmeceutical" breakthrough products have been launched with much success.

Major competitors of the U.S. are France, traditionally strong in fashion and beauty; and Japan, perhaps because a large proportion of Singaporean consumers identify with Japan's "Asianess" and their pop culture.

Prospective Buyers

The Singapore retail scene comprises mainly large high-end departmental stores located in the city center, mid-range chain stores located in the neighbourhood hub centers and lower-end, more price-sensitive volume sales independent retail stores located in the many neighbourhoods and heartlands. Typically U.S. made products do not compete in this low-end market segment.

Most prestige brands of cosmetics, toiletries and fragrances are found in the high-end departmental stores with an entire floor dedicated to them. As in the U.S., these established brands operate "counters" with an assigned sales representative or consultant that provides a full range of services, from facials, product demonstrations and trials. These high-end brand names also have good marketing budgets with aggressive in-store promotions for special occasions such as Christmas, Valentine's Day, etc. This market segment enjoys strong brand loyalty among the customers.

On the mass market side of the spectrum, chain stores with outlets in neighbourhood shopping malls (in the suburbs) have also done extremely well in reaching to the general mass market population. Personal care chain stores like Watsons, Guardian, SaSa, Unity and Beauty Language boast over 200 outlets across the island. They carry a wide range of mass-market brands and products and enjoy high volume sales. These chains run regular in-store promotions targeted at the generally price-sensitive customers who respond best to sales promotions and volume discounts.

For the toiletries sector, major supermarket chains offer the best distribution channels and like the chain stores, this market segment is dominated by several key players. Besides supermarket chains, there are quite a few independent retailers situated across the island-state and these typically do not require listing fees that chain stores generally ask for.

The Singapore retail scene is dominated by three major players, the Dairy Farm Group which runs the Cold Storage supermarket chain, Giant hypermarket, 7-Eleven stores and Guardian pharmacies and personal care stores; Watsons which operate over 50 personal care stores; NTUC which operates the largest number of supermarkets as well as the Unity chain of pharmacies and personal care stores and lastly, Carrefour, which operates two successful hypermarkets.

Market Entry

Introducing products into Singapore is a fairly simple process and there are not many regulatory hurdles to clear in this regard. Obtaining product approval is a relatively straightforward process as long as the products being imported comply with regulations that govern cosmetics products.

U.S. companies who are new to the market and interested in exporting to Singapore should consider appointing a local distributor to represent their products. Given Singapore's small market size, most prospective distributors would ask for exclusive rights to sell the product. They most likely will also request for distribution rights to the neighbouring countries of Southeast Asia, such as Malaysia, Brunei and Indonesia. In turn, they will ensure that they commit their resources to promoting the product to the appropriate retailers and distribution channels and reap the benefits of their efforts should sales materialize.

Most major retailers operate across borders in South East Asia and distributors who are given regional rights will be in a better position to negotiate better promotional programs with the major retailers that operate in several markets.

There is no special legislation in Singapore governing agency / distributor agreements and therefore, such contracts should be based on mutually-beneficial and agreed terms and conditions between both parties.

U.S. exporters of cosmetics, toiletries and fragrances should evaluate the suitability of the distributor based on the product mix that they carry as well as the end-user customer profiles that he targets. As much as possible, product range and brands that the prospective distributor carries should complement that of the U.S. firm.

American companies should also be prepared to provide advertising and promotional (A&P) support for product launches so as to better build brand awareness and induce trial purchases. If American firms are not prepared to provide A&P support, then they may wish to consider allowing Singaporean firms the option of private labelling where the brand ownership stays with the Singaporean firm.

Besides A&P support, distributors or brand owners also have to pay listing fees to have products in chain stores or major departmental stores. These initial costs can be high but the returns and volume sales are usually sustained because of the strong customer traffic and reach of these stores.

Opportunities for Profile Building

U.S. products enjoy a good reputation in Singapore and U.S. exporters should use Singapore as a showcase to the region. For the Southeast Asian region, fashion trends are adopted first in Singapore before being introduced to the other neighbouring markets.

Market Issues & Obstacles

At the beginning of 2008, Singapore implemented the ASEAN (Association of South East Asian Nations) Cosmetic Directive or ACD. The aim of the ASEAN Harmonized Cosmetic Regulatory Scheme is to enhance cooperation to ensure safe and quality cosmetics marketed in ASEAN and eliminate restrictions to trade through harmonization of technical requirements.

Under the ACD, cosmetics will no longer be classified under Category I and II. Previously, category I products, which included those applied around the region of the eye and lips and oral dental hygiene, required product licensing prior to the manufacture, import, sale and supply.

Under the ACD, it is the companies' responsibility to notify the Health Sciences Authority, Singapore's equivalent of the FDA, and commit via self-declaration the assurance of product safety and quality.

The ACD is closely aligned with the European Cosmetic Directive and aims to be recognized internationally as a robust framework for regulating cosmetic products. It will provide a common definition for cosmetics, details ingredients NOT permitted in cosmetics and LISTS approved preservatives, colorants and UV filters. It also provides labeling requirements, guidelines on cosmetic GMP and cosmetic claims. More information can be found on http://www.hsa.gov.sg/publish/hsaportal/en/health_products_regulation/cosmetic_products.html

Regulatory Environment

The controlling authority for the regulation and licensing of cosmetic products intended for human use is the Health Sciences Authority, Ministry of Health. Firms must also comply with the Health Products (Cosmetic Products-ASEAN Cosmetics Directive) Regulations. The Cosmetics Control Unit is responsible for administering the regulations for cosmetics products. More information can be found on <http://www.hsa.gov.sg> where you can download a copy of the Guidelines on the Control of Cosmetics Products.

Labeling Requirements

Labeling is required for all cosmetic products. Labels or labeling statements must be in English and be clearly legible. Other languages, if any, may be present on the label.

The following information must appear on the container or package:

- Name of cosmetic product
- Function of cosmetic product
- Instruction for use
- Full ingredient listing
- Country of manufacture
- Contents (weight/volume)
- Batch number/reference
- Manufacturing/Expiry date (required for products with less than 30 months durability)
- Name and address of company in Singapore responsible for placing product on the market
- Special precautions, if any (please refer to the ACD)

Taxes

There are no import or custom duties on cosmetics, toiletries and fragrances. A 7% goods and services tax (GST) is imposed on all goods sold and services provided locally. Imports are subject to GST, but payments are refundable for re-exports.

Trade Events

Singapore and Hong Kong are rated as Asia's top convention cities and major trade shows and conferences are staged in these two countries. U.S. exporters of cosmetics and toiletries products should consider participating at the following trade show:

Event: Cosmoprof Asia 2008
Dates: November 12-14, 2008
Location: Hong Kong International Exhibition and Convention Centre
Organizer: Cosmoprof Asia Ltd
Website: <http://www.cosmoprof-asia.com>

Resources and Key Contacts

Companies interested in exploring the Singapore market can refer to the list of contacts listed below:-

Health Sciences Authority
<http://www.hsa.gov.sg>

The Cosmetics, Toiletry & Fragrance Association of Singapore
<http://www.ctfas.org.sg>

Spa Association of Singapore
<http://www.spaassociation.org.sg>

For More Information

The U.S. Commercial Service in Singapore can be contacted via e-mail at:
Luanne.Theseira@mail.doc.gov; Phone: 65/6476 9037; Fax: [65/6476 9080 or visit our website:
www.buyusa.gov/singapore.

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