

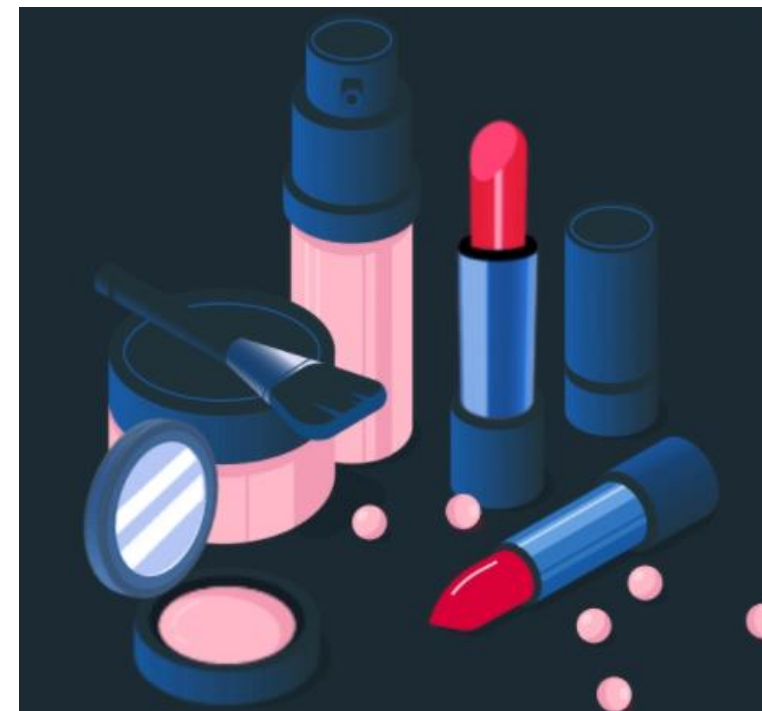
# Cosmetics



**Real Sector Division - Economic Research Department**  
**Central Bank of Sri Lanka**

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- **Industry Status**
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  - Sri Lanka
- **Industry Potential and Strengths**
- **Barriers to Success**
- **Way Forward**



# Industry Background

## What are Cosmetics?

- Cosmetic as a product intended to be applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance

*US Food and Drug Administration*

- Any substance or mixture intended to be placed in contact with the external parts of the human body or with teeth and the mucous membranes of the oral cavity with a view exclusively or mainly to cleaning them, perfuming them, changing their appearance, protecting them, keeping them in good condition or correcting body odors

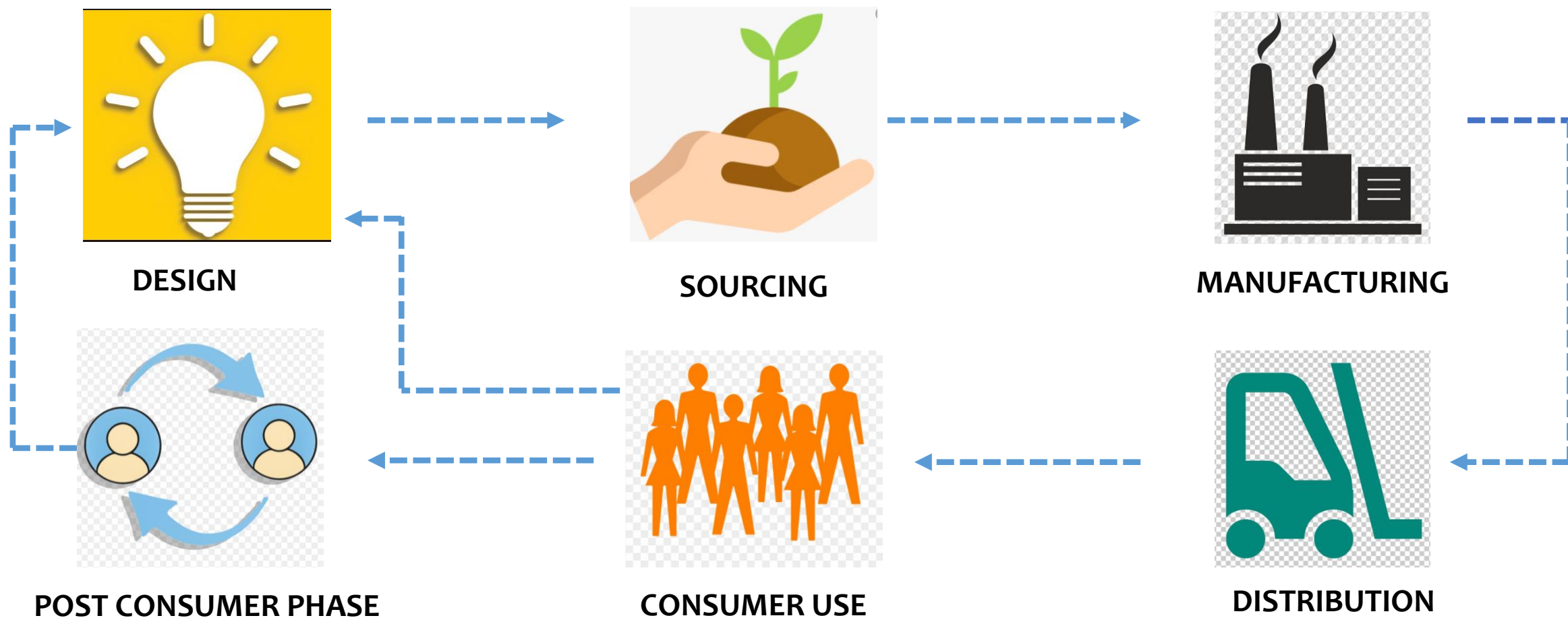
*European Regulation on Cosmetics*

- Cosmetics means any substance or mixture of substances manufactured, sold or represented for use in cleaning, improving, or altering the complexion, skin, hair or teeth

*National Medicines Regulatory Authority of Sri Lanka*

# Industry Background

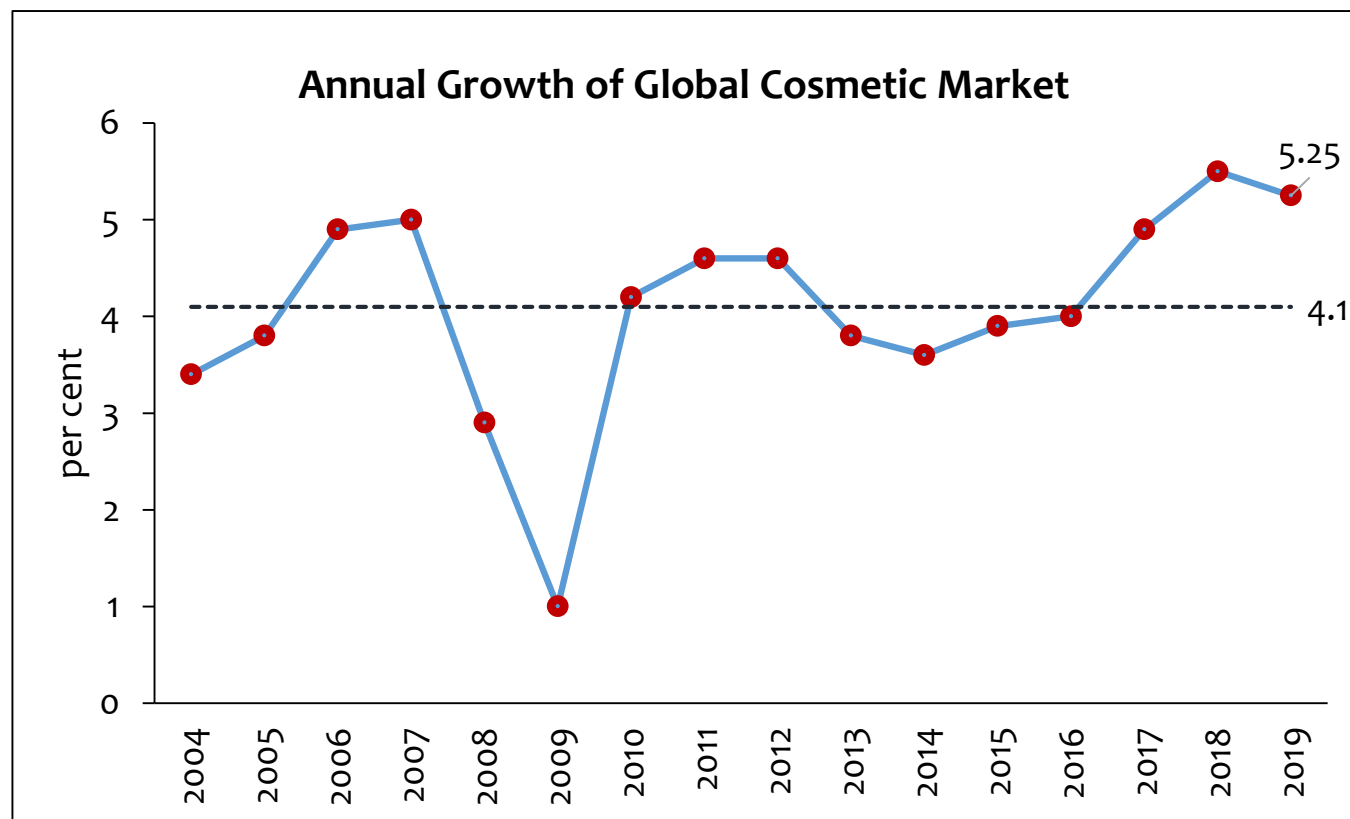
## Cosmetic Product– Life Cycle



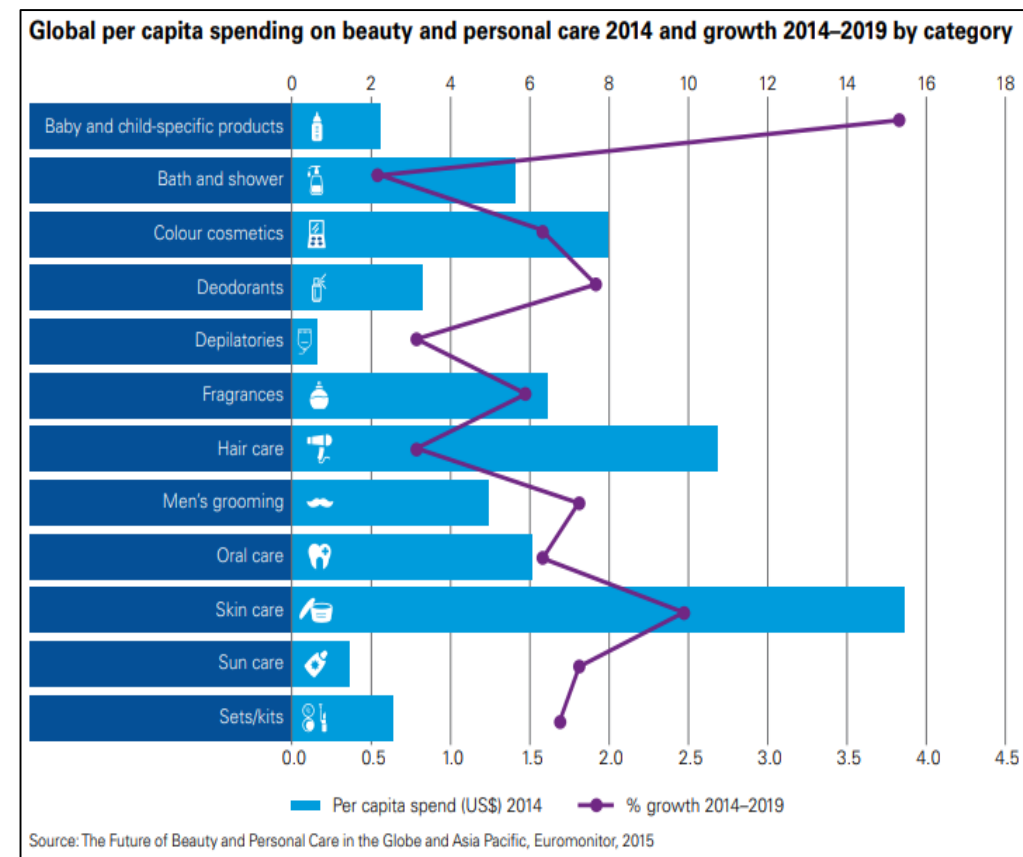
Source: Cosmeticseurope, 2018

# Industry Background: Global Cosmetic Market

- Global cosmetic market is accounted for around USD 500 billion in 2019, and the market is projected to value at USD 758.4 billion in 2025
- Average growth in the global cosmetic industry was around 4 % during the period of 2004-2019

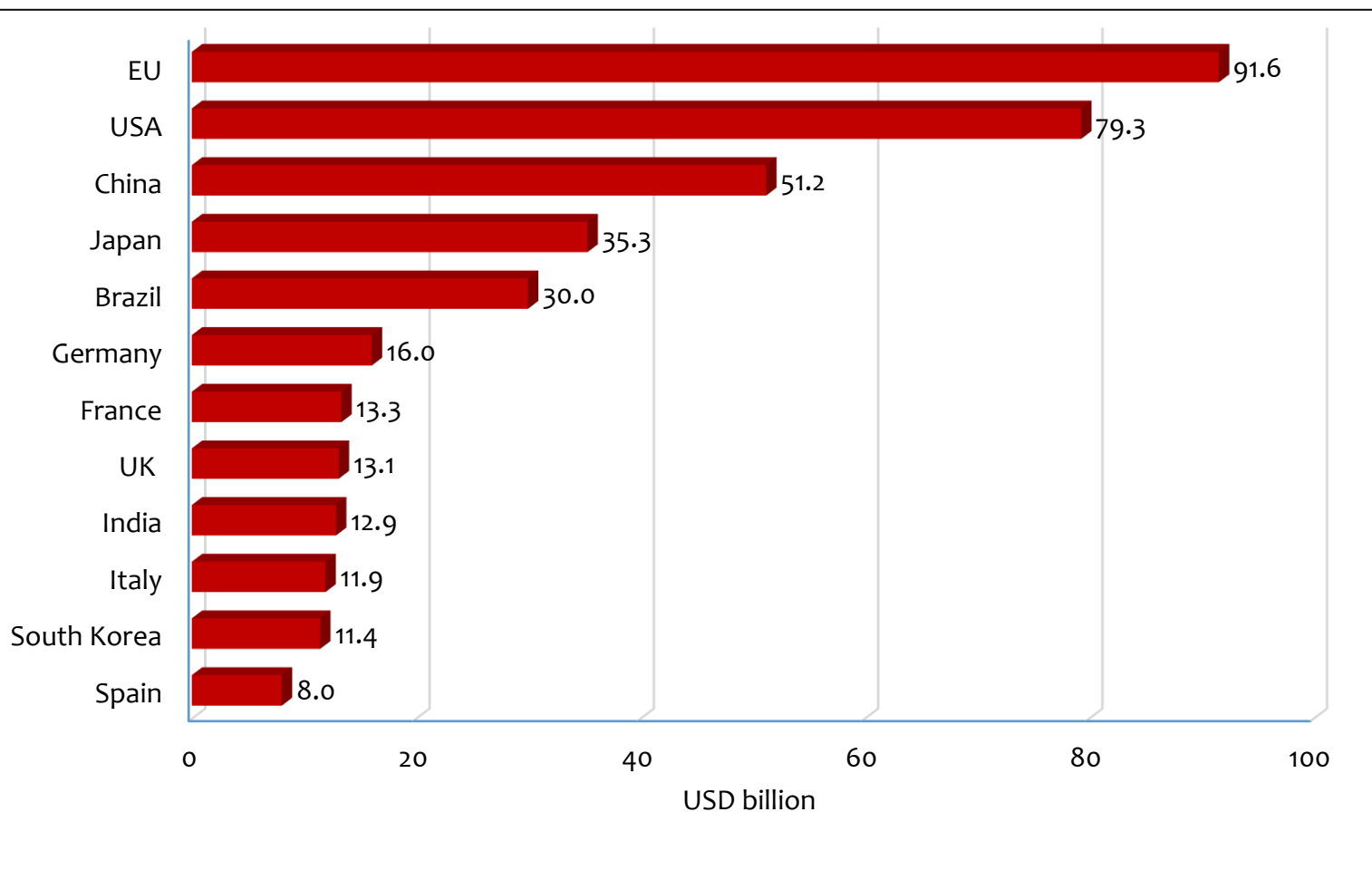


Source: Statista, March 2020



# Industry Background: Global Cosmetic Market

World's Cosmetics Production by Countries-2018



Source: European Cosmetics Industry Report 2018

World's Largest Cosmetics Companies

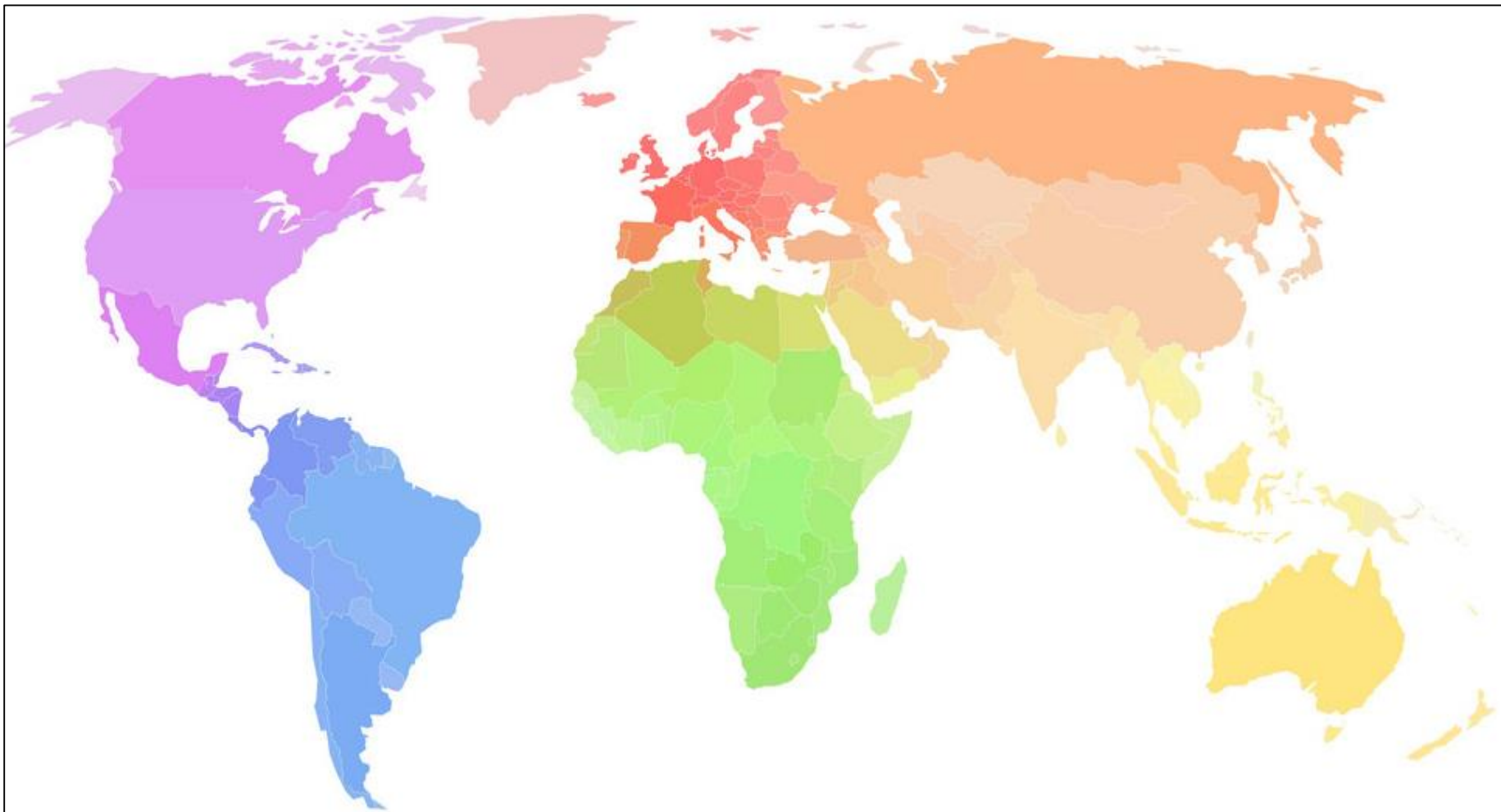
Company	Net Sales (USD billion)-2018
Loreal	30.8
Unilever	23.6
The Estee Lauder	14.9
Procter & Gamble	12.4
Shiseido	9.9
Coty	9.3
LVMH	6.9
Beiersdorf	6.7
Johnson & Johnson	6.3
Kao	5.7

Source: Jamie Matusow, Editor-in-Chief, BEAUTY



# Industry Background: Global Cosmetic Market

## Major Exporting Countries



## World Trade of Cosmetics-2018

World Trade	USD 53 bn
Share of World Trade	0.29%
Top Exporter	France (USD 9.6 bn)
Top Importer	China (USD 6.9 bn)

Source: OEC, World

# Cosmetics Industry Status – Sri Lanka

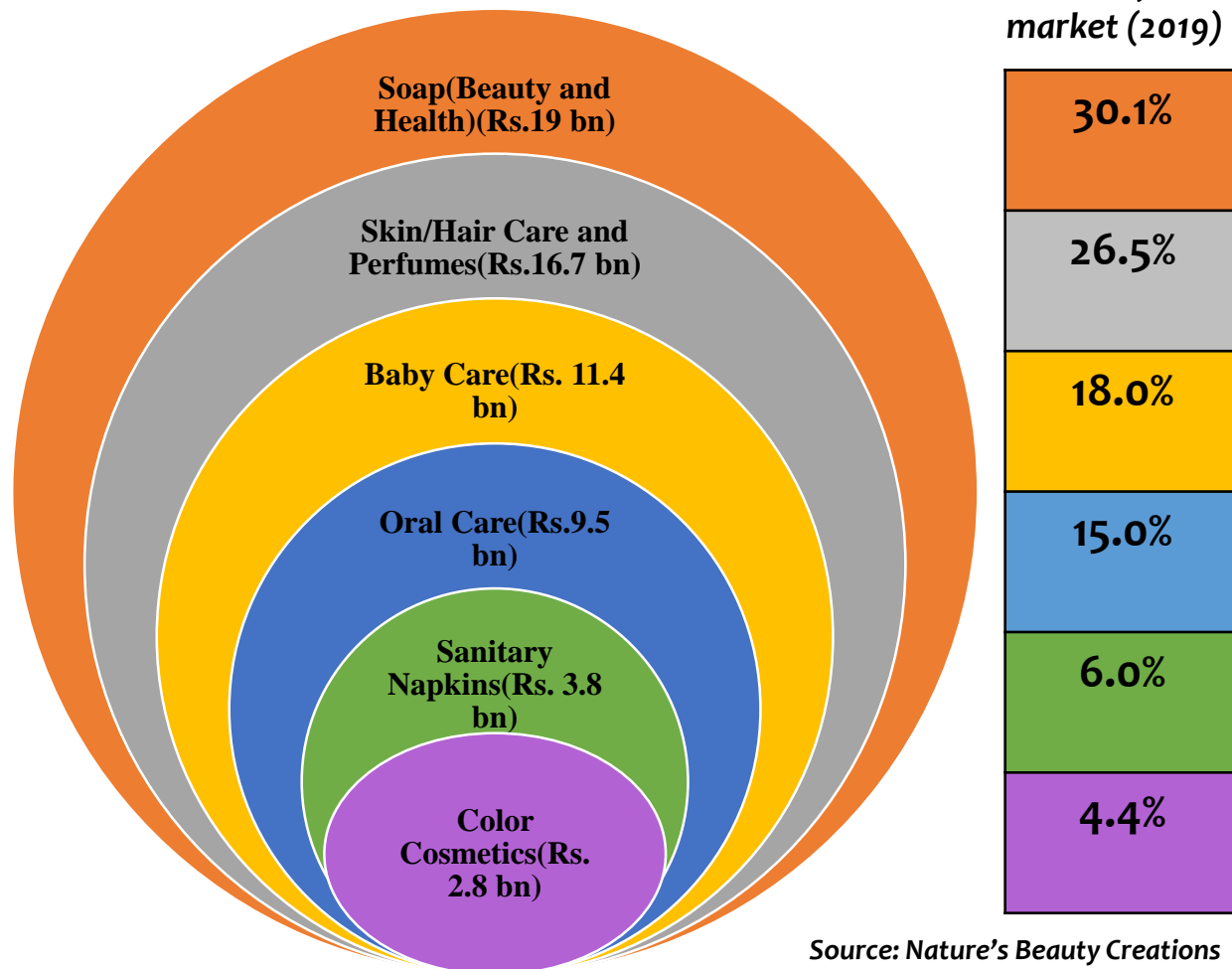
## Characteristics of cosmetics industry in Sri Lanka

- Large Number of buyers and sellers
- Product Differentiation based on quality, price and marketing
- Have some power over price
- Less Mobility of resources and goods and services
- Some barriers to entry(include brand loyalty, rules and regulations , economies of scale)



# Cosmetics Industry Status – Sri Lanka

## Share of the Cosmetic Industry



**Domestic cosmetic market size is around Rs.63 bn in 2019**

Approximately around 120 local cosmetic and beauty care products manufacturers and more than 100 importers

Number of products available in the market;

- Beauty care: 2500
- Skin care: 1800
- Hair care: 1200
- Baby care: 175

Personal care penetration in Sri Lanka:

- Face care penetration- 40%
- Hair care penetration-70%
- Adult body cream penetration-25%

**Cosmetic industry is regulated by “National Medicines Regulatory Authority”  
“Cosmetics, Devices and Drugs Act No. 27 of 1980”**

# Top Cosmetics Manufacturers in Sri Lanka

## Local Producers

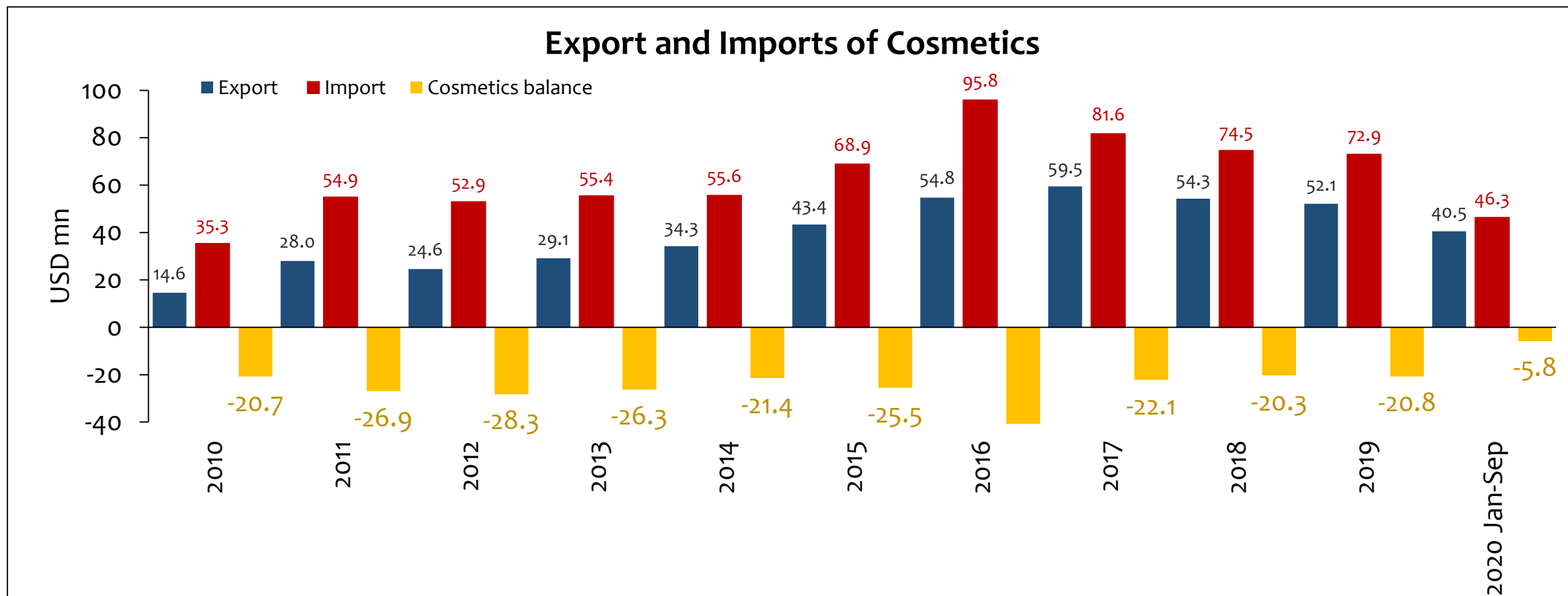
- Janet Ayurveda (Pvt) Ltd
- Spa Ceylon
- Natures Beauty Creations Ltd/Forever Skin Naturals (Pvt)Ltd
- Euro Cosmetics (Pvt) Ltd (Viana/Saweena)
- Hemas Manufacturing (Pvt) Ltd
- Seri Naturals (Pvt) Ltd
- The Swadeshi Industrial Works PLC
- A. Bours & Company: Reebonn./Clean&Clear
- CIC: Earth essence
- Dream Life Science: Chandanalepa

## Multinational Companies

- Unilever Sri Lanka Ltd (Harumi contract manufacturing for Unilever)
- Revlon-Modi Revlon India
- Nyle: CavinKare
- Kindai Kagaku Lanka (Pvt) Ltd: Dreamron



# Sri Lanka's Export Performance



Source: Sri Lanka Customs  
Central Bank of Sri Lanka

Gradual increase in cosmetics exports was observed over the period

# Potential Areas for Sri Lanka

## Skin care Products

- Moisturizing products
- Cleansers/Toners
- Scrub masks
- Shaving cream
- Exfoliation products

## Hair care Products

- Shampoo
- Conditioner
- Styling products: sprays, gels
- Hair relaxer products
- Hair colouring products

## Color Cosmetics

- Lip sticks
- Blushes
- Eye shadow
- Eye liner
- Mascara

## Fragrances

- Perfumes
- Colognes
- Body splashes
- Body Sprays

## Personal Care Products

- Oral care products
- Whitening products
- Deodorants



## Herbal Cosmetics-comparative advantage in the market

Cosmetics products which are formulated, using various permissible cosmetic ingredients to form the base in which one or more herbal ingredients are used to provide defined cosmetic benefits



## International Recognition-

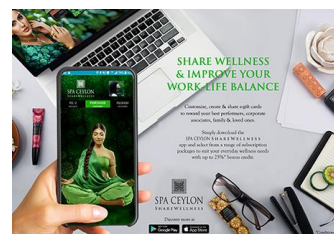
Spa Ceylon has won 4 international accolades at the **World Luxury Spa Awards 2020**,

- Best Beauty Product Range
- Best Luxury Ayurveda Spa
- Continent best awards for Best Spa Team
- Best Spa Management

All products are alcohol free and contain no ingredients of animal origin, as well as not tested on animal

- Spa Ceylon Ayurveda Pvt Ltd is a **business venture launched in 2009**
- Spa Ceylon business models combines Ayurveda wisdom, fine natural ingredients & contemporary design to bring out the ultimate in Ayurveda luxury - for health, well-being & relaxation
- The range includes treatment oils, massage balms, massage and bath oils, essential oils, cleansing bars, exfoliating bars, shower gels, body scrubs, body packs, milk baths, body lotions, moisturizing balms, body mist, soothing balms, foot care and herbal compress
- **Business model-**
  - i. Introduction of products range
  - ii. Own retail concept with franchising internationally
  - iii. Spa Operations

Spa Ceylon 'ShareWellness' App



## Nature's Beauty Creations/Forever Skin Naturals (Pvt)Ltd

- Business started in 2001
- Nature's Secrets is one of the largest and leading manufacturer of herbal cosmetics in Sri Lanka and has its own medicinal plant garden
- Around 100 products distributed in locally and international markets covering Canada, South Africa, Middle East, Asia and Europe
- **Standards reached;**
  - ISO 9001:2015 quality management certificate
  - ISO 14001:2015 environmental management system certification
  - European GMP certification for excellence in production
  - FDA approval for Panda products
- **Awards winning;**
  - National Green Award-eco friendly nature
  - Japan Jetro Gold award -2019



# Research Evidence

## “Factors affecting on consumer purchasing behavior of Ayurvedic skin care products: A study of female consumers in Colombo District of Sri Lanka”-2018

Faculty of Management, Uva Wellassa University

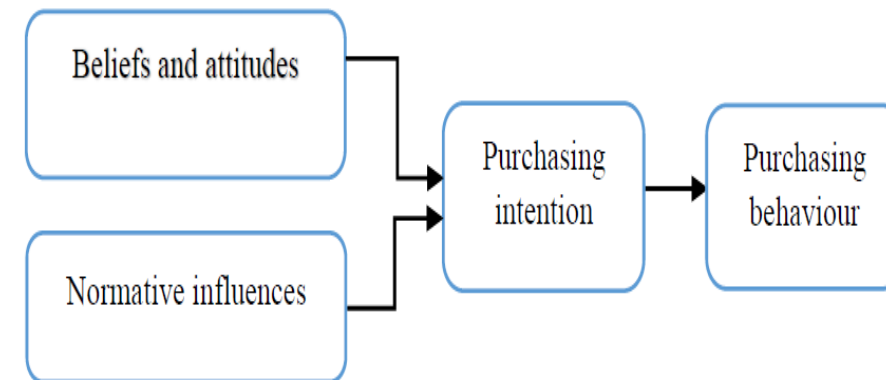
### Findings:

- Beliefs and attitudes, and normative influences are significant factors in creating purchasing intention of Ayurvedic skin care products among female consumers
- The consumers give higher priority to Sri Lankan products rather foreign brands due to the trustworthiness, easy accessibility and availability, and low price of the local brands
- Although the products are routinely purchased by the consumers, awareness about the brands was minimum

### Suggestions:

- An effective promotional strategies focusing the production process should be carried out to make consumers more aware about the brands and their quality maintaining strategies

### Conceptual Framework

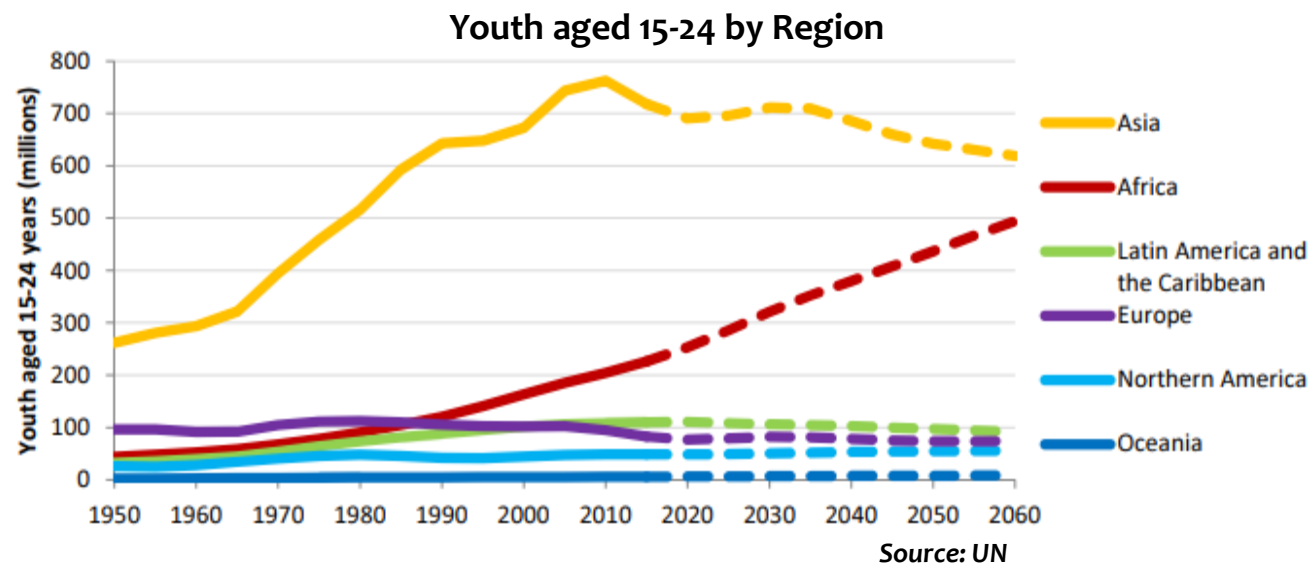


**The result indicates the most preferred brand of the respondents was 4ever Skin Naturals and highly purchased products were cream, face wash and cleansers**



# Opportunities for Sri Lanka

- **Rising Global Demand for Herbal cosmetics:** the global herbal cosmetics market size is around USD 78.5 bn in 2019 and is expected to grow at a compound annual growth rate of 5.2% during 2020-2027
- **Sri Lanka is rich in number of medicinal plants,** which supports the innovation in herbal cosmetic industry (Aloe vera, Neem, Cinnamon, Sandalwood, Turmeric, Virgin coconut oil, Hibiscus etc.)
- **Demographical composition-** global young population (age 15-24) is projected to grown by 7% to reach approximately 1.3 trillion by 2030, which will boost demand for cosmetics products
- **In Sri Lanka,** Population between age 15-49 years is accounted for more than 50% of mid-year population in 2020
- **Domestically,** increasing female employment as well as urban centric living also has created new avenue for cosmetics industry

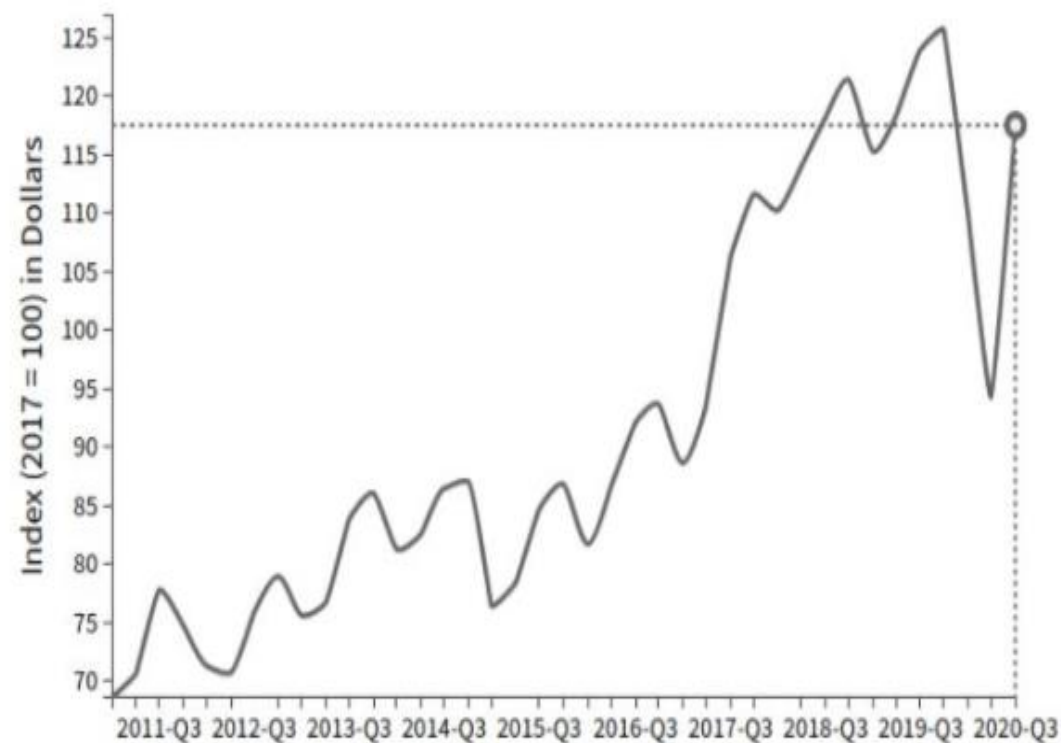


# Opportunities for Sri Lanka

## During COVID-19 Pandemic

- Global health crisis created by the Covid-19 pandemic has increased the demand for hand hygiene products with the World Health Organization (WHO) directives for hand hygiene due to the COVID-19 pandemic
- Reportedly, the global hand soap market is forecasted to grow by 6.7% from 2020-2030. Escalating demand for hand soap, sanitizer and tissues was closely observed in the first quarter due to the COVID-19 pandemic
- Faster Recovery in global cosmetics trading
- Ability to capitalize on import restrictions imposed in 2020
- Taking advantage of the present low bank interest rates, to expand production facilities in fast growing market segments

## Global Imports of Perfumes & Cosmetics



Source: exportplanning.com

# Prospects for domestic cosmetic Industry

- Cosmetics industry is projected to be **LKR 95 bn** in market size with imports and domestic supply under the new normal conditions

## Favorable customers for cosmetics products



**Demographic Characteristic -  
Young**



**Economic Condition  
Mid-High Income**



**Geographic-  
Urban Centric Living**



**Labor Force-  
More female employees**

## Pattern of Cosmetics Industry Growth Possible Scenarios (2025)



- Lead players with annual turnover more than LKR 2 bn will try to consolidate their positions and to expand under the new normal conditions that may prevail at least for another two years
- Dominance of the Multi National Companies will be strongly challenged by the steadily growing Sri Lankan industries/companies
- **Small and Medium scale players operate in a less active, lower end of the market. They will slowly expand their businesses and will increase their share in the market**

# Issues in Sri Lanka's Success in Cosmetic Industry



# Way forward

- Strengthening human capital through higher education on cosmetic aspect (Degree on cosmetology and vocational trainings)
- Streamlining the rules and regulations pertaining to cosmetic industry
- Government involvements to facilitate the participation at international fairs and registering products
- Enhancing link between consumers and producers through awareness on ingredients, health impacts, etc

# Way forward

- Strengthening quality benchmark of local manufactures to global standards to face the unfair competition with MNCs
- Coordinated approach to enhance the industry potential and to tap new market destinations in the global market (Export Development Board/Government/Sri Lankan missions abroad)
- Support to the small holding sector to produce high quality natural ingredient-based cosmetics of international standards
- Enabling differentiation in value chain, through identifying drivers of **uniqueness**: Product features, content, services, Intensity of activity, Technology, Information employed to control activity, Skills and experiences of personal, quality of inputs, procedure governing actions of personnel



# Thank You

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