Natural & Organic Cosmetics
Market Briefing Report

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For information regarding permission, write to:
Organic Monitor
20B The Mall, London W5 2PJ, United Kingdom
Tel: (44) 20 8567 0788

www.organicmonitor.com
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Introduction

This briefing report has been prepared especially for visitors attending the in-cosmetics Asia 2015 trade show. Organic Monitor is partner of Reed Exhibitions for this trade show, conducting seminars and workshops on natural & organic cosmetics during the exhibition. Organic Monitor has been continuously tracking the global natural & organic products market since 2001.

This report gives an overview of the Asian market for natural & organic cosmetics, highlighting major trends and developments. Some of the major challenges faced by operators in the industry are outlined, followed by future projections.

Product Definitions

In the context of this report, natural cosmetics are defined as products made from natural ingredients and avoid contentious synthetic chemicals, such as petrochemicals, parabens and phthalates. Included in the definition are natural skin care products, hair care products, oral care products, colour cosmetics and deodorants.

Organic cosmetics meet the same criteria as natural cosmetics, but also contain certified organic ingredients. Certified and non-certified cosmetics are included in the definitions of natural and organic cosmetics.

This report takes the base year as 2014 for all market information. All revenues are in US Dollars (USD) and are based on approximated retail sales. Years are calendar years: January to December.
Global Market Overview

The global market for natural & organic cosmetics is showing healthy growth. As shown in chart 1, sales revenues reached close to US $12 billion in 2014. The market has doubled in value since 2006. Natural & organic products comprise roughly 3% of global cosmetic sales. The market share is highest in North America where some product categories have almost double-digit market share.

The Asian market for natural & organic cosmetics is valued at just below $0.5 billion. Although healthy growth is occurring, Asia has a low share of global revenues. The small sales share is because of relatively low demand for natural and organic cosmetics in the Asian region. Although awareness of natural & organic products is rising, this awareness has not translated into high product sales. Most Asian consumers are not aware of the differences between natural and conventional cosmetics. Natural products are also generally not available in most retailers that have cosmetics & toiletries.

In spite of the low market size, the outlook is positive. Organic Monitor projects the Asian market to show double-digit growth, with revenues surpassing the US $1 billion mark in the coming years. Most growth is projected in the affluent parts of Asia. Rising disposable incomes, coupled with greater knowledge of natural & organic products, is fuelling market growth.
Asian consumers are turning to natural & organic cosmetics because of concerns about synthetic chemicals. The chemicals that give most concern are parabens, Sodium Lauryl Sulphate (SLS) and Sodium Laureth Sulphate (SLES), aluminium salts, phthalates, and petroleum-based ingredients. Natural and organic cosmetics avoid synthetic chemicals, additives, artificial preservatives, colourants and petrochemical derivatives.

**Increasing distribution** is a major driver of market growth. Natural cosmetics are making inroads in department stores, beauty retailers, pharmacies and duty-free shops in Asia. For instance, the Jurlique brand is in a large number of department stores in Asia. The beauty retailer Sephora imports natural cosmetics for its Asian stores.

The number of **concept stores** for natural cosmetics is increasing. Concept stores have a positive impact on market growth as they increase the number of dedicated sales outlets for natural cosmetics and raise the profile of brands. Most leading natural & organic cosmetic brands operate concept stores in Asia.
New entrants and **new product launches** are also driving growth in the Asian market. The introduction of new products stimulates demand as they provide greater variety to consumers. New products are being launched by Asian companies, as well as Western brands.

**Market Restraints**

Chart 3: Market Restraints of Asian Natural Cosmetics Market

China has the largest market for natural cosmetics in Asia. However, many Western brands are boycotting the Chinese market because of their opposition to **animal-testing methods**. Imported beauty products are routinely tested on animals by the Chinese government.

Many American and European brands have removed their products from the Chinese market because they oppose animal-testing methods; such brands include Lavera, Juice Beauty, Pangea Organics and Logona. This development led to slower market growth rates in 2013 and 2014.

The major barrier to higher adoption of natural cosmetics is **low consumer awareness**. Few Asian consumers are educated on what natural & organic products are and how they differ from conventional
products. They are not aware of the possible harmful effects of parabens, aluminum salts, and similar chemicals in cosmetics & toiletries.

Natural cosmetics face a major threat from **pseudo-natural products**. These are conventional personal care products that are marketed as ‘natural’ because they contain natural ingredients. Many consumers are unable to distinguish legitimate natural & organic cosmetics and those making false marketing claims, thus dampening market growth rates.

Natural cosmetics are generally not present in **mainstream retailers**. Supermarkets, hypermarkets, and mass merchandisers are responsible for a significant sales share of conventional personal care products; however they generate less than 10% of Asian natural cosmetic sales.

**Product Trends**

Some of the major product trends include…

i. Increased segmentation

As in the general cosmetics industry, the natural & organic cosmetics market is becoming increasingly segmented. Brands are developing product lines for specific consumer groups and sales channels. For instance, the Bulldog brand was launched as the first dedicated range of natural male grooming products in the UK in 2007. The brand has expanded to parts of Europe, the US, and is making inroads in Asia. It has been introduced in the South Korean and Thai markets.

![Bulldog Natural Male Grooming Products](image)

**Figure 1: Bulldog Natural Male Grooming Products**
ii. Preference for Western brands

In many parts of Asia, western brands are favoured as they are perceived as premium cosmetic products. Many Western brands of natural & organic cosmetics are targeting the Asian market. Indeed, research by Organic Monitor found that over 70% of natural cosmetic sales were from Western brands. Although many Asian brands are developing natural & organic lines, they do not appear to be as popular as those from Europe, North America and Australasia. Figure 2 shows a Koala Baby Organics product; it is the most popular brand of organic baby care products in China.

![Figure 2: Koala Baby Organics Aloe Gel Spray](image)

iii. Growing popularity of standards

Natural & organic cosmetic standards are becoming popular in Asia. Although there are no Asian standards, a growing number of Asian brands are looking at international certification schemes. The Ecocert and NaTrue standards are most preferred, with some brands taking the certification route to open up export markets. Figure 3 shows the Ecocert-certified products of the Japanese brand Rahuka.
Marketing Issues

This section highlights some of the major marketing issues faced by natural & organic cosmetic brands in Asia.

i. Greenwashing

The Asian market has arguably the highest level of greenwashing in the cosmetics industry. A large number of brands are making natural claims, with the use of plants / natural ingredient imagery on product packs. Although this also occurs in Europe and North America, it is more common for Asian brands to make unsubstantiated claims about formulations.
For instance, many there have been many incidents in Asia where brands falsely place organic /
natural logos on their products. Figure 4 shows a Korean brand placing CCOF organic logo on its
skincare product: the product is not certified, however it uses certified organic aloe vera in the
formulation.

A major challenge for natural & organic cosmetic brands is to combat this greenwashing.

ii. Certification

One solution to greenwashing is to take the certification route. The adoption of standards enables
brands to ‘legitimise’ natural and organic marketing claims. It also strengthens consumer confidence
in natural and organic cosmetics, assuring them they do not contain contentious ingredients.

Although positive in terms of product differentiation, a major issue for Asian brands is: what
standards to adopt? Many Asian countries have national standards for organic agricultural products,
but not for natural & organic cosmetics. Asian companies have to look at Europe, USA or Australasia
to get their products certified. Furthermore, the number of standards is proliferating. As shown in
figure 5, some brands are opting for multiple certification. The ecobeauty range of Oriflame is
certified by Ecocert and Fairtrade International. The products are also certified by the Vegan Society,
whilst packaging is certified by Forestry Stewardship Council (FSC).

A wider question is: is multiple certification the way forward, or will this just add to the consumer
confusion?
iii. Distribution

A major marketing challenge for Western brands is distribution. Many are successful in natural food shops and organic food retailers in their home countries. When coming to Asia, they realise few such chains exist, and those that do specialise in food products. Selecting distributors and sales channels is a key success factor for the Asian market.

Possible solutions to these marketing issues, including case studies, will be given in the Business Openings in Global Market workshop by Organic Monitor (4 November, Bangkok).

It is worth noting that Asian brands also face technical issues with natural cosmetics. Many brands grapple with formulation issues when developing natural cosmetics. Raw material selection, replacing synthetic chemicals, and other technical obstacles, as well as guidance to overcome them, will be covered in the Adopting Green Standards workshop by Organic Monitor (2 November, Bangkok).
Future Outlook

The 21st century has been dubbed the ‘Asian century’ by many commentators. The rise in economic affluence of China, India and other Asian countries is bringing a high level of prosperity to the Asian region. Indeed, four of the 10 richest ten countries (in terms of GDP per capita) are currently in Asia. The IMF predicts disposable incomes in Asian countries to continue to rise in the coming years, shown in chart 4.

Chart 4: Economic Forecasts for Selected Asian Countries

This economic prosperity is fuelling consumer demand for natural and organic products. China already has the fourth largest market for organic foods in the world. Natural & organic cosmetic sales have been expanding at double-digit rates in Asia partly because of rising disposable incomes.

However, the Asian natural & organic cosmetics market faces many challenges ahead. Low consumer awareness and the high level of greenwashing are preventing higher market growth rates. Asian brands also face many hurdles when developing natural & organic cosmetics; they do not have access to the same palette of green ingredients as Western brands. The absence of Asian voluntary standards also brings higher certification costs. As these technical and marketing obstacles are overcome, the Asian market will become prominent in the global market.
Further Information

This briefing report has been prepared especially for Reed Exhibitions for the in-cosmetics Asia 2015 trade show. For more detailed insights into the natural and organic cosmetics market, you should consider…

I. Workshops alongside in-cosmetics Asia

Organic Monitor will be hosting its first Asian Natural Cosmetics Masterclass alongside in-cosmetics Asia 2015. The masterclass comprises two interactive workshops (with limited spaces)…

Workshop 1: Adopting Green Standards (2 November, 2pm)

This workshop tackles the major technical issues associated with developing natural and organic cosmetics. Guidance and practical advice will be given to product developers and formulators.

Workshop 2: Business Openings in the Global Market for Green Cosmetics (4 November, 2pm)

The business openings in the Asian and global market for natural & organic cosmetics are highlighted in this workshop. Solutions will be given to some of the marketing issues faced by natural & organic brands.

More details, including registration details, are on www.organicmonitor.com/masterclass14.htm

II. Market Reports

This briefing report has been prepared from ongoing research on the natural & organic cosmetics market by Organic Monitor. We are the largest publisher of market research reports on natural and organic products. Our reports cover country markets, regional markets, as well as technical and strategic aspects. A full list of our reports is on http://www.organicmonitor.com/publications.htm

III. About Organic Monitor

Organic Monitor is a London-based specialist research, consulting & training company that focuses on the global organic & related product industries. Since 2001, we have been providing a range of business services to operators in high-growth ethical & sustainable industries. Our services include market research publications, business & technical consulting, seminars & workshops, and sustainability summits. Visit us at www.organicmonitor.com