

Opportunities in Asia
Canadian Natural Skincare and
Cosmetics

Choosing Your First Asian Market

Report 2



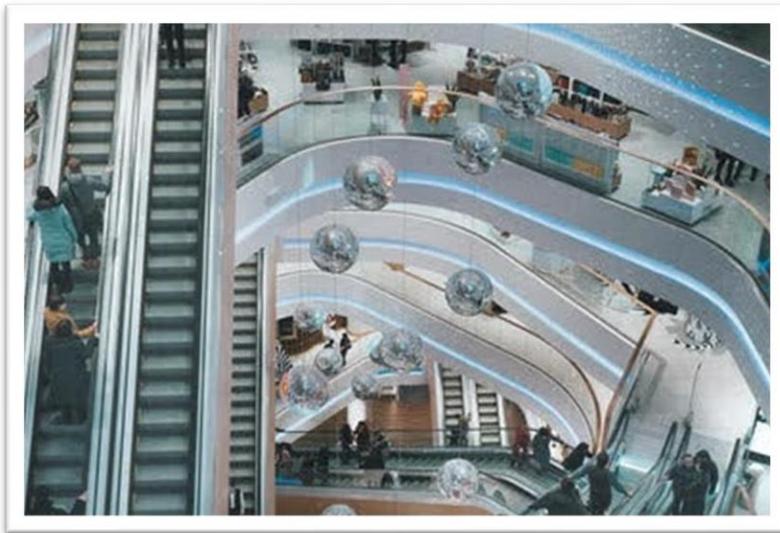
Table of Contents

Introduction	3
Which market should you start with?	4
Market Overview	5
Populations in East Asia and Southeast Asia	5
Factors Driving Demand for Natural Skin Care/Cosmetics	5
The Developed Markets of Japan, Korea, and Taiwan	10
Japan	10
South Korea	11
Taiwan	12
ASEAN – the Association of South East Asian Nations	13
High Income ASEAN nations.....	13
The Lower Income ASEAN Countries.....	15
China	18
Market Segments	19
Covid-19 Will Further Drive Clean Beauty	20
Countries that are more challenging and not yet on the radar	22

Introduction

Asia is now home to the most mid-income class consumers in the world. By 2022 another 50 million new consumers will join the ranks of the middle class in Indonesia, Malaysia, the Philippines, Thailand, and Vietnam further contributing to the region's \$300 billion middle-class disposable income. The middle class will expand to include 350 million people and will continue its upward trajectory. The economies of East Asia, (e.g. Japan, Korea, and Taiwan) have held mid-income status for years and continue to be major buyers and makers of natural skincare/cosmetics.

The ten ASEAN nations¹ are the fastest growing emerging markets for natural cosmetics in Asia. The ASEAN nations are projected to spend a total US\$4.4 billion on natural cosmetic by late 2020. In



Indonesia and Malaysia, the halal skin care market represents an additional US\$6 billion. Sales of natural halal certified products has grown steadily for the past 4 years and is expected to continue. After China, Indonesia is predicted to be the fastest growing beauty market in Asia.

Over 482 million women in China ages 15 – 64 live in urban cities. Most of these are densely populated with accompanying high levels of air pollution. Each of

China's 19 first-tier cities have populations over 15 million and possess the highest levels of disposable incomes. However, the greatest opportunity for companies like yours in the China market will be in the 100+ cities where 45% of the countries middle class reside.

Asian women spend less than half as much on skincare products each year as women here. And, if as is expected, annual purchases become anything similar to Europe's and ours, Asia presents a tremendous opportunity to tap into.

¹ ASEAN Association of South East Asia Nations: Cambodia, Laos, Myanmar, Vietnam, Malaysia, Singapore, Thailand, Brunei, the Philippines, Indonesia

Which market should you start with?

Asia can seem overwhelming

Choosing which market(s) to enter first in Asia can seem overwhelming, especially when each country spans a myriad of languages, cultures, ethnicities, and religions. Asian nations have varying forms of government, economic systems, and per capita disposable incomes. Some countries have young, growing populations, whereas most are in decline. The majority of the world's middle - income families now live in Asia. There are so many opportunities – but which one do I choose?

Be Prepared - Do Your Homework

Companies that succeed in Asia do their homework ahead of time. The appropriateness and depth of the research depends on your company's objectives and products. The goal is to acquire enough data on a region, or market segment and make the best possible business decisions.

Companies start with taking a bird's eye look at the Asia Pacific in general. Then, through a process of evaluation, narrow in on the markets that are most suitable and potentially most profitable. This entails acquiring basic research data for each country/market segment or niche of interest. Ideally, each research report will include a cultural and economic analysis, market audits/competitive analysis and a preliminary marketing plan.

Upon completion of this companies will be well positioned to embark on their journey to success in Asia.

Concentrate on One or Two Markets

Despite the wealth of opportunity in Asian markets, SMEs cannot realistically enter every market at once. It's best to establish your brand in one or two markets before expanding to others. A popular entry strategy is to generate product recognition, interest and sales first using online purchasing platforms. A company can choose to list their products on an existing platform only or have their own websites. Online purchasing is extremely popular in Asia and especially due to the COVID 19 pandemic online sales will only increase.

Once the degree of brand recognition reaches a certain point, a retail strategy using distributors or agents can be used. Significant brand recognition allows companies to leverage their position to gain better marketing control and concessions with retailers and distributors.

Market Overview

In this section, we look at the defining characteristics of the markets in Asia.

Populations in East Asia and Southeast Asia

East Asia

As of the writing of this report, the population of East Asia is 1.65 billion². The median age is 39.4 years, with average ages ranging from 38 – 48. In countries with more elderly populations such as Japan and Korea, women aged 25 – 35 still represent over 10% and 12% of all females, respectively. In Japan, 20% of the population is over 70 years of age. Yearly birth growth rates have fallen from a high of 2.63% in 1968 to 0.37% in 2019.

Southeast Asia

Southeast Asia's population currently stands at 1.8 billion³. Of which 877 million are females and 936 million male. The median age is 30.2 compared to Canada's at 40.8. The Philippines has the youngest population averaging 25.7 years. Approx. 66% of all females are aged 15 – 64 years of which 53% classified as working age 15 – 59 years. Females aged 25 – 35 represent 16% of all women in Indonesia and 13% in Thailand. Yearly population growth has decreased from 2.73% in 1968 to 1% in 2020.

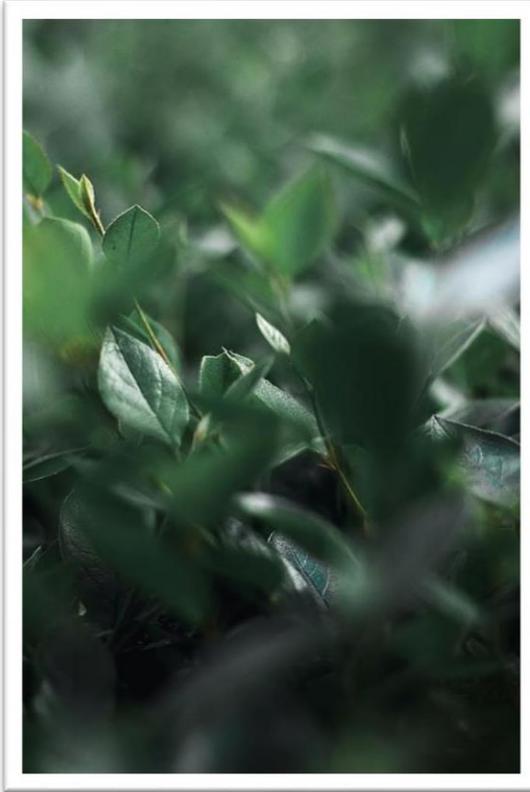
Factors Driving Demand for Natural Skin Care/Cosmetics

Each country market is unique with regards to what is considered beautiful. This can be based on its history and cultural traditions or by the trends found in popular media such as K-pop. In addition, within each market there exist multiple niche markets and brand segments. These can range from the hangover look found in Tokyo, Japan to the dewy, sweaty look popular in Korea.

Underlying this is the fact that Asian consumers are actively seeking and eager to discover, purchase, and experience new brands. Specifically, manufacturers whose products can meet the needs required by a niche, skin type, tone, or condition.

² East Asia defined here as: China, Japan, Korea, Taiwan, Hong Kong, and Macao

³ SE Asia defined here as: Indonesia, Malaysia, Vietnam, Thailand, Singapore, Brunei, and the Philippines



Consumers want brands that are safe, effective, certified, and contain real, natural ingredients. Natural brands that are easy to use and fit well with their daily routines. And, products that keeps skin healthy, clean, and clear. The Asia Pacific is forecasted to remain a leading global purchaser of natural skin care. This is great news for the smaller independent cosmetic company that is looking to expand globally.

Despite these differences, similar factors are consistently shown to drive and influence demand for natural skin care/cosmetics across Asia. These factors being: age, urbanization, care for the environment, lifestyle, skin problems, product authenticity, and disposable income.

Authenticity

At the top of the list of factors driving demand for natural skin care is product authenticity.

Consumers insist that products be certified as containing authentic natural/organic ingredients.

This insistence arose several years ago when some Asian women suffered serious skin damage from cosmetics claiming to be

natural but were not. This makes it imperative that manufacturers show certification on products labels and can verify the natural ingredients contained in their products.

At present, no widely recognized regulatory body such as Health Canada or the FDA exists across Asian markets. Each country has its own standards and regulations, yet these can differ significantly. This causes many to seek assurance of certification from more well-known agencies like the FDA.

It is common practice to have scientists or health professionals such as dermatologists, endorse or give testimonials about skin care products. Many of these are available online and are highly effective. Asian women will research products online first to make sure that ingredients are as natural as claimed. This cannot be emphasized enough, especially when there is already a significant amount of suspicion about product authenticity amongst the Asian community.

Urbanization and Skin Health

According to the U.N., 21 of the world's 30 largest cities are in Asia. For the over 1.4 billion people living in cities, the amount and degree of urbanization has had a massive impact on skin health. Air pollution such as particulates (soot and dust) can lead to aging skin and worsen inflammatory conditions like acne and eczema. Traffic-related air pollution has been known to create dark spots on the cheeks of women aged 50+ in Asia. High levels of indoor air pollution from cooking fuels and smoking are common in small urban apartments – also well-known causes of skin aging.



Overcrowding, small living spaces, and higher costs of living is shown to frequently result in greater amounts of emotional stress and depression. Which can in turn cause skin problems. Asian women will often find relief from the stresses of daily life by pampering themselves with natural products. Use of natural skin care that gives a women healthier skin and appearance will undoubtedly make her feel better about herself.

Environmental

Concerns Consumers across Asia are placing more emphasis on caring for the environment than ever before. This is evident with product packaging where bio-degradable inks, containers and ingredients play a major role in purchasing decisions. Another factor is whether packaging such as cartons and containers can be recycled and not added to landfills. Companies that demonstrate concern in areas like packaging and recycling will be perceived more positively everywhere in Asia.

Lifestyle

A noticeable trend in Asia is the move towards a healthier balance between work and leisure. This includes outdoor activities like soccer, hiking and cycling. Indoor recreation can range from aerobics, dancing, palates to team sports like basketball and volleyball. This athleisure segment opens doors to spas, gyms, wellness centres and retreats. Brands making natural deodorants, soaps, toners, cleansers, moisturizers, and sun protection will do well.

Convenience, ease of use and complementary skin care

Most women in Asia lead busy lives. This could be from going to school, raising children, taking care of the house to working full time. As a result, women seek natural products that are convenient in size, easy to apply and fit in well with their usual routines. They rely on these products on to clean, moisturize and protect their skin from sun and air pollutants. They also want cosmetic makeups that are long-lasting, come in a wide range of colours and applications, and are easy to remove at the end of



assess, and purchase.

Skin Care issues

Living with skin sensitivities is a daily reality among Asians. According to recent data problems like acne and imbalanced skin tones such as dark spots are main purchase drivers of skin care products. In Southeast Asia, as many as 42% of urban Indonesians purchase for acne or pimples, while two in five (39%) urban Thais purchase similar treatments. Natural skin care products like cleansers, toners, moisturizers, and facial masks continue to be in demand. Skin whitening products remain extremely popular throughout Asia.

Sensitivity to Environmental Irritants

Asian skin appears to be more sensitive to environmental irritants such as air pollution. About 99.3% of all SE Asians are exposed to air pollution levels that exceed World Health standards of more than 2.5 parts/million.

Generally, Asian skin is comprised of a thinner, less resilient outer layer. This thinner layer means lower levels of natural moisture as compared to Caucasian and African American skin. Not only does this require greater use of moisturizers it also leaves skin vulnerable to harm from irritants such as soot and grime.

The impact of the sun's harmful UV rays on skin is a major concern everywhere. In Japan and Korea, women will use umbrellas to block out the sun, even on cloudy days. It's a similar case in other nations such as Singapore and Vietnam. In Thailand, protection from the sun is such a priority that sun skincare

their long workday.

Millions of young, single career men and women live at home. Many earn their own incomes and can afford to buy quality natural skin care and cosmetics. During their free time many will spend hours online in chat rooms, participating in social media, and shopping. While online, many will take direction from influencers and key opinion leaders. Following their recommendations, consumers can then go directly to a company's website to learn,

is the fastest growing category. Companies that offer natural products that protect the skin from harmful UV rays or used to safely whiten the skin are in continuous demand.

Disposable income

Over half of the world's middle-income families live in Asia. According to PEW Research, upper middle- income ranges from \$20 – 50 per day, whereas high income starts at \$50 per day. Nations such as Japan, Korea, Taiwan, Singapore, and Brunei all have over 80% of their populations in upper-middle to high income classes. Thailand, Malaysia, and Vietnam recorded with 60%, 48% and 36% respectively. All of China is listed at 40%, but in large cities like Shanghai or Beijing the percentage is much higher. Indonesia and the Philippines have 15%.

Country	Percentage of Upper-Middle- To-High Income Earners
Japan	>80%
Korea	>80%
Singapore	>80%
Brunei	>80%
Thailand	60%
Malaysia	48%
Vietnam	36%
Indonesia	15%
Philippines	15%

The Developed Markets of Japan, Korea, and Taiwan

The use of natural cosmetics continues to rise in all three countries. Each has numerous specific segments or niches to target whether based on age, consumer lifestyles, or skin condition. For example, this could be the “hangover” look popular in cities like Tokyo or the “dewy, sweaty” fad common in Seoul, Korea. Within these markets, Canadian SMEs will find plenty of opportunity and success.

Japan

From a young age, Japanese are taught the importance of maintaining healthy skin. And, especially in terms of anticipating and preventing future skin troubles. With this in mind, it’s understandable why 86% of all Japanese men and women use skin care products every day.



A typical Japanese routine focuses on cleansing, polishing, and moisturizing the skin.

Moisturizers, for instance, are used regularly by 58% of Japanese whereas skin creams are used by 53%. Skin lightening creams remain one of the biggest selling products. As the population continues to age, there will be even greater demand for natural products which address anti-aging, anti-wrinkling, and age spots

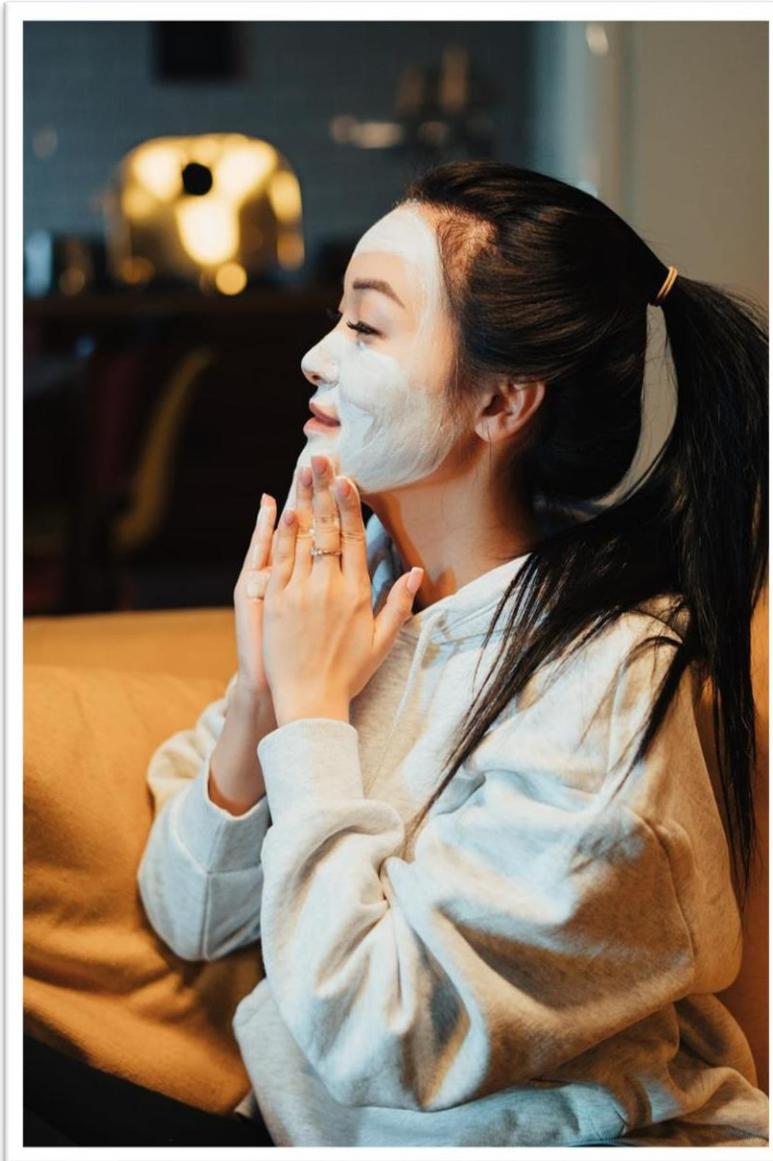
Regarding makeup, organic products in a wide range of colours are popular. This includes blushes, eyeshadows, lipsticks, exfoliators, nail polishes and powders. The more popular natural brands in Japan are gentle on the skin, nourishing and easy to remove makeups.

South Korea

South Korea is another lucrative market. Most of Korea's population is middle-class and has the disposable income to spend on natural cosmetics. Each day, 40–60% of Korean women use cosmetics such as BB (beauty balm), lipsticks, eyeshadow/ liners, lip gloss/glow and mascaras. It's not uncommon for Koreans to apply from 12 – 24 separate layers of makeup before going out to work.

Skin Care Issues

Koreans have primarily oily, dry, or sensitive skin. Sensitive skin is defined as having a burning, itching, tingling, or painful sensation. Natural brands addressing oily skin will want to target women living in



cities like Taegu, Pusan, and Incheon. Women in Seoul, the NE and mid-West Korea tend to have drier skin and seek moisturizers.

Acne – a Major Concern for Koreans

In the last ten years there has been a 60% increase of acne in those under 19 years of age.

The largest percentage being ages 10 – 12.

Childhood acne for under 10 years increased an alarming 73%. Adult acne is common to 80% of Koreans over the age of 18. This opens a wide range of opportunities for innovative natural cosmetics – particularly skin care products for children, such as cleansers, toners, and moisturizers.

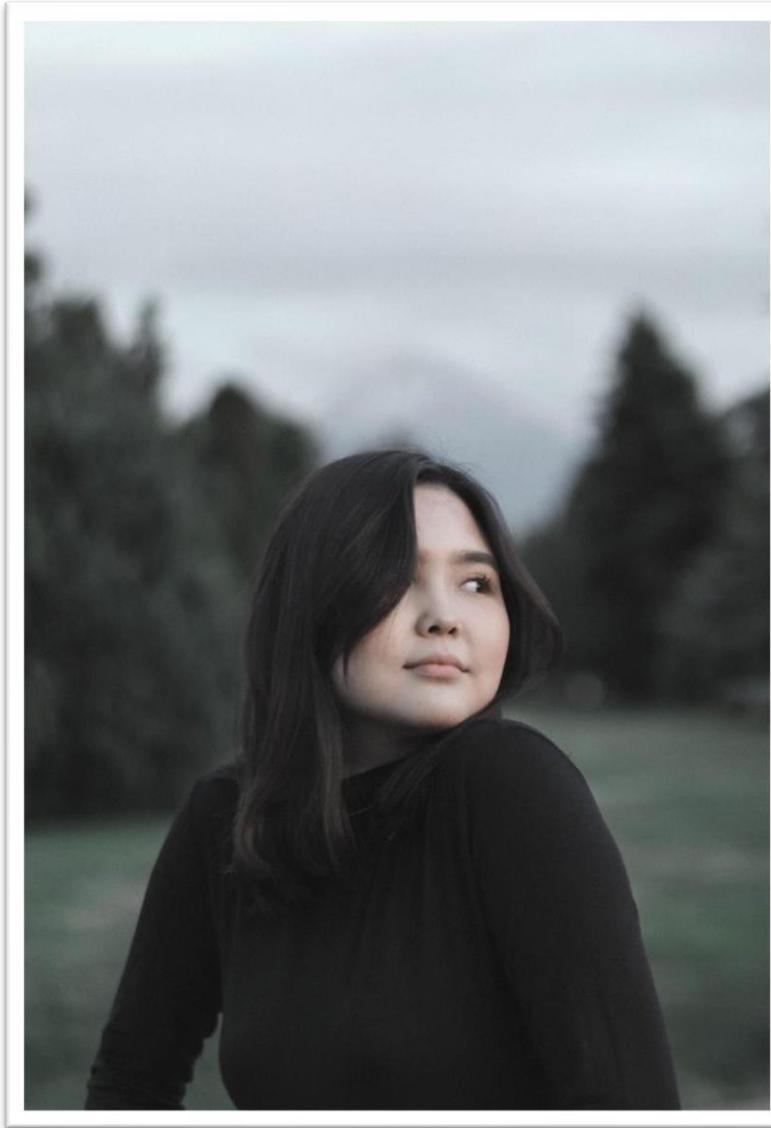
Skin Care Product Usage by Age Group

Oily, sensitive skin is common in women aged 20–49 years. Oily skin is common to about 52.9% up to age 50. After this, it drops to 32.8% whereupon women seek moisturizers more often. 71.4% of women in their early 20s have sensitive skin;

this rises to 75.1% by their mid-30s. At 50 years and older, the rate decreases to 62.3%.

Taiwan

The Taiwanese Beauty philosophy is to do the basics for your skin yet ensure that each step is as effective and nourishing as possible. T-Beauty brands are based on a balance of natural ingredients and formulation expertise. There is a strong focus on using ingredients found locally on the island in



addition to those used in Traditional Chinese Medicine (TCM). Like Japan, there is increased demand for clinical brands backed by a dermatologist or doctors. Market demand for body care, nail and eyelash products continues to rise.

Skin Care

Many Taiwanese skin care products are for hydration, anti-aging, and cleansing. Because of Taiwan's hot and humid climate (summers, in particular) many leading local brands offer products designed to whiten and brighten the skin.

Routines are Simple

The Taiwanese skin care routine is simple and uses fewer products applied in lighter layers. The most popular routines require just a few steps. These being: cleanse, tone, moisturize and makeup. The choice of products is based on functionality such as skin type and skin problem.

Taiwanese Prefer Natural Products

The bestselling T-beauty

brands are mostly vegan, emphasizing natural botanical ingredients, however some products will feature honey, or even snail. These are formulated to be without harmful ingredients such as parabens, alcohol, antibiotics, and steroids.

ASEAN – the Association of South East Asian Nations

The organic cosmetics market in the ASEAN is expected to increase by over 9% through 2020 and reach US\$ 4.4 billion in revenues. Together, they are the fastest-growing emerging markets for natural cosmetics in all of Asia, especially in Thailand, Indonesia, and the Philippines.

Strong sales of natural cosmetics have been reported throughout the ASEAN for the past five years. This is due to changing consumer lifestyles and increasing disposable income, not only among the high- income group, but also within the middle-income class. The rising awareness of potential side-effects of synthetic cosmetics, plus the positive perception of organic cosmetics has also fueled demand.

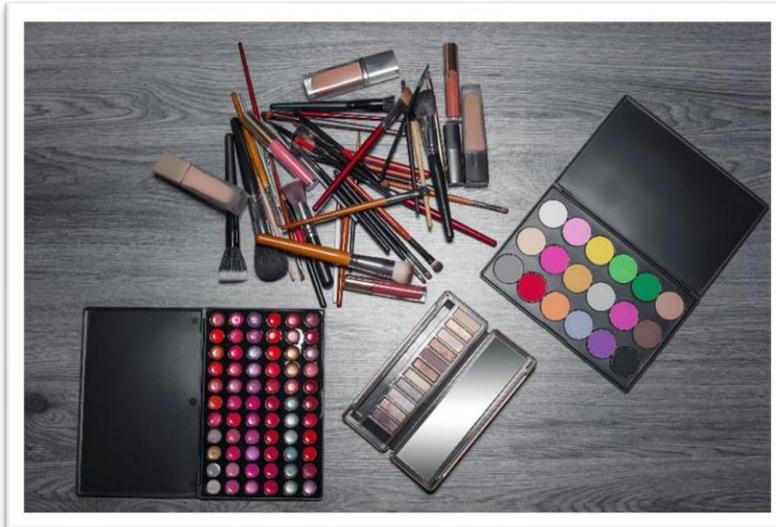
High Income ASEANnations

Brunei

Brunei has a population of 437,000 and has one of the highest per capita incomes in the world. Approximately 80% its population are Muslim. Women are only permitted to show their face and hands in public. As a result, face and hand care products like nail polishes, cleansers, toners, moisturizers, blushes, mascaras, and eye makeups are popular. All products must have Halal certification.

Singapore

Women in Singapore buy a tremendous amount of skin care and makeup products. On average, women in Singapore purchase 18 foundations, 12 concealers, 20 eye shadows and up to 30 lipsticks each year.



One survey showed that 60% of women use 5 or more products in their daily routines yet take only 20 minutes to apply.

Singaporeans look for products that are long-lasting, lightweight, natural, anti – sweat/smudge and waterproof. Other desirable qualities include hydration, anti-aging, pore-minimizing, and colours that do not fade quickly.

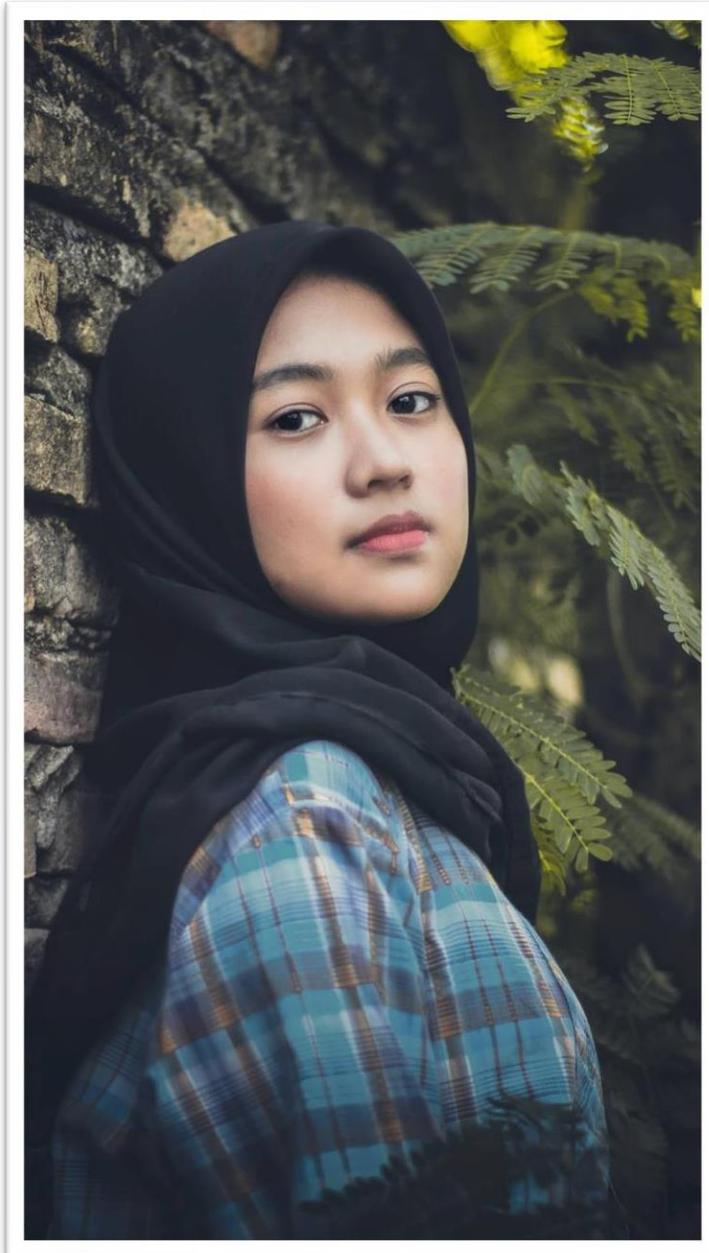
Singapore is a key business and economic hub in SE Asia. Many global companies will have

regional or head offices there and hire thousands of young professional men and women. Long days at the office is common which means that retail purchasing of cosmetics can be difficult. A unique way around this problem is for customers to buy online from a retail outlet then collect their purchases at 7 – 11 stores open 24 hours a day.

It is common to use Singapore as a test market prior to expansion into other regions in Asia. The reason for this is that it's small in size, has a demographic that purchases a lot of cosmetics/makeups, and a fairly reliable delivery network.

Malaysia

The wants and desire to look good, enhance confidence, and following trends are the main reasons for the high usage of cosmetics in Malaysia. Cosmetics are being used by all people regardless of age, level



of income, occupation, and gender. However, women remain the dominant purchasers. Brand itself is the main influencer in purchasing decisions even over the effectiveness of product and the kinds of ingredients.

Malay women lead hectic lifestyles and insist on products that have a practical functionality. For example, blush which is combined with soft sponge applicator. Natural skincare such as cleansers, toners, and moisturizers are big sellers. In cosmetics, Malay women look for bold colours in lipsticks, mascara, and eye products. Many have preferences towards certain beauty brands but will seek alternative brands if it caters to their beauty needs and has a natural formulation. An example being the 100% natural face oils which are currently popular.

Malaysia's growing prosperity has increased their interest in premium brands. The top three importing countries are the United States, Japan, and Thailand. Purchasing decisions amongst Malaysian consumers is heavily influenced by advertising, social media, and marketing campaigns.

Product labelling is extremely important in decision making. Labels

must clearly show products are certified containing authentic natural ingredients, packaging is environmentally friendly, and adhere to recognized international specifications. Halal

certification is mandatory.

Thailand

Thailand is an excellent target market for smaller, independent brands. This is because it has been less penetrated by large global brands plus has the largest consumer demand for health and beauty products in the ASEAN.

In Thai society, beauty is based on having a clear, smooth, and natural complexion. As a result, more and more Thai women are actively seeking that natural beauty look which includes colour cosmetics with multiple skin care benefits. For instance, sun care may be the *fastest growing* category however the largest categories by *market value* is for skin care (\$2.4 billion) and colour cosmetics (\$0.7 billion). Thai women do more online research on products before purchasing than other Asians. They are looking for proof of authenticity of ingredients, that the brand is safe to use and works well with other cosmetics.



Thailand's population base is currently maturing which is leading to demand for anti-ageing products with natural ingredients in various styles with low- to premium-positioning and price points. A positive spinoff is that new product developments in this segment is attracting younger consumers.

Thailand is an excellent first Asian market entry choice for another reason. That is because of its high numbers of tourists. In addition to North American and

EU tourists, many will be Chinese. Chinese visitors account for 30% of Thailand's total tourist numbers, spending \$18 billion in 2019. Resorts such as Chiang Mai and Koh Lang are popular with Koreans, Japanese and Taiwanese as well. Placing natural cosmetics for use in these resorts will put your brand front and center to consumers to take home and show to friends. Marketing through duty free shop in airports can be very lucrative as well.

The Lower Income ASEAN Countries

The lower income countries of the ASEAN include Vietnam, Indonesia, and the Philippines. Although these countries are not identified as high income, they are still prime target markets. Each offers plenty of opportunity for Canadian companies.

Vietnam

Vietnam's cosmetics market will reach an import value of US\$2.3 billion by 2020. Close to 33 million Vietnamese people are middle-class consumers. About 60% of the total population is under age 35. The suggested target market are millennials aged 23 to 38 earning stable incomes from government, service, tourism, and professional jobs. The majority living in cities such as Hanoi, Ho Chi Minh City, and Da

Nang. As of 2019, the average yearly spend on cosmetics was only US\$4.00 compared to US\$20.00 in Thailand.

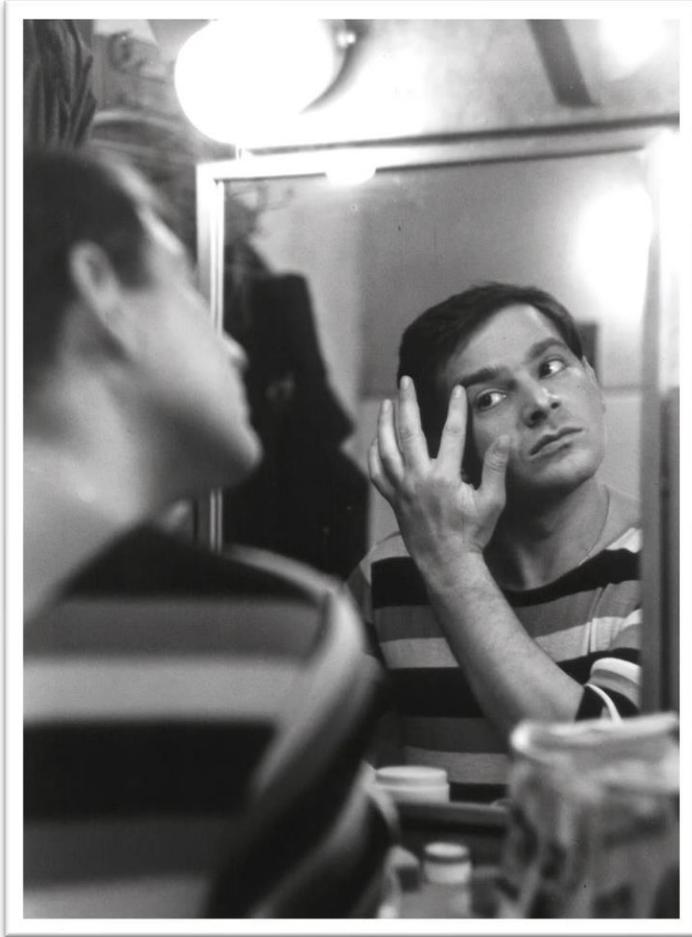
Vietnamese consumers look for brands that have a favourable price/value ratio and a long shelf life. The best-selling natural products are designed to eliminate/reduce acne, treat oily skin, rejuvenate, and whiten the skin. Sun care products are always in demand especially since sunrays are very intense compared to Canada's.

About 95% of the cosmetics consumed are imported. Korea and the EU being their top choices followed by Japan. Many believe American brands are expensive, are of good quality yet are made for old people, not the youthful Vietnamese. Canadian brands would need to position themselves as more "youth oriented" as Vietnamese don't differentiate the USA from Canada.

Vietnam is the fourth fastest growing tourist destination in Asia particularly to health/wellness spas and luxury resorts These can be excellent entry points to retail your products. Businesses such as these feature the usage of natural ingredients-based products almost exclusively.

Indonesia

Indonesia has the fastest growing middle-income class in Asia, doubling every year. Most come from rural areas looking for work in the big cities. Consequently, the major urban centres such as Jakarta are overcrowded and very polluted. At night one can look up at a streetlight and see the soot particles in the air. Add to this, a hot and humid climate and it's no wonder a person never feels really clean.



Halal certified natural and organic skin care such as cleansers, toners, moisturizers, and facial masks are in continuous demand.

And, in accordance to Islamic laws where only the face and hands are exposed, colourful nail polishes, lip and eye cosmetics are popular. This is especially the case with the millennials and professional career women.

Demand for men's natural personal care products is growing fast. This has only become popular in the last few years

largely because of a shift in men's attitude towards personal grooming. Much of which is based on career aspirations and the dating scene. The more popular items include shaving products, deodorants, skin cleansers and toners.

The Philippines

The Philippines has the youngest population of all ASEAN countries. Competition for good jobs plus the hope of better living conditions for oneself and family is intense. This has made the need for beautiful looks and skin extremely

important. In fact, a popular joke in the Philippines says, 'It is not your fault if you are born ugly, but it is your fault if you die ugly.' While few find this joke funny, it speaks to the reality that in the Philippines attending to or dramatically altering one's looks is socially acceptable. In many cases, it is expected.

This is very evident in the use of skin whiteners which are by far the most in - demand products in the Philippines. For centuries, a sign of beauty has been having clear, white skin. For younger Filipinas, oily and acne-prone skin is common. For oily skin, make up removers that clean away dirt and grime are popular. For acne-prone skin, the best sellers are soap-free cleansers and toners that open pores and not strip away natural skin oils. Also popular are natural toners, moisturizers, face and lash serums, exfoliators, and aromatherapy balms.

China

Most of the world’s attention regarding China’s economy has centered on tier 1 rated cities like Beijing, Shanghai, Shenzhen, and Guangzhou. However, 70% of China’s population live in smaller cities and county districts. Many analysts see the tier 2 -3 cities as the main drivers of economic growth for the next 10 – 15 years. Tier 2 cities have populations of 3 – 15 million, Tier 3, 150,000 – 3 million. Sales of



natural and organic beauty products is predicted to reach US\$22 billion annually by 2024. Consumers aged 15 to 45 being the fastest growing age group for natural, coloured cosmetics, and derma skin care.

The most frequently purchased brands are from Korea, China, Japan, Europe, and USA in that order. Consumers typically buy European and American brands because of higher quality and Chinese brands because of lower price. An average monthly income of RMB 12,000 is often used as point where higher priced import brands are more regularly purchased.

Purchasing decisions are based on three factors. They are: product benefits / efficacy (it does what it says it does), brand recognition and word of mouth. Each of these are almost equal in their degree of importance. Younger consumers are more influenced by price, word of mouth and social media.

Whereas older women are

more influenced by the amount and quality of natural, organic, and herbal ingredients. In addition, to the latest bio-tech products.

Chinese women want beauty products to be “clean,” “natural,” and “safe,” However, defining what this really means in China can be challenging. To begin with, a company needs to ensure they are at least familiar with and respect cultural differences that exist across China. A woman living in Shanghai will have different ideas of clean, natural skin care than does a woman in Urumqi in NW China. Customers

will tell you what they want to experience with your product. It's wise then, to never underestimate the value and power of customer opinion in China.

It is always best to position the company as being transparent and sincere when communicating their brand message. An effective strategy to showing where and how natural ingredients are grown and tested. Another is to attract customers by showing product innovations using special online classes designed to educate consumers on how best to apply their products.

The use of micro KOL's (key opinion leaders) and influencers on online shopping websites can be an effective, yet costly way to introduce a brand to the China market. The reason is that influencers are generally perceived as being authentic and honest. Online shopping sites such as Red or T-mall (Alibaba) are extremely popular for cosmetic/skincare purchasing. These can get expensive and it's very easy for a brand to get lost amongst the competition. SME's can always optimize their own websites to appeal to the China market which is a good idea anyways.

Market Segments

Luxury/Prestige Market

Natural cosmetics can be easily targeted to the luxury/prestige markets. In China and throughout Asia luxury does not have to mean expensive products or services. Luxury can mean high-quality, an independent lifestyle, or a type of personal luxury. A natural cosmetic can be valuable because of the price, its technology, the packaging design, its benefits, the experience its' use produces even the level of customization.

China is by far the biggest luxury market in the world, with spending on the mainland far outstripping luxury spending in Hong Kong, Macau, or Taiwan. This has led to the growing trend to explore new brands and products, especially those that are less known and even less available. With the sheer size of the Northeast Asian market, any brand done well, even if mid-sized, can bring in an amount comparable to a whole Southeast Asia country-sized business. This is an attractive market entry proposition for any SME.

Millennials

Millennial and Gen-Z citizens (18–34 years) in China and across Asia tend to be more concerned with the green attributes of beauty products than older consumers. Young people request environmentally friendly products and more ethical and responsible consumption since the values of society are changing and cosmetic brands are adapting. This segment is also eager for experiences and that is why time, health and quality of life define the new luxury. They put travel and new experiences before traditional consumption. Then, the new buying criteria includes caring for the environment, fair human work and animal welfare.

Z-Luxe

This generation (people from 16 to 22 years old) is appearing on the radar of the luxury market, since it is a population that is entering the workforce. Projections indicate that in 2025, millennials and the Z generation will be responsible for 45% of the luxury goods market and 130% of their growth. While brands have great opportunities, they must also face challenges, as these consumers live and spend in a radically different way from previous generations. A challenge for innovation in cosmetics.



Covid-19 Will Further Drive Clean Beauty

Skin care sales have been hit hard by the coronavirus, yet forecasts predict the downturn will be short-lived and the sector will quickly recover once the crisis is over. Consumers' shift towards health and hygiene will continue. Natural brands should continue marketing healthy ingredients that suggest a healthy lifestyle, with beauty as part of that lifestyle.



tips and tricks to cleanse cosmetic products.

Preventative categories

Products such as soap, hand sanitizers and wet wipes are benefitting from the WHO hand hygiene guidelines.

Consequently, skincare products such as hand creams and moisturizers affected by frequent hand washing will see a greater demand for hand care products. Therefore, manufacturers can design products that can suit various consumer needs such as antibacterial moisturizers or immunity boosting lipstick or sprays.

Touchless Format Packaging

With escalating obsession with hygiene, cleanliness, and immunity among consumers in the APAC and their anxiety, the prevention of germs and other contaminants is driving the demand for safer products with higher integrity.

Beauty products that are packaged in ways that mitigate risks of contamination and offer extended shelf life to consumers have been more in demand.

Brands can serve to increase consumers' confidence by utilizing touchless formats such as stick and spray formats and guide them with

Countries that are more challenging and not yet on the radar

There are several countries which present greater challenges than others. They are:

- Cambodia
- The Democratic Republic of Laos
- Myanmar
- Timor–Leste.

Combined, these four countries represent about 80 million people. Myanmar is the largest with 54 million, an urban population of 31.4% and an average age of 29.4 years. Mid-income numbers in these countries are low in comparison to other ASEAN nations.



The challenges presented in these countries can include the amount and layers of red tape, political interference, and reliability of secure transportation and delivery of products. The number and kinds of additional fees/duties applied within a country's regions or provinces can be significant. Business and political corruption is a fact of life here and is to be expected. A company's ability to easily bring back revenues earned inside these countries could be difficult.

Nevertheless, for companies looking for future revenues, early entry into these markets could be well worth the effort.