

VIETNAM

COSMETIC REVIEW



Market over view – General



- Vietnam in 40 Seconds (Add the video)
- **Vietnam has enjoyed strong economic growth**
 - 2015 GDP growth rate: 6.68%.
 - 1st half 2016 GDP: 5.5%
(Severe drought: affecting agricultural production and slower industrial growth)
- Population of over 92 million and over half aged between 35 and below

Market overview

Beauty and Personal Care

- 90-95% of the market for international cosmetics products is centered in 2 big cities Ho Chi Minh City in the south and Hanoi in the north
 - ~ 90% of cosmetics sold in the country are imported, representing 430 leading cosmetic brands. (NDHMoney 2012.) The main exporters to Vietnam are Korea, EU, Japan, US and Thailand.
 - The market share for cosmetics products by foreign countries is as follows: Korea - 30%, EU - 23%, Japan 17%, Thailand - 13%, US - 10%, and others - 7%
-

2015 Overview



- In 2015, beauty and personal care witnessed slower growth compared with 2013 however considered to be high and healthy
 - high maturity in most product categories
- Higher buying power from rural areas
 - Developing of the internet network and online retailing
- Consumer are willing to spend more on branded (import) products

International vs local brands



- Domestic players struggle to compete with international brands
- Domestic brands include Saigon Cosmetics, My Hao Chemical Cosmetics and Thorakao of the Lan Hao Company
- International companies continue to lead retail value sales across beauty and personal care
- Local production of brand and non-brand cosmetic products is very low compared with the level of imported beauty products.

Local brands vs International



Thorakao – Vietnamese local brand



Minus 417



Moroccanoil

Israel's cosmetic on Vietnam Herworld Magazine 2016

"My favorite Israel products"

▼ Moraz có những cánh đồng thảo dược tại thung lũng Galilee với phương pháp chăm sóc hữu cơ để cho ra những sản phẩm tốt cho sức khỏe làn da.



Moraz

Sales of Beauty and Personal Care by Category: Value 2010 – 2015

VND billion	2010	2011	2012	2013	2014	2015
Baby and Child-specific Products	502.6	603.9	707.5	843.4	968.8	1,097.2
Bath and Shower	1,609.9	1,847.9	2,090.2	2,378.6	2,628.2	2,876.2
Color Cosmetics	757.6	1,028.1	1,228.6	1,476.2	1,705.2	1,935.9
Deodorants	198.2	244.1	288.7	345.5	396.4	452.2
Depilatories	7.1	7.9	8.6	9.5	10.6	11.7
Fragrances	771.7	1,010.1	1,196.0	1,397.2	1,581.4	1,768.1
Hair Care	2,436.7	2,866.2	3,295.0	3,811.4	4,313.9	4,788.5
Men's Grooming	761.0	933.4	1,102.0	1,294.5	1,471.6	1,647.3
Oral Care	3,578.6	4,268.2	4,998.7	5,932.0	6,780.8	7,554.5
Oral Care Excl Power Toothbrushes	3,578.6	4,268.2	4,998.7	5,932.0	6,780.8	7,554.5
Skin Care	2,292.6	2,921.7	3,472.4	4,185.3	4,892.0	5,603.1
Sun Care	46.6	52.8	59.1	67.7	76.3	84.9
Sets/Kits	-	-	-	-	-	-
Premium Beauty and Personal Care	1,895.8	2,491.4	2,972.5	3,619.3	4,230.4	4,854.4
Mass Beauty and Personal Care	6,713.1	8,075.6	9,356.6	10,876.4	12,321.3	13,740.0
Beauty and Personal Care	12,524.8	15,217.9	17,759.1	20,914.4	23,872.5	26,741.2

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Sales of Beauty and Personal Care by Category: % Value Growth 2010-2015

% current value growth	2014/15	2010-15 CAGR	2010/15 Total
Baby and Child-specific Products	13.2	16.9	118.3
Bath and Shower	9.4	12.3	78.7
Colour Cosmetics	13.5	20.6	155.5
Deodorants	14.1	17.9	128.1
Depilatories	10.4	10.5	64.4
Fragrances	11.8	18.0	129.1
Hair Care	11.0	14.5	96.5
Men's Grooming	11.9	16.7	116.5
Oral Care	11.4	16.1	111.1
Oral Care Excl Power Toothbrushes	11.4	16.1	111.1
Skin Care	14.5	19.6	144.4
Sun Care	11.3	12.7	82.2
Sets/Kits	-	-	-
Premium Beauty and Personal Care	14.7	20.7	156.1
Mass Beauty and Personal Care	11.5	15.4	104.7
Beauty and Personal Care	12.0	16.4	113.5

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Sales of Premium Beauty and Personal Care by Category: Value 2010-2015

VND billion	2010	2011	2012	2013	2014	2015
Premium Baby and Child-specific Products	7.5	9.7	12.7	16.9	22.3	27.4
Premium Bath and Shower	32.2	38.8	46.0	54.7	63.1	71.9
Premium Colour Cosmetics	242.4	339.3	430.0	575.7	682.1	793.7
Premium Deodorants	12.3	15.4	18.5	22.5	26.2	30.3
Premium Fragrances	535.1	709.6	848.6	999.5	1,137.5	1,278.8
Premium Hair Care	78.8	96.2	118.9	146.0	171.9	195.7
Premium Skin Care	982.6	1,277.0	1,491.2	1,795.9	2,117.5	2,444.9
Premium Sun Care	4.8	5.5	6.6	8.1	9.9	11.7
Premium Sets/Kits	-	-	-	-	-	-
Premium Beauty and Personal Care	1,895.8	2,491.4	2,972.5	3,619.3	4,230.4	4,854.4

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Leading trends - Greater Demand for Products Enriched With Natural Ingredients

- The demand is likely to remain and grow over the next few years.
 - Vietnamese consumers believe that these products are safer, better quality, environmental friendly and more effective.
 - With rising disposable income, consumers are willing to pay more for better quality products.
-

Natural Products



Vietnamese women are willing to pay > USD 1000 for a set of SKii



THE FACESHOP Cleansing Foam from Korea



The Body Shop, Organic Drops of Youth

Leading trends

Men's Grooming Gains Rapid Popularity



- Men products are seeing increasing demand. Male consumers have become more aware of the appearance and professional look
 - The main reason is that social etiquette and aesthetic standards have changed over the years
 - The media
 - Higher disposable income
- Men's grooming registered strong current value sales growth of 14% in 2014.

Men's Grooming



*Pond's men
Coffee Energy Charge*



*THE FACESHOP
BB cream for Men*



*Body Shop
White Musk for Men*



*Nivea
Anti Aging Serum for men*

Leading trends - unauthorized imported products



- Grow strongly in 2015 due to the high demand for high-class international brands
 - Most unauthorized imported products are sold through Facebook or online stores, which target the middle-income segment
 - Unauthorized imported products limit beauty and personal care's growth in Vietnam
-

Unauthorized imported products



Unauthorized parallel imported products at the Market



Custom checked at the Store

Leading trends - Online Marketing and E-commerce

- In 2016 Vietnam had 49,063,762 internet users, which is #13 in the world and the largest number in Southeast Asia. (www.InternetLiveStats.com)
- Driven by young population, growth of internet and smart phone
- Women aged 35-44 years old are the majority in terms of the number of online shopping
- Apparel and cosmetics held 60% of the amount of products paid for through e-commerce websites in 2014
- Popular site: Lazada, Sendo and Tiki.

Home > Trends and More > Internet Users > Internet Users by Country

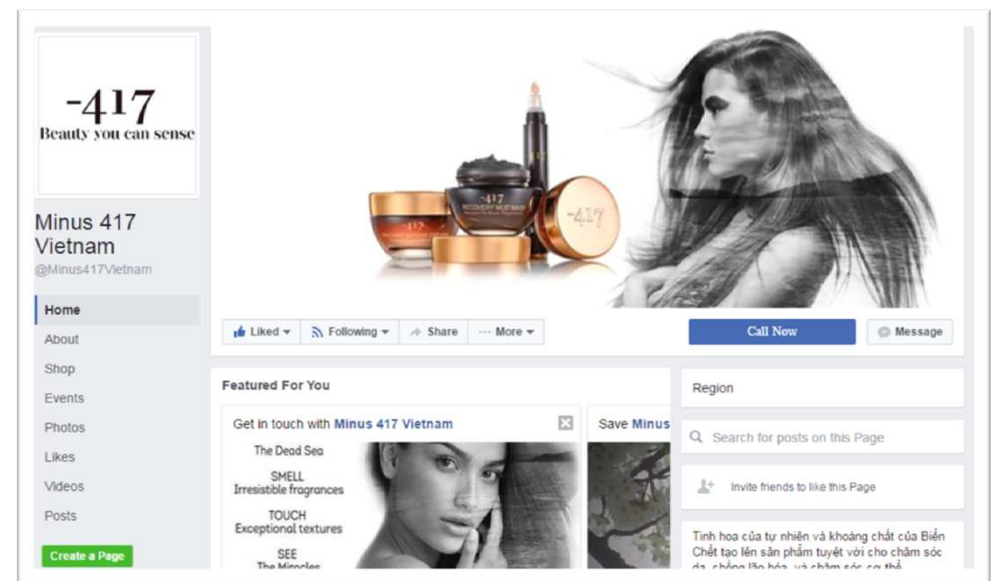
Internet Users by Country (2016)

See also: 2015 Estimate and 2014 Finalized

#	Country	Internet Users (2016)	Penetration (% of Pop)	Population (2016)	Non-Users (Internetless)	Users 1 Year Change (%)	Internet Users 1 Year Change	Population 1 Y Change
1	China	721,434,547	52.2 %	1,382,323,332	660,888,785	2.2 %	15,520,515	0.46 %
2	India	462,124,989	34.8 %	1,326,801,576	864,676,587	30.5 %	108,010,242	1.2 %
3	U.S.	286,942,362	88.5 %	324,118,787	37,176,425	1.1 %	3,229,955	0.73 %
4	Brazil	139,111,185	66.4 %	209,567,920	70,456,735	5.1 %	6,753,879	0.83 %
5	Japan	115,111,595	91.1 %	126,323,715	11,212,120	0.1 %	117,385	-0.2 %
6	Russia	102,258,256	71.3 %	143,439,832	41,181,576	0.3 %	330,067	-0.01 %
7	Nigeria	86,219,965	46.1 %	186,987,563	100,767,598	5 %	4,124,967	2.63 %
8	Germany	71,016,605	88 %	80,682,351	9,665,746	0.6 %	447,557	-0.01 %
9	U.K.	60,273,385	92.6 %	65,111,143	4,837,758	0.9 %	555,411	0.61 %
10	Mexico	58,016,997	45.1 %	128,632,004	70,615,007	2.1 %	1,182,988	1.27 %
11	France	55,860,330	86.4 %	64,668,129	8,807,799	1.4 %	758,852	0.42 %
12	Indonesia	53,236,719	20.4 %	260,581,100	207,344,381	6.5 %	3,232,544	1.17 %
13	Viet Nam	49,063,762	52 %	94,444,200	45,380,438	3.3 %	1,564,346	1.07 %
14	Turkey	46,196,720	58 %	79,622,062	33,425,342	5.1 %	2,242,750	1.22 %
15	Philippines	44,478,808	43.5 %	102,250,133	57,771,325	4.4 %	1,855,574	1.54 %
16	South Korea	43,274,132	85.7 %	50,503,933	7,229,801	1.2 %	522,375	0.42 %
17	Italy	39,211,518	65.6 %	59,801,004	20,589,486	1.7 %	666,922	0.01 %
18	Iran	39,149,103	48.9 %	80,043,146	40,894,043	7.7 %	2,784,831	1.18 %

Leading trends - Online Marketing and E-commerce

- Facebook has played an important role in brand building, product launching and raising consumer awareness.
- Strong development in 3G and internet networks, the increase of smartphones → the rising of online shopping



Minus 417 Vietnam Facebook page



What kind of skin problem that Vietnamese are concerned?

- Oily and acne skin
- Skin tone
- Pigmentation : melasma, freckle...
- Aging manifestations: dry skin, wrinkle, sagging skin...

Market segmentation (customer channels)

Buying power

- Age from 18- 25 spend ~ \$20 – \$35 USD/ item (Basic skin care)
 - Age from 25 – 30 spend ~ \$35 – \$50 USD/ item (problematic skin care)
 - Age from 30 – 37 spend ~ \$40 - \$60 USD/ item (anti aging)
 - Age from 37 – 60 spend ~ \$50 - \$100 USD/ item (anti aging)
-

Where are we in the picture? (Market position)

- Israel cosmetics brands are generally not well recognized by Vietnamese consumers but several brands (- 417, Moraz, Mommy care)
- Vietnamese consumers have not yet experienced Israel brands, therefore they are still unclear where Israel products are positioned compared with other countries. However, the market potential for Israel cosmetics is good.



Potential VS Challenges (Israel products)

Potential

- Brands that carry organic and natural and professional cosmetic
- Focus on the area of “cosmeceuticals” or “derma cosmetic”, products for skin care problems. Brands that invest in R&D should emphasize it.
- Baby and Mom products
- The change in Customer behaviors
- Whitening products ARE becoming more and more important. Vietnamese are willing to pay a lot of money for quality whitening cosmetic products.

Challenges

- The market is price sensitive and full of low cost products
 - unauthorized imported products (smuggled)
 - Israel is not well-known in Vietnam Cosmetic industry
 - Currently Asian-made cosmetics are more popular than European- made, because they believe those products are more suitable to their skin.
-

Distribution channels

- Authorized online shops
- Drug stores/ pharmaceuticals
- Counters in Department stores
- Online shops utilizing social media
- Spas/ Skin doctors



Authorized online shops

- This channel is normally used in combination with other physical shops/ spas to boost the recognition and sales of one distributor. In Vietnam, this channel is used by mainly un-known Japanese, Korean brands, and it's very difficult to evaluate the quality or price ranges.

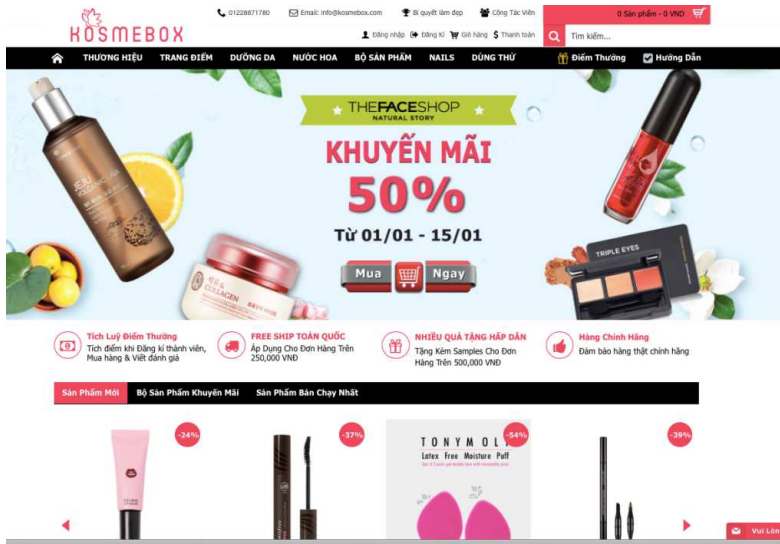
The screenshot displays the Strawberry.net website interface. At the top, there's a navigation bar with the logo 'Strawberrynet™ fresh beauty' and a search bar. Below the navigation bar, there are several product categories: TRANG BIỆM, DƯỠNG TÓC, NƯỚC HOA, DƯỠNG DA NAM, NƯỚC HOA NAM, THƠM NHÀ, ĐẶC BIỆT, and MỚI. A prominent banner at the top right reads 'MIỄN PHÍ VẬN CHUYỂN TOÀN CẦU'.

The main content area features a grid of products. Each product card includes an image, brand name, product name, and price. For example, the first row shows Clinique's 'Nước Thơm Sáng Da' (400ml/13.5oz) for \$32.00, Elizabeth Arden's 'Millenium Đêm Tái Tạo Kem' (48g/1.7oz) for \$61.00, Clarins' 'Bọt Rửa Làn Sạch' (125ml/4.oz) for \$24.00, and another Clarins product for \$18.00. Each card has a 'Cộng vào giỏ' (Add to cart) button.

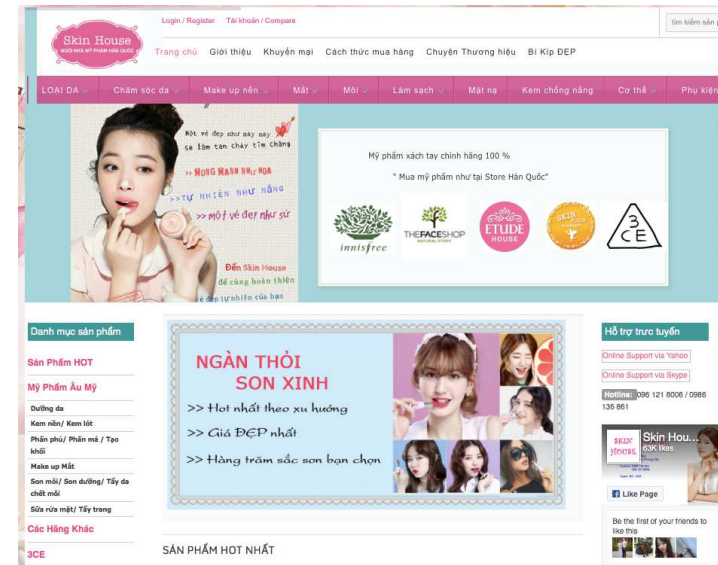
Below the product grid, there's a promotional banner: 'Ưu Đãi Hấp Dẫn từ US\$1 Chỉ 3 ngày! Nhận khi thanh toán' (Attractive Discount from US\$1 Only 3 days! Receive when payment). To the right of this banner is a 'MUA NGAY' (BUY NOW) button with the date 'Đến 8/2/2017 | Ưu Khôn'.

The bottom row of products includes Clinique's 'Dramatically Different Lotion Dưỡng' (125ml/4.oz) for \$32.00, Elizabeth Arden's 'Kem 8 Giò (Dạng Tuýp)' (50ml/1.7oz) for \$61.00, Elizabeth Arden's 'Millenium Thế Số 8' (75ml/2.5oz) for \$61.00, and Dermalogica's 'Chất Gel Rửa Làn SN...' (500ml/17.6oz) for \$18.00. Each card also has a 'Cộng vào giỏ' button.

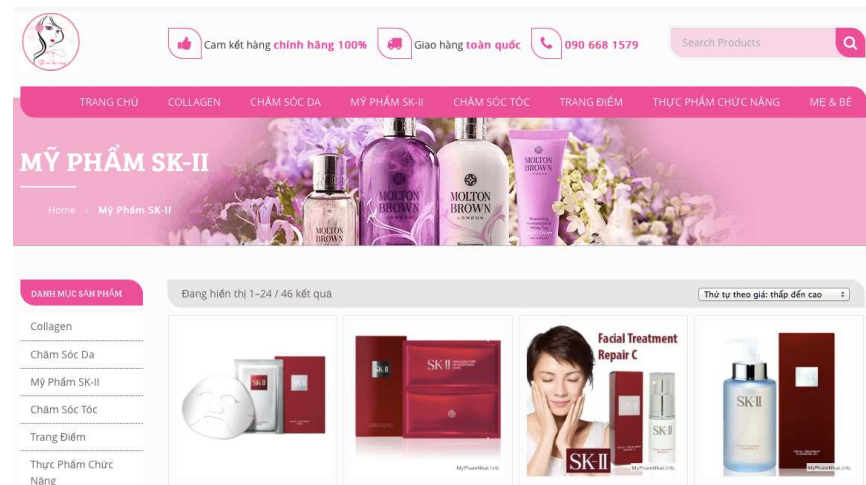
Strawberry.net



Kosmebox (korean)



<http://Skinhouse.com.vn>



SKII Japanese cosmetic

Drug stores/ Traditional pharmacies

- There are 2 type of stores, private and chain. Having products sold at this channel, the distributors have to bear a huge cost for advertising/ direct sales/ follow up activities. In return, they only give around 10% commission for the stores to make up. This channel is used mainly for medical cosmetics/ cosmetic with laboratories labels from France, US, and other European brands.



Traditional, private Pharmacy, My Chau Pharma



Drug Store – Guardian Vietnam

Counters in Department stores

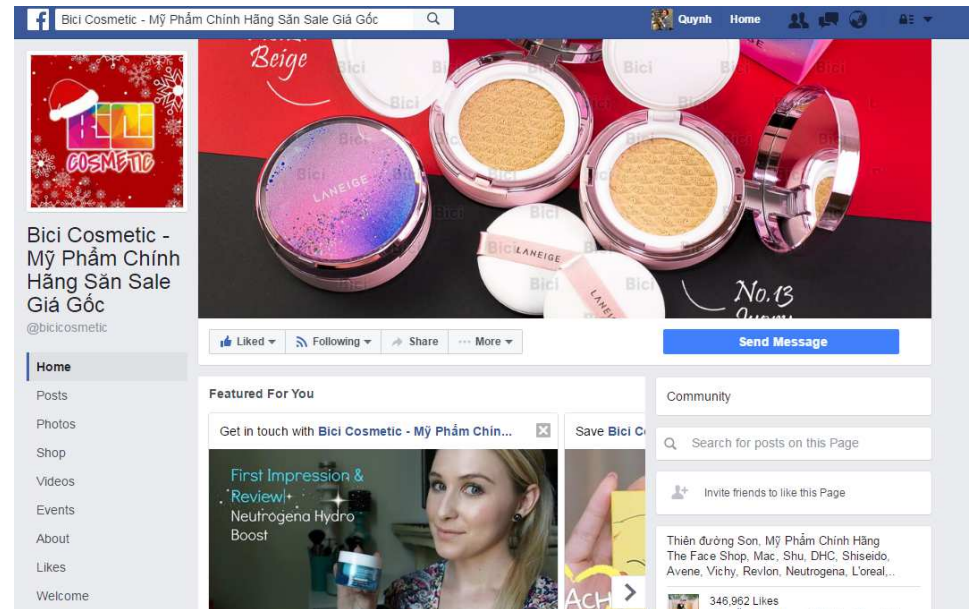
Vietnam Department stores don't import directly from manufacturers. They simply rent out the space. The distributors have to bear the rental cost which occupy in average 30% the sale prices. The practice that Vietnamese distributors set for this channel is that they will commit importing a certain amount of order monthly and the manufacturers have to share the cost of rental or sometime they have to pay for the rental. This channel can be considered as a sales channel for luxurious brands. Some distributors will invest in a proper showroom which is usually their office.



Minus 417 in Vietnam

Online shops utilizing social media

- This channel at this moment is considered as a very productive and cost effective approach to bring the product to the consumer. Apart from its advantages in cost saving, market coverage, it can reduce the position of the products in the market and also create the unclear competition with the other distribution channel. Most of the products sold in this channel are the low-recognized or hand-carried products from different countries.



A Facebook shop with 302,469 likes

Spas/ Skin doctors

This channel is mainly for products with laboratories' labeled products, less for self-care products. This channel can give the stability to sales but require lot of investment at beginning to train spas and doctors. Normally, the distributors will give out 30% of commission apart from providing printed marketing materials.



Grace 5 Skin Clinic*



*Alma Laser at
Grace Clinic*

Distribution Practices

Once suitable local distribution partners have been identified and selected, an effective distribution strategy must be formulated and implemented.

There are three options

1. Exclusive national distribution
 2. Non-competing regional distribution
 3. Nationally tiered distribution
-

Do and Don't

DO

- Since the market in Ho Chi Minh City for cosmetics and beauty products is much larger than that of Hanoi, it is advisable to select a primary distribution company based in Ho Chi Minh City.
- To serve the Hanoi market, a separate sales agent may be required because of the market's different characteristics
- Support in Marketing for local distributor

Don't

- Expect for big revenue in first year
 - Expect to get down to business at the first meeting or by email
 - Expect for easy and fast product registration procedure
-

Registration & Taxation

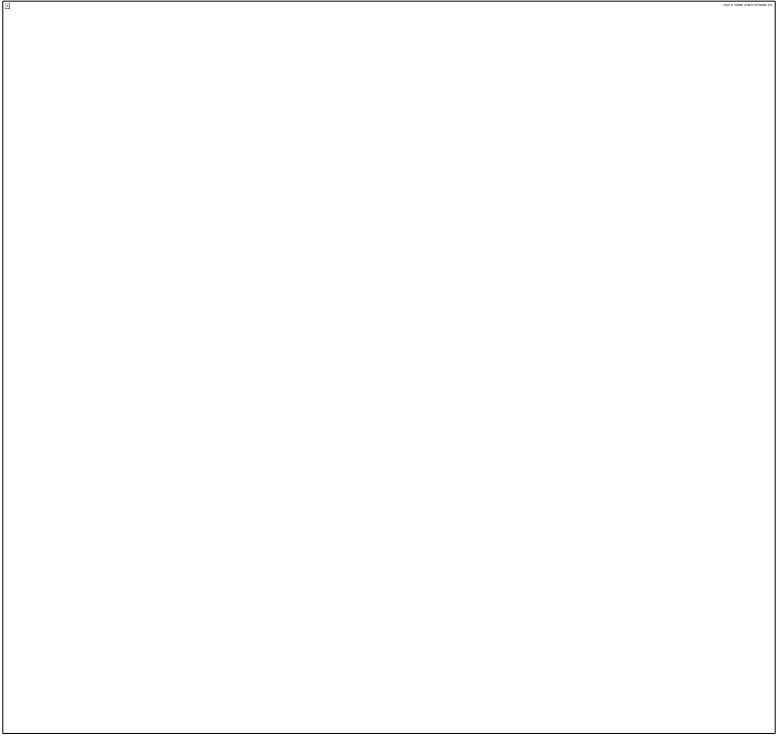
- Regulation
 - Imported cosmetics and beauty products must be registered with the Ministry of Health (MoH) for quality assurance and identification purposes
 - Company registration: There are no regulations requiring foreign companies to obtain registration prior to exporting cosmetics to Vietnam.
 - Product registration: For products that fall under the cosmetic categories, the exporter or importer must register each of the product with the MOH for quality assurance purposes
 - A permit must be obtained from the MOH to import the initial samples required for the health and safety inspections and quality assurance registration.

- Taxation: The Vietnamese Value Added Tax (VAT) is ten percent. The tariff rate is 20%- 25 % percent for cosmetics. The import duty on cosmetics products is calculated on the CIF value of the shipment. The VAT tax on imported goods is based on their CIF value plus the assessed import duty.

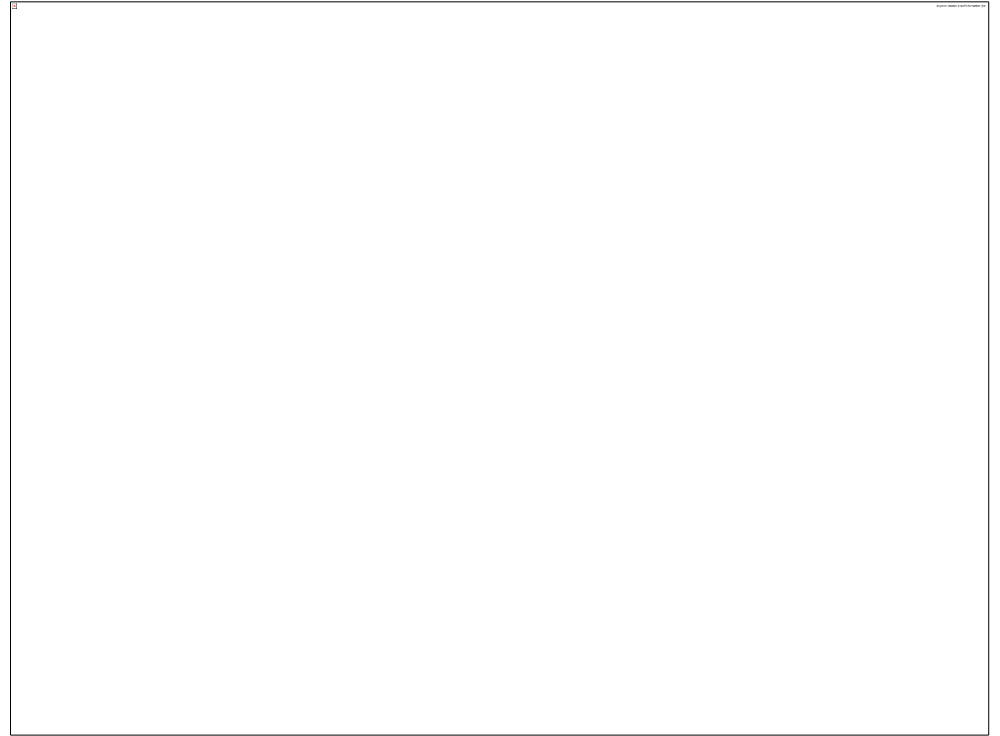
Please contact the Trade Mission in Vietnam for more information and Guideline

Cosmetic Delegation 2016

- Cosmetic Delegation is a 4 days event being held by the Economic and Trade mission and EIT from the 11 to 14 July 2016 in Vietnam with 2 days in Ho Chi Minh City and 2 days Hanoi,
 - 3 Israeli Companies: Seesee (-417), Liv Unique, Moraz
 - The program include: Luncheon with Media (~15 reporters), meetings with Distributors, Distribution Channel Tour and Evening event in Hanoi “ The Beauty Secret from Israel”
-

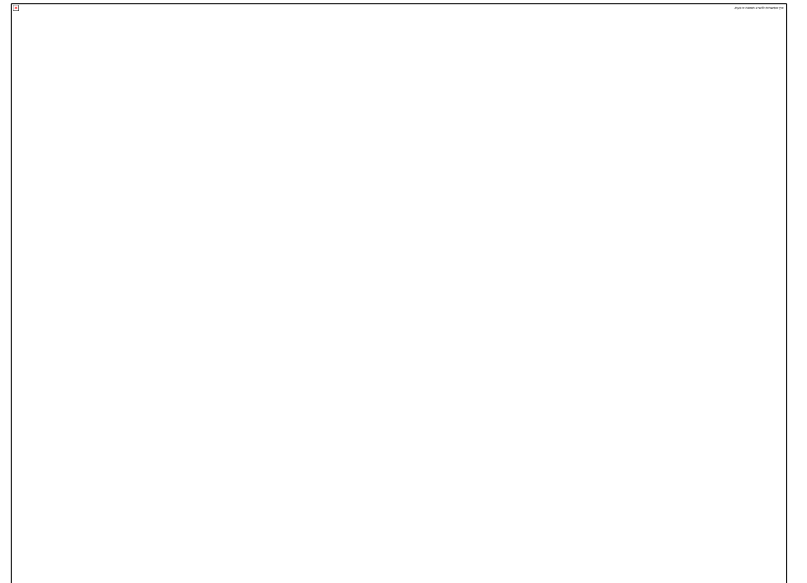
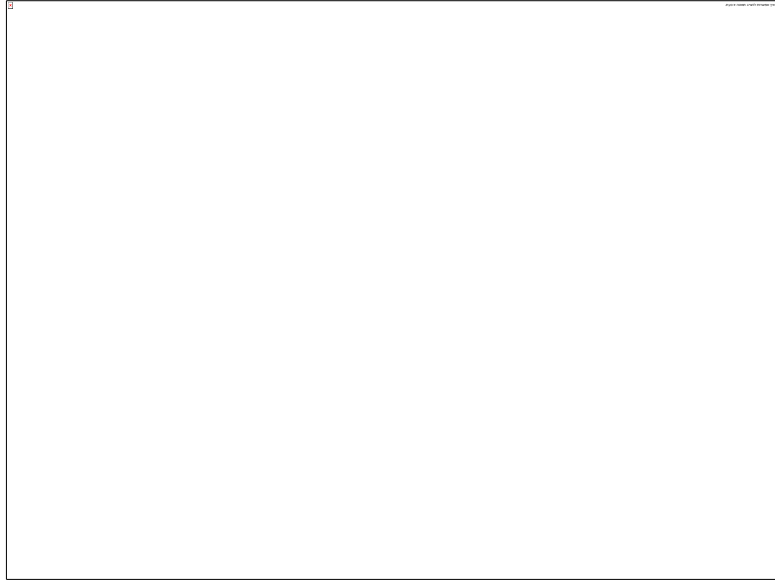
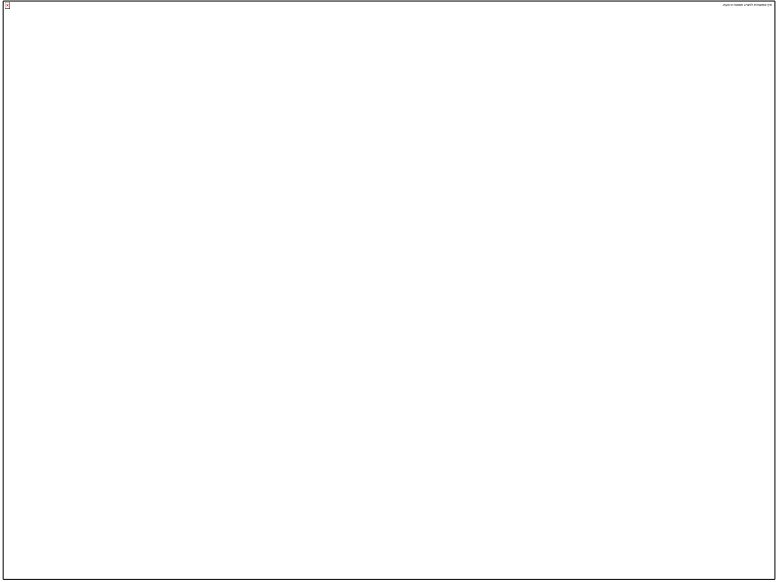


Luncheon with Medias



Meeting with Distributors





The Event Beauty Secret from Israel 2016



2017's Activities



Israel Cosmetic Exposure day

Israel Cosmetic Exposure day in Vietnam will be held in Ho Chi Minh City and Hanoi .The purpose is to


- Present your new products and innovations to Vietnam market
 - Connect with potential distributors for conference, B2B and 1-1 meeting
 - Generate business leads from high-quality potential distributors/ customers that attending.
 - Get inspired and see market trends, ideas and comments from Clients
 - Get market understanding and knowledge by looking into site visit and participating in seminars conducted by industry leaders.
-

Potential partners:





**About us,
The Economic & Trade Mission at the Embassy of Israel in Vietnam**

- The Economic & Trade Mission at the Embassy of Israel in Vietnam aims to enhance the business relations between the two countries by arranging a wide range of activities through which mutual trust and cooperation can be achieved.
- 

How the trade mission can assist

- Consulting
- Business Matchmaking
- Market Intelligence



Consulting

Planning and Strategy

- Consult a comprehensive business plan for entry or expansion into the markets
- Get ideas and cost-effective solutions to help achieve your business goals.

Legal and Regulatory Issues

- export licensing, export documents needs for shipping your products.
- certification requirements

Get assistance with customs-related issues

- Trade barrier or by market access issues or problems arise
-

Business Matchmaking

Contact Lists

- Identify potential partners.
- Market your firm directly to local companies.

Partner Search

- Identify and get local company reports.
- Determine the marketability of your product or service.

Customized meeting

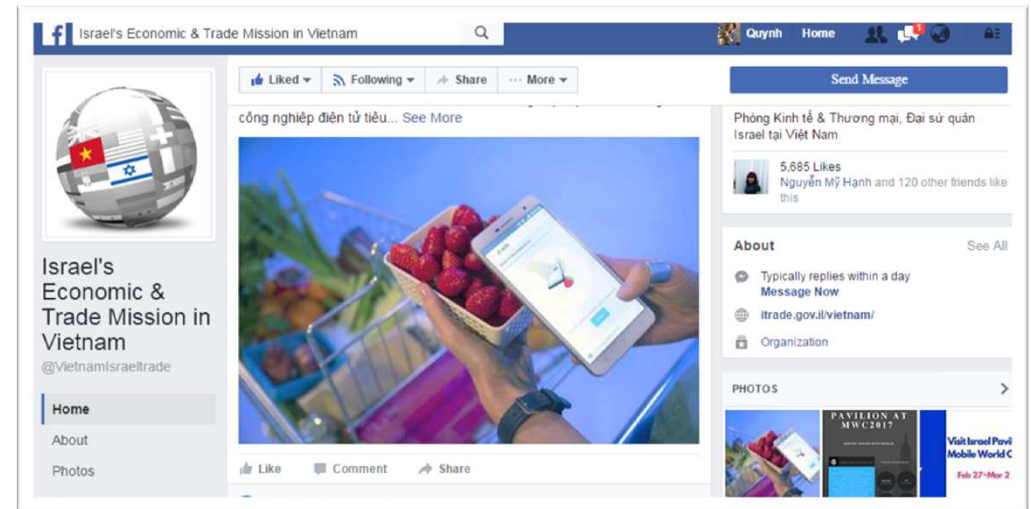
- 1-1 meeting with pre-screened buyers, sales representatives, and potential partners

Event, Trade show

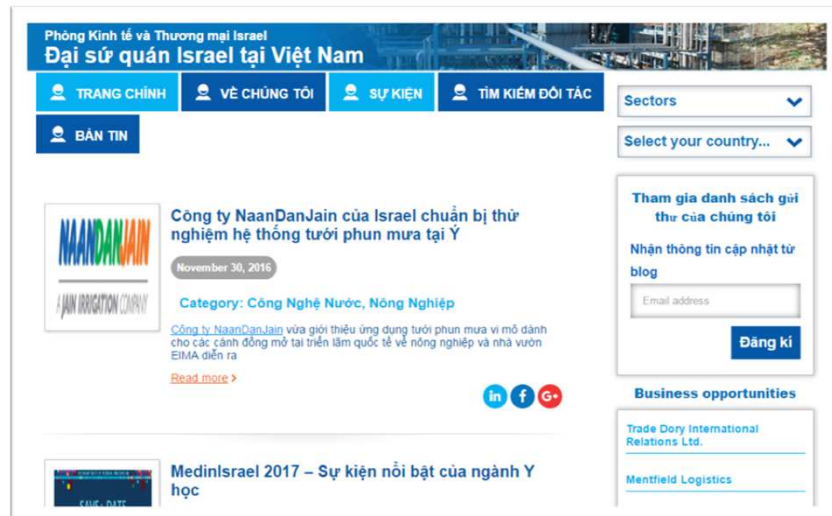
- *Provide list of Trade Shows, event in Vietnam and the region*
 - Attend and provide pre –schedule meetings with potential partners/ buyers at the shows
 - Organize trade show
-

In-Country Promotions

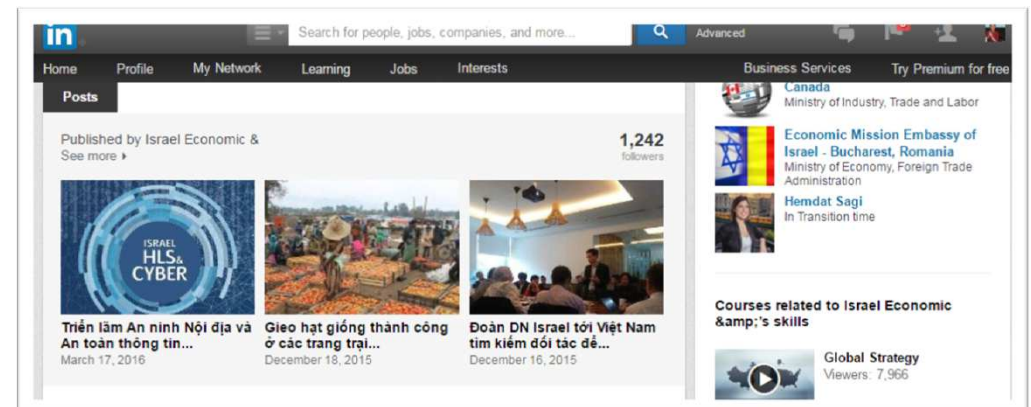
- Advertise in our network including, websites, Facebook and LinkedIn page
- Feature your company on our local-language Web sites.



Facebook page



Israel Trade Mission website



LinkedIn page

Market Intelligence

- Country and Industry Reports
 - Customized Market Research
 - Trade Data and Analysis
 - Provide trade data/ report (annual/ quarter)
 - Find industry-specific trade data
 - Provide and update trade agreement information.
-

Contact Us

For further information

The Economic and Trade Mission, the Embassy of Israel in Vietnam

Add: 68 Nguyen Thai Hoc Str., Ba Dinh Dist., Hanoi, Vietnam

Tel: (84 4) 3843 3140 (ext. 513, 514)

Website: <http://itrade.gov.il/vietnam>

Email: Vietnam@israeltrade.gov.il

LinkedIn: <http://vn.linkedin.com/pub/israel-economic-trade-mission-in-vietnam/34/a93/839>

- Facebook: <https://www.facebook.com/IsraelinVietnam>
-