



מינהל סחר חוץ
משרד התמ"ת

Overview of the Taiwanese cosmetics market

Each Taiwan woman averages spending US\$978 on cosmetics yearly, according to the Chinese-language version of Elle magazine.¹

Definition of Cosmetics in Taiwan

- Apply to external human body
- Used for
 - Moistening the hair or skin
 - Stimulating the sense of smell
 - Covering body odor
 - Improving facial appearance²

Cosmetic Classification in Taiwan

- General cosmetics NOT containing medicine or potent medicinal ingredients on the positive list do NOT require a pre-market approval³. Essential information such as the name and address of the manufacturer; the name of the cosmetic; the number of license/permit; the ingredients, usage, weight or volume, and the lot number or the manufacturing date shall be indicated on or in the package.
- Medicated cosmetics containing medicine or potent medicinal ingredients on the positive list require a pre-market approval by the TFDA (including for sunscreens, hair dyes, perms, and antiperspirant deodorant and teeth-whitening products) (for detailed positive list please see appendix A).

Current Market situation

- Market size

The current market value of the Taiwan cosmetics market is estimated to be \$3.3 million. Drawn by 30 percent profit margins and the relatively low capital needed to obtain franchise rights, more Taiwan manufacturers are investing in the cosmetics industry these days. At the same time, many foreign counterparts have strengthened their efforts to cultivate the Taiwan market. In 2002, after entering the WTO, the government

¹ http://taiwaninfo.nat.gov.tw/ct.asp?xItem=58296&CtNode=103&htx_TRCategory=&mp=4

² https://www.google.com.tw/url?sa=t&rct=j&q=&esrc=s&source=web&cd=5&cad=rja&uact=8&ved=0CEUQFjAEahUKewj3tJyttZPHAhULINsKHR33BJg&url=http%3A%2F%2Fwww.cieca.org.tw%2FConferenceData.aspx%3Fmrid%3D517&ei=TsfCVffVBlvA7Aad7pPACQ&usg=AFQjCNGucg_H-Dx4oDnYHX_ms4C4VAO_7g&sig2=8ExkFAuU1SVOuvcEhyWAGA

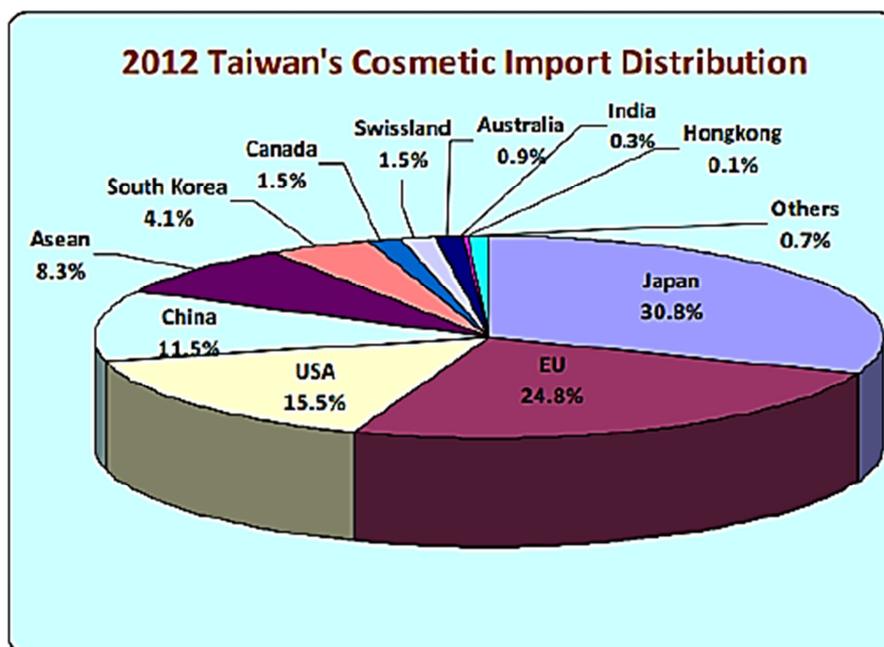
³ http://www.export.gov.il/uploadfiles/12_2014/cosmeticmarkettaiwan.pdf

has lowered tariffs for cosmetic imported to Taiwan, for Israeli companies, the tariffs for cosmetics vary from 0%-20%. Most skin care, hair care products are in the 0% category⁴.

In 2012, the main importing countries for cosmetic products are Japan (30.8%) (see Chart 1), EU (24.8%), United States (15.5%), China (9.85%), South Korea (4.1%) and other countries (24.21%). In recent years as the Korean drama continued to be popular in Asia, the number of people that travel to Korea and buy Korean cosmetics, beer and other export sales have also soared. South Korean cosmetics products entering Taiwan has had a substantial growth of 41.94% in 2013⁵.

In addition, with the tourists visiting from Mainland China, has brought tremendous purchasing power. The quality is much better, and with reasonable price, they often return home with suitcases full of facemasks and other luxury brand items.

Chart 1. 2012 Taiwan's cosmetics market: Import



- Major players

⁴ www.trade.gov.tw/App_Ashx/File.ashx?FilePath=../../內文上冊.pdf

⁵ http://ibuyplastic.com/tech_center/tech_paper/tech_detailcontent.phtml?id=824&IBP_SID=8464d441172a34d88117da4dab8942ed

Many of the players are enjoying handsome increases in revenues year after year. Some are even posting sales growth despite a slack overall economy.

Out of the more than 20 imported brands, Lancome, Elizabeth Arden, Christian Dior, Estee Lauder and Clinique lead the way. Together they account for a more than 70 percent share of the total cosmetics market in Taiwan.

To tap into the lucrative Taiwan market, foreign cosmetics makers usually follow three steps. First, they work through local agents and then joint ventures. Ultimately, they establish their own branches for a direct marketing presence⁶. For example, brands like Laura Mercier, Jurlique depend on their Taiwanese partners to be their eye and ears, most brands falls in this category. AmorePacific made its entry in Taiwan in 1989 selling products through a joint venture under two brands — Laneige and Iope. As a result of Laneige's great success, the group established a separate, wholly owned subsidiary in Taiwan in 2004 and introduced various brands in the market in succession, including a herbal medicinal brand, Sulwhasoo.⁷

- Distribution

Distribution channels in Taiwan include supermarkets, pharmacies, department stores, specialty stores, direct sell, internet, salons, and shopping networks.

Department stores are still monopolized by global high-end name brands, especially prime retail space on the first floor, but more and more department stores are opening their doors to new brands, for instance, SABON has just opened 4 stores in department stores in northern Taipei.

Supermarkets and drug stores are geared more towards mass market cosmetic brands, but because some have pharmacists on staff they also offer specialty skin care products, like brands developed by doctors, or brands like Vichy and La Roche-Posay.

Salons usually offer more unique products, some require their own branding. The price point of salon products can sometimes be as high as name brand, thus, potential for creating differentiation and loyalty with consumers through their own brands as a means of securing higher margins while also offering consumers a better value.

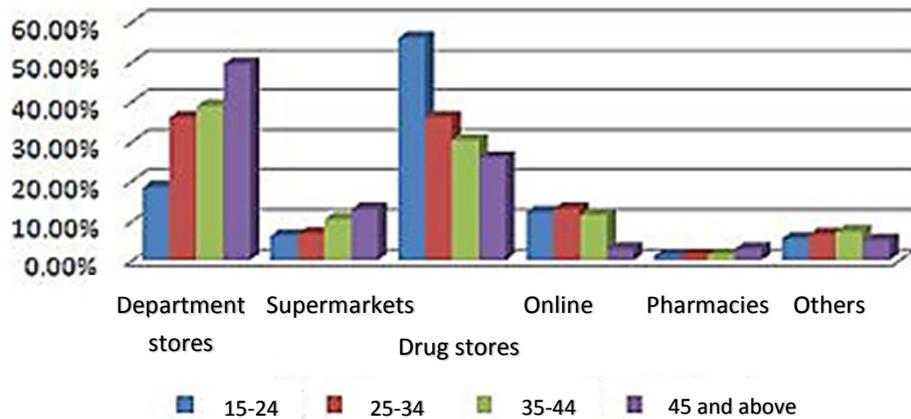
The ecommerce channel has leveled the playing field for brands all over the world, by leveraging product availability, search rankings and content quality (images, reviews, etc.), affordable and brands that are not offered in the local market alike can challenge offline leaders. In addition, online content can also create offline opportunities. The

⁶ <http://taiwaninfo.nat.gov.tw/fp.asp?xltem=58296&CtNode=103>

⁷ <http://www.taipeitimes.com/News/biz/archives/2014/06/02/2003591781>

Taiwan consumer will turn to ecommerce to look for a more competitive price or easier accessibility.

Chart 2. Female age and cosmetics purchasing channel cross-analysis⁸



According to polls done by online market research company Pollster, female age 15-24, around 55% purchase their cosmetic items at drug stores, age 25-34 crossover from drug stores to department stores, two ends of the spectrum, while female age 45 and above mostly shop at department stores.

Department stores mainly offer international name brands and luxury brands; therefore, the price point is relatively higher. Supermarkets and drug stores overlap in product offerings, but supermarkets usually sell in bulk, appeals to family oriented buyers. Other than accessibility, online shops offer brands and products that are not available elsewhere; the price can sometimes be as high as department store products. Salon brands often contain special ingredients, paired with customer service, the price can also be quite high.

Chart 3. Product-price comparison between channels

	Department Store	Supermarkets	Drug Store	Online	Salon/direct sell
Skin care	\$212(Shisedo)	\$12(Neutrogena)	\$12(Neutrogena)	\$86(Diet Esthetic)	\$109(Chlitina)
Color cosmetics	\$45(Shisedo)	\$15(Maybelline)	\$15(Maybelline)	\$22(UNT)	\$42(Chlitina)
Hair care	\$63(Kerastase)	\$4(Dove)	\$6.5(Dove)	\$33(MUJER Ce Bio)	\$21(Chlitina)(2 pack)
Body care	\$40(Shisedo)	\$3.9(Dove)(1L)	\$3(Dove)(750ml)	\$31(MUJER Ce Bio)	\$34(Chlitina)
Sun care	\$35(Shisedo)	\$16(Neutrogena)	\$16(Neutrogena)	\$46(ECO)	\$59(Chlitina)
Oral care	\$13(L'erbolario)	\$5(Colgate)(2 pack)	\$4(Colgate)	\$8.5(Oral Fresh)	\$10(Nu Skin)

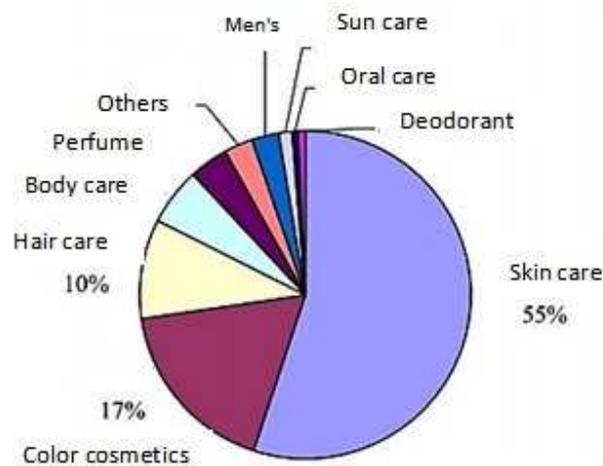
- Popular products

⁸ http://www.pollster.com.tw/Aboutlook/lookview_item.aspx?ms_sn=133#

The cosmetic products market is dominated by skin-care products, color cosmetics, anti-aging, whitening, moisturizing, oil control/blemish control, sunscreen⁹, especially whitening. Products like BB creams, face masks, serums are all hot selling items, it is estimated that the face masks market will reach 19 billion US dollars by 2018¹⁰ (see Chart 4).

Products that contain special ingredients are also very popular in the market. Ingredients like Hyaluronic acid, collagen, Q10, snail essence, Arbutin, Tranexamic acid, Mandelic acid, etc..

Chart 4. 2013 Taiwan cosmetics market analysis¹¹



Regulations

Cosmetics entering Taiwan are required to go through the following steps:

1. Pre-market approval & registration for cosmetics

For importation of any cosmetic containing medical, poisonous or potent drug, an application stating in detail the name and content of raw materials, the name of colorant used, and the usage of the cosmetic, accompanied by the label, leaflet, samples, package, container,

⁹ <http://news.ezprice.com.tw/3831/>

¹⁰ www.honorchem.com/getfile2.php?ms=bl9JRD01Mw

¹¹

<https://zh.scribd.com/doc/270692077/%E6%9E%97%E6%80%A1%E9%9D%9C%E7%9A%84%E7%95%A2%E6%A5%AD%E8%AB%96%E6%96%87-%E6%9C%80%E7%B5%82%E9%80%81%E5%8D%B0%E7%89%88%E6%9C%AC-docx>

certificate of analysis and relevant supporting documents, together with the payment of license/certification fee and examination fees shall be submitted to the central competent health authorities for its examination and testing. The cosmetic may be imported only after an import license is issued by the central competent authorities.

For importation of any cosmetic not containing any medical, poisonous or potent drug, an application stating in detail the name and content of raw materials, the name of colorants used, and the usage of the cosmetic, accompanied by the label, leaflet and relevant supporting documents, together with the payment of examination fees shall be submitted to the central competent health authorities for its reference and file, except for those cosmetics for which submission of the foregoing application is exempted by the central competent health authorities as per its public notices¹².

To help speed up the process and to conform to international norms and standards, referring to the international cosmetics management policy, the TFDA has propose the “Cosmetics Product Notification Portal”. With the exemption of the pre-market approval & registration when implementing this new system, it will shorten time to the market and improve competitiveness of the products¹³.

Meanwhile, according to Article 9 in “Statute for Control of Cosmetic Hygiene” Cosmetics to be imported shall be limited to those which are supplied in their original packaging, and they shall not be repackaged domestically, either into separated package or altered package, before being put on sale, unless otherwise approved by the central competent health authorities¹⁴.

2. Advertising examination for cosmetics

No obscene, immoral, false or exaggerate advertisement may be published in newspapers, publications, advertising leaflets, or on broadcasting, slides, motion pictures, television and other mass communication media for promoting the sale of cosmetics.

Before publicizing or advertising any cosmetic product, the manufacturer or distributor shall first submit to the central, municipal or county/city competent health authorities for its approval all the text, pictures and/or oral statements contents; and shall subsequently present the approval letter or certificate to the mass communication institutions concerned for their examination, and the valid period is one year.

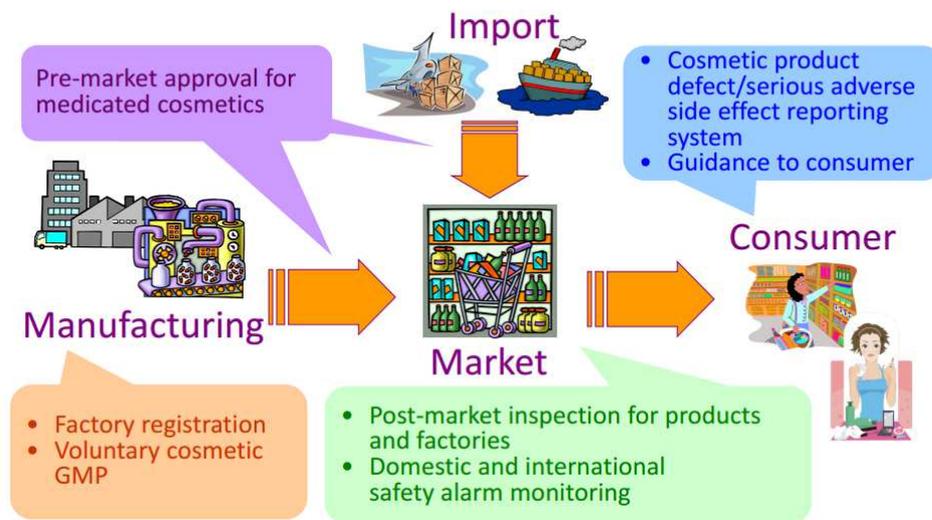
Graph 4. Taiwan cosmetics regulation measures

¹² <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=L0030013>

¹³ <http://www.fda.gov.tw/tc/AnnuaReport/2014/E/index.html#55/z>

¹⁴ <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=L0030013>

Regulation Measures



For details please see TFDA website: <http://www.fda.gov.tw/EN/index.aspx>

Beauty and Personal Care Market trends beyond 2015 in Taiwan

- More new brands are launched by leading companies
Leading international brands have gradually concentrated on multi-brand strategies, with mass offerings. With the economic slowdown, Taiwanese consumers prefer low priced and high performance products. These promotional strategies aim to attract younger and more price-sensitive consumers.
- Gradual expansion of the target audience
Consumers are starting to use skin care products at an earlier stage of their lives. Convenience and ease of use enable consumers to shop online. Male consumers not only purchase skin care but are also keen on products that are functional and seasonal. Influenced by trends in South Korea, Taiwanese consumers are increasingly buying color cosmetics, such as mascara, eye liner/pencil, and lip care.
- International brands monopolize sales
Taiwanese consumers tend to purchase well-known brands, because they have a strong brand image, and their longstanding presence in the country has gained consumers' confidence.
- Beauty specialist retailers dominate sales of beauty and personal care
Beauty specialist retailers accounted for the largest sales of beauty and personal care. This channel benefits from offering the lowest prices, annual discounting activities, complete product ranges and professional service to help consumers.
- Natural concept influences product innovation and development

Safe and environmentally-friendly ingredients attracted the attention of consumers with sensitive skin and more consumers are willing to spend on better quality and safer products. Manufacturers are expected to increase the price of their natural and organic products, and increase their sales in value terms¹⁵.

¹⁵ http://www.export.gov.il/uploadfiles/12_2014/cosmeticmarkettaiwan.pdf