Alliance experts

# Palestine Trade Centre

PALTRADE
مركز التجارة الفلسطيني
PALESTINE TRADE CENTER

# Market Study for the United Kingdom for Cosmetics

Commissioned by Paltrade

## Contents

# 1 Introduction

The natural cosmetics sector has always been a leading sector in Palestine, especially from the Dead Sea. The formulations are based on modern scientific knowledge combined with traditional recipes. The products consists of 100% natural ingredients (olive oil, natural ingredients, Dead Sea minerals, herbs with healing and nourishing effect, essential oils, natural oils)

The industrial sector in Palestine includes some 15,000 registered companies in the West Bank and Gaza. The majority of these are small and medium family-owned businesses. This study aims at achieving more growth in the economy. It will also focus on possible ways to provide assistance in the UK to increase their market share and penetrate more international markets.

The cosmetics companies involved in this study are:

1. Dead Sea Pearls,
2. Nablus Soap Company and
3. Arab Industrial Co

## 1.1 Product description

For this research we have focused on the following HS code categories:

| **Products** | **HS Codes** |
|---|---|
| Premier Dead Sea salt, Dead Sea facial mud masks, Dead Sea bath, Dead Sea salt scrub, handmade mud soaps | 33049990 |
| Liquid soap, olive oil and lemon | 34011941 |
| Herbal soap | 34011110 |
| Soap and organic surface-active products and preparations, in the form of bars, cakes, moulded pieces or shapes | 34011900 |
| Cosmetics soap – vennas Bumba L Sport Bath ball | 34011990 |
| Hotel soaps | 34013090 |
| Artisan Handmade Mineral Soap | 3401115000 |
| Moisturizing Day Cream | 33049930 |
| Foot Care Cream | 33049190 |
| Face, hand and body creams and lotions | 3304999020 |

## 1.2 Objectives and methodology

Our primary objective for the Market Study was to gather the information necessary to give Palestinian exporting companies, in particular those who participated in the supply survey, a good overview of the characteristic of the UK market, and a perspective on their chances to sell into this market.

In order to do so, we have used the following approach for each of the topics as highlighted in your Terms of Reference:

| | |
|---|---|
| Describe the **characteristics** and **structure** of the UK market; including the identification of **potential importers**, **distributers**, **end-users** etc…; | Compiling existing research reports. We identified the best-selling products currently offered in each category in the market, complete with pictures of the goods and their packaging. Listing leading retailers and wholesalers. |
| Assess the potential for augmenting **demand** and/or changing to new sources of **supply**; | Research on trends and volumes in the market. Calls with industry organizations and various parties in the value chain. |
| Identify impediments affecting imports; | Calls and meetings with importers/distributors |
| Determine areas in which specific enterprise-level assistance may be requested such as: **licensing, customs duties, taxes, quality control, other rules and regulations affecting imports** etc… | Calls and visits with importers in Saudi, and exporters on the Palestinian side |
| Provide information about **trade procedures, trade logistics, needed documents and standards to enter UK.** | Compiling information obtained from governments, custom authorities, and industry organizations. |
| Identify areas where **measures are required to facilitate imports** from diversified sources of supply. | Based on the information gathered for the previous points, we can easily identify these and provide recommendations. |

# 2 Summary of conclusions and recommendations

## 2.1 Market overview

The UK cosmetics market has a size of almost 10 billion GBP. Skincare has a size of around 2.3 billion GBP, and facial care is the largest sub-segment. The projected growth of the market, corrected for inflation, is around 1.2 percent per year. This shows that the market is rather saturated, and that there is not much room for new entrants. The main category of 'new entrants' are online sales platforms, mainly from China.

The French cosmetics conglomerate L`Oreal is the leading player in the United Kingdom skincare market, generating a 15.1% share of the market's value. The Estee Lauder Companies Inc. accounts for a further 10.7% of the market. The other two big companies are Beyersdorf AG and Proctor & Gamble.

Apart from these big conglomerates, with already over 20 brands actively being promoted in the UK, there are many smaller companies who are either based in the UK, or who target the UK because of the ease to enter the market (in terms of language), the relatively affluent population and the 'standing' of London.

## 2.2 Distribution channels and import

The big brands mentioned in paragraph 3.5 have direct sales relationships with the major retail chains in the UK. Most other brand will work through wholesale channels, who import and distribute among the various retail chains and outlets. The number of enterprises for the wholesale of perfume and cosmetics in 2016 was 1.475, and there is a clear growth.

The relevant retail channels can be split up in Health and Beauty Chains:
(such as Boots with 2,500 stores), Specialist Retailers (like The Body Shop, also with 2,500 outlets), Department Stores, Supermarkets (where Tesco is leading with 1,800 stores) and professional channels such as the nearly 7000 Beauty Salons or almost 2000 Spas. Another channel, especially for introducing new products as bathroom amenities, could be hotel chains.

## 2.3 Options to enter the market

There is a number of major trends in the market that can be translated into concrete guidelines to enter the market:

- Customisation of cosmetics, e.g. to create a mix of ingredients based on the characteristics of the skin.

- Look good and feel good: paying sufficient attention on how the product is used and what feeing it should give.
- Ethnic marketing: in the UK, there is increased demand for cosmetics, specifically designed for the rapidly growing number of ethnic consumers. It is estimated that 16% of the UK population is from a non-white ethnic group and it is forecast that ethnic minorities will make up a third of the UK population by 2050.
- Natural and organic products: the health and wellness trend has increased the demand for more clean, natural and organic perfumes and scented personal care products, creating a strong emphasis on quality ingredients and formulations.

What all these trends have in common is that just a description of the product's functionality is not good enough. Storytelling, describing experiences and the option to try out the product first are important.

## 2.4 Market entry recommendations

Based on the contacts that we had with potential buyers we see that some importers are open to new products. This openness is not a guarantee for closing a deal but can be a good start. However, this requires a good presentation of the products, their benefits and the story behind. This may be done integrated in the packaging, but it can also be in a blog article, and advertisement of in a short video.

**Recommendation 1: help Palestinian exporters to position, package and present their products better.**

For the Palestinian companies, it would be the most efficient to have a joint pavilion on one of the bigger trade fairs in London, preferably the Professional Beauty London fair in February 2019. This would also allow us to invite the interested importers to see the products and learn more about the companies.

**Recommendation 2: stimulate Palestinian exporters to attend one of these fairs together, with a joint pavilion.**

In case this does not lead to direct results, there is the option to do an individual importer search. This allows for more intense interaction with an importer. However, this process requires a local consultant who will be involved for a longer period.

**Recommendation 3: do individual importer searches where necessary.**

For those products that are new to the UK market, it is important to invest in market development with advertisements, background stories, blogs and sampling. Even without having a strong distributor, it would be useful to make these products countrywide available on online Platforms. Amazon.co.uk is open for cosmetic products and offers local warehousing and fulfilment. If a product sells online, it will also be easier to convince potential importers.

**Recommendation 4: facilitate online sales in the UK, and combine this with media publications.**

## 2.5 What Alliance experts can do for you

**Recommendation 1: We can provide detailed market insights, packaging and positioning advice**
We now know both the products and the market, and our local specialists can easily point out where the current packaging and positioning go wrong. We can advise your packaging designers, bringing in examples of what works well in the market, or consult with a designer in the target country. We can help reformulate your brand story, enhancing those aspects that are commercially important and can be the basis for a marketing campaign.

**Recommendation 2: We can advise on how to present yourself at a trade fair and invite potential buyers to come to the Palestinian pavilion**
Together with Paltrade and the participating companies in a trade fair we can advise how to best present Palestine and the products of the respective companies. With our current contacts with importers and distributors, we can also personally invite them to visit the Palestinian pavilion and let the meet with the most relevant companies. If necessary, we can also extend this invitation round to more companies. This is a limited extra investment that strongly will increase the yield of participating in the exhibition.

**Recommendation 3: do individual partner searches**
Alliance experts is specialised in selecting the right agent or distributor in the over 30 countries where we are active. We live there, work there, know the culture and speak the language. And we think from the perspective of the local distributor. This helps us to make connections and arrange appointments.

Based your strategy for your market entry, we draft a partnering profile, describing your company and the type of partner that you are looking for. In parallel, we list a broad range of potential distributors or agents. We discuss this long-list with you, to see what type of companies you want to focus on. We then approach the companies with your profile in hand. We call them in the local language, get through to the right decision maker, send your profile and follow-up to see whether he or she is interested in an appointment. Once we have a short-list of interested companies, we try to arrange meetings for you shortly after one another, so that you can come over and spend your time efficiently.

**Recommendation 4: facilitate online sales in the UK, and combine this with media publications.**

With our initiative https://exporteers.online we help companies to sell their products abroad on local e-commerce platforms. We set up a local company who is formally the seller, do the customer care and manage the fulfilment. The only thing you have to do is to ship your goods per box or pallet to a central warehouse from where the individual packages are shipped. Your goods remain your ownership up to the moment we have sold them to the customers. This way your products are easily available in the market. We will offer this service also in the UK starting in 2019.

Having your products online does not guarantee sales. You also have to invest in marketing, and this is strongly dependent on the product. We help you get your product under the attention of blogger, we arrange Facebook postings and can manage your local online advertising. Once your product gets traction, it will also be easier to find a local distributor.

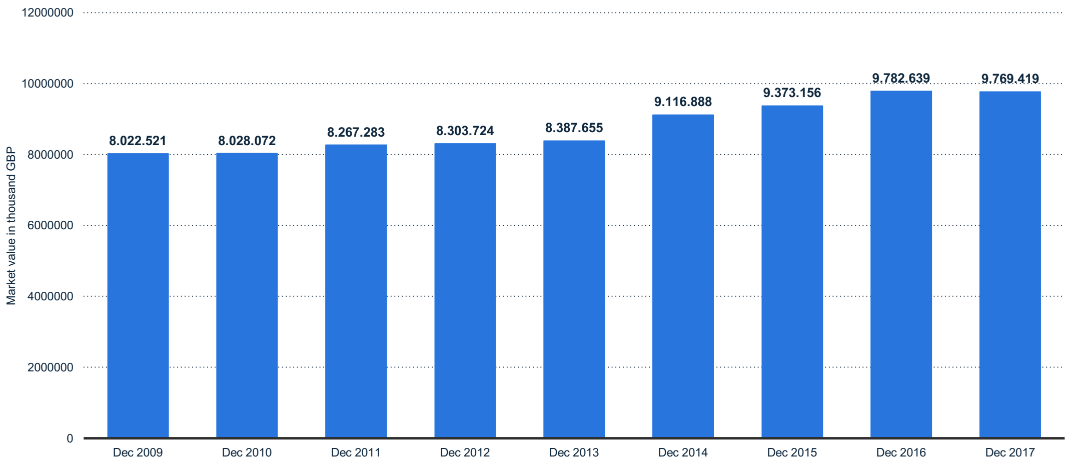
# 3 Import profile of the sector

## 3.1 Market size

The market value of cosmetics in Great Britain was 9,769 million pounds (12,764 million dollars) in 2017. The market has steadily grown since 2009, and stabilised between 2016 and 2017. [1]

Market value of cosmetics in Great Britain from 2009 to 2017 (in 1,000 GBP)

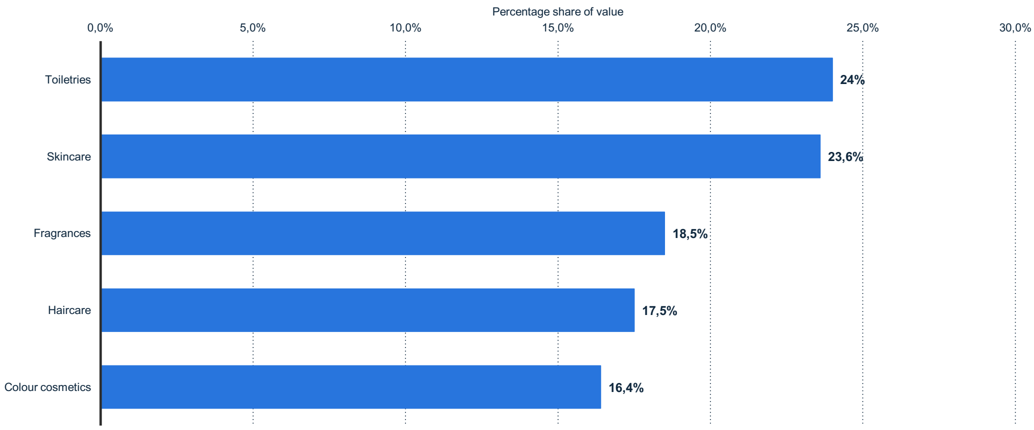
Cosmetics: Market value in Great Britain 2009-2017




The main categories in this market were toiletries and skincare. In this research we will primarily focus on skincare products.

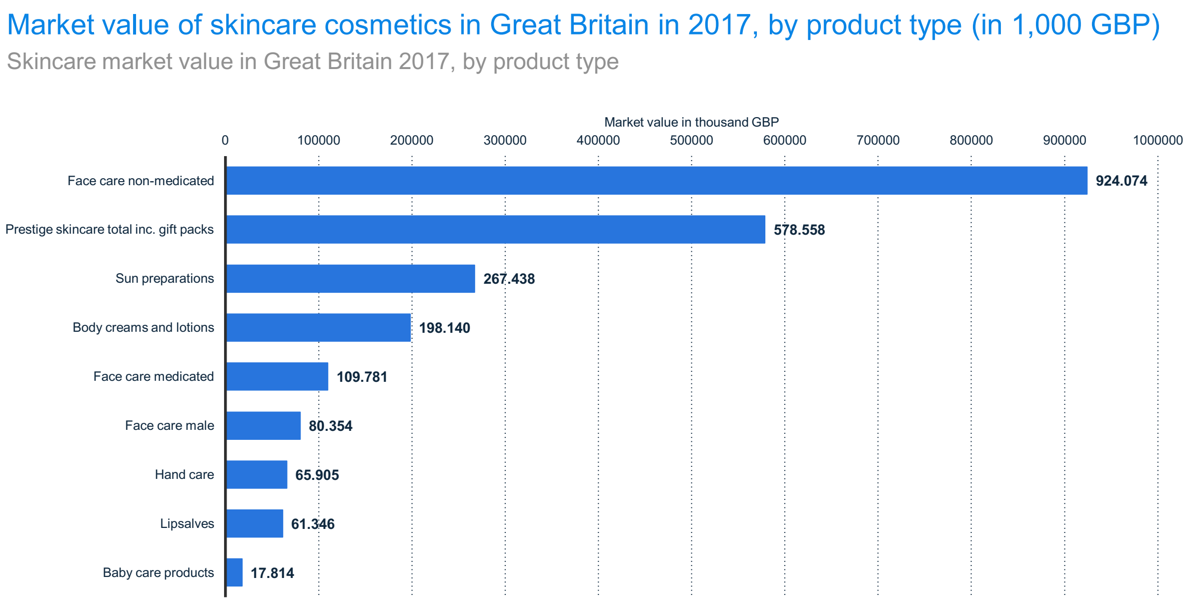
Value market share of cosmetics in Great Britain in December 2017, by category

Cosmetics market share in Great Britain 2017, by product category




[1] Statista

Skincare had a market share of 23,6%, making it a market of 2,3 billion GBP[2]. The category can even be detailed further, with face care as the leading category.




Facial care (defined as a group of four categories in the graph above) is the largest segment of the skincare market in the United Kingdom, accounting for 79.5% of the market's total value. The body care segment accounts for a further 14.7% of the market.

## 3.2 Growth rate

United Kingdom Health & Beauty market is forecast to grow further over the next five years, in part driven by inflation which reached 2.1% in 2017 - the highest level since 2000[3]. There will be customers who want to reduce on self-care and giving health and beauty related presents, but the majority will continue to spend more. This is supported by growing consumer interest in health and wellness.

The United Kingdom skincare market grew by 1.1% in 2016 to reach a volume of 797.8 million units. The compound annual growth rate of the market in the period 2012–16 was 1.2%.

[2] Statista
[3] Marketline : Skincare in the United Kingdom from December 2017

**Table 2: United Kingdom skincare market volume: million units, 2012–16**

| Year | million units | % Growth |
|---|---|---|
| 2012 | 761.1 | |
| 2013 | 770.0 | 1.2% |
| 2014 | 779.3 | 1.2% |
| 2015 | 788.8 | 1.2% |
| 2016 | 797.8 | 1.1% |
| | | |
| CAGR: 2012–16 | | 1.2% |

SOURCE: MARKETLINE MARKETLINE

Skincare is forecast to be the fastest growing subsector out to 2022, caused by product innovation in both the mass and premium markets. We expect skin preparation products such as masks, serums and primers to outperform.

## 3.3 Market Potential

In 2021, the United Kingdom skincare market is forecasted to have a value of 2,438 million GBP, an increase of 6% since 2016[4]. The compound annual growth rate of the market in the period 2016–21 is predicted to be 1.2%. However, given the uncertainty of Brexit and other factors, there may also be a chance that the sector will suffer a slowdown in growth until 2019, increasing at an average rate of 0.6%.

The UK personal care and cosmetics products market is mature and saturated with many competing brands such as Garnier, Biotherm, Lab Series or Nivea. Key competitive factors for selling cosmetics in the UK include product innovation, quality, and price. Price can also be a tool to appeal to a certain market segment, La Prairie for example takes with its pricing the high end of the market, where Nivea targets a significantly lower segment in the market.

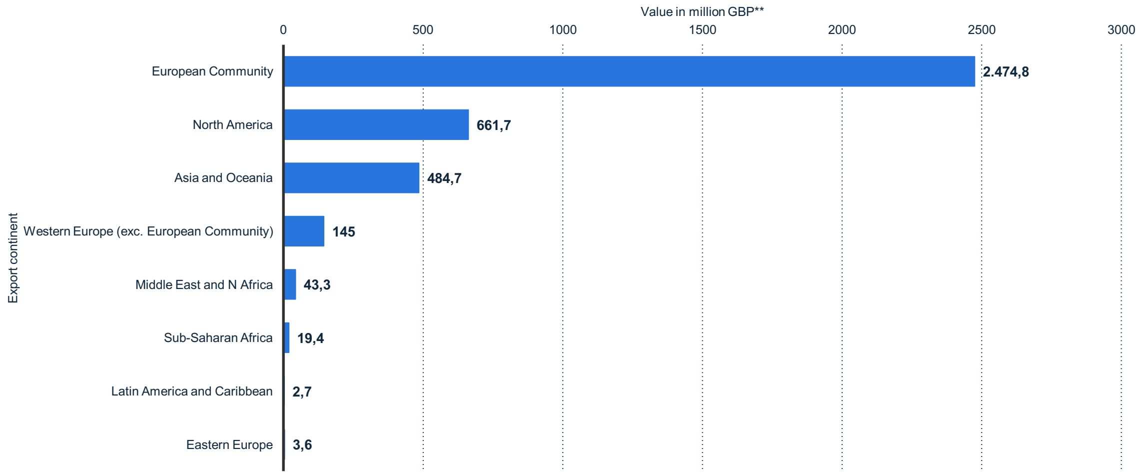
The increasing UK population aged 65 and over, offers potential for exporters of anti-aging cosmetics, such as Elemis, Vine Vera, SkinCeuticals or Bioelements. In addition, the UK's ethnic population is growing significantly, with an estimated 16% of the UK population from a non-white ethnic group, the largest of these groups being Asian.

In order to see the potential for Palestinian companies, we have to look where most cosmetics come from. For the largest part this is from the European Union and from North America[5]. If there will be a 'Hard Brexit', then trade with the European Union might be strongly impacted, and not be preferential over trade with other countries. This may create new chances.

[4] Marketline : Skincare in the United Kingdom from December 2017
[5] Statista

Value of cosmetics, toiletry and soap imports into the United Kingdom (UK) in 2017, by continent (in million GBP)

Cosmetics imports value into the United Kingdom (UK) 2017, by continent




If we look at the still relatively large part for Asia and Oceania, then this is explained by online sales. As of 2018, more than 37% of the cosmetics that were ordered online were ordered with a web shop in East Asia. "In 2017, APAC [Asia Pacific] led the global online Beauty and Personal Care (BPC) products market. Over the years, the increasing access to online shopping using the Internet and smart gadgets are substantial factors that have been contributing to the growth of the market. Heavy discounts, bundle pricing, and seasonal sales attract customers toward online shopping for BPC products on several e-retailing shopping portals."

Stores remain the primary purchase channel, with 93.5% of sector shoppers buying instore. Boots remains the market leader with a 20.5% share in 2017 - though this has dropped on the year owing to further price pressure from general merchandisers and discounters. However, spend continues to shift online, with sales forecast to grow with 65.9% out to 2022, to reach 11.6% of the market. [6]

## 3.4 Market history

While some people assume that cosmetic products are a recent invention, discoveries of the use of cosmetics go back thousands of years. Cosmetic products have been in existence for thousands of years. In 400 BC, Greek Olympic athletes covered their bodies with a 'sunscreen' mixture of sand and oil to protect their skin from the sun! The Chinese Cho Dynasty (600 BC) used gum, egg whites, gelatine and beeswax to create nail varnish.

[6] *Technavio for Consumer services and personal care-research*

The use of henna as a hair colorant was first recorded around 1400-1500 BC. A soap formula was found written on a Babylonian tablet around 2200 BC. Ancient Romans used a mixture of soil and water in their hair, rolled with textiles and baked it in the sun to create temporary waves. In 5000 BC the Egyptians made a bath powder from myrrh, the powdered ashes of ox hooves, powdered and burnt eggshells and pumice.

Use of perfume dates back to the beginning of mankind; the first perfume bottles were found in the Mediterranean in 7000 BC. Pigments were most likely used for cave art and body decoration, while the Neanderthals even used body adornment to make statements of personality.

In the UK Queen Elizabeth I of England was one well-known user of white lead, with which she created a look known as "the Mask of Youth".

- **1950's** - with the advent of colour film, the beauty industry got a colourful make-over with bright rouges all the rage. With men returning from war and the resulting baby boom, all emphasis was on family life. Women resigned from work and became dedicated housewives. With more time on their hands, they spent a lot of time pampering themselves.
- **1970's** - Second-wave feminism hit and women began breaking free from the constraints of femininity. Believing that make-up sexualised and objectified women, many gave up their beauty regimes in favour of the natural look.
- **1990's** - Cosmetics companies began to get adventurous. With all the competition out there, they had to keep coming up with new and innovative ideas. The 90s saw the introduction of a range of imaginative products that promised to fight ageing and target wrinkles.
- **2002 -** The celebrity saviour Botox hit it off, along with other quick-fix treatments such as collagen lip implants, facial skin peels and electric wave therapy.
- **2011** - The skin care industry is reported as one of the fasted growing beauty industry sectors since 2001.
- **2012 -** The UK beauty industry alone is valued at £15 billion and is predicted to increase by 8.5% by 2014.
- **2018 -** The UK beauty industry is forecast to grow with 16.5 % until 2023. It's the top retail sector in the UK, but the traditional market leaders (Boots, Tesco and Sainsbury) are losing their position. Discounters, department stores, general merchandisers and clothing specialists are gaining share. Health and beauty purchases with quick replacement cycles encourage price sensitive shoppers to trade down. Discounters are more and more successful to attract these consumers. This is alongside a rising consumer demand for premium, with the premium segment now outperforming the wider beauty market. The middle priced brands are squeezed, because consumers either hunt for bargains or show greater awareness in cult products with beautiful storytelling driven by bloggers, vloggers and celebrities on social media.

The UK's open market and diversified economy has traditionally provided an active base for overseas investors and businesses. It has a long and successful history of trade with the rest of the world. In the current economic climate, overseas investment is as important as ever to the growth of the UK economy and the government has been sending out a clear message that the UK is very much 'open for business'

The market in the UK is developing strongly. The cosmetics industry in the UK is science-led, constantly seeking to further understand how the skin and body works to provide improved and innovative products that respond to on-going changes in the environment and consumer lifestyles.

There is a lot of influx of new products from the total European Union. Every year a quarter of all cosmetic products on the market are improved or are developed completely new; with over 26,000 scientists and 520,000 life science students in Europe. Cosmetics accounted for 10% of all patents granted in the EU in 2009.

Each product is assessed for safety by a properly qualified safety assessor who looks at the quality of the individual ingredients, the manufacturing process, the quality control and considers the way the product will be used, by whom and in combination with what other products. This safety assessment has to be in place before the product can be marketed anywhere in the EU.

The predominant trends for cosmetics include lasting power and new color palettes, increasing market share for ethnic products, and an increased preference for vegan, organic and natural beauty products to mitigate harmful effects of pollution, sun, dust, and harmful ingredients typically a part of cosmetic products.

High disposable income are the reason for a high penetration of luxury brands like Dior, Guerlain, Clarins, Clinique, Lancome, Estee Lauder, Shiseido, etc. Distribution is pervasive through exclusive stores of luxury products in malls or standalone, while ecommerce is emerging as a competitor to direct sales for all mass and premium brands. Direct sales for Avon continue to hold and grow market value. Customers are increasingly looking for value for money products which are natural and beneficial for the skin, provide benefits of high priced premium products, at a lower than premium cost. This product class has been dubbed "masstige".

Some important players in the mass/masstige makeup/cosmetics field include P&G, Beiersdorf, Unilever, MAC, Revlon, Olay, Avon, L'Oreal, etc. among others. In UK, Boots No 7 represents over 50% of the market share, followed by brands like Maybelline, Rimmel, Bourjois, Boots 17, and others.

## 3.5 Competition in market

The total beauty and personal care market, and with that also the skincare market, is dominated by a number of strong international brands.

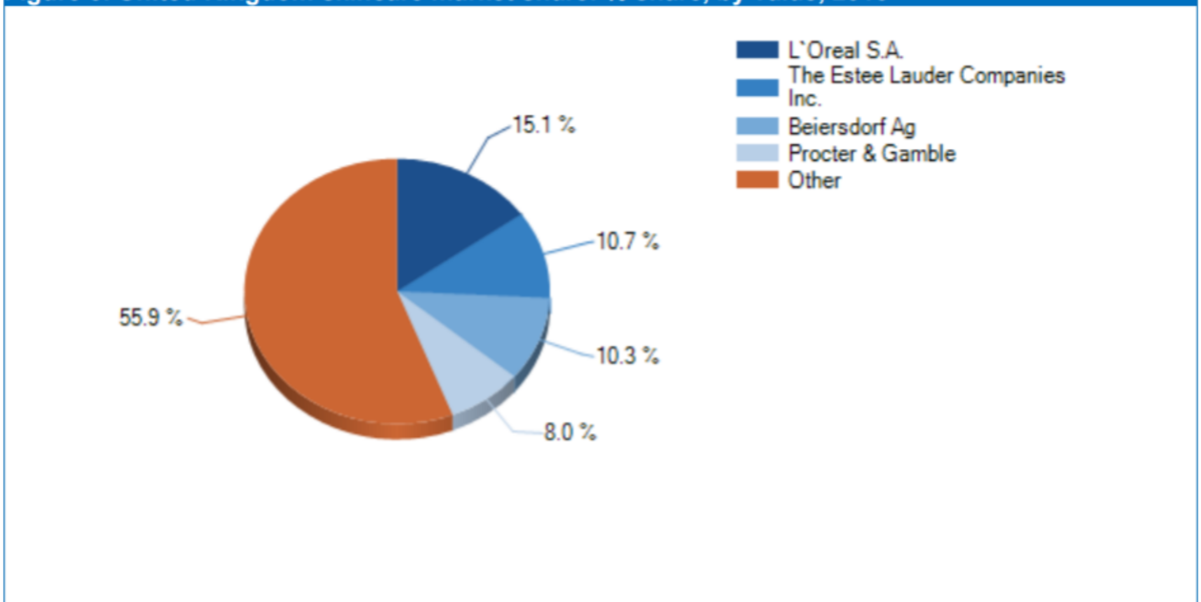
L`Oreal S.A. is the leading player in the United Kingdom skincare market, generating a 15.1% share of the market's value. The Estee Lauder Companies Inc. accounts for a further 10.7% of the market.

Table 5: United Kingdom skincare market share: % share, by value, 2016

| Company | % Share |
|---|---|
| L`Oreal S.A. | 15.1% |
| The Estee Lauder Companies Inc. | 10.7% |
| Beiersdorf Ag | 10.3% |
| Procter & Gamble | 8.0% |
| Other | 55.9% |
| | |
| Total | 100% |

SOURCE: MARKETLINE MARKETLINE

Figure 5: United Kingdom skincare market share: % share, by value, 2016




SOURCE: MARKETLINE MARKETLINE

Every new brand of cosmetics will have to compete with these big brands, who have high marketing budgets and also strong innovation power. Therefore we will elaborate first on these brands and their position in the UK market.

### 3.5.1 L'Oréal S.A.

L'Oreal S.A. (L'Oreal), a French company, is engaged in the production and marketing of a range of perfumes, make-up, coloring, hair and skin care products. The company's products are sold under well-known brands such as L'Oreal Paris, Garnier, Maybelline New York, Essie, Vichy, L'Oreal Professionnel, Kerastase, Redken, Matrix, Lancome, Biotherm, Helena Rubinstein, Kiehl's, Shu Uemura, Giorgio Armani, Diesel and SkinCeuticals, among others. L'Oreal operates in more than 140 countries worldwide.

**Table 16: L'Oreal S.A.: key facts**

| | |
|---|---|
| Head office: | 41 rue Martre, Clichy Cedex, Clichy, FRA |
| Telephone: | 33 147 567 000 |
| Fax: | 33 147 568 642 |
| Local office: | L'Oreal UK Ltd., 255 Hammersmith Road, London, England, GBR |
| Telephone: | 44 208 762 4000 |
| Website: | www.loreal.com |
| Financial year-end: | December |
| Ticker: | OR |
| Stock exchange: | Euronext |

**SOURCE:** COMPANY WEBSITE MARKETLINE

The company operates through two operating segments: Cosmetics and The Body Shop. The Cosmetics segment is divided into four operating divisions: Consumer Products, L'Oreal Luxe, Professional Products and Active Cosmetics. The Consumer Products division sells coloring products, hair care, and makeup and skin care products through mass-market retailing channels (hypermarkets, supermarkets, drugstores and traditional stores). Key brands offered by the division include L'Oreal Paris, Garnier, Maybelline New York, Softsheen-Carson, Essie and NYX.

- The L'Oreal Luxe Products division markets skin care, make-up and perfume products through department stores, perfumeries, travel retail shops, the company's own boutiques and certain e-commerce websites. Major brands in this division include Lancome, Giorgio Armani, Yves Saint Laurent, Biotherm, Kiehl's, Ralph Lauren, Shu Uemura, Cacharel, Helena Rubinstein, Clarisonic, and Diesel, among others.
- The Professional Products division markets haircare, coloring and styling products to hair salons and beauty institutes. The division comprises various brands, including L'Oreal Professionnel, Kerastase, Redken, Matrix, Pureology, Shu Uemura Art of Hair, Carita, Mizani, Essie and Decleor.
- The Active Cosmetics division sells dermo-cosmetic skin care products through healthcare channels such as pharmacies, drugstores, parapharmacies, and medi-spas. The brands in this division include Vichy, La Roche-Posay, Roger & Gallet, Sanoflore and SkinCeuticals.

- The Body Shop segment operates a chain of 3,082 stores in over 60 countries, specializing in cosmetics and toiletry products. It also distributes its products online in various countries through dedicated websites.

Geographically, the company classifies its operations into three segments, namely Western Europe, North America and New Markets. In FY2016, Western Europe segment accounted for 33.2% of the company's total revenues, followed by North America with 28.2%; and New Markets with 38.6%.

In the UK, the company sells its products under L`Oreal, Lancôme, Garnier, Men Expert and several other brand names.

The company recorded revenues of $27,564 million in the fiscal year ending December 2016, a decrease of 1.4% compared to fiscal 2015. Its net income was $3,436 million in fiscal 2016, compared to a net income of $3,648 million in the preceding year.

**Table 17: L'Oreal S.A.: key financials ($)**

| $ million | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Revenues | 24,849.4 | 24,475.0 | 24,926.1 | 27,941.1 | 27,563.7 |
| Net income (loss) | 3,172.4 | 3,272.5 | 5,431.9 | 3,647.8 | 3,435.8 |
| Total assets | 32,668.7 | 34,159.9 | 35,465.2 | 37,293.2 | 39,416.0 |
| Total liabilities | 9,525.1 | 9,117.6 | 13,126.3 | 11,170.3 | 12,310.7 |
| Employees | 68,886 | 72,600 | 77,500 | 82,881 | 89,331 |

**SOURCE:** COMPANY FILINGS — MARKETLINE

### 3.5.2 Estee Lauder Companies Inc.

Estee Lauder Companies Inc. (Estee Lauder, 'the company') is a producer and marketer of personal care products. As of June 2017, Estee Lauder had a total of 1,930 stores it operated under various formats departmental stores, specialty stores, duty free shops, pharmacies, salons, spas, perfumeries, stores in airports and cruise ships and in-flight.

**Table 13: Estee Lauder Companies Inc: key facts**

| | |
|---|---|
| Head office: | 767 Fifth Avenue, New York, New York 10153, USA |
| Telephone: | 1 212 572 4200 |
| Local office: | Estee Lauder Cosmetics Ltd., Constellation House, 3 Kites Croft Business Park, Warsash Road, Fareham, England, GBR |
| Telephone: | 44 870 034 6700 |
| Website: | www.elcompanies.com |
| Financial year-end: | June |
| Ticker: | EL |
| Stock exchange: | NYSE |

**SOURCE:** COMPANY WEBSITE — MARKETLINE

The company caters these products under own and licensed brands such as Estee Lauder, Clinique, Aramis, Prescriptives, Lab Series, Origins, MAC, Bobbi Brown, La Mer, Aveda, Jo Malone London, Bumble and bumble, Darphin, GoodSkin Labs, Ojon, Smashbox, Osiao, Le Labo, RODIN olio lusso, Editions de Parfums Frederic Malle, GLAMGLOW, By Kilian, BECCA and Too Faced. Under licensed brands it includes Tommy Hilfiger, Donna Karan New York, DKNY, Kiton, Michael Kors, Tom Ford, Dr. Andrew Weil, Ermenegildo Zegna, AERIN and Tory Burch.

The company classifies its products offerings into five categories: Skin Care, Makeup, Fragrance, Hair Care and Other.

- The Skin Care product category of Estee Lauder offers products under various skin care needs for men and women. Its product portfolio comprise of moisturizers, serums, cleansers, toners, body care, exfoliators, acne and oil correctors, facial masks, cleansing devices and sun care products. In FY2017, the Skin Care category generated revenue of US$4,527 million, which accounted for 38.3% of the company's total revenue.
- The Makeup product category of the company offers lipsticks, mascaras, foundations, lip glosses, eye shadows, nail polishes and powders. It also offers makeup related items such as compacts, brushes and other makeup tools. In FY2017, the Makeup category generated revenue of US$5,054 million, which accounted for 42.7% of the company's total revenue.
- The Fragrance product category, Estee Lauder offers Eau de perfume sprays, colognes, lotions, powders, candles, creams and soaps based on specific fragrances. In FY2017, the Fragrance category generated revenue of US$1,637 million, which accounted for 13.8% of the company's total revenue.
- The Hair Care category, the company offers hair color and styling products, shampoos, conditioners, treatment and finishing sprays. The company sells these products through department stores, specialty retailers, salons and freestanding retail stores. In FY2017, the Hair Care category generated revenue of US$539million, which accounted for 4.6% of the company's total revenue.

The Other category, Estee Lauder sells ancillary products and services. In FY2017, the other category generated revenue of US$69 million, which accounted for 0.6% of the company's total revenue.

The research and development (R&D) activities of the company focus on product innovation and packaging design and development. Estee Lauder operates five R&D facilities in Blaine, Minnesota; Melville, New York; Oevel, Belgium; Shangai, China and Tokyo, Japan. In FY2017, the company invested US$179 million towards its R&D activities.

The company manufactures its products in the US, Belgium, Switzerland, the UK and Canada. The company's products are sold in more than 150 countries through various distribution channels.

Geographically, Estee Lauder classifies its revenue into three regions: The Americas; Europe, the European and Africa and Asia/Pacific. In FY2017, the Americas region accounted for 40.7% of its total revenue followed by the 39.3% from Europe, the European and Africa region, 20% from Asia/Pacific region.

In the UK, the company sells its products under Clinique, Estée Lauder, Creme De La Mer and other brand names.

The company recorded revenues of $11,262 million in the fiscal year ending June 2016, an increase of 4.5% compared to fiscal 2015. Its net income was $1,115 million in fiscal 2016, compared to a net income of $1,089 million in the preceding year.

**Table 14: Estee Lauder Companies Inc: key financials ($)**

| million | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Revenues | 9,713.6 | 10,183.2 | 10,968.9 | 10,780.4 | 11,262.3 |
| Net income (loss) | 856.9 | 1,019.8 | 1,204.1 | 1,088.9 | 1,114.6 |
| Total assets | 6,593.0 | 7,145.2 | 7,868.8 | 8,226.9 | 9,223.3 |
| Total liabilities | 3,859.8 | 3,858.3 | 4,013.9 | 4,583.7 | 5,651.4 |
| Employees | 38,500 | 38,500 | 42,400 | 44,000 | 46,000 |

**SOURCE:** COMPANY FILINGS MARKETLINE

### 3.5.3 Beiersdorf AG

Beiersdorf AG (Beiersdorf) is an international consumer goods company, which is principally engaged in the manufacture and distribution of skin and body care products and consumer goods. The major brands of the company include Nivea, Eucerin, La Prairie, Labello, Hansaplast, Florena, 8x4, Hidrofugal, atrix, SLEK and tesa. Beiersdorf operates across the world and has more than 150 affiliates.

**Table 9: Beiersdorf AG: key facts**

| | |
|---|---|
| Head office: | Unnastrasse 48, Hamburg, DEU |
| Telephone: | 49 404 909 0 |
| Fax: | 49 404 909 3434 |
| Local office: | Beiersdorf AG, 2010 Solihull Parkway, Birmingham Business Park, Birmingham, GBR |
| Telephone: | 44 121 329 8800 |
| Fax: | 44 121 329 8801 |
| Website: | www.beiersdorf.com |
| Financial year-end: | December |
| Ticker: | BEI |
| Stock exchange: | XETRA |

**SOURCE:** COMPANY WEBSITE MARKETLINE

The Consumer segment is engaged in the development, manufacturing and marketing of skin and body care products. The segment offers deodorants, hair care products, men's grooming products, skin care products, personal care products and professional wound care products, among others. These products are marketed across the world under various brand names such as 8X4 (deodorants), Nivea (skin care products), Nivea Men (men's personal care products), Eucerin (medical skin care), Labello (lip care products), Florena (natural skin care products), Hansaplast (plaster and wound care products), atrix (hand care products), Hydrofugal (deodorants) and La Prairie (anti-aging skin care products).

The tesa segment develops, manufactures and markets self-adhesive products and system solutions for industry, craft businesses and consumers. The segment offers more than 7,000 product and system solutions globally. In the industrial division, it caters to customers primarily in the electronics, printing and paper, construction and automotive industries. For the pharmaceutical industry, tesa develops and produces transdermal systems and oral films. For craftsmen businesses, tesa segment offers personalized products for professional craftsmen such as painters and varnishers. Under consumer business, tesa offers nearly 300 products for office and home, which include solutions for insulation, painting and masking, repairing, packaging, and mounting, as well as household insect-protection products.

Geographically, the company classifies its operations into three segments, namely Europe; Africa/Asia/Australia; and the Americas. In FY2016, Europe segment accounted for 51.3% of the company's total revenues; followed by Africa/Asia/Australia with 30.2%; and The Americas with 18.5%.

In the UK, the company sells its products under Atrixo, Eucerin, Juvena, Nivea and several other brand names.

The company recorded revenues of $7,469 million in the fiscal year ending December 2016, an increase of 1.0% compared to fiscal 2015. Its net income was $784 million in fiscal 2016, compared to a net income of $730 million in the preceding year.

**Table 10: Beiersdorf AG: key financials ($)**

| $ million | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Revenues | 6,681.8 | 6,793.5 | 6,952.8 | 7,396.4 | 7,469.4 |
| Net income (loss) | 492.3 | 590.7 | 585.2 | 730.1 | 784.3 |
| Total assets | 6,190.6 | 6,414.1 | 7,002.6 | 7,603.3 | 8,377.7 |
| Total liabilities | 2,726.9 | 2,660.5 | 2,988.0 | 2,970.3 | 3,226.9 |
| Employees | 16,605 | 16,708 | 17,398 | 17,659 | 17,934 |

**SOURCE:** COMPANY FILINGS MARKETLINE

### 3.5.4 The Procter & Gamble Co

The Procter & Gamble Co (P&G) is a global manufacturer and marketer of branded consumer products. The company markets its products in over 180 countries spanning the Americas, EMEA and Asian regions. P&G has its operations in nearly 70 countries.

The company's organizational structure comprises global business units (GBUs), selling and market operations (SMOs), Global Business Services (GBS) and corporate functions (CF).

**Table 20: The Procter & Gamble Co: key facts**

| | |
|---|---|
| Head office: | 1 Procter and Gamble Plz, Cincinnati, Ohio, USA |
| Telephone: | 1 513 983 1100 |
| Fax: | 1 513 983 4381 |
| Local office: | Procter & Gamble (Health & Beauty Care) Ltd, The Heights, Brooklands, Weybridge, Surrey, GBR |
| Telephone: | 44 191 297 5000 |
| Fax: | 44 191 297 6295 |
| Website: | us.pg.com |
| Financial year-end: | June |
| Ticker: | PG |
| Stock exchange: | NYSE |

**SOURCE:** COMPANY WEBSITE MARKETLINE

The GBUs are organized into 10 product categories: hair care, skin and personal care, grooming, oral care, personal health care, fabric care, home care, baby care, feminine care, and family care. These 10 product categories are aggregated into five reportable segments: Fabric and Home Care; Baby, Feminine and Family Care; Beauty; Health Care; and Grooming. These GBUs mainly focus on brand strategy, new product upgrades and innovations and marketing plans.

- The Fabric and Home Care segment comprises laundry additives, fabric enhancers, laundry detergents, air care, dish care, and professional and surface care products. These products are sold under brand names such as Ariel, Dawn, Downy, Gain, Tide and Febreze. In FY2016, the Fabric and Home Care segment reported revenue of USD 20,730 million, which accounted for 32% of the company's total revenue.
- The Baby, Feminine and Family Care segment offers products such as baby wipes, diapers and pants, paper towels, tissues, toilet paper, adult incontinence and feminine care products under the Always, Bounty, Charmin, Tampax, Luvs and Pampers brand names. In FY2016, the Baby, Feminine and Family Care segment reported revenue of USD 18,505 million, which accounted for 28.5% of the company's total revenue.
- The Beauty segment offers products such as antiperspirants and deodorants, personal cleansing products, skin care products, conditioners, shampoos, styling aids, and treatments under the Head & Shoulders, Rejoice, Olay, Pantene, Old Spice, Safeguard

and SK-II brand names. In FY2016, the Beauty segment reported revenue of USD 11,477 million, which accounted for 17.7% of the company's total revenue.

- The Health Care segment offers personal health care products including gastrointestinal, rapid diagnostics, respiratory products, vitamins/minerals/ supplements, and other personal health care products; as well as oral care products such as toothbrush and toothpaste, among others. The company sells these products under the Crest, Oral-B, Prilosec and Vicks brand names. In FY2016, the Health Care segment reported revenue of USD 7,350 million, which accounted for 11.3% of the company's total revenue.
- The Grooming segment offers shave care products including female and male blades and razors, pre- and post-shave products, other shave care products, and appliances. These products are sold under brand names such as Fusion, Gillette, Mach3, and Prestobarba. In FY2016, the Grooming segment reported revenue of USD 6,815 million, which accounted for 10.5% of the company's total revenue.

Global operations comprise the company's SMOs, which develop and execute the go-to-market plans at the local level. The SMO consists of dedicated retail customer, trade channel and country-specific teams. It is organized into six geographic units: North America, Europe, Latin America, Asia Pacific, Greater China, and India, European and Africa (IMEA).

GBS is involved in providing technology, processes and standard data tools to GBUs and the SMOs. This enables GBUs and the SMOs to understand the business as well as to serve consumers and customers in a better way. GBS offers world-class solutions at a low cost and with minimal capital investment.

CF provides company-level strategy and portfolio analysis, corporate accounting, treasury, tax, external relations, governance, human resources and legal, as well as other centralized functional support.

Geographically, the company classifies its operations into six segments, namely North America, Europe, Asia Pacific, Greater China, IMEA and Latin America. In FY2016, North America segment accounted for 44% of the company's total revenues, followed by Europe with 23%; Asia Pacific with 9%; Greater China with 8%; IMEA with 8%; and Latin America with 8%.  In the UK, the company sells its products under Hugo Boss, Olay, Puma, Sk-Ii brand names.

The company recorded revenues of $65,299 million in the fiscal year ending June 2016, a decrease of 7.7% compared to fiscal 2015. Its net income was $10,508 million in fiscal 2016, compared to a net income of $7,036 million in the preceding year.

Table 21: The Procter & Gamble Co: key financials ($)

| million | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Revenues | 83,680.0 | 80,116.0 | 74,401.0 | 70,749.0 | 65,299.0 |
| Net income (loss) | 10,756.0 | 11,312.0 | 11,643.0 | 7,036.0 | 10,508.0 |
| Total assets | 132,244.0 | 139,263.0 | 144,266.0 | 129,495.0 | 127,136.0 |
| Total liabilities | 68,805.0 | 71,199.0 | 75,052.0 | 67,076.0 | 69,795.0 |
| Employees | 126,000 | 121,000 | 118,000 | 118,000 | 105,000 |

**SOURCE:** COMPANY FILINGS MARKETLINE

### 3.5.5 Other competition

Apart from these big conglomerates, with already over 20 brands actively being promoted in the UK, there are many smaller companies who are either based in the UK, or who target the UK because of the ease to enter the market (in terms of language), the relatively affluent population and the 'standing' of London.

The following small cosmetics branches became very successful over the last years in UK:

**1. Haeckel's**

This brand not only offers care products for face and body but also perfumes, candles and seaweed tea. HAECKEL's products are made of local ingredients from the wild nature along the banks of Margate, a city at the south coast of England. There is also the HAECKELS laboratory. All the products have the same basic ingredient: algae. *Algae* are a diverse group of aquatic organisms that have the ability to conduct photosynthesis. Certain *algae* are familiar to most people; for instance, seaweeds. HAECKEL's brand even has a special permit for picking these water plants. This British brand is therefore responsible for the maintenance of the banks.

The basic formulas are completed with other natural elements from the region, such as herbs and flowers. Within their ideology, where ecological responsibility is central, the brand does not use any synthetic ingredient for its products. Even the packages are recyclable and can be reused since they are made of glass. Their slogan is: HAECKELS, a natural skin care and wild fragrance company based in Margate. Founded in 2012 and sold worldwide. From The Ocean, For the Ocean.

+ Very nice design and are unique because of the ingredient they use.
- Not a very clear website


## 2. PAI Skincare

"We understand the sensitive skin as the best", this is the philosophy of PAI. This 100% organic brand has been specially designed to adapt to the most delicate skin types: dry or fat, young or old. The range of care products contains organic, quality ingredients that protect the natural balance of the skin.

For this reason, PAI does not use parabens, alcohol or synthetic perfumes and avoids anything that might irritate or upset the skin. This brand offers quality ingredients at affordable prices.


## 3. Cowshed

The name 'COWSHED' is not just chosen, this English brand was founded in 1998 in an old stable where the cows used to live. In the beginning COWSHED was a spa in the middle of a farm in Somerset. The label evolved very quickly and came up with a range of care products for the body and face. The products all contain organic and wild plant extracts essential oils.

With their spas and care products, the brand tries to stimulate the mind, the soul and the body with smells and natural ingredients. Moreover, every product is named after a mood: horny, knackered, moody, wild, grumpy ... Your mood determines which product is best for you.

The idea originated with Soho House founder Nick Jones. Here's the Cowshed story in his own words...

*'There was always a plan to have a spa at Babington House, it was just a question of where it was going to go. After looking at all the options it ended up in the old cowshed where the cows used to live. The Cowshed was the obvious name to call the spa because I never try and do a tricky name, I always try and use a name which is simple. At that time there wasn't a huge choice to put into the rooms and I wanted Babington House to be different. I think there's a proper back story about what Cowshed is, there's the walled garden where the herbs come from. We didn't plan to sell them anywhere else apart from have some products at Babington House. But then people would come down to Babington House and say 'well can I have these at home?' That has grown into a substantial business. Now to see them in all the department stores and it becoming a proper boutique bath and body brand is fantastic. Cowshed is much loved and we're going through a process of keeping the love but also making it more relevant for today.*

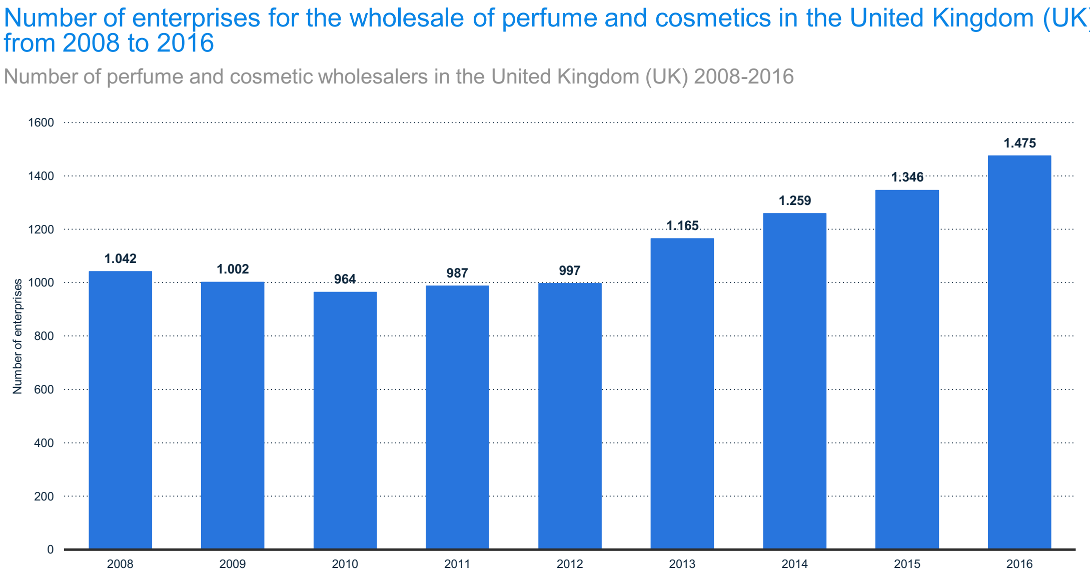

*Source: https://belmodo.be/nl/beauty/skin-care/cosmetica-de-beste-engelse-merken_31037*

## 3.6 Distribution channels

The big brands mentioned in paragraph 3.5 have direct sales relationships with the major retail chains in the UK. Most other brand will work through wholesale channels, who import and distribute among the various retail chains and outlets.

### 3.6.1 Wholesale channels

The number of enterprises for the wholesale of perfume and cosmetics in 2016 was 1.475, and there is a clear growth[7].




Some of the biggest online active companies in this sector are the following:

1. Beauty express
2. Paks wholesale
3. Wholesale cosmetics

The wholesale channels can be approached directly, but it is hard to get in touch with the right decision makers. The approach should be professional and focused on who easy the wholesalers can introduce the new products with the retailers. Aspects like documentation, displays, samples and in-store promotion, or even events, should be thought off.

[7] Statista

### 3.6.2 Main retail channels

If you look at the main retail channels through which cosmetics products are being sold, you'll see a broad variety:

- Health and Beauty Chains:
  Boots (2,500 stores); Lloyds Pharmacy (1,650), Superdrug (900).
- Specialist Retailers:
  The Body Shop (2,500); Marks and Spencer (766); Lush Cosmetics (115); Molton Brown (75 stores and concessions), Space NK (62).
- Department Stores:
  Debenhams (158); House of Fraser (61); John Lewis (29); Selfridges (4), Harrods (1).
- Supermarkets:
  Tesco (1,800 stores); Sainsbury (934); Asda (500), Morrisons (370)
- Professional:
  Beauty Salons (6,892); Hair Salons (1,844); Beauty and Hair Salons (4,169), Spas (2,000).

Boots is the leader in personal care and beauty, accounting for 20% of the market share[8]. Boots sells both mass market and premium brands. Premium brands are found in the UK's department stores and through salons and spas. Leading department stores for beauty are Debenhams and John Lewis.

[8] The UK Health & Beauty Market 2017-2022

### 3.6.3 Supermarkets and convenience stores

As is clear from the list, a large part of personal care products and cosmetics is being sold through general supermarkets or grocery stores. There are 87,141 grocery stores in the UK.

In number of stores and turnover in the UK:

- Hypermarkets: 368 stores, £16.4bn
- Supermarkets: 5,584 stores, £86.3bn
- Convenience Retailing: 46,980 stores, £38.0bn
- Discounters: 4,623 stores, £18.2bn
- Other Retailers: 29, 586 stores, £11.8bn
- Online: £9.7bn

All of these grocery stores also have some brands of cosmetics on their store shelves. Most of the times these are the biggest international brands or private labels.
*Source: Institute of Grocery Distribution, 2017*

Four supermarket chains dominate UK retailing, accounting for 70 percent of the market. Tesco is the market leader, with 28 percent market share, followed by Sainsbury's with 16 percent, Asda/Wal-Mart with 15 percent and Morrison's with 11 percent. Other UK supermarket chains include Aldi, The Coop, Waitrose, Lidl and Iceland.

### 3.6.4 Spa's

Depending on the product, a good way to introduce your product to the market and have customers gain experience with it, is to offer it to beauty salons and spa's to use it under favourable conditions. This is one of the ways to build a brand without directly having to invest excessively in marketing.

If you look at the most successful spas in the UK, this list can serve as a guideline:

1. Tonic Cheltenham *Cheltenham*
2. The Youth Sanctuary *Manchester*
3. Le Petit Spa *Halifax*
4. VJW Holistic Therapies *Huddersfield*
5. The Body Retreat *Dorney*
6. Coach House Healing Centre *Marsden*
7. The Therapy Shop *Hove*
8. Thai Orchid Spa and Massage *Whitley Bay*
9. The Lorrens Ladies Spa *Torquay*
10. Little Jasmine Therapies and Spa *Brighton*
11. My Little Farm Spa *Liversedge*
12. Floatworks *London*

Most Spa's are relatively small-scale operations. Selling to them requires a personalised approach, the only good way is to visit them and to let them test the products. This also requires to have samples. After testing you can follow-up to hear the results and to see whether you can sell to them directly, or have them sell your product to their customers.

### 3.6.5 Hotels

Hotel chains do not actually sell skincare products there to customers, but hotels buy these products as amenities for their guests. In this respect they are a customer rather than a distributor. But selling to hotels can be a perfect opportunity to introduce your products with a broader public.

The top-15 hotel toiletries in the UK are:

1. Asprey Purple Water
2. L'Occitane Mer & Mistral
3. Agua de Loewe
4. Aroma Therapy Associates
5. Bottega Veneta
6. Mālie Organics
7. Atelier Cologne
8. Diptyque
9. Le Labo
10. Lemongrass House
11. Lux Resorts
12. Laboratoire Remede
13. ESPA
14. Penhaligons Blenheim Bouquet
15. Antica Farmacista

Hotel owners or brand and purchasing managers of hotel chains can be approached directly, but also here this should be a targeted approach. In general they will look at the following[9]:

1) To choose the toiletries that fit to the ethos of the hotel
2) To choose the right size, more expensive hotels tend to have larger flacons
3) To make sure that the toiletries chose have a long term impact

[9] *https://www.bighospitality.co.uk/Article/2016/02/02/How-to-choose-the-right-toiletries-for-your-hotel*
*https://mrsoaroundtheworld.com/lifestyle/beauty/best-luxury-hotel-toiletries/*
*https://blog.virtuoso.com/hotels/8-of-the-best-luxury-hotel-toiletries/*

## 3.7 Market characteristics

There is a number of major trends in the market that can be translated into concrete guidelines for developing new product varieties or improving existing products for better sales.

### 3.7.1 Main trends in the market[10]

**Trend 1: Seeing is believing**
Consumer demand for rapid effects in personal care products has continued to increase over recent years; but it's not enough to see rapid effects now – consumers want to be convinced of a product's efficacy instantly or even before they've used it. Here are three ways companies are achieving this now:

- Incorporate materials a consumer can see, such as encapsulates, small cuttings of plant parts or provide your product as a 'monster' bead or water-activated sponge. If they can 'see' the product or active, the more inclined consumers will be to believe its efficacy.
- Provide a YouTube demonstration video on how to apply the product or visual results of what it will do for the consumer instantly (in the case of make up or instant effects products) or over time (e.g. time lapse shots over 28 or 56 days through consumer trials) – it not only guides them on best use but visually promises them results beyond marketing words alone.
- Give them a virtual reality: where a consumer can take a picture of their face and watch the virtual results of using your product – think of how online ageing simulators work, but in reverse.

**Trend 2: It's all about me**
Customisation was a big trend of 2017 and it's going to get even bigger in 2018. Customisation can be incorporated into new products easily, or an existing range, in one or more ways:

- A 'base' product that consumers can add selected 'active concentrates' to, depending on their skin type needs.
- Products that can be mixed and matched from within a brand's range, with an accompanying online selection form that determines a total 'package' of products depending on their age, skin type and skin concerns.
- Innovative formulation and dual packaging dispensers that can provide partial or complete concentrates or blends of product.

Look for functional materials that provide robust formulation solutions under varying stressful conditions, so they'll accommodate just about any active concentrate – and then

[10] *https://www.cosmeticsdesign-europe.com/Headlines/Promotional-Features/Consumer-trends-in-cosmetics*

look for those innovative active launches to develop fantastic active concentrates and active products.

**Trend 3: I care about the environment too**
Natural and sustainable ingredients are ongoing consumer favourites. Demand for these types of materials continues to grow at a steady rate. Look for natural and/or sustainable active and functional materials at the show. Look also for materials that have a 'give back to the community' message or marine actives – 'blue' is the new 'green'.

**Trend 4: Feel good and look better**
Products should feel great on application, giving the consumer instant sensory gratification. Not only should products be enjoyable to use, but incorporating epigenetic or neuro-cosmetic actives, for a 'wholistic' approach to their skincare, helps reinforce consumers' growing need to feel like they're taking control for one aspect of their life and wellbeing. There are also increasing numbers of functional and active materials that help provide 'protection': from UV, pollution, blue light, allergies and other sensitivities – it all adds that 'wellbeing' approach. When visiting the exhibition, look for materials that give instant sensory pleasures and/or a lasting wellbeing or protection message to fill this growing need.

### 3.7.2 Other trends for product innovation

Apart from these main trends, there are other trends in the market that can be a basis for product innovation:

1. All kinds of masks (and patches) - Thanks to its selfie-appeal and the rise of Instagram trends such as face masks are getting more sophisticated
2. Treating your body as you would your face - cleansers, serums and acid exfoliators for the body, in addition to moisturisers with SPF. Consider it the Brazilian approach to anti-ageing; they tend to beautify the body's largest organ from top-to-toe.
3. Environmentally-friendly products and packaging - Beauty isn't an industry celebrated for its eco credentials, but that looks set to change. We expect to see more of a shift towards plant based plastics in 2018 and glass, as the consumer becomes more aware of the harm plastic is causing when not disposed of safely or recycled
4. Skincare supplements - The day and night capsules contain a clinically-tested blend of anti-ageing nutrients, helping protect against oxidative stress and damage.
5. Bespoke everything - Perhaps the biggest beauty trend is the industry's late move towards greater diversity. It's no longer one-size-fits-all.
6. Gender neutral beauty - It's nothing new in fragrance, where many old and new launches are positioned as unisex. Moving things forwards elsewhere in beauty are new hair care brands ('his and hers' products are a thing of the past)
7. Active beauty buys - With a Google consumer survey finding that 78% of us don't know what products to use before and after exercise, it's logical that brands have developed

skincare exclusively for active women or a high-performance range. The products target exercise-specific concerns

8. Go-go gadgets -Portable beauty tech makes advanced anti-ageing more accessible and in 2018 people won't only pop their hair tools into their weekend bag, but light therapy masks and micro needling devices too. Most popular is probably the derma roller, of which has seen a 345% increases in saves on Pinterest.
9. Canabiskincare - Every year a forgotten ingredient tends to return to the forefront, and for 2018 it seems cannabis will set the industry alight.
10. Water weight foundations - A steady rise in weightless foundations, with water-light textures, looks set to put the focus firmly back onto complexions in celebration of real skin instead of a full-coverage.

### 3.7.3 Ethnic marketing

In the UK, there is increased demand for cosmetics, specifically designed for the rapidly growing number of ethnic consumers, the largest group being Asian. It is estimated that 16% of the UK population is from a non-white ethnic group and it is forecast that ethnic minorities will make up a third of the UK population by 2050. Demand for medium-priced ethnic color cosmetics and hair care is increasing and is for example a good prospect for exporters.

- The 7.3 million strong ethnic population is growing faster than the white population in the UK. This expansion offers strong growth opportunities for cosmetics and toiletries products that target the UK's non-white population.
- Teenagers and pre-teens are more strongly represented within the ethnic community than amongst white people. Young people tend to be more experimental and are an important target group for beauty products.
- 12% of the total population are non-whites, however, ethnic beauty products represent just 1% of all new haircare, skincare and make-up launches. The ethnic market has a long way to go to be brought in-line with the demographic make-up of the UK population.
- Ethnic beauty brands show a lack of resources to fund above the line spend which is seeing a downward slide. When ethnic brands do advertise, they typically use the specialist press rather than mainstream glossies and this may be motivated by keeping costs down.
- Most ethnic brands are sold through independent specialist retailers and through wholesalers. However, supermarkets are the number one place for non-white adults to buy cosmetics and toiletries. Mainstream retailers need to become more engaged with specialist manufacturers and brands.
- Ethnic women, younger age groups and those on a higher income demonstrate the highest levels of interest in the cosmetics and toiletries sector and represent the key demographics to target new products at.

- A black woman takes, on average, three times more than a white woman to take care of her hair. She (on average) consumes nine hair, seven make-up and five skin-care products. The consumers still prefer the big international brands. Start from the idea that if a product works and is successful in the United States will necessarily of good quality

Ethnic cosmetics meet the needs of a variety of skin types (Asian, Caucasian, Black, and Mixed)

In the UK the top brands for ethnic cosmetics are[11]:

- Melvita organic argan oil
- Ladrome organic vegetable castor oil: castor oil especially recommended for strengthening very dry, frizzy or damaged hair.
- Dermaclay multipurpose dry oil for face, body and hair
- Propos'nature huile vegetal inca inchi bio oil
- Propos'nature organic sesame vegetable oil
- Chateau Rouge dermatological soap
- Cerave moisturising crème for dry to very dry skins: helps restore the protective barrier of the skin
- Immia oil argan: Argan oil is a 100% natural oil used by Berber women in Morocco since the dawn of time.

### 3.7.4 Natural and organic products

The health and wellness trend has increased the demand for more clean, natural and organic perfumes and scented personal care products, creating a strong emphasis on quality ingredients and formulations.

UK consumers increasingly want more sophisticated products to offer multiple benefits such as moisturization, UV protection, ageing treatment, long-lasting effects, ease of use, and convenience.

In recent years, there has been growing awareness of the potential harmful side-effects of the artificial ingredients used in beauty products. This has led many consumers to turn to so-called green cosmetics, in order to find products which pose a lesser risk to the skin, as well as to the environment.

As a result, the global market for natural cosmetics has seen consistent growth over the last ten years, reaching a value of approximately 14.8 billion U.S. dollars in 2017. The size of this

[11] https://www.easyparapharmacie.co.uk/body-care-beauty/body/ethnic-cosmetics.html

market is expected to continue to increase in following years, rising to 21.8 billion U.S. dollars by 2024[12].

In 2017 there was a 13% growth of certified organic beauty & wellbeing. For 2018 a 24% growth is projected, making it the 7th year of consecutive growth for the sector.

## 3.8 Import policy and procedures

### 3.8.1 Product safety and legislation

Regardless of the manufacturing processes or the channels of distribution, cosmetic products placed on the EU market must be safe. The manufacturer is responsible for the safety of their products, and must ensure that they undergo an expert scientific safety assessment before they are sold. A special database with information on cosmetic substances and ingredients, called CosIng, enables easy access to data on these substances, including legal requirements and restrictions.

Cosmetics legislation at EU level also:

- requires that all products to be marketed in the EU must be registered in the Cosmetic Products Notification Portal (CPNP) before being placed on the market
- requires that some cosmetic products are given special attention from regulators due to their scientific complexity or higher potential risk to consumer health
- ensures that there is a ban on animal testing for cosmetic purposes
- makes EU countries responsible for market surveillance at national level
- Glossary and acronyms related to cosmetics legislation (24 kB)
- Contacts: List of National Competent Authorities for Cosmetics, Poison Centres and other relevant authorities (224 KB)

### 3.8.2 Import regulations

When you import cosmetic products on the European market, they must comply with the Cosmetic Regulation No 1223/2009, no exceptions, even if your cosmetic product complies with another cosmetic regulation (e.g. FDA rules)[13].

To comply with the European cosmetic Regulation every cosmetic product placed on the EU market must have a Product Information File (PIF) which include a Safety Assessment (SA). All products (including imported cosmetic product) must comply with Good Manufacturing Practices. Also, ingredients contained in the cosmetic formula must be authorized in the EU by the Cosmetic Regulation No. 1223/2009. Finally, Labeling and claims are specific in

[12] Statista
[13] *Ecomundo*

Europe, you must provide compliant labels and make sure your claims are made in accordance with the 6 commons criteria set by the Regulation 655/2013.

## 1 Endorse the role of the Responsible Person

If you import a cosmetic product, you become by default the **Responsible Person** of the cosmetic product, unless you **designate someone to take on that responsibility**.

As a distributor you will not be the Responsible Person. Nevertheless, as mentioned in article 4 of the EU Cosmetic Regulation: "*The distributor shall be the Responsible Person where he places a cosmetic product on the market under his name or trademark or modifies a product already placed on the market in such way that compliance with the requirements may be affected.*"

## 2 Gather all documents

All products placed on the European market (including imported cosmetic product) must comply with the Cosmetic Regulation 1223/2009. You should gather all the required documents to create the Product Information File. The commonly required data is:

- Raw material breakdown formula (Quantitative and Qualitative formula)
- INCI name
- Function
- CAS Number
- Exact percentage
- Certificate of analysis
- Impurity Profile
- Safety Data Sheets (MSDS)
- Technical data Sheets
- PAO and challenge Test
- Stability Test and DOMD conclusion
- SOP

Note: This list is a non-exhaustive list, but shows the most common documents.

## 3 Formula review

The regulatory compliance process implies to verify the formula in the light of the EU Regulation No. 1223/2009 and its Annexes. This step allows you to be sure your cosmetic products do not contain any prohibited ingredients but also to verify the threshold range. You'll be able to reformulate the product if the product is not compliant. However, if the formula review allows you to move on in the compliance process, you can't place the cosmetic product on the European Market at this stage.

## 4 Label review

The European Regulation No 1223/2009 defines the rules for a compliant cosmetic label on Article 19.

Note: The EU cosmetic Regulation applies to 31 European countries representing more than 24 different official languages. You must translate the function of the product, the precautions of use and warnings but also the nominal content in the language of the country you plan to export to. All elements required by the regulation must be on the label. In some specific case, a leaflet/tag/card can be attached to the primary packaging and must be referred with the "hand-in-book symbol".

**5 Draft the PIF**

When the compliance process is done, i.e., the formula is reviewed and compliant with the Regulation and Annexes, the labels are checked and comply with the Cosmetic Regulation and Claims Regulation, and all the data is gathered, the Safety Assessor can start the PIF. The Product Information file gathers all the "process" in one single document and includes the Safety Assessment made by a pharmacist or a toxicologist to prove that the product is safe for the human health and compliant to the regulation. If the Safety assessor gives the green light, the product is almost ready to be sold on the EU market.

**6 Register the product on the CPNP**

Last but not least, you must notify your product on the CPNP (Cosmetic Products Notification Portal). This step allows you to place your product on the market, by notifying your product to the authorities. The Cosmetic Regulation 1223/2009 under article 13 defines the rules and obligations. Only one notification is necessary to access the EU market (31 countries) and the notification is made by the Responsible Person.

### 3.8.3 Financial and administrative aspects

**Importing from outside the EU**

If you import from outside of the EU, you will need an EORI number, which is issued by the UK government. Getting this can take up to three days, and it is needed before your goods can clear customs. The registration process is slightly different depending on whether your business is VAT registered or not, but can be completed online.

Your goods should have a commodity code, and be declared to customs. Usually your freight forwarder will do this for you. You will usually have to pay import duty (and sometimes associated tariffs) on goods imported to the UK from outside the EU. The exact amount payable depends on what you are importing, and its country of origin.

**VAT**

When you have to pay VAT (or import duty) in the UK, you will be paying in GBP. Therefore you need to know the value of your goods in sterling, even if you have paid for them in an alternative currency. The HMRC use a set of exchange rates which are reviewed and republished on a monthly basis - you must use these when you calculate the cost of your VAT (and any import duty payable, if you choose to arrange this yourself).

VAT is payable on the full value of goods imported from outside the EU. This means that you must convert the cost of goods to GBP, and then add in any other costs associated with their import such as the duty you have paid, and their insurance costs. You then pay VAT on the whole amount, directly to HMRC.

VAT remains at the 20% rate, although there are some exceptions. For example you can pay a lower rate on imports of art or antiques, and you may be able to claim back the VAT paid on business supplies.

No VAT is paid on services imported from outside the EU.

**Minimum thresholds**
All countries, including the UK, set a minimum threshold below which duties (and in some cases VAT) is not payable. In many cases this is set so low that most business imports are effectively above the minimum. In the UK, the minimum threshold depends on both the value of the goods imported, and the means by which they reach the country. For goods imported by air freight, sea freight or road freight, anything with a value over GBP 18 is liable to tax and duty.

**International payments (FX payments)**
One of the biggest issues with international trade is that it your client may ask you to invoice him in pound sterling. This means that you have to convert your cash at the point of paying, which can come with hidden additional costs[14].

This can add uncertainty, because you can't be exactly sure of the cost of your goods until you receive and process an invoice. It makes it difficult to plan, or know exactly the profit margin of the products you're importing - and the added costs can quickly mount up, too. You can see this by comparing the rate your bank offers you, to the mid-market rate. It's easy to find the current mid-market rate through Google or a site like xe.com. The difference between the cost of your invoice paid at this mid-market rate, and the cost at the rate offered by your bank - plus any fees and charges - is the real cost of paying your international invoice.

## 3.9 Import channels

There are several parties who serve as the formal importer of goods:

- Large department stores and supermarket chains

[14] *Transferwise.com*

- Cosmetics wholesalers
- Specialised importers, servicing the above groups

Each group may consist of a great variety of parties, from big to small, from broad to very special.

All have their own logistical channels, but in general they import through one of the major airports or sea ports in the country.

**Some addresses of associations of wholesalers and distributors**

- Federation Of Wholesale Distributors - Address: 9 Gildredge Rd, Eastbourne BN21 4RB, Verenigd Koninkrijk - Telefoon: +44 1323 724952
  Association of the British Pharmaceutical Industry (ABPI)
- British Association of Dermatologists (BAD)
- British Standards Institution (BSI)
- British Skin Foundation (BSF)
- Code of Advertising Practice (CAP)
- Confederation of British Industry (CBI)
- Fragrance Foundation
- Hairdressing & Beauty Suppliers Association (HBSA)
- International Fragrance Association (IFRA)
- Independent Television Commission (ITC)
- Industry Council for Packaging and the Environment (INCPEN)
- Institute of Materials, Minerals and Mining (formerly Institute of Packaging)

## 3.10 Packaging

If you sell cosmetic products, they must be safe; there are specific requirements for composition and labelling. This guidance is for England, Scotland and Wales.

The following information must be given on the packaging or labelling:

**Name and address**
The name and address of the responsible person established within a Member State must be on the container and the packaging. Where the product is manufactured outside the European Economic Area (EEA), the country of origin must also be given.

**Durability**
Where a cosmetic product has a minimum durability of 30 months or less, it must be marked on the container and the packaging with a best-before date or the symbol shown below.

The indication must be in the form 'Best used before the end of', followed by the date (day / month / year, or month / year) or an indication of where the date appears on the packaging. If any particular conditions must be observed to guarantee the stated durability, these must also be described.

Where a product has a shelf life of more than 30 months, it must be marked with the symbol shown below together with an indication (in months, or years and months) of the period after opening for which the product can be used without harming the consumer.

**Precautions**
Precautions to be observed in use, as shown in the annexes of the Regulation, must be printed on the label. Special precautionary information on cosmetic products for professional use, such as in hairdressing, must appear on the container and packaging.

**Batch code**
The batch number of manufacture or the reference for identifying the goods.

**Function**
If not otherwise obvious from design and packaging.

**Ingredients**
The package in which the cosmetic product is supplied must bear a list of ingredients, headed 'Ingredients' (see note below), in descending order of weight, determined at the time the ingredient was added to the product.

All cosmetic products marketed in any part of the EU have to be labelled with a list of their ingredients, irrespective of the channel of distribution. This requirement also applies to imported products, professional products, free samples, tester samples, multi-component products, products sold by mail order or via the internet, and products provided in hotels and other public facilities.

You do not need to include any of the following as ingredients:

- impurities in the raw materials
- materials used in the preparation of, but not present in, the final product
- materials used as solvents or carriers for perfumes and aromatic compositions
- Perfume and aromatic compositions and their raw materials must be referred to as 'perfume' (see note below) or 'aroma' unless a more specific indication of their presence is required in annex III of the Regulation.
- Ingredients in concentrations of less than 1% may be listed in any order after those of 1% or more.

Colouring agents may be listed in any order after the other ingredients. For decorative cosmetics marketed in various colours, all colouring agents in the range may be listed so long as the words 'may contain' or the symbol '+/-' is also used.

The ingredient name must be that listed in the International Nomenclature of Cosmetic Ingredients (INCI) or, if no such name is listed, one of the following:

- Chemical name
- European Pharmacopoeia name
- International Non-proprietary Name (INN), as recommended by the World Health Organisation
- European Inventory of Existing Commercial chemical Substances (EINECS), International Union of Pure and Applied Chemistry (IUPAC), or Chemical Abstracts Service (CAS) identification reference
- Colour index number

**Additional information**
Additional information must be given where certain ingredients, such as preservatives and UV filters, are present. This information is specified in annexes III, IV, V, and VI of the Regulation.

**Presentation**
All required information must be visible, indelible and easily legible. The ingredients list must be given in a language that is easily understood by the consumer. All of the other information must be in English and can be supplemented by other languages.
There is one set of rules about presentation for ingredients lists and another set for the other information.

**Ingredients list**
The ingredients list must appear on the packaging or, if it is impossible to do so or there is no packaging, on the container. If the product is sold loose, the ingredients list can be given on the container in which the product is exposed for supply or on a notice. If this is not possible, the list can be given on a leaflet, label, tag, tape or card enclosed with or attached to the product, along with an indication referring the consumer to it (either by way of abbreviated information or the 'hand and book' symbol below). For small products such as soap and bath balls, a notice can be used instead of a leaflet, label, etc.

**Other information**
The other information must normally appear on both the container and the packaging. However, if it is not possible for the batch code to appear on the container, it can appear on the packaging only. Similarly, where there are practical constraints, the conditions for use may appear on a leaflet, label, tag, tape or card enclosed with or attached to the product, again with an indication referring the consumer to it.
In the case of loose cosmetic products other than soap, all of the information must be given on the container in which the product is exposed for supply, or on a notice in immediate proximity to the container.

**The requirements on the 'responsible person'**
The manufacturer of cosmetic products must comply with good manufacturing practice. Compliance with good manufacturing practice can be presumed where the manufacture is in accordance with the relevant harmonised standards, the references of which have been published in the 'Official Journal of the European Union'.

In order to demonstrate that a cosmetic product is safe the responsible person must ensure that the cosmetic product has undergone a safety assessment and that a cosmetic product safety report is produced. This safety assessment must be carried out by a person in possession of a diploma or other evidence of formal qualifications awarded on completion of a university course of theoretical and practical study in pharmacy, toxicology, medicine or a similar discipline, or a course recognised as equivalent by a Member State.

Where a cosmetic product is supplied or manufactured in the UK, the responsible person is required to keep certain product information at the registered office address or the address detailed on the product. This information must be easily accessible to the nominated authorities, generally the responsible person's local trading standards service, and can be requested in the case of medical emergency. The information must be in English or another language easily understood by the nominated authority.
*Source: Business Companion, 2018.*

## 3.11 Prices (in relation to potential buyers)

This paragraph contains the price setting of similar cosmetic products. The following brands are specialized in Dead Sea cosmetics. These brands ship their products worldwide. In our contacts with buyers we didn't note any preference on Israeli versus Palestine brands. Only Ahava had to face some boycotts for allegedly using mud from occupied Palestine territory.

| Brand: Ein Gedi | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Average prices: | | | | | | | | |
| Day cream | Bath salt | Body scrub | Deep cleanser | Face mask | Body lotion | Hand cream | Shampoo | Mineral soap |
| $24 (50ml) | $5 (250gr) | $29 (455gr) | $7 (100ml) | $17 (200ml) | $7 (100ml) | $9 (100ml) | $7 (100ml) | $9 (100gr) |

| Brand: AHAVA | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Average prices: | | | | | | | | |
| Day cream | Bath salt | Body scrub | Deep cleanser | Face mask | Body lotion | Hand cream | Shampoo | Mineral soap |
| $34 (50ml) | $12 (250gr) | $29 (235ml) | $21 (100ml) | $34 (100ml) | $31 (250ml) | $19 (150ml) | $34 (400ml) | $11 (100gr) |

| Brand: Edom Cosmetics | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Average prices: | | | | | | | | |
| Day cream | Bath salt | Body scrub | Cleansing milk | Face mask | Body lotion | Hand cream | Shampoo | Mineral soap |
| $39 (50ml) | $9 (250gr) | $31 (400gr) | $24 (250ml) | $36 (125ml) | $39 (250ml) | $14 (100ml) | $17 (250ml) | $9 (100gr) |

| Brand: CANAAN Dead Sea Minerals & Herbs | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Average prices: | | | | | | | | |
| Day cream | Bath salt | Body scrub | Deep cleanser | Face mask | Body lotion | Hand cream | Shampoo | Mineral soap |
| $52 (50ml) | $25 (500gr) | $25 (250ml) | $25 (125ml) | $25 (600gr) | $25 (250ml) | $19 (125ml) | $19 (250ml) | $22 (100gr) |

**Prices for other Dead Sea products:**

| | |
|---|---|
| Zarqa Dead Sea Treatment Lotion 200ml - € 5,96 at 10+ shops | Zarqa pure dead sea magnesium crystals - € 45,36 at 3 shops |
| AHAVA Natural Dead Sea Mud - € 13,73 at 20+ shops | Zarqa Pure Dead Sea Salt Pot 500gram - € 2,46 at 10+ shops |
| Organic Shop Moisturizing Hand Soap Minty Jasmine 500ml. - € 4,49 at Dermarolling.nl | Dead Sea Spa Magik Mineral Shampoo 330ml - € 10,95 at The Fragrance Counter |
| Dead Sea Spa Magik Cleansing Bar € 5,99 at 3 shops | Dead Sea Spa Magik Mineral Shampoo 320ml - € 9,95 at lookfantastic.nl |
| Lee Stafford Sea Salt Shampoo 200g € 12,81 (€ 6,41 / 100 g) at 4 shops | Dead Sea Spa Magik Dead Sea Bath Salts 1000gr - € 7,99 at 2 shops |
| Dr. Organic Deodorant Dead Sea Mineral - € 8,99 at 2 shops | Dr. Organic Dead Sea Mineral Body Wash € 10,99 at 4 shops |
| Dr. Organic Dead Sea Mineral Bio-Plasma Mud Mask - € 11,99 at 5+ shops | Dr. Organic Dead Sea Mineral Shampoo & Conditioner - € 9,99 at 4 shops |
| Dr. Organic Dead Sea Mineral Face Wash - € 12,99 at 3 shops | RADHA Beauty Dead Sea Mud Mask 250gr. - € 16,99 at 2 shops |
| Purederm Dead Sea Mango Masker 15ml - € 1,48 at 3 shops | Nacomi Dead Sea Healthy Bath Salt 1400g. - € 13,99 at bol.com |
| Montagne Jeunesse Dead Sea Mud Pac 175 ml - Face mask at Luxplus - € 5,95 at 5+ shops | GrabGreen, Hand Soap, Tangerine with Lemongrass, 12 oz (355 ml) - € 3,82 at iHerb |
| Meraki Cotton Haze Vloeibare Handzeep - 500 ml 5707644420106 | EO Products, Hand Soap, Refill, French Lavender, 32 fl oz (946 ml) |

| | |
|---|---|
| € 13,99 at 5+ shops | € 14,90 at iHerb |
| Mrs. Meyers Clean Day, Liquid Hand Soap Refill, Geranium Scent, 33 fl oz (975 ml) - € 9,64 at iHerb | Carr Day & Martin Zadel-en Leerzeep Brecknell Turner 250ml - € 7,72 at 3 shops |
| Spa Mandarin + Mango Dead Sea Salt Soak - € 5,45 at Total Beauty Shop | Pure Soap - Demeter Cologne Spray 120 ML - € 30,99 at Sobelia.nl |
| Ahava Natural Dead Sea Bath Salts Badproduct 250g - € 7,65 (€ 3,06 / 100g) at 10+ shops | Wooden Soap Loaf Cutter Mold and Rectangle Silicone Mould - € 27,32 at GearBest |
| Mediceuticals Pure Soap - € 14,00 at 3 shops | DR Bronners Shikakai soap citrus limon 710ml - € 22,82 at 5+ shops |
| Defense Soap Bar - € 6,95 at 247 Fightgear | Euro - Refill Foam soap, 1000ml - € 14,50 at CleanioShop |
| Mrs. Meyers Clean Day, Liquid Hand Soap, Parsley Scent, 12.5 fl oz (370 ml) - € 4,38 at iHerb | Indigo Wild, Zum Bar, Goat's Milk Soap, Sandalwood-Citrus, 3 oz Bar - € 4,70 at iHerb |
| Hayoun Sugar Soap 100ml<br>€ 24,75 at Care for Skin | Leer zeep / Saddle soap<br>€ 16,75 at bol.com |
| Mrs. Meyers Clean Day, Liquid Hand Soap Refill, Geranium Scent, 33 fl oz (975 ml) - € 9,64 at iHerb | Euro Products Pearl foam soap, lotion - € 68,91 at 3 shops |
| Care plus clean soap leaves per stuk-<br>€ 2,67 at 20+ shops | Creative 960127 - € 4,55 at 5+ shops |

## 3.12 Commercial practices

In every country there are rules of conduct that you must take into account when doing business. Below you will find some rules of conduct for the business culture of the United Kingdom (UK).

**Do's**
- Politeness is still very important.
- Building relationships is important in the UK. Come along and maintain your network.
- Do not get straight to the point. First talk about the weather or sports to break the ice.
- Speak good business English.

**Don'ts**
- Do not be too direct. British sometimes experience directness as being rude and vulgar.
- Do not give any criticism, certainly not to the British themselves or to their customs.
- Do not talk about private matters in the workplace.

- Be careful with interpreting what Brits say. Sometimes they mean something very different from what foreigners think.

The Brit does not quickly show the back of his tongue. Once a contract has been concluded, it will be open and in direct contact. Personal contact plays an important role in doing business with the British, but with an appropriate distance. Private and business usually remain strictly separated.

**Make appointments**
- Be on time. The British businessman is punctual and expects yours too.
- Take plenty of time to be on time in London. Because of the great distances and traffic, it is not easy to estimate how much time traveling takes.

**Clothing**
- In the UK people usually dress formally.

**Communication**
- A business conversation starts and ends often with small talk about the journey, weather and sport.
- The British expect a vendor to be able to express himself smoothly and 'to the point' in an interview, especially with an introduction ('pitchtalk'). You can explain in a few minutes what the core activity of your company is and what the strengths of your product or service are.
- Expressions like 'please' (like 'happy' or 'please') and 'thank you' cannot be used often enough.
- The British businessman rarely shows that he disagrees with his interlocutor. He will not say yes or no too soon.
- Your communication style might be viewed as offensive, when you thought you were merely being helpfully direct or your negotiating style could appear confrontational when you thought you were offering useful alternatives.

**England and Wales, Scotland and Northern Ireland**
The United Kingdom is also inhabited by Scottish, Welshmen and Irishmen. Do not talk about 'England' if you actually mean the whole of the United Kingdom or another part of the country. This may be sensitive to non-Englishmen.

**Time-keeping is suitable**
In general, the British value time-keeping for business arrangements. If you set up a meeting for two o'clock, the chances are your counterparts will arrive on time or just before. Since the British are so time conscious, sometimes you may feel their lives are very rushed. In fact, however, they are only doing their best to avoid losing time, which is valued as an economic resource.

It is considered very impolite to arrive late for a business meeting. If your delay is inevitable and you arrive late, it is usually sufficient to excuse yourself with an apology. If, however, you are running more than a few minutes late, you should call ahead to apologise and give an indication of how long you will be; in the case of a longer delay that would compromise the value of attending the meeting, you should consider offering to postpone the meeting to a new time and/or day. The busier people are, the greater the likelihood that they will have to leave for another engagement, so respecting their time is very important.

**Preparing your meeting in the UK**

Senior managers and directors will often have personal assistants who plan their diaries and meetings to fit into their working day. It is often necessary to plan a long time ahead when arranging meetings with senior executives, as diaries tend to be booked up well in advance. When meeting someone for the first time, most managers will value some advance information about the company you represent. This will enable them to establish some basic details about your company, which will save time at the meeting and increase your credibility. It is also useful for you, if visiting a company in the UK for the first time, to find out some information about that company so that you can understand more about their business culture, interests and where there may be opportunities and synergies that can be leveraged.

**Traditional greeting in the UK**

The traditional greeting among British managers is a light but firm handshake accompanied by a polite greeting. In general, British people are more reserved than continental Europeans and you should refrain from physical contact apart from the initial handshake. Smiling, on the other hand, particularly at the initial stage of an encounter is considered an expression of positive intentions. It is also worth mentioning that it is not normal practice to shake hands with or greet everyone on entering a room full of people.

**The typical professional approach in the UK**

During the negotiation process, it is necessary to keep in mind that British business professionals often approach their work in a detached and emotionless way. They will tend to look for objective facts and solid evidence, so emotional persuasion techniques are usually a waste of time. Personal bonds also seem to have little relevance for business in the UK, which differs from other European countries.

Aggressive selling techniques such as derogatory remarks about the competition, on the other hand, will probably have very little positive influence on your business partners and may actually be counterproductive. Similarly, any facial expressions tend to be kept to a minimum, thus making it difficult to guess the thoughts and opinions of British negotiators. This behaviour is not suspicious or mistrustful; it is just the typical professional approach.

**Business etiquette**

Also, it is advisable to be aware of the hierarchical structure of the particular organisation with which you are dealing. In the UK, it is common for companies to declare that they value teamwork and democracy even though, in practice, the senior manager is the person who makes the final decision.

Gift Giving is not a usual part of British business etiquette, although reciprocation is good practice when gifts are received. Some organisations are encouraged not to accept any form of gift and some are prevented from doing so on legal grounds. However, where a gift is offered, it is important to ensure that it is not expensive enough to be considered a bribe or so inexpensive as to be considered an insult.

Bribery and corruption are generally taken very seriously in the United Kingdom and the chances of a bribe being accepted are very low. The risks are too high and it is strongly advisable not to try to bribe anyone.

**Dress code**

When it comes to business dress codes, classical conservative attire is the norm for both men and women in British culture and dark colours such as black, dark blue and charcoal grey are predominant. It is common for women to wear either trousers or a skirt in an office environment, and head scarves are accepted as part of religious freedom. Many senior managers are fond of quality and express their status through their choice of clothing. Shopping in designer boutiques is popular among British society and bespoke suits, designer shirts, silk ties and hand-made shoes are signs of affluence and status.

Dress code inevitably varies across industries. In the creative sectors (e.g. digital marketing) a more relaxed dress code is common – just a shirt and trousers. Numerous office-based organisations have introduced Casual Friday, Casual Day or Dress-Down Friday, where a more relaxed dress code (and hopefully increased creativity) is encouraged based on the California inspired Dot Com Business Culture.

In sophisticated retail markets for luxury goods such as The UK, The Benelux (Belgium, Netherlands and Luxembourg) and Scandinavia (Iceland, Greenland, Norway, Sweden, Finland and Denmark), there is a tendency to buy only from the established brands, with a highly settled brand name in multiple luxury goods.

Products are widely available in drugstores, department stores, supermarkets, discount stores, and other independent shops. The UK market is mature and saturated and has many competing brands. In order to be successful in this competitive market, any foreign companies must be willing to invest heavily in marketing.[15]

[15] https://www.businessculture.org
https://www.rvo.nl/factsheet-verenigd-koninkrijk
https://www.pwc.de/de/internationale-maerkte/assets/doing-business-in-the-uk.pdf
https://www.tmf-group.com/en/news-insights/business-culture/top-challenges-uk/
https://www.tripsavvy.com/doing-business-england-468567

## 3.13 Sales promotion

### 3.13.1 Trade fairs

The most important trade fairs in the cosmetics industry in the UK are:

- Professional Beauty London, 24-25 Feb 2019
- Beauty UK show, Birmingham, 19-20 May 2019, which included Holistic Health
- Olympia Beauty 2019 - Olympia London - Sunday 29th & Monday 30th September

Apart from this there are many event where you can showcase your products to the general public, but it is more useful to concentrate on the distributors and professional buyers.

There are also trade fairs in Europe with many UK visitors and exhibitors

- in-cosmetics global - Apr 2-4 - Paris - France http://www.in-cosmetics.com/global/ - also look at http://www.in-cosmetics.com/exhibitor-directory/#search=rpp%3D12%26d%3D100732%7C1111_76 - for UK exhibitors
- Beauty Trade Special 6/4-8/4 Jaarbeurs Utrecht Netherlands
- Cosmetic Business 5/6-6/6 2019 MOC München, Germany

### 3.13.2 Advertisements/blogging

Placing advertisements for your cosmetics product is mostly a costly affair, since the target group is very broad and there are various women's and general magazines that you can choose from. The more readers, the higher the price in general, but since the typical spend per customer is relatively low if you offer just one or a few products, advertising is more something for the big brands.

Blogging or digital story telling can be much more effective. This is also being done by the bigger brands, but if you have a good concept and story here, you may get noticed and the effort pays off.

Brands tell stories that create a certain style of life, a feeling of comfort, liberation and empathy, or even a desire to be a better human being. The online marketing landscape is swamping with digital storytelling. Beauty and personal care brands have, with the help of technology, been successfully utilizing the power of storytelling.

A personal care product is not a high commodity, but because of its high market saturation marketers need to tell consumers more than they can actually see. In fact, consumers are 80% more likely to support brands that exert corporate responsibility and put cause-related marketing into practice.

Below are 5 successful digital storytelling campaigns used by well-known beauty brands to illustrate how companies utilize different methods of employing narratives.

1. **Maybelline New York**
   How can a company make mascara look interesting, inspiring and different? By creating an appealing story behind it and telling it in a unique way that will also reflect the best features of a product.
   Maybelline's strategy was based on creating content, and the more of it the better. First of, a two-sided mini thriller film "The Girl with The Big Eyes" was created, focusing on the female perspective and a hint of her 'secret weapon', which is, of course, the new breakthrough mascara.
   The femme fatale character was active on Twitter for one day to engage with her fans: she tweeted mystery clues while followers posted questions and in turn had the chance to win the secret weapon, and, therefore, uncover the big secret. The thriller scenario worked well for Maybelline, generating 72% of site traffic coming from social networks, where bits of the story's content were spread out.

2. **Burt's Bees Six Seconds Classics**
   Burt's Bees is an American personal care brand, under the motto "Earth friendly, Natural Personal Care Company". What got the owners into the personal care products industry were the 19th-century books about bee-keeping and home-made personal care. No wonder that the brand's liking for books was a great choice to pivot on classic literature stories for their animation films featuring tubes of lip balm dressed in costumes and portraying classical fiction characters such as Moby Dick, Gulliver's Travels and Little Women. The clips, available on the brand's social networks, playfully capture the personality of the classical works and reinforces the brand's values and celebrates simple, yet captivating storytelling.

3. **La Roche-Posay**
   The brand, owned by L'Oreal, uses storytelling in a very subtle and communicative way. It takes a step further by aiming at not only raising awareness of its products, but also educating its (potential) customers about skin damage, proper cleansing and how to choose the products their skin needs. La Roche-Posay tells stories that deal with solutions to problems. The website is filled with expert tips, question-answer segments and how-to by experts-dermatologists, Even if it does not entail purchasing any of La Roche-Posay products. By celebrating success stories, the brand lends a helping hand to consumers and thus wins at storytelling.

4. **Crème de la Mer**
   Luxury-cream brand La Mer recently introduced two promotional campaigns focused on the consumers to launch its newest eye gel treatment.
   The first, "Through Their Eyes" consists of short videos titled Illuminating Moments that show high-society stylish couples in New York, Seoul and Paris using La Mer's

newest product. The brand aims at connecting its image with the people who are considered to be trendsetters.
The second campaign for the new product manages just what the first one does not – to appeal to the average consumer and tell his/her story. The campaign, hashtaged #EyesLightUp, invites fans to make a photo mosaic of the things that make their eyes light up. Users upload pictures from Facebook, Instagram or their personal device, and ultimately the mosaic image is composed of all the small pictures the user selected.

5. **Chanel**
A strong narrative is by far the most essential element for a good content. The iconic high-fashion house Chanel is no stranger to good storytelling. Its creator, the legendary Gabrielle "Coco" Chanel has become the brand's strongest symbol, along with the actual signature logo of two interconnected C's. Coco's legacy also plays a major role on the company's interactive website. Every chapter tells a success story of a product or the life story of the brand's ambassadors, such as Marilyn Monroe and the iconic Chanel No°5 perfume in chapter 2. Moreover, INSIDE CHANEL takes the brand's history and presents it in an interactive chronological timeline, celebrating each milestone with grace, style and sophistication. Great narrative is also at the core of the company's recent campaign "The One That I Want". Launched as a mini-romance film in the form of a commercial for the signature Chanel No°5 fragrance.

### 3.13.3 Direct marketing

Direct marketing campaigns, e.g. email marketing, can work well, but email addresses need to be obtained making clear that these will be used for email marketing. Just buying a list and sending out emails is not allowed under GDPR regulations.

Lists can best be built on an international website where there is some form of reward for leaving behind your email address. This can be a sample or it can be personalised advice. It is recommended to use a local marketing agency for this purpose.

## 3.14 Market prospects

There is a variety of ways in which Palestinian cosmetic companies can enter the Northern European market. No one market entry strategy works for all international markets. There will be a number of factors that will influence the choice of strategy, including, but not limited to retail marketing, retail demonstration projects and try outs, trade shows, private label, pop up stores, shop-in-a-shop marketing and multi-channel advertising. While these factors may well increase your costs it is expected the increase in sales will offset these costs.

### 3.14.1 Main choices for market entry

There are many choices to be made before you can effectively enter the UK market, but in our opinion the most important ones are:

- Retail versus spa's: this really depends what your product looks like, what packaging quantities you want to provide, and how you want to position your product.
- Big supermarket/hypermarket chains or smaller retailers: big supermarket chains can bring you huge volumes, but the question is whether you can handle that at once. Also typical for big supermarket chains is that the price pressure is very high, they charge you for every promotion and payment terms can be extremely long. Smaller supermarket chains may have more reasonable terms.
- Branded product or white label: You can either supply the retailer or supermarket with products labelled with your own brand name or, you can supply them with unbranded products. The latter are known as "white label" products, which a retailer will then sell under their own brand or label, Supplying white label goods is likely to generate higher volumes but lower profit margins.

### 3.14.2 Possible market entry points

Not all segments of the UK cosmetics market are equally attractive. Some segments will grow stronger in the next few years or show more opportunity for a market entry.

- Skincare is forecast to be the fastest growing subsector out to 2022, with much of this due to product innovation in both the mass and premium markets. We expect skin preparation products such as masks, serums and primers to outperform
- The health & beauty market remains very female dominated, with 78.0% of females buying into the category in the past year, compared to 41.5% of males. Retailers need to better exploit males' interest in health, wellness and fitness by encouraging them to buy into other categories such as skincare.
- It's important to identify the retailers which are best placed to take advantage of ingredient and beauty innovation trends to understand the competition in the market and inform new product development.
- Try to understand what The Body Shop needs to do to build its market share and regain relevance under its new owner, Natura Cosméticos, and what this means for other established retailers in the market.
- Recognise the impact of the online pureplays such as Feelunique, Cult Beauty, Lookfantastic as well as ASOS and Amazon in the health & beauty market to adapt your online strategy, and understand how to compete against these retailers.
- Understand the impact of community pharmacy funding cuts on pharmacy retailing and how it will benefit retailers, particularly leaders, in the health & beauty market.
- Identify the drivers in the market such as the health & wellness trend and continued rise of bloggers, celebrities and fitness personalities which are broadening the appeal of

health products, and understand which categories are performing well to aid range planning.

### 3.14.3 Ways to introduce your product in the higher market segment

As the main stream segment is for the most part occupied by the big companies mentioned in paragraph 3.5, and Palestinian manufacturers may lack scale to effectively compete in the low end of the market, product positioning in the higher market segment may be the most logical. In order to do so, the following aspects may be important:

1. Packaging - By placing your product in pretty packages, you can attract more customers to it. Highlight the aspects of your line that make it different from other products; for example, list the different colours that your makeup line consists of on the packaging or the sun protection aspects of the product. Consider packaging some products together in a set to increase sales.
2. Contacting - Make Contact with the Industry - The more times a beauty editor, established beauty company or professional in the industry gets her hand on your product, the more likely you are to score a big deal. Send beauty editors gift baskets of your products. Host a media breakfast in which you discuss your product with industry professionals. Discuss your products with boutique owners, and inquire about placing a small supply at their stores to begin.
3. Use Social Media and the Internet - While many companies can benefit from the use of social media to connect to potential customers, social media is ideal for the makeup industry because of the visual aspect of the products. Make a series of how-to videos and post them to the web. Write a blog about makeup and feature people wearing your products. Post pictures to your other social media accounts. Send a weekly or monthly newsletter to inform customers about new products or discounts.
4. Workshops - Host workshops in which you educate potential customers about skin care and makeup application. Explain how to dress up a day look to an evening look with a few quick changes. Discuss how a person's wardrobe and makeup correspond. Demonstrate how makeup products work and proper application techniques by having a model on hand. As an alternative, ask a member of the audience to volunteer for the task.
5. Giveaways - Send potential customers free samples of your product. Also, host a monthly giveaway for a basket of free cosmetic products that you advertise on your website or social media accounts. Give customers a certain number of entries based on the number of purchases they make.

# 4 Legal, political and economic factors

## 4.1 Political climate and stability

The United Kingdom is a state made up of the historic countries of England, Wales and Scotland, as well as Northern Ireland. It is known as the home of both modern parliamentary democracy and the Industrial Revolution.

Two world wars and the end of empire diminished its role in the 20th century, and the 2016 referendum vote to leave the European Union has raised significant questions about the country's global role. Nonetheless, the United Kingdom remains an economic and military power with great political and cultural influence around the world.

Her Majesty Queen Elizabeth II ascended to the throne of the United Kingdom of Great Britain and Northern Ireland in 1952 upon the death of her father, George VI. She is also head of state of 16 independent countries including Canada and Australia. As a constitutional monarch, her role in the legislative process is largely ceremonial.

The UK political system is a multi-party system. Since the 1920s, the two dominant parties have been the Conservative Party and the Labor Party. Before the Labor Party rose in British politics, the Liberal Party was the other major political party, along with the Conservatives.

While coalition and minority governments have been an occasional feature of parliamentary politics, the first-past-the-post electoral system used for general elections tends to maintain the dominance of these two parties, though each has in the past century relied upon a third party, such as the Liberal Democrats, to deliver a working majority in Parliament.

A Conservative–Liberal Democrat coalition government held office from 2010 until 2015, the first coalition since 1945 [1] The coalition ended following parliamentary elections on 7 May 2015, in which the Conservative Party won an outright majority of 330 seats in the House of Commons, while their coalition partners lost all but eight seats.

Theresa May became prime minister in July 2016 on the resignation of her predecessor and fellow Conservative, David Cameron, in the wake of a referendum vote for Britain to leave the European Union. Mrs May backed Mr Cameron's support for Britain to remain in the EU, but now faces the task of overseeing its exit.

Her task is made more difficult by her calling an early election in June 2017, which led to the surprise result of a hung parliament and a fragile Conservative minority government, kept in office through an agreement with the Democratic Unionist Party of Northern Ireland[16]. At the moment of the writing of this report, a (first) agreement was reached with the European Union on the terms and conditions of the exit, but this was not yet accepted within the UK parliament.

## 4.2 International trade developments

The United Kingdom (estimated 2017 GDP of $2.6 trillion) is a major international trading power, with the fifth-largest economy in the world according to the World Bank Group, the second-largest economy in the European Union. While the United Kingdom is geographically relatively small, it has a population of more than 65 million people.

The UK economy grew by 1.7% in 2017, a modest deceleration from previous years, reflecting uncertainty caused by the Brexit vote and what it will mean for the UK economy.  Some observers expect the economy to weaken slightly in 2018 as consumer confidence could be suppressed by factors such as rising inflation and potential currency fluctuations.

On June 23, 2016, the UK voted to leave the European Union (EU), ushering in a period of economic and political uncertainty that persists as the UK seeks to define a new, post-Brexit, relationship with the EU and its other key trading partners.  As part of the Brexit process, the UK Government triggered the two-year exit process by invoking Article 50 of the Lisbon Treaty in March 2017.  The UK and the EU are currently negotiating the terms of the UK's withdrawal and will discuss a framework for their future relationship ahead of the UK's scheduled departure from the bloc on March 29, 2019.

Formal Brexit negotiations started in June 2017.  In March 2018, both sides agreed to a 21-month transition deal (from March 29, 2019 to December 31, 2020) during which the UK would effectively remain in the EU Customs Union and Single Market.  While the UK would be required to continue to follow EU rules without being able to participate in EU decision-making processes, the UK would technically be free to negotiate and sign new trade deals during this time.

The most immediate focus of UK-EU discussions is on agreeing to a final "divorce deal" – the status/rights of citizens (3.2 million EU citizens in the UK; 1 million Britons in the EU); the divorce bill (what the UK will pay to cover long-term commitments made to EU programs while the UK was still an EU member); and the status of the border between Northern Ireland and the Republic of Ireland – before the March 2019 Brexit deadline.  Subsequent negotiations will then center on the future trading arrangement between the UK and EU[17].

[16] BBC.com
[17] US Embassy for Export.gov

## 4.3 Trade agreements (i.e. trade advantages)

As long as the UK is part of the European Union, all rules and regulations of the EU apply, including a preferential treatment of Palestine. This results zero duties for practical all product categories, except for some special cases such as apples, pears and tomatoes. No import duties apply on all cosmetic products covered in this report.

This is the result of an Interim Association Agreement on Trade and Cooperation concluded between the EU and the Palestine Liberation Organisation (PLO) on behalf of the Palestinian Authority in 1997. The agreement provides for duty-free access to EU markets for Palestinian industrial goods, and a phase-out of tariffs on EU exports to Palestine over five years. An Agreement for further liberalisation of agricultural products, processed agricultural products and fish and fishery products entered into force on 1 January 2012.

Formally, after the UK has left the European Union, there will be no trade agreement at all. However, it is likely that the UK will at least offer to honour all EU trade agreements for the short term, and expect their trading partners to do the same.

### 4.3.1 The pan-Euro-Mediterranean Convention on rules of origin

The pan-Euro-Mediterranean cumulation system of origin was created in 2005. It brings together the EU, Palestine, and other partners in Europe and the Mediterranean to support regional integration by creating a common system of rules of origin. Rules of origin are the technical criteria which determine whether a specific product qualifies for duty free or other preferential access under a given trade agreement.

Cumulation of origin means a product coming from one partner country can be processed or added to a product of a second partner country and still be considered an "originating product" of that second partner country for the purposes of a particular trade agreement.

The pan-Euro-Mediterranean system allows for diagonal cumulation (i.e. cumulation between two or more countries) between the EU, EFTA States, Turkey, the Western Balkans, the Faroe Islands, and any countries which signed the Barcelona Declaration of 1995. The system was originally based on a network of Free Trade Agreements having identical origin protocols.

These individual origin protocols are being progressively replaced by a reference to the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM Convention), which was established in 2011 to provide a more unified framework for origin protocols. Palestine has acceded to the PEM Convention on 1 July 2014. It has to be noted here that products originating in the Israeli settlements in Palestine (the West-Bank, Gaza Strip, East Jerusalem and the Golan Heights) are not entitled to benefit from preferential tariff treatment under the EU-Israel Association Agreement.

## 4.4 Trade barriers (both tariff and non-tariff)

The preferential treatment for Palestine results in effectively no import duties for Palestinian goods being shipped to the EU. Imported goods are only subject to VAT, just as goods from any other countries[18].

Despite the preferential treatment, the general picture with regards to trade between Palestine and the EU is the following:

- Due to difficult economic situation and restrictions on movement and access, trade with the EU is very limited (€278 million in 2017).
- Imports from Palestine to the EU are very low, only €16 million in 2017. They consist mainly of agricultural products (82.4%), mainly tropical fruits and olive oil, and chemicals (12.1%), mainly pharmaceuticals.
- EU exports to Palestine are composed mainly of machinery and transport equipment (52.7%), as well as agricultural products (23.0%) and chemicals (11.7%), again mainly pharmaceuticals. They amounted to €262 million in 2017.

There are several regulations for the import of food products, these are as follows:

1. General foodstuffs hygiene rules according to Regulation (EC) No 852/2004 of the European Parliament and of the Council (OJ L-139 30/04/2004) (CELEX 32004R0852);
2. General conditions concerning contaminants in food;
3. Special provisions on Genetically Modified (GM) food and novel food of Regulation (EC) No 1829/2003 of the European Parliament and of the Council (OJ L-268 18/10/2003) (CELEX 32003R1829) and Regulation (EC) No 258/97 of the European Parliament and of the Council (OJ L-43 14/02/1997) (CELEX 31997R0258);
4. General conditions of preparation of foodstuffs;
5. Official control of foodstuffs;

However, these regulations are not disproportionally heavy and can be complied with by professionally working companies.

If there are any barriers in the trade with Europe, then these most probably have to do with:

- Physical distance
- Cultural differences
- Perception of the quality of the products
- Perception of the stability of the Palestine Territories.

The physical distance can be overcome, and the other points can be dealt with.

[18] European Committee Trade Helpdesk