Beauty Opportunities in Southeast Asia

Mintel looks at how urbanisation has reshaped the beauty market, is influencing the retail scenes, and is inspiring more homegrown brands to find their spot and stand out from the beauty space.
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Where we are

MINTEL GLOBAL COVERAGE

- Mintel Office
- Shopper Network
- Primary New Products Data and Shopper Network
- Primary Consumer Research, Primary New Products Data and Shopper Network
How we do it

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50+ YEARS INDUSTRY EXPERIENCE

CREDIBLE DATA

Innovation
Consumers
Markets
Trends

= LEADING INDUSTRY FORECASTING

WHAT’S NEXT
Content

OVERVIEW OF SOUTHEAST ASIA REGION
• Facts of Southeast Asia
• The growth and developments

URBANSATION RESHAPES THE RETAIL SCENE IN SOUTHEAST ASIA
• Retail revolution in Southeast Asia
• The power of eCommerce

HOMEGROWN BRANDS FIND THEIR SWEET SPOT
• Case studies: Successful homegrown brands in the region

SPOTLIGHT: BEAUTY RITUALS IN SOUTHEAST ASIA

KEY TAKEAWAYS
OVERVIEW OF SOUTHEAST ASIA

- Facts of Southeast Asia
- The growth and developments within the region
Population and economies in Southeast Asia

• The name ‘Southeast Asia’ became popular after World War II, and has replaced phrases like ‘Indo-China’ and ‘Malay Peninsula’.
• Arguably one of the most diverse consumer markets with different races, languages and religions.

• Singapore and Malaysia in particular have multitudes of ethnic groups.
  - Chinese people make up 76% of Singapore’s population, followed by Malays (15%) and Indians (7%).
  - In Malaysia, 50% of the population are Malays, followed by 23% of Chinese, 12% of indigenous and 7% of Indians

<table>
<thead>
<tr>
<th>Country</th>
<th>Population as of 2017</th>
<th>Per Capita Gross Domestic Product (GDP) in USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>263 million</td>
<td>$3,511</td>
</tr>
<tr>
<td>Thailand</td>
<td>68 million</td>
<td>$5,697</td>
</tr>
<tr>
<td>Singapore</td>
<td>5.7 million</td>
<td>$52,049</td>
</tr>
<tr>
<td>Philippines</td>
<td>103 million</td>
<td>$3,568</td>
</tr>
<tr>
<td>Vietnam</td>
<td>95 million</td>
<td>$2,370</td>
</tr>
<tr>
<td>Malaysia</td>
<td>31 million</td>
<td>$13,123</td>
</tr>
</tbody>
</table>

Source: Worldometers, Index Mundi
Reaching out to consumers in Southeast Asia

Facebook is a highly popular social media channel in Southeast Asia, with 77% of consumers in the region liking at least one brand page on Facebook.

37% of online consumers in Southeast Asia report having made a purchase as a direct result of a marketing message received through Facebook.
eCommerce accelerates in Southeast Asia

- eCommerce sales is projected to grow from $6 billion in 2015 to $88 billion in 2025.

- Growing middle class and improved infrastructure are helping to boost the eCommerce market in Southeast Asia, which in turn drives branding and sales.

- Key eCommerce giants such as Alibaba, Amazon and JD.com see the potential in Southeast Asia and have expanded their presence across the region.

Source: Google, BI Intelligence
URBANISATION RESHAPES THE RETAIL SCENE IN SOUTHEAST ASIA

- Retail revolution in Southeast Asia
- The power of eCommerce
Beauty retail giants from Japan set foot in Thailand

THAILAND

• Beauty retail giants from Japan have set foot in the market and are making expansion plans.
• Mega drugstores such as Tsuruha expanded its investments in Thailand in 2011.
• Matsumoto Kiyoshi set up its 1st store in Bangkok in October 2015.
• Japan’s renowned ranking site and store, @Cosme, will be opening its first store in Bangkok in the third quarter of 2017.

SINGAPORE

Regional HQ for Sephora APAC to expand its developments within the region, subsequently entering markets like Malaysia, Thailand, Indonesia.

• Singapore: 11 stores
• Malaysia: 17 stores
• Thailand: 6 stores
• Indonesia: 5 stores

Source: Retail Asia, Sephora sites
Guardian’s expansion plan to support local business in Vietnam

**VIETNAM**

- Guardian Vietnam opened its 49th store in April 2017.
- First store was opened in 2011.
- Support local businesses and suppliers.
- An extensive number of locally-produced products on shelves.

**INDONESIA**

- Thai skincare retailer, Beauty Community, entered the Indonesia market in 2015.
- Beauty Community operates 296 stores in Thailand, and owns three brands under its belt: Beauty Buffet, Beauty Market and Beauty Cottage.
Southeast Asia rides along the waves of technology

68% of respondents from Malaysia said that they shop at a combination of online and offline stores.

Singapore holds high potential for eCommerce businesses; the eCommerce industry in Singapore is expected to be worth SGD 7.46 billion by 2025.

As technology and eCommerce continue to evolve, Southeast Asia moves towards mCommerce (mobile commerce) as consumers are using their phones to browse and buy products on the go.

% of consumers who purchased a product online in the past 30 days, 2016 vs 2017

<table>
<thead>
<tr>
<th>Country</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>27%</td>
<td>41%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>50%</td>
<td>52%</td>
</tr>
<tr>
<td>Philippines</td>
<td>29%</td>
<td>38%</td>
</tr>
<tr>
<td>Singapore</td>
<td>57%</td>
<td>60%</td>
</tr>
<tr>
<td>Thailand</td>
<td>44%</td>
<td>51%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>37%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Base: 5338 internet users
Source: Di Marketing, eCommerceIQ Asia
Elevator Shopping

28 March 2017 - Malaysia

Malaysians can now shop from inside an elevator by simply tapping their smartphones on an NFC-enabled poster board and paying through their mobile wallet.

Supported Trends: Seamless Spending

67%

The transaction volume per capita for e-payments in Malaysia increased by 67% between 2011 and 2015

Bank Negara Malaysia
7-Eleven Pick-Up

29 November 2016 – Malaysia
7-Eleven Malaysia is turning its convenience stores into online shopping pick-up locations.

Supported Trends: Straight to You
Virtual Shopkeepers

23 March 2017 – Indonesia
A new start-up is allowing thousands of Indonesians to build virtual mom-and-pop stores with the country's biggest retailer.

Supported Trends: Alternative Realities
Deals as You Browse

26 January 2017 – Indonesia
An Indonesian mall has launched a new app that uses location data to allow retailers to offer shoppers customized deals.

Supported Trends: Make it Mine; Access All Areas

487%
43 million smartphones were sold in Indonesia in 2015, representing growth of 25% in the year and a significant rise of 487% since 2010

Mintel Market Sizes
Authentic Virtual Shopping

25 November 2016 – Philippines
Adobomall has launched as the first online shopping mall in the Philippines, providing people with access to virtual stores and authentic goods from the comfort of their home.

Supported Trends: Straight to You

25%
The Philippines' e-commerce industry is estimated to contribute 25% of its gross domestic product by 2020

Department of Trade and Industry

Source: Mintel Trends
Spot and Buy

27 October 2016 – Singapore
A new app launched in Singapore allows users to shop for products they see via a “Crop and Shop” tool.

Supported Trends: Life Hacking; Seamless Spending
HOMEGROWN BRANDS FIND THEIR SWEET SPOT

Case studies: Successful homegrown brands in the region and how they did it
Brand from Singapore: Allies of Skin

LESS IS MORE SKIN PHILOSOPHY
Established in 2013, Allies of Skin started out with just one product and subsequently released another two items. Now, the brand holds three products in its skincare line.

POINT OF SALES
Own online store, international high-end ecommerce sites – Mr. Porter, Net-A-Porter and Farfetch, Barney New York, Sephora online stores in Southeast Asia and ANZ.

Made $700,000 sales in a year with three products.

BEST SELLERS
Cult favourite - 1A All Day Mask & Molecular Saviour Toner Mist

2017 – OVERNIGHT FACIAL
Launched the new Bright Future Overnight Facial – delivers intense hydration as its blend of AHAs, Retinol and Probiotics encourage cellular renewal overnight to reduce imperfections and reveal brighter skin the next morning.

SUCCESS FACTOR/STRATEGY
Customer-centric – letting them speak for the brand and for products to speak for themselves. No paid reviews; all reviews are genuine and gratuitous.
Brand from Thailand: Namu Life

INCREDIABLY FAMOUS BRAND FOR ANTI-AGEING WHITENING CREAM

Launched in 2013 and became a huge hype ever since. The snail white cream is formulated with concentrated extracts from Korea such as snail secretion filtrate and ginseng.

POINT OF SALES

Started selling via online ordering model. In 2013, the brand opened its first official sales counter in Watsons retail store in Chengdu, China. The product has since entered Hong Kong, USA, Sweden, Australia, Macau, Malaysia, Singapore and mainland China.

Available in all key mass retail chains in Thailand such as EVEAND BOY, LASHES, Tsuruha, Matsumoto Kiyoshi, Big C, and Tops Market.

BEST SELLERS

Snail White Facial Cream

SUCCESS FACTOR/STRATEGY

Massive publicity on its regenerating, recovering, repairing, restoring, and renewing effects, to catch the attentions of consumers in order to expand the product’s visibility.

High visibility at the airport, along the streets, and on the trains.
Brand from Philippines: Human Nature

BEAUTY COMPASSION
Officially launched in November 2008. While living in U.S, the founders noticed a growing trend where affordable, natural, eco-friendly and ethically-made products are entering the mainstream market.

Focusing on the core values of being pro-Philippines, pro-poor, and pro-environment, Human Nature began to develop effective, safe and environmentally sustainable products from ingredients that can be grown locally.

POINT OF SALES
Own online store, four stores across Philippines, and Zalora Philippines.
International presence: U.S, Canada, Malaysia, and U.A.E.

BEST SELLER
Sunflower Oil – Experience 23 miracles of the sunflower gold

SUCCESS FACTOR/STRATEGY
Keeping to its values of providing affordable, high quality and natural products – working directly with farmers in the Philippines, the brand has full access to the very same farms that luxury skincare brands source their ingredients from.

Partner with skincare formulators but giving them the full creative freedom to use their dream ingredients, ultimately leading them to creating special and unique products.
SPOTLIGHT: BEAUTY RITUALS IN SOUTHEAST ASIA

• What’s trending in beauty products and services
• What beauty products consumers are using
Skincare and makeup regimes

### SKINCARE

<table>
<thead>
<tr>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Makeup remover/Facial Cleanser</td>
</tr>
<tr>
<td>Face Lotion/Toner/Mist</td>
</tr>
<tr>
<td>Essence/serum</td>
</tr>
<tr>
<td>Moisturizer</td>
</tr>
<tr>
<td>Eye cream</td>
</tr>
<tr>
<td>Sunblock *for daytime</td>
</tr>
<tr>
<td>Mask (e.g.: leave-on, sheet mask) *for night</td>
</tr>
</tbody>
</table>

### MAKEUP

<table>
<thead>
<tr>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Face Primer</td>
</tr>
<tr>
<td>Foundation (e.g.: liquid, cushion)</td>
</tr>
<tr>
<td>Blusher</td>
</tr>
<tr>
<td>Eyebrow</td>
</tr>
<tr>
<td>Eyeliner</td>
</tr>
<tr>
<td>Lip colour</td>
</tr>
<tr>
<td>Makeup Setting Spray</td>
</tr>
</tbody>
</table>

Daily Vanity Survey 2017 asked 2,008 women in Singapore about beauty culture and trends that interest them:

- 88% are inclined towards Korean beauty culture and trends
- Women above 35 years old look up to Japanese beauty

- In colour cosmetics, primer is gaining traction especially with more innovations incorporating skincare benefits and ingredients to provide more value in using them for enhancement purposes.
New product launches: Lip colour plays out strong

- Lip colour cosmetics show active developments and potential to grow within Southeast Asia.
- Largely influenced by western cosmetics brands such as Kat Von D and YSL, when it comes to strong colours and matte texture.
- Indonesia (15%) and Malaysia (17%) account for the most number of lip colour product launches, largely because Muslims who wear hijabs use lip colour cosmetics to enhance their facial features.

S.E.A new product launches, % by country vs. sub-category, 2014-2016

![Bar chart showing new product launches by country and sub-category from 2014 to 2016.](chart.png)

Source: Mintel GNPD
• Lip colour products account for 64% of all cosmetics launches in 2017, a 14% increase from 2014.

• Eyebrow product launches rose from 3% in 2014 to 9% in mid-year of 2017.

• Eyelash and eyebrow products are popular among consumers in Southeast Asia as they enhance eyes features.
Brow and lash services are in the spotlight

- Brow services like threading, tweezing and embroidery, are on the rise as consumers become more beauty conscious and are seeking convenience in having beautifully drawn brows.

- Lash extensions are increasingly popular and prices are becoming more competitive, ranging from $80-$200.

- Popular names such as Browhaus and Benefit Brow Bar have a regional presence, and cult followers are willing to spend more money on these services for semi-permanent brows.
Singapore is the key anchor to wider Asia

- Beauty brands choose to debut key launches in Singapore as the anchor to step foot into wider Asia.
- While Korean and Japanese beauty focus on light and natural makeup, stronger colours hold a place among consumers in Southeast Asia who wish to better enhance their features with bolder colors.

**Kat Von D** debuted in Singapore in 2016 at Sephora; the brand caused quite a stir with the launch of its matte lipsticks and bold colour palette.

**M.A.C Cosmetics** launched its hybrid flagship store at ION Orchard Singapore in December 2016; the store offers an extensive range of products, beauty services and limited edition collections.

**Marc Jacob Beauty’s Summer 2017 Lineup** arrived in Singapore in May 2017.
Halal lip colour products drive the category’s popularity due to religious reasons.

Matte liquid lipstick is a popular texture, and is most raved for the high colour pigmentation and long-lasting power.

**Top 5 frequently purchased makeup products, 2016**

- Lip products (e.g.: lipstick, lip crème, balm) - 81%
- Eyeliner - 43%
- Foundation - 38%
- Brow Products - 34%
- Mascara - 32%

**Top 5 websites to buy makeup**

<table>
<thead>
<tr>
<th>Website</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lazada Indonesia (lazada.co.id)</td>
<td>52%</td>
</tr>
<tr>
<td>Matahari Mall (<a href="https://www.mataharimall.com/">https://www.mataharimall.com/</a>)</td>
<td>30%</td>
</tr>
<tr>
<td>Blibli (<a href="https://www.blibli.com/">https://www.blibli.com/</a>)</td>
<td>28%</td>
</tr>
<tr>
<td>Sociolla (<a href="https://www.sociolla.com/">https://www.sociolla.com/</a>)</td>
<td>20%</td>
</tr>
<tr>
<td>Sephora Indonesia (<a href="https://www.sephora.co.id/">https://www.sephora.co.id/</a>)</td>
<td>18%</td>
</tr>
</tbody>
</table>

Base: 687 respondents who buy makeup products regularly
Source: Jakpat, Mintel GNPD
Indonesia: Halal lip products

Wardāh Exclusive Matte Lip Cream

- Described as a lush lip liquid innovation locked in soft and creamy texture.
- Formula contains colour-binding pigments and is enriched with vitamin E, to help spread the colour evenly in one swipe for a durable, intense matte finish.

Sariayu Martha Tilaar Color Trend 2017 Inspirasi Gili Lombok Duo Lip Color

- Dual-ended lip colour that features both matte and glossy finishes.
- Color Trend 2017 is inspired by Gili Lombok, and combines the beauty of nature with Lombok’s culture.

Source: Mintel GNPD
Indonesia: soaps are affordable and remain a key choice

- Facial wipes are largely used in Indonesia, particularly among men.
- Generally, consumers in Indonesia use water to clean themselves after using the washroom, and wipes in a dry format come in handy when there is no water.

### 2016: Facial skincare products usage, men vs. women

<table>
<thead>
<tr>
<th>Product</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facial Cleanser</td>
<td>71%</td>
<td>45%</td>
</tr>
<tr>
<td>Facial moisturizer</td>
<td>68%</td>
<td>33%</td>
</tr>
<tr>
<td>Soap</td>
<td>65%</td>
<td>61%</td>
</tr>
<tr>
<td>Lip Balm</td>
<td>50%</td>
<td>19%</td>
</tr>
<tr>
<td>Face Mask</td>
<td>49%</td>
<td>29%</td>
</tr>
<tr>
<td>Makeup remover</td>
<td>40%</td>
<td>0%</td>
</tr>
<tr>
<td>Facial Toner</td>
<td>40%</td>
<td>23%</td>
</tr>
<tr>
<td>BB Cream</td>
<td>36%</td>
<td>25%</td>
</tr>
<tr>
<td>Facial Wipes</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Anti-ageing products</td>
<td>28%</td>
<td>18%</td>
</tr>
<tr>
<td>Facial exfoliator</td>
<td>28%</td>
<td>24%</td>
</tr>
<tr>
<td>Eye cream/gel</td>
<td>20%</td>
<td>18%</td>
</tr>
<tr>
<td>Facial oil</td>
<td>16%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: Mintel Metro Consumer Study
• 40% of Thai women follow a simple skincare routine so their skin aren’t overwhelmed.

• 20% of Thai women use products from one brand that delivers better results rather than use products from different brands.

• BB creams are popular in Thailand as they serve as tinted moisturisers – evens out the skin tone while offering skincare benefits such as whitening, hydration or anti-ageing.

**Thailand: BB creams remain popular**

**Thailand: Facial skincare product/device usage, 2016**

- Facial Moisturizer: 75%
- Lip Balm: 50%
- Acne products: 45%
- Facial Cleanser: 70%
- Soap: 48%
- BB Cream: 39%

*Base: 308 women in Thailand
Source: Mintel Metro Consumer Study*
Thailand: local BB cream innovations

**BB Wet to Powder SPF 35 PA++**
- An innovative facial cosmetic powder featuring a BB Wet to Powder formulation
- Instantly *turn into powder form once touching the skin* to help conceal skin imperfections
- Features an oil control effect, and contains vitamin C, glutathione and SPF 35 PA++

**Miracle Water Drop Snail BB UV Protection SPF 50 PA+++**
- Features a water-resistant formulation said to protect against UVA/UVB and indoor light from computers
- Contains mumin, antioxidants and plant extracts to restore damaged skin and soothe inflammed skin.

**Sunscream Cream**
- New waterproof BB formulation containing Aloe Vera Leaf Extract, Snail Secretion Extract.
- Smooth textured BB sunscreen cream which can be used to substitute foundation.

*Brand: Nami Make Up Pro*
*Brand: Savvy*
*Brand: Fuji*

Source: Mintel GNPD
Thailand: cushion spreads the love for BB formulations

- White Plankton Matte Cushion - said to revive tired skin while nourishing, cooling and mattifying for a radiant, acne-free appearance.

- All in One Skincare Men Cushion - ‘for all the Gangnam Style men’.

- Sculpting highlight & Shading Cushion SPF 50 PA+++.

- DD Cushion City Miracle – designed for Asian skin to protect the skin from exhaust dust, tobacco smoke, premature ageing or dullness whilst also camouflaging wrinkles and dark circles.

- Thai consumers’ love for BB formulations leads on to the demand for BB cushion and more innovations around this format.

- K-Beauty inspired cushion innovations to excite the industry and appeal to consumers.

Source: Mintel GNPD
Vietnam: Dominated by foreign brands

- Local brands are niche and packaging lacks appeal to expand their footprint to other Asian markets.

- South Korean companies have been successful with their expansion plans in Vietnam through entertainment or media platforms.

- With a minimal number of local manufacturers, the market offers many untapped opportunities for bigger foreign companies to enter and establish their businesses.
Halal beauty set for growth in Southeast Asia

- Around **62%** of the world's Muslims live in the Asia Pacific region.

- In September 2014, the Halal Product Certification Bill was passed in Indonesia. This requires all products – food and non-food, sold in the country to be Halal-certified by 2019.

- Skincare (**31%**) is the largest halal sector within Southeast Asia but haircare (**13%**) and bodycare show white space opportunities for product innovation.

### S.E.A: new BPC launches with halal claims, % by category, 2014-May’17

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skincare</td>
<td>31%</td>
</tr>
<tr>
<td>Colour Cosmetics</td>
<td>28%</td>
</tr>
<tr>
<td>Soap &amp; Bath Products</td>
<td>20%</td>
</tr>
<tr>
<td>Hair Products</td>
<td>13%</td>
</tr>
<tr>
<td>Fragrances</td>
<td>4%</td>
</tr>
<tr>
<td>Deodorants</td>
<td>4%</td>
</tr>
</tbody>
</table>
Halal beauty bridges the gap between faith and beauty

- Particular opportunities lie in haircare products for women wearing hijabs, as well as in bodycare with anti-perspiration and deodorisation functions for humid conditions.
- Benefits such as hair and body freshening will appeal to both Muslims and non-Muslims.
- Water-based formulations and claims such as wuhu-friendly will grow within the Halal nail polish category and extend to other nail treatment products for Muslimahs.

Keep the head cool

Formulated exclusively to build comfort and confidence for hijab wearing women. Soothes scalp in 15 seconds.

For covered hair

Nourish the scalp from within to prevent dandruff and hair fall caused by long-term covering of hair.

Permeable nail polish

Oxygen formula allows water and oxygen to pass through the polish to reach the nails. Claims to be wuhu-friendly, allowing Muslim women to merge religious obligations with their grooming routine.

Source: Mintel BPC
Key takeaways

**eCommerce & mCommerce**

- Southeast Asia remains a growth market that welcomes new beauty entrants and developments via physical stores as well as eCommerce and mCommerce.

- Diverse and connected, Southeast Asia is an amalgamation of the U.S and China; it is a region that drives unique eCommerce and mCommerce businesses.

- eCommerce will continue to rise in the region, and beauty brands should leverage technology to market their brands/products and increase the sales turnaround time via online and physical stores.
Key takeaways

Eyes on Thailand and Indonesia

- Regardless of population size or retail developments, Thailand and Indonesia offer infinite business opportunities in Southeast Asia.

- These countries attract high tourism traffic which further increases consumers outreach and a brand’s presence in wider Asia.

- Domestic brands remain competitive and focus on low-middle income consumers even though foreign brands are entering the market with larger budgets and new innovations.
Key takeaways

Halal Beauty
• The Halal beauty and personal care market will grow in value as more people are educated about the concept and are inspired to follow a more ethical lifestyle.

• Moving along with the eCommerce trend, more information on the concept of Halal can be shared on social media with compelling stories told by people of different walks of life – through selfies and opinions that can be easily seen, read about and shared.

• Halal brands can use emotional messages based around ethical lifestyles or health and wellness to resonate with a broader consumer base in Asia, and not just Muslims.
Join us!

Interactive product demonstrations in the Innovation Zone

Tuesday & Wednesday
Morning session: 11:00 – 11:30
Afternoon session: 15:00 – 15:30

Thursday
Morning session: 11:00 – 11:30
Afternoon session: 14:30 – 15:00
Thank you for listening.

Sharon Kwek Si Ling
Senior Innovation & Insights Analyst
(Beauty & Personal Care)