Innovation trends and opportunities in cosmetics – Indonesia & Philippines

Sumit Chopra, Director Research & Analysis
June 15, 2018
Agenda

1. About GlobalData
2. The Global Cosmetics & Toiletries Industry
3. The C&T industry in APAC, Indonesia and Philippines
4. Trends and success/failure cases in Indonesia and Philippines
5. Key Takeaways: Ingredients for success
4,000 of the world's largest companies make better and more timely decisions thanks to our unique data, expert analysis and innovative solutions delivered through a single platform.

GlobalData provides a range of ways that clients can access our data & insights to meet their individual business needs:
- Intelligence Center
- Consulting Services
- Reports

Our services cover five primary industries:
- Consumer
- Retail
- Technology
- Healthcare
- Financial Services

We empower clients to decode the uncertain future they face by providing:
- Unique data
- Expert analysis
- Innovative solutions
- One platform

Our clients:
- Coca-Cola
- Tesco
- HP
- Heineken
- Zurich
- Aviva
- Oracle
- Amazon
- IKEA
- Mondelez
- Allianz
- Cisco
- Saga
- Capita

Our Industry Coverage
- Market Insights
  - Market Forecasts
  - Competitive Intelligence
  - Consumer Insights
- Innovation & New Product Development
- Strategic Planning
- Marketing
- Channel and Sales Management
Agenda

1. About GlobalData
2. The Global Cosmetics & Toiletries Industry
3. The C&T industry in APAC, Indonesia and Philippines
4. Trends and success/failure cases in Indonesia and Philippines
5. Key Takeaways: Ingredients for success
The APAC C&T industry was the largest region in 2017 with a value of US$ 119.9 bn.
Agenda

1. About GlobalData
2. The Global Cosmetics & Toiletries Industry
3. The C&T industry in APAC, Indonesia and Philippines
4. Trends and success/failure cases in Indonesia and Philippines
5. Key Takeaways: Ingredients for success
Skincare was the largest sector in APAC’s cosmetics & toiletries industry in 2017.

- **Skincare**: $64bn, +5.6%
- **Haircare**: $24bn, +5.4%
- **Make-Up**: $14bn, +4%
- **Personal Hygiene**: $13bn, +4.1%
- **Fragrances**: $4bn, +3.5%
- **Suncare**: $2bn, +4.5%

Source: GlobalData’s Market Data
Agenda

1. About GlobalData
2. The APAC Cosmetics & Toiletries Industry outlook
3. The C&T industry in APAC, Indonesia and Philippines
4. Trends and success/failure cases in Indonesia and Philippines
5. Key Takeaways: Ingredients for success
GlobalData's proprietary TrendSights framework interprets consumer trends through an organized "trend hierarchy".
Indonesia – Key drivers of consumer attitudes and behavior

- Image Consciousness
- Premiumization & Indulgence
- Personalization
Indonesia – Image Consciousness

Rising image consciousness among consumers boosts demand for anti-aging and other products which enhance their appearances

48% Indonesians state that their looks/appearance in general is very important to them, prompting manufacturers to launch products with anti-aging claims

Product example – Face make-up
Brand – Natur-E Daily Nourishing
Face Mist

- Formulated with peach flower extract that acts as an "anti-photo polluaging" ingredient
- Offers freshness to skin and protects outer skin, thus offering an anti-aging solution

Product example – Soap
Brand – Citra

- Anti Acne Facial Foam
- Claimed to include green tea which enhances the appearance of the skin

Source: [1GlobalData 2017 Q4 Consumer Survey – Indonesia]
Indonesia – Premiumization & Indulgence

Rising disposable incomes across Indonesia is boosting the demand for premium cosmetics which offer an enhanced experience.

37% Indonesian consumers state that they occasionally purchase premium/luxury products to treat themselves\(^1\)

Product example – Eye make-up
Brand – The Body Shop Shimmer Waves Bronze
The company claims that the 8.5g product which is priced at 339,000 IDR contains marula oil which helps to restore skin's moisture

Product example – Conditioner
Brand – Tresemme Expert Selection
- Deep Cleanse & Protect Conditioner in Ginger & Green Tea
- Expected to offer a salon quality experience, thus positioning the product as premium

Source: [1]GlobalData 2017 Q4 Consumer Survey – Indonesia
With 87% Muslim population\(^1\) in Indonesia there is steady demand for ‘halal’ certified cosmetics

26% Indonesian consumers state that they seek beauty and grooming products which match their religious beliefs.\(^1\) Catering to this demand, manufacturers are launching products with ‘halal’ claims

**Product example – Body lotion**

**Brand – Pureline Hijab Fresh**
- A body lotion launched in Indonesia by PT Unilever Indonesia Tbk
- Claimed to be a halal certified product

**Product example – Facial care**

**Brand – Erto’s**
CC Whitening Cream claimed to be made with halal ingredients, therefore appealing to consumers seeking products which cater to their religious beliefs

Success Case: Wardah Cosmetics

Capitalizing on the demand for Halal-based cosmetics

Who
Wardah cosmetics – Indonesia’s first pure-play halal cosmetics brand

What
• Offering cosmetics using ingredients which are permissible under the Islamic law (halal)
• These include ingredients free from elements such as animal fat (pork), and alcohol

Objective
• To capitalize on the demand for cosmetics which are in line with the religious beliefs especially among Muslim women

50%
Indonesian women say they are more likely to purchase products developed for their religion/beliefs\(^1\)

Success Case Study: Wardah Cosmetics

Approach

• Partnered with actresses Raline Shah and Tatjana Saphira, singer Dewi Sandra and fashion designer Dian Pelangi to endorse its brands
• Sponsored fashion shows to build brand image among fashion-conscious young women
• Offered skincare, makeup, body care products, and products specifically for use during Islamic pilgrimages – *Hajj* and *Umrah*
• Provided tips to women on maintaining skin glow when fasting for the month-long Ramzan, thus establishing a bond with consumers
• Leveraged the popularity of social media among image conscious young women by launching a video campaign for Mother’s Day in 2017

Results

• Since 2015, the brand continues to record annual sales of more than 20%\(^1\)
• Following the success of Wardah, International players such as Unilever and L’Oreal are foraying into the halal category
• Ranked among the leading brands in as many as 13 categories in the country\(^2\)

Products offered by Wardah

Success Case: By Lizzie Parra (BLP)

Leveraging the popularity of social media to market products

Who
• By Lizzie Parra (BLP) – Indonesian based company started in 2016, founded by beauty influencer Lizzie Parra
• Specializes in offering lip make-up, eye make-up, and face make-up products

What
• Emphasizes on offering affordable and quality products
• Started by offering lip coats online in 2016
• Extended product offerings across categories such as eye make-up and face make-up from 2018 onwards

Objective
• To capitalize on the demand for selling products through social media
• To tap the demand for local products

58%
Indonesian women say that regularly use social media sites or social media apps for purchasing products

1
Success Case: By Lizzie Parra (BLP)

**Approach**
- Although not a celebrity, Lizzie Parra is a popular YouTube influencer in the Indonesian beauty space
- Partnered with a factory to start producing lip make-up products in small quantities, resulting in the launch of a new brand – BLP Beauty
- Capitalizing on the popularity over social media using Instagram and also the BLP official website to market the products

**Results**
- Sold 4,000 units of lip coats in the first week of its launch, and a total of 10,000 units within two months\(^1\)
- Plans to double the production by introducing 10 new products
- Prompting mainstream players such as Martina Berto and Mustika Ratu which experienced a single digit growth during 2011 – 2015 to reformulate their offering
- Following the online success, BLP Beauty now started its first offline store
Philippines – Key drivers of consumer attitudes and behavior

- Efficient & Effective
- Fresh, Natural & Pure
- Novel and Experiential
Fast paced lifestyles of consumers is boosting the demand for efficient solutions in cosmetics which appeal to time pressed individuals.

As many as 77% consumers from Philippines state that they rely heavily on time-saving products and services, thus driving the demand for products offering multiple benefits.

**Product example – Soap**
**Brand – Psalmstre Placenta**
- Soap for men with Vitamin A & Korean Ginseng Extract
- Includes both skin whitening and anti-aging properties in a single soap

**Product example – Facial care product**
**Brand – Bellic Peel & Glow**
- Formulated with the multi-acting skin brightening actives of daisy flower extract, kojic acid, glycolic acid and salicylic acid
- Refines acne, lighten dark spots and smooth skin, thus offering an effective solution for consumers
Products with natural ingredients are gaining popularity as they are perceived to be better-for-you

As many as 61% consumers from Philippines say that ‘natural’ means ‘organic’, thus prompting manufacturers in the C&T industry to launch products with organic ingredients

**Product example – Soap**
**Brand – Bella**
- Includes pure organic goat's milk. Such claims are targeted at consumers seeking organic ingredients in personal hygiene products

**Product example – Soap**
**Brand – The Tropical Shop**
- Launched by Orich International Traders,
- Contains only natural ingredients

Philippines – Novel and Experiential

Experimental minded consumers fuel the demand for new varieties of cosmetics which offer a unique experience

39% of Filipinos say that they like to experiment with new and unusual scents when choosing beauty/grooming products

Product example – Facial Care product
Brand – Cathy Doll
• A facial care product with claims of added venom, perceived usually as poisonous

Product example – Soap
Brand – Precious
• Offered in a Virgin Coconut Oil variety
• Using beer to make a soap is expected to grab the attention of consumers who like experimenting with unusual products

Success Case: VMV HYPOALLERGENICS®

Offering a unique product portfolio by way of rating the hypoallergenicity of every product

**Who**
VMV Hypoallergenics – A Philippines based company started in 1979, specializing in offering a range of products in the skincare, suncare, haircare, make-up, personal hygiene sectors

**What**
- Rates the hypoallergenicity of all its products
- Uses a unique grading system to determine the products’ safety with reference to allergens
- Reformulate products such as sunscreens, soaps, shampoo and facial cleaners with ingredients known to be allergens

**Objective**
- To offer the safest range of cosmetic products in terms of being free from allergens


48%
Filipinos say that they give high amount of attention to the ingredients used in beauty or grooming products they buy¹
Success Case: VMV HYPOALLERGENICS®

Approach

• Leveraged research & development activities which helped the brand’s clinical studies get published in international magazines, thus boosting the brand image especially in international markets
• Selling products through partner doctors, in addition to online, retail, and wholesale channels
• Offers customized solutions based on one’s patch test results
• Focus on organic cosmetics

Results

• Started as a Filipino brand, today competes with international players such as Clinique and Shiseido, in the beauty space

Some products offered by VMV Hypoallergenics

Success Case: Happy Skin Cosmetics

Happy Skin's products are marketed around being caring to skin

Who

Started by Jacqe Yuengtian-Gutierrez and Rissa Mananquil-Trillo, Happy Skin offers a range of skincare and make-up products.

What

- Launched in 2013 to offer skin-friendly make-up products in the Philippines.
- Formulated to suit Filipino women's complexions and the local climate.

Objective

- To offer homegrown and skin-friendly cosmetics to Filipino consumers, in order to capitalize on the local demand.

35%

Women say that they pay high amount of attention to ingredients used in beauty and grooming products.

Success Case: Happy Skin Cosmetics

Approach

- Adopted a ‘try & test’ method for ingredients such as cherry blossom, argan oil, japanese tea leaf, shea butter, and collagen, on the Filipina complexion
- Leveraging social media in expanding the brand’s virtual presence. Also served as a cost-effective marketing tool, as against investing in commercial billboards
- With no other local brand offering genuine homegrown cosmetics that are skin-caring, Happy Skin was able to position the brand as the first of its kind

Results

- By 2017, the company's retail network expanded to 14 stores and 80 beauty counters

Examples of claims made about Happy Skin ingredients

- **Cherry blossom** – Helps skin appear flawless by retaining skin moisture.
- **Japanese tea leaf** – Reduces wrinkles, heals dry skin, and reduces inflammation.
- **Shea butter** – The vitamin A and E content in it heals and moisturizes lips.
- **Argan oil** – The vitamin E and fatty acid content in it hydrates skin.

Agenda

1. About GlobalData
2. The APAC Cosmetics & Toiletries Industry outlook
3. The C&T industry in APAC, Indonesia and Philippines
4. Trends and success cases in Indonesia and Philippines
5. Key Takeaways: Ingredients for success
**Key Takeaways: Ingredients for success**

<table>
<thead>
<tr>
<th>Ingredient</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Home-grown products to thrive</strong></td>
<td>Catering to the local demand from consumers while taking into consideration the traditional/religious and ethical beliefs in a country.</td>
</tr>
<tr>
<td><strong>Focus on premium products</strong></td>
<td>Capitalizing on the rising standard of living in emerging economies.</td>
</tr>
<tr>
<td><strong>Personalized products will gain prominence</strong></td>
<td>Offering personalized products appealing to various consumer groups, rather than adopting a one-size-fits-all approach.</td>
</tr>
<tr>
<td><strong>Social media – a powerful marketing tool</strong></td>
<td>Leveraging social media to reach out to consumers.</td>
</tr>
</tbody>
</table>
To find out more about GlobalData and other related content we offer please contact:
clientservices.consumer@globaldata.com or
+44 (0) 207 936 2700