CBI MARKET SURVEY

The market for natural ingredients for cosmetics in Austria

Publication date: October, 2009

Introduction
This CBI market survey gives exporters in developing countries information on some main developments in the natural ingredients for cosmetics market in Austria. The information is complementary to the information provided in the CBI market survey 'The natural ingredients for cosmetics market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo.

1 Market description: consumption and production

There is a general lack of information on the industrial demand for natural ingredients, as well as for general ingredient needs of the cosmetics industry. Therefore, the sections on industrial demand will first discuss cosmetics consumption and natural cosmetics consumption, followed by a discussion on (natural) cosmetics production. The consumption and production of organic cosmetics will also be discussed. This discussion provides indicators for developments in, and the size of, industrial demand for natural ingredients for cosmetics.

Furthermore, where available, information on the market for specific ingredients is included. Qualitative data on organic ingredients, increasingly of importance in many EU markets for use in (organic) cosmetics, are also included if relevant. These ingredients have been certified according to organic standards, in contrast to natural ingredients which are not necessarily certified. Please refer to Appendix 1 of the EU survey for more specific information on this.

Industrial demand

Cosmetics consumption and production
According to the European Cosmetic, Toiletry and Perfumery Association (Colipa), the Austrian market for cosmetics is the eleventh largest in the EU and represented a share of 2.1% in 2008. Per capita consumption in 2008 was € 168, which are higher than the EU average of € 115 (Colipa, 2009). The Austrian market for cosmetics is growing moderately. Between 2007 and 2008, consumption of cosmetics increased by a modest 3.8% (Colipa, 2009).

Table 1.1 Austrian market for cosmetics and toiletries per product group in 2008 at retail sales prices (RSP), in million €, share and change 2008/2007 in %

Product group	Market value (€ million)	2008/2007 change (%)	Market share (%)
Fragrances/ Perfumes	153	5.1%	11%
Decorative cosmetics	198	-8.2%	14%
Skin care	355	15%	25%
Hair care	328	-0.4%	23%
Toiletries	368	4.7%	26%
Total	**1,402**	**3.8%**	**100%**

Source: Colipa, 2009

As shown in table 1.1, the product group of toiletries is the largest one in Austria. Skin care achieved the highest growth in 2008. The market for skin care, fragrances and toiletries, increased by 15%, 5.1% and 4.7%, respectively, compared to 2007. Decorative cosmetics and hair care experienced a decrease of 8.2% and 0.4%, respectively.

The trend for natural and ethical products in Austria is already evident in mass consumption. Natural cosmetics are increasingly available in supermarkets and drugstores. Private labels play an important role and offer a wide range of natural products. More drugstores gradually became an important retail channel in 2008, which facilitated the sales of natural and ethical products (Colipa, 2009).

According to Euromonitor, a large market research company, the Austrian market is characterized by increasing consolidation and high competition. The leading companies in the cosmetics market in Austria are Beiersdorf GmbH and L'Oréal Österreich GmbH. They are in control of more than a quarter of the market for cosmetics and toiletries in Austria. Next to that, there are other multinationals which have a significant share in the Austrian cosmetics market. These include Gillette GmbH, Hans Schwarzkopf & Henkel GmbH & Co KG, Procter & Gamble Austria GmbH, Unilever Austria GmbH and GlaxoSmithKline Austria GmbH. Private labels are of low importance in the Austrian market for cosmetics (Euromonitor, 2009).

Compared to other European countries, Austrian cosmetics production is rather limited. The country is the sixth smallest producer of cosmetics in the EU. According Eurostat data, production of cosmetics in Austria amounted to € 19 million in 2007. This represents a 3.5% average annual decrease since 2003 (Eurostat, 2009).

However, according to industry sources, many small domestic players operate in the niche of organic and natural products, as this sector is increasing at a very fast pace. Producers often rely on locally grown herbs and ingredients, but some try to diversify their products with imported natural ingredients. Examples include Nektar Kosmetik, Grüne Erde and Ringana.

Industrial demand for natural ingredients

As a very large part of cosmetics products is imported from production facilities elsewhere in the EU, increasing cosmetics consumption does not necessarily lead to higher demand for natural ingredients in Austria. However, domestic (natural/organic) cosmetics companies are also increasingly demanding natural ingredients as can be seen in growing import figures. Austria has a considerable industry working with/producing (imported) essential oils, raw plant material and, especially, saps and extracts. The demand for the latter is relatively high, compared to the EU average.

The Austrian (natural) cosmetics market is trend-sensitive and this also affects which products are in demand, although this can change quite rapidly within two years. According to one industry source, especially traditional Chinese ingredients are gaining popularity. Other traditional ingredients such as chamomile, lavender and mint also remain important. According to industry sources, interesting in Austria is that demand for saps and extracts and raw plant material originates more in the pharmaceutical sectors, because of being used in herbal medicine. Demand from the cosmetics sector itself is more limited.

According to Fediol, the European Industry Federation for the Oil and Proteinmeal Industry, between 2004 and 2007, apparent industrial demand for vegetable oils in Austria increased by 38%, which was substantially higher than the EU average (11%). Consumption amounted to 400 thousand tonnes in 2007. Because of large volumes produced and traded, the market for vegetable oils is very difficult for smaller producers to enter.

As presented in table 1.2, industrial demand for groundnut oil and castor oil is stable, while industrial demand for coconut, palm kernel and babassu oil has decreased substantially (-100% annually). Palm oil, on the other hand, increased by 33% annually from 2004 to 2007. Please note that only a small part of these oils, mostly in refined form, goes to the cosmetics industry, especially palm oil which is a bulk product.

Table 1.2 Austrian industrial demand for vegetable oils, between 2004 and 2007, in 1,000 tonnes

Product	2004	2005	2006	2007	Annual Change %
Groundnut oil[1]	1	1	1	1	0%
Castor oil	1	1	1	1	0%
Coconut, palm kernel and babassu oil	4	4	1	0	-100%
Palm oil	20	34	36	48	33%
Others	*124*	*156*	*217*	350	*41%*
Total oils	**150**	**196**	**256**	**400**	**38%**

Source: Fediol, 2009
[1]The use of groundnut oil in cosmetics is decreasing, due to its allergic properties.

The essential oil market has increased considerably during the past few years. This is due to the fact that the house and room perfuming market has grown, whereas other markets whichnormally use considerable amounts of essential oils, such as massage oils, have remained stable. According to industry sources, the essential oils of great interest in Austria are orange oil, blood orange oil, lavender oil and mint oil. Rose oil is also of great interest, but it is very expensive and volumes traded are low. The markets for lavender oil and orange oil are much larger.

Trends
In the product group of decorative cosmetics, the main trend was natural products containing mineral-based products. Due to the rise in skin allergies, natural cosmetics become increasingly popular among consumers. The trend with deodorants was the many innovations and prominence of skin protection and softening properties (Colipa, 2009).

According to Euromonitor, men's skin and hair care outperformed the cosmetics market. Even though Austrian men do not use targeted grooming products, they represent an under-exploited group of consumers. Thus men's grooming products was the most rapidly growing segment. Consumers in the Austrian market are gradually increasing their preference for natural and organic products. Although demand for these products existed for some time, it is only lately that these products have come to be mainstream (Euromonitor, 2009).

General trends in the EU market should also apply to Austria and can be found in the survey covering the EU.

Production
According to the European herb growers association (EHGA Europam), Austria is a major grower of medicinal and aromatic plants in the EU. The herbs produced in Austria are squash, flaxseed, hemp, St. John's wort and peppermint. Other smaller herbs produced in the country are coriander, lemon balm and chamomile. A considerable part of the herbs grown in Austria is organic.

Austria has several companies processing natural ingredients for cosmetics, especially extraction of saps and extracts and essential oils and, to a considerable extent, based on imported raw materials; these are mentioned in section 2 of this survey, together with (natural) cosmetics producers. According to industry sources, production of essential oils in Austria is decreasing.

Total reported production of vegetable oils amounted to 157 thousand tonnes in 2007. The production of vegetable oils increased by 7.4% since 2004 (Fediol, 2009). Sunflower and rape oil are the main vegetable oils and fats cultivated commercially in Austria at present. Only a small fraction of this production, however, is used in cosmetics. Moreover, more than 50 other oil-bearing species are currently being investigated for utilisation opportunities.

No information on production is available for other product groups.

Trends

Regardless of the economic crisis, the value of cosmetics sales rose in Austria. There are diverging forecasts about cosmetics sales in the future, but most industry analysts expect slow but stable growth (Euromonitor, 2009). Production of vegetable oils and fats is expected to increase, but this is mostly due to the demand for bio fuel.

Please refer to the EU survey for general trends in production.

Opportunities and threats

\+ In Austria, the trend towards consuming natural and ethical products is widely present. Natural cosmetics are readily available in supermarkets and drugstores, which facilitates the sales of natural and ethical products (Colipa, 2009). Increased availability and consumption of natural cosmetics means higher industrial demand for natural ingredients for cosmetics.

\- The cosmetics market in Austria is dominated by multinationals. That means they can obtain the natural ingredients needed for production of cosmetics through their international supply mechanisms, instead of directly from the quantities available in the Austrian market.

\- Quality standards for essential oils and saps and extracts in Austria are very high, which makes it difficult for developing country suppliers. According to industry sources, companies usually import essential oils from EU countries.

+/-Private labels play an important role and offer a wide range of natural products, which makes natural and organic products widely available to mass consumers (Colipa, 2009). Exporters of natural ingredients from developing countries should target manufacturers of private labels, to supply them with ingredients. However, they have to take in consideration that companies may have relatively high standards.

\+ Growing interest in bio-certified products could offer DC suppliers of natural ingredients attractive opportunities by focusing on certified products.

For more information on opportunities and threats, please refer to chapter 7 of the EU survey.

Useful sources

- IENICA - provides reports with more information on Austria - http://www.ienica.net.
- Euromonitor, provides information on the Austrian market - http://www.euromonitor.com. Please keep in mind that only summaries are readily available, whereas the reports themselves come at considerable cost, but do provide company names.
- Austrian statistics agency - http://www.statistik.at

Other useful sources are the Austrian trade associations mentioned in section 6 of this survey.

2 Trade channels for market entry

In general, the same trade channels apply to Austria as those mentioned in the survey covering the EU. The traditional approach of contacting traders, intermediate processing companies, agents and wholesalers (either with or without processing capacity, dependent on the product) remains the most effective method. Some end-industries can, however, also be approached, as they too import directly from developing countries. This is particularly the case for specialist niche players, such as natural or organics producers. M. Wienzierl is a large cosmetics contract/private label manufacturer (http://www.weinzierl.at). Example of Austrian natural cosmetics companies is Nektar (http://www.nektar.at/nektar/sites/firma_eng.htm). Grüne Erde (http://www.grueneerde.com) is active in both the German and Austrian natural (organic) cosmetics market.

Domestic companies of interest to exporters of natural ingredients for cosmetics are Plantapharm GmbH (http://www.plantapharm.at, extractor of saps and extracts), Aroma Manufaktur (http://www.aroma-manufaktur.com, extractor of essential oils), Dr. Eberthardt (www.DrEberhardt.com, large producer (and trader) of essential oils and aromatherapy cosmetic products) and Schlaeffinlanb (http://www.schlaraffenland.at, producer of essential oils).

It is important to notice that different prices and margins apply throughout the various trade channels.

3 Trade: imports and exports

This section discusses Austria's imports and exports of natural ingredients. Please note that this data can also include natural ingredients which have been refined with the use of chemicals. Although these are not natural according to the definition used in this survey (see Appendix 1 of the EU survey) Eurostat does not distinguish them in trade data. Furthermore, the product groups discussed are also (and in larger quantities) used in other sectors, such as pharmaceuticals, and especially food.

Imports
Austrian imports of all five product groups considered in this survey are increasing. Austria is a medium to small importer of all product groups. In general, the share of developing countries is relatively small. The imports of natural ingredients for cosmetics consisted of vegetable fats, oils and waxes (49%), essential oils and oleoresins (12%), vegetable saps and extracts (26%), raw plant material (9.0%) and colouring matter (4.1%). In comparison, these figures for the EU are 59%, 11%, 19%, 7.3% and 3.3% respectively. The relatively high shares of saps and extracts and raw plant materials show that the Austrian medicinal and aromatic processing industries are particularly important.

Austria is the eleventh biggest importer of vegetable oils. The imports increased substantially by 23% between 2004 and 2008, amounting to € 71 million / 59 thousand tonnes. Imports of vegetable oils from developing countries account for only 0.6% of total imports of this products group. Major developing country suppliers are Morocco (9.1%), Turkey (7.9%) and Thailand (5.7%).

Austria is the ninth biggest importer of essential oils. The imports of this product amounted to € 18 million / 2.2 thousand tonnes in 2008, implying an annual increase of only 1.2% between 2004 and 2008. 16% is imported from developing countries. The leading suppliers are India (8.1%), Serbia (1.7%) and China (1.7%).

Austria is the eleventh largest importer of vegetable saps and extracts. The Austrian imports amounted to € 38 million / 11 thousand tonnes, revealing a significant 10% annual increase between 2004 and 2008. 11% is imported from developing countries, Bosnia and Herzegovina (4.6%), Indonesia (2.2%) and China (1.9%) being the main suppliers.

Austria is the ninth biggest importer of raw plant material in the EU. Imports amounted to € 12 million / 3.2 thousand tonnes in 2008, signifying a rather strong increase of 13% per year since 2004. 11% is imported from developing countries, the most important being Turkey (4.6%), China (4.5%) and Croatia (3.7%).

Austria is the eleventh largest importer of colouring matter in the EU. Imports increased by 8.6% annually between 2004 and 2008, amounting to € 6.0 million / 1.3 thousand tonnes in 2008. 7.8% originates in developing countries, mainly India (4.8%), China (2.5%) and Serbia (0.2%).

Exports
Austrian exports of essential oils are considerable, amounting to € 17 million / 1.4 thousand tonnes in 2008. Exports of this product group decreased, however, by 3.0% in the review period. Austria is also a considerable exporter of raw plant material, with exports amounting to € 12 million / 2.6 thousand tonnes. Furthermore, exports increased by 19% annually between 2004 and 2008. Exports of vegetable oils are also growing at a rate of 19% annually, with

exports amounting to € 15 million / 3.9 thousand tonnes in 2008. Austria plays a minor role for the other product groups.

Considering the limited imports from developing countries, re-exports of developing country products are likely to play a very limited role.

Opportunities and threats

+ The imports of all products groups achieved a positive development. Except for essential oils, imports which had only a small increase, vegetable oils, vegetable saps and extracts, raw plant material and colouring matter imports grew substantially.
-/+ The percentage of imports from developing countries is very low for vegetable oils and, to a lesser extent, for colouring matter. Imports from developing countries of the other product groups are larger, but still represent a rather small fraction of Austrian imports. This could make it difficult for exporters in developing countries to gain a share in the Austrian market.
- India, China and some smaller European countries are the major developing countries which export to Austria. This could be a thereat to other developing countries, especially in the case that Austria is reluctant to diversify its exporters' base.

For more information on opportunities and threats, please refer to chapter 7 of the EU survey.

Useful sources

- EU Expanding Exports Helpdesk
  ➔ http://exporthelp.europa.eu
  ➔ go to: trade statistics
- Eurostat – official statistical office of the EU
  ➔ http://epp.eurostat.ec.europa.eu;
  ➔ go to 'themes' on the left side of the home page
  ➔ go to 'external trade'
  ➔ go to 'data – full view'
  ➔ go to 'external trade - detailed data'
- Understanding Eurostat: Quick guide to Easy Comext

➔ http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf

4 Price developments

Regarding prices of ingredients, please refer to the survey covering the EU, as the indications of prices given there do not differ from those in Austria. Actual prices are dependent on negotiation with the companies. Interesting sources of price information are in particular the trade magazine The Public Ledger (http://www.agra-net.com/portal/ search for the link to The Public Ledger on the left side of the screen) and ITC market news service (MNS) (http://www.intracen.org).

Exporters need to have detailed production costs/volume price breaks for the ingredients that they supply. This will give them a vital reference point for any negotiations with buyers.

5 Market access requirements

As a manufacturer/supplier in a developing country preparing to access Austria, you should be aware of the market access requirements of your trading partners and the Austrian government.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select natural ingredients for cosmetics and Austria in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packaging/packit.htm.

Information on tariffs can be found at http://exporthelp.europa.eu. No quotas apply to the products included in this survey.

6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications. For more information on doing business in Austria, visit the following websites:

The only cosmetics related trade association in Austria is FCIO: The Association of the Austrian Chemical Industry (http://www.fcio.at). However, this association mainly represents the interests of Austrian companies which manufacture chemical products on an industrial basis.

A trade fair of interest focusing on the consumer market is Beauty Forum Austria (www.beauty-fairs.at).

Interesting trade press is Beauty Forum Edition Austria, published by the Health and Beauty Group Marketing (http://www.beauty-forum.at).

This survey was compiled for CBI by ProFound in collaboration with Andrew Jones and Klaus Duerbeck