

CBI MARKET SURVEY

The market for natural ingredients for cosmetics in Belgium

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments in the natural ingredients for cosmetics market in Belgium. 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: industrial demand 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, 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 for use in (organic) cosmetics have become increasingly important in many EU markets and are 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.

Industrial demand

Cosmetics consumption and production

According to the European Cosmetic, Toiletry and Perfumery Association (Colipa), the Belgian market for cosmetics was the eighth largest in the EU and represented a share of 2.7% in 2008. The value of the cosmetics market was € 1.8 billion. Per capita consumption in 2008 was € 162, which was higher than the EU average of € 115 (Colipa, 2009). The Belgian market for cosmetics is growing slowly. Between 2007 and 2008, consumption of cosmetics increased by 3.5% annually.

Table 1.1 Belgian 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	355	7.9%	20%
Decorative cosmetics	204	-1.0%	11%
Skin care	420	-0.7%	23%
Hair care	522	4.6%	29%
Toiletries	314	5.7%	17%
Total	1,815	3.5%	100%

Source: Colipa, 2009

As shown in table 1.1, hair care is the largest product group in Belgium. Fragrances and perfumes achieved the highest growth in 2008. The market for fragrances and perfumes, hair care and toiletries, increased by 7.9%, 4.6% and 5.7%, respectively, compared to 2007. Decorative cosmetics and skin care experienced a slight decrease of 1.0% and 0.7%,

respectively. While toiletries had a negative trend in previous years because of the saturation of the market, the situation has recently improved. The focus on skin care products for men in Belgium started to materialise as of 2006 and was an important market driver, especially in 2007 and, to a lesser degree, in 2008.

In Belgium there is an increasing demand for purpose-specific products. Decorative cosmetics, toiletries and perfumes are segmented according to age and gender so that they can meet demand from a particular group of consumers. In the product group of decorative cosmetics, mineral-based products are increasingly popular. There is an emerging preference for ethical and natural products. However, up until 2008 the consumer base for ethical and natural cosmetic, toiletry and perfumery products was fairly small (Colipa, 2009).

Industrial demand is largely determined by the production of cosmetics in the country. The leading cosmetic companies in the Belgian market are multinationals. Local production is limited. According to Eurostat data, production of cosmetics in Belgium amounted to € 281 million in 2007. This represents a 16% average annual growth since 2003 (Eurostat, 2009).

According to Euromonitor, a large market research company, L'Oréal Groupe was in 2008 still the absolute leader in an environment where local subsidiaries are multiple. Other major actors include Beiersdorf NV SA, which is the main competitor of the L'Oréal Groupe, apart from Procter & Gamble Benelux SA NV and Unilever Belgium NV, which are present mainly in toiletries (Euromonitor, 2009).

Industrial demand for natural ingredients

As a large part of the cosmetics products is imported from production facilities elsewhere in the EU, growing cosmetics consumption does not necessarily lead to higher demand for natural ingredients in Belgium. Moreover, multinationals account for a large part of Belgian cosmetics production. These have global sourcing methods, typical for global players in the industry and therefore sourcing decisions are often taken outside Belgium. However, domestic (natural) cosmetics companies are also increasingly demanding natural ingredients. According to industry sources, Belgian cosmetic companies are gradually trying to stimulate the sale of natural cosmetics based on locally produced ingredients or herbs. Still, it is expected that natural cosmetics production will continue to rely on foreign imports of natural ingredients.

According to Fediol, the European Industry Federation for the Oil and Proteinmeal Industry, in the period between 2004 and 2007, apparent industrial demand for vegetable oils increased by 7.2%, an increase larger than the EU average of 11%. In 2007, Belgian's total industrial demand amounted to 1070 thousand tonnes.

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

Product	2004	2005	2006	2007	Annual Change %
Groundnut oil ¹	4	4	15	5	7.6%
Castor oil	1	1	1	2	26%
Coconut, palm kernel and babassu oil	52	53	37	37	-11%
Palm oil	301	345	387	355	5.6%
Others	508	550	580	671	9.6%
Total oils	866	953	1020	1070	7.2%

Source: Fediol, 2009

¹The use of groundnut oil in cosmetics is decreasing due to its allergic properties.

As it can be seen in table 1.2, between 2004 and 2007 industrial demand for groundnut oil in Belgium increased by 7.6%. During the review period, industrial demand for castor oil increased by 26%. During the same period, industrial demand for coconut, palm kernel and babassu oil decreased by 11% annually. Industrial demand for palm oil increased at a rate of 5.6%. Demand for other vegetable oils increased by 9.6%.

Please note that only a small part of these oils, mostly in refined form, goes to the cosmetics industry. Moreover, especially palm oil and palm kernel oil are bulk products, of which only a small part ends up in cosmetics. Because of these large volumes, they are very difficult markets for smaller producers to enter.

Information on the industrial demand for other product groups is not available. Considering the substantial amount of imports of all product groups, we can say that a significant demand exists, but it is not known which part fulfils the domestic demand.

Trends

2008 was a rather adverse year for cosmetics and toiletries. Belgium was affected by the economic and financial crisis, leading to lower consumer confidence and consumption during the second half of 2008.

On the other hand, 2008 was characterized by a remarkably high level of innovation in cosmetic and toiletry products. The value growth of cosmetic products remained positive in 2008 due to inflation and changes in the size of packaging.

However, convenience was the buzzword during the year. This was exemplified by products such as body wash/ shower gel and oral hygiene. Despite the positive trend during 2007, men's grooming products did not see similar dynamic growth in 2008. In spite of the male population's interest in looking better, the market in 2008 was saturated, leading to slower growth (Euromonitor, 2009).

In 2008 there was a development towards more natural bath and shower products and colour cosmetics. Despite this emerging preference for ethical and natural cosmetics, toiletries and perfumery, the consumer base is still small and awareness is limited. However, the players on the cosmetics markets see this as a prospect for the future (Colipa, 2009).

Further trends on industrial demand can be found in the survey covering the EU.

Production

According to Fediol, Belgian production of vegetable oils amounted to 598 thousand tonnes in 2007. Production increased by 6.5% between 2004 and 2007 (Fediol, 2009). Soya, rape, linseed and maize germ oil are the main vegetable oils and fats cultivated commercially in Belgium at present. Only a small fraction of this production, however, is used in cosmetics.

Figures from Belgium for the production of herbs used in cosmetics were not reported by the EHGA, the European Herb Growers Association recently (EHGA Europam, 2009).

No information on production is available for other product groups, but local production is expected to be limited.

Trends

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

Opportunities and threats

- A large part of cosmetic products sold in Belgium originates in other European countries and/or is produced by multinationals. Even though Belgium has local production, sourcing decisions for facilities owned by multinationals are usually taken elsewhere. This can constitute a threat to exporters of natural ingredients for cosmetics, who aim to supply the Belgian market.
- Due to the economic crisis, consumer confidence decreased negatively, affecting the cosmetics consumption during 2008.
- +/- In Belgium there is an emerging preference for natural and ethical cosmetics, toiletry and perfumery. In particular, interest in natural bath and shower products and colour cosmetics increased during 2008. The consumer base for these products is, however, still small and awareness is limited.

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

Useful sources

- For more information on Belgium, please refer to IENICA reports available on <http://www.ienica.net>.
- Euromonitor (<http://www.euromonitor.com>) also provides information on the Belgian market. Please keep in mind that only summaries are readily available, whereas the reports themselves come at considerable cost, but do provide company names.
- Furthermore, Belgian trade associations mentioned in section 6 of this survey and the Belgian Statistical Agency (<http://www.statbel.fgov.be>) can be a source of information.

2 Trade channels for market entry

In general, the same trade channels apply to Belgium 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. However, some end-industries can 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.

As seen above, the leading manufacturers in Belgium are mostly multinationals. All these multinationals have global sourcing methods typical for global players in the industry. Furthermore, DETIC offers listings of other cosmetic companies active in the country. Some interesting domestic natural cosmetics or ingredients companies are: Acos-Visoderm (<http://www.acos-laboratoire.com>), a producer of perfumes and skin products and a user of medicinal plants, and Meyskens R (tel: +32 65 457011) which does seed and vegetable transformations for perfumes. Another interesting player in the Belgium market is YDS Chemicals (<http://www.yds-chemicals.be>), which distributes fine chemistry raw materials for cosmetics. YDS normally buys its products from companies like Ciba and Rhodia, but also works with smaller producers.

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

3 Trade: imports and exports

This section discusses Belgium'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

Belgium plays an important role in the vegetable oils trade, and is the 4th largest importer for this product group in the EU. Belgium is a medium-sized importer of the other product groups, accounting for between 3.3% and 7.0% of total EU imports. The increase in imports of natural ingredients outpaced the growth in consumption, which can be explained by the fact that Belgium re-exports a significant amount of the quantities imported.

Belgian imports of natural ingredients for cosmetics consisted of vegetable fats, oils and waxes (76%), essential oils and oleoresins (4.0%), vegetable saps and extracts (13%), raw plant material (5.6%) and colouring matter (1.5%). In comparison, these figures for the EU are 59%, 11%, 19%, 7% and 3%, respectively. The relatively high share of vegetable fats and oils is due to Belgium's leading role as an entry point for these products.

Imports of vegetable oils and fats increased by 13% annually, amounting to € 509 million / 263 thousand tonnes in 2008. Most of the imported vegetable oils are re-exported to other EU

countries. Developing countries are increasing in importance and accounted for 21% of imports. Important suppliers were Indonesia (7.9% of imports), Malaysia (2.9%) and Argentina (2.4%).

The imports of essential oils amounted to € 27 million / 3 thousand tonnes in 2008, signifying an annual increase of 5.8% between 2004 and 2008. Only 13% is imported from developing countries, with Brazil supplying almost half of the total imports coming from developing countries.

Imports of vegetable saps and extracts amounted to € 88 million / 18 thousand tonnes, signifying a 7.0% annual increase between 2004 and 2008. Developing countries supply 31% of this. The main suppliers are the Philippines, India and Madagascar.

Raw plant material was imported with a value of € 38 million / 8 thousand tonnes in 2008, signifying an increase of 8.4% per year since 2004. Imports from developing countries are increasing, but still only 21% is imported from developing countries, most importantly from Morocco and Ghana.

Imports of colouring matter decreased 1.3% annually between 2004 and 2008, amounting to € 10 million / 1.9 thousand tonnes in 2008. Developing countries accounted for 18% of the imports. China, Mexico and Peru are the most important developing country suppliers.

Exports

Belgian exports of natural ingredients are increasing for all product groups. The largest product group is vegetable oils (70% of total exports of natural ingredients), which are predominately re-exported. Exports of this product group increased by 12% between 2004 and 2008, amounting to € 243 million / 197 thousand tonnes, or 9.5% of EU exports.

The other product groups are more limited in export value, but are increasing at a rather high rate. Vegetable saps and extracts grew by 9.4% annually, amounting to € 60 million / 13 thousand tonnes in 2008. Raw plant material exports grew by 12% to € 29 million / 4.2 thousand tonnes. Colouring matter exports were € 7.3 million / 1.5 thousand tonnes. Belgium plays a very limited role in the export of essential oils and oleoresins (1.1% of total European exports), with exports amounting to € 6.5 million / 2.1 thousand tonnes. The exports of this product group achieved an average annual growth of 4.9% in the review period.

Opportunities and threats

- + Increasing imports of vegetable oils, raw plant material and vegetable saps and extracts offer good opportunities for developing countries.
- However, imports of the other product groups are decreasing or are at steady low levels, signifying few opportunities for new developing country suppliers to enter the market.
- +/- The small share of imports from developing countries can be either a threat or an opportunity. It indicates a current preference for imports from more developed countries. However, the market share of developing countries is increasing significantly, although at varying degrees, for all the product groups and it seems that developing countries still have a large share to gain. The share of imports of raw plant material and essential oils from developing countries is undergoing a particularly positive development.

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 Belgium. Actual prices are dependent on negotiation with 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>).

When exporters negotiate on prices with companies or distributors, it is important to consider that some final products benefit from discount policies all year long. Especially for perfumes and related products, many Belgian retailers always reduce the price on the tag by 20% on average. Because of this policy, some of the big international players such as Sephora or Douglas decided not to enter the Belgian market, which is an advantage for the leading Belgian companies (Israeli Embassy in Belgium, 2006).

Exporters need to have detailed production costs/volume price breaks for the ingredients 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 Belgium, you should be aware of the market access requirements of your trading partners and the Belgian 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 Belgium 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 Belgium, visit the following websites:

- Colipa, the major European trade association of the cosmetics industry, representing 23 national associations and 21 international companies, is based in Brussels (<http://www.colipa.com>). The Belgian member organisation of Colipa is DETIC (<http://www.detic.be>).
- A major trade fair is Estetika Fall/Spring; Cosmetics & Beauty Product Fair, held in Ghent (<http://www.icc-gent.com>).
- An interesting trade magazine for cosmetics and personal care is Estheticienne (<http://www.estheticienne.nl>).

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

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