

As Seen In

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Noevir Co. Ltd's research department has found that brown sugar has an antiaging effect and increases cell renewal activity.

JAPAN REPORT

JAPAN SET FOR RECOVERY

The year 2005 marks a reverse in the slowdown of the second largest cosmetics and toiletries market in the world—Japan. Euromonitor International's latest view forecasts sales growth of 12% to 2010.

BY BRIONY DAVIES

EXECUTIVE SUMMARY

• SKIN CARE IS THE SAVIOR

Skincare, with sales in excess of \$1.5 billion, accounts for more than 50% of Japan's sales in cosmetics and toiletries.

• CRYING OUT FOR COLOR COSMETICS

Color cosmetics, which peaked up by 3.1% in 2005, is expected to follow, making color cosmetics the most dynamic in cosmetics and toiletries.

• SMALLER SECTORS SHOW PROMISE

Eye care and deodorants are forecast to average annual growth rates of 6% and 2% respectively to 2010. Manufacturers looking to drive growth should continue to introduce innovations in eye products on a daily basis.

• FRAGRANCES SALES WAXING

Value sales of fragrances declined by approximately 4% over the last two years. Discounted prices through department stores, drug stores and discount stores are the primary cause for the decline.

Japan's total cosmetics and toiletries sales reached \$14.7 billion in 2005, reflecting almost 5% growth over the previous year in fixed exchange terms. The rapid spending on cosmetics and toiletries in Japan is among the highest in the world, with the average consumer spending an amount of \$24 per year. Although this indicates the significance of Japan in the global market, it also hints at its saturated nature, which is a challenge for industry players. In view of this, achievement of the growth witnessed in 2005 should be heralded as a success. In this feature, Euromonitor presents developments in key sectors and comments on who and what to watch for to sustain growth.

Skin Care is the Savior

Not surprisingly, with sales in excess of \$1.5 billion, accounts for more than 50% of Japan's sales in cosmetics and toiletries. With last year's year growth averaging almost 4% over 2004, it also is among the fastest growing sectors in the market. Although skin care has been entrenched in the beauty regime of Japanese women for many years—regularly the three departments of cleansing, toning and moisturizing—manufacturers have employed numerous strategies to drive growth.

In 2005, manufacturers responded to consumer needs by taking antiaging to the next level. Moving away from traditional cosmetics of face cream and water, consumers both the



Yamaha and Kao took notes when respondents of a survey cited anti-aging products as a result of aging as primary concern. Both companies launched innovative face cream in the next, and then expanded the properties to facial cleansers. Perhaps skin care companies could exploit the demand for antiaging products by introducing firms practicing skin that promote professional results at a fraction of the time and cost required to undergo professional treatment of the skin. They took the South Korean market by storm in 2005 and have potential for success in Japan—arguably, as a result of capturing the attention of the Japanese over 40-year-old with increased disposable income.

All players across cosmetics and toiletries need to take cultural factors into consideration in Japan. It will be a test Japanese growth rates that "a far complexion makeover was difficult," and although the growth of whitening products is starting to stabilize over the years at the end of the 1990s, there will be strong demand for whitening products in skin care. Although health care in Japan is not related to skin care, the sales of health care products that have a whitening function, such as deodorant's Active Body Care Technology, could be a key to driving growth.

Crying Out for Color Cosmetics

Although hair care and cosmetics are the second largest category after skincare, hair is 2005's peak-up, 7.6% increased 2005 sales.

JAPAN REPORT

place by the Kao/Kamebo alliance, formed and finalized in early 2006. Together, the two firms have more than a 17% share of the Japanese cosmetics and toiletries market. This union allows the combined company to leapfrog Shiseido, Procter & Gamble and Unilever to take a narrow 0.2% percentage point lead in Asia-Pacific.

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Juggling Obstacles in Japan

With forecast sales growth of 12% to 2010, the future is brighter for Japanese cosmetics and toiletries due to the recovering economic climate. However, the market remains mature and highly competitive. Euromonitor International believes that innovation is key to sustaining expansion of the market. As consumer confidence increases, premium products with multiple benefits will fare well, and could take share from mass brands. The aging population will be a boon for manufacturers, as many Japanese are due to reach retirement in the next five years. These consumers will be increasingly keen to pay for products that cater specifically to their needs. Cosmetics and toiletries players cannot rely on this group, however, and must continue strategies of widening their consumer base to include 'twens, teens and men.

Observation of developments in other mature markets, such as the increased demand for natural products, will enable companies to secure sales. Noevir Co. Ltd's research department has found that brown sugar has an antiaging effect and increases cell renewal activity. Following this finding, brown sugar could be the new hit ingredient in cosmetics and toiletries in Japan. Market entry for new players will prove a struggle, as cosmetics and toiletries will continue to be dominated by domestic manufacturers over the forecast period. With deep understanding of local consumer behaviors and long-term experiences in Japan, the current leading manufacturers will keep on performing well. Their strong distribution networks and marketing strategies also are advantages with which foreign manufacturers will find it hard to compete. ■ GCI



BRIONY DAVIES is on the management team of Euromonitor International's Cosmetics & Toiletries global market research program. She monitors trends within the industry, communicates key issues to Euromonitor's research team and drives the annual content of the research. She is also responsible for managing the international client base of Euromonitor's online Cosmetics & Toiletries Integrated Market Information System (IMS), with a specific focus on ingredients suppliers.