

# INDIAN COSMECEUTICAL, COSMETICS & PERSONAL CARE MARKET 2022

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## MESSAGE FROM ASSOCHAM



It gives me immense pleasure to note that ASSOCHAM is organizing COSMÉ India 2017: 1st Annual Conference on Cosmeceuticals, Cosmetics & Personal Care.

Cosmetics is one of the fastest growing retail segments in India, and the booming Indian cosmetics market offers promising opportunities for domestic and international brands. The Indian cosmetics market, which was traditionally a stronghold of a few major players, has seen a lot of foreign entrants and rise of new brands within the last two decades.

The cosmetics industry is dynamic, lucrative, innovative and fast paced. With shorter life cycles of cosmetics products, varying climatic conditions, and rapidly changing attributes of fashion compel manufacturer to keep pace with changing market demand; manufacturers need to be innovative not only in the manufacture of products but also in presentation and marketing of the products.

I am sure that this Conference shall help in understanding the regulatory and marketing issues the beauty industry is facing today in India and I heartily wish the Conference a great success in achieving its stated objectives.

**Sandeep Jajodia**

President

ASSOCHAM

## ACKNOWLEDGEMENT



I am happy to note that ASSOCHAM is organizing COSMÉ India 2017: 1st Annual Conference on Cosmeceuticals, Cosmetics & Personal Care.

The cosmetics and beauty market in India has observed continued and sustained growth over the years due to a beauty conscious female population and the emergence of the metro-sexual male. Several other factors such as surging disposable income, rising awareness levels towards maintaining prolonged beauty, evolving lifestyle, changes in the taste and preference, emergence of online shopping model, and development of the distribution channel have continued to further bolster the demand and supply of the products.

I am sure that this Conference will deliberate on all issues relating to beauty industry in India. I also extend my heartiest thanks to all the stakeholders for lending their support to this Conference. I would also like to thank our Knowledge Partner “TechSci Research” for its wonderful efforts in putting up this comprehensive report on Cosmeceuticals, Cosmetics & Personal Care Industry.

I also acknowledge the efforts put in by Anuj Mathur and his team members Payal Swami, Anshul Gupta & Vipin Panthri for organizing this Conference.

I not only wish this Conference a great success but also assume that ASSOCHAM shall continue to organize such programs for larger public benefits with a great degree of excellence.

**D S Rawat**  
Secretary General  
ASSOCHAM

## FOREWORD



All throughout history, people have been concerned about their external appearance and maintenance of facial and bodily beauty. It had even been associated with the class hierarchy in ancient times. As the personal care industry has matured over time, it has gone on to contribute a major share to the global FMCG market. It has always been a highly competitive market with several companies. Some of the top reasons for the growth of this industry in India include rising disposable income of the Indian middle class, growing awareness of new products which have been successful in the global market and rising urbanization.

The traditional playgrounds of marketing for the top companies have moved now from conventional channels such as television, radio and print to the digital space. Social media has woven the world into a common marketplace where information travels speedily. The advent of the internet and social media has provided even smaller companies the ability to speak to a much wider audience. This has escalated the competition in the personal care space. Along with this, the evolution of the big data industry, has helped companies to understand key trends among their product lines. It is also helping companies to target their audience more effectively and to analyze data on social media to understand the need gaps and for problem resolution. Also, the advent of online players like Amazon, Flipkart etc. and online grocery chains like Big Basket has also provided new impetus to this industry. Moreover, Modern Trade is also catching on in India especially in the southern states.

The market place has also become more competitive with the emergence of natural/ayurvedic product players like Patanjali. The company has been doubling its revenue year on year to even cross the INR10,000-crore mark in 2016. It also plans to double this revenue to cross INR20,000 crores within the next financial year. Its rapid growth can be accrued to the star power of Baba Ramdev who has great recognition in India due to his association with ancient Indian practices like yoga. players like Hindustan Unilever are bringing in new brands such as Citra which are claimed to contain natural products. It has also relaunched its Ayush range of personal care products which are claimed to contain Ayurvedic ingredients. Moreover, the market for organic personal products is also slowly catching on in India.

Thus, in the near future companies can be expected to compete on premium products for the metropolitan consumers and natural/ayurvedic products in the rural areas and small towns. The marketing strategies are also bound to change with the strengthening of new channels like online retail and Modern trade. The companies will deal with big modern retail players and online companies which will have significant negotiation powers. The competition will increase further as private label and boutique premium brands grow in India.



**Karan Chechi**  
Director – Research  
TechSci Research

# Executive Summary



## Executive Summary

The personal care and cosmetics market in India has had consistent growth over the last decade, with increasing shelf space in boutiques and retail stores across the country. Many multinational brands have entered the Indian market, primarily aided by dedicated support structure and their respective pricing strategies. The domestic market for personal care products is projected to grow at a CAGR of around 22% during the period 2017-2020. Moreover, the market will maintain healthy growth due to rising preference for specialized cosmetic products such as organic, herbal and ayurvedic products. Principal areas that are expected to grow include color cosmetics, fragrances, specialized skin care, hair care and make-up cosmetics.

Currently, India accounts for a share of just over 1% of total global personal care, cosmetics and cosmeceutical market. This share is anticipated to grow significantly over the next 5 years. This growth will be primarily led by increasing disposable income, relatively young urban elite population and rising middle-class population. With a growing number of international companies having entered the Indian personal care & cosmetics

market, the market competition for domestic brands is increasing. However, bigger players like Dabur and Marico continue to dominate the market due to presence of ayurvedic and herbal cosmetic products in their respective product portfolios.

One of the reasons that imported cosmetics brands have had a major impact in the Indian market is due to the perception of most consumers that foreign brands are of superior quality. These brands have pushed growth of the Indian market by attracting aspirational consumers. Demand for premium products is growing in India as Indian consumers are moving from functional products to more advanced and specialized cosmetic products. Many international brands like Revlon, Avon, Burberry, Calvin Klein, Cartier, Christian Dior, Estee Lauder, Elizabeth Arden, Lancome, Chambor, Coty, L'Oreal, Oriflame, Yardley, Wella, Schwarzkopf, Escada, Nina, Ricci, Rochas, Yves St. Laurent, Tommy Hilfiger, Max factor, Max Mara, Shiseido, Body Shop, Maybelline New York, MAC and many more like these have been present in India for quite some time now.

# 1

## **An Introduction : Cosmeceutical, Cosmetics & Personal Care Market**





## An Introduction: Cosmeceutical, Cosmetics & Personal Care Market

India is known to have a long heritage of personal care products, beauty products and cosmetics, as well as aesthetic makeup products. Increasing influence of western trends and international beauty pageants have brought personal care and cosmetics industry into lime-light in the country over the last couple of decades. The marketplace is witnessing a rising number of new products being introduced coupled with an increasing number of domestic and international manufacturers gradually extending their presence in India.

India is one of the fastest growing consumer markets globally, with the transition from an unorganized market to an organized retail marketplace being witnessed

across major Indian cities as well as Tier I and Tier II cities. Cosmetics and personal care industry is one the fastest growing consumer products sector with huge growth opportunities for international companies. The personal care, cosmeceutical and cosmetics industry in India has shown consistent robust growth over the last few years. It is being propelled by growth in organized retail, increase in the number of working women, changing lifestyles, rising disposable income and increasing affordability of luxury and lifestyle oriented products.



# 2

## India Cosmeceutical, Cosmetics & Personal Care Market Outlook



## India Cosmeceutical, Cosmetics & Personal Care Outlook

### 2.1 India Cosmeceutical, Cosmetics & Personal Care Market in Comparison with Global Cosmeceutical, Cosmetics & Personal Care Market

Currently, India accounts for a tiny share of the global cosmeceutical, cosmetics & personal care market. However, this share is expected to increase significantly over the next five years. This is due to macro-economic factors such as improving demographics, rising disposable income, expansion of organized retail in Tier II & III cities in India, changing consumer preferences, huge youth population, etc. Developed markets for cosmetics such as the US, China, European Union, Japan, etc. are reaching saturation levels and are expected to grow marginally in the future. Globally, the cosmeceutical, cosmetics, & personal care sector is expected to grow at a CAGR of around 3.5%, which is much lower than the anticipated growth in India. Various foreign FMCG multinationals such as Hindustan Unilever Limited (HUL), L'Oréal Paris, Procter and Gamble (P&G), Nivea, etc., have already established

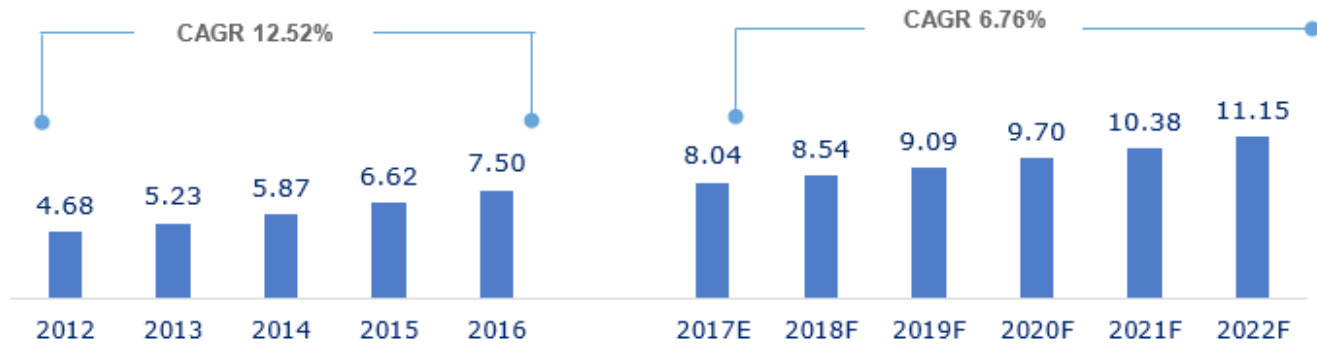
themselves in India. Increasing technology adoption, growing urbanization and structural reforms that are being introduced by the government are some of the major factors supporting growth in the Indian market.

According to World Bank, India's per capita income is expected to cross INR 100,000 (USD 1,505.4) in FY 2017 from INR 93,231 (USD 1,403.5) in FY 2016.

Over the past few years, women cosmetics market has been driven by the latest skincare products segment. The global skincare market has witnessed strong growth on account of growing adoption of skincare products like anti-ageing creams, anti-blemish creams, exfoliators, etc. Also, many new face washes have been introduced for different skin types. Moreover, with rising prevalence of desire to appear youthful among women, many products have been introduced that fight signs of fatigue, stress and ageing. Lastly, one addition factor boosting demand for cosmetics and personal care products is the rising trend of celebrity endorsements.

## 2.2 India Cosmeceutical, Cosmetics & Personal Care Market Size & Forecast

**India Cosmeceutical, Cosmetics & Personal Care Market Size, By Value, 2012-2022F (USD Billion)**

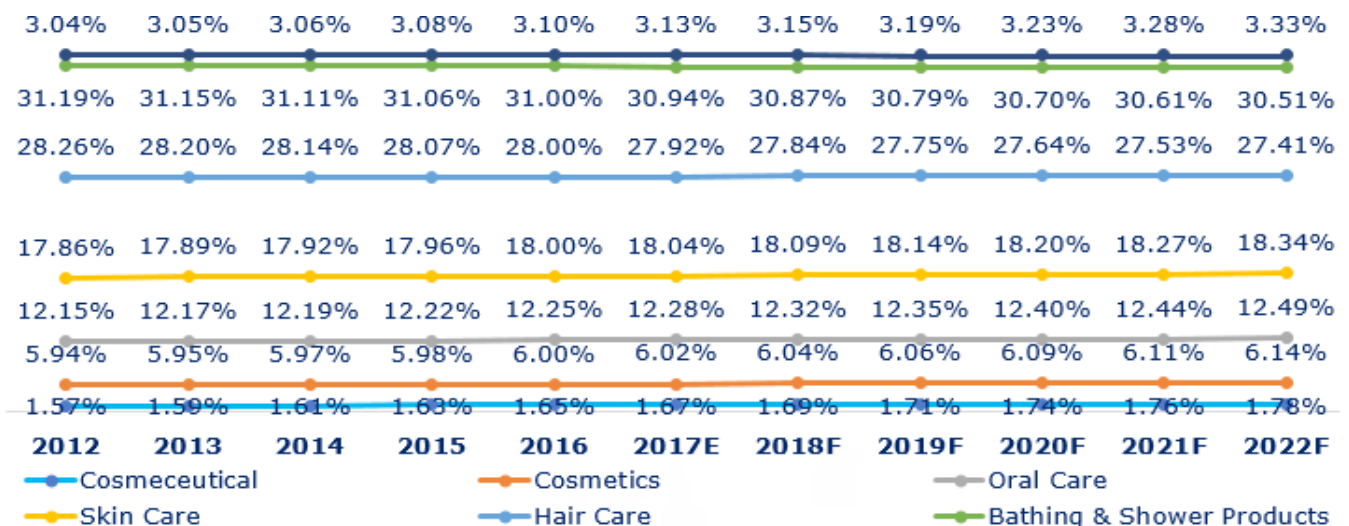


Source: TechSci Research

The growing trend towards healthier lifestyles and rising awareness about the side-effects of using synthetic healthcare & personal care products are some of the fueling demand for cosmeceutical healthcare products in India. Over the forecast period, men's personal care products category is also expected to witness rising trend. Competition among small and large players is expected to bring down costs in this category over

the course of next five years. Personal care category is expected to grow during the forecast period led by the growing youth population. Multinationals will continue to dominate with popular and globally well-known brands from Nivea, P&G, HUL, etc., grabbing a huge market share. Men's pre-shave and post-shave products are also expected to witness higher demand during the forecast period.

### 2.3.1: India Cosmeceutical, Cosmetics & Personal Care, By Product Type, By Value, 2012 -2022F



Source: TechSci Research

Consistent marketing efforts by multinationals would also play a huge role in increasing consumer awareness, thereby fueling demand for men's cosmeceuticals in India.

**Bath and Shower Products:** Demand for value-added bath and shower products such as shower gels is expected to grow in the coming years. The rising disposable income, expanding organized retail in the Tier II and Tier III cities, introduction of multiple product variants by major players are expected to positively influence the bath and shower products market in the coming years. Offering anti-bacterial and antifungal properties, few of the products in this category such as gels, bath salts, anti-acne face wash, oil control face wash and face wash with herbal extracts are expected to drive the market in the coming years.

**Hair Care:** There is a growing inclination among Indian people to look smart and presentable. The population in India have also started to prefer natural and organic oils, hair packs, shampoos, conditioners, etc., especially in the urban centres. This is leading to slowing down of chemical based hair care products in the market. Strong growth in herbal and organic products has also bought many new players into the market. Rapid westernization and changing lifestyles is expected to further augment the market growth.

Indian youth are readily experimenting with new haircare products and services. The consumers are also ready to pay a premium for value added products.

Moreover, occasion based haircare is evolving as a major trend, especially among young Indian women. There is an increasing preference for professional hair care products that are meant for specific type of hair and/or hair problems.

**Skin Care:** Women in India are becoming more conscious about their skin, not only in terms of color but also in terms of radiance, reduced wrinkles, etc., to look young and bright, and thereby increasing demand for various types of skin care products. Many companies have also started to conduct online media campaigns targeting specific audience for their products. Similar trends are catching on in rural India as well as small cities.

The professional skin care products are witnessing significant growth as many consumers are reaching out to therapy centers, spas and dermatologists for skin treatment procedures. Some of the most prominent professional skincare products include anti-wrinkle, anti-blemishing and anti-tanning solutions.

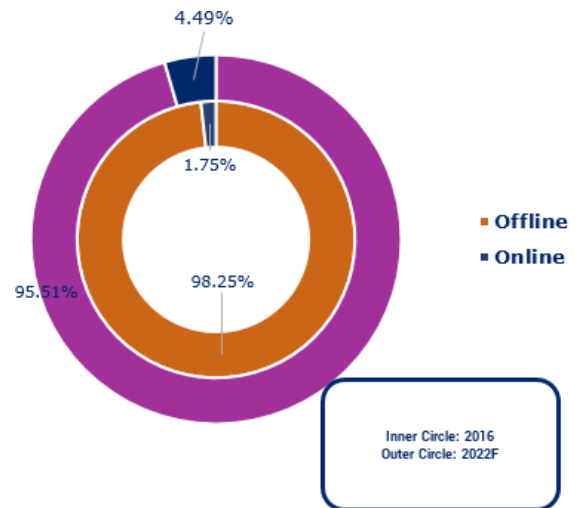
Moreover, growing trend towards clean and flawless skin becoming fashionable is also driving Indian consumers to opt for latest skincare products.

**Oral Care Products:** Oral care is the third largest segment in cosmeceutical, cosmetics & personal care market. There is a growing trend towards using traditional oral care products. Thus, companies like Colgate are launching products based on natural ingredient such as salt, charcoal, etc.

Other factors driving this segment include aggressive promotional and marketing activities by oral care companies. Increasing visibility of these products in commercial advertisements, newspapers and television is boosting their popularity, resulting in higher adoption.

**Cosmetics:** The cosmetics market in India is expected to exhibit strong growth over the forecast period. Huge and growing youth population is among the major factors boosting growth in this category. Interesting new marketing tactics such as Loreal offering business strategy games for students is a growing trend. This platform allows the user to run their own virtual cosmetics company. These advertising strategies are expected to fuel demand in the cosmetics market, targeted at specific age groups. There is also a growing trend towards organic and natural cosmetics.

**2.2.2: India Cosmeceutical, Cosmetics & Personal Care Market Share, By Distribution Channel, By Value, 2016 & 2022F**



Source: TechSci Research

Internet penetration in India is increasing at a fast pace. To capitalize on the same, many companies have launched dedicated online portals that offer personal care products, cosmetics and cosmeceuticals. For instance, Nykaa, Purplle, Beardo, etc., are few of the portals specifically catering to personal care and cosmetic product re precise product and have it delivered in a day or two.

The sale of personal care cosmetics and cosmeceuticals through online channel is expected to grow due to availability of a wide variety of products in a single portal, which allows the consumers to pick the desired

Performance of Selected Cosmeceuticals, Cosmetics and Personal Care Companies								
Company Name	Revenue USD		y-o-y	EBITDA USD		EBITDA Margin, FY17	PAT USD Billion	
	Billion			Billion			FY17	PAT Margin, FY17
	FY17	FY16		FY17	FY16			
ITC Limited	8.53	7.99	6.75%	2.39	2.22	27.96%	1.57	18.40%
Hindustan Unilever	5.21	5.07	2.93%	0.92	0.95	17.63%	0.63	12.14%
Colgate Palmolive	0.69	0.66	3.96%	0.15	0.15	21.34%	0.09	12.86%
Godrej Group	1.48	1.35	9.78%	0.26	0.23	17.55%	0.20	13.61%
Glaxo Smith Kline	0.65	0.67	3.52%	0.16	0.16	24.01%	0.10	15.60%
Procter & Gamble	-	0.39	-	-	0.11	-	0.07	-

products without most ease. Moreover, rising smartphone penetration, huge discounts and improving supply chain operations provides enhanced convenience to working consumers.

According to the World Bank, internet penetration in India has increased significantly over the last few years and it is anticipated to grow at a faster pace during the forecast period. To expand their consumer base and reachability, companies like Patanjali, Himalaya, Dabur and Emami are increasing their online presence. This also lends support to the ayurvedic personal care market.

**Indian Brands Vs International Brands:** Multinationals such as Hindustan Unilever, Procter & Gamble, Colgate Palmolive and L'Oreal along with domestic players like Godrej Consumer Products, Emami, Dabur India, Cavin Kare, Himalaya, Patanjali Ayurveda, etc. have been

witnessing continuing increase in revenue growth.

Over the last few years, these domestic players have expanded their product portfolios, improved their supply chain and increased their market share through inorganic growth in addition to foraying into new segments such as Ayurvedic products.

### 2.3 Market Drivers and Trends

**Multi-purpose Products:** Products with multiple benefits such as those with anti-ageing properties, moisturizing care and sun tan protection are very popular in skin care cosmetics industry. Foundation creams that offer multiple benefits such as sun protection, moisturizing, oil free and no pore clogging are witnessing rising demand, especially from the working women population.

High demand for anti-dandruff and anti-hair loss hair care products is being witnessed in the hair care segment. Increasing pollution and unhealthy lifestyles have driven adoption of alternatives such as cosmeceuticals, natural and organic hair care products across the country.

**Shifting Trend to Organic Based Cosmetics:** Increasing number of healthcare problems associated with traditional cosmetics are compelling consumers to shift to organic cosmetics. These are especially popular among the younger generation.

A major share in demand for organic cosmetics across the globe is emanating from consumers in the age group of below 30 years.

**Increasing Research & Development Activities:** Major players are investing heavily on the research and development of new cosmetics and cosmeceuticals. These players are investing significantly in innovations like hypoallergenic creams, which have minimal impact on health. Cosmeceuticals generally have lower contamination of pesticide residues, which makes them an attractive choice for consumers.

**Growing Demand for Innovatively Packaged Cosmetics :** In current times, innovative packaging is playing an important role in driving sales of cosmetics. Multinationals are preferring to use environment friendly packaging material.

Moreover, specifications such as easy to open caps, packs which stand up better in showers, portion control devices are convenient and easy to use. Packaging requirements of men are different from that of women. For instance, when it comes to face creams, men do not like to stick their fingers into a jar. Thus, companies are offering creams in pump packages. Pack functionality is also very important in this sector as male consumers seek more practical and simple forms of packaging. In case of men's fragrances innovative bottle designs hugely influence purchase. Further, pressure to manage costs, enclose products in a way that increases shelf-life, reducing tampering, confirmation that the items are not counterfeit, and showcase products in an appealing manner continue to drive demand for innovatively packaged organic cosmetics across the country. Consumers are actively seeking cosmetics with packages/labels, which depict that the manufacturer complies with environmental ethics. Understanding how this commitment to sustainability can be communicated on packaging is becoming a key to attract more consumers.

**New product developments happening in the market:** Going green has become the new anthem in the fashion and lifestyle categories and it's not just designers who are promoting it in a big way through their collections, but cosmetic brands are also going eco-friendly with their range.



With increasing inclination of Indian consumers towards natural and herbal cosmetic products, the Indian cosmetics industry encountered numerous herbal cosmetic brands like Forest Essentials, Biotique, Himalaya Herbals, Blossom Kochhar, VLCC, Dabur, Lotus, Jovees, Kama Ayurveda, Patanjali, Just Herbs, and many more. Even foreign brands have now dived into natural products. For Instance, in 2016, French cosmetics brand L'Oreal came out with Ayurvedic shampoo, conditioner, oil, and cream under its Garnier Ultra Blends brand. Similarly, Hindustan Unilever re-launched Ayush and acquired hair oil brand Indulekha in 2016, while Emami bought out Kesh King Hair oil in 2015. Patanjali Ayurved, in a short span, has become a household name. Patanjali has a vast collection of shampoos, soaps, and beauty products.

Indian herbal and natural cosmetic products have a great demand in the overseas market as well. Products manufactured in India are supplied to international suppliers. According to CHEMEXCIL (Basic chemicals, Cosmetics and Dyes Export Promotion Council), set up by the Ministry of Commerce and Industry, Government of India, India is acknowledged to be the second largest exporter of herbal cosmetics to the world market after China. In the entire range of products that fall under the Indian cosmetic and toiletries market, the most popular items are color cosmetics, of which nail varnish, lipsticks and lip glosses account for the most sales. Indian natural products are in demand due to their experience in extracting the best from natural dyestuff, flowers, roots, oils, etc. India exports natural and herbal cosmetic products to countries like the UAE, the USA, the Netherlands, Saudi Arabia, Germany, Japan, Malaysia, Nepal, Sri Lanka, UK, China, Indonesia, France, Russia, and Italy.

# 3

## **Penetration of Ayurvedic/ herbal Products in Cosmeceutical, Cosmetics & Personal Care Market**



## Penetration of Ayurvedic/Herbal Products in Cosmeceutical, Cosmetics & Personal Care Market

Backed by rising demand for alternative medicines, perceived health benefits, rising purchasing power and growing acceptance of ayurvedic products, the global ayurvedic market is anticipated to grow at a fast pace in the coming years. The usage of ayurvedic products is increasing both in developed as well as developing countries.

Various non-government organizations along with Ministry of Health & Family Welfare are taking initiatives to promote the use of ayurvedic products across the globe. China is the leading exporter and importer of plant extracts, herbs, cosmetics and spices. Though, India has a rich legacy of Ayurveda, but it is still lagging behind China.

The ayurvedic products market accounts for around 7% penetration in India cosmeceutical, cosmetics & personal care market. National programs which are targeted at increasing consumer awareness is making Ayurveda more popular.

India has 45,000 plant species, out of which 15,000 are medicinal plants, including 7,000 plants, which have ayurvedic use. India is one of the countries among 12 mega bio-diverse countries around the world. Keeping in mind the potential of Indian ayurvedic products market, it is anticipated that Indian exports as well as domestic demand for ayurvedic products will increase in the coming years.



# 4

## India Retail Market Outlook



# Indian Retail Market

**India Retail Market Size, By Value, 2011-2022F (USD Billion)**



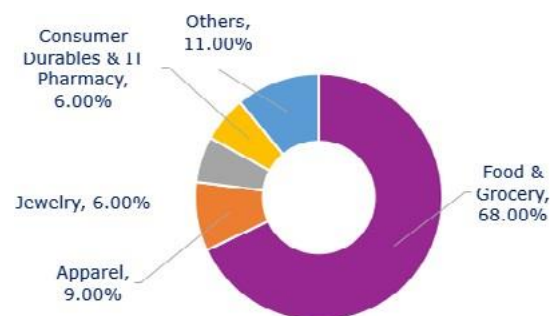
Source: TechSci Research

Healthy economic growth, changing demographic profile, increasing disposable income, changing consumer tastes and preferences are driving growth in the retail market in India.

Food & Grocery products occupy a major chunk of the retail market in India. It is expected that the share of organized retail would increase to 13% by 2019, thereby becoming a major demand driver for the industry.

Over 20 per cent of India's gross domestic product (GDP) is contributed by retail sector, and in total employment, the retail sector contributes eight per cent. The market has witnessed some significant trends such as entry of international brands due to FDI in single-brand retail being opened up to 100 per cent from the earlier 51 per cent, increase in private label brands by retail players (in India, the share of private label brand was 5% in 2015) and continuing growth in E-commerce.

**India Retail Market Share, by Product Type, (%), 2015**



Source: TechSci Research

# 5

## Supply Chain Analysis



## Supply Chain Analysis

The cosmeceutical, cosmetics & personal care market industry is characterized by complex distribution network and intense competition, forcing firms to constantly work on supply chain innovation. Although, the basic structure of supply chain in the Indian FMCG sector has not changed over the years, micro economics play a key role in the supply chain structure of cosmeceutical, cosmetics & personal care market in India. The structure of the supply chain in traditional retail has remained unchanged over a long period of time. The pathway of goods from manufacturer to distributor to retail shop remains the same.

The Indian cosmeceutical, cosmetics & personal care sector is a relatively low margin business and is predominantly volume driven. In order to develop and maintain an efficient supply chain, the companies focus on availability of products in the complex distribution network. Gradually, there has been an increase in the number of SKUs (Stock Keeping Units) to ensure the

availability at the last stage of distribution. The companies which are targeting to increase their market penetration are increasingly focusing on consumers present at the lower end of the economic spectrum and are launching smaller pack size products. The entry of large third-party logistics (3PL) carriers and the expansion of domestic networks of Indian logistics firms like Gati and Shreyas Shipping is transforming the nature of services and the business practices across the sector.

In recent times, there has been the emergence of modern retail format, which allows consumers to avail huge discounts from cosmeceutical, cosmetics & personal care companies. In order to achieve sustained growth through supply chain, the companies usually follow trends such as ensuring permanent on-shelf product availability, optimizing costs and investments on products and anticipating demand. The traditional way of distribution has a longer value chain.

However, it is highly effective as it provides higher showcasing and reachability of the products to end users. It is an easier way for companies to build up customer base and increase their market share. Retailers have the highest profit margin, followed by the manufacturers. The emergence of e-commerce has brought a change in

the buying preference of end users as a higher number of consumers prefer to buy products online due to the price differential. On the other hand, manufacturers are also benefited by this as they receive sale proceeds faster as compared to traditional way of distribution.

<b>India Logistics Sector Facts</b>	
<b>Logistics Performance Index (2016)</b>	3.42 (35 <sup>th</sup> Rank)
<b>Logistic cost as % of GDP</b>	13%
<b>Transportation cost as a % of GDP</b>	8.2%
<b>Warehousing cost as a % of GDP</b>	3.8%
<b>Other logistics costs as a % of GDP</b>	1.0%
<b>FMCG Logistics as a % of revenues</b>	6%-8%



# 6

## Market Opportunities and Challenges



## Market Opportunities and Challenges

### **Increasing Availability of Small and Affordable Products:**

The cosmetics market in India is witnessing an increase in the availability of small and handy cosmetic products. Increasing desire among Indian consumers to look fresh and alluring throughout the day is propelling the companies to introduce pocket friendly sizes of their products in the market, which can be easily carried everywhere. Currently, the market is flush with products in small packs or sachets. Launch of such products is important in small cities and rural areas. Availability of these pocket friendly sizes has been turning out to be a major profit churning for the companies. Premium hair shampoo and conditioner brand such as TRESemmé has launched its range of shampoos and conditioners in sachets to increase the affordability of its products as well as to capture broader set of women consumers.

**Rising Women Participation in Workforce:** Growing awareness about harmful effects of pollution, excessive use of conventional cosmetics on skin, rising awareness about harmful effects of UV rays, etc., have driven the demand for women's cosmetics in the country.

Young working women in the country are willing to spend on cosmetics to enhance their beauty. Moreover, launch of new and innovative women's cosmetics is luring them to purchase more products.

### **Introduction of Innovative Products with Multiple**

**Benefits:** Products with multiple benefits such as anti-ageing, moisturizing and SPF protection are gaining prominence in the cosmetics industry. Foundation creams that are being introduced in the market include SPF protection moisturizers, are oil-free and do not clog pores. Such products with multiple benefits are in high demand, especially among young women.

**Changing Distribution Strategies:** Increasing internet penetration is driving sales of cosmetic products through online sales channels over traditional retail formats. Rapid urbanization and changing lifestyles are encouraging consumers to purchase cosmetic products through online sales channels instead of traditional formats.

**Growing Consumer Interest in Cosmeceutical Products:**

A growing number of consumers using conventional chemical cosmetics are facing various skin related issues, and consequently, are considering standard chemicals to be unsafe for their skin. Hence, consumers are switching to cosmeceutical, organic or natural cosmetics that are free from harmful chemicals. Since the raw materials used in production of organic cosmetics are also produced without using any chemicals or pesticides, they are perceived to be completely safe by the consumers. Moreover, the increasing number of health scares due to chemicals in cosmetics and rising levels of pollution in major cities are driving people to switch to cosmeceutical, organic or natural cosmetics instead of standard chemical based cosmetics.

**Challenges:** The Indian cosmeceutical, cosmetics & personal care market is not very easy to penetrate for companies especially in well-established segments such as foundations and mascara. Moreover, an increasing number of consumers are shifting towards ayurvedic and organic products. Shiseido India Pvt. Ltd., which had introduced products in the mid-to-low-price segment had to shut its doors in India due to operational issues and relatively slow growth. L'Occitane, another international player, has shut down 5 stores in India within a span of 2 years.

This is also due to higher duties and taxes and complicated tax structure in India. For companies which are entering

India, the cost of retail establishments is very high and the platform becomes limited only to premium stores. Moreover, the consumers in India are brand loyal and do not tend to test new brands very easily.

The high price of manufacturing cosmetics has also become an entry barrier for the Indian market. The penetration rate for the premium segment is also very low in India as compared to the developed world. Shaving creams, moisturizers and shampoos have high penetration rate in India and are led by major players such as Procter & Gamble, HUL, etc.

**Marketing challenges for International companies in India and challenges for cosmetic importers/exporters etc.**

Key factors to successfully entering the personal care and cosmetics market in India include careful research and analysis of existing sales channels and consumer preferences, which allows multinational companies to determine the pricing structure, the product mix and brand positioning; identifying the right partner with knowledge of the local market and procedural issues; good planning; maintain consistent follow-up and supply; consistent follow-up and supply; aggressive due diligence to ensure that partners or distributors are credible and reliable; and perhaps more importantly, patience and commitment to the market.

Adaptation and an understanding of Indian skin types and tones is very important, as is a visit to this market to understand local realities. There are 44 different skin types in the Asian nation, which presents a major challenge. In Japan, it's very homogenic; you probably have three to four skin tones and no more. Koreans have one or two skin tones. In the US, you have mixed skin tones.

Developing innovative pricing strategies is very important for the Indian market. Indian consumers want the best but many are not always willing to pay for it. Understanding the attitudes, preferences and aspirations of the different segments of India's consuming class is crucial to achieving success in the Indian market. For example, given the price-sensitivity of Indian consumers, many cosmetic and toiletries companies launched their products in smaller pack sizes to make them more affordable. Small pack sizes have proved to be very popular in the Indian market as it offers a consumer a lower purchase cost that they can afford and at the same time the opportunity to try new products.

Companies should attempt to understand the needs of the target group/s before introducing a brand into the market. Even some of the most successful brands in today's time had committed several blunders or mistakes while initially entering into Indian market. It's hard to manage a business in an emerging market as specific as India because the country has a huge population spending just a little bit, and that too, not very often. More broadly, the "aspirational standards of beauty" are also highly specific in India, with hair holding the central position, while eyes and a fair skin tone are usually afforded a greater priority than the body.

The Global firms operating in India must try to be as local as they can be. The companies can achieve these objectives, either by using local manufacturing, producing Indianized variants of their products to take care of local consumers' tastes, to use local celebrities as brand ambassadors, and tackling the issue of price sensitivity of the Indian consumers by launching value for money products which are affordable for the masses and forming long term relationships with intermediaries in the market and instill in them a sense of confidence in them.

## Challenges for Importers

With the recent petition by PETA and the health ministry's strict policy of the ban on cosmetics tested on animals has even made the process more tedious for importers who are now very selective when it comes to imports of beauty cosmetics in India.

Various questions contemplate the minds of various importers and distributors who still do not understand the why and how the registration must be done which is the ultimate break down in imports.

Effective April 1, 2013, India introduced a compulsory registration requirement for imported cosmetics products. All cosmetic products imported for sale in India are required to be registered with the Central Drugs Standard Control Organization (CDSCO) which is the Indian licensing authority within the office of

the Drug Controller General of India in the Ministry of Health & Family Welfare, Government of India (GOI). This mandatory requirement to register all imported cosmetics represents important costs in terms of time and money and administrative requirements for foreign companies to market their cosmetics products in India. In many cases, because of the lack of regulations on imported cosmetics, these were found to contain hazardous materials. Thus, new regulation is an attempt to check the sale of sub-standard cosmetic products and to harmonize import requirements.

The import of unregistered products is restricted and the importer will have to face heavy penalties, loss of sales and in certain cases the importer may have to send his stocks back to the principal consignor.



# 7

## Regulatory Aspects in India



## Regulatory Regime in India

### A. Regulations for cosmetics in India

India has a well-defined act which deals with various provisions such as packaging and branding of the cosmetic products in India. The Indian licensing authority for mandatory registration of all cosmetics imported in India is the office of the Central Drugs Standard Control Organization (CDSCO) in the office of the Drug Controller General of India (DCGI). The DCGI's office administers the Indian Drugs and Cosmetics Act of 1940, which governs the manufacture, sale, import, export and clinical research of drugs and cosmetics in India. The various aspects and the stated provisions as per the "India Drugs and Cosmetics Act, 1940" are as follows: -

**Definition of Cosmetics:** Cosmetics in the act are primarily defined by their usage. The term "cosmetics" refers to any article intended to be rubbed, poured, sprinkled or sprayed on, or introduced into, or otherwise applied to, the human body or any part thereof for cleansing, beautifying, promoting attractiveness, or altering the appearance, and includes any article intended for use as a component of cosmetic.

multiple regulations which requires manufacturers to submit relevant information pertaining to formulation, raw materials used and their specifications, product quality specifications, and safety data in support of the formulation. The information is reviewed by local (State) FDA and a cosmetic license is granted or otherwise. The clinical trial of the skin care products is also done to ensure safety for the consumers.

Every product imported into India has to be labelled in the outer packaging with the following mandatory details/ labeling declarations:

- Name and address of the importer/distributor;
- Generic or common product name of the commodity packed;
- Net quantity in terms of standard unit of weights and measures;
- Production date: month and year of packing in which the commodity is manufactured or packed;
- Date of import and expiry date. Specifically, for cosmetics, a product shall carry on both the inner and outer labels:
- Name of the cosmetic.

- Name of the manufacturer and complete address of the premises of the manufacturer where the cosmetic has been manufactured (Note: If the cosmetic is contained in a very small size container, where the address of the manufacturer cannot be given, the name of manufacturer and his principle place of manufacture along with zip code must be indicated).
- Names of ingredients in the order of percentage of content.

**On the outer label:** A declaration of the net contents expressed in terms of weight for solids/ semi-solids, fluid measure for liquids. (Note: In the case of package of perfume, toilet water or the like, the net content which does not exceed 60 ml or any package of solid or semi solid cosmetic where the net content doesn't exceed 30 gms, the statement of net content need not appear).

The names of ingredients in the order of percentage of content.

**On the Inner label:** Where a hazard exists, adequate directions for safe use, warning, caution or special direction required to be observed by the consumer, statement of the names and quantities of the ingredients that are hazardous or poisonous, should be provided.

The names of ingredients in the order of percentage of content. India allows import of cosmetics into the

country only through specified ports of entry: Chennai, Kolkata, Mumbai, and Cochin sea ports; and Delhi, Mumbai, Chennai, Kolkata, Bengaluru, and Ahmedabad airports. The officer appointed by the Indian government at the port of entry is empowered to take samples for analysis, if required.

**Specification of Maximum Retail Price (MRP):** It is the maximum retail sales price (MRP) at which the commodity in packaged form may be sold to the end consumer. It includes all taxes, freight transport charges, commission payable to dealers, and all charges towards advertising, delivery, packing, forwarding and the like.

**Provisions for Misbranding:** The product will be construed as misbranded given the following:

- It contains a colour which is not prescribed.
- It is not labelled in a prescribed manner.
- The label or container or anything accompanying the cosmetic bears any statement which is false or misleading.

**Provisions for spurious products:** There are several laws governing the products that become faulty or are spurious. The guidelines for declaring a product spurious are as follows:

- It is imported under the name which belongs to another cosmetic.



- It is an imitation of, or is a substitute for, another cosmetic or resembles another cosmetic in a manner likely to deceive or bears upon it or upon its label or container the name of another cosmetic, unless it is plainly or conspicuously marked so as to reveal its true character and its lack of identity with such other cosmetic.
- If the label or the container bears the name of an individual or company purporting to be the manufacturer of the cosmetic, which individual or company is fictitious or does not exist.
- It purports to be the product of a manufacturer of whom it is not truly a product.

**Regulations for importing cosmetics into India:**

Effective, April 1, 2013, India introduced a compulsory registration system for imported cosmetics products. An application for the issue of a Registration Certificate for cosmetics intended to be imported into India can be made either by: the manufacturer themselves having a registered office in India; or by their authorized agent; or by the manufacturer's subsidiary in India authorized by the manufacturer; or by any other importer. Any other importer refers to any person or business entity intending to import cosmetics other than the manufacturer or its authorized agent or subsidiary.

The fee for registration is USD250 per brand of cosmetics applied for, which may include any number of variants,

color, shades or pack sizes. If an importer wants to import more than one brand, a fee of USD250 for each brand must be paid and submit separate application for each. A brand in this case is defined as the category of cosmetics products and does not mean the trade name of any imported product of the manufacturer or the manufacturer's name itself. A single application may be made while applying for registration of more than one brand of cosmetics (including its different variants and pack sizes) and manufactured at one or more manufacturing locations by the same manufacturer.

A single application in the prescribed form can therefore cover more than one brand and many manufacturing units corresponding to the product brands. The authorization by a manufacturer to his authorized agent in India has to be documented by a Power of Attorney. The power of attorney shall be executed and authenticated either in India before a magistrate; or in the country of origin of the manufacturer before an equivalent authority or attested by the Indian Embassy in the manufacturer's country; or apostille from Hague convention member countries is also accepted.

In case of any changes in the product specifications, ingredients or variants after being granted the registration, the applicant has to inform about the changes to the registration authority at least 30 days before the imports.

The label of imported cosmetics products has to have the registration certificate number and the name and address of the holder of the registration certificate. In addition, the labels should also have the name and address of the manufacturer, and the name of the country of manufacture. If the product has not been manufactured in a facility owned by the manufacturer, the name and address of the actual manufacturer or the name of the country of manufacture should be mentioned on the label.

The time period for issuance of the registration certificate is usually three to six months from the date of submission of the application form and the required documents. The duration of a registration certificate is for a period of three years from the date of its issue unless it is suspended or cancelled sooner for any reason.

Cosmetics products imported into India in bulk for re-packaging and re-processing and 100 percent export to other countries are exempted and will not require registration.

The importer will still however need to take necessary permission from the office of the CDSCO and provide a written undertaking that the imported products will not be released for domestic sales in India. The same applies for import of cosmetics for research purposes such as packaging trials, and consumer and other shelf life or transport studies. Bulk imports of cosmetics into India

for re-packaging and sale in the Indian market are not exempted and would need to be registered.

**List of required documents for application of the registration certificate include**

- Covering letter by the applicant
- Form 42
- Payment receipt
- Power of Attorney in the name of importer/distributor
- Original or copy of the labels bearing name and address of manufacturer
- Free Sale Certificate/Marketing Authorization letter/ Manufacturing license in the country of origin
- Product specification and testing protocol
- List of countries where import permission or registration has been granted
- Soft copies of information about the brands, products and the manufacturer
- Pack insert, if any
- Declaration that the products are not animal tested.

Compliance of the above-stated requirements must be ensured before the import consignments are cleared by customs in India. If products arrive without being labeled then the consignment is transferred to the bonded warehouse, where it is the responsibility of the importer/distributor to ensure the labelling is done in the customs warehouse else products are not released.

**Provision for banned items:** India prohibits the manufacture and import of cosmetic products containing hexachlorophene, lead, arsenic or mercury compounds. No cosmetic product prohibited for manufacture, sale or distribution in its country of origin is allowed to be imported in India except for the purpose of examination, test or analysis.

**Foreign Investment Regulation:** Foreign investment, including equity holding upto 100%, is allowed in cosmetics and personal care products on a repatriable basis, in all items except those exclusively reserved for the small-scale sector. The approval is automatic and requires only filing of the investment details with the RBI. In case of bulk drugs, intermediates, and formulations, upto 74% foreign investment is allowed on automatic route, while higher levels of investment would require specific approval on a case-by-case basis.

## **B. Difference in rules for cosmetics in European Union (EU), United States of America (USA) and India**

Cosmetics market have been dramatically developing around the world. Across the globe, there are different regulatory bodies having their own regulations to ensure safety of the cosmetic products. The major cosmetics market constitutes of European Union (EU), United States of America (USA).

The regulations in these regions are used as a basis by many countries. India is quickly catching up on the cosmetics market globally is following its own regulations.

Legal authority to regulate manufacture of cosmetics for sale

**USA:** In the US, cosmetics are regulated by Federal Food, Drug and Cosmetic Act. It is the role of the FDA to oversee the compliance with the regulations of the act. However, as opposed to drugs, cosmetic products do not require verifiable, mandatory compliance (such as FDA approval) before they can be marketed.

The Voluntary Cosmetic Registration Program (VCRP) is an FDA post-market reporting system for manufacturers, packers, and distributors of cosmetic products that are in commercial distribution in the United States. The VCRP applies only to cosmetic products being sold to consumers in the United States.

**EU:** EU cosmetic legislations are based on European commission council directive. As in the U.S., manufacturers are responsible for ensuring that cosmetic products comply with the law before they are marketed. The manufacturer or importer of cosmetics is responsible for demonstrating that the product is safe for its intended use.

**India:** In India the Drugs and Cosmetic Act (1940) & Rules (1945) operates the regulations of cosmetics. A license is required for the manufacture of cosmetics for sale/distribution. This license is issued by the concerned

state regulatory authorities (State Food and drugs administration). The product can enter the Indian market only when the registration and licenses are issued.

#### Categorization of products under different regulatory regimes

Product category	US	EU countries	India
Sunscreen	OTC drug	Cosmetics	Cosmetics
Antidandruff	Drug and cosmetics	Cosmetics	Cosmetics
Anti-bacterial skin washes	Drug (If Anti-bacterial claim is made)	Cosmetics	OTC or cosmetics
Anti-acne lotion	OTC drug	Medicinal product	Cosmetics
Mouth wash	Drug and cosmetics	Cosmetics	Cosmetics

#### Labelling Aspects for Cosmetics:

**USA:** The regulations for labelling of cosmetics in United States are controlled by FDA under the authority of the Federal Food, Drug, and Cosmetic Act (FD&C Act) and the Fair Packaging and Labeling Act (FP&L Act). The label statements required under the authority of the FD&C Act must appear on the inside as well as any outside container. The declaration of ingredients must be in descending order of predominance. Color additives and ingredients present at  $\leq 1\%$  may be declared without regard for predominance.

**EU:** The requirements of cosmetic labelling under 76/768/EEC directive are that the product should carry the name

or trade name and address or registered office of the manufacturer or of the person responsible for marketing the cosmetic product within the Community and weight or volume of product and any precautions and a distinctive identification of the batch number or product reference number. The list of ingredients shall be labeled with the use of common ingredient nomenclature is better for all member states should appear in the form of descending order. This information must be in the national or official language or languages of the respective Member State. Cosmetics which may be hazardous to consumers when misused must bear appropriate label warnings and adequate directions for safe use.

**India:** According to Drug & Cosmetics act, labelling requirements for cosmetics are as follows: Name of cosmetics and name and manufacturing address should carry on both the inner and outer labels. The outer label should contain the amount of net contents of ingredients used in the manufacturing. The inner label addresses the direction of safe use and any warning indication or names and quantities of the ingredients those are hazardous or poisonous in nature. For small size containers on the label instead of manufacturing address the principle place of manufacturing and pin code are sufficient.

#### **Safety Aspects:**

**USA:** The FDA strongly urges cosmetic manufacturers to conduct toxicological or other appropriate tests to substantiate the safety of their cosmetics. If the safety of a cosmetic is not adequately substantiated, the product may be considered misbranded and may be subject to regulatory action.

**EU:** The manufacturer or his agent or the person responsible for placing an imported cosmetic product should take into consideration the general toxicological profile of the ingredient, its chemical structure and its level of exposure. If the product is manufactured at several places within Community territory, the manufacturer can choose a single place of manufacture where that information will be kept available.

**India:** All the products manufactured shall meet the requirements of following Indian Standards of BIS pertaining to safety, quality and performance. Manufacturer/distributor shall suitably inform the consumer, if there are any precautions to be taken while using the products.

#### **Nomenclature of Colors:**

**USA:** The official names of color additives for cosmetics are designated by the Food Drug and Administration (21 CFR Part 73). Colors are subject to batch certification and are pursued by a number (numeral), such as blue or red, and by a color naming. Food drug and administration also enforce marketing companies to apply their goods worldwide by twofold labeling of colors, listing names acceptable to the FDA as well as Color Index (CI) numbers that are required for labeling clause in the European Union and other nations.

**EU:** International nomenclatures of cosmetic ingredient (INCI) names are attested for the purpose of colouring agents.

**India:** The usual name of the permissible colour should also be mentioned on the container of a drug. No instruction is given in the Drug and Cosmetic Act and principles for the nomenclature of colouring agent.

### Regulations with respect to Imports:

- The category of cosmetic product and its name or names, enabling its specific identification;
- The name and address of the responsible person where the product information file is made readily accessible;
- The country of origin in the case of import;
- The Member State in which the cosmetic product is to be placed on the market;
- The contact details of a physical person to contact in the case of necessity;
- The presence of substances in the form of nanomaterials including their identification and the reasonably foreseeable exposure conditions;
- The name and the Chemicals Abstracts Service (CAS) or EC number of substances classified as carcinogenic, mutagenic or toxic for reproduction (CMR), of category 1A or 1B, under Part 3 of Annex VI to Regulation (EC) No 1272/2008 of the European

Parliament and of the Council (OJ L-353 31/12/2008)

(CELEX 32008R1272);

- The frame formulation allowing for prompt and appropriate medical treatment in the event of difficulties.

**India:** All cosmetic products that are imported for sale in India need to be registered with the licensing authority as defined under Rule 21 of Drugs & Cosmetics Rules, 1945. The label of imported cosmetics would need to have the registration number of the product and the name and address of the registration certificate holder for sale of the product in India. No cosmetic product prohibited for manufacture, sale or distribution in its country of origin would be allowed to be imported in India except for the purpose of examination, test or analysis. Cosmetic products which are imported into India as bulk for repackaging for 100% export to other countries will not require registration certificate.

Basis	India	Europe	USA
Authority	CDSO	Europe Commission	FDA
Rules & Regulations	Food, Drug and Cosmetics Act	EU Cosmetics Regulation (EC) No. 1223/2009	Drugs and Cosmetics Act
Pre-Market Approval	Required under state government Licensing	-	Not required
Label Declaration	BIS and PCRO	-	FDA 21 CFR 701 & 740
Expiry Date	Indicated as "Use before date"	-	No date required
Post Marketing Reporting System	-	-	Yes. (Voluntary Cosmetic Registration Program)
Labelling	Should comply with part XV of D&C rules 1945	-	Should comply with the FD&C and FP&L
Label language	English	National/Member State	English

### C.Regulatory challenges in India:

As shown earlier there is considerable difference in cosmetic regulations of different countries like USA, EU and India. Regulatory agencies in the USA and EU have a strong command in their concerned countries, while in India regulations are not very strict.

- Currently, there is a need to harmonize the rules regarding the stability, labeling and safety issues. Most importantly, Cosmetic regulations need to be harmonized for safety and quality requirements, so

that society can be precluded from being exposed to hormone disruptors, carcinogens and other toxins.

- Multiple and complex regulations under different bodies.
- Cosmetic labelling requirements are regulated under different regulations leading to overlap and sometimes are contradictory.
- Alcohol based cosmetics - Denaturant specifications although centrally finalized by BIS is not recognized by state excise for local manufacture but is recognized for imports.

- Definition of manufacture includes all kind of packaging/ repackaging of cosmetics (very common for running consumer promotions)
- Lack of implementation guidelines of the DCAR for cosmetics.
- Non-uniform licensing approvals across various States.
- Inconsistent approach on cosmetics with naturals/ herbal ingredients - confusion between Proprietary ASU products/herbal cosmetics.
- Lack of clarity on approval procedures and no committed timelines for approval. Even within a single state ambiguity on approval process is present.
- When product approval gets delayed, there is uncertainty in launch plans.
- There is no illustrative lists of cosmetics. There is difference in interpretation between licensing authorities on product classification.
- Product licensed from one state can be challenged in another state.
- Pace of BIS Standards development/revision is not in line with technological progress. We need a faster mechanism to amend the standard to keep pace with newer technology.
- Specific Indian labelling requirements complicates import of cosmetics.
- Cosmetics regulations should not be treated as Drug regulations since cosmetics are very different from drugs.

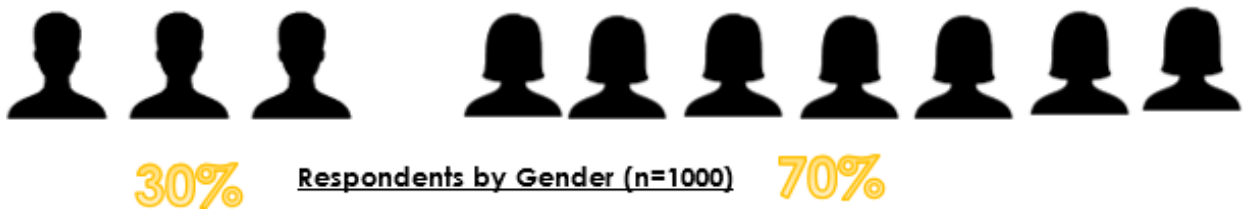


# 8

## Voice of Consumers (VOC)



## Voice of Consumers (VOC)



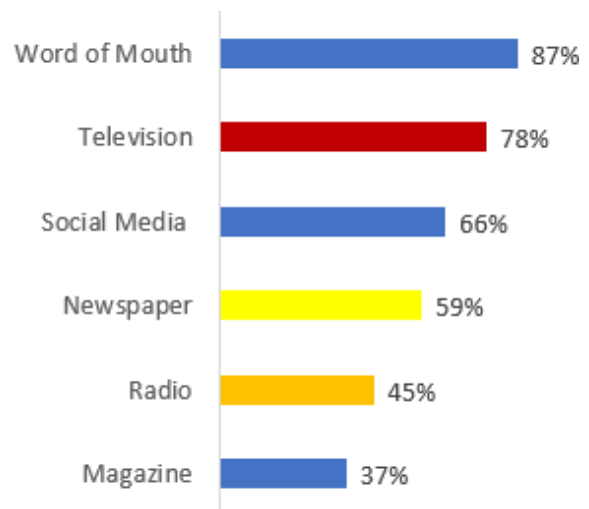
TechSci Research conducted an extensive survey with 1000 respondents to understand the preferences related to the consumption of personal care products in India. The demographic breakdown of the respondents was as below. To maintain the balance of opinion among the population, a balance was maintained among the genders. It was imperative to understand the opinion of females which have traditionally have been the main consumers of personal care products and the emerging cosmopolitan males who have acquired prominence as consumers in recent times. Infact, many of the companies now have exclusive personal care ranges for the males.

The group was further subdivided by ages. As the incomes in post teenage years are much lower as compared to senior years. We have intentionally kept a higher proportion of senior age groups. The usage of many personal care products like anti acne creams are higher in lower age groups while anti-wrinkle creams will be more popular in higher agegroups.

Breakup of respondents by Age (n=1000)



Most Important medium for Brand choice (n=1000)



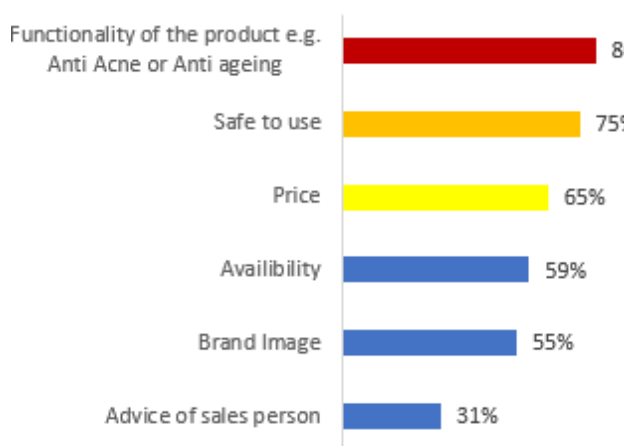
Functionality of the product appears as one of the major drivers of product choice among the population. It is important across all the age groups and gender as various target groups purchase the product for different reasons. As personal care products are purchased mainly for intimate use, safety remains a very important concern among the respondents. Indian audiences typically are more value conscious, thus price remains among the top three reasons affecting product choice.

Interestingly, one of the most important reasons for consumers to choose a brand is their satisfaction with earlier usage of the brand. In context of this sampling especially among new players becomes a very important medium to influence customers. However, the companies need to remain conscious that a bad impression on

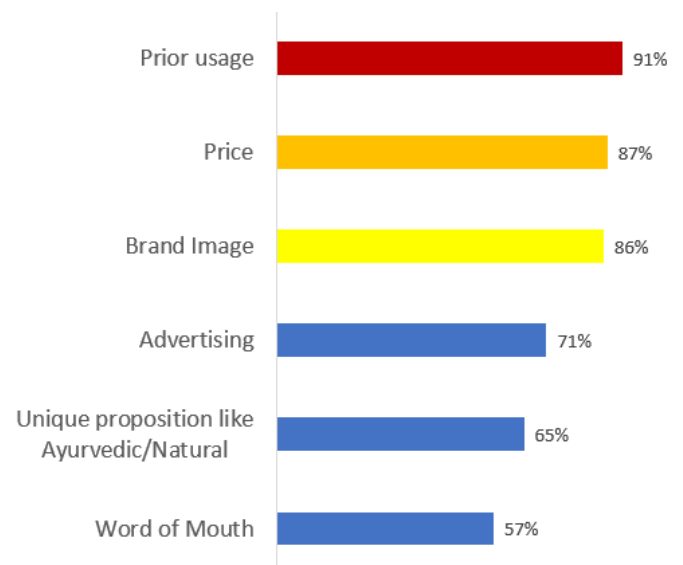
first usage closes the brand out of consumer choice permanently. Price emerges as the second most important factor as relatively less expensive brands with a mass appeal have a better chance of dominating the market. Also, the image that the brand carries through its various marketing efforts is also a very important factor. Thus, premium brands naturally attract aspirational users especially among the younger age groups.

In terms of the most important mediums influencing brand choice opinions from friends, colleagues and family member is a very important differentiating factor especially among women. After television, the interaction with the customers especially among younger more savvy customers on the social media is very important.

**Factors affecting product choice (n=1000)**



**Factors affecting Brand choice (n=1000)**



# 9

## Conclusion and Recommendations



## Conclusions & Recommendations

### Diversify Product Range

In India, increasing sales of cosmeceuticals is attributed to rising awareness about benefits of using such products with medicinal properties and shifting preferences towards these products over conventional chemical based cosmetics. Secondly, demand for cosmeceuticals, organic and natural cosmetic products is anticipated to rise over the next five years. Consumer preferences are also changing, with evolving lifestyles and increasing spending. Cosmeceuticals manufacturing companies are recommended to focus on rolling out of newer and more advanced products to increase sales and strengthen their market position.

### Huge Opportunity for Major Players in Skin Care Segment

Skin care products are exhibiting swift growth due to rising awareness about hazards caused by pollution, UV rays, etc.

Also, there is a growing inclination among Indian consumers, especially women, to look presentable. The skin care segment accounted for a value share of 18% in India cosmeceutical, cosmetics & personal care market

in 2016 and this share is projected to further grow in the coming years. Various skincare products such as anti-ageing creams, anti-blemishing creams, exfoliators, herbal face washes, scrubs, etc., are being launched across the country by international as well as domestic players. Moreover, skin care products are increasingly becoming part of women's daily regimen rather than merely being used on special occasions. Therefore, the companies must increase their focus on skin care segment.

### Proposals for improvement of the Regulatory regime in India

In the short term, some of the measures that can be implemented are as follows:

- Simplify the cosmetic regulations. There should be one single regulation to cover cosmetics and separate it from that for drugs.
- Guidelines for uniform interpretation of regulations and their implementation across the country – license issued by one state to be accepted by all states.

- Make BIS product standards voluntary. BIS standards should focus on safety and analytical methods.
- Quality compliance should be mandatory through effective implementation of Good Manufacturing Practices (GMP) and yearly audits.
- Shift from licensing to notification (in trend with international regulations).
- The procedural requirements should be made simple to encourage innovation and product development.
- Products should be supported by manufacturer's quality and BIS safety standards– Onus is on manufacturer to provide safe & quality products.
- Regulatory focus only on safety of product through post market surveillance.
- Clear guidelines should be provided and cosmetic categories should be established to remove any ambiguity.
- Follow Good Regulatory Practice Concept – assist in meeting international obligations under WTO Agreement.

# 10

## Case Studies



## Case Studies

### Case Study 1: Patanjali Ayurved Limited

Headquartered at Haridwar, Uttarakhand, Patanjali Ayurved Limited is the fastest growing FMCG company in India.

The Company was established on 13th January 2006.

It is involved in manufacturing as well as distribution of various products ranging from food, beverages to cosmetics and fabric care.

Patanjali Ayurved has turned out to be the most disruptive force in the market. Initially, the company focused only on the development of Ayurvedic medicines and gradually, started manufacturing food items and cosmetics.

The company has generated a revenue of USD 1624 Million in FY '17 representing a Y-o-Y 100% growth. Annual turnover was estimated to be around USD 133.85 million in the same year. The company captured a market share of 14.54% in the shampoo segment, 14.20% in the toothpaste segment and around 15% in the face wash segment. The toothpaste segment of the company generated revenues of USD 144.62 million, hair oil USD 126.92 million, while the revenues of the facewash

category stood at USD 35 million in FY17. The company is continuously diversifying its product portfolio, while simultaneously expanding its retail footprint across the country.

**Patanjali Revenue, FY12-FY16 (USD Million)**



Source: News Articles, MCA

The company's products are available in 47,000 stores across India, 3,000 Patanjali Chikitsalaya Kendras and retail chains such as Big Bazar, Reliance Fresh, etc. The company is associated with over 1500+ farmers in the country. In product development, the company mainly focuses on factors such as competitive pricing, innovation and good quality with natural ingredients. The company has been able to grow its brand equity over the years and has significantly increased its brand



awareness initially through word of mouth, and gradually moving towards televised marketing. With around 1000+ products, the company has significantly increased its market share in many FMCG categories. Many of the company's product launches have impacted the share of other major FMCG companies in that product category. For example, products such as Dant Kanti in toothpaste segment and Kesh Kanti in hair care segment have impacted the sales as well as market share of Colgate and hair care range of HUL, P&G and Marico. Going forward, the company plans to increase its focus on improving its supply chain to increase its volume sales in India and abroad.

### Case Study 2: EsteeLauder

Founded in 1946 and headquartered in Midtown Manhattan, New York City, United States, Estee Lauder is an American beauty & cosmetics company comprising of several labels and famous brands for millennials.

The company is present in 4 distinct categories namely haircare, make-up, skincare and fragrances. It operates across multiple sales channels marking its presence in over 150 countries.

The company has stylish spa like counters within all the stores to welcome customers who are treated like guests.

The company has an umbrella of close to 30 brands such as Clinique, Coach, Michael Kors, Tory Burch, M-A-C, Bobbi Brown, AVEDA, Origins, Aramis, Tom Ford, Tommy Hilfiger, etc.

During its period of growth, company adapted the following strategy to increase its sales. The major measures were as follows: -

- Target the young working women population who can afford premium and luxury products.
- Increasing online sales.
- The company aimed to grow its presence in the online space.
- The company has planned to capture the online market by initiating online & email advertising, conducting social media campaigns, mobile-commerce, etc. for increasing sales and providing direct access to consumers for cosmetics.
- The company's strategy included creating online tutorials on social networking sites and video blogs regarding the process of applying perfect makeup.
- All these strategies have fueled the company's growth both in India and around the globe.
- The company's online page has around 2.2+ million likes and continuously provides tutorials for women on applying makeup.

- Make-up Art Cosmetics (M.A.C), a cosmetics manufacturer, founded in Toronto (Canada), 1984, became part of the Estée Lauder Companies in 1998. The brand underwent a strategy change to digitize the sales. The company used online strategies such as email advertising, social media campaigns and other digital marketing strategies which accounted for major sales in the premium category products. This approach also has reduced the cost of sales as compared to traditional marketing channels, thereby generating remarkable profits for Estée Lauder Companies.
- The company has also provided 'makeup gurus', an online chat service that helps to address the concerns of individual consumers. Also, these makeup artists upload makeup tutorials on the social network and video blogs doubling up as an influencer.

The influencers also have thousands or sometimes millions of dedicated followers on social network pages. The Facebook page of the brand MAC has over 18 Million likes indicating the brand's popularity across the globe.

### Learnings

The company has been able to maintain a continuous and direct relation with the target audience without compromising their traditional marketing vision and also providing creative and quality products. The company has also implemented effective strategies such as getting the brand endorsed by celebrities. Estée Lauder company's global revenue grew by 84% due to the implementation of above mentioned measures.

## **ASSOCHAM**

### **THE KNOWLEDGE ARCHITECT OF CORPORATE INDIA**

#### **EVOLUTION OF VALUE CREATOR**

ASSOCHAM initiated its endeavour of value creation for Indian industry in 1920. Having in its fold more than 400 Chambers and Trade Associations, and serving more than 4,50,000 members from all over India. It has witnessed upswings as well as upheavals of Indian Economy, and contributed significantly by playing a catalytic role in shaping up the Trade, Commerce and Industrial environment of the country.

Today, ASSOCHAM has emerged as the fountainhead of Knowledge for Indian industry, which is all set to redefine the dynamics of growth and development in the technology driven cyber age of 'Knowledge Based Economy'.

ASSOCHAM is seen as a forceful, proactive, forward looking institution equipping itself to meet the aspirations of corporate India in the new world of business. ASSOCHAM is working towards creating a conducive environment of India business to compete globally.

ASSOCHAM derives its strength from its Promoter Chambers and other Industry/ Regional Chambers/Associations spread all over the country.

#### **VISION**

Empower Indian enterprise by inculcating knowledge that will be the catalyst of growth in the barrierless technology driven global market and help them upscale, align and emerge as formidable player in respective business segments.

#### **MISSION**

As a representative organ of Corporate India, ASSOCHAM articulates the genuine, legitimate needs and interests of its members. Its mission is to impact the policy and legislative environment so as to foster balanced economic, industrial and social development. We believe education, IT, BT, Health, Corporate Social responsibility and environment to be the critical success factors.

#### **MEMBERS – OUR STRENGTH**

ASSOCHAM represents the interests of more than 4,50,000 direct and indirect members across the country. Through its heterogeneous membership, ASSOCHAM combines the entrepreneurial spirit and business acumen of owners with management skills and expertise of professionals to set itself apart as a Chamber with a difference.

Currently, ASSOCHAM has more than 100 National Councils covering the entire gamut of economic activities in India. It has been especially acknowledged as a significant voice of Indian industry in the field of Corporate Social Responsibility, Environment & Safety, HR & Labour Affairs, Corporate Governance, Information Technology, Biotechnology, Telecom, Banking & Finance, Company Law, Corporate Finance, Economic and International Affairs, Mergers & Acquisitions, Tourism, Civil Aviation, Infrastructure, Energy & Power, Education, Legal Reforms, Real Estate and Rural Development, Competency Building & Skill Development to mention a few.

## **INSIGHT INTO 'NEW BUSINESS MODELS'**

ASSOCHAM has been a significant contributory factor in the emergence of new-age Indian Corporates, characterized by a new mindset and global ambition for dominating the international business. The Chamber has addressed itself to the key areas like India as Investment Destination, Achieving International Competitiveness, Promoting International Trade, Corporate Strategies for Enhancing Stakeholders Value, Government Policies in sustaining India's Development, Infrastructure Development for enhancing India's Competitiveness, Building Indian MNCs, Role of Financial Sector the Catalyst for India's Transformation.

ASSOCHAM derives its strengths from the following Promoter Chambers: Bombay Chamber of Commerce & Industry, Mumbai; Cochin Chambers of Commerce & Industry, Cochin; Indian Merchant's Chamber, Mumbai; The Madras Chamber of Commerce and Industry, Chennai; PHD Chamber of Commerce and Industry, New Delhi.

Together, we can make a significant difference to the burden that our nation carries and bring in a bright, new tomorrow for our nation.

**D. S. Rawat**  
Secretary General  
d.s.rawat@assochem.com

## **The Associated Chambers of Commerce and Industry of India**

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## ASSOCHAM's REGIONAL & OVERSEAS OFFICES

### ASSOCHAM REGIONAL OFFICES

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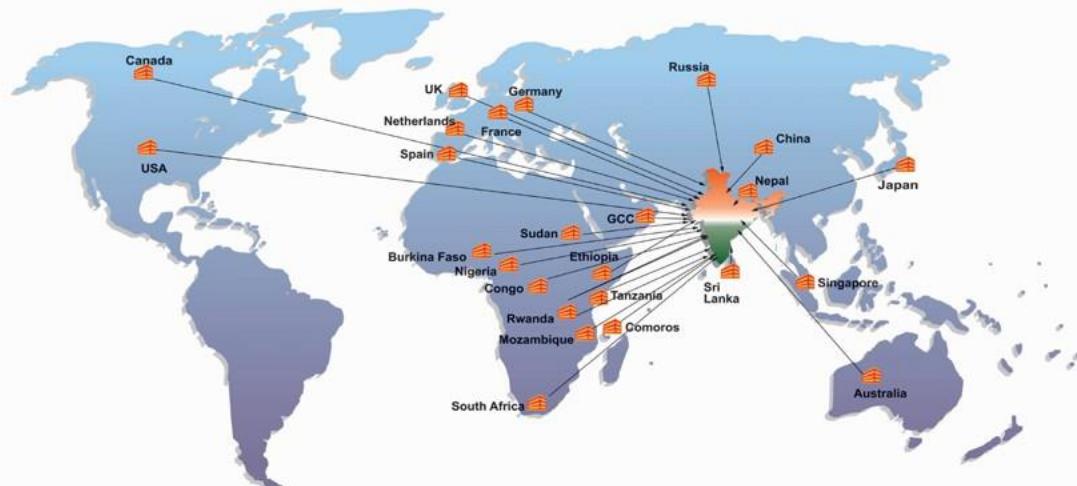
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### ASSOCHAM OVERSEAS 28 OFFICES



The pictorial presentation of the world map does not purport to be the political and geographical maps of the world and India and is not drawn to scale. This is only indicative.

ASSOCHAM International Department

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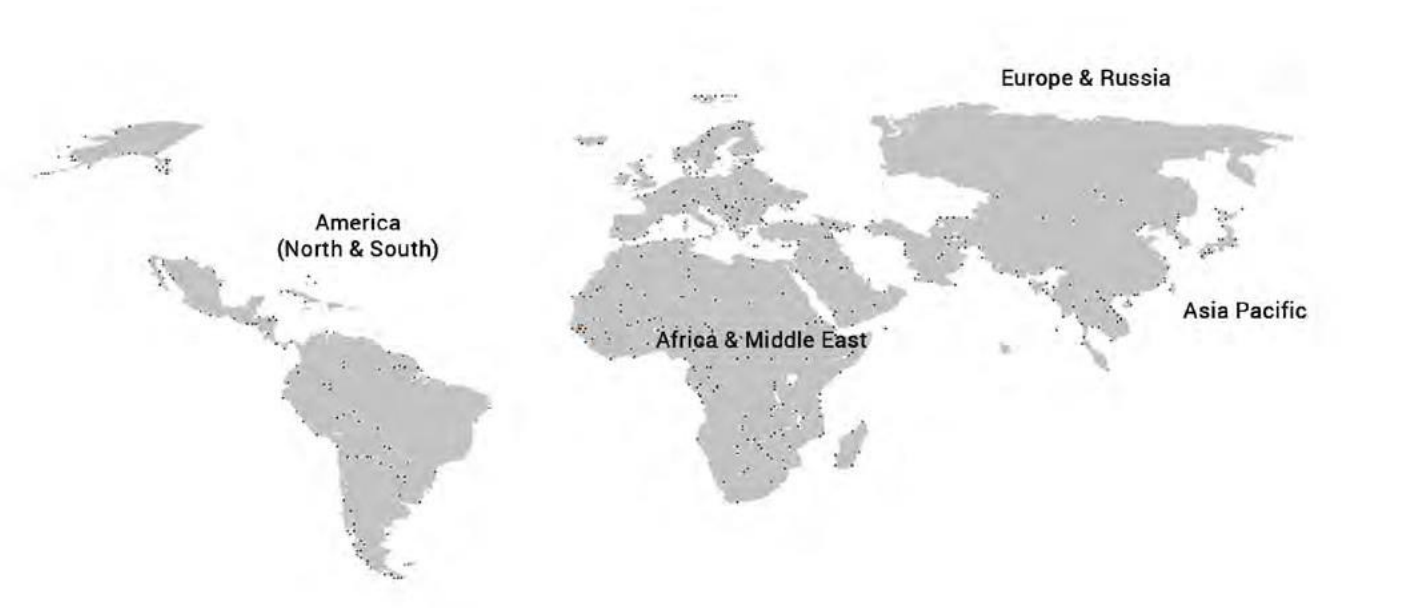
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