

Cosmetics



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Dr Davide Bollati, Group Chairman
Davines S.p.A.

Cosmetics and Personal Care

Serving as the shop window to 56 million tourists and a strong local demand, Hong Kong has always been a trend setter for the latest fashions and beauty trends. Cosmetic companies can test consumer preferences for new products due to ease of market entry and a wide consumer base. Extensive retail opportunities are available in various formats, such as standalone boutiques, multi-brand stores, or pop-up stores. Hong Kong is also the ideal location for regional headquarter operations - with a strategic team in developing marketing and distribution strategies from a base in the city.

Sales on cosmetics and personal care products are strong - some studies indicate that the majority of sales are on premium products, with an ever increasing interest and awareness in natural beauty products and specialist products for men's grooming and children. Cosmetics and personal care products from around the world are available to be experienced and purchased through specialist boutiques or multi-brand stores.

Hong Kong is also an ideal location from which to explore business opportunities in cross-border e-commerce, reaching out to the Asian based e-tailers to introduce your brand. Numerous digital marketing agencies and social media influencers have a presence in Hong Kong.

Hong Kong Advantages

Retail

- Retail sales value in cosmetics and medicine retail outlets and cosmetics section of department stores amounted to HK\$53,222 million in 2016. (Hong Kong Census and Statistics Department 2017)
- Total overseas arrivals of 56 million in 2016, with a total tourist spending of HKD\$240 billion. Per capital spending among overnight visitors is HKD\$6,600. (Hong Kong Tourism Board 2017)
- Cosmetics remained as one of the three most popular shopping items among visitors. Visitors spent a total of HK\$25,768 million on cosmetics and skincare/perfume in 2016. (Hong Kong Tourism Board 2017)
- Cosmetics and personal care products are popular items bought by both Mainland and international tourists to Hong Kong because the range of brands available, service quality, authenticity of products and the competitive pricing.
- Over the last decade, the number of cosmetics and medicine stores has increased to over 4,000 with over 25,000 persons engaged. (Census & Statistics Department)
- Registration and local labelling are not required on general beauty, cosmetic or cosmeceutical products, unless there are medical or therapeutic claims on the products. Animal testing is not required on any product. New products can be launched quickly into the market.
- Mosquito and other pest repellents may need to register with the Agricultural, Fisheries and Conservation Department. CITES has been implemented in Hong Kong since 1976 and may apply to certain products containing rare or endangered species of plants and animal products.

Logistics

- There are over 100 airlines operating about 1,000 passengers and cargo flights every day flights between Hong Kong and around 190 destinations worldwide, including 42 Mainland cities. Half the world's population can be reached within a 5 hour flight.
- E-tail opportunities: Hong Kong is an ideal hub to set up a distribution center servicing both Mainland and regional clients due to well-developed warehousing, delivery services and ICT infrastructure.

Sales and Marketing

- Hong Kong has a creative pool of marketing talent to create Asian focused campaigns for brand building.
- Experienced ICT professionals can develop and implement CRM systems and data analytics to engage with consumers (such as loyalty programmes and direct marketing)
- Hong Kong is a popular location to launch new products. Brands can coordinate with regional media and public relation companies to ensure extensive digital and print coverage. There are 52 daily newspapers (of which 25 are Chinese language) and 644 periodicals as at 2016.
- Cosmetics and toiletries produced in Hong Kong can enter Mainland China market tariff free (CEPA)



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The Government of the Hong Kong
Special Administrative Region



“Hong Kong is the window of Asia and very close to our key market, Mainland China.”

**Cecile Ossola, Regional Director (Asia Pacific)
Caudalie Hong Kong Ltd**

French Skincare Brand Opens First Asian Store in Hong Kong

Caudalie is expanding its retail and distribution business in the Asia-Pacific region from Hong Kong

Caudalie, a pioneer in grape-derived skincare products, opened its first beauty store in Asia in Hong Kong's Gough Street in November 2013. Acting as a showcase to its target customers in the region, the new concept store offers a wide range of retail products and beauty services under one roof.

“Hong Kong is the window of Asia and very close to our key market, Mainland China. The city offers major advantages for companies and is no doubt a great starting point for our retail business,” Cecile Ossola, Regional Director (Asia Pacific), Caudalie Hong Kong Ltd, said.

Hong Kong is Caudalie's third regional office in the world after Paris and New York. It manages the Asian subsidiaries and distributors and provides marketing and communication directions to support its rapid business growth.

Blending Nature, Science and Glamour

Caudalie is not a new player to the local beauty market. After several years of sales and distribution in selected retail outlets in Hong Kong, its customer base has been growing steadily and their positive feedback prompted the company to open its flagship store in the city.

“Having opened boutiques in New York, Brazil, Paris and Milan, we found it essential to express our brand values and the story behind our products. In all our boutiques, we reinterpreted the code of our inspiration, Chateau Smith Haut Lafitte, with luxurious design, refined materials and engaging displays to explain our patented ingredients and scientific research on the grapes and the vines,” Ossola explained.

The flagship store is a duplex with beauty rooms on the first floor and the beauty area on the ground floor towards the building's backyard, offering Caudalie's signature treatments for the first

time in Asia. This serves as a showcase to embody the brand's essence: natural, effective and glamorous, for both local and international customers, according to Ossola.



In terms of strategies, the skincare maker adopted a different approach for Hong Kong. In Europe, the distribution is mainly through pharmacies as customers in France trust their local pharmacies' advice for their skincare routine. “Caudalie stands out from other pharmacy brands because it is not only effective but also attractive in terms of packaging design and brand communications. This gives us a competitive edge in the Asian markets where customers look for luxurious skincare solutions,” Ossola explained.

During Caudalie's expansion, Ossola found InvestHK's services extremely helpful. “Be it to start discussions with a landlord or

set up business meetings, InvestHK staff are always keen to listen and happy to help. Using the experience in Hong Kong, we are more equipped when setting up and developing our business in other Asian countries,” she concluded.

Caudalie

- Founded by Mathilde and Bertrand Thomas in 1995
- A family-run company headquartered in Paris with a presence in more than 25 countries
- A luxurious cosmetic brand which extracts precious ingredients from grapes and vines with cutting-edge technology

www.caudalie.com



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Dr Davide Bollati
Group Chairman
Davines S.p.A.

Cultivate Sustainable Beauty through Hong Kong to Asia

Italian beauty brand Davines positions Hong Kong as a distribution hub to deploy its high quality hair and skincare products to the Asia market

Founded in 1983 in Parma, Davines manufactures and supplies high quality haircare and skincare products to salons and spas worldwide with presence in 97 countries. Besides the Parma headquarters, the company also has branches in New York, Paris, London, Mexico City, Deventer and recently opened a representative office in Hong Kong.

In Hong Kong, Davines hair products are distributed to professional hair salons while skin care brand Comfort Zone products are available in beauty centers and hotel spas. There is also a training centre and showroom for salon professionals to get to know the brand in greater detail and encourage more interaction. According to Dr Davide Bollati, Group Chairman, the increase in beauty interest and high disposable income have been the major growth factors for haircare and skincare products in Hong Kong. The professional haircare market is estimated to grow at an annual rate of 2.9 percent and the number of salons, propelled by rising demand of young consumer, is estimated to rise in the coming years with an increasing demand for professional beauty services.

Other than tremendous market potential, the strategic location of the city and the international environment also represent great business opportunities for the company to set up the Hong Kong office as their Asia distribution hub. “Hong Kong is an ideal location for businesses to enter Asia markets and to gain market share, especially in Mainland China,” Dr Bollati said.

In December 2016, the Davines Group obtained a B Corp certification. B Corps are for-profit companies certified by

the non-profit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency. Since its origin, the group has a vision on promoting sustainability, challenging itself with projects that combine profit and positive impact on people and the environment by raising awareness and actively involving stakeholders. By pursuing the company’s vision of “sustainable beauty”, the company has been involving in many projects devoted to maximise the positive impact on both the environment and the community.

InvestHK supported the Davines Group to better understand the Hong Kong market by offering up-to-date market information and advice on market entry with its potential and business opportunities.

Davines S.p.A.

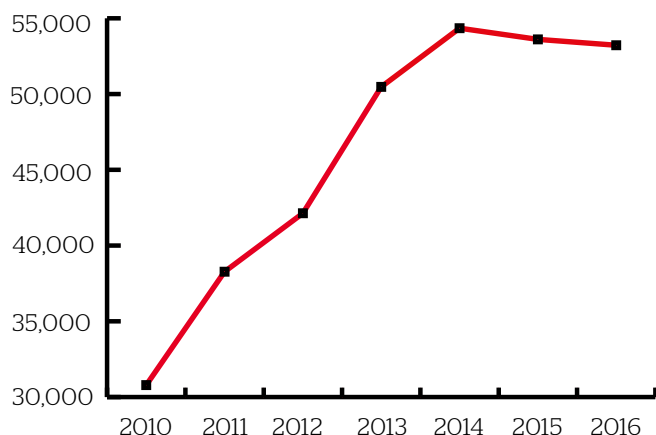
- Founded in Italy in 1983 with branches in New York, Paris, Mexico City, Deventer and a representative office in Hong Kong
- Manufacturer of Davines haircare products and [comfort zone] skincare products
- Obtained a B Corp certification in December 2016

Davines.com

Industry Snapshot

Value of Retail Sales by Cosmetic and Medicine Shop and Cosmetics Section of Department Stores

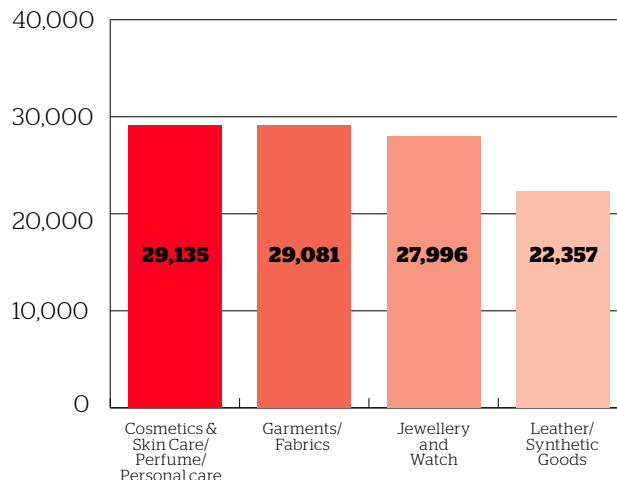
(HK\$ million)



Source: Census and Statistics Department

Total Tourists' Spending on Shopping Items in 2016

(HK\$ million)



Source: Hong Kong Tourism Board 2017

Relevant Organisations in Hong Kong

Hong Kong Post

Email: hkpo@hkpo.gov.hk
www.hongkongpost.hk

Agricultural, Fisheries and Conservation Department

www.afcd.gov.hk

GS1

Email: info@gs1hk.org
www.gs1hk.org

Trade and Industry Department - CEPA

<https://www.tid.gov.hk/english/cepa/>

Hong Kong Retail Management Association

Email: admin@hkrma.org
www.hkrma.org

Fairs / Trade Shows

Event	Venue	Website
Cosmoprof Asia Hong Kong	Hong Kong Convention and Exhibition Centre	www.cosmoprof-asia.com
Natural & Organic Products Asia	Hong Kong Convention and Exhibition Centre	www.naturalproducts.com.hk
Sisters Beauty Pro Trade Fair	Star Hall Kowloon Bay	www.iesg.com.hk
LOHAS Expo	Hong Kong Convention and Exhibition Centre	www.lohasexpohk.com

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