

Sector Overview – Cosmetic and Related Industries

1. Introduction

1.1 Core Business /Principle activities

Production of different types of cosmetics under the segments including skin care, hair care, oral care, baby care, colour cosmetics, perfumes & colognes, and hygiene products. It is estimated that about 65% of cosmetics are produced locally and the balance 35% are imported.

Packaging and marketing play a major role in the success of the cosmetics business. Cosmetics manufacturers and importers utilize about 25% of the total advertising air time on TV, Radio and Social media for the promotion of their products in Sri Lanka, thereby being the largest advertiser among all the industry and service sectors in the country. Cosmetics are mostly distributed through standard retail outlets (about 75%) and super market outlets (about 25%).

Cosmetics market in Sri Lanka was estimated to be about Rs. 65 billion (USD 325 million) in 2021. After the depreciation of Sri Lankan Rupee in March 2022, prices of many cosmetics increased and consumption of certain cosmetics have significantly reduced. Based on the above economic conditions, cosmetics market in Sri Lanka has reduced in USD terms but increased in Rupee terms. By end of 2022, cosmetics market in Sri Lanka was estimated to be about Rs. 90 billion even after a volume reduction of about 23%.

1.2 Sector Vision

To empower and facilitate Sri Lankan cosmetics manufacturers to maintain international standards, whilst improving productivity and competitiveness in order to increase their market share in Sri Lanka and reach global markets.

1.3 Sector Mission

To work closely with Government policy makers to address the present anomalies, to ensure all cosmetics manufacturers in Sri Lanka could compete on an 'equal playing field' and build a cohesive strength to enter export markets.

1.4 Subsectors

- 1) Skin care products
- 2) Hair care products
- 3) Baby care products
- 4) Colour cosmetics
- 5) Oral care products
- 6) Perfumes & Colognes
- 7) Hygiene Products

1.5 Institutions operating under the subsectors

There are over 30 companies manufacturing cosmetics in Sri Lanka and many of them are registered under Ministry of Industries. Many of those cosmetics manufacturers are engaged in multiple subsectors.

1.6. Number of employees (local/ foreign/Gender wise)

- a) Skilled - 3,000
- b) Unskilled - 4,500

1.7. Contribution to GDP by the Sector – 0.4%

2. Production and Consumption

2.1. Annual Domestic Production

The sales revenue of domestic production of cosmetics in the year 2022 was estimated to be about Rs. 61.5 billion, including exports of about Rs. 3.3 billion.

2.2. Annual Domestic Consumption

The estimated value of domestic consumption of cosmetics in 2022 was Rs. 90 billion.

2.3. Amount to be imported annually

In 2022, about Rs. 32 billion worth of cosmetics have been imported.

2.4. Market share

Foreign owned companies - 62%

Locally owned companies - 38%

2.5. Product types

- 1) Skin care products – Creams, Lotions, Face wash, Soap, Shower Gels, Bathing Bars, Scrubs and allied products
- 2) Hair care products - Shampoos, Conditioners, Hair Oils, Hair tonics
- 3) Baby care products - Soaps, Creams, Lotions, Baby Oils, Baby Colognes, Baby Powders
- 4) Color cosmetics - Hair colors, Make-up preparations, Manicure and Pedicure preparations
- 5) Oral care products - Toothpastes, Mouth washes
- 6) Perfumes and Colognes - Perfume spray/liquids, Deodorants
- 7) Hygiene Products - Hygiene cleansers

2.6 Required raw materials that can be found locally

- 1) Many natural ingredients which are grown in Sri Lanka (natural oils, medicinal plants, fruit and vegetable extracts, mineral water etc.)
- 2) Plastic, glass and paper board packaging
- 3) Labels

2.7. Required raw materials needed to be imported

- 1) Fragrances and natural oils, essential oils
- 2) Cosmetic grade surfactants (anionic, non-ionic, cationic and amphoteric)
- 3) Distilled Fatty Acids and Soap Noodles
- 4) Emollients, emulsifiers
- 5) Preservatives
- 6) Colours/pigments
- 7) Active ingredients and Specific ingredients such as vitamins
- 8) Other various cosmetics ingredients
- 9) Natural raw materials that are not available in Sri Lanka
- 10) Certain packaging materials that are not made in Sri Lanka

2.7 Raw material wastage (%)

Less than 2%

3. Turnover

3.1. Local sales

Rs. 58.5 billion in 2022

3.2. Export amount

Rs. 3.3 billion in 2022

3.3. Export destinations

Afghanistan, Armenia, Australia, Austria, Bangladesh, Belarus, Belgium, Botswana, Bulgaria, Canada, Central African Republic, China, Cote d'Ivoire, Croatia, Cyprus, Czech Republic, Egypt, Ethiopia, Fiji, France, Germany, Ghana, Hong Kong, India, Indonesia, Iraq, Italy, Japan, Kazakhstan, Kuwait, Lebanon, Lithuania, Malaysia, Maldives, Nepal, Netherlands, New Zealand, Norway, Oman, Pakistan, Papua New Guinea, Philippines, Poland, Portugal, Qatar, Samoa, Saudi Arabia, Seychelles, Singapore, Slovakia, Slovenia, Solomon Islands, South Africa, South Korea, Swaziland, Sweden, Switzerland, Taiwan, Thailand, Ukraine, United Arab Emirates, United Kingdom, United States, Vanuatu, Viet Nam, Zambia

4. Sector Strategies

Improve local value addition, productivity, quality and competitiveness and consolidate market share in Sri Lankan market to gain financial stability and expand exports with the support from EDB, to gradually increase the presence in the global cosmetics market.

5. Sector Goals identified with KPIs

- 1) Increase their share in the local market from 38% to 55% by 2030
- 2) Build a cohesive strength for the sector to collectively and aggressively reach export markets with the aim of achieving an export target of USD 100 million by 2030

6. SWOT Analysis

Strengths	Weaknesses
<p>Availability of many medicinal plants as natural raw materials for herbal cosmetics and the traditional knowledge in using them for beauty care applications.</p> <p>Experienced industrialists and qualified labour already engaged in cosmetics manufacturing.</p> <p>Recognition by the Ministry of Industries as a sector with a great export potential and to be safeguarded and developed with active involvement of the Ministry of Industries</p>	<p>Shortages of funds to invest in new R&D and expansion projects due to recent increases in corporate taxes and interest rates.</p> <p>Inadequate funds for advertising and business promotion to compete effectively with multinational companies who have excessive advertising budgets as a result of duty free import of raw materials, enjoyed through inappropriate import tariff policies</p>

Opportunities	Threats
<p>Global cosmetics market of over USD 500 billion and growing Asian and African markets.</p>	<p>High production costs due to high interest rates, fuel and electricity charges.</p> <p>Exorbitant costs of participation in foreign exhibitions</p> <p>Low purchasing power of customers that restricts expenditure on cosmetics.</p> <p>Strong competition in export markets where there are many well established, financially strong cosmetic manufacturers and brands.</p>

6. Risks associated with proper functioning of the sector

- 1) Present foreign exchange crisis that creates uncertainties in the timely procurement of raw materials
- 2) Migration of experienced and qualified employees due to high cost of living in Sri Lanka arising out of recent depreciation of Sri Lankan Rupee.
- 3) Uncertainties in the supply of fuel and electricity

7. Global Market Value - USD 500 billion (2023)

