

# COSMETICS IN VIETNAM MARKET

## BRIEF NOTE



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Ministero degli Affari Esteri  
e della Cooperazione Internazionale

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**BRIEF NOTE**

# 1. OVERVIEW ABOUT LOCAL MARKET

According to the General Statistics Office of Vietnam, the GDP growth rate of the country maintained over 6% since 2015 and even exceeded 7% in 2018 and 2019. In 2020, accompanied by China and Myanmar, Vietnam is one of three countries in Asia which had positive growth rate, at the same time the economy scale reached over 278 billion EUR, passed Singapore (273 billion EUR) and Malaysia (272 billion EUR). GDP in 2021 increased by 2.58% compared to the previous year because the Covid-19 epidemic has seriously affected all sectors of the economy, especially in the third quarter of 2021, many key economic localities have to implement social distancing measures to prevent the spread of the epidemic. The total population was over 98 million people last year, in which the emerging middle class is expected to add 23.2 million people more by 2030 according to a study by World Data Lab (UK). The income of the Vietnamese middle class is increasing, leading to an increased demand for beauty, creating opportunities for cosmetic brands to enter the market.

Cosmetic companies from Asian countries, especially Korea and Japan, are occupying the main market share in the Vietnamese market. Major international cosmetic brands are paying much attention to the Vietnamese market. Many large European and Asian cosmetic companies are actively looking for opportunities to enter and expand their business activities in Vietnam. In early 2022, the Vietnamese market saw the entry of Sephora, a large cosmetics retail system from France. After 5 months of trial operation, this unit has officially opened for sale via e-commerce channel.

Easier access to the Internet, especially via mobile devices, enables Vietnamese consumers to keep updated with new beauty trends faster, research product information more easily and shop online frequently. Buying cosmetics online has become more popular over the years, especially during the pandemic. This proves the important role of local e-commerce platforms such as Shopee, Tiki, Lazada, etc. for the beauty market due to its convenience, wide range to products and reasonable prices. This is a great opportunity to drive more sales by effectively leveraging online channels. Besides, many retail chain stores selling health and beauty care products such as Pharmacy, Watsons, Guardian, Medicare, Beauty Box, Sociolla, Matsumoto Kiyoshi have become increasingly popular with expansions in big cities like Hanoi, Ho Chi Minh and Da Nang City.

Therefore, it is undoubted to say that the Vietnam's cosmetic market is on the rise and promises to be even more explosive in the near future.

Though Italian cosmetics brands have yet been so common in the domestic market, it is still an attractive market

for Italian exporters to make an entry and promote *Made in Italy* high quality products to Vietnamese consumers. Considering the fierce competition of the beauty market and the nature of cosmetics products, potential exporters are encouraged to gain a deep insight into customers' behaviors, big competitors beforehand and should be well prepared with proper marketing solution to raise brand reputation among target audience. The Italian exporters also need to define their strengths to reach young, tech-savvy Vietnamese customers.

In addition, after the EVFTA came into effect since 2020, new rates of tariff have been applied, enhancing the competitiveness of European products when entering the local market.

Below we are going to give brief analysis on cosmetics – a lucrative market in Viet Nam for exporters.

## 2. COSMETICS MARKET

### 2.1 BRIEF ANALYSIS

Vietnamese consumers are increasingly paying attention to aesthetics and health care. This is due to the increasing demand for cosmetics and skin care products. It is also an area that has not been affected by the pandemic or the ups and downs of the market. According to Mintel, a global market research company, the Vietnamese cosmetic market is worth about 2.3 billion USD. Among them, skin care products are the most popular, with more than 60% of consumers using them every day.

Data from Statista shows that the number of cosmetic stores nationwide has increased by 40% since 2021 compared to now. Most of the stores are concentrated in two major economic centers, Hanoi and Ho Chi Minh City.

Quality, safety, and ingredients are the top 3 factors influencing the decision to buy beauty products. Innisfree, Mac, and Olay are the top 3 brands, followed by Pond's, Ohui and The FaceShop. 93% of women aged 25-32 use skin care products regularly. They buy cosmetics in mainly 3 channels: brand stores, health & beauty chain stores and e-commerce sites. While 50% of women aged 33-39 buy at retail stores. For women aged 40 and over, 49% of them used makeup and 78% of skin care, respectively.

In terms of cosmetics and skin care products, once trusted by customers, e-commerce will be the most convenient shopping channel. This is a characteristic advantage of the online business model. However, having an online business does not mean that a business does not operate physical stores. Because most cosmetic brands are

integrating both models in parallel, online and in person. They see flagship stores as a channel to attract customers and e-commerce as a platform to supplement revenue.

Furthermore, new trends when buying cosmetics help the multi-product store model become more popular. This model will solve the customer's request to experience products from many different brands. This is proven by the chains of Watson, Sociolla, Guardian, etc.

But this piece of sweet market share is not easy to win because of the fierce race of many international cosmetic brands from Korean, Japanese, French, British, American, etc., which are distributed genuine in Vietnam market. Foreign cosmetics dominate. Most of the global cosmetic giants are mid to high-end such as: L'Oreal, Ohui, Whoo, The Body Shop, Innisfree, The Face Shop, Naris, Shiseido, L'Occitane, Clarins, Dior, Chanel, Mac... are dominating the Vietnamese cosmetic market. According to the survey, Innisfree, Mac, and Olay are the 3 most popular brands, followed by Ponds, Ohui and The Face Shop. The reason why Innisfree is favored above all is thanks to the favorite group of 25-35 years old.

According to statistics in Table 1, in 2021, Vietnam **cosmetics market was dominated by big players from Korea** with an export value up to 222.5 million EUR. **Japan came in 2nd place** when exporting 93.9 million EUR. **France ranked third** in the list (nearly 73 million EUR). It can be figured out that although the market scale has continuously increased, the growth rate of the market has declined remarkably in three recent years (from 42% in 2018 to 4% in 2020). This change can be triggered by some possible following reasons. Firstly, catching up with the global beauty trend, Vietnamese consumers are driving more attention to personal beauty devices (facial cleaners, sauna machines, facial massage machines...) or functional food affecting the skin from inside. Secondly, there has been an increasing number of beauty spas and clinics established in recent years which offer various appealing skincare package for both youngsters or middle-aged group.

**Table 1. Export of beauty products to Vietnam from 2018 to 2021***(HS code 3304<sup>A</sup>, FOB price, value in EUR)*

Countries	2018	2019	2020	2021	Var. 2020/21	Market share		
						2018	2019	2020
1 South Korea	123,903,123	172,775,698	198,180,708	222,525,762	12%	35.23%	43.41%	48.00%
2 Japan	58,557,956	44,988,914	66,375,108	93,924,922	42%	16.65%	11.30%	16.08%
3 France Customs	30,039,814	35,027,246	44,915,244	73,062,378	63%	8.54%	8.80%	10.88%
4 Singapore	43,290,889	62,691,625	31,745,247	30,103,303	-5%	12.31%	15.75%	7.69%
5 Others	95,866,235	82,511,352	71,653,537	95,433,157	33%	27.26%	20.73%	17.35%
Total Value	351,658,017	397,994,835	412,869,844	515,049,522	24.7%	100%	100%	100%
Var.by Year	42%	13%	4%					

Source: ICE processing of Trade Data Monitor LLC

However, in spite of the 17<sup>th</sup> rank in 2021, Italian cosmetics products into Vietnam experienced an upward trend in export value by 65.65%, reaching over 2.4 million EUR. (illustrated in Table 2)

**Table 2. Export of beauty products from Italy to Vietnam from 2018 to 2020**

(HS code 3304, FOB price, value in EUR)

	2018	2019	2020	2021
Export value from Italy	1,212,813	1,471,361	1,557,590	2,437,264
Growth rate	21.39%	21.32%	5.86%	56.48%
Market share	0.34%	0.37%	0.38%	0.47%
Var.by Year	-14.74%	7.19%	2.05%	23.68%

Source: ICE processing of Trade Data Monitor LLC

As noted above, Italian cosmetics products have not yet been popular or distributed widespread in Vietnam. Some Italian cosmetics brands already exist in the market such as Kiko Milano, Dibi Milano, Deborah Milano, Euderma, etc. These brands are distributed by local beauty stores, clinics or traded on E-commerce platforms.

## 2.2 IMPORT DUTY

HS code	Description	Import duty 2022 (%)
3304	Beauty or make-up preparations and preparations for the care of the skin (other than medicaments), including sunscreen or sun tan preparations; manicure or pedicure preparations.	
33041000	Lip make-up preparations	13.7
33042000	Eye make-up preparations	15.6
33043000	Manicure and pedicure preparations	13.7
33049100	Powders, whether or not compressed	15.6
33049920	Anti-acne preparations	6.2
33049930	Other face or skin creams and lotions	12.5
33049990	Other	12.5

The above-mentioned rates are applied for beauty products imported from EU countries based on EVFTA. Special

rate of 0% is offered to products of ASEAN members.

## 2.3 COSMETICS REGULATIONS, REGISTRATION AND SAFETY

Since cosmetics are directly exposed to human body, they are strictly regulated to prevent any occurrence of health-related issues. Before circulating the cosmetics products in the Vietnamese market, companies or individuals are responsible for acquiring permissions through cosmetic product registration with the authority and ensuring the product quality, safety, and effectiveness. These procedures are regulated under cosmetic management Circular 06/2011/TT-BYT issued by Vietnam Ministry of Health (MOH) based on ASEAN Cosmetic Convention. Each product will have its own digital certificate which is valid for 5 years from the date of issue. If the companies wish to extend the selling time further, they are required to register and pay again prior to expiration date. In some special circumstances, such as importing cosmetics for study, experiment, gift, etc., however, it is not necessary to obtain cosmetic product proclamation.

Upon receiving proclamation receipt number, company must submit the receipt number to customs to import cosmetics into Vietnam. Imported cosmetic goods are often inspected to compare the actual products with the cosmetic proclamation to check their matching.

### Cosmetics Proclamation Process

1. Importers must create an account and upload online application to Cosmetics Management Department, Drug Administration of Vietnam (DAV), under Vietnam Ministry of Health (MOH) through national website <https://vnsw.gov.vn/>.
2. Receive notice of fee payment and bank transfer: The registration fee for a file of documents is 18 EUR. Applicants will receive notification number from the authority within three business days following full submission of required registration documents and registration fee payment.
3. Receive notice of amendments and supplements (if any): If the dossier does not meet the requirements of this Circular, within 05 business days from the receiving date, the state agency shall notify the organizations or individuals in writing about contents that need to be amended or supplemented.

### Required documents to register cosmetics

- Template for notification of cosmetic product.

- Business registration certificate (copy) of the organization responsible for circulating products into the market and products manufacturer
- Letter of Attorney (notarized copy or original) from the manufacturer or product owner with Consular Legalization within 24 months
- Certificate of Free Sales with Consular Legalization valid within 24 months. From February 1<sup>st</sup>, 2020, cosmetic items from 6 member countries in the CPTPP (Japan, Singapore, New Zealand, Canada, Mexico and Australia) will be exempt from submitting CFS.

### **Product Information File (PIF)**

Each cosmetic product, when put into circulation on the market, must have a Product Information File (PIF) according to ASEAN guidelines kept at the address of the organization or individual responsible for bringing the product to the market. The Cosmetic Product Information Profile (PIF) consists of four parts:

- Product description and summary of administrative documents (Product Notification, CFS, Letter of Attorney, business registration certificate, labels, etc.)
- Product quality
- Material quality
- Safety and efficiency

### **Cosmetic Products Safety**

Cosmetics producers and owners are responsible to assess and evaluate product safety in accordance with the ASEAN safety guideline and attributes specified in Annex 06-MP. In this annex, there are restrictions set out for heavy metals and microbial parameters in cosmetic products. All other requirements concerning cosmetic ingredients can be found in the latest version of ASEAN Cosmetic Treaty.

### **Labelling Requirements**

For imported cosmetics, supplementary label is required and presented in English or Vietnamese (information about usage instruction, name and address of enterprise, warning about safety when using must be written in Vietnamese). This label shows compulsory contents of the original label of goods translated from a foreign language

into Vietnamese and additional compulsory contents in Vietnamese as required by Circular 06/2011/TT-BYT which do not yet appear on the original label.

According to Vietnam's Law, notification numbers are not required on cosmetic packages. The information (must be clearly displayed and printed) that is required on the label, in accordance to ASEAN regulations, is as follows:

- Name and functions of product
- Sufficient ingredient formula (The ingredients must be specified according to the international nomenclature specified in the latest publications)
- Instruction of usage
- Country of origin (where cosmetics are produced)
- Name and address of company or individual responsible for product sales (must be written in Vietnamese)
- Net weight or volume
- Clear manufacturing date, expiry date or best-use-before date (DD/MM/YYYY) -- for product whose stability is less than 30 months, expiry date is mandatory.
- Warning about safety when using.
- Manufacturing lot number

Besides, there is mandatory information to be shown on the original label of the product's direct packaging:

- Product's name
- Production Lot No

### 3. CONCLUSIONS AND RECOMMENDATIONS

With regards to the continuous increase in the cosmetics market size, Vietnam is expected to open up promising business opportunities for future exporters as they can benefit from the following favorable conditions:

- Large market of over 98 million inhabitants with an increase in middle class due to higher income as well as emerging demand of beauty care from men.

- The cosmetics market has maintained a positive growth rate in recent years.
- Diversified distribution channels have flourished, ranging from beauty store chains, outlets in malls to e-commerce platforms or social media such as Facebook, Instagram, Tiktok, etc.
- The European Union Vietnam Free Trade Agreement (EVFTA), which has been effective on August 2020. With the entry into force of the EVFTA, the import duties will be reduced gradually and entirely eliminated to 0 after 8 years.

Nevertheless, this prospective market is also challenging for new exporters due to tough competition from Korean and Japanese producers who have competitive advantage upon price and wide range of products. The Italian exporters should be aware that it can take a long time for the brands to win consumers' trust and build reputation, so a long-term business plan is highly appreciated. The long-term strategy for all brands is to optimize every customer touchpoint in a highly competitive landscape. Besides traditional channels, brands need to promote trade marketing on e-commerce channels. In addition to high quality products and elaborate marketing strategy, the suitability of the products on Asian skin and climate is also needed to take into consideration.

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