DEMOCRATISING BEAUTY

The cosmetics market in Myanmar is growing fast but obstacles remain as **Jessica Mudditt** reports from Yangon

Personal care product investors and traders are eyeing Myanmar with a "gold rush mentality," Marita Schimpl, Head of Qualitative Research and New Business Development at Yangon based Myanmar Survey Research (MSR), has told **SPC**.

Now that Myanmar is slowly opening up to foreign trade and investment, and international sanctions are lifting due to increased democratisation, Schimpl said: "Everyone thinks they can't miss out. In a way they're right – it's difficult for latecomers because people are more brand loyal when it comes to cosmetics. That said, the door is never closed when a brand has a great product and advertising."

And although Myanmar is considered a poor country, there are sales opportunities: "There is a lot of money, especially in [the commercial capital of] Yangon. It's not necessarily that incomes have increased, but people are setting aside more of their budget because they want to look good. This is due to the influence of [widely popular] Korean movies and the fact that goods are now available," Schimpl said.

However she warned foreign cosmetics companies that doing business in Myanmar remains risky due to a lack of infrastructure, a weak legal framework and excessively high commercial rents, which can exceed US$20,000 a month for one industrial unit. She stressed that "there are still so many areas where clarification is needed on the foreign investment law".

A law passed in 2012 allows 100% foreign investment in Myanmar based businesses for the first time, however for companies bringing goods into the country, a local importer is still required. That said, a local distributor is not required. And the research organisation chief noted that, with the exception of neighbouring Thailand's Mistine brand, foreign cosmetics companies prefer working with a local partner due to the fragmented nature of the market.

Schimpl said that China and Thailand are the dominant countries importing cosmetics to Myanmar. South Korea and Japan are also leading western brands in commanding Burmese sales, with the exception of shampoo sachets, which are dominated by western brands – notably Pantene. Moreover, Nivea has excellent distribution into smaller cities, being the biggest personal care brand, and having a long established presence in Myanmar, said Schimpl.

And European and US brands may well grow sales in future, with local consumers keen to buy more of their products. For instance, Yu Yu Maw, a 25 year old journalist, has just resigned from her job on a national newspaper to enter the cosmetics business to sell western cosmetics brands.

"Most people in Myanmar prefer Maybelline, L'Oréal and Revlon. These brands are usually imported from Thailand, but I want to import directly from the US because people think the quality is superior to Thailand. When products come from countries such as Thailand and China, there are concerns that the cosmetics are mixed with other products. I also believe this is true. Even though it's more expensive to import from the US, I will be able to sell the products for a higher than usual price. It's really easy to find people who want to buy these brands," she told **SPC**.

Although the country's Food and Drug Administration (FDA) takes responsibility for regulation, Myanmar's market is flooded with fake cosmetics. An FDA spokesperson said that five samples are required for market approval certification and that the waiting list is currently six months long, which may be one reason why it is common for products to be smuggled into Myanmar via Thailand and China.

Schimpl said that part of the problem is that many long established brands, such as Pantene or Nivea, have long been smuggled into Myanmar, with regulators doing little to stop this black market: "They come in from countries like Thailand, but are not under the direct control of the brand owners."

Since Myanmar began to open up its economy, these brands are now marketed and distributed under the control of the brand owners. "However, it is still not easy as they can't import themselves as they need a local importer. Building distribution channels is also a challenge, due to the highly fragmented market. Furthermore there may be parallel imports from China or other countries and there are also fakes," she explained.

Beauty and personal care majors are starting to eye a manufacturing presence though. Unilever opened an office in Myanmar last year and recently announced it will manufacture locally in future, once it has established how to cope with high land prices and an unreliable power supply.

Data from the Myanmar Marketing Research & Development Company (MMRD) has shown a consistent increase in consumer consumption year on year from 2008 to 2012. The number of people buying hair care products has increased by 2.6% every year in the country, and saw the biggest increase in rural areas, where the average increase was 3.2% every year. Interestingly, Myanmar's rural population is still growing, despite the liberalisation process, which has prompted urbanisation in Asian countries such as China. During the same period, the average number of consumers buying body care products increased by 1% per year. Again, this was mainly contributed by people living in rural areas, with an average increase of 1.8%. The figures for facial skin care increased by just 0.2%, however the main increase in the number of consumers was in metropolitan areas, with a 1.3% increase.

Meanwhile, the increase in media and advertising spend within the cosmetics market grew by 77% every year from 2008 to 2012, said the research company. At present, the personal care products sector accounts for 25% of the total spend on media and advertising across all types of consumer goods. And this spending is rising fast. From 2008 to 2012, for hair care, the average increase was 97.5% (with a 181% increase in 2012); while for facial skin care products the average increase was 70.25% (an 129% increase in 2012). For body care, the average increase was lowest, at 63%, however 2012 saw a spike in spending of 170%. Jessica Myint Thinn, MMRD Group Communications Manager, said: "We also note that the biggest media spender in 2012 was a cosmetic product," however she was unable to disclose the name of the specific company.