Turkey: Cosmetic Ingredients Market

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Summary

Turkey has a dynamic cosmetics and personal care manufacturing base, thanks to the 10-15 percent annual growth in cosmetics consumption over the last decade coupled by the strength of exports to area countries. Consequently, the demand for cosmetic ingredients such as emollients, silicones, pigments, UV absorbers, active substances, is expected to increase around 25 percent in three years.

The total cosmetic ingredients market is valued at 230 million dollars in 2012. 70-85 percent of the market demand is met by imports, depending on the product category.

The marketing of cosmetic ingredients to cosmetics manufacturers in Turkey is primarily realized through the foreign supplier's own office/affiliate office or through a representative/distributor.

Market Demand

The cosmetics and personal care market in Turkey is developing rapidly in line with the economic development and the rise in disposable incomes of its relatively young population. During the period of 2002-2012, the market grew between 10 to 15 percent annually, except for the global crisis year of 2009, when a 5 percent contraction occurred. As of 2012, the Turkish cosmetics market is valued at around 3 billion dollars.

Cosmetics Market in Turkey (in million [US] dollars)

HS CODE	PRODUCTS	2009	2010	2011	2012 (estimate)
3303	Perfumes, colognes and fragrances	217.6	291	323	354.3
3304	Colored cosmetics and skin care products	517.8	597.7	675.4	716.2
3305	Hair care products	700.9	780.1	873.7	923.6
3306	Oral and dental hygiene products	193.5	233.3	275.3	305.3
3307	Bath & shower products, men's grooming products	494	582	640.1	680.7
	TOTAL	2,123.8	2,484	2,787.5	2,980.1

Source: Turkish Ministry of Economy

The average cosmetics and personal care spending per capita in Turkey has reached 28 Euros in 2011, which more than doubled over the per capita spending of 13 Euros in 2006. Although this figure is much lower compared with the Western European average of 150 Euros, the trend is in the direction of the European average.

The number of cosmetics companies registered with the Turkish Ministry of Health is 2,659 as of 2012, with 1,439 manufacturing companies and 1,220 importer companies.

Sixty percent of the Turkish cosmetics manufacturing is realized by large multinational companies such as Procter & Gamble, Colgate Palmolive, Unilever, L'Oreal and Henkel through direct investments, joint ventures, acquisitions or licensing agreements. Forty percent of the manufacturing is realized by domestic companies. The Turkish cosmetics manufacturing developed in the mid-1980's through contract manufacturing for international brands and substantial investments in new production plants by Turkish entrepreneurs. In the 1990's, contract manufacturers started creating their own brands in search of local and international market opportunities.

The domestic manufacturers are mainly family-run SME's, using traditional production methods and labor intensive technology. However there are also a number of strong domestic manufacturers with state-of-the-art production facilities and a large production capacity, such as Evyap, Hunca Cosmetics, Pinkar Chemical, Erkul Cosmetics, Kopas Cosmetics, Kurtsan, and Biota Group.

Cosmetics Manufacturing in Turkey (in million [US] dollars)

HS CODE	PRODUCTS	2009	2010	2011	2012
3303	Perfumes, colognes and fragrances	179.6	249.4	267.6	308.5
3304	Colored cosmetics and skin care products	453.2	519.3	581.5	633
3305	Hair care products	645.1	691.6	820.3	893.5
3306	Oral and dental hygiene products	140.9	173.2	214.6	246
3307	Bath & shower products, men's grooming products	590.9	712	772	854
	TOTAL	2,009.7	2,345.5	2,656	2,935

Besides supplying products for domestic consumption, the Turkish cosmetics manufacturers also export to area countries in the Middle East, North Africa, East Europe, the Turkic Republics, Ukraine and Russia. The cosmetics export figures are showing impressive growth over the years: while the cosmetics exports were just over US $60 million in 2000, in 2012 they have reached US $560 million. Industry experts estimate that the Turkish cosmetics exports will continue to increase 10-15 percent annually over the next five years.

Turkey's Cosmetics Exports (in million [US] dollars)

HS CODE	PRODUCTS	2009	2010	2011	2012 (not final)
3303	Perfumes, colognes and fragrances	25.7	36	37.8	44
3304	Colored cosmetics and skin care products	85	96.4	125	130.6
3305	Hair care products	101	105.6	118	124.7
3306	Oral and dental hygiene products	9.7	9.5	9.2	11.2
3307	Bath & shower products, men's grooming products	156.3	203.5	218.8	248.8
	TOTAL	377.7	451	508.8	559.3

Source: Turkish Ministry of Economy

Rising demand for cosmetics products in Turkey as well as substantial increase in exports is driving growth in the cosmetic ingredients market. The Turkish cosmetics manufacturers depend on imports for their ingredients and raw materials, with the exception of various essences, extracts and essential oils such as castor oil and rose water for which Turkey is a major worldwide supplier.

Market Data

The market in Turkey for cosmetic ingredients such as emollients, silicones, pigments, UV absorbers, essences, extracts, active ingredients, is estimated to be approximately 230 million dollars in 2012. Depending on the product category, 70-85 percent of the ingredients used in the manufacturing of cosmetics products are imported.

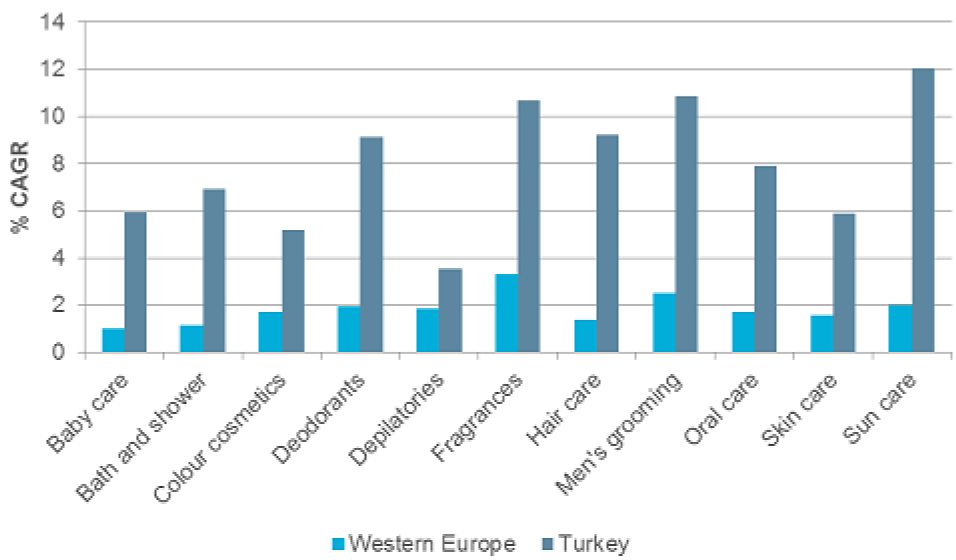
According to Euromonitor, the cosmetic ingredients category is expected to show the strongest growth amongst the various ingredients categories. Between 2011 and 2016, the cosmetic ingredients category in Turkey is anticipated to have a compound annual growth rate of more than 8 percent, compared with 4 percent for home care ingredients and 2 percent for packaged food ingredients.

In addition, Turkey's cosmetic ingredients market growth is expected to exceed Western Europe region as a whole, which constitutes the largest market in the world. Euromonitor estimates that for various cosmetics categories the compound annual growth rate of demand for ingredients between 2011 and 2016 will be as follows in Turkey and Western Europe:

Cosmetic Ingredients Market Growth of Turkey and Western Europe (2011-2016)

Ingredients used for	Growth in Turkey (CAGR)	Growth in W. Europe (CAGR)
Sun care	12%	2%
Bath & shower products	7%	1%
Color cosmetics	5%	2%
Fragrances	11%	3%
Men's grooming products	11%	2%
Hair Care	9%	1%
Skin Care	6%	1%

Growth Prospects for Ingredients Use by Beauty and Personal Care Category 2011-2016
Source & Graphic: Euromonitor



Best Prospects

The growth of the Turkish cosmetics manufacturing is related to the expansion of the product spectrum and implementation of technological developments. Key competitive factors for selling cosmetic ingredients in Turkey include performance characteristics, price, timely delivery and product innovation. R&D investment by cosmetics manufacturers is low, which means the technological know-how, formulations to blend ingredients and product testing are obtained from third parties such as ingredients suppliers and cosmetics laboratories. Therefore ingredients suppliers that can best meet the manufacturers' technical support needs have an advantage.

Turkish cosmetics companies, especially those who export, closely follow the developing cosmetics trends around the world. In line with the global trends, best prospects for cosmetic ingredients include:

- Problem solving and quality enhancing active ingredients such as anti-aging/anti-wrinkle ingredients, UV filters, and teeth whiteners.
- Naturally derived ingredients such as vegetal extracts, plant oils, botanicals used for natural and organic cosmetics.
- Multifunctional cosmetic ingredients which offer multiple benefits together such as moisturization, UV protection, anti-aging properties.

As Turkey has a rich flora with about 10,000 plant species and 3,200 endemic plants, there are joint venture opportunities supported by government incentives for the production of advanced herbal and botanical based ingredients.

Key Suppliers

Many leading international cosmetics ingredients suppliers are operating in Turkey through their own sales offices/warehouses or manufacturing sites or distributors. In addition to the expansion of the Turkish market, the strategic use of Turkey as a springboard to Middle Eastern, Caucasian and Central Asian markets is attracting the ingredients companies.

Domestic ingredients producers include Surya Kimya, Mercan Kimya, MKS Devo Chemicals, Organik Kimya, Kali Kimya, Ak-kim, Erdogmus Perfumery, Aromsa, MG Gulcicek, and Ercetin Gulyagi.

Main U.S. suppliers are International Flavors & Fragrances, Ashland Specialty Ingredients, CP Kelco, DuPont, Grant Industries, Sun Chemicals, Floratech, and Univar.

Other foreign suppliers include BASF (Germany), Croda (U.K.), Bayer-Serdex (France), Clariant (Switzerland), Doosan Corporation (Korea), Alban Muller (France), Corum (Taiwan), Elements (UK), Lubrizol (Belgium), Akzo Nobel (Sweden), Merck (Germany), Nikko Chemicals (Japan), Lucas Meyer Cosmetics (France), CPL Aromas (UK), Solvay Rhodia (France), Sudarshan (India), Symrise (Germany), Brenntag (Germany), and Firmenich (Switzerland).

Prospective Buyers

The end-users for cosmetics ingredients are the cosmetics manufacturers. All the cosmetics companies with manufacturing facilities in Turkey from small family-run SME's to multinational cosmetics giants constitute the client base for cosmetics ingredients suppliers.

The domestic manufacturers with a wide product range and those who export to area countries should particularly be targeted, as their success is partly driven by innovation such as new color palettes, treatments targeted to specific skin conditions, unique formulas concentrating on different cosmetics needs, etc. Globally, statistics show that manufacturers reformulate 25 percent of their products every year. Although the reformulation process is not at the same pace for Turkish manufacturers, they also need to improve their product offerings periodically in order to stay ahead in a highly competitive market where more choice and ever greater efficacy are expected by the consumer.

Market Entry

The marketing of cosmetic ingredients in Turkey is primarily realized through the foreign supplier's own office/affiliate office or through a representative/distributor. Selecting and appointing dynamic distributors/agents or opening local affiliate with personnel who will actively pursue opportunities and maintain close contact with customers to follow up their needs are important competitive factors.

Price, quality, shortest delivery, continuous technical support and strong communications are important factors in purchasing decisions. Other factors that affect decisions include the supplier's reputation for innovation and reliability, and previous experience in working with them.

Different types of distribution channels exist for delivering cosmetics ingredients to the manufacturers. Usually raw materials such as essential oils, pigments, plant extracts are processed at the plants of wholesale distributors which provide an added value to the ingredient (such as mixing, sifting, formulation, granulation etc.). If the products are imported as already processed and ready to use in manufacturing, they can be delivered to the manufacturers through distributors, brokers, or even directly by the original ingredients supplier, which might be preferable by large manufacturers.

Market Issues & Obstacles

The Turkish cosmetics regulations are harmonized with the EU cosmetics directives since 2005. Some highlights from the regulations are as below:

- There are special restrictions for certain ingredients. Below web link provides information on the permitted and restricted cosmetics ingredients in the EU and Turkey: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:1976L0768:20100301:en:PDF

- Product ingredients must be listed according to common ingredient names used in the International Nomenclature of Cosmetics Ingredients (INCI). Please note that there are differences between the INCI requirements for the United States and those used in

Europe. A list of the European INCI may be found at the web link: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:097:0001:0528:EN:PDF

- The European Union's REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) Regulation that came into effect on June 1, 2007, covers the manufacture and placing on the market of cosmetics substances and preparations. The basic principle of the regulation is that the industry is responsible for ensuring that substances contained in products do not adversely affect human health or the environment, under normal and reasonably foreseeable conditions of use.

- Animal testing for cosmetics and cosmetic ingredients has been banned in the European Union since 2009. An exception has been made until 11 March 2013 for the marketing of products which are tested for repeated-dose toxicity, reproductive toxicity, and toxicokinetics.

- The compulsory Good Manufacturing Practices (GMP) defined in the new European Regulation for Cosmetics will go into effect in July 2013. GMP means that all cosmetics products circulating onto the European Market will have to be produced according to the Cosmetics Good Manufacturing Practices described by the ISO 22716 standard. All participants in the cosmetics products chain from ingredients producers and products final manufacturers to distributors and importers/exporters are accountable and their responsibilities have been defined.

Trade Events

3rd Cosmetics Congress
February 15-17, 2013
Akka Antedon Hotel, Antalya
http://www.kozmetikkongresi.com

HPCI Middle East and Eurasia
September 18-19, 2013
WOW Convention Center, Istanbul, Turkey
http://www.hpci-congress.com/index/hpci_tr_en_2011/en_tr_home.html

TURKCHEM Chem Show Eurasia
October 2014
Istanbul Expo Center, Istanbul, Turkey
http://www.turkchem.net

Resources & Contacts

Ministry of Health of Turkey
General Directorate of Pharmaceuticals and Pharmacy, Depatment of Cosmetics
http://www.iegm.gov.tr/

The Association of Cosmetics and Cleaning Products Industrialists (KTSD)
http://www.ktsd.org.tr/eng/index.html

For More Information:

The U.S. Commercial Service in Istanbul,Turkey can be contacted via e-mail at: Perim.Akguner@trade.gov ; Phone: +90-212-335-9197; Fax: +90-212-335-9103; or visit our website: http://www.export.gov/turkey

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