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The Market for Organic Lipstick in Germany and the United States

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Authors

Anna Benzine, University of Wisconsin-Whitewater

Anno Henze, Cologne University of Applied Sciences

Daniel Herzberg, Cologne University of Applied Sciences

Annie Kailhofer, University of Wisconsin-Whitewater

Wei Liao, Cologne University of Applied Sciences

Boris Magda, Cologne University of Applied Sciences

Hai Yen Nguyen, Cologne University of Applied Sciences

Jessica Stimac, Cologne University of Applied Sciences

Contact persons

Prof. Dr. Wolfgang Veit

Cologne University of Applied Sciences

Schmalenbach School of Business and Economics

Phone: +49 221 8275 3420

E-Mail: wolfgang.veit@fh-koeln.de

Prof. Dr. Carol Scovotti

University of Wisconsin-Whitewater

Department of Marketing

Phone: +1 262 472 5469

E-Mail: scovottc@uww.edu

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List of abbreviations

€	Euro
b	billion
cm	centimeter
Est	Estimated
EU	European Union
FD&C	Food, Drug, and Cosmetic Act
FDA	Food and Drug Organization
FOB	Free on board
FP&L	Fair Packaging and Labeling Act
GMP	Good manufacturing practice
GSP	General System of Preferences
HS	Harmonized Commodity Description and Coding System
k	thousand
kg	kilogram
m	million
MFN	Most Favored Nation
N/A	not available
R&D	Research and Development
SITC	Standard International Trade Classification
SPS	Sanitary and phyto-sanitary
t	ton
US	United States
US$	United States Dollar
USCBP	United States Customs & Border Protection
USDA	US Department of Agriculture
VuMA	Arbeitsgemeinschaft Verbrauchs- und Medienanalyse
WTO	World Trade Organization

Executive summary

The survey compares opportunities for exporters of organic lipstick to the German and US markets. Markets are likely to continue growing in the coming years due to customer trends towards healthier and more sustainable products.

Both Germany and the USA produce lipstick. Production in Germany is decreasing. Imports and exports of both countries have been increasing over the past five years. Import quantities are increasing more as production decreases. Consumption is increasing in both countries and expected to increase in the next years especially in organic lipstick segment. Duties on lipstick in Germany are 0% and the VAT is 19%. Duties on lipstick in the USA are 0% for WTO member countries. The average VAT is between 2,9% - 7,25%.

Competition in the lipstick supply chain is high because multiple manufacturers and retailers operate in both markets. Furthermore, lipstick shopping is mainly done in drugstores, supermarkets, or department stores in both countries. Standards for lipstick production are very high in Germany and the US. Exporters need to make sure their products meet specific requirements of both countries. These circumstances cause market entrance barriers an exporter must expect when entering these markets.

Prices for lipsticks vary greatly. As customers can buy conventional lipstick for 5-6€ and organic lipstick for around 20€ in Germany American customers need to pay usually 26-30$ for an organic lipstick. Prices in Germany are generally lower than US prices. Therefore, opportunities to obtain higher profits by higher prices are bigger in the USA.

Trading practices in Germany and the US are expected to be stable. Only few changes are likely due to global trends like digitization. Labeling and packaging requirements are strict in both countries. It is expected that these extend in the future. In Germany, trade fairs for organic cosmetics are expected to continue attracting record attendances.

In summary, it can be said that both markets are attractive for exporters to sell organic lipstick.

1. Product description

International classifications

This export opportunity survey covers the market for organic lipstick in the United States and Germany. Lipstick is classified internationally under the following codes:

- HS: 330410 — Lip makeup preparations
- SITC: 553.2 — Beauty or make-up preparations for the care of the skin (other than medicaments), including sunscreen or suntan preparations; manicure or pedicure preparations
- ISIC: 2424 — Manufacture of soap and detergents, cleaning and polishing preparations, perfumes, and toilet preparations
- NACE: 20.42 — Manufacture of perfumes and toilet preparations
- NAICS: 32561 — Toilet Preparation Manufacturing

The above-mentioned codes cover organic and non-organic products.

Figure 1: Products used as Lip make-up

Source: Own figure

Origin and ingredients

Since 3500 B.C.E., women color their lips by using natural ingredients. The classical lipstick was invented in 1883 when the already known lip coloring product, back then delivered in jars, was shaped into a stick. The main features of this revolutionary product (ease of use, handy size, etc.) are a foundation for today's product range in the lip makeup sector.

This report particularly focuses on organic lipstick; it also covers products used as lip make-up, when specific information is not available for organic products. Respective products are lip liner (pencils), lip lacquer (fluid lip colorant), lip balm (lip care product without pigments) and lip gloss (fluid lip colorant for glossy lips).

There is no standard for the size of lipstick, but generally, it is sold in a tube 7.6 cm in length and 1.3 cm in diameter. The actual lipstick weight ranges from 2.5 to 4.3 grams (Beautygeek 2011). Pigments, oils, and waxes are main ingredients to manufacture lipstick. The oils used are castor oil, mineral oil, or petrolatum; the waxes can be beeswax, carnauba, candelilla and ceresin. Waxes can be in the form of powder, flake, or solid. Other ingredients can be added to create additional attributes such as moisturizing or UV protection. The typical ratio of oil: wax: pigment is:

Oil: 50%-70%
Wax: 20%-30%
Pigment: 5%-15%

This report covers organic products where possible. Organic lip makeup preparations are usually free of toxins, parabens, and sulfates. All ingredients do have a natural source and no synthetics are used. Typically, the products are based on the following ingredients: vegetable waxes, natural earth minerals, and fruit pigments.

Manufacturing and processing

All kinds of lipstick are generally manufactured in the same way, involving the following six steps:

1. Heating the oil in the process vessel to 80 - 85˚C and melting the waxes in a separate jacketed vessel.
2. Combining the wax phase and the oil phase using mixers or dispersers.
3. Using a triple roll mill or bead mill to disperse powdered pigment into part of the oil to create a pigment grind.
4. Adding the pigment grind to the oil and wax phase and mixing to achieve a homogeneous mixture.
5. Cooling the mixture before adding any ingredients such as fragrances, moisturizers, or sunscreen agents.
6. Restoring the product at a lower temperature before pouring it into molds and cooling (Silverson, 2015).

2. Production, foreign trade & consumption

Production

Germany

German production decreased since 2015 and reached a low in 2017 at € 173m (-29.6% since 2015).

Table 1: Lipstick Production in Germany		
GP2009	Value of Produced Goods	Producing Companies
	€m	Number
2013	216.42	20
2014	225.00	20
2015	246.50	19
2016	226.33	20
2017	173.49	21
Source: Statistisches Bundesamt, 2018		

US

Many domestic producers shift their production to overseas due to lower production costs. In 2017, the lipstick manufacturing industry in the US generated a revenue of US$ 4.0b, an overall increase of 8.9% since 2013. The concentration of manufacturers is low as the top 4 industry participants hold a revenue share of 16.4% in 2016 (IBIS World ,2018).

Table 2: Revenue of Lipstick manufacturing industry		
Year	Revenue (US$m)	Growth (%)
2013	3,657	4.7
2014	3,584	-2.0
2015	3,803	6.1
2016	3,910	2.8
2017	3,984	1.9
Source: IBIS World, 2018		

Foreign trade

World exports

From 2014 to 2017, the total worldwide export value of lipstick preparations increased from US$ 2.3b to US$ 4.4b. Especially in 2016 and 2017, the export value in US$ recorded high annual growth rates (+25%).

With a share of 16% to 18% in global exports, France has been the world's largest exporting country over the last five years, closely followed by the United States (13%). Since 2017, Singapore[1] is the third largest exporter (10%) passing China (8%).

Table 3: Top 10 Global Exporters

Table 3: Top 10 Global Exporters															
	2013			2014			2015			2016			2017		
Country	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)
World	2,315	53,370	43	2,620	57,986	45	2,803	N/A	N/A	3,550	N/A	N/A	4,449	N/A	N/A
France	410	4,142	99	447	5,044	89	450	5,545	81	576	6,266	92	756	6,891	110
United States of America	309	5,611	55	327	5,189	63	370	6,255	59	449	N/A	N/A	591	N/A	N/A
Singapore	111	2,008	55	167	2,646	63	204	3,459	59	246	3,905	63	461	6,666	69
China	165	9,976	17	185	11,225	16	241	13,211	18	298	16,320	18	362	19,602	18
Germany	216	3,170	68	207	2,914	71	225	3,525	64	289	4,383	66	300	4,431	68
Italy	117	2,257	52	153	2,449	62	188	3,481	54	286	4,972	58	294	6,159	48
Canada	118	2,142	55	146	2,321	63	176	2,983	59	216	3,899	55	231	N/A	N/A
Belgium	82	1,261	65	111	1,673	66	127	1,728	73	183	2,431	75	210	2,777	76
United Kingdom	171	3,754	45	221	4,970	45	178	4,682	38	181	5,406	34	199	4,599	43
United Arab Emirates	53	1,984	27	65	2,874	22	37	3,665	10	30	3,850	8	127	5,788	22
Source: Trademap, 2018															

World imports

Analogous to increasing exports, the total worldwide imports of lipstick preparation reached their peak in 2017. The total value of US$ 4.7b represents a plus of US$ 2.2b (+87%) compared to 2013.

Importing US$ 700m (15%) of the total value in 2017, the US has been the largest importer of lipstick over the last five years. With a share of almost 10% (US$ 450m), China recorded the second largest import value. China's role in foreign lipstick trade has gained importance. In 2017, the country imported almost 10 times as much as in 2013.

[1] Due to extreme high imports and exports compared to the population, Singapore has to be considered as an entre pôt trader.

Table 4: Top 10 Importers

Table 4: Top 10 Global Importers	2013			2014			2015			2016			2017		
Country	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)
World	2,519	74,315	34	2,804	77,818	36	3,105	N/A	N/A	3,874	N/A	N/A	4,720	N/A	N/A
United States of America	398	8,704	46	457	9,483	48	558	9,799	57	705	N/A	N/A	720	N/A	N/A
China	48	671	72	97	856	114	147	1,286	114	218	1,348	162	448	1,220	367
Singapore	76	1,658	46	107	2,212	48	143	2,511	57	197	3,672	54	357	6,262	57
United Kingdom	191	7,533	25	224	7,145	31	232	8,420	28	291	10,698	27	275	8,696	32
Germany	160	3,033	53	174	3,031	57	182	3,876	47	228	4,588	50	255	4,683	55
Hong Kong, China	62	1,361	46	67	1,386	48	75	1,444	52	111	2,073	54	183	3,202	57
Canada	114	2,494	46	130	2,691	48	133	2,342	57	152	N/A	N/A	182	N/A	N/A
Japan	88	1,244	71	91	1,205	76	103	1,316	79	137	1,519	90	178	1,864	96
France	64	1,565	41	76	1,669	45	91	1,973	46	123	2,202	56	168	2,666	63
Russian Federation	136	2,415	56	128	2,429	52	101	2,172	46	121	2,427	50	149	2,772	54
Source: Trademap, 2018															

German and US trade

Germany

Between 2013 and 2017, the total value of lipstick imported by Germany increased continuously, from US$ 160m to US$ 255m (+59.6%). With a share of 24%, and 22% respectively, in 2017 almost half of the imported lipstick was of French or Italian origin.

In 2017, Germany exported a total value of US$ 300m, a plus of 39% compared to 2013. In contrast to the imports, Germany's exports are less concentrated on certain countries. The major export partner is France (12%).

Table 5: Major supplying countries for the German market

Table 5: Major supplying countries for the German market	2013			2014			2015			2016			2017		
Country	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)
World	160	3,033	53	174	3,031	57	182	3,876	47	228	4,588	50	255	4,683	55
France	47	768	61	46	717	64	44	869	50	46	982	47	62	841	73
Italy	29	513	56	36	626	58	35	829	43	49	928	53	56	1,066	52
United States of America	12	161	72	11	153	70	27	524	52	27	499	54	31	502	61
China	8	391	20	8	344	22	6	322	20	12	514	23	15	567	27
United Kingdom	12	271	43	17	401	41	12	349	34	15	402	37	13	324	42
Austria	9	103	83	10	86	118	10	126	77	13	184	70	13	207	64
Poland	4	244	16	3	190	15	4	187	20	9	314	27	13	431	29
Switzerland	8	47	168	8	45	187	9	53	163	10	54	184	11	52	207
Canada	5	21	214	6	27	219	6	36	166	9	91	103	9	68	126
Netherlands	2	60	31	2	75	28	3	127	23	5	136	37	7	182	38
Source: Trademap, 2018															

Compared to 2013, there is a higher average import price per ton in 2017 (US$ 52.7k vs. US$ 54.5k). In contrast, with US$ 67.7k, Germany's average export price is slightly below 2013 (US$ 68.0k). While the total net import and export quantities have been increasing since 2014, both price developments have been volatile throughout the last five years.

Table 6: Major importing markets for lipstick exported by Germany

Table 6: Major importing markets for lipstick exported by Germany

Country	2013			2014			2015			2016			2017		
	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)
World	216	3,170	68	207	2,914	71	225	3,525	64	289	4,383	66	300	4,431	68
France	17	220	75	15	158	96	12	163	76	21	324	65	36	561	63
United Kingdom	17	271	61	18	285	61	23	386	58	41	583	70	25	328	75
United States of America	20	258	79	18	235	75	26	371	69	24	337	72	20	236	83
Italy	15	187	79	12	160	72	11	173	62	14	192	75	16	201	80
Spain	10	148	64	11	157	70	12	188	62	13	196	66	16	220	73
Austria	13	233	55	11	168	68	13	219	62	16	253	63	16	229	69
Poland	20	479	42	16	360	45	14	315	45	21	520	40	14	358	40
Russian Federation	19	228	84	19	254	73	14	218	65	17	252	66	14	204	70
Netherlands	9	179	52	8	148	56	10	208	49	12	212	57	13	200	63
Switzerland	9	103	88	9	122	73	9	110	84	12	123	94	12	114	104

Source: Trademap, 2018

US

From 2013 to 2017, the import value of the US increased by 81% to US$ 700m. With a total import volume of US$ 247m, the main supplier of lipstick in 2017 is China (share of 34%).

Exports grew by 91% to US$ 591m between 2013 and 2017. Canada, by far the most important export partner, had a share of 26% of the total US lipstick exports in 2017.

Table 7: Major Supplying countries for the US market

Table 7 :Major supplying countries for the US market

Country	2013			2014			2015			2016			2017		
	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)
World	398	8,704	46	457	9,483	48	558	9,799	57	705	N/A	N/A	720	N/A	N/A
China	115	2,515	46	135	2,796	48	169	2,962	57	245	N/A	N/A	247	N/A	N/A
Canada	91	1,991	46	108	2,245	48	111	1,948	57	136	N/A	N/A	138	N/A	N/A
Italy	21	457	46	37	777	48	67	1,173	57	97	N/A	N/A	107	N/A	N/A
France	57	1,252	46	58	1,198	48	58	1,014	57	77	N/A	N/A	87	N/A	N/A
Germany	34	745	46	30	630	48	40	700	57	37	N/A	N/A	36	N/A	N/A
Belgium	23	513	46	28	573	48	28	497	57	28	N/A	N/A	27	N/A	N/A
Taipei, Chinese	14	298	46	16	331	48	26	459	57	20	N/A	N/A	16	N/A	N/A
United Kingdom	15	320	46	16	341	48	14	251	57	12	N/A	N/A	15	N/A	N/A
Korea, Republic of	2	53	46	5	98	48	7	127	57	18	N/A	N/A	14	N/A	N/A
Mexico	9	198	46	8	173	48	10	172	57	11	N/A	N/A	8	N/A	N/A

Source: Trademap, 2018

According to the table 7, prices are not available for 2016 and 2017, however there was a rise in import prices from 2013 to 2015 (US$ 45.8k to US$ 57.0k). Unlike the import prices, the prices for exported lipstick had been fluctuating from 2013 to 2015.

Table 8: Major importing markets for lipstick exported by the USA

Table 8: Major importing markets for lipstick exported by the USA

	2013			2014			2015			2016			2017		
Country	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)	Trade Value (mUS$)	Net Weight (Tons)	Price/ ton (kUS$)
World	309	5,611	55	327	5,189	63	370	6,255	59	449	N/A	N/A	591	N/A	N/A
Canada	96	1,739	55	110	1,748	63	111	1,870	59	123	N/A	N/A	151	N/A	N/A
United Kingdom	34	614	55	36	578	63	37	622	59	49	N/A	N/A	61	N/A	N/A
Mexico	23	417	55	22	350	63	32	542	59	39	N/A	N/A	46	N/A	N/A
Australia	22	397	55	20	313	63	23	393	59	24	N/A	N/A	44	N/A	N/A
France	5	88	55	6	99	63	16	273	59	26	N/A	N/A	32	N/A	N/A
Belgium	6	117	55	10	158	63	12	204	59	19	N/A	N/A	30	N/A	N/A
Singapore	9	161	55	9	140	63	9	154	59	15	N/A	N/A	26	N/A	N/A
Hong Kong, China	9	168	55	10	151	63	10	162	59	15	N/A	N/A	22	N/A	N/A
Germany	8	145	55	6	190	30	6	102	59	10	N/A	N/A	20	N/A	N/A
China	9	155	55	10	160	63	14	235	59	9	N/A	N/A	17	N/A	N/A

Source: Trademap, 2018

Within the last five years, the US increased their re-exports strongly (+138%), resulting in a total value of US$ 114m in 2017. Besides Canada (share of 35%), Belgium (19%), and Singapore (7%) have also become important re-export destinations for the US.

Apparent consumption

Germany

Analogous to the production, there is a negative trend in lipstick consumption (in tons) in Germany. Since its peak in 2015, consumption decreased strongly and reached a low at 3,135 tons in 2017 (-32,2% since 2015)[2].

Table 9: Estimated Consumption Germany

	2013	2014	2015	2016	2017
Production (in Million Euro)	216.42	225.00	246.50	226.33	173.49
Production (tons)	4,233	4,215	4,275	3,806	2,883
Exported quantity (tons)	3,170	2,914	3,525	4,383	4,431
Imported quantity, (tons)	3,033	3,031	3,876	4,588	4,683
Estimated consumption (tons)	4,096	4,332	4,626	4,011	3,135

[2] Values for consumption (in tons) are calculated by subtracting exports and adding imports in tons from the production values (converted in US$ and into tons). To check correctness of figures and estimations the production price per ton is calculated. As these equal the export price of Germany the estimated values are valid. These values only provide a low informative value. Following informative data market is expected to grow.

Population (m)	80.77	81.20	82.18	82.52	82.79
Per capita Consumption (g)	50.71	53.35	56.29	48.61	37.87
Source: Own Calculation, Trademap 2018/ Statisitsches Bundesamt 2018					

However, according to a survey, the number of women in Germany using lipstick has been growing for the past five years. 17.3m women are using lipstick in 2018, compared to 16.4m in 2013 (+5.6%) (Allensbach 2018).

US

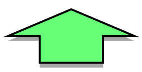
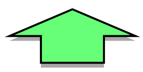
Annual sales figures for lipstick in 2012 (US$ 465m) and in 2017 (US$ 666m) imply an increasing consumption within the past five years. The compound annual growth rate equals 9.41%. (Digitalmag 2017) According to IBISWorld, there was a growth of 2.7%[3] annually in the market of lip-makeup and lip-care since 2013.[4]

Comparison and outlook

In conclusion, the data show that both markets record a positive trend in consumption, import and export values within the past five years. However, between 2013 and 2017 German exports had constantly been higher than imports while the US recorded a negative trade balance in every year.

Especially the US has experienced strong growth rates, which might be an indicator for a promising future development of lipstick trade. IBISWorld estimates a further, but slower growth of the US manufacturing industry until 2022 (+1.6% p.a.).

However, it must be considered that the positive developments for import and export values in both countries are mostly driven by rising net weights. Prices have been volatile in the investigated period, leading to unstable margins.Furthermore, domestic production is expected to continue to decrease in both countries due to high production costs.

Market Prospect US		**Market Prospect Germany**	
	Due to trade growth in lipstick preparations in both US imports and exports, market prospects are favorable; the overall trend of lipstick consumption shows growth.		Increasing consumption and decreasing domestic production add up to growing imports.

[3] The deviation of growth rates might result from different product market definitions. (Digitalmag: Lipstick only, IBIS World: Lipstick, lip gloss, lip stains, lip liner, lip balm).
[4] An estimation of the consumption (compare Germany) based on imports, exports and production is not possible due to missing data of domestic production in the US.

3. Market characteristics

Germany

Consumer preferences

When buying cosmetics products, 70% of consumers take ingredients as an important factor (Statista, 2017a). Customers prefer natural and organic ingredients in their cosmetics, especially for the stay-on products used in delicate areas of the body (NATURE, 2014). Almost 40% of the women who buy natural cosmetics are mainly looking for lipstick (Statista, 2017b). More consumers prefer lipstick (72%) to lip liner (45%) and lip gloss (61%) (Statista, 2017a).

Market segments

The percentages of women regularly using lipstick were close to 50% from 14 years old to 74 years old and decreased to 24% at the over 75 years old group.

Table 10: Percentage of women in Germany who regularly use lipstick (by age group) compared to 1984 and 2012

	14-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75+
1984	36%	54%	56%	55%	61%	63%	56%	51%	43%	35%	24%	23%	11%
2012	45%	47%	44%	42%	50%	49%	52%	51%	56%	54%	48%	45%	24%

Source: Allensbach, 2012

48% of women used lipstick at least once a week (VKE-Kosmetikverband, 2018), 24% of women used it every day in Germany in 2017 (Statista, 2017c), and the percentage of the women using lipstick every day slightly grew from 2015 to 2017.

Table 11: The number of women (Group by frequency) in Germany using lipstick from 2013 to 2017 (in millions)					
	2013	2014	2015	2016	2017
several times a day	4.89	4.57	4.34	4.3	4.3
once a day	7.11	7.06	7.02	7.32	7.84
several times a week	7	6.92	6.8	6.81	7.34
3-4 times a month	2.61	2.85	3.09	3.03	2.78
infrequent	2.42	2.62	2.8	2.89	2.81
only for special purposes	5.48	5.53	5.48	5.45	5.27
Never	6.01	6.05	5.61	5.4	5.15
No information	0.34	0.33	0.29	0.34	0.25
Sum	35.86	35.93	35.43	35.54	35.74
Source: VuMA, 2017					

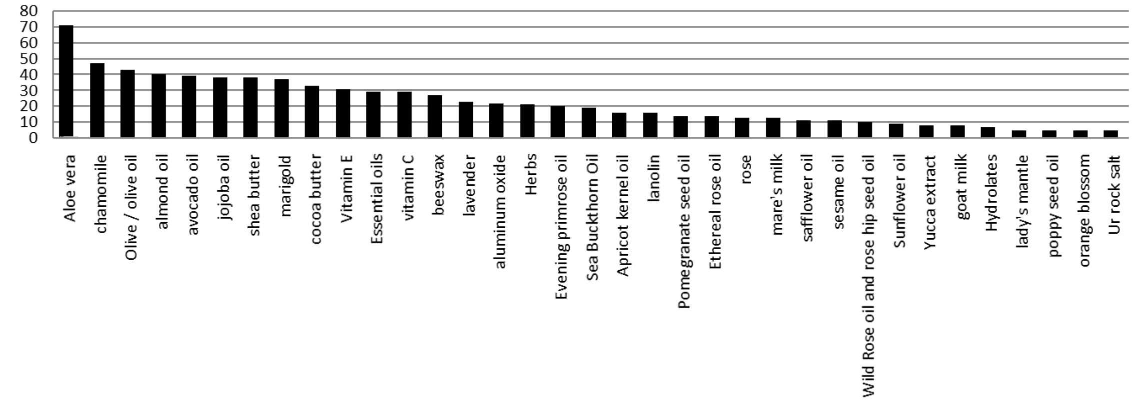
Table 12 shows the reasons for customers buying natural cosmetics. Most customers choose natural cosmetics to avoid negative impacts on health.

Table 12: The statements about natural cosmetics that customers agree with (in percentage)	
	percentage
Natural cosmetics are healthier than conventional cosmetics	50
I have a better conscience when I use natural cosmetics	48
With cosmetics you pay only by brand and not by effect and ingredients	30
Conventional cosmetics put a lot of water and soil on washing away	27
Conventional cosmetics are full of harmful chemistry	25
Natural cosmetics are more caring than conventional cosmetics	16
Source: Statista, 2017d	

Conditions of acceptance

Figure 2 shows the common ingredients in cosmetics in Germany. The type of ingredients used in natural or organic lipstick can make the product more attractive for the German customers.

Figure2:The importance of ingredients in cosmetics in Germany in 2017(in percentage)



Source: Statista, 2017f

According to Table 13, price-performance ratio and quality are the most important parts to attract customers. Eighty-four percent of customers are only willing to pay 20% more than conventional cosmetics to buy organic cosmetics (Statista, 2017i). So, the organic lipsticks including popular ingredients with high quality and low price will attract most customers.

Table 13: The factors which affect customers buying natural cosmetics products

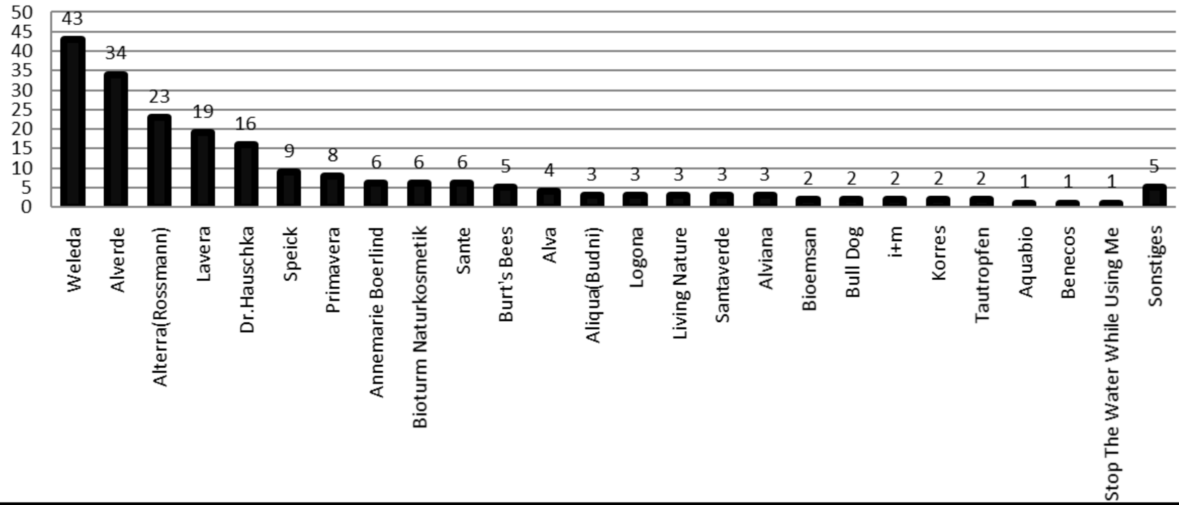
	percentage
Price-performance ratio	43%
quality	41%
Special / discounts	31%
Ingredients (e.g., perfumes, allergens)	29%
habit	27%
Recommended by friends / acquaintances	25%
brand	23%
naturalness	18%
Sustainability / environmental	18%
Low price	17%
Reviews in the media and Internet	14%
advertising	6%
Other	3%
I do not know	9%

Source: Statista, 2017e

Competition

Competitors of organic lipstick can be other organic lip-makeup. Conventional (non-organic) lip-makeup and the nature-inspired lip-makeup are also the main competitors. According to Figure 3, Weleda, Alverde, Alterra (Rossmann), Lavera, Dr. Hauschka are the five biggest natural cosmetics brands. The competition between organic cosmetics and non-organic cosmetics is getting more intense (Allen, 2016)

Figure 3:The popular brands of natural cosmetics in Germany in 2017 (in percentage)



Source: Statista-Umfrage, 2017k

Demand trends

Table 14 shows the income elasticity of demand in Germany. From 2013 to 2015, the market showed high income elasticity of demand—lip makeups were superior goods. Then the consumption of lip makeups went down from 2016 to 2017. The negative income elasticity of demand showed lip makeups became inferior products.

Table 14: Income Elasticity-Germany						
	2013	2014	2015	2016	2017	Average
Estimated consumption*, (T)	4,096.00	4,332.00	4,626.00	4,011.00	3,135.00	4,040.00
Change in quantity	-	5.45%	6.36%	-15.33%	-27.94%	-7.87%
GDP per capita, €	35,044.79	36,286.39	37,323.57	38,370.11	39,648.56	37,334.69
Change in income	-	3.42%	2.78%	2.73%	3.22%	3.04%
Income elasticity of demand	-	1.59	2.29	-5.62	-8.67	-2.60
Source: Statistisches Bundesamt 2018； International Trade Centre 2017						

In 2017, the percentage of women using lipstick increased (VuMA, 2017). In Germany, the natural and organic cosmetics market has been supported by increasing demand (Dambacher, 2016). The organic lipstick has a chance to develop.

US

Consumer preferences

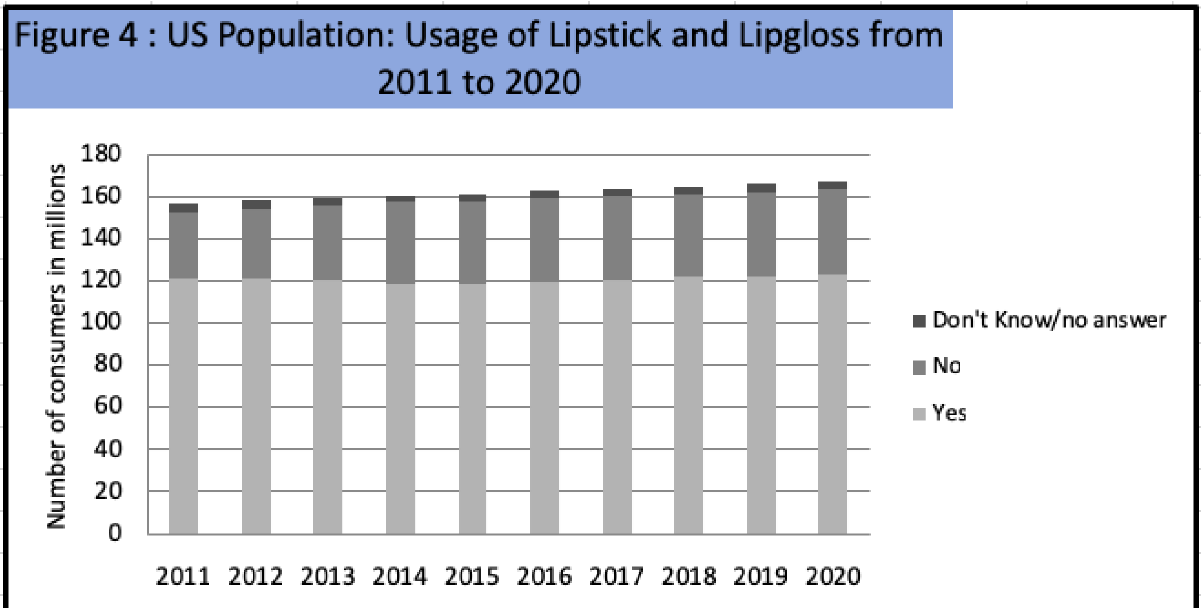
As the health-conscious movement grows in the US, the US lipstick industry is seeing increased trends in natural and organic products. Consumers are more concerned about products that contain non-organic ingredients (IBIS World, 2018).

Consumers also enjoy lip-stick products that provide more than one use. For example, by purchasing one tube of lipstick, consumers derived value from added features in addition to coloring such as long-lasting and moisturizing characteristics. Since the US is known as a “busy” culture, users of lipstick prefer to purchase products that contain more than just the lip coloring feature. (IBIS World, 2018).

Market segments

The percentage of women who wear lipstick in the US has stayed relatively constant since 2011. Figure 4 reports that expected future consumption will slowly increase due to an increase in population.

Figure 4: US Population: Usage of Lipstick and Lipgloss from 2011 to 2020



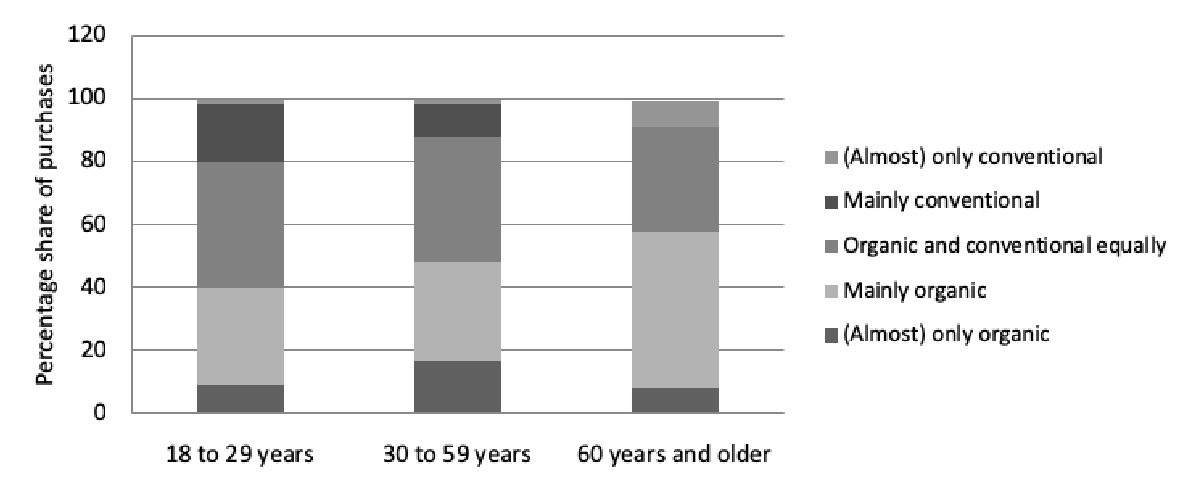
Source: Experian

The organic market segment is predominant in the older age group of 60 years or older. Majority of the consumers in this age group mainly use organic lipsticks.

Primary users of organic products between the ages of 18-59 are the same percentage with the only difference being the number of consumers who use almost only organic being higher in the age group between 30-59.

Figure 5 shows the breakdown of preferences between organic and conventional lipstick consumed by age group. This shows that people aged 60 or older forms the biggest segment of people using primarily organic lipstick, whereas the lower age groups use (almost always) organic. Although, the younger age brackets do not consume primarily organic cosmetics, this graph shows that organic products are still very popular and may become more important to users as they age.

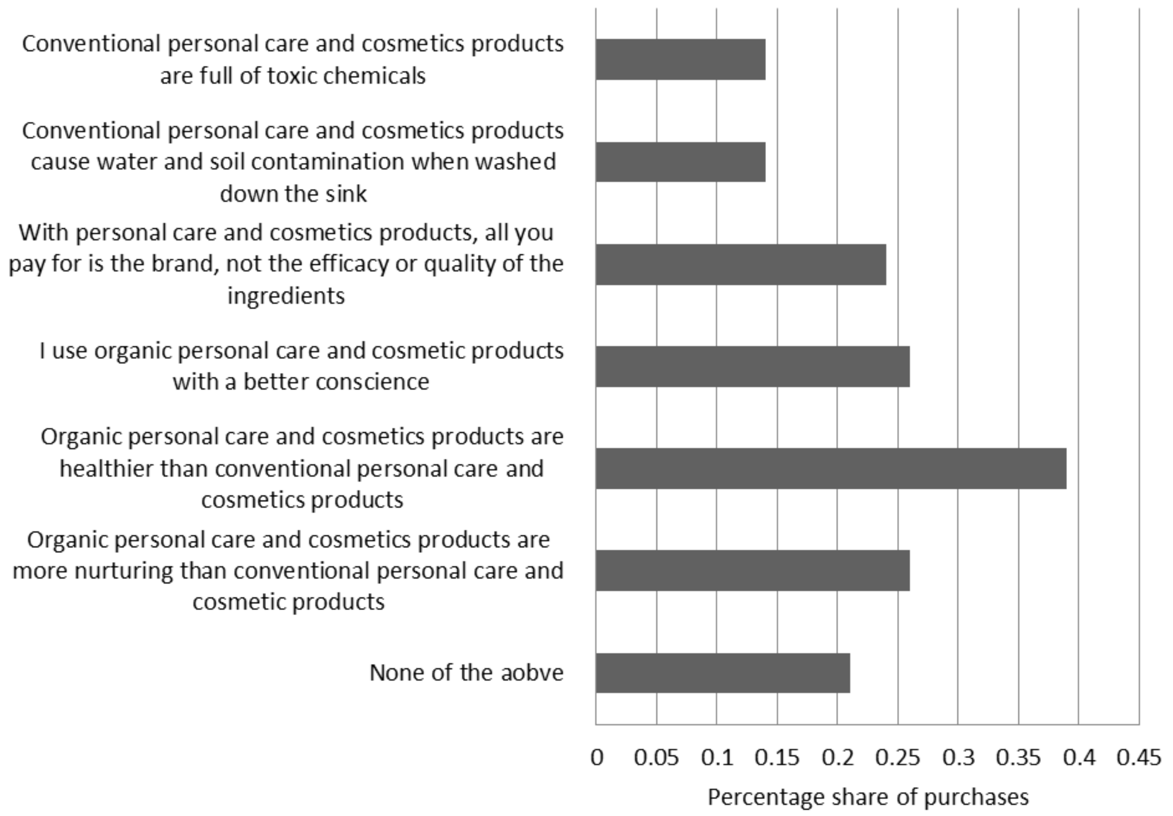
Figure 5: Share of organic lipsticks purchased by consumers in the US as of May 2017, by age group



Conditions of acceptance

According to Figure 6, using organic personal care products creates a positive attitude for consumers. Over a third of the users felt that organic cosmetics are healthier compared to conventional products. In 2017, attitudes towards conventional cosmetic products carried a negative stigma regarding harmful toxins and unsafe disposal. Consumers who purchased organic products commented on having a better conscience for consuming natural products and commented on the quality of organic products being more nurturing. According to Statista, 48% of women find value in purchasing organic lipstick over conventional products.

Figure 6: Attitudes toward organic beauty and personal care products among consumers in the United States as of May 2017



Source: Statista, 2017

Substitutes and Competition

The industry is composed of several different components that compete with lipstick, including lip balm, lip gloss, and other products such as lip liner and lip stain. Overall, Lipstick makes up 37% of the market, followed by lip balm at 31.5%, lip gloss at 23.8% and others at 7.7% (IBIS World, 2018).

Other organic cosmetic brands also pose competition. These top organic brands include RMS Beauty, Josie Maran, Alima Pure, Vapour Organic Beauty, and Dr. Hauschka (Stebbins, 2018).

Demand trends

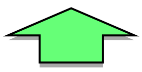
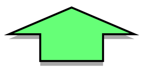
Recent research suggests that the organic beauty market will reach $22 billion in sales by 2024. This projection considers an annual growth rate 8-10% which the industry has proven to maintain the last few years (NPI, 2018).

Demand trends fluctuate due to fashion, product developments, and marketing. Physiological and environmental attitudes also determine demand for industry products such as products featuring natural and organic components that are significantly gaining favor in the market (IBISWorld, 2018). This trend follows the idea about the health and safety of products as well as also growing concern over environmental factors and heightened interest in more sustainable lifestyle choices (IBISWorld, 2018).

Comparison and outlook

Lipstick is the most popular lip makeup product in both Germany and the US. Organic cosmetic consumption is also growing in both countries as consumers avoided the negative impacts on their health from using conventional makeup products. The average German consumer uses lipstick more frequently than the average US consumer. However, the market share of lip gloss is more than that in Germany.

Overall, the demand for natural and organic cosmetics is increasing in both countries due to increasing interests and demand for green and sustainable products from both consumers and companies. As organic lipstick becomes more valuable to consumers, the market demand will gain more power.

Market Prospect US		**Market Prospect Germany**	
	Increasingly attractive due to increasing interest and demand for green and sustainable products from both consumers and companies		Increasingly attractive due to increasing interest and demand for green and sustainable products from both consumers and companies

4. Market access

Tariffs

Germany

The European Union applies 0% duties on Lipsticks (European Commission ,2018a). Germany taxes Lipstick with its usual VAT of 19% (European Commission ,2018b).

US

The MFN Applied Tariff which applies to country members of the WTO, is 0%. Non-MFN countries receive the Preferential Applied Tariff, which has a 75% ad valorem duty (WTO, 2017). Americans pay between 2,9%-7,25% VAT on average, depending on the state

Standards and regulations

Germany

European Commission regulation (EC) No 889/2008 provides detailed information on production, labeling, and control of organic products (European Commission, 2018a). Commission regulation (EC) No 1223/2009 supplies further information and regulations for cosmetic products (it includes lipstick) (European Commission, 2018b). This regulation resulted in the “Cosmetic Products Notification Portal” (CPNP) (Bundesamt für Verbraucherschutz und Lebensmittelsicherheit, 2018a). Since July 2013 using the platform is mandatory for importers and domestic manufacturers to be allowed to sell their products. Table 16 below lists all information a vendor must provide to this platform before bringing a cosmetic product to the market:

Table 15: Mandatory information for cosmetic products in CPNP

No	Information
1	Category of cosmetic product and its name(s)
2	Name and address of the Responsible Person (RP)
3	Country of origin in the case of import
4	Member State in which the cosmetic product is first placed on the EU market
5	Contact details of a physical person to contact in case of necessity
6	Presence of substances in the form of nanomaterials - Identification of nano-sized substance - Reasonably foreseeable exposure conditions

7	Name and CAS number (Chemical Abstracts Services) or EC number of categories 1A or 1B CMR substances (Annex to CLP Regulation (EC) No 1272/2008 on classification, labeling and packaging of substances and mixtures)
8	Frame formulation allowing for prompt and appropriate medical treatment in the event of difficulties
Source: Ecomundo, 2018	

Potential exporters find further information on product standards and regulations in European Commission Regulation (EC) 1223/2009 and legal frameworks listed in Appendix 1.

US

The US Food and Drug Administration (FDA) has authority over the importation of cosmetics. Imports must be labeled with an identity statement, ingredient list, name/place of business, material facts, warning/caution statements, distributor statement, and statement of net quantity of contents, and can be subject to testing (FDA, 2012). The FDA must ensure that products have not been misbranded or adulterated.

Non-tariff barriers

Germany

Manufacturing of cosmetic products sold in Germany must follow the GMP (Good Manufacturing Practice) (Bundesamt für Verbraucherschutz und Lebensmittelsicherheit, 2018b). GMP provides requirements for manufacturing, inspection of raw materials, control and maintenance of machines, cleanliness and suitability of production rooms and enough knowledge of responsible persons. Documentation of manufacturing process and traceability is vital. Potential exporters find detailed Information of GMP for cosmetics in DIN EN ISO 22716:2008-12.

US

The USCBP requires that an importer have a customs bond on file. The type of bond needed varies on the frequency of imports and their respective dollar value (U.S. Customs & Border Protection, 2018). The FDA may also cause a barrier with the labeling requirements and declarations of ingredients (Flexport, 2018).

Comparison and outlook

Both Germany and the US have very high standards for lipstick production. Therefore, potential importers need to consider whether their product fulfills all requirements. If it does not, it is vital to examine if it is profitable to adapt their products to these standards. These tariffs and standards are not expected to change in the future.

Market Prospect US		**Market Prospect Germany**	
	Unchanged attractiveness caused by minimal tariffs but strict standards that must be adhered to regarding this market.		Unchanged due to estimated stable regulations.

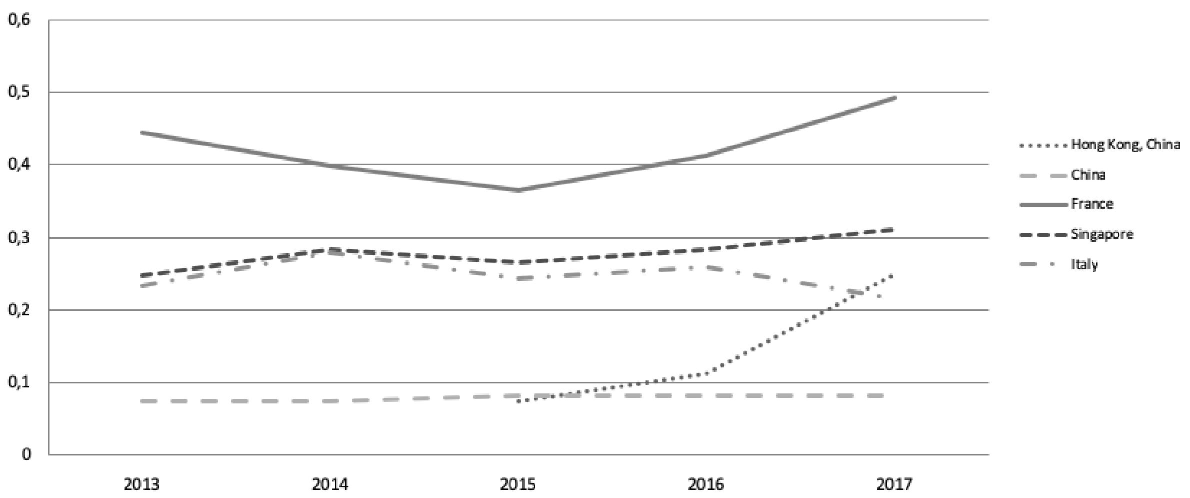
5. Prices

Prices at producer level

Based on own calculations and research conducted, Figure 7 shows the price development at producer level for units of lip makeup preparations between 2013 to 2017. The five countries with the highest quantitative production are considered in the graph. It is assumed that FOB prices represent producer prices to allow a numerical estimation.

Figure SEQ Figure * ARABIC 7: Estimated Producer Prices (in US$) per Unit

Figure 7: Estimated Producer Prices (in USD) per Unit



Source: Own calculation based on ITC Trade Map 2018

The graph illustrates the price development to produce one lipstick in the recent years. Due to the lack of producer data, the calculations are based on prices per ton. The average weight of one lipstick (4.5 grams) is determined through field research.
Producers in China manufactured lip makeup at an average price of US$ 0.79 in the past five years while average cost of production in France (US$ 4.23) was significantly higher.

Prices at wholesale level

Prices at the wholesaler area of Alibaba range from US$ 0.23 per lipstick to US$ 30.00 per lipstick at a minimum order quantity >100 (wholesaler.alibaba.com, 2018).

Germany

A field research at METRO, one of the largest wholesalers in Germany, was conducted. The average price for organic lipstick is € 3.35 (US$ 3.80).

US

No data available.

Prices at retail level

To provide equal comparisons, the quantity measure refers to one unit of lipstick in local currency. This part focuses on retail price of organic lipstick in Germany and the US only, other natural or vegan lipstick products are not considered. Field research shows that the retail price for the same organic lipstick is identical in stores, supermarkets, and e-commerce websites.

Germany

In Germany, field trip research was conducted in DM (the largest drugstore chain in this country) and Bionaturel retail shop in 2018. Other retail prices were collected through online shops, catalogues and Amazon.de.

Table 16: Retail prices of organic lipstick in Germany, 2018 (€)	
Retail stores	Price
DM	5.45 - 6.25
BioNaturel	19.95 - 21.21
Online shops/websites	
Dr. Hauschka	16 - 19
Amazon.de	11.14 - 103.93
Source: Field trip and online research in Germany 2018	

US

In the US, organic lipstick is sold within the range of US$ 19.5 and US$ 23.5 per unit at Walmart (an American multinational retail corporation) The table below illustrates the retail prices of three popular organic lipstick brands in Walmart.

Table 17: Retail prices of organic lipstick in Walmart, 2018 (US$)	
Brand	Price
Zuii Organic Lipstick	35.81
Colorganics	20.5 - 181.61
Aisling Organic Cosmetics	26.35- 29.97
Source: Field trip research in Walmart 2018	

On Amazon.com (Amazon Inc., 2018a), the price is between US$ 24.99 and US$ 38 for organic lipstick. INIKA and Zuii Organic are two big organic lipstick brands on Amazon (Amazon Inc., 2018b). INIKA organic lipstick is from US$ 22 to US$ 29 while the price of Zuii Organic lipstick is US$ 27.5.

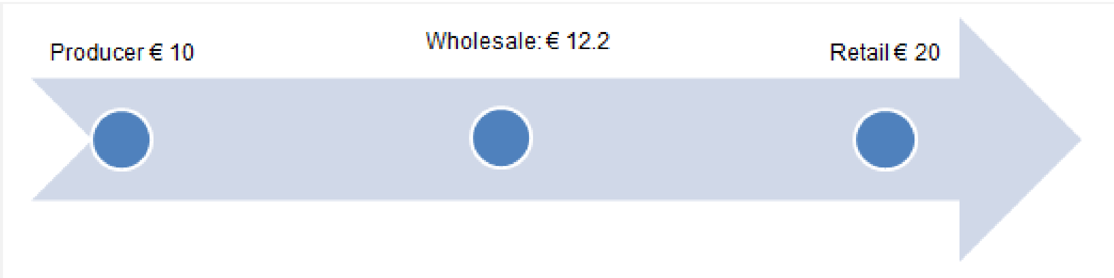
The data shows a significant difference in the retail price of organic lipstick in the two countries, with the prices in the US higher than those in Germany. Lipstick retailers aim at different target markets in each country which can explain this phenomenon. For example, DM stores in Germany sell low price organic lipstick as they target customers of low and middle incomes. This means, lipstick manufacturers for the German market do not spend much money on product presentation and appearance. On the other hand, prices in the US indicate that sellers focus on middle and high income classes. As a result, manufacturers spend more on attractive packaging, which increases costs and retail price.

Value chain

The value chain commences in purchasing inputs for lipstick production including packaging, accounting for 42.2% of total revenue. Wages account for 6.4% of total revenue (IBIS World, 2018). The price at producer level is estimated to be 50% of the retail price. Preliminary field research in Germany shows that wholesale price is approximately 61 % of the retail price. Efforts in the final step in the value chain such as marketing and sales contribute significantly to the value of lipstick, accounting for 23.9% (IBIS World, 2018).

The value chain of a medium price organic lipstick is estimated in the following graph:

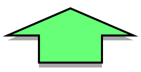
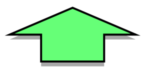
Figure 8: The value chain of organic lipstick 2018



Source: Own estimation in 2018

Comparison and outlook

The available data shows that retail price in the US is higher than in Germany. The market for organic lipstick in both countries is expected to be more attractive due to growing interest and demand for organic lipstick. Besides, there is a huge difference in price range of organic lipstick in both countries. Given relevant marketing strategies, companies can have price setting power. Furthermore, the diversity of price levels also opens opportunities for different companies aiming at different target markets.

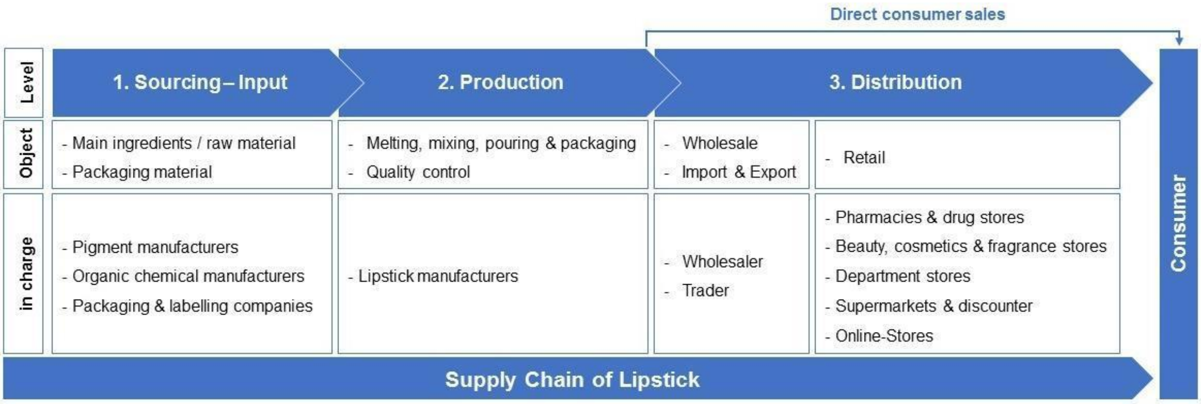
Market Prospect US		**Market Prospect Germany**	
	More attractive due to expected increases in price thanks to growing interest and demand for organic lipstick.		More attractive due to expected increases in price thanks to growing interest and demand for organic lipstick.

6. Distribution channels

Supply chain

The supply chain of lipstick comprises three main steps. After sourcing and testing of required ingredients, manufacturers produce lipsticks in a controlled environment and distribute the packed and labelled products nationally and internationally via wholesale/trader to retail (Advameg, n.d.; CE, n.d.). Manufacturers mainly source vegetable waxes from Brazil, oil from India, Ethiopia and Sudan and fruit pigments from China and the Netherlands (ITC, 2017).

Figure 9: Supply Chain of lipstick



Source: Own figure

The value added in sourcing and production is the highest (48.6%), followed by the valued added in marketing (part of distribution), which accounts for 23.9% of revenue.

Distribution

Transportation and storage
Depending on the distribution level, transportation of lipstick involves trucks, railcars, and cargo ship (FDA, 2007). Proper storage requires certain conditions, such as room temperature (15-25°C) (Advameg, n.d.), no direct sunlight (Alliance Healthcare Deutschland, 2016), and packaging for protection. Due to the ingredients, storage of cosmetics presupposes qualified distributors, for example regarding shelf life and disposal (ODW, 2014). Unlike in Germany, there are no US laws or regulations for specification of expiration dates or shelf life on lipstick labels (FDA, 2018; CE, 2016a).

Distribution chain

In both countries, the distribution of lipstick involves different retail channels. In Germany 42% of organic cosmetics are sold in drugstores and 22% in specialist/health shops (Dambacher 2018). According to an estimation of IBISWorld, in 2017 beauty supply stores and drugstores accounted for 29% of the lipstick revenue in the US.

Table 18: Distribution channels for natural cosmetics in Germany in 2017

	Germany
drugstores	42%
specialist/health shops	22%
pharmacies	9%
perfumeries	8%
online shops	6%

Source: Dambacher 2018

Table 19 shows that drugstores are the most popular retailer for organic cosmetics in Germany while customer preferences in the US are rather evenly distributed on several channels.

Table 19: Locations where consumers purchase organic beauty and personal care products in Germany and the US in 2017

	Germany	The US
drugstores	75%	39%
online shops	20%	23%
supermarkets	15%	38%
discounters	13%	19%
department stores	12%	40%
perfumeries	12%	N/A

Source: Statista 2017h; Statista 2017j

Direct consumer sales and own-branded stores are alternative distribution channels for lipstick manufacturers. For 2017, IBISWorld expects that direct sales accounted for 19% of the overall revenue in the US lipstick market. Furthermore, to maintain control of the brand, manufacturers may apply selective distribution (CE, 2016b).

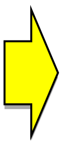
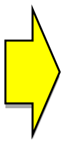
Competition in the supply chain

Since many mid-sized producers and small, niche players operate in the market, the lipstick manufacturing industry’s competition is high and market concentration is low. Due to the mature industry and highly undifferentiated products, price is significant for distribution via drugstores and mass-merchant retailers. Price is a less important competitive factor for manufacturers of high-quality products like organic lipsticks. In general, marketing and brand awareness are important factors for competing successfully. The variety of sales channels in combination with a multitude of participants in each channel leads to a highly competitive distribution chain (IBISWorld, 2018).

Comparison and outlook

Both the US and Germany are characterized by a strong competition within the lipstick supply chain. Production and marketing are the highest value-added parts. A multitude of manufacturers and retailers operate in both markets. Relating to customer shopping preferences, some differences between both countries are distinguishable. In Germany, drugstores are by far the most important sales channel. Department stores and supermarkets are of a high importance in the US while those retail channels play a minor role in the retail landscape of organic cosmetics in Germany.

In the future, more new technologies will be used to make the supply chain more flexible and efficient, such as RFID chips which serve as an electronic product label and provide reliable information about inventories (L’Oréal, 2017).

Market Prospect US		**Market Prospect Germany**	
	Overall neutral because there is decreasing attractiveness due to increasing rules and standards and high complexity; but increasing attractiveness due to strong and direct relationships with both consumers and producers		Overall neutral because there is decreasing attractiveness due to increasing rules and standards and high complexity; but increasing attractiveness due to strong and direct relationships with both consumers and producers

7. Commercial practices

Germany

Buyer or seller start contact usually by e-mail. Depending on the purchase volume, the buyer requests samples that are sometimes subject to charge. Once both agree on the terms, they sign a contract including the price, purchase quantity and quality, delivery terms (duration, day, and costs), payment processing, and liability. The international commercial terms serve as orientation. The typical payment period is a few days upon receipt, and the typical payment method is direct debit or invoice. In new trade relationships, the buyer randomly checks the received goods after delivery. The seller usually exchanges or refunds defective goods (IHK Nord Westfalen, 2018) (market participant A, 2018).

Typical means of transport for organic lipsticks are ship and truck as they are much cheaper compared to air traffic. When transporting, a moderate temperature and dry storage is important to avoid defects during transfer. According to the European Commission, one should keep the duration of transport short and sustainable (market participant A, 2018) (European Commission, 2018).

Before the first-time import of organic lipstick, the importer must ensure compliance with the legislation. It is advisable to carry out a product analysis by a food institute within the European Union (IHK Pfalz, 2018).

US

Depending on the company, buyer or seller start contact. In addition, it is customary to receive requests or offerings via e-mail. When the buyer and seller relationship is established, and terms have been accepted, contracts serve as the basis for continuance of the relationship. The contract should identify price and terms of completion such as date of delivery, quantity, and liability during transport. The most common payment methods are direct debit and invoice. The FDA and USCBP closely monitors imports. These organizations examine imported cosmetics at the time of entry into the US. Products that do not meet certain requirements will either be destroyed, brought up to code, or re-exported (FDA Authority, 2018).

Mode of transport varies between ship transport and air transport. Discrepancies between utilization between these two methods depends on the location of ports to ensure availability. In the event of transport via ship, exporters should make bookings two weeks in advance to ensure availability. Air transport is faster but also more expensive (Flexport, 2018). The two largest ports documented that receive organic cosmetics include Long Beach, CA and Los Angeles, CA (InfodriveIndia, 2018).

Comparison and outlook

The trading practices in Germany and the US differ in the current mode of transport and method of payment. Over many years, both trading practices have evolved and solidified among trading partners. It is unlikely that trading practices will fundamentally change in the future. However, small changes in trading practices are likely due to global trends such as digitization.

Market Prospect US		**Market Prospect Germany**	
→	Unchanged attractiveness due to solidified and stable commercial practices.	→	Unchanged as commercial practices are established and likely to remain the same.

8. Packaging and labeling

Packaging

Germany

According to the EU the following packaging guidelines apply to cosmetic products. Packaging

- should keep weight and volume of the packaging low to ensure a reasonable level of hygiene and customer acceptance
- should minimize the proportion of hazardous substances and materials in the packaging material
- should be reusable or recyclable
  (European Parliament and Council, 1994)

Usually, a packing solution considers all transport options. On average, the actual lipstick content is between three and five grams and often packed in plastic sleeves. For transport, the individual products are usually additionally packed in carton casings and then bundled in boxes with filling material for protection (market participant A, 2018; Parfümerie Douglas GmbH, 2018).

US

The FDA encourages manufacturers, packers, and distributors to take part in the Voluntary Cosmetic Registration Program to ensure compliance with labeling requirements (Export USA, 2018).

The FDA requires that packaging of cosmetics protects the product after leaving the factory against the following damage possibilities: mechanical, thermal, biological, chemical, radiation, malicious human tampering, electrical, and compression (DesJardin, 2016).

Labeling

Germany

Sellers can only distribute organic lipsticks in Germany if the product label contains the following information permanently, legibly, and visibly in German language:

- name and address of the responsible person for compliance with the obligations
- country of origin
- nominal content at the time of packing, expressed in weight or volume
- date of minimum durability and/or period after opening
- special precautions of use

- batch number of manufacturer or reference for identifying the product
- product function, if not clear from its presentation
- ingredients disclosure

If all information doesn’t fit the packaging, leaflets are an alternative. Sellers must consider further exceptions (Bundesministerium der Justiz und für Verbraucherschutz, 2014; Bundesamt für Verbraucherschutz und Lebensmittelsicherheit, 2018c; European Parliament and Council, 2009).

Organic lipsticks may also contain organic cosmetics certifications. The following figure shows two widespread and well-known certifications in Germany, namely BDIH and NaTrue (market participant A, 2018; Statista, 2017g). Exemplary criteria of these certificates are no animal tests and no artificial ingredients (Utopia GmbH, 2018a; Utopia GmbH 2018b).

Figure 10: Commonly used organic and natural cosmetics seals in Germany

Sources: (BDIH, 2018) (NATRUE, 2018)

US

Cosmetics sold in the US need to meet the labeling requirements under FD&C, the FP&L and the regulations published by the FDA (Making Cosmetics, 2018). The display panels should contain the following information.

The Principal Display Panel:

- identify the nature and use of the cosmetic product
- net quantity: measured by weight, measure, numerical count, or a combination
- §740.10 Warning: necessary if the safety of an ingredient is not clear

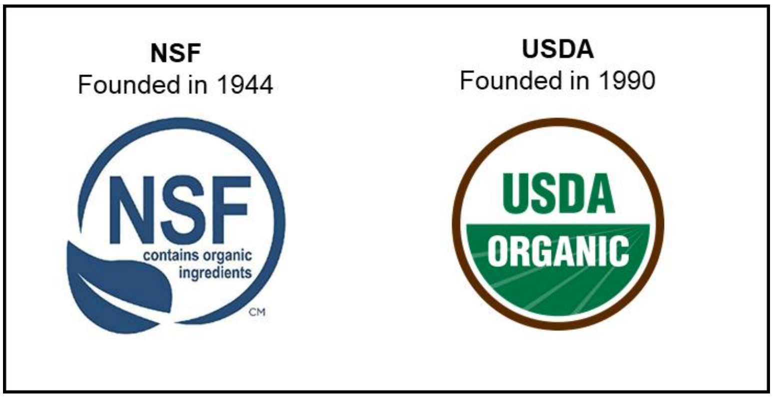
The Information Panel:

- name and place of business
- name of distributor

- intended use
- ingredient declaration
- international Nomenclature of Cosmetic Ingredients (INCI) name
- itemized ingredient listing in descending order of composition (Making Cosmetics, 2018)

The NSF and USDA grant organic certifications for lipstick. The following figure shows the labels for each organization available on the packaging (MakingCosmetics Organic, 2018).

Figure 11: Commonly used organic and natural cosmetics seals in the US



Source: NSF (2018), USDA (2018)

Comparison and outlook

Compared to the US, Germany outlines more specific packaging requirements. There is a voluntary cosmetic registration program in the USA. It is likely that companies tend to participate in this program as it may become mandatory in the future. The number of labeling requirements for both countries may increase as consumers become more conscious of the ingredients in the cosmetic products they use. An increase in requirements would lead to an increase in consumer protection and more transparency about ingredients and the manufacturing process.

Market Prospect US		**Market Prospect Germany**	
	Less attractive market due to expected increase in labeling requirements, which can be costly.		Less attractive market due to expected increase in labeling requirements, which can be costly.

9. Sales promotion

Trade fairs and magazines are the main channels for manufacturers, distributors, and other industry participants to promote organic lipstick.

Trade fairs, exhibitions, and conferences

In both countries, there are different trade fairs, exhibitions, and conferences for organic cosmetics. Besides the major events, there are smaller/regional fairs that address either organic products (including cosmetics) or cosmetics, which might be of interest for suppliers and buyers of organic lipstick (PRObusiness GmbH, 2018) (OTA, 2018) (Sima Media, 2018) (m+a, 2018).

Germany

Beauty Düsseldorf
International Cosmetics Trade Fair
Messe Düsseldorf GmbH
Messeplatz, Stockumer Kirchstraße 61
40474 Düsseldorf
www.beauty-duesseldorf.com/
Phone: +49 211 4560 01
info@messe-duesseldorf.de
About 68,000 visitors
631 exhibitors

COSMETICA
International Cosmetics Trade Fair
KOSMETIK international Messe GmbH
Stuttgart, Frankfurt, Hannover, Berlin (Germany)
www.cosmetica.de/
Phone: +49 722 5916 0
messe@cosmetica.de
In total about 50,000 visitors

Vivaness – into natural beauty
International Trade Fair for Natural and Organic Personal Care
NürnbergMesse GmbH
Messezentrum
90471 Nürnberg
www.vivaness.de/en
Phone: +49 911 8606 0
About 50,000 visitors
276 exhibitors

Natural Cosmetics Conference
naturkosmetik verlag lüdge GmbH & Co. KG
Berlin, 2018
www.naturkosmetik-branchenkongress.de/en/55.html
Phone: +49 644 1671 0022 4
kontakt@naturkosmetik-verlag.de

US

Natural Products Expo West
New Hope Network
Anaheim Convention Center
800 West Katella Avenue
Anaheim, CA 92802 USA
Phone: +1 303 390 1776
www.expowest.com
About 85,000 visitors
3,521 exhibitors

Natural Products Expo East
New Hope Network & Nurnberg Messe GmbH
Baltimore Convention Center
One West Pratt Street
Baltimore, MD 21201 USA
Phone: +1 303 390 1776
www.expoeast.com
About 29,000 visitors
About 1,500 exhibitors

Southern Women's Show
Southern Shows
Orange County Convention Center North Concourse, Hall B
9400 Universal Boulevard
Orlando, FL 32819 USA
Phone: +1 704 376 6594
southernshows.com
About 26,000 visitors
About 400 exhibitors

Trade magazines

Several trade magazines cover organic cosmetics and provide a platform for sales promotions.

Germany

BIOwelt
Convention Verlagsgesellschaft mbH
Luisenstraße 34
49074 Osnabrück
Phone: +49 541 5805 4447
vanbraak@conventionverlag.de
www.biowelt-online.de/

Euro Cosmetics - The international magazine for cosmetics and fragrances
Inter-Euro Medien GmbH
Eisenacher Str. 10
80804 München
Phone: +49 893 6037 427
info@eurocosmetics.de
www.eurocosmetics.de

"CosmeticBusiness" deals with B2B in the cosmetics supplying industry and provides an online platform for networking, trade and sales.
www.cosmetic-business.com/en/
Leipziger Messe GmbH
Messe-Allee 1
04356 Leipzig
Phone +49 341 6780
info@leipziger-messe.de

US

Global Cosmetic Industry
Allured Business Media
336 Gundersen Drive
Carol Stream, IL 60188
Phone: +1 630 653 2155
customerservice@gcimagazine.com
www.gcimagazine.com

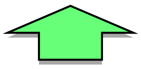
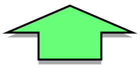
Organic Spa
Organic Spa Media Company, LTD
19537 Lake Road, Ste. 203

Rocky River, Ohio 44116
Phone: +440 331 5750
vadamich@organicspamagazine.com
www.organicspamagazine.com

Comparison and outlook

Unlike in the US, in Germany there is a multitude of smaller fairs for (organic) cosmetics. Furthermore, major cosmetic trade fairs in Germany mostly cover the subsector organic cosmetics while the ones in the US do not.

Trade fairs for organic cosmetics in Germany report an increasing interest in natural cosmetics and record attendances (BR, 2018; IDK, 2017; NürnbergMesse, 2017). For both countries, digitization and e-commerce play growing roles in sales (NürnbergMesse, 2018b). Some trade fairs provide digital features (NürnbergMesse, 2018a; UBM, 2018) and virtual marketplaces (Messe Berlin, 2018).

Market Prospect US		**Market Prospect Germany**	
	There is an increasingly attractive market because of several trade exhibitions and magazines to advertise organic lipstick products, with social media being the best promotion strategy.		Increasingly attractive due to rising interest at trade fairs and increase in sales promotion on social media.

10. Market prospects

Germany

The German market for lipstick and organic lipstick is growing and stays attractive. The consumption is expected to rise even if the expected consumption in chapter 2 shows a different trend and likely to continue growing in the coming years. With decreasing production in Germany, it is an attractive market for potential exporters.

Customers´ demand shifts from conventional to natural and organic lipstick due to health and sustainability issues. An increasing demand for these products is likely.

There is no sign that Germany will have stricter or looser standards and regulations in the future.

Only a slight price increase is observed, due to the strong competition between German retail chains. As the consumer in Germany is willing to pay only slightly higher prices for organic products, it can be assumed that this will not change in the near future.

Distribution channels in Germany have a strong focus on drugstore shopping. This makes it much more difficult for exporters to bring their products to Germany. They need to get shelf-space in drugstores and supermarkets to address most customers. Many mid-sized producers serve the market which leads to high competition. Exporters to this market must generate brand awareness and set a competitive price to attract customers.

It is unlikely that commercial practices are soon to change. Labeling and packaging requirements will remain stable, but customers will be more conscious about labeling of ingredients and seals.

As trade fairs have record attendances year after year, it is likely that this trend continues in the next years. Digital sales promotions will be more important in the next years which eases market entry for potential exporters to Germany.

US

The US market for organic lipstick is attractive. There is a growing market within the US due to a “health conscious” movement that promotes organic or natural cosmetics.

There has been an increase in trade with both growth in imports and exports This leads to a positive outlook for the coming years.

Tariffs for lipstick remain minimal. Standards are strict, and producers must meet these to enter the market.

While information could not be found for wholesale prices, retail prices state that organic lipstick comes at a high price. This may be problematic for consumers as they opt for cheaper lipsticks rather than the organic ones. Even with the growth of the market, the prices will likely remain the same.

There is strong competition within the lipstick market as the designated “organic” label does not specifically attract customers. There is also strong competition in the market as lipstick brands/products are easily substitutable. It is unlikely that this competition will decrease, and therefore leads the idea that the attractiveness will continue.

Trading procedures have stable structures within the US, and there is no need to diverge from this. There may be minimal changes as digitization continues to develop. Current development should remain the same as it is now. It is extremely unlikely that the FDA and USCBP will change their regulations regarding shipments of products.

A “health conscious” trend that is occurring within the country causes strong labeling guidelines for organic lipsticks. Consumers need to know all the chemicals within the product. Therefore, the need for labels and better sourced ingredients will probably rise.

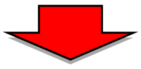
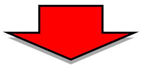
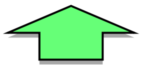
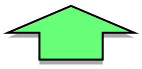
Digitalization and e-commerce are a growing promotional force within the organic lipstick market. Sales promotions are increasing their outreach using social media as an important communication channel. Due to this increase in outreach and electronic promotion strategies, the attractiveness of the market will grow as more companies get access to market their products.

Comparison and outlook

The US and German markets for organic lipstick are attractive. Regulations may get stronger because of the customer's awareness of ingredients. Sales need to be in physical stores which provide a hindrance to the marketplace. Overall outlook remains positive for both countries. In both countries there is an increasing demand for organic or natural products, and with that both countries can expect growth from imported goods. These trends are likely to continue, making both countries an attractive place to sell goods. Competition is high in both markets. Exporters need to penetrate markets with intense marketing activities and competitive prices. Interest of customers will rise prospectively.

Overall, the German and US market are very similar. Future development projects high sales potentials for potential exporters to these markets. Higher retail prices in the US market furthermore provide opportunities for high margins and profits.

Chapter	Market Prospect Summary US		Market Prospect Summary Germany	
2		Due to trade growth in lipstick preparations in both US imports and exports, market prospects are favorable; the overall trend of lipstick consumption shows growth.		Increasing Consumption and decreasing domestic production add up to growing imports.
3		Increasingly attractive due to increasing interest and demand for green and sustainable products from both consumers and companies		Increasingly attractive due to increasing interest and demand for green and sustainable products from both consumers and companies
4		Unchanged attractiveness caused by minimal tariffs but strict standards that must be adhered to regarding this market.		Unchanged due to estimated stable regulations.
5		More attractive due to expected increases in price thanks to growing interest and demand for organic lipstick.		More attractive due to expected increases in price thanks to growing interest and demand for organic lipstick.
6		Unattractive market due to strong competition within the supply chain and most of lipstick sales coming from brick and mortar stores.		Less attractive as stationary shops are urgently used for buying organic lipstick.
7		Unchanged attractiveness due to solidified and stable commercial practices.		Unchanged as commercial practices are established and likely to remain the same.

8		Less attractive market due to expected increase in labeling requirements, which can be costly.		Less attractive market due to expected increase in labeling requirements, which can be costly.
9		There is an increasingly attractive market because of several trade exhibitions and magazines to advertise organic lipstick products, with social media being the best promotion strategy.		Increasingly attractive due to rising interest at trade fairs and increase in sales promotion on social media.

Annex

Annex 1: Legal frameworks for cosmetics in Germany

Annex 1: Legal framwork for cosmetics in Germany	
Legal Norm	Content
Lebensmittel-, Bedarfsgegenstände und Futtermittelgesetzbuch (LFGB)	Prohibitions and authorization for protection the health and for protection against mislead
Verordnung über kosmetische Mittel (D-KosmetikV)	National rules e.g. for language, obligation to notify, labeling of not pre-packed cosmetics and sanctions
Verordnung (EG) Nr. 1223/2009 (EU-KosmetikV)	EU-wide valid regulation for cosmetics
Verordnung (EU) Nr. 655/2013	EU-wide regulation for criteria of advertising messages
Gesetz über Mess- und Eichwesen (EichG)	Regulation for nominal quantity
Verordnung über Fertigpackungen (FertigpackungsV)	Detailed regulations for finished packaging and labeling
Gefahrenstoffverordnung	Regulation for protection against dangerous resources that are relevant for cosmetic products
Verordnung über die innerstaatliche und grenzüberschreitende Beförderung gefährlicher Güter auf der Straße, mit Eisenbahnen und auf Binnengewässern (Gefahrgutverordnung Straße, Eisenbahn und Binnenschifffahrt - GGVSEB)	Regulation for shipping of resources and cosmetic products
Aerosolpackungsverordnung (13. ProdSV)	Regulation about safety regulations and labeling of aerosol packs over 50 ml
Verordnung (EG) Nr. 1272/2008	Regulation about classification, labeling and packing of mixtures
EU-Beschluss 96/335/EG	List of state authorities by state which are responsible for cosmetics

EU-Bekanntmachung 2004/C 278/03	List of state authorities by state which are responsible for cosmetics
Source: Bundesamt für Verbraucherschutz und Lebensmittelsicherheit, 2018a	

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https://www.trademap.org/Country_SelProduct.aspx?nvpm=1|||||1302|||4|1|1|2|1|1|2|1|1
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https://www.trademap.org/Country_SelProduct.aspx?nvpm=1|||||1207|||4|1|1|2|1|1|2|1|1
(retrieved: November 11, 2018)

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