

Vietnam's Cosmetics Industry: Current Situation, Opportunities, and Challenges for Domestic Producers in the New Context

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ABSTRACT

Vietnam's cosmetics industry, like the global cosmetics industry, is currently placed in a new context where people have paid more and more attention to health care and sustainable development. Previously, beauty was solely about aesthetics, but now, beauty must go hand-in-hand with health assurance. Although beauty products are non-toxic, they may still have negative effects on users' health if used for a long time because they contain a lot of chemical ingredients. Nowadays, people are inclined to use cosmetics which do not affect negatively people's health and can be used by pregnant and breastfeeding women. Therefore, natural cosmetics are increasingly being introduced in the market. The awareness of sustainable development in the cosmetics industry is shown in many studies on this issue by scientists worldwide, such as Tolnay, Koris, Magda (2018); Ambak, Irwan, Sulaiman, Suhaimi (2019); Amberg, Fogarassy (2019); Bom, Ribeiro, Marto (2020); Acerbi, Rocca, Fumagalli, and Taisch (2023). Sustainable development in the cosmetics industry can be understood as integrating cosmetic production and business with not only economic efficiency but also environmental protection and corporate social responsibility. To achieve this, the cosmetics industry needs to develop based on sustainable raw materials, environmentally friendly

production processes, and adherence to social ethical standards. Specifically, sustainable raw materials often come from nature, are renewable, and do not have negative effects on users; production processes need to minimize waste, save energy, and use recycled packaging; and ensure ethical and social responsibility standards by providing a safe working environment for workers and not testing on animals. In this context, it is clear that cosmetics manufacturers and businesses need to focus not only on traditional criteria for evaluating cosmetics quality but also on broader issues. This presents both opportunities and challenges for Vietnamese cosmetics enterprises developing in the new context.

Keywords: Cosmetics industry, sustainable development, natural cosmetics

I. CURRENT SITUATION OF VIETNAM'S COSMETICS INDUSTRY

According to Statista, the revenue of Vietnam's cosmetics market for the four main categories, including products for eyes, lips, face, and nails, grew at an average annual rate of 3.57% in the period 2018-2023 and is projected to grow at an average annual rate of 3.12% in the period 2024-2028.

Table 1: Revenue of Vietnam's Cosmetics Market 2018-2028 by Cosmetic Type (in million USD)

Type	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	CAGR (18-23)	CAGR (24-28)
Eyes	128.86	136.4	131.25	134.56	148.38	160.39	165.67	170.72	175.51	181.91	188.03	4.47%	3.22%
Lip	103.19	108.68	56.74	65.21	97.52	120.89	125.21	129.27	133.12	141.58	143.64	3.22%	3.49%
Face	95.62	99.89	71.13	80.95	102.71	115.9	120.26	124.79	129.51	136.34	138.15	3.92%	3.53%
Nails	67.93	69.6	65.05	64.99	70.03	74.16	75.21	76.24	77.25	78.72	80.05	1.77%	1.57%
Total	395.6	414.57	324.17	345.71	418.64	471.34	486.35	501.02	515.39	538.55	549.87	3.57%	3.12%

Source: Statista

Among the product categories, eye products have the highest share and recorded the highest annual growth rate during 2018-2023. Notably, the natural

cosmetics segment has seen strong growth, with an average annual growth rate higher than the overall four main categories mentioned above.

Table 2: Revenue of Natural Cosmetics Segment in Vietnam 2018-2028 (in million USD)

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	CAGR (18-23)	CAGR (24-28)
Natural cosmetics	45.46	47.64	51.79	53.55	54.4	57.55	59.86	62.26	64.75	67.39	69.59	4.83%	3.84%

Source: Statista

If considering the overall cosmetics market, including other products like hair care, body care, etc., according to Euro Monitor International, the size of Vietnam's cosmetics market in 2021 was \$2.7 billion and is forecasted to increase to \$3.5 billion by 2026.

According to Euro Monitor International, the global cosmetics market value in 2022 exceeded \$500 billion. According to Grand View Research, the global men's cosmetics market value was about \$30.8 billion in 2022, equivalent to 6.2% of the global cosmetics market. Grand View Research also forecasts the average annual growth rate of the men's cosmetics market from 2022-2030 to be 9.1% per year. This shows that men are increasingly paying attention to beauty – a field previously considered exclusive to women. Meanwhile, in Vietnam, according to Mintel's market research report, the men's cosmetics market accounted for about \$30 million out of the total cosmetics market value of \$2.3 billion in 2022, equivalent to 1.3%.

Currently, the cosmetics market share in Vietnam still mainly belongs to foreign brands, with 90% of Vietnamese cosmetics businesses being distributors for foreign brands and only 10% of businesses being local brands. Prominent local enterprises include Thái Dương, Thorakao, Miss Sài Gòn, Cocoon, Cômêm. However, these local brands only have small corners and/or shared places in shopping centers to present their products. In contrast, major foreign names like Lancome, Shiseido, Estee Lauder, Dior have their own large and luxurious counters.

In general, Vietnam's cosmetics industry is still young with small-scale enterprises, outdated machinery, and especially insufficient investment in research and development, partly due to weak financial capacity and partly due to a lack of

specialists in this field. It is also noticeable that many small domestic cosmetics brands do not have their own factories but outsource products at specialized manufacturing factories, then import and brand them. This makes it difficult for local brands to control the supply chain and ensure product quality.

II. OPPORTUNITIES FOR VIETNAMESE COSMETICS PRODUCERS IN THE NEW CONTEXT

Globally, the cosmetics market's growth rate is expected to be higher than the rates of other consumer segments such as clothing, footwear, food and beverages. Vietnam's cosmetics market is believed to have enormous potentials for development. This comes from factors like population, income, and consumer preferences.

Regarding population, as of 2023, Vietnam's population is 100.3 million, with women accounting for 50.1%, and the population group aged 15-59 making up 62.2%. The urbanization rate in Vietnam is also progressing rapidly, with the migration of population from rural to urban areas. In 2023, Vietnam's urban population rate is 38.1%. These can be considered good indicators for the development of the cosmetics market in Vietnam, where the main customers are urban women aged 15-59.

In the period 2018-2023, Vietnam's total income and per capita income grew at an average annual rate of 7.33% and 6.10%, respectively. These rates are predicted to be higher in the period 2024-2028. This promises the growth of consumer goods in general and the cosmetics industry in particular.

Table 3: Total GDP and GDP per capita of Vietnam in the period 2018-2028

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	CAGR (18-23)	CAGR (24-28)
GDP (bil USD)	304.5	331.8	346.3	370.1	408.0	433.7	465.8	505.5	546.5	589.9	635.7	7.33%	8.08%
GDP per capita (USD/person)	3216.3	3439.1	3548.9	3756.9	4101.7	4324.1	4622.5	4977.1	5339.9	5722.0	6123.1	6.10%	7.28%

Source: Statista

Consumer preference has been changing, this suggests some directions for local businesses to follow.

First of all, local businesses can focus on development of vegan cosmetics. According to the European Vegetarian Union, vegan cosmetics are products free from any animal-derived ingredients and not tested on animals at any stage of research and production. This means avoiding ingredients like beeswax and collagen. Vegan

products ensure no harm to animals during production and human consumption. Manufacturers should consider obtaining vegan certifications to gain a competitive edge. Some reputable vegan certifications include:

Vegan Certification by the Global Vegan Union



Vegan Action Certification (USA)



Vegan Australia Certification



VegeCert Certification (Canada)



Vietnam has an advantage in producing natural cosmetics due to its abundant natural materials for cosmetics production. As a developing country with a tropical climate, Vietnam has various plants and herbs suitable for cosmetic production at reasonable prices. Some plentiful ingredients include oranges, lemons, aloe vera, bananas, cucumbers, green tea, coconuts, and coffee. These can be used in skincare, haircare, body care, and makeup products, making this way a feasible direction for Vietnamese cosmetic companies.

Secondly, introducing cosmetics for men may be considered a prospective strategy. As analyzed in the current situation section, the male cosmetics market in Vietnam holds significant potential. Male cosmetics differ notably from female cosmetics, such as men's preference for products that appear as if they're not using any. Notably, Vietnamese men are heavily influenced by Korean culture through films, music, and beauty trends, making the adoption of Korean men's beauty trends understandable. Companies can learn from Korean brands and conduct thorough research on local customer psychology and product desires.

III. CHALLENGES FOR VIETNAMESE COSMETICS PRODUCERS IN THE NEW CONTEXT AND SUGGESTED SOLUTIONS

Going along with the opportunities, challenges also occurs clearly for local producers including the choice of distribution channel, competition with foreign big brands, and investment in research and development. Established brands with strong financial backing already have large, attractively designed stores. New brands or those with limited finances will struggle to attract customer attention and build their image. E-commerce can be a solution as young people increasingly prefer online shopping for its time-saving benefits. However, the downside is that customers cannot experience the products beforehand, and there is a risk of counterfeit goods infiltrating the distribution channels. Companies might consider organizing experience days, limiting online sales to official websites or authorized platforms, and offering selective discounts to attract first-time customers. Regarding competition with established brands, new brands need distinctive features to penetrate the market. Competing on price can be an initial strategy, accepting thin margins, breaking even, or even controlled losses to gain market access. However, long-standing brands typically have the

financial strength to win price wars. Local companies should focus on service quality and their understanding of the local market, offering services like skincare gift cards and beauty consultations.

Research and Development (R&D) is always an important part of any company which wants to reach long-lasting success. However, R&D is a significant challenge for Vietnamese cosmetic companies because the local industry lags far behind globally. There is a shortage of both financial resources and experts in this field. Initially, hiring foreign experts and purchasing patents can be short-term solutions. In long-term, companies should collaborate with educational institutions to train appropriate human resources and invest in factories and research centers. This requires time, effort, and money but will provide future advantages for Vietnamese cosmetic companies.

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