

# Cosmetics Business in India – Current Status & Challenges

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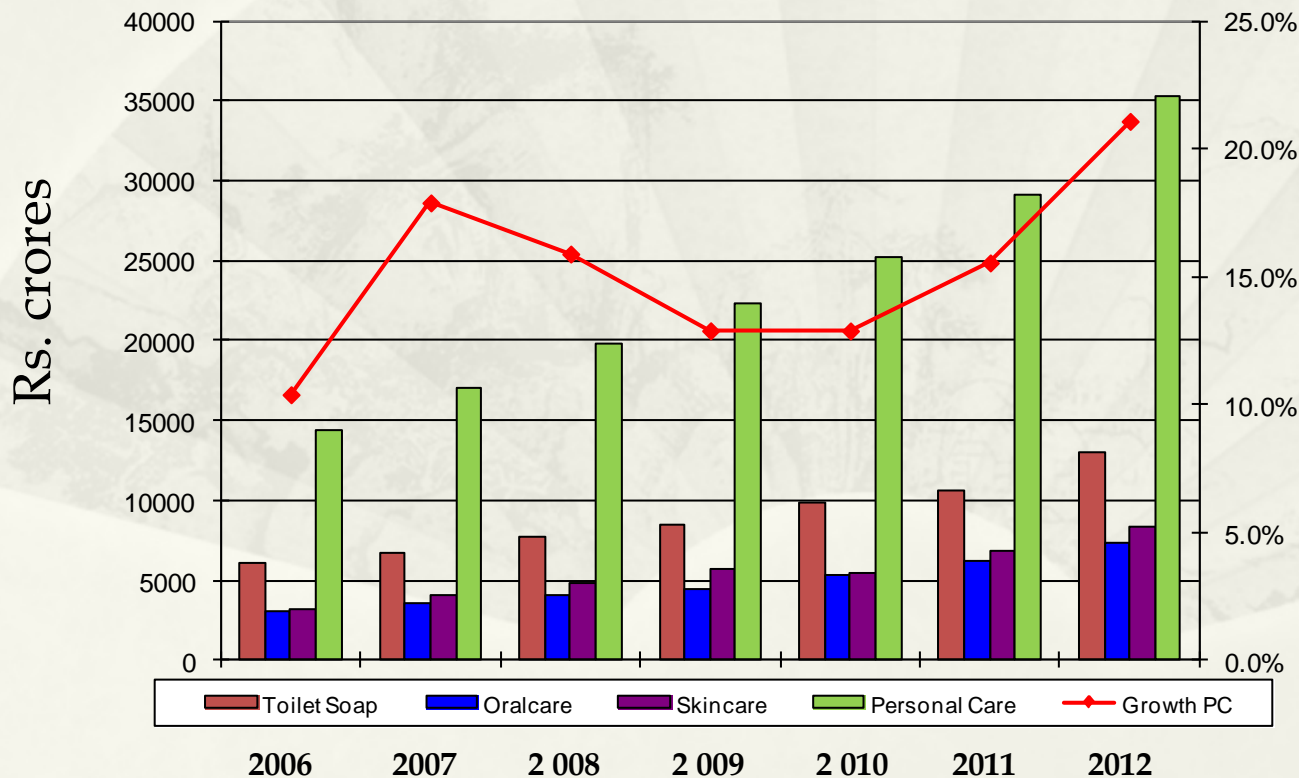
Industry Viewpoint

Indian Beauty & Hygiene Association



# Indian Cosmetics Industry – Market Growth

- Cosmetics in India is roughly a €5 billion industry
- CAGR from 2005 to 2012 is ~ 15%



Source : AC Nielsen

# Indian Cosmetics Industry - Drivers

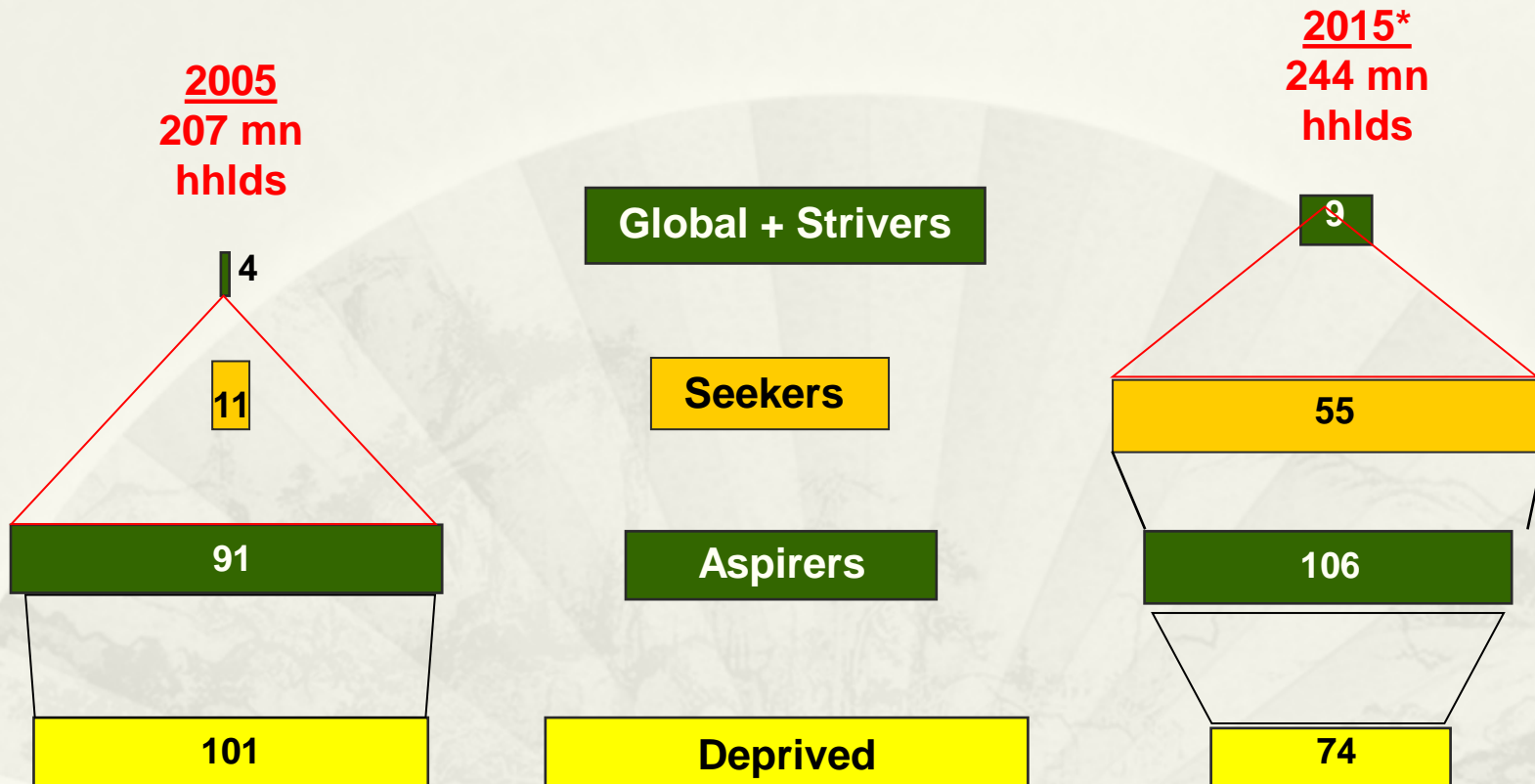
- Innovation and new launches are driving the growth
- Rapid innovation rate & new technology development

<b>Category</b>	<b>No. of Brands 2007</b>	<b>No. of Brands 2009</b>	<b>No. of Brands 2010</b>
Toilet Soap	342	1004	1452
Shampoo	139	275	622
Liquid Soap (including Hand wash)	35	105	161
Skin Creams	559	1532	2894
Deodorants	56	195	498
Hair conditioners	32	56	74
Lipsticks	193	282	328
Toothpaste	215	307	383

# Indian Cosmetics Industry - Drivers

- Rising hygiene & beauty consciousness
  - Changing lifestyles
  - Demographics (Men emerging as strong buyers)
- Improved purchasing power
- Media exposure
- Influence of movies on importance of looking & feeling good
- Improved literacy rates
- Increased awareness amongst consumers

# Indian Cosmetics Industry - Consumer



Top end consumers base will more than double.

# Indian Cosmetics Industry - Consumer

- Is very aware & constantly updated about cosmetic trends
  - ✓ satellite television
  - ✓ internet
- Has experienced premium products from abroad (top end consumer)
- Has mounting aspirations
- Extremely quality conscious (quality post use is the main driver for repeat purchase\*)
  - ✓ this is seen more & more in rural India
- Strongly articulates needs
- Has choices



# Context

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- Cosmetics industry is dynamic & has a very high growth rate
- The rate of innovation is very fast and for some cosmetics, shelf life is ~ 6 months as fashion trends change quickly
- Indian consumer is quite evolved
  - ✓ Increased awareness of beauty trends and premium products
  - ✓ Quality conscious
  - ✓ Has aspirations and looks for products suited to her/him
  - ✓ Increased purchasing power
- Industry needs fast turnaround to offer new & exciting experience to meet the aspirations & needs of consumer

*Need a regulatory framework that will enable innovations to reach consumers fast, thus meeting their needs/aspirations whilst ensuring their safety.*

# Cosmetics - Current Regulatory Scenario

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- Drugs & Cosmetics Act & Rules (principal Act) & other Acts/Rules such as Legal Metrology etc.
- Pre-manufacturing License for cosmetic product by State FDA – **Lead time for approval up to 3 months**
  - No illustrative list of cosmetic categories
- Import registration at Central FDA (from April 1, 2013) – **Lead time for approval up to 6 months**
- Product safety & quality regulated by BIS standards
- Label declarations governed by DCAR, BIS & Legal Metrology



# Regulatory Challenges

- Multiple and complex regulations under different bodies
  - ✓ cosmetic labelling requirements: regulated under different regulations leading to overlap and sometimes are contradictory
  - ✓ alcohol based cosmetics - denaturant specifications although centrally finalised by BIS is not recognized by state excise for local manufacture but is recognized for imports
  - ✓ Mfg date or import date (Legal Metrology vs. BIS)
- Indian cosmetic definition is narrow & restrictive
  - ✓ the narrow definition does not consider the secondary function of the product & can classify a product as a drug, e.g. germ protection claims
  - ✓ definition of manufacture includes all kind of packaging / repackaging of cosmetics (very common for running consumer promotions)
    - ✓ requires a manufacturing license (clarity is lacking) and takes time

# Regulatory Challenges

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- Lack of implementation guidelines of the DCAR for cosmetics
  - ✓ Non uniform licensing approvals across various States
  - ✓ Inconsistent approach in interpretation of a particular issue
  - ✓ Inconsistent approach on cosmetics with naturals/herbal ingredients - confusion between Proprietary ASU products/herbal cosmetics
- Lack of clarity on approval procedures and no committed timelines for approval
  - ✓ Even within one state ambiguity on approval process
  - ✓ Product approval gets delayed
  - ✓ Uncertainty in launch plan

# Regulatory Challenges

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## ➤ No illustrative lists of cosmetics

- ✓ difference in interpretation between licensing authorities on product classification

- ✓ delaying the process of product licensing and product trade cycle

- ✓ Product licensed from one state challenged in another state

## ➤ Pace of BIS Standards development/revision is not in line with technological progress

- ✓ faster mechanism to amend the standard to keep pace with newer technology

# Regulatory Challenges

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- Specific Indian labelling requirements complicates import of cosmetics
  - ✓ Batch number declaration preceded by B
  - ✓ Mfg. Lic. No. declaration preceded by M
  - ✓ Use before vs. Best before
  - ✓ BIS labelling requirements such as product generic name
- Cosmetics regulations should not be treated as Drug regulations
  - ✓ Cosmetics are very different from drugs

# Perspective

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- Number of challenges in current regulations that
  - ✓ lead to delay in product launch
  - ✓ lead to increased cost
  - ✓ inability to launch certain new technology/product
- Need to simplify the regulatory framework for cosmetics in order to deliver better and faster innovations to consumers
- Need to address the growing issue of spurious products and counterfeits
- Indian cosmetic industry is mature and responsible to ensure safety & quality of its products
- Industry can take up joint responsibility with the Regulator for cosmetics regulation in India



# Proposal – Short Term

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- Simplify the cosmetic regulations. One single regulation to cover cosmetics and, separate it from that for drugs
- Guidelines for uniform interpretation of regulations and their implementation across the country – **license issued by one state to be accepted by all states**
- Make BIS product standards voluntary. BIS standards to focus on safety and analytical methods
- Quality compliance through effective implementation of GMP and yearly audits



# Proposal – Long Term

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- Shift from licensing to notification (in trend with international regulations)
- Simple procedural requirement to encourage innovation and product development
- Product supported by manufacturer's quality and BIS safety standards –  
Onus is on manufacturer to provide safe & quality products
- Regulatory focus only on safety of product thru post market surveillance
- Provide clear guidelines and cosmetic categories to remove any ambiguity
- Follow Good Regulatory Practice Concept – assist in meeting international obligations under WTO Agreement

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# Benefit to Indian Consumers

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- Opportunity to experience the best of Personal Care
- With faster innovation, they would get access to customized solutions suited for our country
- Ability of local players to leverage on our own heritage (like Herbals, etc) and offer competitive solutions
- Faster innovation would also mean less gestation costs and hence products available at cheaper price
- The entry barrier of these categories would come down (in terms of time & hence cost) – this would lead to improved products at competitive prices

# Benefit to Government

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- Streamlining of multiple regulations for cosmetics
- Use of voluntary standards rather than mandatory technical regulations could reduce the regulatory burden & open-up markets
- Efficient deployment of resource to target compliance through post market surveillance
- More resource on hand to target spurious and counterfeit products
- Industry takes shared responsibility
- Alignment with international regulations can give greater competitive edge in expanding the economy

# Goal

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*Industry and Regulators to work together on cosmetic regulatory reforms to achieve the common goal of delivering quality & safe products to meet consumer needs & aspirations*

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# Acknowledgement

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*IBHA Technical Committee*

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THANK YOU

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