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Market potential for Ghanaian cosmetic products

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Table of Contents

Summary	1
Definitions and Categories	3
Ecommerce- Web site sales.....	6
African e-commerce sites	7
Influencers/ Bloggers, Using Personalities to Sell Brands	8
Labelling your Product.....	8
Labelling of Natural and Organic Cosmetics	9
Beauty without Cruelty: The Growth of Vegan Cosmetics.....	10
Labelling Problems.....	11
Clean Products and Green Products	11
Branding and Packaging of Natural and Organic Cosmetics	12
New Trends in Ingredient Sourcing.....	13
Market Segmentation – By product group	14
Market Segmentation – By generation	14
Global Market for All Cosmetics	16
Regional Trends.....	17
Asia.....	19
The European Market.....	20
Natural & Organic Global Market.....	22
Summary: Global Market for Natural and Organic Cosmetics	23
European Natural and Organic Market.....	25
The U.S Market	27
Middle East Market	28
The trend for Halal Cosmetics.....	29
The African Market	29
Key Marketing Concepts and Trends in 2020.....	32
Black Women in the Cosmetic Businesses: A Fast-Growing Movement and Market.....	34
Examples of Diaspora Cosmetic Ranges.....	35
How to Compete with the Diaspora Brands	37
Some Recommendations	39
Contract manufacturing – the most common way forward	41
Annex 1: Business Growth Paths	43
Annex 2: A Road Map to Success	45
Annex 3: Cosmetics Glossary A-Z of Technical Terms.....	50
Annex 4: Potentially Harmful Ingredients.....	52

Annex 5: Fragrance Ingredients Considered as Potentially Allergenic.....	55
Annex 6: Outline Questionnaire.....	56
Annex 7: International Standards Organisation No 16128 Natural and Organic Cosmetics.....	57
Annex 8: EU suppliers of natural cosmetic ingredients	58
Annex 9: Important Trade Fairs for of Natural Cosmetics.....	59

Summary

While there is undoubtedly great potential to develop a professional cosmetic industry in Ghana as the country has some talented formulators, experienced entrepreneurs, and a range of potentially interesting raw materials there is still much to be done to convert this potential into a viable sustainable industry.

Some of the key issues that need to be addressed are listed below:

- 1) Although the Association of Ghanaian Industries has recently set up a committee to help the cosmetic sector there is as yet no stand-alone organisation dedicated to promoting the Ghanaian cosmetic and beauty care industry. All the local companies interviewed indicated that the formation of a cluster or specialist private sector organisation to deal with regulatory, training, market, and promotion of Ghanaian cosmetics and beauty care products was urgently needed.
- 2) While there are some talented and creative people making cosmetics in Ghana the lack of skills training and professionals in cosmetic science is apparent. Without a cadre of trained technicians and scientists in the field of cosmetics and ingredient formulation production, the industry will remain as a village artisanal sector only
- 3) Coupled with the lack of trained personnel is the lack of specialised inputs, which included manufacturing equipment, packaging, and specialist ingredients such as preservatives and stabilisers. Anyone trying to make products to international standards has to import all such specialist ingredients
- 4) Most people interviewed revealed that locally made packaging and labelling materials were not of international quality and hence was a barrier to exporters. Buying packaging from Asia requires large orders, which most SME companies cannot afford. Improving the quality of local packaging particularly recyclable packaging was considered an urgent priority. Collective bulk buying of packaging from abroad by a cluster or group should also be explored.
- 5) There are few laboratories in Ghana specialised in the analysis of cosmetic ingredients. FDA, CSIR, and GSA have good labs in Accra but their expertise in perfumes and cosmetics is somewhat limited. There is a need to enhance the competencies of the existing laboratories and to explore new opportunities with other laboratories to facilitate the testing of cosmetic products at the local level and also to strengthen the cooperation between producers and local laboratories to ensure that products are in line with market requirements.
- 6) While many of the raw materials come from the north of Ghana the number of training, R&D and laboratory facilities in this region specialised in natural products that are limited in this region.
- 7) The US and EU cosmetic industry has grown very largely because of specialisation where **R&D/ formulation** is done by a separate set of people than those who **manufacture** the product and those who **package/promote and market** the product. This does not exist in Ghana. Everyone tries to do every step themselves

- 8) The lack of **contract manufacturing facilities** (Companies that custom makes product formulations for several clients but who don't have their brands) makes it difficult for companies to grow rapidly. Without contract manufacturers, scaling up of production is extremely difficult. (Such firms make 90% of EU cosmetics).
- 9) Branding, promotion, and design. The cosmetic industry is very visual good branding, advertising, and package design is expected if the products are to be sold on the international market. Very few colleges in Ghana offer courses in graphic and industrial design.
- 10) The industry is still very dependent on one ingredient namely Shea butter. This is not enough to make a full cosmetic line. It is not as if Ghana does not have other potentially interesting natural cosmetic ingredients but most informants said they were very difficult to get locally and often it was cheaper to import them. Developing a proper cosmetic ingredient sector is a prerequisite for a thriving cosmetic industry.
- 11) Ironically the main competition for existing Ghanaian cosmetic producers who are trying to enter the international market is not big US or European beauty companies but SME Diaspora firms in New York, Toronto, Atlanta, London and Paris who are making very similar products but without all the constraints suffered by local firms. To overcome this threat will not be easy. Two possible solutions are:
 - To set up joint ventures with such Diaspora firms;
 - To encourage such Diaspora firms to manufacture in Ghana.
- 12) The spa and wellness industry can help pull the cosmetic industry forward as it does in South Africa and to a lesser extent Nigeria. In Ghana, this sector is, however, still small and underdeveloped

Definitions and Categories

The EU defines a cosmetic as follows

“A cosmetic ingredient” means any substance or mixture intended to be placed in contact with the external parts of the human body (epidermis, hair system, nails, lips and external genital organs) or with the teeth and mucous membranes of the oral cavity to exclusively or mainly to cleaning them, perfuming them, changing their appearance, protecting them, keeping them in good condition or correcting body odours (EU Regulation 1223/2009, Article 2.1a)

Types of Cosmetic Product

Based on the definition listed above there are a huge number of consumer products that can be classified as cosmetics. Some of the key ones are listed below:

creams, emulsions, lotions, gels and oils face masks, tinted bases make-up powders, after-bath powders, hygienic powders, toilet soaps, deodorant soaps, perfumes, toilet waters and Cologne, bath and shower preparations depilatories, deodorants and antiperspirants, hair colorants, products for waving, straightening and fixing hair, hair-setting products,	deodorants and antiperspirants, hair colorants, creams, emulsions, lotions, gels and oils face masks, tinted bases make-up powders, after-bath powders, hygienic powders, toilet soaps, deodorant soaps, perfumes, toilet waters and Cologne, bath and shower preparations depilatories, products for waving, straighteners/fixers hair-setting product
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Market Segments

The cosmetic market is normally divided into 4-5 main segments:

- 1) **Skin Care/ Sun care/** In almost every country this is the largest category and includes hand creams, body lotions, and a vast array of sun protection and tanning products. Some of the most complex and sophisticated cosmetics are in the sun care area where science and regulatory control is strong;
- 2) **Facial/Eye Care:** Often the most sophisticated, complex, and expensive cosmetic categories. This sector is where there tends to be strong brand loyalty. Efficacy of the product is also considered critical;
- 3) **Hair Care:** This includes shampoo, conditioners, hair sprays, hair dyes, and a host of hair accessories (straighteners, wrinklers). This is a very important segment in West Africa;
- 4) **Toiletries:** This will include all types of fragrance products include perfumes, deodorants. Men's grooming products. Tooth and oral care are often included in this category;
- 5) **Colour Cosmetics:** Makeup, Nail care, lip care includes lipsticks, mascara is a demarked (Please note this category where synthetic raw materials still dominate).

Types of Marketing Channels

Today there are at least 5 or 6 different marketing channels to choose from. Furthermore, the closure of most retail stores worldwide due to COVID 19 has resulted in a major rethink both from the buyer and sellers as to where one should best buy one's cosmetics. We expect hence to see major shifts in the coming months /years in this respect. The 2018 Cosmetic Europe study of market outlets (see below) revealed the following.

That within Europe the drug store/pharmacy still is the main outlet (57%) followed by supermarkets/hypermarkets (36%). On line sales in 2018 only represented 10% of sales.

Cosmetic sales in Europe by outlet

Supermarket / hypermarket	<36%
Pharmacy / drug store	<57%
Department store	<15%
Direct selling	<5%
Specialist cosmetics store perfumery	<26%
Hairdressing and beauty salon	<8%
Online	<10%

Source: Cosmetic Europe 2019.

N.B Post COVID we will see online sales increasing greatly while retail will drop to perhaps < 5%. Whether this is a temporary or long term trend is difficult to assess at this moment.

Retail Chains

Retailers like Sephora and Ulta have blurred the lines between prestige and “masstige,” (mass market) but a deluge of alternative retailers have been aggressively expanding into beauty retail to cash in on the sector’s high margins and low barrier to entry.

Drug store chains like Boots, Superdrug, Douglas (Germany) have a very powerful influence on the retail market.

Pharmacy/Drug Store chains

Pharmacies/para pharmacies and Drug Stores dominate the sales of cosmetics in Europe. Most of these are now chains rather than independent retailers. In UK Boots dominates the market followed by Lloyds Pharmacies and Superdrug. In Germany, Douglas is a perfumery/cosmetic store chain found in every high street. In Italy and France, the independent stores are more prevalent. In Italy, the “Erboristeria” or herbal shops sell natural and organic cosmetics alongside herbal remedies and health foods.

Supermarkets/hypermarkets

Supermarket chains like Walmart/Asda, Tesco, Aldi, Lidl, Carrefour, and Auchan exert a huge influence on the market for most consumer goods. All the “masstige brands” are now found in these stores. High-end cosmetics are not generally available in such supermarkets as they deliberately steer away from selling in these type of shops.

Department Stores and Duty-Free Shops

Formerly big Department stores like Macy's, Bloomingdales, Harrods, Harvey Nichols, Printemps, Galerie Lafayette, were the only places you could buy prestige brands. They still play an important role in the premium luxury market and to launch new Indie brands. It has to be noted that they do no longer have a virtual monopoly on good quality products.

The Duty-Free market is very important but dominated by the big multinationals. It has been badly affected by COVID 19. Duty-free sales in Ghana and other West African countries is a possible entry point for top-grade Ghanaian producers. In other regions, ownership of Duty-Free shopping zones by large corporations makes them a very difficult and expensive market for Indie brands.

Apparel/Fashion retailers

Fashion retailers are capitalizing on beauty to complement their existing offerings and directly compete with beauty retailers like Sephora. Companies such as Anthropologie, Urban Outfitters, Madewell, and others have forayed into beauty offerings to enhance their stores. By catering to millennial and Gen Z beauty shoppers, these retailers have begun chipping away at traditional beauty retailers’ market share.

Gyms, Spas, Barbers, and Hairdressers

Another closely related to apparel sales of cosmetics is the sale of both cosmetics and perfumes in men’s barbershops, in gyms and day spas, etc. all make retail service centres. Sales of cosmetics in women’s hair salons or nail bars are also growing. The same can be said for the retail shops attached to everything from Yoga studios, Gyms, and spa and wellness centres of all shapes and sizes

Professional Spa and Wellness Market

The vast majority of cosmetics manufactured in Africa and in Ghana are dedicated to retail sales and yet the professional market for beauty products in the spa and wellness industry is growing very fast. Normally products sold to both day spas, beauty parlours and resort spa and wellness centres have a specific therapeutic function to them and are packed in large convenient containers. Only a few South African companies like Environ offer a range of professional products suitable for the international spa and wellness sector. <https://www.environskincare.com/>

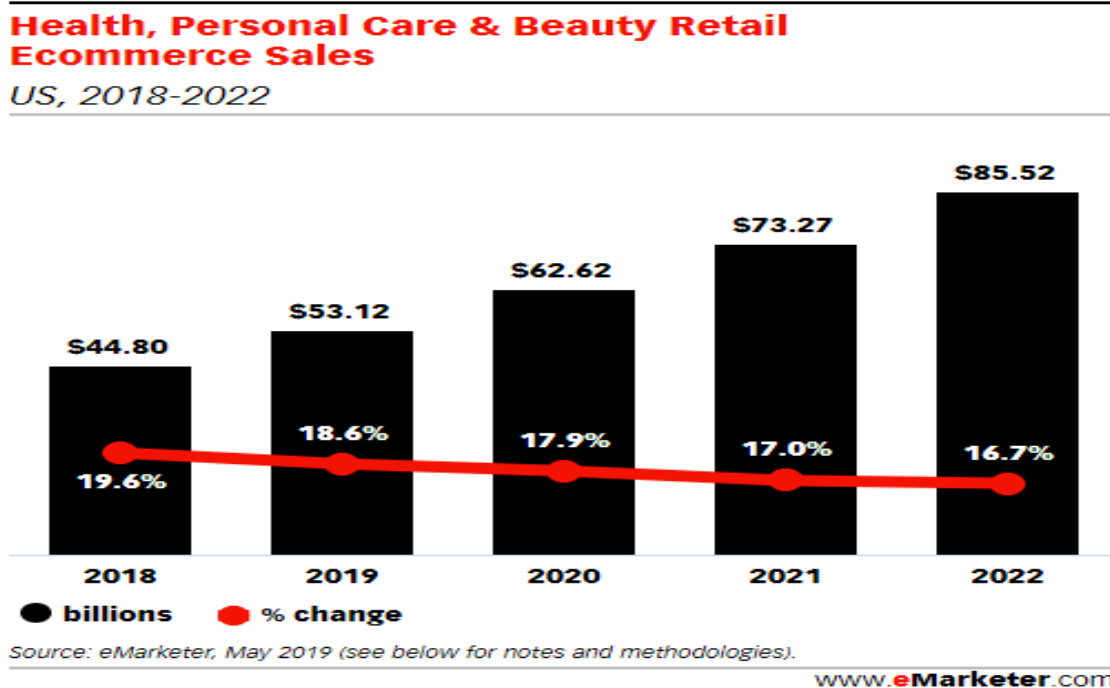
The African Spa and Wellness Association (www.swafrica.org)

Is actively encouraging more African companies to serve this growing industry. No one in Ghana (as far as we are aware) serves this sector although one or two firms in Nigeria are beginning to make moves in this direction to serve the rapidly growing Nigerian spa and wellness industry. Environ in South Africa is one of the only African professional spa brands.

The global market leaders in this field are companies like Elemis, Decleor, ESPA, Eminence, Clarins. ESPA even makes an African range of professional products as well as room amenities exclusively for a South African hotel chain. while the **B|Africa** line of body-care and skin-care products blends native African plant extracts and ingredients, including oil from the baobab tree, marula oil, avocado butter, honey, rooibos, Mongongo nut, Ximenia kernel oil, and West Coast Atlantic sea salts.

Ecommerce- Web site sales

A recent study in the US indicated that even before COVID 19 that internet sales of personal care and beauty products were rising very fast reaching more than \$60 billion by 2020.



As distribution networks expand and improve so internet sales will grow with companies using drones, bikes, and even self-propelled vans to sell products. While online selling is certainly the best way to sell a well-established brand with a major online presence it is NOT usually the best place to launch a new brand as such new brands are swamped by the sheer volume of global offerings of similar products as yours.

African e-commerce sites

African online cosmetic shops are growing in number and popularity and this trend will have accelerated due to COVID 19. Some of the more interesting African online cosmetic shops include the following:

<https://tonaton.com/>

<https://jiji.com.gh>

<https://www.jumia.com.gh>

<https://www.zoobashop.com/sell-on-zooba/>

Amazon /eBay

Over the last couple of years, Amazon has been aggressively pushing into beauty e-commerce. It launched its Indie Beauty Shop in 2018, set up a joint venture with Lady Gaga, and has now expanded and revamped its beauty store that during COVID 19 has made enormous market penetration. This is an important opportunity for good quality Ghanaian producer. The costs of entering this market have grown sharply as has competition for space in this online arena.

EBay offers an alternative marketing channel as well as **Alibaba** and other Chinese online platforms. None have the brand image, cache, or global customer service network offered by Amazon. These online platforms are more popular for BtoB sales than BtoC sales. We would hence encourage Ghanaians selling ingredients or offering products in bulk to use these platforms but not for the sale of premium natural brands.

Instagram

This is one of the fastest-growing segments of the online marketing platform and it has grown very rapidly in the last 2 years. Entry costs are relatively low Ensuring easy online purchase (Paypal/Credit Card) and rapid shipment are critical for this type of platform. Most of the Ghanaian companies listed in this report have Instagram pages and say that this is a very important platform to promote their trade.

Multi-Level Marketing (MLM)

Ever since the success of Avon door to door selling and Tupperware parties in the 1960s in America the attractions of multilevel marketing have been considerable, especially in places where retail shopping is difficult or poorly developed. The 8 biggest multilevel marketing companies in the cosmetics sector are:

1. Beauty Counter;
2. Motives Cosmetics;
3. Acti-Labs;
4. Avon;
5. Amway;
6. Younique;
7. Oriflame;

8. Mary Kay.

In perfume and essential oils, DoTERRA and Young Living dominate the global market.

We are unaware of any African cosmetic products sold through this channel although MLM is a concept well suited to the African business environment.

Influencers/ Bloggers, Using Personalities to Sell Brands

Paying celebrities or influencers /bloggers to help promote the sales of cosmetic products to particularly the younger generation of buyers has become extremely important in the main of the main markets

In February 2020, MAC cosmetics (part of the Estee Lauder group) launched a collection called MAC X Pearl, featuring Pearl Thusi as the face. Before Netflix, Thusi was already an internationally recognised actress. In 2018, she was cast as the lead in Africa's first-ever Netflix Original series, Queen Sono. According to a spokesperson for the upmarket cosmetics brand, the limited-edition collection featured a selection of classic MAC products curated by the actress herself. It also marked the first time the global brand had ever collaborated with a South African public figure for a product collaboration.

“MAC's collaboration with South African pop-culture icon Pearl Thusi was a natural choice,” said Kerry Hochfelden, brand manager of MAC Cosmetics South Africa. Not only does the actress embody the brand's DNA, she explained, but she offers local relevance — something that affluent consumers on the African continent increasingly demand.

Nollywood, as the Nigerian film industry is popularly known, is often ranked as the second-largest film industry in the world in terms of film output, following India's Bollywood. According to a 2017 report by PricewaterhouseCoopers, Nollywood contributed 239 billion Nairas to the country's GDP in 2016 and is expected to reach \$1 billion in export revenue by 2020. A business model is waiting to be harnessed matchmaking brands with Nollywood stars.

Mobilizing Ghanaian celebrities like rock stars Sarkodie, Reggie Rockstone, Becca or footballers like Stephen Appiah and Asamoah Gyan, or Ghallywood film stars like John Dumelo, Jackie Appiah, Majid Michel could be a vital way to make the big bang necessary to move from just a small good local artisan producer to a global player. Nigerian film star and singer Omotola Jalade Ekeinde are also the brand ambassador for Ghana-based Ghandour Cosmetics.

Labelling your Product

The labelling of cosmetics has become very complex in most countries.

Certain legal requirements must be complied with in both North America and the EU/UK. On top of the legally required information, there are a host of other promotional data placed on the box/bottle. These mainly consist of a series of logos linked to certification standards.

Here below the four of the most important ones:



- a) The leaping bunny symbol indicating that the product has been certified as having had no animal testing;
- b) Cosmos natural is the EU wide label, which indicates that the product has been certified as natural and/or organic;
- c) Vegan indicates that the product uses no animal ingredients and has become synonymous with CLEAN cosmetics;
- d) Palm Free. This means it does not contain palm oil.

The cost of certification varies from label to label and country to country.

Minimum costs are US \$5,000 (if we include the preparation and inspection costs).

It is unlikely that such labels have sufficient value in the local and regional market to warrant the investment. In some case, international aid agencies help cover the cost of certification and labelling for African companies.

Labelling of Natural and Organic Cosmetics

There is **no legal** requirement to label a product as natural, organic, or vegan. The only legal requirement is to list ingredients according to the global standard of INCI (International Nomenclature of Cosmetic Ingredients).

- 1) INCI listing: Ingredients are listed from the highest percentage to the lowest, while ingredients under 1% can be listed in any order. However, names are not necessarily listed in their most common form - for example, water is listed as aqua, which is its scientific name.

<https://eur-lex.europa.eu/eli/dec/1996/335/oj>

- 2) Often the most overused description in beauty, a product can be described as natural even if it has just 1% naturally-sourced, plant-based, or mineral ingredients. The best way to know exactly what is in the formula is to check the ingredients listing. In a natural product, you would expect the botanicals up top and any synthetic ingredients nearer the bottom;
- 3) Because there is no legal definition on what is natural, the International Standards Organisation has come up with a definition that can be used to guide producers and consumers. The ISO 16128-1:2016 Guidelines on technical definitions and criteria for natural and organic cosmetic ingredients and products — Part 1: Definitions for ingredients. This definition is widely considered too general and attempting to cover too many types of products and too many situations to be rigorous. <https://www.iso.org/standard/62503.html>
- 4) As a result, organisations like NATRUE Offer a certification system to help certify that cosmetics are natural. Many of the leading EU n Natural cosmetics have signed up to this standard. For more details see interview with Mark Smith of Natrue on Page 86 (www.natrue.org);
- 5) The Soil Association's Cosmos Natural logo guarantees the products do not contain GM ingredients, controversial chemicals, parabens, phthalates, synthetic colours, dyes/. The clearest way of understanding the organic credentials of a product is to check the label and see if it has been organically certified;
- 6) While organic foods are regulated by EU law this is **not the case** for cosmetics. Hence, independent certification for organic cosmetics is very important. This certifies that the products are sourced and manufactured using sustainable, organically-farmed ingredients and are not tested on animals, free from harsh chemicals, nano particles, parabens, synthetic dyes, and artificial fragrances. <https://www.cosmos-standard.org/>
- 7) A COSMOS (**Cosmetic Organic Standard**) in addition to the **COSMOS Natural Standard** is being developed. BDIH in Germany, Cosmebio and Ecocert in France and ICEA in Italy are involved in developing this with the UK Soil Association. This standard will include all the requirements to be classified as a natural cosmetic AS WELL AS all those required for organics.

N.B Note some ingredients cannot be organic, such as water, salt & clay.

Beauty without Cruelty: The Growth of Vegan Cosmetics

The global vegan cosmetics market size is projected to reach USD 20.8 billion by 2025 rising at an average rate of 6.5% a year. Spiralling demand for vegan cosmetics among millennials is one of the primary growth stimulants of the market.

In 2011, China recorded more than 65.0% hit in online vegan cosmetics sales, owing to a shift in consumer shopping experience from hypermarkets and speciality stores to E-commerce platforms.

The use of animal products such as hair, fur, and other animal ingredients is banned in some countries especially in the European Union. This, in turn, is poised to boost the growth of the

market. Besides, the growing popularity of safer and naturally derived cosmetics is anticipated to augment the market.

Skincare products dominated the market in terms of revenue, with a share of over 36.0% in 2017, owing to consumer preferences across diverse regions. The U.S. vegan cosmetics market is expected to exceed USD 3.16 billion by 2025, owing to the presence of various manufacturers and suppliers of vegan cosmetics.

Leading brands of Vegan cosmetics include Zuzu Luxe, Ecco Bella, Bare Blossom, Emma Jean Cosmetics, Urban Decay, Arbonne. We are not aware of any Ghanaian companies that are certified as Vegan.

Labelling Problems

There is no legal regulation on a product labelled as vegan so check the brand's credentials to assess their values. The quickest way to ensure products are vegan is to look for the Vegan Society Logo. It certifies that products do not contain any animal extracts or animal by-products in the ingredients or the manufacturing process. In addition, the products and ingredients have never been tested on animals.

- 1) Another logo to look out for to make sure your products are cruelty-free is the Leaping Bunny logo; it's the only internationally recognized symbol guaranteeing no animal testing was carried out in developing the product. EU law has strict regulations around animal testing;
- 2) In China, it is required by law to do animal testing, so any products sold there will automatically have been tested on animals;
- 3) It's worth noting that a product labelled 'vegan' doesn't necessarily mean that botanical replacements are used in place of animal-derived ingredients. These products can include synthesized ingredients made in a laboratory.
- 4) Some common cosmetic ingredients derived from animal sources include glycerine, collagen, gelatine, retinol. The Vegan Society also recommends avoiding ingredients - pearl, silk, snail gel, milk protein, *cochineal* (E120), tallow, lanolin, unless specified as made from the synthetic origin.

Clean Products and Green Products

Market research surveys of the beauty industry in the last 12 months have almost all reported that consumers are more interested to find what are known as CLEAN or GREEN cosmetics above almost all another subcategory of cosmetics.

What are Clean Cosmetics?

Clean Beauty products must satisfy at least these two criteria:

1. Non-toxic ingredients

At its core, clean beauty means that you can use a product without risking your health. The ingredients label must contain only safe, non-toxic ingredients. However, what constitutes “safe” ingredients?

In the EU and countries like China there are regulatory controls and a strict approval process for cosmetic ingredients so that some would argue that all legal products on the market in these countries are “safe”.

In countries like the United States regulations are not so strong and the industry or consumer self-regulation dominates. The clean cosmetic movement is hence part of this self-regulatory process.

2. Transparent labels

When a beauty brand makes an effort to list all of their ingredients and label accordingly, they are on the right path to clean beauty. However, not all brands are transparent.

A good example of a lack of transparency in the beauty industry is including fragrance in beauty products. The fragrance is not an ingredient, but since the industry is highly unregulated, companies can hide ingredients under the umbrella term “fragrance.” Clean beauty products indicate ALL ingredients used.

The concept of Clean Beauty is hence simple

It means that man-made ingredients are clean as long as they’re safe and non-toxic.

This also means that clean beauty does not have to be all-natural, preservative-free, etc. Clean beauty is synonymous with **non-toxic beauty** rather than focus on buzzwords like “natural” and “organic”.

Clean beauty is also about making people more aware. Since the beauty industry in countries like the USA lacks regulation, it is up to the consumer to become familiar with the most common toxins in skincare, beauty, body, and hygiene products. This video link provides a lot of useful information about the pros and cons of clean beauty and how this concept is promoted: https://www.cosmeticsdesign-europe.com/Article/2020/07/07/CosmeticsDesign-Clean-Ethical-Beauty-Video-Series-Episode-4-Getting-the-message-right?utm_source=newsletter_daily&utm_medium=email&utm_campaign=08-Jul-2020

Branding and Packaging of Natural and Organic Cosmetics

The importance of branding and packaging cannot be overestimated in the natural cosmetic industry. Sadly, the constraints in Africa in both these areas are large. Both the skills and the raw materials needed to develop good branding, image, and packaging are absent in most African countries. The number of African packaging designers can be counted on the hand, while branding experts can be found in a few of the big PR companies these are usually very expensive to hire and more focused on big multinational branding campaigns than working with SMEs in natural beauty care.

All those interviewed said that the quality of local packaging material was too poor to use it for export business. Bringing packaging from South Africa was considerably more expensive than bringing it from Europe. The development of eco-friendly sustainable packaging materials from banana, hemp, kenaf, and other vegetable matter is an urgent priority for the fledgling Ghanaian cosmetic industry

Branding and packaging workshops and short term training courses are urgently needed right across Africa while efforts to develop durable “green” packaging using local raw materials needed to be urgently accelerated. 3D printing is a technology that could help but few are involved in this field yet.

Plastics in cosmetics

The soil association reported that 80 billion plastic bottles are disposed of each year from just shampoo and conditioner alone. The increasing use of biodegradable or re-useable packaging is one of the single biggest components of the clean cosmetic trend. Some brands are foregoing packaging altogether.

Haoma soap bars have no packaging at all and Lush sells soap blocks in paper bags. Paper and cardboard are now the favoured packaging material but these do not work for liquids.

Refill format is increasingly popular in both creams and hair care.

New Trends in Ingredient Sourcing

From “wild” skincare to halal-certified cosmetics, brands are pursuing new sustainable sourcing standards and ethical labels beyond organic and cruelty-free cosmetics.

Though ingredient sourcing has historically been a trade secret for beauty companies, Standards, labels, and partnerships could help consumers navigate confusion around “natural” products.

It could help improve the cosmetics value chain and help brands distinguish themselves as the clean beauty market becomes more saturated.

Harmful Ingredients

Three major types of harmful ingredients:

- 1) Harmful to the environment;
- 2) Harmful to the user;
- 3) Harmful to both humans and the environment.

In the United States, the Federal Trade Commission (FTC) has published guidelines to clarify what green or natural means in marketing terms, though these guidelines are still loosely defined. Concerning the US cosmetics industry, “green” and “sustainable” cosmetics are defined as cosmetic products using natural ingredients produced from renewable raw materials. Many companies use petrochemical ingredients derived from petrol, a non-renewable and

economically volatile resource. Bio-based oleo chemicals, on the other hand, derive from renewable plant and bacteria sources and are the crux of the green cosmetics movement.

By using natural, oleo chemical sources, sustainable cosmetics avoid many of the toxic elements found in popular brands. These chemicals damage environmental and human health, and consumers should never read them on a “green” label.

A list of some of the most controversial ingredients and their uses is given in Appendix 5 to this report.

Transparency, transparency, transparency

Ultimately, the ingredient transparency trend will go more mass-market and global across all consumer products.

Upcoming regulation in the US — from the passing of the California Cruelty-Free Cosmetics Act to more recent proposals for national sunscreen reform — suggests that greater ingredient transparency is on the horizon.

The EU’s ban on “free-from” marketing claims suggest that in future we may move beyond today’s buzzwords of “clean” and “natural” and develop more tangible standards for personal care ingredients.

In the US, California plans to implement new labelling requirements, including requiring brands to list fragrance allergens, in 2020. These rules will apply to air fresheners, dish soap, and other household categories.

Market Segmentation – By product group

- Skin Care;
- Hair Care;
- Body Care/Sun care;
- Makeup/Colour Cosmetics;
- Fragrances and Toiletries.

Market Segmentation – By generation

Consumer research studies usually distinguish between four or five age categories when considering cosmetic buying habits and economic status. These are:

- 1) Baby Boomers: people born after the 2nd World War (1950-1960s);
- 2) Generation X: people born in the 1970s to 1980s;
- 3) Millennials’: people born around the beginning of the 20th Century;
- 4) Generation Z: people born in the last 15 years.

The buying habits of these four generations are being studied in details as technology improves in tracking consumer behaviour. Here below the consumer preferences according to categories and referring to cosmetics.

Millennials and Gen z

Essentially, many different formats of marketing content will engage millennials because they are regularly looking to be enticed by a new product that will help them in their daily lives. The best types of marketing campaigns will inform millennials about how your product can make their lives easier or how it can solve their day-to-day problems. Focusing your strategy on social media or online platforms like **Facebook, YouTube or Instagram**, where many adults go to research products can also be beneficial to your strategy,

Marketing Campaign for Gen Z

To successfully persuade Gen Z to buy your product, you will want to make content that quickly cuts to the chase and explains why your product will provide value to them. As mentioned above, Gen Z loves to use video to learn about products and spends most of their online time on their mobile phones. So be sure to leverage short-form video formatting and mobile-optimized content in your campaigns. You will also want to zone in on the niche social media platforms that they commonly use, such as Instagram, YouTube, TikTok on Snapchat. If you are not on one of these platforms, but still want to gain brand awareness there, consider sponsoring an **influencer** who knows the audience and create content that discusses your product.

Despite the differences between these two generations, there are also two big similarities: both love social media and instant gratification. Be sure that your campaign clearly explains why your product will be valuable to the age group you are pitching it too, and leverage the social media networks that the age group you are targeting has in common.

For example, if you focus on promoting your product to people in the 18 to 34 range, you will want to be on Instagram, YouTube, and Facebook, because most members of this age group are using all three of them regularly.

Baby Boomers 1950s/60s

Though much of the marketing in beauty has focused on millennials and Gen-Z, a major opportunity exists in meeting the needs of female baby boomers. Even though they represent one of the most affluent segments, beauty brands and marketers have tended to ignore this demographic.

70% of women aged 40+ want to see more beauty products targeting peri-menopausal and menopausal women. Not only is there a dearth of product offerings targeting older consumers, but the same AARP report found that advertising in the beauty industry has also largely excluded this demographic, with 74% of boomers perceiving a lack of representation.

Be on the lookout for more beauty brands and corporate initiatives focusing on female boomers — especially as the women’s health space increases its focus on the needs of menopausal women.

Gen z Teens, tweens, and children

Beauty brands are also looking at babies and children for untapped opportunities. Though the category is much smaller than adult skincare, it grew by nearly 9% last year, according to Euromonitor. 3 out of 4 parents say they would spend more on personal care products for their children rather than on themselves, according to Mintel.

In 2018, luxury skincare brands such as Pai Skincare, Dr. Barbara Sturm, and others expanded into baby and children’s skincare products.

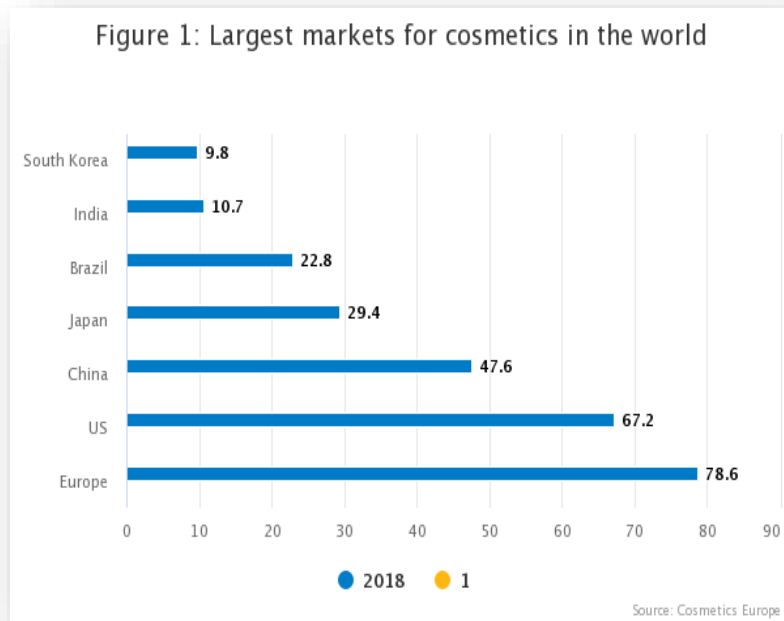
Gen-Z focused brands have also been on the rise, such as UK-based Plenaire and Millie Bobby Brown’s Florence by Mills, which recently launched in Ulta. Meanwhile, incumbent brands like Chanel, YSL, and others are revamping their product launch and marketing strategies to attract Gen-Z shoppers.

Of course, to get into the hands of teens, brands must convince their parents that products meet a real need and are safe for regular use.

Global Market for All Cosmetics

The Cosmetics and beauty industry is one of the largest consumer sectors in the global economy. The seven major markets alone have a combined sales value of > \$ 266 billion. Africa presently represents > 3% of this market although it is one of the fastest-growing regions in the world. The vast majority of this market is for conventional cosmetics made with a mixture of chemical and natural ingredients.

The natural and organic cosmetic segment of this market, while growing very fast, still represents < 5% of the total.



Regional Trends

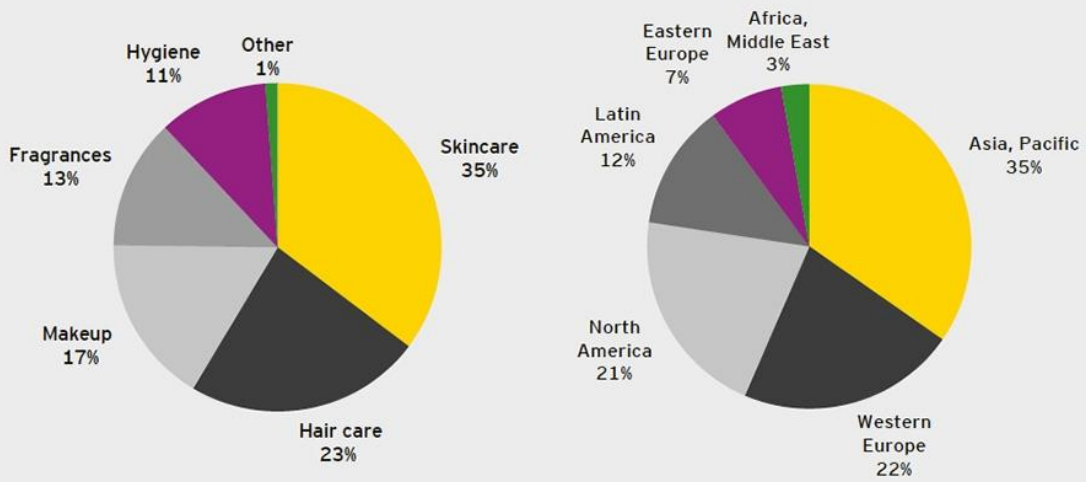
Asia has recently taken over from Europe as the largest cosmetic market in the world with 35% of total Europe still dominates the premium end of the market and has 29% of the total global market.

Except for Asia, the global cosmetic market has not been growing nearly as fast as the natural and organic segment. Post-COVID 19 this trend will probably continue

Brazil is one of the most important new markets in the world with rapid growth and some major producers such as Natura. Growth rates in Africa and the Middle East are some of the fastest in the world but from a low starting point.

South Africa, Nigeria, and Saudi Arabia dominate this region.

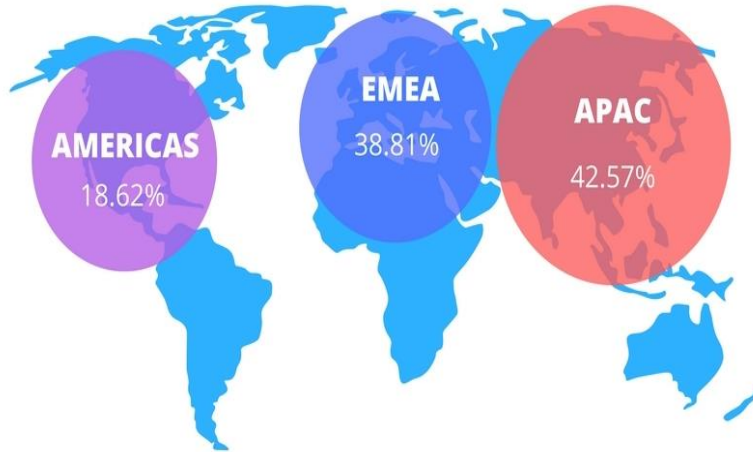
Global cosmetics market segmentation by products and geographies (2014)



Globally skincare and hair care are by far the most important segments in the cosmetic industry. The fragrance is important in western countries but not nearly so important in China, Korea and Japan.

GLOBAL SKINCARE PRODUCTS MARKET GEOGRAPHICAL SEGMENTATION

Global Skincare Products Market By Geography 2016 (% share)



The skincare products market was valued at \$50.65 billion in 2016.

The skincare products market in EMEA is expected to reach \$52.76 billion by 2021.

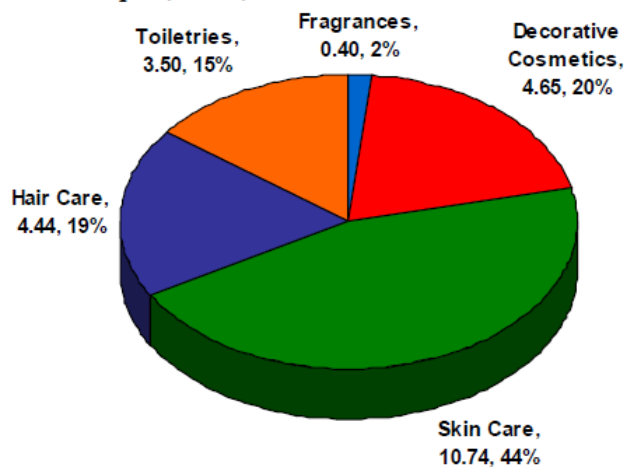
The skincare products market in the Americas is growing at a CAGR of 2.38%.

In 2016, Brazil contributed a share of 15.18% in the skincare products market in the Americas.



Asia

Figure 7 - C&T Market Shares by Product Category, Retail Sales Price, Billion €, Japan, 2006, Total market = €23.7 billion

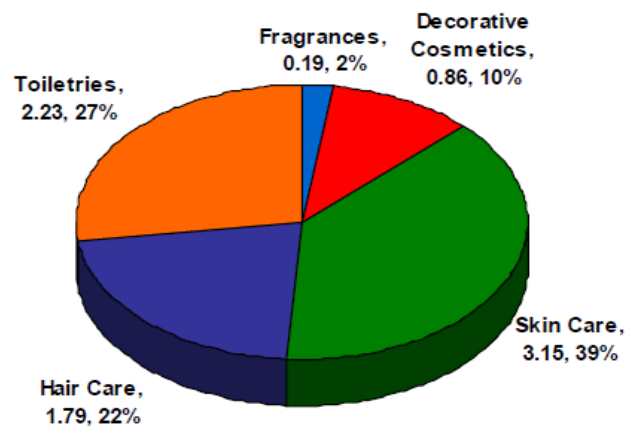


Source: Euromonitor

Note the overall dominance of skincare products in Japan (44% of total).

Decorative /colour cosmetics are also very popular in Japan (20%). Japan has a very low consumption of fragrances (less than 2% of total cosmetics). The pattern is almost identical in China with skincare dominating and minimal sales of fragrance. Decorative cosmetics are much less important in China than in Japan.

Figure 9 - C&T Market Shares by Product Category, Retail Sales Price, Billion €, China, 2006, Total market = €8.2 billion



Source: Euromonitor

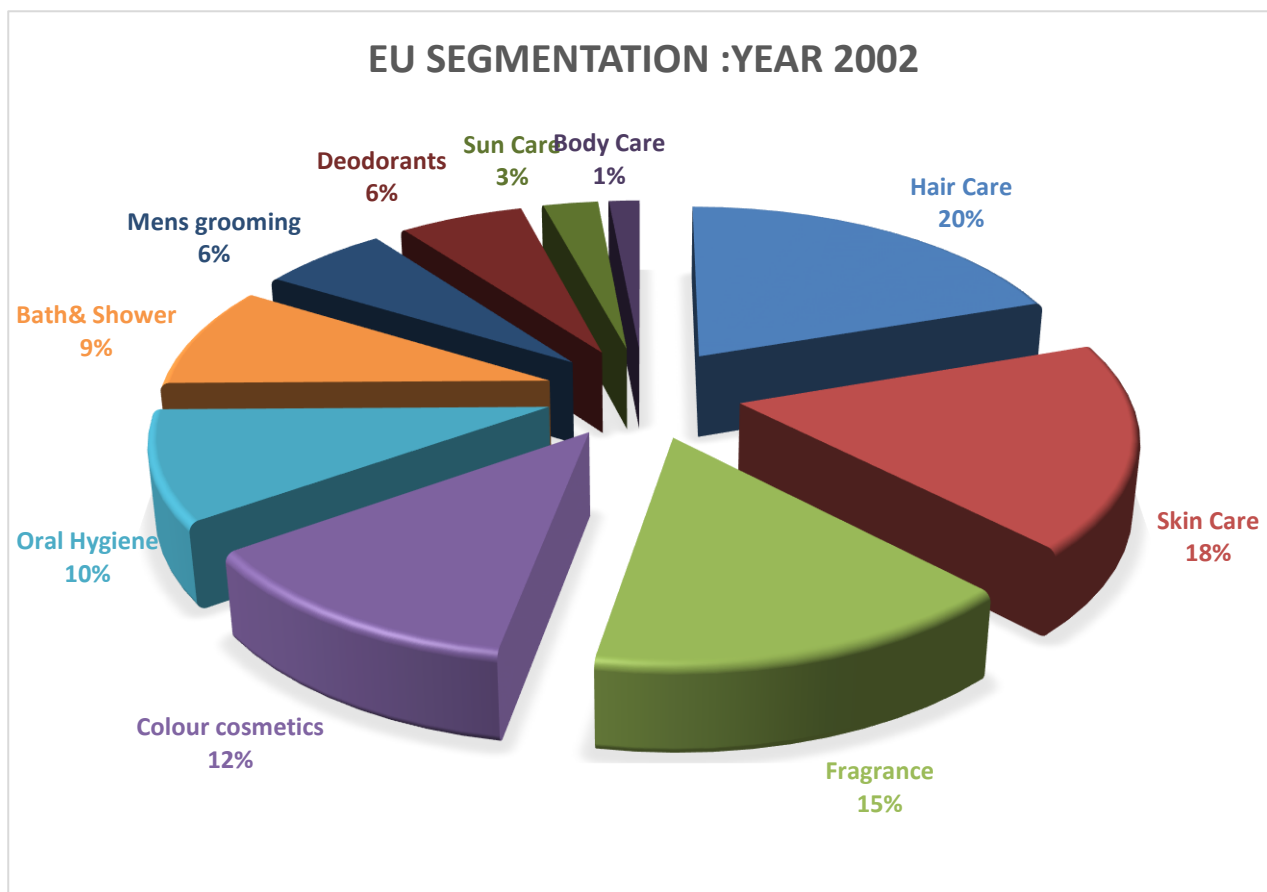
The European Market

Western Europe with a market size for natural and conventional cosmetics estimated at around **\$25.4 billion** is one of the largest and most sophisticated in the world. Eastern Europe is estimated at around **\$7 billion**. The major markets in Europe are:

Country	Euro billions
Germany	13.8
France	11.4
UK	10.9
Italy	10.1
Spain	7.0
Other	25.4

Source: cosmetics Europe 2018

European segmentation:



Haircare (20%) and skincare (18%) represent the majority of the products produced.

European market segmentation (all cosmetics)

Skin Care	20.4	26
Hair Care	19.9	25
Toiletries	14.9	19
Fragrances	12.3	16
Decorative	11.0	14
Total	78.6	100

Source: cosmetics Europe 2018

As elsewhere Skin Care and Hair care dominate the market for cosmetics in Europe together consisting more than 50% of the total market.

Expenditure per capita on skincare in Europe by age group

< 25 years	25 euros
25-39	40 euros
40-59	73 euros
65+	87 euros

Source: Cosmetic Europe 2018

While Gen Z and Millennials (< 25 yrs.) are an interesting new market their purchasing power is still low. The main cosmetic market is for older age groups but the % of total cosmetics sales that are natural and organic is generally lower than in the younger age groups.

Natural & Organic Global Market

In 2015, Grand View Research reported that the global organic beauty market was likely to reach \$15.98bn by 2020, as demand for organic skincare, haircare, and colour cosmetics drives consumers to look for natural and organic labels. In 2016, a market analysis released by Persistence Market Research showed that with the year-on-year growth in organic beauty, the global market should be worth just under \$22billion by 2024.

Those figures suggest approximate growth of 8-10% per year. **Ecovia Intelligence** using tighter criteria as to what is natural estimated that the global market in 2018 of \$US 11 billion with a regional breakdown as follows:

2018 Region	% of total	\$USB
North America	49.3%	5.4
Europe	38.9%	4.3
Asia	7.6%	0.8
Others	4.3%	
Total	100%	11.0

There is a considerable difference between the figures prepared by different market research companies concerning both the size and growth rate of the natural and organic cosmetic market. This is mainly because each company has its definition of what is a natural cosmetic.

In the case of organic cosmetics (in the EU at least) only products that are certified can be called organic hence the figures for this subsector are accurate and traceable but this is not the case for the naturals or “with natural ingredient” subsectors.

Summary: Global Market for Natural and Organic Cosmetics

A growing proportion of the total cosmetic market will be natural and organic cosmetic products. The organic personal care ingredients market is projected to grow 5.5 percent a year from 2018 to 2025 to reach 11.1 billion U.S. dollars by 2025.

In 2017, the market share of natural skincare products was about 32.4 % of the global natural beauty industry market, while natural hair care held a 25 % market share. According to the same survey, 35.5 % considered quality as one of the most important features in skincare products, and 26.6 % claimed that natural and organic as an important feature.

During the 2018 survey, 22 percent of responding female U.S. consumers reported that they exclusively or mainly use organic skincare products. According to the survey, 73 percent of Gen Z consumers in the United States purchased organic beauty and personal care products. That year, about 61 percent of baby boomers purchased such products.

In the fiscal year 2019, the shipment value of the natural and organic cosmetics market in Japan was forecasted to reach almost 150 billion Japanese yen, up from around 98 billion yen in the fiscal year 2012.

By and large, all studies agree that the growth in natural and organic cosmetics will continue at a much faster rate than that of the total cosmetics. In some countries like France and Germany, the conventional market has been largely static and COVID 19 still active might even decline.

As a result, by 2025, the % of the total market which consists of natural and organic products will have grown considerably.

Globally the total natural and conventional cosmetic market are dominated by skincare with 35% of the market. This is followed by Haircare with 23%. These two segments will continue to dominate the industry.

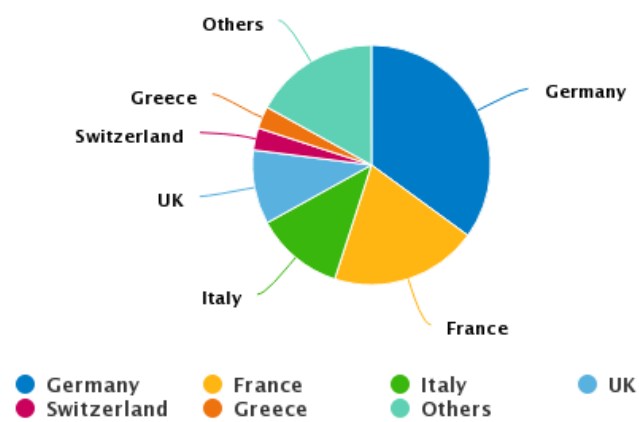
Growth in the Global Market for All Cosmetics	
(source: statistica.com)	
2018	34.5 billion (actual)
2019	36.3 billion (projected)
2020	40.2 billion (without COVID 19)
2021	40.2 billion (without COVID 19)
2022	47.3 billion (without COVID 19)

European market for natural cosmetics growth 2013–2018: Revenue

Year	(€ billion)	(%)
2013	2.60	
2014	2.77	6.4
2015	2.96	6.9
2016	3.15	6.9
2017	3.40	7.3
2018	3.64	7.8

Note: All figures are rounded
Source: Ecovia Intelligence

Figure 4: European natural cosmetics market by country 2018
in %



Source: Ecovia Intelligence

European Natural and Organic Market

The German and French market for natural and organic cosmetics is by far the largest in Europe followed by Italy and the UK. Per capita consumption in Switzerland and Scandinavia is, however, some of the highest in Europe.

Global Natural and Organic Beauty Market: Distribution Channels

The global natural cosmetics market is segmented based on the sales channel, which includes wholesale/distributor, hypermarket/supermarket, convenience stores, specialty stores, online stores, and club stores. Among all these segments, the hypermarket/supermarket is estimated to account for the largest value share and is expected to remain dominant in the global natural cosmetics market during the forecast period.

Online retailers offer another popular sales channel, with this segment estimated to be valued at **US\$ 19.7 billion by 2016 end**. Online retail is one of the most significant distribution channels used by various companies. Online retailers enable companies to enhance product penetration, improve consumer reach, and expand consumer base.

The 2019 study of the distribution network of the natural cosmetics market reveals that wholesalers or distributors remain the preferred choice for the purchase of natural cosmetics among consumers. Over 2 in 10 natural cosmetics products were sold through wholesaler or distributors in 2018 with online shopping being much less important.

PLEASE NOTE ALL THESE FORECASTS WERE MADE IN PRE COVID 19 TIMES AND HENCE THERE MAY BE SUBSTANTIAL CHANGED EXPECTED IN THESE FORECASTS

Germany

Germany is also the European leader in natural cosmetics. Its €1.3 billion markets give Germany a 35% share of Europe's total. Natural products comprise almost 10% of the total cosmetics sales in Germany. Unlike other countries, a large share of natural cosmetics is sold in drugstores and pharmacies.

Organic food shops, health food retailers, department stores, and beauty retailers are also important channels.

Germany is home to some of the leading natural and organic cosmetics brands in Europe. They include Lavera, Logona, Dr. Hauschka (Wala), and Primavera Life. Germany is also the leading country importing natural ingredients for the large local cosmetic manufacturing industry.

France

France has the second-largest natural cosmetics market in Europe, valued at €720 million. The French market is characterised by a large number of French brands — more than 100 — and an emphasis on sourcing raw materials locally. For example, Lea Nature sources 70–100% of its ingredients within France. Melvita, part of the L'OCCITANE Group, has 20 sourcing projects through which the brand works directly with growers in various countries.

France is a natural cosmetic formulation and the research and development sector is one of the largest in the world. L'Oreal, LVMH, and all their associated companies ensure that France is the world leader in the premium brand sector in 2018, French cosmetics company L'Oréal launched a natural hair colour line using henna, indigo and cassia under the Botanēa brand name.

A 2016 survey by Statistica.com showed that a total of 80 % of French women buy or have already bought natural and/or organic beauty products. About 50 % of French consumers decided to buy organic cosmetics after realizing the ecological impact of non-organic products. They were also worried about the dangers to the health of many chemical ingredients.

In France, the sales value of natural and organic products has increased continuously between 2010 and 2014, with a 2016 survey showing that a total of 80 % of French women buy or have already bought natural and/or organic beauty products. About 50 % of French consumers decided to buy organic cosmetics after realizing the ecological impact of non-organic products. Other reasons for the consumption of these products were the following: health, scandals, advice from other people, etc.

“Cosmetic Valley” is a world-leading technopol, situated across three regions of Northern France: Centre, Ile-de-France, and Upper Normandy. The Cosmetic Valley cluster comprises 400 member companies, has an annual turnover of €26 billion, and creates approximately 90,000 jobs. As of December 2015, the Cluster had officially backed more than 175 R&D projects, worth €280 million. Eight universities, 226 state laboratories, and 8,200 researchers (public and private) participate in Cosmetic Valley.

Italy

The Italian market is in third place in Europe. Valued at €425 million, it is also characterised by a large number of domestic brands such as GUAM, GEMAR AQUA DI PARMA, many of which are small companies that focus on the Italian market. Herbalist shops (Erboristeria) and organic food shops are important sales channels for natural cosmetics in Italy.

Natural cosmetics brands have made limited inroads in supermarkets, hypermarkets, and mass-market retailers. The professional channel, including hair salons and spas and wellness, is important for Italian brands. Ecco-Verde is an important online platform for natural cosmetics in Italy.

The UK

The UK natural cosmetics market is valued at €360 million with brands like Neal’s Yard Remedies, Nathalie Bond, and Daylsford Organics. Several major UK based brands are considered “quasi-natural” these include Body Shop (owned now by Natura of Brazil) and LUSH. Organic food shops and pharmacies are important sales channels for natural cosmetics in the UK with Boots and Holland & Barrett very dominant in highest streets. Supermarket own brands are of growing importance in the UK.

The leading UK brand, Neal’s Yard Remedies has set up direct supply chains for many of its key raw materials. The UK has also a strong contract manufacturing sector serving the natural and organics industry worldwide. There are many diasporas based cosmetic brands based in the UK particularly those owned by people with origins in Ghana or Nigeria.

British people are also keen consumers of cosmetics containing natural ingredients: the sales value has doubled between 2008 and 2015 to reach 54 million pounds in 2015. However, this trend has not yet reached online shoppers of organic products (more than 50 % did not buy organics online):

<https://formulabotanica.com/global-organic-beauty-market-22bn-2024/#>

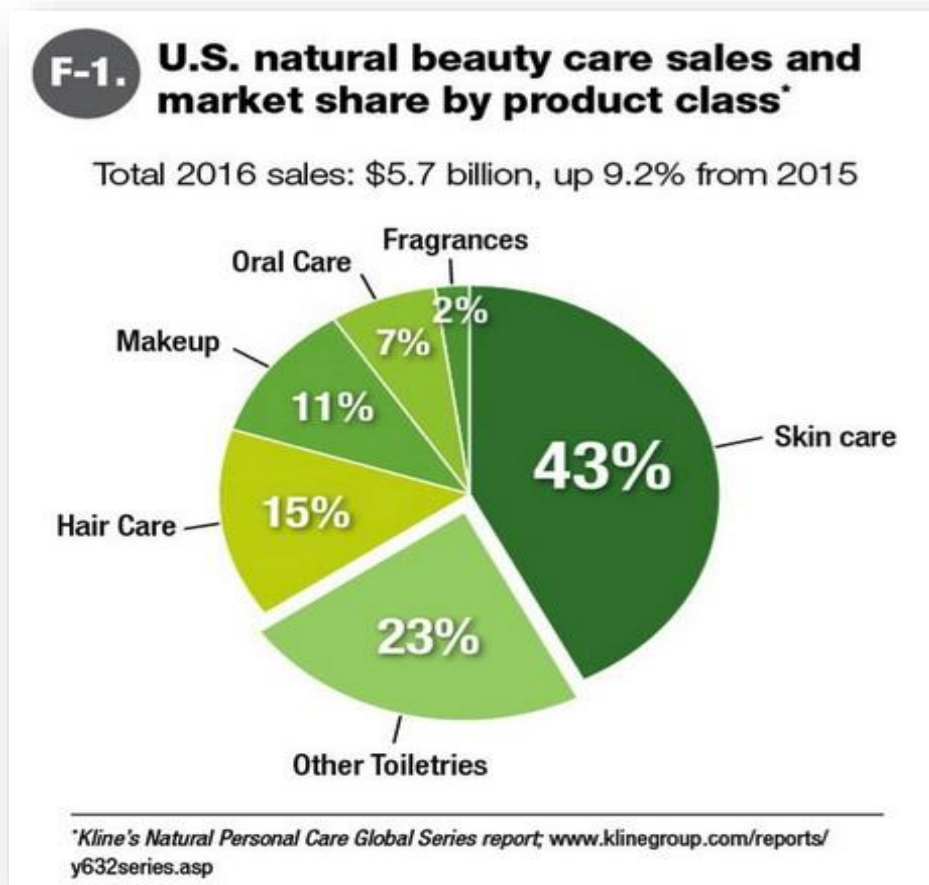
Sweden

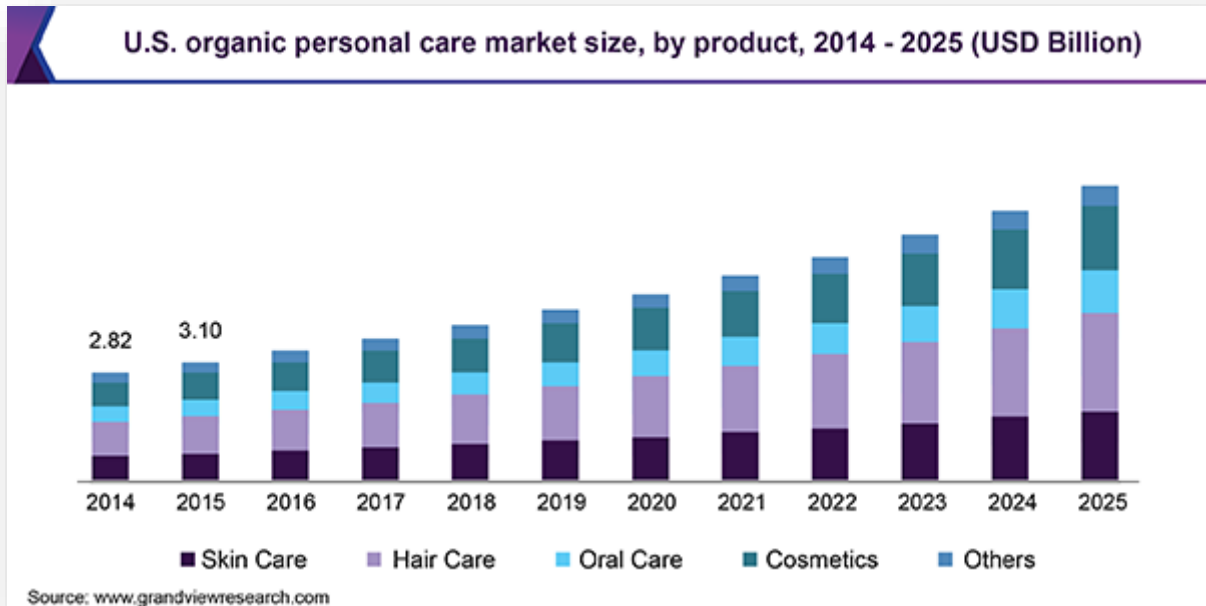
In Sweden, more than 25 % of men and 40 % of women had bought organic skin or hair care products in 2015. Swedish consumers were better informed of the difference between natural and organic cosmetics compared to the European average, with more than 50 % able to tell the difference between these two categories.

The U.S Market

The United States is the largest single national market for natural and organic cosmetics in the world. Only the European Union has a larger market. Regulations on the use of terms like Organic and Natural are not as strict in the USA as in Europe so there are a great number of “quasi-organic and quasi-natural” products on the market, which may inflate the figures of the market size.

Kline a leading market research company estimated the US natural beauty care market at \$ 5.7 billion in 2016 with a projection to more than \$ 7 billion by 2020.





Grandview Research focusing on the **organic market alone** estimated the US market at US 3.1 billion. The researchers indicated that for at least the organic sector in the USA it is hair care rather than skincare, which is the most important segment.

This is good news for Ghana, which produces a lot of natural hair care products. In 2015, the **organic cosmetics** market revenue in the U.S. amounted to the US \$ 700 million and was forecasted to reach 1.65 billion dollars by 2025. In the same year, the organic hair care revenue in the U.S. was amounted to 900 million U.S. dollars and was forecasted to reach 2.55 billion dollars by 2025.

A statistica.com report estimated the organic haircare market in the U.S in 2015 amounted to 900 million U.S. dollars, and was forecasted to reach to 2.55 billion dollars by 2025.

During the survey, 22 % of responding female U.S. consumers reported that they exclusively or mainly use organic skincare products. According to the same survey, 73 % of Gen Z consumers in the United States purchased organic beauty and personal care products in 2018. about 61 % of baby boomers purchased such products in the same year.

Middle East Market

The UAE spends the most per capita in the region, and the 9th highest spending on cosmetics worldwide. The Saudi Arabian market growth of **54% in 2017**, expected to keep increasing to **60% in 2020**. This figure may drop considerably due to the recent crash in oil prices as well as COVID 19 epidemic.

Until very recently, spending on cosmetics was mainly focused on perfume and make-up. The Middle East population allocates 60% of its beauty budget for perfume, 30% for makeup, and only 10% for skincare products.

The trend, however, is changing as skincare and cosmetic surgery becomes more and more popular. High per capita incomes allow regional residents to buy luxury goods, especially in the Gulf countries. The growing number of tourists in the Middle East is also contributing to the economic health of the market and rapid urbanization added to the many malls plays a significant role in the dynamics at work.

The trend for Halal Cosmetics

Demand for Halal cosmetics in Asian and Middle Eastern countries continues to grow but up until now, the market has been relatively overlooked in the west. The growing number of Muslims living in Europe and America will probably make this a small but growing niche market. Malaysia and Indonesia are the biggest markets but India and Pakistan both have a growing middle class interested in this sector. The Gulf States are also a growing market for these relatively expensive products.

The global halal cosmetics market size is projected to reach USD 52.02 billion by 2025 registering a CAGR of 12.3%, according to this new report. Considerable Islamic population base across the globe that is willing to pay premium prices for Halal-certified beauty products is anticipated to drive the product demand over the forecast period. The market is a niche with the presence of both large- and small-scale manufacturers. The growing concern among consumers about the usage of animal-derived ingredients, such as Gelatin and collagen, has resulted in the increased production of halal-certified products by many cosmetic industry participants.

A recent Mintel report on the Halal cosmetic sector indicated that:

1. Skincare is anticipated to be the fastest-growing product segment of the halal cosmetics market over the forecast period;
2. Makeup products are projected to be the second-largest segment and are said to register a CAGR of 12.5% from 2019 to 2025;
3. Middle East & Africa is the second-largest regional market after Asia and was valued at 4.04 billion in 2018;
4. Since Muslims constitute a major part of the population of the region, the mainstream cosmetic industry is pushed to fulfil their needs;
5. Some of the key companies in this market are MMA Bio Lab Sdn Bhd, Ivy Beauty Corporation Sdn Bhd, PHB Ethical Beauty.

The African Market

Africa's middle class has tripled over the last 30 years, with one in three people now considered to be living above the poverty line. The current trend suggests that the African middle class will grow to 1.1 billion (42%) by the year 2060. As African economies are growing (7 of the 10 fastest

growing in the world are African), the wealth is trickling down and Africa now has the fastest-growing middle class in the world.

With an average annual growth of around 5.6 percent in the first half of the 2010s, Africa’s luxury retail sector has surpassed expectations. Analysts in a Bloomberg Professional briefing predicted that the regional market would reach \$5.2 billion by 2019, but according to a 2019 New Wealth Report by AfrAsia Bank, the sector already generated \$6.1 billion in revenue by 2018.

The beauty care and cosmetic market are growing fast due to the rapid increase in the middle class. The sub-Saharan market for all beauty care products in 2012 was estimated at \$ 7.6 billion and was expected to rise to well over \$ 11 billion by 2020. Accurate figures of market size are very difficult to find. Turnover is estimated by Invest SA for the 5 largest markets. The only detailed national information comes from South Africa and to a lesser extent Kenya. There is no distinction between conventional and natural cosmetics in any of the figures available for Africa

One survey by Euromonitor estimated East and South Africa total cosmetic sales at about \$27.1 billion in 2018. Of this figure, South Africa alone represented \$4.5 billion; Nigeria and Kenya are second and third among sub-Saharan nations, with Kenya’s market totalling more than \$320 million. Another survey by Invest South Africa gave the following breakdown.

Country	Turnover US \$ billions
South Africa	3.2
Nigeria	3.0
Egypt	2.5
Kenya	1.5
Morocco	1.4

Source Invest SA

South Africa

South Africa is by far the largest and most sophisticated cosmetic market in Africa with a strong and growing domestic manufacturing base. Invest South Africa estimates the total beauty care market to be worth US\$ 3.2 billion, Euromonitor at around \$4.2 billion.

There are no estimates as to the % of organic and natural cosmetics although we expect the figure to be quite high as the country has a wide variety of good natural ingredients available.

South African market segmentation
<ul style="list-style-type: none"> • 22% of the market is hair care products • 20% of the market is personal hygiene products • 19% of the market is skincare products • 17% of the market is fragrances • 14% of the market is other cosmetics

The region also is a major net exporter of cosmetic products to the rest of Africa. The reason for this strong growth in local production has been:

- a) Strong government sector support;
- b) A large range of local natural cosmetic ingredients;
- c) A large and growing middle class;
- d) A strong research and development sector;
- e) The growth of contract manufacturing and independent testing labs;
- f) A large tourist industry and growing spa and wellness market.

Economic problems during the last 5 years have however affected local demand for cosmetics like other consumer products. Multinational companies such as Unilever, Johnson & Johnson, and Procter & Gamble account for the majority of sales in this sector, and many outsource the manufacture of their products to local contract or third party manufacturers. Around 250 players are operating in South Africa's formal cosmetics sector, with the growth over the past 2 years coming mainly from the SMME sector.

Overall Beauty Care market registered a negative compound annual growth rate (CAGR) of -2.30% during the period 2012 to 2017 with a sales value of ZAR 15,895.97 Million (the US \$ 912 million) in 2017, an increase of 3.29% over 2016. The market achieved its strongest performance in 2017, when it grew by 3.29% and its slowest growth in 2015 when it fell by -11.95%.

Facial Care market in South Africa registered a positive compound annual growth rate (CAGR) of 6.25% during the period 2013 to 2018 with a sales value of ZAR 3,664.91 Million (the US \$ 210 million) in 2018, an increase of 5.13% over 2017. The market achieved its strongest performance in 2014 when it grew by 11.11% over its previous year and its weakest performance in 2016 when it increased by 4.64% over 2015.

Body Care market in South Africa registered a positive compound annual growth rate (CAGR) of 5.89% during the period 2013 to 2018 with a sales value of ZAR 2,764.44 Million (the US \$ 158 million) in 2018. The fastest-growing segment of the Body Care market in South Africa was Firming Body Care, which registered a CAGR of 6.81%.

In 2018 General Purpose Body Care segment in South Africa Body Care market accounted for a major share of 92.46% while Firming Body Care stood in the second position representing 7.54% of the market's 2018 share.

The Cosmetic Export Council of South Africa (CECOSA) is a Section 21, non-profit organisation and has a Public-Private-Partnership (PPP) with the Department of Trade and Industry (the dti) to promote the sector globally

Kenya

The market in Kenya has also grown very rapidly because of a growing middle class and an increase in tourism. The spa and wellness sector is also growing in Kenya.

In 2013, L'Oréal acquired Nice & Lovely Brands from Paul Kinuthia who owns Interconsumer Products Ltd. In 2014, Estée Lauder partnered with Joyce Kigunda, to open the first MAC store

in Kenya. Kigunda is a trained pharmacist who established Lintons Beauty World 10 years ago. Paul Kinuthia had built Interconsumer Products from scratch in Nairobi in the mid-1990s into a major player in the beauty market which today rivaled the industry big players like Unilever Kenya Ltd, Beiersdorf East Africa Ltd, Haco Tiger Brands, and PZ Cussons East Africa Ltd. Paul Kinuthia kept the hygiene side of the business.

Key Marketing Concepts and Trends in 2020

Socially Inclusive Cosmetics

Since Fenty Beauty's launch BY Rihanna in 2017, "inclusive beauty" has become an industry buzzword, encompassing new demographic markets that are becoming increasingly important for the beauty industry to target. This includes gender-specific, age-specific and ethnic brands.

Male personal care & beauty routines

While the mainstream media has historically targeted women when it comes to beauty and grooming products, more options for men's care products are emerging.

Gender-neutral beauty products

"Boy beauty" and gender-neutral products support this greater focus on inclusive beauty. Companies like Asos, Calvin Klein, Yves Saint Laurent, Clinique, and others offer makeup for men to cater to this trend, beauty incumbents like Maybelline and Covergirl have also announced male brand ambassadors.

People of Colour

Though there has been a lot of buzzes around more effectively targeting people of colour in the beauty sector, there is still a lot to be done. Beyond Fenty, a number of inclusion-focused brands have recently been launched: Mented Cosmetics, Urban Skin Rx, Live Tinted, and others are making inclusive beauty a core part of their brand value proposition. African, Afro-American, Latinx and Asian brands are emerging very rapidly. This is a particularly important area for the Ghanaian producer to investigate and understand. In targeting people of colour, companies must be mindful of the risk of overlooking the consumer behaviours across particular ethnic groups.

Ultimately, brands that can cater to these demographics without oversimplifying the nuanced dynamics of their communities will be more likely to succeed in the increasingly saturated beauty market.

Though there has been a lot of buzzes around more effectively targeting people of colour in the beauty sector and companies like Avon have for many years focused on servicing the Black American market, there is still a lot to be done in this market segment.

Rihanna has also successfully made the leap from the celebrity world to the business domain with her Fenty Beauty range, which generated €500 million (£431.8 million) in sales during its first full year in business, according to figures released by French beauty conglomerate LVMH. Beyond Fenty, several inclusion-focused brands have recently launched: Mented Cosmetics, Urban Skin Rx, Live Tinted, and others are making inclusive beauty a core part of their brand value proposition. Beauty companies are also thinking about how to target specific demographic categories.

NUBAN BEAUTY, (www.nubanbeauty.com) a Nigerian based makeup/cosmetics brand dedicated to giving you the very best of makeup and beauty with a major focus on providing quality and affordable makeup products designed especially for the African woman.

Skin Whiteners

The use of skin lightening products remains a concern across much of the world and Africa in particular. Several nations including Ghana (since August 2016) have banned the use of hydroquinone, which has been linked to skin cancer as well as localised irritation, blistering, and discoloration. Hydroquinone is already banned in cosmetic products in the US, Japan, Australia, and the European Union. Uganda National Board of Standards also announced a ban on imported cosmetics containing mercury and hydroquinone.

There are two separate but interconnected issues:

- 1) The health and safety issue of using dangerous chemical bleachers on your skin;
- 2) The ethical and moral issue of whether there is a need for such products at all.

A study by the University of Capetown in South Africa stated that one-third of South African women bleach their skin. <https://www.news.uct.ac.za/article/-2014-09-10-dying-to-be-white>

These treatments are not cheap and cost the equivalent of \$590 per session for the high-end products used in the process. However, there is a thriving black market of cheaper products that are used by the poor that are causing the issues. Although there are no official statistics of the global bleaching of the skin, the World Health Organization revealed the following African countries with the highest use of skin bleaching products:

- 75% of Nigerian women bleach their skin;
- 55% of Togo women bleach their skin;
- 35% of South African women bleach their skin;
- 25% of Mali women bleach their skin.

Reuters reported that around 6,277 tonnes of bleaching products were sold worldwide in 2019.

The FDA in Ghana has just issued a list of 41 products formally registered with the Federal Drugs Administration, which will have to be withdrawn or reformulated, because of bleaching ingredients. They include products from quite large companies like IVO Ghana, Ghandour Cosmetics, and Paradise Cosmetics.

The global skin lightening products market is segmented based on type, end-user, nature, and distribution channel. By type, the market is segmented into lotion and cream, foam, gel, serum and toner, scrub, and others.

The end-user segment includes men and women. By nature, the market is segmented into natural/herbal, synthetic, and organic. The natural/herbal segment is likely to dominate the global skin lightening products market in the future, owing to the huge demand for organic materials by the end-users.

By distribution channel, the market is segmented into the pharmacy, specialty outlet, supermarket/hypermarket, convenience store, beauty salon, e-retailer, and others. There are major very expensive market research studies on the global market.

Some major players operating in the global skin lightening products market include L’Oreal S.A., Beiersdorf AG, Unilever PLC, Procter & Gamble Company, Shiseido Company, Estée Lauder Companies Inc., Avon Products, Inc., VLCC Health Care Limited, Lotus Herbals Private Limited, and Clarins Group, among others.

Johnson and Johnson announced in June 2020 that it would give up selling skin whitening products worldwide due to social pressure on issues relating to racial equality. Their Clean and Clear Fairness and Nutregena fine fairness will withdraw from the market henceforth.

Attempts to make safe, ethically acceptable skin whiteners have taken place in various parts of the world including Dr. Oldhaver in Germany, offering different ethno biotic products ranging from nutritional supplements to nutricosmetics and to organic cosmetics. (<https://www.droldhaver.com/en/about-us/company-profile/>)

Black Women in the Cosmetic Businesses: A Fast-Growing Movement and Market

Two and a half years ago, the Miami based Global Wellness Institute released a trend report on a new "Feminist Wellness," focusing on the raising trend of black women entrepreneurs moving the wellness industry beyond the traditional narrow image and target market: young, skinny, white women. A movement was brewing, with black women founders creating their wellness and beauty brands, spaces, and experiences. We spotlighted pioneers, including Black Girl In Om, a holistic platform focusing on mental and spiritual wellness for women of colour, OMNoire's wellness retreats for black women and Rihanna's Fenty Beauty, shaking up the beauty market with a cosmetic line reflecting the actual spectrum of women's skin tones.

Back in 2018, there were a relative handful of examples. Two years later there are hundreds of black women-owned wellness businesses that are now making their mark in fitness, meditation and mental health, cosmetics, beauty care, healthy food, wellness travel, active wear. Fashionista just listed 300+ black-owned beauty skin-care brands alone!

https://fashionista.com/2020/06/black-owned-founded-beauty-wellness-brands?utm_source=Global+Wellness+Summit&utm_campaign=62dfd2e943-TRENDIUM_2020_6_10&utm_medium=email&utm_term=0_8952e3a77f-62dfd2e943-41190319

My Black is Beautiful

My Black is Beautiful is a platform (promoted and supported by Procter and Gamble), created for the Black diaspora and committed to promoting positive representation of Black people and Black culture through the lens of beauty since 2006. My Black is Beautiful acknowledges,

elevates, and supports all that is beautiful about Black culture (shapes, shades, textures, identities, ages, and self-expression).

- <https://www.sallybeauty.com/brands/my-black-is-beautiful/>

Diaspora Competition

While West Africa and more particularly Ghana are beginning to emerge as serious players in the region, our research indicates that ironically the main competition for many local companies comes from diaspora entrepreneurs based in the metropolitan cities of London, Paris, New York, Atlanta, and Toronto. These companies can tap into many of the brand features that local West African companies exploit namely the African roots, the use of local products, the concern for the community, the understanding of Black cosmetic needs, and cultural practices. They, however, have the advantage of having a large number of highly professional contract manufacturers with access to a vast range of natural raw materials and clean ingredients that African based companies just cannot get. Moreover, they have access to a wide range of packaging materials and local press who love to promote small ethnic Indie brands.

Some examples of African inspired diaspora brands are below:

- <http://www.magattewade.com/tiossan>
- <https://aphogee.com/>
- <https://www.fentybeauty.com/>
- <https://imancosmetics.com/>
- <https://mielleorganics.com/pages/contact-us>
- <https://edenbodyworks.com/>
- <https://bellebarorganic.com/pages/contact-us>
- https://www.sheabuttercottage.com/ABOUT_US.html
- <https://www.theafrohairandskincompany.co.uk/>
- http://spafrika.com/spafrika_store/spafrika-our-philosophy.html

Examples of Diaspora Cosmetic Ranges

Ashanti Cosmetics UK

Rooted in a completely natural tradition, the Ashanti Cosmetics range blends passion and luxurious botanical ingredients so that you can have the ageless skin you have always dreamed of. From all-over body butter to pomegranate oil-based face creams, each product is created to “purify your mind and ease your soul” – not to mention, defy signs of ageing for good without ever having to rely on animal-based products. Ashanti Cosmetics is vegan and cruelty-free. The branding and the package is of international quality, the products have been professionally made by a contract manufacturer and conform to all EU legal testing requirements. <https://ashanticosmetics.com/>

<https://www.avenue15.co.uk/ashanti-cosmetics-the-ghanian-beauty-secret-to-get-your-skin-glowing/>

Epara SkinCare - USA

With a degree in accounting from Oxford University, Ozohu Adoh never intended to start her beauty brand. However, years of dealing with dry skin and misdiagnosed rashes left her frustrated. Finally, she decided to find the solution herself.

The Epara line, which is available at Barneys New York, targets the specific needs of brown skin, especially hyperpigmentation and hydration. The brightening products address dark spots without affecting the overall melanin levels, and every product has moisturizing ingredients like shea butter and hyaluronic acid.

<https://www.eparaskincare.com/about-us>

Base Butter

Nicolette Graves created Base Butter to give Black consumers an elevated and curated skin-care experience. Since launching in 2015, Base Butter has gotten some push back for being so focused on the Black consumer. And the numbers prove that it was the right choice: 98% of the Base Butter customers are Black. The two products in the Base Butter lineup, the Body Love Cream and the Radiate Face Jelly, are meant to hydrate brown skin with ingredients like aloe vera, shea butter, and mango butter.

<https://www.basebutter.com/>

Hanahana Beauty -UK

Hanahana provides women of color with handcrafted shea butter sourced straight from Ghana. From hair products to makeup goodies, black women spend nine times more on makeup and hair than any of their peers.

Abena Boamah, founder of Hanahana Beauty was born in the States but lived in Ghana as a child and is currently residing there. After doing extensive research in Ghana, avocado oil, lavender, and mango butter are a few of the ingredients she uses in her lotions, scrubs, and lip balms.

www.hanahanabeauty.com

Mielle Organics - USA

Founder and CEO Monique Rodriguez has a background as a registered nurse, and her experience in science helped her craft products full of minerals, amino acids, and herbs that enable healthy hair to thrive.

Mielle Organics founder Monique Rodriguez originally pursued a career in nursing but transitioned to beauty after documenting on social media how she helped her hair bounce back from color damage. While still working as a nurse, Rodriguez began mixing ingredients in her kitchen and posting her homemade recipes for products—like her popular Mint Almond Oil—on social media. She started getting positive feedback from viewers who tried her techniques on their hair at home. “I just kept doing it and I kept being consistent,” she explains. “I then decided

to take the additional steps to legitimize what I was doing, because people liked what I was creating. That is how Mielle Organics started.”

Mielle Organics focuses on becoming the number-one haircare line for thick, curly type 4 hair (a coarser natural texture).

<https://mielleorganics.com/pages/contact-us>

Shea Cottage- UK

Shea Cottage is a company famously known for its range of natural, ethically sourced, handmade shea butter and toiletries. This sustainable business has been thriving since its establishment in 2004 and steadily becoming the face of natural hair and skin care. It also has its charitable side as a percentage of every purchase is donated to help sustain the less fortunate. The visionary and CEO behind this establishment is the inspirational Akua Wood. Akua Wood started her range of natural shea based products in 2002, as a solution to the scarcity of such products upon arriving in the UK. The demand for a wider range of products led to the growth of the now recognised Sheabutter Cottage.

The company won her the GUBA 2013 Awards for the Small Emerging Business category. Subsequently, the range of products available has increased tremendously and the brand still carries the natural and handmade quality logo.

www.sheacottage.com

How to Compete with the Diaspora Brands

Diaspora competition is not always competition.

In some cases, the business is multinational with one family member operating in Ghana /West Africa while the other is sitting in Europe or the U.S. The African based operation is responsible for sourcing raw materials and local quality control as well as selling the brand in the local and regional market while the overseas-based collaborates to sales and promotion overseas. What proportion of the profits from such a business are created and retained in Ghana is almost impossible to find out?

Besides the family joint venture option, there can be partnerships where a European or U.S minority-owned company develops an exclusive or semi-exclusive partnership with a local supplier. Perhaps they ship the product in bulk and pack it abroad, or take the formula and have it made by a contract manufacturer. This means that most of the value addition is added abroad than in Ghana but so long as revenue/profits return to Ghana this may be an attractive solution.

A third, more radical solution, widely adopted by Asian companies trying to operate in Europe or North America, is to set up a legal entity within the market sales area. This can be a 100% Ghanaian company but based in the US or Europe. The finished product or perhaps a semi-finished version is shipped to their own company who acts as importers/ distributors for their product. If packing is done in Europe or the USA one has the added cache of saying “Made in the USA” or “Made in EU” which will make it easier to penetrate the market. Moreover, such a

company can have a customer service telephone line to handle returns and complaints which is critical when brands grow.

Ingredients Versus Finished Products

Some companies in Ghana entering the cosmetic field started by exporting bulk Shea butter as a cosmetic ingredient and then turned to value-added production to increase profit margins and widen their market.

The most notable example of this is SEKAF industries. While it may be possible that a collector/wholesaler of raw materials like SEKAF will have an opportunity to sell a limited range of products, such as soaps or crude body kinds of butter, it is globally quite unusual to find ingredient manufacturers developing and selling a full range of cosmetic products with multiple ingredients into the retail market.

Natural cosmetic ingredients

The most basic form of value addition in the shea sector is the production of shea butter from boiling the nuts. Almost all the studies in this sector have shown that profit margins from this activity, especially when sold to collectors and wholesalers, are very low. It is a seasonal job that provides cash income when none is available from the farm. The only way to increase profit margins in this field is to make simple body butter or other artisanal products and attempt to sell these products in local markets or to move beyond that phase and formulate a basic simple formulation or soap for sale in the cities. For other natural raw materials obtaining fair trade or organic certification can lift profit margins somewhat but unless the buyer is prepared to pay the cost of such certification it is difficult for village collectors of Moringa, Hibiscus or other raw materials to attempt to confirm and pay for inspections to get such certification.

Backward integration

Multinational brand owners in Europe and North America may buy ingredient suppliers to secure raw material supplies and build a story for their brand. This sort of backward linkage is happening more and more as issues of sustainability and transparency in raw material supply grows. For instance, Sundial Brands (now Unilever) bought Savannah Fruits Company in Tamale to gain control of a supplier of handcrafted shea butter, while L'Occitane has done the same in Burkina Faso.

Cosmetic ingredient suppliers

Manufacturers, formulators, and sellers of cosmetic ingredients are a very important component but a separate component of the international beauty care industry. They normally are integrated or owned by companies that sell fragrance and flavour ingredients as well. The world's largest players in this respect are firms like Givaudan, Symrise IFF, etc. 10 companies control roughly 80% of this market. As science and technology-driven companies, they develop formulas for others to use and sell in cosmetic brands. Companies like Ghana Nuts and other multinationals like AKK and ADM are heavily involved in valued production. They operate through huge factories involved in the refining and fractionation of key raw materials like shea, cocoa, and palm oil into many different chemical components, that are then sold to big fragrance and flavours houses in Europe and North America.

Advantages of being an ingredient exporter and cosmetics manufacturer	Disadvantages of being ONLY an ingredient exporter doing cosmetics
1.Detailed knowledge and experience of the raw material;	1.Access to only one or two raw materials whilst even fairly basic products require multiple ingredients;
2.Eliminate the need to pay supplier margins;	2.Possible conflict of interest in the international market if you try to sell ingredients to people competing with your finished product;
3.Traceability and control of the raw material base;	3.Very different technical and marketing skills required in the production and processing of raw materials to that of finished products;
4.Ability to select very good quality;	4.As the amount of any ingredient (sold in kilos not containers) for the finished product is small the economic advantage of in house sourcing is minimized
5.Strong links in the community – access to labour;	
6.Can exploit the story and any fair trade consideration;	
7. Some knowledge & possible links international beauty market (via buyers of the raw material).	

Although it may seem obvious that someone would prefer to make finished cosmetics rather than ingredients, the choice is not that obvious or clear cut. The final decision depends largely on who is the entrepreneur and what social, geographic, and economic situation background they come from.

While a large number of families that collect nuts for sale also make handcrafted shea butter, we cannot consider the manufacture of crude handcrafted shea butter as “cosmetic manufacturing”. This process is only traditional post-harvest handling practice connected with shea butter collection and does not involve any formulation skills or speciality ingredients or packaging.

The formulation of cosmetics using several different multi-functional ingredients as well as natural preservatives and stabilizers, which are then packed and branded before the sale, is a quite different business from the above.

Few if any companies not just in Ghana but also round the world excel in both.

Some Recommendations

Trade Association/Clusters

Ghana already has some dynamic young natural cosmetic companies.

Interviews with some of these companies suggest they are keen to form some form of association or cluster to lobby government on regulatory and financial matters and to promote Ghana cosmetics worldwide. In these regards, the Cosmetic Export Council of South Africa is a good model to look at, as it has been very successful in the last 5 years in putting South African cosmetics on the world market. This type of organisation is critical to furthering Ghana's cosmetic industry.

The Cosmetic Export Council of South Africa (CECOSA) is a Section 21, non-profit organisation and has a Public-Private-Partnership (PPP) with the Department of Trade and Industry.

<https://www.cecosa.co.za/index.php/about-us>

CECOSA works in conjunction with the DTI and South African Embassies/Economic Offices around the world. The prime objective is to create an exporting environment that will promote increased business for South African Companies and highlight our world-class cosmetic products to the global market.

CECOSA's primary mission is to facilitate and assist export opportunities for the South African cosmetic, toiletry, fragrance, and pharmaceutical.

Its secondary mission is to promote export growth for the South African Economy by displaying world-class local brand owners and manufacturers.

CECOSAs key objectives are: to strengthen industry growth within the cosmetic sector to increase export growth for our members and to encourage enterprise development of the smaller entrepreneurial manufacturer through guidance and mentoring.

CECOSA aims to:

- Showcase South Africa's cosmetic, toiletry, fragrance and pharmaceutical industry internationally;
- Promote SME/BEE cosmetic exporters' brands & South Africa's manufacturing facilities;
- Grow the number of cosmetic exporters;
- Increase export revenue in line with the Department of Trade and Industry targets;
- Ensure all cosmetic products manufactured, distributed and exported comply with the SA Self-Regulatory Standards and Codes of Practice;
- Set CECOSA up as the voice on all matters regarding exports;
- Acquire and disseminate updated and accurate information relating to:
 - Customs and Excise rates and tariffs;
 - Understanding of trade agreements, tariffs and non-tariff;
 - Variations of Regulations/Standards in different countries.

Skill requirements for Ghana's cosmetic manufacture

Some of the most famous cosmetic brands in the past started with people making products in their kitchens (Helena Rubenstein, Estee Lauder, Jo Malone, Anita Roddick (Body Shop). Today it is more and more difficult for such artisanal producers to get very far largely because of the ever-stringent health and safety laws required for manufacture and trade in cosmetics.

Such “artisanal” makers still exist in all countries but, once they reach a certain stage in the growth of their company, they are forced to evolve. They can either find contract manufacturers and packers that can convert their knowledge into a commercial legally approved product, or they need to invest in skilled people and build their manufacturing facility to make their product in a clean, safe, hygienic way.

Contract manufacturing – the most common way forward

All contract-manufacturing activities begin with drawing up of a scope of work with tight specifications, protection, payment, and compensation clauses.

Contract manufacturers aim to assist small and medium firms to offer:

- A bigger range of products;
- Better formulated products;
- Better packaged and labelled products.

Contract manufacturers also aim to help their clients by:

- Opening up new market prospects (products are cheaper and more professionally produced);
- Overcoming regulatory hurdles that producers alone could not surmount;
- Overcoming shortages of trained staff by taking over tasks for which their clients do not have specific in house expertise or trained staff.

Use more local ingredients

Ghana has at least 10 globally important natural cosmetic ingredients that it grows within the country. These include:

Shea Nuts	By far the most important ingredient available
Cocoa	Popular ingredients but limited availability in Ghana
Coconut	Availability of Virgin coconut oil is limited
Palm Oil	Massive use globally especially in soap
Moringa	Moringa leaf widely available in Ghana but not the seed oil
Hibiscus	Not much used in cosmetics in Africa
Baobab	Main use is food and few in Ghana making Baobab seed oil
Niger Seed	Increasingly used in cosmetics but not in Ghana
Papaya	excellent for face mask especially in spas
Avocado	the fruit used in face masks, oil is an excellent emollient

One of the main constraints coming out from the different interviews undertaken with Ghanaian producers is the lack of a suitable range of materials to use in cosmetics. Everyone uses Shea Butter, sometimes in very raw and crude form in other cases some slightly more refined, but with the respect of the other 9 globally important cosmetic ingredients (all INCI listed so they can be legally used in cosmetics worldwide) Ghana has generally very limited supplies. Prices are also high compared to the same raw materials in Europe, Brazil or Asia.

This issue needs to be addressed to make the Ghanaian cosmetic industry more competitive. As a reference, South Africa has around 20 commercially available cosmetic ingredients and this has allowed the country to advance much faster than in Ghana in the cosmetic industry.

Annex 1: Business Growth Paths

What is your starting point and what endpoint do you wish to reach?

Anybody must enter the cosmetic industry particularly if they are new or very small players to know what aspirations and expectations such entrepreneurs have. Not everyone wants to become another Estee Lauder or Helena Rubenstein (although these two women started making products in their kitchen before becoming famous). Below is a list of some of the most common ways people enter this industry. Are you one of these?

1. I can't find a good product for myself!

Disappointed in what they can obtain in the market people try to make their products. They use them on themselves and offer it to their family, friends, and eventually their region and/or diaspora group. Often they or a family member have a skin problem or other beauty-related issue they want to solve. Here the creation of a **product that works for them is the driving force**.

2. Want to get more revenue and a bigger profit margin:

Some are involved in the procurement and supply of cosmetic ingredients (shea nuts, moringa leaves, etc.). They want to increase their profit margins by adding value to their raw material through refining or packaging. Here **adding value to one or two specific raw materials** is the driving force behind the development of the business.

3. Grandma left me these magic potions!

Some have inherited a specific product or formulation developed by them and they see it possible to improve and expand its market beyond its existing local traditional market by applying professional marketing and distribution skills. Here the focus is **on marketing, promoting, and expansion of an existing product range** to reach a bigger market.

4. We need to create more wealth and employment in our village

Yet others want to create income and employment for their neighbourhood through the manufacture and sale of beauty related products, so here community involvement and participation are central to their business brand.

They can be NGOs, religious groups, or other social enterprises. Here the driving force is not profit but **local wealth creation, employment, and sustainability**

5. I want to be a millionaire

Others are professionally trained and business orientated entrepreneurs who from the outset intended to build a brand with multiple products with many different ingredients. They plan to reach large-scale regional and international markets from the very beginning either by setting up a **factory-based manufacturing unit or through a contract manufacturer**. This is a corporate approach involving people ready to invest money or borrow substantial sums to build the production and marketing base.

6. I am famous why not to launch my brand of cosmetics?

Some start-ups have become famous/successful in another field, often in fashion, music, modelling or sport, and want to diversify their brand identity into the cosmetic sector. Some of this group may be the wives or daughters of extremely rich entrepreneurs who want to make a

name for them in the community. Here the formulation and development of the product range are usually done by others. In some cases, the motivation is purely profit orientated but in other cases, it is using the products simply as a PR tool for their other businesses and making profit but generates **PR and media attention, which is the driver.**

Annex 2: A Road Map to Success

You need to be aware of which of these six or more start-up positions you find yourself at and as important where you would like to be in the next 10 years.

You need to know your limitations and constraints:

- a) Are you a small rural artisanal business** with limited capital, limited education, and no links to the international market and corporate world?
- b) Are you a medium-size or large company** that has an established export business and wants to diversify into this sector? What are the chances of forming a collaboration with other local producers?
- c) Are you someone with an existing international brand identity** and press and media connections that can help launch the product internationally?
- d) Are you a scientist or an inventor?** Who has come up with a new formulation or new idea that you wish to commercialize which has originality and intellectual property potential
- e) Are you an NGO or social enterprise** wishing to build a sustainable ethical business for local women based around beauty care?

In each case, a different road map should be followed!

The 6 Stages of development in the cosmetic industry

The growth path of most cosmetic companies goes through a series of similar steps wherever they are based and whatever the product they are producing.

We have identified 6 stages of development with 2 subcategories, as indicated in the following diagram:

THE PYRAMID OF COMPANY GROWTH



LEVEL	Characteristics
Level 0: Crude Ingredient	Someone is collecting, trading, or using a single local ingredient. There is no formulation or product manufacturing
Level 1: Artisanal Local Single Item	Artisanal production of one or perhaps two products using a very limited number of ingredients such as soap or body butter etc. These are sold in local market stalls. The packaging is limited, shelf life is limited and volumes are small. There are tens of thousands of SSMEs at this level in Ghana and all over Africa.
Level 2: Ad Hoc Single Item Export	Success in the local area encourages attempts to sell the product outside of the area of production often through close friends or relatives. Shipment is often by suitcase load or perhaps by post or courier. Packaging might be somewhat upgraded and maybe one or two new products added. Sales are made through street vendors, small retail shops, or door-

	<p>to-door sales. The market could be Accra and other big Ghanaian towns but it could equally be New York or London.</p> <p>At this stage, no formal business structure or formal operating procedures or distribution channels are needed and shelf-life issues are not an issue, as turnover is fast and storage requirements small.</p>
<p>Level 3A Partial Range Export</p>	<p>Success in level 2 results in the building of a web site and online sales platform. The entrepreneur may also attend a national, regional, or international trade fair and pick up some commercial orders or even perhaps find some retail outlets (often ethnic outlets) who want small quantities of products regularly. Packaging and labelling issues now emerge and as demand picks up the whole issue of transport and distribution becomes more critical. The challenges of getting packaging in West Africa are great. Chinese packaging requires large volumes. South African packaging is expensive.</p>
<p>Level 3B Partial Range Export</p>	<p>At Level 3 the whole issue of preservation and shelf life emerges. Artisanal products just cannot be sold regularly in shops or using outlets like Amazon as they don't have the shelf life required, without importing specialist preservatives. Without a distribution network and trade capital to finance shipment regularly, the business is not able to grow.</p> <p>Banking support is critical at this stage. The need for a customer service set up in the markets served emerges. Regulatory issues become more and more important as the product is now reaching some formal distribution channels. The costs of registration are high. Certification of the product may be needed to justify the claims made that the product is natural or organic or ethically traded or what (up until that point the consumer number and reach are not big enough to be challenged).</p> <p>The majority of African cosmetic companies will fail to make the step up from Level 2 to Level 3. Moreover, these local companies will face considerable competition from Diaspora brands, which are established by Ghanaians or other Africans in Europe and North America. They have their products contract manufactured near the market using Ghanaian ingredients.</p>

Level 4
Full Range Export Brand

All the issues that are raised in level 3 become even more important at level 4 where one is trying to develop a **professional international brand**. Bulk Transport and storage, stock keeping, regulatory hurdles or become more critical. Furthermore, the issues of sustainability and consistency become more critical. Can the supplier deliver the quantities needed year-round and to the same standard? Developing a serious independent brand with professionally formulated products that have internationally approved and tested formulations and ingredients PIP files (Product Information Files) is a big step up from Level 3. The only way this usually can be achieved is either by some form of alliance or with a big industrial partner in Ghana or a joint venture with an importer/distributor in one of the main markets.

Another option is to use internationally accredited contract manufacturers and contract packers in the target market and to have the product manufactured and distributed there.

The only way that this stage can all be done in-country is if the country begins to build an integrated cosmetic industry with a wide range of professional laboratories and professional formulators and chemists based perhaps in some sort of specialist agro-industry park. More than 5 or 10 brands there have achieved worldwide impact.

Level 5A
Indie Brand Global Sales

At the level 5 stage we are still talking about an independent company with an independent brand (Indie Brand). Such brands are still only like to be sold through online sales, through specialist retailers and with luck one or two department stores. The move up to multi-location and multi national outlets, through drug store chains, supermarkets, duty-free shops, etc. requires not only very large sums of money to finance such trade but also a full product range. Whereas some Indie Brands survive with a limited product range once one goes beyond that into mass-market, one needs to have a full product range requiring often hundreds of different ingredients. In many countries, the move up to Level 5 is done only through venture capital or by selling a part or all of the company to a larger entity that pumps in the required cash. So far, only South Africa has achieved this level, although the range of formulations and packaging available is still limited and hence not more than a handful

	<p>of companies have achieved international penetration at this level.</p>
<p>Level 5B Indie Brand Global Sales</p>	<p>At the level 5 stage we are still talking about an independent company with an independent brand (Indie Brand). Such brands are still only like to be sold through online sales, through specialist retailers and with luck one or two department stores. The move up to multi-location and multi national outlets, through drug store chains, supermarkets, duty-free shops, etc. requires not only very large sums of money to finance such trade but also a full product range. Whereas some Indie Brands survive with a limited product range once one goes beyond that into mass-market, one needs to have a full product range requiring often hundreds of different ingredients. In many countries, the move up to Level 5 is done only through venture capital or by selling a part or all of the company to a larger entity that pumps in the required cash. So far, only South Africa has achieved this level, although the range of formulations and packaging available is still limited and hence not more than a handful of companies have achieved international penetration at this level.</p>
<p>Level 6 Premium Luxury Global Brand</p>	<p>The peak of the pyramid. This the premium luxury brand area where brand loyalty and advertising expenditure to support the brand and often their retail shops (or shops within a shop).</p> <p>There are only 4 or 5 companies in the world that are in this field with LMVH, Estee Lauder, L'Oréal, Unilever, and Coty being the largest players.</p> <p>The only companies outside of Europe and North America that have reached even the bottom end of this segment of the premium market are Shiseido of Japan and Natura of Brazil. These multinationals each own a large number of brands and like to purchase the best Indie Brands that they can find in Level 4 or 5 either to ensure their dominance or to prevent anyone else entering this elite club of premium luxury products. Few if any of these companies manufacture a significant proportion of the products they sell.</p>

Annex 3: Cosmetics Glossary A-Z of Technical Terms

Abrasives: Substances which are added to cosmetic products either to remove materials from various body surfaces or to aid mechanical tooth cleaning or to improve gloss.

Antiperspirant agents: Substances added to cosmetic formulations to reduce perspiration.

Additives: Substances which are added to cosmetic products, to impart or improve desirable properties or suppress (or minimise) undesirable properties.

Anticorrosives: Substances added to cosmetic products to avoid packaging corrosion.

Antidandruff agents: Substances which are added to hair care products to control dandruff.

Antimicrobials: Substances which are added to cosmetic products to help reduce the activities of micro-organisms on the skin or body.

Antioxidants: Substances which are added to cosmetic products to inhibit reactions promoted by oxygen, thus avoiding oxidation and rancidity.

Antistatic agents: Substances which are added to cosmetic products to reduce static electricity by neutralising the electrical charge on a surface.

Antifoaming agents: Substances added to cosmetic products either to suppress foam during manufacturing or to reduce the tendency of finished products to generate foam

Absorbents: Substances which are added to cosmetic products to take up water- and/or oil-soluble dissolved or finely dispersed substances.

Binders: Substances which are added to solid cosmetic mixtures to provide cohesion.

Buffering agents: Substances which are added to cosmetic products to adjust or stabilize the pH thereof.

Biological additives: Substances derived from the biological origin which are added to cosmetic products to achieve specific formulation features.

Bleaching agents: Substances which are added to cosmetic products to lighten the shade of hair or skin.

Botanicals: Substances which are derived from plants, mostly by physical means, added to cosmetic products to achieve specific formulation features.

Chelating agents: Substances added to cosmetic products to react and to form complexes with metal ions which could affect stability and/or appearance of cosmetics cosmetic.

Colorants: Substances which are added to cosmetic products to colour the cosmetic product and/or to impart colour to the skin and/or its appendages. All colours listed are substances of the positive list of colorants (Annex IV of the Cosmetic Products Directive).

Depilating agents: Substances added to cosmetic products to remove unwanted body hair.

Deodorant agents: Substances added to cosmetic products to reduce or mask unpleasant body odours.

Denaturants: Substances added to cosmetic products containing ethyl alcohol, in order to render them unpalatable

Emulsifying agents: Substances added to cosmetic products and which are surface-active agents that promote the formation of intimate mixtures of immiscible liquids emollients substances which are added to cosmetic products to soften and smoothen the skin.

Emulsion stabilisers: Substances which are added to cosmetic products to help the process of emulsification and to improve formulation stability and shelf-life.

Film formers: Substances which are added to cosmetic products to produce, upon application, a continuous film on skin, hair or nails.

Hair dyes: Substances which are added to cosmetic products to colour hair.

Humectants: Substances added to cosmetic products to hold and retain moisture.

Opacifiers: Substances which are added to transparent or translucent cosmetic products to render them more impervious to visible light and nearby radiation oxidizing agents' substances which are added to cosmetic products to change the chemical nature of another substance by adding oxygen.

Oral care agents: Substances added to cosmetic products for the care of the oral cavity.

Preservatives: Substances which are added to cosmetic products for the primary purpose of inhibiting the development of micro-organisms therein.

Propellants: Gaseous substances added to cosmetic products under pressure in pressure-resistant containers for expelling the contents of the containers when the pressure is released.

Reducing agents: Substances added to cosmetic products which change the chemical nature of another substance by adding hydrogen or removing oxygen.

Surfactants: Substances added to cosmetic products to lower the surface tension as well as to aid the even distribution of the cosmetic product when used.

Solvents: Substances which are added to cosmetic products to dissolve other components.

U.V. absorbers: Substances which are added to cosmetic products specifically intended to filter certain UV rays to protect the skin or the products from certain harmful effects of these rays. To protect the skin from these effects, only the use of substances listed in Annex VII of the Cosmetic Products Directive is allowed viscosity controlling agents Substances which are added to cosmetic products to increase or decrease the viscosity of the finished product.

Annex 4: Potentially Harmful Ingredients

In this appendix we list ten of the most controversial ingredients used in cosmetics. Some of these ingredients have been banned in some countries:

INGREDIENT	DETAILS
BHA (Beta Hydroxy Acids) and BHT (Butylated hydroxytoluene)	BHA and BHT are synthetic antioxidants used as preservatives, and they are most common in lipsticks and moisturizing creams. The EU has released evidence that BHA and BHT disrupt the endocrine system.
Coal tar dyes	On labels, coal tar dyes are listed as p-phenylenediamine or colors titled “CI” and followed by a five-digit number. These dyes are mixtures of petrochemicals, and they have been linked to cancer in humans.
Formaldehyde-releasing preservatives	These preservatives are present in a wide range of cosmetics, as well as in cleaning products such as toilet bowl cleaners. As their name suggests, formaldehyde-releasing preservatives continuously release small amounts of formaldehyde, a known human carcinogen.
Aluminum	Commonly used in antiperspirants, aluminum enters the body through the underarm tissue and blocks sweat ducts. However, it has also been linked to breast cancer, Alzheimer’s disease, and osteoporosis.
Dibutyl phthalate (DBP)	Often found in nail products, DBP is a solvent for dyes. Considered toxic to human reproduction, it enhances the ability of other chemicals to cause genetic mutations. While Canada has banned DBP from all children’s toys, no action has yet been taken against its presence in cosmetics.

Fragrances and Phthalates

The word *fragrance* is a catchall term that can disguise up to 3,000 synthetic or natural chemicals used to make a beauty product smell delicious.

Fragrances are considered a trade secret and, therefore, do not have to be disclosed.

On a related note, phthalates, which help fragrances last longer, are a group of chemicals used to keep materials and products (nail polishes, hair sprays, plastics) pliable.

The problem: Where there is the vague ingredient *fragrance*, there are phthalates—most of the time, anyway. Phthalates have been linked to reproductive and hormonal harm in children and men. Some studies have linked phthalate exposure to obesity, type 2 diabetes, reduced sperm count, breast cancers, reproductive malformation, infertility, and cardiovascular events. A study from 2017 found that 70 percent of perfume and cosmetics salespeople had exceeded

the cumulative risk of phthalate exposure. Fragrance on its own can also be a trigger for allergies and asthma attacks, since we don't know exactly what ingredients are being used in both short- and long-term exposure. Cosmetics giants Unilever, Procter & Gamble, and Johnson & Johnson have all committed to fragrance transparency in the last several years.

Sodium Laurel Sulphate

Sulfates are responsible for the bubbles and lather in cleansers like shampoo. Some sulfates are synthetic, while others are derived from sulfur and petroleum, as well as natural sources like coconut and palm oils. PEG compounds are used as thickeners, solvents, and softeners in hair products, as well as some moisturizers and base products.

The problem: Sodium lauryl sulfate is a harsh cleanser, which is why it gets a bad reputation in the world of hair care. It will strip your hair, but it's not inherently toxic. To save your hair, sodium lauryl sulfate is sometimes converted into Sodium Laurel Sulfate through a process called ethoxylation. A by-product of this process is 1,4-dioxane, a chemical the Environmental Protection Agency (EPA) lists as a likely human carcinogen. On the FDA website, it's noted that the agency "periodically monitors the levels of 1,4- dioxane in cosmetics products" and that "changes made in the manufacturing process have resulted in a significant decline over time in the levels of this contaminant in these products."

A 2018 FDA survey of 82 randomly selected personal care products marketed toward children found that only two had levels of 1,4-dioxane above 10 ppm, which is significantly lower than in the surveys conducted from 1981 through 1997. The agency also notes that 1,4- dioxane evaporates quickly, lowering the risk of transdermal absorption "even in products that remain on the skin for hours." As of July 2019, Sephora is requiring brands to test for the presence of 1,4-dioxane.

Formaldehyde

The most notorious preservative in history, formaldehyde is commonly found in keratin smoothing treatments that rely on the chemical to lock the hair's broken disulfide bonds into a straighter position.

The problem: Formaldehyde is recognized globally as a human carcinogen, and that is why it (and its offspring) has been eliminated from most common cosmetic products, like nail polish.

The U.S. Occupational Safety and Health Administration (OSHA) lists sore throat, nosebleeds, and itchy eyes as common side effects to formaldehyde exposure. The FDA also warns that formulas and products can claim they are natural, organic, and/or formaldehyde-free when that's not true. The agency encourages consumers to always read the label, ask hair professionals for an ingredient list, and report all negative reactions.

Refined Petroleum

Mineral oil (petrolatum, paraffin) is a widely used moisturizing agent sourced from petroleum and is often found in lip balms and face creams.

The problem: There are about a thousand reasons to avoid petroleum products from an environmental standpoint. But there are health concerns as well: A 2011 study found mineral oil to be the largest contaminant present in the human body due to accumulation over time possibly from cosmetics. A 2016 study called for the reduction of the amount of mineral- and petroleum-based ingredients "in the majority of cosmetic lip products" that are ingested. The World Health Organization lists untreated or mildly treated mineral oils used in manufacturing

as carcinogens.

Hydroquinone

A topical bleaching agent, hydroquinone is found in skin-lightening creams and serums and used in the treatment of hyperpigmentation. It is sold over the counter in two per cent concentrations, but stronger formulas are available by prescription.

The problem: Hydroquinone was approved by the United States FDA in 1982, but several years later, it was temporarily pulled from the market due to safety concerns. However, hydroquinone itself been linked to certain cancers, decreased immune response, abnormal function of the adrenal gland, and a skin condition known as ochronosis. European Union alongside Japan and Australia have banned the ingredient. Ghana and other West African countries have recently banned this ingredient.

Some Solutions: Green Oleo Chemicals

Fatty Acids: Fatty acids like coconut fatty acid, stearic acid, and oleic acid are green ingredients used as lubricants, adhesives, and release agents, as well as emulsifiers and base stock. You can incorporate naturally derived fatty acids into a wide range of cosmetic products, including soaps, ceramic powders, lotions, and creams.

Castor Oil: Made by pressing the seeds of the castor plant, castor oil is a beneficial ingredient that has a range of anti-inflammatory and pain-relieving properties. When used in hair cosmetics, materials like Jamaican Black Castor Oil both remove impurities and clarify the scalp, resulting in a more effective and eco-friendlier product.

MCT Coconut Oil: Extracted from the kernel of mature coconuts, MCT Coconut oil is a highly specialized and versatile carrier oil. Light, smooth, and easily absorbed into the skin, MCT oil is especially useful in skincare products, since it does not leave an oily residue.

DMDM Hydantoin: A powerful antimicrobial agent, DMDM Hydantoin is a halogen-free preservative. This eco-friendly ingredient can be added to both rinse-off and leave-on products, including eye and skin creams, shampoo and conditioner, sunscreen, liquid soap, and make-up remover.

Phenoxyethanol: Inhibiting both bacteria and mold growth, phenoxyethanol is an effective preservative used in a wide range of green cosmetics, from lotions and creams to make-up and gels. Phenoxyethanol serves a variety of roles within cosmetics, including solvent, fixative, and topical anesthetic functions.

Annex 5: Fragrance Ingredients Considered as Potentially Allergenic

- Benzyl Alcohol
- Benzyl Salicylate
- Cinnamic Alcohol
- Cinnamic Aldehyde
- Citral
- Coumarin
- Eugenol
- Geraniol
- IsoEugenol
- Anisyl Alcohol
- Benzyl Benzoate
- Benzyl Cinnamate
- Citronellol
- Farnesol
- Lilial (synthetic)
- d-Limonene
- Linalool
- Oak Moss
- Tree Moss

Annex 6: Outline Questionnaire

Ghana Cosmetics – May /June 2020

This was the outline questionnaire that we used to interview 10 relevant experts in the cosmetic industry:

1. What are the three most important future trends you see about Natural Cosmetics (excl. Immediate COVID 19 issues)?
2. How do you see the relationship between natural and non-natural cosmetics/beauty care products evolving?
3. How do you see the growth of naturals versus organics in beauty care?
4. What are the three/four most important things that go to make a successful natural cosmetic (ingredients, scientific claims, packaging, story, promotion
5. What do you think is the main difference between the EU and the North American market?
6. Do you think African/Ghanaian cosmetics have a potential place in either of these markets?
7. If so what specific type of products, you think would be most interesting
8. How do you think that African/Ghanaian producers should approach these markets (web sales, joint ventures, refined ingredients)?
9. Any other key issues (not regulatory)

Annex 7: International Standards Organisation No 16128 Natural and Organic Cosmetics

The ISO 16128 standard applies to cosmetic ingredients and finished cosmetic products. The standard defines how to numerically determine the degree of natural and organic origin making it easy to compare between individual raw materials and finished products. The first part of the standard (ISO 16128-1) was published in February 2016 and defines, among other things, the following categories for cosmetic ingredients:

1. Natural ingredients;
2. Derived natural ingredients;
3. Organic ingredients;
4. Derived organic ingredients.

The second part of the standard (ISO 16128-2) was published in September 2017. It describes the calculation of the natural or organic origin of the categories above. The degree of natural or organic origin, stated as an index, can be calculated for individual ingredients or for finished products.

Specifically, the second part allows the following indexes to be calculated for cosmetic ingredients:

1. Natural index;
2. Natural origin index;
3. Organic index;
4. Organic origin index.

If an ingredient meets the definition of “natural ingredients”, then the “natural origin index” is 1, otherwise 0. The molecular weight or the content of regenerative carbon atoms can be used, for example, to calculate an ingredient’s degree of natural origin. If the “natural origin index” is somewhere between 0.5 and ≤ 1 , then it is a derived natural ingredient. The same logic applies to the organic origin.

Working from the index of the individual ingredients, the degree of natural origin of finished cosmetic products can also be calculated. This value falls between 0 and 100 % and can be calculated with or without the water content in the formulation.

ISO 16128 makes a distinction between the following categories:

1. Natural content
2. Natural origin content
3. Organic content
4. Organic origin content

In order to calculate the “natural content” of a finished product, for example, the percentages of natural ingredients are multiplied by the “natural index” and the results are

summed. The same calculation also applies to the “natural origin content”, except that in this case the derived natural ingredients are also factored into the calculation.

Annex 8: EU suppliers of natural cosmetic ingredients

UK

www.naturallythinking.com
www.thesoapkitchen.co.uk
www.gracefruit.com
www.akomaskincare.co.uk
www.aromantic.co.uk
www.soapmakers-store.com
www.fresholi.co.uk
www.bayhousearomatics.com

EU

www.aroma-zone.com/ (France)
www.aliacura.de/(Germany)
www.alexmo-cosmetics.de/ (Germany)
www.glamourcosmetics.it/it/(Italy)

South Africa

www.daolusorganicproducts.co.za
<https://essentiallynatural.co.za>

USA and Canada

www.lotioncrafter.com
www.formulatorsampleshop.com
www.theherbarie.com
www.brambleberry.com
www.bettersheabutter.com
www.makingcosmetics.com
www.wholesalesuppliesplus.com
www.barakasheabutter.com

Annex 9: Important Trade Fairs for of Natural Cosmetics

InCosmetics – leading personal care ingredients show

Global show in Europe each year and regional shows (Latin America, North America, Asia).

<https://www.in-cosmetics.com/>

Cosmoprof – leading finished product beauty care event

Global event in Bologna, Italy each year. Regional shows at Cosmoprof North America and Cosmoprof Asia

<https://www.cosmoprof.com/en/>

Vivaness (part of Biofach) – leading natural and organic cosmetic fair in the world held annually in Nuremberg, Germany

<https://www.vivaness.de/en>

Natural Products Expo West at Anaheim California USA

Leading natural product show in USA, with special section for natural beauty care products.

<https://www.expowest.com/en/home.html>

Supplieside West International

Held on the west coast normally Las Vegas annually. Leading natural ingredient show in USA with SupplySide East also being held on the East Coast

<https://west.supplysideshow.com/en/home.html>

Natural Products Europe

Held in London every year in London with a special section devoted to natural beauty and spa. This is the leading national event in the UK

www.naturalproducts.co.uk

Beauty Forum Munchen and Beauty Forum Leipzig

Leading trade fair/s in Germany for cosmetics and beauty care

<http://www.health-and-beauty.com/>

America's Beauty Show

America's beauty show held in Chicago annually: one of the leading conventional beauty shows in USA with many natural cosmetic companies attending

<https://www.americasbeautyshow.com/>



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www.wacomp.ecowas.int

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