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Kingdom of the Netherlands

Market Macro-Overview

- Macroeconomic overview of the country
- Political, economic and legal risks associated with the market
- Trade agreements with Jordan

Industry/Sector Demand Overview

- Current demand dynamics
- Future forecast for the sector

Product Overview/Demand **Analysis**

- Product description and application
- Demand 2013-2023 (volume and value)
- Key demand drivers
- Emerging trends and potential changes

Supply Analysis

- Supply 2013-2023 (production and imports)
- Supplier profiles/Market share of imports
- Market share of key suppliers
- Note on methodology

Route to Market Analysis

- Key channels
- Typical buyers
- Customer requirements
- Marketing activities
- Product pricing
- List of exhibitions and trade fairs

Competitive Landscape

- Key market suppliers (companies or countries)
- Breakdown by company supplying
- Existing value proposition offered by competitors

Import Procedure

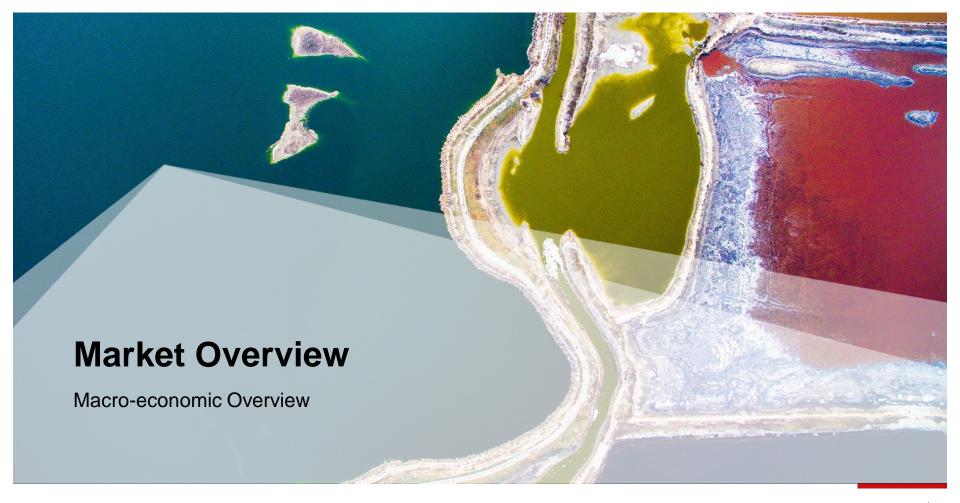
- Tariff and non-tariff barriers
- Required documents
- Packaging requirements for shipment
- Labelling requirements
- Key transportation and logistics requirements, such as recommended port of entry and key distribution hubs
- Applied tariffs for the product in the country

Import Supply Chain

- Structure of the import supply chain (including planning, logistics and distribution)
- Recommendations on how to overcome challenges related to the import supply chain

Recommendations

- Market access strategy
- Key success factors for winning in the market
- Marketing mix



Economic growth is anticipated to keep decelerating gradually

MARKET RISKS

Increasing debt levels limit the government's ability to provide large fiscal stimulus packages. **Economic** China's slowing economic growth is expected to weigh on the expansion of household disposable income. If the President had more concentrated power it would improve stability, but leave him exposed in the case of policy underperformance. **Political** Political tensions and an open trade war with the USA are resulting in negative consequences for both economies. China has complex and frequently changing regulations for products imported into the country. Legal The government pursues industrial policies that seek to limit market access for imported goods and foreign manufacturers. China has numerous free trade agreements, which puts other countries at a disadvantage when importing into China. Trade China has a list of banned imports, including raw materials for plastics, polyester sections, and raw materials for chemical fibres.

TRADE AGREEMENTS

- China has not signed a free trade agreement (FTA) with Jordan and, as a result, imports from Jordan into the Chinese market are subject to full tariffs.
- China has free trade agreements with the Association of Southeast Asian Nations (ASEAN), Pakistan and New Zealand.
- These trade preferences put Jordan at a disadvantage compared to these trade partners when trying to import into the Chinese market.

MARKET KEY PORTS

Beijing (capital city)





Port of Shenzhen

en

ECONOMY

Total GDP 2018: US\$13.6.7 trillion

Real GDP Growth: 7.3%

2013-2018 (CAGR)

Forecast GDP Growth: 7.8%

2018-2023 (CAGR)

DEMOGRAPHICS

Total Population 2018: 1.39 billion

0.5%

Population Growth:

2013-2018 (CAGR)

Forecast Pop. Growth: 0.3%

2018-2023

PER HOUSEHOLD SPENDING

Average Spending 2018: US\$11,088

(per household)

Avg. Spending Growth: 6.4%

2013-2018 (real terms)

Forecast Spending Growth: 6.9%

2018-2023 (real terms)





Premium skin care to drive growth of beauty and personal care sector in China

SECTOR OVERVIEW

- The Chinese Beauty and Personal Care sector registered robust growth of 8.6% in real terms over the five-year period ending 2018.
- Driven mainly by the skin care sub-category, this sector was led by several multi-nationals
 offering a wide product offering. Other major factors contributing to growth included rapid
 urbanisation, increasing awareness of personal grooming among Chinese consumers and tax
 reforms, among other Government initiatives.
- The total market size for Beauty and Personal care products in China was estimated at US\$62 billion (CNY410.2 billion) in 2018.
- In 2018, the Beauty and Personal Care sector comprised the following sub-categories: Skin and Sun Care, Mass/Premium/Prestige Beauty and Personal Care products¹, Oral Care, Hair Care, Colour Cosmetics, Bath and Shower, Baby and Child-specific products, Deodorants, Depilatories and Fragrances and Men's Grooming products.

SECTOR SIZE

The size of the sector in 2018

was estimated at

and by 2023

it is expected to reach a total of

US\$62 billion

US\$83 billion

KEY TRENDS AFFECTING THE SECTOR

- With immense competition from local players, multinational companies, such as Proctor and Gamble are investing in research and development in an effort to tailor their offerings to the Chinese market.
- Skin care leads the beauty and personal care sector, growing annually by 13% in value terms to reach US\$32 billion (CNY212.2 billion) in 2018.
- Anti-ageing and functional skin care products are seeing increasing demand in the region, with companies investing in introducing newer, more competitive products in this arena.
- Premium skin care products are led by global brands, while the mass market is led by domestic brands and local manufacturers.
- Growing consumer expenditure and an increasing focus on personal grooming are likely to drive growth over the forecast period (2019-23), as key market players seek to launch new products backed by technological developments, adopt new retail strategies and aggressively invest in marketing their products.

NOTE: ¹Several specific sub-sector products are also considered in Mass/Premium/Prestige beauty and personal care products.



Consumer demand for Dead Sea cosmetics is growing rapidly

DEMAND FOR THE PRODUCT (HISTORIC AND FORECAST)





PRODUCT DESCRIPTION AND APPLICATIONS

- Dead Sea mud and salt is imported for mixing and producing local creams, face masks and soaps, among other skin care products.
- The major imported dead sea product is Dead Sea Mud Masks, with both imported and locally manufactured products gaining popularity in recent years.

KEY DRIVERS BEHIND MARKET GROWTH

- Skin care as a segment is rapidly undergoing premiumization, as Chinese consumers increase their focus on personal grooming. As such, the medicinal properties of Dead Sea mud have been aggressively promoted due to the growing popularity of natural minerals as a key ingredient of cosmetics in recent years.
- In a short span of 4 years, local players have gained access to and started importing Dead Sea mud and salt to include in their products. This resulted in Dead Sea products such as masks and creams being available at competitive yet still premium prices.
- Increased consumer spending on personal care in recent years also resulted in strong growth of the skin and hair care sectors.

EMERGING TRENDS AND POTENTIAL CHANGES

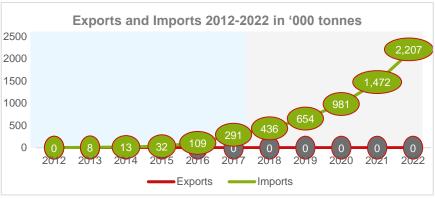
- Rising awareness of sustainable, nature-friendly and healthy products among consumers is likely to drive growth of Dead Sea-based cosmetics in the coming years.
- Access to Israel's major Dead Sea manufacturer, AHAVA is helping local players to invest in the right technologies and innovate product offerings with Dead Sea minerals.



European nations form the major share in top five supplying countries

SUPPLY OF THE PRODUCT (HISTORIC AND FORECAST)





PROFILES OF TOP SUPPLYING COUNTRIES

;	# C	Country	% Share of Imports	Competitive Advantages
	I	Israel	95%	 The wide product portfolio offered by companies in Israel makes it the preferred source market. As pioneers in the region, Israeli companies, such as AHAVA, have established a local representative office and a loyal consumer base. Israel's Dead Sea mud and salt is perceived to be of the best quality for use in local manufacturing of skin care products. The Economic Cooperation agreement signed in 2011 between Israel and China bolstered trade across various sectors.
2	2	Jordan	5%	 Jordan's products have recently begun to penetrate the Chinese Dead Sea products market. With gaining popularity, mud soap and masks from Jordan have been perceived to be denser Import tariffs on Dead Sea mud and salt from Jordan are relatively low. The product belongs to the category of raw materials, and the import tariff is only about 0.5%.

FORECASTING METHODOLOGY

- Historical data was obtained from local and international statistics and validated through trade interviews with multiple supply chain segments (such as manufacturers, distributors and importers).
- These inputs were used alongside relevant exogenous variables in order to develop a
 forecast based on the analysis of variance approach, while also taking into account the
 expected effect of market, regulatory and policy developments on forecast variables.
- As more manufacturers gain access to Dead Sea mud and salt imports, local production is expected to increase significantly in the coming years.
- Based on Euromonitor's research and trade interviews, the market size is estimated to grow at a CAGR of 50% over the next five years, driven largely by local production of masks and imports of mud and salt.



Dead Sea product suppliers have weak bargaining power across retail chains in China

PRODUCT PLACEMENT (TOP CHANNELS)

CHANNEL	TYPICAL BUYER	BUYER EXPECTATIONS/ REQUIREMENTS	MARKETING ACTIVITIES
Modern Retail Hypermarkets/ Supermarkets	Typical buyers are Hualian Supermarket, Carrefour, Jingkelong, etc. All Dead Sea products, including mud and salt, are purchased from distributors. The distributor is responsible for ensuring product compliance with national standards.	Product shelf life is no longer than 18 months to ensure the right concentration of Dead Sea minerals. Timely deliveries and replenishment of stock is key for this buyer category.	Besides samples, distributors establish relationships with retailers through periodic discounts and providing services, such as free shipping, free training of sales staff, etc.
Medical outlets Parapharmacies	Parapharmacies offer a wide range of pharmaceutical, hygiene, beauty and body care products. Typical buyers include Watsons, Wanning, etc. Buyers mainly purchase directly from importers. Buyers ensure product compliance with national quality inspection standards.	Buyers prefer to stock only well- established and fast-moving brands. Buyers are also particular about price considering the thin margins across this distribution chain.	Dedicated sales representatives are available to promote Dead Sea products. Sales people are equipped with adequate material and promotional posters.
Online sales	Typical online sellers in China include Tmall, JD, etc., with products mainly purchased from importers and distributed to end-consumers. Well-established Israeli products, such as creams and skin care products, are sold through this channel. Online platforms and sellers ensure that the product is genuine, with the required health and import licenses.	The price and packaging of the product are the most considered factors. Compliance with national product quality standards in terms of packaging, shelf life, country of origin, etc. are also key. Stock availability is important for high-demand products.	An annual fee is levied by online platforms to promote products to appropriate consumers.
Wholesaler / Distributor	Distributors purchase Dead Sea products from importers and sell them to several retail channels. Buyers are responsible for confirming compilance with national inspection standards.	Price, timely supplies, storage and transportation are key for distributors. Brand and product reputation are also key factors to be considered.	Product samples are exchanged. Other services rendered include, product exchanges, product promotion meetings, etc.

PRODUCT PRICING

- Price discounts are usually given during promotional activities, such as "Tmall Double 11", "Christmas Promotion", etc.
- Although prices have been relatively stable, as the target is premium consumers, any price fluctuations are passed on to end consumers.

Product price range in US\$/Pack	Min	Avg.	Max	
Distributor buying prices	8.00	139.00	270.00	
Selling price to retailers/end customer prices	9.50	169.75	330.00	

PRODUCT PROMOTION (TRADE SHOWS)

DEAD SEA PRODUCT TRADE FAIR & CHINA BEAUTY EXPO

In recent years, several competitors have entered the Dead Sea products sector in China.
 Local and international companies showcase their products to potential buyers and consumers on either or both of these new annual event platforms

DEAD SEA PRODUCT SHOWCASE IN CHINA

Every year, major shopping malls hold regular brand investment activities to provide opportunities for brands to showcase their products. AHAVA, for example, was at the Beijing Xidan Galeries Lafayette department store counter last year. Registrations for this showcase is done online through websites such as JD, Tmall, VIP.com, etc. Submission of product certifications and a dedicated platform fee is required, Tmall is known to sell imported products.



Burgeoning market with high potential for new players to penetrate Dead Sea Products

TOP MARKET SUPPLIERS

Intensive Spa Co Ltd (Israel) Importer

Value Proposition Intensive Spa products are only available through online channels in China. It has an official flagship store on China's largest B2C website, JD.com. Intensive

Spa products use Dead Sea mineral salt and mud, and combine natural plant extracts, essential oils, collagen, vitamins and a variety of natural active ingredients to sell a variety of facial and body products.

Milensea International Co Ltd

(China)

Manufacturer/ Distributor

AHAVA Dead Sea Laboratory (Israel) Importer

Yalget (International) **Group Co Ltd** (China) Manufacturer

> **Dead Sea Premier** Co Ltd (Israel) Importer

Value Proposition

Milensea is a cosmetics manufacturer. The brand's Dead Sea mud mask is popular with Chinese consumers through both online and offline channels. It has strong nationwide distribution with responsive delivery times. Milensea's products are sold in mainstream online supermarkets such as Tmall and JD.com in China.

Value Proposition

AHAVA was originally created in the Dead Sea region and is recognised worldwide as a Dead Sea mud skin care brand. AHAVA, one of the pioneers of Dead Sea products in China, has grown rapidly to become a favorite among regular Dead Sea product consumers. AHAVA operates a representative office in China to ensure widespread distribution and availability.

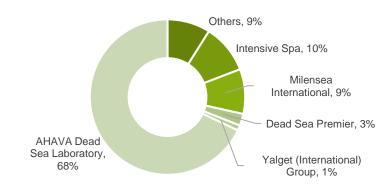
Value Proposition

Yalget is a local Chinese cosmetics manufacturer. The brand is mainly engaged in Dead Sea Mud Cleansing Masks and Dead Sea Mud Cleansing Milk Products, which sell well in China. Products are often cheaper and are very popular in China's thirdfourth-tier cities. and It has strong nationwide distribution with responsive delivery times.

Value Proposition

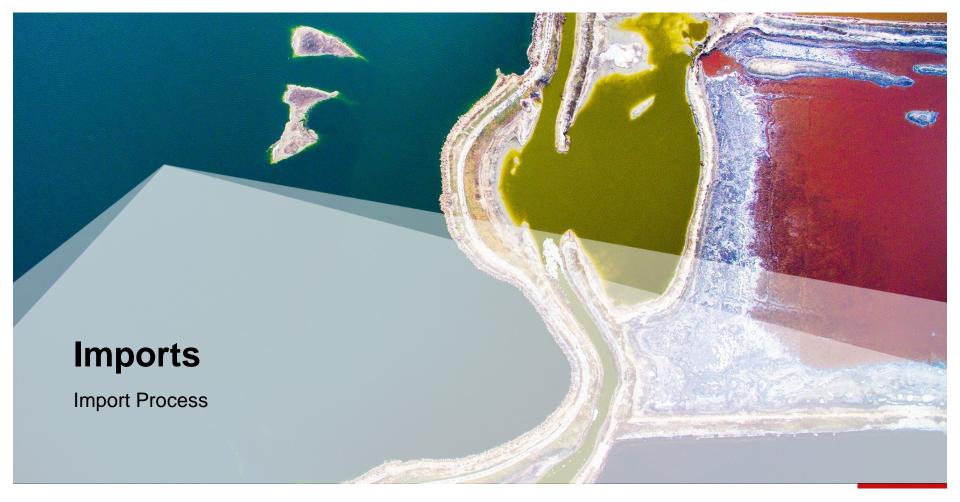
Dead Sea Premier is an international Dead Sea cosmetics company whose products are sold all over the world. Offering premium products, the company mainly targets affluent consumers with higher incomes. The company offers the best quality across its product offerings. The brand has limited sales channels in China resulting in weak lead times.

MARKET SHARE OF KEY SUPPLIERS, 2018



COMPETITIVE POSITIONING





Compliance with stringent laws and regulations is mandatory in China

IMPORT REQUIREMENTS

PACKAGING REQUIREMENTS	 The box should be clean, straight, flat, without wrinkles, missing edges, and corners. The product must not have any faulty loading and flipping. The bottle body should be complete, smooth and straight, and the thickness should be uniform. There must be no cold explosion, cracks, no obvious scars and deformation.
LABELLING REQUIREMENTS	 The label needs to convey the full information of the cosmetic to the consumer, which can be affixed / printed / placed on the sales package. The label content needs to include the product name, capacity, origin, and ingredients. The product name should reflect the true nature of the cosmetic, using a concise and easy to understand product name. The product name should be marked in an obvious position that is east to see, and should not be written at the bottom.
TRANSPORTATION REQUIREMENTS AND LEAD TIME	 After passing inspection by the Dead Sea product foundry, it can be produced and shipped within 15 working days. If the supplier does not have stock, then packaging material needs to be produced. Generally, packaging material can be produced separately in a period of 12 to 30 days. After packaging materials have passed inspection, they are shipped within 15 working days. Logistics fees are generally paid by the cosmetics manufacturer or distributor.
DOCUMENT REQUIREMENTS / CUSTOMS' PROCESSES	 The importer needs to get a certificate or Power of Attorney and a Letter of Acceptance to handle activities on behalf of the exporting company. Exporting company needs to be registered with Chinese Customs, enter the product formula into the online system of the State Food and Drug Administration (SFDA) and print it out. Send the formula and product samples to relevant testing institutions for testing. After passing the test, submit all materials to the Evaluation Centre of the SFDA for filing. Once the review is approved, the approval form can be obtained in one month. The product is then allowed for import and local consumption.

TRADE BARRIERS

- Excessive bureaucratic procedures remain widespread despite government efforts to streamline business regulations.
- China's Foreign Trade Law requires all economic operators to register with the Registration Bureau of the State Administration for Market Regulation (SAMR) or at one of the registration organs of the Ministry of Commerce (MOFCOM).
- In addition, all importers, exporters and customs agents based in China are subject to an Enterprise Categorisation which determines the level of regulations, inspections and compliance requirements.
- Import regulations in the country are still largely based on a quota and licence system, under the administration of the Quota and Licence Administrative Bureau of MOFCOM.
- Imported goods must comply with Chinese standards, for which a certification document (called the China Compulsory Certification, CCC) may be required.
- In addition, the Chinese government is active across sectors of the economy through state-owned enterprises, which increases competition for imported products.

APPLIED TARIFFS

HS CODE	PRODUCT DESCRIPTION	APPLIED TARIFFS		
33049900	Beauty, make-up, skin-care (incl. sun care), nes	Between 11% and 27%		
34013000	Organic surface-active products and preparations for washing the skin	Between 0.5% and 5%		

^{*}The data comes from the website of the General Administration of Customs



Advanced planning is key to succeed in this market due to high lead time to supply

SUPPLY CHAIN OUTLINE

Distribution

Relatively short supply chain: Importer – Distributor (Optional) – Retailer – End Consumer

While the exporter is responsible for delivery to the Chinese port, the buyer (importer) is responsible for customs clearance and domestic transportation to the retailer/warehouse.

Importer/distributor holds and replenishes stock for manufacturer/retailer as per agreed sales requirements.

Dead Sea products are mainly sold in Tier-1 and Tier-2 cities based on the level of affordability.

Planning

Finalise pre-import agreements: distributor agreement and obtain approval from Food & Drug Quality Safety Division.

Monthly ordering by both importers and manufacturers, with a shipment lead time of 3-4 weeks.

Depending on the product, customs clearance takes 1-2 additional weeks.

Demand for various Dead Sea products is steady throughout the year with no specific seasonality.

Logistics

The buyer/importer requires the manufacturer/exporter to arrange and pay for freight.

The scope of cost is as agreed with the buyer.

Transportation is generally by sea and there are no other requirements.

Adequate packaging is essential to avoid damage during transportation.

Warehouses are operated either by the importer-cumdistributor or directly by the distributor. If neither, the importer/company tends to outsource warehousing to hold the required stock on a periodic basis.

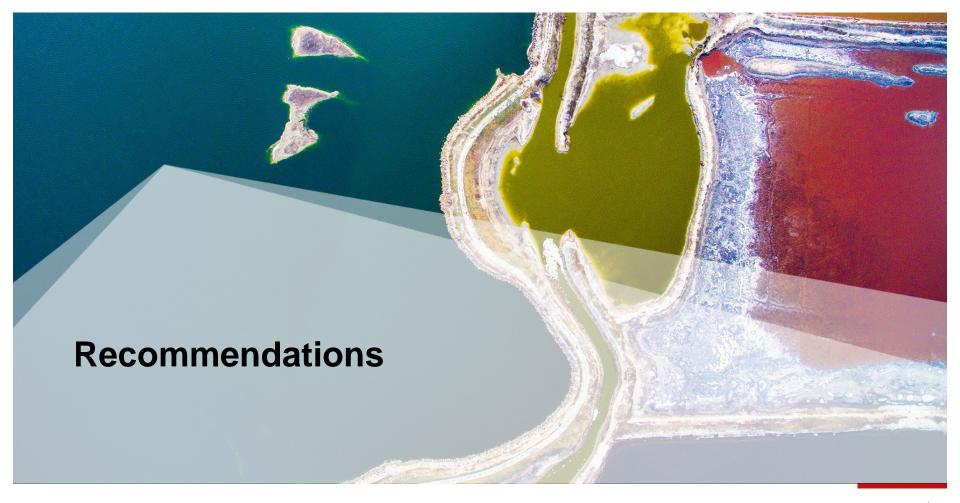
RECOMMENDATIONS TO INCREASE MARKET ACCESS EFFICIENCY

- In the Chinese market, online and offline sales each share half of retail sales, so ensuring availability of adequate inventory proves critical.
- Shenzhen and Tianjin Ports are the major ports for cosmetics transportation
- Negotiations with manufacturers for the supply of Dead Sea mud and salt and identification of importers with good market reach are the first steps to improving market access.

LOGISTICS COSTS VS KEY COMPETITORS

Costs of shipping to destination market	Land	Air	Sea
Jordan to China	-	\$2,967	\$1,227
Israel to China	-	\$2,623	\$1,227

Note: Shipping costs are calculated based on a standard 40 ft container.



Dead Sea products are likely to boost the premium skin care products category

WHO TO TARGET FOR SALES



- Depending on whether the product is mud/salt or finished Dead Sea products, the main buyers are either cosmetics manufacturers or wholesalers/distributors.
- The main challenges while targeting buyers is their unfamiliarity with the brands and product quality.
- Aggressive direct marketing through samples is essential to penetrate both the manufacturing and retail sectors.

RECOMMENDED TRADE ROUTE



- Sea seems the only viable route for products shipped from Jordan to China.
- Once an importer is identified and on-boarded, there is a need for customs agents to register and import the products.
- Inspection and registration of material quality is essential to obtain certification from China Inspection and Quarantine (CIQ).

KEY CHALLENGES RELATED TO THE COMPETITION



- The main challenge is the growing local manufacturing base, which is resulting in fierce price competition.
- Frequent promotional activities by various brands and bulk discounts make competing and establishing a brand a major challenge.
- Samples of Dead Sea products are distributed along with the company's other brands in order to both promote the product and the company's brand.

SUCCESSFUL MARKETING MIX



- **Product**: Products with a high-level concentration of natural minerals or actual mud and salt are the most popular.
- Place: Importers and wholesalers/distributors are the main distribution channels, with wide network coverage of both traditional and modern retailers.
- **Promotion**: There is a need to cater to the "Double Eleven" and "618" as well as other large consumer promotion festivals when planning promotional activities.
- **Pricing**: Competitive price positioning targeting mid-range customers primarily.

Slide 3 / Market Macro-Overview	Passport forecasts
Slide 4 / Industry Overview	Euromonitor International's analysis from Passport's in-country research, secondary research / Passport forecasts
Slide 5 / Product Overview/Demand Analysis	Euromonitor International research based on trade interviews with Milensea International, GuangZhou MINGMEI Commodity company, Dead Sea Premier Co., UN Comtrade, trade press) and national statistics
Slide 6 / Supply Analysis	National statistics / United Nation's COMTRADE / TradeMap database / trade interviews with NNZ, LC Packaging, Boxon, TradeMax, Baobag, Condepols
Slide 7 / Route to Market Analysis	Trade interviews with Intensive Spa, Milensea International, Dead Sea Premier Co., Yalget (International) Group Co., GuangZhou MINGMEI Commodity company and Shanghai Outeng Commodity Company
Slide 8 / Competitive Landscape	Trade interviews with Intensive Spa, Milensea International, Yalget (International) Group Co. and Dead Sea Premier Co.

Slide 9 / Import Process

Slide 10 / Import Supply Chain

Slide 11 / Recommendations

Slide 13 / Price List

Euromonitor International research from trade interviews with Intensive Spa, Benmi (Shanghai) Technology, Shanghai Jinjia Technology Co. and Chic Cosmetics Industries

National regulatory offices / EU Market Access Database / ITC Market Access Map / US Commercial Service

Euromonitor International's analysis based on data from Passport, World Bank, International Monetary Fund /

Euromonitor International's analysis based on trade interviews with and secondary research including trade press

Trade interviews with Intensive Spa, Milensea International Co., Dead Se Premier Co., Yalget (International) Group Co., Chic Cosmetic Industries, Shanghai Outeng Commodity Company, GuangZhou Mingmei Commodity Company.

APPENDIX II

COMPETITORS' PRODUCT MARKET PRICES

Product	Variety, Unit / Pack Size	Brand		Prices at Distributor Level (US\$/unit)			Prices at Retail Level (US\$/unit)		
			Min	Max	Avg	Min	Max	Avg	
	Purifying Mud Mask, 100ml	AHAVA	34.40	36.55	38.70	40.85	43.00	45.15	
	Mineral Toning Water, 250ml	AHAVA	20.80	22.10	23.40	24.70	26.00	27.30	
	Dead Sea Crystal Osmoter™ X6 Ahava Intense Wrinkle Reduction-Firming- Glow Facial Serum, 30ml	AHAVA	75.20	79.90	84.60	89.30	94.00	98.70	
	Essential Day Moisturizer for Normal to Dry Skin, 50ml	AHAVA	46.10	48.99	51.87	54.75	57.63	60.51	
	Gentle Eye Cream, 15ml	AHAVA	37.99	40.37	42.74	45.12	47.49	49.86	
	Instant Detox Mud Mask, 96ml	AHAVA	32.35	34.38	36.40	38.42	40.44	42.46	
	Mineral Mud Facial Treatment Mask 50ml	AHAVA	28.00	29.75	31.50	33.25	35.00	36.75	
	Dead Sea Purifying Mud Soap 100g	AHAVA	11.53	12.25	12.97	13.69	14.41	15.13	
	Natural Dead Sea Bath Salt 250g	AHAVA	8.00	8.50	9.00	9.50	10.00	10.50	
	Solfting Butter Salt Scrub 210g	AHAVA	37.41	39.75	42.09	44.43	46.76	49.10	
	Professional Mud Mask 56ml	AM.AREL	11.29	12.00	12.71	12.71	14.12	15.53	
Dead Sea	Mineral Active Moisture Cream 50ml	Intensive Dead Sea Spa	57.41	61.00	64.59	64.59	71.76	78.94	
Dead Sea Products	Skin Refine Mineral Peel 30ml	Intensive Dead Sea Spa	33.88	36.00	38.12	38.12	42.35	46.59	
	Mineral Body Scrub 400g	Intensive Dead Sea Spa	45.65	48.50	51.35	51.35	57.06	62.76	
	Deep Cleansing Mud Gel 100ml	Intensive Dead Sea Spa	45.65	48.50	51.35	51.35	57.06	62.76	
	Dead Sea Sulphur Soap 250g	Milensea	17.53	18.63	19.72	19.72	21.91	24.10	
	Dead Sea Mineral Salt Scrub 1000g	Milensea	17.53	18.63	19.72	19.72	21.91	24.10	
	Active Beauty Mud Mask 130g	Milensea	34.00	36.13	38.25	38.25	42.50	46.75	
	Hydra Cleans dead sea mud mask 200g	MUYAN	14.00	14.88	15.75	15.75	17.50	19.25	
	Mask for Problematic skin, 70ml (2.4Oz)	Premier	239.99	254.99	269.99	269.99	299.99	329.99	
	Supreme Cleansing Cream, 140g	Premier	39.99	42.49	44.99	44.99	49.99	54.99	
	Professional Peeling Mask 2.04 Fl.oz	Premier	55.99	59.49	62.99	62.99	69.99	76.99	
	Dead Sea Purifying Mud Mask 150g	YalGet	11.65	12.38	13.10	13.10	14.56	16.01	

NOTE: Refer to the 'Variety' column for unit and pack size as this varies from one to another. The list is captured in varying unit / pack sizes to capture the prices of high-selling products in China

