



Note by EIC

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Beauty Supplements: Future Challenges



Highlight

- The past five years saw consistent high growth in the beauty supplements market, driven by consumers aged 30 and lower. However, this consumer group is shrinking; they also tend to have limited spending potential. Looking ahead the market can expect new challenges. In order to sustain the growth, sellers should therefore look for new opportunities and invest in research and development in order to come up with new products that respond to market demand.

After 5 years of outstanding growth, the beauty supplements market is showing signs of a slowdown. Today the Thai beauty supplements market is worth approximately 14 billion baht, or 21% of the total dietary supplements market consisting of health and medicinal, beauty, and performance enhancing supplements. The past five years saw impressive growth in the beauty supplements sector, with the compound annual growth rate of 12% between 2011 and 2015. Top-sellers include supplements for skincare and for weight loss. However, in 2016-2017, the market's growth rate is expected to drop to 8-9% per year, and it is likely to climb down further.

EIC expects more challenges ahead for the beauty supplements market, as market saturation among the main consumer group—mostly teenagers and first-jobbers (under 30)—has almost been reached. Skin-brightening or lightening supplements are particularly popular among this consumer group, as they respond to perception in general trends presenting healthy and fit men and women with bright and light skin tone. However, this consumer group's spending on dietary supplements has almost reached the ceiling (1,000 baht per month), reflecting relatively limited income. They also tend to be healthy, and therefore are not prioritizing health supplements. It is worth noting, moreover, that their number is going to drop. In 2011, they made up 40% of the Thai population. In 2020, however, this age group is projected to make up only 35% of the population, with signs of further declines in the future. The potential for growth of existing beauty products accordingly will be limited due to the decreasing demand.

The more promising consumer group: professionals and middle-aged adults (older than 30) are more interested in health than beauty supplements. A survey of this group's consumer behavior reveals that the demand for beauty supplement drops in reverse proportion to the increase in age, as the demand for health supplements rises. The most popular supplements among this group are supplements for health, brain functions, and eyesight respectively. Reasons include work-related stress, lack of rest, and eye strains from overuse. The result clearly indicates that this consumer group tends to become more concerned with health more than beauty

as they age, corresponding with another survey result: regardless of gender, they are more inclined to exercise to stay healthy. The survey further reveals that more than 45% of supplements buyers among this age group are spending less than 1,000 baht per month on the products, although they have the potential to spend 7 times of that. We can surmise that today there is still no clear winner in the supplements market as there is no product that can fully satisfy the demand of this consumer group. Future growth in the market therefore will depend on how much sellers can directly produce the right product to match customer needs.

In the medium and long term, EIC recommends sellers of beauty supplements to prepare for future challenges and look for new opportunities for growth. If sellers still continue to offer the same old products, they will only face fiercer competition amidst declining growth since their main consumers like to try out new products and follow new trends, as can be seen in the trend for natural extracts supplements today. For the continual expansion of their businesses, supplements sellers should try to reach consumers with high spending potential (older than 30). The latter promises a bigger market, likely continual growth, and significant demand.

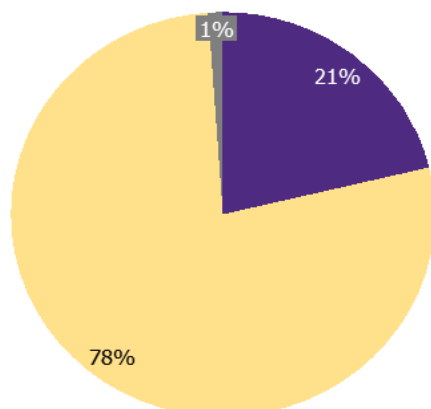
Implication

- **Novelties and product development can help sellers attract their target consumer group. However, beauty supplements products cannot be priced too high.** The opportunity for expansion in the market isn't only limited to novelty products, however, but also include new services or marketing activities that respond to consumers' interests. Today we can see that beauty trends change rapidly.
- **Sellers can expand their consumer base by developing products that target both beauty and health concerns at the same time.** Nowadays beauty and health concerns have become closely linked, yet the market has not responded well to the demand of high-potential consumers, who gravitate towards health supplements as they age. Pioneering a new product market that targets both health and beauty concerns may be the key to future success. At the same time, attention must be paid to products made of natural extracts, as the majority of consumers now rank natural extract ingredients as a key factor influencing their purchase.

Figure 1: The market share of beauty supplements is continually declining, despite the growth of the supplements market overall between 2013-2017

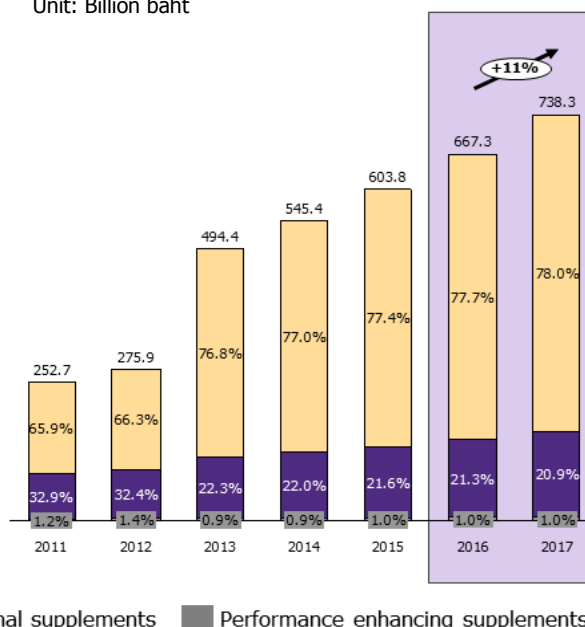
Value of supplements market by type, 2016

Unit: %



Growth of Thai supplements market, 2017

Unit: Billion baht



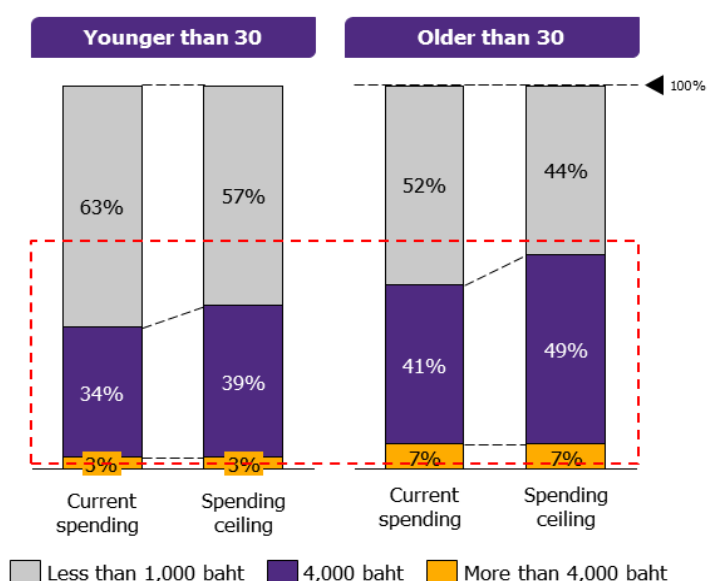
Beauty supplements Health and medicinal supplements Performance enhancing supplements

Source: EIC analysis based on data by Euromonitor

Figure 2: When it comes to spending on supplements, the majority of consumers (older than 30) have not reached their ceiling as there's no product that fully responds to their demand.

Current spending compared to spending ceiling for supplements

Unit: % (Out of 10,757 respondents)



Source: EIC analysis based on survey of consumer behavior in the supplements and herbs market (August 2016)

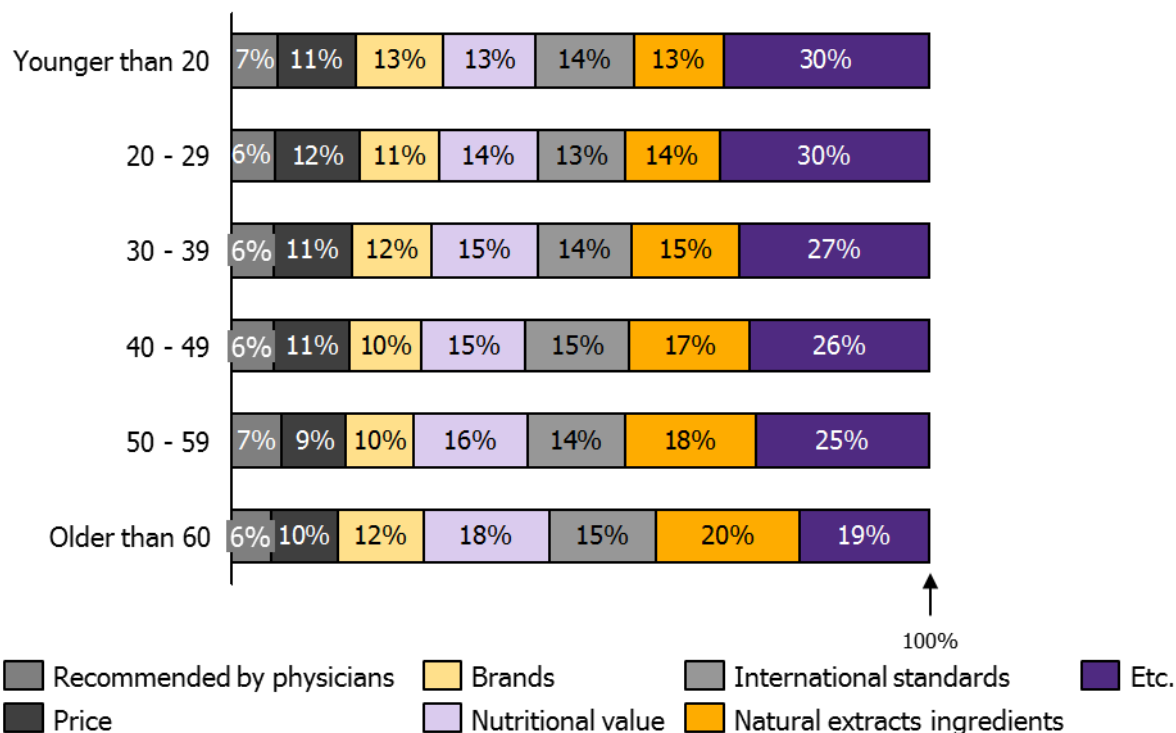
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Figure 3: The majority of consumers prioritize product safety, as can be seen in their decision factors, i.e., natural extracts ingredients, nutritional value, and international standards.

Supplements consumption behavior, breakdown by age and factors influencing purchase decisions

Unit: % (Out of 10,057 respondents)



Source: EIC analysis based on survey of consumer behavior in the supplements and herbs market (August 2016)

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