

ECRL MONTHLY ECONOMIC & Business Review



Cover Story:

The Landscape of the Cosmetics Market in Bangladesh:
Consumers' Perspective Analysis

ECRL Thought:

Unmasking the \$10 Billion Mystery:
Bangladesh's BOP Crisis and Lessons from India, Singapore, and the USA

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Table of Contents

STARTING WITH THE UNUSUAL

03.

Cover Story:

The Landscape of the Cosmetics Market in Bangladesh:
Consumers' Perspective Analysis

12.

Asking the Expert

Interview with the LAFZ Bangladesh

14.

Stock Analysis:

Kohinoor Chemicals Limited

19.

Production & Distribution Scenario

Leading the Glamour: Key Players Shaping Bangladesh's
Cosmetic Market

22.

Global Trends & Technological Innovations

Global Cosmetics: Navigating Innovation, Market
Dynamics, and Future Challenges

25.

Societal Impacts of the Industry

Balancing Beauty: The Social Impact of Bangladesh's
Cosmetics Industry

27.

Regional Focus of the Industry

Regional Focus in Bangladesh's Cosmetics Sector:
Drivers and Implications

29.

ECRL Thought:

Unmasking the \$10 Billion Mystery: Bangladesh's BOP
Crisis and Lessons from India, Singapore, and the USA

About ECRL

Cover Story

THE LANDSCAPE OF THE COSMETICS MARKET IN BANGLADESH: CONSUMERS' PERSPECTIVE ANALYSIS



<p>Industry Size 2023 BDT 25,000 Crore USD 2.13 Billion (approx.)</p>	<p>50-60% International brands capture approximately of the market demand in urban regions</p>
<p>PRIMARY BUYERS OF COSMETICS Belong to the young to middle-aged category BOTH MALE AND FEMALE ARE CONSUMERS OF COSMETICS</p>	
<p>decorative cosmetics other than cleansing and care products projected to grow annually 4.02%</p>	<p>3.48% The beauty and personal care market is expected to experience an annual growth rate</p> <p>The major group who are employed and earning a considerable amount with postgraduate or higher degrees are major consumers of cosmetics who are aware of their personal care</p>
<p>Global scenario Total market size as of 2023, USD 374.18 Million CAGR of 9.8% Asia Pacific has the highest market share of 39.53%</p>	<p>Major players in the industry Unilever Bangladesh Ltd., Square Toiletries Ltd., Keya Cosmetics Ltd., and Kohinoor Chemical Company Ltd. dominate over 95% of the market.</p>
<p>Local companies now dominate the market, holding a significant share, approximately 60% of the market, against international brands</p>	
<p>Positive Social Impacts</p> <ul style="list-style-type: none"> • Women make up 60% of the workforce in the industry • The industry employs over 6 million people. • Urban consumers in Bangladesh favor 70% of synthetic options. • 60% of consumer's research product ingredients, leading to a 15% annual growth in the natural skincare market. • Local entrepreneurs are thriving, with a 20% rise in local skincare brands, capturing 30% of the market and driving competition. • Rising disposable income, with an 8.5% annual increase from 2020 to 2023, fuels the growth of Bangladesh's cosmetics market, projected to reach \$1.5 billion by 2030. 	<p>Negative Impacts</p> <ul style="list-style-type: none"> • Environmental pollution through non-biodegradable packaging and chemical waste. • Bangladesh's Drugs and Cosmetics Act 2023 addresses health risks from harmful chemicals. • Harmful chemicals in cosmetics can cause skin irritations, allergies, hormone disruption, and even cancer, prompting the need for regulation. • The cosmetics industry promotes discrimination. • Substandard and counterfeit products, posing health risks.

Introduction

The cosmetic industry in Bangladesh is witnessing significant growth, driven by rising consumer awareness and changing lifestyles influenced by social media and celebrity culture. In 2023, the market for toiletries and cosmetic products was valued at approximately BDT 25,000 crore, with an annual growth rate of 3.48% projected from 2024 to 2028. This growth is fueled by increased consumer purchasing power, economic factors such as currency fluctuations and inflation, and the expansion of the e-commerce sector. Cosmetic products, defined as items used to clean, improve, or change the complexion, skin, hair, nails, or teeth, hold both symbolic and straightforward value, enhancing physical appearance and personal hygiene while also nurturing overall well-being.

Local companies dominate the Bangladeshi cosmetics market, holding approximately 60% of the market share. Key players include Unilever, Keya Cosmetics, Lily Cosmetics, Aromatic Cosmetics, Square Toiletries, and Kohinoor Chemical Company. These companies have a significant presence in the market, driven by increasing demand for personal grooming and beauty products among the younger generation. The industry's expansion has also led to substantial employment opportunities across various segments such as manufacturing, retail, and distribution. The cosmetics industry in Bangladesh exhibits significant vertical integration, with companies like Unilever Bangladesh, Square Toiletries Limited, and Marico Bangladesh leading in terms of scale, efficiency, and market reach. These companies benefit from extensive resources and advanced infrastructure, leveraging their global supply chains and international expertise.

The study employed a non-probability sampling approach known as convenience sampling, collecting primary data from 41 respondents within the Dhaka metropolitan area through a structured questionnaire. Additionally, qualitative data was gathered through interviews with four leading super shops, five retailers of different international cosmetic brands located in Khulna, Dhaka, Rajshahi, Chittagong, Sylhet, and Barishal, one key importer of LAFZ cosmetics, and one key industry insider from Kohinoor Chemical Ltd. The primary buyers of cosmetics are young to middle-aged individuals, with 73% of respondents aged 25-34 and 17% aged 35-44. Both males and females are consumers of cosmetics, with men increasingly developing their grooming patterns and awareness towards health and self-care. In Bangladesh's socioeconomic context, male members are still looking after their family needs. According to our study, 51% respondents who purchase cosmetics are also a buyer of cosmetic for their wives or other family members. Marketers use the Premiumization marketing strategy to attract a group of customers with healthy financial and educational status. Our findings postulate that 65.9% cosmetic user have at least a post-graduation degree and 90% of users are part or full-time employed. Demand for local products varies by location, with urban dwellers preferring international brands and rural consumers favoring local products due to availability and affordability. Even urban consumers are segregated based on location like Gulshan, Banani, and Baridhara compare to locations like Bosila, Bou Bazar, and West Jigatola. Consumers in Gulshan and likely areas prefer international products whereas consumers in Bosila and its likely place prefer local production. As Cosmetics are not necessary products, purchasing patterns will vary based on income, and beautification awareness which comes from education and surroundings and we mentioned that earlier according to our findings.

From our study its evident that only 7% people purchase cosmetic daily and 10% purchase weakly basis whereas 56% purchase cosmetics once in a month.

Market insiders suggest several strategies to enhance the appeal of local brands and compete effectively in the evolving cosmetics landscape. Local brands should focus on improving the quality and consistency of their products to match international standards, increasing the range of products offered to cater to diverse consumer preferences, and addressing concerns over counterfeit products by ensuring authenticity and transparency in the supply chain. Emphasizing the use of natural and skin-friendly ingredients can attract health-conscious consumers while leveraging social media and influencer marketing can build brand awareness and loyalty. By implementing these recommendations, local brands can better position themselves in the competitive cosmetics market and meet the evolving needs of Bangladeshi consumers.



Market Overview

The cosmetics industry in Bangladesh is experiencing significant growth. The toiletries and cosmetic products market was estimated to be valued at approximately **BDT 25,000 crore** (USD 2.13 billion approx.) in 2023 and is projected to continue expanding due to rising consumer awareness and changing lifestyles influenced by social media and celebrity culture as per industry insiders and market players (Doulot Akter Mala, 2023). According to the traditional definition, cosmetics is any product that is used to clean, improve, or change the complexion, skin, hair, nails, or teeth, and it has symbolic and straightforward value (Das et al., 2022). Beyond enhancing physical appearance and personal hygiene, cosmetics also nurture overall well-being. In Bangladesh, as in many corners of the globe, the allure of cosmetics holds a significant place in the hearts and routines of its people. The demand for beauty products is not uniform; it ebbs and flows according to individual preferences, personal needs, and the purchasing power of consumers.

Local Brands 60% share

Industry Growth and Factors Driving It

The cosmetics industry in Bangladesh is a growing sector as the demand for cosmetics is increasing with rise in young and educated population. The beauty and personal care market is expected to experience an annual growth rate of 3.48% (Statista-Beauty & Personal Care Bangladesh, 2024) while decorative cosmetics other than cleansing and care products projected to grow annually by 4.02% (CAGR 2024-2028) (Cosmetics - Bangladesh, 2024). Local companies now dominate the market, holding a significant share, approximately 60% of the market, against international brands (K Tanzeel Zaman, 2023).

Around 95% of the cosmetics and skincare market, includes Unilever, Keya Cosmetics, Lily Cosmetics, Aromatic Cosmetics, Square Toiletries, and Kohinoor Chemical Company (Justita Musrat et al., 2021). The growth is driven by increasing demand for personal grooming from both genders and beauty products among the younger generation, who are moving away from traditional norms and adopting more modern lifestyles.

The factors affecting industry's growth include:

- 1. Consumer Purchase Power:** With a shift in income, the choice of cosmetic products also changes. Consumer purchasing power acts as the pulse of the beauty market. When the economy thrives, the allure of luxury beauty brands becomes irresistible, with shoppers indulging in high-end products. Yet, in leaner times, the desire for such luxuries often wanes, giving way to more economical choices or a reduction in spending altogether.
- 2. Economic Factors:** Different economic factors such as currency fluctuation, inflation, change in policies, etc. can have an impact on the industry's growth as the cosmetics industry has to depend on imports, and consumers' buying preferences is also influenced by them.
- 3. Growth in e-commerce sector:** E-commerce plays an important role in the cosmetics industry as there is a significant consumer segment that purchases online.

The number of employees in the industry is substantial, with thousands working across various segments such as manufacturing, retail, and distribution. The exact number of employees is not specified, but the industry's expansion suggests growing employment opportunities. The landscape of the Bangladeshi cosmetics market is vibrant and diverse, populated by a multitude of local companies dedicated to crafting products that cater to the unique tastes and requirements of their clientele. However, a notable shift has occurred in recent years. The appetite for renowned international brands has surged, reflecting a growing desire for quality and prestige among consumers. This study aims to delve into the intricate factors that shape consumer perceptions regarding the purchase of cosmetics in Bangladesh. It will explore the motivations behind consumer choices, examining how local and foreign brands are perceived in this dynamic market. Additionally, the research will highlight the views of the market players in the industry, interviews of experts and industry insiders offering insights into their strategies and how they respond to the evolving preferences of consumers.

Industry insiders include prominent super shops, cosmetics retail outlets, e-commerce cosmetics sites, and cosmetics retail traders. By understanding these elements, we can gain a clearer picture of the cosmetics landscape in Bangladesh and the interplay between local charm and global influence.



Understanding Consumers' Perspective

To understand the consumers' perspective towards the cosmetics industry in Bangladesh, primary data was acquired through a non-probability sampling approach known as convenience sampling. The data was collected within the Dhaka metropolitan area of forty-one samples, employing a structured questionnaire. Due to time constraints and to reduce survey costs, this study has chosen a convenience sampling method and forty-one individuals. In the data analysis process, descriptive analysis has been adopted as statistical tools for the survey results.

Table 1. Summary Statistics

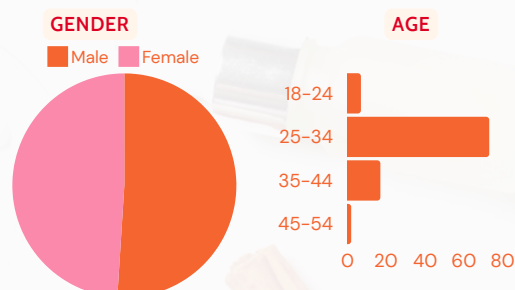
Variables	Average (%)
Age	
18-24	7.00
25-34	74.00
35-44	17.00
45-54	2.00
Gender	
Male	51.00
Female	49.00
Education	
No formal education	2.40
College or University	31.70
Postgraduate or higher	65.90
Occupation	
Student	5.00
Self Employed	5.00
Employed (Part/Full Time)	90.00
Monthly Income	
Less than BDT 10000	7.00
BDT 10000 to 19999	7.00
BDT 20000 to 29999	44.00
BDT 30000 to 39999	22.00
BDT 40000 to 49000	15.00
BDT 50000 to 80000	5.00
N	41

Demographic Analysis and Frequency of Purchase:

This study presents an overview of the data through Table 1. The respondents were categorized based on various parameters, including age, gender, income, education, and occupation. Among the four groups of age category, major segment is occupied by 25-34 years age category which is 74% and 17% in the 35-44 years age category. It can be inferred that the primary buyers of cosmetics belong to the young to middle-aged category, also backed by previous research studies which suggest that with age people's choices change and young groups are majorly concerned about their looks, youth, and appearances (Khan et al., 2017). Regarding gender, both male and female are consumers of cosmetics and with modernization male population have developed their choice of products, purchase pattern, and awareness towards health and self-care. Men have developed their grooming pattern and increased consumption of cosmetics items including Asian continent's men (Khan et al., 2017).

Celebrity endorsement, ageing-concern and social cultural significantly influence men's purchase decision on skin care products (Mei Ling et al., 2015). This research study is based on participants constituting 51% of male, while females account for the remaining 49%. The men's proportion is higher due to the fact that men also buy cosmetics for their wives, sisters or mother. The study shows that 65.9% have post-graduation or higher degree and 90% are part or full-time employed. As for the participants' income distribution, it was noticed that group earning more than BDT 20000 has a strong concentration, which may be related to the fact that respondents were mainly young people and adults up to 44 years old.

DEMOGRAPHICS



LOCATIONS WITH MAJOR DEMAND

- | | |
|--------------------|----------------------------|
| Local Brand | International Brand |
| • Boubazar | • Gulshan |
| • Reyerbazar | • Banani |
| • Narayanganj | • Dhanmondi |
| • Gazipur | • Baridhara |
| • Savar | • Uttara |

ANALYTICS OF SURVEY

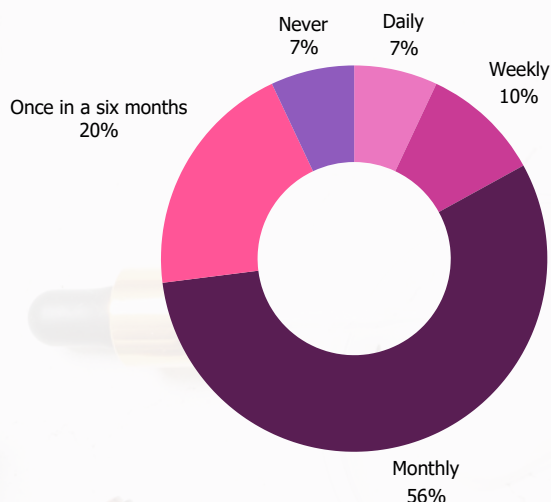
- | | |
|-------------|------------------------|
| 65.9% | Postgraduate or higher |
| 90% | Employed |
| BDT 20000 + | Income |

Location:

The industry insiders in their interview revealed that the demand for local products depends on the location and area where consumers are residing. For instance, city dwellers demand international cosmetics compared to village areas. Urban dwellers have different product demand while rural dwellers are not even aware of the availability or use of certain products, like face serum, hair tonic, sunscreen, body wash, etc. The pattern and interest of people also influences purchase desire at different locations. Even urban dwellers have segregated target customers for cosmetics in different areas. An official of Shopno shared that they keep certain products in the specific outlets where there is demand. Some areas have demand for local products such as Boubazar, Narayanganj, Gazipur, Savar, etc. some posh areas like Gulshan, Dhanmondi, Banani, etc. demand for international brands mostly.

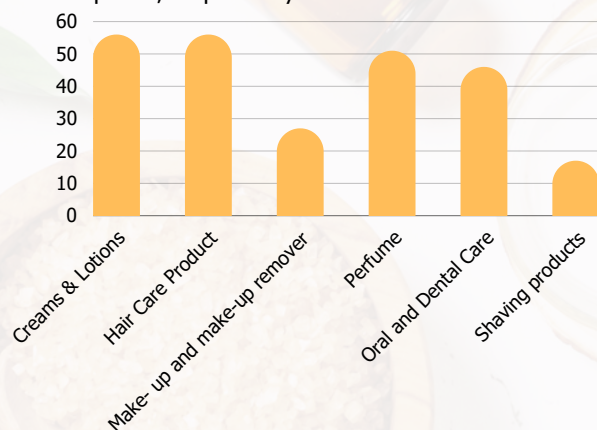
Frequency:

As per the survey data, purchase frequency of consumers highlights that 56% of the respondents usually purchase the cosmetics items on a monthly basis while 20% purchases once in six months which is logical as these are not daily necessity items. Only 7% purchases daily and 10% purchases weekly basis. Some respondents are not concerned about personal care who preferred not buying any cosmetics. The socio-economic factors suggest that the major group who are employed and earning a considerable amount with postgraduate or higher degrees are major consumers who are aware of their personal care



Product Choice, Reason and Source:

As per the survey response, the consumers mostly prefer skin care and hair care each comprising 56% of the total surveyed sample. The second and third preference of the respondents are including perfume or fragrance items, dental and oral care products. Makeup and shaving products comprises 27% and 17% of the total response, respectively.



The consumers, as per 93% of the response, purchase the cosmetics for personal and skin care. Sometimes they also buy for family members (46% of the response) or babies at home (10% of the response) and sometimes for gift purposes (15% of the response). These are mostly brought from physical shops and sometimes online. The local and International Products mostly demanded as per super shops are highlighted below:

Table: 2 Local Brands Vs International Brands

Local Brands	International Brands
Dove (Unilever BD)	COSRX (South Korea)
Ponds Cream (Unilever BD)	Body Shop (UK)
Revive Lotion (Square Toiletries)	Simple (Unilever India)
Ice Cool Powder (Kohinoor Chemical)	Neutrogena
Lux Soap/Body Wash (Unilever BD)	L'Oréal
Parachute (Marico BD)	Tresemme (Thailand)

Satisfaction of Local Brands and Recommendation:

The participants were asked for preferred local cosmetics among the top five brands dominating the local market including Unilever, Square, Keya, Marico, and ACI. The preference is ranked accordingly:

1. **Unilever**
2. **SQUARE TOILETRIES LIMITED**
3. **marico**
4. **KOHINOOR CHEMICAL**
5. **Keya Group**

Among the participants, a major portion were indifferent and unsatisfied with the local products, which raise a question why consumers do not prefer to buy local products. However, some consumers will still recommend cosmetics brand to others (40%) and some are indifferent (37.5%) while 22.5% responded not to recommend other.

Consumers' Attitude Towards Local Brands: What is restraining consumers towards buying

A significant portion of consumers in Bangladesh appear indifferent or dissatisfied with local cosmetics, prompting an intriguing question: why do many choose to overlook homegrown products? To explore deeper into this issue, ECRL conducted interviews with officials from leading supermarket chains such as ALMAS, Shopno, Meena Bazar, and Unimart, as well as some retail cosmetics outlets in Dhanmondi (Dhaka) and across major cities like Chattogram, Khulna, and Rajshahi. This comprehensive approach aimed to uncover consumer purchasing behaviors and attitudes towards both local and international brands.

The findings reveal a fascinating divergence in purchasing patterns based on geographic location. Rural and urban consumers exhibit distinct preferences and buying habits. In rural areas, local products tend to dominate due to their availability, affordability, and a general lack of awareness regarding international alternatives.

Conversely, urban consumers, particularly those in Dhaka, have greater access to the internet and are more informed about a wide array of local and international brands. This connectivity empowers urban dwellers to order their preferred international cosmetics online, leading to a notable trend: international brands capture approximately 50-60% of the market demand in urban regions.

This trend is particularly pronounced in affluent neighborhoods of Dhaka, such as Banani, Gulshan, Dhanmondi, Green Road, and Baridhara, where the upper middle class and affluent consumers reside. Industry insiders, including representatives from supermarkets, retailers, and cosmetics shops, consistently report a strong preference for international brands over local offerings. When it comes to choosing cosmetics, several key factors guide consumer decisions.

- **Concerns Over Authenticity:** The prevalence of counterfeit products masquerading under local brand packaging raises doubts about the integrity of local offerings. Usually, the fake cosmetics and makeup brands are packaged and distributed in Zinzira and Keraniganj.
- **Quality Standards:** Many consumers perceive local products as lacking in quality and consistency, which diminishes their appeal.
- **Limited Variety:** The range of products available from local brands often falls short compared to the extensive selections offered by international companies.
- **Harsh Ingredients:** There is a growing awareness of the importance of skin and hair-friendly formulations, and many local products are criticized for containing harsh chemicals that can be detrimental to health.

While local cosmetics have their place in the market, the allure of international brands continues to grow, driven by consumer preferences for quality, variety, and authenticity. Understanding these dynamics is crucial for local brands seeking to enhance their appeal and compete effectively in this evolving landscape.

Diving into the Consumers' Minds: understanding influencing factors for purchase decision

Understanding of the Consumers' perspective in shaping the demand side is important for any industry. Cosmetics use differs from person to person as they are highly dependent on the preference of each individual. The traditional assumption of economics theory perceives human behavior to be rational and logical. However, consumers' mindset can be influenced by cognitive biases and emotions making it a complex landscape. This inter traditional economic perception is defied by behavioral economics as human decision-making is fraught with different elements like emotions, biases and cognitive errors categorized with risks and rewards (Zandstra et al., 2012).

Factors influencing purchase pattern:

LAFZ Bangladesh is a halal cosmetics brand of Singapore distributing its products in Bangladesh targeting market based on factors like religious affiliation, age, geographic segmentation, psychographics, purchase behavior, etc. On the other hand, purchase decisions of the target consumers can be based on several factors. Research studies suggest that younger age group are more interested in purchasing skin care products than older people and even young males are more concerned about their youth and want to preserve this youthfulness through skincare products (Khuong et al., 2016). According to primary survey, expert opinion and industry insiders' view, the factors influencing purchase decisions have been discussed below:

- **Self-Image and Aging Concerns:** In many societies, body image is closely tied to self-image, driving people to exercise and invest in skincare products. Today, even younger individuals are more conscious of aging and are actively purchasing beauty products to maintain their youthful appearance.
- **Quality, Brands, and Origin:** Quality is paramount for 80% of consumers, who gravitate towards well-known brands when selecting cosmetics. Many prefer international products, often scrutinizing the origin before making a purchase to ensure they meet high standards.
- **Personal preference and Cultural Influence and Economic Condition:** This shapes an individual's purchase decisions by reflecting their tastes, needs, and desires. Whether it's a preference for luxury or budget items, organic products, or specific brands, personal preference drives choices based on what aligns with one's identity, values, and lifestyle. Similarly, cultural norms, traditions, and societal expectations guide consumers toward products that align with their cultural identity, such as traditional attire, specific beauty products, or food items.
- **Economic Condition:** An individual's financial situation directly affects their purchasing power. Full-time employees, particularly those with higher incomes, are inclined to choose high-end, branded products, often with an international origin while during economic downturns, they might prioritize necessities, opt for more affordable alternatives, or reduce spending altogether. In contrast, students or unemployed populations typically opt for low to mid-range brands that offer affordability without compromising too much on quality.

Economic conditions also influence broader market trends and the availability of goods.

- **Price:** While price is a consideration, it typically ranks third or fourth in importance. Many consumers prioritize quality and brand reputation over cost, even if it means paying a premium for their chosen products.

Embracing Nature: The Rise of Organic Beauty in Bangladesh's Thriving Skincare Market

People are increasing their awareness towards skin care and adopting organic cosmetics. Thus, a shift in focus led many local companies to enter and thrive in the natural skincare segment, opening export opportunities. Around 20% of the consumers are demanding organic cosmetics as per super shops and cosmetics retailers at a steady pace with a 3.48% annual growth rate (CAGR 2024-2028) (Bangladesh, Statista Market Forecast, 2024). To cater to the growing demand for organic options, major retail outlets like Unimart and Shajgoj have dedicated sections showcasing a curated selection of natural and organic cosmetics, highlighting both locally produced brands and internationally imported favorites.

In the vibrant landscape of Bangladesh's cosmetics market, local players like Gemcon Group, ACI, Unilever, Marico, and Aarong are making their mark, while a host of emerging companies specializing in chemical products are gradually venturing into this dynamic segment (Sohel, 2022). Some small market players among local brands like Skin Cafe, Organikare, Ribana, Amlaki, Afterglow, Sarin's Store-Embrace Nature and so on have seen significant growth, with some now exporting. The shelves are brimming with a diverse array of offerings, including soaps, oils, shampoos, creams, lotions, toothpaste, fairness products, shower gels, skin creams, and face washes. However, challenges remain due to policy support issues and the presence of substandard products in the market.

Stepping up into the World of Homegrown Cosmetics

Color cosmetics are the colorants and pigments that enhance and transform appearance, bringing vibrancy and allure to daily lives. These products include eye shadows, foundations, nail polishes, lipsticks, and powders—each playing a role in the art of self-expression. Traditionally, Bangladesh has relied on imports for these beauty essentials. However, a new wave of innovation is emerging as local companies venture into manufacturing these products domestically.

A prime example is Remark HB, the Asian partner of the US-based Remark LLC. They are setting out on an ambitious journey to produce 400 to 500 different products across 40 brands, spanning color cosmetics, skincare, home care, and personal care (Noman & Noyon, 2022). Their mission is to meet the growing demand for world-class quality cosmetics in Bangladesh, reducing the country's dependence on imports and fostering a homegrown beauty industry.

Major Players and Their Market Size

People are increasing their awareness towards skin care and adopting organic cosmetics. Thus, a shift in focus led many local companies to enter and thrive in the natural skincare segment, opening export opportunities. Around 20% of the consumers are demanding organic cosmetics as per super shops and cosmetics retailers at a steady pace with a 3.48% annual growth rate (CAGR 2024-2028) (Bangladesh, Statista Market Forecast, 2024). To cater to the growing demand for organic options, major retail outlets like Unimart and Shajgoj have dedicated sections showcasing a curated selection of natural and organic cosmetics, highlighting both locally produced brands and internationally imported favorites.

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Marketing Strategies for Cosmetic Industry

In the dynamic cosmetic industry, companies strive to maintain and grow their market share through different marketing strategies, competitive strategies, and social responsibilities. Combined with a deep understanding of consumer trends and preferences, these strategies enable cosmetic companies in Bangladesh to thrive in a dynamic market landscape.

Premiumization: Companies are focusing on premium beauty tiers which refers to targeting attractive individuals has an economic advantage in terms of employment and earnings. This target group is projected to grow at an annual rate of 8% between 2022 and 2027, compared to 5% in mass beauty.

Television Commercials (TVC): TV ads are crafted to appeal to a broad audience, often featuring captivating visuals, memorable jingles, and persuasive narratives. The goal is to create a strong brand recall.

Online and Social Media Ads: These platforms allow for targeted advertising, using consumer data to reach specific demographics. Ads are optimized for engagement and conversion, often using interactive elements like quizzes or polls. The beauty e-commerce share has grown significantly, exceeding 20% with further growth expected.

Market Segmentation: Products are tailored to meet the needs of specific market segments. This includes developing items for different skin types, age groups, or beauty concerns, ensuring that each consumer feels connected to.

Consumer Psychology: Advertisements leverage psychological principles, such as the desire for social acceptance or the pursuit of self-improvement, to influence consumer behavior.

Innovative Packaging: Developing compact and convenient packaging designs to attract consumers and cater to specific requirements.

Event Sponsorship and CSR: Sponsoring events or engaging in Corporate Social Responsibility (CSR) activities helps build a positive brand image. It demonstrates the company's commitment to social issues, which can resonate with consumers' values.

The cosmetics industry in Bangladesh is growing rapidly due to increased consumer awareness, the influence of social media, and higher purchasing power. Local companies are leading the market, benefiting from strong business management and ample resources. The main consumers are young to middle-aged individuals, with a significant portion being well-educated and employed. Urban consumers tend to prefer international brands, while rural consumers favor local products. Even within urban areas, consumer preferences for national and international branded cosmetics vary by location. To compete effectively, local brands should prioritize quality, product range, and authenticity, and utilize social media for marketing. These strategies will help local brands meet the changing needs of Bangladeshi consumers and strengthen their position in the market.



INTERVIEW WITH THE LAFZ BANGLADESH



The cosmetics industry in Bangladesh poses a significant potential which can further grow with proper marketing strategies. ECRL conducted an expert interview with the mid-management of LAFZ regarding their valuable insights into the cosmetics industry's growth potential in Bangladesh. The discussion highlighted the increasing demand for skincare and haircare products, driven by a diverse consumer demographic with a significant female majority. The interview also emphasized the importance of targeted marketing strategies to effectively reach different customer segments. Despite facing challenges like regulatory hurdles and market competition, the industry shows promising growth prospects, supported by government initiatives.

Question 1. Thank you for taking the time to speak with us today. To start, could you share your insights on the current market growth potential of the cosmetics industry in Bangladesh?

Answer: The cosmetics industry in Bangladesh is currently growing with an annual growth rate of about 5%. However, considering the prevailing political and financial challenges, this growth might be slower than anticipated in the coming years. Despite these challenges, the industry still holds substantial potential, especially as consumer awareness and demand for quality products continue to rise.

Question 2. Which products are most in demand in Bangladesh, and could you rank them for us?

Answer: Certainly. The demand hierarchy in Bangladesh places skincare at the top, followed closely by perfumes and fragrances, haircare, and then makeup. This ranking reflects a growing awareness of skincare and personal grooming among consumers.

Question 3. What is the consumer demographic like in terms of gender? How does this influence your product offerings?

Answer: While women continue to be the primary consumers, there's a rapidly growing market for men's grooming products. This trend has encouraged us to expand our offerings to cater to this emerging demand.

Question 4. In your opinion, what factors influence consumer purchasing decisions in the cosmetics market?

Answer: Several factors play a crucial role in influencing consumer purchasing decisions. Personal preferences, product availability, and current social media trends are significant drivers. Cultural influences, economic conditions, and functional factors like product efficacy also matter. Additionally, our marketing mix, including pricing, promotions, and distribution channels, plays a vital role in shaping consumer behavior.

Question 5. How do you define and target the customer base for cosmetics?

Answer: For a cosmetics brand, the target market is defined by several factors. For us, we focus on Muslim consumers who prioritize halal-certified products. For instance, geographically, we focus on Muslim-majority countries, and psychographically, we target consumers who value ethical consumption, sustainability, and a halal lifestyle. However, for different market players they might target their consumers with different priorities. Usually the cosmetics brands' target younger consumers, who seek ethical and sustainable products. Gender-wise, while women are our primary audience, we are increasingly catering to men's grooming needs.

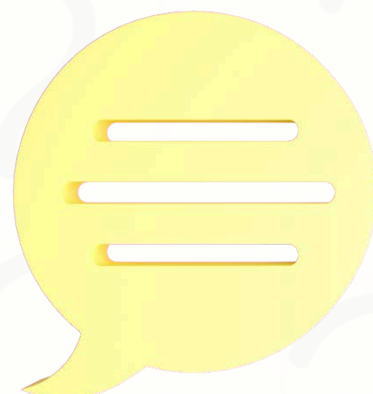


Question 6. Being a part of the cosmetics industry, what challenges do you face in the current market, and is there any support from the government?

Answer: One of the primary challenges we face is the prevalence of counterfeit products, which undermines consumer trust and brand integrity. Additionally, there is a lack of quality products and insufficient government policies or supervision to regulate the industry effectively. Currently, there is no government incentive or support dedicated to fostering the growth of this sector, which poses a significant hurdle for companies like ours that are striving to maintain high standards.

Question 7. Looking ahead, how do you see the cosmetics industry evolving, and what are LAFZ's goals for the next five years?

Answer: The cosmetics industry is set to undergo significant transformations in the coming years. Sustainability and eco-friendly products will dominate consumer demand, with a focus on zero-waste initiatives, personalized products, and clean beauty. Additionally, there will be a push towards greater inclusivity and cultural sensitivity. At LAFZ, our target for the next five years includes expanding our market reach into emerging regions, diversifying our product line to include more wellness-oriented products, and leading the industry in sustainable practices. We also aim to strengthen our brand's transparency, social responsibility, and customer engagement to build long-term trust and loyalty.



Stock Analysis

KOHINOOR CHEMICALS LIMITED



Company Business Overview

Aspect	Information
Name	Kohinoor Chemicals Limited
Establishment	1956
Key Business Activity	Manufacture and distribution of soap, cosmetics and toiletries
About the company	Kohinur Chemical Company are the pioneer amongst the soap, cosmetics and toiletries manufacturing industries of Bangladesh, producing highly value added products with quality in the center of focus.

Stock Statistics

Market Capitalization (BDT Million) as on 12- Aug-2024	19,377.92
Stock Price on 12-Aug-2024(BDT)	585
Paid-up Capital (BDT Million)	337.01
Number of Shares Outstanding	33,700,739
Price Moving Range 52 Weeks High (BDT)	830
Price Moving Range 52 Weeks Low (BDT)	390
P/E (Audited) as of 12-Aug-2024	47.52
CAGR of EPS in 2023 % (2019-2023)	2.40%
CAGR of NAV in 2023 % (2019-2023)	2.55%
Market Category	A
Dividend Yield (%) (2022)	4.00 (0.61%)
Free Float Share (%)	49.43%
Trading Symbol	KOHINOOR
Credit Rating	LT: "AA"; ST: "ST-2"

Key Takeaways

Kohinoor Chemicals Limited, established in 1956, has been a cornerstone in Bangladesh's soap, cosmetics, and toiletries industry. The company's commitment to high-value products with a focus on quality has solidified its market presence. As of August 12, 2024, Kohinoor boasts a market capitalization of BDT 19,377.92 million, with a stock price of BDT 585. The 52-week price movement shows a high of BDT 830 and a low of BDT 390, indicating significant volatility within the year.

The audited P/E ratio stands at 47.52, which is considerably high, suggesting that the market expects future earnings growth or that the stock is currently overvalued. The CAGR of EPS and NAV from 2019 to 2023 are modest at 2.40% and 2.55%, respectively, indicating steady, if not rapid, growth. The dividend yield of 0.61% in 2022 is relatively low, which may not attract income-focused investors but could be appealing to those looking for reinvestment potential and capital gains.

Key Takeaway: Investors should consider Kohinoor Chemicals Limited if they are seeking a company with a longstanding reputation and a consistent focus on product quality. The company's 'A' market category and strong credit rating ('AA' long-term and 'ST-2' short-term) reflect its financial stability and reliability.

Rationale for Investment: Given the high P/E ratio, growth-oriented investors might find Kohinoor an attractive option, anticipating higher future earnings. However, value investors may be cautious due to the potential overvaluation. The company's free float share percentage of 49.43% suggests ample liquidity in the market, providing flexibility for entry and exit strategies.

Market Valuation and Investment Suitability: Kohinoor's stock may suit investors who are less concerned with immediate dividend returns and more interested in long-term growth and stability. The company's track record of generating profits and maintaining a healthy financial position, despite a lower beta indicating less market sensitivity, makes it a potentially stable investment choice. However, investors should remain cognizant of market volatility and industry competition, which could impact margins and earnings potential.

Shareholding Position

In the evolving landscape of the Bangladesh stock market, the shareholding pattern of Kohinoor Chemicals Limited over the past five years paints a picture of strategic confidence and calculated investment shifts. The increase in shares held by sponsors and directors from 48.72% to 50.57% underscores a deepening commitment to the company's future, reflecting a belief in its enduring value and growth potential. Conversely, the slight decrease in institutional holdings from 14.82% to 13.63% suggests a nuanced realignment of their investment strategies, possibly indicating a broader diversification trend rather than a loss of faith in the company's prospects. The public's marginal reduction in shares, from 36.46% to 35.76%, may signal a variety of factors, including market sentiment and the attractiveness of other investment avenues. Collectively, these shifts offer insights into the company's perceived stability and the investment community's response to its performance and potential within the dynamic economic environment of Bangladesh.

Kohinoor Chemicals Limited presents a compelling case for investors seeking a blend of stability and growth potential in the Bangladesh stock market, backed by a legacy of quality and innovation.

Figure 1. Share Holding Position as of Jun 30, 2024

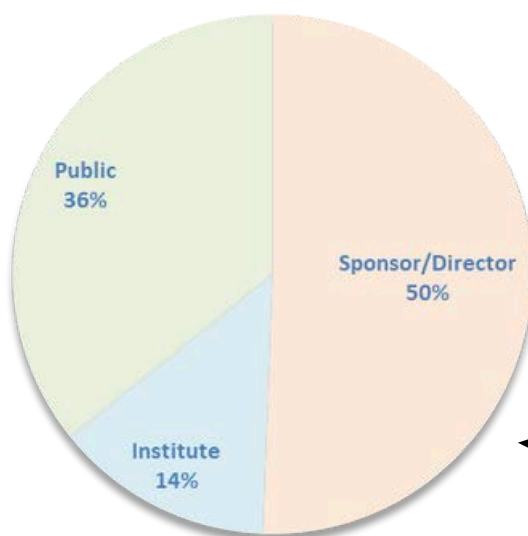
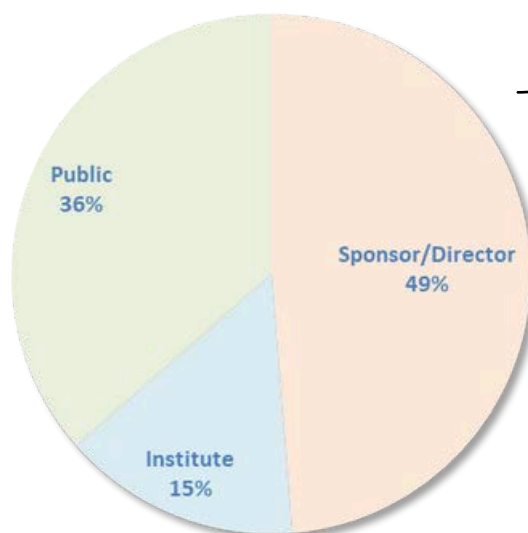


Figure 2. Share Holding Position as of Jun 30, 2019



Historical Financial Performance

In the context of Bangladesh's dynamic economic environment, Kohinoor Chemicals Limited's financial ratios over the past three years reveal a company that is strategically adapting to maintain its market position. The total asset turnover has seen a slight decline from 1.639 in 2021 to 1.567 in 2023, suggesting a more cautious approach to asset utilization amidst changing market conditions. However, the net fixed asset turnover has impressively increased from 13.675 to 18.332, indicating a robust enhancement in the efficiency of capital investments.

The negative operating cash flow to sales ratio of -14% in 2023 is a stark contrast to the positive figures in the preceding years and warrants a closer examination of operational cash management strategies. The receivable turnover has decreased significantly from 625.061 to 272.392, and the collection period has lengthened, which could imply a tightening of credit terms or a shift in customer payment behavior.

The liquidity ratios, particularly the current ratio, which has improved from 2.397 to 3.061, reflect a strong liquidity position, ensuring the company's ability to meet short-term obligations. The debt to equity ratio has slightly increased to 0.289, but remains within a conservative range, suggesting a balanced approach to leveraging.

Profitability has seen a positive turn, with the gross profit margin increasing from 19% to 22%, and the operating profit margin improving to 10%. The return on equity (ROE) and return on assets (ROA) have also increased to 21% and 11% respectively, indicating that the company is generating higher returns on shareholder investment and asset base.

Overall, Kohinoor Chemicals Limited's financial performance indicates a company that is navigating market challenges with strategic financial management, maintaining liquidity, and improving profitability, which is commendable in the competitive landscape of Bangladesh's economy. The company's financial prudence and operational adjustments reflect a commitment to sustainable growth and value creation for its stakeholders.

Ratio	2023	2022	2021
Asset Management & Asset Quality			
Total Asset Turnover	1.567	1.618	1.639
Net Fixed Asset Turnover	18.332	15.795	13.675
Equity Turnover	2.941	3.151	3.377
Cash Flow & Capital Adequacy			
Operating Cash Flow to sales	-14%	6%	10%
Efficiency & Productivity & Capital Strength			
Receivable Turnover	272.392	446.55	625.06
Inventory Turnover	1.34	0.817	0.584
Inventory Processing Period (Days)	2.575	3.186	3.354
Payables Turnover	141.738	114.56	108.81
Cash Conversion Cycle	272.392	446.55	625.06
Liquidity & Leverage			
Current Ratio	3.061	2.52	2.397
Quick Ratio	1.473	1.366	1.322
Cash Ratio	0.922	0.914	0.736
Debt to Equity	0.289	0.218	0.264
Debt to Total Assets	0.154	0.112	0.128
Financial Leverage	1.877	1.947	2.061
Interest Coverage	12.547	166.65	72.264

Profitability & Investment Return			
Gross Profit Margin	22%	19%	19%
Operating Profit Margin	10%	7%	7%
Net Profit Margin	7%	7%	6%
Return on Equity (ROE)	21%	21%	19%

Particulars	2023	CAGR
Balance Sheet		
Total Assets	3,418,868,778.00	12%
Total Equity	1,821,686,825.00	20%
Total Current Liabilities	1,019,618,503.00	4%
Income Statement		
Turnover	5,357,546,402.00	8%
Gross Profit	1,188,262,146.00	13%
Profit After Tax	377,264,315.00	20%
Cash Flow Statement		
Net Cash from Operating Activities	-731,518,375.00	44%

Financial Highlights

Figure 3. Earning Per Share



Figure 4. Dividend %

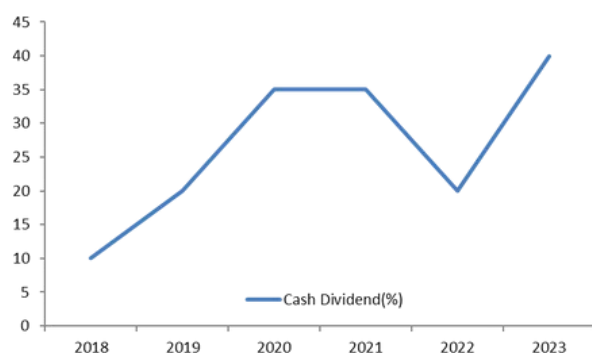


Figure 5. Net Asset Value

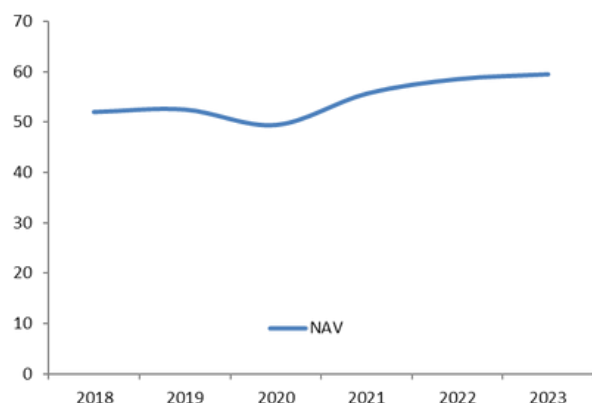
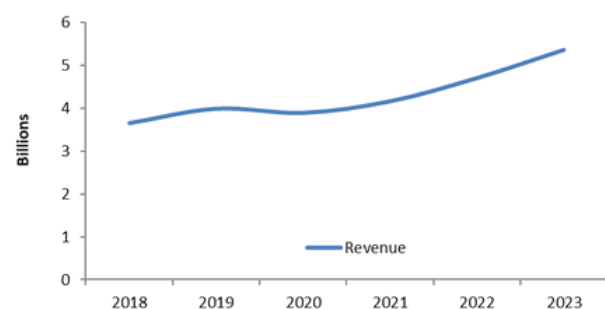


Figure 6. Revenue



Peer Comparison

Symbol	KOHINOOR	MARICO
Close Price	572.9	2335.4
Market Capital(mn)	19307.153	73565.1
PE Interim	44.82	10.86
PE Audited	47.52	16.27
NAV	57.63	315.42
Turnover	-	-
Dividend Yield(%)	0.7	4.28
Current Ratio	3.061	1.25
Quick Ratio	1.473	0.933
Cash Ratio	0.922	0.770
Debt to Equity	0.289	
Debt to Total Assets	0.154	
Financial Leverage	1.877	
Interest Coverage	12.547	
Operating Cash Flow to sales	-0.137	
Gross Profit Margin	0.222	
Operating Profit Margin	0.098	
Net Profit Margin	0.07	
Return on Equity (ROE)	0.207	
Return on Assets (ROA)	0.11	
*All the data collected as on 12th August 2024		
Total Asset Turnover	1.567	
Net Fixed Asset Turnover	18.332	
Equity Turnover	2.941	

In a comparative analysis between Kohinoor Chemicals Limited and its peer, Marico Bangladesh Limited, several financial metrics stand out, reflecting the companies' differing strategies and market positions within the Bangladesh economy.

Market Valuation and Performance: Kohinoor's higher PE ratios, both interim and audited, suggest a market expectation of higher growth or a premium for its shares compared to Marico. However, Marico's substantial market capitalization and superior dividend yield indicate a larger scale of operations and a more generous return to shareholders, respectively.

Liquidity and Solvency: Kohinoor exhibits a stronger liquidity position with higher current, quick, and cash ratios, which could be indicative of a more conservative approach to cash management. Marico's lower ratios, while still healthy, suggest a more aggressive investment strategy. Kohinoor's lower financial leverage and debt ratios point to a less risky capital structure compared to Marico, which may appeal to risk-averse investors.

Profitability and Efficiency: Marico outshines Kohinoor with a significantly higher gross profit margin and net profit margin, indicating more efficient cost management and a stronger market position to command pricing power. Marico's higher ROE and ROA also suggest a more effective use of shareholder equity and assets to generate profits.

Asset and Inventory Management: Kohinoor's total asset and net fixed asset turnover ratios are higher than Marico's, implying a more efficient use of assets in generating revenue. However, Marico's higher equity turnover ratio indicates a more efficient use of shareholder equity. The inventory processing period is comparable for both companies, suggesting similar efficiency in managing inventory cycles.

In summary, while Kohinoor maintains a strong liquidity profile and efficient asset turnover, Marico demonstrates superior profitability, a larger market presence, and a more aggressive capital deployment strategy. These differences highlight the distinct approaches each company has taken to navigate the competitive landscape of Bangladesh's economy, with Marico seemingly positioned as the more dominant player in terms of market valuation and financial performance. The analysis suggests that investors may favor Marico for its profitability and market presence, while Kohinoor may attract those looking for a company with a conservative financial approach and strong liquidity.



Production & Distribution Scenario

LEADING THE GLAMOUR: KEY PLAYERS SHAPING BANGLADESH'S COSMETIC MARKET



Power Players and Their Expertise Driving the Cosmetics Markets

All cosmetics companies in Bangladesh maintain significant levels of vertical integration (a business arrangement in which a company controls different stages along the supply chain), renowned brands like Unilever Bangladesh, Square Toiletries Limited, and Marico Bangladesh lead in terms of scale, efficiency, and market reach, leveraging their extensive resources and advanced infrastructure. Additionally, Unilever and Marico benefit from their global supply chains and international expertise. On the other hand, local brands like Square Toiletries Ltd., Keya Cosmetics Ltd, and Kohinoor Chemical Company Ltd. also maintain robust vertical integration tailored to the Bangladeshi market along with strong local supply chain management with a deep understanding of the domestic market. International brands in Bangladesh have top-notch manufacturing facilities with advanced levels of automation, versatile products in various cosmetics sectors, and quality control. Unilever Bangladesh Ltd. dominates the FMCG market with a 60% share, leading 9 out of 10 categories and offering over 335 SKUs (Stock Keeping Units) (Sultana, 2022). Nearly 95% of their products are locally manufactured across 8 hubs (Noman & Noyon, 2022). Their popular cosmetic brands include LUX, Glow & Lovely, Vaseline, Sunsilk, Clear, TREsemme, Ponds, and Dove (Sultana, 2022). Marico Bangladesh Ltd. produces 99% of its portfolio in Bangladesh, with flagship brands including Parachute Coconut Oil and Livon Hair Serum. Their assets include 2 factories, 2 outsourced manufacturing units, 5 depots, and 4 warehouses, along with 10 contract manufacturers for packaging. Local brands also have robust production standards and variation but on a comparatively smaller scale (Annual_Report_2021). Square Toiletries Ltd. has 16 renowned brands, with Meril Splash Beauty Soap accounting for approximately 10% of the market share.

They source raw materials from suppliers like Dragoco, Firmenich, Givadaun, Clariant, Cognis, ISS, etc (Rahaman, 2022). All cosmetics companies have well-developed supply chains throughout the country but international brands have extensive competitive edge here due to their international connections. Marico Bangladesh Ltd. has 7,90,000 distribution outlets all around the country, whereas Keya Cosmetics Ltd. has 400 distribution outlets (Marico Website).

Strategic Distribution and Raw Material Sourcing

Cosmetics companies in Bangladesh are strategically distributed across various districts, including Gazipur, Narayanganj, and Chattogram. These districts serve as hubs for manufacturing and distribution of cosmetic products. The proximity to the capital city ensures efficient transportation and access to a skilled workforce. Cosmetics are manufactured using various chemicals, animal fat, and essential oils (F.M. Associates). While a few raw materials are sourced locally, most are imported from different countries worldwide. Companies such as Unilever Bangladesh Ltd., Square Toiletries Ltd., Keya Cosmetics Ltd., and Kohinoor Chemical Company Ltd. dominate over 95% of the market.

These renowned firms heavily rely on imported raw materials, with more than 90% sourced from India, Singapore, Uganda, Thailand, and China. Some raw materials are also imported from Germany, France, Malaysia, Indonesia, Italy, the UK, and the USA to maintain product quality (Talukder). However, this heavy reliance on imports leads to high production costs and narrow profit margins. Sourcing materials domestically would save both time and money by eliminating the need to import from abroad.

Bridging Beauty from Production to Consumers

Forward linkage in the cosmetics industry refers to the industries that benefit from the production of cosmetics. Retailers stock products based on consumer demand. According to the survey, local brands dominate rural areas with a 60% market share, while international brands are popular in urban areas, capturing 40% of the market. In Bangladesh, the forward linkage of the cosmetics industry includes:

Retail Sector:

Cosmetic products are sold through various retail channels, including supermarkets, super shops, department stores, and online platforms (Daraz, BanglaShoppers, Shajgoj, and Othoba). This stimulates growth and employment in the retail sector. Manufacturers offer various incentives for retailers, such as discounts on products, increased profit margins, and gifts for meeting sales targets. 53% of products on eCommerce sites are cosmetics products and the amount is predicted to reach US\$343.0 million by 2024 (ECDB).

USD 11.20 THE BEAUTY AND
Billion PERSONAL CARE
MARKET IN
BANGLADESH BY
2024

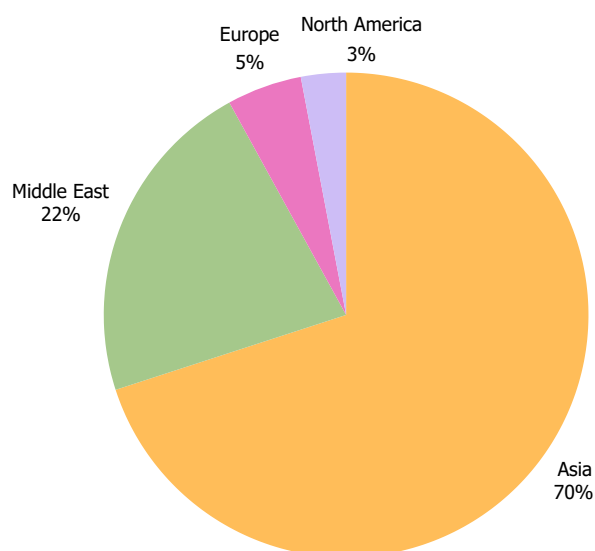
Professional Services:

Beauty salons, spas, and skincare clinics are major users of cosmetic products. The growth of the cosmetics industry leads to increased demand for professional beauty and skincare services, contributing to employment and business development in this sector. The Beauty & Personal Care market in Bangladesh is expected to achieve a value of US\$11.20 billion by 2024, growing annually at a rate of 3.48% from 2024 to 2028. Notably, the largest segment within this market is Personal Care, with an estimated market volume of US\$5.27 billion in 2024 (Statista).

RAW 
MATERIALS 
IMPORTED 

Export Markets

Bangladeshi cosmetic products find their way to international markets through exports. According to the Export Promotion Bureau, the primary export destinations for cosmetics are the Asian region, followed by the Middle East, Europe, and North America. In the fiscal year 2023-24, income generated from exporting skin care products in the mentioned regions is US\$88,055, among them US\$61,479.24 and US\$19,766.60 exported in India and the Middle East (Export Promotion Bureau). This not only contributes to foreign exchange earnings but also strengthens the country's trade balance and fosters international business relations.



Global Trends & Technological Innovations

GLOBAL COSMETICS: NAVIGATING INNOVATION, MARKET DYNAMICS, AND FUTURE CHALLENGES



The global industry insights

The global cosmetics market was valued at USD 374.18 billion in 2023 and is expected to grow to USD 758.05 billion by 2032, with a CAGR of 9.8%. Asia Pacific dominated the market with a 39.53% share in 2023. The market is segmented into hair care, skincare, makeup, and others, with skincare holding the largest share due to daily usage by the majority of the population. Hair care products are increasingly in demand due to prevalent hair issues. The makeup segment is driven by innovative and affordable products, while the 'others' segment, including fragrances and hygiene products, is growing due to rising hygiene awareness.

Key players in the global cosmetics market include L'Oréal, Estée Lauder, Procter & Gamble, Unilever, and Shiseido. L'Oréal is among the largest, holding a significant market share. These companies are engaged in intense competition, often through mergers, acquisitions, and strategic partnerships. Strengths of these companies include strong brand recognition and extensive R&D capabilities, while weaknesses might include over-reliance on certain markets or product categories.

Figure 1. Revenue for the top 10 companies in 2023 (in USD billion)

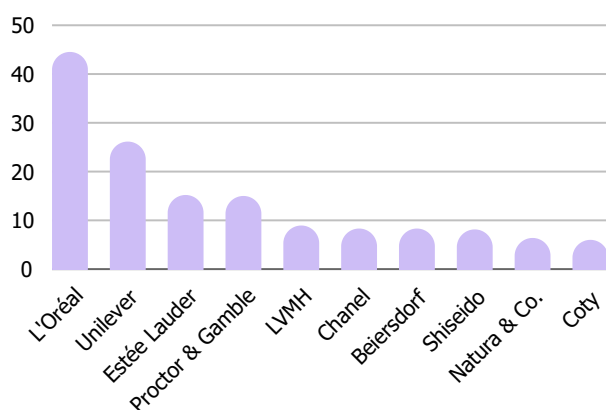
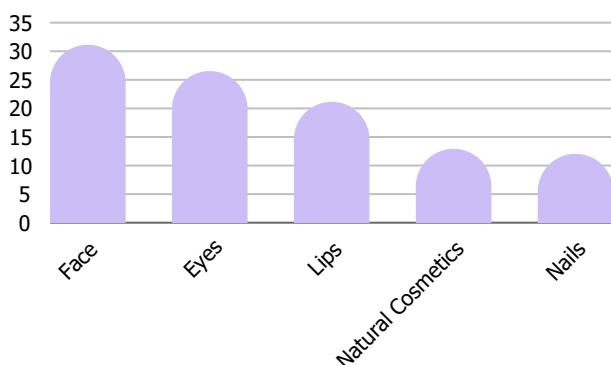


Figure 2. Revenue by segment for the global cosmetics market (in USD billions)



Technological innovations in the global market

Artificial Intelligence (AI) and Personalization:

AI is revolutionizing the cosmetics industry by enabling personalized skincare and makeup solutions. Companies are utilizing AI algorithms to analyze individual skin types and preferences, offering tailored product recommendations. For instance, Shiseido's 'Beauty AR Navigation' application provides users with personalized skincare routines based on their skin health profiles. This not only enhances consumer experience but also elevates dermatological care standards.

Augmented Reality (AR) and Virtual Try-Ons:

AR technology is transforming how consumers shop for cosmetics. Virtual try-on applications allow customers to see how products look on them before making a purchase. This innovation reduces the likelihood of returns and bridges the gap between online and physical shopping. For example, L'Oréal's AR apps enable users to try different makeup products virtually, providing a realistic and engaging shopping experience.

3D Printing and Customized Products:

3D printing is revolutionizing makeup by enabling customized products. Consumers can now create items like lipstick or foundation in specific shades and shapes tailored to their preferences. For example, Mink allows users to 3D print makeup in any color they want, and YSL's Rouge Sur Mesure device creates personalized lipstick shades on demand. This personalization enhances consumer satisfaction by offering unique products that perfectly match individual needs.

Smart Packaging and Internet of Things (IoT):

Smart packaging, combined with IoT, is transforming consumer interaction with cosmetics. These packages can track product usage, offer detailed information, and send reminders when it's time to restock. For instance, L'Oréal's My Skin Track UV sensor tracks sun exposure and provides skincare tips. Nivea's IoT-enabled packaging offers personalized skincare routines based on usage patterns, enhancing the consumer experience by tailoring advice and reminders to individual needs.

Sustainable and Eco-Friendly Products:

The cosmetics industry is increasingly embracing sustainability by using natural and biodegradable ingredients in products. Brands like Lush and Tata Harper focus on green formulations and zero-waste packaging, while Aveda emphasizes ethical sourcing and eco-certifications. This shift helps reduce environmental impact and meets the rising consumer demand for sustainable products. Companies are adopting practices like refillable containers and compostable packaging, making sustainability a core part of their brand identity.

Overcoming Industry Challenges and Capturing New Opportunities

Challenges

Environmental Impact:

The cosmetics industry contributes to plastic waste, harming marine life, with microplastics affecting over 600 species. Its reliance on palm oil leads to deforestation, endangering wildlife habitats. Additionally, the industry's high water consumption is unsustainable amid global water shortages.

Toxicity of Ingredients:

Awareness of the harmful effects of synthetic ingredients like sulfates and phthalates is driving a shift towards natural alternatives in cosmetics. Linked to allergic reactions and potential health risks, these chemicals are being phased out as consumers demand safer, non-toxic products. Brands are responding by formulating products free from these harmful substances to meet the growing demand for health-conscious and sustainable options.

Regulatory Compliance:

Navigating regulatory compliance in the cosmetics industry is challenging due to varying global standards. The EU enforces strict safety assessments, banning over 1,300 substances, while the U.S. has less stringent guidelines. This complexity demands significant resources, making compliance across multiple markets particularly difficult for smaller companies.

Counterfeit Products:

Counterfeit cosmetics are a serious threat to consumer safety and brand integrity. These fake products often contain harmful ingredients, causing skin irritations and allergic reactions. Their widespread availability, especially in areas with weak regulations, damages trust in legitimate brands, highlighting the need for stricter enforcement.

Opportunities

Sustainability and Green Cosmetics:

Rising consumer demand for eco-friendly products is driving innovation in the cosmetics industry. Brands are developing cosmetics with natural ingredients and sustainable packaging, like biodegradable materials and refillable containers. Companies like L'Oréal and Unilever are leading this trend by launching sustainability initiatives to use 100% renewable energy and reduce plastic waste, aligning with consumer preferences and reducing the industry's environmental impact.

Men's Grooming:

The men's grooming market is growing rapidly due to increased social acceptance and targeted marketing. There's rising demand for skincare, hair care, and grooming products specifically designed for men, driven by changing attitudes and greater awareness of personal care. This trend offers brands a significant opportunity to expand their product lines and cater to this emerging market segment, which is expected to continue its rapid growth.

Personalization:

The trend of personalized beauty products tailored to individual skin types and concerns is growing. Using AI and big data, companies can offer customized skincare solutions, increasing consumer satisfaction and loyalty. These personalized products address specific needs, making them more effective and attractive to consumers.

E-commerce Growth:

E-commerce is rapidly transforming the cosmetics industry, with online beauty product sales expected to grow 12% annually from 2022 to 2027. The rise of digital platforms and omnichannel shopping is helping brands reach more customers and offer a convenient, personalized shopping experience. This growth in e-commerce is a key driver of the industry's expansion.

Geographic Diversification:

With slower growth in traditional markets like China, cosmetics brands are focusing on regions like the U.S., Middle East, and India for expansion. These areas offer opportunities in luxury segments, driven by rising disposable incomes and growing middle-class populations. Geographic diversification helps brands reduce risks and tap into diverse consumer preferences.



Societal Impacts of the Industry

BALANCING BEAUTY: THE SOCIAL IMPACT OF BANGLADESH'S COSMETICS INDUSTRY



Positive Impacts

Economic Growth and Employment

The cosmetics industry in Bangladesh plays a vital role in the economy, valued at around BDT 90 billion (\$1.06 billion USD) in 2022, with a 10% annual growth rate. This growth benefits women, who comprise 60% of the workforce, enhancing financial independence and workforce diversity. Additionally, the expanding industry boosts related sectors like retail, which employs over 6 million people, further driving economic development.

Increased Consumer Awareness

The rise of natural skincare products in Bangladesh has heightened consumer awareness of personal grooming and hygiene, with 70% of urban consumers preferring natural over synthetic products. This shift promotes better self-care, as 60% of consumers now research ingredients before buying. As a result, the natural skincare market is growing at 15% annually, reflecting a more health-conscious society focused on informed and safe purchasing decisions.

Empowerment of Local Entrepreneurs

The rising demand for natural skincare products in Bangladesh has empowered local entrepreneurs, leading to a 20% increase in local skincare brands, with SMEs playing a crucial role. These entrepreneurs are innovating by offering unique, locally-sourced products that meet specific consumer needs. Local brands now capture about 30% of the skincare market, driving competition, improving product quality, and contributing to job creation and economic growth.

Rise in Disposable Income

Bangladesh's cosmetics market has seen significant growth, driven by rising disposable income, with an average annual increase of 8.5% from 2020 to 2023. Valued at approximately \$900 million in 2021, the market is projected to reach \$1.5 billion by 2030, fueled by demand for premium and organic products. Increased per capita spending on cosmetics, coupled with social media influence and a growing middle class, is promoting greater awareness and accessibility to diverse beauty products.

Negative Impacts

Environmental Pollution

The cosmetics industry contributes to environmental pollution through non-biodegradable packaging and chemical waste from production processes. This pollution harms ecosystems and poses long-term sustainability challenges. Efforts to address these issues are crucial to minimize the industry's ecological footprint and protect natural resources.

Health Risks from Harmful Chemicals

In response to concerns about harmful chemicals in cosmetics, Bangladesh has enacted the Drugs and Cosmetics Act 2023. This legislation addresses the health risks associated with certain chemicals in cosmetics, which can cause issues like skin irritations, allergies, hormone disruption, and even cancer. The Act aims to regulate the manufacture, distribution, and sale of cosmetics to ensure safety and quality, protecting consumer health.

Cultural Pressure and Body Image Issues

The promotion of narrow beauty standards by the cosmetics industry is creating cultural pressure in Bangladesh, leading to body image issues and low self-esteem, especially among young women. Exposure to idealized beauty through ads and social media contributes to negative self-perception, sometimes resulting in unhealthy behaviors like extreme dieting and a desire for cosmetic procedures. To counteract these effects, promoting diverse and inclusive beauty standards is crucial, with some brands beginning to embrace this approach to foster healthier body images and mental well-being.

Regulatory Challenges

The cosmetics industry in Bangladesh faces challenges due to inadequate regulations and quality control, leading to the spread of substandard and counterfeit products. This regulatory gap poses health risks, such as skin irritations and other severe conditions from harmful chemicals. The recently enacted Drugs and Cosmetics Act 2023 aims to address these issues by introducing licensing, quality control, and inspection measures, ensuring compliance with international standards and enhancing consumer safety and trust. Strengthening and enforcing these regulations is essential for maintaining product integrity and consumer confidence.

Mitigation Strategies

Regulation and Quality Control

Strengthening regulations and ensuring stringent quality control measures can help mitigate health risks associated with cosmetics products. The government, in collaboration with industry stakeholders, should enforce standards for product safety and labeling to protect consumers.

Environmental Sustainability

The industry should adopt sustainable practices to reduce its environmental footprint. This includes using eco-friendly packaging, minimizing waste, and promoting recycling initiatives. Companies can also invest in research and development to create products with natural and biodegradable ingredients.

Promoting Safe and Inclusive Beauty Choices

Increasing awareness about the risks of low-quality cosmetics and proper skincare can help people make better choices. Public health campaigns and education can highlight the benefits of safe, ethical products. The cosmetics industry should also promote diverse beauty standards that celebrate various skin tones and features. By reflecting Bangladeshi diversity in ads, the industry can reduce cultural pressures and foster a positive self-image, encouraging a healthier view of beauty.

70% of urban consumers prefer natural and organic skincare products

Regional Focus of the Industry

REGIONAL FOCUS IN BANGLADESH'S COSMETICS SECTOR: DRIVERS AND IMPLICATIONS



Regional Concentration

The cosmetics industry in Bangladesh is mainly concentrated in urban areas, particularly Dhaka, Chittagong, and Sylhet. Dhaka, the capital, accounts for a significant portion of the market due to its dense population and economic activities. Chittagong, as the major port city, and Sylhet, with its strong diaspora connections, also play vital roles in the industry's concentration.

Factors Driving Regional Concentration

Urbanization and Economic Activity

Dhaka, the largest city in Bangladesh with over 10 million residents, has a high population density of 30,470 people per square kilometer. The average monthly disposable income in Dhaka ranges from BDT 20,000-30,000 (\$235-\$350 USD). Chittagong, the second-largest city and main port, has a population of over 2.5 million and an average disposable income of BDT 18,000-28,000 (\$210-\$330 USD). Sylhet, with around 500,000 residents and higher remittance inflows, has a disposable income of BDT 25,000-35,000 (\$295-\$410 USD). The developed infrastructure and economic activity in these cities make them key markets for cosmetic companies and international brands.

Access to Distribution Channels

Urban areas in Bangladesh, particularly Dhaka and Chittagong, have well-developed distribution networks that support efficient logistics and supply chain management for cosmetics. Dhaka boasts over 1,000 retail outlets and major shopping malls like Jamuna Future Park and Bashundhara City. Chittagong, handling over 90% of the country's trade, has around 500 retail outlets. Both cities benefit from online marketplaces like Daraz and Banglashoppers, which enhance product accessibility. With high internet penetration rates—about 60% in Dhaka and 55% in Chittagong—these cities are key markets for cosmetics.

Consumer Demographics

In urban areas like Dhaka, there's a notable interest in beauty and personal care products. About 60% of Dhaka's population is under 30, with this younger, affluent demographic spending significantly on cosmetics—approximately 25% more than rural consumers. Urban residents in Dhaka spend about BDT 1,500-2,000 (\$18-\$24 USD) monthly on cosmetics, compared to BDT 1,200-1,500 (\$14-\$18 USD) in rural areas. This higher spending drives demand and attracts more cosmetic brands and retailers to the city.

Business Ecosystem

Urban areas like Dhaka and Chittagong offer a supportive business ecosystem for the cosmetics industry. Dhaka, the economic hub, provides access to a large, educated labor pool (over 50% with secondary or higher education) and has more than 60 commercial banks for financial services. Chittagong benefits from its strategic port for logistics and both cities have vibrant marketing opportunities, with Dhaka hosting over 200 advertising agencies. These factors create a favorable environment for cosmetic businesses to operate and expand.

Dhaka Population
Density of **30,470** People/km²

60% of Dhaka's population is under 30 years of age.

Implications of Regional Concentration

Market Saturation

Dhaka's cosmetics market faces saturation due to intense competition among numerous brands, with over 1,000 retail outlets in the city. This high competition limits growth opportunities and challenges both new and existing businesses in maintaining market share. Despite this, the market remains valued at about BDT 25,000 crore, reflecting strong consumer demand and the need for unique products and aggressive marketing strategies.

Unequal Access

Regional concentration in Bangladesh results in unequal access to cosmetics, with rural areas—home to about 65% of the population—having limited product variety. Rural consumers spend less on cosmetics (BDT 1,200-1,500 or \$14-\$18 USD monthly) compared to urban consumers (BDT 1,500-2,000 or \$18-\$24 USD). This disparity in availability and spending hinders overall market growth and inclusivity.

Economic Disparities

The concentration of Bangladesh's cosmetics industry in urban centers like Dhaka and Chittagong exacerbates economic disparities between urban and rural areas. Dhaka's GDP per capita is around BDT 290,000 (\$3,400 USD), significantly higher than the national average of BDT 160,000 (\$1,900 USD) and much higher than rural areas, where GDP per capita is about BDT 100,000 (\$1,200 USD). This urban focus widens the economic gap, as rural areas receive fewer development opportunities and investments, limiting their growth prospects.

Supply Chain Efficiency

The concentration of the cosmetics industry in urban areas like Dhaka enables efficient supply chains but also creates vulnerabilities. Disruptions from political unrest or natural disasters can severely impact operations. For example, the 2018 political protests in Dhaka caused losses of BDT 40 billion (\$470 million USD) across various sectors. Such disruptions can affect the entire supply chain, jeopardizing product availability and business continuity nationwide.

OVER **1,000** RETAIL OUTLETS IN DHAKA

ECRL Thought

UNMASKING THE \$10 BILLION MYSTERY: BANGLADESH'S BOP CRISIS AND LESSONS FROM INDIA, SINGAPORE, AND THE USA

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Bangladesh recently faced a significant discrepancy in its Balance of Payments (BOP) accounts, amounting to around \$10 billion. This alarming issue has sparked widespread concern among economists, policymakers, and the public. This article explores the causes behind this discrepancy, delves into how it occurred, and examines how other countries like India, Singapore, and the USA manage their export values to avoid such mismatches.

The recent \$10 billion discrepancy in Bangladesh's BOP is due to inconsistent export data reported by government agencies. The mismatch led to a revision by the Bangladesh Bank, resulting in a \$10 billion reduction in reported export income. Initial reports indicated a 3.93% export growth, but the revised figures showed a negative growth of 6.8%.

In some cases, goods are recorded as exports, but the earnings from those exports never come back to the country. Buyers only pay for the CMT (Cutting, Manufacturing, & Trimming) as they provide the fabrics and other accessories. In these cases, the EPB does not exclude that from the value of the final product.

However, Some business experts and financial analysts qualify that this huge gap in export value between EPB and Bangladesh Bank is the consequence of dearth of technological advancement in departments that are recording the data.

Exporters said they have been stating the fact that EPB was fabricating data for a long time, however, their words fell on deaf ears. Mohammed Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) said that the November 2022 exports of \$5.13 billion the highest export in a single month were greatly exaggerated.

These cases postulate that EPB to some extent does not maintain the export data in a global standard way and that eventually results in the country's one of the biggest shocks in the financial sector. To understand how Bangladesh is different from other countries like INDIA, Singapore, and USA in managing the BOP it is essential to look at their practice.

India's BOP is managed by the Reserve Bank of India (RBI), which follows the guidelines of the International Monetary Fund (IMF) Balance of Payments Manual (BPM6). The RBI ensures that data is collected from multiple sources, including the Directorate General of Commercial Intelligence and Statistics (DGCI&S) and various financial institutions. The BOP data is compiled and disseminated systematically, ensuring accuracy and timeliness. India records its export values through a comprehensive system involving multiple agencies and data sources. The primary agency responsible for collecting export data is the Directorate General of Commercial Intelligence and Statistics (DGCI&S), which operates under the Ministry of Commerce and Industry. Exporters are required to submit shipping bills and other relevant documents to customs authorities, who then forward the data to the DGCI&S for compilation and analysis.

The Reserve Bank of India (RBI) also plays a crucial role in recording export values. Exporters are required to submit export realization certificates to their banks, which then report the data to the RBI. This dual reporting system ensures that export data is cross-verified and discrepancies are minimized.

INITIAL REPORTS INDICATED

3.93% EXPORT GROWTH

USD 5.13
Billion
THE HIGHEST
EXPORT IN
NOVEMBER
2022

REVISED
FIGURES
SHOWED

NEGATIVE GROWTH
8.6%

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The inconsistency in export data affects Bangladesh's macroeconomic indicators and could lead to a more conservative GDP growth rate projection. A decrease in export income will reduce the contribution of exports to the GDP and indicate limitations in competitiveness in foreign markets. Furthermore, the aggregate export of a country is responsible for maintaining the foreign reserve. Adjusted export revenue will impact public finance health by increasing the debt-to-GDP ratio, projected to increase by 0.02 percent.

The primary difference lies in the robustness of data management systems and adherence to standard guidelines. India, Singapore, and the USA have well-established systems for collecting and disseminating BOP data, following international guidelines, and conducting regular audits. In contrast, Bangladesh's data management system is flawed, with inconsistencies and outdated methodologies. Accurate economic data is crucial for policymaking and business decisions. To regain trust, the government must ensure transparency and accuracy in economic reporting, improve coordination among institutions, and utilize advanced data analytics and technology.





DR. JAMALUDDIN AHMED, FCA

Chairman

Dr. Jamaluddin Ahmed is one of the sponsor directors of Emerging Credit Rating Ltd. (ECRL). He is also the Chairman of the company. Professionally a Chartered Accountant and a fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB) since 1990; he has been awarded PhD in Accounting from Cardiff Business School, University of Wales, under Commonwealth Scholarship in 1996, and secured First Class in Masters Degree and Bachelors with Honours from Accounting Department of Dhaka University.

He has many years of experience in the financial sector of Bangladesh and has used his expertise and experience to carry out numerous research work and publications. He is the Audit Engagement Partner of 10 banks and leasing companies, 4 energy companies, 10 listed non-bank companies, and a tax advisor for many local and multinational companies. He also performs the following responsibilities:

- The Board of Directors of Janata Bank Limited (2008-2013), Essential Drugs Limited, Power Grid Company of Bangladesh Limited.
- The Chairman of the Board Audit Committee of Janata Bank Limited (2008-2013) and Power Grid Company of Bangladesh Limited.
- The Member of the Board of Directors and Chairman of the Audit Committee of Grameen Phone Limited, Advisor to the Board and Audit Committee of Bangladesh Bank.
- Previously He had been the representative of ICAB to the Board of Dhaka WASA, Dhaka Stock Exchange Ltd., Consultative Committee at the Security and Exchange Commission, Bangladesh Telecommunication Company Limited.
- From 1999 to 2013 he was a partner at Hoda Vasi Chowdhury & Co., An Independent Firm of Deloitte Touche & Tohmatsu. He has taken several training courses in the power and energy sector and has completed assignments at numerous banks.

MR. N K A MOBIN, FCS, FCA

Executive President

Mr. N K A Mobin is a veteran businessman and skilled in a broad range of trade ventures. He is one of the 4 sponsor Directors of the Emerging Credit Rating Ltd, the eminent credit rating agency in Bangladesh. Mr. Mobin has completed his Bachelor of Business Administration & Master of Business Administration from the University of Dhaka majoring in Finance with first class results. He has been a Fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB) & Institute of Chartered Secretaries and Managers of Bangladesh (ICSMB) since 1992 & 1998, respectively. He is also a Member of the Institute of Financial Consultants (IFC) of the USA since 2002.

Mr. Mobin has working experience of more than 34 years in different corporate arenas financial management systems including the budgeting and reporting system, Tax management and optimization in tax expenses, involved in different projects cost optimization/efficiency and revenue maximization areas, etc. He has been Director of Projects and administration Director Finance and Company Secretary in Grameenphone Ltd. (GP). He has also been the Director of Finance and Company Secretary at Novartis (Bangladesh) Limited. He also performs the following responsibilities:

- People's Leasing and Financial Services Limited – Court appointed as the Director of People's Leasing and Financial Services Limited.
- Dhaka Chamber of Commerce and Industry (DCCI) – Appointed as one of the Board members for 2020-2022 and Senior Vice President for 2021.
- Institute of Chartered Accountants of Bangladesh (ICAB) – Elected Council member for 2019-21 and Ex-Vice President (Education and Examination) for 2019.
- Unique Hotel And Resort - Appointed as the Independent Director of Unique Hotel And Resort

MR. ARIFUR RAHMAN, FCCA, FCA, CSAA

Chief Executive Officer (CEO)

Mr. Arifur Rahman is a dynamic professional representing the Emerging Credit Rating Limited as the Chief Executive Officer (CEO), the distinguished credit rating agency in Bangladesh. He has completed his B.Sc. (Hons) in Civil Engineering with first class result from Bangladesh University of Engineering & Technology (BUET) and also completed BSc (Hons) achieving higher second class honors (2:1) in Applied Accounting from Oxford Brookes University.

Mr. Rahman has 21 years of expertise in the various sectors like Civil Engineering, Auditing, Financial Consultancy, Feasibility Studies, and Tax Advisory and Planning etc. He is also a Certified Shariah Adviser & Auditor (CSAA). He is actively involved in taking charge of the technical and organizational interests and advising the company in articulating current business strategies as well as future growth potentials. He is responsible to administer different departments and plays an important role in taking the managerial and operational decisions of the organization. Mr. Rahman is also the Fellow Member of the Association of Chartered Certified Accountant. Mr. Rahman is qualified as a chartered accountant from the institute of the Institute of Chartered Accountants of Bangladesh (ICAB).





About ECRL

Emerging Credit Rating Limited (hereinafter referred to as ECRL) began its journey in the year 2009 with the motive to deliver credible superior & quality credit rating opinions in various industry segments around Bangladesh. ECRL obtained a credit rating license from Bangladesh Securities and Exchange Commission (BSEC) in June 2010 as per Credit Rating Companies Rules 1996 and also received Bangladesh Bank Recognition as an External Credit Assessment Institution (ECAI) in October 2010 to do the rating of Banks, Financial Institutions and their borrowers and also from Insurance Development & Regulatory Authority (IDRA) in 2015 to do the rating of Insurance Companies & affiliated with Malaysian Rating Corporation Berhad.

Emerging Credit Rating Limited's team is oriented towards the continuous improvement of processes, striving for an important role in the leadership of the business world. Every individual in ECRL is committed to providing topmost ingenious Credit Rating Services and Comprehensive Research Services in Bangladesh. ECRL's rating services and solutions reflect independence, professionalism, transparency, and impartial opinions, which assist businesses in enhancing the quality of their decisions and helping issuers access a broader investor base and even smaller known companies approach the money and capital markets. The Credit Rating process is an informed, well-researched and intended opinion of rating agencies on the creditworthiness of issuers or issues in terms of their/ its ability and willingness to discharge its financial obligations in a timely manner. Issuers, lenders, fixed-income investors use these risk assessments for the purpose of lending to or investment in a corporation (such as a financial institution, an insurance company, a non-banking corporation or a corporate entity) as well as evaluating the risk of default of an organization's financial obligations in terms of loan or debt.

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Editorial Overview

ECRL Research provides insights, opinions, and analysis on Bangladesh and International Economies. ECRL Research conducts surveys and produces working papers and reports on Bangladesh's different socio-economic issues, industries, and capital market. It also provides training programs to professionals from financial and economic sectors on a wide array of technical issues.

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