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Cosmetics, Spa and Beauty Products

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Unless otherwise specified, all currency is in Canadian dollars.

0 Executive Summary

Summary

At midnight on September 7th, 2017 megastar Rihanna released her Fenty Beauty makeup line at Sephora. The release party was live-streamed on all social media and changed the game in the beauty and personal care industry on that night. Focusing on creating products that are accessible to all women, the singer had industry leaders scrambling trying to demonstrate to consumers that they too have products for all shades of the human colour spectrum.

Globally the beauty and personal care industry is a multi-billionaire one dominated by global companies such as Coty Inc., Estee Lauder, L'Oréal Group, Procter and Gamble Company to name a few managing global megabrands such as MAC makeup, Cover Girl, the Body Shop, Clarins, Clairol etc. The global retail space is dominated by Sephora Beauty, here in Canada the company has over 50 retail outlets and is rivalled greatly by Shoppers Drug Mart's beauty Boutique, other retail space includes beauty counters in department stores such as the Hudson's Bay Company (The Bay).

The ingredients industry is a very important supplier for the manufacturing of beauty products especially natural ingredients as consumers are looking for products that have added value of health and wellness. Consumers are more conscious of the source of the ingredients, the livelihoods of those responsible for growing, reaping and selling ingredients and the reduction of animal testing. Many companies have come close to being socially responsible in their ingredient sourcing practices such as Lush cosmetics and Body Shop to name a few.

In 2017 Canada's importation of these products increased by 4% reaching a five year high of CAD 4.2 billion. The top three product (products covered in the MIP) categories imported were beauty or make-up preparations valued at CAD 2.0 billion, hair shampoos and other preparations next with CAD$666 million followed by perfumery, cosmetic or toilet preparations valued at CAD$498 million.

The Cosmetics industry in Canada has an estimated value of about $9.9 billion in 2016. The industry has grown at an annualized rate of 5.5% over the five years to 2017. The industry has been expanding rapidly as consumers opt for beauty stores that allow consumers to interact with the products. While Canada's economic growth has increased the industry's revenue, demand for cosmetic products is still dictated by shifting consumer habits. Emphasis on development at the manufacturing level has increased the number of innovative beauty products, including high-end anti-ageing skincare products and cosmeceutical creams with pharmaceutical properties. Increase in consumer demand is expected to boost industry revenue by 3.5% in 2018. Positive consumer trends are expected to continue for the next five years to 2022 as economic prospects continue to improve.

However, competition from online retailers threatens to suppress growth in the industry as online stores have lower rent and labour costs, and often sell products at lower prices. Many beauty salons are selling their products online, increasing cosmetic sales. Women, ages 35 to 54, are the largest purchasing group for this industry, and the increasing population and incomes of this group will boost revenue. Canada has approximately 3,700 cosmetic companies, which are mainly small and medium-sized companies, creating 20,000 kinds of cosmetic products. Industry retailers often rely on foreign suppliers for a significant portion of the products on shelves or online.

1 Introduction

> In 2017, Canada's population was estimated at 36.7 million, up from 36.2 million in the previous year. Nearly 85% of Canadians live within 160 kilometres of the border with the United States, mainly in large urban centres throughout the central and western parts of the country. In 2016, six cities had over a million inhabitants: Toronto (6.2 million), Montréal (4.1 million), Vancouver (2.5 million), Calgary (1.4 million), Ottawa-Gatineau and Edmonton (both 1.3 million). Together, these six cities account for more than 46% of the country's population.
>
> Canada's two official languages are English and French. More information on Canada's population is available through Statistics Canada.

TFO Canada offers a series of product-specific market reports to exporters in client countries identified by the Canadian Government. This list of countries and the reports are available through TFO Canada or on request by writing to TFO Canada. They are also distributed through export promotion organizations and Canadian embassies in the client countries as well as through client country embassies accredited to Canada.

The market reports are intended to provide the exporter with background information on the Canadian market for a product; advice on how to go about finding a Canadian buyer; and suggestions on what to do once a buyer is found. The reports offer exporters enough information to pursue the Canadian market on their own and to seek further details from suggested sources through websites, electronic mail, fax, mail or telephone. These reports are intended for the experienced exporter who is serious about trying to enter the Canadian market. Canada is not the market to test your first export experience; a history of exporting to a market closer to home is invaluable before attempting this one. Show the potential buyer that you have done your homework and are serious about a long-term relationship. Research, planning and commitment are essential in establishing a good reputation in a trade with this country.

Exporters are encouraged to use this report in parallel with TFO Canada's *Access Canada: A Guide on Exporting to Canada*. The Guide provides information on how to deal with a buyer along with other practical information on trading with this country. As well, TFO Canada provides market information on a variety of other consumer sectors that are of interest to exporters from TFO Canada client countries. These are all available free to members at http://www.tfocanada.ca/mip.php.

Industry Terms

The following terms are commonly used in Canada:

Oils: This includes natural or synthetic essential oils, pure oils, vegetable oils, base oils, and carrier oils. Some of the most beneficial "oils" can prove harmful under certain conditions. Concentrated oils are very strong; just because a product is natural does not mean that it is harmless. Inappropriate use can often lead to adverse and damaging side effects. Some of the medical conditions often stated on packaging labels as a warning for use are pregnancy, seizure disorders, hypoglycemia, high blood pressure, kidney problems, severe sun damage, photosensitivity, alcohol intake, anticoagulant therapy, and allergies.

Essential Oils: Essential oils are derived from volatile aromatic components found in plants. They can be distilled or extracted from the flower, bark, seed, leaves, or roots of plants, or from the whole plant itself. They may also be derived from trees such as spruce. Essential oils are derived from plants by either a one-step distillation or extraction process. Steam distillation is the most common distillation method employed by commercial-scale producers. Other methods of processing include hydro or water distillation, solvent extraction, and supercritical fluid extraction. Distillation can be done in a number of different ways: on-site facilities, mobile units that come to the farm, or custom operations. The processed oil is usually sold to a flavour house, either directly or through a distributor. The flavour house can blend thousands of oils for different purposes. Processors often sell many different formulas of the same essential oils to the flavour houses, depending on the requirements of the end user. The flavour houses generally do not have their processing facilities.

Pure Oils: The initial substance is smoke-dried, sun-dried, kiln dried, or dried using a combination of the three processes. The dried substance is then pressed to remove the oils mechanically. Wet milling is an alternative method whereby the liquid is extracted from the fresh substance without drying first. The pure oil is then separated from the water by boiling, fermentation, refrigeration, enzymes, and mechanical centrifuge force.

Natural Extracts: A solid, viscid, or liquid substance removed directly without chemical modification or intermediate synthesis from a plant, drug, or similar substance containing its essence in a concentrated form.

Natural Colouring Agents: An additive that is used to change the colour of the product that comes directly from a natural origin. In general, colouring agents can be sold in powder form or as tinctures. Natural colourants have to be oil soluble.

Natural Ingredients: Natural ingredients come from a renewable source found in nature, be it flora, fauna, or mineral. They come from processes that do not use synthetic or harsh chemicals that would otherwise dilute the ingredient's purity. To be labelled "natural," a product must be a minimum of 95% natural or of a natural origin.

Green: Green refers to the process used to convert primary materials to finished materials.

Organic Products: Organic products are products that must meet the definition of "natural" with at least 50% of their natural content being certified as organic.

Vegan Products: Products made of ingredients not derived from animals.

Biological Products: A product from biological agriculture without any pesticide and exempt from chemicals, preservative agents, colourants, alcohol, oils (Vaseline, glycerine, lanoline). A minimum of 95% of the ingredients must be of a natural origin.

Ecological Products: Ecological products are products that respect the environment. A "biological" product is ecological – but an "ecological" product is not necessarily biological. A minimum of 50% of the ingredients must be of a natural origin.

Natural Products: Natural products must be made of a minimum of 50% from natural plant, water and oil ingredients. They are not required to be certified nor controlled. Ecocert is a highly respected organization whose natural products certification system is used as a benchmark in Canada. Ecocert certifies "natural products" as those whose ingredients are a minimum of 95% of natural origin (of which 10% is from biological agriculture). The remaining 5% of ingredients can be synthetic. *Natural does not always mean that it is non-toxic. A toxin may be found on plants. If not properly processed, they can cause adverse effects when the ingredient is used.*

Natural Aroma: Natural aroma is a fragrance prepared exclusively with pure plant and flower essences and their derivatives.

Absolutes: Absolutes are extracted in a two-step process involving a solvent and alcohol. Organic absolutes are extracted from plants using certified materials and processed.

Scope of the Report

This report covers the cosmetics products market in Canada as outlined in the following table. The *Food and Drugs Act* defines a cosmetic as "any substance or mixture of substances, manufactured, sold or represented for use in cleansing, improving or altering the complexion, skin, hair or teeth and includes deodorants and perfumes." This definition includes but is not limited to soap, grooming products for animals, and cosmetics used by professional esthetic services (e.g., facial masks, manicure preparations, and hair dye).

This report should be used in conjunction with TFO Canada's *Access Canada: A Guide to Exporting to Canada* which provides information on how to deal with a buyer, along with other practical information on trading with this country. As well, TFO Canada provides relevant market information on products such as natural health products, organic foods, fresh fruits and vegetables, carpets and rugs, and beverages. These are all available for free to members at http://www.tfocanada.ca/docs.php.

Table 1: Selected Products (HS Codes)	
ESSENTIAL OILS AND RESINOIDS	
330112 Essential oils of orange 330113 Essential oils of lemon 330119 Essential oils of citrus fruit, nes 330124 Essential oils of peppermint (mentha piperita)	330125 Essential oils of other mints 330129 Essential oils, o/t citrus fruit, nes 330130 Resinoids 330190 Concentrates, Aqueous Distillates/Solutions and Terpenic By-Products of Essential Oils
FRAGRANCES	
330300 Perfumes and toilet waters 330790 Perfumery, cosmetic or toilet preparations, nes	330290 Mixtures of Odoriferous Substances for Use as Finished Perfumes Base
FACE AND BODY PREPARATIONS	
210111 Face essences, extracts, essences and concentrates 330410 Lip make-up preparations 330420 Eye make-up preparations 330430 manicure or pedicure preparations 330499 Beauty or make-up preparations nes (including sunscreen or suntan preparations)	340130 Face Cleansers, organic surface-active agents (other than soap), washing preparations (including auxiliary washing preparations) and cleaning preparations 330491 Powders, beauty, or make-up, whether or not compressed
HAIR PREPARATIONS	
330510 Hair shampoos 330520 Hair permanent waving or straightening preparations	330590 Hair preparations nes 330530 Hair lacquers (hair sprays)
DENTAL CARE	
330610 Toothpaste, Denture Cleaners and Other Dentifrices 330620 Yarn Used to Clean Between the Teeth (Dental Floss)	330690 Oral or dental hygiene preparations
SHAVING AND BATH	
330710 Pre-shave, shaving or after-shaving preparations 330720 Personal deodorants and antiperspirants 330741 Agarbatti and other odoriferous preparations which operate by burning	330749 Room perfuming or deodorizing preparations, nes 330730 Perfumed bath salts and other bath preparations
OTHER COSMETIC ARTICLES	
960329 Shaving/hair/nail/eyelash/brushes and other toilet brushes 960330 Brushes used by artists, for writing and application of cosmetics	961610 Scent sprays and similar toilet sprays (including mounts and heads) 961620 Powder-puffs and pads for the applications of cosmetics
NES: Not Elsewhere Specified	

Source: *Trade Data Online - Trade by Product*, Industry Canada, 2017

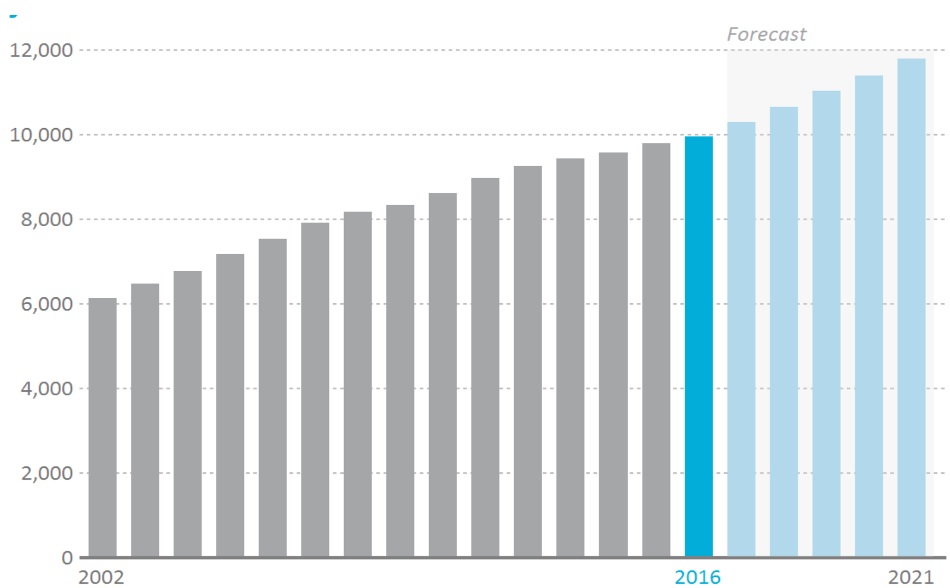
NOTE: All trade data used in this report has been extracted from Government of Canada trade data online website unless otherwise specified.

2 The Canadian Market

Market Overview

The Canadian beauty and personal care market remained stable in 2016 at $9.9B because of improving economic conditions, with increased consumer confidence and rising levels of per capita disposable income leading to increased expenditure on discretionary products such as industry goods. Due to factors such as the country's improving economic conditions, increase consumer confidence and a rise in disposable income lead to increased expenditure on beauty and personal care products. Therefore, this industry is expected to grow year over year at 3.5% and based on recent reports; there is an increased opportunity for even more growth with sales exceeding $11.7B by 2021[1]. This trend is shown in chart 1. Business Review Canada advises that the cosmetics industry in Canada is less concentrated than its European or American counterparts. This means there is enough room in the industry to accommodate new beauty salons, hair stylists, cosmetologists.

Chart 1: Sales of Beauty and personal care in Canada



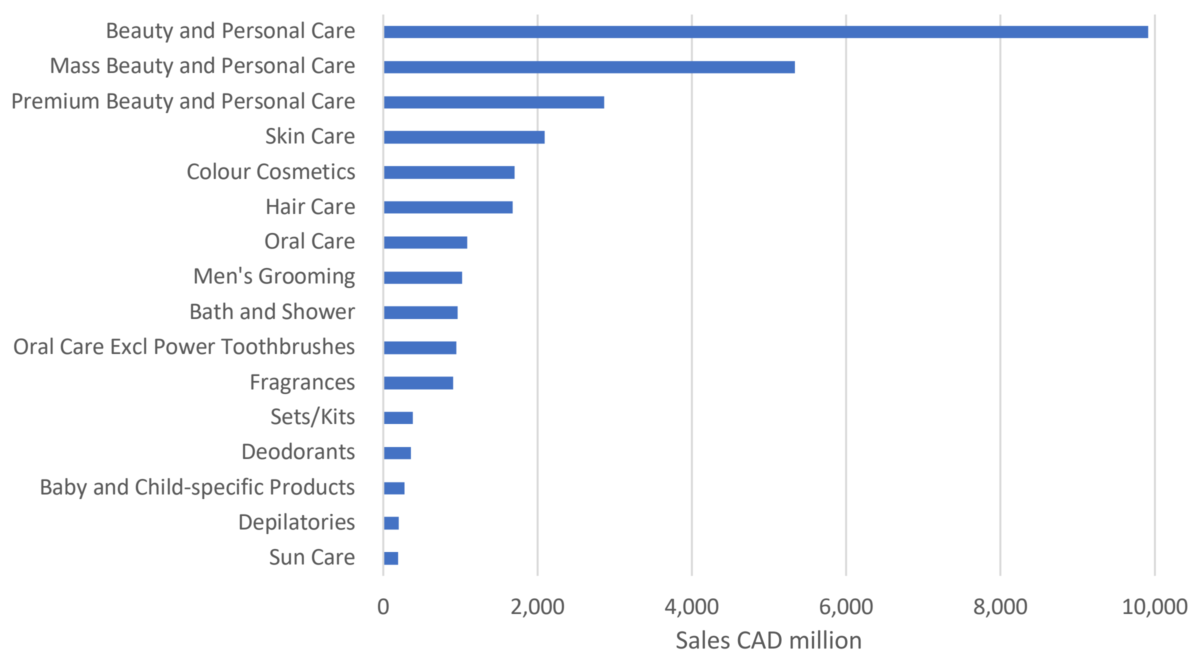
Like the rest of the global market, the e-commerce industry has been on the rise. Smaller businesses are now able to sell their specialty products online and supplement their overall income. Many of these online retailers are now competing with major cosmetic manufacturers and retailers. Especially as online retailers can override high rent and labour costs, this enables them to sell their products at lower rates while maintaining favourable returns. However, competition remains tight with 56% value share being held by the top 10 leading companies such as Procter & Gamble, L'Oréal Groupe, Unilever Group, and the others[1].

[1] Euromonitor International, "Beauty and Personal Care In Canada" April, 2017

In today's competitive industry, retailers are using immersive in-store experience and social media campaigns to attract new customers. Innovation and investments like these in the industry has facilitated improved growth prospects.

The Beauty and Personal Care Market – The Canadian Beauty and Personal Care grew by 1.7% in 2016. The fastest growing category in this sector is sets/kits which has a year over year growth of 4.3%[2]. A kit/set is an offering by a company of a collection of their products, typically sold at a better price than if the products were sold individually. For example, if a skincare brand were to create a set of products for those with acne, they might offer a cleanser, moisturizer and acne treatment. Sets/kits allow a company to introduce multiple products to a consumer and also allow a consumer better value for their dollar. Sets/kits can be in any category (I.e. makeup, personal care, hair care, skin care) or even span across categories.

Chart 2: Sales of Beauty and Personal Care by Category in 2016



Fragrance Market – Despite experiencing poor growth in 2015 due to a 3% decline in the gift set sub-sector, the Fragrance industry in Canada grew by 1.4% in 2016. This growth was largely due to the 9% increase in its largest sub-segment, Fragrance Juices.[3] New fragrance brands also contributed to the increase in this segment.

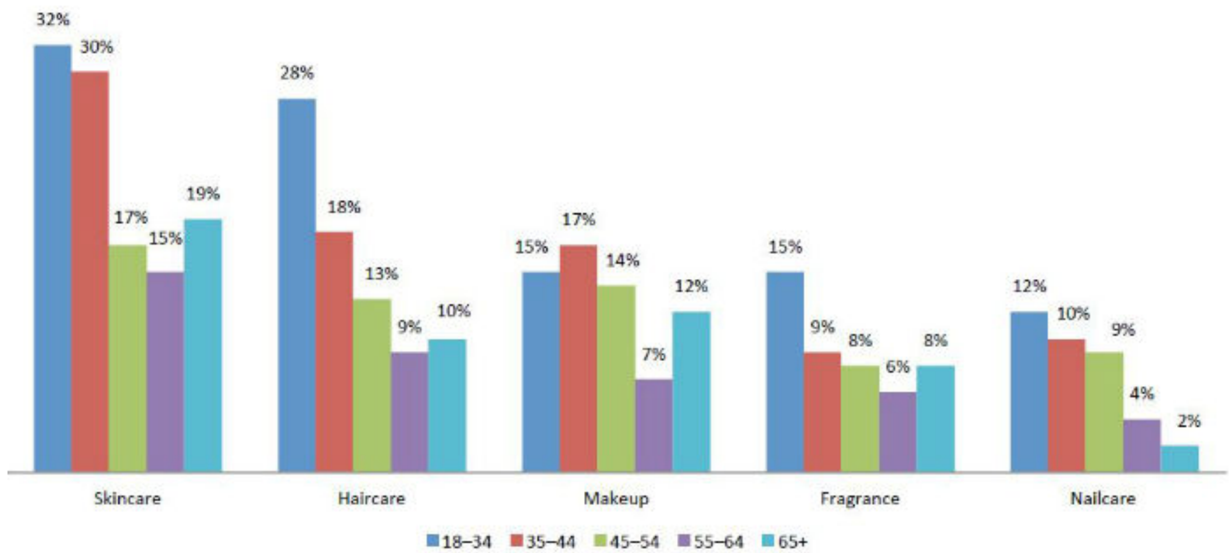
The Skincare Market – Thanks to the increase in eye treatments and facial cleansers the skincare category grew by 2.5% in 2016. The sector of the beauty and personal care market is expected to grow 11% between 2017 and 2021 which makes it's the third fastest growing category.

The Natural Ingredients Market – Studies from the 2017 Beauty and Personal Care in Canada report by Euromonitor shows that manufacturers are now offering products with natural ingredients that follow sustainable business practices. Many of these companies are using natural ingredients as a growth strategy

[2] Euromonitor International, "Beauty and Personal Care in Canada" April, 2017
[3] Ibid

to stand out from competitors in their product development phases. This phenomenon is even more pronounced when it comes to millennial women (ages 18 – 34). Studies highlights that millennials are more health conscious than their older counterparts. They often opt for organic and natural products when available. A 2015 survey by Kari Gran, a natural skincare brand; shows women ages 18 – 34 are the most active buyers of all-natural beauty products. See chart 3 for the breakdown[4].

Charts 3: Percentage of Women, by age group, Who Say They Will Only Buy All-Natural Beauty Products, by Category, June 2015



The Essential Oils Market - Industry experts estimate that the market for essential oils, pure oils, natural extracts, and natural colouring agents has reached approximately $120 million for multiple uses, including cosmetics. It is estimated that the breakdown is as follows:

- $70 million for essential oils and pure oils combined;
- $40 million for natural extracts (all sources);
- $10 million for natural colouring agents.

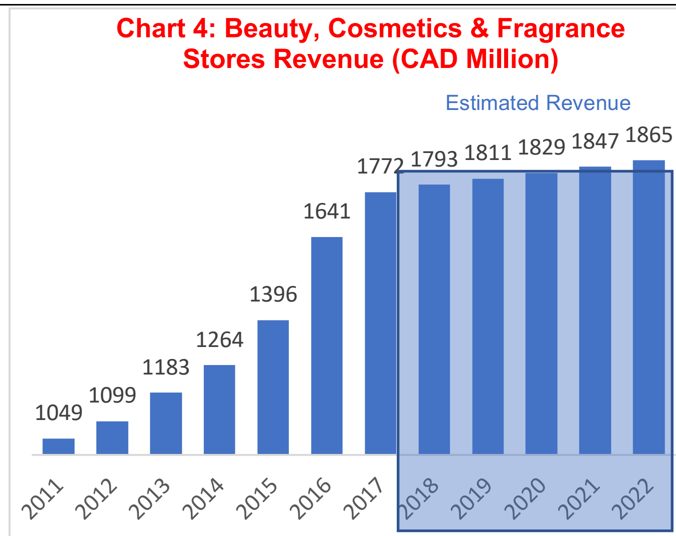
Some niche segments for essential oils are growing significantly: aromatherapy for scents to be used for therapeutic purposes, to promote relaxation, or to enhance energy. Part of the appeal in using essential oils for aromatherapy products is that there is no evidence that they cause adverse side effects. Unsurprisingly, the exponential growth pattern of the bio-cosmetics market is pushing these niche products rapidly into mainstream status. Large cosmetic companies are being forced by consumer demand to develop natural/organic lines and are reaping exceptional gains in market share and profits. Bio-cosmetics are also positioning themselves in the higher-end segment of the market (e.g., the Stella McCarthy brand).

[4] Karis Gran/Harris Pool. Online survey of 1,104 American women ages 18+

Consuming these types of products is perceived as being "glamorous." Other large companies are acquiring companies or brands already in the bio-cosmetic segment: L'Oréal has acquired Sanoflore, Clarins and Body Shop while Colgate-Palmolive has acquired Tom's of Maine.

Imports[5]

Beauty, Cosmetics and Fragrance Stores – Retail stores offer a wide variety of personal-care products from lipsticks to face marks to deodorants. Over the last five years, retail stores have experienced strong growth. According to IBISWorld estimated store revenue has increased at an annualized rate of 10% to $1.8B in 2017. However, projection of revenue from store sale for the next five year will be at a slower pace. This is due to continued pressure from mass merchandisers and online retailer will shift sales away from industry operators. According to IBISWorld, industry revenue is expected to increase at an annualized rate of 1.0% to $1.9B by 2022. See chart 4 for beauty, cosmetics and fragrance stores revenue.



Import of cosmetics – In 2017 Canada's total import of beauty, cosmetics and fragrance products was $4.24B. See chart 5 for total import of beauty, cosmetic and fragrance. This was an increase of 4% from the previous year. Major type of beauty, cosmetics and fragrance import is beauty or make-up preparations. It makes up 44% of total imports or $1.9B. Items imported under this category includes products for lips, eye, manicure, pedicure and sunscreen. For detail list see table 8: Imports of Face and Body Preparations by Type 2012-2016.

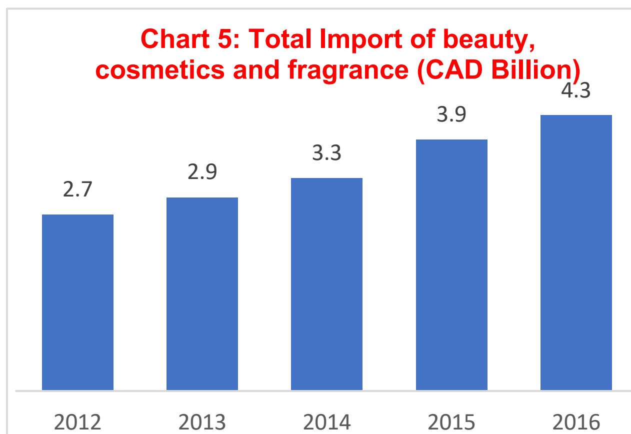
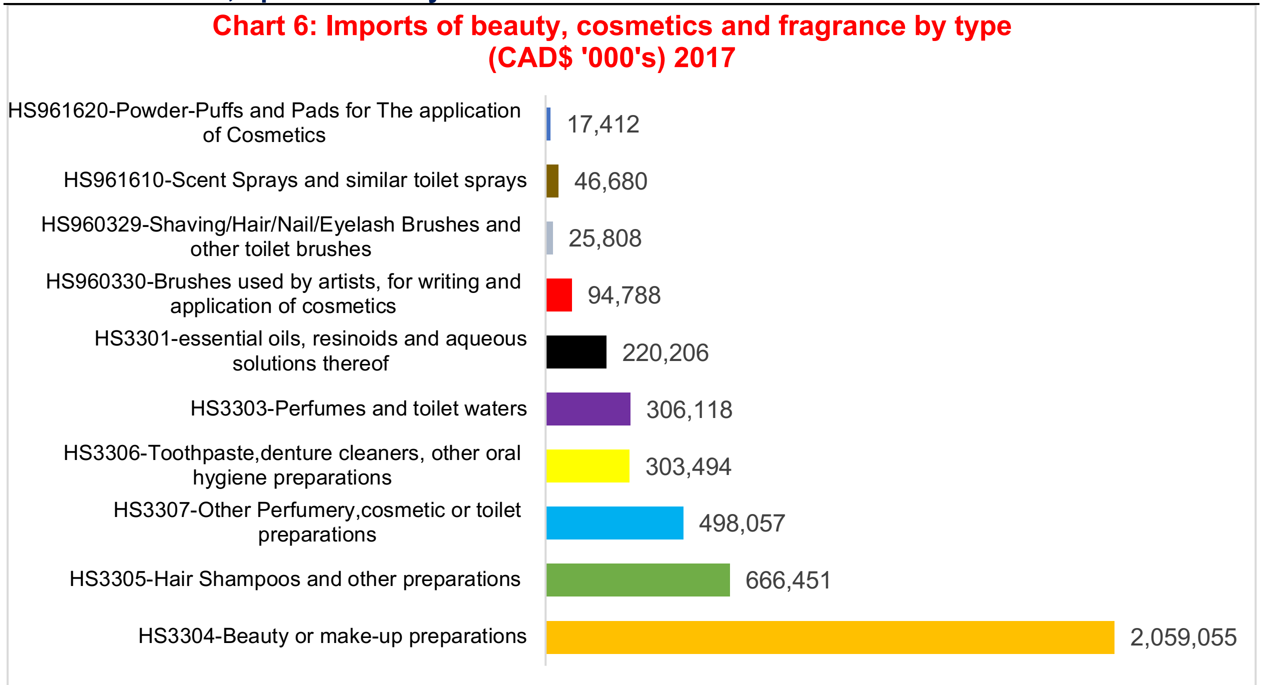


Chart 6 list imports of all beauty, cosmetic and fragrance in 2017 by type.

[5] All import statistics are obtained from Statistics Canada, Trade Data Online: Trade by Product (HS Code), 2017



Products Profiles

Essential Oils and Resinoids: Imports in this category amounted to $220 million in 2017, this figure grew exponentially over the five year period. See chart 7 for essential oil import over the last five years. These compounds are used in the manufacturing of beauty, cosmetics and personal care products largely in perfumes and aromatherapy applications production.

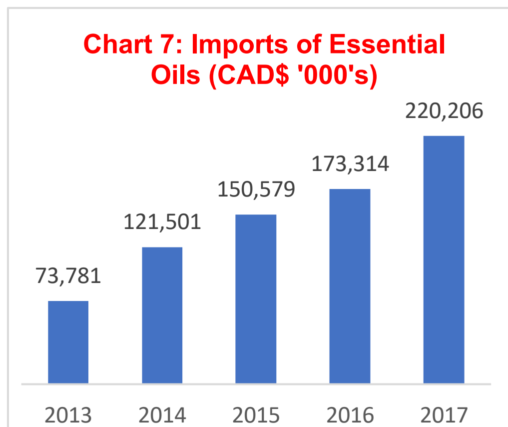


Table 2 lists the import of essential oil by type and essential oils other than citrus fruit garnered the most interest in Canadian buyers. At 91.9 thousand Canadian dollars, these imports rose by a significant 73% in the first two months of 2017 when compared to the same period in 2016. Imports in all other categories also rose except resinoids which only increased by 0.20%.

Table 2: Imports of Essential Oils by Type, (CAD thousands)						
	2013	**2014**	**2015**	**2016**	**2017**	**Change Jan-Dec 2017/ 2016**
HS 330129 - Essential Oils, other than Citrus Fruit, nes*	34,327	60,102	85,570	91,897	119,245	29.8%
HS 330112 - Essential Oils of Orange	11,281	16,883	20,389	19,278	25,116	30.3%
HS 330190 - Concentrates, Aqueous Distillates/Solutions; Terpenic By-Products of Essential Oils	10,332	16,086	23,384	30,891	35,309	14.3%
HS 330113 - Essential Oils of Lemon	6,934	14,661	8,847	12,858	16,271	26.6%
HS 330130 - Resinoids	4,958	4,255	2,034	2,696	3,106	15.2%
HS 330119 - Essential Oils of Citrus Fruit, Nes	2,996	5,249	5,735	10,020	13,424	34.0%
HS 330124 - Essential Oils of Peppermint (Mentha Piperita)	2,180	3,333	3,465	3,958	6,379	61.2%
HS 330125 - Essential Oils of Other Mints	775	932	1,156	1,716	1,356	-21.0%

*nes: not elsewhere specified

While the United States was the major supplier of essential oils ($115 million) in 2017, India ($12 million) and Brazil ($11 million) were also top suppliers to this market. Apart from India and China, a significant number of other TFO Canada client countries were successful in obtaining buyers for their products in this category in 2017, as shown in table 3.

Table 3: Top 10 Sources of Essential Oils, 2017 (CAD)		**Table 4: Imports of Essential Oils from Select TFO Canada Client Countries 2017 CAD**	
United States	115,365,036	Sri Lanka	3,992,615
India	12,272,314	Morocco	2,290,142
Brazil	10,978,619	Indonesia	1,679,111
Mexico	8,350,278	Cuba	495,542
Argentina	7,291,014	Thailand	171,643
Australia	6,137,088	Peru	161,325
China	6,120,003		
France (incl. Monaco, French Antilles)	5,808,794		
Germany	5,618,407		
Sri Lanka	3,992,615		

Buyers in Ontario (86.2 million), Québec (66.9 million) and Alberta (46.9 million) were the major purchasers of imported essential oils in 2017.

Fragrances: Imports of fragrances in 2017 reached an all-time high of $606 million over the five-year period. See chart 8. Compared to the first six months of 2016, the first six months of 2017 increased 1.3% regarding on the category of the fragrances products. The industry has a product adaptation trend where it takes classic scents and have varied versions based on seasons or addition of a new fragrance, and an example of this is Estée Lauder's Pleasures which has different extensions such as Pleasures Intense, Exotic, Delight, Bloom, Florals, Aqua and Pop released in Eau de Toilette, Eau de Parfum, Eau Fraíche

Chart 8: Import of Fragrance (CAD '000's)

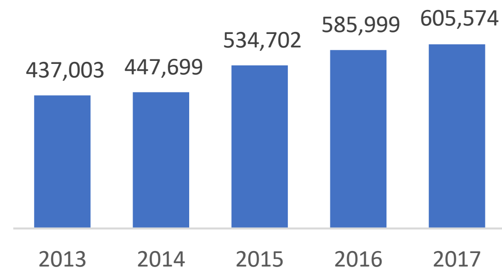


Table 5 provides the breakdown of the fragrance imports by type between 2013 and 2017.

Table 5: Imports of Fragrances by Type (CAD thousands)						
	2013	**2014**	**2015**	**2016**	**2017**	**Change Jan-Dec 2017/2016**
HS 330290 - Mixtures of Odoriferous Substances For Use As Finished Perfumes	93,953	112,531	147,487	154,822	171,317	11%
HS 330300 - Perfumes and Toilet Waters	250,577	237,874	259,376	293,524	306,521	4%
HS 330790 - Perfumery, Cosmetic or Toilet Preparations Nes	92,473	97,294	127,838	137,654	127,735	-7%

Table 6 lists the top 10 sources of fragrances in 2017. Sourced mainly from the United States ($291.2 million), France ($134.7 million), and U.K. ($99.8 million) making up roughly 87% of all imports. Among the TFO Canada partner countries, Dominican Republic ($1.4M), Turkey ($362k) and the Philippines ($174k) were among the major importers.

Table 6: Top 10 Sources of Fragrances, 2017 (CAD)		**Table 7: Imports of Fragrances from Selected TFO Canada Clients Countries (CAD)**	
United States	291,226,689	Dominican Republic	1,380,920
France (incl. Monaco, French Antilles)	134,741,228	Turkey	362,778
United Kingdom	99,771,919	Philippines	174,584
Italy (incl. Vatican City State)	26,767,232	Jordan	111,245
Spain	15,029,253	Georgia	88502
China	11,607,101	Bangladesh	56,215
Switzerland	6,756,707	Ukraine	47526
Germany	4,941,956	Sri Lanka	31,712
Mexico	2,671,326	Thailand	30,332
India	2,540,499	Vietnam	29,232

The majority of the imports of fragrances were sourced by buyers in Ontario ($459 million), Québec ($110 million), and British Columbia ($22 million).

Face and body preparations: This category showed a significant increase in imports, reaching a five year high of $2.34 million in 2017 as shown in chart 9. This rising trend is likely to remain for 2018 and beyond as all sub-categories rose between 12.8% (powders, beauty or make-up,compressed or not) to 17% (lip make-up preparations) in the first five months of 2017 when compared to the the same period in the previous year, except eye make-up preparations and manicure or pedicure preparations. These two categories decreased 4.8% and 8.2% respectively compared to the previous year. Table 8 provides the breakdown of face and body preparations imports by type between 2013 and 2017.

Chart 9: Total imports of Face & Body Preparation Product (CAD '000's)

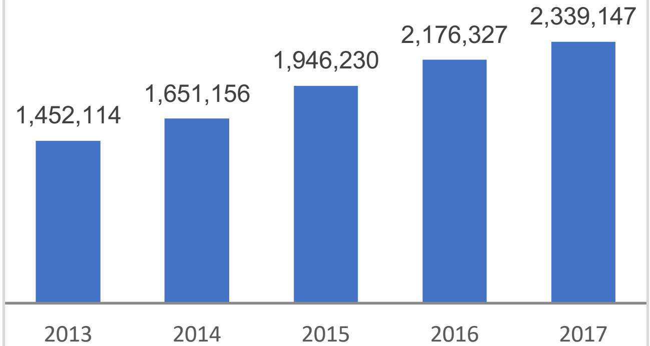


Table 8: Imports of Face and Body Preparations by Type (CAD thousands)

	2013	2014	2015	2016	2017	Change Jan-Dec 2017/2016
HS 340130 – Organic Surface-Active Liquid/Cream Preparations for Skin Washing	179,962	198,304	229,598	269,940	280,092	17%
HS 330499 - Beauty Or Make-Up Preparations nes (including Sunscreen or Suntan Preparations)	787,702	877,873	1,032,954	1,132,449	1,260,988	-4%
HS 330420 - Eye Make-Up Preparations	161,519	185,663	251,438	299,903	289,376	-13%
HS 330430 - Manicure or Pedicure Preparations	120,953	125,814	120,721	108,322	94,483	8%
HS 330410 - Lip Make-Up Preparations	117,515	143,336	170,491	201,572	236,375	11%
HS 330491 - Powders, Beauty or Make-Up, compressed or not	84,463	120,166	141,028	164,141	177,833	4%

Again, buyers in Ontario ($1.8 billion), Québec ($290 million), and British Columbia ($124 million) led purchases from overseas suppliers. Table 9 lists the imports of face and body preparation products by each province in 2017. While the United States ($1.4 billion), France ($232 million), and Italy ($159 million) were the top suppliers to this market, some TFO Canada client countries managed to find buyers, from a modest amount of $381 thousand (Philippines) to a more significant $4.4 million (South Africa). Some of these products are likely targeted to ethnic markets in some instances halal approved products. This information is listed in table 9 and 10 respectively.

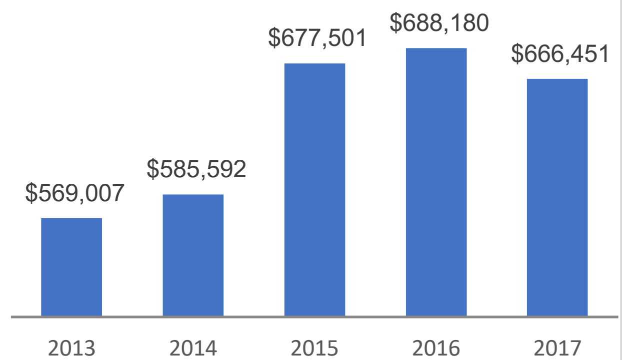
Table 9: Imports of Face and Body Preparations by Province, 2017 (CAD thousands)

Ontario	1,823,189
Quebec	290,127
British Columbia	124,047
Alberta	67,214
Manitoba	20,218
Saskatchewan	11,680
New Brunswick	2,388
Nova Scotia	279

Table 10: Top 10 Sources of Face and Body Preparations, 2016 (CAD thousands)		Table 11: Imports of Face and Body Preparations from Select TFO Canada Client Countries 2017 CAD	
United States	1,426,647	South Africa	4,401,828
France (incl. Monaco, French Antilles)	232,933	Thailand	3,388,921
Italy (incl. Vatican City State)	159,383	Indonesia	931,755
China	110,617	Morocco	584,965
Germany	67,486	Philippines	381,097
Korea, South	56,838	Ghana	211,335
United Kingdom	50,734	Pakistan	121,004
Re-Imports (Canada)	45,502	Vietnam	83,587
Japan	36,469		
Switzerland	25,824		

Hair preparations: From 2016 to 2017, import of hair preparation decreased by 3% mainly due to $12 million decrease in the importation of hair preparation nes. Chart 10 shows the import of hair preparation products between 2013 and 2017.

Chart 10: Total imports of Hair Preparation Product (CAD '000's)



After the 1.5% rise from 2016 levels, imports of hair preparations are on track for a decline from 2017, as all categories except for hair permanent waving or straightening preparations. The declined rates anywhere from 1.6% (Hair Shampoos) to 20.4% (hair sprays). Imports of shampoos, which were valued at $215 million in 2016, declined by 1.6% in the first six months of 2017 when compared to the same period in the previous year. Table 12 breakdowns the import of hair preparation products by type.

Table 12: Imports of Hair Preparations by Type (CAD thousands)						
	2013	2014	2015	2016	2017	Change Jan-Dec 2017/2016
HS 330590 - Hair Preparations nes	348,190	352,953	414,250	409,560	397,102	-3.0%
HS 330510 - Hair Shampoos	166,303	177,343	203,513	215,347	215,990	0.2%
HS 330530 - Hair Lacquers (Hair Sprays)	48,462	45,695	53,455	58,753	48,756	-17.0%
HS 330520 - Hair Permanent Waving or Straightening Preparations	6,052	6,600	6,421	4,439	4,602	3.7%

Sourced mainly from the United States ($487 million), Mexico ($41 million) and Italy ($31 million), Mexico one of TFO Canada's client countries also positioned themselves among the top 10 suppliers to this country in 2016: Thailand ($2.7 million). Eight other client countries were also significant suppliers in 2017, as the following chart indicates. This information is listed in table 13 and 14 respectively.

Table 13: Top 10 Sources of Hair Preparations, 2017 (CAD)		Table 14: Imports of Hair Preparations from Selected TFO Canada Clients Countries (CAD)	
United States	487,057,316	Thailand	2,675,887
Mexico	41,283,682	Colombia	2,378,202
Italy (incl. Vatican City State)	30,567,031	India	1,265,410
Germany	18,698,544	Philippines	623,630
Re-Imports (Canada)	14,534,691	Brazil	395,475
China	12,033,163	Turkey	235,298
Israel	10,404,375	Morocco	159,301
France (incl. Monaco, French Antilles)	9,393,674	Pakistan	133,817
Spain	7,101,104	Malaysia	86,826
United Kingdom	6,000,226		

Table 15: Imports of Hair Preparations by Province, 2017 (CAD)	
Ontario	531,789,077
Québec	55,550,116
British Columbia	31,716,464
Alberta	22,111,973
Manitoba	18,881,674
Saskatchewan	1,306,765
New Brunswick	724,658
Nova Scotia	97

Once again, buyers in Ontario ($531 million), Québec ($55 million), and British Columbia ($32 million) led the purchasing from overseas suppliers. Table 15 lists the imports of hair preparation products by each province in 2017.

Dental Care: Canadians, in general, are fastidious about dental care, health and wellness and this is reflected in imports of $89 million, again the highest level in five years, in 2017. However, toothpaste, denture cleaners and other dentifrices, the largest category of dental care imports, declined by 6.5% or $11.3 million compared to the previous year on the same period. For the first time, the trend of Canadian import of dental floss reversed and decreased by 13.7%. Table 15 breaks down the import of dental care product by type.

Table 15: Imports of Dental Care Products by Type (CAD millions)						
	2013	2014	2015	2016	2017	Change Jan-Nov 2017/2016
HS 330610 - Toothpaste, Denture Cleaners and Other Dentifrices	160.9	167.7	222.2	210.9	200.0	-6.5%
HS 330620 - Yarn Used To Clean Between The Teeth (Dental Floss)	19.1	21.5	24.0	34.9	31.9	-13.7%
HS 330690 - Oral or Dental Hygiene Preparations	61.8	71.5	73.9	79.5	89.0	-11.3%

The U.S. is the largest exporter of dental care products to Canada as it makes up more than 81% of total import. Mexico is third, and this can be attributed to the ease of trade between the three countries. The Dominican Republic, one of TFO Canada's client countries, has been extremely well as its dental care exports to Canada exceed $2 million. Due to the export market being dominated by one country, there is little room for other countries to grow their dental care exports to Canada. This information is listed in table 16 and 17 respectively.

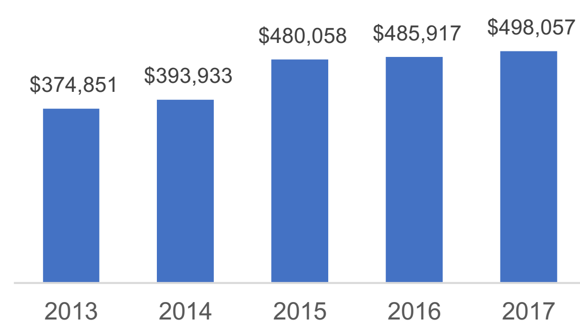
Table 16: Top 10 Sources of Dental Care Products, 2017 (CAD)		Table 17: Imports of Dental Care from Selected TFO Canada Clients Countries (CAD)	
United States	246,120,289	Dominican Republic	1,620,173
Ireland	19,268,604	Pakistan	17,197
Mexico	16,343,606	Indonesia	9,752
China	11,449,175	Vietnam	5,653
Brazil	2,665,110	Morocco	1,956
Dominican Republic	1,620,173	Philippines	1,015
Malaysia	1,004,753		
Italy (incl. Vatican City State)	1,003,521		

Table 18: Imports of Dental Care Products by Province, 2016 (CAD)	
Ontario	317,959,128
Québec	5,336,531
British Columbia	2,829,800
Alberta	2,014,847
Manitoba	655,640
New Brunswick	32,106
Saskatchewan	31,189
Nova Scotia	397

In 2016 buyers in Ontario ($318 million), Québec ($5 million), British Columbia ($2.8 million) and Alberta ($2 million) led the purchasing from overseas suppliers. Table 18 lists the imports of dental care products by each province in 2017.

Shaving and Bath: Reflecting a growing market for cosmetic products among men, imports of shaving and bath rose from $394M million in 2014 to $498 million in 2017. See chart 11 for the import of shaving and bath products between 2013 and 2017. Recently there has been a significant shift in the men's shaving products market that has been traditionally dominated by a couple of companies, mostly Procter & Gamble's Gillette brand to companies such as Dollar Shave Club and Harry's that sell razors directly to the user via e-commerce. This method has given the consumer the ease of purchasing razors without leaving home, and by selling the razors directly to the consumer, e-tailers can bring prices down.

Chart 11: Imports of Shaving & Bath Products (CAD '000's)



As from the previous years, room perfuming or deodorizing preparations continued the greatest increase over time, rising by 16% between 2016 and 2017. However, declines of about 7.3% and 1.7% during the last year were shown for perfumery nes. And personal deodorants. Table 19 breaks down the import of shaving and bath products by type.

Table 19: Imports of Shaving and Bath Products by Type (CAD thousands)						
	2013	**2014**	**2015**	**2016**	**2017**	**% Change 2017/2016**
HS 330749 - Room Perfuming or Deodorizing Preparations, nes	109,945	122,316	142,978	138,987	161,262	16.0%
HS 330790 - Perfumery, Cosmetic or Toilet Preparations nes	92,473	97,294	127,859	137,654	127,655	-7.3%
HS 330720 - Personal Deodorants and Antiperspirants	100.407	104.203	131.325	127,722	125,602	-1.7%
HS 330710 - Pre-Shave, Shaving or After-Shaving Preparations	46,227	45,573	50,102	48,375	45,605	-5.7%
HS 330730 - Perfumed Bath Salts and Other Bath Preparations	21,044	19,354	21,319	26,195	31,147	18.9%
HS 330741 - Agarbatti and Other Odoriferous Preparations which operate by burning	4,756	5,193	6,451	6,985	6,787	-2.8%

The U.S. is the largest exporter of shaving and bath products to Canada as it makes up more than 77% of total import followed by Mexico with under 6%.TFO Canada client countries were significant suppliers to this market in 2017, with Thailand and Dominican Republic exporting goods worth $2.1 million and $1.4 million respectively. This information is listed in table 20 and 21 respectively.

Table 20: Top 10 Sources of Shaving and Bath Products, 2017 (CAD)		Table 21: Imports of Shaving and Bath Products from Selected TFO Canada Clients Countries, 2017 (CAD)	
United States	384,249,117	Thailand	2,078,177
Mexico	28,518,213	Dominican Republic	1,420,638
China	28,287,934	Chile	1,080,946
France (incl. Monaco, French Antilles)	13,726,319	Philippines	492,769
United Kingdom	7,175,841	Vietnam	140,756
Germany	4,318,579	Jordan	122,283
Re-Imports (Canada)	4,294,465	Peru	23,641
Spain	2,536,190		
Italy (incl. Vatican City State)	2,495,282		

Most buyers were again located in Ontario ($427 million), as the adjacent chart indicates. Interestingly in 2017 Alberta increased its import and overtook British Columbia. Table 22 lists the imports of shaving and bath products by each province in 2017.

Table 22: Imports of Shaving and Bath Products by Province, 2017 (CAD)	
Ontario	427,870,765
Québec	23,933,319
Alberta	17,671,429
British Columbia	15,862,606
Manitoba	8,831,883
Saskatchewan	3,424,559
New Brunswick	430,365
Nova Scotia	29,974

Other Cosmetic Articles: Cosmetic articles such as cosmetic brushes, cosmetic pads and puffs, scent sprays and toilet sprays remain a significant opportunity for TFO Canada client country suppliers, but the total imports into Canada decreased by 3.7% to $184.7 million. Chart 12 lists the imports of other cosmetic products between 2013 and 2017.

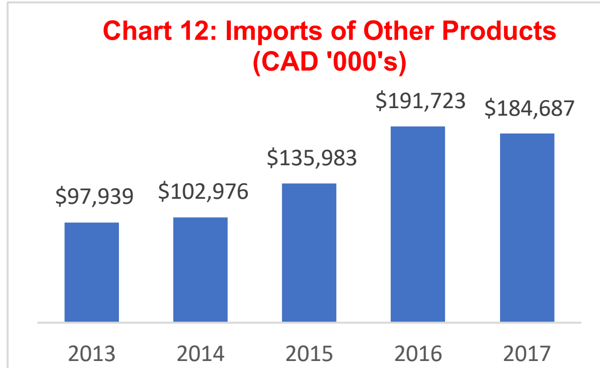


Table 23 lists the imports of other cosmetic articles imported between 2013 and 2017.

Table 23: Imports of Other Cosmetic Articles by Type (CAD thousands)

	2013	2014	2015	2016	2017	%Change Jan-June 2017/2016
HS 960329 - Shaving/Hair/Nail/Eyelash Brushes and Other Toilet Brushes	18,381	19,070	24,840	26,474	25,808	-2.5%
HS 960330 - Brushes Used By Artists, For Writing and Application of Cosmetics	63,826	66,631	88,943	98,616	94,788	-3.9%
HS 961610 - Scent Sprays and Similar Toilet Sprays (Including Mounts and Heads)	10,201	10,098	11,800	51,666	46,680	-9.6%
HS 961620 - Powder-Puffs and Pads For The Application of Cosmetics	5,530	7,177	10,400	14,968	17,412	16.3%

At $91.7 million, China was the main supplier of cosmetic brushes, cosmetic pads and puffs, scent sprays and toilet sprays in 2017, followed by the United States at $60.9 million and Japan with $7.4 million. Mexico was among the top 10 suppliers at $5.6 million. Table 24 lists the top 10 sources of other cosmetic articles in 2017.

Table 24: Top 10 Sources of Other Cosmetic Articles, 2017 (CAD Thousands)

China	91,700
United States	60,899
Japan	7,386
Mexico	5,638
Korea, South	4,490
France (incl. Monaco, French Antilles)	3,811
Italy (incl. Vatican City State)	1,790
Germany	1,584
United Kingdom	1,155
Taiwan	1,096

Buyers are mainly in Ontario who purchased $145 million of cosmetic articles in 2017, Québec $20.5 million and British Columbia who purchased $13.9 million worth of imports. Table 25 lists the imports of other cosmetic articles by provinces in 2017.

Table 25: Imports of other cosmetic articles by provinces, 2017 (CAD Thousands)

Ontario	145,513
Québec	20,535
British Columbia	13,948
Alberta	3,491
Manitoba	807
New Brunswick	288
Saskatchewan	83
Nova Scotia	23

Trends and Opportunities

With Millennials now representing the largest share of the cosmetics market, cosmetics producers now have a direct opportunity to revolutionize "beauty" as a user-generated fan community. By using social media tools as a means for marketing, beauty brands have begun using innovative technology and networking tools to advertise fresh products to the new generation of customers[6].

The latest Beautycon event – a multicity cosmetics festival - in August 2017 portrayed this phenomenon with several big named brands like Estee Lauder, Revlon and L'Oréal and other beauty start-ups like Elora Lane, hosting about 20,000 attendees, many as young as twelve. These young adults and teenagers got access to free sample eyelashes, lipsticks, eyeshadow and were also given mini-makeovers for an entry fee of $50. Cosmetics events like these often use internet celebrity stars from social media platforms such as YouTube, Instagram and Snapchat, to promote and market the products. One of whom declared "(social media) Influencers are the new supermodels"[7].

Beautycon LA, Beautycon.com

Also, global music superstar, Robyn "Rihanna" Fenty who launched her new makeup line called "Fenty Beauty" in September 2017 has left a major mark in the industry. Fenty beauty was released at Sephora and premiered with a live-streamed launch party on all social media, revolutionized the beauty and personal care industry. The launch of this makeup line left industry leaders like Maybelline, Cover Girl, and MAC scrambling trying to demonstrate to consumers that they also have multi-ethnic products that cater to people of all shades.

These days, the leading interest of consumers is being more informed about the product they are supporting. There is a growing demand from consumers for products with natural ingredients and for companies to adhere to more sustainable practices. The ingredients industry is a very important supplier for the manufacturing of beauty products. Particularly with natural ingredients, today's consumers are looking for products that have the added value for health and wellness. Consumers are now more conscious of the source of the ingredients, and the livelihoods of those responsible for growing, reaping and selling those ingredients and the reduction of animal testing. A few companies like Lush Cosmetics and Body Shop are presently reformatting their products to include mainly natural ingredients and ensure a high level of ethical standard with the lowest level of impact on the environment to become socially responsible corporations (CSRs).

With rising global concerns about disease, pollution, and global warming, it is understandable that choosing products that are natural and locally sourced has become the norm at both consumer and wholesale levels. Canadian consumer purchases have been progressively moving from synthetic products to pure or natural products. At present, consumption is still at the "hybrid" stage: a combination of pure and synthetic. The "natural revolution" is quietly gaining momentum in the personal care industry since:

- 50% of U.K. consumers who buy beauty products look for products made from natural ingredients[7]
- The trend of using natural ingredients has increased exponentially in the anti-ageing products with companies such as Maysu, Dr. Botonicals, and Ajali.
- Men are enquiring about and requesting all-natural products for their skin; and
- Both older and young Canadians are increasingly choosing organic clothing, food, and personal care products.

[6] The New Yorker, "How Millennials Like Their Makeup". 25 September 2017
[7] Mintel Global Trends 2018, "Beauty Personal Care"

ILLUSTRATION OF BEAUTY TRENDS IN RECENT YEARS

Fresh "Rose Deep Hydration Facial" Toner $54 at Sephora.

Natural Products: As usual, runway trends have always influenced consumer choice, however in recent years cosmetics used on models in high profile shows are having a direct effect on the types of products consumers purchase. Customers have traded in their previous desire for heavy, dramatic makeup for something more casual and natural. Industry experts estimate that natural cosmetic products have captured about 4-7% of the total market for cosmetics in Canada[8]. There is also a strong demand for natural body care and hair care products, as well as natural decorative cosmetics. It is expected that natural care products with low-irritation ingredients, soothing herbal compositions, special masculine fragrances, and practical two-in-one products for men will be very popular. Increasing customer interest and appreciation for natural products that stress the absence of artificial ingredients and synthetic additives is expected to outpace that for general cosmetics in the near future. This is because Canadians are particularly health conscious and open to products that promote their well-being.

Natural skin, hair, bath, body and cosmetic products developed from traditional herbal remedies such as palmetto oil, burdock root, nettle, rose petals and calendula are enjoying renewed, mainstream interest with their claims to restore, improve and rejuvenate the skin and combat scalp and hair problems. Many of these products contain other soothing ingredients such as lanolin, petrolatum, aloe vera, jojoba, and macadamia nut oil. Reflecting this interest, Canadian drugstores now carry an expanded range of natural products, such as the popular "Burt's Bees" line made with 100% natural ingredients, the main one being beeswax.

Jojoba Oil $19.99 at Well.ca

Natural Ingredients: These are used by a limited number of Canadian cosmetic lines. Increasingly, formulators in the cosmetics industry are mixing natural ingredients with synthetic ones. This is the main factor driving the increasing demand in Canada. Essential oils are a fast-growing market primarily because of the growth of aromatherapy products, soap, and skin care for spas. Traditional products used in retail and professional care stores are also increasingly incorporating natural oils as ingredients in cosmetic products, often mixed with synthetic products and more specifically in skin care and soaps. Pure oils, often referred to as carrier oils or vegetable oils, are in high demand in Canada primarily in skin care and soaps. Pure oils tend to mix well with synthetic ingredients. Argan pure oil is currently in very high demand due to its cosmetic properties of repairing the skin and providing all day protection against moisture loss. Jojoba is commonly added to soaps, shampoos, and cosmetics. Jojoba oil became very important to the cosmetic industry in the 1970s, when whaling was banned, and sperm whale oil was no longer available. Today thousands of tons of jojoba oil are produced each year in the United States alone, and most of it is sold at a high price for use in cosmetics. However, researchers are beginning to look for other uses for jojoba. This oil is very stable and has demonstrated an ability to withstand both high pressure and temperature. Currently, there is a shortage of jojoba oil, considered one of the best pure oils. When the supply of jojoba oil does increase, it will further expand the market for pure oils. Canada is a prime market for other pure oils found amply in some TFO Canada client countries, namely: sesame oil, borrago oil, rose hip oil, and passion fruit oil.

There is a high demand for plant extracts and fruit extracts as part of the trend towards natural products. To a lesser degree, there is also demand for sea and mineral extracts. These are used in small

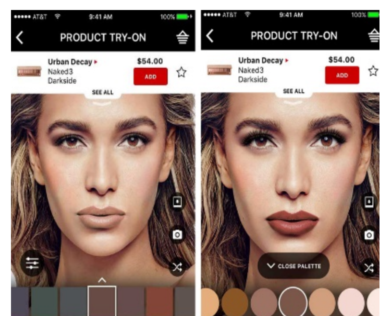
[8] The NDP Group, "Canadian Consumers Spending Big on Beauty".

concentrations primarily for skin care products in the mid to high-end segments of the market. They are often mixed with synthetic ingredients. There is also a high demand for active ingredients derived from plants and fruits, especially for "rare" natural extracts from areas such as the Amazon, an example of such oils is Sacha Inchi organic carrier oil from Peru.

Hands-On Shopping: Cosmetics retailing in Canada is now moving away from the traditional concept of 'shelving and display' of its products, to one that gives consumers the chance to interact with the products they are of interest to them. This new idea encourages consumers to "play" with the products in the stores and develop a connection with the retailer. This interactive experience is expected to drive traffic in stores as customers appreciate the added value of hands-on experience. For example, cosmetic retail giants like Sephora allows consumers to interact with the products by offering them complimentary mini make-overs, trial products to use in store, and free travel-sized products once a year. This environment allows Sephora to build brand loyalty with the customers by making the experience more enjoyable and rewarding. This interactive shift lets retailers differentiate themselves in a competitive marketplace and remain relevant. However, with luxury beauty brands showing online growth and presence, consumers can shop around with ease and compare products at their leisure. Consumers have less than two brands top of mind and are making advance decisions both in- and out-of-store when deciding which product to purchase.

Free mini-make-over given to customer at Sephora

Augmented Beauty Reality: Augmented Reality (AR) has become a part of the online shopping experience in the beauty and cosmetics sector. Mega makeup retailer Sephora uses AR through its Sephora Virtual Artist app for customers to "try on" different makeup products, shades, colours and looks from the comfort of their homes and iPhone[9]. Various companies are using AR in the form of apps for user experiment in the industry. Examples include Modiface, an AR creator for the beauty industry created a mobile app that allows users to track and monitor any skin changes; OPI Nail Studio app allows users to take a photo of their hands to try on nail polish shades prior to purchasing and Shisheido took it a step further to teleconferencing with its Telebeauty app.

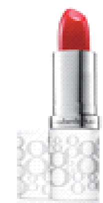


Trying on eyeshadow and lipstick using Sephora Virtual Artist App

The cosmetics company partnered with Microsoft Japan and Skype For Business, the app takes makeup application to the next level, by applying non-straying virtual eye shadow, foundation, and lipstick to the user's video image during teleconferences.

[9] "VR Scout" Sephora's AR App Update Lets You Try Virtual Makeup On At Home

Freeman Foot Scrub $3.97 at Walmart



Elizabeth Arden Sunscreen Lipstick $26 at The Bay

Cosmeceuticals: These products are generally described as a cross between a cosmetic and a pharmaceutical. Growing health awareness is creating interest in cosmetics that contain vitamins and other health associated properties, while traditional health products such as those for oral hygiene are now marketed for their cosmetic appeal. Cosmetic and pharmaceutical manufacturers have responded to this interest with innovative products, packaging, and marketing. For instance, *iv cosmeceuticals* are one of the first hair care brands to launch in this category in Canada, with products designed to provide intense vitalization for chemically treated hair. Sales of teeth whitening products and powered toothbrushes are booming due to their cosmetic appeal, as well as the fact that they are cheaper and more convenient than a visit to the dentist. The traditional medicinal foot care market is moving towards the mainstream with beautifying and pampering products intended to extend the spa experience and to provide relief from the increased physical activity. This is particularly true among baby boomers, at least 30% of whom buy foot care products – mainly topical foot care lotions and scrubs. With increasing acceptance that skin damage from ultraviolet rays is a year-round concern in Canada (as even snow and cloud cover reflect these damaging rays), sunscreen is now commonly sought for in personal care products for children, adults, and, increasingly, ethnic consumers. Suppliers should note that Health Canada has different regulations depending on whether they regard the product as being a cosmetic or a drug. This is covered in more detail in the 'Regulations' section of this report.

Customization: Customized cosmetics such as do-it-yourself lipstick blends and custom face treatments at the cosmetics counter are growth areas in Canada. These products can be blended to match an individual's skin tone, hair colour, eye colour and lifestyle. Value-added products such as lipstick containing sunblock or a sulphur neutralizer that controls bad breath are increasingly available. Multi-functional beauty products are rapidly outpacing their single feature counterparts by about 55% according to the NDP Group.

Estee Lauder Plump and Fill Lip Treatment $48

Technology: Consumers now expect professional care quality in products purchased for home use, and to this end, technology is generating growth in this rapidly changing sector. Trends include innovative ingredients that will contribute to a new generation of products for anti-ageing and skincare to enhance or create a smoother skin (otherwise known as "Botox in a bottle"), sun care, and oral care. Some products recently introduced to the market are: dissolvable soap strips that can be easily carried in a portable package, similar to the recently released breath fresheners; airless packaging of products to help reduce product degradation; dual-ended lip colour with collagen and colour for plumping and shaping lips such as that introduced by *L'Oréal*; and one-dose lip gloss and lip balm in disposable blister packs that fit anywhere for on-the-spot colour – some of the packs can clip onto belts and mobile phones.

Fenty Beauty make-up line with diverse products for different skin tones

Diversity: With the launch of the Fenty Beauty makeup line, diversity and choices in shades is a major factor for the industry. As illustrated by the analysis from the NDP group, shades are evolving, and retailers observed spikes in sales when ethnicity is embraced. Medium to dark shades of makeup represents roughly 20% of products compared to 5% for light to medium product shades. By 2031, one-third of the Canadian population – up to 14.4 million people – will be visible minorities. The largest group in the visible minorities will be South Asian followed by Chinese. Among the visible minorities, the most rapidly growing groups would be the Arab, Filipino and West Asian groups, given that they represent a higher proportion in the immigrant population than in the population as a whole. Approximately 95% of the visible minority population will live in large cities, virtually unchanged from 2001[10]. These trends are important as, through marriage or common-law relationships, Canadians are increasingly partnering with ethnic groups different from their own. This trend is leading to new generations of multi-ethnic children with uncommon skin tones, hair types, and more open attitudes relating to lifestyles and cultures, which in turns affects fashion and style in the broader population, as consumers are more willing to try new "looks" and products. Moreover, ethnic origin is becoming more relevant in determining whether a product fits with certain skin tones, textures, hair types and cultural preferences in personal care.

Anti-Aging Products: As human life expectancy continuously increases, anti-ageing has been developed as a health care concept offering desirable solutions to satisfy people's lifestyle choices. The demand by consumers for safe, natural and effective solutions to the slow down the prominent signs of ageing has led to exponential growth of the global anti-ageing products industry. Most common anti-ageing products categories are dermal fillers, UV absorbers, Botox, anti-stretch products, anti-wrinkle products, and hair colour. According to P&S market research, between 2017 and 2025 the global anti-ageing market is expected to witness a Compound Annual Growth Rate (CAGR)[11] of 7.5%. The major players in the anti-ageing market are L'Oréal, Johnson & Johnson, Proctor & Gamble, Allergan, Estee Lauder and Nu Skin.

Halal Beauty Products: With the increase in migration from dominant Muslim countries the need for Halal approved beauty products has increased. A product with Halal certification refers to it being religiously compliant with the requirements and pillars of Islam and acceptable for the consumption and utilization for Muslims. This concept has now extended to beauty indicating that the ingredients in cosmetic products are within the allowable bounds of Islam. In the international marketplace, Halal beauty is so far dominated by niche players. One of the most noteworthy brands is an Indonesian offering called Wardah, which generates most of its revenue from skin care and colour cosmetics. In Indonesia, colour cosmetics Wardah's share increased from a little over 1% in 2009 to nearly 5% in 2014 and skin care, increased from 0.2% to over 1%. Wardah's share gain in colour cosmetics coincided with a shares loss of 0.3 percentage points for Oriflame. Similarly, Unilever's local brand for Indonesia, Citra, lost 0.1 percentage points in facial care. In India, a local player in the halal category called IBA Cosmetics has started to attract attention.[12] dUCk Cosmetics, a Malaysia-based brand, has launched a full range of halal products, including lipstick and eye shadow palettes.[13]

[10] Stats Canada, "Immigration and Diversity: Population Projections for Canada and its Regions, 2011 to 2036
11 Gulf Daily News – June 2017
12 "Euromonitor International" Doing Business in The Halal Market: Products, Trends and Growth Opportunities
[13] Global Cosmetic Industry. Nov2017, Vol. 185 Issue 10

3 The Market Strategy

Price

Expert Tip: "If a buyer asks you 'How much does your product cost?' you need to be ready to give prices for different regions of Canada. The price for Ontario or British Columbia can be very different because of added transportation and distribution costs from your port of entry." - *Home Décor Distributor based in Montreal*

Product pricing is vital to remaining competitive in the cosmetics sector, especially with the rising dominance of internet cosmetic retail shops. Canadian buyers consider a number of factors when making a purchasing decision. In addition to obvious factors like cost and suggested retail price, buyers also look into the exclusivity of the product and the suppliers' reputation. Exporters must also keep in mind the potential competition from NAFTA suppliers in the U.S and Mexico when they set prices for products. Canadian importers are already aware of the advantages of purchasing from these NAFTA countries, including lower transportation costs, shorter delivery and relatively simpler payment mechanisms. Exporters must have their price list ready, with competitive prices when meeting with importers. Compare your pricing with products online, in product catalogues and Canadian stores

Although it is expected that the prices are fairly stable when negotiated, the prices are subject to volume, availability, and competition. Importers seek assurance of contract pricing. To get a general idea of prices offered at the distributor level, exporters can consult the New Directions Aromatics website. Generally speaking, distributors take a 30% markup from the prices they pay for products. For active ingredients, prices paid to the producers can vary from $55 to $120 per kg, depending on the ingredient sourced. Minimum orders are normally 5 kg. For extracts, prices paid to the producer will vary from $10 to $50 per kg, depending on the type of extract. The average cost of goods for a cosmetic product in Canada is between 25% and 30%, except makeup products which can range from 30% to 50%. The cost of goods can be estimated as follows:

- Packaging 40%
- Manufacturing 25%
- Ingredients 20%
- Indirect costs 15%

The essential oil, pure oil, natural extracts, and natural colouring agents can account for 2% to 5% of the ingredients component in the cost of goods. Exporters should note that offering a gift sample with retail purchase is a popular promotion tool for many brands sold in this market and should be discussed with your buyer.

In addition to these costs, importers also need to be aware of **Consumer Taxes**. Taxes from 13% to 15% are applied to nearly all goods sold in Canada, whether produced domestically or imported. These taxes comprise the 5% federal Goods and Services Tax (GST) and a provincial sales tax (PST), which varies by province. In most provinces, these two taxes are combined into a Harmonized Sales Tax (HST). The only products exempt from taxes are necessities, such as food sold in grocery stores and medical and dental services. GST/HST is calculated on the Canadian dollar value of the goods, including duty and excise tax, and is collected at the border at the same time as these taxes. The importer of record is responsible for paying the tax on imported goods. More details on GST/HST and its application to imported goods are available from the Canadian Revenue Agency.

- **Essential Oils:** Depending on the size, essential oils in Canada can sell for as little as $10 to $100 at mass merchandisers like Walmart, Costco, and Loblaws (Canada's largest supermarket) as well as wellness retailers like Saje Natural Wellness, Alpsis Inc., Sunrise Botanics and Escents. Many of these stores also offer bulk sized products sold between $100 and $500 with slightly higher quality or fancier packaging. A 5-litre volume of essential oils can sell for $500 to thousands of dollars. These are typically sold by wholesale suppliers such as New Directions Aromatics

Lavender Essential Oil form as little as $3.72 up to $4,000 at New Directions Aromatics.

- **Body soaps:** Body soaps come in various forms such as gels, bath salts, foaming bath powder, bath bombs, bar soaps, age-defying facials and more. Basic generic body soaps sell for between $10-50 and include a wide array of styles, scents and designers. Mass merchandisers like Walmart, Costco, Loblaws, Shoppers Drug Mart, Dollarama sell body soaps from $3 for a ten soap bar in a pack. While more customized retailers like Bed Bath and Beyond, Bath and Body Works, The Body Shop and others sell specialized body washes both individually and within a pack of 3 that also comes with a body mist and body lotion. These body washes start from as low as $13.50, while a set with all three starts from $30 depending on the price.

Warm Vanilla Sugar Gift set $27.00 at Bath and Body Works.

- **Anti-ageing Creams:** Anti-aging creams usually include conventional moisturizing ingredients. They also usually contain specific anti-ageing ingredients, such as Retinol, Epidermal growth factor, Peptides, Anti-Oxidants, Sunscreens and Vitamin C. Prices for cosmeceuticals like these often depend on the Producers. Cosmetics such as Cover Girls Age-Defying Foundation sells at $9.97 at Walmart, while Olay's Micro-Sculpting Cream sells from $34.98 and Mary Kay's Age-Defying Night Treatment cream sells at $52

Neutrogena's Triple Age Repair Moisturizer $26.97 at

- **Foundation Make-up:** The price of makeup foundations usually vary based on the type of product and ingredients used. Some foundations also function as a moisturizer, sunscreen, astringent or base layer for more complex cosmetics. Estimates from Learnvest on the approximate cost-per-use for makeup foundation shows that cheaper drug store products will cost about 6 cents per use, whereas, the more expensive designer products can cost about 33 cents for each use. Foundations such as M.A.C's Pro Longwear Foundation costs $ 41 at The Bay, while Neutrogena's Nourishing Long Wear Liquid Foundation sells for just $14.99.

Neutrogena Pro Long Wear Foundation $14.99

Quality

To be marketed in Canada, cosmetics must be manufactured, prepared, preserved, packed and stored under sanitary conditions. The manufacturer must also inform the government of all ingredients that are in the product. All cosmetics sold in Canada must meet the requirements of the *Food and Drugs Act*, the current *Cosmetics Regulations*, and all other applicable legislation to ensure they are safe and do not pose any health risk. Most of these regulations are administered by Health Canada, Industry Canada, and Environment Canada.

The *Food and Drugs Act* and the *Cosmetic Regulations* set safety requirements. No person shall sell any cosmetic in Canada that:

- has any substance that may cause injury to the health of the user when the cosmetic is used;
- consists in whole or in part of any filthy or decomposed substance or of any foreign matter;
- has been manufactured, prepared, preserved, packaged or stored under unsanitary conditions;
- has not been notified with Health Canada.

It is the company's responsibility to ensure that a cosmetic product is safe when used as intended. More information on Cosmetics is available through the following links:

- Regulatory Information
- Notification of Cosmetics
- Labelling of Cosmetics
- Cosmetic-Drug Interface
- International Cooperation

The Cosmetics Programme of Health Canada defines the requirements for the manufacture, labelling, distribution and sale of cosmetics, and evaluates compliance. Its Natural Products Directorate regulates products containing natural therapeutic ingredients. Under its Therapeutic Products Directorate, Health Canada regulates cosmetic products that have a therapeutic claim or that contain ingredients not permitted in cosmetics. Some of these include “black henna” which is not permitted in products to be used on the skin (excluding hair dye products); certain adhesives not permitted for use in manicure products; musk ambrette which is not permitted as a fragrance ingredient in soap, detergent, creams, lotions, skin cleansers, and perfumes; and the herb kava, which is not permitted in any cosmetic products. Manufacturers and distributors must ensure that the pH of depilatories is not higher than 12.7.

Standards: Importers require that exporters comply with GMP (Good Manufacturing Practices). Quality testing is performed on the sample before ordering. A quality test is also performed by the importer on the goods received to ensure that the product specifications pertaining to the order have been respected. There are Canadian guidelines on the use of additives, preservatives, antioxidants, pesticide, and chemical residues which both the importer and exporter should be familiar with since failure to comply with these standards can result in fines and possible seizure of goods. It is of note that certain colours approved in the U.S. cannot be used in Canada.

Regulations and Standards

In Canada, there are some mandatory and optional registrations for ingredients: Retailers in the Beauty, Cosmetics and Fragrance stores industry are subject to regulations pertaining to **product labelling**, **fair employment practices**, **taxation** and **advertising claims**. Safety is a major concern for the Food and Drugs Act (FDA) and the Cosmetics Regulations. Products that cause injury or harm cannot be sold in the country. In addition, any products that may contain a foreign substance or that may have been prepared in an unsanitary environment cannot be distributed for use. Under the FDA Act, cosmetic products that are intended for “cleansing, improving or altering the complexion, skin, hair or teeth” are scrutinized for their application method, their composition and the claims they make.

Cosmetic Ingredient Hotlist: All cosmetics sold in Canada must be safe to use and must not pose any health risk. In order for a cosmetic product to be sold in Canada, it must meet the requirements of the Food and Drugs Act (FDA) and the Cosmetic Regulations(CR). Section 16 of the FDA stipulates that cosmetics manufactured, imported or offered for sale in Canada must be safe for use. The Cosmetic Ingredient Hotlist (Hotlist) is an administrative tool that Health Canada uses to communicate to manufacturers and others that certain substances may be prohibited or restricted for use in cosmetics[14]. All prospective cosmetic exporters to Canada should review this list prior to finalizing any product shipments. If a cosmetic contains an ingredient which appears on the Hotlist, the manufacturer or distributor may be advised to do **one** or more of the following:

- Reduce the concentration of the ingredient to an acceptable level;
- Remove the substance from the formulation;
- Consider marketing the product as a drug or natural health product (requires application for a Drug Identification Number or Natural Product Number);
- Provide evidence that the product is safe for its intended use;
- Confirm that the product is labelled as required;
- Confirm that the product is sold in a child-resistant package;
- Remove the product from sale.

Any product that claim it has a therapeutic effect is classified as a drug and must display a drug identification number and is subject to management by Health Canada's Therapeutic Products Directorate. The Natural Health Products Directorate regulates cosmetics that have a natural therapeutic function and have a natural origin. These products are classified as Natural Health Products and they must have an appropriate identification number. The Therapeutic Products Directorate and The Natural Health Products Directorate are under the compliance of the Health Products and Food Branch Directorate.

The Canadian government does not officially recognize organic cosmetics. However, Certech Registration Inc., a privately owned Canadian company has outlined standards for products to be deemed as organic. The company's Natural and Organic Certification program was enacted in 2008 in response to consumer demand for natural and organic cosmetics. Manufacturers intending to produce natural or organic products can bear the Certech seal. Lastly, Health Canada, the health arm of the federal government, must be aware of all cosmetic products being sold domestically.

International Nomenclature of Cosmetic Ingredients (INCI): The INCI is a system of designating names for waxes, oils, pigments, chemicals, and other ingredients of soaps, cosmetics, and other products based on scientific names. For an ingredient to be accepted in Canada, it must have an INCI name based on their chemical structure and composition. Assigned only by the INCI Committee, applications are handled for a fee through the Personal Care Products Council. (*Mandatory, to be done by exporter)*

New Substances Notification Regulations (NSN): Canadian NSN regulations operate on a tiered system wherein the amount of information required in a notification is directly related to the amount of unlisted ingredient to be introduced into Canada. Government evaluators then determine whether the substance poses an unreasonable risk to the environment and human health. It is important to note that the notification process is a tiered system requiring subsequent notifications as the annual amount of the imported or manufactured substance increases. Once the highest level notification has been submitted to the government, the assessment period has expired, and the government receives a subsequent notice from the notifier indicating that the notifier has manufactured or imported the substance, then the substance will be eligible for addition to the Domestic Substances List (DSL) or the Non-Domestic Substance List (NDSL) provided that no notifier-specific conditions on the import or manufacture of the substance have been imposed as a result of the assessment. (*Mandatory, to be done by importer)*

Domestic Substance List (DSL): The DSL in Canada and the US equivalent TSCA (Toxic Substance Control Act) regulate the introduction of new or previously registered substances including simple organic chemicals, pigments, organometallic compounds, surfactants, polymers, metal elements, metal salts, other

[14] Government of Canada. "Cosmetic Ingredient Hotlist: Prohibited and Restricted Ingredients"

inorganic substances, products of biotechnology, and substances that are of an unknown or variable composition, complex reaction products, or biological material. *(To be done by importer)*

The DSL is the sole standard against which a substance is judged to be “new” to Canada. With few exemptions, all substances not on this list are considered new and must be reported prior to importation or manufacture in order to be assessed to determine if they are toxic or could become toxic to the environment or human health.

Under the Canadian Environment Protection Act an accessed substance is not permitted to be used or imported if is a toxic or is capable of becoming toxic such that it can:

a) have or may have an immediate or long-term effect on the environment or its biodiversity;
b) constitute or may constitute a danger to the environment on which life depends;
c) constitute or may constitute a danger in to human life or health.

Presently, the DSL is an inventory of approximately 23,000 substances manufactured in, imported into, or used in Canada on a commercial scale. The assessments apply to substances in a quantity of 100kg or more in a calendar year used for manufacturing purposes or manufactured in or imported into Canada.

Non-Domestic Substance List (NDSL): Environment Canada publishes and maintains a Non-Domestic Substance List. Substances that are not on the DSL but are listed on the NDSL are subject to lesser information requirements. The NDSL contains more than 58,000 entries. (*To be done by importer).*

Chemical Abstract Services (CAS): CAS possesses an authoritative collection of disclosed chemical substance information containing more than 67 million organic and inorganic substances and 63 million sequences. It provides a reliable common link between various nomenclature terms used to describe substances. It serves as an international resource for substances used by scientists, industry, and regulatory bodies. The database is updated daily. The CAS registry number is unique and specific to only one substance.

In-Commerce List (ICL): This In Commerce List, held by Health Canada, presently contains over 9,000 substances found in cosmetics and other products. The List contains substances found in pharmaceuticals, veterinary drugs, biologics and genetic therapies, cosmetics, medical devices and food additives. It consists of 4 sub-lists and is a static administrative list which will not change. However, due to duplications, omissions and inaccurate chemical identified, the list is currently being revised (*Revisions are being finalized)*. The cosmetics sub-listings are:

- Substances in Cosmetics and Personal Care Products In Commerce Between 1987 and 2001 - **CAS Registry Number Known**
- Substances in Cosmetics and Personal Care Products In Commerce Between 1987 and 2001 - **CAS Registry Number Not Found**
- Substances in Cosmetics and Personal Care Products In Commerce Between 1987 and 2001 - **Ingredient or Mixture of Ingredients Unknown**

It is crucial that notifier determine whether the substance to be imported into or manufactured in Canada is listed on the DSL or the NDSL. Usually the wholesaler, distributor, or custom manufacturer will ensure conforming to the entry requirement for a particular substance/ingredient. If a product or ingredient appears on a “hot list” it will **not** be granted entry into Canada by Health Canada who has access to ingredient registries such as INCI, DSL, NDSL, NSN, CAS, and eventually ICL. Health Canada takes a risk-based approach with regards to regulating cosmetic products. This approach not only considers adverse health effects, but also the environmental exposure levels at which these occur and the cumulative exposure.

Environmental Concerns: The Government of Canada is currently developing Environmental Assessment Regulations (EAR) which will require cosmetic companies and distributers to seek approval from the Environmental Assessment Unit of Health Canada before new ingredients can be used in products, including cosmetics, regulated under the Food and Drugs Act. New ingredients will be defined as those not present on the Domestic Substances List (DSL), Non-Domestic Substance List (NDSL), or the developing In-Commerce List (ICL). Until such time as the EAR takes effect, importers and domestic manufacturers of new ingredients in F&DA-regulated products, including cosmetics, are required to comply with the pre-import/pre-manufacture approval requirements of the New Substances Notification (NSN) regulations of the Canadian Environmental Protection Act. More information is available at:

- The Canadian Environmental Protection Act (1999)
- New Substances Notification Regulations (Chemicals and Polymers)
- New Substances Notification Regulations (Organisms)

Certification of Natural Products: The NHPD (Natural Health Products Directorate) has a listing for Enzymes, Probiotics, and Oils in the new Abbreviated Labelling Standard (AbLS). Until standardized regulations are in place, Ecocert certification is also widely recognized by Canadian distributors. It is important to note that some essential oils are not permitted in Canada as they are considered unsafe, carcinogenic, or to have the potential to provoke adverse side effects. Examples are calamus and sassafras. As well, some essential oils are recommended to be used only by a clinically trained aromatherapist (for example: birch oil, sage oil, thuja oil, and wintergreen oil). Others have potentially dangerous effects that make them too risky to experiment with (examples are: bitter almond, yellow camphor, horseradish, mugwort, mustard, rue, southernwood, tansy, and wormwood).

Labelling

Canada's cosmetic labelling has now been brought into line with international standards. This will contribute to health protection while helping to lessen trade barriers and increase trade opportunities. The Regulations intend to have ingredients visible and in an obvious location such that consumers can read them at the point of sale. An ingredient list should not be placed on the underside/bottom of a container if it can be easily placed on a display panel. The information required by the Regulations takes precedence and is of greater priority than voluntary information listed on the product label. The labelling of cosmetic ingredients enables the Canadian public to make more informed decisions about the cosmetics they use as they can easily identify ingredients to which they may have sensitivities. Mandatory ingredient labelling enables physicians to refer to one common name for treatment and incidence reporting. Ingredients must be listed using the International Nomenclature for Cosmetic Ingredients (INCI) system. Because many other countries also use the INCI system, Canadians travelling abroad will be able to recognize and avoid ingredients, as necessary, without needing to know the additional terminology.

Legibility: A cosmetic product contained in a box that is wrapped in clear cellophane is considered acceptable if the list of ingredients is clearly visible on the box. Products with ingredients listed on the back surface of an outer label that is read through a transparent container and clear liquids are considered acceptable unless the container and contents distort the lettering and affect the legibility of the ingredient list.

Bottom Labels/Peel-back Labels: The outer label is the one that is most easily visible, usually with the largest surface area. The bottom of a container may be considered acceptable in cases where the shape of the container is flat (e.g., shoe polish container shape). Accordion and peel back labels are acceptable as long as they are not destroyed and can be put back into place in their original condition. Also, it must be indicated that the ingredient list can be found behind the label. The label must indicate the ingredients or where the ingredients are listed and must remain permanently affixed to the container so that consumers can view the list of ingredients at the point of purchase.

Expert Tips
When verifying ingredient labelling:
- Ensure ingredients are on the outer label and are clear, visible, and legible;
- Are any ingredients given trivial names? If so, verify that they are labelled properly. Check if aqua/water/eau is listed correctly;
- Are there any botanical ingredients? Verify that a genus and species are listed;
- Ensure "parfum", "aroma" and colouring agents are listed correctly.

Bulk and Lose Cosmetics: A cosmetic that has no outside package or no packaging altogether and whose size, shape or texture, makes it impractical for a tag, tape or card to be affixed to the container, may list the ingredients on a leaflet that must accompany the product at the point of sale. An example of such a product is bath beads, and other bulk or lose products.

Small Containers: Examples of small containers are those for lipstick, eyeliner, lip balm, or anything that may be too small to list all the ingredients in the product on the packaging. Small containers should have a tag, tape, or card affixed to it which lists the ingredients if they are not on the outer label. Tear-away tags or leaflets accompanying the product at the point of sale are not acceptable.

Ornamental Containers: An ornamental container is a container that, except on the bottom, does not have any promotional or advertising material on it other than a trademark or common name. It is considered to be a decorative ornament because of a design that is on its surface or because of its shape or texture and is sold as a decorative ornament in addition to being sold as the container of a cosmetic. An example of this is a perfume bottle. If a cosmetic in an ornamental container has an outside package, the ingredient list must appear on the outside package. If a cosmetic in an ornamental container does not have an outside package, the ingredient list may appear on a tag, tape or card affixed to the container.

Testers: Product testers, which allow the public to try the product before purchase, do not need to supply ingredient lists. Testers usually appear in close vicinity to the cosmetic that is available for sale. The ingredient list would appear on the label of the product for sale, thus allowing the public to review the ingredients before testing the product.

Hotel Amenities: Hotel amenities that meet the definition of a cosmetic are subject to all requirements under the *Food and Drugs Act* and *Cosmetic Regulations*. There are no special provisions for hotel amenities, therefore, they must adhere to regular ingredient labelling requirements.

Gift Sets and Kits: Gift sets and kits containing multiple cosmetics must list the ingredients of all the cosmetics comprising the kit on the outer packaging so that they are available to the consumer at the time of purchase. Gift baskets that have multiple products and are wrapped decoratively (i.e., with cellophane) may have a card affixed to them since this would be considered an ornamental container.

Samples: The cosmetic ingredient labelling requirements apply to samples in the same manner that they apply to other cosmetic products.

Private Labelling: Private labelling is common, and done largely to achieve higher margins while offering consumers products that are tailored to their needs. In the case of large retailers and chains, private labels may account for between 10% and 50% of the stock. Private label or store-brand merchandise is heavily sourced from imports. In this case, the supplier must be prepared to fulfill stringent requirements regarding specifications, size, quality, labelling, and pricing. A buyer cannot import incomplete or improperly labelled articles except in cases where the labelling will be completed in Canada. In this case, a government inspector must be notified at the time, or in advance of importation, of all details respecting the nature and quantity of the importation, the date and port of entry and the address of the premises where the re-labelling of the articles will be completed. The dealer must notify the inspector on completion of the re-labelling and before resale, to allow inspection of the labelled goods.

Allergies: Ingredients that can cause allergic reactions should be declared on the label and identified by their common names to allow consumers to recognize them easily. The priority allergens in Canada are nuts, sesame seeds, milk, eggs, seafood, soy, wheat and sulphites. A precautionary labelling policy, e.g., may contain nuts, is already in place. Such labelling must be truthful and not take the place of good manufacturing practices.

Claims: Claims for a cosmetic, whether on a label, an advertisement, or website, must be accurate. Table 26 provides examples of acceptable and unacceptable claims on cosmetics labelling. Certain claims, such as increased attractiveness, are subject to an interpretation, but must never mislead the public. Cosmetics can only make claims that are cosmetic. A product possessing claims that are both therapeutic and cosmetic is considered a drug and must fulfill the requirements of the *Food and Drugs Act* and *Food and Drug Regulations*. Acceptable Versus Unacceptable Claims include the following:

Table 26: Illustration of acceptable and unacceptable claims on a cosmetics label		
Cosmetic	Acceptable Claim	Unacceptable Claim
Moisturizer	Softens skin	Heals skin
Contour cream	Reduces the look of cellulite	Lose inches; slims/slimming
Acne-prone skin product	Removes oil	Stops acne
Mouthwash	Helps eliminate odour-causing bacteria	Kills odour-causing germs
Fragrance	Soothes	Causes hormonal attraction
Anti-ageing/Anti-Wrinkle product	Helps prevent the look of ageing	Eliminates wrinkles

Packaging and Transportation

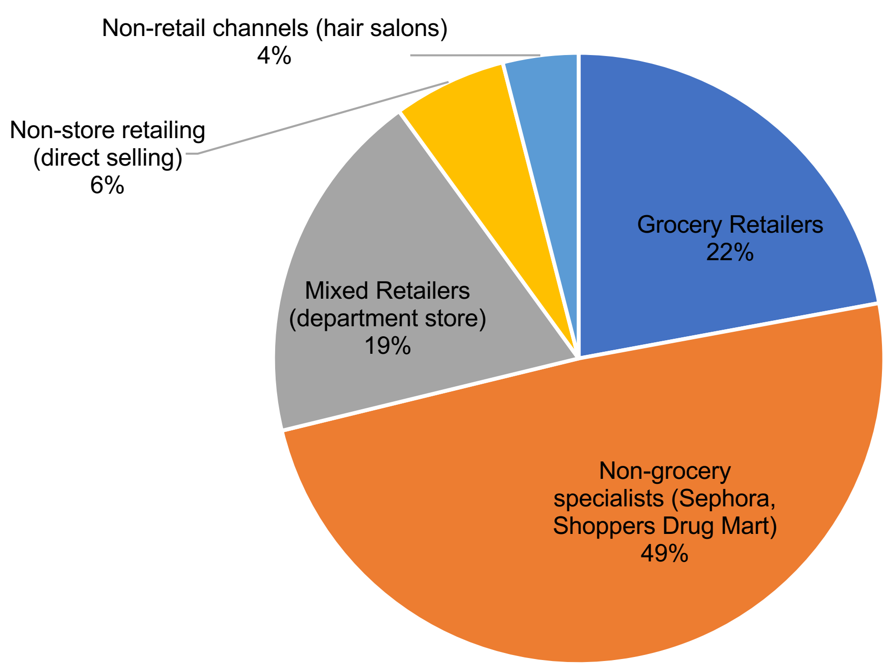
Packaging for prepackaged non-food products sold in Canada must adhere to the federal Consumer Packaging and Labelling Act and the Consumer Packaging and Labelling Regulations. Under these regulations, the package must be filled, manufactured, constructed or displayed in such a manner that the consumer purchasing the package is aware of the contents and is not misled concerning the quality of product it contains. Aside from the above-listed regulation, cosmetic products are also subject to the requirements of the Cosmetic Regulations under the Food and Drugs acts. Detailed information on packaging and transportation is available in TFO Canada's **Access Canada: A Guide to Exporting to Canada**. Requirements for customs documentation (invoice, *certificate of origin*, import declaration form, etc.) are detailed by the Canada Border Services Agency. *Since the rate of duty depends on the origin of the product, the certificate of origin is crucial for both exporter and importer.*

4 Route-to-Market

Distribution Channels

About two-thirds of all health and personal care products were previously sold at drugstores such as Shoppers Drug Mart, Jean Coutu, London Drugs and others. However, Sephora is the major distributor for cosmetic products in Canada. Following the specialist beauty stores and pharmacies are grocery stores such as Loblaws and Walmart; and through spas, hair salons, beauty institutes, and direct marketing, e.g., the internet or television. Airlines and hotels also buy these products for their clients. The remainder is sold in mixed retail stores such as Walmart, The Bay and Nordstrom. Chart 13 shows the beauty and personal care product distribution channel in Canada.

Chart 13: Beauty and Personal Care Products Distribution Channel in Canada



[15]

[15] Euromonitor International, "Beauty and Personal Care in Canada" April 2017

Drugstores and Pharmacies are still a major outlet for sales of personal care products to young consumers, and many are remodelling to provide differentiated sections for mass-market cosmetics, luxury cosmetics, and derma-cosmetics. *L'Oréal* reports that sales of their products have doubled in such remodelled drugstores without hurting sales in department stores, the traditional outlets for luxury cosmetic purchases. Grocery stores have shown a strong gain in sales of personal care items as they continue to expand and improve their offerings in this sector. These stores offer not only mass products and their brands but also a range of premium brands sold individually or in gift packages.

Prestige brands capture the majority of the beauty products market in Canada – particularly for men's and women's fragrances, followed closely by mass market products particularly in the make-up category. Direct sales are successful mainly in the make-up and skin care categories. Suppliers should note that other beauty products, including natural products and brands that are not widely recognized, still capture a strong market in this country. Proper marketing – including packaging and labelling – of a quality product should, therefore, meet with success in Canada. While health and beauty products are sold year-round, 60% to 80% of annual fragrance sales occur between September and December, in the months leading up to Christmas. The majority of sun care products are sold between June and August, the hottest months of the year in Canada, and between December and March when Canadians go on a ski or tropical vacations. Sales to Canadian companies are handled through relatively short marketing channels. In most cases products move directly from wholesalers/distributors/custom formulators to manufacturer/distributor of the finished product.

E-Commerce is one of the fastest growing platforms on which manufacturers get their products to the market. Online stores do not incur high rent and labour costs, and as a result, can sell their products at a lower price than traditional retailers while maintaining favourable returns. Many online retailers can offer products similar to those offered by specialty cosmetic retailers, but with lower prices, wider inventories and the ease of direct home shipping. Moreover, the rising amount of broadband connections reflects the growing use of online retail outlets, suppressing industry revenue growth by siphoning brick-and-mortar sales. As opposed to drug stores and department stores, online retailers cover the entire spectrum of products and appeal to both high- and low-income consumers.

Product sourcing is done through a combination of various resources (ranked from highest to lowest source):

- Distributor sales force;
- Internet/Websites;
- Trade shows;
- Trade magazines;
- Directly from the source.

The distribution of establishments within the Cosmetics industry closely follows population patterns across Canada because the industry's target buyer is households. As a result, Ontario, which represents 38.6% of the population, holds the largest share of industry locations, at an estimated 42.1% of the total. Quebec (representing 22.9% of Canada's population) also accounts for a significant share of the industry's establishments, at 22.6%. British Columbia holds 13.1% of the population and 15.1% of industry establishments, while Alberta accounts for 11.7% of the population and 11.4% of the industry's locations. These four provinces are highly populated, primarily because of manufacturing and energy industries as well as their favourable locations. They allow for easy access to other parts of the country, to the United States and to major transportation hubs. Moreover, the climate in these regions is more temperate than the climate of provinces father north. The rest of the country does not have high population density and, therefore, establishments are sparsely located in other areas.

More information on distribution channels is available in the **Access Canada: A Guide to Exporting to Canada**.

The Buyer

Detailed information on finding and dealing with a buyer is provided in the TFO Canada's **Access Canada: A Guide to Exporting to Canada**. Exporters can identify Canadian buyers who are listed on the internet by sector or through buyers' guides such as the Cosmetics Annual Buyers Guide which is published for sales managers at retail drugstores, department stores, mass merchants, manufacturers, and distributors, along with cosmeticians and fragrance and beauty advisors. This guide covers new products in the cosmetics, fragrance, toiletry, health and beauty aids, personal care, and related industries in Canada.

Exporters can target the following customers either directly or through an import agent:

- beauty and hair salons;
- spas;
- health clubs ;
- beauticians;
- cosmetologists;
- manicurists and pedicurists;
- hotels and bed & breakfast chains;
- cruise ships and airlines;
- restaurants;
- theaters and actors' guilds;
- hospitals;
- housing shelters and food kitchens;
- senior's residences;
- television make-up procurement agents;
- penal and military institutions;
- tourism operators.

Products in this sector may be distributed through mass market, specialty or professional channels, including:

- the internet;
- mass merchandisers and discount stores;
- department and grocery stores;
- drugstores;
- salons;
- specialty stores, e.g., bath shops;
- convenience stores;
- direct television-to-retail;
- licensing, e.g., kiosks in malls and airports.

Notification of Sale: Notification is a mandatory requirement for the sale of cosmetics in Canada, according to section 30 of the Cosmetic Regulations. This entails submitting a fully completed Cosmetic Notification Form (CNF) to Health Canada within the first 10 days that a cosmetic is available for sale. There is no fee associated with the cosmetic notification process. The completed CNF provides specific product information, including:

- Address and contact of the company;
- Purpose of the cosmetic;
- Form of the cosmetic (e.g., gel, solid, liquid);
- Ingredients of the cosmetic;
- Concentrations of the ingredients (ranges are specified in the Cosmetic Regulations).

The information obtained by the Cosmetics Program at Health Canada is considered to be confidential and will be discussed only with the company (manufacturer or distributor) that submitted it. A product with an incomplete CNF will not be considered. It is possible that a notifying company may need information from a third party. If requested by the third party, this information can be kept from the notifier. It is also necessary for companies to inform the Cosmetics Program whenever a change affecting the information on a CNF is made. Some examples of this include modification to the cosmetic formulation; change of product name; discontinuation of sale; or new company name and address.

Trade Shows

Please note that TFO Canada does not provide letters of invitation to assist with obtaining travel or entry visas. These must come from the buyer directly, or from proof of registration at a trade show.

> Suppliers should note that the personal care market is facing ever increasing consumer expectations for quality, price, product selection and alignment with their personal values

Canadian importers and a number of retail buyers usually visit foreign markets and their suppliers once a year. They normally organize such trips to coincide with the most important foreign trade shows where they can explore possibilities for imports, as well as assess industry trends. It is advisable to check with your agent, buyer or Embassy's commercial counsellor to fully assess the documentation requirements, costs and benefits of your participation in trade shows. Major trade shows in Canada include:

- Allied Beauty Association (ABA) Show, held annually in eight major cities in Canada. These shows bring together the majority of Canada's professional beauty industry suppliers and are the largest and most attended beauty trade shows in Canada. The ABA national show attendance averages more than 50,000 people annually. A range of educational seminars featuring prominent speakers and educators from around the world is included. The ABA shows provide an opportunity to acquire the knowledge and skills essential to staying abreast of change in the competitive and constantly evolving beauty industry. The ABA's efforts ensure that beauty professionals who attend the shows take the most up-to-date products, trends and techniques back to their clientele.

- Esthetique Spa International, the biggest trade show in North America dedicated to aesthetic, spa and medi-spa professionals. This annual show features the latest technologies, techniques, and products in the industry. Held in seven Canadian cities and in Las Vegas, USA, this show attracts key companies in the esthetics and spa industry.

TFO Canada provides information and dates on trade shows on its website.

5 Trade Practices

Importing and Inspection

All cosmetics imported into Canada must comply with Sections 5 through 10 of the Cosmetic Regulations as enforced by the Canada Border Services Agency (CBSA). Shipments may be seized by the CBSA if the notification has not been completed under section 30 of these regulations. However, some products that are normally thought of as cosmetics are not covered by the Cosmetic Regulations. The following four questions can help determine if a product is a cosmetic:

- **How is the product applie**d? Cosmetics must normally be applied to an external part of the body. An exception to this would be oral cosmetics such as toothpaste, mouthwash, and tooth whiteners. Cosmetics are not intentionally swallowed or inserted below the skin.
- **Is the product a substance?** A substance can be defined as any distinguishable kind of organic or inorganic matter. Only substances and mixtures of substances are regulated as cosmetics. In contrast, articles or equipment which contain, dispense or apply cosmetics (e.g., hair brush, curling iron, eye shadow brush, tanning booth, etc.) are not regulated as cosmetics.
- **What claims are being made about the product?** When a product makes a therapeutic claim (e.g., to prevent or treat disease), it is classified as a drug under the *Food and Drugs Act* and therefore requires a drug identification number. Products containing ingredients of natural origin with a therapeutic function or claim are Natural Health Products and require a separate identification number.
- **Does the substance contain one or more ingredients that primarily have a therapeutic purpose?** For example, toothpastes have the cosmetic purpose of cleaning teeth and freshening breath. However, if the toothpaste contains ingredients to fight against cavities and gingivitis - both therapeutic functions - it would be considered a drug or natural health product. Therapeutic ingredients prohibited or restricted in cosmetics are listed on the Cosmetic Ingredient Hotlist described earlier in this report.

Information in table 27 from Health Canada provides examples of how some products are classified.

Table 27: Examples of cosmetic and beauty products classification

Product Type	Cosmetic, Food, Drug or Natural Health Product (NHP)?
Deodorant	*Cosmetic*, because it masks the odour of perspiration, with or without a fragrance
Antiperspirant	*Drug* or *NHP*, because it suppresses the production of perspiration
Face cream	*Cosmetic*, because it moisturizes skin
Face cream with Sun Protection Factor (SPF) 15	*Drug*, because it protects the skin from sun damage
Chewing Gum	*Food*, because it is meant for oral consumption
Tooth Whitening Gum	*Cosmetic* + *Food*, because consumption is secondary to its cosmetic cleansing property
Massage Oil*	Cosmetic, because it lubricates and maintains the integrity of the skin * provided no claims on its effects on muscles are made
Topical herbal remedy to speed scar healing	*NHP*, because a therapeutic function has been claimed for the natural extract used in the product

All goods entering into the Canadian customs space must have the required documentations, the CBSA's Database of Forms provides templates and instructions for completing each type of document.

Types of Documents

Depending on the product and country of origin, required documents may include:

1. **Bill of Lading or Airway Bill:** Contract for carriage issued by the ocean or air carrier. Gives title to the goods and signed copies are proof of ownership.
2. **Cargo Control Document:** Used by carriers to report shipments to CBSA (first record of shipment's arrival). Also used for shipments moved in-bond to an inland CBSA office, sufferance warehouse or bonded warehouse.
3. **Certificate of Origin (Form A):** Required by CBSA to establish where goods were manufactured and to determine the applicable rate of customs duty, including any claims for preferential rates of duty. More information can be found in Memorandum D11-4-2.
4. **Canada Customs Coding Form (Form B):** Used to account for goods regardless of the value imported for commercial use in Canada. An example of the form is available from CBSA.
5. **Commercial Invoice:** Used by the exporter to charge payment of goods to the Canadian buyer. Exporters can provide either a Canada Customs Invoice (CCI) or their own forms that include all necessary standard information. CBSA uses the invoice to apply duties and other import taxes (e.g., GST). Avoid later reassessments by ensuring your invoice has enough detail to identify the goods, determine the quantity and establish the tariff classification correctly, including: date of issue, name and address of buyer and seller, contract number, description of goods, unit price, number of units per package, total weight and terms of delivery and payment.
6. **Inspection Certificates:** Sanitary and other certificates are required for some types of products entering Canada, including plants, seeds, animals, pharmaceuticals, nursery stock and meat. More information is available from Health Canada.
7. **Export Permits:** Permits may be required, such as those for endangered species, and are issued by the exporter's home government.
8. **Import Permits:** Global Affairs Canada requires import permits for goods such as textiles and clothing, agricultural and steel products and some food items such as dairy products, poultry and eggs. Other government departments may require import permits for a range of goods.
9. **Packing List:** May be required to supplement a commercial invoice and is provided by the shipper. Identifies the shipper, the shipping company and the importer.
10. **Insurance Documents:** Issued by the insurance underwriter and provides proof that the goods are insured as they are being transported.

Tariffs

Tariffs on imports depend on the product and on the supplying country and its applicable tariff treatment. Tariffs range from duty free (0%) to 19% for the products covered in this report. With each new free trade agreements Canada signs, tariffs are lowered, with the CETA coming into force in 2017 tariff on some of these products may have been further lowered.

Further details are provided in the Access Canada: Guide to Exporting to Canada.

Corporate Social Responsibility

In a highly competitive market where consumers have infinite choices, simply selling a great beauty product is no longer sufficient. Canadian consumers are supporting their favourite brands and socially responsible companies. Corporate Social Responsibility (CSR) consists of voluntary activities undertaken by a company to operate in an economic, social and environmentally sustainable manner. In recent years, there has been a strong push for cosmetic industries to take on a mantle of corporate social responsibility. Especially with the increased consumer awareness on the importance of fair trade practices and demand for organic and natural products. Buyers now have higher quality standards for their cosmetic, while accreditation companies are springing up to take on the role and need for product certification. Moreover, there is growing consumer awareness and education regarding the following CSR issues within the sector.

In past years, several beauty companies received criticism for unethical and non-environmentally friendly business practices that included animal testing, unsustainable sourcing and chemical pollution. With strong pressure from the media, consumers and retailers such as Wal-Mart (with its Sustainability Index), cosmetic and ingredient companies are making progress in becoming 'good corporate citizens'[16]. Corporations are now actively competing with themselves on the quest to prove their ethical and ecological business practices to their customers. From natural cosmetics firm Burt's Bees to global giant Unilever, the entire beauty industry is moving towards more environmentally friendly product strategies[17].

CSR and sustainability initiatives vary greatly in the beauty industry. Some companies, such as the Body Shop, focus on ethical sourcing; others are focusing on biodiversity preservation like Yves Rocher, which has planted more than 5 million trees[18]. Packaging is receiving much interest because of its high environmental footprint; many cosmetic companies are looking at packaging reduction. For instance, Caudalie has saved 7.6 tons of paper by simply printing instructions on the inside of packaging instead of leaflets. Lush has gone further by offering 55% of its products with no packaging at all, while Aveda uses PET bottles made of 100% Post-Consumer Regrind (PCR) content[19]. Such companies are lowering the environmental impact of their cosmetic products by using greener formulations, reducing packaging and also cutting greenhouse gas emissions, waste, energy & water consumption; they are also looking at social dimensions, such as ethical supply chains and corporate philanthropy[20].

[16] Ecovia Intelligence. "CSR & Sustainability: How the Beauty Industry is Cleaning up"
[17] Ibid
[18] Ibid
[19] Ibid
[20] Ibid

Important Note

If you have at least one year of export experience, be sure that you are taking full advantage of TFO Canada's free promotional services. This includes direct promotion of your company and products to Canadian importers via our monthly *Import Info E-Newsletter* and inclusion in our online searchable database of exporters.

Please check your current profile with us by signing in to our website and going to your "Exporter Profile." Ensure that all your information is correct and that you have accurately completed Step 2 of the registration process including entering one or more of your exported products.

Note that while Step 3—uploading additional information such as photos, price lists etc.—is optional, we recommend that you take the time to complete it since it serves as another free website for your products.

In the event that you are not registered with TFO Canada, please register with us by accurately completing Steps 1 and 2, and as explained above, the optional Step 3.

Annex

Sources of Information

TFO Canada
130 Slater Street, Suite 400
Ottawa, Ontario, Canada K1P 6E2
Tel.: (613) 233-3925 In Canada: 1-800-267-9674
Fax: (613) 233-7860
E-mail: info@tfocanada.ca

Canada Border Services Agency
A directory of CBSA offices across Canada is available through the Internet site.

Cosmetic Alliance Canada
420 Brittania Road East, Suite 102
Mississauga, Ontario, Canada L4Z 3L5
Tel: (905) 890-5161
Fax: (905) 890-2607

Global Affairs Canada
125 Sussex Drive
Ottawa, Ontario, Canada K1A 0G2
Tel.: (613) 944-4000 Fax: (613) 996-9709

Health Canada Cosmetics Program
123 Slater St., 4th Floor, P.L. 3504D
Ottawa, Ontario, Canada K1A 0K9
Tel: (613) 946-6452
Fax: (613) 952-3039

I.E. Canada (Canadian Association of Importers and Exporters)
Mailing Address: P.O. Box 189
Don Mills, Ontario, Canada M3C 2S2
Office Address: 10 St. Mary Street, Suite 200
Toronto, Ontario, Canada M4Y 1P9
Tel.: (416) 595-5333

Leading Spas of Canada
2680 Matheson Blvd., Suite 102
Mississauga, Ontario, Canada L4W 0A5
In Canada: 1-800-704-6393

Online Contacts Only

Society of Cosmetic Chemists

Trade Shows

A current list of trade shows is available through TFO Canada. The major cosmetics related exhibitions held in Canada each year are:

Allied Beauty Association Show
145 Traders Boulevard E, Units 26 & 27
Mississauga, Ontario, Canada L4Z 3L3
Tel: (905) 568-0158 Fax: (905) 568-1581

Canadian Health Food Association Shows
235 Yorkland Blvd., Suite 302
Toronto, ON M2J 4Y8
Tel: (416) 497-6939 Fax: (416) 497-3214

Esthetique Spa International
104-14056 Cure-Labelle
Mirabel, Québec, Canada J7J 1L6
Tel: (450) 434-4738 Fax: (450) 435-2027

SCC Supplier Days
The SCC (Society of Cosmetic Chemists) organizes yearly in Toronto and Montreal specialized one-day exhibitions.

Publications

Cosmetics Magazine
One Mount Pleasant Road, 8th Floor
Toronto, Ontario, Canada M4Y 2Y5
Tel : (416) 764-2471

Spa Canada
Partners Publishing
2289 Route 101
Beaver Dam (Fredericton), New Brunswick E3B 7T9
Tel: (506) 450-9758 Fax: (506) 450-2546