

China

Making market entry that bit easier



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A good agency can simplify and speed up market entry into China

What are the prerequisites for making a successful entry into the huge Chinese market? Mei Graefe of Intergate export and services consultants lists some key points.

To sell products in China every cosmetics manufacturer, even Chinese manufacturers, will need a hygiene licence issued by the SFDA (State Food and Drug Administration). Since September 1st 2008 the SFDA has been the official point of contact for licence applications. For testing and approval purposes cosmetics products are divided into two groups – those for normal use and those for special purposes.

For the normal use products there are five sub-categories: hair care, skin

care, colour cosmetics, nail care and fragrances. To obtain a hygiene licence for such products the following documentation will be required:

- Information sheets for imported cosmetic products that include basic information such as the product name, and the name and address of the company – in English and Chinese
- Details of the composition of the product under consideration. Details must be supplied on the percentage content of the ingredients and their action
- Contents of the Chinese pack leaflet. This must be identical with the original version
- Product samples for testing.
- Chinese translation of the copy on the outer packaging, the inner packaging, and any separate product information
- Empty packaging and separate product information in duplicate
- Commercial licence of the producing company (production and marketing licences)
- Product quality standard
- Information on the production technology and work flow
- Since the abolition of the BSE certificate in 2007, a Letter of Commitment
- Accredited quality standard certificates such as, for example, ISO 9000 or GMP certificate
- Full authorisation given by the manufacturer to the trading partner in China. The name of this organisation will stand alongside the name of the manufacturer on the final licence

For products developed for special applications there are 9 sub-categories:

hair restorers, hair colorants, products for curling the hair, products for hair removal, sun protection products, skin lighteners, deodorant products, bosom and body contour creams. For these special products additional information about their action, ingredients, instructions for use, and test methods are required.

The approval process, assuming that the documentation and samples are complete, takes about 4 months for normal products, and about 7 months for special purpose products. The period of validity of a hygiene licence is 4 years and a request for extension must be submitted 4 months before the expiry of the old licence.

Before applying for approval the following points should be clarified:

1. Because the costs of the procedure vary between the two product groups and the various product categories, and the preparation work and the engagement of service providers can be costly, one should carefully consider which products are the best ones to offer at the start. In-depth market knowledge concerning market trends, differences in consumer behaviour from regional and demographic aspects, the situation regarding competitors and details of market segmentation, all form the basis for selecting the right products for the market. By selecting the right products and the most appropriate marketing strategy the introductory costs can be kept to a minimum.

2. Chinese brand names are recommended from the start, as they must appear on the application documents. Once the licence has been granted it is very difficult to change the registered names.

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3. Checks should be made to ensure that all original brand names, i.e. logos and text, as well as company names, are protected in China. If not, it is recommended that this is done as soon as possible. The Chinese brand names and translation of the company name should also be registered in China to avoid future legal disputes. It is advisable here to engage a professional law firm.

4. Experience has shown that one of the biggest challenges when entering

Far Eastern markets is identifying the right commercial partner. Physical distances, language barriers and lack of understanding of accepted business behaviour can all lead to difficulties and misjudgements.

The name of the commercial partner will appear on the hygiene licence. If that partner has to be changed then a new licence has to be requested, which will involve more time, trouble and expense. For this reason it is well worthwhile to work for as long as possible with the right partner. When choosing a suitable commercial partner it is important to know the market and to set down a clear list of requirements. It is also a good idea to make use of objective professional advice, which may be available from chambers of trade and industry, specialist consultants or service agencies that specialise in this area, or even from colleagues in the same industry who are already established in China. Also of importance is information about gen-

eral market conditions and the local business culture.

5. One often tends to overlook the importance of comparatively cheap product and company brochures in Chinese, enabling the manufacturer to clearly communicate a comprehensible marketing message and product benefits.

So, overall it is therefore important to establish a co-ordinated timetable for market entry and to plan it in as much detail as possible - and in a way that it does not interfere with normal day-to-day business. When applying for a hygiene licence it is recommended that this task is entrusted to a serious, locally-established service agency, thus saving time and resources.

Further information on the Chinese market can be found on the Internet (see Internet button)

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