REAPRA

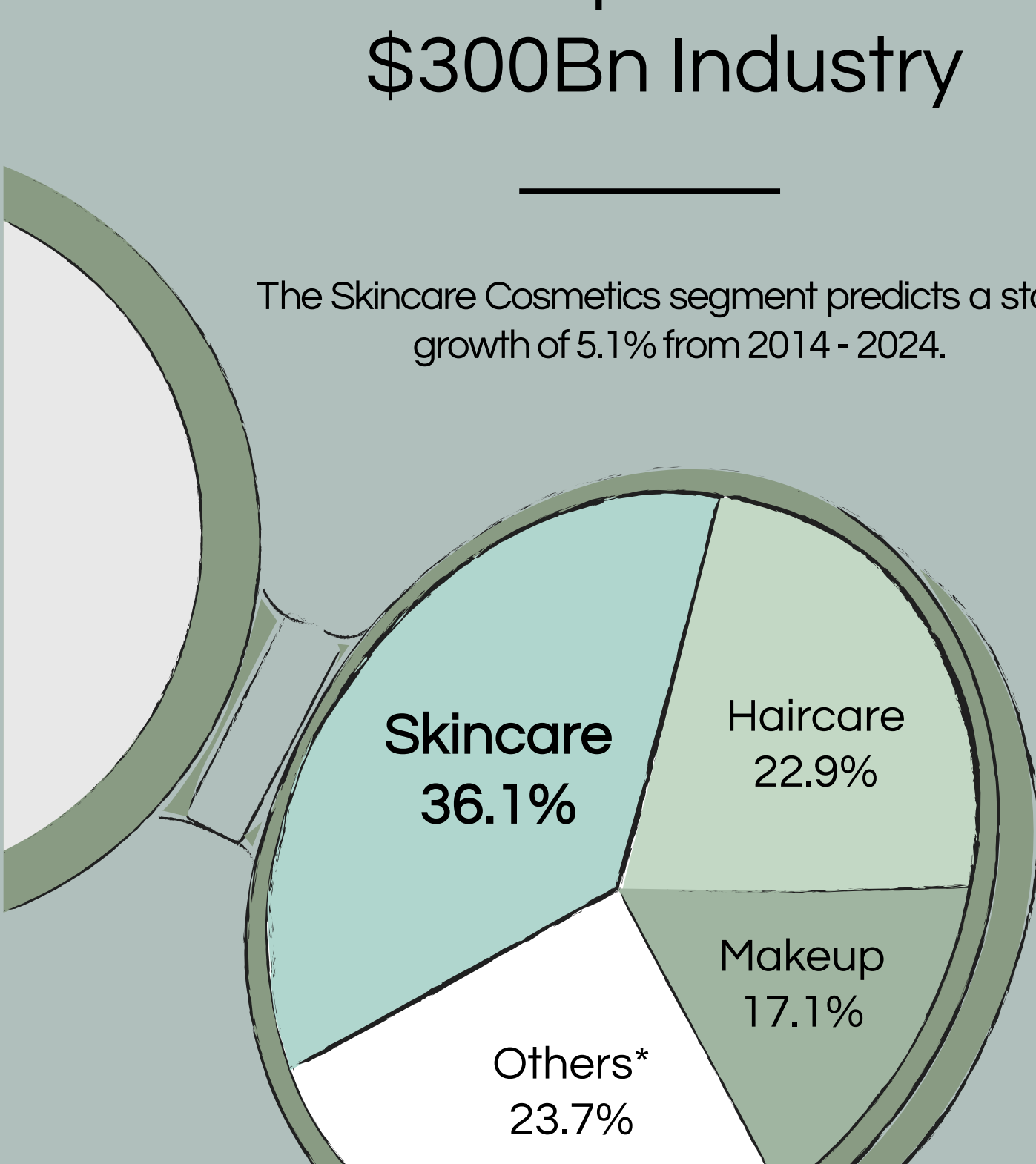
PROMISING BUSINESS FIELD SERIES

SKINCARE COSMETICS

Driven by the global Korean beauty (K-beauty) effect, trends like heavy contouring have now fallen out of favour for a more natural, make-up free look, pushing the skincare cosmetics segment to the forefront of the giant cosmetics industry. Enhancing, supporting and relieving of skin conditions are consumers' top priorities, yet they are often left unaddressed by the current industry players. How can the struggling businesses stay relevant within the shifting landscape of the industry?

Skincare Spearheads the $300Bn Industry

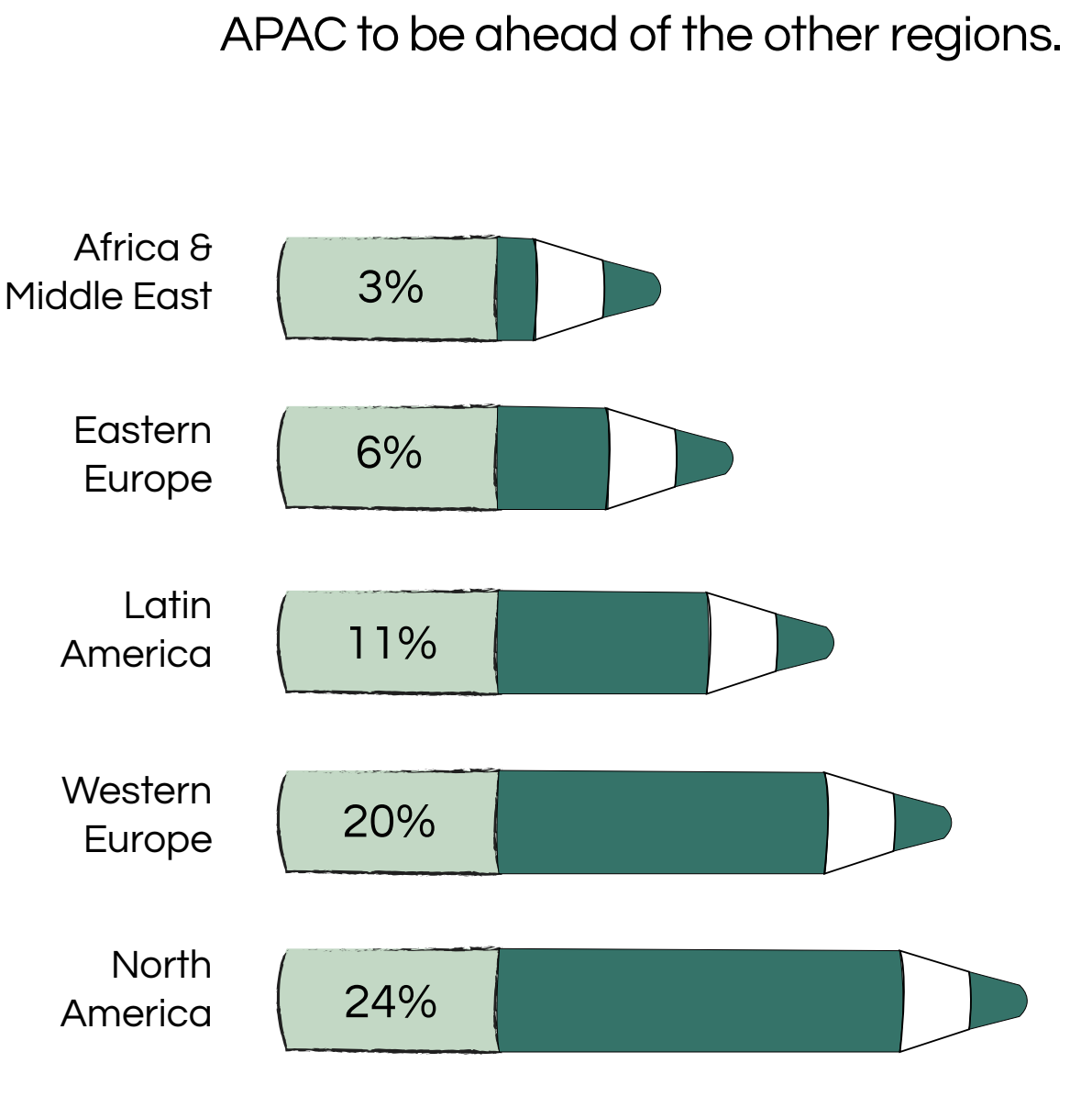
The Skincare Cosmetics segment predicts a stable growth of 5.1% from 2014 - 2024.



Others*: Personal Care, Oral Care and Body Care
Source: IBISWorld 2016, L`Oreal 2015

The Dominance of Asia's Beauty Market

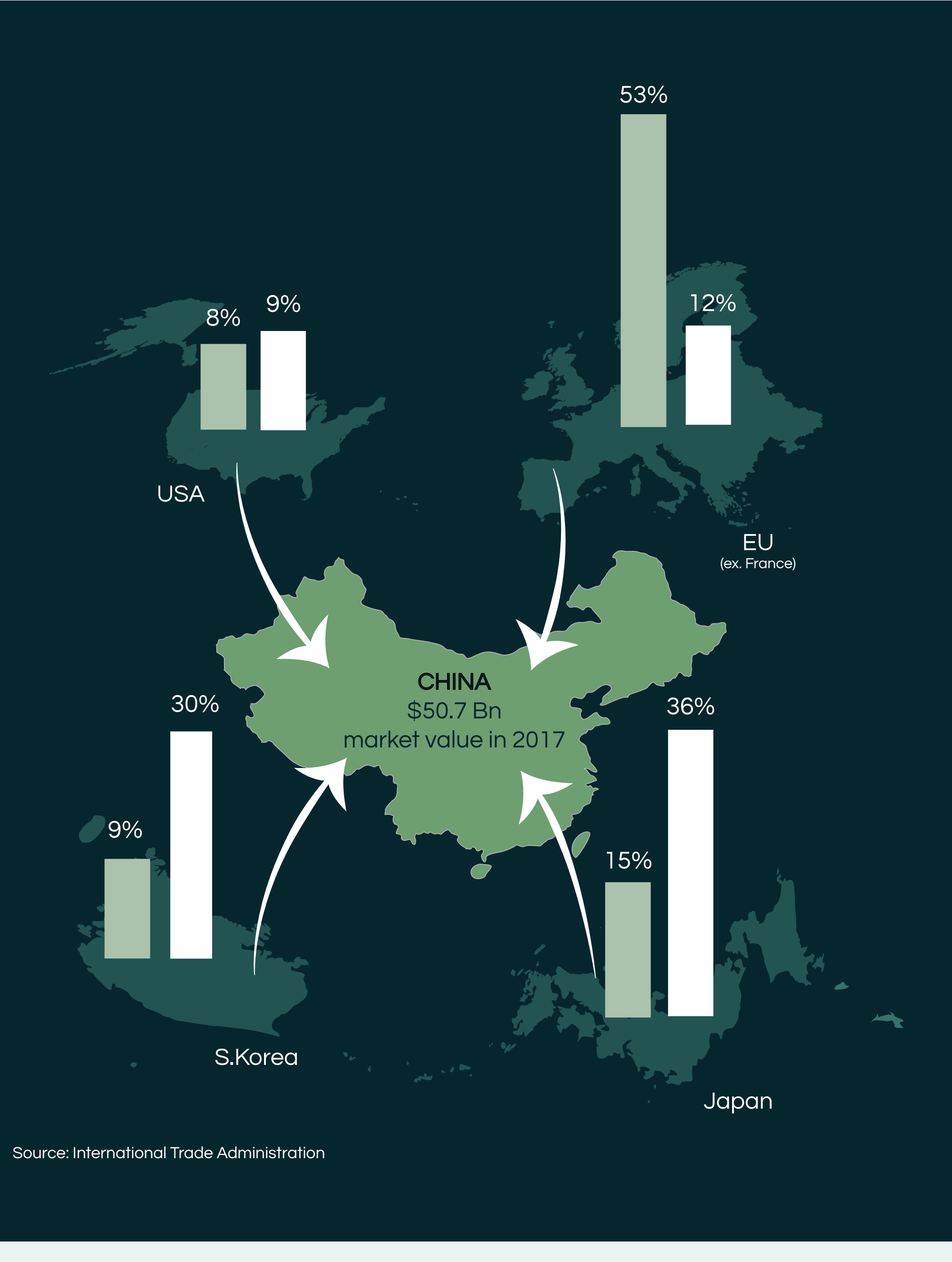
Popularity of Asian beauty products have driven APAC to be ahead of the other regions.



Source: IBISWorld 2016, L`Oreal 2015

Emergence of the Next Beauty Hub

The changing demand for cosmetics products reflected in China, which is poised to be the largest cosmetics market by 2025, has set the pace for Asian beauty products to dominate the industry.



🟩 2013

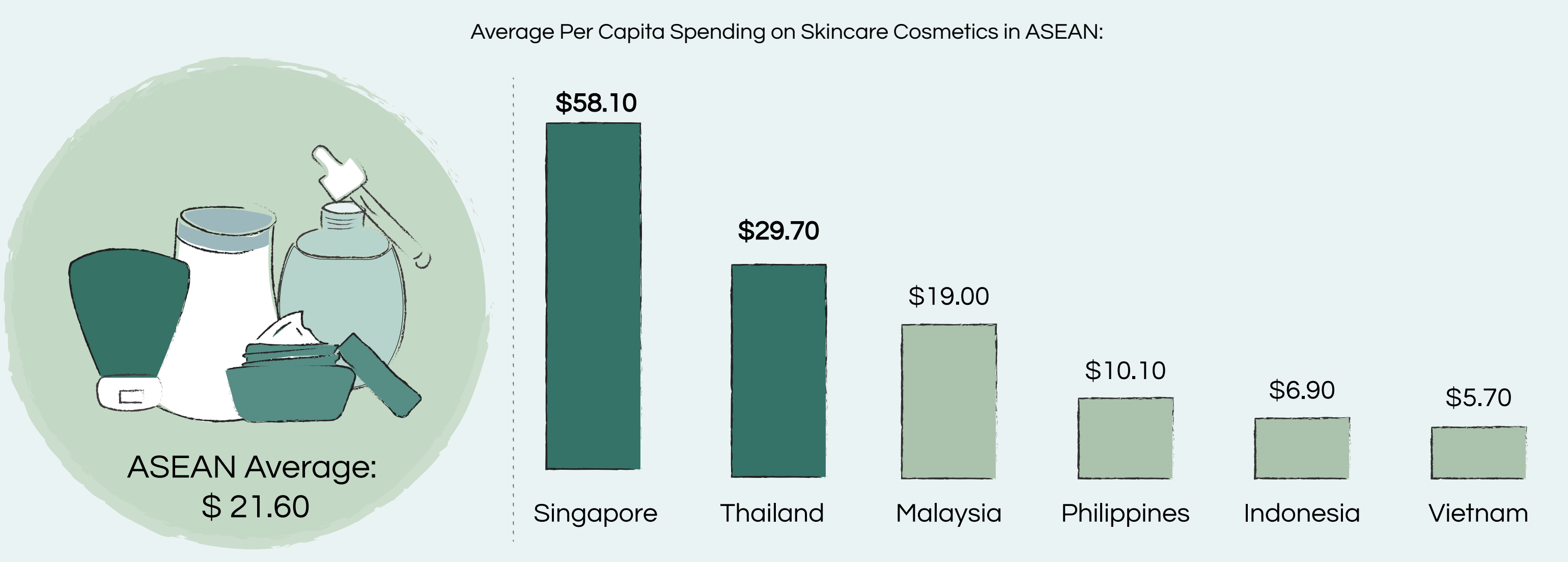
☐ 2015

Source: International Trade Administration

Strong Hold Over ASEAN's Consumption

The ASEAN region projects strong spending in Singapore and Thailand, believed to be influenced by the natural, make-up free look.

Average Per Capita Spending on Skincare Cosmetics in ASEAN:

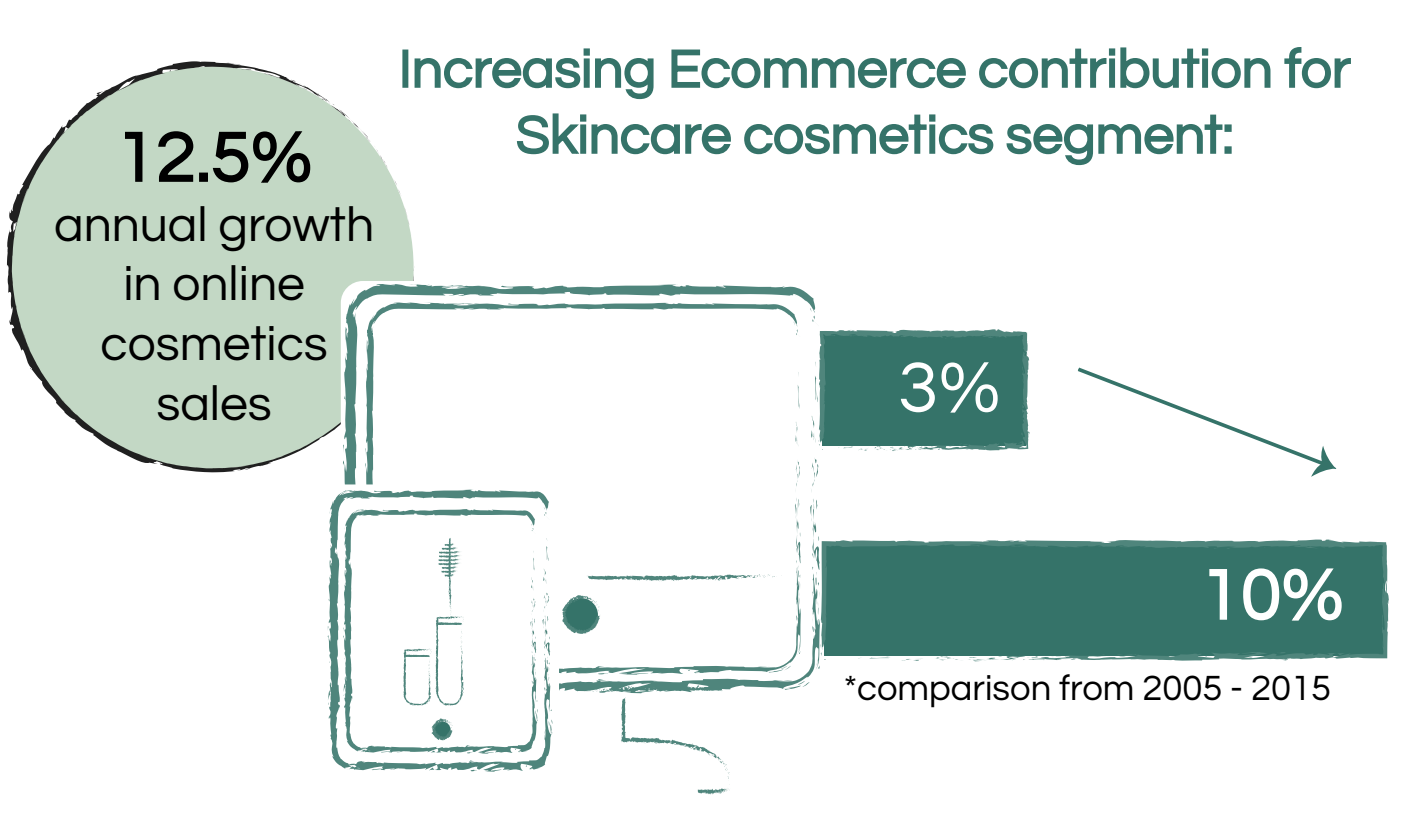


Sources: Statisca, Speeda

Robust Growth for Skincare Cosmetics in E-commerce

Adoption of e-commerce platforms has been picking up strong growth in sales within the cosmetics industry, particularly for the skincare cosmetics segment.

Increasing Ecommerce contribution for Skincare cosmetics segment:

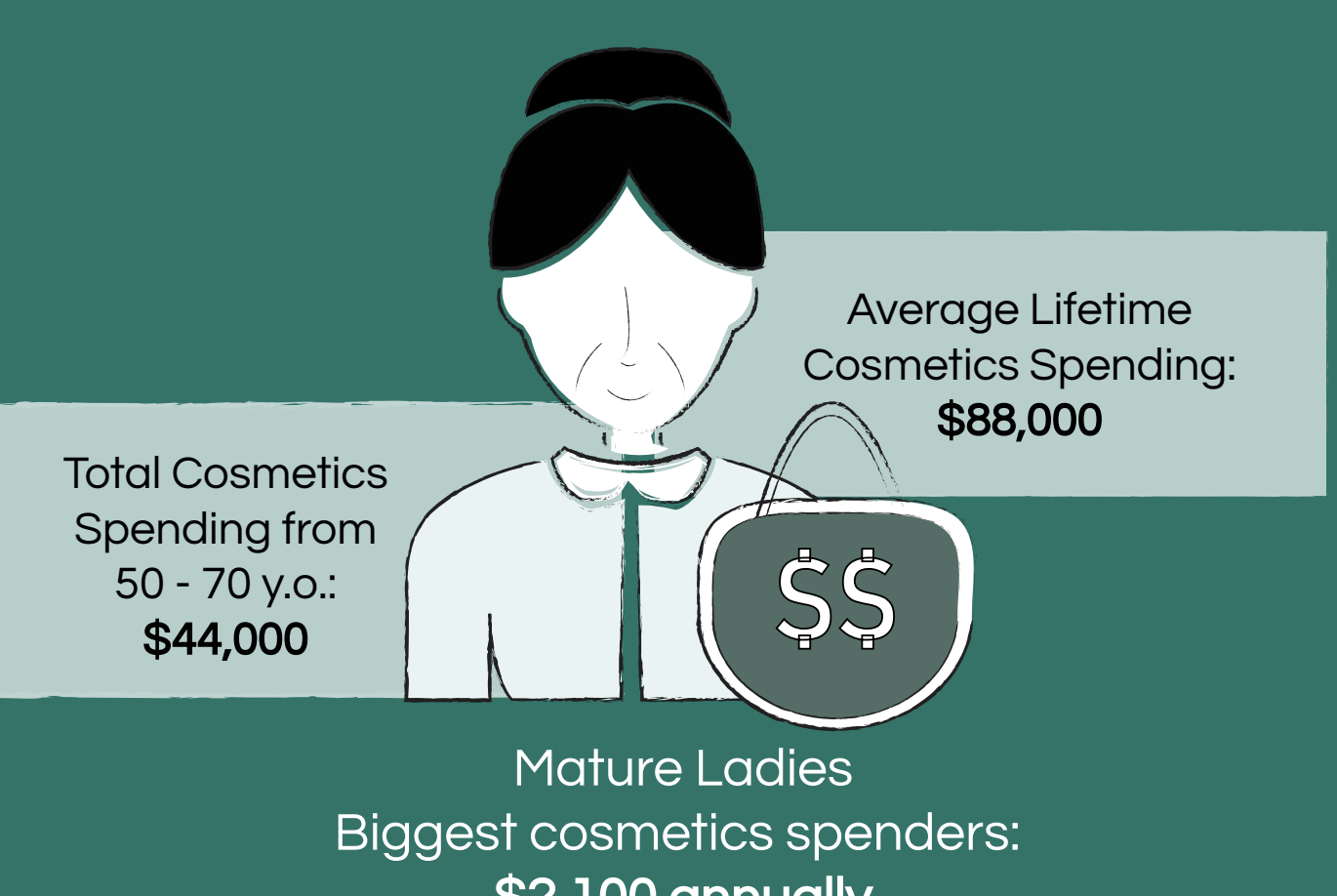

12.5%
annual growth in online cosmetics sales
3%
10%

*comparison from 2005 - 2015

Source: Deloitte

Paying a High Price to Defy Ageing

The largest spenders of the demographic group ladies, spend half of their lifetime cosmetics spending during the prime ages of 50 to70 years old, creating a demand for innovative anti-ageing products in the industry.

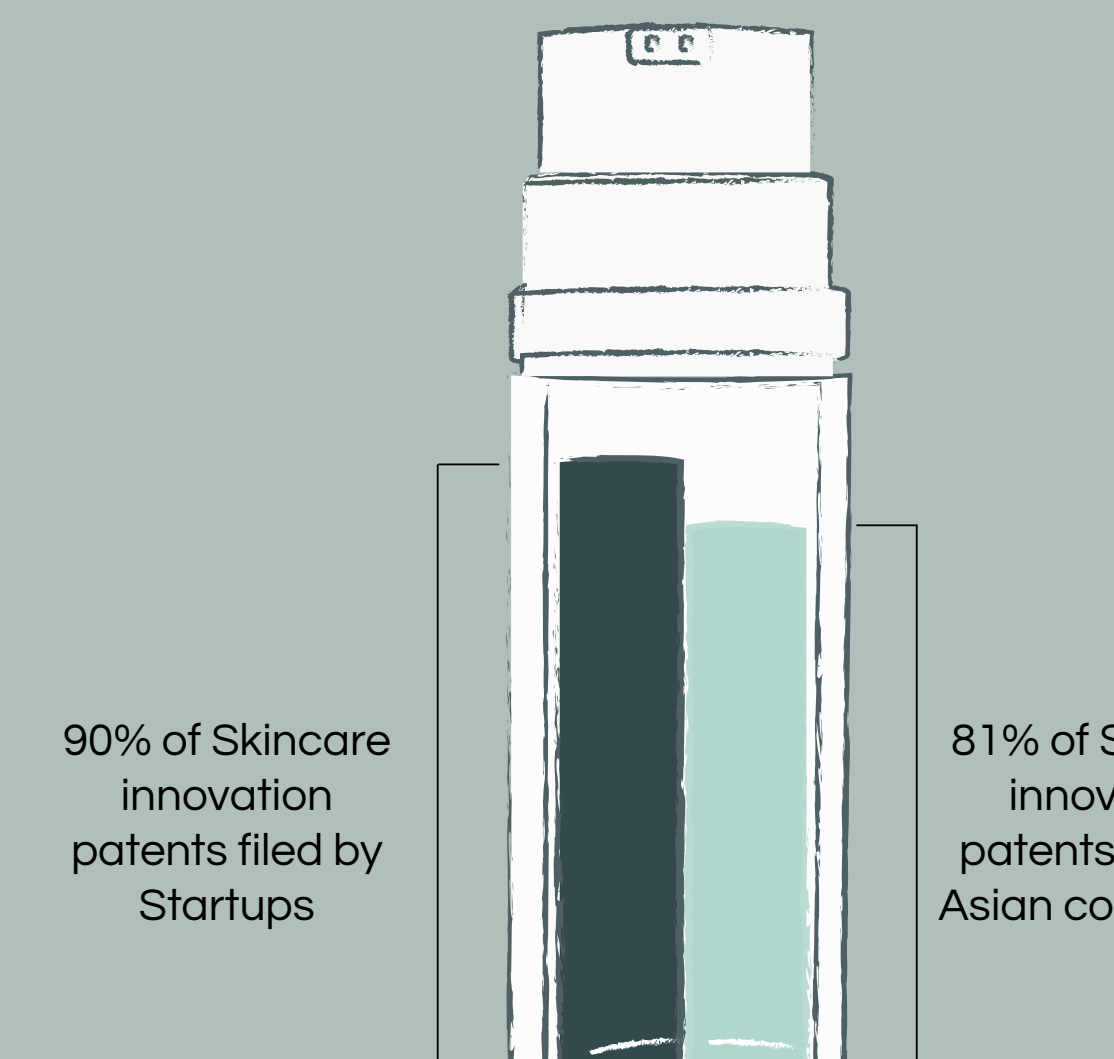

Average Lifetime Cosmetics Spending:
$88,000
Total Cosmetics Spending from 50 - 70 y.o.:
$44,000
$$

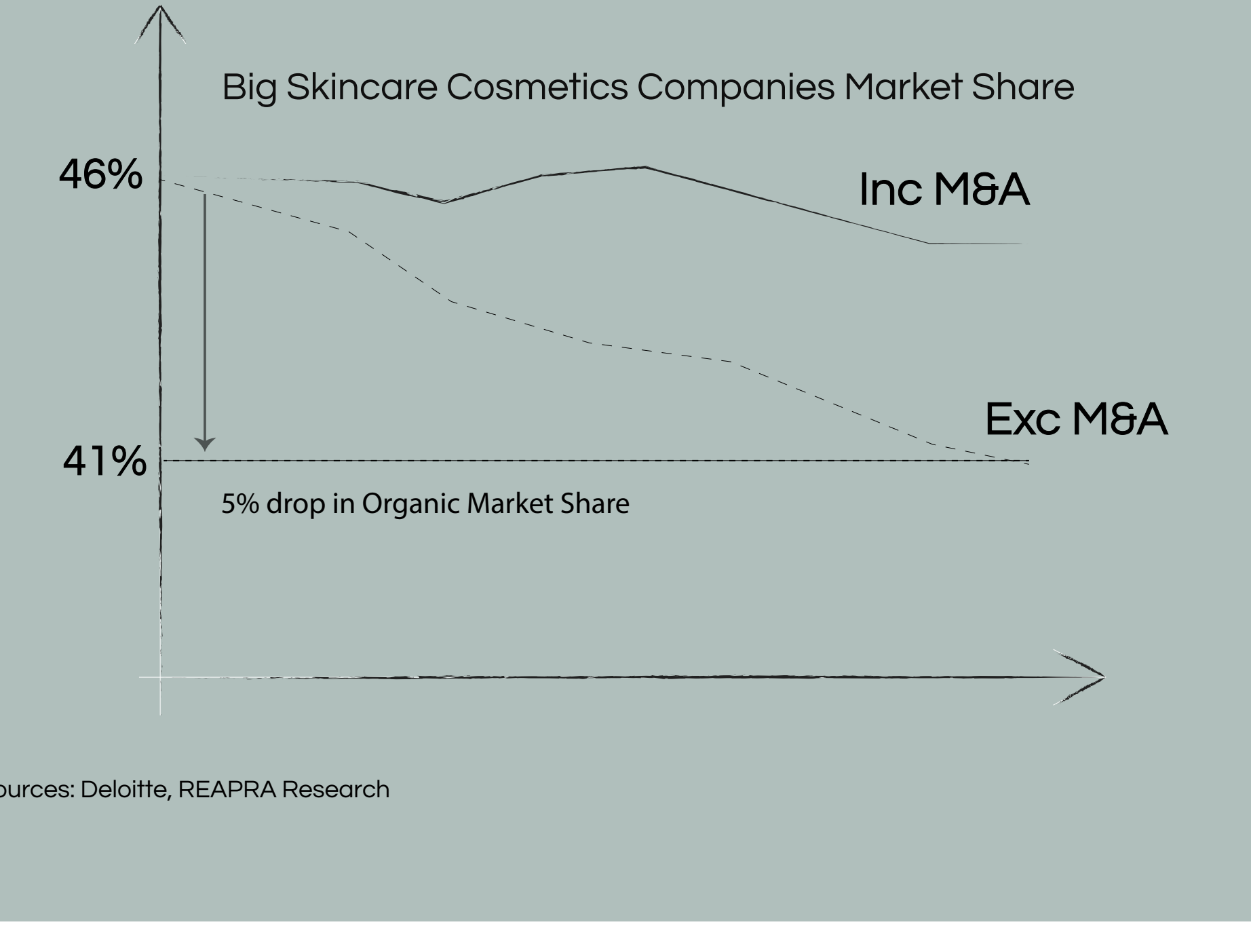
Mature Ladies
Biggest cosmetics spenders:
$2,100 annually

Sources: Our World In Data, SNWS Digital

Changing Up The Skincare Game

Startups and Asian companies have stepped forward to address consumers' skincare needs through an agile business operation approach. This is done by the innovation of niche products aimed at specific consumers. Over the past decade, the trend shows that the big skincare players are now relying on Mergers and Acquisitions (M&A) to retain their market share in the industry.

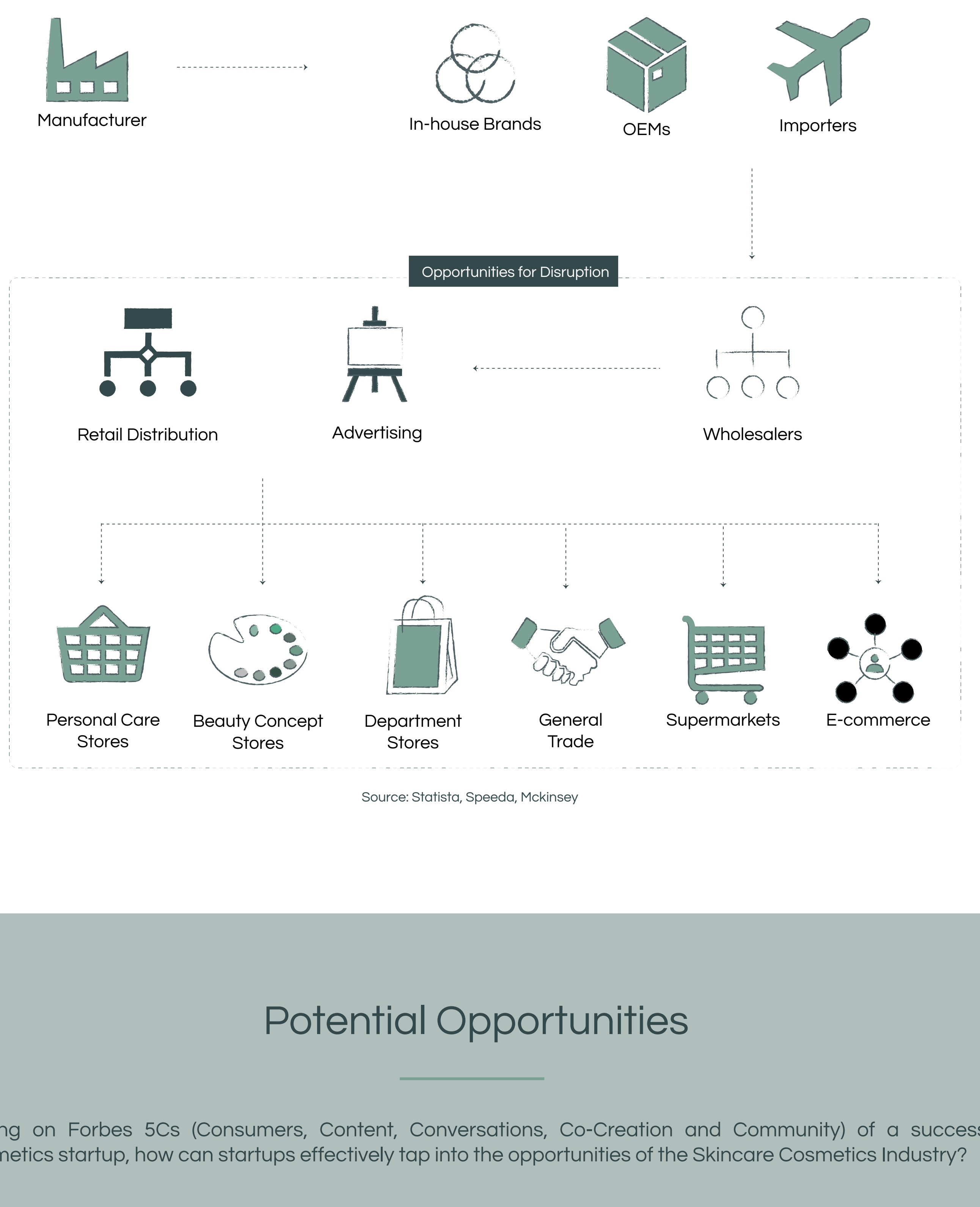

90% of Skincare innovation patents filed by Startups
81% of Skincare innovation patents filed by Asian companies



Sources: Deloitte, REAPRA Research

Where The Start-ups Gain The Upper Hand

Comprising a large and complex value chain, with multiple stakeholders at every point wanting a share of the profit, skincare products have incurred a mark-up cost of over 500%. Reducing the value chain inefficiencies through a lean startup operation model can generate a more customizable and affordable product for consumers.



Manufacturer
In-house Brands
OEMs
Importers

Opportunities for Disruption

Retail Distribution
Advertising
Wholesalers

Personal Care Stores
Beauty Concept Stores
Department Stores
General Trade
Supermarkets
E-commerce

Source: Statista, Speeda, Mckinsey

Potential Opportunities

Leveraging on Forbes 5Cs (Consumers, Content, Conversations, Co-Creation and Community) of a successful cosmetics startup, how can startups effectively tap into the opportunities of the Skincare Cosmetics Industry?

1

Direct-to-Consumer Platform

Allowing in-house brands to reach to consumers directly through e-commerce, without relying on traditional channels such as wholesalers and retail distribution.

2

Relationship Based Connection

Word-of-Mouth drives brand loyalty, and skincare cosmetics customisation inspired by real-life experiences helps in retaining a loyal customer following.

3

No Fluff Branding

Reduce skincare markup prices by up to x10, providing an affordable and transparent pricing model, without losing the integrity of the product.

4

Targeting Mature Ladies Online

By providing a different shopping experience for businesses to address the skincare needs of mature ladies, helps in effectively targeting the largest cosmetics spenders in the industry.

Reapra is a venture builder and investment group based in Singapore with a strategic focus on developing sustainable businesses.

Through research and practice, we nurture entrepreneurs into industry leaders, and contribute towards the betterment of society. To date, Reapra has invested in more than 60 companies in 13 countries, across a variety of industries including agriculture, aviation, education, health-care, hospitality, real estates, travel and venture capital.

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