

# THE GLOBAL MARKET FOR SOAPS

A Market Research Report  
For the  
Public-Private Partnership on Handwashing with Soap

THE LONDON SCHOOL OF HYGIENE  
&  
TROPICAL MEDICINE

## The Global Market for Soaps

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## Acronyms

EHP	Environmental Health Group
FMCG	Fast moving consumer goods
LSHTM	London School of Hygiene & Tropical Medicine
NGO	Non-governmental organization
NSD	Non soapy detergents
PPP	Public-Private Partnership
WB	World Bank
WSP	Water and Sanitation Program

## Executive summary

Though diarrhoea kills over 2 million children a year, it is increasingly neglected by international and national health programmes. The simple act of washing hands with soap could save almost half of these lives. However, handwashing with soap at critical times is practiced by less than 20% of the population of developing countries. Poor handwashing is also a major concern in industrialised countries.

Whilst public investment in handwashing could produce major health benefits, private industry is also prepared to invest in soap promotion, because they wish to grow the market for soaps.

This report presents a brief overview of the global market for soap to provide context for a new public-private partnership on handwashing. Led by the Water and Sanitation Programme (WSP) with the World Bank's and the London School of Hygiene and Tropical Medicine (LSHTM) the initiative sets out to demonstrate the feasibility and value of such approaches in Ghana and India to show the way for wider replication.

Key findings of this survey include:

- The soap market is divided into true soaps (a combination of fat and a caustic material) and non-soapy detergents (largely petroleum byproducts).
- Soaps and NSDs can be formulated into bars, flakes, powders and liquids. All can be used for handwashing. Soap is marketed for body washing and laundry and not for handwashing in poorer countries. The strong growth in the handwash liquids market in developed economies demonstrates that there is a market opportunity for appropriate products.
- Handwashing promotion will grow the market for soaps both by increasing consumption and by introducing new customers.
- The poorer sections of society are the poorest served by the market but the fastest growing in terms of numbers. Purchasing power in the poorer segments is not increasing as rapidly as unsatisfied demand, highlighting the need to find cheaper products.
- The world market for soaps and NSDs was worth US\$ 88 billion in 2000, having grown by 29% since 1996.
- The market for soap products is largely mature in developed markets and displays stagnant growth. The growth potential in developing countries is huge, but there are many obstacles to expansion.
- Recent growth in the mature developed world market reflects the heavy promotion of new product formulations, notably liquid hand soaps with or without antibacterials. The future is likely to see trends towards 'natural' products, and those with added value, further efforts at brand extension by the big players and further price competition leading to growth in the share of supermarket own label products.

- In developing and emerging markets the drivers of growth have been aspiration and growing populations. Increasing disparity of income, and increased consumption by the elites drives aspiration in the poorer segments. So does hugely expanded access to TV and communications. Cheaper products will be needed to satisfy these aspirations in poorer segments. However, moving into cheaper product ranges can dent profitability.
- Other factors likely to encourage soap marketing and consumption in developing countries in the future include:
  - More discriminating educated and aware consumers.
  - Growth of the media, especially TV
  - Improvements in transportation and communication networks.
  - Innovative R&D for raw materials and finished products.
  - Growth of supermarkets and retail outlets.
  - High speed packaging machines and attractive packaging materials.
  - State of the art technology to enhance productivity and reduce cost.
  - Increasingly talented advertising and market research agencies.
  - Liberalisation of markets and growth in free trade.
- Soap multinationals spend hugely on advertising, for example Unilever is the world's number one company in terms of advertising expenditure. There has been a recent trend to group products under one name, eg 'Palmolive Botanicals' to improve brand visibility and loyalty.
- It is generally more economical to produce soap locally than to import. Major manufacturers have thus sought to expand to neighbouring countries, to acquire, merge with or do a distribution deal with a local manufacturer. Local manufacturers are fighting back by using their local knowledge and capacity for rapid innovation to expand into new niches in an unsaturated market or by producing cheaper product ranges.
- Whilst local manufacturers can exploit specific opportunities, bigger companies are gaining ground overall through their economies of scale and heavy investment in knowledge.
- All of the multinational companies contacted wished to participate in the PPP. They believed that much could still be learnt about soap for handwashing and about poorer segments of society. They felt that contact with governments and external agencies could lead to levelling of fiscal playing fields and improvement in the environment for the promotion of hygiene.

## CHAPTER 1: INTRODUCTION

Diarrhoea kills over 2 million children a year. It is caused by ingesting the bacteria, viruses and protozoa that are found in human excreta. Hands are a primary vector of transmission. They get contaminated during defecation or when cleaning a child that has defecated and carry microbes to food, fluids and new hosts (Curtis, 2000). However, much **diarrhoea is preventable**, by the simple act of washing the hands with soap after contact with faeces. Observations of handwashing in different developing country settings suggest that soap use after the toilet or after cleaning up a child is rare (average less than 15% of occasions), but is also low in developed countries. There is scientific evidence that this simple action could potentially **save a million lives a year** (Curtis & Cairncross, in preparation).

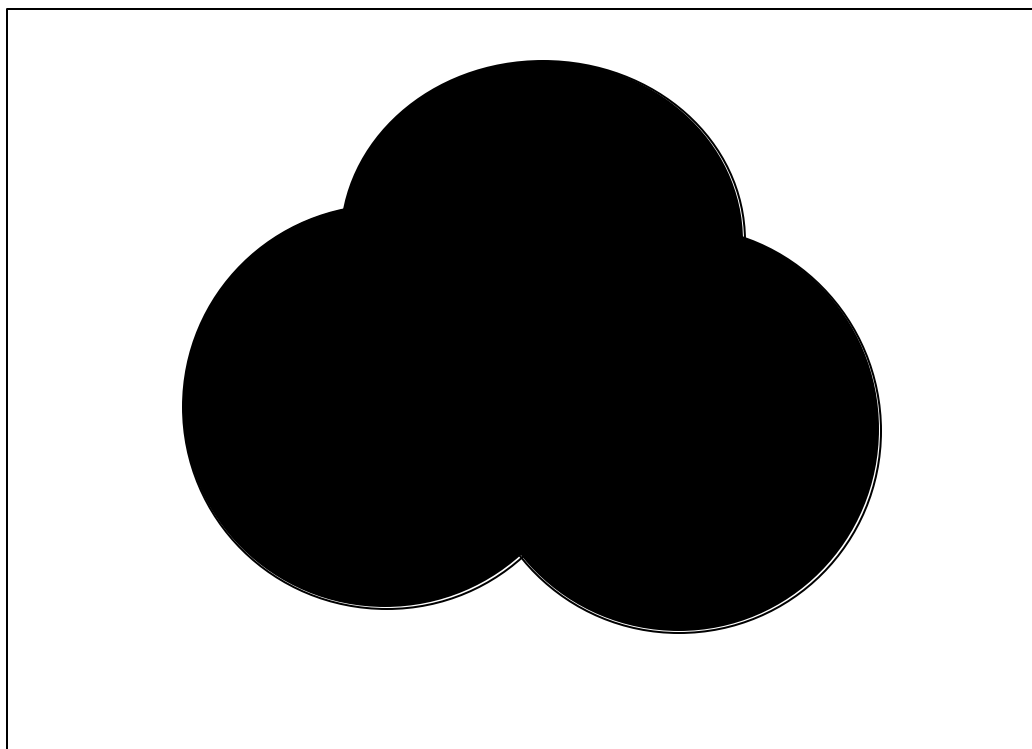
Personal hygiene behaviour cannot be legislated, and merely providing water and sanitation facilities with or without hygiene education has not created sufficient motivation or compulsion for change in hygiene practices. Although the need for hand washing at critical times has long been recognized, efforts to promote this behaviour have been sporadic, uncoordinated and mostly ineffective.

### 1.2 A Public-Private Partnership

The search for new and effective ways of addressing this need world-wide, and particularly in developing countries where diarrhoea is most prevalent, has brought together a coalition of international and national organizations. These bodies, including the Water and Sanitation Program (WSP), in collaboration with the World Bank (WB), the London School of Hygiene & Tropical Medicine (LSHTM), the Environmental Health Group (EHP), the Government of Ghana, Basic Support for Institutionalizing Child Survival (BASICS) the Government of the State of Kerala – India, UNICEF and Private Sector agencies, are unfolding a global initiative. The Public and Private sectors, together with non-governmental organizations (NGOs) will form a global Public-Private Partnership (PPP) to combine commercial and social marketing capabilities, and resources to achieve an important public health objective, which is to save millions of lives around the world (especially those of children), from diarrhoeal diseases.

Figure 1 illustrates different levels or types of collaboration that can exist among sectors for the promotion of social and economic development. The ultimate goal of the PPP Hand wash Initiative is to optimise the full complement of resources in subset 7.

**Figure 1: The Public Private Partnership: Health and well-being promotion routes**



Source: LSHTM

Key:

- 4. Collaboration between National Governments & Donor Agencies
- 5. Collaboration between National Governments & Private Sector
- 6. Collaboration between Development Agencies & Private Sector
- 7. Global PPP – for Health improvement

### **1.3 Mutual benefits**

The participation of soap manufacturers in the PPP highlights a way in which forward thinking companies (multinationals and local soap producers) can target the 4 billion people, two-thirds of the Earth's population, who have until now been virtually written off in terms market potential. The rural poor, at the bottom of the income and living standards pyramid, are the ones most at risk of dying from diarrhoea. Making soaps readily available, affordable and essential to the principal targets of this initiative involves risks, like any other business venture, but this burden will be shared between the public and the private sectors.

Soap producers, whose market in the developed world has limited potential for growth, will gain in this joint initiative in two ways: a) by selling more soap through an expansion of their market into more households (transforming a niche market into a need market), and b) through the increase in the frequency of product use. Public

agencies stand to gain by combining forces with soap producers in programs aimed at saving lives from intestinal diseases.

#### **1.4 Research objective**

This study was commissioned to enable public sector practitioners to obtain a better understanding of the commercial marketing environment of the soap industry. It is hoped that it will assist them to find common and productive ground with their private sector partners in this PPP.

#### **1.5 Methods and sources of Information**

Much of this report was compiled from published information, primarily from professional market research agencies such as Mintel, Euromonitor, Datamonitor, and Reuters. Recent Annual Reports of leading companies in the cosmetics and toiletries sector were also used. Additional information was obtained through telephone calls and personal visits to senior corporate executives. Research organizations including the Market Research Society, Frost and Sullivan and Retail Business in the United Kingdom were consulted to obtain additional insight into the soap and detergent market. Information was also gathered through the Internet from published articles and reviews on the fast moving consumer goods (FMCG) industry. A list of internet reference sites can be found at Appendix 4.

Statistical data on demography, geographical definitions and income distribution were obtained from UNESCO and United Nations Statistical Year Books. Some statistics were deduced from official national records of some countries discussed in the report.

All conversions to US dollars were at current rates in 2000.

#### **1.6 What is soap?**

Soap is made by combining tallow (or other hard animal fat) or vegetable or fish oil with an alkaline solution. The two most important alkalis in use are caustic soda and caustic potash. Soap can be distinguished from Non-soapy detergents (NSDs) by their composition where NSDs are largely made from petroleum by-products. Both soaps and the NSDs can be formulated as bars, powders, flakes or liquids. Table 1 shows the formulations and common uses of soaps and NSDs.

**Table 1: Formulations and uses of soaps and non soapy detergents**

Category	formulation	Purpose: washing:
Soap	bar	clothes body hands dishes
	flakes	clothes hands
	liquid	hands
NSDs	powders	clothes dishes (hands)
	bars	dishes clothes
	Liquids and pastes	dishes household surfaces

In general, the more evolved the market, the more species of soap products will be found in a consumers' household. Hence, in a developed country special soaps or NSDs may be used for washing: coloured clothes; white clothes; delicate clothes; dishes; hands; windows; floors; toilets; kitchen surfaces; carpets; for bathing, showering and shampooing of children, babies, adults and teenagers' (and teenage faces). In emerging markets one or two types of soap may serve all of these purposes.

More recently new soap-like cleansing bars made of NSDs have appeared on the market. These overcome the problem of soap not performing well in areas of hard water and can have a less drying effect on the skin (eg *Dove*).

For the purposes of this report, where possible, we have concentrated on soaps and not NSDs, since it is the soaps that are most used in handwashing. Data is scarce on the particular uses of soap in emerging markets, hence estimating volumes used in handwashing is problematic.

Table 2 shows the fats and oils in main commercial use in soap formulation, either in a raw state, or after modification.

**Table 2: Fats and oils in main commercial use for soap-making**

<b>Vegetable Oils</b>		<b>Animal Fats</b>
Coconut	Castor	Tallow
Palm	Neem	Lard
Cottonseed	Sunflower	Fish Oils
Rice Bran	Soya bean	
Palm kernel	Rapeseed	
Mowrah	Karanja	

Source: *Chemical Business*, February 2000

### **1.7 Soap - a brief history**

Soap was probably discovered by Stone Age woman who saw that the combined residues of ash and fat found in a fire after roasting a beast made a useful cleaning compound. In 600 BC the soap made by the Phoenicians from tallow and beech ashes was probably used as a hair pomade, rather than for washing. The use of soap in personal hygiene is first recorded in the second century AD when the physician Galen (130–200AD) mentions its use for washing the body ([www.sdahq.org/cleaning/history/soapshistory](http://www.sdahq.org/cleaning/history/soapshistory) 23 Jan 2002). Soap making in Europe was established by the end of the first millennium, with important centres at Marseilles and Savona, where olive oil was used instead of tallow. Soap making was carried out in these centres by soapmaking guilds, who guarded their recipes closely. Soap attracted heavy taxation from Stuart times in England - this only stopped when the tax was abolished in 1852 as the Victorians became increasingly obsessed with cleanliness (Hunt, 1999). Soap still attracts tax in markets across the world - and considerable effect is shown on the market when tax is reduced, as happened in India in 1995, when sales of soap and detergent were effectively doubled.

### **1.8 The market for soaps**

Soap is generally classified as a staple commodity alongside detergents. It also figures in the personal wash and personal care markets. Only rarely are statistics for soap directly separable from those for detergents or from toiletries.

Recent market analysis by Euromonitor (2000) shows that in 1999 soaps and detergents together represented around 12.4 % of consumer expenditure on household goods in industrialized countries and between 2.6 % to 5 % in the developing world. For the developed economies this reflects the growing maturity of the market and intense price competition in the market place. The report however suggests that there is much greater scope for marketers to induce consumers in the emerging markets to raise consumption levels. The same analysis showed that bar

and liquid soaps accounted for around 40% of the personal wash sector and around 7% of the total personal care market worldwide in 1999.

Statistics and market data for soap are readily available for the markets in North America, Europe and other key markets such as Australia and Japan. There is less detailed information on sales of soap in less developed regions such as Africa, the Middle East and some parts of Asia. In these instances, which are the principal focus of the study, market size has had to be estimated on the basis of best available data. Trying to establish the actual market in these less developed regions is complicated by the presence of artisanal soaps, "fake" soaps which are counterfeit versions of well-known brands, and in some areas, particularly Latin America, a flourishing black market. Our data generally do not include these.

This report provides a breakdown of the market and an insight into the way in which the market developed from 1995 to 2000. There were marked variations in the soap market in different regions of the developing world. These variations seem to be determined by three key factors: socio-cultural, multinational corporate interests and economic and political trends. This report examines global trends in the soap market and looks in particular at markets in:

- i) Latin America
- ii) Asia
- iii) Africa and the Middle East
- iv) Central and Eastern Europe

## CHAPTER 2: THE MARKET

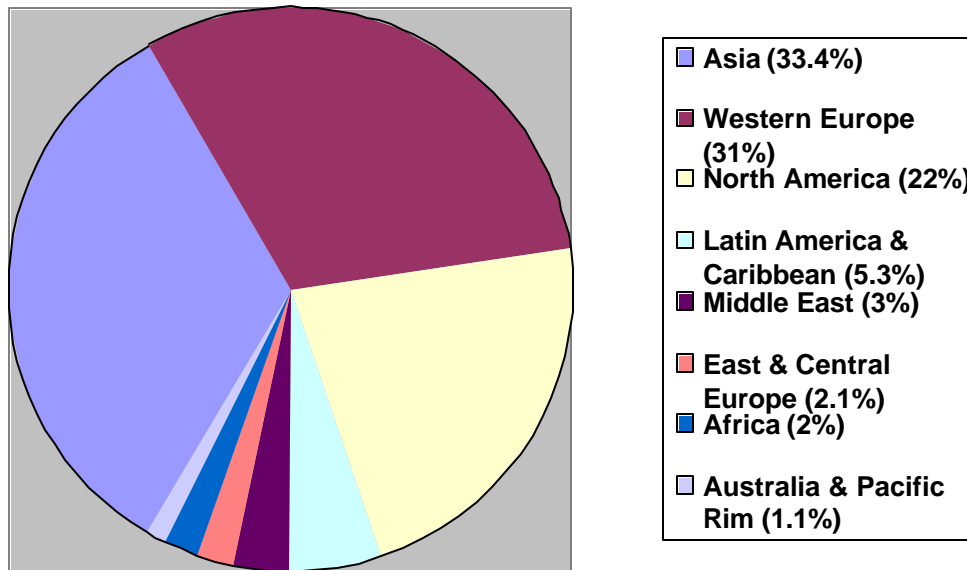
### 2.1 The world market for soap

The world market for soaps and detergents was worth US\$ 88 billion in 2000. Asia, Western Europe and North America account for about 87% of total industrial soap consumption (Figure 2).

Global soap and detergent consumption has grown by 29% in the five years to 2000. The primary engines (drivers) of this sales growth were Western Europe (+31%), Asia (+59%) and Latin America and the Caribbean (+41%). During the same period, the mature North America market expanded by just 14%, while the impact of economic recession has severely curtailed sales in Australasia and the Pacific Rim during the last couple of years. The Middle East and African regions are believed to have expanded sales by some 72% and 65% respectively during the period, from a low base.

**Overall it appears that emerging markets will be a key driver of growth in soap sales in the next five years.**

**Figure 2: Global soap consumption: Regional distribution (2000)**



Source: Datamonitor

In absolute terms, the US market continues to dominate the world stage, although the Japanese market has grown more strongly during the period under review. In Eastern Europe, the liberalization of economies such as the Czech Republic, Hungary and Poland have had the effect of accelerating the sales development,

while France continues to make a strong contribution to the European total. Sales of soap have received a strong impetus from recent economic developments in China where continued future expansion is anticipated. The Indian market also benefited significantly from the dramatic 1995 reduction of excise duty rates on soaps and detergents which effectively doubled the market in a single year.

**The global market for soaps is dominated by a small number of multinational companies with strong brand identity and enormous advertising budgets .**

There is cut-throat competition between these multinationals. The top global players include Unilever, Procter and Gamble, Colgate Palmolive and Johnson & Johnson. Important regional players include Beiersdorf in Europe, the Kao Corporation in Asia-Pacific, Paterson Zochonis in Africa and Nirma and Godrej in South Asia.

## **2.2 Markets in the developed world**

The world market for soaps and detergents has continued to experience steady growth since 1995 despite the maturity of the products, with retail sales rising from US\$68.4 billion in 1996 to US\$ 88.2 billion in 2000 (according to Mintel Keynote 2000). The market comprises soaps, fabric washing products, dishwashing products and household cleaning products. The greatest growth came from soaps with an increase of 21% over the same period. The market is characterized by growing maturity and fierce competition between major brands. Market expansion has been attributed mainly to new product developments, such as liquid soaps for handwashing and showers, supported by heavy media advertising and promotional activity by the major branded manufacturers.

The increasing trend toward added-value products has also boosted market value. To counter the growing threat from supermarket and chemists' own labels which have become increasingly sophisticated, leading manufacturers have stepped up their new product development programs with brand extensions and re-launches of core brands, focusing on added value and convenience - for example, liquid handwash soaps with antibacterial, moisturising and deodorising properties are offered in easy dispensing bottles.

Growing environmental concerns have also led to the development of eco-friendly products using natural ingredients which are also biodegradable, and the use of biodegradable packaging and refill packets. The industry is constantly researching products which maintain performance characteristics, but which reduce environmental impact. For example, phosphate-based products have been banned and there has been a move away from chlorine bleaches to non-chlorine products based on hydrogen peroxide and borax. The trend towards more natural ingredients has also accelerated in recent years.

In the toilet soap market, new product innovations such as liquid soaps, soap-free synthetic detergents and no-wash soaps have taken an increasing share of the market from traditional soap bars

The North American and European markets are likely to slow down during the next few years. This is due mainly to price competition among the major market players,

the growing maturity of products and consolidation of own-label brands by the big supermarkets like Wal-Mart of the USA and Tesco of the UK, both of which are rapidly expanding their operations in Eastern Europe.

### 2.3 The soap market in developing countries

The market for soap is growing much faster developing countries than in developed countries.

Wide and growing income differentials exist in developing countries and each segment of the population consumes the products it can afford while aspiring to a better product at a future date. This, together with the sheer increase in population, has been the driving engine for the soap industry.

**Figure 3: Developing World Income Pyramid (Annual Income at 1998-2000)**



Source: derived from UN Statistical Yearbook (2000)

[This graph needs redoing using income as the up axis and percent as the along axis.]

The highest income group (more than \$US 2250 per annum) showed an increase of between 10-20% in the decade 1990-2000. This is the group which consumes the most expensive or premium soaps. The premium soap products sold have sold well to the top 20% (Middle-Middle, Upper-Middle and Higher income segments), while the less expensive are used by the majority 80% of people (30% Lower Middle and 50% Lower income).

Multinationals have cut production costs by setting up production close to prime supplies of raw materials (for example, Paterson Zochonis have four factories in Nigeria.)

Consumers on the whole use far fewer types of soap product: a laundry bar, for example, may serve to wash clothes, surfaces and utensils as well as hands, from

time to time. Despite the introduction and increasing use of laundry powders and liquids in these markets since the early 1970s, washing with laundry bars, and to a lesser extent with detergent pastes is still common practice in many developing countries. The fabric washing market which was dominated for 20 years by fatty oil-based washing bars made in the organised industrial and cottage industry sectors still exists to a very large extent. The copious availability of palm oil in many tropical and sub-tropical countries continues to stimulate the industry's growth in these markets. Most people still use bar soap with brands such as Sunlight, Carbolic, Key-Soap, 501, Gossages etc. The bars are usually marked by grooves or lines into 12 or 10 pieces and the trader dispenses the pieces to the customer by cutting or breaking the bar at the groove. **It is impossible to estimate how much of this bar soap is actually used for handwashing.**

The annexes NX-Y give a more detailed breakdown of trends in developing and emerging markets in Latin-America, Asia, Africa and the Middle East, Central and Eastern Europe.

### 2.3.1 Latin America

There has been a 20% growth in the value of sales of bath and shower products in the past five years in Latin America. The story was patchy as Brazil expanded dramatically whilst other countries such as Mexico were hit by devaluation of their currencies. There was heavy investment in new product development product launches and advertising. Greater competition led to falling prices and increasing consumption as soap became more affordable. The major multinationals in Latin America are Unilever, Colgate Palmolive, Avon, Procter & Gamble and major local players are Natura Cosmetics, O'Boticario, Onadabel and Laboratorio NG Payot.

### 2.3.2 Asia

With the majority of the population living under the poverty line, low cost items such as bar soap form the dominant sector of the market. In terms of population size, there is huge market potential. As incomes increase, consumers trade up to more expensive types of soap. Unilever is the dominant player in the region, with competition from Japanese companies Shiseido, Kao and Lion. Procter and Gamble, Colgate Palmolive and Johnson & Johnson are also active in the region.

### 2.3.3 Africa and the Middle East

Unilever dominates the Anglophone market in Africa, and Paterson Zochonis (more usually known by its Cussons brand name) dominates the Francophone market. In West Africa, market penetration of soap is estimated at 98%, due to strong hygiene habits and a large raw material base. Production tends to be localised for economic reasons. Local soap manufacturing is strong in rural areas, with 10-15% of soap in local markets being made by local businesses, rather than multinationals.

In the Middle East, Unilever, Procter & Gamble, Colgate Palmolive, Shiseido, Kao Corporation, Lion and Johnson & Johnson are the key players.

### 2.3.4 Central and Eastern Europe

In 1999 total consumption of soap was estimated at US\$222.2 million. The potential market is estimated at about \$US663.8 million. Initially, as soap was imported from the West, response was enthusiastic, but this has slowed due to drastically reduced consumer spending power. However, demand is still high for some soap products, and remains unsatisfied, due to a lack of products on the market. The demand for soap is expected to decline as expenditure on bath and shower products increases.

## 2.4 Non-traditional market expansion strategies

A large part of the global rural market for soaps is not media reachable. In order to tap this huge market, the big players in the global market are using Direct Consumer Contact (DCC) strategies to create brand awareness, consolidate brand loyalty and thereby increase sales of their products. This is done in the form of sponsoring local drama and theatre groups, local artists, nurses and midwives to propagate hygiene behaviour change messages, but linked to the performance and other attributes of their products. These groups have been found to be effective opinion leaders and influencers of potential target adopters.

The key players also attempt to gain credibility in local markets and thereby build tacit endorsement for their products through the sponsorship of activities, conferences and campaigns, undertaken by local professional bodies. Most of such campaigns are those that create public awareness about health hazards associated with the non-use of the industry's products, for example toothpastes. They sponsor campaigns against the use or misuse of some of the soap industry's products that have been found by scientific and medical evidence to cause cancers, for example, the compound "hydroquinone") in skin bleaching soaps. The multinationals do this through funding of national professional health associations, church and women organizations, to attend national and overseas conferences and to undertake research projects.

The multinationals also collaborate with NGOs like UNICEF and WHO in various forms, such as funding health promotional messages produced by these organizations through the press or other news media within a country in which they operate. All these are part of non-aggressive corporate strategy to extend or consolidate their brand positioning in local markets. A major challenge facing the leading manufacturers in adopting this strategy is separating their communication objectives from their marketing objectives.

The main drivers for consumer perception alteration in most of the rural market for soap are direct consumer contact, television and the mobile cinema. The last medium has been used most successfully to politicise rural populations. It is effective in rural marketing as well, and its role in the PPP hand wash initiative must be given serious consideration.

## CHAPTER 3: SOAP PRODUCTION AND PROMOTION IN THE GLOBAL MARKET

### 3.1 Nature of the global Industry

The global soap market is dominated by a small number of multinational companies. Soap is only one sector of their product ranges. In multinational companies such as Unilever and Procter & Gamble, soap and detergent ranges typically account for less than 20% of group turnover (in 1999).

Major costs such as research and development, and advertising can be spread across the whole company structure. In the developed world, these multinationals face competition from the major supermarkets who are increasingly introducing own-brand products. In the developing world, the competition to the multinationals comes from local companies, and from small, artisanal producers, who sell in markets or house to house. The largest toilet soaps and detergents only company, by volume sales, is the Unilever Group, which has strong presence in all regional markets in the world. The top ten leading manufacturers and distributors of soap worldwide account for more than 55% of total sales by value in 1999, totalling in excess of US\$80 billion.

Table 3 below lists the top 20 companies dominating the global toiletries and cosmetics industry. In terms of value sales, recent acquisitions have slightly altered the positions among the top 10 leading players.

**Table 3: The top 20 global players in the soaps and toiletries market**

Position	Company	% Value of World
1	Unilever	10.07
2	Procter & Gamble	7.41
3	Gillette Group	7.66
4	Colgate Palmolive	4.5
5	Johnson & Johnson	4.45
6	Shiseido	4.32
7	Estee Lauder	4.21
8	Revlon	3.42
9	Wella	2.27
10	Henkel	2.27
11	Kanebo	2.13
12	LVMH	1.94
13	Avon Products	1.91
14	Kao	1.88
15	Reckitt-Benckiser	1.88
16	Beiersdorf	1.56
17	Amway	1.55
18	Mary Kay	1.54
19	Coty	1.49
20	Lion	1.07

Source: Euromonitor, 2000

### 3.2 Promotion and branding

The top soap manufacturers have huge advertising budgets at their command. Unilever is the number 1 spender on advertising globally. Table 4 below gives an indication of the size of the advertising budgets available to some of the top multinationals and their subsidiaries.

**Table 4: Advertising spend in 2000**

Multinational company	Global advertising spend (\$US)	Advertising spend outside USA (\$US)	Position in world for advertising spend
Unilever	3.7 bn	3.1 bn	1
Procter & Gamble	4.7 bn	3 bn	2
Colgate Palmolive	725m	591m	21
Gillette	408m	243m	49
<i>Subsidiary company</i>	<i>Total spend</i>		<i>Position in country</i>
Hindustan Lever (subsidiary of Unilever)	241m		1
Procter & Gamble (India) (subsidiary of Procter & Gamble)	38.6m		2

Source: Adbrands.net ([www.mind-advertising.com](http://www.mind-advertising.com) 23 Jan 02)

Multinational companies advertise on television, radio, the internet, in print, posters, direct mail, and through sponsorship and public relations campaigns. In 2001 Unilever doubled its spending on on-line advertising. ([http://www.unilever.com/br/co\\_ga.html](http://www.unilever.com/br/co_ga.html))

The major players in the international market control the major brands in their respective market sectors, and have the financial and marketing muscle to combat the ever-increasing threat of competition. These manufacturers tend to house families of products, not necessarily in the same sector, under a general brand identity. For example, Colgate Palmolive produce bar soap, liquid soap, shower gel, and shampoo, all under the brand name: Palmolive, for the African/Middle Eastern market. For the Asian market, the brand is extended to include Palmolive Botanicals, Palmolive Naturals and Palmolive Optima. This is done to maximize the impact of advertising and promotion activity, as well as to promote brand loyalty. Generally, the big firms operate strong individual brand identities for their core products. This behaviour is best seen in the toilet soap sector, illustrated by Table 5 below. These three companies have the largest number of brands in the top 100 ranking.

**Table 6: Key players: brand ownership in top 50 brands**

<b>Name of Company</b>	<b>Brands in the top 50</b>	<b>Brand and position</b>
Unilever	12	Lux (10), Rexona (25), Dove (25), Ponds (16), Lifebuoy (44)
Procter & Gamble	8	Crest (20) Camay (50)
Colgate - Palmolive	3	Palmolive (18)

Source: Market Assessment Publications, 1999

Rationalization is taking place among large players as a strategy in terms of the brand portfolios. This means concentration on a small number of key brands and dropping non-performing brands. Such streamlining allows the manufacturers in general to improve margins by lowering costs for sourcing manufacturing and distribution. Creating a strong brand name through advertising is a primary strategy used by most companies in the industry. They then diversify the brand into another sector or sectors, thereby benefiting from the brand's consumer image.

Despite the increasing number of brands and products on the global market, established brands from the key global players such as Unilever, Johnson & Johnson, Colgate-Palmolive etc. are proving difficult to displace. Though these manufacturers' brands are more expensive than national brands and privately labelled products, consumers seem to prefer familiar trusted brands.

Brief case studies of three of the major multinational companies can be found in Appendix 3.

### **3.3 Corporate focus: soaps and detergents**

In most European, North American and in the Japanese markets, personal care products such as soaps are in the mature stage of the product life cycle, with the result that brands can grow only by capturing sales from competing brands, resulting in a spiral of high marketing costs. The major soap companies and indeed all the multinationals have realised that the soap markets in the developing world are at the growth stages of the product life cycle. The evolution of soap marketing strategies in the emerging markets have been facilitated by a number of factors, most of them exogenous to the soap producers. These include:

- The emergence of more discriminating educated and aware consumers.
- Innovative research and development for new raw materials and finished products.
- Growth of supermarkets and retail outlets.

- Growth of the media, especially TV
- Improvements and increases in transportation and communication networks including mobile phones and the internet.
- High speed packaging machines and attractive packaging materials.
- State of the art technology to enhance productivity and reduce cost.
- Choice of talented advertising and market research agencies. (Reckitt-Benckiser Annual Review 2000)
- Liberalisation of markets and growth in free trade.

Soap manufacturers start their marketing strategy by first identifying whether a marketing opportunity exists. They proceed to determine whether to target the mass market or a niche market, and subsequently position their products. Very often, “me-too” looking products, despite their superior performance, fail to break the barrier of routine buyer behaviour. Where the market is crowded, companies try to differentiate their products by new forms or new packaging concepts.

With the increase in both domestic and global competition, companies are having to deal with and reconcile two conflicting elements in marketing strategy – namely profitability and market share. Greater market share involves higher marketing costs and lower profitability. In India, Hindustan Lever's share of the soap and detergent market was dented severely by the Nirma (an Indian national, privately owned company) strategy of developing a product especially for the poor, until Lever managed to develop its own product.

### **3.4 Growth and expansion strategies**

#### **3.4.1 Market segmentation**

Most multinationals are active in almost all the regions profiled in this report. Their global reach has been facilitated in part by the increasingly open economic policies that were being implemented by developing countries such as India and China during the 1990s. Corporate market expansion strategy by the multinational organizations has involved increased market segmentation to create a wide range of products especially in the toilet and laundry soap categories. The main developments during the 1990s has thus been the growth of task specific products. The market for bath products in particular, has shifted toward body cleansing, as well as moisturising, as brands become more specialised. Traditional soaps are fighting back with a move toward nostalgia, and seem to be attracting consumers back to the products they know best.

#### **3.4.3 Mergers and acquisitions**

Production of soaps for distribution on the international market takes place as near to national markets as possible. The distance of many of the emerging markets from major industrial nations, and the sheer bulk of the bar soap and liquid soaps combine to make import uneconomical in most instances.

While domestic manufacturers traditionally tend to concentrate in their countries of origin, they are increasingly seeking to increase revenues by venturing into

neighbouring countries. This situation is most common in Asia and Latin America. The main strategy used by companies wishing to enter other markets is a series of mergers and acquisitions. In addition, they acquire manufacturing facilities and set up distribution agreements with local companies.

With the exception of East and Central Europe, most soap and other toiletry markets are becoming increasingly foreign. In Latin America, Brazil stands out as an exception to this trend, having a high presence of domestic companies. In Asia, domestic manufacturers such as Nirma and Godrej are gradually increasing their domestic market share, particularly at the lower end of their markets.

The acquisition of regional players represents a clear means of establishing or strengthening a position in a region. Acquisition is also being used as a means of balancing the geography of a portfolio where a large player is weak in a particular country. This seems to have been a major factor in Unilever's acquisition of Helen Curtis.

The alternative to acquisition or creation of a manufacturing operation in the target country, is to set up a licensing agreement with a local manufacturer.

### **3.5 How local companies are responding to multinational strategies**

Many national soap manufacturers are matching the big player's expansion strategies by expanding into **niche markets** where brand loyalties are yet to form. They are becoming successful by quickly identifying and meeting consumer needs, and by offering more competitively priced products than the multinationals. Another strategy involves offering products at low retail prices and with small value shares in several sectors without occupying leading positions in any of them.

While new product development will be important in the strategy of niche players, it is unlikely that it will be as innovative as that achieved by the global players. This is because investment funds are not readily available in the same way, and new product development will therefore tend to take the form of brand and line extensions. Nonetheless, many local manufacturers are identifying and exploiting pockets of innovation in niche markets especially, where global players do not have dominant positions. In any case, the findings of this research indicate that many sectors of the global market for soap are not yet saturated. It is believed that additional sales growth can be generated by targeting specific consumer groups, for example, consumers in provincial and rural regions, health conscious consumers, mothers, children and teenagers.

## **CHAPTER 4 THE PPP HAND WASH INITIATIVE**

### **4.1 Motivation to participate in the PPP**

All of the ten multinational soap manufacturers and several small-scale soap manufacturers contacted during this research were willing to participate in the PPP initiative. Most respondents indicated their continuous search for knowledge about consumer attitudes and behaviour in relation to their products. Although they themselves commission research into various aspects of the market for their products, they strongly believe that the consumer surveys being undertaken for the PPP Initiative through scientific institutions like the London School of Hygiene & Tropical Medicine may shed light on some areas of consumer behaviour that could be of interest to them, and which they might otherwise have to obtain through less cost-effective means.

Some manufacturers disclosed that they usually employ external advertising companies to craft and implement their consumer communications strategies on their behalf. They realize that even though the material and messages produced are their legal property, the process, experience and knowledge gained remain largely with the hired organization, which has other clients, including competitors. They believe the PPP could enable them to share in the knowledge and process of developing and altering communication on a continuing basis. If the PPP initiative increased awareness of the need for personal hygiene, that would change not only hand washing behaviour, but would also lead to more frequent body washing and other good personal hygiene practices, expanding sales and increasing profit for manufacturers.

Some soap makers are pleased to contribute their knowledge and motivation to design and develop soap specifically for hand washing. They believe that the initiative could trigger or hasten any existing efforts to produce novel products in the category. For example, they believe the consumer surveys could identify whether consumers prefer to smell soap on their hands at certain times, or whether the taste of soap from their hands at meal times puts them off the food. Such knowledge, they claim, could have interesting implications for reformulation and fragrance of soaps for particular uses.

A number of the key manufacturers indicated their interest in the PPP initiative not because they believe in the existence of "a huge unmet demand or market for hand washing with soap," but they do believe that a great potential exists for changing consumer hygiene behaviour, and that this change can have interesting implications for their industry. By supporting an initiative to reduce child morbidity, the manufacturers can improve their corporate image, and show themselves to be corporate good citizens.

All the potential private sector partners contacted regard the PPP as a strong opportunity or platform for negotiating fair local operating environments with their host governments. They believe that the participation of international

NGOs like the World Bank, UNICEF, etc in the partnership, will be a neutralizing factor or fair deal broker in negotiations with the public sector.

### **4.3 Threats**

Without exception, all the major players and other manufacturers in the industry list the following issues as threats to the uninhibited growth of the industry:

- High government custom duties on essential imported raw materials;
- High production excise taxes which in some cases are higher than the import duty on raw materials;
- High local energy costs including electricity and fuel;
- Increasing cost of policing their products against local artisanal soap producers. This takes the form of increasing research and development, as well as advertising and promotional expenditure to differentiate their products in the mass or lower market segment from local ones;
- Loopholes in government customs machinery have led to the influx of grey imports, i.e. unofficially imported products in the local market. In addition, official relaxation of trade barriers in all regional markets has increased the entry of imported soap into most regional markets that were fairly stagnant in terms of new product development and launches. Competition has intensified significantly over the last five years and has resulted in heavy corporate investment in a wider range of technologically advanced products and new product development in general. This coincides with the emergence of a more sophisticated consumer base, much greater segmentation in markets, and increased demand for value-added products.

Small and tiny scale players in the global market are also well-placed to benefit from sharing in intelligence about handwashing from the PPP activities.

It appears that the soap market is likely to be buoyant in developing countries in the foreseeable future. Any initiative that can both meet a public health need and stimulate the market for soaps is likely to be welcome on all sides.

## Appendix 1: Population Statistics

**Table 6: Regional trends in population growth 1995 – 1999 ('000s)**

Country/ Region	1995	1999
East/ South East Asia	1,335,130	1,389,929
South Asia	115,520	1,258,043
Africa	612,060	676,770
Latin America	457,104	486,139
Western Europe	439,326	449,120
Eastern Europe	350,981	349,324
North America	283,450	295,670
Middle East	254,950	276,857
Japan	124,320	125,635
Australia/ Pacific Rim	26,890	28,330

Source: UN Statistical Year Book (2000)

**Table 7: Major markets: trends in population growth 1995-1999 (000's)**

Brazil	154,100	156,600	159,300	161,800	164,308
Russia	148,400	148,520	148,622	148,825	148,961
Japan	124,320	124,670	124,960	125,359	125,635
Mexico	88,200	90,000	91,900	93,700	95,368
Germany	80,975	81,187	81,410	81,700	82,000
UK	57,850	58,191	58,395	58,576	58,757
France	57,372	57,760	57,903	58,143	58,389
Italy	56,860	57,070	57,193	57,316	57,377
South Africa	38,780	39,660	40,440	41,240	42,135
Spain	39,010	39,083	39,175	39,190	39,255
Canada	28,430	28,940	29,250	29,610	29,918
Taiwan	20,600	20,800	21,000	21,200	21,300
Saudi Arabia	16,820	17,120	17,450	18,134	18,678
Australia	17,490	17,660	17,840	18,048	18,268
Netherlands	15,184	15,290	15,382	15,450	15,519
Belgium	10,050	10,080	10,116	10,235	10,147
Austria	7,880	7,990	8,030	8,060	8,080
Switzerland	6,880	6,940	6,990	7,040	7,082
Denmark	5,170	5,189	5,200	5,230	5,265
<b>TOTAL</b>	<b>1,229,391</b>	<b>1,240,870</b>	<b>1,246,066</b>	<b>1,257,060</b>	<b>1,268,929</b>

Source: Official statistics

**Table 8: Emerging markets: trends in population growth 1995 – 1999**

China	1,171,700	1,185,200	1,199,400	1,210,100	1,227,549
India	867,820	883,910	910,000	931,044	940,743
Indonesia	186,040	189,140	192,220	195,276	198,218
Philippines	64,259	65,649	67,180	68,858	69,768
Thailand	57,760	58,625	59,400	60,110	60,831
South Korea	43,660	44,055	44,500	45,100	45,283
Poland	38,360	38,549	38,540	38,615	38,710
Columbia	33,400	34,000	34,700	35,101	35,623
Argentina	33,100	33,500	33,900	34,300	35,000
Peru	22,454	22,900	23,400	23,900	24,240
Romania	22,789	22,755	22,732	22,690	22,630
Venezuela	20,250	20,600	21,000	21,483	22,075
Malaysia	18,790	19,060	19,200	19,335	20,092
Chile	13,600	13,813	13,990	13,237	14,414
Ecuador	10,700	11,000	11,220	11,464	11,686
Czech Republic	10,318	10,328	10,333	10,431	10,349
Hungary	10,310	10,277	10,245	10,218	10,203
Bulgaria	8,487	8,460	8,455	8,378	8,256
Hong Kong	5,800	5,919	6,010	6,100	6,322
Slovak Republic	5,300	5,320	5,365	5,385	5,393
Singapore	2,810	2,860	2,920	2,985	3,015

Source: Official statistics

**Table 9: Global soap sales by region**  
(US\$ million at current rsp)

<b>Regions</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Asia	18494	19432	21514	24087	29480
Western Europe	20937	25556	27220	29554	27385
North America	17014	17550	18149	18787	1939
Latin America & Caribbean	3300	3372	3694	4233	4643
Middle East	1540	1757	2107	2345	2546
Eastern & Central Europe	5125	6922	13824	1085	1887
Africa	1071	12271	1414	1610	1764
Australasia	921	947	1012	1004	969
Pacific Rim					
<b>Total</b>	<b>68403</b>	<b>76762</b>	<b>8837</b>	<b>82694</b>	<b>88214</b>

## Appendix 2: Emerging markets and their key players, by region

### 1. Latin America

#### *Market size*

The bath and shower sector of the Latin American market was worth US\$1,831.3 million in 1999, an increase of 23% from 1995. Showers play a central role in personal daily routine in all countries profiled. Great emphasis is placed on personal hygiene, with some Latin Americans taking as many as three showers a day, particularly in very hot weather.

While penetration of bath and shower products in the region was traditionally fairly high, a key trend was the greater demand for added value products. This was fuelled by heavier investment in new product development, product launches, and support by greater promotional activity and advertising expenditure. Furthermore, with greater competition in the sector, prices became more affordable to a larger consumer base. The availability of more brands and products through mass distribution outlets partly explains the growth of added value products such as liquid soaps, or products which, in addition to being cleansers, also contain moisturising ingredients, scents, natural and herbal ingredients, glycerine etc.

**Table 10: Bath and shower products - value sales by emerging markets 1995-1999 in Latin America**

Country	1995	1996	1997	1998	1999
Argentina	218.6	223.2	229.3	227.7	229.5
Brazil	710.4	841.4	945.7	973.5	995.5
Chile	95.7	110.7	119.0	135.6	145.4
Columbia	94.6	97.6	99.9	102.6	103.3
Mexico	153.6	117.8	101.2	114.5	122.0
Venezuela	67.0	67.4	67.3	69.4	70.3
Others	157.7	156.8	154.4	160.8	165.4
<b>Total</b>	<b>1, 497.4</b>	<b>1, 614.9</b>	<b>1, 716.9</b>	<b>1, 783.7</b>	<b>1, 831.3</b>

Source : Reuters

Brazil once dominated the demand for these products, accounting for 54.4% of value sales in 1999. Argentina was second, contributing 12.5% of the bath and shower product sales in 1999. Despite the significantly smaller size of the Argentine population, the country's market share - the highest in the region - illustrates its maturity and the sophistication of the country's consumers.

Columbia and Venezuela held the smallest shares of the bath and shower products sector through the review period. In 1999, sales value of the bath and shower sector in both countries was US\$103.3 million and US\$70.3 million respectively. This illustrates the relative under-development of the sector in these countries, demonstrating a greater demand for basic alternatives to the more sophisticated products, in line with consumers' comparatively low purchasing power.

Most countries in the region saw market shares in the sector contract over the period. Brazil and Chile represent the exception to that trend with increases in shares between 1995 and 1999. This was due to having enjoyed comparatively huge levels of investment in terms of retail distribution of a wider range of bath and soap products.

Chile and Brazil emerge as the fastest growing markets for shower and bath products in Latin America, recording growth indices of 144.4 and 136.0 respectively between 1996 and 1999 (see Table 11). Once again, Mexico registered a sales decline over the period contributing an index of 82.4 over sales in 1998. This was because of the disruption in the market economy caused by the peso devaluation. The crisis resulted in Mexicans trading down or reducing their consumption of the sector's products during the period.

**Table 11: Value Sales of Bath and Shower Products by Country Indexed Growth (1995-1999) 1995=100**

Country	1995	1996	1997	1998	1999
Argentina	100.0	102.1	104.8	104.1	104.9
Brazil	100.0	118.4	130.8	133.8	136.0
Chile	100.0	115.7	123.3	137.2	144.4
Columbia	100.0	103.2	105.5	107.8	108.9
Mexico	100.0	6.8	62.8	75.9	82.4
Venezuela	100.0	100.6	100.4	103.5	104.8
Others	100.0	99.4	97.9	102.0	104.9
<b>Total</b>	<b>100.00</b>	<b>107.9</b>	<b>114.2</b>	<b>118.1</b>	<b>120.7</b>

Source: Reuters

The sales increases demonstrated by Venezuela and Argentina were very similar, differing by just 0.1 percentage points. There were different reasons for this, however. In Venezuela the economic recession was the cause of the limited sector growth, whereas contraction in consumer purchasing power was the cause in Argentina.

### *Key trends in the Latin American market*

The strong performance of shower products and bar soaps resulted largely from the quickening pace of daily life, particularly in urban areas, as more showers than baths were put into new housing.. Conversely bath additives and liquid soaps were perceived as expensive and superficial items, and their role in the sector diminished.

Chile recorded the highest per capita expenditure on bath and shower products in 1999. This was significantly above the rest of the countries profiled, at US\$ 97.9 million spent per annum by Chilean consumers that year. Mexicans by contrast, spent least on bath and shower products in Latin America at US\$12.7m on average per annum in 1998. Argentina and Brazil emerged as the second and third heaviest spenders on bath and shower products after Chile. The per capita expenditure on these items was US\$ 6.35 and US\$ 5.92 respectively.

**Table 12: Value sale of bath and shower products per capita by country**  
US\$ Current rsp,

Country	1995	1996	1997	1998	1999
Argentina	6.37	6.42	6.51	6.38	6.35
Brazil	4.47	5.21	5.78	5.87	5.2
Chile	6.84	7.79	8.26	9.27	9.79
Columbia	2.70	2.73	2.74	2.75	2.74
Mexico	1.72	1.24	1.04	1.22	1.27
Venezuela	3.15	3.09	3.02	3.06	3.04
Total	4.24	4.50	4.70	4.82	4.87

**Sources:** Reuters

### *Major players in the market*

The market for soap and detergents in Latin America has strong foreign penetration. It is dominated by large multinational companies, and these account for the majority of the regional sales. Furthermore the multinationals are involved in almost all sectors of the market.

**Table 13: The market share of major players in North and South America**

<b>North America</b>	<b>% Value</b>	<b>South America</b>	<b>% Value</b>
1) Procter & Gamble	14.5	1) Unilever	18.9
2) Unilever	8.8	2) Colgate Palmolive	12.7
3) Revlon	5.4	3) Revlon	5.0
4) Estee Lauder	4.5	4) Avon	4.5
5) Gillette	4.5	5) Procter & Gamble	3.3
6) Bristol-Myers Squibb	3.8	6) Gillette	3.6
7) Colgate Palmolive	3.2	7) Johnson & Johnson	2.3
8) Johnson & Johnson	1.9	8) Natura	2.2
9) Wanner Lambert	1.9	9) Wella	1.9
10) Beiersdorf	1.8	10) Beiersdorf	1.6

Source: Euromonitor (2000)

The major multinationals operating in the market are Unilever, Colgate Palmolive, Avon, Gillette, Procter & Gamble, Revlon, Wella AG, Johnson & Johnson, and Beiersdorf AG. With the involvement of such a large number of companies, the market is highly competitive and fragmented. This fragmentation is partly explained by strong brand loyalty, a variety of personal care needs in consumers and demand for products at a wide range of price points. Domestic companies, other than subsidiaries of multinationals, are strong mainly in Brazil and Chile. Among the leading local players are:

Natura Cosméticos Ltda  
 O’Boticario  
 Laboratório Dr NG Payot do Brasil SA  
 Laboratórios City  
 Ondabel SA  
 Laboratórios Cosméticos Diamasa.

## **2. Asia**

**Basic products like bar soaps remain dominant in Asia, as the bulk of consumers in most markets earn low incomes and only buy low cost items.**

However, this situation showed signs of change over the last three years with bar soap increasing in value share from 68.2% to 72.1%. This was due to consumers at the lower end of the market trading up to more expensive types of soaps as their average incomes increased. Liquid soaps became increasingly popular until the 1997 economic crisis caused consumers to economize. The popularity of liquid soaps and shower gels is due to their hygienic packaging which makes them popular to use because, unlike bar soaps, it cannot be shared by members of the family for body cleansing.

The regional market presents tremendous opportunities to the soap manufacturer in terms of the size of the formed population. With India’s population officially

exceeding one billion at the end of the last century and China's over 1.5 billion, the majority of them living under the poverty line, appropriate marketing strategies are needed to turn this region into an area of advantage for the industry.

Unilever is the most dominant player in the region with Japanese companies, Shiseido, Kao and Lion very prominent as well. Procter and Gamble, Colgate Palmolive and Johnson & Johnson are also active in the market but to a lesser degree.

**Table 14: The market share of major players in Asia-Pacific and South Asia**

<b>Asia-Pacific</b>	<b>% Value</b>	<b>South Asia</b>	<b>% Value</b>
1) Shiseido	9.9	1) Unilever	45.0
2) Unilever	6.5	2) Colgate Palmolive	7.4
3) Kao Corporation	5.8	3) Nirma	3.3
4) Procter & Gamble	5.4	4) Godrej Soap	3.2
5) Kanebo	4.4	5) Revlon	2.9
6) Colgate Palmolive	3.3	6) Procter & Gamble	2.8
7) Lion	2.2	7) Reckitt-Benckiser	2.5
8) Kobayashi Kose Cosmetics	2.7	8) Fern Care Pharma.	2.3
9) Johnson & Johnson	1.9	9) Johnson & Johnson	2.0
10) Pola Cosmetics	1.8	10) Kanebo	1.8

Source: Euromonitor (2000)

### **3. Africa and the Middle East**

Statistical data on soap sales and consumption in this region is not easily available. Market dominance by firms in the region seems to follow past colonial trading relationships. While markets in French-speaking Africa are dominated by Paterson Zochonis, Anglophone markets are dominated by Lever Brothers (Unilever) which controls an estimated 75% of the market.

Market penetration of soap is estimated to be over 98% in the western part of Africa. A combination of strong traditional hygiene habits, where most adults in the region bathe twice a day and change their clothes daily, and the availability of a large raw material base is known to have contributed to the high volume of soap use in the region. Palm oil, the major raw material, and palm kernel oil have been produced for many years in West Africa. Other raw materials produced in the region, such as cocoa pods, are known to be used in traditional soap making. For the reason of economies of large scale production, the multinationals operating in the region have localized their production facilities in one or two countries from where they serve the rest of the African market. Other multinationals operating in Africa include Procter & Gamble which supplies the continent's markets from its South Africa plants. Key Soap is the most popular bar for laundry. Lux, Rexona and Geisha, are the premium brands of toilet soap most available on the market. Sunlight, Guardian and carbolic soap are most common in the mass market segment.

The categorisation of soap into toilet and laundry soap in Africa seems to be only a matter of convenience as most consumers use laundry bars and body soaps interchangeably. Local soap manufacturing seems to be pervasive especially in the rural areas. Unilever estimates that between 10-15% of the soap sold in most African markets are made by businesses other than the multinationals. With high presence of soaps in many markets in the region, the market's, and for that matter the PPP initiative's major task will be how to change consumer habits to induce more frequent use of soap for handwashing.

The key players in the Middle East markets are Unilever, Procter & Gamble, Colgate Palmolive, Shiseido, Kao Corporation, Lion and Johnson & Johnson. The Indian manufacturer, Godrej seems to be making small in-roads into the market with its mid-range priced Cinthol brand.

**Table 15: The market share of major players in the Middle East and Africa**

<b>Middle East</b>	<b>% value</b>	<b>Africa</b>	<b>% value</b>
1) Unilever	9.4	1) Unilever	15.3
2) Procter & Gamble	8.1	2) Colgate Palmolive	6.8
3) Johnson & Johnson	6.4	3) Revlon	6.5
4) Colgate Palmolive	3.5	4) Gillette	4.5
5) Beiersdorf	3.3	5) Yardley of London	4.2
6) Wella	3.2	6) Johnson & Johnson	3.1
7) Schwarzkof & Henkel	3.1	7) Paterson Zochonis	2.7
8) LVHM	2.8	8) Warner Lambert	2.4
9) Agis Industries	2.5	9) Reckitt-Benckiser	2.3
10) Shiseido	1.9	10) Estee Lauder	1.6

Source: Euromonitor (2000)

#### **4. Central and Eastern Europe**

This section provides basic structural information on the soap market in the countries above constituting the central and eastern European Region

Countries profiled:

- Bulgaria
- Czech Republic
- Hungary
- Poland
- Romania
- Slovakia

##### *Current consumption and potential market*

The total consumption of soap in Central and Eastern Europe in 1999 was estimated at US\$222.2 million and accounted for almost 50% of the total market for cosmetics

and toiletries. The potential market for soaps in this region is estimated to be around US\$663.8 million. Multinationals operating in the market report rates of growth in demand as high as 25% annually for soap products in the Visegrad countries (Czech Republic, Hungary, Poland and Slovakia). The rapid growth of imports of soap into the region from the West initially met with an enthusiastic response from consumers who were hungry for world-famous products. Initial enthusiasm has since been dampened by the drastically reduced consumer spending power resulting from market reforms. However, growth in the consumption for some soap products indicate that demand is still high and remains unsatisfied because of a lack of products on the market.

The proportion of total expenditure on soap in this sector is expected to decline from over 60% from the 1999 levels to around 36% in the next 3 years, as expenditure on other bath and shower products increases.

**Table 16: The market share of major players in Western and Eastern Europe**

<b>Western Europe</b>	<b>% value</b>	<b>Eastern Europe</b>	<b>% value</b>
1) Unilever	7.8	1) Procter & Gamble	8.5
2) Procter & Gamble	7.3	2) Colgate Palmolive	5.5
3) Beiersdorf	6.5	3) Unilever	5.1
4) Schwarzkopf & Henkel	4.3	4) Schwarzkopf & Henkel	3.8
5) Gillette	3.8	5) Beierdorf	3.5
6) Colgate Palmolive	2.1	6) Svoboda	3.0
7) Johnson & Johnson	2.9	7) Revlon	2.9
8) Reckitt-Benckiser	2.7	8) Johnson & Johnson	2.8
9) Wella	1.9	9) Gillette	2.8
10) Revlon	1.9	10) Reckitt-Benckiser	1.5

Source: Euromonitor (2000)



## Appendix 3: Corporate Profiles

### Procter & Gamble

Country of origin and base: USA

Procter & Gamble (P&G) is one of the most diversified consumer goods businesses in the world. Since 1985 the company has embarked on a programme of rapid expansion through a series of acquisitions to establish itself in a number of new cosmetics and toiletries markets. The company claims to be the world leader in the shampoo, laundry products and feminine protection markets. It created the very successful concept of "soap opera" by sponsoring radio and television dramas targeting women.

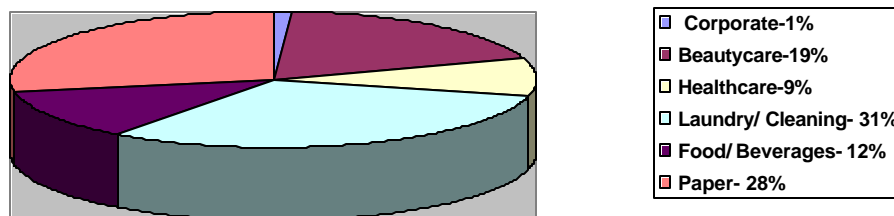
#### **Operating Structure**

In July 1995 P&G changed its organizational structure to move away from its previous focus on two regions (the USA & international) to four (North America, Europe, Middle East & Africa; Latin America & Asia). The aim of this operating change is to leverage global technologies and local strengths and to reapply them around the world.

The company divides its business into six segments:-

- Laundry & Cleaning (the largest, accounting for over 30% of turnover in 2000)
- Food & Beverages
- Healthcare
- Beauty care (including skin care, hair care, deodorants, cosmetics)
- Corporate

**Figure 5: P&G turnover by product category 1999**



Source: Company Accounts

#### **Corporate Strategy**

Procter & Gamble's stated strategy is to build consumer loyalty to its brands throughout the world with superior products at competitive prices. This requires continual innovation, and frequent price reductions. This has been achieved by eliminating inefficient promotion costs and reducing list prices. The company is starting to concentrate on building cost-effective global brands by minimizing minor regional variations. It has also pursued a policy of introducing economy-priced brands in markets where consumer purchasing power is most restricted. For

example, in India the company introduced **Camay Popular**, an economy priced version of the standard Camay bar soap. in partnership with Godrej, a national Indian company, although this has not been successful, due to the collapse of the arrangement with Godrej.

### ***Leading brands***

Camay, Zest, Monsavon (bath and shower), Ariel, Tide, (laundry and dishwashing) Charmin, Always and Pampers (tissue, feminine protection and disposable nappy markets), Sunny Delight, Pringles and Crisco (food market), Crest and Vicks (healthcare), Oil of Ulay (skincare)

### ***Future strategy***

Procter & Gamble's aim is pursue its strategy of developing strong brands at the best possible price in as broad geographic spread as possible. The company's recent reorganization and other activities indicate that it will continue to look for strong positioning in each market in which it operates, but this will require significant investment during the next few years.

## **Unilever**

Countries of origin and bases:                      UK/ Netherlands

Unilever, the Anglo-Dutch consumer goods company is among the world's largest soap manufacturers. It is unusual in its structure, which involves two parent companies; Unilever NV and Unilever PLC. This structure relates back to the 1930s merger of the Lever Soap company with the Dutch edible (oil) fats company NV Margarine Unie.

Unilever started its involvement in the soap market with the manufacturers of Pearls toilet soap, a major force in the soap industry. Since the mid 1980s Unilever has further developed strong position in the soap sector through acquisition of various established brand names. Unilever has been building its soap (skincare) activities in the developing regions through acquisition. In Eastern Europe, it acquired PTZ, the Czech state-owned producer of toilet soaps and skincare products in 1992. In 1995 the Singapore based Hazeline company was acquired from Glaxo for US\$150 million. This has strengthened Unilever's skincare position in China and South East Asia.

### ***Operating structure***

Unilever has operations in more than 90 countries which provide it with a presence in every continent. Apart from direct presence, Unilever's brands are on sale in a further 90 countries through import arrangements and agreements with local companies. Europe accounted for over half of the company's turnover and operating profit in 2000. When sales from European markets and North America are combined, they account for 2/3 of global turnover

The business coordinates its activities through divisions, These are (i) foods (which accounts for 50% of Group turnover in 2000) (ii) detergents, (iii) personal products,

including soap (accounting for 14% of Group turnover in 2000) (iv) speciality chemicals (v) other products

### **Corporate strategy**

The broad ranging interests of Unilever are underpinned by a strong corporate strategy which focuses on the core activities and brands.

The company has pursued a selective acquisition and disposal strategy with net expenditures on disposals and acquisitions amounting to over US\$ 1billion in 1999. The company is also involved in Joint Ventures (JV) where this method is proved to be the most effective means of entering a new market For example, in Vietnam the company operates through two JV agreements. Unilever also seeks to expand through organic market development where appropriate.

The key to the company's strategy is the importance of product innovation. A world wide network of innovation centres is in place which allows rapid transfer of ideas and the identification of tailoring required for local or regional markets. While the company enjoys the benefit of owning a number of global brands, its strategy emphasises the importance of local requirements. The company is keen to position itself as the "Multi-local Multinational"

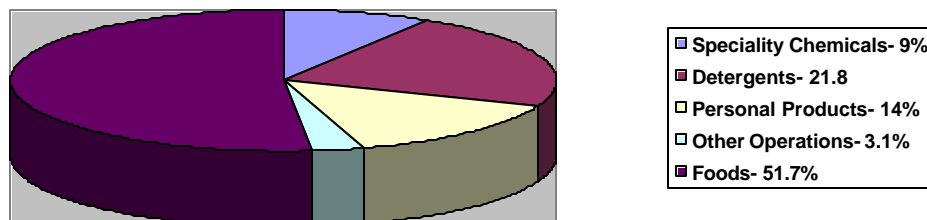
### **Leading brands**

Unilever has significant involvement in the global soap market through a portfolio of strong consumer brands marketed primarily through selective mass outlets. In the detergent market, the most established brand is Omo in the fabric detergent sector. Omo is sold in over 50 countries with a wide number of formulations to reflect local washing preferences. Its Lux, Rexon, Dove, Ponds and Lifebuoy brands are present in virtually every market around the world. Other leading brands include Hellmans', Liptons, Knorr and Ponds.

### **Future strategy**

Unilever is likely to continue to strengthen its presence in and further develop its soaps and bath /shower product lines. The company will continue to use the Dove and Lux brands to expand into new skincare related categories. These brands have strong consumer loyalty which will allow the brands to cross sector barriers with relative ease.

**Figure 6: Unilever Sales By Product Category - 1999**



## **Paterson Zochonis**

Started business in Sierra Leone, West Africa 1884  
Company based: Stockport, UK

Methods of expansion: acquisition and organic

Strategy: to further improve profitability and take advantage of opportunities for growth, both organic and by acquisition. To continue developing key brands, and introducing new products.

Subsidiaries have manufacturing facilities, for example:

- PZ Industries plc, Nigeria (5,200 employees): manufactures and markets soap, cosmetics, pharmaceuticals, packaging, freezers, airconditioners and refrigerators to African market. It has four factories in Nigeria. PZ, which sees Nigeria as a key developing market, is assisting its subsidiary to develop its locally manufactured brand ranges, including soap.
- Paterson Zochonis Ghana Ltd (700+ employees) has traded in Ghana since 1934, establishing its industrial base in 1969.
- Cussons, Kenya (500+ employees) manufactures and markets soap, cosmetics, medicaments and household products for Kenya and East Africa and Mauritius.
- SIPCA SA Cameroon (100 employees) was originally a French company that was acquired by PZ in 1984. It manufactures and markets toiletries for Cameroon.

Business acquired: 1975 bought Cussons (UK soap manufacturers)

Best known brands: Imperial Leather, Carex, Pearl soap

## **Nirma Ltd**

Nirma is a private family firm, which dominates the Indian rural market. Largest national detergent maker and second largest selling soap manufacturer. Success due to undercutting multinational rivals eg. Surf. Production facilities at 6 places in India. It was able to cut costs with a model focused on the poor. Using a lower fat-to-water ratio and indigenous oils in the formulation of the soap, the company was able to cut production costs dramatically, and produce a more environmentally sound product. It produces a range of industrial chemical products which primarily serve as raw material or intermediates for soap and detergent business.

Nirma has cut the cost of distribution by doing away with intermediaries. The product travels from the factory to the distributor's doorstep. Though the distributors have slender margins, they make money from sheer volume sold.

The company makes extensive use of wallpaintings for advertising.

## Appendix 4: List of relevant web-sites

### a) Companies

[www.unilever.com](http://www.unilever.com) : Unilever  
[www.cussons.com](http://www.cussons.com) : Paterson Zochonis  
[www.colgate.com](http://www.colgate.com) : Colgate Palmolive  
[www.pg.com](http://www.pg.com) : Procter & Gamble  
[www.hll.com](http://www.hll.com) : Hindustan Lever

### b) Advertising, branding and marketing

[www.mind-advertising.com/us/colgate\\_us.htm](http://www.mind-advertising.com/us/colgate_us.htm) information on Colgate brands/advertising spend  
[www.the-week.com/97oct19/biz1.htm](http://www.the-week.com/97oct19/biz1.htm) : the rural market in India, and Nirma  
[www.unilever.com/br/co\\_ga.html](http://www.unilever.com/br/co_ga.html): Unilever's global advertising policy

### c) History of soap

[www.browneyedsheep.com/householdproducts.htm](http://www.browneyedsheep.com/householdproducts.htm) (very brief histories of major manufacturers of household products)  
[www.sdahq.org/cleaning/history/soapshistory](http://www.sdahq.org/cleaning/history/soapshistory) history of soapmaking

### d) PPP on Handwashing

[www.wsp.org/english/activities\\_handwashing\\_more.html](http://www.wsp.org/english/activities_handwashing_more.html)  
[www.lshtm.ac.uk](http://www.lshtm.ac.uk)

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