



BEAUTY INDUSTRY USE CASE

Managing Demand and Supply Bottlenecks in the Beauty Industry





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OVERVIEW



In recent years, products related to hygiene and personal care have experienced constant exponential growth. While it is true that during the last year this growth has stagnated due to the pandemic, there are categories such as skin care that have been able to ride the wave. According to the data from Statista, the beauty & personal care market, 17.4% of total revenue will be generated through online sales by 2023.

This trend in the evolution of the beauty industry has as its main catalyst the new generations. Apart from being more aware of what personal care implies, their consumption habits have also modified the market. The

Internet has become one of the preferred shopping channels for young people, since they have all the options in just one click.

Seeing these new trends, companies in the beauty sector have to resort to innovative solutions in both their sales channel and their supply chain. And it is at this moment when Shipper can become the ideal partner.

The beauty sector has unique characteristics and it is among the most demanding at all levels. Controlling the stock and volume of orders, as well as delivery times, are just some of the things to pay special attention to.



Here is the summary of what will be covered in these use cases



Storing the beauty products in the right place

Beauty products are usually very sensitive to both extreme temperatures and humidity or light. Therefore, when it comes to storage, it is necessary to have a place that can adapt to these requirements. Most skin care products, especially active serums and sunscreen, should be stored in a place that is cold and dark, ideally around 15-25 degrees. That's why beauty brands should consider the right place for the products.



Meeting demand

One of the main challenges that the beauty sector implies is to deal with its dynamism: it is an ever-changing sector that regularly adapts to the prevailing fashions. The continuous product launches create difficulties for companies to adapt to the continuous market fluctuations, as well as to control supply and demand.



Stock Management

There are certain times of the year when the demand for beauty products is adaptable, such as Harbolnas, double days, etc. If a brand has the services of a logistics operator, this partner will have to analyze the flow of products and the seasonal nature of them to maintain the appropriate stock throughout the year. Forecasting the demand and the purchasing behaviors of customers will help monitor inventory and avoid supply bottlenecks.



Last Mile Delivery times

Another challenge in this sector has to do with the high expectations of customers in terms of delivery times and product quality maintenance. Customers prefer products to reach their doorstep quickly, especially since beauty and care products are less time-sensitive.





BUSINESS CHALLENGE

As mentioned before, the beauty industry has some unique features and capabilities. Here's the business challenge of beauty industry:

Storing the beauty products in the right place



Beauty materials like skincare, make-up and hair care products have expiration dates and require proper storage and transportation before their expiry date for optimal results. Makeup products, like mascara, can be a breeding ground for bacteria and should be thrown out by the recommended period after opening. In addition, if a tube of mascara or other skincare product reaches its expiration date while on the shelf in a beauty warehouse or beauty counter, it needs to be disposed of. The active ingredients in beauty products tend to break down over time. It's easy to tell if a beauty product expiration date is in question. If the product has changed colors, appears dry or extra oily, or smells bad, that's a good indicator it has expired. The date also serves as a guide to the effectiveness of the product for the intended use.



Storage Requirements

When storing these beauty materials, considerations such as available space, temperature control, and the handling of fragile containers are crucial to maintain product quality. Some products necessitate specific temperature settings to prevent spoilage or melting, and fragile items must be handled with care to prevent breakage.



Warehouse Management System (WMS)

As mentioned, beauty products have expiration dates, some may be for two or three months, while others may be good for 12 to 30 months. Having a Warehouse Management System (WMS) set up to keep the expirations dates of a product will be important to the successful fulfillment of the beauty industry. There are two WMS practices that are best suited for tracking and minimizing expired products.

- FIFO: First in, first out inventory
- FEFO: First expired, first out inventory

Our WMS supports inventory management to make sure beauty product expiration is not an issue.



BUSINESS OPPORTUNITIES

In Indonesia, personal care and beauty are sold through various channels that include specialty stores, department stores, supermarkets, direct marketing (MLM), skin care clinics, and beauty salons. But recent trends show that Indonesian beauty products marketed through social media grab a significant amount of market share.

There is also a trend by producers to make their products appear and feel more premiums for consumers. This product is targeting the masstige (“mass” and “prestige”) market which is the largest beauty market zone in the country and is anticipated to maintain strong growth. Masstige product refers to those of “more expensive than mass-produced products, but more moderately priced compared to prestige products.”

Imported beauty mainly targets the middle-to-upper economy class population and is dominated by products from Europe, Japan, South Korea and the

United States. Products from Thailand, South Korea and Malaysia, meanwhile, target specifically the middle-class ones.

As for the products produced in Indonesia, they are made to meet domestic demand but are also subject to export with destinations in ASEAN, African and Middle Eastern countries. Some local manufactured brands now are attempting to reach Australia and Latin America.

The fruitful beauty business in Indonesia has been enjoyed by some national brand players such as Mustika Ratu, Wardah and Sariayu Martha Tilaar. Besides these, there are also international brands who are invested in local factories such as Unilever, Mandom, and L’Oréal. Other famous international brands that have entered and are distributing their products in Indonesia include those from Europe, America, Japan and South Korea in alignment with Indonesian consumers’ tendency in preferring global brands or popular culture trends.

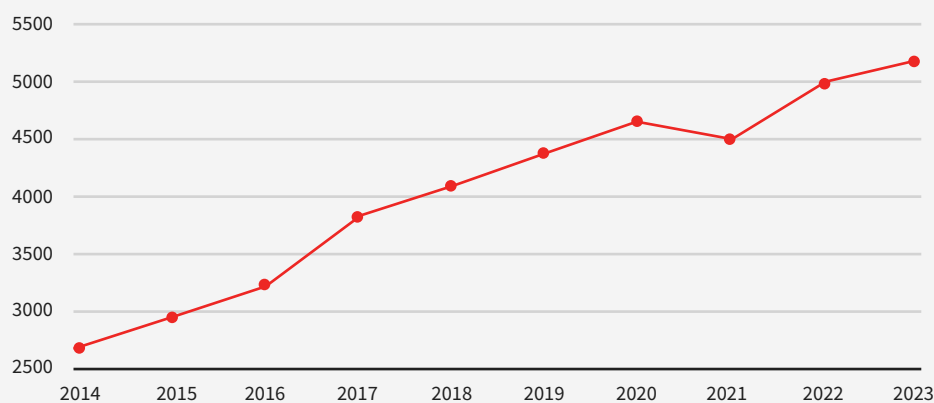


Growing up brands like MakeOver, Rollover Reaction, BLP, ESQA Cosmetics, and Mineral Botanica also showed promising sales which means that Made-in-Indonesia brands can strive in the fierce competition and have succeeded in grabbing their portion of the e-market share, especially in the make-up sector.

Great opportunity exists in the Indonesian beauty sector due to the country's huge and growing domestic market, competitive cost of manufacture and consumers' preference in both international brands and made-in-Indonesia products.

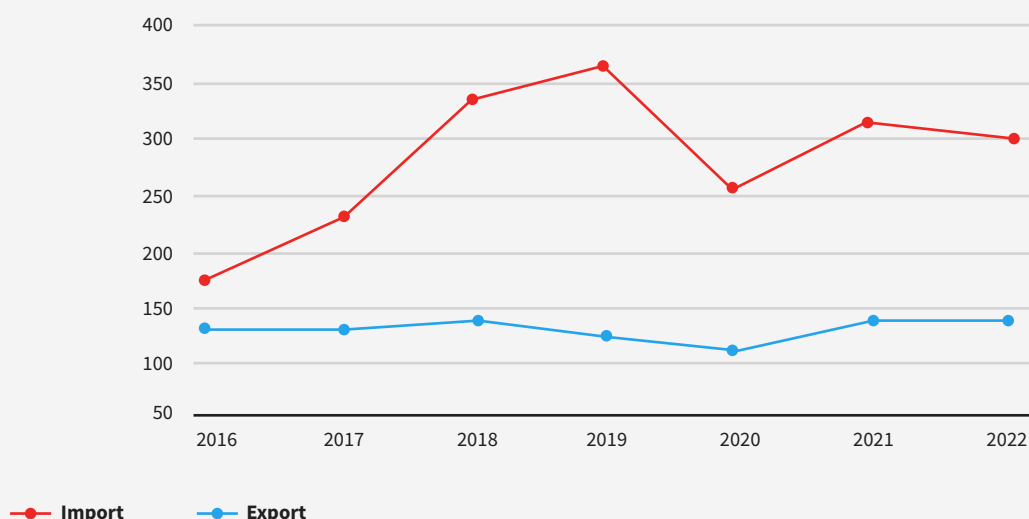
Nonetheless, challenges in this sector still remain such as the existence of Illegal products, the mandatory halal certification rule and other technical constraints that include infrastructure readiness for verification, synchronization with international standards and certification bodies and the lack of skilled workforce.

Indonesia's market share for beauty and skin care
(in Mn USD)



Source: Kompas R&D

Indonesia's Export - Import of Cosmetics Products 2016-2022
(Value in Mn USD)

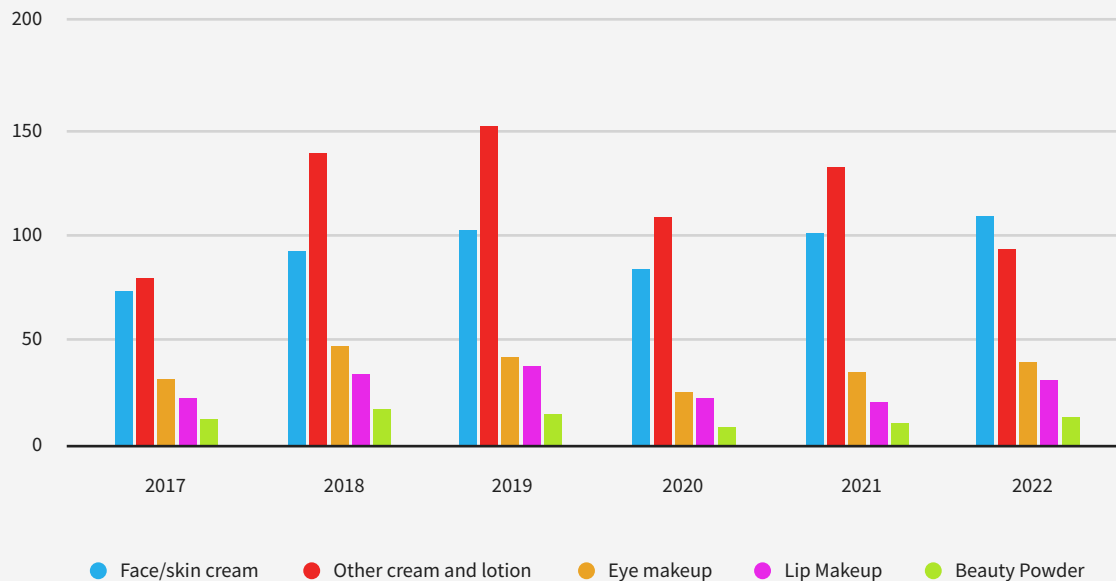


Source: BPS

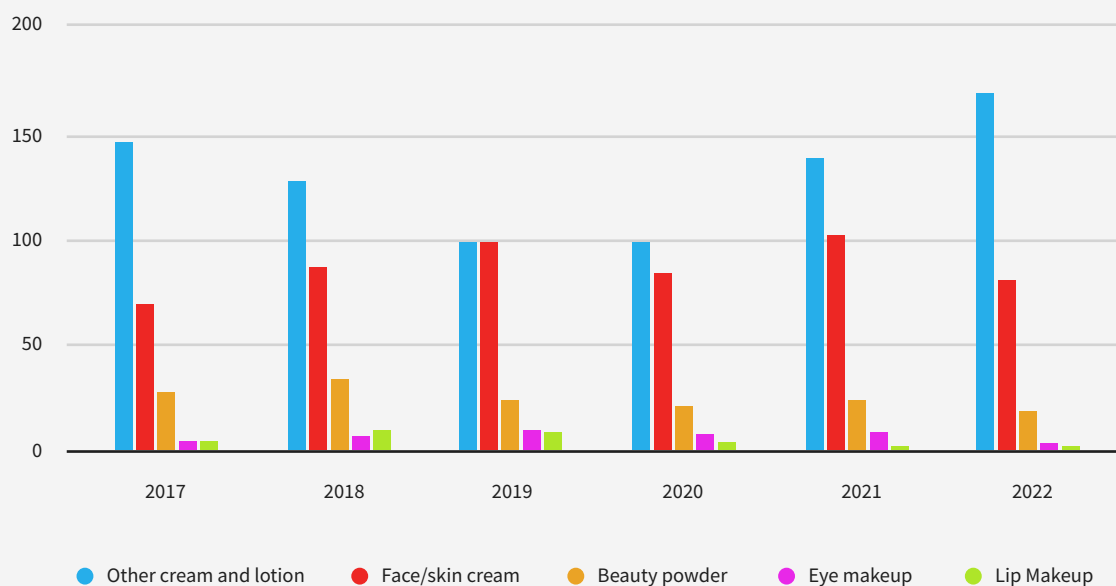


Indonesia's imports of these products had been growing significantly until the end of 2019 when the COVID-19 pandemic began severely impacting the country economically. However, since 2021, the number has been slowly returning back to its pre-pandemic level.

Imports of cosmetics products per category
(in Mn USD)



Exports of cosmetics products per category
(in Mn USD)



Other lotions and creams other than face and skin cream or lotion have been experiencing significant growth in the Indonesian market, followed closely by face and skin cream or lotion. The same product category is also seeing healthy growth among Indonesian exports of beauty.

Indonesia's beauty industry remains attractive for foreign and domestic investors. With its population expected to reach nearly 300 million in 2030, the prospects for the beauty industry in Southeast Asia's largest economy is still very bright for the coming years. The reasons, among others, are that Indonesians are becoming more and more aware of their well-being with cosmetics increasingly becoming a part of that Indonesian wellness lifestyle.

The biggest consumers of beauty products in Indonesia are those who live in big cities, but those in rural areas also have also shown higher enthusiasm for beauty products. Indonesia has a big population that is seeing its per capita GDP rising, thus there is a rising number of mid-income and affluent consumers. Seeing the potential of the domestic beauty industry, the Indonesian government placed this industry among its priority industries. This involves the development of import-substitution industrialization (currently most raw materials for the cosmetic sector still need to be imported), with goals to generate plenty of employment opportunities for local workers. Foreign and domestic capitals are encouraged greatly in this sector.



For its vast population with relatively good purchasing power, Indonesia has been one of the most targeted countries for export. Recent studies show that in the next decade, Indonesia is expected to be in the top 5 or even 3 of the greatest markets in the Asia-Pacific region. Not only should it be a good marketplace for imported beauty products, the Indonesian Government also wants Indonesia to be a good place to manufacture them.



The positive prospect of Indonesia's beauty industry has resulted in a rising number of local brands entering the market, thus resulting in a much tougher competitive landscape. But it is interesting to note that most Indonesian consumers like to try new brands, especially foreign ones (or at least sounds/looks like foreign brands). Therefore, companies are recommended to innovate and strategize with this aspect in mind in order to boost their market share.

To deal with the rise of imported beauty products, local beauty companies have been aggressively educating consumers that foreign beauty is not necessarily suitable for the tropical climate. In addition, local beauty manufacturers have begun to improve their product packaging and design, as well as the distribution process, which is one of the key weaknesses of the domestic beauty industry.



HOW SHIPPER SUPPORTS BEAUTY BRANDS

At Shipper, we develop technologies with experienced experts to create strategic solutions for overcoming these challenges. We provide high-tech warehouse solutions that will support brands to manage their warehousing, fulfillment, and inventory effectively. Our Warehouse Management System (WMS) streamlines inventory management, automates order processing, and enhances demand forecasting. With real-time inventory tracking using barcode technology, brands gain efficiency and accuracy in their operations.



Customized warehousing options including various temperature-controlled rooms

In the dynamic beauty industry, we understand the unique challenges brands face. That's why we offer comprehensive and personalized solutions to address specific needs. Our customizable storage options include state-of-the-art cool rooms and dry rooms allowing you to precisely control the temperature conditions for the products.



Customer Satisfaction Guarantee

In addition to our customized warehousing, we proudly provide fulfillment services with an exceptional 99.9% SLA. This ensures that inventory is managed with utmost precision and reliability. Our highly trained and skilled manpower specializes in efficient fulfillment operations, giving the confidence that logistics are in expert hands.



Integration of Warehouse Management System (WMS) to prioritize products by their deadstock

This cutting-edge solution ensures efficient inventory management by systematically organizing items, allowing brands to focus on timely and strategic product handling. With our WMS, the brands can streamline their workflow, minimize waste, and enhance overall operational efficiency, all while maintaining a proactive approach to product shelf life. Embrace intelligent warehouse management and prioritize freshness in every facet of the supply chain.



Seamless integration with the marketplace platform to maximize profitability in the marketplace.

Shipper 360 is a one-stop solution for growing brands, allowing brands to manage their store, inventories, and shipments from within one dashboard. As brands expand, they may find themselves handling multiple sales channels through marketplaces such as Tokopedia, Shopee, Lazada, as well as engaging in social commerce, which can be a hassle. With our store management system, brands can effortlessly manage their stocks and process orders. Additionally, brands can handle their Chat commerce directly within Shipper 360, facilitating quick responses to their customers.



UNVEILING THE STORIES BEHIND WHAT THEY SAY ABOUT US



DWIYANA SETIYOWATI
VP OF OPERATIONS, RAENA

“Shipper supports us in expanding our fulfillment to the eastern regions of Indonesia, with warehouses custom-designed to meet the storage needs of our beauty products. With the opening of six new warehouses in Eastern Indonesia, the last-mile delivery cost to consumers has decreased by 60-70%, as our products are now readily available to resellers. This aids resellers in selling more effortlessly, with lower shipping costs and faster delivery times. Consequently, this contributes to a smoother sales process, more affordable shipping rates, and quicker delivery times for our customers.”



ABOUT SHIPPER

Shipper, a leading tech-enabled logistics company based in Indonesia that offers an integrated end-to-end supply chain and commerce enablement solutions with a vast network of fulfillment centers, shipping agents and stations across Indonesia. Shipper provides customized solutions to fit your complex business needs.



**Don't let logistics
challenges hinder
business growth.
Partner with
Shipper now!**

For more information
contact us at

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