COMPANY CASE PROFILE
SACHA COSMETICS

Project Name:
Development of Sustainable Exports to the European Union under the EPA – Focus on the FCOR Markets

Prepared for
exporTT Limited – Trinidad and Tobago

By
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Company Particulars

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Sacha Cosmetics</th>
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</thead>
<tbody>
<tr>
<td>Products and Services:</td>
<td>Cosmetic Products- Cosmetics</td>
</tr>
<tr>
<td>Address:</td>
<td>1-3 EAGLES CRESENT, MISSION ROAD, Freeport, Trinidad and Tobago</td>
</tr>
<tr>
<td>Telephone:</td>
<td>868-673-3333/ 1 800 344 4224</td>
</tr>
<tr>
<td></td>
<td>868-673-1029</td>
</tr>
<tr>
<td>E-mail:</td>
<td>Email address: <a href="mailto:kama@sachacosmetics.com">kama@sachacosmetics.com</a></td>
</tr>
<tr>
<td>Website:</td>
<td><a href="http://www.sachacosmetics.com">http://www.sachacosmetics.com</a></td>
</tr>
<tr>
<td>Managing Director:</td>
<td>Mr. Satyakama Maharaj - Owner</td>
</tr>
<tr>
<td>Export Representative:</td>
<td>Ms Devi Harrykissoon</td>
</tr>
<tr>
<td>Email&gt;</td>
<td><a href="mailto:sales@sachacosmetics.com">sales@sachacosmetics.com</a></td>
</tr>
</tbody>
</table>

1.0 Overview

Sacha Cosmetics Limited was founded in 1979 with the vision of developing a line of make-up that would look equally beautiful on women of different ancestry. This approach was inspired by the diversity of the Trinidad and Tobago population which comprises 40% African, 40% Indian and 10% Mixed and other races. Before the advent of Sacha, the women had been accustomed to using imported products which contained foundations that did not match their natural skin colours. Sacha therefore started out by making colours that would appeal to the local women, with the attributes they sought. As a result, Sacha created yellow based foundations and face powders, lipsticks, eye-colours, blushes and nail polishes in the colours which were considered more aesthetically pleasing and soon began to grow, taking market share from the main imported competitor products.

The Company started off under the name of Black Heritage, producing nail polishes and creams. The business is family-owned and the owners are passionately committed to the philosophy that a woman’s makeup must enhance her natural beauty, not hide it. Sacha Cosmetics are sold worldwide in retail and specialty stores, from the glamorous Rodeo Drive in Beverly Hills, California to the coasts of Africa and throughout the Caribbean. Sacha was the Official Cosmetics of the Miss Universe, Miss USA, Miss Bahamas and Miss Jamaica Pageants and many other special events worldwide. To date, Sacha has out-competed the international brands for dark skinned people by pioneering the use of yellow based cosmetics instead of red based cosmetics – this allowed Sacha to capture the niche market in Trinidad and Tobago. The company employs 150 persons.
Cosmetics also referred to as make-up, are care substances used to enhance the appearance or odour of the human body. They are generally mixtures of chemical compounds, some being derived from natural sources, many being synthetic. Cosmetics include skin-care creams, lotions, powders, perfumes, lipsticks, fingernail and toe nail polish, eye and facial makeup, towelettes, permanent waves, colored contact lenses, hair colours, hair sprays and gels, deodorants, hand sanitizer, baby products, bath oils, bubble baths, bath salts, butters and many other types of products. A subset of cosmetics is called "make-up," which refers primarily to coloring products intended to alter the user’s appearance. Many manufacturers distinguish between decorative cosmetics and care cosmetics. Cosmetics that are meant to be applied to the face and eye area are usually applied with a brush or the fingertips. Most cosmetics are distinguished by the area of the body intended for application.

1.1 Product Features
Sacha Cosmetics is headed by a qualified Chemist who understands that Cosmetic science is a constantly evolving discipline requiring a thorough knowledge of chemistry, formulating, regulatory, marketing and legal considerations, as well as ever-changing consumer preferences. Sacha Cosmetics constantly adapts its methodology to keep abreast with advances in cosmetic science application to ensure that Make-up Products – Retail MakeUp and Professional MakeUp products that it manufactures fit the skin tones that it caters to.

The company manufactures makeup for women with exotic skin tones - African, Indian, Latin, Asian, and Mediterranean. Sacha Cosmetics is the first and only line of makeup in the world that is Halal certified.

1.2 Products and Services
The main products are:

- Cosmetics;
- Toiletries – Fragrances and Colognes

The main brands are:

a) Sacha Cosmetics

b) Arista Cosmetics

c) Rouane Cosmetics
The company wholesales both Cosmetics and perfumes and operates sales and distribution outlets in many locations called Image Center. These stores retail SACHA’s product line as well as provide services such as makeovers, facial waxing, makeup classes and makeup consultations.

### 1.3 Quality Management
Details of the company’s quality management improvement programme were not available. Most cosmetics do not pose a health risk when the directions on the label are followed and when the product is used properly. However, contamination of cosmetics during the production process can cause adverse effects in certain individuals with sensitivities. These effects range from infections to severe allergic reactions. It is generally well appreciated in the cosmetics industry that producing microbiological faultless detergents and cosmetics requires an integrated quality management system. This consists of good raw material quality, hygienic design of production facilities, good production hygiene and a validated preservative system. Hazard analysis critical control point (HACCP) is a systematic preventive approach to safeguard microbiological faultless quality of products. ISO 18416 is one of a series of standards being developed by ISO technical committee ISO/TC 217, Cosmetics, for the detection and identification of microorganisms in cosmetic products. The use of the standards will play an important role in the creation of safe cosmetic products.

### 1.4 Markets
Sacha Cosmetics are distributed in 23 countries, including Puerto Rico, Cuba, Senegal, New Zealand, Australia, South Africa and the Dominican Republic. In North America, it is sold online and distributed by Sacha USA, Artesia, California. Sacha was the Official Cosmetics of the Miss Universe, Miss USA 2010 and the Miss Jamaica Pageants. The company has also exported to Barbados, Jamaica, St. Vincent, Dominica, Guyana, Suriname, and United Kingdom and one of their main considerations is choosing the right distributor is critical to the growth of exports. The company currently sells to 10 stores in Australia and is desirous of opening at least one Sacha store in each market. Sacha’s products fits 90% of skin tones.

### 1.5 Reasons for entering the FCORSs.
With the coming into force of the EPA, there is now improved market access to the EU markets and by extension the FCORS which hitherto now have not been explored with any great intensity by the neighboring English speaking Caribbean territories, perhaps with the exception of petroleum products and some seafood products. The high per capita income level of the territories approximates that of metropolitan France and provides for greater level of disposable income which on the surface suggests a relatively large market for consumer products. Furthermore the proximity of these French Islands, shorter transit time and relatively lower freight rates could be advantageous to Trinidad and Tobago companies entering this market vis a vis France which currently supplies the bulk of imports.
Sacha Cosmetics is aware of the importance of the cosmetics industry in Europe and considers that he FCOR could present a viable marketing opportunity given the diversity of its population as well as the tropical climatic conditions that exist.

The FCORs apply EU standards and are seen as a microcosm of the EU market. Various industry sources indicate that the EU is a large market for cosmetics. Overall the European cosmetics industry is very dynamic, representing one third of the global cosmetics market and having sales revenues close to US and Japanese markets together. The European market for perfumery and cosmetics is the largest in the world, and was worth around €67,000 million/year in 2010. Among the EU countries, Germany has the largest cosmetics market, valued around €12,000 million, followed by France (€11,000 million), the UK (€10,000 million), Italy (€9,500 million), and Spain (€8,000 million). The US market, the second in importance is worth about €40,000 million/year. The third largest is the Japanese market, with consumption of around €30,000 million per annum. The Arab markets as well as markets including India, China, Brazil and Russia are in continuous expansion, motivated by the gradual access of their population to fragrances and personal care products. The preliminary market research had revealed that there is a small local production in the FCORs and imports from third country sources must meet the EU regulatory standards. Several French, Italian and American brands of cosmetics, accessories; nail polish; 3-4 brands of make-up including Revlon from France are distributed in the FCORs.

1.6 The export readiness assessment and preliminary market research.

Export readiness assessment was designed to provide insights on the following attributes:

- Significant management time and strong management commitment to export development
- Strength in the domestic market
- The resources to succeed
- Business and export planning in place

The assessment conducted at the beginning of the project revealed the following status of the company’s preparedness:

- **Business process**: Business processes are in place to support export
- **Product and product readiness**: The Company has systems in place to supply export orders. The products are recognized in the various markets including the USA. However the Company had been working with the Chamber of Commerce in Martinique and was advised to employ a Consultant to assist with the regulatory issues considering that French requirements are much more stringent than the general EU regulations. A potential partner for Sacha had been identified should it be able to meet the regulatory requirements.
- **Market and marketing**: The Company had a fairly high level of preparedness for market and marketing, with current exports to some 23 countries and the ability to meet export orders on time.
- **Export Marketing**: While it is unclear as to whether the Company has a formal export plan it is clear that there is an overall business strategy for expanding its export markets.
- **Export Experience**: The Company exported to 23 countries, including most CARICOM member states.
- **Products for the FCOR Market**: The products being targeted in the FCOR market are Make-up Products – Retail MakeUp and Professional MakeUp products.
- **Specific requirements**: Sacha Cosmetics is seeking to engage with distributors for its products.
- **Areas of training need and other support**: The Company required the additional Training and support in export planning (export audit/export strategy, Market entry strategy) as well as the financial, planning and logistical support provided under the project for penetrating the markets. There were concerns that meeting the EU Regulatory requirements and registering the products may pose the greatest challenge.

### 2.0 FCOR Market characteristics based on the result of the Exploratory Trade Mission/Challenges and Opportunities.

Sacha Cosmetics participated in the Exploratory Trade Mission and used the opportunity to assess the progress in meeting the requirements for registration of its premium and mass market brands. The company has so far been able to meet the EU Regulatory requirements for one of its product lines and has an Agent/ Potential Distributor in Martinique/Guadeloupe for the Arista brand which has not yet been registered. The Consultants on the ground identified a number of prospective customers with whom meetings were arranged and conducted. The company decided not to participate in the Market Penetration Mission, but were prepared to pursue the registration of the brand. The summary of meetings held is provided in Table 1 below:
Table 1: Details of meetings held by Sacha Cosmetics; best prospects and follow-up requirements

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>COUNTRY</th>
<th>Product(s)</th>
<th>Names of Potential Buyers met/ visited</th>
<th>Brief on the Buyer/company</th>
<th>Best Prospects for export business development</th>
<th>Estimated value of export business committed</th>
<th>Follow-up Required</th>
<th>Comments /conclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>SACHA COSMETICS</td>
<td>Martinique</td>
<td>Cosmetic products</td>
<td>Osiris.</td>
<td>Distributor in Martinique/Guadeloupe for the Arista brand. The brand is not yet registered.</td>
<td></td>
<td></td>
<td></td>
<td>The Guadeloupe Agent also took her to two pharmacies with potential to purchase the product. Other visits with the Agent included a store in the La Galleria mall which was interested in Sacha.</td>
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<td></td>
<td></td>
<td></td>
<td>Angele</td>
<td>Chain of Stores – Skincare/Waxing.</td>
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<td></td>
<td></td>
<td></td>
<td>Annette</td>
<td>Company owns two supermarkets with cosmetic shops. Located in the south of France in the yachting area. It is a good outlet for both Sacha and Arista.</td>
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<tr>
<td>French Guiana</td>
<td></td>
<td>La Belle Creole</td>
<td>Chain of beauty stores. They are interested in Sacha's products.</td>
<td></td>
<td>French Guiana is the market with greatest potential for this company. However, in general there are major prospects for the company in all the markets. The company plans to establish an image centre in both Martinique and Guadeloupe.</td>
<td>A perfume sales contact in the market was provided by the Guadeloupe agent.</td>
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<tr>
<td>Country</td>
<td>Contact Person</td>
<td>Description</td>
<td>Notes</td>
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<tr>
<td>Tunisia</td>
<td></td>
<td>A beauty store. They are interested in the Sacha brand.</td>
<td>The company does not need to undertake a follow-up visit at this time. However, research is to be completed with respect to commercial presence in the markets and assistance is solicited in this regard.</td>
<td></td>
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<tr>
<td>Guadeloupe</td>
<td>Ms Bade</td>
<td>A high end image centre. They were familiar with the Sacha brand and were interested in purchasing.</td>
<td></td>
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<tr>
<td>Glossy Store (Jarry)</td>
<td></td>
<td>A hair care and beauty supplies store. Interested in selling the product.</td>
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<tr>
<td>Paturel mofess line.</td>
<td></td>
<td>They own a beauty institution which trains students as well as sells products.</td>
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<tr>
<td>Chamber representative</td>
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<td>This individual owns and operates a Spa and is interested in selling the product.</td>
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</table>
Figure 1: Cosmetics display in Martinique
2.1 EU Specifications and Regulations


SUMMARY

The free movement of cosmetic products within the European market cannot be restricted or prohibited by Member States if these products are not dangerous to human health under normal or foreseeable conditions of use.

However, if a cosmetic product conforming to this Directive constitutes a danger to human health, the Member State or the territory in which the product is marketed may take restrictive or prohibitive measures. In this instance, it informs the other Member States and the Commission so that appropriate measures can be taken throughout the European Union (EU).

Ingredients and composition
The Directive determines the list of substances which are prohibited in the composition of cosmetic products (Annex II) and the substances which are subject to restrictions or specific conditions of use (Annex III).

The Directive also contains lists of authorised colourings (Annex IV), preservatives (Annex VI) and UV filters (Annex VII).

**Labelling**

Containers and/or packaging must specifically mention, in indelible, easily legible and visible characters:

- the name and address of the manufacturer or of the person responsible for marketing the product;
- the nominal contents at the time of packaging, by weight or by volume;
- the date of minimum durability indicated for products with a minimum durability of less than 30 months;
- the period of time after opening for which the product can be used, for products with a minimum durability of more than 30 months this is indicated with the symbol representing an open pot of cream;
- the function of the product and particular precautions for use;
- the batch number.

This information must be in the official language(s) of the respective Member States. Moreover, the labelling must contain a list of ingredients. Perfume and aromatic compositions are designated by the words "perfume" or "aroma", except where these have been identified as a significant cause of allergic reactions.

**Market surveillance**

Member States are responsible for monitoring their own market. To this end, they check the safety of products manufactured or imported into the EU. Furthermore, they also ensure that the characteristics attributed to cosmetic products are not deceptive.

The manufacturer, the importer or the person responsible for marketing the product must inform the national competent authorities when a product is imported into the EU for the first time.

**Animal testing**

The Directive puts an end to animal testing by imposing bans on:

- testing finished cosmetic products and ingredients on animals (testing ban);
marketing finished cosmetic products which have been tested on animals or which contain ingredients that have been tested on animals (marketing ban).

With regard to repeated-dose toxicity tests, reproductive toxicity tests, and toxicokinetics, the marketing prohibition applies from 11 March 2013. This prohibition is applicable regardless of the availability of alternative test methods.

2.2 Internal adjustments to meet the FCOR market requirements/ Market Entry Strategy for the products of interest

The Company will need to establish the regulatory requirements for meeting the export requirements. Given that orders are expected to be relatively small and depending on the total number of customers gained, Sacha may need to collaborate with other exporters to create consolidated shipments and benefit from lower freight rates. It could be opportune for the company to review its Quality management improvements in line with the ISO standards for the Cosmetics industry. The Company will need to constantly monitor its pricing strategy to extract maximum advantages from the higher prices being paid for cosmetics in the FCORs.

2.3 Nuances in marketing to the FCOR

The Company has been fully exposed to the various nuances of the marketplace as they relate to the cultural, administration, taxes, regulations, distribution, business associations, the roles of the Chambers of Commerce, pricing and distributor margins.

Of particular importance is the application of the Octroi de Mer or dock Tax which is unique to the FCORs and presents to the new exporters a potential hurdle to exporting because it is generally not well understood and in some instances may present itself as a technical barrier to trade.

The applicable taxes are as follows:

Table 2: Import Taxes rates in Martinique, Guadeloupe & French Guyana (based on HS CODES)
2.4 How has the company benefitted from the approach taken to develop exports to the FCOR and the training provided under the Project

Although the company had targeted the FCORs, it had not been exposed to a formal and systematic export development methodology and approach which advocates a stepwise approach to export planning and development. The exposure therefore allowed for a more fulsome assessment of the three territorial markets and a better appreciation of global market potential of the FCORs.

The training followed international best practices for export development and was tailored to meet the needs of the exporters and exporTT as reflected in the needs assessment and export readiness assessment initiatives under the project. Overall, it was possible to demonstrate in the training how companies can follow a sound methodology and use the tools for structuring and systemising their approaches to developing new markets or for expanding efforts in existing markets.

The company will be able to use the knowledge and exposure gained in the marketplace to now develop its export strategy and plan for the FCORs as an integrated part, or extension of the company’s business plan and for fully appropriating opportunities at the lowest possible cost. The company will be able to estimate the amount of effort it will take to enter the market and gain and sustain a reasonable position.

The improved knowledge of the EPA as well as the sources of help for export planning to the EU markets should also be of value in enhancing future growth in exports. The financial assistance as well as the provision of logistical planning support, including interpreter services, matchmaking and the scheduling of appointments with prospective importers, were effective in providing the exposure that otherwise would not have been possible.

2.5 Overall lessons learnt

1. **Standards and Market share**: The market is highly competitive as there are growing numbers of competitors seeking to supply the market. For this reason exporters should be alert to market dynamics. Maintenance of high standards is important to retain market share;

2. **Understanding Trade Regulations**: Regulations are sometimes written in a language that is subject to multiple interpretations. While it may be argued that the certification and preparedness process is the responsibility of the Companies and the respective importers, exporTT may also give consideration to providing a range of services that can help in the certification process. These can be
done in-house or contracted to service providers / specialists. The Bureau of Standards should be enlisted to provide support and guidance where possible;

3. **Preparation**: The exporters entering into FCOR/EU markets must be prepared, given that the EU's market is so diverse, dynamic and competitive. Thus, exporters considering exporting to EU and by extension FCOR, should first assess and study the various target markets, the trade and distribution channels, assess their capabilities to make use of the opportunities. In order to develop sustainable export business in EU, exporters must be willing to invest time and money in market research and establishing business contacts which are willing to assist in facilitating market entry.

4. The market entry will be inhibited if the quality standards and regulations in the field of health, safety and environment are ignored.

**2.6 Requirements for follow up/consolidation of market entry**

The company has the capacity to supply the FCOR markets and can be competitive given the overall lower cost of production in Trinidad and Tobago. The company will need to examine sea cargo routes and rates and explore consolidated shipment with other exporters if orders are small. The Company will need to follow up the leads obtained and work towards registration of its mass market brand in order to explore the various market segments given the relatively small market sizes in terms of volumes. The company will need to firmly establish the standards for its product range and be able to adjust product formulation to meet the market requirement in terms of product specification and price. The company should work with its Agents to ensure access to good market intelligence.