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The Liquid Laundry Detergent Industry

A GROWING GLOBAL MARKET

The laundry care market has changed drastically in the past few years as consumers started finding value in their purchases. With the US economy still recovering from the 2008 economic downturn, many consumers are evaluating their purchasing habits to ensure that they obtain the greatest value for money.

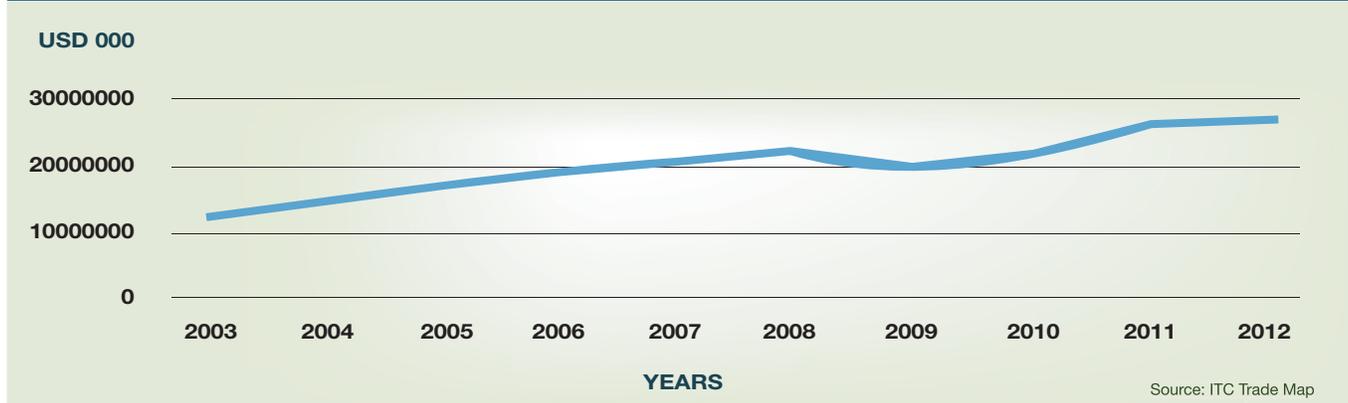
Globally, powdered detergents contribute the largest portion of revenue, but mature markets are shifting from powder to liquid products. The shift is particularly notable in North America, where powder consumption declined by 40% between 2002 and 2007, according to Euromonitor. In Western Europe, the decline was 10%. Most detergent marketers insist that powder usage will level off in the coming

years, leaving powders a smaller, but still important market. Powders have maintained appeal primarily for economic reasons; though liquids have been fine-tuned to become a less expensive product than in the past, powdered detergent is still, for the most part, cheaper per wash load.

Between 2002 and 2007, the global market for detergents, fabric softeners, stain pre-treatments, chlorine bleach and other laundry care products grew at a compounded annual growth rate of 6.3% to \$56.4bn, according to Euromonitor International. The UK-based market research firm expects growth to remain strong, at about 3% during the 2007-2012 period, when the market value would reach \$64.5bn. Increasing preference for scented laundry care products and allergenic/ green products, are gaining consumer acceptance and accelerating the growth of the laundry care industry. Most market segments are growing at more than 5% annually.



GLOBAL IMPORTS OF DETERGENTS



The Liquid Laundry Detergent Industry: A Growing Global Market

To date liquid detergents are the largest market segment of the laundry care industry that has undergone double digit growth. With the recovery from the global economic downturn and increasing spending on personal hygiene, there is an increasing demand for laundry care products and according to Euromonitor International this industry is expected to accelerate in developing nations due to product innovations and reduction in prices arising from increased competition.

Based on the diagram above it is evident that the global imports of detergents have been steadily increasing over the nine year period, with the exception of 2009 when the world felt the effects of the 2008 global financial crisis. Using 2003 as the base year there has been approximately 107% increase in the import value of detergents. This is important because it illustrates that there is a demand of for this type of product on the international market. The top importing countries of liquid laundry detergents are: Germany, France, Canada, United Kingdom, Netherlands, Belgium, Italy and Spain. Together these 10 countries account for approximately 7.49% of total imports in 2012. There are approximately 229 countries that import liquid laundry detergents, Trinidad and Tobago is also an importer of this product and in 2012 T&T had an imported value of approximately US\$2.16 million. This import value has been increasing over the years with an approximate increase in value of 38% from 2008 to 2012. These imported products are likely to be the top foreign brands such as Tide, Gain, Purex, Arm and Hammered among others.

Based on the information from ICT trade map there are approximately 210 exporting countries of liquid laundry detergents worldwide. The top 10 exporters are as follows: Germany, USA, France, Belgium, China, Netherlands, United Kingdom, Italy, Spain and Poland. They account for approximately 14% of total liquid laundry detergent exports. Trinidad and Tobago currently exports liquid detergents on

the international market and is ranked 74th out of 210 countries. Trinidad and Tobago accounts for approximately 0.03% of total liquid laundry detergent exports worldwide.

It is important to ensure that local manufacturers are on par with the latest trends and developments which will enable them to secure new opportunities as they arise and are not left in the dark.

In response to the growing trends in innovation, companies are starting to take significant risk to develop new products which are able to target new market segments. The liquid laundry detergent industry is an industry of major growth and potential but requires in-depth research and development. This will allow manufacturers to tap into the niche markets which are the emerging and the profitable segments of the industry. It is important to ensure that local manufacturers are on par with the latest trends and developments which will enable them to secure new opportunities as they arise and are not left in the dark. Although the liquid laundry detergent industry is relatively new being first launched on the market in 2007, has potential to earn prestige as a value-for-money choice in laundry. Local manufactures can still become a competitive force and enter this new line of liquid laundry detergents and position themselves as a globally competitive force.

Some areas that liquid laundry detergent manufacturers can look at are:

- Product testing is very important for the success of any product being produced for sale, however **there is a growing demand for raw materials, which contains no animal by-products and for products are not tested on animals.** Companies can use this avenue to target a small but new segments of the market that is not currently flooded with many competitors. Companies promoting their social responsibility and taking a stand against testing their detergents on animals, can be seen as an incentive to customers to purchase their product over the competitors and help local companies slowly gain brand recognition in the international and regional markets.



- One eco-conscious option is detergent designed to work well in cold water.** On average, 80 to 85 percent of the total energy used washing a load of clothing goes into heating up of the water. Washing in cold water saves energy, which can translate to savings on household energy bills. One example of this product is the Tide Coldwater liquid laundry detergent which can save water,



energy, and waste. This product has the potential to be a very profitable business line because customers are always looking for ways to save money. Also given the effects of the global financial crisis in 2008 which are still being felt today this product can be segmented to target lower income groups in developing countries.

- Companies can go a step further and enter a segment of that market that produces **hypoallergenic liquid laundry detergents.** Many persons around the world suffer with sensitive skin and may experience itching but without any sign of rashes or spots. Such irritation is likely due to a reaction to laundry detergents laced with chemicals and dyes that the skin doesn't respond well to.

Companies can engage in in-depth research and development to produce and sell a line of liquid laundry detergents that prevent irritations for those with sensitive skin. This is done by utilizing more natural (less chemicals) and eco-friendly solution to cleaning clothes.

Companies can also reduce the number of chemicals used in their liquid laundry detergents by incorporating organic ingredients which can be used to give the detergents their variety of scents and thus reduced the number of chemicals.



Environmental Impact

Even though detergents do a tremendous job of getting rid of the dirt and grime in our fabrics, at what cost does this come? Considering the toxicities of their chemical ingredients and carbon cost of production, it's not surprising that some people have concerns about the impacts of laundry detergents on the environment. Their carbon footprint alone is significant by many standards. Carbon footprints are an indicator of the amount of carbon dioxide (CO₂) produced while making, shipping and using a product. According to the Wall Street Journal, the carbon footprint of using UK detergent brand Tesco, varies from 1.3 pounds (0.6 kilograms) to 1.9 pounds (0.9 kilograms) per load, depending on the form of the detergent that's used. To put this in perspective, it is estimated that for every mile an average car travels, 1 pound (0.5 kilograms) of CO₂ is emitted. Recall that American families on average do 300 loads of laundry per year. This means that the carbon footprint of laundry detergents for one year of laundry is approximately 480 pounds (218 kilograms) per year, or about 10 pounds (4.5 kilograms) per week

There is not much that companies can do to reduce the CO₂ emission from the use of liquid detergents, but there are other aspects that companies can engage in to reduce the environmental impact such as designing a bottle that is environmentally friendly by using a percentage that is plant based in its packaging and that are easily recyclable. Another alternative can be a movement from the traditional plastic bottles to a unorthodox and non-traditional paper box packaging. This comprises of 90% renewable resources and in some cases leave behind a carbon footprint 80% lower than its plastic counterparts. The boxed detergent container is made from responsibly harvested trees. In addition, the boxes are shipped flat to the filler, so it takes up about 5% of a truckload, verses five truckloads for a similar number of plastic bottles, saving a significant amount of fuel for at least one leg of distribution. They are also recyclable after they are used.



Examples of creative packaging.

Differentiation Strategy

The main difference among various brands of liquid laundry detergents are the packaging of the product. Packaging needs to be innovative, creative and eye catching to capture the attention of the potential buyers. Therefore, proper thought and research should be executed at the product design stage. Manufacturers can design new bottles that differentiates itself from the competitors by designing unique shapes and even designing durable multi-purpose bottles than can be used after the liquid detergent comes to an end.

Companies can also engage in a design strategy to help customers effectively measure the right amount of liquid laundry detergent needed per wash load. This is important because for many, the measuring lines on detergent caps are often hard to read, but crucially, they are also positioned well below the top of the cap. This is important because the laundry culture in developed markets are such that many consumers instinctively fill a cap close to its brim when doing a full load of washing, thereby hugely overdosing on the amount of concentrated liquid they actually need as stated by Euromonitor International. Therefore given this problem companies can engage in the design of these new caps that will help consumers measure out the correct amount of liquid detergent by using bigger numbers and easier-to-read measurement lines. In addition, manufacturers can also look at developing an innovate bottle design to prevent spills and ensure that bottles are child proof.

Another differentiation strategy that detergent manufacturers can explore is differentiation through education. Manufacturers can ensure that their packaging is effective in providing potential buyers with all the information needed to make an informed decision. Many detergent manufacturers are now rethinking their production lines to respond to the concerns of consumers. Manufacturers are emphasizing the environmental benefits of concentrated formulas, such as less packaging and reduced water consumption during manufacturing, as well as the reduced volume of transportation, which lowers carbon emissions

and energy consumption. This is important and this information will appeal to the environmentally savvy conscious customers who are concerned about the carbon footprint associated with this product. Similarly, information relating to the no animal testing can also be placed on packaging to educate customers about the company's social responsibility.

Cost Leadership

Cost is one of the most important factors that influences a customer to purchase a product and given that this is relatively new product to the market cost and performance will be closely monitored by customers to ensure repeated sales. Therefore, it is imperative that local manufacturers engage in some form of cost leadership as a strategy that they can adopt in attempting to become a low-cost supplier in the industry.

Sources of cost leadership may vary but may include factors, such as pursuit of economies of scale, use of proprietary technology, preferential access to raw materials and various other inputs, and awareness of the specific needs and requirements of customers.

Firms pursuing cost leadership strategy must seek out the different sources of cost advantage while at the same time formulate a product, which can be comparable and on par with rival firms. The cost savings companies will experience from this strategy can then be passed on to customers in the form of lower prices and can be used to leverage the sale of the detergent in relation to its competitors.

Potential Market

The liquid laundry detergent industry is an extremely competitive market based on developments in the local, regional and international markets. Exporting liquid laundry detergents to the US and Europe may be a very difficult and unwise task, as these markets are already dominated by the big brands such as Tide, Gain, All, Purex, Arm and Hammer etc. Most of these detergents are even imported into Trinidad and Tobago. **Therefore, a potential market for Trinidad and Tobago's liquid laundry detergent manufacturers to explore are:**

- **CARICOM.**
- **Private Labelling in Latin America**

By targeting CARICOM countries, manufacturers will benefit from the free trade movement of goods which will help control the cost of shipping as opposed to shipping to the US and UK markets where shipping costs would inflate prices and reduce the price competitiveness of the products being sold.

CARICOM accounts for a small amount of the world's total import value for this product. Although this is a small market, it will provide Trinidad and Tobago manufacturers with an avenue to export their products and increase their brand awareness. This is important because in foreign markets, brand awareness builds brand loyalty and this is one of the major factors that influence a customer's decision to purchase a product. Also, tapping into a market with a culture similar to that of Trinidad and Tobago will allow manufacturers to target persons with similar taste and preference.

Private label products or services are typically those manufactured or provided by one company for offer under another company's brand. They are often positioned as lower cost alternatives to regional, national or international brands, although recently some private label brands have been positioned as "premium" brands to compete with existing "name" brands. Though the public generally saw them as low-cost imitations of branded products, private labels have overcome this reputation and achieved significant growth in recent years. Private labelling is an option that local manufacturers can explore in the Latin American market specifically in Panama, Guatemala and Costa Rica.

In these countries due to the size and nature of many supermarkets and supermarket chains within the countries, potential importers are interested in importing products to add to their already wide range of company branded items. Although this option does not help build local manufacturers brand awareness in the international market, it still provides manufacturers with an alternative avenue to export their products once they are able to meet the volumes being demanded. It also allows for an easier transition into the foreign markets as compared to a company having to physically undergo the process themselves.



Conclusion

The liquid laundry detergent industry, although a new industry which came into existence in 2007 seems to be an industry of major growth and potential. It is important for manufacturers to stay abreast of industry trends and developments to be competitive and one step ahead of their competitors.

It is therefore important for local manufacturers to take advantage of this new product line and enter the markets before it becomes crowded by international brands. It is also important that manufacturers take heed to the changing needs of customers to ensure that they are currently providing a product that customers will be interested in purchasing.

Research has shown that customers are conscious about animal product testing, producing cold water liquid detergents as well as hypoallergenic detergents to customers with sensitive skin. Product differentiation and cost leadership are also important aspects that should not be overlooked as these factors will significantly impact the sales of the product.

Additionally, companies need to engage in in-depth research and development to help design a packaging that may attract the attention of customers and allow the product to stand out from the many competitors in the market. These are just some of the many approaches that liquid detergent manufacturers can engage in to remain ahead of the competition and become a competitive force to be reckoned with.

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For more information on the Liquid Laundry Detergent Industry or any other industry please contact us at the EMRC. We would also be interested in getting feedback on this bulletin and suggestions of topics for future bulletins.