

Entering the European market for soap

The European market is an interesting market for exporters of soap. Especially Polish supplies have shown strong growth in the past few years. The country is well known for its large-scale production at low cost. To enter the European market, your products need to comply with mandatory (legal) requirements as imposed by the European Union. There are additional requirements that can be demanded by European buyers and which may enhance your chances of success.

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1. What requirements must soap comply with to be allowed on the European market?

What are mandatory requirements?

When exporting to Europe, you have to comply with the following legal requirements:

- General Product Safety Directive
- Cosmetics Regulation
- Packaging and packaging waste legislation
- Dangerous products resembling foodstuffs directive

General Product Safety Directive

Europe's [General Product Safety](#) Directive states that all products marketed in Europe must be safe to use. It provides a framework for all legislation regarding specific products and issues. If there are no specific legal requirements established for your product and its use, the General Product Safety Directive still applies. If specific requirements do apply, the Directive applies in addition to those; it covers other safety aspects which may not have been described specifically.

Unsafe products are rejected at the European border or withdrawn from the market. The European Union has introduced a rapid alert system ([RAPEX](#)) to list such products.

Tips:

Read more about the [General Product Safety Directive in the EU Trade Helpdesk](#).

Use your common sense to ensure normal use of your product does not cause any danger.

Check the [RAPEX database](#) for small furniture for an idea of what issues may arise.

Cosmetics Regulation

Soap has to comply with the European Union's Cosmetics Regulation. This Cosmetics Regulation EC 1223/2009 came into force in 2009, took full effect from 11 July 2013 and supersedes Directive 76/768/EEC. The Regulation ensures the safety of cosmetic products on the European market by regulating the use of chemicals in these

products. The main chemical in soap is sodium hydroxide. It also bans the use of animal testing for cosmetic purposes.

Tips:

Read more about the [Cosmetics Regulation](#).

Check which ingredients are allowed ([colorants](#), [preservatives](#) and [UV filters](#)), [restricted](#), or [prohibited](#) altogether.

Does it look like food?

Some soap bars look so much like food that consumers could mistake them for real food products. The European Union's Council Directive 89/357/EEC on [dangerous products resembling foodstuffs](#) bans these items from the European market. Keep this in mind when designing your soap. Make sure that they do not resemble food too closely in:

- appearance
- colour
- size
- form
- labelling
- scent
- packaging
- volume

Tip:

Check 'Food-imitating products' in the [RAPEX database](#) for products that resemble food too closely. This gives you an idea of the designs to avoid.

Packaging

Europe has specific [packaging and packaging waste legislation](#). This EU Directive 2015/720 was adopted to harmonise measures concerning the management of packaging and packaging waste and to prevent or reduce its impact on the environment at European level. Buyers may therefore request you to minimise the use of packaging materials (paper, carton, plastic) or to use different kind of (recycled) material.

Europe also has [requirements for wood packaging materials](#) (WPM) used for transport, such as:

- packing cases
- boxes
- crates
- drums
- pallets
- box pallets
- dunnage

All wood packaging material and dunnage from non-European Union countries must be:

- either heat-treated or fumigated in line with ISPM15 procedures
- officially marked with the ISPM15 stamp consisting of 3 codes (country, producer and measure applied) and the IPPC logo
- debarked

These requirements do not apply to:

- wood 6mm thick or less
- wood packaging material made entirely from processed wood produced using glue, heat and pressure such as plywood, oriented strand board and veneer
- wood packaging material used in trade within the European Union

The objective of this Directive is to prevent organisms that are harmful to plants or plant products from being introduced into and spreading within the European Union. It also regulates imports from third countries in line with international plant health standards. Keep this in mind when you decide on the packaging of your soap.

Tip:

Read more in the [overview of EU rules on wood packaging material](#).

What additional requirements do buyers often have?

Sustainability

Social and environmental sustainability make your products stand out on the European market and buyers appreciate a good story. Think of sustainable raw materials and production processes and the impact your company has on the environment, the wellbeing of your workers and society as a whole.

Nowadays, an increasing number of European buyers demand the following certification schemes:

- [Business Social Compliance Initiative \(BSCI\)](#): European retailers developed this initiative to improve social conditions in sourcing countries. They expect their suppliers to comply with the BSCI Code of conduct. To prove compliance, the importer can request an audit of your production process. Once a company is audited, it is included in a database for all BSCI participants.
- [Ethical Trading Initiative \(ETI\)](#): This initiative is an alliance of companies, trade unions and voluntary organisations. It aims to improve the working lives of people across the globe that make or grow consumer goods.

You can use standards such as [ISO 14001](#) and [SA 8000](#) to read up on sustainable options. However, only niche market buyers demand compliance with such standards.

A recent study by the International Trade Centre concluded that [retailers in the major European markets are putting more environmentally and socially sustainable products on their shelves](#) in all product group, simply because consumers ask for it. According to the survey, 98.5% of retailers consider sustainability as a factor in their product sourcing decisions.

Tips:

Optimise your sustainability performance. Reading up on the issues included in the initiatives such as [BSCI](#) and [ETI](#) will give you an idea of what to focus on.

If you can show your sustainability performance, this may be a competitive advantage. For instance with a self-assessment like the [BSCI Self-Assessment for Producers](#), or a code of conduct such as the

[ETI base code](#).

For more information, see our special study on [sustainability](#).

Please refer to our study about [buyer requirements for Home Decoration & Home Textiles](#) for a general overview of European buyer requirements in the sector.

Labelling

The information on the outer packaging of your soap should correspond to the packing list sent to the importer. The external packaging labels for your soap should include:

- producer name
- consignee name
- material used
- quantity
- size
- volume
- caution signs

Your buyer will specify what information they need on the product labels or on the item itself, such as logos or 'made in...' information. This is part of the order specifications. It is common in Europe to use EAN or barcode on the product label and make sure you use the English language for labelling, unless your buyer indicates otherwise.

Packaging

Importer specifications

You should pack soap according to the importer's instructions. They have their own specific requirements for the use of packaging materials, filling boxes, palletisation and stowing containers. Always ask for the importer's order specifications. These are part of the purchase order.

Damage prevention

Properly packaging soap minimises the risk of damage by shocks, temperature or humidity. Packaging should make sure the items inside a cardboard box cannot damage each other. It should also prevent damage to the boxes when they are stacked inside the container. Packaging therefore usually consists of outer and inner cardboard boxes filled with protective materials like bubble wrap or paper.

Dimensions and weight

Packaging must be easy to handle in terms of size and weight. Standards are often related to labour regulations at the point of destination, specified by the buyer.

Cost reduction

Boxes are usually palletised for air or sea transport. You have to maximise pallet space. Nesting or stacking the items inside the container reduces costs. While packing has to provide maximum protection, you must also avoid using excess materials or shipping 'air'. Waste removal is a cost to buyers.

Material

Importers are increasingly banning wooden crating and packaging due to its unsustainability and high material and disposal costs. Economical and sustainable packaging materials are more popular. Using biodegradable

packing materials can be a market opportunity. For some buyers, it can even be a demand.

Consumer packaging

Soap sold as a gift or luxury product carries information about the ingredients, process and additional features that underpin its premium marketing. Small labels or forms of packaging express the exclusivity of the product. However, packaging is increasingly reduced to show off the soap's natural qualities and minimise its environmental footprint. For liquid soaps, retailers may offer their customer refillable packaging and therefore order in bulk or temporary packaging.

You are not always responsible for attractive consumer packaging, as the importer usually designs it to reflect the brand identity. Gift packs or complete spa packs can be offered as a further selling point. You may be asked to supply the packaging for this, again depending on the importer's preferences as well as your options.

Tip:

Always ask the importer's order specifications, packaging and labelling requirements.

Payment terms

The payment term is usually agreed upon with the buyer in the order contract. Payment terms vary from buyer to buyer and are related to the volume and value of the order, the type of distribution partner, whether or not an agent is involved, and what delivery terms apply. In general, the payment term will be 30 or 60 days after receipt of the goods or date of invoice.

Occasionally a deposit or advance payment can be agreed upon. This happens for example in case of Fair-Trade business relations. Certain sourcing countries have regulations stipulating 100% prepayment before delivery. This can be hampering business as buyers usually shy away from such costs or will negotiate a harder price deal.

A special form of financial security is offered by Letters of Credit. A so-called LC is often used in first transactions, but it is an expensive system and hence not preferred by European buyers.

The payment terms are the outcome of your negotiations about the risks involved in export trade, particularly the following:

- financial risk (who funds what part of the production and transport process?)
- transportation risk (if damage or loss occurs, who pays?)
- the transfer of ownership (when do the goods change hands?)

A balanced outcome of these negotiations is in the interest of both the seller and the buyer.

If the payment term is not covered in the contract, you can refer to [European Directive 2011/7/EU](#). This Directive protects SMEs against late payment. Although in principle it does not apply to companies outside the European Union, you can use these terms as covered in the Directive as a guideline:

- if no payment term is agreed to in the contract (or General Terms & Conditions), 30 calendar days after receipt of the invoice
- if date of receipt of invoice is not determined, then 30 calendar days after receipt of goods and/or services
- if the invoice is received before the goods and or services, then 30 calendar days after receipt of the goods and or services

- if a verification or acceptance procedure is agreed to with regard to conformity, then 30 calendar days after the date that procedure is completed
- a verification or acceptance procedure may not take longer than 30 calendar days
- payment terms in Europe that are set in a contract are not allowed to take any longer than 60 calendar days unless otherwise expressly agreed

Tips:

Carefully study the payment terms offered by your (potential) buyer, especially the number of days for delayed payment.

Always include the payment term in your negotiation in relation to the price, where an advance payment can justify a lower price. On the other hand, a long credit period can justify a higher price.

Study [Directive 2011/7/EU](#) regarding payment terms and late payments regulations in case payment terms are not covered in the contract.

Delivery terms

Delivery terms depend on the type of distribution partner and their preferences regarding physical distribution. Importers generally prefer FOB (Free On Board) or FCA (Free Carrier) arrangements.

FOB is restricted to goods transported by sea or inland waterway. It means that the seller pays for transportation of the goods to the port of shipment, plus loading costs. The buyer pays the cost of marine freight transport, insurance, unloading, and transportation from the arrival port to the final destination. FCA can be used for any transportation mode. In this type of arrangement, the seller fulfils his obligation to deliver when he has handed over the goods, cleared for export, into the charge of the carrier named by the buyer at the named place or point.

Retail multiples can ask for CIF (Cost Insurance Freight). That means that they will ask you to include the shipping and insurance charges in your quotation. Small retailers may go a step further and ask you to arrange that the goods will be delivered to their doorstep via a DDP (Delivered Duty Paid) arrangement. For importers who are consolidating orders in your country, Ex Works terms are often best.

Details about the rights and obligations of the buyer and the seller under the respective terms can be found in the [Incoterms 2020](#).

Tips:

Study your and your buyer's rights and obligations for the different Incoterms and make this part of your negotiation.

For a more elaborate overview of the various terms and conditions, and how to work with these, also see our study on [terms and conditions](#).

What are the requirements for niche markets?

Natural and/or organic cosmetics

[Cosmos](#) and [NATRUE](#) are two of the most common international standards for natural and/or organic cosmetics,

like soap. They cover all aspects of the sourcing, manufacturing, marketing and control of these products. These standards define the criteria that companies must meet to assure consumers that their products are genuine organic or natural cosmetics, produced to the highest feasible sustainability practices.

Tip:

If you use natural and/or organic ingredients, research whether certification would offer opportunities.

Fair trade

The concept of fair trade supports fair pricing and improved social conditions for producers and their communities. Especially when the production of your soap is labour intensive, fair trade certification can give you a competitive advantage.

Common fair-trade certification schemes for soap are from:

- [World Fair Trade Organisation \(WFTO\)](#)
- [Fair For Life](#)

Tips:

Ask buyers what they are looking for. Especially in the fair trade sector, you can use the story behind your product for marketing purposes.

Check the [ITC Standards map database](#) for more information on voluntary standards and their requirements, including fair production.

FSC certification

[FSC](#) (Forest Stewardship Council) certification is the most common label for sustainable wooden products, including paper. The FSC label guarantees that a product's source material comes from responsibly managed forests. These products are especially popular in Western European markets.

Tip:

If you use paper for the packaging of your soap, use recycled paper with the [FSC Recycled label](#).

For more information, see our study about [buyer requirements for Home Decoration & Home Textiles](#).

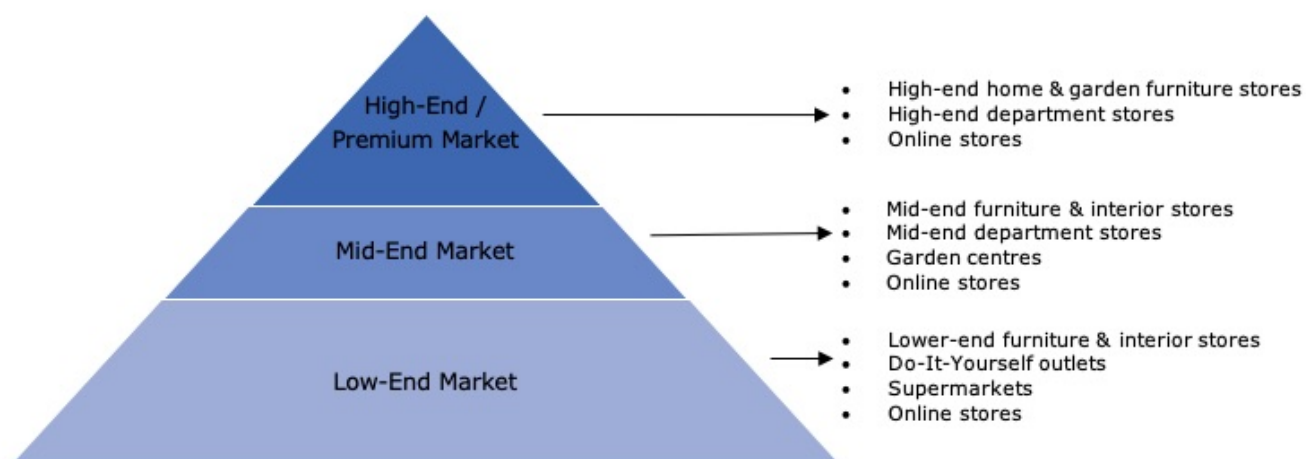
2. Through what channels can you get soap on the European market?

How is the end market segmented?

In Europe, soap has become a true lifestyle product and it has crossed the boundaries of several traditional

categories. It combines elements from the health and body care markets, the gift market and the home fragrance market. Within these markets, soap has developed lower, middle and higher segments.

Figure 1: Soap segmentation in Europe



Low-end market

The well-developed lower end mainly consists of mass-produced soap positioning on functionality. As such, this segment is not so easy to penetrate for you. These soaps often come in sets and at a low price.

Mid-end market

This segment follows trends. For the mid and higher segments, soap with added value (gift, origin, handmade, sustainable) is especially popular.

Mid-high / premium market

In the mid-high/premium market, craftsmanship, natural or sustainable values and branding play a role. The top end represents chunky bars of soap with special ingredients or slick, branded dispensers.

Through what channels does soap end up on the end-market?

The channels through which soap is put on the market follow the traditional patterns: import takes place via importers/wholesalers that supply to retailers. Larger retail chains often bypass the importers/wholesalers and import themselves, while some independent single retailers have also started buying directly from the supplier. Online platforms are becoming increasingly prominent and most retailers have a multiple-channel strategy (off- and online). Below, we will highlight the main actors in the market for soap:

Importers/wholesalers

Importers/wholesalers sell products to retailers in their own country or region, or re-export to the broader European continent. Some European markets are therefore supplied by wholesalers/importers from other European countries (internal European trade).

These importers/wholesalers take care of the import procedures. They take ownership of the goods when they buy from an exporter (as opposed to agents), taking the risk of the onward sale of the products. Developing a long-term relationship can lead to a high level of cooperation on appropriate designs for the market, new trends, use of materials, type of finishing and quality requirements.

Importing retailers

Some retailers, especially the larger chains, are increasingly importing directly from their suppliers in developing countries. Others, mainly the smaller independent stores, order in Europe from wholesalers. Retailers come in many sizes: large and part of a chain, or small and independent. There is a tendency for consolidation in European retail, with large retail brands becoming more spread out over Europe and becoming more lifestyle-centred (offering home decoration and textiles as well as cosmetics).

E-commerce

E-commerce in the HDHT sector is increasing and can help you reach a broader range of customers. Retailers often combine online and offline channels. Consumers research and purchase products online, shopping around and comparing prices on home decoration items. Small (gift) items are especially suitable for this. This is why a great deal of soap is already sold on-line. To supply e-commerce, you must offer small batches, fast delivery and be able to work with individual packing and labelling.

Tips:

To find potential buyers of your soaps, search the list of exhibitors or visit the main trade fairs in Europe: [Ambiente](#) - Frankfurt (February), [Maison et Objet](#) - Paris (January and September), [Tendence](#) - Frankfurt (August) and [Vivaness](#), as part of Biofach - Frankfurt (February).

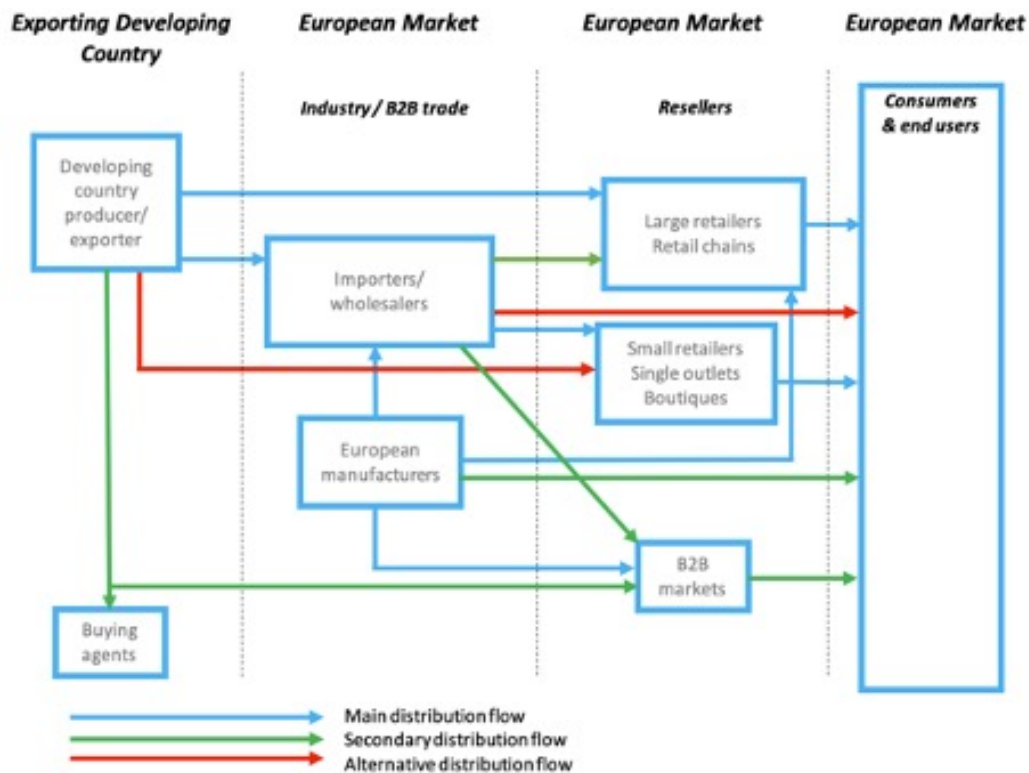
Search the list of members of Cosmetics Associations to find potential buyers, such as: [AISE](#) (International Association for Soaps, Detergents and Maintenance Products in Europe), [Cosmetics Europe](#), [NCV](#) (Dutch Cosmetics Association) and [CTPA](#) (British Cosmetic, Toiletry and Perfumery Association).

See our [Tips for finding buyers](#) on the European HDHT market.

To help you enter the market, consider working with an agent or representative with a good reputation. You can look for commercial agents on the website of [Internationally United Commercial Agents and Brokers \(IUCAB\)](#).

For more information about trading directly with smaller retailers, see our special study about [alternative distribution channels](#). See our special study about [E-commerce in Home Decoration & Home Textiles](#) for more information on online retail.

Figure 2: Trade channels for soap in Europe



What is the most interesting channel for you?

Wholesale importers are the main channel between exporters in developing countries and European retailers. They are interesting if you want to develop a long-term relationship and they usually have good knowledge of the European market. They can provide you with valuable information and guidance on European market preferences.

However, as the market is becoming more and more competitive, large retailers are increasingly importing for themselves instead of through European wholesale importers. The obvious advantages are cutting out the margins of the wholesaler and reducing delivery time to the market. Because of this trend, the self-importing retailers might want to drive a much harder bargain with you.

Smaller, independent European retailers continue to purchase mainly from domestic wholesalers/importers. As in other European market sectors (such as food or clothing), independent HDHT retailers struggle to compete with retail chains. They need to differentiate on value-added service, as well as specialised offers and authenticity. They typically prefer small order quantities per item, small total order volumes and delivery to their doorstep, with a limited likelihood of repeat orders. You need to calculate if this is cost-effective for you.

The trend of direct sourcing is expected to continue in future and may create more opportunities for you. The pool of buyers may increase if more retailers become importers, possibly resulting in an improvement of your bargaining position. Importing retailers order for their own shops and can therefore place orders much more quickly than importers/wholesalers, who first need to show samples to their retailers before exporters receive their orders.

Tips:

Consider targeting retailers directly to improve your bargaining position and increase your chance to close deals faster.

Relate your offer and terms to the targeted retailer (large/small). Ask your existing buyers how they operate if you are unsure. The better informed you are about this aspect, the better you will be able to set prices

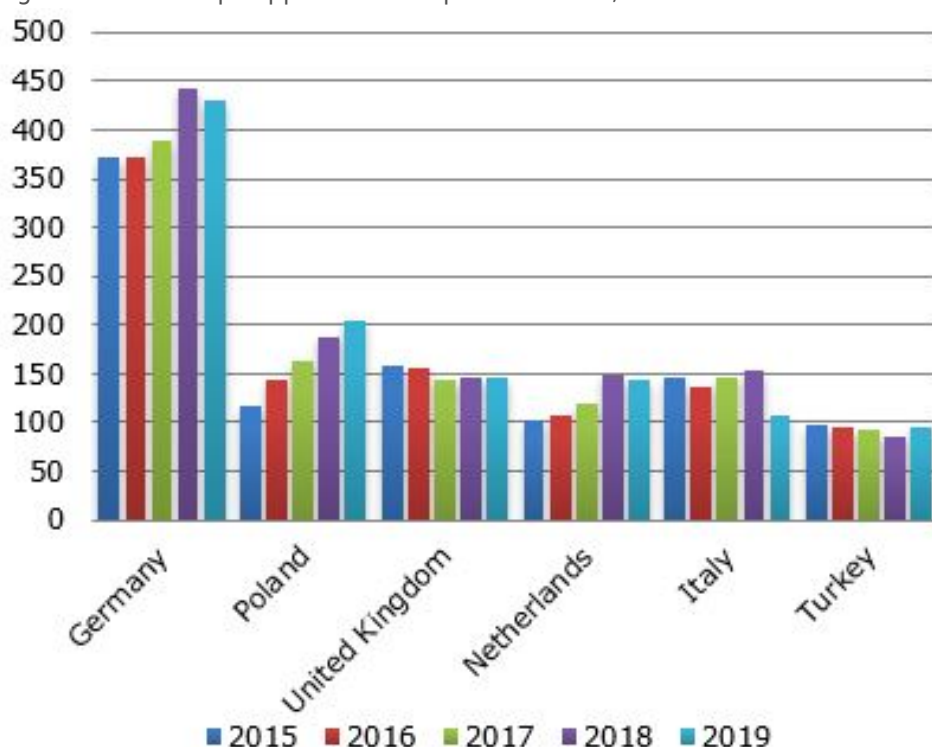
Offer suitable services such as fast delivery and after sales support to build a relationship based on mutual benefits.

When you are participating in international trade fairs, especially within Europe, make sure that you have a policy for small, independent retailers coming to your booth. If you choose to sell to them, you must have appropriate terms of trading (such as low minimum order quantities, delivery to the doorstep of the retailer or pre-stocking).

3. What competition do you face on the European soap market?

The recent [outbreak of the coronavirus](#) and the measures taken against it worldwide are expected to have a large impact on international trade and the European market for many products and services, including HDHT. Please note that the below analysis is based on the statistics that are currently available (2015-2019). Therefore, the expected impact of the coronavirus on the European market and global supply chains have not been taken into account in this report. For the latest news in your sector, please check [CBI News](#).

Figure 3: Main soap suppliers to Europe 2015-2019, in € million



Source: Trademap (2020)

As seen in Figure 3, Germany is by far the main soap supplier to Europe. Smaller suppliers, but still with a significant supply value, are Poland, the United Kingdom, the Netherlands, Italy and Turkey. Together, these top six countries are responsible for almost 61% of the total European supply.

However, you must be aware that in the European market, countries have different roles. You can make a rough distinction between countries that mainly import and countries that are mainly manufacturers. Most Western-European importers do not just sell their products in their own country, but across the European continent. This explains why in HDHT, small countries like Denmark and the Netherlands can import much more than the demand in their own domestic market.

The European producing countries are located for the biggest part in the Eastern part of Europe. This is mostly

because of their closeness to the core European market and the favourable labour cost. This sometimes makes them a good alternative for sourcing from the Far East.

In general, the Western European countries are mainly re-exporters, the Far East countries are the manufacturers and Eastern European countries are the new manufacturers. Soap (as a cleaning agent) is segmented in the lower end of the market and produced in the most cost-effective country. You, as an exporter from developing countries, are not competing with these countries, as your focus should be on the mid segment of the market. Western European countries could therefore be interesting trade partners for you.

Which countries are you competing with?

Germany is the main competitor

Germany is Europe's main soap supplier. In 2019 the country's total supply of soap to Europe was almost 23% of the total imports into Europe. Between 2015 and 2018 the supplies showed a steady growth, reaching a value of €442 million in 2018. The average soap supplies between 2015 and 2019 grew with almost 4% each year. However, the year 2019 showed a slight decrease to €429 million. Due to the recent coronavirus outbreak (see the introduction of this chapter), it is likely that this downward trend will continue in 2020.

The country is well known for its stable economy. It benefits from its geographical proximity to the European market, allowing suppliers to offer short delivery times. The top three export markets for Germany are France, The Netherlands and Austria. Together they count for 28% of the total supplies.

As Germany is a member of the European Union, German suppliers have a good understanding of the European consumer. They also have well established and efficient production lines, but their high-cost workforce makes production relatively expensive. Often however, European suppliers are brands that outsource production to developing countries and sell the products under their name. This means a lot of intra-European trade actually consists of re-exports.

Competing directly with these German (and other European) brands is challenging, as they generally have excellent marketing strategies involving a lot of brand communication, special packaging, and wellness and sustainability claims. Any attempt requires a strong focus on design, branding, material use and handmade soap. Moreover, ensure you offer a high level of service to build a strong relationship. Alternatively, you can compete with their manufacturers to become a supplier to these brands.

Poland is a lower-cost producer close to the market

Poland is responsible for 11% of the total supplies of soap to Europe, making it the second largest supplying country. Between 2015 and 2019, soap supplies showed a strong and stable growth at almost 15% per year. In 2019 (€203 million) the total supplies were more than 70% higher than in 2015 (€118 million).

Poland is still at an early stage in the game but growing quickly as a supplier. Due to increasing costs in other parts of the world, Western European brands are starting to seek alternatives, nearshoring to Poland being one of them. Top export destinations are Germany, the United Kingdom and France. Almost 50% of the Polish soap supplies is exported to Germany. Western European brands and importers, especially in the lower end of the market, are increasingly off-shoring (relocation of physical manufacturing) to Eastern European countries like Poland. The main reason is to save costs. Together, the top 3 countries account for 60% of total Polish supplies.

The country's strength is its geographical proximity to the European market, allowing suppliers to offer short delivery times. Polish suppliers also have a good understanding of the European consumer and have well established and efficient production lines. To compete with its relatively cheap production, you should focus on design, branding and material use. Make sure you offer a high level of service to build a strong relationship.

The United Kingdom shows a stable growth in supplies

Third in line when it comes to supplying to Europe is the United Kingdom. In 2019, the country supplied 8% of the total European soap imports. Between 2015 and 2019, supplies were relatively stable, with peaks in 2015 (€158 million) and 2016 (€157 million). In 2017, supplies slightly decreased reaching €143 million, but recovered in 2018 and 2019. Between 2015 and 2019, the country's supplies decreased at an average yearly rate of -2%.

The top three export markets for the United Kingdom are Ireland, the United States and Germany. Together, these countries account for 39% of the United Kingdom's total supplies of soap. Like Germany and Poland, the United Kingdom's strength is its geographical location, it allows suppliers to offer short lead times.

Depending on the results of the negotiations between the European Union and the United Kingdom in the current transition period, [the withdrawal of the United Kingdom from the European Union](#) might have an impact on supplies. There is now a transition period until the end of 2020 while the United Kingdom and the European Union negotiate additional arrangements. The current rules on trade, travel, and business for the United Kingdom and the European Union will continue to apply during the [transition period](#). You can read more on the United Kingdom's approach to the negotiations on the website of the [government](#).

An example of a soap exporter from the United Kingdom is [Lush](#), a company that taps into trends well and delivers worldwide through their online store and shops around the world. Product development and creativity are their strengths, on the other hand they are a relatively expensive producer. To compete with this, focus on design (also packaging design), products with high emotional value, sustainability and tell consumers the story behind your products and production.

The Netherlands is an important re-exporter

With €143 million in 2019, the Netherlands is the fourth largest supplier to Europe. In 2019, the Dutch supplied 8% of the total European imports. Between 2015 and 2018, soap supplies to Europe increased every year, with an average growth of more than 13% per year. However, supplies slightly decreased from €149 million in 2018 to €143 million in 2019, which equals a decrease of -4%. This is likely the result of the strong competition in the sector. The soap industry is flourishing, and the number of suppliers is increasing which will impact the supplies from the Netherlands.

The Netherlands' geographical location strengthens its position within the European Union. The country is an important hub for distribution operations within Europe. Part of the Dutch soap export is therefore likely to be re-export. The top three export markets for the Netherlands are Germany, Belgium and France. Together, these countries account for 58% of the Dutch total supplies of soap, with Germany responsible for more than half of this (39%).

Italian soap supplies stagnated

Between 2015 and 2018, Italian supplies of soap showed a stable increase, with a small dip in 2016. The total supplies reached a value of €146 million in 2015 and €154 million in 2018. In 2019, soap supplies dropped significantly to at €107 million, which caused a negative average annual growth between 2015 and 2019 of almost -8%. The impact of the recent coronavirus outbreak on the Italian economy is expected to be severe, so it is likely that this downward trend will continue in 2020.

The country accounts for 6% of the total European soap imports and is therefore the fifth largest supplier to Europe. The top export destinations are the United States and France, sharing the first position with a share of 14% each. The number three export destination is Spain (6%). Together they account for 36% of the total Italian soap supplies.

Overall, Italy is known for its high-value and high-quality products, but it is also a relatively expensive

production country. Italian manufacturers are strong in product design and packaging design, and they benefit from their proximity to the European market. To compete with this and differentiate yourself, you need to focus on material use, sustainability and the story behind your products, while being competitive on production costs.

Turkish supplies show a downward trend

Turkey is a smaller player in the soap market and accounted for 5% of the total European supplies in 2019. Between 2015 and 2019, the country supplied an average value of almost €95 million per year to the European Union. From 2015 onwards, soap supplies from Turkey decreased every year. In 2015, the total supplies reached €97 million, and they dropped to €86 million in 2018. Although the year 2019 showed a slight increase, it was still lower than the 2015 level. This makes the average annual growth between 2015 and 2019 negative at -0.5%.

The country's strength is its low-cost workforce and the central geographical location for Europe, which makes emerging manufacturing locations in Turkey more attractive primarily based on cost. The top export destinations are Iraq (15%), the United Kingdom (8%) and Germany (5%).

Tips:

Compare your products and company to the competition from China, Poland, India and Estonia. You can use [ITC Trademap](#) to find exporters per country. You can compare market segment, price, quality and target countries.

To differentiate yourself from your main competitors, focus on design, craftsmanship, quality and the story behind your products.

Which companies are you competing with?

Maroma - India

[Maroma](#) is a manufacturer with heritage. Having started in the 1970s with the familiar Indian incense, they now offer a full range of home fragrances and body care products, including soaps. Although they are a private label supplier, they do have one product brand: Encens d'Auroville, a clever wink to the associations of 'Frenchness' that this product group carries.

Their experience and their very coherent collection make them a reputable, specialist supplier to the industry. Strict legal requirements apply to this product category body care products including soaps technically come under cosmetics. But as a specialist, they have achieved adherence to those quality norms long ago.

Maroma is a modern business, catering to the needs of the modern consumer, promising "care for the environment and concern for social development". Their concept is based on three values: Natural, Fair Trade and Earth Friendly, and that has earned them a listing in Messe Frankfurt's Ethical Style Guide for exhibitors at their fairs with sustainable values and practices. A true role model for other suppliers from developing countries.

This is quite a large manufacturer with a broad range, and their distribution is therefore to wholesalers and importing retailers with a fairly large volume requirement. Depending on the customer's product selection and mix, this can take the soap into any required segment.

Botanika Marrakech by Ircos Maroc - Morocco

The Argan soap line from this Moroccan manufacturer of body care and home fragrance products is made from

a local ingredient, the argan leaf. The argan extract is mixed with chamomile extract and made into both decorative pieces of soap and liquid soap. A local ingredient like argan can help [Botanika Marrakech](#) differentiate in a crowded product group. A bigger and broader offer of typically Moroccan or regional herb and plant extracts would be required to grow the market.

The company says that argan is able to “purify the hands and delicately perfume them while respecting the natural balance of your skin”. This is in line with their general brand promise of providing “100% natural formulas, noble essences and velvety textures” as well as “unique pieces, handmade, limited edition, and custom made”. Fantastic values, which we would expect to find more support of in the actual product.

Botanika offers a full collection in cosmetic, body and home care products, including scented candles. In principle that would create confidence in their ability to meet the legal requirements; more precise communication on this would be expected.

The soaps range from quite raw in look to rather mid-market. This would be fine for a private label manufacturer – it would offer flexibility – but it is hard for brands to be higher and lower end at the same time.

Silk Road Bazaar - United States of America

This wholesaler carries hand-made felted soaps that originate from Kyrgyzstan. That, of course, triggers every buyer’s curiosity – that soaps can come from a country or region unknown to many. So there must be some special selling points for an American wholesaler like [Silk Road Bazaar](#) to make the effort.

The soaps are hand-made (which is good, but many are) and they look nice, being wrapped in felt. This makes the soaps act as a so-called loofa, a sponge and soap at the same time. While that’s not new, it is nice and very much in tune with the wellness side of soaps. The ingredients on offer are lavender, jasmine and rose, which are unexplained but quite likely chemical ingredients. The wrappers would seem to need improvement for a product group that has a high standard in packaging and labelling.

Tips:

Specialise in one product group such as soaps, or even an entire category (Home Care / Body Care). It helps you master the legal and market requirements and build values that are relevant in this specific part of the market.

Soap has rapidly moved away from a functional item to a purchase with gift, wellness and decorative value. It has a high degree of sophistication (dominated by European brands) and very high expectations from the consumer as to packaging, ingredients and story. So you should invest in strong communication, both on your packaging and website, as well as through trade fair displays and databases.

Consumers are open to new stories from unknown cultures but want to be ‘rewarded’ for trying something new by experiencing a new sensation in the use of the product. To achieve true differentiation for your soaps, you need to use local ingredients that trigger the senses.

Which products are you competing with?

In light of the current coronavirus outbreak and the high risk of more outbreaks in the future, consumers are more and more aware of personal hygiene. But not only in their home, but also on the road. Therefore, there is an increased interest in liquid soap without water and disinfection gels. However, the need for these types of strictly functional soap products does not directly affect the soaps in the HDHT category that have high emotional and gift value.

Tip:

Keep track of global trends in urbanisation and social design, to anticipate future structural changes in your sector. An interesting resource to monitor is [Trendwatching.com](https://www.trendwatching.com).

4. What are the prices for soap on the European market?

Table 1 gives an overview of the prices of soap in the low, middle and luxury market segments.

Table 1: Indicative consumer prices of soap

	Low	Mid to mid-high	Luxury
Soap	Up to €1	€1 to €10	€10 and over

Consumer prices depend on the value perception by the consumer in a particular segment. This is influenced by your marketing mix:

- product benefits
- promotion (brand or not, communication of product benefits)
- points of sale (reseller positioning)
- price

The following percentages give an indication of a price breakdown for soap in the supply chain:

- Shipping, import, handling costs: +25%
- Wholesaler: +100%
- Retail: +100-150%
- VAT*: +20%

*VAT percentages in Europe range from 18% in Malta to 27% in Sweden. On average, these percentages are around 20%.

Some examples of soap prices across Europe are:

- Luxury branded, eco and hand-made soap bar, [Ohëpo](#) (France), €9.00 for a 100-gram bar
- Soap bars in several shapes and scents, [Lush](#) (United Kingdom), price range between €3.00 and €15.00
- Basic soap bar, [Action](#) (the Netherlands), 2 x 100 gram for €1.22

Tips:


Study consumer prices in your target segment to determine your price. The value perception of your product in the chosen segment determines its price. The quality and price of your soap must match what is expected in your chosen target segment.

Understand your segment. Offer a correct marketing mix to meet consumer expectations. Adapt your business model to your position in the market.


This study has been carried out on behalf of CBI by [Globally Cool B.V.](#) in collaboration with GO! GoodOpportunity.

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