

The European market potential for soap

Europe is an interesting market for soap, where imports are steadily increasing. This offers good opportunities for exporters from developing countries. Especially within the mid-mid to mid-high market, as soap is increasingly becoming a luxury and gift item. In the last five years (2015-2019), the European imports of soap show a higher average growth (3.9%) than the worldwide imports of soap in the same period. This makes Europe an interesting potential market for you.

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1. Product description

Within the Home Decoration and Home Textiles (HDHT) sector, soap is categorised under 'home care and body care'.

This study uses the following harmonised system (HS) codes to indicate trade in soap:

Table 1: Product codes

Harmonised System (HS)	Prodcom	Description
3401 11	20 41 31 20	Soap & organic surface-active products in bars or cakes, etcetera, for toilet use
3401 19	20 41 31 50	Soap & organic surface-active products in bars or cakes, etcetera, not for toilet use
3401 20	20 41 31 80	Soap in other forms

Functionality

The quality of soap is first and foremost related to the fact that the product comes in contact with the skin. It must comply with health regulations and be generally safe to use. Obviously, another basic quality requirement is that it cleans the skin, textiles or dishes.

Material

The smell and colour of soap are key important determinants of quality. Extra features include:

- natural ingredients, like aloe vera, shea butter or jojoba
- biodegradable and environmentally friendly ingredients and packaging
- "origin" or "provenance", from a specific region or origin
- handmade, often making the soap rough and uneven in shape or form
- contributing to the home atmosphere, often by embossing or stamping texts onto the soap

- part of a Spa or gift offer.

Natural and authentic soaps are especially popular in the higher segment. Interestingly, 'green' values are common among soaps. When it comes to this, the fragrance market is a frontrunner in the home decoration market.

Design

Because soap is often used as a gift, design is focused on the packaging. Nice wrappers add value to the traditional bar of soap. Dispensers can achieve design value by using natural materials for the holders (especially types of stone) and creating a set of bathroom accessories around it in the same style. Alternatively, in the mid-market, fancy-shaped soaps can bring an element of humour that enhances their giftable character.

Durability

Needless to say, in contact with water, soaps are meant to produce the froths that bring freshness to the body and, as such, they are meant to deteriorate. Durability is more focused on the packaging, to increase shelf life and protection in transport. Refillable dispensers prolong the lifecycle of these items and can also come from a desire to reduce environmental footprint.

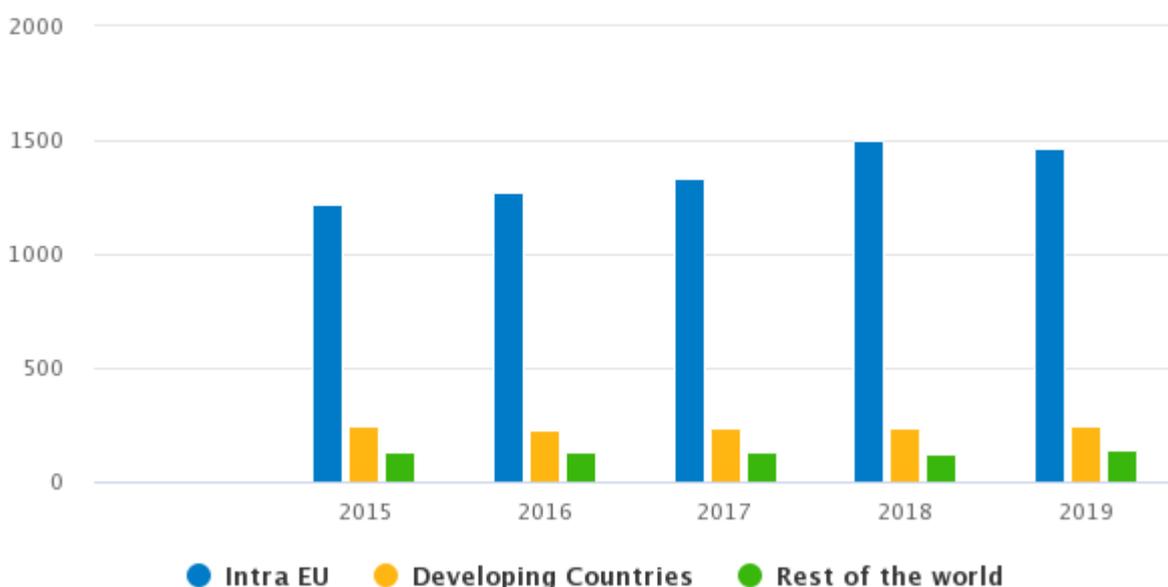
2. What makes Europe an interesting market for soap?

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](#).

The outbreak is expected to affect demand for HDHT products. The current crisis results in very low consumer confidence, globally. Besides a preoccupation with their health, consumers worry about whether they will have work, and to what extent their livelihood will be under pressure. This obviously does not stimulate the sales in HDHT. Besides, lots of brick and mortar retail in HDHT has closed (being 'non-essential'), and some will not survive the crisis, financially. So, the distribution chain in the HDHT sector is also severely affected.

Figure 1: European imports of soap

in € million



Source: Trademap

Between 2015 and 2019, European imports of soap increased from €1.6 billion to €1.9 billion, with an average annual growth of 3.9%. In comparison, the yearly growth of the world imports of soap showed an average of 1% between 2015 and 2018, reaching €5.9 billion in 2018 (values for 2019 are not yet available). The European imports of soap accounted for 32% of the total world soap imports.

In 2019, 19% of the total European import value was sourced from developing countries. As seen in Figure 1, imports from developing countries have grown steadily from €243 million in 2015 to €246 million in 2019. This makes Europe an interesting market for you, as an exporter from a developing country.

In the short term it is uncertain how the European market for soap will develop, as the recent coronavirus outbreak may cause some disruption. For more information on the short and long-term impact of the coronavirus on the sector, please read our study on [‘How to respond to COVID-19 in the Home Decoration and Home Textiles sector’](#).

Recent market growth is stimulated by the important role soap plays in the major consumer trends. These trends are expected to remain strong drivers for the long-term demand for occasional soap. Soap’s contribution to increased wellness has made it the perfect gift. The increased interest in sustainability, especially in the higher segments, is another trend that can stimulate the soap market. For more drivers of demand, see ‘which trends offer opportunities?’ below.

3. Which European countries offer most opportunities for soap?

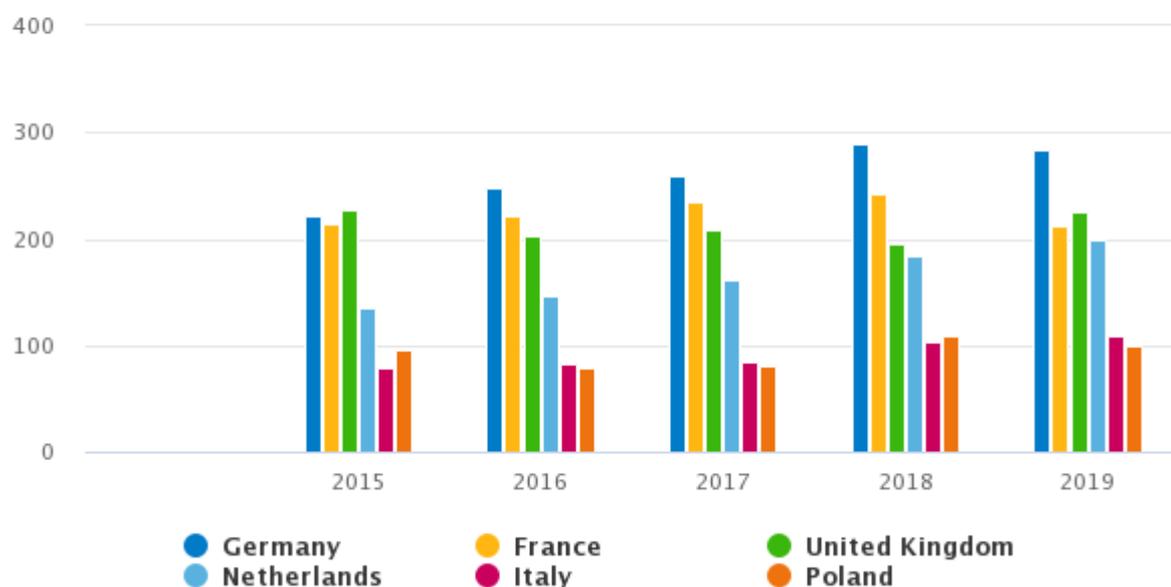
In 2019, Germany remained the main market for soap in Europe with a 15% share of total European imports, followed by France with 11%, the United Kingdom with 12% and the Netherlands with 11%. Together they accounted for 42% of the European total. Smaller markets with a share of less than 10%, but still in the top six leading importing countries, are Italy (5.9%) and Poland (5.4%).

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.

In terms of marketing, it is important to realise that countries are not markets. In HDHT we distinguish different market segments, ranging from the low to the high segment (also see our study on ‘Entering the European market for soap’). Every country in Europe has these segments, sometimes they are just larger or smaller in size in a particular country. Therefore, it makes much more sense for you to identify a particular segment in your product group and connect to the importers and distributors in that segment. These distributors will then sell right across Europe, in that same segment. Rather than you doing ‘country marketing’, your importers will do that more effectively.

Figure 2: Leading importing countries of soap

in € million



Source: Trademap

Real private consumption expenditure

An important indicator for growth in demand is real private consumption expenditure. The HDHT sector, which includes the soap market, is sensitive to economic cycles. When economic circumstances and prospects are dim, consumers postpone buying non-essential items. The other way around, when economic conditions are favourable, private consumption expenditure and purchases of non-essential products surge.

In recent years the leading European markets showed an annual growth in real private consumption expenditure of around 1-3%. Forecasts for the coming year continued this positive trend, until the recent outbreak of the coronavirus. Now, predictions are uncertain. Because the HDHT market responds to economic cycles, demand is expected to reflect any potential economic fluctuations.

However, this mainly applies to the mid, high and premium market segments. Soap sold in the lower segment is considered an essential basic need and therefore less sensitive to economic cycles.

Germany is the largest European importer

The German economy is widely considered to be the stabilising force within the European Union and historically shows a higher growth rate than other member states. With €290 million worth of imports in 2019, Germany is the largest European importer of soap. The country is responsible for more than 15% of the total European soap imports. Although 2019 showed a slight decrease in imports compared to the previous year (-2.1%), the average yearly growth between 2015 and 2019 was a strong 6.3%.

Some 8% of the German import value in 2019 was sourced from developing countries. Between 2015 and 2019 the imports from developing countries showed a clear downward trend, with an average growth rate of -8%. On the other hand, figures show an increase in imports from within the European Union and the rest of the world. This might indicate a shift to imports from Eastern European manufacturers. In 2019, Germany's number one sourcing country was Poland. Favourable labour costs and the closeness to the European market make Eastern European manufacturers a good alternative for sourcing from the Far East.

Although Germany is the largest market for soap in Europe, its total soap imports decreased in 2019. Given the current coronavirus outbreak the coronavirus in Europe, it is likely that there will be an impact on the demand

for soap in the country and imports are not likely to show growth in the next year.

France: the second largest European importer

French imports of soap showed a steady yearly increase between 2015 and 2018, reaching €243 million in 2018. With this value they are the second largest European importer of soap. However, in 2019 the total imports decreased significantly to €212 million, which equals a drop of almost 13%. The economic growth in France has slowed down after a gradual recovery. Global uncertainties and the effects of social unrest weighed on consumer confidence and the consumption of luxury products in 2019. This is expected to continue in the next year.

When it comes to imports from developing countries, France and Germany are ranked the lowest. They both source less than 10% of their total import values from developing countries. France is second to last with €20 million in 2019, equalling 9% of the country's total soap imports. However, together with the Netherlands, France is the only market that shows a positive average growth in imports from developing countries (+1.5%).

Brexit may negatively impact the United Kingdom's demand

The United Kingdom is ranked third when it comes to import value, reaching €226 million in 2019. The country is responsible for 12% of the total European soap imports. Between 2015 and 2019 imports were strongly fluctuating and dropped to €196 million in 2018. However, 2019 showed a strong recovery with total imports reaching €226 million, equalling a growth of more than 15% compared to 2018. The average growth between 2015 and 2019 turned out negative at 0.1%.

The main reasons for the fluctuation and the strong decrease in 2018 are the economic fall-out, depreciation of the British Pound and loss of consumer confidence due to the Brexit vote that took place in 2016. The share of developing countries in the import value of soap in the United Kingdom is set at 27% in 2019. This makes the United Kingdom the largest importer of soap from developing countries among the top six countries reviewed.

[The United Kingdom's withdrawal from the European Union](#) may have a major impact on consumer confidence. The uncertainties related to Brexit, the recent coronavirus outbreak and the resulting economic slowdown are expected to affect the consumption of soaps used as gifts. As such, although the soap import share of developing countries is high, your prospects for the next few years are modest at best.

The Netherlands is an important European trade hub

The Netherlands is the fourth largest import market of soap in Europe and its import value showed the strongest growth of the six leading countries. Between 2015 and 2019 the average yearly growth was more than 10%, reaching €200 million worth of imports in 2019. This favourable trend runs parallel to a long period of consecutive economic growth.

In 2019, The Netherlands sourced 11% of its imports of soap from developing countries. The country is the fastest growing importer from developing countries among the top six countries, reaching an average growth of 11% between 2015 and 2019.

In addition to Brexit and the coronavirus outbreak, the international trade disputes between the United States and China and between the United States and Europe may have a big impact on The Netherlands. Because the country heavily depends on international trade, negative developments in that area strongly affect its economic performance. This, in turn, would affect soap consumption.

Since the Netherlands is a big re-exporter of goods, the impact on soap imports goes beyond the country itself. As such, developments in other European countries will also play a role. Given the economic slowdown in Europe as a whole, a sharp increase in imports is not expected. Nevertheless, as one of the top six European importers of soap with a relatively strong market for imports from developing countries, the Netherlands is an interesting country to focus on.

Italian imports are likely to decrease

Italian imports of soap remained relatively stable in the 2016-2017 period at approximately €84 million. In 2018, imports jumped to a value of €103 million and in 2019 they increased slightly to €109 million. When it comes to imports from developing countries, Italy is the fourth largest importing country in Europe with €14 million in 2019. This equals 13% of their total soap imports.

The average import growth between 2015 and 2019 reached 8.9%. However, the economic growth in Italy is likely to slow down as global uncertainties and the outbreak of the coronavirus affect consumer confidence and consumption of luxury products in 2020.

Poland is the second largest importer from developing countries

Poland is the smallest of the top six countries and responsible for 5.4% of the total European imports of soap. Polish imports fluctuated between 2015 and 2019, with a peak in 2018 at €104 million. In 2019, the imports slightly decreased to €100 million. Although Poland is the second largest importer of soap from developing countries (19% is sourced from developing countries), the average growth between 2015 and 2019 was negative at -1.1%.

Tip:

Do not just focus on specific European countries. Instead, identify the appropriate segment and let your buyers distribute your products across Europe within this segment.

4. Which trends offer opportunities on the European soap market?

Soaps have developed into almost perfect gift items, and gifting is a major and sustained driver behind purchases in HDHT. The solid position of this product group is further supported by its relevance to some of the most deep-seated consumer trends in our industry: Wellness and Sustainability. Topical influences affecting soap positively are the need to play, and the 'Home Sweet Home' trend. For more information, see our study about [trends for Home Decoration & Home Textiles](#). We will outline each trend below.

The COVID-19 pandemic is putting greater emphasis on cleanliness to prevent the spreading of the virus. This will push the demand for soap dispensers, in particular. However, the need for soap as a gift, in wellness or other trends as described below, will not be compromised by that and comes from an entirely different emotion than fear of contamination (for example giving, sharing, wellness) linking to longer-term, deep-seated consumer needs.

Soap, a perfect gift

Initially, soap came to consumers in the form of a simple bar of soap for washing hands and clothes. It performed an antibacterial function and as such started off as a mere commodity. This type of soap still exists and finds its place in the lower end of the body care/hygiene or detergents market.

Parallel to the upcoming market for body care, cosmetics and (later) wellness and spa, soap needed to respond to the different consumer preferences in terms of smell, effect on the skin, and even look (colour, shape, packaging). As such, soap became a suitable gift, to pamper yourself or contribute to the mental and physical health of your friends and family. As a consequence, packaging and branding became more important.

Today, soap has moved firmly into HDHT. Not only because Spa concepts for the home have found their place in our industry, but also because soaps have gift value and are perhaps making their final step into becoming decorative items in their own right. As soaps are displayed in toilets and other areas of the home, either as hard

or as liquid soaps, they are turning into a valued home fragrance.

In the course of this transformation from a basic, functional commodity to an emotionally charged body and home care product and gift, soap has managed to develop a premium side.

Notions of convenience and hygiene also come into play, in the form of soap dispensers producing liquid soap for those who consider that more hygienic, especially in communal public spaces. On the other side, the more 'raw' and chunky the bar of soap, the more luxury the perception. Here, the gift and 'statement' character of the soap matters more than 'easy to use' and 'hygienic'. At home that is likely to remain the preferred option.

Picture 1: 'Raw' and chunky soap bars



Tips:

Read our study on 'Entering the European market for soap' to get more insight on the various segments of the soap markets. More functional means more mass and more price-sensitive. This requires a different business model from moving the soap into more home-oriented, more mid or premium-end. In the latter, added value is required in the form of attractive packaging and special scents. Price levels are different here too, with a possibility to add some more margin, against less volume.

Bring your [marketing mix](#) (the 4 Ps of product, price, place and promotion) in line with your positioning for a successful market approach. Study how the big brands in soap, such as [Dove](#) do this and decide what you can add to this crowded product group.

Wellness: A key driver

European consumers are driven by the wish to improve their mental and physical health. Stimulated by Asian lifestyles, they are creating a spa atmosphere in the home, with longer and more intensive bathing. Soaps can bring freshness to the body, as well as mental stimulation through smell and even colour. As such, soap has become a perfect gift for friends and family, or even for yourself – you're literally wishing them or yourself well.

Since this application of soap has a health component to it, natural ingredients would be welcome. To Western European consumers, concepts like spa, massage or yoga have an oriental origin, so 'exotic' ingredients are quite appreciated. As European consumers connect the spa experience to relaxation and even healing, the presentation of soaps and related items for this segment often comes in muted, natural colour palettes and branding.

The consumer base for wellness is quite varied and increasingly broad, including older and younger demographics, as different drivers can be at play, ranging from healing to pleasure.

Tips:

Study developments in wellness, including spa, massage, yoga practices and other forms of physical and mental self-improvement. These give important clues as to consumer preferences for the home environment.

Create some origin in your offer. For example through special herbal scents from your region, special practices from your culture, or by offering wrappings with designs or accessories showing a touch of your context.

Dispensers are essentially an industrially produced form of packaging. Differentiate by making the dispenser from a natural material (stone) and add handmade decorations.

Consider offering a full set of bathroom accessories in the same style, including a dispenser, toothbrush holder, soap dishes and a tray. You could work together with a neighbouring manufacturer of such accessories to create that option.

Look for options to extend your offer. A first step for emerging (Eastern) European markets could be to develop gift packs with nice local materials (woven baskets, accessories). These have a wider basis in the market than just personal body care and are often less price-sensitive than purely functional soaps. Depending on your business model, you can extend into the home care category to include potpourri, fragrances, scented candles, or incense (as mental wellness is equally important to today's consumer).

Sustainability: No Longer Niche

Sustainable values are important in the body care fragrance business. Consumers often associate sustainability with healthy, and they increasingly favour natural ingredients over chemical ones. The industry is generally more interested in a more renewable offer with limited environmental impact. This leads to various different attempts to make the packaging more sustainable, have a more environmentally and socially acceptable manufacturing process, reduce transport and enable an easier integration of the product into a new value chain after use.

Offering consumers the option of refilling their dispensers is an example of this development. All or part of these sustainable efforts can be certified. We see that happening, as today's consumer is asking for more transparency and takes marketing communication much less at face value. In soaps, sustainability is no longer niche and has become a valid differentiator in a very competitive product group.

Picture 2: Soap bar made with natural ingredients



Tips:

Source and use natural ingredients such as oils, spices or minerals. For more information, see our study on [natural ingredients for cosmetics](#).

Invest in greener production, packaging and transport methods.

Consider applying for relevant sustainability certification, for more information see our study on [Buyer Requirements](#).

Clearly communicate the sustainable aspects of your soap to your buyer.

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

Playful Soaps

A major and structural trend in soaps is to emphasise their playful side. Playfulness is a very deep and good connector to consumers, who have a broad acceptance of soaps that are playful. Means to add humour or playfulness can include colour, figurative or otherwise expressive shapes, texts on the soaps, and playful packaging. This trend is closely connected to the giftable aspect of soap, and especially in the middle segments it is quite a common and appreciated strategy. Some brands are actually positioned on playfulness.

Tip:

Although it can be an effective positioning strategy, be aware that cross-cultural humour is not easy. It

almost needs to come from your own DNA and cannot be easily 'developed' if it is not already there in your business. Also bear in mind that playful soaps are almost always more price-sensitive than soaps that are more 'serious', such as a wellness soap.

Home Sense: Home Sweet Home

Possibly less enduring than any of the other trends, at least in some respects, is the trend where (elderly) consumers retreat into the safety of their homes and inner circle, almost as an escape from the political and environmental crisis we are experiencing. Needless to say, this may well be reinforced and prolonged by the current health crisis.

The other side to this trend is that people are 'cocooning' more, enjoying each other's company and the cosiness of the home. This is also particularly relevant at the moment. Both aspects are linked to the need for gifting, the cosy decoration of the home, and even aspects of wellness. Soap is an element in this.

Tip:

Adapt your marketing mix to the consumer groups that drive this trend. The core Home Sweet Home consumer is the elderly couple, possibly from the Boomer generation (born between 1946 and 1964). They have always been used to having scents and fragrances around the house and have been active consumers of soap, both for its functional and decorative value. The core cocooning consumer is a mid-market consumer, looking for trends and colourfulness. Quite a different mix for your soap!

[Soap-n-Scent](#) from Thailand is an example of a company that has successfully tapped into the trends, both by producing soap with a high emotional value and by integrating sustainability into the core of its business principles.

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

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