

The European market potential for soap

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Europe is an interesting market for soap, with steadily increasing imports. This offers good opportunities for exporters from developing countries, especially in the mid- to high-end market, as soap is increasingly becoming a luxury and gift item.

Contents of this page

- [1. Product description](#)
- [2. What makes Europe an interesting market for soap?](#)
- [3. Which European countries offer most opportunities for soap?](#)
- [4. Which trends offer opportunities on the European soap market?](#)

1. Product description

In Home Decoration and Home Textiles (HDHT), there are several [categories consisting of various product groups](#). The soaps in this sector are mainly more luxurious 'raw' and chunky soap bars. These are categorised under 'home care and body care'.

This study uses the following 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 20	Soap & organic surface-active products in bars or cakes, etcetera, not for toilet use
3401 20	20 41 31 50	Soap in other forms
3401 20	20 41 31 80	Soap in other forms

Functionality

Soap's main function is that it cleans the skin. In addition to this basic function, more luxurious soaps offer additional nourishing and relaxing benefits from conditioning ingredients and smells. They can also be decorative, with interesting shapes and trendy colours.

Material

To make soap, vegetable or animal oils are generally mixed with lye (sodium hydroxide) and water. Vegetable oils range from palm oil to more luxurious oils like olive oil or shea butter. Synthetic or natural fragrances and colours can be added, as well as nourishing ingredients. Ingredients that are related to a specific region or origin, like Moroccan argan oil, can add value to your soap. Natural and authentic soaps are especially popular in the higher segments and they are often made with sustainable ingredients, packaging and production methods.

Design

Handmade soaps are popular in HDHT. These 'raw' and chunky soap bars can be rough and uneven in shape or form. Special ingredients are often emphasised in the design, for example with colourful swirls or decorative flower petals. Logos or texts can also be embossed or stamped onto the soap. Fancy shapes can bring an element of humour that enhances the soap's suitability as a gift.

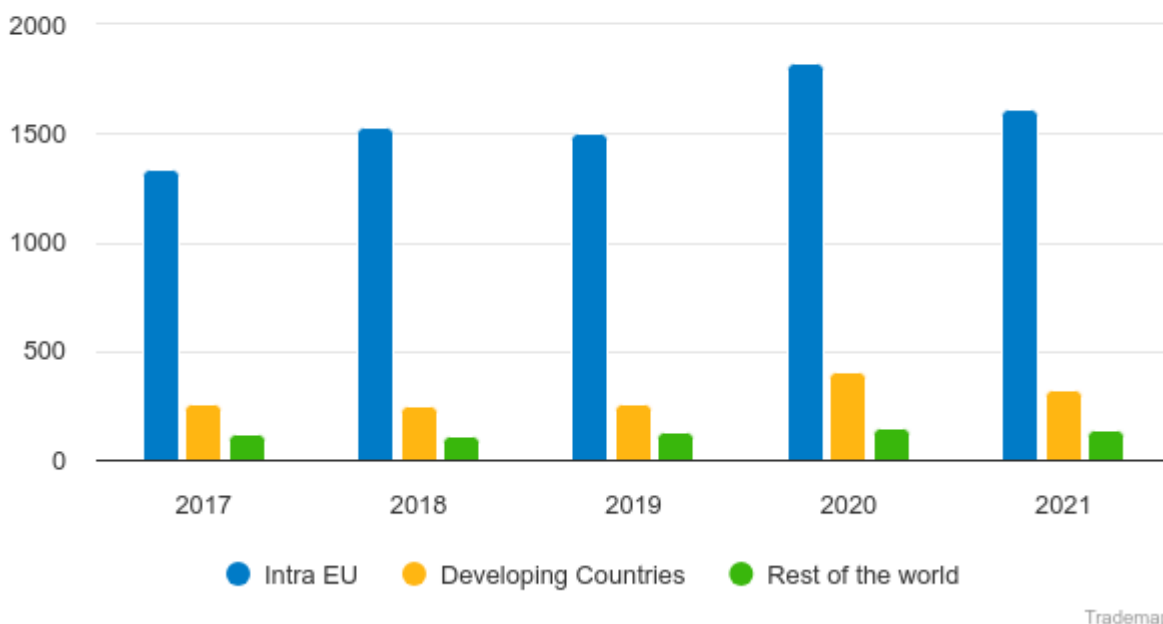
Because soap is often used as a gift, nice wrappers and boxes add value to the traditional bar. Dispensers and soap dishes can achieve design value by using natural materials, especially types of stone. You can also create a set of matching bathroom accessories. See an example of a [Handmade soap bar in multifunctional agave fibre bag/exfoliator](#) by Okiki.

2. What makes Europe an interesting market for soap?

The European market for soap peaked after the outbreak of the COVID-19 pandemic in 2020. It represents around 40% of the global soap market. About a sixth of the import value is sourced from developing countries.

Figure 1: European imports of soap

in € million



Source: UN Comtrade

European soap imports grew from €1.7 billion in 2017 to €2.1 billion in 2021, at an average annual rate of 4.9%. They peaked in 2020, when the outbreak of the COVID-19 pandemic led to a focus on hygiene. Similarly, worldwide soap imports peaked at €6.7 billion before dropping back to €5.2 billion in 2021. Europe accounts for about 40% of the global imports.

The direct European import market share for developing countries was about 15%. These imports grew from €255 million to €322 million, at an average rate of 6.0% per year. This makes Europe an interesting market for you, as an exporter from a developing country.

The COVID-19 pandemic and the war in Ukraine continue to disrupt international trade. At the same time, lockdowns have resulted in an increased focus on the home, and trends like wellness and sustainability. This may partially (or fully) compensate for the negative effects of the cost-of-living crisis. For more drivers of demand, see ‘which trends offer opportunities?’ below.

Tip:

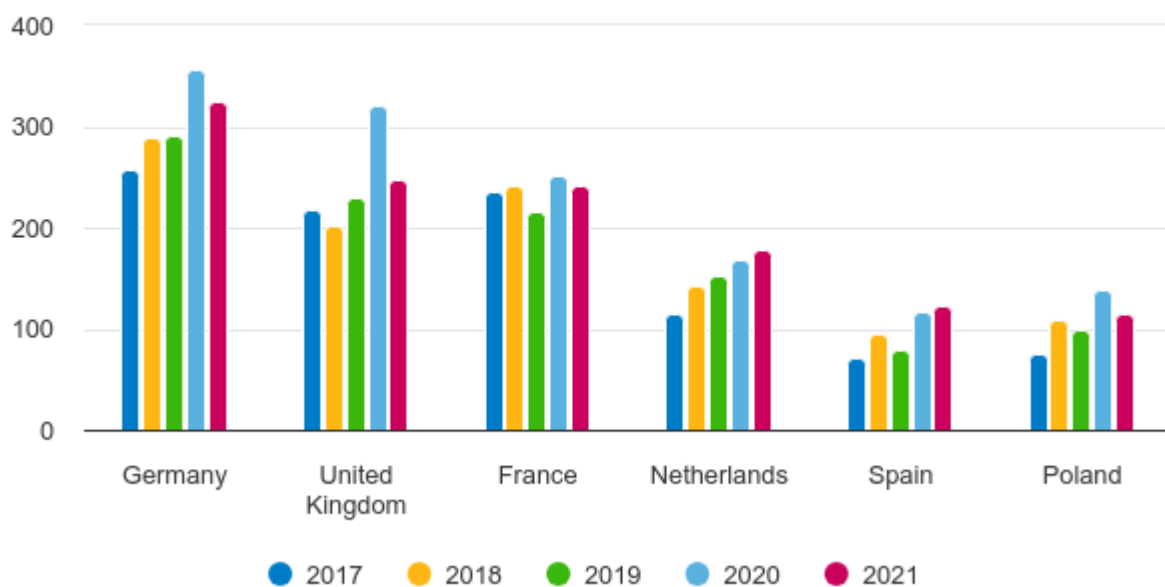
For more information on the short-term and long-term impact of the pandemic on the HDHT sector, see our study on [how to respond to COVID-19](#).

3. Which European countries offer most opportunities for soap?

The larger Western European economies are the main importers of soap. However, importers in these countries generally sell their products across Europe. Your best strategy therefore is to focus on a particular segment, rather than a specific country.

Figure 2: Leading importing countries of soap

in € million



Trademap

Source: UN Comtrade

In 2021 Germany remained the Europe's leading soap importer with 16% of imports, followed by the United Kingdom and France with 12% each. These countries' imports peaked in 2020, due to pandemic-related demand for hygiene products. The Netherlands (8.6%), Italy (5.9%) and Poland (5.5%) complete the top six of leading importing countries. Whether the boost in demand from 2020-2021 is here to stay, is not yet clear.

Focus on segments

Be aware that European countries have different roles on the market. Some are mainly importers and others are mainly manufacturers. Western European countries are mainly importers (and re-exporters). Most Western European importers do not just sell their products in their own country, but they distribute them across the continent. This explains why in HDHT, small countries like Denmark and the Netherlands often import much more than they consume.

In terms of marketing, you need to know that countries are not markets. In HDHT there are different market segments, ranging from low to high (see our study on [market entry](#) for soap). Every European country has these segments, although their size may vary per country. Therefore, it makes much more sense for you to select a segment in your product group and connect to the importers and distributors in that segment, instead of in a specific country. These distributors will then sell in that segment across Europe.

Consumer spending and confidence are under pressure

Because of the COVID-19 pandemic and the war in Ukraine, consumer spending and confidence are under pressure. This could lead to lower demand for HDHT products.

The HDHT sector is sensitive to economic cycles. When economic circumstances and prospects are down, consumers postpone buying items that they do not urgently 'need'. When economic conditions are good, purchases of such non-essential products tend to rise.

Source: OECD

Until the outbreak of COVID-19, the leading European markets showed an annual growth in consumer spending ('real private consumption expenditure') of around 1-3%. Due to the pandemic, this trend broke in 2020. In 2021, growth bounced back into positive figures.

In December 2021 the forecasts for 2022 and 2023 were also positive, particularly for 2022. However, [in March 2022 European consumer confidence fell sharply](#) due to the situation in Ukraine and the following energy crisis. This reflected a large drop in households' faith in the general economic situation in their country and their own future financial situation. Consumers' intent to make major purchases also fell. This lower consumer confidence may well lead to lower spending.

Germany is the largest European importer

Germany is the largest economy in Europe, home to nearly a fifth of the European Union's population. The [German GDP was back at pre-COVID-19 levels](#) in the second quarter of 2022. This is somewhat behind most other Northern and Western European countries, whose economies recovered in 2021.

German soap imports grew from €258 million in 2017 to €325 million in 2021, at an average annual rate of 5.9%. They peaked at €356 million in 2020 but stayed high in 2021. Germany's role as a key trade hub in Europe may have helped the country's strong performance. Poland supplies about a third of Germany's soap imports. This illustrates how Polish exporters can benefit from being so close to the Western European market, especially to Germany.

Soap supplies from developing countries grew from €30 million in 2017 to €35 million in 2021. Although their 11% market share is below the European average, the actual import value was the third highest in Europe.

About half of this came from Turkey (€17 million). Indonesia also performed well, with €7.4 million in 2021.

Germany's large domestic market, role as a trade hub, and growing soap imports from developing countries make this an interesting market for you.

Brexit may promote direct trade with the United Kingdom

British soap imports grew from €217 million in 2017 to €247 million in 2021, after peaking at €320 million in 2020. This translates to an average annual growth of 3.3% between 2017 and 2021. Imports from developing countries grew from €61 million in 2017 to €83 million in 2021, at an average yearly rate of 8.0%. This makes the United Kingdom Europe's leading soap importer from developing countries by far. Developing countries' direct market share reached 33%, which is double the European average.

China (17%), Germany (16%), Israel (16%) and Turkey (11%) are the United Kingdom's main soap suppliers. Israel and Turkey performed particularly well, with average annual growth rates of 58% and 17% respectively.

The United Kingdom's withdrawal from the European Union ([Brexit](#)) has led to relatively low consumer confidence levels since 2016. At the same time, Brexit may result in British buyers importing more directly from developing countries, rather than from European importers. This allows them to avoid additional fees now that they are no longer part of the European Union's single market.

[British GDP decreased by -9.9% in 2020](#), a record decline. Like in most Northern and Western European countries, the [British economy returned to pre-pandemic levels in 2021](#). Considering the country's high imports from developing countries and the potential increased interest in direct sourcing, the United Kingdom could be an interesting market for you.

France's soap imports return to pre-pandemic levels

After peaking in 2020, French soap imports returned to the 2017/2018-levels of about €241 million in 2021. France's leading soap suppliers are European countries like Germany (25%), Italy (14%), the United Kingdom (10%) and the Netherlands (10%).

With 11%, the direct import market share of developing countries is relatively low. Nevertheless, these imports did grow from €23 million in 2017 to €27 million in 2021, at an average annual rate of 3.9%. Nearly half of this came from Malaysia.

Economic growth in France had already slowed down before dropping to -8.3% in 2020 due to the pandemic. Global uncertainties and the effects of social unrest weighed on consumer confidence and affected the consumption of non-essential products. However, the French GDP returned to its pre-pandemic level in 2021. Considering the country's growing market for developing countries, this suggests France could offer you opportunities.

The Netherlands is an important European trade hub

Dutch soap imports grew from €114 million in 2017 to €179 million in 2021, at an average rate of 12% per year. This included a strong 6.1% growth in 2021. Like in Germany, the Netherlands' role as an important European trade hub may have helped the country's strong performance. The Netherlands' leading soap supplier is Germany (32%), followed by Belgium and Turkey (12% each).

Imports from developing countries increased at an even stronger average annual rate of 25%. They more than doubled from €16 million in 2017 to €38 million in 2021. This represents a 21% share, which is slightly above the European average. Most of this comes from Turkey.

Like in other Western European markets, the Dutch GDP was back at 2019-levels in 2021. Brexit and various international trade disputes may have a big impact on the Netherlands, since the country heavily depends on

international trade. Because developments in other European countries play a key role, Dutch imports are difficult to predict. However, its strong performance as a European trade hub makes the Netherlands an interesting market for you.

Spain mainly imports from European trade hubs

Spain's soap imports grew from €71 million in 2017 to €122 million in 2021, at an average annual rate of 15%. This included 5.1% growth in 2021.

Just 7.7% of Spain's soap imports came directly from developing countries, which is less than half the European average. Between 2017 and 2021, these imports fell by an average annual rate of -1.0%. At the same time, Spain's soap imports from other European countries grew by 18% per year on average. Most of these came from the Netherlands, which has become Spain's leading soap supplier with a 33% import market share. The Netherlands' fellow trade hub Germany supplies a further 20%.

The Spanish economy experienced the largest drop in Europe, with a decrease in GDP of -11% in 2020. A return to pre-pandemic levels is expected in the second half of 2023, making the Spanish economy the slowest to recover in Europe. Combined with a declining import market for soap from developing countries, this could limit your opportunities in Spain for the coming years.

Poland focuses on Germany

Poland's soap imports grew from €76 million in 2017 to €115 million in 2021, at a strong average rate of 11% per year.

The direct import market share of developing countries dropped from 32% in 2017 to 25% in 2021, which continues to be above the European average. It seems that Poland has chosen to import more from its leading supplier, Germany. European trade hub Germany now supplies 41% of Poland's soap imports, suggesting this could be a good route to reach the Polish market.

After nearly three decades of continued economic growth, the Polish economy declined by a relatively modest -2.7% in 2020. After that, the Polish GDP was among the first in Europe to recover. As the Polish market matures, it may be an interesting market for you.

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?

The market for soap is shaped by various trends, often related to the [trends for HDHT](#) on a sector-level. The main developments are outlined below, starting with the effects of the COVID-19 pandemic on the HDHT market.

COVID-19's effect on trends in HDHT

The COVID-19 pandemic has increased people's focus on the home. Areas such as wellness and working from home have become hot topics since lockdown measures were introduced.

Spending a lot of time at home has also motivated consumers to:

- Make their homes more pleasant, practical and comfortable;
- Merge the outdoors and indoors;
- Declutter; and
- Care about sustainability.

These are mainly consumer trends that were already ongoing and have been accelerated.

Soap, a perfect gift

Soap originally came in the form of a simple bar for washing hands and clothes – a commodity with an antibacterial function. This type of soap still exists and finds its place in the lower-end market. Parallel to the upcoming market for body care, cosmetics and – later – wellness and spa, soap needed to respond to 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 your friends and family. As a consequence, packaging and branding became more important.

Today, soap has moved firmly into HDHT. It has become a true lifestyle product. This is due to both the popularity of at-home spa concepts and the gift value of soaps, becoming decorative items in their own right. As soaps are displayed in various spaces, they are turning into a valued home fragrance. By becoming an emotionally charged body and home care product and gift, some soaps are now also a premium product.

Convenience and hygiene also come into play, especially since the outbreak of the COVID-19 pandemic. Dispensers with liquid soap are ideal for those who consider that more hygienic, especially in public spaces. On the other side, ‘raw’ and chunky bars of soap are considered luxury products. The gift and ‘statement’ character of these soaps matters more than convenience and hygiene. At home such luxury bar soaps are often preferred, such as this [handmade vegan terrazzo-style soap bar](#) by V.O.H.

Tips:

Read our study on [market entry](#) for soap to get more insight into the various European market segments. More functional means more mass and more price sensitive. This requires a different business model from mid- or high-end soaps. The latter need added value in the form of attractive packaging and special scents. You can also add some more margin, against less volume.

Adjust your [marketing mix](#) (the four Ps of Product, Price, Place and Promotion) to your positioning. Study how big brands such as [Dove](#) do this and decide what you can add to this crowded product group.

Wellness: the at-home spa

European consumers are constantly trying to improve themselves, both in body and mind. Two-thirds of consumers are more conscious of [looking after their physical/mental health](#) than they were before the pandemic. To boost their wellness, European consumers are increasingly turning to at-home spa and yoga practices. In a 2021 global Young Living survey, 48% of respondents report they are making [wellness and self-care a top priority](#). 53% have developed new wellness habits during the pandemic, including at-home spa experiences.

Inspired by Asian lifestyles, European consumers are creating a spa atmosphere in the home with longer and more intensive bathing. Soaps play an important role in these rituals. They bring freshness to the body, as well as mental stimulation through smell and even colour. This makes soap a perfect gift for friends and family, or even for yourself – literally wishing them or yourself well.

The consumer base for wellness is becoming more and more broad, as different drivers can be at play – ranging from healing to pleasure. Since this use of soap has a health component to it, natural ingredients are popular. Because Western European consumers associate spa and yoga practices with oriental origins, they appreciate ‘exotic’ ingredients. As the spa experience is connected to relaxation and even healing, soaps and related items for this segment often come in muted, natural colours and branding.

Tips:

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

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

If your soap comes in a dispenser, create interest by using a natural material (like stone) and adding handmade decorations. Dispensers are essentially an industrially produced form of packaging. Also consider offering a full set of matching bathroom accessories, including a toothbrush holder, soap dishes and a tray. You could work with a neighbouring manufacturer of such accessories on this.

Look for options to extend your offer. For example, you can develop gift packs with local items such as woven baskets and 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.

Sustainability: people and planet

European consumers and designers are making more and more sustainable choices, especially in the mid-high to high-end market segments. The COVID-19 pandemic has boosted this trend. For most (especially the younger generations), the pandemic has made it more important that both [consumers and companies improve their sustainability](#). In addition, most people want significant [change to make the world fairer and more sustainable](#) after COVID-19.

Sustainable values are also important in body care. Consumers often associate ‘sustainable’ with ‘healthy’, and natural ingredients are becoming popular. The industry is generally more interested in renewable offers with limited environmental impact. This leads to more sustainable packaging, environmentally and socially responsible production and reduced transport. Refillable soap dispensers are an example of this. An example is this [soap bar with upcycled exfoliating grinds, cocoa and pumpkin](#) from Codex.

As today’s consumer is asking for more transparency, sustainable claims are often supported with certification. For example, [Cosmos](#) and [NATRUE](#) are some of the most common international standards for natural and/or organic cosmetics like soap. The [Roundtable on Sustainable Palm Oil \(RSPO\)](#) certifies sustainable palm oil (products). See an example of [RSPO-certified soap bar in cork travel case](#) by Shaeco.

Tips:

Use natural ingredients such as oils, spices or minerals. For more information, see our studies on [natural ingredients for cosmetics](#).

Invest in sustainable production, packaging and transport methods.

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

[requirements](#). If your importer is interested, consider certification. For more information on this, see our studies on [market entry for soap](#) and [buyer requirements for HDHT](#).

Clearly communicate the sustainable aspects of your soap to your buyer. Make sure you can prove your claims by showing your recipes, processes and/or certification.

For more information, see our special study on [sustainability in HDHT](#) for more information, as well as our webinar on [sustainability in the European HDHT market](#).

Playful Soaps

A major long-term trend in soaps is to add a playful touch. Using playfulness is a deep and good way to connect to consumers. You can add humour or playfulness with colour, figurative or other expressive shapes, texts on the soaps, and playful packaging. This trend is closely connected to the gift aspect of soap. Especially in the middle segments it is a common strategy. As such, playful soaps are usually somewhat more price-sensitive than soaps that are more 'serious', such as a wellness soap.

Tip:

Be aware that cross-cultural humour is not easy, although it can be an effective positioning. It cannot be easily 'developed' if it is not already there in your business. Study good practices of brands with a playful style, such as [Lush](#).

Example company

[SOAP-n-SCENT](#) from Thailand is an example of a company that has successfully tapped into the trends. They produce soap with a high emotional value and integrate sustainability into the core of their business principles. The WFTO Fair Trade Guaranteed company combines traditional techniques and modern science to make attractive yet affordable handmade soaps. The soaps are based on a variety of natural oils, mainly rice bran oil. Soap-n-Scent also produces goat milk soap, lotion and shampoo bars, and a variety of gift and spa items.

This study was carried out on behalf of CBI by [Globally Cool BV](#) in collaboration with GO! GoodOpportunity.

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