

Polishes and Waxes

INDUSTRY SUPPLY CHAIN

Manufacturers of different home and personal care products source raw materials from the local and global chemicals industry. Some locally manufactured soaps and shampoos make use of hemp, which has to be imported because of the legislative barriers that prohibit the commercial growing of hemp in South Africa. Imported caustic soda typically lands in Durban, followed by distribution to manufacturers in the soaps and detergents sub-sector.

Packaging companies supply manufacturers with packaging materials. As branding and marketing are key success factors in the cleaning and wax products market, branding consultants play an important role. Moag Bailie is a design consultant company that enables players in this industry to reflect their respective brand identities in the packaging of products. Moag Bailie's clients include Revlon, Wella, which was recently acquired by Unilever, Bliss Chemicals and Johnson & Johnson.

Beige Holdings is a contract manufacturer that offers manufacturing services for home and personal care products to major suppliers locally and internationally. The latter include major players such as Unilever, Tiger Brands who, in turn, distribute products to wholesalers and retailers under their own brands. Beige Holdings also performs this function through its wholly owned subsidiary, Quality Products. The Lion Match Company, which has 95% ownership of Beige Holdings, also manufactures shoe polish and shaving products. Le-Sel Research describes itself as a leader in contract manufacturing on the African continent, attributing its growth to the decision by large multinationals to outsource production to the company. Manufacturing more than 300 products, Le-Sel's clients include major players in the cosmetics industry such as Avon, Johnson & Johnson, Justine, L'Oreal, Proctor & Gamble, Revlon, Unilever and Woolworths.

SIZE OF THE INDUSTRY

Unilever dominates the local detergents sub-sector, with a market share of 54% in 2011. The company's Sunlight, Omo and Surf brands held market shares of 28%, 19% and 7%, respectively. Unilever's closest competitor is another multinational, Colgate Palmolive, whose fabric softener, Sta-Soft held a market share of 11% in 2011. Maq, which is manufactured by Bliss Chemicals, came third with 6% of the market. In the polish and wax segment Reckitt Beckinser and JC Johnson dominate. Reckitt Beckinser holds 54% of the polish market, followed by JC Johnson at 31%. According to market research, Reckitt Beckinser's Cobra brand holds 25% of the polish market.

EXPORTS GLOBALLY

In 2011, a 7% to 15% increase in the growth of the soaps and detergents sub-sectors was predicted for Africa, as an emerging market. This was especially applicable to the Northern, Western and Eastern markets. The rand's increase in value against the US dollar contributed to South Africa's exclusion from the marked, continent-wide growth of the market.

Multinational Corporation, Colgate Palmolive, reported sales increases of no less than 45% for Africa, Asia and the Latin America in 2009. Similar trends have been observed for Unilever, whose sales in the developing world accounted for more than half of its total sales 2010. Unilever reports that its African market is worth R35bn, with its growth continuing to meet expectations. Unilever's success in emerging markets has been attributed to its ability to re-engineer its products to ensure

that it meets the consumers' needs, while taking into account possible budget constraints. In Nigeria, for instance, the company produces smaller packages of detergents in the form of sachets, which are sold at a much lower price that ensures profitability. In its growing African market, Unilever reportedly relies on "natural market growth", as opposed to acquisition. In 2010, Tiger Brands, entered into a partnership with the East African Group of Companies of Ethiopia, acquiring 51% in the East African Group. Forming part of the partnership was the East African Group's detergent manufacturing division which, at the time, was that country's largest detergent manufacturer. Bliss Chemicals, which is responsible for Maq home care products, exports its products to various parts of Southern Africa including Angola, Botswana, Lesotho, Namibia and Swaziland.

Population growth in Africa, along with increasing wealth and social mobility, are expected to substantially increase the production volume and sales of personal care products. These trends are already noticeable in the Cameroonian and Nigerian markets, where the stabilisation of the economy has also contributed to the growth of the fragrance market. Proctor and Gamble's Yardley was a market leader in Nigeria's fragrance market. In Cameroon, the growth of international brands is enabled by celebrity endorsements, as well as emphasis on the distinction between these brands and the typically cheaper locally manufactured products that are, however, of inferior quality.

Similar to its competitive edge in African markets, Unilever has also managed to gain some control of the Indian market, where a number of multinationals have apparently failed. Modern retail trade has, for a long time, failed to penetrate India's fragmented retail and wholesale market. Unilever has somehow taken advantage of this by employing "reverse engineering", which involves the breaking down of products into smaller packaging and, proportionally lower pricing, in order to maintain appeal to low-income earners. In response to the scarcity of water in the dry southern states of India Unilever has introduced a laundry detergent that does not require the use of vast amounts of water during the rinsing stage, which has increased sales.

Internationally, innovation in the detergents sub-sector has mainly involved the switch to products promising more environmental benefits in the past few years. These include the introduction of concentrates, which come in smaller packs and therefore require less packaging material. In addition, washing temperatures have experienced a significant decrease from at least 60°C to a range of between 30°C and 40°C globally. A decrease in washing temperatures while maintaining the product's ability to clean effectively requires the use of a complex composition of surfactants. However, manufacturers have also had to contend with increases in the cost of raw materials. For instance, the period between 2005 and 2008 saw substantial increases in the costs of crude oil, as well as natural oils and gas. Recent increases in the costs of raw materials and packaging products have led to manufacturers such as Reckitt Benckiser strategically restructuring packaging and increasing prices in an attempt to curb profit losses.

The global home care products market stood at an estimated \$170bn in 2010, and is projected to register a 19% growth over a 5-year period, reaching \$203bn by 2015. The value of Europe's home care products represents 35% of the global market. Although the detergents market is described as "mature" in Western Europe, the USA and Japan, more washing frequency in the USA leads to generally higher consumption of detergents than in other mature markets. Reckitt Benckiser, a major international player, registered a 2% growth in sales in North America and Western Europe in the third quarter of 2012. This is against the backdrop of sales decreases of 1% in each of the first two quarters of the year in those regions. The company also reports "excellent performance" in emerging markets. The company registered revenue of £2.45bn and a net profit of £465m in the UK in the third quarter. Colgate Palmolive attributes its all-time net sales record of 7.5% in 2011 to trends in the emerging markets.

GOVERNMENT SUPPORT

Due to its size, the chemicals manufacturing sector, which supplies the soaps and cleaning products sector, accounts for more than half of employment opportunities in the entire manufacturing industry. Labour Unions that specifically cater for employees in the soaps and cleaning products sub-sector are the South African Chemical Workers Union (SACWA), the Health and Other Service Personnel Trade Union of South Africa (HOSPERSA), United Chemical Industries Mining Electrical State Health and Aligned Workers Unions, (UCIMESHAWU), the Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union (CEPPWAWU), and the National Trade Union in the Beauty and Skincare Industry.

The Chemicals Industries Education and Training Authority (CHIETA) is mandated by the Department of Labour to facilitate training in the soaps and cleaning products sector. Andrew Frodsham, the Managing Director of Le-Sel, states that there is a general shortage of skilled and trained people at various levels of employment, whereas the same cannot be said for entry-level employees. This observation has led to the company's emphasis on comprehensive in-house training in order to equip employees with a wide range of skills. The company also draws up a personalised development plan for each employee. The recruitment and subsequent retention of managers is reportedly difficult because of the general demand for them in industry.

TARIFF PROTECTION

Following the ban of the use of phosphorus in parts of Europe and the USA, South Africa's Department of Environmental Affairs (DEA) commissioned a study on the impact of phosphorus on surface water. The study was carried out by the Water Research Commission (WRC) in 2010. Its main findings led to the conclusion that the elimination of phosphorus from ingredients in the manufacturing of detergents would be both "beneficial and desirable". This in turn led to the proposal that phosphorus be replaced with zero-p alternatives. Zeolite was recommended as a viable alternative, although it had several disadvantages.

PRODUCT

Products of the chemical or allied industries

HS2: Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modelling pastes, dental waxes and dental preparais of plaster

HS4: Polishes & creams, for footwear, furniture, floors, coachwork , glass or metal, scouring pastes & powders & similar preparations (whether or not in the form of paper, wadding, felt, nonwovens, cellular plastics or cellular rubber, impor covered with such preparations), (excl. waxes of heading no. 34.04)

Polishes & creams, for footwear, furniture, floors, coachwork , glass or metal, scouring pastes & powders & similar preparations (whether or not in the form of paper, wadding, felt, nonwovens, cellular plastics or cellular rubber, impor covered with such preparations), (excl. waxes of heading no. 34.04)

Product and code	Trading partners	Barriers to entry -		*Trade Agreements	Key role players
		*Tariffs Applied (A)	Total ad valorem (TAV)	*Non - Tariffs	
H340510	Nigeria	20%	20%		Beiersdorf Consumer Products.
Polishes, creams etc, for footwear or leather.	Zimbabwe	20%	20%		PT SADC countries Unilever Group
	Zambia	0%	0%		PT SADC countries
	Mozambique	0%	0%		PT SADC countries
	DRC	20%	20%		PT SADC countries

*detail information available on macmap.org.za