Cosmetics and Toiletries Sector in Colombia

October 2011
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“We chose Colombia because we saw the opportunity to have human talent and innovation. In addition, there is a variety of consumers, which allows for replication of worldwide consumers. We have selected Kimberly-Clark Colombia, thanks to their experience and trajectory with more than 44 years in the market, for being at the forefront of technology, and because newly-developed products satisfy current consumer demands.”

Cindy Panning, Vice-president of Product Development at Kimberly-Clark during the launch of the Global Innovation Center on August 24, 2011.
1. Introduction

For cosmetics and toiletries sector\(^1\) employers, Colombia presents an opportunity for the establishment of research and development, logistics, and production centers. Colombia has a thriving and stable economy that grew 5.1% in the first quarter of 2011, a government committed to supporting the private sector, and a strong sector with clear openings for foreign investors.

**Sector investment factors**

a) Research and development centers

**Leader in Biodiversity**

- Colombia boasts tremendous biodiversity, playing host to almost 10% of the world’s biodiversity with only 0.7% of South American continental surface area. The country with the highest biodiversity per square meter in the world (plants, mammals, and birds), according to Earth Trends.
- The country with the second-greatest floral diversity in the world, with over 50,000 known plant species; of these, 36% are endemic, or unique to Colombia.
- By virtue of its tropical location, Colombia has a range of thermal floors with heights above sea level from 0 m.m.a.s.l (≥ 24 °C) up to 4,000 m.a.s.l (< 6 °C) thus favoring the existence of diverse ecosystems such as natural forests, savannas, and arid, humid, and snow-capped zones, among others.
- Project for the creation of a National Observatory of Colombian Biodiversity, which will have the aim of conducting sustainable bio-prospecting processes, meeting the industry's R&D&i needs, and connecting all links of the natural ingredient development chain.

**Appropriate legislation for research and development implementation**

- Protection of industrial property in keeping with international standards, granting 20-year exclusivity to patent holders. The principle treaties relating to the matter have been signed and ratified: The Paris Convention, the TRIPS Agreement, and the Patent Cooperation Treaty.
- Commercial Biotechnology Development policy based on the sustainable use of biodiversity, approved June 2011, which will enable the creation of the economic, institutional, and legal conditions to attract public and private resources for the creation of biotechnology-based companies.
- Colciencias\(^2\) will present an incentive to those companies that complete R&D projects, provided that new, high-level staff are brought on board to perform these activities and that Colombian nationals comprise 75% of all researchers after three years (period of incentive's duration). The incentive will be offered by way of salaries for PhD, non-PhD, and staff training in accordance with determined percentages. The incentive will be subject to budgetary availability.

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\(^1\) The sector encompasses the following niches: Cosmetics (make-up and hair products), personal care (fragrances, oral hygiene products, creams, deodorants, shaving and hair-removal products, shower and bath products, baby-care products) laundry care (detergents, bar soaps, fabric conditioners), household cleaning products (Dish-washing products, multi-use soaps, toilet products, insecticides, aerosols), and absorbents (diapers, sanitary towels, tampons).

\(^2\) Colciencias: Administrative Department of Science, Technology, and Innovation.
b) Logistic centers

Export platform
- Since 2001 there has been a surplus of the trade balance, while sector exports have grown at a higher rate (19.6% per year) than imports (14.1% per year).
- Over 3,700 scheduled sea and almost 1,000 air cargo transportation trips.
- By 2011, Colombia aspires to have negotiated 11 Free Trade Agreements, which will provide the cosmetics and toiletries sector with access to 1.5 billion consumers.

Market growth of Colombian cosmetics and toiletries sector
- With a compound annual growth of 8.7% between 2006-2014, Colombia is poised to remain a driving force in the Latin American market.
- Fifth-largest market in South America, with sales of US$ 6.2 billion as of 2010.
- Colombian production of cosmetics and toiletries doubled over the last six years, from US$ 1.58 billion to US$ 2.73 billion in 2010. (Ex-factory prices)
- Cosmetics and toiletries exports posted a sixfold increase over the last ten years, going from US$ 114 million to US$ 683 million.

Largest female workforce in Latin America
- Colombia has the highest rate of females in managerial positions in the region, according to the IMD (World Competitiveness Yearbook).
- 37% growth in the number of women in the workforce between 2000 and 2009, against a 16% growth worldwide.

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1 The Ministry of Commerce, Industry and Tourism has developed the Productive Transformation policy, which is based on two strategies: - More and better of the good (established sectors), - new and emerging sectors, and - promoting added value, innovation, and technology in agribusiness sectors - to achieve sustained growth in the economy and employment. The Cosmetics and Toiletries sector forms part of the group of new and emerging sectors.
2. Cosmetics and toiletries sector trends

2.1. Global Outlook: Compound annual growth of 6.4% over the last 10 years

The global cosmetics and toiletries sector has remained vigorous over the last decade, rising from US$ 201.94 billion in 2001 to US$ 376.84 billion in 2010. Euromonitor estimates hold that the industry’s progressive growth patterns will be maintained during the following four years, rising from 0.6% in 2011 to a rate of 3% in 2014.

Growth of the Latin American cosmetics and toiletries market has grown at higher rates than the international average: 9% and 6% respectively. This behavior is expected to continue over the next three years.

Latin America had a 13% share of the global cosmetics and toiletries market between 2000 and 2010, with an average annual growth rate of 9.3% that outpaced the international equivalent of 6%. This Latin America-wide trend is expected to rise to 18% for the next four years (2011 – 2014).

Despite the global industrial downturn in 2009 (-1%), Latin America was one of the few regions in the world that recorded an increase in the cosmetics and toiletries market (2.3%).

![World Cosmetics and Toiletries Market (% 2000-2010)](image)

Market size, 2000-2010: US$ 5,364,328 million
Source: © Euromonitor International 2011, PROEXPORT calculations
The sector moved US$ 701,445 million between 2000 and 2010, the main participants being Brazil, Mexico, Venezuela, Argentina, and Colombia.

Latin American Cosmetics and Toiletries Industry Distribution

Source: © Euromonitor International 2011, PROEXPORT calculations.
Market size, 2000-2010: US$701,445 Million
Source: © Euromonitor International 2011, PROEXPORT calculations.
2.2. Colombia is the fifth-biggest cosmetics and toiletries market in Latin America

By 2010, sales inside the country reached US$ 6,235 million. According to Euromonitor International Unit estimates, sales are expected to reach US$ 7,662 million by 2014, which would see the country overtake Argentina, and will present a compound annual growth rate of 8.7% for 2006-2014.

Cosmetics and toiletries markets in Latin America
2010-2014p, Billions of US$

Colombian Cosmetics and Toiletries Sector
2004-2014p, Million of US$ - (%)
“This investment is a great opportunity to significantly expand our business in Colombia and reflect the confidence we have in the country’s future, in its economy, and in its industry” affirmed Fernando Acosta, President of Unilever for Colombia, Venezuela, Ecuador, and Central America. Unilever has two factories and one Distribution Center in Valle del Cauca, in which some US$ 38 million have been invested over the past five years.

2.3. Colombian production doubled in ten years.

The market growth dynamic has led productive sector activity to an average annual growth of 8% since 2000, which translates as US$ 1.3 billion to US$ 2.7 billion in 2010 (Ex-factory prices).
The production of the various sector segments in Colombia has been relatively homogeneous. In spite of this, personal hygiene absorbents led with 26.4% of total production (2000-2010); cleaning products with the 26%, make-up and lotions with the 25%, and the manufacture of personal-care product constituted 23%.

### 2.4. Multinational companies growing in Colombia

Many important multinationals have operations in the country, such as Kimberly-Clark, Belcorp, Henkel, Procter & Gamble, Avon, Unilever, and Yanbal, having invested in distribution, innovation, and development centers as well as production plants. These investments have generated high value-added production, and are expected to continue promoting sustained sector growth.

#### Share of Sales and Number of Companies in Colombia

(%) 2010

![Share of Sales and Number of Companies in Colombia](image)

Source: BPR Asociados, PROEXPORT calculations

While 88% of cosmetics companies in the country are domestic, 74% of sales are made by foreign companies. Leading companies from the sector such as Avon (16%) Procter and Gamble (15%), and Unilever (13%) have been present in Colombia for more than 10 years, resulting in profound knowledge of the Colombian market.4

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Source: © Euromonitor International 2010. Each company’s share refers to the share in gross sales in the sector at market prices during 2010.
Examples of Multinationals Established in Colombia

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
<th>Country of Origin</th>
<th>Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kimberly-Clark</td>
<td>Third worldwide Innovation Center (US$20 million) At the conclusion of the first three year period, 75% of all researchers will be Colombian.</td>
<td>United States</td>
<td>World</td>
</tr>
<tr>
<td>P&amp;G</td>
<td>Distribution center (US$ 25 million - 600 jobs) and capacity expansion of liquid soap production center (US$ 20 million - 50 jobs) in Antioquia</td>
<td>United States</td>
<td>Domestic Market</td>
</tr>
<tr>
<td>Unilever</td>
<td>Headquarters for Central America and the Andean Region</td>
<td>UK</td>
<td>Central America and Andean Region</td>
</tr>
<tr>
<td></td>
<td>Distribution Center in Valle del Cauca (US$31.5 million and 300 jobs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belcorp</td>
<td>R&amp;D center and production plant in Tocancipa - Cundinamarca (US$10 million)</td>
<td>Peru</td>
<td>Latin America and United States</td>
</tr>
<tr>
<td>Yanbal</td>
<td>Production plant expansion (US$10 million). Facatativá – Cundinamarca Distribution Center (US$10 million).</td>
<td>Peru</td>
<td>Andean Region</td>
</tr>
<tr>
<td>Natura</td>
<td>Markets around 400 products in Colombia</td>
<td>Brazil</td>
<td>Colombia</td>
</tr>
<tr>
<td>Avon</td>
<td>Distribution Center (US$50 million - 300 jobs)</td>
<td>United States</td>
<td>Domestic Market, Peru and Ecuador</td>
</tr>
<tr>
<td>Beiersdorf</td>
<td>Owner of the Nivea brand, which has invested continually in Colombia.</td>
<td>Germany</td>
<td>Colombia</td>
</tr>
</tbody>
</table>

Colombia is the key country for investing and achieving regional leadership, given its market growth dynamic, high levels of production, and market access.
3. Reasons to invest in the cosmetics and toiletries sector

Colombia lays claim to excellent conditions for developing the sector and transforming it into a global player; employers will therefore encounter opportunities to invest in the creation of research and development centers, and production and distribution plants. Such investment is founded on strengthening the link with natural ingredients; the existence of a commercial development policy for biotechnology that is conducive to the sustainable use of biodiversity; a strong market position, with Colombia being the fifth-placed country in Latin America; and the presence of a suitable export platform, among others.

3.1. Opportunities for establishing research and development centers

Global trend focusing on the production of cosmetics based on natural ingredients. According to a CBI study,\(^5\) the natural cosmetics market is expected to show an average annual growth rate of 6.2% for the United States and Europe between 2008 and 2013, reaching US$ 7 billion by the end of that period. The natural ingredients world market was valued at US$ 25.6 billion in 2008, and emerging countries in the tropics region have increased their share in recent years.

The above, allied with the country's floral diversity; the National Observatory of Biodiversity project, which encompasses a Colombian bioprospecting company; and incentives for developing Research and Development activities, make Colombia a good option for establishing R&D centers that promote natural ingredients and the development of high value-added products.

3.1.1 Colombia: second-greatest biodiversity by Km\(^2\) after Brazil

With more than 56,000 known plant varieties, of which 18,000 are endemic, Colombia has the second-highest biodiversity in the world, according to Earth Trends. It is also home to 8.6% of the nature reserves and protected areas in South America.

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\(^5\) CBI - Center for the Promotion of Imports from developing countries
Some of the plants in existence in Colombia with a high potential for sustainable use are: ipecacuana, Tolu balsam, borójó, gualanday, muña, indigo, achiote, arazá, and seje. For example, asaí, seje, and indigo can be used as colorants, and thus respond to the high demand for finished cosmetics in Europe.

### 3.1.2 Appropriate legislation for the implementation of research and development

Colombia: country with the highest protection of intellectual rights in Latin America, according to the IMD.
The country was able to take this place in the region because it meets rigorous Intellectual Property standards, such as:

- Protection of industrial property complying with international standards, granting 20-year exclusivity to patent holders. The principle treaties relating to the matter have been signed and ratified: The Paris Convention, the TRIPS Agreement, and the Patent Cooperation Treaty.

- 5 years of protection to information not disseminated in sales records.

### 3.1.3 Commercial biotechnology development policy based on sustainable biodiversity use (CONPES 3697)

Biodiversity is of national interest and is a unique development opportunity. Accordingly, it is Colombian government policy to support the creation of the economic, technical, institutional, and legal conditions to attract public and private resources for the development of commercial products and companies based on sustainability and the application of biotechnology. This will provide cosmetics and toiletries sector investors with clear rules relating to the access and use of biological and genetic resources derived from the country's biodiversity. The policy has four objectives:

- Improve **institutional capacity** for commercial biotechnology development.
- Develop **financial instruments** to attract investment for developing biotechnology companies.
- Adapt and revise the **regulatory framework** related to accessing genetic resources and developing biotechnological medications and phytotherapeutic products.
- Study the possibility of creating a **Colombian Bioprospecting Company**.

### 3.1.4 Research and development project incentives

- Colciencias will present an incentive to those companies that complete R&D projects, provided that new, high-level staff are brought on board to perform these activities and that Colombian nationals comprise 75% of all researchers after three years (period of incentive's duration). The incentive will be offered by way of salaries for PhD, non-PhD, and training staff in accordance with the percentages shown in Table 1.

Incentive approval subject to budget availability. The minimum investment amount for the research project should be approximately US$ 7.8 million\(^6\). The maximum value of incentives given for projects is to be approximately US $15.7 million\(^7\).

As established in the corresponding contracts, the State will grant the intellectual property rights pertaining to science, technology, and innovations projects that receive public resources.

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\(^6\) Reference exchange rate: COP$1900=USD$1
\(^7\) Reference exchange rate: COP$1900=USD$1
Table 1. Incentive for the creation of I&D Centers.

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries (PhD)</td>
<td>90 %</td>
<td>8 %</td>
<td>70 %</td>
<td>Researcher salary incentive. At least of researchers should be Colombian after three years.</td>
</tr>
<tr>
<td>Salaries (Non-PhD)</td>
<td>75 %</td>
<td>65 %</td>
<td>55 %</td>
<td>Cost of courses or seminars. Flight tickets and accommodation for working immersion in other country (On-the job-training ).</td>
</tr>
<tr>
<td>Training</td>
<td>50 %</td>
<td>50 %</td>
<td>50 %</td>
<td></td>
</tr>
</tbody>
</table>

Source: Colciencias

This incentive is not compatible with the R&D investment-related deductions described below.

- **Income tax deductions**: As an incentive to development in this niche, an income tax deduction equivalent to 175% of the R&D investment value has been implemented (may not exceed 40% of net income). The R&D project should be guaranteed by the National Council of Tax Benefits (Consejo Nacional de Beneficios) in Science, Technology, and Innovation. Likewise, the Council will define a total maximum amount to be deducted on an annual basis, as well as the percentages assigned for each size of company.

- **Non-taxable income**: The resources received to finance science, technology, and innovation projects are non-taxable income. The same applies to the remuneration of individuals for the direct performance of work related to science, technology or innovation.

- **Equipment importation benefits**: Equipment or objects bound for projects classified as relating to science, technology, or innovation, and imported by centers of research or technological development recognized by Colciencias will be exempt from value added tax (VAT).

3.1.5 **Project for the creation of the National Center of Colombian Biodiversity** focusing on the development of R&D and the establishment of companies working with natural ingredients in the city of Manizales. The project seeks to centralize priority initiatives such as the creation of a bioprospecting company; the university-linked R&D network; the oil extraction plant; and the cosmetics and cleaning products biocorredor, among others. Once the desired results are obtained, this initiative will be replicated in areas such as Tolima and Chocó.

3.1.6 **Network of I&D Centers**: how they support the industry: Colombia has the Biotechnology Center, an agreement between the government through Colciencias, universities, and Microsoft in which equipment, research, and financial assistance are provided to obtain the various applications that a plant may require.

Moreover, the country features 11 academic centers dedicated to sector research, including the Universidad Nacional, Universidad de Antioquia, Universidad del Valle, Universidad de los Andes, Pontificia Universidad Javeriana, UNIRED (Union of 15 Universities in Santander), CENICAFE, CENICAÑA, CENIPALMA, CORPOICA, and the CIAT.
3.1.7 Regional Opportunities for R&D investment

The Coffee Triangle region led by Manizales and administrative departments such as Cundinamarca and Antioquia are examples of some of the regions developing the conditions to install R&D centers.

<table>
<thead>
<tr>
<th>Regions</th>
<th>Conditions</th>
</tr>
</thead>
</table>
| Coffee Triangle led by Manizales | 1. Development of National Observatory of Biodiversity project  
2. Colciencias Bioinformation Center (under construction)  
3. Center for Biodiversity Research and Study (Centro de Investigación y Estudios en Biodiversidad - CIGREB)  
4. Network of Universities focusing on biotechnology  
5. Permanent Free Trade Zone with availability for establishing biotechnology-based companies producing natural ingredients |
| Bogotá - Cundinamarca | 1. R&D centers as a source of industry support: Biotechnology center and CIDBIO bioindustry  
2. Network of Universities and Centers generating R+D, such as la Universidad Nacional  
3. Largest aromatic and medicinal plant producing region in the country |
| Antioquia | 1. Genomic sequencing centers (Colciencias- U. Antioquia) – Biontropic  
2. Seed Biofactory for reproduction of plants through biotechnology - Antioquia Technology Park  
3. University network with research groups for the cosmetic, agriculture, and pharmaceutical sectors such as the Universidad de Antioquia, the Engineering School of Antioquia, and EAFIT. |

3.2. Opportunities for establishing distribution centers

3.2.1 Colombia: export platform. Cosmetics and toiletries exports increased six times over the last ten years

Exports increased at an annual compound rate of 19% per year between 2000 and 2010, going from US$114 million to US$683 million. The prospects of increasing this trend are excellent due to the commercial agreements in effect with Chile, Mexico, CAN, and Mercosur, as well as the agreements with the United States and the European Union that are to come into effect.

Cosmetics and Toiletries Imports and Exports  
2000 – 2010p, US$ Million

![Cosmetics and Toiletries Imports and Exports Graph]

CAGR (2000-2010)  
Exports: 19.6%  
Imports: 14.1%  
Source: Cosmetics and Cleaning products Chamber, ANDI
By 2010, exports from the sector reached US$ 683 million, with cosmetics segment sales of US$ 411 million accounting for the largest share; this owes to the numerous companies based in Colombia who supply regional markets, as well as significant Latin American distribution centers.

Exports vs. imports per segment of the cosmetic and toiletries sector
Million US$, 2010

<table>
<thead>
<tr>
<th>Segment</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hygiene</td>
<td>77</td>
<td>142</td>
</tr>
<tr>
<td>Absorbents</td>
<td>195</td>
<td>28</td>
</tr>
<tr>
<td>Cosmetics</td>
<td>411</td>
<td>292</td>
</tr>
<tr>
<td>Total</td>
<td>683</td>
<td>463</td>
</tr>
</tbody>
</table>

Source: ANDI Chamber of Cosmetics and Toiletries

Colombia: the gateway to new markets: Access to 1.5 billion consumers

The main destinations of Colombian cosmetics exports are Latin American countries, especially Ecuador, Peru, and Venezuela. Nonetheless, thanks to the trade agreements signed and/or in effect, Colombia presents an opportunity for sector companies interested in producing or locating their logistics centers for regional distribution.

Principle destinations of sector exports (%), 2010

Absorbents
- Venezuela 29%
- Peru 18%
- Ecuador 13%
- Bolivia 8%
- Brazil 7%
- Chile 7%
- Others 18%

Cosmetics
- Venezuela 21%
- Ecuador 22%
- Mexico 8%
- Guatemala 4%
- Peru 23%
- Others 18%
- Chile 4%

Total: US$ 195.3 Million
Total: US$ 410.5 Million
3.2.2 Appropriate exports logistics

Colombia's geo-strategic position in the northeastern corner of South America places the country in a competitive logistical arena; it constitutes a key staging-post for shipping companies covering north-south-North Sea routes, and the proximity of the Panama Canal facilitates east-west interconnections and access to the two oceans. Colombia's air traffic situation is equally advantageous, a claim borne out by Bogotá Airport's status as the number one ranking Latin American airport in cargo movement.

Colombia's advantages give it competitive features within the region for establishing hubs or distribution centers for companies producing light and heavy materials to cover Latin American and Caribbean markets:

- The presence of enormous megacarriers\(^8\) in Colombia and convenient marine connections with the rest of the world.

- 75% of the world's shipping companies (and approximately 15 of the world's most important and busiest companies) are involved in imports to and exports from Colombia.

- More than 3,700 scheduled shipping routes.

- Comparatively low regional maritime shipping costs for transporting general cargo to North American, South American and Central American markets.\(^9\)

- Nearly 1,000 scheduled flights transport cargo.

- 18 cargo airlines and 13 passenger airlines operate in Colombia. Some of the most well-known companies are Cargolux, KLM-Air France, Iberia and MartinAir, among others.

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\(^8\) The largest ships in the world.

\(^9\) The maritime shipping market is currently completely unregulated. Rates fluctuate freely according to supply and demand, a situation that may mean large differences in shipping charges along a single route according to the shipping company selected and the type and volume of the cargo.
Colombia commands preferential access to more than 1.5 billion consumers. The Government has set the goal to establish Free Trade Agreements with strategic countries in order to create the best conditions possible for investment and trade. The business agenda for 2011 includes 11 agreements with 48 countries.

3.1.8 Opportunities for establishing logistics centers in different regions of Colombia

Both the Caribbean region, encompassing the administrative departments of Bolívar, Magdalena, and Atlántico, and the department of Valle del Cauca are the areas identified for the installation of Distribution Centers as shown in the following graph.

Export logistical capacity and Regional Opportunities for the establishment of Distribution Centers

- **Barranquilla Port** (Atlántico) Cargo Movement 2010: 4,117,649 Tones – 12% of the national total. 620 scheduled shipping routes. *Multi-purpose Port*: 2 docks capable of handling all cargo types.

- **Santa Marta Port** (Magdalena) Cargo Movement 2010: 6,619,194 Tones – 19% of the national total 334 scheduled shipping routes. Specializing in bulk and refrigerated cargo.

- **Cartagena Port** (Bolívar) Cargo Movement 2010: 12,317,026 Tones – 35% of the national total. 1,756 scheduled shipping routes. 5-time winner of the Prize for the Most Competitive Port in the Caribbean.

- **Buenaventura Port** (Valle del Cauca) Main port on the Pacific. (Moves more than 28% of the country’s trade) Cargo Movement 2010: 9,604,026 tones. 990 scheduled shipping routes. TCBuen Buenaventura Container Terminal (Valle del Cauca), in operation since 2010.

Source: PROEXPORT
3.3. Opportunities for production

3.3.1 Colombia is among the leading countries in the region for the availability and quality of human capital

The quality of education in Colombia leads the country to having one of the most competitive workforces in the region, which in turn translates into an excellent business environment. Colombia has the second-highest availability of trained workforce in the region, and together with Brazil, Argentina and Mexico, it has the most competitive managers in the region, showing the country’s capacity to be competitive in installed multinational companies.

![Available skilled managers chart](image)

**Availability of skilled managers**

<table>
<thead>
<tr>
<th>Country</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peru</td>
<td>5.11</td>
</tr>
<tr>
<td>Venezuela</td>
<td>5.3</td>
</tr>
<tr>
<td>Brazil</td>
<td>4.27</td>
</tr>
<tr>
<td>Colombia</td>
<td>4.4</td>
</tr>
<tr>
<td>Mexico</td>
<td>4.85</td>
</tr>
<tr>
<td>Argentina</td>
<td>5.87</td>
</tr>
<tr>
<td>Chile</td>
<td>6.56</td>
</tr>
</tbody>
</table>

**Availability of Skilled Labor**

<table>
<thead>
<tr>
<th>Country</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>5.66</td>
</tr>
<tr>
<td>Colombia</td>
<td>5.3</td>
</tr>
<tr>
<td>Argentina</td>
<td>5.11</td>
</tr>
<tr>
<td>Mexico</td>
<td>4.6</td>
</tr>
<tr>
<td>Peru</td>
<td>3.33</td>
</tr>
<tr>
<td>Venezuela</td>
<td>2.89</td>
</tr>
</tbody>
</table>

Taken for Latin American countries maximum score of 10
Source: IMD World Competitiveness Yearbook 2011

According to IMD figures, Colombia’s workforce boasts the second highest rate of growth in the world (and the highest in Latin America) behind Qatar. Colombia occupies second place for educational standards in Latin America.

![University Education chart](image)

**University Education**

<table>
<thead>
<tr>
<th>Country</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>4.72</td>
</tr>
<tr>
<td>Colombia</td>
<td>4.62</td>
</tr>
<tr>
<td>Venezuela</td>
<td>4.39</td>
</tr>
<tr>
<td>Mexico</td>
<td>3.84</td>
</tr>
<tr>
<td>Brazil</td>
<td>3.73</td>
</tr>
<tr>
<td>Peru</td>
<td>3.6</td>
</tr>
</tbody>
</table>

10=Fulfills competitive economy needs
Source: IMD World Competitiveness Yearbook 2011
3.3.2 More than 120,000 professionals and technicians available to work in the cosmetics and cleaning products sector. The level of training in the cosmetics sector accounts for 8.4% of all graduates in the country's university and technological areas. Training of staff in specializations, masters, and doctorates showed an average annual growth of 14% over the last 10 years.

Areas of training
Cosmetics and toiletries sector: number of graduates

<table>
<thead>
<tr>
<th>Program</th>
<th>Undergraduate</th>
<th>Graduate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial engineering and related</td>
<td>55,585</td>
<td>6,684</td>
</tr>
<tr>
<td>Sociology, social work, and related</td>
<td>15,897</td>
<td>1,984</td>
</tr>
<tr>
<td>Biology, microbiology, and related</td>
<td>10,322</td>
<td>1,913</td>
</tr>
<tr>
<td>Chemical engineering and related</td>
<td>8,960</td>
<td>226</td>
</tr>
<tr>
<td>Chemistry and related</td>
<td>6,646</td>
<td>943</td>
</tr>
<tr>
<td>Agricultural, forest engineering and related</td>
<td>4,000</td>
<td>260</td>
</tr>
<tr>
<td>Anthropology, liberal arts</td>
<td>2,270</td>
<td>421</td>
</tr>
<tr>
<td>Agronomy and related</td>
<td>21,604</td>
<td>1,701</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>125,284</strong></td>
<td><strong>14,132</strong></td>
</tr>
</tbody>
</table>

Undergraduate includes technical, technological, and professional programs. Postgraduate includes specializations, masters, and doctorates.

Source: Labor Observatory, Ministry of National Education

Thanks to the Public-Private Partnership, the Productive Transformation Program is working toward the subscription of an agreement between IMT and the National Learning Service (Servicio Nacional de Aprendizaje - SENA) for the creation of sector-related training programs in Colombia, with an emphasis on R&D.

3.3.3 Competitive labor costs

- Colombia has the most extensive working week in Latin America

Part of the reason for the country's competitive salary levels lies in the base pay system and its associated workload. Aside from Colombia's labor costs being low; it has the longest daytime working hours in Latin America.

<table>
<thead>
<tr>
<th>Country</th>
<th>Work day</th>
<th>Night shift</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombia</td>
<td>6 a.m. to 10 p.m.</td>
<td>10 p.m. to 6 a.m.</td>
</tr>
<tr>
<td>Mexico</td>
<td>6 a.m. to 8 p.m.</td>
<td>8 p.m. to 6 a.m.</td>
</tr>
<tr>
<td>Argentina</td>
<td>6 a.m. to 9 p.m.</td>
<td>9 p.m. to 6 a.m.</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>5 a.m. to 7 p.m.</td>
<td>7 p.m. to 5 a.m.</td>
</tr>
<tr>
<td>Ecuador</td>
<td>6 a.m. to 7 p.m.</td>
<td>7 p.m. to 6 a.m.</td>
</tr>
</tbody>
</table>

- **Job Creation Incentive**

Companies employing persons who pertain to the vulnerable groups stated below will be entitled to income-tax discounts on non-fiscal contributions and certain payments to the health-care and pension systems originating from these new jobs (approximately 10% of their salary). This benefit is applicable to employees who belong to the following groups:

- Employees under the age of twenty eight (28). The benefit will apply for a two-year period.
- Employees certified as displaced, reintegrating or disabled. The benefit will apply for a three-year period.
- Women over the age of 40 who have been out of work for a period of one year. The benefit will apply for a two-year period.
- Persons earning less than 1.5 of the current Minimum Legal Monthly Wage\(^{10}\). The benefit will apply for a two-year period.

3.3.3 **Strong domestic consumer market with one of the largest female workforces in Latin America.**

Given that women comprise the main market for the cosmetics industry, Colombia is an attractive country in which to fulfill this niche. In the 2000-2009 period, the number of women entering the workforce rose by 37% versus the worldwide rate of 16%. Although women's participation in the workforce has been increasing in Latin America, especially in executive positions, Colombia is one of the countries in the region where women have the highest share, showing a great potential for expansion in the cosmetics market.

![Female Positions vs Female Workforce](image)

<table>
<thead>
<tr>
<th></th>
<th>Female Positions</th>
<th>Female Workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% women of total management positions</td>
<td>% women of total workforce</td>
</tr>
<tr>
<td>Colombia</td>
<td>38</td>
<td>45.62</td>
</tr>
<tr>
<td>Brazil</td>
<td>35</td>
<td>43.68</td>
</tr>
<tr>
<td>Mexico</td>
<td>31</td>
<td>41.57</td>
</tr>
<tr>
<td>Peru</td>
<td>29</td>
<td>39.95</td>
</tr>
<tr>
<td>Argentina</td>
<td>27</td>
<td>38.3</td>
</tr>
<tr>
<td>Venezuela</td>
<td>23</td>
<td>37.34</td>
</tr>
<tr>
<td>Chile</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: IMD World Competitiveness Yearbook 2011

\(^{10}\)For 2011, the minimum legal monthly wage is $535,600 Colombian pesos.
In addition to this, the Latin American female population has been exploring in depth the labor market in recent years, and women are staying at home less and less, which is reflected in the fact that currently Colombia has a rate of female activity of over 51%, which has been rising in recent years (0.3% between June 2010 and June 2011)\(^\text{11}\).

Male participation in the cosmetics market has shown a significant increase. In 2008, the market for men’s personal care moved around US $8.6 million, and if the current trend continues, this market is estimated to grow by 20% this year.

### 3.3.4 Regional opportunities for investment in production

<table>
<thead>
<tr>
<th>Regions</th>
<th>Conditions</th>
</tr>
</thead>
</table>
| Bogotá - Cundinamarca | 1. Skilled labor – 51,490 graduates between 2001 and 2010 in degrees relating to the industry.  
|                    | 2. Packaging companies for the sector: 216 (57% of the national total)  
|                    | 3. Companies producing natural ingredients such as BIORYZ Biovegetal, |
| Antioquia          | 1. Skilled Workforce. 22,580 graduates (2001-2010)  
|                    | 2. Packaging companies: 65-13% of the national total |
| Valle del Cauca    | 1. Skilled Workforce: 14,676 graduates (2001-2010)  
|                    | 2. Packaging companies: 47 (10% of the national total) |

\(^{11}\) Source: OIT
4. Frequently asked questions

**What legal permits are needed to manufacture, import and distribute cosmetics and cleaning products in Colombia?**

For the production and distribution of cosmetics and cleaning products in Colombia, a Mandatory Sanitary Notice should be presented to the National Institute of Food and Drug Monitoring (Instituto Nacional de Vigilancia y Control de Medicamentos y Alimentos - INVIMA). This is an expedited procedure; the product may be sold immediately upon presentation of the documentation in full.

**What are the main distribution channels for cosmetics and cleaning products in Colombia?**

According to a research study performed by the Spanish Institute for Foreign Trade (ICEX), in recent years there has been a change in the structure of distribution channels, as in the early nineties, most of the market was concentrated in supermarkets and traditional establishments like neighborhood stores. These establishments still concentrate most of the distribution and sales of cosmetic products aimed at a segment of the population with low and middle incomes.

Recently, there has been a rise in alternative methods, such as direct catalog sales, specialized cosmetics stores and professional cosmetic and dermatology centers, which have increased their share of distribution channels used by cosmetics and cleaning products manufacturers. These marketing methods drive cosmetics products aimed at the medium and high income populations.

![Distribution scheme for cosmetics in Colombia (%)](image_url)

Likewise, in Colombia the local broker or middleman is a common figure, as well as the importer-distributor who buys directly. Other alternatives for entering the Colombian market are the creation of a sales or production affiliate or to delegate the brand name to a Colombian company. The latter one is an interesting option, considering that in this country, toll manufacturing contracts are widespread and companies are very experienced in producing any market brand name upon request.12

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12 LegisComex.com, Market Intelligence - Cosmetics and toiletries in Colombia, June 4, 2008.
5. Our services to investors

The Colombian Government places special emphasis on generating favorable conditions and providing the best support possible to investors. Proexport, the Governmental Agency for the Development of Investments, provides services to foreign investors that include the following:

- Information requests (economic, legal, procedural or sector-specific information)
- Contacts with the public and private sectors
- Agenda organization for investors who decide to visit Colombia
- Support services for investors already established in the country
- Evaluation and improvement of the business environment

All services are free of charge. The main objective is to develop new businesses through efficient and friendly processes. All information provided during the process is maintained confidential.