CBB Working Paper No. WP/15/6

CAPITALISING ON BEAUTY: A PRELIMINARY ANALYSIS OF THE COSMETICS INDUSTRY IN BARBADOS

BY

ROBERTA STRAKER

CENTRAL BANK OF BARBADOS

CAPITALISING ON BEAUTY:

A PRELIMINARY ANALYSIS OF THE COSMETICS INDUSTRY IN BARBADOS

by
Roberta Elaine Straker
2014

Department of Economics
Faculty of Social Sciences
Cave Hill Campus

ABSTRACT

The recent announcement by the Government of Barbados to stimulate enterprise development and expand the base of exported products to include botanicals provides a fitting impetus for research into the local cosmetics industry. Cosmetics exports are one of the strongest performing in the *Chemicals and related products* industry for Barbados with *Perfumes and Toilet Waters* being the largest export category of cosmetics from the country. Empirical data reveals the global demand for cosmetic products continues to be strong. The results of the comparative advantage analysis for Barbados cosmetics exports from 1992 – 2012 indicate revealed comparative advantages for the years 1992 – 1994, 2005 – 2006 and 2008 – 2012.

Keywords: Roberta Straker; Cosmetics; Barbados; Small businesses

Table of Contents

List of Figures

1. Introduction

This paper investigates the existence of a revealed comparative advantage for Barbados in the cosmetics industry. This research represents an addition to the literature on the cosmetics industry regionally, as well as on revealed comparative advantage investigations for Barbados and other CARICOM countries. The cosmetics industry has not enjoyed considerable academic attention locally or regionally and significantly, there are few academic studies which focus on the comparative advantages for specific countries in this industry sector. The present research is especially complementary to prior academic investigations where results indicated a revealed comparative advantage for Barbados in *Chemicals and related Products* (Lorde, Francis and Alleyne 2008, 2010). Cosmetic commodities comprise one of the sub categories within this sector. .

One recently articulated Government strategy in particular provides great impetus for the present research. The Explore-to-Grow programme (*Barbados Today*, 2013) focuses on the diversification of country exports, which is one of the strategies to improve the external competitiveness of the island (Worrell and Lowe, 2014). This programme as articulated, is intended to place especial focus on Black Belly sheep leather and related products, food, beverages and botanicals. Botanical products are used significantly in cosmetics development and it is reasonable to conclude that the local cosmetics industry will benefit from an increased national focus on botanicals.

The research approach taken in the paper is intended to describe the activity in the Barbados cosmetics industry and secondly, to identify opportunities for growth and entrepreneurial participation in the industry, especially as it relates to the foreign exchange earning aspects of the industry. This preliminary analysis intends to provide an equipoised platform for more in-depth analysis of this industry sector and its potential for further development in Barbados, The paper will take the following structure:

In Section 2: Preliminary Background, the academic discourse on local industrial activity with respect to export potential, competitiveness and the local Chemicals and Chemical Products sub-sector, will be discussed. In Section 3: Methodology and Data, the approach used to investigate the existence of revealed comparative advantage for the industry, is explained. As well, the method used for qualitative data collection is discussed. Section 4: Empirical Results, provides results of the revealed comparative advantage analysis performed in the previous section. In Section 5: Qualitative Results, the results from the qualitative methods used in Section 3 are presented. Section 6 concludes the paper.

2. Preliminary Background

This background is organized around the major theme of the Chemicals and Chemical products sub-sector of Barbados in Section 2.2. However, the immediately preceding section - Section 2.1., briefly considers previous comparative advantage studies on regional territories as well as research on the regional cosmetics industry. In Section 2.2., the history of the *Chemicals and related products* sub-sector in Barbados is examined. This is the industry category in which cosmetics producers are found. This section also includes relevant information on the global cosmetics industry.

2.1. Regional comparative advantage studies and cosmetics industry research

Comparative advantage as a theory, provides one frame of reference with which to analyse the overall international competitiveness of a country. Within the literature on trade theory this framework has traditionally been used as the initial platform and guidance mechanism in examination of a country's international competitiveness. (Krugman, 1987) . Previous empirically-based literature on CARICOM countries has focused on determining the Revealed Comparative Advantage index for industries across CARICOM using the most popular of indices of this kind – the Balassa Index - Sinanan and Hosein, (2010, 2011) and Lorde, Francis and Alleyne (2008, 2010) However, within the literature, the cosmetics industry has not enjoyed considerable academic attention locally or regionally and significantly, there are few academic studies which focus on the comparative advantages for specific countries in this industry sector.

A Private Sector Trade Note from the CARICOM Secretariat on the export of cosmetics from CARICOM countries (Office of Trade Negotiations (OTN), 2009) revealed this country grouping had previously experienced success in market share growth and market penetration in the category of *Perfumes and Toilet Waters*. While this research did not include a revealed comparative advantage analysis for either the broader cosmetics category or the smaller group of commodities identified, the research concluded that there was opportunity for further exploitation in exports of these products.

2.2. *Chemicals and related products* Sub-sector in Barbados

It is important, before proceeding, to furnish a more precise description of the commodities under research in this particular industry. “Definitional issues” historically plague the investigation of the cosmetics industry (Jones, 2008). This inevitably leads to variations in classification of cosmetics products from country to country which are visible when comparing local statistics on cosmetics with data found in larger, internationally accessible databases such as the UN Comtrade database. The UN Comtrade database provides a disclaimer speaking to this exact issue[1].

This particular definition of cosmetics commodities has been chosen because it represents the articulation of the legislative authority primarily responsible

1 This disclaimer is viewable at http://comtrade.un.org/db/help/uReadMeFirst.aspx

for cosmetics, in the United States of America - Barbados' main export market for the products.[2]

The United States Food and Drug Administration (FDA) defines cosmetics products as:

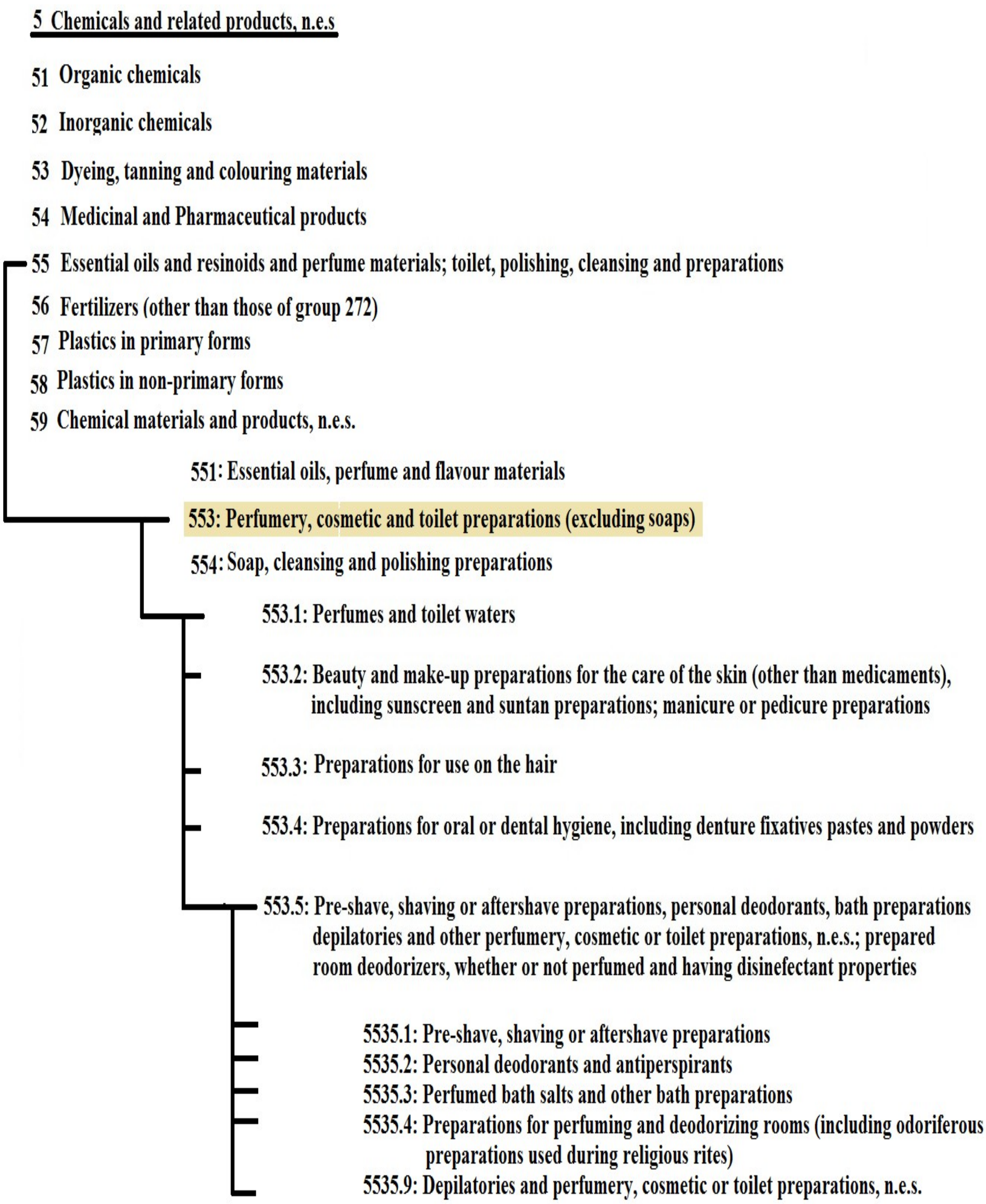
> *"articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body...for cleansing, beautifying, promoting attractiveness, or altering the appearance"*[3]

The UN Comtrade database under the Standard International Trade Code Revision (SITC Rev 3) uses the group name of *Perfumery, cosmetics or toilet preparations (excluding soaps)* to classify the commodities fitting this description. A diagrammatic hierarchy of these products in the UN Comtrade database is presented on the next page:

2 This is from analysis of export data for Barbado from UN Comtrade database between 1992 and 2012

3 From the Federal Food Drug and Cosmetic Act (FD&C Act, sec. 201(i)) www.fda.gov/Cosmetics/GuidanceComplianceRegulatoryInformation/ucm074201.htm

Figure 1: Hierarchy of products in SITC 5 (Rev 3)



Source: *Adapted by Author from UN Comtrade website (2014)*

The category of products 5535.4 *Preparatories for perfuming and deodorising* *rooms* was determined not to satisfy the definition of a cosmetics product as given by the FDA . However, the metrics for this category were not removed in empirical analysis since their contributions in terms of trade value and net weight were acceptably small when compared to the the overall contribution of commodities in the parent group. Thus, for the purposes of this paper usage of “cosmetics” or “cosmetics commodities” refers to the products of SITC 553 as shown in the hierarchy above.

It is important to differentiate between the types of cosmetics firms in the Caribbean. There are companies manufacturing cosmetics under licence for international clients. Examples of such enterprises are Colgate-Palmolive in Dominica and Unilever Caribbean in Trinidad. In this paper such firms are not considered indigenous. On the other hand, there are enterprises which produce cosmetics with an in-house brand . Such enterprises and their products are considered in this paper as indigenous. Thus while considering the performance of the domestic cosmetics industry, it is recognised that these products may fall into either of the above categories.

While the UN Comtrade database refers to the meta-category of *Chemicals and related products*, as seen in Figure 1 above, local reporting refers to this industry as the Chemicals and Chemical Products Sub-Sector. The most detailed official information on the domestic cosmetics industry is contained in The Barbados Investment Development Corporation (BIDC) Chemicals and Chemical Products Sub-Sector Profile reports of 2007, 2008 and 2009.

The local Chemicals and Chemical Products industry is recognised as very small when compared to the size of the industry internationally (BIDC Sub-Sector Profile, 2008), with six major categories of chemicals being produced. For the years 2007 – 2009 there were only two firms categorised as cosmetics enterprises. Which of course does not imply that these two firms strictly produce cosmetics since domestic firms in the sector produce more than one category of product. It is also interesting to note that none of the fully foreign- owned enterprises operating in the domestic sector produce cosmetics (BIDC Sub-Sector Profile, 2009). The figure below shows the composition of the sector by firms producing chemical products:

Figure 2: Number of enterprises in Chemicals and Chemical Products Sub-Sector in Barbados

Products	No. of Establishments
Soap & Detergent	2
Insecticides, Fungicides & Disinfectants	3
Paints, Lacquers and Varnish	2
Medicaments	1
Cosmetics	2
Consumer & Industrial Chemicals	7

Source: *BIDC Chemicals and Chemical Products Sub-Sector Profile 2009*

In the year 2000, of the sixty-seven (67) enterprises in the Chemicals and Chemical Products Sub-Sector 70% of these were small to medium sized (Harris, 2000). It is also important to note, that of the top forty export companies in Barbados, six are from this category of industry[4] .

4 Information taken from BIDC website http://www.bidc.org/index.php?option=com_manufacturers&view=top

The figure which follows shows the top fifteen export products for Barbados in 2008 which constitute two thirds of export earnings for the island (OTN, 2010):

Figure 3: Top 15 export products for Barbados in 2008

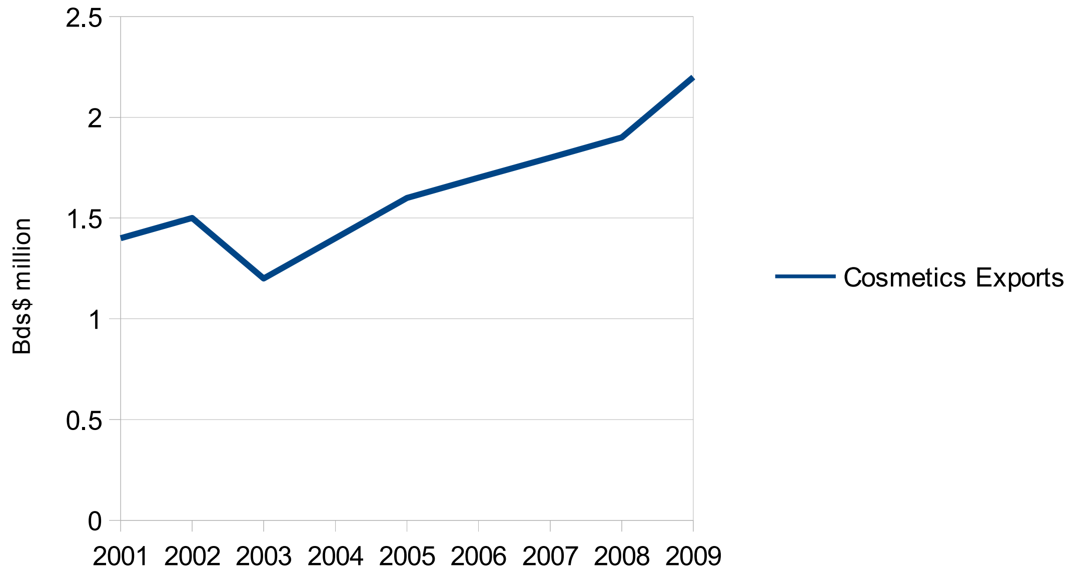
Products	Export Earnings ($US, 000)
Light Petroleum distillates n.e.s.	91, 588
Medicaments, n.e.s. in dosage	37, 929
Rum and tafia	33, 329
Raw sugar, cane	22, 497
Petroleum oils and oils obtained from bituminous, crude	22, 285
Articles of jewellery and pt thereof of/o prec metal w/n platd/clad w prec met	17, 739
Hydraulic cements n.e.s.	13, 604
Paper labels of all kinds, printed	9, 379
Margarine, excluding liquid margarine	8, 704
Wirewound variable resistors, including rheostat and potentiometers, n.e.s.	8, 652
Perfumes and toilet waters	7, 115
Orthopedic and other appliances, worn, carried, or implanted in the body, n.e.s.	6, 992
Sweet biscuits	6, 252
Cans, iron or steel, capacity	5, 891
Soya bean oil and its fractions, refined but not chemically modified	5, 821

Source: *Adapted by Author from Office of Trade Negotiations (OTN) Export Bulletin February, 2010*

Declines in the local Chemicals and Chemical Products Sub-Sector have been noted in the past five years with two thirds of the firms employing less than twenty-four persons (BIDC Sub-Sector Profile, 2008).

The following figure shows the export performance of cosmetics from Barbados from 2001 – 2009:

Figure 4: Exports of Cosmetics from Barbados 2001 – 2009



Source: *Adopted by Author from BIDC Sub-sector Profile reports 2007, 2009*

In 2007 it was noted that cosmetics manufacturers needed to produce more environmentally friendly lines of products in keeping with consumer demand. It was recommended as well that cosmetics be produced for the increasing number of local spa and therapy centres. Hair care and skin treatments remained high growth areas in the cosmetics sector resulting in investment via new technologies, product launches and acquisitions. (Acquisitions and alliances are noted however as being a normal feature of the domestic Chemicals and Chemical Products industry (BIDC Sub-sector Profile, 2008)). Overall in 2007, the sector's major challenges were keeping up with new technology and market trends with one of the most promising areas of the sector forecast to be personal care products.

The 2008 BIDC report notes that cosmetics were the third highest export category for the sub-sector with foreign sales increasing by 5.5%. As well, based on continuing consumer preference there was a focus on the development of multipurpose cosmetics products and predictions of continued strong growth in the personal care sector.

In 2009 the BIDC report revealed that cosmetics were again, following 2008, the third leading export category in the local Chemicals and Chemical Products sector, with foreign sales increasing by 15.8% The 2009 report also highlighted consumer preference for more organic alternatives with botanicals competing most strongly with the cosmetics and pharmaceutical categories. However, both cosmetics and pharmaceuticals were forecast to remain competitive as demand was sustained in the personal care sector.

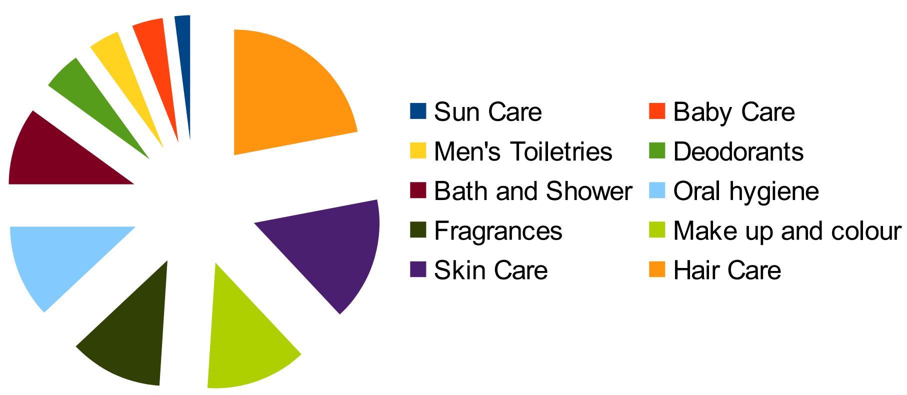
More recent local reporting on employment or investment metrics for the domestic cosmetics industry is limited. In the BIDC Statistical Reports of

Employment and Investment from 2010 to 2013, these statistics, as well as related business data, are not disaggregated from the larger Chemicals and Chemical products sub-sector in the publications.

The global cosmetics industry was estimated at US$ 166.2 billion worldwide in 2002 (Weber and Capitant de Villebonne, 2002) and US$230 billion worldwide in 2003 (Zbib et al, 2010) Hair care is the leading product sub-segment of the industry. (Zbib et al, 2010; Weber and Capitant de Villebonne, 2002). Research has shown that the French market shows the highest per capita spending on fragrances, twice that of the United States, and has a preference for premium scents (Weber and Capitant de Villebonne, 2002).

The following figure shows the division by product sub-segment in the global cosmetics industry:

Figure 5: Division of global cosmetics industry by sub-segment



Source: *Adopted from Euromonitor in Chemical Market Reporter (2001), (Weber and Capitant de Villebonne, 2002)*

The global cosmetics industry is dominated by a few large cosmetics companies which are situated in specific world regions – America (made up of the United States, Brazil and Canada), Europe and Asia – with L'Oreal, based in France being the largest cosmetics company in the world. (Oh and Rugman, 2006). Up until 2012, France was also the largest exporter of cosmetics in the world[5]. Recent estimates are that the global beauty industry is growing by up to 7% per year, as cited in *The Economist* magazine *of* 2003. The largest market for cosmetics is the United States, followed by Japan, with Brazil as the largest of the emerging markets as noted by Rob Walker writing for *Global Cosmetics Industry* magazine in 2012.

5 Based on data from UN Comtrade database for 1992 - 2012

3. Methodology and Data

The export data for cosmetics exports, for Barbados, will be analysed initially with respect to size of exports as well as composition by sub-category, for the years 1992 – 2012. Following will be a calculation of revealed comparative advantage for the data period.

Traditionally measuring comparative advantage is difficult because the underlying factors of advantage are “difficult or impossible to observe” (Lewis-Bynoe and Webster, 2000). The classical theory is based on autarkic prices that are not easily calculable (Sinanan and Hosein, 2010, referring to Hoen and Oosterhaven (2004)).

The most widely used measure of Revealed Comparative Advantage in the literature was developed by Balassa (Sinanan and Hosein, 2010; Lorde, Francis and Alleyne, 2008) and measurements such as the one he developed and by others subsequently are referred to as Revealed Comparative Advantage Indices. These indices use post-trade data to “reveal” a comparative advantage for a specific category of country exports (Lewis-Bynoe and Webster, 2000; Sinanan and Hosein, 2010;). A Revealed Comparative Advantage (RCA) Index can be considered a “ratio of ratios” since it considers the advantage for a specific industry in a country, relative to other local industries and further compares this ratio to the performance of that industry in a reference group (usually global) (Lorde, Francis and Alleyne, 2008).

In this paper Revealed Comparative Advantage (RCA) will be measured using the Balassa Index. The Balassa index is calculated as follows:

$$RCA_{ij} = (X_{ij} / X_{it}) / (X_{nj} / X_{nt})$$

where RCA_{ij} = Revealed Comparative Advantage in exports of country i in commodity j

X_{ij} = exports of country i in commodity j

X_{it} = exports of country i in all commodities

X_{nj} = exports of reference group n in commodity j

X_{nt} = exports of reference group n in all commodities

$RCA_{ij} > 1$ indicates a comparative advantage for country i in commodity j

$RCA_{ij} < 1$ indicates a comparative disadvantage for country i in comodity j

The Balassa Index will be calculated using data at the 3-digit SITC (Rev. 3) level – 553: *Perfumery, Cosmetic and Toilet Preparations (excluding soaps)* - for Barbados. The reference group used is world exports.

There are a number of issues raised in the literature, regarding the use of measures of RCA. Lorde, Francis and Alleyne (2010) refer to the work of Greenaway and Milner (1993) and Richardson and Zhang (1999) that argue respectively, that the Balassa Index does not include data on imports, which when country size is important, is a serious omission; and export-based RCA measures do not take into account differences in the growth and business cycles between trading partners. Yet Sinanan and Hosein (2010) indicate that the Balassa Index continues to be popular within the literature, in spite of its shortcomings.

The companies sampled for qualitative analysis were deliberately small enterprises since recently policy initatives espoused at the government level, were aimed at enhancing the local small business sector. The Government of Barbados in recognising the important function of entrepreneurship in the economic growth and medium- term strategy for the country, has made enterprise development one of the major goals in the Barbados National Strategic Plan 2015 – 2025[6] (Worrell and Lowe, 2014). An exhaustive list of small local cosmetics manufacturers is not available and those businesses sampled were located through listings in an online local directory[7] as well as features in local newspapers. There are not many local small companies involved in this type of manufacturing hence open ended questions were used in the sample to elicit data on research and development, governmental assistance and other factors. The questions were submitted to the businesses online via business e mail and social media and the responses collected and archived. The questions are included in the Appendix. Information on the regulatory framework surrounding cosmetics products in Barbados, was garnered through interview with a representative from a national regulatory organisation.

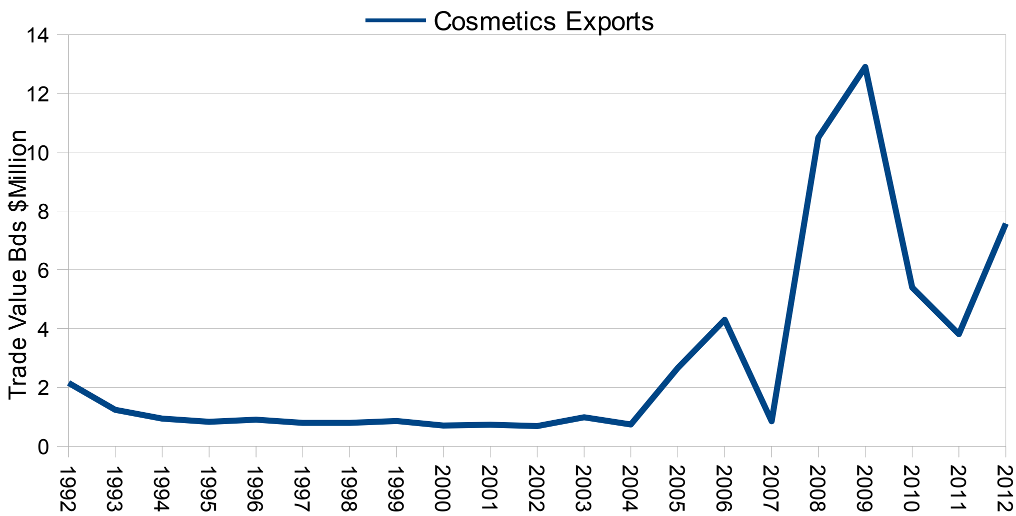
6 2005 Publication from the Barbados Ministry of Finance and Economic Affairs
7 The Barbados Manufacturer's Association online directory accessed in 2013

The import and export data for *Perfumery, Cosmetic and Toilet Preparations (excluding soaps)* as well as other commodities is taken from the UN Comtrade database. It is available for Barbados over the sample time period 1992 – 2012.

4. Empirical Results

The following figure depicts the pattern of cosmetics exports for Barbados over the period 1992 – 2012:

<u>Figure 6: Cosmetics Exports for Barbados 1992 – 2012</u>



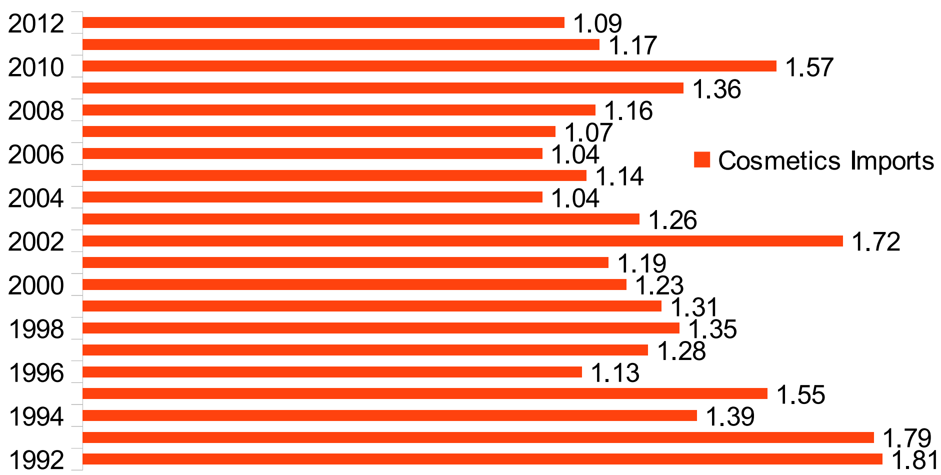
Source: *Author's calculations from UN Comtrade Database (2014)*

It is seen in Figure 6 above that while cosmetics exports are in general trending upwards, over the period, the pattern is highly irregular post 2004. The pattern for exports is flat for the majority of the data period with 2008 and 2009 representing the largest values for exports over the period. Prior to 2004 when cosmetics exports were relatively flat, the major export market was Trinidad. From 2004 onwards the major export markets were the United States, Trinidad and Tobago and France, in that order.

Import analysis

The figure below shows the imports of cosmetics as a ratio of total commodity imports into Barbados for the data period:

<u>Figure 7 : Cosmetics Imports as a percentage of Total Commodity Imports for Barbados</u>



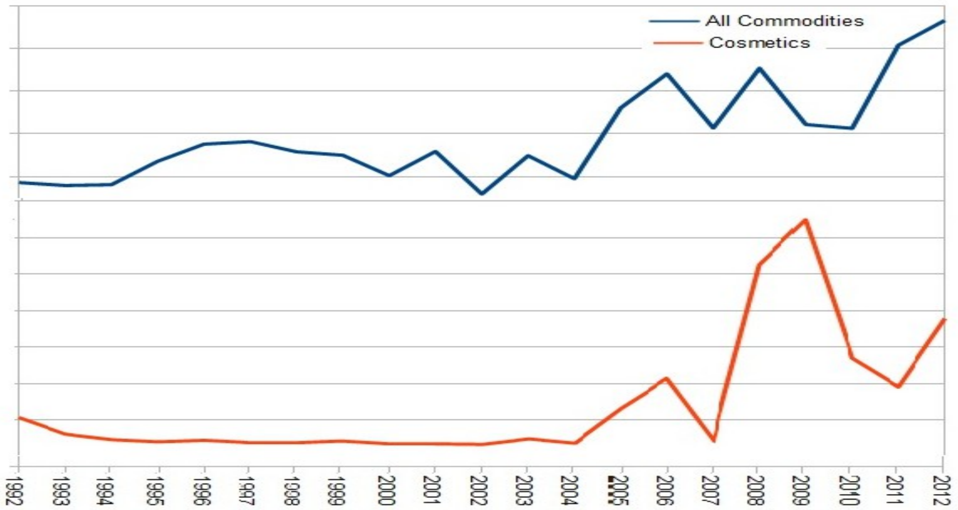
Source: *Author's calculations from UN Comtrade database values (2014)*

Figure 7 shows that imports of cosmetics do not comprise a large fraction of the total import bill for Barbados over the data period. In fact the largest import category of commodities into Barbados is *Food and Live Animals.*

Export analysis

The following figure shows the pattern of cosmetics exports with respect to total commodity exports for Barbados from 1992 – 2012:

Figure 8: Cosmetics Exports vs Total Commodity Exports for Barbados 1992 - 2012



Source: *Author's calculations from UN Comtrade database values (2014)*

Figure 8 above shows that the pattern of cosmetics exports generally follows the overall export pattern for all categories of commodities from Barbados.

The following figure shows the ratio of cosmetics exports to total commodity exports for Barbados for the data period:

Figure 9: Cosmetics exports as a percentage of Total Commodity exports for Barbados

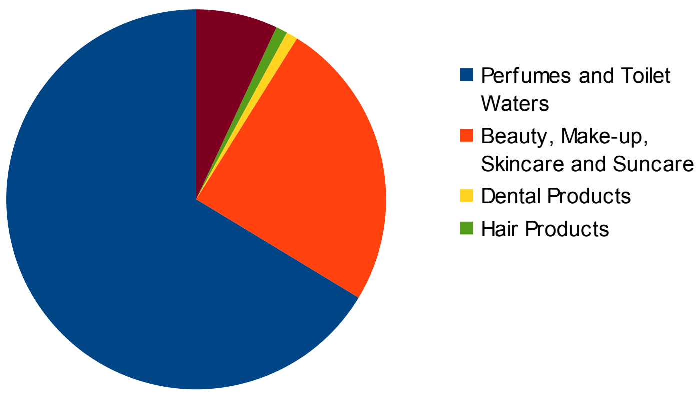
Year	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12
Ratio	1.16	0.69	0.52	0.35	0.33	0.28	0.31	0.34	0.35	0.28	0.43	0.39	0.38	0.74	0.97	0.27	2.31	4.02	1.72	0.75	1.34

Source: *Author's calculations from UN Comtrade database values (2014)*

Figure 9 shows that cosmetics do not comprise a very large part of Barbados exports.

The figure below shows the composition of cosmetics exports with respect to major sub-categories:

Figure 10: Composition of Cosmetics Exports from Barbados by Sub-category 1992 – 2012



Source: *Author's calculations from UN Comtrade database values (2014)*

Figure 10 shows that the category of largest trade export value was *Perfumes and Toilet Waters* with the second largest being *Beauty and make-up preparations for the skin*.

The figure following shows the RCA values for Barbados cosmetics exports (versus world exports) from 1992 – 2012 where the values of RCA_{ij} >1 are highlighted:

<u>Figure 11 : RCA values for Barbados cosmetics exports (versus world) 1992 – 2012</u>

Year	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12
RCA	3.22	1.84	1.32	0.91	0.83	0.71	0.74	0.84	0.93	0.67	0.95	0.85	0.85	1.71	2.34	0.63	5.51	8.24	3.8	1.71	3

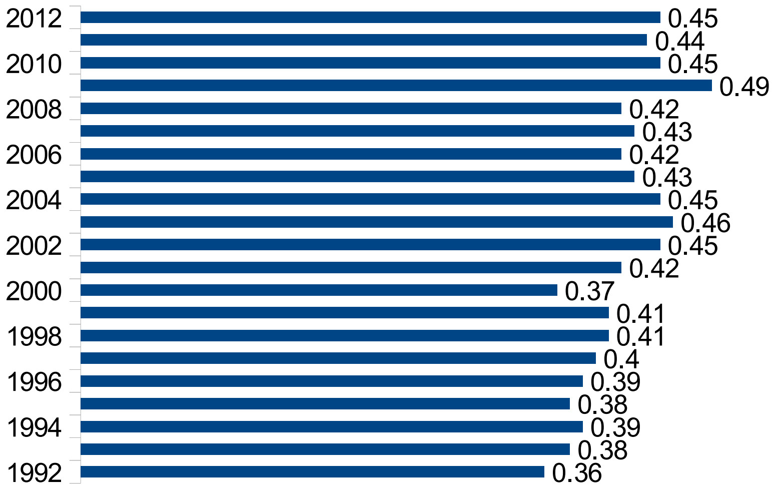
Source: *Author's calculations from UN Comtrade database values (2014)*

Figure 11 above shows that from 1992 – 2012, there are ten recorded observations of $RCA_{ij} > 1$ and eleven observations where $RCA_{ij} < 1$. This may be considered a fairly even split result for the 21 year period. What is most interesting about the pattern of observations is that for almost the last eight years of the data period, 2005 – 2006 and 2008 – 2012, $RCA_{ij} > 1$, while from 1995 – 2004 $RCA_{ij} < 1$. It can further be noted that with the onset of the global economic recession around 2008/2009, Barbados exports of cosmetics were able to perform strongly internationally. Prior to the global financial crisis, there was no revealed comparative advantage for the industry, for the period 1995 – 2004.

The observations of RCA_{ij} values > 1 coincides with those years when the percentage of cosmetics exports to total commodity exports, for Barbados, is greater than or equal to, 0.52% as seen in Figure 9. Thus, for those years when cosmetics comprised 0.52% or greater, of total commodity exports for Barbados, the country registered a comparative advantage in cosmetics exports.

An examination of the trend in global cosmetics exports over the period 1992 - 2012 complements earlier observed patterns. The following figure, shows the ratio of world exports of cosmetics to world exports of total commodities for the period 1992 – 2012:

<u>Figure 12: World exports of cosmetics as a percentage of world exports of all commodities 1992 - 2012</u>



Source: *Author's calculations from UN Comtrade database values (2014)*

Figure 12 shows that the percentage of world cosmetics exports remained relatively stable throughout the period under consideration. Hence, it may be reasonably concluded that changes in the output of world cosmetics did not significantly affect the results observed in RCA values for the cosmetics industry in Barbados.

Since the theory of comparative advantage is rooted in consideration of endogenous endowments of the country under study, a thorough consideration of other macroeconomic factors for example labour, real effective exchange rate, with respect to Barbados are necessary in order to fully explain the observed pattern of RCA values within the time period. As well, an in-depth analysis of the behaviour and performance of local cosmetics manufacturers in terms of market penetration, innovative upgrading and so forth, would be necessary to complement macroeconomic investigation. Furthermore, the results of the macroeconomic and firm examinations must be compared with competing exporters similar to Barbados for the period to accurately apprehend the reasons for the behaviour during the post 2008/2009 crisis as well as for the years previously.

By considering Figure 10, it is noted that the success of cosmetics exports from Barbados are driven by the category, *Perfumes and Toilet Waters,* which complements previous research by the Office of Trade Negotiations (2009) which found that CARICOM countries were especially competitive in this category. Since these commodities performed well after the 2008/2009 global financial crisis, it is essential that special attention be paid to these products with a view to maintaining a sustainable competitive advantage.

5. Qualitative Results

This section of the paper presents the information gathered from representatives of domestic cosmetics micro-enterprises and a national regulatory organisation.

The figure below summarises the major results of the interview findings:

Figure 13 : Interview results from domestic cosmetics micro-enterprises

Companies	In-house manufacturing	Local Distribution	Local Online Sales	Export Sales
Business #1	✓	✓	✓	✓
Business #2	✓	✓	✓	✓
Business #3	✗	✗	✓	✗

Source: *Author's* (2013)

The sampled firms revealed that products available locally are distributed to mass retail and specialised retail stores. The two enterprises that are involved in export activity usually directly manage the distribution of their products. One engages the services of a distributor for Trinidadian exports while the other uses a distributor strictly for the country of Wales. The most important challenge, with respect to regional exports, as expressed by one manufacturer was difficulty in consistently achieving duty free status and the high cost of regional shipping. The interviewed businesses rely heavily on the internet medium for marketing of their products and to receive orders regionally and internationally, with either a website or a presence on the popular social media site Facebook. One of the interviewed businesses has both a website and a Facebook page. For two businesses, research and development as well as marketing is carried out in-house. One business outsources market analysis to an extra-regional group which had previously conducted research into their business.

All of the enterprises sampled manufacture their products to international standards and do not engage in animal testing. Of the interviewed enterprises two focus solely on lip makeup while the other business manufactures several different types of cosmetics.

All of the companies interviewed have accessed the resources of an enterprise development agency. An especially important area of activity, which these enterprise agencies provide assistance with, is ensuring that these businesses maintain a presence at local and regional trade exhibitions. None of the three interviewed businesses indicated definite plans to form partnerships or linkages with any other regional cosmetics manufacturing entity. With respect to advice for those entrepreneurs interested in the cosmetics sector, suggestions included ensuring the protection of intellectual property rights; the maintenance of international standards and of course hard work.

The standards which govern cosmetics commodities in Barbados have been formulated at the local level and the level of the CARICOM community.

The two standards that originate at the local level are *BNS 5: Part 1: 1974 - Barbados National Standard Specification for Labeling of Commodities (General)* and *BNS 5: Part 6: 1979 - Barbados National Standard Specification for Labeling of Pre-packaged Goods*. These two standards are a class of Mandatory National Standards. They specify the information which is to accompany cosmetics, amongst the pre-packaged commodities.

The two standards that originate at the the CARICOM level are part of the class of National Standards. The first is the *Cosmetics: Part 1 - General Requirements* which was published in 1992 as a Caribbean Community Standard. This first standard “specifies the general requirements for manufacturing cosmetic products”. The second is the *Specification for Botanical Cosmetics* which was published in 2010 as a CARICOM Regional Standard. This standard “specifies the general requirements for the manufacture of botanical cosmetic products and is applicable where the term 'Botanical Cosmetics' is declared on the package”. These standards are not mandatory and are not legally binding. They simply provide a guide for cosmetics manufacturers to ensure optimum product quality.

There is no official, regular, testing procedure of cosmetics imported into the island because of the broad variety of cosmetic products and thus the very wide range of issues that may arise from any particular category. However, any consumer concerned about possibly adulterated cosmetic products (whether those adulterants are pesticides or insect in nature) may access the resources at the Government Analytical Services Laboratory.

6. Conclusion

The research indicated a revealed pattern of comparative advantage for cosmetics exports which may be interpreted as encouraging to established firms as well as potential entrepreneurs within the industry. Additionally, small enterprises within the industry are able to identify and exploit opportunities for specific cosmetics products, for overseas exportation.

Existing and new cosmetics manufacturers should be encouraged to exploit opportunities in the industry by increasing market presence and share in traditional markets as well as penetrating newer markets for exports not only with *Perfumes and Toilet Waters*, but especially products for the hair care and personal care segments. As noted earlier Weber and Capitant de Villebonne (2002) and Zbib et al (2010) indicate from their research that the hair care sector is the largest for the industry globally. It should also be part of strategic formulation to ensure that higher than average market prices are paid for such categories of products exported from the island by looking at various ways to add value and differentiate these commodities.

References

Barbados Investment and Development Corporation. 2007, 2008, 2009. "Chemicals and Chemical Products Sub-Sector Profiles."

Barbados Today. 2013. "Boost for Sectors." Barbados Today, 28th June. http://www.barbadostoday.bb/2013/06/28/boost-for-sectors/

Greenaway, David, and Chris Milner. 1993. *Trade and industrial policy in developing countries: A manual of policy analysis*. University of Michigan Press.

Harris, Michael. 2000. "The current situation of small and medium-sized industrial enterprises in Trinidad & Tobago, Barbados and St. Lucia."

Jones, Geoffrey. 2008. "Blonde and blue-eyed? Globalizing beauty, c. 1945–c. 19801." *The Economic History Review* 61, no. 1: 125-154.

Krugman, Paul R. 1987. "Is free trade passe?." *The Journal of Economic Perspectives* 1, no. 2: 131 – 144.

Lewis-Bynoe, Denny, and Allan Webster. 2000. "International Trade and Comparative Advantage in the Caribbean." Working Paper, Central Bank of Barbados.

Lorde, Troy, Antonio Alleyne, and Brian Francis. 2010. "An Assessment of Barbados' Competitiveness within the EU Market 1992-2006." *Global Economy Journal* 10, no. 2.

Lorde, Troy, Antonio Alleyne, and Brian Francis. 2008. "Examining Export Performance in CARICOM from 1992 – 2006: an application of the revealed comparative advantage measure." Paper presented at 40th Annual Monetary Studies Conference, St. Kitts, November 11 - 14.

Office of Trade Negotiations Caribbean Community Secretariat. 2009. "CARICOM's Exports of Perfume and Toilet Waters." Private Sector Trade Note Vol. 2.

Oh, Chang Hoon, and Alan M. Rugman. 2006. "Regional sales of multinationals in the world cosmetics industry." *European Management Journal* 24, no. 2: 163-173.

Richardson, J. David, and Chi Zhang. 2001. "Revealing comparative advantage: chaotic or coherent patterns across time and sector and US trading partner?." In *Topics in Empirical International Economics: A Festschrift in Honor of Robert E. Lipsey*, pp. 195-232. University of Chicago Press.

Sinanan, Damie and Roger Hosein. 2010. “Transition Probability Matrix, Revealed Comparative Advantage Persistence and the Dutch Disease in a small oil- based economy.” Paper presented at the 42nd Annual Monetary Studies Conference, Trinidad and Tobago, November 9 – 12.

Sinanan, Damie and Roger Hosein. 2011. “Exploring the Evolution and Persistence of Revealed Comparative Advantage in Caribbean Economies” Paper presented at the 43rd Annual Monetary Studies Conference, Barbados, November 15 – 18.

Walker, Rob. 2012. “State of the Industry.” *Global Cosmetics Industry* June 1st.

Weber, J. Michael, and Julie Capitant de Villebonne. 2002. "Differences in purchase behavior between France and the USA: the cosmetic industry." *Journal of Fashion Marketing and Management* 6, no. 4: 396-407.

Worrell, Delisle and Shane Lowe. 2014. “Barbados' International Competitiveness.” Working Paper, Central Bank of Barbados, 2014.

Zbib, Imad J., Barbara R. Wooldridge, Zafar U. Ahmed, and Yeghig Benlian. 2010."Purchase of global shampoo brands and the impact of country of origin on Lebanese consumers."*Journal of Product & Brand Management* 19, no. 4 : 261-275.

Appendix

<u>Interview questions used with domestic cosmetics micro-enterprises</u>

Question 1

Would you describe your company as small, medium or large sized?

Question 2

Is the cosmetics brand a Barbadian or non-Barbadian owned brand?

Question 3

Are the products made at an in-house facility or by a secondary manufacturer?

Question 4

Are the product standards those of Barbados specifically or do they satisfy CARICOM and international standards as well?

Question 5

Are any of the products tested on animals?

Question 6

Are the cosmetic products exported regionally, internationally as well as retailed online?

Question 7

If the products are exported, are there any recurring difficulties or lengthy processes experienced from either the Barbados end or in the target country?

Question 8

Are there any present plans for partnerships with other regional or extra-regional cosmetic manufacturers?

Question 9

Did the company receive any special guidance/assistance/financing from local or Caribbean business associations for e.g. the Barbados Manufacturer's Association or the Barbados Investment and Development Corporation?

Question 10

What key points would you advise an individual within Barbados or CARICOM seeking to commercially produce cosmetics, to keep in mind?