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EXTENDED OUTLINE:

Executive summary:

This contains a brief introduction of the whole report, what is about and how it is arranged and carried.

Introduction to global cosmetic industry:

This section describes the global cosmetic industry in general and explores the recent trends in the industry. Under this heading the top cosmetic industries are identified and problems and strategies of cosmetic industry are discussed.

Research methodology and procedure:

Under this heading the type of research used for the study is discussed and the whole procedure followed is described. Also it explains the breadth and depth changes required for using the information for different purposes by different persons.

Data analysis and interpretation:

In this section the data collected through secondary sources is analyzed and interpreted. With the help of this data significant conclusions and interpretations have been tried to make. These conclusions can help in future planning and strategies for profitable business. this section is divided into two parts:

- World's cosmetic industry

In this the data of whole cosmetic industry is analyzed and conclusions are drawn.

- UK's cosmetic industry

In this section data of UK's cosmetic industry is analyzed and related conclusions are drawn.

Conclusion

Finally a conclusion is made to wrap up the whole research topic and giving some recommendations for effective use of data and analysis.

EXECUTIVE SUMMARY:

This report is an effort to analyze the recent trends of development and competition rivalry in the industry in the current economic climate. The reports start with an introduction to global cosmetic industry. The data collection and analysis methodologies are explained next.

The report analyze and explain the data gathered through secondary resources about global cosmetic industry in term of geographic dispersion and then special emphasis is given to United Kingdom's cosmetic industry. The general trends of UK cosmetic industry are explained and the profitability of the market is analyzed.

INTRODUCTION TO COSMETIC INDUSTRY:

Cosmetic industry is one of those industries which have shown growth in recent years. The term cosmetic by enlarge is used for products used for personal care. Some of which are skin care, hair care, hygiene products etc.

Apart from United States, some of the other countries which are famous for their cosmetic industry are Italy, France, Japan and Germany. These are some of the countries with top of the league cosmetic industries. The top in the list is United States followed by Japan.

According to German business portal website Germany cosmetic industry with sales of EUR 12.8 billion in 2009, is at third rank after Japan and USA. The exports were EUR 4.8 billion and imports of cosmetic related products were EUR 2.862 billion, the major importers of cosmetic products are France, USA, Switzerland and Italy.

The cosmetic industry is profitable, productive and innovative. Its growing at a very fast pace and if one has to survive then constant innovations should be made as the reason behind success is the product innovation (Kumar, 2006).

According to Kumar (2006), the prevailing trends in industry reflects a altogether new future of cosmetics industry, that the industry may proceed towards more and more joint business and ventures between various related companies like drug companies, food or nutritional companies and cosmetic companies. The companies are striving for finding new ways and methods to be innovative and distinct for other competitors.

The recent economic downturn and recession have also affected cosmetic industry like other industries as the investment has decreased and the overall spending of consumers have also

decreased for this very purpose the companies have to come up with new innovative products and ideas in order to encourage customers to spend money for a product which is worth buying.

This has in turn increased competition amongst all cosmetic companies, whether local or international.

Recent Trends in Cosmetic Industry

Due to rapid innovation the new cosmetic industry has been changed drastically from the traditional cosmetic industry. Consumers now are demanding more innovative products and hence companies are also focusing more on innovation and are allocating major resources for this purpose.

Some of the recent trends in cosmetic industry, according to a RNCOS industry research report (2010), are:

- Nanotechnology in skincare
- Growing demand of organic consumer products.
- Male grooming category.
- Cosmetic surgery

The companies are using nano particles increasingly in order to improve and enhance the quality of skincare products. For this purpose companies have allocated huge budget for research and development. Apart from this the consumers now have become more concerned about skin-friendly and organic products. Also the male grooming category and cosmetic surgery are two rapidly increasing and emerging markets internationally for cosmetics companies.

RESEARCH METHODOLOGY AND PROCEDURE

The research methodology used in this paper is desk research in order to analyze the recent trends of development and competition rivalry in the industry in the current economic climate. This means that data is mainly gathered from secondary sources, as this is cost and time saving. The reports and pages on recent trends of cosmetic industries of various countries have been used, whether published or unpublished.

The main purpose of desk research or secondary research is to get information about the competitors in the market and the economic and market trends. Various authenticated secondary sources have been used for this purpose and the required references are also provided.

First a general trend in global cosmetic industry is studied and analyzed followed by exploring United Kingdom cosmetic industry particularly.

The data presented in this report can be helpful to many people, may it be small companies or large multinational companies or only an independent investor. The small companies can identify opportunities for further expanding and investing in cosmetic industry. On the other hand large multinational companies can utilize the data and analysis in order to make strategic long term decisions with respect to expanding globally, in which region and in which category by evaluating the profitability of different regions and categories. An individual investor can also use this data in order to identify profitable investments options.

Hence, the data and analysis provide in this report can be used by different people for different purposes with only a slight change in depth and breadth. As multinational will be more interested in regional data and import exports figures and small companies will be more interested in local facts and figures.

DATA ANALYSIS AND INTERPRETATION

World's cosmetic Industry

Table 1 in appendix helps in understanding the regional and international business of different cosmetic industries of different countries and regions. It contains the data of number of firms and their respective average sales categorized on the basis of nationality and home region.

It can be said after analyzing this data that the cosmetic industry is one of those industries which are based on regions. As it can be seen that the companies or firms originated from America especially North America and Europe are the high sales regions as their contribution in sale is 86% i.e. 43% for each of them. The firms of Japan and South Korea also has significant market share with 14%.

Although the companies based in Europe have the highest share in terms of number but the average sales are way behind than others and have smallest or lowest average sales. Also, it can be seen through this data, that 93% of sales are contributed by the firms or companies of the largest five countries which are USA, UK, France, Germany and Japan.

This data implies that United States cosmetic industry is leading in terms of average sales. And despite of fact that there are large numbers of cosmetic firms in European market but they are not able to acquire higher share in average sales and need to work on this aspect. The world's cosmetic industry to some extent is being dominated by United States.

Table 2 in appendix shows the classification of firms in large multi-national enterprise (LMNEs) and small multi-national enterprise (SMNEs). To be classified as LMNE the company sales should not be less than at least \$1 billion, whereas the companies which have sales less than \$1 billion are categorized as SMNEs.

According to this data 33 companies or firms are included in LMNEs and 47 companies are categorized as SMNEs among cosmetic companies. The provided data also gives the details about geographic dispersion followed by these companies. This in turn shows that LMNEs are more geographically dispersed and have more contribution in sales.

This all implies that despite of all economic downturn and economic instability, cosmetic industry is working and progressing at a reasonable rate.

United Kingdom's cosmetic Industry

The data collected about United Kingdom cosmetic industry presented in appendix, clearly shows that UK's cosmetic industry is highly competitive and profitable. According to the data the overall sales worth of cosmetic market in Britain was 7890 million pounds in 2009. It showed a growth of 4.7% if compared with year 2008.

The fragrance category showed an increase of 8.6%, the color cosmetics sales value increased by 6.8%. Skin care category also showed an increase of 6.9%. Hair care was not that profitable, yet it showed an increase of 0.4%, and toiletries category sales value also only increased by 2.5%.

The sector share of category in terms of value and units is also given. In terms of value Skin care has the highest share with 25.3% followed by toiletries with 24.5%, after that is hair care with 19.8%, color cosmetics have sector share of 16.9% and fragrances have lowest sector share with 13.5%.

In terms of units, toiletries category has left all other categories way behind with 52.3% share followed by hair care with 20.8%. Skincare which has highest share in term of sales value

is at third position in terms of units with only 15.9%. Color cosmetics have 8.7% sector share and that of fragrances is 2.3%.

The overall change in units from 2008 to 2009 shows 3.2% increase. This is comparatively low as compared to 4.7% increase in sales value. It can be implied through these figures that the cosmetic industry of UK, to some extent, has highly priced products and strategy of premium pricing is followed.

If the data of sector share of category by sales value and by units is analyzed it can be clearly interpreted that although skin care has highest share in term of value but it is left way behind in term of units. This had to be strategically handled and efforts should be made to increase skin care share in terms of units which will ultimately increase the sales value with a very big margin.

It can be also deduced from the data that fragrances category showed highest percentage of increase in value from last year, but has lowest sector share in sales value term and also in term of units.

According to United Kingdom's trade data given in appendix, in 2009 UK had a total of 2535.7 million pounds imports worldwide. It showed an increase of 8.1% as compared to year 2008. United Kingdom has a 72.8% share in worldwide imports.

The categories wise import analysis shows that beauty care i.e. skin care/decorative category has highest imports and the largest import market for this category is France. If general trend is analyzed, then it can be said that overall imports of all categories increased as compared to previous year.

France is the UK's largest import market with imports of 641.3 million pounds, followed by Germany and USA with 401 million pounds and 328.5 million pounds respectively. Italy is at fourth number with 174.2 million pounds. The other important import markets are Poland, Spain, Irish Republic, China, Netherlands and Belgium.

On the other hand in 2009 United Kingdom's exports were 2544.7 million pounds with 5.4% increase from last year. UK showed positive trades of balance in 2009 as exports were more than the imports, which is a positive sign for the UK's cosmetic industry. The share of UK in worldwide export is 69.2%.

Analyzing export data category wise, it can be seen that the export of fragrances or perfumes category increased as compared to last year. Whereas, the exports for beauty care i.e. skincare/decorative category decreased as compared to last year. The major export market for perfumes is Germany and for that of beauty care is Irish Republic.

Overall, these is a contrasting trend with some categories showing a positive effect with an increase in exports as compared to last year while others are showing negative effect with a decrease in exports as compared to last year.

Irish Republic is the United Kingdom's largest export market with 441.6 million pounds followed by Germany and USA with 371 million pounds and 191.5 million pounds respectively. Belgium is at fourth position with 174.2 million pounds. Other major export markets are Netherlands, France, Poland, Spain, Italy and UAE.

Hence after analyzing all available data it can be said that United Kingdom's cosmetic industry is highly productive, profitable and competitive. It has noticeable share in world's

export and has positive trade of balances. Apart from that each and every category is showing positive results and also signs of more improvements.

CONCLUSION:

Hence, the international cosmetic industry is prospering and is still very much profitable despite of all prevailing economic conditions. The cosmetic companies are now more focused on innovations and are hence investing heavily on research and development. A new trend of mergers and acquisitions is also expected in global cosmetic industry.

The data presented and analyzed in this report can be high importance for many small companies and large multinationals for strategic long-term planning. This data can also be used by individual investors in order to identify opportunities for high return investments.

APPENDIX:

Table 1 The World's Largest 100 Cosmetics Companies

Region	Home Country	Number of Firms	Total Global Sales	Average Global Sales
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(Rugman and Hoon, 2006)

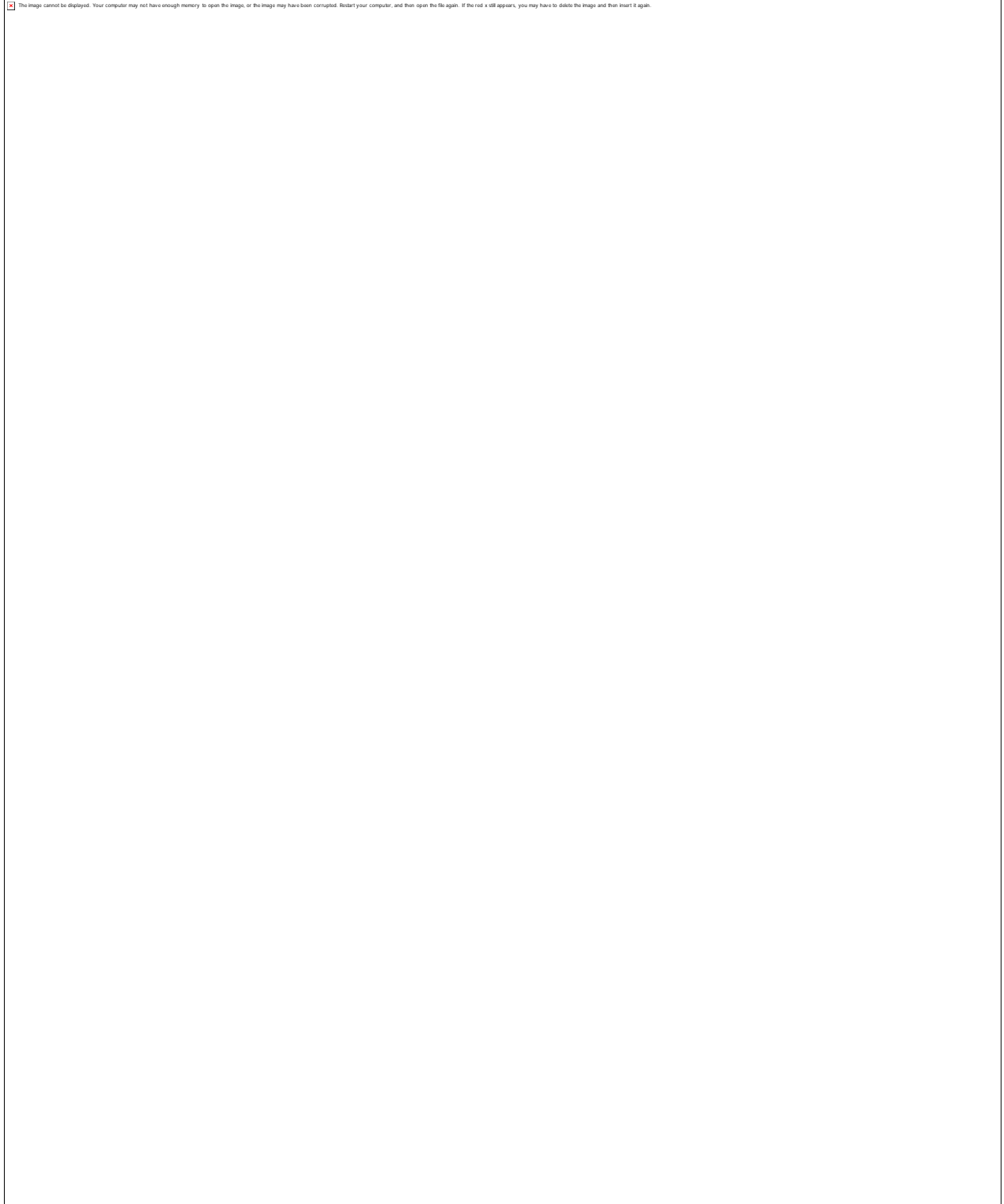
(Rugman and Hoon, 2006)



(Rugman and Hoon, 2006)

(Rugman and Hoon, 2006)

(Source: CTPA annual report, 2009)



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