

FINANCIAL NOTE

COSMETICS: A SECTOR WORTH 11 BILLION EUROS

Purchases of eye contour products, lipsticks and sunscreens are on the rise

Bologna, 16-19 March 2018 – The preliminary data for 2017 once again confirm the growth of the cosmetics sector, which now has a **global turnover** of **11 billion** Euros, an increase of 4.3% on the previous year.

Export remains the key component in the growth of production values, recording an **increase of 8 percentage points** and a value of **4.7 billion** Euros. Similarly, the **trade balance** has also hit a new record, reaching **2.5 billion** Euros.

The general picture of the **cosmetics supply chain** as a whole is also significant - an analysis of all of the links in this chain (ingredients, machinery, packaging, finished product) reveals a total turnover of over 15.7 billion Euros (+ 4.8%).

*"The economic indicators and the analysis of the various financial figures that have just emerged from our Statistics Dept. - comments **Fabio Rossello, president of Cosmetica Italia** - highlights the competitive nature of the Italian cosmetics industry, in spite of the fact that the political-economic scenario remains uncertain. Indeed, the Made in Italy cosmetics sector reaffirms the constant attention to investments in innovation and in customer service, validated by the response from the internal market but above all from the international ones."*

The health of the sector is also reflected in the performance of the various individual **channels**, which continue to demonstrate positive trends. Preliminary data for the second half of 2017 show a slow yet steady expansion in the **herbalist store channel (+ 0.9%)** and the **pharmacy channel (+ 2%)**. The **mass market** channel has also **grown by 1.5 percentage points**, with the value of sales exceeding 4 billion Euros: more than 40% of the total distribution of cosmetics at national level. The numbers for this channel are deeply affected by the phenomena of single-brand distribution and home-toiletries sales outlets. The sector of **contract manufacturing** now boasts a turnover of more than 1 billion Euros, an increase of **8.5%**. The only exception to this general growth trend is **traditional perfume shops**, a channel that has seen a **slight decline of 0.5%**.

The figures for **direct sales** have also grown significantly **(+ 8.7%)**, driven by *digital transformation*: indeed, **e-commerce** has enjoyed a double-digit increase **(+ 23%)**. However, sales volumes remain marginal: 820 million Euros for direct sales, of which approximately 300 million Euros can be attributed to e-commerce.

The *performance* of the various **professional channels** - namely hairdressing and beauty salons - has also been positive, with a growth of **2%**, as seen in the previous six-month period.

An analysis of the consumption trends with regard to individual products highlights the significant growth of **eye contour products** (+ 7.2%), followed by **lipsticks** and **sunscreens** (+ 6.9%).

At product family level, **cosmetic products for face care**, thanks to an increase of 2.7%, gain the leading position, representing 16.9% of total sales with a value of 1.435 million Euros.

FAST FACTS

Some data may help to better understand the value of the sector: our country is **fourth for cosmetics markets** after Germany, the United Kingdom and France with 35,000 people employed, a figure which grows to 200,000 counting downstream activities.

54% of **those employed in the sector are women** (about 19,000), while the manufacturing industry average is stable at 28%.

The total number of university graduates among those employed is 11% against a national average of 6%, and women with a university degree number about 1,700, 45% of the total number of employees with university degrees in the sector. In addition to workers specialized in pharmaceutical chemistry and cosmetology, many are specialized in economy and marketing for the channel.

With regard to innovation and technology, cosmetics companies in Italy invest about 6% of the turnover in research and development, against a national average estimated to be about 3%.

Furthermore, we must not forget that the cosmetics sector accounts for 44% of **investment in communications** with regard to "non food" goods, and that **60% of the make-up distributed throughout the world is produced in Italy**, testimony to the rich and dynamic manufacturing sector, with the biggest concentration of cosmetic companies found in northern Italy.

In particular, Lombardy emerges as the region with the highest density of cosmetics companies, with over 51% of the total (54% of Lombardy-based cosmetics companies are located in the province of Milan), followed by Emilia Romagna, Veneto and Piedmont.

The export/production ratio was greater than 41% at the end of 2017; but there are still wide margins for the sector's internationalisation processes. Since 2000, the growth of exports is higher than the increase in demand for cosmetics, a fact which serves to demonstrate the increased competitiveness of Italian companies within this sector.

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