



Revision of European Ecolabel Criteria for Soaps, Shampoos and Hair Conditioners

MARKET ANALYSIS

January 2012



Revision of European Ecolabel Criteria for Soaps, Shampoos and Hair Conditioners

MARKET ANALYSIS

Albert Ferrer
Carme Hidalgo
Renata Kaps
Giannis S. Kougoulis

CONTENTS

INDEX OF FIGURES	4
INDEX OF TABLES	4
ABBREVIATIONS	5
<u>1</u> OBJECTIVE	<u>6</u>
<u>2</u> MARKET DATA	<u>6</u>
2.1 FACTS AND FIGURES	6
2.2 ECONOMIC INDICATORS	10
2.2.1 PRODUCTION	11
2.2.2 EXPORTS	14
2.2.3 IMPORTS	17
<u>3</u> STRUCTURE OF INDUSTRY AND PRODUCTION	<u>20</u>
3.1 KEY ACTORS	20
3.2 COMPETITIVE STRATEGIES	22
3.3 MARKET SEGMENTATION	25
3.4 CURRENT AND FUTURE POTENTIAL FOR MARKET PENETRATION OF ECOLABEL	28
3.5 USER BEHAVIOUR	31
<u>4</u> CONCLUSIONS	<u>37</u>
<u>5</u> BIBLIOGRAPHY AND REFERENCES	<u>38</u>
<u>6</u> ANNEX	<u>40</u>

INDEX OF FIGURES

Figure 1. Global Cosmetics and Toiletries Market	7
Figure 2. Number of European SME Manufacturing Enterprises of cosmetic and toiletry products in 2010.....	7
Figure 3. Number of European SME Manufacturing Enterprises in 2010.....	8
Figure 4. Market beauty and personal care introductions by region 2007-2010	9
Figure 5. Production of Soap and organic surface-active products in bars, etc, for toilet use	11
Figure 6. Production of Organic surface-active products and preparations for washing the skin.....	12
Figure 7. European production of shampoo products	12
Figure 8. European production of hair conditioners.....	13
Figure 9. Exports of Soap and organic surface-active products in bars, etc, for toilet use.....	14
Figure 10. Exports of Organic surface-active products and preparations for washing the skin	15
Figure 11. Exports of shampoo products	15
Figure 12. Exports of hair conditioners	16
Figure 13. Imports of Soap and organic surface-active products in bars, etc, for toilet use	17
Figure 14. Imports of Organic surface-active products and preparations for washing the skin.....	18
Figure 15. Imports data of shampoo	18
Figure 16. Imports data of hair conditioners	19
Figure 17. Mass market of beauty and personal care introductions by claim group (2007-2010).....	28
Figure 18. Number of products with EU Ecolabel by country (2011).....	28

INDEX OF TABLES

Table 1. Classification of products studied (PRODCOM Classification).....	10
Table 2. Market Share for Top 10 Global Cosmetics Companies 2006	20
Table 3. Top 10 global companies, based on new product introductions (2007-2010)	21
Table 4. Top claims and 10 growing claims (2009-2010)	27
Table 5. Market characteristics for the category of bar and liquid soap	33
Table 6. Market characteristics for the category of shampoos and hair conditioners	35

ABBREVIATIONS

COLIPA	- The European Cosmetics Association
EXPVAL	- Export value
GDP	- Gross domestic product
GPP	- Green Public Procurement
IMPVAL	- Import value
MSS	- Member States
PRODCOM	- "PRODUCTION COMMUNAUTAIRE" (Community Production)
PRODVAL	- Production value
RSP	- Retail Selling Price
SME	- Small and Medium Enterprise

1 OBJECTIVE

The objective of this report is to characterize the relevant European cosmetic market and relevant tendencies at a quantitative and qualitative level for product categories of soaps, shampoos and hair conditioners. This study is aimed to provide the market knowledge needed for the revision process of the existing EU Ecolabel criteria set for the product group under study.

2 MARKET DATA

This section provides quantitative data for soaps, shampoos and hair conditioners market: values of production, imports and exports, and presents main characteristics of the cosmetic industry in Europe and the key players in this sector.

2.1 Facts and figures

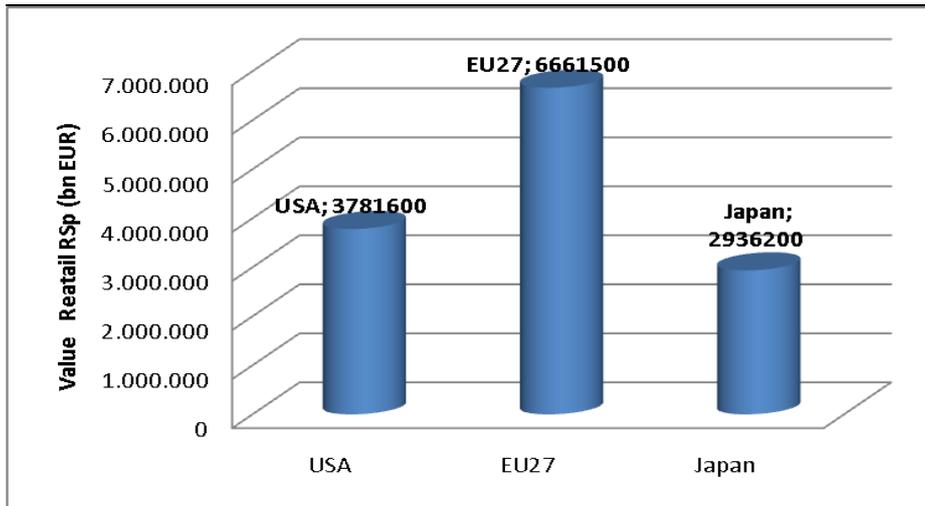
The European cosmetics industry is a dynamic industry sector, representing one-third of the global cosmetics market and having sales revenues close to US and Japanese markets together¹.

As it can be seen in *Figure 1*, the European market of perfumery and cosmetics is the largest in the world, as for the EU 27 it is nearly €67.000 million/year². Among the EU countries, Germany has the largest cosmetics market, valued around €12.000 million, followed by France (€11.000 million), the UK (€10.000 million), Italy (€9.500 million), and Spain (€8.000 million). The US market, the second in importance, reaches about €40.000 million/year. The third position is occupied by the Japanese market, with nearly €30.000 million/year consumption. Arab markets as well as markets like India, China, Brazil or Russia are in continuous expansion, motivated by the gradual access of their population to fragrances and personal care products.

¹ COLIPA Activity Report 2010 – the work of COLIPA in 2010 (www.colipa.eu/downloads/3313.html.)

² Value retail (RSP, Retail Selling Price).

Figure 1. Global Cosmetics and Toiletries Market



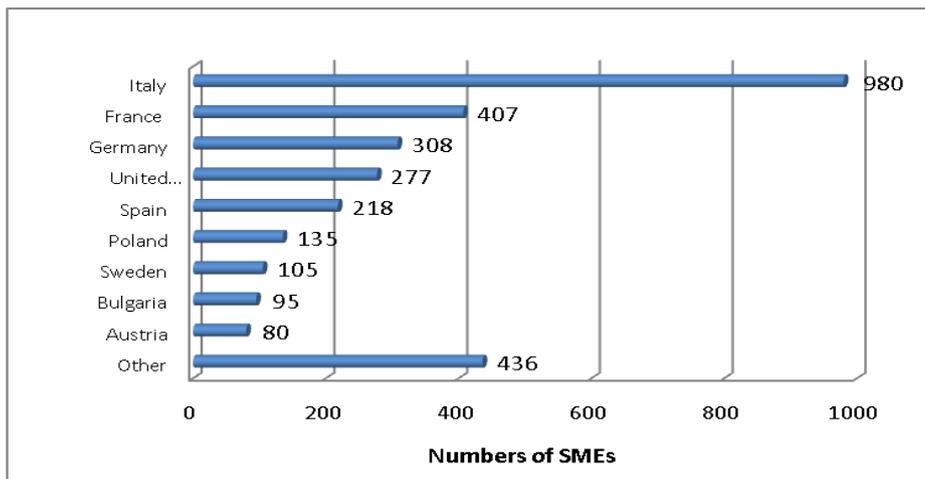
*Note: EU 27 + Norway and Switzerland estimated: 69,200,00 bn EUR (Source: Eurostat)

Source: Elaboration from COLIPA Activity Report 2010 (www.colipa.eu/downloads/3313.html)

In 2010, most European markets showed stability, affected only by the exchange rate of euro³. The EU27 countries' cosmetics market is expected to rise at approximately 4.4% per year over the next decade, the cosmetics market in the new EU members will increase at a faster rate (8.8% annually) than the EU 15 countries (3.7%)⁴.

With more than 4.000 companies operating in the EU cosmetics industry (see Figure 2 and 3 for details), two thirds being SMEs, direct and indirect employment is estimated to be 1.7 million people⁵.

Figure 2. Number of European SME Manufacturing Enterprises of cosmetic and toiletry products in 2010



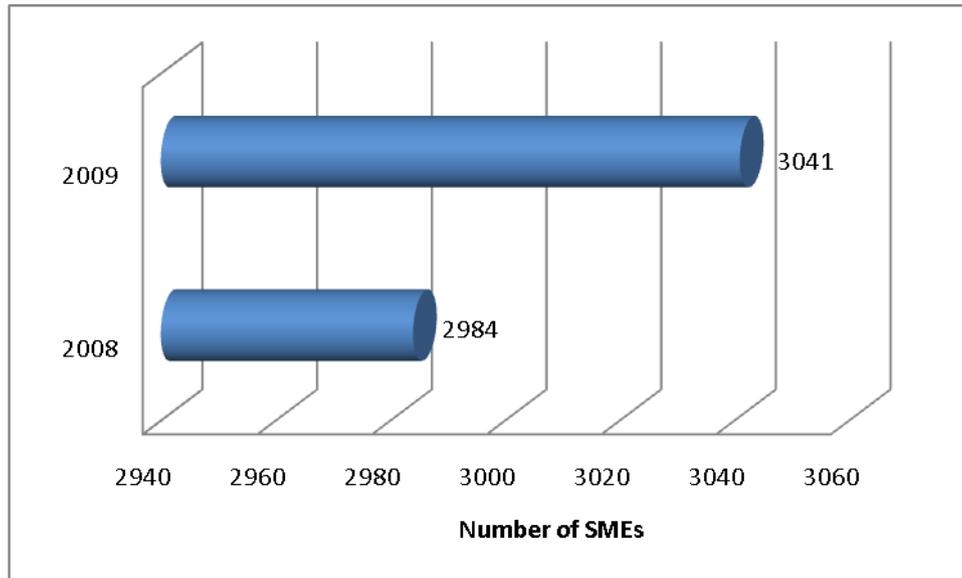
Source: Elaboration from COLIPA Activity Report 2010 (www.colipa.eu/downloads/3313.html)

³ COLIPA Activity Report 2010 – the work of Colipa in 2010 (www.colipa.eu/downloads/3313.html)

⁴ A study of the European Cosmetics Industry. Global Insight. European Commission, Directorate General for Enterprise and Industry. November 2007.

⁵ COLIPA Activity Report 2010 – the work of Colipa in 2010 (www.colipa.eu/downloads/3313.html)

Figure 3. Number of European SME Manufacturing Enterprises in 2010



Source: Elaboration from COLIPA Activity Report 2010 (www.colipa.eu/downloads/3313.html)

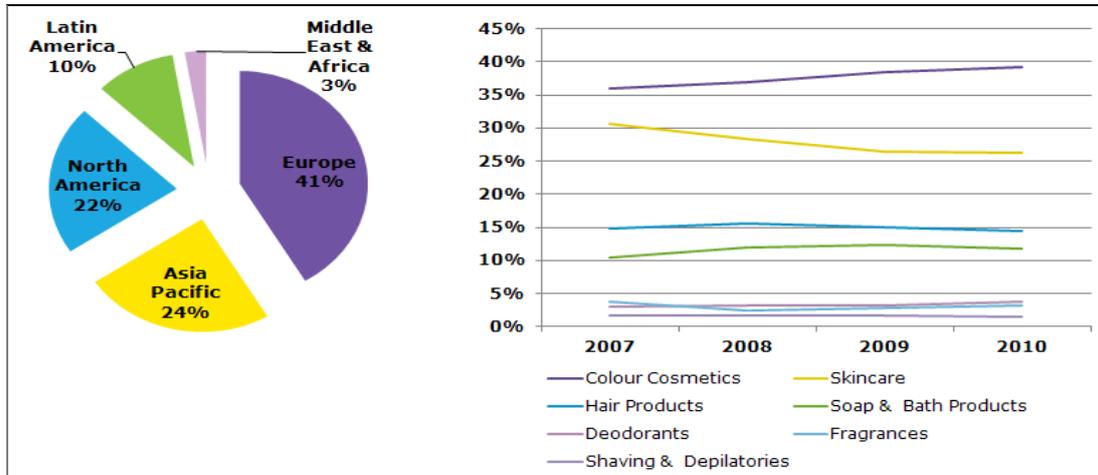
Recent market analyses show that in 2010 soaps and detergents together represented around 15% of consumer expenditure on household goods in most European countries⁶. For developed economies this fact reflects the growing maturity of the market and the important price competition in the market place. However, there is a greater scope for marketers to induce consumers in the emerging markets to raise consumption levels. Bar and liquid soaps accounted for around 40% of the personal wash sector and around 10% of the total personal care worldwide market in 2010⁶.

As it can be seen in *Figure 4*, the volume of new products (soaps and bath products, and hair cosmetics - shampoos and hair conditioners) launched between 2007 and 2010 decreased by 3%⁷. New products market for soaps was distributed equally between Bar and Liquid Soaps, since each kind of product accounted for 50% of launches. Europe became the most active region (Germany and the UK led the ranking, each one accounting for 16% share of European launches, followed by Spain and France (each one with 8%)), whilst Asia Pacific fell to the second place and North America overtook Latin America, moving to the third position. The biggest problem for this product category is a saturated market with slow growth expected for coming years (till 2014) and where value sales growth are unlikely to pick up.

⁶ Source: Euromonitor International Database

⁷ Mintel Global New Products Database (Trends webinar: Mass market beauty & personal care)

Figure 4. Market beauty and personal care introductions by region 2007-2010



Source: Mintel Global New Products Database (Trends webinar: Mass market beauty & personal care)

Regarding sales, the category of bath soap and shower products illustrates a varied performance in the so called “Big 5” (Germany, France, UK, Italy and Spain), partly due to the economic recession. While demand for bath additives is generally declining, shower gels and liquid soaps have maintained sales level. Germany is the largest market in Europe, with sales of €1.100 million⁸ in 2010.

Concerning shampoos category, European sales have been adversely affected by the economic recession, with consumers choosing cheaper and less known brands offered at expense of premium products. Value sales in the “big 5” have thus stagnated or declined. However, in 2010 signs of recovering demand were observed. Finally, for hair conditioners, the five biggest European countries showed different performance regarding sales in 2010, with positive value in France, Spain and the UK, but Germany and Italy posting a modest decline. France, valued at €414 million, is by far the largest market, thanks mainly to the importance and prestige of Channel. All these five countries have been affected by the economic recession, with cash-strapped consumers economising and looking for saving money. Although the year 2010 was lacklustre in general, there are signs that the market is becoming more vigorous.

⁸ Source: Mintel Global New Products Database

2.2 Economic indicators

This section analyzes the economic data regarding the product group under study. The scope of analysis includes the EU 27 countries (with available data), taking as reference period the last two years (2009 and 2010). All data presented have been extracted from the Eurostat Database.

The main indicators discussed in this section are related to the production and trade of these products in the EU 27 and in single Member States.

In order to reflect specific product categories covered by this analysis, the following product classifications have been selected⁹:

Table 1. Classification of products studied (PRODCOM Classification)

Product to analyze	PRODCOM Classification
Soaps	20421915 - Soap and organic surface-active products in bars, cakes, moulded pieces or shapes; paper, wadding, felt and non woven, impregnated, coated or covered with soap or detergent, for toilet use INCLUDING: - medicated products 20421930 - Organic surface-active products and preparations for washing the skin in the form of liquid or cream; whether or not containing soap, put up for retail sale.
Shampoos	20421630 - Shampoos
Hair conditioners	20421700 - Hair preparations (excluding shampoos, permanent waving and hair straightening preparations, lacquers)

Source: Eurostat. PRODCOM - statistics by product

According to NACE the “statistical classification of economic activities in the European Community (NACE) these products are included in the activity code 20.42¹⁰:

20.42. Manufacture of perfumes and toilet preparations

This class includes:

- Manufacture of perfumes and toilet preparations:
 - perfumes and toilet water
 - beauty and make-up preparations
 - sunburn prevention and suntan preparations
 - manicure and pedicure preparations
 - **shampoos, hair lacquers, waving and straightening preparations**
 - dentifrices and preparations for oral hygiene, including denture fixative preparations
 - shaving preparations, including pre-shave and aftershave preparations
 - deodorants and bath salts
 - depilatories
- **Manufacture of cosmetic soap**

⁹ Product classifications according to Eurostat PRODCOM (<http://epp.eurostat.ec.europa.eu/portal/page/portal/prodcom/introduction>)

¹⁰ EUROSTAT NACE Rev. 2 – Statistical classification of economic activities in the European Community

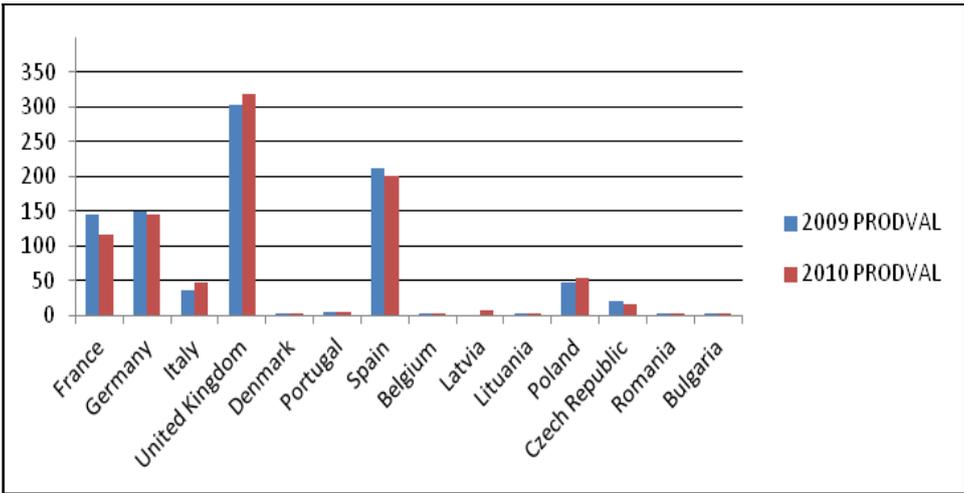
2.2.1 Production

The first indicator analysed is the volume of Communitarian production. In order to assess the economic significance of production, data is expressed in terms of monetary value – PRODVAL (million Euros).

Figures 5 and 6¹¹ illustrate production values for the two categories of soaps (liquid and solid), and some significant differences between the two cases can be seen. For example in the first figure (solid soaps) Spain represents a production exceeding €200 million while the second figure shows only production of around €10 million.

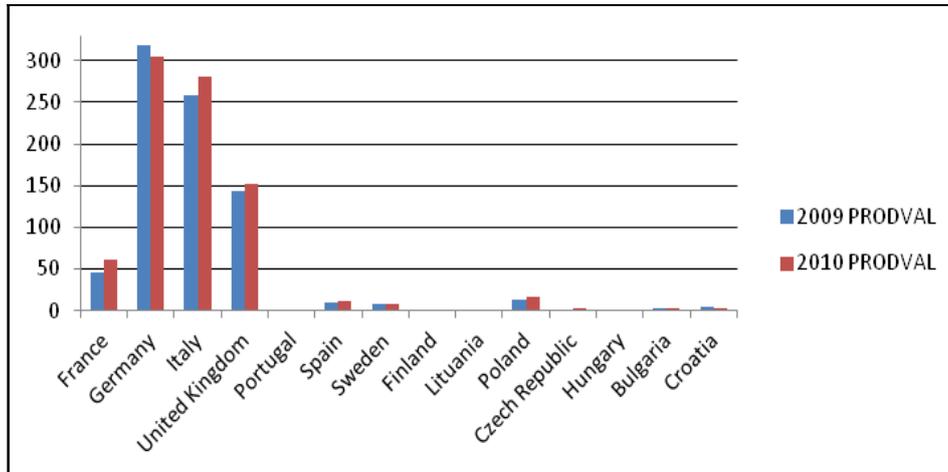
It will not be differentiated between the two graphs exhaustively, but the general category of soaps will be discussed jointly. Analyzing the two figures together, production values of Germany, Italy and the UK, close to €300 million each one should be highlighted. France and Spain have also important production levels with values around €200 million each one. The rest of the countries with available data show discrete production values that in most cases do not exceed €10 million, with the exception of Poland which has a production value exceeding €50 million.

Figure 5. Production of Soap and organic surface-active products in bars, etc, for toilet use



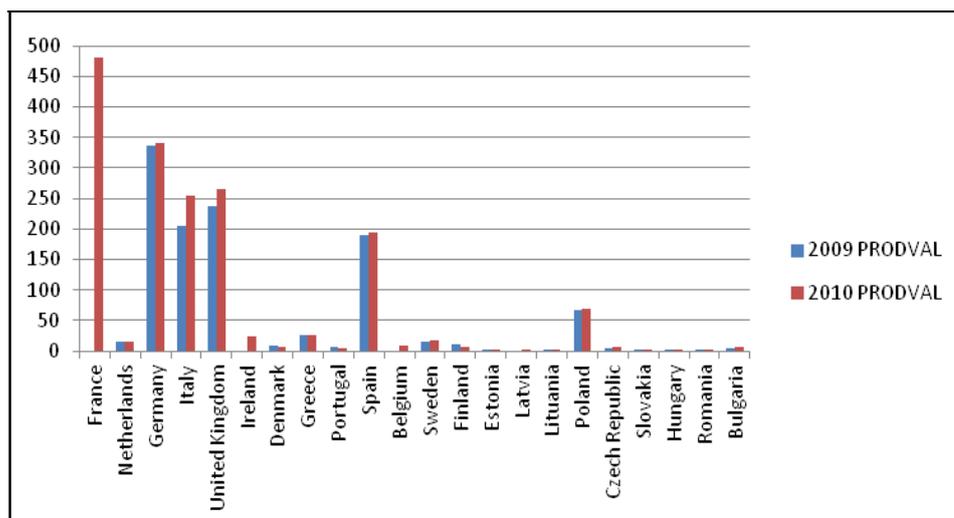
¹¹ Data not available in EUROSTAT statistics and on Figure 5: Netherlands, Ireland, Greece, Luxemburg, Sweden, Finland, Austria, Malta, Estonia, Latvia, Slovakia, Hungary, Slovenia, Croatia, Cyprus
 Data not available in EUROSTAT statistics and on Figure 6: Netherlands, Ireland, Denmark, Greece, Portugal (only 2009), Belgium, Luxemburg, Austria, Malta, Estonia, Latvia, Slovakia, Romania, Slovenia, Cyprus
 Full data tables available in Annex (Table A.I and Table A.II)

Figure 6. Production of Organic surface-active products and preparations for washing the skin



The following *Figure 7* shows production data for the product category of shampoos¹², where it can be seen that France clearly leads with an output valued at €480 million. In second place, Germany has about €340 million and Italy and the UK are in a range between €240-260 million each one. Spain is another important producer, with values close to €200 million and, at some distance, there is Poland which reaches a production value of nearly €70 million. Other European economies have lower values, e.g. Ireland and Greece reach around €25 million each, while Holland and Belgium 16 and 10 million Euro, respectively. The remaining cases range between €5 million (Finland, Portugal or Czech Republic) to the most discreet of Estonia, Latvia and Slovakia, which do not reach one million Euros.

Figure 7. European production of shampoo products



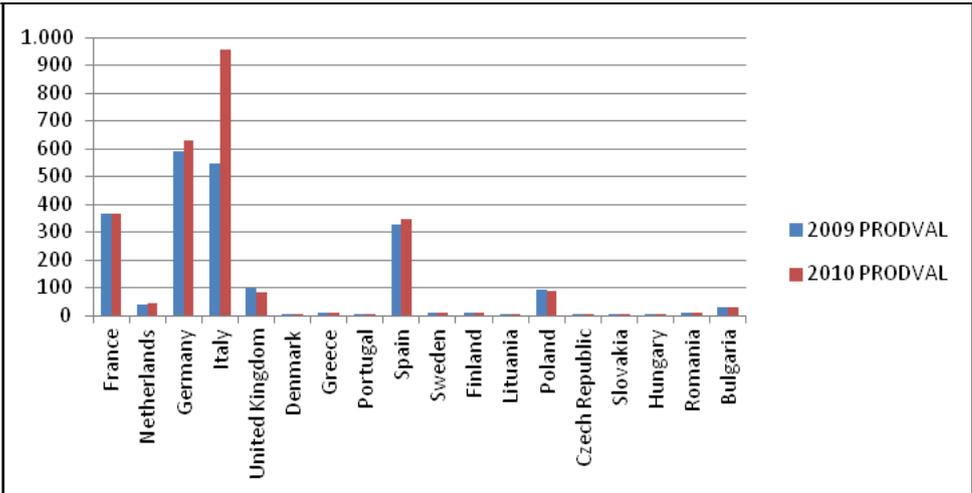
¹² Data not available in EUROSTAT statistics and on Figure 6: Luxemburg, Austria, Malta, Slovenia, Croatia, Cyprus. Data for France, Ireland, Belgium and Latvia only available for 2010. Full data tables available in Annex (Table A.II)

Figure 8 shows production data for the product category of hair conditioners¹³. If in the previous case (i.e. shampoos) France was the leader in production, in the case of hair conditioners Italy is the largest producer with a value of over €950 million. Furthermore, it is noteworthy that this value has almost doubled in comparison with 2009 when Italy recorded about €550 million. In one year Italy has dramatically increased its production in this product category and has taken the first place, occupied until then by Germany. It has to be mentioned that this figure is high when compared with the categories of soap and shampoo.

After Italy, there is Germany with values exceeding €600 million, followed at some distance by France and Spain, which recorded about €350 million each. Poland reaches the value of about €90 million, although it should be remarked that the production value has decreased from 2009 to 2010. On a same level there is UK that, compared to production in other product categories, here obtained lower value, which additionally has been reduced in the analysed period.

The group of small producers from Netherlands and Bulgaria reach values of €43 and €28 million, respectively. Other economies MS (Member States) do not reach €10 million.

Figure 8. European production of hair conditioners



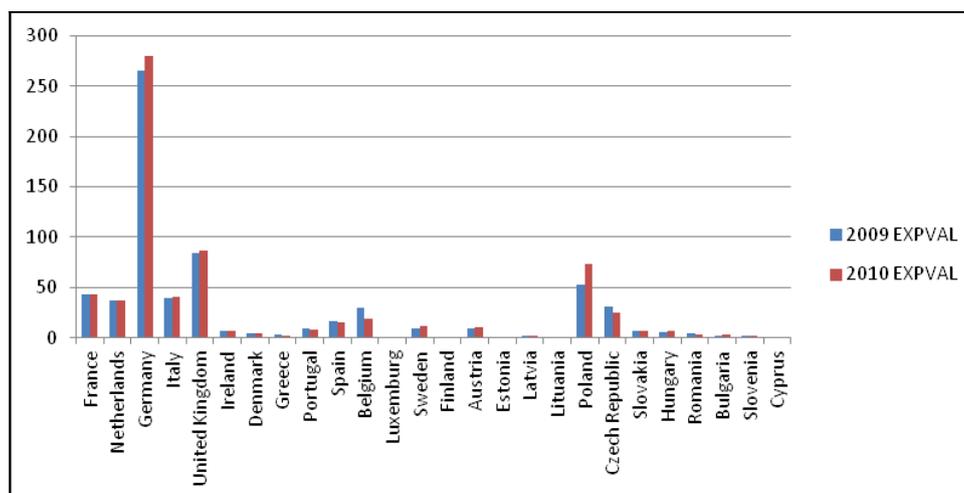
¹³ Data not available in EUROSTAT statistics and on Figure 7: Croatia
Full data tables available in Annex (Table A.II)

2.2.2 Exports

The relevant data of external trade of products under study has been analyzed in this section. European cosmetic products are demanded all over the world and export represents a key activity for European companies of all sizes, especially SMEs. In 2010, trade with countries outside the EU 27 showed growth of over 16%, and it reached €12.5 billion (from EUR 10.4 billion in 2009)¹⁴.

Figures 9 and 10 represent the export data (EXPVAL) for the category of soaps¹⁵. In this case, variations between the two graphs (soap bars on figure 9 and liquid soaps on figure 10) are smaller in comparison to those seen in production volumes. The figures are more homogeneous among the product categories of soap, with the exception of France; which has in the bar soap category exports worth €50 million, while in the liquid soap category – worth €150 million. Overall, Germany stands out being the leading exporter of soaps, with levels far above the rest, and reaches almost €300 million. Next are Britain and Poland, but the values they reach are much lower, around €100 million. Further, around €50 million valued exports are found for Spain and Belgium.

Figure 9. Exports of Soap and organic surface-active products in bars, etc, for toilet use



¹⁴ Source: Eurostat

¹⁵ Data not available in EUROSTAT statistics and on Figure 9: Croatia. Data not available in EUROSTAT statistics and on Figure 10: Croatia, Cyprus. Full data tables available in Annex (Table B.I)

Figure 10. Exports of Organic surface-active products and preparations for washing the skin

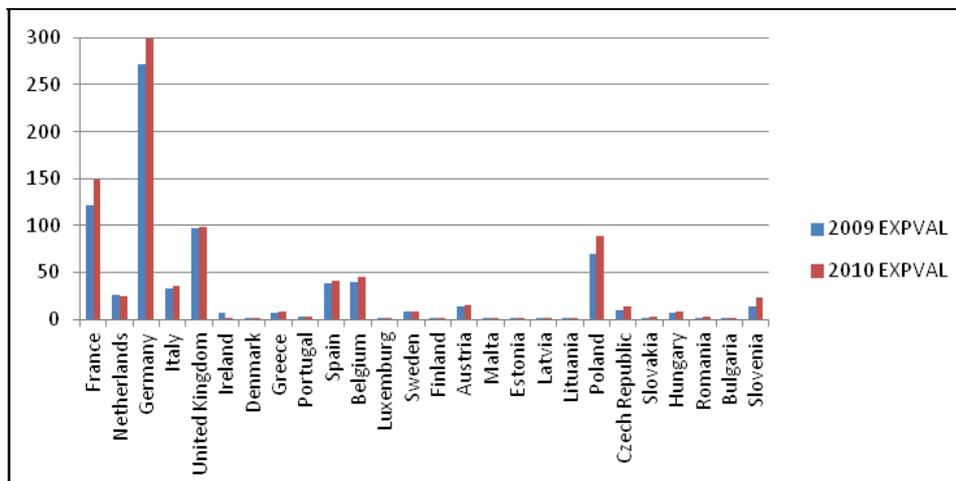
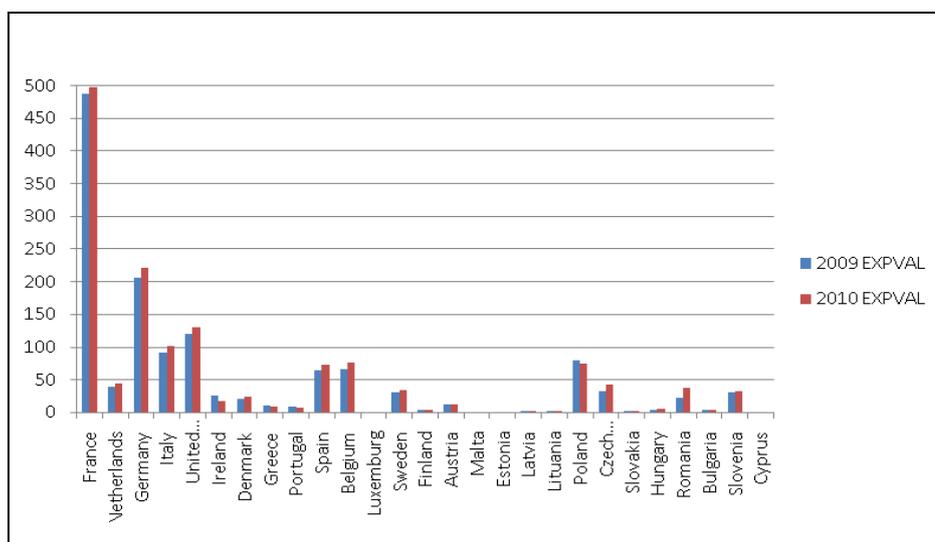


Figure 11 illustrates the export data for shampoos¹⁶. In the case of shampoos, France is the undisputed leader with an export level of €500 million, very far from the second position held by Germany with €220 million. Below, there is a group formed by UK, Italy, Spain, Belgium and Poland in which each country has exports worth among €75 to €135 million. Sweden, Czech Republic and Romania have levels between €30 and €40 million and, finally, the rest of MSs have lower values (below €10 million). Suffice to say that in most countries, the export volume has grown in the reference period.

Figure 11. Exports of shampoo products



Finally, in Figure 12 it the export data for the category of hair conditioners is analysed¹⁷. In this category, Germany is again the largest exporter with a value exceeding €630 million and it is placed

¹⁶ Data not available in Eurostat statistics and on Figure 11: Croatia.

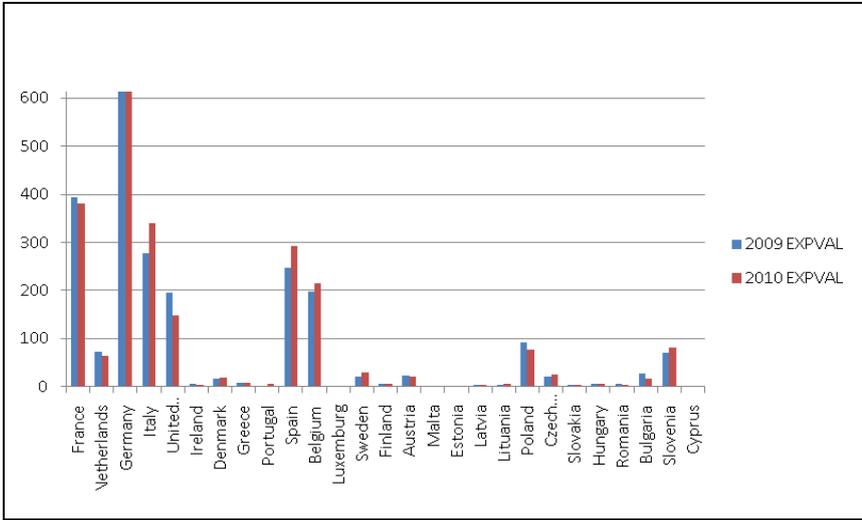
Full data tables available in Annex (Table B.II)

¹⁷ Data not available in EUROSTAT statistics and on Figure 12: Croatia.

well away from France, which ranks second with €380 million. However, we must mention that both export levels have declined in the period analyzed, although by quite moderate values. The opposite case is found in Italy and Spain, which having good export levels, have substantially increased their exports. In 2009, Italy and Spain exports reached €277 and €246 million respectively, while the values obtained in 2010 increased to €339 million in the case of Italy, and €293 million for Spain.

Belgium reaches lower value €215 million and a lower positive growth differential comparing to Italy and Spain. Other relatively high export data are found in the United Kingdom and Poland; however, similarly as France and Germany, they reduced their values in the analysed period. Finally, we highlight the special case of Slovenia that compared with export of the other product categories; it reaches for hair conditioners quite relevant value of around €82 million.

Figure 12. Exports of hair conditioners



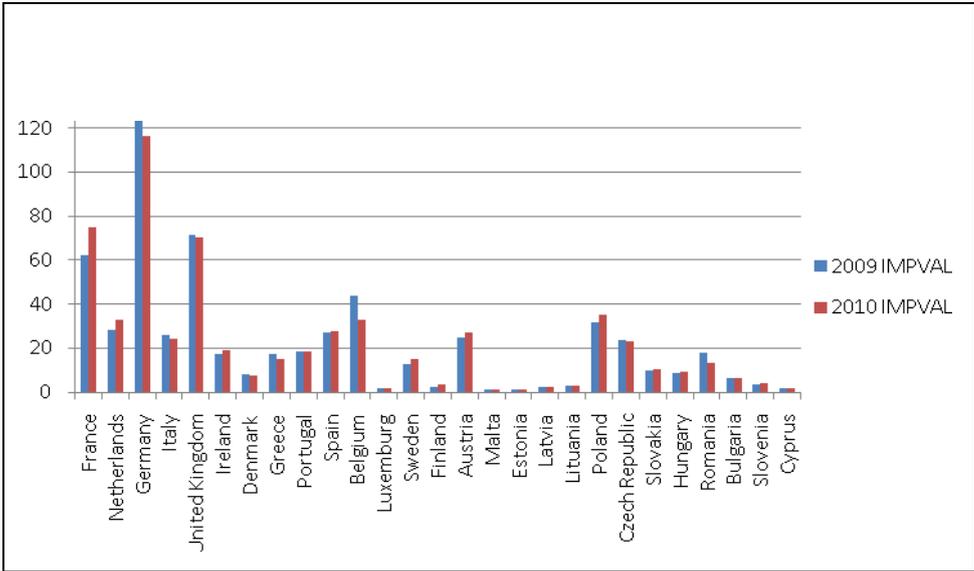
Full data tables available in Annex (Table B.II)

2.2.3 Imports

The last indicator to analyse regarding the economic data , which has been analysed separately for each product category, is import.

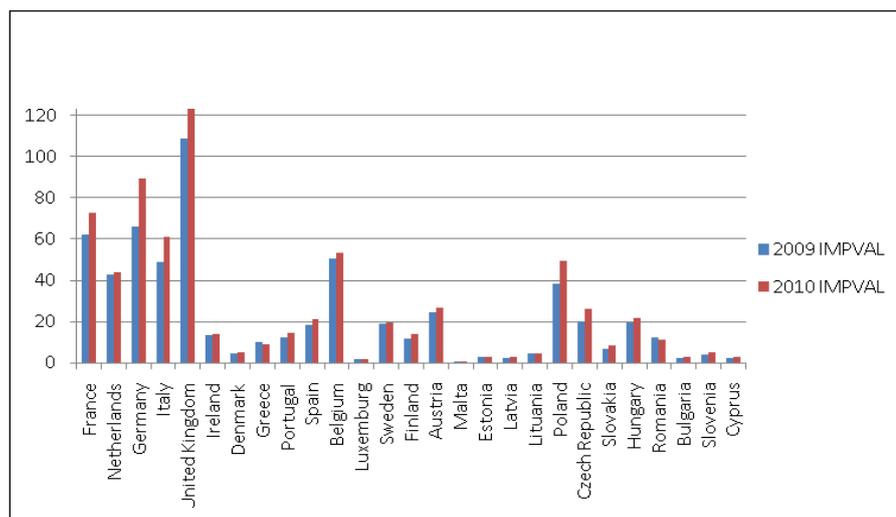
In *Figures 13 and 14*, imports value data (IMPVAL) for the category of soaps¹⁸ can be seen. If we analyse the two product categories for soaps jointly, we see that there are two very prominent MS importers of these products: Germany and the UK. The sum of the values in both categories (bar and liquid) places the rate of their imports at about €200 million each. However, it must be commented that in the analysed period, both countries reduced their imports in the first category of product, while in the second category their imports increase significantly. The group formed by France, Holland, Italy, Belgium and Poland represents also large importers; especially in liquid soaps products (where most of the countries increase their import value in the studied years). Spain, a country that has higher production and export values, has a small value for imports (around €20 million) similar to Ireland, Portugal, Sweden, Austria, Czech Republic and Hungary. Finally, the rest of MSs have import values below €10 million.

Figure 13. Imports of Soap and organic surface-active products in bars, etc, for toilet use



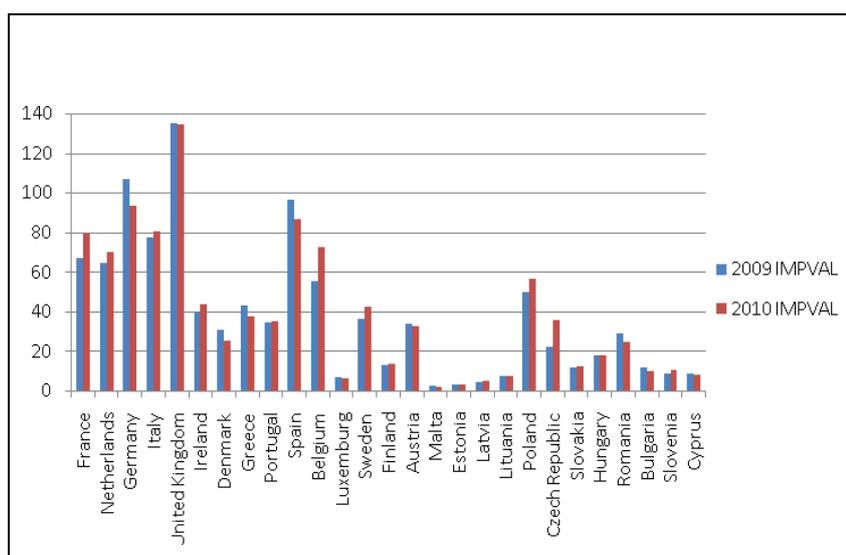
¹⁸ Data not available in EUROSTAT statistics and on Figure 13 and Figure 14: Croatia
Full data tables available in Annex (Table C.I)

Figure 14. Imports of Organic surface-active products and preparations for washing the skin



Import data of shampoos¹⁹ can be observed in *Figure 15*. The UK is the largest importer of shampoos with import worth €135 million. Germany and Spain (note that Spain imports of soap are low, but it is one of the most important importers of shampoos and it has import values of around €100 million, although in both cases; nevertheless, unlike the UK, their values have decreased from 2009 to 2010). Another group close to these countries and where there has been an increase in imports is formed by France, Holland, Italy, Belgium and Poland, with values between €60 and €80 million. In the segment of €30-40 million are Ireland, Denmark, Greece, Portugal, Sweden, Austria, Czech Republic and Romania. Other MSs have import values below €20 million.

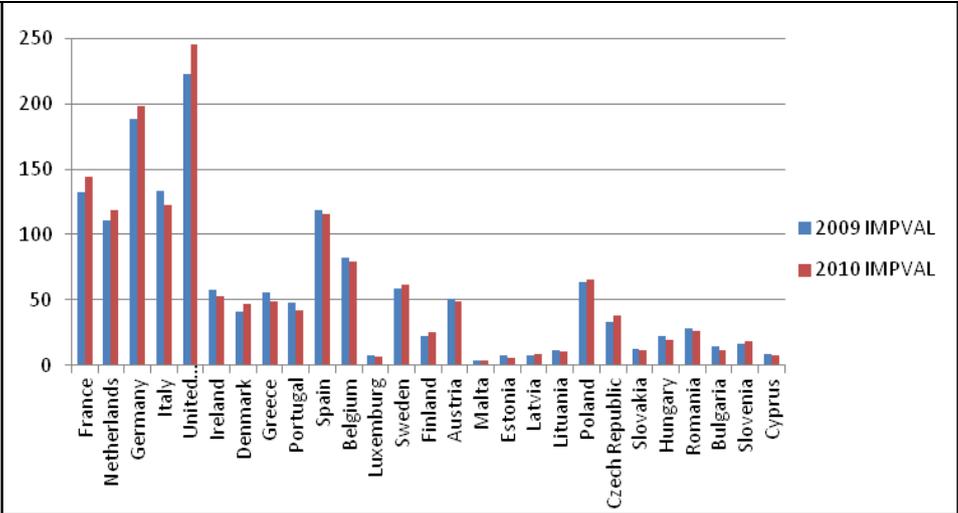
Figure 15. Imports data of shampoo



¹⁹ Data not available in EUROSTAT statistics and on Figure 15: Croatia
Full data tables available in Annex (Table C.II)

Finally, the data for the category of hair conditioners²⁰ is presented in *Figure 16*. In the category of hair conditioners, the United Kingdom is again the largest importer with a total value of €245 million, and with a rising level compared to 2009. Nearby is Germany, with an upward level also stands with an import value of nearly €200 million. With slightly lower values, between €120 and €140 million, there are France, Holland, Italy and Spain. Suffice it to say that the first two have increased their imports in the reference period (by €10 million), while the second two have reduced them (Italy and Spain by €10 million and €2 million, respectively). There is a fairly homogeneous group with import value of around €50 million made by Ireland, Denmark, Greece, Portugal, Sweden, Austria and Poland. The rest of MSs achieve lower values in this category.

Figure 16. Imports data of hair conditioners



²⁰ Data not available in EUROSTAT statistics and on Figure 16: Croatia
Full data tables available in Annex (Table C.II)

3 STRUCTURE OF INDUSTRY AND PRODUCTION

This section studies in detail the characteristics that determine the performance of the sector. The analysis has focused on identifying the key stakeholders, examining the competition and significant strategies, defining the most segmentation criteria used, the market potential in relation to the eco-label and, finally, performing a characterization of user's behaviour based on consumer trends.

3.1 Key actors

The goal of this section is to identify and classify the main stakeholders involved in the value chain of the different cosmetic products' markets..

The global market for soaps is dominated by a small number of multinational companies which account for half of the market. These companies compete among each other with strong brand identity and big advertising budgets. There is fierce competition among these corporations, nevertheless products under study represent only a small part of their products range (in most cases, soaps and detergents account for 20% of the group turnover).

The top global stakeholders include e.g. Unilever, Procter and Gamble, Colgate Palmolive and Johnson & Johnson. The *table 2* below lists the top 10 companies in 2006 and their respective shares of the global cosmetics market (retail sales value). Beside the key player, there are also several hundreds of small and medium sized companies (SMEs) active at the market in most EU27 countries.

Table 2. Market Share for Top 10 Global Cosmetics Companies 2006

Company	Sales (€ Billion)	Market Share
Procter & Gamble Co	18,3	12,7 %
L'Oréal Group	15,0	10,1 %
Unilever Group	10,2	7,1 %
Colgate Palmolive Co	5,7	4,0 %
Estée Lauder Cos Inc	5,3	3,9 %
Avon Products Inc	4,8	3,3 %
Beiersdorf AG	4,3	3,1 %
Johnson & Johnson Inc	4,0	2,8 %
Shiseido Co Ltd	4,3	2,6 %
Kao Corp	3,3	2,5 %

Source: Source: Global Insight estimates based on Company Reports and Euromonitor data²¹

²¹ A Study of the European Cosmetics Industry. Global Insight. European Commission, Directorate General for Enterprise and Industry. November 2007.

The companies leading in introducing new products on the market are listed in table 3.

Table 3. Top 10 global companies, based on new product introductions (2007-2010)

Top 10 companies (excluding private label)	
1	L'Oréal
2	Estée Lauder
3	Procter & Gamble
4	Unilever
5	Beiersdorf
6	Coty
7	Kao
8	Revlon
9	Henkel
10	Johnson & Johnson

Source: Mintel Global New Product Database

The world's largest company in this kind of products is Procter & Gamble, with over 250 brands. It has significant market share in soaps, shampoos, cosmetics and detergents, but it also sells many other cleaning products and products outside the scope of the cosmetic industry, such as basic food brands. Its beauty division, which includes cosmetics, shampoos and bath soaps, brings to the group about 18% of its income²².

L'Oréal is another top player in this industry with 23 global brands and it is present in 130 countries, which allowed them to reach €19.5 billion consolidated sales in 2010²³.

Colgate-Palmolive is the third major player in the industry. This company is dependent on foreign markets for a striking 75% of its sales. About 25% of sales come from North America, 26% come from Latin America, 33% from Europe, and 16% from Asia/Africa²⁴.

Unilever is the largest cosmetic industry's company by annual sales, although more than half of its revenue comes from food products. The company has two headquarters: Unilever PLC is headquartered in London, United Kingdom and Unilever NV is based in Rotterdam, the Netherlands. The company also has US-based holdings and it is an important contender in the US market. Although most of its revenue comes from Europe (40%), 27% of the firm's earnings come from North

²² www.pg.com

²³ www.loreal.com

²⁴ www.colgate.com

America, where it possesses a relevant percentage of soaps and detergents market, being placed behind Procter & Gamble²⁵.

The cosmetics' industry has a market structure called monopolistic competition. The industry is characterized by a large number of firms that attempt to differentiate their products and to maintain a certain degree of control over their prices. In general, monopolistic competition is characterized by relatively low barriers to entry in cosmetics markets. Government regulation (mostly related to differences on safety issues approach) and distribution channels appear to be the most significant barriers to access the cosmetics market²⁶.

Larger companies acquire strategic assets in fast growing markets like China or in large markets with low barriers to entry like the United States. The acquired firm is often a SME that has brought an innovative product to market. Large companies have set production in less mature markets not only to reduce production and transportation costs, but also to better understand cultural differences and their impacts on evolving consumer preferences.

Public policies may involve sharing information on the evolution of the industry and consumer preferences with SMEs – assuming large companies conduct this research internally. This type of initiative may assist the development of SMEs and their business strategy formation. There are a large number of new natural/organic products brought to market by SMEs. France, Italy and Spain, for instance, have a high concentration of SMEs in their markets. Large companies are acquiring SMEs that have successfully introduced products into the fast growing market segments. There are opportunities for SMEs in the EU, if they are well-informed, to capitalize their knowledge on evolving markets²⁷.

3.2 Competitive strategies

This section covers general aspects about the models and competitive strategies carried out by stakeholders of the sector. The goal of this analysis is to understand how companies tend to compete and which strategies are use to diverge from the competitors.

European markets are likely to slow down during the coming years. It is mainly due to price competition among the major market players, growing maturity of products and consolidation of own-label brands by big supermarkets, which are quickly expanding their operations in zones like Eastern Europe.

The studied product category comprises soaps, shampoos and hair conditioners. The greatest growth during the last years comes from the category of soaps (ref. for this sub chapter). The market is characterized by growing maturity and vast competition among major brands. Market expansion has

²⁵ www.unilever.com

²⁶ A Study of the European Cosmetics Industry. Global Insight. European Commission, Directorate General for Enterprise and Industry. November 2007.

²⁷ A Study of the European Cosmetics Industry. Global Insight. European Commission, Directorate General for Enterprise and Industry. November 2007.

been attributed mainly to new products development, such as liquid soaps for hand-washing and showers, supported by heavy media advertising and promotional activity carried out by the major brand manufacturers.

Some competitive strategies used in the sector have been characterized below, based on different market reports²⁸:

- **The importance of added-value.** The increasing trend toward added-value products (i.e. products with moisturizing and deodorizing properties, catching packaging, etc) has also boosted market value. In order to counter the rising threat from supermarkets and their brands, which have become increasingly sophisticated, leading manufacturers have stepped up their new product development programs with brand extensions and re-launches of core brands, focusing on added value and convenience, for example, liquid hand wash soaps with antibacterial, moisturizing and deodorizing properties are offered in easy dispensing bottles.

- **Environmental approach.** The growing environmental concerns have also led to the development of eco-friendly products, containing e.g. natural ingredients, but also to the use of biodegradable packaging and refill packages. The industry is constantly researching products which can maintain performance characteristics, but which reduce environmental impact, eliminating e.g. some of the substances used so far in the formulations (for example, phosphate-based products have been banned). Particularly, the trend towards more natural ingredients has accelerated in recent years.

- **Ecolabel as a source of differentiation.** Companies tend to perceive the Ecolabel as an available tool to improve its position against their competitors:
 - Products may carry the Ecolabelling trademark for marketing purposes. The Ecolabel is a very well-known and well-reputed trademark in some regions.
 - Ecolabelling is a simple and cost-effective way to communicate environmental aspects and commitment to purchasers and consumers.
 - Environmental issues are complex. It can take a long time and extensive resources to gain an understanding of a specific area. Ecolabelling facilitates this process.
 - Ecolabel not only covers environmental issues but also quality requirements, since environmental and quality concerns often go together. It means that an Ecolabel licence can also be seen as a mark of quality.

- **Brand identity.** The main stakeholders of the international market control the most important brands in their respective market sectors, and they have financial and marketing resources to

²⁸ The global market for soaps. A market research report for the Public-Private Partnership on Handwashing with soaps. The London School of Hygiene and Tropical Medicine

Emerging worldwide markets. Personal care. A.C. Nielsen. 2004

Trends on mass market beauty & personal care. Mintel (Mintel GNPD)

combat the ever-increasing threat of competition. These manufacturers tend to have families of products, not necessarily of the same sector, under a general brand identity. For example, Colgate Palmolive produces bar soap, liquid soap, shower gel, and shampoo, all under the brand name: Palmolive, for the African/Middle Eastern market. For the Asian market, the brand is extended to include Palmolive Botanicals, Palmolive Naturals and Palmolive Optima. This is done in order to maximize the impact of advertising and promotional activity, as well as to promote brand loyalty. Generally, the big firms operate with strong individual brand identities for their core products. This behaviour is best seen in the toilet soap sector.

- **Going into emerging markets.** In most European markets, personal care products such as soaps, shampoos and hair conditioners are in the mature stage of the product life cycle, with the result that brands can grow only by capturing sales from competing brands, resulting in a spiral of high marketing costs. The major soap companies and indeed all the multinationals have realized that the soap markets in the developing world (for example some Asian markets) are at the growth stages of the product life cycle. The evolution of soap marketing strategies in the emerging markets has been facilitated by a number of factors, most of them exogenous to the soap producers. These factors include:
 - The emergence of more discriminating educated and aware consumers.
 - Enlargement of supermarkets and retail outlets.
 - Growth of the media.
 - Improvements and increases on transportation and communication networks.
 - High speed packaging machines and attractive packaging materials.
 - State of the art of technology to enhance productivity and reduce cost.
 - Choice of talented advertising.

The main strategy applied by companies wishing to enter other markets is a series of mergers and acquisitions. In addition, they acquire manufacturing facilities and set up distribution agreements with local companies. The alternative to acquisition or creation of a manufacturing operation in the target country is to set up a licensing agreement with a local manufacturer.

- **Market share vs. Profitability.** With the increase of both domestic and global competition, companies have to deal with these factors and they have to reconcile two conflicting elements in marketing strategy – namely profitability and market share. Greater market share involves higher marketing costs and lower profitability. Therefore, ability to juggle these concepts can become the best strategy to obtain the best results in the market. Cost leadership is a strategy that firms adopt to attempt to become a low-cost supplier in the industry. Sources of cost leadership may vary but they may include factors such as pursuit of economies of scale, use of proprietary technology, preferential access to raw materials and other inputs, and awareness of the specific needs and requirements of customers. Firms pursuing cost leadership strategy must seek out the different sources of cost advantage while at the same time they have to formulate a product, which can be comparable to those of rival firms.

- **The packaging is the key to stand out.** Packaging is a key way of differentiating a product from the competition and enhancing brand identity. Some consumers even choose products to match their bathroom's colour scheme. As a consequence, the cosmetics manufacturers are very innovative and they quickly respond to consumer preferences. Some trends point to reduction of pack size or introduction of a new smaller volume line within a range; use of smaller packs, lighter or refillable packaging; and redesign of packaging to better convey environmental information.
- **Communication strategy beyond advertising.** The key players also attempt to gain credibility in local markets and thereby they build tacit endorsement for their products through the sponsorship of activities, conferences and campaigns, undertaken by local professional bodies. Most of these campaigns create public opinion about possible risks associated with the non-use of these products.

3.3 Market segmentation

For some representative products in each product category, market segmentation approaches and the strategies most widely used by the aforementioned key players can be illustrated. This analysis is intended to reflect market trends and to highlight the direction in which the sector moves and the kind of products likely to be launched. Market trends have been gathered based on different market reports²⁹.

Regardless of whether product differentiation or cost leadership is pursued, a firm should decide how broadly it should compete over the market. Most of markets contain several segments, which are perceived as distinct customer groups possessing a common set of special needs or characteristics. In soaps industry, for example, buyer groups can be segmented by factors such as income levels, frequency of purchase, understanding of the product, and so forth. Buyers of industrial goods can be segmented in reference to basic factors such as the size of a buyer, willingness to trade price for quality, location, or special product requirements. A firm must determine whether it will target to all market segments or it will focus on specific target segments. Most companies of the industry are specialized in one or several lines of toiletries, cosmetics, or cleaning goods, whereas only few of them have products in all segments.

Soap, bath and shower market is segmented according to gender, but little has been done with regard to age apart from products formulated for babies, children and teenagers. However, elderly women and men have been largely not considered due to the assumption that they remain wedded to old-style bath additives and bar soaps. Despite this, there are some concepts used in products aimed to segment the market and to attract specific consumer groups:

²⁹ Emerging worldwide markets. Personal care. ACNielsen. 2004

A Study of the European Cosmetics Industry. Global Insight. European Commission, Directorate General for Enterprise and Industry. November 2007.

Trends on mass market beauty & personal care. Mintel (Mintel GNPD)

- **“Soap as experience”**. As the style of life at work and at home becomes more and more stressful, relaxing soaps and toiletries that can at the same time be used quickly constitute a strong category group within the industry. Among these products there can be included aromatherapy products like scented body washes, as well as other liquid and gel soaps. This kind of products replace bar soaps, which lose their popularity.
- **“Let’s natural”**. Natural products are another fast growing category, reflecting the increasing preference of consumers for less synthetic and more "natural" or "botanical" products³⁰. Such products may be accompanied with a package that shows affinity with the natural concepts. Increase of natural products has been driven by a growing awareness of human environmental impact along with a desire to eliminate the use of products with potentially hazardous chemicals. This new market segment is growing in Europe at a rate of 20% each year. These products represent a strong bet within the sector and many SMEs choose to distribute it as a way to gain more notoriety and differentiation capacity against large corporations.
- **Ethical and ecologic**. Fulfilling environmental regulations for personal care and laundry cleaning products requires money for testing and production. More and more consumers ask for environmentally friendly products. There is a rising demand for raw materials, which contain no animal by-products and for products, which are not tested on animals. Many soaps and detergent manufacturers rethink their whole production lines to respond to the concerns of consumers. Efforts have been done to establish industry guidelines for environmental claims and labelling, and advertising and labelling have already been changing to meet the new requirements.
- **Microsegmentation on properties**. Most European markets for bath products are highly saturated. The multinationals are present in almost all regions and their scope can hardly grow. These markets have been repeatedly segmented; creating product categories associated with concepts and specific properties such as hydration, flavourings, anti-aging or natural ingredients. Nonetheless, many sectors of the global market for soaps are not yet saturated. It is believed that additional sales growth can be generated by targeting specific consumer groups, for example, consumers in provincial and rural regions, health conscious consumers, mothers, children and teenagers. In parallel, technological advances have allowed for the creation of multi-functional products. They have become popular because they place strong emphasis on value for money
- **Maximizing care**. In a saturated market, fragrances offer a point of difference and an opportunity to extend a range, and, potentially, bring the consumer's attention back to an established brand. Gentler and skin-friendly products have been another major strand of development, with products designed to prevent irritation and soothe skin complaints. Many

³⁰ A Study of the European Cosmetics Industry. Global Insight. European Commission, Directorate General for Enterprise and Industry. November 2007.

new products are therefore pH-balanced, offering gentle efficacy and increasing number of products is dermatologically tested.

- **Highest innovation.** While R&D does not appear to be a significant factor in limiting companies' entry to the cosmetics market, it should be noted that the cosmetics industry is very dynamic and is characterized by innovation and a high rate of product development. Innovation is essential to maintain global competitiveness, improve performance, safety and the environmental impact of products, and to keep up with constantly evolving consumer preferences³¹.
- **The emphasis on men.** Men's acceptance of the importance of wellness is growing and cosmetic products for men become an important segment of the market, which is expected to continue growing. Proof of this is the emergence of increasingly shampoo formulated exclusively for men, for instance, anti-dandruff shampoos³².

Given these trends in segmentation, the following *table 4* shows the main claims attributed to the products. It gives a guidance about which concepts and attributes companies want to communicate and to relate to their products.

Table 4. Top claims and 10 growing claims (2009-2010)

Top 10 claims	10 Selected claims showing a significant growth, 2009-2010
Botanical / Herbal	Ethical – Environmentally Friendly Package
Moisturising / Hydrating	Ethical – Animal
Long - Lasting	Seasonal
Vitamin / Mineral Fortified	Mattifying
Dermatological tested	Time / Speed
Brightening / Illuminating	Paraben Free
Ethical – Animal	UV Protection
Time / Speed	Male
Seasonal	Long – Lasting
UV Protection	Limited Edition

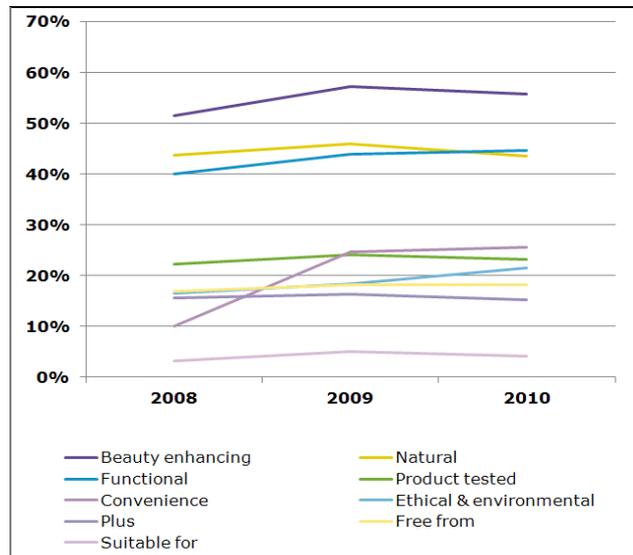
Source: Mintel Global New Product Database

The following *figure 17* illustrates the evolution of the most used claims in new products launching. The most interesting claim is "ethical & environmental" which, apart from its increasing importance; is one of the most often used with more than 40% of new product launches incorporating this claim. Therefore, this is a clear indicator of the growing importance of products that are environmentally friendly.

³¹ A Study of the European Cosmetics Industry. Global Insight. European Commission, Directorate General for Enterprise and Industry. November 2007.

³² A Study of the European Cosmetics Industry. Global Insight. European Commission, Directorate General for Enterprise and Industry. November 2007.

Figure 17. Mass market of beauty and personal care introductions by claim group (2007-2010)

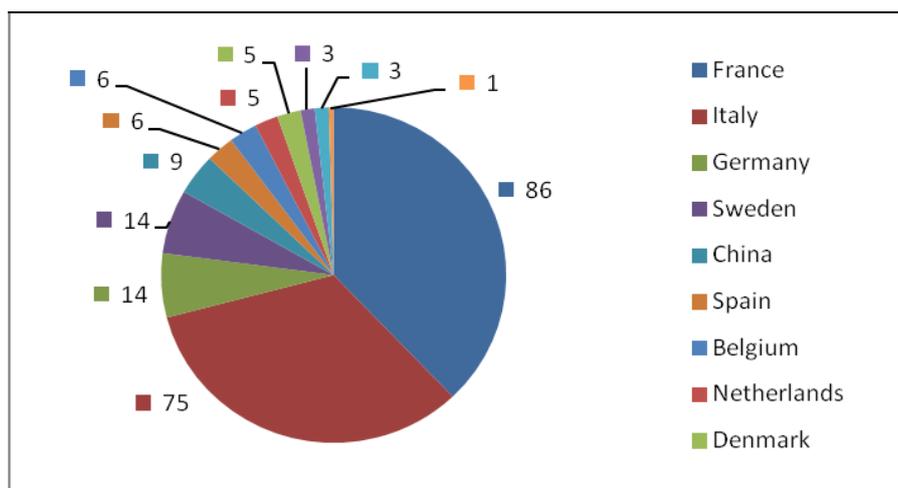


Source: Mintel GNPD

3.4 Current and future potential for market penetration of Ecolabel

Currently there are 227 products of the category “soaps, shampoos and hair conditioners” which have the EU Ecolabel³³. If these data are analysed by country, it can be seen in *Figure 18* that the country with a major number of ecolabelled products is France (86 products), followed by Italy (75), Germany (14), Sweden (14). Other countries are China, Spain, Belgium, Netherlands and Denmark, with less than 10 Ecolabelled products.

Figure 18. Number of products with EU Ecolabel by country (2011)



Source: Elaboration from EU Ecolabel webpage data (www.eco-label.com)

³³ www.eco-label.com

The market seems to be dominated by a few large companies. However there are also many small- and medium-sized enterprises that manufacture soaps and shampoos. These companies have been traditionally the most interested companies in ecolabelling. A small number of SMEs is interested in obtaining the Ecolabel for their products, especially products aimed at children and babies. However, only a few manufacturers will take the initiative themselves to get the Ecolabel, since they do not feel the need to incorporate environmental aspects unless the market claims it. Hence, it is very important to stimulate market demand, e.g. by informing procurers on their possibility, and duty, to take the environment into consideration when buying such products.

Some trends which aim at assessing the possible degree of acceptance and/or demand for products with Ecolabel are explained below.

Cosmetic companies' commitment to sustainability

The cosmetics industry is committed to sustainable development for several good reasons. Firstly, it is socially and ethically the right course of action. Secondly, consumers now expect companies to deliver benefits to society beyond the core products they produce or services they provide. Thirdly, most employees in today's world want to work for firms that take social responsibility seriously. Further, sustainability makes good business and economic sense and it is now central to operational strategy, not viewed as a "nice-to-have" optional extra³⁴.

Europe's cosmetics industry has for a long time been leading in the three key fields of sustainability: economic, social and environmental. This historical trend has been continued during recent years and it is foreseen to keep on in the future. In fact, greater numbers of industry scientists devote time and expertise to sustainable development to improve business operations. Other research and develop ingredients which are beneficial for both human health and global ecology, because these two aspects go together³⁵.

According to information given in the Colipa "Activity report" cosmetics industry has achieved several sustainability improvements in the environmental field³⁶:

- Water consumption minimization. Some companies achieved 65% of reduction by improving manufacturing processes, using rain water and recycling water.
- Energy consumption reduction. Thanks to solar heating, better insulation, more efficient boilers, automatic "turn off" switches, increased staff awareness to conserve power, companies have saved around 50% in CO₂ since 2002.
- Waste minimization. Dramatic falls of up to 73% per tonne of production
- Reduced or eliminated usage of landfill.

³⁴ Source: Colipa – The European Cosmetics Association. *Colipa activity report 2010. Science, Beauty and Care Innovating for a Sustainable Future.*

³⁵ Source: Colipa – The European Cosmetics Association. *Colipa activity report 2010. Science, Beauty and Care Innovating for a Sustainable Future.*

³⁶ Source: Colipa – The European Cosmetics Association. *Colipa activity report 2010. Science, Beauty and Care Innovating for a Sustainable Future.*

- Increase of transportation efficiency. A number of firms saved at least 20% per kilometre unit of volume by better space-saving and traffic-flow logistics.
- Packaging savings. Between 15% and 20% of reduction.
- Increase of recycling and energy recovery. Companies use waste to generate power.
- Replacing petroleum use with sustainably sourced renewable materials.

These are some relevant industry's achievements, but tendencies show increasing sustainability demands. Key manufacturers are, for example, aiming to power their plants with renewable energy and to use renewable or recycled materials for all their products and packaging. That allows less waste disposals to landfill after being manufactured or used by consumers. At the same time manufacturers also make similar demands on their suppliers.

Some relevant trends on natural and organic products are indicated below³⁷:

- Many products bet on other ethical trends beyond being organic or natural, with the focus on caring for humans (through claims such as Fair Trade), for animals (by not testing personal care products on animals) and for the environment.
- Strong focus on the use of natural and organic plant ingredients.
- Many children's products have highlighted focus, as expected, on natural claims, and some products also tap into other linked trends such as being eco-friendly.
- The pure, wholesome and premium image of organic/natural products is often conveyed through packaging with the use of simple and minimalist designs.

Certifications reassurance and confusions³⁸

There is still some confusion surrounding the organic industry regarding how genuinely natural/organic a product is - especially in personal care market, since there is no legal definition of natural cosmetics. To deal with these confusions, many personal care companies detailed at the publication *Natural & Organic Products Europe Fair in 2011*³⁹ how their products had been certified or endorsed by various organic/natural bodies.

There is also confusion and lack of consistency around standards and certifications. Some certifications are considered to be sufficiently stringent, while others raise some doubts. According to the Mintel report⁴⁰, on average 26% of people in the European "bid five" (i.e. Germany, France, Spain, UK and Italy) are confused by the different natural and organic certifications.

However, there are proposals to solve the inconsistency surrounding standards and certifications. In April 2009, harmonized European standards were launched and certification bodies have time until 2014 to certify these new standards. They are the result of four years of discussion among the Soil

³⁷ Natural & Organic Products Europe, Mintel. May 2011

³⁸ Natural & Organic Products Europe, Mintel. May 2011

³⁹ Fair natural and organic products which is held every year in the UK.

⁴⁰ Mintel. *Natural and Organic Personal Care Report* – Europe. December 2010

Association, Bundesverband Deutscher Industrie- und Handelsunternehmen (BDIH) and ECOCERT. In accordance with them the following definitions are proposed:

- The “natural” standard denotes that no more than 5% of the total product is synthetic and the list of permitted synthetics is very short and only permits biodegradable and non-toxic substances.
- The “organic” status means that at least 95% of the physically processed agro-ingredients are organic. It also means that where an organic version of an ingredient is available, it must be used. At least 20% of the total product must be organic and, like the natural standard, no more than 5% of the product can be synthetic.

In summary it can be said that the current market context is favorable to host Ecolabel products. Companies gradually understand that consumers really want products that respect the environment. However, to achieve a significant impact the consumer must be well informed to understand what the Ecolabel represents. If it is done right, Ecolabel can be an added value for the product placed on this saturated market.

3.5 User behaviour

A number of EU countries have developed significant advantage regarding cosmetic products, i.e. cosmetics manufacturers in these countries have, over the years, identified the most important consumer trends and have responded with new product offers that have resulted successful. These companies have accomplished this task in both domestic and export markets and they have successfully developed strong brand recognition in a highly competitive and dynamic market place, having understood the needs and motivations of users.

The analysis of consumer trends is becoming a basic input for companies to correctly orient their offer and succeed with their products. Also, user behaviour must be analyzed if they want to assess the degree of acceptance that might have products awarded with the Ecolabel. Below there are indicated some consumer trends that are spreading in the market, which allow to understand better consumer preferences. Consumer trends help to predict what product could be launched and to determine the possible response from potential users.

Global consumer trends⁴¹

- **Selective consumers.** The consumers become more selective and exigent and they would not buy new products that not fit their lifestyle. Consumers tend to search for simple, natural and believable products.
- **Specialization.** There is demand for simple but specialized products which fit specifically various needs. The consumption of specialized shampoos (e.g. for normal, fatty or dry hair, dandruff shampoos, etc.) increases while the “general use” shampoos are losing market

⁴¹ Emerging worldwide markets. Personal care. ACNielsen. 2004

shares. Another tendency is that liquid soaps increase in market share whereas solid soaps decrease.

- **More natural products.** There is an increasing number of consumers concerned about ingredients such as synthetic surfactants, mineral oils and parabens, who demand more natural toiletries with traceable and more natural ingredients, free from dangerous chemicals and with an emphasis on the properties of botanicals.
- **Environmental awareness of consumers.** About one fifth of consumers say that they buy shower, bath and soap products with environmentally friendly packaging (e.g. pouches, refills, recyclable packaging etc) whilst around half (49%) select for recycling the packaging of such products⁴². According to the *Global Green Brands survey 2011*⁴³, the interest of European markets to buy environmentally friendly products has grown compared to previous years as well as the predisposition of a higher payment for their purchase. In Germany, 30% of respondents of this study said they had bought more green goods in the current year than in previous, up from 21% of 2010. Despite this, we must evaluate each case separately because, for example, in the United Kingdom, 40% of respondents said they were not willing to buy a more expensive product just because it's green. The environmental situation of each country affects the consciousness of users and therefore the demand and willingness to pay for these products.
- **Convenience.** The need to use products quickly and simply is increasing among consumers due to the rhythm of life and the scarcity of time, and this includes personal care products. The manufacturers constantly try to adapt to these social changes, introducing slight variations to improve the experience of using the product, for example with more convenient packaging. However small changes can bring value to the product if they can simplify their use.
- **More consciousness about health and safety.** Consumers are better informed, they care more about their health and they are more concerned about the risk of infections or hygiene-related diseases.
- **Growth in aged-consumers products.** The aging of the population generates the emergence of new demands. The consumer wants products and brands that understand the needs of each age, especially in the early stages of maturity.
- **Difficulties for “Premium” products.** The slow economy has influenced the industry in several ways. During recession consumers look for products that offer multifunctional benefits, like shampoos which can clean, condition, and add shine at the same time. The luxury and designer segment of industry is the most affected by the economic situation.

⁴² Source: Mintel GNPD

⁴³ Global Green Brands , Global Insights Survey. Price, packaging and perception. One of the largest global consumer surveys of green brands and corporate environmental responsibility (In the 2011 edition surveyed over 9,000 people in eight countries and ranked more than 370 brands)

Prestige products are generally sold in department stores and sales of many of them have declined.

Product categories overview

This final section presents the information about the market for each product category (differentiating between bar and liquid soaps, shampoos and hair conditioners). All this information is based on monitoring of launch of new products in different markets in the above mentioned categories. Thus, in terms of all these launches, different product profiles can be obtained and a picture of consumer' demand is presented (See *table 5 and 6*).

Table 5. Market characteristics for the category of bar and liquid soap⁴⁴

Products launches	New product activity was split between Bar Soap with 53% of launches and Liquid Soap with 47%. The UK led the way accounting for one fifth of European launches in this review period, followed by France with 12%, and Russia with 11%.
Natural ingredients	Naturalness is largely focused on the incorporation of plant ingredients and extracts in product formulations.
Protection & convenience	The possibility of using liquid soap as portable hand sanitisers which can be carried by consumers is an advantage of liquid soaps over bar soaps.
Sensitive skin	Launches suitable for sensitive skin accounted for a 6% share of the market.
Ethical concerns	Refills offer consumers a greener and more economical option and maintained a consistent 4% share of the market this period.
Added benefits	Exfoliation can help make skin smoother and allow moisture to be better absorbed, therefore working in conjunction with other beneficial properties.
Targeted & seasonal launches	Penetration of bar soaps is slightly higher amongst men compared to women, who are more likely than men to use liquid soap hand wash products.
Fortified soaps	Some vitamins offer antioxidant benefits. They can be incorporated into products through use of popular ingredients such as super-fruits.
Fragrances	Fragrance is extremely important in this market, since less than a third (29%) of launches during this period were un-fragranced.
Claims	Botanical/herbal and moisturising/hydrating were top claims in nearly all

⁴⁴ Source: Mintel GNPD. Category Insight Bar & Liquid Soap (period under review: Q1 and Q2 2011)

regions; and ethical-animal products performed strongly in North America. Anti-bacterial was also a strong claim across the regions, highlighting on-going concerns relating to illness and hygiene.

Issues affecting the market

- **Saturation.** Products are failing to induce consumer engagement with brands. Most consumers do not care about what soap they buy.
- **Internal competition.** Bar soaps have an old fashioned image and their sales have fallen, in preference to liquid soaps.
- **Economic Factors.** Over a half of consumers prefers to buy soap, bath and shower products that are on special offer. Almost four in ten consumers are willing to go to a further stock to buy products in promotion.

Trends forecast

- With consumers increasingly concerned about the use of synthetic materials such as parabens, phthalates and colourants in cosmetics and toiletries, product innovation is likely to continue focusing on natural products formulated with botanical and herbal ingredients, such as argan oil.
- The aromatherapy proposition remains a strong feature of the category, but formulators could take products beyond the simplistic energising/relaxing axes.
- Products featuring skin care properties, mainly moisturisation, exfoliation and pH-balanced composition, remain another key area for new product development, appealing to consumers who are concerned about skin allergies or potential irritation.
- Although bar soaps appear to be in terminal decline, tapping into the nostalgia trend could be one way to rejuvenate the sector. With an elderly core consumer base that shows great loyalty to the traditional bar soap format, suppliers could take better advantage of nostalgia in product design and marketing, for example through packaging and fragrances that bring back memories and appeal to the consumer at an emotional level.

Table 6. Market characteristics for the category of shampoos and hair conditioners⁴⁵

Products launches	Overall, new product launches decreased by 2% in the analysed period. Shampoo dominated accounting for 64% of launches with the remaining 36% falling within Conditioner. Europe retained the top spot as the most active region, accounting for 40% of total launches. The UK and Germany were the most active countries, accounting for 18% and 14% of launches respectively, followed by Italy and Spain, with 9% and 8%, respectively.
A more natural image	In the six months under review, botanical/herbal remained the top claim, accounting for over half of total launches (55%).
Moisturising and nourishing	In the six months under review, moisturising/hydrating remained the second most active claim, featuring in 40% of total launches.
Fast acting and long-lasting	Busy consumers welcome products which are not only quick to use, but which also provide lasting results, to minimise the need for frequent hair washing and styling.
Caring for animals and environment	A steady 13% of launches featured the ethical-animal claim while products free from any animal ingredients accounted for a more limited 5% share. The environmentally friendly packaging claim maintained a 10% share of total launches in this review period, with the focus on recyclability.
Fragrances and fortification	Just over a fifth (21%) of total launches featured the vitamin/mineral fortified claim. According to the Mintel's consumer research, roughly a third of American men and half of American women are influenced by a pleasant fragrance when it comes to decide which brand of shampoo, conditioner, or styling product to purchase.
Claims	Shampoo was the dominant sub-category across regions and especially in the Middle East & Africa. Botanical/herbal and moisturising/ hydrating were top claims across all regions. Skin-friendly claims such as dermatological tested and pH neutral were especially important in Europe; vitamin/mineral fortified formulations showed heightened activity in Asia Pacific; and not testing products on animals was especially important in North America.
Issues affecting the market	<ul style="list-style-type: none"> • Limited competition. Shampoos and conditioner products have such a specific purpose that they face limited competition. 2-in-1 shower gel/shampoo products pose some negligible competition for shampoos.

⁴⁵ Source: Mintel GNPD (period under review: Q4 2010 & Q1 2011)

Trends forecast

- **More specialization.** Shampoos and conditioners are becoming increasingly specialised, catering for particular hair types (e.g. greasy, dry) or styles (curly, straight) or coloured hair etc., and competing better with premium and salon-only products. Moreover, as consumers have cut back on salon visits amid ongoing economic difficulties they are arguably turning to more premium and specialised products.
- **External influence.** An ageing population is likely to influence new products, since older people tend to have finer and more brittle hair and consequently they need products that focus on moisturisation and adding strength. The growth of popularity of styling appliances such as hair straighteners will increase demand for products that offer moisturisation.
- The limited offering for men has held back usage of male-specific shampoos and conditioners. Manufacturers should examine segmentation along the lines of hair type, condition and ethnicity.
- For natural products manufacturers will continue to focus on the use of plant ingredients for more all-natural/organic formulations and products which claim natural benefits.
- Gentle formulations are expected to remain important given that consumer awareness of allergies/sensitive skin is rising. Milder products will be especially appealing to people who need or want to wash their hair on a daily basis but are concerned about over-drying or damaging hair because of excess chemicals in product formulations.
- Brands could earn distinction by being transparent about not wasting resources or water. They could help consumers with portion control and weekly usage by introducing a subscription-based mailing service that offers concentrated sachets for refillable bottles, similar to intensive detergent sachets available in the laundry sector. This would not only pitch brands as green by saving water, but would also require less packaging and lower shipping costs for manufacturers - savings that could be passed on to the consumer.
- Manufacturers could better highlight ease of use and/or convenient packaging attributes such as if it is easy to open and to pour with one hand.

4 CONCLUSIONS

- The European market of perfumery and cosmetics is the largest in the world. Germany has the largest market in the EU, followed by France, UK, Italy and Spain. These countries are “the big 5” of the sector, and they are leaders in number of new product launches and in volume of production, exports and imports.
- The biggest problem in the sector is saturation of the market with slow growth expected for the coming years to 2014 and where the sales values are unlikely to grow. In addition, the market is dominated by a small number of multinational companies which account for half of it. In this context, the competitive strategies must offer higher added-value products. Among potential solutions there is offering of environmentally friendly products. As consumers require that these products are verified, this can be seen as great potential for the EU Ecolabel. It is nevertheless worth mentioning that packaging plays also a crucial role in consumers’ choices, being one of the most important factors in decision of purchase.
- In a saturated market it is still possible to find a niche. Segmentation trends point to proliferation of products related to user’s experiences (such as products designed to relax), while at the same time natural product concepts are also becoming more and more important (in terms of composition and ingredients). New product launches try to capture the attention of consumers who look for simple, natural and environmentally friendly products. However, this simplicity does not mean that consumers do not demand products with specific properties (moisturizing, ph-balanced, etc.). Finally, it is believed that there are still niches available to be exploited, such as certain profiles of men, children and teenagers products.
- In general there is interest in obtaining the EU Ecolabel for some products, especially products aimed at children and babies. However, few manufacturers will take the initiative themselves to get the Ecolabel. They will get the label if the market demands it. Hence, it is very important to stimulate market demand, e.g. by informing procurers on the importance to take the environment into consideration when buying products. Moreover, it has to be noticed that there exists confusion in some standards and certifications, for example, on natural and organic certifications. Therefore, this provides a good opportunity for the Ecolabel, as it could properly inform the consumer and prevent this kind of confusion.
- In summary, it can be said that the current market context is favourable to host Ecolabel products. Companies gradually understand that consumers want to buy products that respect the environment. However, to achieve a significant impact the consumers must be well informed to understand what the Ecolabel represents. Only then Ecolabel can be an added value for the product, differentiating it from other ones on the saturated market.

5 BIBLIOGRAPHY AND REFERENCES

➤ Databases used:

In order to obtain current and reliable market data, research market databases have been used:

Mintel Global New Products Database (GNPD): www.gnpd.com

Mintel is a provider of world-leading market intelligence. The Global New Products Database monitors product innovation and retail success in consumer packaged goods markets, worldwide. The GNPD offers coverage of new product activity. Over 20,000 new products are added every month, from 49 countries worldwide.

Mintel GNPD is used by a multitude of different types of companies worldwide. GNPD can be used to monitor new product launches and to study new product trends. The tool allows analysing global design strategies, identifying innovative designs, analysing market launches.

Euromonitor International: www.euromonitor.com

Euromonitor International market research focuses on industry, country, company and consumer lifestyle research. Companies and markets are analysed in more than 200 categories across 80 countries.

Eurostat: <http://epp.eurostat.ec.europa.eu/>

Eurostat is the statistical office of the European Union which provides the statistics at European level.

➤ Reports and publications:

Buying green! Green public procurement in Europe. European Commission. 2011 (available online at: http://ec.europa.eu/environment/gpp/buying_handbook_en.htm)

Global Green Brands, Global Insights Survey. Price, packaging and perception. 2011. Cohn&Wolfe, Esty Environmental Partners, Landor, Penn Schoen Berland (available online at: <http://www.cohnwolfe.com/en/ideas-insights/white-papers/green-brands-survey-2011>)

COLIPA activity report 2010. Science, Beauty and Care Innovating for a Sustainable Future. Colipa – The European Cosmetics Association. Responsible Editor: E. Tuddenham, Colipa, Avenue Hermann-Debroux 15A, B-1160 Brussels (available online at: www.colipa.eu/downloads/3313.html)

Natural and Organic Personal Care Report. Europe. Mintel. December 2010.

Collection of statistical information on GPP in the EU. Report on data collection report. 2009
PricewaterhouseCoopers, Significant and Ecofys. (available online at:
http://ec.europa.eu/environment/gpp/pdf/statistical_information.pdf)

A Study of the European Cosmetics Industry. Global Insight. European Commission, Directorate
General for Enterprise and Industry. November 2007.

Emerging worldwide markets. Personal care. A.C. Nielsen. 2004

6 ANNEX

Full data tables for production, exports and imports⁴⁶

Table A.I. Production data for soap products (in €)

	Production of soaps and organic surface-active products in bars, etc for toilet use				Production of organic surface-active products and preparations for washing the skin			
	2009		2010		2009		2010	
	PRODQNT	PRODVAL	PRODQNT	PRODVAL	PRODQNT	PRODVAL	PRODQNT	PRODVAL
France	55.584.000	144.565.178	52.963.479	116.773.371	8.067.523	46.383.000	18.675.653	61.058.450
Germany	154.705.000	149.386.182	164.580.000	145.483.823		319.259.929		304.241.221
Italy	29.680.000	35.939.000	27.340.000	47.389.000	146.508.000	258.754.000	151.690.000	281.678.000
United Kingdom		303.966.597		317.929.917		144.061.328		152.724.284
Denmark	1.483.449	3.185.517	1.440.985	3.240.100				
Portugal	2.401.905	5.831.554	1.333.365	4.845.316			332.967	761.639
Spain	189.680.531	211.882.612	191.300.076	201.130.315	2.388.943	8.920.237	4.263.402	10.922.561
Sweden					4.105.200	7.559.869	4.252.200	8.650.037
Finland					79.495	232.690	39.367	148.074
Belgium	1.398.858	3.597.086	925.428	2.879.091				
Latvia			523.639	6.548.106				
Lithuania	1.324.365	1.385.339	343.120	640.147	8.810	10.716	126.695	174.149
Poland	26.531.000	48.307.052	28.056.000	54.695.897	14.959.000	12.979.735	17.657.000	17.217.889
Czech Republic	16.202.000	21.225.875	12.039.000	16.181.538		1.208.928	2.640.000	3.512.656
Hungary					420.687	257.796	812.724	484.413
Romania	602.114	604.607	586.643	413.091				
Bulgaria	1.455.878	1.919.930	863.245	2.203.702	2.628.414	2.180.182	3.147.322	2.919.521
Croatia					1.296.762	4.347.676	3.322.939	3.415.895

Table A.II. Production data for shampoos and hair conditioners (in €)

	Production of shampoo		Production of hair conditioners	
	2009	2010	2009	2010
	PRODVAL	PRODVAL	PRODVAL	PRODVAL
France		480.710.075	363.745.184	366.254.277
Netherlands	15.184.000	16.310.000	40.967.000	43.560.000
Germany	336.424.431	339.855.551	589.176.436	631.744.652
Italy	204.274.000	255.283.000	547.834.000	955.666.000
United Kingdom	238.188.879	264.878.066	98.072.822	83.719.575
Ireland		23.012.000		
Denmark	7.897.988	7.117.076	2.625.769	2.287.675
Greece	25.933.006	26.192.336	9.122.112	9.213.333
Portugal	5.780.921	4.239.370	3.570.972	5.339.360
Spain	190.794.164	195.080.812	328.107.935	348.541.729
Belgium		9.034.895		
Sweden	14.342.082	18.466.652	11.094.161	9.953.551
Finland	9.949.986	6.722.561	10.122.187	9.494.995
Estonia	127.823	123.030		
Latvia		420.941		
Lithuania	2.942.742	1.035.131	18.652	17.232
Poland	67.240.156	69.093.324	92.369.350	87.852.404
Czech Republic	5.516.474	6.187.668	2.326.159	3.792.675
Slovakia	689.789	592.259	1.417.134	1.426.015
Hungary	3.154.878	3.173.719	809.938	796.080
Romania	959.527	1.376.499	8.815.989	9.166.224
Bulgaria	5.154.136	5.792.013	30.459.387	28.453.441

⁴⁶ Quantities expressed in kilograms. Values expressed in Euros

Empty cells and countries not appearing in table – due to no data available in EUROSTAT statistics

Source: Eurostat (PRODCOM)

Table B.I. Exports data for soap products (in €)

	Exports of soaps and organic surface-active products in bars, etc for toilet use				Exports of organic surface-active products and preparations for washing the skin			
	2009		2010		2009		2010	
	EXPQNT	EXPVAL	EXPQNT	EXPVAL	EXPQNT	EXPVAL	EXPQNT	EXPVAL
France	10.115.500	43.151.400	10.909.400	43.280.080	46.717.600	121.715.590	52.027.500	148.996.220
Netherlands	13.130.700	37.054.580	15.017.600	37.591.010	9.365.500	26.847.920	8.085.100	25.325.840
Germany	141.224.200	265.201.570	156.209.200	279.672.370	125.220.800	272.092.520	155.942.600	298.966.120
Italy	16.378.700	39.024.120	15.605.300	40.162.570	14.179.100	33.272.100	14.783.300	36.337.720
United Kingdom	38.376.000	84.015.600	43.463.900	86.669.340	46.871.800	97.443.970	37.890.900	99.037.480
Ireland	3.475.900	6.386.310	1.203.500	7.411.270	1.529.500	6.938.300	623.600	1.770.030
Denmark	1.190.300	4.051.350	1.480.300	4.155.670	390.700	1.517.220	523.100	2.010.590
Greece	1.015.200	3.102.140	674.500	2.102.210	2.176.700	7.003.210	3.106.400	8.271.590
Portugal	2.314.900	8.807.280	2.416.100	8.140.260	1.169.400	3.093.620	1.338.600	3.568.200
Spain	7.246.800	16.543.710	7.976.400	14.853.760	49.064.900	38.875.490	16.281.900	41.472.640
Belgium	16.360.700	29.774.360	8.272.000	18.524.510	12.593.400	40.421.680	15.418.400	44.778.360
Luxemburg	78.200	342.660	59.500	353.590	52.000	312.710	40.600	260.810
Sweden	3.227.100	8.892.710	3.570.500	11.117.590	3.257.900	8.214.470	2.808.600	7.923.480
Finland	50.400	180.230	50.300	139.990	68.400	228.060	75.800	332.020
Austria	3.419.800	9.374.460	3.819.500	10.660.300	6.210.600	13.438.760	6.662.300	15.134.880
Malta					14.300	18.570	5.600	2.520
Estonia	39.500	50.280	40.700	74.120	16.200	59.320	46.400	151.330
Latvia	301.100	1.898.460	439.900	2.330.160	205.400	729.060	247.200	1.148.790
Lithuania	695.900	1.358.160	552.600	1.119.970	619.100	1.735.690	607.600	1.701.630
Poland	27.776.600	52.583.900	38.559.500	72.922.930	39.404.600	70.452.320	47.187.700	88.675.840
Czech Republic	16.596.700	30.602.260	14.711.900	24.807.760	6.278.300	10.317.000	10.606.200	13.460.360
Slovakia	5.224.100	7.322.530	4.880.100	6.722.810	406.700	1.730.250	1.170.900	2.772.730
Hungary	1.180.200	5.388.560	1.580.000	7.003.690	2.372.200	6.785.420	2.644.700	7.964.810
Romania	1.394.800	3.860.470	1.224.100	3.124.650	560.700	1.387.220	1.114.600	2.782.090
Bulgaria	1.855.800	2.513.850	2.593.200	3.682.500	237.700	297.540	347.200	608.610
Slovenia	1.245.900	2.379.950	1.043.900	2.121.400	9.164.900	13.916.970	14.223.400	23.009.730
Cyprus	19.500	79.480	121.600	388.120			300	620

Table B.II. Exports data for shampoos and hair conditioners (in €)

	Exports of shampoo		Exports of hair conditioners	
	2009	2010	2009	2010
	EXPVAL	EXPVAL	EXPVAL	EXPVAL
France	487.512.320	498.314.230	393.917.400	381.268.540
Netherlands	39.073.130	44.883.750	72.391.840	65.117.330
Germany	206.349.730	220.941.770	642.905.350	635.289.630
Italy	91.990.690	100.992.000	277.482.540	339.482.260
United Kingdom	120.808.180	130.636.130	195.327.320	148.700.140
Ireland	25.417.750	18.162.940	5.449.870	4.509.140
Denmark	20.303.220	24.876.450	16.911.510	19.352.400
Greece	11.321.110	8.770.500	7.790.360	8.105.650
Portugal	8.798.810	7.312.280	3.047.240	7.346.540
Spain	65.038.100	73.627.420	246.953.470	293.541.950
Belgium	67.189.730	77.210.250	198.365.220	214.849.720
Luxemburg	1.247.980	1.134.730	2.565.920	2.424.380
Sweden	30.799.860	34.554.490	22.306.210	29.038.110
Finland	3.776.100	3.578.310	6.556.740	6.951.340
Austria	12.524.250	11.788.840	23.414.230	20.394.940
Malta	207.300	364.290	217.230	271.630
Estonia	276.790	297.800	1.034.790	703.230
Latvia	1.597.590	2.422.540	3.570.980	3.746.270
Lithuania	2.626.730	2.936.130	4.030.190	5.723.710
Poland	80.284.330	74.727.300	92.348.080	77.991.410
Czech Republic	32.492.770	42.631.570	21.533.030	26.266.240
Slovakia	1.971.240	2.206.700	5.168.060	3.985.530
Hungary	4.413.630	5.223.690	5.445.320	6.325.690
Romania	22.265.710	37.441.230	5.551.360	4.662.620
Bulgaria	3.380.580	4.474.250	26.831.460	17.797.500
Slovenia	31.152.210	33.305.650	70.137.660	82.525.880
Cyprus	90.950	262.240	11.630	5.740

Table C.I. Imports data for soap products (in €)

	Imports of soaps and organic surface-active products in bars, etc for toilet use				Imports of organic surface-active products and preparations for washing the skin			
	2009		2010		2009		2010	
	IMPQNT	IMPVAL	IMPQNT	IMPVAL	IMPQNT	IMPVAL	IMPQNT	IMPVAL
France	33.914.700	62.019.690	45.069.000	75.213.070	31.079.900	61.997.880	38.118.700	72.801.330
Netherlands	12.813.600	28.503.220	16.647.500	32.709.710	22.550.900	42.771.390	21.380.300	44.003.560
Germany	80.047.900	124.205.940	75.887.300	116.713.180	23.627.900	65.785.150	36.246.900	89.283.710
Italy	13.432.800	25.952.770	11.116.300	24.197.680	26.129.700	48.925.400	30.291.900	60.899.190
United Kingdom	43.679.700	71.636.930	40.688.100	70.395.630	44.961.900	108.809.390	58.713.100	124.341.710
Ireland	7.164.800	17.245.200	7.963.700	19.160.040	5.654.700	13.589.180	5.838.800	13.736.470
Denmark	4.267.900	8.002.820	3.369.700	7.394.160	1.640.200	4.464.520	2.131.900	5.047.380
Greece	10.369.300	17.514.010	8.404.200	15.134.050	6.274.000	9.955.130	8.468.200	8.796.300
Portugal	8.650.000	18.286.870	8.347.700	18.205.860	5.189.300	12.284.310	5.632.600	14.623.780
Spain	16.460.700	27.105.330	21.764.800	27.889.950	7.435.200	18.437.970	9.009.900	21.140.360
Belgium	27.587.900	43.907.820	19.209.900	32.861.220	21.532.200	50.343.330	25.841.100	53.204.810
Luxemburg	557.900	1.704.270	531.700	1.757.380	469.100	1.603.780	601.100	1.831.200
Sweden	14.092.700	12.936.820	9.161.900	14.996.580	9.591.300	19.148.660	9.955.000	19.401.630
Finland	690.100	2.229.660	1.091.300	3.279.840	4.275.500	11.551.890	7.048.500	14.090.940
Austria	11.581.000	24.899.290	11.262.400	27.179.970	10.883.100	24.427.430	11.946.500	26.725.760
Malta	395.700	1.159.560	376.800	1.041.820	158.400	582.850	319.400	969.680
Estonia	480.300	1.388.740	466.700	1.077.590	720.200	2.951.440	779.300	3.090.360
Latvia	3.117.400	2.480.970	1.085.200	2.384.080	944.800	2.529.540	990.000	2.795.660
Lithuania	1.844.500	3.168.320	1.606.400	2.969.060	1.509.200	4.464.890	1.643.800	4.603.410
Poland	20.713.900	31.841.400	20.292.000	34.961.730	21.128.800	38.450.780	27.763.900	49.677.880
Czech Republic	15.951.100	23.553.810	14.465.000	23.006.360	10.187.900	19.925.090	13.197.900	26.363.380
Slovakia	5.375.400	9.793.110	6.796.800	10.695.060	3.527.700	6.950.320	4.283.600	8.546.110
Hungary	5.307.500	8.915.770	5.057.800	9.021.540	11.569.800	19.389.330	12.835.700	21.965.190
Romania	11.284.400	17.621.230	8.546.400	13.067.890	6.842.900	12.114.720	7.288.600	11.080.100
Bulgaria	4.172.600	6.309.540	4.635.200	6.480.090	886.100	2.639.740	1.029.600	2.716.220
Slovenia	2.034.900	3.335.580	2.162.900	4.291.300	1.599.100	4.170.570	2.323.900	5.136.030
Cyprus	601.400	1.717.260	532.400	1.529.940	624.500	2.522.800	775.200	2.816.820

Table C.II. Imports data for shampoos and hair conditioners (in €)

	Imports of shampoo		Imports of hair conditioners	
	2009	2010	2009	2010
	IMPVAL	IMPVAL	IMPVAL	IMPVAL
France	67.275.980	79.468.440	132.682.970	144.587.460
Netherlands	64.977.830	70.372.830	110.686.650	118.800.140
Germany	106.957.300	93.480.540	188.402.870	198.667.940
Italy	77.813.440	80.797.890	133.294.970	122.926.980
United Kingdom	135.182.240	134.528.630	222.719.680	245.913.010
Ireland	40.125.550	43.835.130	58.201.140	52.805.660
Denmark	30.954.660	25.322.150	41.053.270	47.098.120
Greece	43.192.790	37.912.150	56.230.100	49.283.540
Portugal	34.781.300	35.271.240	48.211.190	42.269.120
Spain	96.857.250	86.891.380	118.226.420	116.052.750
Belgium	55.258.790	72.420.810	82.735.060	79.062.070
Luxemburg	6.856.460	6.329.210	7.703.590	6.549.680
Sweden	36.462.440	42.337.370	59.009.970	61.907.010
Finland	13.298.730	13.952.150	22.509.950	25.004.470
Austria	33.950.240	32.902.080	50.609.790	49.104.220
Malta	2.757.860	2.405.730	3.366.630	3.442.590
Estonia	3.459.610	3.453.560	7.346.930	5.627.220
Latvia	4.801.020	5.381.280	7.773.230	8.131.950
Lithuania	7.541.270	7.648.400	11.707.840	10.889.690
Poland	49.895.490	56.762.260	64.103.550	65.270.520
Czech Republic	22.635.620	36.105.370	33.265.770	37.841.220
Slovakia	11.808.020	12.520.650	12.255.000	12.026.100
Hungary	18.265.160	17.849.290	22.290.130	19.261.300
Romania	29.382.570	24.882.870	28.163.870	25.826.160
Bulgaria	12.084.520	10.031.100	14.349.820	11.515.510
Slovenia	8.937.000	10.698.440	16.532.770	18.319.950
Cyprus	8.658.840	7.970.010	8.123.640	7.341.650