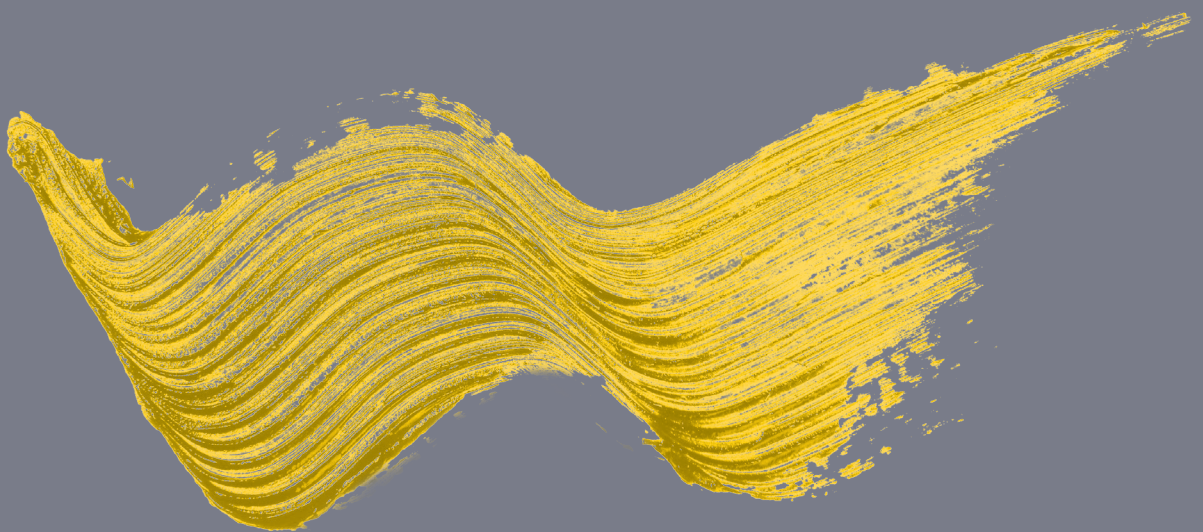


Ermeneia
Studi & Strategie di Sistema

Beauty Report 2018

Summary of results



COSMETICA ITALIA
the personal care association

50th analysis of the cosmetics industry and consumption



“ Introduction

Growing competitiveness in foreign markets and the recovery of the domestic market sum up the current picture for the Italian cosmetics industry, the subject of this, the eighth edition of the Beauty Report. Since the first edition, the Ermeneia study – which for the third year running is paired with the statistical analysis by the Cosmetica Italia Statistics Dept. – has underpinned the “Progetto Reputazione”, which the association has been developing for some years in its various institutional and communication activities. This report came about precisely with a view to providing institutions, economic operators and the media with crucial insights into and information about the industry. These surely make it unique, given the unifying and universal role of cosmetics as “art” and the need to be backed by an industry investing in research, creativity, safety and innovation and effectively addressing the ever-changing needs of consumers.

In short, several key features emerge, as in previous editions:

- a sector with a constant (and significant) positive trend in terms of production and export over the past decade. The closing figures for 2017 show steady growth since the recession which began in 2008, confirming the anti-cyclical nature of the industry, with consistently higher average rates than other Italian consumer goods sectors. The domestic consumption of cosmetics for the year amounts to approximately 10.1 billion Euros, an increase of 1.7%: the pre-recession values have thus been exceeded, confirming the industry’s insulation from the bleak economic climate in Italy. Exports still contribute significantly to turnover or sales revenue, which stands at almost 11 billion euro, largely accounting for the return to profitability. Indeed, foreign sales totalled 4,617 million euro, a rise of 7.1%;
- the report observes how consumers of cosmetics have finally emerged from the rather “austere” phase of the recession, regaining a full-fledged subjectivity which typifies and influences the multi-channel offering;
- the study of cosmetics firms underlines the extent to which they are driving the recovery, reaping the benefits of a continued resilience which – as the report confirms – is reflected in the positive performance of the various financial years and in an attitude designed to foster a steady transformation of companies in parallel with an acyclical and anti-cyclical appetite for investment;
- in the most detailed section of the report, on the role of banks and the non-banking system, cosmetics companies have a mostly good relationship with the banking system – albeit with some criticisms – with a significant “openness” towards the non-banking channel as a whole, to the point of envisaging the possible entry of financial investors into the company’s capital. The need has emerged for an “active” business development strategy in which “real” finance can (and must) play a key role: in other words, making the best use of financial instruments in line with the growth of the real economy and of companies in all their aspects.

Lastly, we cannot ignore the socio-political climate in which companies find themselves, despite their atavistic competitiveness: recent political events in Italy have shown how important it is to act responsibly to permanently restore business confidence. Any renewed and lasting uncertainty would trigger a further slowdown in growth due to rising interest rates, with negative repercussions for the public purse and the financing of businesses and households.

Lastly, as my term of office draws to a close, I would like to express my personal satisfaction with having seen the Beauty Report increase in value, and the reputation of Cosmetica Italia with it. I hope that my successors gain as much satisfaction from it, given the quality of our association and the unique business culture that distinguishes the Italian cosmetics industry.

Fabio Rossello
- President of Cosmetica Italia -
National Association of cosmetics companies



Eighth report on the value of the cosmetics industry

Summary of observations

This is the eighth edition of the Beauty Report, which has followed the performance of the cosmetics industry from the start of the challenging economic cycle witnessed in recent years to the current gradual recovery.

As in the past, the report looks at the position of cosmetics companies, examining their relations with the banking and non-banking system and changing consumer attitudes and behaviour.

It also presents the results of an analysis of the financial statements of cosmetics firms, drawing a comparison with other “Made in Italy” sectors¹.

In addition, the traditional structural analysis is presented in the form of key indicators (industry turnover, exports, trade balance, domestic consumption and advertising spend), prepared by the Cosmetica Italia Statistics Dept.

The interpretation of the overall performance of Italian cosmetics can be summarised in the following five key points.

The first is that the industry has maintained a constant (and significant) positive trend in terms of production and exports over the past decade.

More specifically (see first, second and third datasets in Table 1):

- a) production (which reached a turnover of 10,930 million euro in the last financial year) increased annually from 2007 to 2017 (except for a fall of -2.6% in 2009, the most serious of the recent recession), albeit at a varying pace: the significant rise in the two-year period 2010-2011 (+5.7% and +4.7%) was followed by slower growth in 2012 (+0.9%) and a rebound in 2013 (+3.0%), slipping back to +1.0% in 2014: The last three years have witnessed a renewed upturn with +6.0% in 2015, +5.3% in 2016 and +3.9% in 2017. Overall, industrial production and the production of durable consumer goods reveal a trend that is often negative, or at least recovering more slowly than the cosmetics industry;
- b) in value terms, exports (which reached 4,617 million euro in 2017) were only negative in 2009 (-11.8%), compared with positive increases across the board in all years analysed, often in double digits. For 2018, this is estimated to be +8.0%, up from +7.1% in 2017. At the same time, exports are according for an increasing percentage of turnover, from 28.0% in 2008 to 42.2% in 2017²;
- c) as a result, the trade balance of the sector remained positive throughout the recent recession (albeit with a contraction of -13.7% in 2009). This was accompanied by typically double-digit growth, particularly in the last three years (+21.1% in 2015, +19.1% in 2016 and +10.7% in 2017), coupled with a fairly positive outlook in 2018 (+13.0%).

Domestic consumption of cosmetics has not always been positive over the years (see fifth dataset in Table 1). During the first four years of the recession (2008-2011), the acyclical nature of consumer spending seemed to prevail (with increases of 2.4%, 1.8%, 0.8% and 2.2%, respectively), followed by a three-year period from 2012-2014 in which consumption dipped slightly (-1.1%, -1.2% and -1.1%). However, this trend was halted in the three-year period 2015-2017, when consumption becomes positive again (+1.4%, +0.5% and +1.7%). The same trend is also forecast for 2018, with growth of +1.9%.

The comparison with the domestic consumption of non-durable goods (see fourth dataset in Table 1) is again more favourable for the cosmetics industry, which recorded more positive (or in any event, less negative) annual growth in five of the ten years between 2007 and 2017. Notably, domestic consumption is now reflecting a shift away from the more “cautious” attitudes during the recession, rising from 9,873 million euro in 2015 to 10,097 million euro in 2017 (with 10,290 million euro forecast for 2018).

(1) This analysis was carried out jointly by the Cosmetica Italia Statistics Dept. and the Intesa Sanpaolo Research Department.

(2) See Part IV, “The 50th analysis of the cosmetics industry and consumption in Italy”, p. 129.

Advertising spend fell at various points during the period 2001-2015, before recovering from 2016 onwards once Italy had emerged from the recession (see last dataset in Table 1).

To fully understand the performance of the domestic cosmetics market, which began to rally from 2015 onwards, it is worth considering the growth in sales in the various channels, as illustrated by the year-on-year trends in the following diagram:

	Δ 2011	Δ 2012	Δ 2013	Δ 2014	Δ 2015	Δ 2016	Δ 2017	Sales 2017 (€m)*	First half 2018 forecasts
Pharmacies	1.9	-1.4	0.4	1.5	1.5	-0.1	2.0	1,868	1.3
Perfume shops	1.0	-3.6	-3.3	-2.4	0.9	0.9	-0.5	2,008	1.0
Mass market	0.7	-1.9	-2.4	-2.5	1.6	-1.3	1.2	3,760	1.5
of which:									
- Supermarkets/ hypermarkets	-0.8	-3.2	-4.4	-4.1	-1.7	-3.4	-1.0	1,836	-1.0
Herbalist stores	3.8	5.0	2.8	2.4	2.9	1.1	0.9	440	1.0
Single-Brand stores	50.3	26.6	11.9	-3.6	-2.6	2.9	3.5	400	3.0
Door-to-door sales	3.6	2.0	4.5	2.8	-1.5	1.0	1.0	472	1.0
Sales by mail order	3.2	4.2	4.0	3.6	-0.8	1.0	1.0	40	1.0
E-commerce	200.0	55.6	81.0	44.7	66.4	42.1	23.1	320	25.0
Beauty institutes and beauticians	1.6	-5.2	-5.5	-3.7	-3.2	2.1	2.4	236	2.5
Hairdressing	-1.5	-6.0	-8.4	-3.6	-2.2	1.0	1.9	574	1.5
Total	2.2	-1.1	-1.2	-1.1	1.4	0.5	1.7	10,097	1.9

(*) At current retail prices, including VAT.

Bear in mind that until the end of 2010, positive annual increases in cosmetics sales were seen in all channels, and that only supermarkets and hypermarkets were down slightly from the previous year (-1.9%). In 2011, a further decline in supermarket and hypermarket sales was recorded (-0.8%), together with a fall of -1.5% for hair salons. However, the following years saw this negative growth become more widespread. Indeed:

- In 2012, pharmacies, perfume shops, the mass market channel (especially hypermarkets and supermarkets), beauty salons and hair salons all recorded a downturn in sales; this was also the case in 2013 and 2014, when the entrenched downward trend spread to single-brand stores;
- in 2015, the mass market channel recovered, unlike supermarkets and hypermarkets, while door-to-door and mail order sales contracted for the first time. Overall, however, the channels reported average sales growth of +1.4 % whereas, in the three previous years, this figure had been consistently negative (-1.1% in 2012, -1.2% in 2013 and -1.1% in 2014);
- lastly, net sales grew in 2016 and 2017, albeit only by 0.5% in 2016 and 1.7% in 2017, with a marginal decrease for pharmacies (-0.1%) and the mass market, particularly supermarkets and hypermarkets in 2016. Sales at perfume shops dipped slightly in 2017 (-0.5%).

Tab. 1 – Growth in production and export and decline in domestic consumption (val. %)

Phenomena	Data										
Industrial manufacturing output trend compared to previous year (percentage increases)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
- Total Italy ¹	2.0	-3.5	-19.4	7.1	1.5	-6.9	-2.9	-0.1	1.1	1.9	3.6
- Italy (non-durable consumer goods) ¹	0.4	-0.3	-4.6	2.4	-1.2	-4.0	-1.6	-0.3	0.2	0.2	2.2
- Cosmetics industry (export included) ²	2.0	1.8	-2.6	5.7	4.7	0.9	3.0	1.0	6.0	5.3	3.9
Performance of exports over previous year (% Increase)											
- Italy (non-durable goods at current prices) ¹	5.6	-4.4	-22.9	10.8	4.3	2.8	1.9	2.2	4.5	4.1	7.8
- Cosmetics industry ²	1.0	1.4	-11.8	17.2	11.0	7.1	11.1	4.9	14.3	13.1	7.1
Cosmetics industry balance of ²											
- millions of euro at current prices	782	747	644	826	1,012	1,235	1,525	1,649	1,997	2,315	2,564
- % year by year (at current prices)	-4.8	-4.5	-13.7	28.2	22.5	22.0	23.5	8.1	21.1	19.1	10.7
Consumption trend for non-durable consumer goods in Italy											
- Millions of euros at current prices ¹	308,671	316,912	305,509	310,793	321,704	325,347	320,170	313,606	315,074	316,244	324,301
- % year by year (at 2010 chain index prices)	n. a.	2.7	-3.6	1.7	3.5	1.1	-1.6	-2.1	0.5	0.4	2.5
Trend in cosmetics consumption in Italy ⁴											
- millions of euro at current prices	9,199	9,406	9,637	9,814	10,035	9,923	9,817	9,720	9,873	9,926	10,097
- % year by year (at current prices)	2.2	2.4	1.8	0.8	2.2	-1.1	-1.2	-1.1	1.4	0.5	1.7
Cosmetics industry advertising spending ²											
- millions of euro at current prices	566.3	571.8	520.3	568	563.7	496	458	458.5	442.0	444.2	448.7
- % year by year (at current prices)	1.5	1.0	-9.0	9.2	-0.8	-12.0	-7.7	0.1	-3.6	0.5	1.0

(1) Source: Istat, data adjusted for calendar effects.

(2) See 50th analysis of the cosmetics industry and consumption in Italy.

Source: Ermenegildo Zegna for Cosmetica Italia, 2018

Sales in the domestic market therefore retreated slightly from 2012 to 2014 (albeit to varying degrees, depending on the channel), before recovering over the next three years. By 2017 and 2018, sales growth was for the most part positive. However, sales at supermarkets and hypermarkets continued to lag (falling -1.0% each of those two years).

The second point is that consumers of cosmetics have finally emerged from the rather “austere” phase of the recession, regaining a full-fledged subjectivity. If – as we have just seen – negative sales growth for the various channels has all but disappeared, this points to a clear shift in consumer behaviour.

This is not about fluctuating spending behaviour and attitudes (where a contraction is typically followed by an expansion), but a *maturing* of consumers themselves, who:

- on the one hand, learned to be “vigilant” during the recession and to “legitimately defend” their basic needs at the same time;
- on the other hand, have regained full possession of their desire, consciously expressing their empowerment through the choice and combination of products, channels and information methods used.

To confirm this, note that (see Table 2):

- a) the tendency to spend a bit more, which was already becoming apparent in 2014, gained momentum in 2015 and was continuing apace two years later. The forecasts reflect this, if we compare them over the years (see first dataset);
- b) spending behaviour and attitudes are primarily influenced by constant vigilance (just over 60% of consumers have been “attentive” over the past four years to their cosmetics purchases), but at the same time by a renewed focus on their well-being. Suffice to say that, over the last two years, there has been a growing trend (see second dataset):
 - to buy fewer, better quality products, focusing on those that are considered essential even if they are more expensive (from 36.6% in 2015 to 42.2% in 2017);
 - to defend their spending habits because they cannot and should not stop caring for their well-being and appearance (from 47.3% in 2015 to 49.2% in 2017);
 - to argue that, despite the recession, we should even buy more, because it is important to keep up appearances, especially in these more serious and more troubled times (from 23.0% in 2015 to 27.7% in 2017);
- c) in the meantime, consumers are becoming more empowered, driven by the exigencies of the recent economic cycle and the proliferation of multi-channel purchasing options, whether motivated (see third dataset):
 - by the search for the channel offering the best value for money (from 30.5% in 2013 to 50.1% in 2017);
 - by the significant shift towards private label cosmetics on sale in mass market retail channels (from 35.8% in 2016 to 44.3% in 2018);
 - by the ability to buy cosmetics online (from 21.1% in 2016 to as much as 37.2% in 2018);
 - by the option of door-to-door or mail order direct sales (from 20.5% in 2016 to 30.4% in 2018);

- d) at the same time, the effects of the increased resilience are confirmed with regard to (see fourth dataset):
- the “back-to-basics” attitudes and behaviours which became established during the recession, based on more moderate consumption combined with a greater ability to balance the quality and price of cosmetics (around 50% to 56% of consumers think this), and the ability to combine the wide range of products with the various channels used (as indicated by 60% of respondents);
 - the broader tendency, post-recession, to want to be actively engaged and focus more on buying good-quality cosmetics, even if these are more expensive (36.2% in 2018), or to find retail outlets where, through quality and customer care, we can have an experience in which we are looked after and given advice and information (48.3% in 2018, compared with 46.7% in 2016); or even the possibility of finding “bespoke” products in future, customised for the physiological features and appearance of each individual, even in the knowledge that this will cost more (42.0% in 2018);
- e) lastly, the empowerment acquired during the recession is paired with behaviour relating to the consumer’s relationship with information, given that (see fifth dataset):
- people now feel quite knowledgeable and informed about products and are able to choose the one that suits them best at that particular time, if necessary going to the store to get information and advice and to try products (50% of consumers have consistently said this over the last two years);
 - at the same time, however, we are witnessing a “full-fledged” subjectivity which leads to alternative ways of finding out information: consumers who increasingly turn to the Internet to look at the applications and results obtained, and who then go to the most convenient store where they can try the product, but still buy online if the price is lower (in this case, this has risen from 34.0% to 41.5% of respondents in just two years); and consumers who turn to social media to find out what other users think about the cosmetics they use and to post their own views (this category of respondents has risen from 27.8% in 2016 to 34.2% in 2018).

Clearly, consumers have learned a great deal thanks to their ability to respond proactively to the impact and various stages of the recession and society’s emergence from it. Today, while some attitudes and behaviours have been “kept” as a precaution, others are gradually being adopted which are more relaxed and acquisitive than during the period of overly contracted subjectivity witnessed previously.

Table 2 – Return of the consumer’s “full-fledged” subjectivity (%)

Phenomena	Data			
	2013/ 2012 ¹	2014/ 2013 ¹	2015/ 2014 ¹	2017/ 2016
A clear resumption of the appetite for buying cosmetics				
They spent a lot and/or a little more than in the previous year	11.6	12.4	12.2	19.0
They spent a lot and/or a bit more than the previous year + the same significant amount as the previous year	25.6	27.5	31.2	39.4
	2013 ¹	2015 ¹	2016 ¹	2018
They think they will spend a lot and/or a little more in the current year	9.3	11.2	10.7	15.6
They think they will spend a lot and/or a little more in the current year + like last year, with significant spending	25.9	26.9	27.1	35.8
Accommodating the recession while remaining “true” to their own needs (“Strongly agree + Somewhat agree”)	2013 ²	2014 ²	2016 ²	2018
“The recession has forced me to be more prudent in making these kinds of purchases”	73.4	64.7	61.3	63.9
“The recession has meant that I buy fewer products, but these are better quality because I focus on those I consider essential, even if they are more expensive (perhaps by cutting out other, less important products)”	34.1	38.3	36.6	42.2
“The recession has not changed my spending habits significantly – I cannot and should not sacrifice taking care of myself, my well-being and my appearance”	40.0	46.8	47.3	49.2
“Despite the recession, I have perhaps bought even more, because I know it’s important not to let myself go, even when times are hard”	19.2	28.8	23.0	27.7
Consolidation of the multi-channel choice (“Strongly agree + Somewhat agree”)	2013 ³	2014 ³	2016 ³	2018
“The crisis drove me to purchase cosmetic products from a wide range of different channels, based on the best price/quality ratio”	30.5	47.2	37.7	50.1
“I have bought more private label cosmetics on sale in large retailers”	-	41.5	35.8	44.3
“The recession has also persuaded me to buy products online”	19.7	29.0	21.1	37.2
“I have bought cosmetics through door-to-door and mail order direct sales”	-	27.2	20.5	30.4
The new maturity of more sophisticated consumers (“Strongly agree + Somewhat agree”)		2015 ³	2016 ³	2018
“These days, I take a more restrained approach towards cosmetics, trying to focus on my true needs and meet these at a price that I consider fair”		62.3	56.3	56.0
“After years of recession, I am able to react better and devote more attention to myself by buying cosmetics that offer the best value for money”		61.0	49.7	50.3
“Today, I feel I have found the right balance between the type of cosmetics that I need and the type of channels that I use to shop”		66.2	60.7	58.7
“After years of recession, I now want to react and devote more attention to myself by buying good-quality cosmetics, even if they are more expensive”		-	-	36.2
“These days, if I want to buy a product I really like, I try to find a store with good customer care and excellent service, where I feel looked after and can benefit from their knowledge and experience”		-	46.7	48.3
“In future, I would also like to find products that can be “customised” for my physiological features and appearance, even if these cost more”		-	-	42.0
The increasing value of passive and active information (“Strongly agree + Somewhat agree”) ⁴			2016	2018
On balance, I now feel fairly knowledgeable and informed about products and am able to choose the one that suits me best when I decide to buy (although I know I will have to keep constantly up to date)			50.3	50.7
Today, if I want to, I can go into a store where I can get information and advice and even try products			49.5	51.0
I also look for information about cosmetics online. I look at the applications and the results obtained, and then choose the most convenient store where I might be able to try the product (although if it is cheaper on the Internet, I might buy online)			34.0	41.5
“Nowadays, I increasingly check social media for opinions on cosmetics shared by people who have actually used them (and I even contribute my own views too)”			27.8	34.2

(1) See 2016 Beauty Report, pp. 62-63 and Part II/Tables 1 and 2, p. 70-71.

(2) See 2016 Beauty Report, pp. 68-71 and Part II/Table 3, p. 75.

(3) See 2016 Beauty Report, pp. 68-71 and Part II/Table 4, p. 76.

(4) See 2016 Beauty Report, pp. 68-71 and Part II/Table 5, p. 76.

Source: Ermeneia for Cosmetica Italia, 2018

The third point is that cosmetics firms seem to be driving the recovery, reaping the benefits of a continued resilience which is reflected in the positive performance of the various financial years and in an attitude designed to foster the steady transformation of companies in parallel with an acyclical and anti-cyclical appetite for investment.

The data in Table 3 give a sense of the continued protection throughout the challenging economic cycle of recent years, with:

- a) an increase in the number of companies that recorded a positive trend for the last financial year (from 41.6% of companies in 2011 to 73.8% in 2017). However, note that a further 43.1% to 18.0% of companies reported a somewhat positive trend, while the percentage of companies with a completely negative trend has fallen from 15.3% in 2011 to 8.2% in 2018;
- b) a consistent performance of “fundamentals”, which in turn reflect:
 - year-on-year growth in orders for 61.4% of companies in 2011, rising to 76.6% in 2017;
 - a parallel trend for turnover for 59.2% of companies in 2011, rising to 73.3% in 2017;
 - and a continuation of the significant growth in exports, even during the recession, for 63.0% of companies in 2011, rising – after some ups and downs – to 65.4% in 2017;
- c) the resilience of corporate attitudes and situations inspired by:
 - on the one hand, “continuous reactivity” for more than 50%, even in 2011-2013, rising to over 70% in 2014-2017;
 - on the other, “a bypassing of the recession” for 13.9% of companies in 2011, rising to 23.9% in 2014 and 32.8% in 2017;
- d) the resulting continuation of ever-increasing and/or steady but significant investments: more than 60% year-on-year for the period 2011-2014, accelerating to over 80% in 2015-2017. Moreover, the appetite for investment presents at the same time:
 - acyclical characteristics, particularly in the years 2011-2012 in response to the recession (affecting 45% to 50% of companies), and slowing but still significant thereafter (affecting 31% to 41% of companies);
 - some anti-cyclical characteristics, which instead tend to accelerate over time, involving just over 30% of companies in the years 2011-2012, but exceeding 40% in subsequent years.

Moreover, the analysis of earnings indicators, carried out on the financial statements of 975 cosmetics companies, confirms how the industry managed to weather the recession: with growth in turnover, margins, added value per employee, level of capitalisation and patents that are often higher than companies in other “Made in Italy” sectors³.

(3) See Part III “Comparison of the financial statements of cosmetics companies and companies from other Made in Italy sectors”, by Giovanni Foresti, Romina Galleri and Sara Giusti from the Intesa Sanpaolo Research Department.

Table 3 – The steady growth of cosmetics companies (%)

Phenomena	Data					
The consolidation of the recovery	2011	2012	2013	2014	2015	2017
Positive performance ("it has gone very well or quite well all year") ¹	41.6	39.5	44.4	58.2	48.5	73.8
Mixed performance during the year ¹	43.1	37.2	30.9	37.3	38.6	18.0
Negative performance during the year ¹	15.3	23.3	4.5	4.5	12.9	8.2
The positive performance of "fundamentals" compared with the previous year ² :						
• Growth in orders + steady but significant	61.4	44.5	51.8	72.8	60.0	76.6
• Growth in turnover + steady but significant	59.2	52.2	56.8	74.2	65.7	73.3
• Growth in exports + steady but significant	63.0	83.3	75.5	50.0	63.0	65.4
The continued resilience and strength with respect to the economic cycle ³	2012	2013	2014	2015	2016	2018
"My company is going through a steady transformation which has nothing to do with the current recession and which is necessary for it to be competitive in the long run"	45.8 59.7	27.8 53.4	29.6 50.6	62.6 86.5	59.9 78.5	37.8 70.6
"My company has hardly been affected by the current recession"	13.9	25.6	21.0	23.9	18.6	32.8
The permanently acyclical and anti-cyclical nature of investments	2012/2011	2013/2012	2014/2013	2015/2014	2016/2015	2017/2016
Strong growth + moderate growth + steady but significant ⁴	67.1	61.1	67.2	68.4	80.1	81.6
	2012	2013	2014	2015	2016	2018
"The recession has not led to a noticeable change in investment policy in my company" ⁵	39.4 50.7	34.0 45.4	19.8 30.9	25.4 37.3	24.3 32.9	29.4 40.9
"The recession has had little or no impact on my company and therefore has not affected its investment policy" ⁵	11.3	11.4	11.1	11.9	8.6	11.5
"In my company, we continue to invest as often as we can, because the competition within the industry is very high" ⁵	16.9 32.4	18.2 34.1	32.1 40.7	29.9 50.8	27.1 42.8	27.9 44.3
"In my company, the crisis represented an opportunity to invest more" ⁵	15.5	15.9	8.6	20.9	15.7	16.4

(1) See Part I/ Table 1, p. 27.

(2) See Part I/ Overview, p. 31.

(3) See Part I/ Table 3 (opinions expressed in the spring of each year mentioned), p. 29.

(4) See Part I/ Table 9 (the analysis of 2012/2011 and 2013/2012 performance was published in the spring of 2015, the analysis of 2014 and 2015 in the spring of 2016, and the analysis of 2016 and 2017 in the spring of 2018), p. 39.

(5) See Part I/ Table 10 (statements recorded in the spring of each of the years indicated), p. 40.

Source: Ermencia for Cosmetica Italia, 2018

The fourth point is that, despite some criticisms, cosmetics companies have a mostly good relationship with the banking system.

Table 4 summarises this situation, reminding us that:

- a) the two issues (in order of priority) that have to do with banks – namely “the difficulty for companies to obtain credit” and “repayment demands”, which are ranked in eighth place and tenth place respectively – are preceded by other more important issues such as:
- the reduction in prices to retain customers;
 - the difficulty in collecting payment from customers;
 - late payment by customers;
 - the volume of orders originating from Italy;
 - customer hesitation in sending orders;
 - customer insolvency;
 - the volume of foreign orders.

As a result, the overall level of satisfaction among companies with their current relationship with the banking system is high: 77.1% of respondents said that they were “very and/or fairly satisfied”, compared with 9.8% who say the opposite. However, 13.1% of companies do not need support from the credit system, thanks to their level of capitalisation and/or satisfactory cash flow.

Lastly, it should also be emphasised that three priority needs (of the 11 surveyed) for which finance was sought in the last twelve months specifically concern investment: this confirms that previously reported about the continued acyclical or even anti-cyclical investment drive among companies in the sector. Investments include upgrades to plant, machinery and production technology (in first place), industrial plans to build new sites or expand existing ones (in second place), and plans to develop distribution networks, showrooms and overseas logistics (in third place);

- b) the analysis of the quality of relations between companies and banks was also based on a series of positive and negative statements on which the respondents expressed their opinion. With regard to the former, we can see that those considered most important are: the decrease in lending rates (83.6% agree), the willingness of banks to lend (68.9%); the fact that banks can help the company more if this has a production agreement with reputable Italian or foreign companies with a strong brand (55.7%); the observation that the major banks are slowly “returning to the local market”, in the sense that it is easier to obtain credit from individual branches, even for significant amounts (54.0%).

As for the negative observations, the four most important relate to the fact that:

- banks lend to well-capitalised companies that are doing well but struggle to gain exposure to firms that also have good potential and development plans but are under-capitalised (80.3% agree);
 - there are some companies that apply for but struggle to obtain bank financing, while other companies are “pursued” by banks, which offer financing even if the companies do not need it (78.7% agree);
 - banks are asking for more security than they used to (52.4%);
 - lastly, banks are not prepared to facilitate the recovery by lending to companies so they can invest (again 52.4% agree);
- c) several statements were also tested regarding the expectations that companies have towards banks, as well as the awareness of having to do more as companies to improve their relationship with the credit system. More specifically, the importance was emphasised:
- of developing a banking system that actually knows how to evaluate the projects that companies need funding for (91.8% agree);
 - of having a banking system that can also assess the person applying for the funding, taking into account the reputation and track record of the business owner and the company’s creditworthiness and potential (88.5% agree);
 - of banks not just chasing after companies that do not need credit, but of assessing the creditworthiness of those companies that have real development potential and solid growth plans (85.2%).

In conclusion, companies admit that, in turn, they must improve their own management culture as regards economic and financial aspects, “since obtaining credit from banks and accessing the non-banking sector will increasingly require careful management of their finances, to ensure their comprehensibility and transparency” (90.1% agree).

The fifth point is that cosmetics companies are extremely open to the non-banking channel as a whole, even to the point of allowing financial investors to take a stake in the company.

Table 5 shows the level of awareness among respondents of banking regulations and non-banking products/services. This reveals:

- a) awareness of the new European regulations (issued by the European Commission and the European Central Bank, concerning capital requirements for banks, impaired loans and difficulties in providing unsecured loans) for 41.6% of companies, with a further 35.4% who have “only heard about it”. In this respect, 6.3% of respondents say they are unaware of the new legislation, but their company is fairly liquid and/or sufficiently capitalised, so this does not concern them;
- b) a significant level of awareness of certain products/services from the non-banking sector, especially considering the custom in Italy of using banks rather than non-banking operators. The data contained in the table above show that a significant proportion of respondents are informed, particularly with regard to:
 - the possibility of arranging short-term loans (39.2%);
 - the possibility of obtaining investment loans (42.9%);
 - the possibility of being advised on a stock market listing (39.6%);
 - but, above all, the possibility of direct investment in the company by investment funds (53.0%).

If we then look at the level of awareness of bonds, we can see that 49.1% of respondents say that they know what these are, even if they have not previously considered using them. Added to this is a further 11.5% who “have tried to educate themselves, even though bonds do not seem appropriate for their company due to low turnover, set-up costs and application procedures”. A further 3.3% said they had tried using bonds and were largely satisfied with them. In total, this means that 63.9% of respondents are open to or interested in bonds. Table 5 examines the subject of financial investors taking a stake in the company. From this, it emerges that companies are interested and informed, and in some cases even have some experience of this. Indeed:

- a) the role of a potential financial investor in the company mainly elicits a positive rather than a negative or cautious response, although the importance is emphasised of the fund being suitable for the company, in that it is able to take account of the company’s specific characteristics and needs;
- b) in any event, when asked about the company’s attitude towards using operators in the non-banking sector, 26.5% of those interviewed were interested in this, 6.1% had already been doing this for some time, 2.0% were about to embark on it, and 18.4% were considering it. Evidently, 73.5% of companies do not consider it necessary to use this channel because they are quite liquid and/or well-capitalised (32.7%), because the services provided by the banking system are sufficient for the company (26.5%), or because they have little information about it and so have not resorted to this method (14.3%). However, 35.2% of respondents have considered and/or would consider allowing financial investors to take a stake in their company: 18.5% because they have done so in the past, 13.0% because they are doing so at the moment, and 3.7% because they are considering it for the future. In addition to this 35.2%, 46.3% say that they have not considered this option before, although it can be assumed that they will not necessarily rule this out in future.

Table 4 – A good relationship on the whole with the banking system, but with some criticisms (%)

Phenomena	Data	
The ranking, in order of priority, of the two problems (out of the twelve examined) relating to the credit relationship (considered “very + quite important”) ¹		
<ul style="list-style-type: none">• The difficulty for companies to obtain bank finance	Eighth place	27.9
<ul style="list-style-type: none">• Repayment demands from banks	Tenth place	16.4
The overall level of satisfaction/dissatisfaction with the company's current relations with the banking system ²		
<ul style="list-style-type: none">• Very satisfied	13.1	77.1
<ul style="list-style-type: none">• Fairly satisfied	64.0	
<ul style="list-style-type: none">• Not very satisfied	8.2	9.8
<ul style="list-style-type: none">• Not at all satisfied	1.6	
<ul style="list-style-type: none">• The company is fairly well-capitalised and/or liquid, so has little or no need of the banking system	13.1	
Total	100.0	
The three priority needs (of the eleven examined) for which bank financing has been applied for in the last twelve months ³		
<ul style="list-style-type: none">• Upgrading plant, machinery and production technology	First place	(41.0)
<ul style="list-style-type: none">• Industrial plans (new production sites or the expansion of existing sites)	Second place	(31.1)
<ul style="list-style-type: none">• Commercial development plans (distribution network, showroom, overseas logistics)	Third place	(11.5)
The four positive and four negative statements about the company's relationship with the banking system (“Strongly agree + Somewhat agree”) ⁴		
<ul style="list-style-type: none">• “Banks are charging lower interest rates, which makes it worth applying for loans”	83.6	
<ul style="list-style-type: none">• “Banks have started lending again”	68.9	
<ul style="list-style-type: none">• “Banks help the company to do well if this has a production agreement with reputable Italian or foreign companies with a strong brand”	55.7	
<ul style="list-style-type: none">• “The major banks are slowly returning to the local market (it is easier to obtain credit from branches, even for significant amounts)”	54.0	
<ul style="list-style-type: none">• “Banks lend to well-capitalised companies that are doing well but struggle to gain exposure to firms that also have good potential and development plans but are under-capitalised”	80.3	
<ul style="list-style-type: none">• “There are some companies that apply for but struggle to obtain bank financing, while other companies are pursued by banks, which offer financing even if the companies do not need it”	78.7	
<ul style="list-style-type: none">• “Banks are asking for more security than they used to”	52.4	
<ul style="list-style-type: none">• “Banks are not prepared to facilitate the recovery by lending to companies so they can invest”	52.4	
The need to develop both the banking system and companies (“Strongly agree + Somewhat agree”) ⁵		
<ul style="list-style-type: none">• “We need to develop a banking system that actually knows how to evaluate the projects that companies need funding for”	91.8	
<ul style="list-style-type: none">• “We need to develop a banking system that can also assess the person applying for the funding, taking into account the reputation and track record of the business owner and the company's creditworthiness and potential”	88.5	
<ul style="list-style-type: none">• “We need a banking system that does not just chase after companies that do not need credit, but knows how to assess the creditworthiness of those companies that have real development potential and solid growth plans”	85.2	
<ul style="list-style-type: none">• “Companies, in turn, have to improve their own management culture as regards economic and financial aspects, since obtaining credit from banks and accessing the non-banking sector will increasingly require careful management of their finances, to ensure their comprehensibility and transparency”	90.1	

(1) See Part I/ Table 15, p. 46.

(2) See Part I/ Table 16, p. 46.

(3) See Part I/ Table 21, p. 51.

(4) See Part I/ Table 22, p. 54

(5) See Part I/ Table 23, p. 55

Source: Ermeneia for Cosmetica Italia, 2018

- a) In any case, 11.5% of companies who have experience of opening up their capital to financial investors say they were totally or partially satisfied, while 3.3% admit that they were not satisfied at all: the remainder (i.e. 85.2%) has not yet had any direct experience in this regard;
- b) lastly, any opening up of the capital to external financial investors (such as investment funds) elicits a cautious reaction from respondents as to their ideal set-up. Specifically:
 - 41.0% would only be prepared to accept a minority stake for an external shareholder;
 - 18.0% would be willing to accept a majority stake, subject to certain specific conditions;
 - the remaining 41.0% would prefer not to go down the route of bringing in financial investors.

It can therefore be said that cosmetics companies have three possible options (with some overlap between them) when it comes to improving the financial strength of the company:

- a situation of relative “non-involvement”, since it is considered to be self-sufficient (or almost) due to the level of capitalisation of the company and/or the presence of sufficient cash flows to cover day-to-day management and new investments: bear in mind that 13.1%⁴ of respondents said that they did not need the banking system and 37.7%⁵ had not applied for any bank financing in the last twelve months;
- a fairly satisfactory situation regarding the company’s relations with the banking system which, in this case, concerns more than three-quarters of respondents, with a core of 27% explicitly stating that the services currently provided are sufficient: however, there are some criticisms, as mentioned earlier;
- lastly, “openness” towards the non-banking sector in terms of product knowledge (from 32.0% to 53.0%) and a willingness to use this sector (26.5% of companies are already doing so, are currently going down this route or are at least thinking about it). In particular, 35.2% have considered allowing financial investors to take a stake in the company, although only 14.8% had actually tried this, 11.5% of whom were completely or partially satisfied.

What is certain is that the continued resilience that companies demonstrated and put to good effect during the recession (fortunately) seems anything but exhausted, with 75% of respondents recognising the problem of the “business culture” in tackling the company’s future development, particularly with regard to the following, listed in order of priority⁶:

- succession planning;
- internationalisation;
- expansion;
- the introduction of managers into the company;
- the digitalisation of the entire supply chain;
- the digitalisation of the entire business (not only in terms of e-commerce);
- business partnerships;
- the use of financial instruments (other than banking);
- willingness to admit new shareholders.

As a result, it became apparent that recourse to various non-banking services could be very useful in addressing these issues⁷.

It can be concluded that the need is emerging for an “active” business development strategy in which “real” finance can (and must) play a key role: an apparent oxymoron that evokes the need to make the best use of financial instruments in line with the growth of the real economy and of companies in all their aspects, starting with those listed above.

(4) See Part I/ Table 16.

(5) See Part I/ Table 21.

(6) See Part I/ Table 11.

(7) See Part I/ Table 32.

Table 5 – A significant openness towards the non-banking sector (%)

Phenomena	Data
A GOOD LEVEL OF AWARENESS	
<i>Awareness of the new European regulations on bank capital and the treatment of impaired loans, with consequent difficulties in obtaining unsecured loans¹</i>	
• Yes, I'm aware of this	41.6
• Yes, I've heard about it	35.4
• No, I'm not aware of this and will need to find out more about it	16.7
• No, I'm not aware of this, but the company is fairly liquid and/or sufficiently capitalised, so this issue does not concern us	6.3
Total	100.0
<i>A good level of awareness of some non-banking products/services ("I am well informed")²</i>	
a) Short-term products:	
• Short-term loans (lending)	39.2
• Discount invoices (with faster response times thanks to the various platforms that exist today and with a risk assessment of the "assignee" and not the "assignor")	33.3
b) Medium-term finance	
• Loans for various types of investment activities	42.9
• Corporate mini-bonds (with a turnover of at least 20 million euro) and basket bonds (aimed at companies with a lower turnover, which jointly issue bonds)	30.6
c) Investment finance	
• Access to the AIM (stock market for small and medium-sized Italian companies)	32.0
• Access to a stock market listing	39.6
• Financial participation in the company's capital through investment funds	53.0
<i>Knowledge of bonds³</i>	
• I know about bonds, but have not considered using them before (whether corporate bonds, inter-company bonds or district bonds)	49.1
• I have tried to educate myself, but bonds do not seem appropriate for my company (due to insufficient turnover, set-up costs, the procedures involved, etc.)	11.5
• I have tried this and have a positive opinion of it on the whole	3.3
• Other	3.3
• I am not familiar enough with bonds	32.8
Total	100.0
AN INTERESTED AND INFORMED APPROACH, WITH SOME PREVIOUS EXPERIENCE OF OPENING UP THE COMPANY'S CAPITAL	
<i>Assessment of the role of a potential financial investor in the company⁴</i>	
<i>Positive assessments</i>	
• Could make a positive contribution if the fund is "right" for the company, in that it is able to take into account the company's specific characteristics and needs.	(41.0)
• Could help define a more effective growth strategy	(36.1)
• Could provide capital for the company's growth and development	(34.4)
• Could make a positive contribution to the company's managerialisation	(29.5)
• Could help the company rebalance its finances	(16.4)
<i>Negative assessments</i>	
• There is the risk of losing control of the company in future	(21.3)
• Raises fears of interference in the company's management	(18.0)
• New investors are still regarded with suspicion, partly because of the image they have	(14.8)
• Other	(1.6)
• Don't know	(9.8)

5 – A significant openness towards the non-banking sector (%)

Phenomena	Data	
The company's willingness to use operators in the non-banking sector, such as financial companies, investment funds, etc. ⁵		
<ul style="list-style-type: none">• Yes, we have already been doing this for some time	6.1	26.5
<ul style="list-style-type: none">• Yes, we are currently going down this route	2.0	
<ul style="list-style-type: none">• Yes, we are thinking about it	18.4	
<ul style="list-style-type: none">• No, we see no need to use the non-banking sector, since we are fairly liquid and/or well-capitalised	32.7	
<ul style="list-style-type: none">• No, we see no need to use the non-banking sector, as the services provided by the banking system are sufficient	26.5	
<ul style="list-style-type: none">• No, we never really thought about it, because we didn't know enough about it	14.3	
Total	100.0	
Whether consideration has been given to allowing financial investors, such as investment funds, to take a stake in the company ⁶		
<ul style="list-style-type: none">• Yes, in the past	18.5	35.2
<ul style="list-style-type: none">• Yes, currently	13.0	
<ul style="list-style-type: none">• Yes, in future	3.7	
<ul style="list-style-type: none">• No, not previously	46.3	
<ul style="list-style-type: none">• No, not even for the future	18.5	
Total	100.0	
Experience of allowing financial investors to take a stake in the company and the resulting satisfaction ⁷		
<ul style="list-style-type: none">• Yes, with satisfaction	4.9	14.8
<ul style="list-style-type: none">• Yes, with some satisfaction	6.6	
<ul style="list-style-type: none">• Yes, with little or no satisfaction	3.3	
<ul style="list-style-type: none">• No, I have no direct experience	85.2	
Total	100.0	
Preferred forms of allowing financial investors (such as investment funds) to take a stake in the company, given the company's circumstances ⁸		
<ul style="list-style-type: none">• Only with a minority stake	41.0	
<ul style="list-style-type: none">• Potentially with a majority stake, but subject to certain specific conditions	18.0	
<ul style="list-style-type: none">• Prefer not to allow financial investors to take a stake in the company	41.0	
Total	100.0	

(1) See Part I/ Table 24 (based on answers from 48 out of 61 respondents), p. 57.

(2) See Part I/ Table 26, p. 59.

(3) See Part I/ Table 27, p. 60.

(4) See Part I/ Table 28, p. 61.

(5) See Part I/ Table 25, p. 58.

(6) See Part I/ Table 29, p. 62.

(7) See Part I/ Table 30, p. 62.

(8) See Part I/ Table 31, p. 63.

Source: Ermeneia for Cosmetica Italia, 2018

50th analysis of the cosmetics industry and consumption in Italy in 2017

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1 Scenarios in the cosmetics industry

The closing figures for 2017 show steady growth since the recession which began in 2008, confirming the anti-cyclical nature of the industry, with consistently higher average rates than other Italian consumer goods sectors. The domestic consumption of cosmetics for the year amounts to approximately 10.1 billion Euros, an increase of 1.7%: the pre-recession values have thus been exceeded, confirming the industry's insulation from the bleak economic climate in Italy.

The evolution of new sales channels is expanding, as is that within traditional channels, prompted by new consumer tendencies, with buyers looking to find a balance between their financial resources and the need to take care of themselves. Consumers are still focused on more economical price categories and channels, as well as continuing purchases of premium products, progressively excluding the mid-price range. In some channels, the selective perfume shop channel in particular, a decline in volumes can be observed, offset by niche and high-priced purchase options. The turnover of the cosmetics industry rose by 3.9% on the previous year, to 10,930 million euro. The cosmetics industry therefore demonstrates greater robustness compared to other sectors within the Made in Italy system, including in financial terms, as confirmed by the new project for the analysis of the sector's financial statements: the financial and operational values in particular have been highlighted, and in general terms, these enable the sector to face a political and economic scenario which remains very uncertain.

The development and differentiation towards new sales channels is continuing, already experienced abroad but now evident in Italy too. For this reason, domestic demand has had a mildly positive impact on production volumes, with growth of 1.7%, equivalent to 6,313 million euro.

Taking into account the breakdown of turnover by distribution channel in the domestic market, positive trends emerge for direct sales, particularly due to e-commerce, which grew by 8.7% overall. Meanwhile, other channels – except for perfume shops – recorded satisfactory sell-in increases, despite the change in consumption patterns. A study of the domestic market as a lever on turnover, highlights the growth trend in professional channels, which have experienced an increase of 2.0%, with a sell-in value of 683 million euro. In 2017, visits to beauty and hair salons picked up again, having suffered the most as a result of the economic crisis which exploded in the autumn of 2008.

Influenced by the slow economic recovery, domestic consumption of cosmetics has breathed new life into the turnover of domestic companies, which, along with the strong levels of performance achieved by exports, has generated a significant recovery in terms of profitability. Indeed, sales abroad increased by 7.1%, accounting for 4,617 million euro. Whilst rates were somewhat slower, the trend regarding imports was also positive, growing by 3.0%, confirming the recovery of domestic demand, which is still focused on products offering the best price/quality ratio. The trade balance remains largely positive, having reached a record value of just over 2,500 million euro.

Interesting changes emerge if we consider the percentage distribution of turnover by destination and market. mass market retailers still recorded a slight decrease, from 27% to 26.2% of the market, no longer mitigated by the incorporation of herbalist stores, which has seen a significant growth slowdown. However, export figures continue to rise, accounting for 42.2% of turnover and direct sales (6.8%). There has been a reduction in the importance of the pharmacy sector, which previously accounted for 8.2% compared with the current 8%. The same scenario applies to perfume shops: their share has dropped from 11% to 10.5%, although they remain an industry mainstay.

Despite an economic and political landscape that remains uncertain, sales trends reflect the health and competitiveness of the industrial cosmetics system and the effectiveness of the strategy which sees ongoing efforts in the field of research and innovation on the part of companies within the industry, which have been making industrial investments that are well above average.

For some time now, the Statistics Dept. has been proposing an analysis which has been extended to cover the cosmetics supply chain as a whole, with a view to proposing a broader metric that offers a dynamic and rational overview (with the necessary adjustments) of the phenomena affecting the chain at various levels, both upstream and downstream. From cosmetic ingredients to production machinery, packaging and the finished product, the intention is to provide an overview of the "long" supply chain of the Italian cosmetics industry. The value of the total turnover of the supply chain exceeded 15,600 million euro in 2017, with a recovery trend of four percentage points, confirmed by the forecasts for 2018, which should close with a positive rate of over 4%.

The cosmetics supply chain demonstrates various distinctive characteristics specific to the sector, from the raw materials, which recorded a turnover of just under 1,000 million euro, to machinery, with over 310 million euro, and packaging, which exceeded 3,400 million euro. The upstream supply chain, for example, clearly leans towards exports, and in the case of machinery, the export-production ratio even reaches 72%, while ample room for improvement is expected for the finished product segment. Constant investment in research and innovation is common to all "links" within the supply chain, as is the difficulty of predicting scheduled, ongoing orders, a sign of prudence and uncertainty which continues to affect markets.

Thus the Italian cosmetics industry's "long" supply chain demonstrates unique dynamics, thanks to manufacturers both upstream and downstream, and companies in direct contact with the customer - all of which serve to reiterate the competitiveness and excellence of "Made in Italy" cosmetics. The Italian cosmetics industry is recognised worldwide for its innovative formulations and the dynamic service of its manufacturers; added to this is the continuous study of consumer trends, which is essential for establishing itself in the counselling field. These characteristic elements have enabled the Italian cosmetics supply chain to make a name for itself on both traditional and emerging markets.

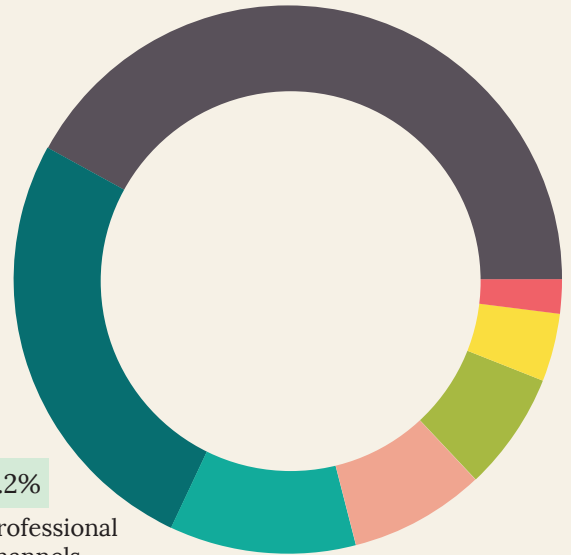
Turnover of the cosmetics industry by distribution channel

<i>Values in millions of euro</i>	2016		2017	
	Value	Var. %	Value	Var. %
Turnover Italian market	6,209	0.7	6,313	1.7
Total - traditional channels:	5,540	0.7	5,630	1.6
• Pharmacies	858	-0.1	872	2.0
• Perfume shops	1,158	0.9	1,147	-0.5
• Mass market and other channels (*)	2,832	-0.8	2,865	1.4
• Door-to-door and mail order sales and e-commerce	691	7.8	746	8.7
Total - professional channels	669	1.3	683	2.0
• Beauticians	176	2.1	180	2.4
• Hairdressing	493	1.0	502	1.9
Export	4,309	13.1	4,617	7.1
Global turnover of the cosmetics industry	10,518	5.3	10,930	3.9

(*) includes Herbalist and Single-Brand stores

Breakdown of sales for each destination channel in 2017

- Exports 42.2%
- Mass market and other channels 26.2%
- Perfume shops 10.5%
- Pharmacies 8.0%
- Door-to-door and mail order sales 6.8%
- Hairdressing 4.6%
- Beauticians 1.6%



44.7%	42.2%	6.8%	6.2%
Traditional channels	Export	Direct sales	Professional channels

(*) includes Herbalist and Single-Brand stores

Structure of the cosmetic supply chain

<i>Values in millions of euro</i>	Industry	Raw materials	Machinery	Packaging	Total
Turnover 2016	10,518	945	306	3,300	15,069
(% change '16/'15)	5.3	5.6	2.0	5.0	5.0
Turnover 2017	10,930	995	314	3,432	15,671
(% change '17/'16)	3.9	4.8	2.5	4.0	4.0
Forecast % '18/'17	4.5	4.5	6.0	4.0	4.4
Exports 2017	4,617	342	225	1,782	6,966
(% change '17/'16)	7.1	8.2	-0.2	8.0	5.4
Export/turnover 2017	42	34	72	52	44

○ The Italian territory

According to ISTAT data, in 2017 the largest concentration (81%) of cosmetics companies was still in northern Italy; that's practically the same percentage as last year.

Lombardy remains the region with the highest density of cosmetics companies, with more than 50%, followed by Emilia Romagna, with 10.8%, the Veneto region with 8.2%, and Piedmont with 6.6%. In Basilicata, Sardinia, Molise and Valle d'Aosta, there are no industrial sites, while Liguria, with a 2% share, brings up the rear in the north. It is worth noting that, although the values are not significant, small manufacturing companies are emerging in many regions, often associated with the local area and specific niche products, as in the case of Puglia and Campania.

The geographic distribution of the turnover of cosmetics companies in 2017 confirms the strong concentration in Lombardy (with just under 60% of industry turnover), followed by Lazio (with 11.1%) and Piedmont (with 8.2%). The figure for Tuscany, which accounts for 7.1%, is also interesting.

It is worth pointing out that a large part of the concentration in Lombardy is due to subcontracting to numerous production facilities. In this respect, the importance of subcontractors has particular implications for the geographical distribution of turnover. Indeed, subcontractors generate a total turnover in excess of 1,500 million euro, 83% of which is concentrated in Lombardy which, with a value of more than 1,230 million euro, remains the region with the highest production of the Italian industrial cosmetics industry. The remaining companies are concentrated in the regions of Emilia Romagna, accounting for 5% of turnover, and Marche, with almost 4%.

Geographical distribution of cosmetics companies in 2017
Percentage breakdown

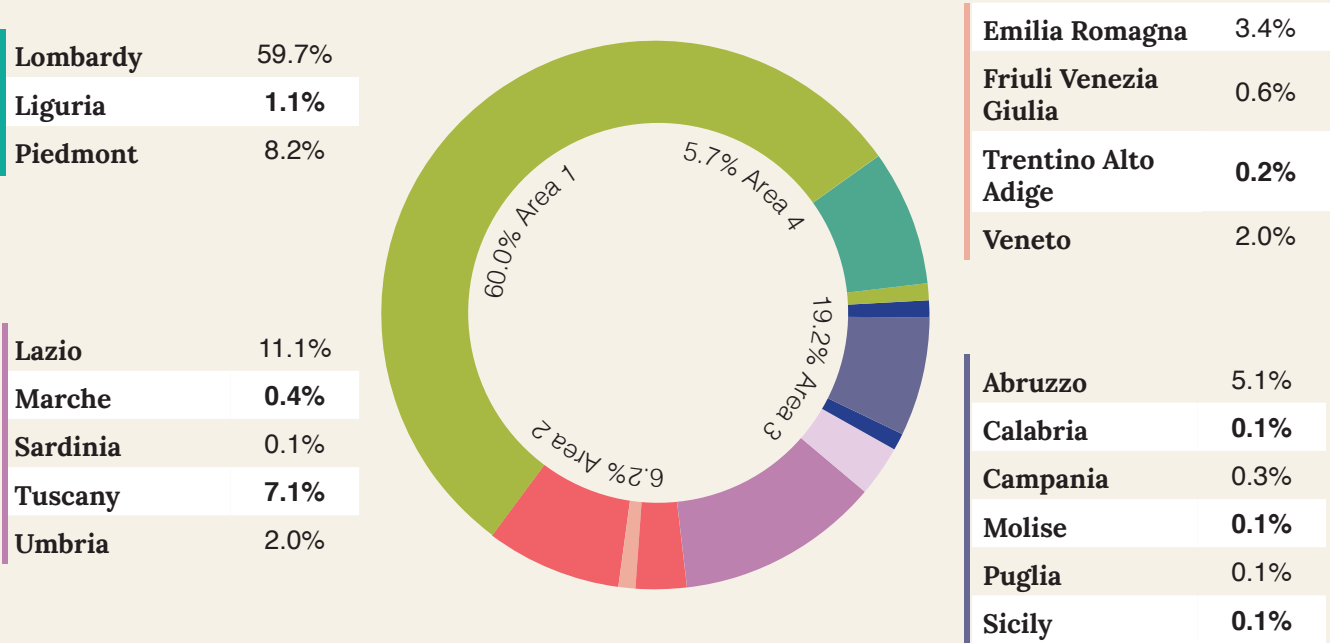
Abruzzo	0.8%	Molise	0.2%
Calabria	0.2%	Piedmont	6.6%
Campania	2.2%	Puglia	1.0%
Emilia Romagna	10.8%	Sardinia	0.2%
Friuli Venezia Giulia	1.4%	Sicily	0.8%
Lazio	5.0%	Tuscany	5.4%
Liguria	2.0%	Trentino Alto Adige	1.4%
Lombardy	50.2%	Umbria	1.4%
Marche	2.0%	Veneto	8.2%

Top 3

Lombardy	1
Emilia Romagna	2
Veneto	3

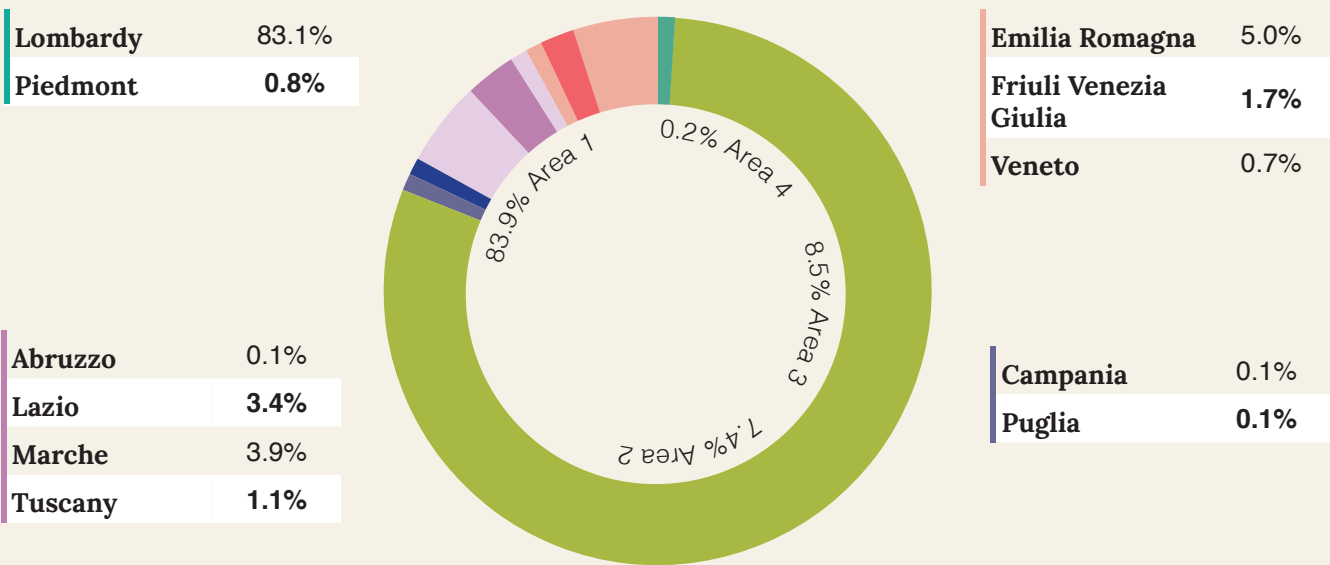
Geographical distribution of the turnover of cosmetics companies in 2017

(Source): Cosmetica Italia processing of Plimsoll data, by Nielsen area



Geographical distribution of the turnover of cosmetics subcontractors in 2017

(Source): Cosmetica Italia processing of Plimsoll data, by Nielsen area



○ Distribution channels

Having ascertained that the cosmetics industry was only marginally affected by the crisis, having long established itself as a category which is characterised by “physiological” consumption of goods, and one which is largely indifferent to economic downturns, it must also be stressed that buying habits have changed radically at all product and channel levels, highlighting the increasingly widespread distribution phenomenon of cross-channel purchasing. Partly due to these new consumption trends, the value of cosmetics consumption in Italy in 2017 reached the 10.1 billion euro mark, a 1.7% increase on the previous year. This is a significant growth rate, after the stability of previous years, and important for the stability of figures, considering the effects that the global crisis in the autumn of 2008 has continued to have on purchasing propensity, with a significant influence on Italian consumers in the subsequent period. The consumption of cosmetics in Italy has long been considered essential, to the point that the negative economic situation of recent years has had an albeit marginal effect on purchases in terms of volume, but has certainly not affected quantities. The so-called “hourglass effect”, or the shift in consumption choices towards opposite ends of the price spectrum, leads to a weakening in the mid-price range, generating growth in the number of items sold while value trends have slowed significantly – these are definitely growing, but still at a very slow rate. A reduction in the negative effects of the economic crisis on purchasing propensity has led to a review of choices within traditional channels, while the recovery is being confirmed in the use of professional channels.

The recovery can therefore be seen in all traditional channels – apart from perfume shops – together with the trend in direct sales. Within the last category, online sales are still very much the major phenomenon of recent years, with strong growth (+21%) to the tune of around 320 million euro at the end of 2017. Given the difficulty in collecting data for online sales, the statistical basis is currently being reviewed and revised upwards.

As in some years, sales at mass market retailers, which grew by 1.5%, are driven by the growth in single-brand stores and stores specialising in household and personal care.

Consumption in the herbalist channel, although calculated as part of the mass market and single-brand aggregate, has grown by around one percentage point, preceded by direct sales at 21% – the best performance ever seen in this category.

The decline in the perfume market is confirmed, despite changes in selective distribution methods. These transformations are generating a growing divide: on the one hand this bears witness to the reduction in numbers and weight of consumption in traditional perfume shops, while on the other, the prominence of specialised chains is confirmed, as these are becoming more attentive to customer service and the new requirements of consumers.

Furthermore, in 2017, the recovery in the absolute value of professional channels was confirmed: consumption in hairdressing and beauty salons has increased by 1.9% and 2.4% respectively.

In terms of prices, these essentially remained stable in 2017 due to the uneven performance of the recovery. Of the various channels, perfume shops recorded the most pronounced price change (+3%), caused by remodelling and new products; other channels are substantially stable, except for the mass market channel, where supermarkets and hypermarkets saw a marginal contraction. Marginality manifests itself once again in the professional channels.

The development of new channels remained dynamic in 2017, together with the radical internal transformation of traditional sales channels, affected by new consumer trends, with buyers looking to reconcile their budget with the need to take care of themselves. Having adopted new approaches to spending and with new ways of researching information before committing to a purchase, consumers are remaining loyal to more affordable price categories and channels, as well as continuing to purchase premium products, leading to the marginalisation of the mid-price range.

Total cosmetic products market in 2017

Retail prices VAT included, consumption in millions of euro

Sector total 10,097

Pharmacies **1,868**

Perfume shops **2,008**

Mass market and other channels **4,160**

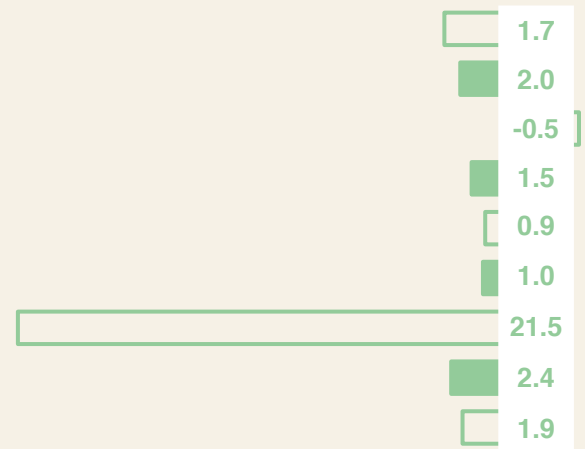
Herbalist stores **440**

Door-to-door sales **472**

Mail order sales and e-commerce **340**

Sales to beauty institutes and beauticians **236**

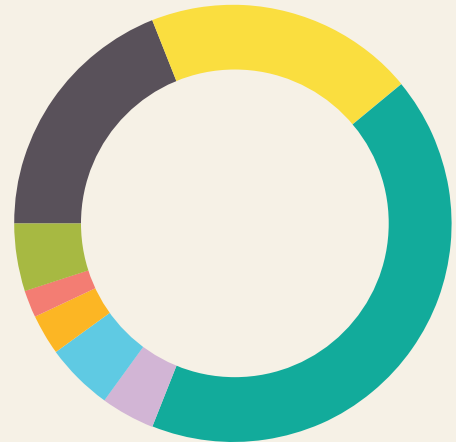
Hairdressing **574**



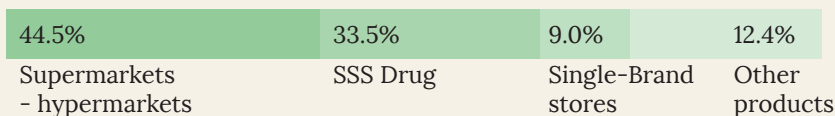
(*) includes single brand stores

Breakdown of consumption by distribution channel in 2017

- Pharmacies 18.5%
- Perfume shops 19.9%
- Mass market and other channels* 41.2%
- Herbalist stores 4.4%
- Door-to-door sales 4.7%
- Mail order and e-commerce sales 3.4%
- Sales to beauty institutes and beauticians 2.3%
- Hairdressing 5.7%



Mass market retail and other channels



(*) includes single brand stores

Trends in distribution channels

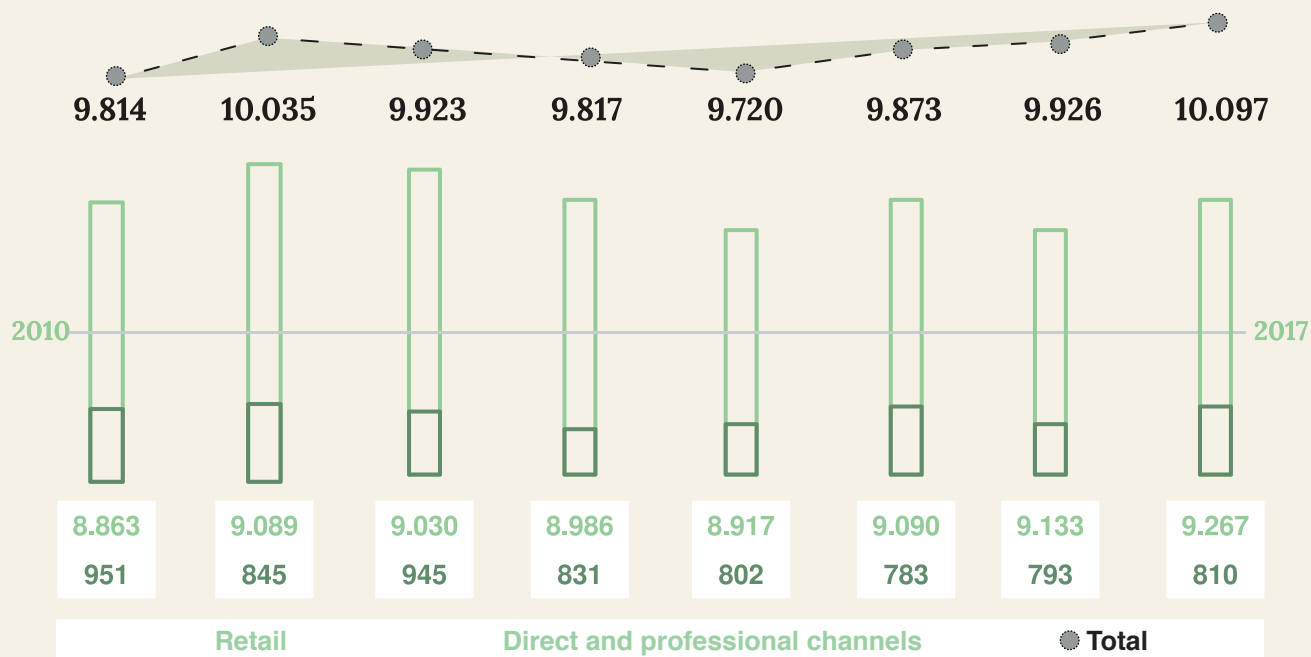
% change '17/'16

Channel	Consumption	Quantity	Prices
Pharmacies	2.0	2.2	0.0
Perfume shops	-0.5	-2.5	3.0
Mass market and other channels*	1.4	1.5	-0.1
of which supermarkets and hypermarkets	-1.0	-2.5	1.5
Herbalist stores	0.9	-1.0	0.5
Total traditional channels	1.6	-1.0	1.5
Door-to-door sales	1.0	1.0	0.2
Mail order sales and e-commerce	21.5	17.0	1.2
Sales to beauty institutes and beauticians	2.4	1.0	1.5
Hairdressing	1.9	0.5	1.0
General total	1.7	0.7	1.2

(*) includes single brand stores

Developments in consumption of cosmetics 2010-2017

Actual values – retail prices including VAT



○ Pharmacies

Sales of cosmetics in the pharmacy channel picked up significantly in the second half of 2017, closing with an increase of two percentage points, and a value of just under 1.9 billion Euros. The cosmetic products sold in this channel represent 18.5% of the total, a percentage that has been growing of late, buoyed up by the trust that consumers place in pharmacies as a retail outlet, particularly with regard to the levels of specialisation and attentive service typical of this channel. Pharmacies show more evidence than the other traditional channels of increased investment in cosmetic products and in the specialist training of sales staff, in addition to an increasingly close connection between companies and pharmacists, with synergistic investments in the identity of pharmacies as a retail outlet, in the positioning of this channel within the sector, and in customers. Indeed, numerous pharmacies invest, more than any other sales channel, in cosmetic products and a specialist sales staff, with promotions and offers creating a new impact.

The pharmacy channel has been affected by the phenomenon of polarisation of consumption: indeed, consumers are opting for products with a better price-quality ratio without making any major sacrifices, thanks to the fact that cosmetics in pharmacies have acquired an increasingly important role, often as the commercial element used to offset the drop in demand. In addition to this, more than in other channels, pharmacies operate policies that promote customer service and reward consumer loyalty, helping to build a steadier relationship. As shown by the consumer analysis, there is ample room for improvement with a view to expanding the customer base; for example, more work needs to be done in various clusters, especially in the over-50 age group.

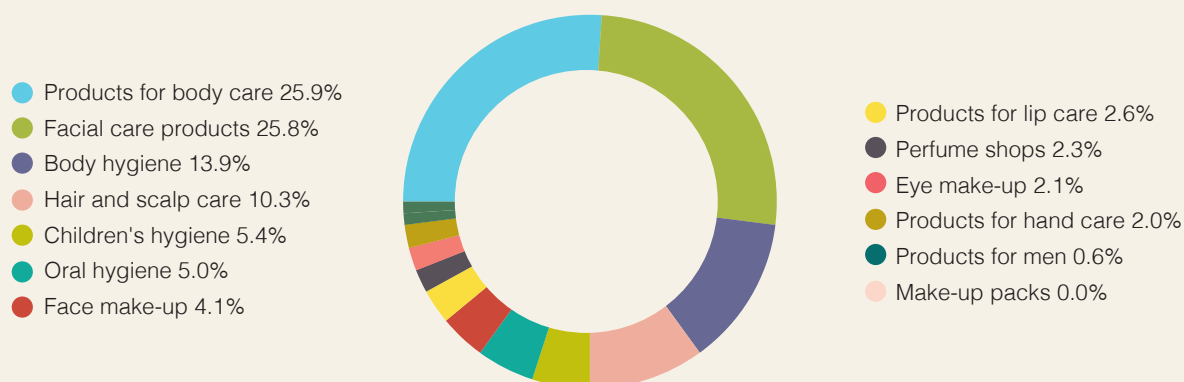
This analysis reveals some distinctive features of cosmetics purchases in the pharmacy channel: the consumer is driven to choose pharmacies over perfume shops, for example, for direct and pragmatic reasons, although, when we imagine the future sales environment we see a functional and commercial crossover between the purely pharmaceutical area and more attractive areas dedicated to beauty products.

The disaggregated surveys of cosmetics sold in concessions in large retailers and parapharmacies explain how the change in distribution of products destined for the pharmacy channel breaks down: suffice it to say that these sales accounted for 5.4% of the total channel in 2007, while today they account for 18% despite the recent measures concerning economic policy. In recent quarters, however, the figures for corners and parapharmacies appear to be slowing down somewhat, partly due to the transformation of large retail outlets. However, the sales mix for concessions and parapharmacies in IQVIA (formerly IMS - Institute for Health Management) data highlights some interesting points: in drug stores, sales of facial and body care products represent nearly 52% of sales, while in concessions, the mix is less concentrated, with body care products (24.4%) just pipping oral hygiene products (21.5%) and facial products (15.7%).

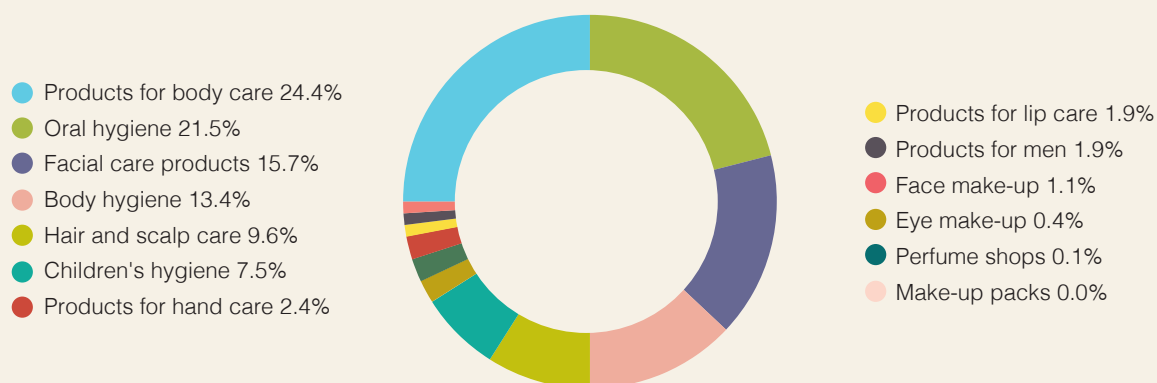
There has also been a focus on green cosmetics in the pharmacy channel, recently the subject of a specific study given the significant growth trend. In Italy, sales of natural cosmetics are worth more than 1,000 million euro. Of these, according to the multichannel survey conducted by the Istituto Piepoli, 13% are sold in pharmacies, closely behind more specialised channels such as herbalist stores (with 25%) and single-brand channels (with 15%).

The development of the channel is also influenced by external factors such as the new competition decree, an expression of the institutional drive to liberalise distribution, which will influence the reinforcement of the supply chain and constant contact between industry and distribution.

Percentage composition of sales in para-pharmacies



Percentage composition of sales in corners



○ Perfume shops

As the baseline scenario suggests, the only downside with regard to cosmetics consumption in 2017 comes from sales at perfume shops, which have fallen by half a percentage point to 2,008 million euro, accounting for 19.9% of total consumption in Italy. The percentage of total sales has nonetheless dropped compared to previous figures, partly as a result of the statistical review, which served to shed more light on the phenomenon of e-commerce. Moreover, for some years, this is the channel which has seen the largest decrease in volumes relative to values. Despite a range of support initiatives, with new product launches, stock reduction and dynamic pricing policies, the crisis continues for many independent retailers, increasing the dichotomy between the static nature of many traditional/local perfume shops and the successful dynamics of the organised chains or indeed of smaller distribution companies, who have shown their skill in capitalising on the concepts of niche products and exclusivity, with new distribution strategies and investments in the selective identity of the channel.

More than other traditional channels, perfume shops have undergone a major transformation during the course of the last decade, aided by the change in consumer habits and the introduction of new types of distribution that have called into question the values embraced by the channel since the beginning of the post-war period.

As in previous years, price increases - the highest in the sector - have essentially supported volumes, with repercussions on the average purchase value and inevitably on quantities purchased. Consumers, who have been further put to the test by an economic situation that has put the brakes on their propensity to buy, and who are alert to the new forms of distribution offered (single-brand stores in the first instance), are moving towards new and diversified distribution levels.

The transformation of this channel – which, according to the historical records of the Statistics Dept., accounted for a third of all cosmetics consumption in 1980 – is plain to see. Today, however, it does not even cover 20%. The analysis by type of product sold also explains some of the structural constraints: the top two products sold (perfumes and face care) account for 61% of all perfume shop sales, while facial, body products and body hygiene products make up 60% of sales in the pharmacy channel, which is ranked second in the overall distribution, suggesting that its offering is more fragmented.

The concept of selectivity is proving to be a winning recipe for those stores that have weathered the transformation of recent years. For many perfume shops, this concept is part of their mission, although, in many cases, it fails to capture consumers looking for a broader shopping “experience”, to use the latest buzzword.

○ Mass market and other channels

In line with the trends seen in the last few years, mass market consumption covers more than 41% of the national cosmetics market, with a growth of 1.5% in 2017, and a value approaching 4.2 billion Euros. The profound transformation of strategies in order to adapt to new purchase options has given rise to some uneven trends across the various types of sales and distribution outlets even though, in general, the companies dedicated to this channel have invested heavily in this area, seeking to optimise their price positioning. The gap between sales of cosmetics in traditional supermarkets and hypermarkets (which have dropped by more than one percentage point) and sales in specialised stores – also referred to as “home and personal care” outlets (or the “modern channel”, as some research institutes call it), which have grown by more than 6% – has become increasingly evident. However, the growth and the dynamic impact of new single-brand stores has not slowed, with a growth of 3.5%. The new consumption flows that are following new forms of distribution which are often difficult to classify, certainly have an impact on the channel and its structural complexity.

Although mixed trends are still observed in the various commercial outlets, the mass market in general is facing economic difficulties and pressure at various price points. This is despite its recognised ability to offer products that represent excellent value for money. In mass-market channels too, the “hourglass”/polarisation phenomenon is being witnessed, with consumers consequently being steered towards niche products, as well as items offering a high price-quality ratio.

A study of mass retail sales over the last four years confirms the transformation and development that have occurred within this channel, revealing an extremely diverse range of retailers, not just in terms of size. The total value of this category after separating out the value represented by herbalist stores and single-brand stores was 3,760 million euro in 2017 (compared with 3,642 million euro in 2014). Over these four years, the trend has recovered by just under two percentage points, signalling a physiological change. Among the various different types of store, the average trends over the last four years have revealed a couple of exceptions to the rule, with discount stores achieving a value of 218 million euro in 2017, and the aforementioned self-service specialist drug stores (i.e. shops selling household and personal care products) rising from 1,092 in 2014 to 1,393 million euro last year. There was a worrying decline in self-service stores, the third-largest category after self-service specialist drug stores and supermarkets and hypermarkets, where sales were down by as much as 6.6% in 2017.

This was also reflected in sales at the largest stores (supermarkets and hypermarkets), which recorded a 1% contraction, although with a 51.9% share, these still constitute the largest aggregate of total drug store sales in Italy.

The performance analysis by product sold across the different channels shows that the most prominent growth rates in percentage terms are represented by colour-correcting creams, blusher and bronzers in self-service specialist drug stores, and post-shampoo treatments, conditioners and masks in discount stores. This highlights alternative approaches to distribution that were previously only the preserve of selective channels.

As for other channels, the mass market aggregate remains focused on green cosmetics: of more than 1,000 million euro of natural cosmetics sold in Italy, 7% are sold in mass market retailers, pointing to a wholesale change in market trends.

Trends in consumption in mass market channels by type

Hypermarkets	Retail outlet covering a sales surface greater than or equal to 2,500 m ²	-1.9%
Supermarkets	retail outlet covering a sales surface between 400 and 2,499 m ²	
Self Services	retail outlet covering a sales surface between 100 and 399 m ²	-6.6%
Discount	retail outlet characterised by an unbranded inventory	-0.8%
Traditional grocery	retail outlet for fast-moving consumer goods covering a sales surface smaller than 100 m ² . To be considered as "Self Service", the store must sell at least 3 of the following products: toothpastes, lacquers, soaps, shampoos, shaving products, body deodorants, female sanitary items	-6.8%
Self Service Specialist Drug (SSS Drug)	store which sells mainly household and personal care products	6.2%

% change '17/'16

Large retail profiles and associated turnover of cosmetic products

Values in millions of euro and variations %

	2014		2015		2016		2017		Variations			
	Value	share %	Value	54.3%	Value	share %	Value	share %	'14/'13	'15/'14	'16/'15	'17/'16
Hypermarkets + supermarkets	1,932	57.1%	1,900	54.3%	1,869	53.3%	1,850	51.9%	-3.9%	-1.7%	-3.4%	-1.0%
Self Services	257	7.1%	229	6.2%	204	5.5%	192	5.1%	-15.6%	-12.1%	-14.5%	-6.6%
Discount	225	6.7%	221	6.3%	216	6.2%	218	6.1%	0.8%	-2.1%	9.3%	0.8%
Traditional grocery	135	4.0%	124	3.6%	115	3.3%	107	3.0%	-11.6%	-8.4%	3.8%	-6.8%
SSS Drug	1,092	32.3%	1,252	35.8%	1,306	37.3%	1,393	39.0%	-0.6%	12.8%	4.1%	6.2%
Total - Italian drug stores	3,642	100.0%	3,726	100.0%	3,710	100.0%	3,760	100.0%	-2.5%	3.3%	0.2%	1.8%
C.I. single-brand stores	373	9.9%	374	9.7%	386	9.9%	400	10.1%	26.8%	0.3%	2.9%	3.5%
Total OTHER CHANNELS	4,015		4,101		4,096		4,160		0.1%	2.1%	-0.1%	1.6%

Analysis of best performance

MODERN DISTRIBUTION (hypermarkets, supermarkets and self service outlets)	Sunscreen and self-tanning products	8.0%
Discount	Anti-ageing and anti-wrinkle creams	12.9%
	Post-shampoo treatments, conditioners and masks	12.8%
	Hair sprays	8.1%
Traditional grocery	Foundations and coloured creams	13.7%
	Face and eye detergents and make-up removers	7.6%
	Products for intimate hygiene	3.3%
SSS Drug	Cheek correctors, blushers and bronzing powders	13.7%
	Lipsticks and lip glosses	13.4%
	Women's alcohol-based perfume products	12.4%

% change '17/'16

○ Herbalist stores

In 2017, the value of cosmetics sales in herbalist stores (440 million euro, with growth of one percentage point) confirms the strength of this channel, which represents 4.4% of total Italian consumption. For some time, it has been pointed out that herbalist stores are a diverse channel, composed of traditional herbalist stores, single-brand stores and synergic channels that sell “naturally derived” products. The recent analysis by the Statistics Dept. has confirmed that green products, with an estimated value of almost 1,000 million euro, are sold in all channels, although the herbalist channel stands out owing to its evident level of specialisation. While the slowdown in consumption is apparent in traditional herbalist stores, it is important to note the dynamics of single-brand stores of companies that produce and sell naturally derived cosmetics. These types of distribution which, by product orientation are considered and recorded in the statistics as herbalist stores, are more modern, better managed and thus better equipped to compete with more innovative channels.

While it is still true that consumers are increasingly expressing an interest in the world of "natural and green" products, and are increasingly devoted to "naturally-derived cosmetics", it is also true that the focus is distributed across other channels too, where the range of "green" products on offer is growing.

Sales in herbalist stores, as well as those in pharmacies, confirm the buying decisions of those groups of users who prefer assisted and “recommended” sales. The motivations that drive consumers in herbalist stores do not take into account either the price or promotions, proof of their loyalty to a well-established channel.

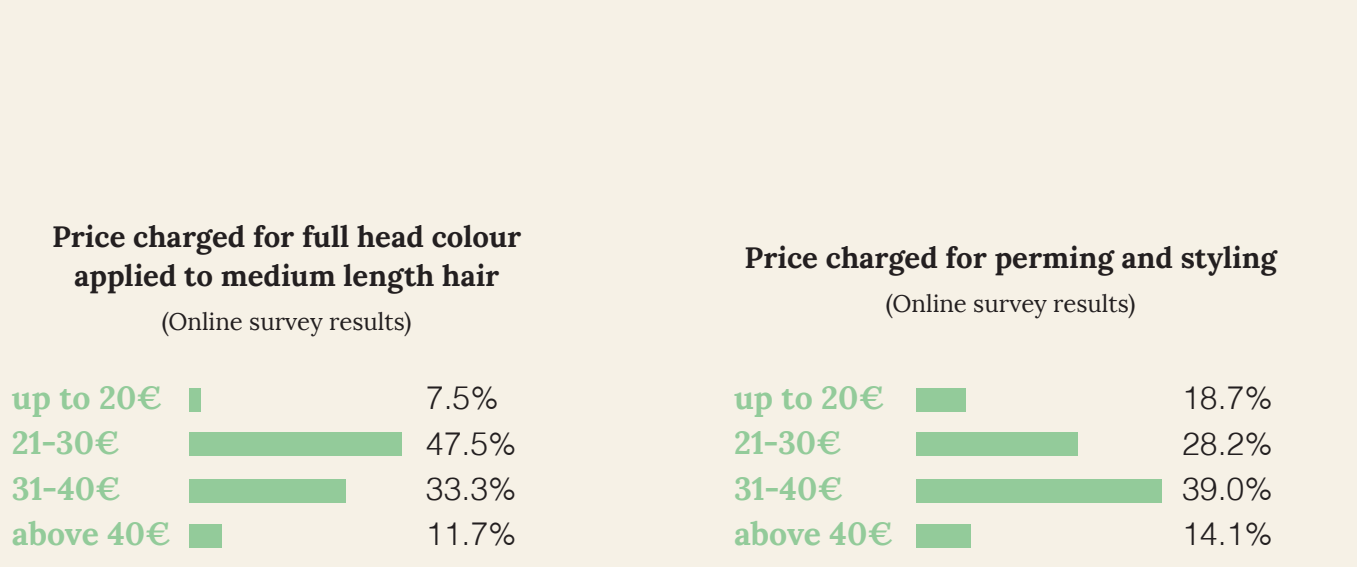
○ Hairdressing salons

In 2017, the consumption trend recorded in hairdressing salons was again positive, with an increase of two percentage points and a value of nearly 580 million euro, almost 6% of the value of Italian cosmetics consumption. After years of dwindling customers, a recovery has been under way for the past few years, due to the growing tendency to visit beauty salons and efforts by some hair salons to build customer loyalty and update their services by focusing more on resale. Indeed, the market value includes both products used for services and those sold in salons, as well as products sold and used outside salons: the latter constitutes a weight of about 17% of the aggregate value.

The companies dedicated to this channel are directing significant investments into this category, with a particular focus on training, improvement, modernisation and sales and promotion techniques. Many professionals have succeeded in reacting dynamically to the new developments in marketing, offering strategies for segmentation with regard to both services and treatments.

This is the case for the hairdressers who responded to the online survey coordinated by the Camera Italiana dell'Acconciatura (Italian Association of Hairdressers): The online survey was sent to a significant number of hairdressers, and the results were compared with a similar exercise conducted in 2016, allowing for key indicators, such as prices in salons, to be updated. It should be noted that the participants in the survey are well-qualified, in light of their propensity to use digital technologies; findings show that the average price for hair colouring was quoted as being between 21 and 30 euro by more than 47% of respondents, while 39% quoted the average price for styling as being between 31 and 40 euro.

Training, flexibility and targeted promotion are the main strategic initiatives companies in the field invest in. The confirmation comes from the study of buying motivations which indicate, more than in any other channel, the emphasis on the professional and the ability to relate to the customer.



○ Beauty salons

As for hairdressing salons, for the past couple of years we have seen an increase in visits to beauty salons and a corresponding growth in consumption, courtesy of an overhaul of the products on offer in salons and new forms of well-being services. As in the case of hairdressing salons, beauty salons also saw a growth in consumption of +2.4%, for a value of 236 million euro. Beauty salons, which account for 2.3% of cosmetics consumption, had suffered the most as a result of an inability to redesign their identity, which, in the eyes of consumers, is increasingly geared towards the qualification of the service, of those who provide it and of the environment in which it is delivered. In 2017 there were evident signs of a positive recovery. The recovery of this channel was also aided by companies that backed significant efforts in innovation and the sale of new products and equipment. In addition, a number of important phenomena are increasingly apparent, such as spas and wellness centres, which dynamically tend to represent an increasingly large share of consumption of beauty/professional products. In the past, beauty salons were undoubtedly also hit by a slowdown in customer response. In light of the recent crisis, consumers limited their visits to beauty salons, leading to a decline in values both with regard to services and treatments, with an obvious impact on the use of cosmetics. Today the green phenomenon is having a positive impact on the products used in salons, accounting for more than 3% of all natural products sold in Italy.

In-salon services

Source: Survey of the Istituti di Bellezza, Marketing & Telematics (2018)

Consolidated services	
Manual body treatments	99.0%
Manual facial treatments	98.8%
Manicures	95.3%
Pedicures	95.3%
More modern services	
Make-up	82.9%
Body treatments using equipment	80.3%
Body treatments using equipment	80.1%
Hair removal using equipment (mechanical and laser)	63.3%
Tanning treatments	61.7%
Nail reconstruction	59.7%
More innovative services	
Weight loss	49.0%
Wellness programmes (spa)	37.2%
Other specific treatments	15.6%

(*) includes Herbalist and Single-Brand stores

Size of Italian beauty salons

Source: Survey of the Istituti di Bellezza, Marketing & Telematics (2018)

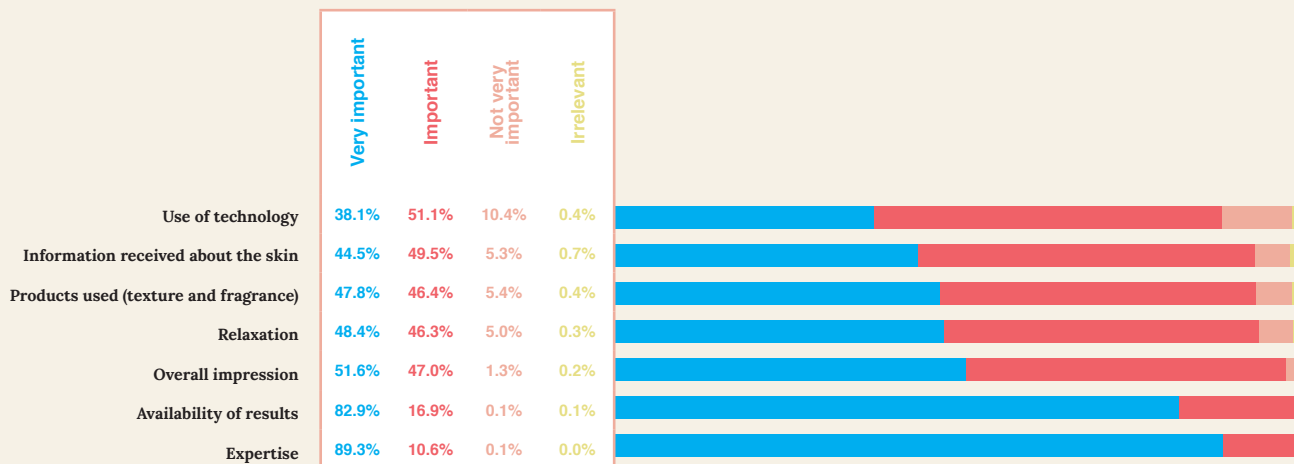
● less than 50 m² 25.7% ● from 50 to 100 m² 57.5% ● from 100 to 200 m² 14.3% ● more than 200 m² 2.5%

Just over 55% of beauty salons in Italy have a surface area of between 50 and 100 square meters; only 3% have a surface area of 200 square meters. The salons with a smaller surface area are located in Northwest Italy while the larger salons are located in Central and Southern Italy.



Assessment of the quality of service in beauty salons

(Source): Beauty salon survey, Mlab/Mondadori (2018)

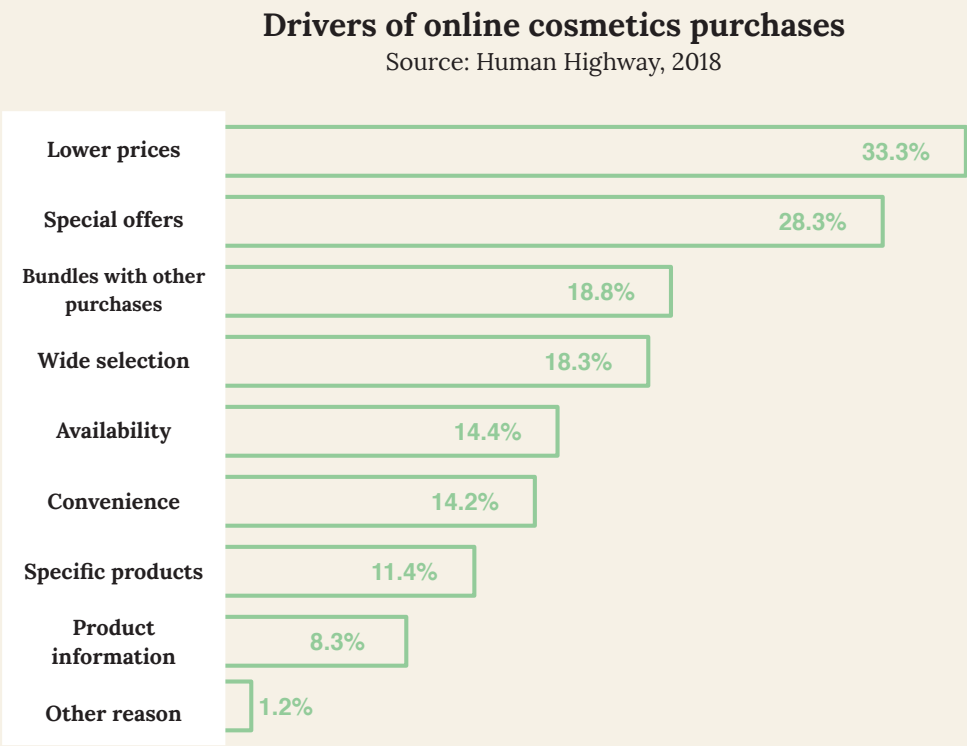


Direct sales & E-commerce

The surveys include e-commerce, together with door-to-door and mail order sales, in the large aggregate of direct sales covering more than 7% of cosmetics consumption. In 2017, these continued to outperform other channels: In 2017, these continued to outperform other channels: at the end of 2017, growth stood at 7.8 percentage points, with further increases forecast for the first half of 2018. The sales volume exceeds 820 million euro. It is pointed out that online sales are having a dynamic impact, particularly in terms of trends. This is demonstrated by the recent Human Highway survey, with growth of over 25 percentage points, despite values only just passing the 300 million euro mark.

In addition, the emergence of new international sales platforms is accelerating the internal dynamics, leading to evident difficulties in measurement. In general, direct sales inspire consumer confidence, offering more approachable price lists and sale terms, as well as having an effective policy when it comes to new product launches and collections.

The Human Highway survey of March 2018 provides an interesting snapshot of online sales. For example, it reveals vital data about the motives for buying cosmetics on e-commerce platforms: obviously prices come first, but special offers (e.g. bundles and combined sales), choice and flexibility are equally important.



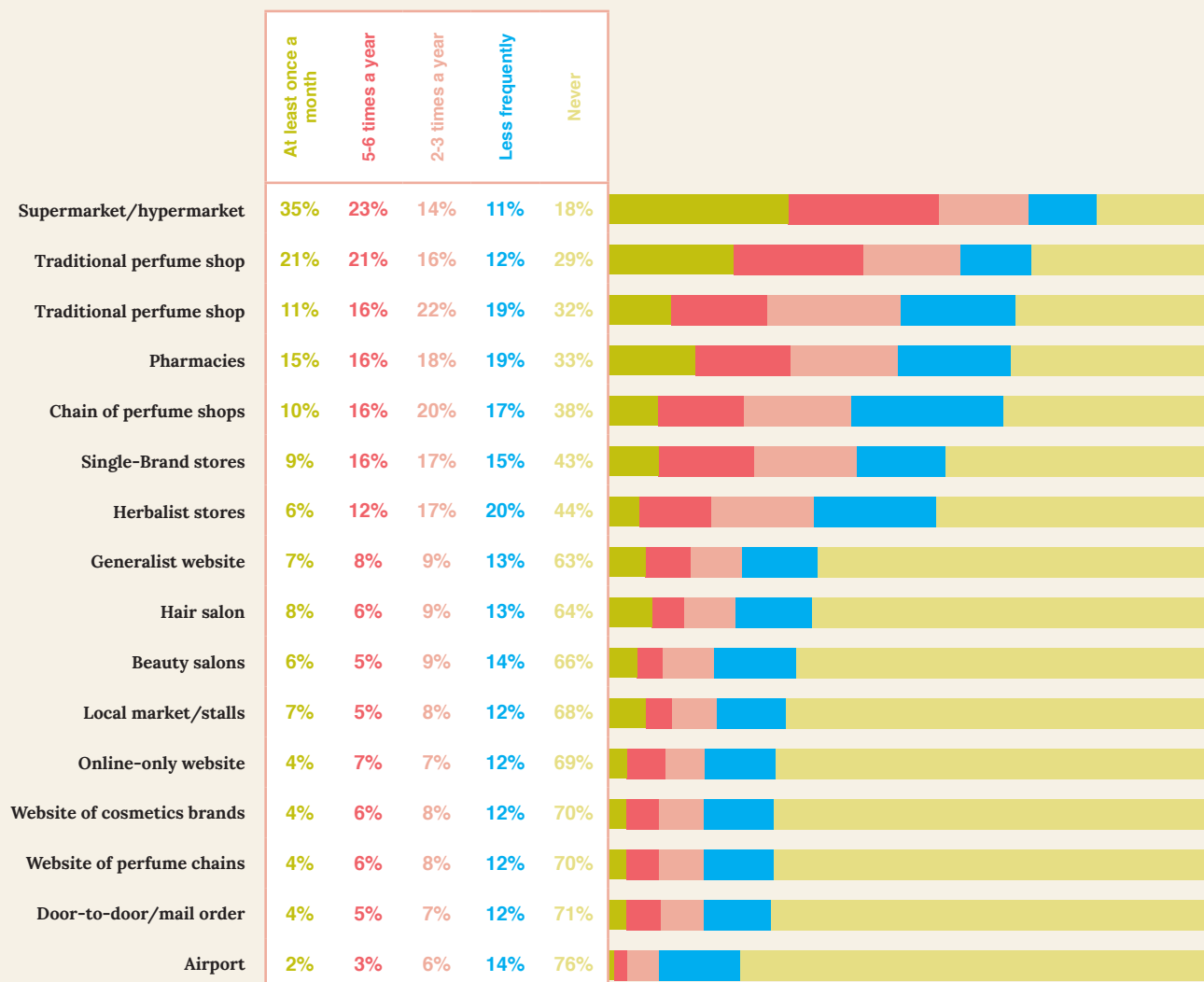
○ Omni-channel and cross-channel distribution trends

The transformation of spending habits, modified due to the recent recession, but also linked to changing tastes and habits, has been reflected in the distribution of cosmetics, generating new dynamics with less defined borders.

The survey by the Istituto Piepoli explains, on the one hand, the frequency of purchases in the various channels and, on the other, the density of purchases of products in the individual channels. The concentration in large stores, mostly in traditional channels, is to be expected. However, single-brand stores, mass market retailers and e-commerce have also witnessed remarkable growth. E-commerce in particular is becoming established as part of the normal routine for shoppers.

Omni-channel versus cross-channel: frequency of purchase of cosmetics in the various channels

Source: Istituto Piepoli, 2018



A study of the individual product categories and distribution density by purchasing channel confirms the theory that different products are often distributed with differentiated and seemingly non-specific strategies.

This is the case with hair products, which, after the concentration in the mass market, are increasingly prevalent in the pharmacy channel (12% of responses by channel). Likewise, men's cosmetics are still concentrated in the mass market, even though specialisations are emerging in traditional perfume shops and chains.

With regard to online sales, it is interesting to note the concentration of cleansing and skincare products (22%), as well as make-up (18%).

Omni-channel versus cross-channel: Comparison of the main purchasing channels by product category

Source: Istituto Piepoli, 2018

	Cleansing and skincare products	Body hygiene products	Products for body care	Face cosmetics	Men's cosmetics	Perfumes and eau de toilette	Hair care products
Supermarket/hypermarket	39%	66%	58%	20%	65%	17%	60%
Supermarket specialising in cosmetics	30%	33%	33%	31%	31%	17%	31%
Traditional perfume shops	24%	11%	16%	25%	25%	46%	11%
Pharmacies	31%	19%	20%	17%	17%	6%	12%
Chain of perfume shops	25%	13%	15%	32%	32%	34%	11%
Single-Brand stores	21%	10%	9%	32%	32%	10%	8%
Herbalist stores	14%	9%	9%	7%	7%	6%	7%
Online	22%	10%	9%	18%	18%	14%	9%

○ Cosmetics in Europe

Cosmetics Europe, the European trade association for the cosmetics industry, published its customary statistical updates in 2017 pending the final data.

Germany had the highest consumption, with over 13,500 million euro, followed by France with over 11,300 million euro. Third place went to the United Kingdom, which, with a stagnant trend compared with last year, approached the 11,100 million euro mark. Italy remained in fourth place, followed by Spain in fifth place with 6,800 million euro and a similar trend to the values recorded last year. The concentration index confirms that the top five countries account for more than 68% of the European market, which in 2017 topped 77,600 million euro overall, reflecting the slight improvement in performance. In the European cosmetics sales ranking, skincare products took first place, representing 25.7% of the total, followed by toiletries. With 77,656 million euro in sales, Europe confirmed its position as number one in the world for consumption, followed by the United States (67,000), China (43,000), Japan (30,000) and Brazil (25,000).

A comparison of the biggest markets

Source: Cosmetics Europe, consumption in 2017 in millions of euro

Europe	78,000
EU 28	74,000
USA	67,000
China	43,000
Japan	30,000
Brazil	25,000
India	11,000
South Korea	10,000

Composition of European consumption by macro-category

Source: Cosmetics Europe, 2017

	Values %
Skin care	25.8
Toiletries	25.1
Products for hair care	19.4
Alcohol-based perfume products	15.7
Make-up	13.9

European consumption

values in millions of euro – retail prices

	2017	inc. % 2017
Germany	13,563	17.5%
France	11,340	14.6%
United Kingdom	11,129	14.3%
Italy	10,097	13.0%
Spain	6,820	8.8%
Poland	3,705	4.8%
Netherlands	2,674	3.4%
Belgium/Luxembourg	2,067	2.7%
Switzerland	2,032	2.6%
Sweden	1,986	2.6%
Austria	1,416	1.8%
Portugal	1,358	1.7%
Romania	1,283	1.7%
Norway	1,211	1.6%
Denmark	947	1.2%
Finland	911	1.2%
Greece	851	1.1%
Ireland	796	1.0%
Czech Republic	734	0.9%
Hungary	722	0.9%
Slovakia	566	0.7%
Bulgaria	386	0.5%
Croatia	353	0.5%
Lithuania	235	0.3%
Slovenia	170	0.2%
Latvia	168	0.2%
Estonia	142	0.2%
Total - EU	77,656	100.0%

2 Trends in cosmetics consumption

In 2017, the trend for cosmetics consumption was positive, as in the previous year: total purchases in the domestic market rose by 1.7% to 10,097 million euro, a more substantial increase than the performance recorded in the previous year.

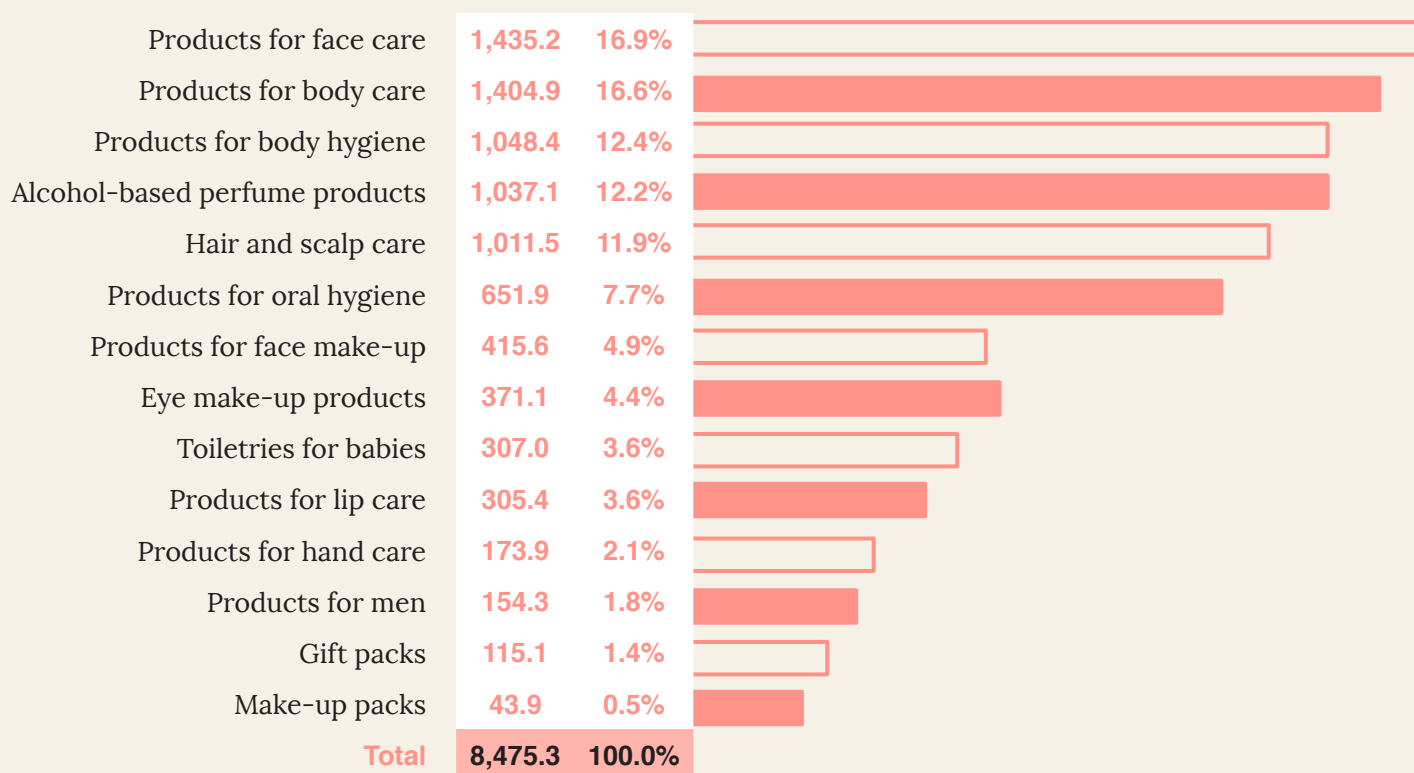
Sales for the retail channels alone reached 8,475 million euros, reflecting overall growth of 1.1%; this was adversely affected by the contraction in perfume shops (-0.5%), while a positive trend was reported for the pharmacy (+2.0%), herbalist (+0.9%) and mass market (including single-brand stores) channels (+1.5%).

As for professional channels, these also recorded a positive trend, as in previous years, with average growth of two percentage points.

Cosmetics in Italy have become a daily consumption habit that buyers are not willing to give up. This is why the negative trends of recent years, together with the new consumption patterns, have generated new channels and new purchase options, which in turn are inevitably linked to innovative forms of digital communication and promotion.

Breakdown of consumption by macro-categories - traditional channels in 2017

Retail prices including VAT – figures in millions of euro and percentage weighting



Total retail consumption of products - traditional channels in 2017

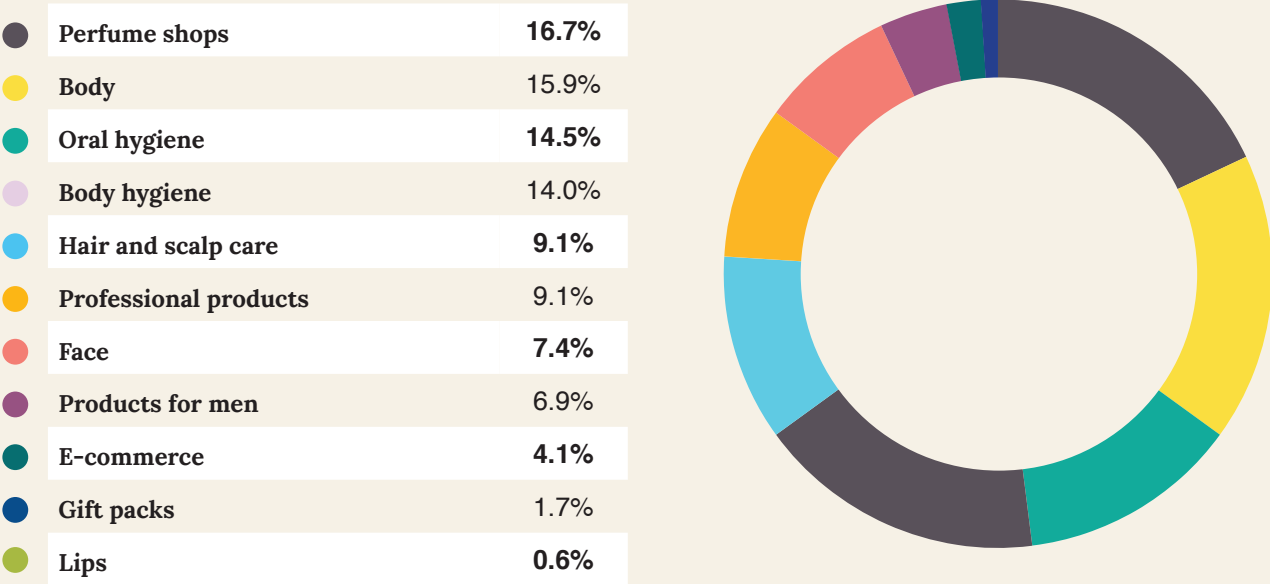
Retail prices VAT included - figures in millions of euro

	Total	Pharmacies	Perfume shops	Mass market and other channels	Total var %	Pharmacies var %	Perfume shops var %	% chg mass market and other channels
Total	8,475.3	1,868.2	2,007.8	4,599.3	1.1	2.0	-0.5	1.4
Hair and scalp care	1,011.5	184.9	38.4	788.3	-0.9	-0.3	-8.6	-0.7
Products for face care	1,435.2	515.6	409.2	510.3	2.7	3.3	2.0	2.8
Products for face make-up	415.6	59.6	175.1	180.9	1.5	5.0	-2.5	4.5
Make-up packs	43.9	0.1	29.2	14.6	1.9	-9.7	2.7	0.3
Eye make-up products	371.1	32.6	128.8	209.7	1.7	9.9	-2.5	3.2
Products for lip care	305.4	50.9	102.7	151.7	7.2	12.6	7.4	5.3
Products for hand care	173.9	40.2	25.1	108.6	-1.6	8.9	-15.0	-1.4
Products for body care	1,404.9	453.7	134.0	817.1	2.3	1.5	1.5	2.9
Products for body hygiene	1,048.4	273.5	26.6	748.3	0.0	0.3	-7.5	0.1
Products for oral hygiene	651.9	141.8	4.4	505.7	-0.8	-2.2	0.1	-0.4
Toiletries for babies	307.0	87.6	4.7	214.7	-0.3	-3.4	0.1	1.0
Products for men	154.3	10.3	37.5	106.6	-2.5	-4.7	-2.5	-2.4
Alcohol-based perfume products	1,037.1	17.4	790.1	229.6	0.1	47.9	-2.2	6.0
Gift packs	115.1	-	102.0	13.1	3.9	-	4.3	0.8

Estimation of the composition of consumption of cosmetics products for women (76% of the total) Percentage weight



Estimation of the composition of consumption of cosmetic products for men (24% total) Percentage weight

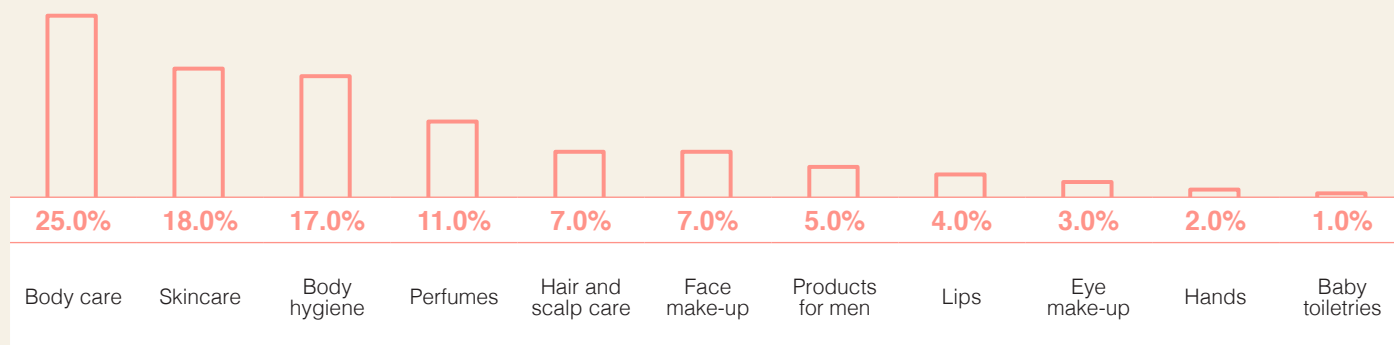


○ In depth

The green cosmetics market

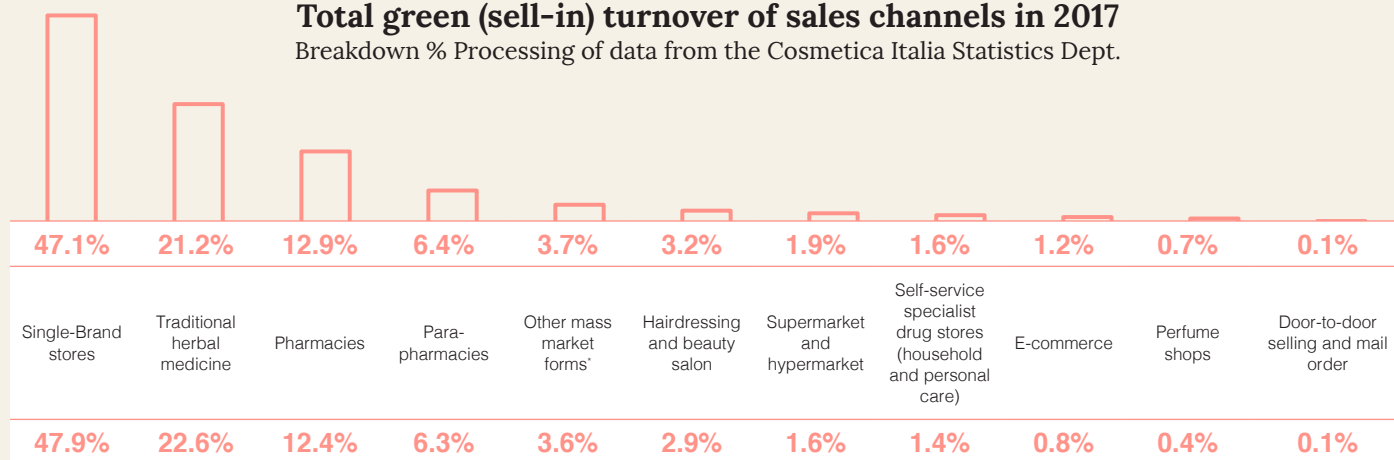
Natural products and their new distribution channels have given rise to the need to measure the importance of “green” products for the companies involved.

This focus on natural cosmetics was the subject of a recent study, given the dynamics of this trend. Sales of natural cosmetics in Italy are valued at 1,100 million euro. Of these, 25% are in the category of body care, 18% face care, 17% body hygiene and 11% perfumes. Among the other percentages, hair and scalp products are noteworthy at 7%, as is make-up, confirming the cross-cutting nature of this phenomenon.



Total green (sell-in) turnover of sales channels in 2017

Breakdown % Processing of data from the Cosmetica Italia Statistics Dept.



Comparison with 2016 turnover

* Self-service, discount and traditional grocery stores

3 Imports and exports

For some time, the analysis of foreign trade data has been based on the statistics that are processed by the Statistics Dept. using data provided by Istat. Periodically, when applying the corrections which present themselves during the survey period, the Italian Institute of Statistics carries out a review of data from previous years: clearly, then, the statistics processed by Cosmetica Italia adapt the values relating to the financial years in question. With the exception of very rare occasions, however, deviations in figures are always marginal. For the eighth consecutive year, exports recorded a substantial increase, easily exceeding 4.5 billion euro. Indeed, exports of Italian cosmetics reached 4,600 million, an increase of 7.1%. The overall value relating to this data is also significant: Growth is 3.5%, confirming that the move towards internationalisation is continuing and is not just reflected in margins. With less dynamic growth than in previous years, imports exceeded 2,050 million euro, up +3.0% from 2016, as opposed to the slight decline in quantities of almost one percentage point. The consolidated recovery of foreign markets has had a positive effect on the trade balance of the cosmetic industry, which has confirmed the upward *trend* that began in 1996, when the value of cosmetic exports exceeded that of imports. In 2017, the credit balance totalled more than 2.5 billion euro, well above many contiguous market categories, confirming the status of Italian cosmetics as a key element in the country's economic system. The full recovery of some historical foreign markets, along with the evolution of new areas of consumption, has certainly contributed to the *performance* of Italian sales abroad, which are still increasing sharply after the physiological decline of 2008-2009. But it is the exports to "new" destinations - highly sought-after throughout the Italian business world - which have had the greatest impact.

Trends in the trade balance

ISTAT data, processed by the Statistics and Business Culture Depts., values in millions of euro



The safety of formulations, along with constant product innovation, have contributed to the maintenance of trade figures on individual markets and have prompted growth in new areas of excellence, confirming the quality of the Italian cosmetics industry.

Exports constituted 42% of total turnover in 2017, the highest value seen in the last decade, which has certainly been helped by the improved performance of the major European markets and the rapid development of those in the Middle East and Asia. While this value is still too low to be able to hail the successful launch of the internationalisation process of the Italian cosmetics industry, it remains positive in terms of new development opportunities in foreign markets.

In terms of products, a positive performance was recorded for powders and powder compacts (+32.7% and 203 million euro) and shampoos (+20.4% and 235 million euro). A significant proportion of body hygiene products are also doing well: bath products soared by +70%, or 157 million euro, while deodorants were up almost 14 percentage points at 118 million euro. Exports of make-up also increased in 2017, although to a lesser extent than in 2016: eye make-up totalled 421 million euro, up +2.7%, while lip make-up reached 261 million euro, reflecting a one percentage point increase. Exports of perfumes and eau de parfum were notable due to their contribution in value terms, climbing +13.7% to more than 380 million euro in 2017.

The top category of Italian cosmetics exports, creams and other products, also did remarkably well, increasing by 9.5% to almost 900 million euro.

Exports of hairspray (-16.2%) and nailcare products (-5.5%) contracted, although with a marginal weighting.

In terms of macro-categories, men's products performed below the average for cosmetics exports (+6.0%), while hair products and face and body products recorded higher growth rates (+9.5%).

In 2017 too, flows in foreign trade have served to consolidate the drop in tensions in the economies of individual countries, which are united by their ability to look beyond the financial crisis of recent years with remarkable dynamism.

As for imports, creams remain the highest value products, with an increase of 7.7% and a value of almost 708 million euro, along with eau de toilette and eau de cologne, up by +0.9% with a value of 257 million euro. Eye make-up, which accounts for 6% of total cosmetics imports, fell by more than five percentage points. There was also a decline, albeit marginal in value terms, in imports of hairspray (-25.9%), hair products (-21.0%), bath products (33.4%), nailcare products (-5.0%), soaps (-4.7%) and other oral hygiene products (-12.7%).

Europe remains the primary destination for cosmetics exports, to the tune of 3,057 million euro, thanks to a strong recovery in demand from historically important countries such as France, Spain and the Netherlands.

However, there was a decline in exports to Germany of -2.5% (516 million euro) and the United Kingdom with -2.2%, following the significant trend recorded between 2015 and 2016.

Among the top ten non-European destination countries, growth was recorded in cosmetics exports to the United States, up +3.4% to 418 million euro: The volumes for these countries are still interesting, with double-digit growth recorded by Hong Kong (+27.1%) and the United Arab Emirates (+3.3%), in sixth and eighth positions, respectively, by value and strategic for the internationalisation policies of companies in the sector. The first ten export destinations for Italian cosmetics account for over 64% of total exports.

For a while now, we have been witnessing an evenly-distributed expansion in export values of Italian cosmetic products: Asia, with a value of 841 million euro, has recorded an increase of 4.8% (it was at 18.9% in 2015); The United States recorded an increase of 14.0%, with over 541 million euro, while Africa's figures remain low, with an increase recorded in its preference for Italian products (-11.4%, accounting for just over 69 million euro). Strong intercontinental growth was also recorded for Oceania (+5.8%), for a total value of 72 million euro.

The ten-year comparison of the main Asian markets covered by the internationalisation plan or of strategic importance for the Association is interesting: the total value of exports to China, Japan and Hong Kong has jumped from 94 million euro in 2007 to 169 million last year; an increase of 80% in ten years, or 120% if we include the entire ASEAN area.

Export of finished and semi-finished products

Surveys from January to December

	QUANTITIES (tons)			VALUES (millions of euro)		
	2016	2017	var. %	2016	2017	var. %
Shampoos	99,060	106,825	7.8%	195	235	20.4%
Hair preparations	1,496	1,908	27.6%	7	9	27.8%
Hair sprays	8,619	6,900	-19.9%	26	22	-16.2%
Hair lotions and other products for hair care	117,071	126,107	7.7%	579	618	6.7%
Powders and compact powders	5,429	7,243	33.4%	153	203	32.7%
Creams and other products	52,497	55,058	4.9%	819	897	9.5%
Lip make-up products	4,965	6,159	24.1%	258	261	1.0%
Eye make-up products	10,895	10,980	0.8%	410	421	2.7%
Nailcare products	3,878	3,085	-20.5%	51	48	-5.5%
Toilet soaps	145,852	86,049	-41.0%	231	173	-25.0%
Bath preparations	55,385	111,918	102.1%	92	157	69.9%
Body deodorants	19,919	23,586	18.4%	104	118	13.7%
Toothpastes	5,815	6,207	6.8%	50	56	13.3%
Other preparations for oral hygiene	80,458	79,997	-0.6%	146	151	3.7%
Shaving, pre-shave and after shave products	14,107	12,383	-12.2%	46	48	6.0%
Perfumes and eau de parfum	10,776	13,616	26.3%	335	381	13.7%
Toilet waters and eau de cologne	23,776	27,547	15.9%	662	682	2.9%
Other perfume and toiletry products	27,090	25,412	-6.2%	145	136	-6.1%
Total - exports	687,088	710,980	3.5%	4,309	4,617	7.1%

ISTAT data, processed by the Statistics and Business Culture Depts.

Import of finished and semi-finished products

Surveys from January to December

	QUANTITIES (tons)			VALUES (millions of euro)		
	2016	2017	var. %	2016	2017	var. %
Shampoos	49,633	47,425	-4.4%	93	96	3.3%
Hair preparations	460	340	-33.9%	3	3	-21.0%
Hair sprays	1,443	1,025	-30.3%	7	5	-25.9%
Hair lotions and other products for hair care	32,877	31,843	-0.8%	132	135	2.2%
Powders and compact powders	1,653	1,521	2.1%	32	41	27.9%
Creams and other products	44,563	54,783	-0.8%	657	708	7.7%
Lip make-up products	1,154	1,500	-16.7%	73	74	0.9%
Eye make-up products	2,443	2,367	-12.6%	122	116	-5.5%
Nailcare products	3,797	3,520	-13.9%	68	64	-5.0%
Toilet soaps	22,068	27,335	-4.9%	60	57	-4.7%
Bath preparations	9,129	14,958	-12.8%	38	25	-33.4%
Body deodorants	9,187	10,751	2.0%	64	65	1.4%
Toothpastes	28,916	31,551	-0.4%	96	96	0.3%
Other preparations for oral hygiene	10,561	9,051	-24.7%	42	36	-12.7%
Shaving, pre-shave and after shave products	4,919	14,672	49.5%	21	25	18.4%
Perfumes and eau de parfum	14,283	12,090	5.1%	187	193	3.5%
Toilet waters and eau de cologne	10,126	10,083	-9.2%	254	257	0.9%
Other perfume and toiletry products	6,898	10,431	65.8%	44	56	28.0%
Total imports	249,057	285,245	-0.9%	1,994	2,053	3.0%

ISTAT data, processed by the Statistics and Business Culture Depts.

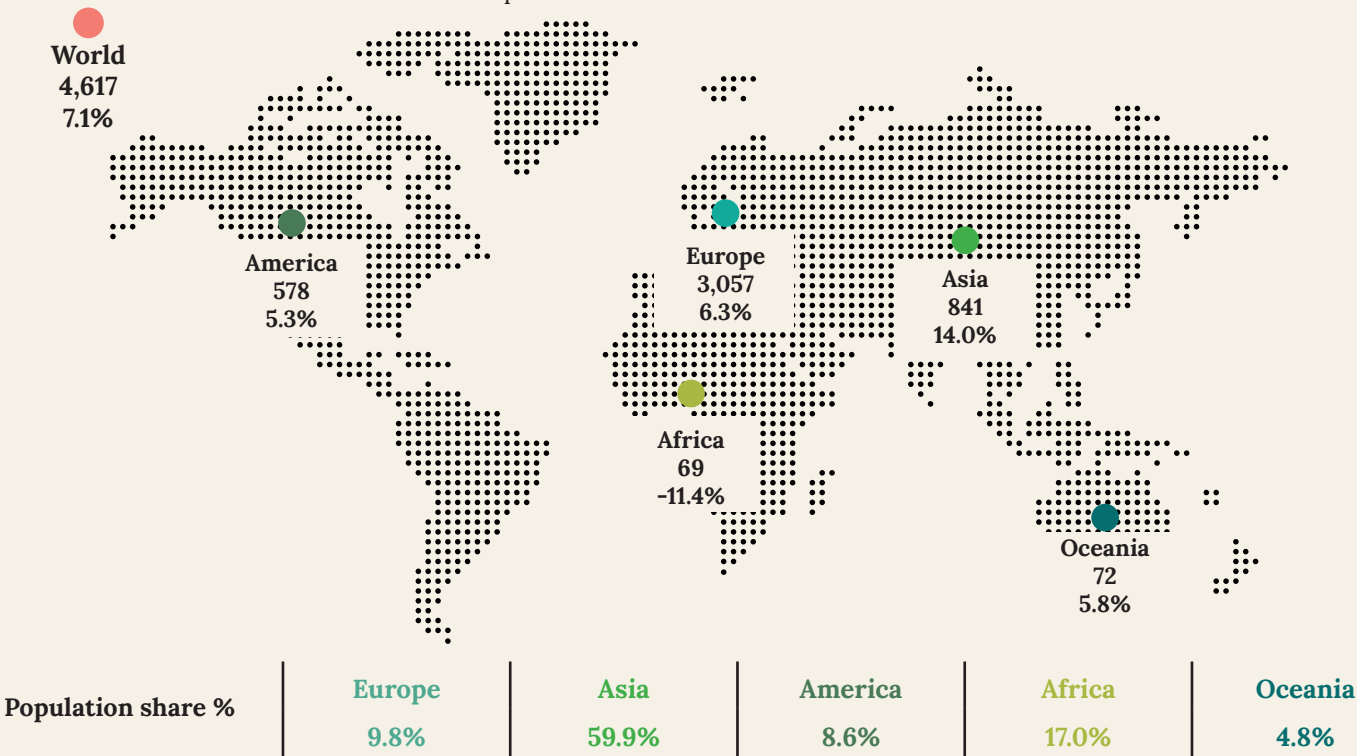
Italian cosmetics industry exports - top 10

Values in millions of euro

	Exports 2016	Exports 2017	% change '17/'16	Weight % on export total for 2017
France	470	596	26.7%	12.9%
Germany	529	516	-2.5%	11.2%
United States	405	418	3.4%	9.1%
United Kingdom	338	331	-2.2%	7.2%
Spain	283	296	4.3%	6.4%
Hong Kong	156	199	27.1%	4.3%
Netherlands	151	171	13.0%	3.7%
United Arab Emirates	152	157	3.3%	3.4%
Poland	140	152	8.7%	3.3%
Russia	139	137	-1.4%	3.0%

International flows

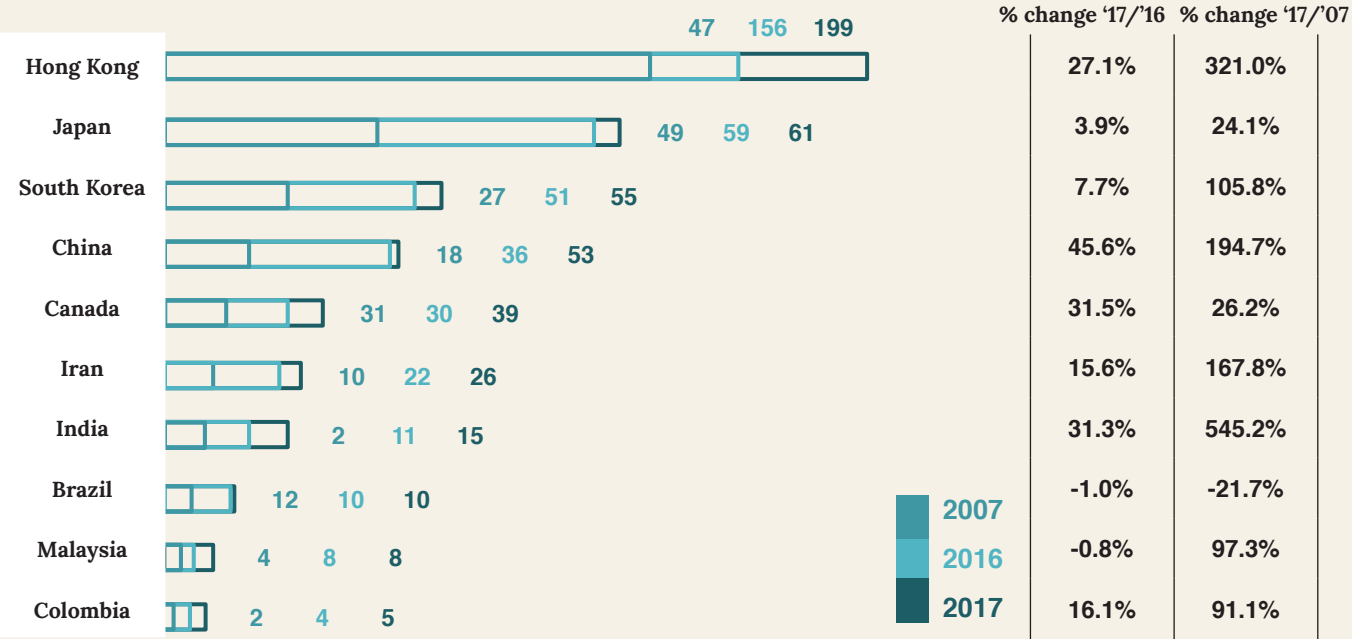
Exports - values in millions of euro



<http://www.worldometers.info/world-population/population-by-region/>

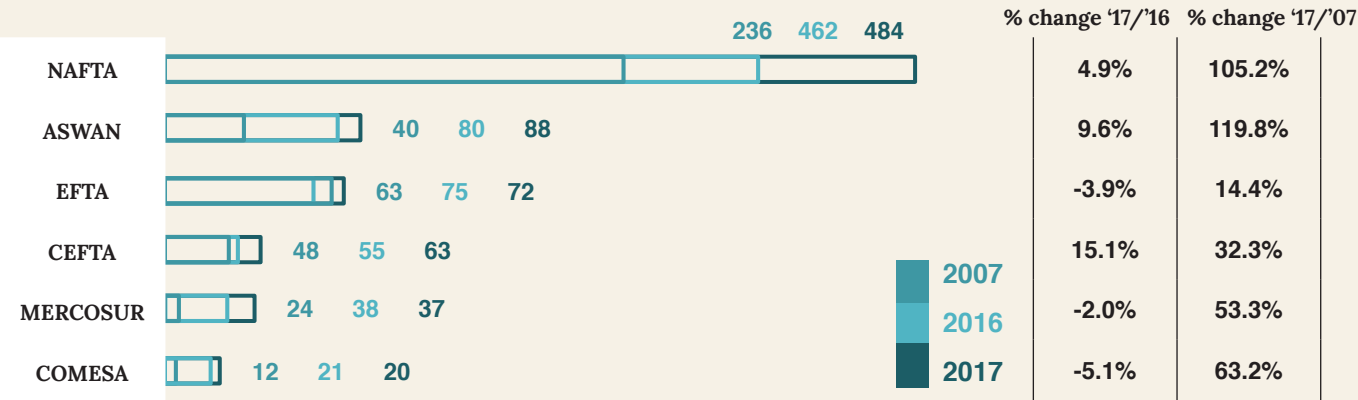
Countries covered by the 2017 internationalisation plan or of strategic importance

Value of exports in millions of euro



Geo-economic areas

Value of exports in millions of euro



- 1. NAFTA comprises: Canada, Mexico, US
- 2. ASWAN comprises: Brunei, Burma, Cambodia, Philippines, Indonesia, Laos, Malaysia, Singapore, Thailand, Vietnam
- 3. EFTA comprises: Iceland, Liechtenstein, Norway, Switzerland
- 4. CEFTA comprises: Croatia, Macedonia, Moldova, Serbia, Bosnia and Herzegovina, Montenegro, Albania, Kosovo
- 5. MERCOSUR comprises: Argentina, Brazil, Paraguay, Uruguay
- 6. COMESA comprises: Burundi, Comoros, Congo, Egypt, Eritrea, Ethiopia, Djibouti, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe

Top five importing countries by macrocategory

Italian exports in 2017 - values in millions of euro

Products for hair care		Products for make-up		Products for body care		Personal cleansing	
United States	88	France	246	Hong Kong	99	France	96
Spain	78	United States	127	France	96	Spain	50
France	65	Germany	124	Germany	88	United Kingdom	47
Germany	55	Belgium	67	United States	82	Germany	43
United Kingdom	55	United Kingdom	64	Spain	62	Netherlands	20
Oral hygiene		Products for men		Alcohol-based perfume products		Other products	
United Kingdom	43	Germany	9	Germany	158	Netherlands	26
Germany	31	Netherlands	7	United States	100	France	14
France	18	Belgium	3	Hong Kong	76	Russia	12
Poland	10	France	3	United Arab Emirates	75	Germany	8
Slovakia	10	United Kingdom	3	United Kingdom	62	Serbia	6

Breakdown of exports by macro category

Italian exports in 2007-2017, values in millions of euro

	2007	weight % '07 on total export	2017	% change '17/'16	% weighting in 2017 of total exports
Products for hair care	365	15.9%	884	9.5%	19.1%
Products for make-up	350	15.3%	933	7.0%	20.2%
Products for body care	516	22.5%	897	9.5%	19.4%
Personal cleansing	262	11.4%	448	4.9%	9.7%
Oral hygiene	54	2.4%	208	6.1%	4.5%
Products for men	41	1.8%	48	6.0%	1.0%
Alcohol-based perfume products	612	26.6%	1,063	6.5%	23.0%
Other products	97	4.2%	136	-6.1%	3.0%
	2,297	100.0%	4,617	7.1%	100.0%

2007

2017

4 Trends, insights and studies of the growth of cosmetics

The work of the Statistics Dept. is not confined to producing statistics on the Italian cosmetics industry, its market and distribution, but covers increasingly topical and diversified service needs.

Evidence of this activity can be found in the new containers and communication tools that the Statistics Dept. has developed in recent years. First and foremost of these is the Beauty Trend Watch, the Statistics Dept. newsletter which provides monthly updates and covers topics of interest to the cosmetics industry. There are three ongoing contributions that should be mentioned which are important for future developments and for the content of targeted communication.

First is artificial intelligence applied to cosmetics as a future hypothetical trend; more concrete is the theme of the functionality of advanced cosmetics in the pharmacy channel; last is the theme of natural anti-ageing, one of the best-performing categories in 2017.

Beauty increasingly uses artificial intelligence (digital cosmetics).

Born between 1995 and the first decade of this century, “Generation Z” consumers have injected new life into the cosmetics industry, leading to hyper-segmentation. Indeed, one-size-fits-all collections, approved on a large scale, are no longer exciting for this younger generation. Instead, they need technologies that can identify their needs and quickly create the most suitable products.

The cosmetics needs of Generation Z



Source: Beautystreams

Therefore, the challenge that companies face today is this: to be able to speed up the process of analysing and studying the needs of each individual consumer and to make the process systematic.

Recent developments in the field of artificial intelligence (AI) have made levels of customisation possible that were once inconceivable in the cosmetics industry.

CUSTOMISATION	PERSONALISATION
Many consumers	One consumer
Small structural changes <ul style="list-style-type: none">• in production• in layout	Endless possibilities <ul style="list-style-type: none">• of colour• of ingredients
Product matches requirements	Specific to individual needs

Source: Beautystreams

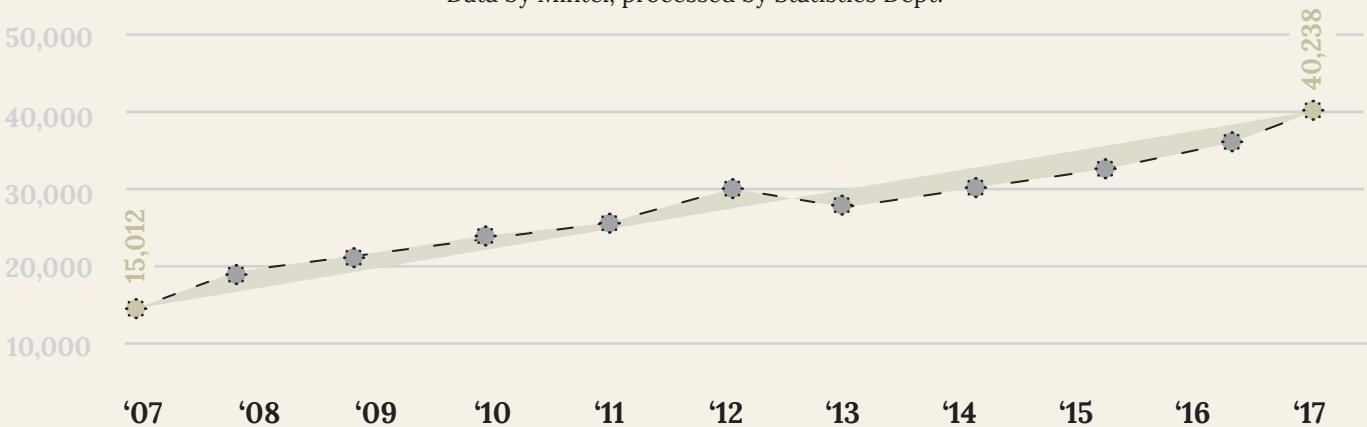
From the needs analysis to the creation of products in real time, the cosmetics applications of AI are practically infinite. Several retailers around the world have already started experimenting with this technology in their stores. We need only think of the applications for real-time cosmetics tests and the new make-up simulators that can collect data and offer an immediate market study with an optimal level of personalisation. In this regard, retailers are playing an increasingly important role, their proximity to consumers enabling them to conduct targeted research, slashing the response times of companies to market demand.

Growth of a traditional channel: the role of dermocosmetics as a booster for cosmetics sales in pharmacies

Functionality is one of the key aspects of cosmetics. Claims of efficacy combined with traditional aspects such as coverage, fragrance or sanitising effects lead to products that can almost be described as dermocosmetics. In 2017, more than 40,000 new cosmetics with functional claims were released on the global market.

Growth in the number of cosmetics with functional claims released on the market (worldwide)

Data by Mintel, processed by Statistics Dept.



The top 10 cosmetics with functional claims released on the global market in 2017

Data by Mintel, processed by Statistics Dept.

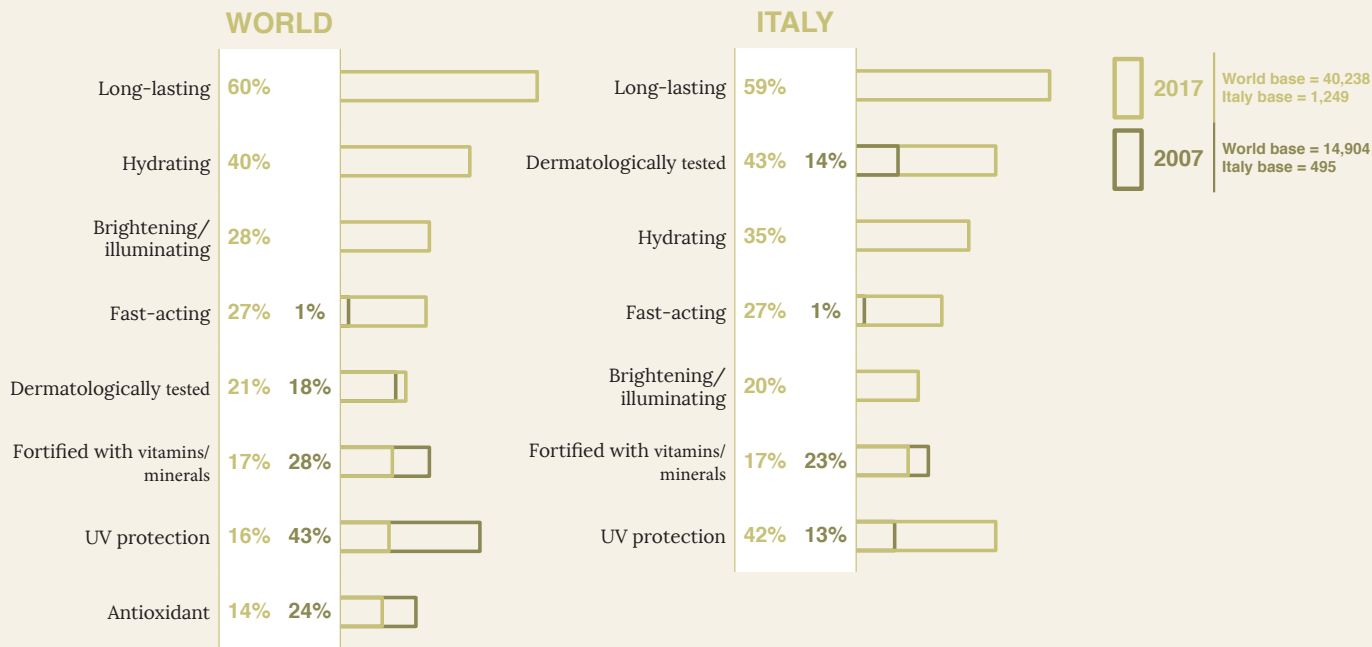


In the space of ten years, in terms of the number of products released on the market, the industry’s focus has almost quadrupled, particularly in the skincare category.

In 2017, 1,249 cosmetics with functional claims were released on the market in Italy, equivalent to 3.1% of launches worldwide. Compared with the global average, in Italy the claim of being “dermatologically tested” is more prevalent. This has grown significantly in the last ten years. Italian companies will need to give more consideration in their strategies to the “brightening/illuminating” effect of products. According to the recent analysis by the Statistics Dept., this is now the dominant trend, having originated in Asia, and specifically South Korea. This phenomenon will become part of the established trend for multifunctional face cosmetics, which have recorded growth in consumption for more than three years.

Change in efficacy objective for cosmetics with functional claims released on the market: 2007-2017 comparison worldwide and in Italy

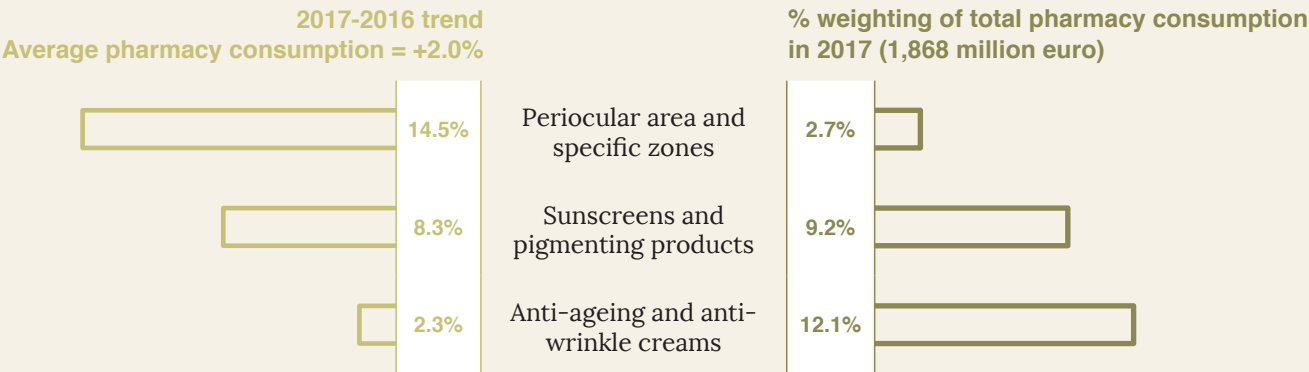
Data by Mintel, processed by Statistics Dept.



As evidence of the growth in this consumption, the initial data indicate a significant trend in the pharmacy channel for the eye area and other specific areas (+14.5%), suncare and pigmentation (+8.3%), and anti-ageing and anti-wrinkle creams (+2.3). This confirms the leading role of this channel, which in Italy is more popular than any other channel with the high-spending over-50 segment. The contribution to growth of the only three categories analysed of total cosmetics consumption in pharmacies in Italy (1,868 million euro) is around 450 million euro (with average growth of 6%), i.e. one in four cosmetics purchased.

The top three categories of consumption in the pharmacy channel in 2017

Values in percentages, processed by the Cosmetica Italia Statistics Dept.



A critical aspect of the specialisation in skincare (face and body) by pharmacies is the marginal business diversification, which reduces the dynamics and prospects linked to the potential for growth. The opportunities are vast: following on from the success of other product categories, and with their perceived quality of service, pharmacies could become the leading channel for the purchase of dermocosmetics in 2018 (excluding the mass market, as the only sector with multiple types of company).

Natural skin protection

Consumers have become more expert in skincare and more and more people report having sensitive skin. For these reasons, the key to success in the skincare market is to reinvent the concepts of “derma-science” and “natural” to satisfy these consumers. More and more consumers carefully examine the products they use, in the belief that they have sensitive skin. While established brands are focusing on derma-science, new independent brands are taking a fresh minimalist approach. The industry is committed to creating products perceived as safer to reassure a growing number of consumers who have a “chemical phobia”. This is achieved by integrating skin science with natural products, focusing the marketing campaign on transparency of communication. Anti-ageing for sensitive skin will be one of the key issues in the future which, combined with the trend for prevention (which originated in Asian countries), will gain more traction in the cosmetics market. This also means simpler steps for skincare, integrated solutions and hyper-functional products to address specific skin problems, as well as convenient formats and packaging.

Many of the trends come from South Korea, where consumers are well informed about their skincare and have maintained the highest per capita spend on facial care over the last four years. This is due to their inclination to try out new products and routines in the quest for youthful, radiant-looking skin. However, this experimental attitude is changing, with many South Korean consumers now looking for targeted products with preventive properties able to alleviate discomfort and repair damage caused by the environment and by a busy lifestyle.

This change has emerged in recent years with the growing popularity of functional cosmetics and the analysis of ingredients. Indeed, the attention of consumers is shifting towards a new generation of multifunctional products that can repair and prevent damage, with transparency and the use of natural ingredients influencing the buying decision.

5 Extract from the statistical appendix

Total cosmetic products on traditional channels - Historical values and annual percentage changes

Retail prices VAT included - figures in millions of euro

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cosmetic products - total	7,958.5	8,300.1	8,524.8	8,391.8	8,590.8	8,508.5	8,410.4	8,294.3	8,405.7	8,384.8	8,475.3
	2.2%	4.1%	2.6%	-1.6%	2.3%	-1.0%	-1.2%	-1.4%	1.3%	-0.2%	1.1%
Hair and scalp care	1,107.7	1,109.4	1,125.0	1,104.4	1,126.2	1,116.0	1,106.4	1,074.6	1,062.6	1,020.8	1,011.5
	-1.3%	0.2%	1.4%	-1.9%	1.9%	-0.9%	-0.9%	-3.0%	-1.1%	-4.1%	-0.9%
Products for face care	1,321.1	1,373.0	1,382.8	1,360.1	1,385.5	1,375.7	1,376.0	1,369.6	1,378.9	1,396.1	1,435.2
	4.0%	3.8%	0.7%	-1.7%	1.8%	-0.7%	0.0%	-0.5%	0.7%	1.2%	2.7%
Products for make-up	326.5	336.2	371.6	363.4	390.5	396.0	380.5	380.0	390.8	409.4	415.6
	3.3%	2.9%	9.5%	-2.2%	6.9%	1.4%	-4.1%	-0.1%	2.8%	4.5%	1.5%
Make-up packs	45.4	36.3	38.4	38.2	39.5	38.5	41.2	42.0	42.2	43.1	43.9
	2.6%	-24.9%	5.3%	-0.5%	3.3%	-2.5%	6.5%	2.1%	0.4%	2.0%	1.9%
Products for eyes	289.2	291.4	316.2	320.4	329.5	336.9	332.0	337.5	362.4	364.9	371.1
	2.0%	0.8%	7.8%	1.3%	2.8%	2.2%	-1.5%	1.6%	6.9%	0.7%	1.7%
Products for lip care	278.0	271.8	267.8	266.8	278.1	273.0	259.0	251.8	264.2	283.5	305.4
	-3.1%	-2.3%	-1.5%	-0.4%	4.1%	-1.8%	-5.4%	-2.9%	4.7%	6.8%	7.2%
Products for hand care	167.0	184.0	204.4	203.6	210.3	207.5	198.4	188.6	185.5	176.6	173.9
	1.0%	9.2%	10.0%	-0.4%	3.2%	-1.4%	-4.6%	-5.2%	-1.7%	-5.0%	-1.6%
Products for body care	1,289.1	1,380.6	1,439.1	1,414.1	1,442.1	1,430.4	1,413.7	1,372.2	1,402.0	1,372.8	1,404.9
	4.0%	6.6%	4.1%	-1.8%	1.9%	-0.8%	-1.2%	-3.0%	2.1%	-2.1%	2.3%
Products for body hygiene	1,054.9	1,085.9	1,095.0	1,069.0	1,088.9	1,076.8	1,063.2	1,049.1	1,060.6	1,048.9	1,048.4
	1.0%	2.9%	0.8%	-2.4%	1.8%	-1.1%	-1.3%	-1.3%	1.1%	-1.1%	-0.0%
Products for oral hygiene	561.2	600.7	623.8	622.9	637.2	634.9	643.4	647.3	656.5	657.0	651.9
	4.4%	6.6%	3.7%	-0.2%	2.2%	-0.4%	1.3%	0.6%	1.4%	0.1%	-0.8%
Skin cleansing products for children	256.6	297.0	342.8	348.1	357.1	349.5	333.9	321.9	314.2	307.9	307.0
	4.3%	13.6%	13.4%	1.5%	2.5%	-2.2%	-4.6%	-3.7%	-2.5%	-2.0%	-0.3%
Products for men	186.3	192.0	192.2	188.4	190.5	182.0	174.0	165.5	161.0	158.3	154.3
	0.7%	3.0%	0.1%	-2.1%	1.1%	-4.7%	-4.6%	-5.1%	-2.8%	-1.7%	-2.5%
Alcohol-based perfume products	933.7	1,001.6	1,009.3	979.8	999.2	979.3	970.9	984.1	1,010.9	1,036.6	1,037.1
	3.3%	6.8%	0.8%	-3.0%	1.9%	-2.0%	-0.9%	1.3%	2.7%	2.5%	0.1%
Gift packs	78.0	95.2	96.7	99.3	105.0	101.6	107.5	101.5	107.3	110.7	115.1
	12.3%	18.0%	1.6%	2.7%	5.4%	-3.3%	5.5%	-6.0%	5.5%	3.0%	3.9%

DIRECT AND PROFESSIONAL CHANNELS - Historical values and annual percentage changes

Retail prices VAT included - figures in millions of euro

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total - direct sales	382.6	408.9	418.8	455.2	490.6	516.9	576.6	628.0	683.1	741.1	811.6
	0.7%	6.4%	2.4%	8.0%	7.2%	5.1%	10.3%	8.2%	8.1%	7.8%	8.7%
Door-to-door sales	350.7	373.1	387.4	411.3	426.7	435.6	456.1	469.3	462.3	467.0	471.7
	6.6%	6.0%	3.7%	5.8%	3.6%	2.0%	4.5%	2.8%	-1.5%	1.0%	1.0%
Mail order sales and e-commerce	30.2	33.3	31.4	40.9	57.3	71.4	108.5	145.4	217.0	274.7	339.9
	-25.7%	9.3%	-6.0%	23.2%	28.7%	19.7%	34.2%	25.3%	33.0%	21.0%	21.5%

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total - professional channels	1,023.2	990.2	943.6	951.8	945.5	894.0	831.3	802.4	783.0	793.5	809.7
	1.3%	-3.3%	-4.9%	0.9%	-0.7%	-5.8%	-7.5%	-3.6%	-2.5%	1.3%	-2.5%
Sales to beauty institutes and beauticians	275.0	270.1	258.5	263.2	267.5	254.4	241.2	232.5	225.3	230.1	235.8
	2.1%	-1.8%	-4.5%	1.8%	1.6%	-5.2%	-5.5%	-3.7%	-3.2%	2.1%	2.4%
Hairdressing	747.1	719.1	684.2	687.7	677.3	639.1	589.7	569.5	557.3	563.0	573.9
	1.0%	-3.9%	-5.1%	0.5%	-1.5%	-6.0%	-8.4%	-3.6%	-2.2%	1.0%	1.9%

DIRECT AND PROFESSIONAL CHANNELS - Actual values and annual percentage changes

Retail prices VAT included - figures in millions of euro

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total - direct sales	436.9	452.6	460.3	492.5	516.6	528.3	582.9	633.7	690.0	749.3	811.6
	-19.0%	3.6%	1.7%	7.0%	4.9%	2.3%	10.3%	8.7%	8.9%	8.6%	8.3%
Door-to-door sales	400.5	413.0	425.7	445.0	449.3	445.2	461.1	473.5	466.9	472.1	471.7
	-9.3%	3.1%	3.1%	4.5%	1.0%	-0.9%	3.6%	2.7%	-1.4%	1.1%	-0.1%
Mail order sales and e-commerce	34.5	36.9	34.5	44.3	60.4	73.0	109.7	146.7	219.2	277.7	339.9
	-64.8%	6.8%	-6.3%	28.2%	36.4%	20.8%	50.4%	33.7%	49.5%	26.7%	22.4%

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total - professional channels	1,168.5	1,096.1	1,037.0	1,029.8	995.6	913.7	840.4	809.6	790.8	802.2	809.7
	-14.0%	-6.2%	-5.4%	-0.7%	-3.3%	-8.2%	-8.0%	-3.7%	-2.3%	1.4%	0.9%
Sales to beauty institutes and beauticians	314.0	299.0	284.1	284.8	281.7	260.0	243.8	234.6	227.5	232.6	235.8
	-13.1%	-4.8%	-5.0%	0.3%	-1.1%	-7.7%	-6.2%	-3.8%	-3.0%	2.2%	1.3%
Hairdressing	853.2	796.0	752.0	744.1	713.2	653.1	596.2	574.6	562.9	569.2	573.9
	-14.4%	-6.7%	-5.5%	-1.1%	-4.2%	-8.4%	-8.7%	-3.6%	-2.0%	1.1%	0.8%

DEVELOPMENTS IN EXPORTS OF ITALIAN COSMETICS THROUGHOUT THE WORLD

Historical values and annual percentage changes- Values in millions of euro, data from ISTAT

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total - exports	2,049	2,078	1,858	2,239	2,520	2,713	3,051	3,206	3,743	4,287	4,617
	1.0%	1.4%	-11.8%	17.0%	11.1%	7.1%	11.1%	4.8%	14.3%	12.7%	7.1%
Products for hair care	327	363	358	437	507	566	607	649	749	800	884
	9.8%	9.8%	-1.4%	18.1%	13.9%	10.4%	6.7%	6.5%	13.3%	6.3%	9.5%
Products for make-up	513	591	494	577	654	796	889	1,016	1,239	1,628	1,782
	8.3%	13.2%	-19.6%	14.4%	11.7%	17.9%	10.4%	12.5%	18.0%	23.9%	8.6%
Products for body care	28	26	23	28	30	31	32	33	40	51	48
	-4.7%	-9.2%	-9.8%	16.5%	6.1%	3.2%	4.7%	0.9%	18.6%	20.5%	-5.5%
Personal cleansing	233	242	223	219	237	238	332	351	414	426	448
	3.5%	3.7%	-8.8%	-1.5%	7.6%	0.4%	28.3%	5.4%	15.2%	2.8%	4.9%
Oral hygiene	5	4	82	89	105	108	149	164	176	195	208
	-15.5%	-13.8%	95.2%	7.9%	14.9%	3.0%	27.9%	8.6%	7.0%	9.7%	6.1%
Products for men	38	39	38	42	46	45	39	44	41	45	48
	6.5%	3.7%	-2.4%	8.6%	10.3%	-3.7%	-15.6%	12.9%	-8.1%	9.5%	6.0%
Alcohol-based perfume products	481	475	381	565	662	704	798	794	900	993	1,063
	-2.5%	-1.3%	-24.4%	32.5%	14.6%	5.9%	11.8%	-0.5%	11.7%	9.4%	6.5%
Other products	86	87	74	81	85	86	104	113	134	145	136
	3.2%	1.4%	-17.6%	7.9%	4.8%	1.2%	17.3%	8.4%	15.1%	7.8%	-6.1%

DEVELOPMENTS IN IMPORTS OF ITALIAN COSMETICS THROUGHOUT THE WORLD

Historical values and annual percentage changes- Values in millions of euro, data from ISTAT

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total - exports	1,454	1,521	1,372	1,557	1,643	1,611	1,638	1,670	1,808	1,992	2,053
	4.3%	4.4%	-10.9%	11.9%	5.3%	-2.0%	1.6%	1.9%	7.6%	9.2%	3.0%
Products for hair care	227	231	218	214	237	221	220	226	229	235	239
	-4.3%	1.8%	-6.1%	-1.9%	9.6%	-7.1%	-0.4%	2.7%	1.2%	2.7%	1.4%
Products for make-up	407	379	380	475	547	620	616	631	805	881	938
	5.2%	-7.2%	0.1%	20.1%	13.1%	11.8%	-0.6%	2.4%	21.6%	8.6%	6.1%
Products for body care	49	53	47	52	54	53	55	56	60	67	64
	8.4%	6.6%	-12.6%	10.2%	2.3%	-1.2%	3.9%	1.7%	6.7%	11.1%	-5.0%
Personal cleansing	124	136	116	118	127	122	128	124	140	161	148
	3.6%	8.5%	-16.8%	1.6%	6.7%	-4.1%	4.9%	-3.1%	11.1%	13.5%	-9.0%
Oral hygiene	85	112	103	109	125	122	144	127	133	138	133
	3.1%	23.9%	-9.3%	6.1%	12.9%	-2.8%	15.3%	-13.8%	4.7%	3.3%	-3.6%
Products for men	28	24	22	22	21	21	18	20	21	21	25
	10.1%	-16.6%	-9.0%	-0.2%	-2.6%	-3.6%	-14.1%	8.6%	3.7%	0.5%	18.4%
Alcohol-based perfume products	269	285	247	348	363	341	328	367	389	441	450
	3.6%	5.7%	-15.2%	29.0%	4.2%	-6.5%	-3.9%	10.8%	5.5%	11.8%	2.0%
Other products	48	43	41	46	39	40	39	38	37	40	56
	8.5%	-12.3%	-5.1%	11.9%	-19.0%	1.8%	-0.9%	-4.3%	-0.4%	6.9%	28.0%

Graphic design by



W O R L D



The Beauty Report has been recording and interpreting the performance of the Italian cosmetics industry for the past eight years. It seeks to foster a better understanding among institutions, economic operators and the media of a vital component of the country's economy, generating sales of more than 10 billion euro (of which exports account for 44%) and a positive trade balance of 2.6 billion euro.

The report is sponsored by Cosmetica Italia, a national association of cosmetics companies, which commissioned an objective analysis showing the resilience (and growth) of firms over the past decade in a challenging economic environment.

The 2018 Beauty Report highlights the strength of an industry which has cemented its recovery by virtue of its inherent resilience. This has seen businesses continue to invest thanks to an acyclical, if not anti-cyclical, attitude which performed well during the recession. Indeed, earnings have often outstripped other "Made in Italy" sectors, as demonstrated by an analysis of financial statements specifically carried out for the report.

Moreover, a special survey this year revealed that this attitude mirrors that of consumers, who have risen to the challenge posed by the economic cycle, today regaining a "full-fledged" subjectivity.

We also wanted to examine the relationship between companies and the banking and financial system, in which the demand for credit is mainly centred on investments, with a significant "openness" to the non-banking sector. This has witnessed demand for "real" finance able to support the growth of firms on several levels: from raising capital to finding new shareholders, from managerialisation to the review of governance, from business partnerships to a presence in international markets, from the digitalisation of the company to generational transfer.

Ermeneia - System Studies & Strategies is a consultancy and research company, which acts on behalf of businesses, institutions and social and economic representatives, both locally and nationally. It focuses particularly on the development of companies and regions, as well as the growth of associations.

Cosmetica Italia's members include more than 500 companies, accounting for 95% of the industry's current turnover of close to 11 billion euro. From an economic point of view, the Italian cosmetics industry is ranked in the world's top ten and employs 35,000 people, which rises to more than 200,000 if the entire cosmetics supply chain is taken into account. The Association is the industry's point of reference for the elaboration and dissemination of regulatory, technical and economic data and business development in Italy and abroad. Cosmetica Italia is a member of Federchimica and is actively involved with Confindustria and Cosmetics Europe, the European Cosmetics Association.