



BEAUTY REPORT 2014: THE VALUE OF COSMETICS INDUSTRY IN ITALY

The Beauty Report 2014 confirms to be one of the communication tools and events of the "reputation project" launched in 2009 by Cosmetica Italia. As the association that represents the interests of this industry, we actually understood how it is important to involve not only the cosmetics industry professionals, but also the institutions, the media and the public opinion, to reach a common understanding aimed towards a more solid and competitive future. Also this Beauty Report, which reached its fifth edition, is intended to strengthen the reputation of our industry by constantly pursuing two goals: to convey a more realistic image of the Italian cosmetics industry to institutions, the media and public opinion, contrasting how it is generally perceived, and to observe how businesses in the sector are faring in the current economic downturn, given that they usually show a better capacity to weather economic storms than other manufacturers which belong to other economic-manufacturing industries.

The Beauty Report marks an occasion to reflect on the way the companies grow and compete: the 2014 report shows, indeed, that Italian cosmetics is naturally "attentive to the customer", more than many other industries. The alliance with the consumer is, in fact, a key element of the Italian cosmetics' strength and stability. The evolution dynamics of the mass market, which is the channel reviewed in this edition, despite the current economic struggles, confirm

the value of this alliance. In the cosmetics industry endurance prevails over weakening both on the company sides and on the, specular, consumer one. With regards to the latter, it is recorded that prudent or even withdrawal approaches are broken favouring the will to reconquer their "right to wellbeing" translating the latter in consistent choices of product and channel.

An interest element of the report, on the professionals side, consists in the more marked highlight on resilience strategies, i.e. strategies through which crisis is incorporated, carrying out the needed redeployment, or restructuring or organization and basically transforming the company.

We are pleased, above all, to record that the companies consistently applied active reaction mechanisms against crisis, although we do not forget that dual level of strength of the companies, basing on how much they are committed and basing on their ability to tackle the current economic scenario.

Cosmetics industry, thus, affirms itself as a valuable component of the Italian manufacturing and deserves to be guided towards a new development stage.

Fabio Rossello - Chairman

EXPORTS OF COSMETICS

+11.0%

2013/12 change

CONSUMPTION OF COSMETIC PRODUCTS IN 2013

9,522

million euro

OVERVIEW

The fifth Beauty Report 2014 analyses, in line with its tradition, the state of the Italian cosmetics industry, recording a situation, which although with a few dualities, gives the idea of an "upwards" exiting path from crisis.

We cannot forget that cosmetics industry, since ever, has always been a step forward, and during the hardest times, a step less behind as compared to other industries.

It traditionally holds a leading position, linked to multiple factors: the kind of product which "holds" better consumers to reduce their expense even during difficult times, the constant commitment of cosmetics companies which are (almost) instantly up-to-date with the evolution of the attitude of people, the perseverance to seek evolution, research and investments even during less easy times, the readiness to explore and strengthen their position on foreign markets, which is particularly useful during periods as the current one, during which the home market is declining.

It must be added to this the strength of the Italian cosmetics industry's long supply chain which includes manufacturing and *front-desk* entities towards the customer, in a rather unique combination for an industry which lives (and must live) in a constant harmony with the final consumer.

This year, as it should be made in a recurring report, we wanted to gain insight into the evolution of the "picture" through our usual annual overview of the companies (by means of the specific check-up) and of the simultaneous evolution of the behaviours and of the sentiment of the consumers (through an investigation aimed to record their evolution as well as the dualities which are gradually removed). But, we wanted as well to explore the movement of the sales channels, subject to the pressure from consumers who wanted - despite of any crisis - to protect their own wellbeing through the most various choices in terms of products and channels.

The overview of the last year in cosmetics industry, can be summarized in the following four messages which, highlighted by the following info-graphics.

We cannot certainly assert that we fully exited from the wave of the economic

2

1

**The trend of the cosmetics industry is strengthened
thanks to the export in spite of the uncertainties
of the domestic market**



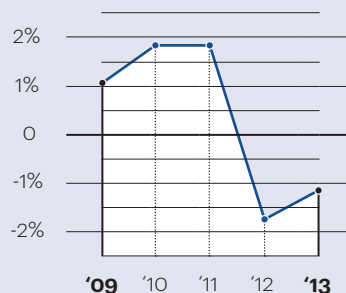
+54.6%

export '13/'09



+0.6%

consumption '13/'09



Source: data provided by Cosmetica Italia Statistics Dept.; annual changes expressed in percentage.



downturn which has affecting us for six years now, but we are recording several signals that give the idea of a gradual (and evolved) exit from the said cycle, even if there is a duality which can be basically tracked back to the deviation between home and international markets.

Briefly, the following are some of the topics to be kept into due account:

a) clearly positive elements are recorded, which are connected to the evolution of the cosmetics production which increases by 2.6% in 2013, following a series of positive increases from 2007 onwards (excepting the problematic 2009 financial year). while in Italy the consumption of non durable goods grows of a mere 0.2%, still in 2013; but, above all, the increase of export is significant recording a growing pace of 11.0% in 2013, following the similarly high pace recorded in 2010 (+17.2%), 2011 (+11.0%) and 2012 (+7.1%), with an increase of the trend which shows an even more consistent trend: +24.5% during the last year, which followed by the way the 28.2% recorded in 2010, +22.5% in 2011 and +22.0% in 2012 (recovering, and by a wide margin, the negative figures recorded during the previous years);

b) the duality of the situation is however clearly shown by the "-" figures recorded in the home market, in which the evolution of the consumption of non durable goods falls by 3.4% in 2013 following however a number of falls which date back to 2008 (excepting a 1.1% tiny recovery recorded in 2010): in consideration of the above, the cosmetics industry appears to be, in fact, "a step less behind", because it recorded a -1.2% drop in 2013 which followed the -1.7% of 2012, while it returned, previously, always positive figures; with the implied (unavoidable) fall of advertising investments over the last three years, reflecting the evolution of the internal market: even if it cannot be forgotten that the contribution of cosmetics in the overall advertising investments has been 7.9% during 2013 and 31.5% in the advertising investments for consumer products, in Italy;

c) but, the strengthening of the industry can be seen also from the data obtained specifically from the review on the companies, carried out in Spring 2014, which shows a change of outlook by entrepreneurs which turn positive with regards to:

- the substantially positive evolution of these first months of year 2014 and with equally positive expectations for the whole year;
- the evolution of the orders for which prevails the opinion of a "strong + fair growth" or of a "consistent continuity" for 2013 over 2012 (51.8% against 44.5%) and more for 2014 over 2013 (65.0%);
- for the evolution of the turnover, which proceeds likewise, prevails the opinion of a "strong + fair growth" or of a "consistent continuity" for 2013 over 2012 (56.8% against 52.2%) and even more for 2014 over 2013 (67.1% against 56.8%);
- a significant and solid stability of employment levels (56.8% in 2014, 49.5% in 2013 over 38.1% in 2012) or even a slight increase of the latter.

Objective and subjective data, linked to the evaluations of entrepreneurs, return then the sense of a change of direction, in spite of the uncertainties that remain on the domestic market.

The industry keeps on with its virtuous circle of reaction against crisis, incorporating the struggles

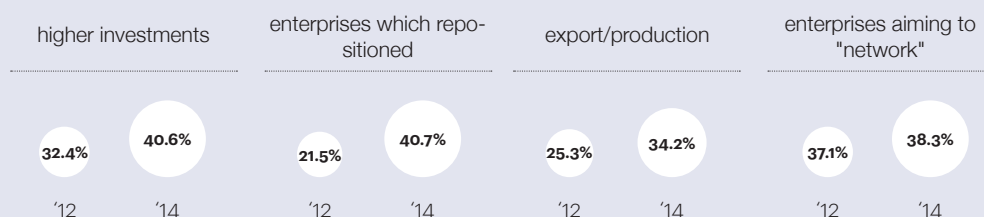


2

The behaviours of the enterprises show the effects of the resilience (followed by them), which were gradually gathered during the crisis years, also thanks to it



The resilience factors



"the enterprises that succeed are those who know how to adapt their business model"

"crisis has been an occasion to invest more, considering that there is a high competition"

Source: processing by Cosmetica Italia Statistics Dept. of Ermeneia data

4

The possibility to extend the review to the evolution of the figures over multiple years thanks to the analysis of each single Beauty Report, allows to see the cumulative effect of the different reactivity indicators of the enterprises. Just recall how:

a) the traditional willingness to invest by companies that declare a significant growth trend or in any case a consistency with investments in 72.8% of cases in 2014 (over the 64.1% recorded in 2013 and 65.4% in 2012) and rather how entrepreneurs reaffirm that "crisis has been an occasion to invest more, without considering that you invest any time it's possible, because competition is high" (40.6% in 2014 against 34.1% in 2013 and 32.4% in 2012);

b) but also how resilience strategy are growing, that is those strategies that incorporate crisis, carrying out the required repositioning/restructuring/organization and substantially transforming the company (40.7% in 2014 over 20%-23% in 2013 and 2012), to which is added a portion – certainly not explosive but in any case significant – of companies which are positively driven towards the mutual collaboration (slightly less than 40% in 2014, with a fair fluctuation over years proving the fact that this topic is sensitive not only for cosmetics companies but also for any Italian company);

c) how, above all, the investments focused towards internationalization processes, considering the constant growth of the turnover share coming from export between 2012 and 2014, according to the statements of the interviewed companies but also according the objective data which record the growths of the export share on the value of the Italian cosmetics production from 25.3% in 2009 to 34.2% in 2013; but it is also interesting to recall how almost 70% of the interviewed companies acknowledge today to be more international than before the current crisis or in any case internationalizes as then but in a significant way;

d) lastly, the entrepreneurs themselves admit their resilient behaviour, when they state that "forced and forces companies to carry out changes" (95.1%) or that "the winning companies are those who rethought their business model" (81.5%), to which



is added the belief that “crisis favours the start of alliances between enterprises” (55.5%), impacting also on the traditional Italian resistances on the matter; obviously a stronger International commitment means also feeling the crisis less (90.1%).

The “long-range” perspective that took into consideration the evolution of the events over time allowed then to assess a kind of capitalization of the effort by the companies thanks to their day-to-day commitment in tackling their struggles, leveraging upwards on the day to day behaviour, on the management, on the strategies and on the internationalization.

3

Acyclic attitude of the consumers' behaviours gains strength after the “prudence” of the last two years

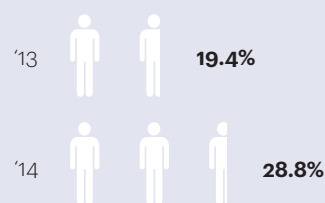


Right to wellbeing



"crisis forced me to spend more attention towards the expense on cosmetics products"

Acyclic trend in consumption



"in spite of the crisis I consumed even more, because you should know how to cheer up"

Source: processing by Cosmetica Italia Statistics Dept. of Ermeneia data

5

The impact of a long and deep crisis forced the consumers to apply a not always easy balancing exercise which was certainly not univocal on the side of the expense for cosmetics products: driving with them, by the way, also a combination of behaviours and sentiment, not free from a few ambivalences, just to be able to exercise their “right to wellbeing” as individuals by themselves and as a person that is relating with other persons. The review of the current transformations may be traced back to the following:

a) against a declared trend on the expense on cosmetics product between 2013 and 2012, which tends to negative and has similar expectations for 2014, different attitudes are shown, inspired to a sort of “slow down” as compared to the above mentioned thrust towards the reduction in consumptions. Just to simplify:

- in 2014 decreased those who declare that the crisis forced them to be more careful with this kind of expenses: 64.7% over 73.4% in 2013 and 70.6% in 2012;
- and the number of persons who state how the crisis favoured an expense for cheaper products is smaller: 47.7% in 2014 over 57.1% in 2013 and 54.3% in 2012.

Then the conclusion is that, while the trend of the last few years has been to spend less for cosmetic products, 2014 prepares a change of the basic approach;

b) a similar transformation occurs with regards to the topic of the so called acyclical pattern of consumption of cosmetics, which in 2014 gains significant strength as compared to the two previous years, that is:

- those who declare that the “crisis did not substantially change their spending habits, because you cannot and should not give up your wellbeing and appearance” covered 46.8% of the interviewed in 2014 over the 40.0% of 2013 and 39.7% in 2012, interrupting in this way the decreasing trend measured in the previous Beauty Report;
- and, even, close to the “soft” acyclic trend cited above, it is getting stronger also the one that can be defined as “hard” acyclic trend represented by those who state that “in spite of the crisis we consumed even more, because you should cheer up especially in the moments which are or may appear more serious or with more problems”: 28.8% agree during 2014 over 19.2% in 2013 and 19.4% in 2012.

So, something new appears to have been included in the previous mood, changing its direction, even in presence of a few contrary attitudes which tend then to be reabsorbed, as shown by the data in the following point;

c) the features of the crisis created some collective sentiments which go further than the availability of the budget needed for the purchase of cosmetic products, so that 43.5% of the interviewed in 2014 admits that “although able to purchase said

products as they always did, they preferred to stand back, because it seemed more appropriate to them to adopt, by principle, more subtle behaviours”; or, no less than 54.8% adds even that “in times of crisis, it is advisable to avoid expensive purchases for creams, perfumes or other items, because it is not appropriate to show excessively spending attitudes”. So, it is recorded a gradual reabsorption of *sentiment* slightly folded by the crisis, which are transformed into “moral” attitudes: but it should be immediately observed that something is already moving in the opposite direction, because 35.4% of the interviewed persons in 2014 admits that “following these years of prolonged crisis, the desire to react and spend more attention to ourselves, even through the purchase of good quality cosmetics products, even

if expensive, begins to show up”.

All the recalled data allows to assume that it is starting to rise the desire to exit from a “penitence” attitude which was with us during the darkest days of the crisis and which partially survives even today, but cannot last unchanged over time: and this should be confirmed also by the attitudes and the behaviours of the companies as well of the increase in the consumers' confidence index which starts again to rise in a more significant way from June 2013 and strengthens right in this Spring 2014.

Briefly, we could assert that the “resilience spirit” did not concern thus only the enterprises, but people as well, favouring the rise of elements of reactivity and desire to resume consumption as well: in the specific case they are cosmetics products which with the resume of their peculiar acyclical trend are able to defend (and even promote) the satisfaction of the “right to the wellbeing” of the person.

**Consumer reject the
“penitence” attitude
imposed by the
negative trend**



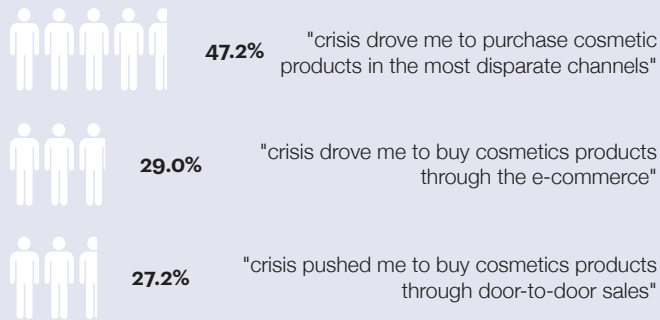


4

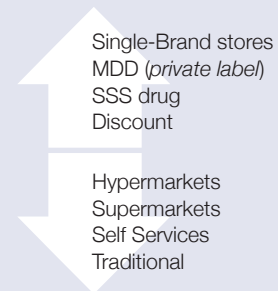
Sales channels are experiencing a stir, pushed by the consumers as well, who are seeking a new balance between their well-being and the smaller budget at their disposal



The "non-channel" grows



Up & down



Source: processing by Cosmetica Italia Statistics Dept. of Ermeneia data

The daily exercise of matching needs and resources, supported by the acyclical attitude towards spending, requires to perform a constant arbitration between alternative products and alternative points of purchase.

It should be recalled to this end that:

a) in times of crisis the relative indispensability of cosmetics products grows, independently from the fact that they are those intended for the care and the hygiene of the body or for the care of the hair or even for the care and the hygiene of the face or make-up and perfumes: between 2010 and 2014 the indispensability/importance rises for everybody, confirming the will to defend the individual wellbeing in spite of and sometimes right because of the current crisis, with an increase of around 10% with regards to the products intended for the care and the hygiene of the body and hair, but of 30% for perfumes and 40% for make up (well-being and "nice-looking" remain then closely linked);

b) there is an increase in the arbitration between channel also as admitted by the consumers themselves, considering that:

- 47.2% states that "the crisis pushed me to buy cosmetics product in the most disparate channels, basing on the best price/quality ratio (but, during 2013 they were a mere 30.5%);

- 29.0% states that "crisis drove me to buy products also on the web through the e-commerce" (in 2013 they were the 19.7%);

- and 27.2% (still during 2014) declared to "have purchased cosmetics products also through "door-to-door" direct sales, a slightly traditional mode, which is always useful and trustworthy";

c) and lastly, as the effect of the behaviours of the consumers impacts also on the different channels which have been subject, in 2013, to a fall of 4.7% of the sales of cosmetics products in supermarkets and hypermarkets (main share of the Large Retail) further than in the Self Services (-11.1%) and in the Traditional Grocery (-9.1%); while sales rise in cheap channels such as discount stores (+5.4%) or at the SSS Drug (+4.7%) which represent the most dynamic evolution of Large Retail, in line with the needs of the consumers in terms of promotions and offers of line-product;

d) it exists then another significant change which stood up over the last few years (even if there is still some way to go if compared with what is done in all the other Countries): the one relating to the gradual diffusion of the so called "retailer brand" (or MDD, traditionally named *private label*), consisting of those product lines that Large Retailers develops with subcontractors in the cosmetics industry; it finds a growing positive response by consumers and as a consequence, distribution chains are more and more committed in increasing the range of said products and in improving their placement within quality/price bands which are closed to the leading brands, developing premium range products as well; said activity led to an increase of the average market share covered by the "retailer brand" amounting to 7%, but with the better performance which can exceed 12% as well. After all, the consumers, specifically interviewed for the Beauty Report/2014, acknowledge (in 41.5% of the cases) to "have purchased multiple cosmetics products of such kind, considering that they cost less and they have a good quality";

e) lastly it has to be highlighted that single-brand stores have diffused quickly (not less than 300 million euro in turnover) with a growth dynamics that in 2013 was around 40%: this returns an idea of the "channels-non channels" which crosses the market and meets the favour of the consumers right for the adopted modes of offer and above all for the "environment" the customers are welcomed in: 49.7% of the interviewed explicitly declares that "when they purchase cosmetics products they appreciate in particular the ability of the staff of being welcoming, to provide a few good advice, to let test some products and to help then the customer to make more appropriate choices for himself".

In conclusion then we have an industry whose enterprises have been able to act with determination and with good results even under a situation of dual conditions, between the evolution of the domestic market and the one on the international markets (with the tendency to strengthen up right on the latter).

But, above all, the companies consistently applied active reaction mechanisms against crisis through resilient attitudes and behaviours, and we can see the positive effects of them today, although we do not forget that dual level of strength of the companies, basing on how much they are committed and basing on their ability to tackle the current economic scenario.

Furthermore, it is recorded that prudent or even withdrawal approaches are broken favouring the will to reconquer their "right to wellbeing" translating the latter in consistent choices of product and channel, which challenge the entire supply chain to find or to strengthen the required level of agreement with the consumer himself.

So, we can surely reassert that the cosmetics industry has a higher value than usually perceived and deserves then to be driven towards a new growth stage, considering that it is a valuable component of the manufacturing sector of this country.



In depth

Tab. 1 – The growth in production and export and the fall of home consumption

Industrial manufacturing production (%var)	2007	2008	2009	2010	2011	2012	2013
Total Italy	2.9	-3.4	-19.4	6.9	0.3	-6.1	2.5
Italy (non durable consumer goods)	1.3	-0.2	-4.5	2.7	-1.2	-3.9	0.2
Cosmetics industry (export included)	2.0	1.8	-2.6	5.7	4.4	0.9	2.6
Export evolution (%var)							
Italy (durable goods at current prices)	9.9	1.1	-21.0	15.6	11.4	3.7	2.4
Cosmetics industry (export included)	1.0	1.4	-11.8	17.2	11.0	7.1	11.0
Cosmetics industry balance of trade							
Million euros at current prices	782.0	747.0	644.4	826.4	1,012.0	1,235.0	1,537.0
% year by year (at current prices)	-4.8	-4.5	-13.7	28.2	22.5	22.0	24.5
Trend in consumer non-durable consumption in Italy							
Million euros at current prices	276,354	286,457	277,093	283,993	292,988	295,469	289,864
% increase year by year (at 2005 chain index prices)	n. a.	-1.6	-2.7	1.1	-1.3	-4.2	-3.4
Trend in cosmetics consumption in Italy							
Million euros at current prices	9,150.7	9,363.7	9,467.2	9,633.5	9,809.1	9,641.0	9,522.0
% year by year (at current prices)	n. a.	2.3	1.1	1.8	1.8	-1.7	-1.2
Cosmetics industry advertising expenditure							
Million euros at current prices	566.3	571.8	520.3	568	563.7	496.0	458.0
% year by year (at current prices)	1.5	1.0	-9.0	9.2	-0.8	-12.0	-7.7

Tab. 2 – Crisis had its impact, but the 2014 indicators are positive
(values expressed in %)

	2010	2011	2012	2013	2014'
Enterprises that have felt "very much + somewhat" the recession	42.7	40.3	43.0	44.5	46.9
Business that have felt the recession little or not at all	55.8	57.9	57.0	51.1	53.1
The year was very + fairly good	55.9	43.8	41.6	39.5	44.4
During the first/second half there were some problems, then it was good	35.3	47.4	43.1	37.2	30.9
Order trend growing in a strong + fair + constant but significant way	70.1	61.4	44.5	51.8	65.0
Constant but low + slightly/significantly falling order trend	29.9	38.6	55.5	48.2	35.0
Turnover trend growing in a strong + fair + constant but significant way	68.4	59.2	52.2	56.8	67.1
Constant but low + slightly/significantly falling turnover trend	31.6	40.8	47.8	43.2	32.9
Substantially constant employment trend	53.6	47.9	38.1	49.5	56.8
Significant + slight employment trend	37.5	38.0	38.1	34.5	29.7
Significantly + slightly falling employment trend	8.9	14.1	23.8	16.0	13.5
					Spring 2014
2014 started very and/or fairly good + started more or less as 2013, but in a positive way					66.7
2014 opened as 2013 but poorly + in a less good way + significantly worse than 2013					28.4



Tab. 3 – The resilience phenomena

(values expressed in %)

A deep rooted willingness to invest	2011	2012	2013	2014*
Trend growing in a strong + fair + constant but significant way	64.2	65.4	64.1	72.8
Constant but low + slightly/significantly falling trend	32.1	32.1	33.4	23.5
	Spring 2011	Spring 2012	Spring 2013	Spring 2014
"The crisis has been the occasion to invest more" + "You invest any time it's possible, because competition is high" (*strongly + broadly agree" answers)	32.1	32.4	34.1	40.6
"Crisis did not cause changes in the investment policy" + "We did not feel the crisis or it was very light and did not influence investments" (*strongly + broadly agree" answers)	39.3	50.7	45.4	30.9
"Crisis led to lower investments" (*strongly + broadly agree" answers)	28.6	16.9	20.5	28.4
A growth of resilience strategies	Strategies in 2011	Strategies in 2012	Strategies in 2013	Strategies in 2014
Waiting that crisis evolves + progressive flexible adaptation	60.8	61.8	69.2	48.2
Significant relocation/restructuring/reorganization + Deep transformation of strategies and management	25.5	23.5	19.7	40.7
No particular strategies, because crisis had a light or no impact on the company	13.7	14.7	11.1	11.1
	Spring 2011	Spring 2012	Spring 2013	Spring 2014
"I will actively seek occasions for collaborating with other companies in a crisis as the current one" + "Collaboration is part of the required "mutation" of the business model"	44.2	37.1	48.9	38.3
"It's better to make business independently because collaboration is difficult" + "If it's really needed it will be needed to spend special care to avoid incurring into difficult situations"	55.8	62.9	51.1	61.7
The strengthening of internationalisation processes		2012	2013	2014*
Export derived turnover up to 20% of the total		42.3	36.8	39.7
Turnover coming from export between 21% and 50%		12.6	19.1	27.0
Turnover coming from export above 50%		22.5	21.4	33.3
	2009	2011	2012	2013
Incidence of export on the value of the Italian cosmetics production	25.3	29.8	31.6	34.2
				2014
My company is a lot more and/or a little bit more internationalised than before the current crisis				58.1
My company is more or less internationalised as before the crisis, but in a significant way				11.1
My company is poorly and/or a little bit less or a lot less internationalized than before the current crisis				16.0
Resilience as a declared resource of entrepreneurs (*strongly + broadly agree" answers)				2014
"Crisis has forced and forces companies to make changes"				95.1
"The enterprises that succeed are those who know how to adapt their business model"				81.5
"Crisis favours the rise of alliances between enterprises"				55.5
"Subcontractors fared well and recorded an increase in the services requested"				53.1
"Companies that export were less affected by the recession"				90.1
"Crisis does not impact all the enterprises in the same way: some of them closed 2013 very well, others in a very bad way"				85.2

Source: Ermeneia for Cosmetica Italia, 2014

*forecasts

Tab. 4 – Layout and economic value of the cosmetics production chain in 2013**The boundaries of the cosmetics supply chain in the strict sense**

Number of active enterprises	1,232
Number of active enterprises organised as limited companies	773
Highest concentration of cosmetics enterprises in the territory (% on Italian total)	
Lombardy	32.5%
Emilia Romagna	9.8%
Number of directly employed staff (estimation)	15,000
Number of directly employed staff + staff of linked companies (estimation)	35,000
averaged % of university graduates on direct employed staff	17.8%
Attendance of highly skilled directly employed staff to training activities during the 2009-2011 three years' period	98.2%
Attendance of clerical staff to training activities during the 2009-2011 three years period	88.7%
Attendance of production staff to training activities during the 2009-2011 three years period	82.5%

The extended boundaries of the cosmetics supply chain

Estimated total number of enterprises in the cosmetics supply chain	123,250
Cosmetic industries	1,250
Salons	73,000
Beauty institutes, beauty salons, diffused centres and SPAs	18,000
Perfume shops	5,000
Herbalist shops	5,000
Pharmacies and para-pharmacies	21,000
Estimated total number of staff in the cosmetics supply chain	186,000-217,000
Salons	96,000-112,000
Beauty institutes, beauty salons, diffused centres and SPAs	21,600-25,200
Perfume shops	9,000-12,000
Herbalist shops	5,000-6,000
Cosmetic industries	60,000-66,000
Pharmacies and para-pharmacies	25,200-29,400

The economic value of the industry

	2011	2012	% var. '12/'11	2013	% var. '13/'12
Overall turnover of cosmetics (production in million euro)	8,962.0	9,040.0	0.9	9,278.0	2.6
Overall cosmetics market (prices to the public in million euro)	9,809.0	9,641.0	-1.7	9,522.0	-1.2
Export of cosmetic products (in million euro at current prices)	2,672.0	2,861.0	7.1	3,176.0	11.0
Balance of trade (in million euros at current prices)	1,012.0	1,235.0	22.0	1,537.0	24.5
Turnover/directly employed staff in thousand euro	597.5	602.6	0.9	618.5	2.6
Export/directly employed staff in thousand euro	178.1	190.7	7.1	211.7	11.0
Balance of trade/directly employed staff in thousand euro	67.3	82.3	22.4	102.5	24.5
Total advertising investments for cosmetics (in million euro at current prices)	564.0	496.0	-12.0	458.0	-7.7
% on total National advertising investments	7.3	7.5	0.2	7.9	0.4
% on total advertising investments on consumer goods	28.2	30.0	1.8	31.5	1.5



Tab. 5 – The evolution of the incidence of the sales channels of cosmetics products

(values expressed in million euro)

	1976		2006		2013	
	Value	share %	Value	share %	Value	share %
Large Retailers (+ other channels)	224	44.3	3,590	40.6	3,886	40.8
Perfume shops	157	30.9	2,283	25.9	2,113	22.2
Pharmacies	62	12.2	1,233	13.9	1,757	18.4
Hairdressing	-	-	753	8.5	589	6.2
Door-to-door sales	39	7.6	333	3.8	456	4.8
Herbalist shops	-	-	302	3.4	409	4.4
Beauty salons	25	5.0	273	3.1	242	2.5
Mail order sales	-	-	74	0.8	68	0.7
TOTAL	507	100.0	8,841	100.0	9,522	100.0

Tab. 6 – The mass market profiler and the relevant turnover of cosmetics products

(values expressed in million euro)

	2011		2012		2013		Variations %		
	Value	share %	Value	share %	Value	share %	'11 / '10	'12 / '11	'13 / '12
Hypermarkets + supermarkets	2,361	62.3%	2,283	61.8%	2,181	60.8%	-1.0	-3.4	-4.7
Self services	344	9.1%	319	8.6%	284	7.9%	-3.9	-8.0	-12.1
Discount	135	3.6%	138	3.8%	146	4.1%	-2.3	2.4	5.4
Traditional grocery	179	4.7%	175	4.7%	160	4.5%	-6.1	-2.4	-9.1
Self Service Specialist Drug (SSS Drug)	769	20.3%	776	21.0%	815	22.7%	8.3	1.0	4.7
TOTAL	3,788	100.0%	3,692	100.0%	3,586	100.0%	0.3	-2.5	-2.9

Nielsen Classification

Hypermarket: retail outlet using covering a $\geq 2,500$ sq m. sales surface

Supermarket: retail outlet using covering a sales surface between 400 and 2,499 sq m.

Self service: retail outlet using covering a sales surface between 100 and 399 sq m.

Discount: retail outlet characterised by an unbranded inventory

Traditional grocery: retail outlet for consumer goods covering a sales surface smaller than 100 sq m.

SSS Drug: store which sell mainly household and personal care products

Source: Ermeneia for Cosmetica Italia, 2014

Tab. 7 – The impact of consumer preferences on the different channels

(values expressed in %)

Falling and stable sales basing on the channel	2010	2011	2012	2013
Large Retailer sales and other channels	0.8	2.8	-0.2	0.1
<i>of which hyper- and super-markets</i>	-1.9	-1.0	-3.4	-4.7
Perfume shop sales	1.2	0.7	-4.0	-3.8
Sales to salons	0.5	-1.5	-6.0	-8.4
Sales to beauty institutes and beauticians	1.8	1.5	-5.0	-5.5
Sales in pharmacies	3.9	1.8	-1.4	0.3
Door-to-door sales	5.5	3.6	2.0	4.3
Mail order sales	20.0	3.8	4.0	4.6
The awareness of entrepreneurs of cosmetics enterprises <i>("strongly + broadly agree" answers)</i>				2014
'Different sectors of the production chain have experienced the recession differently'				87.6
'Crisis affected more the mass market (excepting the discount, traditional grocery, SSSDrug channels, and the perfume shops and the professional operators'				65.4
'The crisis had a smaller impact on the sales in pharmacies, para-pharmacies and herbalist shops further than on "door-to-door" and "mail order" sales				64.2
'Crisis gave rise to alternative distribution mode, which cannot be classified with the traditional categories (single-brand stores, on/offline stores, cosmetics specific departments/corners in major chains selling clothing, food, jewellery, etc.)'				71.6

14

Tab. 8 – The change in sentiments by consumers

(strongly + broadly agree" answers; values expressed in %)

A "slowing down" trend in 2014 with regards to expenditure reduction	2010	2012	2013	2014
"recession has forced me to be more prudent in making these kinds of purchases"	58.5	70.6	73.4	64.7
"Crisis led me to use cheaper products, which have together a good quality content (price is not the only element for deciding on such kind of products)"	51.9	60.9	61.2	55.1
"Crisis led me to spend for cheaper products than before (that is I tend to buy preferably the cheaper product)"	39.5	54.3	57.1	47.7
The strengthening of the acyclic trend				
"The recession has not substantially changed by spending habits, because I cannot and should not give up caring for myself, my wellness and my looks"	51.0	39.7	40.0	46.8
"The recession has forced me to consume fewer products, but of higher quality, investing in those I believe are essential even if more expensive (I save on other, less important goods)"	33.4	36.3	34.1	38.3
"Despite the recession, I may have consumed even more, because you have to know how to keep your chin up, especially when times are or appear to be hard"	22.9	19.4	19.2	28.8
Leaving a "penitence" attitude aside				
"Even if I can buy, as I always did, the cosmetics products I need, I preferred to avoid doing it, because it seemed to me more appropriate to adopt, by principle, subtler behaviours"				43.5
"In times of crisis, it is advisable to avoid making expensive purchases for certain creams, perfumes or other, because it is not appropriate to show excessively spending attitudes"				54.8
"Following this years of prolonged crisis, I begin, however, to feel the need to react and to dedicate more attention to me also with the purchase of good quality cosmetics products, even if they are expensive"				35.4



Tab. 9 – The ability to make arbitration by consumers

(values expressed in %)

The more marked indispensability of relation products (*indispensable + very important + fairly important" answers)	2010	2012	2014
Products intended for the care and the hygiene of the body	72.0	74.7	80.1
Products intended for the care of the hair	55.7	62.7	68.3
Products intended for the care and the hygiene of the face	-	-	65.0
Perfumes	35.6	37.4	46.1
Products for make-up	27.3	33.0	38.6
The "combination" behaviours between different channels (*strongly" + "I agree somewhat" answers)	2013		2014
"crisis drove me to purchase cosmetic products in the most disparate channels, basing on the best price/quality ratio"	30.5		47.2
"Crisis drove me to buy cosmetics products also on the Internet through the e-commerce"	19.7		29.0
"I purchased cosmetics products also through door-to-door direct sales, which is a slightly traditional way, but it is always useful and trustworthy for me"	-		27.2
"In particular, I purchased "retailer brand" cosmetics products, that is those whose production is ordered Large Retailers or are marketed by them, considering that they cost less and are good quality"	-		41.5
"When I buy cosmetics product, I appreciate in particular the ability of the staff to be welcoming and to give a few good guidance to me, to make me test the products, helping me in this way to make the most appropriate choices for me"	-		49.7

15

Tab. 10 – The most important factors on which the sales channel selection is founded, basing on the type of purchased product

(values expressed in %, the largest number of answers possible)

	Care of Hair		Care, hygiene of face		Cosmetics, make-up		Care, hygiene of body		Perfumes	
	pos.	%	pos.	%	pos.	%	pos.	%	pos.	%
The product's price/quality ratio	1st	31.7	1st	34.2	1st	29.4	1st	33.8	2nd	26.2
Trust in the product's brand	2nd	25.0	2nd	27.4	2nd	25.7	2nd	22.5	1st	26.4
Safety of the product	3rd	22.6	3rd	20.4	3rd	23.4	4th	19.3	4th	16.5
Price of the product	4th	16.9	5th	17.4	4th	15.5	3rd	20.0	3rd	19.9
Presence of special offers (with discounts)	5th	13.2	4th	19.7	5th	11.0	5th	16.3	5th	16.4
A good information on the product	6th	13.1	6th	11.4	7th	9.4	6th	10.7	7th	8.1
Presence of natural and organic products	7th	9.4	7th	7.7	8th	8.7	7th	8.9	10th	3.5
Trust in the sales channel	8th	7.9	8th	6.1	6th	9.5	8th	6.7	8th	7.7
The supplied service (level of reception, guidance, etc.)	9th	5.1	9th	4.4	9th	8.2	9th	4.9	6th	10.5
Speed of purchase	10th	3.6	10th	4.4	10th	4.3	10th	4.6	9th	4.3
Other		0.4		0.4		0.4		0.3		0.1
number of answering persons		1,626		1,704		1,082		1,738		1,480

Source: Ermeneia for Cosmetica Italia, 2014



Edited by
Cosmetica Italia
Via Accademia, 33
20131 Milano

Printed by
Litogì srl
Viale Papiniano, 36
20123 Milano