



# ANNUAL REPORT

*The cosmetics industry and consumption in Italy in 2010*



# The cosmetics industry turnover

- In 2010, the turnover achieved by the Italian cosmetics industry – i.e. the **value of its production** – broke through the barrier of 8,600 million Euros, achieving an increase of 5.2% over the previous year.
- Positive signs detected in the world economy as a whole indicate that the economic crisis that started in 2008 seems to have been replaced by a revival in markets in 2010. Leading economic research centres predict that 2011 will bring values back to pre-crisis values at world level; in the meantime, although they now pay more attention to what they buy than in the past, consumers are not prepared to do without their cosmetics and personal care.
- In 2010, **domestic demand** in Italy generated a positive impact on production volumes, which increased by 1.3% to a value of nearly 6,200 million Euros. A closer look at how this turnover was shared across the domestic market reveals positive trends in some retail channels, such as pharmacies (+3.3%), door-to-door and mail order sales (+6%) and herbalist shops (+5.5%). 2010 also ended on a moderately positive note for the perfume shop channel (+1.2%) and with a slight drop (-0.3%) in mass distribution.
- **Exports** achieved a major exploit, sustaining the Italian cosmetics industry’s overall turnover with an increase of 17% over the previous year, to a total value of just over 2,400 million Euros. Imports also report a positive trend: their 11.9% increase confirms the revival in domestic consumption and substantial recuperation of major areas of the market.

## COSMETICS INDUSTRY TURNOVER BY CHANNEL OF DISTRIBUTION

Figures in millions of Euros

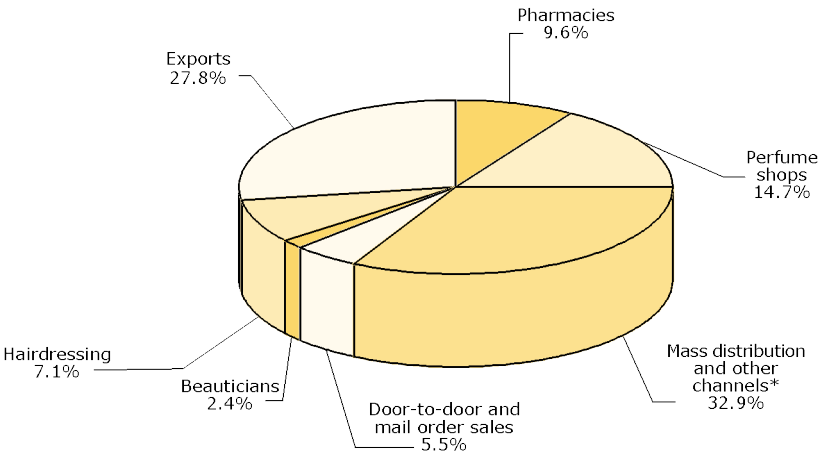
	2009		2010	
	value	% var.	value	% var.
<b>ITALIAN MARKET TURNOVER</b>	<b>6,117.1</b>	<b>+0.3</b>	<b>6,197.7</b>	<b>+1.3</b>
<b>Total traditional channels:</b>	<b>5,312.6</b>	<b>+1.1</b>	<b>5,387.0</b>	<b>+1,4</b>
- Pharmacy	795.3	+3.2	822.4	+3.3
- Perfume shop	1,246.6	-3.5	1,261.7	+1.2
- Mass distribution and other channels (*)	2,842.1	+2.6	2,833.6	-0.3
- Door-to-door and mail order sales	441.0	+1.9	469.1	+6.0
<b>Total professional channels</b>	<b>804.1</b>	<b>-5.0</b>	<b>810.7</b>	<b>+0.8</b>
- Beauticians	198.6	-4.7	202.2	+1.8
- Hairdressing	605.5	-5.1	608.5	+0.5
<b>EXPORTS</b>	<b>2,053.9</b>	<b>-11.8</b>	<b>2,403.2</b>	<b>+17.0</b>
<b>GLOBAL COSMETICS INDUSTRY TURNOVER</b>	<b>8,172.0</b>	<b>-3.2</b>	<b>8,600.9</b>	<b>+5.2</b>

(\*) includes **herbalist shops**, with a 2009 turnover of 172.6 million Euros and a 2010 turnover of 182.1 million Euros, so an increase of 5.5%.

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- Interesting dynamics were at work on the **percentage distribution of these turnovers**: while mass distribution suffered a slight setback to just under 33% of the market, the other channels basically held their ground; there is no questioning the increase in exports, which account for 28% of turnover, of the pharmacy (9.5%) and of door-to-door and mail order sales (5.5%). Maintaining a share of more than 20%, perfume shops keep up the tradition of providing one of the entire industry's mainstays.
- The fact that Italy's cosmetics concerns sustained the trends in their turnovers in a period when the overall economic situation was still fraught with tension on the one hand confirms that the industrial system is healthy and competitive, while on the other highlighting the aptness of the investment decisions they made in the past. In fact, efforts to cater for different markets continued in 2010, with an increasing orientation towards quality and service. The decisions made by the industry, which is increasingly alert to consumers' needs, including in terms of safety and reliability, illustrate the processes whereby consumption is being polarised and the supply being broken down into its respective segments.
- The prospects for the industry's development are also influenced by uncertainty about future developments in economic support policies and remaining tensions in consumers' propensity to buy.

**OVERALL TURNOVER BY CHANNELS OF DISTRIBUTION**



## In Italy’s Regions

- The greatest **geographical concentration** of cosmetics firms is found in northern Italy, where more than 70% of all the peninsula’s businesses are located.
- The region with the highest density of cosmetics firms is Lombardy, which alone accounts for nearly 54%, followed by Emilia Romagna with 9.6%, Piedmont with 6.9% and Veneto with 6.7%.
- No industrial establishments are registered anywhere in Basilicata, Calabria, Sardinia and Molise, while Liguria’s 3.1% share indicates an increase in cosmetics enterprises since the previous ISTAT census.

### HOW FIRMS ARE DISTRIBUTED GEOGRAPHICALLY IN ITALY

Percentage distribution

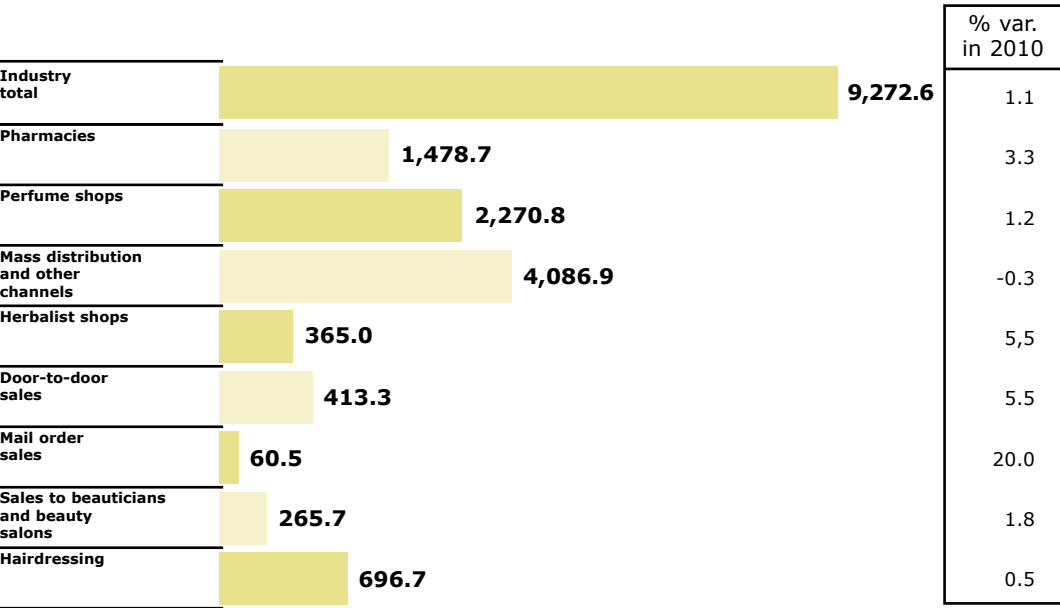
ABRUZZO	1.0
APULIA	0.8
CAMPANIA	1.9
EMILIA ROMAGNA	9.6
FRIULI VENEZIA GIULIA	1.3
LATIUM	5.9
LIGURIA	3.1
LOMBARDY	53.8
MARCHES	1.0
PIEDMONT	6.9
SICILY	0.8
TRENTINO SOUTH TYROL	1.5
TUSCANY	4.4
UMBRIA	1.5
VENETO	6.7
TOTAL	100

## Channels of Distribution

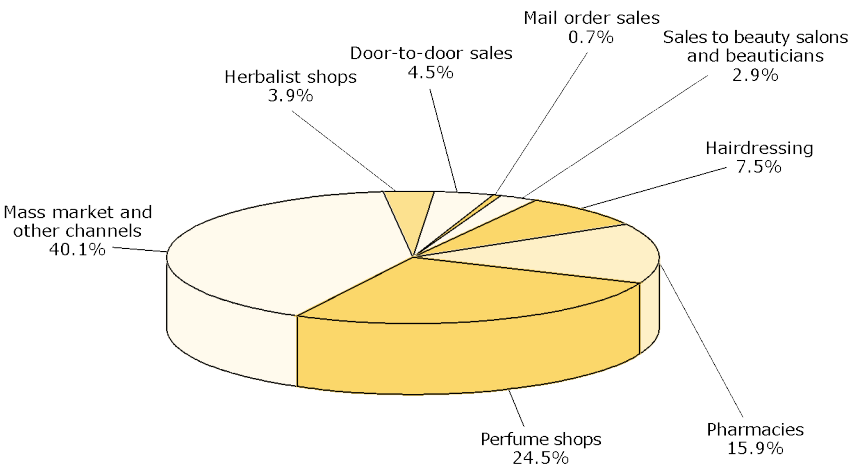
- The total value of the **cosmetics consumed** in Italy in 2010 was 9,272 million Euros, up by 1.1% over the previous year. This good result confirms the positive trend achieved in recent years, reiterating the fact that cosmetics have become a firm feature in the buying patterns practised by Italians, whose only greater percentage investments are in products for the home (food and telecommunications).
- With the exception of the mass market, practically all the **traditional channels** increased in 2010. That includes the perfume shop channel, whose 1.2% increase reversed a previous negative trend.
- Pharmacies once again recorded the most dynamic trend in 2010, increasing by 3.3%, together with herbalist shops and door-to-door sales, which both ended the year with increases of 5.5%. Now a well-consolidated feature on the Italian sales scene, these channels are steadily becoming increasingly important in consumers' buying habits.
- The mass distribution market suffered a slight setback of 0.3% in 2010, as it did not quite achieve a balance between the more substantial reduction in sales in general mass markets (nearly 2%) and the increase in the new phenomenon of specialised mass distribution.

### TOTAL MARKET FOR COSMETICS PRODUCTS IN 2010

Prices to public including VAT - consumption in millions of Euros.



### 2010 CONSUMPTION BY CHANNELS OF DISTRIBUTION



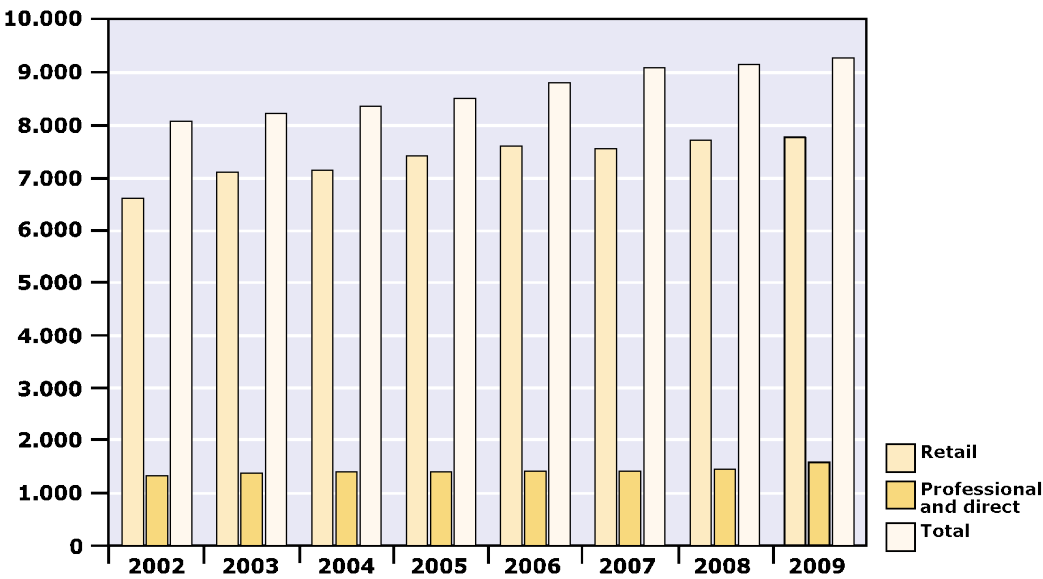
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- The **professional channels** – beauty salons and hairdressing salons – ended the year with a modest degree of revival, unlike mail order sales, whose 20% increase was the most substantial of all channels.
- In 2010, the **trend in prices** does not appear to have changed very much from previous patterns, with perfumery achieving the largest increase, at 2.5%, while mass distribution contained and actually rationalised its average values.

TREND IN THE COSMETICS INDUSTRY DISTRIBUTION CHANNELS			
CHANNEL	VARIATION 2010/2009		
	Consumption	Quantity	Prices
Pharmacies	3.3%	-1.0%	2.0%
Perfume shops	1.2%	-1.7%	2.5%
Other channels	-0.3%	0.4%	-0.7%
of which SUPER - and HYPERMARKETS	-1.9%	-0.5%	-1.4%
<b>Total traditional channels</b>	<b>0.8%</b>	<b>-0,2%</b>	<b>1.2%</b>
Door-to-door sales	5.5%	2.1%	1.9%
Mail order sales	20.0%	17.0%	2.2%
Sales to beauticians and beauty salons	1.8%	0.8%	1.5%
Hairdressing	0.5%	-1.2%	2.0%
<b>General total</b>	<b>1.1%</b>	<b>-1.0%</b>	<b>1.3%</b>

**EVOLUTION IN COSMETICS CONSUMPTION**  
**PERIOD: 2003 - 2010**

Real values – retail prices, including VAT

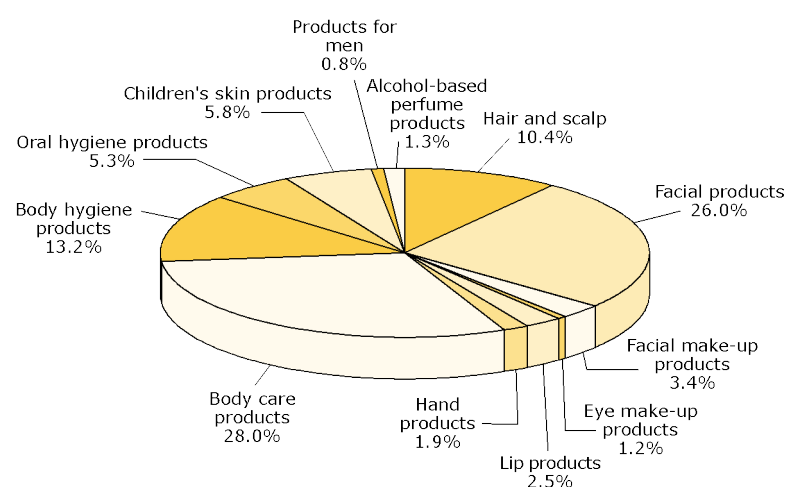


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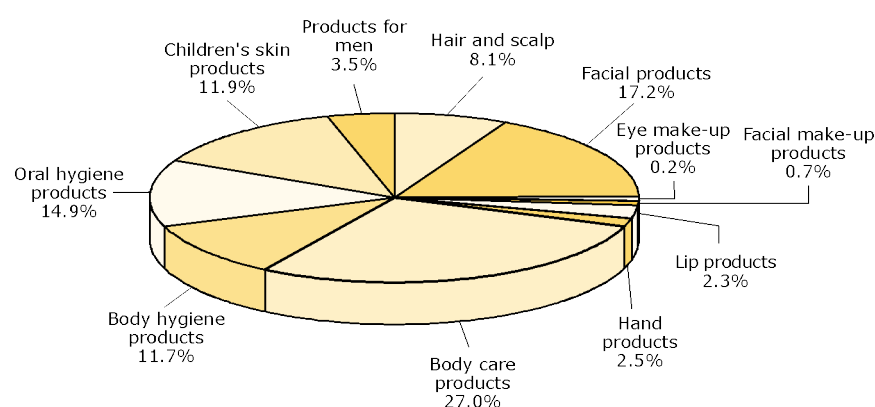
**PHARMACIES**

- The consumption of cosmetics through the **pharmacies** channel maintained its trend well above the industry average through 2010, as sales touched a ceiling of 1,478 million Euros, increasing at a rate of 3.3%. The share of cosmetics sold through this channel is 15.9% of total domestic consumption and is increasing all the time, confirming the trust that consumers place in pharmacies, because they provide higher levels of specialisation and care for service than other kinds of distribution outlets.
- Although quantifying it is still a challenge, the phenomenon of the **para-pharmacies** is certainly crucial to this channel's success story. The graphs now also available for **corners**, which are based on data provided by the Institute for Health Management (IMS), highlight a very up-to-date, dynamic situation with focal points on sales of products for body care, accounting for 28% of the cosmetics sold, and facial products, at 17.2%.
- The evolution in the product mix generated an increase in values in this channel, while volumes remained practically constant: this has been the channel's most identifying feature for some time now.
- The choices that have induced consumers to prefer the pharmacy channel are related both to the special services it offers and to the range of goods available, in which great care is always paid to quality, product innovation and diversification. Another factor is the conscious cluster policy that the firms specialising in this channel have been practising for many years: pharmacists, consumers and communications are the constituent elements in this marketing investment.

**COMPOSITION OF SALES THROUGH PARA-PHARMACIES**



**COMPOSITION OF SALES THROUGH CORNERS**





PERFUME SHOPS

- Commanding a market value in excess of 2,270 million Euros and 24.5% of the entire domestic cosmetics market, the **selective perfumery** channel grew by 1.2% in 2010, reversing the trend of several years of negative growth.
- The situation of distribution is differentiated, with the major distribution chains demonstrating considerable dynamism in their product range policies. Meanwhile, the difficulties that afflicted traditional points of sale in previous years, leading to numerous closures, still provide reason for concern.
- Evident tensions are still influencing the channel's medium-term sustainability, caused partly by competition from other channels and partly by the difficulties that some of the cluster's branches are experiencing with promoting a correct identity for the channel.
- New product launches, cutbacks in stocks and price controls are the phenomena that featured largest in this channel in 2010 as stimuli for revival. Generally speaking, selective brands held up better than mass brands in this channel.
- In addition to considering the profound changes taking place among consumers, this channel's future evolution will depend on the ability of the people working in it to develop cluster identity strategies.

MASS DISTRIBUTION AND OTHER CHANNELS

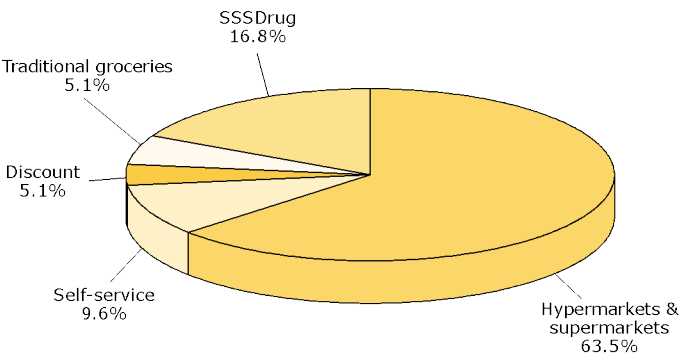
- With a turnover worth more than 4,080 million Euros, very slightly down by 0.3%, the **mass market** accounted for 40.1% of the entire Italian cosmetics market in 2010.
- If the retail data for supermarkets and hypermarkets are also taken into consideration, they fit the picture of practically stable levels of consumption in quantity terms, with a drop in prices of less than 1%.
- In a year when consumption gradually revived, especially in specialised points of sale, the main reason why the mass market held its own was the new phenomenon of specialised distribution in the home and personal care channel, a recent development with a very modern ability to offer a more specific, complete service.
- 2010 once again confirmed the phenomenon of the polarisation of consumption in mass distribution, which is actually a feature common to the entire Italian cosmetics market. Demand tends to be most alert to niche and specialised products, on the one hand, and to products with a high quality to price ratio, on the other.
- In order to keep demand high and counteract the competition of the specialised channels, mass market-oriented firms have invested significantly not only in product innovation, but also in communications and promotions.

Classification of points of sale

<b>Hypermarkets</b>	Retail points of sale with a sales surface of $\geq 2,500 \text{ m}^2$
<b>Supermarkets</b>	Retail points of sale with a sales surface of from 400 to 2,499 $\text{m}^2$
<b>Self-Service</b>	Retail points of sale with a sales surface of from 100 to 399 $\text{m}^2$
<b>Discount</b>	Retail points of sale featuring an unbranded assortment
<b>Traditional groceries</b>	Points of sale with less than 100 $\text{m}^2$ ; may also be larger, but at least one of the characteristics necessary to be classified as a "Self-Service" is missing. These shops must carry at least three of the following products: toothpaste, hair lacquer, toilet soap, shampoo, shaving products, personal deodorants and sanitary towels
<b>SSSDrug</b>	Retail points of sale dealing primarily in products for the home, toiletries and nappies (for more than 50% of their turnover).

2010 Consumption	% variations 2010/2009
Hypermarkets & supermarkets	-1.7
Self-service	-3.5
Discount	-2.0
Traditional groceries	-7.9
SSSDrug	+4.6

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**Analysis of best performances**

Modern distribution (Hypermarkets, supermarkets, self-service)	Facial wipes	+7,2%
	Anti-cellulite creams	+2,3%
	Foot hygiene products	+2,8%
Discount	Dyes	+7,1%
	Nail solvents	+24,5%
	Sun products	+11,9%
Traditional grocery	Foundation creams	+1,3%
	Foot hygiene products	+15,4%
	Perfumes for women	+1,0%
SSSDrug	Shampoos	+6,9%
	Personal deodorants	+11,3%
	Intimate hygiene soaps	+9,7%

**DIRECT SALES CHANNELS**

- **Door-to-door and mail order sales** are the two methods used by the channel of direct distribution to consumers: in 2010, this market achieved significant growth over the previous year, placing goods worth a total of more than 470 million Euros and accounting for 5.2% of the entire cosmetics market.
- The rates of growth detectable in both sub-systems were very sustained: **door-to-door sales** were up by 5.5% to a value in excess of 413 million Euros; today's new buying habits, which are beginning to overcome mistrust of unassisted sales and new methods of supply, combine with increased customer service specialisation to explain the success of a channel that now accounts for more than 4.5% of total cosmetics consumption. Meanwhile, **mail order sales** soared by 20% to a total value of 60 million Euros.
- **Internet sales** are clearly dynamic: recent studies indicate an increase in sales of more than 20%, although total volumes are still almost negligible. Nevertheless, the use of the web as a communication and information tool is the real evolution that has taken place in recent years.

**HERBALIST SHOPS**

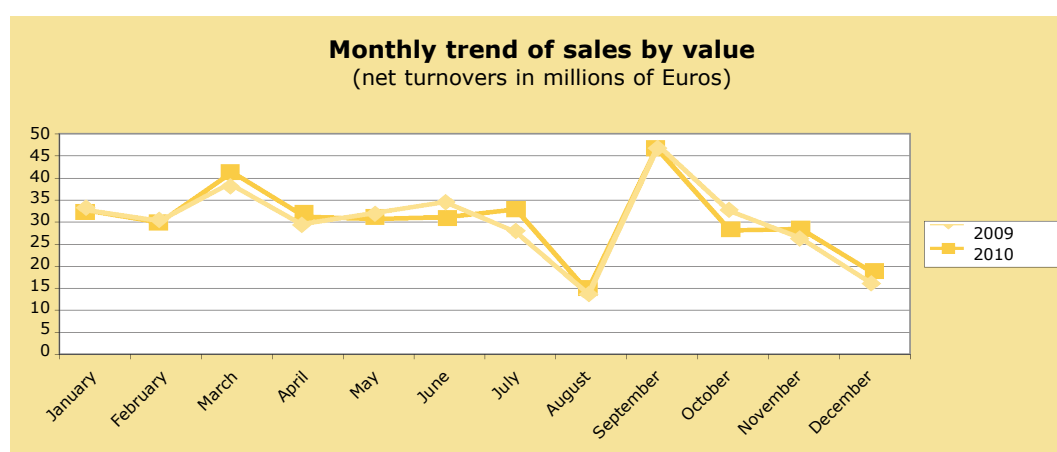
- In 2010, the **herbalist shop** channel accounted for sales of cosmetics for a total value of 365 million Euros, scoring a growth rate of 5.5%, the highest of all the traditional channels and in line with the important dynamics that have shaped the consumption of herbal products in the last ten years. The herbalist shop channel now accounts for nearly 4% of the Italian cosmetics market.
- Much like their counterparts in the pharmacy channel, sales of cosmetics through the herbalist shop channel also confirm the consumption choices exercised by those groups of users who prefer assisted sales with the benefit of advice, as a consequence of increasingly decisive buying options oriented towards concepts of health and nature.
- In addition, there is no let-up in the growth of the environmental awareness that pays attention to products with biological and natural connotations and finds a logical dialogue partner in the range available at the herbalist shop.
- The increasing popularity of specialised corners and the launch of new points of sale confirm these dynamics' evolution.

## BEAUTY SALONS

- The basic parameters used for these studies were revised in 2010, leading to a more precise definition of turnover values.
- After several years of declining turnovers, figures of cosmetics sales through beauty salons were back in the black in 2010, up by 1.8% to a value of 265 million Euros and accounting for 2.9% of the total market.
- Quite apart from the reduction in salon visits brought about by the economic crisis, the fact that uncertainty still afflicts this channel is due to a series of reorganisations in the distribution system, although these are now settling in.
- Volumes increased in quantity by 0.8%, while the rate of price increases remained within the industry average, at 1.5%.
- Any analysis of the channel's dynamics is certainly influenced by several important emerging phenomena, such as spa centres and wellness centres, which are destined to cover increasingly substantial shares of the consumption of cosmetics for professional and beauty applications in future.

## HAIRDRESSING SALONS

- The consumption of cosmetics through the **professional hairdressing channel** scored a slight revival of 0.5% in 2010, achieving a total value of over 695 million Euros.
- The value attributed to this market includes both those products that are used when providing services and sold in the salons and those that are sold and used outside the salons. The latter category accounts for some 15% of the total.
- While there was a slight reduction (of 1.2%) in the **quantities** sold, **prices** increased by 2.0%, somewhat more than the industry average.
- The survey conducted by Marketing & Telematica, which added to the evaluations of the professional channel as it does every year, confirms the trends already at work in previous years.
- The **monthly trends** identified in 2010 underscore the seasonal nature of the channel's consumption, which maintains its peak positive values (in March and September) and negative values (in August and December).



- The most substantial sales in terms of volumes were found in the following product families: shampoos, developers/ oxidisers, dyes, balsams/creams/conditioners with rinses and lacquers.
- In quantity terms, consumption passed from the 11,000 million millilitres recorded in 2009 to 10,900 million in 2010, a marginal reduction that counterbalances the signs of a revival in value.

## Regional classification of expenditure on products for personal care

- The consumption of cosmetics classified by Italy's regions by the national institute of statistics (ISTAT) demonstrates a clear concentration in the North, which absorbs 40% of all products for personal care, a figure that goes up to 50% in the case of cosmetics sold and used through the professional channels.
- At 17.7%, Lombardy is the top region in terms of share of consumption of personal care products, followed by Veneto at 9% and by Emilia Romagna and Latium at 8.4% each.
- Accounting for a total of 31.8%, the South and the islands consume significantly higher shares of the cosmetics market than of other categories of goods. This demonstrates that consumption is fairly evenly spread not only across the different population groups, but also across the country.

### ABSOLUTE CONSUMPTION BY REGIONS – PERCENTAGE DISTRIBUTION

	Products for personal care	Hairdressing and beauty salons
ABRUZZO	2.7	2.4
APULIA	6.7	5.8
BASILICATA	0.9	0.8
CALABRIA	3.1	2.7
CAMPANIA	8.2	7.2
EMILIA ROMAGNA	8.4	8.5
FRIULI VENEZIA GIULIA	2.2	2.2
LATIUM	8.4	8.7
LIGURIA	2.5	2.9
LOMBARDY	17.7	20.1
MARCHES	2.3	2.4
MOLISE	0.6	0.5
PIEDMONT	7.4	8.4
SARDINIA	3.0	2.5
SICILY	7.3	6.1
TRENTINO SOUTH TYROL	1.8	1.8
TUSCANY	6.1	6.3
UMBRIA	1.4	1.5
VAL D'AOSTA	0.2	0.2
VENETO	9.0	9.1
TOTAL	100.0	100.0

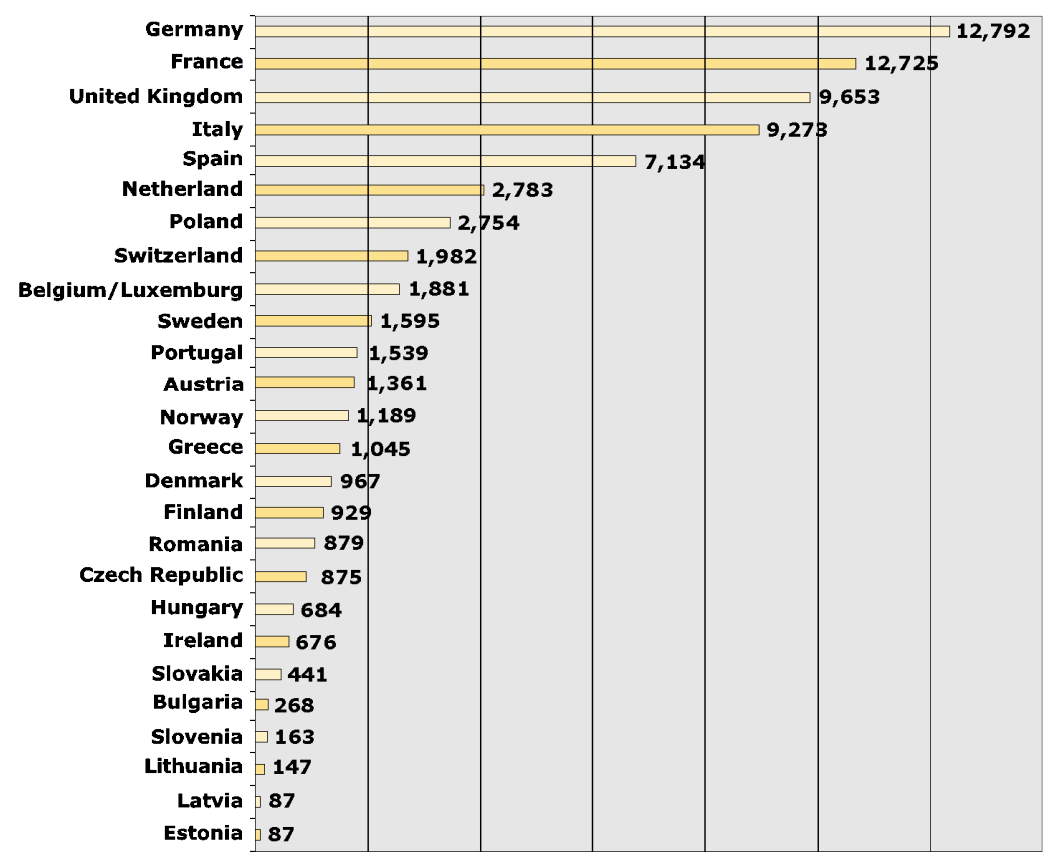
Calculations by Study and Corporate Enterprise Centre based on ISTAT data

## Cosmetics in Europe

- Data from Colipa, the European cosmetics industry association, confirms that Germany again held the primacy in cosmetics consumption in Europe in 2010, accounting for goods worth 12,792 million Euros, followed by France with 12,725 million Euros and the United Kingdom with 9,653 million Euros. Italy came next, absorbing 9,273 million Euros, then Spain with 7,134 million Euros
- The index of concentration confirms that the first five countries account for just under 70% of the entire European market.
- Europe's best-selling products are cosmetics for skincare, which account for 25.8% of total sales.
- With a market worth more than 66 billion Euros, Europe is confirmed as the world's leading region by consumption, followed by the United States with nearly 38 billion Euros and Japan with nearly 30 billion Euros.

### EUROPEAN CONSUMPTION

Values in millions of Euros – retail prices

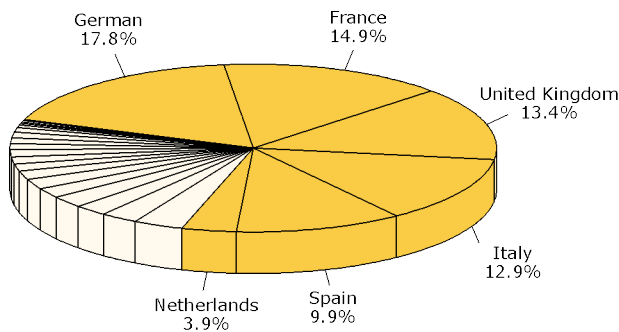


Source: Colipa, 2010

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**COMPOSITION OF CONSUMPTION BY COUNTRY**

Estonia 0.1%  
Latvia 0.1%  
Slovenia 0.2%  
Lithuania 0.2%  
Bulgaria 0.4%  
Slovakia 0.6%  
Ireland 0.9%  
Hungary 1.0%  
Finland 1.3%  
Czech Republic 1.2%  
Romania 1.2%  
Denmark 1.3%  
Norway 1.7%  
Portugal 2.1%  
Austria 1.9%  
Greece 1.5%  
Switzerland 2.8%  
Sweden 2.2%  
Belgium & Luxembourg 2.6%  
Poland 3.8%



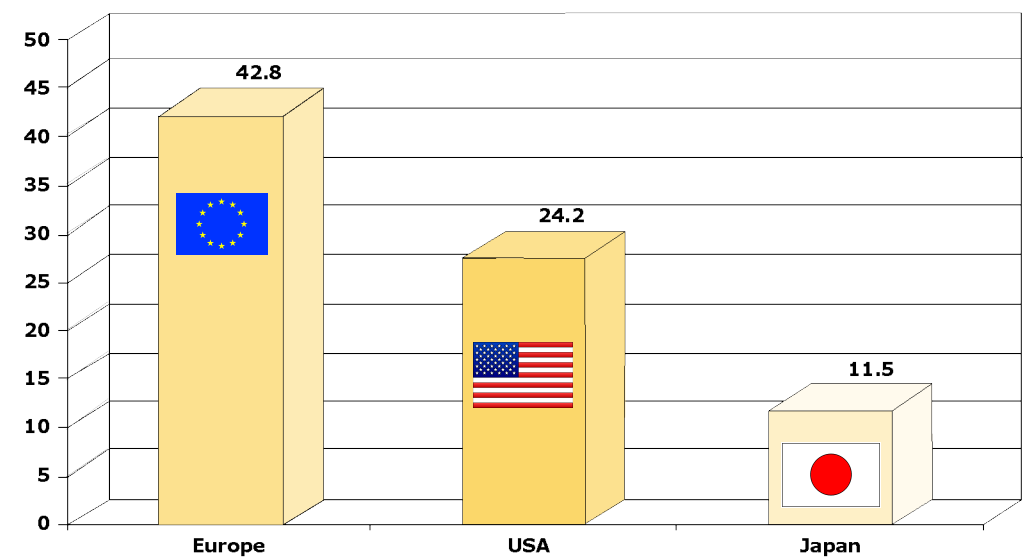
Source: Colipa, 2010

**COMPOSITION OF CONSUMPTION BY PRODUCT**



**MAJOR MARKETS COMPARED**

Turnover in billions of Euros



Source: Colipa, 2010

# Trends in Cosmetic Product Consumption

- In 2010, despite the tensions still very much at work on Italian families' propensity to buy, **consumption of cosmetics** in Italy chalked up a 1.1% increase in value, approaching a total value of 9,300 million Euros. This result is more than satisfactory if we consider the drastic impact on shopping attitudes that influenced consumers in the period immediately after the world economic crisis in autumn 2008. Of total cosmetics sales, goods worth 7,836 million Euros were marketed through retail channels, with an increase of 0.8% generated partly by the increase in such channels as pharmacies and perfume shops.
- The dynamics at work in the domestic market are matched by developments in exports, up by 17%, as an unmistakeable sign of Italian firms' renewed ability to adapt to the changing characteristics of markets and of consumers' diversified buying options.
- Consumption was further diversified in 2010, in line with the polarisation of buying trends that has been one of the Italian market's most characteristic features for several years.
- The rate of development found in mass distribution is less sustained than in the past, as evolution has focused partly on product specialisation policies in the specialised channels and partly on collections dedicated more specifically to the mass market. These specialised channels (see description on page 7) are the sector's newest and most dynamic phenomenon.

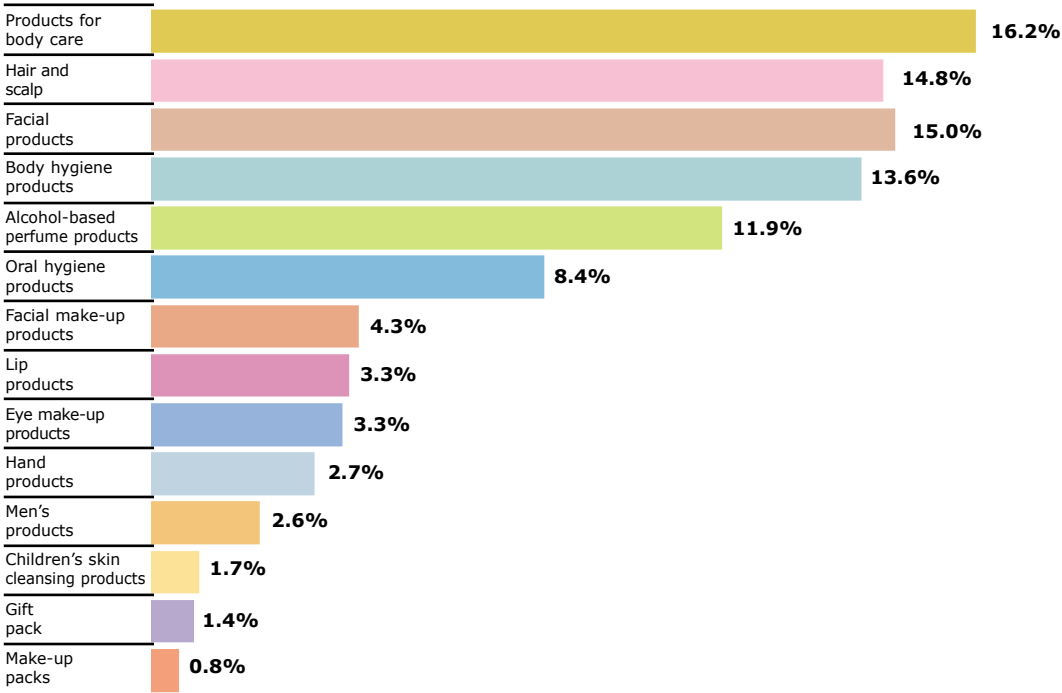
## TOTAL COSMETICS PRODUCTS RETAIL CONSUMPTION IN 2010

Retail prices, including VAT – data in millions of Euros

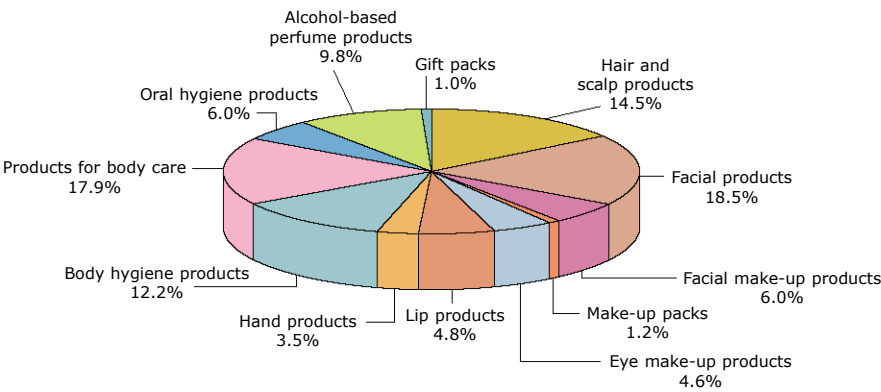
Total retail channels	Total	Pharmacy	Perfume shops	Mass distribution & other channels	Total % var.	Pharmacies % var.	Perfume shops % var.	Other channels % var.
	7,836.37	1,478.68	2,270.80	4,086.88	+0.8	+3.3	+1.2	-0.3
Hair and scalp products	1,157.04	148.15	91.48	917.40	-2.1	+1.3	-6.4	-2.1
Facial products	1,179.63	414.24	435.02	330.37	+0.9	+5.1	-1.3	-1.3
Facial make-up products	332.68	40.66	199.80	92.23	+3.4	+5.8	+2.0	+5.3
Make-up packs	59.84	0.01	45.70	14.13	+11.8	-65.7	+15.3	+2
Eye make-up products	262.12	15.17	154.69	92.26	+1.5	+16.9	-1.5	+4.5
Lip products	255.36	38.77	99.95	116.63	-3.0	-3.1	-1.9	-3.8
Hand products	207.45	32.80	51.32	123.32	+8.5	+8.7	+13.7	+6.4
Body care products	1,271.50	358.06	185.21	728.23	+0.3	+2.9	-2.7	-0.1
Body hygiene products	1,067.93	227.66	60.20	780.07	-	+3.9	-5.0	-0.7
Oral hygiene products	654.02	111.92	4.40	537.70	-0.3	-1.3	-	-
Children's skin cleansing products	133.10	77.84	4.70	50.57	+0.6	+2.2	-4.6	-1.2
Products for men	207.18	9.95	52.71	144.52	-2.1	+0.5	-3.3	-1.8
Alcohol-based perfume products	935.28	3.46	783.67	148.15	+4.2	+11.9	+3.8	+6.3
Gift packs	113.24	-	101.94	11.30	+7.9	-	+8.9	-0.3

**TRENDS IN COSMETIC PRODUCT CONSUMPTION**  
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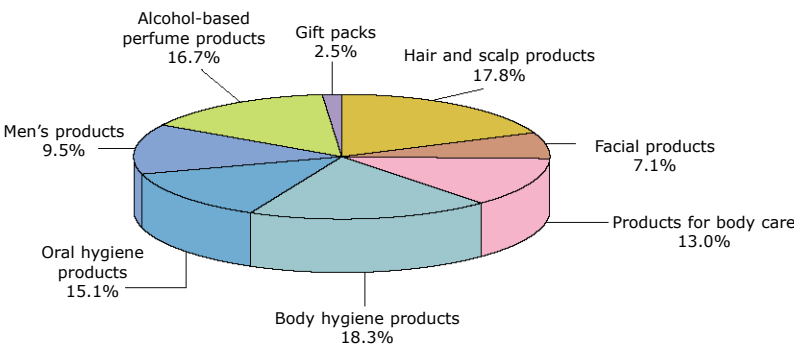
**2010 TURNOVERS BY CHANNELS OF DISTRIBUTION**



**CONSUMPTION OF COSMETIC PRODUCTS FOR WOMEN – ESTIMATED BREAKDOWN**



**CONSUMPTION OF COSMETIC PRODUCTS FOR MEN – ESTIMATED BREAKDOWN**

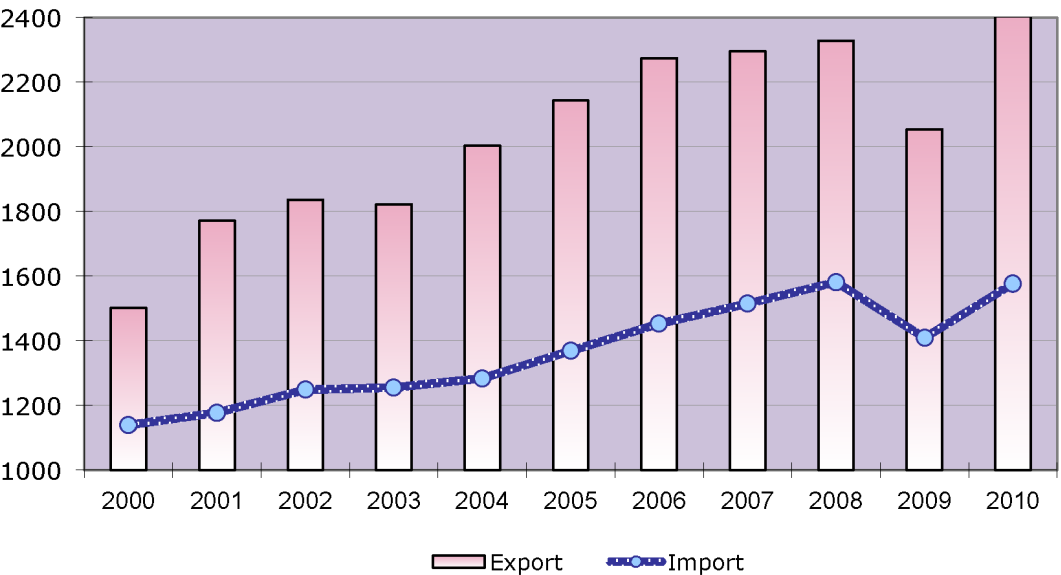




# Imports and Exports

- Our analysis of foreign trade data is based on the statistics that are elaborated every year by the Study Centre, starting out from data provided by the Italian national statistics office, ISTAT. Every year, ISTAT revises the data relevant to previous years in order to make due allowance for the changes taking place in the course of the year under observation: as a consequence, the statistics processed by Unipro also adapt the values attributed to the years in question accordingly. With rare exceptions, however, the impact of these adjustments is always marginal.
- After several years of reductions, 2010 brought a **revival in exports**, which were back up to their 2007 values. Total Italian cosmetics exports exceeded 2,400 million Euros in value, up by 17% over the previous year. In quantity terms, the increase was 9.6%, also very substantial compared to previous years: the disparity between the two rates confirms that the revival in international consumption has favoured products with a higher value.
- The increase in **imports** is equally significant: at a total value of 1,576 million Euros, they were up by 11.9% over 2009.
- Partly as a result of easing tensions on foreign markets, the cosmetics industry's balance of trade confirmed the trend that started back in 1995, when the value of cosmetic exports first overtook the value of imports. In 2010, the **positive balance** was more than 820 million Euros.
- Exports of Italian cosmetics were certainly aided in 2010 by the increase in value of the US dollar compared to the Euro and by the significant revival of certain foreign markets, which had recovered from the international economic crisis of summer 2008 that had impacted so negatively on foreign demand. The fact that Italy's exporters maintained their shares of individual markets and increased their hold in new ones confirms the quality of what they have to offer, which combines values of competitiveness with relation to service, to safe formulations and to constant product innovation.

## THE TREND OF THE BALANCE OF TRADE



Calculations by Study and Corporate Enterprise Centre based on ISTAT data, values in millions of Euros

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- In 2010, **exports** accounted for more than 27% of **total turnover**; this is one of the highest rates achieved in the last ten years and was certainly facilitated by the fact that conditions in foreign markets were better than on the Italian market. Although this is still a low value to confirm the cosmetics industry's vocation for processes of internationalisation, it is nevertheless positive in terms of prospects and opportunities for development on international markets.
- The **types of products** that contributed most to the sustained revival of exports in 2010 were **toilet waters and eau de cologne**, worth more than 424 million Euros and up by 41%, **creams and ancillary products**, up by 16.5% to a value of more than 490 million Euros, and **eye make-up products**, up by 29.6% to a value of over 181 million Euros. On the downside, **lip make-up products** slipped by 9.8% to a value of just over 68 million Euros and toilet soaps were down by over 4% to a total value of 181 million Euros.
- **Bath preparations** continued their downward slide, losing 10.7% to a value of nearly 62 million Euros, while lacquers slipped even more significantly, losing 25.3% to end up with an export value of something over 13 million Euros.
- On the side of **imports**, **creams** maintained their position as the top category, increasing by 10.2% to a value of over 517 million Euros, while **toilet waters and eau de cologne** increased by 24.1% to a value of 240 million Euros.
- In 2010, the tensions at work on foreign trade flows were mitigated quite suddenly in those countries that shared a common denominator of a proven ability to overcome the financial crisis that had afflicted individual countries' economies in recent years. In this context, the **encouraging revival of Italian cosmetics sales abroad** confirms the competitiveness of a national system that offers a blend of product quality, service and innovation and is seen to be increasingly aware of consumer safety.

**EXPORTS OF FINISHED AND SEMI-FINISHED GOODS**

Data from January to December

EXPORTS	QUANTITY (Tonnes)			VALUES (thousands of Euros)		
	2009	2010	variazione	2009	2010	variazione
Shampoos	49.363,2	55.239,5	11,9%	91.989,9	101.020,8	9,8%
Hair preparations	2.024,2	3.153,4	55,8%	8.276,2	13.283,9	60,5%
Lacquers	6.642,8	4.572,7	-31,2%	17.774,8	13.273,3	-25,3%
Lotions and other hair products	55.432,7	67.584,6	21,9%	277.480,9	339.513,9	22,4%
Powders and compacts	3.998,0	4.196,1	5,0%	89.911,9	102.088,6	13,5%
Creams and other products	48.426,1	53.266,3	10,0%	422.821,3	492.727,4	16,5%
Lip make-up products	2.589,1	2.159,0	-16,6%	75.523,6	68.147,6	-9,8%
Eye make-up products	3.481,7	5.143,4	47,7%	140.450,7	181.972,7	29,6%
Nail products	1.055,5	1.032,2	-2,2%	13.037,5	12.721,7	-2,4%
Toilet soaps	62.554,0	56.189,9	-10,2%	100.952,8	96.319,0	-4,6%
Bath preparations	30.311,4	30.309,8	0,0%	68.960,2	61.548,3	-10,7%
Personal deodorants	14.299,3	17.239,6	20,6%	77.380,6	85.630,5	10,7%
Toothpastes	2.930,1	3.120,8	6,5%	13.648,5	16.679,3	22,2%
Other oral hygiene preparations	36.779,5	45.209,4	22,9%	77.746,5	81.957,9	5,4%
Shaving, pre and after shave products	13.636,4	14.411,1	5,7%	41.205,1	44.729,4	8,6%
Perfumes and eau de parfum	5.534,1	8.239,0	48,9%	155.222,8	180.163,8	16,1%
Toilet waters and eau de cologne	10.814,1	15.530,0	43,6%	300.926,4	424.427,4	41,0%
Other perfumery and toilet products	18.041,9	16.516,1	-8,5%	80.617,2	86.954,2	7,9%
<b>TOTAL EXPORTS</b>	<b>367.914,1</b>	<b>403.112,9</b>	<b>9,6%</b>	<b>2.053.926,9</b>	<b>2.403.159,7</b>	<b>17,0%</b>

Calculations by Study and Corporate Enterprise Centre based on ISTAT data

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- **Europe** remains the most important market for Italian cosmetics exports: the fact that it absorbed goods worth more than 1,600 million Euros is also due to the sustained revival of demand in such countries as Germany, France, the United Kingdom and Spain.
- Among the top ten markets, vigorous revival is also evident in the **United Arab Emirates** (+38.2%), **Poland** (+31.5%) and **Hong Kong** (+36,4%); the volumes exported to these countries are becoming increasingly interesting, also in terms of strategic policies to internationalise firms in the industry.
- In general, the values of cosmetics being exported from Italy are increasing homogeneously: absorbing products worth more than 400 million Euros, **Asia** recorded a significant increase of 24.3%, while **America's** 280 million Euros were 24.3% up on 2009 and **Africa** was up by 20.5%. **Oceania** also achieved an 11.6% growth rate over 2009, although the total value was only just over 36 million Euros.

IMPORTS OF FINISHED AND SEMI-FINISHED GOODS

Data from January to December

IMPORTS	QUANTITY (Tonnes)			VALUES (thousands of Euros)		
	2009	2010	Variation	2009	2010	Variation
Shampoos	39,825.3	40,863.7	+2.6%	77,813.3	80,853.9	+3.9%
Hair preparations	269.5	521.4	+93.5%	1,538.6	3,441.9	+123.7%
Lacquers	2,053.6	2,470.7	+20.3%	7,678.6	8,996.5	+17.2%
Lotions and other hair products	33,668.5	33,106.1	-1.7%	133,294.8	122,827.7	-7.9%
Powders and compacts	781.8	821.4	+5.1%	18,834.5	19,102.1	+1.4%
Creams and other products	37,361.9	41,375.9	+10.7%	469,652.3	517,783.3	+10.2%
Lip make-up products	1,081.0	1,183.7	+9.5%	42,332.9	42,692.2	+0.8%
Eye make-up products	1,246.6	1,576.8	+26.5%	49,916.9	59,011.9	+18.2%
Nail products	2,701.1	3,983.8	+47.5%	33,194.7	52,431.6	+58.0%
Toilet soaps	20,259.4	19,208.3	-5.2%	36,875.2	37,466.5	+1.6%
Bath preparations	16,255.3	16,736.7	+3.0%	31,152.4	33,112.3	+6.3%
Personal deodorants	8,675.7	7,148.3	-17.6%	51,578.5	50,978.6	-1.2%
Toothpastes	25,585.5	25,178.1	-1.6%	77,451.2	79,943.8	+3.2%
Other oral hygiene preparations	7,423.2	9,635.7	+29.8%	31,283.5	35,456.3	+13.3%
Shaving, pre and after shave products	4,782.9	5,087.6	+6.4%	23,453.2	23,397.5	-0.2%
Perfumes and eau de parfum	5,123.1	8,413.7	+64.2%	84,769.5	118,673.7	+40.0%
Toilet waters and eau de cologne	6,984.4	8,384.6	+20.0%	193,765.9	240,504.5	+24.1%
Other perfumery and toilet products	7,797.7	8,935.3	+14.6%	44,903.1	50,253.3	+11.9%
TOTAL IMPORTS	221,876.5	234,631.8	+5.7%	1,409,489.1	1,576,927.6	+11.9%

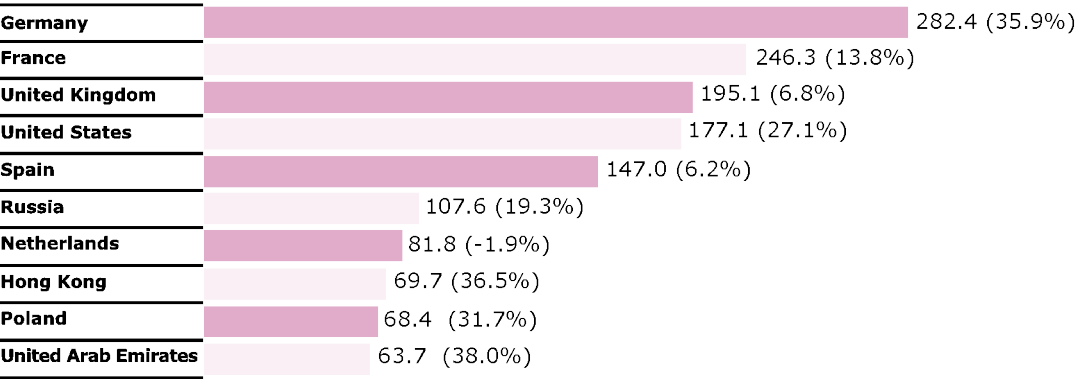
Calculations by Study and Corporate Enterprise Centre based on ISTAT data

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Areas of Internationalisation

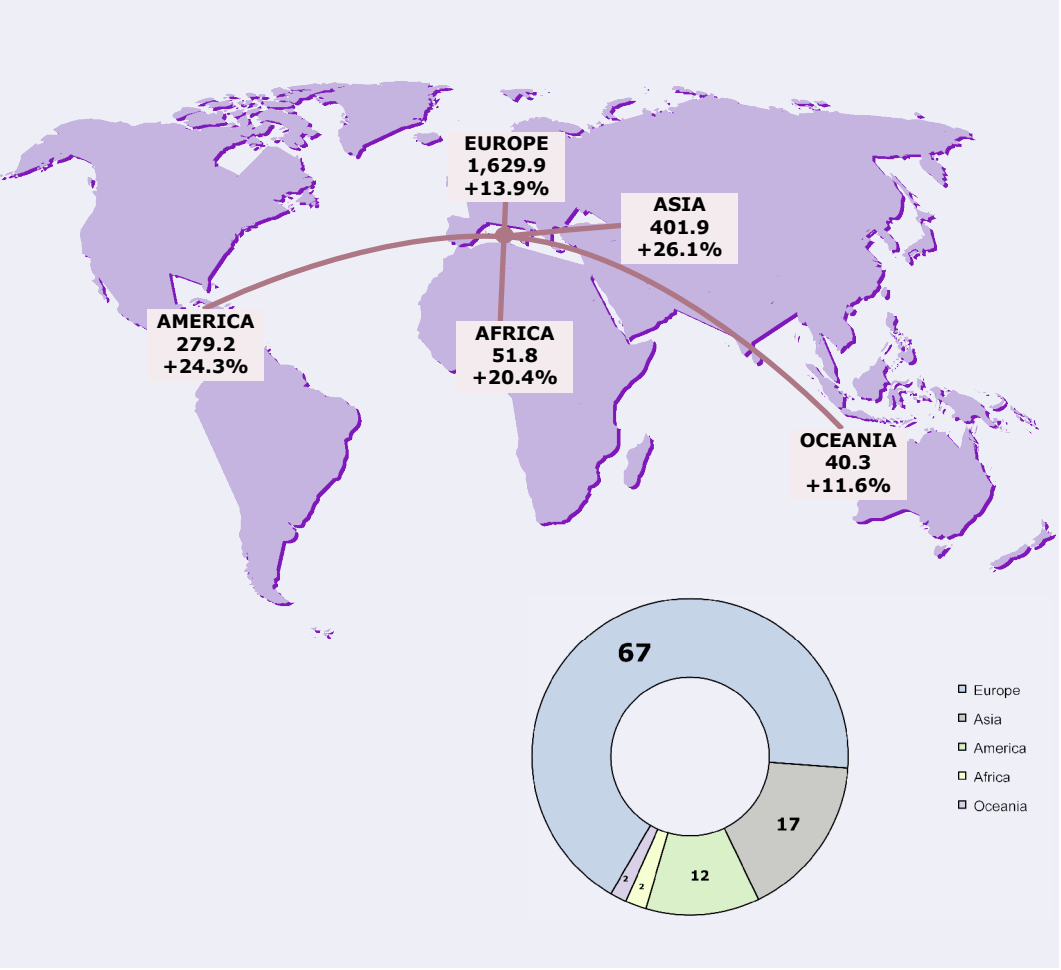
ITALIAN COSMETICS INDUSTRY EXPORTS – THE TOP TEN COUNTRIES

Values in millions of Euros



INTERNATIONAL TRADE FLOWS

Exports - values in millions of Euros



Calculations by Study and Corporate Enterprise Centre based on ISTAT data

2010 INTERNATIONALISATION PLAN COUNTRIES

2010 exports – values in millions of Euros

Poland	68.4 (+31.5%)
China	14.0 (-18.6%)
Vietnam	3.3 (+43.5%)
Turkey	22.5 (+32.4%)
South Korea	31.6 (+29.5%)
United States	177.1 (+27.0%)

GEO-ECONOMIC AREAS

2010 exports – values in millions of Euros

Nafta	216.1 (+21.4%)
Efta	58.2 (+14.4%)
Asean	54.8 (+29.4%)
Cefta	47.4 (+10.5%)
Mercosur	25.2 (+34.5%)
Comesa	21.5 (+45.9%)

Notes

- EFTA members: Iceland, Liechtenstein, Norway, Switzerland
- CEFTA members: Croatia, Former Yugoslav Republic of Macedonia, Moldova, Serbia, Bosnia and Herzegovina, Montenegro, Albania, Kosovo
- COMESA members: Burundi, Comoros, Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe
- ASEAN members: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam
- NAFTA members: Canada, Mexico, United States
- MERCOSUR members: Argentina, Brazil, Paraguay, Uruguay

INVESTMENTS IN ADVERTISING  
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Investments in advertising

- The Unipro Study Centre uses the information compiled by the Nielsen Company to process its data about advertising investments in the cosmetics industry. As Nielsen issues updates to the previous series every year, it is not possible to guarantee precise continuity in comparisons with previous years. The composition of some of the product families may also be influenced by these adjustments, especially with regard to previous years. Nevertheless, the quality of the trends detected and their absolute significance remain guaranteed.
- The **cosmetics industry's investments in advertising** revived significantly by 6.8% in 2010 to a total value of more than 555 million Euros, accounting for more than 47% of the macro-sector of personal products. This in turn accounted for more than 15% of total investments in commercial advertising in Italy, which also grew by 12.2%. At a time when uncertainty has not been banished completely, the cosmetics industry is displaying dynamics greater than all other industries of comparable dimensions and is once again confirming that it has increased its propensity to invest more than other important industries, such as the automobile industry (+3%) and the clothing industry (+4.4%).
- The absolute value of the cosmetics industry's **advertising investments** is second only to those made by the food, automobile and telecommunications industries. It accounts for one quarter of the mass consumption group, with an investment to turnover ratio of more than 6%. This is significantly higher than those of such important sectors of Made in Italy as fashion, eyewear and footwear.

TRENDS IN THE MACRO-SECTORS  
Commercial Advertising in Italy

Values in thousands of Euros

Sectors	2009		2010		Var. %
	Net invest.	% weight	Net invest.	% weight	
Activity/Services	2,072,418	27.5	2,187,030	27.8	+5.5
Consumer durables	1,330,348	17.7	1,370,417	17.4	+3.0
Mass consumption	2,034,363	27.0	2,161,893	27.4	+6.3
Food	1,439,724	19.1	1,535,698	19.5	+6.7
Drugs	594,639	7.9	626,195	7.9	+5.3
Personal (of which Cosmetics 555,600 / +6,8%)	1,165,064	15.5	1,257,868	16.0	+8.0
Leisure	924,488	12.3	903,907	11.5	-2.2
TOTAL COMMERCIAL ITALY	7,526,681	100.0	7,881,115	100.0	4.7

The sectors in detail:  
ACTIVITY/SERVICES: Distribution – Authorities/Institutions – Finance/Insurance – Industry/Construction/Activity – Professional Services – Telecommunications – Miscellaneous  
CONSUMER DURABLES: Housing – Cars – Domestic Appliances – Information Technology/Photography – Motor Bikes/Vehicles  
MASS CONSUMPTION: Food – Beverages/Alcoholic Beverages – Domestic Perishables – Toiletries  
PERSONAL: Clothing – Personal Care – Pharmaceuticals/Health Products – Personal Articles  
LEISURE: Games/School Articles – Media/Publishing – Leisure Pursuits – Tourism/Travel

NET ADVERTISING INVESTMENT  
FOR COSMETIC PRODUCTS IN CLASSICAL MEDIA

Annual % variation	2003	2004	2005	2006	2007	2008	2009	2010
	-26.6	6.5	-5.8	5.3	1.5	1.0	-9.0	6.8

**COSMETIC INDUSTRY SCENARIOS**  
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- In 2010, the tail end of the international financial crisis that impacted on domestic consumption levels generated effects that were also related to fiscal pressure, inevitably influencing investments considered to be of secondary importance, as in the case of advertising. Nevertheless, firms obviously made an effort to maintain a degree of continuity, so as to support the **demand for cosmetics** with targeted and selective advertising campaigns, often rationalising their planning and seeking specific opportunities in individual media in the course of the year.
- As a result of the revival of investments, the **level of advertising pressure**, i.e. the ratio between advertising investments and cosmetics consumed, improved in 2010 by nearly 6% over the levels of investments in previous years.
- The most popular medium in 2010 was once again **television**, up by more than 7% to values verging on 365 million Euros, while **printed press** media increased by only 1.2% to 128 million Euros. Although the value of investments in **cinema** advertising was comparably negligible, at nearly 2.9 million Euros, they achieved the most significant growth at +41.3%.
- The slight drop of 2% in investments in **consumer** publications, down to 104 million Euros, was the only negative sign in 2010, while investments in the daily press rose by a substantial 18.5% to a value of over 23 million Euros. The rate of growth achieved by investments in **radio** advertisements was well over 32%, making it the most significant performance after cinema advertising and achieving a total value of nearly 15 million Euros.
- Although their volumes still only exert marginal influence on the total, important signs also came from satellite TV, up by 12.8% to values of over 31 million Euros, and the internet, up by 17.5% to a value of 7 million Euros.

**NET ADVERTISING INVESTMENTS, BY MEDIA**

Thousands of Euros

Media	2009	% share	2010	% share	% var.
<b>Printed press</b>	<b>126,483</b>	<b>24.3</b>	<b>128,051</b>	<b>23.0</b>	<b>+1.2</b>
Daily newspapers	19,618	3.8	23,242	4.2	+18.5
Periodicals	106,596	20.5	104,512	18.8	-2.0
Specialised press	269	0.1	297	0.1	+10.5
<b>Television</b>	<b>340,406</b>	<b>65.4</b>	<b>364,643</b>	<b>65.6</b>	<b>+7.1</b>
Public TV	70,476	13.5	74,648	13.4	+5.9
Commercial TV	269,930	51.9	289,994	52.2	+7.4
<b>Satellite TV</b>	<b>27,696</b>	<b>5.3</b>	<b>31,234</b>	<b>5.6</b>	<b>+12.8</b>
<b>Cinema</b>	<b>1,627</b>	<b>0.3</b>	<b>2,298</b>	<b>0.4</b>	<b>+41.3</b>
<b>Radio</b>	<b>11,238</b>	<b>2.2</b>	<b>14,899</b>	<b>2.7</b>	<b>+32.6</b>
<b>Posters and hoardings</b>	<b>7,000</b>	<b>1.4</b>	<b>7,564</b>	<b>1.4</b>	<b>+8.1</b>
<b>Internet and direct mail</b>	<b>5,882</b>	<b>1.1</b>	<b>6,911</b>	<b>1.2</b>	<b>+17.5</b>
<b>TOTAL MEDIA</b>	<b>520,331</b>	<b>100.0</b>	<b>555,600</b>	<b>100.0</b>	<b>+6,8</b>

**PERCENTAGE ADVERTISING PRESSURE INDEX**

	2003	2004	2005	2006	2007	2008	2009	2010
Ratio between advertising investments and consumption of cosmetic products	6,35	6,63	6,14	6,32	6,24	6,25	5,67	5,99

Print - Laser Copy Center s.r.l. - Milan

Publication edited by  
Unipro Servizi srl - Via Accademia 33 - 20131 Milano