The Great New Hope for Cosmetics Manufacturers

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Eastern Europe is frequently the darling of strategic plans within major cosmetics firms. It represents dynamism while other developed markets including Western Europe and North America represent steady but uninspiring growth. If Western Europe and North America are the bread and butter for cosmetics and toiletries than Eastern Europe is the croissant; representing little in terms of weight but much in terms of delight.

Last year Western European cosmetics and toiletries sales grew by 3.7% compared to 2002 and North America by 1%. But Eastern Europe grew by a whopping 11.6%. Total sales in these regions respectively weighed in at US$62.9 billion, US$49.5 billion and USD $12.5 billion. Eastern European sales may remain dwarfed by more developed markets but increasing penetration of cosmetics and toiletries products represents a heady mixture for an industry looking to boast of organic growth to its shareholders. Driving penetration of cosmetics and toiletries are rising incomes brought on by economic growth.

Eastern European women are highly appearance conscious and most still remember the days when such products as are routinely found on their shelves today were remote luxuries. The Eastern European woman is an eager consumer for the goodies foreign and domestic producers are willing to sell them and sun care is no exception.

The promise of Eastern European sun care
Sun care represents amongst the cosmetics and toiletries sectors one of the most immature in an already immature market. Total sales of sun care products across the region amounted to US $162 million or 1.3% of total cosmetics and toiletries sales in 2003. By comparison the more mature Western European market for sun care represented 3% of total cosmetics and toiletries sales. Owing to that immaturity, growth in sun care in Eastern Europe has remained in the double digits since 1999. In 2003 sun care sales grew by 10.3%.

The Eastern European market for sun care is unique in several respects. Direct selling is a more significant distribution channel than in other markets. Consumer awareness of the effects of sun exposure remains marginal but is fast growing. Foreign manufacturers dominate but local producers hold strong positions in some niche areas.

The Avon ladyâ€™s hold over the region
Direct selling represents 11.8% of total sun care sales while in Western Europe the figure is 5.2%. Avon and Oriflame are the largest direct sellers and rank 4th and 6th respectively in company share as a result. These companies have been very active at promoting sun care products and through direct contact with customers play a key role in increasing awareness of UV damage. Unlike Western Europe or North America, governments have not been as active in explaining the medical rationale for sun protection and direct sellers are acting as stand-in health care professionals.

Old habits die hard for sun bathers
Low SPF sun cream remains very common as consumer awareness still has a considerable way to go and price remains a deal breaker. The media which Eastern European women confront may have slowly begun to emphasis the importance of sun protection but it has a way to go in explaining the concept of SPF. Higher SPF creams also carry higher prices and compounded with a lack of understanding, it is of little surprise that in Russia the most popular sun creams fall between SPF5 and 10. SPF30 is not commonly found on shelves and Eastern European manufacturers such as Kalina in Russia which holds 2% of sun protection sales, go up only to SPF20.

Also holding back growth of the higher SPF creams is the ongoing love affair of the Eastern European with a bronze glow. Tans are synonymous with holidays and holidays are synonymous with success and wealth. It is little wonder then that Eastern Europeans continue to flock to beaches and lakes during their summer holidays in search of a bit of colour to show off when they return. Tanning oils with a very low SPF therefore continue to be popular.

Foreigners dominate but locals have a presence
Most sales of higher SPF creams are made by foreign manufacturers, which attract consumers who are less price sensitive. Foreign companies dominate sun care in Eastern Europe with Beiersdorf the leader in the region holding 21.2% of sales followed by L'Or?al and Johnson & Johnson. Beiersdorf was one of the earliest entrants into Eastern European sun care and has been one of the most active since in NPD and advertising. Of Eastern European manufacturers, Polish firm Kolastyna has been the most successful capturing 2.4% of total sun care sales. Another successful Polish company has been Laboratorium Kosmetyczne Dr Irena Eris which took 12.2% of self-tanning sales ranking third behind L'Or?al and Beiersdorf. Domestic manufacturers largely compete on the basis of lower prices and

therefore in volume terms take up a large slice of sales.

Rapid NPD in Drive for Future Stake of Emerging Sectors
The Eastern European market for sun care may be immature but product launches have taken place at a rapid pace. The big news in several markets including Poland has been the launch of the spray format. In Czech Republic a spray format was launched which included Beta-Carotene and in Hungary spray-on after sun and sun protection products were launched by Oriflame. Self-tanning is the smallest sector within sun care but saw many new products added as manufacturers tried to get an early jump on competitors. Self-tan grew faster than either sun protection or after sun in 2003 although it remains a niche area targeted at the higher end of the market. Long and cold winters in many parts of Eastern Europe combined with an ongoing belief that a tan is attractive makes self-tan an area of interest for manufacturers looking to secure their future place. In Russia, L'Or?al Pl?nitude Sublime Bronze was launched, as well as new self-tanning products from Lancaster and Clinique. Domestic producers have not let the opportunity go unnoticed and have launched a slew of these products themselves.

The Future is So Brightâ€¦
The future appears sunny for sun care with growth forecasted for 2003-2008 at 37.2%. In sun care, after sun is expected to see the strongest growth at 41% followed by sun protection and self-tan at 37.5% and 22.8% respectively. An ongoing lack of consumer awareness of the effects of UV on skin is the key factor in sun careâ€™s future in the region. Aftersun is expected to grow the fastest growth as Eastern Europeans continue to sun bathe requiring these products following sun exposure. As consumer awareness grows sales of sun protection are expected to pick up pace throughout the forecast period with the strongest growth expected in 2007 and 2008. Self-tan will see growth although in some countries low disposable incomes combined with high unit prices on these products will dampen its pace.

With total sun care sales in Eastern Europe expected to reach US $222.3 million by 2008, manufacturers may find this market looking a little more like bread and butter and a little less like pastry.

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