Vast Potential for Cosmetics and Tolietries in Russia

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With booming value sales set to continue, Russia is the market to watch for international cosmetics and toiletries manufacturers, according to the latest research from Euromonitor International.

Between 2002 and 2003, Euromonitor International recorded value growth of 14.3% in cosmetics and toiletries sales in Russia, with skin care showing the strongest value increase at 30%. Right across the market, growth has been underpinned by the stabilisation of the Russian economy, which has encouraged foreign investment and bolstered consumer spending.

Consumer awareness is raised and spending surges
Rising consumer spending has been central to value growth in the cosmetics and toiletries market in Russia. Instead of selecting products entirely on price, Russian consumers are starting to make product quality a key criterion in purchasing decisions. The result is that premium products have begun to perform well â€“ a trend that was most evident in the skin care sector, where value sales doubled volume sales.

Foreign manufacturers - through heavy investment in advertising - have also played a significant role in raising consumer awareness for higher quality cosmetics and their benefits. Manufacturers have created awareness of different skin types and the advantages of using products developed for specific purposes. Clearasil, for example, gained popularity in 2003, as teenagers were made aware of the benefits anti-acne products.

Local manufacturers have picked up on this trend towards use-specific cosmetics by introducing a full range of skin care products, such as toners, cleansers and moisturisers â€“ an idea originally introduced by foreign firms in the 1990s. This has encouraged more consumers to use a variety of specially designed products in their daily skin care regimes, a development that continues to have a positive impact on growth.

Efforts to raise consumer awareness for firming/anti-cellulite products have also boosted sales in the skin care sector. Euromonitor Internationalâ€™s research shows that firming/anti-cellulite products witnessed the fastest growth in the sector, with an increase of over 49%. Readily available information on cellulite treatments in the media and on the Internet has helped to raise the profile of these products. In fact, nearly every website aimed at women and covering general fashion or cosmetic trends in Russia has a link to further information on cellulite and treatment methods. New product launches in 2003 including Orlane S.O.S. Conturing Oil by K?l?mata SpA and Sisley Phyto Sculptural by Sysley CFEB also boosted sales in the sector by increasing the availability of these products to the average Russian consumer.

Improved distribution networks
The improvement of distribution networks in Russia is also integral to the cosmetic industryâ€™s impressive growth. Supermarkets and chained boutiques have expanded geographically to bring products to consumers outside the city centres. Yves Rocher, one of Russiaâ€™s biggest chained specialist stores, for example, now has over 100 outlets countrywide. Improved levels of service have also contributed to sales by creating a more pleasant shopping experience for the consumer.

Direct sales, however, have had the biggest impact on the cosmetics and toiletries industry, particularly in the skin care and colour cosmetics sectors. Euromonitor Internationalâ€™s research shows that direct sales seized a share of 14.2% of total cosmetics and toiletries sales in 2003. The key to success for the major players, Avon, Oriflame and Faberlic, is well-trained consultants promoting a full range of skin care products, from cleansers and toners to moisturisers and body care.

Bright future for Russian cosmetics and toiletries industry
The Russian cosmetics and toiletries market will continue to achieve remarkable growth in the next five years. Euromonitor International forecasts 60% overall market growth, with the skin care sector expected to achieve the most dynamic value increase of 98%. With this market potential, there is no question that Russia presents a golden opportunity for both local and foreign manufacturers.

As the Russian economy develops further, greater consumer expenditure and an increased presence by foreign firms will continue to positively impact growth. The Western concept of wellbeing and looking good will also continue to profoundly impact developments in cosmetics and toiletries, as consumers become more willing to purchase luxury goods.

Euromonitor also sees the sophistication of distribution networks as critically important to the future of the market. Not only will improved networks grant Russian consumers easier access to products, but also they will reduce the prevalence of counterfeit products that still plague the market.

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