Russian perfumery and cosmetics market 2015

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Overview

Russia remains to be:

- 4th largest beauty market in Europe
- 6th most attractive region for investments
- 70% of investors consider Russia domestic market as the most attractive with its 143.5 mln active consumers

Russian perfumery & cosmetics market estimated at USD 14.6 bln* (RUB 555.1 bln)

Market grows by 6-12% annually:

- twice as dynamic than global market
- has grown by 73.6% over the past 5 years

Source: RBC.Research
* Based on the average exchange rate 1 USD = 38 RUR as on Jan-Apr 2015, Central Bank of Russia
Russian Consumer

- 65% of Russians live in 20% of the territory
- 15 cities are populated by more than 1 mln Russians each
- Total population of these cities: 32 mln
- Population of Moscow is 8% of Russia population
- 45.6 mln of Russians are women aged 20-60 years
  This is one-third of the total population

Source: Federal State Statistics Service of Russia
Russian Consumer

- **Every second** Russian woman uses masks and facial washes, special creams for eye area (in 1990s – one out of four)
- **40%** uses special creams for eye area (in 1990s – 10%)
- **40%** uses beauty salons services (in 2000s – 4%)

Sources: RBC.Research, Reports and Reports
Sales Channels

- In 2014, perfumery and cosmetic products’ pace of sales in the context of specialized chains (supermarkets and drogeries) and online shopping has increased.
- Equity structure of the channel continued to shift towards specialized retailers.

* Source: RBC Research, Euromonitor, Association of direct sales.
Sales Channels

Specialized retail chains, incl. drogery

Direct sales

Open markets

Drugstores

Other, incl. supermarkets, internet etc.
Market Players: Manufacturers

By now, most international leaders have manufacturing sites in Russia

TOP 10 manufacturers:

1. L’Oreal
2. Avon
3. Kalina
4. Nevskaya Kosmetika
5. Arnest
6. Faberlic
7. Mezoplast
8. Svoboda
9. Unikosmetik
10. Vesna

* Source: RBC.Research
Market Players: Chains

- There are about 200 chains in Russia, 3 of which are leaders sharing together about 20% of the market.
- Most of chains are regional and often not represented outside their region.
- Number of natural and organic cosmetics chain stores increased by 7.5%.
- 56.3% of cosmetic chains stores are drogeries.

* Source: RBC Research

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**NUMBER OF PERFUMERY AND COSMETICS CHAIN STORES**

- 2008: 2,110
- 2009: 3,100
- 2010: 3,800
- 2011: 4,869
- 2012: 6,050
- 2013: 7,390
- 2014: 9,350

* Source: RBC Research*
Natural cosmetics

- Eco-trend is **very popular in Russia** spreading to various segments of retail
- During 2013-2014, organic cosmetics market got new players, mainly in **online shopping segment**: Greenmade, Fresh Cosmetics, Organity.ru etc.
- Significant number of **individual entrepreneurs** who either buy a franchise or open outlets operates in this market segment
- The main competitors for chains selling natural and organic cosmetics are pharmacies and specialized online stores that present **wider range of products** significantly wider range than offline stores

![Pie chart and bar chart showing sales revenue of chains selling natural and organic cosmetics, in million RUR.

- Other profiles: 91.0%
- Natural and organic cosmetics: 9.0%

* Source: RBC.Research*
Cosmetics Import

- Import value (Jan-Sep 2014): USD 2 559,6 mln
- This is approx. the same value as 2013
- No any sanctions and restrictions in this business segment for importers

Source: RBC Research
Tendencies. Forecast

- Stable or slightly decreased pace of retailers’ sales revenue growth
- Decreased demand for premium products, with increased demand for middle-market and mass-market products. Nevertheless, lipstick effect is still possible
- Increased retail prices of perfumery and cosmetics due to increased prices of imported products and raw materials and exchange rates
- Acceleration of market development in Russian regions
- Further strengthen the influence of specialized and single-brand boutiques on selling natural cosmetics and increased sales of cosmetics in drugstores

*Source: RBC.Research*
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