

## THE IMPACT OF GLOBALIZATION IN THE INDUSTRY OF COSMETICS

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**Abstract:** *I would like to point out that this paper focuses on the skincare product market, because of the amplitude that it holds in the global cosmetic industry.*

*The aim of this paper is to compare the dominant cosmetic consumer's market (i.e. France, Germany, U.S.A. ) to the ones that are just now emerging( China, Republic of Korea, India).*

*In the progressive manner I tried to highlight the importance of Asiatic skincare cosmetic market in the context of global skincare market.*

*The products on the cosmetics market like skincare products amounted in 2012 to 288 billion \$, make-up products to 20,92 billion \$, hair care products to sums equaling 45,69 billion \$, while the perfumes market got to 8,44 billion \$.*

*The skincare products industry is today more productive than ever. The market of these products was performant between 2011 and 2012 and registered a great development in countries like France, Germany, Italy, Spain and Great Britain. It meant in 2011, 6,8 percentages more than the year before.*

*In 2012, the European sector of skin care products registered an important increase, regarding the value, especially in France and Germany. By comparison with the American one, the difference of sales volume value between the two sectors (European and American) is relatively little. The biggest increases of sales volume, expressed in percentages, were registered in France and Spain.*

*The well-known competitors and experts concentrate their attention upon the Asian continent, that has become day by day more interesting for the cosmetics companies all over the world. On the entire Asian continent, companies try to discover skin care formulas that are more and more sophisticated. The high-quality products, once available only in Japan, are now reachable also in Korea and China, thing showing that the Korean market finds itself into a permanent transformation.*

*Key words: world-wide cosmetic industry, European cosmetics market, Asiatic cosmetics market , Korean cosmetics market, Chinese cosmetic market, Japanese cosmetic market*

**JEL classifications:** *M 31*

The „Cosma Magazine” reported in („Global cosmetics and toiletries market size 2010-2016,, 2012:76) that the products on the cosmetics market like skin care products amounted in 2012 to 288 billion \$, make-up products to 20,92 billion \$, hair care products to sums equaling 45,69 billion \$, while the perfumes market got to 8,44 billion \$.

The skin care products industry is today more productive than ever. The market of these products was very performant between 2011 and 2012 and registered a great development in countries like France, Germany, Italy, Spain and Great Britain. It meant in 2011, 6,8 percentages more than the year before („*World Cosmetics & Toiletries*”, Euromonitor International, 2012:175 ).

According to Freedonia Group (in „Global Cosmetic Industry”, „Global Report / Skin Care”, Veille Corporate & Business,2012:.41 ), until 2016, the anti-aging products will register, only in the USA, sales of 29 billion \$. Because of the nowadays men, that have become more and more interested in their appearance, the Hollywood stars that promote anti-aging products, the possibly of great sales of these products is about to increase. The fact that the demand for anti-aging products, that would bring quick and better benefits, increases, while the cosmetic and pharmaceutical (cosmeceutical) industry doubles in comparison to the cosmetic products industry, is not a coincidence. Nevertheless, the more the world more and more occidentalised becomes, the merrier the skin care products market develops. Because of more revelations regarding the skin and its functions, and also new ingredients, the companies create specialized products, that function together with the new discoveries for bringing efficient solutions. A more aggressive penetration of the companies with their products in the suburban and rural areas, the frequent launching of new products and also a greater interest for personal hygiene, especially among young people, will certainly lead to sales increases. Due to incomes growth, especially the teenagers have become more practical and more active consumers on the skin care products market. Equipped with information on skin cancer risks provoked by excessive sunbathe and by the unhealthy risks of the sun, they seek for solar protection and vitamins, to the prejudice of those that contain chemicals and additives. If the companies do not support them, offering them information on the importance and the necessity of skin care, they will not reach their goals.

The cosmetic products consumers have already chosen to inform themselves about skin care, and, consequently, the companies should maintain their marketing strategies fresh and continue launching products containing innovative ingredients. It is important, in the context of global market of skincare products, highlighting *partial key indicators of market capacity*, and *the position on market (market share of the company)*, but also the company’s competitive position on the market (relative market share).

- a) *Position on market (market share)* represents the share of company's sales, in the total sales of a market product. The calculation is:

$$p_{fijk} = C_{fijk} / C_{ijk}; \text{ where : } i \text{ represents product index ;}$$

$$j \text{ represents market index ;}$$

$$k \text{ represents timing index.}$$

- b) *Company's competitive position on the market (relative market share)* shows the ratio between position on market and the market position of the main competitor (leader of market). The calculation is :

$$P_{cf} = P_f / P_{cp}; \text{ where : } P_f \text{ represents the market position of the company ;}$$

$$P_{cp} \text{ represents the market position of the main competitor.}$$

Table 1: The amplitude of the global market of skincare products, on segments, in 2012

Segment	Value (mil. dollars)	% - / - 2011 / 2012
Facial care	35.884,3	14,6
Body care	8.659,5	13,3
Hand care	1.633,8	13,9
Total sector of skincare	46.177,6	13,93

Source : Euromonitor International" reported in („World Cosmetics& Toiletries Marketing Directory- 2009-2010- Major Cosmetics& Toiletries Multinationals, Multinational market share table", 2012:7-10)

- a) The calculation of market shares:

$$P_P \text{ of facial care} = 35.884,3 / 46.177,6 = 0,777 = 77,7\%$$

$$P_P \text{ of body care} = 8.659,5 / 46.177,6 = 0,187 = 18,7\%$$

$$P_P \text{ of hand care} = 1.633,8 / 46.177,6 = 0,035 = 3,5\%$$

- b) The calculation of competitive positions:

$$P_c \text{ of facial care} = 0,777 / 0,187 = 4,15 \rightarrow \text{supraunit report (leader);}$$

$$P_c \text{ of body care} = 0,187 / 0,777 = 0,24 \rightarrow \text{subunit report (challenger);}$$

$$P_c \text{ of hand care} = 0,035 / 0,777 = 0,04 \rightarrow \text{subunitar report.}$$

Indicators interpretation: the companies which sales the skincare products, are leaders in the total segment of skincare products, with a market share of 77,7%, followed by challengers who activates the segment of body care products (with a market share of 18,7%). The biggest competitive position (4,15), is held by facial care companies, followed by body care companies.

We can notice that the facial care products reached the highest value (14,6%) on the global market, followed by the hand and body care products. As a value and percent the biggest sales were obtained in facial care sector.

Table 2 : The amplitude of the global market of skincare products, delimited by regions, in U.S. dollars in 2012:

Western Europe	2.692,2
Eastern Europe	352,2
North America	1.808,0
Latin America	819,6
Asia Pacific	1.024,9
Australasia	21,6
Africa și Middle East	7.216,0

Source : „Global Cosmetic of Toiletries Market Analysis and forecast- Cosmetics and Toiletries Market by Geography, 2010-2016” [online], Available: <http://transparencymarketresearch.com> [2 August 2011: 276 ]

a) The calculation of market shares:

$$P_P \text{ of Africa \& Middle East} = 7.216,0 / 13.934,5 = 0,517 = 51,7\%$$

$$P_P \text{ Western Europe} = 2.692,2 / 13.934,5 = 0,193 = 19,3 \%$$

$$P_P \text{ North America} = 1.808,0 / 13.934,5 = 0,129 = 12,9\%$$

b) The calculation of competitive positions:

$$P_c \text{ of Africa \& Middle East} = 0,517 / 0,193 = 2,67 \rightarrow \text{supraunit report (leader);}$$

$$P_c \text{ of Western Europe} = 0,193 / 0,517 = 0,37 \rightarrow \text{subunit report (challenger);}$$

$$P_c \text{ of North America} = 0,129 / 0,517 = 0,24 \rightarrow \text{subunitar report.}$$

Indicators interpretation: The global market of the skincare products from Africa and Middle East is leader on the global market of the skincare products, with a market share of 51,7% and competitive positions of 2,67, followed by the challenger market of Western Europe with a market share of 19,3 % and competitive position of 0,37, and North America which has a market share of 12,9% and a competitive position of 0,24%.

Table 3: The value of retail marketplace of skincare products in 2012

Country	Value (mil. dollars)	% - / - 2011 / 2012
France	2.873,0	7,2
Germany	2.361,9	1,2
Italy	1.749,6	1,3
Spain	800,7	6,4
Great Britain	1.409,7	6,3

S.U.A.	6.881,2	3,2
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Source: „Global Cosmetic of Toiletries Market Analysis and forecast- Cosmetics and Toiletries Market by Product, 2010-2016” [online], Available: <http://transparencymarketresearch.com> [2 August 2011:300 ]

a) The calculation of market share:

$$P_P \text{ of S.U.A.} = 6.881,2 / 16.076,1 = 0,428 = 42,8\%$$

$$P_P \text{ of France} = 2.873,0 / 16.076,1 = 0,178 = 17,8 \%$$

$$P_P \text{ of Germany} = 2.361,9 / 16.076,1 = 0,146 = 14,6\%$$

b) The calculation of competitive positions:

$$P_c \text{ of S.U.A.} = 0,428 / 0,178 = 2,40 \rightarrow \text{supraunit report (leader);}$$

$$P_c \text{ of France} = 0,178 / 0,428 = 0,41 \rightarrow \text{subunit report (challenger);}$$

$$P_c \text{ of Germany} = 0,146 / 0,428 = 0,34 \rightarrow \text{subunitar report.}$$

Indicators interpretation: the market of the skincare retail marketplace from U.S.A. is leader on the global market of the skincare products, with a market share of 42,8% and competitive positions of 2,40, followed by the challenger market represented by France, which has a market share of 17,8 % and competitive positions of 0,41 and followed by the market of Germany, with a market share of 14,6% and competitive positions of 0,34.

In 2012, the European sector of skin care products registered an important increase, *regarding the value*, especially in France and Germany. By comparison with the American one, the difference of sales volume value between the two sectors (European and American) is relatively little. The biggest increases of sales volume, *expressed in percentages*, were registered in France and Spain.

## THE ASIAN MARKET OF SKINCARE PRODUCTS

The well-known competitors and experts on markets concentrate their attention upon the Asian continent, that has become day by day more interesting for the cosmetics companies all over the world. On the entire Asian continent, companies try to discover skin care formulas that are more and more sophisticated. The high-quality products, once available only in Japan, are now reachable also in Korea and China, thing showing that the Korean market finds itself into a permanent transformation (Chandler, M. Technical Manager at Uniqema Personal Care, in Cossma, „The trend of Asian Market”, 2012:15).

In Asia, the creams that whiten the skin dominate the cosmetics market: while the Western women spend fortunes for getting tanned, the sales of „whitening” creams reach here stunning quotas. In this area of the planet, the „snow-white” skin was and will always be a beauty canon and the market is continually increasing. Almost half of the women in Hong Kong bought such creams last year, by comparison with only 38% in 2011. In Indonesia, Malaysia and Taiwan, over a third of the feminine population uses a miraculous product, that it is said to attenuate the skin pigmentation. In Thailand, „the whitenings” monopolize over 60% from the face creams market. According to the Japanese giant of cosmetics, Shiseido Company,

the whitening creams sales increased by 20% between 2007 and 2012, now representing 23% from the total sales of this company in Asia( „Japan: Shiseido Enters Natural Cosmetics Market”, in „Research news”, *Organic Monitor*, 2012:187.]

A market study of the Synovate Company shows that most of the men and women in Asia prefer the pale skin, confirming the fact that the ancient beauty canons have not changed at all.

The beauty definition in Asia is totally different from the one in the West. The Asian women do not like freckles, nor the yellow colour of their skin, the white being here a king. So, beginning with 2000, the beauty products departments are full of whitening masks, double-whitening pencils and even whitening deodorants.

Other tendencies that are to be found on the Asian market are represented by red lips in China, very soft skin in Korea, the world of make-ups and skin care products becoming a kaleidoscope of the new technology.

### **The Korean Market of Skincare Cosmetic Products**

In the Republic of Korea, the products that create a natural aspect dominate the market. The Korean woman is not in search of a new appearance that should stress the eyes and the lips anymore. She wants to obtain an appearance that should mirror the natural beauty. At the same time, the products that provide solar protection, improve health, improve the aspect of the skin and reduce the aging signs are appreciated.

The natural ingredients are also important for the Korean consumer. Regarding the analysts' report from Euromonitor International (“Market research for the beauty and personal care industry- Beauty and personal care in Korea “2012-2014), with the consent of the natural tendency, many brands stress the importance of plant- and aloe-based medicine. The main goal of these functional brands is the middle-aged women. The attention centered on health and vitality and also on the transfer of the concepts from food to cosmetic products, determines the consumers to search for natural ingredients. On the Korean market, the Oriental or Chinese medicine uses cosmetics that have as main ingredients extracts from Oriental herbs, products that are locally named “hanbang” and whose market quote is increasing because of the consumers that want to go back to the natural way of life.

The domestic producers are the leaders on the Korean cosmetics market, the harsh competition being among the companies that hold the hegemony on the market: Pacific Pharmaceutical, LG Household & Healthcare ( Euromonitor International - “Market research for the beauty and personal care industry- Beauty and personal care in Korea “ 2012:232).

### **The Chinese Market Of Skincare Products**

The cosmetics industry in China was competitive in 2012, registering an increasing rate of the sales volume of 15 percentages by comparison with the former year( Euromonitor International -“Market research for the beauty and personal care industry- Beauty and personal care in China “ 2012:257).

Like the Korean women, the women from China seek for functional, hydrating cosmetics that should provide solar protection, improve health and the aspect of the skin, eliminate the spots and reduce the aging signs.

Beginning with 2001, the hydrating products and those against aging have known a faster development than any other segment of the care products from China.

Promoting the skin rejuvenation ability and the reduction of the wrinkles, the increase was impressive, while many Chinese women are willing to spend more for maintaining their appearance.

Jason Wu, Commercial Manager comercial of PCBIO Greater China, Eastman Chemicals Ltd. ( Chemical products Company Eastman), supposes that the products with natural plant extracts will become more popular in the next decade. Lately, the producers gave a growing importance to plants, because of the great interest of the consumers towards the natural products.

The lipsticks producing subsegment had the biggest market quote within the make-up products segments, registering a growth of 55,2 percentages for the period between 2007 and 2012 (Pitman, S, „China cosmetic sales growth powers ahead, but rate slows”, 2011:53 ). Being one of the cheaper and visible ways of beautification, the lipsticks are popular, not only in the urban areas, but also in the rural ones, the Chinese women preferring shiny colours, especially red, that is traditionally associated with luck and happiness.

### **The Japanese Market of Skincare Cosmetic Products**

The Japanese economy has crossed a descending phase in the last years. However, the cosmetic products with whitening and anti-aging capacity and also the special ones, that allow the Japanese women follow the tendencies of the international fashion, will maintain the Japanese market of skin care products and toiletries on the increase.

The products addressed to the premium segment (luxury), made by both domestic and foreign producers, have determined the unparalleled sales growth especially of skin care products, but also of cosmetic products in general.

Wanla Cheng, President of Asia Link Consulting Group, said in Euromonitor International,(„Cosmetics and toiletries in Japan”, 2012:67), that the segment of whitening has the supremacy within the skin care segment, registering the biggest sales volume on the market.

In Japan, the behavior of the female consumers is influenced by the international fashion tendencies, thing that will continually be the most important force of gravity for the cosmetic industry. The best sold cosmetic products are the glosses, mascara and lipsticks.

The most important competitors on the cosmetic products and skin care market from Japan are the domestic ones. Companies like Shiseido, Kanebo, Kose and Kao have registered a market quote of 49 percentages from the total amount of sales in 2012. Regarding the skin care products, successful domestic brands have introduces lines like Shiseido, Kanebo and Kao, the only successful international brand being Max Factor KK of the Maybelline Company( Euromonitor International -“Market research for the beauty and personal care industry- Beauty and personal care in Japan “ 2012:285).

### **The Indian Market of Skincare Cosmetic Products**

Although the population outnumbered 1 billion, the sums of money that India assings for cosmetics and toiletries are relatively little, the rural and suburban areas being incapable of surpassing the level of basic use of cosmetics and toiletries. Nevertheless, while other countries of the world use the traditional Indian products made of herbs and ayurvedic as beautification solutions, more an more Indian

consumers consider the international brands of personal care, products that improve the way of life, being convinced that their association, like individuals, with the use of these successful international brands, represents the symbol of the superior, sophisticated class. International names like Estée Lauder, Elizabeth Arden, Nina Ricci, Yves Saint Laurent and Shiseido, among others, win more and more prestige among the consumers in the key cities, like Mumbai and Hyderabad. Along with the development of the Indian en-gross trade, these premium brands offer various types being supported by a well substantiated marketing activity. The opening of the Indian economy, the acceptance of this country as a member of the International Trade Organization, made India a productive and efficient market for the international cosmetics and toiletries production.

The cosmetics and toiletries market increased by 5 percentages in 2012, the sales value reaching 146 billion rupies (Cosma Magazine" reported in („Global cosmetics and toiletries market size 2010-2016,, 2012:132). The more powerful entrance of the products in the suburban and rural areas, the frequent products launching and the increasing interest in personal hygiene, especially among young people, led to the growth of the sales on the market. The higher levels of pays and lower prices of products, with the help of smaller packages and sizes, made the cosmetics and toiletries accessible for a bigger number of buyers. The habit of buying products for personal care already represents a modus-vivendi in India, outliving all the economical crisis that existed along the decades.

The basic toiletries (bath and shower) dominates the Indian market, representing 39,1% of the total sales of cosmetics and toiletries in 2012, while the hair care products and oral hygiene are on the second and third place( Euromonitor International -"Market research for the beauty and personal care industry- Beauty and personal care in India " 2012:267).

The West India remains the biggest outlet of cosmetics and toiletries in the country, relying on the increasing level of awareness of the products by the consumers, on lower prices on a competitive market and on bigger personal incomes, and also on the desire to spend more for obtaining some registered mark products. The region represented 28% from the total amount of cosmetics and toiletries in India in 2012, followed by South India.

Hindustan Lever Ltd. (Private Limited Company) kept its top position on the Indian market of products for personal care in 2012, with a market quote of 40,7 percentages, about 32 percentages more than the next competitor Colgate-Palmolive (India) Ltd.. Hindustan Lever`s domination results from a various range of products, many of them being well quoted and sold brands. Due to rich resources and superior budget, the company may perform a marketing activity that can offer it a competitive advantage concerning the mixed marketing strategy( "Indian Cosmetic Sector Analysis(2009-2012)- Indian Cosmetic Market Performance", in RNCOS Industry Research Solution, 2011:87).

While the toiletries market is well developed and dominated by important multinational companies and a hand of Indian competitors, the skin care cosmetic products knew a recent development for the consumers in towns, but also for those in the rural areas.



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