

## country reports uk vs germany

# Quality assured

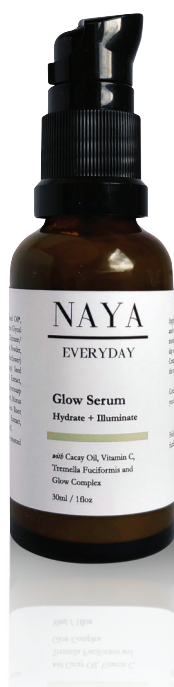
The beauty sectors in Britain and Germany are banking on their reputations for quality manufacturing and sustainability. **Poorna Rodrigo, Barbara Bierach and Keith Nuthall** write

**W**hile the spectre of Brexit looms over the British economy and its beauty market, the fundamentals of its personal care product sector live on. As the UK ponders leaving the European Union (EU), maybe in October, commentators often cast a wary eye at Germany to see how this economic engine of the EU is performing – maybe to check whether Brexit is as big a business mistake as many experts warn. It is a good match-up in beauty terms. Both industries excel in creating quality products and their markets reward excellence in personal care lines with healthy sales.

### COMMONALITIES & CONTRASTS

The growing preference for ‘natural perfectionism’ or, simply put, the ‘no-make-up make-up’ look, emerged as a dominant trend last year both in the UK and in Germany, an analyst from London-based market intelligence company Euromonitor International tells **SPC**. So much so that British cosmetics consumers adopted a ‘beauty diet’ in 2018, favouring sustainability over more garish consumerism (although not necessarily fewer overall sales), according to the analyst. And interestingly, even beauty bloggers like Lauren Curtis and Samantha Ravndahl – whose very *raison d’être*

UK-based organic brand Naya Skincare is produced in Germany with the support of Cosmacon



is to encourage beauty buys – were asking consumers to adopt a ‘spend less, waste less’ mentality, the analyst notes.

The key is “polished and smooth skin, which explains the importance of foundation/concealer and highlighter, which are used for contouring”, the analyst says, adding: “It is about creating an effect that is fresher and more natural.”

Moreover, this minimalist look is further fuelled by ethics, with consumers showing greater concern for the planet and waste reduction. The Euromonitor analyst says: “We should expect to see more of this as the industry is under the spotlight for its social impact and environmental pollution.”

Germany’s beauty sector is well placed to profit from such sentiment, given it has a long history in producing sustainable cosmetics and thus major brands, such as Dr. Hauschka, Weleda or Kneipp. Due to the strengths of discounters such as Lidl and Aldi among supermarkets, or drugstores Rossmann and dm-drogerie markt, top quality sustainable brands like Lavera or Alverde are comparatively cheap.

“Value for money for the consumer of organic cosmetics in Germany is hard to beat,” says Michael Pfeiffer, founder of Pfeiffer Consulting, which has offices in Germany, Bulgaria and the US, and specialises in quality and safety in the cosmetics industry.

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The margins for the producers are slim and this triggers the need to invest in the latest technology to stay competitive – “and that again raises the quality of production in the German sector”, according to Pfeiffer.

“Organic cosmetics in Germany generally are well-tested, safe and based in science,” says Sarah Zimmer, founder of Naya Skincare, an organic cosmetics brand established in the UK. Zimmer is based in London but produces in Germany with the support of Cosmacon, a well-known laboratory for the cosmetics industry near Hamburg.

Contrasts between the two countries include that in Germany, the growth of nail product sales has slowed down because of the wide availability of professional salons offering services at bargain prices. In the UK, while facial make-up has been influenced by consumers wanting to obtain a more ‘au naturel’ look, lip gloss sales have gone up because of a parallel trend following 1990’s fashion, which accentuates this lip product.

## BOTH COUNTRIES IN FIGURES

The latest sales data from Euromonitor indicates that while the natural look trend maybe impacting what consumers buy in the UK – overall beauty sales remain robust. While sales growth of colour cosmetics, deodorant, fragrance and skin care in 2017 fell 1.7% to US\$16.5bn, sales rose 5.3% last year to \$17.3bn. Growth is forecast to slow to 3.4%, delivering \$17.9bn in sales in 2019. However, the market is forecast to gain 5.9% in 2020 to reach \$19bn, and 4.4% in 2021 to reach \$19.8bn, according to Euromonitor data.

Germany’s beauty sales are growing more slowly, up 1.5% on average from 2013 to 2018, says personal care and soap industry association Industrieverband Körperpflege – und Waschmittel (IKW). In 2018, the sector’s growth rate was 1.8%, up from the previous year

to €13.8bn (\$15.4bn). For the current year the industry association projects a 2% growth rate.

Segment by segment, the fastest growth year-on-year in 2018 was in hair care, with revenues of €3.1bn (\$3.5bn) (up 5.1%), skin and face care to €3.2bn (\$3.6bn) (+3.3%), dental care to €1.6bn (\$1.8bn) (+2.2%), soaps and syndets to €354m (\$396m) (+2.6%), deodorants to €757m (\$846.2m) (+1.9%) and men’s fragrances to €516m (\$577m) (+1.2%).

Shaving products and aftershave sales shrank to €201m (\$225m) (-4.7%), as did decorative cosmetics at €1.8bn (\$2bn) (-2%), shower gels at €895m (\$1bn) (-0.4%) and miscellaneous other beauty products at €425m (\$475m) (-5%).

IKW members are optimistic; 74% of represented companies expect a “good” or “very good” future. “We develop products to accompany consumers in their daily life, products that fulfil wishes and deliver on self-esteem and quality of life,” says Georg Held, Chairman of IKW and General Manager of L’Oréal Germany.

## TRENDS AHOY

With e-commerce and m-commerce channels growing in both Britain and Germany, retail trends are developing fast in both countries. The entry of British apparel retailers into the beauty sector is one noteworthy trend. Spanish major Zara expanded its beauty range in the UK in December to include a line of 12 Ultimatte lipsticks, the Euromonitor analyst says, adding: “We expect non-beauty retailers will continue to shake up the market, push innovations and develop larger product ranges.”

The increase in the opening of monobrand and pop-up shops, using technology, games and immersive designs to engage customers, is another trend. In October 2018, US cosmetic giant Estée Lauder-owned Too Faced opened three new shops in Dartford, Stratford (east

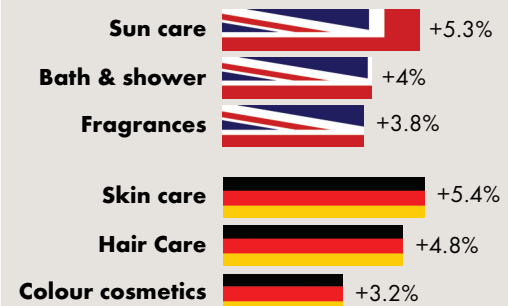
**Both industries excel in creating quality products and their markets reward excellence in personal care lines with healthy sales**

## The UK and Germany, the big 3 (2018)



Source: Euromonitor International

## The UK and Germany, highest year-on-year growth categories (2018)



Source: Euromonitor International



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London) and Oxford, offering what it called “interactive playgrounds” for its shoppers in the UK. These, for instance, enabled consumers to conduct mascara swaps and personalise packaging with engraving, and included raffles and draws. And US brand Morphe opened its first UK retail store in 2018, also in Stratford (London), and two more this year, one in Birmingham and the other in Liverpool.

Likewise, department stores are investing more in revamping their beauty spaces. Selfridges welcomed digital-only brand Trinny London, founded by fashion expert Trinny Woodall, into its stores in 2018. This is a “signal for department stores that one of the ways forward in boosting sales perhaps is by welcoming small indie brands”, the Euromonitor analyst adds.

In Germany, e-commerce is really booming. Management consultancy McKinsey observed in a note on the country’s beauty market: “Historically, large legacy brands have ruled the industry. Recently, however, born-digital brands have become the big growth story.”

The consultants claim that from 2008 to 2016, colour cosmetics challenger brands grew their German sales by 16% a year, four times as fast as legacy companies. They now account for 10% of Germany’s colour cosmetics market, up from 4% in 2008.

Leading German cosmetics retailer Douglas has heard the message. Its acquisition of Pfedelbach in Baden-Württemberg based perfume chain Akzente in 2018 was mainly aimed at its successful online shop parfumdreams.

According to consultancy A.T. Kearney, online revenue in Europe from cosmetics will grow 8% year-on-year in 2019. By the end of 2017, German online fashion shop and past mail-order giant Otto started to list about 1,000 products from L’Oréal; in March 2018, German online shoe shop Zalando started selling cosmetics online, presenting 4,000 beauty products for women. Finally, Avon followed suit, opening a German online shop in October 2018.

Still, traditional shopping is far from dead. French chain Sephora, for instance, is also working the German marketplace, on and offline. Last September, its first German shop opened in Munich with a planned roll-out in 14 urban centres.

According to a 2018 study by market researcher POSpulse in Berlin, few German consumers buy cosmetics exclusively online: 62% of a surveyed 1,000 consumers prefer to buy beauty products via traditional retail outlets and 35% shop both on and offline. Bricks-and-mortar stores, of course, offer instant availability, the opportunity to try out products and a wide range of choice – reasons cited by German consumers wanting to use physical

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retailers. According to IKW, in Germany, chemists (pharmacies) are still the most important retail outlets for cosmetics of all sorts with 48.1% of total revenue, followed by perfumeries with 16.4%, supermarkets (13.3%) and pharmacies (9.4%).

### SIGNATURE PRODCUTS

Products made with natural, ethical ingredients following the ‘clean trend’ are becoming a signature of cosmetics production in both Britain and Germany.

Britain, of course, was home to ethical cosmetics innovator The Body Shop, which is now owned by Brazilian company Natura Cosméticos. The brand continues to innovate out of its UK premises, with recent new lines including White Musk Flora Eau De Toilette that the company says comes with a “modern and daring twist on our cruelty-free musk that’s 100% vegan”; and Fresh Nude BB Cream – a multi-tasking beauty balm.

UK-based bio-designed skin care brand Elequra is also known for taking naturals to new levels – and its new Radiance Accelerator Serum is a good example. It contains microencapsulated pure retinol (the wrinkle-smoothing super ingredient), two esters of vitamin C, which activate on the skin for lasting protection from free radicals; niacinamide, which works on enlarged pores and skin tone; and, finally, periwinkle – a novel natural ingredient for skin care, which, says the company, boasts impressive pigment-correcting abilities.

British skin care brand Sister & Co. Skin Food says it “uses the perfect grade of raw coconut oil, cold-pressed at a small organic farm on the Sri Lankan coast”, to make products such as True Cleanse Oil, Body Melts and rose and cardamom-enriched lip tonic.

In August 2018, London-based British-Dutch consumer goods company Unilever targeted ethical and environmentally conscious millennials with the launch of its new Love Beauty and Planet (LBP) brand. “The new beauty range is Unilever’s first new personal care brand in 20 years and was inspired by the firm’s Sustainable Living Plan,” says Ecovia

**Ethical UK high street stalwart The Body Shop continued to innovate in 2019 with new launches including its 100% vegan White Musk Flora Eau De Toilette**

