

Cosmetic Industry Analysis : A Bird's Eye View

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Abstract:

Purpose: The purpose of this paper is to study the market of Cosmetic Industry at Global, Indian, urban and rural level. Thereafter to study the market trends of the cosmetic industry.

Design/Methodology/approach: Secondary data like reports, articles, newspapers were used to study the cosmetic industry.

Findings: This study has identified the categories of cosmetic industry including Hand care, Color Cosmetics, Face care, Hair care, Body care. The study has also analyzed global, Indian, urban and rural scenarios as well as the key trends.

Keywords: Cosmetic Industry, Beauty and Personal Care, Rural Market

1. Introduction:

Bearing a long heritage of cosmetic and beauty, aesthetic makeup products have been used since olden days and nowadays it appears like a booming economy in India which would be the largest cosmetic consuming country in the next few decades. While the demand for beautifying substances are growing day by day, a large number of local as well as international manufacturers gradually extend their ranges and products in different provinces of India.

Since 1991 with the liberalization along with the crowning of many Indian women at international beauty pageants, the cosmetic industry has come into the limelight in a bigger way. Subsequently there has been change in cosmetic consumption and this trend is fueling growth in the cosmetic sector.

Due to the development of satellite television and a number of television channels as well as the internet in the modern day, the Indian consumers are constantly being updated about new cosmetic products, translating into the desire to purchase them. Additionally, the flourishing Indian fashion/film industry is fueling growth into the cosmetic industry by making Indians realize the importance of having good looks and appearance. Today most of the cosmetic manufacturers in India cater to the domestic market but they are gradually establishing their footholds in the overseas market. In recent years cosmetic manufacturers in India have received orders from overseas markets, for example Indian herbal cosmetic products have a tremendous demand in the international market.

Many international brands like Revlon (the first international cosmetics brand to enter India in the mid nineties), Avon, Burberrys, Calvin Klein, Christian Dior, Estee Lauder, L'Oreal, Max factor, Max Mara, Body Shop, Maybelline New York, MAC, Bobbi Brown and many more have been present in India for an extensive period of time. (Dr. G. H. Kerinab Beenu, Ms. S. Rathika, 2022)

The top three players in the Indian market are international players, namely Hindustan Unilever, Colgate-Palmolive India and L'Oréal India. The other prominent international players with a strong presence in the Indian market include Gillette India, Johnson & Johnson (India), Reckitt Benckiser (India) and Procter & Gamble Home Products. Domestic players were catching up over the review period with the emergence of the trends towards natural, herbal and Ayurvedic products. Prominent domestic players include Godrej Consumer Products, Dabur India, Marico, Wipro Consumer Care & Lighting, Emami and Patanjali Ayurved.

The cosmetic industry is dynamic, lucrative, innovative, and fast-paced. Millions of consumers use cosmetics/PCPs and their ingredients on a daily basis. In earlier days, only the cosmetics such as soap, shampoo, and hair oil, which were necessary in their daily life, were used by people, but as the time changed, other cosmetics such as perfume, deodorant, moisturizer, hair color, and hair gel are also being used by people widely. (Srinivasulu et al., 2022)

Category	Growth '14-'16	Sub-category and growth	Evolution
Hand care	16%		Newly emerging category consisting of nail, cuticle care and moisturizing creams
Color Cosmetics	12%		Shift in usage of color cosmetics - from only special occasions to everyday use
Face care	9%	Fairness 7%	Consumers moving towards integration of health & wellness and skin care products
		Male shaving 9%	
		Cleansing 15%	
		Lip care 20%	
		Foundation 20%	
		Other creams 9%	
Hair care	5%	Oil 5%	Consumers are warming up to more evolved, western style hair care regimes
		Shampoo 5%	
		Conditioner 10%	
Body care	4%	Toilet Soaps 2%	Non-traditional product categories such as Derma, body wash, sunscreen are growing
		Deodorants 3%	
		Creams/Lotions 8%	
		Derma 32%	
		Sunscreen 9%	
		Body wash 9%	

Table 1: Indian Beauty and Personal Care (BPC) Market Size (%) by Category

2. Research Methodology:

Secondary data like various reports, magazines, articles were used for the study.

Objectives of the study:

1. To study the market of Cosmetic Industry at Global and Indian level
2. To study the market of Cosmetic Industry at Urban and Rural level in India
3. To study the market trends of the Cosmetic Industry

3. Analysis:

Global Scenario:

Since the early twentieth century, the production of cosmetics has been controlled by a handful of multinational corporations. In recent years, consumers have been spending higher levels of disposable income on cosmetics than they had in the past. Unfortunately, the global financial crisis has put a damper on the market and during those years, more affordable merchandise and do it yourself at home products were key in the beauty market. However, in recent years as Generation Y has really entered the job market, they have become a big driver of the cosmetics market; especially in the United States. The United States is the biggest cosmetic market in the world, with an estimated total revenue of about 62.46 billion U.S. dollars and employing about 63,816 people by 2016.

Globally, the beauty industry, which constitutes an endless variety of skincare, makeup and hair products, amounts to a staggering USD 511 billion, and it is projected to reach USD 716.6 billion by 2025. Two of the world's biggest markets are the United States, with USD 62.46 billion, and China with USD 69.4 billion. The Indian beauty industry may be catching up as well, jumping from a mere USD 11 billion in 2017 and is expected to close USD 30 billion by 2025.

In the coming years, global cosmetic companies will continue to focus their efforts on product innovation in order to attract new consumers and keep existing consumers loyal to specific brands. (Statista Research Department, 2021)\

The global beauty industry (comprising skin care, color cosmetics, hair care, fragrances, and personal care) has been shocked by the COVID-19 crisis. First-quarter sales have been weak, and there have been widespread store closures. The industry has responded positively to the crisis, with brands switching their manufacturing to produce hand sanitizers and cleaning agents and offering free beauty services for frontline response workers. At the same time, the industry's leaders have a responsibility to do their best to ensure that their companies survive. The global beauty industry generates \$500 billion in sales a year and accounts for millions of jobs,

directly and indirectly. Lives come first, but livelihoods also matter. (Emily Gerstell, Sophie Marchessou, Jennifer Schmidt, and Emma Spagnuolo, Mc Kinsey & Company, 2020)

Indian Scenario:

The Indian beauty market is witnessing an acceleration in the self-care sub-sector. More consumers are now taking proactive steps to achieve a more sustainable and holistic approach towards their beauty regimen that serves them in the long term. We believe that the slow beauty philosophy explores the idea of remaining young, promotes the spirituality of holistic beauty & wellness, celebrating consciousness and self-expression — our ideals about ultimate beauty at large. The cosmetics and personal care industry is one of the fastest growing consumer products sectors in India with a strong potential for foreign companies. The personal care and cosmetics sector in India has shown continued strong growth, with increasing shelf space in retail stores and boutiques in India, stocking cosmetics from around the world. (BEAUTY AND PERSONAL CARE MARKET IN INDIA, 2016) As of 2017, the market size of the cosmetic industry across India had a value approximately eleven billion U.S. dollars. The market size of the cosmetic industry recorded a year on year growth and was forecast to reach a value of 20 billion U.S. dollars in 2025. (Statista Research Department, 2021)

Urban and Rural Scenario:

Demographic growth, improving socio-economic standards and large-scale development of digital and manufacturing sectors has resulted in a booming demand for cosmetic products in India, which is no longer restricted to metro and mini-metro urban centres, but also equally powerful in the rural areas. The evidence of this boom in rural areas can be seen in how almost every village in India now has a beauty salon: no longer a luxury only reserved for the wealthy townsfolk.

With growing income level and increasing consumer awareness, the penetration of branded cosmetics is continuously increasing in these areas. However, these consumers are more inclined towards regularly used cosmetic products like talcum powder, hair oils and moisturizers, etc. Skin care cosmetic companies are targeting these markets by launching products in lower price range and smaller packs, as these are more affordable. Similarly, hair colour market in smaller towns is completely driven by small sachets of hair dye as consumers use it occasionally.

Companies are launching cosmetic products in smaller sachets and at affordable prices. Also, they are developing rural-specific products to match the habits and purchasing power of the smaller town consumers. And, for the promotional purposes, they are using mass media in rural areas. For instance, HUL used radio channels for creating awareness about its skin care products in the smaller towns.

The cosmetic companies are launching various products to meet the needs of small town consumers. For example, Godrej's Nupur hair dye and Marico's Nihar coconut hair oil are gradually changing the face of hair care market in smaller towns. In skin care, Fair & Lovely cream is relatively popular in rural areas. (Payal Gulati, 2014)

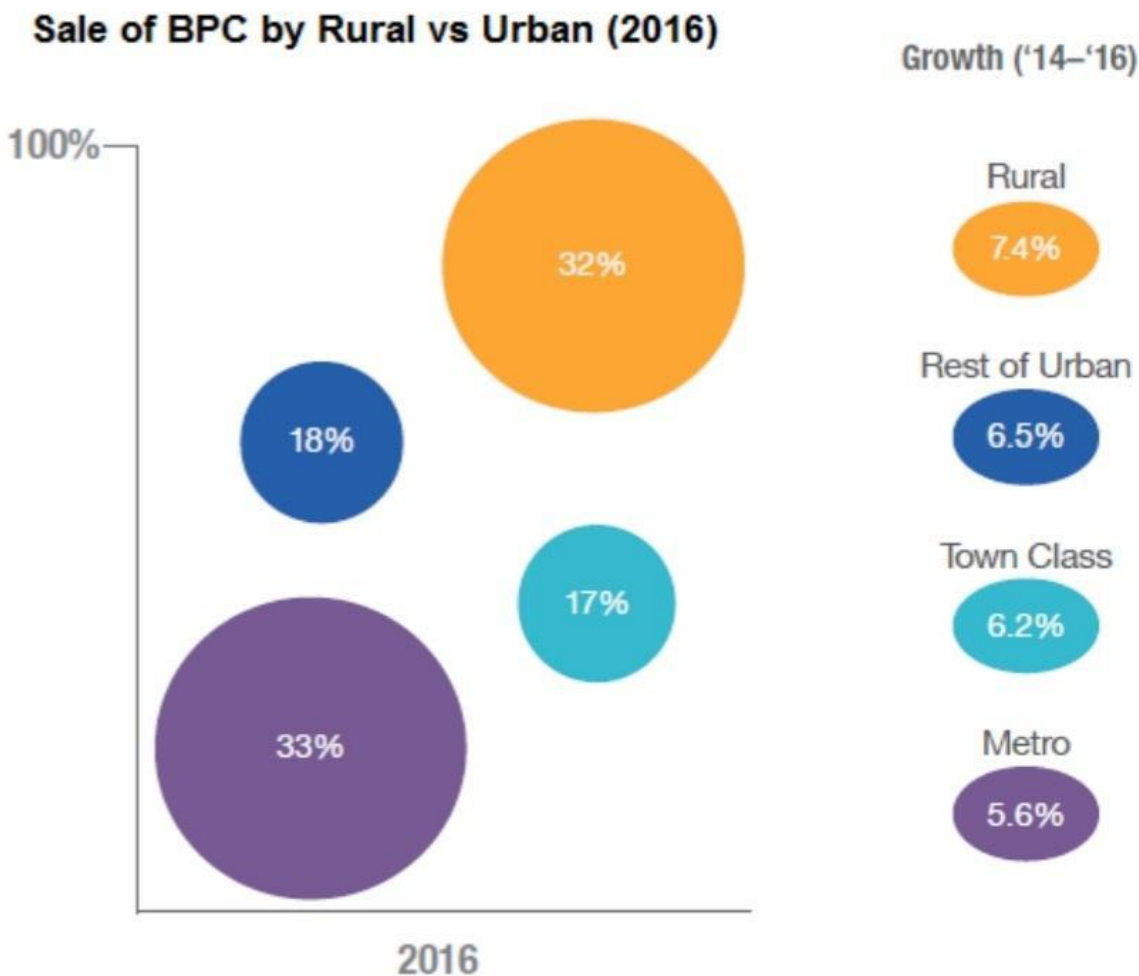
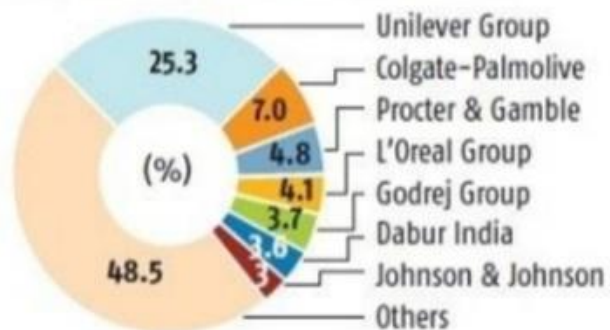


Image 1: Sale of BPC Rural vs Urban

Source: Beauty and Personal Care in India, Ministry of Economy and Industry, Foreign Trade Administration

Who dominate the Indian market (retail value share) market share in 2016

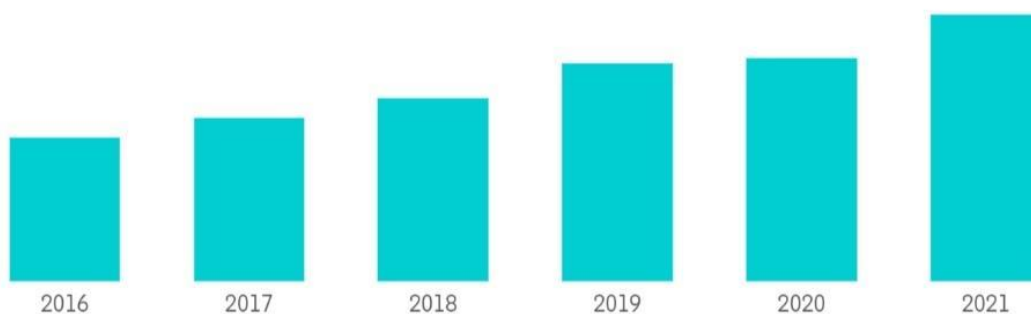


Source: Euromonitor, Economic Times

Image 2: Who dominates the Indian market

Source: Euromonitor, Economic Times

Organic Cosmetic Products Market- Year-On-Year Growth Rate (%), India, 2016-2021



Source: Mordor Intelligence



Image 3: Organic Cosmetic Products Market - Year on Year Growth Rate

Source: INDIA COSMETICS PRODUCTS MARKET - GROWTH, TRENDS, COVID-19 IMPACT, AND FORECASTS (2022 - 2027), Mordor Intelligence



Image 4: Market Summary

Source: INDIA COSMETICS PRODUCTS MARKET - GROWTH, TRENDS, COVID-19 IMPACT, AND FORECASTS (2022 - 2027), Mordor Intelligence

4. Key market trends

Inclination Toward Vegan and Cruelty-free Cosmetics Products

The cruelty-free (no animal testing), vegetarian (no byproducts of animal slaughter), and vegan (no animal ingredients at all) beauty market has exploded in recent years globally and has been finding its space in the Indian market too. In May 2014, the Ministry of Health & Family of India published the cosmetic testing ban, which added the new rule “148-C. prohibition of testing of cosmetics on animals, such that no person shall use any animal for testing of cosmetics” to the existing Drugs and Cosmetics Rules, 1945. Moreover, with the advancement of vegan products in the country, Indian consumers are paying extra attention to not only a particular shade of lipstick that suits them but also about how the lipstick is made. Additionally, global vegan cosmetics companies are also venturing into the Indian market, thus expanding the scope for the same in the country.

Trends that are shaping the Indian Beauty and Personal Care Market

- Shift towards mental and physical well-being through use of natural, organic, anti-fatigue, antipollution, anti-ageing products.
- Increased adoption of men's grooming products.
- Higher spending on holistic bridal solutions such as year-long skin care regimes.
- Increasing use of beauty devices and technology infused products and services.
- Consumers opting for at-home services, online buying.
- Heightened sense of individualism in purchase and choice among Millennials.
- Interest and willingness to trade-up, increased use, bigger repertoire of products. Growing importance of peer feedback and product reviews in purchase decisions.

5. Discussion:

While the cosmetics industry could be relatively strong as compared to other categories of consumers, the year 2020 has been very poor in terms of sales. However, it is being said that this industry would still remain attractive in the coming future. The pandemic related crisis would accentuate the trends which shape the market like a rise in use of E Commerce rather than touching a new ground altogether. Almost all segments of this industry have witnessed a similar kind of downfall in terms of sales during COVID-19 because of closing of the offline stores at different locations throughout. Also, there is rising awareness among Indian consumers of the side effects of chemical formulation-based cosmetics, with recent trends showing an increasing demand for herbal cosmetic products. Globally, the clean beauty market is growing rapidly as well, expected to reach over USD 54 billion by 2027, according to Statista. Aided by nifty social-media marketing, rising digitisation and the advent of e-commerce beauty platforms, the cosmetics industry in India is headed for a major boom in sales.

However, to stay relevant, brands, big or small, must continuously adapt to emerging trends, such as eco-friendly and durable makeup products.

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