COSMETICS IN POLAND

The domestic market for color cosmetics and personal care/hygiene products (Fig. 1) was initially estimated by Statista in 2023 at USD 5.48 billion, in 2022 - at USD 4.92 billion (an increase of 11.3% y/y). The estimated market value at the end of 2024, according to Statista, may reach USD 5.72 billion (expected nominal dynamics in 2023/24 is 4.5%).

In the years 2024-2029, the cosmetics market in Poland will grow at an average annual rate (CAGR) of 5%. - according to a study by the research company PMR.

PMR also forecasts that body care cosmetics will remain the product category with the largest market share in the coming years, but with a slight advantage over the facial care product category

COSMETIC PRODUCTION

According to Cosmetics Europe, Poland, with a retail market worth almost EUR 4 billion, is the sixth market in Europe, giving way Germans, French, Italians, British and Spaniards. The sold production of enterprises dealing with the production of cosmetic and toilet products (PKD - Polish Classification of Activities - 20.42) in the last few years remained at the level of approx. PLN 7.5 billion. Analysts point out that although Poland is not one of the European tycoons in the chemical industry, the production of cosmetics, accounting for 5% of production in the EU, is one of the Polish specializations in this sector, second only to fertilizers, adhesives, household chemicals and explosives.

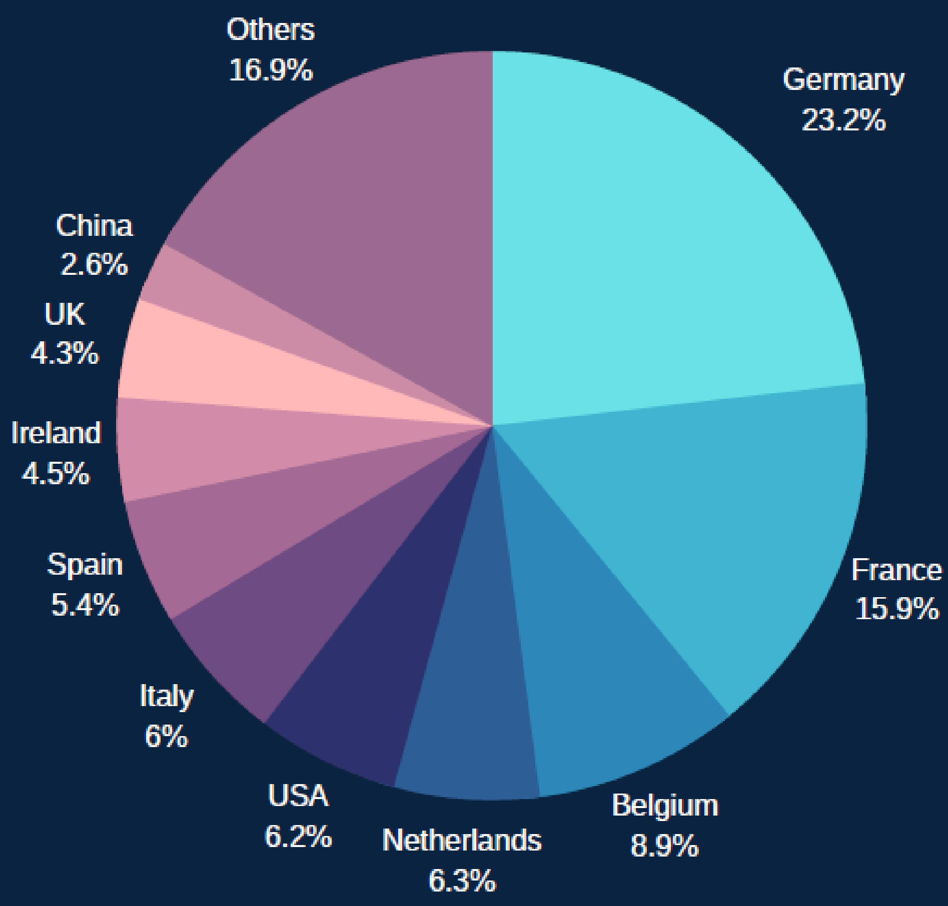
In the cosmetics industry in Poland, competition is strong, which forces continuous improvement of product quality.

There are over 1200 manufacturers in the cosmetics industry in Poland (in the REGON database in the PKD 20.42 class - the production of cosmetic and toilet products is registered over 1200 entities), 90% of which are micro-enterprises.
The number of employed in cosmetic sector in Poland is around 16 thousand. Domestic capital prevails in 71% of those companies, including Ziaja, Dr Irena Eris, Eveline Cosmetics, Inglot, Bielenda, Delia; their share in the total revenues of the industry at the end of 2021 reached 42%, and in net profit 53%. 24 entities with a majority of foreign capital (the world's largest concerns such as Beiersdorf, L'Oréal, Colgate-Palmolive, Oriflame and Avon produce in Poland) generate 58% of the industry's revenues and 47% of the financial result.

COSMETICS IMPORT

Among the main suppliers were Germany, France, Belgium and the Netherlands - their share in imports reached a total of 54%. Cosmetics from South Korea and Japan enjoy a growing interest among consumers.

There is still potential for the cosmetics market, which is related, among other things, to the growing consumer awareness and increasing disposable income. This results in changes in consumers' cosmetic shopping habits, translating into increased spending on these products. Although price is still one of the important factors when buying cosmetics, and Poles are keen to take advantage of special offers, it is no longer the determining factor.



CONSUMER BEHAVIOUR

Poles are spending more and more on cosmetic products, reflecting the increase in society's care and aesthetic awareness.

According to forecasts by PMR, in the future, cosmetics retail will continue to focus mainly on two channels: drugstores, which will be the preferred place to purchase this type of products, and the online channel. Online sales will play a complementary role, enabling customers to purchase products not available in stationary stores and encouraging an omnichannel approach to shopping. Currently 83% of Poles buy cosmetics in stationary drugstores, and 37% uses online shopping.

Brands play an important role in the decision-making process when choosing cosmetics. According to a PMR study on a nationwide sample of Poles buying cosmetics, consumers are most attached to the brand when purchasing face care cosmetics - as many as 37% of consumers indicated this type of cosmetics.

New cosmetic brands are most willingly tested when purchasing bath cosmetics and perfumes.

Depending on their age, Poles are willing to test new products on the cosmetics market to varying degrees. The older generation 55+ is not willing to test new products and look for new cosmetic solutions - these people marked the answer "none of the above" more often than other age groups.

In the cosmetics segment, premium products record high growth dynamics. Despite the clear economic slowdown, the luxury goods market, including exclusive cosmetics, is doing well both in the world and in Poland. The value of the luxury goods market in our country in 2022 amounted to PLN 37 billion and was nearly 19% higher than a year earlier.

PROFESSIONAL SEGMENT

It's hard to find precise data on the number of beauty and hairdressing salons in Poland. The reason is the same PKD code assigned to both, although related, but in practice completely different activities - cosmetics and hairdressing. Based on the records of the State Sanitary Inspection (as of December 31, 2018) and statistical data for 2018 of the Chief Sanitary Inspectorate, the number of salons providing cosmetic services can be determined at about 33,000. Statistically, depending on the city, there are about 500-1000 people per one beauty salon.

Currently, there are about 4,000 cosmetologists in Poland; number of beauticians is hard to estimate (due to specifics of sole proprietorship registration; also, you don't need to register anywhere if you're not self-employed beautician).

Most beauty salons and SPAs are single locations, although there are also several chains operating nationwide or locally

SPA chains:
1. Yasumi
https://yasumi.pl/
The largest network of SPAs in Poland (over 100 points)
2. Malinowe Hotele
https://www.malinowehotele.pl/
3. Sand Spa
http://sandspa.pl/
SPAs located in Puro Hotels chain
4. Baltic Day Spa
https://baltiqadayspa.pl/
SPA chain located on the coast
5. Klinika La Perla
https://klinikalaperla.pl/
SPAs located across Poland (10 points)

CHALLENGES AND OPPORTUNITIES

The major challenges for cosmetic brands interested in the Polish market are:

- pricing point much lower than in Western Europe,
- brand loyalty (or attachment to a familiar product)
- market saturation,
- investment necessity

Prices of personal care cosmetics start at around PLN 5 both for local brand Ziaja cream and flagship Nivea product (50ml packaging; source: Rossmann drugstore chain).
Customers in the FMCG sector are generally very price-sensitive. Also, price promotion is indicated as the most common reason for the decision to buy a brand other than always. This is why, especially for market challengers, it is so important to offer attractive price promotions or free samples at the entrance, which will allow people to break their mistrust and test the effectiveness of the product.

Polish cosmetic sector is highly saturated - with local and international brands. That is why it's important to market new brands properly, to emphasize product's uniqueness and benefits of its use. This involves a lot of investment in marketing budget, which is mostly covered by manufacturer and not distributor. According to SW Research, if a consumers decide to buy something new, it is most often because they saw and became interested in advertising in the shop window and on posters and other POS materials inside the store.

Among market's trends and opportunities, the strongest and most promising are:

- eco - natural cosmetics market is expanding every year. 93% Polish women from cities over 250,000 inhabitants declare that they use natural cosmetics the awareness of consumers and their interest in certificates is growing (Vegan Society, Cruelty Free, Ecocert); this trend applies also to packaging, that should be environmentally friendly
- hair care - number of people that consciously take care of their hair, matching cosmetics to their porosity, is constantly growing,
- non-invasive cosmetic treatments to be carried out in the beauty salon and at home
- luxurious brands - segment of luxurious cosmetics has the average annual growth rate at 5.6%