



PCAR & Russian Cosmetic Market

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Perfumery and Cosmetics Association of Russia

Chairman of the Board, PhD

Perfumery and Cosmetics Association of Russia (PCAR)

- Established in 1995
- Non-governmental, non-profit national professional association of the federal level
- Member of the Chamber of Commerce and Industry of Russia since 1996
- Corresponding member of Cosmetic Europe - since 1998
- Website: www.pcar.ru

Our goals are:

- to support all players of perfumery and cosmetic market
- to provide members of PCAR with the information support and legal assistance

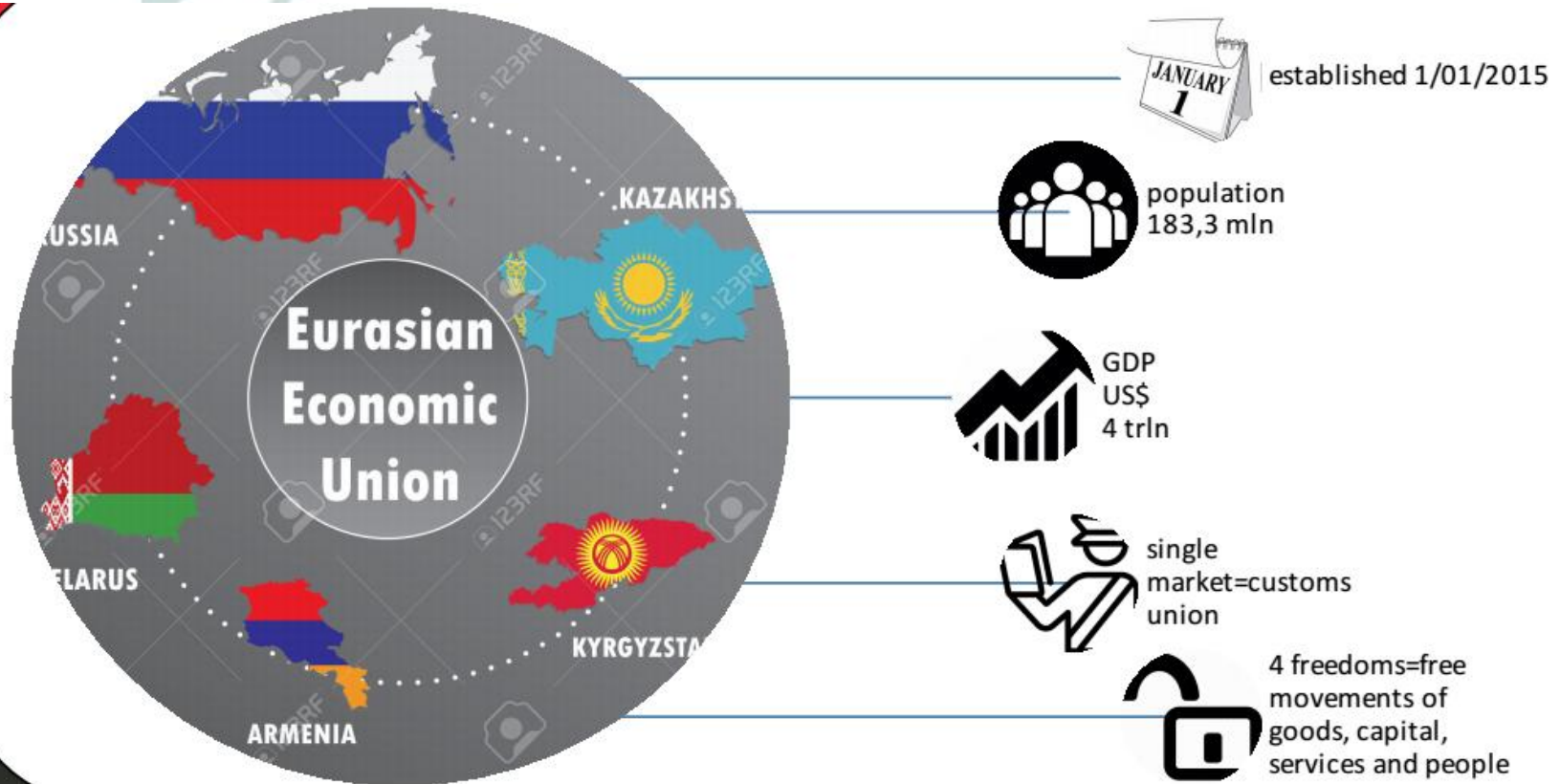
Our members are 63 companies*

- Russian manufacturers of P&C finished products and raw materials
- Russian distributors of P&C finished products and raw materials
- Certification bodies and scientific laboratories
- Trade companies, professional magazines and organizers of trade fairs and conferences

Main Activities of PCAR

- Interaction with the governmental authorities and participation in improving regulatory documents,
- Support of research and innovations in technologies of manufacturing and management in cosmetic industry,
- Providing industry specialists with educational programs and trainings
- Organizing of Annual International Scientific-Practical Conference «Cosmetic Industry: Envision the Future» for technologists
- Representation of Russian cosmetic industry at the international level, international information exchange and cooperation
- Public Relations

Eurasian Economic Union





Technical Regulation of the Customs Union TR CU 009/2011 «Safety of Perfumery and Cosmetics»

The Technical Regulation acts in:

Russian Federation, Kazakhstan, Republic of Belarus (came into force on July 1, 2012)

Republic of Armenia (came into force on January 2, 2016)

Kyrgyz Republic (is going to ratify the TR CU)

The CU Regulation is maximally harmonized with
the EU Cosmetic Regulation 1223/2009

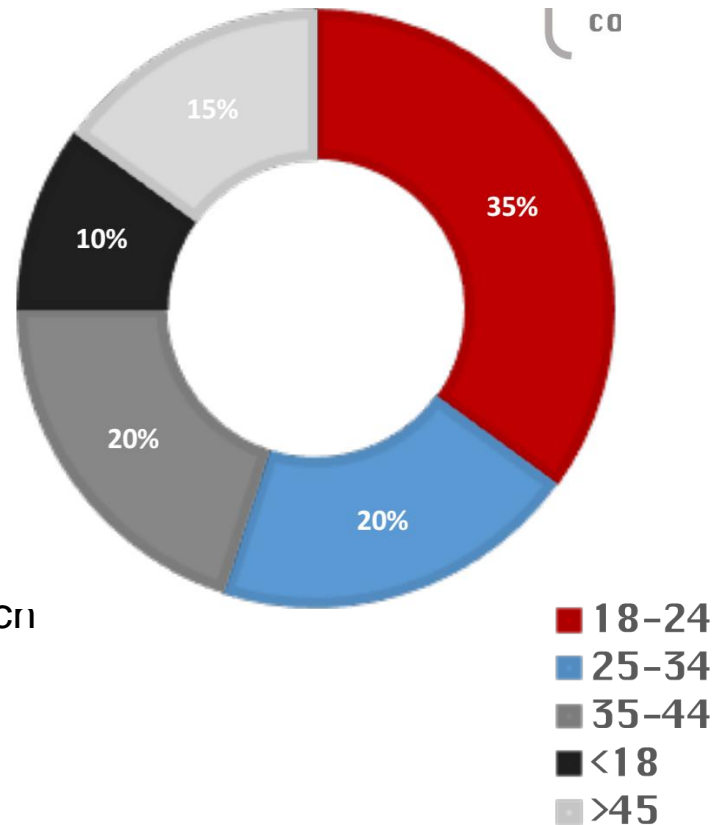
The list of approved and prohibited ingredients is the same as in EU

Definition of cosmetic product is equal to the European Regulation one

Technical Regulation for the chemical substances is discussed

Demographics of Russia

- Population of Russia - 146,3 mln people
- Density of the population - 8.4 people per km²
- 65% of Russians live on 20% of the territory
- The urban population makes 74%
- 15 cities with population of over 1 mln people each
- 20 cities are populated near 0,5 mln people each
- 44% men and 56% women have university degrees
- Population of Moscow is 9 % of the nation



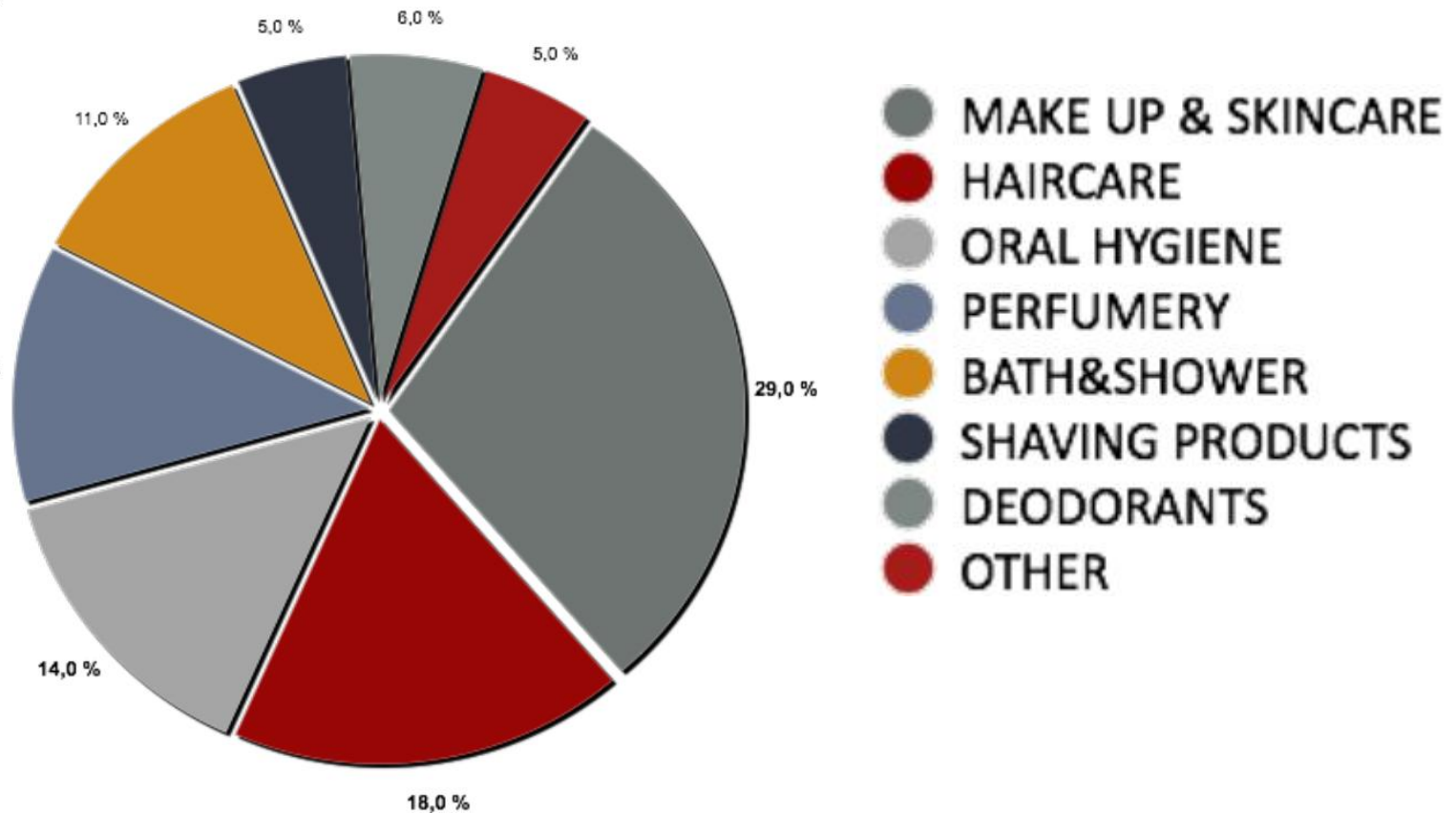
Russian P&C Market



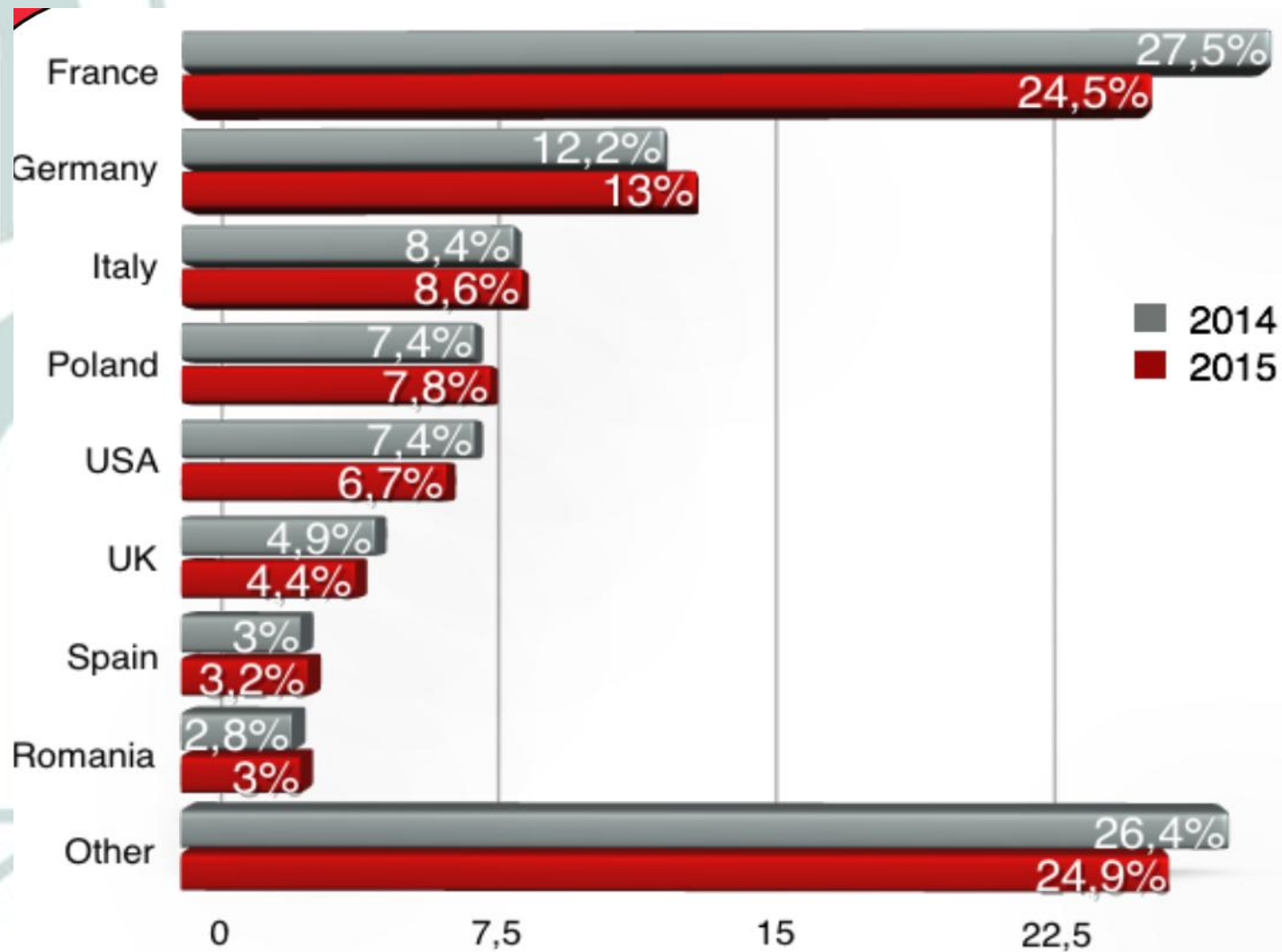
- Russian P&C market estimated at Euro 10,6 bln (RUB 722 bln. at an average euro to ruble exchange rate of 68 rub for 1 euro)*
- Russian market is in TOP 4 largest P&C markets in Europe after Germany, France and UK
- Russia is 2,7% of global beauty market
- Most popular categories:
 - Makeup
 - Perfumery
 - Skincare
 - Haircare

Russian market has grown by near 50% over the past 5 years

Segments of the Russian P&C Market



Import of Cosmetics to Russia

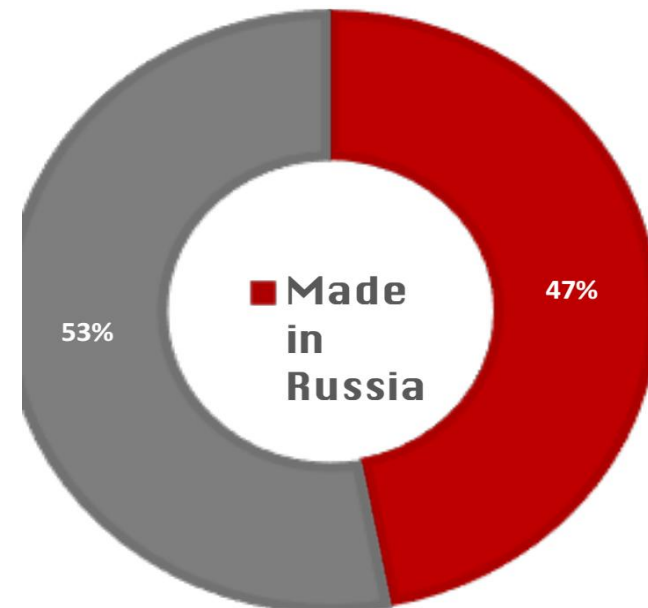




The Russian Manufacturers of P&C

TOP Russian manufacturers:

1. Nevskaya Kosmetika
2. Arnest
3. Faberlic
4. Pervoe reshenie
5. Unilever
6. Avon
7. Mezoplast
8. Svoboda
9. Unikosmetik
10. Vesna
11. Oriflame

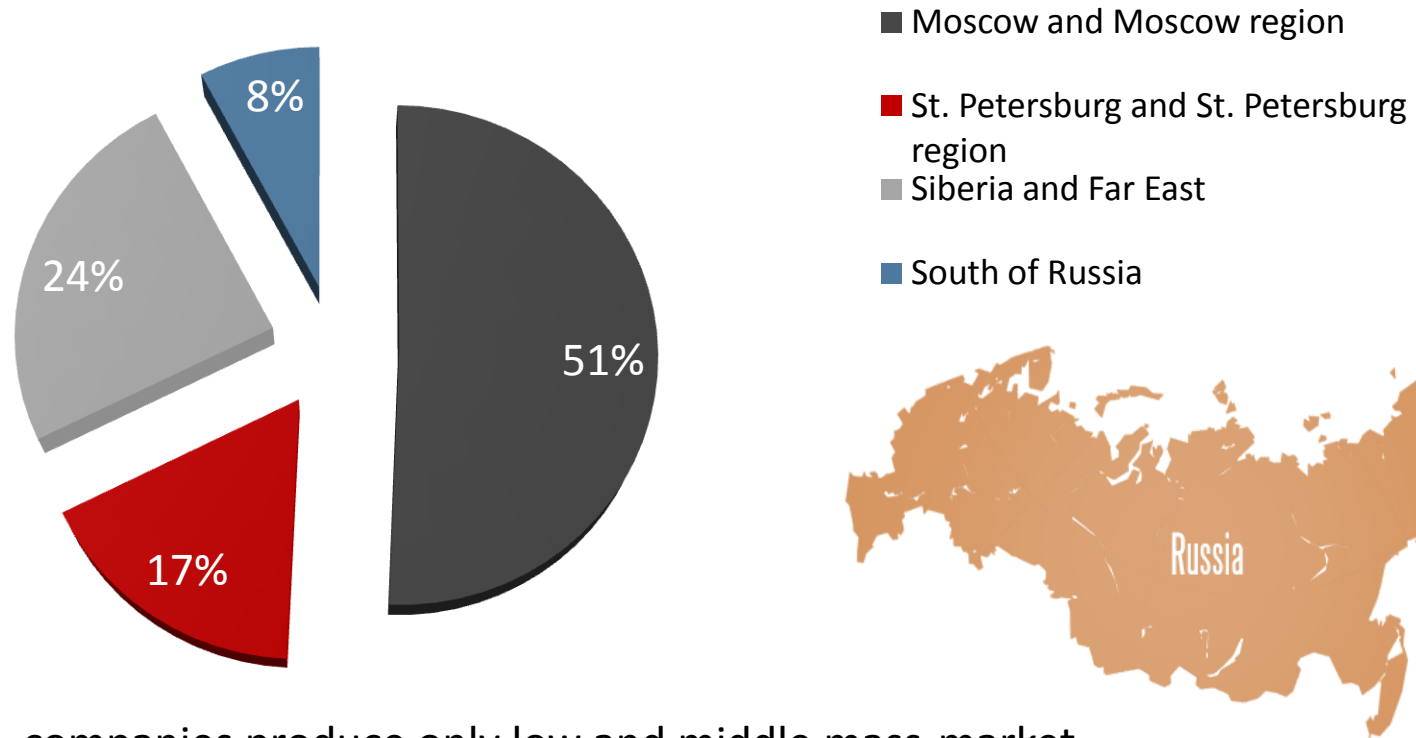


•Source: RBC.Research
In low and middle price category

420 companies manufacture on the Russian market 7,5 thousand SKUs



Russian P&C Manufacturers Locations



Russian companies produce only low and middle mass-market categories of cosmetics and perfumery.

Revenue of manufacturing companies on the territory of Russia in 2015 – 72,6 bln rub (€1 bln)

Retail landscape

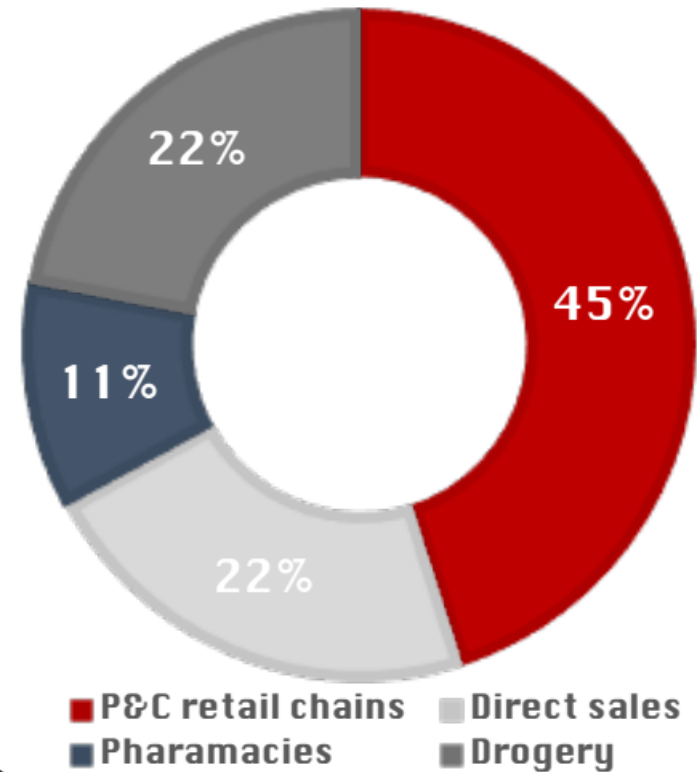
01/2013-01/2015 the number of retail chains has grown from 150 to 360.

Three leaders with 25,1% of the market – **L’Etoile, Rive Gauche and Ile de Beaute.**

Strong concentration - 10% of all shops operate in Moscow

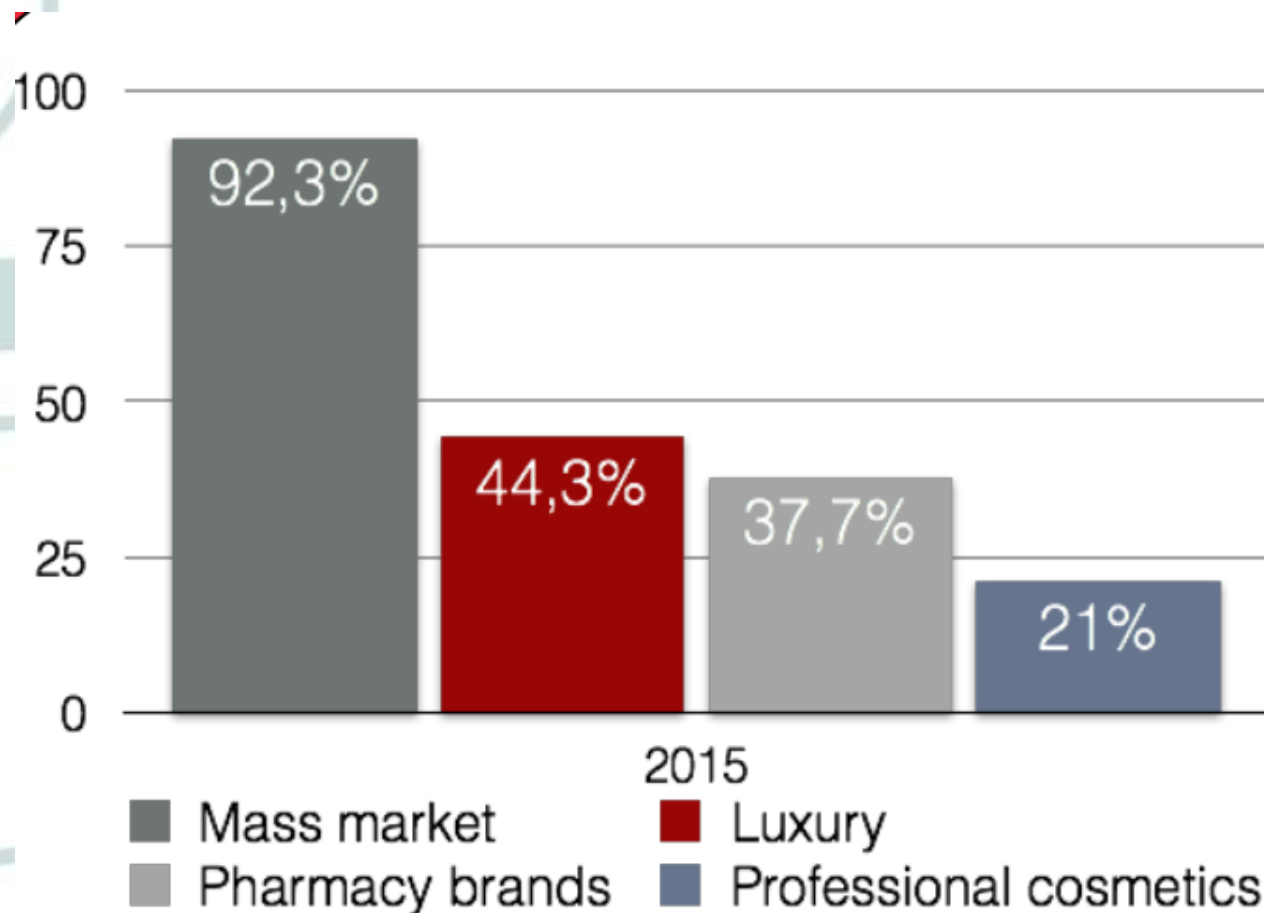
97 drogerie chains

Per 1 mln Russian in 01/2015 there were 36 drogeries (in 06/2010 - 12,6).



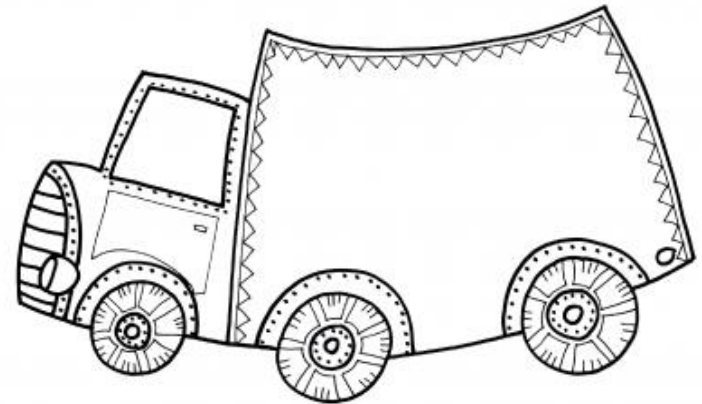
* Sources: RBC.Research, Euromonitor, Company research

Preferences to different segments of cosmetics



The Main Cosmetic Raw Materials Distributors

Russo Chemie
Bang & Bonsomer
Revada
Leko Style
Cornelius Rus
Biesterfeld
Milorada
Markell
Baltic Group
Azelis
Novakom
Ros-Chimia



Raw Material Import 2016

100% import

Fragrances
Preservatives
UV filter
Tropical oil

Approximately 90 % import

Emulsifier
Wax
Calcium Carbonate

Approximately 40 % import

Main detergent

Approximately 85 % import

Plant oil and extracts
Mineral Oil
Colorant, incl. natural
Pigments
High technology active substances

*Russian companies produced different active substances:
plant oil and extract (incl. CO₂), keratin, hyaluronic acid,
collagen, chitin, chitozan,
natural pigments and colorants,
appeared new delivery system
based on nano-approach*

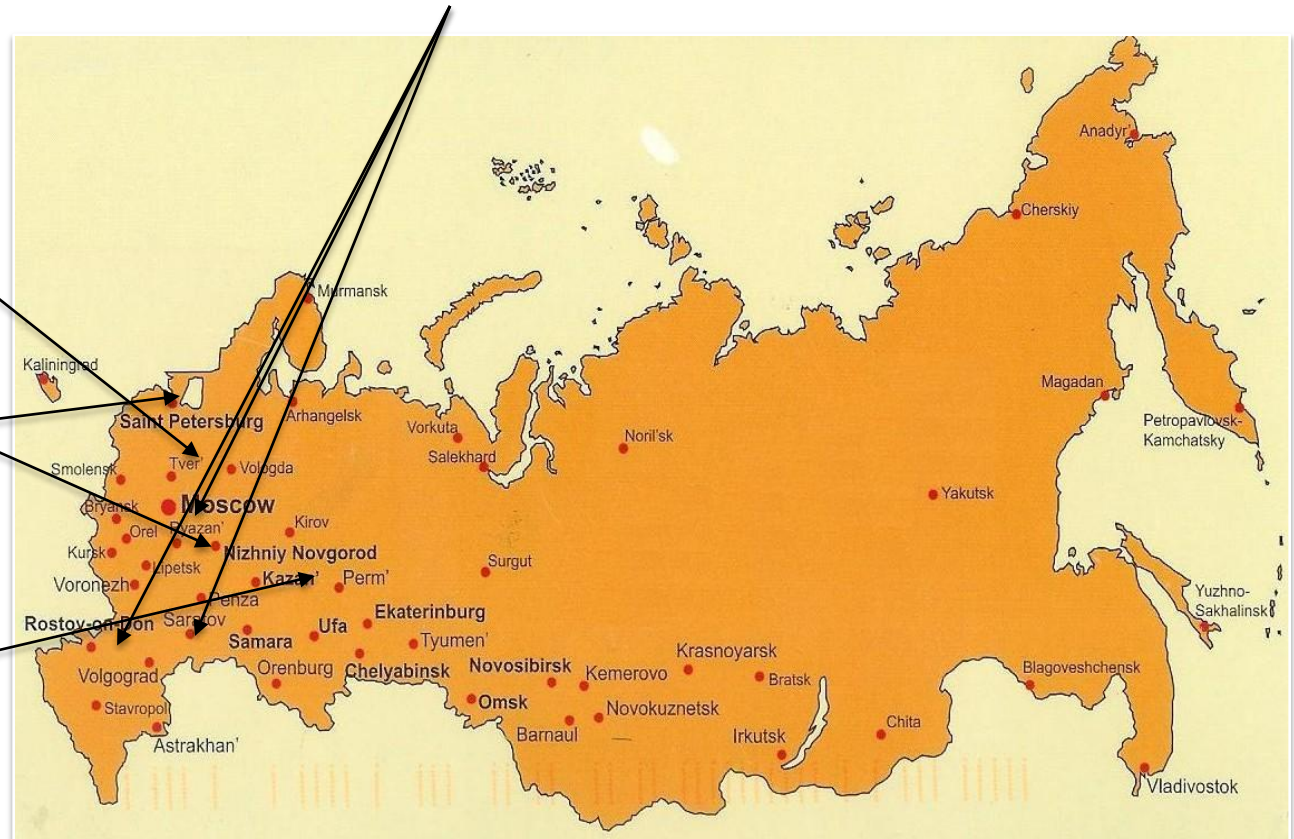
The Main Russian Surfactants Producers

OTHERS / VNIIPAV, AMINOCHIM, BASF
(9500 MT SURFACTANTS)

KIRISHI-
NEFTEORGSIINTEZ
(47000 MT LABSA)

NORCHEM
(56000 MT
SURFACTANTS)

NIZHNEKAMSK-
NEFTECHIM
(40000 MT NEONOL)





**Active development of consumption
of natural & organic products**

The certification system of natural & organic cosmetic products – **BIORUS** – created by National Cosmetic Chemist Society of Russia (IFCCS member) in 2012

The same conditions of certification for local P&C products and import products

Tendencies 2016-2017. Forecast for the Russian market

- Decreased demand for premium products
- Increased demand for middle-market and mass-market products
- New launches of low and middle priced brands
- Niche products segment development
- Private label share growth
- More aggressive development of regional stores
- Increased competition in major cities
- Increase of direct and internet sales
- Further development of drogeries
- Consumer choices based on promo offers
- Expansion of consumption of products for children and natural & organic products
- For last 3 years distributors have been paying more attention to companies from Asia:
Korea, Japan and China

* Source: RBC.Research, PCAR

PCAR Scientific-Practical International Conference

- Conference has been held since 1995
- More than 450 participants annually from Russia, CIS and Eastern Europe countries
- More than 60 scientific reports and presentations annually
- Info-stand Exhibition for raw material suppliers



Exhibition #1 in beauty industry in Russia, CIS and Eastern Europe, in Top-6 biggest beauty events in the world

With some 3500 brands represented this is the largest in the region showcase of the most innovative products and services, opportunity observe the whole market at one glance and a meeting point for all industry professionals

The event delivers promising contacts, content, communities, and inspiration with the power to transform your business.

Strong participation of companies from Korea (47 companies coming direct and another 102 brands through distributors) supported by KCIC, IBITA and KOTRA

InterCHARM



November 25, 2016



THANK YOU FOR YOUR ATTENTION

www.pcar.ru