

# THE COSMETIC MARKET IN ITALY: THE OPINION OF A POLITICIAN

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**Received:** October 2004. Presented at The VII ISCD World Congress "The New Frontiers of Dermo-Cosmetology: Efficacy, Stability and Safety", Rome, 4-6 November 2004

**Key words:** Cosmetic market; Labeling; Forecast; Employment

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## Summary

Cosmetics play an increasingly important role in the lives of the individual. Today, cosmetics must meet the technical safety and application standards required by the busy modern man or woman in our society for whom not only is care for their physical appearance fundamental but also safeguarding their physical well-being.

Physical well-being is a new priority with respect to the priorities of the 80's and 90's which were principally dominated by fashion and image. The search is for physical authenticity and the exploration of new poly-sensorial experiences which promote a sense of well-being and stimulate the desire to express personal creativity.

The possible development of the cosmetic market is reported.

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## Riassunto

I cosmetici hanno assunto, nel quadro dei beni destinati a soddisfare le esigenze dell'individuo, un ruolo sempre più rilevante. Oggi devono rispondere con affidabilità e funzionalità tecnica ai bisogni che nascono nell'individuo non solo in quanto inserito nella società moderna e quindi soggetto di relazioni interpersonali nelle quali la cura dell'aspetto è un elemento fondamentale, ma anche per salvaguardare il benessere fisico generale.

La dimensione della cura del corpo è oggi la nuova priorità rispetto a quelle degli anni '80 e '90 in cui dominava solamente l'immagine e la moda. Si tende cioè sempre di più all'affermazione dell'autenticità del corpo e l'esplorazione di nuove esperienze polisensoriali, che rechino benessere e stimolino la voglia di esprimere la propria creatività.

Si riportano alcuni dati di mercato assieme alle tendenze future del mercato cosmetico italiano.

I would like to express my deepest thanks to the organizers for inviting me to take part in this Congress (1). 'Dermocosmetics' is not new to me as there was a presentation at the COSMOPROF in Hong Kong in 1999 (2) and again at the C.N.R. in Rome in 2002 (3) during the international congress on Nutri-cosme-ceuti and finally in Milan in 2004 (4) during the workshop on cosmetics.

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## **CONSUMPTION OF COSMETICS IN ITALY IN 2003**

The inevitable repercussions of international tensions have clearly contributed to changes in the cosmetics market. The most important change concerns the demand, directly linked with the final consumer which, after years of continuous growth, and in 2003 was worth over 8,300 million euro, has registered a decline in growth by 3.8% over the previous year .

The internal market has seen a heterogeneous situation develop, also regarding different sales outlets. Traditional sales points remain firm: according to the economic forecasts there is a continuing growth in the traditional sectors +1.2% compared with a decrease of 1.3% in the professional sectors.

However, other sales outlets, in particular the more innovative ones such as drugstores and herbalist shops, have consolidated their market position, evidence of the increasing demand for specialist care shown by the Italian consumer in recent years (5).

Mass distribution and drugstores are the two

growth areas in 2003 with a significant growth factor of 5,3% and 8,2% respectively. Today cosmetics form an essential part of the drugstore stock; the consumer sees the pharmacist as a reliable and professional source of advice. Forecasts are for a further increase in drugstore sales for 2004, confirming their very competitive share of the market, and in the mass distribution areas. According to a survey carried out by Unipro, perfume and make-up shops continue to feel the crisis.

In the business sector, the phenomena of concentrating and taking over businesses by new groups continues. This is, in fact, a period of great activity for the national industry, strengthened by a consolidated productive capacity linked to the qualification of the sector and innovations in the products, but in some cases, conditioned by a still inadequate media coverage.

It is the small business which needs to develop an international policy.

## **ECONOMIC FORECAST FOR THE SECOND HALF OF 2004**

It is important to underline the degree to which economic instability will condition the aspect of offer in the second half of this year.

There are internal factors in the cosmetic sectors structure which, undoubtedly, represent weak points which then become increasingly evident in moments of consumer crisis such as is happening at present. In particular, the size of many companies seems inadequate to deal with the current difficulties, as with some colour-dye component producers, and therefore the reliance on credit becomes more acute and terms of payment more extended.

The forecast survey carried out by the Centre for Study and Culture of Companies of the association Unipro (Italian Association of which the principal cosmetic industries belong), indicates

that for the second half of 2004 the market should hold globally with an overall increase of 1.1% over 2003. A figure which will surely be improved upon within the 'made in Italy' market.

Positive signals coming from the export market have notably contributed to this increase and should show an increase of almost five percent at the end of the year, thereby balancing the effect caused by the dollar/euro exchange rate. Recent research by 'Pambianco Strategie d'impresa' (Pambianco Company strategy) shows that when the country of origin of brands and the country of production are examined, it may be seen that Italy is the leader with regard to the number of brands, with a share equal to 38%. Of the 159 brands registered, 60 are produced in Italy, followed by the United States with 51 brands and France with 28. Pambianco explains: "From an analysis of the licensee companies' balance sheets, it is evident how much the cosmetic sector influences the companies' income." For Armani, for example, the sale of perfumes represents 25% of turnover, equal to 422 million euro; for Bulgari, the percentage is 17% equal to 132 million euro while for Gucci it represents 16% equal to 407 million euro. The production of perfumes is therefore a very desirable aspect of business for producers and designers.

A major part of the perfume business (and cosmetics in general) is in the hands of the multinational companies (the American company Proctor & Gamble, the French companies Coty and L'Oreal hold licenses for 48 brands) which include in their portfolios many more important brands than those of the Italian companies.

Notable is also the growth in investment in advertising for beauty care products. In fact, in the 15 most important women's publications, a 0.3% increase in publicity space was registered for the period January-June 2004 compared with the same period in 2002.

It is important to underline the fact that, among the market leaders, a PMI of Latium, MAVI Srl, selected for their top technology in the field of dermo-cosmetics, continues to register growth, particularly in the Asian markets. This is a clear demonstration of how, in a climate of economic instability and uncertainty on an international level, it is essential to increase investment in research and innovation in order to develop the market share of the 'made in Italy' sector, also with regards to the production of cosmetics.

## EMPLOYMENT

According to research carried out by Unipro, over three quarters of the companies confirm a constant level of employment, while 15.4% report an increase in employment levels. This situation reflects the overall employment situation in the Italian manufacturing sector and is extremely positive. In recent years there has been an increase in training carried out by producers resulting in an increase in the numbers of specialised personnel. The profile of the cosmetics industry is that of a profession in continual development with global training being increasingly important to unite chemical competence with medical and pharmaceutical knowledge and extending into the areas of herbal remedies and care as well as the new alimentary integrators, training which should include top marketing skills.

The professional training required is a degree in pharmacy or chemistry, a masters in cosmetology and a specialization in marketing. Professional personnel are needed who combine commercial skills with scientific knowledge.

Masters and degree courses are now being offered by many further education institutions providing specific training in marketing and company administration in the field of cosmetology in response to the urgent demand of the FEDER-CHIMICA also for the chemical sector.

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