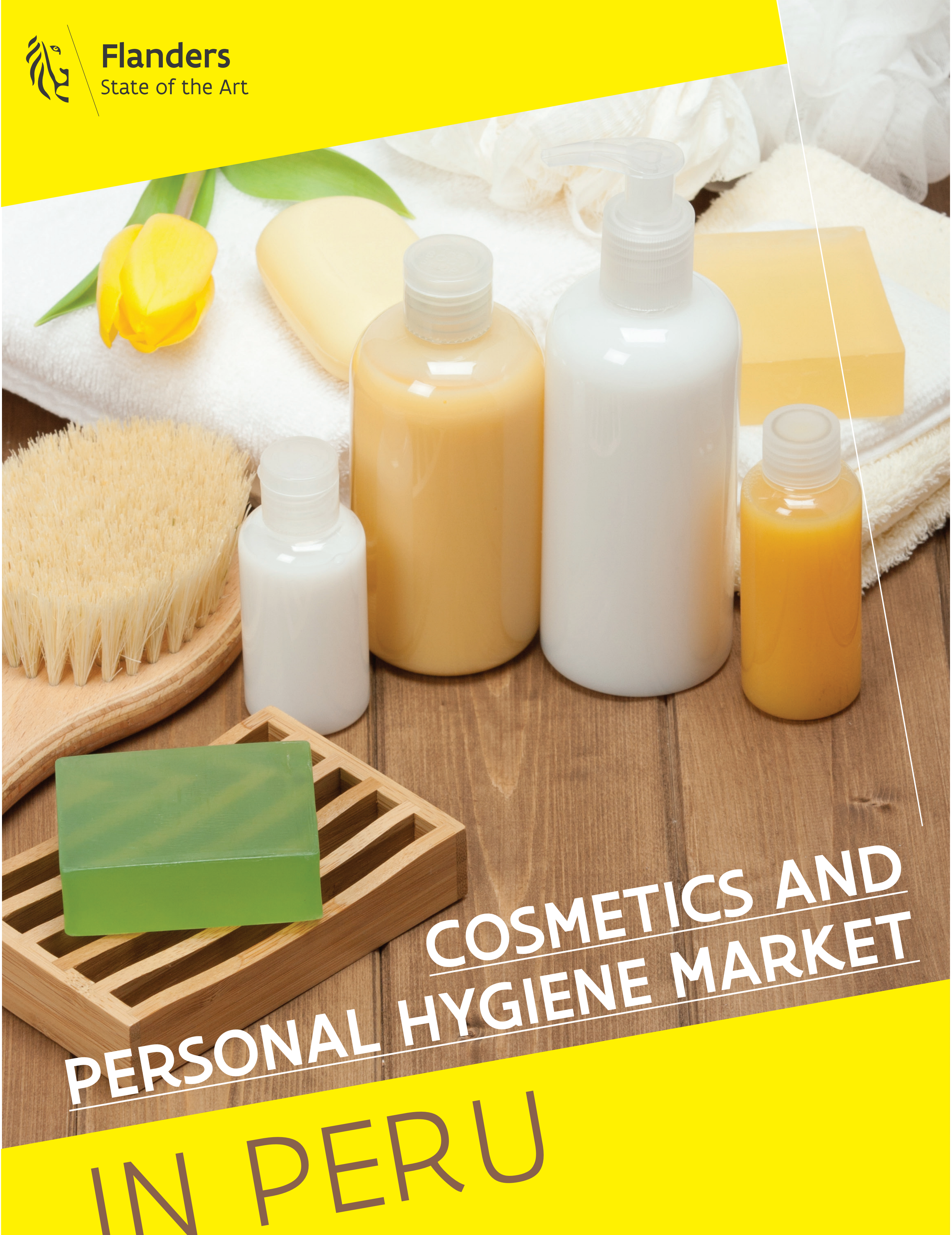
Flanders
State of the Art



COSMETICS AND PERSONAL HYGIENE MARKET

IN PERU

FLANDERS INVESTMENT & TRADE MARKET SURVEY

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"Cosmetics and personal hygiene market in Peru"

19/03/2018

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FLANDERS INVESTMENT & TRADE

INHOUD

1. OVERVIEW

In 2017, the cosmetics and personal hygiene market reached up to 7 167[1] million Sol, which represents a growth of 4% compared to the previous year. As to the categories that compound this industry, makeup was the one that highlighted, growing by 12%. The categories Fragrances and Personal hygiene grew by 8% and 6%, respectively.
According to the Peruvian Committee of Cosmetics and Hygiene (COPECOH) of the Chamber of Commerce of Lima (CCL), this industry will grow in a range of 6% and 8% by 2018.
Even though Lima is the main region in terms of cosmetics and personal hygiene products consumption, compared to the other 23 regions, it represents 49% of the total of consumption. Of the other 51%, the regions such as Arequipa, La Libertad and Cusco are the most attractive markets, representing 6.5%, 4.8% and 4.5%, respectively.
According to COPECOH, the cosmetics sector is 33% larger than the pharmaceutical. While the pharmaceutical industry moves no less than US$ 1,500 million, the cosmetics moves US$ 2,000 million. The following charts shows the SWOT analysis of the cosmetic industry.

SWOT analysis

STRENGTHS

- Capacity for resilience
- Reinforces the well-being, health and self-esteem of the Population
- Brand competitiveness (National and International ones)
- Unit of the Sector throughout the chain

WEAKNESSES

- Regulation as a part of the pharmaceutical Industry
- Lack of promotional of beauty-related activities
- Lack of training in economic and commercial agents, as well as the consumer
- Dependence on external supply
- Market concentrated in 8 brands, which concentrate 75% of the Market
- Difficulty of access to disruptive-digital systems

OPPORTUNITIES

- Consumption per-capita in the average of the region to purchasing power parity
- Trade facilitation thanks to the Pacific Alliance
- Low Penetration in some categories
- Lack of development of organic and natural ingredients from the region
- Development of new concepts linked to nanotechnology, new product formats and marketing systems

THREATS

- Confrontation between the powers of the State
- Decrease and depression of GDP and consumption
- Natural disasters, stoppage of private investment and the fall of exports and productivity
- Contradictions at the Andean Community (CAN) level
- Technical obstacles discourage initiatives

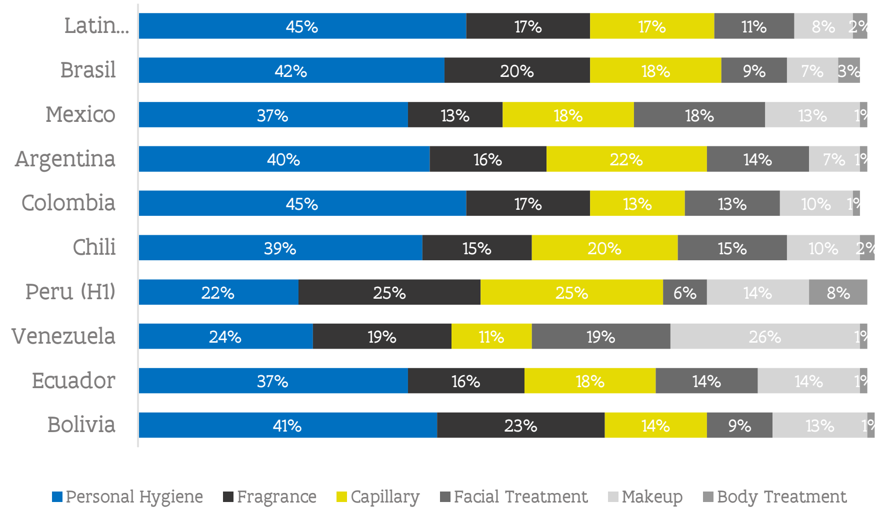
Source of information: COPECOH

[1] Please note that the exchange rate is 1 EUR = 3.9 PEN (1/1/2018)

2. PRODUCT CATEGORY

As to categories within the cosmetics and hygiene market, most of Latin American countries have 3 major categories that comprise 75% of the market. Personal hygiene is the leading category within these countries, followed by fragrance and capillary.

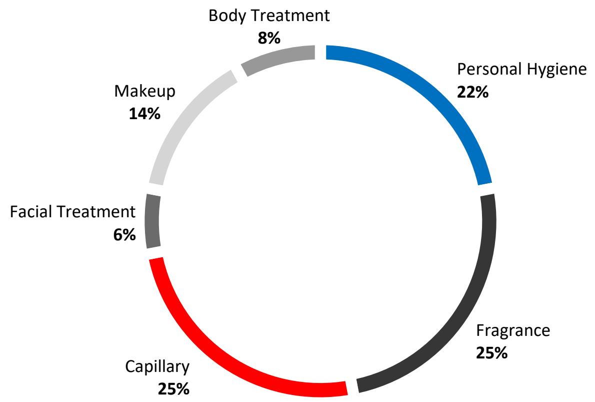
Participation by categories in Latin America (1S – 2017)



Source of information: Euromonitor International, COPECOH

The peculiarity of Peru is that the leading category within the market is not personal hygiene but fragrance. The fragrance category in the Peruvian market represents a quarter of the total market.

Participation by categories in Peru (1S – 2017)



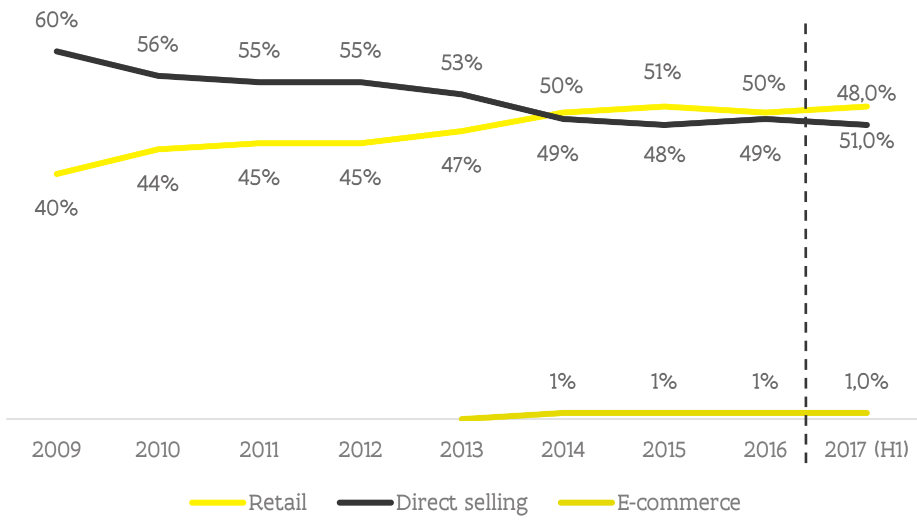
Source of information: Euromonitor International, COPECOH

As shown above, 50% of the products consumed were capillaries and fragrances; 22% personal hygiene; and 14% makeup products.

3. CHANNELS OF CONSUMPTION

Regarding the preferred channels of consumption for cosmetics and hygiene products, there are three major groups: retail, direct selling and e-commerce. Even though direct selling has been the most preferred channel for many years, since 2014 the retail channel has outperformed the traditional channel (bodegas, market stands, pharmacies and salons and spas). This was due to the greater number of points of sale within urban areas.
To the first half of 2017, 48% of cosmetics and hygiene products were sold through direct sale campaigns while 51% through the retail market.

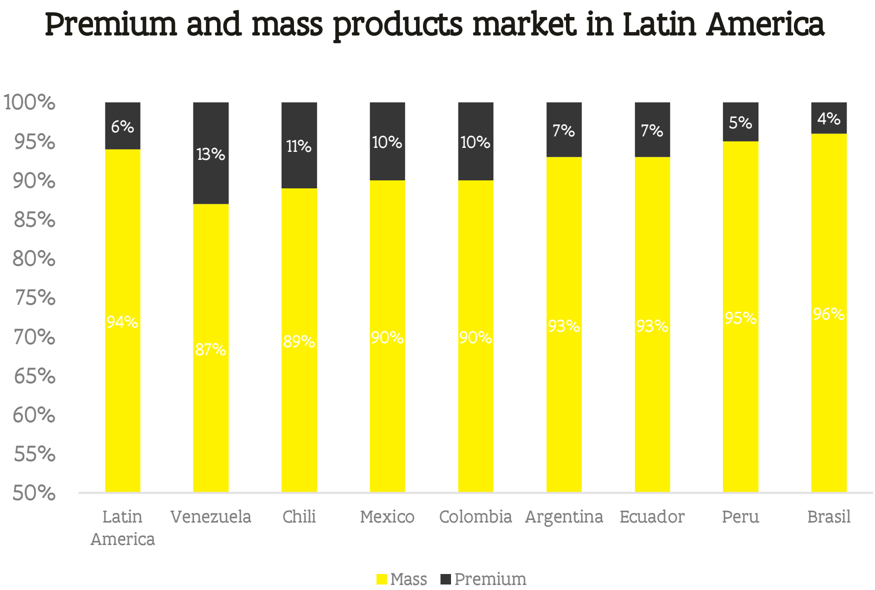
Consumption of cosmetics and hygiene products by



Source of information: COPECOH

4. PREMIUM VS. MASS PRODUCTS

Based on the research "Premium products, growth potential in Latin America" by Nielsen[2], the consumption of premium products is experiencing a strong growth in the region and continues to have significant potential. However, factors such as consumers' perception of a financial improvement could also have an impact on the purchase of certain products.
The aforementioned research also states that there are different categories in which Latin Americans consider buying premium brands. However, the most relevant are the ones related to personal care and appearance, as well as food products.
Within the cosmetics and hygiene industry, premium products have a 6% share in Latin America, but in Peru this products represent 5%, which means there is growth potential in this field and more in products for men where the average in Latin America is around 10% and in Peru only 8%.



Source of information: Euromonitor International

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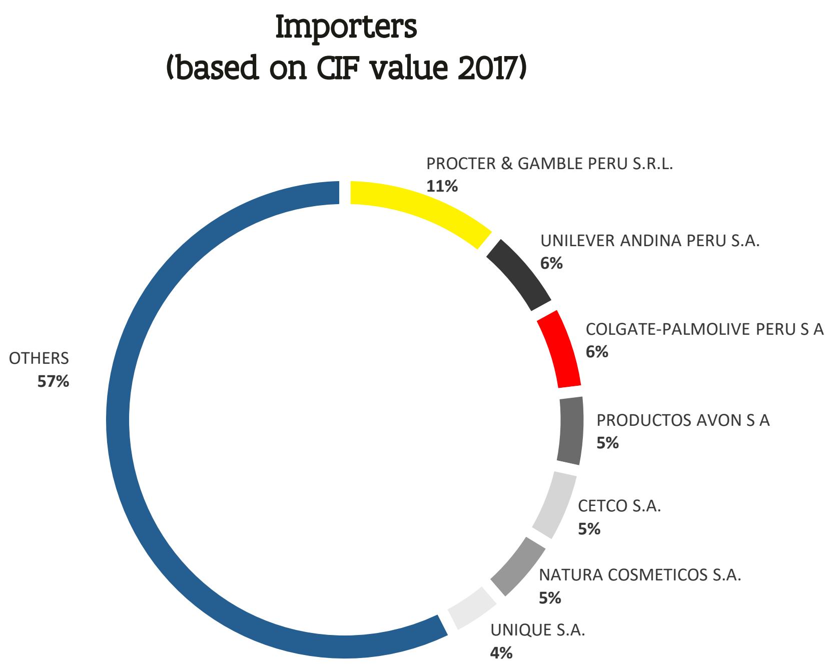
[2] Nielsen, Premium products, growth potential in Latin America, from: http://www.nielsen.com/latam/es/insights/news/2017/productos-premium-potencial-de-crecimiento-en-america-latina.html

5. TRADE STATISTICS

In 2017, Peru imported around 520 million CIF USD of cosmetic and personal hygiene products (harmonized tariff codes – HS 3301, 3302, 3303, 3304, 3305, 3306, 3307 and 3401). The largest suppliers are Colombia, Mexico and Brazil which, according to import statistics of 2017, together supply around 60% of all imports to Peru.

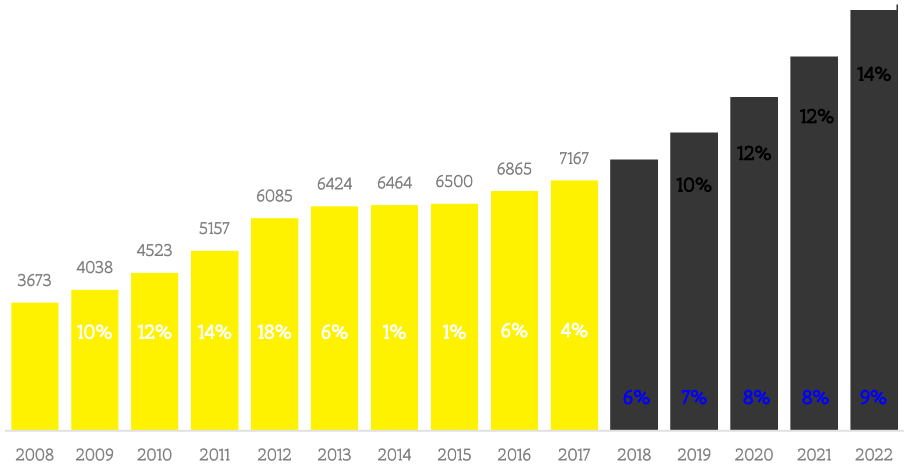
As to the main importers, the 5 largest are Procter & Gamble, Unilever, Colgate-Palmolive Peru, Avon and Cetco. The following chart shows the participation of each of the aforementioned companies.



6. MARKET TRENDS

According to COPECOH, the forecast for the cosmetics and hygiene market revolves around two scenarios: the conservative and the optimistic. In the conservative scenario the sector is expected to grow by 6% in 2018; however, for the optimistic scenario the growth would be 8%. As to the forecast for 2022, the growth range would be between 9% and 14%.
Regarding the cosmetics industry, the main trends are: a greater interest in products containing natural ingredients, the use of smaller packages (e.g. shampoos and creams), immediacy, the rise of personalized products such as fragrances and the use of nanotechnology.

Cosmetics and hygiene market: trends & forecast to 2022 (S/ Mlls.)



Source of information: COPECOH

7. FAIR TRADES AND EVENTS

7.1 FIBELLA 2017

It is the largest event in the cosmetics and personal hygiene sector in Peru. This fair gathers the most important companies in the industry and is considered one of the largest in Latin America. Fibella is the meeting point of all people interested in knowing the advances and global trends of the beauty and cosmetics sector.
Website: http://www.fibella.com.pe/en/

8. RELATED INSTITUTIONS

- Committee of Cosmetics and Hygiene of Lima Chamber of Commerce (CCL)
  http://www.copecoh.com
- General Directorate of Medicines, Supplies and Drugs (DIGEMID)
- http://www.digemid.minsa.gob.pe/
- National Institute for the Defense of Free Competition and the Protection of Intellectual Property (INDECOPI)
  https://www.indecopi.gob.pe/

9. SOURCES OF INFORMATION

- **Chamber of Commerce of Lima (CCL)**
  https://www.camaralima.org.pe/principal/noticias/noticia/sector-cosmeticos-e-higiene-proyecta-un-crecimiento-entre-4-y-7-para-el-2018/897

- **NEWSPAPER DIARIO GESTIÓN**
  https://gestion.pe/economia/ccl-peruanos-gastan-cosmeticos-salud-personal-143561
  https://gestion.pe/economia/gastan-mujeres-peruanas-cosmeticos-ano-148937
  https://gestion.pe/economia/empresas/sector-cosmetico-e-higiene-proyecta-aumento-10-2017-100727

- **RETAIL**
  https://www.peru-retail.com/peru-industria-cosmeticos-higiene-creceria-entre-el-6-y-8-2018

- **NIELSEN**
  http://www.nielsen.com/latam/es/insights/news/2017/productos-premium-potencial-de-crecimiento-en-america-latina.html

- **APEIM**
  http://www.apeim.com.pe/wp-content/themes/apeim/docs/nse/APEIM-NSE-2017.pdf

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