POLISH COSMETICS MARKET

2020

Report by the Polish Union of the Cosmetics Industry, Nielsen Poland and Mintel

Warsaw, November 2020

THE POLISH UNION OF THE COSMETICS INDUSTRY

nielsen

MINTEL

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When observing the activities of companies during the COVID-19 pandemic, we can see that export remains for many of them one of the key pillars of the business in this very difficult period. Our view of this issue is insightful because many companies from over 200 associated in the Union, are national export's leaders. We have been carrying out these observations year after year and participate in many international events, what is known, among others, by the Ministry of Development. It was the Ministry who invited the Union as an expert to support the Polish project of promoting the export of cosmetics abroad this year again.

We wanted to provide the Polish industry with effective tool that could help it to return to the level of export development before March 2020 – this is the origin of the **"Report The Polish Cosmetics Market 2020"**. The publication consists of three sections prepared successively by experts from The Polish Union of the Cosmetics Industry, Nielsen and Mintel. For the first time ever we put our 3 heads together to find new value of cooperation for the growth of the cosmetic sector. It was a splendid experience – we hope you share our opinion.

We believe that our report will be a helpful tool for producers in the fight for new markets, as it is an external, but very valuable view of the Polish Cosmetics market.

Enjoy reading!

Blanka Chmurzyńska-Brown,
General Director of the Polish Union of the Cosmetics Industry

THE POLISH UNION OF THE COSMETICS INDUSTRY

Part 1

POLISH COSMETICS: THE STORY OF BEAUTY

by

Blanka Chmurzyńska-Brown,
General Director of the Polish Union of the Cosmetics Industry

POLAND

When you think of Poland, probably what comes to mind are the people. You recognise Wałęsa, you recognise Lewandowski, maybe some of the writers and maybe our Pope. When you think of the Polish economy you may think of vodka, coal-mining, heavy industry and yachting, but you almost certainly won't think of cosmetics. Well, the Polish cosmetic industry has been selected by the Ministry of Development, for very valid reasons, as one of the 10 Champion Economies of Poland. In this report we will show you that all above adjectives are well-deserved and pinpoint exactly what makes the Polish cosmetics sector so successful.

What are these adjectives? Tradition, motivation, flexibility, high-quality management and first and foremost the people and their creativity – this is what the Polish cosmetics industry stands for. These words are the guiding light that, backed by hard data, will prove the Polish cosmetic industry to be the epitome of these adjectives.

PRIVATE, NATIONALISED, PRIVATISED ONCE AGAIN

Tradition and heritage are the main motivators for the state of the contemporary cosmetics market. We would not be where we are today if we did not have over a hundred years of history and expertise that we began to build as soon as Poland became free.

The begining of the Polish cosmetics market began with the end of the I World War, when the Second Polish Republic was established. Small workshops started operating, companies and brands that still exist today on the Polish cosmetics market like Miraculum, Ewa and Uroda. These brands were created all the way back then and they are still manufacturing today. At the same time international companies recognised Poland's strengths in the cosmetics market. Beiersdorf started producing its famous cream, Nivea, in the west of today's Poland back in 1929. Shicht-Lever was also among the companies that would produce cosmetics in Poland along with other entities and brands.

POLISH MARKET PHENOMENON

What happened after the war? In 1945 everything that had been private became nationalised. The centralised economy and communist economic regime imposed a new jurisdiction on cosmetic production. Poland was already famous for producing cosmetics so the infrastructure was in place and the knowledge from pre-war times could be utilised. Poland became the Eastern bloc beauty centre and started producing cosmetics, perfume, make-up and face and body care for the entirety of Eastern and Central Europe. This was an invaluable period of growth, due to the country was establishing itself. 1989 became the turning point characterised by dynamic change. This is when real economic transformation allowed for competitiveness. People employed during the communist regime used their experience and expertise to build their own companies which were almost always family-owned. They would develop slowly, but surely, and grow to be the formidable enterprises that still operate today.

#TRANSFORMATION #PEOPLE #COMPETITIVENESS

We wanted to focus on the above themes of transformation, people and competitiveness for a particular reason. In 1989 the majority of the global players we know like L'Oreal, Avon, Oriflame, Procter & Gamble, Colgate and Unilever moved their production plants to Poland. They used the infrastructure that Poland had available and invested into the country's cosmetic businesses. This was the catalyst for promoting competitiveness on the Polish market. The country's businesses that once were nationalised became privatised yet again. The introduction of these global players into Poland and at the same time the advancement of Polish professionals' education in chemistry, pharmaceuticals and building self-made businesses promoted fierce competition.

Another milestone in the development of the cosmetics industry has been Poland's joining of the European Union in 2004. This momentous event gave access to the EU market, which in turn provided unification of the regulatory framework. This was yet another moment when the Polish market proved itself to be highly adaptable and skilled. Western European competitors had been well established and had been producing in line with the regulatory regime of the European Union since the 70s. Our Polish producers had barely two years to make sure that they amended their production lines to the new stipulations written in the cosmetics directive. Joining the EU provided quality and safety standards, but it also had another effect. Polish cosmetics businesses were able to prove how quickly they could adapt in a very short space of time to the new legal framework, to the safety standards and to the safety assessment systems. For our competitors these were all already known and established, but for Poland it was a completely new lesson that had to be learned quickly. This shows the flexibility and adaptability of the local producers that were able to adjust to the new regulatory regimes. Furthermore, from the point of view of export development, joining the EU gave access to a strong economic relationship with not just the EU, but also the other markets where we are currently present.

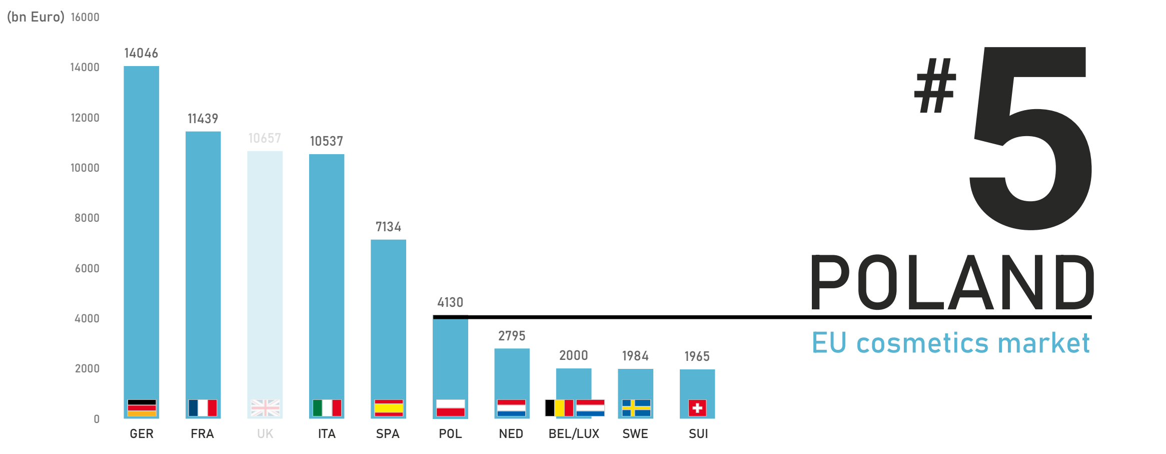
THE LEGACY THAT IS BUILDING TOMORROW

To reiterate, the milestones in the history of the Polish cosmetic business have all been invaluable building blocks that have helped create the Polish cosmetics phenomenon that we know today. What came to be within these 102 years was the creation of a legacy. The progression of Polish history demonstrates the quality standards and competitiveness that we gained. Competitiveness is key in this progression. One place, a small central European country, is home to international corporations and their biggest production plants globally and at the same time is allowing large- and medium-sized enterprises and micro-businesses to flourish. Laboratories, packaging production facilities, research and development – every step of the way towards producing the final cosmetics product is available in Poland. Not only is every resource readily available, but the final product will be produced to the highest level of quality and safety thanks to EU regulations along with ensuring ingenuity, supreme quality management, flexible production and creative people. Behind all of this there is very hard data demonstrating that the success of the Polish cosmetics economy doesn't come from nowhere and is based on specific facts and figures, and these will be discussed later in this report. Value and growth of the market will be presented, as well as export figures, changes in export destination and also very fresh data related to COVID-19's impact on business.

WHERE ARE WE TODAY AND WHY ARE WE GROWING?

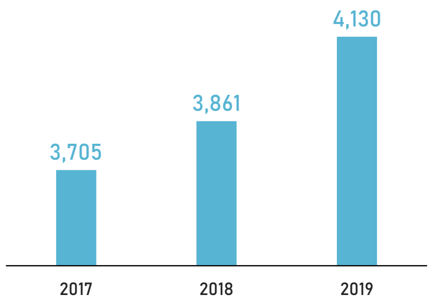
Poland's history has been presented for context. An introductory summary of the Polish cosmetic industry's history is vital to understanding the present. Poland's cosmetic industry is valued as the 6th highest in Europe. Considering the finalisation of Brexit, the Polish cosmetics industry is 5th in the EU. This place in the ranking provides a unique opportunity. Poland is able to compete with the biggest players, which results in growth and new knowledge.

The value of Poland's present market, utilizing 2019 figures, is 4.1 billion euros. This figure is steadily growing. Measuring development since the important milestone of 2004, the data tracked by Euromonitor International will give insight into the rate of growth. Looking at constant and variable



source: Cosmetics Europe, Market Performance Report, 2019

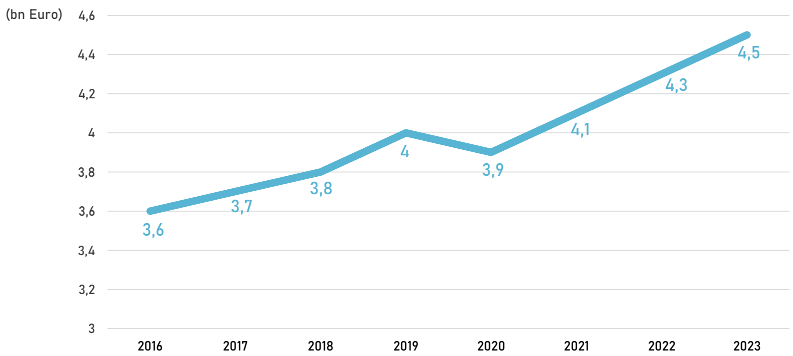
VALUE OF THE POLISH COSMETICS MARKET IN 2019



4,130 bln €

source: Cosmetics Europe, Market Performance Report, 2019

THE FORECAST VALUE OF THE POLISH COSMETIC MARKET between 2016 and 2023



source: Euromonitor International

prices in the last 15 years, constant prices have risen by 38%, which translates to on average 2.35% annual growth. Looking at the giants of the cosmetics business, the French and the Italians, their markets have shrunk by 0.6% whereas the Polish cosmetics market is forecast to grow further in the coming years. Due to COVID-19 it is important to note that there may be a drop between 2020 and 2021. Nevertheless, by 2023 the cosmetics market is estimated to be valued at 4.5 billion euros. This is the data produced by Euromonitor International, but is also supported by the flexibility and quick adaptation that has been shown in the most difficult months of the pandemic. As mentioned earlier, the Polish cosmetics market is characterised by tradition, motivation, flexibility, high-quality management and first and foremost people and their creativity. This also affects the competitiveness, diversity and fragmentary nature of the market, which provides additional strengths.

KEY FACTS AND FIGURES

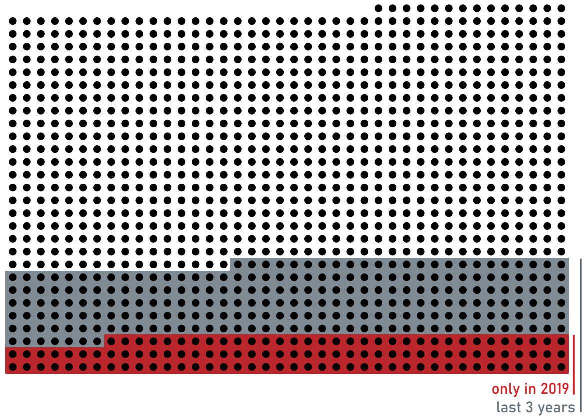
Gathering data from the National Official Business Register from 2019, there are an impressive 1,134 entities registered as producers and distributors of cosmetics alone in Poland. Just the last three years have seen the registration of 344 new entities. 2019 was a booming year with 113 new entities employing more than nine people.

It is also important to compare the number of SMEs registered in Germany, Italy, France, the UK and Poland. The first three have seen a drop in SMEs – Germany from 397 to 348,

1134

producers and distributors of cosmetics registered

344 new entities in the last 3 years
113 new entities only in 2019
employing 9 or less people



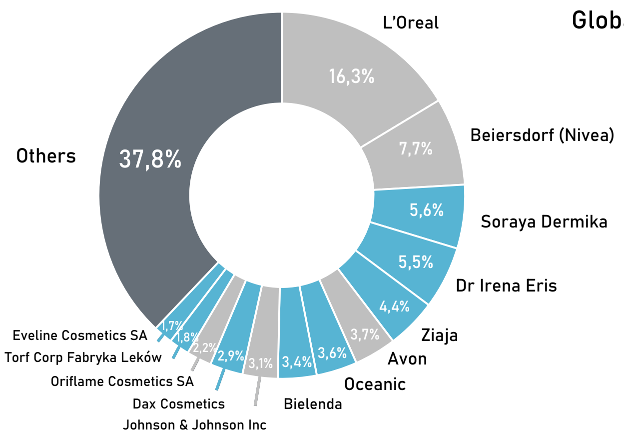
source: National Official Business Register; 2019

France from 872 to 607, Italy from 828 to 814. Poland meanwhile has experienced steady growth in smaller and medium enterprises operating in the cosmetics business from 493 to 531.

The following data is representative of the fierceness and dense competition of the Polish market. Comparing global and local producers' company shares in the skin care segment in 2019, Polish entities and brands (Soraya, Dermika, Dr Irena Eris, Ziaja, Oceanic, Bielenda, Dax Cosmetics, Torf Corp Fabryka Leków, Eveline Cosmetics SA) represent 30% of this market. Compare this to the largest player, L'Oreal, which has 16.3% of the skin care share. There is also a significant portion populated by small and medium-sized entities, where a number of them are Polish. This data clearly shows that Polish companies hold a sizeable portion of the market and are well established to compete with global players.

Examining the face-care shelf of a retailer that has 1,700 shops just in Poland, the ratio of international to Polish brands is formidable. Furthermore, pharmacy distribution is also proof of the competition that characterizes the Polish market. Focusing on dermocosmetics alone, thanks to IQVIA data gathered from 2018 to 2020, we can see that the market is becoming densely populated by Polish entities. In August 2020 the state of the market measured by units showed that Polish dermocosmetics take over 66%. **If we analyse the results measured by value, only then Polish entities are responsible for over 50% of the market's sales**.

SKIN CARE SEGMENT 2019
Global versus Local producers company shares



source: Euromonitor International 2019

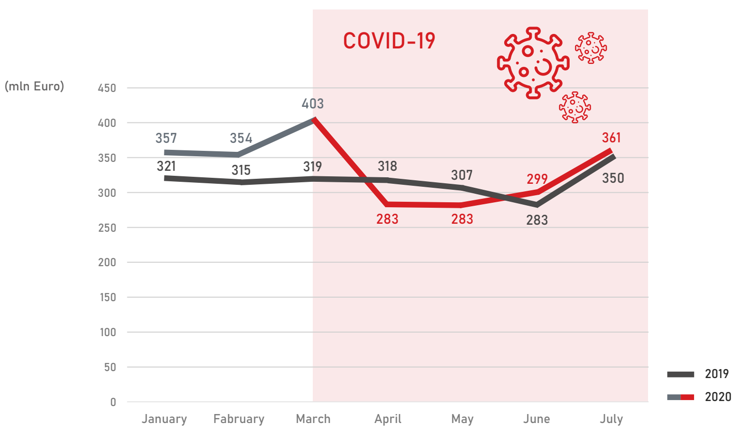
TOP 20 – The Main Competitors

by Units	by Value
ZIAJA	L'ORÉAL
AFLOFARM	AFLOFARM
L'ORÉAL	LK DR IRENA ERIS
LK DR IRENA ERIS	NEPENTES
NEPENTES	PIERRE FABRE DC
ZIOLOLEK	ZIAJA
POLPHARMA GROUP	NAOS
BIOGENED	POLPHARMA GROUP
CHAIN	BIOGENED
L-BIOTICA	BAYER
BAYER	GALDERMA
PIERRE FABRE DC	STADA
FARMINA	TEVA GROUP
TEVA GROUP	ZIOLOLEK
OMEGA PHARMA	NP ZDROVIT
NAOS	OMEGA PHARMA
STADA	FARMINA
SYNOPTIS PHARMA	CHAIN
SCAN ANIDA	SANOFI
NP ZDROVIT	L-BIOTICA

source: Pharmacope 08/2020 IQVIA © 2020 IQVIA and its affiliates. All rights reserved. Dermo market (OTC 06P1; OTC80-89). Corporation. Sales units and value rank. Import.

Further data from the same IQVIA analytical source shows that out of the top 20 main competitors measured by units, 16 are from Poland. If we look at the values, 12 companies have Polish assets. Focusing only on the top three in both indexes – units and value – there are two Polish businesses present on the podium.

Nielsen has also provided data on growth per category in the cosmetics market. Out of each segment (skin care, personal hygiene, hair treatment, make-up, oral hygiene, shaving products and cosmetic fragrances), skin care and personal hygiene products take almost 50% of the market. Skin care and cosmetic fragrances are the fastest growing, the former by 8.7% and the latter by 12%. Export is also an essential part of the cosmetics market in Poland. The value of Polish cosmetics exports is 3.9 billion euros (source: Polish Statistics). What is also vital is observing the dynamics of export. Data provided by the Central Statistics Office shows the changes over the last four years. 2016 was the year when a 16% increase in export was noted, 2018 – 9.5% and in 2019 there was a 7% increase. Focusing on the first four months of 2020, the period of tumultuous changes due to the COVID-19 lockdown, the market was forced to modify its previous modes of production. Even under COVID, the export data shows growth of 6.2% in the first four months of the year. The lockdown and markets becoming more isolated due to COVID-19 was a huge difficulty, so this data is reason to be proud.

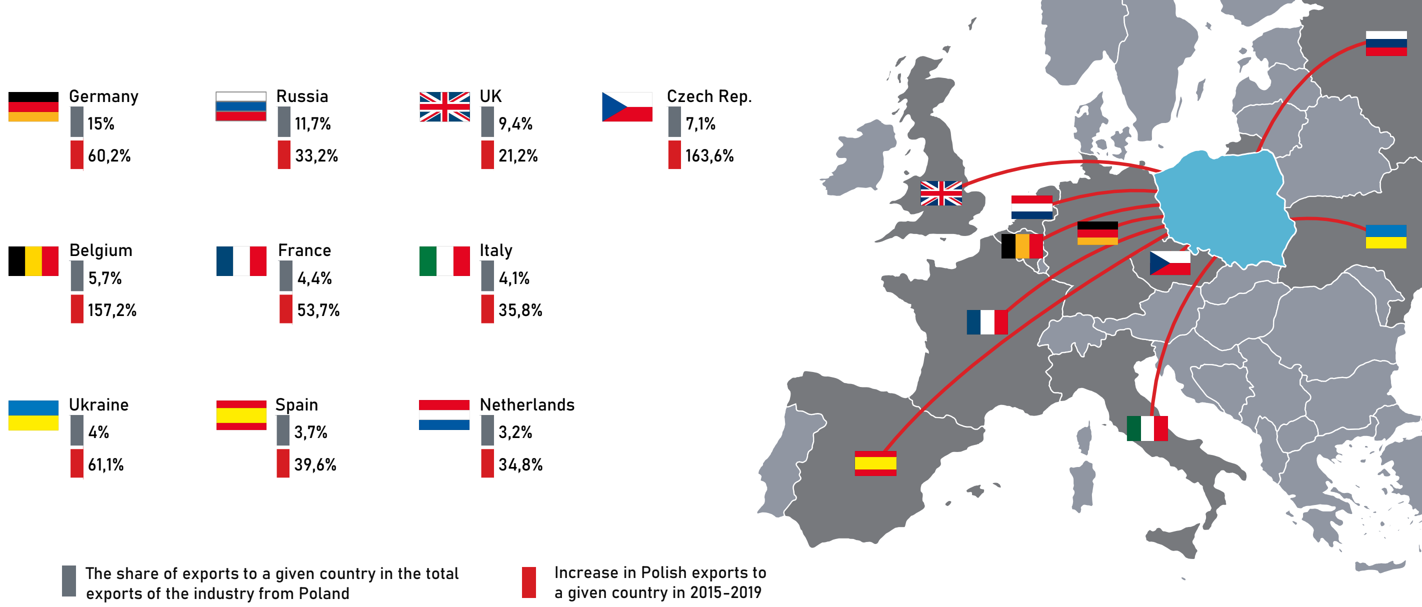


EXPORT OF COSMETICS RESILIENT TO COVID CRISIS

The Polish export in total is sinking by – 6%

Export expansion is the key to the economic recovery

source: Central Statistical Office, 28.09.2020



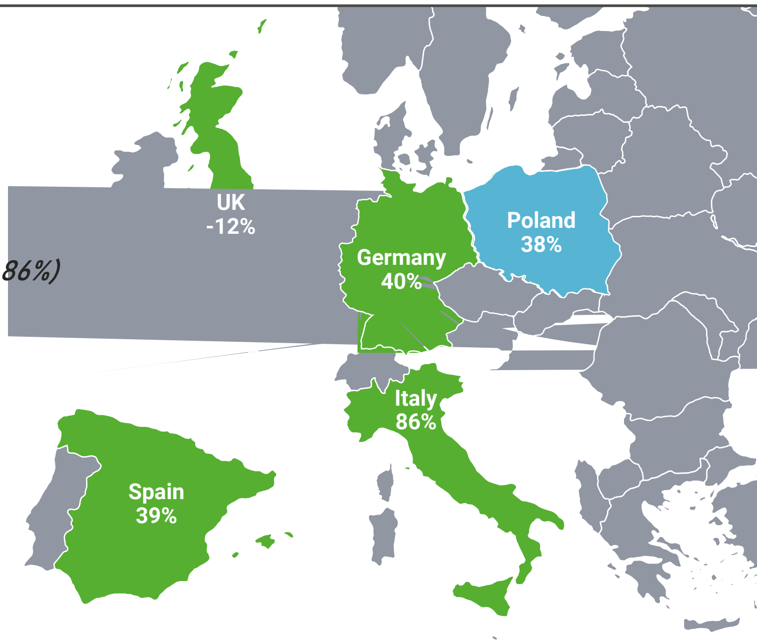
The first seven months of 2020 also demonstrate the expansion and development of this aspect of our performance, compared and measured in comparison to 2019. Obviously, Poland retains the same dynamics in exports which means it is resilient to the crisis situation and if comparing the sum of total exports of the entire Polish economy in the same period, it was sinking by 6% so this result of 6.2% is even more impressive, considering the background. It is understandable that the growth and expansion of exports will be key to the economic recovery of the entire cosmetics industry market. Another way of measuring the change in export is to examine the directions of export. As already highlighted, 70% of Polish cosmetics products, regardless of whether they are produced in the plants of global players or by family-owned companies, are exported to the EU. Data on the main destinations for Polish cosmetics product exports provided by the Central Statistical Office from 2008 to 2019 presents the wider picture outside the EU. Destinations have been shifting. In 2008 and 2012 the main receiver of Polish products was Russia, taking almost 19% in 2008 and 15% in 2012. Over the last four to five years the export direction has moved steadily toward the West and Germany has become the main economic partner. Hermetic and highly competitive local markets, like Italy or France, have started turning towards Poland to buy cosmetics. The expansion of our exports has grown in Germany within the last five years by 60%, in Czechia by 163% and Belgium by 157%. These percentages show a tendency to stay with Polish production, which only proves the safety and quality of these products.

TRADE SURPLUS 2019

Export surplus – 38%
(total surplus for the Polish economy is only 0,86%)

Every second cosmetic produced in Poland is exported to more than 160 countries worldwide!

Globaly every third hybrid nail polish is produced in Poland

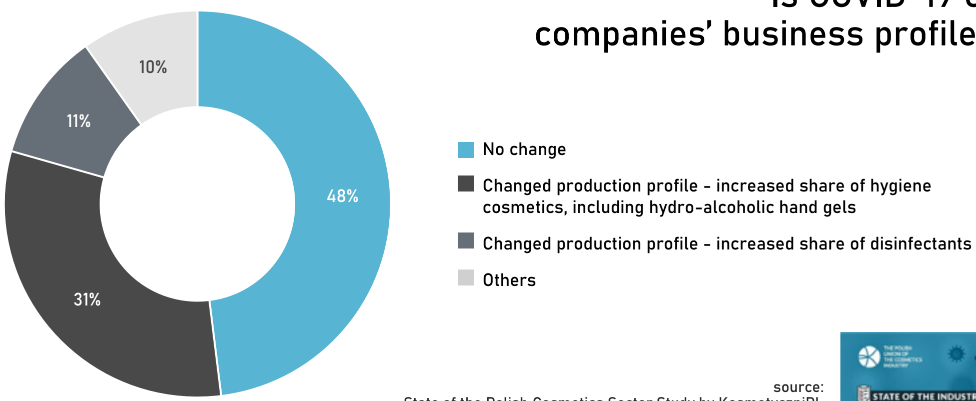


Trade surplus is a further way to measure the state of Polish exports. **As recently as 2019 the export surplus was 38%**; these figures prove the healthiness and robust nature of the cosmetics business. Trade surplus grew from 30% to 38% in 2016. Comparing this with the Top 5 in the EU in terms of the value of the market and looking at the surplus in exports, Poland is similar in percentages to Germany (40%) and Spain (39%). What is illustrative of Poland's export power is the fact that every second cosmetics product produced in Poland is exported and in addition, globally every third hybrid nail polish is produced in Poland.

POST-COVID MARKET

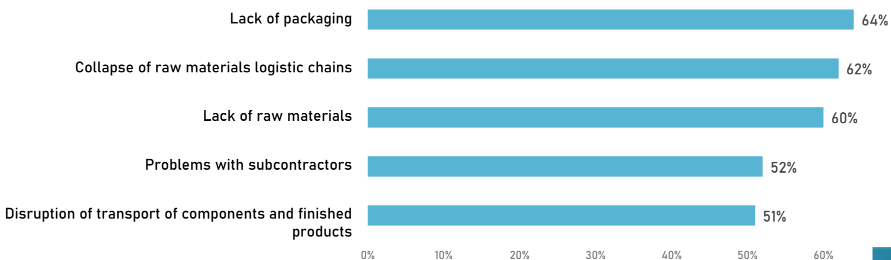
Looking at the post-COVID information which was gathered in our analytical studies conducted twice this year: in April / May, during the most difficult time of COVID-19, and in September, provides a further view of the robustness of the Polish cosmetics market. The Polish Union of Cosmetic Industry asked all its members and non-members how their business portfolio was changing and how they had to adapt to the crisis as part of the *State of the Polish Cosmetics Sector* study carried out by KosmetyczniPL.

Is COVID-19 changing companies' business profiles today?



source:
State of the Polish Cosmetics Sector Study by KosmetyczniPL
How to move forward out of the crisis?
May 2020

Main challenges



source:
State of the Polish Cosmetics Sector Study by KosmetyczniPL
How to move forward out of the crisis?
May 2020

The data shows that 31% of the entities had to change profiles from their usual offering and increase their share of hygiene cosmetics, including hydroalcoholic hand gels. 11% of companies started producing or increased the share of disinfectants in their portfolio. This shows the local Polish cosmetics industry to be flexible and able to find stability in precarious times. In another piece of data from the same study that was finalised in May this year, the main challenges of local Polish producers were scrutinised. The majority (64%) highlighted lack of packaging, the collapse of raw material logistic chains (62%) and lack of ingredients/raw materials (60%) as the key points of difficulty. 52% of businesses also noted problems with subcontractors and 51% had trouble with the transport of components and finished products.

Polish entities were able to manage the situation to their advantage by changing their product portfolio and sourcing raw material and ingredients locally. This was in contrast to other European markets that did not have access to internal production and had to cease manufacture for six to eight weeks. The Polish cosmetics market had a substantial advantage in having other, internally developed, businesses that were able to handle ingredient and packaging needs. This allowed for a sustainable, stable and safe market environment.

SUMMARY:

Why do business in Poland?

What contributes to the strength of Poland's cosmetics sector is its geopolitical location as well as expertise built over 100 years. This heritage and the knowledge gathered over the decades gives us the backbone of where we are today. Let's remember the courage and business openness of people who built the steam engines of today's Polish cosmetic business, all those who didn't have a chip on their shoulder, and developed their own cosmetic businesses over 30 years ago. This is something that creates this plethora of successful businesses, as well as the rich competitive, Western European style market that we are in today. This is something that makes Poland different and makes us stand out from the rest of Europe's cosmetics markets.

WHAT ARE THE SECRETS OF POLISH SUCCESS?

- **The quality of people** that lead the businesses, their qualifications, their education, starting from the lowest levels going through to engineers and ending with top level management – this is something that makes the DNA of the Polish cosmetics industry flow.
- **Labour costs** lower than in other EU member states (but not as low as they used to be at least five years ago).
- **Education** – the number of facilities in education, cosmetology faculties and cosmetic chemistry is steadily growing, because obviously this pool of entities have to have the right people educated for their needs.
- **The EU regulation and standards**. This regulatory regime, that requires us to produce high quality products, has been with us since 2004 and we are no longer the receivers of cosmetics regulations; together with others we are writing the new cosmetics regulations which have been in place since 2009. This is also an important element that gives us quality and standards, flexibility, high quality production and investment in infrastructure.

All these elements are important to remember when you think of the cosmetic industry, but also comprehensive services as well. Poland is a one-stop shop. It's a place where you can have the entire product developed from the idea through to production via R&D laboratories and packaging and finally sold. What was actually proven during the COVID crisis was that Poland does tick and it does exist and it worked well because it is resilient to crisis. In one place you can find all the services you need to produce cosmetics.

Part 2

THE POLISH COSMETICS MARKET: CHALLENGING YET REWARDING

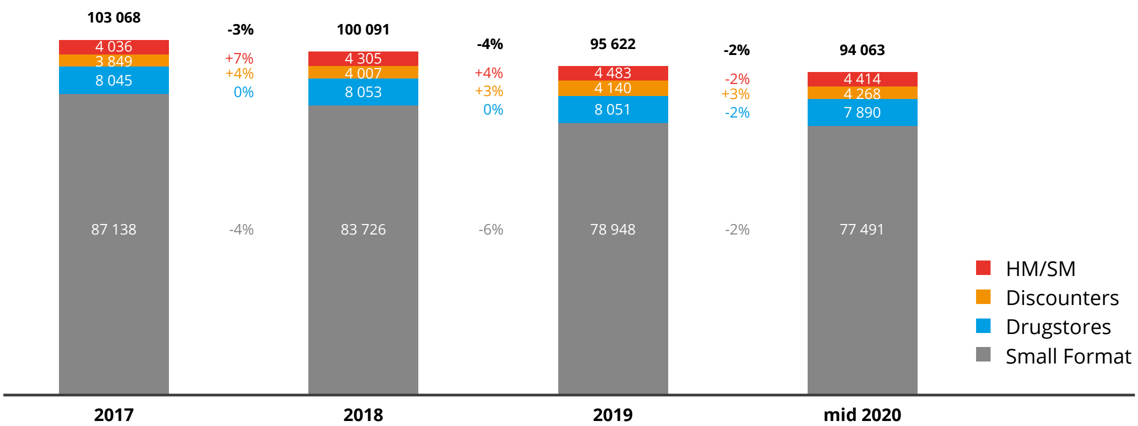
by

Michał Rudecki,
Client Director, Nielsen Poland

To better understand the status and characteristics of the Polish retail market, we have to start with a broader, international perspective of the European[1] retail market. Over time, we have observed a steady increase in large format stores[2] in Europe. Between 1980 and 2018 the number of Hypermarkets grew from approximately 1,990 to approximately 9,600 stores and the number of Large Supermarkets increased even more – from approximately 4,360 to approximately 27,100 stores. Yet the highest dynamic could be observed in the Small Supermarkets format which was strongly driven by the evolution of Discounters. The number of these stores jumped from approximately 26,290 in 1980 to almost 74,000 stores in 2019.

makes the Polish retail market numerous and fragmented. Over the years the number of stores in Poland has been systematically declining and retail has been consolidating. In 11 years, from 2009 till 2020, over 32,000 stores were closed in Poland. Still, the number of stores in Poland is on the high end, especially if compared to other European markets. Nielsen estimates that the number of stores in Poland in H2 2020 oscillates around 100,000 stores for the Food basket and around 94,000 for the Beauty & Home basket, hence the numbers are pretty significant. Key trends that are visible over time are: the decrease of Small Format stores; steady increase of Discounters and consolidation of Drugstores.

Graph 1. Number of stores per channel, Small Format as sum of Large/Medium/Small Groceries, Kiosks & Petrol Stations, Beauty & Home basket Universe of stores



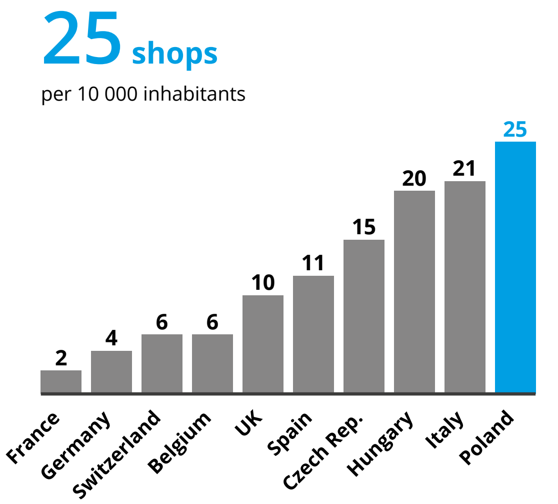
Although this trend was similar for the majority of European countries, if we look at the national markets level in more detail, we can observe structural differences. For example in Germany there is the significant dominance of Supermarkets including Discounters (75% of FMCG Value Sales Location[3]) while in France Hypermarkets and Supermarkets share almost an equal part of the market (45% and 47% respectively). The Polish retail market has a significant share of Supermarkets including Discounters (53%) but also a very high share of Small Format stores below 400 m2 (37%). This considerable share of Small Format stores

Overall the number of Drugstores remains flat but we observe the decrease of traditional, non-organized Drugstores while organized chains of Drugstores increase steadily.

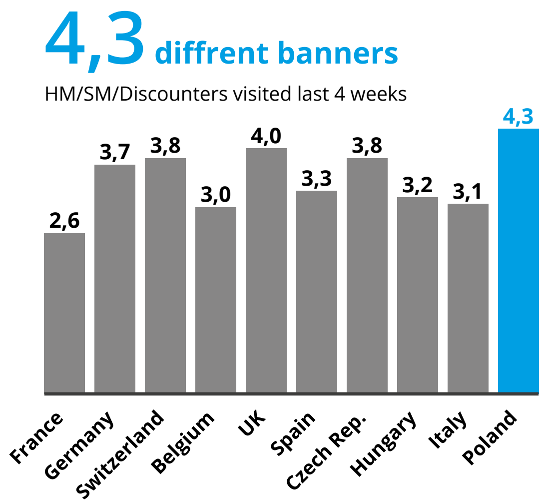
The Polish retail market is competitive not only because of the absolute number of stores but also due to their variety. There are: chains of well-known international Hypermarket banners, local Supermarkets, dynamic Discounters, Drugstore chains and non-organized Drugstores, Convenience stores, countless names of traditional Small Format stores and – last but not least – Petrol Stations with an expanding offer of FMCG products.

1 European market consisting of: Austria, Belgium, Czech, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Ireland, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and UK.
2 Large format stores defined as Hypermarkets (>2500 m2), Large Supermarkets (1000–2500 m2) and Small Supermarkets, including Discounters (400–100 m2).
3 Value Sales Location – percentage of given category that is sold via a particular retail channel.

Graph 2. Number of shops per 10 000 inhabitants, Nielsen Establishment Survey 2018



Graph 3. Number of banners visited in last 4 weeks, Nielsen Shopper Trends 2020



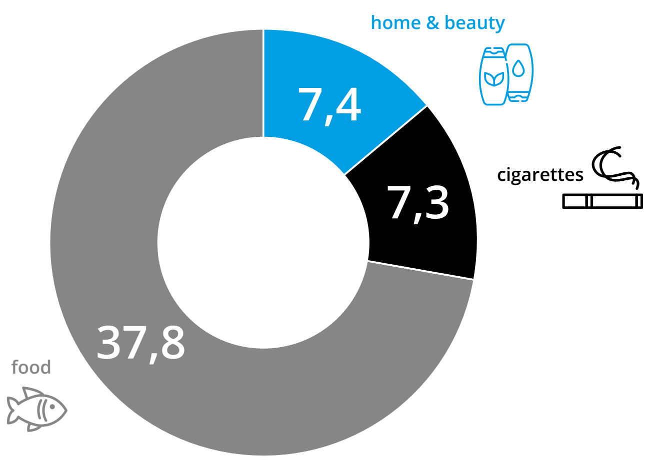
This altogether creates a perfect environment for the Polish shopper. And Poles love to shop; this seems to be one of our national hobbies. While the number of stores per inhabitant is one of the highest in Europe (25 stores per 10,000 inhabitants), Polish shoppers take advantage of this variety and switch stores very often. On average, Poles visit monthly ~4,3 different banners and again this is one of the highest indicators in Europe.

Polish shoppers can be defined as "smart" – they pay attention to prices and prices shifts influence their behaviour. 33% of HM/SM shoppers in Poland declare that they know all the prices of the grocery items they regularly buy[4]. Furthermore, 47% of shoppers say that they know prices of most of the items and always notice when the price changes. This altogether gives a number of around 80% of Polish shoppers that are well aware of product prices. Poles are also quite active shoppers – nearly 30% of them change stores based on which one has the best promotions and around 40% of shoppers actively search for promotions but seldom change stores. This propensity to switch stores, the promotional pressure and how shoppers react is another layer of Polish market complexity.

POLISH FMCG DYNAMICS

Nielsen estimates that the Polish FMCG basket[5] in MAT July 2020[6] was worth approximately 52,5 bln USD. The whole FMCG basket breaks into three main industries: Food, worth almost 38 bln USD and takes nearly ¾ of entire FMCG basket, then Cigarettes and Beauty & Home worth equally around 7,4 bln USD each.

Graph 4. FMCG Basket, Sales Value & Composition (in Bln USD), MAT LY (July'20), Total Poland



4 Source: Nielsen Shopper Trends 2020.
5 As sum of Food, Cigarettes and Beauty & Home baskets.
6 MAT July 2020 covers period: June 2019 – July 2020.

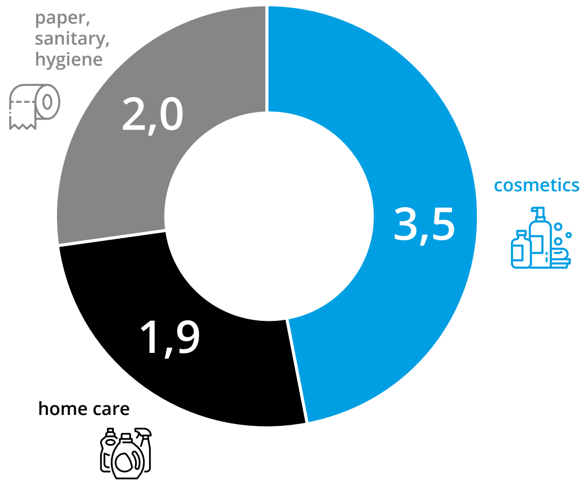
If we look at FMCG basket dynamics, compared to the previous MAT the basket grew by 5.0%. Having in mind the turbulent period in H1 2020 marked by the COVID-19 pandemic, this is quite healthy development.

Taking a closer look into the Beauty & Home basket, it consists of three main industries. Home Care and Paper, Sanitary, Hygiene are worth around 2 bln USD each. The largest share of the basket, nearly a half, takes the Cosmetics[7] industry with a value of around 3,5 bln USD in MAT July 2020.

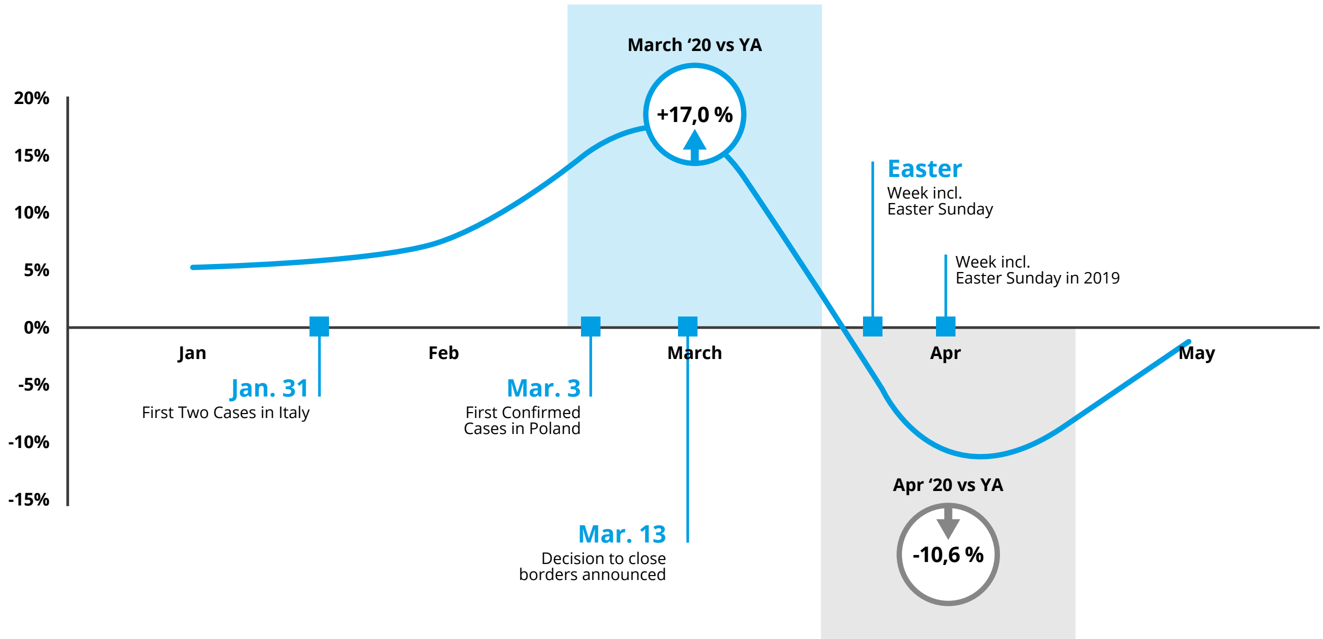
Looking solely at the Beauty and Home basket development, it gained 5.1% in value sales which again is a sound figure in these uncertain times.

Inspecting more closely the first months of 2020, so dramatically marked by the COVID-19 pandemic, it can observed that the whole Beauty & Home basket fluctuated a lot. In March, when the first cases were confirmed in Poland and the first restrictions started to take place, Poles went for big stock-up shopping trips. As a consequence, March noted a nearly 20% increase in value of sales increase vs a year ago. However, in April severe retail restrictions and preventive measures caused an over 10% value sales drop.

Graph 5. Beauty & Home Basket, Sales Value & Composition (in Bln USD), MAT LY (July'20), Total Poland



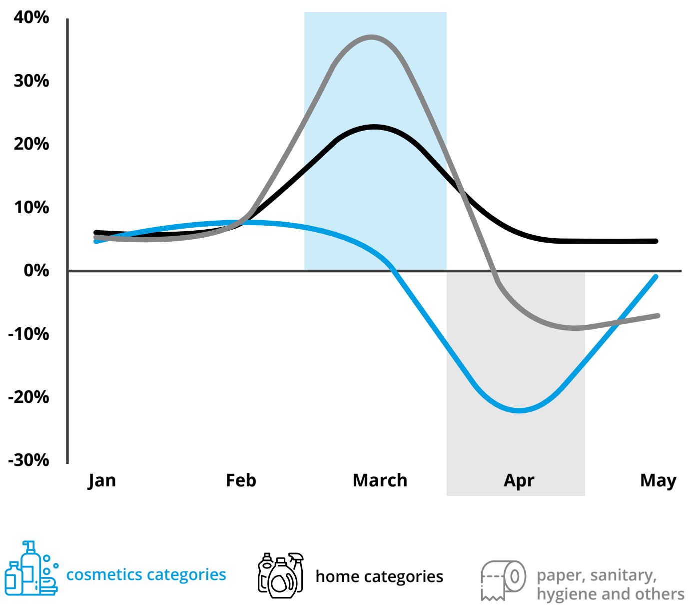
Graph 6. Home & Beauty basket, Value Sales % Change vs Year Ago, Total Poland incl. Discounters



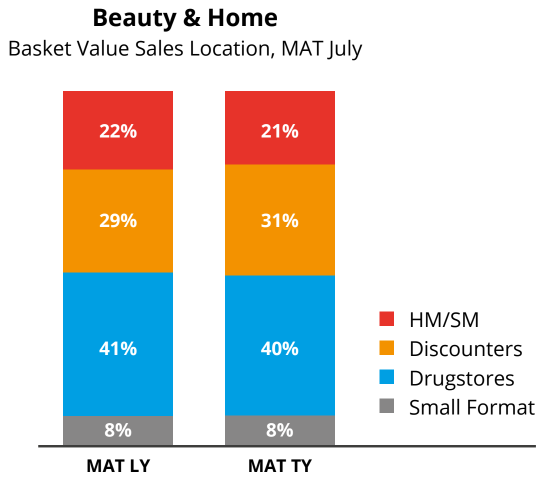
7 Cosmetics industry as sum of categories: Face Care, Deodorants, Shampoo, Shower Gels, Toothpaste, Body Care, Colour Cosmetics Face, Blades and Razors, Eye Make-up, Hair Colourants, Women's Fragrances, Toilet Soaps, Conditioners, Male Fragrances, Hair Stylings, Nail Make-up, Toothbrushes, Lip Make-up, Shaving Preparations, Mouthwashes, Intimate Hygiene, Cleansing Products, Sun Care, Aftershaves, Electric Toothbrushes, Bath Foam, Depilators, Colour Cosmetics Kit, White Strips, Electrical Tooth Irrigators.

Moreover, it must be noted that the development of sales in these initial months of 2020 was not equal for every industry component of the Home & Beauty basket. Home Care and Paper & Sanitary categories noted a strong increase in March and a lower decrease in April. Cosmetics unfortunately were impacted the most – not benefiting as much from stock-up shopping in March and losing in April much more than the other categories.

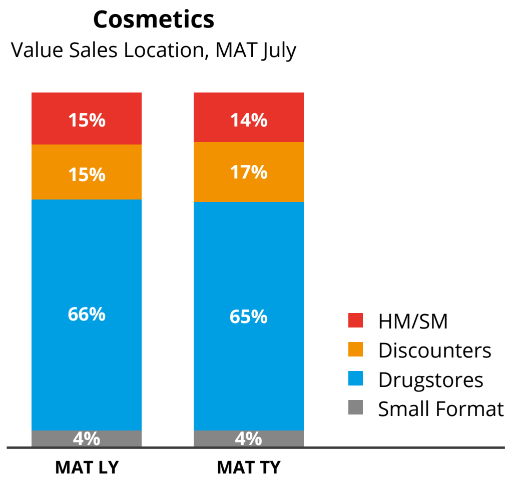
Graph 7. Home & Beauty industries, Value Sales % Change vs Year Ago, Total Poland incl. Discounters



Graph 8. Beauty & Home Basket Value Sales Location, MAT July



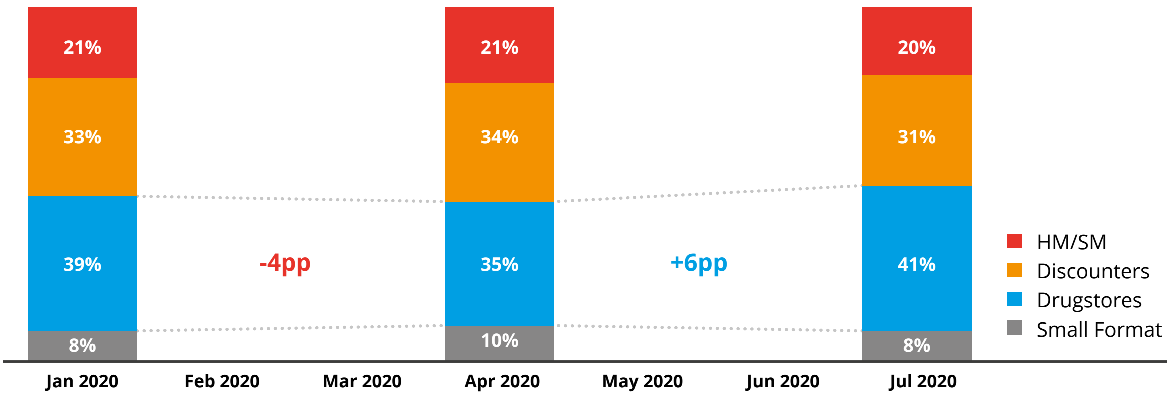
Graph 9. Cosmetics Value Sales Location, MAT July



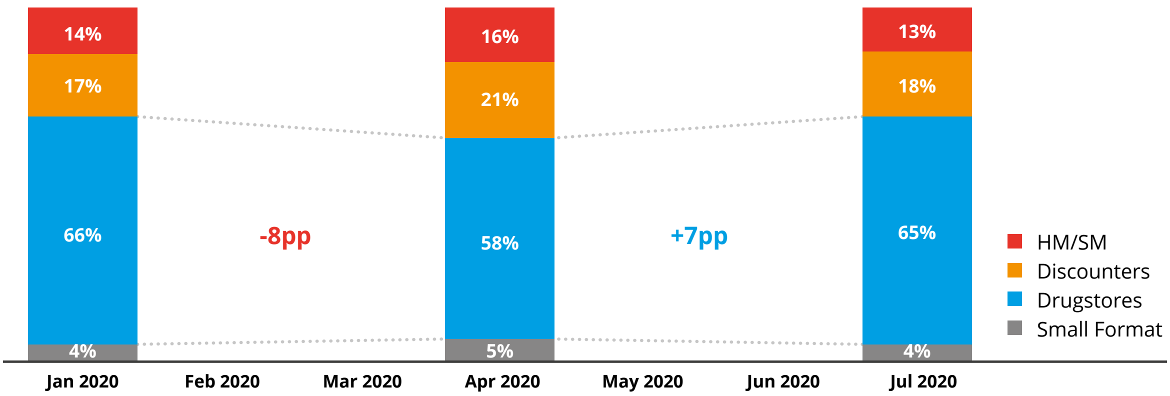
What is interesting is that COVID-19 not only impacted the absolute value of sales but also channel patterns where Beauty & Home categories are sold. The Beauty & Home basket and Cosmetics categories are mainly sold in Poland via the Drugstores channel. For the entire Beauty & Home basket it is approximately 40% of value of sales and for Cosmetics around 65%. The second most important channel is Discounters which accounts for around 30% of value of sales for the Beauty & Home basket and around 17% for Cosmetics.

Under normal circumstances, we saw a steady but slow increase of Discounters' importance and a more or less stable share of Drugstores over time, both for the Beauty & Home basket and for Cosmetics. However, due to restrictions and health precautions in March and April 2020, consumers changed their shopping behaviour. More often they chose single stores, with a wide assortment where they could buy almost everything during one trip in one store. That is the reason why in the COVID months we saw a strong increase in Discounters' significance. On the other hand, many shoppers chose small, local shops where they avoided queues and crowds which made them feel safer. That is why the Small Format increased in that time. These two trends and the general pandemic situation led to a sharp decline in Drugstores' importance during lockdown which was more visible in Cosmetics categories.

Graph 10. Beauty & Home basket, Value Sales Location, YTD 2020 Monthly



Graph 11. Cosmetics, Value Sales Location, YTD 2020 Monthly



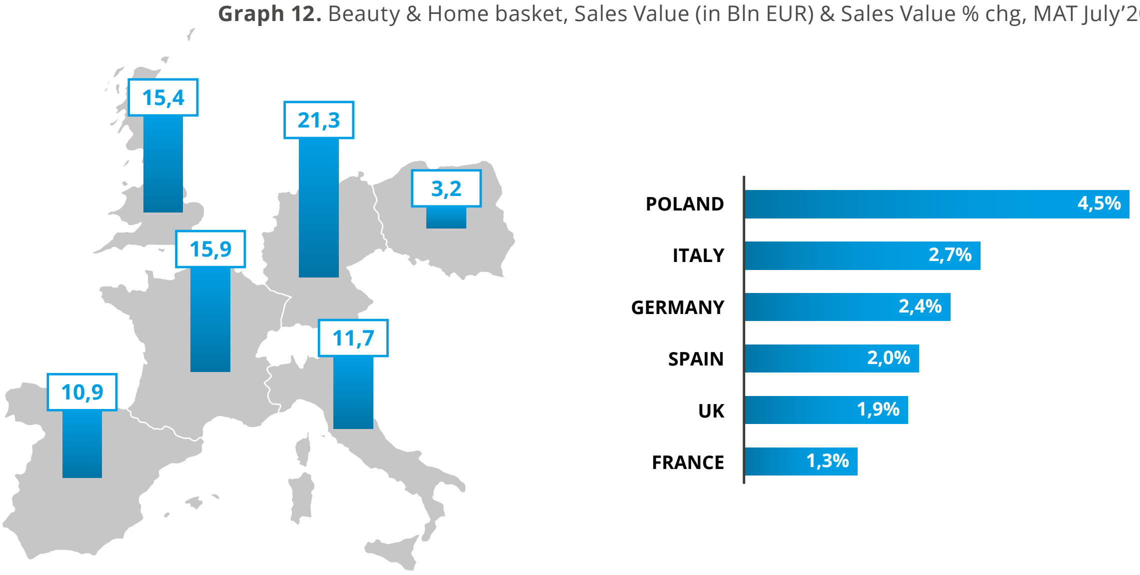
However, in July came the normalization of the sales location when it comes to both Beauty and Home and Cosmetic categories. As the second wave of COVID-19 lockdown has recently started, it may be just a matter of time before the aforementioned dynamics reactivate.

When it comes to a broader international perspective, both the Beauty & Home basket and Cosmetics in Poland are a few steps behind leading European markets in terms of value size. In internationally harmonized databases[8] the Polish Beauty & Home basket is estimated at around 3,4 bln EUR while key Western Europe markets are valued much more highly: Germany – approximately 21,3 bln EUR, France – approximately 15,9 bln EUR, UK – approximately 15,4 bln EUR. However, in terms of growth dynamics, Poland outperforms those key markets, delivering a value sales increase of 4.5% on MAT July 2020. Meanwhile the growth of other markets ranges from 1.3% to 2.7%.

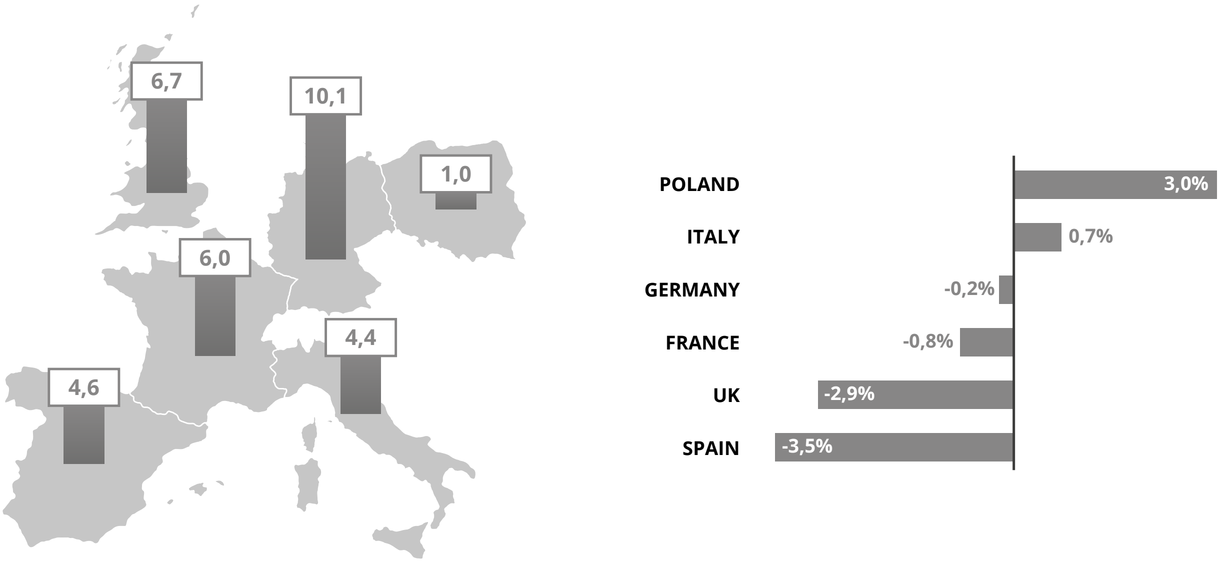
A similar picture is seen for the Cosmetics industry. The Polish Cosmetics industry is valued at around 1,0 bln EUR[9] while Germany is 10,1 bln EUR, UK 6,7 bln EUR, and France 6,0 bln EUR. Interestingly, in MAT July 2020, only Poland shows healthy development across compared markets with a 3.0% value sales increase. Other markets, such as Italy, Germany

8 Nielsen Strategic Planner. Sales do not cover Drugstores channels.
9 Nielsen Strategic Planner, MAT July 2020.

Graph 12. Beauty & Home basket, Sales Value (in Bln EUR) & Sales Value % chg, MAT July'20



Graph 13. Cosmetics basket, Sales Value (in Bln EUR) & Sales Value % chg, MAT July'20



or France show flat numbers while the UK and Spain note a decline.

Though the Beauty & Home basket and Cosmetics industry in Poland are not the largest in the region, looking at positive sales dynamics, Poland is a market with potential and still lots of room to grow.

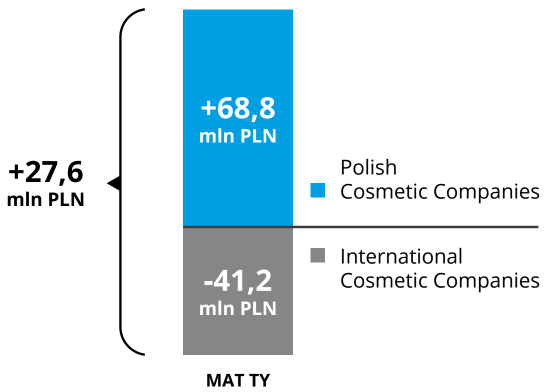
A CLOSER LOOK AT POLISH COSMETICS COMPANIES

Together with The Polish Union of Cosmetics Industry, Nielsen built an index of 68 Polish cosmetics companies[10] that will be compared against the entire industry.

10 These companies are: Ados, Aflofarm, Ales Groupe, Ava, Bandi Cosmetics, Barwa, Be Bio, Beliso, Bell, Bielenda, Biogened, Chantal, Coloris, Cosmo Group, Delia, Dermaglin, Dr. Irena Eris, Dramers, Ecocera, Efektima, Elfa, Euphora, Eveline, Farmona, Floslek, Global Cosmed, Gold Drop, Grupa Poludnie, Harper Hygienics, Hean, Inter Fragrances, J. Fenzi, Joanna, Kallos, Krystyna Janda, La Rive, Laboratorium Naturella, L'Biotica & H.F. Hipokrates, Loton, Madonis, Marion, Maurisse, Miraculum, Miya Cosmetics, Nesperta, Oceanic, Orientana, Pharma C Food, Pierre Fabre, Pierre Rene, Pollena, Pollena Savona, Polpharma, Sanofi, Sinskin, Stara Mydlarnia, Swit, Sylveco, Teva, Torf, Torunskie Zaklady Materialow Opatrunkowych, Uroda, Venita, Verona, Wibo, Wierzbicki & Schmidt, Yope, Ziaja.

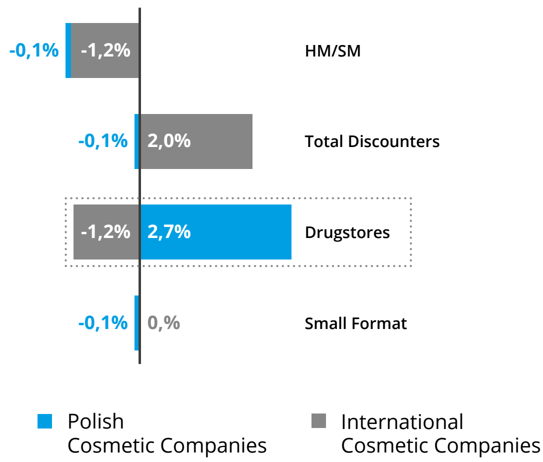
In MAT July 2020, the cosmetics industry in Poland gained almost 28 mln PLN of value sales. If this growth is broken down and divided into the value sales contribution coming from Polish companies and international ones, we can see that in this competitive environment of the Polish retail market and the very turbulent period affected by the COVID-19 pandemic, Polish cosmetics companies delivered incremental sales of nearly 69 mln PLN. In the same period, international companies noted a decline of around 41 mln PLN.

Graph 14. Cosmetics, Sales Value chg, MAT TY vs MAT LY; Polish/International Cosmetics companies, Sales Value chg, MAT TY vs MAT LY.



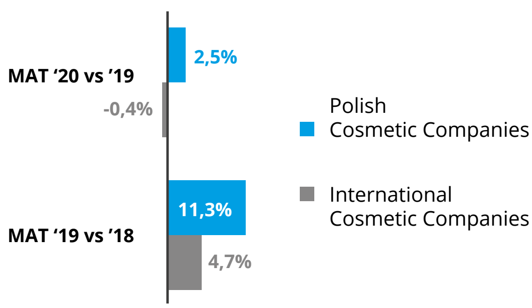
If this percentage dynamic is broken down into by growth by channels, we see that although international companies gain in Discounters, their dynamic is negative in both Drugstores and HM/SM which in total results in a flat situation on MAT July 2020. Polish cosmetics companies seem to take a different strategy – they focus and grow in Drugstores while managing not to lose in other channels which pays off.

Graph 16. Value Sales % chg decomposition by channels, Total Poland, MAT July 2020



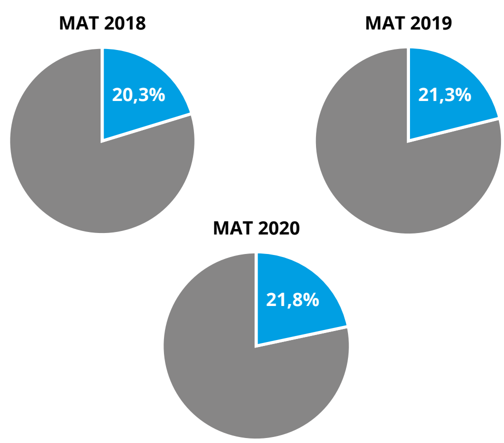
Stepping back into MAT July 2019, both Polish and international cosmetics companies noted positive development. Nevertheless, Polish companies had a better dynamic with over 11% vs nearly 5%. In AMT July 2020 dynamics flattened and only Polish cosmetics companies managed to grow while international companies remained flat.

Graph 15. Value Sales % chg of Polish/International companies in Cosmetics category, Total Poland, MAT July 2020



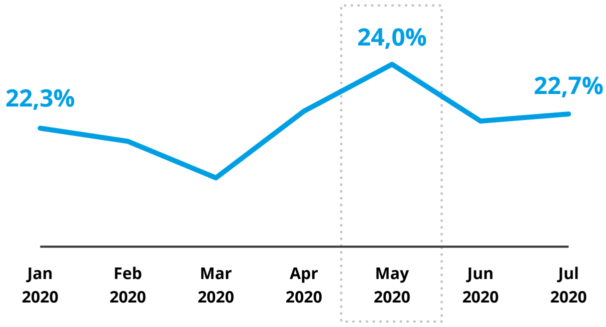
The value share of Polish companies in the Cosmetics industry oscillates around 20% and increases over the years. In MAT 2018 it was 20.3% while in MAT 2020 it is already 21.8%.

Graph 17. Value Sales % Share of Polish Companies in Cosmetics category, Total Poland, MAT July



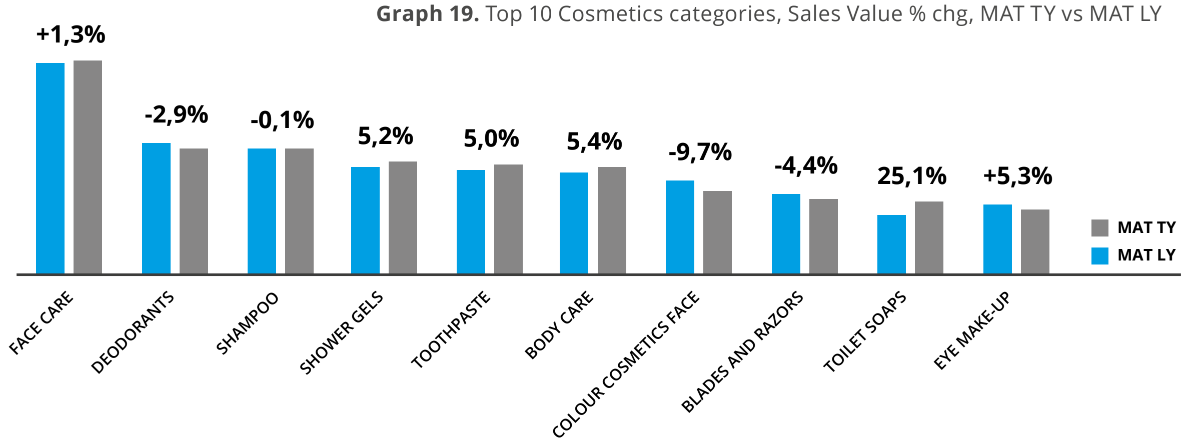
What is interesting for a moment during the first wave of the COVID-19 period in Poland is that Polish cosmetics companies managed to over index this level and achieve 24% of value sales. This occurred due to a strong promotion campaign in leading Drugstore chains on the Make-up category that took place shortly after lifting retail COVID-19 restrictions. Polish manufacturers were flexible enough to accommodate this dynamic situation and managed to gain a few extra points in these difficult times.

Graph 18. Value Sales % Share of Polish companies in Cosmetics category, Total Poland, YTD 2020 Monthly

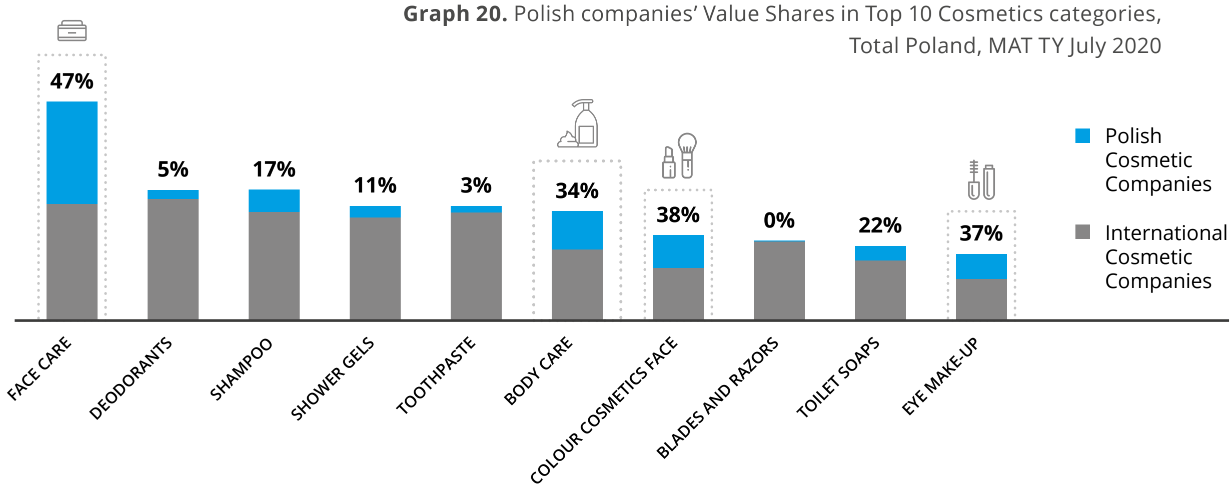


The value share of Polish cosmetics companies varies between categories. We are going to take a look at the top 10 categories of the Cosmetics industry. In the top categories Face Care has its leading position. However, on the latest MAT July its dynamic was quite static. As mentioned earlier, COVID-19 strongly affected the development of the Cosmetics industry. In the top 10 Cosmetics categories there are categories such as Shower Gels, Body Care or Toothpaste that managed to present healthy growth of around 5%. There are also examples of categories such as Toilet Soaps which highly benefited from the pandemic circumstances, the necessity to intensify hygiene routine that resulted in double digit increases. On the other hand, many categories suffered due to the lockdown and restrictions, e.g. Face Colour Cosmetics, Eye Make-up or Blades and Razors.

Graph 19. Top 10 Cosmetics categories, Sales Value % chg, MAT TY vs MAT LY



Graph 20. Polish companies' Value Shares in Top 10 Cosmetics categories, Total Poland, MAT TY July 2020

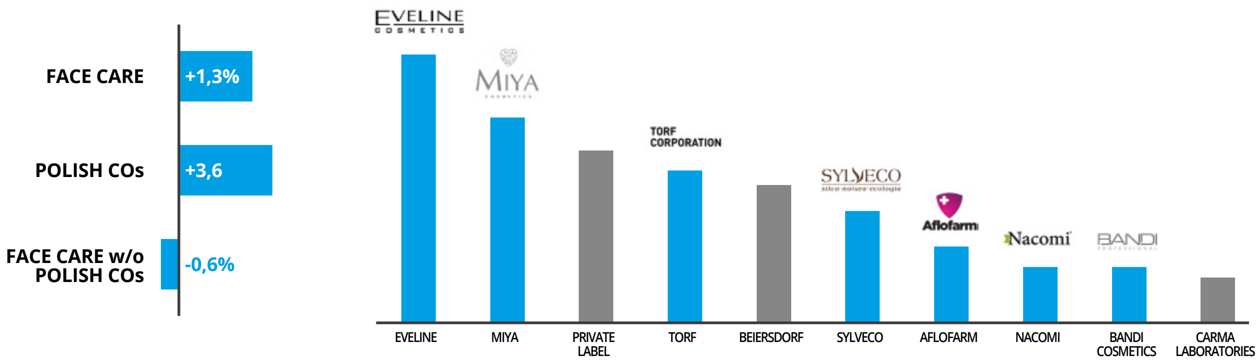


Polish cosmetics companies show strong engagement in Face Care (47% of value sales), Face Colour Cosmetics (38%), Eye Make-up (37%) and Body Care (34%). On the other hand, shares are low in categories such as Blades and Razors (below 0.5%), Toothpaste (3%) or Deodorants (5%).

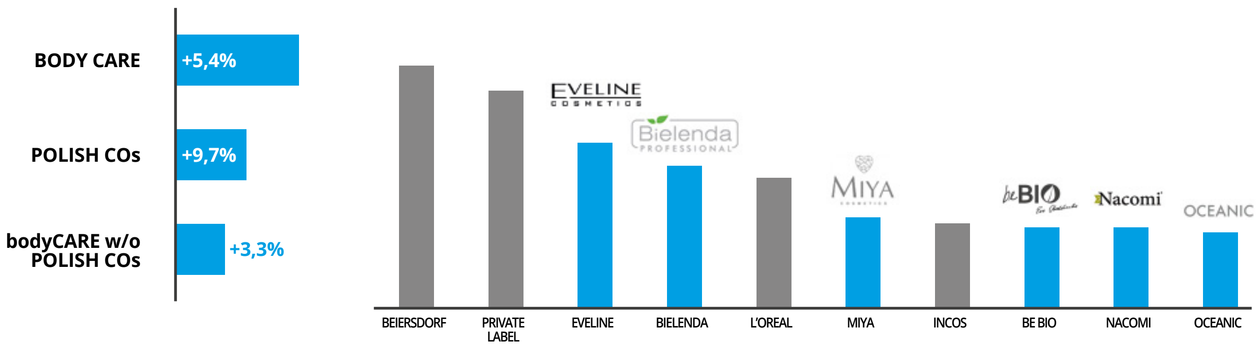
To understand better the level of engagement of Polish cosmetics companies, we have to take a closer look at Face Care and Body Care. As mentioned earlier, the Face Care category showed value sales dynamic of 1.3% in MAT July 2020. If we only look at Polish companies within that category, their growth was almost three times higher than the category, amounting to 3.6%. If Polish companies are taken out, the category no longer shows positive numbers but a slight decline of 0.6%.

Such a significant change is due to the fact that in the analysed period, out of the top 10 contributors to the Face Care category growth[11], seven companies are Polish players. Also, within the Private Labels group, some Polish companies are manufacturing products. If we look more closely at the product lines that were specifically able to deliver growth for Polish companies, we can see that on the one hand it was well-known brands such as Christian Laurent from Eveline but on the other hand, many product lines with a strong bio/eco focus. These were e.g. Beauty. Lab serums from Miya Cosmetics (ingredients of natural origins, vegan, animal & planet friendly, in glass bottles); Tołpa Sebio and the whole Tołpa Pure Trends line from Torf (ingredients of natural origins, vegan, eco packed); Vianek (with natural herbs coming from ecological plantations) and Duetus (natural ingredients, vegan, anti-pollution benefits) lines from Sylveco.

Graph 21 & 22. Face Care Value Sales growth in %, Total Poland, MAT TY vs LY; Top contributors to Face Care Value Sales growth, Total Poland, MAT TY July 2020



Graph 23 & 24. Body Care Value Sales growth in %, Total Poland, MAT TY vs LY; Top contributors to Body Care Value Sales growth, Total Poland, MAT TY July 2020



11 Contribution to growth is an absolute value sales change from a given company compared to absolute value sales change of category in the given period.

A similar situation can be seen when looking at the Body Care category. The entire category value sales developed at 5.4% vs MAT July 2019. Polish companies showed an almost 10% increase while the category without Polish companies only 3.3%. In the top 10 contributors, six players are Polish competitors.

When analysing products, it is even more obvious that in Face Care, eco/bio/natural trends drive growth. Most of the key product lines that, for Polish companies, delivered incremental sales in MAT July 2020 were focused on these aspects. Examples of this are: new launch I Love Vegan Food from Eveline (natural ingredients based on superfoods, vegan); coffee peelings Body Boom from Bielenda; body creams myWonderbalm from Miya; body yoghurts Fluff with tasty ingredients such as chocolate, almonds, raspberries or watermelon.

Eco/bio/natural trends had already been with us for some time and were leveraging popularity, and Polish companies were able to deliver incremental sales in the analysed period. Nielsen additionally did research asking respondents whether COVID-19 circumstances did not affect shoppers' attitude towards these trends. As a result, 73% of respondents replied "will buy same as before/will buy more" of bio/natural cosmetics and home care products compared to the period before COVID-19[12]. Not only consumers or producers are into eco/bio trends but also it is more clearly visible in retail channels. We observe more products on the shelves that claim eco/bio benefits, and more promotions or whole sections devoted to such products in leaflets. Some retailers took this trend even further, creating whole store sections only with bio/eco products or even an entire shop. A good example of this is the Rossmann store in Łódź that is entirely designed as an eco store with a vast portfolio of natural cosmetic, home care and food products. Additionally, it is equipped with a refill station that allows customers to fill reusable bottles with cosmetics or home care products.

Source: Rossmann.pl

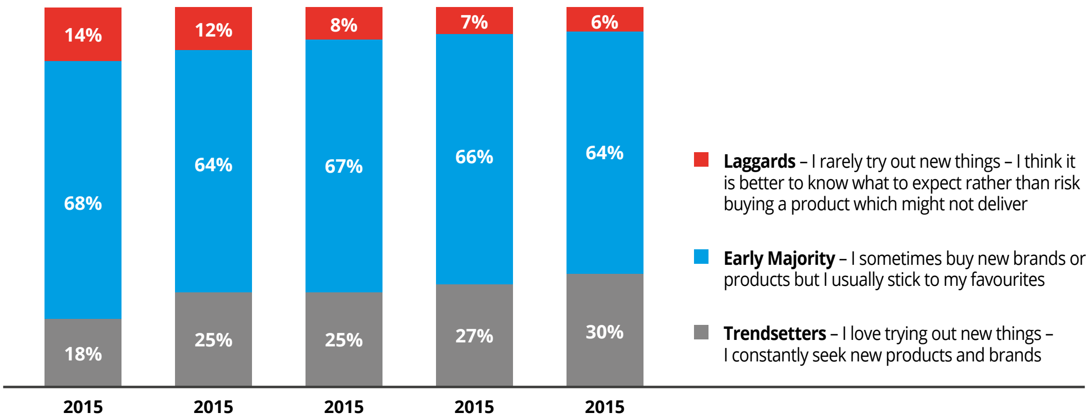
While it is important to follow trends, it is also crucial to constantly innovate. This is especially so in cosmetics, as according to a Nielsen study[13] the top two categories for which the importance of introducing new and different products/brands/varieties is the highest are Make-Up and Face Care.

Across 15 countries Nielsen researched claims for Home Care products that mostly resonated with consumers[14]. The top relevant claims across all countries focused on bacteria killing/prevention, keeping the immune system strong or keeping the family safe from diseases. This was no surprise bearing in mind the period when the study was conducted. However, one of the top claims was Kill germs/bacteria in a natural way. This points to a possible route for further innovations and new products that are not only effective in their domain but also achieve their benefit in a safe and natural manner.

Having innovative products helps to engage consumers and catch their attention. And when it comes to Polish shoppers, 30% of them declare that they love trying out new things and constantly seek new products and brands[15] while the percentage of Laggards and Early Majority in Poland decreases over the years.

12 Nielsen Shopper shifts to a new normal report, 2020.
13 Nielsen Shopper Trends report, 2020.
14 Nielsen BASES, COVID-19, consumers' sentiment; Quick Screen claim analysis, 2020.
15 Nielsen Shopper Trends report, 2020.

Graph 25. Propensity to experiment, Nielsen Shopper Trends report, 2020



Last but not least, being innovative can also pay off. Polish shoppers are declaring that they are willing to pay more for new products that bring them new benefits, save them time and have extra quality. When comparing answers in May 2020 vs November 2019, the portion of respondents declaring these facts increased by 7–9 pp[16].

As a recap of the second part of the report, it would be worth leaving the reader with five key thoughts:

1. **The Polish retail market is highly competitive** – characterized by a high number of stores and a not yet consolidated structure, rich in formats and variety of stores;
2. **Shoppers are smart** – they shop frequently and actively search for the best deals. Attractive promotions lead them to change stores;
3. **The healthy growth of the FMCG and Beauty & Home Basket** – growth delivered despite COVID-19 disturbance of the retail scene and economy lockdown;
4. **Polish cosmetics companies upped their game** – Polish companies are present in the market with quality products, interesting ideas and strategies that allow them to effectively compete with large international corporations.
5. **The Polish cosmetics market is dynamic** – driven by innovations and trends while Poles are actively looking for such new products and are willing to pay a premium for them.

16 Nielsen Shopper shifts to a new normal report, 2020.

Part 3

POLISH STARS OF 2020
GLOBAL COSMETIC TRENDS

by

Margaux Caron,
Global Beauty Analyst, *Mintel*

How are Polish beauty and personal care companies responding to emerging global trends and what innovations are they driving? This part of the report explores how the experience, creativity, and forward-thinking of the Polish beauty industry is driving innovation efforts, and how the industry is responding to the global trends for the next decade, as identified and set by Mintel in the Beauty and Personal Care Trends 2030. It also highlights some examples of Polish BPC product launches.

COMBINE SCIENCE AND NATURE FOR CLEAN BEAUTY

Science and nature are working in tandem to dial in efficiency, safety and sustainability. Polish beauty has mindfulness at heart.

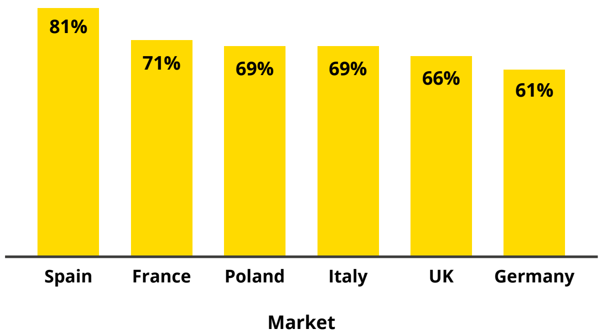
Mintel Beauty and Personal Care Trend 2030 "The Panorama of Humanity" explores the push-pull between nature and technology as consumers look to "hack" the future with lab-grown ingredients and new approaches to ageing. Clean beauty is evolving with growing scepticism around brand transparency. We believe that the "clean beauty industry" will just be the "beauty industry" in the next five years. We also believe that it is going to progressively evolve because brands and companies that cannot ensure that their products are safe for the skin, for the body, and for the environment, will face significant challenges. Brands will have to ensure that their products and practices are genuine and harmless. There will be more of a focus on the power of plants. Brands will be more considered and do things because they are healthy for the skin. The term "clean" will evolve to be about transparency and an eco-ethical mission rather than fear-marketing. For example, "free from" claims are likely to face further difficulties due to new regulations but also due to the fact that consumers will value more what's inside the product and not what has been removed. An even higher emphasis will be put on ingredients.

POLISH BEAUTY CONSUMERS DEMAND MORE SUSTAINABILITY AND ECO-FRIENDLINESS

While the market is largely driven by naturalness, Polish BPC companies are responding to consumers' demands for sustainable sourcing. According to our European consumer study conducted in July 2019, 69% of Polish consumers are concerned that ingredients used in natural products are not sustainable. This shows that there is a high level of suspicion among consumers that natural products may not actually be sustainable. It is believed that the outbreak of COVID-19 has accelerated this further. Mintel's research in May 2020 also suggests that 35% of Poles aged 16–24 have placed a higher priority on the environment since the COVID-19 outbreak began.

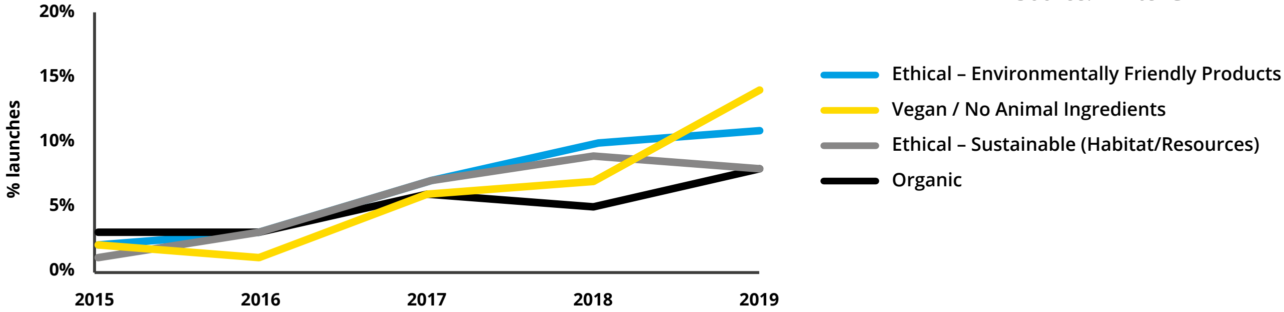
Graph 1. Base: internet users aged 16+ (France; Germany; Italy; Spain; Poland: 1,000), Lightspeed/ Mintel; Mintel COVID-19 Tracker May 6-13 , 2020

Selected markets: proportion of consumers who are concerned that the ingredients used in natural products are not sustainable, per selected market, in %, July 2019



The development of new products in Poland shows that the industry is adapting fast to this eco-conscious mindset. Mintel used the Global New Product Database (Mintel GNPD) to analyse product claims in the beauty and personal care categories in Poland between 2015 and 2019, as shown in Graph 2. The fastest-growing claims are vegan and those from the ethical group, supporting clean and sustainable beauty trends.

Graph 2. Poland: BPC innovation by fastest-growing claims, 2015-2019,
Source: Mintel GNPD



It can be seen that brands are putting sustainability – strongly linked to naturalness – at the forefront in order to respond to Polish consumers' demands around sustainable practices. Some strategies have been highlighted below using selected innovative product launches from the Polish market.

Raw materials closed in reusable, glass packaging

Mokosh

Mokosh brand embraces a Zero Waste philosophy. Based on carefully selected organic raw ingredients, its products are retailed in glass jars and bottles, and recycled paper.

Vegan products & biodegradable packaging

Resibo

All Resibo products are said to contain at least 95% natural ingredients, be 100% vegan, and to retail in 100% biodegradable packaging. Key values: self-acceptance and a holistic approach to beauty care. Brand's mission: "Deliver beauty given by nature".

Affordable sustainability – making "sustainable" approachable for everyone

YOPE

With its personal care and household products formulated with over 90% natural and minimally-processed ingredients, YOPE's mission is to provide customers with sustainable, affordable solutions every day.

Local provenance highlights mindful carbon emissions

In line with Mintel's 2018 BPC Trend Playing Mother Nature, which explains how the concept of natural beauty ingredients must expand in an ever-changing world, encompassing local approaches as well as technology developments, Polish brands are also strengthening the idea of local pride. The use of local ingredients will become more and more important and it will also be a way for brands to minimise their carbon footprint, and mitigate concerns around climate change. The use of local ingredients resonates well with Polish beauty consumers and provides resilience for brands. This strategy is being adopted by several brands, for example in launches by Oceanic and Ziaja.

Oceanic

Polka Z Natury Piekna by Oceanic uses local natural resources such as amber extract.

POLISH CONSUMERS ARE READY TO ADOPT SUSTAINABLE SYNTHETIC INGREDIENTS

Nature and science need to work hand in hand to help overcome the suspicion that many consumers still have around the true naturalness of ingredients. Natural origins in ingredients reassure consumers about sustainable innovation but the use of safe and sustainable lab-developed ingredients from natural origins will help promote this reassurance even further.

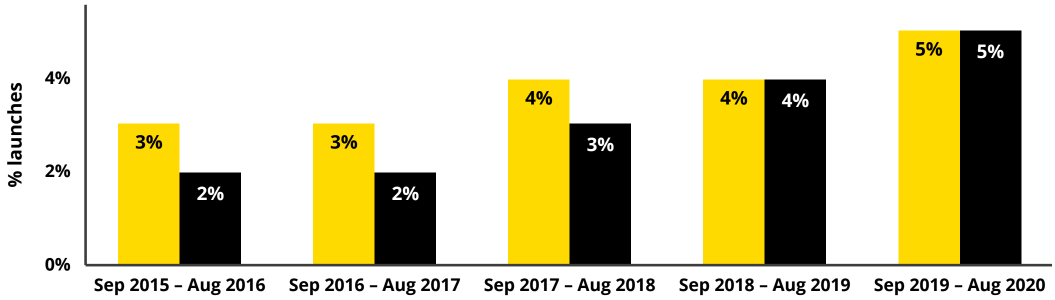
Ziaja

Ziaja's GdanSkin is themed around the coastal city of Gdansk.

The results of a global consumer study run in December 2019 indicate that Polish BPC users are relatively eager and ready to buy products containing scientifically modified natural ingredients. This is particularly strong among younger consumers aged 25–34 where almost 30% think this way, compared to only 16% in France. At the same time, 68% of Polish consumers trust products and ingredients created by scientists, compared to only 49% in Germany. These figures show the acceptance of and trust in science, as long as natural origins are also promoted.

We believe that sustainability initiatives must embrace science because lab-grown ingredients are the only true path forward. As lab-grown products continue to enter the market, consumer comfort with biotechnology is increasing – whether they realise it or not. Beauty brands need to leverage "engineered natural ingredients" to satisfy the consumer desire for safety. In Poland, we've observed a steady growth of biotechnological innovations over the last five years to reach the same percentage of bio-tech BPC product activity as at a global level.

Graph 3. Global and Poland: proportion of BPC launches featuring biotechnological products, per year, Sep 2015 – Aug 2020
Source: Mintel GNPD (Global; Poland)



An interesting example of a biotechnological beauty brand is Oio Lab that claims to be a "conscious synthesis" of nature, science and awareness. The products of Oio Lab are made with organic, cold-pressed oils and plant extracts and are available in glass bottles. They claim to deliver results that are clinically proven, so using science as a promise to convey the product's efficiency.

Oio Lab

EXPLORE NEXT-LEVEL HOLISM

Beauty has become part of the wellness halo, addressing both physical and mental aspects. Polish brands are responding to a demand for beauty that taps into immunity and emotional balance. How did a self-care approach to health become a key global focus and how are beauty brands in Poland addressing internal and external wellbeing?

Wellness, one of Mintel's Consumer Trends for 2030, has been proving popular in the BPC category in the last few years and it is becoming even more valuable during this time as people place greater importance on their wellbeing due to the COVID-19 pandemic. Amid COVID-19 fears, a continued focus on ingredients and products that help consumers relax and cope with stress and anxiety may prove to be the biggest success story.

WELLNESS BEAUTY BECOMES INSPIRED BY THE HEALTH CATEGORY

Polish consumers demand that beauty brands respond to their needs to improve physical health. According to one of Mintel's COVID-19 consumer surveys conducted in Europe (May 2020), 38% of Polish consumers are carrying out beauty and personal care activities more often as a result of the COVID-19 outbreak and they do so to improve their physical health. This highlights a strong link between beauty rituals and health.

As immunity becomes a focus for consumers in the post-COVID-19 world, Polish brands will further borrow ingredients from the healthcare and food supplement categories. For example, Perfecta and Eveline Cosmetics demonstrate that such inspiration can be taken from the health category.

Perfecta

Perfecta Fenomen CTH range is said to contain a unique combination of three concentrated forms of vitamin C: lipophilic, liposomal and hydrophilic C5300 and SVCT-1 transporters stimulating the transportation of vitamin C directly to the skin cells to intensively firm, rejuvenate and energize the skin.

Eveline Cosmetics

Eveline Cosmetics body balm contains prebiotics and probiotics and smoothing Matrixyl and hyaluronic acid to protect the skin's natural microbiome.

We see that tapping into positive connotations between beauty and mental wellness and emotional wellbeing has been accelerating with COVID-19. It is also worth noting that Polish women are on board with the health and wellness merits that beauty and personal care routines, treatments and products bring. Brands can turn these positive perceptions into tangible sales. To support this observation, we would like to highlight some interesting data points derived from another Mintel consumer survey (July 2020):

- 73% of Polish consumers agree that following a beauty or grooming routine (e.g. skincare, bathing) is a good way to reduce stress.
- 69% of Polish consumers agree that having a beauty treatment (e.g. facial, haircut) can make them feel happier.
- 37% of Polish consumers are doing certain BPC activities more often as a result of the COVID-19 outbreak in order to reduce stress.

Therefore, it is not surprising that Polish brands are also tapping into stress-relief and relaxation themes by offering the promise of emotional balance in a beautiful and inspirational style. There are many great examples to be found on the market. One of them is Phlov by Anna Lewandowska. The products are inspired by the relationship between skin condition and emotions (the psychodermatology), and are made with natural ingredients (i.e. adaptogens) to strengthen the skin's protective shield, while also cultivating wellbeing.

Phlov by Anna Lewandowska

Another great example is from Dr Irena Eris. The addition of a Maldives variant to its Spa Resort collection, containing amino acid-, mineral- and vitamin-rich Corallina sea algae, nourishing mango fruit wax and fresh aquatic

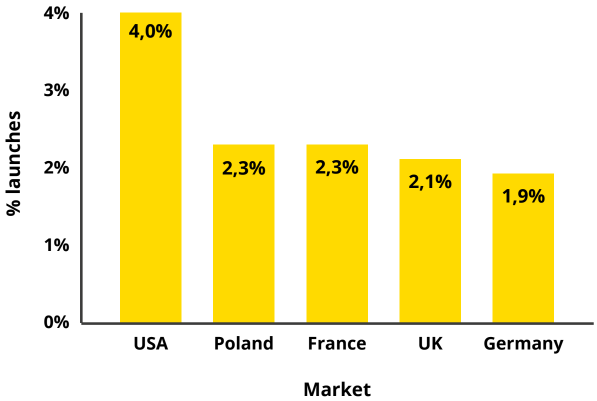
Dr Irena Eris

floral notes provides this pampering escapism element.

POLISH BRANDS ADOPT TRENDING CBD

When speaking about wellness and wellbeing in the beauty and personal care industry, we must not forget CBD. Consumers' anxiety levels have worsened with the chronic global outbreak of COVID-19. Brands are also using this opportunity to build on the influential wellbeing trend with CBD or hemp extracts (broad or full spectrum), touting cosmetic claims that it can "calm or soothe" the skin as well as fortify with antioxidants to help balance "stressed" skin. The percentage of new facial skincare launches with CBD oil between

Graph 4. Selected markets: percentage of facial care launches with Cannabis Sative (CBD) Oil, by market, Sept 2019 – Aug 2020
Source: Mintel GNPD



September 2019 and August 2020 was at a level of 2.3% of all BPC launches in this category in Poland.

To illustrate this trend, we have selected a few innovative product examples:

Nutka

Face Wash Gel with Clay formulated with cannabis extract and 100% natural white clay.

The Nutka Naturalnie Polska Konopie Polskie is described as a range of moisturizing and soothing products for skin with signs of fatigue and irritation.

Biotanique

CBD Micellar Water

The Biotanique CBD Oil Anti-Aging Therapy collection is described as a natural, multifunctional treatment that instantly improves the condition of the skin and visibly rejuvenates it thanks to organic hemp oil.

Bielenda

The Bielenda CBD Cannabidiol collection uses natural, organic and vegan ingredients, including hero hemp seed extract (Cannabis sativa L) and vitamin E to regenerate, calm, hydrate and soothe skin. It includes day/night oil, serum, cream etc.

LEVERAGING AROMATHERAPY TO OFFER MOOD BENEFITS

To conclude this section of the report, we shall also consider aromatherapy and alternative healing practices. Aromatherapy and healing properties have been expanding worldwide to connect mind and body with sensory appeal. Our data suggests that aromatherapy and healing properties in connection with mental wellbeing is something that appeals to Polish consumers. Almost a third of women who took part in a Mintel study in July 2019 showed interest in BPC products with aromatherapy or healing features, compared to only 15% in the UK. Polish brands are leveraging aromatherapy and food ingredients to offer mood benefits to personal care products. Here are three examples of brands tapping into the scent of products to offer comfort, liveliness and enjoyment:

Iossi

"Press the pump to release endorphins!"

Iossi Sweet Orange. Nourishing Body Lotion Coconut Extract Cocoa Butter. Made with sweet orange essential oil, the lotion is said to restore skin's firmness and bring a positive spirit evoking memories of juicy orange dipped in chocolate.

Oceanic

Super fruits for a perfect mood

AA Super Fruits & Herbs Bio Dynia & Jasmin Bubble Bath is said to feature a creamy texture and appetizing succulent fragrance said to wrap the body to provide relaxation and a perfect mood. Made with hero pumpkin and jasmine.

Mawawo

Energy shot with foodie ingredients

Intensive Sugar Body Scrub Watermelon & Cucumber. Mawawo handmade body peelings collection is made with food-inspired, 98.8% natural ingredients, and includes five variants, the scents of which make them "pleasant to use".

There is also the development of alternative healing practices such as crystal or quartz beauty tools (e.g. face massage tools), skin steaming products, and other natural products for ritual skin and mental health. This trend is gaining momentum globally, and we also see this expanding in the Polish BPC market. Worth noting are products offered by Easy Livin' that promote wellbeing, relaxation, self-love, meditation or soothing.

Easy Livin'

The Gua Sha face massage tool is made with rose quartz, known as "love stone"; the tool is claimed to relieve tension, stress and anxiety, increase self-love, and promote wellbeing.

DIVINE oil serum perfect for ritual, facial massage

Designed by beauticians specializing in face massage, this vegan oil is said to feature antiseptic properties, and to soothe, calm, refresh and restore skin radiance.

CRYSTAL CLOUD glow skin stream

Described as a magic blend of flowers and herbs, perfect for beauty ritual combined with meditation, this handmade steam comes with a mountain crystal particularly useful for stimulating the Crown Chakra.

MAKE EVERYDAY BEAUTY EXTRAORDINARY

While efficiency drives purchases in the personal care category, experience-hungry Polish consumers demand novelty and excitement in functional products that need to be tailored to their needs. Polish brands are adding value to basics to brighten consumers' daily routines. How are beauty brands moving beyond the functional advantages to add the emotional benefits to a purchase?

As analysed in Mintel Consumer Trend 2030 Value, consumers will distance themselves from fast-paced lifestyles and excess consumption and move towards slower, minimal consumerism that emphasizes durability, protection, and functionality. Value is a key driver for beauty consumers for the next 10 years, and Polish consumers are certainly responding to this trend.

We see that 75% of Polish beauty consumers agree that the number of beauty and grooming products available can be overwhelming (December 2019). This data suggests that they expect brands to provide them with a good reason to buy. Polish consumers demand streamlined beauty offers that are tailored to their needs, easy to navigate and benefit from good quality at an affordable price. Brands need to re-focus on quality basics to cut through the noise.

Taking a look at some innovation strategies, we see that Polish brands have embraced the trend Back to Basics, explored by Mintel already in 2017, using simplicity to achieve outstanding efficiency, practicality and quality. A minimalistic approach, non-complex ingredients and claims, as well as communication of benefits in a readable and straightforward way, are some effective strategies that make consumers' choices easier. For example, Ministerstwo Dobrego Mydła develops products with minimalistic ingredient lists to put this straightforwardness at the forefront. Its product illustrated below uses only two ingredients, such as a rosemary and radish roots ferment. An interesting approach to simplicity can also be seen in products launched by Hagi Cosmetics. Its protective body pomade in a stick format (below right) is an all-purpose product which is easy to use in a versatile way.

Ministerstwo Dobrego Mydła

Ministerstwo Dobrego Mydła Rosemary Hydrosol

Suitable for normal and sensitive skin, this product provides anti-inflammatory properties, and can also be used as part of a haircare routine to alleviate scalp problems.

Hagi Cosmetics

Hagi Cosmetics Protective Body Pomade with Sea Buckthorn Oil

Made with butters and oils, it is said to moisturize and soften the skin, and can be used both in the winter and after sunbathing. Perfect for dry hands, feet, knees and elbows.

The fact that we are looking at minimalism and value does not mean that Polish consumers do not want something extraordinary when they are consuming their personal care and beauty products. It is of great importance to inject novelty and new experiences into everyday beauty, and looking at our 2020 consumer data from Poland, we see that 42% of consumers have tried a new BPC product they hadn't tried before in 2019. This suggests that Polish consumers appreciate brands that think out of the box and offer excitement in beauty routines.

Bringing exciting and multi-sensory qualities to personal care is what Polish brands have already been doing. Again, looking at interesting product launches, we would like to highlight the products of fridge by yDe that need to be kept in the fridge for freshness. With its range of shower balms made with superfoods, the brand Fluff taps into the Mintel's 2025 Gastronomia Trend. This trend originates back in 2016, and explores the relationship between beauty consumers and food-related ingredients and formats. Miodowa Mydlarnia, however, has developed powdered alternatives for soaps, gels and lotions bringing novelty, surprising and playful formats and new experiences, as well as tapping into skin sensitivity.

Fridge by yDe

100% fresh

1.8 Orange Peeling with green tea extract to improve microcirculation and orange essential oil. Fridge by yDe offers a range of 100% natural skincare products, free from preservatives, so they “need to be kept in the fridge for freshness”.

Fluff

Superfoods for relaxation

Shower Balm Banana & Almond The balms provide regenerating, moisturizing and smoothing properties along with a relaxing scent.

Miodowa Mydlarnia

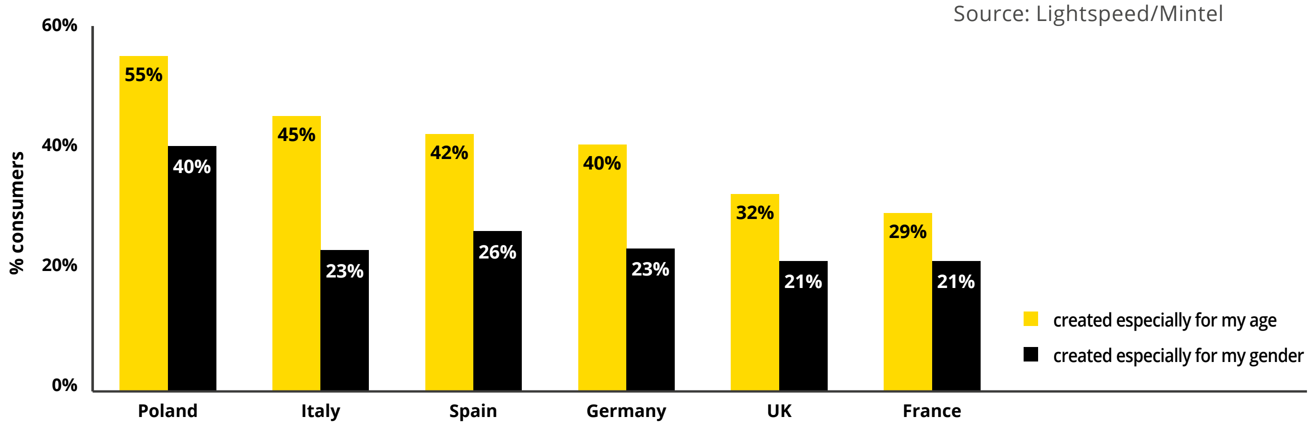
Powder alternative for soaps/gels/lotions

Miodowa Mydlarnia Good Morning Face Washing Powder with Honey has been specially designed for those who don’t like/cannot (due to potential irritations) use cleansing soaps, gels or lotions. It features a delicate mint scent.

We think that another good way of delivering value in everyday BPC products is responding to the demands of Polish consumers for products tailored to them. However, this does not necessarily mean “made to measure” or “ultra-personalised” as these are not common in the mass BPC products. Polish consumers are in demand of products that are specific to their demographics. Across several European markets that we surveyed in Europe in July 2019, we saw that Poland shows the highest interest in products that are targeted specifically for age (55%), as well as gender (40%).

Graph 5. Selected markets: Attitudes/behaviours towards beauty and personal care products, per selected market, in %, July 2019

Internet users aged 16+ (France; Germany; Italy; Poland; Spain: 1,000); Source: Lightspeed/Mintel



Our research indicates that brands should not underestimate the buying power of older women who seek age-specific formulas for their skin's changing needs. Perfecta with its Botulux age-specific variants is adopting an interesting strategy by micro-targeting of those aged 30+, 40+, 50+, 60+ and 70+. Farmona with its RADICAL Age Architect range targets the skincare needs of consumers aged 75+ which is extremely age-specific.

DAX Cosmetics

Age-specific variants

Dax's Perfecta Botulux Ceramidy anti-wrinkle range uses bee peptide, ceramides and manuka honey to relax expressive facial zones, deeply nourish skin and stimulate skin regeneration.

Farmona

Day cream for 75+

Farmona Radical Age Architect Hydro-Lifting Cream with Anti-Pollution Formula SPF 15 75+. Formulated with CoQ10, 3% hyaluronic acid and vitamin C, the cream is claimed to create a multi-active barrier against air pollution and UV light.

Finally, let's focus on the rapidly accelerating men's grooming segment where we see high activity of creative men's BPC innovations focused on hygienic, self-care clean and face-mask-friendly themes.

For example, ZEW for Men offers a line of cosmetics for men who "feel a strong affinity with nature". Its 3 in 1 soap for face, body and hair is made with charcoal from the Bieszczady mountains which also taps into the provenance trend described earlier in the report. Its products are described as travel-friendly, natural and sustainably produced. Tołpa is offering extra value to male consumers by delivering a convenient on-the-go format. The product featured below is designed for beard care and maintenance. It is cleansing tissue sheets for short and long beards, and the range Tołpa: Dermo Men, Barber collection includes toner, cleansing gel, balm and oil, all made with tołpa.® peat and active plant ingredients. The last example pictured below comes from Pat & Rub by Kinga Rusin brand. The products are made with 100% natural ingredients, including the Rose of Jericho, rich in hydrating trehalose, and Tasmanian pepper extract for sensitive skin.

ZEW for Men

Tołpa

Pat & Rub by Kinga Rusin

Beauty and personal care trends in the Polish market corresponding with global beauty trends – 4 key take-away points:

1. **Bring science to nature for more sustainability**
   Address consumers' interest in respect of nature and the environment with lab-developed ingredients of natural origin, to ensure safety, ethics and sustainability.

2. **Reassure with health-inspired claims**
   With consumers' increasing focus on immunity, leverage ingredients from the health and VMS department to promote wellness.

3. **Support consumers' mental wellbeing**
   Bring aromatherapy to the forefront to help consumers relax and pamper themselves during stressful times.

4. **Bring excitement into functional products**
   Add value to BPC products by responding to the need for streamlined routines, exciting everyday routines, and products tailored to their own demographics.

THE POLISH UNION OF THE COSMETICS INDUSTRY

The Polish Union of the Cosmetics Industry, as the only organisation in Poland, represents and supports the strategic goals of entrepreneurs exclusively in the cosmetics industry. For over 18 years it has been an active voice of the sector in the process of law making. It effectively cooperates with institutions of Polish and European administration on a daily basis, and together with member companies it develops and implements solutions that lead to the development of the Polish cosmetics market, which is now fifth in the European Union.

The Union belongs to Cosmetics Europe – the European trade organisation and Confederation Lewiatan – the most influential organisation of employers in Poland. It is also involved in activities building the position of the sector abroad and helps promote the export of Polish cosmetics, builds a network of partnerships and, together with partners, removes barriers in international trade. The organisation also acts as a platform for the exchange of experiences - educates and trains companies, improving the quality of the entire sector. For 13 years, it has also been conducting the social project Beautiful Life Foundation.

The Union brings together nearly 200 companies, including cosmetics producers and distributors, laboratories, consulting companies and teaching centres, as well as their branch partners – suppliers of packaging and raw materials. It unites and works for startups, small family businesses as well as large international corporations and the largest Polish cosmetics companies, which work together effectively in an atmosphere of mutual respect and trust, while maintaining all competition rules.

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