The Polish Union
of the Cosmetics Industry

COSMETIC POLAND

Report on the State of the Polish Cosmetics Industry 2025

PARTNER & PERFORMER: WISEEUROPA – WARSAW INSTITUTE FOR ECONOMIC AND EUROPEAN STUDIES

WiseEuropa

Polski Związek Przemysłu Kosmetycznego

WiseEuropa

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Contact the Union's office: biuro@kosmetyczni.pl

The Polish Union of the Cosmetics Industry

ul. Widok 16 lok. 5

00-023 Warsaw

www.kosmetyczni.pl

Editorial team of the Polish Union of the Cosmetics Industry:
Justyna Żerańska, DEng; Ewa Starzyk, DEng; Aleksandra Lau-Wyzińska

WiseEuropa editorial team:
Krzysztof Bocian; Maciej Bukowski, PhD

Collaboration: Małgorzata Majewska, Karolina Szyller

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Introduction

Dear Readers,

the cosmetics industry – as one of the sectors that has shown consistent growth in recent years despite numerous turbulences – is of great interest to the public. This was proven, among other things, by the popularity of last year's "Cosmetic Poland" report. It reinforced our belief that, without hard data at our disposal, it is difficult to realistically assess the situation and prospects for the industry. It is also difficult to discuss or negotiate concrete support with representatives of the government – and in an era of such significant global competition, this support is crucial for the Polish sector to continue to grow rapidly. That is why we decided – again, together with analysts from the think tank WiseEuropa – to compile an update of the report.

However, this is not the same publication with recalculated data for 2024. We have added a large and important chapter to this year's edition. The Polish Union of the Cosmetics Industry, as the sector's leader in Poland, invited companies to participate in the first industry innovation survey. Today, the ability to implement innovations is fundamental to the ability to compete in the domestic market and beyond. Our goal is to support companies in Poland in obtaining funds to increase competitiveness. As an organization, we want and even are compelled to know what *the status quo* is, what is working well, and which areas need special institutional or financial support. This is also the first time we have faced an industry definition of innovation – we want to speak the same language, with one voice, in order to be more effective in soliciting industry interests. The survey result analysis is the core of the new chapter of the report devoted to this very topic.

Do our companies actually allocate adequate resources into innovation? How do we rank among European countries? Will the new Multiannual Financial Framework really give a boost to the European economy to compete in global markets and increase the competitiveness of industry from the Old Continent? We hope you will find answers to these questions in our report.

Paweł Chrościcki
President
The Polish Union of the Cosmetics Industry

Justyna Żerańska
General Director
The Polish Union of the Cosmetics Industry

Methodology

This report applies only to cosmetic products according to their legal definition in Article 2 of Cosmetic Regulation 1223/2009/EC:

Cosmetic product means any substance or mixture intended to be placed in contact with the external parts of the human body (epidermis, hair system, nails, lips and external genital organs) or with the teeth and the mucous membranes of the oral cavity with a view exclusively or mainly to cleaning them, perfuming them, changing their appearance, protecting them, keeping them in good condition or correcting body odours.

Sector classification is based on the PKD classification (Polish Classification of Activities), which is identical to the European NACE classification (Statistical Classification of Economic Activities in the European Community).

Value chain considers three stages of the process: manufacture, distribution, and sales. Therefore, three types of PKD activities were analysed (C20.42; G.46.45; G47.75). An identical classification for the value chain is adopted by Cosmetics Europe (a leading organization in the European cosmetics market for manufacturers, distributors and associations that are their national counterparts). The third stage of the value chain is sales, with specialized stores being one of its components. As Cosmetics Europe notes – the effects of this segment of the value chain are probably underestimated, but it is still the best possible classification to analyse the value chain on a statistical basis.

Manufacture	C20.42	Manufacture of cosmetic and toiletry products
Distribution	G46.45	Wholesale of perfumes and cosmetics
Sales	G47.75	Retail sale of cosmetics and toiletries in specialized stores

Manufacture. The starting point of the analysis is the value chain. In the next steps, the analysis focuses on cosmetics manufacturers whose activity falls under PKD C20.42, and the most important data in the report are presented based on this classification.

Section	C	Industrial processing
Department	20	Manufacture of chemicals and chemical products
Class	20.42	Manufacture of cosmetic and toiletry products

This class includes the manufacture of cosmetic and toiletry products, such as:

- perfumes and toilet waters;
- beauty and make-up products;
- sunburn protection products and tanning products;
- manicure and pedicure preparations;
- shampoos, hair lacquers, preparations for permanent waving or straightening of hair
- dentifrices and oral hygiene products, including denture products;
- shaving products, including those used before and after shaving;
- deodorants;
- bath salts;
- depilatories;
- cosmetic soap.

This class does not include the manufacture and refining of natural essential oils, classified under 20.53.Z.

Products of sector C20.42 / Segments. The goods made by the cosmetics manufacturing sector of PKD 20.42 are reflected based on the PRODCOM classification (French: PRODuction COMmunautaire, English: Community Production). It provides statistics on the manufacture of industrial products by companies in EU countries. These statistics are part of European business statistics and provide information on the detailed product categories that a sector under a given PKD produces. Cosmetics manufacturers in the PKD C20.42 sector make products classified in PRODCOM under an 8-digit code as 2042XXXX.

PRCCODE	Name
20421150	Perfumes
20421170	Toilet waters
20421250	Lip make-up preparations
20421270	Eye make-up preparations
20421300	Manicure or pedicure preparations
20421400	Powders, whether or not compressed, for cosmetic use (including talcum powder)
20421500	Other beauty, make-up or skin care preparations (excluding medicaments, lip and eye make-up, manicure and pedicure preparations, powders for cosmetic use and talcum powder)
20421630	Shampoos
20421650	Preparations for permanent waving or straightening of hair
20421670	Hair lacquers
20421700	Hair preparations (excluding shampoos, permanent waving and hair straightening preparations, lacquers)
20421850	Dentifrices (including toothpaste, denture cleaners)
20421890	Preparations for oral or dental hygiene (including denture fixative pastes; powders and tablets, mouth washes and oral perfumes, dental floss) (excluding dentifrices)
20421915	Soap and organic surface-active products in bars, etc., for toilet use
20421930	Organic surface-active products and preparations for washing the skin, whether or not containing soap, p.r.s.
20421945	Pre-shave, shaving and after-shave preparations (excluding shaving soap in blocks)
20421960	Personal deodorants and anti-perspirants
20421975	Perfumed bath salts and other bath preparations
20421990	Depilatories and other perfumery, cosmetic or toilet preparations, n.e.c.

Exports and imports. Foreign trade data are presented based on the Combined Nomenclature (CN). This is the European classification of goods used in foreign trade statistics. It is a fundamental element of the EU Common Customs Tariff. It is an expansion of the Harmonized System (HS) of classification developed by the World Customs Organization.

Important: in numerous reports on the cosmetics industry, the code CN33 (ESSENTIAL OILS AND RESINOIDS; PERFUMERY, COSMETIC OR TOILET PREPARATIONS) was presented for trade and commodity flow analysis. For the purposes of the Polish Union of the Cosmetics Industry, the product basket was amended to present the trade in all cosmetics according to their legal definition in the most precise way possible. For this purpose, codes CN3301 (essential oils) and CN3302 (mixtures of odoriferous substances) were removed from CN33, while code CN3401 (cosmetic soaps) from CN34 was added. This classification allows the comparison of cosmetics trade flows in the most precise way possible, taking into account its segments.

CN Code	Name
CN3303	Perfumes and toilet waters
CN3304	Skin care preparations, manicure or pedicure preparations
CN3305	Preparations for use on hair

CN3306	Preparations for oral or dental hygiene
CN3307	Shaving preparations, deodorants, bath and shower preparations
CN3401	Cosmetic soaps

Time range. Due to the availability of data, two time horizons are presented: the longer (2004-2024) and the shorter (2013-2024). In the long term, key categories such as production, market value, exports and imports are presented to highlight the long-term trends of these indicators. Analysis of these data allows a better understanding of how the sector has evolved over two decades, what changes have occurred within international markets in trade (structure and volume), and how production dynamics have evolved. In the shorter term, the focus is placed on more specific aspects of the sector's operations, such as value of output sold, employment, net profit and profitability. This time frame of analysis allows for a closer examination of the trends of the past decade and the current challenges that the sector is facing. In the absence of available data for a given period, the closest available data were used to provide the most complete picture possible.

Data sources:
Cosmetics Europe
Eurostat
Statistics Poland (GUS)
IMF (International Monetary Fund)
Euromonitor International
ITC (International Trade Centre)
PONT Info. ECONOMY

Overview. Cosmetics industry 2024/2025

Polish Cosmetics Market – Europe's leader of growth in 2024

In 2024, the Polish cosmetics market recorded the highest growth dynamics in the entire European Union – 16.8% year-on-year. This is a result that allowed Poland to overtake both fast-growing markets such as Bulgaria (10.2%) or Hungary (9.8%) and the largest and most mature markets – Germany (6.9%), France (4.0%), Italy (6.9%) or Spain (7.7%). The average for the EU as a whole was 8.5%, meaning that Poland almost doubled the European growth rate. According to Cosmetics Europe, Poland is now the fastest-growing cosmetics market across the continent. The domestic industry is successfully narrowing the gap with the largest players and is increasingly asserting its role in the European value chain.

Today, Poland is the fifth largest cosmetics market in the EU, with a share of 6.6% (vs. 6.2% in 2023). Since accession to the European Union, the value of the Polish cosmetics market has almost tripled. In the last decade alone, the Polish market grew by 98%, while the entire EU market grew by 45%. What lies behind this success? Key factors include rising consumer spending, improving purchasing power, increasingly strong domestic demand and record-breaking exports.

Foreign trade – record-breaking exports and growing diversification

In 2024, the value of Polish cosmetics exports reached a record level of EUR 6.0 bn, with a positive trade balance of EUR 2.3 bn (against EUR 5.7 bn in exports and EUR 2.4 bn in surplus in 2023). Poland maintains its position as the ninth largest exporter of cosmetics in the world and the fifth in the European Union. In 2024, Poland's share of global exports rose to 4.0% (from 3.8% in 2023), while Poland's share of EU exports remained at 8.0%. In 2024, cosmetics exports grew by 5.5% year-on-year, while all of Poland's merchandise exports grew by only 1.2%.

Particularly strong is the segment of daily products. Against the background of the entire European Union, Poland is:

- **Second** largest exporter of oral and dental hygiene products (16.4% share of EU exports);
- **Third** largest exporter of toilet soap (14.7%);
- **Fourth** largest exporter of skin care, manicure and pedicure cosmetics (8.3%);
- **Fourth** largest exporter of shaving products, deodorants, shower gels (11.4%);
- **Seventh** largest exporter of hair care products (7.3%);
- **Seventh** largest exporter of perfumes and toilet waters (3.4%).

The Polish cosmetics industry maintains a high concentration of exports to the EU market – as much as 67% of Polish cosmetics go to EU countries, and Germany remains the largest trading partner (22.2%). The export structure is dominated by:

- CN3304 Skin care preparations, manicure or pedicure preparations (42%);
- CN3401 Cosmetic soaps (14%);
- CN3307 Shaving preparations, deodorants, bath and shower preparations (13%);
- CN3303 Perfumes and toilet waters (11%);
- CN3305 Preparations for use on hair (11%);
- CN3306 Preparations for oral or dental hygiene (9%).

Compared with the European Union and the world, Poland shows specializations and advantages in the exports of cosmetic soap (14% as a share of exports vs. 10% globally and 8% in the EU), shaving preparations, deodorants, bath and shower preparations (13% as a share of exports vs. 10% globally and 9% in the EU), as well as in the exports of preparations for oral or dental hygiene (9% as a share of exports vs. 4% globally and 4% in the EU). In 2024, cosmetics accounted for 1.7% of Poland's total exports (compared with 1.6% in 2023), which is higher than the global average (0.7%) and the European Union average (1.2%).

Increased protectionist tendencies in global trade, as a result of higher tariffs especially between the US and the EU, may prove to be a factor undermining the dynamic growth rate of global cosmetics trade. The EU is a major exporter of, among other things, chemicals (including cosmetics) and pharmaceuticals to the United States, which could negatively affect the community's trade performance with the United States. However, most of the EU's cosmetics trade happens within the Community (intra-EU trade), as is the case with Poland, which exports 67% of its cosmetics to EU countries and imports as much as 86%. Cost competitiveness is important for Poland: the relatively weak Polish zloty (PLN) and lower labour and material costs Favor expansion in foreign markets.

Profitability – cosmetics with margins twice as high as industry

For many years. the cosmetics industry has stood out for its above-average profitability – in 2013-2024, the average net margin reached 8.1%, nearly twice as high as in the manufacturing sector as a whole (4.5%). A key source of this advantage is strong proprietary brands, which, in the case of the largest manufacturers, span the entire supply chain – from manufacturing to distribution to retail. Such a model effectively controls final prices and maximizes margins. In addition, the cosmetics sector is characterised by high entry barriers, which is conducive to maintaining higher profitability. High exposure to exports and favourable exchange rates also plays an important role.

In 2023, the industry achieved a record net profit of PLN 1.7 billion, due to effective pricing and the delayed effects of inflation. The year 2024 brought a return to average levels of profitability, with net profit falling to PLN 806 million, mainly due to lower inflation and limited scope for further price increases. Despite the normalization of margins, the sector maintains a solid financial base, low debt and a healthy foundation for further investment. An additional advantage of the industry is its low energy intensity of production (only 1.4% of energy expenses), which allowed it to effectively cushion the impact of the energy crisis in recent years. Cost resilience combined with strong brands and stable demand means that the cosmetics sector remains one of the more profitable areas of Poland’s processing industry.

Thousands of jobs and potential for more investment

As of 2024, there are 1,320 registered cosmetics companies, of which as many as 91% are micro-enterprises (1-9 employees). The sector directly employs nearly 20,000 employees, making it one of the largest among the EU cosmetics industry – accounting for 9.7% of total cosmetics employment in the EU.

Poland's cosmetics sector is largely based on domestic capital: 74% of the companies are those with a predominance of Polish capital, generating 45% of the revenue and 65% of the net profit of the entire industry. Cosmetics companies are distinguished by their low debt levels and strong ability to self-finance growth, but there is potential for increased investment in the sector. Between 2013 and 2024, the industry invested PLN 4.0 billion in fixed assets, the equivalent of 0.53% of all investment in the manufacturing industry during the period. For every PLN 100 of net profit generated, the sector spent about PLN 29 on investments, while the ratio for the entire manufacturing industry is about PLN 48 per PLN 100 of profit. The cosmetics manufacturing sector's share of revenue, employment or value added reaches about 1% of the manufacturing industry. This shows that the industry has a solid base and room for increased investment, which can strengthen its competitive position in the coming years.

Products – the dominance of care cosmetics

Skin care cosmetics are the most popular in Poland, with creams, lotions and similar products accounting for 45.9% of total sales (vs. 46.9% y/y), which is clearly above the EU average (34.4%). The second largest category is shampoos, which account for 11.3% of cosmetics sales (up from 9.1% year-on-year). Toilet waters rank third, with a share of 10.2% (compared to 8.8% a year earlier). Sales of toilet soaps and skin cleansing products also increased, from 7.7% to 8.4%. Hair care cosmetics (conditioners, lacquers, pastes) now account for 8.1% of the market, compared to 6.1% a year earlier. Together, these five major categories account for 84.0% of all cosmetics sales in Poland, an increase in concentration compared to 78.7% last year. The rest of the segments have smaller shares, but remain an important part of consumers' daily purchases.

It is worth noting the strongly developed market in Poland and the CEE region for cosmetic services related to manicures and pedicures. Products used for nail treatments and styling account for 4.7% of cosmetics sold – down from 5.4% last year, but still significantly higher than the EU average of just 1.6%. The segment itself has been growing rapidly for a decade within the beauty services market in Poland.

Economic environment

After a period of numerous crises – pandemics, geopolitical turmoil and energy shocks – Poland's economy is entering a phase of gradual recovery. The country is currently following a well-defined and relatively stable course: toward lower inflation, higher economic growth, mitigation of structural weaknesses and better use of strategic development opportunities. After GDP growth of 0.1% in 2023 and 2.9% in 2024, the growth rate of the Polish economy should accelerate in 2025 to around 3.2-3.6% (depending on the scenario and forecasts). A key driver of growth will be consumption and investment, including those financed by EU funds – both from the new financial perspective 2021-2027 and the National Reconstruction Plan – which will significantly increase the country's investment potential. In the following years (2025-2027), GDP growth should be supported (to a limited extent) by external demand, including through strong fiscal stimulation in European countries to support the recovery in the Eurozone and improve the continuing stagnation in the German economy. After a more pronounced rebound in 2025, the

growth rate of the Polish economy should remain at around 3% per year in 2026-2027, and will require further measures to strengthen the foundations of the Polish economy's competitiveness and innovation.

What awaits us? Challenges and opportunities for the cosmetics sector

Today, the cosmetics industry is one of the engines of the Polish light industry – dynamically increasing production, sales, exports and strengthening its position as a strong player in the EU. Companies are effectively taking advantage of the favourable environment: the growing purchasing power of Poles, greater spending on current goods, including cosmetics, and expansion into foreign markets. Key to maintaining growth in the coming years will be investment in innovations, development of our own strong brands, and further diversification of exports outside the European Union. Strong fundamentals and record results prove that Poland has the potential to remain a growth leader in Central and Eastern Europe.

The most important challenges are the possible appreciation of the Polish zloty, rising labour and material costs, and relatively low investment in research and development, on which Poland spends less (1.56% of GDP) compared to the EU average (2.24%). Cost advantages may diminish over time, so innovations – product and process – will play an increasingly important role. For foreign trade, exchange rates are crucial – especially the EUR/PLN relationship. Poland sends as much as 67% of its exports to EU countries, so a stronger Polish zloty may reduce the price competitiveness of Polish cosmetics on foreign markets. Since 2022, the Polish zloty has strengthened against the euro by 9.7%, with the average EUR/PLN rate falling from 4.6876 in 2022 to 4.2313 in the first half of 2025. The impact of currency appreciation is partially offset by a decline in the cost of importing raw materials and production components (supply imports), which stabilizes financial results, but the nominal value of exports in euros may grow more slowly than before in the context of the Polish zloty's appreciation.

In the longer term, the trends for the cosmetics industry are positive – by 2030, the average spending of Poles on cosmetics is expected to increase by 28%, approaching the EU average (from the current 81% to 89%). E-commerce is also playing an increasingly important role – with the share of online sales rising from 9.2% in 2018 to 17.3% in 2024 and set to grow further, changing the market structure and channels for reaching consumers.

1. Poland on the European cosmetics market

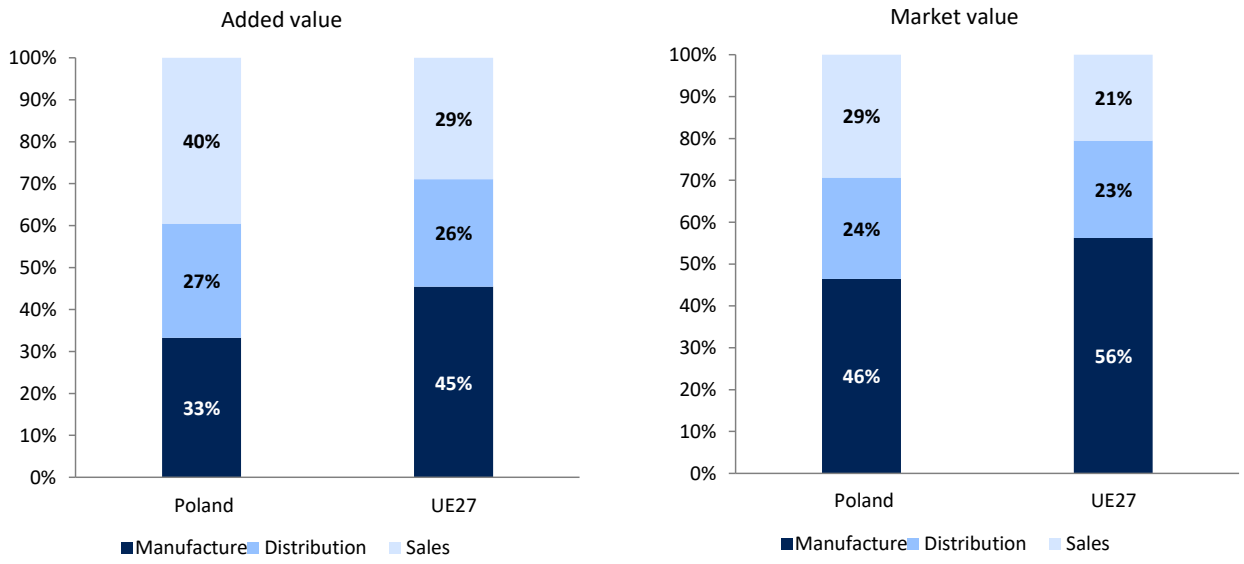
1.1. Value chain

☑ *The Polish cosmetics industry accounts for 5.5% of the gross value added of the European cosmetics market – this is the contribution Polish producers, distributors and sellers make to the value added of the cosmetics market in the European Union.*

☑ *The shares of the Polish cosmetics industry in the EU in terms of value added in production chains (3.9%), sales (7.6%), and the entire value chain (5.5%) remained unchanged year-on-year. Share in the distribution channel increased – 6.0% compared to 5.8% a year earlier. The total value added that the Polish cosmetics industry generated rose from EUR 2.0 billion to EUR 2.3 billion.*

The cosmetics industry consists of three main links – production, distribution and sales, which together form an integrated value chain. These different stages of activity are differentiated in terms of structure in their share of value added and market value, and the main differences are due to the inclusion of finished goods and work in progress (cf. Glossary). In Poland, the sector's direct production accounts for 33% of value added and 44% of market value. For the EU market as a whole, it is 45% and 56%, respectively. The production stage is fundamental, as this is when cosmetic products are manufactured and passed on to downstream channels. Production gives impetus and translates into wholesale and retail distribution channels (indirect effects). In the value chain, these two downstream links account for 27% and 40%, respectively, in Poland, and 24% and 29%, respectively, in market value. The production of cosmetics in the EU27 generates more value added, partially due to the larger scale of production, technological differences and resource management that contribute to generating more value added.

Chart 1. GROSS VALUE ADDED AND MARKET VALUE IN THE COSMETICS VALUE CHAIN IN POLAND AND THE EU27 (2022)*

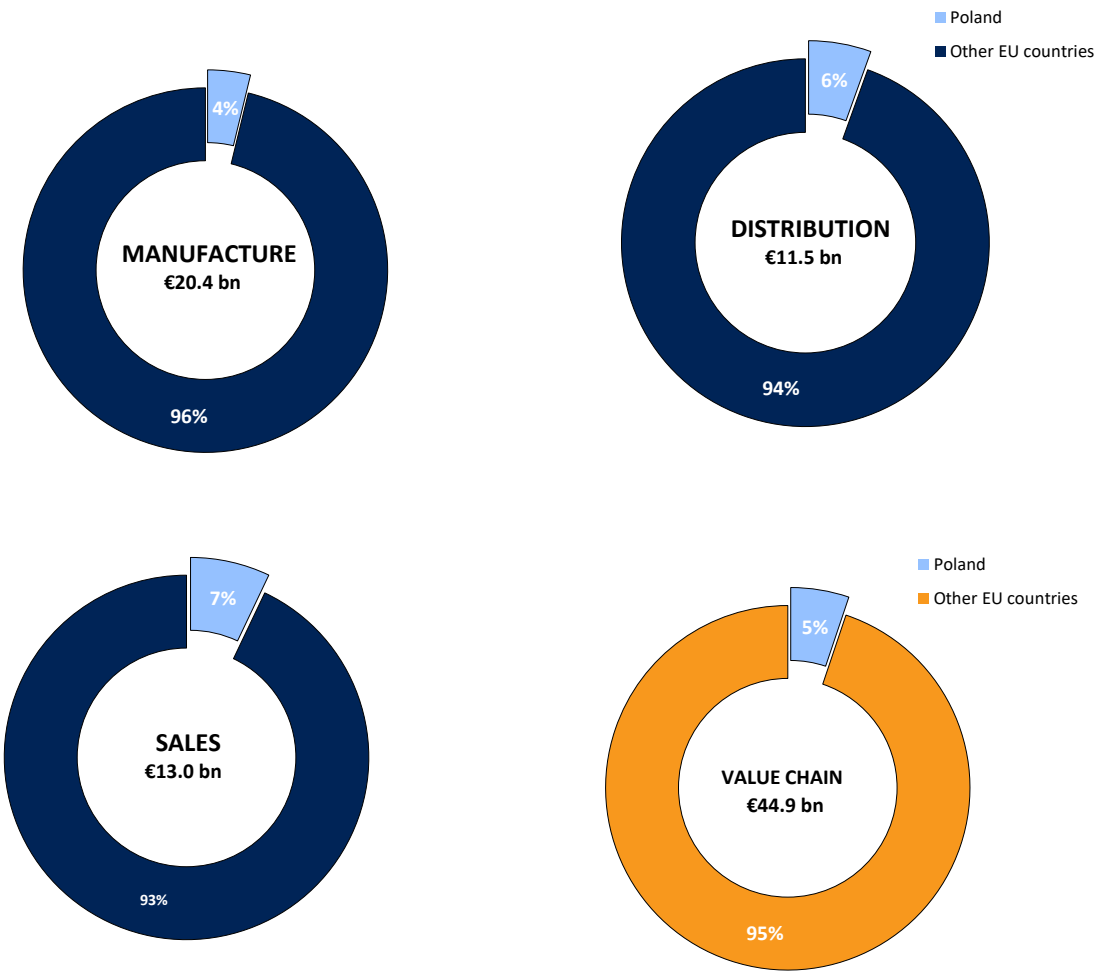


*The latest available data from the Eurostat database (Structural business statistic) for 2022. Structural changes in the short term are small, usually occurring over decades, so the data for 2022 can be considered representative and stable.

Source: Wise Europe's own analysis based on Eurostat data

The Polish cosmetics market continues to strengthen its position and has recorded better results for another year. In 2022, the cosmetics industry generated EUR 773 million in value added directly (4% in the EU27), and EUR 633 million (6%) indirectly in the distribution channel and EUR 919 million (7%) in the sales channel. Throughout the chain, the value added amounted to EUR 2.32 billion (5% of the EU market share).

Chart 2. VALUE ADDED OF THE EUROPEAN COSMETICS MARKET IN THE VALUE CHAIN (EUR BILLION, 2022)



Source: Wise Europe's own analysis based on Eurostat data

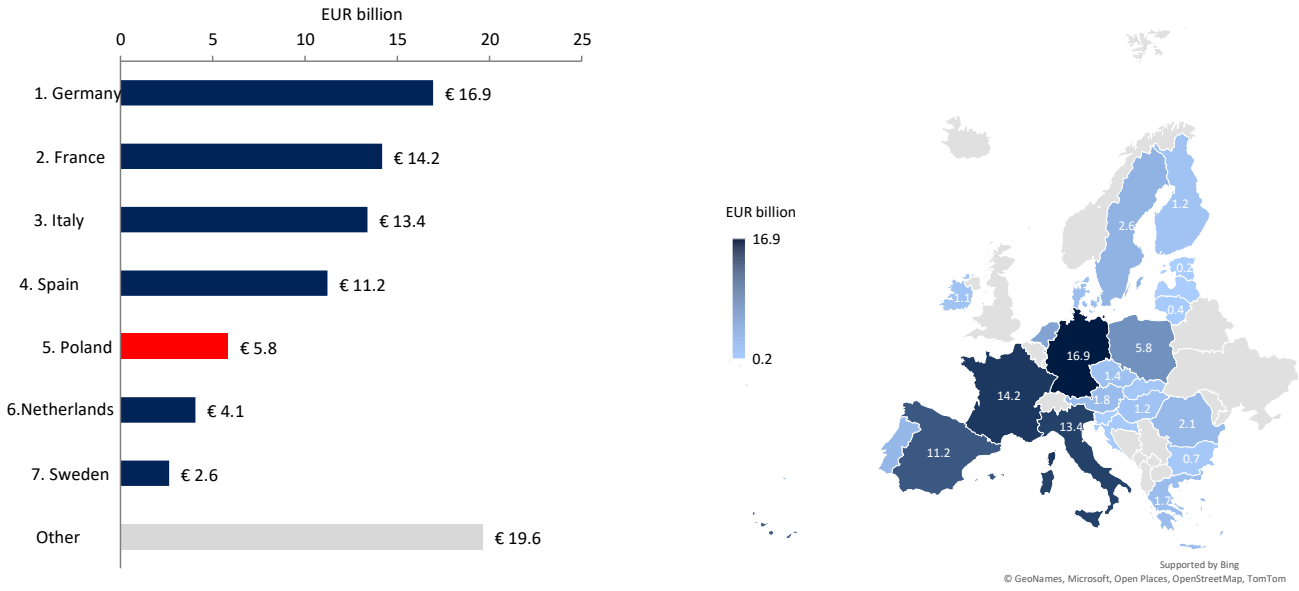
1.2. Major players

- ☑ *Poland is the fifth largest market for cosmetics in the European Union. Its share of the EU market in 2024 was 6.6%.*
- ☑ *Since 2014, the Polish cosmetics market has grown by 98.0% – far more than the entire EU27 market (45.4%). This was the fourth largest increase in the European Union.*
- ☑ *In 2024, Poland had the highest growth rate in the cosmetics market (16.8%) in the entire European Union, ahead of Bulgaria (10.2%) and Hungary (9.8%), while the overall EU market grew by 8.5%.*
- ☑ *Poland's cosmetics industry continues to chase Europe's leaders at a faster pace than they are growing – in line with the convergence trend.*

"The value of the cosmetics market in Europe*[1] in 2024 was EUR 104 billion (EUR 88 billion in the EU27)."[2] Europe, along with the United States (EUR 107 billion), continue to be the world's largest cosmetics markets. China ranks third (EUR 65 billion), followed by Brazil (EUR 27 billion), Japan (EUR 25 billion), India (EUR 15 billion) and South Korea (EUR 12 billion).

The largest players in the European Union are Germany, maintaining its position as the leader of the cosmetics market in terms of value (EUR 16.9 billion), France (EUR 14.2 billion), Italy (EUR 13.4 billion), and Spain (EUR 11.2 billion). **Poland is the fifth largest market for cosmetics in the EU (EUR 5.8 billion).** The United Kingdom (EUR 12.2 billion), although no longer a part of the European Union, continues to hold an important position.

Chart 3. VALUE OF THE LARGEST COSMETICS MARKETS IN THE EU27 IN 2024



Source: own compilation by Wise Europe based on data from Cosmetics Europe

[1] EU27+UK+Norway+Switzerland
[2] Cosmetics Europe, Market Performance 2024

Over the period 2014-2024, the cosmetics market in the European Union grew by 45.4%. Poland is among the leaders in this growth. **During this period, the Polish market grew by as much as 98.0%, the fourth best in the European Union** – behind Lithuania (109.4%), Bulgaria (111.4%) and Greece (112.4%), but these countries' share of the EU cosmetics market is much smaller – 0.5%, 0.8%, 1.9%, respectively – while Poland has a 6.6% share in the EU27, putting it in fifth place. The largest markets have stabilized and are growing more slowly than smaller, fast-growing ones, which is in line with the trend of economic convergence. Between 2014 and 2024, only four countries in the European Union could boast a compound annual growth rate (CAGR) of more than 7% for the cosmetics market as of 2014. This included Poland, for which the rate amounted to 7.1%. In eleven years, Poland has increased its share of the EU cosmetics market from 4.9% to 6.6%. The other countries for which the value of the market grew more than 7% per year during the period were Lithuania, Bulgaria and Greece – all with significantly smaller values of the total market compared to Poland, which is 14.5 times larger than Lithuania's, 8.4 times larger than Bulgaria's and 3.4 times larger than Greece's. In 2024, the Polish cosmetics market had the highest growth rate (16.8%) in the entire European Union.

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Report on the condition of the cosmetics industry

Table 1. VALUE OF COSMETICS MARKETS IN EUROPE (2014-2024)*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2024/2023	2024	2024	2014-2024	
	EUR billion	*EUR billion*	*EUR billion*	*EUR billion*	*EUR billion*	*EUR billion*	*EUR billion*	*EUR billion*	*EUR billion*	*EUR billion*	*EUR billion*	*dynamics (y/y, %)*	*share in EU27*	*share in Europe*	*CAGR*	*% change*
Germany	13.072	13.388	13.499	13.563	13.804	14.046	14.036	13.604	14.333	15.853	16.948	6.9%	19.3%	16.3%	2.6%	29.7%
France	11.363	11.582	11.626	11.561	12.559	12.458	11.774	12.178	12.880	13.637	14.186	4.0%	16.1%	13.7%	2.2%	24.8%
Italy	9.502	9.806	10.034	10.202	10.642	10.858	9.780	10.640	11.458	12.530	13.395	6.9%	15.2%	12.9%	3.5%	41.0%
Spain	6.350	6.465	6.675	6.820	6.958	7.134	6.430	8.362	9.280	10.419	11.217	7.7%	12.8%	10.8%	5.9%	76.7%
Poland	**2.951**	**3.452**	**3.574**	**3.734**	**3.949**	**4.131**	**3.806**	**4.031**	**4.619**	**5.003**	**5.843**	16.8%	6.6%	5.6%	7.1%	98.0%
The Netherlands	2.823	2.794	2.727	2.730	2.754	2.841	2.875	2.898	3.100	3.844	4.058	5.6%	4.6%	3.9%	3.7%	43.7%
Sweden	1.981	1.944	1.785	1.872	2.092	2.077	2.070	2.237	2.562	2.680	2.637	-1.6%	3.0%	2.5%	2.9%	33.1%
Belgium/Luxembourg	2.043	2.057	1.932	1.959	2.070	2.084	1.963	2.028	2.173	2.335	2.404	3.0%	2.7%	2.3%	1.6%	17.7%
Portugal	1.297	1.296	1.318	1.358	1.477	1.513	1.429	1.487	1.782	2.009	2.147	6.9%	2.4%	2.1%	5.2%	65.5%
Romania	1.100	1.176	1.191	1.268	1.451	1.529	1.467	1.554	1.739	1.914	2.065	7.9%	2.3%	2.0%	6.5%	87.8%
Austria	1.355	1.355	1.379	1.401	1.498	1.516	1.493	1.525	1.648	1.769	1.847	4.4%	2.1%	1.8%	3.1%	36.3%
Greece	0.807	0.804	0.851	0.849	1.002	1.032	0.924	0.997	1.201	1.610	1.714	6.5%	1.9%	1.6%	7.8%	112.4%
Denmark	1.014	1.059	0.903	0.943	1.187	1.204	1.201	1.421	1.436	1.481	1.513	2.2%	1.7%	1.5%	4.1%	49.3%
Czech Republic	0.715	0.705	0.733	0.734	0.734	0.734	0.738	0.772	1.196	1.332	1.356	1.8%	1.5%	1.3%	6.6%	89.7%
Hungary	0.635	0.674	0.684	0.724	0.819	0.858	0.768	0.827	0.992	1.070	1.175	9.8%	1.3%	1.1%	6.4%	85.1%
Finland	0.937	0.870	0.934	0.957	0.997	0.993	0.976	1.023	1.054	1.124	1.168	3.9%	1.3%	1.1%	2.2%	24.7%
Ireland	0.737	0.760	0.785	0.803	0.865	0.882	0.837	0.870	0.985	1.069	1.135	6.2%	1.3%	1.1%	4.4%	53.9%
Slovakia	0.523	0.542	0.563	0.581	0.621	0.641	0.623	0.656	0.712	0.757	0.790	4.4%	0.9%	0.8%	4.2%	51.1%
Bulgaria	0.328	0.358	0.373	0.392	0.428	0.450	0.424	0.446	0.551	0.630	0.694	10.2%	0.8%	0.7%	7.8%	111.3%
Croatia	0.336	0.349	0.358	0.370	0.388	0.408	0.382	0.411	0.453	0.500	0.528	5.6%	0.6%	0.5%	4.6%	56.9%
Lithuania	0.192	0.220	0.229	0.239	0.075	0.268	0.263	0.279	0.320	0.382	0.402	5.2%	0.5%	0.4%	7.7%	109.4%
Latvia	0.147	0.158	0.147	0.155	0.180	0.187	0.173	0.182	0.217	0.242	0.255	5.4%	0.3%	0.2%	5.6%	73.1%
Slovenia	0.165	0.171	0.172	0.174	0.183	0.185	0.175	0.186	0.206	0.229	0.242	5.7%	0.3%	0.2%	3.9%	46.5%

Estonia	0.114	0.134	0.126	0.130	0.140	0.144	0.136	0.149	0.174	0.197	0.206		4.6%	0.2%	0.2%	6.1%	80.1%
EU27 (excl. Malta and Cyprus)	**60.487**	**62.120**	**62.597**	**63.520**	**66.871**	**68.173**	**64.743**	**68.763**	**75.071**	**81.054**	**87.925**		8.5%	100.0%	84.6%	3.8%	45.4%
United Kingdom	11.310	12.911	11.152	11.178	10.807	10.591	9.719	9.885	10.145	11.207	12.242		9.2%		11.8%	0.8%	8.2%
Switzerland	2.008	2.037	2.050	2.009	1.914	1.964	1.809	1.858	2.150	2.087	2.104		0.8%		2.0%	0.5%	4.8%
Norway	1.261	1.172	1.113	1.168	1.315	1.288	1.347	1.531	1.648	1.794	1.638		-8.7%		1.6%	2.7%	29.9%
Europe	**75.066**	**78.239**	**76.912**	**77.875**	**80.907**	**82.016**	**77.618**	**82.037**	**89.014**	**95.672**	**103.909**		8.6%		100.0%	3.3%	38.4%

Source: Cosmetics Europe

**Dynamics (y/y, %) – dark green colour indicates countries for which the dynamics of the market size y/y (2024/2023) was >10%, light green for the range of 5-10%, red <0% – a decrease in the value of the market.*

**CAGR – dark green colour indicates countries with CAGR of >7% in the years 2014-2024, light green colour indicates CAGR 2014-2024 in the range of 5-7%.*

Source: own compilation by Wise Europe based on data from Cosmetics Europe

1.3. Cosmetics in the EU – production, sales, categories

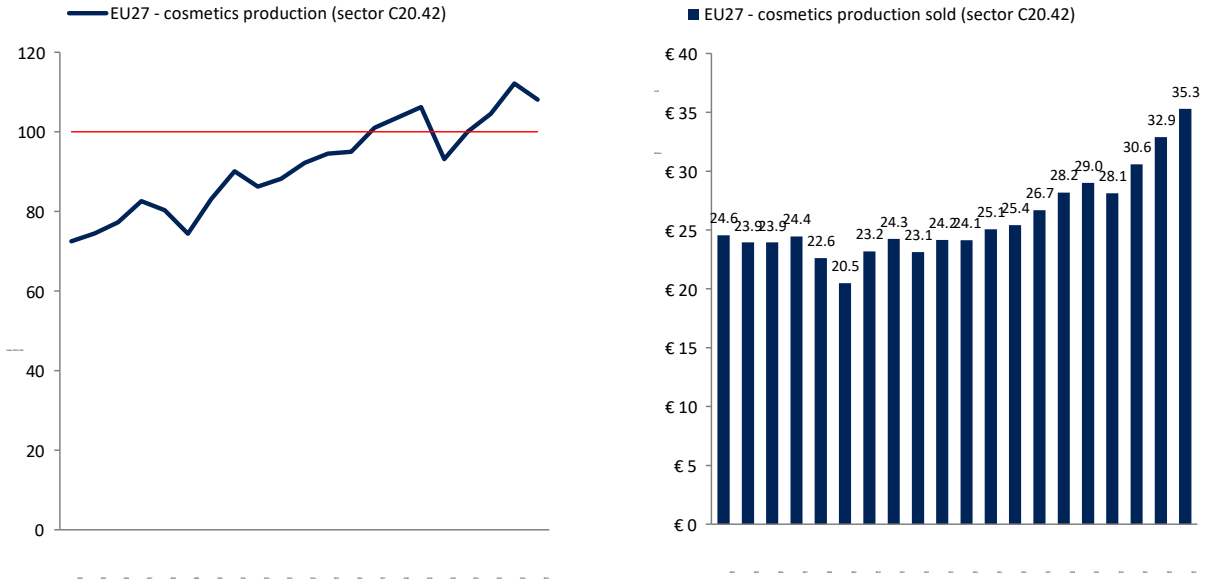
- ☑ *Europe is the world's second-largest cosmetics market by size, accounting for 29.3% of global cosmetic products sold (behind Asia at 32.9%; ahead of North America at 30.1%).*

- ☑ *Sold production of cosmetics in the EU rose from EUR 32.9 billion to EUR 35.3 billion in 2023, with skin care and make-up cosmetics being the most popular in the EU, accounting for 34.4% of sales (compared with 36.5%). Cosmetics such as toilet waters (15.3% of sales vs. 14.3% a year earlier) and shampoos (7.9% vs. 7.0%) are increasingly more important.*

Europe represents one of the largest and most important markets for cosmetics in the world. The cosmetics sector in the European Union has shown a solid growth trend in the production area over the past two decades, despite three periods of fluctuations: in 2008-2009, they were caused by the global financial crisis and the collapse of demand and consumption; in 2012, by the Eurozone crisis; in 2020, by the COVID-19 pandemic. According to Eurostat data, the output of the C20.42 sector, which produces cosmetics (counting by index, a value of 100 was assumed for 2021), increased from 72.5 in 2004 to 108.1 in 2024, with an average annual growth rate (CAGR) of 2.02 between 2004 and 2024.

The apparent 49% increase in cosmetics industry output between 2004 and 2024 was accompanied by a 43% increase in cosmetics production sold in the European Union (from EUR 24.6 billion to EUR 35.3 billion). This category takes into account all products sold of the C20.42 sector according to the PRECODE nomenclature (range of goods 20421500-20421650; see table below for details). Consequently, trade in cosmetics has developed very dynamically, manifesting increasingly higher volumes of exports and imports, and the EU27 is a net exporter of cosmetics to third countries systematically recording surpluses from their trade.

Chart 4. COSMETICS PRODUCTION IN THE EU27 – INDEX (LEFT PANEL) AND VALUE OF PRODUCTION SOLD (RIGHT PANEL)



Source: Wise Europe's own analysis based on Eurostat data

The largest segment of the EU cosmetics market is skin care products, such as creams, foundations, bases and sunscreens. This group accounted for 34.4% of total production sold in the EU. The second largest segment of the EU cosmetics market is toilet waters, accounting for 15.3% of production sold in the region. These two product groups account for almost half of the EU cosmetics market. The third largest group in the EU in terms of sold production is shampoos (7.9%), while hair care preparations (conditioners, masks, styling products) account for a 7.8% market share. A large increase in sales was recorded for lip make-up preparations, which accounted for 3.0% of sales in 2022 (10th position), and already 4.3% in 2023 (5th largest position).

Table 2. SEGMENTS OF PRODUCTION SOLD OF COSMETIC PRODUCTS IN THE EUROPEAN UNION (2023)

PRCODE	Product	Share of production sold in the EU
20421500	Other beauty, make-up or skin care preparations (excluding medicaments, lip and eye make-up, manicure and pedicure preparations, powders for cosmetic use and talcum powder)	34.4%
20421170	Toilet waters	15.3%
20421630	Shampoos	7.9%
20421700	Hair preparations (excluding shampoos, permanent waving and hair straightening preparations, lacquers)	7.8%
20421250	Lip make-up preparations	4.3%
20421990	Depilatories and other perfumery, cosmetic or toilet preparations, n.e.c.	4.3%
20421930	Organic surface-active products and preparations for washing the skin, whether or not containing soap, p.r.s.	4.2%
20421960	Personal deodorants and anti-perspirants	4.2%
20421270	Eye make-up preparations	3.4%
20421400	Powders, whether or not compressed, for cosmetic use (including talcum powder)	2.8%
20421915	Soap and organic surface-active products in bars, etc., for toilet use	2.3%
20421850	Dentifrices (including toothpaste, denture cleaners)	2.0%
20421300	Manicure or pedicure preparations	1.6%
20421150	Perfumes	1.3%
20421890	Preparations for oral or dental hygiene (including denture fixative pastes; powders and tablets, mouth washes and oral perfumes, dental floss) (excluding dentifrices)	1.2%
20421975	Perfumed bath salts and other bath preparations	1.2%
20421670	Hair lacquers	0.9%
20421945	Pre-shave, shaving and after-shave preparations (excluding shaving soap in blocks)	0.7%
20421650	Preparations for permanent waving or straightening of hair	0.2%

Source: Wise Europe's own analysis based on Eurostat data

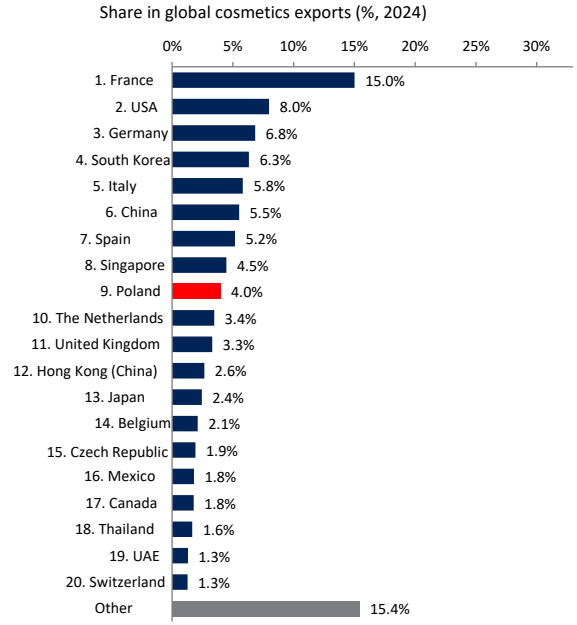
1.4. Major exporters

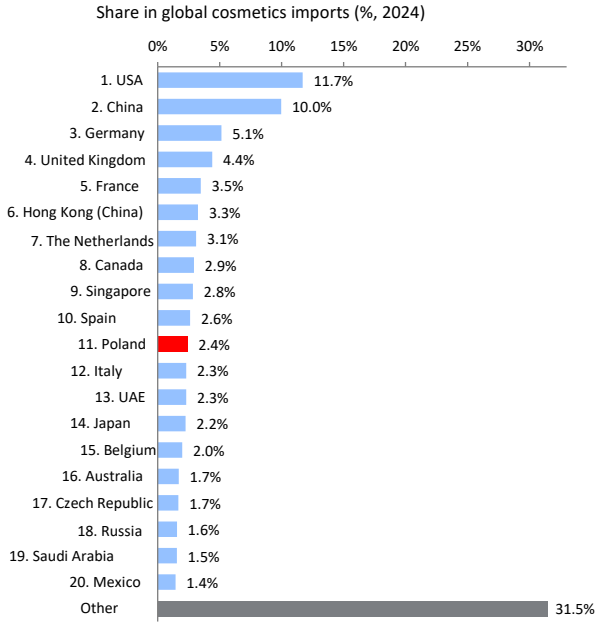
- ☑ *Poland maintains its position as the ninth cosmetics exporter in the world (4.0% share of exports in 2024 versus 3.8% in 2023) and fifth in the European Union (same 8% share in 2024 and 2023).*
- ☑ *It is the second largest exporter in the EU of oral and dental hygiene products (16.4% share of EU exports), the third largest exporter of toilet soap (14.7% share) and the fourth largest exporter of shaving, deodorant, bath and shower preparations (11.4% share), as well as skin care, manicure and pedicure preparations (8.3% share).*
- ☑ *Polish exporters' competitiveness continues to benefit from the weak Polish zloty.*
- ☑ *In the future, the appreciation of the Polish currency against the euro and rising labour and material costs could pose a threat to export competitiveness.*

Cosmetics exports are one of the many segments of global trade activity and play an important role in shaping the global cosmetics market. In 2024, global cosmetics exports totalled EUR 151 billion – 1.9% more compared with 2023 – and accounted for 0.7% of total global exports. The geographic structure of the world's cosmetics exporters shows well the specialization of individual countries in this production segment. It is not closely related to the largest economies in terms of GDP or industrial production volume, and the top performers in this category are European countries, in particular France, which is the world's largest exporter of cosmetics (15.0% share of world exports), and Germany (third place, 6.8% share, behind the US at 8.0%). Poland is playing an increasingly important role in the global trade in cosmetics, exporting products to foreign markets, proportionally more so compared to GDP. Poland's share of world GDP accounts for about 1%, while its share of world cosmetics exports is already 4.0% (an increase in share from 3.8% in 2023 and 3.3% in 2022), ranking ninth in world cosmetics exports, indicating a systematic improvement in the country's position on the international stage.

Leading the global import list is the United States, which is the world's largest importer of cosmetics (11.7% share), as well as mainland China (10.0%). The rest of the imports are diversified, mainly between developed economies. Poland ranks eleventh in terms of cosmetics imports worldwide with a 2.4% share. The nominal values of both imports and exports of cosmetics are increasing globally, indicating growing demand for cosmetic products worldwide.

Chart 5. **WORLD'S LARGEST EXPORTERS AND IMPORTERS OF COSMETICS (2024)***





* Trade data for cosmetic products refer to the following Combined Nomenclature codes: CN3303, CN3304, CN3305, CN3306, CN3307, CN3401.

Source: Wise Europe's own analysis based on International Trade Centre data

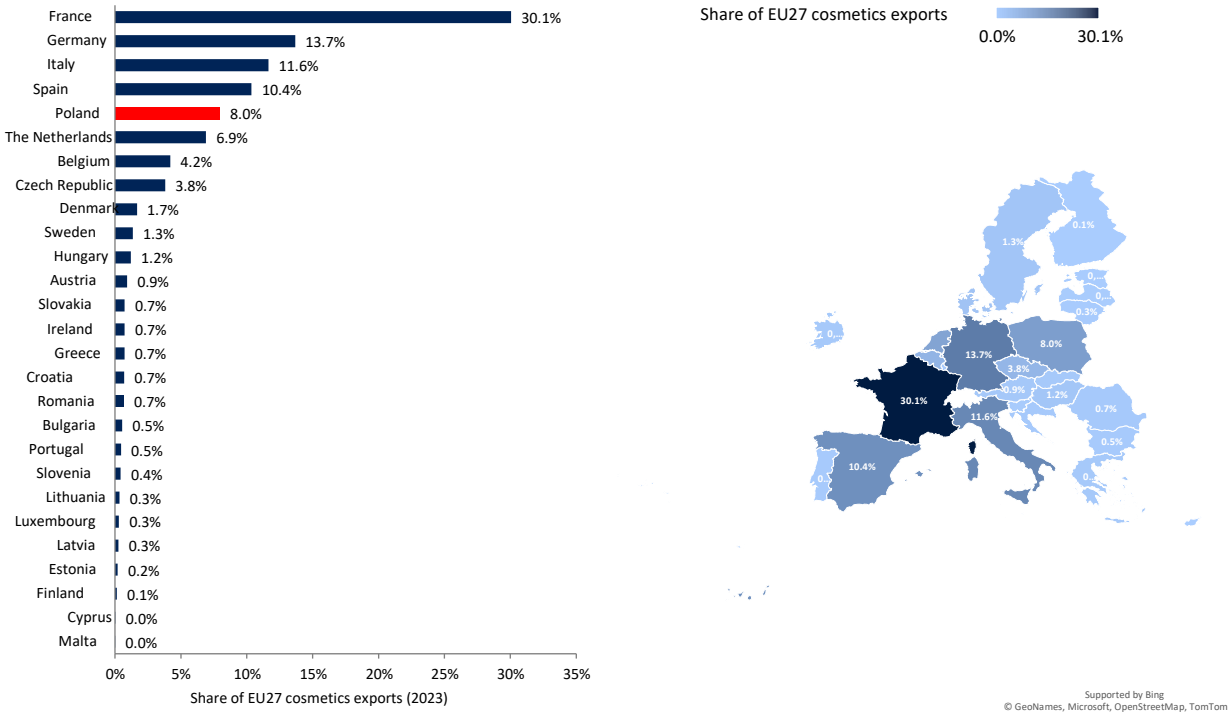
Considering selected categories of cosmetics – perfumes and toilet waters, skin care products, manicure or pedicure products, hair care, oral or dental hygiene products, shaving products, deodorants, bath and shower products, cosmetic soaps (see "Methodology" section for a detailed description of the classification) – **EU countries accounted for as much as 49.9% of global cosmetics exports in 2024**. Exporters from the European Union enjoy recognition in global markets. **The European Union attaches great importance to adherence to the applicable standards, taking into account strict guidelines for both the production itself and the safety and quality of the products.** This further strengthens confidence in EU brands in international markets.

France, the world's leading cosmetics industry, dominates EU27 cosmetics exports – accounting for 30.1% of the community's total exports. Germany, Italy and Spain also play an important role as major exporters of cosmetics, with a share of 13.7%, 11.6% and 10.4%, respectively. **Poland is the fifth largest exporter of cosmetics in the European Union with a share of 8.0%**, which is growing steadily, while the country is simultaneously gaining importance as an important player on the international stage. At the same time, it is:

- ➔ **second** largest exporter of oral and dental hygiene products (16.4% share);
- ➔ **third** largest exporter of toilet soap (14.7% share);
- ➔ **fourth** largest exporter of skin care, manicure and pedicure cosmetics (8.3% share);
- ➔ **fourth** largest exporter of shaving products, deodorants, shower gels (11.4% share);
- ➔ **sixth** largest exporter of hair care products (7.3% share);
- ➔ **seventh** largest exporter of perfumes and toilet waters (3.4% share).

Poland, which is one of the largest cosmetics producers in Central and Eastern Europe, stands out for the high quality of its products and its cost-price competitiveness, and is gaining a growing share of foreign markets. The dynamic development of the cosmetics sector in Poland is supported by investments in research and development, modern technologies and a declared growing environmental awareness, which contributes to the competitiveness of Polish products. The favourable geographic location and developed transportation infrastructure also favour the exports of cosmetics from Poland to various parts of the world.

Chart 6. SHARE OF COSMETICS EXPORTS IN EU COUNTRIES (2024)*

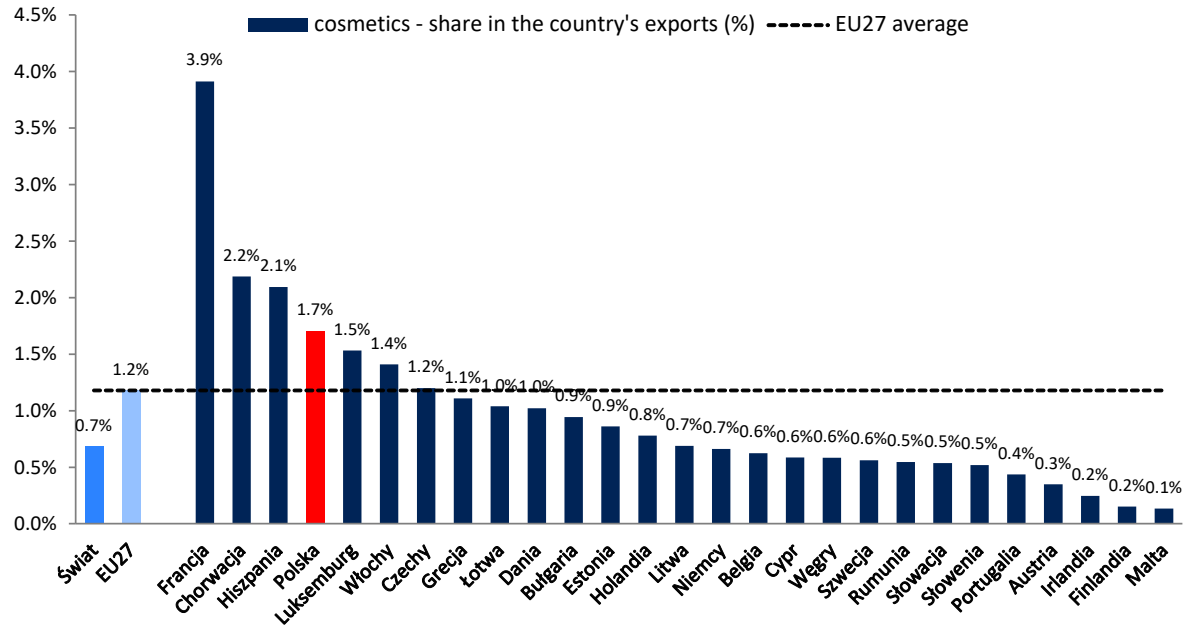


* Trade data for cosmetic products refer to the following Combined Nomenclature codes: CN3303, CN3304, CN3305, CN3306, CN3307, CN3401.

Source: Wise Europe's own analysis based on International Trade Centre data

Exports of cosmetic products do not constitute a dominant share in the exports of any country in the world. In a global perspective, cosmetics account for 0.7% of world exports. The situation is better in the European Union. Although cosmetics account for a relatively small percentage of total exports (in the EU27 it is 1.2%), their share in each country's exports varies. France stands out here, with cosmetics exports accounting for as much as 3.9% of its total exports in 2024. Poland ranks fourth in this category in the European Union – cosmetics accounted for 1.7% of the country's total exports, surpassing the EU and world average.

Chart 7. COSMETICS AS A % OF EXPORTS IN EU COUNTRIES (2024)*



* Trade data for cosmetic products refer to the following Combined Nomenclature codes: CN3303, CN3304, CN3305, CN3306, CN3307, CN3401.

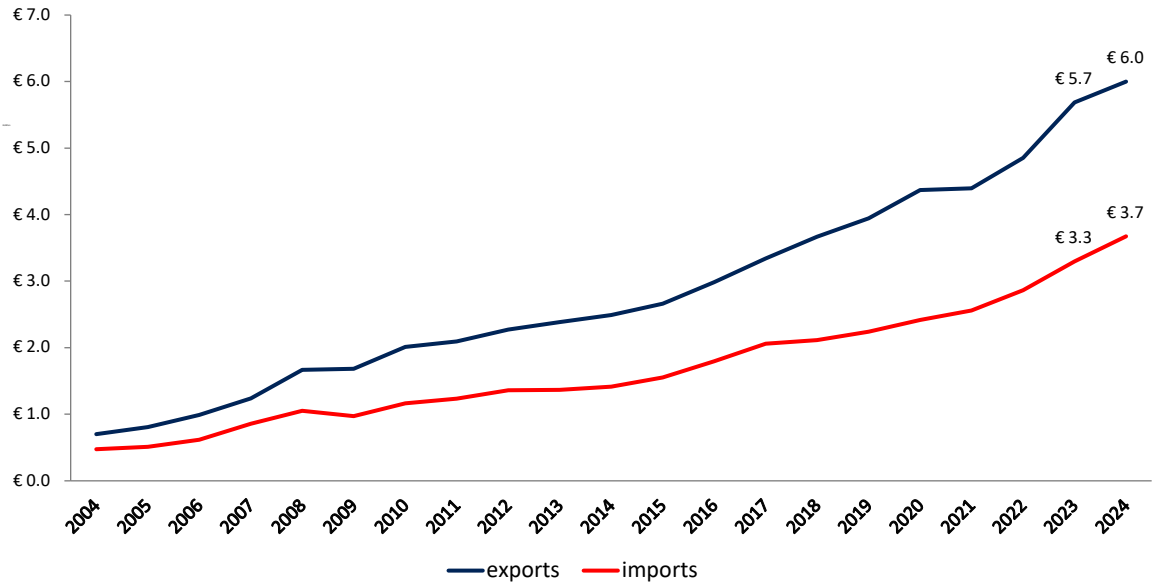
Source: Wise Europe's own analysis based on International Trade Centre data

1.5. Poland – cosmetics trade

- ☑ *In 2024, Poland's cosmetics exports amounted to EUR 6.0 billion, while imports amounted to EUR 3.7 billion, compared with EUR 5.7 billion in exports and EUR 3.3 billion in imports in 2023.*
- ☑ *67% of cosmetics exported from Poland go to the European Union market, and the remaining 33% – outside the EU (in 2023, the ratio was 65% to 35%). From the EU market comes 86% of imports, the remaining 14% are imports from outside the EU (extra-EU).*
- ☑ *From 2004 to 2024, the cumulative balance of trade in cosmetics was EUR 24.6 billion (with EUR 60.2 billion in exports and EUR 35.6 billion in imports during the period), while the ratio of exports to imports is higher than the average in the European Union – foreign expansion promotes the development of the domestic market, which benefits manufacturers in Poland.*

Global trade has grown rapidly over the past three decades, including in Poland. In 1995, the value of Poland's exports accounted for 23% of the country's GDP; today it is 52% of GDP. **Since Poland's accession to the European Union, cosmetics exports have increased 8.6 times, while GDP has increased 4.1 times. This significant growth and relatively better export proportions testify to the growing strength of the Polish cosmetics sector in foreign markets.** In 2024, cosmetics exports totalled EUR 6.0 billion. The average annual growth rate (CAGR) of cosmetics exports is at a very high level – at 11.4% since 2004 and 8.8% in the last ten years. Not only exports, but also imports of cosmetics to Poland are on the rise. In 2024, the value of imports reached EUR 3.7 billion (7.7 times more since EU accession).

Chart 8. EXPORTS AND IMPORTS OF COSMETIC PRODUCTS IN POLAND (2004-2024)*

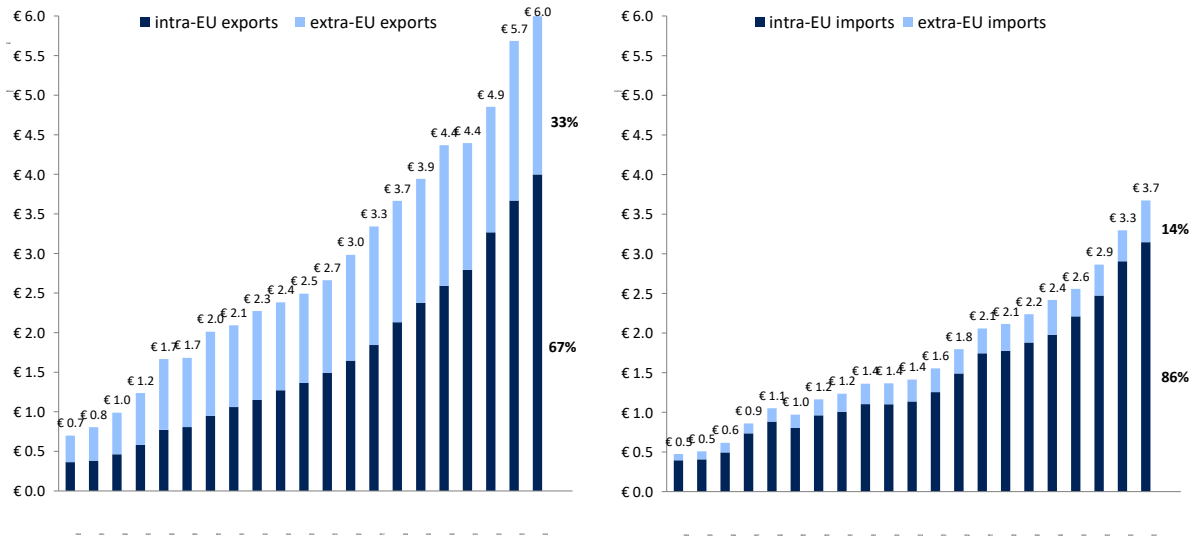


* Trade data for cosmetic products refer to the following Combined Nomenclature codes: CN3303, CN3304, CN3305, CN3306, CN3307, CN3401.

Source: Wise Europe's own analysis based on Eurostat data

A clear increase in trade turnover can be seen since 2004, with Poland's accession to the EU, which brought the possibility of participating in intra-EU trade (the elimination of tariffs and quantitative restrictions in trade with other Member States). As a result, participation in intra-EU trade has increased significantly, and Poland has become an integral part of Europe's supply chains. The EU market receives 67% of Poland's exports and cosmetics exports are more geographically diversified – a sizable portion of products go outside the EU (33%). Cosmetics imports overwhelmingly come from the internal EU market (86% of all cosmetics imports). Trade in cosmetics with EU countries plays a key role and constitutes the mainstream of exports and imports in this industry, and the dynamics of this trade stream and the steadily increasing share testify to the increasingly strong economic ties with EU countries.

Chart 9. POLISH TRADE IN COSMETIC PRODUCTS WITHIN AND OUTSIDE THE EU (2004-2024)*

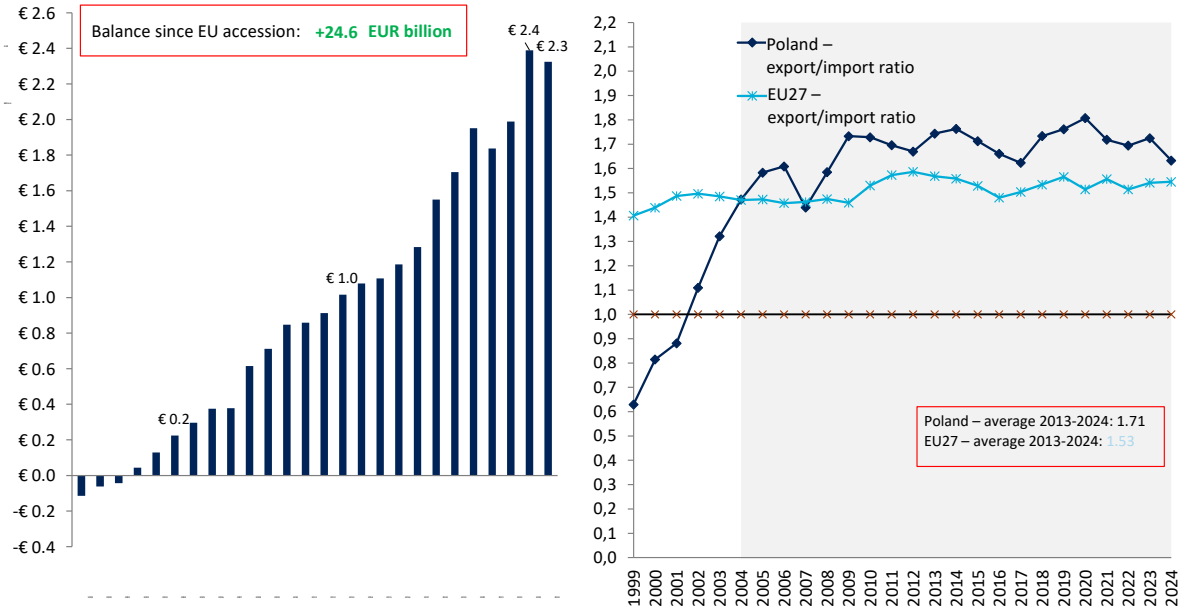


* Trade data for cosmetic products refer to the following Combined Nomenclature codes: CN3303, CN3304, CN3305, CN3306, CN3307, CN3401.

Source: Wise Europe's own analysis based on Eurostat data

Considering the entire trade of Poland's economy, since 2013, Poland has been a net exporter (recording trade surpluses) – averaging 2.6% of GDP in the years 2013-2024. However, this required adjustment and the search for comparative advantages. Polish exporters made low-cost products at a low cost, making them competitive with foreign customers while maintaining the quality requirements to participate in the market. One of such industries was the cosmetics sector, which had already begun to record trade surpluses by far earlier – since 2002. In 2024, Poland's cosmetics trade balance was positive (for the twenty-third consecutive year – the last cosmetics trade deficit Poland recorded was in 2001) at an impressive EUR 2.3 billion, and only in 2023 was the surplus larger (EUR 2.4 billion). Since joining the European Union's common market, the accumulated balance of trade in cosmetics between 2004 and 2024 amounted to EUR 24.6 billion. **The ratio of exports to imports of cosmetics in Poland in 2024 was 1.63, which means that the value of exports was 63% greater than the value of imports.** Compared to the EU27 average, where this ratio was 1.55, Poland performed favourably, which indicates the relative competitiveness of cosmetic products from Poland.

Chart 10. BALANCE OF COSMETICS TRADE IN POLAND (LEFT PANEL) AND EXPORT/IMPORT RATIO (RIGHT PANEL)*



* Trade data for cosmetic products refer to the following Combined Nomenclature codes: CN3303, CN3304, CN3305, CN3306, CN3307, CN3401.

Source: Wise Europe's own analysis based on Eurostat data

1.6. Commodity structure

- ☑ *The dominant category is skin care and manicure or pedicure cosmetics (CN3304), which account for 45% of global cosmetics exports (down 2 percentage points).*
- ☑ *Poland has a trade advantage in the exports of toilet soap, oral and dental hygiene cosmetics, as well as shaving cosmetics, deodorants, bath and shower products.*
- ☑ *In the case of perfumes and toilet waters, Polish manufacturers continue to find it difficult to compete in global markets with the dominant products coming from France and Italy.*

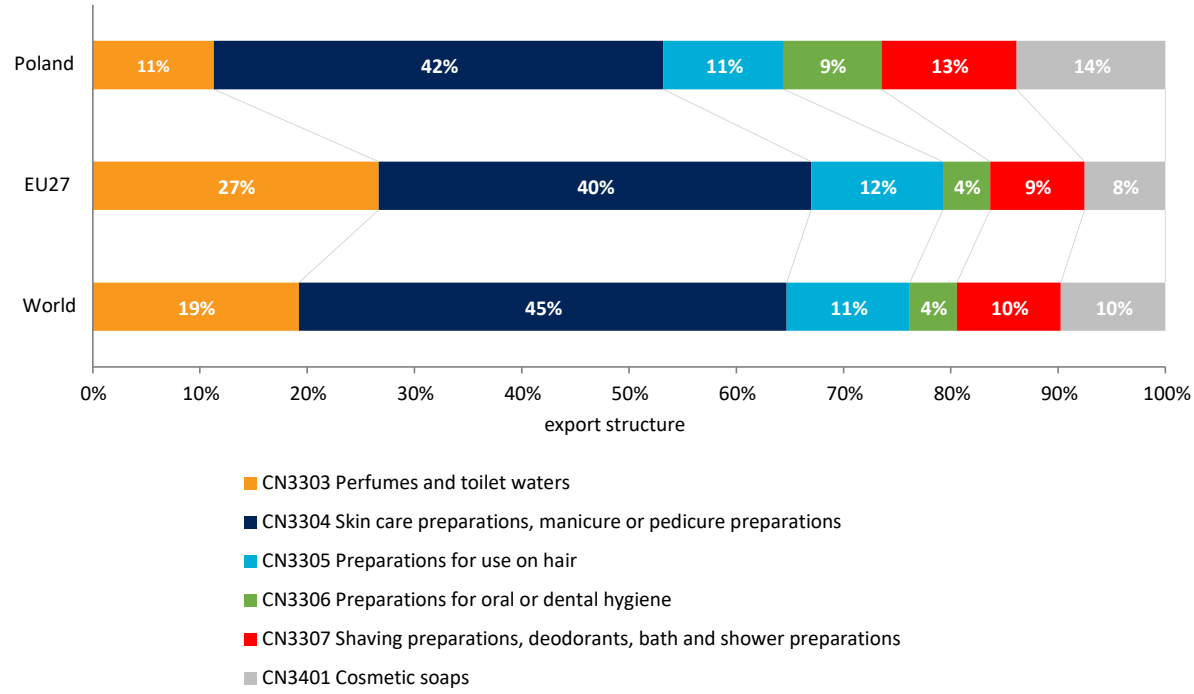
The cosmetics trade consists of six groups of cosmetic products according to the Combined Nomenclature (CN), which allows the classification of goods in international trade. These are:

Section	Department	Code	Name
VI			*Products of chemical or allied industries*
	33		*Essential oils or resinoids; perfumery, cosmetic or toilet preparations*
		CN3303	*Perfumes and toilet waters*
		CN3304	*Skin care preparations, manicure or pedicure preparations*

		CN3305	*Preparations for use on hair*
		CN3306	*Preparations for oral or dental hygiene*
		CN3307	*Shaving preparations, deodorants, bath and shower preparations*
	34		*Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, cleaning or scouring preparations, candles and similar articles, modelling pastes, dental waxes and preparations for use in dentistry with a basis of plaster*
		CN3401	*Cosmetic soaps*

The commodity structure of cosmetics exports is similar in most countries around the world, but there are some differences due to specialization and advantages in the production of selected commodities. The dominant category is skin care and manicure or pedicure preparations (CN3304), which account for 45% of global cosmetics exports. In Poland, it is a slightly smaller percentage (42%) but still accounts for the largest share of exports. The second largest category is cosmetic soaps (CN3401), which account for 14% of Poland's exports – more than the world (10%) and the EU27 (8%), and Poland benefits from this by exporting almost 3 times more than it imports. The value of cosmetic soap exports in 2024 was EUR 833 million, with imports of EUR 302 million, resulting in a positive balance in cosmetic soap trade of EUR 531 million. As in the case of cosmetic soap, export advantages are evident in preparations for oral or dental hygiene (CN3306) and account for 9% of Poland's cosmetics exports – relatively double the EU and global figures. Hair preparations (CN3305) and shaving, deodorant, bath and shower preparations (CN3307) account for 11% and 13%, respectively, of the export structure – similar proportions to the world and the European Union.

Chart 11. CATEGORIES OF EXPORTED COSMETIC PRODUCTS IN POLAND, EUROPEAN UNION, GLOBALLY (2024)

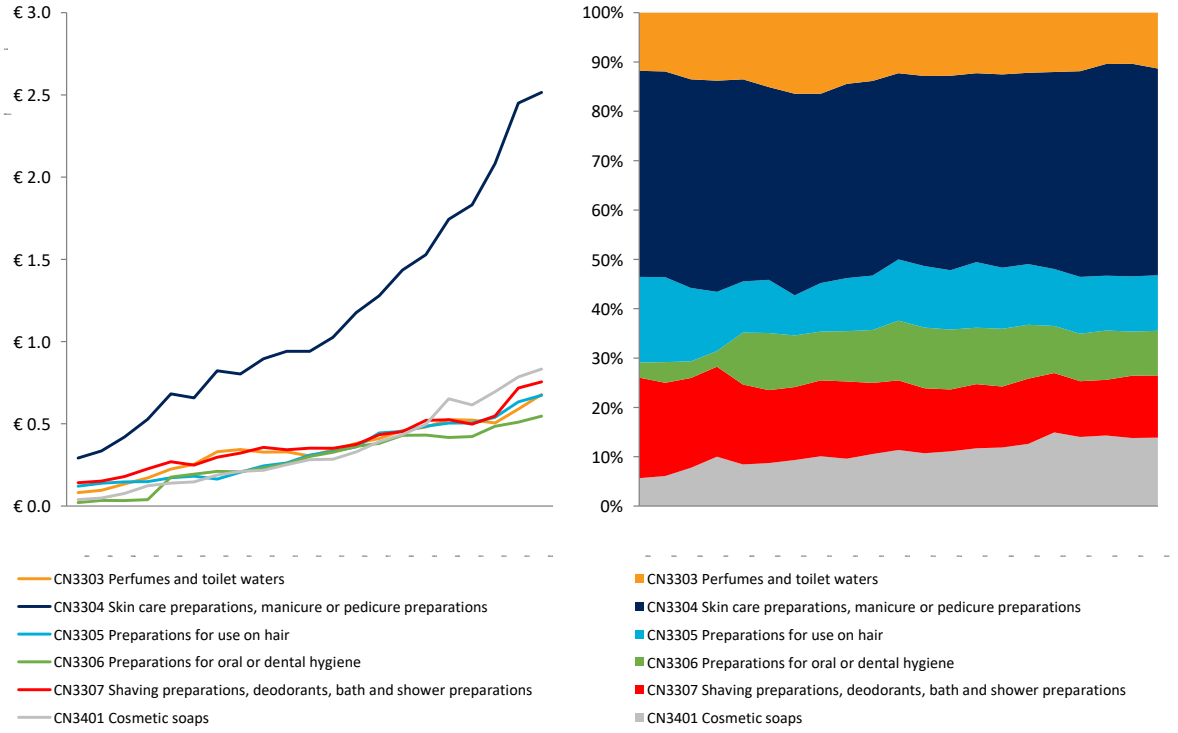


Source: Wise Europe's own analysis based on International Trade Centre data

Differences in the specifications of national cosmetics markets can be seen in the case of perfumes and toilet waters (CN3303). Poland produces and exports them far less (11% in the structure of exports) than the

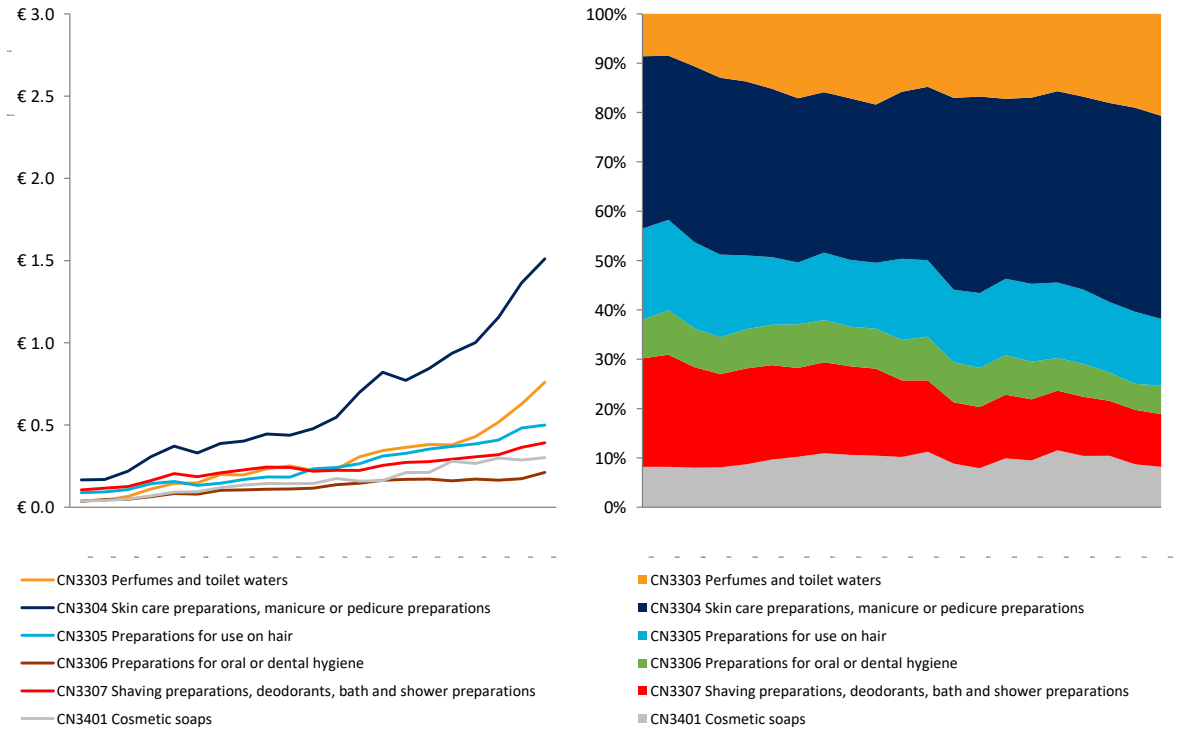
world average, and especially in relation to other European Union countries. This production and export category is dominated by France and Italy, known for their luxury brands that have perfumes and toilet waters. Poland cannot compete with these markets, also due to an unfavourable regulatory environment. **Premium perfumes require excise-free pure ethanol, which is denatured by adding fragrance compositions. Polish law does not allow such a solution.** The alcohol that can be used must contain denaturants, the properties of which interfere with the production process and the quality of the perfume.

Chart 12. COMMODITY STRUCTURE OF COSMETICS EXPORTS FROM POLAND (2004-2024)



Source: Wise Europe's own analysis based on Eurostat data

Chart 13. COMMODITY STRUCTURE OF COSMETICS IMPORTS TO POLAND (2004-2024)



Source: Wise Europe's own analysis based on Eurostat data

The largest item in Polish exports – which amounted to EUR 880.9 million in 2024, accounting for a 5.9% share of EU27 exports (the 4th largest exporter), is make-up and skin care products (CN3304). Among them, there are five subcategories, the largest of which are skin care and make-up cosmetics (creams, lotions, etc.), accounting for 75% of the value of Polish exports in this group (EUR 660.7 million). This is followed by eye make-up products (EUR 94.6 million), lip make-up products (EUR 63.0 million), make-up powders (EUR 40.0 million) and manicure/pedicure cosmetics (EUR 22.7 million). Compared to the EU, Poland stands out with a relatively high share of exports of manicure/pedicure products (11.7%, 3rd largest exporter in the EU), as well as eye make-up preparations (9.2%, 4th position).

Table 3. CN3304 PRODUCT EXPORTS IN POLAND AND THE EU (2024, EUR)

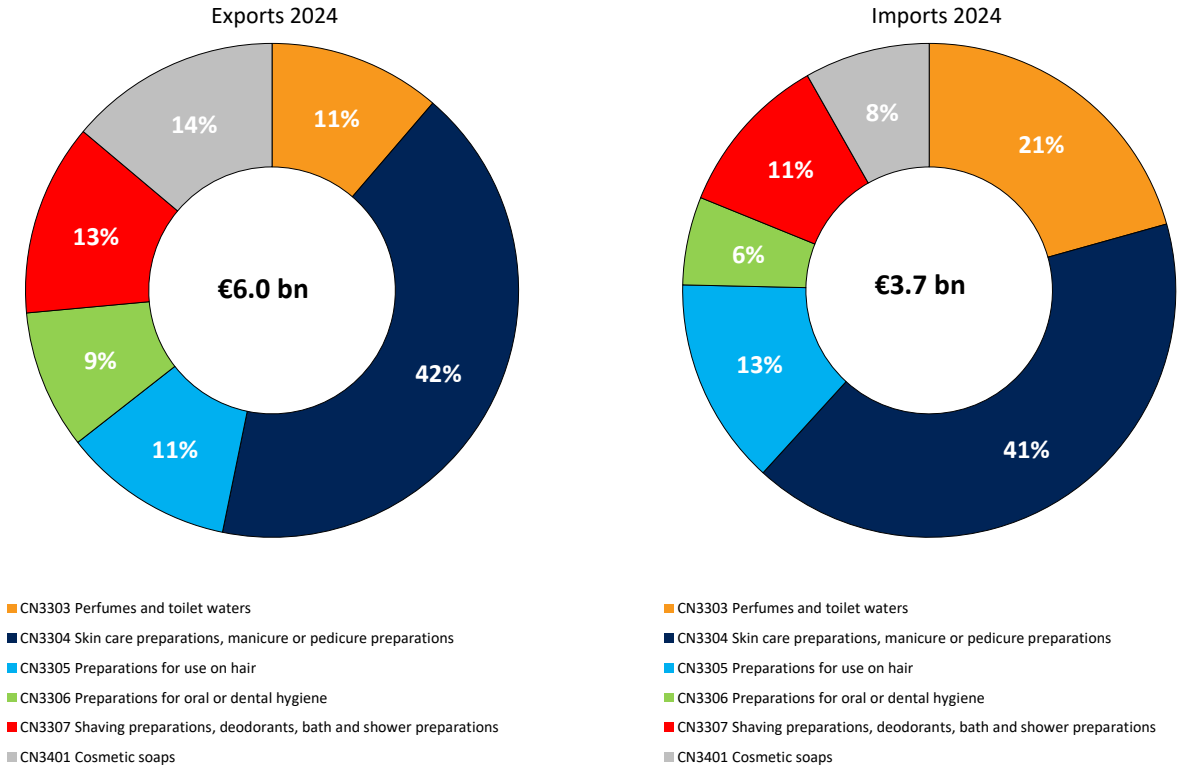
CN Code	Name	Poland	UE27	Share	Position in the EU
330410	Beauty preparations for the lips	€ 62,961,720	€ 1,263,118,934	5.0%	4
330420	Beauty preparations for the eyes	€ 94,642,642	€ 1,031,917,950	9.2%	4
330430	Manicure or pedicure preparations	€ 22,706,631	€ 194,288,903	11.7%	3
330491	Powders for make-up or skin care	€ 40,000,048	€ 589,890,822	6.8%	4
330499	Skin care and make-up products (creams, lotions, etc.)	€ 660,659,161	€ 11,852,902,325	5.6%	5
3304	Skin care preparations, manicure or pedicure preparations	€ 880,970,202	€ 14,932,118,934	5.9%	4

Source: Wise Europe's own analysis based on Eurostat data

Manufacturers in Poland have continuously achieved a positive balance of trade in cosmetics since 2002, and the surplus has been increasing year after year (except in 2007 – the financial crisis, and 2020 – the COVID-19 pandemic, when these years ranked lower year-on-year, but still positive). In 2024, Poland achieved a positive balance from trade in five of the six cosmetics categories. The only product group with a negative balance was perfumes and toilet waters (CN3303) – EUR 81.3 million in 2024, and it was the second consecutive year with a negative balance in this category (+EUR 38.8 million in 2023). The largest benefits come from the trade in skin care, manicure or pedicure cosmetics (CN3304), with EUR 1.0 billion in 2024. The second-best result was in the cosmetic soap trade (CN3401): 530.5 million. The total surplus from cosmetics trade in 2024 was more than EUR 2.3 billion, and the accumulated trade balance from 2013 to 2024 was as high as EUR 19.4 billion.

Table 4 and Chart 14. TRADE BALANCE OF INDIVIDUAL COSMETICS CATEGORIES IN POLAND (2013-2024) AND THE PRODUCT STRUCTURE OF COSMETICS EXPORTS AND IMPORTS (2024)

		2024	2013–2024
CN3304	Skin care preparations, manicure or pedicure preparations	EUR 1,004,715,741	EUR 8,384,691,919
CN3401	Cosmetic soaps	EUR 530,468,563	EUR 3,412,305,305
CN3306	Preparations for oral or dental hygiene	EUR 333,806,319	EUR 2,975,510,257
CN3307	Shaving preparations, deodorants, bath and shower preparations	EUR 363,179,373	EUR 2,484,929,169
CN3305	Preparations for use on hair	EUR 173,804,649	EUR 1,446,967,125
CN3303	Perfumes and toilet waters	-EUR 81,309,521	EUR 713,990,464
	Cosmetics combined	**EUR 2,324,665,124**	**EUR 19,418,394,239**



Source: Wise Europe's own analysis based on Eurostat data

1.7. Business partners

- ☑ *Germany is Poland's largest partner in cosmetics trade. Over the past ten years, trade with Germany has accounted for an increasingly larger share of exports, while representing a decreasing share of imports.*
- ☑ *Exports of cosmetics are more geographically diversified than imports.*
- ☑ *Many global companies have production plants in Poland and export cosmetics to their distribution centres abroad.*

Poland's main trading partners in cosmetics are primarily European countries. At the same time, Poland maintains trade relations with countries outside the EU, such as the United Kingdom, the United States, Ukraine and China, diversifying its markets and suppliers of cosmetics. Exports of cosmetic products are more geographically diversified (dispersed around the world) – the TOP 3 destination countries of Polish cosmetics exports account for 37% of exports (for imports – 47%), and the TOP 10 countries for 67% (imports – 84%). Over the past decade, interesting trends in the geographic destination of the cosmetics trade in Poland are evident. First and foremost – the strengthening of export ties with Germany, which is Poland's main trading partner, and 2024 has deepened the trend of closer trade ties. In 2013, 13.4% of cosmetics exported from Poland went to its western neighbour, and by 2024 it was up to 22.2%. Germany is the main country for cosmetics exports from Poland, while ten years ago, there were three main recipients of Polish exports – Germany, Russia, Great Britain. The latter – despite its declining share of exports – is today the most important market outside the European Union, where 8.4% of the industry's total exports go, and is an important reference point for further expansion of Polish companies in third markets (entry into non-EU markets). A decline in exports to Russia is evident. After the war broke out, many companies stopped exporting cosmetics to the country, and more are now pulling out. Between 2023 and 2024, Poland's cosmetics exports to Russia fell from EUR 376.2 billion to EUR 292.1 billion (a drop in position from 3rd to 5th and Poland's export share from 6.6% to 4.9%), while some of this was offset by a shift in exports to Kazakhstan, which rose from EUR 52.5 billion to EUR 82.0 billion (from 0.9% to 1.4% share in exports), thus Kazakhstan moved from 23rd place to 18th place as a destination for Poland's cosmetics exports. Imports of cosmetics were already marginal, while after the introduction of sanctions, these dropped to zero. Over the past ten years, in nominal terms, Poland has exported more to all of its top twenty partners, but the largest percentages of recipients of Polish exports go to Germany, the United Kingdom, the Czech Republic and France (and the other countries that have entered Poland's TOP 20 – places 15-20 in the 2024 exports table). In cosmetics imports, on the other hand, Poland has definitely reduced its dependence on Germany, which now has a 22.9% share in imports, up from 31.8% in 2013. This difference has been diversified among other countries, mainly the EU – cosmetics imports from France, the Netherlands, Italy, Belgium and the Czech Republic are becoming increasingly important.

Table 5. **POLAND'S LARGEST PARTNERS IN COSMETICS TRADE (2013-2024)***

EXPORTS

WiseEuropa

COSMETIC POLAND

Report on the condition of the cosmetics industry

2013		
Position	*Partner*	*Share*
1	Germany	13.4%
2	Russia	13.3%
3	United Kingdom	11.0%
4	Ukraine	5.1%
5	Hungary	4.8%
6	Czech Republic	4.6%
7	Italy	4.5%
8	Spain	4.3%
9	France	3.6%
10	Turkey	3.5%
11	The Netherlands	3.1%
12	Romania	2.9%
13	Lithuania	2.1%
14	Slovakia	1.6%
15	Kazakhstan	1.5%
16	South Africa	1.4%
17	Latvia	1.4%
18	Belgium	1.2%
19	Estonia	1.0%
20	Sweden	1.0%
	Other	14.8%
	World	**100.0%**

2018		
Position	*Partner*	*Share*
1	Germany	16.5%
2	Russia	11.8%
3	United Kingdom	10.1%
4	Belgium	7.1%
5	Czech Republic	4.9%
6	France	4.4%
7	Ukraine	3.6%
8	Spain	3.4%
9	Italy	3.2%
10	Romania	3.0%
11	The Netherlands	2.8%
12	Hungary	2.7%
13	Turkey	2.0%
14	Lithuania	1.8%
15	South Africa	1.8%
16	Slovakia	1.6%
17	Latvia	1.1%
18	Sweden	1.0%
19	Denmark	0.9%
20	Kazakhstan	0.9%
	Other	15.3%
	World	**100.0%**

2024		
Position	*Partner*	*Share*
1	Germany	22.2%
2	United Kingdom	8.4%
3	Czech Republic	6.8%
4	France	5.4%
5	Russia	4.9%
6	Belgium	4.6%
7	Ukraine	4.2%
8	The Netherlands	4.0%
9	Italy	3.9%
10	Spain	2.9%
11	Romania	2.8%
12	Hungary	2.3%
13	Lithuania	1.7%
14	Turkey	1.6%
15	USA	1.5%
16	Slovakia	1.5%
17	Denmark	1.4%
18	Kazakhstan	1.4%
19	Latvia	1.2%
20	Sweden	1.2%
	Other	16.1%
	World	**100.0%**

IMPORTS

2013		
Position	*Partner*	*Share*
1	Germany	31.8%
2	France	11.8%
3	United Kingdom	9.4%
4	Italy	8.9%
5	The Netherlands	6.5%
6	Sweden	4.8%
7	Spain	4.6%
8	Czech Republic	3.4%

2018		
Position	*Partner*	*Share*
1	Germany	25.9%
2	France	11.9%
3	Belgium	9.9%
4	Italy	8.5%
5	United Kingdom	6.9%
6	Czech Republic	6.3%
7	The Netherlands	6.2%
8	Spain	4.5%

2024		
Position	*Partner*	*Share*
1	Germany	22.9%
2	France	13.2%
3	The Netherlands	11.0%
4	Italy	8.6%
5	Czech Republic	7.8%
6	Belgium	7.8%
7	Spain	4.7%
8	South Korea	3.3%

9	China	3.2%
10	USA	2.0%
11	Belgium	1.9%
12	Ireland	1.5%
13	Turkey	1.3%
14	Hungary	1.2%
15	Slovakia	1.2%
16	Russia	0.6%
17	Slovenia	0.6%
18	Switzerland	0.5%
19	Austria	0.5%
20	Thailand	0.4%
	Other	4.0%
	World	**100.0%**

9	China	2.3%
10	Slovakia	1.8%
11	Romania	1.7%
12	Sweden	1.7%
13	USA	1.4%
14	Ireland	1.3%
15	Turkey	0.8%
16	Russia	0.7%
17	Ukraine	0.6%
18	Hungary	0.6%
19	Switzerland	0.6%
20	South Korea	0.5%
	Other	5.6%
	World	**100.0%**

9	United Kingdom	2.6%
10	China	2.5%
11	Greece	1.7%
12	USA	1.3%
13	Slovakia	1.0%
14	Canada	1.0%
15	Romania	0.9%
16	Ireland	0.9%
17	Sweden	0.7%
18	Turkey	0.7%
19	Lithuania	0.7%
20	Hungary	0.5%
	Other	6.0%
	World	**100.0%**

* Trade data for cosmetic products refer to the following Combined Nomenclature codes: CN3303, CN3304, CN3305, CN3306, CN3307, CN3401.

Source: Wise Europe's own analysis based on Eurostat data

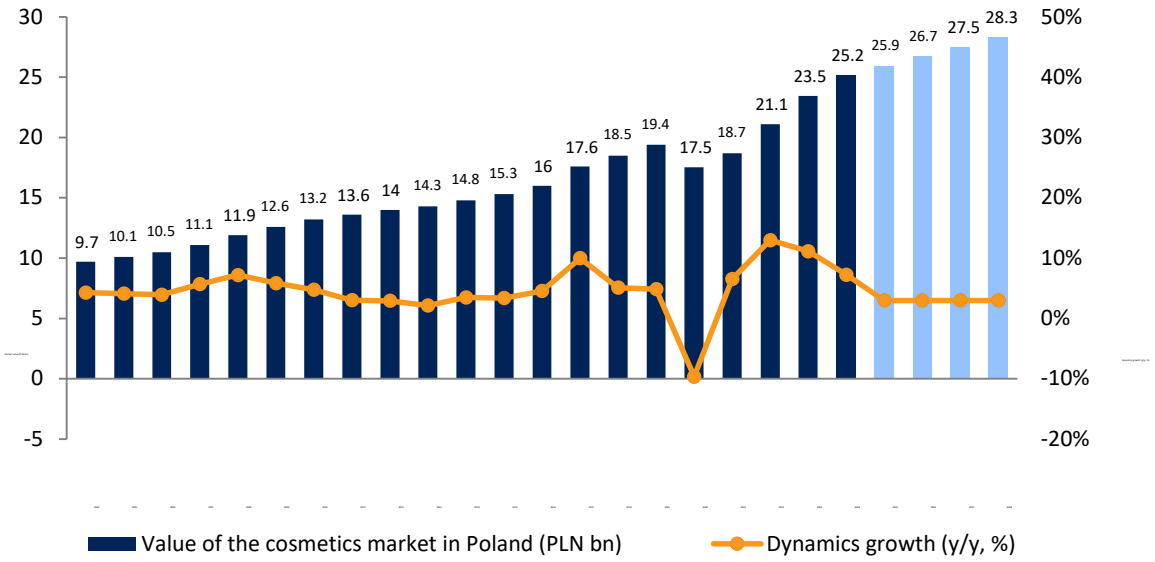
2. Cosmetics market in Poland

2.1. Market value

- ☑ *Since Poland's accession to the European Union, the value of the Polish cosmetics market has increased almost threefold, reaching PLN 25.2 billion in 2024.*
- ☑ *The Polish cosmetics market is the largest in Central and Eastern Europe. The value of sales is growing steadily, and the dynamics of consumer spending indicate that Poland is rapidly catching up with the largest EU countries.*

The cosmetics market is one of the most rapidly developing and versatile economic sectors in Poland, as well as in the world. In Poland, its value has increased almost threefold over the past two decades, and periods of economic hardship, such as the 2008-2009 global financial crisis, the COVID-19 pandemic and the energy crisis, have not significantly disrupted this trend. **Between 2004 and 2024, the cosmetics market in Poland grew at an average annual rate of 4.9%, with a value of PLN 25.2 billion in 2024.** It is expected to continue to grow in the next few years, supported by an increase in the income and wealth of the population, and thus higher per capita spending on cosmetic products (currently EUR 125 per capita per year in Poland vs. EUR 160 on average in the EU27), increasing competition in the market (an increase in the number of manufacturers), greater production and an increase in internal and external demand.

Chart 15. VALUE OF THE COSMETICS MARKET IN POLAND (2004-2024, NOMINAL IN PLN BILLION)



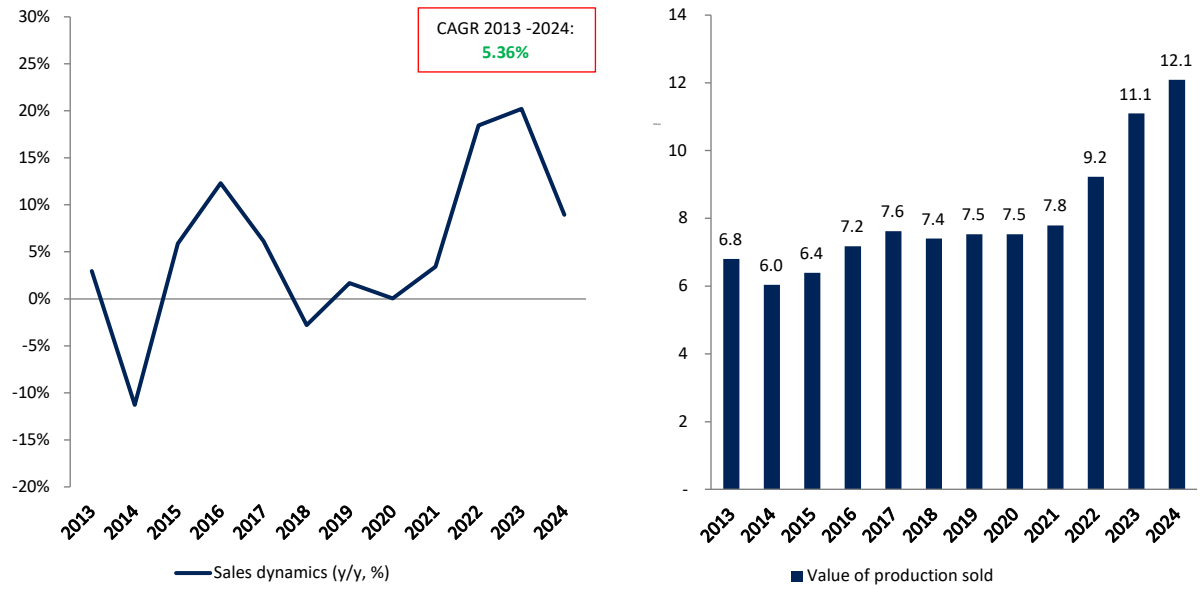
Source: Euromonitor International

2.2. Sold production of cosmetics in Poland

- ☑ *Increased domestic and foreign demand and growing public spending on cosmetics result in increasing production and sales of cosmetics.*
- ☑ *Although the cosmetics industry accounts for about 1% of Poland's manufacturing industry, the nature of its products (fast-moving consumer goods) ensure steady demand and have a stable place in the economy.*

The cosmetics market is one of the most growing branches of the Polish light industry in Poland. This is confirmed by an increase in the value of the market (by 160% between 2004 and 2024), rapidly growing exports (8.6 times between 2004 and 2024), an increasing number of companies in the market (a jump of 49% between 2015 and 2024) and the value of production sold in the domestic market. Taking the latter into account, the sold value of the products of the manufacturing sector C20.42 – Manufacture of cosmetic and toiletry products (according to the Polish Classification of Activities; more in the section Methodology – products of the sector) – in 2024 amounted to PLN 12.1 billion in Poland (vs. PLN 11.1 billion in 2023), which means an increase of 78% from 2013 (PLN 6.8 billion). The average annual growth rate for the period (CAGR) was 5.36%.

Chart 16. VALUE OF COSMETICS PRODUCTION SOLD IN POLAND



Source: Wise Europa's own analysis based on Statistics Poland data

Growth in the value of the cosmetics market is supported by several important factors. Macroeconomic factors are of primary importance – the growing purchasing power of the Polish consumer as manifested by the increase in GDP per capita in purchasing power parity (from 10.9 K EUR PPS in 2004 to 31.4 K EUR PPS in 2024, there is also a process of convergence to the EU27 average, from 51.5% of the EU27 average in 2004 to 79% in 2024 – more in subsection 3.1 Economic environment and prospects). In addition, technological development and innovation in the cosmetics industry are playing an increasingly important role. Companies are investing more in research and development, which enables them to bring new products

to market. Nationally, R&D investment increased from 0.88% of GDP in 2013 to 1.56% of GDP in 2023. Of this, the vast majority, as much as 65% (equivalent to 1.01% of GDP), is spent by the private sector (including the cosmetics industry). As a result, we observe a high degree of product segmentation in the cosmetics market – the variety of products responds to different consumer needs and preferences (for more: see the Segments subsection). Equally important are consumer trends, consumers' growing awareness with regard to taking care of health, hygiene and beauty, the inclination to invest in products that improve appearance while having a positive impact on well-being, or the increased interest in skin and body care. As a result, we are seeing rapid growth in demand for a wide range of cosmetics (skin care products, hair care, make-up, perfumes, etc.).

2.3. Number of companies and employment

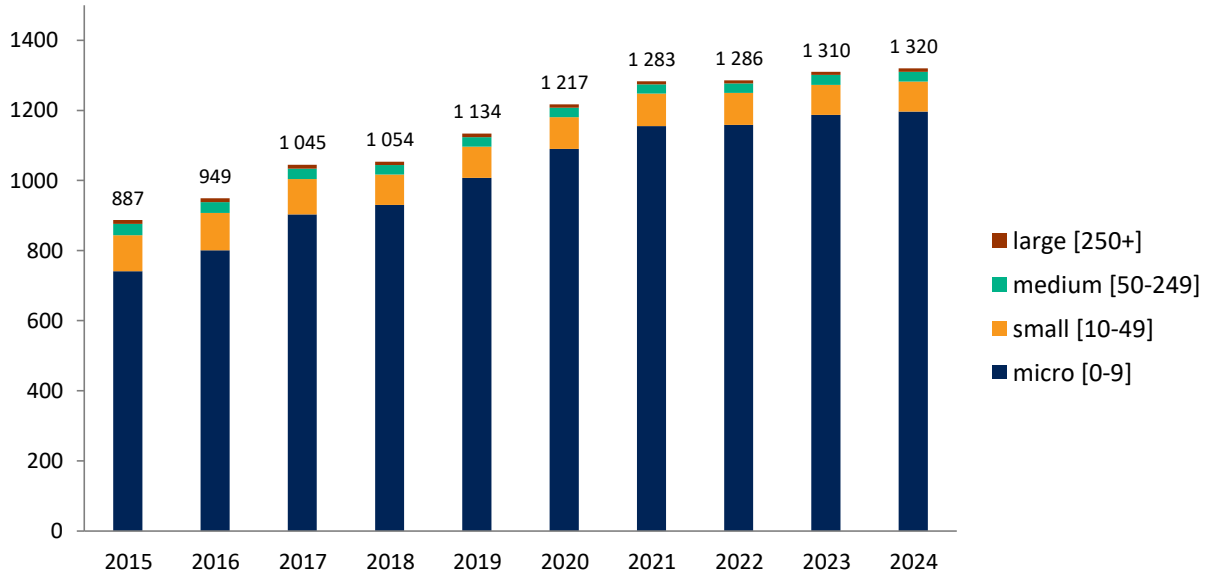
- ☑ *There are 1320 registered companies in the cosmetics manufacturing sector, 91% of which are micro-enterprises. The sector employs almost 20,000 employees, while the entire industry (manufacturers, distributors, sales networks) provides the workplace for more than 65,000 employees.*

- ☑ *Poland ranks fourth in the EU in terms of the number of employees in the cosmetics manufacturing sector, accounting for 9.7% of employment in the EU industry.*

As the market grows, more and more companies are getting into the game, competing for consumers' attention. This, in turn, stimulates supply, further development and innovation conducive to increasing the value of the industry. Between 2015 and 2024, the number of registered entities on the Polish cosmetics manufacturer market increased from 887 to 1,320 of currently operating businesses (data based on the Polish REGON register). The dynamic growth in the number of companies in the sector (49% in ten years) testifies to the continued attractiveness of the cosmetics industry to entrepreneurs as well as to good market prospects. The number of establishments manufacturing and packaging cosmetic products in Poland was 794 in 2023 (data from the Chief Sanitary Inspectorate) compared to 623 in 2022 and 569 in 2021, and has increased more than 3 times since 2013 (from 241). Along with the increase in the number of companies goes direct employment in the cosmetics sector, which is also growing steadily (from 14,400 in 2013 to 19,300 in 2022). The impact of the cosmetics industry's activities on employment in other sectors is estimated at 140-160 thousand employees, of which 4,500 account for indirect impact (industries in the value chain – wholesale and retail trade in specialty stores) and 95-120 thousand constitutes induced impact (employment resulting from direct and indirect activities). Taking into account people employed directly in the cosmetics manufacturing sector (19,300), the industry has a significant impact on 65,300 jobs in the value chain and 140-160 thousand total jobs in the economy. Across the EU, the cosmetics sector employs 265,700 people directly, 2.7 million indirectly, while the induced impact is estimated at 596,000. In total, the cosmetics sector affects more than 3.5 million jobs in the EU. However, the growth of the workforce directly in the sector was smaller (by about 20%) than the number of companies (less than 50%), indicating the increasing polarization of employment (fewer employees per company). The reason for this is the strong growth of microenterprises (0-9 employees) and they alone account for the increase in the number of companies operating in the industry. Between 2015 and 2024, 433 new entities entered the market – this is a net result, as 456 micro businesses arrived, while 18 small (10-49 employees), 4 medium (50-249 employees) and 1 large (employing more than 250 people) declined during the period. Despite the overall growth in the number of entities in the industry, there are signs of restructuring in the market. Movements in the opposite direction, resulting from the strategies of global corporations, are also being observed. The closure of operations in Poland in 2025 has been announced by, among others, Cetes (the process is expected to take two years and end in 2027), as well as Henkel (the end of production activities at

the Racibórz plant by November 2025 – 159 employees; the remaining plants in Stąporków and Dzierżoniów are to continue operations – a total of about 710 employees). Such decisions, however, do not undermine the stable development of the sector as a whole, although they do indicate the changing localization strategies of some of the largest players.

Chart 17. NUMBER OF C20.42 SECTOR ENTERPRISES REGISTERED IN THE REGON SYSTEM BY EMPLOYMENT SIZE



Source: Wise Europa's own analysis based on the REGON register

The share of employees in the cosmetics sector in the entire industrial processing sector falls within the range of 0.6-0.7% and shows stability in this proportion. Value added and turnover also reflect the industry's steady contribution to the overall value of the industry in Poland, oscillating between 0.7 and 1.2%. Taking into account employment rates, the number of companies, value added and turnover, the cosmetics industry accounts for about 1% of Poland's manufacturing industry. From the perspective of the industry as a whole, this is a relatively small share, given that there are industries that boast a far greater impact. However, the demand for the products of these industries or the value of the goods are by far larger economically, such as food processing (15%), metals (14%), furniture (7%) and automotive parts (7%). Nevertheless, the production of cosmetics has its permanent and stable place in the economy, producing for the public products that are necessary for daily use, and due to their nature (goods of current use) they are often interchangeable and the demand for them on an economic scale is relatively stable. In contrast, compared to other EU economies, employment in the cosmetics manufacturing sector in Poland is the fourth largest by number of employees, behind France (73.3 thousand), Germany (35.0 thousand), Italy (21.8 thousand), and the sixth largest by share of employment in the manufacturing industry, behind France (2.28%), Luxembourg (1.25%), Greece (0.95%), Spain (0.87%) and Latvia (0.87%). Poland is responsible for employing 9.7% of the sector's workforce across the EU.

Table 6. EMPLOYMENT IN THE COSMETICS MANUFACTURING SECTOR (C20.42) AND THE SECTOR'S SHARE IN MANUFACTURING BY EMPLOYMENT, VALUE ADDED AND TURNOVER

Year	Employment	Share of employment in industrial processing (%)	Value added (% of industrial processing)	Turnover (% of industrial processing)
2013	14442	0.6	1.0	0.8
2014	15366	0.6	1.0	0.8
2015	16298	0.7	0.9	0.7
2016	17189	0.7	1.1	0.8
2017	17864	0.7	0.8	0.7
2018	19279	0.7	0.8	0.7
2019	20142	0.7	0.8	0.6
2020	19699	0.7	0.8	0.7
2021	19763	0.7	0.7	0.6
2022	19302	0.7	0.7	0.6

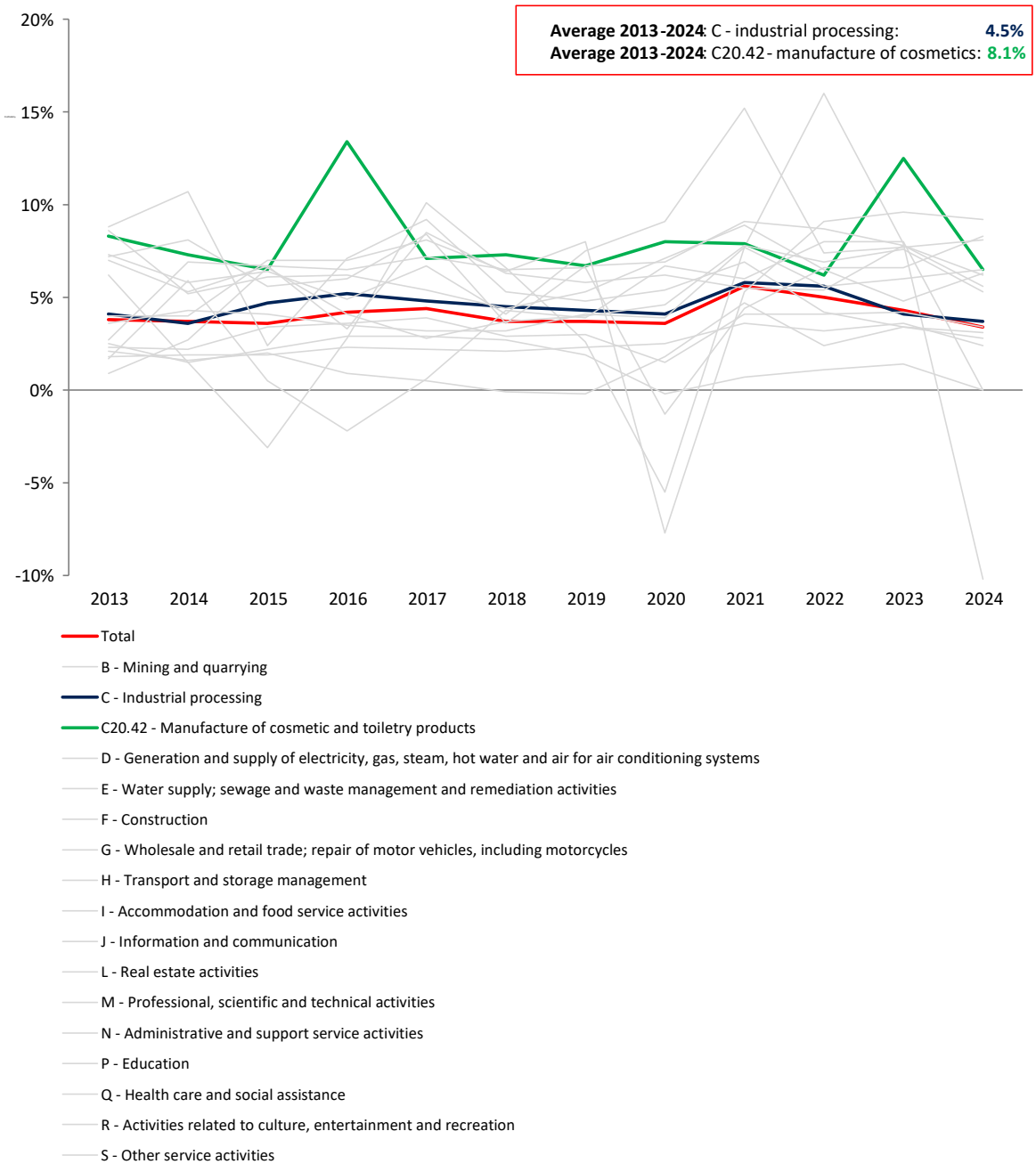
Source: Wise Europa's own analysis based on the Eurostat, Statistics Poland and REGON register data

2.4. Profitability of the industry

- ☑ *Cosmetics production is characterized by consistently very high profitability compared to other industries in the economy. Between 2013 and 2024, it averaged 8.1% – almost 2 times that of manufacturing and the economy on average.*
- ☑ *After a very good year 2023, when the cosmetics industry achieved a profitability of 12.5%, 2024 brought a lower rate of 6.5%, but still one of the highest in the Polish industry.*
- ☑ *In addition, owning their own brands allows manufacturers to impose margins and control prices at the last stage of the value chain – consequently maximizing profits. Many industries in the Polish manufacturing industry act as sub-suppliers and have limited ability to generate high rates of return – the cosmetics industry, thanks to its own brands, enjoys this privilege.*

Profitability is a key indicator for assessing the efficiency of economic activity in various sectors. In the case of the cosmetics manufacturing sector (C20.42 from the Polish Classification of Activities), profitability calculated as net profit in relation to sales revenue is at a very high level. After a very good year 2023, when the cosmetics industry achieved a profitability of 12.5%, 2024 brought a lower rate of 6.5%, but still one of the highest in the Polish industry. In the wake of general disinflation, cosmetics prices rose more slowly, and in the second half of 2024 inflation in this segment was only 0.6-2.1%. Limited scope for further price increases narrowed the gap between revenues and costs – consequently, this translated into lower net profit than a year earlier and profitability, while a decline in profitability levels characterized most sectors of the economy in 2024. In a broader time frame, the average rate of profit on sales was 8.1% between 2013 and 2024 – higher than the average for manufacturing (4.5%) and the economy as a whole (4.1%).

Chart 18. PROFITABILITY OF THE COSMETICS SECTOR COMPARED TO OTHER SECTORS OF THE ECONOMY (2013-2024)



Source: Wise Europa's own analysis based on Statistics Poland data and PONT INFO Economy database

High profitability rates over a long period attest to the industry's ability to generate profits and are a combination of several key factors that promote efficiency and profits for companies in the sector.

- Own brands – cosmetics manufacturers often produce and sell cosmetics under their own brand name. This allows them to control price at the last stage of the value chain – where they can exercise the privilege of imposing margins and controlling profits. This sets them apart from many other processing industries. At the same time, many companies operate in a mixed (dual) model – in addition to producing for themselves, they also carry out orders for other entities – increasing the efficiency of production capacity utilization and diversifying revenue sources.
- Strong domestic market and growing purchasing power – cosmetics are a widely used good, which translates into stable demand (a fast-moving consumer good that is often interchangeable), while growing consumer demands and spending are conducive to stable demand.
- Diversity of products – a wide range of products allows effectively reaching different segments of the market.
- Innovation and flexibility – the beauty industry is constantly evolving, and the pace of change and trends is rapid – requiring flexibility and adaptability. Cosmetics companies in Poland often demonstrate innovation, introduce new products and technologies to the market, thereby increasing their attractiveness and competitiveness. (Read more in Chapter 5. Innovations).
- Marketing – strong brands and active promotional strategies (proper positioning of their products, effective advertising campaigns, social media, presence at conferences and industry events) build loyalty and support sales.
- Globalization and cost factors – high-cost competitiveness and export orientation promote a positive trade balance and favourable financial indicators. Poland is still characterized by lower material and labour costs, and the industry itself is not energy-intensive, which helped avoid a deterioration in competitiveness during the energy crisis.
- Distribution channels – growth of e-commerce, diversification of channels and retail networks increases sales and protects against external shocks. This can be seen in the moves of major brands, among others – for example, Avon, traditionally associated with direct sales, launched online sales, entered Allegro (2023), and in 2024, joined stationary sales through the Rossmann chain – showing the directions of transformation in the industry.

2.5. Product categories

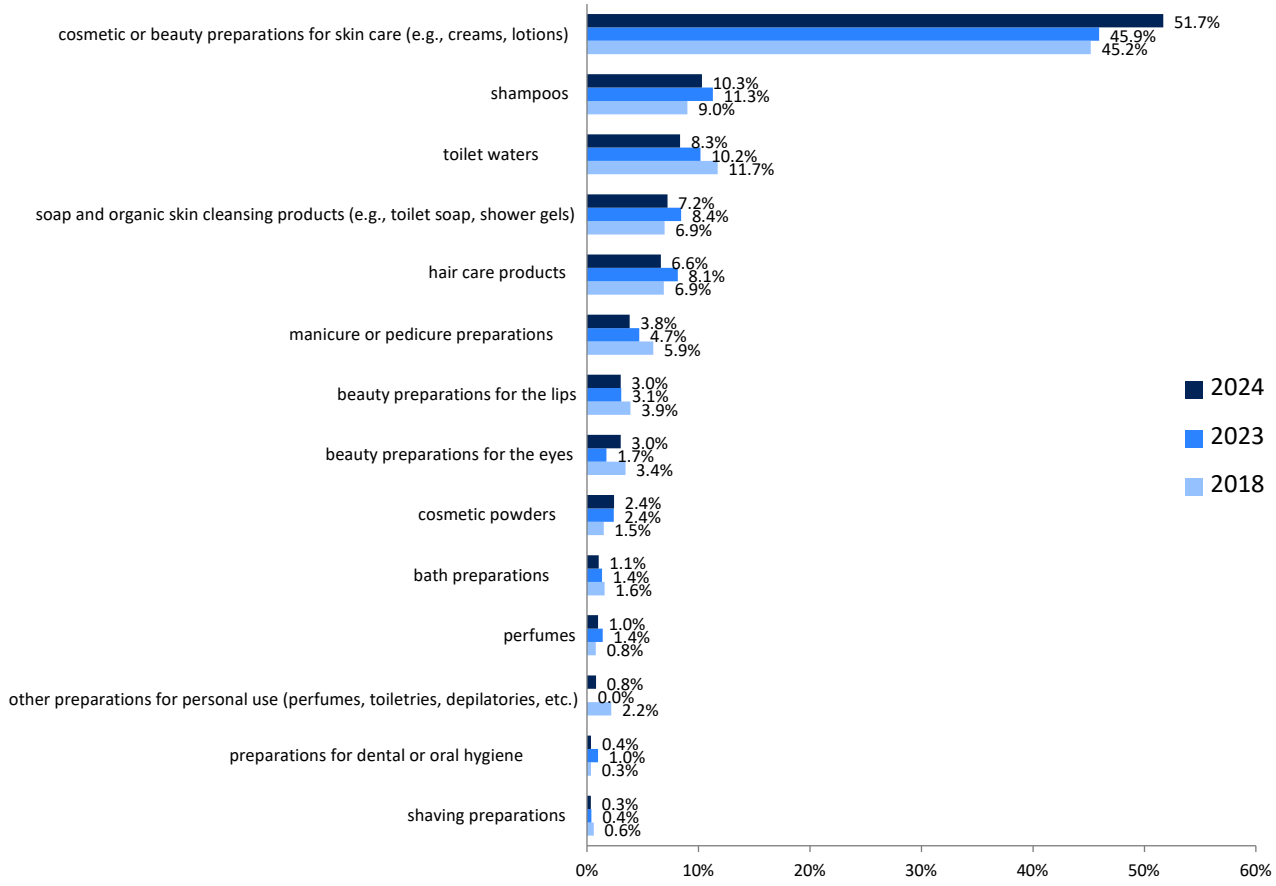
☑ *Invariably, skin care cosmetics (creams, lotions, etc.) are the most in demand, with a 51.7% share in sales, and this segment is gaining increasingly more market share (in 2023, it accounted for 45.9% of the sales structure).*

☑ *Compared to the EU, we buy those products more readily, as do shampoos, soaps and shower gels or make-up products. Still, Poles spend relatively less on toilet water, hair care cosmetics and oral and dental hygiene products.*

The largest product category of the cosmetics market in Poland is skin care products (creams, lotions emulsions, scrubs). Their share of sales in 2024 was 51.7% – a steep increase compared to 2023 (45.9%), and skin care cosmetics in Poland are more popular than the EU average, where this segment accounts for 34.4% of sales. The second largest market category is shampoos. In Poland, they account for 10.3% of cosmetics sales (a decrease in share from 11.3% in 2023) – more than in the EU (7.9%). Toilet waters rank third with a share of 8.3% (down from 10.2% in 2023) – much lower than the average in the European Union countries, where toilet waters are the second largest market segment with a sales share of 15.3%.

Soaps and organic skin cleansing products, which range from bar toilet soaps to shower gels, are also important categories and account for 7.2% of market sales. Hair care cosmetics account for 6.6% of sales (conditioners, hair sprays, hair pastes). These five main categories account for 84.2% of all cosmetics on the market. The rest of the segments have smaller market shares, while being an indispensable part of consumers' daily lives. Also attracting attention is the highly developed market for manicure and pedicure cosmetic services in Poland and the CEE region. Products needed for nail beauty treatments account for as much as 3.8% of cosmetics sold in Poland, which is much higher than the EU average (only 1.6%).

Chart 19. SEGMENTS OF SALES OF COSMETIC PRODUCTS IN POLAND



Source: Wise Europa's own analysis based on Statistics Poland data

2.6. Financial results and net profit

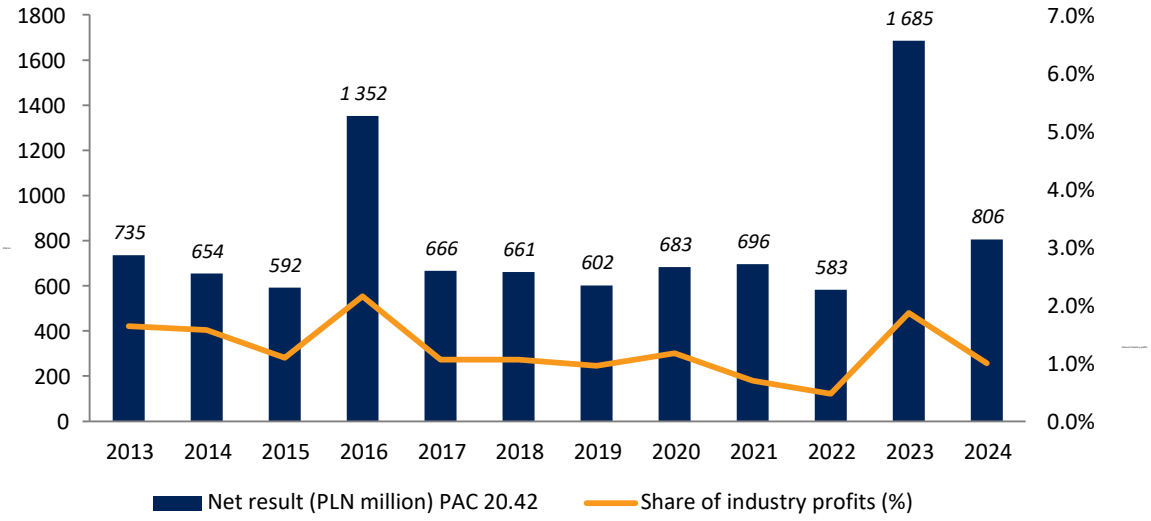
☑ *The sector shows the ability to generate high profits. After a record-breaking 2023, in which cosmetics manufacturers generated a net profit of PLN 1,685 million, in 2024, it amounted to PLN 806 million and approached the sector's average annual profit level of PLN 810 million from the years 2013-2024.*

- *Record profits and profitability in 2023 were due to price increases for many cosmetics. This occurred later than for other commodities in the economy. CPI inflation peaked at the turn of 2022 and 2023, and cosmetic products peaked in Q2 and Q3 of 2023.*
- *Following the process of disinflation in the overall economy, the same trajectory with a several-month delay was followed by prices of commodities and beauty products, which were characterized by single-digit inflation throughout 2024, and in the second half of the year it was in the range of 0.6-2.1%. Cosmetics manufacturers were limited in their ability to compete on the revenue side (drastically raising prices), resulting in lower differences in the sector's revenue and cost levels and lower net profit compared to a year earlier.*
- *Cosmetics manufacturers are much less indebted than other industries. They are able to meet a large part of their expenses from profits thanks to high profitability. At the same time, there is room for more foreign capital to finance further expansion of the cosmetics sector.*
- *The industry has not been greatly affected by the energy crisis, as cosmetics production is not an energy-intensive sector – it spends only 1.4% on energy in operating expenses. The largest expenditures are for materials – 54.1%.*

The cosmetics industry boasts one of the highest profitability (6.5% in 2024, 8.1% on average in 2013-2024) in the Polish manufacturing industry (see subsection 2.4 Industry profitability). Each year, the sector has achieved positive financial results and shown great resilience to recent external shocks. Thanks to e-commerce distribution channels, the COVID-19 pandemic did not negatively affect the performance of cosmetics companies, and thanks to its low energy intensity, the industry came through the energy crisis unwaveringly.

In 2024, the net profit amounted to PLN 806 million, and was within the range of the average annual profit the sector earned in 2013-2024 (an average of PLN 810 million per year). The reduction in high net profit and profitability compared to the record year of 2023 was a result of, among other things, a declining inflation of personal care and cosmetics – as a consequence of the reduced difference in the sector's revenue and cost levels. During the period, cumulative profits amounted to PLN 9.7 billion, which largely financed capital expenditures, operating activities, promotional and marketing expenses, product improvements and expansion into foreign markets. Thanks to their high profitability, cosmetics manufacturers have a relatively high share of the profits of the entire manufacturing industry in Poland – higher than their share of employment (0.7%), turnover (0.6%) or investment (0.5%). In 2024, the cosmetics manufacturing sector generated 1.0% of all profits of the manufacturing industry, and accounted for 1.2% of cumulative profits of the manufacturing industry between 2013 and 2024.

Chart 20. NET RESULT OF THE COSMETICS MANUFACTURING SECTOR (2013-2024)



Source: Wise Europe's own analysis based on the PONT INFO Economy database. Applies to entities employing >9 people.

The cosmetics sector is dominated by micro and small enterprises in terms of the number of players, while medium and large enterprises account for the vast majority of the sector's performance due to available resources and scale of operations. Entities with more than 9 employees employed 15,478 workers in 2024, and in earlier years accounted for 76-90% of all employment in the sector (an average of 86% in 2008-2023). The data available for those entities that filed F-01/I-01 reports (financial statements that include, among other things, the income statement, key balance sheet items) show that, in 2024, there were 88 such entities, the vast majority of which (78%) were profitable. They generated PLN 806 million in profit with a return on sales of 6.5%, down from a year earlier (12.5%), while at a level close to the average for 2013-2024 (8.1%). This was followed by declines in return on equity 13.9% vs. 31.5% in 2023 and 13.5% in 2022) and assets (8.2% vs. 17.7% in 2023 and 7.6% in 2022). The sector maintains high liquidity ratios – its current assets are able to cover current liabilities by more than 2 times, and subtracting inventories by 1.2 times. The industry shows no signs of excessive indebtedness; on the contrary, the share of third-party capital in financing is 38%, far lower than the average in the manufacturing industry (45%). The sector is characterized by high profitability, which reduces the need for external financing and is able to largely self-finance activities such as investment and operations. At the same time, there is room to increase the involvement of external financing (without excessive risk, with good profitability of the industry), which could contribute to further development of the sector, increase investment and scale and size of operations. In 2023, there was high revenue growth of 40% year-on-year, which, with lower cost dynamics (up 30%), allowed achieving high profitability and earn a record-breaking net profit. In 2024, the sector's revenues fell 8.6% year-on-year, while costs fell 2.0%. Despite the large decline in revenue, the difference in income and expenses allowed generating a positive net profit. Sales revenues accounted for 91% of total revenues, and the sector generates 48% of its sales revenues from export sales (44% of total revenues).

Table 7. INDICATORS AND FINANCIAL PERFORMANCE OF THE COSMETICS MANUFACTURING SECTOR

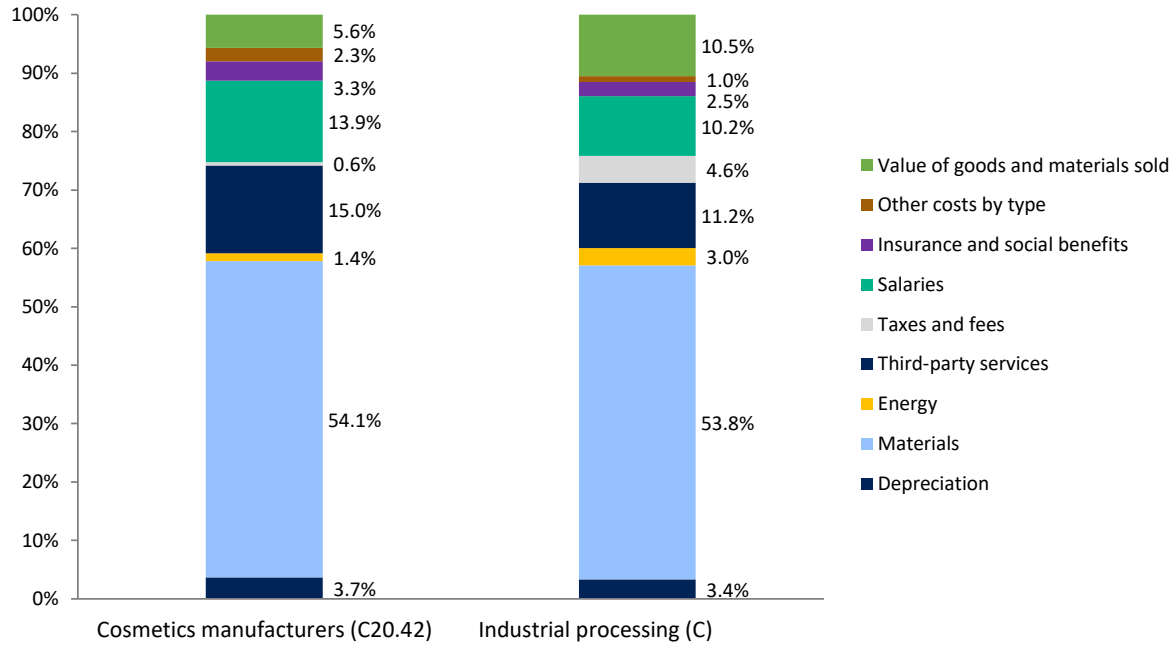
PKD: 20.42 Manufacture of cosmetic and toiletry products	2018	2019	2020	2021	2022	2023	2024
EN Number of economic entities	84	83	87	83	87	91	88
of which share of profitable entities (%)	79%	77%	86%	83%	79%	87%	78%
NP Net financial result (net profit) in PLN million	661	602	683	696	583	1685	806

NPM (ROS) Net profit margin (%)	7.4	7.1	8.4	8.1	6.1	12.5	6.5
ROE Return on equity (%)	16.4	13.6	14.9	14.9	13.5	31.5	13.9
ROA Return on assets (%)	10.3	8.8	9.8	9.3	7.6	17.7	8.2
CR Current ratio	2.07	2.14	2.16	2.28	2.01	2.02	2.01
QR Quick ratio	1.35	1.43	1.45	1.48	1.20	1.23	1.20
IT Inventory turnover (in days)	46	51	55	60	63	53	57
CP Collection period (in days)	59	58	56	56	55	46	50
EN Payables period (in days)	63	72	77	75	78	67	70
DR Debt ratio	0.34	0.35	0.36	0.37	0.40	0.38	0.38
ETA Equity to asset financing ratio	0.66	0.65	0.64	0.63	0.60	0.62	0.62
GS Gross sales in PLN million	8977	8471	8094	8640	9637	13491	12327
TC Total costs in PLN million	8189	7755	7292	7824	8912	11575	11338
E/GS Share of export sales in gross sales (%)	0.48	0.35	0.40	0.41	0.49	0.51	0.44

Source: Wise Europe's own analysis based on the PONT INFO Economy database. Applies to entities employing >9 people.

On the expenditure side, the biggest costs for companies are expenses for materials, third-party services and subcontracting, and employee salaries. The structure of expenditures is similar in most industries, but there are more-or-less significant differences depending on the specifics of their activities, e.g., higher energy expenditures are found in energy-intensive sectors such as cement production (14.8%), iron and steel production (15.0%) and their founding (10.4%), or the production of chemicals, fertilizers and nitrogen compounds (7.3%). In the manufacturing industry, energy expenses accounted for an average of 3.0% of operating expenses in 2024. The cosmetics industry is not among the energy-intensive sectors, so even the recent turmoil in the energy market and price increases have not significantly affected its operating costs (only 1.4% in operating expenses). Cosmetics manufacturers spend the most on production materials (54.1%) – as does the entire processing industry on average (53.8%). Cosmetics manufacturers spend more in the cost structure on third-party services (15.0% vs. 11.2% on average for the industry), salaries (13.9% vs. 10.2%), and consequently on social security (3.3% vs. 2.5%), as well as on generic costs, such as business travel (2.3% vs. 1.0%). By contrast, relatively lower in the expenditure structure are the aforementioned expenditures on energy (1.4% vs. 3.0%), taxes and fees (0.6% vs. 4.6% that the industry is due on average) and expenses related to the sale of its goods and materials (5.6% vs. 10.5%).

Chart 22. OPERATING COST STRUCTURE IN 2024



Source: Wise Europa's own analysis based on Statistics Poland data. Applies to entities employing >9 people.

2.7. Capital expenditures

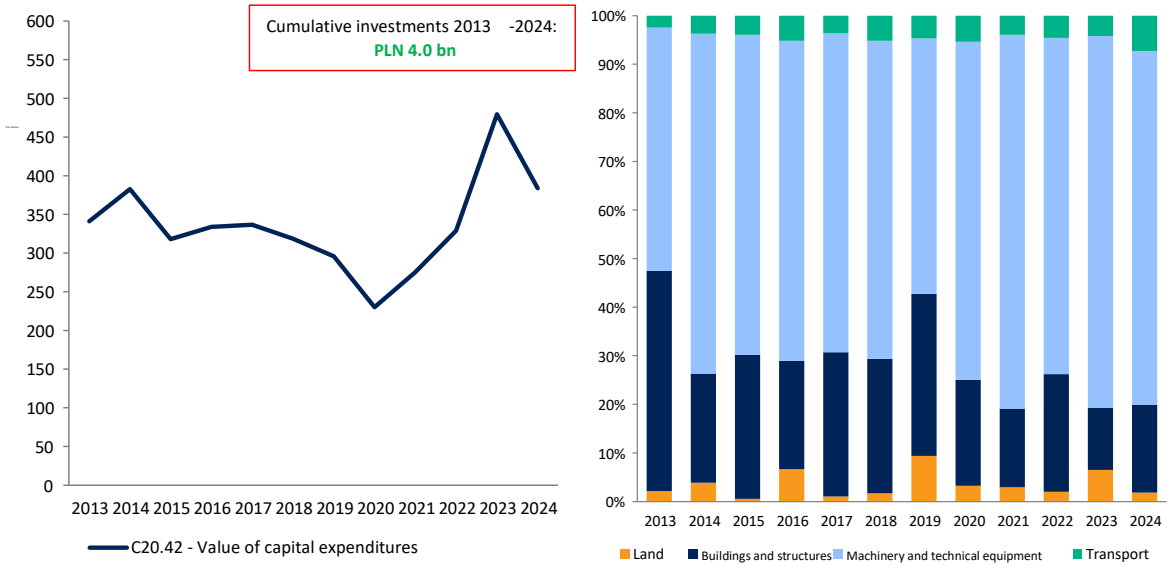
- *Cumulative investments by cosmetics manufacturers amounted to PLN 4.0 billion in 2013-2024. They invest mostly in machinery and technical equipment (67.1% in total during the period), buildings and structures (24.9%), means of transportation (4.5%) and land (3.6%).*
- *Investments in the cosmetics manufacturing sector accounted for about 0.53% of all investments in industrial processing over the past eleven years. In relation to the profits generated, this is considerably less – out of every PLN 100 of financial surplus, they allocated an average of PLN 29 to investment in fixed assets. In the processing industry as a whole, this was PLN 48.*
- *In addition to investment in fixed assets, a portion of expenditures is also spent on research and development and innovations. As many as 85% of companies declare they are working to implement innovations (high innovation activity of the sector), and 25% allocate more than 10% of their budget to this purpose (more on sector innovations in chapter 4).*

Investment plays a key role in the country's development and long-term economic growth. Through investment, companies can expand and modernize their production base, introduce new technologies, increase employment, expand their operations, thereby contributing to the productivity and competitiveness of the economy. In recent years, the aggregate level of investment in Poland has remained within 20% of GDP and is below the average of the EU27 (22.9% of GDP; for more: see subsection Economic environment and prospects) or the countries of Central and Eastern Europe. Sources of investment

financing are primarily corporate equity and those raised from the market (e.g., issuing shares). The banking sector also plays a major role in financing investments, providing loans and credit. In addition, many sectors benefit from subsidies, preferential public programs or EU funds – both under the Multiannual Financial Framework and in recent years related to the recovery of the economy after the polycrisis period (NextGenerationUE, KPO). As of 16 July 2024, we know the new 2028-2034 Multiannual Financial Framework for the European Union. According to the European Commission's announcement, one of the main features of the MFF is that the funds allocated are expected to become "a powerful stimulus for competitiveness so that Europe can secure supply chains, scale up innovation and lead the global race towards clean and smart technologies." The Commission has planned funds for the European Competitiveness Fund (ECF), which is designed to bolster the EU's weakened industry and prevent the EU from falling further behind China and the US in terms of competitiveness. According to assumptions, the fund will be an amalgamation of more than a dozen separate initiatives, to which the Union will allocate a total of 409 billion euros. Together with the EUR 175 billion Horizon Europe programme, the fund is intended to provide support for the entire investment process of projects and reduce the costs and time of disbursement incurred by potential beneficiaries. This is the first such initiative by the European Commission. The cosmetics industry in Europe and Poland can also benefit from it.

Considering investment in fixed assets, enterprises incur such expenditures as land, buildings and structures, machinery, equipment (technical capital equipment) and means of transportation. These assets are usually used repeatedly or continuously for more than a year. Since 2013, cosmetics manufacturers have made expenditures of a total of PLN 4.0 billion (an average of PLN 335 million per year) on such measures. During this period, most was spent on investments in machinery and technical equipment (67.1%) and buildings and structures (24.9%). The rest were transportation equipment (4.5%) and land (3.6%).

Chart 23. CAPITAL EXPENDITURES ON FIXED ASSETS OF THE COSMETICS INDUSTRY (2013-2024)

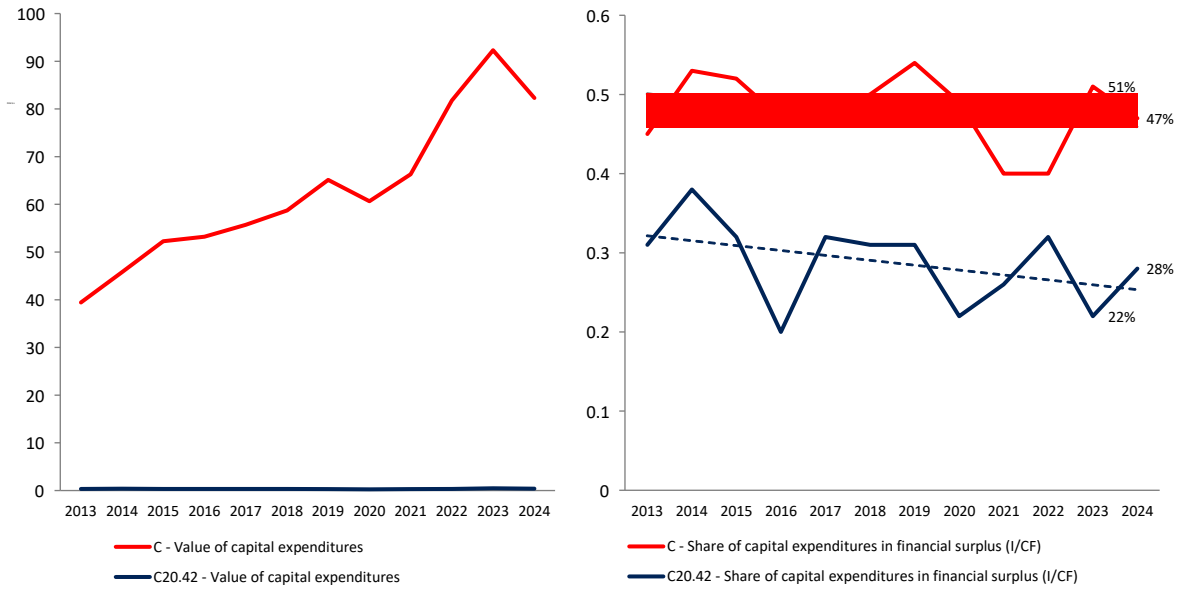


Source: Wise Europe's own analysis based on the PONT INFO Economy database. Applies to entities employing >9 people.

The cosmetics industry (like other industries) was a beneficiary of the funds Poland gained access to after 2004 under the EU's 7-year financial perspective. This has increased opportunities for investment financing and, consequently, business development in many sectors. Investment in the entire industrial processing sector is characterized by strong growth rates. Between 2013 and 2024, they increased from PLN 39 billion to PLN 82 billion. Compared to the manufacturing industry as a whole, the value of capital expenditures in the cosmetics manufacturing sector is much smaller, due to the smaller scale of operations and the specifics of the industry. During the same period, investment in the cosmetics sector has remained stable,

showing a horizontal trend with somewhat greater year-to-year volatility (fluctuations driven by economic conditions – private investment is sensitive to the business cycle and economic outlook, particularly in smaller sectors). Between 2013 and 2024, cumulative investment in the manufacturing industry amounted to as much as PLN 754 billion, of which the cosmetics industry accounted for PLN 4.0 billion, or 0.53%. At its peak, cosmetics manufacturers invested 1.07-1.11% of what the processing industry invested (2009-2010), while in recent years it is less (2019 – 0.45%; 2020 – 0.38%; 2021 – 0.41%; 2022 – 0.40%; 2023 – 0.51%). In 2024, the share was 0.47%, and the increased investment in the last two years (especially in 2023) was made possible by financial opportunities coming from within the sector (high profitability ratios and a low share of debt financing). This trend is confirmed by the ratio of capital expenditures as a share of financial surplus (reflects the degree to which financial surplus is used for investment). For the cosmetics industry, it is lower than the industry average. In the period under review, industrial processing companies allocated an average of PLN 48 out of every PLN 100 of financial surplus to fixed asset investments. In the cosmetics sector, it was less – PLN 29 (cf. chart 24 below right panel).

Chart 24. FIXED ASSET INVESTMENT IN MANUFACTURING (C) AND COSMETICS (C20.42) – LEFT PANEL; AND RATIO OF CAPITAL EXPENDITURES TO FINANCIAL SURPLUS (2013-2023) – RIGHT PANEL



Source: Wise Europe's own analysis based on the PONT INFO Economy database. Applies to entities employing >9 people.

3. Market prospects

3.1. Economic environment and outlook

☑ *The last 30 years in the Polish economy have been a period of prosperity. Since joining the EU27, the level of GDP* per capita *has risen from 52% to 79% of the EU average today, and maintaining this convergence trend will bring Poland on par with the EU27 average at the beginning of the next decade.*

- ☑ *As per capita income rises, Poles are spending more and more on consumption, including cosmetics. In 2024,* per capita *spending on cosmetics was EUR 129 per year, and is expected to rise to EUR 165 by 2030 (from 81% to 89% of what the average EU resident spends).*

- ☑ *Falling inflation should make investment predictable, but keeping interest rates high in the economy makes it more expensive to raise capital, which hinders economic recovery.*

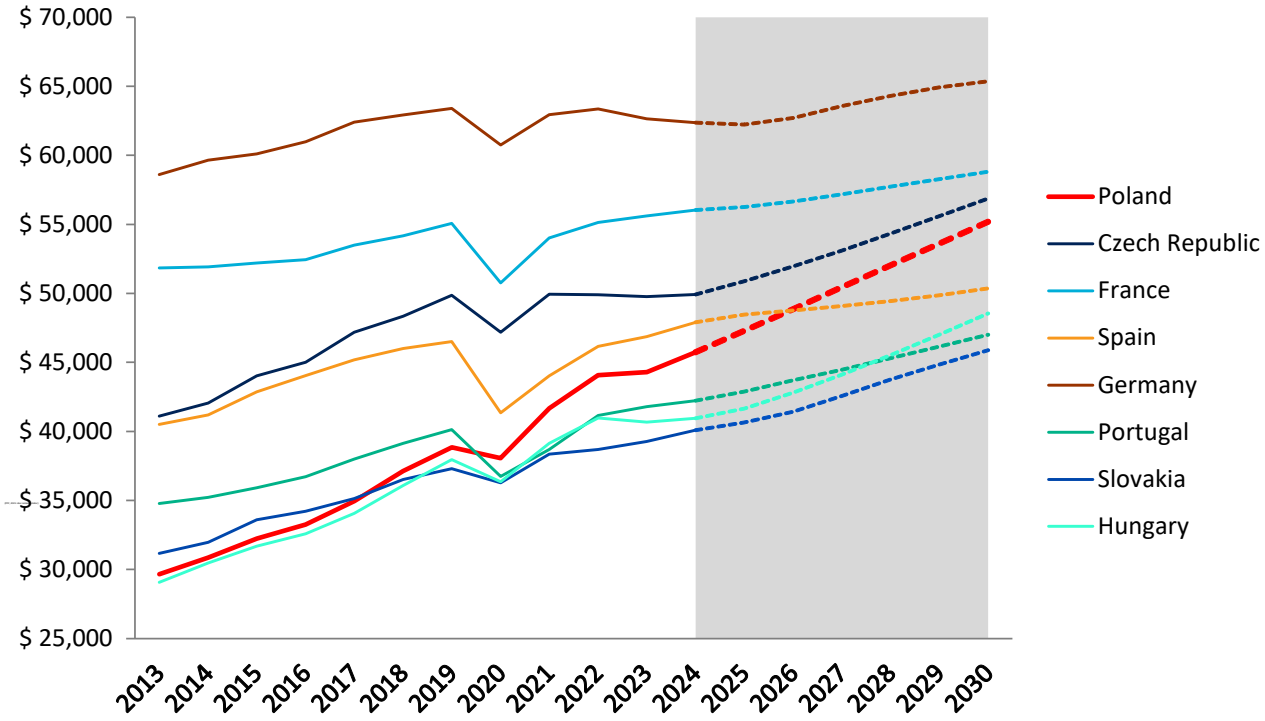
- ☑ *After a slowdown in 2023 (GDP growth of 0.1%) and a better 2024 (GDP growth of 2.9%) in the current year, economic growth should remain above 3% year-on-year, and in subsequent years the Polish economy should grow at an annual rate of 3.0-3.5%.*

- ☑ *The economic recovery in Poland and abroad, combined with fiscal stimulation – both of individual countries and at the EU level – should promote growth in production and trade. The latter could be threatened by protectionist tendencies in global trade related to successive rounds of tariffs imposed by the United States on various countries around the world, including the European Union. The U.S. is the world's largest importer of cosmetics (11.7% of global imports), but trade in cosmetics in Poland and other EU countries takes place mainly at the intra-EU level (intra-Community trade)*

- ☑ *The low energy intensity of the cosmetics industry made it possible to effectively neutralize the increase in energy prices in 2022-2023, and the appropriate pricing policy, which adjusted cosmetics prices to inflation with a delay, made it possible to achieve record profits in 2023. In 2024, competing on the revenue side has been limited due to falling inflation across the economy – with cosmetic product inflation following suit.*

Over the past thirty-five years, Poland has become one of the world's economic growth leaders. In terms of per capita income, we have come closer to the richest countries in Western Europe. We have never been so close to them in history, and the last three decades can be considered a period of prosperity in Poland. The standard of living of the average resident is steadily improving. In 1995, Poland's GDP per capita was 44% of the EU average, at the time of EU accession, it was 52%, and today it is already 79%. If the trend of convergence (equalizing the level of income per capita with the richest countries) is maintained, according to the assumption of reducing the gap by about 2% per year, Poland should equal the EU27 average at the beginning of the next decade.

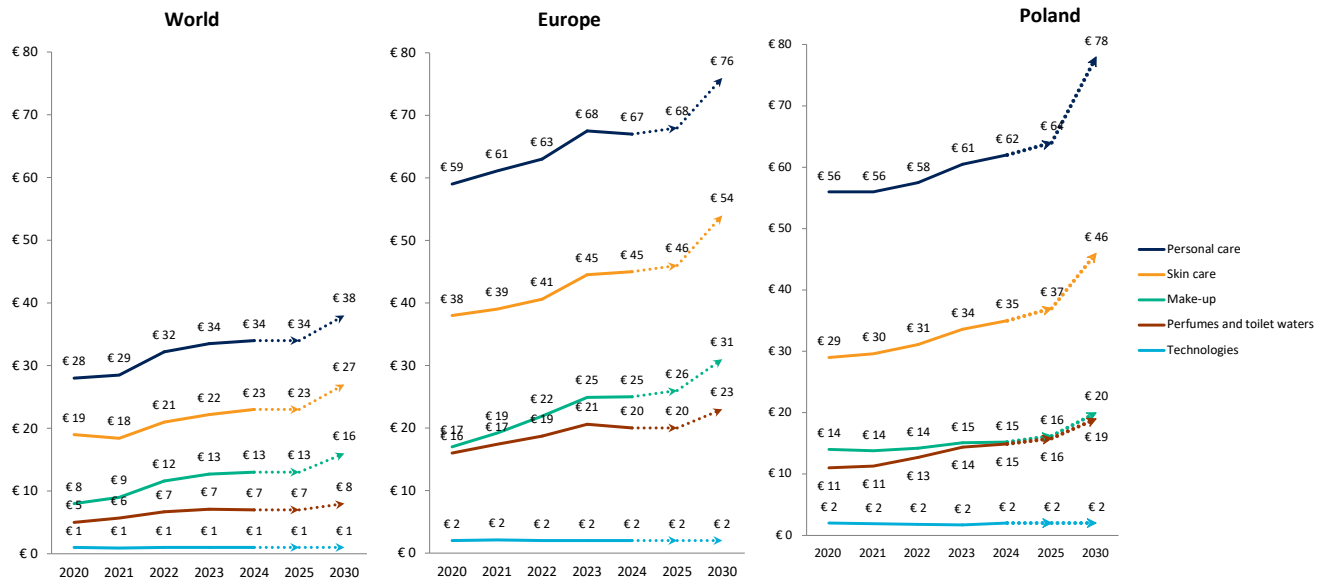
Chart 25. GDP PER CAPITA IN PURCHASING POWER PARITY 2013-2030 (PPP, 2021 INTERNATIONAL DOLLAR)



Source: Wise Europe's own analysis based on IMF data

The European region is characterized by the fact that there is a large number of affluent consumers in a relatively small geographic area and producers are able to liquidate their goods. In 2024, per capita spending on cosmetics was EUR 159 in Europe, more than double the global average of EUR 77. In Poland, EUR 129 was spent, but with the development of the market (more products and their categories) and the growing purchasing power of the Polish consumer, it is expected to increase to EUR 165 in the next five years. This represents a 29% increase, almost double what should characterize Europe (17%) and the world (15%) at the time. This is in line with the trend of economic convergence, where Poland is catching up with rich countries (faster GDP per capita growth in developing countries compared to developed countries). The Polish consumer's current spending on cosmetics is 81% of that of their European counterpart. It is projected that by 2030, it should already be 89%.

Chart 26. COSMETICS SPENDING PER CAPITA IN THE WORLD, EUROPE AND POLAND

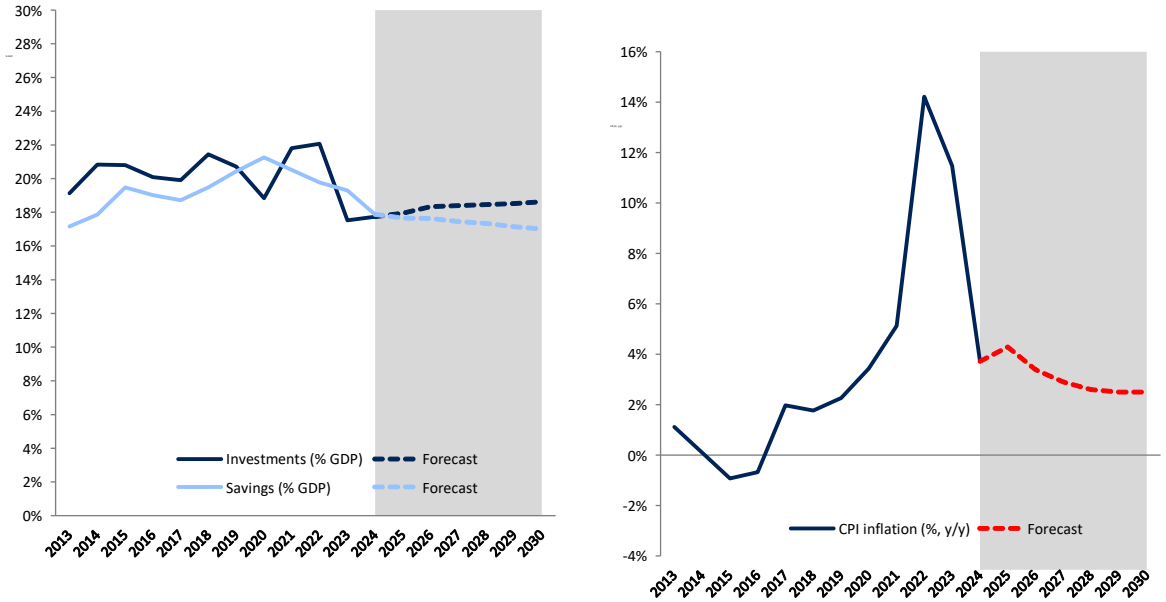


Source: Wise Europe's own analysis based on Statista data

In 2022-2023, inflation was one of the main economic problems in the world. During this period, it was well above the inflation targets of central banks and, in developed economies (such as the US, UK, Eurozone), inflation reached levels of 7-8%, while in developing countries, which include Poland, it was in double digits (in Poland, inflation peaked in February 2023 – 18.4%). This forced restrictive monetary policy on the part of central banks, which involved raising interest rates. In Poland, they were raised from 0.1% during the pandemic to 6.75%. Currently, the National Bank of Poland's benchmark interest rate is 5.00%, and the NBP has embarked on a strategy of adjusting interest rate levels. The next quarters should see a further cycle of reductions in the wake of falling CPI inflation. Higher interest rates mean a higher cost of raising money in the economy. Their effects are already visible in the form of lower inflation, which is the result of reduced economic activity (weak GDP growth in 2023 of 0.1%), including newly started investments (higher cost of raising money, lower demand, decrease in investments, in addition to higher cost of debt service for previous loans taken on a variable interest rate basis). The cosmetics manufacturing industry has been more resilient to shocks from the high-interest rate channel, as cosmetics manufacturers have a structurally lower proportion of debt financing – on average 36% in 2018-2024, the remaining 64% is equity, and this is less than the average in the manufacturing industry, where this ratio is 48% debt financing, 52% equity.

In the area of investment, Poland's investments are at a relatively low level compared to the rest of the European Union economies, and in recent years there has been a marked decline to 17.7% of GDP in 2024. Between 2004 and 2024, Poland's economy, as a proportion of GDP, invested an average of 20.9% per year, which is less than the average of European Union countries (21.8%) and other countries in the Central and Eastern European region (24.9%). Instead, during the same period, Poland had one of the highest annual GDP growth rates, averaging 3.8%, compared to 1.5% for the EU27 average and 2.9% for the CEE group of countries, with growth largely based on consumption. Without sufficient investment, it is impossible to achieve stable and dynamic economic growth in the long term, which is associated with an increase in innovation and labour productivity, by raising the productivity of production factors. From a macroeconomic perspective, the investment rate should be higher nationwide in the next few years and reach levels above 20% of GDP in the years to come.

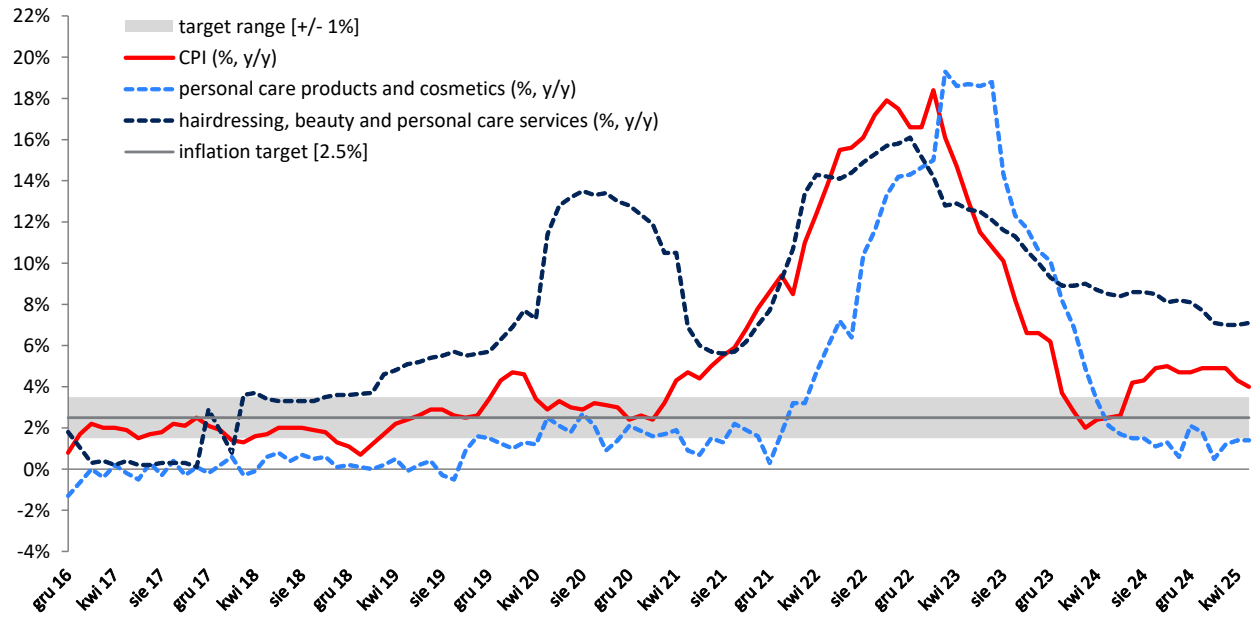
Chart 27. SAVINGS AND INVESTMENTS IN POLAND (% GDP) – LEFT PANEL AND CPI INFLATION (%, Y/Y) – RIGHT PANEL



Source: Wise Europe's own analysis based on IMF data

In 2024, along with the decline in CPI inflation in Poland, there was a significant drop in personal care and cosmetics inflation, and – just like during the rise in inflation – this took place with a delay of several months. For all of 2024, cosmetics price increase was 2.9%, with a range of 0.6-2.1% in the second half of the year. Manufacturers' limited ability to raise prices in 2024 translated into lower profitability and net income, but the performance was still good (cf. chapters 2.5 and 2.6). In the years 2022-2023, the situation was quite different, with high inflation having a paradoxically positive effect on the performance of the cosmetics industry. The cosmetics manufacturing sector achieved a record net profit of PLN 1,685 million in 2023, which was almost 3 times higher than the previous year (PLN 583 million). **This was the result of two factors. The first was the sector's low energy intensity – cosmetics manufacturers spend 1.7% of their operating expenses on energy. This is less than the average in manufacturing (3.1%) and far less than in energy-intensive industries (10-15%).** This has helped cushion the shock of high energy commodity and electricity prices over the past two years. **The second factor was pricing. The increase in cosmetics prices in recent quarters has similarly mirrored price increases in the economy (CPI inflation). However, this was done with a delay of about two quarters.** Inflation peaked in Poland between June 2022 and March 2023, when monthly year-on-year CPIs were over 15%. The increase in cosmetic prices above this level occurred between February and June 2023. At its peak, the increase in cosmetics prices reached 19.3% (March 2023), and for the entire year, cosmetics inflation was 15.2%. This made it possible to achieve high profits with a relatively smaller increase in production costs and resulted in high profitability. In 2022, cosmetics manufacturers achieved 6.2% profitability, slightly higher than in industry (5.6%) and the overall economy (5%). By contrast, it was as high as 12.5% in 2023 – well above the performance of industry (4.1%) and the economy as a whole (4.3%) – see subsection 2.4 Industry profitability.

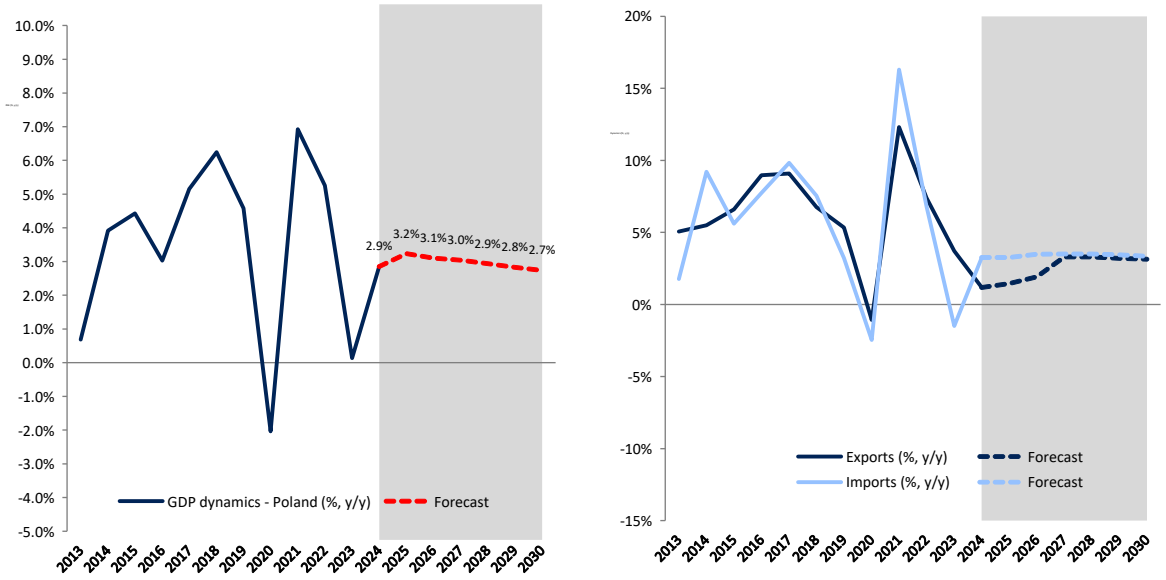
Chart 28. MONTHLY CPI INFLATION IN POLAND (%, Y/Y) EXCLUDING COSMETIC PRODUCTS



Source: Wise Europa's own analysis based on Statistics Poland data

The consequence of the high inflation of the past two years and the associated change in the path of monetary policy to a restrictive one has been the slower economic growth. After the post-pandemic rebound in 2021-2022 and monetary policy tightening (the effects of interest rates on an economy are usually seen after a few quarters), most economies around the world have experienced stunted growth around 0-1%, and some have experienced negative growth. Poland's economy did not experience a recession in 2023, but GDP growth slowed to 0.1%. In 2024, Poland's economy grew by 2.9%, and similar growth rates should follow in subsequent years. The economic recovery at home and abroad should favor the exchange of goods. Changes in trade are correlated with production, but are subject to greater fluctuations. Uncertainty in the area of global trade is caused by a change in U.S. trade policy with tariffs as the main instrument. Protectionist trade policies may have the effect of undermining globalization trends, shortening supply chains and making regionalization of production more important. The International Monetary Fund lowered its export growth forecast for Poland for 2025 from 3.0% to 1.5%, as it did for the following years until 2030, where Poland's average annual export growth (like that of other countries) was revised down from 3.8% on average per year to 2.7%. In 2024, Poland's total exports grew by only 1.2% y/y against an earlier forecast of 6.5%, but the growth rate of cosmetics exports continued its solid upward trend at 5.5%.

Chart 29. GDP GROWTH DYNAMICS IN POLAND 2013-2030 (%, Y/Y) – LEFT PANEL; AND DYNAMICS OF EXPORTS AND IMPORTS (%, Y/Y)



Source: Wise Europe's own analysis based on IMF data

4. Sales of cosmetics on the Polish market

4.1. Sales channels

- ☑ *E-commerce is entering an acceleration phase and becoming a key channel for premium products. Between 2018 and 2024, its share of cosmetics sales nearly doubled, from 9.2% to 17.3%. Particularly strong growth is seen in the perfume and toilet waters segment, where more than half of sales (55%) are made online in 2024, compared to 38% a year earlier. This shift confirms that the Internet is now the first-choice channel for purchasing high-margin and branded cosmetics.*

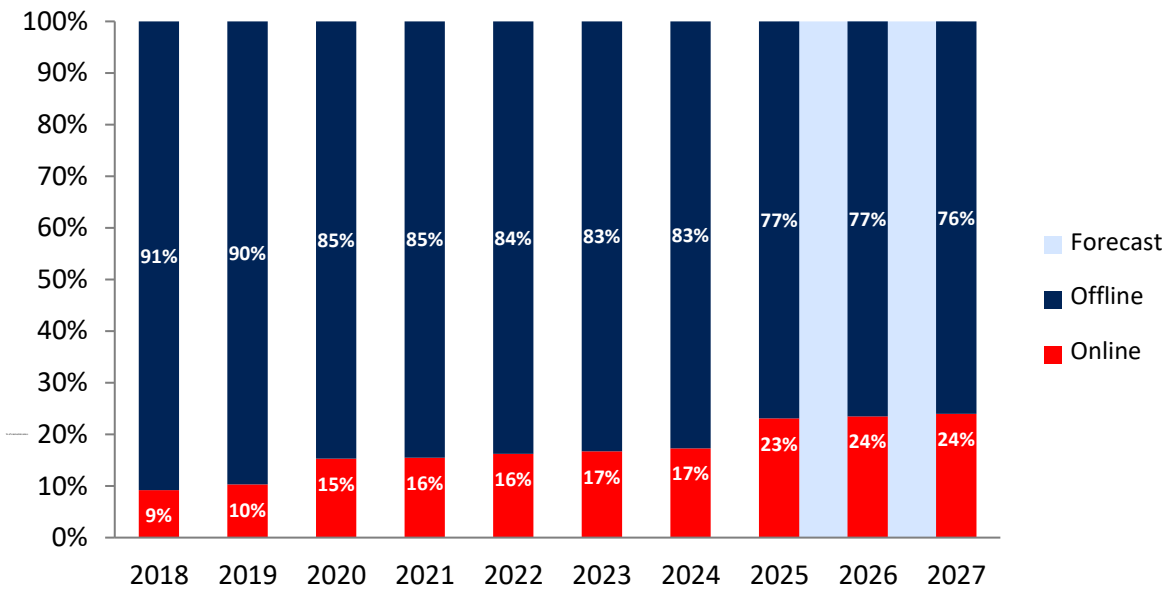
- ☑ *Drugstores maintain their leadership position, but their dominance is gradually waning. In 2018, they accounted for 32.2% of cosmetics sales, in 2023 for 28.4%, and in 2024 – for 28.8%. Although the declines are not steep, a shift where some customers go towards e-commerce and discounters is evident. However, drugstores remain a key channel for categories requiring testing and advice, such as make-up (37% of sales in 2024) and skin care products (35%).*

- ☑ *Discounters have become a mainstay of everyday cosmetics shopping. Between 2018 and 2024, they increased their market share from 18.4% to 21.6%, and their role especially increased in the category of necessities – deodorants (33% of sales in 2024, +4% year-on-year), bath and shower cosmetics (32%) or hair care products (29%). Discounters are winning due to strong price pressure, wide distribution and special offers that hit consumer expectations when costs of living are high.*

- ☑ *Hypermarkets and direct sales are losing ground, while pharmacies are strengthening their position in selected segments. Hypermarkets' share of the cosmetics market fell from 6.6% in 2018 to just 3.8% in 2024, while direct sales declined from 9.0% to 5.5% over the same period. The pharmacy channel is growing in the opposite direction, and although it accounts for only 3.5% of total sales, it has gained ground in the infant and child products segment (14% of sales in 2024, +2% year-on-year) – consumers in this area are looking for safety and specialized solutions.*

A clear and sustained increase in the importance of the online sales channel is observed between 2018 and 2024. As recently as 2018, e-commerce sales accounted for just 9.2% of total cosmetics sales, while by 2024 they had already reached 17.3% (compared to 16.7% in 2023). The strongest leap occurred in the year of the pandemic, with the share of online sales rising then from 10.3% (2019) to 15.3% (2020), and thereafter remaining stable and gradually increasing. Projections for the next few years indicate that this trend will accelerate – to around 24% by 2027. This means that, in just a decade, the share of the online channel in cosmetics sales in Poland will increase 2.7 times (from 9.2% to 24%). Despite the rapid growth of e-commerce, offline sales still dominate, accounting for 82.7% of total sales in 2024. However, its share is steadily declining, falling from 90.8% in 2018 to 76% in 2027. This means that more and more of the market is shifting towards online shopping, and the offline channel – while it will remain dominant – will lose ground.

Chart 30. COSMETICS SALES IN POLAND BY OFFLINE AND ONLINE CHANNELS



Source: Wise Europe's own analysis based on Euromonitor International data

The cosmetics market in Poland remains heavily concentrated in the retail channel, which accounted for 99.2% of sales value in 2024 – unchanged from 2023. The biggest differences, however, are visible within this segment, where individual sales formats are gaining or losing share.

Offline sales continue to dominate (81.9% in 2024), although its share is steadily declining, down from 82.5% in 2023, although recently in 2018 it amounted to 89.5%. The main reshuffling can be seen in the format structure:

- Hypermarkets[3] continue to lose ground rapidly, with their share declining from 4.3% to 3.8% over the year, which constitutes one of the biggest shifts in the last year, but the decline in their importance has been long-term, with the channel losing almost half of its share (from 6.6%) since 2018.
- Multi-range self-service stores (i.e., the broad segment of supermarkets[4] and similar formats) saw a decline from 34.1% to 33.3% – also significant on a one-year basis.
- Specialised stores recorded a slight gain, from 42.6% to 43.1%, mainly due to drugstores, which returned to the level of 28.8% after a slight drop in 2023 (28.4%). Thus, one can see a stabilization of the position of drugstores as a key format for cosmetics sales in Poland.
- Discounters[5] slightly lost share in sales (from 21.9% to 21.6%), but the stabilization at above 20% is a success for this channel after years of rapid growth and the choice of these stores when buying cosmetics.

Direct sales are also losing ground – in 2024, it already accounted for only 5.5% of the market, compared to 5.8% a year earlier and as much as 9.0% in 2018. It is a channel in clear retreat, gradually being displaced by online shopping. The strongest share growth is again seen in the e-commerce channel. It reached 17.3% of

[3] Hypermarkets – medium/high prices, very large product range, larger than in supermarkets, area over 2500 m^2.
[4] Supermarkets – medium/high prices, medium/large product range, area from 400 m^2 to 2500 m^2.
[5] Discounters – low prices, basic product range, area does not exceed 1000 m^2.

retail sales value in 2024, up from 16.7% in 2023. On an annual basis, this represents an increase of 0.6%, which was one of the largest shifts in the table. For comparison – as recently as 2018, e-commerce accounted for just 9.2% of the market.

Changes in 2024 showed:

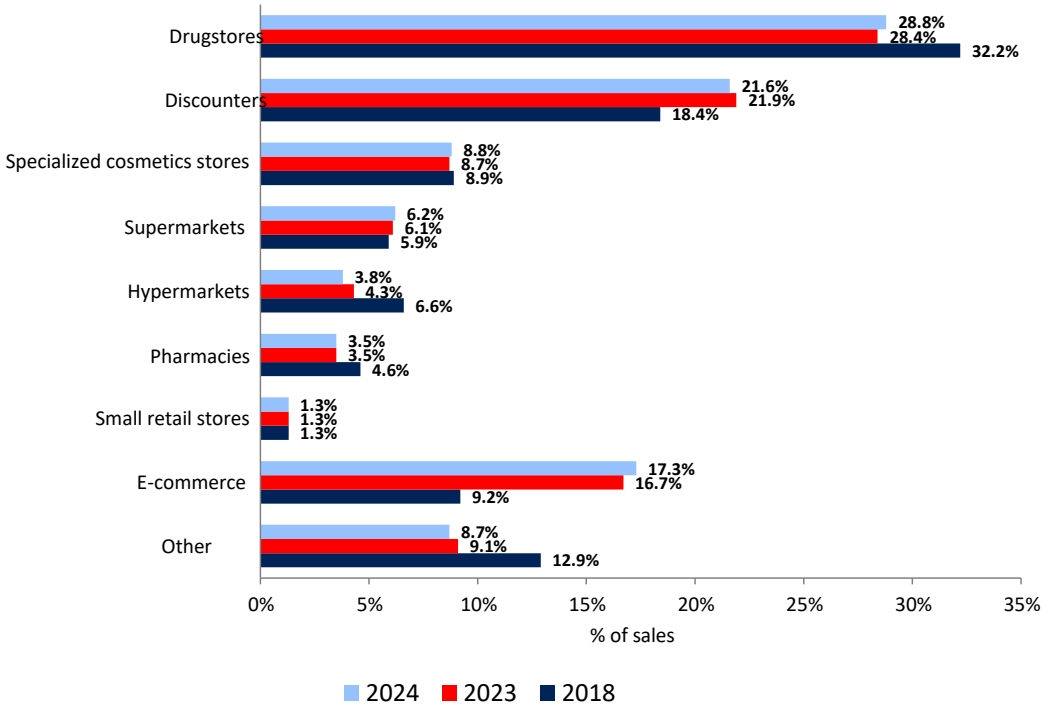
- further decline in the role of hypermarkets and multi-format self-service stores;
- stopping the decline and rebounding the position of drugstores and the entire specialized segment;
- stabilization of the discounters' position;
- weakened direct sales;
- and maintaining the strong growth trend in e-commerce, which is becoming a key driver of market transformation.

Table 8. COSMETICS SALES CHANNELS IN POLAND (% OF RETAIL SALES VALUE)

Sales \ Year	2018	2019	2020	2021	2022	2023	2024
Retail sales channels	98.7%	98.7%	99.2%	99.1%	99.1%	99.2%	99.2%
Offline retail sales	89.5%	88.4%	83.9%	83.6%	82.9%	82.5%	81.9%
Multi-range self-service stores	33.0%	32.7%	35.7%	35.0%	34.3%	34.1%	33.3%
Small retail stores	1.3%	1.3%	1.4%	1.6%	1.5%	1.3%	1.3%
Supermarkets	5.9%	5.7%	6.3%	6.1%	5.9%	6.1%	6.2%
Hypermarkets	6.6%	6.5%	6.1%	5.6%	5.1%	4.3%	3.8%
Discounters	18.4%	18.4%	21.2%	21.1%	21.2%	21.9%	21.6%
Local neighbourhood stores	0.7%	0.7%	0.7%	0.6%	0.6%	0.5%	0.4%
Specialized stores	47.6%	47.3%	40.5%	41.7%	42.2%	42.6%	43.1%
Specialized health and beauty stores	45.7%	45.4%	38.8%	39.9%	40.3%	40.7%	41.2%
Specialized cosmetics stores	8.9%	8.9%	7.3%	7.9%	7.9%	8.7%	8.8%
Pharmacies	4.6%	4.5%	3.9%	3.8%	3.6%	3.5%	3.5%
Drugstores	32.2%	31.9%	27.6%	28.2%	28.8%	28.4%	28.8%
Other	1.8%	0.7%	0.7%	0.6%	0.6%	0.5%	0.5%
Direct sales	9.0%	8.5%	7.7%	6.9%	6.5%	5.8%	5.5%
Retail e-commerce	9.2%	10.3%	15.3%	15.5%	16.2%	16.7%	17.3%
Non-retail channels	1.3%	1.3%	0.8%	0.9%	0.9%	0.8%	0.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Wise Europe's own analysis based on Euromonitor International data

Chart 31. COSMETICS SALES CHANNELS IN POLAND (% OF RETAIL SALES VALUE)



Source: Wise Europe's own analysis based on Euromonitor International data

Poles' shopping preferences for different categories of cosmetics vary strongly, and these changes are not occurring evenly. In 2024, some cosmetics categories have seen some significant shifts between sales channels. E-commerce has become the number one channel for perfumes and shaving cosmetics and is steadily increasing in importance in more niche categories. Drugstores are regaining some share in categories that require advice and testing (make-up, skin care). Discounters are becoming even more stronger as the leader in everyday, hygienic categories (deodorants, bath and hair care products). Pharmacies are strengthening their role in the baby and dermocosmetic segments.

Key trends and shifts:

E-commerce explosion in perfume and toilet waters category

- In 2023, online sales accounted for 38% of the category, while in 2024 it will already account for 55% (+17%).
- At the same time, the share of drugstores (24% -> 12%) and specialized stores (14% -> 12%) dropped.
- This shows that perfume has become a highly digitized category, with consumers increasingly taking advantage of lower prices and a wide range of online offerings.

Deodorants move to discounters

- Discounters increased their share of deodorant sales from 29% in 2023 to 33% in 2024.
- At the same time, e-commerce dropped from 11% to 6%, while hypermarkets from 11% to 9%.

- This confirms that deodorants – an everyday and inexpensive product – sell best where consumers are looking for lower prices and availability.

Make-up cosmetics – stronger drugstores

- Drugstores strengthened their position (35% -> 37%), while specialized stores also slightly increased their share of sales (17% -> 18%).
- E-commerce, on the other hand, dropped from 22% to 21%.
- Consumers still prefer to be able to test and receive advice at stationary outlets, especially with products that need matching (shades, textures).

Skin care – a stable trio

- Drugstores (33% -> 35%), discounters (24% -> 24%) and e-commerce (16% -> 14%) remain the main sales channels.
- Small shifts can be seen, but the market is rather stabilized in this category.

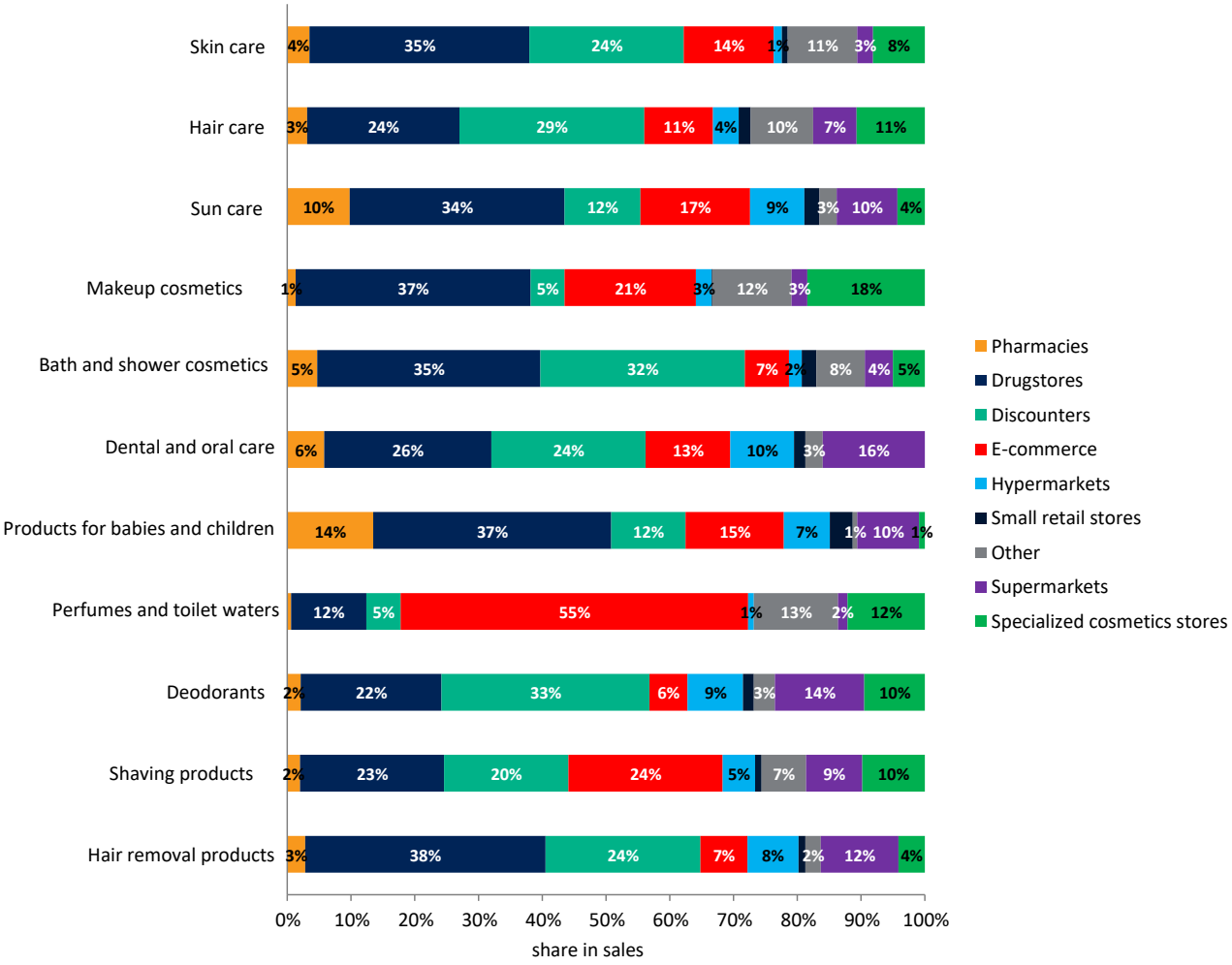
Products for babies and children – pharmacies up

- Pharmacies increased their share from 12% in 2023 to 14% in 2024, reinforcing their specialized nature.
- Drugstores maintained their dominance at 37%, while other channels remained virtually unchanged.

Shaving products – e-commerce at the forefront

- Internet sales rose from 20% to 24%, becoming the category leader.
- Drugstores dropped from 27% to 23%, showing that customers are more likely to order such products online, taking advantage of regular special offers and subscriptions.

Chart 32. COSMETICS SALES CHANNELS IN POLAND BY PRODUCT CATEGORY (2024)



Source: Wise Europe's own analysis based on Euromonitor International data

5. Innovations

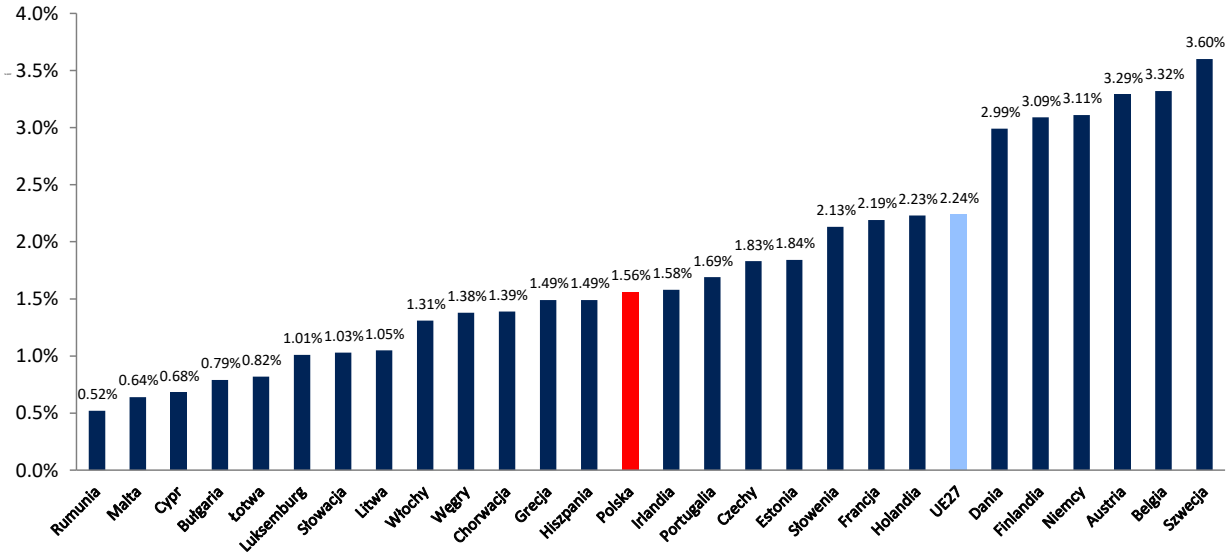
5.1. R&D spending. A macroeconomic perspective

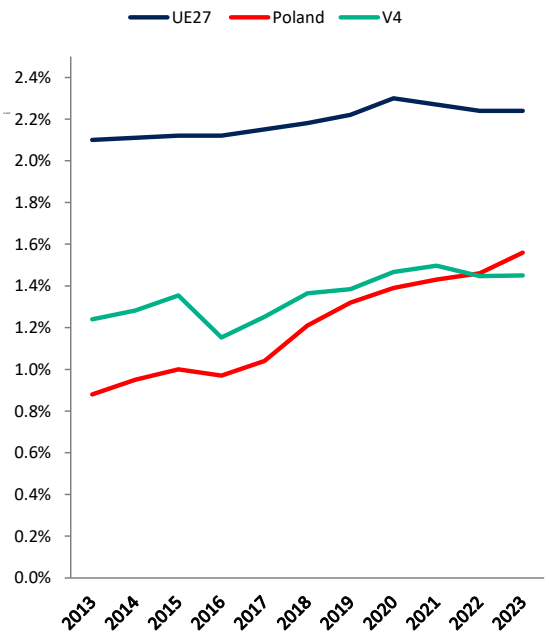
☑ *Poland still invests less in R&D than the EU average (1.56% vs. 2.24% of GDP), although it has nearly doubled its level of outlays in the last decade (0.88% in 2013%). Compared with the Visegrád Group countries, Poland is performing increasingly well, but the gap with the leaders (Sweden, Belgium, Austria, Germany) remains very large.*

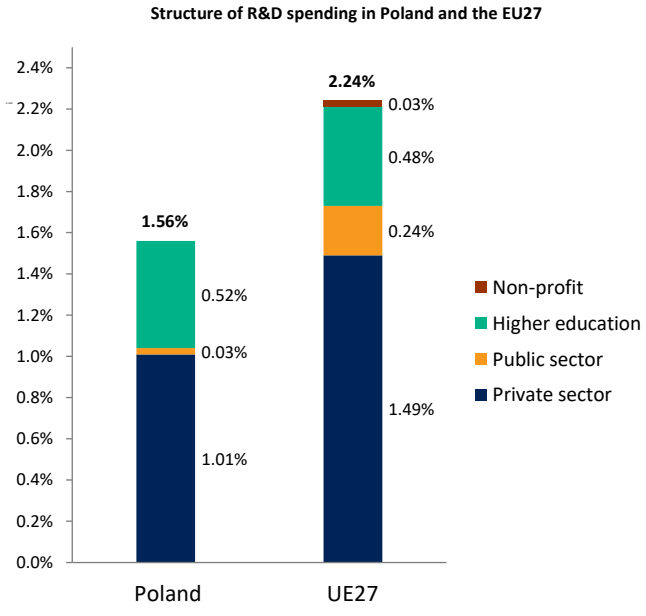
☑ *The structure of spending shows the dominance of the private sector (64.7% of the total), with a very low share of the public sector. According to company declarations in the innovation survey, the institutional environment insufficiently supports the development of innovations.*

Investment in research and development is one of the most important indicators of an economy's ability to create and implement innovations. Poland currently spends 1.56% of GDP on R&D (2023), which ranks it 15th in the EU, clearly below the EU average of 2.24% of GDP (being the sixth largest EU economy in terms of nominal GDP and the fifth largest in purchasing power parity). However, in long-term terms, there is clear progress – in 2013, the ratio was only 0.88% of GDP, and Poland was at the bottom of the list (19th place). Compared to the region, the results are relatively good and Poland spends more on R&D than the Visegrád Group countries (1.45% of GDP). However, a comparison with innovation leaders in Europe – such as Sweden (3.6%), Belgium (3.3%), Austria (3.3%) or Germany (3.1%) – shows that the gap remains significant.

Chart 33. R&D SPENDING (% OF GDP) 2023







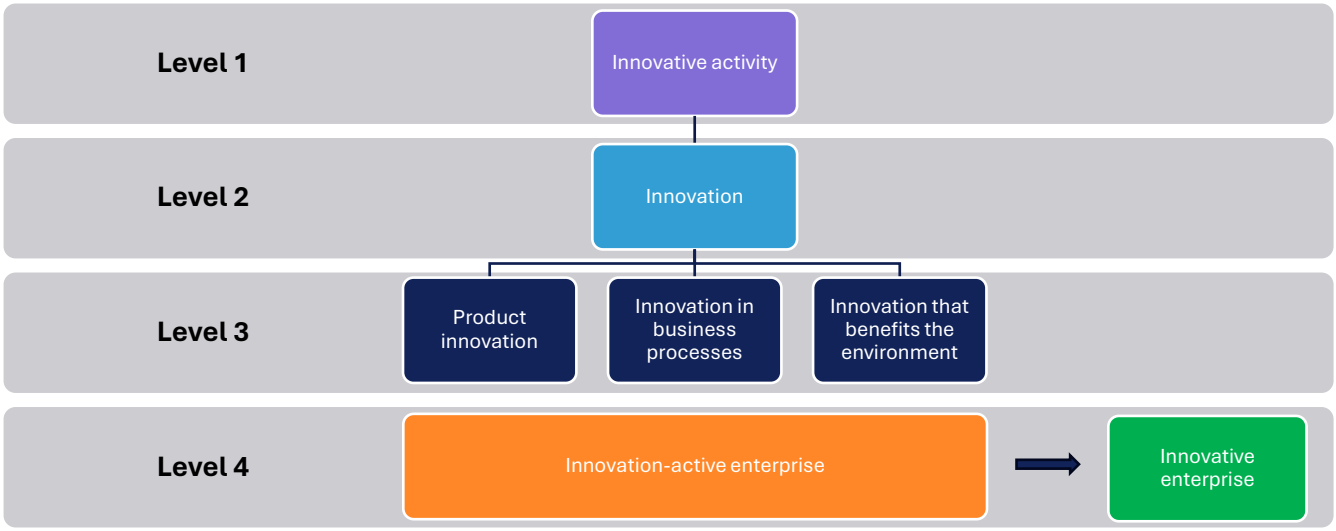
Source: Wise Europe's own analysis based on Eurostat data

In the structure of national R&D spending, the private sector plays a key role (1.01% of GDP), accounting for nearly 65% of total outlays. The contribution of the public sector is negligible (0.03% of GDP vs. 0.24% EU average), while higher education is more important in Poland than in most EU countries (0.52% vs. 0.48% average).

The results of the business innovation survey (cf. the next section of the report) show that Polish companies declare that they primarily develop innovations on their own (89%), although at the same time three-quarters of them cooperate with external entities. This shows that rising private sector R&D spending is indeed translating into innovation activity, but at the same time the limited role of the state and administration may be hindering the building of a long-term ecosystem for supporting innovation. For the cosmetics industry, which is increasingly competing in international markets, the level of R&D spending will be one of the key factors for further development. On the one hand, the private sector (manufacturers and suppliers) is already responsible for most of the outlays, while on the other hand, the lack of stronger institutional support and scarce public resources may slow down the process of adapting to increasingly complex regulations and limit the pace of implementing breakthrough innovations.

5.2. Methodology for studying innovations in the cosmetics industry – types of innovations, definitions, classification

Diagram 1. Innovations and their breakdown



Source: Wise Europa's own analysis based on Statistics Poland.

Table 9. Definitions

Level / applies to	Definition	Additional methodological clarifications
Innovative activity[6]	All development, financial and commercial activities undertaken by a company to bring about innovations for the company. It also includes R&D (research and development) activities conducted by the company, regardless of their purpose.	Innovative activity includes: • research and development (R&D) activities • engineering, design and other creative works • marketing and brand value activities • intellectual property activities • employee training • software development and database activities • activities related to the acquisition or lease of property, plant and equipment • innovation management activities. Innovative activity can end with innovations, be in progress, postponed or cancelled.

[6] https://stat.gov.pl/metainformacje/slownik-pojec/pojecia-stosowane-w-statystyce-publicznej/4253,pojecie.html

Innovation[7]	Implementation of a new or improved product (product or service) or business process (or a combination thereof) that is significantly different from previously marketed products or processes used in the company.	
Product innovation[8]	A new or improved product or service that differs significantly from the company's existing products or services and that has been introduced to the market.	Product innovations must provide a significant improvement in one or more properties or performance specifications. Applies to: • significant changes in the product design; • introduction of digital products or services; Does not apply to: • resale of new products and changes of a purely aesthetic nature.
Innovation in business processes[9]	A new or improved business process for one or more business functions that is significantly different from the enterprise's existing business processes and that has been put into use by the enterprise.	Features of an improved business function can include greater efficiency, resource efficiency, reliability and resilience, affordability, as well as convenience and usability for those involved in business processes, both outside and inside the enterprise. Business process innovations are implemented when they are put to use by an enterprise in its internal or external operations. Business process innovations include the following functional categories: • manufacture of products and provision of services; • distribution and logistics; • marketing and sales; • information and communication systems; • administration and management; • product and business process development.
Innovation that benefits the environment[10]	A new or improved product or process in the company that generates a lower environmental impact compared to the company's previous products or processes and that has been made	Environmental benefits can be the primary goal of innovation, or they can be the result of other goals. Environmental benefits may arise during the period of manufacture of a product or provision of a service, or during the

[7] https://stat.gov.pl/metainformacje/slownik-pojec/pojecia-stosowane-w-statystyce-publicznej/4063,pojecie.html
[8] https://stat.gov.pl/metainformacje/slownik-pojec/pojecia-stosowane-w-statystyce-publicznej/4257,pojecie.html
[9] https://stat.gov.pl/metainformacje/slownik-pojec/pojecia-stosowane-w-statystyce-publicznej/4058,pojecie.html
[10] https://stat.gov.pl/metainformacje/slownik-pojec/pojecia-stosowane-w-statystyce-publicznej/4731,pojecie.html

	available to potential users or put into use.	period of use of a purchased product or use of a service by end users (individuals, other companies, institutions, etc.).
Innovation-active enterprise[11]	A company that is engaged during the observation period in one or more activities to develop or implement new or improved products or business processes for its intended use. It also includes companies engaged in R&D (research and development) activities, regardless of their purpose.	Both innovative and non-innovative companies can be innovatively active during the observation period.
Innovative enterprise[12]	An enterprise that has introduced one or more innovations during the observation period.	This applies equally to companies that are responsible for a particular innovation individually and jointly with other entities.

Source: Wise Europa's own analysis based on Statistics Poland.

[11] https://stat.gov.pl/metainformacje/slownik-pojec/pojecia-stosowane-w-statystyce-publicznej/4255,pojecie.html
[12] https://stat.gov.pl/metainformacje/slownik-pojec/pojecia-stosowane-w-statystyce-publicznej/4256,pojecie.html

5.3. Executive summary. Key findings of the innovation study

The survey of innovation in the cosmetics sector shows that companies treat innovation primarily as a tool for qualitative development and building competitive edge, rather than as a means to reduce costs or restructure employment. The vast majority of companies surveyed (85%) have worked to implement innovations in the past five years, and 84% of these efforts have been successful. This confirms that the sector is active and effective in implementing new solutions.

Product innovations are most often developed (89%). This is in keeping with the nature of the cosmetics industry, where product life cycles are short and market pressures are high. Business processes (56%) and environmental innovations (51%) have a complementary function, but their importance is steadily increasing – especially those related to environmental benefits. In investment plans for the next three years, as many as 86% of companies say they will work on product innovation, 67% on process innovation and 64% on environmental innovation.

The effects of the innovations introduced are primarily developmental and qualitative. The most strongly felt are improvements in the quality of products and services (90%), overall business development (88%) and increased sales (76%). In contrast, the cost and employment effects are noticeably weaker, with only 45% indicating a reduction in costs and only 29% indicating an increase in employment. This means that innovation does not lead to radical structural changes, but strengthens the competitive position through quality and new products.

Analysis of investment drivers reveals that financial and tax incentives are the dominant factor. As many as 68% of companies cited the possibility of concessions as the main stimulus for innovative activity, while 40% cited project co-funding. Consumer expectations (0%) or competitive pressures (4%) play a marginal role. This signals that in the cosmetics industry, innovation is often a response to institutional incentives, rather than purely market-driven.

Sources of financing confirm this structure – as many as 90% of companies use primarily their own funds, while only 34% use EU grants and 23% loans. R&D expenses mostly do not exceed 10% of a company's operating costs, and half of the entities invest less than PLN 1 million a year in this area. The industry therefore tends to invest cautiously and selectively, focusing on specific projects.

An important part of the innovation landscape is cooperation with external entities, as declared by 74% of companies. The most common are universities (54%), consulting firms (54%) and the private sector (66%). At the same time, as many as 89% of respondents indicated that they develop innovations on their own. This shows a paradox: companies want to be the main source of innovation, but they support themselves with external partners – more as a complement and expert support, rather than as a leading driver of change. However, this cooperation is not without its challenges: entrepreneurs complain about bureaucracy in dealing with universities and administration, the high cost of consulting, and the lack of adaptation of private sector solutions to the specifics of the cosmetics industry.

Innovation in the cosmetics sector is pragmatic, developmental and selective. Companies choose new products and quality improvements, supported mainly by their own resources as well as financial incentives. They work with external partners, but want to retain control over the processes. The challenges are mainly bureaucracy, cost and limited availability of in-country expertise.

The survey was characterized by a varying number of responses per question. Some issues – such as the general experience related to innovation, the types of innovations introduced, their impact on competitiveness, etc. – received very broad representation. For more specific issues, however, such as the motives or effects of implemented solutions, the number of responses was much lower. This may be due to both the lack of systematic evaluation processes in companies and the difficulty in clearly identifying the effects of innovations. This phenomenon not only indicates the limitations of research, but also reveals an important conclusion about the industry itself: many companies focus on the process of implementing innovations, finding partners and financing, while less often conducting a full analysis of their effects and conditions. In this sense, the lack of response itself becomes an important signal of room for improvement and enhancement of certain management practices in the cosmetics sector.

Infographic 1. Ten key findings of the cosmetics industry innovation survey

Ten key findings

1. High innovation activity – 85% of companies have worked on innovation in the last 5 years, with 84% of projects successful.

2. Dominance of product innovation – 89% of companies are implementing new products, driven by the short life cycle of cosmetics and market pressures.

3. Strong quality aspect – 90% of companies confirmed an increase in the quality of products and services, and 88% confirmed the overall development of the company through innovation.

4. Weak cost and employment effect – only 45% of companies see a reduction in costs, 29% an increase in employment – innovations do not have a restructuring function.

5. Financial drivers dominate – 68% of companies point to tax benefits as the main motive for investment; customer and competitive pressures are of marginal importance.

6. Self-financing of investments – 90% of companies use mainly their own funds, and the share of loans and grants is limited.

7. Moderate R&D expenditures – R&D spending is typically in the range of up to 10% of the budget.

8. Future plans – 86% intend to further develop product innovation, 67% process innovation, and 64% environmental innovation.

9. Impact on competitiveness – Competitive advantage in the cosmetics industry is built primarily through products and processes, while environmental innovations are mostly indicated as neutral or as a strong image factor

10. Systemic challenges – The biggest barriers are bureaucracy (universities, administration), high costs (consulting, private sector) and mismatch between solutions and the realities of cosmetic production.

Source: Wise Europe's own analysis based on survey data (survey conducted by: SW Research)

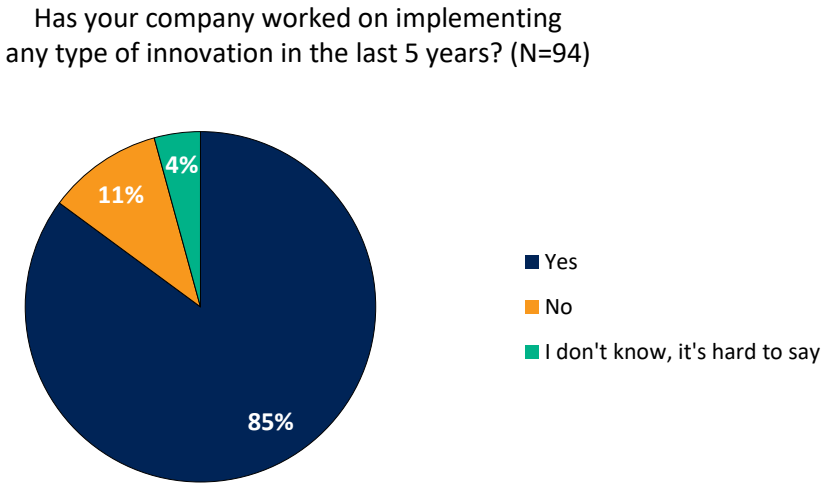
5.4. Innovative activity in the cosmetics industry

CONCLUSION: *85% of companies in the cosmetics industry declare they are working to implement innovations.*

☑

The cosmetics industry is clearly focused on developing and improving products and processes. The vast majority of companies – 85.1% of those surveyed – confirmed that they had carried out innovation implementation activities in the past five years. Only 10.6% of companies did not undertake such activities, and 4.3% could not give a clear answer. These data indicate that innovation has become a permanent and widespread element of cosmetics companies' strategies. Innovative work is a standard in the industry, and only a small group of companies is not engaged in this area.

Chart 34. INNOVATIVE ACTIVITY



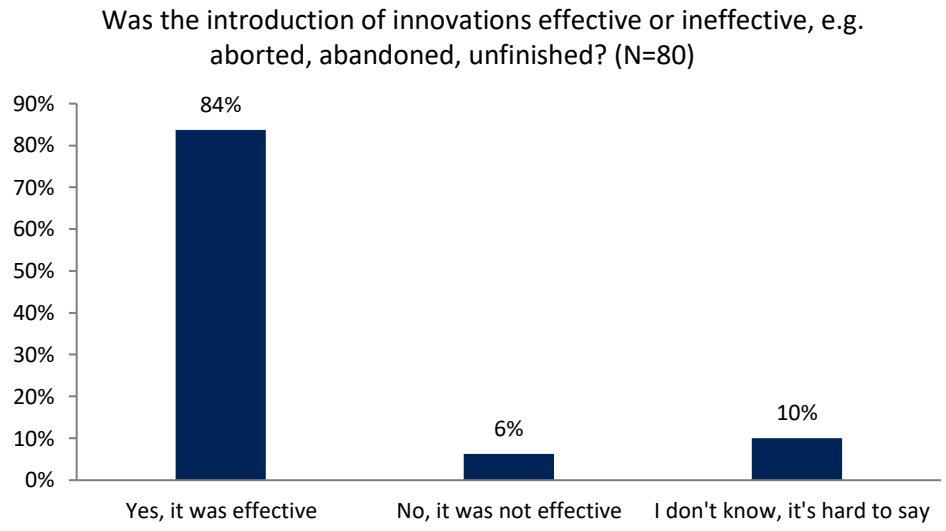
Source: Wise Europe's own analysis based on survey data (survey conducted by: SW Research)

CONCLUSION: *84% of the implementations were successful – the industry is doing well implementing innovations.*

☑

Companies implement innovations with relatively high efficiency. The vast majority – 83.8% of companies – rated their innovation activities as effective. Only 6.3% of companies indicated a lack of success (e.g., project discontinuation, failure to complete implementation, or cancellation), while 10% were unable to assess the effects in a clear-cut manner. The high level of success suggests that companies plan their innovation ventures well, relatively rarely undertake risky projects that fail, and focus on projects with high potential for success.

Chart 35. EFFECTIVENESS OF INNOVATION IMPLEMENTATION

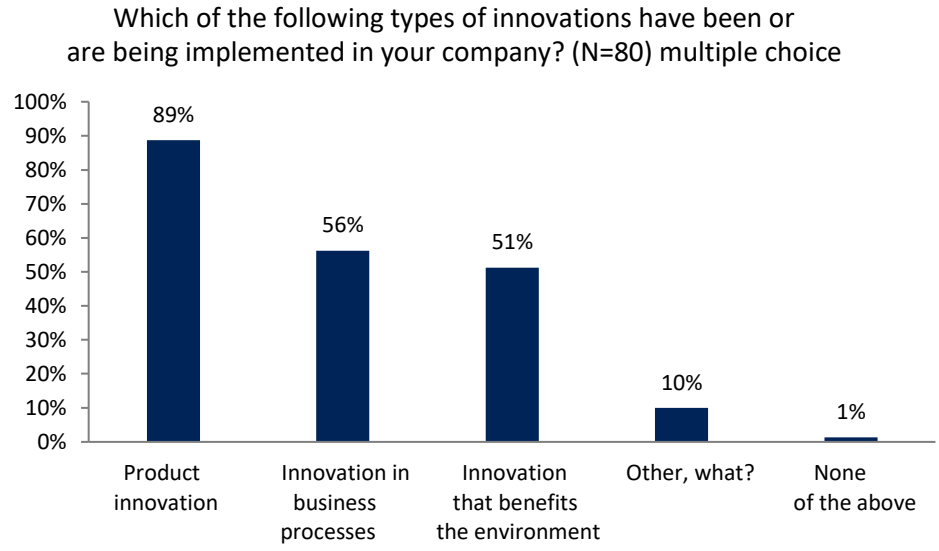


Source: Wise Europe's own analysis based on survey data (survey conducted by: SW Research)

CONCLUSION: ☑ *Product innovation is the most common (89%), with process innovation (56%) and environmental innovation (51%) growing in parallel.*

The industry relies on a comprehensive approach – both offerings (products) and processes, as well as ecology, with product aspects dominating. The most common type of innovation is product innovation (88.8%), which dominates the cosmetics industry and is its main driving force. Business process innovation (56.3%) and environmental innovation (51.3%) come in second, demonstrating the growing importance of operational efficiency and sustainability. Only a marginal proportion of companies (1.3%) said they had not implemented any form of innovation. The cosmetics industry is primarily focused on improving product range, but there is clearly a strong trend toward expanding operations into internal processes and environmental areas.

Chart 36. TYPES OF INNOVATIONS IMPLEMENTED

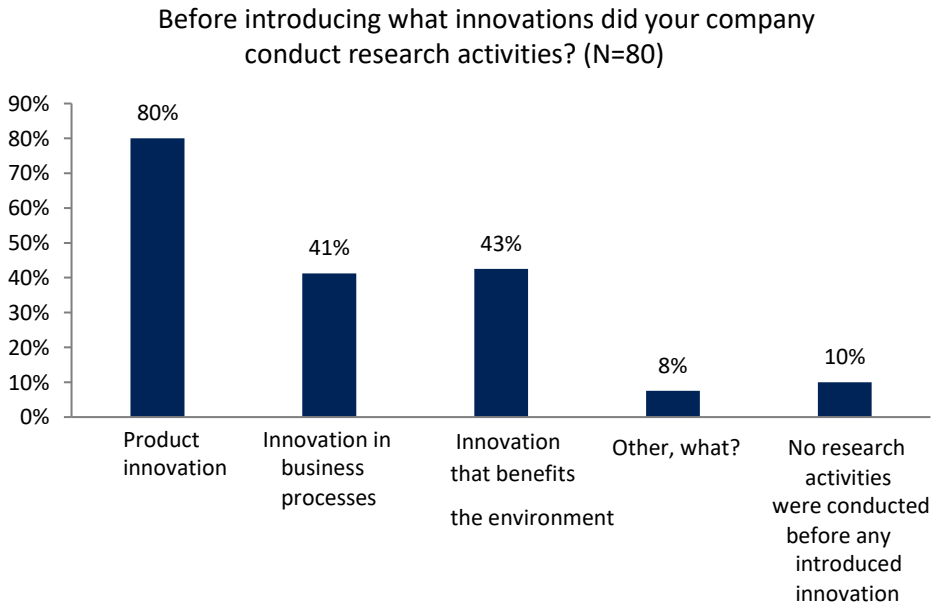


Source: Wise Europe's own analysis based on survey data (survey conducted by: SW Research)

CONCLUSION: ☑ *Research is a key step in product innovation, while process and environmental solutions are more likely to rely on adaptation of ready-made tools and technologies than on in-house R&D efforts.*

R&D activities most often accompanied product innovations (80%), which is natural in the cosmetics industry, where the development of formulas and prototypes requires intensive testing and analysis. Environmental innovations (42.5%) and process innovations (41.3%) appeared less frequently as areas preceded by research, which may be due to the greater importance of practice and operational implementations than laboratory research. It is worth noting that 10% of companies admitted that they did not conduct any research before implementing the innovation, suggesting a more experimental approach.

Chart 37. RESEARCH ACTIVITIES PRIOR TO IMPLEMENTATIONS



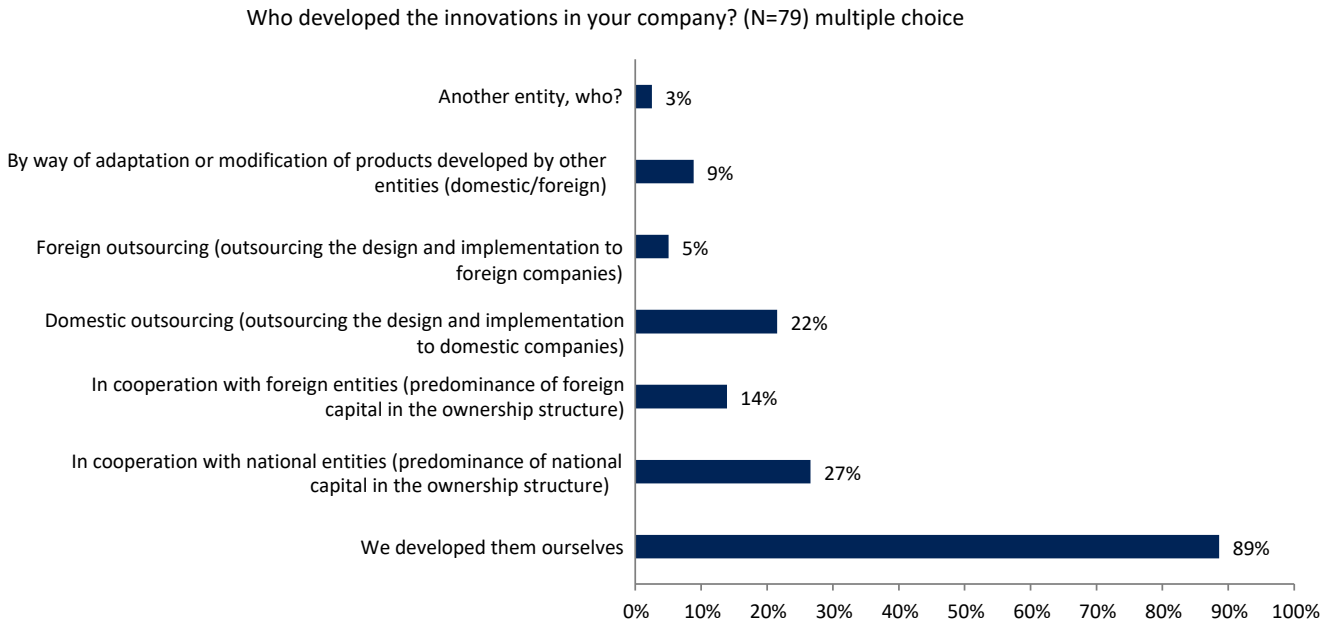
Source: Wise Europe's own analysis based on survey data (survey conducted by: SW Research)

5.5. Cooperation with other units. Major challenges

CONCLUSION: ☑ *Cosmetics companies show considerable independence in developing innovations (88.6%), but supplement their activities with cooperation with domestic partners, less often involving foreign resources.*

The vast majority of companies develop innovations on their own (88.6%), confirming the large role of internal human resources and competence in the cosmetics industry. At the same time, a significant proportion of enterprises use cooperation with domestic entities (26.6%) or domestic outsourcing (21.5%). To a lesser extent, cooperation with foreign partners (13.9%), international outsourcing (5.1%) or adaptation of third-party solutions (8.9%) were indicated.

Chart 38. **INNOVATION DEVELOPERS**



Source: Wise Europe's own analysis based on survey data (survey conducted by: SW Research)

CONCLUSION: *More than 73.8% of enterprises report that they cooperate with external entities in implementing innovations.*

☑

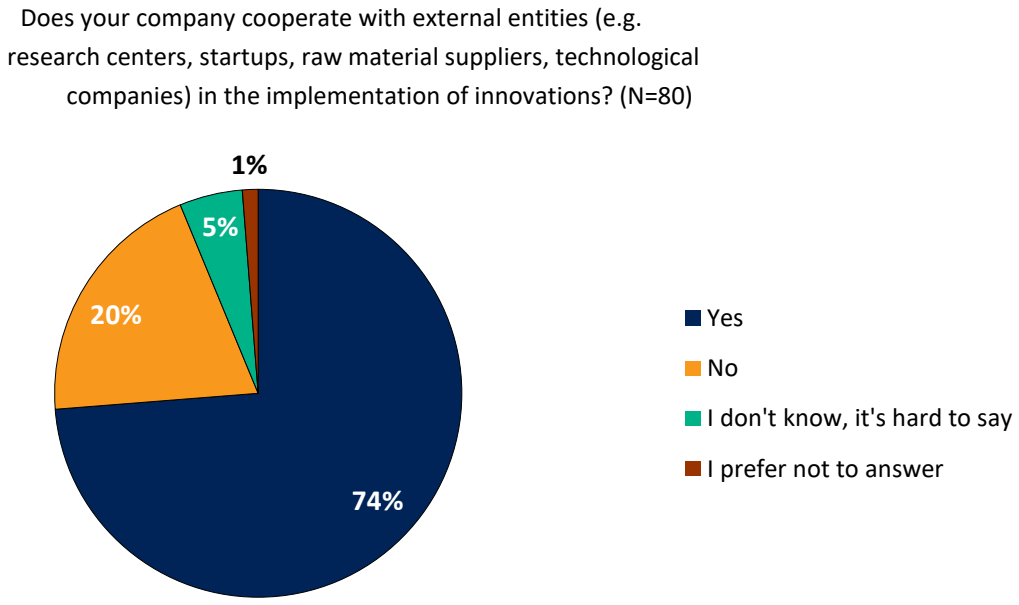
Although companies in the cosmetics industry emphasize their independence and ability to develop innovations on their own, the vast majority open up to cooperation with the institutional and business environment during the implementation phase. This shows that innovation is the result of a synergy of in-house activities and external support. More than 73.8% of enterprises declare cooperation with external entities in the implementation of innovations, and in practice, the innovation process is networked and based on combining different sources of knowledge, technology and experience. Only 20% of companies said they did not cooperate, so the vast majority of the industry is not limited to internal operations.

Companies simultaneously report that they develop innovations on their own (89%) and cooperate with external entities (74%). This is not a contradiction, but a difference in interpretation of processes:

- Self-development of an innovation means that the company was the initiator and main author of the idea, design or solution – that is, the innovation originated "in-house."
- Cooperation with external entities relates to the implementation stage – such as testing, certification, technological optimization, purchase of specialized tools or legal advice.

In practice, this means that cosmetics companies create innovations internally, but use external partners to streamline them, accelerate the implementation process or give it the right scale and quality. This can be referred to as a hybrid model: the idea and core of the innovation is created internally, while institutions and external partners act as catalysts and support.

Chart 39. COOPERATION IN THE IMPLEMENTATION OF INNOVATIONS

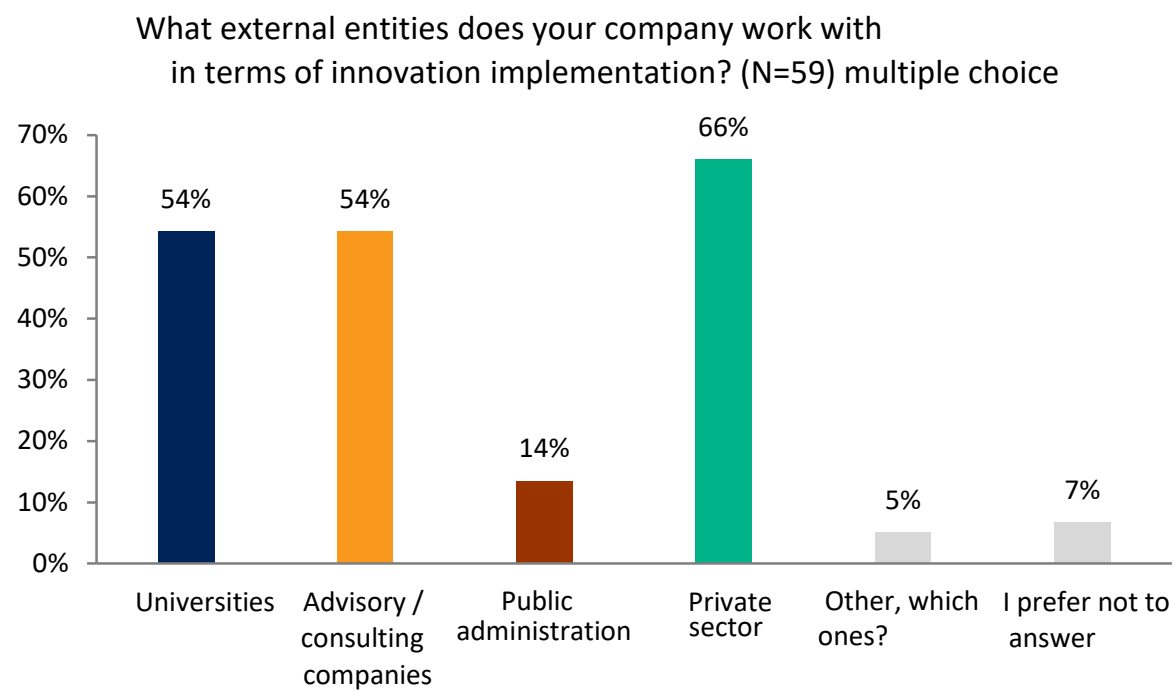


Source: Wise Europe's own analysis based on survey data (survey conducted by: SW Research)

CONCLUSION: ☑ *The cosmetics industry builds its innovations based on a broad ecosystem of partners, combining practical support from the private sector (66%) with consulting (54%) and academic expertise (54%).*

Private sector companies are the most frequently indicated partners (66.1%), reflecting a hands-on approach to implementing innovation through collaboration with suppliers, startups and technology companies. At the same time, universities (54.2%) and consulting firms (54.2%) are of great importance in supporting companies with research and expertise. Collaborations with public administration (13.6%) are rare, and other forms of partnerships (5.1%) are marginal (indicated third-party providers of services used in innovation and contract manufacturers).

Chart 40. **EXTERNAL PARTNERS**



Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

Table 10. CHALLENGES IN INNOVATION COOPERATION

Partner	Challenge area	Annotation
UNIVERSITIES	➔ Bureaucracy and paperwork ➔ Speed and flexibility of action ➔ Lack of business and market orientation ➔ Cost, infrastructure and ownership issues	The biggest challenge in working with universities is reconciling academic logic with business logic – they differ in terms of pace, goals and modes of operation. Companies expect faster, more practical and transparent cooperation, as well as greater orientation of universities to market and industry needs.
CONSULTING / ADVISORY FIRMS	➔ Cost and availability ➔ Tailoring to the specific needs of the company ➔ Organization and coordination of cooperation ➔ Safety and responsibility	In cooperation with consulting firms, the biggest challenge is to find a consulting partner who not only has up-to-date knowledge and competence, but also understands the specifics of the company, acts flexibly and takes responsibility for the quality of the proposed solutions. The lack of such entities in Poland in some segments forces companies to rely on foreign sources of knowledge and inspiration.
PUBLIC ADMINISTRATION	➔ Bureaucracy and procedures ➔ Lead time and project outlook ➔ Access to resources and support	Cooperation with the public administration is crucial for raising funds and supporting innovation projects, but its effectiveness is limited by bureaucracy and lengthy procedures. For many companies, this means having to balance potential financial benefits with significant formal and time burdens.
PRIVATE SECTOR	➔ Costs and financing ➔ Time and organization of cooperation ➔ Risk and intellectual property ➔ Market and competence limitations	Collaboration with the private sector is seen as potentially beneficial, but at this point is constrained by costs, risks and differences in approaches to investment and innovation. For many companies, it remains more attractive to look for foreign partners who offer greater competence and flexibility than the local private sector.

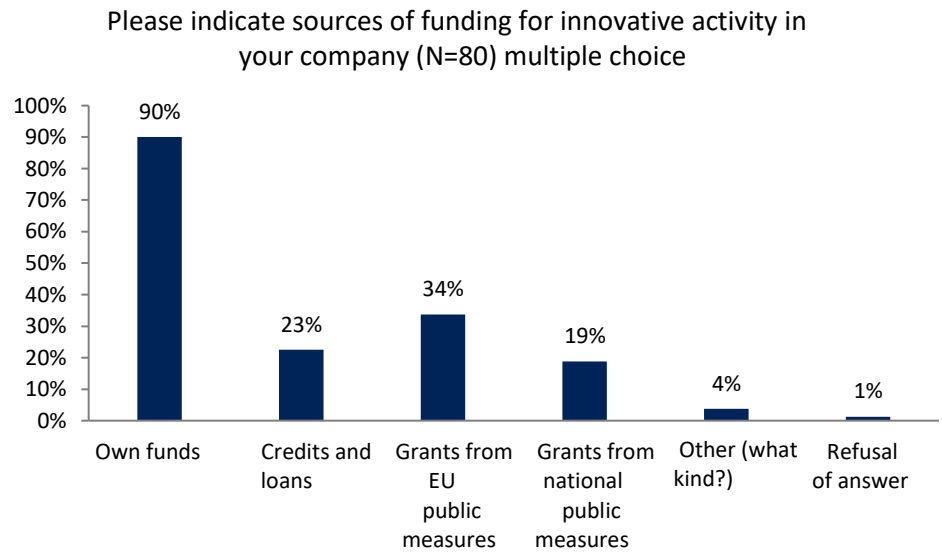
Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

5.6. R&D spending in the cosmetics industry and sources of funding

CONCLUSION: ☑ *The vast majority of cosmetics companies finance innovation activities with their own funds (90%) – there is a strong self-involvement of companies in development.* External sources – loans and grants – have a complementary function.

Companies in the cosmetics industry indicate that the basis for financing innovation is the companies' own resources (90.0%). More than one-third of enterprises use EU subsidies (33.8%), and nearly one in five use domestic subsidies (18.8%). Credit/loans (22.5%) are used less frequently, which suggests a limited role for the banking sector and which is consistent with the industry's status quo (relatively low levels of debt/foreign financing). Other sources of financing are marginal (3.8%), and representatives from the industry pointed to: investors, participation of target customers (co-financing) as well as R&D tax credits.

Chart 41. **FUNDING SOURCES**



Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

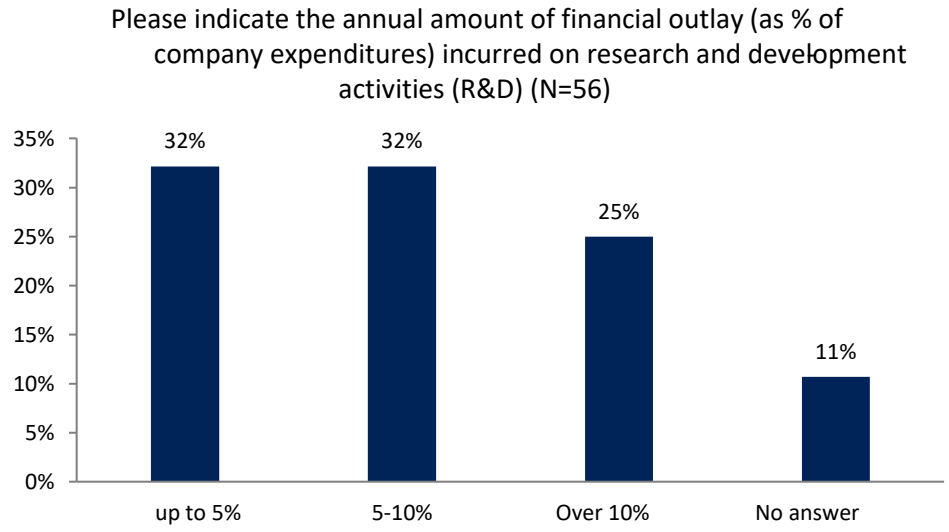
CONCLUSION: *25% of companies allocate more than 10%, which distinguishes them as the entities with the highest level of involvement.*

☑ 32% of companies are investing between 5% and 10% of their budgets in R&D.

32% of companies are investing up to 5% of their budgets in R&D.

Most often, R&D expenses account for up to 5% (32.1%) or 5-10% (32.1%) of a company's overall costs. One in four companies say they are even more committed, spending more than 10% of their expenses on research (25%). Although most companies allocate up to 10% of their expenditures to R&D, as many as one in four invest above this figure. This indicates the presence in the industry of companies that treat innovation as a strategic priority.

Chart 42. **R&D SPENDING (%)**



Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

5.7. Motivations for undertaking innovative activity

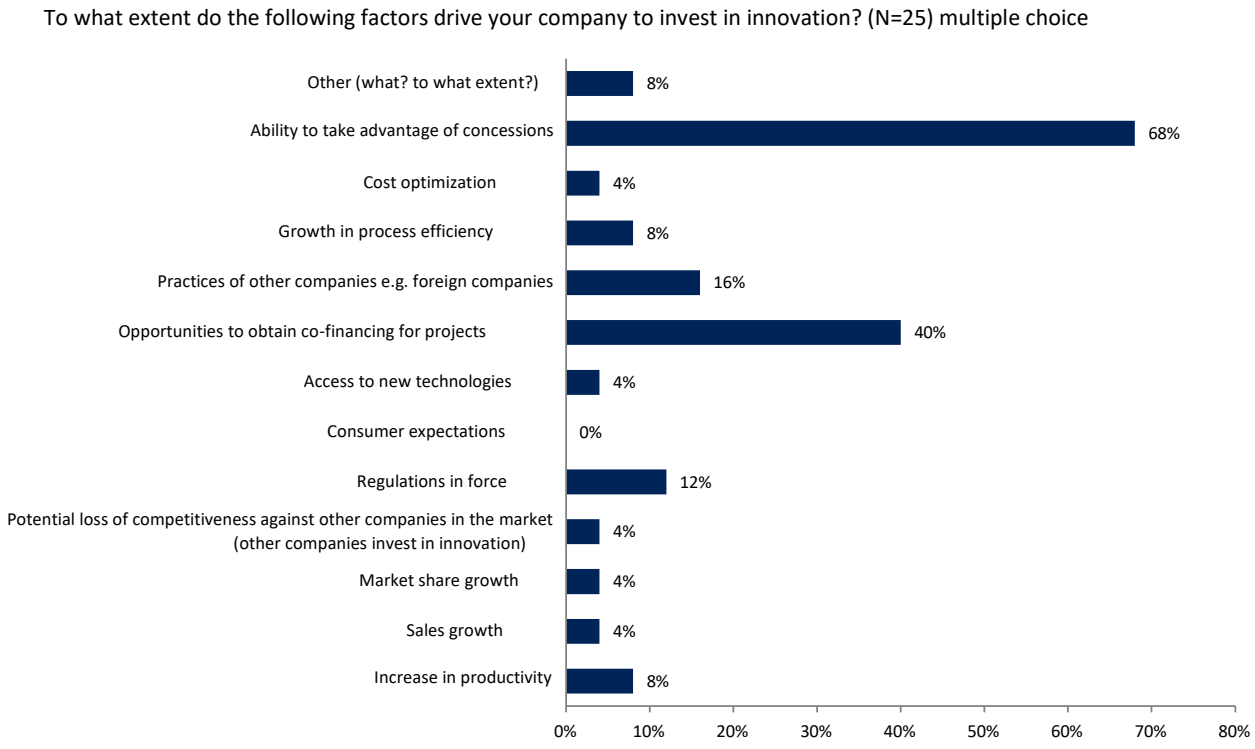
CONCLUSION: ☑ *The most important impulse to undertake innovative investments in the cosmetics industry is the possibility of taking advantage of tax breaks and other financial preferences (68%) and also the possibility of obtaining co-financing for projects (40%).*

The most important motivation for undertaking innovative activity indicated by cosmetics companies is the opportunity to take advantage of tax breaks and other financial preferences – as many as 68% of companies consider this factor to be key. Opportunities to obtain co-financing for projects are also very important (40%), and the industry is actively taking advantage of available support programs and public instruments. Less frequently cited motivations are the practices of foreign companies (16%) and applicable regulations (12%). Interestingly, relatively little importance is attached to factors such as productivity growth, process efficiency, cost optimization or sales growth – all of these responses hover around 4-8%. It is also surprising that consumer expectations are not indicated at all (0%), despite the fact that cosmetics is a highly customer and trend-oriented industry. This shows that in the industry, innovation is largely "stimulated" by the institutional environment, while the results are better quality products and increased sales and productivity (see section 4.5). Other factors (8%) driving investment activities, cited by the industry, include:

- building a company on innovation;
- consumer education;
- the human factor – an innovative company is an attractive workplace for people who are committed, open to challenges, creative, looking for development;
- easy availability of grants, less complicated award criteria, also for smaller companies;
- potential loss of competitiveness against other companies;
- optimization of processes using new technologies – mainly AI;
- implementation of long-term development strategies in relation to the geopolitical, market, environmental situation;
- development of a company's own potential;
- image-related factors;
- a differentiator in the market.

Not all surveyed companies were able to identify motivations for undertaking innovative activity. The relatively low sample may reflect the difficulty of defining why companies undertake innovation, with some companies lacking a clearly defined innovation strategy and acting rather reactively, under market or regulatory pressure. Among those that indicated reasons, two predominant external factors of a financial nature are particularly prominent: the possibility of using concessions and project co-financing.

Chart 43. MOTIVATIONS FOR UNDERTAKING INNOVATIVE ACTIVITY



Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

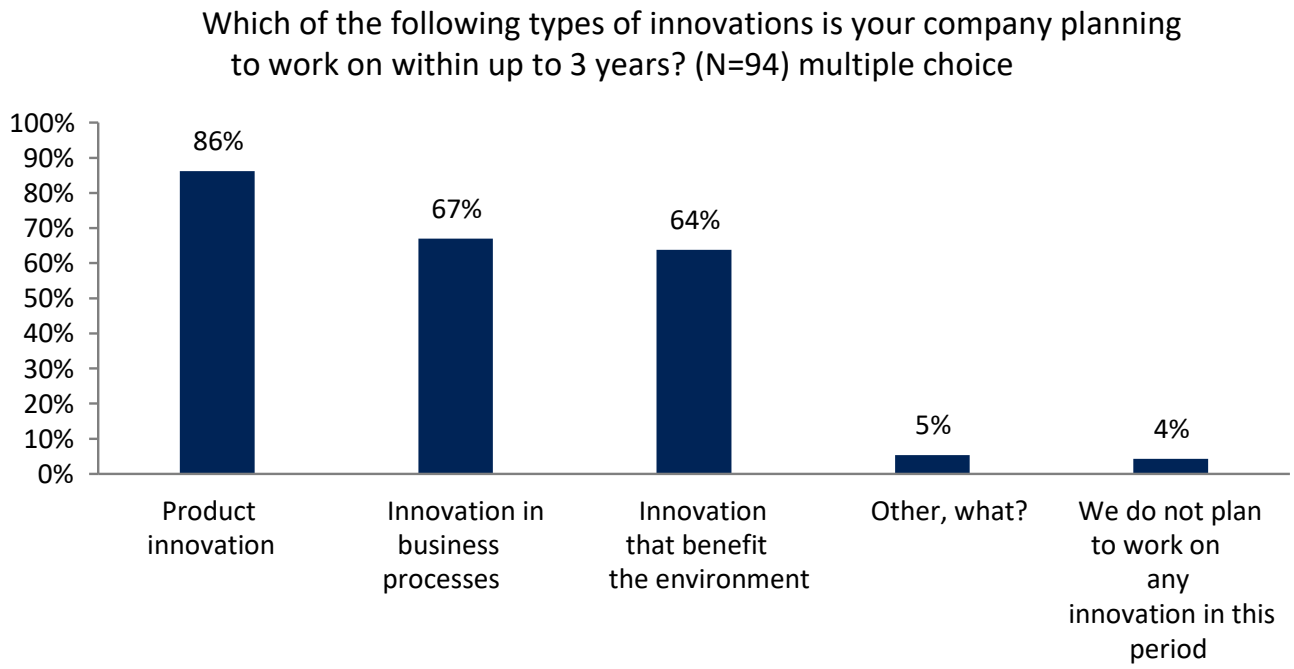
CONCLUSION: *86% of the surveyed companies declare that they are working on improving their products within 3 years.*

☑

The cosmetics industry's investment plans show that innovation – especially product innovation – is considered a strategic direction for growth. As many as 86.2% of companies intend to develop product innovation in the next three years, confirming its key role in building competitive advantage. At the same time, pro-environmental processes and solutions are becoming increasingly important. A large proportion of companies also plan to innovate in business processes (67%) and environmental innovation (63.8%).

A small percentage of companies (5.3%) are considering other types of innovation (they indicate process automation, technological innovation, process-product innovation, research services), while only 4.3% of companies declare a complete absence of innovation plans in the analysed perspective.

Chart 44. TYPES OF INNOVATIONS PLANNED FOR IMPLEMENTATION IN THE 3-YEAR PERSPECTIVE



Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

5.8. Effects of innovation implementation and impact on competitiveness

CONCLUSION: ☑ *Innovations in the cosmetics industry primarily improve the quality of products and services (90% of companies indicate that such an effect definitely and strongly appeared after the implementation of innovations – a score of 4-5), support the overall development of enterprises (88%), influence the growth of sales (76%) and increase labour productivity (71%).*

To a lesser extent, innovations affect the structure of employment (16-29%) and cost reduction (45%).

Innovation in the cosmetics industry is primarily a factor in quality development and sales growth, rather than a tool for radical savings or employment changes. They have the strongest impact on raising product quality, thereby enhancing the competitiveness of companies, while their impact on costs and employment structure remains limited. The industry sees innovation mainly as an instrument for building market advantage, improving product ranges and increasing sales, rather than a part of restructuring or reducing resources.

The question about the effects of innovations proved challenging for respondents – only 22 companies chose to answer, while the majority of respondents were unable to clearly identify the results. This shows that the process of evaluating innovations in many companies remains incomplete, and systematic mapping of effects is not yet standard. However, the very fact that the question was posed can be taken as a stimulus for reflection – an incentive for companies to put more efforts in the future into analysing the effects of their innovation, not just their implementation.

Strong effects
(more than 70% of companies rate their occurrence at 4-5)

- Increased product and service quality – **90%**
- Overall development of the company – **88%**
- Sales growth – **76%**
- Increased productivity – **71%**

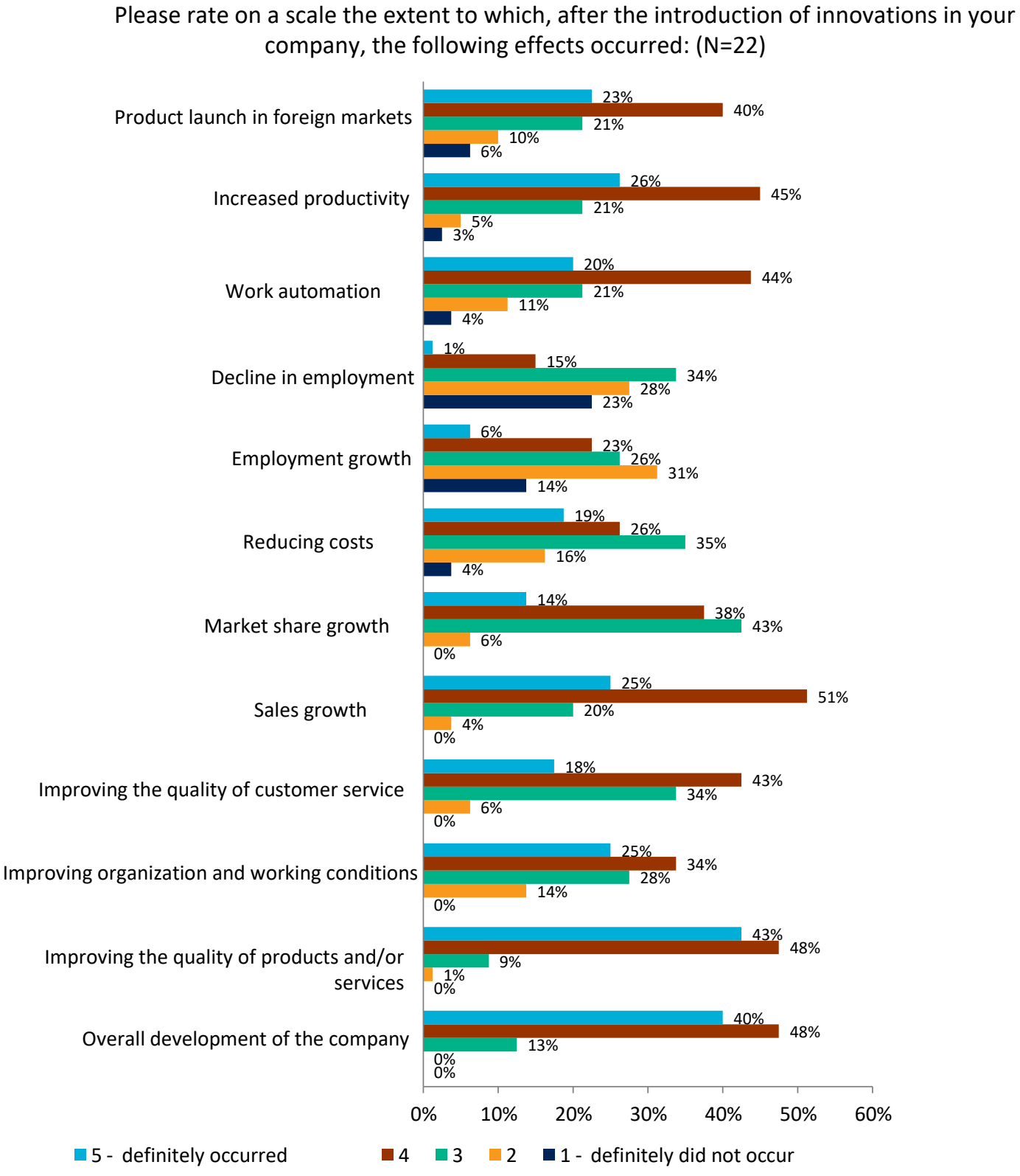
Moderate effects
(30-70% of responses at level 4-5)

- Work automation – **64%**
- Product launch in foreign markets – **63%**
- Improving the quality of customer service – **60%**
- Improving organization and working conditions – **59%**
- Market share growth – **51%**
- Cost reduction – **45%**

Weaker effects
(less than 30% of responses at level 4-5)

- Employment growth – 29%
- Decrease in employment – 16%

Chart 45. EFFECTS OF INNOVATION IMPLEMENTATION

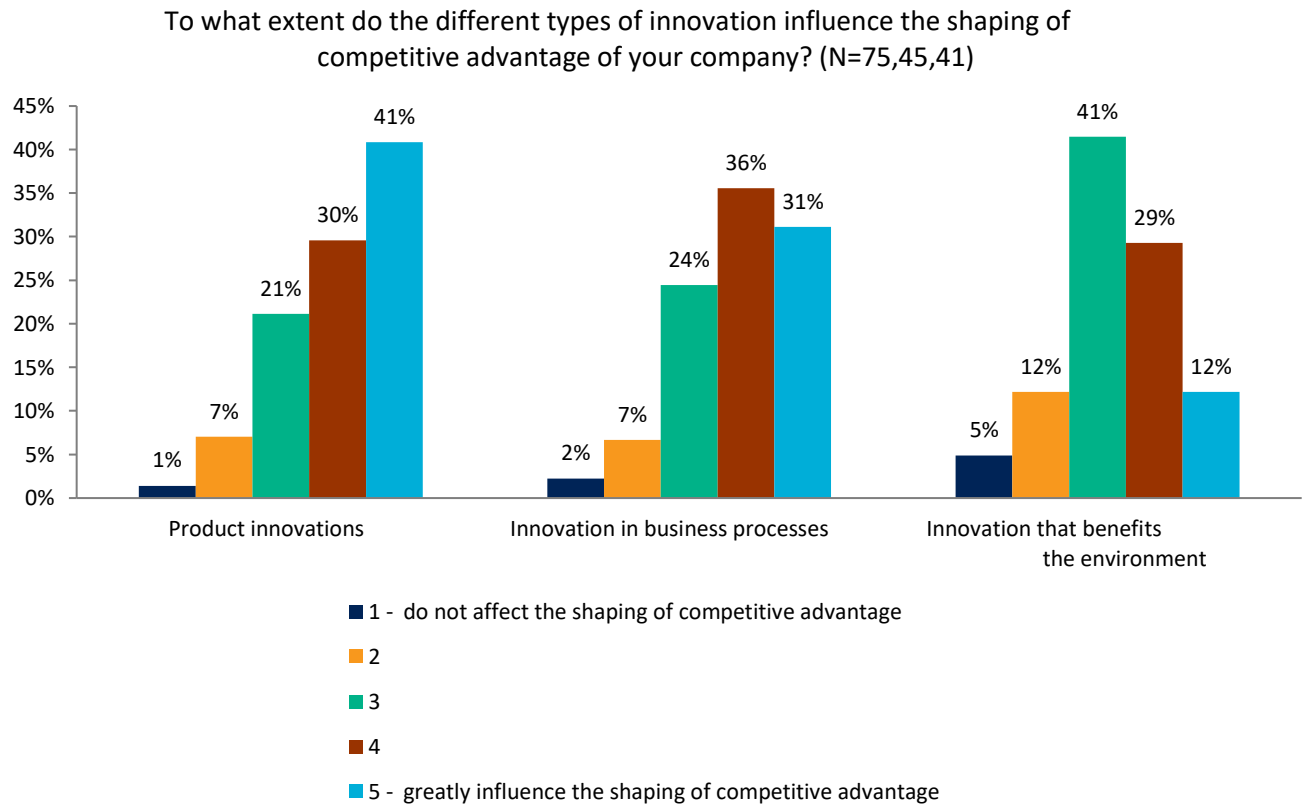


Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

CONCLUSION: ☑ *Competitive advantage in the cosmetics industry is built primarily through products and processes, while environmental innovations are mostly indicated as neutral.*

- 41% of companies indicate **product innovation** as the strongest competitive factor, and 71% as important/key (rating 4-5). This is a major source of market advantage.
- **Business process** innovations are mainly indicated as important (36% rating 4), with 32% of companies considering them crucial (rating 5) – less so than product innovations.
- **Environmental innovations** have the least impact on competitiveness: only 12% of companies consider them crucial (rating 5), while neutral ratings dominate (41% rating 3).

Chart 46. THE IMPACT OF INNOVATION ON COMPETITIVENESS



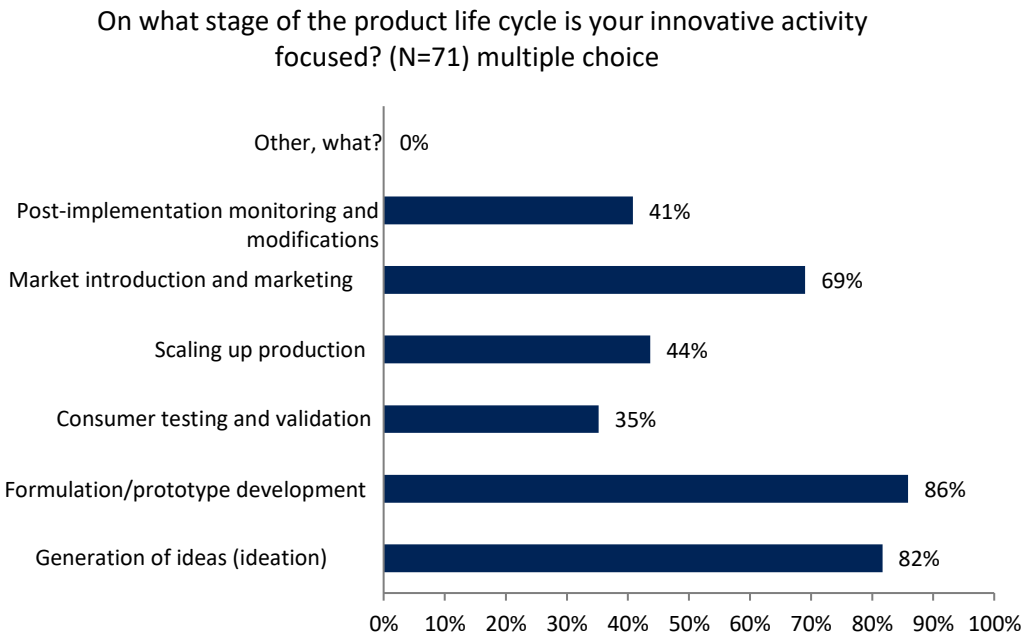
Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

5.9. Product innovations

CONCLUSION: ☑ *Innovation in the cosmetics industry is most heavily focused on the R&D (85.9%) and ideation (81.7%) phases, while the consumer testing and subsequent monitoring phases tend to be underinvested.*

Most innovation activities focus on recipe and prototype development (85.9%) and idea generation (81.7%). This confirms that innovation in the cosmetics industry is primarily rooted in the research and development phase and the creativity of design teams. Product launch and marketing is another important area (69.0%), with companies focusing on skilfully positioning new products in the eyes of consumers. Production scaling (43.7%), post-implementation monitoring and modification (40.8%) and consumer testing (35.2%) account for a relatively smaller share. The results suggest that many companies are focusing resources on rapid implementation of new products, without always giving as much attention to subsequent product improvement and validation.

Chart 47. **IMPLEMENTATION – STAGES OF THE PRODUCT LIFE CYCLE**

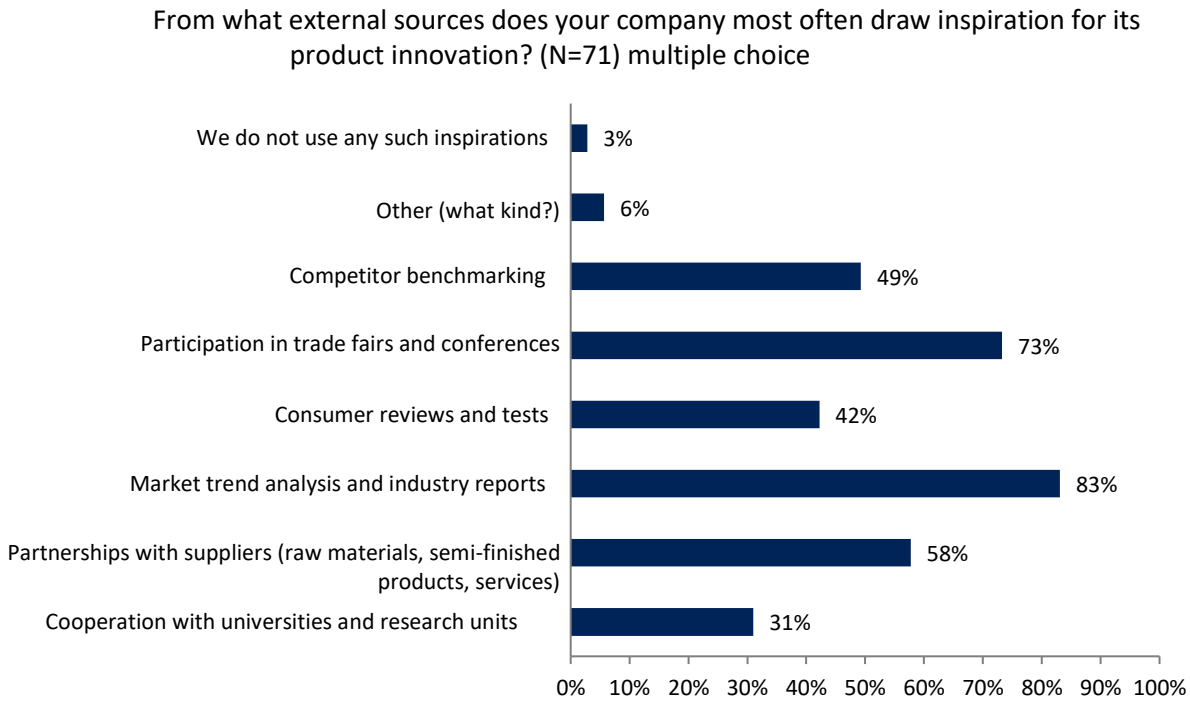


Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

CONCLUSION: ☑ *Inspiration for product innovation comes primarily from market observation (83.1%) and industry partnerships (73.2%), while cooperation with science still has a relatively low share – a potential area for development.*

The most frequently used source of inspiration is market trend analysis and industry reports (83.1%). Cosmetics companies are very much oriented to global and local market developments and monitor the current market situation and growth prospects. Trade fairs and conferences are also very important (73.2%), acting as a space for knowledge exchange and competitive observation. Partnerships with suppliers rank third (57.7%), which emphasizes the importance of cooperation in the value chain – bringing together entities specializing in providing raw materials, semi-finished products, packaging or logistics services. Consumer feedback and testing (42.3%) and competitor benchmarking (49.3%) indicate that companies also look for inspiration "from the bottom," that is, directly among customers and by observing the actions of rivals. Cooperation with universities and research units is indicated relatively less frequently (31.0%), proving that the potential of science-business cooperation is not yet fully exploited. Only 2.8% of companies do not use any external sources of inspiration, and such a low percentage confirms that openness to the environment is standard in the industry. 6% of respondents identified other sources of inspiration, such as: AI, scientific research analysis, partnership with customers, own idea based on industry experience.

Chart 48. **PRODUCT INNOVATION INSPIRATION – BEST PRACTICES**



Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

5.10. Innovation in business processes and ICT technologies

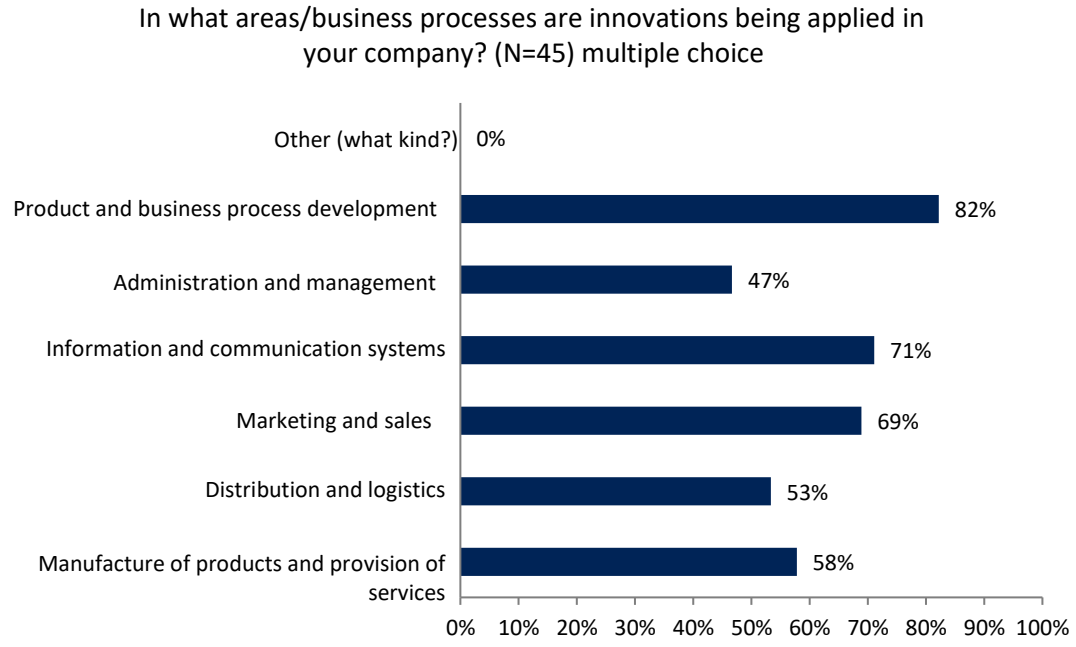
CONCLUSION: *Innovations are most often implemented in the following areas:*

- *Product and business process development (82%)*
- *ICT (71%)*
- *Marketing and sales (69%)*

Companies are less focused on administrative and management innovations (47%).

Cosmetics companies most often point to product and business process development (82.2%) as the main area of innovation implementation. Process innovation in the industry is directly related to creating new value and improving operations. Information and communication systems also play a very important role (71.1%), as well as marketing and sales (68.9%). These results suggest that digital transformation and new communication tools are fundamental to the development of the sector, with sales and product promotion becoming a space of intense innovation. Innovation is somewhat less common in product manufacturing and service provision (57.8%) or distribution and logistics (53.3%), although these areas are also strongly represented. The fewest companies are innovating in administration and management (46.7%), showing that the back-office is treated as a support space rather than a major driver of competitive advantage – typical of manufacturing industries.

Chart 49. **INNOVATION IN BUSINESS PROCESSES – AREAS**



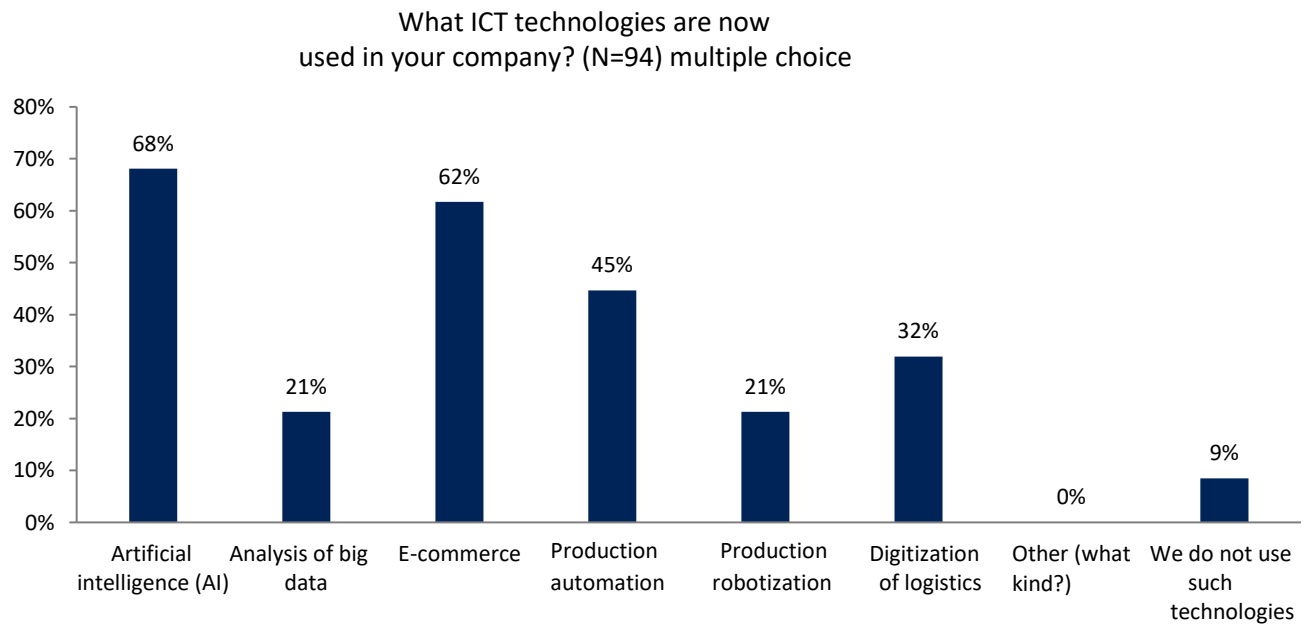
Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

CONCLUSION: *68.1% of companies state that they are using tools based on artificial intelligence. 61.7% use the e-commerce channel.*

☑

Digital technologies are widely used in the cosmetics industry. 68.1% of companies say they are using tools based on artificial intelligence (68.1%) – such as analysis automation, offer personalization, process optimization or customer contact (chatbots). E-commerce is also very popular (61.7%), becoming an increasingly important sales and customer communication channel. Production automation (44.7%) and the digitization of logistics (31.9%) play an important role, and many companies recognize the growing importance of operational efficiency. Robotisation of manufacturing (21.3%) and big data analytics (21.3%) are used less frequently – they require more investment and competence. Only 8.5% of companies do not use ICT at all, confirming that digitization is already a standard in the industry.

Chart 50. ICT TECHNOLOGIES USED IN THE COSMETICS INDUSTRY



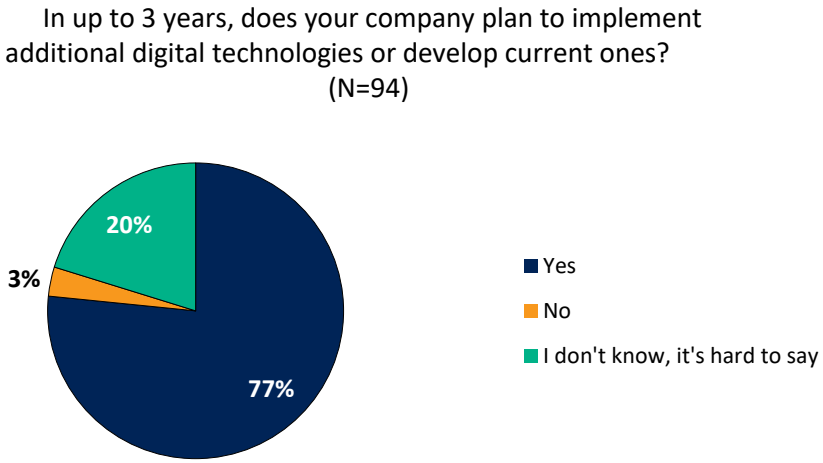
Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

CONCLUSION: *As many as 76.6% of companies plan to implement new ICT technologies or develop existing ones within 3 years.*

☑

The prospects for the development of digitization are very clear. It is no longer a matter of choice – it has become one of the major developments in the cosmetics industry. 77% of companies plan to develop or implement new ICT technologies within 3 years. Only 3.2% of companies do not anticipate any activities in this regard, and 20.2% are still undecided. The digitization trend is expected to get even stronger in the coming years.

Chart 51. PLANS FOR THE APPLICATION AND DEVELOPMENT OF DIGITAL TECHNOLOGIES



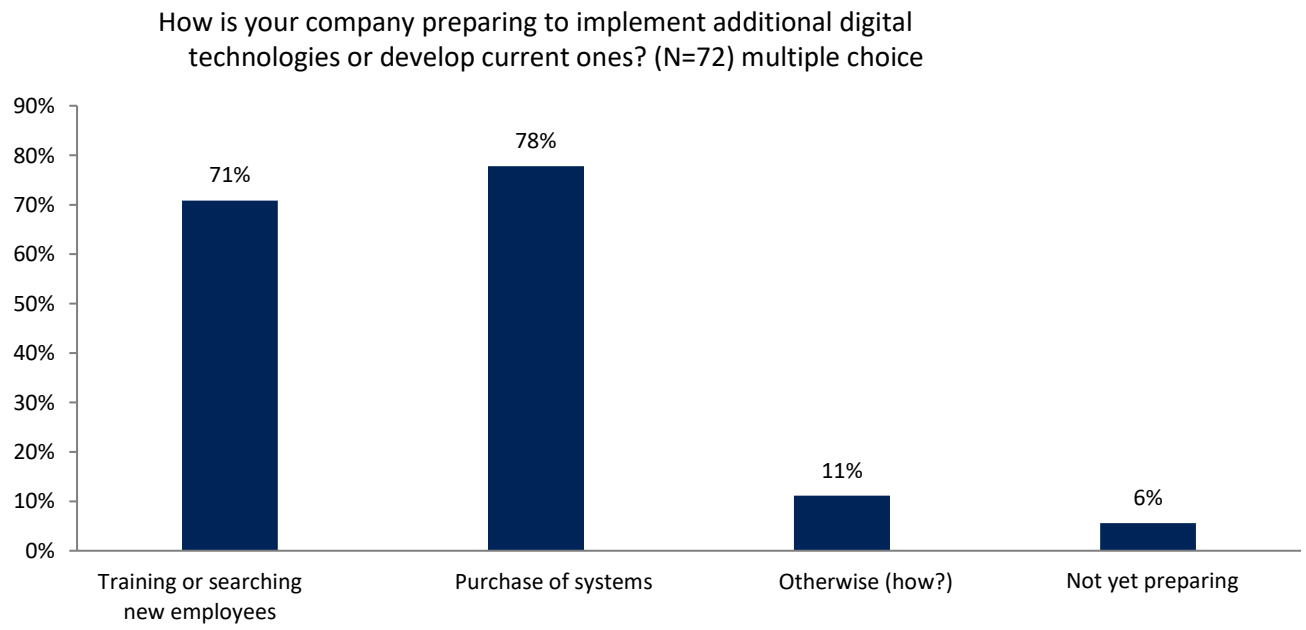
Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

CONCLUSION: ☑ *Companies combine investments in technology (purchase of systems) with parallel development of employee competence (training) – digitization is treated comprehensively, not just as an asset purchase.*

Companies are preparing for digital transformation primarily by purchasing systems (77.8%) as well as training employees and seeking new specialists (70.8%). This shows that digitization is seen as a process that requires both capital investment and competence growth. Only 5.6% of companies are not yet making any preparations, suggesting that inaction is the exception. Other ways of adaptation indicated by companies include:

- Research at the theoretical level, working on ideas and the possibility of optimizing them for the company
- Market monitoring
- Development of existing systems by writing queries on the IT side
- Development of IT tools and systems, use of consulting forms, internal development of applications and tools
- Development of internal systems in cooperation with the university
- Looking for solutions/tools, purchase and training
- Tracking and analysing upcoming changes in regulatory requirements
- Creating your own automation solution concepts.

Chart 52. **MEASURES CONDUCIVE TO IMPLEMENTATION**



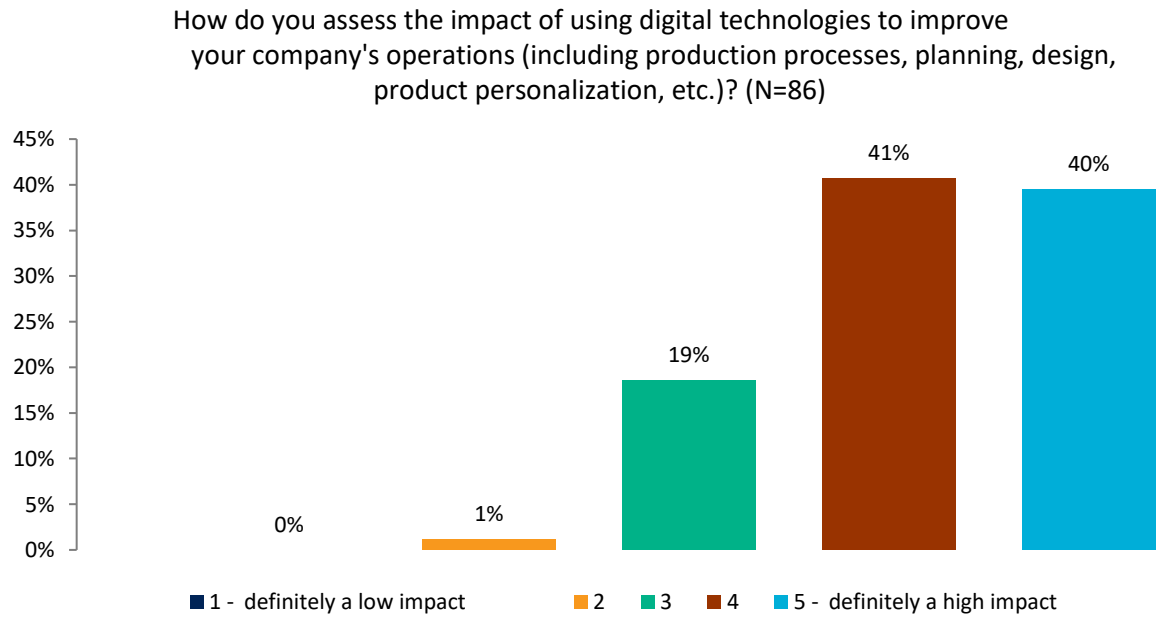
Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

CONCLUSION: *The cosmetics industry overwhelmingly (80.2%) recognizes digital technologies as a factor in improving business operations.*

☑

Digital impact ratings are very high. As many as 80.2% of companies admit that ICT has had a great or very great impact on improving operations (ratings of 4 and 5). Only 1.2% consider the impact low, showing almost universal agreement on the positive role of digitization.

Chart 53. THE IMPACT OF DIGITAL TECHNOLOGIES ON THE BUSINESS

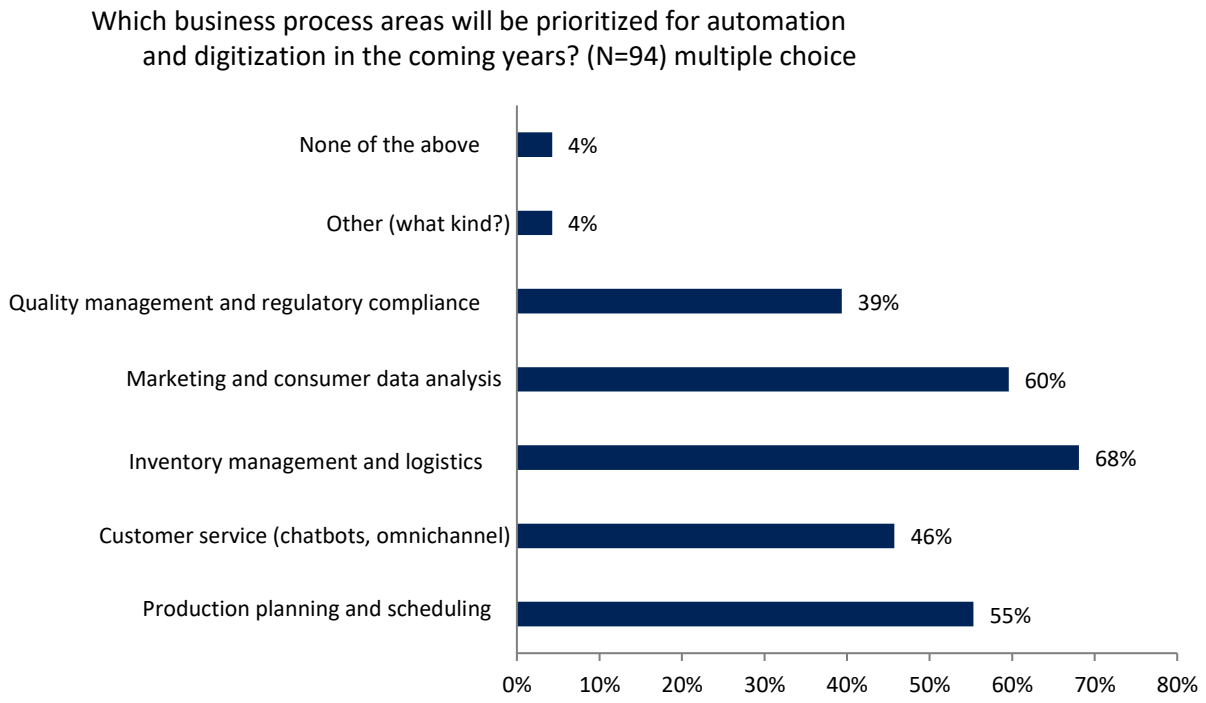


Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

CONCLUSION: ☑ *Digitalization is primarily focused on logistics (68%), marketing (60%) and production (55%) – the areas that most affect the efficiency and competitiveness of companies.*

The most frequently indicated direction of digital technology use is inventory management and logistics (68.1%). This is mainly due to the growing importance of efficient distribution and e-commerce. Marketing and consumer data analysis (59.6%) and production planning and scheduling (55.3%) – areas directly related to competitive advantage – are also of very high importance. The use of ICT was indicated slightly less frequently in the areas of customer service (45.7%) and quality management and compliance (39.4%), which may suggest that companies are focusing first on areas that generate quick economic results.

Chart 54. STAGES OF APPLICATION



Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

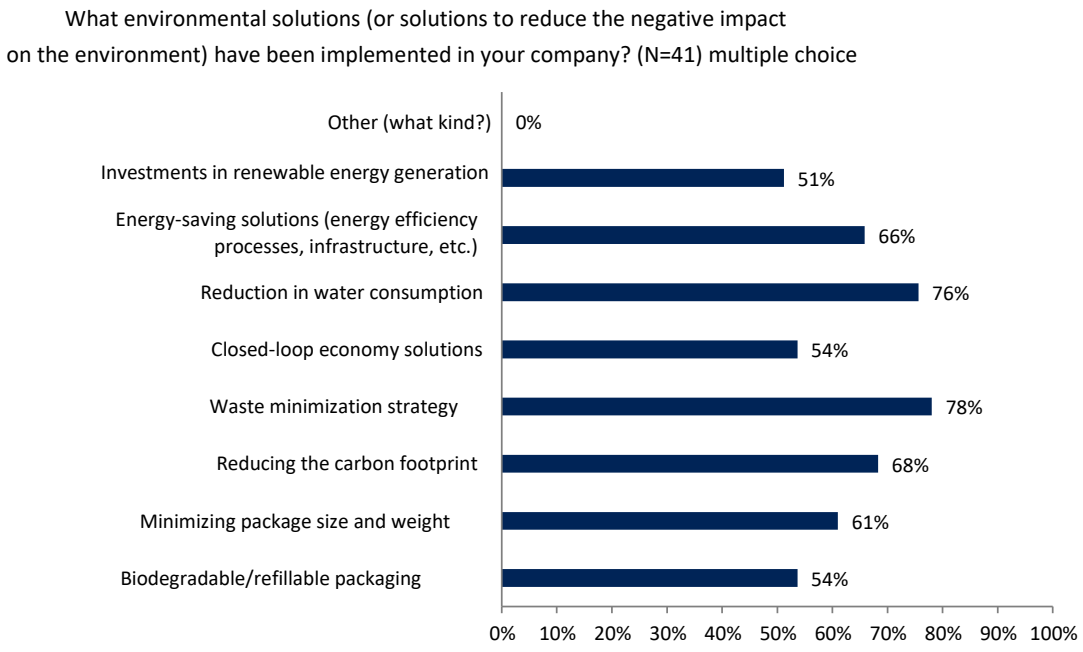
5.11. Environmental innovations

CONCLUSION: ☑ *The cosmetics industry in Poland is working in multiple ways towards sustainability, with the greatest emphasis on reducing waste and water consumption, and the least on investing in renewable energy sources (RES).*

Cosmetics companies in Poland are taking numerous initiatives to reduce their environmental impact. The most frequently indicated practice is a waste minimization strategy (78.0%), showing that waste management is one of the industry's main areas of responsibility. Also of very high importance is the reduction of water consumption (75.6%) in line with global trends of environmental responsibility in the cosmetics sector, where water is a key raw material. Energy-saving solutions (65.9%) and carbon footprint reduction measures (68.3%) also record high levels of implementation, indicating a comprehensive approach to efficiency and emissions. Slightly less common are biodegradable/refillable packaging (53.7%) and closed-loop economy solutions (53.7%) – although their level of implementation is still high, the industry has potential for further growth here. The least number of companies decided to invest in RES (51.2%), which may be due to the high initial costs and lower energy intensity of the sector compared to other industries.

Environmental aspects turned out to be the least represented in the survey compared to product or business innovations, which have been the main pillars of the industry's development for years. The environmental branch remains at an early stage of development. Companies were often unable to point to specific actions or results, which in itself indicates the limited maturity of this area and the lack of developed practices. This may be seen as a weakness in the industry, but at the same time it signals a growing space for further action – as environmental regulations and consumer expectations increasingly force the implementation of such innovations.

Chart 55. **ENVIRONMENTAL SOLUTIONS**



Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

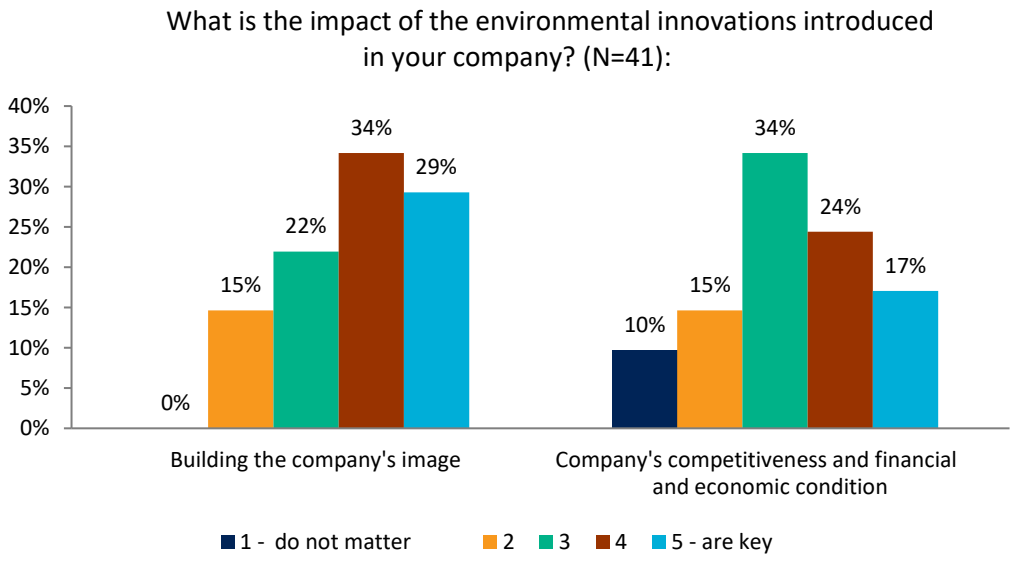
CONCLUSION: ☑ *Environmental innovations are mainly seen as an image-enhancing element, but in reality, these increase market advantage to a lesser extent.*

Environmental innovations play an important function in building the image of companies. 29.3% of companies consider them crucial, and another 34.1% give them high importance. This means that for more than 60% of the industry, pro-environmental solutions are an important communication and reputation tool.

In terms of competitiveness and financial health, the role of environmental innovation is assessed somewhat more cautiously. Only 17.1% consider them crucial, while the largest group (34.1%) assesses them as neutral (3). This may mean that the economic benefits of such activities are perceived as less immediate, or even uncertain, and requiring a longer period of time before they translate into financial results.

- Image building – 63% of companies rate the impact as high/key (rating 4-5) → they are an important marketing and reputation tool.
- Competitiveness and finance – only 41% of companies see a strong impact (rating of 4-5), with the majority indicating neutral importance.

Chart 56. THE IMPACT OF ENVIRONMENTAL INNOVATION ON IMAGE AND COMPETITIVENESS



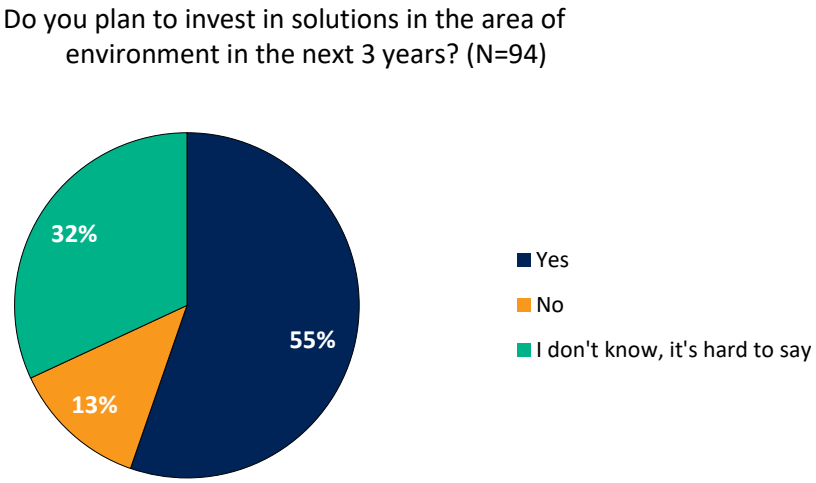
Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

CONCLUSION: *55% of companies plan to invest in environmental innovations within 3 years.*

☑

The prospect of developing innovation implementation in the environmental field is very clear. 55.3% of companies indicate that they intend to invest in solutions to reduce environmental impact in the next 3 years. Only 12.8% have no plans to do so, and a significant group (31.9%) remains undecided. Such distribution shows that most companies treat environmental innovation as an integral part of their development strategy, but there is also a sizable group observing the situation and reacting only to regulatory or market changes.

Chart 57. PLANS RELATED TO WORKS ON ENVIRONMENTAL INNOVATIONS



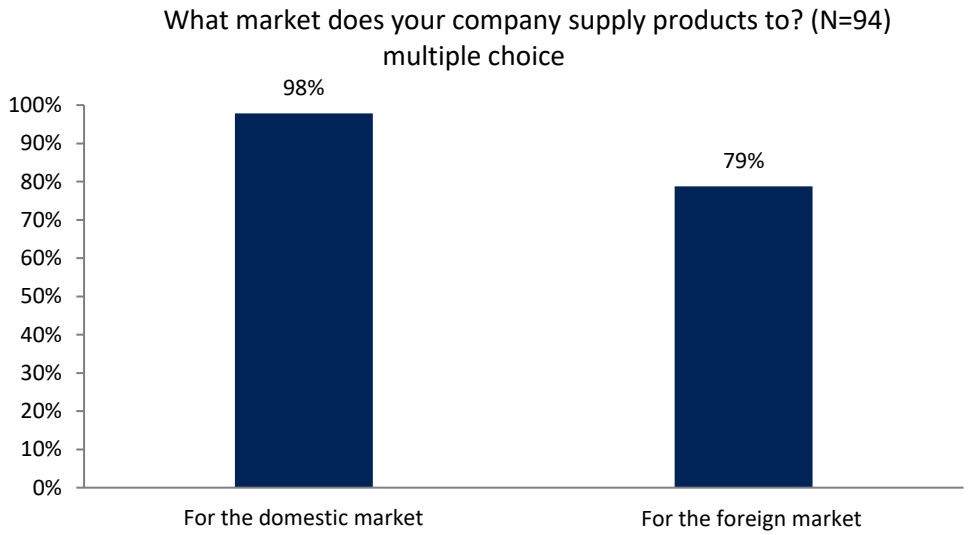
Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

5.12. Export activities

CONCLUSION: *Nearly 8 in 10 cosmetics companies are going outside Poland with their offerings.*

The vast majority of cosmetics companies operate in a dual model – both in the domestic and foreign markets. As many as 97.9% of the surveyed companies sell their products in Poland, at the same time 78.7% of the companies also operate in foreign markets, which confirms the high internationalization of the sector. The Polish cosmetics industry is clearly export-oriented – the share of companies with a presence in foreign markets is much higher than in many other industry sectors.

Chart 58. SALE MARKETS



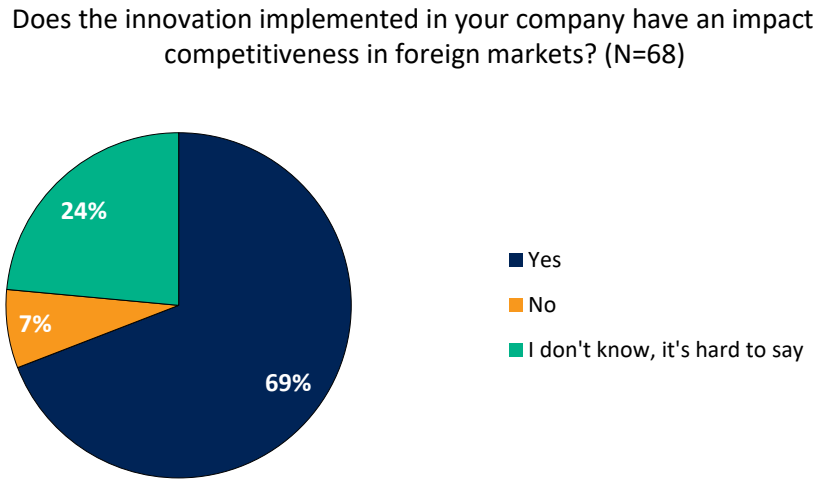
Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

CONCLUSION: *69.1% of companies confirm that innovation affects their competitiveness abroad.*

☑

The vast majority of companies believe that the innovations they implement strengthen their position in international markets. 69.1% of companies report that innovation has a direct impact on competitiveness abroad, while only 7.4% deny it. However, there is a fairly large group of companies that are unsure – 23.5% are unable to assess the impact. This may be due to the fact that some innovations (especially process or organizational innovations) are not easily measurable in the context of exports, or that the effects of their implementation come with a delay, so some companies may have difficulty directly capturing the effect.

Chart 59. THE IMPACT OF INNOVATION ON COMPETITIVENESS ABROAD

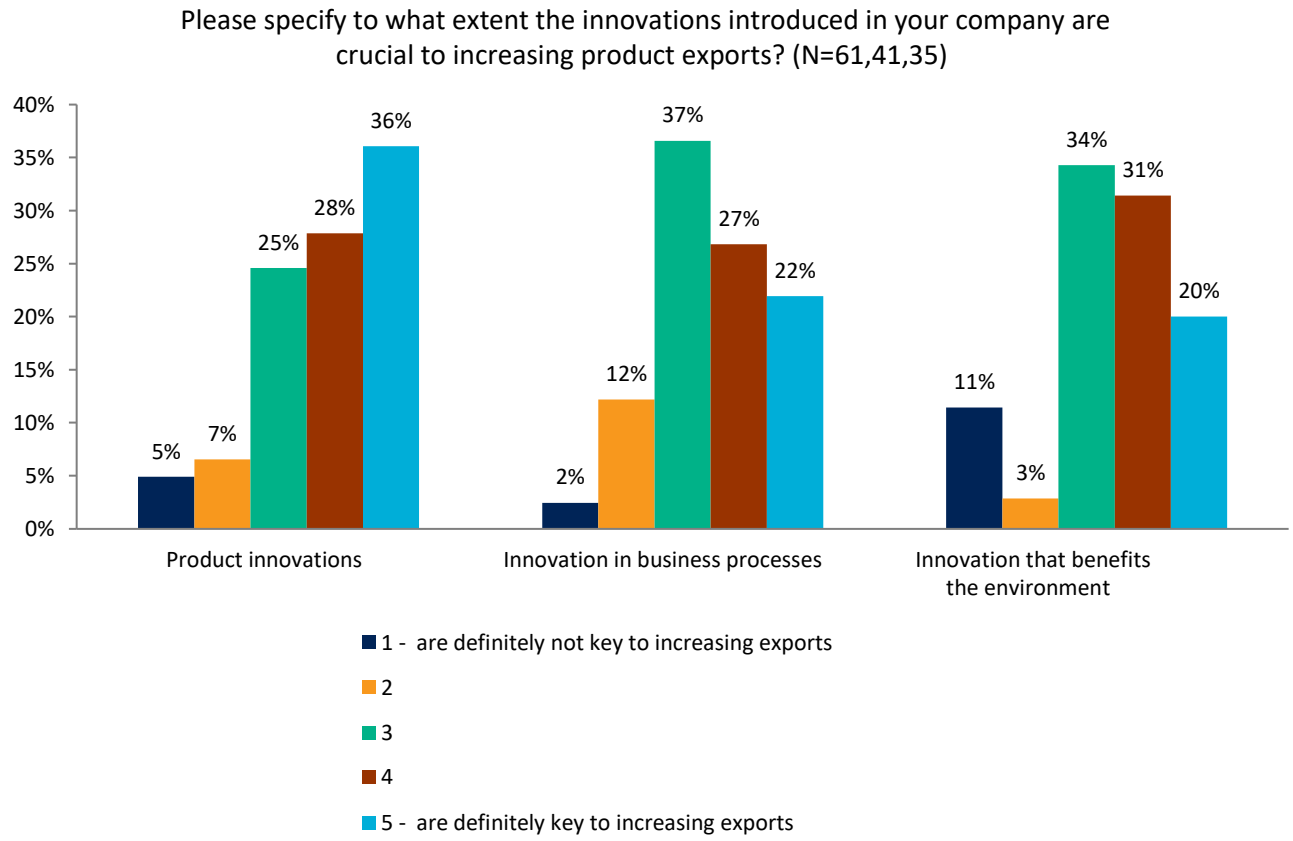


Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

CONCLUSION: *Exports are primarily driven by new products, while process and environmental innovations have a supporting function.*

- 36% of companies indicate **product innovation** as the strongest factor in export competitiveness, while 64% as important/key (rating 4-5). This is the main driver of foreign expansion.
- **Business process** innovations are mainly indicated as neutral (37% rating 3) and important (27% rating 4), while 22% of companies consider them crucial (rating 5) – less so than product innovations.
- **Environmental innovations** have the least impact on export competitiveness: only 20% of companies consider them crucial (rating 5), while neutral (34% rating 3) and important (31% rating 4) ratings dominate. 11% of companies believe that environmental innovation is not key to increasing exports.

Chart 60. THE IMPACT OF INNOVATION ON EXPORTS



Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

5.13. Examples of innovation

Infographic 2. **Product innovations**

Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

Infographic 3. Innovation in business processes

Manufacture

- Production management system
- New process and production lines
- ERP_1 MES systems, production scheduling
- Automation of assembly lines, billing, salt packing
- Use of machines for purposes other than those envisaged by the manufacturer

Logistics and distribution

- New logistics and sales system
- Streamlining procurement and logistics processes
- New domestic/export distribution models
- WMS_1 automated warehouse
- Outsourcing of production, distribution, warehousing
- Change in packaging of products for bulk packaging

Administration and management

- Management, archiving, internal communication systems
- Electronic workflow, invoicing systems
- S&OP process and implementation processes
- Standardization of partnerships and onboarding
- Change of integrator
- Analytical programmes for cost and revenue trends
- R&D system with database and automatic project supervision

Sales

- Systems for B2B and B2C customers
- Marketing automation, customer education
- Optimize customer service and sales with AI
- Care360 Portal – online sales channel
- Use of AI for sales, marketing processes
- Changing commercial processes

Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

Infographic 4. Environmental innovations

Energy and energy efficiency

- Energy from RES_1, own energy sources
- Photovoltaics: installations on halls, farm covering 30% of energy, panels on buildings
- Heat pumps and wind energy
- Energy-efficient machines and processes, compressed air pressure reduction, automation
- Building and lighting upgrades

Water

- Closed circulation of process water and cooling
- Using process water for heating
- Chemical wastewater treatment

Packaging and its environmentally friendly materials

- Refill, refill stations, reusable bottles
- Plastic reduction, light packaging, reduced weight, monomaterial, 3-ply with recycled material
- Glass and aluminum, recycled, biodegradable packaging
- FSC Certified Packaging
- Doing away with cellophane
- Reducing the size of packages, packaging without plastic

Raw materials and waste

- Elimination of microplastics and substances classified as harmful to the environment
- Recycled PCR_1 raw materials, biomass balance, EcoBalance
- Green $Chelators_1$ solid products packaged in paper
- Segregation and disposal of waste, waste partnerships, customer education

Source: Wise Europa's own analysis based on survey data (survey conducted by: SW Research)

5.14. Examples of innovations identified in the study – list

	Examples of product innovations
1	Coffee oil made from used coffee grounds
2	Antioxidants from used coffee grounds
3	Lignin from used coffee grounds
4	Formulations based on innovative ingredients – new types, types of formulation, forms of administration and application
5	Expansion of portfolio with new product form – aerosol
6	Modification of formulas using innovative emulsifiers, active substances
7	Cosmetic texture modifications
8	Use of AI at the stage of idea generation and formula development
9	New forms of product administration (packaging)
10	New forms of marketing communications using AI
11	Expanding the portfolio of application tests
12	Innovative products based on a patented combination of substances with previously unexplored synergistic effects
13	Development of modern carrier systems for active substances
14	Development of non-existent chemical compounds
15	Investigating new skin aging processes and substances that slow the progress of aging
16	Application of research techniques that have never been used in cosmetology
17	A series of self-stick products created using wet-press technology
18	Soap bases with “green” chelators
19	Synthetic bases for the production of cosmetics in bar form
20	D'Lite – a digital platform for formulators
21	Care360 – online sales channel
22	Emollient Maestro – a tool to help replace silicones in formulations
23	PeptAIde 4.0 – active ingredient created using AI algorithms
24	Deodorant in cream (various product versions)
25	Wood tar liquid soap
26	Shampoo in bar form (various product versions)
27	Day cream (fruit-based)
28	Night cream (vegetable-based)
29	Sunscreens
30	Change of packaging (refill, ensuring sterility, recyclable packaging)
31	Nail cosmetics without HEMA, TPO and DiHEMA before EU regulations were introduced
32	Changing to eco-friendly packaging with adjustments to increase production efficiency
33	Face creams, oleo-gel, serums and scrubs with live probiotic bacteria
34	Innovative carriers of active ingredients, cream with the effect of microneedle mesotherapy, cream in an innovative package with a massage function, innovative cosmetic bases supporting the epidermal barrier
35	New line of dermocosmetics for atopic skin and AD
36	New bottling line
37	New tabletting machine
38	Tablet packaging line
39	New packaging, new product categories, new product features
40	New raw materials, compound preparation technology
41	New unique nail polishes
42	New kind of stick deodorant

43	Lowering the production temperature (changing the production process after R&D)
44	Use of unused plants on the Polish market (academic cooperation)
45	Product innovations for a specific medical problem (dermocosmetics)
46	Packaging, upcycling
47	Refill packaging
48	Packaging for loose products in a combination of glass+plastic
49	PCR thermoformed trays
50	Reusable thermoformed trays
51	Developed product portfolio change management tool and automation of basic duties related to product dossier
52	Legislative change management
53	Optimizing the process of creating labels for products using AI
54	Optimizing customer service through social media using AI
55	Creating graphic materials and copywriting using AI
56	Creating video marketing materials, including for foreign markets using AI
57	Non-alcoholic beers
58	Wash and shave product in a can with a lower pH than standard shaving foams
59	Digital products for customers
60	Time optimization / AI
61	Products with innovative formula, (multifunctional) production technologies
62	Care products based on Sopot brine to relieve symptoms of AD
63	Plastic reduction in tubes – ThinWall, slim cap, ecofusion top
64	Increasing the proportion of PCR in tubes, heads and caps
65	Monomaterial tubes with PE caps
66	Recycling-ready materials confirmed by certificates
67	“My Cream” series – DIY creams for your own needs
68	Development of product lines with reduced water content and use of innovative low-temperature production technologies
69	Increasing the proportion of recycled materials, e.g., aluminium in foam and body mousse packaging – up to 99% of the material is recycled
70	Tattoo skin care series
71	Series of products in recyclable packaging
72	Specialized series for make-up removal
73	Series of aromatherapy products
74	Light product series (weight reduction)
75	Production of special packaging (ball)
76	Patented pharmaceutical packaging
77	Refill, re-use, fill&close, recycled packaging
78	Serum with CBD niosomes and vitamin C (transport mechanism for active molecules used in medicine)
79	Repackaging of products eliminating unnecessary plastic elements using modern materials: ecological papers, aluminium, glass, wood, cork
80	Use of high-quality raw materials with proven test results
81	Top coat no wipe that does not change colour over time
82	Children's water polishes coming off like a sticker
83	Thixotropic gels
84	Podiatry lacquers
85	Nail conditioner
86	Ultra-thin stick eyeliners

87	Waterproof stick eyeliners
88	Make-up with SPF protection
89	Blushes and bronzers in a stick
90	Baked pressed products
91	Device for nail and eyelash stylists
92	BOHOBOCO • PERFUME product innovations are based on the bold combination of non-obvious ingredients with a deep emotional narrative
93	Polish Potatoes – fragrance – the composition combines notes of potato, beet, wheat, pine and leather, creating an aroma that evokes childhood memories and the atmosphere of a bustling market. Reviewers highlight its remarkable longevity and ability to evoke emotion and nostalgia
94	Magic Mushrooms, a fragrance inspired by the forest landscape and spiritual transformation. The composition contains notes of mushroom, hemp, immortelle, thyme and patchouli, creating an aroma that transports the wearer to a world of magic and introspection
95	Wet Contouring
96	LAAB line with innovative ingredients and packaging
97	Introduction of biotech ingredients
98	All products with liposomal technology
99	Cosmetology and dermatology products that address specific skin needs – including in the areas of post-treatment regeneration, problematic skin care and anti-aging
100	Emulsion products with SPF in Bag-on-Valve administration
101	Encapsulation of selected active ingredients in liposomes, carriers
102	Change in packaging-technology, change in concept, changes in integration-system processes

	Examples of innovation in business processes
1	Production management system
2	New process lines
3	System for B2C customers
4	System for B2B customers
5	Introduction of a new system for washing dishes used in the production process
6	Information systems
7	Management systems
8	Filing systems
9	Internal and external communication systems
10	Logistics and sales system
11	Purchases of modern production equipment
12	Streamlining the way orders and logistics processes are conducted
13	Development of information systems
14	Use of AI technology in ongoing projects and operations
15	Automation of assembly lines
16	Automation of production accounting
17	Marketing automation
18	Automated customer education
19	Standardization of partnerships and onboarding
20	Implementation process
21	S&OP process
22	Electronic workflow at the stage of implementation and settlement
23	Logistics and storage systems

24	Automation in production
25	The innovation lies in using a raw-material source for product manufacturing that comes from waste. This is therefore a circular origin of the raw material
26	Innovations in product distribution, warehouse handling and online store
27	Investment in new production lines
28	Social media, use of artificial intelligence, modern product configurator
29	New distribution models within the country and abroad
30	Adaptation of existing IT systems and their continuous modification to allow adaptation to progressive business processes
31	New models of cosmetology/cosmetic services
32	Modern WMS system
33	Automation of workflow processes, invoicing system in e-comm
34	Automated high-bay warehouse
35	Heat pumps in the brewing process
36	Optimizing the customer experience using AI, marketing and consumer data analytics
37	Outsourcing of production, outsourcing of distribution, outsourcing of warehousing
38	Care360 Portal
39	Programs for detailed analysis of cost and revenue trends
40	Moving internal communication to AI-enabled chat application
41	Creation of an automated system to support the creation of new products in the R&D department with a central database and an automated project guidance and supervision system
42	Reorganization of the company towards green organization with competence centres instead of the classic pyramid
43	Systems: ERP, production management , production scheduling, delivery planning development of structures in all business areas and greater process specialization
44	Implementation of information systems and modules based on AI solutions
45	Implementation of ERP system in all areas of the company and MES system
46	Introduction of WMS in the warehouse
47	Introduction of an automated process for packaging bath salts
48	Implementation of Appsheet applications in internal production/logistics processes (independent application writing)
49	Price list management system – electronic workflows
50	Use of AI for sales, marketing processes
51	Changing and packaging of products to properly select finished products for bulk packaging
52	Creation of more than a dozen process automations to streamline the work of people
53	Use of machines for purposes other than those envisaged by the machine manufacturer
54	Change of integrator
55	Changing commercial processes

	Examples of innovations with environmental benefits
1	Photovoltaics
2	Closed water circuit
3	Packaging: weight, PCR additive, size, use of glass packaging, no cellophane
4	Electronic filing system
5	Refill stations in stores
6	Refill packages
7	Glass and aluminium packaging (minimize plastic to the necessary minimum)
8	Possibility for customers to return used product packaging (such as glass jars)

9	Raw material management system (minimize loss of raw materials)
10	Purchase of an industrial dishwasher for washing dishes used in production (minimizing electricity and water)
11	Reduce the use of paper and cardboard in product packaging
12	Use of unbleached paper in bulk packaging
13	Introduction of energy-saving solutions related to lighting
14	Elimination of raw materials with microplastics and cyclopentasiloxane
15	Economical water management in connection with the use of closed circuits at equipment
16	Limited portfolio of ingredients
17	Local suppliers of raw materials and packaging
18	Waste segregation
19	Photovoltaics, heat pumps, initiatives involving employees in caring for the environment
20	Soap bases using so-called “green chelators” (which are readily biodegradable and safer for aquatic ecosystems – an alternative to bases with EDTA), solid cosmetic products packaged in paper, with higher performance than analogous liquid products in bottles
21	Closed circulation of process water
22	Biomass balance approach – EcoBalance
23	Chemical recycling
24	Ingredients Revealed – a tool for formulators to design sustainable products (among other things, a calculator of the level of biodegradability of the mass of cosmetic products)
25	FSC-certified eco-friendly packaging – mono-recyclable
26	Using recycled plastic parts
27	Photovoltaics, water circulation
28	Installation of photovoltaic panels on production halls
29	Change of company fleet to hybrid cars
30	Repackaging product packages into recyclable or biodegradable materials
31	Implementation of easily biodegradable cosmetic formulas
32	Greening of the company's site
33	Minimizing packaging
34	Introduction of mono-material packaging
35	Closed circuits of cooling systems
36	Upgrades of production lines to more energy-efficient ones
37	Investment in own energy sources
38	Retrofitting the building to reduce energy consumption
39	Installation of photovoltaic panels
40	Using process water for heating
41	Introduction of PCR raw materials
42	Energy-efficient machines
43	Reduce compressed air pressure to lower electricity consumption and minimize carbon footprint
44	Reducing the weight of packaging
45	Use of packaging produced with 3-layer technology, middle layer 60% recyclate
46	Reducing water consumption by 30%,
47	Photovoltaic farm that covers 30% of our energy needs
48	Refillable packaging
49	Packing packages without plastic
50	Reduce package size to minimize waste
51	Patented technology for full valorisation of spent coffee grounds into raw materials, e.g. for cosmetics
52	Partnerships with waste corporations, customer waste education

53	Heat pumps
54	Wind energy
55	Reusable bottles
56	Film, 100% from recyclate
57	OCS program
58	Introduction of the ISO 14001 environmental standard
59	Closed water circulation in the production process
60	Light packaging
61	Energy from RES
62	Electrical machinery
63	Energy-efficient processes, automation
64	Environmental (packaging), environmentally friendly substrates
65	Waste disposal
66	Introduction of chemical wastewater pretreatment
67	Introduction of refill packages
68	Introduction of packaging with reduced weight, but with the same properties
69	Reduction of cardboard waste
70	Doing away with cellophane for some products
71	Using recycling packaging
72	FSC-certified cardboard

Industry-related comments

The previous pages of the “Cosmetic Poland 2025” report presented the analyses resulting from the first cosmetics industry innovation survey in Poland. How does Poland rank against the European Union and non-EU markets? What lessons can be learned from analysing this data for the industry, for analysts, for government? How should we – as an industry – talk about the innovation processes and innovations we are implementing?

There are many questions we still don't know the answers to. Today we are mapping out potential paths, looking for inspiration from near and far, asking experts what next steps to take on this path in order to soon make recommendations for and on behalf of the cosmetics industry.

As a first step, at the micro level, each company must take care of creating and executing an innovation strategy on its own. Without a concrete plan, entrepreneurs in Poland will not make progress in developing innovative processes. To make it easier for companies, we asked experts about their experiences, predictions and tips. Let the opinion of industry leaders and representatives of institutions supporting business innovation inspire new plans and actions. Special commentary was prepared for the Polish Union of the Cosmetics Industry by Valéry Gaucherand, CEO of L'Oréal Poland and Baltics Countries, the Polish division of L'Oréal, which was distinguished as one of Europe's Most Innovative Companies 2025, and Anna Tyburska-Staniewska, Eng PhD, of the Strategic Management Department of the National Research and Development Centre.

Anna Tyburska-Staniewska, Eng PhD

NCRD Strategic Management Department

The cosmetics industry has come through the turmoil caused in world economies by the Covid-19 pandemic, the war in Ukraine or geopolitical changes relatively unscathed. The relatively mild impact of global crises can be attributed to the ability to adapt offerings easily and flexibly to customer expectations. It is also not insignificant that the cosmetics sector is not one of the energy-intensive sectors. However, this does not mean that the industry has no challenges ahead. Indeed, key for the sector are the changes in the European regulatory environment resulting from the implementation of the Strategy for Sustainable Chemicals (CSS), a pillar of the European Green Deal. The strategy is to reduce the use of chemicals with high health and environmental risks and promote safe and sustainable solutions right from the product design stage. As part of CSS, a number of legislative activities have been initiated, including the revision of the REACH and CLP regulations, which have a direct bearing on the production of cosmetics. The new CLP regulations, effective as of December 2024, introduce changes to the classification and labelling of multicomponent substances as well as new requirements for advertising and online sales of products. The same year also saw new regulations on the use of nanosubstances in cosmetic products. In addition, according to the new guidelines, some nanometals such as nanogold, silver and copper have been included in the list of banned substances, forcing cosmetic manufacturers to revise their formulations and adapt their products to the new standards. Finally, it is also worth mentioning the Safe and Sustainable-by-Design (SSbD) concept, which promotes the design of products, including cosmetics, taking into account their impact on health and the environment throughout the product life cycle.

As we can see, the challenges facing the industry have been, and continue to be, numerous, but they can provide the impetus to accelerate development. The cosmetics industry has the opportunity to use the

new regulations as a catalyst for the development of new, innovative products or processes that meet growing consumer expectations and sustainability standards. The data in this report shows that the cosmetics industry is a sector that is growing quite rapidly on a global scale, in the EU, as well as in Poland.

In order to maintain its current growth rate, the cosmetics industry still needs to be directed toward conducting R&D and developing innovative solutions in both products and processes. This applies to the development of innovative cosmetic raw materials (probiotics, adaptogens, proteins, peptides), personalization of products (products ideally tailored to the unique needs of the recipient) or meeting trends related to “ethical care” and environmental protection, creating, for example, vegan cosmetics. Innovation is also a sustainable approach to cosmetic raw materials, including in particular the upcycling of raw materials and the use of ingredients that are leftovers from the food or agricultural industry, or the search for biodegradable substitutes for the synthetic components used, such as emulsifiers. Innovation is also developing cosmetics with “short formulation” or a new form of application.

In the last financial perspective, the National Centre for Research and Development supported the cosmetics industry under the Intelligent Development Operational Programme implemented in the years 2016-2021. Applications included projects to develop both cosmetics – products for daily skin care – and cosmeceuticals – products that combine the properties of drugs and cosmetics. Among the applications submitted, those for product innovation dominated. A total of 60 applications for funding were submitted under the programme, and 15 of them were recommended. The success rate for projects submitted by the cosmetics industry was therefore 25%. Although the success rate for projects in this industry is slightly lower than that achieved for other sectors, projects that fit into global world trends dominated among the applications that received funding. Noteworthy examples include a dermocosmetic developed by Profarm Sp. z o.o. with unique properties for people with acquired vitiligo, or vegan cosmetics from Polish scientists and entrepreneurs, developed in the PLANTARUM project funded under the GOSPOSTRATEG program.

In the current financial perspective for the years 2021-2027, the cosmetics industry can also receive support for the implementation of innovative R&D projects. The National Centre for Research and Development, which has been supporting the technological and R&D development of Polish companies for years, recommends exploring the current offer. The industry can apply for funding at least within the framework of the SMART Consortia Program aimed at entities planning to implement complex innovation projects in a consortium formula. The scope of support includes research and development, innovation implementation, R&D infrastructure development, internationalization, digitalization, business greening, and raising the competence of employees and management. For consortia involving a large enterprise, the R&D module must be a mandatory component of the project. For other consortia, the R&D or innovation implementation module is mandatory, while the other modules can be chosen flexibly, according to the needs and nature of the project.

Valéry Gaucherand,

CEO of L'Oréal Poland and Baltic Countries[13]

The cosmetics sector in the age of innovation. From labs to solutions of the future

Today, beauty is not based solely on consumption and economics – its real driver is innovation. It is thanks to innovation that the beauty industry is creating breakthrough products, revolutionizing manufacturing processes and redefining the way we take care of ourselves and the planet. Investing more than 3% of its global turnover in research and development each year, L'Oréal is demonstrating that the future of beauty is the result of a combination of science, technology and a sustainable approach.

Although the European Union is today a world leader and the largest exporter of cosmetics in the world, in order to maintain this position, it must develop new technologies, invest and consistently focus on sustainability.

R&D spending by cosmetics companies in 2021 reached EUR 2 billion – a 30% increase over 2013. The results of these investments are clearly visible. L'Oréal alone dedicates more than 3% of its annual turnover (about EUR 1.3 billion) to research and innovation, and thanks to the work of more than 4,000 scientists, it filed 694 patents in 2024 alone (by comparison, the same year, there were 692 applications from Poland to the European Patent Office [EPO]) and launched more than 3,600 new formulas. At the same time, nearly 1,000,000 new products from all four divisions – wide distribution products, luxury products, professional products and active cosmetics – entered the Polish market.

Innovation in the beauty and personal care sector is driving change on many levels – from the development of new products that give consumers more choice and higher quality, to cutting-edge production technologies that increase efficiency and promote sustainability.

One example of this approach is Osmobloom , a breakthrough technology we unveiled at the VivaTech innovation fair in Paris in June in partnership with Cosmo International Fragrances. It allows extracting fragrance from flowers without destroying them, and without heating, cooling or using water. By using air to capture volatile compounds, it maintains the integrity of the components and allows for the potential reuse of plant material. The process creates 100% natural, pure extracts, preserves the authentic fragrance of the ingredient, reduces waste by reusing plant material and has a low environmental impact.

Another example is BioPod – a vertical farming technology developed by Interstellar Lab, originally for space exploration. It's a smart, climate-proof greenhouse that allows rare and valuable plants to be grown year-round under controlled conditions. In doing so, BioPod uses minimal water and resources, combining the precision of artificial intelligence with the idea of sustainability.

Sustainability in the beauty industry is not just about experimental technologies and prototypes – it is also about solutions being implemented today. One of them is digital marketing, the global carbon footprint of which is comparable to emissions from automobile transportation. It has been three years since we started working with technology startups, including France's Impact Plus, and Poland was one of the first markets outside of France to start managing digital emissions as early as the campaign planning stage. Thanks to the use of Impact Plus tools – which allow us to optimize the resolution, formats and technical parameters of materials – we have significantly reduced CO_2 emissions and plan to reduce them further, by as much as 30%. This is an example of how R&D innovations can change areas that usually remain out of the public eye.

The other area is refills, or product replenishment systems that reduce the environmental footprint of packaging. There are already about 80 different refills available within the L'Oréal portfolio in Poland – in perfumes, skin care, hair care and body care. This is a win-win solution for both the planet and

[13] L'Oréal has won the Europe's Most Innovative Companies 2025 award.

consumers. For example, choosing a 100 ml refill of Lancôme *La Vie Est Belle Elixir*, instead of two new 50 ml bottles, one can reduce material consumption by up to 73% glass, 66% plastic and 61% cardboard, depending on the product category. At the same time, it means a saving of 15-20%.

As a testament to the effectiveness of our out-of-the-box approach, L'Oréal was recognized as Europe's most innovative company in Fortune magazine's Europe's Most Innovative Companies 2025 ranking. This award recognizes our strong culture of innovation, breakthrough products and processes, and investment in research and technology related to the beauty industry. This award puts us at the forefront of the European economy and obliges us to continue our innovative efforts.

It is also increasingly important for the industry to collaborate with the world of science and startups, combining experience with innovative approaches. One example is the L'Oréal Sustainable Innovation Accelerator, a 5-year programme worth EUR 100 million, launched this year in partnership with the University of Cambridge Institute for Sustainability Leadership (CISL). The goal of this project is to accelerate the development of groundbreaking solutions in the cosmetics industry, addressing key regulatory and environmental challenges in the area of sustainability, and Polish companies and startups can also participate. This is an example of how business as an investor can successfully cooperate with the world of science in the search for new technologies.

The cosmetics sector shows that innovation can go hand in hand with responsibility. It is this synergy of science, business and environmental concerns that sets the course for the beauty industry and makes change happen not in the distant future, but here and now.

WiseEuropa Foundation

WiseEuropa is an independent think-tank specializing in macroeconomics as well as economic, European and foreign policies.

WiseEuropa's mission is to improve the quality of national and European policies and the economic environment by basing them on sound economic and institutional analysis, independent research and policy impact assessments. The Institute engages citizens, entrepreneurs, experts and public policy makers from home and abroad in a joint reflection on the modernization of Poland and Europe and their role in the world. WiseEuropa's goal is to work for an active and engaged role for Poland in the open, sustainable, democratic development of Europe. The core of WiseEuropa's activities is stimulating and inspiring public debate on the future of Poland and Europe.

www.wise-europa.eu

On 20 March 2024, during the Polish Climate Congress, the WiseEuropa Foundation was named Energy Transformation Leader 2024. The competition chapter, which awarded the prize, included representatives of the Polish Climate Congress, the National Energy Conservation Agency and the National Center for Research and Development.

WiseEuropa's **Economics and Economic Policy** Programme studies economic phenomena taking place in Poland and their impact on the well-being of citizens. Using the capabilities we have in the field of macroeconomic analysis, we strive to provide, e.g., policymakers, with insights into the effects of their policies and institutional arrangements. We propose alternative solutions to important problems, tailored to the needs of the Polish economy and society.