

SOCIO-ECONOMIC CONTRIBUTION OF THE EUROPEAN COSMETICS INDUSTRY

2016



Cosmetics Europe
the personal care association

Socio-economic contribution of the European cosmetics industry

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Prepared for Cosmetics Europe by Risk & Policy Analysts Ltd. (RPA)

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Introduction

The cosmetics and personal care industry makes a **significant social and economic contribution** to national and regional economies across the EU. Through the purchase of goods and services and the payment of taxes and employee wages, the cosmetics industry generates multiple rounds of economic spending and re-spending that benefits the European economy and its citizens.

This report, **prepared by Risk & Policy Analysts Ltd (RPA) on behalf of Cosmetics Europe**, provides a comprehensive evaluation of the socio-economic contribution made by the European cosmetics industry (covering the EU-28 plus Norway and Switzerland). Based on a top-down analysis of the cosmetics supply chain, starting from raw material inputs, through manufacturing, distribution and wholesale, to retail and the beauty services industry, this report seeks to illustrate the socio-economic importance of the European cosmetics industry, considering indicators such as employment (jobs and wages), social security contributions and Gross Value Added (GVA).

The research for this report is based on a combination of literature review and consultation with companies and industry associations operating in the sector. Conservative estimates have been used throughout to ensure that benefits are not overstated. While the focus of this study has been on producing quantitative (economic) information, some of the wider, qualitative, benefits of the sector are also discussed. In particular, consideration is given to the various ways in which cosmetics (through satisfying individual's various physical and emotional needs) tangibly improve people's lives. By combining quantitative data on the economic benefits of the European cosmetics industry with qualitative information on the wider catalytic impacts of cosmetics, this study aims to capture the full effect of the cosmetic products industry across its entire value chain.

THE SOCIO-ECONOMIC CONTRIBUTION OF THE EUROPEAN COSMETICS INDUSTRY

The economic contribution made by the European cosmetics industry can be divided into three main types:

- **Direct impact:** Where this corresponds to the contribution to the European economy created by the **manufacture** of cosmetic products.
- **Indirect impact:** Where this results from the purchase of goods and services by firms directly involved in the manufacture of cosmetic products. These **impacts accrue both 'up-stream' in the supply chain** (e.g. when companies manufacturing cosmetic products purchase raw materials, packaging components and other goods and services (e.g. IT equipment, business services) from their suppliers) **as well as 'downstream' in the supply chain** (e.g. in the distribution, wholesale and retail sale of cosmetic products and in the beauty services sector).
- **Induced impact:** Where this is defined as the additional contribution to the economy resulting from increased **expenditure by the workforce** employed directly and indirectly by the cosmetics industry. The income earned by the workers is spent on various goods and services, leading to further economic activity and employment.

In addition to the above, the cosmetics industry also has a number of 'catalytic' impacts:

- Cosmetic products have important functional and emotional benefits. When consumers use cosmetic products their **quality of life** is enhanced.
- Over recent years, Europe has faced a myriad of financial difficulties. By attracting investment from outside of the EU, developing intangible assets (e.g. brands) and investing in R&D, the cosmetic industry is helping to **enhance the competitiveness of the European economy** and contributing to the **future prosperity** of Europe and its citizens.

Environmental and social responsibility are also a key concern for the cosmetics industry and the sector makes significant investments to ensure their products are **ethical** and **sustainable**.



Executive Summary

The cosmetics and personal care industry includes **a wide range of products** dedicated to health, beauty and well-being. Ranging from hair care, skin care, oral and body care to perfumery and decorative cosmetics, cosmetic products are an **important part of people's everyday life and bring important functional and emotional benefits**.

Europe is the **global flagship producer of cosmetic products**. In 2015, the European cosmetics market was valued at **€77 billion**, making Europe the largest market for cosmetic products in the world. Trade is a critical component of the industry, with trade in cosmetic products and ingredients (within the EU30) exceeding €33 billion. Over €17 billion worth of cosmetic products were exported from Europe (EU-28) in 2015. Such exports are particularly important in countries strongly affected by the Euro crisis (such as Spain and Italy) where the cosmetics sector is helping to secure national economic recovery.

The industry makes a significant contribution to the European economy across its value chain. It is estimated that the cosmetics industry brings at least €29 billion in added value to the European economy every year, of which approximately €8 billion is contributed directly by the manufacture of cosmetic products (the remaining €21 billion is generated indirectly through the supply chain).

SMEs are key drivers of innovation and economic growth. While there are more than 5,000 enterprises manufacturing cosmetics in Europe, the vast majority of these companies are SMEs. In 2015, there were **4,605 SMEs** in Europe. Along the value chain, a wide variety of different types of enterprises are involved indirectly in the cosmetics industry. For example, there are **over 100 companies manufacturing cosmetic ingredients in Europe, 20,100 enterprises involved in the wholesale of cosmetics and 45,700 specialist stores** retailing cosmetics. About half a million hairdressing and beauty salons (the majority of which are also SMEs or micro-enterprises) also rely on the use of cosmetics and the number of European spas is also growing and may be a source of inward investment to Europe in the form of "wellness tourism".

The cosmetics industry is a science-driven, fast-paced and a highly innovative sector which makes large investments in R&D. Assuming that companies in the cosmetics industry spent just 3% of their annual turnover on R&D in 2014, **total expenditure on R&D** in Europe would have been **circa €1.27 billion**. There are at least **33 scientific innovation facilities** in Europe carrying out research in relation to cosmetics. More than **26,000 scientists** are employed by the cosmetics industry in Europe. Patent activity is a useful indicator for innovation and, in 2011, approximately 6,000 patents were filed by the European cosmetics industry.

The industry supports millions of jobs. Including direct, indirect and induced economic activity, the industry supports at least 2 million jobs. Of these, 152,000 workers are employed directly in the manufacture of cosmetic products, and around 1.6 million workers are employed indirectly in the cosmetics value chain. For every 10 workers employed (directly or indirectly) by the European cosmetics industry, a further two jobs are generated in the wider economic value chain (as a result of employees spending their wages on goods and services). It is estimated that between 347,900 and 521,800 workers are employed thanks to these 'induced' employment effects.

The industry places a strong emphasis on ensuring environmental responsibility and supporting proactive voluntary and self-regulatory initiatives. Cosmetics Europe has developed guidance documents to assist companies (particularly SMEs) to become more sustainable and has engaged, together with four other European associations, in the development of Best Practice for the cosmetics industry in the field of compliance with legislation regarding access to genetic resources and the fair and equitable sharing of benefits derived from their utilisation.

Finally, the provision of responsible consumer information through the 2012 Cosmetics Europe Charter and Guiding Principles on responsible advertising and marketing communication shows the commitment of the industry to standards for responsible cosmetics advertising in Europe, addressing consumer concerns about potential negative impacts of cosmetics advertising. The industry has also undergone its first independent audit conducted by the European Advertising Standards Alliance (EASA) in 2014/15. The results showed a high compliance level, with 91% of the advertisements of cosmetic products in compliance with all relevant advertising codes/laws.

Socio-economic contribution of the European cosmetics industry

SMEs & big companies are key drivers of innovation & economic growth in the industry

4605 SMEs

The number is growing

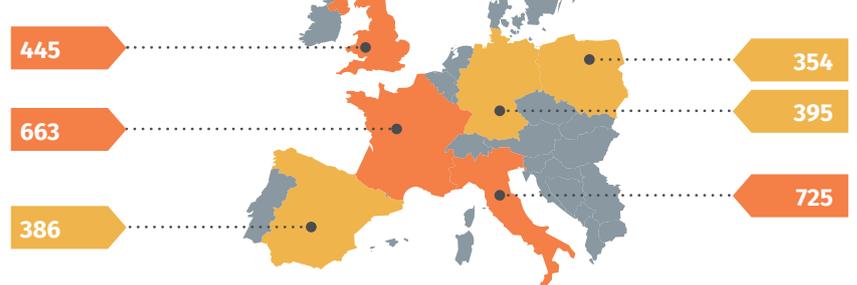
+100 companies manufacturing cosmetics ingredients

20,100 enterprises involved in the wholesale of cosmetics

45,700 specialist stores retailing cosmetics

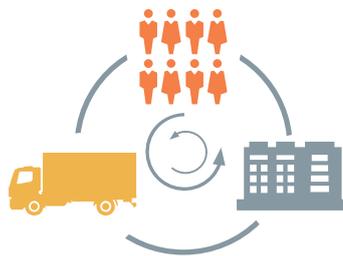
500,000 hairdressing and beauty salons

Italy, France & the UK have the largest number of SMEs; followed by Germany, Spain and Poland



The industry supports millions of European jobs up & down the value chain

At least
2 MILLION JOBS
across the EU



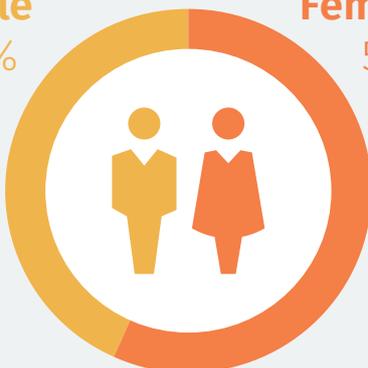
179,000 people employed directly
1.55m people employed indirectly

152,000 total employment in the manufacture of cosmetics

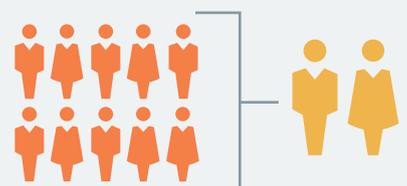
THE INDUSTRY IS CONSTANTLY TAKING STEPS TO INCREASE DIVERSITY & EQUALITY IN THE WORKPLACE

Male
44%

Female
56%



Every 10 workers employed by the industry will support **two jobs** in the value chain

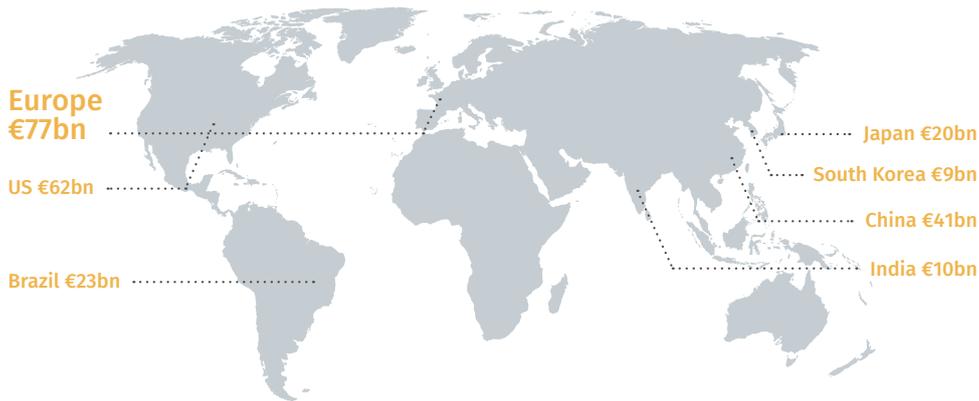


~1,000,000 people active in the hairdressing sector

7,000 people employed directly in the fragrance industry



Europe is the global flagship producer of cosmetic products



> 33bn

trade in cosmetic products & ingredients within the EU30

17.2bn

total exports of cosmetic products from Europe (i.e. extra EU-28)

Skin care & toiletries: largest share of the European market

€19.9bn

Skin Care

€19.4bn

Toiletries

€15.0bn

Hair Care

€12.1bn

Fragrances & Perfumes

€10.7bn

Decorative Cosmetics

France & Germany: Europe's main exporters
53% of total global exports from Europe

A science-driven & highly innovative industry



Expenditure on R&D in Europe
€1.27bn

At least **33 scientific innovation facilities** in Europe
> 26,000 scientists employed in the sector



2014/15 - Shampoos: the most active area for innovation (globally)
19% of all beauty innovation activity

The industry is about taking care of people

60%: positive impact on well-being, image, self-confidence & mood

>40%: benefits in social, love, family & professional life & health

33% women: hard to live without foundation or concealer

25% men: hard to live without aftershave

88% people: hard to live without cosmetics



Handwashing with soap: reduces risk of diarrhoea by **~44-47%** & acute respiratory illness by **23%**



The industry places a strong emphasis on ensuring environmental responsibility and supporting proactive voluntary and self-regulatory initiatives

2015 Cosmetics Europe recommendation to discontinue the use of solid plastic micro particles in wash off cosmetic products for cleansing and exfoliating uses

2012 Charter & Guiding Principles on responsible advertising & marketing communication
2015 first independent audit by the European Advertising Standards Alliance

1. Touching People's Lives

The vast majority of Europe's 500 million consumers use cosmetic and personal care products (hereafter 'cosmetics') contributing to well being and healthy lifestyles, and positive self-esteem every day. Ranging from antiperspirants, fragrances, makeup and shampoos, to soaps, sunscreens and toothpastes, cosmetics play an essential role in all stages of our life.

COSMETICS ARE AN IMPORTANT PART OF PEOPLE'S EVERYDAY LIFE

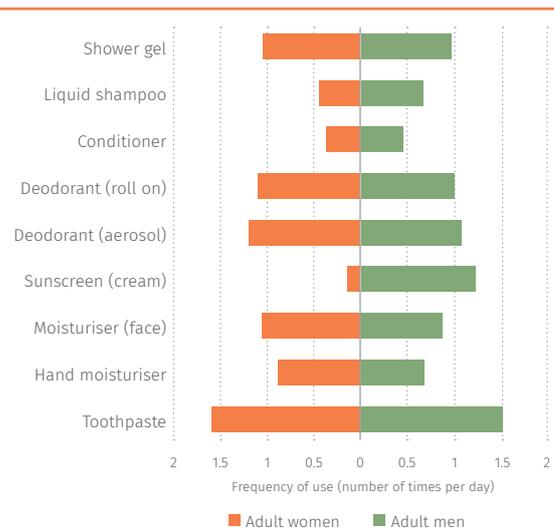


1.1 Use of cosmetics

The market penetration of some cosmetic products is likely to be near 100%. For instance, deodorant penetration is close to total in the UK, with 94% of women and 87% of men using deodorants (Mintel, 2011), while in France, 98% of adult women and 94% of adult men use liquid shampoo (Ficheux et al., 2015).

In terms of the frequency with which cosmetic products are used, differences can be observed across countries, between people of different genders and ages and for different cosmetic products. A sample of data for some of the most widely used cosmetic products is given in the diagram to the right. In a detailed survey of French consumers, the most frequently used cosmetic product was toothpaste, which adult women used 1.59 times per day on average. Adult men used toothpaste 1.52 times per day on average.

FREQUENCY OF USE (NUMBER OF TIMES PER DAY) FOR A SAMPLE OF COSMETIC PRODUCTS (FICHEUX ET AL., 2015)

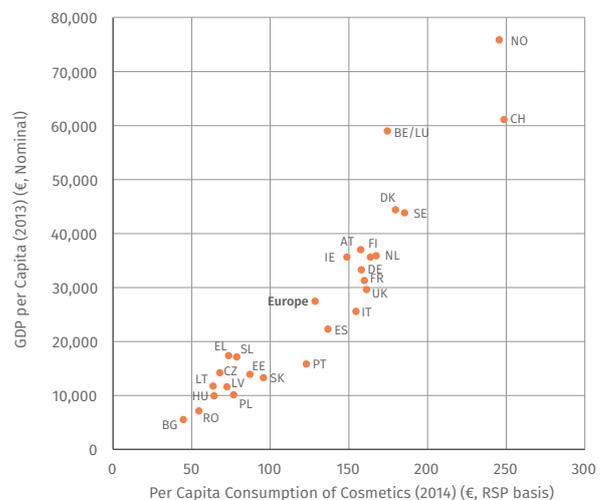


1.2 Expenditure on cosmetics

European consumers spend, on average, €129 per year purchasing cosmetic products. A close relationship can be observed between expenditure on cosmetics and GDP, as shown in the figure overleaf. In 2014, consumers in Switzerland and Norway spent the most on cosmetics (around €250 per year), which is unsurprising given that these countries have the highest per capita GDP. Consumers in Bulgaria spent the least on cosmetics – at €45 per year.

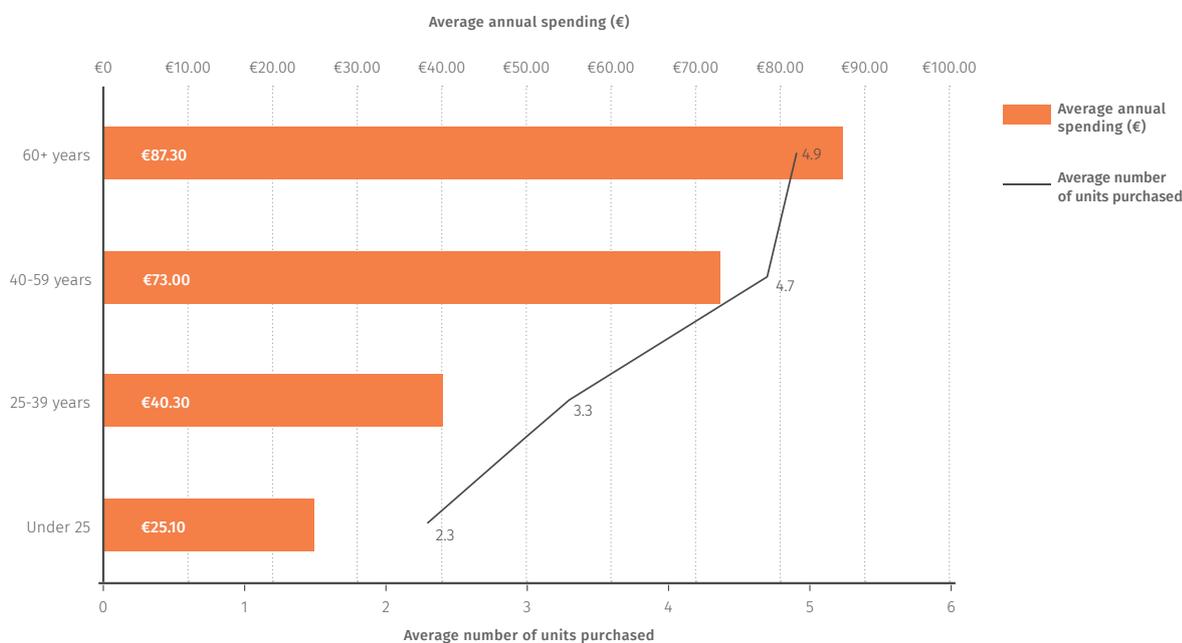
Information from the literature review indicates that average annual spend on cosmetics increases by age, such that **older consumers spend considerably more than their younger counterparts.** In the UK, for example, consumers aged over 65 spend more than three times as much on 'health and beauty' as consumers aged 19-24 (Kantar Worldpanel, 2014, as reported by Statistica, 2015). European women over the age of 60 spend three times as much on skincare as women under 25 (Credit Suisse, 2013).

COMPARISON BETWEEN PER CAPITA EXPENDITURE ON COSMETICS (COSMETICS EUROPE, 2014) AND PER CAPITA GDP (EUROSTAT, 2013)



Note that data on GDP per capita for Greece is for 2012

EUROPEAN WOMEN'S AVERAGE ANNUAL EXPENDITURE ON SKINCARE, BY AGE GROUP (CREDIT SUISSE, 2013)



1.3 Functional benefits

Cosmetics contribute to well-being and healthy lifestyles. As our hands are vectors for disease, carrying pathogens from contaminated sources to susceptible hosts, simple tasks such as washing hands with soap can help prevent serious illness. Multiple studies have shown that the leading causes of child mortality in developing countries, diarrhoeal disease and respiratory infections, can be prevented by handwashing with soap. Indeed, a recent literature review by Ensink (2015) reveals that handwashing with soap can reduce the risk of diarrhoea by around 44% to 47% and acute respiratory illness by 23% (Ensink, 2015).

Many cosmetic products contain herbs and essential oils that can provide additional benefits to our wellbeing. For example, lavender oil is often added for its calming and relaxing properties, while citrus oils may be added because they are uplifting (Deckard, 2015).

The use of toothpaste in industrialised countries has been proven to reduce the prevalence of dental caries, particularly toothpaste with fluoride. Toothpaste

reduces plaque and tartar which can lead to tooth damage and gum disease. Brushing teeth with toothpaste is not only important for oral health but there is evidence that there is a link between gum disease and cardiovascular disease (de Oliveira et al., 2010). Dental care can be a significant economic burden for high-income countries, where 5-10% of public health expenditure is related to oral health (WHO, 2012). There is strong evidence that the benefits of preventing tooth decay far exceed the costs of treatment (Patel, 2012). In 2012, EU27 expenditure (public and private) on oral health totalled €79 billion and is anticipated to reach €93 billion by 2020 (Patel, 2012). If we assume that, without toothpaste, total expenditure on oral health would be just 5% higher than today, then the **total benefits of using toothpaste (in terms of avoided costs) would be approximately €4.5 billion per annum between 2015 and 2020** – with total benefits (avoided costs) amounting to approximately **€26.5 billion** by 2020.



Exposure to ultraviolet radiation is the only established exogenous causal factor for melanoma (a type of skin cancer that can spread to other organs of the body) (Williams & Dienes, 2014). Recent studies have shown that consistent and optimal use of sunscreen may prevent the incidence of melanoma. For example, one study carried out between 1992 and 2006 examined the cancer rates of two groups of adults, aged between 25 and 75 years old (Green et al., 2011). In this study, one group used sunscreen daily and the other used sunscreen at their discretionary frequency.

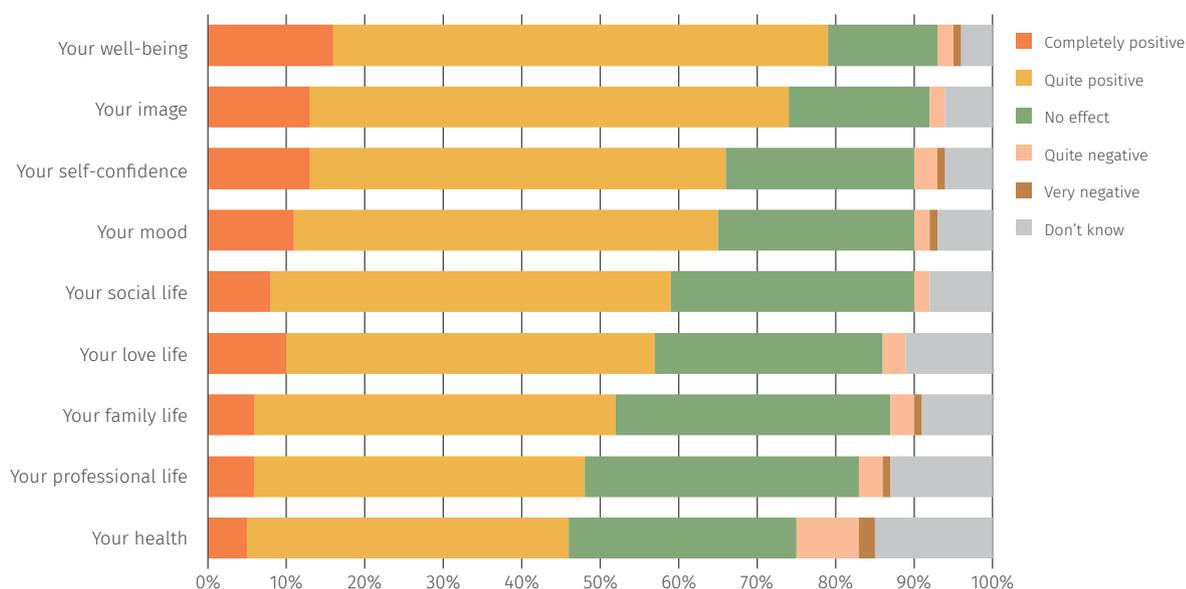
It was found that invasive melanoma was reduced by 75%, for approximately 15 years after trial cessation, in the group who applied sunscreen daily. Regular application of SPF 15+ sunscreen appeared to reduce the incidence of new primary melanomas for up to 10 years after the trial cessation.

1.4 Emotional benefits

Cosmetics can help to improve our mood, enhance our appearance and positive self-esteem. They can also help to exhibit personal style and, as such, are an important means of social expression. In a recent study by FEBEA (2015a), consumers rated the impacts of cosmetics on different aspects of their

life. In this study, over 60% of respondents identified that cosmetics have a positive impact on well-being, image, self-confidence and mood, with a large proportion (>40%) also identifying benefits in terms of social life, love life, family life, professional life and health.

RESPONSES TO THE CONSEQUENCES OF COSMETICS ON DIFFERENT ASPECTS OF LIFE (FEBEA, 2015a)



Low self-image and self-esteem can have a negative effect on our health. A study by the Renfrew Center Foundation (2012), which surveyed 1,292 women (aged 18+), found that almost half of women have negative feelings when they don't wear make-up. Of those surveyed, 16% felt unattractive, 14% felt self-conscious and 14% felt that without wearing make-up they were "*naked / as though something was missing*". The study found that women wear make-up because they like the way it makes them look (48% of respondents), and because cosmetic use makes them feel good (32%). Indeed, multiple

studies have found that wearing cosmetics can improve people's self-confidence and self-image. A study by Apaolaza-Ibáñez et al. (2011) found that the strongest overall contribution to customer satisfaction with cosmetics was achieved by the emotional experience of "*relief from dissatisfaction with one's self*" which suggests that the need to reduce negative emotions is one of the main psychological motivations for people to buy cosmetics.

SURVEY ON THE IMPORTANCE OF MAKE-UP (BRITTON, 2012)

	Extremely important	Very important	Somewhat important	Neither important nor unimportant	Somewhat unimportant	Very unimportant	Not at all important
How important do you think appearance is?	9	33	46	1	3	0	0
How important is make-up to your appearance?	5	20	39	7	12	5	4
How important is the right make-up to your self-confidence?	11	30	26	10	6	5	4
How important is the right make-up to your comfort in social situations?	8	30	24	12	8	5	5
How important is the right make-up in professional situations?	14	43	24	3	3	0	5

Survey sample size: n = 92.

When asked which products are most valuable for building up self-esteem, people in the UK (in a survey of 2,069 UK adults conducted by YouGov for the CTPA in 2013) rated deodorants and oral care products as the most important, followed by moisturiser and hair products. A third (33%) of women reported that

they would find it hard to live without foundation or concealer and a quarter (25%) of men valued aftershave. **Overall, 88% of respondents said they would find it hard to live without cosmetic products,** with this number particularly high amongst women – 96% of which said they would find it hard.



Look Good Feel Better (LGFB) is a charity dedicated to improving the self-esteem, confidence and wellbeing of women undergoing cancer treatment and is supported by over 50 leading companies and brands from the cosmetics industry. LGFB

helps to improve self-image and appearance through free group and self-help skincare and make-up workshops. The service is available in 26 countries worldwide and over 1.6 million people have been supported to date. A major research initiative highlighted that 97% of respondents felt more confident after attending a LGFB workshop and that the effects of this are enduring, with 96% of respondents still feeling more confident three months later (out of 2,000 beneficiaries contacted).

Source: Look Good Feel Better, UK (2015)

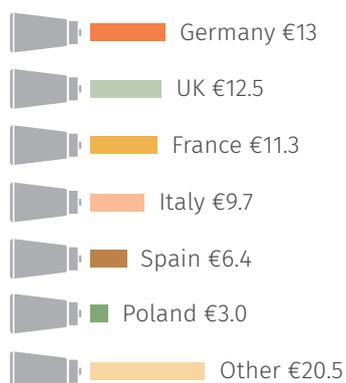
2. Supporting Jobs & Growth in Europe

2.1 The European cosmetics market

In 2015, the European cosmetics market was valued at **€77 billion**, making Europe the largest cosmetics market in the world. Among the European countries, **Germany has the largest market for cosmetic products, valued at €13 billion in 2015**, followed by UK (€12.5 billion), France (€11.3 billion), Italy (€9.7 billion) and Spain (€6.4 billion). In terms of products, **skin care and toiletries occupy the largest share of the**

European market, with retail sales for both product groups worth over €19 billion in 2015 (see graph below). Retail sales of haircare products totalled €15.0 billion in 2015, while sales of fragrances/perfumes and decorative cosmetics totalled €12.1 billion and €10.7 billion respectively.

EUROPEAN MARKET FOR COSMETIC PRODUCTS (RSP BASIS, € BILLION)



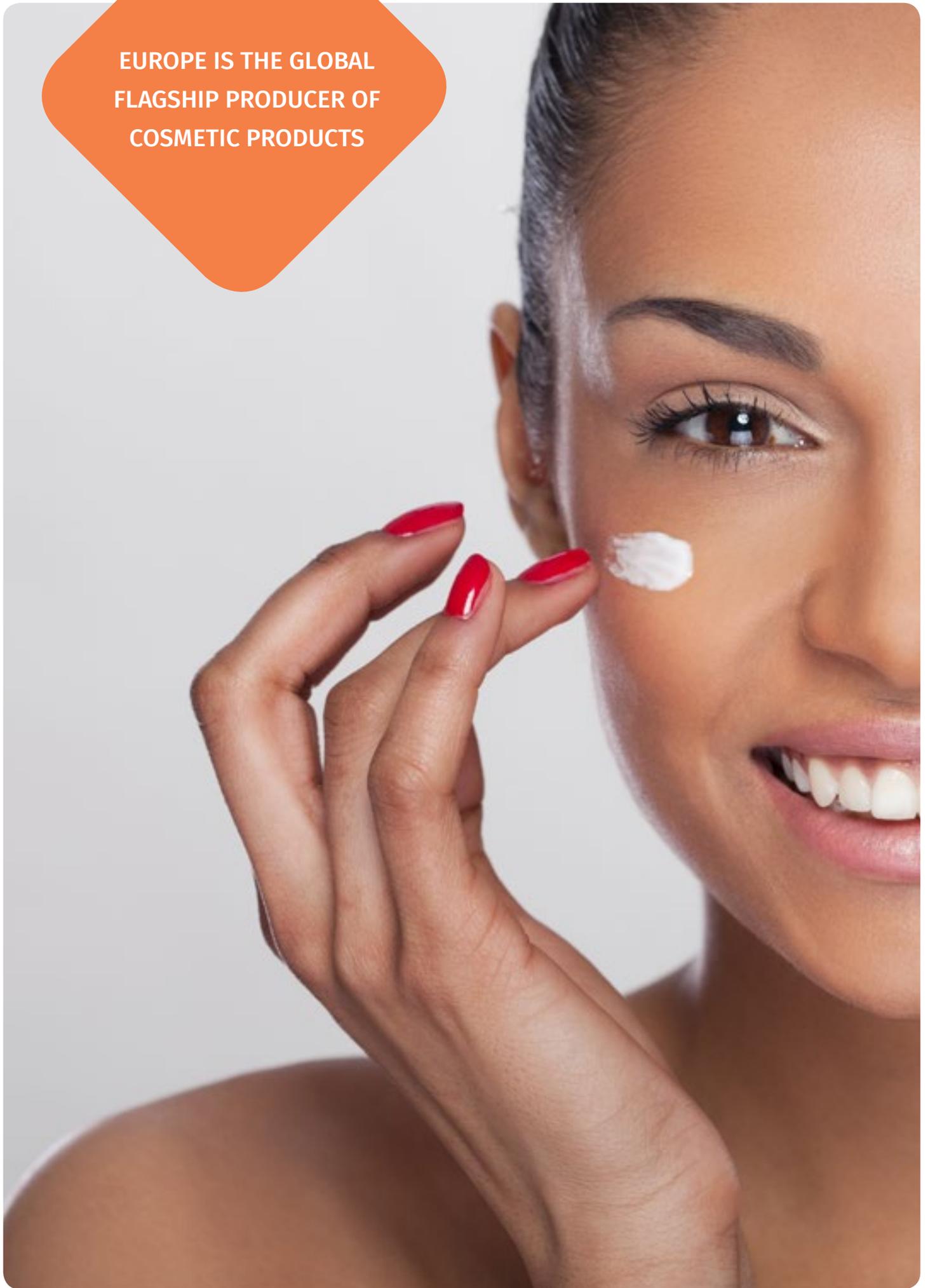
GLOBAL MARKET FOR COSMETICS PRODUCTS (€ BILLION) (COSMETICS EUROPE, 2015)



EUROPEAN MARKET BY PRODUCT CATEGORY (RSP BASIS, € BILLION) (COSMETICS EUROPE, 2015)



EUROPE IS THE GLOBAL
FLAGSHIP PRODUCER OF
COSMETIC PRODUCTS



2.2 The cosmetics value chain

The industry value chain can be segmented into five main stages. As shown in the figure, the first stage in the value chain comprises the companies that provide the raw materials required to make cosmetic products. These include companies manufacturing the ingredients used in the production of cosmetics, but also companies developing and manufacturing packaging components and R&D activities (e.g. market research, product formulation and industrial design). The next step of the value chain (manufacturing) is made up of manufacturers. Socio-economic benefits are created through production, but also through supporting activities (e.g. marketing and advertising, IT, accounting and legal services and business administration). The finished cosmetic product may then pass through distribution and/or wholesale. The final stage of the value chain involves the retail sale and purchase of cosmetics. End-consumers may buy cosmetic products through a range of channels, including grocery stores supermarkets, department stores, pharmacies, online stores and beauty salons. Beauty salons (e.g. nail salons, hair salons, spas, etc.) also purchase, use and sell cosmetic products.

THE COSMETICS VALUE CHAIN



2.3 Enterprises in the cosmetics value chain

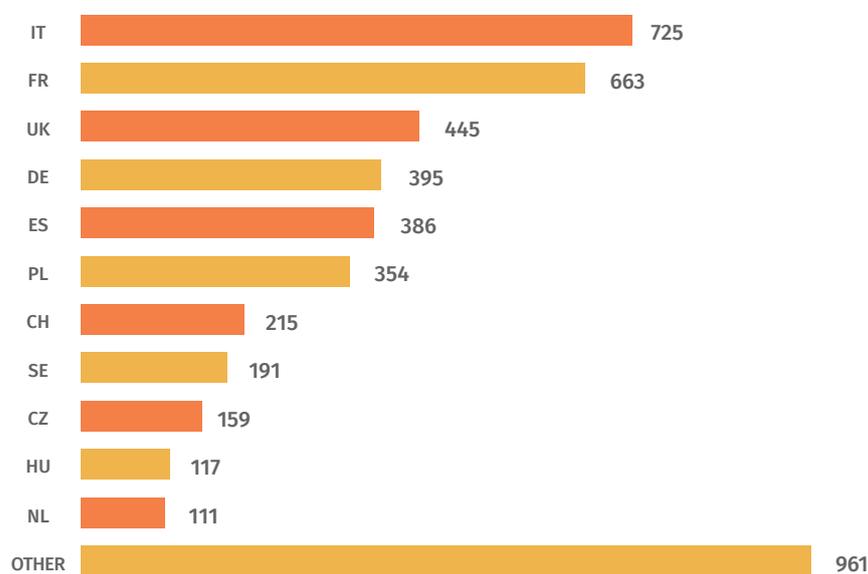
There are more than 5,000 enterprises manufacturing cosmetics in Europe. While the vast majority of companies in the cosmetics industry are SMEs, the strength of the sector lies in the co-existence of both large and small companies.

In some countries (e.g. France) SMEs make up more than 80% of all cosmetic manufacturers (FEBEA, 2015b). According to data provided by Euromonitor International (2015), there were **4,605 SMEs manufacturing cosmetic products in Europe in 2015**. Many SMEs in the cosmetics industry employ less than 10 workers and thus qualify as a micro-enterprise. While specific data on the number of micro-businesses manufacturing cosmetics is not available, it has been estimated that there are 1,855 firms with fewer than 10 employees in France and Italy alone (data from 2004; European Commission, 2013).

SMEs ARE KEY DRIVERS OF INNOVATION AND ECONOMIC GROWTH.

THERE ARE MORE THAN 5,000 ENTERPRISES MANUFACTURING COSMETICS IN EUROPE. THE VAST MAJORITY ARE SMEs.

NUMBER OF SMEs MANUFACTURING COSMETICS BY COUNTRY IN 2014 (EUROMONITOR, 2015)



In terms of inputs to production, there are **over 100 companies manufacturing cosmetic ingredients** in Europe (EFFCI, 2015) and it is likely that a large number of enterprises are also involved in the manufacture of cosmetic packaging and packaging components. Indeed, it is estimated that **in 2009 the European cosmetics industry consumed \$5,506 million (€4,317 million) of packaging**, which gives an indication of the scale of this industry in Europe (Pira International, as reported by Statistica, 2015).

In 2012, there were approximately **20,100 enterprises involved in the wholesale of cosmetics** in Europe, the majority of which were located in Italy (18%), Spain (14%) and France (11%) (Eurostat, 2012).

Cosmetics are distributed to consumers through a wide variety of different channels, including supermarkets, pharmacy and drug stores, department stores, direct selling, speciality stores, beauty salons and, increasingly, internet retailing. In 2012, there were approximately **45,700 specialist stores retailing cosmetic products** in Europe (Eurostat, 2012). Our research indicates that specialist stores make up less than 40% of total cosmetic sales; which implies that the total number of retail outlets selling cosmetic products is likely to be considerably higher than 45,700.

COSMETIC SALES BY DISTRIBUTION CHANNEL (BY VALUE OF SALES)

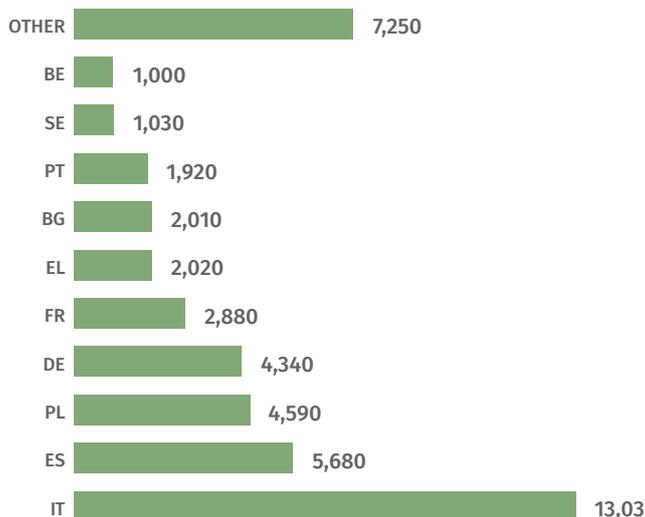
Supermarket / hypermarket	<90%
Pharmacy / drug store	<70%
Department store	<15%
Direct selling	<10%
Specialist cosmetics store / perfumery	<40%
Hairdressing and beauty salon	<20%
Online	<2%

Based on a review of data from publically available sources & consultation. The uncertainty in these figures represents variations between countries, companies and products.

NUMBER OF ENTERPRISES INVOLVED IN THE WHOLESALE OF COSMETICS BY COUNTRY (EUROSTAT, 2012)



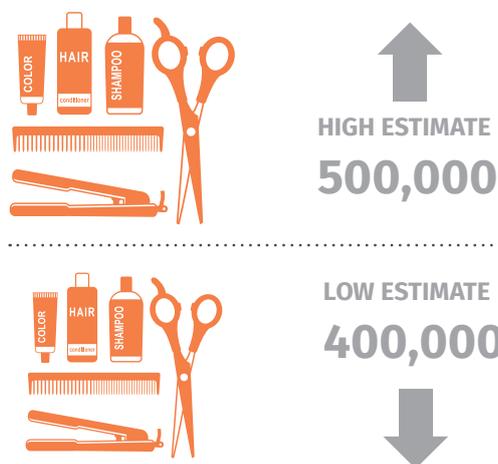
NUMBER OF ENTERPRISES INVOLVED IN THE RETAIL SALE OF COSMETICS BY COUNTRY (SPECIALISED STORES ONLY) (EUROSTAT, 2012)



The beauty services sector (which includes hairdressing salons and other personal grooming establishments) relies heavily on the use of cosmetic products and a growing number of enterprises in the sector actively sell cosmetic products. Data are not available on the total number of beauty salons using and selling cosmetics in Europe, although information from five countries (France, Germany, Italy, Spain and the UK) indicates that there are **at least 77,750 beauty salons** (Clarke, 2009).

It has been estimated that there are **between 400,000 and 500,000 hairdressing establishments** in the EU, with the largest number in Italy (73,000 in 2012), Germany and France (over 65,000 businesses per country) (ICF GHK, 2014). The sector is also sizable in terms of number of businesses in the Czech Republic, Poland, Spain and the UK (more than 35,000 businesses respectively). **The hairdressing sector is dominated by SMEs and micro-enterprises**, with the average businesses consisting of five hairdressers (often one owner operator and four staff members). ICF GHK (2014) report that, in recent years, the share of micro-enterprises in the sector (ranging from companies run by owner operators to those having up to two employees) and franchised salons has grown at the expense of what can be considered ‘small’ businesses (between three and ten employees). This can, in part, be attributed to policies to support self-employment.

NUMBER OF HAIRDRESSING ESTABLISHMENTS IN THE EU (ICF GHK, 2014)



The number of European spas is also growing and may be a source of inward investment to Europe in the form of “wellness tourism”.

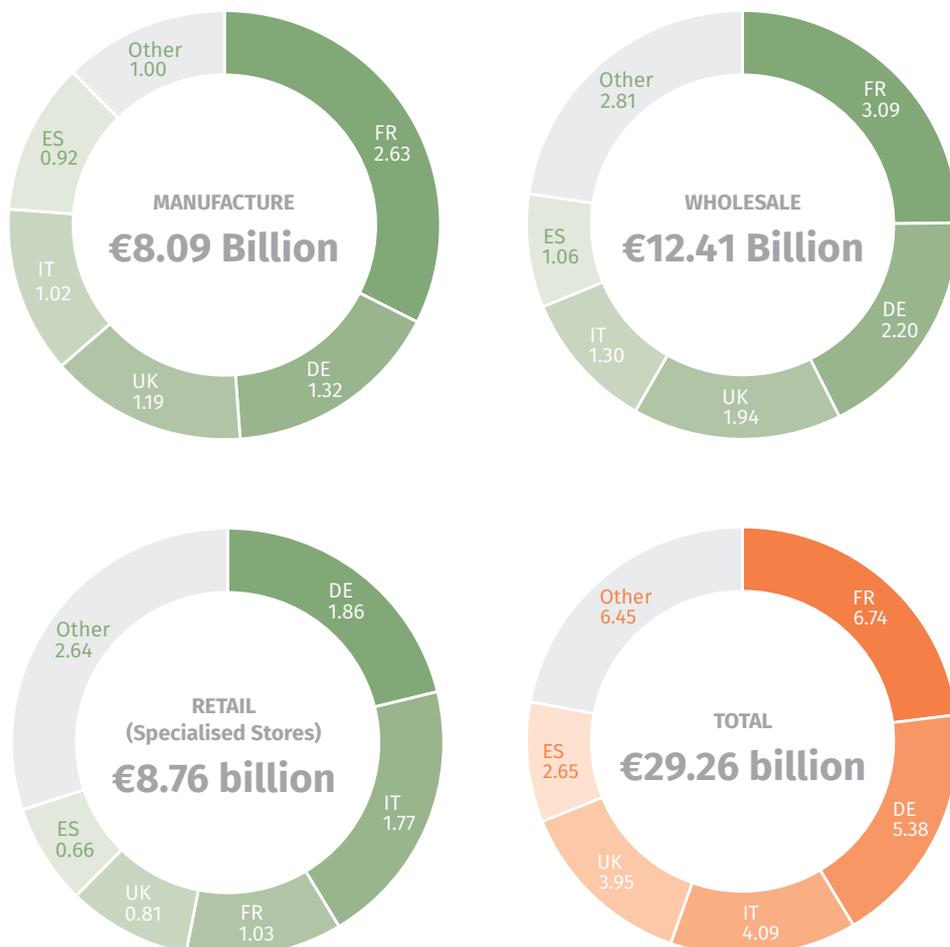
Although specific data are not available, numerous other types of enterprises are also involved indirectly in the cosmetics value chain. For example, distribution is a key business area in the cosmetics value chain. Many enterprises are also likely to be involved in advertising and the provision of business services (IT, legal services, accountancy, utilities, property, etc.).

2.4 Contribution to Europe's GDP (GVA)

The manufacture of cosmetic products contributes (directly) around **€8.09 billion in GVA** to the European economy each year. In terms of indirect impacts, the wholesale and retail sale of cosmetics also contribute to Europe's GDP. Data from Eurostat indicates that, in 2012/13, these activities contributed at least **€21.18 billion in GVA** to the European economy. Note that data are missing for some countries (namely the Czech Republic, Ireland, the Netherlands and Switzerland) and that other indirect impacts along the supply chain have not been included in this estimate. A total of **€29.26 billion** is therefore likely to represent an underestimate of the total GVA contributed by the European cosmetics industry.

THE COSMETICS INDUSTRY
CONTRIBUTES TO THE
FUTURE PROSPERITY
OF EUROPE.

GVA IN THE COSMETICS VALUE CHAIN (€ BILLION, 2012/13) (EUROSTAT, 2012 & 2013)



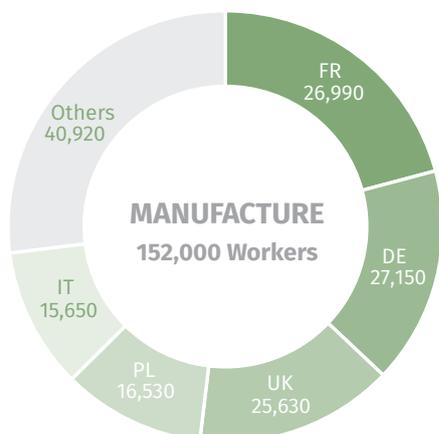
2.5 Job creation

Including direct, indirect and induced employment, the European cosmetics industry is estimated to support **at least 2 million jobs**.

Direct employment

Data from Eurostat for 2012/13 indicates that more than 119,500 people (FTE units) are employed directly in the manufacture of cosmetic products (Eurostat 2012 & 2013). France, Germany, the UK, Poland and Italy account for the majority (78%) of these jobs. Taking into account growth in the sector in recent years and accounting for data gaps in the Eurostat database, Cosmetics Europe calculate that **total employment in the manufacture of cosmetic products in 2015 is 152,000 workers**.

NUMBER OF WORKERS EMPLOYED IN THE MANUFACTURE OF COSMETIC PRODUCTS IN EUROPE IN 2015 (COSMETICS EUROPE, 2015)

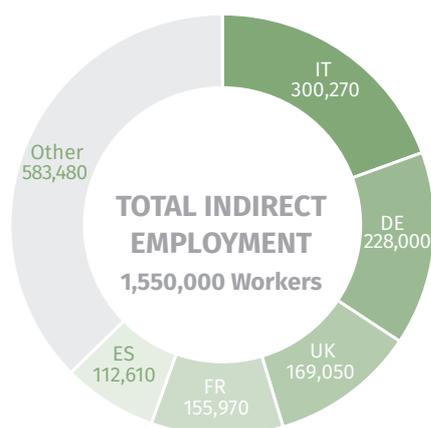


Indirect employment

In 2012/13, at least 372,600 people were employed indirectly (downstream) in the European cosmetics value chain, where this includes employment in the wholesale and retail sale of cosmetic products in specialist stores (Eurostat 2012 & 2013). As explained previously, specialist stores only make up a small proportion of total cosmetics sales and so the total number of people involved in the retail sale of cosmetic products is likely to be considerably higher.

THE COSMETICS INDUSTRY GENERATES MILLIONS OF JOBS THROUGHOUT THE EUROPEAN SUPPLY CHAIN.

TOTAL INDIRECT (DOWNSTREAM) EMPLOYMENT IN THE COSMETICS VALUE CHAIN IN 2015 (COSMETICS EUROPE, 2015)



Taking into account recent growth in the European cosmetics industry and employment relating to the distribution of cosmetic products and beauty services, Cosmetics Europe calculate that **total indirect employment in the European cosmetics industry was ~1.6 million workers in 2015**. This includes around 1 million individuals that are active in the hairdressing sector in the EU (ICF GHK, 2014).



It has been estimated that hairdressing makes up, on average, about 0.5% of total employment in the Member States and that Germany has the largest number of workers in the hairdressing sector (~274,000) (ICF GHK, 2014).

Note that, in reality, there are likely to be more than 1.6 million people employed indirectly in the European cosmetics industry as this figure excludes employment 'upstream' in the cosmetics supply chain (e.g. in the manufacture of cosmetic ingredients, and provision of business services, etc.). Although reliable data on the total number of people employed upstream in the cosmetics value chain does not exist, the International Fragrance Association (IFRA) has estimated that there may be in the region of 7,000 people employed directly in the European fragrance industry. Fragrances are an important ingredient used in many cosmetic products, but also find use in some household and industrial products; thus, only a proportion of these jobs can be attributed to the production of cosmetic fragrances (IFRA, 2013). It has been estimated that around 60% to 70% of the world's fully qualified perfumers reside in Europe (up to 540 to 630 people) (IFRA, 2013).

Induced employment

Our research indicates that an induced employment multiplier of 0.2 to 0.3 is appropriate for the cosmetics industry. An employment multiplier of 0.2 simply means that for every 10 jobs created directly or indirectly in the supply chain for cosmetic products, a further two jobs are created through induced employment effects. In total, it is estimated that **347,900 to 521,800 jobs are created as a result of induced employment effects in the European cosmetics industry.**

INDUCED EMPLOYMENT IN THE EUROPEAN COSMETICS INDUSTRY, NUMBER OF WORKERS (2014) (OWN ESTIMATE)



2.6 Wages and salaries

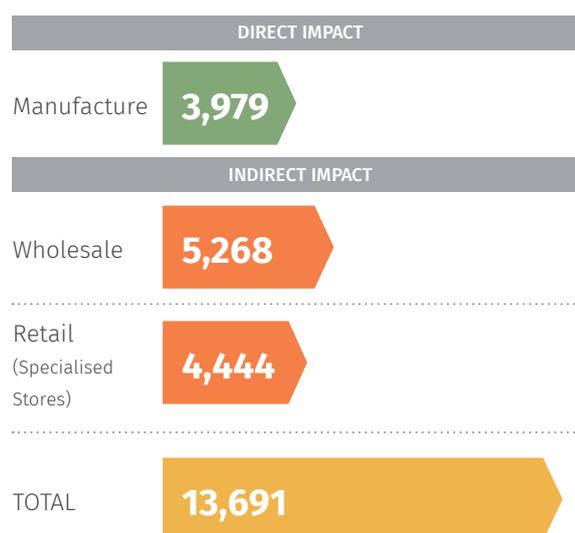
Direct employment

Nearly **€4 billion per year** is paid in wages and salaries to workers employed directly in the manufacture of cosmetic products (based on data for 2012/13), where this excludes wages and salaries paid to workers in the Czech Republic, Ireland, Malta, Slovenia, Slovakia and Switzerland for which comparable data do not exist.

Indirect employment

Data on the total wages and salaries paid to workers employed indirectly by the cosmetics industry are only available for the wholesale and retail sale of cosmetics in specialised stores and are not available for other sources of indirect employment up and down the supply chain. The data shown in the graphs to the right therefore underestimate the total wages and salaries paid. Nevertheless, this conservative data shows that, as a minimum, **at least €9.7 billion is paid in wages and salaries** to workers employed indirectly in the supply chain for cosmetics.

TOTAL WAGES AND SALARIES PAID TO EMPLOYEES
(€ MILLION, 2012/13) (EUROSTAT, 2012 & 2013)



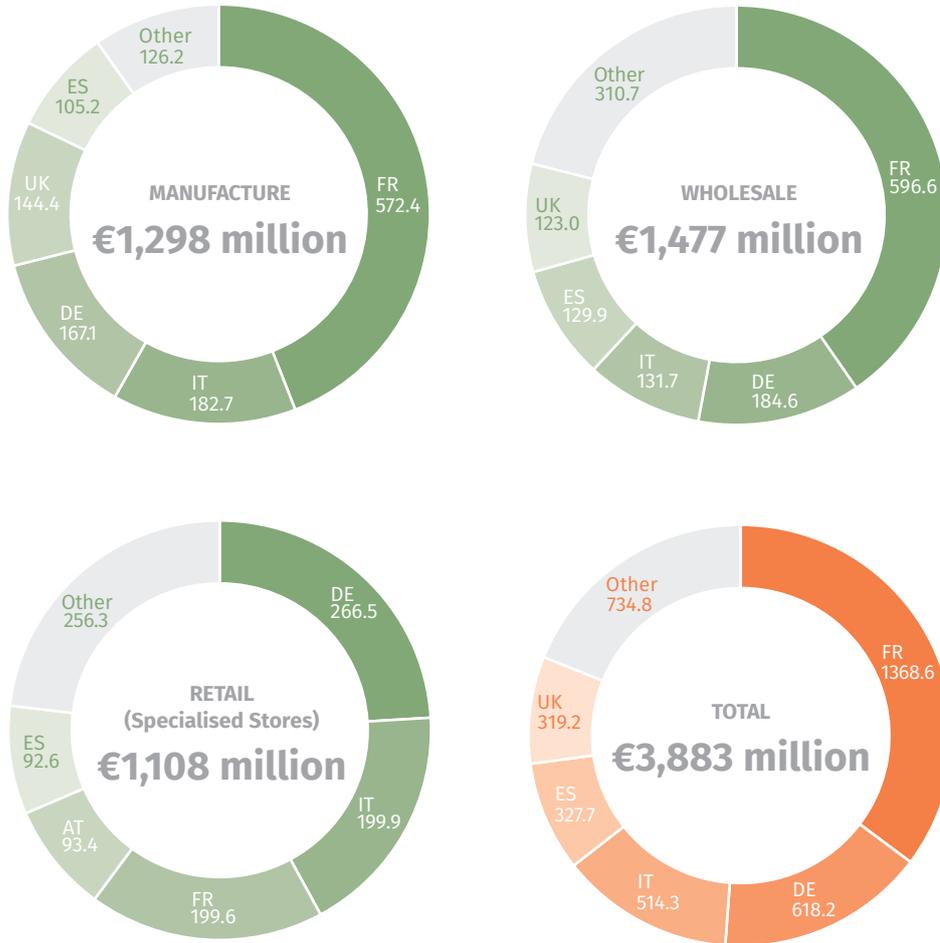
2.7 Employment taxes

Direct & indirect employment taxes

Data on the total social security contributions made by workers in the cosmetics industry are only available for the manufacture, wholesale and retail sale of cosmetics (in specialised stores). As for the data on total wages and salaries, this represents an underestimate of the total employment taxes paid by workers employed in the cosmetics industry, but provides a useful baseline, or minimum value, of the total social security contributions paid.

As indicated in the graphs below, **at least €3.8 billion in social security contributions** was made by workers employed in the cosmetics industry in 2012/13. Of this, approximately €1.3 billion was paid by workers employed directly in the manufacture of cosmetic products.

SOCIAL SECURITY CONTRIBUTIONS MADE BY WORKERS IN THE COSMETICS INDUSTRY
(€ MILLION, 2012/13) (EUROSTAT, 2012 & 2013)



2.8 Responsible employer

Overall, the European cosmetics industry employs slightly more female workers (56%) than males (44%), although there are variations between countries. Norway employs the highest number of female workers (>90% of workers are female), while Ireland employs the highest number of males (58% of workers are male).

Data on the age distribution of workers in the cosmetics industry is not available for all countries. Nevertheless, information from consultation indicates that between 10% and 30% of workers (14,100 to 42,300 people) are under the age of 29, 50% to 65% of workers (70,500 to 91,650 people) are between the ages of 30 and 49 and around 10% to 30% of workers (14,100 to 42,300 people) are aged 50+.

Companies in the cosmetics industry are increasingly taking steps to increase diversity and equality in the workplace. For example, by increasing the diversity of leadership teams through increasing the number of female executives on management boards and by hiring people with disabilities.

GENDER DISTRIBUTION OF WORKERS IN THE EUROPEAN COSMETICS INDUSTRY (COSMETICS EUROPE, 2015)



Besides paying employee's wages and salaries, most large companies provide additional in-house benefits to their workers. For example, healthcare benefits (e.g. health check-ups, smoking-cessation programmes, influenza vaccinations, fitness programmes), maternity/paternity leave and insurance guaranteeing a payment in the event of death or disability. Companies in the cosmetics industry also invest in training to develop the skills of their employees and provide a large number of internships, apprenticeships, work experience placements and graduate schemes. As an example, a large company employing several thousand workers in Europe has indicated that around 10% of its employees have received in-house or external training.

NUMBER OF WORKERS EMPLOYED IN THE MANUFACTURE OF COSMETICS BY AGE GROUP (EUROPE 30)

	Low estimate	High estimate	
<29 years	% workforce	10%	30%
	Estimated no. workers	14,100	42,300
30 to 49 years	% workforce	50%	65%
	Estimated no. workers	70,500	91,650
>50 years	% workforce	10%	30%
	Estimated no. workers	14,100	42,300

Own estimate based on data from consultation. Total number of workers employed in the manufacture of cosmetics in Europe: n = 141,000

3. Advancing Innovation & Science in Research

3.1 R&D in the European cosmetics industry

The European cosmetics industry plays a leading role in product development and is a fast-paced and highly innovative sector.

THE COSMETICS INDUSTRY IS A SCIENCE-DRIVEN, FAST-PACED AND HIGHLY INNOVATIVE SECTOR.

Information from consultation indicates that **there are at least 33 scientific innovation facilities in Europe** carrying out research in relation to cosmetics. This includes partial data for France, the Netherlands, Germany, the UK, Slovenia and Sweden, and is likely to be a considerable underestimate of the total number of such facilities. Large companies operating in the European cosmetics industry often have multiple different research centres focusing, for example, on product development, market research and regulatory compliance. Information from consultation indicates that **there are at least 11 research facilities in Europe focused on market research for the cosmetics industry**, where this includes (some) facilities in the Netherlands, Germany and the UK (again, the total number of such facilities in Europe is likely to be considerably more).

THERE ARE AT LEAST 33 SCIENTIFIC INNOVATION FACILITIES IN EUROPE CARRYING OUT RESEARCH IN RELATION TO COSMETICS.

NUMBER AND LOCATION OF SCIENTIFIC INNOVATION FACILITIES IN EUROPE CARRYING OUT RESEARCH IN RELATION TO COSMETICS (PARTIAL DATA BASED ON CONSULTATION)



NUMBER AND LOCATION OF RESEARCH FACILITIES IN EUROPE CARRYING OUT MARKET RESEARCH IN RELATION TO COSMETICS (PARTIAL DATA BASED ON CONSULTATION)



On average, large companies in the cosmetics industry have a product portfolio of around 10,000 different cosmetic products and reformulate around 25% to 30% of their products every year (European Commission, 2013). Out of these reformulations, about 10% depend on ingredients that are new to the market (i.e. not used in any other sector), or are new to the cosmetics industry (i.e. already used in other sectors, but not previously used for cosmetics). Large companies introduce around 80 new ingredients to their product portfolio each year, while SMEs introduce on average 22. SMEs are thought to have around 40 to 160 products in their product portfolio.

A review of companies' annual reports and information from consultation indicates that most large enterprises manufacturing cosmetics in Europe spend between 1.5% and 4.5% of their annual turnover (sales) on R&D; although some companies

**TOTAL EXPENDITURE ON R&D
IN EUROPE IN 2014**
€1.27 BILLION
(ESTIMATED)

spend considerably more. Assuming that companies in the cosmetics industry spend just 3% of their annual turnover on R&D, **total expenditure on R&D in Europe would have totalled €1.27 billion in 2014.** It should be noted that because the business model for carrying out research frequently involves a partnership (e.g. between a cosmetics manufacturer and a supplier and/or research institute), this figure is likely to be an underestimate.

**TOTAL PATENTS FILED BY EUROPEAN
COSMETICS INDUSTRY IN 2011**
6,000
(EUROPEAN COMMISSION, 2013)

Patent activity is a useful indicator for innovation and, **in 2011, approximately 6,000 patents were filed by the European cosmetics industry** (European Commission, 2013). In 2009, over 2,600 patents were awarded to the EU cosmetics industry, an estimated 10% of all patents granted in the EU (Euromonitor International, as reported by Cosmetics Europe, 2010).



In 2014/15, the most active area for innovation in the cosmetics sector (globally) was in shampoos, where 19% of all beauty innovation activity was focused. (Thompson Reuters, 2015).

In Europe, cosmetic ingredients are an important focus of patent activity, although other aspects, such as product presentation and product application (brushes, forms of delivery, etc.) are also important sources of innovation. As regards the range of materials and technologies involved in patent applications for the cosmetics sector, peptides play an important role, as does biochemistry and, more recently, nanotechnology (European Commission, 2013). It can take over 5 years of research and formulation to bring a new product to the market.



Finding alternatives to animal testing

For more than 20 years, the cosmetics industry's best scientists, and its strategic partners, have been dedicated to supporting the development, validation and/or regulatory acceptance of alternative test methods and approaches. With a total contribution of €50 million (€25 million from the European Union's 7th Framework Programme (FP7) and €25 million funded by Cosmetics Europe), SEURAT-1 is the single largest Private-Public Partnership initiative in the field and managed to provide sufficient ground for setting the strategy of next programmes and strategic collaboration on alternatives for systemic toxicity.

However, the development, validation and acceptance of alternative methods by regulatory bodies can only be considered as a constant, long-term effort in this challenging journey towards animal-free testing. The industry is committed to strengthen collaboration in this area of research with the Commission and other partners under Horizon 2020, with the Long Range Science Strategy Programme and other related initiatives.

Several companies in the cosmetics industry are working with the European Partnership for Alternative Approaches to Animal Testing (EPAA) (Cozigou, 2015), which is focused on international cooperation toward alternative methods.

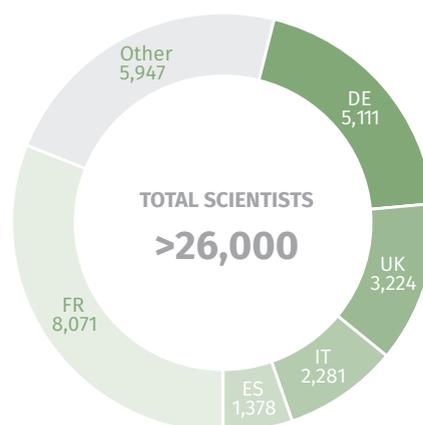
3.2 Working with the scientific community

In 2015, over 26,000 scientists were employed in the European cosmetics sector, covering a diverse range of scientific disciplines - physics, microbiology, biology, toxicology, physiology, rheology, nanoscience, analytical chemistry and genetics to name a few. By attracting and training workers with specialist skills, the cosmetics industry increases the pool of talent and skilled labour for other science-led industries - such as pharmaceuticals.

Indeed, information from consultation indicates that cosmetic companies may work with several different organisations simultaneously and that many of their R&D projects are undertaken with supplier input. Such relationships allow companies to have access to (and share) technologies and knowhow that they do not have in-house and provide participants with a competitive advantage.

**>26,000 SCIENTISTS
ARE EMPLOYED IN THE EUROPEAN
COSMETICS INDUSTRY
(COSMETICS EUROPE, 2015)**

TOTAL NUMBER OF SCIENTISTS EMPLOYED IN THE EUROPEAN COSMETICS INDUSTRY IN 2015 (COSMETICS EUROPE, 2015)



Companies operating in the cosmetics industry frequently collaborate with other organisations when they undertake research, where this includes European universities, scientific research institutes, NGOs and start-ups. Research projects in the cosmetics industry may have a variety of partner configurations (private/private, private/public, or public/public) (Bretonès & Scheel, 2011).



SOCIETY OF COSMETIC SCIENTISTS

The Society of Cosmetic Scientists provides professionals working in the cosmetics industry with the opportunity to disseminate their research and exchange knowledge pertinent to cosmetics and related sciences. It does this through activities including publications, educational programmes and scientific meetings. Through this type of activity, the cosmetics industry creates 'knowledge spill-over effects' which benefit consumers and other sectors of the economy.

Source: SCS (2015)



COSMETIC VALLEY (FRANCE)

"Cosmetic Valley" is a world-leading technopol, situated across three regions of Northern France: Centre, Ile-de-France and Upper Normandy. Officially designated a "competitiveness cluster" in 2005, it is the most important French business cluster specialized in the production of consumer goods. In April 2013, Cosmetic Valley comprised 300 member companies, of which 78% were SMEs. It had an annual turnover of €10 billion and created approximately 36,600 jobs. By 2013, the Cluster had officially backed more than 100 R&D projects, worth €200 million. Eight universities, 200 State laboratories and 8,600 researchers (public and private) participate in Cosmetic Valley.

Source: Cosmetic Valley (2015)

3.3 New opportunities in the digital economy

The digital economy is developing rapidly and is the single most important driver of European innovation, competitiveness and growth (European Commission, 2015). Although e-commerce only accounts for a relatively small proportion of overall cosmetics sales, the quantity, value and overall proportion of cosmetic products sold online in Europe is expected to grow substantially over the coming years. In the Netherlands, for example, it is anticipated that the online sales share of beauty and personal care products will grow from around 2% in 2012 to 5% by 2020 (PWC, 2013).

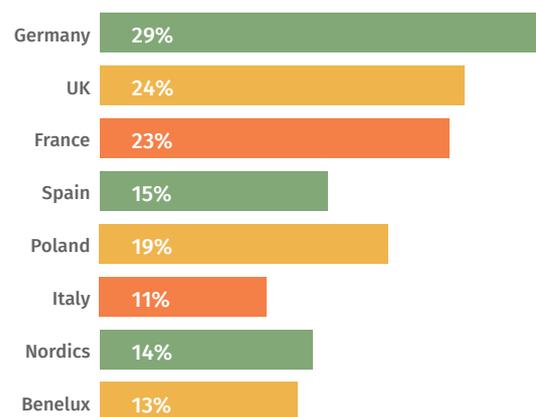
The cosmetics industry is at the forefront of stimulating new online retail formats and the digital economy will increasingly impact the way the industry communicates with people and distributes its products. Embracing new online retail formats will be essential, alongside maintaining traditional distribution channels, such as selective distribution and in-store product experiences. New technologies may bring with them new modes of diagnosis, more effective methods of delivery or production, and improved product functionality.

The cosmetics industry has developed a number of new initiatives to encourage consumers to shop online, including flexible delivery options and editorial content and advice lines that encourage browsing. One company has created an app that allows internet users to try cosmetic products via the camera on their phone, without using any make-up samples. Consumers are subsequently able to purchase the cosmetics online directly via the app. The innovation generated by online and multi-channel retailers is likely to make a significant contribution to

the competitiveness of the European economy, for example, by spurring innovation in business models and enabling greater access to international markets.

Beauty bloggers and vloggers are also changing the face of the cosmetics industry, with some reportedly making successful careers for themselves by posting commentaries and tutorials on platforms such as YouTube (The Guardian, 2014).

PROPORTION OF SHOPPERS THAT BOUGHT COSMETICS, SKINCARE AND/OR HAIRCARE PRODUCTS ONLINE IN 2013 (POSTNORD, 2014)



4. Contributing to European Economic Welfare

4.1 Leveraging EU internal market

Trade in cosmetic products and ingredients within the EU30 exceeded €33 billion in 2014. France and Germany were the main exporters, exporting €7.06 billion and €5.59 billion respectively to the EU30 in 2014. Germany was the main destination for cosmetic products and ingredients made in France, while the UK was the main destination for cosmetic products and ingredients made in Germany. The UK, Ireland and Italy are also key exporters of cosmetic products and ingredients, exporting €3.25 billion, €3.18 billion and €2.18 billion respectively to the EU30 in 2014.

TRADE IN COSMETIC PRODUCTS AND INGREDIENTS WITHIN THE EU30 EXCEEDED €33 BILLION IN 2014
(UN COMTRADE DATABASE, 2014)

SUM OF TRADE VALUE IN 2014 (€ BILLION) (UN COMTRADE DATABASE, 2014)

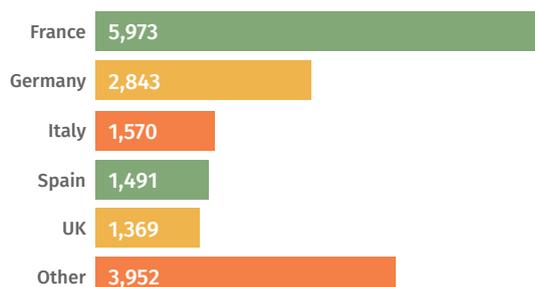
	Exported to						TOTAL
	France	Germany	UK	Ireland	Italy	Other (EU30)	
Exported from							
France		1.80	1.11	0.04	0.93	3.18	7.06
Germany	0.68		0.71	0.04	0.45	3.71	5.59
UK	0.32	0.62		0.74	0.13	1.43	3.25
Ireland	0.45	0.49	0.70		0.21	1.34	3.18
Italy	0.40	0.44	0.28	0.02		1.05	2.18
Other (EU30)	1.36	2.19	1.28	0.08	0.75		11.82
Total	3.22	5.53	4.08	0.92	2.46	16.87	33.09

4.2 Exports from the EU

In 2015, exports of cosmetic products from Europe (i.e. extra EU-28) totalled €17.2 billion. France and Germany were Europe's main exporters, exporting more than €8.8 billion between them and accounting for 53% of total global exports from Europe.

VALUE OF COSMETIC EXPORTS FROM EUROPE (EU28), BY EXPORT COUNTRY (€ BILLION)
(COSMETICS EUROPE, 2015)

EXPORTS OF COSMETIC PRODUCTS FROM EUROPE (I.E. EXTRA-EU-28) WERE VALUED AT €17.2 BILLION IN 2015 (COSMETICS EUROPE, 2015)



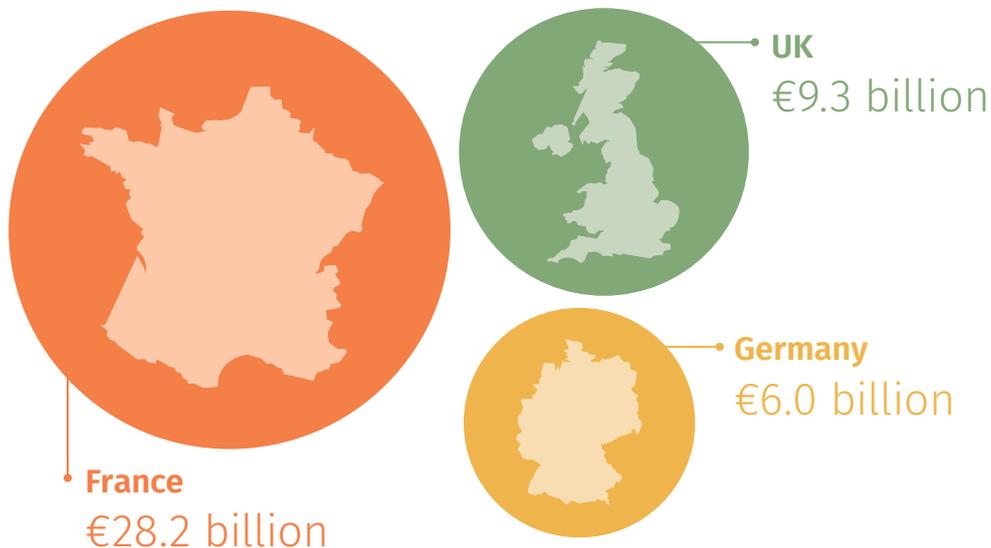
4.3 Development of global intangible assets

Intangible assets are defined as identifiable non-monetary assets that cannot be seen, touched or physically measured. Examples of intangible assets include patents, trademarks and the value of a company's brand name.

The total value of Europe's leading cosmetics brands is estimated to exceed €45 billion and has grown

by 6.6% between 2012 and 2014. Of the world's 50 leading cosmetic brands, 26 are domiciled in Europe (BrandFinance, 2013). France is an important player in terms of global cosmetic brands, with brands worth approximately €28 billion in 2014. Cosmetic brands in the UK and Germany were worth an estimated €9.3 billion and €6.0 billion respectively in 2014.

BRAND VALUE OF EUROPE'S LEADING COSMETIC BRANDS, BY COUNTRY 2014 (€ BILLION) (BRANDFINANCE 2014)



BRAND VALUE OF EUROPE'S LEADING COSMETIC BRANDS, 2012 TO 2014 (€ BILLION) (BRANDFINANCE, 2013 & 2014)



The data presented in the figures on this page are based on an analysis by BrandFinance (2013 & 2014) of the world's 50 leading cosmetic brands and thus represents an underestimate of the total value of cosmetic brands in Europe, as the value of smaller brands has been excluded. Discrepancies between the values shown in the graph are due to rounding.

4.4 Support for world-leading marketing services cluster

A review of companies' annual reports and information from consultation indicates that Europe's largest cosmetic companies spend approximately 7% to 23% of their annual turnover (sales) on marketing. Taking this data into account, together with data on the total value of cosmetics produced in Europe, it is estimated that **the European cosmetics industry invested between €2.92 billion and €10.29 billion in marketing in 2014**. This equates to between 2% and 7% of total turnover in Europe's advertising sector.

The industry supports responsible marketing practices and proactively drives self-regulatory initiatives in advertising. Cosmetics Europe launched a 'Charter and Guiding Principles on responsible advertising and marketing communication' in 2012 in response to the accepted best practice model for effective advertising self-regulation. This Charter sets out the benchmark for the responsible advertising of cosmetic products in Europe. The industry has also undergone its **first independent audit conducted by the European Advertising Standards Alliance (EASA)**.

A total of 1,861 advertisements were reviewed, including 577 television and 1,284 print advertisements aired/published in six representative markets over a three month period – September 2014, March and June 2015. It showed that 91% of the advertisements of cosmetic products were in compliance with all relevant advertising codes/laws.

TOTAL EXPENDITURE ON MARKETING FOR COSMETICS IN THE EU30 IN 2014 (€ BILLION) (OWN ESTIMATE)



4.5 Inward investment by non-EU multinational corporations

Inward investment plays a crucial role in enhancing the competitiveness of Europe within the global economy and leads to the creation of jobs for European workers, increased tax revenues and the inward flow of new technologies and skills. For example, in 2009, a company from outside of Europe opened a new cosmetics production plant in Central Poland. The plant, which is estimated to have cost

US\$50 million (€39 million) to build, was anticipated to offer employment to over 300 workers. Cosmetics manufactured at the site are exported to markets in Europe, the Middle East and Africa.

5. Securing a Sustainable Future

5.1 Sustainability in action

THE COSMETICS INDUSTRY PLACES A STRONG EMPHASIS ON ENSURING CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY AND SUPPORTING PROACTIVE VOLUNTARY AND SELF-REGULATORY INITIATIVES.

“SUSTAINABLE DEVELOPMENT IS DEVELOPMENT THAT MEETS THE NEEDS OF THE PRESENT WITHOUT COMPROMISING THE ABILITY OF FUTURE GENERATIONS TO MEET THEIR OWN NEEDS.”
(BRUDTLAND COMMISSION, 1987)

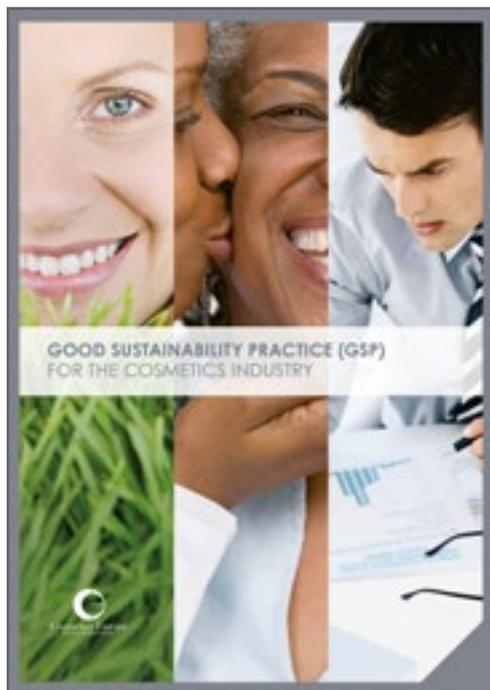
“Sustainable development” can be defined and interpreted in many different ways, but at its core is a focus on development that seeks to balance the different, and often competing, needs of the environment, society and economy – both now and in the future.

Cosmetics Europe fully supports the principles and objectives of sustainable development and its members’ commitment to sustainability is embedded in its mission statement:

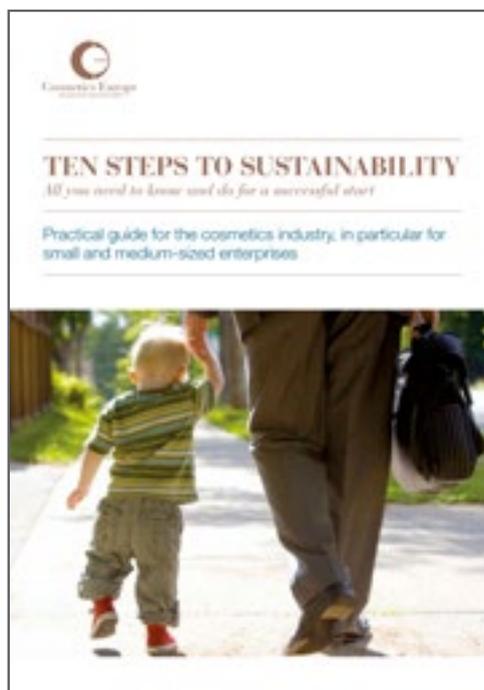


“COSMETICS EUROPE’S MISSION IS TO SHAPE A EUROPEAN OPERATING ENVIRONMENT CONDUCIVE TO LONG TERM GROWTH AND A SUSTAINABLE FUTURE”

To this end, Cosmetics Europe has developed two useful guidance documents to assist companies (particularly SMEs) to become more sustainable:



“Good Sustainability Practice for the cosmetics industry” which provides practical advice on how senior decision makers in a small, medium or large cosmetics company can develop and implement an effective sustainability strategy.



“Ten Steps to Sustainability: all you need to know and do for a successful start” which has been developed to assist companies (particularly SMEs) in the cosmetics sector to kick-start their sustainability efforts.

In line with the United Nations Global Compact (2015), some of the largest cosmetics companies in Europe have created codes of conduct for their suppliers in order to establish harmonised criteria in the areas of corruption, human rights and environmental protection, which must be met if they are to work together.

Recently, Cosmetics Europe has focused its sustainability-related activities on a study into the Product Environmental Footprint Category Rules for shampoo, which is a voluntary pilot aimed at mirroring the development of the European Commission’s pilots in this field.

Cosmetics Europe has also engaged, together with four European supplier industry associations, in the development of best practice for the cosmetics industry in the field of compliance with legislation pertaining to access to genetic resources and the fair and equitable sharing of benefits derived from their utilisation (implementation in EU law of the Nagoya Protocol on the conservation of biodiversity).

5.2 Environmental sustainability

Environmental sustainability is a key concern for the European cosmetics industry and companies – both large and small - are increasingly taking steps to reduce their carbon dioxide (CO₂) emissions (e.g. by powering plants with renewable energy, or reducing energy consumption), reduce the amount of water they consume and reduce waste generation throughout their products' life cycle (e.g. by using

recycled materials for products and packaging and by taking steps to reduce the amount of manufacturing and consumer waste going to landfill). Companies are also taking measures to increase the use of sustainably sourced raw materials and promote and popularise environmentally conscious products.

PLASTIC MICRO PARTICLES

In view of the public debate and concerns expressed over plastic debris in the marine environment, and given the availability of alternative materials, Cosmetics Europe recommended its membership in October 2015 to discontinue in wash-off cosmetic products placed on the market as of 2020: The use of synthetic, solid plastic particles used for exfoliating and cleansing that are non-biodegradable in the marine environment. With this Recommendation, Cosmetics Europe and its membership stand committed to working with regulators on a science-based approach to the issue of plastic micro particles.

ORGANIC COSMETIC PRODUCTS



Organic cosmetics are manufactured from natural ingredients (e.g. plant extracts) under eco-friendly conditions. In Europe, as in other regions of the world, there is increasing preference towards naturally derived cosmetic products. The market for organic cosmetics is expected to witness significant growth over the coming years. Globally, it has been forecast that the organic skin care market will grow at a CAGR of 9.8% from 2014 to 2020, while the market for organic haircare products will grow at a CAGR of 9.6% (Grand View Research, 2015). Numerous cosmetics companies have strategic initiatives to increase their global presence in the market for organic products.

The examples given in the boxes below are just a handful of the schemes recently put in place by cosmetics companies to reduce their environmental footprint.

SUSTAINABLE SOURCING



The Roundtable on Sustainable Palm Oil (RSPO) was established in 2004 to promote the sustainable production and use of palm oil. At least 17 cosmetics companies based in Europe are members of the RSPO.

WASTE REDUCTION

In Belgium, one manufacturing plant has installed technology to monitor waste generation. Line bins were fitted with smart cards recognised at the four weighing stations across the production area and connected via special software. The technology compiles the produced waste tonnage based on type, line, machine, team, etc. The installed system has already reduced line-waste output by almost 25%.

ENERGY



One company has opened a new biomass plant (in Spain) that uses waste wood from local forests and sawmills. The plant provides enough energy to satisfy 100% of the factory's energy requirements for manufacturing and packaging its cosmetic products.

BIODIVERSITY

One of Europe's leading cosmetic companies has partnered with the World Wildlife Fund (WWF), BirdLife International and the Wildlife Conservation Society to launch a tree protection programme, which aims to lay the foundations for protecting forest environments around the world. This programme seeks to reduce deforestation and degradation, restore forests, promote sustainable forest management and increase tree stocks in agricultural areas. The protection of trees not only helps to combat the greenhouse gas effect but it also boosts biodiversity, providing a more diverse and natural environment for a range of species to inhabit.

WATER CONSUMPTION



By modifying the control procedure for aerosol air-tightness, one production site in France has reduced water use by 20%, i.e. 10,000 m³ per year.

ENVIRONMENTAL RESEARCH

One company has set up two environmental institutions in France:

1. The Klorane Institute, which seeks to protect endangered plant species and improve knowledge and research into biodiversity, by providing financial support for exploration and rescue missions. Its aim is to educate people on the crucial importance of plants.
2. The Water Laboratory is a research centre for geology, hydrogeology, physico-chemistry, microbiology, molecular biology and cellular biology which tests and monitors the purity of the Avène thermal spring water to decipher its medicinal properties.

5.3 Working with local communities

The European cosmetics industry has invested heavily in community programmes covering a broad range of different themes. These include education programmes (particularly for young people, and around the topic of 'health'), aiding the unemployed to get back into work, providing support to the vulnerable, and programmes for disaster relief and promoting fair trade. Some examples of community programmes in the cosmetics industry are provided in the boxes below.

HEALTH EDUCATION

In an effort to reduce the impact of oral disease, one company has introduced a programme which seeks to educate children around the world about oral health. Another company has introduced a handwashing education programme, which teaches children in the lower grades of elementary school how to wash their hands properly.

FOR WOMEN IN SCIENCE



The 'For Women in Science' programme is jointly founded by UNESCO and has been running for over 17 years to promote and highlight the importance of the participation of women in science. Annually, the programme recognises the achievements of exceptional female scientists and awards them with Fellowships to help further their research.

FAIR TRADE



Shea butter is used increasingly in cosmetic products and the fair trade of shea nut produce is key to creating a stable income and social autonomy for female workers in Burkina Faso. Several companies have schemes to promote the fair trade of shea products.

EMPLOYMENT OPPORTUNITIES

Several companies have schemes aimed at helping people from underprivileged communities, people with disabilities or from under-represented socio-ethnic groups get into work. For example, one company has a scheme which teaches youths' basic hairdressing techniques with the aim of providing them with a vocation. They also have a programme in Poland which has helped 60 long-term unemployed women to successfully re-enter the job market.

EDUCATION OPPORTUNITIES

The education of young people is a theme which runs through many cosmetic companies' community programmes.

One company has provided training to 180 teachers in Indonesia, who are subsequently providing access to education for 6,000 children. Another company is working with the Hand in Hand for Haiti Foundation to build a school and sports complex which will house 720 children. Enrolment is free and all students have access to psychological support, a full-time nurse and two meals a day. The school also provides employment for 90 people. Another company is building libraries for children in Vietnam to provide them with access to learning resources. In Germany and France, companies in the cosmetics industry are helping to provide higher education for students from disadvantaged backgrounds.

HEALTH RESEARCH

Many cosmetic companies make significant investments to help improve people's health and wellbeing. For example, two companies work with research institutions and health care professionals to improve access to quality medication and health care for patients with sickle cell anaemia. One company provides finance for research and clinical studies into atopic dermatitis, while another company has established consultations for children and their families with the illness and donates medical skin care products.

One company has provided beauty treatments for over 10,000 people suffering from physical or psychological damage as a result of illness, accidents, major medical treatments and social distress. Cosmetic companies have also set up schemes to provide water purifier packets (clean drinking water) and vaccinations for women and children in developing countries.





6. Conclusions

The cosmetics and personal care industry includes **a wide range of products** dedicated to health, beauty and well-being. Ranging from hair care, skin care, oral and body care to perfumery and decorative cosmetics, cosmetic products are an **important part of people's everyday life and bring important functional and emotional benefits**.

Europe is the **global flagship producer of cosmetic products**. In 2015, the European cosmetics market was valued at **€77 billion**, making Europe the largest market for cosmetic products in the world. Trade is a critical component of the industry, with trade in cosmetic products and ingredients (within the EU30) exceeding €33 billion. Over €17 billion worth of cosmetic products were exported from Europe (EU-28) in 2015. Such exports are particularly important in countries strongly affected by the Euro crisis (such as Spain and Italy) where the cosmetics sector is helping to secure national economic recovery.

The industry makes a significant contribution to the European economy across its value chain. It is estimated that the cosmetics industry brings at least €29 billion in added value to the European economy every year, of which approximately €8 billion is contributed directly by the manufacture of cosmetic products (the remaining €21 billion is generated indirectly through the supply chain).

SMEs are key drivers of innovation and economic growth. While there are more than 5,000 enterprises manufacturing cosmetics in Europe, the vast majority of these companies are SMEs. In 2015, there were **4,605 SMEs** in Europe. Along the value chain, a wide variety of different types of enterprises are involved indirectly in the cosmetics industry. For example, there are **over 100 companies manufacturing cosmetic ingredients in Europe, 20,100 enterprises involved in the wholesale of cosmetics and 45,700 specialist stores** retailing cosmetics. About half a million hairdressing and beauty salons (the majority of which are also SMEs or micro-enterprises) also rely on the use of cosmetics and the number of European spas is also growing and may be a source of inward investment to Europe in the form of "wellness tourism".

The cosmetics industry is a science-driven, fast-paced and a highly innovative sector which makes large investments in R&D. Assuming that companies in the cosmetics industry spent just 3% of their annual turnover on R&D in 2014, **total expenditure on R&D** in Europe would have been **circa €1.27 billion**. There are at least **33 scientific innovation facilities** in Europe carrying out research in relation to cosmetics. More than **26,000 scientists** are employed by the cosmetics industry in Europe. Patent activity is a useful indicator for innovation and, in 2011, approximately 6,000 patents were filed by the European cosmetics industry.

The industry supports millions of jobs. Including direct, indirect and induced economic activity, the industry supports at least 2 million jobs. Of these, 152,000 workers are employed directly in the manufacture of cosmetic products, and around 1.6 million workers are employed indirectly in the cosmetics value chain. For every 10 workers employed (directly or indirectly) by the European cosmetics industry, a further two jobs are generated in the wider economic value chain (as a result of employees spending their wages on goods and services). It is estimated that between 347,900 and 521,800 workers are employed thanks to these 'induced' employment effects.

The industry places a strong emphasis on ensuring environmental responsibility and supporting proactive voluntary and self-regulatory initiatives. Cosmetics Europe has developed guidance documents to assist companies (particularly SMEs) to become more sustainable and has engaged, together with four other European associations, in the development of Best Practice for the cosmetics industry in the field of compliance with legislation regarding access to genetic resources and the fair and equitable sharing of benefits derived from their utilisation.

Finally, the provision of responsible consumer information through the 2012 Cosmetics Europe Charter and Guiding Principles on responsible advertising and marketing communication shows the commitment of the industry to standards for responsible cosmetics advertising in Europe, addressing consumer concerns about potential negative impacts of cosmetics advertising. The industry has also undergone its first independent audit conducted by the European Advertising Standards Alliance (EASA) in 2014/15. The results showed a high compliance level, with 91% of the advertisements of cosmetic products in compliance with all relevant advertising codes/laws.

7. Abbreviations and list of references

ACRONYMS

CAGR	Compound Annual Growth Rate
FTE	Full-time equivalent
FEBEA	La Fédération des Entreprises de la Beauté
GDP	Gross Domestic Product
GVA	Gross Value Added
MNC	Multinational Corporation
R&D	Research and development
SEA	Socio-economic analysis
SMEs	Small and medium sized enterprises
UNGC	United Nations Global Compact

GEOGRAPHIC ABBREVIATIONS

AT	Austria	PT	Portugal
BE	Belgium	RO	Romania
BG	Bulgaria	SE	Sweden
CY	Cyprus	SI	Slovenia
CZ	Czech Republic	SK	Slovakia
DE	Germany	UK	United Kingdom
DK	Denmark	EU28	The 28 Member States of the European Union
EE	Estonia	EU30	The 28 Member States of the European Union, plus Norway and Switzerland
EL	Greece		
ES	Spain		
FI	Finland		
FR	France		
HR	Croatia		
HU	Hungary		
IE	Ireland		
IT	Italy		
LU	Luxembourg		
LV	Latvia		
MT	Malta		
NL	Netherlands		
PL	Poland		

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€77bn

Value of the European
cosmetics industry

€1.27bn

Expenditure on R&D
in Europe

We personally care

4605 SMEs

The number is growing

At least
**2 MILLION
JOBS**

across the EU



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