

# UKRAINE: TIME FOR HIGH STAKES

**U**krainian perfumery and cosmetics market is considered to be the leader among East European countries due to its growth rate. In 2006 its growth rate was 17% (Euromonitor). The market value in 2006 reached \$2.38bln, thus, Ukraine gained the second place after Russia, and accumulated 13% of cosmetics and toiletry market in Eastern Europe.

The largest sector of Ukrainian perfumery and cosmetics market is colour cosmetics. In 2006 the market grew by 22% to \$641m as compared to 2005. Unlike Europeans, the majority of Ukrainian women uses a lot of make-up and carries a great variety of cosmetics in their handbags.

The second place is gained by bath and shower products segment, which value reported \$410.5m. This category, being compared with 2005, increased by \$32m and shifted to the club of the three leading categories. Though Ukrainian market in general is still free for newcomers, this very segment is characterized by strong competition. Local producers set in low massmarket and attract customers by acceptable quality at affordable price, just like a lot of Russian manufacturers do.

Skin care took the third place in segments ranking with sales value equal to \$356.6m. Ukrainian market of skin care added 28% or \$10m in money terms in 2006 as compared to 2005. Facial skin care, especially nourishing and anti-age, is on the top of growth.

As for perfumery, the value of this sector was \$193.3m. Local manufacturers are not very strong at perfumery and import production dominates the situation. Changes of legislation two years ago undermined stability of local producers. During the past two years Ukraine had a high excise tax on alcohol for perfumery production. However, market players anticipate a change of the situation in the nearest time. In 2006 perfumery sales augmented by 28%. Forecast for 2006-2011 is more than favorable. Experts notice a great demand in massmarket perfumery for women.

Industry watchers also agree in sun care market estimation as the one promising a long-range development. In 2006 its sales value growth was the most dynamic and reached 30%. Sun protection popularity is fuelled by advertorials influence and also by the fact, that Ukrainian customers in increasing frequency take their vacations not only in summer, but all the year round at foreign resorts.

Another category that should positively attract investors is male grooming. In 2006 the market grew by 21%. Variety of cosmetics for men at store shelves is still limited and shaving products remain the most popular. As competition in this sector is poor, soon price increase is awaited. As the market is far from satiation, local producers of cosmetics and toiletries regard it as an attractive field for rapid development.

While in Russia market consolidation process goes at full steam ahead and large companies fuse with smaller ones, in Ukraine ten leading companies still control less than a half of all sales. The rest of the market is divided between numerous small and middle-sized players.

In the period January-November 2006 Ukrainian distributors imported 98,000 tons of essential oils, perfumery, cosmetics and toiletries estimated at \$413.9m (State Statistics Committee). In comparison with the same period of 2005, import

volume reported 6% growth, while import value growth reached 24%. Remarkably, cosmetics import volume showed a clear tendency to increase.

In the first half of 2006 imports increased in all categories, except essential oils. Great Britain and Poland were the largest importers of perfumery to Ukraine. Fragrance distributors shifted to upper price products: eau-de-toilette imports volume decreased, while imports value reported a substantial growth. Naturally, the most expensive perfume was imported from France (259 tons at \$7.1m), while products declared at the least price were imported from UAE (358 tons at \$324,000).

Prices for colour cosmetics and skin care also showed a substantial increase. These segments import value grew by striking 42%, while the volume added only 9%. Ukrainian women seem to rapidly change their preferences in favor of internationally acknowledged and more expensive make-up product and skin care. Russia is the largest skin care importer to Ukraine. 2053 tons of facial and body products at \$17.5m were imported from Russia.

As for the export, according to State Statistics Committee data, the share of export in overall commodity circulation of perfumery and cosmetics made 13%. For the 11 months of 2006 the volume of Ukrainian exported perfumery and cosmetics production added 9% and made 18,850 tons. In money equivalent, export supply amounted by 80% to \$12.1m. Export value has risen almost in every category, meaning local cosmetic producers gradually shift from low massmarket to middle-price production.

In 2006 the total value of Ukrainian market exceeded \$2bln in retail prices, while sales potential is estimated at \$8bln. As the market is far from satiation, tough competition is hardly expected in Ukrainian beauty industry in the nearest future. Thus the number of foreign companies, paying their attention to Ukraine and including it in their strategic plans of development, rapidly increases.

For more information on the most promising markets in Eastern Europe search [www.cosmeticsinrussia.com](http://www.cosmeticsinrussia.com)

## Perfumery and cosmetics market value, Ukraine, 2006, \$m

Source: *Kosmeticheski Rynok Segodnya (Cosmetic Market Today)*

Colour cosmetics	641.6
Bath care	410.5
Skin care	356.6
Hair care	352.8
Perfumery	193.3
Deodorants	150.3
Male grooming	130.2
Oral care	82.4
Baby care	55.6
Sun care	13.6
Depilatories	3.1

MORE ON [WWW.COSMETICSINRUSSIA.COM](http://WWW.COSMETICSINRUSSIA.COM)