

**CBI MARKET SURVEY**

**The market for natural ingredients for cosmetics in the  
Czech Republic**

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**Introduction**

This CBI market survey gives exporters in developing countries information on some main developments in the natural ingredients for cosmetics market in the Czech Republic. The information is complementary to the information provided in the CBI market survey 'The natural ingredients for cosmetics market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>.

**1 Market description: consumption and production**

There is a general lack of information on the industrial demand for natural ingredients, as well as for general ingredient needs of the cosmetics industry. Therefore, the sections on industrial demand will first discuss cosmetics consumption and natural cosmetics consumption, followed by a discussion on (natural) cosmetics production. The consumption and production of organic cosmetics will also be discussed. This discussion provides indicators for developments in, and the size of, industrial demand for natural ingredients for cosmetics.

Furthermore, where available, information on the market for specific ingredients is included. Qualitative data on organic ingredients, increasingly of importance in many EU markets for use in (organic) cosmetics, are also included if relevant. These ingredients have been certified according to organic standards, in contrast to natural ingredients which are not necessarily certified. Please refer to Appendix 1 of the EU survey for more specific information on this.

**Industrial demand**

***Cosmetics consumption and production***

According to the European Cosmetic, Toiletry and Perfumery Association (Colipa), the Czech market for cosmetics is the fifteenth largest in the EU and represented a share of 1.4% in 2008. Per capita consumption in 2008 was € 90, thus just below the EU average of € 115 (Colipa, 2009). The Czech market for cosmetics is growing fast. Between 2007 and 2008, consumption of cosmetics increased by a substantial rate of 13%, which made the Czech cosmetics market the third fastest growing after those of Bulgaria and Poland (Colipa, 2009).

**Table 1.1 Czech market for cosmetics and toiletries per product group in 2008 at retail sales prices (RSP), in million €, share and change 2008/2007 in %**

<b>Product group</b>	<b>Market value (€ million)</b>	<b>2008/2007 change (%)</b>	<b>Market share (%)</b>
Fragrances/ Perfumes	131	16%	14%
Decorative cosmetics	135	11%	15%
Skin care	194	8.0%	21%
Hair care	237	19%	26%
Toiletries	230	11%	25%
<b>Total</b>	<b>926</b>	<b>13%</b>	<b>100%</b>

Source: Colipa, 2009

As shown in table 1.1, the product group of hair care is the largest one in Czech Republic. Hair care achieved the highest growth in 2008. The market for fragrances, decorative cosmetics,

skin care, hair care and toiletries, increased by 16%, 11%, 8%, 19% and 11%, respectively, compared to 2007.

Of the twelve new EU member states, the Czech Republic achieved the highest per capita spending on cosmetics. As well as that, the country achieved a double digit growth in terms of value. The market for premium brands and masstige products outperformed economy brands. In 2008, the top performers in the Czech Republic were men’s grooming products and premium products. Within the domain of premium products, bath and shower products fared particularly well. Within man’s grooming products, niche categories like moisturizers experienced strong growth. Natural products are increasingly important on the Czech market (Colipa, 2009).

According to Euromonitor, a large market research company, the Czech market for cosmetics is dominated by global players. Domestic companies do not possess sufficient financial capacity in order to make the necessary investments in research and development. Thus it is hard for the latter to compete with multinationals (Euromonitor, 2009). Nonetheless, domestic companies enjoy a high degree of consumer loyalty and trust (Colipa, 2009). West European companies, such as Unilever and Sara Lee, play a strong role in the overall market, and multinationals also dominate premium sales. Next to these, Dermacol is the most widely known and the largest domestic player in the Czech cosmetics industry.

The Czech Republic has a relatively large cosmetics industry, which plays an important role in both the domestic market and in neighbouring countries, in particular in Slovakia. Leading domestic cosmetics companies are Setuza (<http://www.setuza.cz>), Dermacol (<http://www.dermacol.cz>) and Zentiva (<http://www.zentiva.cz>). According to industry sources, Procter & Gamble and Unilever are the two main multinationals which produce cosmetics in the Czech Republic, but Beiersdorf and L’Oreal also have production facilities in the country. Moreover, Swallowfield, a large UK-based contract manufacturer, in 2008 opened a production plant in Tabor (Cosmetic-Design, 2008).

Compared to other European countries, Czech cosmetics production is medium. The country is the twelfth largest producer of cosmetics in the EU. According to Eurostat data, production of cosmetics in Czech Republic amounted to € 65 million in 2007. This represents a 9.0% average annual increase since 2003 (Eurostat, 2009).

**Industrial demand for natural ingredients**

As a substantial part of cosmetics products is imported from production facilities elsewhere in the EU, growing cosmetics consumption does not correspondingly lead to higher demand for natural ingredients in the Czech Republic. Moreover, multinationals account for a substantial share of Czech cosmetics production. These multinationals have global sourcing methods, typical for global players, and therefore do not necessarily add to domestic industrial demand. Moreover, sourcing decisions are often taken outside the Czech Republic.

**Table 1.2 Czech industrial demand for vegetable oils, between 2004 and 2007, in 1,000 tonnes**

Product	2004	2005	2006	2007	Annual Change %
Groundnut oil <sup>1</sup>	1	1	1	1	0%
Castor oil	1	0	1	1	0%
Coconut, palm kernel and babassu oil	12	8	2	0	-100%
Palm oil	29	36	34	32	3%
Others	300	312	380	320	2%
<b>Total oils</b>	<b>343</b>	<b>357</b>	<b>418</b>	<b>354</b>	<b>1%</b>

Source: Fediol, 2009

<sup>1</sup>The use of groundnut oil in cosmetics is decreasing, due to its allergic properties.

According to the European Industry Federation for the Oil and Protein meal Industry (Fediol), between 2004 and 2007, apparent industrial demand for vegetable oils in the Czech republic increased by 1%, which was substantially lower than the EU average (11%). Consumption amounted to 354 thousand tonnes in 2007. Because of large volumes produced and traded, the market for vegetable oils is very difficult for smaller producers to enter.

As it can be seen in table 1.2, industrial demand for groundnut oil and castor oil is stable, while industrial demand for coconut, palm kernel and babassu oil decreased substantially (-100% annually). Palm oil, on the other hand, increased by 3% annually from 2004 to 2007. Please note that only a small part of these oils, mostly in refined form, goes to the cosmetics industry, especially palm oil which is a bulk product.

Information on industrial demand for other product groups is not available.

### **Trends**

The Czech market for cosmetics is growing fast as disposable incomes are increasing. Consumption of premium brands is on the rise. The top selling premium products were bath and shower products. Men's grooming products also achieved high increase, with niche categories such as men's moisturisers being particularly dynamic. The increased interest in men's grooming products shows a change in consumer attitude in Czech Republic. More successful companies invested in research and development and included new ingredients and formulations in their cosmetics lines. For example, a Czech cosmetics producer developed hemp-based products (Colipa, 2009).

Moreover, according to Colipa, the domestic market for natural cosmetics is developing significantly. During 2008 natural ingredients in hair and skin care played a significant role. In 2008, a private label covering a variety of natural skin and hair care products was launched (Colipa, 2009).

General trends in the EU market should also apply to the Czech Republic and can be found in the survey covering the EU.

### **Production**

Data for vegetable oil production in the Czech Republic is available only as of 2004. Total reported production of vegetable oils amounted to 344 thousand tonnes in 2007. The production of vegetable oils increased by 15% since 2004 (Fediol, 2009). Rape, sunflower and soya oil are the main vegetable oils and fats cultivated commercially in Czech Republic at present. Only a small fraction of this production, however, is used in cosmetics.

According to IENICA, the Interactive European Network for Industrial Crops and their Applications, plant extract production is growing in importance, which can also be seen from the rapid increases in exports. However, the area for such specialty crops remains relatively small. Medicinal and aromatic plants are mostly wild-collected (IENICA, 2004). Production from wild-collection is considerable.

No information is available on the production of the other product groups considered, but production of natural colorants and essential oils is expected to be limited.

### **Trends**

The Czech Republic, like several other East European countries, is growing in importance regarding the production and trade of extracts, but also raw plant material, partly as a subcontracting location for German and other West-European companies.

Further trends on industrial demand can be found in the survey covering the EU.

### Opportunities and threats

- The Czech market for cosmetics is relatively small compared to most of the EU27 countries. Furthermore, per capita consumption of cosmetics is below the EU average.
- + Cosmetics consumption is nevertheless growing fast, despite the economic crisis, and the Czech Republic achieved the highest per capita spending among the new EU member states. Czech cosmetics production is likely to increase because of this, which should expand the market for natural ingredients.
- + In 2008, the most dynamic products in the Czech Republic were men's grooming products and premium products. The Czech cosmetics industry has shown a tendency to innovate and incorporate natural components in its cosmetics, which could offer an opportunity for developing countries' exporters of natural ingredients.
- + Natural products are increasingly important on the Czech market. Natural ingredients in hair and skin care played a significant role, which can provide opportunities for natural ingredients suppliers from developing countries.
- The Czech Republic can be seen as a competitor to (temperate) products from developing countries, mainly saps and extracts and raw plant material.

For more information on opportunities and threats, please refer to chapter 7 of the EU survey.

### Useful sources

- For more information on the Czech Republic, please refer to IENICA reports, available on <http://www.ienica.net>.
- Euromonitor (<http://www.euromonitor.com>) also provides information on the Czech market. Please keep in mind that only summaries are readily available, whereas the reports themselves come at considerable cost, but do provide company names.
- Furthermore, Czech Republic trade associations mentioned in section 6 of this survey, and the Czech Statistical Office (<http://www.czso.cz/eng/redakce.nsf/i/home>) can be a source of information.

## 2 Trade channels for market entry

In general, the same trade channels apply to the Czech Republic as those mentioned in the survey covering the EU. The traditional approach of contacting traders, intermediate processing companies, agents and wholesalers (either with or without processing capacity, dependent on the product) remains the most effective method. Some end-industries can however also be approached, as they too import directly from developing countries. This is particularly the case for specialist niche players, such as natural or organics producers.

Leading cosmetics companies on the Czech market are Setuza, Dermacol and several multinationals. Others include AB Cosmetics (<http://www.ab-cosmetics.com>). The three national companies of the most interest are Cremer Gruppe (<http://www.cremer-gruppe.cz>), a processor of vegetable oils; Dr. Müller Pharma (<http://www.muller-pharma.cz>), a producer of natural cosmetics products; and Ryor (<http://ryor.gsz.cz>) a cosmetics company for natural/herbal cosmetics. Other natural players are Biodroga (<http://www.biodroga.cz>) and Irel (<http://www.irel.eu>).

It is important to notice that different prices and margins apply throughout the various trade channels.

## 3 Trade: imports and exports

This section discusses the Czech Republic's imports and exports of natural ingredients. Please note that this data can also include natural ingredients which have been refined with the use of chemicals. Although these are not natural according to the definition used in this survey (see Appendix 1 of the EU survey) Eurostat does not distinguish them in trade data. Furthermore, the product groups discussed are also (and in larger quantities) used in other sectors, such as pharmaceuticals, and especially food.

## Imports

Czech imports of all products groups considered in this survey are increasing. The Czech Republic is a small importer of all product groups, but plays a somewhat more important role for vegetable saps and extracts and raw plant material.

Czech imports of natural ingredients for cosmetics consisted of vegetable fats, oils and waxes (26%), essential oils and oleoresins (9.7%), vegetable saps and extracts (50%), raw plant material (11%) and colouring matter (3.3%). In comparison, these figures for the EU are 59%, 11%, 19%, 7.3% and 3.3%, respectively. The increasing importance of saps and extracts could be indicative of the role played the Czech Republic as a processing location for German companies.

The Czech Republic was the twelfth smallest importer of vegetable oils and fats in the EU. The imports of this product group increased by 14% annually in the review period. In 2008, imports amounted to € 22 million / 8.0 thousand tonnes. Almost 100% was supplied by other EU countries, mainly The Netherlands. The role of developing countries has diminished rapidly during the last 4 years. In 2008, only 0.7% of vegetable oils imports by the Czech Republic came from developing countries. The main suppliers were China (0.3%), India (0.1%) and Ukraine (0.1%).

The Czech Republic is the eleventh biggest importer of essential oils in the EU. Imports of this product group amounted to € 8.2 million / 0.4 thousand tonnes in 2008, signifying an annual increase of 15% between 2004 and 2008. Only 5.3% is imported from developing countries, mainly India (3.2%), Brazil (1.1%) and China (0.4%).

The Czech Republic is the tenth biggest importer of vegetable saps and extracts in the EU. Imports amounted to € 42 million / 5.2 thousand tonnes, signifying a strong increase of 31% between 2004 and 2008. Developing countries supply 28% of this, and their share increasing at a substantial rate of 58% during review period. By far the most important DC suppliers are Mexico (18%), followed by the Philippines (4.7%) and China (2.3%).

The Czech Republic is the eleventh largest importer of raw plant material in the EU. The imports of this product group amounted to € 9.4 million / 2.3 thousand tonnes in 2008, signifying an increase of only 0.1% per year since 2004. Only 11% is imported from developing countries. The most important DC suppliers are India (3.4%), Albania (3.0%) and China (1.2%).

The Czech Republic is the twelfth biggest importer of colouring matter in the EU. Imports increased by 2.7% annually between 2004 and 2008, amounting to € 2.8 million / 0.2 thousand tonnes in 2008. A large part of the imports originates in other EU countries, especially Germany. Only 8.9% of total imports originated in developing countries. Peru (5.7%), China (2.7%) and India (0.5%) of total imports, played the biggest role among developing countries.

## Exports

The Czech Republic is a very small exporter of vegetable oils, essential oils and colouring matter. Exports of vegetable oils are showing a sharp decrease of 15%, whereas Czech exports of vegetable saps and extracts are much larger and increasing strongly. Between 2004 and 2008, exports increased by 13% annually to € 38 million / 4.4 thousand tonnes in 2008. Exports of raw plant material are also increasing, by 26% annually, amounting to € 7.6 million / 1.3 thousand tonnes. Also considering the large increase in imports, it can be expected that a large part consists of re-exports.

## Opportunities and threats

- + Imports of vegetable saps and extracts increased sharply in the review period. The share of imports from developing countries for this products group is rather large. Moreover, this

share grew at a rate of almost 60% in the review period. This may offer opportunities for exporters in developing countries.

- + Industrial demand for vegetable oils is increasing in the Czech Republic, and the total domestic production and the range of vegetable oils is not sufficient to satisfy demand.
- The role of developing countries, for most product groups, is diminishing in favour of EU countries. DC exporters do play a larger role for vegetable saps and extracts, but this mostly concerns imports from Mexico.
- +/-The small share of imports from developing countries can be either a threat or an opportunity. It indicates a current preference for imports from more developed countries. However, the figures can also be translated into a more positive forecast: developing countries still have a large share to gain, if the Czech Republic follows import patterns of other EU countries, regarding imports from developing countries.

For more information on opportunities and threats, please refer to chapter 7 of the EU survey.

### Useful sources

- EU Expanding Exports Helpdesk  
→ <http://exporthelp.europa.eu>  
→ go to: trade statistics
- Eurostat – official statistical office of the EU  
→ <http://epp.eurostat.ec.europa.eu>;  
→ go to 'themes' on the left side of the home page  
→ go to 'external trade'  
→ go to 'data – full view'  
→ go to 'external trade - detailed data'
- Understanding Eurostat: Quick guide to easy Comext  
→  
[http://epp.eurostat.ec.europa.eu/newxtweb/assets/User\\_guide\\_Easy\\_Comext\\_20090513.pdf](http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf)

## 4 Price developments

Regarding prices of ingredients, please refer to the survey covering the EU, as the indications of prices given there do not differ from those in the Czech Republic. Actual prices are dependent on negotiation with the companies. Interesting sources of price information are in particular the trade magazine The Public Ledger (<http://www.agra-net.com/portal> search for the link to The Public Ledger on the left side of the screen) and ITC market news service (MNS) (<http://www.intracen.org>).

Exporters need to have detailed production costs/volume price breaks for the ingredients they supply. This will give them a vital reference point for negotiations with buyers. It is important to note, however, that many market surveys on the cosmetics industry have shown that Czech consumers are particularly price-sensitive. Companies have responded with promotions and special offers which reduce the price for products, but maintain quality and quantity. These strategies, however, are contributing to a gradual deceleration of the cosmetics market (Euromonitor, 2008).

## 5 Market access requirements

As a manufacturer/supplier in a developing country preparing to access the Czech Republic, you should be aware of the market access requirements of your trading partners and the Czech government.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select natural ingredients for cosmetics and Czech Republic in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging:  
<http://www.intracen.org/ep/packaging/packit.htm>.

Information on tariffs can be found at <http://exporthelp.europa.eu>. No quotas apply to the products included in this survey.

## 6 Doing business

Information on doing business, like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications. For more information on doing business in the Czech Republic, visit the following websites:

- A trade association of interest could be CSZV: the Czech Association for Branded Products (<http://www.cszv.cz>).
- Two trade fairs of interest are the Fair on Cosmetics and Households Ingredients held in Prague (Tel: +420 (2) 518887), and the Beauty Expo, a fair which is held twice a year in Prague. The most recent event was held in September 2008 (Tel: +420 (2) 57941691). ([http://www.beautyexpo.cz/index\\_en.html](http://www.beautyexpo.cz/index_en.html)).
- An interesting trade press for companies related to leisure, fashion and cosmetics is the Prague Leaders magazine (<http://www.leadersmagazine.cz>). Kosmetika.cz (<http://www.kosmetika.cz>) is also of interest.

This survey was compiled for CBI by ProFound in collaboration with Andrew Jones and Klaus Duerbeck

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