Volume VI Issue No. 3 • February 2020

EUROMONITOR DIGEST

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Beauty and Personal Care in Mexico

EXECUTIVE SUMMARY

Beauty and personal care maintains growth, but sees a slowdown

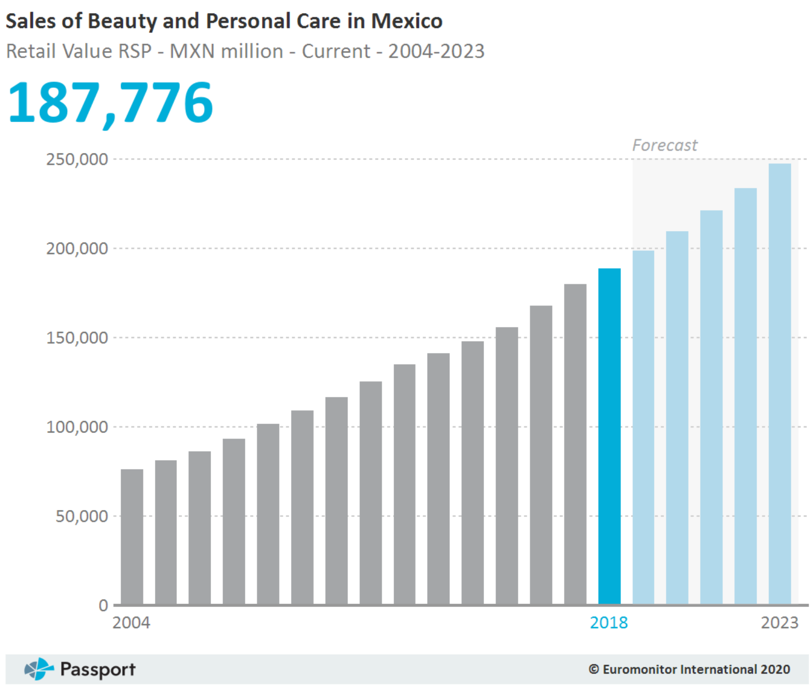
In 2018, beauty and personal care in Mexico recorded a lower current value growth rate than that registered in 2017. Although the inflation rate in the country was lower in 2018 than in 2017, GDP slowed down. Moreover, the presidential election process during the year resulted in an environment of uncertainty, which led consumers to be more cautious with their expenditure. However, population growth and company activity contributed to growth in beauty and personal care despite the challenging macroeconomic environment. Growth in mature categories was propelled by innovation, while smaller categories grew by increasing their penetration and reaching new consumers.

Modern grocery retailers remains the leading distribution channel

Thanks to the product variety that hypermarkets can offer through their big store formats, and the low-price strategy of discounters to attract price-sensitive consumers, modern grocery retailers remained the biggest distribution channel for beauty and personal care in value terms in 2018. Supermarkets and convenience stores also contributed to the strength of modern grocery retailers. Ranked second was direct selling, which accounted for a quarter of value sales. The categories in which this channel has the highest relevance are color cosmetics, fragrances, and skin care. Finally, it is interesting to mention that despite accounting for a small value share, internet retailing was the fastest growing distribution channel in 2018, which motivated both beauty brands and retailers to make efforts to develop this channel.

Unilever de Mexico reinforces its lead in beauty and personal care

Unilever de México was the leading player in beauty and personal care in Mexico in value terms in 2018. The company follows a multi-brand strategy, which allows it to reach different target consumer groups and have a presence in several categories, including bath and shower, deodorants, and skin care, among others. Unilever de México's strengths also include innovation across its different brands, continuous mass media advertising and a strong distribution network, ranging from modern to traditional channels. Over the review period, Unilever de México improved its share and rose from third position in value terms, to the leading position, which it reached in 2017. Contributing to its growing relevance were recent acquisitions by the company. In July 2015, Unilever de México acquired the bar soap brands Camay and Zest from Procter & Gamble. The transaction included the production facility in Mexico City which manufactures both brands. During the first half of 2017, Unilever also announced the acquisition of Quala's beauty and personal care division, which comprised the hair care brands Savilé, Ego, and Bio-Expert. During 2018, Unilever de México continued to pursue a diversification strategy and launched brand extensions in new categories: Rexona, a deodorant brand, launched bar soap; Savilé, a hair care brand,



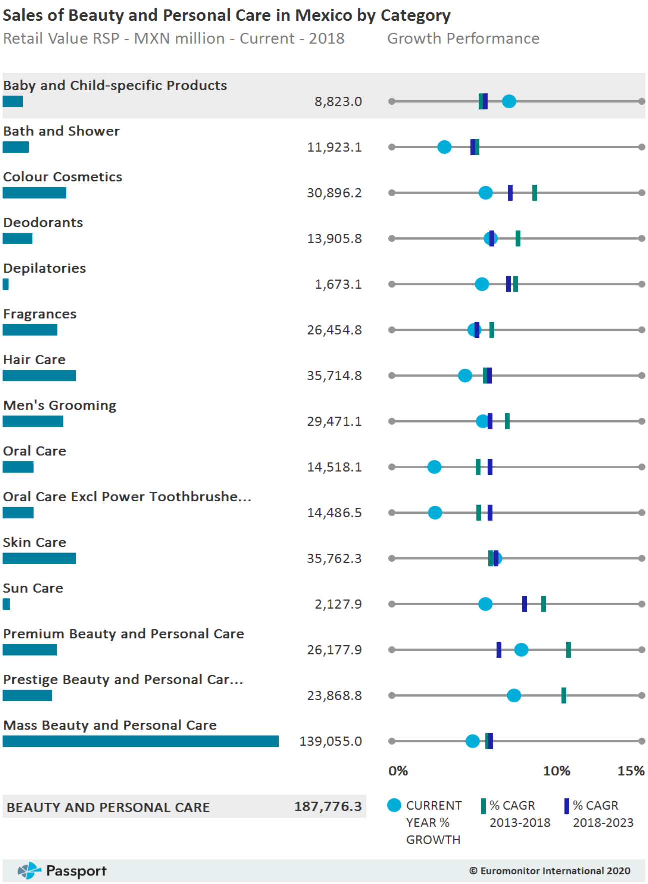
launched deodorants, skin care, and bath and shower products; and Ego, a men's hair care brand, included men's deodorants in its portfolio.

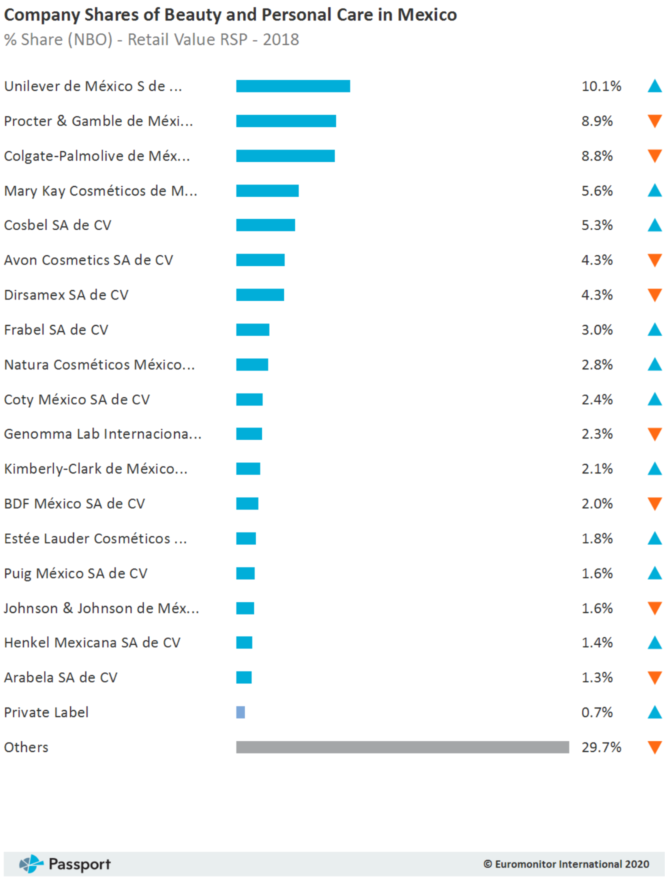
Innovation remains a key competitive strategy in beauty and personal care

Given the competitive environment within beauty and personal care, innovation remains a relevant strategy for companies to differentiate themselves from their counterparts. New product development in 2018 followed different trends depending on the category and/or the company. The main innovations were: - New formulations: the inclusion of new ingredients that offer better results, such as Clarins Extra-Firming with Kangaroo Flower Extract (skin care), Mennen Zero % (baby and child-specific products), and Gillette Complete Protect 5-in-1 (deodorants); - Limited editions: the launch of a new packaging, scents or colour palettes designed for a specific season, including collaboration with a celebrity or designer, such as Lancôme X Proenza Schouler (colour cosmetics and Pantene Summer Edition (hair care); - Line extensions: the diversification of a brand either within its same category by adding a new version of an already existing product, or through the brand entering a new category, such as Palmolive Naturals Nutritive Fusion (bath and shower), Gucci Bloom (fragrances), and Rexona (a deodorant brand launching a bar soap); - Niche targeting: the introduction of a product aimed at a specific consumer group, such as Gum Ortho (toothpaste for people undergoing orthodontic treatment) and Lactacyd Teens (intimate wash for teenagers). Given that innovation is crucial to expand the potential of brands, it is expected that over the forecast period new product development will remain a priority for the leading companies.

Beauty and personal care is expected to continue to grow

The increasing population, as well as changing demographics, such as the urbanization of smaller cities, more women joining the workforce and later retirement age, are expected to positively contribute to the performance of beauty and personal care over the forecast period. Innovation will also contribute to development, with new products motivating consumers to add additional products or more sophisticated products to their daily grooming routines. Potential threats to growth for beauty and personal care over the forecast period include an economic slowdown in the country, and further significant devaluation of the Mexican peso against the US dollar. These factors imply that potential consumers would experience lower disposable incomes, which could lead them to reduce their expenditure on beauty and personal care products.■





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Top 10 Global Consumer Trends for 2020