# Cosmetics Cluster UK


An update on the UK situation during the 2020 coronavirus pandemic

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# Cosmetics Cluster UK


- Re-formed in April 2020 and re-launch underway
- Working under a new management board led by Dr Gill Westgate, Jane Evison, Alastair Gardner and Lisa Buck
- Currently working on delivering a new strategy and projects
- Four key pillars of focus – networking and international cluster collaboration; education and workforce skills; sustainability; research & innovation
- Member of the Global Cosmetics Clusters network
- Further updates to be communicated during June
- Website being updated with news and helpful information for members and industry www.cosmeticsclusteruk.com

# Update on the current situation in the UK:

- The country has been in lockdown since March 23, with the government reviewing the situation every three weeks. The next review is 28 May
- Five tests should to be met before lockdown can be eased: adequate NHS capacity; sustained and consistent fall in deaths; 'R' rate falls below 1; testing and PPE capacity is sufficient; avoiding a big second wave after the end of lockdown
- Highest mortality rate in Europe with over 37,000 deaths (265,227 cases)
- Provision of testing and PPE is an ongoing issue
- In England, citizens can meet one other person from another household outdoors, advice is to remain 2 metres apart (social distancing). No visits into other houses or indoors. Different advice for Scotland, Northern Ireland and Wales. Those with symptoms should self-isolate
- 'Stay alert, control the virus, save lives' message – government under criticism over lack of clarity of this latest message
- June 1, second phase of exit from lockdown begins with schools and non-essential shops re-opening
- July 4, beauty salons and hairdressers possibly re-opening

## Impact of coronavirus on the UK economy:

- UK economy facing deepest downturn since 1706. Expected annual contraction is 14%. Bank of England expects growth to rebound in 2021 to 15%, but the size of the economy is not expected to recover until mid-year
- Treasury cost unprecedented - £337 billion approximately
- Assistance for businesses from the government – Job Retention Scheme -furlough scheme helping to pay 80% of wages until end of August for 8.4 million workers; small business grant funds
- Sectors most badly hit – non-essential retail especially fashion, transport, travel/tourism, hospitality, theatres, charities
- Business decision-making difficult due to uncertainty over time-frame of the epidemic and when a treatment or vaccine will be available

## The UK retail sales picture – April 2020:

- The volume of retail sales in April 2020 fell by a record 18.1%, following the strong monthly fall of 5.2% in March 2020.
- All sectors saw a monthly decline in volume sales except for a record increase in sales for non-store retailing at 18.0% and a continued increase in sales for alcohol stores at 2.3%.
- The volume of clothing sales in April 2020 plummeted by 50.2% when compared with March 2020, which had already fallen by 34.9% on the previous month.
- The proportion spent online soared to the highest on record in April 2020 at 30.7%, which compares with the 19.1% reported in April 2019.
- All store types, except non-store, reached record proportions of online spending in April 2020 as some stores shifted to online only trading.
- The three-month on three-month growth rate in the volume of retail sales decreased by 8.6%, with declines across all sectors except food and non-store retailing.

Source – UK Office for National Statistics (ONS)

# Update on the cosmetic industry situation in the UK:

The industry has been working hard to produce more hand gels and sanitisers whilst experiencing general supply chain difficulties, decreasing stock levels and operating safe manufacturing practices. Handwashing will continue to be extremely important to help control the virus spread

Companies such as Beauty Kitchen and ThisWorks have been assisting efforts to provide PPE and other forms of support in local communities where needed

https://www.womanandhome.com/good-news/charitable-beauty-brands-coronavirus-pandemic-353605/

Potentially over 40,000 beauty salons and hairdressers have been closed to clients since March. Opening up is possible in July and associations such as BABTAC are working with members to ensure safe practices for employees and customers following government guidelines

Digital channels are being maximised and sales are strong, but may not make up for the shortfall in in-store sales due to retail businesses in lockdown

Marketing communication is becoming orientated to spa at home and self-care product sales and advice – virtual appointments, web tutorials, well-being

Many industry conferences, lectures and events are being cancelled or postponed: many are going online as virtual events

# Industry association responses: CTPA

- CTPA has provided guidance regarding hand gels and sanitiser production and use of alcohol.
- Launched the CTPA Emergency Response Exchange (CERE) https://www.ctpa.org.uk/cere for matching manufacturing capacity with the suppliers of ingredients, components or supporting services needed to manufacture and distribute hand hygiene products. As of May 7, 80 companies and organisations have signed up to the Exchange and over 170 matches have been made between manufacturers and suppliers of critical products, ingredients and components, resulting in 185 products being produced so far.
- Webinar 26 May on Brexit jointly held with CEW UK, who are also providing members with web-based support and advice
- In terms of COVID-19 and industry activity there is a dedicated COVID-19 advice area on the CTPA public website which is updated as new information comes available. CTPA is currently working on guidance for industry on the reopening of retail stores with specific reference to the use of testers, on counter displays and demonstrations. This will include assurance for the consumer.
- The CTPA's Industry Survey is also continuing to run and companies are urged to add to the survey as the situation evolves. CTPA will be providing anonymised feedback to the Office for Product Safety & Standards (OPSS) and the Department for Business, Energy and Industrial Strategy (BEIS) periodically to help guide Government help to businesses.

# Brexit – CTPA update

The UK left the European Union on 31 January 2020 and is currently negotiating with the EU on it's future relationship*.

According to CTPA sources:

- The UK will have a standalone regulatory system following the end of the transition period (currently 31 December 2020). The details of implementation are being evaluated and discussed with the UK Government and although the negotiations might result in a closer collaboration, the implementation will still go-ahead.
- Compliance grace periods are unilateral decisions to be taken by each party. UK Government has reassured that grace periods are under review and that it will take a practical approach to support UK businesses. However, the EU has not given any indication that this will be so and therefore compliance with the EU requirements is to be expected from the end of the transition period.
- For current downstream users, distributors and retailers, it remains vital to check what the roles and responsibilities will be under the new two frameworks and if there are additional obligations taken on as the introduction of different regulatory frameworks takes hold.
- Further information at www.ctpa.org.uk

* www.commonslibrary.parliament.uk

# Beauty industry in the UK

- Estimated up to £28 billion total value of beauty industry contribution* in 2018, contributing 1.3 % of total GDP
- Retail sales of approx. £9.7 billion (CTPA 2018), 3rd biggest cosmetic market in Europe after Germany and France
- Value of exports of cosmetics, toiletries and soaps £3.7 billion. Leading export destination – EU. (Statista 2018)**
- Up to 600,000 jobs may be involved in the industry
- In 2019 health and beauty outperformed other retail sectors and companies were expecting continued growth ***
- Already seeing incremental movement to online sales channels – Amazon Beauty, Feelunique, own brand e-stores – multi-channel marketing developing
- Indications are that as a result of the crisis, make-up and fragrance segments will be most impacted

* Oxford Economics study for the British Beauty Council 'Value of Beauty' 2019 report.

** Statista UK cosmetic market data reports: https://www.statista.com/topics/5760/cosmetics-market-in-the-united-kingdom-uk

*** https://www.retailgazette.co.uk/blog/2019/08/bold-beautiful-health-beauty-sector-stands-today/

GB Market Statistics Overview

# Market category performance – CTPA data

| | £000s Dec 17* | £000s Dec 18 | % Change |
|---|---|---|---|
| Fragrances | 1,791,794 | 1,816,576 | 1.4 |
| Colour Cosmetics | 1,672,017 | 1,489,528 | -10.9 |
| Skincare | 2,272,571 | 2,281,662 | 0.4 |
| Haircare | 1,710,241 | 1,712,557 | 0.1 |
| Toiletries | 2,358,804 | 2,380,652 | 0.9 |
| **Total** | **9,805,400** | **9,681,000** | **-1.3** |

## Variety of retail brands for beauty in the UK:

The UK Health & Beauty Market 2017-2022
GlobalData August 2017

- Boots
- Tesco
- Sainsbury's
- Asda
- Superdrug
- Morrisons
- Debenhams
- Waitrose
- Savers
- LloydsPharmacy
- The Body Shop
- H&M
- ASOS
- New Look
- Primark
- Cult Beauty
- Amazon
- Feelunique
- Amazon
- AllBeauty
- Lookfantastic
- B&M
- MAC
- Nars
- Unilever
- Procter & Gamble
- L'Oreal
- Palmolive
- Aldi
- Lidl
- Holland & Barrett
- Myprotein
- Zipvit
- eBay
- Poundland
- Marks & Spencer
- Wilko
- Savers
- John Lewis
- Avon

## Beauty trends predictions at the start of the new decade – (January 2020)

https://www.harpersbazaar.com/uk/beauty/beauty-shows-trends/a30279675/2020-beauty-trends

- **Ageless beauty**
- **Conscious capitalism and consumption: from 'slow beauty' to 'blue beauty'**
- **Microbiome skincare will become increasingly sophisticated**
- **A hyper-personalised approach**
- **Beauty and mental health conversations will further converge**
- **Anti-pollution skincare will become as commonplace as sun protection**
- **Calls for 'clean beauty' to be defined with full transparency**
- **We'll adopt a 'skinimalist' approach**
- **Gen Zers will practice prejuvination**
- **Make-believe make-up will go mainstream**
- **Post-influencer beauty brands will shine**
- **A men's beauty boom is coming**
- **The sexual wellness movement will continue to grow**

## Assessment of the impact of coronavirus on the industry – April 2020*

- 'As seen in previous crises, staple toiletries will show more resilience, while discretionary beauty and the premium segment will suffer in the short and longer term'.
- 'Consumption patterns, channel dynamics and beauty routines are seeing inevitable shifts as a result of lockdown measures, selective retail, business and salon closures, and travel restrictions'.
- 'As an immediate priority, attention turns to bottlenecks around supply chain operations, including raw material sourcing, excess inventory, product availability and manufacturing facilities, to address newly challenged supply and demand scenarios. With tighter border controls, re-localising sourcing and production will be an inevitable outcome in the longer term, alongside streamlining through automation and better integration. Proximity stands to benefit overall costs and speed of delivery, but also supports other overarching and prevalent issues of sustainability and ethics'.
- 'Diversion from offline to online is an immediate necessity but building on the digital activation and omnichannel strategies already observed pre-COVID-19 will need a refocus in the context of a more pronounced need for virtual experiences alongside new points of sale within social networks and livestreaming. outlet numbers, in-store experiences and product curation, given that physical shopping is still a much preferred choice for many consumers, including the all important Gen-Z'.
- 'With many consumers likely to retain home habits even after the pandemic-linked recession, catering for those needs in the form of product formats, accessibility and experiences will need nurturing. Considering the economic impact of the crisis and more cautious spending patterns as a result, new stories around premium attributes will need reinforcing, both for essentials and discretionary products, to sustain business momentum and potentially commercialise completely new opportunities. Premium brands will have to show greater flexibility in terms of channel mix and turn to retail avenues previously outside their immediate comfort zone, as well as endorse the concept of 'affordable luxury' more strongly'.
- https://www.euromonitor.com/the-impact-of-coronavirus-on-beauty-and-personal-care/report

*The Impact of Coronavirus on Beauty and Personal Care – Euromonitor International report April 2020

# In conclusion:

- Beauty proposition becomes more about health and wellness
- Companies should show care and compassion and demonstrate authenticity/transparency
- At home treatments – what percentage will replace salon visits for good? Hair, nails, facials.
- Use of AI increasing – virtual consultations, virtual try before buy, browsing in shops not possible or restricted, personalisation
- M&A activity increasing; collaborations, communication vital
- Ethical consumers will still be looking for natural, clean, sustainable, local, responsible, traceable, eco-friendly products
- Mild and caring cleansing (Clariant announces increasing surfactant production capacity) – frequent hand washing is here to stay
- E-commerce channels becoming even more well established and the high street will not look the same as before. 'On-line first'
- Lipstick effect? Impact of wearing masks? Recession-proof industry predicted to recover as in previous crises - consumers still want treats and essentials
- New brands will emerge to take advantage of the new normal – innovative and dynamic industry – indie brands
- Some saying beauty would be the saviour of high street retail – maybe it still could be……

# Acknowledgements

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