

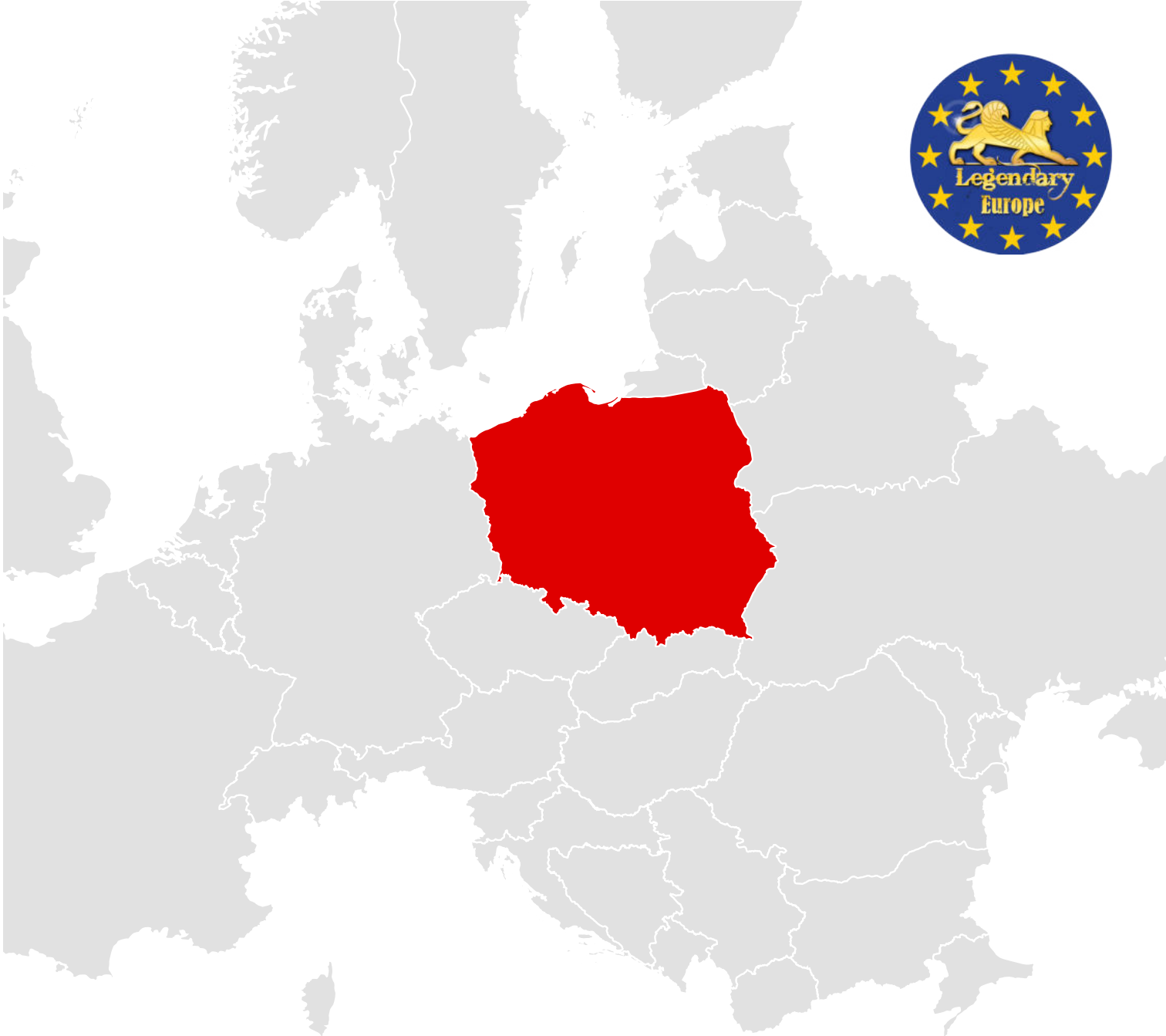


# THE **POLISH** COSMETICS INDUSTRY

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## Why Poland? Because we know how to do it.

### The strong points of the Polish cosmetics industry:

- Tradition and many years of experience in cosmetics production
- Top world-class quality of the products
- A complex production basis with access to qualified staff
- A complex scientific base and growing investments in research and development
- The Polish producers' long experience on international markets
- Experience in contractual production
- Flexibility and the ability to adapt
- The country's location in the centre of Europe and its membership of the EU
- Highly-developed sectors of industry supporting the production of cosmetics



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## MALAYSIA 2019 WORLD'S BEST COUNTRY TO INVEST IN

CEOWORLD Magazine ranked Malaysia **first** among 67 countries to invest in or do business



The 11 ranking factors included :

- Corruption
- Personal, trade & monetary freedom
- Workforce
- Investor protection
- Infrastructure
- Taxes
- Quality of life
- Red tape
- Technological readiness



RANK	COUNTRY	SCORE
1	MALAYSIA	85.8
2	✓ POLAND ✓	85.2
3	THE PHILIPPINES	84.6
4	INDONESIA	84.4
5	AUSTRALIA	84.1
6	SINGAPORE	83.7
7	INDIA	83.6
8	THE CZECH REPUBLIC	82.6
9	SPAIN	81.9
10	THAILAND	81.6



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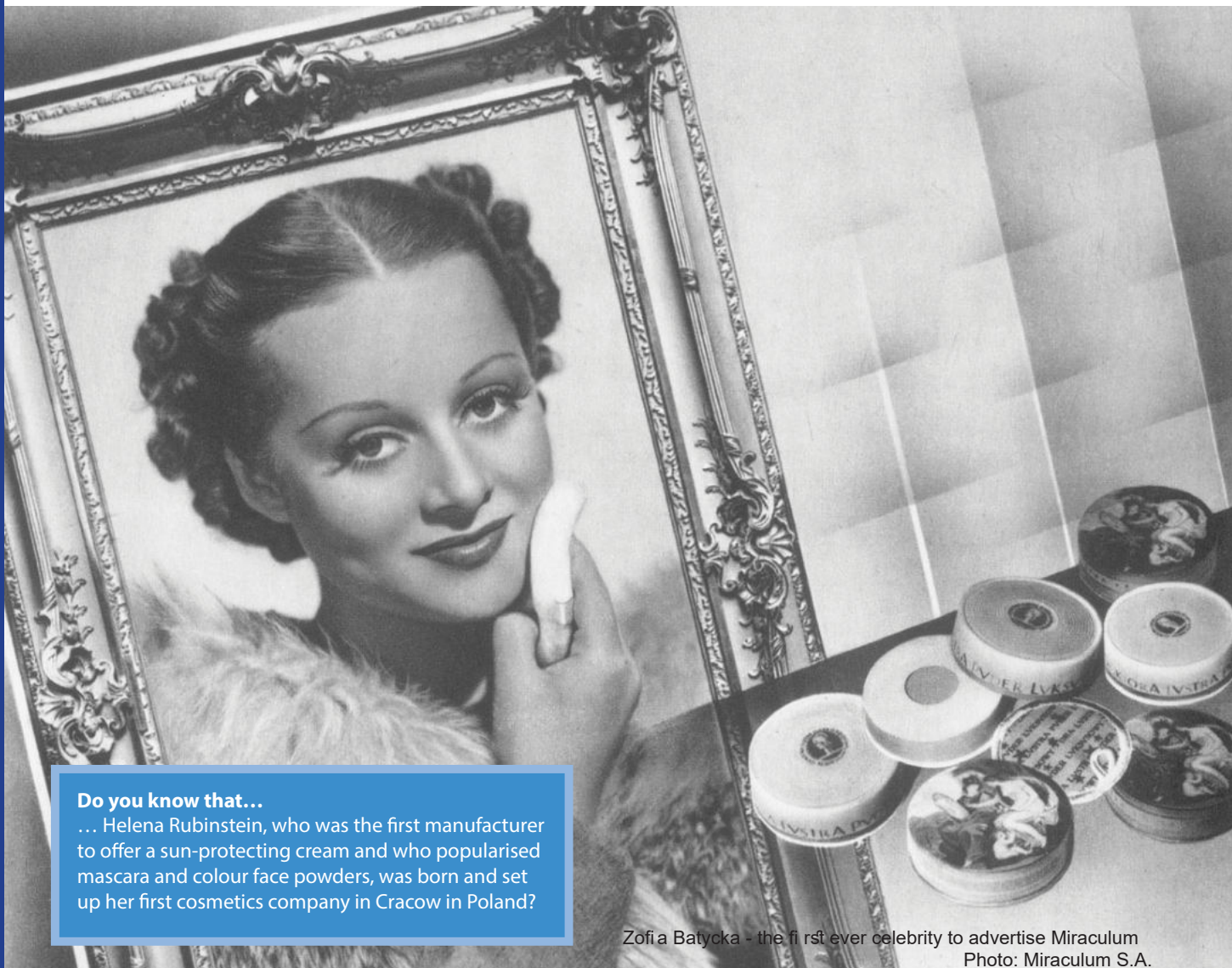


## From manufactory to world-renown laboratories: a history of success

The key to understanding the strength and potential of the cosmetics industry lies in its history. For in the course of one century, the branch has experienced a true boom, while *Made in Poland* products have deservedly gained recognition both at home and in the most remote parts of the world.

### The golden two decades

It all began in 1919 when Poland regained independence. After over a hundred and twenty years of foreign rule, Poles undertook the enormous task of unifying the country's fragmented infrastructure and modernizing its economy. In the wake of the new energy triggered off by the rebuilding of an independent country, a reorganization of the cosmetics industry took place. Small, local manufactories had been appearing on Polish territory since the mid 19th century, but cosmetics production on an industrial scale began only in the -1920ties. It was then that such cosmetics companies as "Schicht-Lever" (the future "Uroda"), "Miraculum" and "Ewa" were founded. In 1929, "Pebeco" company began its production under "Beiersdorf's" license. All in all, in the course of the two inter-war decades, several extremely prosperous companies were set up which produced cosmetics on an industrial scale and many smaller companies which operated locally.



#### Do you know that...

... Helena Rubinstein, who was the first manufacturer to offer a sun-protecting cream and who popularised mascara and colour face powders, was born and set up her first cosmetics company in Cracow in Poland?

Zofia Batycka - the first ever celebrity to advertise Miraculum  
Photo: Miraculum S.A.



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## The Polish object of desire

The beginnings of a regular cosmetics industry created in the -1920ties provided a solid basis for its further growth after World War II. It was then that the Polish industry was nationalised and the "Pollena" national consortium took over the cosmetics and cleaning products industries. With its expertise, long experience and existing base of manufacturers, Poland soon became the leading producer and exporter of cosmetics in Central-East Europe. It produced colour and conditioning cosmetics as well as perfume for all the countries in the Eastern Bloc. Women in the Czech Republic, in Russia, Hungary, Romania and Bulgaria all smelt of "Pani Walewska" perfume, painted their lips with "Celia" lipstick and used "Miraculum" creams. Polish products were highly regarded by the international female society, and the name "Pollena" at the time became a synonym of true luxury. Still, it was luxury at an affordable price. Hence, it was probably that blend of good quality and a reasonable price that allowed many of the brands created at the time to survive the economic transformation period of the late -1980ties and to keep successfully selling their products till the present day.



Photo: Loton

## Stimulating competition

The knowledge, expertise, experience and production infrastructure accumulated over the forty year period guaranteed a perfect start for the cosmetics industry in the new, difficult conditions of free-market economy. During the economic transformation after 1989, the manufacturing companies were privatized and were then bought by such cosmetics concerns as "Cussons", "Henkel L'Oreal" and "Beiersdorf". Many foreign companies, "Avon", "Procter & Gamble", "Oriflame" and "Colgate Palmolive" among them, invested in new factories in Poland. At the same time, local Polish cosmetics companies were being founded and were dynamically developing. Among some of the companies set up then were: "Dr Irena Eris" Cosmetics Laboratory, "Soraya", "DAX Cosmetics", "Ziaja", "Kolastyna", "Oceanic", "Dermika", "Joanna", "Bielenda", "Hean", "Inglot" and "Inter Frangrances". In effect, the present cosmetics industry in Poland is an unprecedented in Europe mix of global cosmetic concerns, big and medium-sized Polish companies as well as several hundred small and micro companies, all producing cosmetics.

### Do you know that...

... Max Factor, founder of the company of the same name, who produced the first ever everyday make-up foundation, was born in Łódź in Poland as Maksymilian Faktorowicz?



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# The Polish cosmetics industry...

## ... a developed market with a long tradition

The value of the Polish cosmetics market in 2011 was 3.3 billion Euro, which gave it the 6<sup>th</sup> place in Europe. The present position of the Polish cosmetics market is doubtlessly a result of decades of experience in cosmetics production and of its fragmented, diversified and very competitive structure on the supply side.

## ... a strong position of local producers

The appearance of international cosmetic concerns in Poland had an important effect on the growth of the competitiveness of the whole market and on the quality of the products. Local producers, wishing to remain in the game, were forced to fight hard, not only competing with one another, but mainly with the big concerns. They raised the quality of their production out of necessity, invested in new technologies, in research and growth departments and in staff training. In effect, despite tough competition from world brands, the position of local producers in Poland today is very strong, which is unique on the European scale. Suffice it to say that %50 of the Polish market of body and face care cosmetics belongs to... local Polish brands.

## ... a developed production base

There are around 100 big and medium-sized companies producing cosmetics and over 300 small and micro ones operating on the Polish market, as well as hundreds of laboratories, research, chemical and biotechnological companies and, finally, packaging and container producers. That enables Polish companies to base the whole production process in Poland – from the very first concept, through tests and research, to production and packaging right until the final product.

### Do you know that...

... dr Oscar Tropelowitz, who turned his small pharmacy in Hamburg into the international "Beiersdorf" cosmetics concern, was born in 1890 in Silesia, contemporary Poland?



Photo: Oceanic S.A.



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# The Polish cosmetics industry...

## ... a qualified and educated staff

There are about 19 000 people employed in the Polish cosmetics industry. The staff of the Polish companies is very diverse, as it comprises both experienced employees as well as young scientists educated all over the world (and in different fields). A long-standing experience in cosmetics production is additionally supported by a developed scientific and educational backdrop. Poland is the only country in Europe, apart from Lithuania, where cosmetology is taught at university level. Altogether, cosmetology and cosmetics chemistry is taught on different levels at 54 academic centres, including 9 state universities. There are several dozen colleges and universities offering related fields of study such as: chemistry, biochemistry and biotechnology (24 colleges of higher education) and pharmacy (11 colleges of higher education).



Photo: Beauty & SPA Expert

## ... a base of specialist knowledge

There are many independent research laboratories in Poland. They form a large and developed base where many studies are conducted, among others microbiological, physics and chemistry, dermatological and applied ones, as well as a lot of other specialist research connected to the cosmetics industry. According to the Central Statistical Office, there are almost 82 000 people employed in the Polish research and development business. That is still ten times fewer than in Japan and over 6 times fewer than in Germany, but many more than in the other countries of the region, such as the Czech Republic, Slovakia or Hungary.

### Do you know that...

... the very first perfume in history based on alcohol – „The Queen of Hungary’s Water” – was created in the 14th century thanks to a Pole – Elizabeth, Queen of Hungary?



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# The Polish cosmetics industry...

## ... a flexible and innovative producer...

The fragmentation of the cosmetics market in Poland exerts an influence on its flexibility. Small and medium producers can easily adapt to the changing market demands, as they have short production lines and the possibility to introduce quick changes into the production process. The times when Polish products competed with foreign ones only with their attractive price have passed for ever. Today, in order to compete effectively with cosmetic concerns, Polish producers have been investing in modern production lines and research programmes whose outcome are innovative products. Every big Polish cosmetics company has its own research laboratory and invests significant resources in development studies. It is not only the products themselves that are improved, but so is the packaging and market communication.



## ... the costs of the workforce still lower than in other European countries

Employment costs in Poland still belong to the lowest in Europe. According to Eurostat, an hour of the Polish employee costs the employer, on the average, 7.1 Euro, which is three times less than the EU average, which is 23.1 Euro. Employment costs in Poland are not only lower than in Western Europe, but also than in neighbouring Slovakia or the Czech Republic.



## ... excellent geographic advantages

Poland is situated in the very centre of Europe, creating a geographic and cultural bridge between the markets of Western and those of Central-East Europe. Such a location brings notable benefits to Polish cosmetics producers, who have found they can operate perfectly in market conditions and meet different consumer demands. The central, from the European perspective, location has also been very advantageous for the chain of supplies, facilitating access both to clients and to the raw products used in cosmetic production. The latter only to a very limited extent come from Poland, mostly being brought from the European factories of international chemical concerns. Global producers have also appreciated Poland's geographic assets by placing their factories there or by taking over the local ones.

### Do you know that...

... Poland is the only country in Europe, apart from Lithuania, where cosmetology is taught at university level?



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# The Polish cosmetics industry...

## ... well used opportunities connected to EU membership

With Poland's membership of the EU, the Polish cosmetics industry gained easier access to EU markets, which were the traditional directions of Polish cosmetics exports. Producers did not waste the opportunity and made advantage of the enormous potential present in the tightening of economic relations with EU countries. The benefits of EU membership lay not only in the facilitations at the border, but also in the unified law for all business people, the lack of a discrepancy between national and union legislation and the common notification of cosmetics.

One of the main factors leading to the innovative growth of the Polish companies was European funding. Many of the big and small cosmetic companies accessed, among others, grants from the Innovative Economy Programme. Over 10 billion Euro were spent on that, with %85 of the amount being received from the European Regional Fund. Thanks to the continued growth in the area of innovation, the Polish standard in the cosmetic field does not differ from the international corporation standard. Permanent investments in innovation have become the norm in the biggest Polish companies, which in the case of most recognized producers fluctuate around %20 of all the costs. The costs comprise not only investments in modern means of productions or new packaging, but also in improving the technological processes, raising quality management standards and introducing new methods of the employees' personal development. The strategy of most Polish producers also includes long-term investments in development teams. Although they at present generate costs, they will soon more than pay for themselves, for they have been creating a driving force of progress for the Polish cosmetics industry and trade. Frequently, even %25 of all the company staff are delegated to work at research and development projects.



## ... an experienced global range exporter

The export of Polish cosmetics was developed long before the economic changes of 1989 and Polish products were found even on Arabic and Eastern markets. Today, Poland is the 6th cosmetics exporter in Europe when we look at the value of the export, which in 2011 was over 1.9 billion Euro. Cosmetics produced in Poland are sent to over 130 countries, including places as remote as Trinidad and Tobago, New Zealand and Chile. There is a big demand for Polish products both among traditional consumers in Central-East European countries and on the leading cosmetics markets in Europe, including those in Germany and Great Britain. The strong position of Polish cosmetics on the undoubtedly demanding markets is proof of their high quality.



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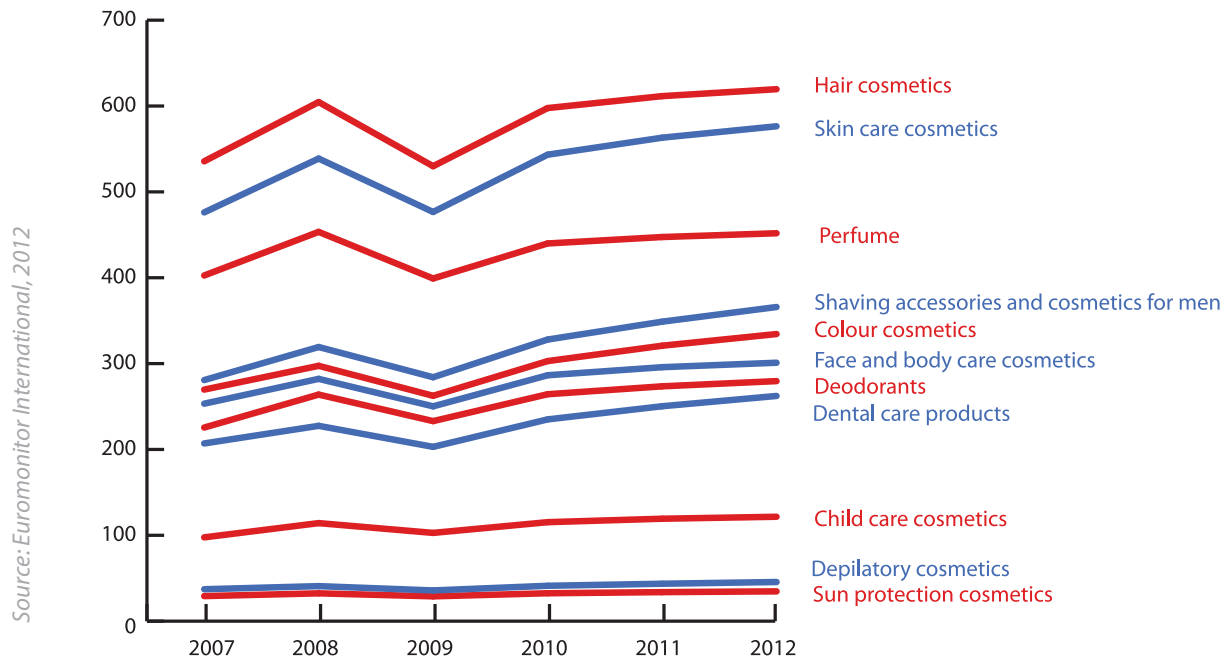


# The cosmetics market in numbers

## A stable development in fluctuating market conditions – the Polish cosmetics industry yesterday and today

The Polish cosmetics and body care products market was worth around 3.3 billion Euro in 2011. The analysts of Euromonitor International have estimated that it will attain the value of almost 3.4 billion Euro in 2012. That means a rise by around %3 and situates Poland among the top most dynamically developing markets in Europe, despite the world-wide slow down in the cosmetic business branch.

The value of the cosmetics and body care products market, mln EUR, 2012 – 2007



The structure of the Polish cosmetics market does not differ from that of other European countries. The largest portion of the market are hair care products (611,5 billion Euro – %18,5 in 2011) and skin care cosmetics (563,1 billion Euro – %17), which altogether constitute over %35 of the market. Other important categories are : perfume (%13,5), cosmetics for men (%10,5) and colour cosmetics (%9,7).



Photo: Joko Cosmetics



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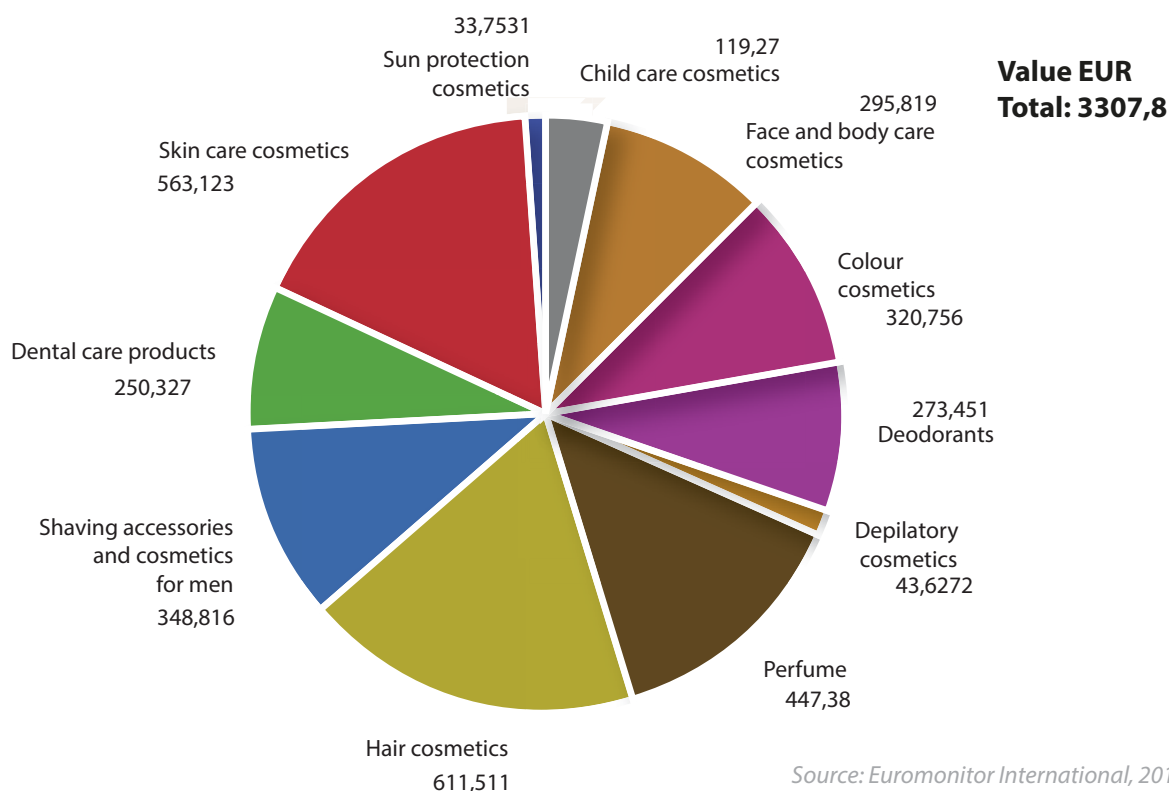
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# The cosmetics market in numbers

The different product categories value and their share in the Polish cosmetics market, mIn EUR, 2011



The most dynamically developing product categories are accessories and cosmetics for men and dental-care products, whose sales grew in 2011 by %6.5 when compared to 2010. Just after them are depilatory cosmetics (their sales in the same period grew by %6) and colour cosmetics (%5.9).

## The Polish cosmetics industry tomorrow

Despite the predicted slow down in the growth of the cosmetics market in the coming years, **the Polish market will continue to develop faster than other top cosmetic markets** and its value should exceed: %3.4 in two years time and %3.5 in 2016.

The value of the particular product categories, Poland, mIn EUR, 2016-2012

Category	2012		2014		2016	
Child care cosmetics	121,6	3,6%	118,7	3,5%	119,5	3,3%
Face and body care cosmetics	301,0	8,9%	301,8	8,8%	317,1	8,9%
Colour cosmetics	334,4	9,9%	340,5	10,0%	358,3	10,0%
Deodorants	279,6	8,2%	279,2	8,2%	291,6	8,2%
Depilatory cosmetics	45,6	1,3%	46,8	1,4%	49,3	1,4%
Perfume	451,8	13,3%	441,9	13,0%	457,3	12,8%
Hair cosmetics	619,6	18,3%	616,5	18,1%	641,4	17,9%
Shaving accessories and cosmetics for men	365,9	10,8%	377,5	11,1%	401,2	11,2%
Dental care products	262,3	7,7%	270,1	7,9%	284,7	8,0%
Skin care cosmetics	576,4	17,0%	582,4	17,1%	616,9	17,3%
Sun protection cosmetics	34,7	1,0%	34,7	1,0%	36,2	1,0%
<b>Total</b>	<b>3 392,8</b>		<b>3 409,9</b>		<b>3 573,5</b>	

Source: Euromonitor International, 2012



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The categories of hair care cosmetics and perfumes are expected to slightly lose their share in the market mainly to skin care products and cosmetics for men. The latter are at present one of the most dynamically developing segments, which bears fruit in a constantly growing offer of the products on the Polish market.

## Poland in comparison to Europe, or the things we can be proud of

The European Union is the biggest and most competitive cosmetics market in the world, whose value in 2011 was 42 billion Euro. Poland comes out well in comparison. **It has a leading 6<sup>th</sup> position in Europe both with regards to the home market and to exports.** In the European Union, the only larger markets are in Germany, Great Britain, France, Italy and Spain.

According to Euromonitor International, **the dynamics of the cosmetic market growth in Poland is one of the greatest in Europe** and despite the economic stagnation in the past four years it has remained at around %5, **much higher than in the case of other leading European cosmetic markets.** In the same period, when the Polish market rose by %5, the German market rose year after year on the average only by %2.8, the British one by %4, the French one by %1 and the Italian and Spanish ones did not exceed even %1.

## Cosmetics from Poland are conquering the world

**Poland is the sixth cosmetics exporter in Europe.**

For many years now, France has remained the greatest European cosmetics exporter and with its exports worth almost 4.5 billion Euro has been significantly outdistancing second in rank Germany (2.5 billion Euro). The other leading cosmetics markets hold further positions: Italy, Great Britain, Spain and Poland, whose distance to the preceding three has been decreasing year by year.

### The export value of particular categories of cosmetics in the EU, billion EUR, 2010\*

Country	Export (billion euro)
France	4,45
Germany	2,49
Italy	1,03
Great Britain	0,95
Spain	0,85
Poland	0,78
Belgium	0,57
The Netherlands	0,32
Ireland	0,16
Sweden	0,14
The other EU countries	0,73
Total	12,7

Source: Cosmetics Europe Association, Eurostat, 2012  
\*colour cosmetics, hair care cosmetics, skin care cosmetics, personal hygiene cosmetics, perfume

**In the years 2011-2001, the value of Polish cosmetics exports (including personal hygiene products) grew over five times, in 2001 reaching the upper limit of over 3.1 billion Euro. In the past 10 years, exports have been growing on the average by %25, with the greatest percent rise in 2004, which was just after Poland had joined the EU.**



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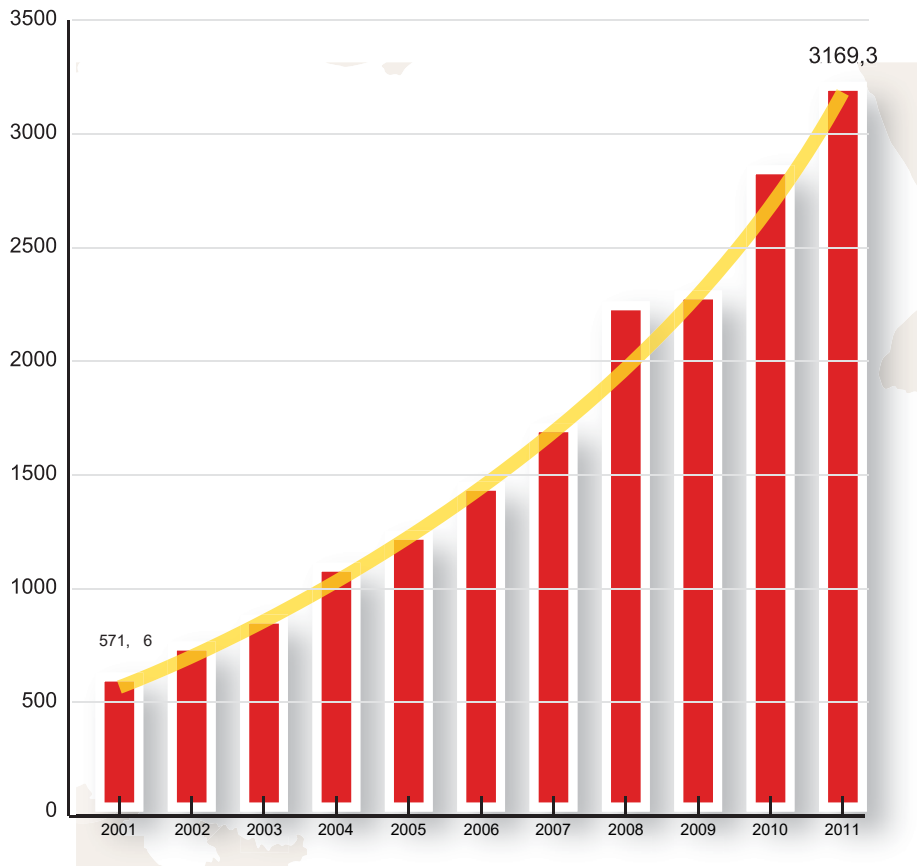


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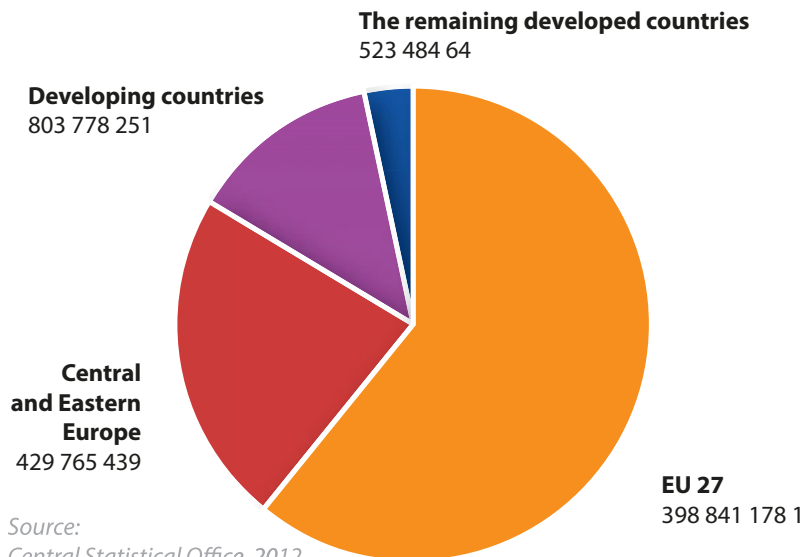
## The value of Polish cosmetics exports, including products for personal hygiene, mln EUR, Poland, 2011 - 2001



Source: Euromonitor, 2012

The value of the Polish cosmetics export in 2011 was over 1.9 billion Euro. EU countries, with their 60% share were the biggest buyer of the cosmetics produced in Poland. The second place was held by Central and East European countries, where almost 440 million Euro worth cosmetics were sent from Poland in 2011, which was almost 23% of the value of the total cosmetics industry exports. The developing countries and the other developed countries have a much smaller share in the total Polish exports – 13% and 3.3% respectively.

### Cosmetics exports value in a geographic division, Poland, EUR, 2011



The biggest individual consumers of cosmetics produced in Poland are Russia (15.3%), Great Britain (12.1%) and Germany (11.9%). Statistics show Poland's strong position on the markets of the former Eastern Bloc, which receive 40% of the Polish exports. Cosmetics produced in Poland are sold also on the greatest European cosmetic markets, which constitute 35% of our exports and include Germany, France, Great Britain and Italy.

Source: Central Statistical Office, 2012



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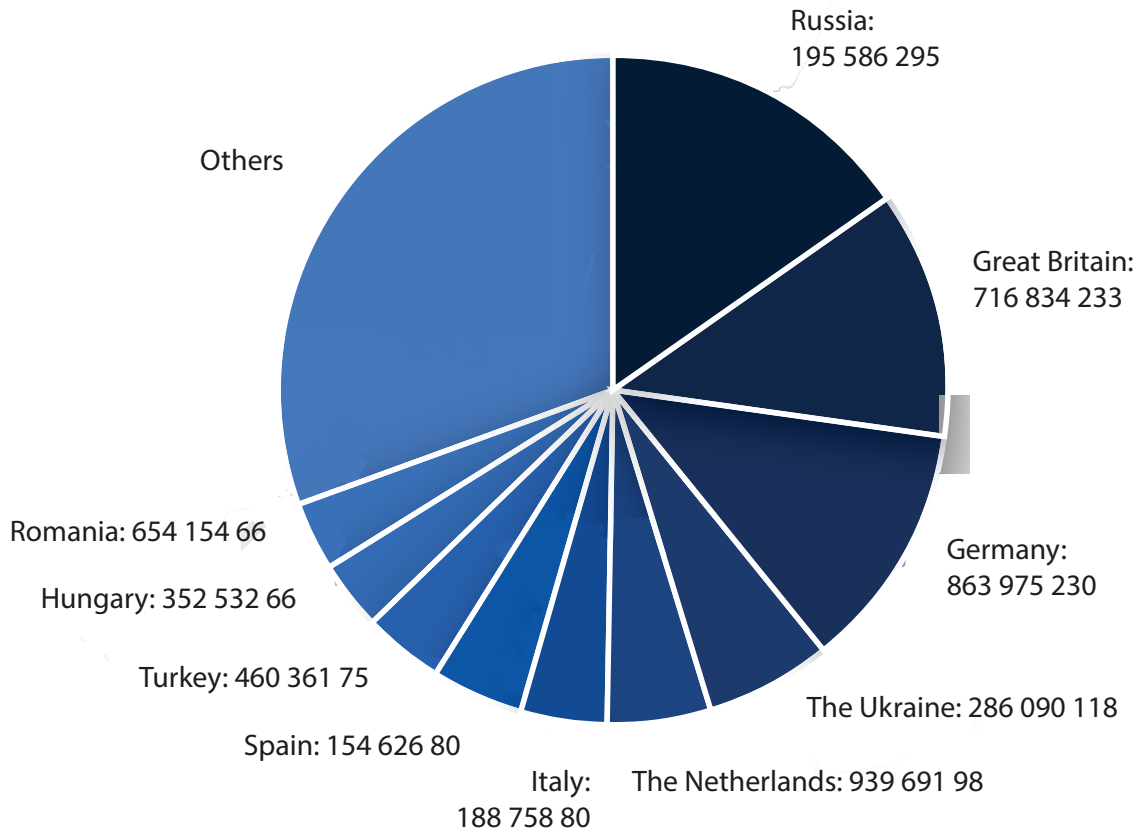
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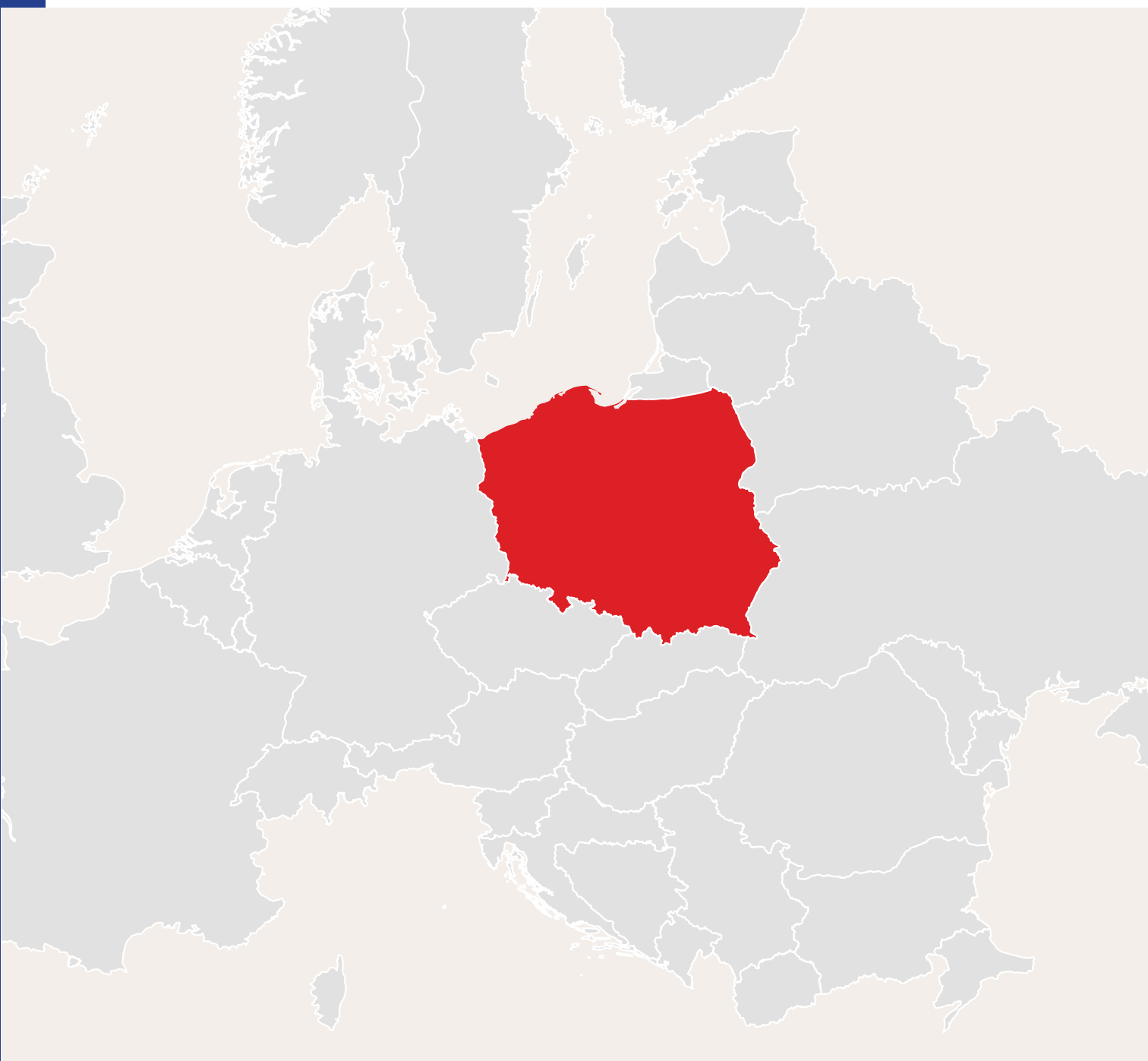
## The share of cosmetics exports in a geographic division, Poland, billion EUR, 2011



Source: Central Statistical Office, 2012

Most of the cosmetics sent abroad are produced in factories belonging to global concerns, but the share of exports in the sale structure of Polish companies is constantly growing. Further, more and more of their cosmetics are to be found on the shelves of foreign stores. On the basis of the data received from Polish producers, we can estimate that the share is between %10 and %20, with all the companies pointing to the development of foreign market sales as the main element of their strategy in the coming years. In the case of companies with foreign capital there is an opposite situation – between %80 and %90 of the cosmetics produced in Poland go abroad. We can thus say that **more than half of the cosmetic products made in Poland go to foreign markets.**





## Therefore, why Poland?

Over a hundred years of experience, investments in production infrastructure and a qualified staff, added to concern about quality, have all born fruit in the general recognition cosmetics produced in Poland have today. The label Made in Poland is a guarantee of high quality and innovativeness, not only in the country itself but also far away from its borders. It also turns out that the consumer can receive all that at a reasonable price and in attractive packaging. Impossible? Perhaps elsewhere impossible, in Poland more than possible.



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