

The Cosmetics Industry in Romania: Analysis of Economic Performance and Trends

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Abstract

The cosmetics and personal care products industry have shown an upward trend recently, both globally and in Romania. The need for analysis of Romania's cosmetics sector is justified by highlighting socio-economic aspects due to changes in consumer behavior. In this context, the research involves analyzing statistical data on cosmetics manufacturing organizations in Romania, estimating consumption trends, and tracking the evolution of these organizations. The analysis shows that key indicators such as the number of manufacturers, turnover, and number of employees in Romania's cosmetics industry have increased. These values provide an overview of the sector's vitality, reflecting connections to changes in consumer habits.

Key words: cosmetics industry, economic performance, trends

J.E.L. classification: L11, L20, L25

1. Introduction

The paper aims to investigate the economic performance status in the cosmetics industry and manufacturers of personal care items in Romania, to offer insights into the sectors landscape.

In this context, we begin with an analysis of the European cosmetics and personal care market, that values €96 billion in 2023. The leading markets are: Germany (€15.9 billion), France (€13.7 billion), Italy (€12.5 billion), UK (€11.0 billion), Spain (€10.4 billion), and Poland (€5.2 billion) (Cosmetics Europe, 2024).

The demand for natural cosmetics and for products meeting sustainability standards is increasing according to recent trends. Socio-demographic characteristics are shaping the consumer preferences and are suggesting the adoption of recent values in consumption trends. The frequency of using skincare products has increased, leading to a rise in the amounts spent on this category of goods (Mitterer-Daltoé et al., 2023).

According to the data presented in the Socio-Economic Contribution of the European Cosmetics Industry brochure (Cosmetics Europe, 2016), there were over 5,000 cosmetic manufacturers in Europe, most of which were SMEs with fewer than 10 employees.

The value chain of the cosmetics industry includes five elements:

1. Organizations that manufacture cosmetic ingredients, packaging and industrial design research and development - providing inputs for producers;
2. Organizations producing cosmetics;
3. Distribution and wholesale organizations;
4. Organizations offering beauty services and retailing cosmetic products;
5. End consumers.

In the 2012-2013 period, the direct contribution to the Gross Value Added (GVA) in the European economy of the cosmetics industry in Europe was of approximately €8.09 billion annually. Regarding distribution and wholesale organizations, they have an indirect impact on the indicator, quantified at €21.18 billion. The total contribution of the cosmetics industry to GVA in Europe is €29.27 billion. The industry directly and indirectly supports over 2 million jobs, of which 152,000 are in

manufacturing organizations.

As a member state of the European Union, in Romania the cosmetics industry sector is being governed by EU cosmetics legislation (Regulation (EC) No 1223/2009 of the European Parliament and of the Council of Europe of November 30, 2009, on cosmetic products (recast) and CosIng - Cosmetic Ingredients Database), concerning:

- Good manufacturing practices,
- Compliant use of cosmetic ingredients:
 - purity of ingredients;
 - safety measures regarding substance concentrations;
 - prohibition of using substances considered dangerous to human health, animal testing (cruelty-free cosmetics, which involves organizational ethics and responsibility);
 - purity of materials from which containers are obtained - due to possible interaction of the cosmetic product with primary packaging (possible contamination) and for sustainability reasons;
 - existence of certificates of conformity for ingredients and containers (ensuring traceability); compliant labeling of packaging.

Of course, these are just a small part of the provisions of the cosmetics legislation. The legislation is extensive, and although necessary, it can represent an external threat factor for small organizations. Implementing a business plan in this sector requires researching legislation and analyzing the feasibility of starting of operations. Given the share of SMEs in the sector, we note that aligning small and medium-sized producers with EU standards includes significant aspects related to:

- licensing activities;
- compliant arrangement of production, storage, and auxiliary spaces;
- investments in operational levels: production line, packaging, storage of finished products;
- professional training of operators;
- high production costs: low bargaining power with suppliers, expensive raw materials, and sometimes difficult to acquire due to scarcity, risk of stockouts, etc.

2. Literature review

This article is also taking into account the analysis of the economic indicator turnover. The turnover is defined as “the sum of revenues generated from the sale of goods, sales of merchandise, execution of works, and provision of services, minus waste, rebates, and other discounts granted to customers” (Moroşan, 2006). This indicator reveals financial performance and operational efficiency. The turnover can be used to calculate key indicators in financial management, while its dynamic can indicate the stability of the market position.

Building on the definition by authors Schiffman and Kanuk (1997 cited in Roy and Datta, 2022, p. 208), who define consumer behavior as “the behavior that consumers display in search of obtaining, using, assessing, and rejecting products, services, and ideas”, and considering that “the cosmetics industry is an ever-expanding industry, driven by science, innovation, and creativity, which has made huge investments in R&D globally” (Turcu and Brancu, 2023), we are focusing on the evolution of the cosmetics industry in Europe, transitioning to the Romanian industry. Regarding R&D, at least 33 innovation and research facilities in the cosmetics sector have been identified in Europe (Cosmetics Europe, 2016). This figure suggests a strong interest in the industry's development, in line with the demand.

Relevant factors impacting the population and driving them to purchase and consume cosmetic products include:

1. Economic factors: The largest customer segment is primarily represented by financially independent women, leading to an increase in the consumption of premium, luxury, or natural products;
2. Socio-psychological factors: The culture they belong to, the need for personal care, the desire to show their status in the society, as well as self-esteem-based factors (Dubois et al., 2020).

The evolution of this sector, both in general as well as in Romania, has been primarily influenced by legislative, economic, and consumer trend factors. Studies (Kumar, 2005) reveal that consumer trends include aspects such as:

- increased demand for natural products,
- the customization of products,
- "multifunctional" care products,
- the impact of sustainability and eco-friendly packaging (including the return of the packaging for refill),
- the search for "holistic" personal care products,
- increased demand for anti-aging and derma cosmetics products.

The idea of sustainability is also highlighted by Abrudan and Tatu (2019), who assert that manufacturing organizations have formulated objectives regarding environmental protection. These objectives are being achieved through the implementation of business practices that minimize their environmental impact by using natural and organic substances as well as biodegradable and recycled materials.

3. Research methodology

The research utilizes datasets from the public annual reports of the National Institute of Statistics (INSSE). The analysis is quantitative in nature and focuses on the 2015 to 2022 timeline. The dataset available at the industry level refers to active economic agents categorized by their main activity, according to the classification code from the National Economic Activity Classification in Romania, 2042 - Manufacturing of perfumes and cosmetic products, as follows:

1. The number of organizations by size, according to the classification: micro-enterprises, SMEs, and large enterprises;
2. Average number of employees by organization size- necessary for evaluating the workforce and its evolution from the employment perspective;
3. Turnover by organization size- an indicator necessary for assessing the financial performance of economic agents.

The data allows for an analysis of the evolution of the cosmetics industry in Romania and provides insights into recent trends.

4. Results and discussions

The analysis of data from the 2015 - 2022 period shows the dynamics of the number of organizations in the cosmetics industry (CAEN 2042) in Romania, categorized by size, according to table no. 1.

Table no. 1 The number of organizations with CAEN 2042 from Romania by size classes, 2015-2022

Organizations with CAEN 2042 from Romania by size classes	Number of organizations							
	2015	2016	2017	2018	2019	2020	2021	2022
0-9 employees	81	88	108	139	171	182	181	184
10-49 employees	13	14	15	15	16	15	11	11
50-249 employees	2	2	2	2	2	2	2	2
250 employees +	1	2	2	2	2	2	2	2
Total	97	106	127	158	191	201	196	199

Source: INSSE

The findings regarding the industry are as follows:

- There is a notable increase of 127.16%, from 81 organizations with 0-9 employees in 2015 to 184 in 2022, which numerically dominates the industry, suggesting that, in response to increasing demand, a significant number of start-ups and small businesses have been established;

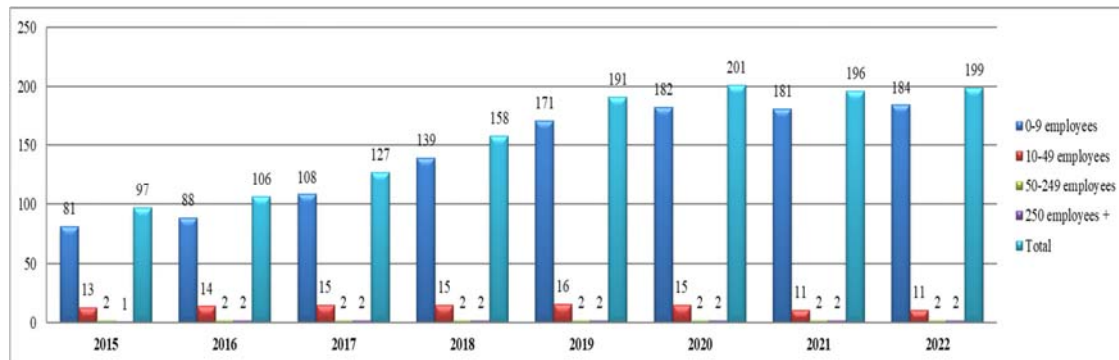
- For organizations with 10-49 employees, there is a slight increase from 13 in 2015 to 16 in 2019 (23.07%), but this number decreased to 11 in 2022, representing a decline of 15.38% compared to 2015. We interpret this fluctuation as limited consolidation of businesses, facing difficulties in maintaining competitiveness;

- The number of organizations with 50-249 employees remained constant at 2 organizations throughout the analysis period. The stability of this category indicates that few firms have managed to consolidate to medium size, which may indicate existing barriers in the specific business environment;

- The data shows that during the analyzed period, in the category of organizations with over 250 employees, the number doubled from one manufacturer to two, a 100% increase from 2015 to 2016. The number remained at 2 manufacturers for the rest of the analysis period, suggesting a limited presence of large companies in the cosmetics industry in Romania.

In figure no. 1, it is evident that in the 7 years of analysis, the market for cosmetic manufacturers has expanded, with the total number of organizations increasing from 97 in 2015 to 199 in 2022, representing a growth of 105.15%, a factor that influences market share. The majority of small enterprises remain in this category, facing difficulties in scaling up to medium or large organizations.

Figure no. 1 The evolution of the number of organizations with CAEN code 2042 in Romania



Source: INSSE

In table no. 2, the evolution of the average number of employees for each organization category during the period 2015 - 2022 can be observed. Based on this data, we conclude that:

- in organizations with 0-9 employees, the average number of employees temporarily increased from 155 in 2015 to 263 in 2020, representing a growth of 69.67%. Between 2020 and 2022, there was a decrease in this parameter by 9.12%;

- following a similar trend in the previous category, in organizations with 10-49 employees, we notice an increase in the average number of employees from 265 in 2015 to 364 in 2020, a rise of 37.35%;

- however, from 2020 to 2022, there was a decline from 364 to 244, a decrease of 33.15%. The average number of employees in 2022 is 7.92% lower compared to the reference year of 2015;

- unlike the previously analyzed categories, organizations with 50-249 employees and those with over 250 employees did not record decreases in the average number of employees in 2020; on the contrary, their employee numbers increased compared to the period from 2015 to 2019. Organizations with 50-249 employees had, on average, 14.28% more employees in 2022 compared to 2015, while those with over 250 employees experienced an increase of 84.29%.

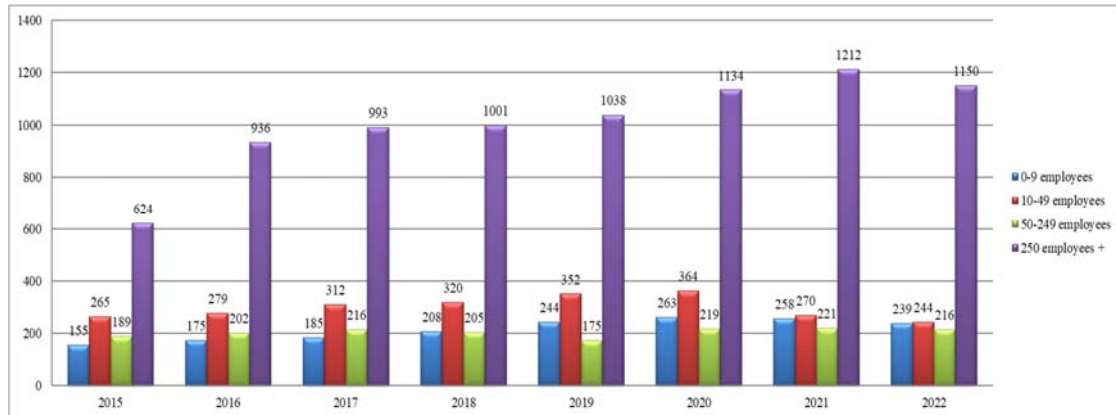
Table no. 2 The average number of employees in organizations with CAEN 2042 from Romania by size classes, 2015-2022

Organizations with CAEN 2042 from Romania by size classes	Average number of employees							
	2015	2016	2017	2018	2019	2020	2021	2022
0-9 employees	155	175	185	208	244	263	258	239
10-49 employees	265	279	312	320	352	364	270	244
50-249 employees	189	202	216	205	175	219	221	216
250 employees +	624	936	993	1001	1038	1134	1212	1150
Total	1233	1592	1706	1734	1809	1980	1961	1849

Source: INSSE

In figure no. 2, we can observe that organizations with 0-9 employees and 10-49 employees, although numerous in the market, have recorded decreases in the average number of employees since 2020, indicating a limited ability to survive and adapt to the external environment. This period coincides with the COVID-19 health crisis, during which the number of employees decreased in certain areas of activity. On the other hand, organizations with 50 to 250+ employees have seen increases in the average number of employees from 2015 to 2022.

Figure no. 2 The evolution of the average number of employees in organizations with CAEN 2042 in Romania by size categories, 2015-2022



Source: INSSE

The analysis of the turnover indicator shows an upward trend at the industry level, according to table no. 3 and graphically represented in figure no. 3. The values are expressed in euros, obtained by dividing the values provided by INSSE by 5000, considering an exchange rate of 1 euro = 5 lei. In the group of organizations with 0-9 employees, we observe an increase in turnover from €4.06 million in 2015 to €10.30 million in 2022, representing a growth of 153.69%. The year 2018 is marked by a decrease. Starting from 2019, the turnover increases year by year, with a rise of 38.78% in 2019, 32.10% in 2020 compared to 2019, 32.10% in 2021 compared to 2020, and 31.04% in 2022 compared to 2021.

Table no. 3 The turnover of the organizations with CAEN 2042 from Romania by size classes, 2015-2022

Organizations with CAEN 2042 from Romania by size classes	Turnover (mil. EUR)							
	2015	2016	2017	2018	2019	2020	2021	2022
0-9 employees	4.06	4.69	5.54	4.28	5.94	5.95	7.86	10.30
10-49 employees	10.20	11.21	14.96	17.42	18.97	22.71	21.38	17.06
50-249 employees	10.06	11.70	13.69	13.89	14.72	15.48	16.46	16.68
250 employees +	34.50	58.41	63.01	68.46	77.22	90.54	98.79	111.39
Total	58.82	86.02	97.20	104.05	116.86	134.67	144.49	155.43

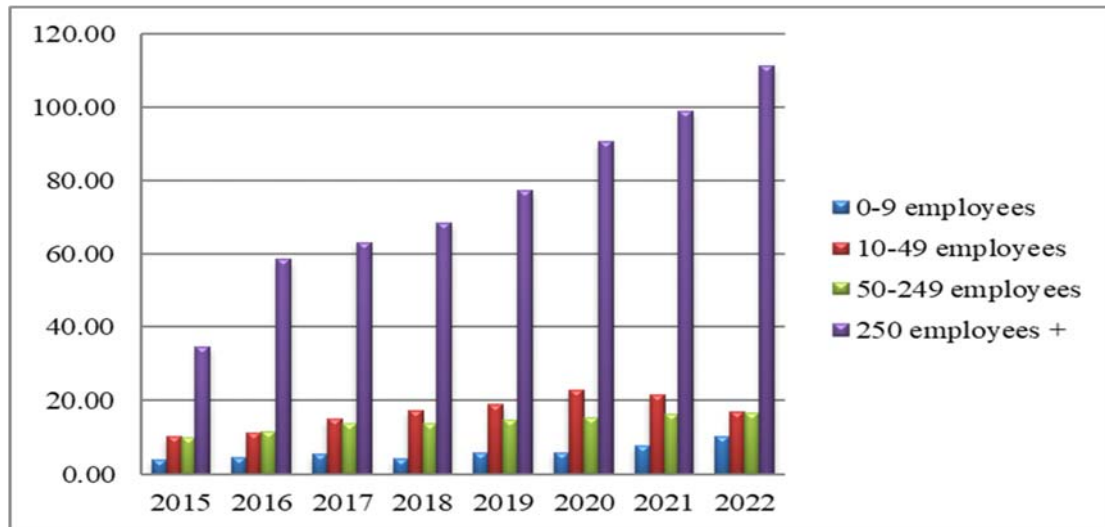
Source: INSSE and calculations made by the author

The results show a relatively constant growth, indicating that organizations are solidifying their positions in the market. This evolution may suggest a focus on certain market niches. From the empirical study, it can be observed that the majority of such organizations are 100% natural cosmetics producers, satisfying the demands of trends like veganism, environmental sustainability, and holistic care.

Organizations with 10-49 employees register an overall increase in turnover during the analysis period, rising from €10.20 million in 2015 to €17.06 million in 2022, which is an increase of 67.25%. We notice that in 2021 and 2022, the turnover decreased as follows: from 2020 to 2021, it dropped by 5.86%, and in 2022, it recorded a decrease of 20.20% compared to 2021.

The financial results of organizations with 50-249 employees increase steadily, without major fluctuations, year by year. In 2022, they recorded a turnover that was 65.80% higher than in 2015. The situation of this category of organizations is characterized by stability.

Figure no. 3 The evolution of turnover in the cosmetics industry in Romania, during the period 2015-2022



Source: INSSE and calculations made by the author

Organizations with over 250 employees experience the highest turnover growth, at 223.74% in 2022 compared to the reference year of 2015, rising from €34.50 million to €111.39 million. Among all categories of organizations, showing accelerated growth year after year, particularly notable results occurring between 2020 and 2022. In 2022, units with over 250 employees reported a turnover of €111.39 million, surpassing the combined results of all other categories of units, which totaled €44.04 million. This represents a relative increase of 252.93%.

To correlate the turnover of these organizations with the demand for cosmetic products, we considered the average monthly income per person and average monthly expenditures per person in Romania. According to table no. 4, both the population's income and expenditures have increased. However, we focus on the surplus funds available for savings and investments. This surplus can be directed towards the purchase of cosmetic products and meeting personal needs, including for well-being and for boosting self-esteem.

Table no. 4 The evolution of income, expenses/person (lei), 2015-2022

Indicators	2015	2016	2017	2018	2019	2020	2021	2022
AMNI/person (lei)	1859	2046	2338	2642	2986	3217	3416	3801
TAME/person (lei)	884.56	953.4	1093.9	1406.84	1582.7	1701.77	1924.87	2235.1
AMAR/person (lei)	974.44	1093	1244.1	1235.16	1403.3	1515.23	1491.13	1565.9

Source: INSSE

Where:

AMNI-Average monthly net income; TAME-Total average monthly expenses; AMAR-Average monthly amounts remaining/person

During the analyzed period, revenues showed an upward trend, increasing from 1,859 lei in 2015 to 3,801 lei in 2022, representing a growth of 204.47%. Expenditures followed a similar trend, rising from 884.56 lei in 2015 to 2,235.1 lei in 2022, marking a 252.68% increase. Notably, the growth rate of expenditures (252.68%) outpaced that of revenues (204.47%).

The difference between revenues and expenditures represents a reserve that can be allocated to various activities, including the purchase of cosmetic products. This budget surplus amounted to 974.44 lei in 2015 and increased to 1,565.9 lei in 2022, reflecting a growth of 160.7%.

Although the surplus exhibits an upward trend in absolute terms, its relative growth rate is lower than that of revenues and expenditures, demonstrating the slowest increase among the three indicators.

5. Conclusions

Following the interpretation of the previous data, we find that the economic performance of the cosmetic products sector shows consistent growth for all types of units and for all parameters analyzed.

Regarding the increase in demand for anti-aging and derma cosmetic products, the categories of organizations that meet these needs are those with 50-249 and 250+ employees. According to table no. 3, the turnover of these two categories of organizations suggests that financial strength is a strong point for them, which supports research and development activities. The market reveals that these categories of products are not accessible to every manufacturer. The costs of bringing these products to market are high, as they involve testing on human subjects, physicochemical testing, large quantities of raw materials, and rare or premium raw materials, etc.

In correlation with the economic performance of organizations and the recorded trends, we believe that psycho-social and economic factors will contribute to the increase in cosmetic product consumption through measures such as: the level of education, concern for well-being (including among young people and individuals over 60), the rise in income, and facilitating access to credit banking products.

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