

Nürnberg, Germany 14.–17.2.2018

VIVANESS2018

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PRESS RELEASE

January 2018

VIVANESS 2018: natural and organic cosmetics digitalized

- **Germany's natural and organic cosmetics industry in digital transformation**
- **Big opportunity for newcomers' products and international brands**

The future is digital. Digitalization is having an impact in all areas of life and opening up new prospects in the natural and organic cosmetics industry too. Cosmetics are already among the most common products purchased online and German consumers are particularly willing to buy them compared to consumers in other European countries. This is one of a number of aspects that will be under the spotlight when the natural and organic cosmetics industry meets in Nuremberg from 14 to 17 February for VIVANESS, the International Trade Fair for Natural and Organic Personal Care. More than 250 exhibitors are expected at the international B2B platform this year. "High-impact yet low-cost: communication in the age of digitalization" is the name of a congress highlight in hall 7A that will be examining customer communication changes and opportunities resulting from the digital transformation. Numerous other presentations being held during the VIVANESS Congress also guarantee well-founded expert knowledge on the natural and organic cosmetics sector.

The digitalization that has occurred in society is impossible to miss. Smartphone culture and e-commerce have become global phenomena – there are over five billion smartphones worldwide. Trade is no exception here. Internet stores are fulfilling the demand for convenience and shopping lust of many consumers, and more and more purchases are being made online. Manufacturers and physical stores have to adjust to this. Beauty products are among the most commonly purchased items on the Internet. A study on e-commerce conducted by the Düsseldorf subsidiary of market

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research company Information Resources (IRI) found that 22 per cent of German consumers had bought beauty products online in the previous 12 months. This puts them at the top of European purchase table in this area alongside the British and the Greeks (IRI European Shopper Study 2017) IRI managing director Christoph Knoke predicts dynamic growth and a market share of 7 to 10 per cent by 2020 (up from the current 1 to 1.5 per cent). The expert said, “Although online trade is still just a tender plant at the moment, it is not going to go away now, but continue to grow steadily.”

Digitalization in the natural and organic cosmetics industry

The aforementioned changes are affecting the natural and organic cosmetics industry as well. Harald Dittmar, the managing director of the German Association of Industrial and Retail Companies for Pharmaceuticals, Healthcare Products, Food Supplements and Personal Hygiene Products (BDIH), said: “Natural and organic cosmetics are no exception here. The digitalization of markets is posing a challenge to the whole of the cosmetics market, but is also creating new opportunities.” He added that the association strongly advises its members to have coherent strategy for the digital market, because regardless of how manufacturers and distributors approach online trade individually, the current changes occurring in buying behaviour at the moment should definitely be taken into consideration. He then said: “However, personal contact will not become any less important at any stage of the trade process from the purchasing of raw materials to expert advice given to consumers. VIVANESS is therefore the BDIH’s main and essential annual marketplace, because it is continuing to become more important and one of the ways it is doing this is through the integration of the ‘digital world’.”

Number of manufacturers and consumers on the Web increasing

At a time when the natural and organic cosmetics market is continuing to grow rapidly, there are a particularly large number of newcomer brands on the Internet. As a result, they are making range of products online more attractive, as the same range is normally not available in physical stores due to a lack of space. Younger target groups are particularly willing to experiment, however. The embark on journeys of discovering new brands in e-shops outside of the mainstream or find products there that they haven’t been able to find in physical stores.

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Natural and organic cosmetics remain a growth driver

In Germany, chemist chains are obviously the most able to meet this demand and, with a market share of over 40 per cent, remain by far the leading retail outlets for natural and organic cosmetics in Germany. As the findings of an analysis conducted by the German Cosmetic, Toiletry, Perfumery and Detergent Association (IKW) indicate, this sales channel reached 47.6 per cent of the whole of the German cosmetics market in 2017, an increase of 2.5 per cent compared to 2016. The IKW's figures also show that, based on their turnover increase of 16.8 million euros in 2017, natural and organic cosmetics are still a growth driver in the German market in the sales channels examined. Natural and organic cosmetics already account for 9.7 per cent of the cosmetics market. Natural and organic cosmetics continue to be very popular in many other countries in Europe and around the world too, and growth rates have even been higher than those of the well-developed German market in some cases. Germany is still the largest European market for natural and organic cosmetics though.

Green and digital trend is international

The global green trend towards mild, natural products is generally playing into the hands of natural and organic cosmetics and accelerated the sector's turnover growth again in 2017. From an international perspective, niche markets without a natural and organic cosmetics seal but with clear positioning have the advantage here. E-commerce is playing an important role here too, as Mark Smith, the director general of the label issuer and certifier for natural and organic cosmetics NATRUE, indicated when assessing the situation. He said, "E-commerce is changing the shopping habits of consumers, especially those of millennials." He went on to say that buyers of natural and organic cosmetics are very selective, but that, like others, they expect to be able to buy the products they're looking for quickly and easily. He added that the Internet offers an alternative retail outlet here and that it creates a new competitor by doing so, but also gives brands an opportunity to make themselves known. He said: "Regardless of whether we're talking about online or offline sales, both will have a bigger and bigger impact on every kind of business in the next few years, and on the demand for natural and organic cosmetics, which is expected to grow steadily, in particular. Online sales can help to take the strain of local stores, help the industry to grow and improve choice for consumers when it

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comes to products that are not available from traditional retail outlets. The principle of giving consumers access to high-quality products must always be at the forefront, however. We see NATRUE-certified brands from all over the world as part of this transformation.”

Digitalization opens up new opportunities

Georg Held, the chairman of the IKW, also explained that as big as the challenges of digitalization may be, in the field of marketing, they have opened up some completely new marketing and communication opportunities. He said that social media has improved the way companies get in touch with consumers and that bloggers, YouTubers and other influencers are significant when it comes to young customers in particular. “Social media are the most important communication channels and the primary source of information for young consumers,” he stressed. Ramon Stroink, the director of the natural and organic cosmetics department at Weleda for Germany, Austria and Switzerland was realistic when assessing the effects of digitalization. He said: “From a global perspective, e-commerce is a good marketing channel for brands that are active internationally. Convenience when shopping has become very important to many consumers, and we have to acknowledge that. The boundaries between classic sales channels are being levelled out through digitalization and sooner or later will be eliminated completely in some cases. Manufacturers and physical stores have to learn to deal with that.”

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