

# THE SAUDI BEAUTY BUZZ

Prepared by Valérie Kaminov, IL Brand Consultancy Ltd



As one of the largest beauty markets in the world (US\$5.21 billion), endorsed by an affluent clientele, Saudi Arabia has become an exceptionally attractive market for beauty companies to introduce their new products. The lion's share of sales in 2016 went to fragrances (\$1.7 billion), followed by haircare (\$697 million), skincare (\$635 million), and colour cosmetics (\$503 million). The diverse market allows companies to offer a variety of products across different price spectrum. While the market for luxury products has a large clientele, value-for-money brands also benefit from a strong presence. Beauty products are no longer restricted to being used on special occasions, but are gaining prominence as part of women's daily regimen. Increasing desire among Saudi Arabian women to look alluring represents a gold mine for foreign brands wishing to expand their business. Increasing urbanization, growing per capita spending on cosmetics, continuous product innovations and aggressive marketing are positively influencing the market and making foreign companies salivate at the idea of penetrating the market. This comes as the Middle East and Africa overtakes Latin America as the world's fastest growing beauty and personal care market, with its estimated 4.8 percent annual growth rate between 2014-2019 almost twice the global average of 2.6%.

## General Trends of Saudi Beauty Market

The Saudi Arabian beauty market is currently enjoying a considerable boom and is estimated to be worth UA\$10.7 billion. Saudi women are spending an extensive amount of money on their appearance (around US\$3,800 per capita).

Between 2010 and 2015, imports of health and beauty products into Saudi Arabia have recorded double-digit CAGR. Perfumes, cosmetics, skincare, haircare, oral care, make-up and depilatories are among the top products imported. France is Saudi Arabia's strongest partner accounting for \$342 million out of the US\$ 1.8 billion of imported products. Following France is



UAE, Germany, the UK, China, Italy, Bahrain, USA and Poland.

The beauty market is forecasted to grow by 12%. According to Euromonitor, shares of premium beauty products in Saudi Arabia will grow from 54% in 2015 of the market to 60% in 2020, encouraging high-end and niche brands to expand into this market. Local brands have seen exceptional growth over the past five years, with Arabian Oud seeing a 177% increase in sales between 2010 and 2015. Euromonitor estimates that with US\$5.8 billion in sales, fragrances are the region's best-selling products, followed by haircare (\$4.2 billion) and then skincare (\$3.5 billion).

The Saudi economy has been negatively affected due to falling oil prices and conflict with Yemen, leading to a decrease in purchasing power. Even though consumers shifted to cheaper products, the government helped to increase the employment rate of Saudi men and women, prompting a recovery of demand for beauty and personal care products. In the coming years, employment among Saudis is expected to steadily increase, mainly due to the government's 'Saudisation' policy that calls for the replacement of foreign workers for nationals. Saudi men are therefore becoming more inclined to invest in a grooming regime, as a well-kept appearance is increasingly associated with affluence and career success. Since most Saudi men wear the *dishdasha*, a traditional male robe, emphasizing on taking care of their faces and beards is essential.

The Saudi culture is evolving rapidly and women are enjoying more freedom than ever before: one of the goals of the government's Saudi Vision 2030 economic development policy is to increase women's employment from 22% to 30%. Until 2016, Saudi women were required to be accompanied by a man or at least get their permission to book a hotel or spa resort. This could have a positive effect on bookings of treatments and boost sales of skincare products.

Yet, in Middle Eastern countries macho cultures still prevail. Men like to be pampered and salons are popular. However, women are still key purchasers for male grooming products. Needless to say that marketing, product formulation and retail strategy needs to be targeted at women buying products for men, as well as men buying for men.

The biggest player in the beauty and personal care industry in Saudi Arabia is Binzagr Lever (Unilever Arabia). The group benefits from a rich brand portfolio and a long presence in the country. On the Saudi market, competition is said to be fierce mainly due to huge marketing activities (e.g. offers, discounts, promotions) and NPD.

45% of the population is under the age of 24. Therefore, the culture of social media and advertising is strong. As a result, brands are using blogging to boost their sales. According to Euromonitor, Saudi Arabia possesses the largest penetration of Twitter users in the world and the highest per-capita consumption of YouTube.

The predominant trends include:

- Increase in market share for ethnic products
- Growth in preference for vegan, organic and natural products
- Rise of popularity of Halal cosmetics

Consumers are increasingly looking for value for money products offering multi-benefits like anti-ageing, anti-blemish, moisturizing. BB, CC, DD, and EE creams have also increased in popularity.

Vegan or organic products made from pure and natural ingredients also known as Halal cosmetics are gaining market traction. The main issue beauty product manufacturers need to address is the use of raw materials derived from pork or human enzymes, as the use of products derived from pork is not permitted by the religion.”

The market for Halal cosmetics in Saudi Arabia is predicted to take off over the next five years due to:

- The increased supply of Halal certified products
- The rising consumer awareness of the benefits of Halal products
- The increasing willingness to spend more on Halal products

- The region's thriving Islamic population
- The increased demand for beauty products that adhere to Islam's preferences and laws

It is however important to mention that not only Muslim consumers are interested in Halal beauty products. The latter are in fact becoming an increasingly attractive proposition to consumers, being free from animal products and alcohol.

### **Saudi Consumer Behaviour**



Saudi customers are extremely picky, demanding and connected to the trends. They are always on the lookout for novelties and new innovations, encouraging new brands to enter the market. As lifestyles are becoming increasingly busier and modern, consumers' appetite for more convenient products that are fast and easy to use is spiking. Overall, consumers are becoming smarter and increasingly aware of the market offerings.

Affluent and beauty-conscious women spend an average of US\$3,800 a year on cosmetics. When leaving their homes, women are required to cover their body with black cloaks and veil their faces (invisible in most public spaces). As surprising as it might be, Saudis spend more on hair and cosmetics per capita than almost any other women in the Middle East. As a result, the country's radical clerics denounce them for "distorting God's creation" and succumbing to temptation.

When making a purchase decision, Saudi women rely on social networking sites, peer referrals, word-of-mouth and client recommendations. They love to trade beauty tips on Twitter and teenagers gather for "make-up nights". Last year alone, Saudi women spent US\$2.4 billion on cosmetics, among the highest per capita sum in the world.

However, as the macho culture still prevails, many public entertainment locations such as cinemas and nightclubs are forbidden to women. Weddings, engagement parties and baby showers present opportunity to dress to the nines to impress each other. In the past, upper class Saudis followed beauty trends by travelling abroad. Today, social media allows all Saudi women to discover the latest look, with many craving the appearance of western movie stars or Arab pop divas.

Consumers are eager to get out of their comfort zones and try out new products, especially the younger generations. Natural ingredients are gaining popularity as Saudis are paying more attention to what's inside the beauty products they are using. As lifestyles get busier, consumers want to see quick results from the products they are using. Surprisingly enough, younger consumers are generally driving skincare markets in the Middle Eastern regions. Spas are popular among Saudis attracting many high-end luxury skincare brands to enter the market.

Consumers are extremely brand conscious and brand loyalty is a big challenge, as Saudi consumers are constantly tempted to try out new products. However, men are more into habit-orientated than women and therefore more reluctant to change products and/or brand.

### **The hurdles to overcome**

At International Luxury Brand Consultancy, we know that expanding into a new market can be a tough decision, especially if you are navigating in unknown waters. We work with our clients so that we can provide them with clarity backed up with years of experience, expertise and knowledge. With many years of experience under our belt, we know exactly what are the different challenges that your business will have to face when expanding into Saudi Arabia and we can help you overcome them.

The economic uncertainty and prolonged period of cheap oil prices have led to Saudis becoming highly cautious of their spending and in return, limiting their purchases, affecting beauty products as well. In times of crisis, consumers are more likely to wait for sales and value deals.

The market is highly complex and restricted by strict and heavy Halal regulations. Cultural and religious perceptions implemented by Saudi's Religious Kingdom's police prevent women from using makeup because the latter is considered ostentatious and sinful.

The market is also affected by unclear regulations. Before being able to operate in the region, a company must visit a great number of entities. There are no unified regulations in the Gulf countries, making deliveries slow and expensive. Product registration is complicated (administrative problems) and can take a long time (up to 6 months). The registration process is therefore considered as a major barrier for companies seeking to operate in the Saudi market. In the UAE, registering cosmetics is straightforward; you can do it yourself or via a registration company and it takes about 45 days. However, in Saudi Arabia, it's trickier because you need to have a local agent so that you don't get fooled. When the product arrives to customs, you could pay different amounts depending on who's there.

Moreover, the market is affected by the lack of a high proliferation of mass-market brands and the insufficient participation of women in the workforce.

Newcomers will have to face fierce and established competition from big international players that benefit from a strong brand heritage. Beauty giants Beiersdorf AG (owner of Nivea), L'Oréal, Unilever and Procter & Gamble lead the market. Saudi consumers tend to view foreign brands as an offering of higher quality compared to domestic brands who might be reluctant to expand their presence on the market because of this.

Last but not least, the beauty market is not isolated from the impacts of fluctuating currency prices. European products have been more competitive than products imported from East Asia. However, those trends created a heavy burden on companies that stocked up on products during the high Euro rates, causing them to incur heavy financial losses.

Despite the deceleration of economic activity over the last year and tighter liquidity conditions, the young and dynamic population and strong economy (the biggest in the Middle East region) make Saudi Arabia a lucrative destination for beauty brands. Saudis are highly conscious of their appearance. Looking healthy is crucial as it is part of their personality. Expanding into Saudi Arabia is a major opportunity that businesses simply cannot ignore. However, one must keep in mind that it can also be a major battleground. Needless to say that business

will face obstacles whether it's financial, importation/exportation, partnership, local laws on business incorporation and/or cultural differences. KSA is no exception, far from it. Companies should try as much as possible to benefit from help and support from Middle Eastern organisations in order to avoid making common mistakes and experimental market entry. The Saudi Health & Beauty Exhibition and Beauty World Middle East, for instance, showcase premium and niche beauty brands, organic products as well as other wellness brands and are a change for distributors to source new products, professionals to learn about the latest trends and techniques and also for key industry players to network. With adequate support and market knowledge, your company could be very successful in this highly challenging market.

For more information on how IL Brand Consultancy can help you expand your brand into different markets such as Saudi Arabia, please contact us on [info@ilbc.co.uk](mailto:info@ilbc.co.uk) or visit our website at [www.ilbc.co.uk](http://www.ilbc.co.uk)