



VALÉRIE KAMINOV – BIOGRAPHY

Valérie Kaminov is Founder and Managing Director of the highly successful International Luxury Brand Consultancy. For over 25 years Valérie has been at the forefront of the global cosmetics industry and has worked with a vast array of luxury, premium and niche beauty brands and fragrances. With her extensive expertise, commercial acumen and practical experience IL Brand Consultancy has become one of the most sought after management and distribution agencies specialising in global beauty. Recognised for the breadth of business sectors and extensive distribution channels it works with, ILBC's international client portfolio spans both well-established names and newly-emerging brands in hair care, make-up, skincare, fragrance, devices and top-to-toe brands. Valérie's wealth of knowledge in international growth strategies and business development is combined with an inspirational and forward-thinking approach.

Through her exceptional insight and understanding of the industry Valérie has helped brands amplify their market reach, elevate their brand presence, improve their business performance and achieve commercial success globally.

A further aspect of her business is her skill in brand evaluation, acquisition due diligence, risk assessment and commercial growth which has led Valérie to regularly advise Private Equity Funds, multi-national organizations and financial investors. This capability in combination with her advanced qualifications and proficiency in corporate governance have made her a much-desired Board Advisor and Non-Executive Director.

From her CEO mentoring, organisation of the International Manufacturers & Distributors Forum (IMF) and guest lecture programmes,

Valérie is a passionate and dynamic advocate of the global beauty industry.

Valérie splits her time between her London HQ and her central Paris office as well as managing a satellite network in China.

THE SLEEPING BEAR HAS AWOKEN AND IT'S TAKING ON THE BEAUTY WORLD

Russia & Central Asia emerging markets are the next big power players in the beauty industry

Beauty has become one of the most wide-reaching and influential businesses in the world, yet one market that remains an enigma to many beauty brands is Russia & Central Asia. The intricacy and individuality often overshadow the dynamism and rewards that can be achieved there.

As a simple Wikipedia reminder, Central Asia is a region in Asia which stretches from the Caspian Sea in the west to China and Mongolia in the east, and from Afghanistan and Iran in the south to Russia in the north. The region consists of the former Soviet republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. It is also colloquially referred to as "the stans" as the countries generally considered to be within the region all have names ending with the Persian suffix "-stan", meaning "land of".

In a geographical sense Russia and Central Asia are dominant in how much space they take up, but when it comes to the beauty landscape they are not yet playing on the global field. But that looks set to change, and fast. As digitalisation continues



to open the world up and the economies of these countries expand, brands should be turning their attention to capturing the imagination of the increasingly sophisticated, well-informed and engaged consumer that resides in Russia and the Stans. With a total population of 225M, Russia, Central Asia and Caucasus represent a vast potential of consumer group. As the consumer group continues to grow, so does the potential to establish brands and product awareness. Are these the Lands of Mystery or Fortune that every beauty brand should capitalise on for 2022?

Russia

Within the cosmetics industry, Russia has emerged as a powerhouse with enviable growth figures (even during 2020) and is on course to have a value of over \$11 billion this year, making it the 5th largest market in Europe and 11th in the world. These figures along with the Russian consumer's passion for beauty and their love for imported brands (particularly French) make it an important market for those looking to grow globally. Such vast growth indicates that not only is the cosmetics industry vital to the Russian consumer but it is also a key contributor to the national economy.

Many more cosmetic products are imported to Russia than they are exported, indeed 80% of all products sold on the Russian market are imported because, as Anna Galochkina, IL Brand Consultancy's Russia & CIS Beauty Expert Analyst notes "big well-known luxury brands win over Russian women of all ages." This presents a unique opportunity for domestic cosmetics as consumers, and the government, attempt to readdress the balance deficit that has befallen the Russian cosmetic trade in recent years. There is also an opportunity to win over a younger audience with "the introduction of new exciting brands to the market", says Galochkina. However, she admits that "this process is slow and might take another decade to make Russian women change their minds and give preference to younger names."



The Russian consumers do not just love beauty, they live and breathe it. 40% of Russian women believe that make-up and cosmetics play a major role in being beautiful, a controversial opinion perhaps, given the current global trend for bare-faced beauty but it leaves a wide gap for cosmetic

brands to cater to their needs. Indeed, a whopping 99% of Russian women buy beauty products regularly with hair care products and disposable face masks taking the top spot for most popular purchases. While lip and eye makeup products made up the majority of imported decorative cosmetics bringing in a combined total of 299million USD. But like the rest of the world the Russian consumer is not satisfied with what they've got right now, they too are looking forward.

So, what exactly are they looking for? It is important to remember that a third of Russia's 144 million population live in the urban zones of St. Petersburg and Moscow with a large percentage of them falling into the 20-40 age bracket. What they buy therefore is heavily influenced by social media, pop culture and worldwide trends. This has resulted in an appetite for innovation; the modern Russian consumer is seeking out breakthrough technologies particularly in the skincare and makeup space where hybrids are hero'ed particularly if they offer protection from UV, pollution and free radicals, think

about offering DD and EE creams to appeal to this demographic. Russian women are still looking for skincare that protects skin in the cold weather, says Galochkina - anything hydrating is a must in this territory. However, there is a problem to be aware of here warns Galochkina; "the unfortunate thing here is that the word itself - hydration - has a very unpleasant connotation when the outside temperature is for instance minus 10 degrees centigrade. An additional deduction effort has to be taken (in-stores and otherwise) to fight with this misleading presumption." Russia's leading cosmetic chain L'Etoile is testament to this exceptional growth. With a turnover which is more than twice the other players, the visionary L'Etoile sets the benchmark in luxury beauty retail. With more than a thousand stores, the number one beauty website in Russia (ranks 10 in the world), 16 million monthly visitors on the web and app along with a database of 40 million this remarkable business has been a key driver in changing the beauty landscape for the better. Despite the pandemic, it experienced year-on-year growth and it continues to innovate the marketplace with their recently launched 3.0 stores designed to be atmospheric, friendly and instagrammable spaces filled with exclusive brands, the best beauty experiences and exceptionally well-trained advisors. Every detail is centred on their customer.

Product selections are also widening with the established import brands being challenged by a revival in domestic cosmetics while innovation from all around the world is proving popular and there is an increasing desire for natural, organic and cruelty free that is being fueled by the younger generations and companies such as L'Etoile who are very committed to sustainability.

Russian women can spend up to 30% of their salary on beauty, they are a highly informed and engaged consumer who enjoy trying something new. It is in the DNA of Russian women to take care of their skin and invest in beauty, but one of the key differences to many other markets is their age profile which is much younger. From the age of 55 there is much less emphasis on cosmetics and make-up, a group which is normally a strong purchaser of anti-aging products but in Russia women in their 30s include this category in their regimes. You also find around 35% of men are regulars to the grooming departments.

Skinimalism was a major prediction in Pinterest's 2021 trends report and the idea of stripping back both skincare and makeup routines in favour of a more minimalist approach seems to have reached Russian shores too. Russian consumers are increasingly turning to dermocosmetics, harnessing the power of multitasking products, and committing to a more sustainable beauty routine.



To succeed in Russia, the first step is to understand that the methodologies you use elsewhere will need to be re-worked and tailored not just to specific logistical and operational needs but to the unique character of the Russian consumer and the distribution channels.

“In order for brands to penetrate Russia the use of a local partner is essential” insists Anna Galochkina (ILBC Russia Export Analyst). “The distributor represents the brand on the spot, participates in the certification and import of product, ensures marketing and distribution throughout the country via its own network or through sub-distributors. In short, if you want to make an impact in the Russian market on-the-ground supply chain and distribution channels are essential.” This is a market that is impacted by global influences but driven by distinctive consumer preferences. A fact that has been clearly recognised by the beauty retail sector, which is one of the most customer-centric in the world. Whether in-store, online or via other channels, every element of strategy and product selection is defined and refined by constant communication and monitoring feedback. One impressive adopter of this approach is the multi-award-winning Shopping Live Russia which has gone from strength-to-strength since launching in 2010. With a reach of over 36 million households, its mission is to turn over the traditional ideas of TV Shopping in Russia via the use of modern technologies, an advanced quality of service and a hand-picked selection of products including many European brands. Beauty and wellness represent the 3rd largest share of their sales, a position created by an unwavering emphasis on quality, discovery, entertainment, and engagement with their loyal customer. Partnering with Shopping Live Russia can reap impressive rewards, it takes time to get the foundation right but when you do sell-out sessions are the norm.

As Russia is now moving onto its next more established phase, we are seeing the emergence of the ex-Soviet Union republics of Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan and Tajikistan. Their real potential is in the future and is linked to the vast potential of natural resources including crude oil and natural gas which is found in all these countries.

In order to become an early adopter of these growing markets, brands and companies first need to be aware of the different distribution channels in each country. Next, an understanding of what the consumer in each of these countries is looking for; exploring what makes them tick will enable brands to reap the awards. And finally, a new logistical approach is necessary. To take full advantage of the inevitable growth of these Stans markets, it is essential to establish a solid base for operations and a strong supply chain that can be used to introduce the product to the market with strong (country by country) sales and marketing. On crucial thing to note when considering distribution channels in these regions is that online shopping is still a long way behind in-store sales, even in Russia online

sales only make up 10% of sales. Although covid-19 has seen an increase in consumers adopting digital shopping, currently if a brand wants to make an impact in these countries a physical presence is required. Let's explore the country-by-country consumer as well as the distribution opportunity.

Azerbaijan

“On the cusp of Europe and Asia, this safe and scenic oil-rich nation on the Caspian Sea is rapidly emerging as a tourism player. With a hospitable culture, it offers something for everyone, from luxurious modern city breaks to historic journeys along the ancient Silk Road, and a burgeoning eco-and wellness tourism” explains Mintel's Senior Tourism Analyst Jessica Kelly. Indeed, Azerbaijan is a hot ticket - or at least it was pre-covid - tourist destination for Western Europeans and with over 2million expats plus a young population hungry for international brands and treatments Azerbaijan

is a growing beauty playground for global cosmetic brands. Over the past two decades Azerbaijan has redefined itself from a struggling newly independent state to a rapidly developing major regional energy player. The country has made considerable progress in terms of tourism development in recent years, with the rapid development of hotels and spas leading to a prime opportunity for brands to tap into the country's new international audience. Currently Azerbaijan is home to over 180 international brands and in 2019 the value of imported goods to Azerbaijan was set at around 12 billion USD. Perfume brands, skincare and makeup are mainly purchased at luxury cosmetic stores like IDEAL or SABINA perfumeries. Personal care tends to be sold in pharmacies or independent retailers and supermarkets. Consumer shopping habits in Azerbaijan have shifted over the last few years as the retail network has grown to support a growing interest in beauty and personal care. What's interesting here is that consumers usually tend to go to a spa for a whole day to be looked after from head to toe. All beauty services including manicure, pedicure, hair, Botox injection, slimming



program, LPG, massage, are provided in such places. There are around 400 Spa & beauty Clinics of this kind around the country. Equally you can find hair specialist retailers which count for up to 3600 Hair Salons. Training and education for beauty therapists is very much sought after. Over 18433 specialists are registered as medical practitioners and 2000 are practicing pharmacists. Customer service is fantastic quality, and Azerbaijanis are famous for their great hospitality in store.

Kazakhstan

With a land area equal to that of Western Europe and one of the fastest growing economies in Central Asia, Kazakhstan should certainly be on every brand's hit list if they want to be an early adopter in an emerging market. Indeed, the cosmetics market in Kazakhstan increased by 68% in 2019 and once the Covid-19 slump is over, the country is set to return to pre-covid levels of growth.



There are two key trends to be aware of for brands seeking to enter the Kazakhstan market: colour cosmetics and the health and wellness trend. Sales in nearly all areas of colour cosmetics recorded significant growth in 2019, this reflects the rise of women in Kazakhstan wearing, and experimenting with, makeup. While lipstick and foundation enjoyed buoyed sales, it was eyebrow makeup which saw the most astronomical uptake in consumers. Embracing the global health and wellness trend, consumers in Kazakhstan shopped for products that would make them feel healthier and happier. These included products that prevented skin, hair and body damage as well as products



with therapeutic benefits that also promoted better skin, hair and body health. Indeed, similar to the Russian market, consumerism in Kazakhstan has seen a rise in demand for multifunctional products. This appetite for hyper-functionality matches the country's rising standards in beauty and personal care and their preference for convenience. Although the interest in skincare is growing the category is still behind other global markets in terms of innovation: "in Russia and the Stand everyone is still overly excited about retinol therapy and various vitamin actives (including vitamin C), explains Galochkina, noting that for brands to penetrate the market it's more important to have a strong and trusted global identity over trying to explore virgin trends in these countries. A key take out for brands is that amongst the Kazakhstan

consumer there is a growing demand for colour cosmetics that incorporate skincare benefits and sun protection properties.

It was only a decade ago that the very first perfume and cosmetic store opened in Kazakhstan and today there are over 100 beauty retail stores in 18 cities throughout Kazakhstan, providing the 18million strong population with a wide range of personal care products, perfumes, cosmetics, and accessories. The beauty retail stores with the largest presence in Kazakhstan are French House (23 luxury stores), Mon Amie (29 retail stores) and Beautymania with 42 stores throughout 18 different cities in Kazakhstan. There is also a major pharmaceutical revolution sweeping through the country led by Europharma who have 200 Pharmacies in Kazakhstani cities.

Join us in the September 21 issue for more information on the rest of the CIS region Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Armenia and Georgia.

*Statista <https://www.statista.com/topics/5668/cosmetics-and-body-care-in-russia/>