



THE BEAUTY INDUSTRY IN MEXICO:

UNTAPPED MARKET PRESENTS RIPE OPPORTUNITY

- 1) Globally, Mexico is and will continue to be among the 10 most attractive markets in terms of absolute market value growth in the beauty and personal care segment, according to Euromonitor International.
- 2) The Mexican population is very young compared with that of many countries, including the US, making Mexico a ripe opportunity for beauty companies that target the country's millennials as well as its emerging rural middle class.
- 3) Beauty is among the top five categories leading Mexico's luxury market, which grew by 11% in 2014, to US\$14 billion, beating out Brazil.
- 4) In 2014, both men and women in Mexico spent more time caring for their appearance than consumers in any other country in the world. Mexican men spent upwards of 30 minutes per day on personal grooming, while Mexican women spent almost 45 minutes per day.
- 5) People in Mexico are more likely to perform their beauty and personal care routines in the presence of siblings or family than are consumers in any other country in the world.
- 6) The digital channel influences Mexicans' purchasing decisions to a high degree; a Euromonitor survey found that nearly 50% of women in Mexico feel some level of digital influence on their purchases of haircare, skincare and color cosmetics.

DEBORAH WEINSWIG

MANAGING DIRECTOR,
FUNG GLOBAL RETAIL & TECHNOLOGY
DEBORAHWEINSWIG@FUNG1937.COM
US: 646.839.7017
HK: 852.6119.1779
CN: 86.186.1420.3016

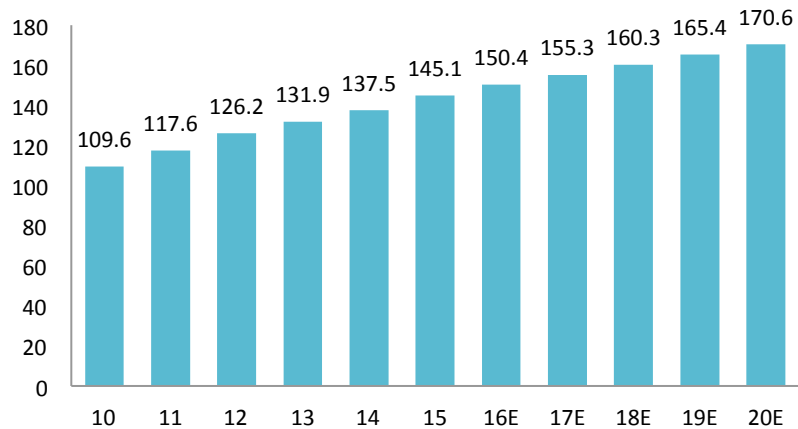


OVERVIEW

Mexico is the second-largest country in Latin America, after Brazil. With a population of 127 million in 2015 and a GDP of US\$1.1 trillion, along with 2.5% GDP growth, Mexico has emerged quickly into the developed world. The Mexican population is also very young compared to that of countries such as the US, making it ripe with opportunity for beauty companies that target its large millennial demographic and its emerging rural middle class.

According to Euromonitor International, Mexico has been among the 10 most attractive global markets in terms of absolute market value growth in the beauty and personal care segment since 2013, and the firm expects it to continue to rank in the top 10 through 2018. Mexico’s beauty market is still small, though, relative to the country’s population. Only 20% of households own some type of facial care product, for example. Additionally, 70% of personal care products are made for women, according to Mexican Business Web, despite Mexican men spending a significant amount of time on their own personal appearance. Thus, the potential for growth in the beauty category is immense.

Figure 1. Mexico: Total Beauty and Personal Care Sales, 2010–2020E (MXN Bil.)



Source: Euromonitor International

Mexico has ranked among the 10 most attractive markets in terms of absolute market value growth in the beauty and personal care market since 2013, according to Euromonitor, and it is expected to stay on the list through 2018.

BEAUTY AND PERSONAL CARE

Mexico’s middle class has expanded very quickly and is forecast to continue to grow through 2020. According to Euromonitor, Mexico will add an additional 5 million people to the middle and lower middle classes by 2020. The firm estimates that average gross income for people ages 15–40 will grow at a CAGR of approximately 2.5% between 2014 and 2020.

According to Mexico’s Chamber and Association of the Industry of Personal Care and Home Care, a cosmetics industry association, the beauty sector accounted for 1% of the nation’s GDP in 2015 and generated more than 300,000 jobs.

Private labels’ penetration in Mexico is currently low versus more developed markets such as the US. In 2015, private-label products accounted for only 0.8% of the beauty and personal care market in Mexico, according to Euromonitor. However, Mexican consumers generally have a positive perception of private-label brands, with three out of four agreeing that private labels can often be a good alternative to name brands according to Nielsen.

There is also a current shift toward premium beauty brands. Premium beauty retailer Sephora entered Mexico in 2011 and has since seen great success. The beauty sector is among the top five categories leading Mexico’s luxury market, which grew by 11% in 2014, to US\$14 billion, beating out Brazil, according to the *Financial Times*.

Figure 2. Mexico: Premium vs. Mass-Market Beauty and Personal Care Sales Growth

	CAGR (2010–2015)	YoY % Change (2015)
Premium	9.4%	13.9%
Mass Market	5.2%	4.6%

Source: Euromonitor International

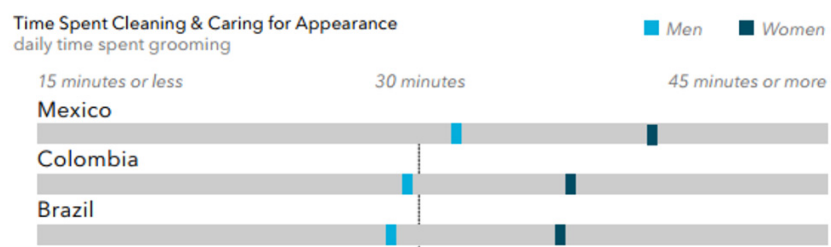
The boost in premium beauty sales is largely attributable to department stores, whose share of beauty and personal care sales has been growing over the past five years.

Euromonitor found that both men and women in Mexico spent more time caring for their appearance than people in any other country in the world did.

BEAUTY ROUTINES AND TRENDS

In 2014, Euromonitor explored consumers’ grooming routines around the world, and found that both men and women in Mexico spent more time caring for their appearance than people in any other country in the world. Men spent upwards of 30 minutes per day on personal grooming activities, while women spent almost 45 minutes per day.

Figure 3. Selected Latin American Countries: Time People Spent Caring for Their Appearance, 2014



Source: Euromonitor International

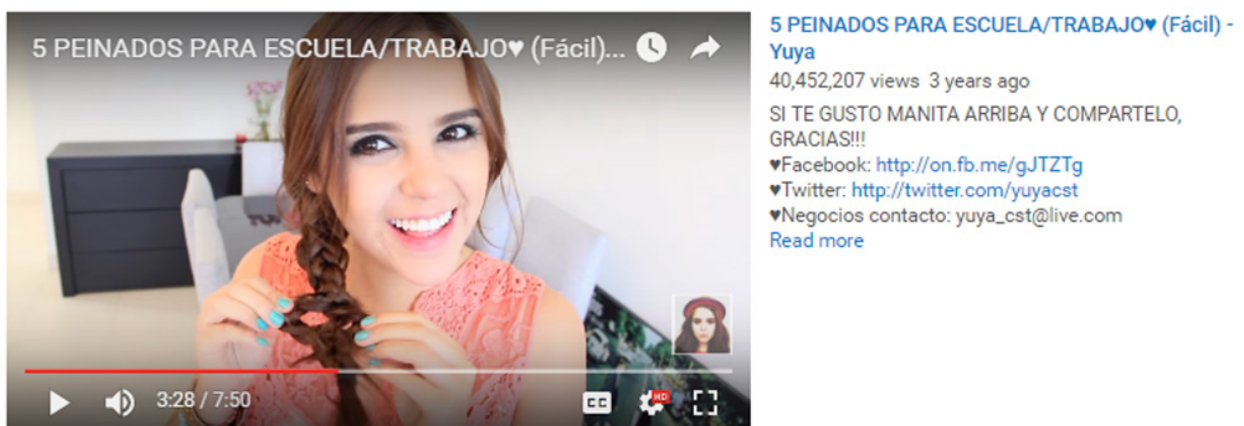
According to RealityMine, a consumer analysis firm, Mexicans are distinctly more likely to perform their beauty and personal care routines in the presence of siblings or family than are people in any other country in the world. This may be due to the country’s family-oriented culture, which encourages gathering for breakfast in the morning and again for dinner at night.

While lengthy personal care routines largely reflect the urban lifestyle in Mexico, new market opportunities are available in rural areas, too, where incomes are increasing and birth rates are decreasing, according to *In-Cosmetics*. For example, products that provide more advanced, multipurpose or specialized solutions are becoming more popular: many families that previously purchased one bottle of shampoo for the whole family are now purchasing anti-hair-loss shampoo for the man of the house, shampoo for thick hair for the woman of the house and a different shampoo for the children.

Mexican men have relatively lengthy personal care routines compared to men in other countries, and companies are offering more diverse men’s care products to better serve them. A greater number of men are becoming involved in choosing their personal care products and they are incorporating new toiletries into their daily routines. Attitudes are shifting away from the stereotype that caring for one’s skin is not “macho,” and men are adopting new practices and products, particularly related to hair loss, dandruff, white teeth and clean skin, according to *In-Cosmetics*. In 2015, the men’s grooming category in Mexico increased by 7% in current value terms year over year, according to Euromonitor.

The digital channel influences purchasing to a high degree in Mexico relative to many other countries. Nearly 50% of Mexican women say they feel some level of digital influence on their purchases of haircare, skincare and color cosmetics, according to a Euromonitor survey.

A Mexican vlogger known as Yuya, who publishes content under the YouTube handle “lady16makeup,” has upwards of 40 million views on some of her makeup tutorials, exemplifying the popularity of beauty trends in Mexico.



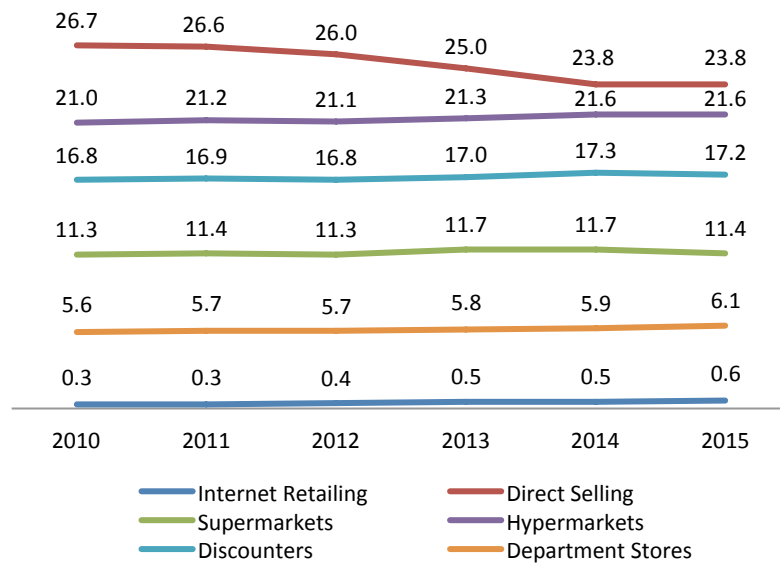
Source: YouTube

Euromonitor forecasts that direct selling will grow at a 2.6% CAGR from 2015 through 2020.

DISTRIBUTION CHANNELS

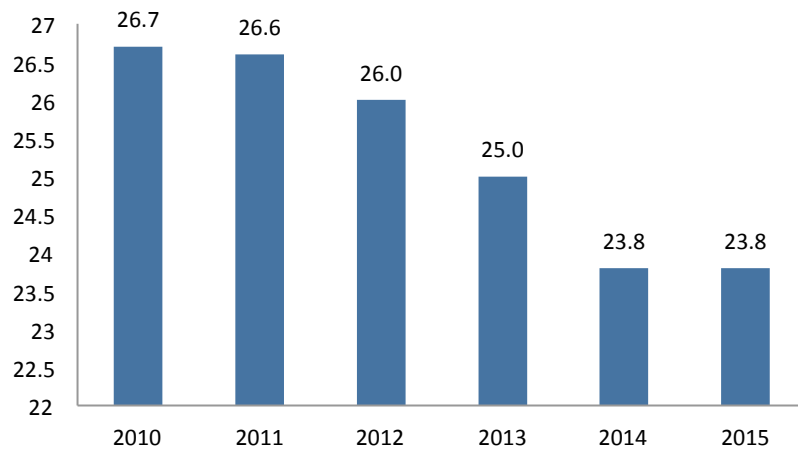
Mexico’s primary distribution channel is direct selling. The key players include Avon, Mary Kay, Jafra and Natura. While direct selling holds the top spot for beauty and personal care distribution, channel growth has been steadily declining, and Euromonitor forecasts that direct selling will grow at a CAGR of 2.6% from 2015 through 2020.

Figure 4. Mexico: Sales of Beauty and Personal Care Products, by Channel (2010–2015, %)



Source: Euromonitor International

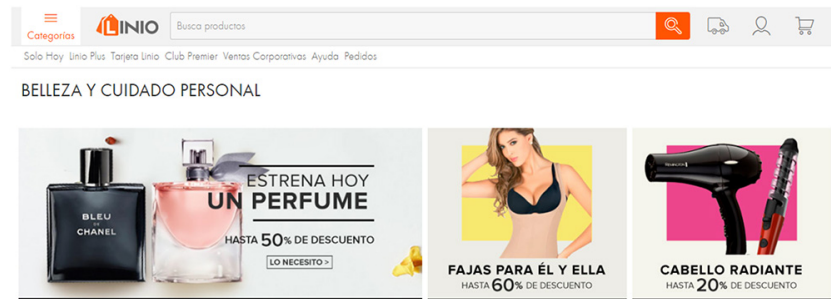
Figure 5. Mexico: Direct Selling Channel’s Share of Beauty and Personal Care Sales (2010–2015, %)



Source: Euromonitor International

The most popular beauty and personal care category purchased online in Mexico is fragrance.

While e-commerce currently accounts for only a very small share of retail sales in Mexico, it is on the rise. New Internet pure-play retailers have surfaced in Mexico, including Linio and Ösom by Dafiti, both of which are marketplaces that sell beauty and personal care items. Amazon, which recently launched in Mexico, also sells beauty products, as does MercadoLibre. The most popular beauty and personal care category purchased online in Mexico is fragrance.



Source: Linio

Mexico is also seeing its fair share of beauty industry disruptors. Miora, an online marketplace where consumers can make appointments for salons and other on-demand beauty services through their computer or smartphone, has raised over US\$4.3 million in capital and had 20,000 users within its first six months of operation.

FORECASTS

Euromonitor expects the beauty and personal care industry to continue to grow steadily in Mexico in the coming years, with particularly notable growth forecast for sun care, depilatories, fragrances, men’s grooming products and deodorants.

Figure 6. Mexico: Forecast Sales Growth, by Category

Category	2015–2016 CAGR	2015–2020 CAGR	2015–2020 Total Growth
Suncare	7.4%	6.2%	35.4%
Depilatories	5.7%	5.1%	28.0%
Fragrances	6.0%	4.9%	27.3%
Men’s Grooming	4.9%	4.6%	25.0%
Deodorants	5.4%	4.2%	23.1%

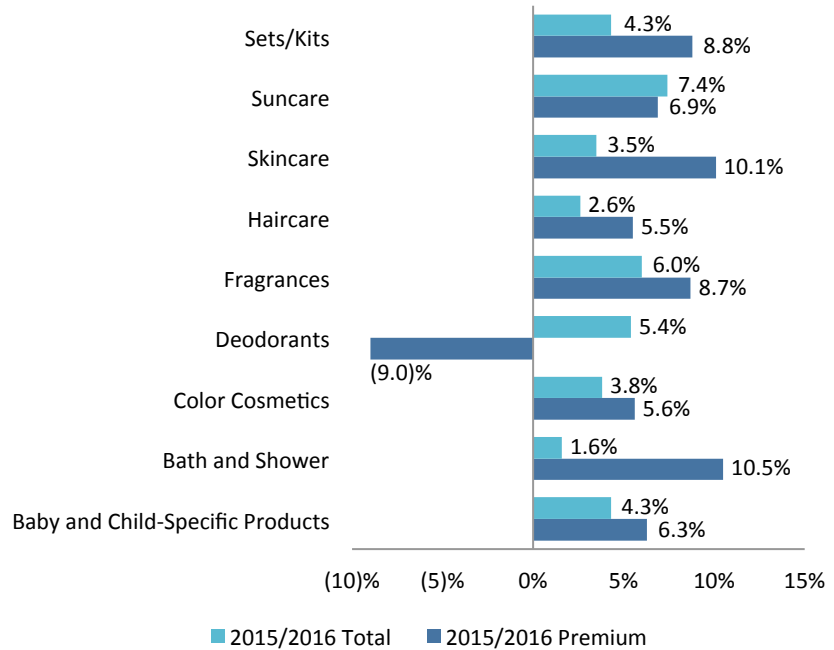
Source: Euromonitor International

Premium beauty is expected to see faster growth than beauty and personal care overall in almost every category except deodorants.

Premium beauty still accounts for the smallest share of beauty product sales in Mexico, though it is gaining share. In 2015, the subcategory’s growth rate far outperformed that of mass-market beauty and personal

care. Premium beauty is expected to see faster growth than beauty and personal care overall in almost every category except deodorants.

Figure 7. Mexico: Forecast Sales of Total Beauty and Personal Care vs. Premium Beauty and Personal Care, by Category (2015–2016)



Source: Euromonitor International

According to Euromonitor, sales of premium beauty and personal care are expected to grow faster than sales of mass market products: the premium subcategory is forecast to grow at an 8.3% CAGR in Mexico from 2015 to 2016, while the mass market subcategory is forecast to grow at a 3.3% CAGR and the total beauty and personal care market is forecast to grow at a 3.7% CAGR.

CONCLUSION

The beauty market in Mexico is ripe with opportunities for international beauty companies. The country’s population is relatively young and consumers spend a significant amount of time and effort caring for their personal appearance. Luxury beauty companies have already seen success in the Mexican market, and the beauty sector is helping overall growth in the luxury segment. Digital influencers will help drive beauty sales growth in Mexico, and retailers and brands can benefit by harnessing the power of popular online personalities in order to gain brand loyalty.



Deborah Weinswig, CPA

Managing Director
Fung Global Retail & Technology
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

Rachael Dimit

Research Associate

HONG KONG:

8th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 4406

LONDON:

242-246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

NEW YORK:

1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

FungGlobalRetailTech.com