**AWEX SOFIA – COSMETICS SECTOR IN BULGARIA**

1. **General overview of Bulgaria**

Bulgaria is a country located in South East Europe with a territory of 110.9 thousand sq. km and 7.050 million inhabitants (2018) with the lowest average gross wage in the EU 28 (about 9,156 € annual gross in the capital and 5,652 € for the rest of the country). The country’s economic growth has been on an upward trend and is estimated to reach 3.8 percent in 2018, driven by private demand, strong exports, easier financial conditions, and growing confidence, according to [IMF](http://www.imf.org/en/Countries/BGR). Investments and public consumption also contribute positively. Consumption is fueled by the improving labour market. The unemployment rate has declined to 5.2 percent, the lowest level since the global financial crisis. The administration, transport, IT, & trade sector accounts for around two thirds of economic activity (67.7%), industry 28% and agriculture 4.3%.

Prospects for the Bulgarian economy are improving in accordance with the forecasted GDP growth and the expectations that it will keep pace by adding another 3.6% in 2019.

Bulgaria is in currency board regime and there is a fixed exchange rate of 1€ = 1.95583 BGN.

1. **Cosmetics market in Bulgaria: macroeconomic perspectives**

An important player in the sector is the large pharmacy chains. More and more healthy, natural and light textures as well as innovative products – these are the trends which make the market of cosmetics in drugstores, pharmacies and supermarkets develop and contribute to its rise for a fifth consecutive year. In 2017, sales of beauty products (facial, body, hair care and sunscreen) have reached 121 million BGN in total, which is a growth of 10% according to AC Nielsen. Another trend is that customers are extremely promotion sensitive, which brings the traders into a serious price competitiveness. According to AC Nielsen’s observations, the market as a whole grows by 6% in value and by 7% in volume.

The main distribution channels are three:

* Specialized drugstore chains, which increase their sales for 2017 by 20% compared to 2016.
* Pharmacies that, besides medicines, bet on a richer and richer portfolio of cosmetics. No official statistics for what part of their sales comes from cosmetics but according to unofficial information by the business, it varies between 15 and 25%.
* Retailers.
* Beauty salons.

1. **Leading pharmacy chains**

For the purposes of this ranking, data from the companies’ total revenues for 2017 were considered – drugstores and pharmacies. So, the latter are represented by their full turnover, including sales of medicines, which gives them a lead in the ranking of the biggest traders in the cosmetics and body care segment.

1. **Mareshki** <http://mareshki.com/> : with over 400 pharmacies throughout Bulgaria, the biggest chain relies on the lowest prices and the fast turnaround of the assortment. Their sales of cosmetics are not as strong as medication but are a rapidly growing category. In 2017 the total revenues of the group are nearly 200 million BGN, a 4% growth over the previous year. The chain increases also its profits to BGN 4.7 million.
2. **DM** <https://www.dm-drogeriemarkt.bg/> : if only cosmetic products sales are considered, this German chain will be the leader. 72 stores (30 out of which only in the capital) in 25 Bulgarian towns. The chain offers 14,000 cosmetic items and in 2017 faces a 20% increase in sales. Their portfolio includes also their own brands, which have a two-digit growth. Its revenues reach BGN 114.5 million (a decrease of 1%) and the profit - just over BGN 1 million (growth of 114%).
3. **Lilly Drogerie** <http://www.lillydrogerie.bg/> : a Serbian chain operating over 70 sites in 23 cities in Bulgaria. In 2017, the group’s revenues are nearly 85 million BGN in Bulgaria, up 22% year on year. The company's profit is close to BGN 2.3 million, increased by 177% compared to 2016.
4. **SCS** <http://www.scs-fr.bg/> : a franchise brand for pharmacies that work under several different brands and are owned by pharmacists. The group has a total of 150 pharmacies on the territory of Bulgaria, positioned at key central locations in Sofia and in larger cities, as well as in the territory of shopping centers and hypermarkets. The chain works with 80 suppliers, the non-drug portfolio has 10,000 items. Revenues for 2017 are just over BGN 56 million, up 15% from a year earlier. Аccording to their data, cosmetics accounts for 6% of the sales of pharmacies.
5. **AVON** <https://www.avon.bg/> : the Bulgarian branch of the world leader in direct sales of cosmetics works through representatives and offers decorative cosmetics, skin care, fragrances, accessories. In 2017 it has generated BGN 51.4 million of revenues and a growth of 2%. The company's profit is 5.5 million BGN and grows by almost 80%.
6. **Remedium** <https://remedium.bg/> : 11 pharmacies in Sofia, in which drugs account for less than 30% of sales. Cosmetics sales on the other hand are divided in 60% for dermocosmetics, 30% for mass cosmetics and 10% for bio-cosmetics. 7% of their sales are online (coming from cosmetics and additives mainly).
7. **BILLA** <https://www.billa.bg/> : Supermarket chain of Austrian origin, belonging to the REWE group. Billa stores are particularly present in Eastern Europe. The chain has 123 stores today: including 43 in Sofia, 8 in Varna, 6 in Stara Zagora and Burgas, 7 in Plovdiv, 5 in Ruse, etc. In 2016 alone, the chain opened 15 new stores, and in 2017 - 10. Billa aims to offer quality products at affordable prices.
8. **SOpharmacy** <https://sopharmacy.bg/> : 48 pharmacies with a strong focus on beauty products and large free shopping areas. Cosmetics account for 25% of their sales on average and the category grows every year. The most important is the growth in baby products, face care and body lotions. The presentation of the products (over 10,000) on the shelves differs from the other pharmacies - it is not by brands but by categories (face, body, hair care, seasonal diseases, etc.). Their portfolio includes also their own brands: Essentials and SOpharmacy Wellbeing. This is also the chain of pharmacies with the largest share of cosmetics in sales.
9. **Douglas** <https://www.facebook.com/douglas.beautyzone/> : the leading Bulgarian prestigious perfumeries at European level, where all the famous brands of perfumery, cosmetics and make-up, officially present on the Bulgarian market, are sold.
10. **Medea** <https://www.aptekamedea.bg/> : 50 pharmacies in Sofia, Kyustendil, Pernik, Pleven and Stara Zagora.

Cosmetics are in the focus of bigger pharmacies in district cities, but in smaller towns and points of sales the accent is on mass cosmetics, and on single products. Pharmacies have a worldwide monopoly in one of the cosmetic categories - dermocosmetics, which is usually recommended by physicians or consultants for problematic skin (sensitive, dry, acne, with redness). According to market researches, as a sales channel, pharmacies are leaders in sales of face care products, while drugstores are leaders in hair care products. Customers tend to look more and more for cosmetics with less allergens, which do not cause any problems as well. The business claims that sales of cosmetics in pharmacies via prescription by a doctor and without a prescription are equal.

The online sales channel is still underdeveloped compared to the markets in Central and Western Europe but is rapidly gaining momentum. Sanita (SCS), Remedium, SOpharmacy, Medea already offer their internet shops. Results so far are encouraging but yet, they do not jeopardize offline marketing as the customer needs to smell the product, see it, feel its texture….

An interesting trend is that the raise in demand of expensive products, especially in Sofia. Growth is in value, and not in packs. Premium products are sold more and more easily. Customers prefer to pay more for better quality cosmetics.

1. **Bulgarian fragrant statistics : focus on import**

In recent years, the number of companies working in the cosmetics sector in Bulgaria is relatively constant. Only a few micro-companies are newcomers in the first half of 2018 and they are dealing with the current production of natural and handmade cosmetics. These companies do toll manufacturing at existing production facilities.

In 2016, according to data submitted by the Bulgarian National Association "Essential Oils, Perfumery and Cosmetics" and based on national statistics, the producers sold on the domestic market 56 000 liters of perfumes worth BGN 3.1 million and 86 000 liters of toilet water worth BGN 4.2 million, with sales keep on growing. The only more up-to-date data from a monthly sample survey of these two products shows that in 2017 the companies sold 2,000 tons of shampoos worth BGN 6.5 million and 9.6 million pieces of toothpaste worth BGN 6.6 million on the domestic market. In shampoos category there is a decrease of 140 tons compared to 2016, but in toothpastes - increase in the quantities sold in Bulgaria - by 1.6 million. In 2017, compared to 2016, there was a decrease of the produced shampoos by the monitored enterprises by 405 tons (or by 8.9%). There are also decreases in the quantities of toothpaste produced by almost 1.8 million pieces or by 2.1%.

In 2017 the trend of decrease of the imported quantities of perfumery and cosmetic products in Bulgaria is stable. The share of the country's imports in 2017 is 0.81%, while 0.99% in 2016. The quantities of perfumery and cosmetics imported in 2017 are 2 400 tons or by 7.6% less than in 2016 but compared to 2012 they are still more - by 4 800 tons or 19.8%.

In the product structure of imports in 2017, the largest share remains the one of hair care products - 27.8%. The volume of perfume and cosmetics imported in 2017 is EUR 246 million. Compared to 2016, there was a decrease of EUR 13.9 million or 5.3%. However, compared to 2012, there was an increase of EUR 76.3 million, or 45%.

The imported perfumes and toilet waters in 2017 are 2 200 tons worth EUR 44 million. Compared to 2016, there is a decrease of 527 tons, or by 19.7%, but compared to 2012 the imported quantities are up by 729 000 tons, or by 51.2%. The value volume also goes down compared to 2016 - the decrease is by EUR 7.3 million, or by 14.2%. Compared to 2012, there was an increase of EUR 20.3 million or 85.5%. The average prices of imported perfumes and toilet waters increased - by 6.8% compared to 2016 and by 22.7 per cent compared to 2012.

1. **Bulgarian cosmetics statistics: focus on export**

The Bulgarian market is narrow for the huge capacities to produce cosmetic products, and traditionally exports are always larger than domestic sales. The breakdown of the leader in the local cosmetics industry - Rubella Beauty, which sells in the country for over BGN 3 mln. and exports goods worth over BGN 47 mln, is rather indicative.

Bulgaria is the biggest producer of rose and lavender oil in the world. Rose oil making has more than 350 years of tradition in the country. Bulgarian rose oil is preferred to rose oil produced elsewhere because of its natural richness and high quality. Today, the country and its southern neighbor Turkey account for nearly 90% of the global production. Every single year, from the 36 thousand hectares of rose plantations, situated mainly in the "Valley of Roses" (Karlovo, Kazanlak and Strelcha regions), the town of Chirpan and the village of Zelenikovo, around 6000 tons of rose petals are harvested and up to 2 tons of fragrant oil is extracted, depending on the yield. The Bulgarian rose oil contains over 280 different components - a distinctive feature, prompted by the specific microclimate, which distinguishes it from the oils distilled in other parts of the globe. The name “Bulgarian rose oil” itself has been patent-protected since 2014.

There are 10 manufacturers of the unique Bulgarian rose oil nowadays. 99.9% of the produce, highly valued and sought-after, is exported and goes to be implemented as a key ingredient in the most expensive fragrances known worldwide (such as Kenzo, Chanel and Dior), in the pharmaceuticals, in food industry and lately more and more in food supplements.

Most of the rose and lavender oil distilleries have their own plantations. They are well equipped with all necessary materials. Main issue for rose oil producers is the handwork. The collect is made exclusively by hand during short day periods in spring. To the difference of roses, lavender plants can be harvested by machines. In Bulgaria though, the lavender collect is made partly by machines, but mostly by hand.

The results of the monthly NSI survey show that in 2017 the companies included in the observation produced 129.8 tons of essential oils, which is an increase of 10.3 tons or 8.6% compared to 2016. For rose oil, the quantities produced are up with 697 kg, or 30.7% more compared to 2016, and for lavender oil - by 31.5 tons, or by 35.8% more.

In 2017, Bulgaria was the largest producer of herbs and spices in the European Union. According to Eurostat, in 2017, a total of 81 000 tons of aromatic and medicinal plants and spices were grown in the country.

On the other hand, in 2017 and 2018, there is clearly a market saturation in the supply of rose oil. But the bloom of rose plants leads to overproduction and clogging of raw material. There is still a market for lavender, as Bulgaria is a major supplier to France and Turkey of raw material.

The top 5 biggest manufacturers in the cosmetics industry in Bulgaria remain the same, the main sales engine remaining the export:

1) Leader is **Rubella Beauty** <http://www.rubella.bg/>, which produces a huge range of European retailers’ private labels - cosmetics for face and body, beauty products, hair dyes, oral hygiene products, etc. The company is twice as big in sales as the second in the ranking.

2) **Aroma** <https://www.aroma.bg/>: unlike the leader, domestic sales of Aroma are close to export sales.

3) **Ficosota** <https://ficosota.com/>, which also saw a small increase in cosmetics sales and growth in exports last year.

4) **Solvex Cosmetics Products** <https://www.solvexcp.com/bg>**:** leader in hair care production in Bulgaria.

5) **Lavena** <http://lavena.bg/bg/>**:** which has a focus on the production of baby and pregnancy products and has so far put its efforts into the Bulgarian market. The company has achieved leadership in baby cosmetics with its "Bochko" brand. Lavena marks 44% growth in exports, but from a low base.

1. **Opportunities**

The best way to reach Bulgarian potential importers is to contact them directly by e-mail. A visit to Bulgaria is strongly recommended to establish meaningful relations with Bulgarian businessmen. There is one professional exhibition in Bulgaria for beauty products: **Arena of Beauty** <https://www.arenaofbeauty.bg/en>. It is the only specialized В2В exhibition in Bulgaria for professional cosmetics, services and equipment for beauty salons and SPA centers. When visiting Bulgaria, it is advisable to bring samples of products, as many importers and retailers rely heavily on subjective factors to choose a new product. An invitation for a visit in the production plant could strengthen the business partnership with a Bulgarian client.

1. **Useful links**

Central Intelligence Agency : <https://www.cia.gov/library/publications/the-world-factbook/geos/bu.html>

Bulgarian National Association Essential oil, Perfumery and Cosmetics: <http://www.bnaeopc.com/news.html>

Dnevnik: <https://www.dnevnik.bg/biznes/2018/08/09/3293832_kogato_i_posledniiat_parfjumerist_napusne_stranata_na/>

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