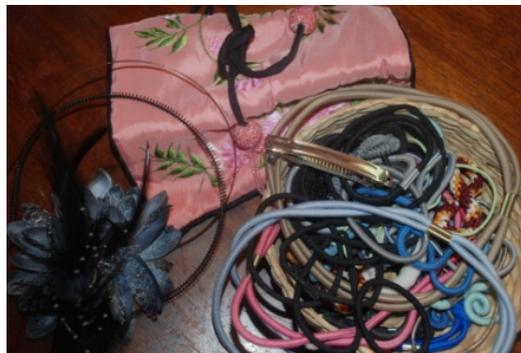


Summary

The Czech beauty market is one of the most developed in Central and Eastern Europe and has matured in most sub-sectors. The hair care products segment is very competitive with a large number of brands available. New products have played an integral part in the development of the market over the last few years. Customers like to try new products and do not demonstrate strong brand loyalty, which may provide opportunities for new brands coming to the market. Conversely, in order to retain customer interest, firms need to invest in brand promotion. The reputation of the U.S. for quality products provides opportunities for U.S. cosmetics firms.



Market Demand

The Czech Republic, located in the heart of Europe with a consumer market of 10.5 million people, has been relatively stable and mature since opening to multinationals in the early 1990s. Major beauty segments vary in Central and Eastern Europe countries. In most countries, skin care represents the largest segment. Euromonitor studies show that the Czech Republic, however, is one of the few countries where the hair care market (\$245m) exceeds skin care (\$188m). From 2000 to 2010, the market for hair care products grew 42 percent. During the same period the number of brands available in the market grew 46 percent and several new product categories emerged. Starting in 2010, the market peaked and has become very saturated, with strong competition and a large number of new products. Customers welcome new products, seeking out products specifically suitable for their hair type or hair/scalp condition. Maturity has forced both the international and the few domestic companies remaining to be more creative.

A change in the market in the 2000s led to some disorientation for end consumers. Most companies organized promotions that were similar to each other, such as hostesses, action discounts, and promotional activities. This led to the fact that customers had a harder time recognizing individual brands, which also had an effect on a decrease in brand loyalty. In 2010, Swarzkopf (Henkel) pioneered a new type of marketing activity that brought success to the brand. The company started to use professional hair advisors that were able to provide expert hair advice. Hair advisors have professional equipment like hair scanners linked to printers and laptops that are able to do a complete analysis of hair and scalp type. This diagnosis is available for customers to take home in a printed version. Based on the analysis, the advisor can diagnose the hair, recommend suitable products and teach the customer how to use them. Hair advisors have staffed booths at hypermarkets like Interspar, Globus and Albert, or in drugstore chains.

Since the 2009 economic crisis, customers became even more price sensitive, adding to the trend of limited brand loyalty. During the recession, new products were introduced that balanced quality and price. These products, with a touch of luxury at affordable prices, became one of the purchasing trends as customers felt the need to balance the negative influences of the crisis by enjoying at least some small luxuries (i.e. offsetting purchases of larger non-perishable items and white goods with higher quality fast

moving consumer goods). Related to this is the rise of the professional segment – professional products sold in drugstores and supermarkets have been successful. These products combine quality with reasonable prices. Syoss brand by Henkel is an example. It entered the market in 2009, and since it was very successful, Henkel decided to also introduce Syoss color and styling products. Another example of professional hair care available in stores is the Wella Pro Series.

Another trend is comfort – products that save time and offer a range of advantages. Natural-based products are also increasingly in demand. Even in the recession, customers prefer traditional brands over private brands that do not play much of a role in this sector. The volume of private brands has been stable for several years now at about ten percent. One of the reasons behind may also be the fact that most branded products could often be bought through promotional events at prices that are close to prices of non-branded products.

With regards to sales, the strongest season is the pre-Christmas period when gift packages are mainly sold. Sales in this period are usually 25% higher than in normal periods.

Market saturation is strong and one of the problems that branded goods are challenged with are look-alikes – products that build on existing successful international brands.

Some international companies have decided to launch new products in the Czech Republic to see how these would do in the larger European market (e.g. recent case of Henkel anti-graying shampoo).

Shampoos, Conditioners, Hair Repair products

Drugstores and supermarkets are the most common places to buy shampoos and conditioners. In drugstores, people buy 43 percent of shampoos and 67 percent of conditioners. Since 2008/2009, the shampoo segment saw little growth and was mostly stagnating. The fast growing men's shampoo category represents an exception. However, men shampoos still account for only 6 percent of the category. Another exception is conditioners, which have also been growing in volume of sales (currently representing 38 percent of the sales in the segment). The most commonly sold conditioner packaging is 200ml, but larger packaging is also becoming more popular (the economic crisis has introduced a trend of buying larger packaging, to the detriment of sales of smaller packaging up to 300ml). Although conditioners are doing well in recent years, other hair repair or hair protective products have seen a fall in sales on a year to year basis. Sales of protective hair products are subject to seasonal changes. In summer, products for protecting hair from sun light and sea water are bought more frequently. Shampoos and conditioners are used on average two to three times weekly.



Styling Agents

The styling products market is also highly competitive and saturated. Branded products sell the best in this category. The category is rather stagnant, with sales of gels and foams slightly decreasing in recent years while sales of sprays are slowly growing. Sprays make up 60 percent of sales in this category. Lybar is a Czech brand that holds its position in the market. Foam styling agents are decreasing on a long term scale. On the other hand, gels, waxes and products that highlight final looks, details and textures are gaining market share.

Hair Colorants

In the Czech Republic, the most common hair color is brown, although the most desired color is blond. About 12 percent of Czechs have grey hair and 4 percent claim no hair. Based on Henkel research, 63 percent of Czech women use hair colorants. The use of colorants led to a doubling in number of blond women in the society since 2008, to 35 percent of the population. As the generation of baby boomers is ageing, it is expected to have a positive effect on sales of hair colorants. In addition to ageing consumers, sluggish economic growth may be contributing to the resurgence of at-home hair coloration – 68 percent of women dye their hair at home as a value alternative to expensive salon treatment. In sales of hair colors, hair samples that help customers to imagine final hair color have become a must for brands to sell well. Although customers show more brand loyalty than in the shampoo subsector, the final decision is still made at the point of sale. So the recommendation of a hostess or hair samples can change the decision of the customer. In hair colorants, foam colorants are most popular by type of use. It is expected that the masks that help to revitalize colored hair will become once again more popular as the economic crisis recedes and as more people from the baby boomer generation start to color their hair on a regular bases.

Hair Loss, Hair Prolonging, Hair Accessories, Wigs and Other Hair Care



Hair loss treatments and hair prolonging categories have experienced growth despite the unfavorable economic situation. The trend is expected to continue. Czech women are not accustomed to wearing hair accessories – apart from traditional (usually dark colored) elastic bands. However, this mindset is slowly changing and a younger fashion conscious generation is bringing more diversity and colors to the use of hair accessories. Czech women do not wear wigs on a large a scale. Wigs are used more often in the entertainment industry. Wigs have recently been gaining sales in connection with a growing number of women facing healthcare problems causing hair loss (mainly oncology diseases).

Market Data

Czech hair care imports and exports over the last five years have been affected by the impact of the economic crisis, which slowed down the sales of products in some categories including shampoos and styling agents. While the imports of traditional hair care products have experienced up and downs, the category of other hair care products (HS 330590) grew steadily mostly thanks to new products falling in this category.

Table 1: Total Imports (in \$USD thousands)

	2008	2009	2010	2011	2012 est.
330510 Shampoos	37,716	31,547	46,706	52,826	48,883
330520 Preparations for permanent waving or straightening	431	384	926	1,267	505
330530 Hair lacquers	12,003	13,661	27,484	35,664	22,791
330590 Other hair care	45,376	46,431	47,518	51,184	78,939

Table 2: Imports from the United States (in \$USD thousands)

	2008	2009	2010	2011	2012 est.
330510 Shampoos	414	391	460	468	460
330520 Preparations for permanent waving or straightening	1	10	16	10	16
330530 Hair lacquers	114	227	75	182	75
330590 Other hair care	905	609	580	754	580

Table 3: Total Exports (in \$USD thousands)

	2008	2009	2010	2011	2012 est.
330510 Shampoos	53,586	45,529	53,829	60,529	53,495
330520 Preparations for permanent waving or straightening	246	200	474	1,790	224
330530 Hair lacquers	13,059	8,587	20,011	20,865	17,405
330590 Other hair care	30,043	30,212	34,177	39,264	54,149

Source: Czech Statistical Office

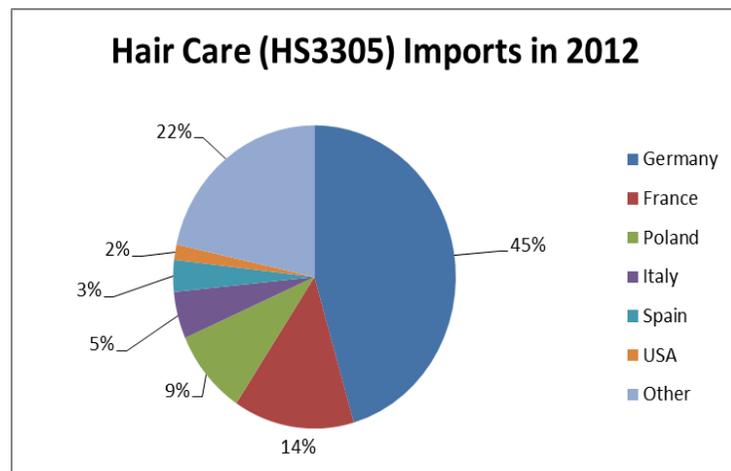
Best Prospects

Czech consumers are demanding quality hair products that are gentle to the scalp and specifically created for their hair type and hair problems. The products that have perceived added value – natural, bio, paraben free, environmentally friendly – are also becoming more popular. This leads to a larger specialization and segmentation in the market and growth in new product categories – products for men or for children. It is projected that customers will still demand quality products that will save them time, money and energy. Balancing quality and value is one of the current trends.

Key Suppliers

A large number of the international brands are already present in the Czech market. The most imports in hair cosmetics come from Germany and France. U.S. companies are visible in the Czech Republic either through local representation or through subsidiary offices. Given the size of the market, most foreign organizations choose to find a local representative. In this industry most suppliers prefer exclusive distributorship.

Henkel is the leader in hair care segment in the Czech Republic, covering almost one fourth of the market. Henkel's most successful categories include conditioners, colorants and perms and relaxants. Schwarzkopf Palette is one of the best sold Henkel brands. Other popular Henkel brands include Syoss (introduced in 2009), Gliss Kur Shea Cashmere and Schauma Volume. Sales of Shauma Volume – a hair volume enriching product - have been more successful in the Czech Republic as compared to other CEE countries.



Other successful hair care companies include Beiersdorf with Nivea brand, Unilever (Timotei, Dove), l' Oreal (Elseve), Garnier (Fructis) and P&G (Pantene, Head & Shoulders). Wella and l'Oreal hold strong positions at hair salons. In the styling agent category, Lybar continues to hold its traditional position – Lybar sprays account for 11 percent in the category. The role of private brands in the Czech Republic is not as large - the most notable private brand is DM drugstore's Balea Professional.

Prospective Buyers

The largest sales volume-wise are accounted through drugstores (especially large ones with over 100 m²) and supermarkets/hypermarkets. 60 percent of hair cosmetics are sold through these channels. Other sales channels include beauty salons, spas, and specialized stores of individual brands. The main players among drugstores in the Czech Republic include the following chains Teta, DM drogerie markt and Rossmann. These four together operate almost 1,200 stores in the country.

Consumers claim they are not affected by advertising campaigns although manufacturers think otherwise. According to the latter, brands that are not seen on TV and in magazine advertisements do not sell as well as those that do.

Market Entry

A recommended strategy for a U.S. company interested in penetrating the Czech hair care market would be to find a local partner/representative or open an office in the country. Without a local representative who can support everyday contact with distribution outlets, it is very difficult to succeed in the market. A number of important cosmetics and hair care companies have already established a local office or a partner. A U.S. company can stimulate further sales by working with Czech partners on effective marketing campaigns, as well as by utilizing trade shows, in-country promotions, and advertising. The U.S. Commercial Service offers a number of ways to help U.S. companies find business partners in the Czech market. These include setting up meetings with Czech companies interested in partnership, government officials and associations representatives (Gold Key Service), due diligence on prospective partners (International Company Profile) and events to introduce new product lines to potential customers (Single Company Promotion). U. S. Commercial Service Prague also offers a catalog fair at one of the Czech cosmetic fairs – World of Beauty & Spa. More information and contacts can be found at www.export.gov/czechrepublic

Market Issues & Obstacles

The Czech Republic is a highly developed, open market with liberal policies and intense competition. While imports from the EU are exempt, products from non-EU countries are subject to import duties. [Customs duty rates](#) are updated annually and are harmonized within EU countries. In addition, all goods, imported or produced domestically, are subject to a value-added-tax (VAT). The VAT is paid by the importer and passed on to end-users.

The metric system of weights and measures is standard in the Czech Republic. Czech is the official language in the Czech Republic. More than half of Czech company representatives are able to communicate in English or in German as well.

If a U.S. company wants to achieve remarkable sales, investment in promotional activities will be important. More over for products sold in drugstores and hypermarkets/supermarkets, there are “listings” that have to be paid by the company or its distributor for the products to appear on the shelves.

In the European Union new cosmetics legislation (the Cosmetics Regulation 1223/2009) adopted in November 2009 is gradually replacing old legislation (the Cosmetics Directive 76/68/EEC). Most provisions will come into effect in July 2013. The new Cosmetics Regulation streamlines terminology and

simplifies the process of placing a cosmetic product on the EU market. Only cosmetic products with a designated “responsible person” will be allowed to be placed on the EU market from July 2013. Regulation also introduces a simplified, centralized and electronic notification requirement to a central EU portal (went live in January 2012) as opposed to national government notifications. In March 2013 a total ban on animal testing, whether or not alternatives exist, was introduced.

Product Labeling: Labels must include following information:

- Name and address of the responsible person (country of origin)
- List of ingredients
- Nominal content
- Precautions to be observed in use
- Date of minimum durability (new symbol – below n.1) or period after opening for products > 30 months (symbol below n.2).

Information must appear on the container AND packaging – if not feasible enclose the information (symbol below n.3).



Trade Events & Opportunities for Profile Building

WORLD OF BEAUTY & SPA SPRING / AUTUMN

<http://www.beautyexpo.cz>

September 6-7, 2013; Prague

March 14-15, 2014; Prague

- The U.S. Commercial Service plans to offer a catalogue display for U.S. companies interested in the Czech market at the March 2014 addition of the fair. Please contact our office if your firm is interested in participating.



INTERBEAUTY PRAGUE

www.incheba.cz

Resources & Key Contacts

General Directorate of Customs - www.cs.mfcr.cz

Ministry of Health - www.mzcr.cz

Ministry of Industry and Trade - www.mpo.cz

State Institute for Drug Control – www.sukl.cz

Union of Manufacturers, Importers, Exporters and Resellers of Cosmetic Products - www.sdrprokos.cz

Hairdresser's Association of the Czech Republic - www.akcz.info

Union of Beauticians - www.uniek.cz

For More Information

The U.S. Commercial Service in Prague/Czech Republic can be contacted via e-mail at: Veronika.Novakova@trade.gov; Phone: +420 257 022 437; Fax: +420 257 022 810 or visit our website: www.export.gov/czechrepublic.

The U.S. Commercial Service – Your Global Business Partner

With its network of offices across the United States and in more than 80 countries, the U.S. Commercial Service of the U.S. Department of Commerce utilizes its global presence and international marketing expertise to help U.S. companies sell their products and services worldwide. Locate the U.S. Commercial Service trade specialist in the U.S. nearest you by visiting <http://www.export.gov/>.

Disclaimer: The information provided in this report is intended to be of assistance to U.S. exporters. While we make every effort to ensure its accuracy, neither the United States government nor any of its employees make any representation as to the accuracy or completeness of information in this or any other United States government document. Readers are advised to independently verify any information prior to reliance thereon. The information provided in this report does not constitute legal advice.

International copyright, U.S. Department of Commerce, 2013. All rights reserved outside of the United States.