



Czech Republic: Perfumes & Toiletries Market

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January 2014

Summary

The Czech fragrance market is mature, with a number of international brands present. The market has experienced stable growth over the last decade and is expected to continue to grow. On-line sales and an increased focus on quality branded products have been leading to growth in more luxury perfumes. Men's fragrances are another growing category. The U.S. is among the top five fragrance importers and reputation of the U.S. for quality products provides opportunities for U.S. firms.

Market Demand

In first two decades following the fall of communism in 1989, the prices of perfumes were very high compared to other European countries. Even in the mid-2000s, the average price of perfume was a third higher than in France and ten percent higher than in Germany. Over the last five years, the situation has been changing, thanks mainly to the large growth in on-line perfume sales. Despite the recent economic crisis, on-line sales have provided growth in the category, especially in luxury perfumes.

Perfumes are one of the product categories for which on-line sales have been extremely successful. The number of on-line customers has been growing steadily year by year. In 2010, 26 percent of customers bought perfume on-line at least once a year. In 2011, that number grew to 30 percent and in 2012, to 34 percent. There are hundreds of web pages offering perfumes, with new ones are emerging every day. This, together with price pressure, has led to low margins and is especially difficult for smaller resellers.

As in other European countries, the largest volume of sales are encountered in the pre-Christmas holiday season, when sales grow compared to previous months increase by more than hundred percent. Luxury perfumes do especially well, where the growth is up to 700 percent. Perfumes are popular presents and, unlike other products, they are not influenced as much by fast changing fashion trends.

Czechs have traditionally not focused on the quality of fragrances, although this has been changing. Customers are often influenced by advertisements. Fast changing trends in fragrances are not so evident, as fragrances hold their positions over a longer period and are usually supplemented by some novelty fragrance only in the short term. In the last few years there have been just a handful of novelty fragrances that were able to hold their positions on a longer term.

Czech are often influenced by special offers e.g. "buy one, get two" promo sales, and are very much used to buying products in such promotional offers. They are interested in brands that are most often seen in advertisements, commercials and the story that is behind the product.

Market Data

Most of the fragrance imports come from France, followed by Germany, Italy and Great Britain. The toiletries segment managed to grow despite the economic crises. Sales of perfumes were influenced more, however, but even this segment has been doing commendably well in the last few years.

Table 1: Total Imports (in \$ thousands)

	2008	2009	2010	2011	2012 est.
33030010 Perfumes	30,113	20,414	32,576	35,747	34,946
33030090 Toiletries	100,851	94,449	109,240	135,529	165,813

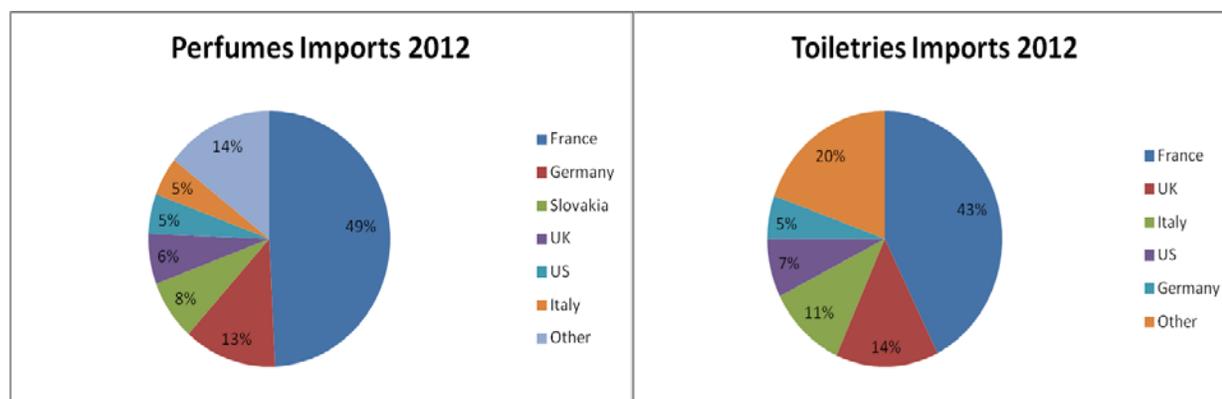
Table 2: Imports from the United States (in \$ thousands)

	2008	2009	2010	2011	2012 est.
33030010 Perfumes	2,170	619	426	1,466	1,768
33030090 Toiletries	4,094	5,124	7,167	9,124	12,213

Table 3: Total Exports (in \$ thousands)

	2008	2009	2010	2011	2012 est.
33030010 Perfumes	16,888	14,097	21,636	21,441	24,707
33030090 Toiletries	19,436	17,202	25,584	38,603	71,680

Source: Czech Statistical Office



Best Prospects

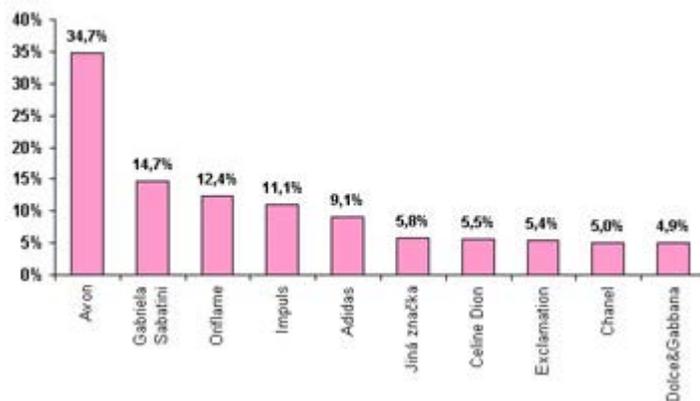
Czechs are currently more inclined towards personal hygiene and grooming, and perfumes are slowly becoming an integral part of people's wardrobes – becoming a necessity not only for women. As less than 50 percent of men use fragrances, there is a solid growth opportunity in the men fragrances segment.

Over last ten years, the main sales were in affordable products categories rather than in the luxury segment. Czech women tend to look for fragrances that are not too aggressive and that are able to last all work day. The products that bring value added – natural, bio, environmentally friendly – are also becoming more popular. With the falling prices of perfumes connected to on-line sales, customers are starting to look more for higher quality luxury products.

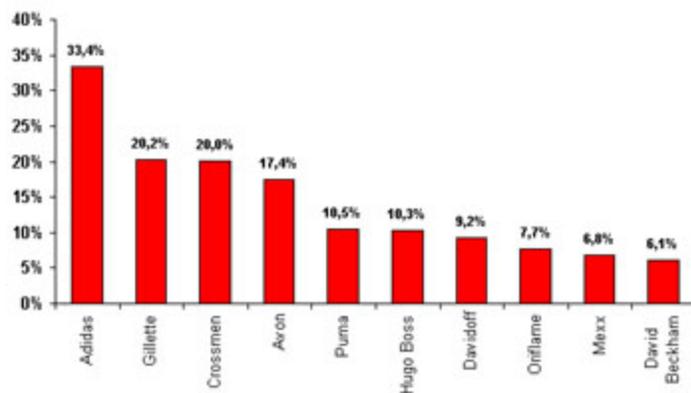
Key Suppliers

A large number of international brands are already present in the Czech market. U.S. products rank high – among the top five importers. Given the size of the market, most foreign organizations choose to find a local representative. In this industry most suppliers prefer an exclusive distributorship.

75 percent of adult women use perfumes or toiletries on a regular basis, one fourth of this number use it more than once a day. Based on Median research from 2009, the most popular brand among women was by far Avon, followed by Gabriella Sabatini, Oriflame, Impuls and Adidas. However, in the last five years the situation has slowly changed and more luxury perfumes are gaining positions. This trend also reflects more women starting to work in higher managerial positions where look is important and money is less of a problem. Luxury brands that sell well in the country include Chanel, Hugo Boss, Dolce&Gabbana, Donna Karan or Lacoste



Only 47 percent of men use toiletries. Men most often use Adidas brand followed by Gillette, Crossmen and Avon.



There are five leading firms in on-line perfume sales. Those five combined represent 70 percent of all on-line perfume orders; the rest is fragmented and divided among hundreds of small resellers. The largest on-line perfume and toiletries web page, www.parfemy.cz, is operated by Vivantis company. Recently, Vivantis has been buying competing web pages and including them in its portfolio. Parfemy.cz holds approximately 30 percent of the on-line market in the category. Parfemy.cz offers more than 4,000 perfumers, sets and related assortment; they are also the only on-line company selling testers. Vivantis

guarantees the lowest prices in the Czech Republic, which are 40 to 60 percent lower than prices in regular stores.

There are four leading perfumery chains in the Czech Republic - French Marionnaud and Sephora, FAnn (perfumeries) and Douglas. Given the growth in on-line sales, even perfumery chains like Marionnaud and FAnn parfumerie decided to start their on-line stores. Another popular sales channel is duty free stores at airports, operated by companies including Aelia Czech Republic, Dufry CS, UG Air, Blue Praha, Prospekta Moda CZ, Erpet Group, Markle, 4PM Merkury, and Carollinum.

Market Entry

A recommended strategy for a U.S. company interested in penetrating the Czech fragrances 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 customers, it is very difficult to succeed in the market. 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 came 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, 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

<http://www.beautyexpo.cz>

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 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

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

Ministry of Health - www.mzcr.cz

Ministry of Industry and Trade - www.mpo.cz

State Institute for Drug Control – www.sukl.cz

Union of Beauticians - www.uniek.cz

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

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