DEVELOPMENT AND BUSINESS OPPORTUNITIES IN THE FIELD OF COSMETICS

Abstract. The research is dedicated to a comprehensive analysis of the development and business opportunities in the field of cosmetics. The aim of the study is to delve into the current state and trends of the cosmetology market, thereby determining future business trajectories in line with the existing market dynamics and structure. A methodological approach was adopted, incorporating independent calculations to project the future market structure and volume.

The results of the research shed light on key market trends, both existing and emergent. Detailed insights into the volume and structure of the cosmetology market are provided, highlighting the interplay of e-commerce that characterizes the industry. The study further unravels consumer behaviors, brand dynamics, and the evolution of market structures, particularly in response to global trends. The study identified pivotal trends in the cosmetics domain, spotlighting innovative business opportunities. A marked rise in the male demographic has spurred the launch of men-specific skincare lines, grooming kits, and educational content tailored for men. The dominance of K-beauty is evident, with an influx of products boasting unique textures and formulations, as well as the embrace of beauty gadgets and ingredients intrinsic to Korean traditions. Ethical and transparent purchasing influences are driving the adoption of eco-friendly packaging, open-source ingredient disclosures, and collaborations with ethical brands. While women remain core consumers, product diversification caters to different age groups, and collaborative campaigns with female icons emphasize their central role. Practical implications of the research are manifold. Businesses and stakeholders can leverage the insights to strategize their market positioning, product development, and marketing initiatives. The study offers actionable intelligence, potentially aiding in informed decision-making processes for industry players.

Keywords: cosmetics industry, market trends, digital technologies, consumer behavior.

Formulation of the problem. The dynamic interplay of science, art, and commerce characterizes the cosmetics industry, making it a resilient and
continuously evolving field. As societal trends, technological advancements, and shifting consumer preferences mold its landscape, the topic of "Development and business opportunities in the field of cosmetics" emerges as a comprehensive exploration into the heart of the industry.

Central to this exploration is the understanding of the volume and structure of the cosmetology market. Beyond the quantitative facets, there is a keen interest in the qualitative elements that dictate the industry's trajectory. Consumer behaviors, brand positioning, and market structure evolution remain paramount in deciphering the overarching trends.

Furthermore, the cosmetics industry, with its inherent dynamism, responds and adapts to global trends, ensuring it remains at the forefront of consumer demands. Recognizing and capitalizing on the main trends, both emerging and established, is vital for informed decision-making. Business opportunities, strengths and weaknesses, as well as market threats and prospects, will be elucidated to provide a holistic view of the industry's potential.

Incorporating digital technologies into the analysis adds another layer of depth. As digital transformations continue to revolutionize industries across the board, their implications and applications in the realm of cosmetics cannot be understated. The role of these technologies, from e-commerce platforms to augmented reality applications in product trials, will be thoroughly examined to highlight their significance in shaping the future of the cosmetics industry.

Analysis of recent research and publication. The study of the cosmetics market's development, particularly from a scholarly perspective, is not as extensively documented as one might expect. This has necessitated a turn towards statistical websites and industry reports to garner in-depth insights into the topic. Nevertheless, there have been noteworthy contributions by researchers and scholars in the domain that deserve special attention.

Zhang Ya's work in 2021 is an enlightening exploration of contemporary trends within the cosmetics industry, delving into the nuances of marketing techniques in a rapidly evolving market environment [1]. Achim A-L.'s research provides a lens into the changing behaviors of Chinese beauty consumers post-pandemic, revealing the adaptability and resilience of the market [5].

Sviderska et al.'s research in 2023 is of particular note, examining the cosmetic products market in Ukraine, while attempting to identify the underlying factors influencing market trends [6]. Similarly, Parkhomenko's study elucidates the trends shaping both the global and Ukrainian cosmetics markets, marking it as a crucial read for anyone looking to understand regional dynamics [7]. Lebedynets and Kazakova's research delves deep into the prevailing trends in Ukraine's cosmetics products market, offering a granular look into the region-specific shifts [9].

Kim and Park, in their 2020 study, tackle the intriguing domain of cross-national market segmentation, specifically focusing on the Korean Wave's influence
in ASEAN countries, highlighting the importance of cultural dynamics in market strategies [8].

The Watanabe's research investigates the intricate world of social media networks of cosmetic brands. Their social network analysis, especially in the context of domestic and international retailers, provides unique insights into the power of digital interconnectivity in the modern cosmetics market [10].

Despite the extensive literature in the field of cosmetics, several areas remain underexplored. Key among them is the in-depth analysis of sustainable and ethical production in cosmetics, the intricate psychographics of consumers beyond broad market trends, the integration of emerging technologies beyond e-commerce, the unique dynamics of nascent markets, and the evolution of brick-and-mortar establishments in a post-pandemic world.

**The purpose of the study** is to investigate the current state and trends of the cosmetology market and determine the directions of business development, taking into account the current dynamics and structure of the market.

**Presenting main material.** In 2022, the global cosmetics market has reached a valuation of $443.5 billion, showcasing the robust nature of the industry. The most significant contributor to this value is the skincare segment, which stands at $172.9 billion. This dominance underscores the global emphasis on skin health, preventive care, and the pursuit of aesthetic appeal. Hair Products, with a valuation of $93.1 billion, emphasize the multifaceted approach to hair care, ranging from its health to its aesthetic representation, resonating with both functional and stylistic consumer needs. The Make-up segment, valued at $84.3 billion, reflects not just the aesthetic desires of consumers, but also cultural, social, and sometimes even political expressions. The 'Other' category, encapsulating various products, is valued at $93.2 billion, highlighting the diversity of consumer needs and the industry's adaptability.

![Fig.1. Global cosmetology market development forecast](image)

*Fig.1. Global cosmetology market development forecast*

Note: Author's calculation
Given the consistent growth trends observed from 2019 to 2022, it's evident that the market is witnessing a compound growth pattern. By projecting this rate of growth forward, by 2027, the cosmetics market is anticipated to reach an impressive $573.9 billion. Within this, the skincare segment is projected to breach the $223.8 billion mark, reiterating its dominance in the market landscape. Hair Products and Make-up segments are also poised for substantial growth, with anticipated valuations of $120.5 billion and $109 billion, respectively, by 2027. The 'Other' category is projected to match this growth, reaching an estimated $120.6 billion [2,3].

Examining the primary trajectories of the cosmetics market evolution, we first recognize that women remain the pivotal consumer base. Their beauty rituals, spanning from skincare to make-up, have fortified the cosmetics industry's foundation. However, it's the rise of the male demographic that's turning heads. While women's consumption patterns remain relatively established, men grapple with determining optimal skincare and grooming routines, signaling a potential market education gap [4].

The influence of K-beauty trends cannot be understated. Hailing from South Korea, these trends emphasize skin-first approaches, layering techniques, and innovative ingredients, which resonate with consumers globally. Their dominance has paved the way for holistic beauty routines and introduced unique textures, formulations, and packaging designs to the market.

Lastly, delving into consumers' purchasing behaviors, it's evident that decision-making is no longer solely based on product effectiveness. Ethical considerations, ingredient transparency, brand values, and sustainability are increasingly under the spotlight. Brands aligning with these consumer values and emphasizing a holistic approach to beauty and wellness are more likely to foster loyalty and drive sales.

As the cosmetics industry continues to flourish, staying attuned to emerging trends and capitalizing on the inherent business opportunities can give brands a competitive edge. Table 1 shows more detailed exploration.

<table>
<thead>
<tr>
<th>Trend</th>
<th>Expanded Business Opportunities</th>
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| Rise of Male Demographic | 1. Introduction of men-specific skincare lines.  
2. Development of male grooming kits.  
3. Educational content and workshops targeting men’s skincare and grooming needs.  
4. Collaborations with male influencers and celebrities.  
5. Tailored subscription boxes for men. |
| K-beauty Dominance | 1. Launch of products with unique textures and formulations inspired by K-beauty.  
2. Adoption of layering techniques in product application guides.  
5. Exploration of innovative ingredients rooted in Korean skincare traditions. |
The cosmetics industry is a vast and dynamic realm, teeming with potential. The key to harnessing its full potential lies in understanding emerging trends and proactively responding with innovative business strategies. As outlined in the table, each significant trend offers a multitude of avenues for growth and expansion. Brands that remain agile, receptive to change, and are ready to seize these opportunities are poised to not only thrive but also redefine the industry's future.

The cosmetics industry is poised for growth, driven by its strengths and the opportunities that lie ahead. However, challenges persist, from rapidly changing consumer preferences to the threat of counterfeit products.

Let's conduct a swot analysis for a business operating in the cosmetics market.

**Table 2**

<table>
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<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<td>Established female consumer base</td>
<td>Over-reliance on female consumers</td>
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<tr>
<td>Global reach of K-beauty trends</td>
<td>Lag in sustainability initiatives</td>
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<td>Brand loyalty</td>
<td>Limited male product range</td>
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<tr>
<td>Ingredient innovation</td>
<td>Potential over-saturation of markets</td>
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<tr>
<td>Adaptability to global trends</td>
<td>Reactive instead of proactive market strategies</td>
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| Opportunities                                                             | Threats                                                                    |
|--------------------------------------------------------------------------|                                                                           |
| Emerging male demographic                                                | Rapidly changing consumer preferences                                     |
| Ethical and sustainable product positioning                               | Regulatory hurdles for new ingredients                                     |
| Educational content for skincare and grooming                              | Intense market competition                                                 |
| Expansion into eco-friendly packaging                                     | Counterfeit products                                                       |
| Collaboration with influencers and beauty experts                          | Economic downturns impacting luxury purchases                              |

Note: compiled by the author
To thrive, businesses must be proactive, leveraging their strengths, mitigating weaknesses, seizing opportunities, and preparing for potential threats. With a strategic approach, the future of the cosmetics market remains promising.

The world of cosmetics and beauty underwent significant turbulence in light of the COVID-19 pandemic. Its immediate ramifications could be felt across markets, with a palpable dip in sales and altered consumer behavior.

In the early throes of the pandemic, China, a colossal player in the cosmetics sector, witnessed a staggering decline of 80% in sales in February 2020 when compared to the previous year. While a semblance of recovery was evident by March, a closer inspection, as highlighted by a McKinsey [4] analysis, revealed a persistent year-on-year slump of 20%. This trend wasn't unique to China; it echoed across many brick-and-mortar establishments globally [5].

Physical stores, including those deemed essential and allowed to operate during the pandemic, grappled with dwindling sales of beauty products. The underlying reason was the conspicuous reduction in foot traffic – a consequence of stringent lockdown measures and evolving consumer priorities. A case in point is the Boots UK drugstore chain, which, amidst the pandemic's peak, registered a sales dip by a whopping two-thirds.

However, every cloud has a silver lining. As traditional retail faced headwinds, the online sphere buzzed with activity. Digital channels became the beacon for the beauty industry during these tumultuous times. Notably, e-commerce giants like Sephora registered an impressive sales surge ranging between 20 to 30%. This shift was not a mere circumstantial anomaly but perhaps an acceleration of an already-emerging pattern. Before the pandemic cast its shadow, the industry had been witnessing a robust growth trajectory in direct-to-consumer platforms, the allure of shoppable content on social media, and the rise of multi-brand online stores.

At the core of this evolving landscape, the consumer's sentiment towards cosmetic products revealed a fascinating trend. Despite economic downturns and prevailing uncertainties, their affinity for cosmetics, especially lipstick, remained unabated. This phenomenon finds its roots in what Leonard Lauder coined as the "lipstick index". As per his assertion, consumers, even during challenging times, view lipstick as a pocket-friendly indulgence. This simple cosmetic product morphs into a symbol of self-care and a brief respite from the surrounding turmoil, invariably boosting its consumption [10].

The digital revolution, paired with the dynamic realm of the cosmetics industry, presents an exciting future for the digitization of beauty markets. As we move towards 2027, there are several emerging avenues that brands and businesses can harness:

- Augmented Reality (AR) and Virtual Reality (VR) Experiences. AR tools, like virtual try-ons, have already gained traction. This offers consumers the opportunity to test makeup or hairstyles digitally before making a purchase. By
2027, with more advanced AR and VR technology, virtual salons or skincare consultations could become mainstream, creating more immersive experiences for consumers.

- Personalized AI-driven Recommendations. Artificial Intelligence can analyze a consumer's skin type, concerns, and preferences to curate personalized product recommendations. As AI becomes more sophisticated, it can provide solutions that are almost tailor-made for individual consumers, drastically enhancing user experience and product satisfaction.

- Digital Skincare Diagnostics. Tools that analyze one's skin through selfies or webcam feeds can offer real-time feedback on skin health and recommend skincare routines. This tech-driven approach can provide more accurate and consistent advice than traditional methods.

- Direct-to-Consumer E-commerce Platforms. Building on the trends set in motion by the pandemic, direct-to-consumer platforms will likely see exponential growth. These platforms allow brands to establish a direct relationship with consumers, gather insights, and cater to specific needs more effectively.

- Subscription-based Models. Monthly or quarterly beauty boxes, customized based on user profiles, can offer consumers a mix of products tailored to their preferences, ensuring steady revenues and fostering brand loyalty.

- Interactive Content. The growth of shoppable social media content and live-stream shopping can bridge the gap between content consumption and purchasing, offering consumers a seamless shopping experience.

- Sustainable Digital Initiatives. As consumers become more eco-conscious, digital platforms can emphasize sustainable practices, transparent ingredient sourcing, and promote eco-friendly products, aligning with the evolving global consciousness.

- Collaborative Platforms. Connecting beauty professionals, dermatologists, and consumers on a single platform can enable knowledge exchange, tutorials, consultations, and foster community-driven product development.

- Blockchain in Beauty. Ensuring product authenticity, especially for luxury beauty brands, can be enhanced using blockchain technology. It can provide traceability and confirm the genuineness of products, curbing counterfeit issues.

- Growth of Male Beauty Digital Platforms. As the male grooming market expands, dedicated digital platforms catering exclusively to male beauty and grooming needs can emerge as significant players.

In summary, the future of the digital cosmetics market is brimming with potential. The amalgamation of technology with beauty promises a more personalized, immersive, and efficient shopping experience for consumers. For businesses, the key lies in early adoption, adaptability, and continuous innovation to stay ahead in this digitized beauty landscape.
Conclusions. The evolving landscape of the cosmetics industry is notably marked by the ascendance of digital platforms, reshaping how consumers interact with beauty brands and products. The accelerated shift to e-commerce, propelled further by the pandemic, has not only revolutionized the purchasing process but also enhanced personalized consumer experiences through tools like Augmented Reality and AI-driven recommendations. Moreover, as the industry recognizes the diversification of its consumer base, there's a pronounced focus on the male demographic, heralding a broader, more inclusive approach to product offerings and marketing strategies. This amalgamation of digital innovation and consumer diversification presents a promising trajectory for the cosmetics industry, emphasizing adaptability, inclusivity, and technological embrace as the keystones for future success.

References: