



# Understanding Brazil: A Unique, Multi-National/Multi-Cultural Opportunity for Novel Cosmetics and Personal Care Products

By Enilce Maurano Oetterer \*, Jadir Nunes \*\*

## Brazilian Cosmetics Market

The Brazilian Personal Care, Perfumery and Cosmetics Industry, showed the average compound growth deflated nearly 10% per year over the past 18 years, having spent a net revenue “Ex-Factory” sales tax, of US\$ 4.7 billion in 1996 to US\$ 17.5 billion in 2013.

**The sector has grown vigorously:** 9.8% p.a. average growth as compared to 3.0% of Gross Domestic Product - GDP, and 2.2% p.a. of total general industry.

The Brazilian industry is expected to grow 11.8 % in 2014 over last year, reaching an anticipated turnover of R\$ 42.6 billion ( around US\$ 16 billion), according to The Brazilian Association for the Industry of Cosmetic, Toiletry and Fragrance (ABIHPEC)<sup>1)</sup>.

As such, Brazil has an obtained a privileged position in the global market with significant growth. It holds the distinction of being third among the world's largest in cosmetic and personal care product volume consumption, and is in first place in global market share in specific categories.

Brazil World positioning	Cosmetics Business Segments
1 <sup>st</sup>	Perfumery and deodorant
2 <sup>nd</sup>	Hair Care, Children's products, Men's products, Sun Care Protection, Depil Creams
3 <sup>rd</sup>	Oral care, Color cosmetics: Make up and Nails Care
4 <sup>th</sup>	Skin Care

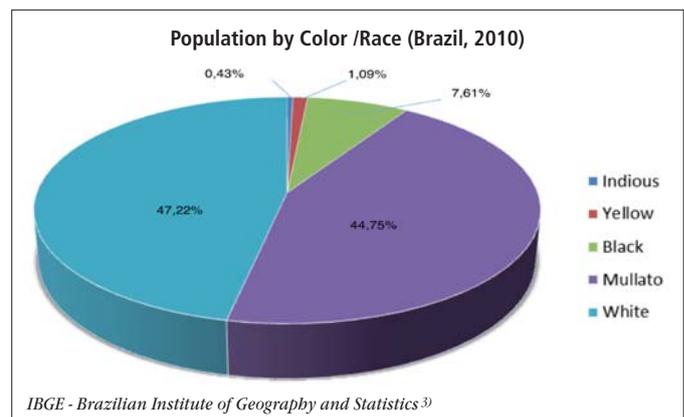
Source: ABIHPEC<sup>1)</sup>

## Important Factors Contributing to Cosmetic Growth:

- Increased access of the C and D social class (a categorization based on income based on increased income.
- Increased involvement of Brazilian women in the labor market.
- Increased life expectancy, resulting from a growing need to preserve the impression of youth.
- Constant new product launches to meet growing market needs;
- Use of innovative technology and increased productivity favoring industry profitability<sup>1)</sup>.

## Brazilian Ethnicity: A Historical Perspective

Brazil is quite unusual in racial ethnicity. In this context, the word “ethnicity” from the Greek means “people” and results from the descendants of a mixture of people from different origins.



The genetic diversity of the Brazilian people are reflected in variations of cultural characteristics such as language, religion, music, food, behavioral habits and physical characteristics like height, color of skin, type of hair. Each of these consequently requires distinct variations in personal care habits.

According to the Brazilian Institute of Geography and Statistics (IBGE) (3), the national census has shown that the majority of the population, 50.7% of a total 190,732,694 people, is black or mixed race. The 2010 census reveals that most of the black population is concentrated in the north and northeast of the country, with the highest rate of illiteracy among the over-15 age group (between 24.7% and 27.1%).

Companies seeking to design cosmetic and personal care products for “Brazil” must take into account not only the diversity of genetic parameters but also the ethnic diversity of each region. Therefore, variations in the design of specific types of products is required for each “type” of person, considering the foreseeable variation of skin and hair characteristics and the consumer pull for suitable specific cosmetic needs.

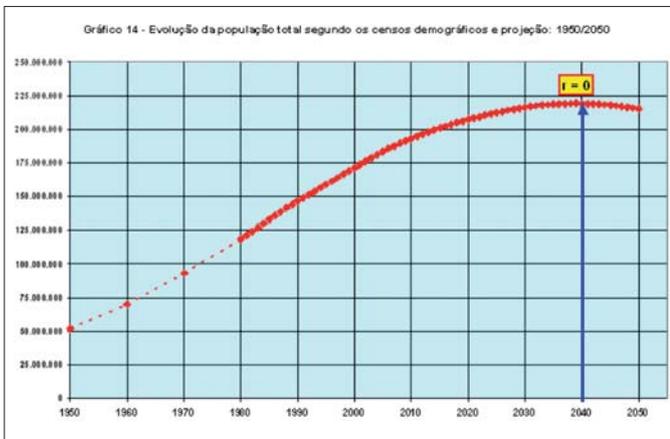
\* Director of ENCOSMETICA Consultancy Ltda., E Mail: enilce.oetterer@uol.com.br

\*\* Vice President of ABC - Brazilian Society of Cosmetology, E mail: jadirnunes59@outlook.com

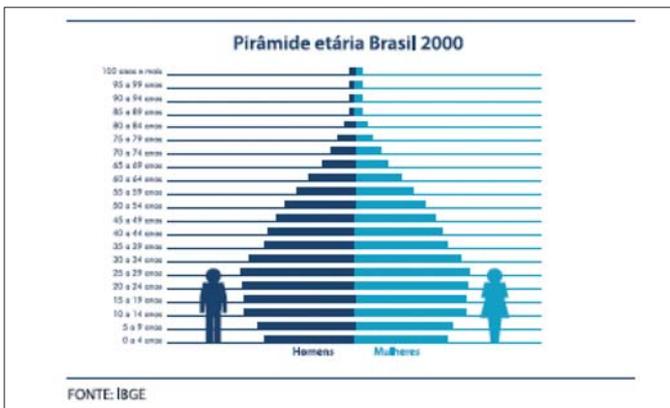
## Consumer Profile: Variations in population growth with time

Based on the census conducted in 2010, by IBGE, Brazil's population consisted of 190,732,694 people. This data indicates that in a maximum of 40 years the Brazilian age structure will be similar to present-day France. The country will have lower birth rate and a higher average age. The population grows at an increasingly slower pace.

It is predicted that the Brazilian's population will continue to grow for another two generations until the year 2025<sup>3)</sup>.



Evolution of the total population, according to the demographic senses and projection 1950 /2050. Source: IBGE Illustration of Age Pyramid Brazil 2000<sup>3)</sup>.



Source: ABIHPEC<sup>4)</sup> and IBGE<sup>3)</sup>

### A Great Opportunity for the Personal Care industry Exists on Recognition of this Trend

Seniors from 60 years form the group with the highest growth in the last decade: 4% versus 1% of the total population. There are now just over 22 million people in this age group in the country. Of these, 6.5 million in full swing.

The elderly population will more than triple in the next four decades, from less than 20 million in 2010 to about 65 million in 2050 and now represents almost 50% of the population.

In Brazil, 37% of people over 60 years financially help their children and grandchildren. With a longer working life, already have their own home, these consumers consume far more personal care products to ensure their good looks, quality of life and self-esteem.

There is no international standard for defining an economic classification of social classes and this is no difference in Brazil. It fell to the Brazilian Association of Research Companies (ABEP) to define the criteria of socio economic classes in Brazil. This pattern is the basis for most of the questionnaires about power consumption and an intention to define a better profile of the consumers of personal care products, for example, based on in average family income<sup>4)</sup>.

There are eight economic classes in the following table (where 1.00 US\$ = 2.70 R\$):

Classe econômica	Renda média familiar bruta mensal
A1	R\$ 12.926
A2	R\$ 8.418
B1	R\$ 4.418
B2	R\$ 2.565
C1	R\$ 1.541
C2	R\$ 1.024
D	R\$ 714
E	R\$ 477

Em relação à tabela, é preciso entender três detalhes importantes:

Source:  
ABIHPEC<sup>4)</sup> -  
TABLE: ECONOMIC CLASS /  
FAMILY INCOME AVERAGE  
MONTHLY GROSS

An important change in recent years is the emergence of the "New Class C". This classis strict about the products it consumes and believes that "nothing can go wrong with the products since, it in uneconomical for making a second purchase. Such individuals seek multi-functionality in the products they purchase.

### Ethnic profiles by regions

We can divide Brazil into five regions with different ethnic and socio-economic profiles.

#### 1 – North:

The Brazilian North population is largely made up of Mestizos, Indigenous and Portuguese descendants. In Manaus, the largest city in this region, a large number of descendants consist of English, French and Jews, bringing the percentage of whites in the city, to nearly 40% of the population.

North Color / Race (2010)	
Brown	67,2%
White	23,2%
Black	6,5%
Indigenous	1,9%
Yellow	1,1%

## 2 – Northeast

According to the autosomal 2011 study, conducted by the Brazilian geneticist Sergio Pena, the European components is predominant in the Northeast population and have African and Indigenous contributions.

Northeast Color / Race (2010)	
Brown	62,7%
White	28,8%
Black	8,1%
Indigenous and Yellow	0,3%

The Northeast composition can thus be described as consisting of 60.10% European heritage, 29.30% of African heritage and 8.90% Indigenous.

## 3 – Midwest

The characteristic human types in the Midwest are: Cowboy Pantanal, the cowboy from Goiás; pedestrians of cattle ranchers, miners, as well as Indians, with their multiple forms of culture from the Southern influence in Mato Grosso, South Mato Grosso, and Northeast in the Federal District called Brasília. According to autosomal studies, European ancestry accounts for 66.30% of the population heritage, the African ancestry accounts for 21.70% of the Indian heritage 12.00%.

Midwest Color/Race (2006)	
White	50,5%
Brown	43%
Black	5,7%
Indigenous and Yellow	0,8%

## 4 – Southeast

The economy of the Southeast is very strong and diverse. This region belongs to the larger geo-economic region of the country. In view of being the Brazilian region that has the most developed agriculture, it is noted for its industrial development that accounts for

Southeast Color / Race (2006)	
White	58,8%
Brown	32,5%
Black	7,7%
Indigenous and Yellow	1,0%

over 70% of the industrial transformation of the country. The area has a concentrated industrial park in the three populated cities: São Paulo, Rio de Janeiro and Belo Horizonte.

## 5 – South

South Color / Race (2006)	
White	79,6%
Brown	16,0%
Black	3,6%
Indigenous and Yellow	0,7%

According to the census of 2010, southern Brazil had 27,384,815 habitants, is the third most populated region in the country (after the Southeast and Northeast), consisting of 14.3% of the Brazilian population. Another

feature that is part of the demographics of southern Brazil include the “whites” who are prevalent in the South and most of the people who inhabit the southern region declares itself “white”, 79.6% of population.

## In Summary

According to a 2009 autosomal genetic study, the European heritage is dominant in the Northeast, accounting for 66.70% of the popu-

lation, the rest being African (23.30%) and American Indian (10%). However, according to a study genetic autosomal made in 2010 by the Catholic University of Brasilia, published in the American Journal of Human Biology, European genetic heritage is prevalent in Brazil, accounting for around 80% of the total, while in the South this percentage rises to 90%. The results also show that, in Brazil, physical appearance of indicators such as skin color, eyes and hair, have relatively little to do with the ancestry of each person (i.e. a person phenotype does not clearly indicate its genotype). According to this study, the European contribution accounts for 77.40% of the ancestry of the northeastern, African, indigenous and 13.60%, 8.90%.

## Consumer Trends of Cosmetics Products by Brazilian region:

Brazil is a market with great potential for the world and several factors contribute to this. These include: the source of active ingredients and raw materials, especially of natural origin; the use of technology, and consequent increase in productivity; advances in the regulatory area and search for qualification.

In the opinion of the authors that the escalating trend of increased consumption of cosmetics in Brazil depends on recognition of the country's growth and understanding of this trend by professional associations, government, researchers and entrepreneurs.

### We Foresee:

- A) **North and Northeast:** Intense use of perfumes, deo-cologne, deodorants, ethnical products for hair care, makeup, sun filter, lipsticks, nail polish, with economic cost.
- B) **Midwest:** Popular UV products, hair care, skin care, perfumes, deo-cologne, nail polish, nails care products, and other products in general.
- C) **Southeast and South:** Cosmetics products developed as premium line, international brands, including skin care, for sensitive skin, anti-ageing products, all kind of nails care products.

## Conclusion

Brazil is a country of continental dimensions, divided geographically into five regions well defined by its unique ethnic complexity, as well as different climatic and cultural conditions. Other impacts on cosmetic trends arise from the size of the country, complexity of logistics, costs and bureaucratic activities.

The scenario today reflects the increased power of acquisition from the Brazilian consumer allied to the change in consumer habits, prioritizing healthcare, well-being and better quality of life that have

resulted in an escalating demand for Personal Care Products in Brazil.

We emphasize the Brazilian population will continue to grow for another two generations until the year 2025. Therefore, there is a ten year window of potential to commercialize personal care products to kids and youth consumers.

In conjunction with the growth of the elderly population expected to triple in the next four decades from less than 20 million in 2010 to about 65 million in 2050) and currently represents almost 50% of the population, this segment must be considered in the next 5 to ten year strategic plan by companies seeking new business.

Regarding sales channels, Brazil has an increasingly dynamic distribution of channels for the cosmetic segment including: Pharmacies, Beauty Salons, and social media which offers consumers a direct experience of others regarding their enjoyment of senses, textures, colors and personal tastes.

The consumption of Personal Care Products in Brazil is directly linked with well-being, healthcare and self-esteem and is not a "simple" issue of aesthetics.

Innovation in all of aspects discussed herein is very critical to the Personal Care Companies becoming competitive in the Brazilian market. There are many challenges and opportunities for all professionals who would like to face these challenges and their interactions.

## References

- 1) *The Brazilian Association for the Industry of Cosmetic, Toiletry and Fragrance (ABIHPEC)*
- 2) *Brazilian Agency for Industrial Development (ABDI) - Cosmetic Market Studies*
- 3) *Brazilian Institute of Geography and Statistics (IBGE)*  
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- 4) *The Brazilian Association for the Industry of Cosmetic, Toiletry and Fragrance (ABIHPEC); Brazilian Agency for Industrial Development (ABDI); Brazilian Service to Support Small Companies (SEBRAE); "III Caderno de Tendências" (Trends Notebook) - 2014/2015.* ■



Enilce Maurano Oetterer  
Contact:  
enilce@encosmetica.com.br

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