The German Cosmetic Market & its Distribution Channels

Online-Session
25th November 2020

Commercial Cluster of the Cosmetic Retail Market Germany 2019/20

Mass-Distribution

Drugstores
(dm: 1.977 /
Rossmann: 2.196)
4.855 Branches

Discounter**
(Aldi: 4.128 / Lidl:
1.910)
6.038 Branches

*   Source: dm, Rossmann
** Source: Lidl, Statista

Selective-Distribution

Müller*
569
(Nature-Shops: **195**
Parfuemeries: ca.
250)

Pharmacies**
19.748
(ca. 3.800 relevant
for Dermocosmetic)

Department
Stores***
Galeria Karstadt-
Kaufhof:
172 doors
**„Corona Financial
Bailout“**

*   Source: Müller Ltd.
** Source: ABDA.de
*** Source Statista

Prestige/Selective - Distribution

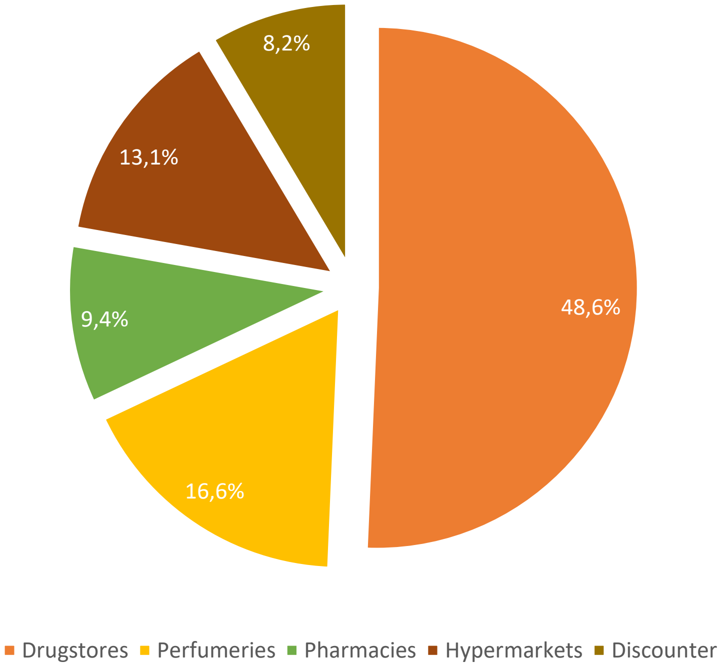
Douglas*
435 Filialen
+ douglas.de/
parfumdreams/
niche beauty

Owner managed
perfumeries**
ca. **2.025 branches**
(organized in
cooperations:
Beauty Alliance: 1.100
WfS: 200)

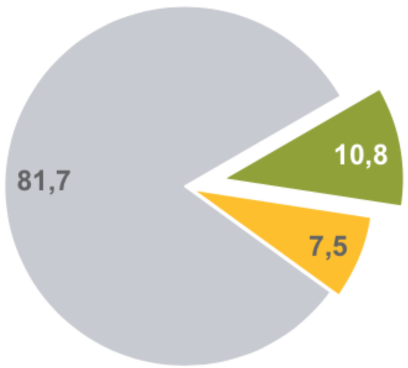
* Source: Douglas.de
** Source: Beauty Alliance/
Wir-für-Sie

Total Volume of the German Cosmetic Market 2019 = 14,046 Mio. EUR

Main Retail-Sales Channels 2019



Market Share Value in % Conventional vs. Organic & Natur-Inspired 2019



	Value Sales 2019 vs. 2018
Natural & Organic	+9,4 %
Nature-Inspired	+6,4 %
Conventional	-2,4 %

Natural/Nature-inspired = 80% of sales is generated through Drugstores; 7,3 % through Perfumeries (incl. Douglas) 2019

Total Cosmetic turnover = 54 % of sales is generated through Drugstores 18 % through Perfumeries (incl. Douglas)

Müller

Turnover 2019/20: EUR 4,01 bln – represented in 7 countries

No. Doors: Total 864 – 569 in Germany (doors with prestige perfumery's
57 in Switzerland
88 in Austria

Doors with „Organic Shop-in Shop": actual 322 – 195 in Germany
16 in Switzerland
55 in Austria

Online-shop: www.mueller.de

Strengths:

- Established the first „Naturshop Concept" within the network.
- Runs premium perfumery's with leading brands like Chanel, Dior, Lauder Group, Shiseido, etc.
- Reliable strong partner all along the last years
- Sales team with good advisory skills in natural & oganic cosmetic
- Supports new/young promessing concepts

Weaknesses:

- Digital presence is behind the avarage in our market
- Less dens branch network
- Semi-self-select store concept – little skills for niche brands

*Statista 10/20
Mueller.de

DOUGLAS

Since Tina Mueller was appointed CEO Douglas, they took over „parfumdreams.de“ and the majority of shares of „niche-beauty.com“, both established one-liners. With strong efforts on the transformation, douglas already become one of the largest digital platform for selective cosmetics distribution. Lately the Douglas marketplace with strong criterias has been established and a cooperation HS24 shopping channel was entered with few selected exclusive and own brands where launched. Douglas strategy is to become „the first fully-integrated European e-tail beauty platform“.

Turnover 2019/2020:	EUR 2,5 bln (-7,5%) – represented in 26 countries
No. Doors:	Total 2.300 – 435 in Germany
Online-shop:	www.douglas.de / douglas market place / teleshopping coop with HS24
Strengths:	- The leading chain store for all categories, selective to premium/prestige cosmetics. - Strong and fast digital developement with growth during Covid 19 Pandemic of 70 %. - No. 2 (after Amazon) platform for selective & premium cosmetics.
Weaknesses:	- Not a brand-builder, online as well offline. - Staff in the brick'n-mortar stores has no or only limited product knowledge and is foccused on sales rather than on customer's loyalty. - Positive shopping experience is missing in „older“ branches. - The few new concepted stores are missing yet the proof of concept. - High retail margin (up to 60%) and marketing investment (⌀ 25% of net sales)

Sources: douglas Tina Mueller 13.11.20 / Photo Douglas.de / Kampen.de / statista.com 12.08.20

Specialized Perfumeries - owner managed

Total No. of brick‘n Mortar Perfumeries:	2.028 doors
No. of doors associated in Beauty Alliance:	1.100 doors of 242 Perfumery Entrepreneur
& Wir für Sie:	200 doors
Turnover 2019/20:	**EUR 2,4 bln**

Service of the associations for the members:

- Own marketing department
- Category management
- centralized ERP System & financial settlements
- centralized purchase price & terms negotiations

Strengths:

- brick‘n mortar as the physical platform for selective and premium cosmetics
- strong branch coverage
- excellent customer assessment skills
- skills to handle niche brands

Weaknesses:

- digital presence is behind the avarage in our market
- intensiv lenghty efforts to get brands listed
- intensiv support by the brand‘s sales team
- high margin (up to 55%) and marketingsupport (between 15% & 25%, depending on the product category)

Sources: beauty alliance/WirfürSie/Photos

GERMANY is a „saturated market“ when it comes to cosmetic distribution!

- <u>To conquer this market, despite the hugh potential of the total market size, it is a big challange on one hand, in particular in the recent times of Corona, but a success is realistic and the result of an intensive Market Analysis:</u>

- Concept & story: newness – exitement – outstanding ingredients
- Product category: future trends – accessability of the concept - opportunity
- High quality & honesty: be honest about efficacy and ingredients
- <u>Sustainability & environmentle awarness: assure a certain transparency from „gradle-to-gradle</u>“
- Make your brand “FIT“: competitve retail prices position / targeted assortment / Marketing concept & budget
- Be honest to yourself: This means, you need to know your company; its brand positioning, its values, and its capabilities.

THANK YOU!

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