



## Press release

### **Results 2008: luxury cosmetics withstand crisis – sales up 1.9%**

#### **Current decline in consumer spending makes the industry sceptical for 2009**

**Berlin and Frankfurt/Main, 2 April 2009:** In 2008 the leading 50 companies in the market for selectively distributed cosmetics withstood the crisis and were able to increase their sales in an overall difficult economic situation.

“Last year consumer spending did not deteriorate as expected. We were therefore able to meet our sales targets to a very high extent. This success mainly resulted and will continue to be the key factor „brands“ combined with top product quality, innovative developments, over-average service and the corresponding product design and atmosphere at the POS“, said Stephan Seidel, VKE-President and Managing Director Clarins, Starnberg, at the VKE annual press conference in Frankfurt/Main.

The companies in the medium and top-price market for cosmetic products represented by the VKE-Cosmetics Association reported total sales of **1,719 billion euros** for 2008. This corresponds to a satisfactory increase of **1.9%** compared to the previous year`s level.

The various segments performed as follows: with an increase of **5.4%** decorative cosmetics reported highest growth and have once again been the main contributor to growth. Especially in the last quarter of 2008, during this time of recession, women increasingly bought make-up and lipsticks.

The positive trend in the body care segment continued in 2008. The increase of **3.2 %** shows that anti-aging and wellness products are very well accepted by the consumer.

The men`s cosmetics segment also went up. Its comparably moderate increase of only **3.0%** resulted from the low number of new product launches. In general, men are increasingly prepared to use cosmetic products.

Women`s fragrances also showed an upward trend. The increase of **1.4 %** resulted from both new product launches and stable sales of the “classics”.

With a drop in sales of **1.7%** the care cosmetics segment (facial care women and sun care products) once again remained below expectations. Despite the innovative and highly effective product range competition with consumer brands is particularly strong in this sector.

„About 33 % of our member companies managed to increase sales in the first quarter of 2009, but the outlook is less optimistic. 72 % of all member companies are expecting a drop in sales for 2009, 28 % of them sales on the previous year`s level. For 2009 we are expecting a decline in sales between 2 and 4%. The industry is hoping to survive the first half of this year unscathed. For autumn we are expecting sales to recover slightly. But this will not compensate for the losses of the first few months of the year“, said VKE Managing Director Martin Ruppmann.

In 2009 the VKE-Cosmetics Association is planning to intensify its fight against product and brand piracy. With its participation in the APM exhibition „Schöner Schein. Dunkler Schatten“ (Beautiful appearance. Dark shadows), which can be seen in 30 ECE shopping centres, and a accompanying poster display in the retail trade, the industry carries out active consumer information.

Martin Ruppmann: “With this exhibition we want to make consumers aware of the fact that buying fake products means exposing oneself to considerable health risks, destroying workplaces and supporting organized crime.“

In 2008 the value of fragrance and cosmetic products confiscated at the German borders went up by 2.8 million euros (2007) totalling 13.2 million euros.

The VKE-Cosmetics Association, Berlin was founded in 1952 in Frankfurt/Main and represents the professional interests of distributors and manufacturers of selectively distributed fragrance and cosmetic products in Germany. The VKE consists of just under 50 German sales subsidiaries of foreign parent companies and German cosmetics manufacturers representing over 200 brands, some of them world-famous, and sales of nearly 1.7 billion €. The VKE member companies make up around 35 % of the total market for cosmetic products in Germany.

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