

Indian Cosmetic Industry: An analytical study with consumer perspective

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Abstract

The Indian cosmetics market has seen major changes in terms of user perception and product availability over the past few years. There have been market shifts during this period and the past few years have seen the market take further momentum. According to figures given by the Confederation of Indian Industries (CII), the total Indian beauty and cosmetic market size currently stands at US\$950 million and showing growth between 15–20% per annum. The increasing market size is the direct result of the changing socioeconomic status of the Indian consumers, especially women. Higher paying jobs and increasing awareness of the Western world and beauty trends there have served to change the tastes and customs of the middle class and higher strata of the society, with the result that a woman from such social strata now is more conscious of her appearance and is willing to spend extra cash on enhancing it further. Today increasing numbers of women, especially from the middle-class population, have more disposable income leading to a change in cosmetic and skin care product consumption.

The objectives of this research study are to present an overview of cosmetic Industry and to examine consumer behaviour towards cosmetic products. Research study was carried out in the commercial capital of Madhya Pradesh-Indore city, popularly known as mini Bombay. As this study is limited to Indore city, the same cannot be generalized in a border sense.

Introduction

Cosmetics are substances used to enhance the beauty of the human body. It implies psychologically that you are compensating for something you do not have. Presently, the governing legislation in case of cosmetics in India is the Drugs & Cosmetics Act, 1940 which defines a cosmetic as –any article intended to be rubbed, poured, sprinkled or sprayed on, or introduced into, or otherwise applied to, human body or any part thereof for cleansing, beautifying, promoting attractiveness, or altering the appearance, and includes any article intended for use as a component of cosmetic. The Indian cosmetic industry has witnessed rapid growth over the last decade. In that time the range of cosmetic and beauty products in India has widened tremendously. Indian competitors have begun to manufacture products to cater to an international need. Herbal cosmetics from India have a great demand in the overseas market and many cosmetic products that are manufactured in India today are supplied to international suppliers of branded cosmetic products.

New facts that have been reveal that the industry of cosmetic products in India is growing at an average rate of almost twenty per cent annually; this increase is attributed to two main factors. The first being the increase for the demand in Indian cost-effective products and the second being the increased purchasing power of the average Indian. There are also many reasons for the increased demand for cosmetic products in particular. With the introduction of satellite television and a wide array of television channels as well as the internet, the average Indian consumer is constantly bombarded with advertisements and information on new cosmetic products which often translates into the desire to purchase them. A boom in the Indian fashion industry has been linked to the increased awareness of Indian people about their appearances & consequently contributed to an increase in the demand for cosmetic products. Consumer behavior encompasses a vast area including consumption pattern, consumer preferences, consumer motivation, and consumer buying process & shopping behavior. The purchase decision is influenced by various factors such as social, cultural, demographic, personal, economic etc. So for effective marketing, the marketer must know the basis of decisions taken by customers.

Current scenario

With disposable incomes increasing in India, the country is poised to become a manufacturing hub for global cosmetics luxury brands over the next few years. The report referred to the 'core strengths' in India's manufacturing sector, and said manufacturing of luxury items could become a \$500-million industry in the present period. Global brands like Louis Vuitton and Frette are already looking at India as a manufacturing base for their products, while others are sourcing their requirements from India," the report said. Moreover, the study said, cost advantages, particularly in labour-intensive sectors like leather and accessories would goad manufacturing of foreign brands in the country. The study suggested that in order to promote the luxury cosmetics market, three initiatives were required - organizing the sector, promoting standardization and branding organization, and partnerships with international fashion and luxury associations.

"Corporatization of the luxury cosmetics sector will bring along with it concepts of organized and innovative marketing, leading to large investments, employments and generating additional revenue streams,"

Top leading companies are Lakme, Colgate Palmolive India Ltd., a subsidiary of Colgate Palmolive Company, USA, Emami Limited, Revlon, Oriflamme Cosmetics, L'Oreal Group, and Avon Products. London range of cosmetics, According to a source at L'Oreal India, women in the age group of 30 and above are getting very selective about the type of products they choose. These women also are more open to buying higher-priced products. Men are emerging as big buyers of cosmetics and skin care here. But now players such as Kryolan and MAC have direct presence in Indian Market with focusing on Brand Positioning thru pricing of the product and the nature of product usage. Products falling under the price range of Rs 45 to Rs 200 are in the mass market category. The middle market price can range from Rs 200 up to Rs 800. In the high-end market, pricing can range from Rs 800 to about Rs 5000. Finally there is the premium range of products where the pricing can touch up to Rs 35,000. Today, it is important for big brands to define different brand positioning to retain the right market share. Brands such as Lakme and Color Bar are being pushed as mass market products and focus on younger women with lower buying power. Revlon, Chambor, Diana of London that make the mid-range while Clarins, MAC and Lancôme make the high end. La Prairie touches the premium end of the market. Besides L'Oreal, Unilever, through its Indian arm Hindustan Lever, Procter & Gamble, and most premium and high-end brands prefer to come to the country through distributors. India presents a big opportunity for global cosmetic vendors selling color cosmetics and specialized skin care products in the market. Today, these product segments are showing impressive growth rates.

In skin care, the most popular are anti-wrinkle, anti-blemish and skin-whitening products .Other specialized products need more customer awareness. The range of products sold at Men and boys includes face washes, cleansers and scrubs, facial clay, lava and mineral mud masks, purifying and energizing masks, facial moisturizers, exfoliation scrubs, detoxifying exfoliating masks, anti-breakout gels, pore-reducing serums, pre-shave oils and guards, hot towel pre shave treatment, electric pre-shave optimizers, shaving creams, foams and lathers, aftershave creams, soothers and moisturizers and after-shave balm, among others. Worldwide cosmetics market top ten (2008) includes United States, Japan, Brazil, China, Germany, France, United Kingdom, Italy, Russia and Spain. The cosmetic industry worldwide seems to be continuously developing. Many famous companies sell their cosmetic products online also in countries in which they do not have representatives.

Significance of Cosmetics in human's life

Appearance plays a significant role in making the first impression. Cosmetics help to make a woman and men feel more confident and assured about their image. Cosmetics are substances that are used to improve appearance. An array of cosmetics is used by people all

around the world. These include skincare creams, powders, lotions, nail polishes, lipsticks, colored contact lenses, eye and facial makeup, hair colors, deodorants, hair sprays and gels, bath soaps, bath salts, bath oils, baby products and many more. This wide variety is generally divided into two types: decorative cosmetics and care cosmetics. Today, certified organic cosmetic products are very popular. They are made up of organic and natural ingredients. Many cosmetics contain vitamins such as A, D, E and K. These vitamins are essential for healthy skin and hair. There are also varieties of shampoos and conditioners available, which keep the hair clean, soft and healthy. The wide range of hair colors available today also helps to modify and highlight the hair in color and shade of one's choice. Cosmetics can bring about a huge change in personality.

Research Methodology

The data for present study have been collected from both –primary and secondary sources. Primary data have been collected by using a well-structured questionnaire consisting of multiple option questions. The questionnaire was distributed amongst 1082 respondents out of which 1000 questionnaires were taken into account. The secondary data and concerned information have been collected from the various reports, magazines, journals, news-papers, editorials, periodicals and websites. The questionnaire was designed to focus on awareness, Preference of cosmetic products, type of sources of information, brand loyalty, brand endorsement, factors affecting purchase decision making and demographical factors.

The Likert scale with five options- strongly disagree, disagree, neutral, agree & strongly agree was used as the survey instrument in the questionnaire. The linear regression was used to test the research hypotheses. The significance of the coefficients and t-values were examined in order to accept or reject the hypotheses. T value is significant when the calculated value of t is more than the table value of $t = 2.58$ based on two-tailed test for $p < 0.01$.

Hypotheses:

H01: There is much awareness about cosmetic products and brands amongst consumers.

H1 There is less awareness about the product and brands amongst consumers.

H02: Demographic factors affect the purchase decision to a great extent.

H1 Impact of demographic factors on purchase decision is negligible.

H03: Brands endorsement helps in increasing the sales of brands remarkably.

H1 Brands endorsement helps in increasing the sales of brands marginally.

Demographic Profile of respondents (1000)

Demographic Factors	Data	Frequency(1000)	%
Gender	Male	643	64.30
	Female	357	35.70
Age	15-20	166	16.6
	21-30	199	19.9
	31-40	239	23.9
	41-50	281	28.1
	51 & above	115	11.5
Education	School Education	169	16.9
	Under graduate	384	38.4
	Graduation	338	33.8
	Post Graduation	105	10.5
Marital Status	Male	391	39.1
	Female	609	60.9
Occupation	Govt. Employee	187	18.7
	Pvt. Employee	376	37.6
	Self Employed	104	10.4
	Home Manager	112	11.2
	Student	221	22.1
Annual Income per annum	Less or equal to 1 lakh	193	19.3
	1.1-2 Lakh	304	30.4
	2.1-3 Lakh	289	28.9
	More than 3.01 Lakh	214	21.4
Members in the family	Less than 2	110	11
	3-4	249	24.9
	5-6	319	31.9
	More than 6	322	32.2

Testing of hypotheses:

Ha1: There is much awareness about cosmetic products and brands amongst consumers

H01: There is less awareness about cosmetic products and brands amongst consumers

The study considered Skin protection, Confidence; Enhance the Beauty / Smartness, Impression and Imitate as independent variables and awareness about the use of cosmetic

product as a dependent variable from the questionnaire. Calculated value of t is less than the table value (t-value = 0.38, $p > 0.01$). **Thus, we reject the alternative hypothesis and accept the null one i.e. there is less awareness about the product and brands amongst consumers.**

Regression estimation for awareness about cosmetic products

Independent Variables	Standardized coefficient (Beta)	t value	Sig.
Constant		0.38**	.14
Skin protection	.02		
Confidence	-- .05		
Enhance the Beauty / Smartness	-- .32		
Impression	.12		
Imitate	.06		

Note: ** t-value is not significant for $p < 0.01$

Ha2: Demographic factors affect the purchase decision to a great extent.

H02: Impact of demographic factors on purchase decision is negligible.

The following table depicts the regression estimation for demographic factors affect on purchase decision of cosmetic products. The study considered age, education, income, marital status and other family members as independent variables and level of interest to purchase as a dependent variable. The statement is statistically significant because calculated value of t is greater than the table value (t-value =25.484, $p < 0.01$). **Thus, we reject the null hypothesis and accept the alternative one i.e. demographic factors affecting the purchase decision to a great extent.** Among the independents variables, Age (.61) has a major impact on purchase decision of a cosmetic product, followed by Income (.58), Education (.52) Marital Status (.44).

Regression estimation for demographic factors affecting Purchase decision

Independent Variables	Standardized coefficient (Beta)	t value	Sig.
Constant		25.484*	.000
Age	.61		
Education	.52		
Income	.58		
Marital Status	.44		
Other family members	.09		

Note: *t-value is significant for $p < 0.01$

Ha3: Brand endorsement helps in increasing the sales of brands remarkably.

H03: Brand endorsement helps in increasing the sales of brands marginally.

The following table presents the regression estimation for brand endorsement assistance in sales. The study considered Brand Ambassador, Past Record, Advertisement and High Promises of Endorsement as independent variables and brand endorsement makes more sales as a dependent variable. The statement is statistically significant because calculated value of t is greater than the table value (t-value = 3.216, p < 0.01). **Thus, we reject the null hypothesis and accept the alternative one i.e. Brand endorsement helps in increasing the sales of brands remarkably.** Among the independent variables, Brand Ambassador (.63) has a major impact on enhancement of sales of brands and followed by Past Record (.27).

Regression estimation for brand endorsement in increasing the sales of brands

Independent Variables	Standardized coefficient(Beta)	t value	Sig.
Constant		3.216*	.000
Brand Ambassador	.63		
Past Record	.27		
Advertisement	.18		
High Promises of Endorsement	.13		

Note: *t-value is significant for p < 0.01

Major findings of the study

- Largest number of respondents has been found between the age of 41-50 and shown greater interest for using cosmetic products.
- Males showed their much interest in cosmetic products as well that ensues today’s male segment has become more caring and conscious about presentable and pleasing personality
- Married respondents have shown greater interest
- Larger families have shown more interest.
- Mostly respondents have been found under graduate.
- It has been found that most of the respondents using cosmetic products to enhance their appearance but the proper awareness about the cosmetic products is inadequate.
- It has been analyzed in the study that respondents are using the products which is recommended by the beautician, friends and colleagues.
- The study has revealed that the use of cosmetic products increase the level of confidence of users.
- Brand ambassadors influence the purchase decision of buyers/consumers.

Suggestions

It is suggested that companies should make more herbal products, to protect the user, from the side effects of chemicals. Companies should stick to the appeal which is endorsed by their ambassadors. Ethical advertisement is expected from the cosmetic manufacturers, to protect the consumers from false promises. New and innovative products create new market and new segments for the company, for that research and development program should be more focused and intensive. It is strongly suggested that all products should be available in all the sizes to reach in all consumer segment. Companies are required to use eco friendly packaging material to protect environment.

Conclusion:

Largely, demographic factors affecting the purchase decision. There is need to increase awareness and educate the masses about products and brands of cosmetics through aggressive marketing. Brand endorsement plays a pivotal role in enhancing sales of products. Indian cosmetics industry is expected to witness impressive growth rate in the near future owing to rising beauty concern of both men and women. Today the industry holds promising growth prospects for both existing and new players. The baseline is that there has been a rise in variety of products offered by the industry players in the country. The companies have started going for rural expansion and are offering specialized products to generate revenues from all the corners of the country. Improvement and strengthening of the Indian economy in the coming years will also pave the way for the Indian cosmetics market over the forecast period and develop the cosmetic industry. The Indian cosmetic market that traditionally a stronghold of a few major Indian players like Lakme and Ponds have seen a lot of foreign entrants to the market within the last decade. India is a very price sensitive market and the cosmetics and personal care product companies, especially the new entrants have had to work out new innovative strategies to suit Indian preferences and budgets to establish a hold on the market and establish a niche market for them. The current size of the Indian cosmetic industry is approx US\$ 600 million. Rate of 20% per annum across different segments of the cosmetic industry reflecting with an increasing demand for all kinds of beauty and personal care products. Growth in the Indian cosmetic industry has come mainly from the low and medium priced categories that account for 90 % of the cosmetics market in terms of volume. The sector has mainly been driven by improving purchasing power and rising fashion consciousness of the Indian population. The cosmetic industry worldwide continues to grow. Many companies in beauty care industry are coming up seeking opportunities arising out of the changing environment specifically- socio-cultural and demographic environment, bringing innovative products aimed at merging niche markets and venturing at largely untapped markets.

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