

Retail Industry

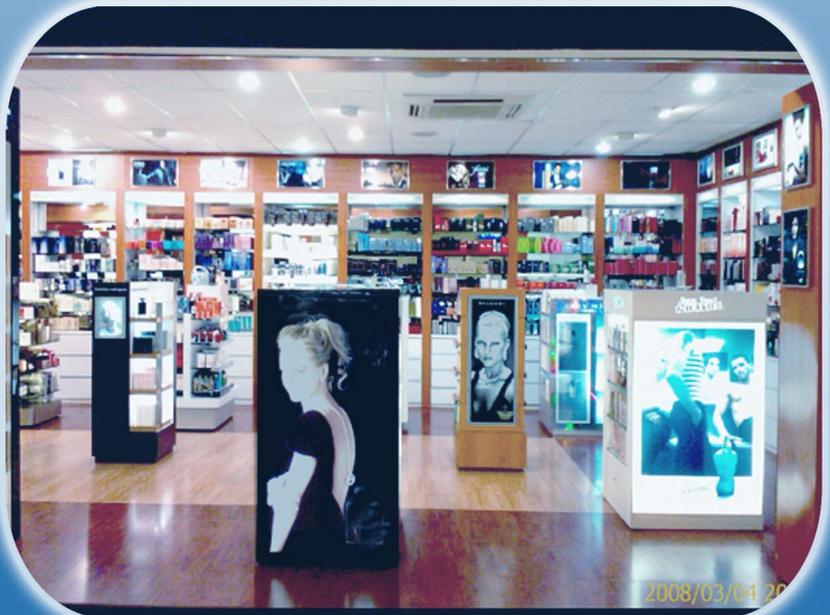
Indian Cosmetic Sector Analysis (2009-2012)

INDUSTRY RESEARCH REPORT

May, 2009

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Executive Summary

The Indian cosmetic Industry has witnessed rapid growth in the last couple of years, growing at a CAGR of around 7.5% between 2006 and 2008. With improving purchasing power and increasing fashion consciousness, the industry is expected to maintain the growth momentum (with marginal slowdown due to economic slowdown) during our forecast period (2009-2012). It is projected to grow at a CAGR of around 7% during the forecast period, says “**Indian Cosmetic Sector Analysis (2009-2012)**”, a recent research report by RNCOS,

Both electronic as well as print media are playing an important role in spreading awareness about cosmetic products and developing fashion consciousness among the Indian consumers. With the introduction of satellite television and a number of television channels as well as the Internet, the Indian consumers are constantly being updated about new cosmetic products, translating into the desire to purchase them. Additionally, the flourishing Indian fashion/film industry is fueling growth in the industry by making Indians to realize the importance of having good looks and appearances.

Despite the massive surge in the popularity of cosmetic products, our report finds that the average consumer spending on cosmetic products in India is much lesser than any other part of the world. This implies that the Indian cosmetic industry has an even greater potential for growth in future than present.

At present, most of cosmetics manufacturers in India cater to the domestic market but they are gradually establishing their footholds in overseas markets. In recent years, the Indian cosmetic manufactures have received orders from overseas markets; for example - Indian herbal cosmetic products have a tremendous demand in the international market.

However, manufactures should not forget that the Indian domestic market is price sensitive and they need to work out innovative strategies to establish a foothold here, the report added.

Our report also provides an in-depth analysis of present and future prospects of the Indian cosmetics industry. It thoroughly evaluates the industry, with focus on current and future market position of important segments and respective key players. The report helps the

clients to examine the factors critical for the success of the industry and enables them to understand the existing and future opportunities and challenges lying in the industry.

The report also provides forecast (2009-2012) on

- Skin Care
- Hair Care
- Color Cosmetics
- Fragrances
- Oral care
- Toothpaste
- Tooth Brush
- Tooth Powder

The forecast given in this report is not based on a complex economic model, but is intended as a rough guide to the direction in which the market is likely to move. This forecast is based on correlations between past market growth, growth of base drivers and possible impact of recession on the economy.

Key Players Discussed in the Report

This section provides business overview of key players including Hindustan Unilever Limited, L'Oreal S.A, Marico Limited, Colgate Palmolive India Limited and Dabur India Limited.

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1. Analyst View

India has become a hot destination for trade and business execution in the Asia-Pacific region after the implementation of trade liberalization policies in 1991. The doors were opened for multinationals and efficient infrastructure was built by the government to utilize the country's potential in various sectors including Information technology, healthcare, cosmetics, power etc. These revolutionary steps were duly supported by the country's concrete GDP growth and disciplined regulatory reforms.

Increased disposable income has changed the consumption structure of people, which resulted in higher demand for lifestyle products. The cosmetics industry in India has proactively adjusted itself in a position where it can deliver and sustain the all time soaring demands from Indian consumer. In 2008, the Indian cosmetics industry mounted to US\$ 2.47 Billion, making it the fourth largest cosmetic market in the Asia-Pacific region after Japan, China and South Korea. The industry is further expected to grow at a CAGR of 7-8% in coming years, one of the highest in the world. Even some segments such as color cosmetics, spas are estimated to grow at a CAGR of 20-30%.

As the country's literacy rate is growing up, the consumers are becoming more conscious about looks and lifestyle resulting in more demand for specialized and high quality cosmetics products. Foreign players have identified this market opportunity and reacted efficiently with their offerings of world renowned portfolios which not only fulfilled the existing demand but also made the Indian consumer familiar with international cosmetic brands. Domestic players have also taken active participation in the market's stiff competition and upgraded their production quality and technology to remain profitable in the future. Ultimately, the whole phenomenon has resulted in reduced priced but high quality cosmetics products.

Till now, the Indian cosmetic market has been driven by the female consumers but the mind set of male consumers is also changing due to increasing influence of media and western exposure. Urban areas contribute the most in the overall cosmetic revenue, but the rural region holds a huge potential market for the players as more than 65% of India's population still lives in villages. The key factor for future growth in the rural region will be low price and high quality products with easily accessible supply chain networks.

However, the Indian cosmetic industry has to cover a long way as the country's per capita consumption of cosmetics is one of the lowest in the Asia-Pacific region. With a population of over 1.2 Billion (second highest after China in the world), the country provides an enormous consumer base to market players. Since Japan's cosmetics market is in the phase of saturation, it will be second most desired hotspot after China in the Asia-Pacific region.

For the purpose of this report, the Indian cosmetic market is segmented in to Skin care, Hair care, Color cosmetics, fragrances and Oral care.

US\$ 1= INR 49.70

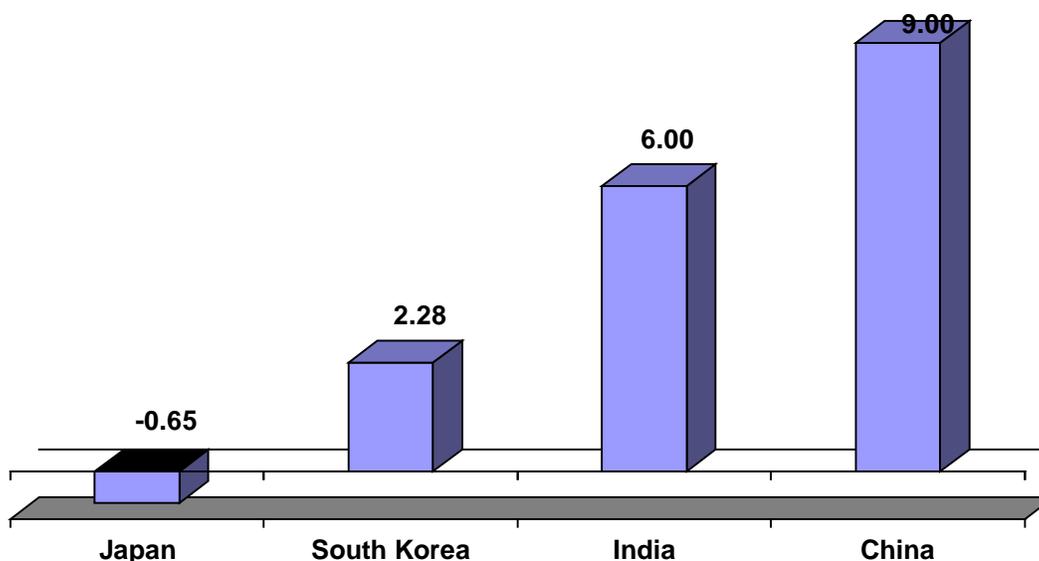
2. Market Trends

2.1 Economic Stability

The feasibility of investment in any region of the world majorly depends on the economic structure and its overall performance. The economic stability not only facilitates the appropriate return on investment but also ensures rapid growth in future. India, which is among the top five emerging economies of the world, was able to secure a real GDP growth rate of around 6% in 2008, the second highest in the Asia-Pacific region after China which registered an impressive 9% real GDP growth rate.

As more and more investment pouring into India, the earnings of the population is rapidly surging. Consequently, people have started showing interest in lifestyle products, leading to a strong growth in the country's cosmetic industry.

Figure 2-1: Comparison of Real GDP Growth Rate (%), 2008



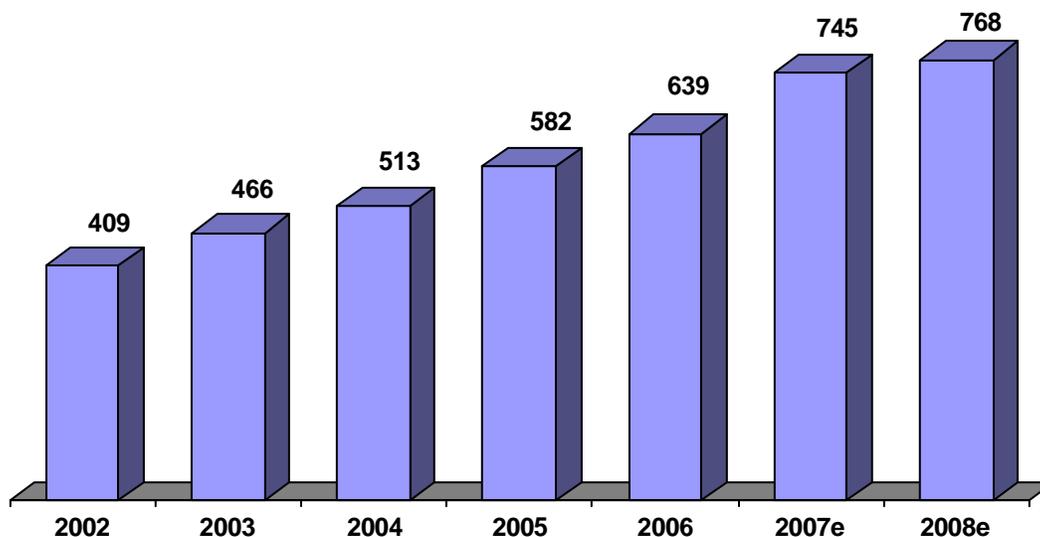
Source: EIU

Note: GDP of India is estimated

2.2 Increasing Purchasing Power

With growing economy of India, the income levels of the population are moving upward at fast pace. At the same time, the liberalization in trade policies has attracted large investments into the country and transformed into rapid industrial growth. This in turn has improved the earning power of consumers, and ultimately orchestrated in higher purchasing capacities of Indian people during 2002-2008. Per head disposable income in India grew at a CAGR of around 11% in the same period.

Figure 2-2: Per Head Disposable Income (US\$), 2002-2008

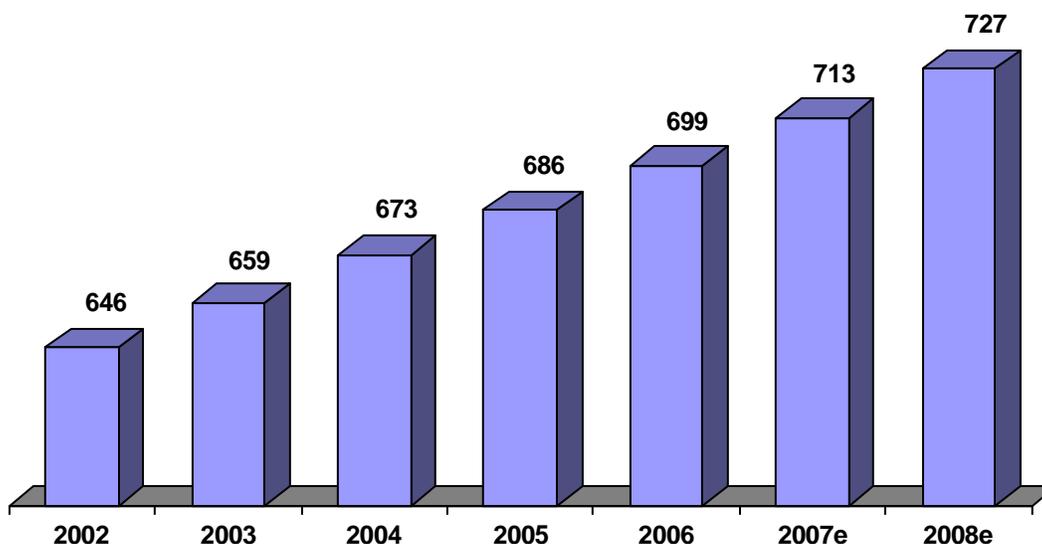


Source: EIU

2.3 Enormous Consumer Base

People under the age group of 15-64 years constitute the consumer base for the cosmetic market since they quickly react to the latest trends and fashion scenarios. This age group also represents the major segment of the income generating population. The number of people under this particular age group is growing at a rapid pace and is forecasted to climb to about 790 Million by 2015. Given the increasing number of prospective consumers, foreign players are targeting the country.

Figure 2-3: Population in Age Group 15-64 Years (Million), 2002-2008



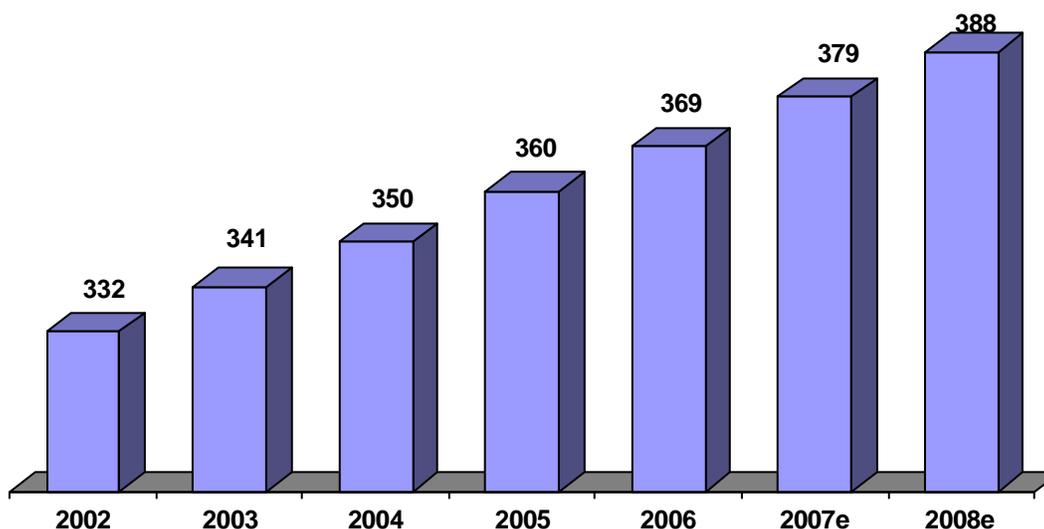
Source: EIU, U.S. Census Bureau

2.4 Aging Population

Aging population has emerged as a dominant factor for the growth of global cosmetic market and India is a live example of the same. In India, the population between the age of 30 and 59 years touched an estimated 388 Million in 2008. Majority of this population belongs to service class segment and bears the brunt of age generated skin deformities such as wrinkles, sun burn, etc. In order to look younger and beautiful, this age group is fueling the sales of cosmetic and personal care products.

Moreover, majority of the population in the country is price sensitive and the option of getting a surgery done is generally left untouched, resulting into the higher use of cosmetic products day by day. In response, major cosmetic players of the world are now eyeing India as a potential market and strengthening their bases in the country.

Figure 2-4: Population in Age Group 30-59 Years (Million), 2002-2008

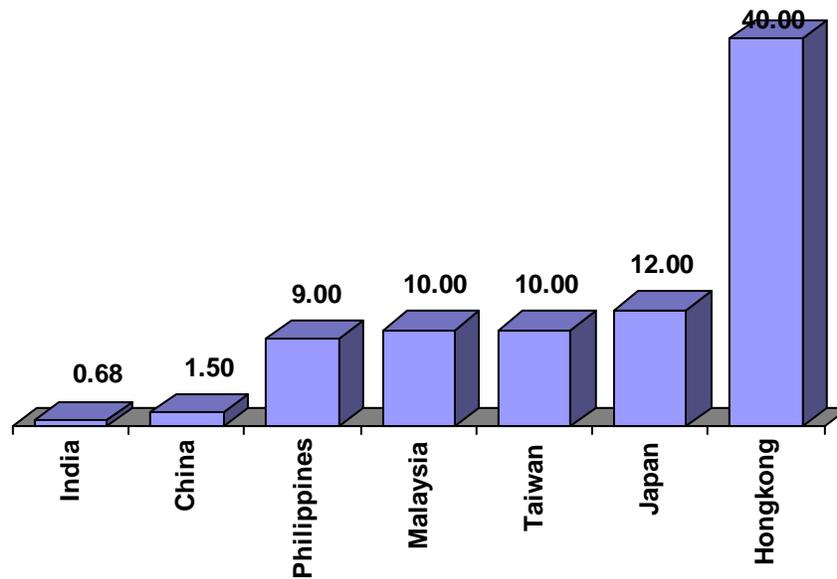


Source: EIU, U.S. Census Bureau

2.5 Low Per Capita Consumption

India's per capita consumption of cosmetic and toiletries of well known brands is one of the lowest in the Asia-Pacific region. However, in terms of prospective cosmetic and toiletries consumers, India comes within the top three countries. Low per capita consumption indicates that there is a huge untapped market with immense growth potential.

Figure 2-5: Cosmetic and Toiletries Per Capita Spending in Comparison to Other Key Markets (US\$)



Source: ASSOCHAM (Jan 2008)

2.6 Low Penetration Level

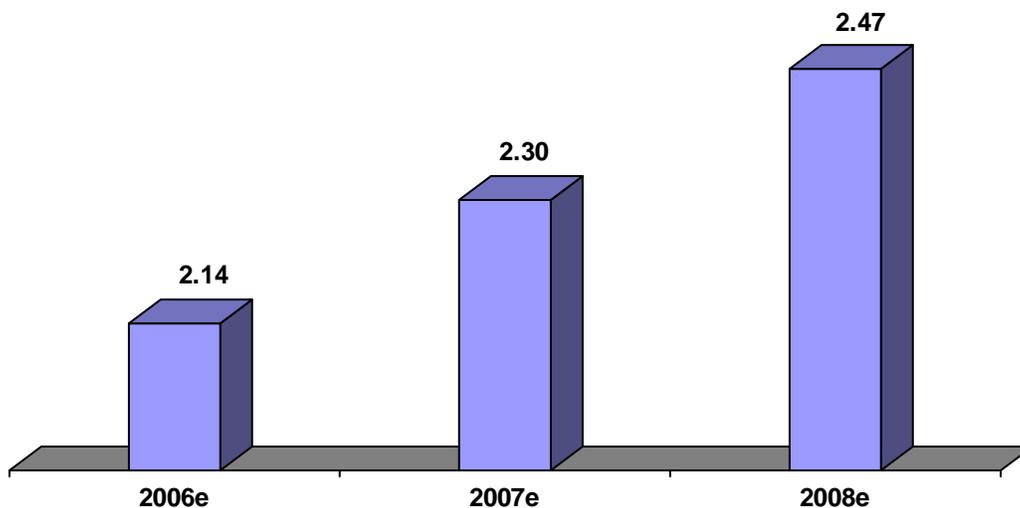
The overall penetration level of cosmetics products in India is quite low. In fact, the penetration level of known brands stands at only 20% while the rest of the market is occupied by low-cost cosmetic products. For instance, for utility product like toothpaste, the penetration level is 50% and for skin care and hair wash, this level stands at only 33%. Hence, the low level of penetration can be perceived as high growth opportunity for domestic as well as international players.

3. Indian Cosmetic Market Performance

The Indian cosmetic market has been showing a steady growth for the past years, with many international brands like L’Oréal, Proctor & Gamble (P&G), Colgate Palmolive, HUL have made significant contribution to the existing market and brought exciting changes to the competitive landscape. Domestic players such as Dabur, Emami, Godrej, etc are also increasing their stronghold on the market through flexible business strategies based on consumer behavior analysis.

The Indian cosmetic market is not only expanding but also becoming more sophisticated and complex due to the western culture influence on population. The media has played a very crucial role in the industry’s growth by presenting cosmetic products as an unavoidable need through all existing means of communication. All these factors boosted the cosmetic sales and the industry grew at a CAGR of around 7.5% between 2006 and 2008.

Figure 3-1: Cosmetic Market (Billion US\$), 2006-2008



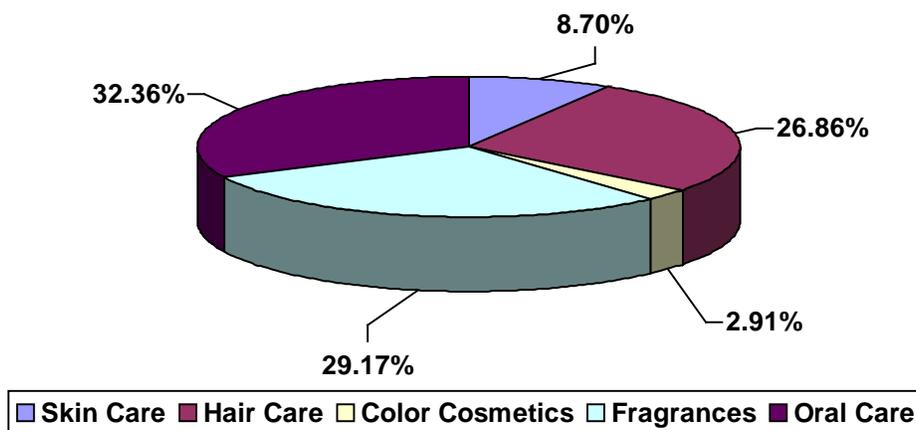
Source: Various Industry Sources

3.1 By Segment

Oral care, fragrances and hair care segments dominated the overall Indian cosmetics market in 2008 since these segments are most popular in the country. The penetration level of hair care and oral care products is high in the population as compared to other cosmetics segments. The top three segments constituted around 88% of the total cosmetics market in 2008.

The color cosmetics and skin care sectors, on the other hand, are relatively small. Despite their relatively small sizes, it is believed that both the segments have huge potential for future growth. This is especially true for the color cosmetics sector. With increasing market sophistication, it is widely expected that the sector will become a major growth engine in future.

Figure 3-2: Cosmetic Market by Segment (%), 2008



Source: Various Industry Sources

Note: Data is estimated

3.2 Future Growth Prospects

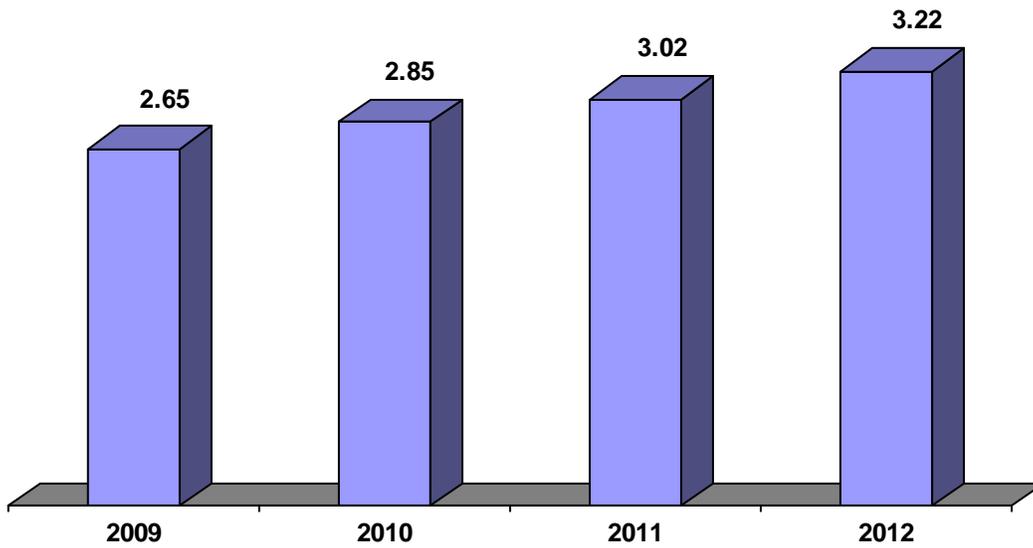
The Indian cosmetics industry is expected to continue its growth trajectory in upcoming years, and is forecasted to grow at a CAGR of around 7% during 2009-2012, the highest in the Asia-Pacific region. The future growth will largely depend on increasing disposable income of the Indian middle class consumers. Besides, improving literacy rate, advertising and promotion of cosmetics products, rising awareness about personal care and western culture influence will further fuel growth in the cosmetics market.

It is expected that the color cosmetics segment will see the highest growth in future. Earlier, this segment was not very popular among consumers, but the media influence coupled with desire of always looking young will enable the color cosmetics market to record an impressive CAGR of around 21% during 2009-2012.

Further, skin care and hair care segments will give impetus to overall cosmetics market. Consumers are highly conscious about these two segments especially in urban territories. Brand and quality matters a lot to them; thus, the future outlook for well established international as well as domestic market players is excellent. The market for skin care and hair care is forecasted to grow at a CAGR of around 13% and 9% in 2009-2012 respectively.

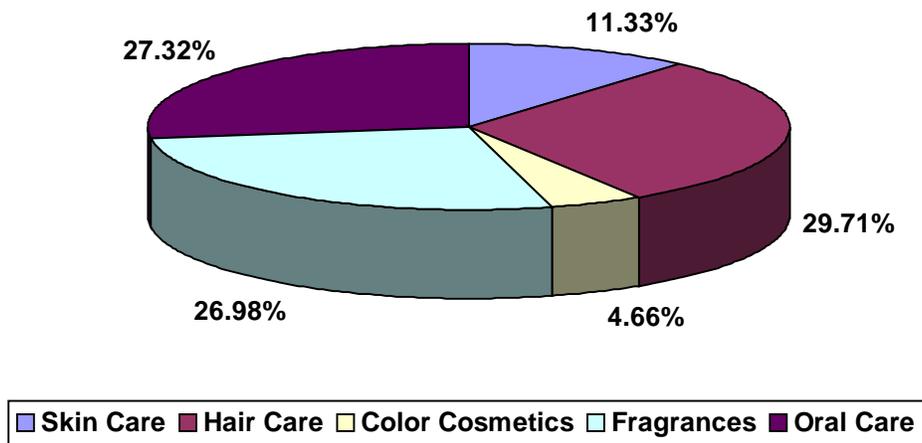
Skin care and color cosmetics segments have started registering blistering growth rates on account of spreading awareness and western culture influence, and are expected to enhance their market share rapidly over the forecast period. They will together account for around 16% share of total cosmetics market by 2012.

Figure 3-3: Forecast for Cosmetic Market (Billion US\$), 2009-2012



Source: RNCOS

Figure 3-4: Forecast for Cosmetic Market by Segment (%), 2012



Source: RNCOS

3.3 Skin Care

Skin care is one of the most attracting segments today of the Indian cosmetics market as people give a lot of importance to brand with rising awareness about cosmetics products. Earlier, the skin care market was mainly focused on mass marketing strategies with very little emphasis on customized skin care solutions, which resulted in relatively lower revenue contribution of skin care market to the overall cosmetics market.

However, companies are now offering customer centric products with an attitude of helping consumer in finding their best suitable cosmetics products based on the type of skin. Carefully framed awareness campaigns have resulted in the emergence of vast consumer base with cautious skin care product demand. The segment has been registering an annual growth rate of 18-20% and the overall skin care market jumped to approximately US\$ 215 Million in 2008.

3.3.1 Segments

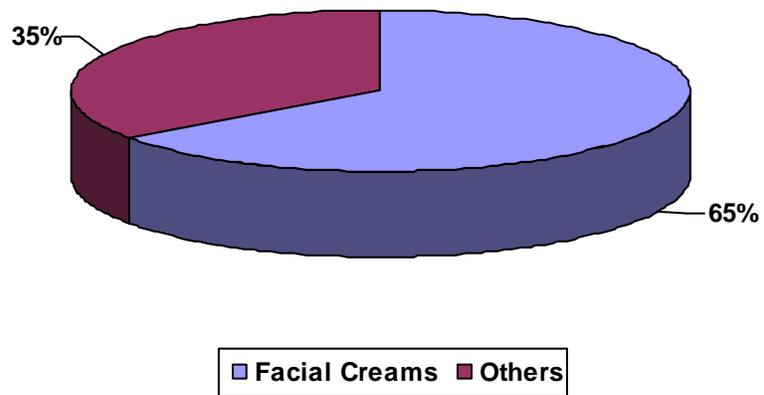
The skin care market can be segregated into tonners, cleansers, sunscreens, anti-wrinkle creams, dark circle removing creams, astringents, facial creams including moisturizers, fairness creams, and day and night creams. Indian consumers are also expanding their skin care routines from basic cleansing and moisturizing to other steps such as toning, nourishing and other specialized care.

The growing awareness about the benefits of skin care products and the advancement in medical technology with safe and effective procedures have made the skin care market to grow at a faster rate. Moreover, changing climate conditions and temperature expose skin to infections and diseases, which have boosted the sales of skin care products in the country.

Facial skin care sub-segment is outperforming the overall skin care market. Removal of pimples and acne, fight stress lines and wrinkles to remain young are boosting the facial skin care market and products are competing with each other to occupy shelf space in the retail stores.

In 2008, around 65% of the total skin care market was accounted by facial creams comprising moisturizers, fairness creams, day and night creams. The market share of facial cream segment stood at an estimated US\$ 140 Million, while other segments including tonners, cleansers, sunscreens etc accounted for around US\$ 75 Million, acquiring 35% of the entire skin care market share.

Figure 3-5: Skin Care Market by Segment (%), 2008



Source: RNCOS Estimation

Note: Facial Creams also include Moisturizers, Fairness creams, Day and Night creams
Others category includes Tonners, Cleansers, Sunscreens etc.

3.3.2 Competitive Landscape

The skin care market is very competitive and enjoys the existence of many large domestic as well as international companies. Brand awareness is very high in urban markets but brand loyalty is low, in rural markets the opposite is true. In order to establish a long lasting potential brand, companies have to spread awareness through aggressive marketing strategies with focus on continuous product promotion.

Some of the main players in the skin care market are Hindustan Lever, Cavin Care, Godrej, Emami, Revlon. HUL was the market leader with the share of above 50% in 2007. The top 3 companies constitute about 68% of total skin care market and the remaining market is covered by domestic companies including Marico, Dabur etc.

The brand matters a lot to the Indian consumers especially in the skin care segment. The success of top companies in the market was due to their strong brand positioning and heavy expenditure made on continuous publicity of known brands.

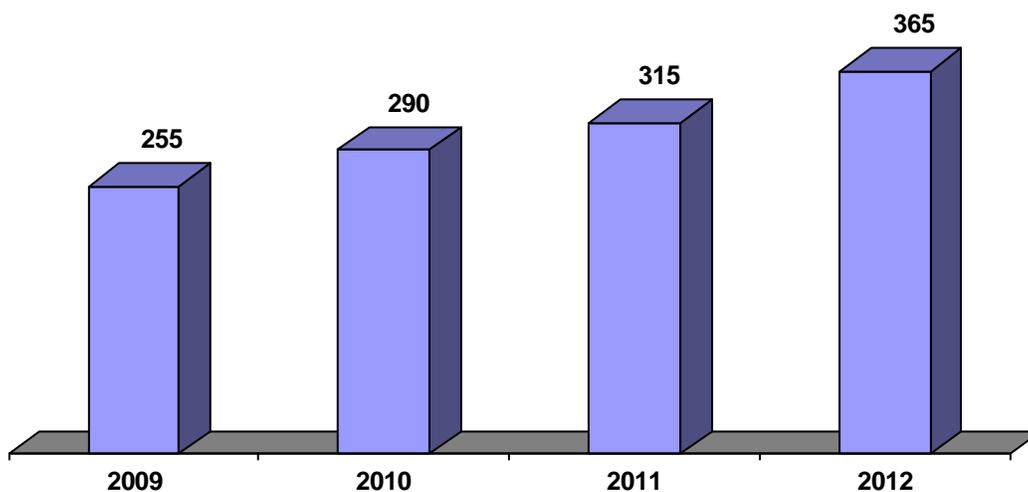
3.3.3 Future Growth Prospects

The Indian skin care market is set to achieve tremendous growth in the coming years. Low penetration, increasing disposable income, volatile climate conditions, and aggressive publicity of skin care products through both print and electronic media will be the key factors for growth in the segment.

In addition, increasing urbanization coupled with growth in the number of office workers has resulted in strong focus on personal grooming which is perceived as associated with both professional as well as social success in the country. Some segments of cosmetics industry including skin care are directly linked with this concept of personal grooming. As the awareness about personal grooming is increasing, the demand for skin care products is also fueling.

The skin care market is expected to register strong CAGR of close to 13% during the period 2009-2012 and will mount to US\$ 365 Million in 2012.

Figure 3-6: Forecast for Skin Care Market (Million US\$), 2009-2012



Source: RNCOS

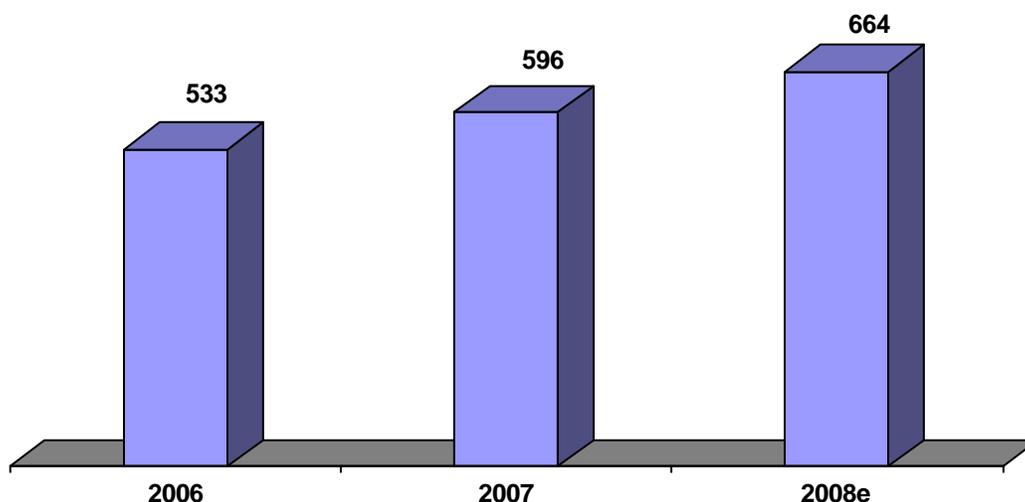
3.4 Hair Care

The Indian hair care market, which consists of shampoos, hair colorants, conditioners, perms and relaxers, and styling agents, has shown strong growth for the past few years. Various factors, such as shift in consumer behavior, growing purchasing power, gradually changing lifestyle combined with trend and product awareness, continue to fuel growth in this market. Indian consumers are becoming more appearance conscious and showing promising buying patterns.

The Indian hair care market stood at around US\$ 664 Million in 2008, growing at a CAGR of nearly 12% since 2006. This growth rate is far better compared to other Asian countries such as Japan and China, where this segment reported CAGR of merely 1.3% and 7% respectively during the same period.

One of the major reasons for the burgeoning growth in the Indian hair care market is the low penetration of hair care products in the country, estimated at around 25%-30%. Hence, there is vast room for future growth. Both Indian urban and rural market constitute a large consumer base for the market players and provide excellent future growth opportunities.

Figure 3-7: Hair Care Market (Million US\$), 2006-2008

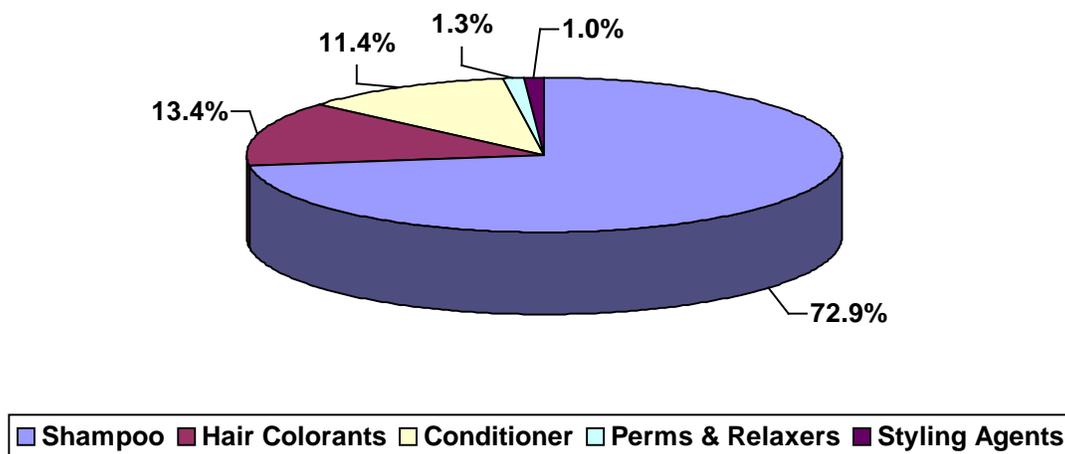


Source: Datamonitor

3.4.1 Segments

The hair care market is highly dominated by shampoo since it is categorized as a twin beneficial hair care product, cosmetic and anti-dandruff. In fact, it is seen as the upper middle class product because more than 50% of the consumers use ordinary toilet soaps for washing their hair. Shampoo accounted for around 73% of the total hair care market in 2007. Other sub-segments like conditioner, hair colorants, perms and relaxers and styling agents are in their early growth stage.

Figure 3-8: Hair Care Market by Segment (%), 2007



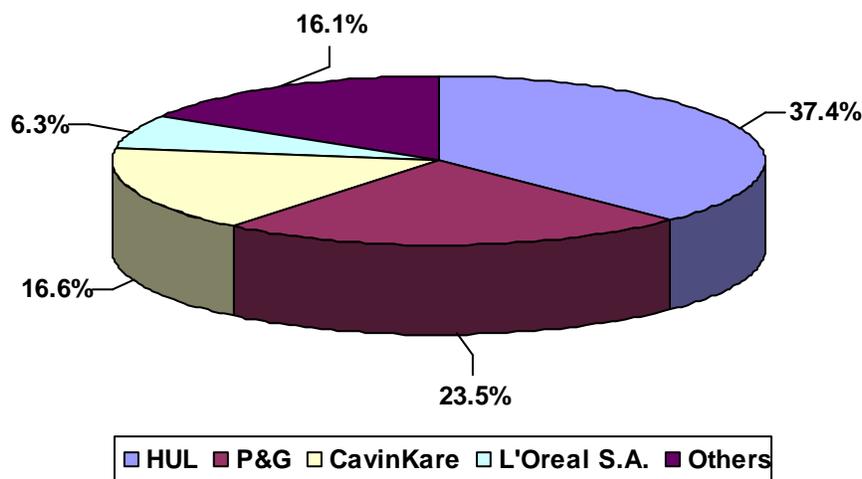
Source: Datamonitor

3.4.2 Competitive Landscape

The Indian hair care market is dominated by a small number of large players. Their scale economies (for example - the ability to produce in bulk) and investment in product development and brand identity provides them an extra edge over their small counterparts. The product portfolio of large players is also diversified and enables them to offer customized solutions for different types of hair. However, the vast untapped consumer base in the country creates opportunities for new players to enter the market on a modest scale by offering hand-made specialty hair care products.

The major market players in the Indian hair care market are Hindustan Unilever Limited (HUL), Proctor & Gamble, CavinKare Pvt Ltd, and L’Oreal S.A. These four players constituted over 80% of the total hair care market in 2007, while the remaining market was covered by the domestic players like Marico, Godrej, Dabur etc. HUL was the market leader in the hair care segment in 2007 by representing around 37% of total market.

Figure 3-9: Share of Key Players in Hair Care Market (2007)

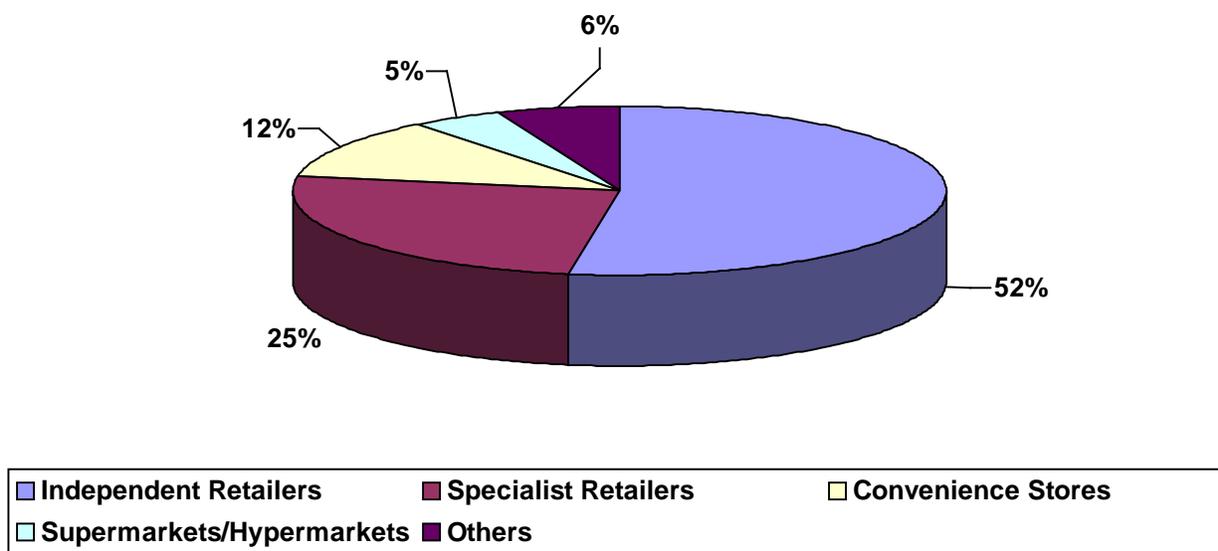


Source: Datamonitor

Distribution

Independent retailers dominate the distribution system of hair care products in India. As the products are not so expensive, consumers consider convenient and less time consuming channels of purchase. Specialized retailers also capture the significant market distribution as they are perceived trusted source of product purchase. Independent retailers and specialized retailers together captured over 75% of the total market distribution in 2007.

Figure 3-10: Hair Care Market by Distribution Channel (%), 2007



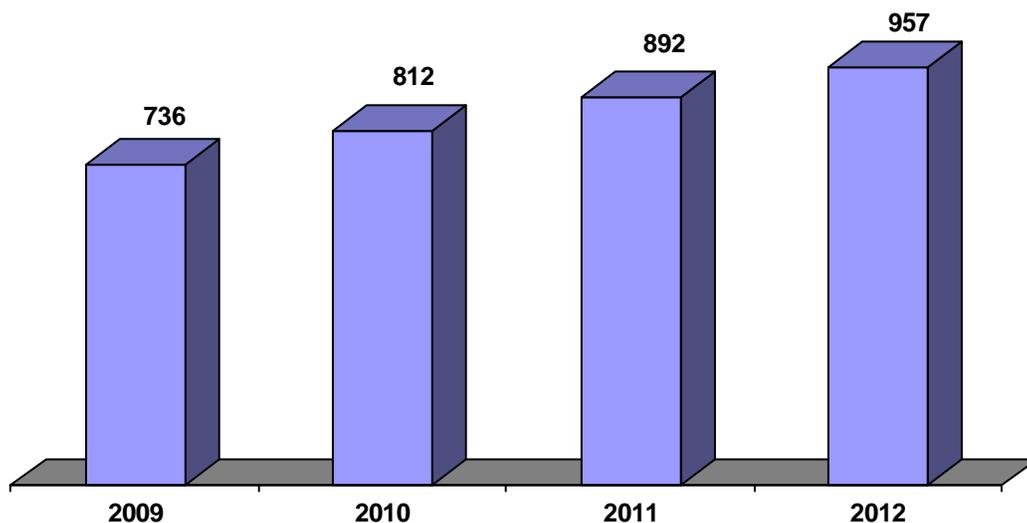
Source: Datamonitor

3.4.3 Future Growth Prospects

The Indian hair care market will maintain its growth pace and gain prominence by interpreting and reflecting principal consumer demand in the launch of innovative products. It will follow the strategic principle - different colored packaging and visual effects for different target audiences. Sales will be further stimulated by product segmentation, with manufacturers offering tailored formulations to meet consumer specific demand.

In addition, some other factors responsible for growth in hair care segment will include product differentiation, brand positioning, growing consumer interest in lifestyle products, category wise segmented hair care offerings, and competition generated low-priced products. The hair care market in India is projected to grow at a CAGR of around 9% during 2009-2012 to reach around US\$ 957 Million in 2012.

Figure 3-11: Forecast for Hair Care Market (Million US\$), 2009-2012



Source: Datamonitor

3.5 Color Cosmetic

Color cosmetic is the fastest growing segment of the Indian cosmetics market. The segment comprises of Lipstick, Nail enamel, Eye makeup, Foundation. Color cosmetics were viewed as an expensive and self-indulgent materials in the past, but higher exposure to television, increased advertisement, growing awareness about the western world and greater product choice and availability have changed the old mind set of consumers and made in vogue color cosmetics one of the most popular segments of the Indian cosmetics market.

The color cosmetic market is registering blistering growth rate of 20%, and stood at nearly US\$ 72 Million in the year 2008. Majority of the market is formed by the urban population due to increased access to branded products through specialist retailers, supermarkets, discount stores etc.

3.5.1 Segments

The major revenue generators for the color cosmetics market are Lipstick and Nail Enamel sub-segments. Increasing population of working ladies in the country is boosting the demand for these two products. In 2008, both the sub-segments had an estimated share of 65% in the total color cosmetics market.

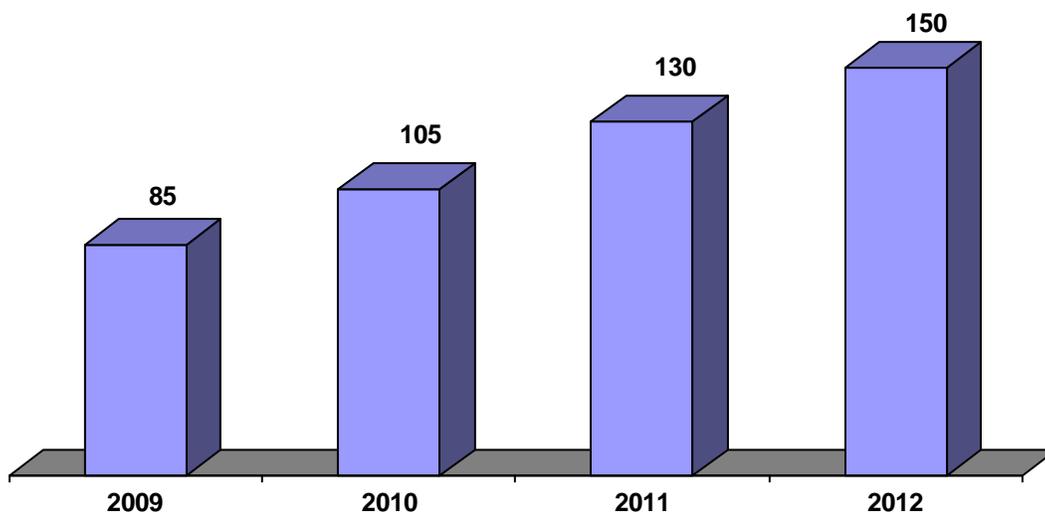
Eye makeup and foundation are not so popular among consumers (especially in the middle class) and perceived as an elite class fashion products used on special occasions like marriage, parties etc. However, the rapid urbanization of population and influence of television will infuse the sales of eye makeup and foundation category in future and will help them to make their substantial market share in the overall color cosmetics market.

3.5.2 Future Growth Prospects

The color cosmetic market in India is expected to grow rapidly in coming years. In fact, it will account for the highest CAGR projection amongst all the cosmetic segments. The major contribution to this growth will come from the Indian middle class consumers. Increasing literacy rate among females will translate into high employment opportunities which, in turn, fuel the color cosmetic sales.

The color cosmetic market is expected to record a CAGR of around 21% during 2009-2012. The lipstick and nail enamel sub-segments will be the key drivers, while the remaining color cosmetics sub-segments will grow at comparatively slower rate.

Figure 3-12: Forecast for Color Cosmetic Market (Million US\$), 2009-2012

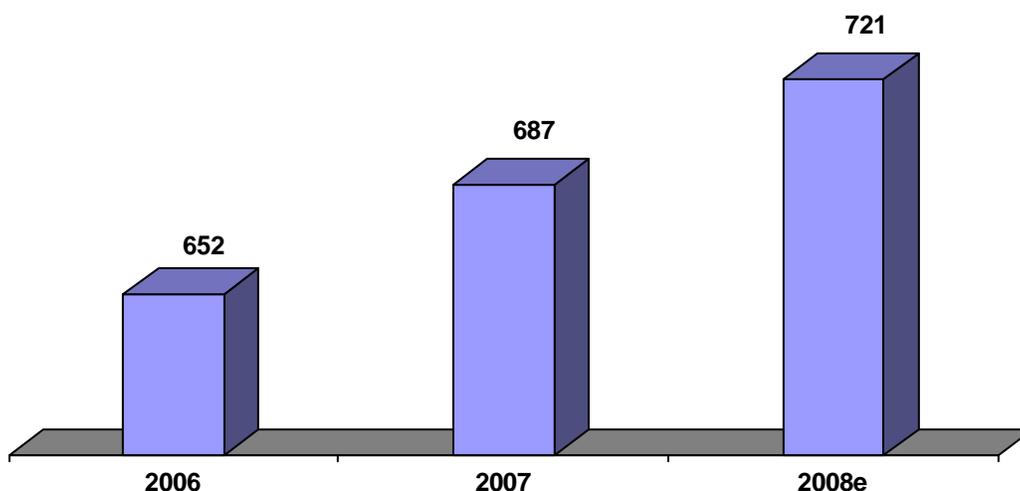


Source: RNCOS

3.6 Fragrances

The fragrances market in India has posted fairly strong and steady growth rate for the past few years. The market had registered the moderate CAGR of around 5% over the period spanning from 2006 to 2008, and was estimated to have reached the value of US\$ 721 Million in 2008. This has made India the third largest fragrance sales contributor (value wise) in the Asia-Pacific region. The humid and warm climate of the country has been a prominent reason for the potential growth in the sector.

Figure 3-13: Fragrances Market (Million US\$), 2006-2008

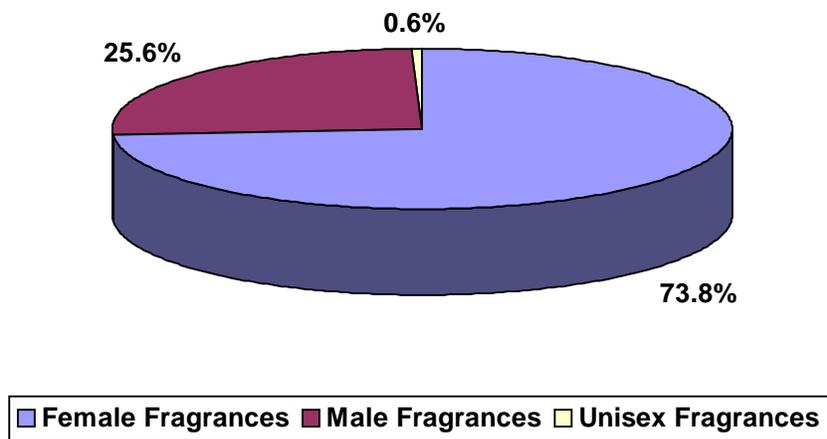


Source: Datamonitor

3.6.1 Segments

The fragrances market is made up of three sub-segments male fragrance, female fragrance, unisex fragrance. The female fragrance category leads the overall sales, while the male fragrance category is far behind. People have a mind set that the fragrances are meant for ladies; hence, the sales of male fragrance are low. Females purchase fragrances in the form of gifts for their relatives, friends etc, helping the sales figure to grow.

Figure 3-14: Fragrances Market by Segment (%), 2007



Source: Datamonitor

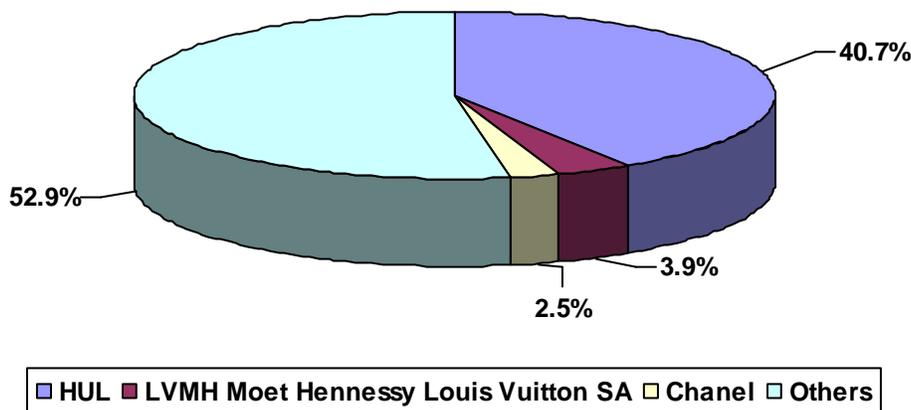
3.6.2 Competitive Landscape

In the Indian fragrances market, few globally recognized brands have been able to concrete their positions. The market is quite complex and price sensitive in nature which intensifies the competition among existing market players and widens the entry of new companies in the market. The overall fragrances market is fairly fragmented and several prominent players are often large manufacturer of personal care products or large fashion houses.

Most of the major market players are geographically distributed which reduces rivalry to some extent among key players, but the improved supply chain networks have made the distribution more dynamic and consumer centric which in turn made the market more competitive and tricky.

HUL holds the top position in the Indian fragrances market with a market share exceeding 40% in 2007. The second place was occupied by LVMH Moet Hennessy which accounted for around 4% of the entire fragrances market. Regional players accounted for around 53% of the total fragrances market in 2007. These are generally distributed all over the country.

Figure 3-15: Share of Key Players in Fragrances Market (2007)



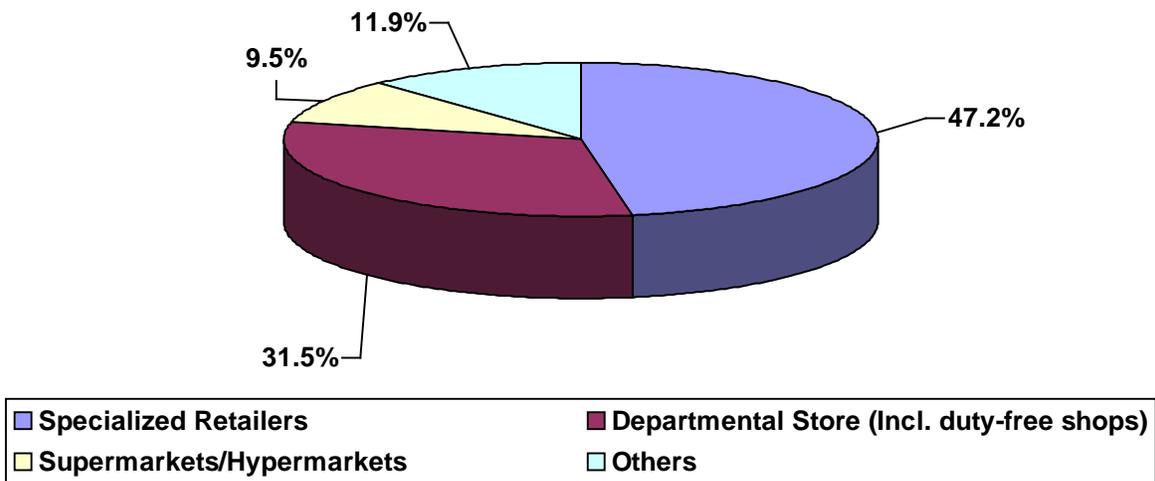
Source: Datamonitor

Distribution

The fragrances are seen as a luxury product which significantly influences consumers buying behavior. The consumers buy these products on the basis of their own judgment, on advice of relatives or friends after gathering sufficient amount of product related information especially when they buy any costly fragrance brand. This buying habit made specialist retailers the main distribution channel of fragrance product which not only provides required information but also assist consumers in buying most suitable fragrance type and product.

Departmental stores (incl. of duty-free shops) also contribute a major share to the overall distribution of fragrances market. In most of the departmental stores, a specific section is made for different product categories. The consumers find these sections quite comfortable in making purchase decisions. Fragrances come under the main focus of these departmental stores and the big brands showcase their offerings in stores. The whole concept provides suitable conditions for fragrances purchase and makes the departmental stores a main link in distribution chain.

Figure 3-16: Fragrance Market by Distribution Channel (%), 2007



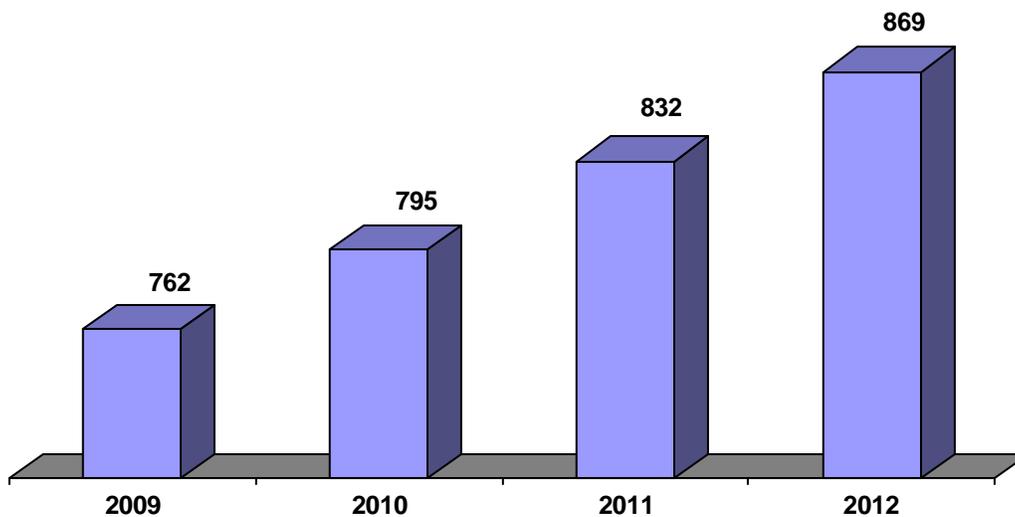
Source: Datamonitor

3.6.3 Future Growth Prospects

The fragrances market in India is expected to continue its growing trend in upcoming years. Hot and humid climate conditions, increasing population of service class men and women, rising disposable income will boost the fragrance market.

The level of knowledge about fragrance is growing in India as the beauty and fashion media is gaining popularity. As more and more foreign companies are setting up their business, working men are getting closer to the western culture and their view on fragrance is changing. Apart from working men, Indian youth is also seen to be more receptive towards fragrance. Considering these factors, it is projected that the Indian fragrances market will register a CAGR of around 4.5% during 2009-2012.

Figure 3-17: Forecast for Fragrances Market (Million US\$), 2009-2012



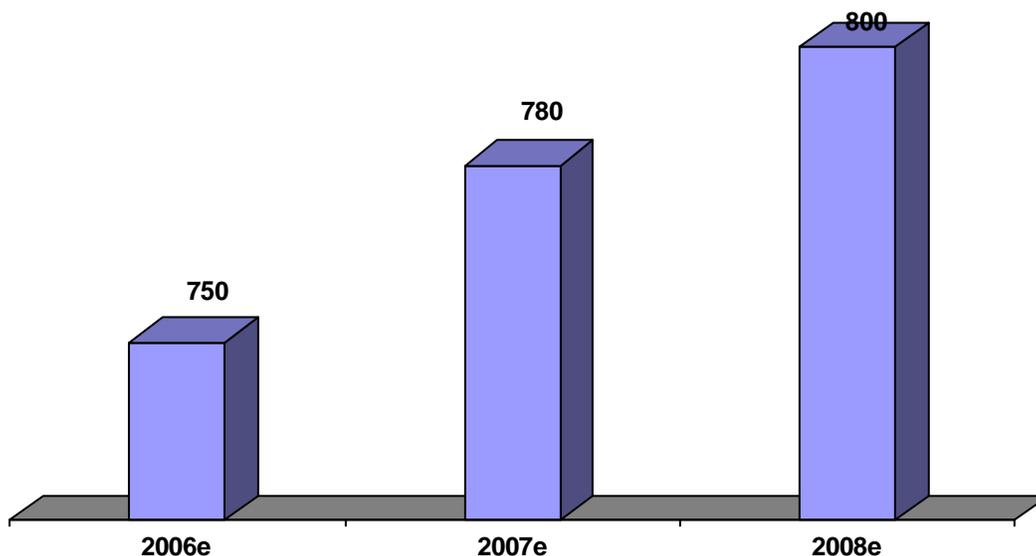
Source: Datamonitor

3.7 Oral Care

In India, oral care segment makes a substantial contribution to the overall cosmetic market. The oral care market is segmented in mouthwash, toothbrush, toothpaste and tooth powder. In past few years, the oral care market has shown dynamic growth record. The key drivers of growth were the increasing awareness about the oral hygiene, improving discretionary income, high publicity expenditure made by international players on oral care. Keeping in mind the untapped strong consumer base, the future outlook for oral care market is looking quite optimistic and encouraging.

In 2008, the Indian oral care market is totaled about US\$ 800 Million. The market has seen a CAGR of around 3% during 2006-2008. The penetration level of oral care products stands at 50% and hence leaves vast opportunities for market players.

Figure 3-18: Oral Care Market (Million US\$), 2006-2008



Source: Technopack Advisers, RNCOS Estimation

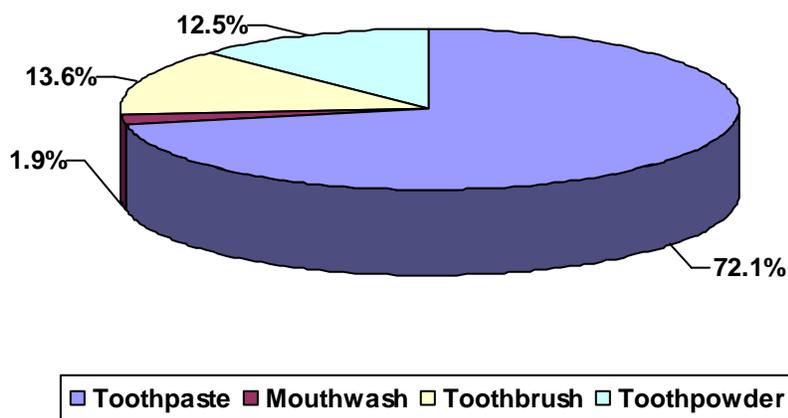
3.7.1 Segments

The oral care market comprises of mouthwash, toothbrush, toothpaste and toothpowder. The toothpaste constituted over 70% of the total oral care market in 2008, and is expected to remain the major sub-segment in future, provided less than 15% of total population of India brushes twice a day as against 65% population of China, there is enough growth scope exists for toothpaste market to grow.

Toothbrush is the next largest sub segment of the oral care market. In 2008, it accounted for around 13.6% of the entire oral care market. There is a large scope for toothbrush market to grow in rural areas where people used to rely on Coal ash and “Neem” stick to clean their teeth but the situation is now changing due to increased literacy rate and awareness about dental hygiene in the villages.

The market share of toothpowder, which acquired the third position in the oral care market in 2008, is experiencing downturn in sales figures. The main cause of declining sales is the increasing adaptation of toothpaste by the Indian consumers which is believed to be more convenient and evenly priced at par with toothpowder.

Figure 3-19: Oral Care Market by Segment (%), 2008



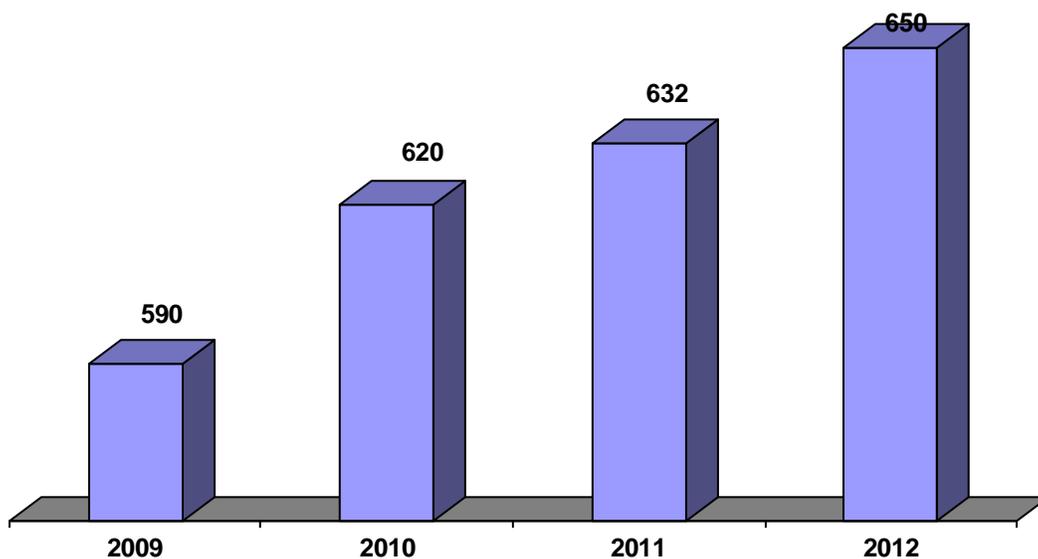
Source: Technopack Advisers
Note: Data is estimated

3.7.1.1 Toothpaste

Toothpaste accounts for the biggest market share of oral care market. The dentist-population ratio in the country is one of the lowest in the world. In urban areas, this ratio stands at one dentist per 10,000 people and in villages, its value is one dentist per 0.25 Million people. This lack in country’s dental care infrastructure has been efficiently utilized by the major market players. They positioned their offering as a precautionary cure and in the form of a substitute of dental treatment which resulted in increased appetite for toothpaste purchase in the country.

Further, the government has also taken some initiatives to promote the oral care hygiene in the country, like dental health camps, free dental check up and recommendations from doctors, dental care promotions through media etc. This has resulted in increasing awareness about the dental infections and diseases in the country especially in the sub urban and rural parts and made the toothpaste market to register a steady and potentially strong CAGR of around 3% in the time span of 2009-2012.

Figure 3-20: Forecast for Toothpaste Market (Million US\$), 2009-2012



Source: RNCOS

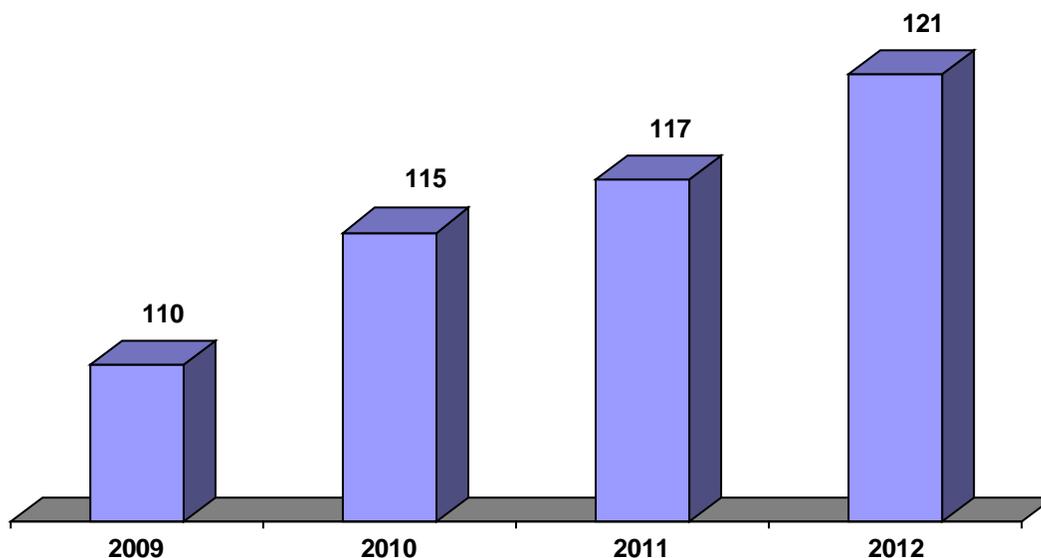
3.7.1.2 Toothbrush

Toothbrush market in India is heavily dependent on toothpaste market. The growth of toothbrush segment is inspired by the toothpaste sales growth. In the rural parts, people use “Neem” stick as a substitute of toothbrush. The awareness about dental hygiene is still not widely spread in villages and hence, the penetration remains quite low in these areas.

Although market players are now aligning their business strategies to target the Indian rural parts, companies like Colgate Palmolive, HUL are establishing their distribution channels in these areas. The combo pack of toothpaste and toothbrush is quite effective marketing strategy especially in rural areas as it is perceived as value added product by consumers.

The toothbrush market is expected to show similar growth trend as the toothpaste market and forecasted to achieve a CAGR of around 3% during 2009-2012.

Figure 3-21: Forecast for Toothbrush Market (Million US\$), 2009-2012



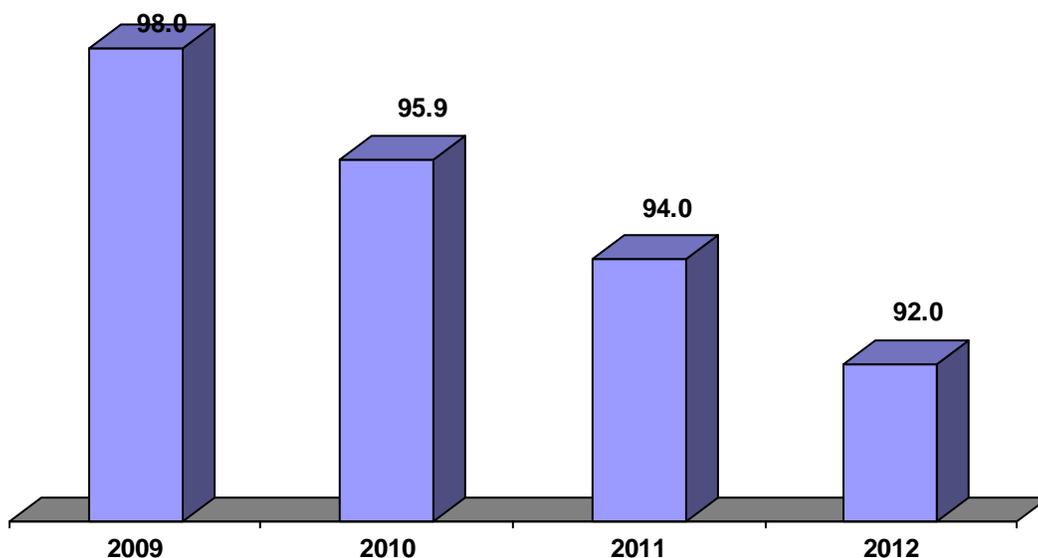
Source: RNCOS

3.7.1.3 Toothpowder

Toothpowder market is further segmented in three parts, white toothpowder, red toothpowder and black toothpowder. White toothpowder contributes the biggest share in the overall toothpowder market, and accounted for around 50% of total toothpowder market sales in 2007. Red toothpowder is quite popular among the middle class households in rural areas and captured 40% sales of total toothpowder market. The black toothpowder is not so popular and covered about 10% of total sales in 2007.

In India, toothpowder market is losing its popularity due to increasing acceptance of toothpaste. The convenient and reasonable price of toothpaste segment is diverting consumers from toothpowder purchases. Extensive toothpaste brand promotions have resulted in its preference as a well priced and far superior oral care category than toothpowder. The toothpowder market is expected to experience negative CAGR of around 2% during 2009-2012.

Figure 3-22: Forecast for Toothpowder Market (Million US\$), 2009-2012



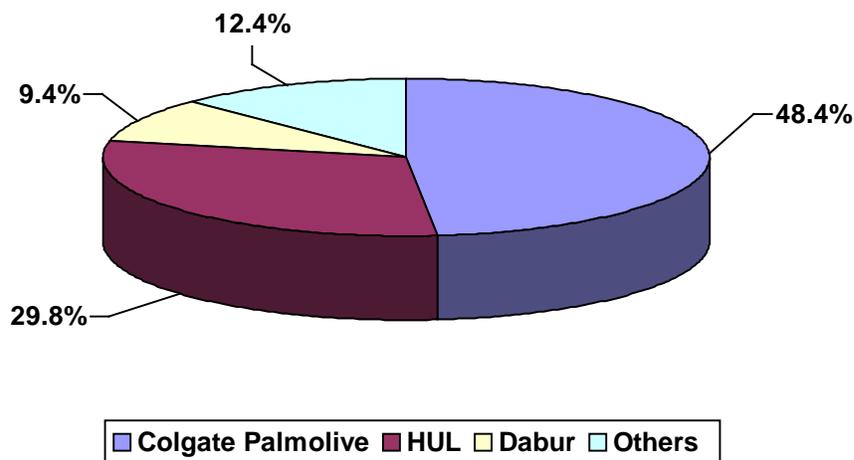
Source: RNCOS

3.7.2 Competitive Landscape

The penetration level of oral care segment is higher in the country as compared to other cosmetics market segments. The existing market is brand and price conscious. Thus, the pricing strategy matters a lot in product positioning and sustaining the sales records. However, the faster adaptation of oral care offerings in urban as well as rural areas provides sufficient opportunities for established as well as new players to grow

The oral care market is dominated by mainly three market players Colgate Palmolive, HUL and Dabur. These three companies accounted for around 88% of total oral care market in fiscal 2007-08. Further, Colgate Palmolive is the market leader in this segment with around 48% of the total market share.

Figure 3-23: Share of Key Players in Oral Care Market (2007-08)



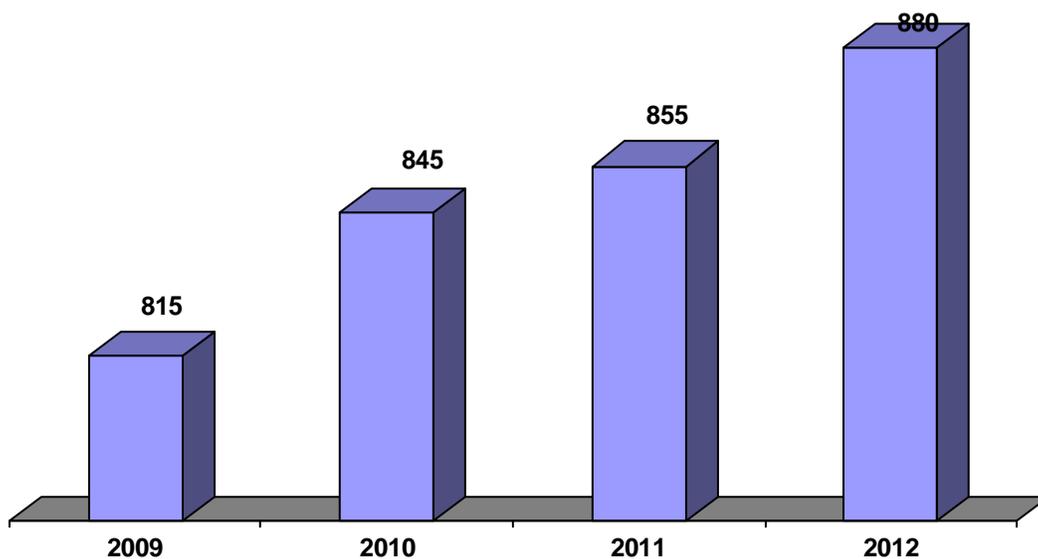
Source: AC Nielsen

3.7.3 Future Growth Prospects

The Indian oral care market has been experiencing a constant growth trend for past few years, and is expected to maintain the growth in future. India’s vast rural market will be the key driver as the market penetration is still around one third of country’s urban areas. Increasing oral care awareness in villages will make consumers to shift from “Datun” and home made products to toothpowder and then to toothpaste. The mass adaptation of oral care products in villages will fuel the country’s overall sales figures.

The oral care market is poised to grow at a CAGR of around 2.6% during 2009-2012. The growth rate may not look very impressive as compared to other cosmetics segments but seeing a vast consumer base still untapped in the rural parts, the oral care market will generate huge revenue in future years.

Figure 3-24: Forecast for Oral Care Market (Million US\$), 2009-2012



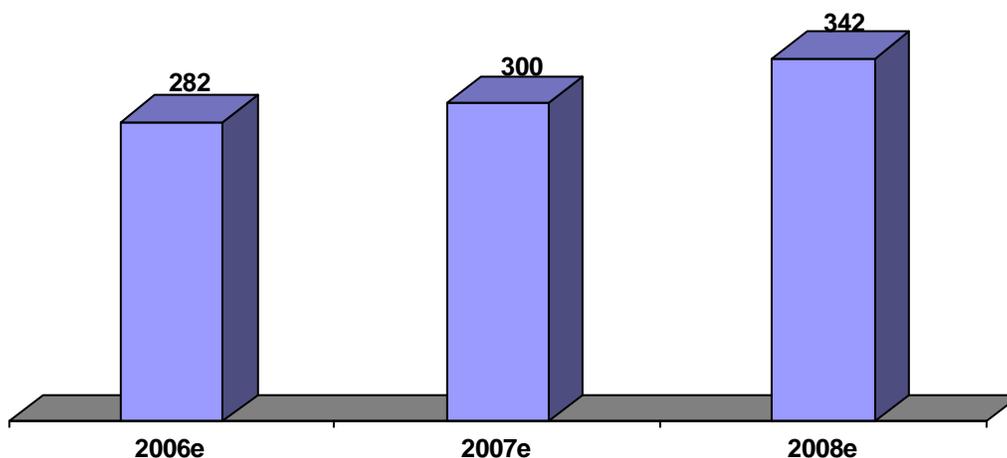
Source: RNCOS

3.8 Organized Salon Market

Major domestic companies and multinationals in India were confined to sell only beauty products like fairness creams, moisturizers, scrubs, etc. In the beginning of this decade, companies like Marico, HUL, L’Oreal started offering more intimate beauty services in form of salons and the new concept has gained tremendous response from the consumers.

Today, salon is one of the fastest growing segments of the Indian beauty market. During 2006-2008, the market registered CAGR of around 10% and climbed to US\$ 342 Million. Increasing discretionary income, growing aspirations of people, fast and exhaustive lifestyles of service class population, desire to look young have been some of the crucial factors infused growth in salon market for years.

Figure 3-25: Organized Salon Market (Million US\$), 2006-2008



Source: RNCOS Estimation

3.8.1 Competitive Landscape

The Indian organized salon market is at its early growth stage and showing promising business opportunities for existing as well as new players. Currently, the organized salon market is focused on serving high-end consumers with significantly expensive offerings as compared to unorganized salon market. But the future market strategy will be based on covering the middle class income group consumers. This will not only boost the sales of the existing players but also widen the growth prospects for new market entrants.

Currently, salon market is dominated by domestic players. VLCC and Lakme leads in the organized salon market, together holding about 276 salon outlets in the country. Other market players include Jean Claude Biguine, Tony and Guy. These multinational players have recently entered the market and are focusing on expanding their business in coming years.

Table 3-1: Number of Outlets of Key Players in Organized Salon Market

Market Player	Number of Outlets
VLCC	150
Lakme	126
Jean Claude Biguine	2

Source: Outlook Business (Nov 2008)

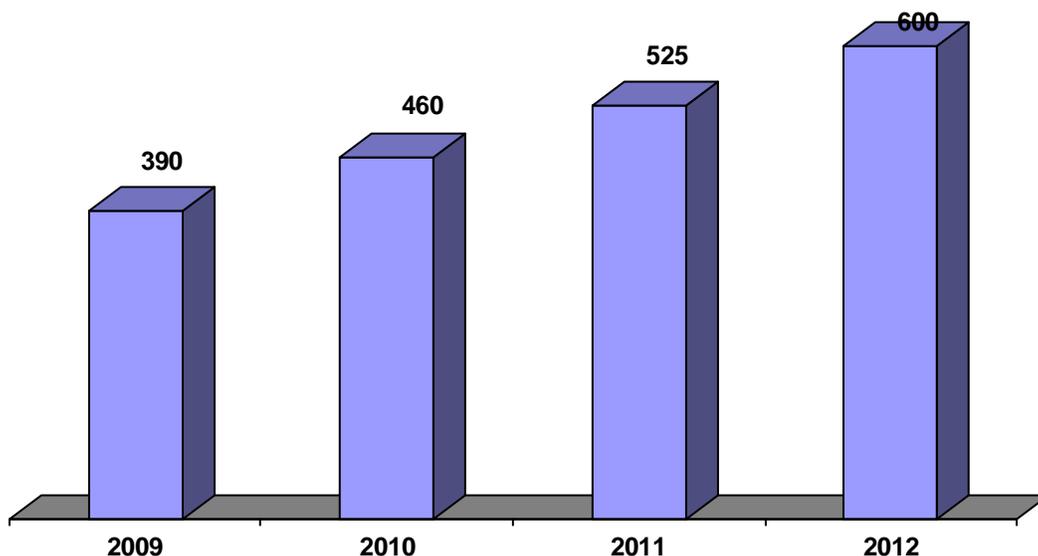
3.8.2 Future Growth Prospects

The concept of salon market in India is gaining popularity day by day. Especially during 2005-2008, it grew enormously due to phenomenal income hikes, influence of the western culture and dramatically changed lifestyles. These factors will continue to drive the salon market in future as the market has established itself and consumers becoming habitual of these services.

The influence of media is quite strong on consumers. The desire to look like popular film star is very common in young people. Thus, the salon market is considerably supported by media and is expected to follow the similar trend in future also.

During 2009-2012, the salon market in India is anticipated to grow at a healthy CAGR of around 15%. The growth in salon market will be majorly contributed by the urban population with upper middle and higher income group consumers generating lion's share of total revenue.

Figure 3-26: Forecast for Organized Salon Market (Million US\$), 2009-2012



Source: RNCOS

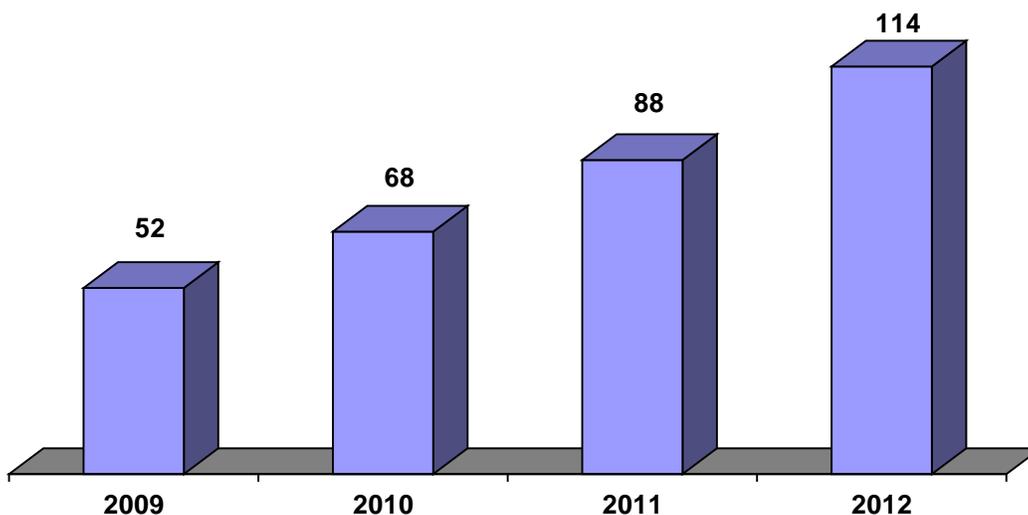
4. New Emerging Frontiers

4.1 Spa Market

Spa is a promising beauty services market in India. With increasing income, people have started adopting more casual lifestyle which leads to unhealthy living habits. Besides, they are trying to earn more or atleast maintain the current financial position that results in stressful life. Hence, people have started adopting new means of mental and physical relaxation services offered by spa centers. In addition, the western culture has influenced the Indian consumers, especially the upper middle class and elite class, to adopt this new concept.

Spa centers in India are popular as a mental and physical ‘De-stress’ destination. The services provided by them include body massage, body wraps, eye-massage treatments, various therapies for mental relaxation etc. The overall spa centers are perceived as a combined package for both mental and physical rejuvenation.

Figure 4-1: Forecast for Spa Market (Million US\$), 2009-2012



Source: RNCOS

In 2008, the spa market in India was valued at around US\$ 40 Million, and the future growth prospects are excellent. The market is poised to grow at an estimated CAGR of around 30%

(which is one of the highest among the beauty service market segments) during 2009-2012. The key drivers for growth will be increasing disposable incomes of the middle class population, awareness about the therapies and massage results on physical and mental health, increasing publicity and expenditure made by new market entrants.

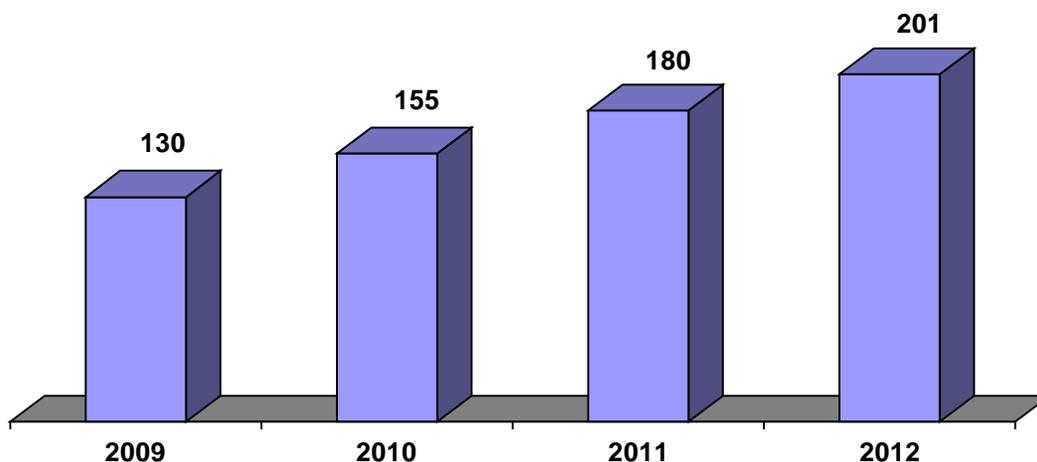
4.2 Herbal Cosmetic Market

The demand for safe, clean and nature based cosmetics is rising in India. The growing awareness of harmful chemicals used in cosmetics and their effect on the body is making herbal cosmetics a potential market segment.

The country is quite rich with respect to raw material required for making herbal cosmetics. The ancient knowledge base of Ayurvedic herbs and vast availability of natural resources make the market full of opportunities for existing players as well as new entrants.

In 2007, the herbal cosmetics market had stood at US\$ 100 Million, and was estimated to have reached US\$ 115 Million in 2008. Its future projections are quite bright, with a CAGR of around 16% during 2009-2012. This will enable the market to touch over US\$ 200 Million level in 2012.

Figure 4-2: Forecast for Herbal Cosmetic Market (Million US\$), 2009-2012



Source: RNCOS

5. Competitive Landscape

5.1 Hindustan Unilever Limited

Business Overview

Hindustan Unilever Limited is a 52% owned subsidiary of Anglo-Dutch giant Unilever, and has been working its way into India since 1888. HUL offers foods, beverages, home care and personal care products. Its brands spread across 20 consumer product categories. The Company primarily operates in India with over 2,000 suppliers and associates. HUL's distribution network comprises of about 4,000 redistribution stockists, covering 6.3 Million retail outlets reaching the entire urban population, and about 250 Million rural consumers.

Its personal products segment includes products in oral care, skin care (excluding soaps), hair care, deodorants, talcum powder and color cosmetics. Skin care brands include Fair & Lovely and Pond's. Hair care brands include Sunsilk Naturals and Clinic. Deodorants brands include Axe and Rexona. Color cosmetics brands include Lakme.

Table 5-1: Hindustan Unilever Limited - SWOT Analysis

<p>Strengths:</p> <ul style="list-style-type: none"> Broad product portfolio Strong brand image Robust sales and distribution network 	<p>Weaknesses:</p> <ul style="list-style-type: none"> Geographic concentration Declining cash flows
<p>Opportunities:</p> <ul style="list-style-type: none"> Joint venture with Smollan Holdings Growing cosmetics market in India Vast rural consumer base in India 	<p>Threats:</p> <ul style="list-style-type: none"> Counterfeit goods Increasing competition Fluctuating oil prices

5.2 L'Oreal S.A

Business Overview

L'Oreal is a France-based global cosmetics company engaged in the production and marketing of a wide range of perfume, make-up, hair and skin care products. The Company operates in over 130 countries. It markets 25 global brands through three business divisions: cosmetics (comprising of its skin care, hair care, make-up, hair colorants, perfumes and other products), The Body Shop (it became a part of L'Oreal after its acquisition in March 2006) and dermatology (comprising of drugs for acne treatment and others). The Company's products are sold under well-known brands such as L'Oreal Paris, Garnier, Maybelline, SoftSheen Carson, CCB Paris, L'Oreal Professional, Kerastase, Redken, Matrix, Mizani, Lancome, Biotherm, Helena Rubinstein, Kiehl's, Shu Uemura, and Giorgio Armani.

The cosmetics division of L'Oreal functions through four operating segments: professional products, consumer products, luxury products and active cosmetics. The cosmetics division comprises of skincare, hair care products, make-up, hair colorants, perfumes and other products.

The professional products segment markets hair care products to professional hairdressers, who use or sell these products in their hair salons. The segment's key focus is to service the highest number of hair salons around the world.

The consumer products segment sells products through mass-market retailing channels. The consumer products range includes hair care, skin care and make-up and perfume products. L'Oreal's core brand, L'Oreal Paris, has successfully tailored its affordable product range to become the foremost beauty brand worldwide.

The luxury products segment markets premium products and services to consumers. Luxury products are sold through selected retail outlets. The luxury products segment's rich portfolio of complementary brands meets a diverse range of demands, in terms of products and services. Leading brands in this segment include Lancome, Helena Rubinstein, Biotherm, Shu Uemura, and Kiehl's.

The active cosmetics segment sells dermo-cosmetic skin care products through pharmacies and specialist retailers. Pharmacists and dermatologists also offer advice on using the company's products at the point of sale. The brands in this segment include: Vichy, La Roche-Posay, Inneov and Skinceuticals.

Table 5-2: L'Oreal S.A - SWOT Analysis

<p>Strengths: Strong brands Diversified geographic presence Strong R&D capability</p>	<p>Weaknesses: Slow revenue growth Perceived expensive in emerging economies</p>
<p>Opportunities: Acquisitions and alliances Cosmetics market in emerging nations Growth in men's toiletries and fragrances market</p>	<p>Threats: Growing popularity of cosmetic surgery Counterfeit goods</p>

5.3 Marico Limited

Business Overview

Marico (formerly Marico Industries) is engaged in the manufacturing, sales and distribution of consumer goods and services. Marico's products reach its consumers through retail outlets serviced by Marico's distribution network comprising four regional offices, 32 carrying & forwarding agents, one consignment agent, six redistribution centers and about 1100 distributors spreading all over India. Marico operates through three business segments: consumer products, international and Kaya.

The consumer products segment comprises of consumer product business of Marico, Marico Bangladesh, MBL Industries, Marico Middle East FZE, MEL Consumer Care SAE, Pyramid for Modern Industries, Egyptian American Investment & Industrial Development Company, Marico South Africa Consumer Care, Marico South Africa, CPF International and Wind Company. The consumer products include coconut oils, other edible oils, hair oils and other hair care products, fabric care products, processed foods (including distribution alliance with Indo Nissin), soaps, and baby care products.

Marico's international business segment offers perfumed oils to consumers in Bangladesh and hair creams and hair oils (with lower coconut oil content) to Arabs in the Gulf. Its products reaches out to more than 20 countries in the Middle East, Asian sub-continent, Australia and the US. Its products include Camelia, Aromatic, Fiancee, Hair Code, Caivil, Black Chic, Hercules and Sundari.

The Kaya business segment operates through Kaya Limited (Kaya Skin Care), Kaya Skin Clinic and Kaya Life. Kaya Limited provides skin care solutions. Kaya Skin Clinic offers scientific, unisex dermatological procedures most of them are used in US FDA approved technology in an environment that is serene and Zen-like. Kaya thus offers an ideal combination of aesthetic and clinical care. Kaya Life offers weight loss solutions. The company operates through a large number of clinics at several locations which include 57 skin clinics in 20 Indian cities, in addition to the nine in Middle East.

Table 5-3: Marico Limited - SWOT Analysis

SWOT Analysis	
<p>Strengths:</p> <ul style="list-style-type: none"> Well established distribution network extended to rural parts of India Low cost operations Strong brand name 	<p>Weaknesses:</p> <ul style="list-style-type: none"> Low R&D investments Several “Me-too” products in the country
<p>Opportunities:</p> <ul style="list-style-type: none"> Large domestic market Increasing income level will result in fast revenue growth Export potential 	<p>Threats:</p> <ul style="list-style-type: none"> Tax and regulatory structure Competition with foreign counterparts

5.4 Colgate Palmolive India Limited

Business Overview

Colgate-Palmolive (India) Limited (CPIL), a subsidiary of Colgate-Palmolive Company, manufactures fast moving consumer goods. It primarily offers oral care and personal care products under the brand names, Colgate and Palmolive. CPIL operates through four product lines: oral care, personal care, household care and dental care.

The Company manufactures oral care products such as toothpastes, toothbrushes, toothpowder, and whitening products through the brand, Colgate. It also provides oral care products for kids.

CPIL manufactures a range of personal care products: body wash, liquid hand wash, shave preps, skin care and hair care products. It markets the products under the brand names, Palmolive and Halo. The Company produces household care products including surface care products under the brand name, Axion.

CPIL also provides various dental care products such as gingivitis treatment, sensitivity treatment, tooth whitening, fluoride therapy, mouth ulcer treatment, and specialty cleaning. It provides a specialized range of dental therapies under the banner of Colgate Oral Pharmaceuticals.

Table 5-4: Colgate Palmolive India Limited - SWOT Analysis

<p>Strengths:</p> <ul style="list-style-type: none"> Strong financial performance Focus on innovation and new product launches Colgate business planning initiative 	<p>Weaknesses:</p> <ul style="list-style-type: none"> Product recalls Highly leveraged
<p>Opportunities:</p> <ul style="list-style-type: none"> Deploying advance technologies Increasing awareness about dental hygiene Emerging markets consumer base 	<p>Threats:</p> <ul style="list-style-type: none"> Increasing fuel and raw material costs Accusations Falling consumer confidence in developed economies

5.5 Dabur India Limited

Business Overview

Dabur India limited is a fast moving consumer goods (FMCG) company that manufactures and distributes products in health care, personal care and food products sectors. The Company primarily operates in India and has a presence in Nigeria, Egypt, Nepal, Bangladesh, the UAE and the UK. It operates through five business units: consumer care business, consumer health business, foods, retail and others.

The consumer care division (CCD) caters to six distinct segments: hair care, oral care, health supplements, digestives, home care, and skin and baby care. The hair care segment products include hair oils, mustard oil and shampoos. These products are available under brands Dabur Amla, Vatika and Anmol. In the oral care segment, the products include tooth paste, tooth powder and tooth brushes. These products are available under brands Dabur, Babool, Meswak and Promise.

The health supplement products include Chyawanprash, Glucose D and Honey. The digestives segment's products comprise the Hajmola brands, Pudín Hara, Sat Isabgol and Hingoli.

The skin and baby care products include Lal Tail, Dabur Gulabari, Dabur Honey Saffron soap and Dabur Ayurvedic Baby care products. The Company's home care products segment comprises Odomos brand, Odonil brand and SaniFresh, a toilet cleaner.

The consumer health division (CHD) deals in products on the Ayurvedic medicinal platform. The food segment focuses on providing juices, nectars and drinks under the Real, Activ, Hommade and Coolers brands. The retail segment operates beauty, health and wellness retail stores in India through its wholly-owned subsidiary, H&B Stores Limited under the new brand name. The others segment include international operations.

Table 5-5: Dabur India Limited - SWOT Analysis

SWOT Analysis	
<p>Strengths: Strong brand name in India Segment oriented products positioning Significant penetration in rural parts of India</p>	<p>Weaknesses: Slow growth in return on capital employed during FY 2008 Labor problems</p>
<p>Opportunities: Emerging herbal cosmetics and herbal healthcare markets in India Acquisition of small companies in emerging economies for expansion</p>	<p>Threats: Counterfeit products Increasing raw material cost in the country</p>

About the Company

RNCOS, formed in the year 2002, aims to outsource all your business needs and serve your customers in their quest for the information. RNCOS is transforming the concept of 'Outsourcing' by adapting it into a strategic management preference to attain world-class operational excellence and competitive advantage.

RNCOS specializes in Industry intelligence and creative solutions for contemporary business segments. Our professionals study and analyze the industry and its various components, with comprehensive study of the changing market behavior. We provide corporations with an insight of the 'industry, competitive and market' necessary to compete in today's business environment. Additionally, our team focuses on the cause and effect relationship between federal and state regulations and the industries affected by regulation.

The company also works closely with small and medium sized consultancy firms, in various industry sectors. We assist in back-end research and data gathering processes. Our accuracy and data precision proves beneficial in terms of pricing and time management that assist the consultants in meeting their objectives in a cost-effective and timely manner.

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