

Saudi Cosmetic and Beauty Industry from Perspective of SaaS Market

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1. Introduction

The cosmetic industry in the Kingdom of Saudi Arabia is growing at a rapid pace and the standard of living of the rich in the country is virtually incomparable to any other country in the world, which is the major factor for the growth of premium cosmetics products. Cosmetic industry growth is majorly driven by the young and aspirational population who want to invest in grooming, getting an attractive appearance, and maintaining their health in the process. As the region is highly conscious about the ingredients of the products, there is a significant demand for ethical and natural cosmetic products. Demand for such products pushed the international and local market players to develop innovative products to sustain market competitiveness. More women are now working in Saudi Arabia than ever before, growing the disposable income and boosting the sale of more premium cosmetic brand products.

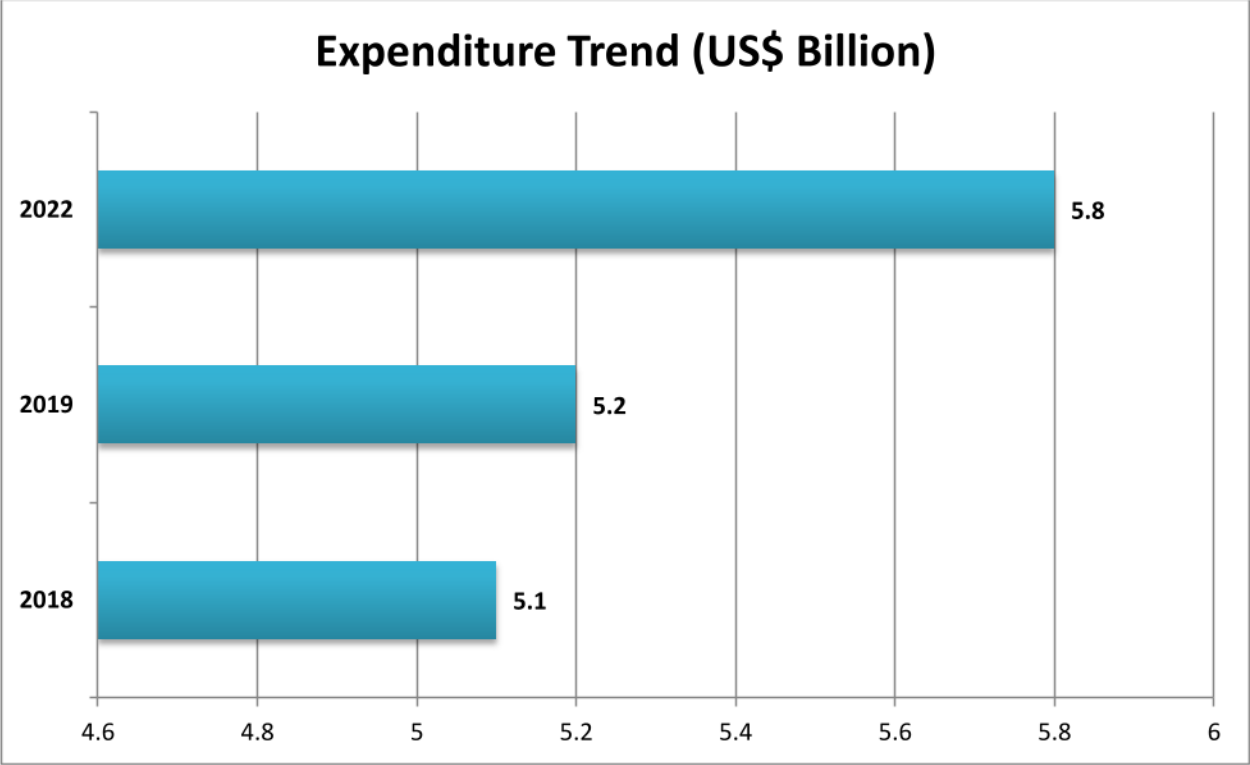
2. Market Overview

Saudi Arabia's beauty and personal care market is forecasted to reach USD 5.12 billion by 2024 growing at a CAGR of 10.49% during the forecast period (2019-2024).

- Saudi Arabia is the largest market for cosmetic products in the Middle East and Africa. The country has one of the world's highest consumption rates of cosmetics and is the leading country in the consumption of skin and hair care products in the MEA region. Consumers in Saudi Arabia tend to spend a lot of money on their personal appearance supplementing the cosmetic market in the country. ,
- Jeddah and Riyadh are the two cities that constitute a major share of a younger population, indicating larger consumption patterns for the cosmetic products market. The demographic variety of consumers also helps companies to introduce variety and new products.

2.1. Spending Trend

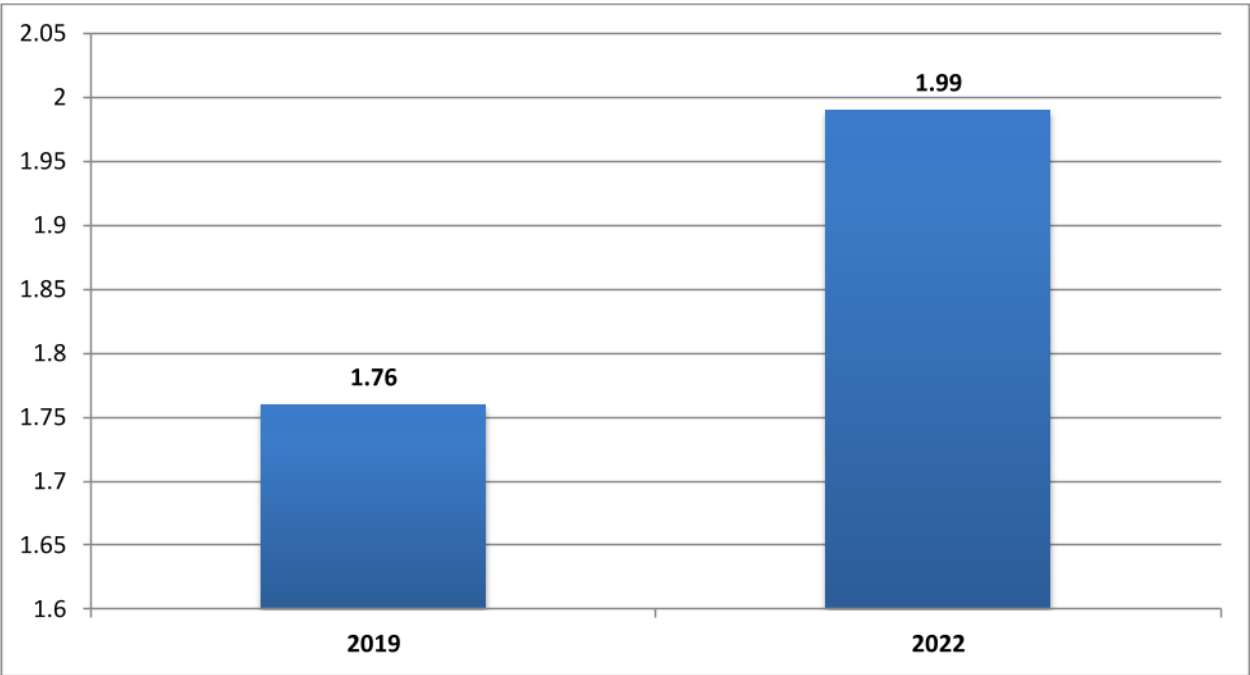
In 2018, Saudi Arabia's consumers spent US\$5.1 billion on beauty and personal care with this set to rise to US\$5.2 billion by the end of 2019 and expected to reach US\$5.8 billion by 2022. The Kingdom already comprises 16% of the total Middle East and Africa beauty and personal care market.



2.2. Retail Value of Different Segments

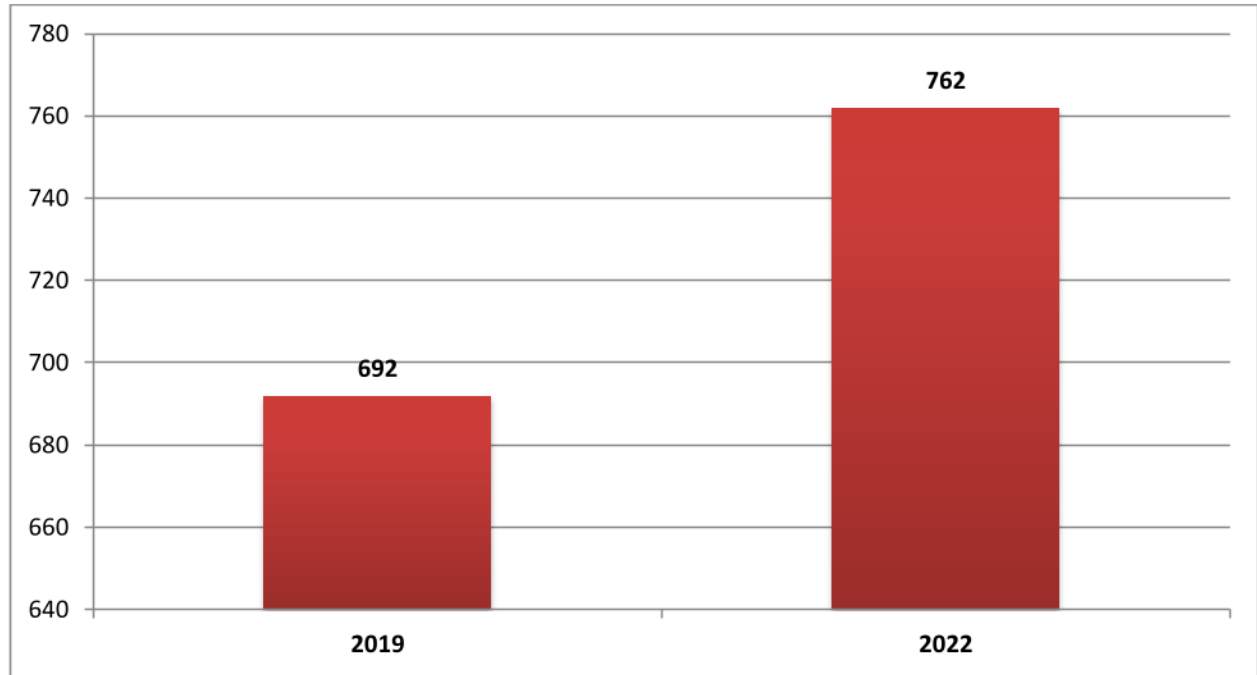
2.2.1. Fragrances

Amount in US\$ Billion



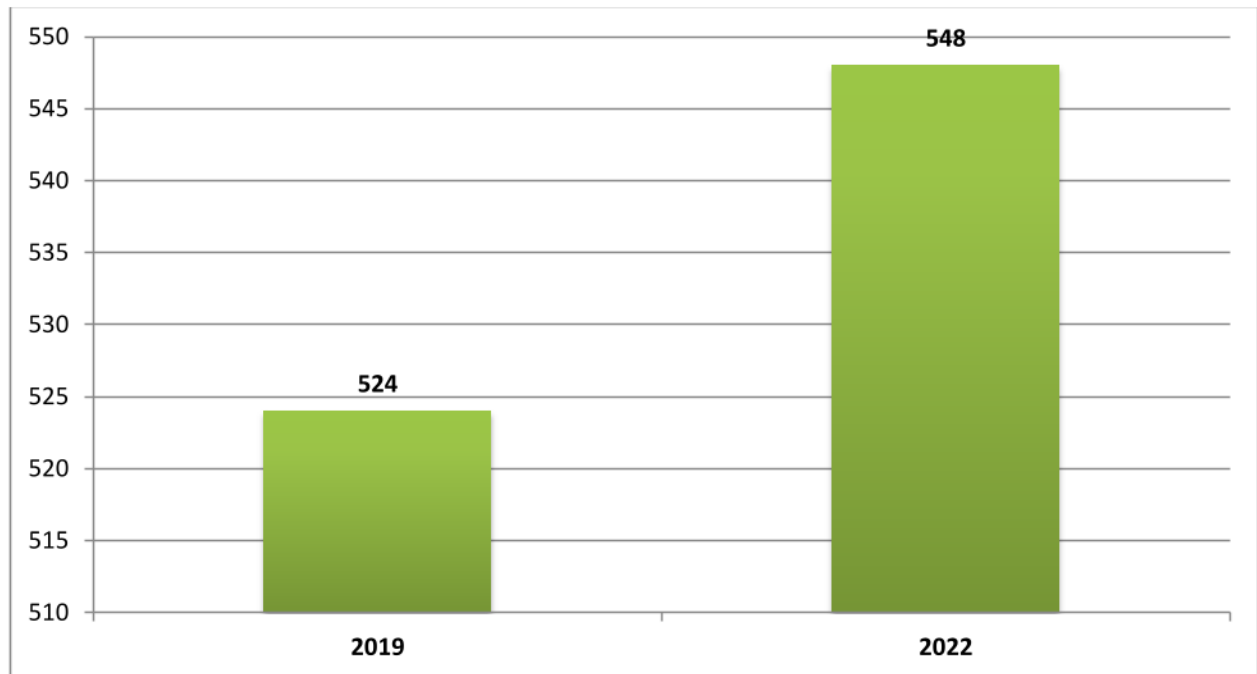
2.2.2. Skincare

Amount in US\$ Million



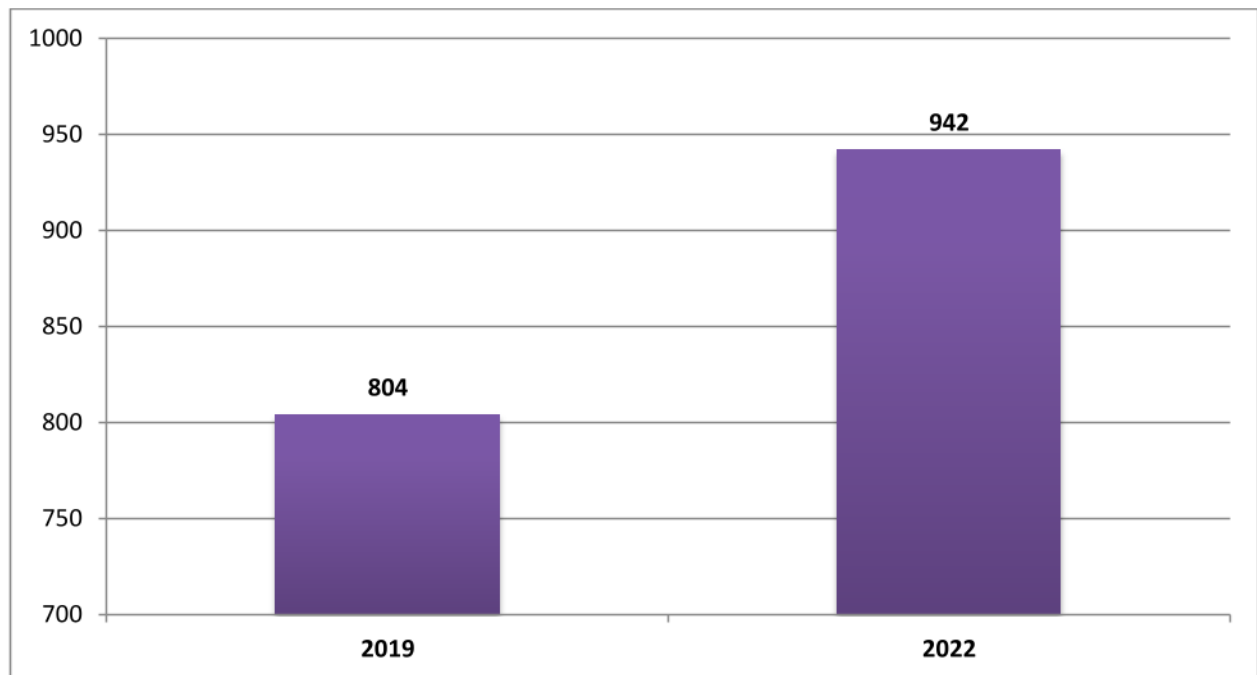
2.2.3. Men's Grooming

Amount in US\$ Million



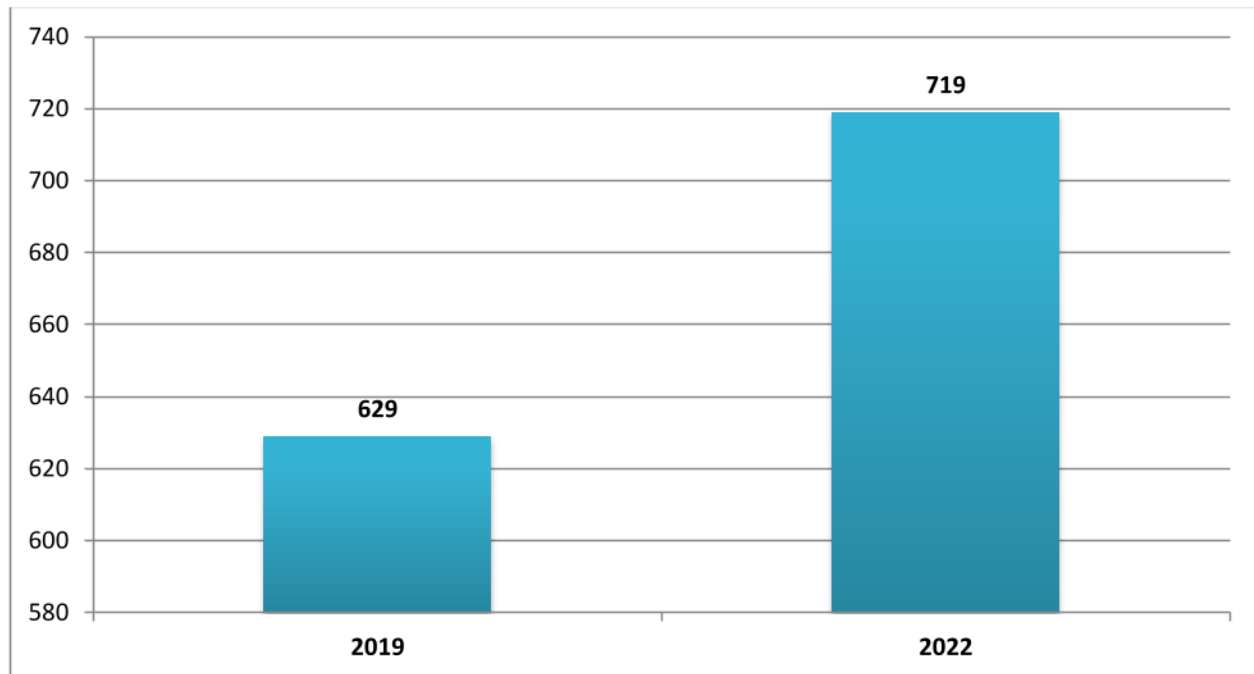
2.2.4. Haircare

Amount in US\$ Million



2.2.5. Color Cosmetics

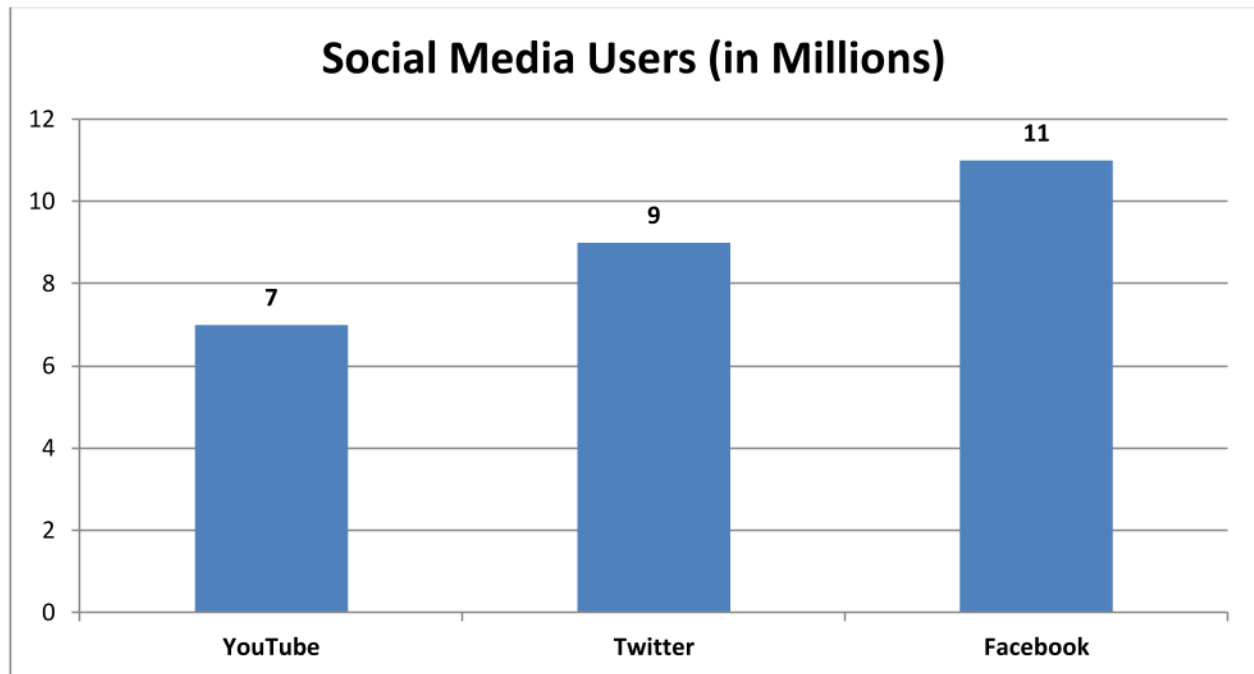
Amount in US\$ Million



2.3. Key Market Trends

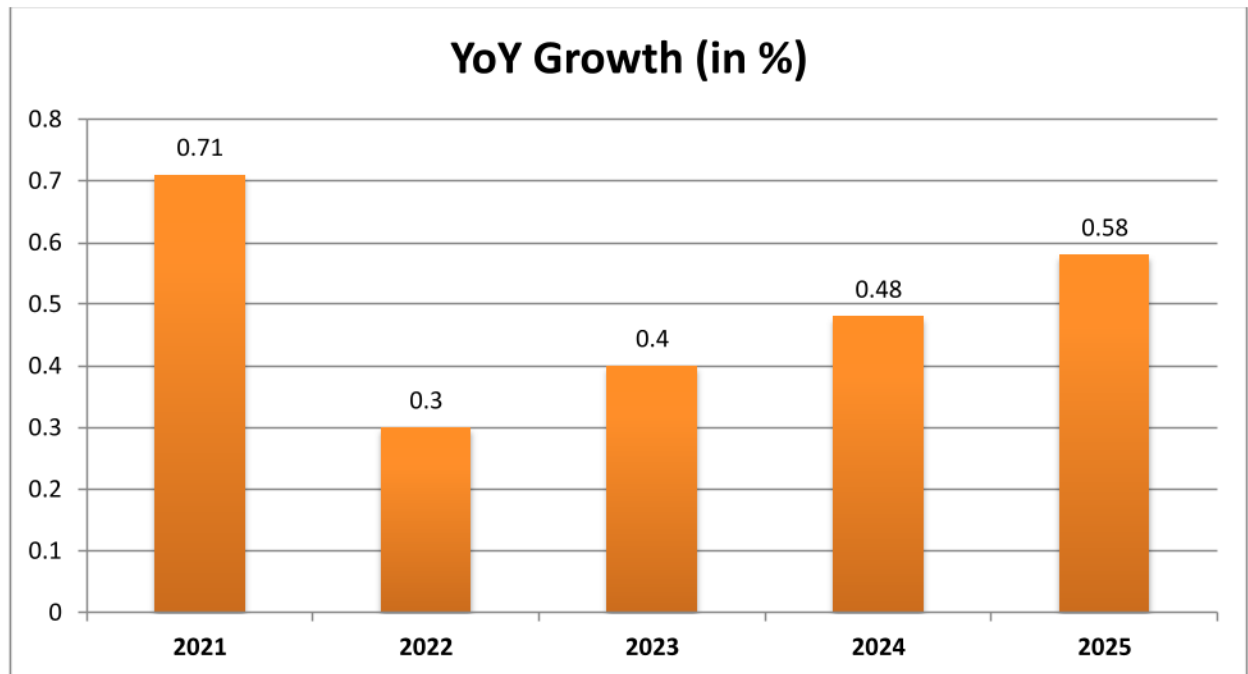
2.3.1. Increasing Social Media Usage

In Saudi Arabia, strong internet penetration had majorly contributed to driving awareness about cosmetics and beauty products among consumers. The country has the highest number of active social media users in the region on various social media platforms, including Instagram, Facebook, Snapchat, and Twitter. Furthermore, the country has the global highest YouTube watch time per capita. Over this platform, the beauty-focused content has attracted over 1.9 billion views, and this figure has been rising at a rate of almost 187% each year, according to a KSA beauty market White paper. The trend of social media influencers showcasing their beauty regimens has been on the rise over the past few years, and both local and international beauty companies have been turning to influencers to increase their brand awareness and reach potential consumers. This is especially visible with major color cosmetic brands operating in the country, which have been experiencing the highest growth, attributed to the trend of contouring, highlighting, and strobing techniques, primarily driven by make-up tutorials on social media.



2.3.2. Facial Care Products Dominated the Skin Care Market

One of the most important trends in facial care in Saudi Arabia is the increasing consumer interest in dermatologically tested skincare products. The rising interest in these products can be attributed mainly to increasing consumer awareness of them and their advantages. In Saudi Arabia, middle-aged people are increasingly witnessing aging anxiety, due to the high prevalence of extrinsic signs of aging and seeks natural or herbal ingredient-based products. This, in turn, is increasing the demand for natural anti-aging skin care products in the country. Sighting the opportunity, in 2018, a Switzerland-based brand launched its Elline Treasures of Youth collection, featuring halal-certified anti-aging eye serums, cleansers, tonics, masks, and day creams.



2.3.3. Cultural Factors Affecting Consumer Behavior

Many cultural factors had led to the increasing demand for global beauty brands in the region. Even though the vast majority of women will cover their face and hair in public, the increasing number of women joining the workforce and the requirement to look presentable at work has further boosted the sales of cosmetic products.

With over 13 million women in the Kingdom, empowering women to enter the workforce has proven to be one of the key factors that had strengthened the economy and are projected to create millions of jobs in the future.

Rising employment rates have also increased the affordability of beauty and personal care products encouraging consumers to spend more. Retail sales on makeup rose from \$410 million in 2012 to \$576 million last year, according to marketing research group Euromonitor International.

With the preferences for grooming and unfavorable weather conditions, the demand for cosmetic and beauty products is expected to grow briskly over the next few years. In the Middle East, taking care of one's body has always been deeply rooted in the culture, of both men and women.

The younger population is especially conscious of the effect the hot, dry, and humid environment

has on their physical appearance and is taking every measure possible to minimize the negative impact. Keeping your body hydrated, both from the inside by drinking enough water and by sticking to the skin routine fitting their skin's needs ranks very high on the list of priorities for Gen Z in the GCC region. Since sports activities have also been recently open for the public, more and more women have joined public gyms, making regular exercise a part of their daily routine that helps them both look and feel their best.

With the importance of maintaining a presentable appearance by both sexes, spending more time and money investing in grooming. Harsh weather conditions in the region had only increased the demand for diverse personal care and beauty products which is especially detectable in major cities in the Kingdom, with Jeddah and Riyadh as the two cities that constitute a major share of a younger population, indicating larger consumption patterns.

A lot of demand for Western beauty brands comes also from young Saudis who have spent time abroad studying and are well familiar not just with global beauty brands but have adopted a different lifestyle that affects the way they shop, too.

3. Competitive Landscape

The Saudi beauty and personal care market is highly competitive, with a strong presence of regional and global players in the market, where demand is mostly driven by more adaptation toward skincare routines and consumer awareness about brand know-hows. In the market studied, established major products that claim to be natural, organic, and involved in sustainable practices have a higher penetration across retail shelves and online channels. However, domestic players cater to the same segment with a better storyline that connects consumers and delivers experiences with the product. Other prominent companies in the market studied are Arabian Oud, Al Quraishi, DKNY, Dior, Lancome, Loreal SA, Shiseido, Natura & Co, Oriflame, among others.

Market Concentration

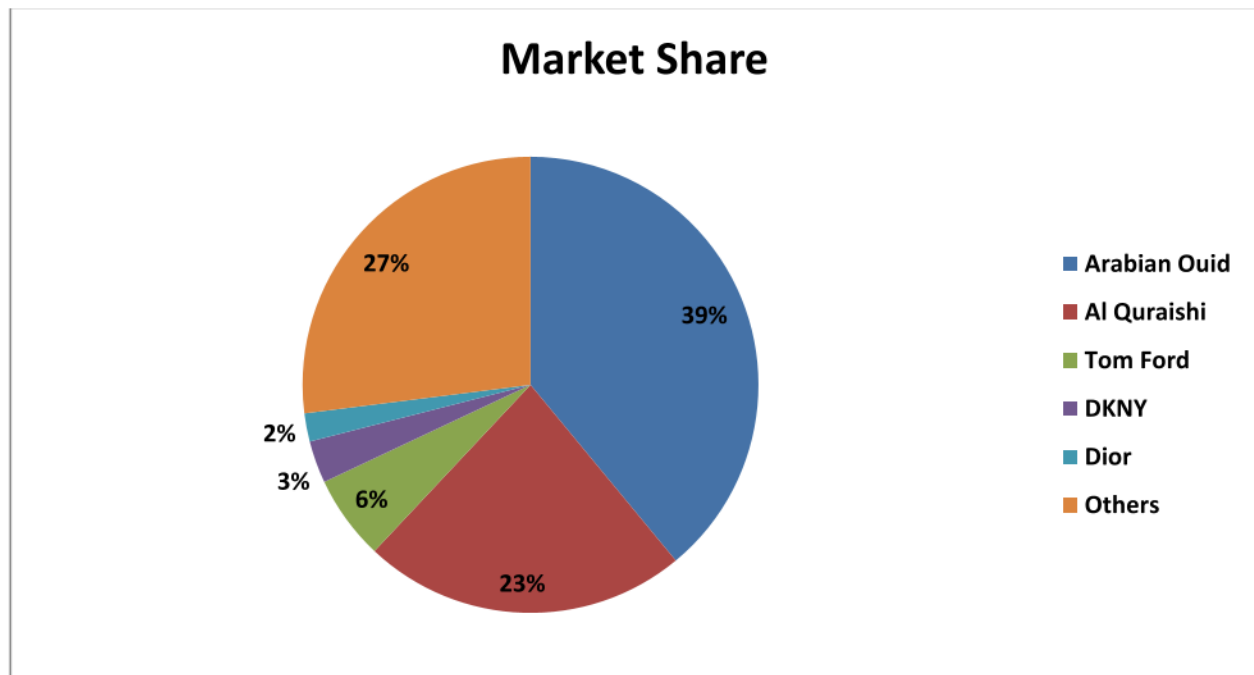


Source: Mordor Intelligence

3.1. Top Premium Brands

- Arabian Ouid
- Al Quraishi
- Tom Ford
- DKNY

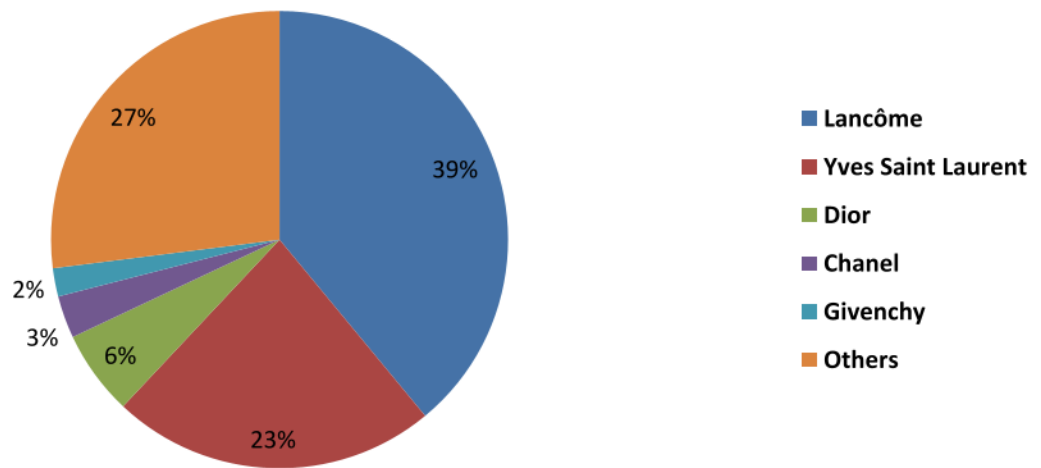
- Dior
- Others



3.2. Top Color Cosmetics

- Lancôme
- Yves Saint Laurent
- Dior
- Chanel
- Givenchy
- Others

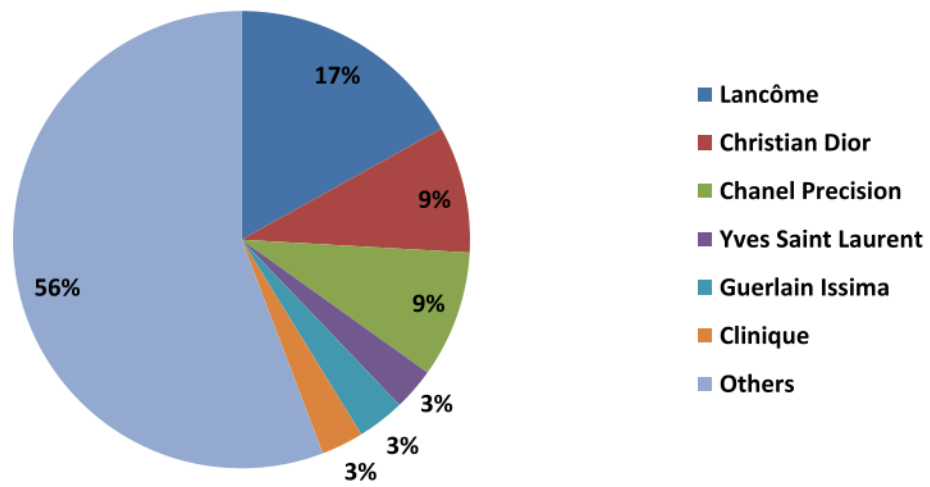
Market Share



3.3. Top Skincare Brands

- Lancôme
- Christian Dior
- Chanel Precision
- Yves Saint Laurent
- Guerlain Issima
- Clinique
- Others

Market Share

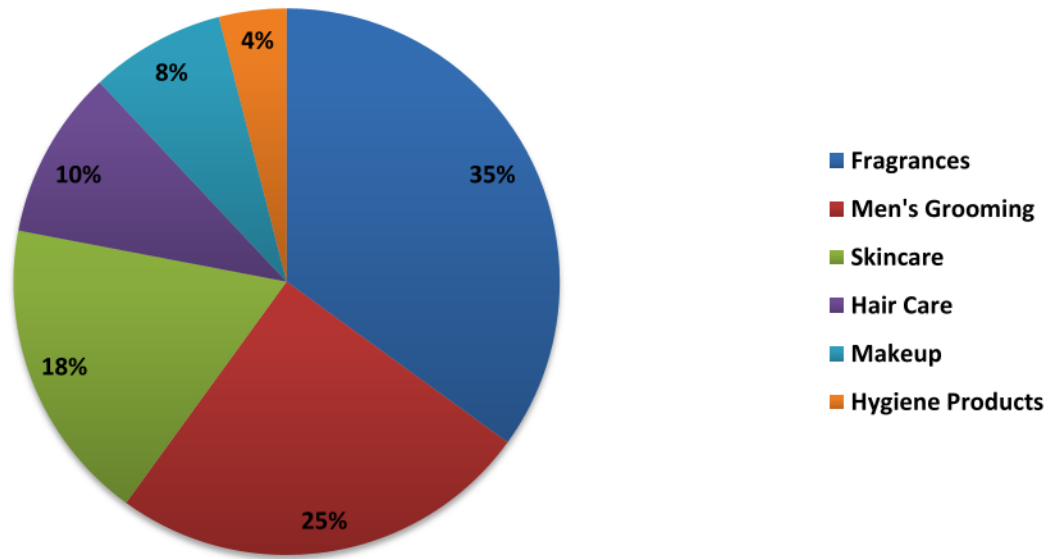


4. Market Segmentation

4.1. By Product Type

- Fragrances
- Skincare
- Haircare
- Makeup
- Hygiene Products

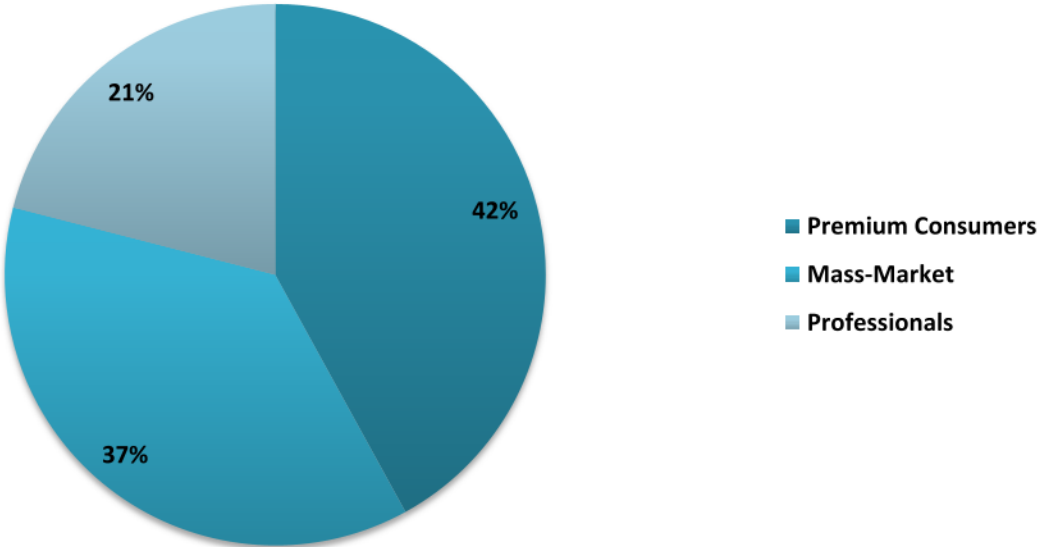
Product's Share



4.2. By End Users

- Premium Consumers
- Mass-Market
- Professionals

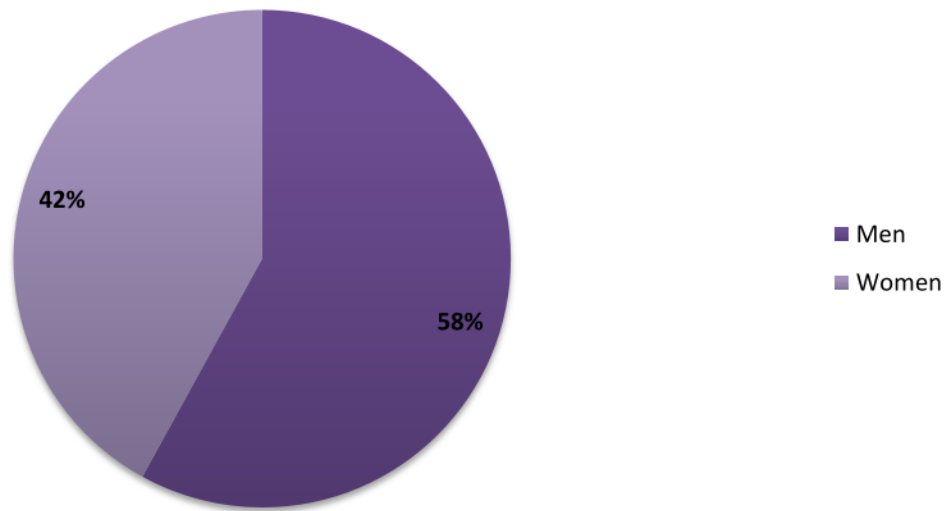
User's Share



4.3. By Demography

- Men Cosmetic Products
- Women Cosmetic Products

Demography



4.4. By Distribution Channels

- Online Channel
- Offline Channels (Beauty Specialty Stores Etc.)

Based on product type, premium fragrances and perfume accounted for the lion market share of more than 30% of the Saudi Arabia cosmetics market followed by haircare and skincare products in 2017. Further, skincare products are expected to be the fastest-growing segment at a CAGR of +16% during the forecast period (2017-2030).

5. Market Potential

5.1. Growth Trends

According to our Saudi Arabia cosmetics market study based on extensive primary and secondary research, one major trend in the market is a growing market for natural and personalized products in the Saudi Arabia region. For instance, in the Saudi Arabia region, there is a growing interest in and demand for halal beauty products. As the region is major constitutes the Muslim population, these products gained huge popularity in the region among consumers. These products are not excluded or limited to the Muslim community only, these products have

gained market among the Non-Muslim consumers also, which is the major factor for the growth of halal cosmetics and vegan cosmetic products in the region.

5.2. Drivers

The major driver in Saudi Arabia's cosmetics market is the high disposable income of people in the country and a growing number of working women. International bestselling cosmetic products are closely associated with social status and therefore highly desirable in the country.

5.3. Challenges

One challenge in the Saudi Arabia cosmetics market is maintaining the integrity and authenticity of particular cosmetic products such as halal cosmetic products in a competitive market. Saudi Arabia constitutes an enormous group of consumers, representing different cultures, which may result in different consumer behaviors, and creates a huge challenge for market players to develop their products accordingly.

Market Overview

Saudi Arabia is one of the prominent markets for cosmetics and fragrances products in the Middle East. Consumers in the country tend to spend substantially on their appearance, thereby, supplementing the growth of the cosmetic and fragrances market in the country. A growing number of self-conscious users, penetration of organized retail channels, growth in the aging population, and increased demand for male grooming products are a few factors that boosted the growth of the market studied.

The contribution of the cosmetics and personal care industry to the Saudi economy is booming exponentially. Moreover, the growing demand for natural/organic, herbal, halal products, and innovative and eco-friendly packaging designs are attributing the market growth in the country. Moreover, harsh climatic conditions, poor water quality, and increased focus on personal wellbeing are factors driving the need for increasingly sophisticated beauty and personal care routine and regular treatments.

Jeddah and Riyadh are the two cities that constitute a major share of a younger population, indicating larger consumption patterns for the cosmetic and fragrance products market. Moreover, price and convenience are the prime factors for making an online purchase.

6. Saudi Arabia SaaS Market

Saudi Arabia Software as a Service Market is projected to grow at a CAGR of 16.8% during 2018-24

The government of Saudi Arabia is focusing heavily on the strengthening of the non-oil sector in the country. As a result, the social infrastructure development in the country is expected to witness significant growth in the coming years. Further, under the Saudi Vision 2030 initiative, special emphasis is also being put on the strengthening of the IT infrastructure in the country.

Additionally, with global technological giants, such as Amazon and Google, looking to set up their data centers and expand their footprint in the Middle East in the future, the use of SaaS solutions is predicted to become more widespread in the country in the coming years.

The commercial enterprises and industrial & manufacturing end-user segments held the largest collective revenue shares in the overall software as a service market in Saudi Arabia in 2017. Government efforts to strengthen the non-oil economy of the country would witness several sectors flourish in the coming years, including hospitality, healthcare, manufacturing, and banking, thus creating more avenues for the application of SaaS solutions during the forecast period.

7. Market Dynamic

7.1. Key Drivers and Emerging Trends

Growing digitalization has shifted the focus of the government towards implementing cloud services. Saudi Vision 2030 has encouraged foreign investment, particularly in the technology sector. Moreover, the implementation of the cloud-first policy has accelerated the digital transformation by pushing the adoption of leading-edge technologies, which includes Artificial Intelligence, 4th Industrial Revolution Technologies, among others.

The growing implementation of cloud computing across different industries is surging the demand for cloud computing in the country. The Saudi Arabian Monetary Authority is working with local banks and other stakeholders to implement an integrated payment strategy, which aims to increase electronic transactions to around 30% of total transactions by 2021. Cloud service provider companies are rapidly increasing their offerings in the Kingdom of Saudi Arabia. For

instance, in 2020, Saudi Aramco Development Co., a subsidiary of Aramco, has collaborated with Google Cloud to offer cloud services to customers in Saudi Arabia. This is expected to encourage various industries to implement cloud services.

7.2. Restraint in the Saudi Arabia SaaS Market

There are various security issues involved with cloud computing, which can place data in danger and make it vulnerable to attacks. The danger of cyber criminals' entry increases with the increase in the number of people and devices having access to the cloud.

8. Market Segmentation

8.1. Service Model – Segment Analysis

Based on the service model, Software as a service (SaaS) dominated the market and is expected to retain its market position during the forecast period. The overall growth of the SaaS will continue to remain consistent during the forecast period as more companies continue to adopt SaaS solutions for different business functions such as customer relationship management (CRP), ERP, Marketing Automation, Financial Accounting, Project Management, Business Intelligence among others. Some of the key players operating in the enterprise SaaS market include Microsoft, Salesforce, Adobe, SAP, IBM among others. The demand for a subscription-based pricing model further encouraged such companies to rapidly migrate their software solution to a SaaS model.

8.2. Deployment Model – Segment Analysis

Based on the deployment model, the hybrid cloud segment is expected to witness faster growth during the forecast period. One of the major factors helping the growing hybrid cloud market is that it provides businesses with wider flexibility by shifting workloads between cloud solutions as needs and costs fluctuate. A hybrid cloud is a service offering that combines a private cloud with one or more public cloud services with proprietary software enabling communication between each distinct service. Hybrid cloud services provide businesses with better control over their data. For instance, an organization can store its sensitive data on a private cloud and simultaneously leverage the wider computational resources of a managed public cloud.

9. Key Developments

- In 2020, Oracle announced the general availability of its Cloud Region in Saudi Arabia. This aims to provide partners and customers with access to all Oracle Cloud Services, which include Oracle Autonomous Database and Oracle Autonomous Linux, along with Oracle Cloud Applications to unlock innovation and drive business growth.
- In 2020, Alibaba Cloud announced its collaboration with the state-owned Saudi Telecom Company (STC) to provide high-performance public cloud services in the Kingdom. This collaboration is a significant milestone for STC to contribute to Saudi Arabia's Vision 2030 by introducing a trusted cloud service partner.

9.1. By Deployment

- Private Cloud
- Public Cloud
- Hybrid Cloud

9.2. By End Users

- Fashion Industry
- Beauty and Cosmetic Industry
- Commercial Enterprises
- BFSI (Banking, Financial Services, and Insurance)
- Hospitality and Healthcare
- Industrial and Manufacturing
- Government and Transportation
- IT & Telecommunications
- Others (Power Utilities, Water Treatment Plants)

9.3. By Applications

- Customer Relationship Management
- Human Capital Management
- Enterprise Resource Planning
- Operations and Manufacturing
- Content Management System

- Supply Chain Management
- Others (Security Management, Transaction Processing)

10. Share of SaaS in Beauty Industry

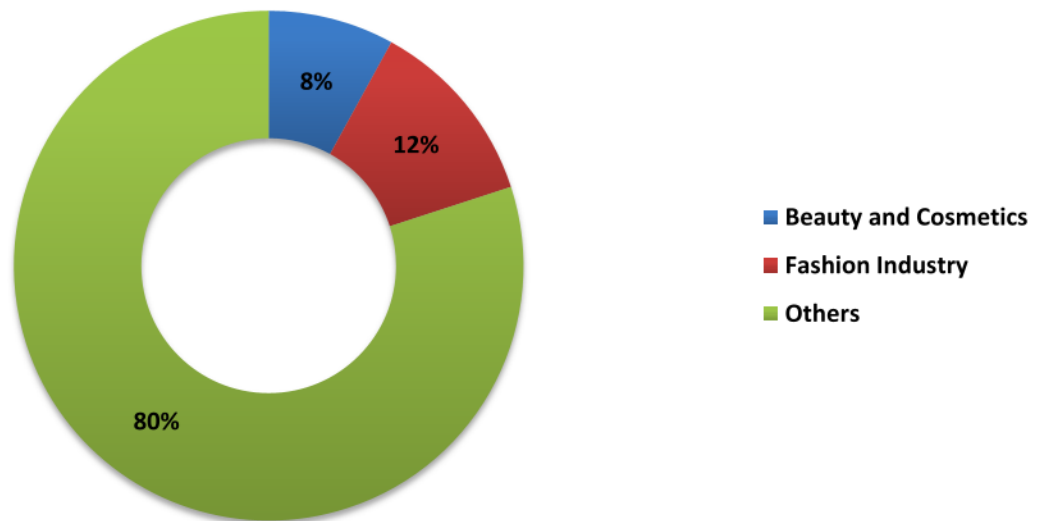
The beauty and cosmetics industry has embraced technology to advance and stay competitive. The increase in online shopping has a lot to do with it. By 2020, almost 90 percent of people will do their shopping online and 45 percent will shop via mobile devices. The "in-store" experience has to work harder to excite customers and keep them returning.

Popular brand L'Oréal has partnered with technology companies to allow customers to try products before they buy. YSL brand partnered with Google allowing make-up artists to show customers how to apply make-up with the use of digital technology. And many other brands have launched apps to see how the make-up will look on them before they purchase the products.

Beauty and cosmetics companies have specific challenges, particularly with cost control and regulation management. There is competitive pressure within day-to-day operations, as well as a fluctuating price for raw materials. There is a strong tendency for low margins and challenges with process manufacturing.

Direct marketing beauty companies rely on an active sales force who work as little or as much as they like. Independent consultants who want to earn more recruit and manage their own team. Ultimately, this helps create a stronger sales force than a traditional sales team would experience.

SaaS Products Share



10.1. Product Features

- Products Management
- Member Management
- Staff Management
- Inventory Management
- Point of Sale
- Mobile Apps Integration
- Payments and Billing
- Customer Portal
- Order Tracking
- eStore