Clean. Beautiful.

Integral to the system.

The considerable contribution of the beauty and home care industry to Germany's economy and society

Foreword

The beauty and home care industry is more than just one of many fast moving consumer goods sectors. It is a cornerstone of economic dynamism and societal well-being in Germany. Encompassing a vast portfolio of cosmetics and personal care products, cleaning products and innovative special applications, it is part of millions of people's everyday lives, giving them quality of life and generating sustainable value along the entire supply chain. With their research and development commitment, companies in the industry are continuously driving innovation – from vegan formulas and low-water, low-resource formulations to recyclable packaging solutions.

The purpose of this study is to visualise the full extent of the industry's contribution to the economy and society. It is aimed at political decision-makers, investors and multipliers and makes the case for an investment-friendly environment in which German companies can continue to develop their strengths in innovation and enhance their competitiveness in the future. We also advocate for a constructive dialogue between business leaders and policymakers so that consumer interests and entrepreneurial freedoms are adequately taken into account within the framework of practical, fair and at the same time ambitious regulations.

To illustrate what the beauty and home care industry does for the country, we will first take a look at the current global and local context in Chapter 1 and then describe the industry's specific contribution to economic value added in Chapter 2. The industry's contribution is considered along these five dimensions:

1. **Prosperity and value added**
2. **Social security**
3. **Feel-good factor and quality of life**
4. **Innovation driver**
5. **Sustainability for future readiness**

In Chapter 3, we look at how increasing regulation is putting the industry's contribution at risk, and in Chapter 4 we formulate a number of practical recommendations for actions that policymakers and the industry itself can take.

This analysis, conducted impartially by management consultants Roland Berger on behalf of IKW, is based on latest industry figures, relevant studies and the results of a survey carried out in April 2025 among the member companies of the German Cosmetic, Toiletry, Perfumery and Detergent Association (IKW). More than a quarter of IKW members took part in the survey – primarily at manager and director level. The quantitative basis provided by the survey is supplemented by Roland Berger's in-depth expertise across industries, delivering valuable stimulus for strategies and practical recommendations.

Many thanks to all whose participation contributed to our joint endeavour.

Katarina Jankovic
Partner, Roland Berger

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Partner, Roland Berger

Management Summary

A perfect storm
Geopolitical crises, inflation and social tensions meet structural weaknesses in Germany, such as high energy prices, red tape and a shortage of skilled workforce. The combined effect puts the beauty and home care industry under growing pressure.

Prosperity and value added
Accounting for revenues of more than 22 billion euros and gross value added of 7 billion euros, the industry makes a stable contribution to the nation's prosperity – generated by more than 1,000 small and medium-sized enterprises (SMEs) and around 60 large corporations.

Social security
Supporting more than 500,000 jobs across the value chain, over 60,000 of them in production, the industry ensures social participation – through modern training, digital recruitment of young people and new skills profiles.

Feel-good factor and quality of life
Every day, consumers spend 75 million euros on products that embody self-care, well-being and quality of life – spending that is intergenerational, inclusive and crisis-proof.

Innovation driver
With investments in property, plant and equipment totalling almost 700,000 euros per company and one in four products being new or revised, the industry is one of the most innovative consumer goods markets in Europe – partly thanks to AI.

Sustainability for future readiness
The industry is voluntarily implementing environmental standards with a focus on two key approaches: packaging and ingredients.

Regulatory pressure
Two out of three companies consider regulatory requirements to be a heavy burden on their business. With good reason: they are responsible for extra costs running into six figures in some cases, as well as causing innovation backlogs and growing scepticism towards Germany as a business location.

Recommendations
A future-proof industry needs measures to be taken on three levels: it needs a practicable policy framework, it needs the country to be an attractive place to do business, and it needs companies that are prepared to hold themselves accountable for making a strong contribution to the economy and society.

Contents

The situation

Germany and the world: The economy and society in transition

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The global situation
Uncertainty and systemic competition

Geopolitical crises and conflicts, weak economies, the Covid-19 pandemic and rising social tensions have made the world an increasingly unstable and uncertain place in recent years. And these various developments are not acting in isolation – each one is reinforcing the other. The result is a perfect storm of crises all happening at once.

Trade wars and geopolitical tensions are making it ever more difficult for global supply chains and commodity markets to function. The ongoing conflict between the United States and China, the war in Ukraine and tensions in the Middle East are destabilising global trade and heightening the level of uncertainty. But the trade wars are by no means limited to the US and China. More and more countries are being drawn into the protectionist spiral. The new US government has once again extended the additional tariffs on steel and aluminium it introduced in 2018. In parallel, the Trump administration is imposing 25% tariffs on all goods imported from Canada and Mexico – with a reduced rate of 10% for Canadian energy exports. Additional tariffs on imports from China, the EU and all other countries that export goods to the US can be imposed at any time, making for an extremely volatile environment[1].

Such actions only exacerbate the already high level of geo-economic tension. Studies confirm the trend: almost one-quarter of the risk experts surveyed for the latest WEF Global Risks Report consider armed conflicts between countries to be the biggest global risk. Extreme weather events rank second, followed by geo-economic conflicts such as trade tariffs. In fact, the number of conflicts has almost doubled in the past five years. The non-profit Armed Conflict Location & Event Data Project recorded approximately 104,000 conflict events in 2020; the figure had risen to almost 200,000 by the same period in 2024 (WEF, 2025; HIIK, 2023).

At the same time, we are seeing an increase in political influence over commercial competition. Companies are faced with the challenge of positioning themselves between different political systems and regimes – in both a national and an international context. A special analysis in the DIHK economic survey by the German Chamber of Commerce and Industry at the beginning of this year shows that 65% of companies believe they should actively support democracy and social cohesion. The reasons for this are varied and include the fact that more and more people, especially younger generations, expect companies to take responsibility as agents of society. Social media adds to the pressure with the threat of reputational damage and media storms. And then regulatory developments such as the Supply Chain Act and the EU Taxonomy create new reporting obligations and increase corporate responsibility. The competitive climate has also become tougher internationally – particularly affecting small and medium-sized enterprises (SMEs) in Europe, which have often structural disadvantages to cope with (ZiViz, 2023; DIHK, 2025).

1 At the time of writing, tariffs on EU products had been postponed until July 2025.

The national situation
Location factors under pressure

Germany's economy is faltering – and that is not just a recent development. Growth forecasts offer little hope, investment is falling and many companies are struggling with rising costs and an uncertain market. Having already shrunk by 0.1% in 2023, the German economy worsened again last year, contracting by 0.2%. Moderate growth of 0.4% is expected for this year (Destatis, 2025; Roland Berger, 2025).

High energy prices and persistent inflation are weighing on consumer sentiment and diminishing Germany's attractiveness as a business location as well as the competitiveness of German businesses. Despite inflation stabilising somewhat at 2.3% in February 2025, energy prices remain at a historic high. Gas prices in Germany are as much as seven times higher and electricity prices as much as five times higher than in competing business locations. And even though the market price for electricity is lower now than a year ago, electricity costs for businesses continue to rise due to a combination of levies, surcharges and fees. Companies in Germany are finding it very difficult to manufacture on competitive terms. The energy-intensive chemical industry, which plays an essential role for the beauty and home care industry, is particularly affected. The consequence – in this industry as in others – is that companies are cutting back their production or offshoring their activities (Destatis, 2025; Statista, 2024; DIHK, 2025; Roland Berger, 2025).

13%

of companies expect their business situation to improve in 2025, while almost a third expect it to worsen.

The many different stress factors are a headache for business leaders, who worry about the future. Across industries, only about 13% expect their business situation to improve in 2025, while almost a third expect it to worsen. The growing number of company insolvencies confirms the gloomy prognosis: last year, cases had already risen 24.3% to 22,400 – the highest number since 2015. A further rise is expected for this year. Particularly prevalent among cases are small businesses, including some in the beauty and home care industry. Besides the high costs, it is the increasing regulatory demands that are often almost impossible for small and medium-sized enterprises to handle with the human and financial resources at their disposal. The skills shortage places an additional burden on businesses. While labour demand is slowing slightly as a result of the weak economy, the shortage of skilled workers remains high, particularly in the SME sector (Roland Berger, 2025; ifo Institute, 2025; IW, 2025; KfW, 2024; DIHK, 2025). Consumer behaviour is another area where the economic downturn and general uncertainty are increasingly making themselves felt. Consumer sentiment has been on the slide in recent months: having stood at -21.4 points in January 2025, the index fell to -22.6 points in February before falling again to -24.7 points in March. Consumers are holding back on spending and are not planning far ahead. This is having an impact on sales in the beauty and home care industry, too (GfK, 2025).

Parallel crises such as trade wars, geo-political tensions and the faltering German economy are currently combining to produce a perfect storm.

Why this study is called for

Rising global tensions, trade wars, risks in the economy and growing consumer reticence: the beauty and home care industry is not immune to any of these developments. Nevertheless, the industry has proven to be a rock of stability and a reliable mainstay of the economy in the past – and intends to remain so in the future.

Especially in difficult times like these, the beauty and home care industry is an important contributor to stability. Providing products that people cannot do without, it contributes to the functioning of society, creates jobs and drives sustainable innovation.

Individual well-being takes on a new, special significance in uncertain times. As a resilience factor, the beauty and home care industry plays an outstanding role here on both an individual and a macroeconomic level.

The following chapter describes how, particularly in these challenging times, the industry is contributing to better quality of life, social security, prosperity, innovation and sustainability.

The industry’s contribution

Economic strength with social depth

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Prosperity and value added

An industry that moves billions – and deserves more attention

The billion-euro engine behind the scenes

A mainstay of the economy

Very few people outside the industry realise how important the German beauty and home care industry is to the economy. It is one of the prime growth drivers for the entire fast moving consumer goods market – delivering constant financial success and a high level of innovation. Last year alone, companies in the industry generated revenues totalling an impressive 22.6 billion euros in Germany[2]. Since 2018, the FMCG market has thus seen an average annual growth rate of around 3% – a stable and continuous development that is particularly relevant in times of economic uncertainty. Forecasts indicate that the market volume will grow to 25.9 billion euros by 2028 in a clear sign that the industry is both growing in importance and fit for the future.

By far the largest sub-segment of the market is beauty care, accounting for 75% of total revenues at 16.9 billion euros. This segment, too, is expected to see a positive development, with revenues anticipated to rise to 19.6 billion euros by 2028. Within beauty care, the biggest categories are skincare, haircare and facial care. Together, their share of segment revenues stands at around 44% – and rising. The fragrance category is especially dynamic: forecast to grow 5% per annum between 2018 and 2028, it is one of the fastest growing segments and holds enormous potential for innovation and new consumer trends.

Home care products also exhibit solid growth as a segment. Revenues here amounted to 5.7 billion euros in 2024. By 2028, the figure is expected to have risen to 6.3 billion euros. Detergents and cleaning agents are the most important pillar of this sub-segment: accounting for around half of revenues, these products are indispensable for everyday life in private

2 IKW market assessment based on YouGov

households and in the professional sector alike. Germany is a key market globally, not to mention in Europe: 16% of total revenues in Europe are generated within Germany (IKW, 2024; Euromonitor, 2025).

These figures underline not only how important the industry is to the economy but also how deeply rooted it is in people’s daily lives. Beauty and home care products are everywhere: they foster well-being, hygiene and quality of life. At the same time, they are an expression of technological innovation and, increasingly, of environmental responsibility. Companies in the industry are constantly investing in sustainable raw materials, environmentally friendly packaging and resource-saving production processes – another reason why their importance within the German economy will only grow. See infographics A + B

22.6

billion euros in total revenues were generated by the industry in Germany last year. The figure looks set to grow to 25.9 billion euros by 2028.

While revenues reflect the market dynamics, the industry’s economic contribution to society’s prosperity is reflected in another measure: gross value added. This indicates how much economic value added is actually generated in Germany – thereby measuring the sustainable contribution the beauty and home care industry makes to Germany’s overall economic development.

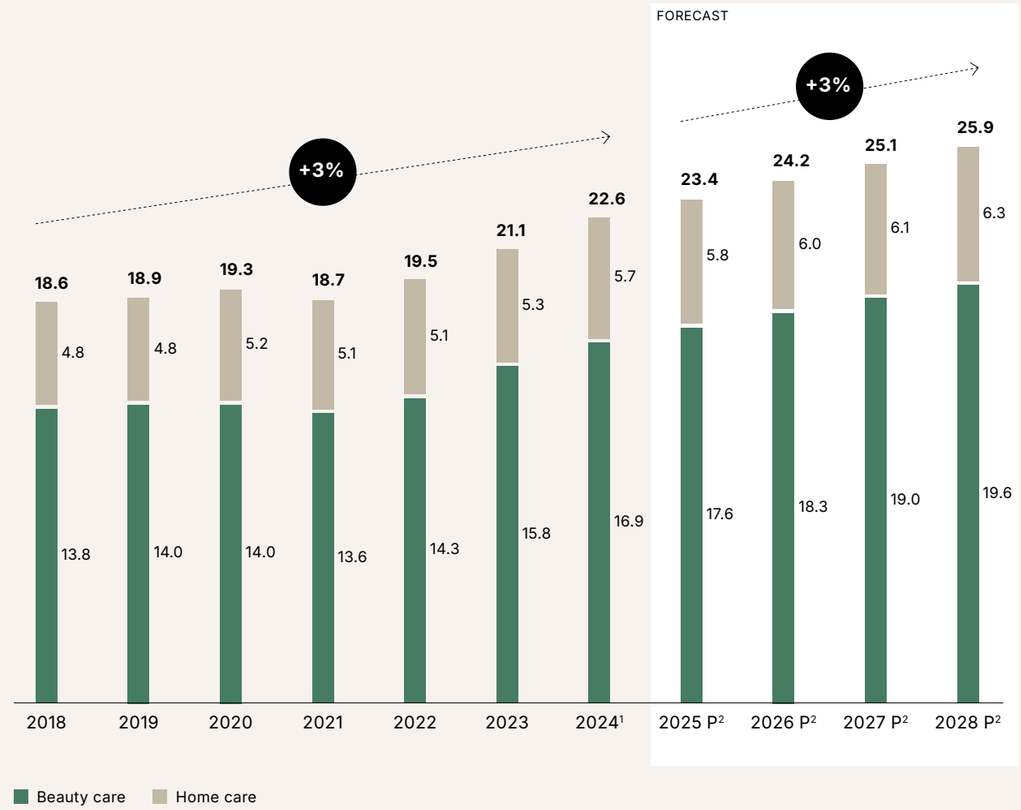
As a core element of the value chain, the industrial production of beauty and home care products in Germany is the focus of our analysis. We also include upstream stages such as the production of chemical precursors as well as other stages such as wholesale and retail.

According to our calculations, the gross value added coming directly from production in the beauty and home care industry amounted to 7.1 billion euros in 2024 – a considerable contribution to Germany’s industrial performance. But that is not nearly all of the economic potential the industry has: upstream activities, i.e. the extraction of raw materials and production of chemical components, amount to an estimated 6.4 billion euros.

A further 9.1 billion euros in value added is generated in retail and wholesale through product sales. Found in health and beauty stores, supermarkets, online

A The beauty and home care industry generated total revenues of EUR 22.6 bn in Germany in 2024. Beauty care accounted for 75%

Revenue development in beauty and home care, 2018–2028
[EUR bn]



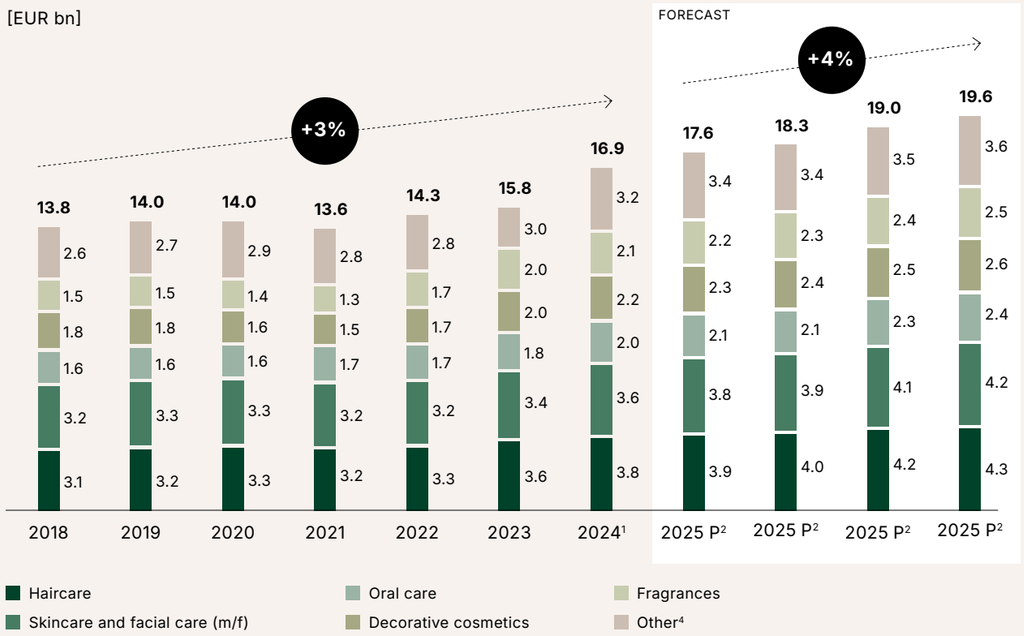
[1] IKW market assessment based on YouGov
[2] Projection

Source: 2018–2024: IKW market figures; 2025–2028: Euromonitor

B Beauty care achieved total revenues of EUR 16.9 bn in 2024, with 44% of them generated in haircare, skincare and facial care

Revenue development in beauty care, 2018–2028

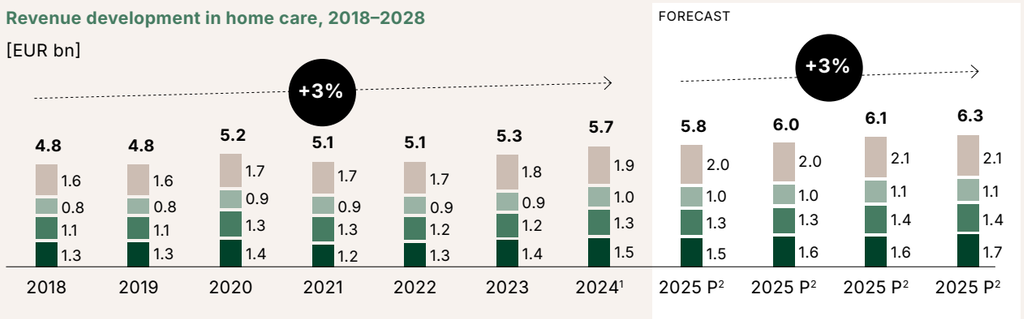
[EUR bn]



Revenues of EUR 5.7 bn were generated in home care in 2024. One in every two products was a detergent or cleaning agent

Revenue development in home care, 2018–2028

[EUR bn]



¹ IKW market assessment based on YouGov ² Projection ³ Bathroom, glass, window and household cleaners; drain cleaners; special-purpose cleaners (oven, limescale, metal); toilet cleaners and rim blocks; ⁴ "Other" includes bath/shower products, deodorants, soaps/syndets, shaving products (m/f), pre- and aftershaves, other beauty care products (foot care, depilatories, baby care products excluding shampoo/bath or shower products/soaps) ⁵ "Other" includes room scents, fabric softener, laundry aids (stain removers, waterproofing, prewash or soaking agents, bleaches, starches, ironing aids, textile dyes), car care products, fine-wash and special detergents, home furnishing care products (cleaning and care products for floors, stone, furniture and polishes), leather care products

Source: 2018–2024: IKW market figures; 2025–2028: Euromonitor

retailers and many other shops besides, the products' heavy presence in people's everyday lives is reflected in their diverse range of sales channels and their economic relevance. Beauty care products account for around 6.8 billion euros of the total and home care products for 2.3 billion euros.

Added to that are the downstream services which are directly linked to the use of the products. Beauty and hairdresser's salons, nail bars, spas and wellness clinics as well as laundries and cleaning services: all of these benefit from the success of the industry while at the same time reinforcing its overall importance to the economy. The resulting gross value added amounted to some 9.3 billion euros in 2024. As such, the beauty and home care industry has a remarkable cross-sectoral impact along the entire value chain – from raw materials to finished products being used on or by people.

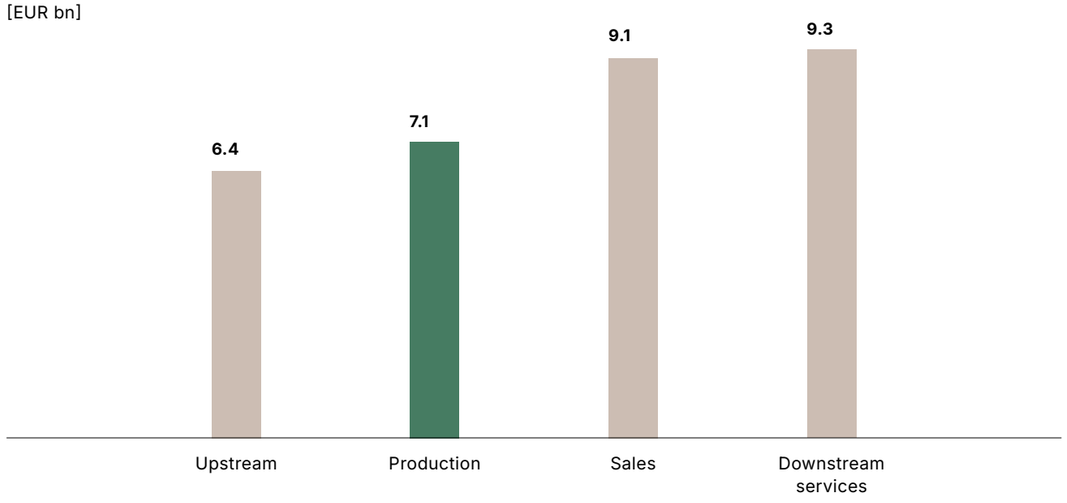
The scope of its economic potential serves to underline the industry's role as an interconnected driving force within the German economy. It creates jobs in industry, wholesale and retail as well as in services, it stimulates innovation in chemicals, packaging and logistics, and it helps to strengthen business locations in rural and urban areas alike.

Furthermore, the industry acts as a driver of innovation in adjacent areas, such as the development of sustainable ingredients, digital sales concepts and data-driven product personalisation.

C The industry makes a major contribution to Germany's prosperity: EUR 7.1 bn in gross value added came from the production of beauty and home care products in 2024

Gross value added by value chain stage, 2024

[EUR bn]



Source: Roland Berger calculations based on Destatis (2025)

Last but not least, the industry's reach is also reflected in its influence on society. The combination of functional benefit, personal well-being and heightened environmental awareness is creating a market which goes far beyond traditional consumption patterns. That makes beauty and home care a prime example of everyday relevance merging with economic strength and an industry that's fit for the future. See infographic C

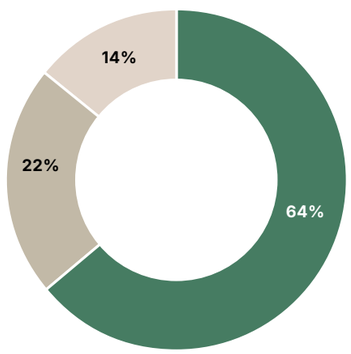
A stable economic factor
Crisis-proof consumption even in strong headwinds

The beauty and home care industry has proven to be a reliable growth factor even in times of significant economic volatility. For 2024, IKW forecasts around a 7% increase in sales year on year despite the ongoing recession (IKW, 2024).

D We surveyed IKW members from the beauty and home care industry – from SMEs to large corporations

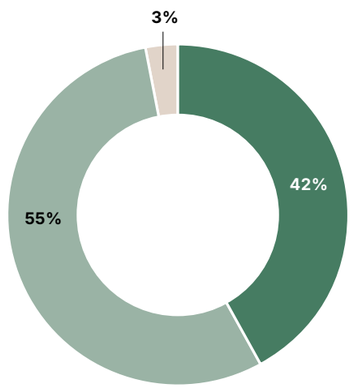
Main segment

→ Which segment does your company principally operate in?



Company size

→ How would you classify your company in terms of number of employees?



Source: IKW & Roland Berger (2025)

The medium-term outlook, too, is positive – albeit with some signs of clouds on the horizon: seven out of ten respondents in our survey expect their revenues to be at the same level or higher this year, while 30% expect revenues to be lower. The industry recently proved its resilience during the Covid-19 pandemic, when revenues remained largely stable between 2019 and 2022 on the back of moderate 1% growth: proof that consumer demand remains constant even under extraordinary conditions. See infographics D + E

Local economic strength
How the industry ensures stability in town and country alike

The German beauty and home care industry is very much an SME sector: besides some 60 large corporations, which generated a good 86% of the industry's total German revenues in 2024 (around 19 billion euros), there are more than 1,000 traditional SMEs manufacturing the majority of all cosmetics and personal/home care products. The picture is almost identical in the upstream chemical industry, where some 180 large manufacturers dominate the market and almost 900 small and medium-sized enterprises supply the crucial base chemicals. The industry is thus one of the many economic sectors characterised by a diversified SME structure – similar to the clothing industry (2,500 SMEs and 30 large corporations) or the food industry (24,000 SMEs and 800 large corporations) (Destatis, 2022).

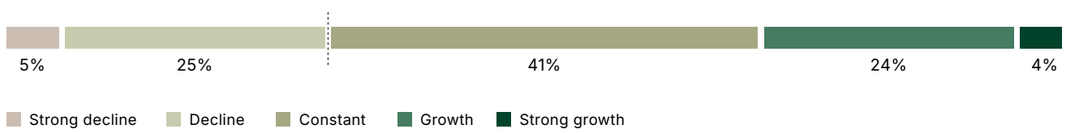
This SME diversity brings its full strength to bear on a local level in particular: with their widely spread production sites, trading outlets and service offerings, the companies bring stability to regional economic structures and shore up important value chains. Especially in rural and structurally underdeveloped regions, they serve as reliable employers and the backbone of the economy – from raw material suppliers to production facilities to local retailers. In some cases they don't just create jobs, they keep entire communities alive.

Many of these businesses are traditionally family run and deeply rooted in their home region. Their close ties to the local area are reflected in the creation of

E Expectations for 2025 are ambivalent: While 41% of respondents anticipate constant revenues in Germany, about 30% expect revenues to either fall or rise

Revenue expectations, 2025 vs. 2024[1]

→ How do you expect revenues to develop for your industry in 2025 compared to 2024?



[1] Totals may not add up to 100% due to rounding

Source: IKW & Roland Berger (2025)

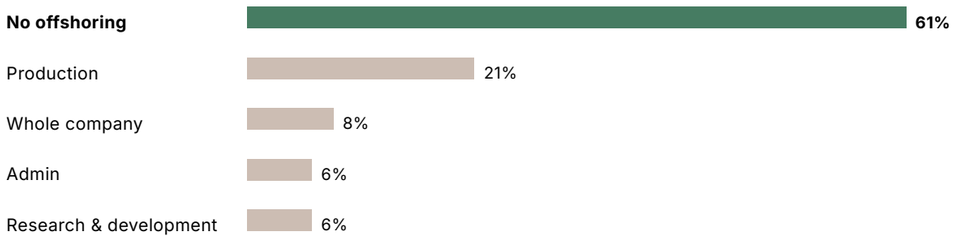
apprenticeships, the continuity of jobs across generations and the pronounced retention of skilled workforce. This strong local commitment pays off: skilled workers find attractive prospects in their region, value added remains local and the risk of population migration away from the area remains low.
Our survey of IKW member companies confirms businesses' loyalty to their local area: despite facing an increase in regulatory and economic burdens, not many companies are considering offshoring their production. 40% of businesses are currently examining such a move. However, the majority of businesses are committed to doing business in Germany – not only due to economic considerations but above all out of conviction and a sense of responsibility towards employees and the community. As such, the beauty and home care industry remains a prime example of sustainable, regionally embedded business activity in the heart of Germany.

More than 1,000 small and medium-sized enterprises shape the industry. 86% of total German revenues are generated by large corporations.

F More than 60% of companies surveyed are not currently planning to offshore any activities

Offshoring

→ Are you currently considering offshoring the following business areas?



Source: IKW & Roland Berger (2025)

Photo: AnnaStills/istockphoto

Social security

Jobs on a solid foundation – social participation made in Germany

Employers with resolve
The beauty and home care industry supports sustainable employment

In Germany, the beauty and home care industry not only generates economic value added, it also boasts impressive employment potential. Some 60,000 people work just in the production of the industry's wide range of care and cleaning products – almost twice as many as work in the clothing industry (approx. 34,000 people). This figure alone underlines the sector's industrial importance for the labour market and for numerous supplier businesses that employ chemists, engineers and technicians who work on the development of new formulations and efficient production processes.

But the employment effects extend far beyond this: a further 118,000 people work in direct sales – in the wholesale and retail trade for cosmetics, cleaning products and specialised care products. It is they who ensure the products are available to purchase at health and beauty stores and supermarkets, in pharmacies and the growing e-commerce channel, and make sure customers receive competent advice. Then there are another 158,000 jobs in the downstream service sector, primarily in beauty and hairdresser's salons, nail bars and spa facilities as well as at laundries and dry cleaners, where the products are indispensable.

In total, the beauty and home care industry supports about 533,000 jobs – directly in production and indirectly in wholesale/retail and through skilled service providers. Particularly remarkable is the stability of this employment: throughout the Covid-19 pandemic and the subsequent years, the number of jobs in production has remained largely unchanged since 2019. By comparison, other sectors such as the textile industry or food and animal feed production have seen an annual decline in jobs of around -5% and -2% respectively. This robust employment profile not only underlines the industry's resilience in the face of external shocks but also highlights its role as a steady driver of training, skilled workforce development and regional value added in Germany (Destatis, 2023). See infographic G

Moreover, the industry is an important driver for the participation of women in the workforce. Hairdressing, beauty salons and laundries employ an above-average proportion of females. Around two-thirds of the people who work in retail and personal services are women (Eurostat, 2025).

> The industry supports more than 533,000 jobs – 60,000 directly in production, a further 118,000 indirectly in sales and 158,000 in down-stream services like hairdresser's salons and laundries.

No grumbling here – action instead
How the sector is tackling the skills shortage

Demographic change is having an ever-greater impact on the German labour market. We regularly see more skilled workers leaving the labour market than joining it, and many jobs remain vacant for months on end. The skilled trades are particularly affected: in professions like interior fit-out and drywall construction, insulation and glazing, jobs went unfilled for over nine months on average between April 2024 and March 2025, with the trend going in only one direction – up. The beauty and home care industry is also feeling the effects of the skills shortage, though to a lesser extent so far: the average vacancy in the same period took around four months to fill (BA, 2025).

At the same time, the number of apprentices has been falling for years: while student numbers have increased 42% since 2003, the number of apprentices has decreased by a quarter in the same period –

a cross-industry trend which is further widening the gap between supply and demand on the training market (Eurostat, 2025).

To try and reverse this trend effectively, the industry has identified several strategic levers in the form of measures that work together and build on each other:

1. **Modern training concepts:** Many companies are overhauling and modernising their training programmes. Modular curriculums enable customised learning paths. Digital learning platforms and e-learning courses increase flexibility. Additionally, cooperation with vocational colleges and universities ensures the direct transfer of knowledge from theory into practice.

2. Better targeting of young people: Targeted campaigns on TikTok, Instagram and the like are designed to inspire young people to take up careers in production, science labs, logistics or in the practical application of products. In parallel to that, there has been a significant uptick in companies providing careers guidance in schools, live workshops at trade fairs and internship partnerships as ways of offering people early insights into the industry.

3. Upskilling and reskilling: Employees are being offered systematic support to advance their careers – through targeted training programmes, certification courses and digital micro-credentials. This allows people to acquire skills in key areas that make businesses fit for the future – digitalisation, sustainability and innovative product development – and enables them to react flexibly to the changing demands of the market.

4. Cross-industry initiatives: The industry is also integrating structurally underdeveloped regions via skilled workforce alliances, working groups of the chambers of commerce and industry, and joint projects with job centres. These networks increase the level of exchange and sharing between different German states, create regional skills centres and make the industry more attractive in the local area.

These and many other measures are helping to sustainably meet the demand for skilled workers, make the industry more attractive and ensure stable training and employment structures throughout Germany for the long term (Roland Berger, 2025).

The beauty and home care industry is tackling the skills shortage with various measures. These include modern training concepts, better targeting of young people and cross-industry initiatives.

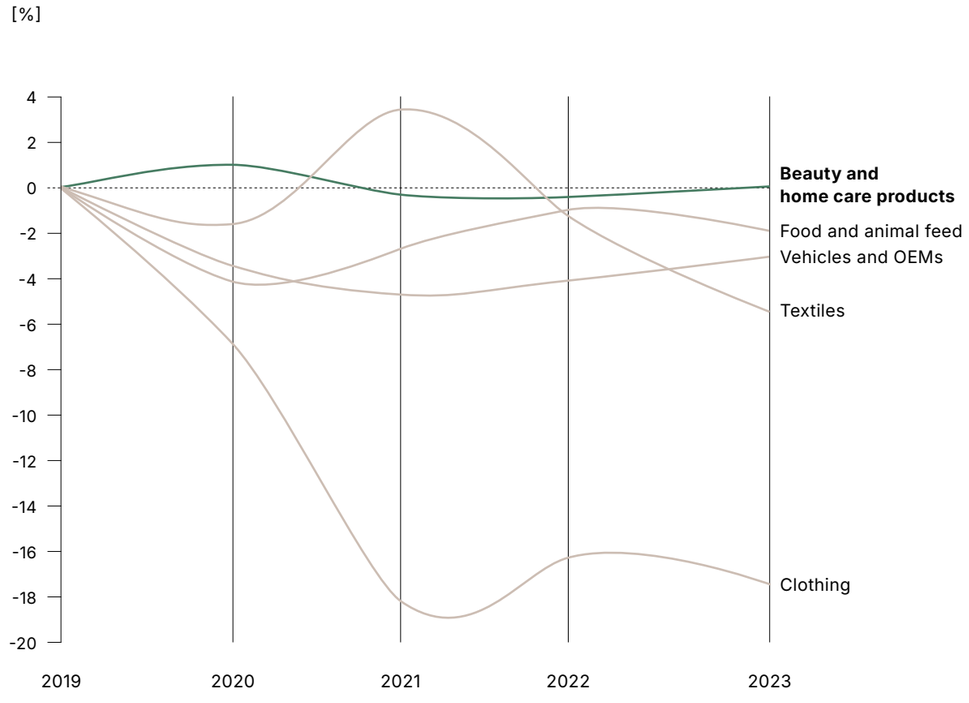
Between haircare and high-tech
How new professional skills are created

Whether in production, in the lab or in the office, digitalisation is creating a wide range of new and future-proof job profiles in the beauty and home care industry, as in so many other sectors of the economy. The industry is using this transformation not just to protect jobs but to make them more attractive through the use of modern technologies, more flexible structures and innovative upskilling programmes.

According to the Future Skills Report published by the German Federation of Chemical Employers' Associations (BAVC), production and research & development each accounted for almost a quarter of all job vacancies advertised between 2020 and 2023. The increase in job vacancies in production is

G While similar industries have seen a reduction in jobs, the employment rate in the German beauty and home care industry has remained stable in recent years

Trend in employee numbers in production, 2019–2023, by industry



Source: Eurostat (2023)

particularly striking, the total number being 11 percentage points higher than in 2018/19. This development is yet more proof that digitalisation and automation tend to create more rather than less employment overall, albeit in new areas. For example, the focus is shifting from administrative to practical, technology-driven tasks.

The areas in which companies are most frequently seeking forward-looking skills are agility (24% more job vacancies), data science and analytics (also up 24%), biotechnology (+19%), sustainability (+19%) and big data (+18%). See infographic H

For the workforce to stay up to date with the latest technology, continuing education and lifelong learning must be an integral part of corporate development. Companies in the beauty and home care industry often work with external training providers to expand their training in specific, targeted areas and ensure that employees are well prepared to meet new demands (BAVC, 2024).

H Technology transformation means that companies are most in need of specialists with skills in agility and data science

Share of job vacancies with the mentioned skill

[%]

Source: BAVC Future Skills Report (2024)

Photo: Portra/istockphoto

Feel-good factor and quality of life

Emotional rituals – living clean, feeling beautiful, structuring daily life

Care is no small matter
It starts every day in front of the mirror

Whether it's applying face cream in front of the mirror in the morning or tidying up in the evening, most people consider personal and beauty care and keeping their home clean and tidy to be an essential part of everyday life. The associated routines promote well-being, provide structure and convey a sense of control and self-efficacy, especially in challenging times.

Every day, German consumers spend some 59 million euros on beauty products. Spending on household products is about 16 million euros per day. These figures underline the prominent role that personal and household care plays in our everyday lives (Euromonitor, 2024).

People in Germany spend on average 40 minutes on their daily beauty regime and around half an hour on cleaning their home – time that the vast majority of people enjoy spending on themselves, their well-being and a well-kept environment. Cleaning their home is deeply rooted in people's everyday lives: 12 million Germans use household cleaning products at least once a week, two million even do so every day. See infographic I

For many people, having a clean flat or well-kept house is far more than just a hygienic necessity: 96% of respondents state that a clean home is important or even very important to them. They cite increased well-being (56%) and positive effects on their health (23%) as the reasons why.

When things are clean, they usually smell clean, be it a freshly made bed or a gleaming bathtub. Besides having a direct influence on our emotions, fragrances have an important psychological effect: they give us a sense of security and convey joy and satisfaction. The average German spends more than three hours a week cleaning their home: an expression of their desire for order and well-being in their personal surroundings (IKW, 2024; Kantar, 2024).

I The average time people spend on beauty care and home care in Germany is 40 minutes and 30 minutes respectively

Source: IKW (2025), GfK (2023)

When the world turns upside down, routine stays the same
A little bit of normality in abnormal times

In a world shaped by uncertainty, geopolitical tensions and societal upheaval, many people look for stability in the small things. Daily care routines – whether in the bathroom or around the home – become a rock of stability when the main feeling people get from the outside world is a sense of powerlessness.

Beauty and home care products thus provide far more than a superficial benefit: they give structure to the day, create personal rituals and convey the feeling of having one's personal space at least to some extent 'under control'. An international survey by Euromonitor confirmed this in its findings. The survey found that 40% of consumers take a holistic approach to self-care. What this means is that beauty routines play an important role for a majority of them (65%) – not least because taking care of their outer appearance helps them to find inner balance and emotional stability (Euromonitor, 2024).

Home care, too, contributes to this sense of security. During the Covid-19 pandemic, 28% of consumers already said they were spending more time doing housework – more than an hour a day in the case of a third of people. For many, taking care of their house or flat was also an effective way of countering the feeling of an increasing loss of control. A few years later, in

the face of actual war and trade wars, inflation and growing social polarisation, it has taken on this function once again. In a life surrounded by global crises, it is often the small, everyday rituals that give people a sense of inner order. With the products it offers, the beauty and home care industry makes a frequently underrated contribution to individual well-being and societal resilience on a daily basis (IKW, 2024).

From Gen X to gender-fluid
Everyone feels part of it

As an irreplaceable part of people's everyday lives, the beauty and home care industry's products are an authentic reflection of society's diversity beyond stereotypical norms. Products are much more tailored to different skin types, age groups, lifestyles and beauty ideals today than they were in the past.

This transformation can be seen, for one thing, in the sheer variety of products. L'Oréal set an example in terms of inclusive make-up back in 2004 with the launch of Accord Parfait. Featuring 24 colour shades, the palette was almost twice the size of most other brands' offerings. Today, the product line comprises 48 shades, covering 99.5% of women's skin tones. In fact, Euromonitor found that, for almost a quarter of consumers, matching individual skin tones is now one of the most important features of beauty care products (L'Oréal, 2025).

With its significantly expanded range, the industry is not just responding to social trends, it is actively shaping them and providing significant input into a broad social debate on quality of life and self-care in the 21st century (Euromonitor, 2024).

Ageing is also being considered in a new context. For example, the Beiersdorf Group has launched a genuine anti-ageing innovation in the form of Eucerin Hyaluron-Filler Epigenetic Serum. The active ingredient Epicelline® is said to reactivate the skin's 'youth genes'. According to market research company Circana, this generation now represents the largest share of the market in the prestige beauty segment. In order to reach them as a target group, companies are going through communication channels like TV, print and Facebook and are boldly throwing out the clichés about age in the beauty market (Business of Fashion, 2024).

Social media, and TikTok in particular, is key to interacting with young target groups. 33% of 16- to 18-year-olds are interested in cosmetics topics on TikTok, and 44% pay attention to product reviews. The platform has thus become the most important way to spot trends early for consumers and brands alike. In Europe, TikTok already accounted for 12% of total social media advertising expenditure across all industries in 2023 (Postbank, 2024; IKW, 2024; Statista, 2023).

75

million euros are spent by consumers in Germany every day on beauty and home care products.

Photo: svetlikd/istockphoto

Innovation driver

Real innovation – solving today's problems for tomorrow's world

Driving investment
Doing better instead of doing the same

For years, the beauty and home care industry has been setting an unmistakable example of innovation and growth by continuously investing in research, development and state-of-the-art production facilities. Take the considerable sums of money companies invest in property, plant and equipment – 689,000 euros on average. This high level of investment not only forms the basis for the development of new formulations and active ingredient combinations but also enables rapid prototyping and flexible small-batch production in order to bring trends like clean beauty, biotech ingredients or low-water formulations directly to market (Eurostat, 2023).

By comparison, the average investment in property, plant and equipment in the textile industry is just 108,000 euros per company, while in clothing manufacturing it is as low as 55,000 euros. These differences serve to highlight just how much the beauty and home care industry relies on cutting-edge infrastructure and high-tech solutions to open up new business segments – from sustainable packaging concepts and digital product adaptations with AI-powered formulation tools to smart application systems offering consumers personalised experiences with the products.

The result is a remarkable dynamic: given the pressure to invest, companies are regularly filing patents for active ingredient developments. And they are building innovative pilot plants for environmentally friendly production technologies and making use of digital platforms to keep customers coming back. At the same time, these investments make German SMEs more competitive in the global markets and consolidate Germany's position as a leading centre of innovation in cosmetics and home care. Indeed, the beauty and home care industry is one of Europe's most dynamic and innovative FMCG markets. Skincare and hair-care accounted for 20% of the product innovations launched across Europe in 2023. Our survey paints a similar picture: a good one-third of respondents rate the German industry's innovativeness as high or very high, and more than half rate it as average. The high investments therefore pay off not just in growth rates but also in sustainable value added and long-term market leadership (Eurostat, 2023).

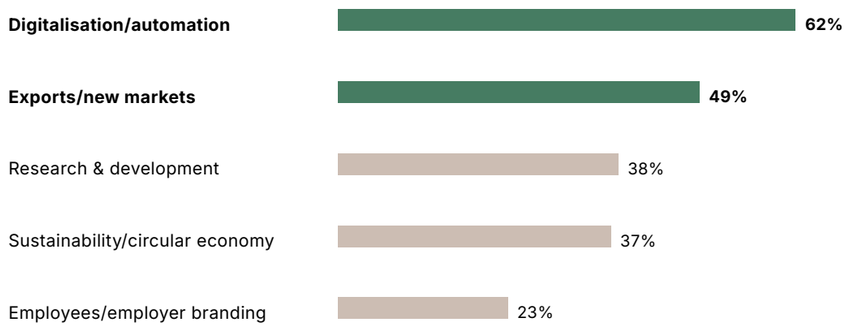
In a trend we are seeing across the economy, many IKW member companies are investing specifically in areas that will make them fit for the future. As our survey shows, digitalisation and developing new markets promise the greatest potential for creating added value. See infographic J

All in all, the industry is very knowledge driven and research focused: according to Cosmetics Europe,

J Future potential to add value lies particularly in digitalisation and automation as well as in exports and developing new markets

Future value-adding potential

→ In which areas do you foresee the greatest potential for your company to add value in future?



Source: IKW & Roland Berger (2025)

689,000

euros is the amount companies in the beauty and home care industry invest on average – more than six times as much as firms in the textile industry.

every year sees one in four cosmetic products either being revised or developed from scratch. Thus, the patent density on cosmetic products in the EU is very high (Cosmetics Europe, 2025).

Innovation meets consumers
Functional, affordable, relevant

Besides the benefit to the economy, it is primarily consumers who benefit from companies' strong commitment to developing new formulations and products. The big market leaders like L'Oréal and Henkel are driving the momentum: L'Oréal alone invested some 1.4 billion euros in research & development in 2024 – up 6.6% year on year since 2019. Over the same period, Henkel increased its R&D expenditure by 4.9% per year to 634 million euros (including home care and cosmetics) (NiQ, 2024; Statista, 2025). See infographic K

Innovation does not end in the lab: consumer trends like self-care, sustainability and the desire to use natural products are having an ever-greater influence on product development today. According to recent survey findings, the fact that consumers are steered by sustainability criteria such as the careful use of natural resources when making their product choices is a central guiding principle for most companies in their innovation work. At the same time, ongoing consumer reticence is forcing the industry into a balancing act, because innovations must be not only relevant and effective but also affordable and scalable to survive in the market. Successful innovations today are functional product solutions that capture the zeitgeist – without compromising on quality, effectiveness or sustainability (Cosmetic Business, 2024). See infographic L

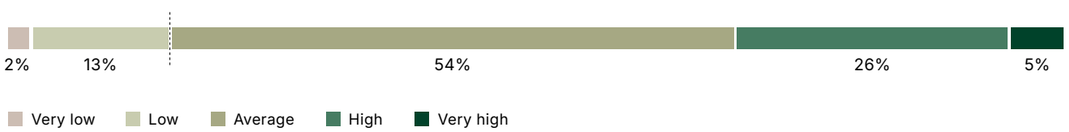
Other current trends – saving water, plastic-free, clean beauty, etc. – are having a strong influence on the innovation work companies are doing. Detergent manufacturers, for example, are developing products that offer effective cleaning even at lower temperatures. This is a response to the desire of many consumers to be more energy efficient with their laundry (Henkel, 2024).

Many cleaning product manufacturers have also committed to ambitious plastic reduction targets.

K Always with one eye on the future: More than 30 % of respondents consider the industry's innovation power to be high or very high

Innovation[1]

→ How do you rate the industry's innovation power in Germany?



[1] Totals may not add up to 100% due to rounding

Source: IKW & Roland Berger (2025)

L The most important consumer trends in beauty care are health and self-care, while in home care it's the natural and sustainability trends

→ Which consumer trends are the most relevant in your main segment and hold high revenue potential, in your view?

Source: IKW & Roland Berger (2025)

They are focusing on new products like plant-based and biodegradable laundry sheets as well as reuse & refill systems or paper-based packaging.

'Mood setting' and 'scented' describe another current trend: rather than purely functional applications, the focus here is on the sensory and emotional aspects of fragrances in home care products. Febreze Mood Setting is one example of how the self-care trend has expanded into the home care market (Euromonitor, 2024; World Market for Home Care, 2024).

Solid cosmetic products, such as shampoo bars or solid facial cleansers, reflect a desire expressed by many consumers to save water when using them, in a trend dubbed waterless beauty. Further advantages are that such products have a longer shelf life and require less packaging (Stylebook, 2025).

Microbiome skincare products support the skin's natural microbiome. The demand for skincare products of this type is steadily rising and is closely linked with the trend towards holistic and preventative skincare (BeautyMates, 2024).

The desire for transparency, efficacy and safety of all ingredients is what the ingredient-led beauty trend is a response to. It merges the clean beauty and medical beauty trends by combining ingredients of natural origin with formulations underpinned by science (Euromonitor, 2024).

AI is turbo-charging innovation
More than just smart and fast

Artificial intelligence (AI) is opening up new potential for innovation in the FMCG industry. Its impact spans the entire value chain, be it in companies' direct contact with customers or by permanently increasing their efficiency in production and logistics.

More differentiation, more personalisation and more operational excellence – AI makes all of this possible. For example, it allows brands to respond in even more bespoke ways to consumers' individual needs by using AI systems to analyse skin types, consumer habits and preferences to ultimately make tailored product recommendations. Applications powered by augmented reality (AR) round off the experience with virtual try-ons that allow consumers to try out skincare and make-up products digitally before making a purchase. The Korean cosmetics group AmorePacific uses AI to offer customers personalised advice, enabling them to choose the perfect product from over 205 foundation shades or 366 lip care colours (Business of Fashion, 2024; Medium, 2025).

AI is driving the transformation behind the scenes as well, e.g. through image-based quality control. Here, AI and cameras can be used to check whether each pack actually contains a transparent dosing scoop, for example. AI can also analyse sales data, market trends and customer preferences to provide sales teams with demand forecasts in real time. In marketing, it supports hyper-personalisation by using generative AI to develop automated ads and original texts for defined consumer groups. This cuts the cost of creating high-quality content and increases click-through rates (Nestlé, 2025; Constellation Brands, 2025; Roland Berger, 2025).

Photo: Anna Tretiak/istockphoto

Sustainability for future readiness

Living the sustainability principle – not just making promises but achieving goals

Declarations of intent clearly formulated
Degree of implementation varied

Companies in the beauty and home care industry see sustainability as a holistic vision to be brought to bear across all three of the ESG pillars – environmental, social and governance. While previous chapters have already addressed social aspects like protecting jobs, retaining skilled workers and ensuring equality, along with governance issues relating to companies' contribution to the economy and their responsibility and capacity to shore up their local area as a business location, this section focuses on the environmental dimension. We will look primarily at companies' use of resources, emissions reduction and product responsibility.

As key players in the European FMCG sector, companies in the beauty and home care industry are at the centre of relevant EU environmental policy: they put the European Green Deal and the Circular Economy Action Plan into practice as well as the EU Chemicals Strategy for Sustainability and various climate policy targets. The industry has a special responsibility in this area given the high packaging volumes and the relevance of cleaning agents and detergents for waste water.

To fulfil this responsibility, companies are pooling numerous measures:

Resource-saving packaging: Lightweight designs, post-consumer recycled plastic and innovative refill systems reduce material consumption and waste volumes.

Biodegradable ingredients: Plant-based surfactants, enzyme complexes and sustainable cellulose fibres replace synthetic polymers and mitigate the environmental impact in waste water.

Innovative product formats: Concentrated shampoos and powder or tablet formulations reduce water needs in both production and use and enable space-saving transport.

Another focus lies on educating consumers and increasing their awareness. With dosing aids, clear recycling instructions on the packaging and eco-labelling (such as the EU Ecolabel), the industry is promoting responsible consumption and the development of sustainable everyday routines.

Under the umbrella of the EU Chemicals Strategy for Sustainability, companies are also advancing the transparency and safety of their formulations. Their aim is to guarantee products with minimum environmental impact and maximum health protection through clear labelling, independent laboratory testing and the gradual substitution of substances of concern.

Last but not least, the industry can demonstrate how successful it is in energy and resource efficiency in concrete figures: according to AISE (the European Detergents & Maintenance Products Industry Association), the 114 companies reporting to the association reduced their energy consumption per tonne produced by 45% between 2006 and 2023 and simultaneously cut their CO_2 emissions by 46%. This success makes it clear that environmental responsibility and business competitiveness can go hand in hand (AISE, 2025; IKW, 2025).

> Sustainability, for this industry, is embedded in all three of the ESG pillars: environmental, social and governance.

That said, it is evident that companies in the industry are coming at the ambitious sustainability targets from very different starting points. While many large corporations have already established separate sustainability departments and set themselves specific medium-term targets, many SMEs are taking a much more pragmatic approach – not least for capacity and budget reasons.

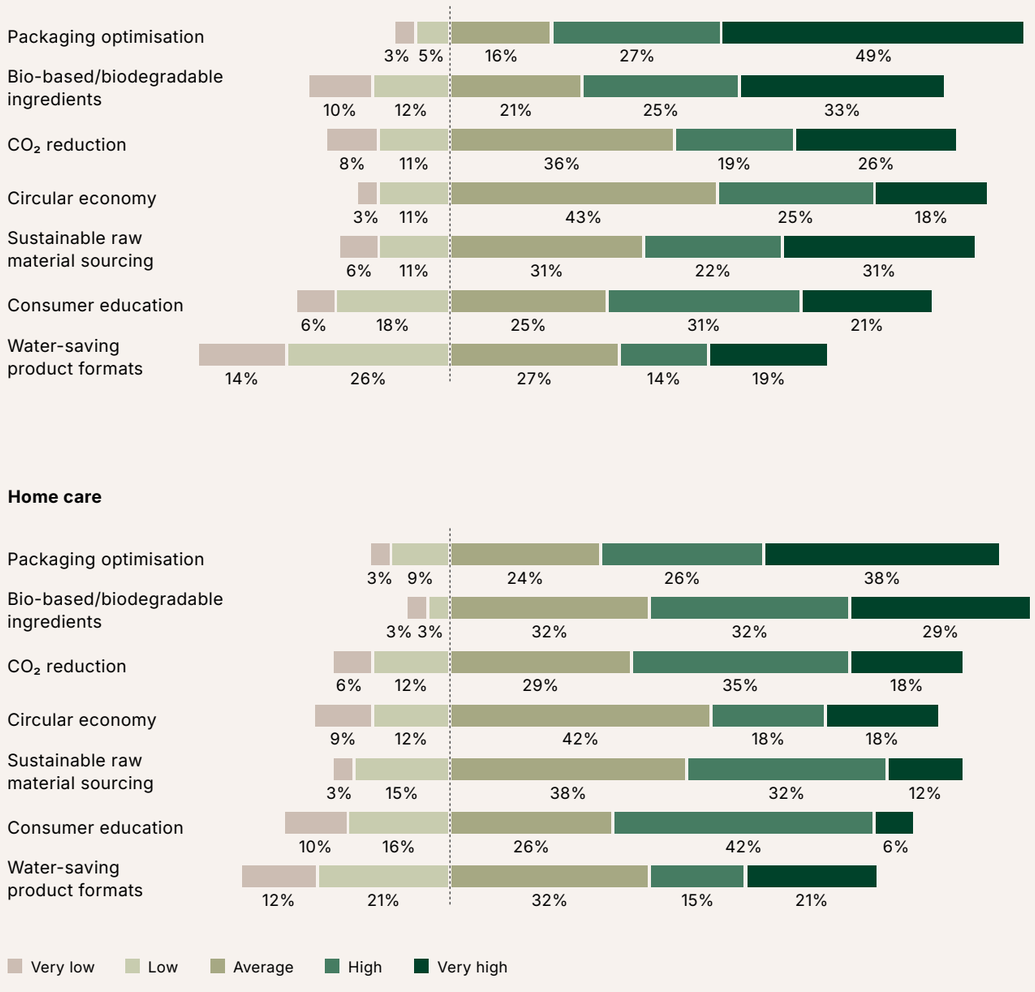
A key difference lies in the resources they have available. Large corporations have dedicated staff, extensive budgets and the technology infrastructure to calculate carbon footprints in detail, conduct complex life cycle analyses or systematically plan and implement packaging changes. In many small and medium-sized enterprises, however, there are usually only one or two people working on the topic of sustainability – doing everything from research and project planning to reporting. With this constrained human resource capacity, it is more difficult for companies to perform complex analyses, approval processes are much slower and, often, the very innovations that could move the whole industry forward are stifled.

Added to this, the industry faces increasing reporting obligations. Given the requirements of the Corporate Sustainability Reporting Directive (CSRD), the German Supply Chain Due Diligence Act (LkSG) and the like, growing numbers of small players along the value chain are now also confronted with extensive documentation and verification obligations. Yet many

M Packaging optimisation, bio-based or biodegradable ingredients and CO_2 reduction are the sustainability topics companies prioritise the most

Sustainability priorities[1]

→ How much of a focus does your company currently place on the following key sustainability topics?



[1] Totals may not add up to 100% due to rounding

Source: IKW & Roland Berger (2025)

SMEs lack the internal structures – like IT-powered compliance systems or specialised reporting teams – to prepare the required sustainability reports in full and on time. For these companies, this often means higher investments of time, external consulting costs and a noticeable increase in paperwork.

Against this backdrop, large corporations are increasingly focusing on comprehensive strategies to reduce their Scope 3 emissions and endeavouring to ensure transparency in international supply chains and partner with suppliers in order to minimise environmental impacts from early in the procurement process. SMEs, on the other hand, often focus on levers they can implement directly: making production processes more energy efficient, reducing packaging volumes with refill or reuse systems, and being more conscious about selecting raw materials from within the region to minimise transport routes and emissions. These different approaches show that there is no 'one size fits all'. What the industry needs is a nuanced range of financial and support packages that consider the technological and personnel capacities of large corporations and the pragmatic speed of SMEs in equal measure. Then, and only then, will the industry as a whole be able to achieve the ambitious environmental goals while at the same time securing its competitiveness long term.

Less packaging, better content
Sustainability you can feel

Packaging and ingredients are key levers that directly influence the industry's environmental footprint. That is why packaging optimisation and the use of sustainable ingredients are two of the beauty and home care industry's key priorities with regard to environmental sustainability. Our survey found that 76% of personal care companies and 64% of home care companies are focusing on these areas. In addition, 59% of personal care companies and 61% of home care companies make heavy or very heavy use of bio-based or biodegradable ingredients.

See infographic M

When it comes to packaging optimisation, the industry is focusing primarily on reducing packaging volume and weight, for instance with concentrated product formats, refill systems or thinner-walled packaging. Switching to recyclable mono-materials is also an important way of contributing to better recyclability. And the success is plain to see: per capita consumption of detergents has been reduced by about 16% over the past 20 years. Various initiatives have been instrumental here, such as the AISE resource efficiency project (reducing the standard dosage from 75 ml to 50-55 ml) and pre-dosed products such as gel capsules containing just 27 grams of detergent.

The secondary focus of sustainability strategies is the development of environmentally friendly ingredients by companies in the industry. In 2021, around 85% of surfactants used in home care products were already biodegradable – a clear sign of environmental progress. Perfume oils and dirt-removing polymers are increasingly being developed with sustainability in mind, too: the proportion of biodegradable ingredients in the perfume oils being used already stood at around 22% that same year. In addition, many companies are systematically focusing on replacing persistent substances – for example by developing new, phosphate-free formulations or using modern chelating agents like MGDA or GLDA. Altogether, the industry thus managed to achieve a 27% continuous reduction of critical ingredients between 2006 and 2021 (IKW, 2023).

Voluntary commitments instead of stifling business

How industry initiatives set the pace

The beauty and home care industry is proof that operating in a more environmentally sustainable way does not necessarily come from facing increased regulatory pressure. Quite the opposite: numerous companies have voluntarily signed up to industry-wide initiatives aiming at continuously furthering the evolution of environmental standards. The best-known programmes include the AISE Charter for Sustainable Cleaning and the Commit for Our Planet initiative.

The AISE Charter is a voluntary commitment by the European Detergents & Maintenance Products Industry Association. The aim of the charter is to promote sustainability along the entire value chain and to empower consumers to use products responsibly, for instance by providing dosing aids or more environmentally friendly formulations. To date, 119 companies have joined the initiative, 90% of them SMEs. Numerous IKW members are also active participants.

In addition to this, the Commit for Our Planet initiative, launched by Cosmetics Europe, is bringing new momentum to the beauty care industry. The initiative consolidates the industry’s voluntary commitments on climate, packaging and natural resources. Thirty-six companies across Europe have joined up. In Germany, the Competence Partner Beauty Care within the German Cosmetic, Toiletry, Perfumery and Detergent Association (IKW) supports the 15 participating partner companies (Commit for Our Planet, 2025). Since its foundation, Commit for Our Planet has been developing practical tools to help realise the goals. These include an industry-specific reporting system, information material, guidelines and an extranet platform. An advisory board supports the initiative’s strategic development.

These and many other initiatives are achieving measurable progress: CO_2 reductions, lower water consumption and more environmentally friendly ingredients among them. What this shows is that even voluntary initiatives can deliver impressive results.

Furthermore, the industry has committed to ambitious goals within the framework of international standards. Many IKW companies participate in the Science Based Targets initiative (SBTi), a joint initiative of non-profit organisations like the United Nations Global Compact and the World Wide Fund for Nature (WWF). SBTi aims to provide companies with scientific support in reducing their emissions. In just one example, Schwan Cosmetics, a participant in SBTi, is planning to make a complete switch to sustainable product alternatives by 2026/2027. The company also intends to reduce its Scope 1 and Scope 2 emissions by 42% compared to 2016/17 levels (Schwan Cosmetics, 2024; SBTi, 2025).

Photo: Sonja Rachbauer/istockphoto

Over-regulation

Between the intentions and the implementation – how regulation threatens business viability

3/

When politics gets out of step
From legal imperative to standstill

Regulatory demands in the beauty and home care industry – e.g. around chemicals legislation, environmental standards, energy efficiency and supply chain accountability – have become much more complex and extensive in recent years. This is a development that is being clearly felt within the industry: around two-thirds of the companies in our survey view the current and planned regulations as a very heavy burden, regardless of their company size or which segment of the market they operate in. This opinion is in line with overarching industry trends. According to the latest economic survey by the German Chamber of Commerce and Industry (DIHK), for the first time the majority of companies – some 60% – now cite economic policy as the greatest risk to their business activities. This is a new high. The increase in bureaucracy is cited particularly often as a burden – across all industry segments (DIHK, 2025).

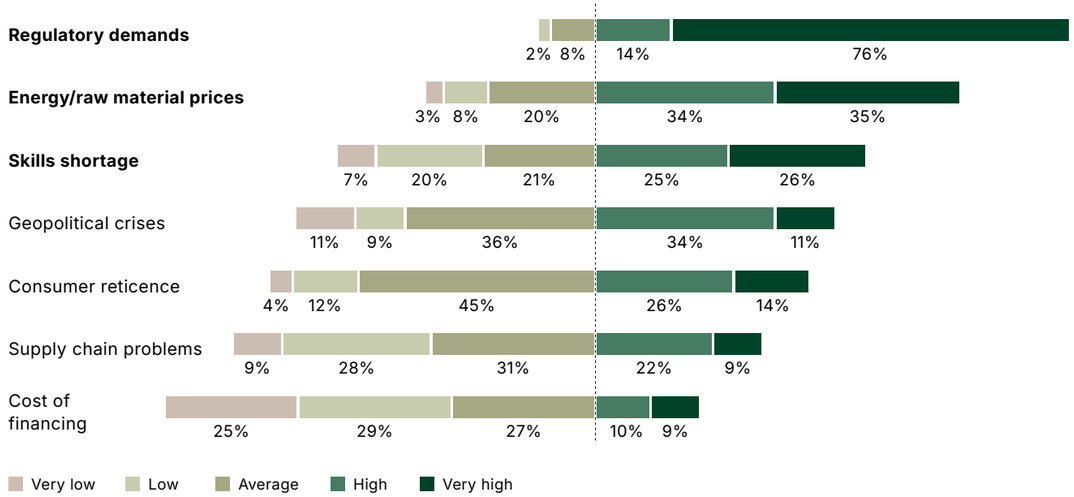
See infographic N

This underlines the broad reach of the impact, and it signals that increased regulatory density is no longer affecting just individual sub-segments – it permeates across the entire industry. And companies expect the regulatory pressure to intensify in the coming years. Many businesses fear that their ability to compete will be jeopardised – not for lack of a willingness to adapt

N Increasing regulation, high energy and raw material prices and the skills shortage are currently the biggest burdens on companies

Current stress factors[1]

→ How much of a burden are the following factors for your company at the moment?



[1] Totals may not add up to 100% due to rounding

Source: IKW & Roland Berger (2025)

but because of growing administrative, financial and structural hurdles. See infographic O

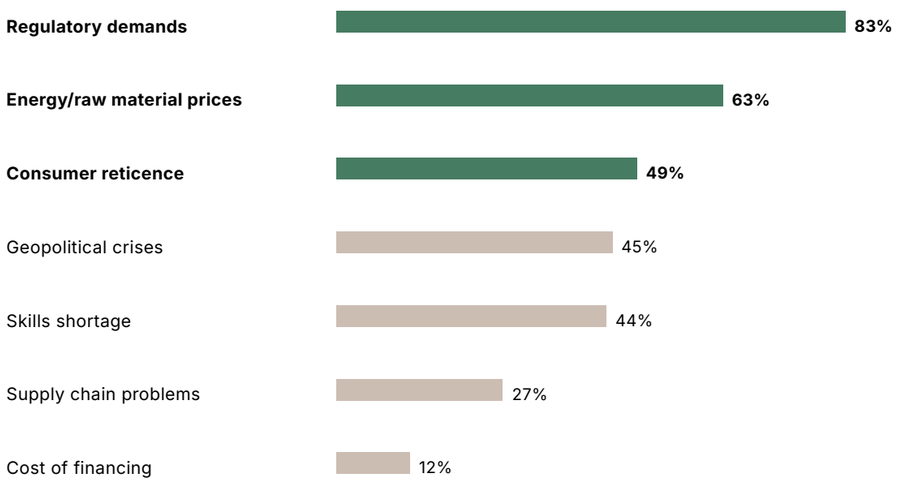
One particularly striking example is the German Supply Chain Due Diligence Act (LkSG). Although primarily aimed at large companies, it has a direct impact along the entire supply chain and therefore has severe consequences even for smaller suppliers. They find themselves suddenly required to provide extensive data and demonstrate complex due diligence processes without having the necessary internal structures to do so. Another well-known example is the EU-wide Corporate Sustainability Reporting Directive (CSRD). It makes the sheer extent of the administrative burden clear: in more than 500 pages it lists over 700 qualitative and quantitative data points that need to be reported, data that many companies are simply not yet able to collect.

The consequences for business are serious. The implementation of regulatory standards is frequently associated with considerable human resource capacity and high costs, while at the same time raising increasingly pressing questions about how effective, practicable and proportional they are. Our survey shows that the most common direct consequences of new regulations coming in include product relaunches, product withdrawals from the market, the disposal of

O Gloomy forecast: The burden from regulation and high energy/raw material prices is growing – increasing consumer reticence adds to the pressure

Future stress factors

→ Which of the following factors do you expect to be a bigger burden on your company in future?

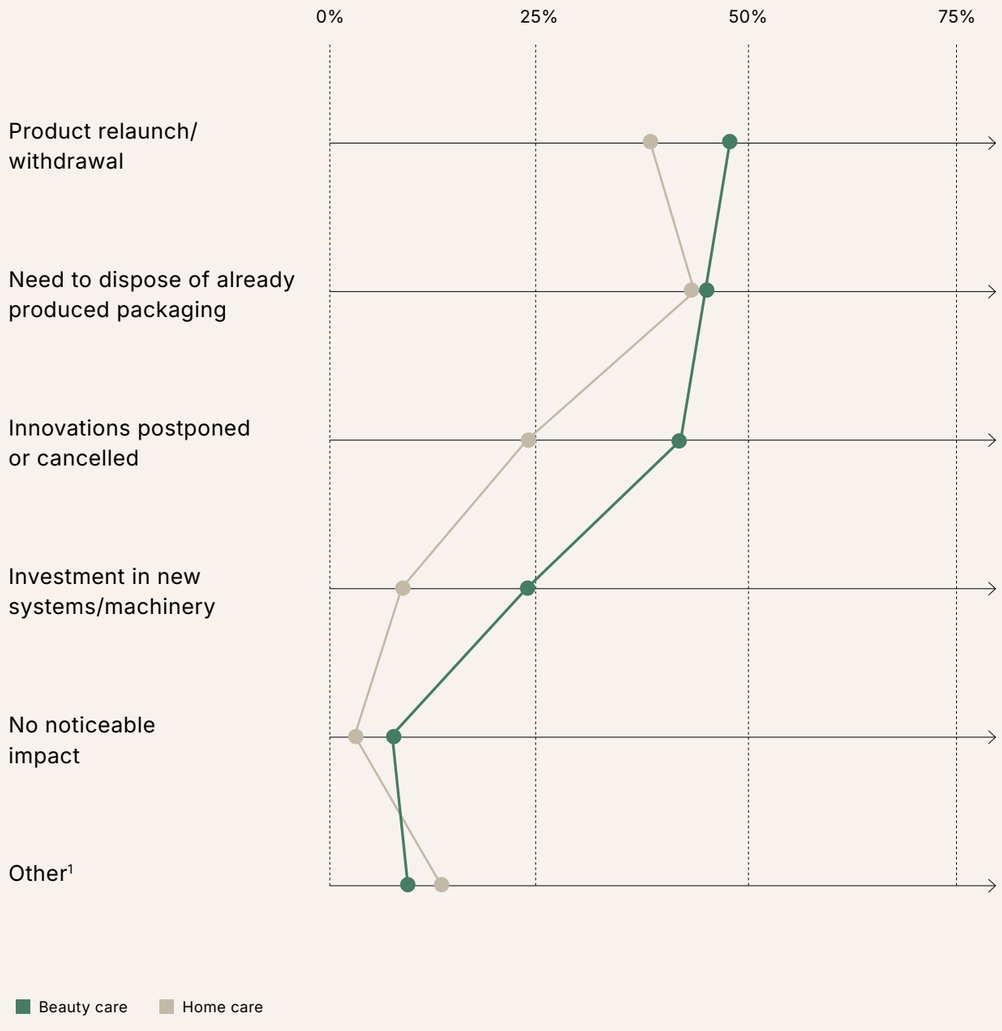


Source: IKW & Roland Berger (2025)

P The most common consequences of regulatory demands are that products need to be withdrawn or relaunched and already produced packaging needs to be binned

Regulatory consequences

→ What specific consequences have regulatory demands had for you recently?



[1] Higher personnel requirements, product reformulation

Source: IKW & Roland Berger (2025)

already produced packaging or even the delaying of innovations. Regulations in their current form therefore often create unintended disincentives – with negative effects on innovation momentum, sustainability progress and international competitiveness. This raises the question of how the political and economic framework can be designed in such a way as to enable entrepreneurial activity – and not bring business to a standstill. See infographics P + Q

High costs arising from regulation
Unclear benefits

The considerable costs involved are certainly one of the most significant consequences of increasing regulation: around 40% of the companies surveyed anticipate additional costs of between 50,000 and 250,000 euros per case of implementing a new regulation. For almost 16% of companies, the anticipated costs even exceed 250,000 euros. These sums represent a serious economic challenge for many businesses – especially SMEs – and can stifle or even completely prevent other future-proofing investments.

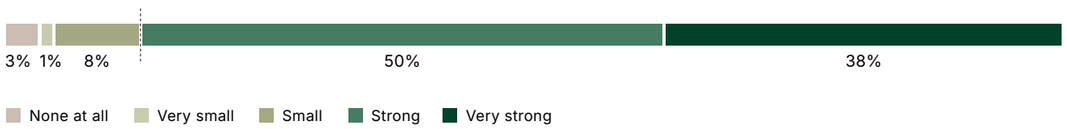
One example is the CSRD: according to the Federal Ministry of Justice, the annual compliance costs for German companies alone are estimated at 1.6 billion euros. The costs arise from, among other things, training, establishing additional reporting capacities, external consulting, investing in digital tools, and the mandatory requirement to have sustainability reports reviewed by external auditors (BMJ, 2024).
See infographic R

The biggest cost bucket is often the need for additional staff who are solely required in order to meet regulatory obligations – and therefore do not fulfil a revenue-driving function. In small and medium-sized enterprises, these additional resources have a direct impact on the bottom line. While large corporations usually have separate compliance departments, SMEs have to master the very same requirements with a significantly smaller budget and less technical infrastructure. Our survey reveals that 75% of small and 60% of medium-sized companies have only one to three employees dealing exclusively with regulatory standards. Large corporations usually have five or more. See infographic S

Q Almost 90% of respondents consider EU and German regulations to have a strong or very strong negative impact on their business activity

Negative impact from EU/German regulation[1]

→ How much of a negative impact does current or planned EU or German regulation have on your business?



[1] Totals may not add up to 100% due to rounding

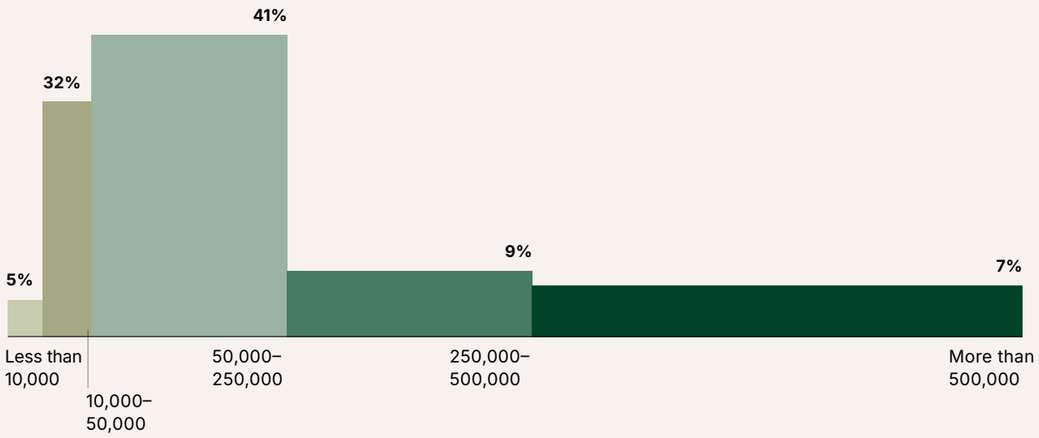
Source: IKW & Roland Berger (2025)

Photo: PeopleImages/istockphoto

R Costly regulation: Most survey respondents expect regulation to cost them an added 50,000 to 250,000 euros

Value being destroyed by regulation

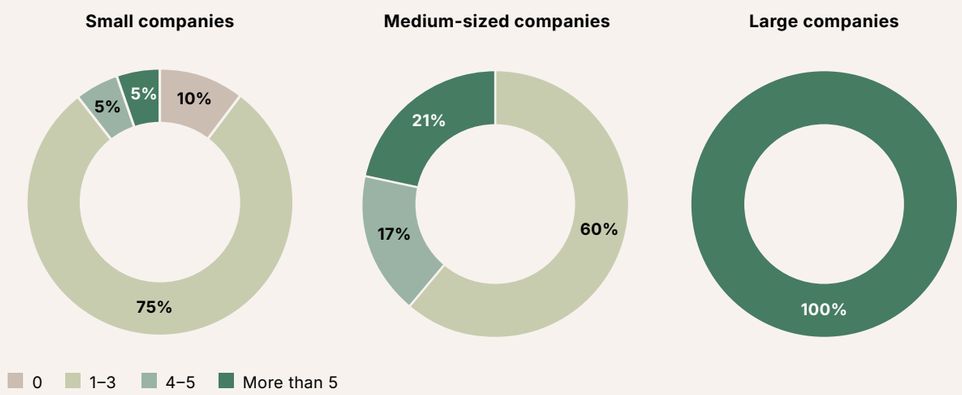
How high do you estimate the added costs of regulatory requirements to be (in euros)?



S Small and medium-sized enterprises mostly have one to three employees working on regulatory requirements, large corporations have more than five

Number of employees needed to handle regulation[1]

How many people do you currently employ exclusively to fulfil your regulatory obligations (e.g. documentation, labelling, etc.)?



[1] Totals may not add up to 100% due to rounding

Source: IKW & Roland Berger (2025)

A competitive location?
Germany is losing the confidence of business

The increasing regulatory density and complexity and the resulting (financial) consequences for companies are putting Germany under enormous pressure as a business location. Doubts are growing in the beauty and home care industry as to whether the domestic market will remain competitive and investment friendly in the long term. More and more companies are expressing distinct concerns about business planning certainty and are unsettled by the growing unpredictability of political and regulatory developments.

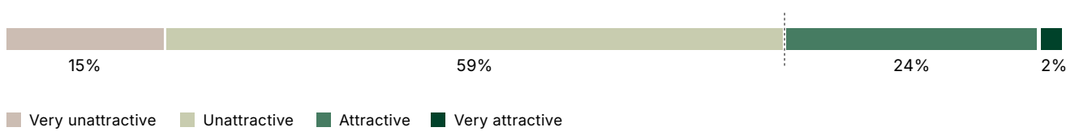
What used to be considered an advantage for Germany as a business location – the country's stability, well-developed infrastructure and predictable environment – is now being questioned by many. Our survey found that around two-thirds of companies now consider Germany to be unattractive or even very unattractive as a business location. This finding is more than just a snapshot: it is clear evidence of the dwindling confidence in the conditions for doing business here and a wake-up call to politicians and government. The lack of planning certainty and the increasingly

Doubts are growing in the beauty and home care industry as to whether the German domestic market will remain competitive in the long term. Many companies are unsettled by the unpredictability of political and regulatory developments.

T Almost three-quarters of companies consider Germany an unattractive or very unattractive place to do business

Germany's attractiveness as business location

→ How attractive do you currently consider Germany to be as a place to do business?



Source: IKW & Roland Berger (2025)

complex and difficult to navigate regulatory landscape come in for particular criticism. Regulations that change suddenly or turn out to be impracticable don't just cause uncertainty, they also hinder strategic decision-making – especially around investments in making businesses fit for the future in areas like digitalisation, sustainability or production modernisation. See infographic T

This weighs particularly heavily on small and medium-sized enterprises. They generally do not have large legal or strategy teams that can react quickly to new regulations or mitigate extensive planning risks. What happens instead is that investment projects often get postponed or cancelled altogether – with negative consequences for competitiveness, innovation and jobs. See infographic U

Germany is also losing ground internationally. The annual IMD World Competitiveness Ranking illustrates the downward trend: while Germany was still ranked 17th in 2020, it had slipped to 24th place by 2024. The fall down the ranking was particularly striking in the 'government efficiency' category. Here, Germany dropped from 24th to 32nd place within the space of four years, which goes to show that doubts are growing about the capacity and reliability of state institutions (IMD, 2025). See infographic V

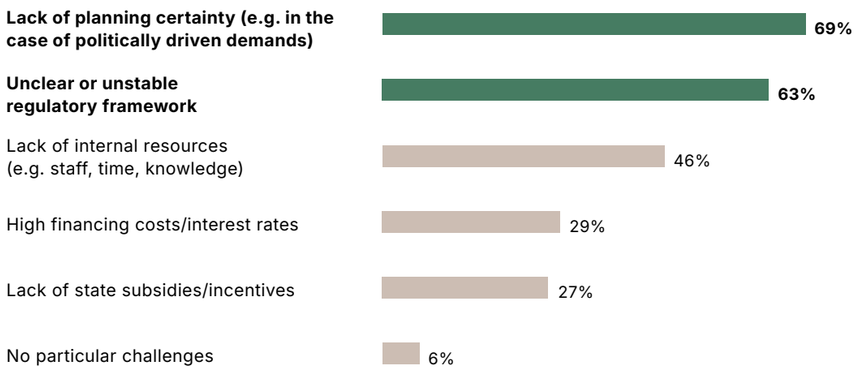
This development is affecting an industry which has a pressing need for stable underlying conditions. Beauty and home care companies invest in long-term product development, complex supply chains and specialised business locations. To do this, they need reliability, not just in legislation but also in public administration and political communication. If these underlying conditions continue to deteriorate, there is not only the risk of a creeping reluctance to invest developing but also a danger of value added and innovation gradually shifting to other countries long term. Against this backdrop, an urgent rethink is needed. The industry believes that an overall economic policy focusing on location factors such as predictability, e-government, promotion of innovation, and regulatory consistency is long overdue. Only with a strategy of this kind will it be possible to regain the confidence of business and secure Germany's position as an attractive, future-proof industrial location for the long term.

All things considered, the beauty and home care industry is at a tipping point from an economic policy perspective. As a dynamic part of the FMCG market, the industry makes a significant contribution to value added, jobs and innovation in Germany. Despite this, it

U Lack of planning certainty and unclear regulatory framework are the biggest investment challenges facing the industry

Investment challenges[1]

→ What do you consider your company's biggest investment challenges to be at the moment?

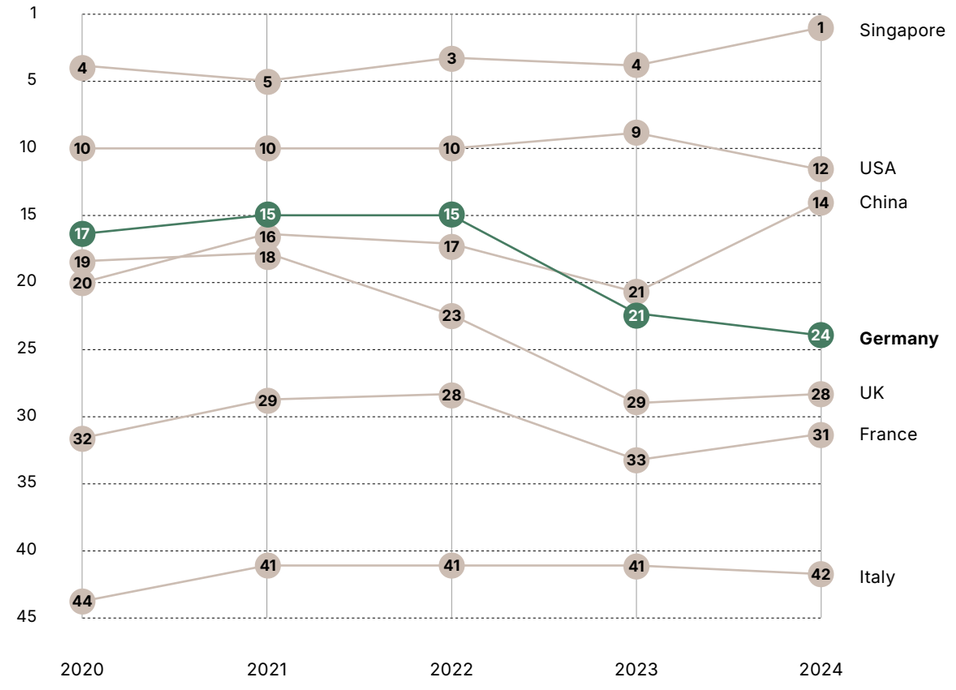


[1] Additional answers given include: reluctance around investments/lending by banks and insurers; staffing/high sickness rates

Source: IKW & Roland Berger (2025)

V Germany's competitiveness is average compared with other countries – and is on a downward trend

IMD World Competitiveness Ranking 2024



Source: IMD (2025)

is increasingly confronted with structural hurdles. Above all, the massive increase in regulatory density is perceived as a burden by businesses of all sizes. Especially small and medium-sized enterprises, which often lack the resources to implement regulations, may find their business jeopardised by innovation backlogs, investment restraint and competitive disadvantages. The result is a profound uncertainty within the sector, and this is increasingly spreading to Germany as an industrial location as a whole.

If regulations are introduced too suddenly or are too impractical or one-sided, they run the risk of doing the opposite of what they were intended to do, namely protect the environment, society and the stability of the market. What the industry needs instead is a smart regulatory framework that does not stifle entrepreneurial commitment but fosters it: with more predictability, less red tape and a partnership-based dialogue between policymakers and business leaders.

50,000

to 250,000 euros in additional costs are anticipated by a good 40% of companies for each case of implementing a new regulation. For almost 16%, anticipated costs even exceed 250,000 euros.

Photo: photoguns/istockphoto

Recommendations

Game-changing ideas for policymakers, Germany as a business location and companies themselves

4 /

The foregoing chapters paint a picture that is at once striking and alarming: the beauty and home care industry in Germany is caught up in a perfect storm. It is a situation where global crises, structural uncertainties and economic challenges are combining with ever-growing regulatory density and increasingly unpredictable conditions for doing business. Forced to strike a delicate balance, companies are trying to maintain their operational performance, often at enormous effort and expense.

Despite all this, the industry remains a crucial rock of stability. Every day, it produces products that play an important role in people's lives, meeting their care, hygiene or well-being needs. It supports hundreds of thousands of jobs, creates training and skills programmes, continuously invests in research and development and resolutely drives forward sustainable transformation processes. Chapter 2 illustrated the important contribution the industry is already making to the economy and society today – often behind the scenes but nevertheless indispensable for the functioning of our everyday lives.

As we explained in Chapter 3, it is precisely this impact that is increasingly being put at risk. The constantly growing regulatory complexity threatens not only to stifle innovation and block urgently needed investments. It also jeopardises the economic survival of many small and medium-sized enterprises. Yet these are precisely the businesses that make up the backbone of the industry and many regional economies. Their contribution to economic value added, social cohesion and the retention of skilled workforce is enormous – and must not be diluted by impractical requirements and unreasonable demands. That is why now is the time to set a new course. If the beauty and home care industry is to remain a strong and stable part of Germany's economy and society into the future, targeted ideas that change the game will need to be put into practice – in three interlinked areas:

- The **policy framework** needs to be readjusted: forgoing excessive red tape for a regulatory environment that is stable, practicable and innovation friendly.
- **Germany's location factors** must make the country more attractive again as a place to do business: with investment-friendly conditions, a smart strategy to retain skilled workforce and targeted support during the transformation.
- Actions within **companies' own backyard** must be used to advantage: through partnership-based policies, smart funding instruments and more scope for entrepreneurial freedom. Only then will the industry be able to realise its full potential, to the benefit of the economy, the environment and society. See infographic W

Policy framework
Three demands on policymakers

Regulation is important in setting standards, protecting consumers and fostering sustainable business practices. At the same time, it must be both financially viable and practical.

As we demonstrated in Chapter 3, companies in the beauty and home care industry are under ever-increasing regulatory pressure. Countless national and European legal initiatives are posing considerable challenges for the industry – especially when the demands of the regulations are sudden, unclear or complex to implement. This dynamic affects SMEs and large corporations equally, even though they have widely differing resource distribution.

Six areas of regulation are perceived by the industry as being particularly burdensome:

- Supply chain due diligence obligations, as enshrined in the German Supply Chain Due Diligence Act (LkSG) and at European level in the Corporate Sustainability Due Diligence Directive (CSDDD).
- Extensive reporting obligations like those under the Corporate Sustainability Reporting Directive (CSRD).
- Chemical regulatory standards, such as under REACH or the CLP Regulation.
- Increasingly complex packaging standards, such as those in the EU Packaging Regulation (PPWR) or the revised labelling rules under the CLP Regulation.
- Environmental requirements as in the amended EU Urban Waste Water Treatment Directive (UWWTD), which provides for a costly fourth purification stage – financed primarily by the industry concerned.
- The reclassification of ethanol as carcinogenic by the European Chemicals Agency, which could lead to it being banned in numerous everyday products despite there being no real risk – with serious consequences for the industry.

The criticism that companies have is directed not at regulation itself but at its implementation: the fact that it is highly complex, impracticable, not clearly defined and frequently changing such that it does not allow for realistic planning. The challenge for small and medium-sized enterprises is especially great here: they are subject to the same requirements as large corporations, but they do not have the same human, financial or technological resources for the implementation.

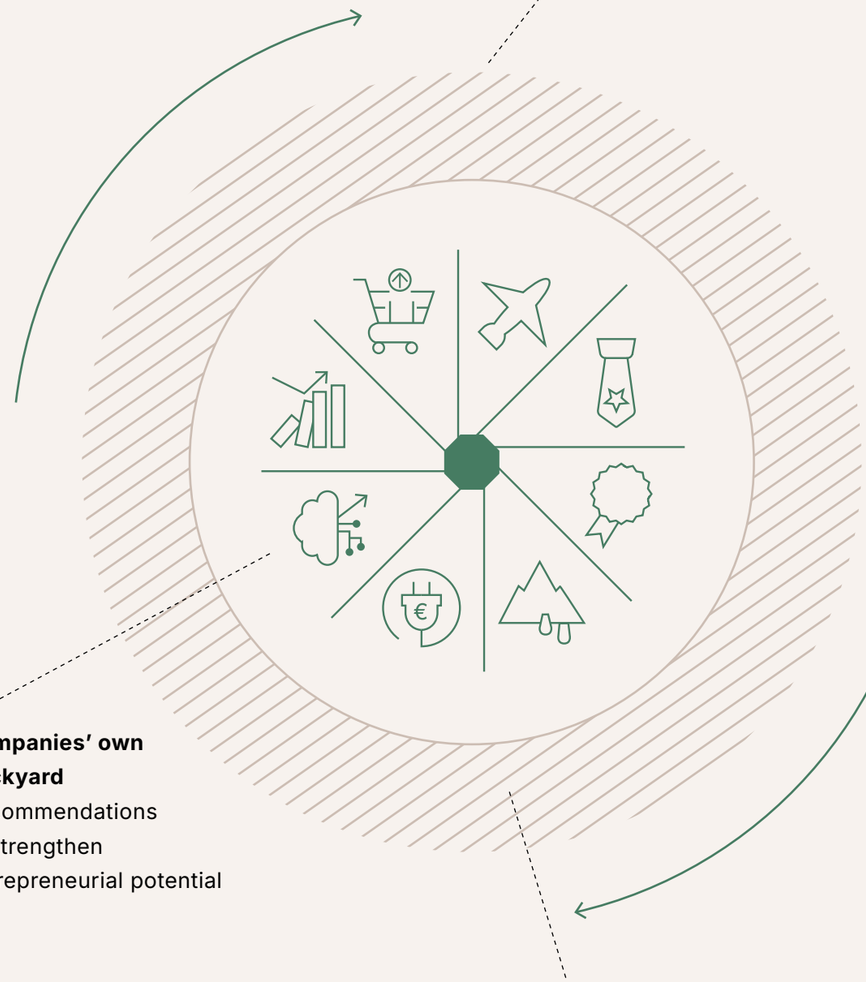
The LkSG and the CSRD are particularly challenging for businesses right now: companies describe both regulations as sudden, hard to grasp content-wise and administratively time-consuming. Although existing regulations like REACH and CLP have been established for some time, they too are associated with ongoing effort, particularly in terms of continued product updating and labelling.

In view of these developments, the call for a clearer, more stable policy framework at national and European level is becoming ever louder. From the industry's perspective, there are three especially relevant areas for action:

1. **Realistic regulation.** Regulatory requirements should be designed in such a way that they are not just ambitious but also practicable and economically feasible. This requires precise definitions, realistic transition periods and the early involvement of trade associations such as IKW, AISE or Cosmetics Europe in the development of legislation, at both German and EU level.
2. **Greater planning certainty.** The large number of regulatory processes they need to implement in parallel is pushing SMEs in particular to their limits. To reverse this trend, regulatory initiatives must be better coordinated, less bureaucratic and their implementation staggered. Especially in dynamic fields like packaging or chemicals regulation, longer lead times and clear guidance are essential. Early warning systems, readily understandable information formats and better monitoring could give companies more help to be prepared for upcoming regulations and make them easier to implement.
3. **Impact before bureaucracy.** Sustainability reporting obligations like those in the CSRD can be an important management tool – provided they emphasise impact and the achievement of targets rather

W Roland Berger's flywheel for the beauty and home care industry

Provide the framework, strengthen location factors, empower companies



than seeking proof for proof's sake. Smaller companies in particular need pragmatic solutions: having simplified reporting formats, digital tools, standardised templates and central data sources available to ease the burden on their own resources could all help to reduce the workload for SMEs while still ensuring transparency and target achievement.

It will take a realignment of regulatory policy of this kind to ensure that striving for sustainability in business becomes not a competitive disadvantage but a genuine driver of innovation, including for small and medium-sized enterprises.

Germany's location factors
Five requirements to make the country more attractive

The policy framework is not the only decisive element: Germany's location factors are another area where action is clearly needed. After all, any business that wants to be successful manufacturing, researching and investing in Germany needs conditions to be competitive and the environment stable.

Roland Berger has put together an agenda for the future which integrates the entire value chain of the beauty and home care industry and defines the crucial levers for Germany as a competitive business location:

1. Reduce energy costs, secure production: Electricity and gas supplies are among the biggest cost buckets in production, especially for energy-intensive processes within the chemical and packaging industries, which are hugely important for the beauty and home care industry. The German government should therefore consider ways of providing targeted relief for the manufacturing industry, which may include reducing state levies and charges on the price of electricity. Additionally, companies should be encouraged to invest in their own sustainable energy supplies (e.g. solar power or combined heat and power systems) through better tax incentives.

2. Expand infrastructure, especially in rural areas: Many companies in the industry are not located within metropolitan areas. They have a clear loyalty to their location, but they often suffer from poor digital or logistical connections. In the interests of their competitiveness, there needs to be a massive expansion of fibre optic networks and 5G, especially in rural areas. Multimodal logistics infrastructure (e.g. road/rail combinations) must also be expanded to ensure a stable supply chain – especially from the perspective of the circular economy.

3. Make the labour market more flexible, activate skilled workforce potential: The skills shortage is having a noticeable effect on the industry, especially SMEs. Policymakers should therefore launch programmes to promote vocational training, upskilling for companies' existing employees and reskilling in industry-relevant professions for career changers. Allowing the targeted immigration of skilled workers to fill technical, logistical and scientific roles can also make an important contribution and the process should therefore be simplified and accelerated urgently. The availability of all-day childcare and a reliable nursing care infrastructure is not just a social factor but also an immensely important location factor from an economic policy perspective.

4. Simplify investment, create planning certainty: Approvals for new plants, expansions or conversions often take years to obtain – a real competitive disadvantage in Germany. Policymakers must

Photo: Magone/istockphoto

X The industry faces eight challenges – four of them must be tackled by beauty and home care companies today

establish a fast-track model for green projects in industry. The LNG Acceleration Act or the planned 'Deutschland-Tempo' can serve as a model. Access to funding – especially through the KfW promotional bank and new instruments under the Capital Markets Union – must also be dramatically simplified for smaller companies.

5. Make SMEs visible, strengthen industry communication: Many small and medium-sized enterprises in the sector are achieving great things, but their role within the economy and society often goes largely unseen. Beauty and home care needs to be given more political visibility as a highly innovative consumer goods industry that is integral to the economic and social system. The aim must be to raise the profile of the industry's businesses, highlighting them for what they are: responsible employers, innovative drivers of transformation and a rock of stability in the region.

Companies' own backyard
Four areas for a successful transformation

The future of the beauty and home care industry will not be decided by political action alone – companies themselves have a responsibility to take active steps to foster the industry's competitiveness. Even though external conditions like regulation, location costs and geopolitical uncertainties have a major influence on business, it is now more important than ever for companies to be truly engaged in taking action where they can.

2025 could turn out to be a fateful year for beauty and home care. The industry faces eight key challenges. Four of these challenges can be directly addressed by entrepreneurial action. The following section outlines the measures companies can take to strengthen their ability to add value, increase their competitiveness and actively contribute to the transformation. Companies that take bold action now and rethink their growth model have the opportunity to exploit new potential for customer acquisition and access previously untapped profit pools. They can also continuously increase their productivity and take their business model to the next level with the help of AI and new technologies. In the face of a perfect storm, the entrepreneurial action companies take can be a key success factor – bold, determined and forward looking. See infographic X

Challenge 1
Muted consumer sentiment

Inflation and recession are slowing consumption: even everyday beauty and home care products are affected.

Actions to take

1. Identify target customer groups and build customer insight: Companies that understand their target customers and their needs in detail and consistently align their offering accordingly will gain market share and profit from that long term. 'Knowing what your customers want before they know it themselves' is fundamental to achieving customer loyalty and commercial success.

2. Build a clearly defined brand personality and value proposition: Strong brands that enjoy a high level of recognition, promise reliable quality and offer genuine added value for customers are significantly more successful than the market average and achieve higher

value added. Companies must regularly reconsider their positioning and operationalise it with targeted, coordinated measures in areas like customer activation, marketing and product development.

3. Find a balance between prestige and price conscious: Big ticket purchases are not something many people can make in times of crisis. Everyday luxuries then become increasingly important. A balanced price and product strategy is a key success factor for companies.

Offering premium products in relevant categories can help to improve brand loyalty. Consumer brands should identify which categories are ripe for this, such as beauty care (perfume, facial care, etc.), where luxury product purchases are common even among middle-income consumers. Conversely, some product categories are more suited to low-price strategies based on a high frequency of everyday brand purchases.

Challenge 2
Growing protectionism[3]

Rising tariffs and economic nationalism are impacting global trade and putting a strain on global supply chains.

Actions to take

1. Secure tariff advantages: Optimise tariff classifications now and categorise components in a targeted manner to make the best possible use of tariff leeway and keep import costs as low as possible.

2. Push active price management: Pass-through pricing has proven very useful in passing tariff costs on to consumers. The approach should be based on detailed price elasticity simulations and analysis of consumer switching behaviour towards substitute products from competing companies.

3. Analyse supply risks, reinforce networks: Diversifying the supplier base is a key starting point for reducing dependencies and tariff risks. Other possible measures include make-or-buy decisions, qualifying alternative suppliers and building cooperation models. A risk assessment of the supplier landscape is also recommended, looking at which suppliers might get into difficulties because of high tariffs – and above all, considering whether strategic suppliers are affected by this risk.

Challenge 3
Technology transformation

Disruptive technologies like AI, robotics and automation are transforming business models and the way companies add value.

Actions to take

1. Develop a comprehensive AI strategy: Companies need a strategy to systematically harness the potential of AI for their business model – covering everything from operational excellence to product innovation.

2. Identify value-adding AI use cases: Prioritise relevant use cases according to their financial or operational impact and their feasibility. Examples include:

- Product innovation, e.g. in the form of personalised products based on digital skin type analysis
- Market research, e.g. by digital agents that constitute an automatic and efficient replacement for traditional customer surveys
- Operational efficiency through predictive forecasting and dynamic inventory planning.

3. Build an AI target operating model: A customised AI target operating model forms the basis for the targeted evolution of governance, processes and corporate culture and for integrating AI use cases into the business model efficiently and making them scalable.

Challenge 4
Energy and production costs

Actions to take

1. Improve production efficiency: Critically review and optimise production processes across the different plants, alongside the plant footprint and inter-plant logistics. Stable cost allocation at SKU level is the basis for this. Overheads in particular must be taken into account via an aligned and accepted classification logic.

2. Establish design to value: Optimise formulations, product specifications and packaging parameters to cut material costs and reduce complexity in the production processes. This requires a fine touch – for instance, to prevent any simplifications from negatively affecting the customer experience.

3. Move towards energy self-sufficiency: With energy prices likely to continue rising, companies should now examine business cases for self-sufficiency and look into what subsidies are available.

In times of global uncertainty, volatile conditions and growing complexity, businesses are called upon, now more than ever, to actively shape their future – not sit back and wait. The foregoing measures outline some initial approaches companies in the beauty and home care industry can take to respond to pressing challenges, both pragmatically from a near-term perspective and strategically for the long term. In an environment where change is the new constant, it is companies themselves who, with determination and foresight, are doing their bit to make the entire industry stable, competitive and fit for the future.

3 In view of the highly volatile environment at the time of writing, the recommendations deliberately focus on near-term, pragmatic measures.

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