

# BEAUTY AND PERSONAL CARE TRANSNATIONALIZATION: MAIN CHANGES IN ITS SPATIAL STRUCTURE

**ABSTRACT.** At the turn of 21<sup>st</sup> century global beauty and personal care industry underwent dramatic changes in its territorial structure. The main factors of that changes were world economics institutional changes, primarily – the international trade liberalization, as well as the R&D progress. During abolition of tariffs or tariff cut the competition in beauty and personal care ratcheted up sharply. That was accompanied by sea changes in its macrogeography, particularly, by the manufacturing transnationalization (mainly, in the form of its «drift» to developing countries) and the general expansion of the range of countries specializing in the beauty and personal care production. The main drive-forces of beauty and personal care transnationalization and the resulting territorial changes in the industry are discussed.

**KEY WORDS:** beauty and personal care industry, transnationalization, transnational corporations (TNCs), setting up manufacturing strategies

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## INTRODUCTION

For the end of the 20<sup>th</sup> – the beginning of the 21<sup>st</sup> centuries the growth of open economic borders of countries as well as the growth of international capital movements, the liberalization of national trade regimes, the formation of a global financial market and a global information network were main characteristic occurrences (Gorbanev 2014; Rodionova 2010, 2016). As a result, it is becoming increasingly difficult to define a clear boundary between the activities of national economies and transnational corporations.

The process of transnationalization of industrial production, which in a general sense implies the movement of capital across the borders of the country of origin and the organization of production abroad, has an objective basis. The key factors for the development of this process are the overcoming of customs barriers, reduction of production costs, among which the cost of transport, labor and raw materials compose a significant share, and others (Sokolsky 2010).

The beauty and personal care industry stands out significantly against the background of the main consumer sectors. The specifics of this industry are consumer character of its products, its transportability, as well as high involvement in world trade, helped by the reduction of WTO customs tariffs. Thus, since 2014, the average tariff for chemicals for the European Union member countries was 4.54%, for the USA – 2.76%, for Russia – 5.74%, for China – 6.5%, for Latin American countries – 5-10% (Wto.org 2014).

Until the end of the 20th century the main producers and consumers of beauty and personal care products were developed countries. However, by the end of the 20th century in connection with the active investment of TNCs in the beauty and personal care of developing countries, the latter loudly declared themselves as suppliers of beauty and personal care products: in 2000, almost half of beauty and personal care products net exporters belonged to developing countries (Comtrade.un.org 2015); and also demonstrated an active growth in demand for goods of the industry (in 2015, the share of the Asia-Pacific region

countries accounted for about 35% of world consumption of perfumes and cosmetics (against 20% in 2000)).

The development of the beauty and personal care industry in developing countries took place mainly «from the outside», with the participation of the top TNCs. The exceptions are India, Brazil and the Republic of Korea, where the industry has mainly developed on the basis of local manufacturing competencies and resources.

In comparison with the other industries, the beauty and personal care does not have a high potential for its transnationalization (the products of the industry are characterized by high transportability, while the reduction and abolition of customs tariffs contributed to an increase in the volume of trade in its goods). Nevertheless, the tendency to its involvement in this process is becoming more and more obvious. From this perspective, it seems relevant to consider two key issues: 1) what is the manifestation of the beauty and personal care transnationalization and 2) what are its main causes, forms and consequences.

## MATERIALS AND METHODS

The paper includes an analysis of changes in the volume of global beauty and personal care products output from 1990 to 2015, as well as an analysis of the top beauty and personal care companies turnovers from 1977 to 2015 and their setting up manufacturing strategies for the period from 1920 to 2016. Selected data were collected for each country and TNCs, subsequently consolidated into a common base.

The main sources of statistical and analytical information of the presented paper were databases, reports and analytical notes of international organizations (UN Comtrade, UNCTAD, WTO), annual reports of the studied companies and data of annual ratings of the top corporations. During our research the general scientific system approach and various methods of scientific knowledge were widely used: analysis, synthesis, historical modeling.

## RESULTS AND DISCUSSION

## TNCs as the core of modern beauty and personal care industry

The intensification of the process of the global beauty and personal care industry transnationalization can be indirectly judged by the growth in the number of TNCs that are the main initiators of international capital transfers. Since the end of the 20th century, the number of foreign affiliates of multinational corporations has increased significantly, and their turnovers, incomes and assets are also growing (McCann and Iammarino 2013).

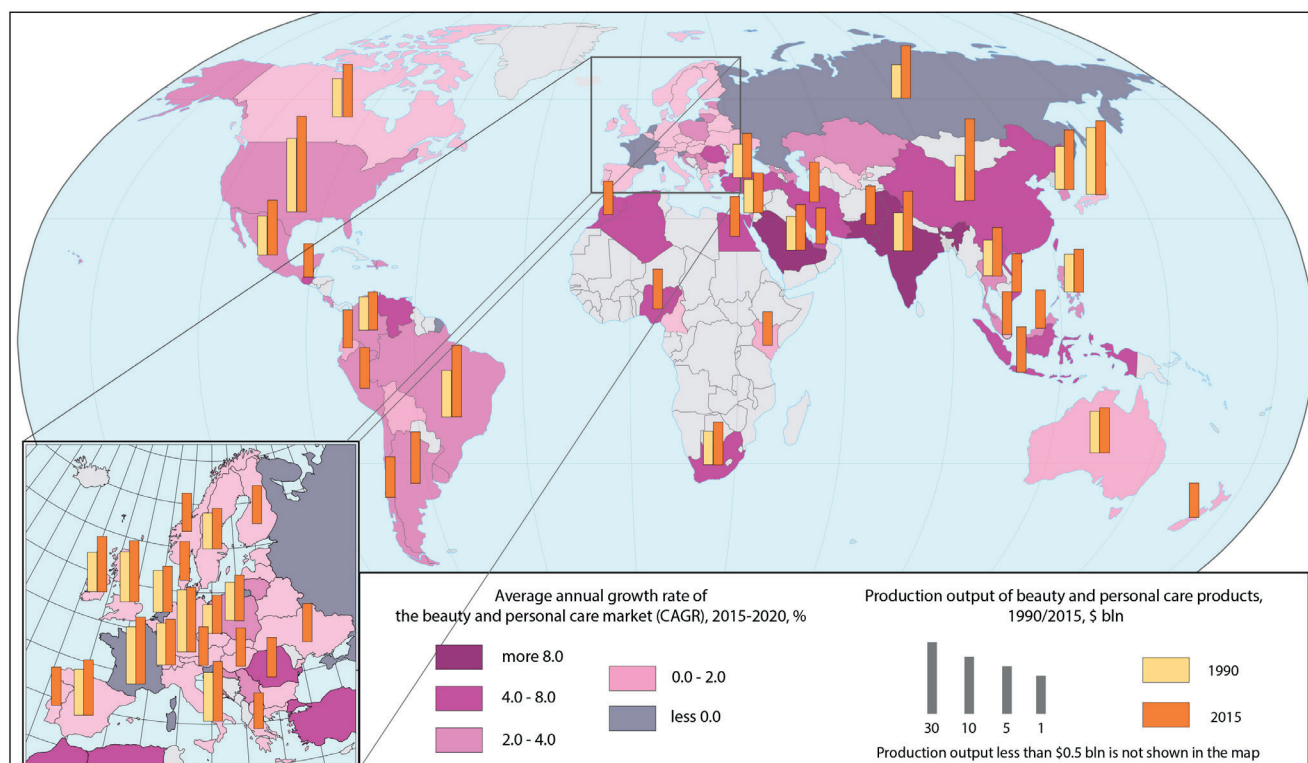
The level of beauty and personal care transnationalization is largely manifested in the growth of the number of countries where TNCs operate. The main centers of the corporate power of the beauty and personal care industry remain North America, Western Europe and Japan, where the vast majority of head units of the top TNCs are concentrated. The main production facilities are also located mostly in developed countries. However, since the end of the 20th century, there has been a tendency to place beauty and personal care manufacturing sites in developing countries, the main reason for which was the motivation of beauty and personal care companies to enter new unsaturated markets (Weber et al. 2002). The consumer nature of the industry's products predetermined the dominance of factors such as the conquest of new markets (to expand the geography of sales and compensate for the slowdown in the growth rate of demand for beauty and personal care products in developed countries), as well as to overcome institutional barriers. Against the background of active investment by TNCs in the beauty and personal care industry of developing countries, local national manufacturers significantly strengthened their positions. As a result of these two parallel processes, the output of the beauty and personal care products from 1990 to 2015 in Asia increased 20 times (in China – 114 times, in India – 40 times), Latin America – 11 times (in Brazil – 9 times, in Mexico – 6 times) (Fig. 1).

Currently, developing countries are beginning to make an increasing contribution to the development of the beauty and

personal care industry with their dynamically growing markets, among which stand out (in order of market size) the BRICS countries, Mexico, Argentina, Saudi Arabia, Thailand, Indonesia, Poland, Turkey, Iran, Colombia, Nigeria, UAE, Malaysia. As the volumes of these markets increase, their value will also increase. Developing beauty and personal care markets are significantly faster than developed ones in terms of growth rates – more than twice; which provides a significant share of the growth of the global industry market. Against the backdrop of the stagnation of developed markets, key developing markets already occupy leading positions in top ratings in terms of growth rates and absolute sizes: since 2010, China has held a strong second place after the United States, overtaking Japan, and Brazil since 2008 has held forth place by taken over UK, Germany and France. It is expected that by 2025, Brazil will take third place in this ranking. As a result, the regional structure of the global beauty and personal care market is changing significantly. In 2015, emerging markets together accounted for about 47% of the global consumption of beauty and personal care products, versus 24% in 2000.

It is worth paying attention to the fact that with the increase in the share of the middle class in developing countries, there is an active growth in demand not only for products for mass consumption, but also for premium products produced by major TNCs. Thus, the markets of developing countries are acquiring a qualitatively new role in the modern world beauty and personal care market and in the activities of TNCs in particular.

In recent years, companies originating from developing countries are becoming more confident in the global beauty and personal care market and are successfully competing with the beauty and personal care industry's veterans (in the 1970s, among the leading international firms there was not one originating from developing countries) (see Table 1) (Matusow et al. 2016). The products from East and South-East Asia and Latin America have become particularly popular in both European and North American markets (Kcia.or.kr 2018; Premiumbeautynews.com 2018).



**Fig. 1. World beauty and personal care products output 1990/2015 (\$ bln) and the global beauty market<sup>1</sup> growth forecast 2015-2020 (%). Production volumes are given by countries**

<sup>1</sup> Market – an actual or nominal place where forces of demand and supply operate, and where buyers and sellers interact to trade goods, services and etc., for money or barter.

Table 1. Top beauty and personal care transnational corporations, 1977, 2018

| Nº             | Company                   | Turnover, 1977 (\$ bln) | Home country       | Nº             | Company           | Turnover, 2018 (\$ bln) | Home country       |
|----------------|---------------------------|-------------------------|--------------------|----------------|-------------------|-------------------------|--------------------|
| 1              | Colgate-Palmolive         | 2.5                     | USA                | 1              | Procter & Gamble  | 44.6                    | USA                |
| 2              | Avon                      | 1.4                     | USA                | 2              | L'Oréal           | 32.4                    | France             |
| 3              | Shiseido                  | 0.9                     | Japan              | 3              | Unilever          | 24.3                    | UK/<br>Netherlands |
| 4              | Revlon                    | 0.9                     | USA                | 4              | Kimberly-Clark    | 18.5                    | USA                |
| 5              | L'Oréal                   | 0.8                     | France             | 5              | SCA               | 15.8                    | Sweden             |
| 6              | Bristol-Myers             | 0.7                     | USA                | 6              | Estée Lauder      | 13.7                    | USA                |
| 7              | Unilever                  | 0.7                     | UK/<br>Netherlands | 7              | Colgate-Palmolive | 11.2                    | USA                |
| 8              | Procter & Gamble          | 0.6                     | USA                | 8              | Johnson & Johnson | 8.6                     | USA                |
| 9              | Chesebrough-Pond's        | 0.5                     | USA                | 9              | Kao               | 10.8                    | Japan              |
| 10             | Wella                     | 0.4                     | Germany            | 10             | Shiseido          | 10.3                    | Japan              |
| 11             | Johnson & Johnson         | 0.4                     | USA                | 11             | Coty Inc.         | 9.4                     | USA                |
| 12             | Gillette                  | 0.4                     | USA                | 12             | Beiersdorf        | 7.4                     | Germany            |
| 13             | Schwarzkopf               | 0.4                     | Germany            | 13             | AmorePacific      | 6.2                     | South Korea        |
| 14             | Norton Simon (Max Factor) | 0.4                     | USA                | 14             | LVMH              | 6.1                     | France             |
| 15             | American Cynamid          | 0.3                     | USA                | 15             | Avon              | 5.7                     | USA                |
| 16             | Beiersdorf                | 0.3                     | Germany            | 16             | Unicharm          | 5.5                     | Japan              |
| 17             | Kanebo                    | 0.3                     | Japan              | 17             | LG H&H            | 5.3                     | South Korea        |
| 18             | Beecham                   | 0.2                     | UK                 | 18             | L Brands          | 4.8                     | USA                |
| 19             | Faberge                   | 0.2                     | USA                | 19             | Henkel            | 4.5                     | Germany            |
| 20             | Estee Lauder              | 0.2                     | USA                | 20             | Mary Kay          | 3.5                     | USA                |
| World turnover |                           | 15                      |                    | World turnover |                   | 545.5                   |                    |

Thus, one of the important geographical consequences of the transnationalization of the beauty and personal care industry is a significant increase in the number of countries where TNCs have their own manufacturing facilities.

The share of TNCs in the beauty and personal care industry of foreign countries is also steadily growing. This can be illustrated by China, where in 2016, 80% of the beauty and personal care goods were produced by foreign companies or joint ventures (Trade.gov 2016). In many ways, an increase in FDI flows to China has been facilitated by «open door» policies and reforms that began in the 1980s. At the same time, SEZs and various industrial clusters organized under the new policy became important drivers of China's economic growth. In organized SEZs and clusters, TNCs not only organized their production, thereby providing new jobs to the local population, but were also able to create ties with local firms. Thanks to a favorable business environment, knowledge flows: TNCs exchange their knowledge, experience and technologies with national producers. As a result, the level of development of local production has grown significantly. The largest transnational corporations, such as P&G, Unilever, L'Oréal, took advantage of the «first move»: they were the first to enter the unsaturated Chinese market, subsequently becoming its permanent leaders. At the same time, for TNCs, China serves as a production site serving the markets

of the Asia-Pacific region. For example, more than half of the products manufactured at the L'Oréal plant in Yichang are exported abroad to the countries of Southeast Asia, Japan, South Korea and New Zealand. In 2016, in Indonesia, Unilever Indonesia, P&G Home Products Indonesia and L'Oréal Indonesia produced 50% of the total beauty and personal care products of the country (Trade.gov 2016). A number of international brands are also produced in Indonesia under license from Unilever, L'Oréal and Revlon (Trade.gov 2015).

Despite the fact that over the past forty years, the share of the top TNCs in world turnover of beauty and personal care products has declined significantly (from 1977 to 2018 the share of the top-20 TNCs decreased from 83% to 45.6%), they continue playing an important role in the modern global beauty and personal care (see Table 1)<sup>1</sup>. Thus, the transnationalization index for such major manufacturers as P&G (in 2016 the share of beauty and personal care products accounted for 23.4% of total sales (Pg.com 2017)) and Unilever (in 2016 the share of beauty and personal care products accounted for 38.3% of total sales (Unilever.com 2017)), from 1998 to 2012 for the first company increased from 40.3% to 61%, and for the second decreased from 89.3% to 87.1% (which may be due to faster growth in demand for the company's products in the parent country) (Unctad.org 1998, 2012, 2015).

<sup>1</sup> The reduction in the share of the top TNCs in total turnover of beauty and personal care products is a consequence of changes in the corporate structure of the industry, which manifested themselves in an increase in the number of narrowly specialized firms. In that respect, recently more and more new manufacturers appear in the world market, including from developing countries (Sokolsky 2015).

### The main types of setting up manufacturing strategies of TNCs in developing countries

By the nature of the industrial management the strategies used by beauty and personal care TNCs in developing countries can be divided into two main types. *The first type* of strategy is based on the orientation of companies towards cheap raw materials and labor. Corporations produce products for mass consumption, which are subsequently exported (from 70% to 100%) to industrialized countries and partially sold within the region of the producing country. Prerequisites for this type of industry development strategy have been the accumulation of knowledge and the intensive growth of the economy. The transportation costs of companies are largely compensated by reducing the costs of labor and raw materials.

In addition to these factors, the active development of this type of TNC strategy has largely contributed to the provision by developing countries of the benefits of multinational companies (various grants, tax incentives and subsidies, as well as privileges from countries participating in various international regional trade blocs).

Type of strategy with a focus on raw materials and labor, mainly implemented in the countries of South-East and South Asia. As part of transnational vertical integration, regional states specialize in different stages of the value-added chain. Each plant located in a particular country performs one of the successive stages of raw material processing. Or each production site specializes in a specific commodity unit within the framework of the node-based division of labor.

An example is the P&G's production development model, whose diversified activities cover all stages of the production chain (Fig. 2). The P&G production chain is structured as follows. At the first stage, raw materials from Indonesia and Malaysia are processed at the oleochemical plant in Malaysia (Kuantan). The resulting chemicals in the form of intermediates are transported to other company facilities in ASEAN countries and around the world. At the next stage, from Indonesia, where the largest TNC's Southeast Asian plants are located (Jakarta and Karawang), raw materials and intermediate products are delivered throughout the region. From Singapore, where the company's only Asian perfume production center is located, fragrances and flavors are delivered to other TNC's factories throughout the Asian region. The final stage of the production chain is carried out in Thailand, which has the world's largest export-oriented P&G factory for the production of hair products, and in the Philippines (Kubayao), where the largest entire Asian region multifunctional factory of the company is located.

Another example – L'Oréal's strategy, which began developing the region twenty years ago by launching plants in India (Pune) in 1994, and in China (Pudong), in 1997 (Loreal.com 2017). Production is carried out mainly using local raw materials, that significantly reduces the cost of final products.

*The second type* of the setting up manufacturing strategy of the TNCs in developing countries is characterized by a focus on the local market. Companies place their production facilities in foreign countries for use them as a platforms, providing regional market with the produced products. The main prerequisites for the development of this type of strategy were high rates of economic development and, as a result, an increase in the purchasing power of the local population, as well as a facilitated process of penetration into the local market for TNCs.

This type of strategy was developed at the beginning of the 20th century in Latin America and only at the beginning of the 21st century began to be applied in South, East and South-East Asia (in combination with the strategy of the first type). This can be explained, firstly, by the fact that Latin America was originally a more developed region. Secondly, at the beginning of the 20th century, when the beauty and personal care industry was just beginning to acquire its present character, the location of enterprises in South and Central America allowed European and American companies to save significantly on value added taxes (Jones 2006).

A pioneer in the application of this model was Colgate-Palmolive, which in the 1920s organized the production of toilet soap «Palmolive», firstly in Mexico, and later in Brazil and Argentina (Jones 2006). In 1948, Revlon opened a factory in Mexico. In 1954, Avon located its factories in Puerto Rico and Venezuela, and in 1958 – in Cuba, Mexico and Brazil. L'Oréal opened the first two plants in South America in 1959 in Rio de Janeiro and São Paulo. In the 1960s Helena Rubenstein opened seven plants in Latin America (Jones et al. 2005).

At the beginning of the 21st century many TNCs have begun to apply a similar strategy for the countries of South, East and South-East Asia. In 2012, L'Oréal opened its largest plant in Indonesia (in Jababeka), serving the markets of South-East Asia: 75% of its products are exported to countries in the region, 25% are sent to the domestic market. In 2013, Unilever announced the opening of a new plant in India (Hamgaon) to provide markets in South and Southeast Asia.

Such a form of expansion as mergers and acquisitions for a long time was mainly used by TNCs only in developed countries. The purpose of M&A transactions, in addition to territorial expansion and assortment expansion of the product portfolio,

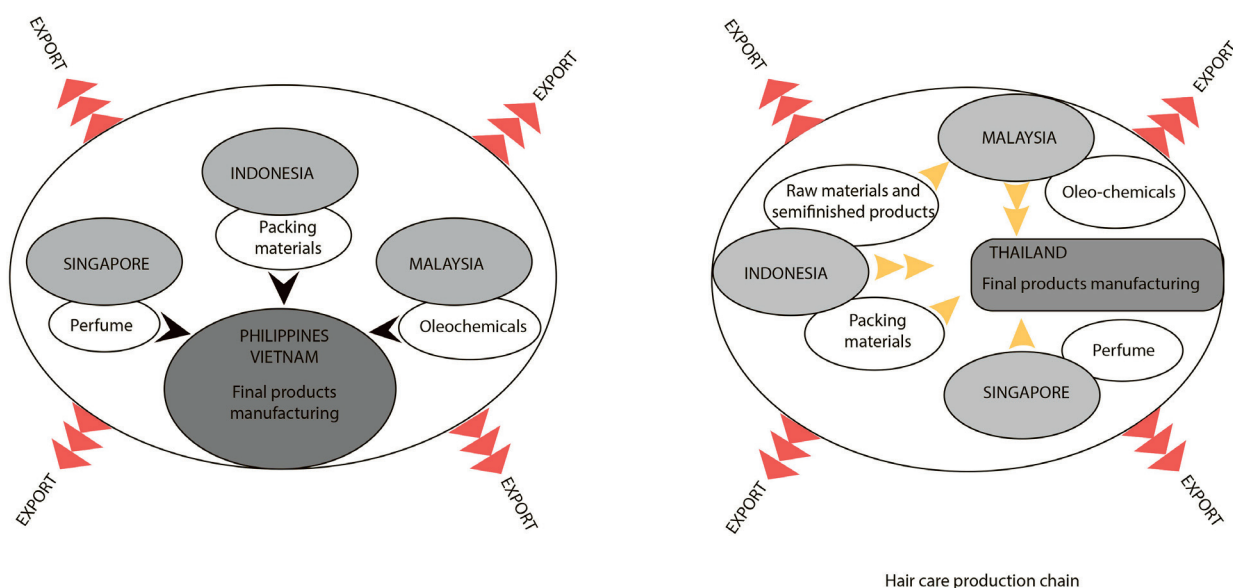


Fig. 2. Procter & Gamble production chain in ASEAN countries

is to acquire the accumulated knowledge of other companies, as well as faster access to new markets due to the high recognition of local brands. Recently, in view of strengthening the position of national producers of developing countries, the largest transnational corporations not only actively interact with local firms in the format of contract manufacturing, but also acquire local companies.

### Expansion of the beauty and personal care production geography

Depending on the time of siting of beauty and personal care manufacturing facilities in developing countries, these countries can be divided into several main groups. *The «First wave» of beauty and personal care manufacturers* – the countries of Latin America (Argentina, Brazil and Mexico), in which TNCs began to locate their production facilities in the 1920s–1950s.

Later, in the 1990s – 2000s TNCs began to locate their production sites in the countries of the Middle East, as well as East, Southeast and South Asia (India, China, Malaysia, Thailand, Indonesia, Vietnam, the Philippines) – *the «Second wave» of beauty and personal care manufacturers*.

However, starting from the 2010s, due to the loss of competitive advantages in these countries due to higher costs, TNCs have to look for new «launching grounds» to accommodate their production facilities. Thus, *the beauty and personal care manufacturers of the «Third wave»* become the poorest countries of South-East and South Asia: Bangladesh, Nepal, Myanmar, Laos, Cambodia, Sri Lanka, Pakistan; as well as Africa (excl. South Africa), Colombia, Bolivia and Peru.

Localization of the beauty and personal care production facilities depends largely on innovation and the R&D in general. In view of this, nowadays, an important trend in the development of the beauty and personal care industry is the location of R&D centers of the top TNCs in the first and second wave countries. One of the main reasons of this trend is that in order to compete in the new market it's necessary to adapt

global brands to local conditions (the needs and expectations of customers, differences in phenotypes and etc.). Employees of organized R&D centers actively interact with local scientists and research institutes of the host countries, that also ensures the flow of knowledge.

A telling illustration of the «drift» of the beauty and personal care industry is China. Foreign beauty and personal care companies, which began to locate their production sites here in the 1990s, were attracted by the presence of rich natural resources, cheap and fairly skilled labor, as well as high intensity of labor exploitation.

However, over the past decade, China has acquired the status of a state with a high growth rate of purchases of products from developed countries. In view of the rising living standards in China, the country has become very attractive for many foreign firms. Starting from the end of the 20th century, top TNCs actively conquered the local market (Cosmeticsbusiness.com 2017). Their success is largely due to the «fashion» factor: due to the low level of Chinese consumer confidence in local products, the population is increasingly choosing import brands (Euromonitor.com 2015; Ey.com 2016). A specific feature of the transnational business is the ability of TNCs to take into account the needs of the world market and to form a significant demand for their products before the start of their production.

In general, over the past ten years, the growth rate of Chinese exports decreased from 31% to 8% per year, which was partly due to the rise in labor costs by 14% over the past fifteen years (Hktcd.com 2017). While the average Chinese worker earns \$ 650–700/month, the average wage of a Vietnamese worker is \$ 250/month, and the Cambodian worker earns \$ 130/month (Tradingeconomics.com 2016) (see Table 2).

Among the South-East Asian countries, Vietnam is of particular interest to companies originating from developed countries. The country's high level of literacy, which is about 94% of the total adult population, and a large proportion of young people are very attractive for the top TNCs<sup>1</sup>.

**Table 2. Average annual wages in industry 1980, 1990, 2016 (\$ thousand)**

| Country     | 1980 | 1990 | 2016 |
|-------------|------|------|------|
| South Korea | 9.0  | 19.6 | 36.0 |
| Turkey      | 0.5  | 5.1  | 18.3 |
| Malaysia    | 6.8  | 7.5  | 9.0  |
| China       | 0.8  | 2.3  | 8.4  |
| Brazil      | 3.3  | 4.2  | 8.1  |
| Mexico      | 3.3  | 3.9  | 5.8  |
| Argentina   | 4.4  | 5.6  | 9.6  |
| Thailand    | 0.3  | 2.1  | 4.7  |
| India       | 0.7  | 0.9  | 2.7  |
| Vietnam     | 0.1  | 0.5  | 2.5  |
| Indonesia   | 0.4  | 0.6  | 2.2  |
| Philippines | 1.0  | 1.1  | 1.8  |
| Cambodia    | 0.08 | 0.3  | 1.6  |
| Laos        | 0.07 | 0.1  | 1.3  |
| Myanmar     | 0.07 | 0.09 | 1.2  |

<sup>1</sup> In 2015, Nike produced 42% of its products in Vietnam, while China produced only 30% of its products. Microsoft also moved its Nokia manufacturing division from China to Vietnam. Many global corporations, such as Adidas, Samsung, and Intel, are actively investing in the Vietnamese industry.

Thus, one of the possible scenarios for the further development of beauty and personal care TNCs, by analogy with low-tech industries (textile and footwear), can be the almost complete transfer of industry to countries with even lower production costs (the principle of «cascades»).

At the moment, Africa is characterized by the advantages that were previously characteristic of Latin America and South and South-East Asia. Among the main factors that make the region attractive for the top TNCs, we can highlight the rapid population growth of the continent, 60% of which is younger than 25 years, the rapid growth of the middle class<sup>1</sup>, increasing urbanization (Un.org 2017), as well as the improvement of the business regulation system (Euromonitor.com 2015).

In addition to the leading economies – Egypt, Nigeria and South Africa; Kenya, Ethiopia, Tanzania and Uganda have the greatest potential for the development of the beauty and personal care industry in the African region. For the three top TNCs, L'Oréal, Unilever and P&G, these countries are strategically important because the industrial siting within their territories provides access to the Middle East markets, where currently one of the highest growth rates of demand for perfume and cosmetic products are observed (Wordpress.com 2016; McDougall 2015).

In 2016, the group of world beauty and personal care products net exporters included 8 African countries – Ghana, Togo, Senegal, Côte d'Ivoire, Egypt, Madagascar, Comoros and Swaziland. The participation of these countries in the group of net exporters may indirectly indicate their potential for placing TNCs production facilities within their territories in order to use them as «launching grounds» with an export orientation.

Assessing the future prospects for the transnationalization of the beauty and personal care, it can be stated that the development strategies of TNCs will increasingly be a reference point for developing countries that are becoming more attractive to Western companies not only because of low production costs, but also the growth of consumer potential in them, and the active participation of the public sector in these countries in attracting foreign investment.

As for the general forecast regarding the transnationalization of the global beauty and personal care industry, it can be assumed that this process will continue to increase, but will manifest itself not in the growth of the number of TNCs subsidiaries, but in the increase in the number of mergers and acquisitions of other companies. The organizational form of TNCs will also change significantly: recently along with the holding system, joint ventures with companies in

host countries, contract agreements, including licensing, strategic alliances and outsourcing, have been developing rapidly. The increase in the value of industrial cooperation is typical not only for the beauty and personal care industry, but also for the global industry as a whole, which is due to the optimizing the production process.

## CONCLUSIONS

1. At the beginning of the 20th century in the conditions of the unliberated world market, the process of manufacturing transnationalization in the beauty and personal care industry was driven by the motivation of TNCs to overcome customs barriers for the disposal of their goods in deep markets of the industrialized countries. As a result, during that period there was an increase in the concentration of the beauty and personal care in developed countries, which predetermined their absolute dominance in the industry.

2. In the last quarter of the 20th century due to the liberalization of foreign trade and increased competition between firms in the industry, the main incentive for beauty and personal care companies became the maximum production cost-effectiveness. In this regard, there is a powerful «drift» of the industry to developing countries with their cheap raw materials and labor. Today the balance of power between developed and developing countries in the global beauty and personal care industry is almost equivalent. This suggests a steady destruction of the core-periphery paradigm.

3. In the course of the beauty and personal care transnationalization, TNCs evolved: if in the early stages of development multinational companies were focused on the raw materials of less developed countries, then recently they have been actively interacting with the local authorities of the countries where the «drift» of production occurs to adapt their production systems to local conditions, involving home firms. In parallel, there is a process of moving the R&D activity to developing regions in centers with high scientific potential.

4. As the technological and human resources of the most industrialized developing countries increase, as well as in the process of increasing production costs in them, one of the possible strategies for developing the activities of TNCs is to move beauty and personal care manufacturing to countries with a lower level of technical and economic development, including the poorest countries of South-East Asia, South America, and also the countries of Africa. ■

<sup>1</sup> As defined by the African Development Bank, the middle class is “the one who spends from \$2 to \$20 per day on purchases, based on purchasing power parity”. According to bank estimates, more than 34% of Africans (more than 300 million people) fall under this description, and their number is expected to increase to 42% (more than 1 billion people) by 2060. With more than 300 million middle class, the African region is practically caught up with the Indian and Chinese markets for this indicator.

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