Forever Young: The Vibrant Non-surgical Anti-aging Market

A presentation at:

in-cosmetics®
Hamburg, 1-3 April 2014
The leading global business platform for personal care ingredients
Agenda

- Market Overview
- Innovation Drivers
- The Future
- About Kline
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No one has to look as old as their age
Anti-aging continues to be the main growth engine for the entire global personal care industry in 2013

Global sales estimate: USD 350 billion retail
Anti-aging is the most popular targeted skin condition globally, accounting for over 30% of take-home facial care sales.
In 2012, all regions experience growth in anti-aging professional skin care products, with China being the best performing market in sales growth.
**Trends Driving Growth**

**Consumer Trends**

- Consumers tend to cross-shop
- Masks, peels, and oils prosper with consumers interested in DIY treatment
- Growing consumer interest in naturally-positioned products

**Product Trends**

- Anti-aging remains the driving force and includes products to provide radiance, skin firming, brightening, color correction, and wrinkle reduction
- Diversified product offerings with multi-functional benefits
- BB products proliferate; CC products up-and-coming

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Non-invasive ways to reverse or ward off aging also rising
The global market for at-home beauty devices reaches USD 1.4 billion at the manufactures’ level in 2013, up nearly 20%

Sales and Growth of Beauty Devices, 2012 to 2013

SOURCE: Kline Beauty Devices 2013
Consumers spend nearly USD 20 billion on aesthetic services and related products in the United States

SOURCE: Kline Professional Skin Care USA 2012
Injectable procedures by physicians drive the non-surgical aesthetics market

Number of Non-surgical Aesthetic Procedures in the United States by Type, 2013

- Injectables
- Skin resurfacing
- Energy devices

Total number of non-surgical procedures: 8.4 Million

Growth of the Number of Non-surgical Aesthetic Procedures in the United States by Type, 2013

- Injectables
- Skin resurfacing
- Energy devices

SOURCE: Kline Professional Aesthetics 2013
Agenda

Market Overview

Innovation Drivers

The Future

About Kline
What’s driving innovation?

Innovation Drivers

- Consumers
- Media and marketing
- Ingredients
- Technologies
- Professional
- Other categories
Consumers eager for innovation – agelessness, a global preoccupation

Consumers more knowledgeable

Desire to be more marketable

Consumers proactive

Healthier lifestyles
Consumers desire multi-functional products

- Exploring what products consumers wish they have, Kline uncovered four major themes among over 420 responses, one of which was multi-functional.

Natural anti-aging products are a growing trend

- Anti-aging properties continue to drive the majority of growth for natural skin care.

SOURCE: Kline’s Consumer Insights of Personal Care Innovation USA.
Anti-aging trends from other regions become more global

- Skin brightening products and dark spot removers for the body transition from Asia to other parts of the world.

- Facial paper masks popular in Asia migrate to other regions.

- Oil-based personal care products from nuts indigenous to various areas of the world, such as Morocco, become very popular throughout the world.
What’s driving innovation?

- Consumers
- Media and marketing
- Other categories
- Professional
- Ingredients
- Technologies
The media including the Internet fuel awareness of anti-aging options

- Lots of press coverage creates interest in anti-aging regimens and innovations.
- Women's magazines frequently include anti-aging editorial and ads.
- TV shows regularly mention anti-aging procedures.
- Bloggers give lots of space to innovative new beauty techniques.
- Consumers research online to compare products, read reviews, investigate ingredients, and buy.
- Social buzz helps continually engage consumers about new anti-aging innovations.
Anti-aging products typically have huge marketing budgets

- Successful brands utilize a multitude of media with consistent messages.
- Powerful graphics help convey the product premise.
- Specific claims citing percent improvement.
- Trademarked ingredient names appearing more frequently.
- Associate with dermatologists for credibility.
What’s driving innovation?

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With 40% of raw material consumption in “differentiated” positions, anti-aging is an attractive chemical industry segment.

Ingredient Market: USD 14 billion to USD 18 billion

<table>
<thead>
<tr>
<th>Undifferentiated</th>
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<tr>
<td>25% Commodities</td>
<td>40% Specialties</td>
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<td>35% Fine Chemicals</td>
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By Application

- Skin care, 50%
- Hair care, 40%
- Oral care, 10%
Consumer trends are driving innovation, creating a developing market of active ingredients in personal care

**Active Ingredients**

- **Botanicals**
  - Unsubstantiated extracts
  - Substantiated actives

- **Biotechnology Products**
  - Hyaluronic acids
  - Ceramides
  - Others

- **Marine Ingredients**
  - Substantiated algae extracts
  - Chitosan

- **Proteins and Peptides**
  - Botanical
  - Biological
  - Synthetic peptides

- **Enzymes and Coenzymes**
  - Coenzyme Q10
  - Others

**SOURCE:** Kline Specialty Actives in Personal Care 2013

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What’s in ingredients?

- Hot ingredients
  - Botanicals
  - Hyaluronic acid (molecule of youth)
  - Stem-cell related ingredients
  - Marine ingredients

- Market leaders in active ingredients
  - BASF Beauty Care Solutions
  - Unipex
  - Lubrizol
  - Bio-Botanica
  - Silab
Botanical actives are the largest consumed actives both in Europe and the United States.

### Market Breakdown by Product Category, 2013*

**Europe**
- Botanicals-a
- Marine ingredients
- Enzymes and coenzymes
- Proteins and peptides-b
- Biotechnology products

**United States**
- Botanicals-a
- Marine ingredients
- Enzymes and coenzymes
- Proteins and peptides-b
- Biotechnology products

*a - Excludes unsubstantiated extracts
  b - Includes synthetic peptides.*
Specialty actives in personal care target a wide variety of performance benefits, although the anti-aging functionality dominates.

Active ingredients:

- Anti-aging
- Anti-acne
- Anti-inflammatory
- Skin whitening/lightening
- Slimming
- Sun protection

DNA protection
- Energizing
- Anti-stress
- Anti-wrinkle
- Anti-oxidant
- Moisturizing
- Skin firming/lifting
- Anti-cellulite

Innovation Drivers
Anti-aging accounts for around 60% of specialty actives targeted functionality in Europe and the United States

* Excludes unsubstantiated extracts; includes synthetic peptides.
What’s driving innovation?

Innovation Drivers:

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- Technologies
Technologies backed by claims and innovative delivery systems are big growth drivers of anti-aging products

- Products that interact with skin cells to activate genes or correct flaws such as dark spot minimizing and that offer visible results.

- Products that offer multiple results.

- Daily peels.

- Big emphasis on eye products.

- New delivery systems emerge.

Innovation Drivers

- Kiehl’s Super Multi-Corrective Cream
- Darphin Ideal Resource Serum
- Pevonia Eye Contour Lift & Glow
- Caudalie Premier Cru The Cream
Technology emerges that offers consumers alternative products to replace in-salon or in-office services

- Laser hair removal
- Anti-aging
- Acne
- Cleansing
At-home beauty devices with anti-aging benefits are one of the fastest growing segments

- Strong double-digit growth in most regions.

- Consumers are savvy and open to alternative products.

- New device introduction stimulate growth, but there are some limitations due to FDA clearance issues.

- LightStim International is the first company with FDA clearance for treating fine lines and wrinkles (LED technology).

- TRIA Beauty, the only FDA-cleared company to offer a laser-based device for at-home use for facial lines and wrinkles treatment.
Several anti-aging devices appear on the scene
Diagnostic tools help determine appropriate products for consumers

- Diagnostics that take the high-tech approach to prescribing appropriate anti-aging products for consumers.

Luminato Festival Vichy 2013

Pixelle tool for use in store (e.g., O Boticario in Brazil)
Apps and enhanced websites devoted to anti-aging further entice tech-savvy consumers

Dermstore.com social media outreach

Sephora App

“My Own” app
What’s driving innovation?

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Consumers looking for results!

- Masks and peels
- Neck treatments
- Eye treatments
- Hand and body products
- Lip treatments
- Moisturizers
Movement towards less invasive cosmetic procedures

- Minimally invasive procedures still in favor.
- Botox number one, but injectables are catching up.
- Imitating the performance of minimally invasive procedures in skin care.
- Consumers looking for visible and near instant results – product active on the inside.
Demand for less invasive procedures has had a strong footprint on the active ingredients market

- Boom of the synthetic peptides in the 2000s.
- Ingredients used in invasive procedures are being used in personal care products.
- Consumers are willing to pay extra for both genuinely effective and “green” products containing maximum of natural ingredients.
Hot new professional skin care launches

Clarins Double Serum

Babor Sea Creation line

Skin Regimen line [comfort zone]
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Anti-aging is more than just facial treatments
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Anti-aging will continue to be a growth driver in the industry
Demand for anti-aging products will continue

- Looking good, feeling good trend to persevere.
- Anti-aging properties more mainstream.
- Innovation and new product launches will drive the market.
- Anti-aging properties in makeup products.
- Growing interest from men.
- Further segmentation of anti-aging products linked to functionality and/or the area of application.
- New tools and apps that help purchasing are likely to be created and increasingly used by consumers.
- Companies will need to be very careful about the claims made.
Consumer trends and trends affecting active ingredients are interconnected

**FINISHED PRODUCTS**

- Natural or natural-inspired products are favored by consumers
- Anti-aging skin care products enjoy the largest growth
- Product line are increasingly segmented and target specific consumers/skin conditions
- Educated consumers are looking for really efficient products

**ACTIVES**

- Actives with a natural image are preferred by formulators
- Anti-aging actives are a focus for actives suppliers
- Suppliers of active ingredients develop dedicated product ranges
- Actives suppliers are offering highly substantiated products
Growth of active ingredients mimic the finished products

- Sun protection
- Anti-aging
- Anti-inflammatory
- Slimming
- Anti-acne
- Whitening
- Hair care

CAGR, %, 2013-2018

United States
Europe

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About Kline
Kline & Company is a respected provider of world-class consulting services and high-quality market intelligence that consistently lead to client success in growing or improving their business.

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Consumer products practice research:

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