Two-faced: The Multicultural Beauty Products Market in the United States

How multi-ethnicity drives a mature U.S. beauty market

A presentation for

in-cosmetics
Barcelona, 14-16 April 2015

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# Agenda

- About Kline
- Scope and Definitions
- Global Natural Personal Care Market
- Outlook
- Learn More
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About Kline

Scope and Definitions

Global Natural Personal Care Market

Outlook

Learn More

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Kline is a leading global management consulting and market research firm offering its clients the complete spectrum of services.

**MARKET RESEARCH REPORTS**
Identify market opportunities and create action plans with the off-the-shelf reports

**CUSTOM RESEARCH**
Customized projects provide individual, targeted solutions within tight timeframes

**MANAGEMENT CONSULTING**
Individual client work to solve business issues and help implement solutions

One-way flow of people, ideas, and information.
Relaying vital information to help you reach your potential.
What Makes Us Different?

**Primary Research**

- Kline research heavily leans on a high number of in-depth interviews conducted for each report
- Attendance at trade shows and conferences
- Local researchers in native languages
- Our interviews engage hands-on experts across all pertinent fields including:
  - Suppliers/manufacturers
  - Distributors
  - Retailers
  - Opinion leaders
  - Government agencies
  - Trade organizations

**Secondary Research**

- Primary research is supported by constant tracking of annual company reports, national statistics bureaus, and trade/industrial/professional associations. New developments are diligently followed and their impact is closely monitored.
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This presentation covers the market for personal care products targeted at Hispanics, Asians, African-Americans, and other people of color, referred to as “Ethnic consumers” in the United States.

ETHNIC BEAUTY PRODUCTS

- Hair care products
- Makeup products
- Skin care products

All sales figures reported at the manufacturers’ level (factory/net shipments) unless otherwise noted.

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MINORITIES A MAJORITY BY 2050

HISPANICS 28%  
BLACKS 17%  
ASIANS 8%

Minorities use a lot of beauty products to take care of themselves
HISPANICS IN THE UNITED STATES

- As of July 1, 2013, Hispanics become the nation’s largest ethnic minority, with 54 million constituting 17% of the nation’s total population.
  
  Source: Population Estimates

Percent Hispanic of the U.S. Population:
1980-2050
BLACKS (AFRICAN-AMERICANS) IN THE UNITED STATES

- **45 million** is the number of blacks, either alone or in combination with one or more other races, as of July 1, 2013.
GROWING ETHNIC POPULATION IN THE UNITED STATES

- Higher birth rates and increasing migration
- Two to three times faster growth than whites
- Hispanics – the largest minority group
- Blacks drive the multicultural personal care market the most

Their unique needs = an upswing in demand
The multicultural beauty products market continues to outpace the growth of the overall cosmetics and toiletries market, posting a 3.7% increase in 2014.
Five Key Growth Factors at a Glance

1. Growing ethnic population
2. Expansion of product offerings
3. Unique needs per ethnicity
4. Intensified competition
5. Increasing distribution/marketing
Share of the Ethnic Market by Product Class, 2014

- Skin care
- Hair care
- Makeup
SNAPSHOT HAIR CARE

- Dominated by products for African-Americans
- African Pride - My Way, My Pride campaigns
- Target, Walmart, and Walgreens help support the category’s growth
- Trend towards texture rather than ethnicity
- However, black consumers are not the same customers as curly/coily customers
- Decline in the relaxers segment
- Styling aids is the largest but also fastest growing category
- Several mass hair marketers enter the market with new products
Historical Sales of Ethnic Hair Care Products in the United States, 2010 to 2014

Change, %

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Notable New Products and Their Ingredients

- Strength of Nature (African Pride) introduces AP Men’s Extreme Wave Pomade
- Africa's Best Organics Olive Oil Moisturizing Growth Lotion
- ORS (Dabur India) HAIRepair Straightening & Strengthening Treatment
- Luster Products Pink Triple + Conditioning No-Lye Relaxer Enhanced with NutrientSheen PNT
- Dark & Lovely (L’Oréal) Au Naturale Anti-Breakage Super Softening Hair Butter
SNAPSHOT MAKEUP

- New products formulated to provide added benefits
- New and trendy colors
- Liquid foundation is the most sought after
- Loose powder foundation is attracting attention
- Eye makeup category aids sales gains
- Johnson Publishing Company is the largest marketer
- Intense competition from general makeup products

Fashion Fair Cosmetics – First Mineral Liquid Foundation 2012
NEW PRODUCT INTRODUCTIONS

- Black Opal Color Splurge Eye Satin Matte
- Fashion Fair Perfect Finish Illuminating Powder
- Milani Cosmetics Bella Eyes Gel Powder Eye Shadow
- SheaMoisture A Better Way To Beautiful Cosmetics Collection
SNAPSHOT SKIN CARE

- Naturally positioned ethnic skin care products
- Alphabet creams
- Products with additional benefits
- Lower demand for anti-aging products
- Increasing number of hair care marketers
- Carol’s Daughter is the leading marketer
NOTABLE NEW PRODUCTS

- Iman Cosmetics Iman CC Correct & Cover Powder to Cream Concealer Powder

- SheaMoisture Coconut & Hibiscus Spot Correcting Moisturizer

- Valeant Pharmaceuticals Ambi Advanced 5% Micro-Benzoyl Peroxide Acne Spot Treatment
COMPETITION

The U.S. market remains fragmented with the top 10 companies accounting for a little over 40% of the total market in 2014

TOP 5 PLAYERS, 2014

1. L'Oréal
2. Dabur India
3. Johnson Publishing Company
4. Strength of Nature
5. Avlon Industries
NATURAL TREND

Naturally positioned products tend to be more popular among ethnic consumers compared to general cosmetics

- BLAC Minerals’ makeup products
- Africa’s Best hair care products
- Strength of Nature
- L’Oréal - Dark & Lovely
- SheaMoisture - Three Butters
BLURRING TREND

1- Multicultural beauty marketers breaking boundaries between general and multicultural beauty

Carol’s Daughter
SheaMoisture

2- More mainstream brands entering the ethnic personal care market

Maybelline
Cover Girl
Revlon
MULTICULTURAL CONSUMER

- Hispanics are far more brand-conscious

- Asians prefer to purchase makeup from the general market

- Blacks believe that products advertised using the Black media are more pertinent to them

- Significantly higher percent of Hispanics use hair styling gel as compared to non-Hispanics

- About 50% of African-Americans and 36% of Asians strongly agree that they take pride in taking care of their skin

- African-Americans buy more hand lotion, body lotion, and all-purpose skin creams than the general population

- Nearly 82% of Hispanic respondents use perfumes or colognes compared to 61% of non-Hispanics
Many factors have influenced the segment in the last five years

- Growing multicultural population
- Increased awareness
- Increasing disposable income
- Changes in lifestyles
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Key Factors Affecting the Multicultural Beauty Market Through 2019

Growing ethnic population

New products with multifunctional benefits

Naturally-positioned products

Distribution expansion

Intense competition from general brands

Limited traceable media expenditures

Fragmented market

Movement away from historical roots

CAGR 3.6%
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