NEW GROWTH CONCEPTS REVOLUTIONISING BEAUTY

IRINA BARBALOVA
GLOBAL HEAD OF BEAUTY AND PERSONAL CARE
GLOBAL LUXURY MARKET SETS THE SCENE

LIFESTYLE SHIFTS DEFINE NEW PROSPECTS

DIVERSITY FOSTERS NEW AND NICHE CONCEPTS

YOUNGER DEMOGRAPHIC EMBRACES CHANGE

KEY TAKEAWAYS
Premium beauty defies expectations in a cool industry climate

Global Beauty / Premium / Mass Growth

20bn
US$ of extra value to come from premium beauty by 2020

50%
Of total premium beauty revenues by 2020 to be generated by US and China
Key regional shifts and outliers define new future industry prospects

GLOBAL LUXURY MARKET SETS THE SCENE

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Strong appetite for luxury fuels premium in core regions

Premium/Mass Performance by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASIA PACIFIC</td>
<td>4.7</td>
<td>6.8</td>
</tr>
<tr>
<td>NORTH AMERICA</td>
<td>3.1</td>
<td>1.6</td>
</tr>
<tr>
<td>WESTERN EUROPE</td>
<td>2.0</td>
<td>2.2</td>
</tr>
</tbody>
</table>

% year-on-year growth

- Premium Beauty
- Mass Beauty
Individuality, authenticity and uniqueness lift premium category growth

Global Premium Performance by Category 2015

- **Unique proposition**
- **Individual and personal**
- **Efficacious**
- **Quality vs quantity**
- **Fast-fashion innovation**
- **Authenticity and story**
- **Sensorial**
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Consumers’ redefined priorities

The New Consumerism

- Frugal Innovation
- Experience
- Circular Economy
- The Gig Economy
- Trading Up or Trading Down
- Sharing Economy
- Buying Time
- Space for Life

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Headspace

“OUR SIMPLE IDEA IS TO TEACH THE WORLD TO MEDITATE, SO THAT EVERYONE CAN LIVE A HAPPIER, HEALTHIER, MORE ENJOYABLE LIFE.”
www.headspace.com
Focus on mental and physical wellbeing form a new beauty mind-set
Key defining factors transforming beauty

- Lifestyle
- Diversity
- Digital
- Niche
LIFESTYLE SHIFTS DEFINE NEW PROSPECTS

Lifestyle shifts promote a more holistic approach to beauty
Active lifestyles form a new fashion-leisure-sports fusion

**Apparel Forecast Performance**

<table>
<thead>
<tr>
<th>Category</th>
<th>2015-2020 CAGR %</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERFORMANCE APPAREL</td>
<td>4.1</td>
</tr>
<tr>
<td>SPORTS APPAREL</td>
<td>3.8</td>
</tr>
<tr>
<td>SPORTS-INSPIRED APPAREL</td>
<td>3.6</td>
</tr>
<tr>
<td>OUTDOOR APPAREL</td>
<td>3.2</td>
</tr>
<tr>
<td>APPAREL</td>
<td>2.5</td>
</tr>
<tr>
<td>MENSWEAR</td>
<td>2.3</td>
</tr>
<tr>
<td>WOMENSWEAR</td>
<td>2.2</td>
</tr>
</tbody>
</table>
Active nutrition to bring new focus on mental and physical health

<table>
<thead>
<tr>
<th>Category</th>
<th>2015-2020 CAGR %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-dairy milk alternatives</td>
<td>11.5</td>
</tr>
<tr>
<td>Energy and nutrition bars</td>
<td>5.1</td>
</tr>
<tr>
<td>Yoghurt</td>
<td>4.9</td>
</tr>
<tr>
<td>Nuts</td>
<td>3.8</td>
</tr>
<tr>
<td>Popcorn</td>
<td>3.5</td>
</tr>
<tr>
<td>Fruit snacks</td>
<td>3.4</td>
</tr>
<tr>
<td>Packaged food</td>
<td>2.6</td>
</tr>
</tbody>
</table>
Drink your way to health and beauty

Soft Drinks Forecast Performance

- CARBONATED RTD TEA: 8.7
- ENERGY DRINKS: 7.9
- FUNCTIONAL BOTTLED WATER: 6.8
- NH FRUIT/HERBAL TEA: 6.6
- NH SUPERFRUIT 100% JUICE: 6.2
- ASIAN SPECIALITY DRINKS: 6.2
- SOFT DRINKS: 3.5

NH – Naturally Healthy
RTD – Ready-to-Drink
Ethical standing part of a wider lifestyle choice

Influential Green Features Among US Consumers 2015

- Hair care
- Skin care
- Colour cosmetics

- All natural ingredients
- Not tested on animals/cruelty free
- All organic ingredients
- Plant/botanically-derived
- Free from claims
- Recyclable packaging
- Fragrance free
- Recycled packaging
- Refillable bottles

% of respondents

Euromonitor International Global Beauty Survey 2015
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KEY TAKEAWAYS
Fastest growing brands globally reflect a more diverse landscape

**Fastest growing brands 2014-15 % (20-100%+ growth)**

- DOLLAR SHAVE CLUB
- RODAN + FIELDS
- SHEA MOISTURE
- INNISFREE
- ARABIAN OUD
- WARDAH
- COREANA
- CETAPHIL
- PECHOIN
- AVEDA
- THE HISTORY OF WHOO
- TONY MOLY
- BENEFIT
- TOM FORD
- JO MALONE
- CATRICE
- SMASHBOX

**Fastest growing brands 2014-15 % (10-20% growth)**

- VIKTOR & ROLF
- MARC JACOBS
- SULWHASOO
- EOS
- PROYA
- KIKO MILANO
- TOM’S OF MAINE
- MAC
- FAIR & LOVELY
- JURLIQUE
- ESSENCE
- MARUBI
- YVES SAINT LAURENT
- URBAN DECAY
- PACO RABANNE
- THE FACE SHOP
- LA ROCHE-POSAY
Regional diversity offers scope for further routine expansion

Hair treatments - number of products used

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Products</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>5+ products</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>4 products</td>
<td>4.8%</td>
</tr>
<tr>
<td></td>
<td>3 products</td>
<td>4.2%</td>
</tr>
<tr>
<td></td>
<td>2 products</td>
<td>14%</td>
</tr>
<tr>
<td></td>
<td>1 product</td>
<td>28.3%</td>
</tr>
<tr>
<td></td>
<td>Do not use any product</td>
<td>27.3%</td>
</tr>
<tr>
<td>Europe</td>
<td>5+ products</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>4 products</td>
<td>4.2%</td>
</tr>
<tr>
<td></td>
<td>3 products</td>
<td>14%</td>
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<td></td>
<td>2 products</td>
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</tr>
<tr>
<td></td>
<td>1 product</td>
<td>27.3%</td>
</tr>
<tr>
<td></td>
<td>Do not use any product</td>
<td>21.4%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>5+ products</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>4 products</td>
<td>4.2%</td>
</tr>
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<td></td>
<td>1 product</td>
<td>27.3%</td>
</tr>
<tr>
<td></td>
<td>Do not use any product</td>
<td>21.4%</td>
</tr>
<tr>
<td>Latin America</td>
<td>5+ products</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>4 products</td>
<td>4.2%</td>
</tr>
<tr>
<td></td>
<td>3 products</td>
<td>14%</td>
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<tr>
<td></td>
<td>1 product</td>
<td>27.3%</td>
</tr>
<tr>
<td></td>
<td>Do not use any product</td>
<td>21.4%</td>
</tr>
<tr>
<td>Middle East and Africa</td>
<td>5+ products</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>4 products</td>
<td>4.2%</td>
</tr>
<tr>
<td></td>
<td>3 products</td>
<td>14%</td>
</tr>
<tr>
<td></td>
<td>2 products</td>
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<tr>
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<td>27.3%</td>
</tr>
<tr>
<td></td>
<td>Do not use any product</td>
<td>21.4%</td>
</tr>
</tbody>
</table>

Hair care products – formats

- 1/3 of consumers in Asia and MEA use hair treatments in oil and serum format
- 40% of consumers in China and Nigeria use hair colourants in oil format
Regional diversity encourages adoption of new product formats

Facial Mists/Sprays – product usage frequency

Facial Cleansing products – formats

N1 Ranking for South Korea in consumer usage of facial cleansers in oil format

1 out of 10 consumers in India and Nigeria use facial cleansers in powder format

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Regional players expand beyond home markets

**AMOREPACIFIC**

- Malaysia
- Indonesia
- Vietnam
- France
- Taiwan
- Singapore
- Thailand
- Hong Kong, China
- China

**Dabur**

- Morocco
- Egypt
- Nigeria
- United Arab Emirates
- Turkey
- Saudi Arabia

**Natura**

- Taiwan
- Malaysia
- Hong Kong, China
- France
- Australia
- Colombia
- Peru
- Chile
- Mexico
- Argentina
- Brazil

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### Formulations
- Fermented botanicals
- Sea kelp
- Chia seed, broccoli, kale
- Clay
- Mineral-rich waters
- Snail extract

### Textures
- Emulsions/essences
- Mists
- Foams
- Carbonated powders
- Oils

### Formats & Technology
- Cushion
- Ampoules
- Face mask format diversification
- Wearables
- SMART beauty devices

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**What’s next for cross-regional concept inspiration?**

**DIVERSITY FOSTERS NEW AND NICHE CONCEPTS**
DIVERSITY FOSTERS NEW AND NICHE CONCEPTS

Technology to bring the next generation of beauty experiences

Mushu Skin Detector

OKU Personal Coach

Romy Paris

It’s Skin DIY Beauty

© Euromonitor International
Lifestyle shifts and diversity inspire new product concepts

**Ingredient inspiration**
- Sensorial: cooling, energising, calming, mood-enhancing
- Multipurpose
  - Active-wear
  - Urban-wear

**Product positioning**
- Active lifestyle
  - Small pack sizes
  - On-the-go formats
- Natural ingredients
  - Activated/ bamboo charcoal
  - ‘Clean’ label

**Product benefits**
- Food ingredients: oats, nuts, yoghurt, rice, honey
- Lighter textures
  - Easy application formats
- Solution-based: anti-redness, anti-strain, anti-stress, detoxifying
- Healthy
  - Ethical
  - Holistic
DIVERSITY FOSTERS NEW AND NICHE CONCEPTS

Novelty in active-wear, natural and sensorial beauty

- **Prends Moi Slimming fragrance**
- **Konjac Sponge Bamboo Charcoal**
- **Arrow by Birchbox: Active-wear cosmetics**
- **Mio Skincare: Liquid Yoga and Activist range**
Novelty in holistic, ethical, wellness and authentic beauty

Cha Ling L’Esprit du thé

Lush: handmade cosmetics

OM Cosmetics: mind-body-skin

de Mamiel: enriching the soul
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KEY TAKEAWAYS
30% of global population 2015

Millenials

50% of global workforce by 2020
Beauty brands need to reinvent through digital impact to succeed

30% of millennials spend three to six hours every day on their personal smartphones

48% of hyperconnected consumers under 30 make regular purchases using their mobile phone

Digital Influence by Generation 2015

- **Generation Z**: Hair care (30%), Skin care (50%), Colour cosmetics (60%)
- **Millennials**: Hair care (30%), Skin care (50%), Colour cosmetics (60%)
- **Generation X**: Hair care (20%), Skin care (40%), Colour cosmetics (50%)
- **Baby Boomers**: Hair care (10%), Skin care (30%), Colour cosmetics (40%)

*Euromonitor International Global Beauty Survey 2015*
Experimentation fosters a more fragmented beauty landscape

Willingness to Try New/Unfamiliar Brands

<table>
<thead>
<tr>
<th>Product</th>
<th>Generation Z</th>
<th>Millennials</th>
<th>Generation X</th>
<th>Baby Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colour Cosmetics</td>
<td>17</td>
<td>18</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>Hair Care</td>
<td>13</td>
<td>14</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td>Skin Care</td>
<td>9</td>
<td>13</td>
<td>15</td>
<td>12</td>
</tr>
</tbody>
</table>

Euromonitor International Global Beauty Survey 2015

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Relative predisposition to luxury, but brands to go beyond performance

Preference for Luxury Brands

<table>
<thead>
<tr>
<th>Category</th>
<th>Generation Z</th>
<th>Millennials</th>
<th>Generation X</th>
<th>Baby Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Colour Cosmetics</strong></td>
<td>22%</td>
<td>25%</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Hair Care</strong></td>
<td>22%</td>
<td>22%</td>
<td>19%</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Skin Care</strong></td>
<td>22%</td>
<td>22%</td>
<td>20%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Euromonitor International Global Beauty Survey 2015

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Younger demographic among the earliest new product adopters

Adoption of New Products - Face Masks

- **NORTH AMERICA**
  - GENERATION Z: 23%
  - MILLENNIALS: 17%
  - GENERATION X: 15%
  - BABY BOOMERS: 7%

- **EUROPE**
  - GENERATION Z: 32%
  - MILLENNIALS: 18%
  - GENERATION X: 18%
  - BABY BOOMERS: 19%

- **ASIA PACIFIC**
  - GENERATION Z: 29%
  - MILLENNIALS: 24%
  - GENERATION X: 22%
  - BABY BOOMERS: 19%

- **LATIN AMERICA**
  - GENERATION Z: 26%
  - MILLENNIALS: 26%
  - GENERATION X: 21%
  - BABY BOOMERS: 19%

- **MIDDLE EAST AND AFRICA**
  - GENERATION Z: 24%
  - MILLENNIALS: 23%
  - GENERATION X: 22%
  - BABY BOOMERS: 8%

*Euromonitor International Global Beauty Survey 2015*
Brands taking note of younger demographic preferences

- **Estee Edit**
- **ColourPop**
- **Stella McCartney Pop**
- **CVC Enlite**
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KEY TAKEAWAYS
Future brand attributes to fit with lifestyle priorities

KEY TAKEAWAYS

- Efficacy
- Streamlined innovation
- Less is more

- Natural/Ethical
- Good for you
- Healthy body and mind

- Exclusivity
- Individuality
- Authenticity

- Sensorial
- Digital
- Technology

Quality

Wellbeing

Uniqueness

Experience
THANK YOU FOR LISTENING

Irina Barbalova
Global Head of Beauty and Personal Care