EVOLVING HABITS IN GLOBAL BEAUTY

IN-COSMETICS 2015, BARCELONA

ILDIKO SZALAI – SENIOR ANALYST - BEAUTY AND PERSONAL CARE
GLOBAL INDUSTRY HIGHLIGHTS
NEW FRONTIERS IN EMERGING MARKETS
KEY INDUSTRY THEMES
CONCLUSIONS
GLOBAL INDUSTRY HIGHLIGHTS

Beauty Industry Growth Sustained

Total / Premium / Mass Growth

Global Beauty
US$465bn in 2014, up by US$23bn

Premium vs Mass Proportion
Historic vs Forecast

Note: Inner circle 2009-14, outer circle 2014-19

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Power Shift to Emerging Markets Continues Despite Slowdown

Developed vs. Emerging Markets in Total Beauty

- Developed vs. Emerging Markets
- % Growth Developed markets
- % Growth Emerging Markets

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New Prospective Markets Beyond China and Brazil

Global Industry Highlights

Beauty Forecast Growth by Country

Absolute Growth
US$ mn 2014-19
- US$10bn+
- US$2-5bn
- US$800mn-1.9bn
- US$0-950mn
- US$1--330mn
- Not Illustrated
Top 4 Beauty Categories Maintain Growth Momentum in 2014

Beauty Category Growth Performance 2013 vs 2014

- Retail Value Sales 2014 US$ mn
- % Growth 2013
- % Growth 2014
GLOBAL INDUSTRY HIGHLIGHTS

Skin Care and Hair Care Largely Dominate Future Potential

Top Category by Country

Absolute Growth
2014–19 US$ mn

- Skin Care
- Hair Care
- Colour Cosmetics
- Fragrances
- Oral Care
- Bath & Shower
- Not Illustrated
GLOBAL INDUSTRY HIGHLIGHTS

Top Growth Segments Bring New Lucrative Opportunities

Top Growth Beauty Categories

Absolute Value Gain US$ mn, % CAGR 2014-2019

US$ mn rsp

- Facial Moisturisers
- Anti-Agers
- Men’s Toiletries
- Conditioners
- Deodorant Sprays
- Face Masks
- Premium Men’s Fragrances
- Mouthwashes/Dental Rinses
- Hair Removers/Bleachers
- Hand Care
- Other Eye Make-Up
- Baby & Child-specific Toiletries
- Men’s Skin Care
- Other Facial Make-Up
- Premium Unisex Fragrances

% CAGR 2014-2019

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GLOBAL INDUSTRY HIGHLIGHTS

NEW FRONTIERS IN EMERGING MARKETS

KEY INDUSTRY THEMES

CONCLUSIONS
New Emerging Frontier Markets


- Indonesia
- Pakistan
- Saudi Arabia
- Morocco
- Vietnam
- United Arab Emirates
- India
- Iran
- Argentina
- Brazil
- Peru
- Turkey
- Chile
- Thailand
- South Africa
- Malaysia
- Colombia
- Mexico
- Nigeria
- Poland
- Venezuela

% CAGR 2014-2019

Common Growth Driving Factors in Emerging Markets

- Young populations base
- Intense expansion of multinationals
- Urbanization
- Expanding middle class
- Beauty habits sophistication
Average Daily Grooming Routine Exceeds Half an Hour

**Daily Grooming Time**

- **Mexico**: More than 1 hour (50-100 minutes)
- **India**: 31-60 minutes (40-50 minutes)
- **Brazil**: 16-30 minutes (20-30 minutes)
- **Spain**: Less than 15 minutes (10-20 minutes)
- **China**: More than 1 hour (50-100 minutes)
- **Turkey**: 31-60 minutes (40-50 minutes)
- **Japan**: 16-30 minutes (20-30 minutes)
- **Colombia**: More than 1 hour (50-100 minutes)
- **US**: 31-60 minutes (40-50 minutes)
- **Russia**: 16-30 minutes (20-30 minutes)
- **UK**: More than 1 hour (50-100 minutes)
- **Middle East**: 31-60 minutes (40-50 minutes)
- **Germany**: 16-30 minutes (20-30 minutes)
- **France**: More than 1 hour (50-100 minutes)
- **Australia**: 31-60 minutes (40-50 minutes)
- **Indonesia**: More than 1 hour (50-100 minutes)

**Minutes Spent Daily on Grooming**

- More than 1 hour
- 31-60 minutes
- 16-30 minutes
- Less than 15 minutes

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Staples in Developing Markets Set for Higher Absolute Growth

**Absolute Market Value Growth – 2014-2019**

**Middle East and Africa**

- Bar Soap
- Shower Gel
- Standard Shampoos
- Conditioners
- Manual Toothbrushes
- Power Toothbrushes
- Toothpaste
- Dental Rinse

**Asia Pacific**

- Bar Soap
- Shower Gel
- Standard Shampoos
- Conditioners
- Manual Toothbrushes
- Power Toothbrushes
- Toothpaste
- Dental Rinse

**Staples** vs **Non-essentials**

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# Export of Beauty Routines

## Ratio of Consumers Using Face Masks at Least Weekly

<table>
<thead>
<tr>
<th>Country</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
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<tr>
<td>UK</td>
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<td>US</td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td></td>
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<td>Japan</td>
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<tr>
<td>Turkey</td>
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<tr>
<td>Russia</td>
<td></td>
</tr>
<tr>
<td>China</td>
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</tr>
</tbody>
</table>

*33% y-o-y 2014*

## Ratio of Consumers Apply Hair Oil Daily

<table>
<thead>
<tr>
<th>Region</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle East</td>
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<tr>
<td>Brazil</td>
<td></td>
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<tr>
<td>China</td>
<td></td>
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<tr>
<td>Mexico</td>
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<td>US</td>
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<td>Indonesia</td>
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<tr>
<td>India</td>
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<tr>
<td>Japan</td>
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</tbody>
</table>

## Ratio of Consumers Using Body Moisturizer Daily

<table>
<thead>
<tr>
<th>Country</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td></td>
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<td>Germany</td>
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<td>Spain</td>
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<td>Brazil</td>
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<tr>
<td>Colombia</td>
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<tr>
<td>Indonesia</td>
<td></td>
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<tr>
<td>Mexico</td>
<td></td>
</tr>
</tbody>
</table>

*UAE: 13% CAGR 2014-2019*

*15% y-o-y 2014*
NEW FRONTIERS IN EMERGING MARKETS

Mass vs Premium Opportunities in Emerging Markets

**86%**
Of Face Masks in **China** is Mass

**96%**
Of Hair Care in **India** is Mass

**99%**
Of General Purpose Body Moisturisers in **Brazil** is Mass

- **Premium Beauty**
- **Mass Beauty**
  - Cooling off economic growth
  - Wide new consumer base at lower price points
  - Intense innovation activity from premium BPC players
  - Natural, organic, herbal trends
  - Growing middle-class aspirational spending
NEW FRONTIERS IN EMERGING MARKETS

Premium Skin Care and Fragrance Potential

Diverse Opportunities in Emerging Markets
Value Growth by Category
% of total market size, 2014 vs 2019

China 2014 2019
India 2014 2019
Brazil 2014 2008
Saudi Arabia 2014 2019

China to Overtake Japan

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GLOBAL INDUSTRY HIGHLIGHTS
NEW FRONTIERS IN EMERGING MARKETS
KEY INDUSTRY THEMES
CONCLUSIONS
Key Drivers to Define the Industry in 2015 and Beyond

- **Customisation**: Product experience, Tailored solutions
- **‘Asianification’**: Asia inspired concepts, International expansion
- **Niche**: Developed markets, Intensifying acquisition
- **Digital**: Consumer engagement, Diversifying retail
The Evolving Trend of Customisation

**KEY INDUSTRY THEMES**

- **Age**
- **Gender**
- **Ethnicity**
- **Format**
- **Texture**
- **Function**
- **Tailored Solution**

**Examples:**
- **Format:** Miracle Cushion Foundation
- **Texture:** Rodin Olio Russo
- **Function:** Clear Scalp & Hair
- **Tailored:** Clinique Smart Custom Serum
KEY INDUSTRY THEMES

Product Customization Themes – Global Versus Regional Focus

- Multiple benefits add value
- Niche category focus
- Growing premium potential
- Raising the bar on ingredients
- Growing sophistication in grooming regimes
- Brightening Whitening
- Anti-pollution
- Scented products
- Niche category focus
- Product safety initiatives

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Asian Concepts Expanding into International Markets

**KEY INDUSTRY THEMES**

- **Textures**
- **Benefit**
- **Formats**
- **Textures**

ASIANIFICATION
Further Potential Asian Waves Heading to International Stage

**Antipollution**
- Clarins Extra-Comfort Anti-Pollution Cleansing Cream

**Product safety initiatives**
- Hwa-Hae mobile app provides information on beauty product ingredients - South Korea

**Scented products**
- Mise En Scene hair care range

**Halal beauty**
- Wardah product range - Indonesia
Growing International Demand for ‘Brand Korea’

Sulwhasoo on Amazon.co.uk

Best selling AmorePacific brands in the US

AmorePacific Corp: Korean Brands’ Performance in China BPC 2009-2014

The FaceShop
2003: Established
2014: 2,300 stores in 29 countries
Asian Players Intensify Competition

China: Share Growth in Selected BPC Companies 2009-2014

- L'Oréal
- Proya Cosmetics
- AmorePacific
- Estée Lauder
- Mary Kay
- Yunnan Baiyao
- Nu Skin
- Shanghai Inoherb
- Henkel
- Jala (Group)
- Johnson & Johnson
- Unilever
- Shiseido
- Kao
- Beiersdorf
- Amway
- Avon
- P&G

Market value share growth (percentage points)
Regional Players Shake Up the Rankings

Global Ranking - Regional Players

<table>
<thead>
<tr>
<th>Rank</th>
<th>2005</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
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<td>39</td>
<td>18</td>
<td>O Boticário</td>
</tr>
<tr>
<td>27</td>
<td>19</td>
<td>AmorePacific</td>
</tr>
<tr>
<td>34</td>
<td>23</td>
<td>LG Household &amp; Healthcare</td>
</tr>
<tr>
<td>78</td>
<td>46</td>
<td>Shanghai Jahwa</td>
</tr>
<tr>
<td>88</td>
<td>52</td>
<td>Jala Group</td>
</tr>
<tr>
<td>80</td>
<td>58</td>
<td>Dabur India</td>
</tr>
<tr>
<td>93</td>
<td>64</td>
<td>Proya Cosmetics</td>
</tr>
<tr>
<td>83</td>
<td>67</td>
<td>Godrej Group</td>
</tr>
<tr>
<td>84</td>
<td>70</td>
<td>Abdul Samad Al Qurashi</td>
</tr>
</tbody>
</table>

Top Beauty Players Market Share

- Henkel AG & Co KGaA
- Shiseido Co Ltd
- Avon Products Inc
- Johnson & Johnson Inc
- Estée Lauder Cos Inc
- Beiersdorf AG
- Colgate-Palmolive Co
- Unilever Group
- L’Oréal Groupe
- Procter & Gamble Co
Wide Range of Niche Growth Drivers

**Dry Shampoo:** Herbal Essence

**MEA:** Gliss for covered hair

**Multi-Cultural:** Carol’s Daughter

**Exclusive:** Le Labo
Intensifying Acquisition Activities for Niche Brands – 2014-2015

- La Labo
- Rodin Olio Lusso
- Parfums Frédéric Malle
- Glamglow
- NYX Cosmetics
- Niely
- Carol’s Daughter
- Magic Holdings
- Penhaligon’s
- L’Artisan Parfumeur
- REN
- Rochas Parfume
Fastest Brands Globally – Where is the Next Acquisition?

**Fastest growing brands 2013-14 % (17-90% growth)**

- Innisfree
- Rodan + Fields
- Nip + Fab
- Bulldog
- Ciaté
- Glamglow
- Black Up
- Al Qurashi
- Beauty Diary
- Byredo
- Baylis & Harding
- Inglot
- Aesop
- Kiko Milano
- Catrice
- Mud
- Bioderma

**Fastest growing brands 2013-14 % (10-17% growth)**

- The Face Shop
- Coreana
- Herborist
- Rodial
- Urban Decay
- Jurlique
- Proya
- Make Up For Ever
- Black Opal
- Marubi
- Perfect
- Dabur
- Iman
- Iope
- Jo Malone
- Godrej
- MG
From Niche Categories to Diversifying Niche Platforms

- Beauty boxes
- In-store digital
- Direct sellers
- Mobile applications
- Company websites
- Social media sites
- Multi-channel retailers
- Pure e-tailers

KEY INDUSTRY THEMES

DIGITAL
Internet Retailing Still a Relative Small Channel in Beauty

Internet Retailing Growth by Industry 2009-2014

KEY INDUSTRY THEMES

DIGITAL

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Building Blocks of Digital Beauty Strategies

**Brand Engagement**
- Brand Building
- Consumer Analysis

**Personalization**
- Virtual ‘Try –On’
- Customized Solutions

**Retail Curation**
- Self-service Retail
- Focus on Target Audience

**‘Best price’**
- Purchase Motivation
- Comparability

**KEY INDUSTRY THEMES**
Selling to More Informed and More Engaged Consumer

Frequency of Online Activities 2011/2013

- Visit online news sites
- Visit social networking sites
- Stream or download audiovisual content online
- Use an internet banking service
- Participate in microblogging
- Upload/share photos or videos
- Read reviews of products and services
- Visit price comparison websites
- Buy something online

% consumers with online activity once a week

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GLOBAL INDUSTRY HIGHLIGHTS
NEW FRONTIERS IN EMERGING MARKETS
KEY INDUSTRY THEMES

CONCLUSION
CONCLUSION

Future Growth Highlights


- China: 20,097
- Brazil: 2,112
- USA: 10,144
- India: 3,711
- Saudi Arabia: 4,052
- Indonesia: 2,228
- Others: 21,052

Categories marked with orange forecast to exceed global beauty growth of 2.6% CAGR 2014-2019
Reinvention in Global Beauty Required to Sustain Growth

CONCLUSION
THANK YOU FOR LISTENING

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