Targeting Millennials in Beauty Innovation

Tom Vierhile, Innovation Insights Director, and Lia Neophytou, Associate Analyst

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Agenda

1. About GlobalData
2. The global beauty and grooming market outlook
3. The importance of targeting Millennials
4. Trends and innovations in Millennial beauty
5. Looking ahead: where next for Millennial beauty?
4,000 of the world's largest companies make better and more timely decisions thanks to our unique data, expert analysis and innovative solutions delivered through a single platform.

GlobalData provides a range of ways that clients can access our data & insights to meet their individual business needs:
• Intelligence Center
• Consulting Services
• Reports

Our services cover five primary industries:
• Consumer
• Retail
• Technology
• Healthcare
• Financial Services

We empower clients to decode the uncertain future they face by providing:
• Unique data
• Expert analysis
• Innovative solutions
• One platform

Our clients:

Coca-Cola
Tesco
HP
Heineken
Zurich
Aviva
Oracle
Amazon
Ikea
Mondelez
Allianz
Cisco
Sage
Capita

Our Industry Coverage

Our Expertise

Our Value Proposition

Our Solutions

About GlobalData
About GlobalData's primary consumer research

In 2016, we surveyed over 50,000 respondents in 51 countries worldwide.
About GlobalData's TrendSights framework

GlobalData's proprietary TrendSights framework interprets consumer trends through an organized "trend hierarchy"
Agenda

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The global cosmetics and toiletries market is poised for growth

Cosmetics and toiletries 2015 market value ($) and 2015–20 CAGR (%)

- **North America**: $74bn, +2.2%
- **Latin America**: $53bn, +4.9%
- **Western Europe**: $89bn, +1.7%
- **Eastern Europe**: $22bn, +3.5%
- **Middle East and Africa**: $10bn, +2.1%
- **Asia Pacific**: $132bn, +8.3%
- **Global**: $381bn, +4.9%

Source: GlobalData's Market Data
Agenda

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Why are Millennials so important?

There are 2.4 billion Millennials globally (18–34 year olds), close to one third of the global population.

Populations are aging, but Millennials* nearly double seniors (55-plus) globally.

Source: UN; Advertising Age; **“Millennials” based on sum of UN five-year age groups aged 15–34
Why are Millennials so important?

There are 2.4 billion Millennials globally (18–34 year olds), close to one third of the global population.

In 2016...

75.4 million Millennials
versus
74.9 million Baby Boomers
(ages 51–69)

...Millennials surpassed Baby Boomers in the US¹

Populations are aging, but Millennials* nearly double seniors (55-plus) globally.

2017, UN estimate

32% Millennials
17% Seniors

$200bn
Annual buying power, US Millennials²

Millennials represent an important age cohort within several major economies globally.

Source: UN
Millennials are digital natives, experience-driven, and individualistic

67% globally (69% in US) find social media influences their beauty/grooming product choices*

Source: GlobalData’s 2016 Q4 global consumer survey; *Combined response for "somewhat," "always," or "often influences my product choice."
Millennials are digital natives, experience-driven, and individualistic

72% (68% in US) Find feeling physically attractive is important to the concept of wellness

Source: GlobalData’s 2016 Q3 global consumer survey
Millennials are digital natives, experience-driven, and individualistic

60% (69% in US) prefer to be **unique** and stand out from the crowd

Source: GlobalData’s 2014 Q4 global consumer survey
Millennials are digital natives, experience-driven, and individualistic

59% (38% in US) find trying new experiences more exciting than trying new products

Source: GlobalData’s Q3 2016 global consumer survey
Agenda

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GlobalData has identified four key innovation opportunities to target Millennials:

- Community influence
- Healthy lifestyles
- "Make it smart"
- Male beauty
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Consumers are influenced by, and value the opinions of, the online community

63% (67% in US) of Millennials agree they are more likely to trust blogger/user reviews over brand claims

US: Consumers who are often or always influenced by the following when purchasing beauty/grooming products (%), 2017

Social media Video blogs/demonstrations

54% 54% 32% 30%

Millennials All consumers

Source: GlobalData’s 2016 Q3 global consumer survey; GlobalData’s 2016 Q4 global consumer survey
Online trends are influencing offline innovation

US: "Are you interested in beauty/grooming products that follow trends shown on social media?" (e.g. Instagram, Facebook), by age (%), 2016

- I am interested, and I am actively buying such products
- I am interested, but I am not actively buying such products

Source: GlobalData's 2016 Q4 global consumer survey
Carli Bybel X BH Cosmetics
✓ As part of an ongoing collaboration, BH Cosmetics has joined forces with American beauty vlogger and make-up artist Carli Bybel to create a second eyeshadow palette.

✓ The palette is designed to allow users to put beauty tips and tricks into practice.

✓ The concept capitalizes on the blogger's YouTube following and trust credentials.
Innovation implications: partnering with social media influencers

The Estee Edit
✓ Targets Millennial behavior through its "camera-ready" instant benefit solutions.
✓ Focuses on consumer individuality with the #beautyattitudes campaign.
✓ Uses Kendall Jenner as brand ambassador.

Kylie Cosmetics
✓ The success of an initial "lip kit" product led to the development of an entire cosmetics range with Kylie Jenner as its brand ambassador.
✓ Capitalizes on the social media star's online influence.
Informed, educated, and engaged Millennials are driving crowdsourced beauty innovations

77% of US Millennials find the concept of *products they helped to create* appealing

Source: GlobalData’s 2016 Q3 global consumer survey
Innovation implications: creating an online community

Sephora Beauty Insider Community

- New "member-only mobile and online platform."

- Intended to be a destination for beauty consumers to seek inspiration, find answers to questions, and get recommendations.

- Concept uses a "Reddit-style" chat room where users can join themed beauty groups with like-minded members, share insights, get advice, etc.

Innovation implications: putting consumers in the driver's seat

**Volition Beauty**

- This San Francisco-based start-up allows consumers to vote on cosmetics they want to see created.

- Consumers can also submit their own new product ideas. If cleared, Volition will help launch the product.

- Sephora has agreed to partner with Volition, hosting five new products from the brand.¹

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¹ Source: [1] Luxury Daily, "Sephora to Launch 5 Products From Crowdsourced Beauty Brand Volition," June 2017; Images from Volition
GlobalData has identified four key innovation opportunities to target Millennials:

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2. Healthy lifestyles
3. "Make it smart"
4. Male beauty
Healthy lifestyles are infiltrating beauty innovation

89% (90% in US) of Millennials consider eating healthily important in creating a feeling of wellbeing or wellness

49% (62% in US) of Millennials claim to exercise daily or several times per week

Source: GlobalData’s 2016 Q3 global consumer survey; GlobalData’s 2015 Q4 global consumer survey
Innovation implications: make-up that stays put and protects from the elements

**Arrow Revive "cooling" cheek tint**
- Breathable, oil-free gel formula.
- Provides a flush of color built to survive a workout.

**Sweat Cosmetics**
- US beauty brand developed by a team of five female professional soccer players.
- Said to allow skin to breathe and make the skin healthier as it is worn.
Innovation implications: vegan beauty

In the US, 12% of Millennials say they are vegan, double the percentage of the population as a whole.¹

**Beauty12**

- Beauty12 was started by two vegan women who tired of reading make-up ingredient lists when shopping.
- The product claims to be the first vegan beauty subscription box.

**Kat Von D Beauty**

- Make-up artist and entrepreneur Kat Von D is adding a new cruelty-free, vegan make-up brush line.
- Uses synthetic fibers rather than animal fibers.

Source: [1] GlobalData Q1 2017 consumer survey; Images from Beauty12, Kat Von D Beauty
Millennials prefer to emphasize their natural beauty than to mask their flaws

56% (59% in US) of Millennials find the concept of beauty/grooming products that help to achieve a natural appearance (e.g. "no make-up" look) appealing

Source: GlobalData 2015 Q4 global consumer survey
Innovation implications: make-up to enhance natural beauty

Milk Makeup lip and cheek tint
✓ Quick, multi-use lip and cheek tint.
✓ No mirror needed, no brushes needed, easily blended with fingertips.

"People are more health-conscious these days, and those decisions show up in your skin."

Diana Ruth, co-founder
GlobalData has identified four key innovation opportunities to target Millennials:

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- Male beauty
Inspired by digitally native Millennials, the beauty industry is embracing the internet of things.

79% of US Millennial consumers are interested in smartphone-connected electronic tools/devices in beauty/grooming.

Source: GlobalData’s 2016 Q4 global consumer survey
Innovation implications: technology to optimize skin- or haircare

HiMirror Plus
✓ Identifies skin issues and creates personalized solutions, tips, and regimes to address them.
✓ Assesses skin clarity, texture, firmness, brightness, and overall healthiness. Tracks details over time.

Kérastase Hair Coach
✓ Provides information on hair quality and brushing patterns.
✓ Accompanying app provides information around external factors such as humidity and temperature.
Innovation implications: transforming make-up application

Color Me automatic foundation applicator

✓ Uses sonic pulse technology to mimic the tapping technique of professional make-up artists.

✓ Eight-hour coverage, "superior" to results of conventional brushes or hands.
Innovation implications: augmented reality

"Making it smart" includes the purchase process; augmented reality could revolutionize beauty purchases

Estee Lauder Lip Artist

- "Conversational lip advisor" guides consumers to their optimal lip shade.
- Lets users explore and virtually try on and buy lipsticks on Facebook Messenger.¹
- Designed by ModiFace: lipsticks modeled on a user-provided selfie.

Social media has conditioned Millennials to have less face-to-face interaction. The number of US teens getting together with friends daily dropped by more than 40% from 2000 to 2015.²

GlobalData has identified four key innovation opportunities to target Millennials

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Individualistic Millennials are driving the growing male beauty industry

Millennial men who are willing to increase number of products they use in beauty/grooming routine to improve their appearance

- **Global**: 31%
- **North America**: 17%
- **Europe**: 47%
- **Latin America**: 33%
- **Middle East and Africa**: 47%
- **Asia Pacific**: 57%

Source: GlobalData’s 2016 Q4 global consumer survey
Males are not immune to image-consciousness, which is driving innovation in unprecedented ways.

72% (60% in US) of Millennial men say their looks and appearance are important or very important to them.

44% (72% in US) of Millennial men agree that social media has made them more self-conscious of their appearance.

Source: GlobalData’s 2015 Q4 global consumer survey; GlobalData’s 2016 Q4 global consumer survey
Innovation implications: increasingly sophisticated male beauty items

Polished by Dr. Lancer
✓ For "men with high standards," this new "science-driven" men's grooming line was co-founded by Dr. Howard Lancer "Hollywood's favorite dermatologist" and Ryan Seacrest (American Idol host).

✓ W magazine calls Dr. Lancer “Kim Kardashian’s dermatologist.”¹

YesTo Natural Man charcoal mask
✓ Formulated with charcoal and witch hazel.

✓ Claims to prevent ingrown hairs and razor burn.

Earlier this year, Maybelline hired Manny Gutierrez (known as "MannyMUA733" on Instagram) to help promote its new Maybelline Big Shot mascara.
Innovation implications: the beard is back

The beard – a long-time signal of masculinity – is back and is a counter-trend to an increasingly feminine approach to male beauty.

Many factors are driving the resurgence of beards:

- Hatred of shaving
- Skin irritation issues
- Backlash against the feminization of men
- To show you are your "own man"

Result: beard care innovation is booming

Source: Additional image from Shutterstock
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3D printed beauty

Combining customization and emerging 3D technologies for production in the home.

The third gender

Gender identification will become less prominent, driving the development of genderless beauty products.

Experience economy

Heightening the retail environment with interactive experiences and services.
Tom Vierhile
tom.vierhile@globaldata.com

Follow me on Twitter: @TomVierhile

To find out more about GlobalData and other related content we offer please contact:
clientservices.consumer@globaldata.com or
+44 (0) 207 936 2700