PREMIUM OPPORTUNITIES: US MARKET TRENDS AND THE CHANGING CONSUMER LANDSCAPE

AMANDA HARTZMARK

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INTRODUCTION

Euromonitor International

12 OFFICE LOCATIONS
London, Chicago, Singapore, Shanghai, Vilnius, Santiago, Dubai, Cape Town, Tokyo, Sydney, Bangalore, and São Paulo

80 COUNTRIES
in-depth analysis on consumer goods and service industries

+ 210 COUNTRIES
demographic, macro- and socio-economic data on consumers and economies
OVERVIEW OF GLOBAL AND US MARKETS
PREMIUM AND THE NEW CONSUMER CONTEXT
KEY GROWTH DRIVERS IN COSMETICS, SKIN CARE AND FRAGRANCES
CONCLUSIONS
OVERVIEW OF GLOBAL AND US MARKETS

PREMIUM AND THE NEW CONSUMER CONTEXT

KEY GROWTH DRIVERS IN COSMETICS, SKIN CARE AND FRAGRANCES

CONCLUSIONS
Colour cosmetics, hair care and skin care lead global sales

Global Sales by Category

- Bath and Shower
- Colour Cosmetics
- Deodorants
- Fragrances
- Hair Care
- Men's Grooming
- Oral Care
- Skin Care

Sales in US$mn, fixed 2015 exchange rates

Sales US$ mn
North America sees highest regional growth

Global Growth Rates by Region

% Value Growth (2015 fixed ex)

- World
- Asia Pacific
- North America
- Western Europe
- Latin America

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Premium beauty defies expectations in a cool industry climate

**Total Global, Mass and Premium Growth**

- **4%** CAGR for global premium beauty and personal care growth to 2020
- **50%** of total premium beauty revenues by 2020 will be generated by US and China

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Premium helps U.S. outpace global beauty growth across categories

2015 U.S. Beauty & Personal Care Value Sales and Growth by Category

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OVERVIEW OF GLOBAL AND US MARKETS

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KEY GROWTH DRIVERS IN COSMETICS, SKIN CARE AND FRAGRANCES

CONCLUSIONS
Consumers flex their power
Consumer changes transforming beauty

Lifestyle

Digital

Diversity

Niche products
Focus on active, balanced lifestyle promotes holistic approach to beauty

Fitness Paramount

Trends from Foods

Sustainability & Ethical Products
Diversity has spurred growth of niche products that offer better results based on age, culture, ethnic group.
Lifestyle shifts and diversity inspire new product concepts

**Ingredient inspiration**
- Sensorial: cooling, energising, calming, mood-enhancing
- Multipurpose
  - Active-wear
  - Urban-wear
- Multipurpose
- Natural ingredients
  - Activated/bamboo charcoal
  - ‘Clean’ label
- Food ingredients: oats, nuts, yoghurt, rice, honey
- Lighter textures
  - Easy application formats
- Solution-based:
  - anti-redness, anti-strain, anti-stress, detoxifying
- Healthy
  - Ethical
  - Holistic

**Product positioning**
- Active lifestyle
  - Small pack sizes
  - On-the-go formats

**Product benefits**
Niche brands buoyed by consumer demand for unique, customized products

50% of survey participants in the US said they bought products that were suited especially for their hair type.
Digitally influenced consumers tend to have more extensive routines

**Skin Care Routines by Digital Influence**

- **Extensives**
  - Digitally influenced: 10%
  - No digital influence: 90%

- **Moderates**
  - Digitally influenced: 10%
  - No digital influence: 90%

- **Minimalists**
  - Digitally influenced: 10%
  - No digital influence: 90%

**Hair Care Routines by Digital Influence**

- **Extensives**
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**Make-up Routines by Digital Influence**

- **Extensives**
  - Digitally influenced: 10%
  - No digital influence: 90%

- **Moderates**
  - Digitally influenced: 10%
  - No digital influence: 90%

- **Minimalists**
  - Digitally influenced: 10%
  - No digital influence: 90%

*Note: Minimalists (0-3 skin care products used weekly), Moderates (4-7 skin care products used weekly), Extensives (8-14 skin care products used weekly)*

*Note: Minimalists (0-1 hair care products used weekly), Moderates (2-3 hair care products used weekly), Extensives (4-7 hair care products used weekly)*

*Note: Minimalists (0-1 colour cosmetics products used weekly), Moderates (2-6 colour cosmetics products used weekly), Extensives (7-16 colour cosmetics products used weekly)*
Consumers’ priorities have been redefined

The New Consumerism and Premium Products

Digital & Diversity = Innovation

Lifestyle = Multi-benefit

Experience & Niche Products = Premium
KEY TRENDS IN US AND GLOBAL MARKETS

PREMIUM AND THE NEW CONSUMER CONTEXT

KEY GROWTH DRIVERS IN COSMETICS, SKIN CARE AND FRAGRANCES

CONCLUSIONS
Eye, face and lip products see highest growth in colour cosmetics

Top 15 Growth Categories for 2015 U.S. Colour Cosmetics

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Premium products and BB&CC creams lead in facial cosmetics
Innovation spurs growth in premium facial cosmetics

2011
- Sephora introduces South Korean BB Cream brand Dr. Jart+ to the U.S.

2012
- Over 15 BB/CC creams launch in the U.S

2013
- BB/CC Creams grow 61% (constant value)

2015
- Packaging innovations launch


17% US Premium BB/CC Creams CAGR 2015-2020

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Premium mascara, eye shadow and liner push eye category forward

Top 15 Growth Categories for 2015 U.S. Colour Cosmetics

- Premium mascara, eye shadow and liner push eye category forward
- BB & CC Creams
- Other Eye Make-Up
- Other Eye Make-Up
- Lipstick
- Foundation & Concealer
- Blusher, Highlighter & Bronzer
- Other Lip Products
- Nail Polish
- BB & CC Creams
- Lip Liner
- Powder
- Lipstick
Eye cosmetics: Safety and longevity drive growth

2015 Growth

- Premium Mascara – 11%
- Premium Eye Shadow – 7%
- Premium Eye Liner/Pencil – 11%
Trends spur growth in premium and mass other eye makeup

Top 15 Growth Categories for 2015 U.S. Colour Cosmetics

- Mascara
- Eye Shadow
- Foundation & Concealer
- Eyeliner
- Other Eye Makeup
- Other Eye Makeup
- Other Eye Makeup
- BB & CC Creams
- Blusher, Highlighter & Bronzer
- Nail Polish
- BB & CC Creams
- Lip Liner
- Lipstick
- Lipstick
- Premium
- Mass
KEY GROWTH DRIVERS IN COSMETICS, SKIN CARE AND FRAGRANCES

Brow cosmetics: Boldness drives growth

**Boldly Bushy**
- Clinique Just Browsing Brush-On Styling Mousse—8/2015

**Boldly Defined**
- Anastasia Brow Definer—1/2016
- Burberry Eyebrow Definer launched—9/2015
Premium lipsticks and liner lead lip category

Top 15 Growth Categories for 2015 U.S. Colour Cosmetics
Variety drives growth in lip cosmetics
Skin care: Premium growth with a twist

Top Growth Categories in Skin Care, 2015

- Premium Lip Care
- Premium Skin Care Sets/Kits
- Premium Face Masks
- Premium Acne Treatments
- Premium Facial Cleansing Wipes
- Mass Face Masks
- Mass Facial Cleansing Wipes
- Premium Anti-Agers
- Premium General Purpose Body Care
- Premium Cleansers

2014-15 % Growth
Innovation still key, ingredients king in skin care

- Korean Beauty innovations still drive growth
- Successful skin care products feature natural, innovative ingredients
- Niche brands continue to gain market share
Premium skin care buyers more results-oriented, experimental

**Skin Care: Premium vs Non-Premium Buyers Reason for Purchase**

- Need to replace because my current product ran out
- To improve the look or feel of my skin
- New or changing skin needs
- To try something new
- Found a great deal or item on sale
- Looking for product that works better than current product
- To simplify my routine

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KEY GROWTH DRIVERS IN COSMETICS, SKIN CARE AND FRAGRANCES

Fragrance: Premium niche brands drive growth

Personalization through layering
Jo Malone and Tom Ford exemplify layering & niche trends

**Estee Lauder Company Fragrance Brand 2014-2015 Value Growth Rates (Constant)**

- **Estée Lauder**: 20% in 2014, 15% in 2015
- **Clinique**: 5% in 2014, 10% in 2015
- **Donna Karen New York**: -5% in 2014, -10% in 2015
- **Tommy Hilfiger**: 0% in 2014, 5% in 2015
- **Jo Malone**: 30% in 2014, 25% in 2015
- **Tom Ford**: 15% in 2014, 20% in 2015
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CONCLUSIONS
Premiumisation of U.S. Beauty and Personal Care Market Forecasted to Continue

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<thead>
<tr>
<th></th>
<th>2011</th>
<th>2015</th>
<th>2020</th>
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| **Premium Value Sales**
  ($US billion, constant) | $20  | $23  | $28  |
| **Premium Penetration**
  (% Value)            | 32%  | 34%  | 37%  |

US$5 Billion
U.S. premium beauty growth through 2020
Future of U.S. premium beauty: Growth-driving categories

U.S. Premium Beauty Value Growth 2015-2020 (US$ Billions, Constant)

- Premium Colour Cosmetics
- Premium Skin Care
- Premium Fragrances
- Premium Hair Care
- Other Premium Beauty and Personal Care

$2.16
$1.15
$1.38
$0.39
$0.23
CONCLUSIONS

Fragrances: Growth categories

2015-2020 Premium Fragrance Growth (constant value) = US$1 Billion
Strong digital influence on premium purchases

**Premium Hair Care Buyers’ Influencers**

- Beauty blog post or expert review
- Social networking site
- Doctor or medical professional...
- Online user reviews, communities or forums
- TV ad
- Information or recommendations...
- Previous personal experience
- Free sample
- Sale/discount offer in-store

**Beauty blog post or expert reviews’ influence on purchase decision-making**

- % of premium buyers
- Male
- Female
## Evolving trends and opportunities

<table>
<thead>
<tr>
<th>Macroeconomic Factors</th>
<th>Evolving Retail Channels</th>
<th>Success of Niche Brands</th>
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<tbody>
<tr>
<td>• Newly-flush consumers seek affordable luxury</td>
<td>• Well-informed consumers</td>
<td>• Millennials usher in era of individualism</td>
</tr>
<tr>
<td>• Premium beauty: Gateway purchase</td>
<td>• Physical customer engagement</td>
<td>• Foreign brands garner attention</td>
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<tr>
<td>• Rise of masstige</td>
<td>• Internet retailing, the great equalizer</td>
<td>• Acquisitions: Large companies take note of niche</td>
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Source: Mike Mozart
Key takeaways

- Quality of products remains important
- Focus on wellbeing, health
- Uniqueness prized
- Consumer experience in store and online is the key to future growth
Thank You!

Amanda Hartzmark, Ph.D.

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