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Trends and Innovation in the Cosmetic Industry

COLIPA Annual General Assembly

Vienna, June 2010



What are consumers thinking about?

- How to get away from daily grind?
- How to introduce stability into my life?
- How do I test that claims are true?



Three post-economic decline needs



Escapism



Proof



Stability

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Escapism



Escapism: An antidote to frugal fatigue

- Our discipline is not perfect so we look for ways **to escape from the tyranny of value, cutting back and saving**
- Many products and services have flourished as people continue to look for smaller, more concentrated experiences—the staycation, high-end restaurants like Craft in New York offering “Frugal Friday” menu items for \$10, or even luxury cosmetics sold in smaller packaging – that still capture the essence of the brand at the right price
- However, sometimes Escapism is characterised negatively and looked at as something not productive (i.e., teens tuning out)

Source: Mintel Inspire



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Flow: The psychology of optimal experience

- University of Chicago professor Mihaly Csikszentmihalyi considers the “flow” state or the experience of effortless concentration the highest form of human experience and creativity
- His research showed that people tend to experience “flow” when doing their favourite activity, such as gardening, playing guitar, sports or talking to a friend
- **Time is lost, relaxation, concentration and engagement are at their highest, and the person often walks away feeling a sense of accomplishment**

**How do we
translate
this into beauty?**

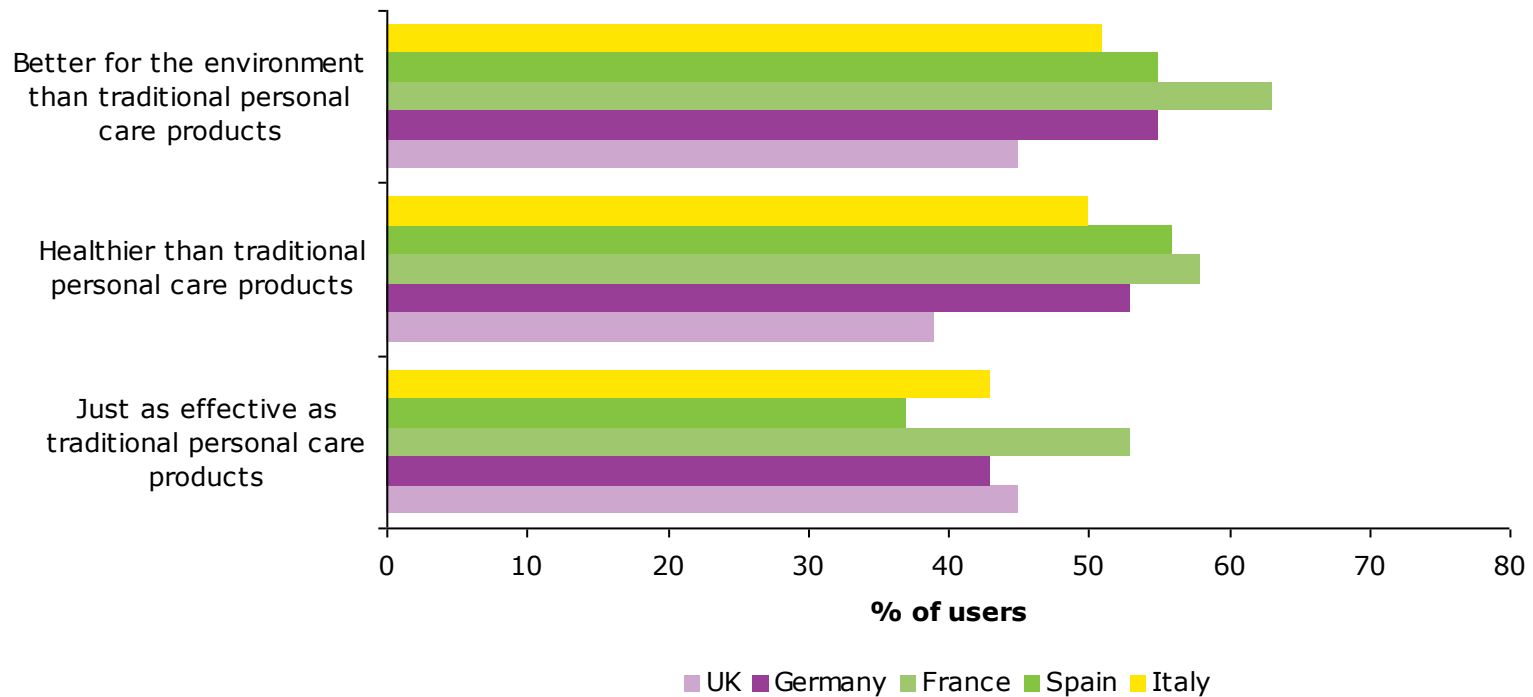
Beauty Trend: Mood beauty

- Response to Austerity Chic and Frugal Fatigue
- Evolution of “la cosmétique euphorisante” and neurocosmetics
- More sophisticated than aromatherapy and use of scent to enhance mood
- New beauty space that intersects with psychology and wellbeing; imbuing beauty products with psychological benefits; formulated with ingredients that act on neurotransmitters
 - Cosmetics that claim to induce more positive mood or improve sleep quality (better beauty sleep!); injecting new life into the night care subcategory
 - Contemporary take on holistic healing therapies (chromotherapy, crystals, Bach Flower Remedies, etc.)
 - Emphasis on de-stressing benefits of beauty products
 - Use of transforming textures, temperatures or sound
 - Can link with nutricosmetics



European consumers embrace natural and organic

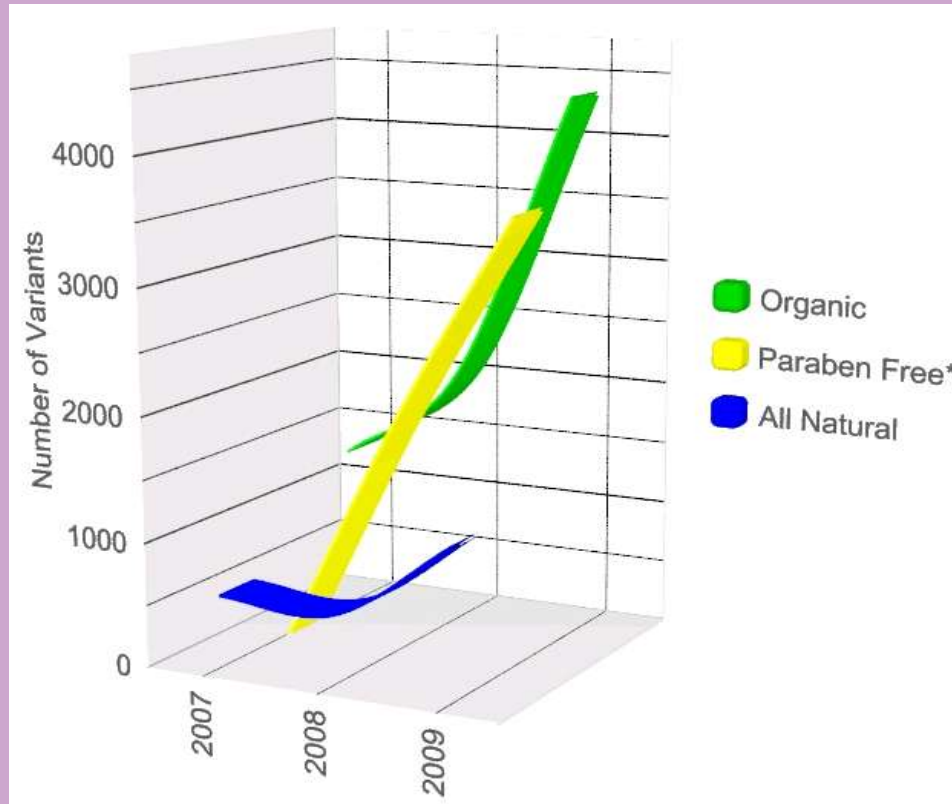
Natural and organic beauty products are...



Source: Toluna/Mintel March 2010

Base: 1000 women internet users, 16+ who use or purchase at least one natural/organic product for themselves

Brands continue to launch organic, free from beauty...



- Skincare and soap/bath are leading categories for paraben-free and organic claims
- In 2009 in Europe, 19% of skincare and 15% of soap/bath launches made the organic claim (contains organic actives or is certified organic)

Source: Mintel GNPD Beauty Innovation
Jan 2007 – Dec 2009; All beauty and personal care categories in Europe
Note: includes products >\$25 in UK and France

Providing escape

Need

- Excitement in daily routine
- Stress relief
- Better sleep + energy to face daily challenges

Solution

- Ingredients for escape in beauty include serotonin activators and sleep-enhancing, melatonin boosters
- Transforming textures or scents
- Packaging with escapist graphic elements (swirls, freedom, creative splashes, travel imagery, etc.)
- Element of intellectual play (think about flow; need balance between relaxation and “effortless concentration”)
- Consider use of sound, music or video to enhance product usage
- Natural, ethical claims (Fair Trade, eco-packaging, maintain biodiversity)
- Involve consumer in creative process (DIY products)

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Stability



Stability

- Seeking moderation, preparation and balance
- A move away from excess
- ... a more balanced diet, a balanced chequebook, a balance between expensive and cheap, a balance between fresh food and packaged groceries, a balance between products that make us feel better and those that also act as multitasking aids
- Stress and uncertainty cause us to strive for stability no matter how difficult it can be to attain

Cosmetic loyalty remains strong

- Women across the France, Germany, Italy, Spain and the UK **proved to be quite loyal both in terms of distribution channels** (where they buy their make-up) **and the brand they use**, whereas it would have been expected that there was some sort of shift towards cheaper shops and brands, following the recession
- In Germany, Italy, Spain and the UK the largest percentage of women kept buying make-up in the same place, while in France, the proportion fell to just one woman in two, which could be related to a search for alternative channels that provide better offers
- **Buying on-line is one such option, as 50% of women would consider this**; the percentage of French women who would consider buying on-line is even higher (65%)

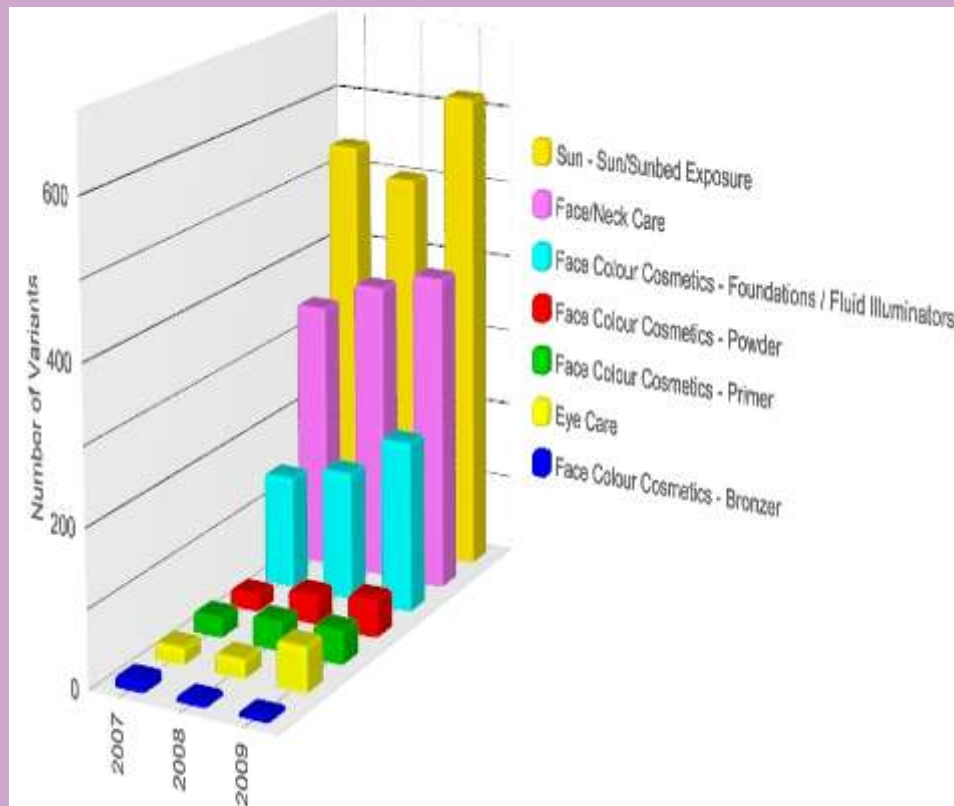
Source: Mintel European Cosmetics, June 2010
Base: 1000 women internet users, 16+ who use make-up
France, Germany, Italy, Spain and UK

Beauty Trend: Pro-Tech'T

- The continuing evolution of the protection claim (not just shielding from UV rays), but also defending skin and hair against
 - The elements (extreme weather, pollution, ozone)
 - Our own physiological changes (hormones)
 - Man-made factors (technology, smoking, heavy metals, stress, artificial light, etc.)
- Products highlight active ingredients from extreme environments (Arctic, Alpine, desert, deep sea)
- Growth of immune-boosting and enhancing skin defences claims (link with ingestible beauty)



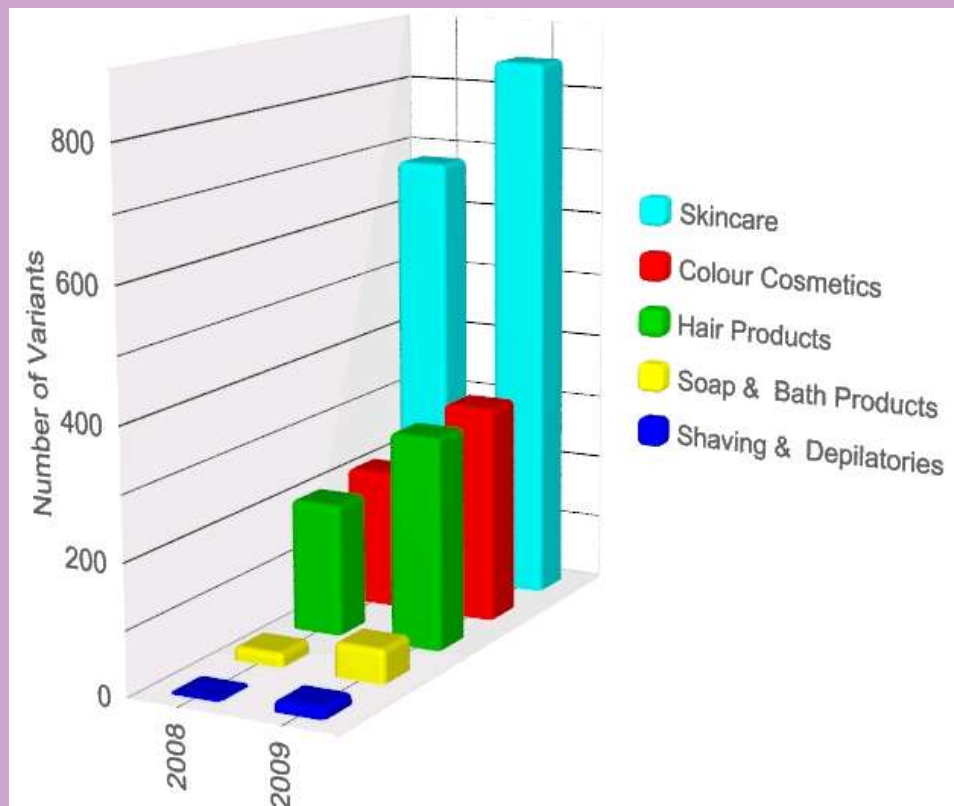
UV protection claim in global launches* (by subcategory)



- In 2009, almost half of foundation launches and one in three primers had UV protection claims

Source: Mintel Beauty Innovation
Jan 2007 – Dec 2009; * Global sun care launches (all countries) under \$25
Note: sun/sunbed exposure includes face and body products

Protection against the elements on the rise



- In 2009, 8% of new skincare (led by cleansers + moisturisers) and 6% of hair products made a claim about protection against the elements (environmental stress, pollution, etc.); only 1% of soap/bath product launches in 2009 made this claim

Source: Mintel GNPD Beauty Innovation
Jan 2008 – Dec 2009; All beauty and personal care categories in Europe
NOTE: UK, France include products >\$25 in selective distribution

Providing stability

Need

- Trust
- Transparency
- Reliability
- Protection/“insurance”

Solution

- Nostalgia – bring back the classics (retro looks in packaging, dependable basics)
- Bring back older celebrities/faces from the 80s and 90s
- Active ingredients from extreme environments (Arctic, Alpine, desert, deep sea)
- Online reordering (convenience and value)

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Proof

- Consumer confidence took a hit in 2009; this year there is increased consumer demand for proof, results and accountability
- We're tracking more and more areas of our lives, and it's helping us make decisions or decisions for us:
 - We're metering, monitoring and counting all aspects of our lives.... calories, electricity usage of appliances, gas mileage, health (heart rate, cholesterol, fat), number of tweets, etc.
- Brands must provide a high level of assurance to people that things are the way they say they are
- Need to justify buying decision and purchase (its an investment worth making)

Putting brands to the test

- French women are the most exigent with their colour cosmetics – they are most likely to stop using products within one week if they are not happy with the results (especially for face and lip colour)
- One in four British women now prefer to buy beauty products that have been clinically tested

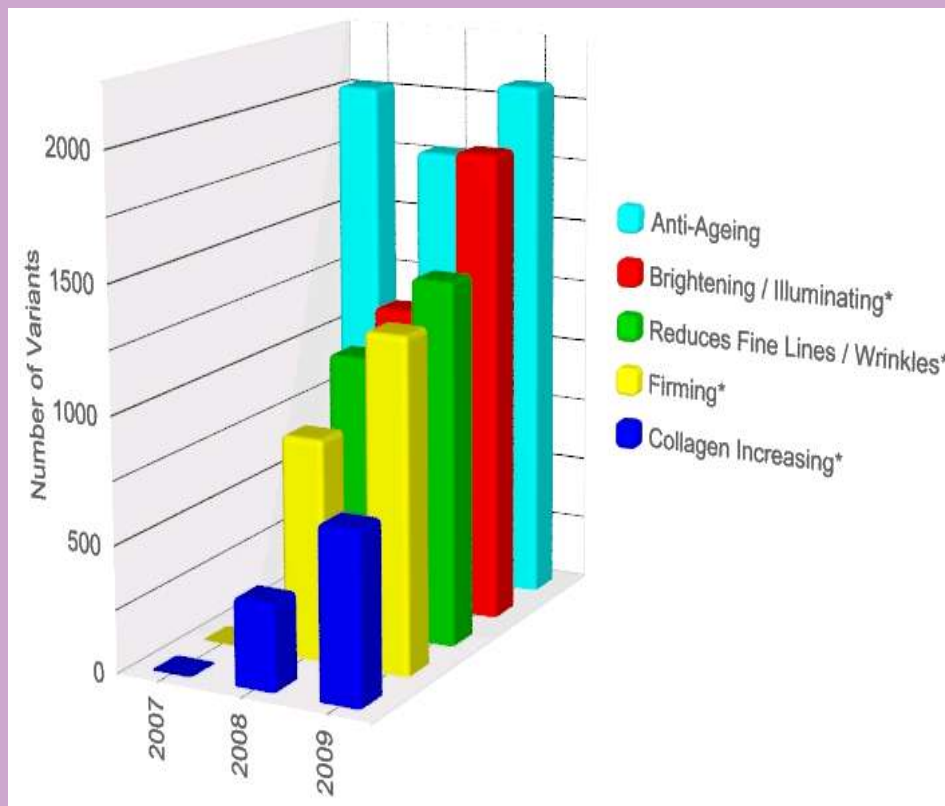
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Beauty Trend: Turbo beauty 4G

- Cosmetic science continues to capitalize on
 - Advances in biochemistry and medicine (including cosmetic, prenatal and transplant surgery)
 - Use of medical- or pharmaceutical-grade actives
 - Next generation nanotechnology
- More quasi-medical results and “mix-it-yourself” solutions (at-home kits, cures, gadgets) that offer alternatives to cosmetic surgery and non-invasive procedures
- Use of clinical testing to substantiate claims and results (established in prestige, moving into masstige)
- Marketing anti-ageing products to ‘digital natives’



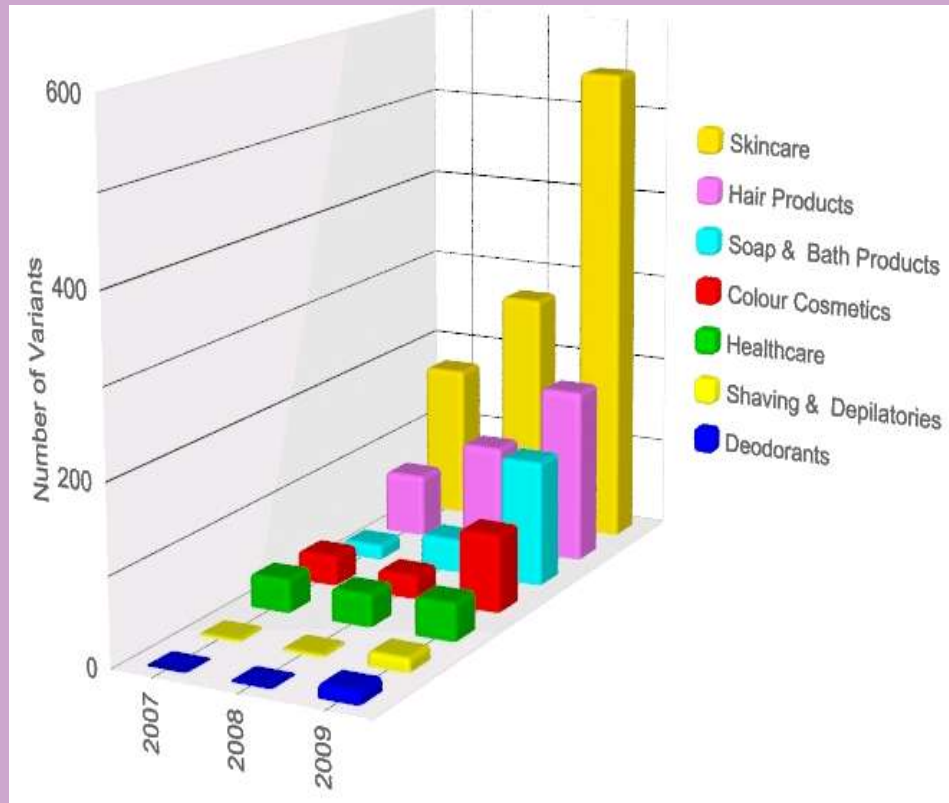
Turbo Beauty 4G innovation targets anti-ageing



Source: Mintel GNPD Beauty Innovation
New face/neck, eye, lip and body care

Note: Includes products >\$25 in UK and France; Launches can include multiple claims; *claim tracked since Feb 2008

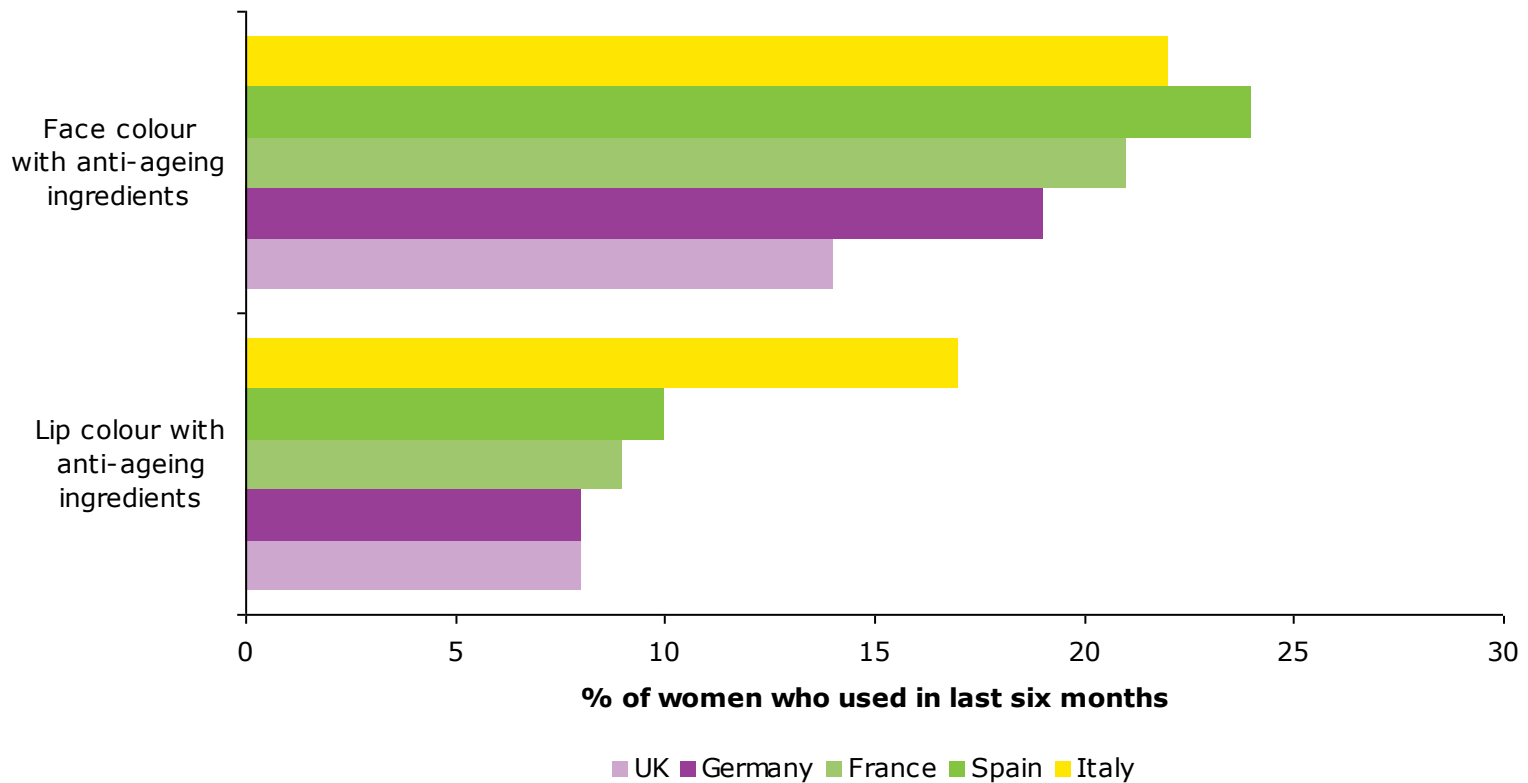
Robust growth of anti-oxidant claim in new beauty products



- Face/neck care, body care, shampoo and shower products are leading subcategories for anti-oxidant claim
- In 2009, one in ten skincare launches in Europe under \$25 had the antioxidant claim; in prestige one in three skincare launches had this claim
- Just over 4% of new soap/bath/shower products in Europe in 2009 had anti-oxidant claim

Source: Mintel GNPD Beauty Innovation
New beauty products + vitamins/supplements in EU
Under \$25

Usage of anti-ageing cosmetics



Source: Toluna/Mintel, March 2010

Providing “proof”

Need

- Uncertainty
- Scepticism (challenging images of perfection)
- Fear (media scares related to ingredient safety)
- Confusion in claims and beauty press

Solution

- Clinical testing
- Credible before/after photos (with same conditions (lighting, no makeup etc.))
- Coherent concepts and claims related to brand reputation (for everyday real woman vs. idealised airbrushed models)
- Promote realistic expectations for results
- Educate consumers on good habits, continuity of routine (i.e., regular use is solution for long term results/get away from quick fix + instant claims)
- Multi-functional vs. simplicity – does it add up?

To sum up...

- Understand what consumers are thinking
- Decide how to position your product(s) as a solution to three key questions discussed here
- Seek creative ways to add value and enhance consumer benefits by
 - Improving their emotional/spiritual state via 'flow' (de-stress, energise, sleep better, etc.)
 - Proving the results of ingredient and claims on the physical state of health and wellbeing
 - Providing security, safety and protection within the promise
 - Using packaging and delivery formats to provide ever better results and build loyalty (applicators on squeeze tubes, convenience, beauty aids, nutribeauty)
 - Looking at online retail opportunities to expand distribution

Thank you!



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