KAREN WOLFE
Vice President, Client Consulting

MIND, BEAUTY & SOUL
THE BEAUTY LANDSCAPE CONTINUES TO EVOLVE
HOLISTIC WELLNESS

23%

Lifestyle of Health & Sustainability HH’s increase from 16% in 10 years

“The idea that you’re exercising and trying to eat well and then slathering yourself with chemicals, parabens, and silicones — it’s not great.”

MORE THAN HALF OF BEAUTY CONSUMERS:

- Buy natural products; concerned about health
- Concerned about the chemicals in my personal care products*
- Buy natural products; concerned about environment
- Willing to give up convenience for environmentally safe products

Source: NMI; Nielsen Spectra,
* general population
BEAUTY WITH A BRAIN
SUBZERO WASTE
CONNECTED CONSUMER
BEAUTY WITH A BRAIN
CLAIMS & INGREDIENTS MATTER

PERSONAL CARE PRODUCTS MARKETING

LAVENDER

+4% Dollar Growth vs YAGO

NATURAL LAVENDER FRAGRANCE

+13% Dollar Growth vs YA

ARTIFICIAL LAVENDER FRAGRANCE

-4% Dollar Growth vs YA

Source: Nielsen Product Insider powered by Label Insight Retail Measurement xAOC, data ended 02/24/2017
BEING ‘NATURAL’ IS KEY BUT CONSUMERS WANT

natural | clean | non toxic | safe | green | organic
sustainable | pure | botanical | eco | free from | hypoallergenic

DOLLAR GROWTH

-0.3% 1.3% 6.6% 14.1%
Total Beauty Natural Presence Natural

1.3% 3.9% 7.0%
2017 2018

Source: Nielsen Wellness Track - Total US xAOC - 52 wks 12/22/18

Beauty & Cosmetics: Cosmetics & Nail Grooming, Facial Skin Care, Fragrances, Hair Care, Hand & Body Lotion

Natural Presence is Natural claim on package; Natural is characteristic based definition of Natural
BRANDS MUST BE MUCH MORE DYNAMIC

DOLLAR GROWTH DRIVERS

<table>
<thead>
<tr>
<th>PROVEN TRENDS</th>
<th>EMERGING TRENDS</th>
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</thead>
<tbody>
<tr>
<td>TOTAL PERSONAL CARE</td>
<td>HUMANE CERTIFIED</td>
</tr>
<tr>
<td>DOLLAR GROWTH</td>
<td>0.1%</td>
</tr>
<tr>
<td>OF PERSONAL CARE $s</td>
<td>FREE FROM ARTIFICIAL FRAGRANCES</td>
</tr>
<tr>
<td>28.2%</td>
<td>BOTANICAL EXTRACTS</td>
</tr>
<tr>
<td>19.3%</td>
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</tbody>
</table>

Source: Nielsen Product Insider powered by Label Insight Retail Measurement xAOC, 52 weeks ending 02/24/2018
LOOK BEYOND PROVEN INGREDIENTS

ALMOND, COCONUT, ALOE VERA, ROSE, SHEA AND CUCUMBER & TEA CONSISTENT AROUND THE WORLD

Top Scents/Ingredients within Personal Care Innovation by Country, 2018

Source: Nielsen Innovation Activity Dashboard, 2018, Based on # of Innovations across Personal Cleansing/Washing and Skin Care
INCORPORATE INGREDIENTS THAT DRIVE EXCITEMENT & ARE CREDIBLE

TOP 5 FASTEST GROWING INGREDIENTS IN BEAUTY (YOY GROWTH)

- Creatine: 4.836%
- Arginine: 720%
- Probiotic: 355%
- Coenzyme: 194%
- Elastin: 113%

WHICH CLAIMS HAVE THE MOST POTENTIAL?

**Quadrant 1 - Low Need / Low Credibility**
- Creatine, Koji Acid

**Quadrant 2 - High Need / Low Credibility**
- Plant Stem Cells, Saffron, Arginine

**Quadrant 3 - High Need / High Credibility**
- Probiotics, Peptides, Algae, Avocado, Elastin

**Quadrant 4 - Low Need / High Credibility**
- Lower pH Formulation, Dye Free

Source: Social Standards, Nielsen Innovation Quick Screen January 2019
WHAT’S IN PRODUCTS MATTERS
SUBZERO WASTE
BRANDS MUST COMBINE ‘GOOD FOR ME’ WITH ‘GOOD FOR WE’

LEVELS OF CLEAN LABEL AND TOTAL STORE SALES GROWTH VS YA

**CONVENTIONAL**

+0.4%

**NO ARTIFICIALS**
Free From Artificial Colors/ Flavors/ Preservatives/ Sweeteners, Hormones & Antibiotics

+2.6%

**CLEAN**
Meets No Artificial Requirements + Contains none of the “No No” List of Ingredients Defined by Nielsen

+4.2%

**SUSTAINABLE**
Meets Clean & <10 Requirements + Has A Sustainability Claim

+5.8%
BEAUTY CATEGORIES HAVE AN OPPORTUNITY

Source: Nielsen Category Shopping Fundamentals 2017, Q: When shopping for Cosmetics, Face and Hair (S&C), what attributes are important to your purchase decision?
SUSTAINABILITY TAKES MANY FORMS

Source: Nielsen Quick Screen Study on Sustainability Claims, January 2019
SUSTAINABILITY MUST BE EMBEDDED IN KEY PRODUCT ATTRIBUTES

80% LESS WEIGHT
70% LESS SPACE
75% FEWER EMISSIONS

Loopbrings back the old 'milkman model' where products are delivered to your door at the same time empties are picked up, washed, refilled and delivered to another customer.

Source: Cincinnati Business Courier, P&G launching liquid-free cleaning products for home and body, 12/31/18
KEEP SUSTAINABILITY AT THE CORE
CONNECTED CONSUMER
TECH BREAKS DOWN BOUNDARIES

AT HOME DERM

PERSONALIZATION

PERSONAL BEAUTY CONSULTANT
ONLINE REPRESENTS BIG OPPORTUNITY

19%
BEAUTY ONLINE DOLLAR GROWTH

32%
CONSIDERING TO BUY BEAUTY PRODUCTS ONLINE IN THE FUTURE

34%
BROWSED AND ORDERED BEAUTY PRODUCTS ONLINE

4%
ONLINE BEAUTY ORDERS MADE ON SUBSCRIPTION

Sources:
1 Nielsen Total E-Commerce Measurement powered by Rakuten, 12 Months Ending 11/30/2018
2 Nielsen Digital Shopping Segmentation 2018
"One thing I like about BirchBox is that I get to try a lot of brands that I've never heard of, and I get to pick one item that will be in my box for sure"

@prettybunny
REUSABLE ENABLE PERSONALIZATION, ARE SUSTAINABLE & BUILD LOYALTY

Source: Nielsen Total E-Commerce Measurement Powered by Rakuten Intelligence, 12 Months Ending 11/30/2018
REDUCE FRICTION & REACH CONSUMERS EVERYWHERE
BEAUTY LANDSCAPE CONTINUES

WHAT’S IN PRODUCTS MATTERS
WEAVE SUSTAINABILITY INTO PRODUCT FABRIC
REDUCE FRICTION TO ENGAGE CONSUMERS