An Overview of the Global Hair and Skin Care Market

A Presentation to:

The Society of Cosmetics Chemists:
MidWest Chapter

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Contents

Overview of Global Personal Care

Overview of Global Skin Care

Overview of Global Hair Care

Overview of Natural Personal Care
Contents

Overview of Global Personal Care

Overview of Global Skin Care

Overview of Global Hair Care

Overview of Natural Personal Care
The 2008-2009 recession had limited impact on the global personal care market
Europe remains the largest region, but is losing share

Global Personal Care Market Share by Region, 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Europe</th>
<th>North America</th>
<th>Asia</th>
<th>Latin America</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>39</td>
<td>26</td>
<td>22</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>2010</td>
<td>37</td>
<td>26</td>
<td>20</td>
<td>13</td>
<td>4</td>
</tr>
</tbody>
</table>

Low Growth:
- France
- Germany
- Italy
- Japan
- United States

Medium Growth:
- Canada
- Mexico
- Poland
- South Korea

High Growth:
- Argentina
- Brazil
- China
- India
- Russia
Personal Care can be broken down into 6 Product Classes that can be further segmented into individual Product Categories.

### 2010: Personal Care Overview

#### Value

- **Oral care.** 10%
- **Skin care.** 28%
- **Fragrances.** 11%
- **Hair care.** 22%
- **Makeup.** 14%
- **Other toiletries.** 15%

Total: $220,000 million

#### Growth

- **Total market**
- **Oral care**
- **Fragrances**
- **Hair care**
- **Makeup**
- **Other toiletries**
- **Skin care**

#### Personal Care growth forecast

- **2010 – 2015 CAGR**

### Product Class | Product Categories
--- | ---
Skin Care | Facial treatments, hand and body lotions, sun care, baby care, skin care for men
Hair Care | Shampoos, hair styling products and sprays, hair coloring products, conditioners
Other Toiletries | Personal cleansing, deodorants & antiperspirants, shaving products
Makeup | Face makeup, eye makeup, lipsticks and glosses, nail polishes
Fragrances | Fragrances for men, fragrances for women
Oral Care | Toothpastes, toothbrushes, mouthwashes

*Value reported on a manufacturers’ sales level*
Contents

Overview of Global Personal Care

Overview of Global Skin Care

Overview of Global Hair Care

Overview of Natural Personal Care
Skin Care: Class overview

- Skin care covers products that cleanse, moisturize, tone, protect, and care for the skin.
- Key trends in this space are toward products that offer benefits such as whitening, anti-aging, and moisturizing properties – but with proven performance – and natural ingredient-based products are also increasingly catching the attention of consumers.
- Marketers continue to invest in new products and continuous innovations, especially in facial treatments which tend to be higher performance, higher value products.
- Products offering multifunctional performance benefits are expected to drive growth in hand and body lotion categories.
Europe, North America, and Japan are key markets for skin care with significant growth coming from the baby boomers as they explore new innovations around anti-aging and moisturizing products. Developing economies such as China, India, and Brazil will likely help grow the baby care category as spending power increases and more products become available.
Skin Care: Market share of leading brand owners

<table>
<thead>
<tr>
<th>Company</th>
<th>Facial Treatments</th>
<th>Hand and Body Lotions</th>
<th>Sun Care</th>
<th>Baby Care</th>
<th>Skin Care for Men</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>L’Oréal</td>
<td>10%</td>
<td>9%</td>
<td>15%</td>
<td>1%</td>
<td>16%</td>
<td>10%</td>
</tr>
<tr>
<td>Johnson &amp; Johnson</td>
<td>3%</td>
<td>6%</td>
<td>9%</td>
<td>41%</td>
<td>2%</td>
<td>6%</td>
</tr>
<tr>
<td>Beiersdorf</td>
<td>4%</td>
<td>13%</td>
<td>9%</td>
<td>2%</td>
<td>15%</td>
<td>6%</td>
</tr>
<tr>
<td>Shiseido</td>
<td>6%</td>
<td>2%</td>
<td>4%</td>
<td>-</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>Estée Lauder</td>
<td>6%</td>
<td>2%</td>
<td>2%</td>
<td>-</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Procter &amp; Gamble</td>
<td>6%</td>
<td>1%</td>
<td>1%</td>
<td>0%</td>
<td>1%</td>
<td>4%</td>
</tr>
<tr>
<td>Avon</td>
<td>4%</td>
<td>7%</td>
<td>3%</td>
<td>1%</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Kao</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
<td>-</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Unilever</td>
<td>3%</td>
<td>9%</td>
<td>1%</td>
<td>2%</td>
<td>-</td>
<td>3%</td>
</tr>
<tr>
<td>Mary Kay</td>
<td>3%</td>
<td>2%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>All other</td>
<td>51%</td>
<td>46%</td>
<td>54%</td>
<td>53%</td>
<td>48%</td>
<td>51%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Contents

Overview of Global Personal Care

Overview of Global Skin Care

Overview of Global Hair Care

Overview of Natural Personal Care
Hair Care: Class overview

- The Hair Care class is composed of products used for cleansing, conditioning, styling, coloring, and grooming hair.
- Shampoos and conditioners are mostly commodities as compared to the other hair care products with growth often driven from marketing, promotion and pricing activity rather than new innovations.
- Conditioners tend to more complex additive systems than shampoo to fulfill customers requirements of hydrating damaged hair from over processing or the aging process.
- There is also increased interest for natural and organic products in conditioners.
- Growth in hair coloring tends to be driven from economic health as many consumers will attempt at home coloring products versus higher performance, higher priced salon treatments.
Shampoos are the most commonly used product in the entire hair care product class and are being heavily utilized across different regions.

Western Europe is the largest hair care market and will experience moderate growth as the market is already highly penetrated.

Similar to Western Europe, the US hair care market is also highly saturated with consumption often following the latest trends and fashions.

Latin American and Asia are expected to experience the highest growth in this category as product penetration increases into these emerging markets.
## Hair Care: Market share of leading brand owners

### 2010: Leading Hair Care Brand Owners

<table>
<thead>
<tr>
<th>Company</th>
<th>Shampoos</th>
<th>Hair Styling and Sprays</th>
<th>Hair Coloring</th>
<th>Conditioners</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procter &amp; Gamble</td>
<td>29%</td>
<td>14%</td>
<td>15%</td>
<td>16%</td>
<td>20%</td>
</tr>
<tr>
<td>L’Oréal</td>
<td>10%</td>
<td>16%</td>
<td>32%</td>
<td>13%</td>
<td>16%</td>
</tr>
<tr>
<td>Unilever</td>
<td>14%</td>
<td>5%</td>
<td>1%</td>
<td>15%</td>
<td>9%</td>
</tr>
<tr>
<td>Henkel</td>
<td>2%</td>
<td>8%</td>
<td>8%</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>Kao</td>
<td>3%</td>
<td>3%</td>
<td>2%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Alberto-Culver</td>
<td>2%</td>
<td>4%</td>
<td>-</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Colgate-Palmolive</td>
<td>3%</td>
<td>2%</td>
<td>-</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Beiersdorf</td>
<td>3%</td>
<td>2%</td>
<td>-</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Shiseido</td>
<td>2%</td>
<td>0%</td>
<td>-</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>All other</td>
<td>34%</td>
<td>46%</td>
<td>43%</td>
<td>43%</td>
<td>40%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Contents

Overview of Global Personal Care

Overview of Global Skin Care

Overview of Global Hair Care

Overview of Natural Personal Care
The natural personal care segment continues to remain undeterred by the economic slowdown

Global Manufacturers’ Sales of the Natural Personal Care Market, 2005-2010

In 2010, sales grow 15% from 2009 to reach USD 23 billion

Consistent growth seen across regions

Market has been experiencing double-digit growth since 2005

NOTE: All data in manufacturers’ sales, unless otherwise indicated; manufacturers’ sales refers to the price received by the marketer before distributor and/or retail markups. The above figure includes sales from four key regions: the United States, Europe, Asia, and Brazil. Rest of the world sales are included.
Many factors have contributed to the strong growth in the segment in the last five years

**Consumer Perspective**
- Naturals becoming more affordable
- Environment and sustainability concerns
- Media hype

**External Influences**
- Rising disposable incomes in Asian and Brazilian markets
- Natural mega-trend across industries

**Industry Factors**
- The segment gets stronger in blockbuster categories
- Adequate raw material and increased product supply
Asia is the largest market for natural personal care products, while Brazil leads with the highest growth.
After a slow in sales growth from 2008 to 2009, the US market realized a healthy sales growth of 12% from 2009 to 2010.
Truly natural products account for 46% of the total U.S. market sales in 2010, edging up from 44% in 2009.

Sales of Natural Personal Care Products by Region, 2010

- Truly Natural: 46%
- Naturally Inspired: 54%

2010 Total: US$ 3,891 Million

Manufacturers’ Sales Growth of Natural Personal Care Products by Region, 2009 - 2010

- Truly natural: 17%
- Naturally Inspired: 8%
### Definitions: Naturally Inspired versus Truly Natural

<table>
<thead>
<tr>
<th>Rating</th>
<th>Naturally Inspired Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The majority of or all ingredients are synthetic; comparable to competitive products which are not marketed as “natural”; virtually no naturals or botanicals</td>
</tr>
<tr>
<td>2</td>
<td>Rely on performance ingredients from the full range of synthetic raw materials as major ingredients; also use natural ingredients, often as minor ingredients</td>
</tr>
<tr>
<td>3</td>
<td>Similar to 2 rating but greater emphasis on natural ingredients and ethics of supply chain</td>
</tr>
<tr>
<td>4</td>
<td>Like 1–3, uses a number of non-naturals such as silicones, synthetic polymers, SLS, ethoxylates, alpha-olefins or other non-conforming ingredients but high proportion of natural and botanical ingredients</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rating</th>
<th>Truly Natural Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Higher proportion of natural ingredients than 1–4, but also uses some less desirable ingredients such as silicones and polysorbates</td>
</tr>
<tr>
<td>6</td>
<td>Leans strongly towards use of botanical extracts but also uses some non-naturals ingredients such as ethoxylates or chemical derivatives</td>
</tr>
<tr>
<td>7</td>
<td>Minor use of non-natural ingredients such as UV filters, emulsifiers, surfactants</td>
</tr>
<tr>
<td>8</td>
<td>High use of natural ingredients, limited use of non-naturals such as chemical UV filters when few natural alternatives to synthetic technology</td>
</tr>
<tr>
<td>9</td>
<td>Uses a high proportion of natural ingredients or derivatives that are made using acceptable physical or chemical processing. In addition to avoiding harsh surfactants, opts for the mildest and most environmentally friendly alternatives</td>
</tr>
<tr>
<td>10</td>
<td>Many of the botanical extracts are from organically farmed sources. Minor ingredients also considered natural</td>
</tr>
</tbody>
</table>
Skin care remains the largest product class of the naturals markets, with a 42% share.

- Skin care has 42.1% share in the total natural personal care sales in 2010.
- Personal cleansing products continue to generate significant sales for the marketers, the toiletries product class is at second place with 20.9% share.
- Hair care segment is the third largest segment with 12.7% share and continues to see an influx of a large number of pseudo-natural shampoos, hair coloring products, and conditioners.
- Makeup products continue to marginally grow sales in the fourth largest product class.

2010 Total: US$ 3,891 Million
The top 10 marketers of natural personal care products represent nearly 50% of the total market sales in 2010.

<table>
<thead>
<tr>
<th>Company</th>
<th>Brands Offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johnson &amp; Johnson</td>
<td>Aveeno</td>
</tr>
<tr>
<td>Bare Escentuals</td>
<td>Bare Escentuals</td>
</tr>
<tr>
<td>Estee Lauder</td>
<td>Aveda, Origins</td>
</tr>
<tr>
<td>The Clorox Company</td>
<td>Burt’s Bees</td>
</tr>
<tr>
<td>The Hain Celestial Group</td>
<td>Jason Natural Products, Avalon, Alba, Zia Naturals</td>
</tr>
<tr>
<td>Harvest Partners</td>
<td>Arbonne, Nature’s Gate</td>
</tr>
<tr>
<td>L’Oreal</td>
<td>The Body Shop, Kiehls</td>
</tr>
<tr>
<td>L’Occitane</td>
<td>L’Occitane</td>
</tr>
<tr>
<td>Colgate-Palmolive</td>
<td>Tom’s of Maine</td>
</tr>
<tr>
<td>Yves Rocher</td>
<td>Yves Rocher</td>
</tr>
</tbody>
</table>
The natural personal care market in the United States is witnessing a dynamic transformation

- Sustainable is synonymous with “truly natural”

- Marketers are reformulating and repackaging products to improve their brand positioning

- In the multi-channel format of the market, the mass trade class has become the key focus area for marketers

- The average price for natural products continues to decline in the segment
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