



Striking a Chord

Consumers and the Naturals Market

Beauty Business, Brand Impact

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What is “natural?”

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It's what sells.

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Worthwhile numbers,
but who's doing the
accounting?

U.S. Market Growth in 2008

- 8.4% to reach \$7.9 billion (Nutrition Business Journal)
- 19% to reach \$2 billion (Kline & Company)

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Worthwhile numbers,
but who's doing the
accounting?
Part Deux

Expected 2009 European Sales

- Organic Monitor projects revenue growth of 13% for natural cosmetics, reaching €1.7 billion.

(the firm valued the 2008 global organic and naturals market at € 4.7 billion)

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Growth Factor

In June 2007, Green Marketing, Inc. valued the natural personal care market at **\$6.5 billion**, and claimed the category had been growing at **15% annually for 10 years**, when the growth of the entire personal care market was 3%.

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Growth Factor

16% of 2008 Launches Made a Green Claim

A Mintel report stated that more than one in seven of global beauty products launched in 2008 were certified organic, ethical or all natural.

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Growth Factor

Integration Into Lifestyles

In 2007, according to the Natural Marketing Institute (NMI) total organic household penetration across six product categories **grew 2% 2006 to 2007** (from 57% to 59%).

The **number of core users grew from 16% in 2006 to 18% in 2007**, and users are likely to have changed their lifestyle to integrate organic.

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Growth Impact/Outcome

- Increased market segmentation; new entrants and existing suppliers are developing products for specific consumer segments and sales channels.
- Many new natural product launches target distinct consumer segments: babies and children, teenagers, men, etc. This mirrors developments in the conventional beauty market.

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Growth Impact/Outcome

- The trend of increased segmentation is also manifesting itself in retailer private label products.
- High consumer interest is leading to investment in natural beauty retailers and concept stores.

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Consumer Types

Temperate Users: have modern organic attitudes and fit organic into their lifestyle.

Numbers for this consumer type was constant at 22%
2006-2007 (NMI)

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Consumer Types

Dabblers: are non-committal about organic—they can take it or leave it. Organic is more about hipness than the health benefits.

This consumer type declined 3% (44% to 41%) 2006-2007 (NMI)

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Consumer Types

Reluctant Users: are the least trustful of organic, and believe that conventional products are just as good (if not better) than organics and that organics are not worth the costs.

This consumer type grew from 18% in 2006 to 19% in 2007 (NMI)

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Growing Tide of Reluctant Users?

Due to the global state of the economy, according to environmental strategist Andrew Winston, 2009 may very well be “the year of light green.”

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How do we define:

- Natural
- Green
- Sustainable
- Eco-friendly

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It really doesn't matter.

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What does the consumer want?

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Their cake, and to eat it too...



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What does the consumer want?

Consumers increasingly want products that provide both monetary and environmental value.

Approximately 50% of consumers seek out green health and beauty products, but **77% of U.S. shoppers consider it unacceptable to pay more than a 10% premium for sustainable goods.**

According to the BCG Global Green Consumer Survey, October 2008 (Capturing the Green Advantage for Consumer Companies, The Boston Consulting Group).

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What does the consumer want?

- Perception of safety; “better for me”
- Sustainable and environmentally friendly practices; ethical

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The expectations (assumptions)...

- “Natural personal brands are considered to be more trustworthy and do not harm the skin.” *Kline & Company*
- The product is free of synthetic materials.

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However...

The Natural Products Association has a definition of natural personal care products that allows environmentally friendly and benign synthetic materials.

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As Steve Herman points out...

“Any definition of natural that allows synthetics reveals how the subject is painted in many shades of gray rather than pure black and white.”

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The Impact

“The market will become segmented between those brands that fiercely adhere to strict ingredient standards, based on health and animal cruelty concerns, environmental stewardship and organic agriculture, and those brands that incorporate natural and organic ingredients to enhance a synthetic, performance-driven formulation.”

*Laura Setzfand,
vice president of marketing for Nature's Gate
and a GCI magazine editorial advisory board member*

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The Impact

Without official regulation or an industry-wide definition of “natural” that is clear and unwavering, consumers may look past the label to the retailer as the gatekeeper.

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The Opportunity Within

- Brands can capitalize on the simplicity and beauty of nature.
- A commitment to environmental sustainability and reporting is important, allowing consumers to align themselves with socially responsible businesses.

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