

An Overview of the Global Hair and Skin Care Market

A Presentation to:

**The Society of Cosmetics Chemists:
MidWest Chapter**

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The logo for eKline, featuring a stylized 'e' inside a circle followed by the word 'Kline' in a bold, sans-serif font.

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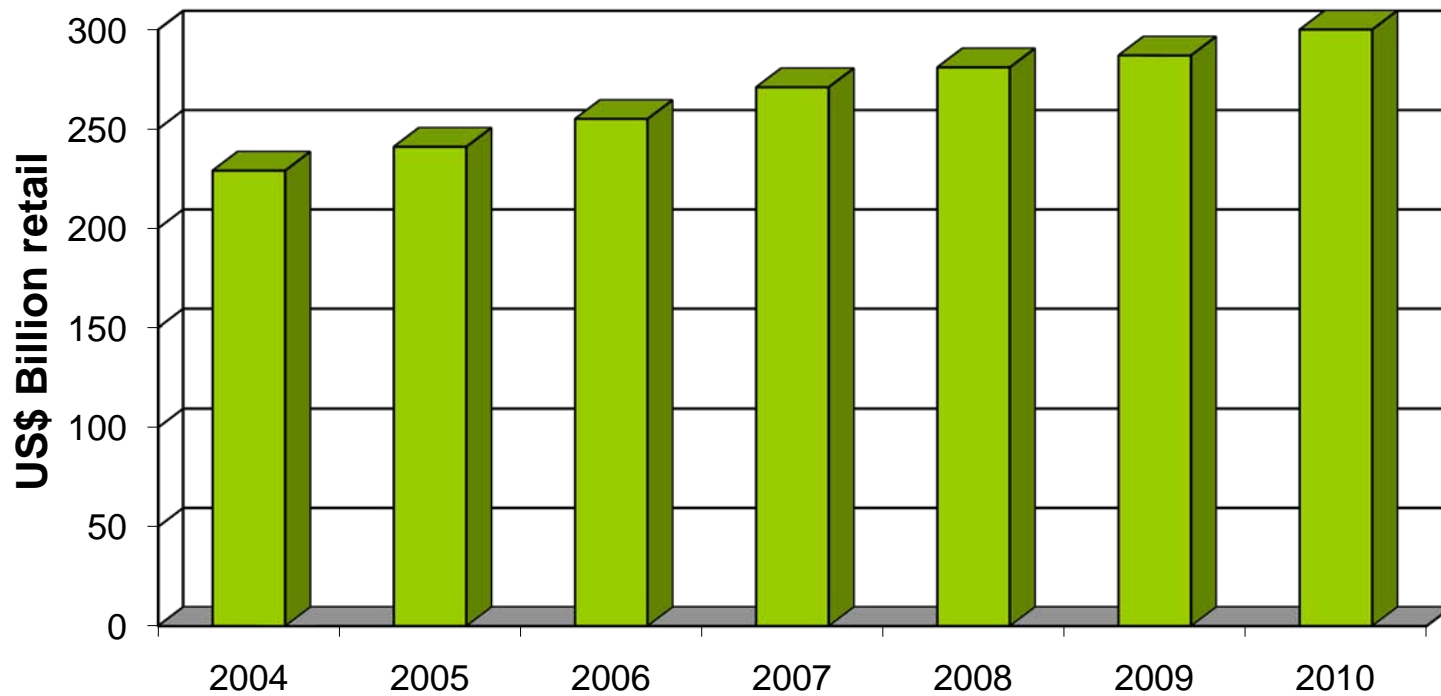
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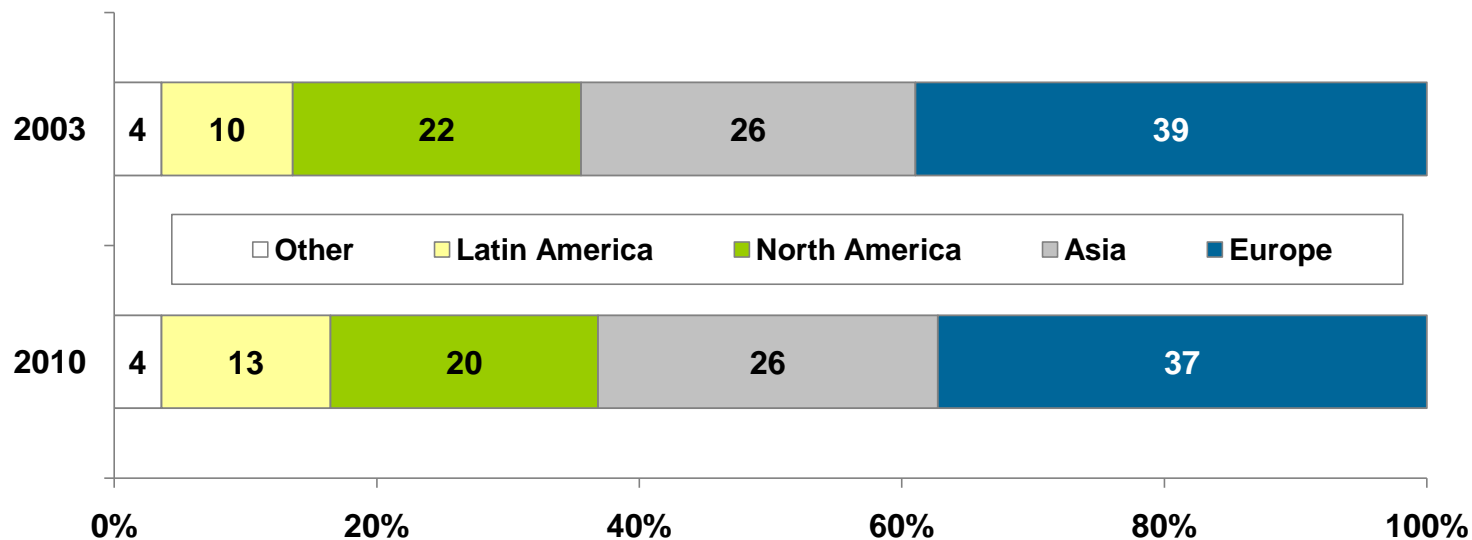
The 2008-2009 recession had limited impact on the global personal care market

Global Retail Sales, 2003 - 2010



Europe remains the largest region, but is losing share

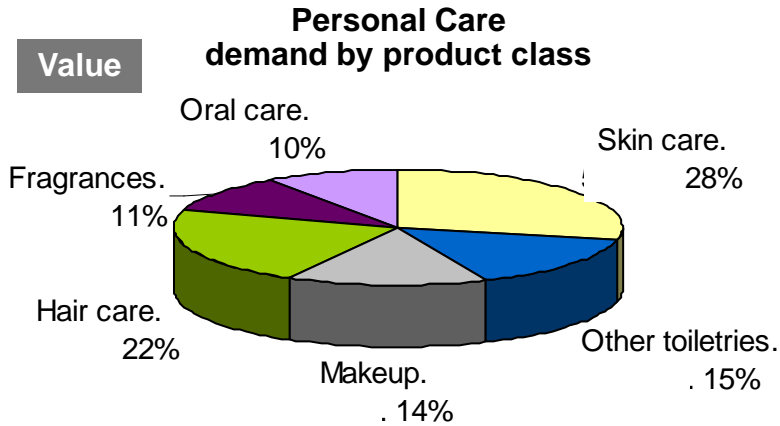
Global Personal Care Market Share by Region, 2010



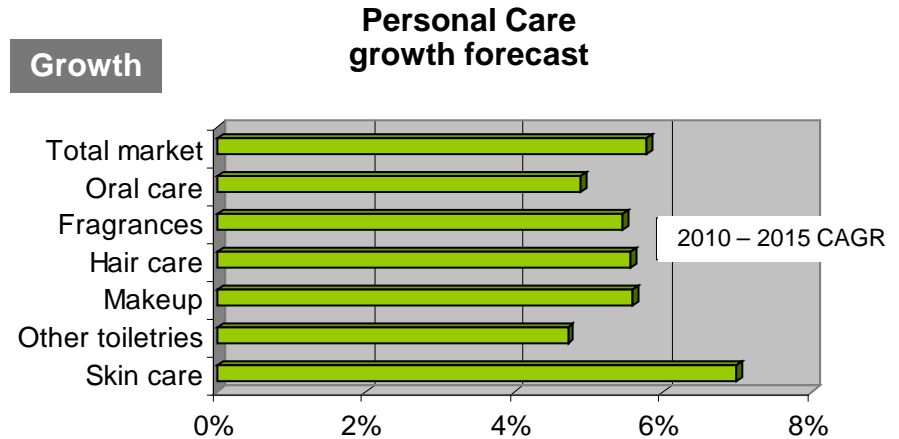
Low Growth	Medium Growth	High Growth
France	Canada	Argentina
Germany	Mexico	Brazil
Italy	Poland	China
Japan	South Korea	India
United States		Russia

Personal Care can be broken down into 6 *Product Classes* that can be further segmented into individual *Product Categories*

2010: Personal Care Overview



Total: \$220,000 million



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

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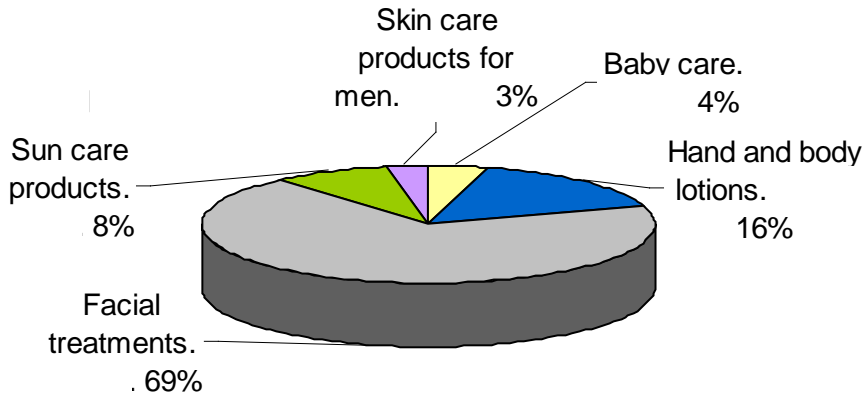
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Skin Care: Class overview

2010: Skin Care Class Overview

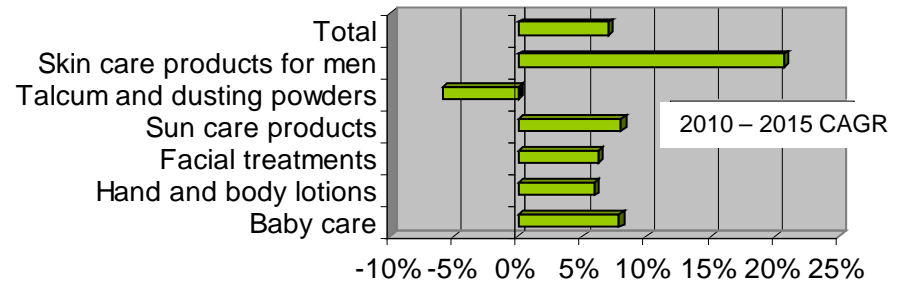
Value

Skin Care Class demand by Product Categories



Growth

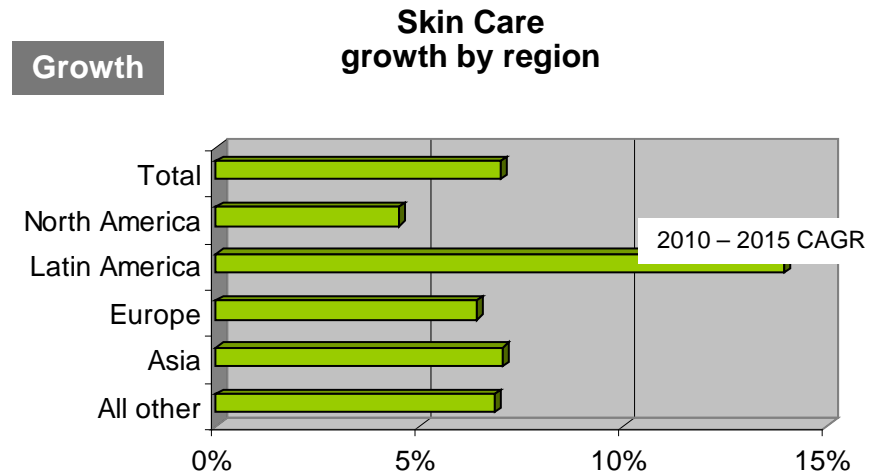
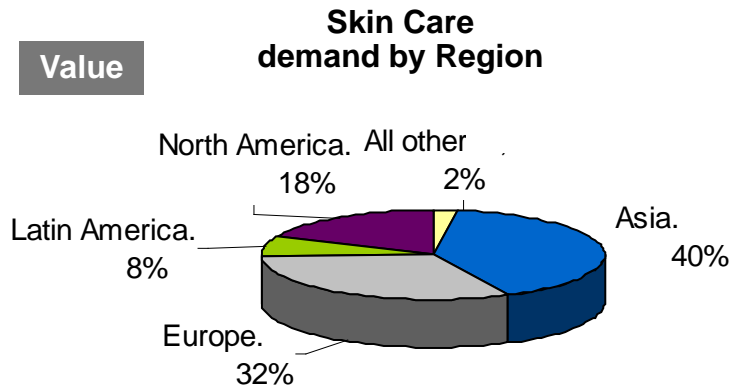
Skin Care Class growth forecast



- 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

Skin Care: Product demand by region

2010: Skin Care Demand by Region



- Europe, North America, and Japan are key market 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 come available

Skin Care: Market share of leading brand owners

2010: Leading Skin Care Brand Owners

Company	Market Share (% by Value)					
	Facial Treatments	Hand and Body Lotions	Sun Care	Baby Care	Skin Care for Men	Total
L'Oréal	10%	9%	15%	1%	16%	10%
Johnson & Johnson	3%	6%	9%	41%	2%	6%
Beiersdorf	4%	13%	9%	2%	15%	6%
Shiseido	6%	2%	4%	-	8%	5%
Estée Lauder	6%	2%	2%	-	6%	5%
Procter & Gamble	6%	1%	1%	0%	1%	4%
Avon	4%	7%	3%	1%	2%	4%
Kao	4%	3%	2%	-	3%	4%
Unilever	3%	9%	1%	2%	-	3%
Mary Kay	3%	2%	0%	0%	0%	2%
All other	51%	46%	54%	53%	48%	51%
Total	100%	100%	100%	100%	100%	100%

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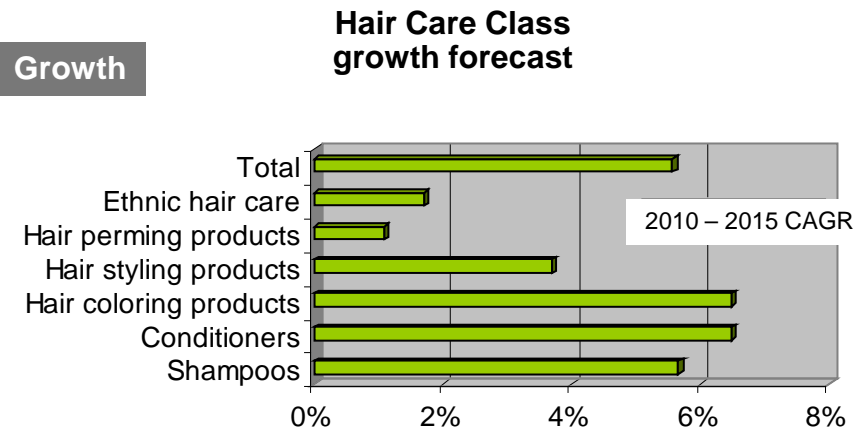
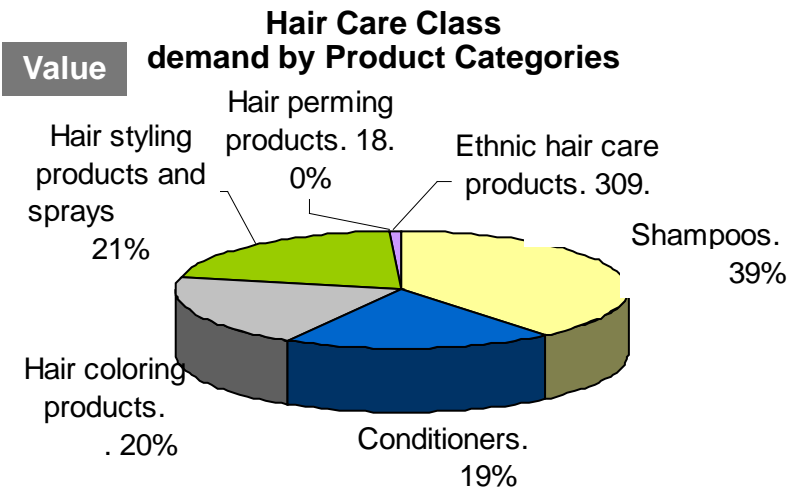
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Hair Care: Class overview

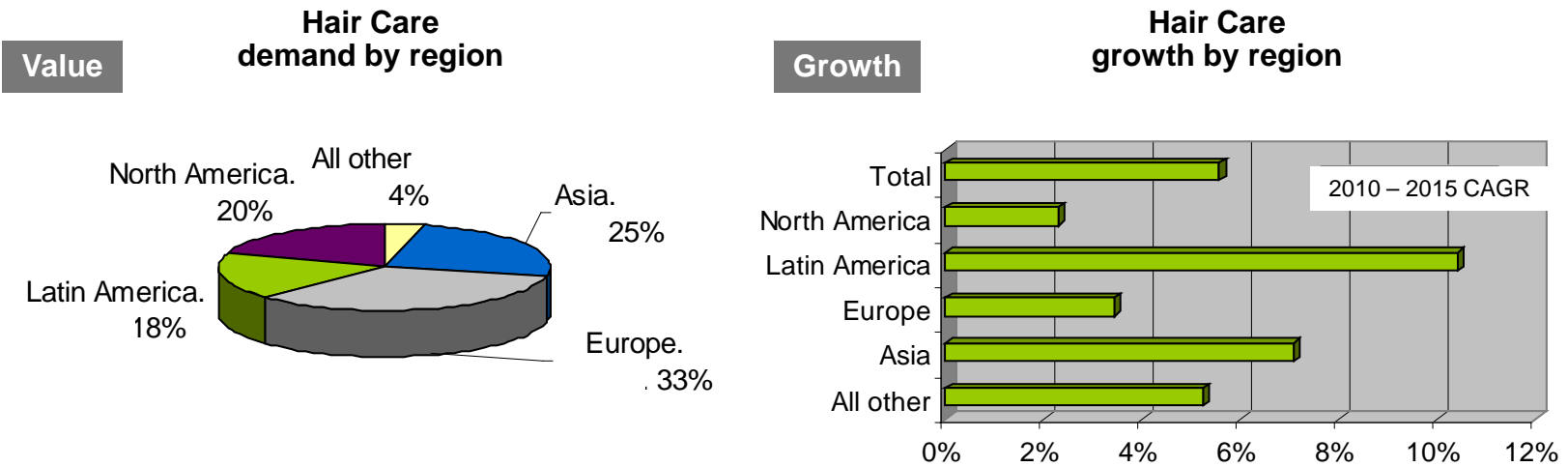
2010: Hair Care Class Overview



- 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

Hair Care: Product demand by region

2010: Hair Care Product Demand by Region



- 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

Company	Market Share (% by Value)				
	Shampoos	Hair Styling and Sprays	Hair Coloring	Conditioners	Total
Procter & Gamble	29%	14%	15%	16%	20%
L'Oréal	10%	16%	32%	13%	16%
Unilever	14%	5%	1%	15%	9%
Henkel	2%	8%	8%	3%	5%
Kao	3%	3%	2%	4%	3%
Alberto-Culver	2%	4%	-	2%	2%
Colgate-Palmolive	3%	2%	-	2%	2%
Beiersdorf	3%	2%	-	1%	2%
Shiseido	2%	0%	-	2%	1%
All other	34%	46%	43%	43%	40%
Total	100%	100%	100%	100%	100%

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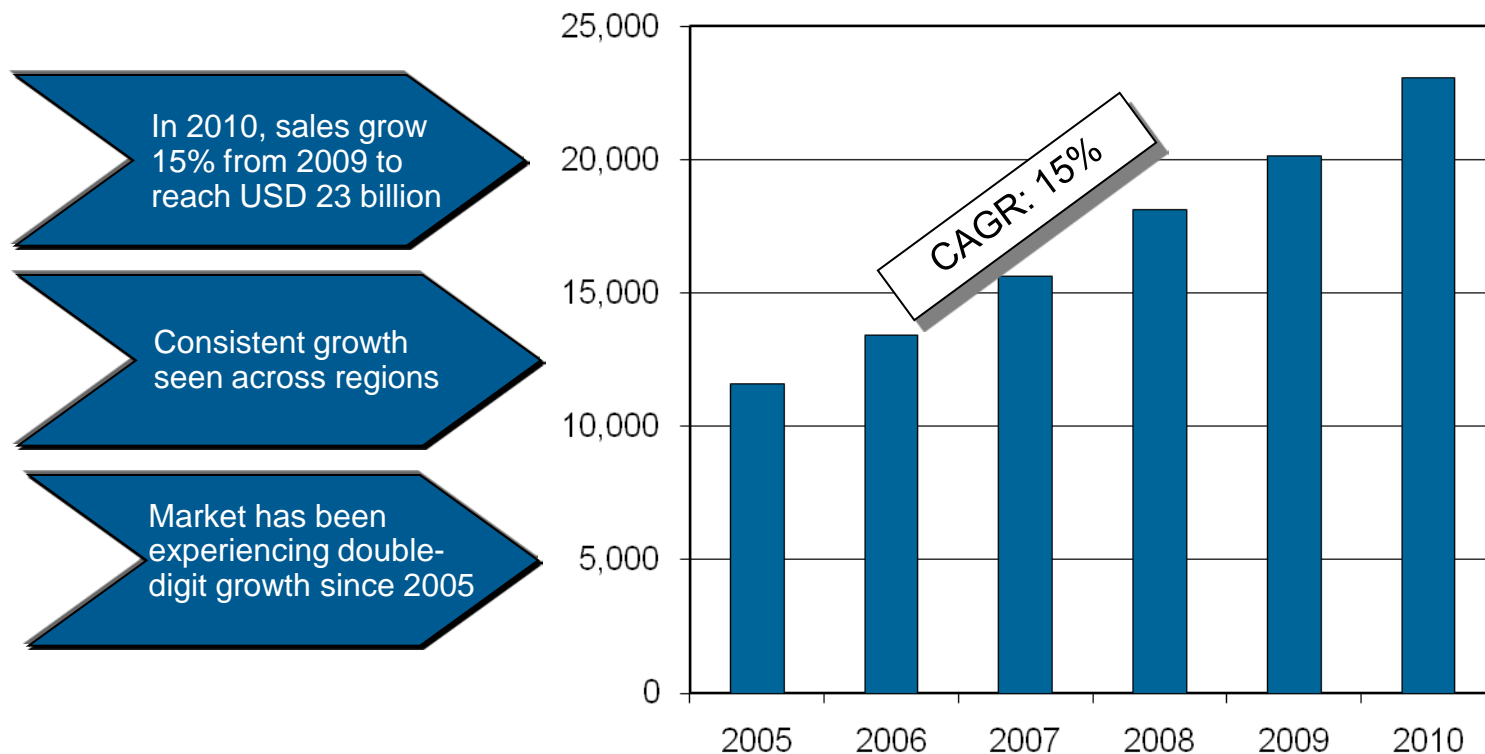
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Overview of Global Hair Care

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



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

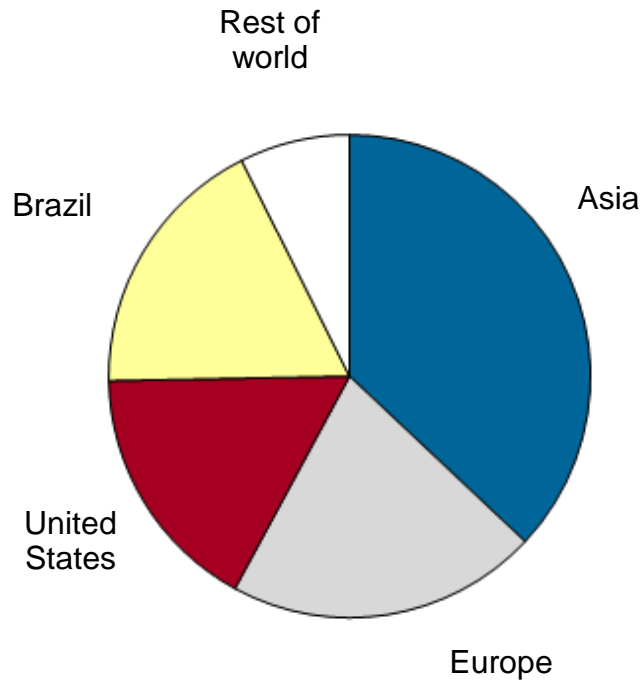
- Rising disposable incomes in Asian and Brazilian markets
- Natural mega-trend across industries

Industry Factors

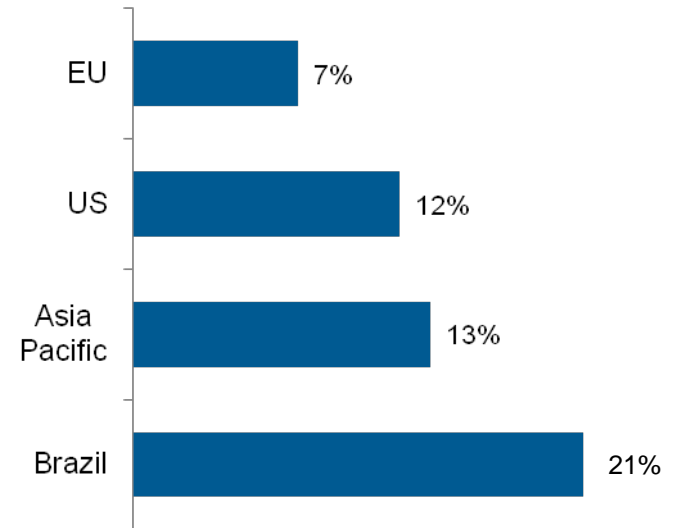
- The segment gets stronger in blockbuster categories
- Adequate raw material and increased product supply

Asia is the largest market for natural personal care products, while Brazil leads with the highest growth

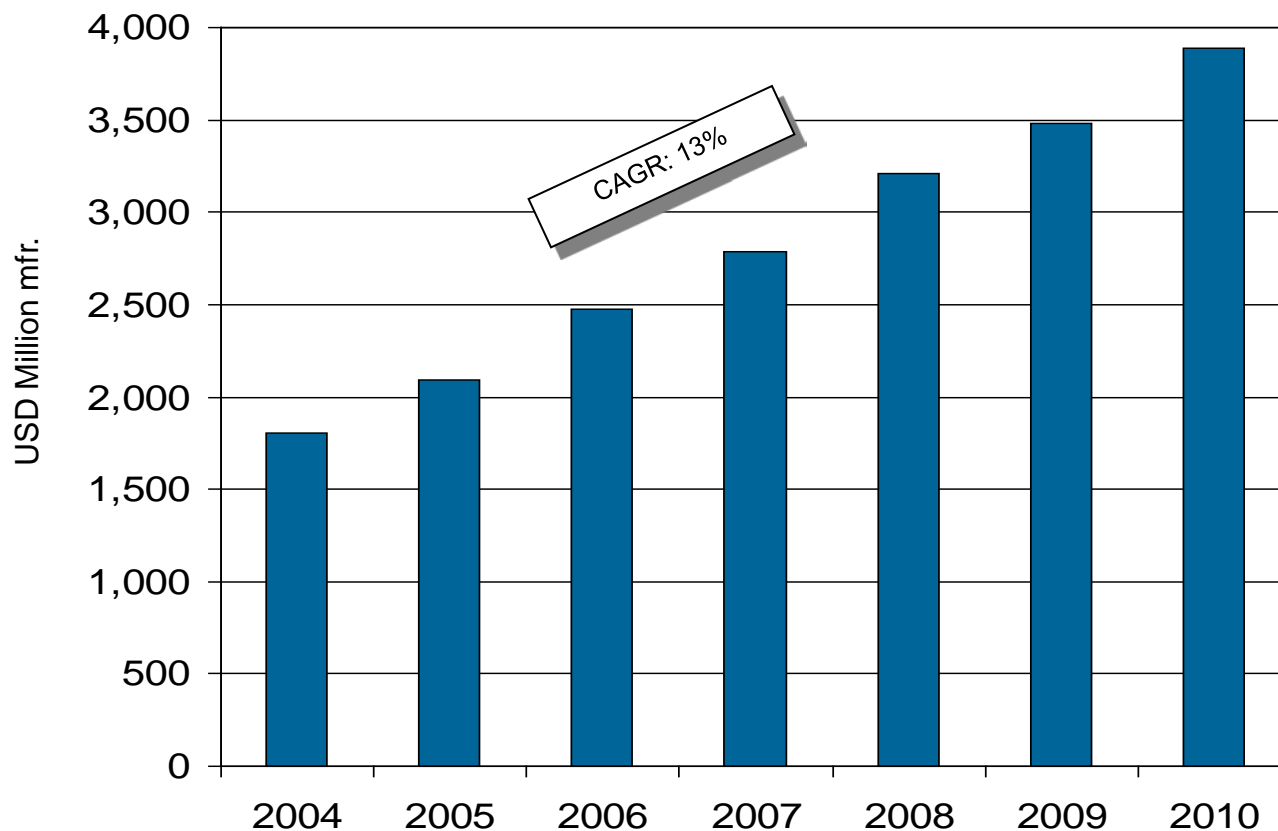
Sales of Natural Personal Care Products by Region, 2010



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

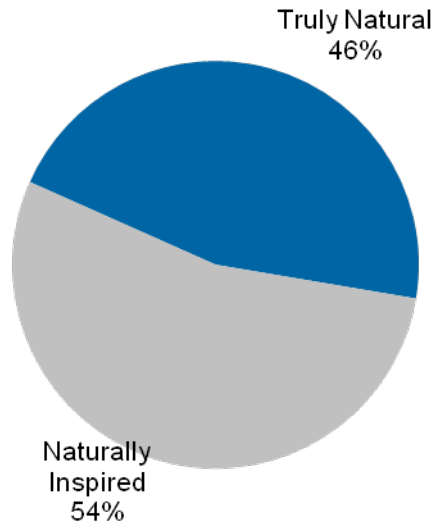


After a slow in sales growth from 2008 to 2009, the US market realized a healthy sales growth of 12% from 2009 to 2010

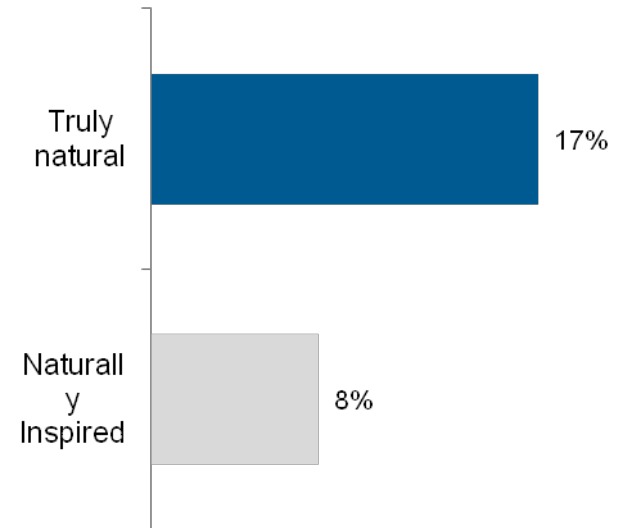


Truly natural products account for 46% of the total U.S. market sales in 2010, edging up from 44% in 2009.

Sales of Natural Personal Care Products by Region, 2010



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



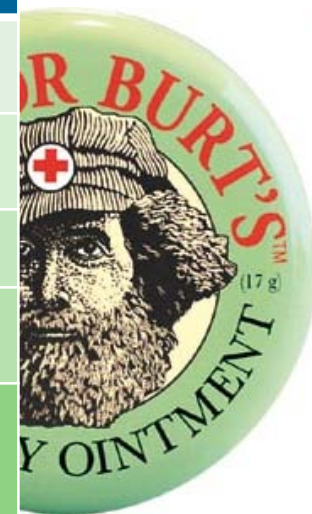
2010 Total: US\$ 3,891 Million

Definitions: Naturally Inspired versus Truly Natural

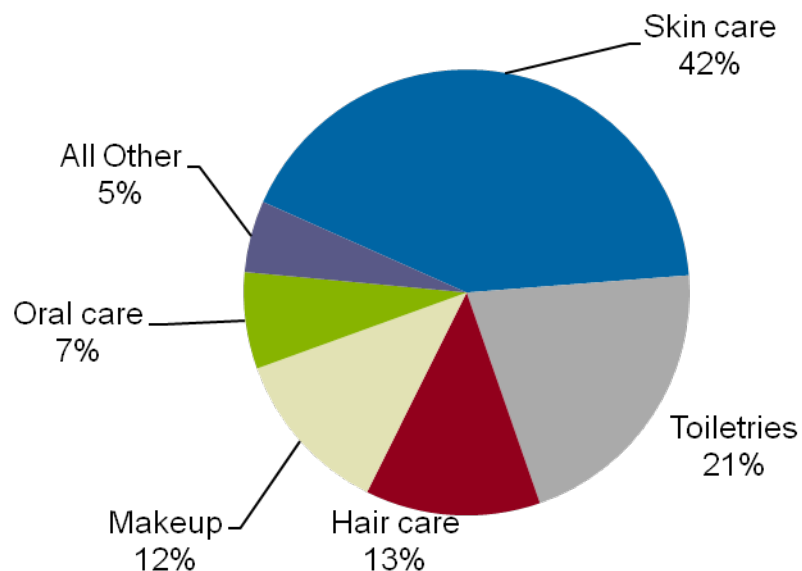


Rating	Natural-Inspired Criteria
1	The majority of or all ingredients are synthetic; comparable to competitive products which are not marketed as “natural”; virtually no naturals or botanicals
2	Rely on performance ingredients from the full range of synthetic raw materials as major ingredients; also use natural ingredients, often as minor ingredients
3	Similar to 2 rating but greater emphasis on natural ingredients and ethics of supply chain
4	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

Rating	Truly Natural Criteria
5	Higher proportion of natural ingredients than 1–4, but also uses some less desirable ingredients such as silicones and polysorbates
6	Leans strongly towards use of botanical extracts but also uses some non-naturals ingredients such as ethoxylates or chemical derivatives
7	Minor use of non-natural ingredients such as UV filters, emulsifiers, surfactants
8	High use of natural ingredients, limited use of non-naturals such as chemical UV filters when few natural alternatives to synthetic technology
9	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
10	Many of the botanical extracts are from organically farmed sources. Minor ingredients also considered natural



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.

Company	Brands Offered
Johnson & Johnson	Aveeno
Bare Escentuals	Bare Escentuals
Estee Lauder	Aveda, Origins
The Clorox Company	Burt's Bees
The Hain Celestial Group	Jason Natural Products, Avalon, Alba, Zia Naturals
Harvest Partners	Arbonne, Nature's Gate
L'Oreal	The Body Shop, Kiehls
L'Occitane	L'Occitane
Colgate-Palmolive	Tom's of Maine
Yves Rocher	Yves Rocher

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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