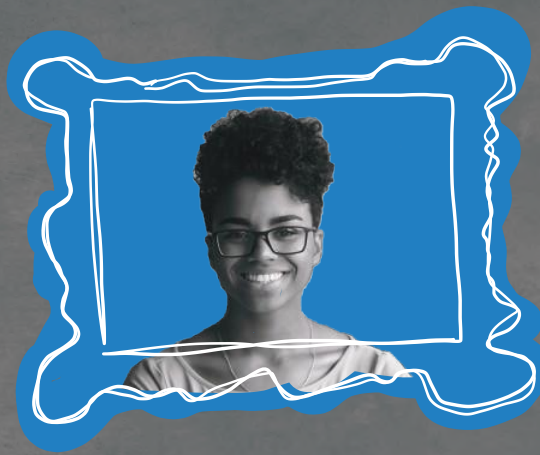


2020

**BEAUTY AND
PERSONAL CARE
TRENDS**

The global beauty and personal care industry is expected to be valued over **\$500 billion in 2020**, with an expected annual growth rate between 2-4%. While people are spending more in beauty and personal care segments, the competition for market share is as fierce as ever. Beauty and personal care companies have been leading the charge in driving sales from digital and influencer marketing techniques, but as we look into the challenges and opportunities ahead in 2020, it's all about product differentiation. In this report, we cover four key trends impacting beauty and personal care companies related to product development, regulatory, and marketing for beauty and personal care companies.





“ALL-CLUSIVE” BEAUTY PRODUCTS

As the world focuses more on diversity and inclusion, personal care companies are leading the way for inclusivity. Product innovation includes lines that span across race and gender. Whether it is makeup for men, as Covergirl announced its first “**Coverboy**” in 2016, or beard grooming products, men’s personal care is expected to hit \$166 billion in 2022. In a recent **Vogue** article, the author asks the question, “As the world’s perception of beauty becomes more diverse, how are make-up brands evolving in tandem?” This is a direct challenge to beauty and skin companies who must find a way to develop products that are diverse, inclusive, and an accurate expression of current beauty trends.

Consumers expect to identify with brands they buy and want to associate their values with the brand values. As a result, beauty companies who strive to innovate and launch new products and line expansions quickly cannot forget to ensure that consumers stay connected with the brand. Some companies can use science and technology to solve this potential disconnect between personalized inclusion and relationship with consumers at the brand level and the need for constant new product innovation.

Consider the potential benefits to skin DNA analysis – skincare has always been personalized to the individuals. Now, consumers are able to take advantage of their unique genetic markers to create customized skincare routines to create individually tailored skincare regimens. In 2019, L’Oreal introduced the **My Skin Track pH by La Roche-Posay** as a wearable sensor and companion app to easily measure personal skin pH levels to create customized product regimens to better care for skin. This isn’t just for the dermatologist offices; consumers can buy this product directly.



NATURAL, CLEAN, AND SUSTAINABLE BEAUTY PRODUCTS

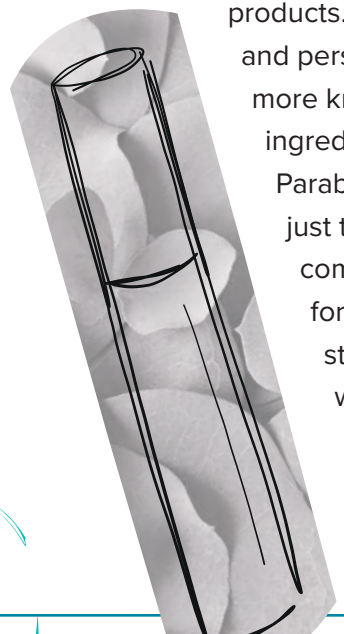
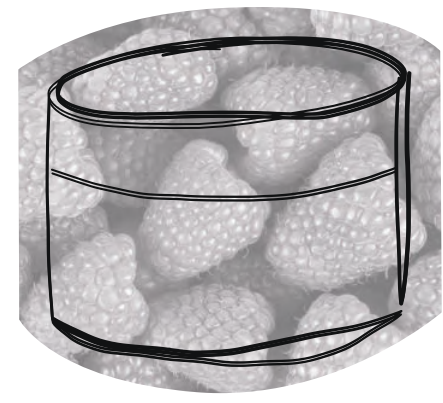
The natural beauty products industry is expected to reach \$19.8 billion by 2022. Although this segment is only a small part of the total beauty and personal care market, the natural, clean, and sustainable beauty products market is growing. Many shoppers feel a very strong brand loyalty connection to their skin care and makeup brands, but consumers are **willing to test out natural alternatives**. This presents opportunities for beauty companies looking to pick up a new consumer segment.

In addition to being natural or organic, beauty shoppers also want their natural products to be sustainable and for the brand to demonstrate corporate responsibility. **Unilever has a strong commitment to their sustainability**

agenda and have committed to incorporating 100% post-consumer recycled plastic into its biggest beauty brands by 2025. Unilever's commitment indicates their understanding of the benefits of the circular economy, or the desire to reduce or eliminate waste and reuse of resources, to their brand value.



Additionally, consumers are increasing their expectations of transparency from their products. Similar to the food industry, beauty and personal care shoppers are becoming more knowledgeable and are scrutinizing ingredients in products more carefully.



Parabens, phthalates, and fragrances are just three ingredients that have become commonplace for consumers to look for on labels. Niche brands are making strides in this space, like BeautyCounter, who is working to progress the conversation about ingredient reviews, labeling requirements, and product recalls.

THE BEAUTY SHOPPING EXPERIENCE IS EVOLVING

From ecommerce or the grocery store or full-service in store experiences, there are many places to purchase beauty and personal care products. It's very unlikely that a beauty brand could expand quickly focusing on only one sales channel. While all sales channels will still be important, the channels themselves continue to evolve.



Companies are also looking to incorporate more experiences in their shopping by incorporating AR / VR into stores. Many consumers prefer purchasing cosmetics after testing shades and different products which is difficult to incorporate into an ecommerce experience. Augmented Reality mirrors, which are used in stores like Sephora, allow consumers to try on products more easily. In addition, these experiences are being used to help identify recommended products for skin care to help personalize the experience.

As younger, digitally-native consumers gain more purchasing power, companies continue to explore ways to entice buyers to direct-to-

consumer channels. Subscription trials, free samples, and simple returns are all techniques that many beauty and personal care companies are using to attract and introduce new consumers to their brand.

With the decline of mall traffic and traffic in airports expected to increase by 5% annually, according to industry projections, beauty companies are looking to travel retail as a high sector of growth. By increasing their **footprint in airports** personal care and beauty brands are able to access consumers when they may have time to test new styles. By setting up travel retail locations, it also becomes much easier to expand into emerging markets and establish a brand presence in a location where there is a guaranteed amount of foot traffic. Beauty companies are exploring travel retail as a place to install full-service experiences. These locations allow brands to directly interact with people in their native languages and presents the opportunity to install vending machines where consumers can pick up their favorite product on the go.



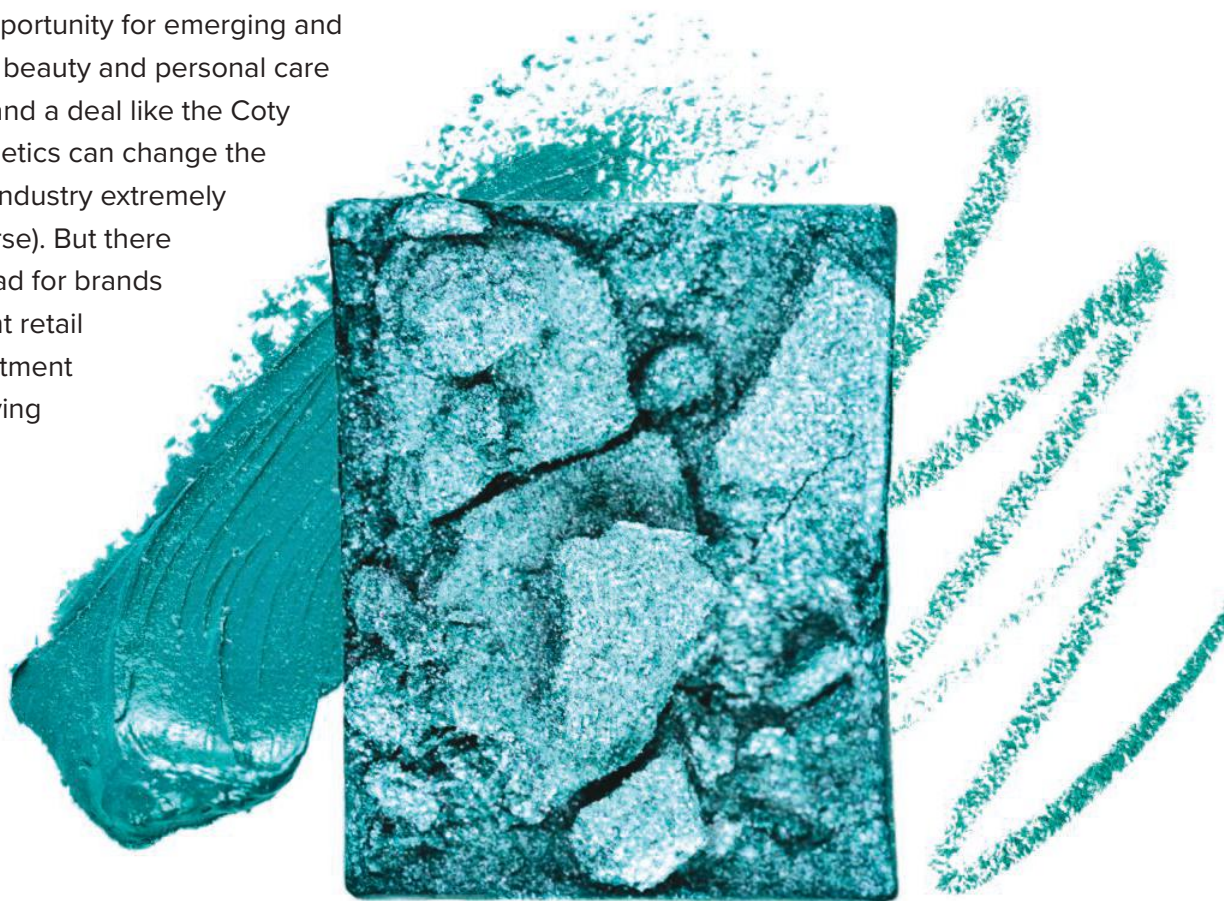


CANNABIDIOL (CBD) AND OTHER REGULATORY TRENDS

One of the most discussed topics in the health and beauty industries in 2020 is likely to be CBD. In late 2019, **Fortune published an article** announcing that a series of personal care products with CBD are about to enter the market. There is still a lot of uncertainty in the beauty industry about what claims are allowed, how much CBD a product should contain to deliver any value, or what evidence there is that the ingredient is beneficial. There is some evidence to suggest that CBD can reduce the production of sebum, act as an **effective topical treatment** for inflammatory skin disorders, and improve the overall function of the skin tissue. However, CBD may have the potential for damaging side effects and the science is vague about how much CBD is required to see improvements.

Beauty companies themselves would likely benefit from a bit more information and more direction from the FDA on CBD. With the amount of disreputable companies operating in this space, it's difficult for credible companies to collectively agree to acceptable standards. Therefore, the FDA will need to intervene and step in to provide direction. In general, the beauty and personal care industry has been largely self-regulated. But, increased consumer scrutiny and desire for more clarity on product ingredients has led to more investigations from the FDA. The FDA is also looking carefully at marketing claims. For example, early in 2020, **Purell was warned by the FDA** to stop claiming it can prevent diseases, like the flu or Ebola as mentioned in marketing claims. Companies will need to ensure they are prepared for additional regulatory scrutiny, especially in relation to substantiation of marketing claims.

Some of the biggest opportunities for beauty and personal care companies in 2020 is in developing products with attributes that align to their shoppers' needs – personalized, inclusive, and clean. Opportunities like building a sustainable packaging strategy in the circular economy and investing in beauty technology makes this an industry filled with opportunity for emerging and established brands. The beauty and personal care industry moves quickly and a deal like the Coty acquisition of Kyle Cosmetics can change the entire landscape of the industry extremely quickly (for better or worse). But there are also challenges ahead for brands as they navigate the right retail channels, the right investment strategies, and the evolving regulatory environment.



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For more information about how we can help your company with the challenges and opportunities in beauty and personal care, please contact us.

CLARKSTONCONSULTING.COM

919.484.4400

INFO@CLARKSTONCONSULTING.COM

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