DISRUPTING THE FUTURE
The Next Beauty Winning Strategies in Asia

Ashley Kang
Asia recovers for the stronger growth across all categories in FMCG

<table>
<thead>
<tr>
<th>Category</th>
<th>Northeast Asia CN/KR/TW</th>
<th>Southeast Asia IDN/MY/TH/PH/VN</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMCG</td>
<td>4.6% 4.8%</td>
<td>3.3% 4.0%</td>
</tr>
<tr>
<td>Food</td>
<td>3.5% 4.5%</td>
<td>3.8% 3.9%</td>
</tr>
<tr>
<td>Beverages</td>
<td>1.9% 2.0%</td>
<td>0.8% 3.8%</td>
</tr>
<tr>
<td>Dairy</td>
<td>3.6% 1.6%</td>
<td>1.3% 2.0%</td>
</tr>
<tr>
<td>Home Care</td>
<td>3.3% 6.3%</td>
<td>3.9% 5.1%</td>
</tr>
<tr>
<td>Personal Care</td>
<td>9.2% 8.5%</td>
<td>6.5% 5.4%</td>
</tr>
</tbody>
</table>

Y17 vs. Y16

Y18 vs. Y17

Source: ASIA – Value Growth FMCG
Personal care continues to perform better than FMCG in Asia

+4%  
FMCG Asia  
17 vs. 18

+8%  
Personal Care Asia  
17 vs. 18
The priorities to drive growth in Asia is fast changing

FROM

Economic opportunism and geographic expansion

TO

The ability to anticipate changing audiences NEEDS and LIFESTYLE
ARE we prepared to win in such Disruption?

How can you win in skin care with changing priorities?

What is the latest look to achieve with Make up?

What is the Digital journey and how can we stay competitive?
1

Winning Priorities in Skin Care
Health is the No.1 path to happiness in Asia

Improving physical health is key to improving happiness

- Having more money: 12%
- Being physically healthier: 21%

Healthy is aspiration, not just a survival

- Being Wealthy: 24%
- Achieve Financial Goal: 57%
- Being Healthy: 76%

What would need to change to make you happier than you are today? (Top choice)

What is the top goal in life among middle class Malaysians?

Source: Kantar Consulting Global Monitor (2018)
The view of health have evolved over the years

% agree as approach to health

8%
CAR
The body as a machine where you can fix the component parts

25%
FORTRESS
The body as something you have to strengthen and defend against external attacks

67%
TREE
The body as something you nurture, and take an ongoing holistic approach to managing health

Source: Kantar Futures Global MONITOR
Emerging Asia = China, Thailand, Indonesia, Philippines and India
Benefit to be addressed more holistically in Skin care has changed

Hera - Rosy Satin Cream
- #Firming
- #Vitalizing
- #Refining Skin Texture

MISSHA - Cell Renew Snail cream/
- Turnaround
- #Near Skin overcoat
- #Inner Moisturizing
- #Intensified Care

Hanyul - Seo Ri Tae Skin-refining Intensive Balm
- #Intensive
- #Moisturizing Balm
- #High Density
- #Recovery

Dr.Belmeur - Cica Recovery Cream
- #Snail Extract 70%
- #Repair
- #Recover Damaged skin

Hera - Rosy Satin Cream

AHC - Red Serum

Esthetic Special care
- Anti-Oxidant & Antialging Red Cocktail Skincare
- Contains 69% percent of Red Hibiscus extracts, undiluted

CNP - Green Propolis

Anti-oxidant Ampoule
- Double Moisturizing Effect

LIZK - Super 1st C Serum

Pure Vitamin C 13%
- Anti-oxidant
- Help to get radiant skin condition both inside & outside
- Providing moisturizing effect
Touch of holistic wellness

**Sophina ip**
Power Mouse Serum
@cosme 2018 First Half, #1 Serum by Word of Mouth
#3 Best Cosmetics in 2017
**Effective Penetration** with carbonated bubbles
Address hydration and **Elasticity**

**HAKU**
Melanohokasu V
@cosme 2018 Best Serum #3 Prevents dark spots
**Medicinal** Whitening Serum

**ALBION**
Eclafutur D
@cosme #9 Serum
Damage **Prevention**, Hydration, Translucent Skin

**SENKA**
Bare face Whitening Serum
@cosme #2 Serum
Whitening Care, **Natural Ingredients**, **Hyaluronic**

**LANCOME**
Genifique Advanced
@cosme #1 Serum
Best cosmetics 2017 Honors
**Fermented**, Moisturizing

**SHISEIDO ULTIMUNE**
Power Infusing Concentrate
@cosme #16 Serum
**Immunity**, Inner strength of Skin

* Japanese Magazine / Beauty News / @cosme Trend/ Individual brand web site
Rejuvenating your skin via Mask is another trend in Asia for Care

Mask Penetration%

- China
- Korea
- Taiwan
- Indonesia
- Malaysia
- Thailand
- Vietnam

[Graph with flags of different countries representing mask penetration data for different years, 2016 and 2018.]
Diversified format of Mask driving the Rejuvenation further

Sales Value Contribution of Facial Care%

- 62% Rejuvenate
- Growing at +1.8%

Facial Moisturize

+2%

Mask

+16%

Sleeping Mask to Mask Market Value

- 2016: 30% Sales Value
- 2017: 49% Sales Value
- 2018: 63% Sales Value

Actual Value Million USD (2017 vs. 2018)

- 2017: 15
- 2018: 20

Actual Spend USD (2017 vs. 2018)

- 2017: 5
- 2018: 10
Keeping well hydrated to ensure translucent look is the key for wellness care

**Skin Care Regimen**

- **Cleansing**
- Protect from troubles caused by micro dust or allergens – ie pollens
- Form micro bubbles with sponge and wash deep from the pore

- **Toner (化粧水)**
- Deep hydration with Oil serum
- Even tone and translucent look with Peeling & Whitening product
- Use Toner & soak it in cotton pad and use is as a mask
- Usage of inexpensive & non additive Mask a day is more effective than expensive Masks

- **Mask**

- **Whitening/Hydration**

*Japanese Magazine / Beauty News / @cosme Trend/ Individual brand web site*
Cleanse is reaching beyond simple wash to care

Sales Value Contribution of Facial Care%

- Clean: 24%
- Growing at +10.9%

Wipe-off Cleanser Penetration%

- +8% (2017 vs. 2018)
- +50%

Age Groups:
- Shopper Age
- Age below 35
- Age 35-49
- Age 50 &+

Value growth vs. Last year +26.9%
Efficacy in skin care is another valuable attribute for consumers today.
Derma care is another way to deliver efficacy

**Derma Brand Performance in Masstqe**

- **Penetration of Derma brands Y 2018**
  - 41.4%
  - +25.5% p vs. 2014

- **Derma Brand Contribution%**
  - 2014: 5.0%
  - 2018: 12.1%

**Main Ingredient:** Cica, Centella, Madecasoccyde, Panthenol

**Main Ingredient:** Ceramide, Ceramydine

Ingredients: Penetration(%)/ Skincare/ incl. gift&giveaways
[Future] Natural Care to Prescribed Cure

Naturalism
1st gen. natural brands:
Innisfree
The Face Shop

Safe ingredients
EWG GREEN
Certified Organic ingredients
Vegan Cosmetics

Minimalism
Minimizing additive
Single ingredient
100% pure extract

Authenticity

Dermo Brand
Traditional Conceptual

Prescription
Hyaluronic acid
Vitamin C
Propolis
Omega 3

AI · aided diagnosis & customized

Vitamin C
Hyaluronic acid
Amino acid
Ceramide

Abil
Toun 28
Colours
76N1

KANTAR
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**[Future] With Prevention Care to Ethical consumption**

### Anti-Pollution Care

**Protection** before outing

- UV Sun → Protection from Micro dust on Face → Protection of Hair Cuticle

**After Care** coming back home

- Deep Cleanse of micro dust & debris → Mask to absorb remaining dust and oil → Calming care for stressed skin

### Ethical Care

**Toun 28** – Minimal Plastic packaging

- 60g → 4.2g

**FRESH** - Package less Moisturizer
Achieving latest Look with Make up
GLOW SKIN/ ツヤ肌/
WATERY EYES/濡れツヤアイ/
SEMI MATTE LIP/セミマットリップ

Natural Glow

2018-2019 TREND KEYWORD

Missing look

Effortless Style

K-Beauty

“looks bare face but, has soft grain and enough glow that is very focused on how the skin is expressed”
Face Make up is gaining more attraction across Asia

- **Foundation**
  - China: +31%
  - Taiwan: +17%
  - South Korea: +9%

- **Primer/BB Concealer**
  - Indonesia: +25%
  - Malaysia: +14%
  - Thailand: +11%

- **BB/CC/Primer Concealer**
  - Indonesia: +96%
  - Malaysia: +55%
  - Thailand: +31%

Value growth % 18 vs. 17
To deliver the translucent & natural look

**Make up/Primer**

- Prevents Sebum
- Adherence, Coverage, Contour
- Fine Pearl to deliver tone up
- Professional coverage
- Flawless finish, Translucent

**2018 Blues & Yellow base**

- **Blue Base**
  - Enhance Translucency
  - Natural, Tone up

- **Yellow**
  - Enhance Translucency
  - Natural, Tone up

* Similar to Korean Trend

**Liquid Foundation**

- Light, Bare Face finish
- Hydrated and Translucent finish
- Natural and Clean coverage
- Professional coverage and Pore care
- Flawless texture and finish

**2018 Major Foundation COM**

- REVOL COLOR STAY – Liquid FDT
- PRIMAVISTA – Powder FDT
- ELIXIR/MAQUILLAGE – Cream FDT

*JP Magazine/Beauty News/@Cosme Trend/Individual websites
Overall, Natural look is the key for 2019

Nuke Make up
Effortless style
抜け感メイク
=ヌケ感メイク

Konare Make up
Natural style
こなれメイク

Natural

Finding the Balance
Foundation that fits the skin color
Shade eye make up than glitter
Focus on each hair of eyebrow

*LOOK from SHISEIDO watashi+
Will consumers use less or more with the new look?
Who do you think is the Natural look seeking generation Z?

Jacky

Cathy

For going out

Indoor
[Future] Deliver Professional Look or Natural Care

- **Focus on Finish/Color/Texture – Address my Look**
  - WakeMake, Lip *Paint*
  - 3CE, *Velvet Liptint*

- **My Solution – Address my Color Natural Look**
  - Innisfree - *My Foundation*

- **Focus on Skin Care benefit – Add Skin care benefit to the Color**
  - WHOO - gongjinhyang my colored *lipbalm*
  - VDL / Festival Love Mark Lipstick *Glow Balm* Moisturizing & Nourishing
  - Dr. Jart / Ceramidin Lip Repair Tint
    - Ultimate moisturizing with naturally tinted color
  - Lohacell / Flawless *Ampoule Cushion*
  - Iope – *Whitegen Essence* Cushion
  - Age 20's / *Essence Cover Pact*
[Future] Personalized look with Augmented Reality

- Loreal Paris Makeup Genius
- Mary Kay Mobile virtual Make over
- Modiface Photo Editor
Understanding the Digital Journey
Fast eCommerce development in beauty is a way to address the value
eCommerce development is wide spreading beyond North Asia to SEA

Skin Care & Make up e-commerce
PENETRATION % IN ASEAN COUNTRIES

<table>
<thead>
<tr>
<th>Country</th>
<th>Y2016</th>
<th>Y2017</th>
<th>Y2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDN</td>
<td>0.4</td>
<td>1.3</td>
<td>2.9</td>
</tr>
<tr>
<td>MY</td>
<td>4.8</td>
<td>7</td>
<td>8.8</td>
</tr>
<tr>
<td>VN Key4</td>
<td>4.2</td>
<td>6.5</td>
<td>9.9</td>
</tr>
<tr>
<td>TH</td>
<td>4.5</td>
<td>7</td>
<td>9.9</td>
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Penetration 2018

67.3% 49.1% 38.5%
Starts off with its own reason of Destination – Price competitiveness, Convenience or Newness

**Price Off**
- Promotion % in Online (Occas%): 76%
- Total CH: 59%

**Convenience**
- Age 35-44 % in Online (Value%): 32%
- Total AGE: 20%

**Newness**
- Small Manufacturer% in Online (Value%): 20%
- Total CH: 10%
Usually early stage of eCommerce commence for the reason of scarcity and discovery.
And develops into buying a known brand at more **ACCESSIBLE PRICE** for **CONVENIENCE**
With time, Discovery journey takes in seeking for NEWNESS & and CURATION

Online Value%

- [BEAUTY WINDOW] Themed Curations, Giving higher exposure of brands
- [KAKAO GIFT] Themed Curations, Giving higher exposure of brands

- **Convenience**: No need to ask the address of the person receiving the gift; easy transaction
- **Newness**: Gifting ideas and product MDs for holidays and special occasions (Y2017: 400 partners); Also allows you to send a short card with the gift
- **80% of purchases are made for friends while 20% is for myself**
Embracing wider shopping missions making each leap

Online Penetration in Korea Cosmetic Market Y2006 - Y2018

- Launched Easy Payment system
- Launched Early bird delivery system

MOBILE PAYMENT

QUICK DELIVERY

Source: Latest 13yrs, Buyer, Total Cosmetic, Online=100%
Subscription as a way to lock in the loyalty & exploration

AMAZON SAMPLE BOX

E-Com subscription Reasons – McKinsey Analysis

- Replenishment
- Access
- Curation

Buy a sample box, get an equal credit back for a future purchase

Women's Skin and Hair Care Sample Box (get an equal credit toward future purchase of select beauty products)

$9.99 for a 1×6-credit for a future beauty purchase.
FREE SHIPPING for Prime members
More and more of impulse mission via SEE NOW BUY NOW of LIVESTREAMING is coming in demand

Live streaming apps facilitating vivid product presentation

27% Download Rate

15m USD

Through livestreaming sessions in 2018 Alibaba’s Taobao Market place

Existing brands attract online buyers by developing Brand Mall

D2D brand’s Channel expansion to Online – Nu skin/Atomy/Artistry

- Nu skin – Development of Mobile Application & Subscription Service (ARO)
- Atomy – Mobile Easy payment & Bundle purchase encourage
- Artistry – Development of Mobile Application

Luxury brand’s effort to recruit new buyer – MAC/Estee Lauder/Chanel

- MAC – Online-limited product & Pre-launch of new product
- Estee Lauder – Quality Guarantee & Limited edition
- Chanel – AR Try-on Service
eCommerce has led to direct to consumer opportunities for smaller brands

**Online Top 10 brand**

- **Sidmool**
  - High concentration of core ingredient & natural

- **Manyo Factory**
  - High concentration of core ingredient & non-irritable and mild

**Online shopping mall beauty brand buyer – Pen%**

- **Style:Narada – 3CE**
  - MATQ2/18
  - MATQ2/17
  - MATQ2/16
  - 15-24
  - 25-34
  - 35-44
  - 45-54
  - 55-65

- **Imvley – Vely Vely**
  - 15-24
  - 25-34
  - 35-44
  - 45-54
  - 55-65

**Recent Online Fashion Beauty brands**

- **Chu – PinkPharmers**

- **From Beginning – Nouvtone**
Such smaller brand is penetrating faster across generation than we think, sharing common Heros

Mother’s ambassador Daughters

- 6 out of 10 daughters influence her mother in brand selection and provide recommendation
[Future] Consumers revolve around star products; Innovation has to come with agile & intuitive communication
What is your Beauty #?

Skin Care 2020
- Rejuvenate
- Holistic Beauty
- Micellar
- Mask
- Essence
- Medicinal
- Cure/Prescription
- Ethical
- Anti Pollution

Make Up 2020
- Natural Glow
- Effortless
- Foundation
- Custom Fit
- Color Care
- Professional Care

Digital 2020
- Value for money
- Convenience
- Accessibility
- Curation
- Impulse
- Emergency
- Subscription
- Streaming
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THANKS!