Overview of
The Global Personal Care Active Ingredients and Products
November 2017
Agenda

- Frost & Sullivan – The Growth Partnership Company
- Megatrends Impacting the Personal Care Industry
- Personal Care Active Ingredients Market
- Emerging Products
- Hot Spots for Growth- Global and ASEAN
- Four Big Predictions
Frost & Sullivan, the Growth Partnership Company
Leading Market Intelligence & Business Consulting Firm

- Since 1961
- 40+ offices, 30 Countries
- 2,000+ Consultants
- 250,000+ Clients serviced worldwide
- Fortune 1000 clients & SMEs

Global Perspective

Consulting Services

- Corporate Strategy
- Market Entry
- New Product development
- Go To Market
- Business and Financial Planning

- Implementation planning
- M&A advisory
- Partner identification
- Customer Experience enhancement
- Key Account Management

Industry Groups

- 10 Industries
- *Future of Health, Beauty and Packaging
- 50+ Product Categories
- Combination of Market, Technology, Economics & Applications

Value Delivery

- Portfolio monitoring
- Regulatory Impact Analysis
- Digital strategy
- Risk Management
- Competitive Intelligence

Value Protection

Value Creation

Frost & Sullivan
How do we help companies achieve growth for the future?

Strategic/ Internal Planning

Tactical/ External Engagement

Customized Engagements

Syndicated Research

Leveraging insights from

Industry Research

Technology Research

Mega Trends Research

Across 10 verticals

Digital Transformation

Transformational Health

Electronics & Security

Minerals and Mining

TechVision

Mobility

Energy and environment

Visionary Science

Industrial automation and measurement

Aerospace & Defense

Thought Leadership white paper
Case Studies
Analyst video quote
Infographics
workshops

Market analysis,
Customer analysis,
Competitor analysis,
Channel partner,
Industry Benchmarking,
GTM, etc.

Syndicated Research Reports
Customized End User Research
Research As A Service
Key Account Insights

Brand and Demand Solutions

Vision & Strategy

Growth Consulting

Customized Engagements

Syndicated Research

Visionary Science

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Energy and environment

Visionary Science
What is the landscape of the personal care active ingredients market and future growth?

What disruptive innovation, products or trends are seen in the market?

What are the drivers and restraints that impact the industry?

What are the regional hotspots for growth?
Megatrends Impacting the Personal Care Industry
Mega Trends Kaleidoscope - Impacts to the Personal Care Industry
Key Mega Trends Impacting the Personal Care Industry

- She-conomy
- Emergent Upper Middle Class
- Bricks and Clicks
- Smart Products
- Mind, Body and Soul
From Macro to Micro: Taking Mega Trends to Strategy

Macro

Mega Trend
Selected trends that impact your business and markets

Sub Trend
A sub-layer of trends that has a wide ranging impact

Impact to Your Industry
Visualising the roadmap of these critical forces through scenario-building and macro economic forecasts

Micro

Analysis of Opportunities and Unmet Needs

Impact on Future Product/ Technology
Personal Care Industry Sub Trends

1. Need for valid scientific evidence
2. Natural derivatives
3. Multi functionality
4. Personalized solutions
5. Evolving customer expectations
6. Development of novel delivery systems
7. New product forms
Personal Care Active Ingredients
Market and Products
Market Segmentation

- **Moisturizing Ingredients**: Glycerol, Hyaluronic Acid, Amino Acids, Ceramides...
- **Anti-Aging Ingredients**: Vitamin A, B3, C and E...
- **Exfoliating Ingredients**: Glycolic acid, Lactic Acid...
- **UV Filters**: Triclosan, Triclocarban ...
- **Antimicrobial Ingredients**: Triclosan, Triclocarban...
Active Ingredients

Market Size and Growth

- Growth primarily comes from Anti-Aging Ingredients, UV Filters
  - Anti-Aging forecasted CAGR of 10.1%
  - UV Filters forecasted CAGR of 9.1%

**APAC**: ASEAN + AUS/NZ in 2016 was 1,144M and in 2023 it will be 2,184M

- High Growth Region
Main Ingredients category is still Moisturizing

Personal Care Active Ingredients Market: Percent Revenue by Segment, Global, 2016

- Antimicrobial Ingredients: 5.9%
- Exfoliating Ingredients: 6.1%
- UV Filters: 10.0%
- Anti-aging Ingredients: 15.0%
- Moisturizing Ingredients: 50.4%

Personal Care Active Ingredients Market: Percent Revenue Forecast by Segment, Global, 2023

- Antimicrobial Ingredients: 4.1%
- Exfoliating Ingredients: 4.1%
- UV Filters: 11.5%
- Anti-aging Ingredients: 18.5%
- Moisturizing Ingredients: 46.4%

*Others include anti-pollutants, soothing agents, etc.

Note: All figures are rounded. The base year is 2016. Source: Frost & Sullivan
Main Ingredients category is still Moisturizing

**Key Takeaway:** Moisturizers are the most established cosmetic products. Consumers who are not beauty-conscious also use moisturizers.

**Important Segment Characteristics**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Assessment</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity size (2023)</td>
<td>$2,609.3 M</td>
<td>Increasing</td>
</tr>
<tr>
<td>Primary needs</td>
<td>Improving skin texture; reducing skin wrinkles with no side effects</td>
<td>Increasing</td>
</tr>
<tr>
<td>Price sensitivity</td>
<td>-</td>
<td>High</td>
</tr>
<tr>
<td>Purchase influencers</td>
<td>Price; innovative moisturizing ingredients</td>
<td>Stable</td>
</tr>
<tr>
<td></td>
<td>Increasing consumer awareness</td>
<td></td>
</tr>
<tr>
<td>Distribution structure</td>
<td>Direct sales and distributors</td>
<td>Stable</td>
</tr>
<tr>
<td>Demand for innovation</td>
<td>-</td>
<td>Medium</td>
</tr>
</tbody>
</table>

**Moisturizing Ingredients**

- Glycerol
- PCA
- Hyaluronic Acid
- Amino Acids and Ceramides
Argan Oil Case Study: Convergence of Mega Trends and Moisturizing

Who: A private label skin care manufacturer for facial skin care, body care, hair care, OTC and professional use formulations

Claims: 2 x skin elasticity effect over Vitamin E; 4X moisture effect over olive oil

Source: Cosmetic Solutions

Natural Derivatives

100% Pure Argan Oil

Hydrating 100% Argan Oil for Smoother Skin & Hair

Cosmetic Solutions’ 100% Pure Argan Oil is an incredible and natural moisturizer derived from the kernels of the Argan Tree; a rare species of tree endemic to the desert regions of Morocco.

The oil extracted from the fruit kernels of this tree contains a rich blend of skin smoothing and hydrating fatty acids that condition and invigorate the skin with sensational effectives:

- Moisturizes and rejuvenates skin and hair
- Provides antioxidant protection
- Helps diminish the appearance of fine lines
- Treats both dry and damaged skin and hair

Request More Info

Source: Cosmetic Solutions
## ARGAN OIL Applications
Organic Ingredient, Natural Ingredient, Cruelty Free, Paraben Free, Vegan

<table>
<thead>
<tr>
<th>Josie Margan, USA</th>
<th>BLACK, South Korea</th>
<th>PUREDERM, South Korea</th>
<th>THE BODY SHOP, UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Positioned as a Facial Oil Moisturizer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ Suitable for all Skin types</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ A solution for dryness, fine lines &amp; wrinkles, firmness &amp; elasticity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ Multi-functionality: Nails, Hair Skin</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>✓ Positioned as a hair conditioner/treatment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ #1 Hair Essence in G-Market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ Smooth &amp; Silky Hair, Glowing Hair, Repairs barren and damaged Hair</td>
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<tr>
<td>✓ Positioned as a make-up remover wipe</td>
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<tr>
<td>✓ Restore Hydration &amp; Softness</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>✓ Multi-Functionality: Removes Make-Up, Cleanse and Tone</td>
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<tr>
<td>✓ Positioned as a shower gel</td>
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</tr>
<tr>
<td>✓ Nourishes and softens skin</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Josie Margan, RAON, PUREDERM, THE BODY SHOP
Anti-Aging will be the fastest growing segment

Key Takeaway: The market for anti-aging ingredients is driven by an increased demand for anti-aging products among consumers.

Important Segment Characteristics

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<tr>
<td>Price sensitivity</td>
<td>-</td>
<td>Medium</td>
</tr>
<tr>
<td>Purchase influencers</td>
<td>Price, natural ingredients, increased efficiency</td>
<td>Increasing</td>
</tr>
<tr>
<td>Distribution structure</td>
<td>Direct sales and distributors</td>
<td>Stable</td>
</tr>
<tr>
<td>Demand for innovation</td>
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Anti-aging Ingredients

- Vitamin A and Derivatives
- Vitamin E and Derivatives
- Vitamin C and Derivatives
- Vitamin B3 and Derivatives
- CoQ10
- Collagen and Botanical Extracts
CoQ10 Case Study: Convergence of sub-trends and Anti-Aging

Who: A German based manufacturer of personal-care products

Nivea Q10 Plus C Anti-wrinkle + Energy Claims: “awake skin”, “reduce main signs of stress: wrinkles, dull and tired skin”, and “makes face looking visibly relaxed”.

Need for valid scientific evidence
CoQ10 Applications
Anti-Aging, Anti-Oxidant, Skin Energizer

DHC, Japan
✓ Positioned as a concealer
✓ Targets discoloration, dark circles and blemishes
✓ Fights fine lines and firms
✓ Multi-functional
✓ Other Range includes: Skin Care, Body Care

Beauty Buffet, Thailand
✓ Positioned as Facial Mask
✓ Natural – Formulated with Coconut Oil
✓ Improve skin elasticity for softer and brighter skin

Beauty Credit, Korea
✓ Positioned as Body Essence
✓ Anti-Aging + Hydration
✓ Enhances firmness + smoothness

My Beauty Diary, Taiwan
✓ Positioned as Facial Mask
✓ Anti-oxidation, hydrating, firming

Source: DHC, Beauty Buffet, Beauty Credit, My Beauty Diary
Women in Asia and Their Take on Beauty

"Confidence"
Looking beautiful gives confidence to oneself

"Natural looks"
Look beautiful and very natural without make up

"Aging gracefully"
The most important thing is to age gracefully, I chose the Japanese actress - she looks very confident and very natural type of beauty not like pop star

Beautiful means....

"Good complexion, good features"
"Good complexion, good features and also good body..

"Confidence"
Being comfortable in your own skin and step out without any makeup

"Total package"
Beautiful is someone like Angelina Jolie – strong, great bone structure, really fit looking – the whole package.
Key Market Opportunities and Impact across Categories

<table>
<thead>
<tr>
<th></th>
<th>Hair Care</th>
<th>Skin Care</th>
<th>Make-Up</th>
<th>Fragrance</th>
<th>Oral Care</th>
<th>Body Care</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>#1 Moisturizing Ingredients</strong></td>
<td>▶️</td>
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<tr>
<td><strong>#2 Anti-Aging Ingredients</strong></td>
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<td></td>
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<td>▶️</td>
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<tr>
<td><strong>#3 Exfoliating Ingredients</strong></td>
<td>▶️</td>
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<td>▶️</td>
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<tr>
<td><strong>#4 UV Filters</strong></td>
<td>▶️</td>
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<tr>
<td><strong>#5 Antimicrobial Ingredients</strong></td>
<td>▶️</td>
<td>▶️</td>
<td>▶️</td>
<td></td>
<td></td>
<td>▶️</td>
</tr>
</tbody>
</table>

Intensity:  
- ◀️ Highest Impact on category  
- ▶️ Moderate Impact on category  
- □ Low Impact on category
Market Drivers

Growing Economies: GDP across Asia average is 4%

Increased Demand for Green Ingredients

Increased demand in Men’s Grooming

Increased Demand in Premium Products

Increased Demand in Multi-Functional Products

Multi-functional Essence
1) Moisturizing
2) Anti-Ageing
3) Whitening/ Brightening

Ingredients:
fermented vitamin tree extract and plant oils, it is rich in vitamins B1, B2, B6, B12, C and E

Source: Tony Moly
## Market Restraints

### Personal Care Active Ingredients Market: Key Market Restraints, Global, 2017–2023

<table>
<thead>
<tr>
<th>Restraints</th>
<th>1–2 Years</th>
<th>3–4 Years</th>
<th>5–7 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasingly stringent legislation will restrict innovation</td>
<td>H</td>
<td>H</td>
<td>M</td>
</tr>
<tr>
<td>A highly price sensitive market will lead to price squeeze, reducing revenues of active ingredient manufacturers</td>
<td>H</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Presence of the informal market will negatively impact the market share for multinational companies</td>
<td>M</td>
<td>H</td>
<td>H</td>
</tr>
</tbody>
</table>

**Impact Ratings:** H = High, H/M = High/Medium, M = Medium, M/L = Medium/Low, L = Low
Hot Spots for Growth
Global Hot Spots for Growth

**Personal Care Active Ingredients Market: Hotspots, Global, 2016**

- **China**: With a 6.9% GDP growth rate and high population levels, China is projected to become the largest market for personal care and cosmetics products by 2018.

- **India**: The 7.6% GDP growth is expected to be a stimulus for the active ingredients market.

- **Turkey**: The hair care segment is a major market driver.

- **South Korea**: Its spending is more on personal care products than any other nation.

- **Brazil**: The Brazilian market has huge potential for active ingredients due to its growing aging population.

- **Indonesia**: The 4.8% GDP growth rate, along with increasing awareness, is expected to boost the active ingredients market.

Source: Frost & Sullivan
Future of ASEAN – Hotspot for Growth
Implementation of AEC single market initiatives will unify the region and help it emerge as a global superpower.

ASEAN in 2025

- ASEAN total GDP expected to increase from $2.4 trillion in 2015 to $5.2 trillion in 2025
- The AEC to play a major role in increasing ASEAN’s GDP by removing trade barriers and forming a single market
- ASEAN to reach 62% Internet penetration by 2025 from 40% in 2015
- ASEAN predicted to supply 6.7% of the world’s gas energy supply in 2025
- Consumer expenditure in ASEAN to be worth $3.3 trillion by 2025
- ASEAN FDI stock to double from 2015 to 2025, reaching $3.6 trillion
- ASEAN to be home to 470 million working adults by 2025

Percentage of female students for higher education to rise to 51.5%
ASEAN online retail to be worth more than $25.22 billion by 2020
A total of $110 billion needed until 2025 for ASEAN infrastructure projects
Major ASEAN airports to be reachable by 50% of the world within 5 hours
ASEAN regional integration to increase renewable energy generation by 4.2%
By 2025, ASEAN to have 5 Mega Cities and a 53.3% urban population
ASEAN healthcare market to be worth $137 billion in 2025, from $101 billion in 2015

ASEAN to reach 62% Internet penetration by 2025 from 40% in 2015

- ASEAN to be home to 470 million working adults by 2025

- ASEAN predicted to supply 6.7% of the world’s gas energy supply in 2025

F R O S T & S U L L I V A N
Future Digital Trends in ASEAN
The ASEAN ICT Masterplan and the ASEAN Broadband Corridor are expected to develop ASEAN connectivity infrastructure and increase Internet affordability by 2025.

Connectivity Infrastructure, ASEAN, 2025
- Development of next-generation infrastructure through the ASEAN ICT Masterplan
- ASEAN Broadband Corridor to ensure broadband quality throughout the region
- Launch of 4G and LTE services throughout the region
- Government initiatives to boost promising SMEs
- Programs to equip students with digital skills

Internet Penetration Rate, ASEAN, 2025
Note: Bubble size indicates percentage of population online.

Source: IITU; Frost & Sullivan.
Future Consumer- Mega Trend

Growth of the middle class will increase consumption and boost the growth of various markets, as total consumer expenditure in ASEAN is predicted to rise to $3.258 trillion by 2025.

**Middle Income Group Growth Analysis, ASEAN, China, India and LATAM, 2010 and 2025**

<table>
<thead>
<tr>
<th>Region</th>
<th>2010</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN</td>
<td>29</td>
<td>52</td>
</tr>
<tr>
<td>China</td>
<td>19</td>
<td>52</td>
</tr>
<tr>
<td>India</td>
<td>5</td>
<td>36</td>
</tr>
<tr>
<td>Latin America</td>
<td>55</td>
<td></td>
</tr>
</tbody>
</table>

**Total Consumer Expenditure, ASEAN, 2015 and 2025**

- **2015**: $1.404 trillion
- **2025**: $3.258 trillion

Source: ADB Bank; Frost & Sullivan.
She-economy—Mega Trend
Higher female participation is predicted in the ASEAN economic and political sectors, with increasing female empowerment through education.

Share of Employment in Major Economic Sectors by Gender, ASEAN, 2015 and 2025

<table>
<thead>
<tr>
<th>Sector</th>
<th>2015</th>
<th>2025F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>38.8%</td>
<td>39.2%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>37.1%</td>
<td>16.4%</td>
</tr>
<tr>
<td>Services</td>
<td>24.1%</td>
<td>44.4%</td>
</tr>
</tbody>
</table>

Women's Empowerment, ASEAN, 2015–2025

<table>
<thead>
<tr>
<th>Category</th>
<th>2015 (%)</th>
<th>2025 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Females in higher education</td>
<td>32.5</td>
<td>51.5</td>
</tr>
<tr>
<td>Females in professional/technical job</td>
<td>15.9</td>
<td>23.2</td>
</tr>
<tr>
<td>Women in Parliament</td>
<td>20.4</td>
<td>22.2</td>
</tr>
</tbody>
</table>

Source: ADB Bank; Frost & Sullivan.
Four Big Predictions
The Last Word

1. Highest growth for Anti-Aging! Key opportunities in categories such as: Hair Care, Make Up and Fragrance for moisturizing and anti-aging

2. Applying natural ingredients in addition to products is the strongest innovation trend

3. New Business Models: Go Digital!

4. Focus on ASEAN: low base-high growth

Source: ADB Bank; Frost & Sullivan.
To stay connected on our transformational trends and growth insights

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For additional Information about our transformational trends shaping the personal care and ingredients industry, talk to us!

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Frost & Sullivan, the Growth Partnership Company, works in collaboration with clients to leverage visionary innovation that addresses the global challenges and related growth opportunities that will make or break today's market participants. For more than 50 years, we have been developing growth strategies for the Global 1000, emerging businesses, the public sector and the investment community. Is your organization prepared for the next profound wave of industry convergence, disruptive technologies, increasing competitive intensity, Mega Trends, breakthrough best practices, changing customer dynamics and emerging economies?

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