SKINCARE: OPPORTUNITIES AND OUTLOOK TO 2020

JOANNA CHAN
ANALYST, BEAUTY & FASHION

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ABOUT EUROMONITOR INTERNATIONAL

INDUSTRY SNAPSHOT

INDUSTRY CHANGERS

CONVERGENCE OF HEALTH & BEAUTY

KOREAN BEAUTY

ETHICAL LABELS

CONCLUSION: KEY TAKEAWAYS
Research coverage

12 OFFICE LOCATIONS
London, Chicago, Singapore, Shanghai, Vilnius, Santiago, Dubai, Cape Town, Tokyo, Sydney, Bangalore, and São Paulo

80 COUNTRIES
in-depth analysis on consumer goods and service industries

+ 210 COUNTRIES
demographic, macro- and socio-economic data on consumers and economies
Research Expertise

Consumer Products
- Alcoholic Drinks
- Apparel
- Automotive

- **Beauty and Personal Care**

- Consumer Appliances
- Consumer Electronics
- Consumer Health
- Eyewear
- Fresh Food
- Health and Wellness
- Home and Garden
- Home Care
- Hot Drinks
- Luxury Goods

- **Ethical Labels**

Nutrition
- Packaged Food
- Personal Accessories
- Pet Care
- Soft Drinks
- Tissue and Hygiene
- Tobacco
- Toys and Games

Supply
- Ingredients
- Packaging

Economies
- Business Dynamics
- Cities
- Economy, Finance and Trade
- Industrial

Consumers
- Digital Consumer
- Households
- Income and Expenditure

- **Lifestyles**

Retailing
- Travel

Population
Global vs. Premium vs. Mass Skincare Value Sales Growth

- **US$110bn**
  - Global skin care value sales in 2015

- **69%**
  - of sales derived from Mass brands

- **31%**
  - of sales derived from Premium brands
Skincare by category

Skincare Categories Value Sales

<table>
<thead>
<tr>
<th>Category</th>
<th>2015 Value Sales</th>
<th>2016-2020 CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facial Moisturisers</td>
<td>30.0</td>
<td></td>
</tr>
<tr>
<td>Anti-Agers</td>
<td>25.0</td>
<td></td>
</tr>
<tr>
<td>Body Care</td>
<td>15.0</td>
<td></td>
</tr>
<tr>
<td>Facial Cleansers</td>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td>Skin Care Sets/Kits</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>Face Masks</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Hand Care</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Acne Treatments</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Lip Care</td>
<td>0.0</td>
<td></td>
</tr>
</tbody>
</table>

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Skincare by country

Countries by Forecast CAGR (2015-2020)

- Morocco 8.6%
- China 7.7%
- Vietnam 8.3%
- Saudi Arabia 7.4%
- Indonesia 10.5%
- India 8.5%
- Pakistan 7.2%
- Cameroon 6.6%
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Convergence of Health & Beauty

- Keeping Fit
- Eating Clean
- Quest for Prevention
- Awareness of pollution & UV
- Scrutiny of Ingredients
Skincare Implications

- Preference for Natural
- Rise of Dermocosmetic brands
- Sulfates and parabens deemed harmful

- Anti-pollution features
- Sun protection typical regime

- Anti-ageing targeted at young consumers
- Acne prevention
Euromonitor Beauty Survey

What types of features/functionality are you looking for in skin care products?

- Moisturising/Hydrating
- Sun-protectant, SPF
- Contains added vitamins
- Suitable for sensitive skin
- Anti-ageing
- Skin luminosity/Radiance
- Pore refining
- Lightening/Whitening

% of participants selected

n=10,281
CONVERGENCE OF HEALTH & BEAUTY

Preference for Natural

Localised Ingredients

Traditional Chinese Medicine

Fermented Skincare & Probiotics

Source (from left to right): jamusukoharjo, cosmetics business, viaseoul
## Growth of Natural Brands in Asia

<table>
<thead>
<tr>
<th>Company</th>
<th>Brand</th>
<th>% CAGR 2010-2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shanghai Kans Cosmetics Co Ltd</td>
<td>KanS</td>
<td>85%</td>
</tr>
<tr>
<td>AmorePacific Corp</td>
<td>Innisfree</td>
<td>56%</td>
</tr>
<tr>
<td>Nature Republic Co Ltd</td>
<td>Nature Republic</td>
<td>40%</td>
</tr>
<tr>
<td>Shanghai Jahwa United Co Ltd</td>
<td>Herborist</td>
<td>27%</td>
</tr>
<tr>
<td>L'Occitane International SA</td>
<td>L’Occitane</td>
<td>7%</td>
</tr>
</tbody>
</table>
Rise of Dermocosmetic Brands

Top Premium Skincare Markets

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CONVERGENCE OF HEALTH & BEAUTY

Rise of Dermocosmetic Brands

Thailand

- Sensitive skin
- Repair of skin barrier a growing concept
- Dermatology clinics launch own brands
- Positioned as skin care experts
  ✓ Eucerin’s online consultation

Source: Pruksa

Source: Provamed
Rise of Dermocosmetic Brands

Taiwan
- Prevalence of dermatology clinics
- Slower economy drives value for money products
- Social media reviews

Korea
- Hydration/Moisturisation
- Local brands generate higher sales than international brands
- Applicable for all consumer segments

Source: Womanna

Source: Sephora

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Future developments

Dermocosmetics & educating consumers

Potential backlash of the term ‘Natural’

Convergence of Health & Beauty

Ingredient Innovation

Luxury branding alone is insufficient
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Korean beauty brands’ winning strategies

Asia Pacific

- Hallyu Wave
- Masstige
- Standalone Boutiques
- Suited for Asian Skin

Western Markets

- Beauty bloggers
- Masstige
- Digital Specialist Retailers
- Efficacy & Innovation
Investments in Korean beauty brands
Korean beauty concentrated in Asia

Korean Beauty Exports by country in 2015

- Rest of the World
- USA
- Malaysia
- Vietnam
- Thailand
- Taiwan
- Japan
- Hong Kong
- China

Mounting political tension between Korea & China
Slower economic growth in China
Competition from domestic Chinese brands
Future Developments
Agenda for Korean companies – Market Diversification

- **U.S.A**
  - Substantial Asian community
  - Exports to USA grew by 60% in 2015

- **SOUTHEAST ASIA**
  - Hallyu wave in Thailand, Vietnam & Singapore
  - Indonesia?
  - Korea-Malaysia collaboration for Halal brands

- **MIDDLE EAST**
  - High growth region
  - Infancy stage
  - Need for Halal certification
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Consumers are increasingly environmentally & ethically conscious

Global Consumer Trends Survey

How much more would you be willing to pay for a product which is environmentally/ethically conscious?

Age of participant | More than double (100% more) | A lot more | Somewhat more (50% more) | A little more | No extra (0%)

- 60+
- 45-59
- 30-44
- 15-29

n=7377
Government & corporate bodies step up efforts in ethics

**US & UK ban plastic microbeads**

**Water Efficiency – Less Rinse off**

Source: Health Aim

Source: Takaski

**Waterless Skincare**

**Waste-free Packaging**

Source: Viva Woman

Source: Make Up and Beauty
Ethical labels cross over from food to beauty & personal care

**People & Values**
- Free from claims
- Religious labels
- Clean labels

**Environmental Sustainability**
- Recycling labels
- Sustainable Trade
- Responsible Forestry

**Animal Welfare**
- Not animal tested
- Vegan/Vegetarian

Source: Dr Bronner’s
Skincare Outlook

Global Retail Value Sales, Real US$bn, 2013-2020
2015 Constant Prices, 2015 Fixed Year Exchange Rate
In a nutshell

**Convergence of Health & Beauty**
- Natural brands
- Dermcosmetics

**Korean Beauty**
- Winning strategies
- Market diversification

**Ethical Labels**
- People/Values
- Environmental sustainability
- Animal welfare
THANK YOU FOR LISTENING

Joanna Chan
Research Analyst
Joanna.chan@euromonitor.com

For press enquiries, please contact:
Benedicte Dia
Communications Manager
Benedicte.dia@euromonitor.com

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