



2022 State of Beauty Industry

Insights for CEW attendees



Overview

As we approach the two-year mark of the global pandemic, consumers are seeking comfort amidst continued uncertainty. There's tempered optimism for true pandemic recovery after relentless periods of anxiety, isolation, and exhaustion. NielsenIQ's U.S. Future Pulse Survey contextualizes the situation before us:






- **Prices are on the rise:** 8% rise in CPG prices
- **Climate change is at our doorstep:** 61% agree environmental issues are having an adverse impact on current and future health
- **It's difficult to catch a break:** 29% of women are struggling with work-life balance
- **We all need to lie down:** 54% of women feel that emotional mental health is more important than 2 years ago, compared to 46% of men



To balance these pressures, consumers are seeking more empathy, understanding, and comfort in their daily lives. Brand marketers must recalibrate to deliver products that encourage a “reset” mindset and adapt to consumers’ evolving needs around self-care and self-expression.

Luckily, beauty and personal care is an industry built on the foundations of self-expression and relaxation. While industry recovery was slow to reach pre-pandemic vigor, according to NielsenIQ Omnishopper Panel, there were several areas of outstanding sales growth in the last year:

2021 versus 2020 category sales growth

+54%	+28%	+45%	+37%	+21%
				
Facial Treatments	Hair Treatments	Fragrance	False Eyelashes	Eye Cosmetics

Source: NielsenIQ Omnishopper Panel; L52 WE 12.4.21 vs YA

Additionally, sales saw a significant surge during the 2021 holiday season, surpassing 2019 holiday sales by 28.1%. In 2021, the entire beauty category grew to \$88.7 billion in sales; \$11.6 billion came from holiday. We predict the growth will sustain itself as consumer demand flourishes.

Sustainability: Full germination

Beauty is a pioneering industry in how quickly sustainability took root and was adapted. In the first wave, a swift sweep of products to remove harmful ingredients was in order and the clean beauty movement was born. Now, over 50% of the market is paraben-free. Retailers like Target, Sephora, and Ulta are making it easier for consumers to shop clean beauty with designated filters and clear criteria to define clean.

The industry has a keen understanding of anticipating and meeting the sustainable needs of consumers as the clean beauty definition expands. Retailers and manufacturers alike are shifting their priorities to ensure we clean up the planet. Consumers' online searches for plastic-free beauty products grew 900% last year. The next frontier is the fair, ethical treatment of animals and workers with fair trade growth amounting to \$376 million in the past year. "These trends are building upon each other, not replacing one another," notes NielsenIQ's Tara James Taylor, SVP of Beauty & Healthcare Vertical. Beauty is entering the next phase of sustainable, clean beauty for a better world.



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Tara James Taylor
SVP of Beauty & Healthcare
Vertical, NielsenIQ

The clean shopper continues to be more inclusive

15.7% of Beauty shoppers buy products meeting the strictest clean definition

Largest growth in NIQ Clean penetration among HHs with **income <\$40k**

Gluten free beauty spend grows by **+\$8 more** per HH



Black consumers are **36%** more likely to buy clean beauty

Hispanic HHs spent **+\$16 more** on gluten free beauty products

Cruelty free **+8 points** HH penetration

Source: NielsenIQ Homescan Panel, 52 we 01012022

Inflation's muddied waters

Inflation's firm grip on the U.S. impacts around 7% of CPG categories and about 8% of the total in-store mass channel. Sixty percent of consumers note an uptick in shopping costs than 6 months prior.

The COVID-19-related shutdowns caused the travel, dining, and entertainment sectors to collapse, capsizing long-established consumer behavior and leaving tens of millions of people without jobs. The lockdown contributed to a polarized consumer landscape. Many households were flush with cash from changing behavior and others gingerly watching expenses due to layoffs. The disparity in financial confidence and spending approach brought an onset of polarized segments.

67% of consumers have changed spending patterns to watch costs since COVID 19

Existing Constrained	Newly Constrained	Cautious Insulated	Unrestricted Insulated
17%	20%	31%	33%
<p>Already economically challenged</p> <p>Hasn't changed routine due to COVID 19</p> <p>Not stocking up</p>	<p>Insecure about job and financial prospects</p> <p>Stressed out and stocking up</p>	<p>Maintained HH employment and income</p> <p>Watching expenses</p> <p>Discovering the joy at home</p> <p>More time for beauty, hobbies, and leisure</p>	<p>Maintained or gained employment and income</p> <p>Wants life back</p> <p>Hasn't changed habits and doesn't plan to</p>

Source: NielsenIQ Unlocking Consumption global survey, US Beauty consumers

Across beauty, the number of "newly constrained" customers grew the most (+16%) and "existing constrained" was the only group that experienced a decline in growth at 7% but also represents the smallest total sales at 17%.

Constrained shoppers are most likely to face financial challenges. The categories most at risk of spending cutbacks may be cosmetics and nail and fragrance. Brands that prioritize hygiene, position themselves with affordable prices, and tout environmental benefits will weather the challenges if conditions worsen.

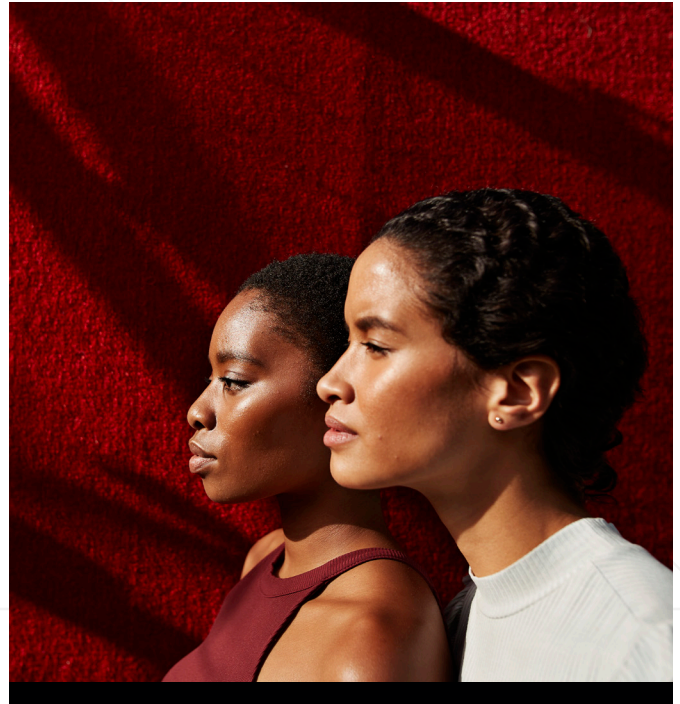


Seismic omnichannel displacement

When North Americans sequestered themselves to the confines of their homes, they began to shop online in droves. Sixty-five percent of consumers have ordered beauty products online versus 51% pre-pandemic, according to NielsenIQ Omnishopping Fundamentals. In 2021, 29% of total beauty sales came from online.

Shoppers have a new set of priorities and seemingly limitless product offerings. Eighty-one percent of searches on Amazon are unbranded: consumers are prioritizing attribute, benefit, and price rather than brand name, according to NielsenIQ Label Insight. To ensure visibility and loyalty, brands need to feature product claims that connect with consumer needs and trending attributes. These priorities extend beyond the digital shelf.

In sum, beauty marketers should feel optimistic after 2021's strong rebound. Most of the beauty growth was due to channel and market expansion. Shoppers returned to stores, continued purchasing online and spent more. To keep consumers engaged and best prepare for pandemic-related after-shocks, like inflation, NielsenIQ recommends a holistic approach to marketing online and in-store with sustainability in mind.



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nielseniq.com/beauty



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Using comprehensive data sets and measuring all transactions equally, NielsenIQ gives clients a forward-looking view into consumer behavior in order to optimize performance across all retail platforms. Our open philosophy on data integration enables the most influential consumer data sets on the planet. NielsenIQ delivers the complete truth.

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