Beauty Retail's (R)Evolution

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NielsenIQ

Your presenters today

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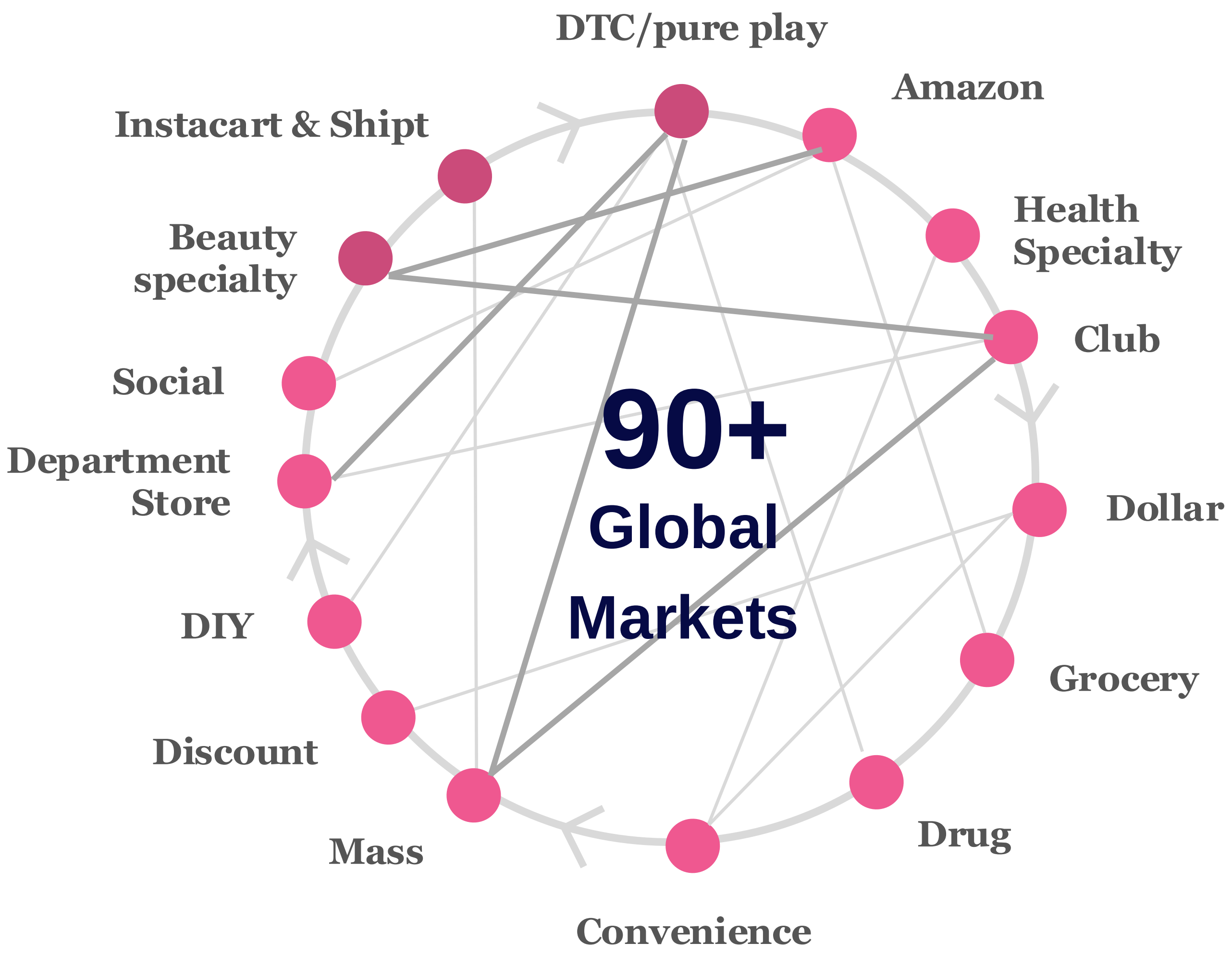
NIQ

NIQ delivers the *Full View* of beauty buying behavior

- The industry's most trusted consumer data—more channels, sources, consumers, and regions
- Validated with point of sales data directly from retailers



NIQ

Beauty Retail

- *Ecommerce Acceleration*
  - With more than 40% of all beauty sales happening online, the new world of beauty retail is digital
- *Social Selling Makes Waves*
  - TikTok Shop has proven the stickiness of social selling platforms. With its future still uncertain, there are many challengers ready to take a slice of its business.
- *Generations at the Forefront*
  - Gen Z is growing buying power, but their expectations vary wildly from prior generations. And don't count out older consumers, who are vibrant and won't be left out of the joy of beauty.

Online continues to drive growth for beauty

In-Store	*Online*	*Total Beauty and Personal Care*
$61.8B	$45.7B	$107.5B
+2.8%	+11.1%	+6.2%

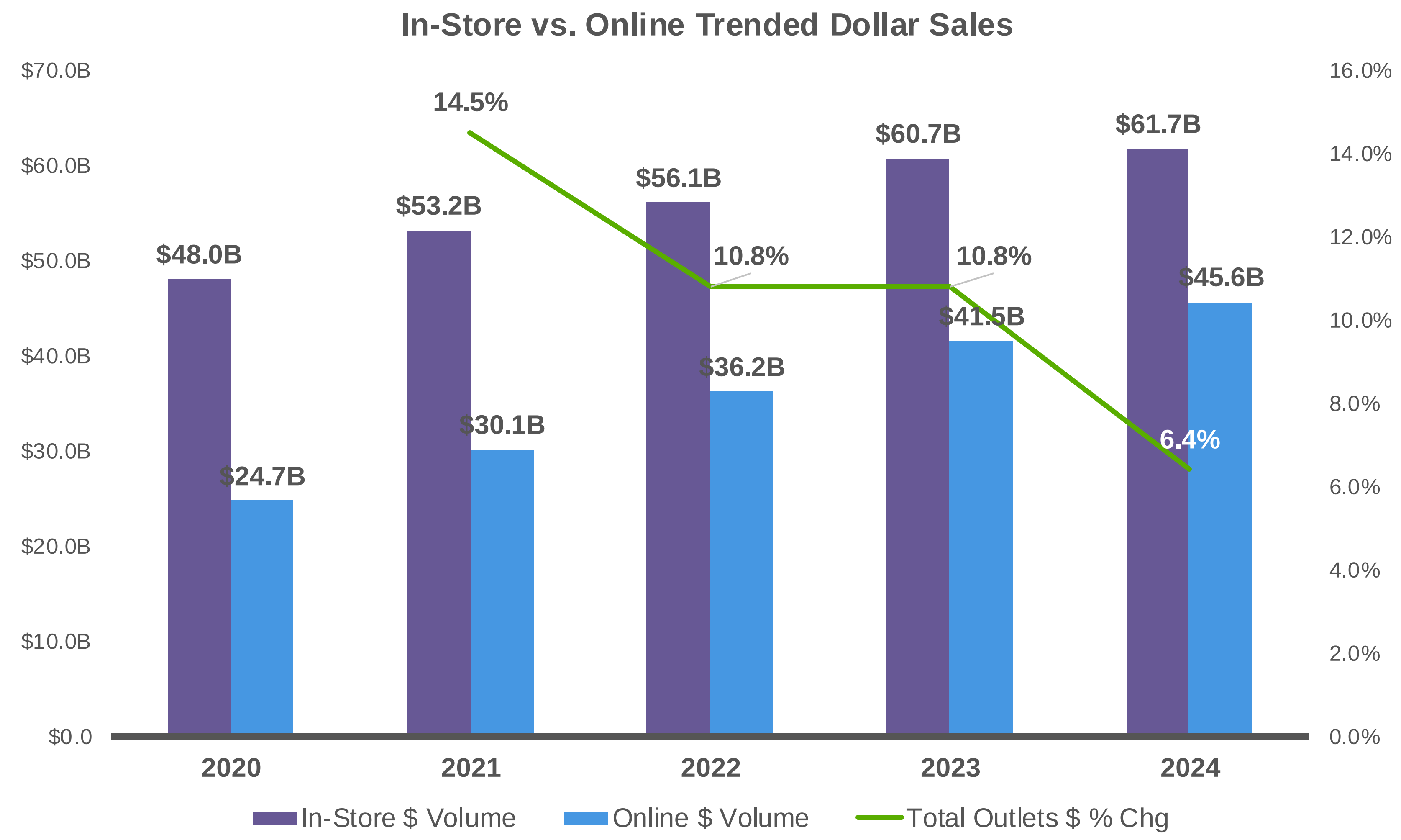
43% online

57% in-store

Source: NielsenIQ POD Omnishopper Panel Total US L52 week ending 11/30/2024 vs YA.Dollar percent change

Beauty continues its 5 year growth streak

Source:NielsenIQ Omnishopper Panel, Total US, Total Beauty & Personal Care, L52W ending 11/23/24



Methods impacting store experience, like Theft Prevention, significantly impact shopper loyalty

20% of customer purchases were *lost* when faced with theft prevention measures

This means shoppers either abandoned their cart or purchased from a competitor

On average, a shopper will wait **2-3 minutes** for the store to unlock the shelf

Shoppers are are less likely to wait for Beauty/ Personal Care and Baby

Drug Stores make up 2 of the Top 5 retailers identified as being *most* associated with theft prevention

43% of survey respondents claimed that experiencing theft prevention measures on shelf made them ***LESS*** likely to visit the store in the future

Source: NIQ BASES Theft Prevention Study, November 2024, n=1000

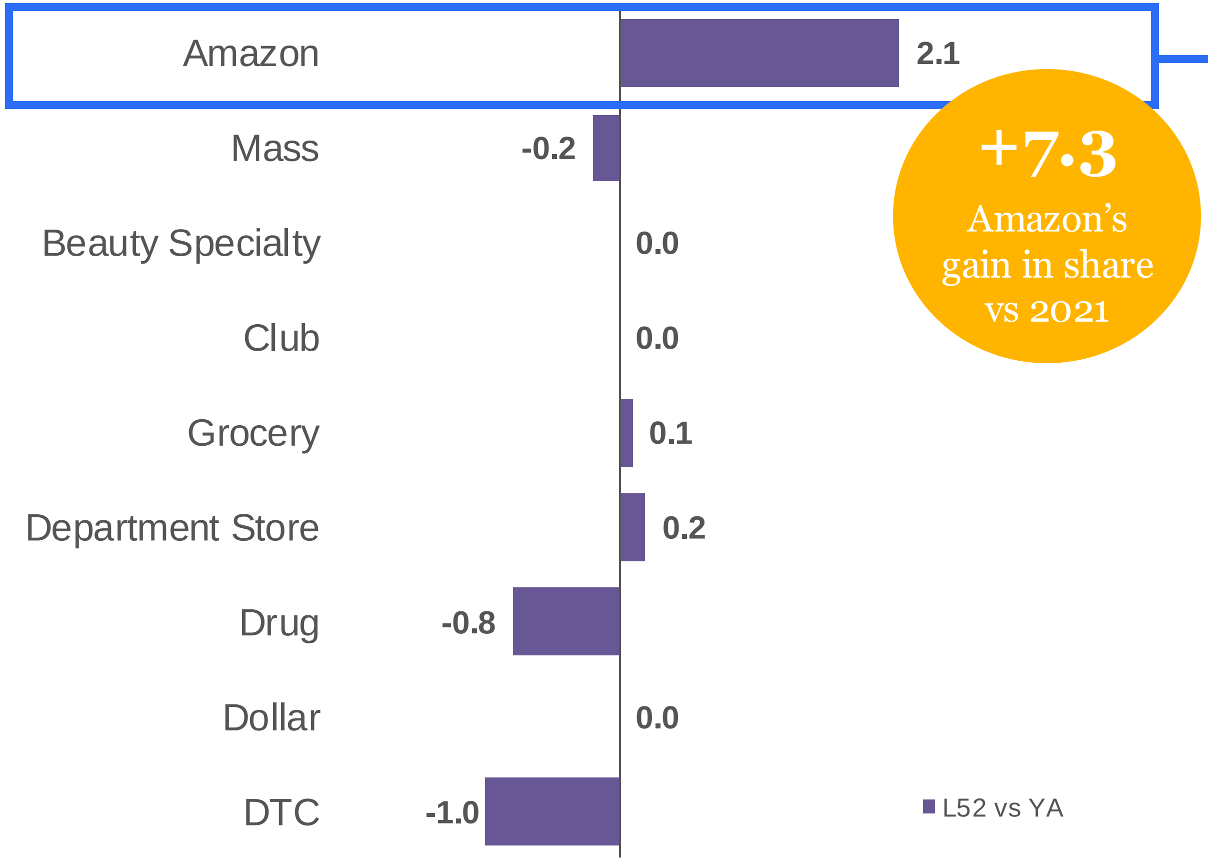
Major Trends that will Impact Beauty Retail

- Amazon’s Dominance
- Social Selling Emerges
- Future of DTC
- Private Brands Evolve
- Demographics are Destiny

Amazon is now the #1 US Beauty Retailer

Retail consolidates as the big get bigger

$ Share Pt Chg



amazon

Amazon delivers well-rounded growth

Category	*$ % Chg vs YA*
Hair Care	17.6%
Facial Skin Care	32.7%
Cosmetics & Nail	6.3%
Hair Removal	4.6%
Bath & Shower	28.9%
Hand & Body Lotion	21.1%
Fragrances	20.6%
Deodorant	39.8%
Sun Care	25.9%

+18.6% Dollar Sales

+1.8pts Penetration

+$30/year $ Buy Rate

Categories ranked by $ sales at Amazon

Source: NielsenIQ Panel on Demand Omnishopper, Total US, Total Beauty, Latest 52 weeks ending 11/30/2024 vs YA

Amazon Beauty is growing among older, high income, diverse households

Key Demos growing with Amazon Beauty:

Boomers	Millennials
HH Income $100K+	Diverse

Source: NielsenIQ Panel on Demand Omnishopper, Amazon, Total Beauty, Latest 52 weeks ending 11/30/2024 vs YA

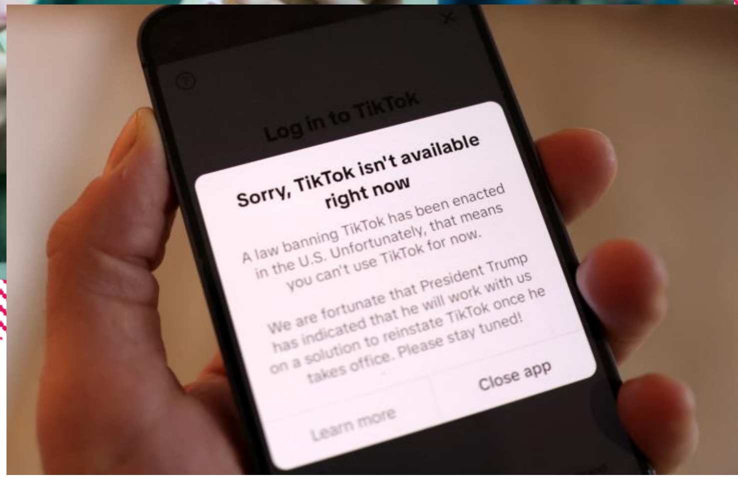
Social Selling Takeover

Only 1 year in, TikTok Shop’s success continues to compound

- ***#8 Health & Beauty*** ecommerce retailer

- ***12.5% of ecommerce shoppers*** made a purchase on TikTok Shop in the last year

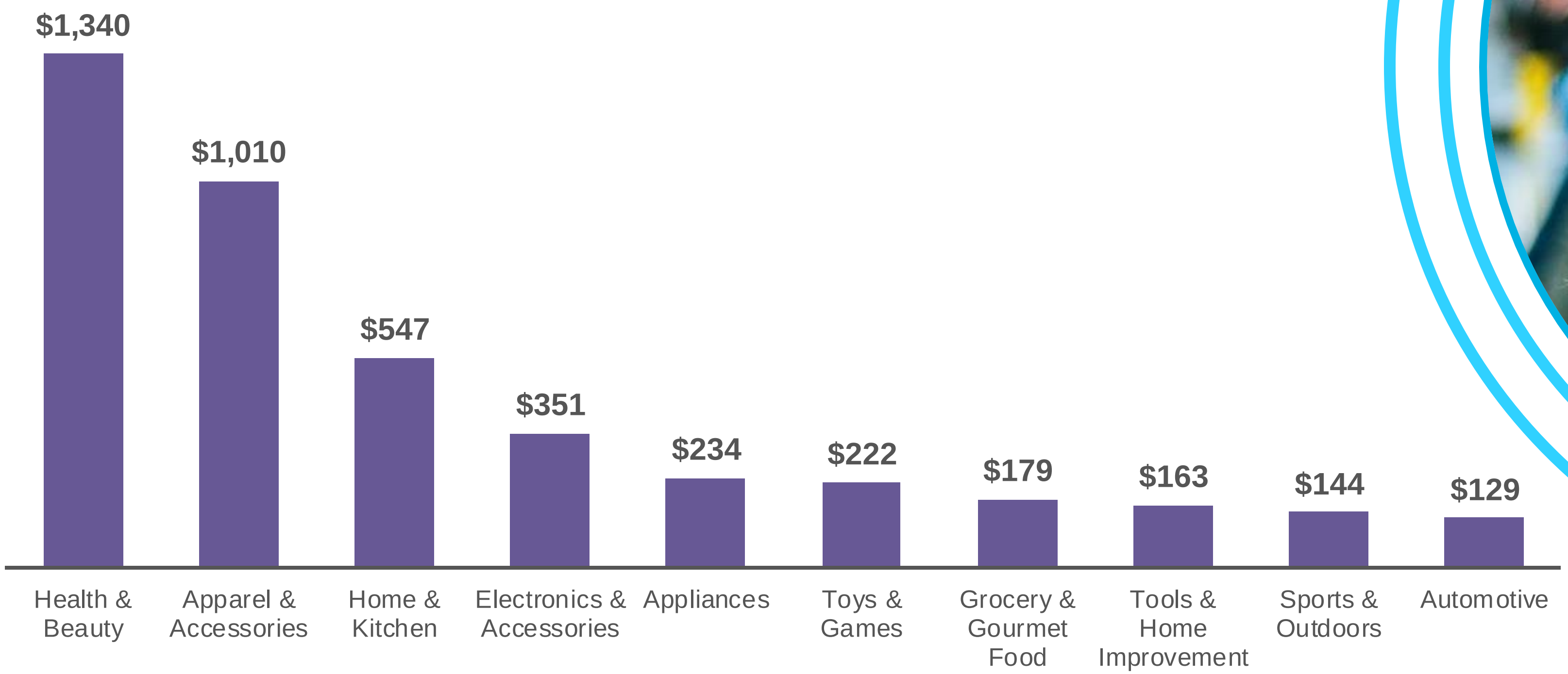
- TikTok Shop Health & Beauty sales have seen a ***35%% growth in dollars sales in the recent 6 months***



NielsenIQ eCommerce Retailer View, 52wks ending 11/30/24

Beauty remains a prevalent department for TikTok sales, while clothing follows close behind

TikTok Top 10 Category Sales
(Millions)

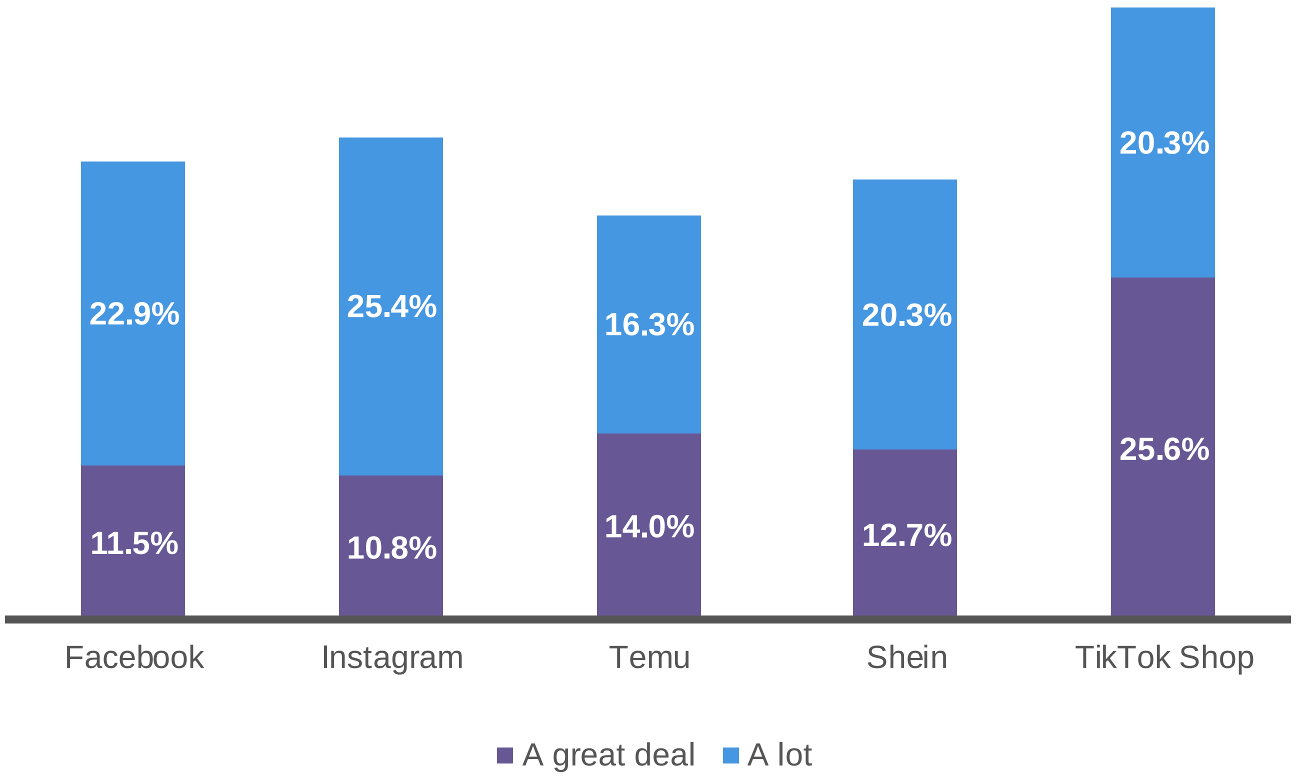


Source: NielsenIQ Total US E-commerce Measurement Powered by Rakuten Intelligence | Top 10 Categories 16 months ending 11/30/24

Social Selling is fueling discovery and impulse, though quality and trust are concerns

- ***68% of purchases*** on social selling platforms are made on impulse
- Top reasons for making a purchase on a social selling site:
    - I ***discovered something new*** that I wanted to try
    - I can find ***cheaper alternatives*** to the usual products I buy
    - Was a ***convenient*** way to purchase what I needed
- ***84%*** had a ***good or excellent*** experience shopping on social sites

How much do you trust the beauty products you have ordered?



Source: NielsenIQ Omnishopper Panel, Social Selling Survey, Total US, L52W 09.07.24

Social selling captures 6.2% of ecommerce market share in Beauty/Personal Care

3.2%
TikTok Shop

1.4%
TEMU

1.1%
ebay

0.2%
POSHMARK

0.2%
MERCARI

0.1%
SHEIN

Source: NielsenIQ FoxIntelligence, Total US, Beauty & Personal Care (Bath & Body, Fragrances, Hair Care, Make-up, Manicure & Pedicure, Facial Skin Care, HBL, Sun Care, Shaving & Hair Removal, Vitamins & Supplements, L52Wks ending 12/29/2024

Future of DTC

What is DTC?

DTC takes on many shapes and forms

DTC Pure Play

Started by online only, shipping directly to customers

Multi level marketing (MLM)

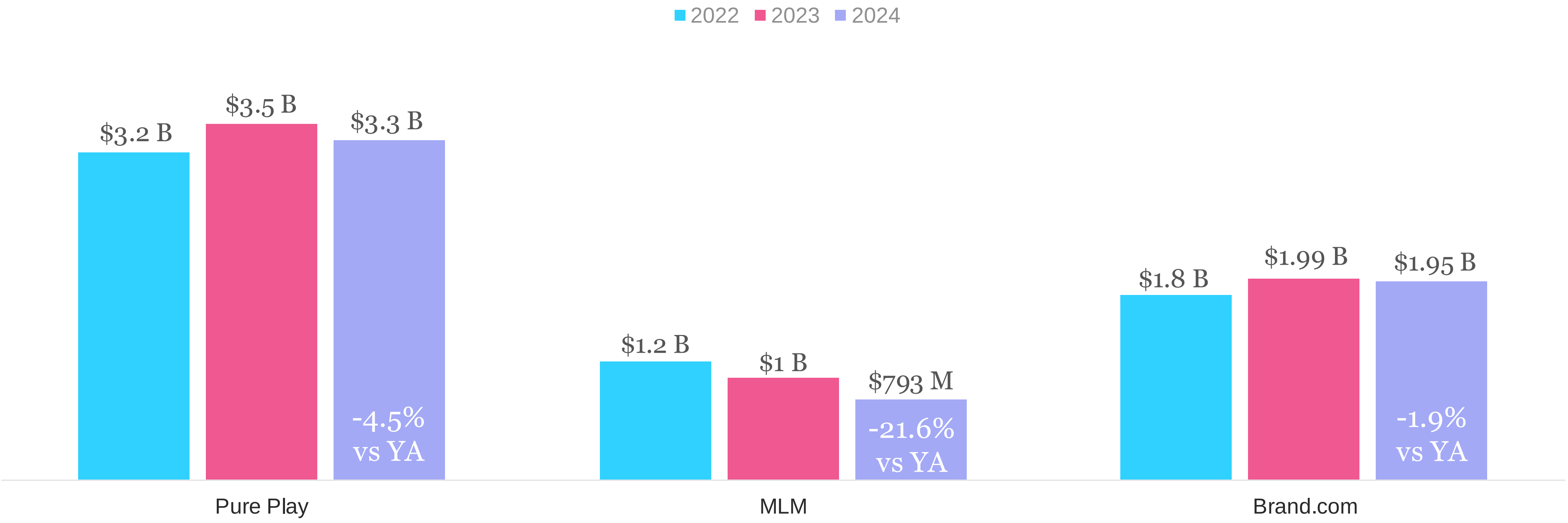
Brands that use direct seller reps to enable online sales

Brand.com

Brands that already exist in B&M space that then launched their own websites to sell directly to consumers online

All DTC formats face declines this year, with Brand.com as most resilient

$ Sales



Source: NielsenIQ E-commerce Data powered by Rakuten, 52 we 11/30/2024
Beauty & Personal Care includes: Bath & Shower, Cosmetics & Nail, Deodorant, Facial Skin Care, Fragrance, Hair Care, Hair Removal, HBL, Sun Care

A variety of challenges face the industry

1

Costly advertising for online spaces

2

Rising Inflation and supply costs

Potential Tariffs

3

Continuous increased competition in digital spaces

Need for a more robust omnichannel experience

4

Direct seller/MLM model in question

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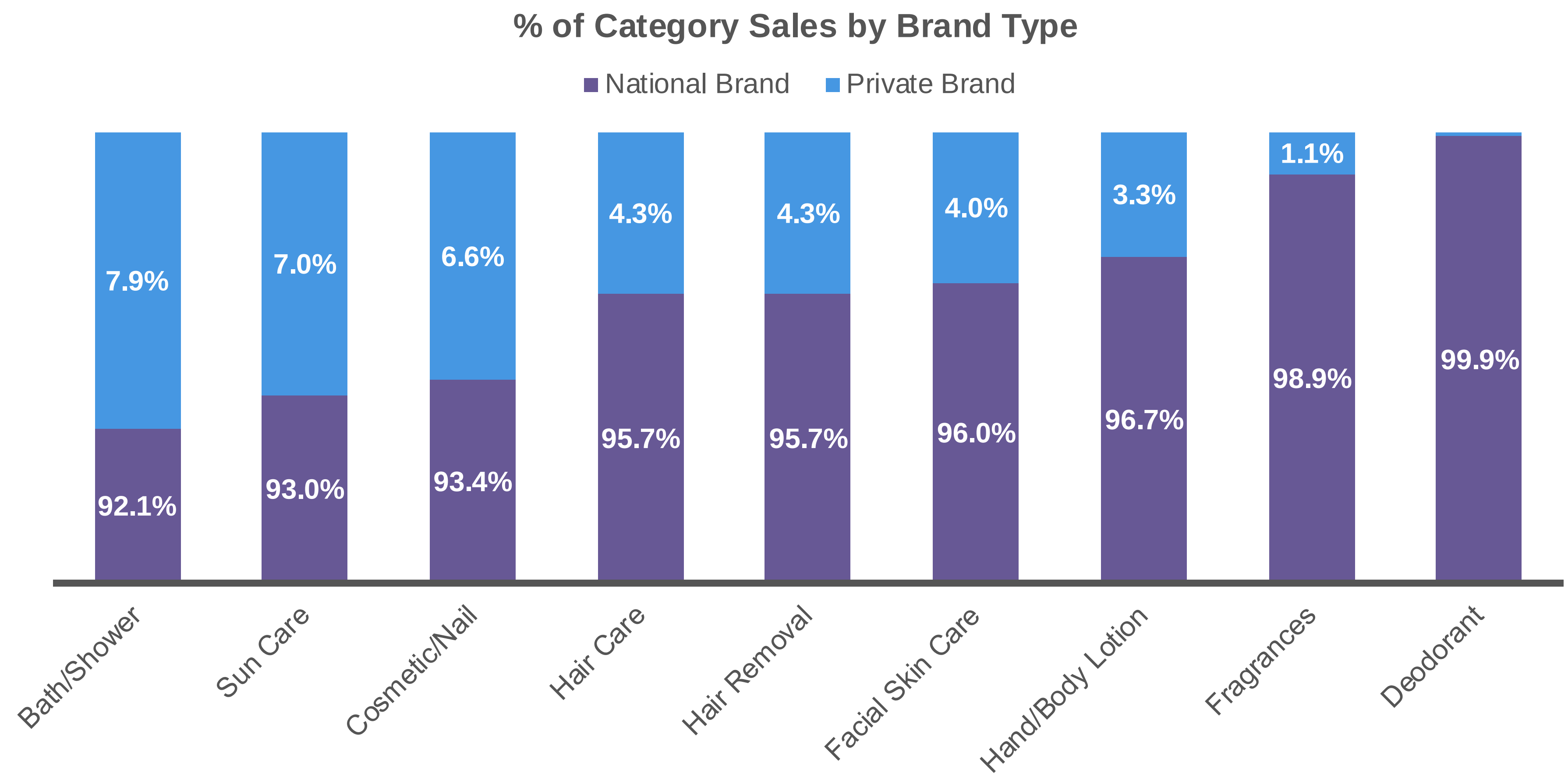
Retailer's Innovate with Private Brands

Retailers continue to use Private Brand as a vehicle for quality and value



5% of Total Beauty Sales are Private Label

Private Label Category Share Gains

Bath/Shower: +1.4 pts

Sun Care: +1.1 pts

Fragrances: +0.5 pts

Source: NIQ Omnishopper, L52W Ending 10/5/24, Total US, All Shoppers

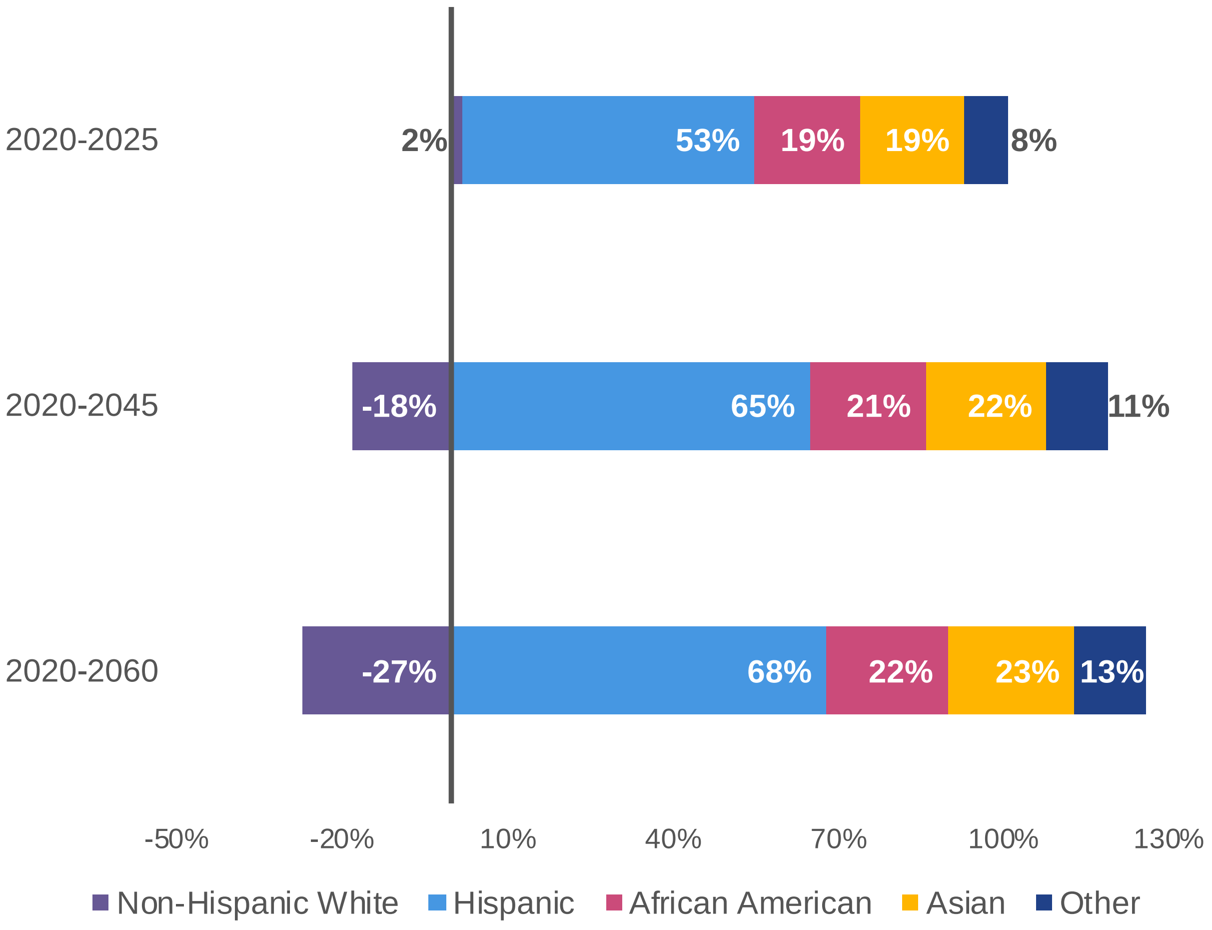
Upgraded Store Brands

Source: Retailer Websites

Demographics are Destiny: How Changing Generations will Impact Retail

Polyculturalism continues to be a growth driver

% contribution to total population growth by race/ethnicity



Asian Americans ***spend $53 more annually*** on moisturizer than the average beauty consumer, and are heavy shoppers of Costco, Sephora and Target

Hispanics ***spend about 50% more*** on fragrance annually, and are heavy in-store shoppers, making the most trips to physical retail

Black Americans spend ***23% more on bath care, and 16% more on body lotions*** annually. They make more than their fair share of trips to Department stores, Dollar stores, and amazon.com

Source: 2018 American Community Survey

Channel strategies should vary based on age target

Gen Z and **Millenials** are more likely to shop for Beauty and Personal Care products at Sephora and Target

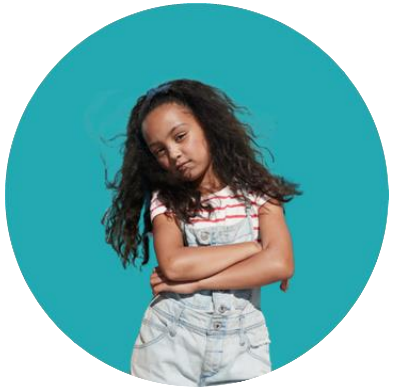
Over indexing channels for Beauty and Personal Care




	Gen Z	Millennials	Gen X	Boomers/Traditionalists
Tend to shop…	Sephora, Ulta, Target	Sephora, Target	Department, Dollar, Drug, Walmart	Department, Dollar, Grocery, Walmart
Not shopping…	Department		Target	Sephora, Target

Source: NielsenIQ Omnishopper, Trip Projected, Syndicated Database POD 444, L52 WE 03/23/2024, Total Outlets, Total Beauty & Personal Care Categories

Generations – what do we need to do to attract these generations

Boomers	Gen X	Millennials	Gen Z	Gen Alpha
				
Redefined Aging	Reignited Beauty Passion	Broadening Beauty	Affordability & Novelty	Education & Safety
Rewarding Loyalty	Personalized Solutions	Emerging Market Focus	Skin Care Savvy	Tech & Social Natives

Key thoughts

A time for exploration and discovery

Shoppers are looking for beauty in new and varied places. Brands need to be experimenting with how their products show up, and how to incorporate social and gamified experiences to appeal to shoppers

The in-store experience is ripe for a comeback

While e-commerce has evolved rapidly in the past 5 years, the in-store experience has remained largely the same. The successful retailers of tomorrow will find a way to capture the excitement happening in beauty e-commerce, and bring it to the physical world.

NIQ

Thank You!

For more information, get in touch:

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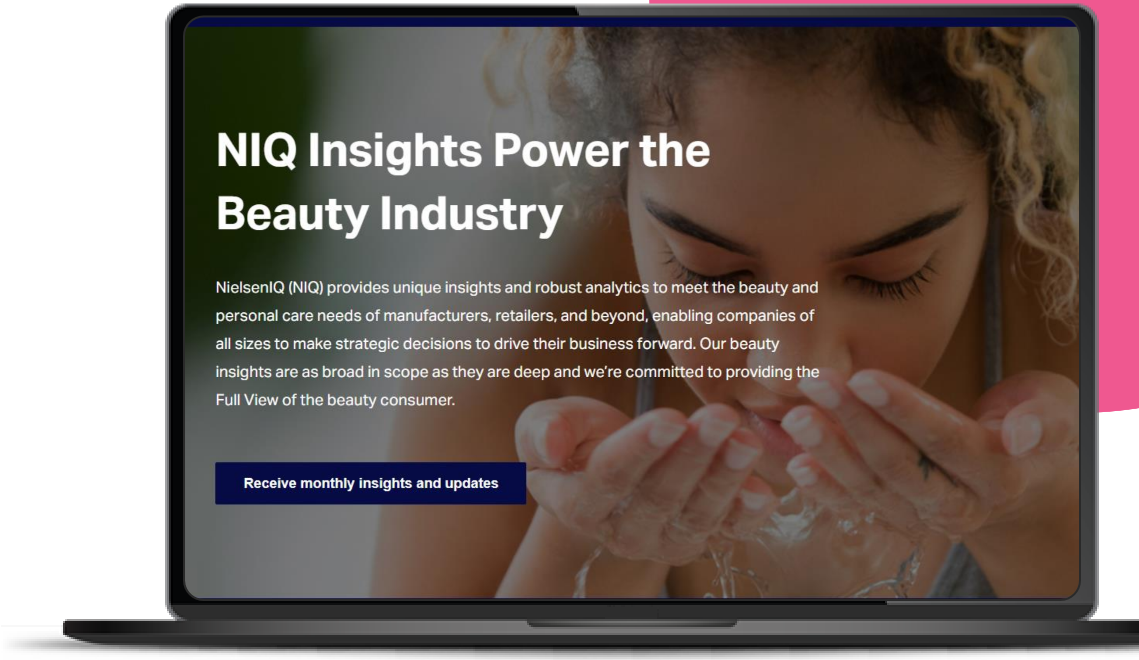

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