COLOR COSMETICS STUDY

Wednesday, November 15, 2017
Survey fielded by Toluna to 1,000 Women 18-75 October 2017

- Product Types Purchased (20 Across Face, Eye, Nail, Lip and Gift Sets) and Purchase Regularly (3+ times)
- Outlets where purchased and purchased regularly
- Attitudes towards Cosmetics and Social Media

TABS Group Tests and Checks for:

- Internal Data Validity
- External Industry Corroboration (correlate data to Market Share, Annual Reports)
Today We will Review...

- WHO BUYS COSMETICS?
- WHAT DO THEY BUY?
- WHERE DO THEY BUY?
- WHY DO THEY BUY?
- YEAR-OVER-YEAR TRENDS IN BEHAVIOR AND ATTITUDES

Three prior webinars can be found at webinars.tabsanalytics.com

**DEFINITIONS**

<table>
<thead>
<tr>
<th>Buyer Group</th>
<th>Cosmetics Types</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light Buyer</td>
<td>1-4</td>
</tr>
<tr>
<td>Medium Buyer</td>
<td>5-9</td>
</tr>
<tr>
<td>Heavy Buyer</td>
<td>10+</td>
</tr>
</tbody>
</table>
Cosmetic Purchasing by Type

Penetration by Type dropped, in general, but Regular Purchasing grew quite a bit.

**GAINS:** Reg Face Cosm and Lip
Cosm Purch, Eye Lash, Artificial Nail

**DECLINES:** Mascara and Eye
Shadow, Nail Polish
Cosmetic Demographics
Age 18-24 remain the heaviest buyers, but there was an interesting shift between Age 25-34 (decline) and Age 35-44 (gain). Hispanics and Upper Middle Incomes also show the highest rate of Heavy Buying.
Color Cosmetics Weighted Share of Mentions by Outlet

There was a meaningful shift away from Mass Market, as influence of Social Media on emerging brands has had more impact.

**WINNERS:** Walmart and Target.com, Amazon, Sephora, Kohl’s, Macy’s

**LOSERS:** Big 3 Drug, MLM, Grocery

Walmart and Target’s business saw a Net Gain.
There was big drop in buyers keeping to 1 or 2 brands.

There was a big jump in the number of people trying products due to online reviews.

Beauty Advisors are not popular, even among Heavy Buyers.
Cosmetic and Beauty Attitudes – By Buyer Group

Deal importance dropped significantly this year, as the importance of information starts to take priority in the decision tree for Heavy Buyers.

- We get a better feel for the major role online information has for Heavy Buyers.
- Deals decline in importance among Medium and Heavy Buyers.
- Importance of Natural/Organics as a niche, but is not expanding in its importance.
Social Media Engagement

Social Media is now “Very Important” to almost 40% of All Buyers and 60% of Heavy Buyers in making Cosmetics purchases.

The big jump among Medium Buyers (27% to 39%) is highly suggestive that Social Media is fast becoming a mainstream media platform for this category.
Social Media Engagement
All Social Media platforms saw gains in importance, with YouTube still being the most preferred. Interest in Beauty Blogs has subsided over the past four years.

% All Buyers Saying Social Platform “Very Important”

<table>
<thead>
<tr>
<th>Platform</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>YouTube</td>
<td>20%</td>
<td>27%</td>
</tr>
<tr>
<td>Facebook</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Beauty Blogs</td>
<td>16%</td>
<td>19%</td>
</tr>
<tr>
<td>Instagram</td>
<td>13%</td>
<td>17%</td>
</tr>
<tr>
<td>Pinterest</td>
<td>13%</td>
<td>16%</td>
</tr>
<tr>
<td>Twitter</td>
<td>7%</td>
<td>12%</td>
</tr>
<tr>
<td>Snapchat</td>
<td>8%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Avg # - 2016 1.26
Avg # - 2017 1.63

% Heavy Buyers Saying Social Platform “Very Important”

<table>
<thead>
<tr>
<th>Platform</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>YouTube</td>
<td>52%</td>
<td>58%</td>
</tr>
<tr>
<td>Facebook</td>
<td>35%</td>
<td>44%</td>
</tr>
<tr>
<td>Beauty Blogs</td>
<td>29%</td>
<td>31%</td>
</tr>
<tr>
<td>Instagram</td>
<td>22%</td>
<td>30%</td>
</tr>
<tr>
<td>Pinterest</td>
<td>21%</td>
<td>27%</td>
</tr>
<tr>
<td>Twitter</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>Snapchat</td>
<td>12%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Avg # - 2016 2.04
Avg # - 2017 2.61
Cosmetics continues to see growth, but may be decelerating a bit, particularly in Mass Market.

Dollar growth is still very robust, driven by the growth in more expensive brands in the Specialty and Online channels.

Department Stores saw big gains this year, but these gains were limited to Macy’s and Kohl’s. They may be doing something different than the other Department Stores.

Online growth was significant, with Walmart.com and Target.com particularly pronounced.

The Cosmetics strategy for Drug – Beauty Advisors and exclusive brands – is not working. They lost a significant amount of share.

They need to give some serious thought as to whether this sector deserves is strategic level of importance given the dominance of younger consumers in the market.

Deals are very important but declined significantly vs. last year. Information platforms are becoming more important in the decision hierarchy for Heavy Buyers.

Social Media is becoming a critical component of how consumers gain information. Any brand with high aspirations cannot ignore these platforms.
Quarterly Survey to 2,000 Women

Types Purchased

Brand Awareness, Favorability and Purchasing – Mass Market and Specialty

Outlets where Purchased

Demographics and Key Buyers Groups: e.g. Millennials, Amazon Buyers

$4,000 per quarter; limited to 8 manufacturers.

http://www.tabsanalytics.com/2017-beauty-survey