NEW ZEALAND

PREMIUM HOME AND BODY PRODUCTS IN AUSTRALIA

ANNABELLE BLUE | AUSPAC MARKET RESEARCH | JULY 2023

Introduction to this report

Background

The premium home and body category includes a range of products, from cleaning to home fragrances (candles, diffusers and room sprays) and body products (moisturisers and wash).

This research aims to look across the premium home and body landscape in Australia to understand the consumers and competitors, and how New Zealand businesses can best position their products.

Methodology

This research used a primary and secondary market research methodology.

The primary research was conducted through the research platform Stickybeak.

The secondary research was collected through desktop research, and subscription databases: Euromonitor, IbisWorld and Statista.

Purpose

The purpose of this report is to help New Zealand premium home and body brands compete in the Australian market, by looking into:

1) Market Overview
2) Consumer Insights

Limitations

The information provided in this report was derived from secondary sources. Due to the nature of secondary research, all values and figures should be treated as indicative rather than absolute. The latest information available at the time of the research was used, however present values may differ. We advice readers to take note of these limitations while reading the report.

SECTION 1

MARKET OVERVIEW

Market Overview

The following section looks across the selected categories in Australia, analysing market sizing and trends.

Premium Beauty and Personal Care

This is the aggregation of premium colour cosmetics, fragrances, deodorants, skin care, sun care, baby and child-specific products, bath and shower and hair care.

Candles

Included in this segment are container/jar candles, scented candles, tea lights, and taper candles.

Bath and Shower

This is the aggregation of bar soap, bath additives, body wash/shower gel, intimate washes, intimate wipes, liquid soap and talcum powder. Includes perfumed line extensions of mass or premium fragrances if sold individually; if part of a gift set these products are excluded.

Home Care

This is the aggregation of laundry care, dishwashing products, surface care, chlorine bleach, toilet care, polishes, air fresheners and insecticides.

Note bath/shower and home care will have a mainstream distribution skew, hence will include non-premium goods.

Premium beauty and personal care categories are experiencing growth.

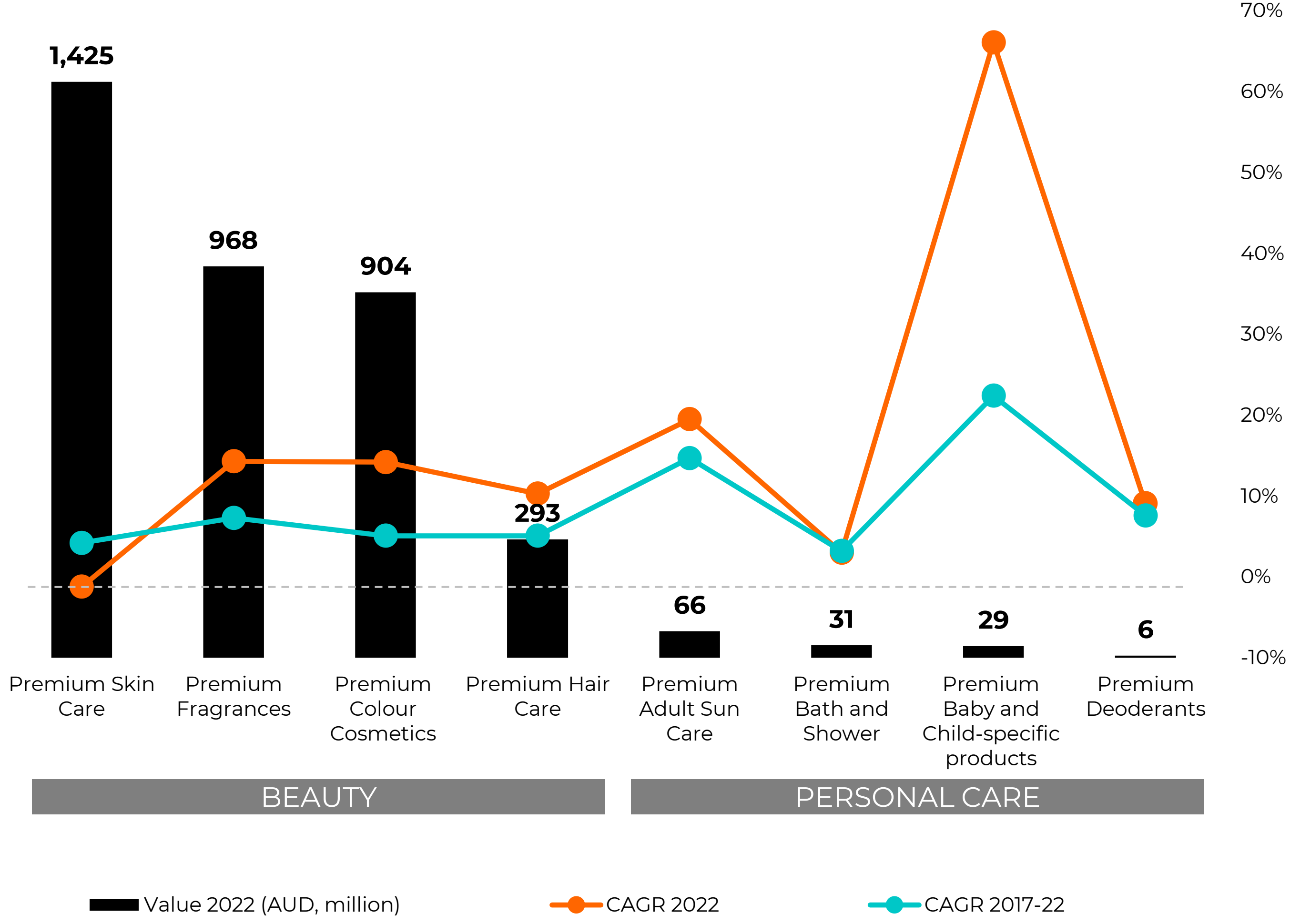
All premium categories of beauty and personal care have experienced growth from 2017 to 2022, however, premium skin care did experience a small decline in 2022.

Premium baby and child specific products was the best performing category in 2022, with retail values increasing 66% to $29 million AUD.

Adult sun care has also experienced high growth in the past year, growing at 20% in 2022. This segment will also have an overlap with premium skin care and premium colour cosmetics (make-up) which is continuing to see the inclusion of sun protection.

MARKET SIZING PREMIUM BEAUTY AND PERSONAL CARE, 2022

In AUD million



Source: Euromonitor – Premium Beauty and Personal Care (2023)

Key trends and opportunities in premium beauty and personal care:

Rise of beauty specialists

Over the years, the strong demand for premium beauty and personal care products resulted in an increase in outlet numbers of beauty specialists.

End of Travel Restrictions

With most travel restrictions removed, sales of premium beauty are anticipated to increase due to demand from tourists and immigrants. In line with this, premium beauty brands invested in expanding reach through airports.

Greenwashing

Australian regulators are prioritising and continuing to enforce the Australian Consumer Law with a focus on reducing greenwashing. This is anticipated to lead to a change in the way players use green marketing claims to differentiate their products in the local market.

Omnichannel

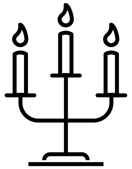
Online platforms versus physical stores have reached an equilibrium where they support and enhance the overall consumer experience. There is also an anticipated rise in direct-to-consumer models through digital platforms and social media marketing.

Skin care and Sun care

Premium adult sun care is anticipated to increase. There will be a focus on multipurpose functionality and better formulations with skin care ingredients.

Source: Euromonitor – Premium Beauty and Personal Care (2023)

The candle market spiked following covid-19 due to more consumers spending time at home.

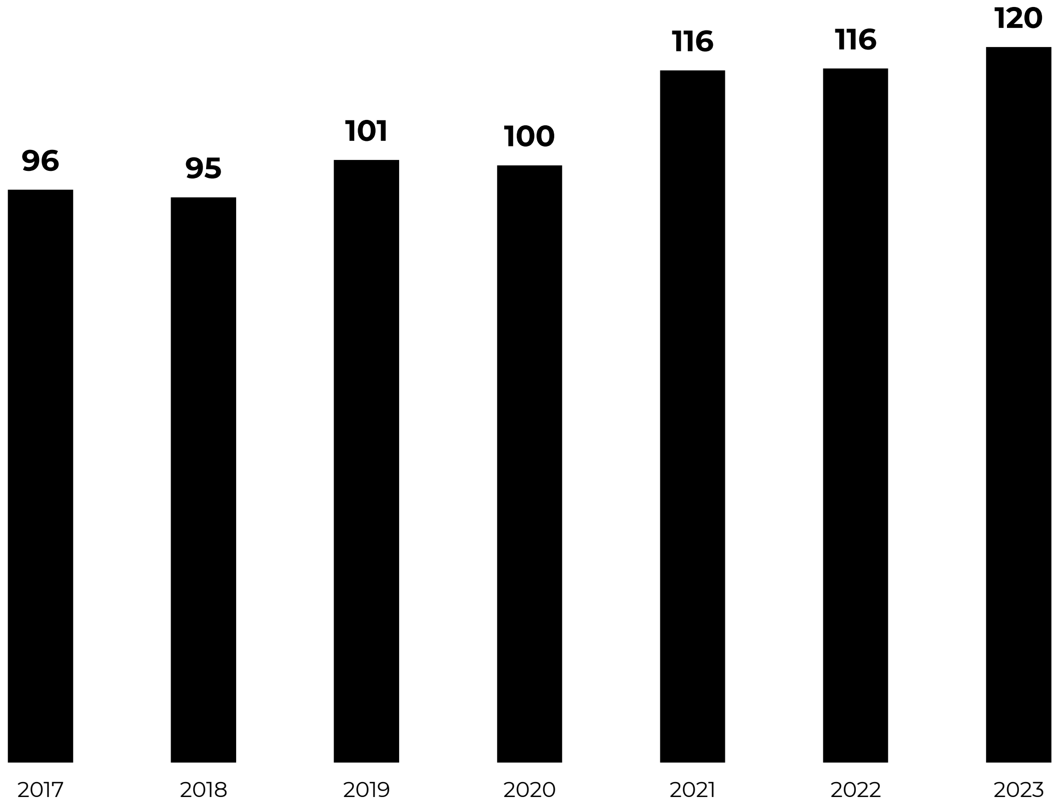


Revenue in the Candles Segment amounts to AU$119.80m in 2023, representing a growth of 3.1% for 2023. The market is expected to grow annually by 3.60% (CAGR 2023-2027).

In relation to total population figures, per person revenues of AU$4.55 have been generated in 2023. The average revenue per capita is also predicted to rise into 2027.

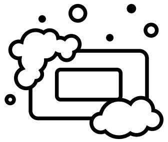
According to homewares retailer Dusk, the surge in demand for scented candles and diffusers can be attributed to consumers spending more time at home.

MARKET SIZING OF CANDLES IN AUSTRALIA
In AUD, million



Source: Statista market Insights, latest update April 2023; and 'Candle Seller Dusk's profits to more than tripe' Australian Financial Review, 2021.

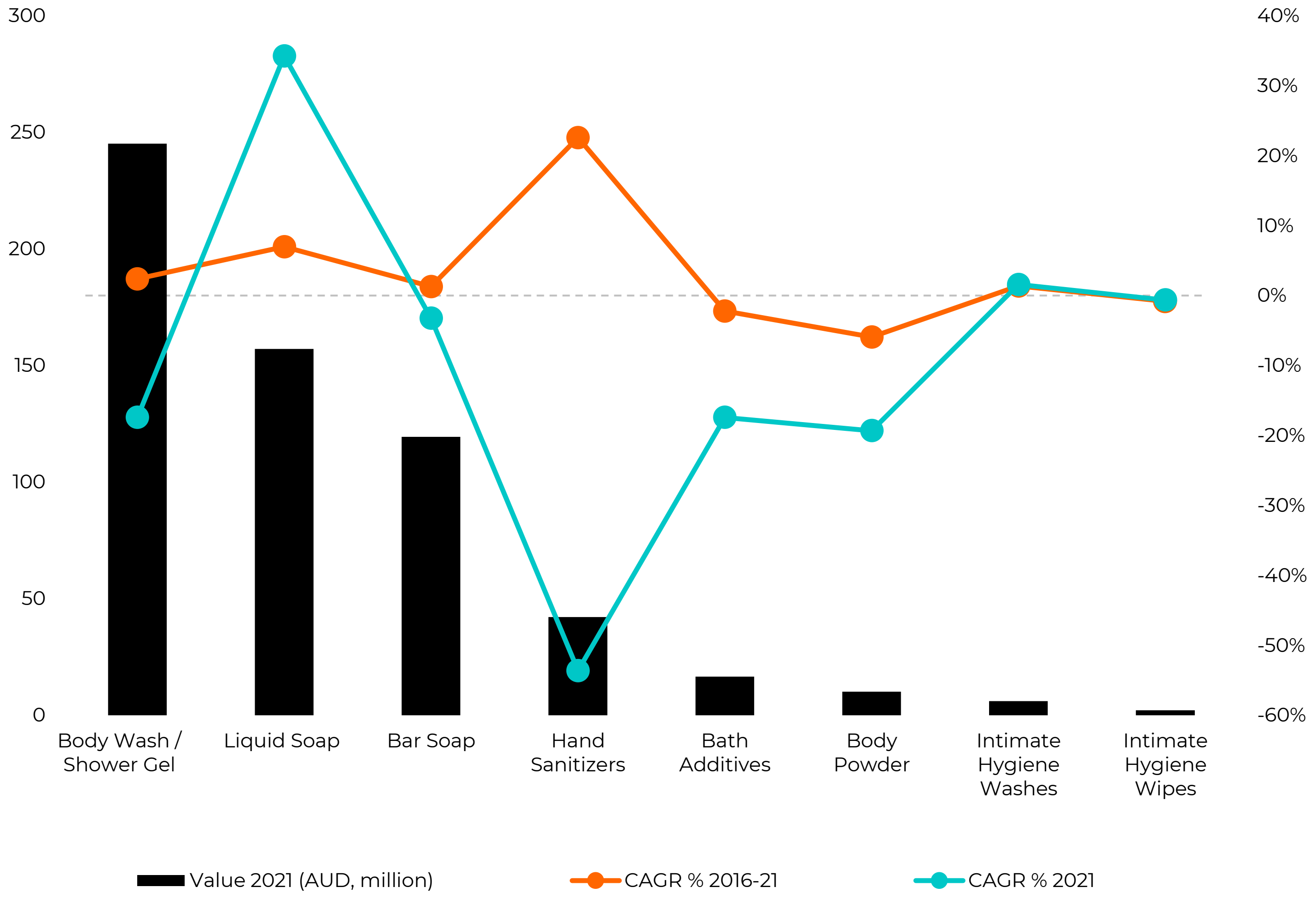
In 2021, liquid soap grew by 34% in retail value, while bar soap remained stable and hand sanitizers dropped by 54%.



The Bath and Shower market value totalled **$599 million AUD** in 2021, a growth of 4.3% since 2017. The market spiked during covid, growing 24.2% from 2019-2020 as the need for sanitisers and high strength soaps increased.

By category, in 2021 there was a huge growth in demand for liquid soap, growing 34% in retail value, with bar soap remaining stagnant. While Hand sanitizers dropped by 54% following high growth during covid-19.

MARKET SIZING BATH AND SHOWER, BY CATEGORY, 2021



Source: Euromonitor – Bath and Shower (2023)

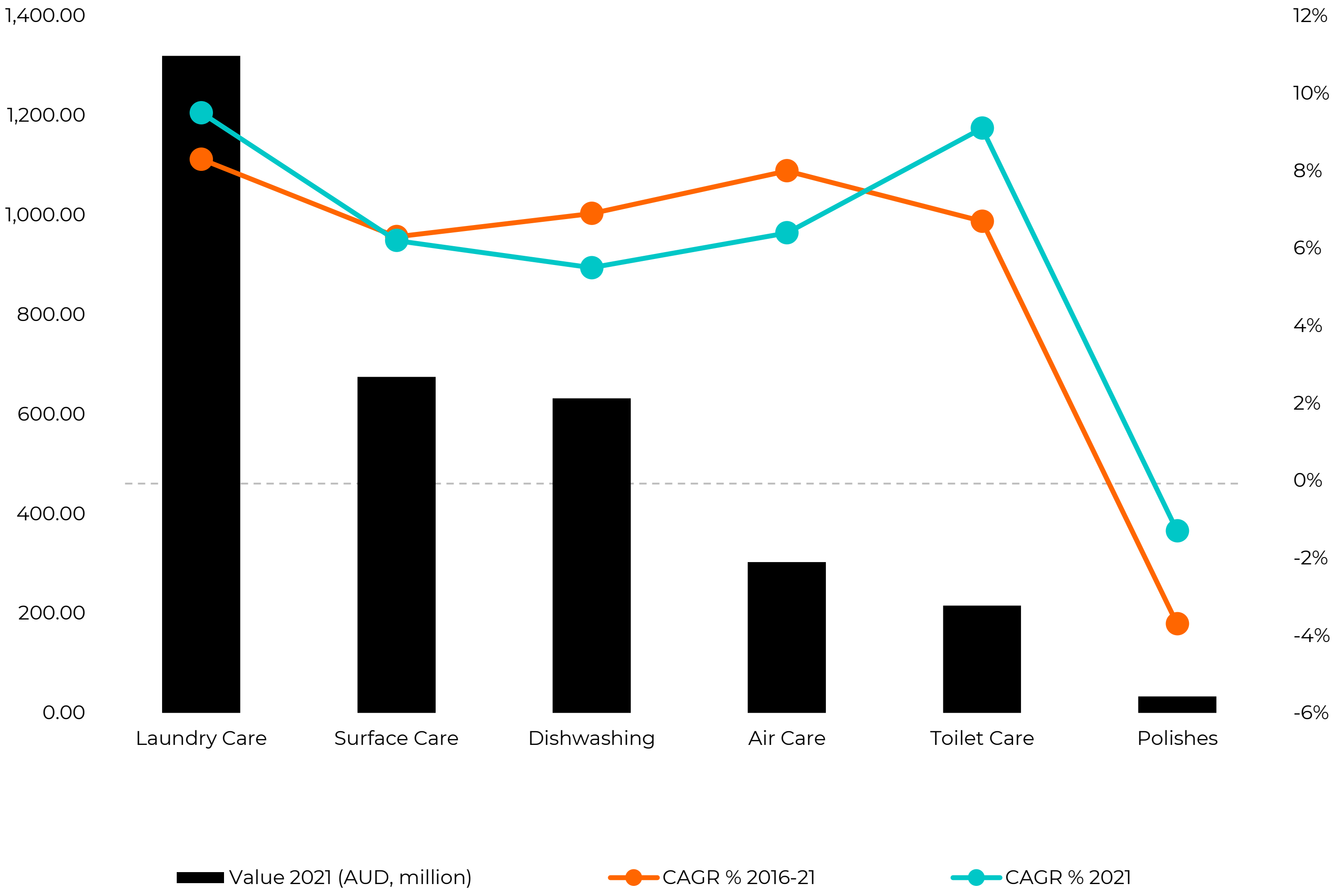
Home care is dominated by laundry care, followed by surface and dishwashing.

The overall home care market value in 2021 was $3.5 billion AUD. By category, laundry care was valued at $1.3 billion, surface care $675 million and dishwashing $632 million.

Demand for home care in Australia remained above pre-pandemic levels in 2022 as certain cleaning habits persisted, despite a marginal decline in retail volume sales.

Positive performers included liquid detergents, air care, surface care (impregnated wet wipes) and toilet care. This was due to the ongoing hybrid working arrangements and continued cooking at home, as consumers maintained clean and hygienic living environments.

MARKET SIZING HOME CARE, BY CATEGORY, 2021



Source: Euromonitor – Home Care (2023)

Market Overview:

The **premium beauty and personal care** market has experienced strong grown since 2017. The rise in tourism and consumer interest in premium skin care/ new trends will see the market continue to perform well across online and offline channels.

The **candle** market has also performed well, with a surge following covid-19 as more consumers spend time at home.

The **home care** market increased during covid-19 but has only had a marginal decline as working from home and cleaning habits continue.

For **bath and shower** liquid soap is performing, particularly following covid-19 when consumers really invested in quality soaps.

Premium beauty and personal care brands are innovating in the packaging space, utilising recycled materials and glass.

BEUATY AND PERSONAL CARE PACKAGING TRENDS 2022

Move towards a circular economy driving packaging innovation.

Sustainable packaging designs continue to gain importance in 2022, as beauty and personal care manufacturers introduced new pack types to minimise the use of plastic and boost the recyclability credentials of their packaging.

For example, L’Oréal expanded the use of its paper bottle packaging in Australia for La Roche-Posay and Kiehl’s towards the end of 2021. They partnered with manufacturer Paboco, that developed paper bottle packaging containing recyclable, food-grade plastic. The paper bottle packaging uses a layer of a plant-based, recyclable polymer called polyethylene furanoate (PEF) to ensure the cosmetics does not react with the packaging.

Growth in glass bottle packaging for premium products.

The packaging market in beauty and personal care, by retail volume increased by 1% in 2022 to 1.2 billion units.

Glass bottles had the highest unit volume growth, increasing by 4% in 2022 to 73 million units.

This growth is partly driven by the fragrance market which is dominated by glass packaging. Skin care in glass bottles also contributed to this rise due to the increasing demand for premium skin care. Furthermore, as consumers move away from deodorant sprays in aerosol cans, glass deodorants are expected to rise.

Innovation in service models.

The number of businesses offering recycling of different types of packaging, subscription services, refill stations and upcycling services is anticipated to grow in Australia.

Source: Beauty and Personal Care Packaging in Australia June 2023, Euromonitor Report

Refillable concentrates, tablets, plastic pouches and glass are popular home care packaging trends in 2022.

HOME CARE PACKAGING TRENDS 2022

Recycled plastic pouches sustain popularity in dishwashing tablets.

Automatic dishwashing tablets continued to see increasing packaging unit volumes in 2022, primarily due to the convenience they offer to consumers.

Plastic pouches are an important pack type for packaging dishwashing tablets in Australia since individual packaging in a plastic pouch ensures less mess and takes up less shelf space.

Refillable packaging's and concentrated refills.

Surface care players are responding to the demand for more sustainable packaging by introducing refillable containers, along with concentrated refills that use much less plastic and smaller packaging.

For example, eco-conscious brand Resparkle launched the Eco Clean Up Bundle with a refillable glass bottle. The environmentally-friendly concentrate comes in smaller packaging and can be activated by tap water.

Greater use of refillable packs is forecasted, with mainstream supermarket Coles operating an in-store refill station in a Sydney outlet that uses bottles made from recycled and sugarcane plastic.

Recycled and innovative environmental materials.

Sustainable materials are increasingly being adopted in home care products.

In 2022, Unilever used new Pulpex technology to develop a paper-based laundry detergent bottle for Omo that is claimed to be made of sustainably-sourced pulp and designed to be recycled in standard waste paper streams.

Sustainability is expected to continue to maintain its importance in a post-pandemic setting. A substantial number of brand owners have therefore been shifting towards more eco-friendly materials and moving towards packaging that is easily recyclable or that minimises the number and quantity of materials used, such as looking at 100% rPET (recycled plastics).

Source: Home Care Packaging in Australia May 2023, Euromonitor Report

SECTION 2

CONSUMER SURVEY

NZTE Home and Body Survey

June-July 2023

Methodology

- The project was conducted on the **Stickybeak** platform to understand usage, attitudes and behaviours in relation to home and body products to support growth plans into Australia for NZTE clients.

- Survey audiences were recruited via Facebook, Instagram, TikTok and Messenger from Monday 26 June until Tuesday 4 July.

Two survey samples have been analysed:

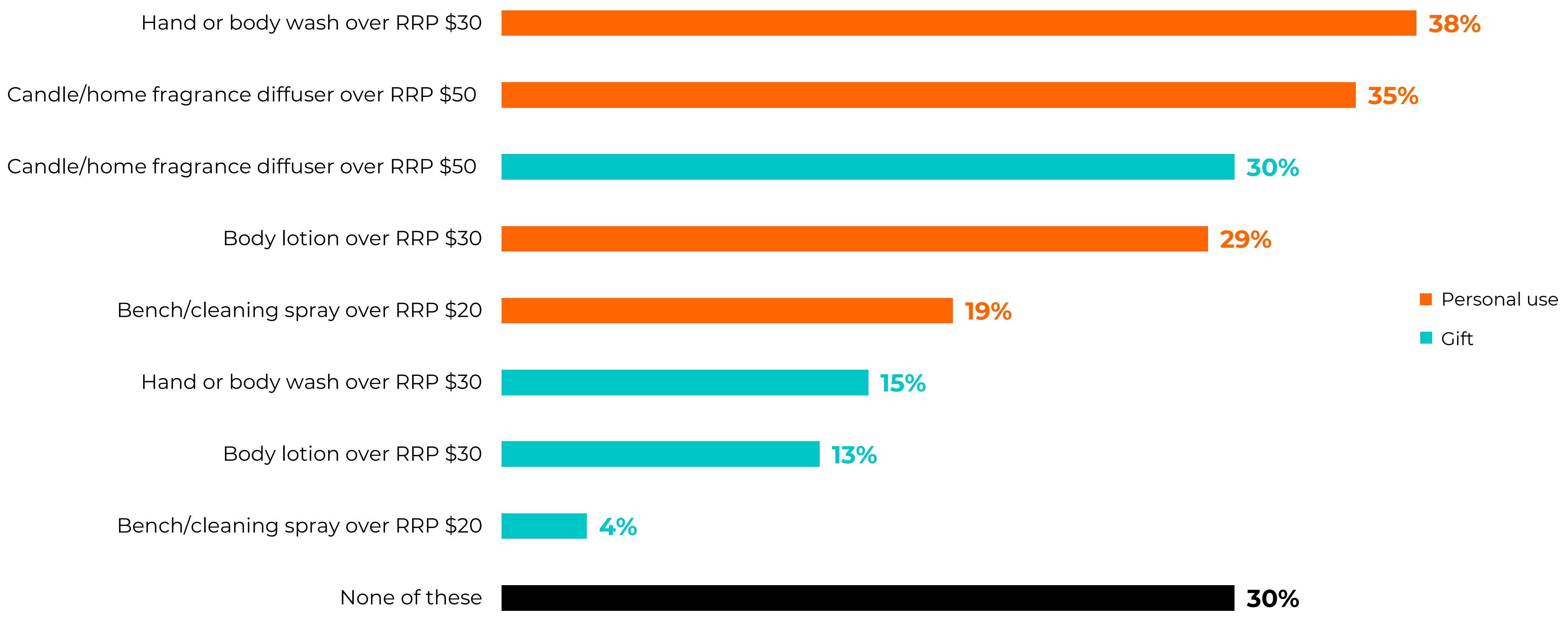
- Full Sample (**n=200**) targeted consumers in the major cities (Sydney, Melbourne and Brisbane) who showed an interest in candles, skin care or brand Ecoya.
- Qualified sample (**n=140**) is only the respondents who signaled they have purchased a premium home and body product, as a gift or for personal use, within the last 12 months (first question in survey).

Full sample demographics:

- Gender: Male (n=59), Female (n=133), Non-binary (n=5), Other (n=3)
- Age: Under 20 (n=46), 20-30 (n=45), 31-40 (n=39), 41-50 (n=32), 51-60 (n=19), Over 60 (n=19)
- Geography: Brisbane (n=40), Melbourne (n=81), Sydney (n=79).

Premium body products are primarily purchased for personal use, whereas a high proportion of candles/home fragrance are also gifted.

PREMIUM HOME AND BODY PRODUCTS PURCHASED AS A GIFT OR FOR PERSONAL USE IN THE PAST 12 MONTHS



N=200 ***Full Sample***

Source: NZTE Survey on Home and Body Products in Australia, conducted on platform Sticky Beak. Consumers were asked "which of the following home and body products have you purchased within the last 12 months, for personal use or as a gift? (note the dollar value per item)"

Sydney had the highest proportion of respondents who signalled they had purchased a premium home and body product.

Sydney ranked the highest for purchasing a premium home and body product, with only 23% of the sample audience not purchasing one of the products.

Sydney ranked extremely high for premium hand or body wash (48%), followed equally by candle/home fragrance as a gift or for personal use (38%).

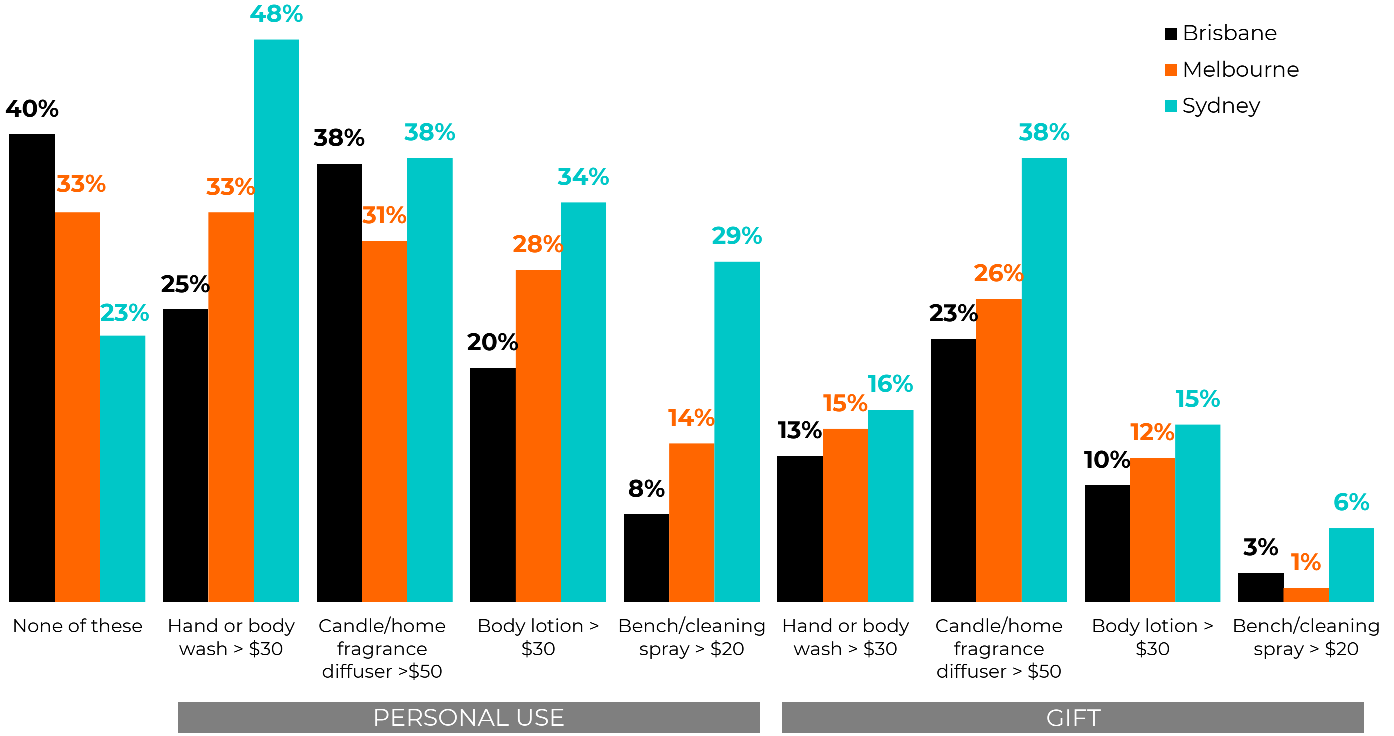
Compared to the other states Sydney also had a relatively high proportion of respondents purchasing premium bench/cleaning spray.

Brisbane was the only city where personal candle/home fragrance was the highest purchase category (38%).

Melbourne's top three purchases were all for personal use (hand or body, candle/home and body lotion), followed closely by candle/home fragrance gifts.

Sydney's higher response rate could be indicative of the higher median weekly income in NSW, which is slightly lower in VIC and lowest in QLD.

PREMIUM HOME AND BODY PRODUCTS PURCHASED AS A GIFT OR FOR PERSONAL USE IN THE PAST 12 MONTHS, BY CITY



N=200 ***Full Sample***

Source: NZTE Survey on Home and Body Products in Australia, conducted on platform Sticky Beak.

The trend of purchasing body for personal use and candles/home fragrance also as gifts was true for the under 60 age brackets.

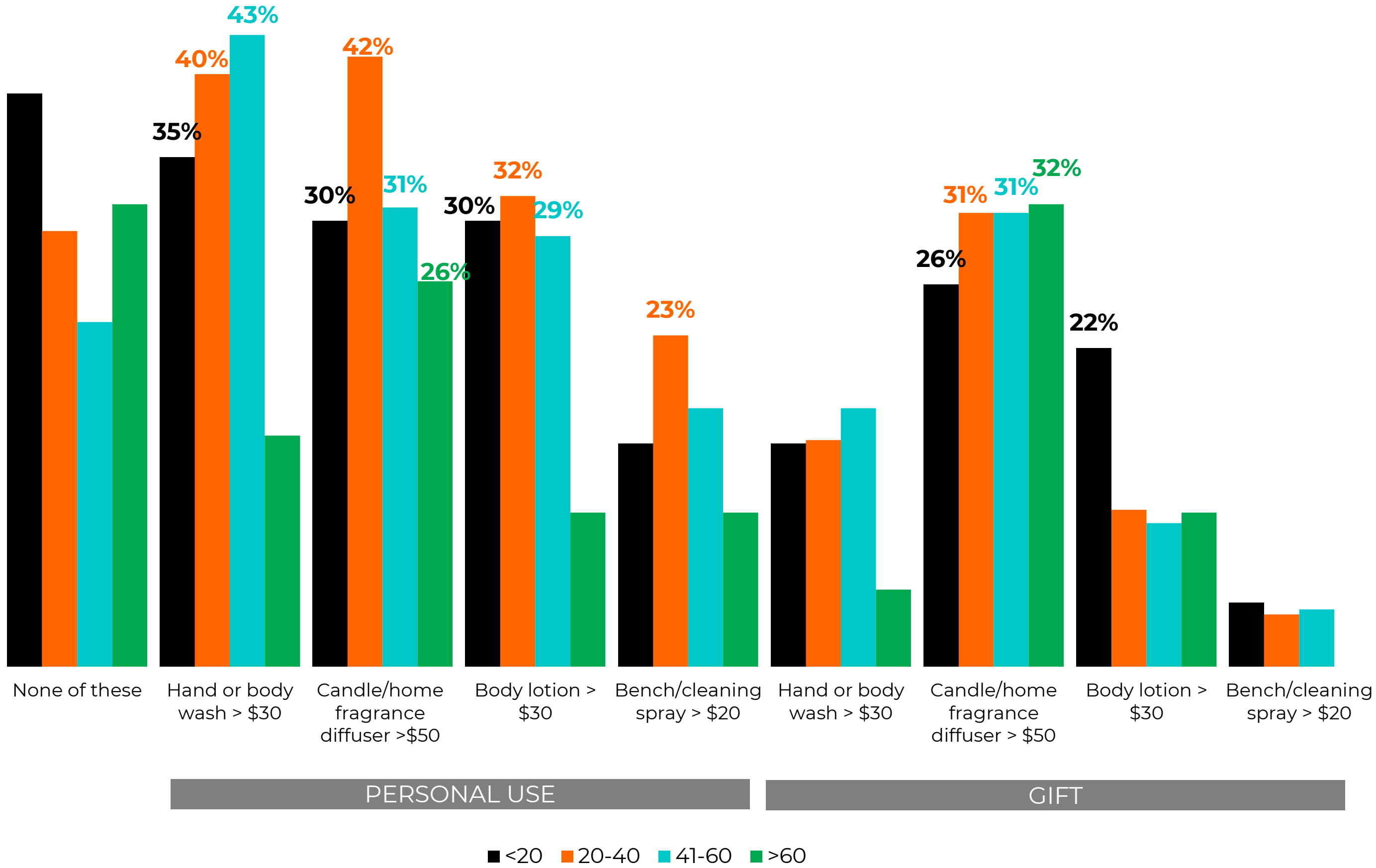
The over 60s age group differs from the others; ranking low across all categories except candles and home fragrance for gifts at 32% followed by personal at 26%.

The 20-40 are more driven to make personal purchases, with a higher than average proportion purchasing candles/home fragrance and bench/cleaning spray.

The 41-60 are also more driven to make personal purchases, with a higher than average proportion purchasing hand or body wash.

For gifting, all age groups ranked candle/home fragrance as their top gifting choice, it was slightly lower for the under 20 age group which also ranked body lotion as a high gift choice. This may be due to the age group having less finances to spend on gifting premium products.

PREMIUM HOME AND BODY PRODUCTS PURCHASED AS A GIFT OR FOR PERSONAL USE IN THE PAST 12 MONTHS, BY AGE



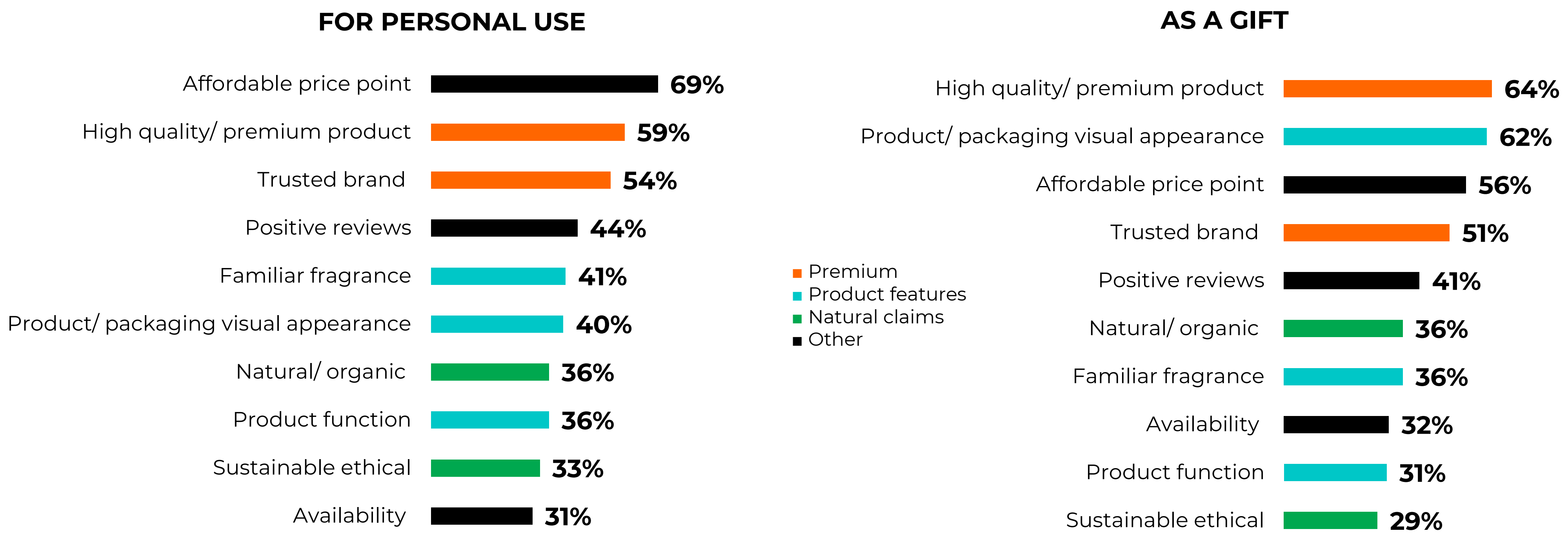
N=200 ***Full Sample***

Source: NZTE Survey on Home and Body Products in Australia, conducted on platform Sticky Beak.

The following questions analyse respondents who have purchased a home and body product in past 12 months.

When gifting home/body products, visual appearance is very important while affordability and familiar fragrance is slightly less important.

ATTRIBUTES WHICH ARE MOST IMPORTANT WHEN BUYING A HOME AND BODY PRODUCT



Affordable price point and premium/high quality products are top drivers for personal purchases of home and body. Consumers are also more likely to go for trusted brands and familiar fragrances when purchasing for themselves.

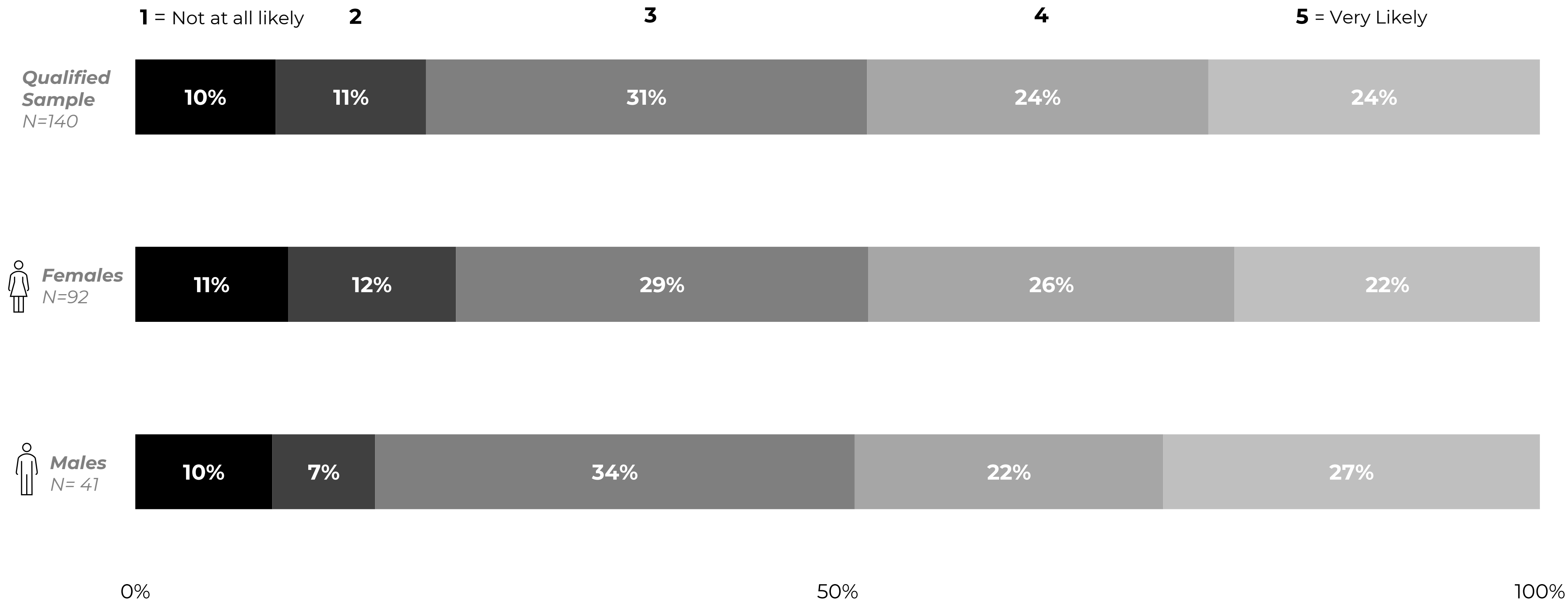
As a gift, high quality/premium is also a top purchase drive, followed by the product and packaging visual appearance. Compared to personal use, gift purchases rank slightly lower for affordability and trusted brand.

N=140 ***Qualified Sample***

Source: NZTE Survey on Home and Body Products in Australia, conducted on platform Sticky Beal. Consumers were asked to select up to five attributes each for personal use and as a gift.

Nearly 50% of respondents signalled they would buy a home or body product without trying it first, with males being slightly more likely.

LIKELIHOOD OF PURCHASING A HOME AND BODY PRODUCT WITHOUT TRYING IT FIRST, BY GENDER



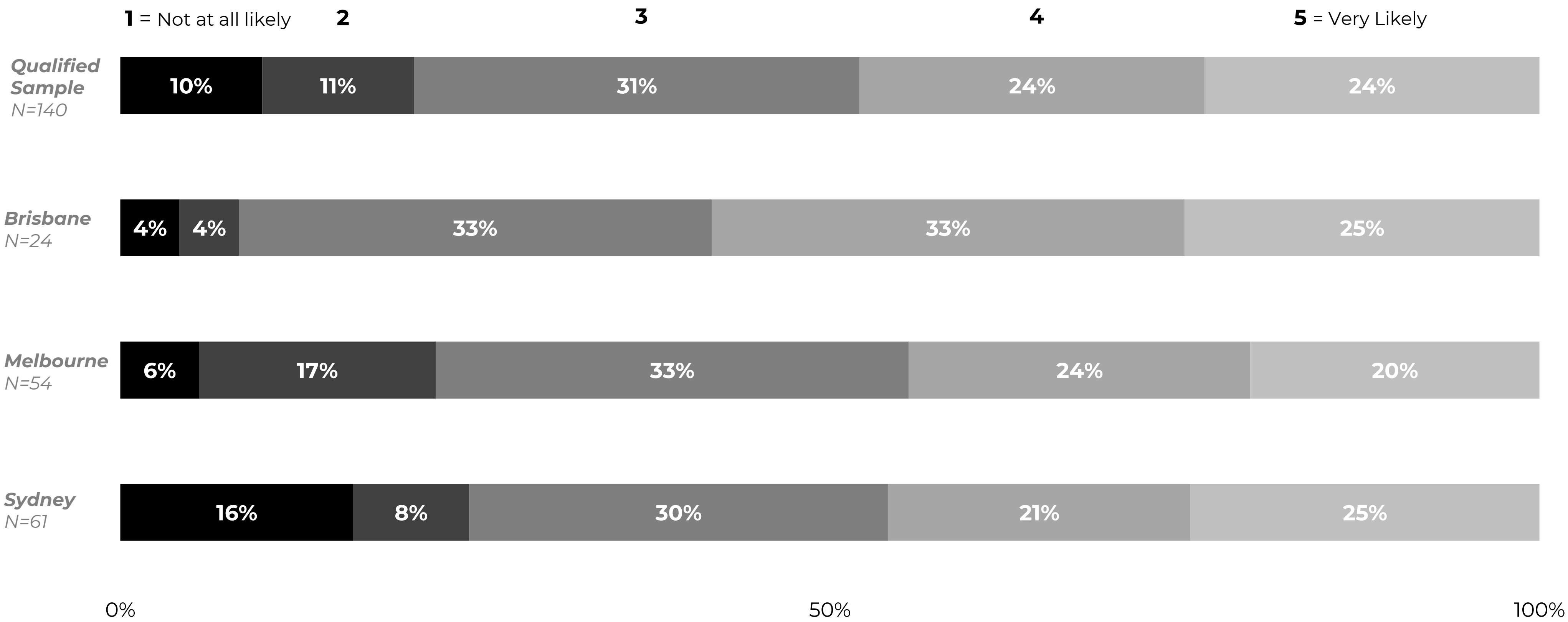
N=140 ***Qualified Sample***

Source: NZTE Survey on Home and Body Products in Australia, conducted on platform Sticky Beak.

Consumers were asked “how likely are you to purchase a body care (was, moisturiser etc) or home fragrance product without trying it first”.

Brisbane consumers appear most likely to purchase online without trying a product first.

LIKELIHOOD OF PURCHASING A HOME AND BODY PRODUCT WITHOUT TRYING IT FIRST, BY CITY



N=140 ***Qualified Sample***

Source: NZTE Survey on Home and Body Products in Australia, conducted on platform Sticky Beak.

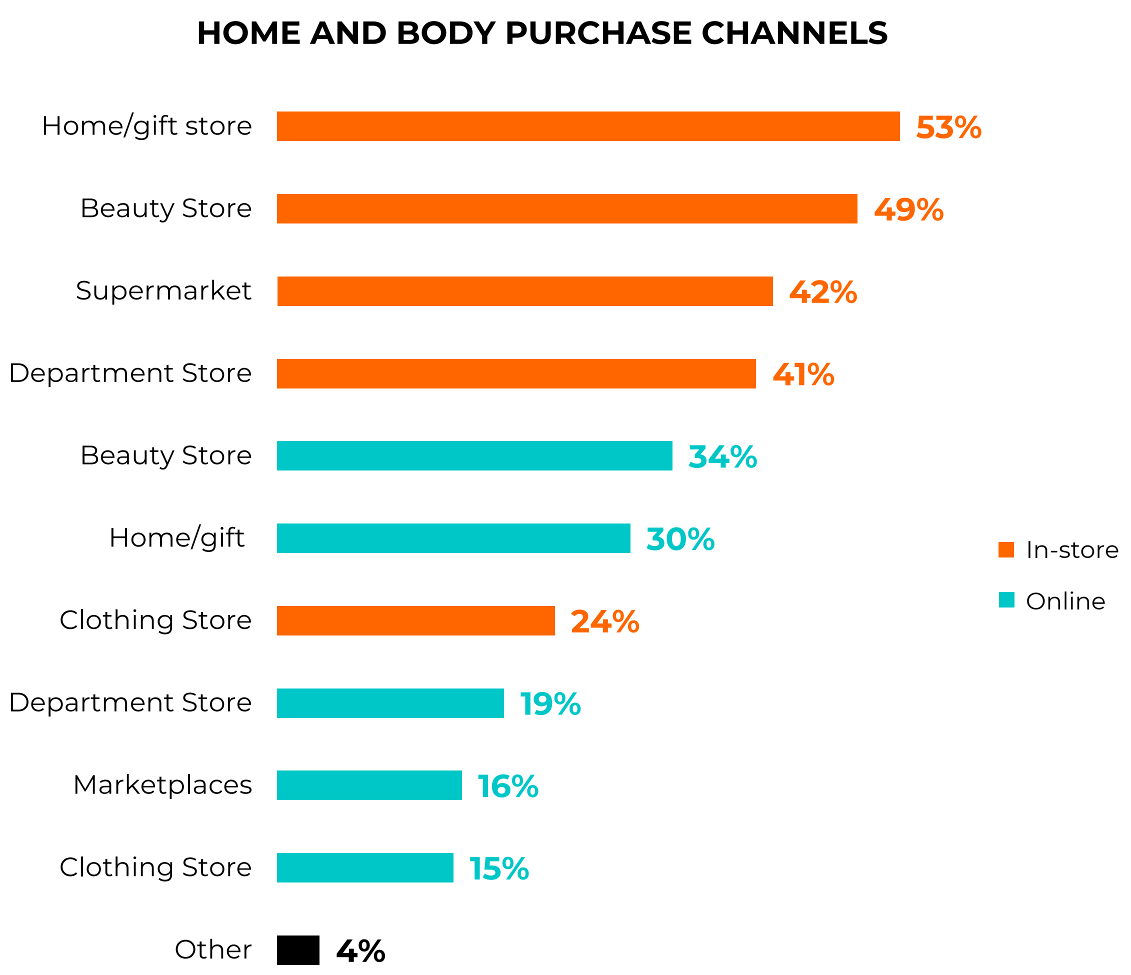
Consumers were asked “how likely are you to purchase a body care (was, moisturiser etc) or home fragrance product without trying it first”.

Respondents look to primarily shop for home and body in-store, with home/gift and beauty being the top instore and online channels.

Home/gift physical stores are the largest purchase channel for home and body products, followed closely by beauty, supermarket and department.

For online, beauty stores are the largest purchase channel followed closely by home/gift.

This likely indicates that consumers prefer to buy home/body products in-store where they can inspect, compare and rationalise their purchase.

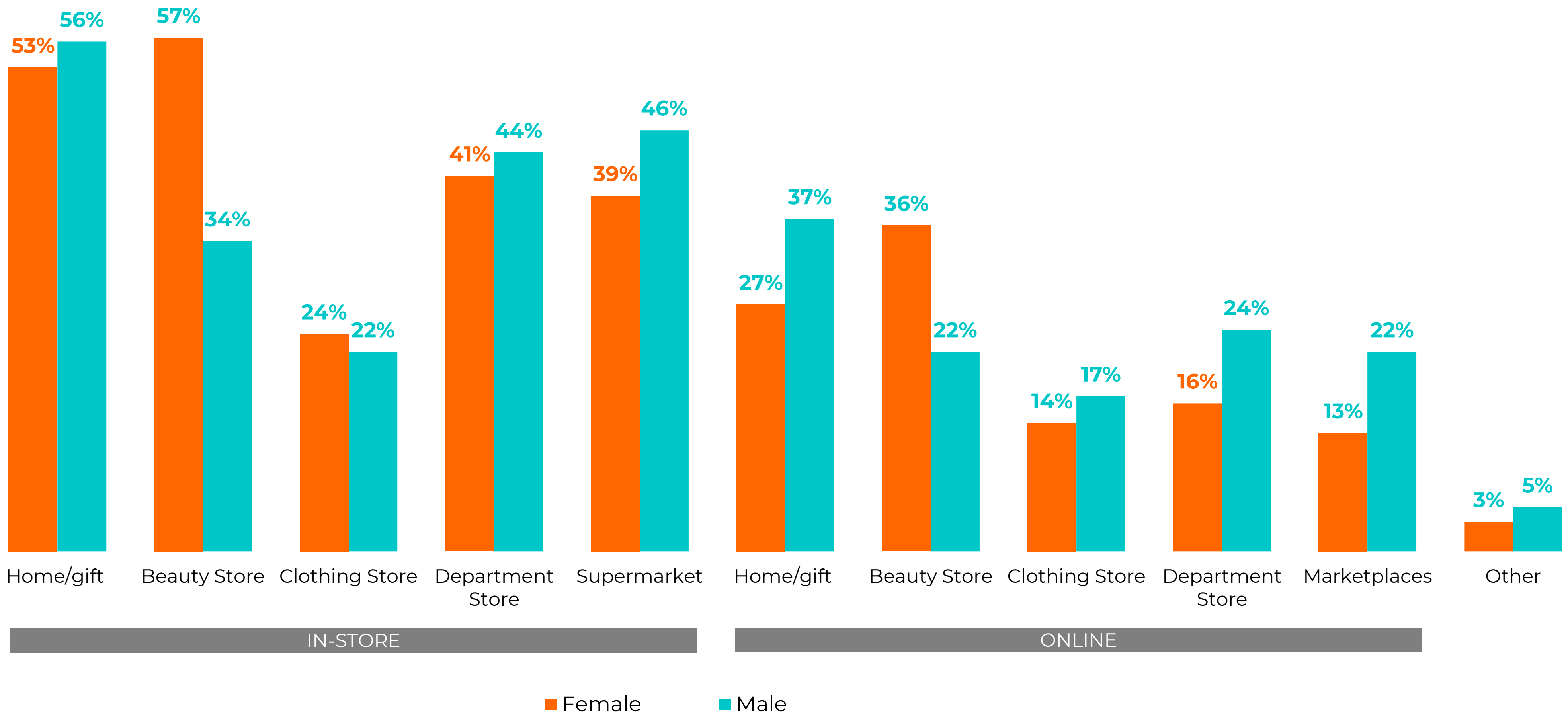


N=140 ***Qualified Sample***

Source: NZTE Survey on Home and Body Products in Australia, conducted on platform Sticky Beak. Consumers were asked “where do you normally shop for home and body products”.

For females, the largest purchase channels are in-store beauty followed by home/gift, while for males it is home/gift followed by supermarket.

HOME AND BODY PURCHASE CHANNELS, BY GENDER

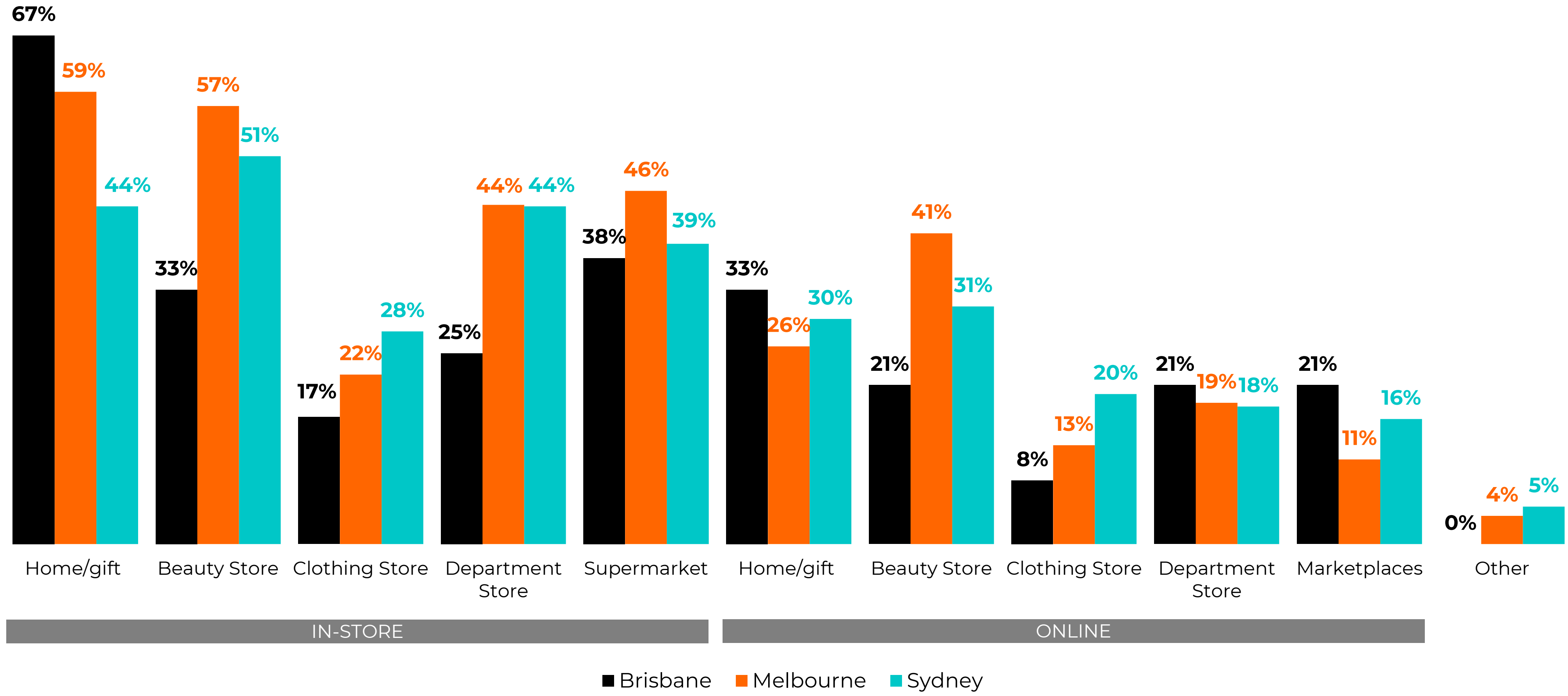


N=140 ***Qualified Sample***

Source: NZTE Survey on Home and Body Products in Australia, conducted on platform Sticky Beak. Consumers were asked "where do you normally shop for home and body products".

In Brisbane, in-store home/gift was the biggest channel, while in Sydney and Melbourne Beauty and department stores also ranked high.

HOME AND BODY PURCHASE CHANNELS, BY CITY

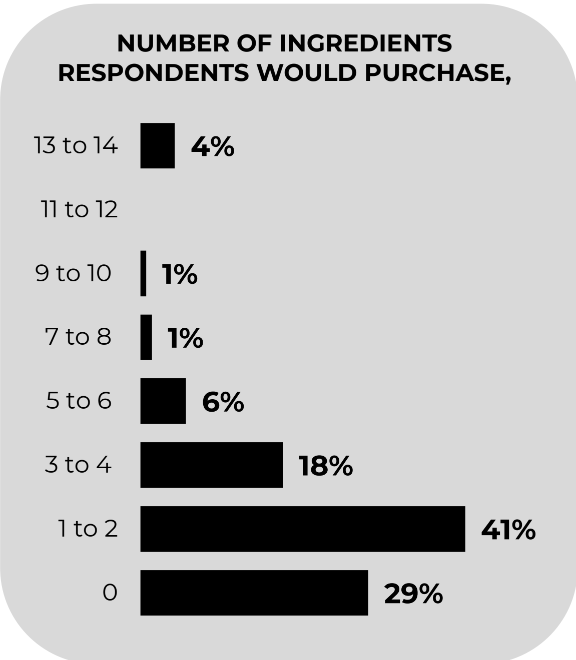


N=140 ***Qualified Sample***

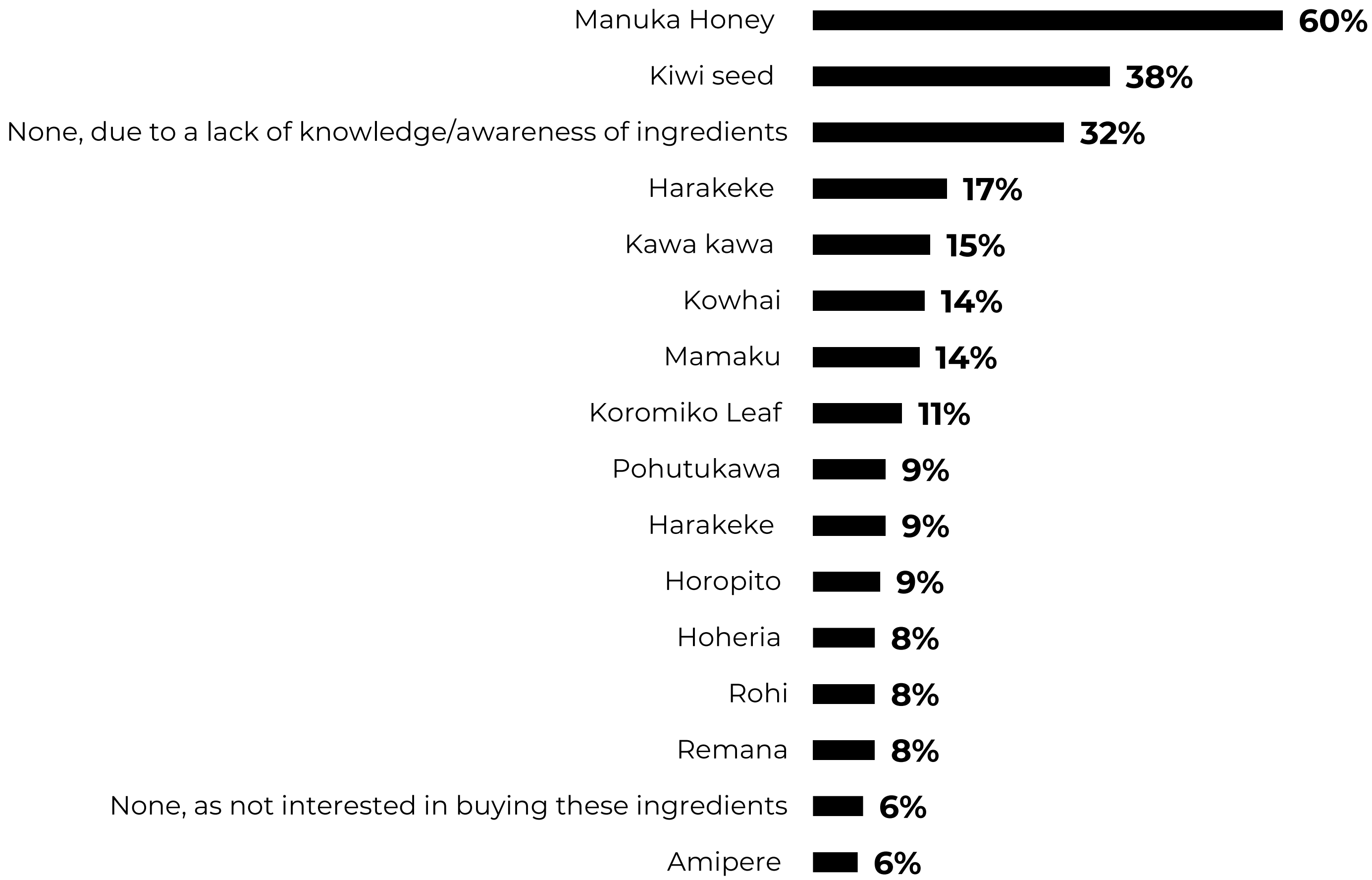
Source: NZTE Survey on Home and Body Products in Australia, conducted on platform Sticky Beak. Consumers were asked “where do you normally shop for home and body products”.

Nearly one third of respondents signalled they would not purchase any of the NZ ingredients due to a lack of knowledge or awareness.

Manuka was the top ingredient consumers signalled they would purchase, at 60%. Only 4% of respondents signalled they would purchase all 14 ingredients, with 29% signalling they would purchase none.



HOME AND BODY INGREDIENT AWARENESS



N=140 ***Qualified Sample***

Source: NZTE Survey on Home and Body Products in Australia, conducted on platform Sticky Beak. Consumers were asked "which of the following ingredients would you purchase?"

Nearly half of respondents indicated they would purchase Glass house followed by Aromatherapy Co and Ecoya.

Top recognised brands include Glasshouse, Aromatherapy and Ecoya. 44% of respondents signalled they would purchase 'other' showing there are other key players in this space.

GLASSHOUSE

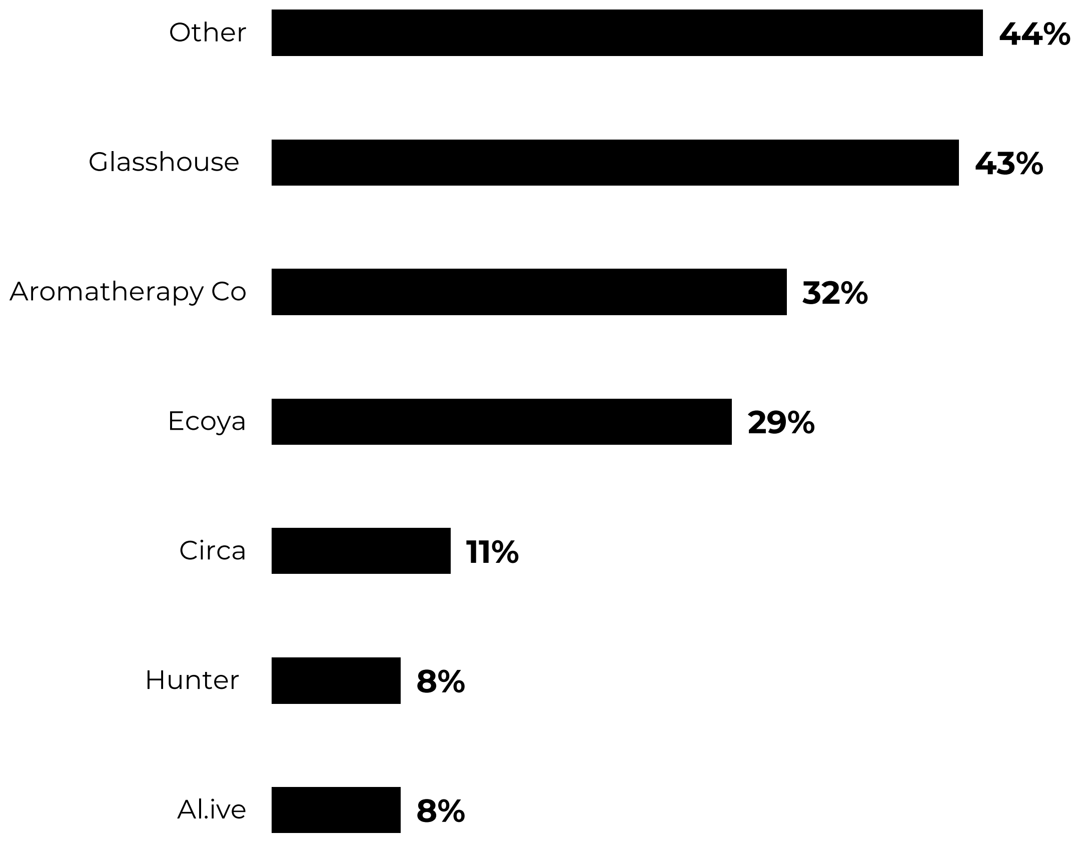
FRAGRANCES

Glasshouse is currently distributed across a range in-store shops, including Peter Alexander, David Jones and Opus Design (a home and gift store). They are also distributed through Costco selling bulk candles (3 x 350g candle pack RRP $89.99 AUD) and bulk diffusers (2 x Diffusers pack RRP $64.99 AUD). Glasshouse are distributed through only online retailers as well, for instance Iconic and Adore Beauty.

ECOYA

Ecoya is distributed across a range of in-store shops, including Myer, David Jones, Bed Bath N' Table and a range of home shops. A three-piece gift set is also being retailed at Costco. Ecoya are distributed through a range of only-online retailers as well, such as Catch.com.

HOME AND BODY BRANDS CONSUMERS WOULD PURCHASE



N=140 ***Qualified Sample***

Source: NZTE Survey on Home and Body Products in Australia, conducted on platform Sticky Beak. . Consumers were asked "which of the below body and home fragrance brands would you purchase?"

Source: Distribution of Glasshouse and Ecoya analysed through brands website and Costco Lidcombe Sydney trip visit July 2023.

Understand target audience, as purchase behaviours can differ by city, gender and age bracket.

Body products are primarily purchased for personal use.

Premium body products are primarily purchased for personal use, whereas a high proportion of candles/home fragrance are also gifted.

The over 60 age bracket appeared to have a low rate of buying premium body, however showed the highest response for gifting candles/home fragrance.

Sydney respondents also signalled a higher likelihood of purchasing premium home and body.

Decision drivers differ when gifting or buying for yourself.

When buying home and body for personal use, affordable price point and premium/high quality are top drivers. Consumers are also more likely to go for trusted brands and familiar fragrances when purchasing for themselves.

When gifting a product, high quality/premium is also a top purchase drive, followed by the product and packaging visual appearance. Affordability and familiar fragrance are slightly less important.

Consumers normally shop for home and body in-store.

Respondents look to primarily shop for home and body in-store, with home/gift and beauty being the top instore and online channels.

For females, the largest purchase channels are in-store beauty followed by home/gift, while for males it is home/gift followed by supermarket.

Home and gift stores ranked high across all three cities, particularly Brisbane. In Melbourne and Sydney, beauty stores and department stores were also popular channels.

Nearly half of consumers will buy a product without trying first.

Nearly 50% of respondents signalled they would buy a home or body product without trying it first, with males being slightly more likely, as well as consumers in Brisbane.

Consumers lack knowledge or awareness of NZ ingredients.

Nearly one third of respondents signalled they would not purchase any of the NZ ingredients due to a lack of knowledge or awareness.