Harris Williams

Annual Health & Beauty Survey

Q4 2022

Harris Williams Proprietary Consumer Survey Overview

Harris Williams surveyed ~1,000 Beauty Enthusiasts [1] to understand their current spending habits and outlook, what they prioritize, and how they discover and shop for brands and products

Continued Strong Spending and Engagement in Health & Beauty

1. ***Higher Demand Will Persist –*** *In the next year, 93% of beauty consumers expect to increase (49%) or maintain (44%) their spending (vs. 88% in the past year)*
2. ***Stable Spending in a Downturn –*** *Most consumers do not plan to reduce spending in a downturn, and if they do, destocking will be a key response*
3. ***Expanded Focus on Health –*** *Skin Health edged out Self-Care (#1 in the 2021 survey) as consumers' top priority with Hair Health closely following in third place*
4. ***Seeking Efficacy Without Sacrificing Clean –*** *Consumers placing similar importance on functional benefits and science as on clean/safe and transparency*
5. ***Evolving Product Discovery –*** *TikTok's influence with the 18-24 set is growing as they are hooked by engaging content and its robust algorithm*
6. ***Amazon's Growing Influence –*** *Ranked as top channel for beauty consumers this year alongside of mass retail and beauty specialists*

By the Numbers

1
93%
of respondents
Plan to increase or maintain spending on Beauty in the next year

2
~66%
of respondents
Would maintain or increase spending in an economic downturn

3
Top Priorities
- Skin Health
- Wellness, Self-care
- Hair Health

4
#1
Selection Criteria
for brand choice is functional benefits and for products is clean/safe

5
~83%
of respondents aged 18-24
Reported at least occasionally using Tik-Tok to discover new products

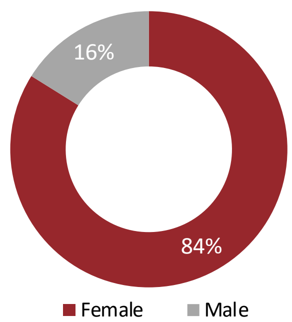
6
20%
More Men
Than women cite Amazon as a top channel for beauty and personal care

1. Survey conducted by Toluna

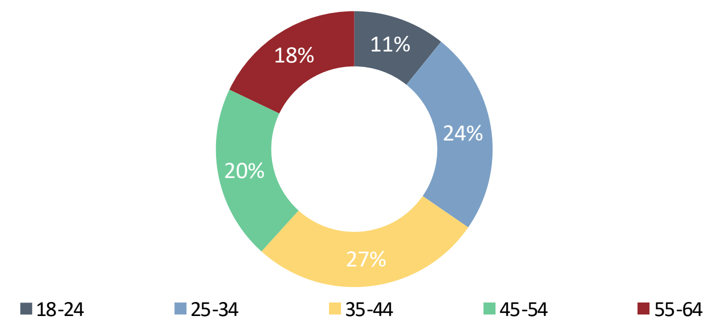
Harris Williams Surveyed ~1,000 Health & Beauty Enthusiasts[1]

Harris Williams surveyed a diverse group of Health & Beauty consumers, all of whom are highly engaged in the category and hold distinct views on the brands and products they buy

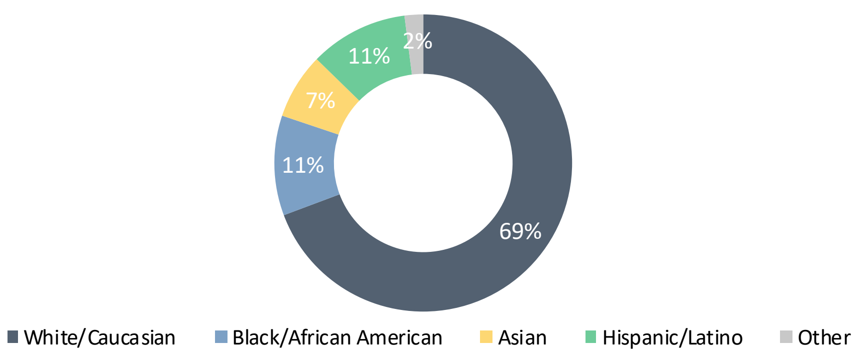
Gender



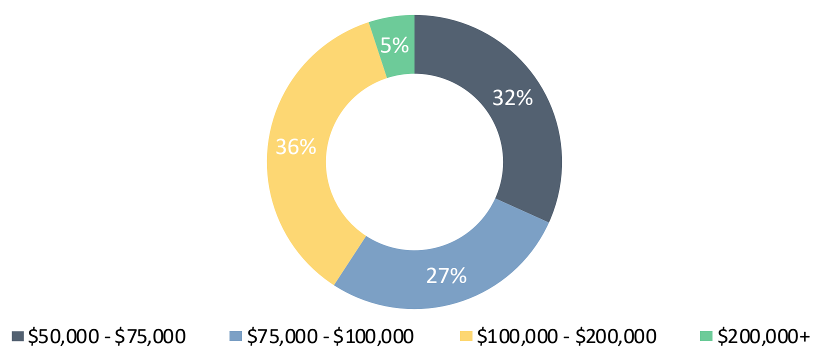
Age



Ethnicity



Annual Household Income



Key Insight:

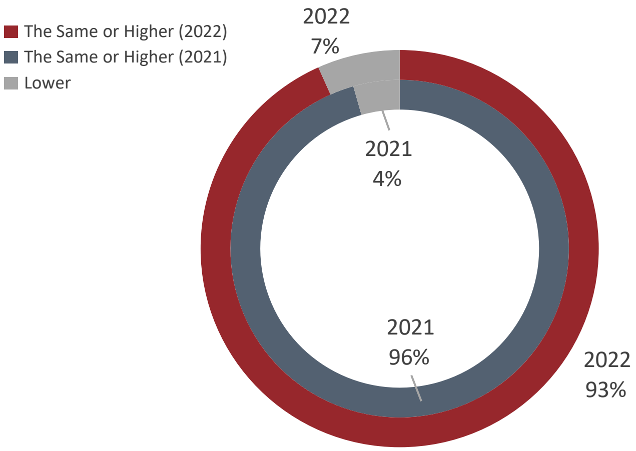
Survey participants were qualified based on their consumption, spending and engagement in beauty

1 Higher Demand in Health & Beauty Will Continue

While higher prices are the main reason for elevated spending in 2022, other top reasons - increased usage, sustaining wellness routines, and preference for premium - support long-term demand drivers

Stable Spending Outlook for Health & Beauty

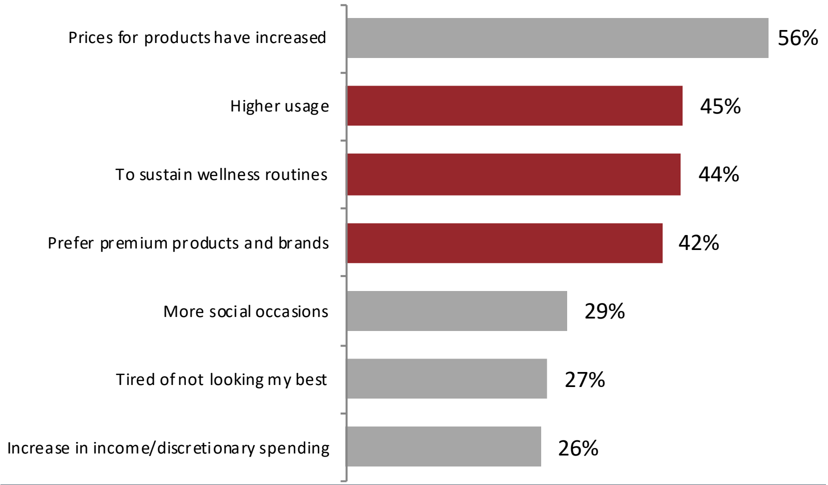
How much do you expect to spend on Beauty and Personal Care products over the next year?



93% of respondents expect to maintain or increase their spending in the next year, which is essentially unchanged from ~96% last year

Drivers of Increased Spending in 2022

What are the main reasons you are spending more? Select all that apply



While spending on Health & Beauty has increased, ~56% of respondents did note inflation as a cause

Key Insight:

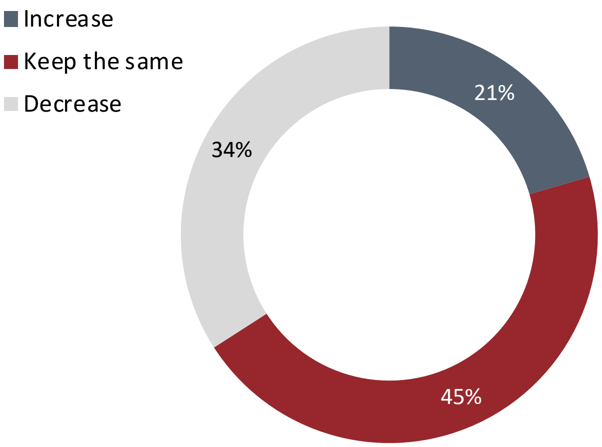
While consumers are experiencing increased prices, they also noted higher usage, sustaining wellness routines, and a preference toward premium products/brands as additional factors that are pushing spending higher

② Stable Spending in a Potential Downturn

Most consumers would not reduce spending in an economic downturn, and if they did, destocking would become more prevalent

Stable Spending Outlook for Beauty and Personal Care

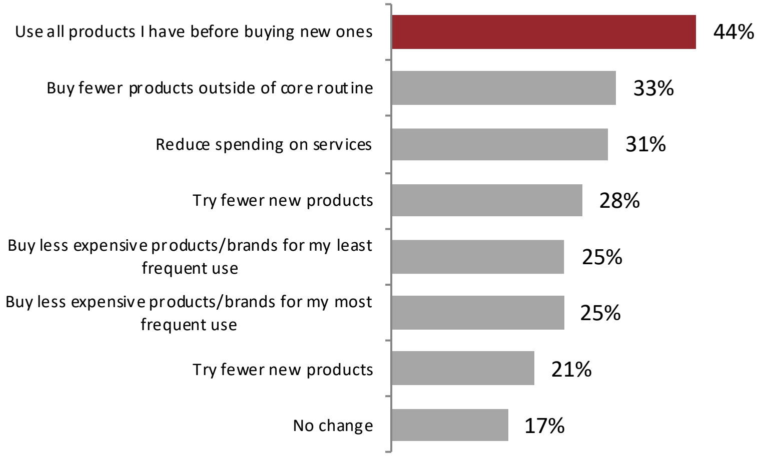
How would you adjust your spending on these products if there was an economic downturn?



66% of respondents will increase or maintain current spending in a downturn

Consumers Would Cabinet De-Stock in a Downturn

You indicated you would (decrease/maintain) spending during a downturn. Which of the following statements apply to you? Select all that apply.



Beyond cabinet de-stocking, beauty consumers would buy fewer non-core and new items and reduce spending on services in a downturn

Key Insight:

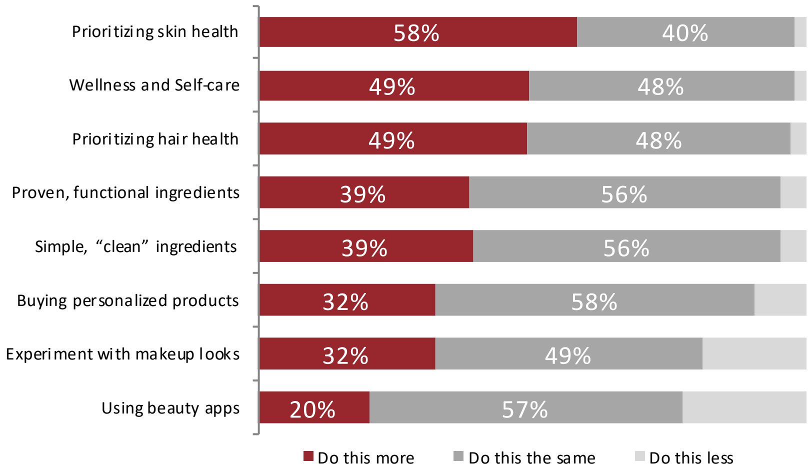
Dating back to The Great Depression, Health & Beauty spending has been resilient throughout down cycles, and our survey gives reason to believe that this trend will continue

3 Expanded Focus on Health: Skin & Hair Health, Wellness/Self-Care

Skin Health emerged as top priority alongside a continued emphasis on Wellness/Self-Care with Hair Health closely behind

Health & Wellness Trends Continue

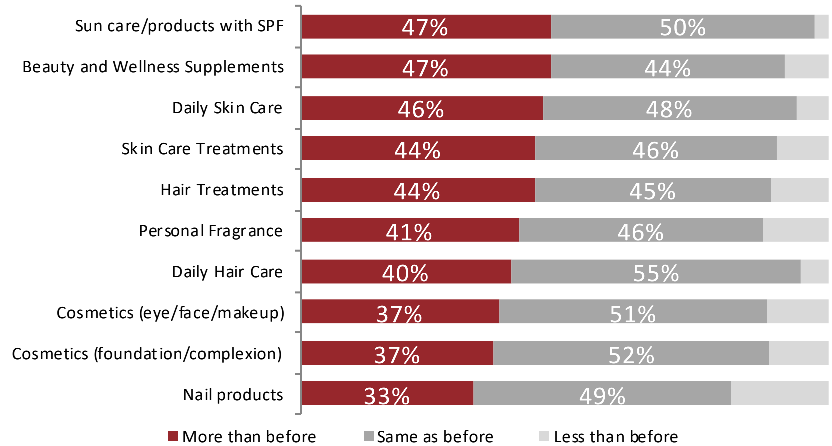
Thinking about beauty and personal care trends, for you what is the most accurate statement



Skin Health has remained important to consumers, but the "skinification" of hair is rapidly increasing the focus on Hair Health

Spending for Next Year

You selected the following product categories; how much do you expect to spend on Beauty and Personal Care products in each category over the next year?



Products related to wellness and skin care lead all categories in expected spending increases

Key Insight:

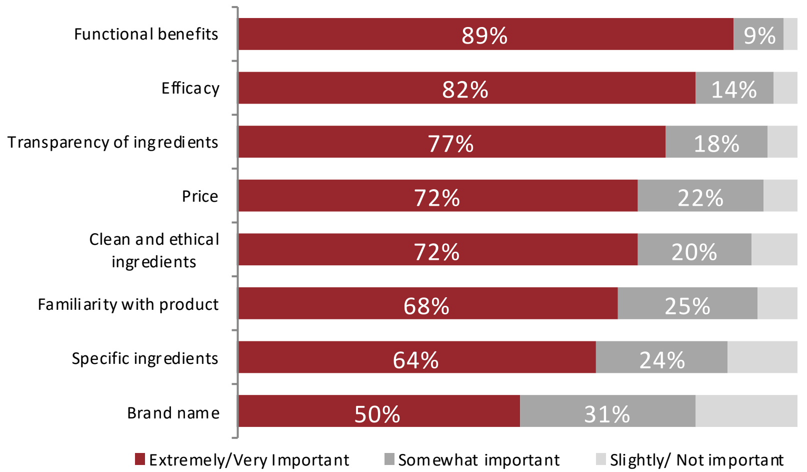
The pandemic reframed and further intertwined Health & Beauty, creating an expanded view of health across multiple areas in existing categories and emerging ones (e.g, Women's Health)

4 Seeking Efficacy Without Sacrificing Clean

Consumers placing similar importance on functional benefits, efficacy and science as on clean/safe, ethical and transparency in their product and brand choices

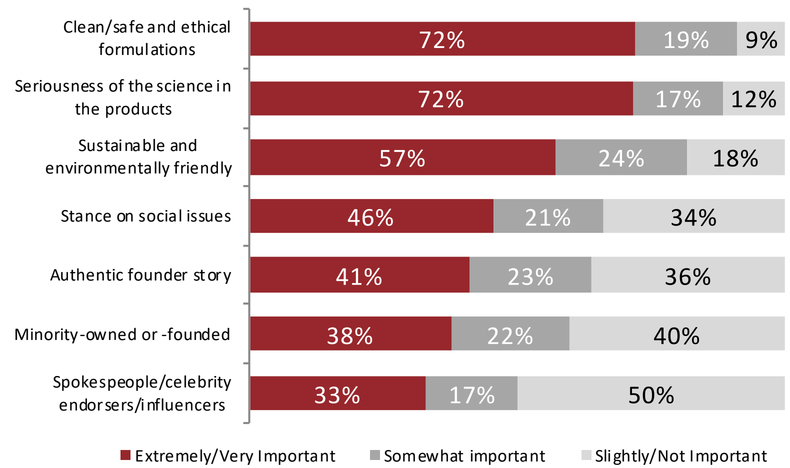
Key Drivers of Product Selection

Currently, when shopping for Beauty & Personal Care products, how important are each of the following considerations?



Key Considerations When Selecting Brands

When selecting a brand, how important are the following considerations?



Brand name is not as important to consumers as long as the product has benefits, the ingredients work, and the label is transparent

Science-backed brands that are clean/safe and transparent are consumers' top priorities

Key Insight:

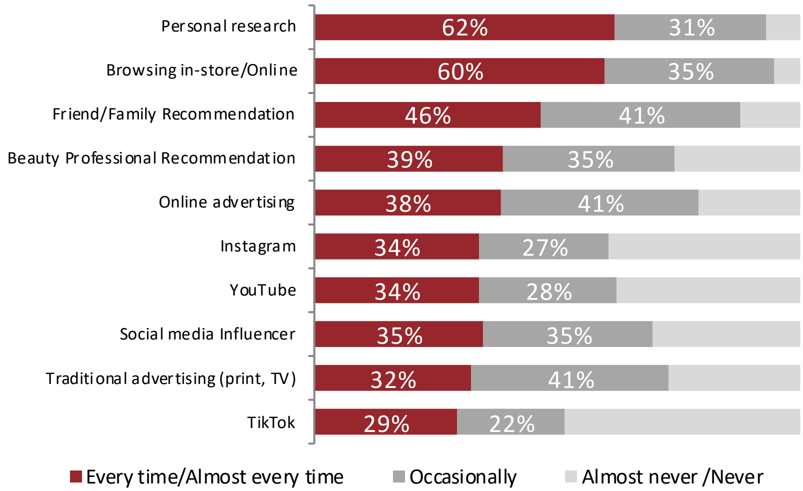
It is not enough to be just clean or just efficacious - consumers want real science and benefits in products that are safer for them

5 Evolving Product Discovery: TikTok's Growing Influence

Personal research, browsing and trusted recommendations are top ways that consumers discover new products and brands, while TikTok continues to capture younger consumers

Sources of New Product Discovery

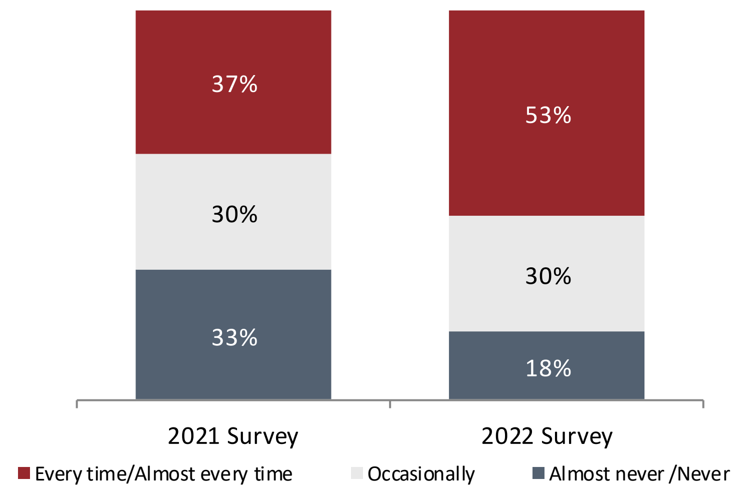
How do you typically discover and learn about new Beauty and Personal Care products and brands?



Respondents often use personal research and browsing to find new product followed by recommendations from people they know and trust

TikTok's Role in Discovery with 18-24

How do you typically discover and learn about new Health & Beauty products and brands?



TikTok's influence grew from 37% last year to 53% with consumers aged 18 to 24 who use the app every time or almost every time they discover new products

Key Insight:

As social media continues to evolve, brands need to be flexible in their marketing strategy to target different consumer groups

6 Amazon Is Winning

Amazon's expansion of Health & Beauty offerings has made the eCommerce giant an important part of the beauty landscape alongside Mass Retail and Beauty Specialists

Most Popular Channels Going Forward

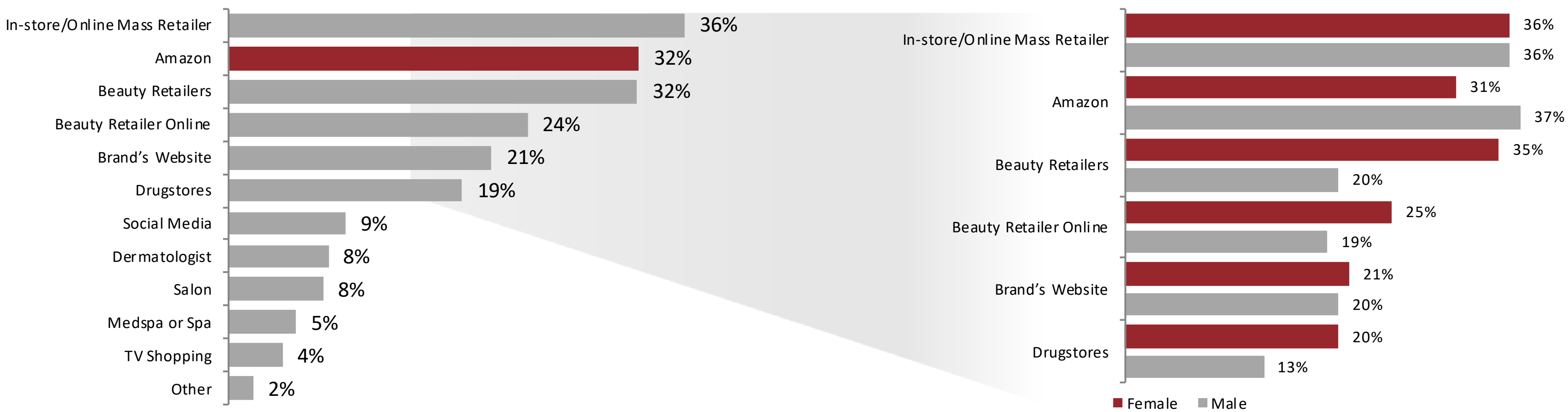
Which channel you are you most interested in purchasing Health & Beauty products from in the future? Rank your Top 5.

% of respondents top two channels

Channel Popularity by Gender

Which channel you are you most interested in purchasing Health & Beauty products from in the future? Rank your Top 5.

% of respondents top two channels



Amazon is leveraging its enhanced beauty marketplaces and ecosystem - Prime membership, Fire TV and Alexa - to attract beauty brands and consumers

Men are more likely to prefer Amazon, while Women more often shop at Beauty Specialists

Key Insight:

While Mass and Beauty Specialists remain top channels for consumers, Amazon clearly has a growing influence on beauty consumers, particularly men

Other Findings

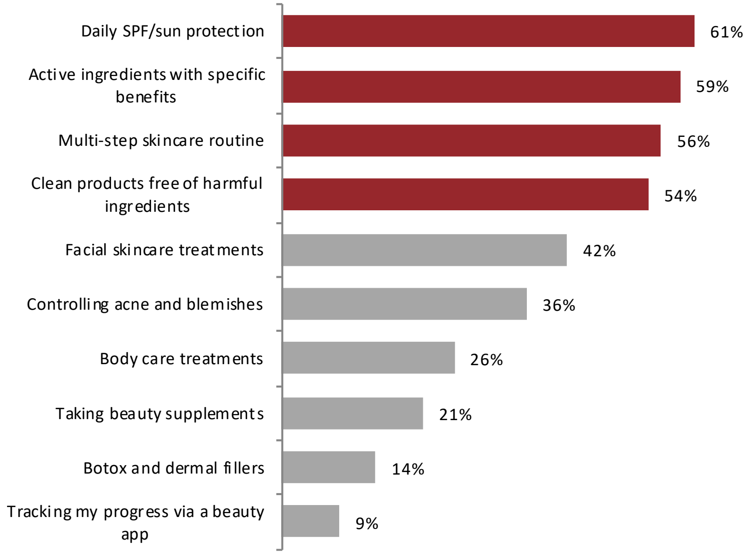
Health & Beauty Consumer Survey

Diving Deeper Into Skin Health

Utilizing skincare products with SPF and active ingredients are the top areas that consumers prioritize for their Skin Health

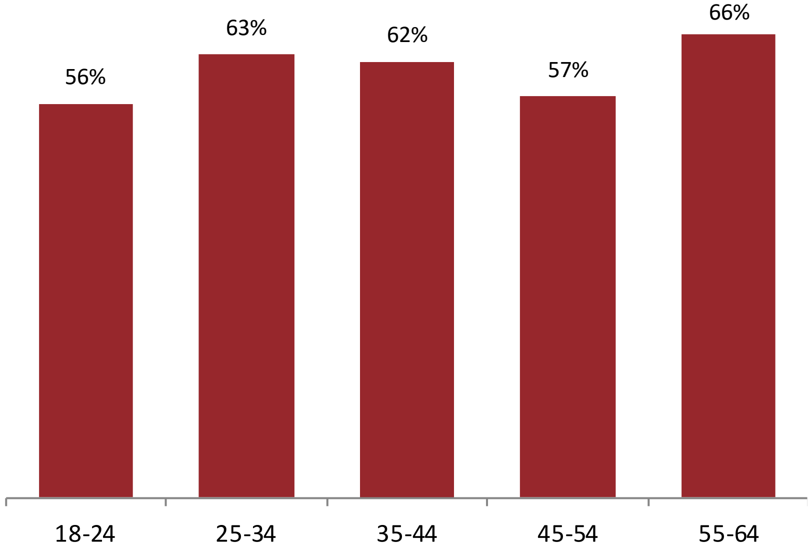
Skin Health Priorities

What do you prioritize for your skin health? Please select all that apply.



SPF & Sun Protection by Age Group

What do you prioritize for your skin health? Please select all that apply.



Today's more educated beauty consumers understand the importance of protecting against environmental factors and the benefits/science behind key ingredients

Our study confirmed that SPF and sun protection are priorities for all age groups

Key Insight:

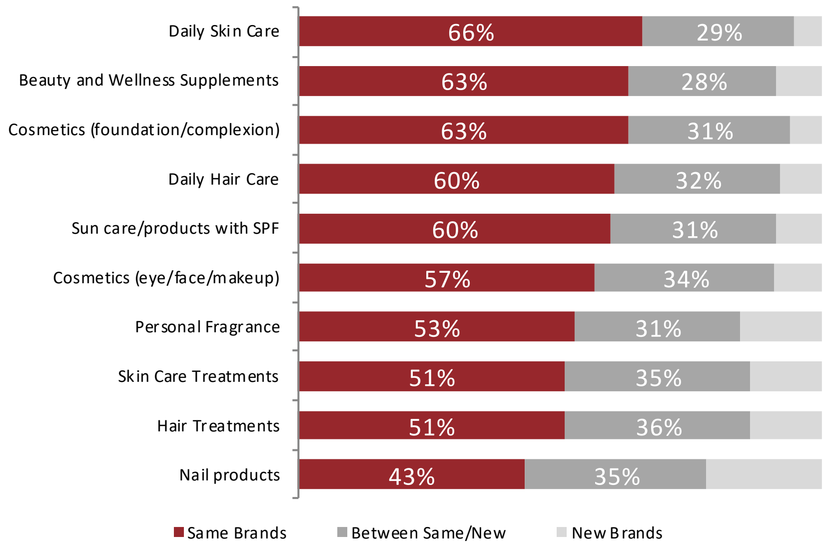
In contrast to recent press about the "skinminimalism" trend, the third ranked Skin Health priority is following a multi-step routine

Loyalty Highest in Supplements, Skincare and Hair Care

Consumers are the most loyal to the brands and products that they use daily

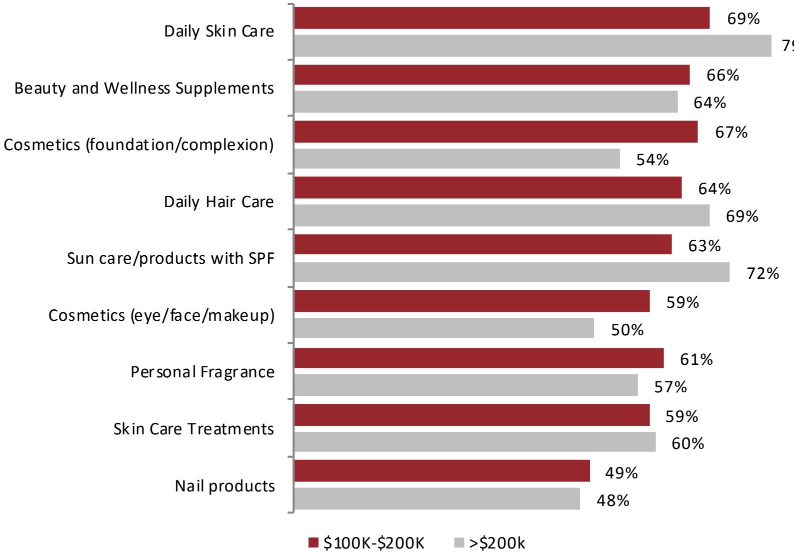
Incumbent Brands Are Prevailing

Of the categories you selected, how often are you purchasing new brands?



Strong Loyalty with Higher HHI

Of the categories you selected, how often are you purchasing new brands?



Most brand loyal categories align with more everyday product usage

Higher income groups show stronger brand loyalty in Daily Skin Care and Sun Care products

Key Insight:

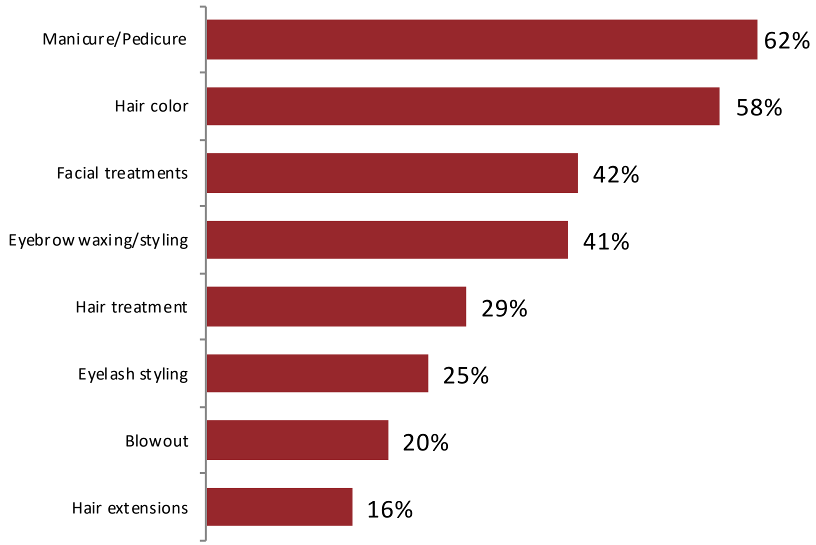
Brand loyalty varies across categories, with consumers less likely to try new products in the categories they are using most often

Professional Services Remain Popular with Consumers

Increasing adoption of services like eyelash styling and hair extensions fueling these service categories

Services Recently Received

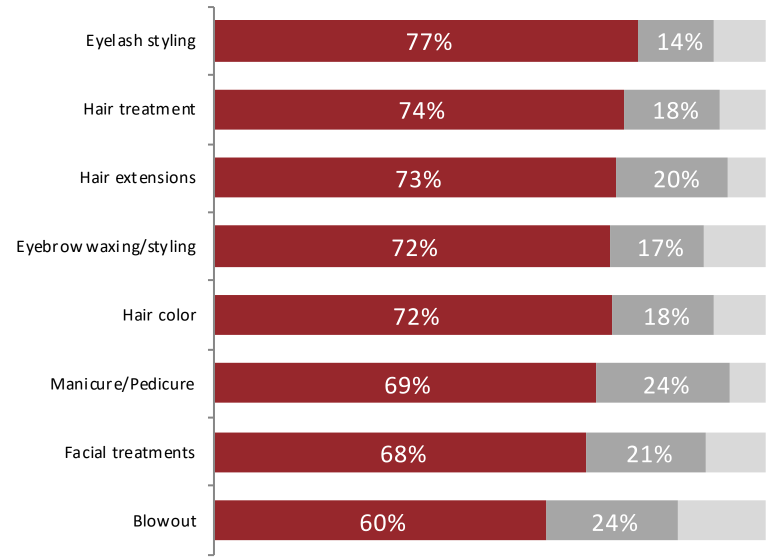
Which of the following services do you currently or have you regularly receive(d) from a professional? Select all that apply.



Given the prevalence of affordable nail salons and necessity to maintain hair color, it is not surprising these services top the list

Expected Frequency for Next Year

How often do you expect to use each of these services over the next year?



The top services where consumers plan to increasingly seek out a professional are generally in areas harder to do themselves

Key Insight:

Specialization will continue to become more prevalent as consumers seek offerings they feel are customized for them

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