Digital Innovation in Cosmetics: the Future of Beauty

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Agenda

1. About GlobalData
2. The growing influence of technology in beauty
3. Digital innovation in cosmetics
4. Some caveats for the future
1. About GlobalData
2. The growing influence of technology in beauty
3. Digital innovation in cosmetics
4. Some caveats for the future
Our Consumer & Retail practice provides unparalleled data and insights to over 1,000 of the world's largest companies across the CPG and Retail industries.

- **80 CONSUMER MARKETS**
- **1,000+ CLIENTS**
  - Portfolio of the world's largest CPG and Retail companies
- **TRACKING**
  - 50 sectors
  - 20,000 companies
  - 50,000 brands
- **OVER 600**
  - Multi-lingual analysts and researchers
- **15+ YEARS**
  - Creating consumer insight
- **2 MILLION**
  - New product innovations tracked

"GlobalData is a key input for our Strategic Planning and Business Intelligence teams. Their data is key not only to monitor market reality, but also to build our forecasts, support strategic decisions, and set future objectives."

Strategic Planning Director,
The Coca-Cola Company
Our focus is on consumers...

In 2017, we surveyed over **50,000 consumers** in **50 countries worldwide**

Survey 1:
- 36 countries
- 26,000+ respondents

Survey 2:
- 15 countries
- 7,500 respondents

Survey 3:
- 36 countries
- 26,000+ respondents
We track **FMCG innovation** in **over 50 markets** to discover trends and inspire innovation
GlobalData's TrendSights framework

A network of eight mega-trends and 63 trends

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Consumers are influenced by digital/smart product features

US: consumers who are often/always influenced by how digitally advanced/ "smart" the product is in the following categories, 2018:

- Beauty and grooming: 31%
- Household care and laundry: 30%
- Alcoholic beverages: 29%
- Food: 26%
- Non-alcoholic beverages: 25%

What do consumers spend their time doing online?

US: "Which of the following do you regularly use social media sites or social media apps for?", 2017

<table>
<thead>
<tr>
<th>Activity</th>
<th>Usage Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>For sharing images / posts with friends</td>
<td>58%</td>
</tr>
<tr>
<td>For discovering new products and brands</td>
<td>31%</td>
</tr>
<tr>
<td>Following brand news and updates</td>
<td>28%</td>
</tr>
<tr>
<td>For purchasing products</td>
<td>24%</td>
</tr>
<tr>
<td>Posting reviews of products and brands</td>
<td>20%</td>
</tr>
<tr>
<td>For advice and tutorials</td>
<td>18%</td>
</tr>
</tbody>
</table>

The online community influences consumer perceptions

US: consumers who agree that they are more likely to trust blogger/user reviews over brand claims, 2016

- US Average: 67%
- Gen X: 59%
- Boomers: 35%
- Silent generation: 28%


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Brands can co-develop products with influencers to tap into and leverage the power of the online community.

Co-development can arguably increase the odds of product success.

Bio

Name: Pony
Alias: @Ponysmakeup
Brand: Memebox

✓ The Pony Effect make-up range, created in collaboration with the influencer.

Influence

<table>
<thead>
<tr>
<th>Platform</th>
<th>Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instagram</td>
<td>5.1m</td>
</tr>
<tr>
<td>YouTube</td>
<td>4.0m</td>
</tr>
<tr>
<td>Facebook</td>
<td>112k</td>
</tr>
</tbody>
</table>

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Source: PR Newswire, 2016; Images from Instagram.
Social media is driving products to be more unique and "shareable"  

US: consumers who find "How enjoyable or unique the product is" often/always influential when purchasing the following, 2016

- Alcohol: 71%
- Non-Alcoholic Beverages: 69%
- Beauty and Grooming: 60%
- Food: 58%
- Household Care and Laundry: 47%

33% of US consumers share a picture of the food and drink they consume on social media once a week or more.

Fenty Beauty's galaxy collection is inspired by social media trends

Iridescent color schemes, inspired by social media's "unicorn" and "mermaid" themes

Fenty Beauty, Galaxy Collection
- Strong focus on appealing packaging.
- Reflective, iridescent, high-quality packaging.
- Encourages sharing image of the product online.

#fentybeauty has over 1.3 million posts on Instagram¹.
Consumers no longer passively interact with brands

The internet and digitization mean that brands can connect with consumers in new ways.

47% of US consumers find trying **new experiences** more exciting than trying new products\(^1\).
Empowering individuals with an ability to influence new product launches or other content engages consumers in a fun and unique way.

62% of Americans find the concept of products they helped to create appealing\(^1\).
Collaborating and consulting with consumers throughout the NPD process creates more authentic consumer relationships.

Just Herbs, an Indian cosmetics company

- The company reached out, via social media, to their fan base, asking them what their dream beauty product was.
- This tinted moisturizer was the result of those efforts.
- Consumers called the shots on everything from the ingredients, texture, and packaging to the aroma. It has been a best-selling product of the brand since its launch.

Social media is the new e-commerce platform for FMCG brands

US: consumers who regularly use social media applications for purchasing products, 2017

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"S-commerce" (social media commerce) is becoming integrated into everyday life and could be a long-term game-changer.

Instagram and Pinterest are the latest platforms to tap into the emerging shift toward "s-commerce".

**Instagram in-app shopping feature**
Brands can now tag their own posts, tagging up to five products per image. When clicked, tags display the price of the item and take the user to the checkout on the brand's site.

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Source: [1] Instagram; Images from Instagram.
Voice recognition and augmented reality are changing shopping

Amazon, Google, and L'Oréal are key players in this space

Amazon, Google, and L'Oréal are key players in this space.

Amazon Echo

Google Home

L'Oréal and YouCam augmented reality

L'Oréal's Beauty Gifter is powered by AI
**Americans are warming up to digital tools and devices**

US: "Do you use digital tools (e.g. smartphone apps, wearable devices) to monitor/ manage the following?", 2017

<table>
<thead>
<tr>
<th>Category</th>
<th>Yes (%)</th>
<th>No, but I would consider using in future (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exercise/ fitness</td>
<td>42%</td>
<td>29%</td>
</tr>
<tr>
<td>Tobacco consumption</td>
<td>38%</td>
<td>37%</td>
</tr>
<tr>
<td>Product prices/promotions</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>Pet health</td>
<td>31%</td>
<td>37%</td>
</tr>
<tr>
<td>Food/drink consumption</td>
<td>28%</td>
<td>35%</td>
</tr>
<tr>
<td>Your weight</td>
<td>28%</td>
<td>35%</td>
</tr>
<tr>
<td>Sleep quality and quantity</td>
<td>25%</td>
<td>39%</td>
</tr>
<tr>
<td>Spending habits</td>
<td>23%</td>
<td>37%</td>
</tr>
<tr>
<td>Alcohol consumption</td>
<td>23%</td>
<td>37%</td>
</tr>
<tr>
<td>Dental and oral hygiene</td>
<td>21%</td>
<td>34%</td>
</tr>
<tr>
<td>Skin conditions</td>
<td>21%</td>
<td>34%</td>
</tr>
<tr>
<td>Fertility or menstrual cycle</td>
<td>19%</td>
<td>26%</td>
</tr>
<tr>
<td>Cleanliness of home, etc.</td>
<td>18%</td>
<td>38%</td>
</tr>
<tr>
<td>Sun exposure</td>
<td>18%</td>
<td>37%</td>
</tr>
<tr>
<td>Incontinence</td>
<td>17%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: [1] GlobalData 2017 Q4 global consumer survey; Note: "No" response not shown.
Innovation in digital tools to monitor skin conditions

The Neutrogena Skin360 app and SkinScanner smartphone tool provide "next-gen" skincare

Neutrogena Skin360 app and SkinScanner tool

Innovation meets personalization. Magnification tool magnifies skin up to 30 times to assess size and depth of fine lines and pores, while a sensor measures moisture levels. The app scores pores, lines, and wrinkles, and gives an overall Skin360 Score\(^1\).
L'Oréal's UV Sense is the first battery-free wearable electronic UV sensor that measures individual sun exposure, storing up to three months of data.

UV Sense can be worn for up to two weeks at a time on the thumbnail. After then, it should be re-applied; total wear life is several weeks.¹

UV Sense uses near-field communication (NFC) to translate and transmit data to a mobile app that details UV exposure.¹
2016's HiMirror was the world's first "smart mirror," able to diagnose skin conditions, and is followed by HiMirror Mini, new in 2018, claimed to be the world's smartest vanity mirror.

HiMirror Mini
- Offers in-depth skincare analysis and tracking based on your skin condition, weather conditions, and more.
- My Beauty Box scans and track all your skincare products to see which ones are improving your skin, and which are not.
- Touch screen unit can connect to Spotify, YouTube, Instagram, and Facebook – all through the mirror.¹

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"Try before you buy" digital beauty is shifting into high gear

L'Oréal's purchase of Modiface in March 2018 signals a bright future for digital beauty

"We acquired Modiface because we absolutely believe that services are the future of beauty. People are really craving for experiences such as virtual try-on apps, skin diagnostics and live streaming of influencers."

Lubomira Rochet, chief digital officer, L'Oréal

Samsung’s latest smartphone integrates Modiface augmented reality technology so that consumers can try on make-up in real time.

"This virtual makeup applied to one's face will be showcased at 30 frames per second, with the solution being capable of maintaining a consistent frame rate and promising to deliver real results backed by its library of accurately mapped shades from some of the world's most famous cosmetic brands"¹.

*Samsung, March 2018*

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**Samsung S9X Modiface smartphone**

- Bixby-enabled Modiface augmented reality technology is built into Samsung's new smartphone, allowing users to try on make-up in real time using their phone camera.
- Users point the camera at the face and the chosen make-up is layered on like a Snapchat filter.
- They can search for cosmetics products from brands including Sephora and CoverGirl and apply as a filter in real time.²
Using artificial intelligence to match top make-up looks

Perfect Corp's YouCam Look Transfer artificial intelligence software brings cover beauty looks to life

A consumer takes a photo of a make-up look in print and can try that exact look on their face using the YouCam make-up app and its AI look-matching feature

YouCam's make-up algorithm will find the exact make-up look in the beauty photo and allow a user to try it out virtually using a selfie¹. The app identifies cosmetics used to create the look and allows one to buy these products via in-app purchasing¹.

Leveraging artificial intelligence for customized hair solutions

Function of Beauty's customized shampoos and conditioners use artificial intelligence and algorithms to create personalized products.

Function of Beauty

- Founded by an MIT graduate in 2015, the company uses a machine-learning algorithm to create custom products.
- A hair quiz on the firm's website is used to customize each formula.
- A serious approach to customization: The chance of answering the firm's 12-question hair quiz exactly the same as another person is said to be one in 24 billion.¹


¹ © 2018 Digital Innovation in Cosmetics
What does customization really mean to consumers?

US: "What aspect of a beauty or grooming product would make you feel like it is tailored to your needs?", women, 2018¹

- It is advertised to my skin/hair type: 43%
- It is advertised to my age group: 34%
- It suits the climate I live in: 30%
- It is suitable for my allergies/skin conditions: 26%
- None of the above/below: 21%
- It is advertised to my ethnicity: 16%
- It matches my exercise routine: 13%
- It matches my social activities: 12%
- It matches my religious beliefs: 3%
Shiseido's Optune is a "personalized skincare system" that modifies and adapts according to the skin environment of each individual in real time.

The "special machine" combines serum and moisturizer ingredients from cartridges for a customized combination for the skin. A test version of Optune debuted in Japan in 2018.
Welcome to the world of "smart" beauty solutions

FOREO UFO smart mask treatment device is claimed to be the world's most advanced smart face mask

FOREO UFO smart mask
✓ Device turns a 20-minute sheet mask treatment into a 90-second experience.
✓ Synching with the FOREO app, the device heats, cools, and vibrates the skin to seal active ingredients and firm the skin.
✓ Device uses exclusive Korean mask formulas that are paired with pre-programmed FOREO app-controlled treatment routine to boost results.¹

Source: [1] Foreo.com; Images from Amazon.
The Romy Figure Formulator leverages smart beauty to deliver custom, freshly made skincare solutions to address individual skincare needs.

**Romy Figure Formulator**

- Uses algorithms developed with dermatologists to measure environment, sleep, exercise, and so on.
- App prescribes the right combination of capsules to insert into the formulator to make custom serum.
- The average skincare product a consumer uses is already 15 months old by the time it is used; Romy Figure Formulator makes a fresh product.\(^1\)
Beauty DNA kits are a novelty today, but DNA informed beauty innovation is just coming onto the scene and is likely to become a factor in the near future.

SkinGenie launched in January 2018, leveraging DNA and artificial intelligence.

- Analyzes your DNA and lifestyle with artificial intelligence to "recommend the best products."
- Uses an exclusive algorithm to explore predispositions to more than 30 skin traits identified from over 6,500 genetic variations.¹
- Solves the "pain points of skincare shopping."

¹ Source: [1] Jnj.com, April 2018; Image from SkinGenie Facebook page.
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Caveat #1: Beware of the digital detox

The feeling that technology has become all-consuming is encouraging consumers to take a "digital detox," seeking refuge from the stress of a life online.

46% of Americans somewhat/completely agree that they actively try to limit the amount of time they spend online/on their smartphone\(^1\)

<table>
<thead>
<tr>
<th>Generation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millennials</td>
<td>62%</td>
</tr>
<tr>
<td>Gen X</td>
<td>46%</td>
</tr>
<tr>
<td>Boomers</td>
<td>33%</td>
</tr>
<tr>
<td>Silent Generation</td>
<td>42%</td>
</tr>
</tbody>
</table>

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Caveat #2: Privacy and data collection concerns

Consumers are concerned about data collection and the potential for their privacy to be compromised

64% of Americans say they have been affected by at least one type of data theft, including:

- Seeing fraudulent charges on their credit cards.
- Receiving a notice that sensitive information has been compromised.
- Having someone take over their email accounts or one of their social media accounts.

Thank you! Please get in touch...

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Tom Vierhile – Innovation Insights Director

Tom has over 20 years of experience in fast-moving consumer goods reporting and analysis, much of that with the Product Launch Analytics database of new products. Based in Fairport, New York, he is an internationally recognized expert on new product marketing and is quoted in media outlets like USA Today, The Wall Street Journal, BBC News, Supermarket News, and NPR.

His experience with GlobalData includes continuing contributions to the ForeSights report series, which aims to identify potential game-changing emerging trends in the fast-moving consumer goods industry. The annual 10 Trends in Fast-Moving Consumer Goods webinar is one of Tom’s key contributions. Some of Tom’s favorite activities include scanning store shelves for new products as well as attending industry trade shows to collect new products, spot emerging trends, actually consume new products, and interview current and future movers and shakers within the industry.

Tom has authored many articles on new products for a variety of publications, has given presentations on new product trends at various industry conferences in the US, Europe, and South America, and is a regular contributor to Prepared Foods magazine, Natural Products Insider, and Just-Drinks.

Tom has a bachelor’s degree in marketing from St. Bonaventure University and an MBA from the State University of New York at Buffalo.
References

References and further reading

Publications and websites

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References

References and further reading

Publications and websites

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- Modiface Twitter page
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- Romy.paris/en
- Shiseidogroup.com
- SkinGenie Facebook page
- Store.google.com
- Youtube.com
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