

CPG  
**personal  
care**

INDUSTRY  
TRENDS  
2017



# General Landscape

The CPG personal care industry saw a dramatic year in 2016, with more disruption on the horizon. Fueling this movement is the increasing influence of multicultural populations, all-natural products, and direct-to-consumer online distribution models:

Rising consumer awareness about toxic chemicals is anticipated to drive the market for premium and organic personal care products -- 16% of heavy users of personal care products buy organic.

Online purchases of personal care products have just a 3.1% share -- roughly \$1.2 billion of the overall market -- but the buying habits of multicultural Millennials is expected to drive growth.



Success of new distribution models by innovative start-ups like Dollar Shave Club, Lola, and Harry's are shaking up the field, but also prompting a spate of acquisitions in the industry.

**Evolving consumer preferences are creating a set of challenges and opportunities for the CPG personal care industry. In order to help our brand and agency partners strategize their way forward, we at Snipp have put together an industry guide which covers some of the key trends that need watching.**

**THE PERSONAL CARE INDUSTRY HAS A COMBINED ANNUAL REVENUE OF MORE THAN**

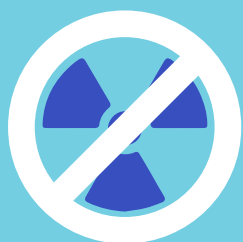
**\$40 BILLION**

**WITH 50 OF THE LARGEST COMPANIES GENERATING ALMOST 70% OF THIS.**

# TREND #1

## Consumer Advocacy for Non-Toxic Ingredients & Greater Transparency

Consumers are beginning to draw connections between toxic chemicals and health, and the personal care market is experiencing a realignment as a result. Organic products are gaining headway in response to consumers' demand for safe ingredients and transparency in labeling.



'Wellness' oriented CPG products were strong sellers in 2016, especially within the personal care category. With consumers supporting their beliefs with their wallets, new product launches increasingly feature organic, natural ingredients, and demands for transparency are giving boosts to innovative startups like Lola, a 100-percent cotton tampon brand, that has taken a stand on never using additives, synthetics, chemicals, or dyes. Even brand behemoths like Johnson & Johnson and Kimberly-Clark are seeing their

**7-9%**  
**\$25**  
**BILLION BY**  
**2025**

Natural products to grow at a compound annual rate of 7-9% through 2020 and are expected to be worth \$25 billion by 2025.

natural product lines contribute substantially to their bottom lines, with the successes of Aveeno Active Naturals and Huggies Nature Care diapers. With all the buzz around them, natural product lines are projected to continue growing at a compound annual rate of 7% to 9% through 2020—roughly double the expected growth rate for personal care products overall – and are expected to be worth \$25 billion by 2025.



## TREND #2

# Multicultural Millennials and their Multiplier Effect

**Multicultural Millennials are becoming the most influential population segment in the U.S., with product categories and marketing initiatives striving to keep up with their wants and needs.**

Of the 75 million Millennials living in the U.S., close to half are multicultural: of African-American, Asian-American and Hispanic heritage. This subsection of an already powerful demographic is disproportionately influencing popular cultural trends and the buying habits of their families and peers, from both younger and older generations. The 'multiplier effect' of this group, straddling two key demographics -- the 120 million strong multicultural population,

**CLOSE TO  
HALF OF THE  
75**

**MILLION MILLENNIALS** are multicultural: Hispanic, African-American and Asian-American Heritage.

**African-American Millennials** spend more than average on ethnic care products.

**Asian-American Millennials** spend more on skin care preparations (**10%** share) than the average consumer.

**Hispanic Millennials** account for **20%** of heavy skincare buyers.

**AMERICA HAS A  
120**

**MILLION STRONG  
MULTICULTURAL  
POPULATION,** which is the fastest growing in the country.

**\$65  
BILLION  
PER YEAR IN  
SPENDING  
INFLUENCE.**

which is the fastest growing in the country, and the all-important Millennials -- gives them greater spending influence: \$65 billion per year in spending influence, to be more precise, with an increasing majority of those dollars spent online. So what do we know about the spending habits of Multicultural Millennials? For one thing, they spend more than the average consumer on personal care products.

These Millennials value their cultural heritage, and seek brands that address their unique and individual characteristics – they are experimental in their search for these brand connections, responding more to online reviews and recommendations from social media, but the good news for marketers is that 95% consider themselves to be loyal to brands they like. They're also more likely to choose premium, branded products and are willing to pay higher prices for quality, shared values, and a better customer experience.



**MILLENNIALS VALUE  
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# TREND #3

## E-commerce and Online Direct-to-Consumer Models Are Expecting Growth

**CPG brands are focusing on new ways to win over customers for multiple & repeat purchases. The success of niche, digital subscription services are creating a disturbance in the monolithic personal care industry, along with the promise of greater E-commerce activity spurred by Millennials.**

**3.1%**  
OF TOTAL  
MARKET



The online universe can be a great leveler, allowing small, startups to compete on a similar footing as established industry stalwarts. With the digital generation valuing customer reviews, user-generated content and the endorsements of influencers over traditional marketing, indie brands are being allowed increasing opportunities for break-out success. But traditional E-commerce has yet to gain ground in personal care, according to research by Tabs Analytics -- It's still only 3.1% of the total market. The upside is that although the share of E-commerce is still limited, it has grown -- **consumers were 37% more likely to buy personal care products, such as soap and shaving**

**cream, on Amazon Prime in 2016 than they were in 2015.** Small brands that effectively harness online channels to tell their stories and build deep, emotional connections with consumers are better equipped to disrupt the grip of large, legacy brands. Tapping into this concept are direct-to-consumer subscription services which not only offer consumers convenience, affordability and a more engaging shopping experience, but also a shared sense of community. In the razor market, Dollar Shave Club (now part of Unilever) and Harry's have made huge inroads, sparking initiatives in other areas of personal care as well, such as Goby for electric toothbrushes.

# Best Practices for the Personal Care Industry

For CPG brands, growing and maintaining a relationship with consumers is critical in today's market. These are some key ways to steer your tactics in the right direction:



## 1. ALIGN WITH THE CONSCIOUS CONSUMER

Successful brands are uniting with socially conscious consumers, who are proven to be more brand loyal when they feel a sense of shared values. Millennials in particular are avid supporters of social causes -- more than 80% of Millennials rank "making the world a better place" as a priority in their life -- and 89% are loyal to brands that share their values, and are transparent in their communications.

**Éclair Naturals** marketed its all-natural line of beauty products with a "Never Any" campaign, highlighting the fact that there were 'never any' harmful ingredients in Éclair products. The campaign partnered with leading wellness experts and resources, and invited consumers and social influencers to join a "Never Any" social media movement with postings that revealed their own #NeverAny positions. With a focus on becoming a platform for consumers to take a stand for transparency, its marketing campaign is making them advocates for the brand itself.



## 2. ENGAGE MULTICULTURAL MILLENNIALS VIA MOBILE AND THROUGH SOCIAL CONTENT

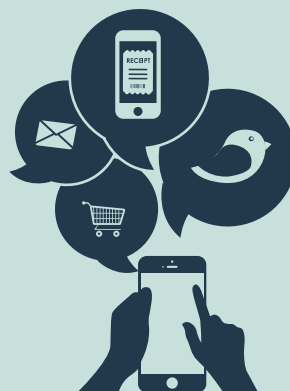
Multicultural Millennials communicate almost exclusively via their smartphones, and, as a combined demographic, have the highest smartphone ownership and social media adoption levels. This group takes pride in discovering and curating products for their friends and families, and share their reviews widely and passionately across social media. Not only can their social activity influence their peer groups and families, but it can also transform an industry: The buzz created by Asian-American women around South Korean beauty products (K-Beauty) through their social posts, YouTube tutorials and blog mentions led to the products being made available in mainstream American retail stores – and helped South Korea become one of the leading exporters of beauty products. How can brands tap into this influence?

## Create informative and expert content instead of brand messages

E.g. blog posts authored by professionals.

**Use the power of video** Millennials are now watching more video content on YouTube than they are on TV, and it's the perfect medium for product demonstrations and tutorials.

**Incorporate Influencers** Millennials trust their peers, experts, and celebrities more than brands. With 60% of Millennials saying that they would try a product suggested by a YouTuber, brands should consider influencer marketing as part of their strategy.



# 3

## DELIVER AN ENHANCED BRAND-USER EXPERIENCE

Advances in technology allow CPG brands to create a sensory experience around their products, and unlock the kind of content that keeps consumers connected. IoT and Augmented reality can, for example, unlock skin-care techniques or ingredient information just from a product's packaging. In-store beacons can tip off consumers to special offers and new portfolio additions. And a seamless, well designed online shopping experience can make loyalists out of one-time consumers. CPG's are starting to pay more attention to the differentiating power of technology to create an engaging user experience: Procter & Gamble developed its mobile app to feed the Millennial thirst for expert content with videos and articles covering a wide array of dental issues, as well as techniques to address them using specific Crest and Oral-B products. Crest also consistently promotes coupon offers across both its brand site and mobile apps to ensure a seamless multichannel experience.





## 4

**REWARD LOYALTY** Rewards programs consistently attract high levels of heavy deal oriented shoppers, and, by providing their members with meaningful offers and superior experiences, these programs have the potential to foster long term loyalty.

**Dove** created 'The Dove Insider' program to offer members exclusive savings, special offers, and other perks, personalized to their specific skin care needs. Members receive exclusive access not just to discounts and offers, but also to professional tips and advice from industry experts. With more than 26 million fans on Facebook, the program has become well known and widely appreciated – underscoring the potential for brands to expand their reach via rewards.

**Kimberly-Clark** wanted to incentivize consumers to choose Depend, its adult incontinence brand. Since bladder leakage is a confidence killer, it launched a six month 'Confidence has its Rewards' punchcard promotion, with a theme to get people back to 'doing what they always did'. Consumers could buy qualifying products over the six-month period and simply text or email their receipts in order to be able to claim rewards from the SnippRewards site. Rewards were centered around the confidence building theme – movie tickets, restaurant cards etc., making it a unified brand message that would stay top of mind.

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**Snipp** is a global loyalty and promotions company with a singular focus: to develop disruptive engagement platforms that generate insights and drive sales. Our solutions include shopper marketing promotions, loyalty, rewards, rebates and data analytics, all of which are seamlessly integrated to provide a one-stop marketing technology platform. We also provide the services and expertise to design, execute and promote client programs. SnippCheck, our receipt processing engine, is the market leader for receipt-based purchase validation; SnippLoyalty is the only unified loyalty solution in the market for CPG brands. Snipp has powered hundreds of programs for Fortune 1000 brands and world-class agencies and partners.

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