

BY MINTEL GROUP

CEW: Defining the UK Beauty Landscape

CEW - 10,000 MEMBERS

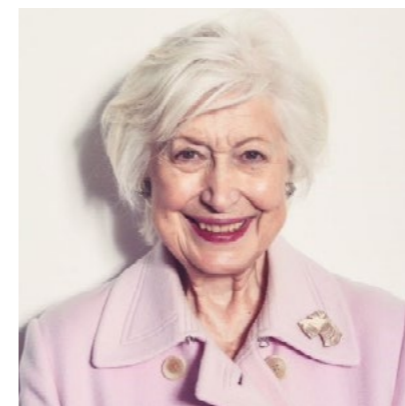
WE MOVE BEAUTY FORWARD

CEW

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President of CEW.
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FOREWORD



UK Beauty is celebrated across the globe for its creative, entrepreneurial spirit and consistently produces enduring iconic brands. The sector's continual success lies in an ability to innovate, stay relevant and be exciting. Today that success generates sales in the UK of £25.1bn on beauty, personal care products and services and we forecast that this figure will rise by around 10% to £26.9bn by 2022. Between 2015-17, 700 companies operating in the UK beauty and personal care market launched 40,000 unique products, under 1,800 different brands. Over one million people are employed indirectly and directly by the beauty Industry.

Founded in 1992, Cosmetic Executive Women (UK), has more than 1,000 members in the United Kingdom, and is the preeminent and most influential beauty organisation, promoting and defining the British beauty industry. Our aim with this piece of research, commissioned by CEW, is for the first time to define the size and scope of the sector across five key metrics: Brand Landscape, Employment, Consumer Expenditure, Imports and Exports. We wish to clearly demonstrate the success of the UK beauty industry, at home and around the world, and map in detail the demographics and scale of the sector.

Working alongside Mintel, CEW has examined key factors attributed to spending, employment and success for the UK beauty industry, as well as forecasting the future. I am delighted to share the results with you today.

Caroline Neville MBE
President of CEW

EXECUTIVE SUMMARY

SIZE & SPLIT OF THE MARKET

- In 2017, UK consumers spent £25.1bn on beauty, personal care, spa, salon and In-store treatments. Mintel forecasts this figure will rise by around 10% to £26.9bn by 2022.
- The beauty industry is split into four market categories: Spa, Salon and In-store Treatment and Services, which commands a 30% share of total spend; Hairdressing and Barbershop Services, which also commands a 30% share; Beauty Products; and Personal Care Products, which each command a 20% share.
- The UK is the world's sixth-largest beauty and personal care market – it was worth around £10.2bn in 2017.
- Per capita spend on beauty and personal care products in the UK was £155 in 2017 – the fifth highest in the world.

BUSINESSES AND EMPLOYMENT

- Over one million people are employed in the UK beauty industry.
- The emergence of new technology has renewed consumer interest in and access to professional treatments boosting employment opportunities. In April-June 2017, total employment in 'Beauticians and related occupations' saw a massive 40% increase from the same period in 2016.

BRAND LANDSCAPE

- In excess of 40,000 unique products have launched under 1,800 brands in the UK over the past two years and 83% of these were products from small brands.

CONSUMER EXPENDITURE

- UK consumers spent £1.1bn on online beauty in 2017 accounting for 10.9% of spend. One in three British people bought beauty and personal care products online.
- Despite tough times of the UK High Street, in 2017 value sales of beauty products through department stores grew by 18%, as consumers sought out premium brands.
- Furthermore traditional specialist retailers, also found on the High Street, increased sales by 9% from 2015-2017.
- Consumer expenditure on in-salon hair services is expected to increase by 3% to a huge £7.43bn in 2017.
- 24% of UK consumers, who visited an airport in the last year, bought products while they were there, spending £650M on Tax Free Beauty.
- UK consumers spend more on salon and spa services than they do on purchasing beauty and personal care products for at-home use.

THE LIPSTICK EFFECT

- The Lipstick Effect exists. During periods of economic downturn, consumers tend to purchase more 'little luxuries', such as lipstick, treatments and cosmetics. Despite the UK's contracting economy, slow expansion and rising inflation that outstrips weak wage growth, value sales of 'little luxuries' beauty products have risen steadily year-on-year.
- After the Brexit vote in 2016 – which placed further pressure on the economy – sales of beauty and personal care products have continued to rise.

IMPORTS/EXPORTS

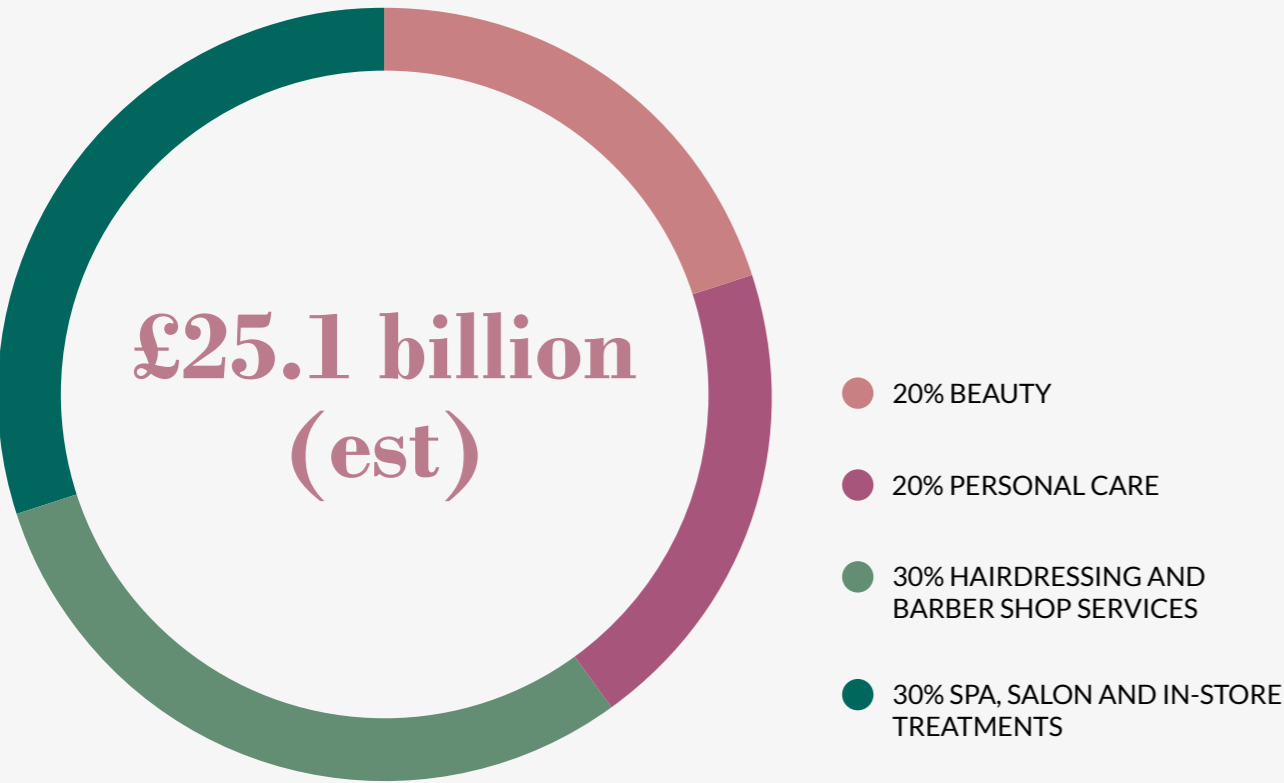
- The value of beauty products **exported** by the UK increased by 11% between 2016-2017.
- The value of beauty products **imported** by the UK increased by 15% between 2016-2017.

BENCHMARKING

- In 2017 the UK beauty industry was worth £25.1bn and growing. It's currently worth more than other high-value industries such as in-home alcoholic drinks (worth £10.6bn), soft drinks (worth £20.5bn) and OTC pharmaceutical products (worth £4.1bn).
- In comparison, in 2017 the long-established clothing and accessories industry was worth £74.2bn, and the ever-popular holiday industry was worth £46.2bn.

DEFINING THE BEAUTY INDUSTRY

Share of UK beauty and personal care products and services market value, by sector, 2017 (est.)



Source: Mintel

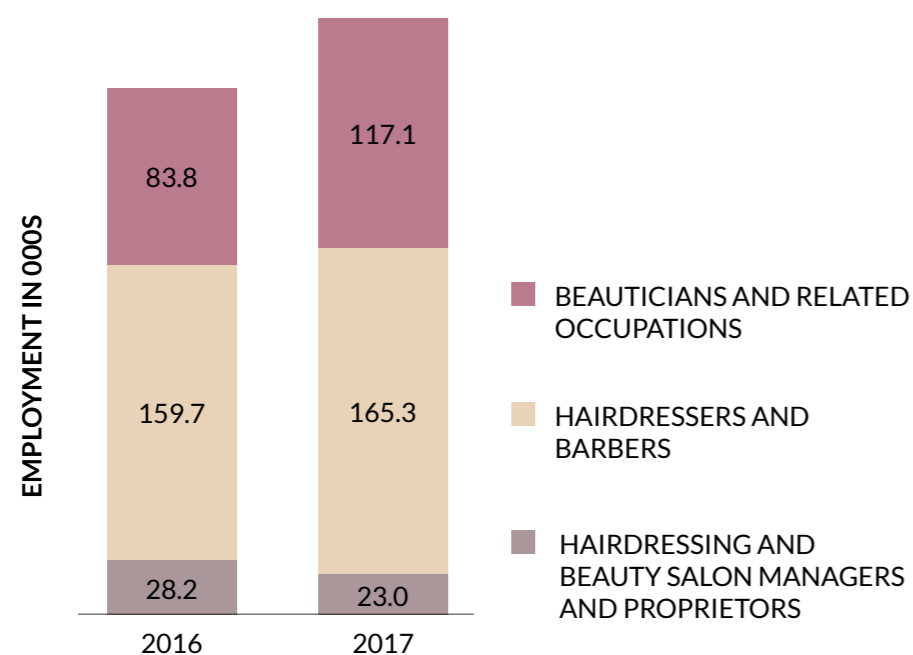
Categories included, by sector

BEAUTY	PERSONAL CARE	HAIRDRESSING AND BARBER SHOP SERVICES	SPA, SALON AND IN-STORE TREATMENTS
Body, hand and footcare	Deodorants and anti-perspirants	Blow drying and styling	Eye treatments (including eyelash extensions and tints)
Colour cosmetics	Haircare	Conditioning treatments and masks	Fish pedicures
Facial skincare	Hair colourants	Cuts	Hair removal/shaping for face/body
Fragrances	Oral care	Hair consultations	Massages
	Shaving and hair removal	Hair colouration and lightening	Nail treatments (i.e. manicures)
	Soap, bath and shower products	Hair extensions	Non-surgical procedures (e.g. Botox, fillers, peels)
	Suncare	Male grooming and shaving	Skin treatments, for face/body (e.g. masks, exfoliation and body wraps)
		Permanent/semi-permanent re-texturising treatments	Tanning treatments (i.e. sunbed, self-tan)
			Teeth whitening
			Spa breaks

EMPLOYMENT

- Over one million people are employed directly or indirectly by the UK beauty industry, according to a report by E&Y.
- According to the CTPA (Cosmetics, Toiletry & Perfumery Association) Annual Report for 2017, around 200,000 people in the UK are employed in producing cosmetics products.
- According to Habia (Hairdressing and Beauty Industry Authority – the government-approved standards setting body for hair, beauty, nails and spas) employment in the hair and beauty industry makes up 0.87% of the total UK workforce.
- The rise of disruptive new technology has given consumers greater access to hairdressing and beauty services in their home or workplace, creating fresh opportunities for employment in the beauty services sector, enabling workers to shape their working hours to suit their lifestyles.
- In April-June 2016, figures from the Office for National Statistics and Mintel showed that total UK employment in hairdressing and related beauty services stood at 159,700, and for the same period in 2017 it increased by 12% to 165,300.
- The same figures showed that 'Beauticians and related occupations' saw the largest growth in employment opportunities – increasing from 83,800 in 2016 to 117,100 in 2017 – a huge jump of 40%.
- Habia states that 80.3% of the workforce is female and 10.7% is male.

Employment in hairdressing and related services, by occupation type, Apr-Jun 2016 and Apr-Jun 2017



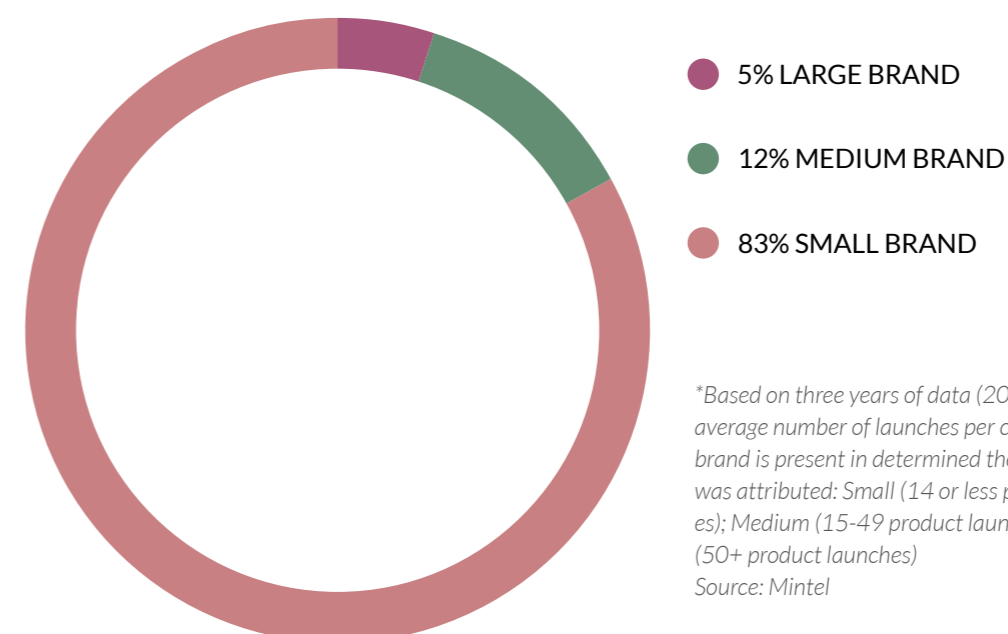
Source: Office for National Statistics /Mintel

BRAND LANDSCAPE

- Almost 1,700 companies operated in the UK beauty and personal care market from 2015-17, launching around 40,000 unique products, under 1,800 different brands.
- Of these, 800 companies operating in the beauty and personal care sector in the UK from 2015-17 were headquartered in the UK.
- At least 22% of all beauty and personal care products launched in the UK between 2015-17 were manufactured within the UK.
- According to the CTPA, in the UK there are over 50,000 locations offering beauty services; 35,704 hair salons, 2,967 specialist barbershops, 302 specialist afro hair salons, 13,107 beauty salons and 1,512 specialist nail bars/technicians.

Proportion of launch activity in the beauty and personal care sector, by scale of operating brands, 2015-17*

Proportion of launch activity in the beauty and personal care sector, by scale of operating brands*, 2015-17



**Based on three years of data (2015-2017), the average number of launches per category that a brand is present in determined the tier to which it was attributed: Small (14 or less product launches); Medium (15-49 product launches); or Large (50+ product launches)*

Source: Mintel

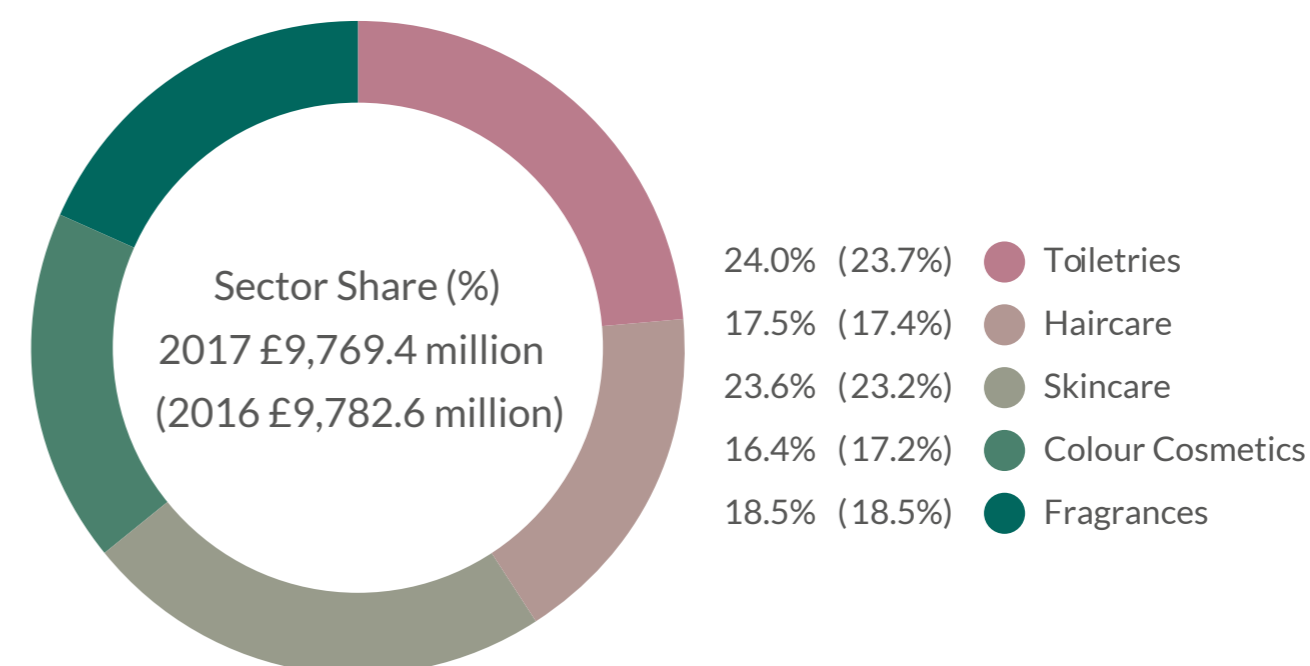
UK INNOVATIVE BRANDS



UK CONSUMER EXPENDITURE & THE BEAUTY INDUSTRY

- UK consumer expenditure across all four categories of beauty totalled £24.6bn in 2016 and is expected to reach almost £25.1bn in 2017.
- According to the CTPA's Annual Report for 2017. UK cosmetic sales in 2017 were £9.7694bn, down 0.1% from £9.7826bn in 2016.
- Mintel predicts that consumer expenditure across the four categories will show steady growth to reach £26.9bn by 2022 – based on forecasts for personal disposable income, consumer expenditure and the female population.
- This spend breaks down by category: 24% toiletries; 17.5% healthcare; 23.6% skincare; 16.4% colour cosmetics; 18.5% fragrance.

Sector Share (%) of Category Dec '17 vs Dec '16 by Value (rsp)



When examining Beauty and Personal care as a joint category, and excluding services, Mintel Market Sizes data reveals that the UK is the world's sixth largest beauty and personal care retail market, and it was worth around £10.2bn in 2017.

- The world's top 5 beauty and personal care retail markets are the USA, China, Japan, Germany and France. This makes the UK an extremely strong market, based on population size.
- In 2017, UK per capita spend on retail beauty and personal care products was £155. This makes UK beauty and personal care consumers the fifth biggest per capita spenders in the world – ahead of large beauty markets such as the USA, Germany, Brazil and China.

24%* of UK consumers who visited an airport in the last year bought beauty products while they were there.*

One in three British people (34%) bought beauty and personal care products online in 2017, **70%** purchased beauty products.

**Base: 988 internet users aged 16+ who have visited an airport in the last 12 months*

CONSUMER EXPENDITURE: BEAUTY PRODUCTS CATEGORY

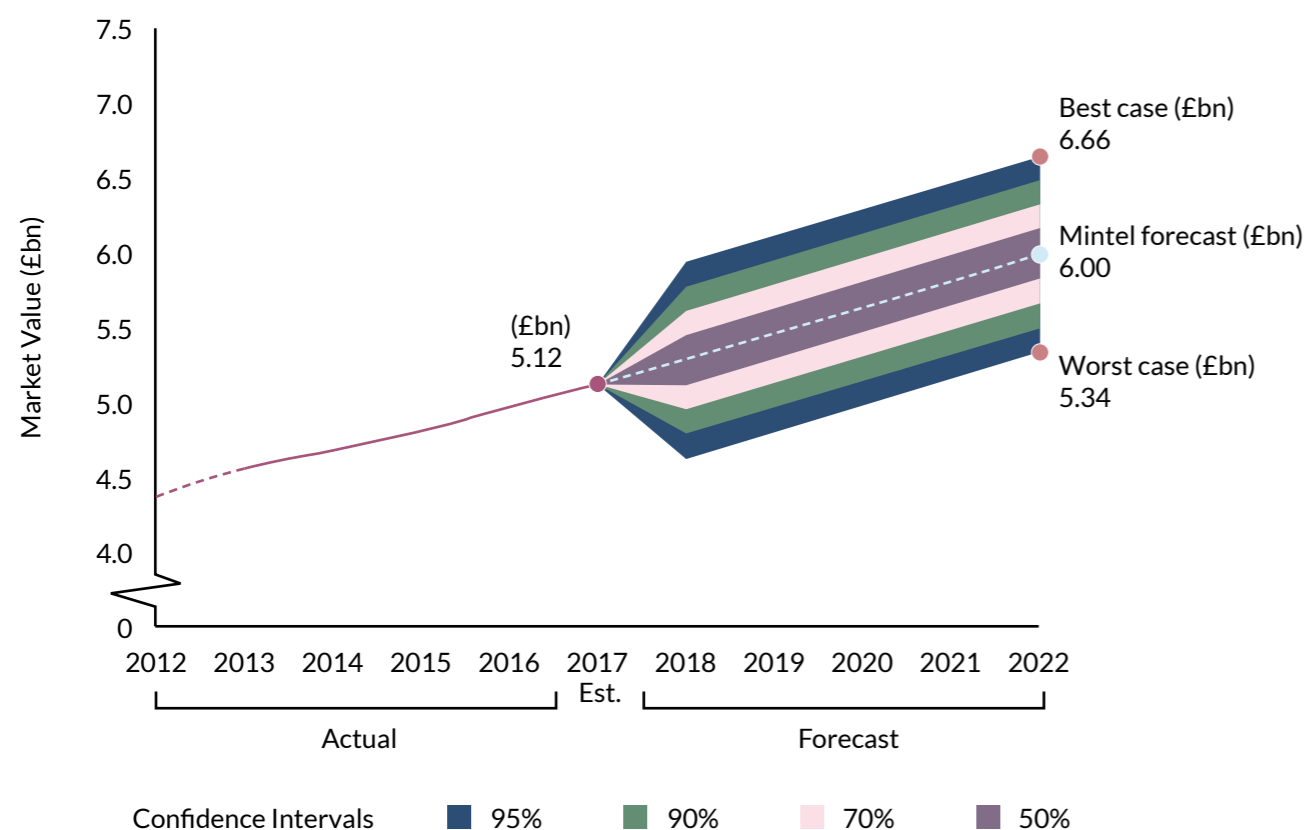
- Mintel reveals that consumer expenditure on beauty products was £4.4bn in 2012 and is forecast to rise to £6.0bn by 2022.
- £1.26bn was spent on the UK Facial Skincare market in 2017.
- £1.98bn was the total value of the UK Colour Cosmetics market in 2017.
- The total value of the UK Fragrance market was £1.8bn in 2017.
- According to Mintel's Category Director for BPC, Lifestyles and Brand research, Lucy Cornford, a robust interest in prestige beauty products is helping to buoy the sector.
- In 2017, prestige product sales amounted to £3bn accounting for 30% of total retail beauty and personal care sales – up from 26% at £2.4bn in 2012.

36% of adults bought premium BPC brands in the last year.

51% of adults typically use premium brands for fragrances

Mintel Prestige Beauty report – UK, December 2016

UK beauty products market value, 2012-22



Source: based on IRI/Mintel

CONSUMER EXPENDITURE: PERSONAL CARE PRODUCTS CATEGORY

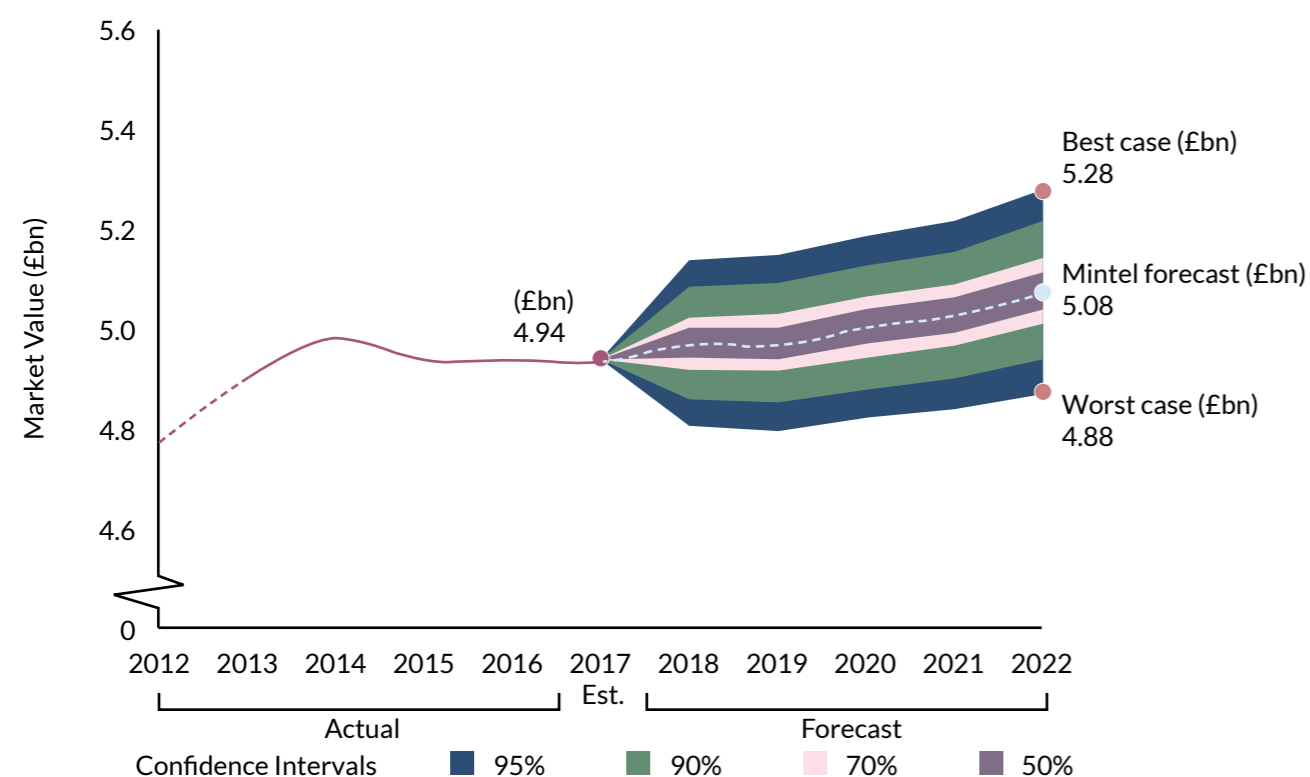
- Mintel reveals that consumer expenditure on personal care products is expected to remain static in 2017 at £4.94bn.
- Slower growth in this sector is a result of competitive pricing on everyday toiletries by retailers – helping shoppers stretch their budgets further at a time when the cost of living is increasing.
- Consistently low pricing is important to 52% of beauty and personal care buyers when deciding where to purchase these products. *Mintel Beauty Retail Report – UK, January 2018.*



WHERE ARE BEAUTY & PERSONAL CARE PRODUCTS BOUGHT?

- Mintel reveals that value sales of BPC products through specialist retailers (such as Boots, Superdrug, The Body Shop, Space.NK, Feelunique, com and Glossybox) increased by 9% from 2015-17. This is an increase from £3.4 billion to £3.7 billion.
- Despite tough times of the UK High Street, in 2017 value sales of beauty products through department stores grew by 18%, as consumers sought out premium brands. This is an increase from £1.7 billion to £2 billion. Furthermore traditional specialist retailers also found on the High Street, increased sales by 9% from 2015-2017.
- The convenience and value proposition of grocers has seen them maintain market share of value sales year-on-year, with these outlets being popular 'go-tos' to buy everyday personal care goods.
- Online consumer expenditure for beauty hit £1bn in 2017, an increase of 7.5% from 2016. Online shopping now accounts for 10.9% of total spend on retail beauty and personal care products, rising from 10.3% in 2016. One in three of British people bought beauty and personal care products online
- 24% of UK consumers, who visited an airport in the last year, bought products while they were there. Visitors to UK airports took advantage of tax-free shopping and spent £650M on airport shopping between 2016-17.
- Increasingly tech-savvy UK consumers spent £558M on beauty devices and tools in 2016-17.

UK personal care products market value, 2012-22



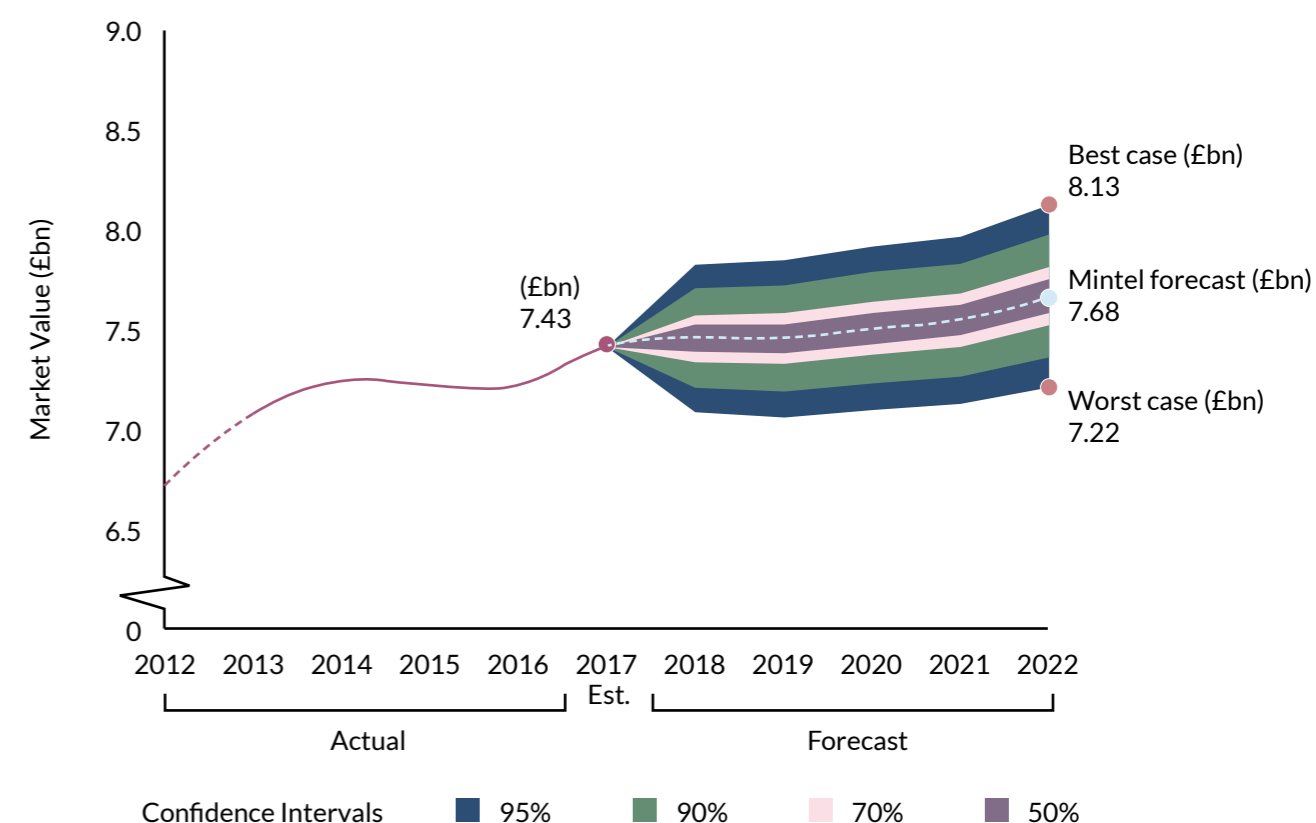
Source: Mintel

CONSUMER EXPENDITURE: HAIRDRESSING & BARBER SHOP SERVICES

Consumers are treating hair salons as experience centres – splashing out on exciting new colour products and intensive conditioning treatments. The growing popularity of barber shops is also fueling growth, as men look for hair and beard management and pampering. Stores are trying to stand out from the competition with speedy but effective treatments and grooming services. The result is a healthy rise in expenditure and better engagement between the customer and the stylist.

- Consumer expenditure on in-salon hair services is expected to increase by 3% in 2017, to £7.43bn.
- Extreme colour trends and new conditioning treatments have helped breathe new life into the sector.
- 16% of women aged 16-34 who used a professional hair service in the year to June 2017 had a hair health/conditioning treatment. Mintel In-salon Hair Services – UK, August 2017.

UK hairdressing and barber shop services market value, 2012-22

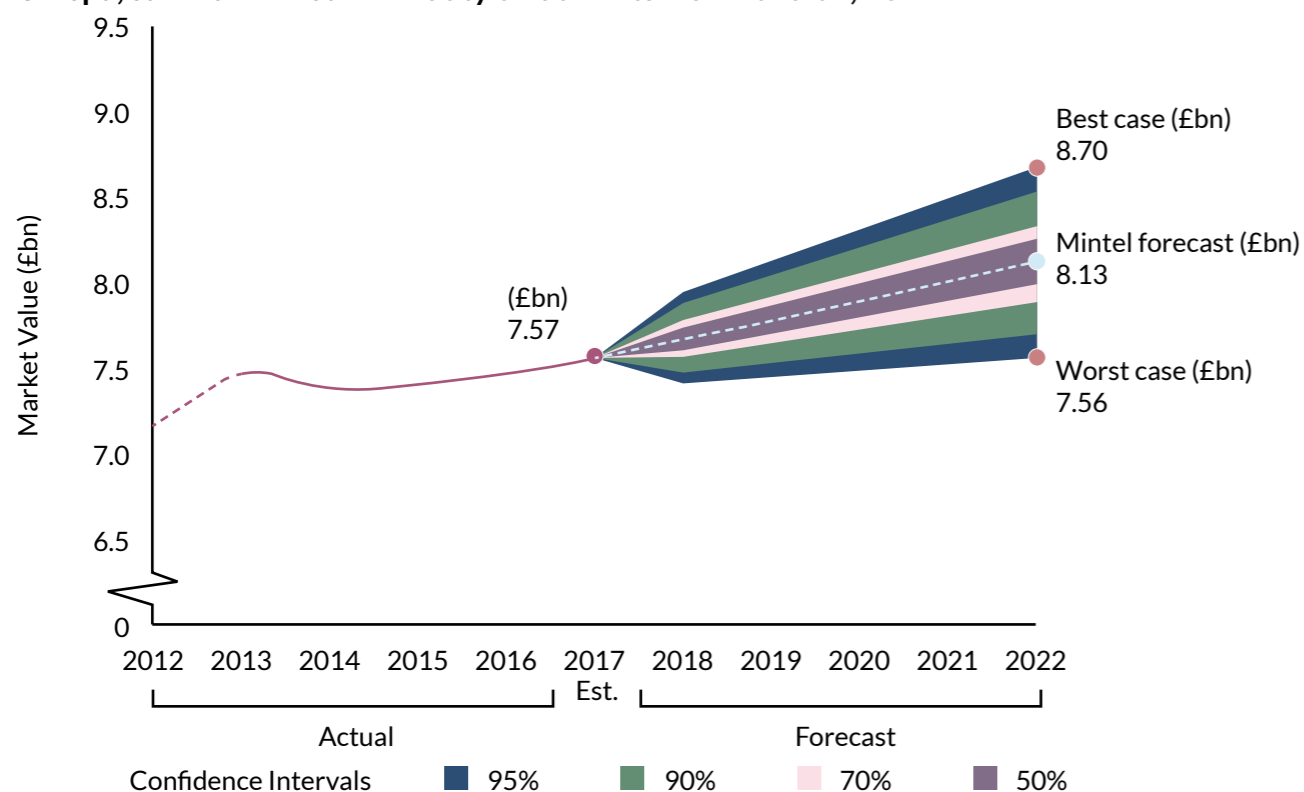


Source: Mintel

CONSUMER EXPENDITURE: SPA, SALON AND IN-STORE BEAUTY TREATMENTS

- Consumer expenditure on spa, salon and in-store beauty treatments is estimated to reach £7.57bn in 2017.
- Mintel's Lucy Cornford states: "More technical treatments such as radiofrequency and LED facials have encouraged greater spend in the sector, while the popularity of speedy treatments for time-poor consumers have boosted frequency of use. Despite the ever-increasing focus on digital, beauty professionals are still needed to carry out the treatments and services, ensuring consumer spend stays strong in this sector."
- 76% of those who have had a beauty treatment in the last year agree that they promote mental wellbeing. *Mintel Spa, Salon and In-store Treatments report – UK, September 2017.*
- 36% of adults agree it is important to have regular treatments to maintain your appearance. *Mintel Spa, Salon and In-store Treatments report – UK, September 2017.*

UK spa, salon and in-store beauty treatments market value, 2012-22



Source: Mintel

THE LIPSTICK EFFECT

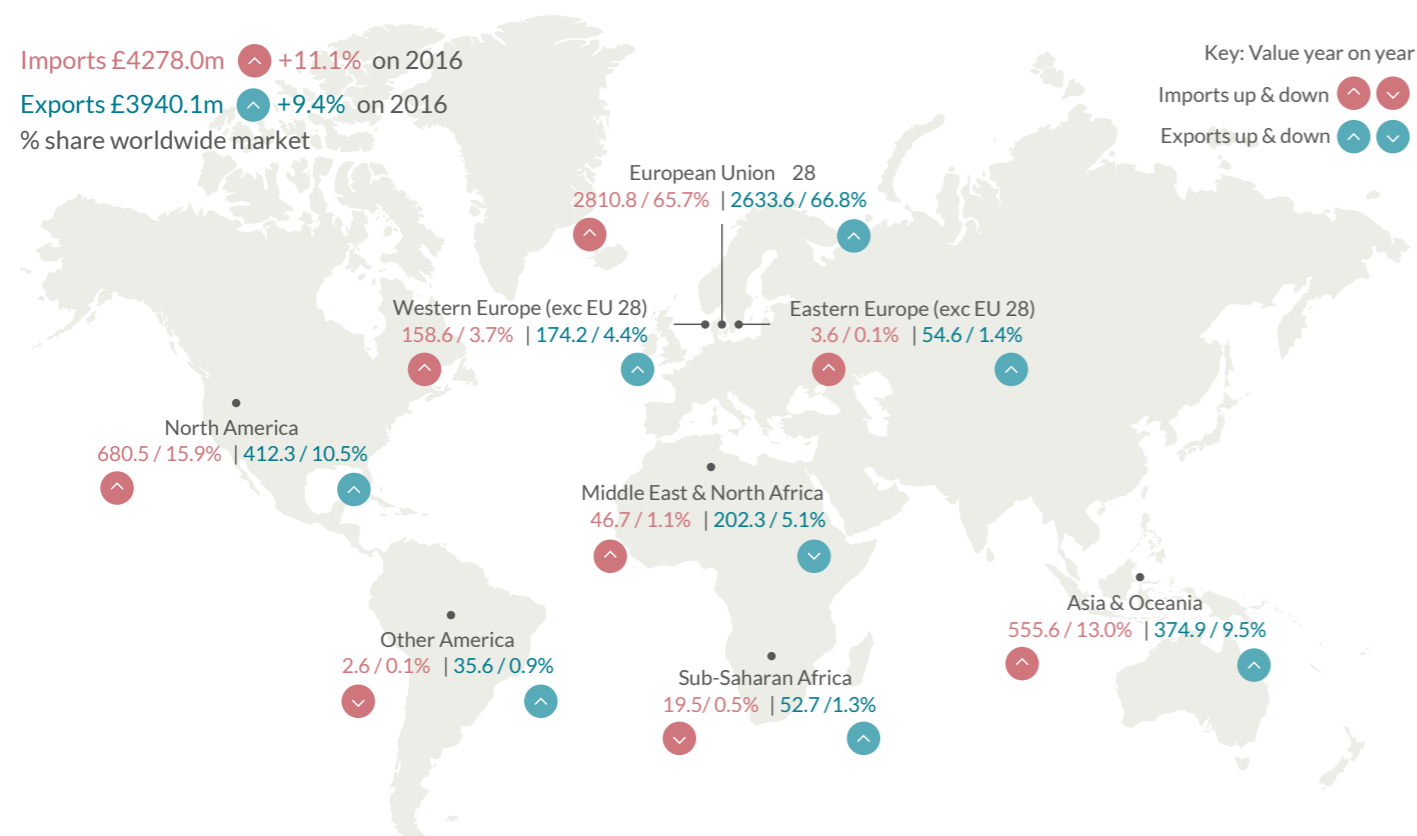
- The Lipstick Effect exists. During periods of economic downturn, consumers tend to purchase more 'little luxuries' goods, such as lipstick, treatments and cosmetics. Despite the UK's contracting economy, slow expansion and rising inflation that outstrips weak wage growth, value sales of beauty products have risen steadily year-on-year between 2012 and 2016.
- After the Brexit vote in 2016 – which placed further pressure on the economy – sales of beauty products continued to rise.
- This rise is impressive considering the rate of expansion for the whole of 2017 was the slowest since 2012, with the bigger picture showing weaker and more uneven expansion. Rising inflation (prompted by the slide in the value of the Pound after the EU referendum) has outstripped weak wage growth, denting consumer spending power.



IMPORTS AND EXPORTS

UK BEAUTY IMPORTS AND EXPORTS INCREASE IN VALUE

2017 UK Imports and Exports Worldwide

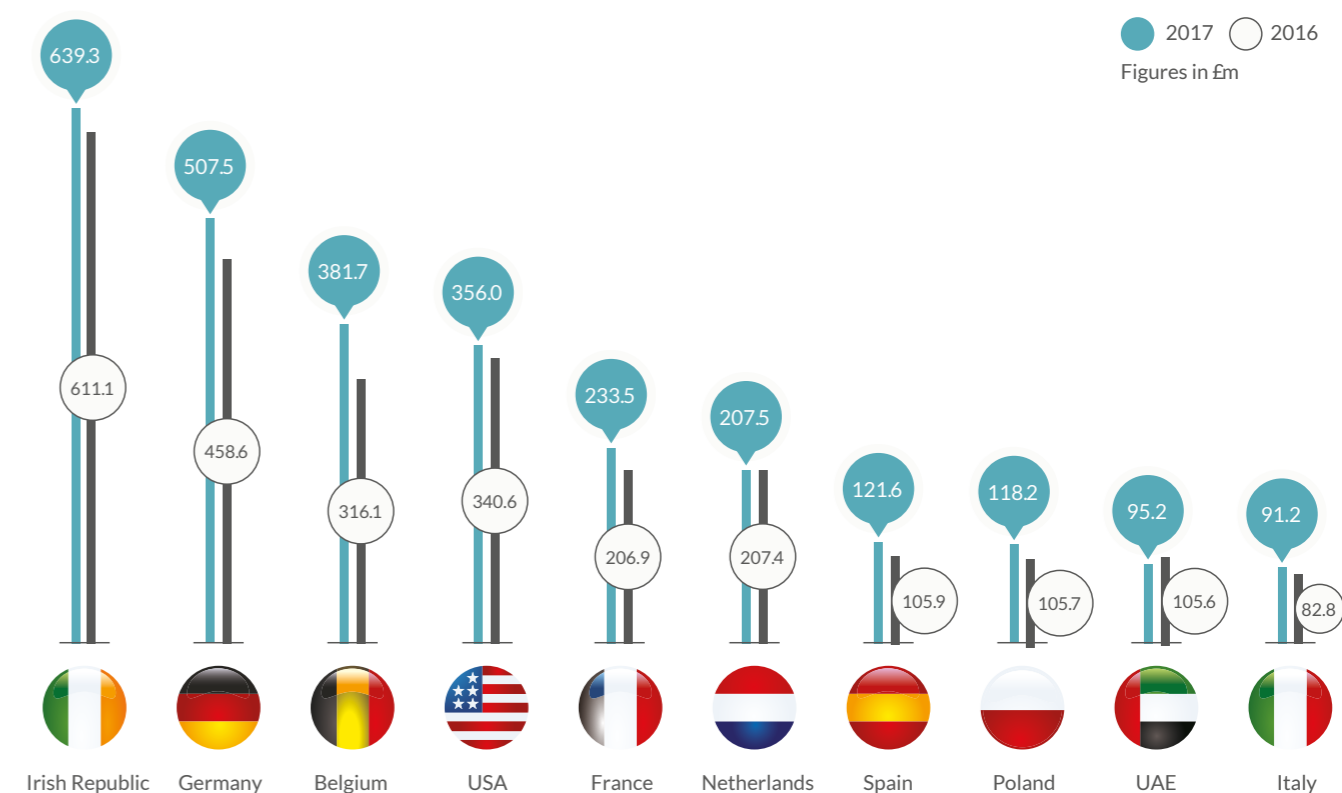


Source: CTPA

UK EXPORTS

- According to the CTPA, the value of beauty products exported by the UK in 2016 was £3.54bn and is estimated at £3.94bn for 2017 – an increase of 11%.
- 65.7% of UK beauty exports went to EU countries in 2017.
- The Republic of Ireland was the UK's largest export market for beauty and personal care products in 2017 – accounting for 17% of the value of all UK exports.
- The major EU markets are Ireland, Germany, Belgium, France, Netherlands, Spain, Poland and Italy. The two major non-EU markets are the USA and UAE.

UK's Largest Worldwide Export Markets

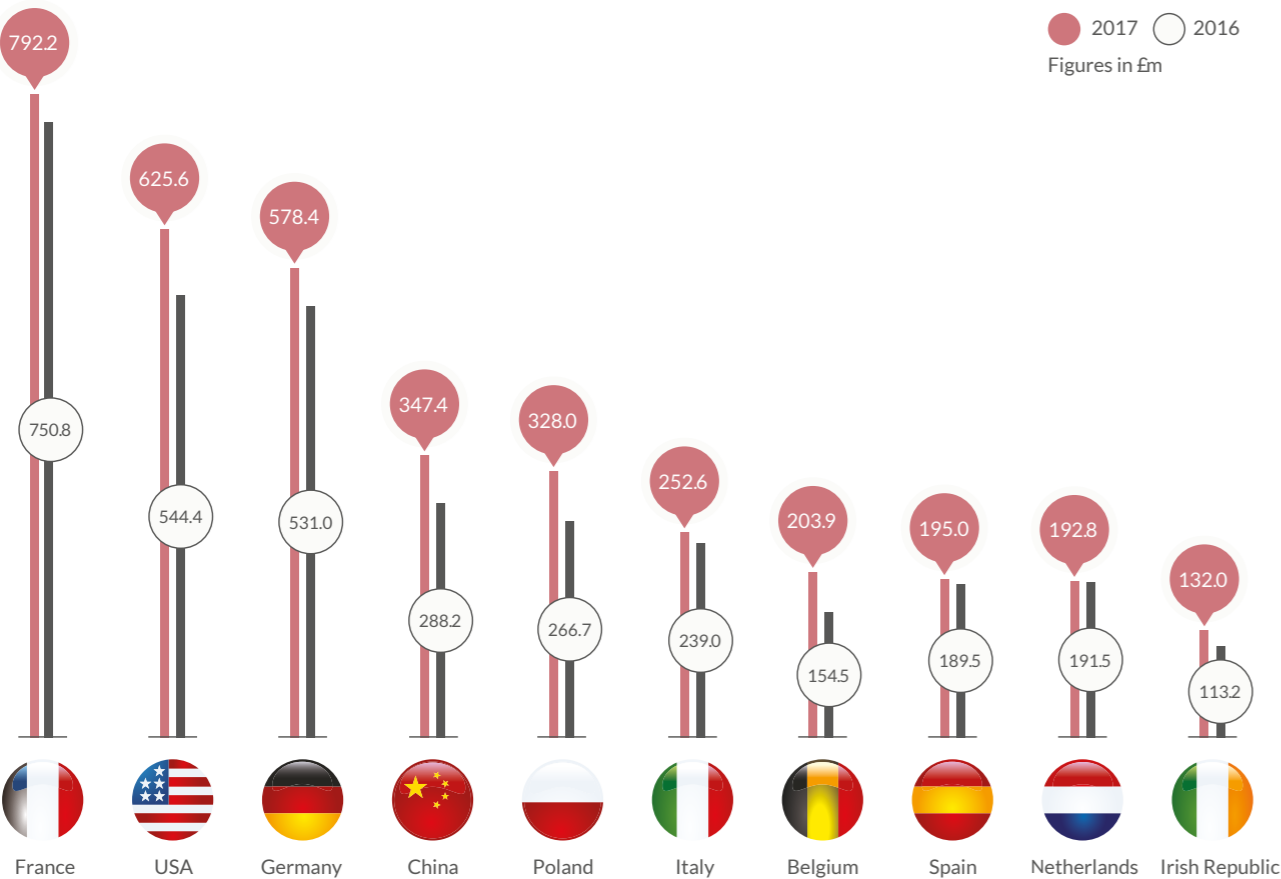


Source: CTPA

UK IMPORTS

- According to the CTPA, the value of beauty products imported by the UK was £3.7bn in 2016 and estimated to grow to £4.27bn in 2017 – a rise of 15%.
- 66.8% of all beauty imports came from the EU. France was the UK’s largest importer for beauty and personal care products in 2017 – accounting for 20% of the value of all UK imports.
- The top non-EU importers are the USA and China.

UK’s Largest Worldwide Import Markets



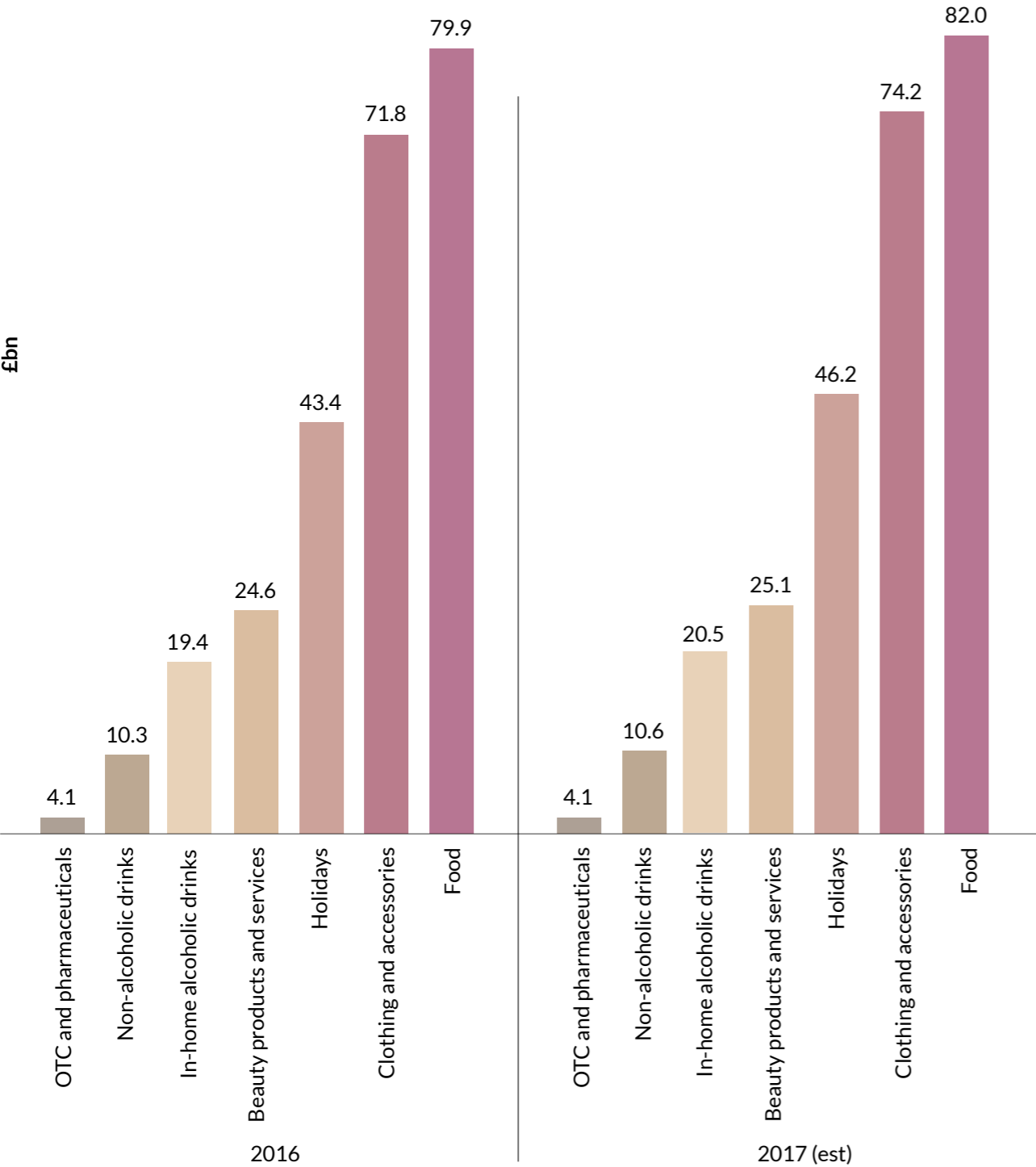
Source: CTPA



BENCHMARKING

The UK beauty industry is currently worth more than a number of high-value industries such as in-home alcoholic drinks, soft drinks and pharmaceutical products, but is yet to reach the scale of the ‘everyday essentials’ industries such as food and clothing, as well as the value of the holiday industry.

UK market value of selected categories, 2016-17 (est)



Source: Mintel



The UK beauty and personal care industry has quickly taken advantage of advancements in digital technology and the consumer thirst for new products. Countless men and women have set up their own beauty businesses – exploiting cross border sales, increasingly penetrating new markets at a fraction of the previous costs.

Convenience is driving on-demand beauty and hairdressing services. UK company, Blow Ltd is enjoying impressive month-on-month growth, satisfying the increasing demand for professional services straight to the home/office. This is creating new employment opportunities, allowing trained working mothers and keen professionals to work flexible hours, often outside of traditional salon opening times.

The impressive industry value forecast of £26.9bn for 2022 is reflective of the new, fast-paced beauty industry landscape where service, expertise and innovation are paramount.

Jane Henderson,
Global President of Beauty
and Personal Care Mintel

METHODOLOGICAL APPENDIX

Consumer expenditure

Mintel has produced this forecast based on an advanced statistical technique known as 'multivariate time series auto-regression' using the statistical software package SPSS.

The model, based on historical market size data taken from Mintel's own market size database and supplemented by macro – and socio-economic data sourced from credible organisations (eg Office for National Statistics, HM Treasury, Bank of England), searches for relationships between actual market sizes and a selection of key economic and demographic determinants (independent variables) in order to identify those predictors having the most influence on the market.

For the market, the factors identified to have the most influence on the market were personal disposable income, GDP and consumer expenditure, as well as the size of the population, in particular females.

Next to historical market sizes and a current-year estimate, the fan chart illustrates the probability of various outcomes for the market value of the UK's beauty and personal care products and services market over the next five years.

The future uncertainty within this market is illustrated by the coloured bands around the five-year forecast. The widening bands successively show the developments that occur within 95%, 90%, 70% and 50% probability intervals. Statistical processes predict the central forecast

to fall within the darker shaded area which illustrates 50% probability, ie a five in 10 chance.

At a 95% confidence interval, we are saying that 95 out of 100 times, the forecast will fall within these outer limits, which we call the best – and worst-case forecast as these, based on the statistically driven forecast, are the highest (best case) and lowest (worst case) market sizes the market is expected to achieve.

Consumer expenditure

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Next to historical market sizes and a current-year estimate, the fan chart illustrates the probability of various outcomes for the market value of the UK's BPC products and services market over the next five years.

The future uncertainty within this market is illustrated by the coloured bands around the five-year forecast. The widening bands successively show the developments that occur within 95%, 90%, 70% and 50% probability intervals. Statistical processes predict the central forecast to fall within the darker shaded area, which illustrates 50% probability (i.e. a five in 10 chance).

At a 95% confidence interval, we are saying that 95 out of 100 times, the forecast will fall within these outer limits, which we call the best- and worst-case forecast as these, based on the statistically driven forecast, are the highest (best case) and lowest (worst case) market sizes the market is expected to achieve.

Channels to market

Mintel has produced an estimate on the distribution of consumer spending on BPC products through the following retail channels:

- Specialists: includes, but is not exclusive to, health and beauty retailers such as Boots, Superdrug, Lloyds Pharmacy, The Body Shop, Lush, The Fragrance Shop, Space.NK, L'Occitane, Molton Brown, Avon, Yves Rocher and Jo Malone. Also includes sales through online pureplayers with a focus on health and beauty, e.g. Feelunique.com, The Hut Group, Amazon, Allbeauty.com, Escentual.com and Fragrancedirect.co.uk, as well as beauty subscription boxes, e.g. Glossybox and Birchbox.

- Grocers: includes Tesco, Waitrose, Sainsbury's, Asda, Co-op and Morrisons.
- Department stores: includes, but is not exclusive to, Debenhams, John Lewis, House of Fraser, Harrods, Harvey Nichols, Liberty London, Fortnum & Mason, Fenwick, Marks & Spencer and Selfridges.
- Discounters: includes, but is not exclusive to, Wilko, Poundland, B&M, Poundstretcher.
- Discount grocers: includes Aldi and Lidl.
- Others: all additional retail outlets not already categorised by the above.

Consumer data

Exclusive and original quantitative consumer research is commissioned for almost all Mintel Reports, bringing an up-to-date and unique insight into topical issues of importance.

Consumer research included throughout this publication was conducted among a nationally representative sample of internet users and was carried out by Lightspeed. The results are only available in Mintel Reports.

Founded in 1999, Lightspeed's double opt-in online consumer panel has reach to approximately 450,000 consumers in the UK. Lightspeed delivers uniquely identified online respondents via extensive use of fraud detection and location-verification technology at multiple points in the research cycle, from initial registration through survey fielding and incentive redemption. Lightspeed panellists are profiled on a wide variety of attributes to deliver the specific hard-to-reach demographics.

To ensure our surveys are nationally representative of internet users, Mintel sets quotas for each age group, split by gender. Mintel also sets quotas on region and socio-economic group.

To calculate panellist's socio-economic grade Lightspeed ask a set of screening questions at registration to their panel. These questions include employment status and profession (both panellists own and the household's chief income earner). Once the panellist has completed these initial questions they are invited to take an additional set of follow-up questions that allow Lightspeed to further fine tune their socio-economic grade. Panellists are required to retake the socio-economic screening questions once a year to ensure that any changes in circumstance are accounted for.

Imports and exports

Data for imports and exports has been provided by CTPA and comprises data for the following categories: Beauty (skincare/decorative); Bath preparations; Deodorants & Antiperspirants; Depilatories & other toiletries; Haircare; Liquid soap; Men's shaving; Oralcare; Perfumes; Toilet soap.

Beauty brand landscape

For the purposes of this publication, information on the activity of beauty brands operating in the UK marketplace has been created using comprehensive product data from Mintel's Global New Products Database, including data on manufacturing and importing.

When tracking this information, launch activity for the following categories was included: Colour Cosmetics; Deodorants; Fragrances; Haircare; Oral Care; Shaving & Depilatories; Skincare.

When estimating the proportion of launch activity by scale of operating brands, Mintel created a logic to filter brands into three tier groups. Based on three years of data (2015-2017), the average number of launches per category that a brand is present in determined the tier to which it was attributed: Small (14 or less product launches); Medium (15-49 product launches); or Large (50+ product launches).



