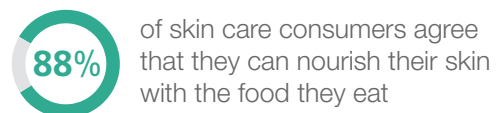
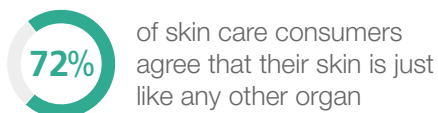




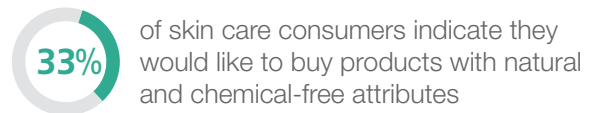
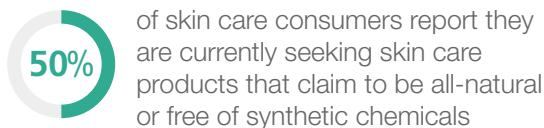
Demand for Natural Skin Care Products Poised for Growth

The growth of “better-for-you” products has never been stronger, and the natural skin care category is charting a similar course. The following is a joint research brief developed in partnership between the Free From Forum and Hamacher Resource Group which describes both skin care consumer attitudes and behavior and how the CPG industry has responded to date.

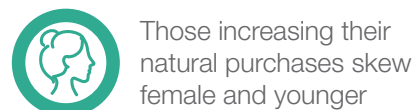
Consumers Treat Skin as the Organ It Is



Natural Has Already Taken Hold in the Skin Care Category



Demand for Natural Is Growing with Younger Consumers Leading the Charge



Note: Consumer data is based on a large-scale internet-based study with 1,001 U.S. households January 22-27, 2019. The study is representative of the U.S. Population based on geography, gender, age, race, and income. 88% of respondents reported purchasing a skin care product for themselves or someone in their household in the past 12 months.

Natural Attributes to Watch

A number of key natural attributes already appeal to the skin care consumer and are poised for growth in the skin care category.

The top natural attributes consumers report that they want to start buying are: **CBD as an ingredient (40%), plant-based (39%), sustainable (38%), and organic (37%).**

Attributes	Already buy	Want to start buying	Not interested
Contains CBD as an ingredient	14%	40%	45%
Plant-based	25%	39%	36%
Sustainable (ingredients, packaging, etc.)	35%	38%	27%
Organic	32%	37%	31%
All-natural	52%	35%	13%
Is free of synthetic chemicals like parabens, formaldehyde, and polyethylene	48%	32%	20%
Gluten-free	17%	28%	55%
Vegan	14%	28%	58%

The Natural Skin Care Consumer is Shopping Outside Traditional Retail

The top two channels in which consumers prefer to shop for skin care products are Mass (66%) and Drug (39%).

Those increasing their natural skin care purchases are shopping more channels to meet their needs. **They over-index on shopping Amazon (41%), beauty specialty (32%), and natural grocery stores (17%).**



Insights



Consumer demand for natural skin care products will continue to grow led by the younger consumer.



Key natural attributes in greatest demand from skin care consumers include **CBD, plant-based, sustainable, and organic.**



Traditional channels may have an opportunity to **promote a broader natural skin care assortment** to keep natural shoppers in store.

The CPG Industry Responds

During 2018, over 2,500 new health, beauty, and wellness items were presented to Hamacher Resource Group for review, and approximately 18% used one of these “better-for-you” terms in their uses and benefits statements on their packaging:



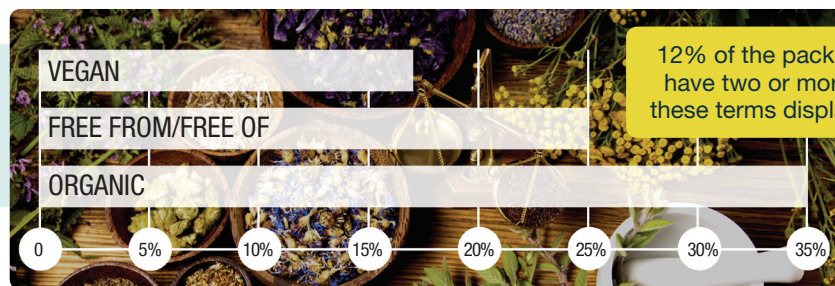
Top 5 Categories Using “Better-for-You” Positioning Statements in their New Items⁺

⁺based on new packaging presented to HRG during 2018



Most Popular “Better-for-You” Terms*

^{*}based on their appearance on new packaging presented to HRG during 2018



12% of the packages have two or more of these terms displayed.

Insights

- ✓ Product manufacturers are currently focusing claims on vegan, free from, and organic.
- ✓ There is opportunity for brands to expand CBD ingredients or plant-based and sustainable claims as consumer demand is expected to grow for these attributes.

Reflections

- ✓ How can brands tweak their on-package message to better reach today’s consumer?
- ✓ What natural skin care assortment should a retailer bring in to satisfy consumer demand?
- ✓ How can retailers recapture consumers who are shopping for natural products in alternate channels?

Brought to you by



The Free From Forum is a go-to resource for companies who want to grow their business by appealing to consumers who are seeking organic, free from, natural, and better-for-you products. We provide brands with the latest understanding of the free from marketplace and consumer needs via custom analysis, subscription data services, data mining, training, and advisory services.

HRG focuses on improving results across the retail supply chain by addressing dynamic needs such as assortment planning and placement, retail execution strategy, fixture coordination, item database management, brandmarketing, analytics, and pharmaceutical track-and-trace compliance. Founded in 1980, HRG is a WBENC-Certified Women's Business Enterprise headquartered in Greater Milwaukee, and was named a Milwaukee Journal Sentinel's 2017 and 2018 Top Workplace.

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