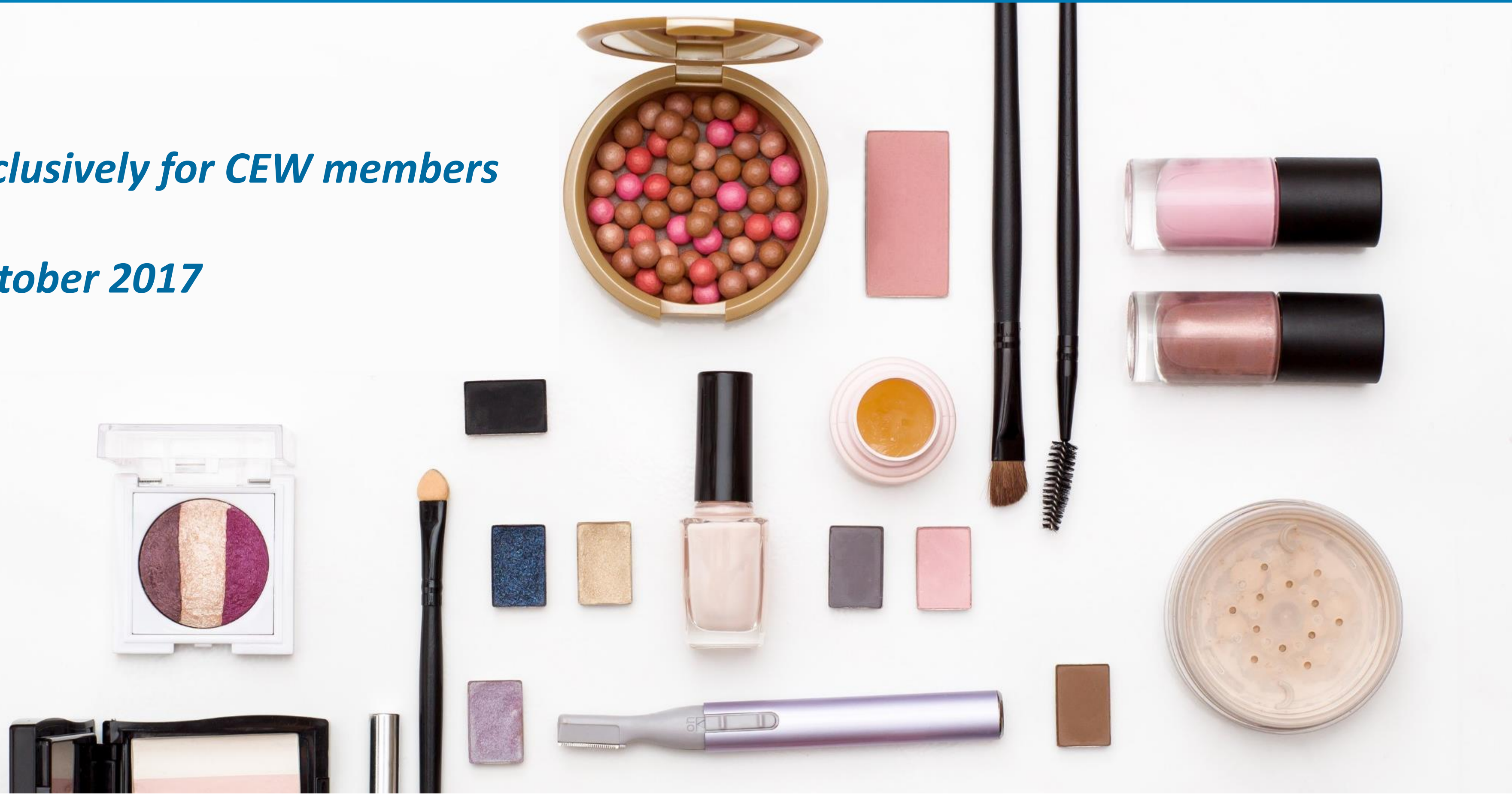
BEAUTY'S FAVORITE RETAILERS

Exclusively for CEW members

October 2017



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Beauty’s Favorite Retailers

Solution-based E-aggregators

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Online Exclusive Favorites

Convenient E-commerce

Beauty’s Boutique Retailers

Progressive Mass Merchandisers

Demonstrative Home Shopping Networks

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Beauty's Fastest-growing Channels – Specialty Stores and Direct Sales Lead the Way

Source: Kline's Beauty Retailing USA: Channel Analysis and Opportunities

Specialty Stores: Focused on the Experience

Create Open-sell Environment

Focus on New Naturals

FARMACY

ESTD 2012

DRUNK ELEPHANT

Expand Footprint

Trendsetters

Offer Solution-based Approach

Create the Consumer Experience

eKline

Cosmetic Specialty Stores record a robust growth of almost 20%

BEAUTY collection — CURATORS IN THE ART OF BEAUTIFUL

bluemercury — makeup • skincare • spa

COS BAR — BEAUTY ELEVATED

SPACE.NK.apothecary

COMBINED REVENUES OF
OVER $5 BILLION
AND
3,000 STORES IN THE UNITED STATES

SEPHORA

ULTA BEAUTY

credo

BEAUTY BRANDS

Kline

Source: Kline's Beauty Retailing USA: Channel Analysis and Opportunities

Beauty's Leading Boutiques – Vertically Integrated Stores

Bath & Body Works

MAC

L'OCCITANE EN PROVENCE

VICTORIA'S SECRET

COMBINED REVENUES OF
OVER $5.3 BILLION,
GROWING AT 7%,
AND NEARLY 5,000 DOORS

BARE ESCENTUALS

LUSH FRESH HANDMADE COSMETICS

Kiehl's SINCE 1851

THE BODY SHOP

AVEDA

Kline

Source: Kline's Boutique Beauty Retailers: Channel Analysis and Opportunities

Foreign Boutiques in the United States

Origin: Israel

Niche: Premium bath and body products

Origin: South Korea

Entered the United States in 2012

Origin: Netherlands

Niche: Premium skin care

Origin: South Korea

Niche: Mass skin care

Origin: United Kingdom

Niche: Masstige body care

Origin: France

Niche: Masstige to premium skin care

The influx of foreign vertically-oriented beauty retailers to the United States in the past decade has positively affected this segment's growth

Contents

Direct sales is comprised of four basic sub-channels

The Shopping Shift: From Traditional to Alternative Channels

+3.2%

U.S. cosmetics and toiletries CAGR, 2011-2016

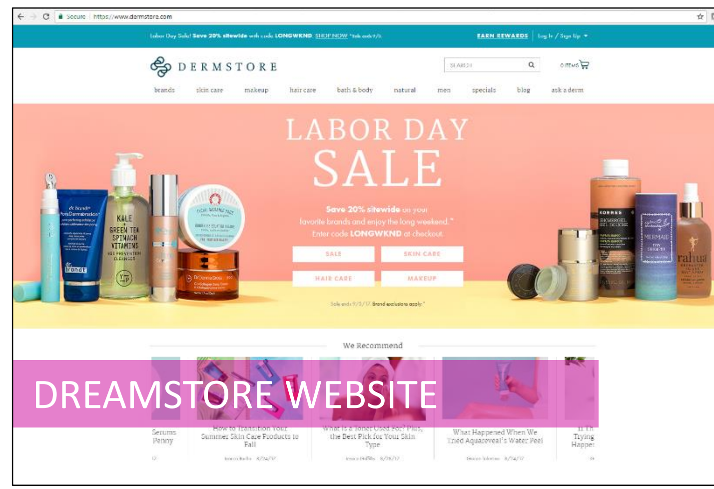
+2.5%

Brick and mortar CAGR

+20.6%

E-commerce CAGR

THE FACE SHOP STORE



DREAMSTORE WEBSITE

Source: Kline's Beauty Retailing USA: Channel Analysis and Opportunities

The Lure of Purchasing Online: The Amazon Effect

THE amazon EFFECT

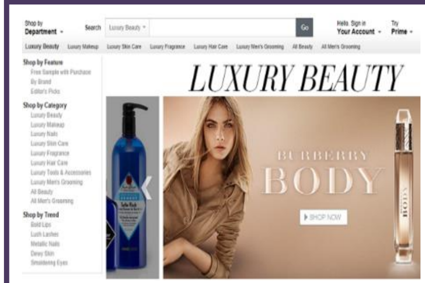
Amazon leads as an online retailer.

80 million
AMAZON PRIME MEMBERS IN THE UNITED STATES IN 2017

78%
OF THOSE CONSUMERS PAY FOR PRIME TO GET FREE 2-DAY SHIPPING

74%
OF U.S. CONSUMERS HAVE PURCHASED FACIAL SKIN CARE ON AMAZON

AMAZON BEAUTY



Sources: Business Insider, 2/2017; Emarketer, 10/2015; Kline Beauty Devices Global Consumer Insights Survey, 4/2017

The Lure of Purchasing Online: Exclusivity

63% OF U.S. CONSUMERS HAVE PURCHASED FACIAL SKIN CARE FROM A BRAND WEBSITE

ONLINE BRANDS

ColourPop

Makeup Geek

DECIEM

KYLIE

function of beauty

Glossier.

melt.

ONLINE OFFERS

Tarte Flash Sale, Online Only

Honest Beauty Sale, Online Only

FLASH SITES

NET-A-PORTER

GILT: $30 Off $80

Source: Kline Beauty Devices Global Consumer Insights Survey, 4/2017

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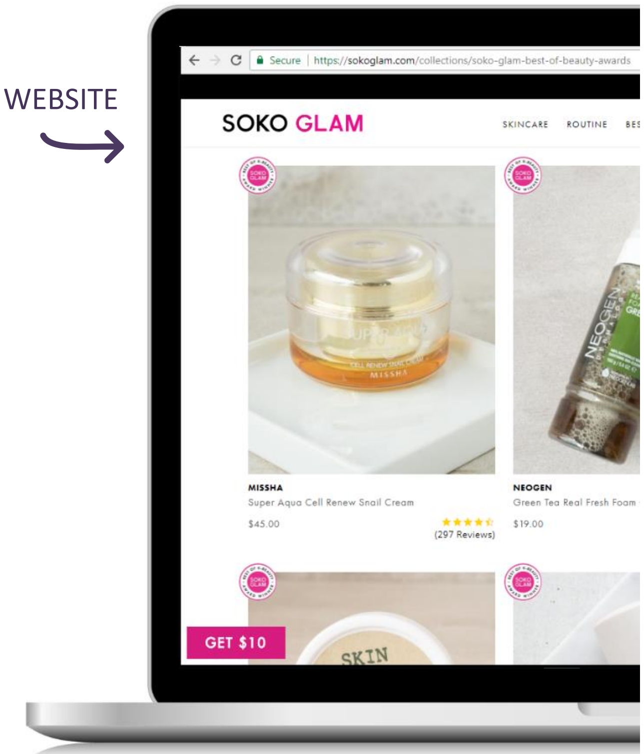
The Lure of Purchasing Online: Solution-based E-aggregators

CURATED, SOLUTION-BASED PRODUCTS ARE OFFERED BY ONLINE SITES

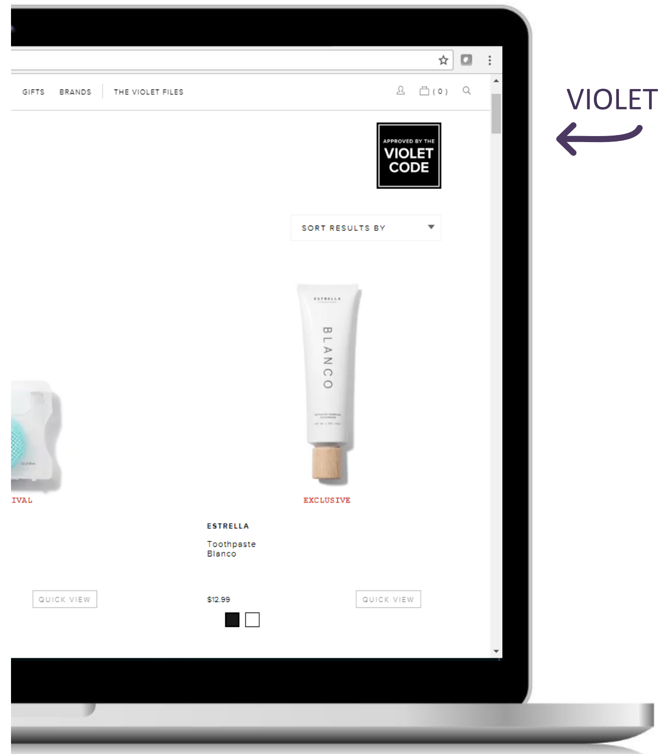
THE K-BEAUTY WAVE

SOKO GLAM WEBSITE



PURE PLAY RETAILERS

VIOLET GREY WEBSITE



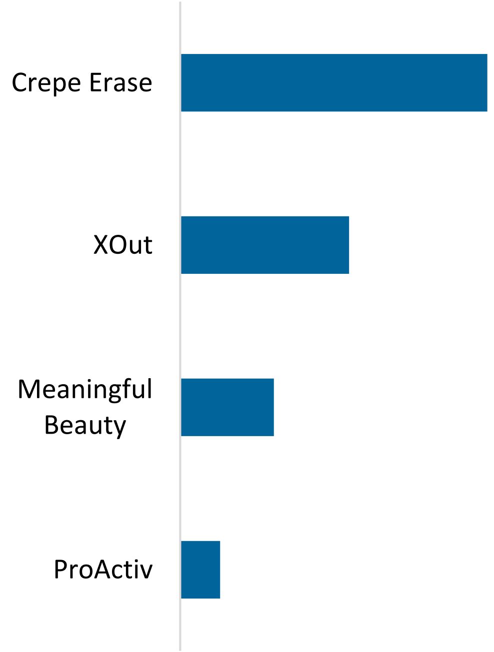
Infomercials

Infomercial brands expand to other channels

Infomercials grow, record solid growth

- Guthy-Renker's brands continue to dominate the channel
- Problem-solving approach and use of celebrities
- Proactiv expands into Amazon, launches at Ulta, and starts selling on QVC in 2016

Change of manufacturers' sales in infomercial brands



Source: Kline's Cosmetics & Toiletries USA

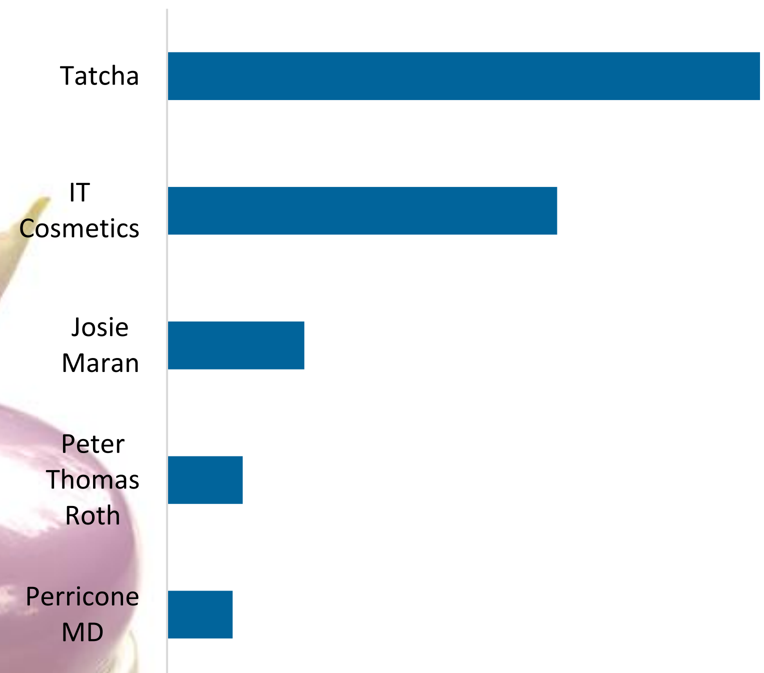
Home shopping network brands record solid growth

Home Shopping Network Channel Records 10% growth from 2015-2016

KEY HOME SHOPPING NETWORK BRANDS

- JOSIE MARAN – Luxury with a Conscience.®
- it COSMETICS™
- ALGENIST
- Perricone MD
- TATCHA
- PETER THOMAS ROTH – CLINICAL SKIN CARE

CHANGE IN MANUFACTURERS' SALES IN HOME SHOPPING NETWORK BRANDS, 2015 TO 2016



Source: Kline's Cosmetics & Toiletries USA

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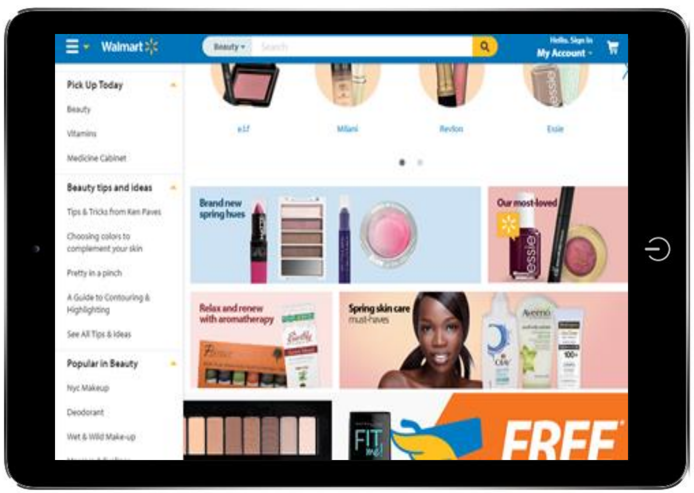
Mass Merchandisers Gain Traction by Taking on New Brands and Concepts

Mass merchandisers, including big box retailers, warehouse clubs, and dollar stores, record over 2.5% growth

WALMART

- Walmart upgrades the beauty portion of its website, incorporating new brands and playing with key trends.



TARGET

- Mixes standard national beauty brands along with ones customers might not expect to find at Target.
- Dedicated section for truly natural brands.
- Key player in migrating luxury trends to mass, such as the K-Beauty trend.

Source: Kline's Beauty Retailing USA: Channel Analysis and Opportunities

Drug Stores

Chain drug stores continue their quest for beauty consumers

EXPAND PRODUCT OFFERINGS

UPGRADING THE LOOK OF BEAUTY DEPARTMENTS

- Beauty differentiation strategy, which elevates the in-store beauty environment.
- Walgreens continues to operate Look Boutiques in 55 flagship locations.

Kline

Department Stores

Department stores face challenging times as they struggle to attract millennials

EXPAND IN-STORE BOUTIQUES

Bluemercury in Macy's

Space NK in Bloomingdale's

CREATE A SHOPPER EXPERIENCE

Nordstrom POV

Nordstrom Beauty Concierge

Kline

Contents

Leading marketers use Kline's insights on the beauty retailing market because of:

REGULAR SUPPLY OF UP-TO-DATE INSIGHTS

DATA PUBLISHED ANNUALLY

- 6 PURCHASE CHANNELS
- 18 SUB-CHANNELS
- 25 PRODUCT CATEGORIES

EXPERTISE IN SPECIALTY RETAILING

- VERTICALLY-INTEGRATED STORES
- COSMETIC SPECIALTY STORES
- PERSON-TO-PERSON

EASY ACCESS TO DATA

LATEST TRENDS AND CONCEPTS

IN-DEPTH RETAILER PROFILES

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COS BAR — BEAUTY ELEVATED
bluemercury — makeup • skincare • spa
TARGET
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ULTA BEAUTY

Kline

DATA SOURCE: Boutique Beauty Retailers: Channel Analysis and Opportunities

A detailed independent appraisal of the fast-moving specialty stores channel. Takes a close look at four key markets where many leading boutique retailers are headquartered: **France**, **South Korea**, **the United Kingdom**, and **the United States**.

This report helps you:

- Assess the size and evolution of the boutique retailer channel
- Quantify sales and door counts for key and emerging retailer chains
- Understand various productivity measures, including store sizes, traffic patterns, and number of sales associates

Base year: 2016, with forecasts to 2021

Published: January 2017

LEARN MORE >>

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DATA SOURCE: Beauty Retailing USA: Channel Analysis and Opportunities

An insightful analysis of the challenging and ever-changing retail landscape specific to beauty and personal care products.

This report helps you:

- Understand key purchase channels
- Quantify industry sales by purchase channel
- Discover the up-and-coming retailers
- Explore business practices and strategies of specific types of retailers

Base year: Data included for 2011 to 2016,

with forecasts to 2021

Publication: June 2017

LEARN MORE >>

Kline's Dedication to the Industry

50+
YEARS OF EXPERIENCE IN THE BEAUTY INDUSTRY

25+
YEARS OF COVERING THE PROFESSIONAL SECTORS

1st
TO REPORT ON VARIOUS NICHE MARKETS

INVITED TO SPEAK AT ALL KEY INDUSTRY EVENTS

CEW
ON BOARD OF DIRECTORS

MEMBERS FOR
30+ YEARS

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