

THE BEAUTY MARKET IS LETTING ITS HAIR DOWN

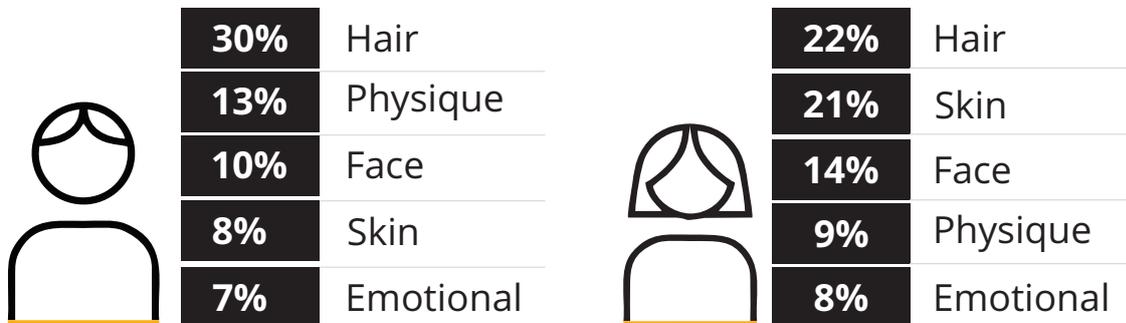
TRENDS IN THE HAIR CARE INDUSTRY INDICATE PROMISING POTENTIAL AS BOTH URBAN AND RURAL AREAS ARE LOOKING FOR MORE

- **Men consider hair the most important aspect of beauty, beating the second most important aspect of physique by as much as 2.5 times.**
- **One of every two rural consumers is seeking entry-level hair nourishment products, resulting in the rural market contributing 54% to the segment. On the other hand, two of every five consumers in urban areas are looking for problem-solving products, leading to urban markets contributing 44% to the segment.**
- **Premiumisation is a clear avenue for growth in the hair care industry; the current growth of the premium segment is between 1.3 and 1.6 times as compared to overall hair care category.**
- **Sub-segmenting (e.g., offering solutions for specific problems) is key to innovation and renovation in the hair care industry.**

The new individual identity has found its home in a head full of hair. From a mohawk to a fringe, hair can define an individual's personality. In a Nielsen study on beauty conducted in the second half of 2017, with over 5,000 respondents, most consumers said they think of hair when they think of beauty. As a result of growing interest, the battle for better hair has gained considerable traction in an age when appearance affects reputation. While both men and women are increasingly placing more importance on their hair, it's the men who consider hair a priority when defining beauty. Women, on the other hand, look at beauty more holistically, and they have their sights set on various aspects of beauty such as face, skin and more.

BEAUTY LEADS AS MEN GET THEIR HEAD AROUND IT

GENDER WISE - TOP FIVE



Source: Nielsen study on top aspects that define beauty (H2 2017)

HAIR CARE PROVIDES THE OPPORTUNITY FOR GROWTH IN BEAUTY

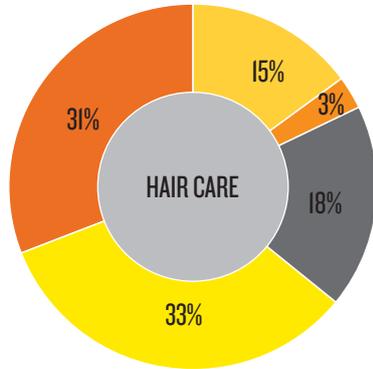
In the race for beauty, the hair care industry has evolved to a base of INR 22,500 cr (US \$3.3 billion). Categories operating in the business have experienced a 9.6% value compound annual growth rate (CAGR)¹. New-age segments have championed this growth; compared with the overall hair care industry, colorants are growing at 1.5 times and conditioners are growing at 1.2 times.



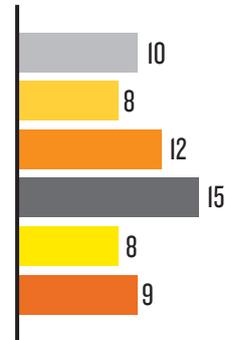
¹Compound annual growth rate is MAT (Moving Average Total) June'18 over MAT June'16

CONDITIONERS AND COLORANTS LEAD GROWTH

VALUE CONTRIBUTION



CAGR %



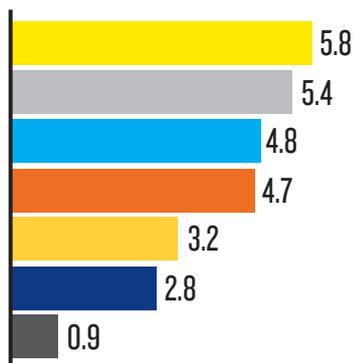
■ HAIRCARE ■ COCONUT OIL ■ CONDITIONERS ■ HAIR COLORANTS ■ HAIR OILS ■ SHAMPOOS

Source: RMS Time period: MAT (Moving Average Total) June'18s

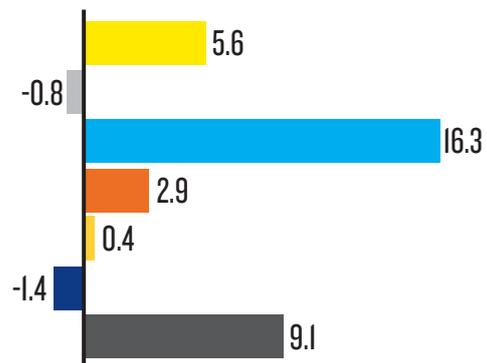
Furthermore, analysis of two particular factors—per capita and value compounded growth of hair care in India—highlights that the overall consumption potential for the hair care industry in India is on the rise. To understand this potential better, the Nielsen study used shampoos as an example.

HAIR CARE POTENTIAL IN INDIA: GROWTH OF THE SHAMPOO CATEGORY

PER CAPITA CONSUMPTION IN USD



VALUE CAGR



■ MEXICO ■ THAILAND ■ TURKEY ■ PHILIPPINES ■ CHINA ■ INDONESIA ■ INDIA

Source: RMS Audit MAT (Moving Average Total) June'18

The Nielsen Analytics team forecasts that shampoos in India will keep growing with a steady 6.5% value growth even in 2020. The retail industry should stack up its shampoo shelves to meet the consistent demand of consumers.

PREDICTING THE FUTURE

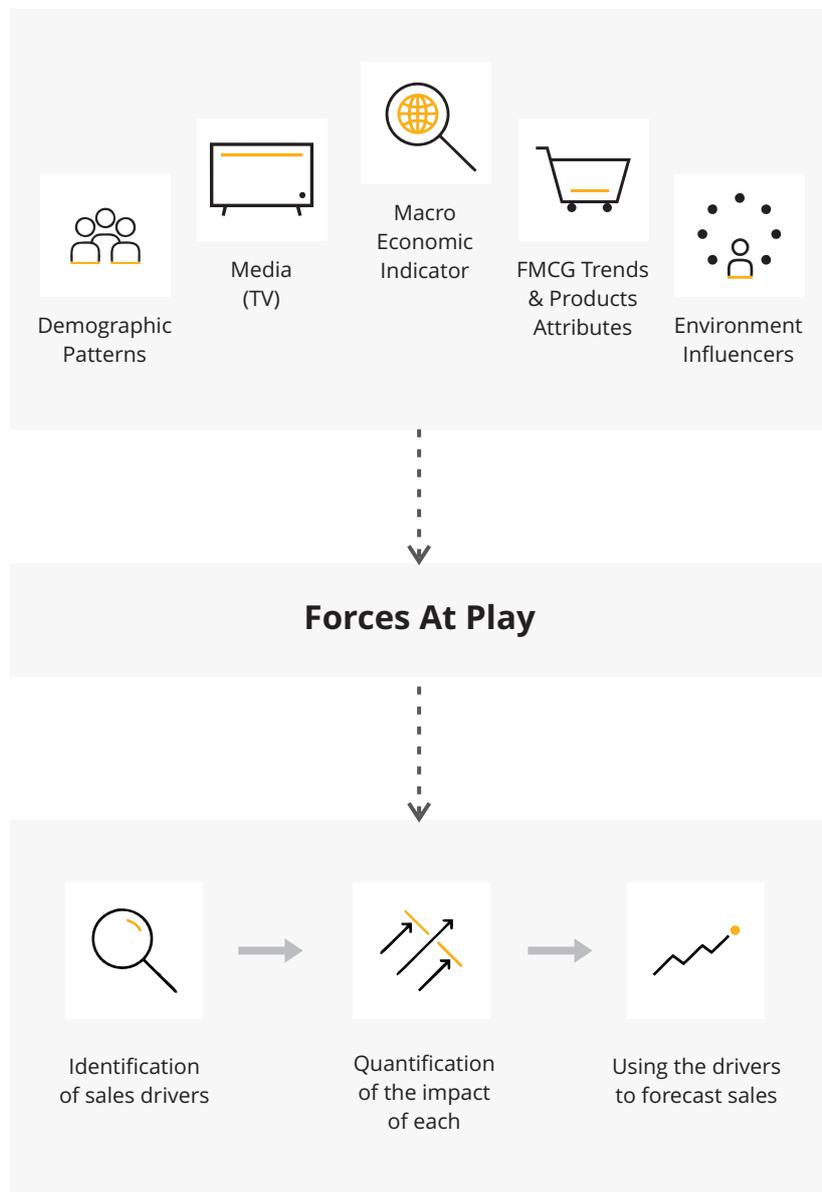
The Nielsen Analytics Forecast Methodology:

Two-step approach to identify the drivers affecting sales through regression modeling.



Quantification of the impact of each driver

Finally, forecast category sales for the next three years using the identified drivers and their future values.



BENEFIT VERSUS FORMAT

The expansive hair care industry includes a variety of products ranging from colorants to oils. All formats endeavour to cater to an existing consumer need, offer a benefit and induce trials. In a survey where consumers were asked what three aspects they desired most in a hair product, healthy, stylish and beautiful were the top three.



HEALTHY, STYLISH AND BEAUTIFUL WERE THE TOP THREE ATTRIBUTES CONSUMER RESPONDENTS DESIRE FROM A HAIR PRODUCT.

NEEDS TAKE PRIORITY

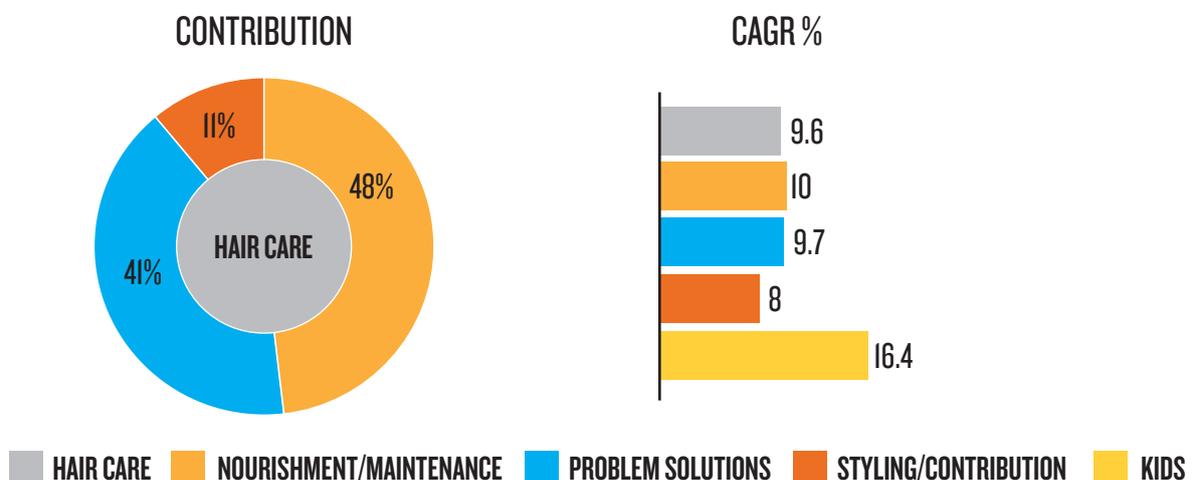


Source: Nielsen study on top aspects that define beauty H2 2017

Read as: 17% of respondents said Healthy Hair is the attribute that comes to mind when you think of personal beauty

The varied preferences noted by respondents in terms of product benefits they seek leads to a mix of opportunities. A few of the hair care products still reside in the basic maintenance or nourishment space, while two in every five of the hair care retail sales is attributed to problem-solving products. This sets a good base to drive consumption for the category.

LANDSCAPE OF HAIR CARE BASED ON BENEFITS



Source: Nielsen Retail Measurement Services MAT (Moving Average Total) June 2018

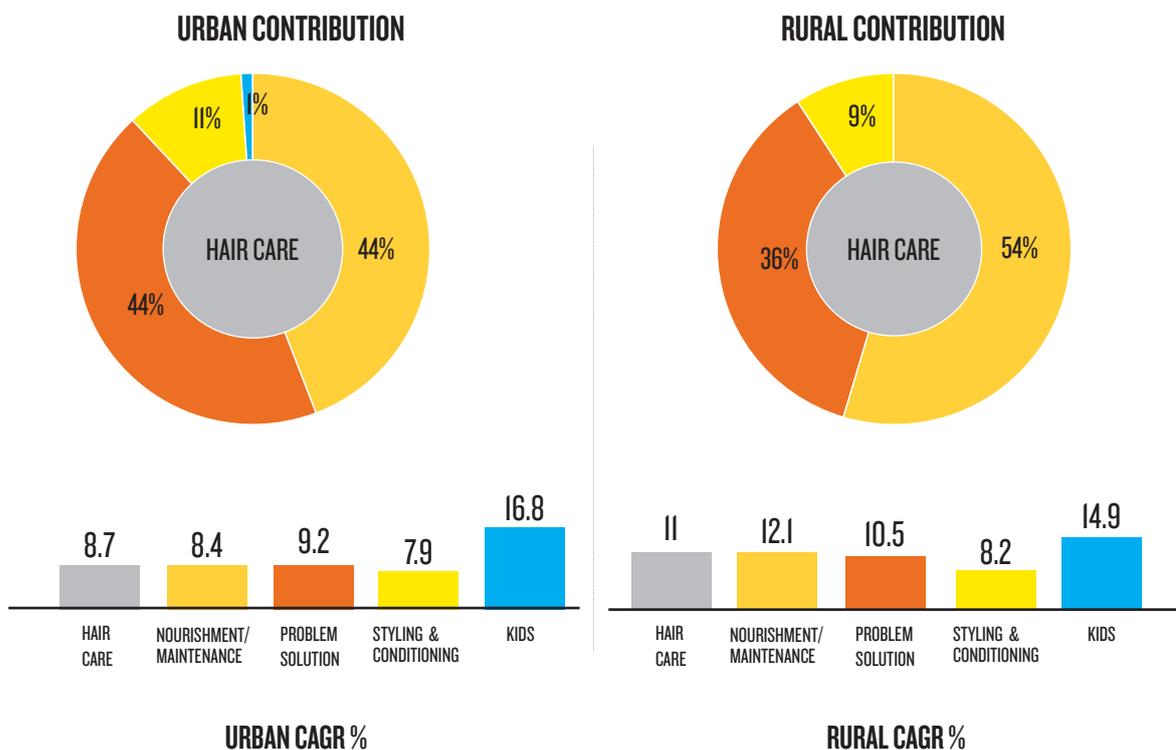
INCREASING CONSUMPTION

Demand for hair care products is increasing in both rural and urban markets, leading to rising opportunity throughout India. Consumers in urban areas spend 3 times as much on hair care products as those in rural areas, providing significant scope for brands to grow in the hinterlands. Meanwhile, consumers in urban markets aren't just thinking about basic hair care anymore. Many have moved to problem-solving products. Trade channels are riding on this momentum, as chemists in urban areas are stocking more problem-solving and styling products. On the other hand, the industry should not overlook the rural market. Recent sales data indicates that consumers in these areas continue to seek out entry level hair care products providing nourishment brands with a sizeable opportunity. Both ends of the market spectrum, consequently, are groomed for growth, with a higher momentum favouring rural India.



CONSUMERS IN URBAN AREAS SPEND 3X AS MUCH ON HAIR CARE PRODUCTS AS THOSE IN RURAL AREAS.

CHARTING HAIR CARE GROWTH IN URBAN AND RURAL INDIA

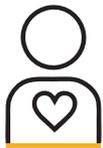


Source: RMS Audit, MAT (Moving Average Total) June'18

THE GAP IN CONVERTING OPPORTUNITIES TO SUCCESS STORIES

Demand is increasing for hair care products, and the market is poised for growth. This scenario has facilitated many new launches in the hair care industry, with new products and brands appearing to capitalise on the opportunity. But the success stories are limited to just a few, as the size of innovation and renovation in the category is minimal in comparison to the value of new launches across other personal care categories.

SMALLER-SIZED INNOVATION AND RENOVATION IN THE HAIR CARE SPACE



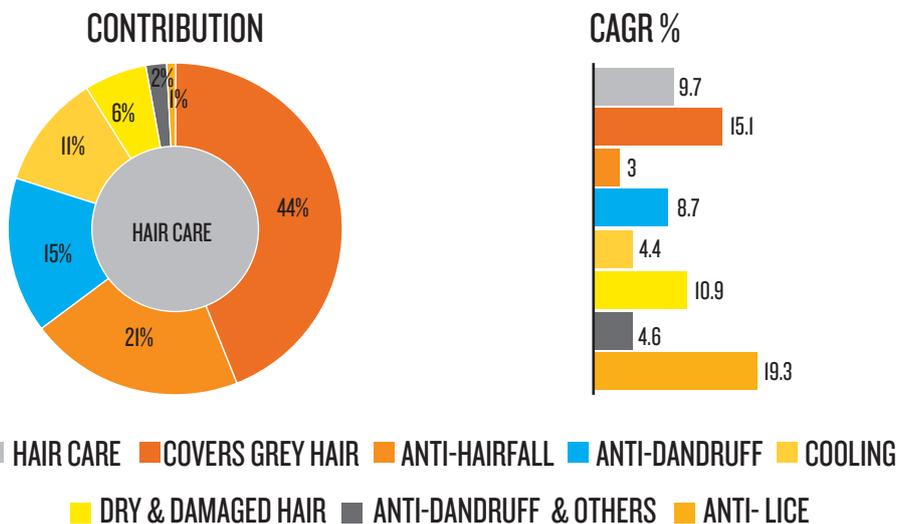
SUPER GROUP	HAIR CARE	PERSONAL CARE WOMEN	PERSONAL CARE MEN	PERSONAL CARE GENERAL
AVERAGE VALUE PER NEW LAUNCH	1	1.8	3.4	3.4

Source: Nielsen Retail Measurement Services data for all new launches/ relaunches for the year 2013, evaluated over 18 months, post launch.

Read As: If average value per launch for Hair Care is 1, personal care for women generated 1.8x value

Some categories face stagnation after new launches hit the market. But brands can transform this stagnation by identifying sub-segment opportunities within larger segments. A step in the right direction would be to further classify a problem-solving segment into its sub-segments to understand where the prospects are.

SUB SEGMENTS ARE DRIVING GROWTH



Source: Retail Measurement Services Audit, MAT (Moving Average Total) June'18 (Value Contributions)

The opportunity for hair care to address specific consumer needs, in the way the personal care industry has, is substantial. A sliver of this success can be seen in certain brands that have solved specific issues such as covering grey hair. Beyond that, even dry and damaged hair segments have seen a few winning stories worth retelling. Therefore, new launches that are committed to innovation are much more likely to tap into this opportunity and profit from it.

HEAD ROOM TO PREMIUMISE

While Indian consumers seem prepared to shell out on premium solutions for specific categories, the hair care industry is not capitalising on this trend. Hair care's premiumisation index is the lowest among personal care categories.

HAIR CARE TRAILS ON THE PREMIUMISATION INDEX



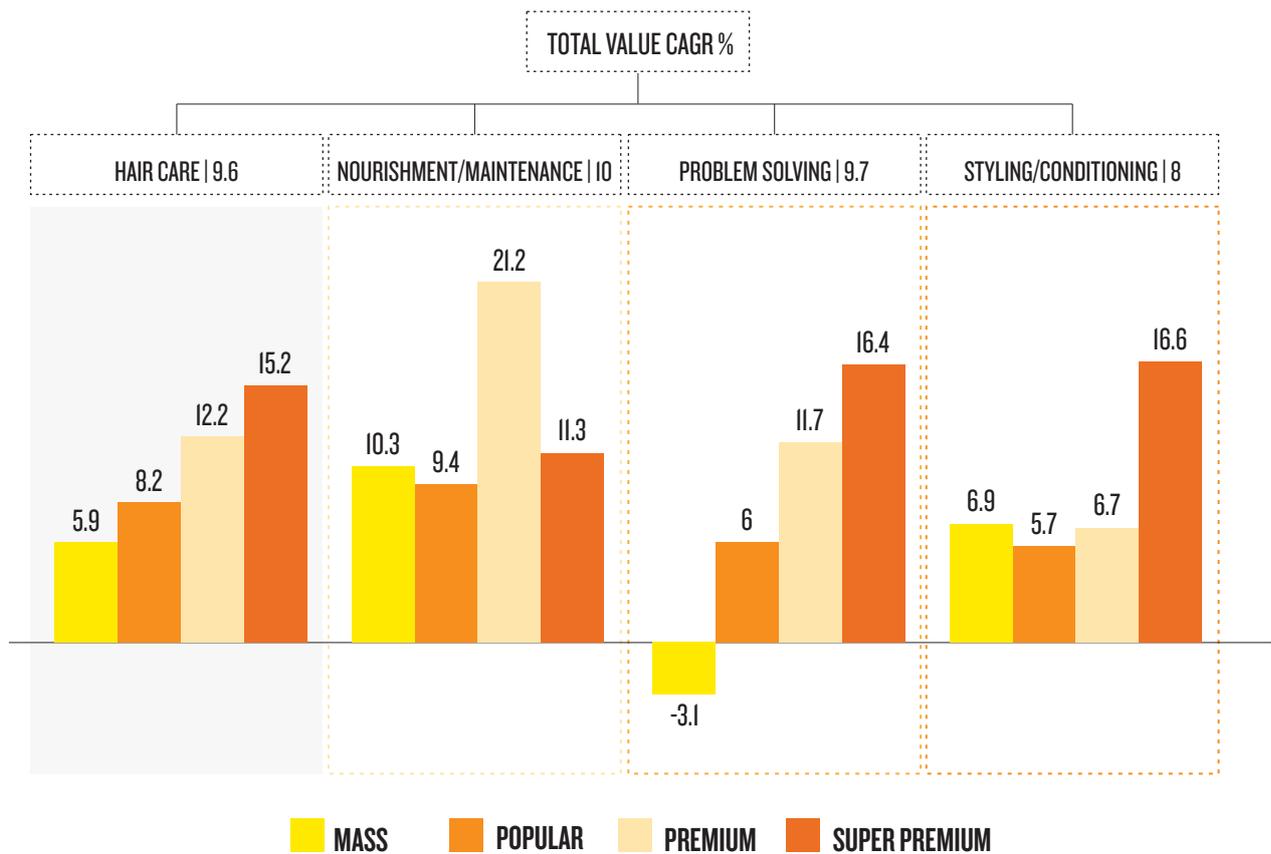
*Premiumisation index is value CAGR/volume CAGR

Source: Retail Measurement Services Audit, MAT (Moving Average Total) Sept 2017

Read As: Toilet soap increased average price by 2.6 times versus 2013

Problem solving and styling products on store shelves are indicative of the consumers' inclination to spend more for a better hair day; this trend is particularly driven by consumers in urban markets. Rural markets, on the other hand, are thriving on mass pricing, and consumers want to meet basic hair care needs with nourishment at the core. While there is an expansion in both ends of the market, there is a clear opportunity to tap into the potential to premiumise, and the path is through the incremental cost coupled with the specific consumer needs being addressed.

OPPORTUNITIES IN PREMIUM SOLUTIONS



Source: Retail Measurement Services Audit, MAT (Moving Average Total) June 2018 (Value CAGR)

It is clear that the hair care category is evolving and trends are focused on products that solve hair problems. While urban consumption is higher among these types of products, both urban and rural exhibit high opportunity. As lifestyle changes and pollution rise, so does the potential to innovate to solve these problems.

Moreover, through the growth in demand and the gaps in meeting them, hair care companies willing to evolve can benefit significantly. The hair care industry is on the rise as the world turns to the beauty market for their personal needs. The spotlight is on the evolving consumer, as both men and women are looking to have their hair care needs met.



WHILE URBAN CONSUMPTION IS HIGHER AMONG THESE TYPES OF PRODUCTS, BOTH URBAN AND RURAL EXHIBIT HIGH OPPORTUNITY. AS LIFESTYLE CHANGES AND POLLUTION RISE, SO DOES THE POTENTIAL TO INNOVATE TO SOLVE THESE PROBLEMS.

THE QUALITATIVE VIEW

An insider's perspective on what consumers are looking for, and the right category levers to push for growth.

-By **Ms. Supriya Shashidhar**
Executive Director, SA-QUAL



- **Hair: a socio-cultural currency:** Along with the most stylish product, consumers are also looking for instant gratification – hair colours, mascara and extensions; consumers want results immediately.



- **Hair care is mimicking the skin care journey:** People are aware that styling damages their hair, but are unwilling to compromise. This has led to the hair care journey mimicking that of the skin care journey. Cleansing, moisturising and customisable care is no longer solely in the domain of skin care.



- **High-value customers not valued enough?** While serums had their brief moment in the sun, they were quick to fall flat. As consumers spend a sizeable sum in salons for premium treatments, it is important to retrospect on whether marketers are doing enough to reel in these high-value customers.



- **Stylish or styleable?** In the hyperactive space of hair care, two opportunities emerge as heroes. Creating usage occasions and integrating products into the hair care regime are both likely to increase demand.

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