# 2017 TABS Cosmetics Study

**November 27, 2017**

TABS Analytics

## Executive Summary

In 2017, TABS Analytics conducted its fourth annual survey of purchase trends in the U.S. cosmetics market. The TABS survey focused on questions related to who buys cosmetics, the specific products consumers buy, the outlets at which they make purchases, the factors influencing purchase decisions, and year-over-year changes in behavior and attitudes.

## Key Findings

- ***Regular Purchasing Grows*** – There was an increase in the number of items regularly purchased (3+ times a year), which was driven by gains in foundation/face powder, lipstick, lip gloss and artificial nails.

- ***Heaviest Buyers are Young, Hispanic and Upper Middle Income*** – Younger consumers (ages 18-24) are the heaviest buyers. There also were notable increases in the percentage of Hispanic and upper middle income ($75,000 to $99,000) women who also purchased 10 or more cosmetic types.

- ***Shift in Outlets*** – Cosmetics is a highly fragmented market with consumers shifting away from mass market, drug stores and grocery. Department stores – specifically Macy's and Kohl's – have grown in share, as have ecommerce and specialty beauty retailers. Mass market and drug stores experienced a marked loss in share.

- ***Information, Not Deals, Drive Heavy Buyers*** – For heavy buyers, finding deals has become less of a key factor in purchase decisions. Instead, these women seek more information about the products they buy, including influential reviews, personal research and online demos.

- ***Social Media Impacting Brands*** – Social media, particularly YouTube, is becoming a much more important factor in influencing purchasing decisions. Just less than half of all buyers rely on social media, while 60 percent of heavy buyers look to these platforms.

## Methodology

For the fourth time, TABS Analytics conducted a survey – fielded by Toluna in October 2017 – of 1,000 women, ages 18 or 75 in the U.S. to gain insights into cosmetics purchased. These include 20 products in five categories:

- Eye Makeup
    - Mascara
    - Eye liner
    - Eyebrow liner
    - Eye shadow
    - False eye lashes/eye lash extensions

- Face Makeup
    - Foundation
    - Blemish balm (BB)/color correcting (CC) creams
    - Face powder
    - Concealer
    - Blush
    - Bronzer
    - Highlighter/illuminator

- Nail Polish and Treatments
    - Nail polish and clear topcoat
    - Nail treatments (such as hardener, growth, cuticle)
    - Nail gel kits and nail acrylic kits
    - Artificial nails

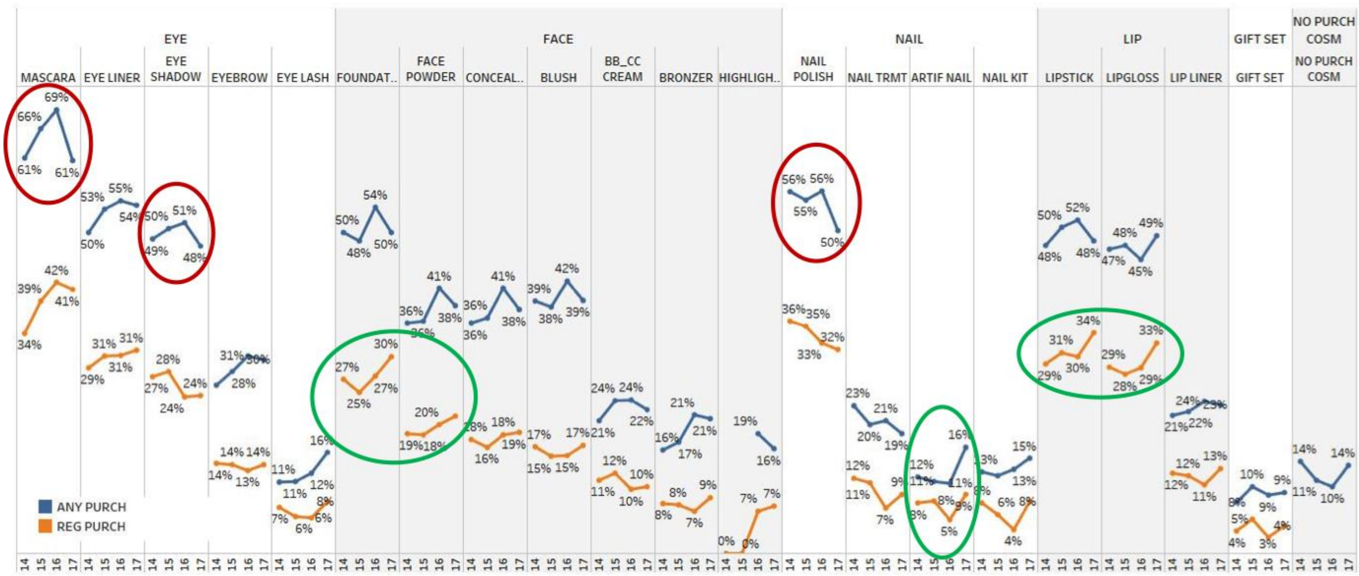
- Lip Makeup
    - Lip stick
    - Lip gloss/lip shine
    - Lip liner/lip pencil

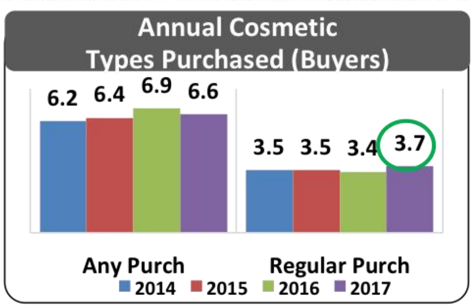
- Cosmetic Gift Sets

## Regular Purchasing Grows

Even though there was a decline in women making any purchase of mascara, eye shadow, and nail polish, there was not a significant change in regular buying.

The cosmetic market saw a 10 percent increase in types of products regularly purchased, growing from 3.4 last year to 3.7 in 2017. This increase can be attributed to stronger regular purchases of several products, including foundation and face powder, artificial nails, lipstick and lip gloss, all of which saw gains of between 2 and 4 percentage points in the past year.




**GAINS:** **Reg Face Cosm and Lip Cosm Purch, Eye Lash, Artificial Nail**

**DECLINES:** **Mascara and Eye Shadow, Nail Polish**

## Heaviest Buyers are Young, Hispanic and Upper Middle Income

In examining the demographics of the heaviest buyers – those who purchase 10 or more types of products – young women (ages 18-24) ranked highest. This age group grew to 48 percent this year, from 37 percent in 2014, the first year TABS conducted this survey. Other age brackets – 35-44 and 45-54 – also saw increases, growing to all-time highs of 39 percent and 29 percent, respectively. Interestingly, purchasing by women ages 25-34 dropped dramatically, from 44 percent last year to 36 percent in 2017.

Breaking down results by ethnicities, purchasing by Hispanic women reached record levels, increasing 5 percentage points to 48 percent in 2017. After dropping to 16 percent last year, cosmetic purchasing by black women grew 4 percentage points in the last year, but still has not reached the high mark it hit in the earlier years of this survey.

Income also was a factor, with upper middle income women ($75,000 to $99,000) increasingly noting that they are heavy cosmetic buyers. There also was growth in the highest income bracket ($125,000+), while all other groups remained flat or saw minimal declines.

**% of Demo Group that are Heavy Cosm Buyers**

## Shift in Outlets

Consumers have shifted away from FDMCD (food, drug, mass, club, dollar stores), instead opting for department stores, specialty retailers and ecommerce outlets.

Overall FDMCD saw a 2.3 percent share decline, with losses by the big three drug chains (1.2 percent decline), mass (1 percent) and grocery (.5 percent). While drug stores have undertaken strategies of hiring beauty advisors and going after exclusive brands, these tactics don't seem to resonate with consumers as much as some of the other factors influencing purchases, which we will discuss later in this white paper. It's also important to note that just because the TABS survey shows a share decline, it doesn't necessarily translate into a decline in transactions or sales.

Leading in the growth of share at non-FDMCD outlets were department stores, specifically Macy's and Kohl's. Other department stores saw slight share declines, however. Ecommerce share grew share 1.3 percent, as a result of purchasing through Walmart.com, Target.com and Amazon. Specialty beauty stores, like ULTA and Sephora, increased 0.4 percent.


**WINNERS:** Walmart and Target.com, Amazon, Sephora, Kohl's, Macy's

**LOSERS:** Big 3 Drug, MLM, Grocery

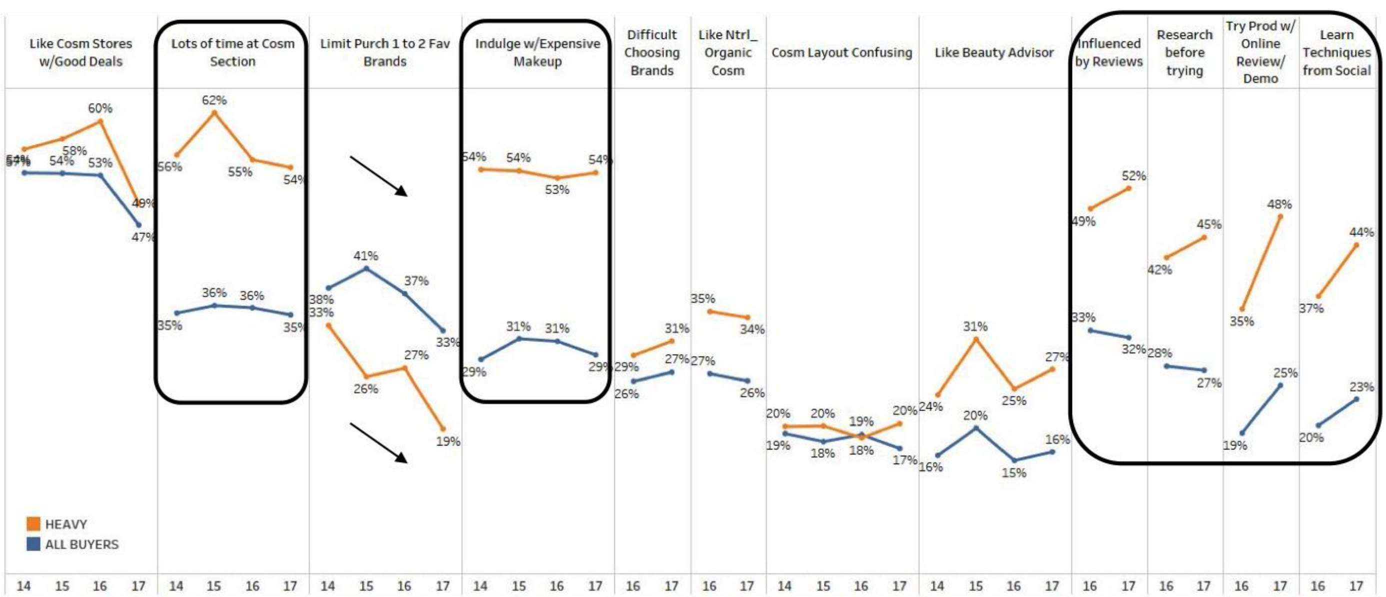
**Walmart and Target's business saw a** ***Net Gain.***

## Information, Not Deals, Drive Heavy Buyers

Looking more closely at heavy buyers, the importance of deals has dropped considerably, from 60 percent in 2016 to 49 percent this year. While not as drastic, deals seem to be less of a factor for medium buyers, as well, this year.

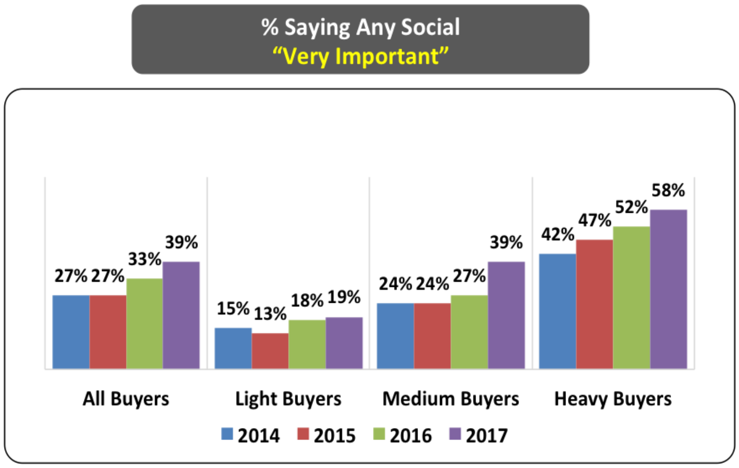
Instead, heavy buyers are more influenced by the information they can find about products prior to purchase. This buyer group indicated that, now more than ever, they use reviews, do research before trying products, search for online demos and learn techniques from social media. They also indicated that they are using beauty advisors more, however, the influence of these advisors was substantially less of a factor than the other sources of information.

On the chart below, you'll see that while organic/natural products were important to some, it is not a major factor among heavy buyers. TABS believes that the specialty channels will benefit disproportionately from sales of organic/natural products.



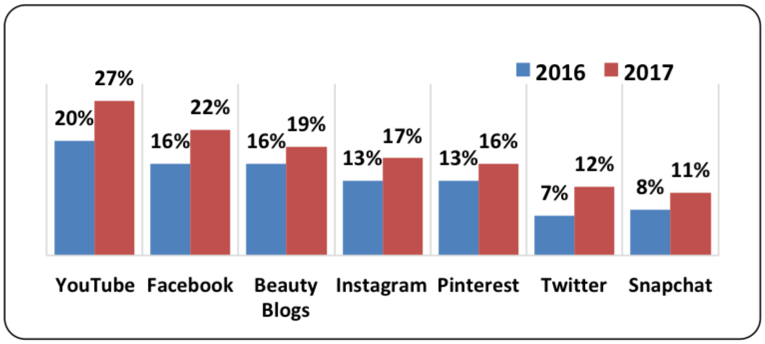
## Social Media Impacting Brands

Because of the growing role of demonstrations and reviews in the cosmetic purchase decision-making process, it is not surprising to see that social media has become very important to many women. Among all buyers, 39 percent indicated that social media is very important, and it rises steeply among heavy buyers to 58 percent. One statistic that stood out was the growth in social media importance to medium buyers, which jumped from 27 percent last year to 39 percent in 2017.



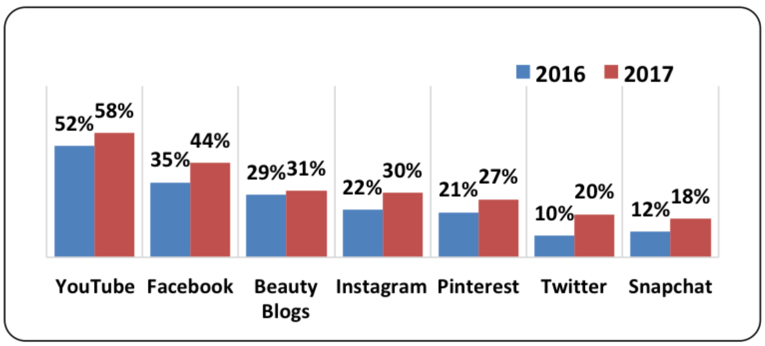

Of the various social platforms in use, YouTube ranks the highest among all buyers, including the heaviest buyers. When TABS initiated this survey in 2014, beauty blogs ranked just as high as YouTube, but over the years, these blogs have become less of a factor. TABS believes that YouTube is excelling as the platform of choice because of its ability to share demonstration videos and show products firsthand. Beauty blogs could continue to remain relevant, and grow, if they incorporate more video content and demonstrations.

% All Buyers Saying Social Platform
"Very Important"




Avg # - 2016 1.26
Avg # - 2017 1.63

% Heavy Buyers Saying Social Platform
"Very Important"




Avg # - 2016 2.04
Avg # - 2017 2.61

## Conclusions

- The cosmetics sector continues to see growth, particularly in specialty, online and select department stores (Macy's and Kohl's). However, share is declining at drug stores and mass market retailers.
    - Strategies at drug stores – including use of beauty advisors and offering exclusive brands – is not translating into increased sales, as these outlets lost the most share year-over-year.

- Online growth was significant, with Walmart.com and Target.com particularly pronounced.

- While deals are still important for about half of all buyers, this factor declined significantly compared to 2016. Instead, women look to information platforms – reviews, research, demonstrations and learning about new techniques on social media – to influence their purchasing decisions.

- Social media, particularly YouTube, is a critical component of how consumers gain information. Any brand with high aspirations cannot ignore these platforms.

## The Experts in Consumer Analytics®

TABS Analytics, founded by Dr. Kurt Jetta in 1998, is a technology-enabled analytics firm servicing the consumer products industry. Our mission is to simplify and improve the way analytics is conducted through analytical innovation, which translates into a competitive advantage for our clients. TABS is the leading outsourced sales and marketing analytics firm in the consumer-packaged goods (CPG) industry.

For more information about TABS Analytics services or this white paper, please contact Robert Baldwin at robertbaldwin@tabsanalytics.com or (203) 446-8837.