EUROMONITOR INTERNATIONAL

POST RECESSION CONSUMER DYNAMICS

PREPARED FOR THE 2011 GLOBAL SPA SUMMIT

MAY 18-19, 2011, BALI, INDONESIA

Global Spa Summit
JOINING TOGETHER. SHAPING THE FUTURE.

MACROVIEW

CONSUMERS IN 2011 AND BEYOND

STAYING WELL

BEAUTY AND YOUTH

BRANDS AND CONNECTIVITY

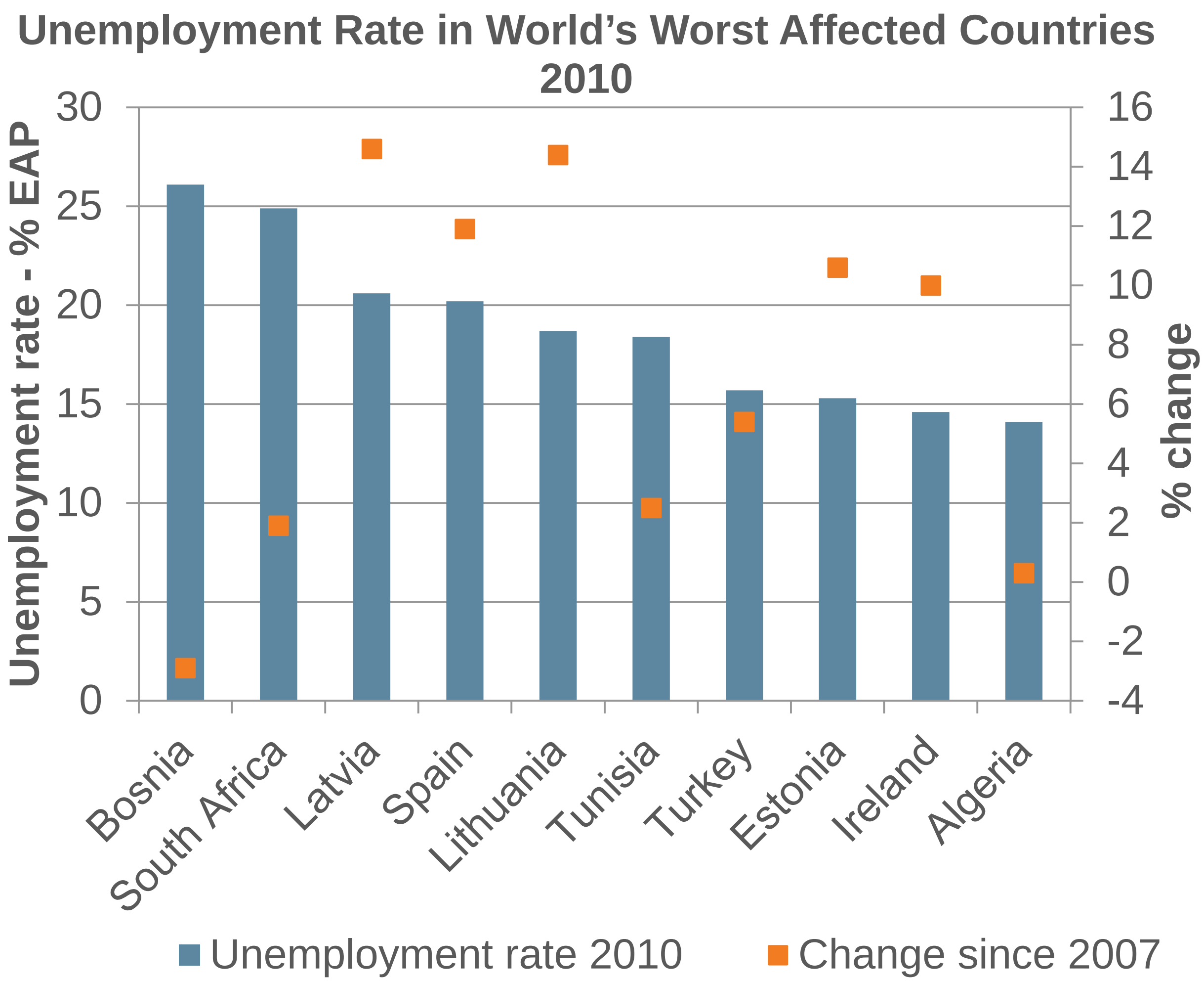
A FRAGILE RECOVERY IS UNDERWAY

2009: 89
2010: 17

Number of countries which saw negative real GDP growth in 2009 & 2010

MACRO VIEW

UNEMPLOYMENT SEEN AS THIRD WAVE OF CRISIS



14

Number of countries with an unemployment rate above 10% in 2007

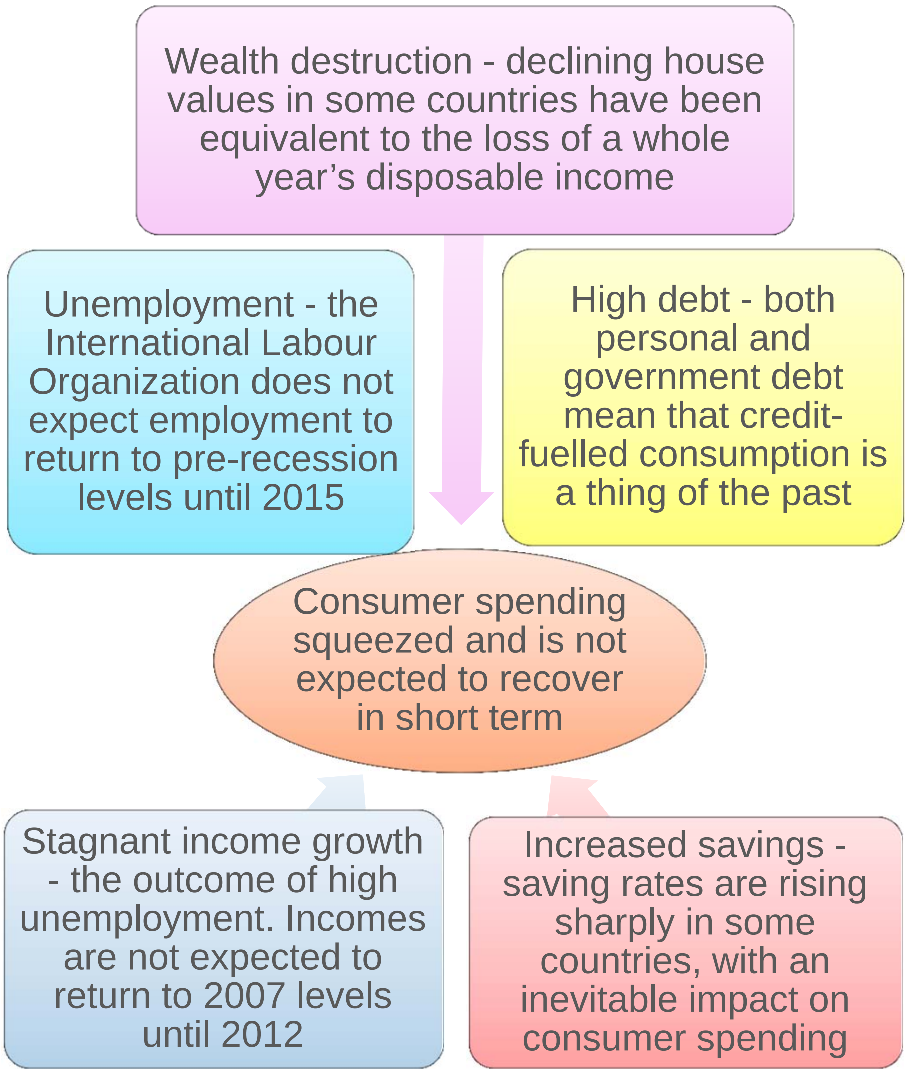
25

Number of countries with an unemployment rate above 10% in 2010

HOW WILL THE ECONOMY PERFORM?

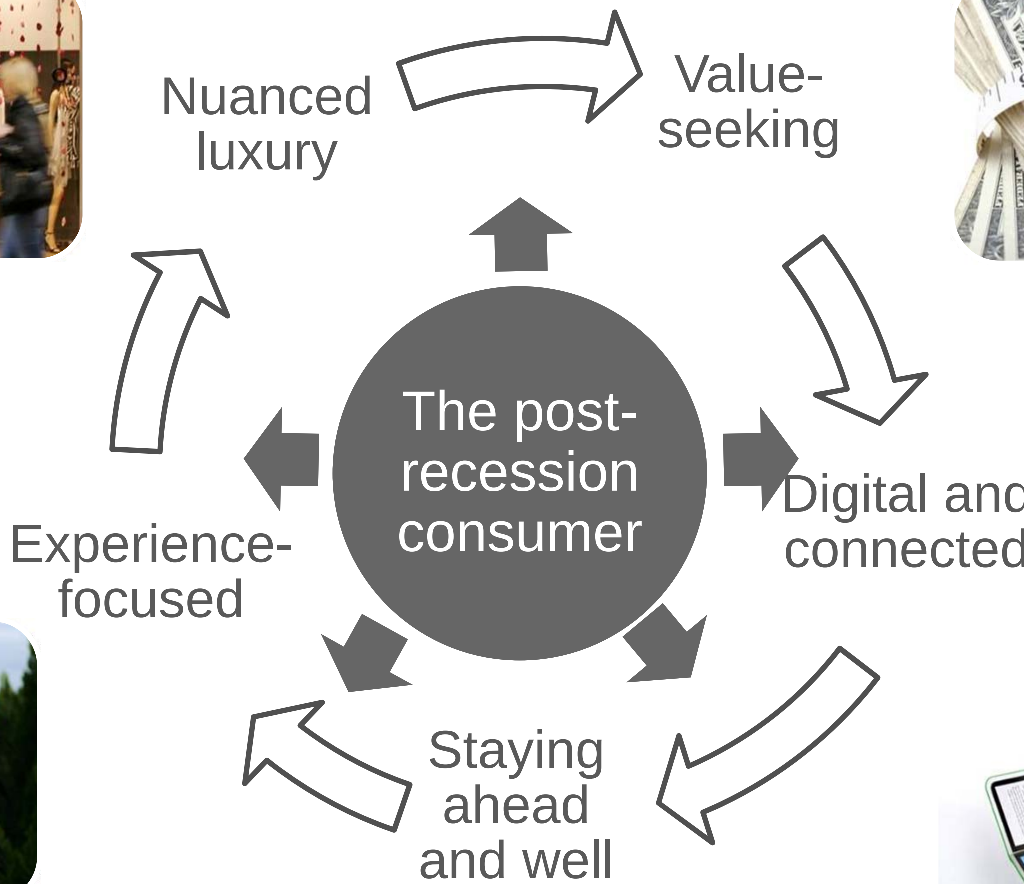
- Near term outlook remains uncertain
- Growth to be driven by emerging markets – especially in Asia
- Unemployment to remain high
- Consumer spending still under pressure
- Government debt to remain a key area of concern
- Shift in global power to emerging markets will continue

NEW CONSUMER EMERGING



- **Looking for value:** Manufacturers are grappling with a profound shift in consumer buying habits. Consumers are reacting to recession by searching for value for money and reassessing what is important to them. They trade down on brands and shop across channels in search of bargain prices. They look out for vouchers, coupons and promotions in order to save money.
- **Making things last/swapping/buying second-hand:** Consumers are saving by cutting down on superfluous purchases, making things last, reusing and re-purchasing second-hand products through specialised sites such as eBay. Thrift is becoming acceptable socially.
- **Focus on experience over purchase:** A greater focus is now put on the experience, not the purchase and the product itself. For example, there has been sustained interest in spas; a luxury treat as a substitute for a more expensive holiday.
- **Switching channels/buying online:** Discounters, supermarkets and the internet have benefited most, as consumers search for better prices while trying to maintain more balanced budgets but still hoping to enjoy the products they are accustomed to.

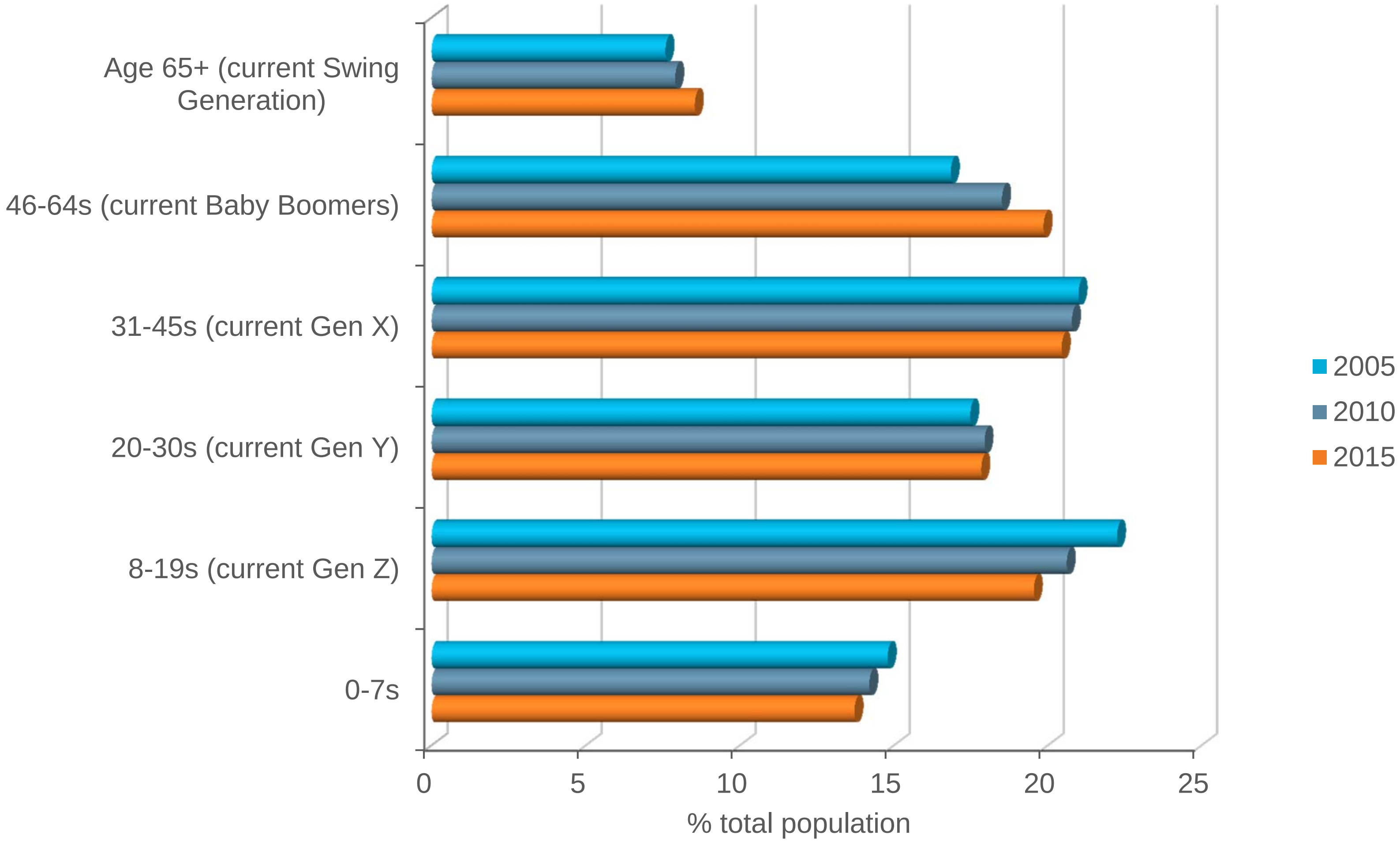
THE CONSUMER IN 2011 AND BEYOND



CHANGING DEMOGRAPHICS AND CULTURAL ATTITUDES

- Ageing consumers
- Younger consumers staying single/childless longer
- Rising disposable incomes in emerging markets
- Increasingly urban populations
- Busy lifestyle and longer working hours

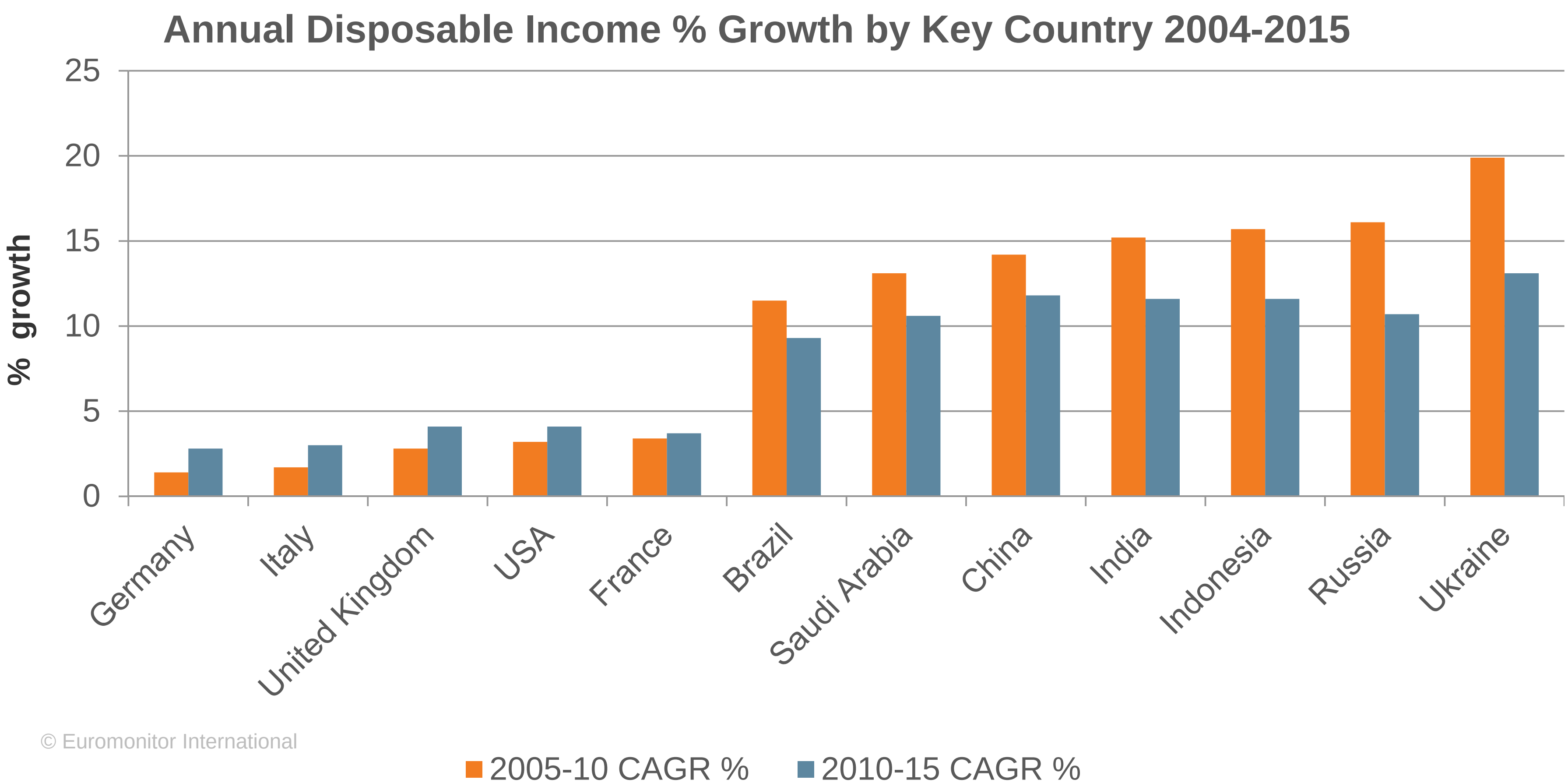
POPULATION BREAKDOWN 2005/2010/2015



Source: Euromonitor International

RISE OF THE EMERGING MIDDLE CLASS

- Emerging middle class makes US$5,000 annually in disposable income
- Emerging countries expected to grow faster than developed countries

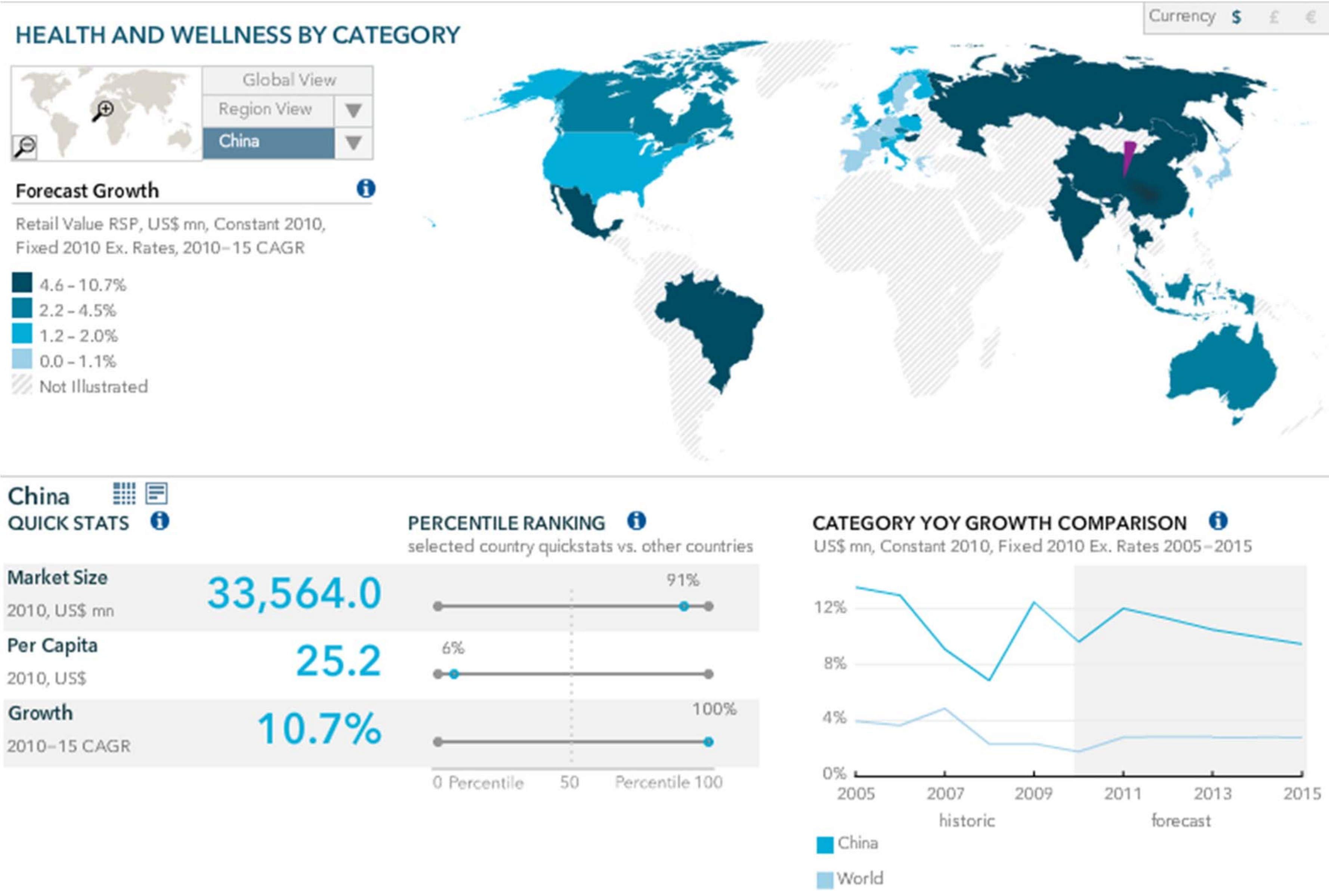


GOOD HEALTH AND WELLNESS ARE CENTRE STAGE

Consumers are clearer on the empowering link between health and wellness and fuller, happier lifestyles:

- Beauty and youth
- Self-treating
- Staying well

EMERGING MARKETS TO LEAD GROWTH



NUTRACEUTICALS – LEADING HEALTH TRENDS AND INGREDIENTS 2010

Digestive Health
- Fibre
- Probiotics
- Prebiotics

Immune Support
- Antioxidant
- Colostrum
- Echinacea
- Elderberry extract
- Probiotics
- Selenium
- Vitamin C
- Vitamin D

Weight Control
- CLA
- Fibre for satiety
- Green tea extract
- Konjac Mannan
- L'Carnitine
- Pectins for satiety
- Probiotics?
- Sweeteners

Oral Health
- Calcium
- Cranberrie s
- Fluoride
- Herbal extracts
- Probiotics
- Vitamin D
- Xylitol

Heart Health
- Beta glucans
- CoQ10
- Plant sterols/stanols
- Omega-3
- Pectins
- Peptides
- Probiotics?
- Soluble fibre
- Vitamin D

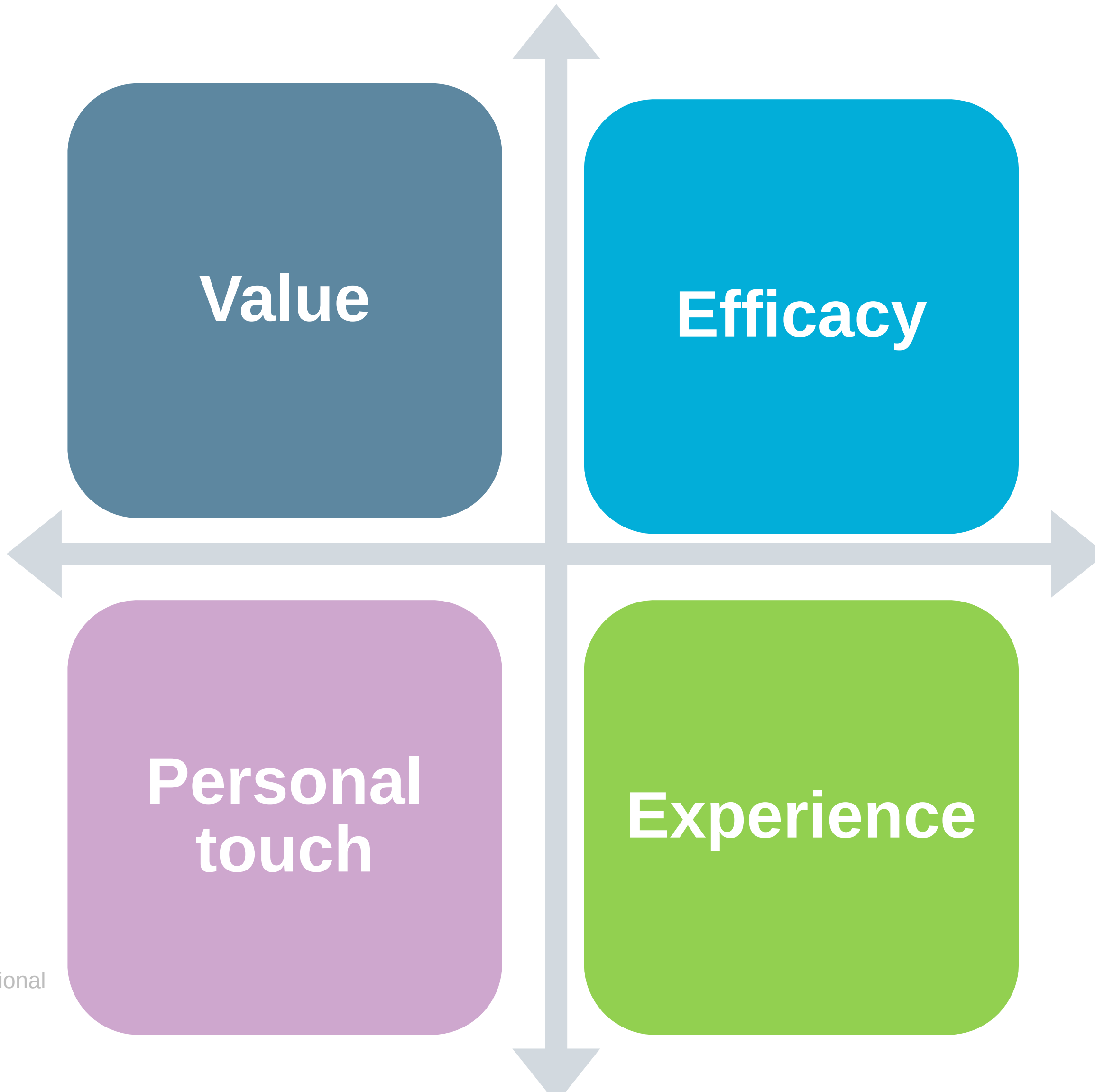
Beauty From Within
- Aloe vera
- Collagen
- CoQ10
- Grape seed
- L-cysteine
- Lutein
- Lycopene
- Probiotics
- Selenium
- Vitamin B2
- Vitamin B3
- Vitamin B7
- Zinc

Brain health
- Antioxidants
- CoQ10
- Ginkgo biloba
- Ginseng
- Guarana
- Lecithin
- Omega-3 (DHA)
- St John's wort
- Vitamin B1
- Vitamin B7

Prevention driven by "instant" gratification

A promise of a long-term health benefit

CONSUMER NEEDS BECOMING MORE DIVERSE



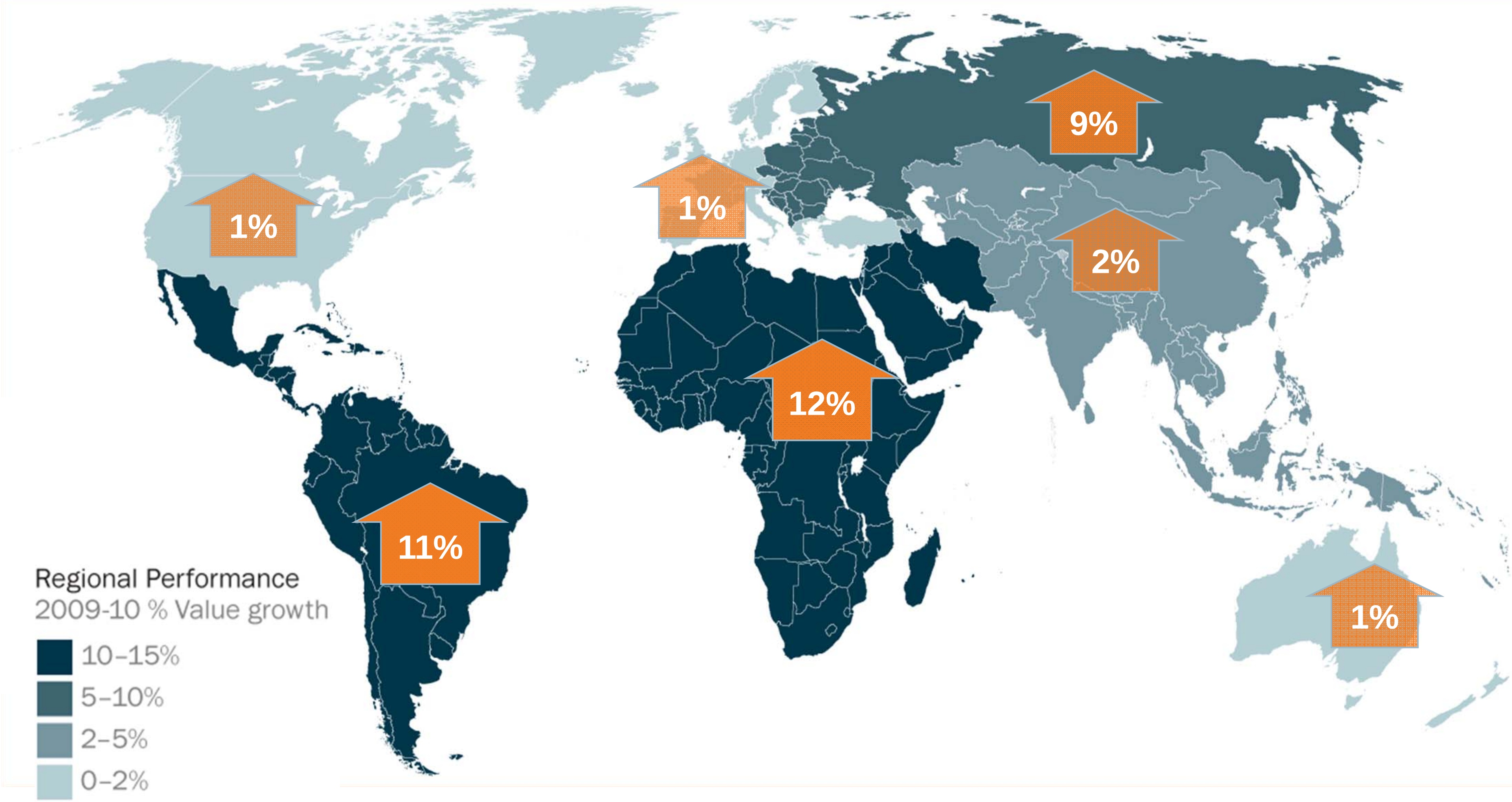
RE-CREATING THE SPA EXPERIENCE

- Health and wellness factor to drive interest in spas
- New consumer targets
- Innovative retail concepts
- Mobile beauty becomes prominent

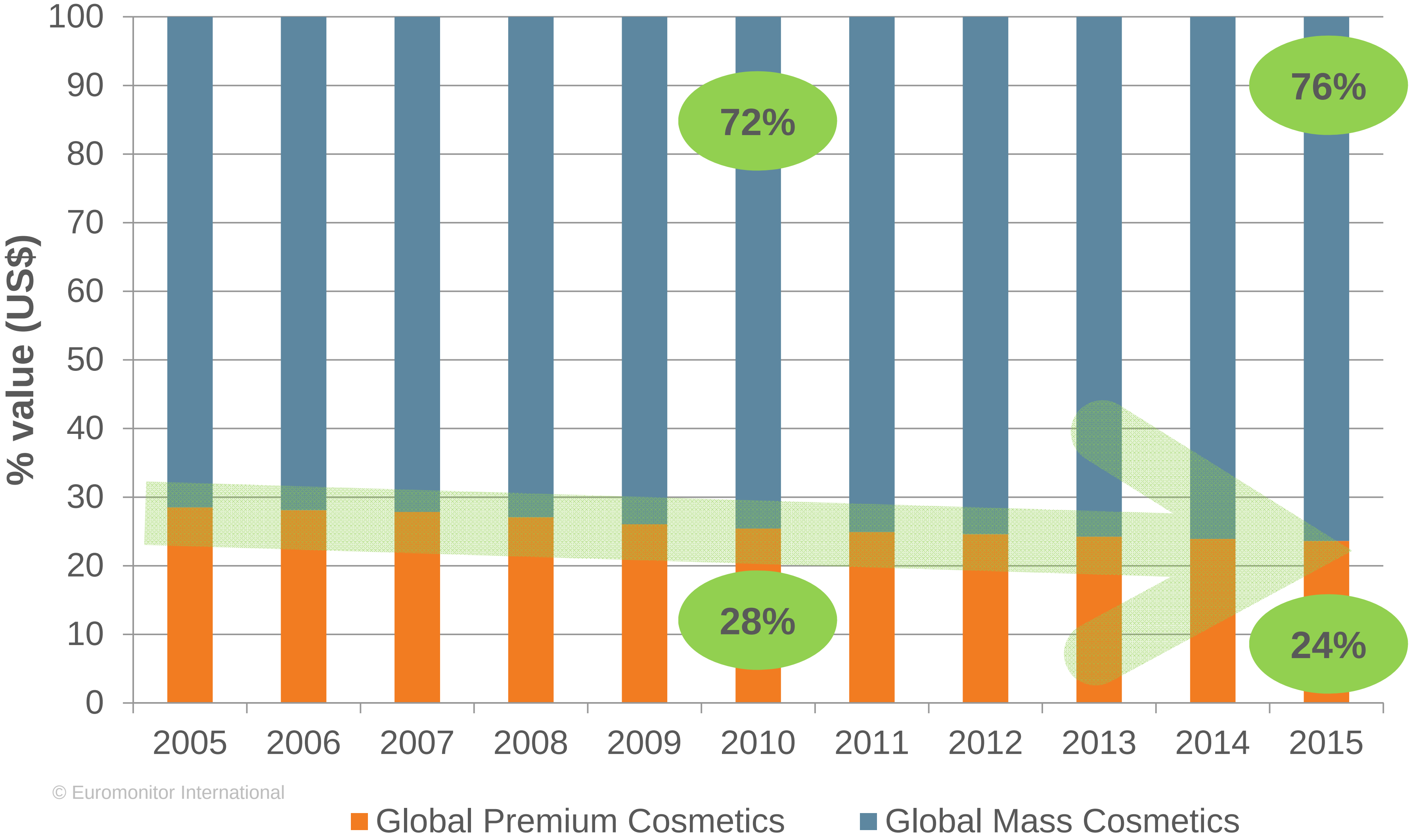
Key Spa Tourism Markets, absolute growth 2010-15 (million)

USA	US$ 1,660
Japan	US$ 1,350
China	US$ 1,030
France	US$ 856
Israel	US$ 362
India	US$ 363
Austria	US$ 266
Vietnam	US$ 221

PREMIUM COSMETICS ON THE REBOUND



MASS COSMETICS TO DRIVE FUTURE GROWTH



2X

China's premium cosmetics market will double by 2015, to reach $7billion

80%

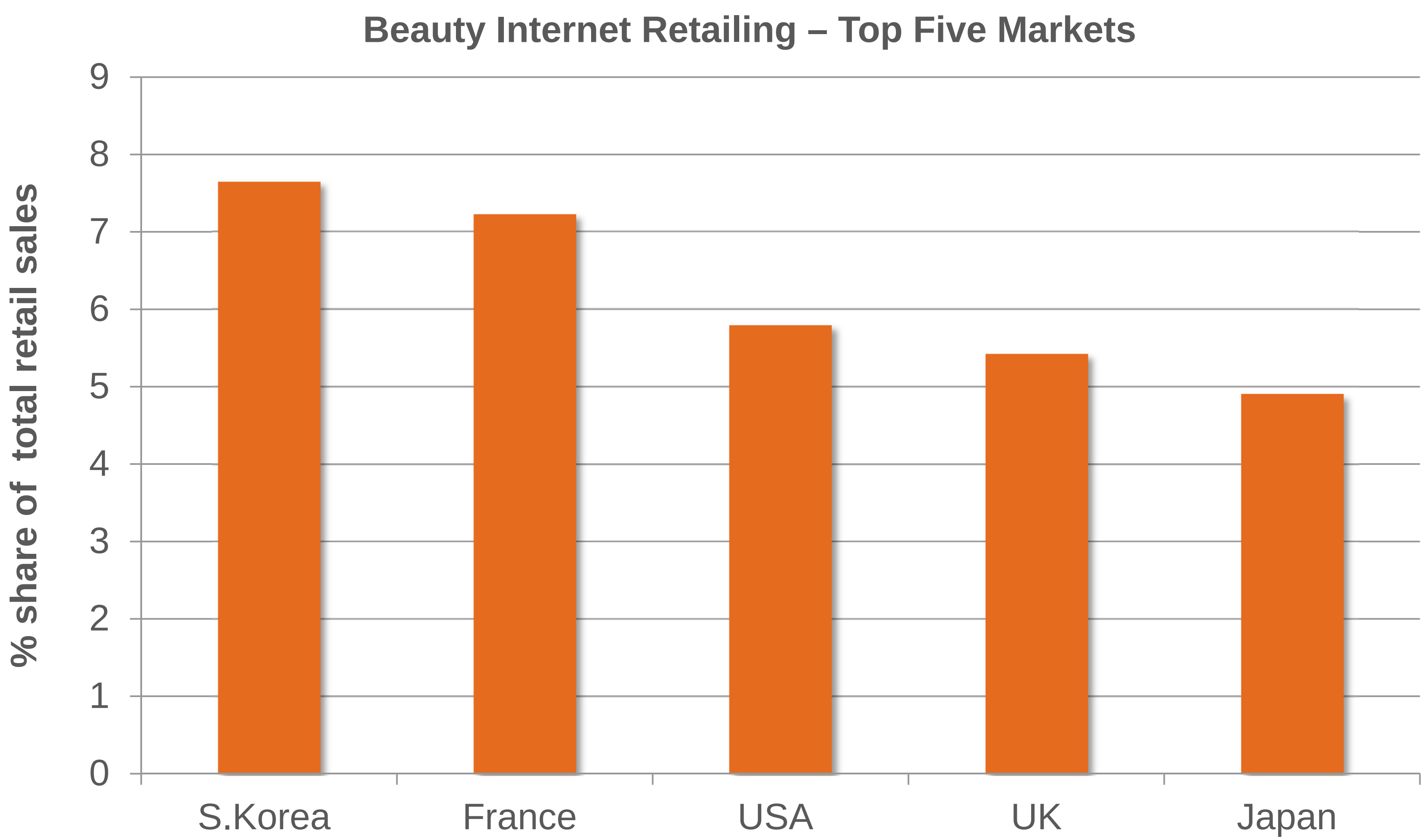
of Latin America's industry value will be accounted for by mass products in 2015

$83 BILLION

Latin America industry value in 2015, third largest region globally

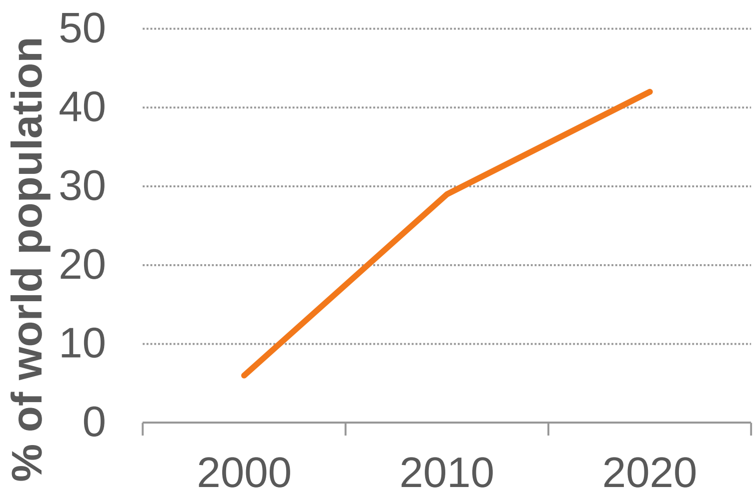
INCREASING IMPORTANCE IN BEAUTY RETAILING

VARIED PENETRATION ACROSS KEY MARKETS



INTERNET CONTINUES TO RESHAPE THE WORLD

More than 40% of the world's population will be on the Internet in 2020



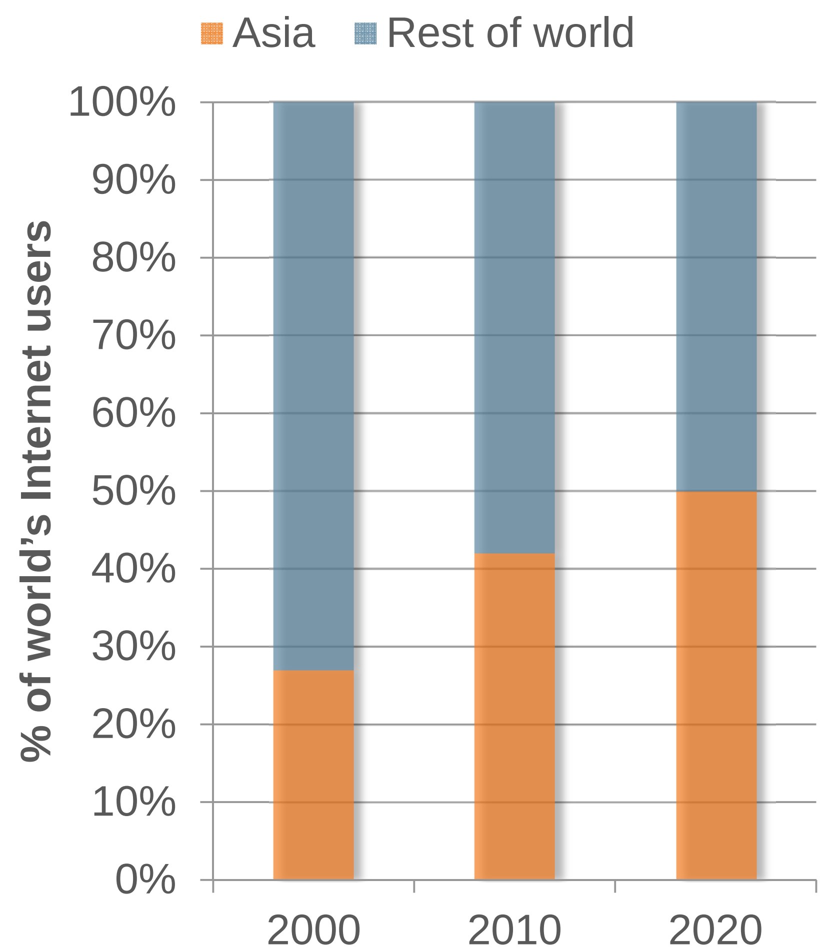
711 million

Chinese Internet users in 2020

281 million

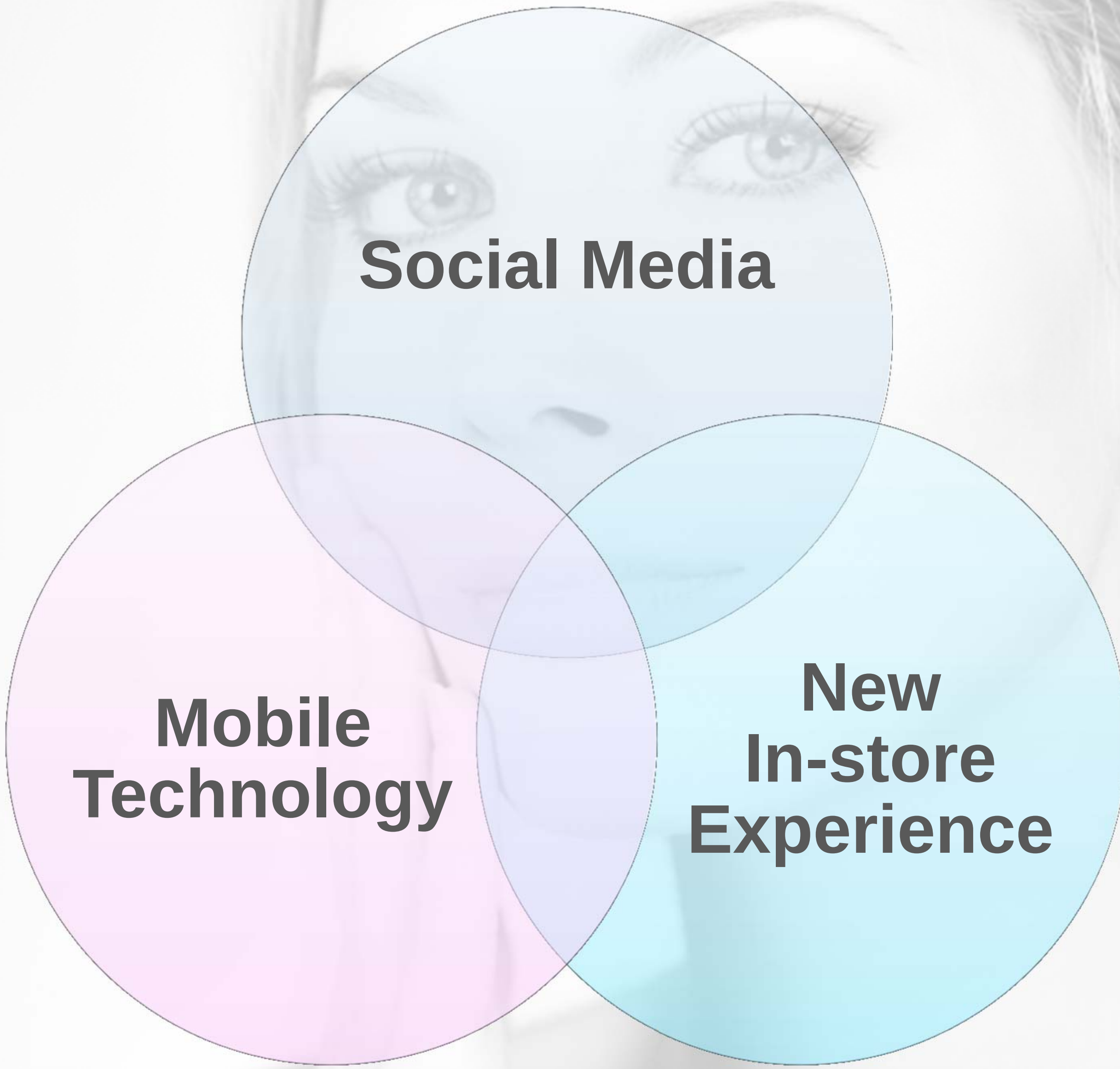
US Internet users in 2020

Half of all Internet users will be in Asia

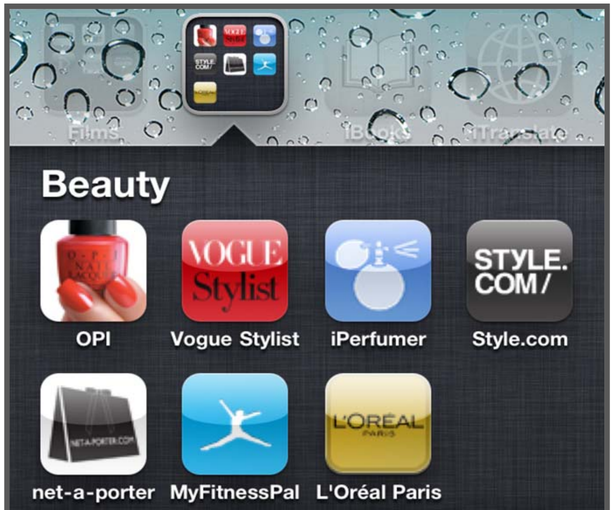


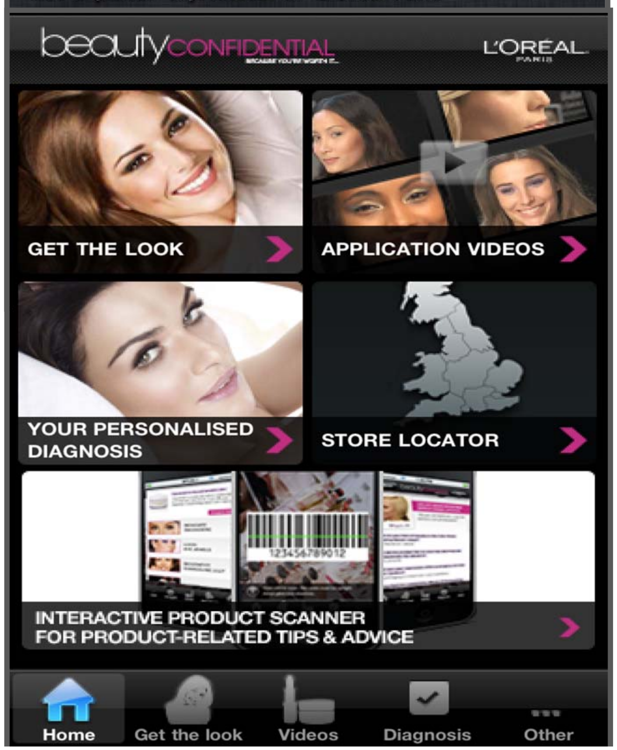
BRANDS AND CONNECTIVITY

NEW WAYS OF ENGAGING WITH BEAUTY CONSUMERS



THE POWER OF THE SMARTPHONE APP





Key success factors:

Personalised

Added value

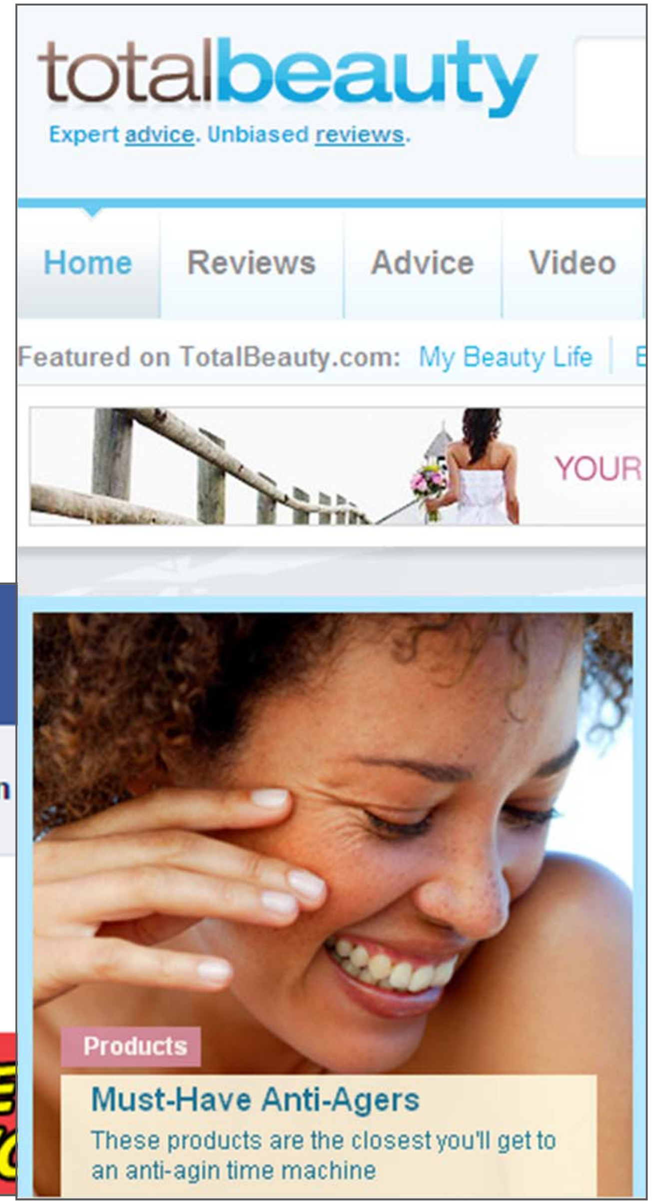
Interactive experience

Real-time updates

500 million	• Facebook users
30 billion	• Pieces of content per month
700 billion	• Minutes of log-in time per month
130	• Average friends per user
62%	• Of users between the age of 18-34
50%	• Users of Facebook are female
55 million	• Registered tweets per day

ONLINE PRESENCE AND SOCIAL MEDIA NOT TO BE IGNORED

- Key players increasing online presence
- Opportunities for smaller brands
- Social commerce still limited
- Blogging/’vlogging’ offer new experience



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