



Beauty and personal care

2H 2022 Inflation Update



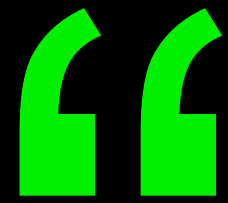


Synopsis

Consumers are facing rising prices on essentials such as groceries, utilities, and gas.

According to a recent NielsenIQ survey, 97% of consumers reported that they would be concerned if prices were to rise in the next 12 months. These inflationary pressures are causing shoppers to make mindful decisions about how they spend their money.

Consumer behavior is shifting in reaction to these pressures, which can be seen in the beauty and personal care category as the divergence between dollar growth and unit decline grows.



Consumer's "normal" grocery basket has been redefined. For many, disposable spend is very different from what it was 2 years ago.

With rising prices, essential vs discretionary items are being re-evaluated and value trade-offs and compromises are the new norm.

Retailers and brands **cannot** assume past pricing and promotional strategies are relevant in today's world. These changing retail dynamics are playing out against a backdrop of new consumer priorities and needs and preferences that are very different from 2019.

Nicole Corbett Nielsen IQ Global Thought Leadership

Consumer pressures impacting spending power



Inflationary Pressures

Inflation*: +8.2%

CPG: +9.0%

Income: +5.9%

Net Loss



Rising Interest Rates

Household Debt

\$15.6 Trillion in '21

+\$1 Trillion



Rising Gas Prices*

+51%

Monthly increase of +\$88/ car

Source: NielsenIQ. Total US xAOC 4 weeks ending April 30/22.

*US Media Gas May 2022 \$4.60 / gallon

As expected, the majority of consumers are concerned about rising prices



How concerned would you be if prices were to increase for everyday items over the next 12 months?

Yes: **97%**

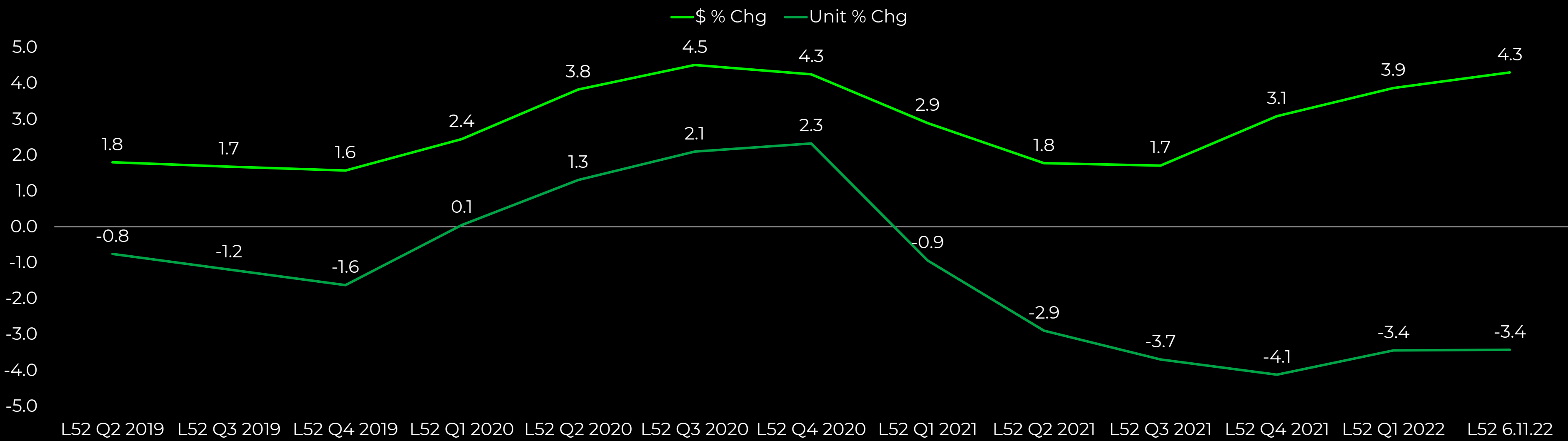
Level of Concern

45%		41%	Extremely
26%		27%	Very
20%		23%	Somewhat
6%		6%	A Little



While beauty and personal care is growing in dollars, the divergence from units is accelerating

Total US xAOC



Beauty and Personal Care Last 52w ending in Q1 '22
Source: Nielsen Total US RMS+CPS

Base price change > than EQ change, meaning that premiumization, innovation, and product mix could be additional factors in price growth

Total US xAOC



Beauty and Personal Care Last 52w ending in Q1 '22
Source: Nielsen Total US RMS+CPS

Key Takeaways

Inflation has been top of mind for all those in the industry as we continue to monitor how consumers shift their behavior in reaction to rising prices. Consumers will need to allocate more of their dollars towards essentials and make more calculated decisions on how they spend their discretionary dollars.

The beauty and personal care category is seeing prices rise as a result of both inflation and category dynamics such as premiumization. Beauty is unique in that while some categories will be impacted by consumers pulling back and having fewer out of home occasions, others may benefit from a rise in money saving driven at home self care. Moving forward, it will be important to monitor how more constrained shoppers are reacting to inflationary pressures.





Thank you.

For more information visit our insights hub at:
niq.com/beauty