

Beautifully Informed

SPRING 2021



LIZ EARLE®

SOAP & GLORY



YourGoodSkin™

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Foreword

Welcome to the first Beautifully Informed report from No7 Beauty Company.

A huge part of the excitement and energy around the creation of the No7 Beauty Company is our ambition and passion for how we can carve out a truly unique place in the beauty industry with brands that are made for everyone.

In 1935, the now iconic No7 brand was born in the UK with the ambition of helping women look and feel their best every day. Today we have six incredible beauty brands within our stable: No7, Soap & Glory, Liz Earle, Botanics, Sleek MakeUP and YourGoodSkin. Our beauty products are sold in 23,300 stores in 16 countries across the world, reflecting our focus on taking these much-loved beauty brands from being crown jewels in the UK to brands that flourish on a global stage.

The belief that beauty is for everyone and that it should be a compassionate force for good is at the heart of No7 Beauty Company. We bring market-leading innovation and science to consumers globally and we have a rich heritage in empowerment. We use the power of our brands to help give people all over the world much needed moments of self-care in a world that has felt out of control in many ways in recent times.

It is the enduring power and spirit of beauty to lift people up that motivates and inspires us at No7 Beauty Company, and fuels how we grow our brands and products. We make products that build confidence and self-esteem, we believe in the democratisation and accessibility of beauty, and we walk the talk by creating programs that empower and support women and promote diversity within our industry.

As part of Walgreens Boots Alliance, we have unrivalled access to customer data, which enables us to truly listen to our customers and to provide them with tailored beauty solutions and products that meet their individual needs. This deep understanding and knowledge of how people consume beauty is intrinsic to No7 Beauty Company and sets us apart from competitors.

We have drawn on some of this proprietary consumer data and unique insight to create this inaugural report. In our analysis, we look at how and what influences today's beauty consumer, the trends and innovations driving the industry, the resilience of beauty in the face of the challenges Covid-19 has presented, and we provide a snapshot of what is in our beauty shopping baskets today.



Mark Winter, Managing Director, No7 Beauty Company

Executive Summary

This report examines three key areas: The evolving role that beauty and beauty brands play and why beauty matters, today's beauty consumer and shopping behaviours and tomorrow's trends and drivers that are predicted to shape the industry.



Why Beauty Matters

- Beauty brands play a crucial role in challenging outdated notions of what constitutes beauty, using their brand power to help reframe and de-construct stereotypes and 'perfect' ideals
- Beauty brands are stepping up more than ever and taking more action on sustainability, as well as being bolder and more forthright on societal and cultural issues that impact their customer's lives
- Beauty products are more valued than ever in promoting confidence and self-esteem among women. **80% of women agree¹ that beauty and personal care products have a positive impact on their mental well-being, particularly in the past year**
- At a broader level, the beauty industry has mobilised itself during Covid-19 to support the many women employed in the industry, offering financial, mental and emotional help in turbulent times

Beauty Today: The New Beauty Consumer and the Surge in Skincare

- Covid-19 has fast tracked many consumer behaviors that were already in a state of change and acceleration as digital and more personalised shopping experiences become the norm. Our proprietary research with more than 20,000 global consumers identifies several core beauty customer segments who interact with beauty in radically different ways
- A snapshot of broad beauty spending habits in the US and UK shows us that while cosmetics have dipped in the past year as a result of Covid-19, bath and body product sales are booming in particular
- Skincare sales continue to surge and relatively new formats such as serums are today a must-have beauty staple in women's bathroom cabinets worldwide. **More than 2.9 million shoppers in the UK bought a serum in the past 12 months**
- Online facial skincare sales eclipsed offline facial skincare sales for the first-time last year and the average consumer spends more on skincare than any other category

Beauty Tomorrow: Trends and Market Drivers

- The beauty industry continues to change at pace driven by strides in science and innovation and brands making step-changes in their sustainability practices
- Key trends shaping how the industry is changing include technology and digitisation in everything from how and where consumers get advice to how they interact in-store (both online and offline)
- Beauty and health continue to fuse as holistic beauty and the connection between inner and outer health is more widely recognised
- The return to comfort in skincare is anticipated with a focus on evergreen superstar ingredients including peptides and ceramides
- **Transparency and traceability will re-emerge to the forefront as a priority**

¹The research was conducted by One Poll surveying 1,830 UK women in April 2020

Why Beauty Matters

From challenging societal stereotypes and campaigning on socio-political issues, to pioneering sustainable methods of consumption and ingredient sourcing, beauty brands are finding their voices and playing a vital role in enhancing self-esteem, improving mental health, and reframing conversations about beauty.



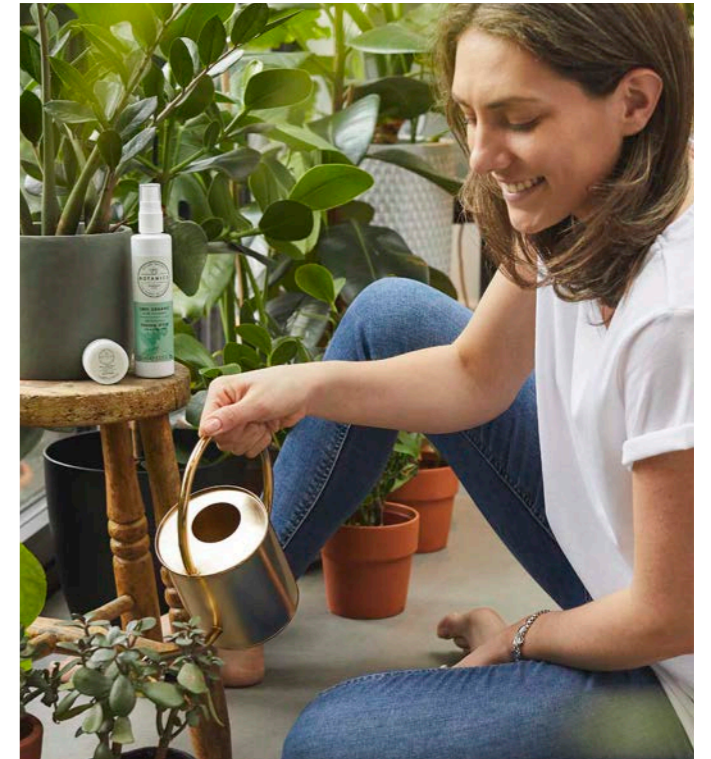
Perceptions of beauty continue to spark debate, but thankfully the narrative has expanded not just to offer a broader definition of beauty but a reframing of the entire concept. The tide is turning against 'perfect' beauty ideals as we become more authentic and open to celebrating what would have previously been considered imperfections. This new mood of self-acceptance is especially strong among the Gen Z audience but shaking off restrictive notions of beauty and recognising that beauty comes in all sizes, shapes, colors and ages, has resonated across all audiences.

Beauty has a long history of challenging the narrative with brands such as No7 championing women's right to live life on their own terms since its inception in 1935, and with a no airbrush pledge on any of its advertising for more than a decade.



While conversations around the social impact and ideological perspectives of beauty continue, our research clearly shows the positive impact that looking after your skin, or wearing make-up can have on women's confidence, with **87% of beauty consumers surveyed globally agreeing that "If I look good, I feel more confident"**¹.

Furthermore, as we begin to understand the negative impacts of stress, pollution and climate on our inner and outer health, there is evidence that acts of self-care can improve overall wellbeing and boost mental health, with **75% of women agreeing that beauty and personal care products have a positive impact on their mental wellbeing**¹. Carving out 'me-time' and creating self-care rituals is, for many women, an increasingly important part of daily life and for some it has also helped to counter some of the challenges of living through a pandemic, with **54% of women saying that they continued to use makeup as "it helps me to stay in a routine"**².



"An act of self-kindness can help to create moments of calm every day, it can be as simple as adding a few extra steps in your skincare or beauty routine. The feel-good power of beauty can support our inner and outer self, offering holistic benefits as well as the product benefits. It's also the perfect time for many to practice breathing techniques with your products such as inhalation or facial massage, all of which can elevate the mindfulness and effectiveness of your daily skincare routine."



Sarah Carr, Facialist and Lifestyle Brand Ambassador

The beauty industry has rallied during the pandemic to not only support its members but to also be recognized as a force for good.

In a sign of self-confidence, the industry showed just how powerful it can be during the pandemic via schemes aimed at supporting essential workers and struggling health professionals and organisations. Showing support and understanding, whether through charitable donations or empathetic consumer

interaction is at the heart of a move within beauty towards 'compassionate communications' which help to set the tone for more honest, open and authentic conversations between beauty brands and consumers. This style of communication where beauty brands show empathy, plays a role in reframing the narrative around perceptions of beauty and has been welcomed by women the world over-allowing for self-expression and boosting self-confidence.

¹No7 Beauty Company global research, 20,000 consumers across UK, US, China.
²Page 27, Ritualistic Beauty, Global Thought Leadership Report, CP&I Input Leverage Trends and Butterfly.

“Our relationship with beauty is built on one of mutual support and that became increasingly evident when faced with the challenges of a global pandemic. We came together like never before, brands supported the workforce and the workforce supported their clients, the clients supported the brands and the ecosystem of our industry fused together seamlessly. It gave us one voice and a strong focus. Our value became a mantra for a sector that had felt overlooked and underrepresented. This in itself boosted our confidence, we have value, we care about how we and others feel, and we won't let anyone underestimate what part beauty plays in all of this. Friendships and alliances have been formed through the medium of beauty and this truth has become our norm.”



**Millie Kendall MBE, CEO,
British Beauty Council**

NO7 UNSTOPPABLE TOGETHER

In response to women being disproportionately impacted by the pandemic, No7 launched the Unstoppable Together campaign to support women in the workplace.

A partnership with Hello Sunshine in the US and a partnership with AllBright in the UK have provided women with free access to coaching with experts, bespoke careers tools and resources to help turn the 'SHEcession' into a 'SHEcovery'.

The New Beauty Consumer

Creating close relationships with and understanding consumer behavior has never been more important for beauty brands. The pandemic has highlighted the need for constant consumer dialogue along with the need for agility to respond to changing consumer needs.



Our reputation in beauty has been fundamental to earning and building consumer trust and has given us the confidence and authority to create No7 Beauty Company. Creating close relationships with customers has always been central to our business, and our researchers regularly conduct conversations with up to 20,000 consumers to track their beauty needs and wants. In addition, No7 Beauty Company also has a consumer testing panel of 70,000 women. This deep consumer understanding combined with our renowned scientific innovation is at the heart of our offer and helps us stay relevant in a constantly changing world.

The Covid-19 pandemic has fast tracked many consumer behaviors as many people have been forced to adapt to new ways of living, working, shopping and spending. Our research has identified several core beauty customer segments within our

audience, who are defined by behavior rather than traditional demographic labelling. These behaviors sit across three key dimensions:

- **Confidence**
- **Investment**
- **Inner / outer beauty**

Our diverse range of customers differ across each dimension. While some are more natural in their approach to beauty, they are actually pretty confident and knowledgeable. While others are highly engaged and high financial investors, they actively seek out a lot of education and advice.

We understand that age does play an important role within some of these groups, but not the defining factor. And while we appreciate that beauty consumers come in all shapes and forms, this research specifically focused on women.

Here are just a few of the many diverse needs of customers around the world.

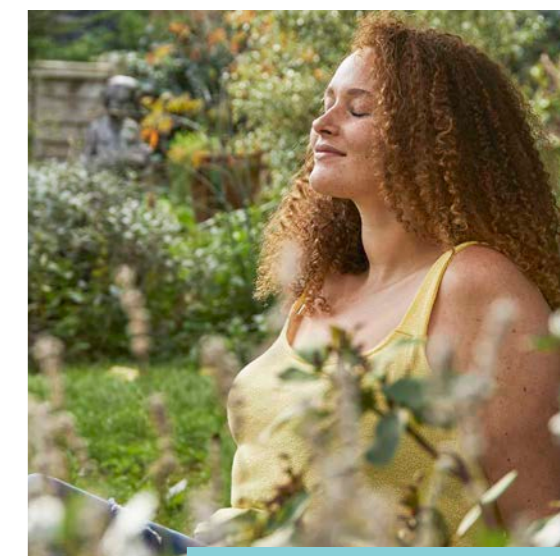


Realist

She has a subtle, quiet confidence. Imperfections don't bother her. She's ingredient savvy and will be attracted to authentic brands, possibly with overall wellness credentials. She protects her skin from the sun every day. She's represented across all age groups but likely to be slightly older and looking for products that protect and correct.

The Conformist

For this group, it's all about fitting in - she actively doesn't want to stand out and finds skincare complex and confusing. She will often focus on a confidence zapping skin issue and is willing to spend money to try and solve it. She would love to have a simpler beauty regime that demands less of her.



Individualist

She's the most engaged and confident beauty consumer and spends the most on beauty products. She loves to stand out from the crowd and express her individuality. She's confident and loves spending time on making herself look good as well as keeping up with beauty trends. She is obsessed by having flawless looking skin - this is her beauty ideal. She's the friend you would turn to for advice on all things beauty related, she's a skintellectual.

Sources: Commercial data, No7 Beauty Company research, +Consumer Insight and Trend Data, Sales Projection Data, Expert Interviews.

“Actively listening to and learning from our customers gives us a rich understanding of the global beauty consumer and the key attitudinal and behavioural attributes that differentiate consumers. This is critical in developing our skincare strategy, both across the portfolio and at brand level. Having the depth of insight to pull apart beauty consumers, understanding their needs and behaviours enables us to develop personalised targeting to meet the specific needs of the varied beauty consumer.”



Alison Melford, Consumer & Insight Lead for Skincare, No7 Beauty Company



The Beauty Shopping Basket Index

- During lockdown, demand spiked for skincare and while we saw an overall decline in color cosmetics sales, this was not true of all products. Lipstick was particularly hard hit, yet sales of eye makeup soared in the US, according to a study by Kantar. Interest in eye makeup has been driven by the explosion of interest in 'mask makeup looks' a trending phrase that took off as beauty influencers shared their makeup looks to wear with surgical masks
- Bath and body sales saw exponential growth as consumers responded to hygiene concerns as well as carving out some critical self-care opportunities to help take some of the stress out of lockdown
- Our scale and reach allow us to identify and respond swiftly to, as well as report on, these global trends. As life gradually becomes less restrictive, our experts predict that we will see an immediate surge across all our beauty categories, as consumers focus on making their first IRL impressions count

Here follows a snapshot of US and UK beauty shopping habits from 2020.



Skincare



- Total Skincare has seen consistent dollar sales growth since March 2019, currently at +5.1% YoY. Facial Skincare is currently growing +4.6% YoY
- During the Covid-19 pandemic, acne is the fastest growing sub-category



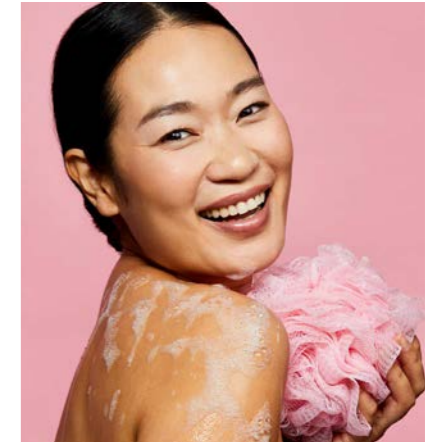
- Toners, fresheners and face masks are the skincare products currently seeing the most sales growth
- Serums are also a key fixture with sales of products such as the No7 Line Correcting Booster Serum soaring during the past year, and becoming the brand's second best-selling skincare product on Boots.com of 2020 (based on revenue data between January–October 2020)



Cosmetics

- As skincare surges, cosmetic sales have dropped with fewer households buying into the category
- Sales of lip products have slowed the most, perhaps unsurprisingly with people wearing masks outside

- Mirroring the US trend, cosmetic sales have dropped with fewer households buying into the category and lip product sales having slowed as people on average buy one less cosmetic product compared to a year ago



Bath and Body

- Bath and body has seen consistent dollar sales growth since March 2019, with growth increasing significantly at the start of the pandemic (+25.3% over the last 52 weeks)
- Compared to March 2019, consumers are making an additional three shopping trips (virtual or physical), and purchasing an additional six bath and body products per year
- Bath and body products have continued to grow since the start of the pandemic with increases of up to 125% in some product lines
- On average, shoppers have made an extra 1.3 trips to the bath and body aisles (virtually and physically) compared to in March 2020

Source: IRI Panel Data, rolling 52 and 12w/e for 2 years to 21/02/21, Total UK

The Surge In Skincare

Serums have fast become the go-to skincare product and are now seen as a critical part of 21st-century skincare regimes. They remain a strong consumer favorite, with a record 2.9 million UK shoppers buying a serum in the past year.



The surge in skincare pre-dates the pandemic. In 2019, sales of skincare products in the USA grew by 13%, compared to 1% for color cosmetics, and this trend was echoed in Europe and APAC¹. The growing desire for health and wellness and self-care products, as well as the increasing consumer interest in the value of adopting a skincare regime, has created the rise of the 'skintellectual', an ingredient savvy consumer, who, in conjunction with an ever more transparent beauty industry, has accumulated an impressive dermatological knowledge.

These 'skintellectuals' not only understand the composition of ingredients but also the process of

how they work on the skin and are avid followers of podcasts and blogs on the subject.

Lockdown has boosted this surge, allowing women the time to refocus on caring for their skin and actually use the growing collection of products on their bathroom shelves. The understanding that developing better skincare practices could potentially prevent the need for make-up, or at least the use of less make-up. This has also led to an increase in hybrid skin/color products, that offer both skincare benefits with a hint of color, to provide natural looking results.

The Rise of the Super Serum

Despite challenging times, the average consumer still spends more on skincare than any other toiletries category, and for the first-time last year UK shoppers spent more online on facial skincare (50.8%) than offline (49.2%). Serums remain a strong consumer favourite, with a record 2.9 million of our shoppers buying a serum in the past year and the forecast for serum sales is strong as consumers become more ingredients and skincare savvy². In fact, No7 Advanced Retinol 1.5% Complex Night Concentrate serum became the biggest skincare launch in Boots UK in 2020.

Serums have fast become the go-to skincare product for many and are now seen as a critical part of 21st-century skincare. They make it easy for people to intensify their skincare regime as they are usually formulated with a higher concentration of active ingredients. Serums have a lighter texture because they are specifically formulated to deliver actives that penetrate the surface layers of the skin to deliver specific results. In fact, new No7 research observes that its Matrixyl 3000+™ peptide blends ten layers deep into the skin.



¹ McKinsey, How Covid 19 Is Changing The World of Beauty Report, May 2020.

² Kantar, Worldpanel, Total Mass Facial Skincare, 52we, Data to 24th Jan 2021

Trends and Market Drivers

There is an enormous amount of innovation in the beauty category, some of which is quickly assimilated and finds its way into products via formulation or design, whereas other innovative elements take longer to filter, requiring further extensive research or fundamental behavioral shifts that take time to penetrate society. Here follows a snapshot of some of the long and short-term trends impacting the beauty category today and in the near future.

- Technology is rapidly changing the world of beauty. Virtual try-on apps have become the norm during lockdown cosmetic purchases and will play a key part of the consumer journey as stores reopen to help alleviate consumer hygiene concerns.
- The connection between inner and outer health is a hot topic for industry and consumers alike.
- There is a resurgence of comfort in skincare as consumers refocus on evergreen superstar ingredients like peptides and ceramides.
- Provenance will ramp up in importance as consumers become more mindful of tracing product origins.

Technology

Virtual Assistance

AI & AR Tech in Beauty

Prolonged lockdowns have driven the escalation of AR and AI tech in beauty. Virtual digital beauty assistant apps allow consumers to try looks and trial products virtually before purchasing and during lockdown these have been elevated with links to advisors for live consultations. Adding the opportunity to virtually try-on has become an exciting new element to online makeup tutorials, increasing viewing time and refreshing the genre. Elsewhere, apps such as Findation are being widely used by the industry to encourage online foundation sales.

No7 Beauty Company brands including Liz Earle® and No7 set up virtual consultation offerings for customers at the outset of the pandemic, providing highly personalised, bespoke recommendations for customers.



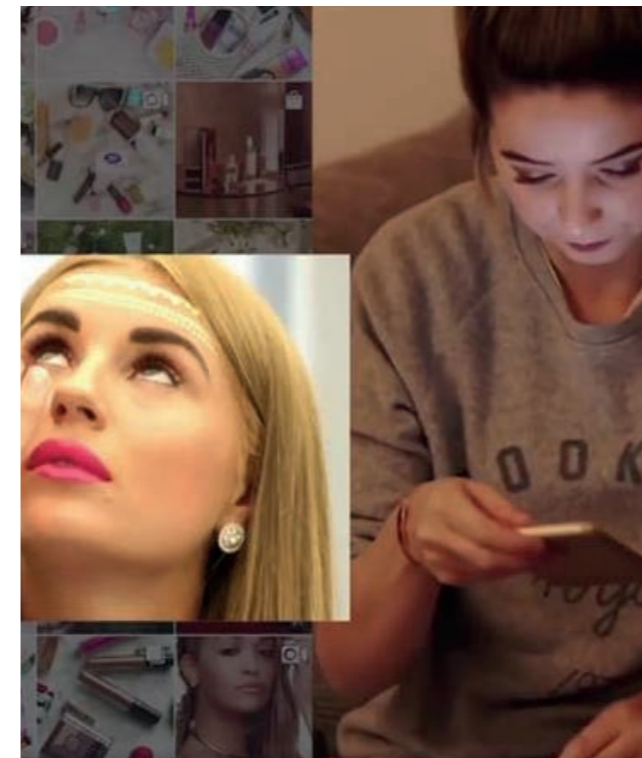
Peer to Peer

Digital Communities

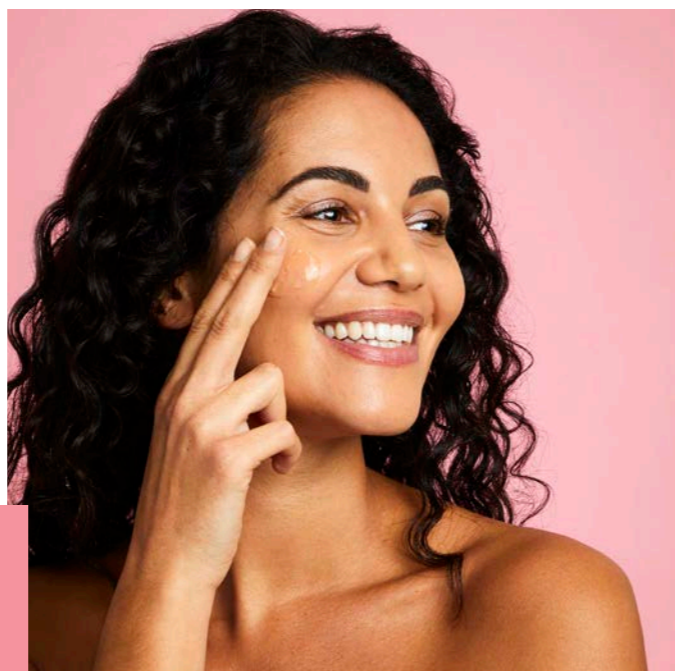
Younger beauty consumers are increasingly seeking advice and reassurance from their peers and building digital beauty communities. There has been a huge influx of 'skinfluencers'; aestheticians, doctors and dermatologists, appearing on social platforms, especially Instagram. In the US, Reddit is an often overlooked but key platform and has steadily grown an increase in subscribers in the top 50 beauty communities. Skin Addiction is the biggest thread, where users seek advice, recommendation, and support from their peers.

TikTok is also becoming an increasingly important digital beauty player, especially in color cosmetics where users have been quick to respond to makeup challenges that include an element of humour and entertainment.

Clubhouse, the invitation only, audio chat iPhone app has proved popular with the beauty community, especially with those who might have felt shut out or marginalised by the traditional beauty conversations.



Beauty and Health Industry



More Than Skin Deep

Inner/Outer Beauty

There has been an increased interest in dietary supplements which contain ingredients such as Vitamin C. Lifestyle-oriented brands now offer a range of products such as collagen powders aimed to support skin health, as well as blends aimed at promoting better quality sleep.

This appreciation of inner/outer health and beauty combined with broader conversations around perceptions of beauty has also prompted discussion around previously taboo subjects such as the menopause and hormonal imbalance and the effects that these issues can have on mind and body. This is predicted to lead to a flurry of brands and products aimed at alleviating some of the negative beauty related impacts associated with these conditions such as changes in skin appearance.

Return to Comfort

Single, Super Ingredients

While innovation is a constant process, the pace of innovation in skincare over the past decade has seen some consumers struggling to keep up. This confusion has been compounded by an excess of information sources, making it difficult for consumers to cut through the hype to establish fact from fiction. The race to constantly offer newer products doesn't always result in better and has caused experts and consumers alike to take a fresh look at evergreen, powerhouse, ingredients such as ceramides and peptides. These building block ingredients offer powerful results to those consumers who crave comfort within their skincare regime. **Matrixyl 3000+™ is a peptide and core ingredient of the No7 serum range.**

Societal: Focus on Hygiene

In-store testers and samples move to hygienic alternatives

In the wake of Covid-19, as the move to hygienic practices moves at pace, beauty stores have had to remove testers from their shelves. Innovative solutions are required to help consumers to try before they buy. One solution to this challenge is the adoption of single use ampoules or capsules, these are expensive and not always sustainable, but they serve a purpose within the skincare category where texture, fragrance and finish all play a part in product evaluation.

The color cosmetics category will rely more on virtual try-ons and we will see more of this at point of sale.

On a practical level, beauty counters need to have visible signs of cleanliness e.g. sanitisers and disinfectant, to allay consumer hygiene fears. Brands will need to overtly demonstrate their beauty counter hygiene protocol, to build consumer confidence.

Sustainability in action: Beauty brands are already becoming far more inventive and imaginative in how they introduce sustainable practices into ingredient sourcing. For example, the cranberry seed oil used in Liz Earle® products is a by-product of the juice industry. The beauty brand harnesses unused high quality oils and effectively up-cycles them, with the benefit of needing zero additional land or resources.

Transparency and Traceability

Blockchain Back-up

For some, sustainability has taken lower priority during the pandemic, as a survival mindset kicked in and choices were minimized, but as we resettle, sustainability will be reprioritized. Provenance will ramp up in importance as consumers become more mindful of tracing product origins. Blockchain technology that enables consumers to access information on a brand's supply chain, ethics and environmental impact, will provide greater transparency.

“We have explored just how our customers can shop for the beauty products they love with confidence, in a safe way. In selected stores, No7 Beauty Advisors are available to offer advice and guidance through touch-free consultations and can chat through hints and tips on application without the need for physical contact. No7 and Liz Earle have both launched successful virtual consultations. From tailored product recommendations to application tips, customers can get personalised, expert skincare and make-up advice from trusted advisors over the phone or a video call, from the comfort of their own home. In the UK, Boots has also introduced the Make-up Exchange Promise to help customers test and colour match their products at home. Whether it’s a new No7 foundation or a bold Sleek lipstick, customers can feel confident in choosing the right cosmetics products for them.”



**Lavinia Moxley, Global
Advisor Talent & Education,
No7 Beauty Company**

Our Key Milestones

LIZ EARLE®

Liz Earle joins the Walgreens Boots Alliance family. Today its iconic One Cleanse & Polish™ is sold every 16 seconds²

Nº7 UNSTOPPABLE TOGETHER

The No7 logo celebrates its 50th anniversary and the brand launches Unstoppable Together to support women in reaching their full potential through partnerships and initiatives



No7 unveils its new logo, the one we recognize today

1971



Botanics launches

1995



No7 Ta Dah advertising campaign launches with a commitment to no airbrushing: a pledge that remains to this day

2011



Sleek MakeUP joins Walgreens Boots Alliance family

2015

No7 launches in the USA

No7 launches in Asia through AliBaba

2018

2021

1935

No7 launches in the UK



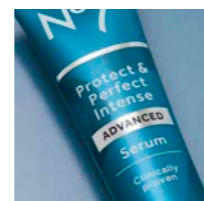
1990

No7 for Men launches



2007

No7 Protect & Perfect serum is the subject of a BBC Horizon documentary reporting its clinically proven ability to reduce the appearance of lines and wrinkles



2014

Soap & Glory joins Walgreens Boots Alliance family



2017

YourGoodSkin launches



2020

No7 Advanced Retinol 1.5% Complex Night Concentrate launches becoming the fastest selling single product on Boots.com ever



²Based on global volume sales, 52 weeks ended 28th Feb 2021

Our Key Brands

No7

The UK's No1 skincare brand and ally of unstoppable women everywhere¹



LIZ EARLE®

Naturally active ingredients delivered with love and care



SOAP & GLORY

Concocting a gloriously different kind of luxury beauty



Naturally effective plant powered products that don't cost the earth



Sleek MakeUP

Sparking bold and creative self-expression



YourGoodSkin™

Designed to restore and maintain the skin's balance



¹Source: Value sales independently verified by IRI. 52 weeks ending 14/11/2020

Nº7 BEAUTYCOMPANY

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SPRING 2021