

RESPONSIBLE FUN IN THE SUN:

Socially responsible sunscreen brands gaining traction, especially online

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Introduction

Consumer brands with social responsibility at their core are gaining more momentum in the market. No longer considered niche, these brands are catering to the growing consumer demand for increased transparency, sustainability, and better health. Claims of no sulfates, phthalates, parabens, sustainably sourced, and cruelty-free, among many other assertions, are important considerations for consumers. Moreover, millennials and younger demographic groups in general are looking for the next socially responsible brand with a unique ingredient, story, claims, and proposition.

The natural personal care market in the U.S., which includes many of these niche, health-forward brands, advanced nearly 9% in 2017¹ compared to the general personal care market, which advanced at a much slower rate of 4% in 2017². The direct retail channel in particular, mainly driven by online sales, is moving at a substantial rate, above 13% in 2017², helped by many of these socially aware and natural-focused brands that are entering the market and distributing their products through the online channel as e-commerce continues to be a key destination to not only sell product but also communicate key claims and brand mantras. For example, beauty retailer Sephora recently launched its “Clean at Sephora” program to help online, mobile, and in-store shoppers better filter out and identify the green and natural brands.

Among the brands now carrying the “Clean At Sephora” seal on sephora.com include Coola, Supergoop!, Drunk Elephant, and Farmacy, all which saw double-digit gains in 2017². Kline’s digital product tracker, Amalgam, also reveals that socially responsible brands are the overperformers of e-commerce³.

This assessment will focus on the market’s dynamics and role of e-commerce in the sun care space, with attention on three brands, Babyganics, ThinkBaby, and ThinkSport, that are appearing on the top of the charts in Amalgam³ and also recording significant sales gains, according to IRI⁴.

Key Performing Brands’ Retail Sales in Sunscreen Market, 2017 and YTD 2018

Brand	2017, \$ Million	January-June 2018, \$ Million	Growth % (YTD 2018)
Babyganics	15.3	18.4	40.9
ThinkBaby	0.4	0.9	248.7
ThinkSport	0.1	0.3	257.0

SOURCE: IRI Multi-outlet data.

Spotlight on sunscreen market

The sunscreen market is down nearly 1% year to date June 2018 in MULO, according to IRI, and is dominated by renowned brands including Coppertone (Bayer), Banana Boat (Edgewell Personal Care), and Neutrogena (Johnson & Johnson); however, the smaller, socially responsible brands are standing out with double- and triple- digit gains⁴. Amalgam also reveals this is the case in e-commerce as socially responsible and natural brands are among the top sunscreens sold online, while the large sun care players moved down in rank and score in June compared to the year prior³. E-commerce is also proving to be a key driver of sales in other OTC related categories, such as acne, generally. For example, IRI is seeing growth versus one year ago for both sunscreen and acne products in e-commerce, hovering around +50%, while in brick and mortar MULO outlets, both categories in fiscal year 2017 were virtually flat⁴.

Environmental Working Group (EWG) is an environmental organization that specializes in research and advocacy in the areas of toxic chemicals and corporate accountability. According to its 12th annual report, the number of mineral-only sunscreens accounts for 41% of sunscreens in the organization’s 2018 Sunscreen Guide, and this number has more than doubled in the last 10 years⁵. Additionally, the report also highlights that vitamin A, a common sunscreen additive that has been determined through studies by federal government scientists to possibly trigger the development of skin cancer under certain circumstances, is being used less year after year since 2010, according to EWG, as brands become more aware of the safety concerns of consumers. However, EWG’s annual report reveals that oxybenzone, a widely used ingredient in non-mineral sunscreens that is harmful to marine life and potentially disrupts hormones, is found in most of the products sold by mainstream

sunscreen brands like Coppertone (Bayer) and Banana Boat (Edgewell Personal Care). These findings demonstrate how brands are increasingly catering to social awareness demands for safer ingredients, and therefore, are becoming more appealing to consumers. However, not all brands are responding as quickly, or at all.



EWG's Significant Trends in 12th Annual EWG Sunscreen Guide

We find that socially responsible and natural brands are appearing more often and at the tops of the charts in sunscreens in 2018³. Listed below are some recent observations gathered from Amalgam that demonstrate the rise of these brands in e-commerce:



Australian Gold had four products from its Botanical collection appear in sunscreens in the top 40 during 2018; all improved in rank and score since June 2017. The collection was launched in 2017, featuring an eco-conscious, mineral formula. The brand's Botanical SPF 50 Tinted Face, 3 oz ranked #6 in June, while Botanical SPF 50 Natural Spray, 6 oz entered the top 50 at the end of 2017 and has remained in the top 50 all throughout 2018 year to date.



Babyganics is a family-focused, lifestyle brand with sustainable practices and safer ingredient formulations, and its Mineral-Based Sunscreen, 50+ SPF, 6 oz, 2 Pack ranked #3 in June 2018 for the first time, although it had maintained a spot in the top 25 each quarter since year prior. The brand also had two other products that appeared in the sunscreen category at the end of second quarter 2018.



Coola, established in 2007, offers skin care products with eco-conscious formulas that are free of parabens, GMOs, and oxybenzone, and instead contain natural and organic ingredients that are as sustainable and as locally sourced as possible. In June 2018, Coola's Face SPF 30 Matte Tint, 1.7 oz moved into the top three products in all beauty & personal care.



Sun Bum is a reef-friendly, cruelty-free brand, launched in 2010, that is also free of oxybenzone, parabens, sodium lauryl sulfate (SLS), sodium laureth sulfate (SLES), vitamin A, with mostly vegan products. Twelve products from the brand appeared in June 2018, up from only five year prior. The SPF 30 Face Stick is the brand's best performer, and it ranked #7 in sunscreens at end of second quarter 2018, up nearly 200 points from the prior year.



ThinkBaby, a brand under the umbrella of ThinkSocial with a mission to provide sustainably sourced, natural products, appeared in the top five during second quarter 2018 with its Safe Sunscreen SPF 50+, 6 oz, improving its overall score since the year prior and maintaining a spot in the top 15 in sunscreens each quarter over the last year. ThinkSport, also a ThinkSocial brand, appeared in the top five during second quarter 2018 with its Kids Safe Sunscreen SPF 50+, 3 oz.

Several other brands, including Colorescience, CōTZ, and Drunk Elephant, also appear on Amalgam's radar and see improvement in their sunscreen products' ranks and scores.

These brands are not only winning because of their cleaner or natural positioning, product labeling, and/or sustainable practices but also due to their effectiveness, as indicated by the ratings reflected in EWG's 2018 Guide to Sunscreens, which rates both the safety and efficacy of these products. Two-thirds of the overall product score is based on the product's UV protection, while the other one-third reflects the hazard score, based on toxicity concerns of listed ingredients on the product label. In 2018, 95% of the products in EWG's guide from the brands mentioned above receive a low or moderate rating, and 78% of these nine products receive extremely favorable scores⁵.

Below is a snapshot that reflects benchmarks for select sunscreen brands, including both conventional and natural marketers, from July 2017 to June 2018³. Ranked on a scale from 0 to 100, these scores indicate relative performance of the sunscreen brands in the digital space, based on sales rankings among best-selling products, customer ratings, number of reviews, prevalence, and duration on the charts. These factors are amalgamated into a blended score for the brands across major online retailers.

Brand Benchmark

Beauty & Personal Care / Skin Care / Sun care products / Sunscreen



The naturally positioned, cleaner ingredients, and sustainably focused brands are top products across a mix of online retailers, including Amazon, Ulta, Walgreens, Sephora, and Birchbox, demonstrating that shoppers in both mass and luxury channels share a common interest and are turning to these e-commerce sites to purchase products with similar offerings.

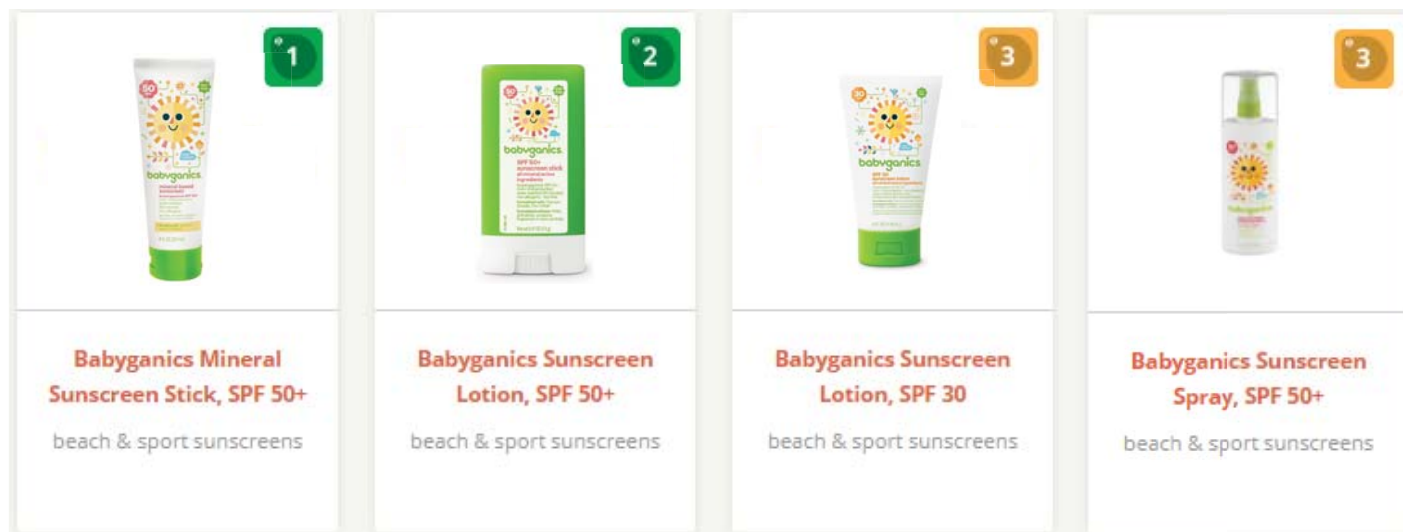
The large market players in sunscreen including Neutrogena (Johnson & Johnson), Coppertone (Bayer), and Banana Boat (Edgewell Personal Care) are also selling their products through the same online retailers; however, these brands are underperforming compared to the other socially responsible, natural marketers³. The Brand Benchmark chart above shows Banana Boat (purple), Coppertone (lime green), and Neutrogena (gray), averaging scores ranging from 47-62, whereas brands such as ThinkBaby, Babyganics, Drunk Elephant, and Colorescience exceeded those scores during second quarter 2018. By contrast, sunscreen market leaders' collective performance in June 2018 versus a year ago saw 15 products dropping out of the top 500, and many of the products still among the top 500 dropped in score and rank over the last 12 months³.

Winning Brands: Babyganics, ThinkBaby, ThinkSports

This section highlights several rapidly growing brands, including Babyganics, ThinkBaby, and ThinkSport, which are not only appearing at the tops of the chart in Amalgam and proving to be winners in e-commerce, but also performing exceptionally well in MULO outlets according to IRI. Over the past several years, sales of these brands have advanced double- and triple-digits, and year to date in the sunscreen market Babyganics is up nearly 41%, ThinkSport up 25,7%, and ThinkBaby is up 24,8%, significantly above the total sunscreen market, which is down nearly 1% in 2018 and declined half a point in 2017 in MULO outlets⁴.

Babyganics

The brand was established in 2002 by an independent company and acquired by SC Johnson in 2016. Babyganics is a lifestyle brand with products that are family-focused and meet the brand's five key standards: Purpose, Values, Formulation, Testing + Review, and Refinement. Ranging from baby care and home care to personal care for adults, the brand resonates with consumers with its mission to produce and package products that are eco-friendly and safe for babies, have recyclable packaging, and boast ingredients that don't appear on the brand's "No List." All of the brand's products score strongly in EWG, with two products that receive a green rating and all with a score of 3 or above. This is measured on a scale of 0 to 10, with 10 being the worst score and determined by EWG to pose a high health concern.



EWG's Sunscreen Scores for Babyganics

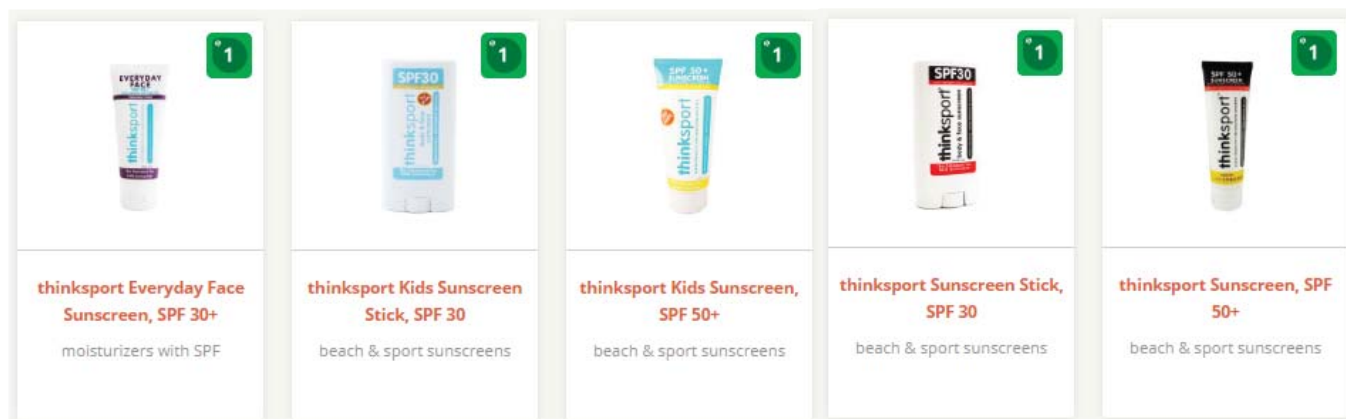
In Amalgam, the brand's top ranked products include Mineral-Based Sunscreen, 50+ SPF, 6 oz, 2 Pack, which ranked #3 in sunscreens in June 2018; Mineral-Based Sunscreen Spray, 50+ SPF, 6 oz, 2 Pack; and Mineral-Based Sunscreen Spray, 50+ SPF, 6 oz. These products mostly appear on Amazon and Target.com, with more than 1.2k reviews on Amazon for its top product; that product also receives a grade of "A" on Fakespot.com, a website analyzing reviews and bringing the issue of review authenticity to the forefront.



Top Ranked Sunscreen Products in Kline's Amalgam Tool for Babyganics

ThinkSocial

The company was created in 2007 with two brands, ThinkBaby and ThinkSport. The mission of the company is to offer consumer products for babies and athletes that are made with safe, non-toxic ingredients and materials that have the least impact on the environment as possible. ThinkSport sunscreen products contain 20% zinc oxide with SPF 50+ and is the first sunscreen to pass the Whole Foods Premium Care requirements; all products from both ThinkBaby and ThinkSport hold a #1 green rating by EWG, with two products among the 23 best-scoring sunscreens for kids.



EWG's Sunscreen Scores for ThinkSport

In Amalgam, the brand's top selling products include ThinkBaby Safe Sunscreen SPF 50+, 6 oz, which maintained a spot in the top 15 sunscreens every quarter in the last year, and ThinkSport Kids Safe Sunscreen SPF 50+, 3oz. These brands mostly appear on Amazon with nearly 2,000 reviews, and the line receives a grade of "A" on Fakespot.com, confirming that over 90% or 1,800 of the 2,000 reviews for the product are considered high quality reviews.

Thinkbaby Safe Sunscreen SPF 50+, 3oz Thinkbaby
★★★★★ 1,862 customer reviews | 132 answered questions #1 Best Seller in Facial Sunscreens



Photo of ThinkBaby Safe Sunscreen SPF 50+, a #1 Best Seller on Amazon

Impact on traditional brands

The rise of socially responsible brands that tout sustainable practices, use natural and/or non-toxic ingredients, and offer alternatives to traditional sunscreen ingredients are presenting challenges for larger sunscreen brands. Key brands that have a strong presence in mainstream retailers like Target, Walmart, and other mass merchandiser chains and national drug stores are struggling to maintain attractiveness in the space as consumers are shifting their demands and needs toward smaller, niche players that have quickly become significant competitors over the last 10 years, bringing new concepts and ingredient solutions to the forefront.

Traditional marketers are failing to adapt quickly enough to these dynamic shifts. For example, nearly 50% of products featured in EWG from the leading sunscreen brands in the mass channel hold a red rating. These brands all have more than 30 products that each appear in EWG, although each brand only has a few, or as little as one, product(s) that receives a green rating. This is because many of these products contain oxybenzone as well as other health-concern ingredients, while many of the winners in e-commerce are calling out the exclusion of these ingredients on their packaging, websites, and marketing platforms. While the active ingredient

oxybenzone provides broad-spectrum protection against both UVB and UVA rays, it is not an ingredient the FDA requires for a brand to make SPF claims. Common mineral sunscreen alternatives include those with physical sun blocking agents, such as zinc oxide. Recently, Hawaii became the first state to ban the sale of sunscreens that contain chemicals deemed damaging to coral reefs: oxybenzone and octinoxate.

Additionally, brands like Babyganics, ThinkSport, and ThinkBaby are well ahead of larger players with followers on social media platforms such as Instagram. Despite being much smaller in size from a sales volume standpoint, several of these brands have as many as 20K+ more followers. Babyganics, ThinkSport, and ThinkBaby have 104k, 21.6k and 26.5k followers on Instagram, respectively, whereas Coppertone and Banana Boat only have 3.9k and 4.3k, respectively. Coppertone has only posted twice on its Instagram page in 2018 and Banana Boat only five times, while Babyganics has posted more than 30 times and ThinkSocial well over 100. Moreover, content posted on social media by the traditional brands differs greatly from the content and information being posted by the rising socially responsible brands, which focuses more on discussing ingredients and safety while dedicating posts to sustainable practice topics.



Comparison of Instagram Posts for ThinkSocial vs. Coppertone and Banana Boat in 2018

Although the rising stars in the sunscreen space are posing threats to traditional players, it is important to note that despite the robust growth these smaller, niche brands are seeing, their sales are still only a fraction of the leaders, Neutrogena (Johnson & Johnson), Banana Boat (Edgewell Personal Care), and Coppertone (Bayer). These three brands had more than \$200 million in retail sales in MULO outlets, individually, in 2017; however, all virtually had flat or declining sales.

Outlook

As consumers continue to power their interest in environmentally responsible packaging; safe, non-toxic, and natural formulas; and socially responsible practices, sunscreen brands will find that the more they adapt their formulas, company standards, and social ethics to meet the ever-evolving demands of their customers, the more well positioned they will be for future growth.

However, will these brands that are defining a new era of values become the new market leaders? Do they have long-term staying power? While many of these brands are expected to outpace the growth of the overall sunscreen market and record double- or triple-digit gains in the coming years, it is not likely that these rising stars will establish the same reach in the market as traditional brands and current market leaders. The following factors will influence the sunscreen market in the near term:

- Online exclusive brands and online sales in general are expected to rise as more of these niche brands offering curated natural, safe, and eco-friendly products opt to launch on Amazon, via their own websites, or through ingredient-conscious online retailers like Sephora, Credo, or even Target and CVS as these national retailers focus on phasing out select harmful ingredients by 2019 and 2020.
- Ingredients like oxybenzone, vitamin A, and non-mineral filters will be increasingly avoided by consumers; therefore, brands calling out the exclusions of these ingredients will be favored.
- In order for traditional sunscreen brands to avoid losing market share to the rising socially responsible and natural-focused brands, they will need to adapt their formulas and marketing strategies to generate solid growth. Social media will be key for the brands to foster necessary consumer connections.
- Brands like Banana Boat (Edgewell Personal Care), Coppertone (Bayer), and Neutrogena (Johnson & Johnson) will continue to contribute the largest volume of sales to this market in the near term due to their low price points, accessibility in the retail environment, product efficacy, and longevity in the market place.

References:

1. Kline & Company: Natural Personal Care USA, 2017
2. Kline & Company: Cosmetics & Toiletries USA, 2017
3. Kline & Company: Amalgam
4. IRI: Sunscreen Products & Acne Treatment MULO Data
5. EWG: 12th Annual Sunscreen Guide, 2018

About the IRI/Kline alliance

Information Resources, Inc. (IRI), the global leader in innovative solutions and services for consumer, retail and over-the counter healthcare companies, and Kline & Company, a global market research and management consulting firm, have established an exclusive alliance to service the worldwide, over-the-counter (OTC) drug and overall consumer healthcare industries. This powerful alliance will provide a higher level of data accuracy and an unparalleled, global range of thought leadership on stimulating topics in the consumer healthcare space.

As part of this collaborative relationship, IRI will contribute its granular, widely recognized, point-of-sale (POS) market data, related insights, and thought leadership. Meanwhile, Kline will provide its unmatched historical database, global network, and 360-degree view of the complex OTC drug market, including its comprehensive channel coverage and vast expertise in the area of Rx-to-OTC switches.

The collaborative thought leadership will manifest through white papers like this one on such topics as Rx-to-OTC switch, merger and acquisition activity, and new product innovation, as well as trends and issues in international and emerging markets within the OTC drugs industry.

About IRI

IRI is a leader in delivering powerful market and shopper information, predictive analysis and the foresight that leads to action. We go beyond the data to ignite extraordinary growth for clients in the CPG, retail and especially in the over-the-counter healthcare industries by pinpointing what matters and illuminating how it can impact their businesses. Experience the power of IRI's mantra "Growth Delivered" at www.IRIworldwide.com.

About Kline & Company

Kline is a worldwide consulting and research firm dedicated to providing the kind of insight and knowledge that helps companies find a clear path to success. The firm has served the management consulting and market research needs of organizations in the agrochemicals, chemicals, materials, energy, life sciences, and consumer products industries for over 50 years. For more information, visit www.KlineGroup.com.

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About Kline's Amalgam

Based on the continuous collection, aggregation, and blending of data from more than 15 leading retailer websites, this online interactive service uses a proprietary algorithm to score beauty products based on their ranking among best-selling product listings, customer ratings, prevalence, and duration on the charts.