



AVON
INNOVATION
CENTRE

SPECIAL REPORT

*Beauty, The
Future And
The Power Of
Emotions*

2018

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THE
FUTURE IS
A LONELY
PLACE

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Foreword by Jan Zijderveld, CEO Avon Products

For more than 130 years, Avon has proudly stood for beauty, innovation, optimism and above all, women. Today we are a global force for women. Our 6 million Representatives are beauty entrepreneurs and beauty enthusiasts, sharing a passion for their favourite products in over 70 countries.

Through our shared passion for innovative, on-trend beauty, we've built the world's largest network of women – joined by a common thread regardless of culture, geography, age, education or ethnicity.

It's the personal touch that our Representatives bring to our customers that makes us different. As you will see in this whitepaper, we see this 'high touch' relationship between brand and customer as being a key area for the future of beauty.

We know the future of beauty is also grounded in high-tech. Like other industries, beauty is being changed by technology at breath-taking speed. Avon has a rich history in bringing innovation to the mass market, and our world-class scientists are working on ground-breaking high-tech formulations and componentry. The technology revolution means we can do this quicker, better, smarter, and with more insight and data.

But technology needs to be harnessed through the lens of humanity – through people, their feelings, their desires. There is an emotional need at the heart of all our choices that is at the core of the future of beauty. Who better than Avon and our

network of beauty enthusiasts to understand that emotional need?

From a personal perspective, I'm excited by the possibilities for the Avon and the beauty industry in the future. The beauty world is an amazing place to work and through the exceptional dynamic afforded by our global reach yet our personal service, Avon has a huge part of play in defining the beauty landscape of the future.



Background: Avon's Vision Of Beauty

Avon is a company that believes passionately in beauty not only as a way for women to enhance their physical and psychological wellbeing, but also as a way to improve every area of their lives; from the opportunity it presents to flex around family life but also in allowing them to create a modern way to approach work. This is something that goes right back to the company's heritage: in 1886, 30 years before women in the U.S. earned the right to vote, Avon's founder, David H. McConnell, helped give them the chance to earn an independent income.

The company's purpose is to create a world with more empowered women – by providing an earnings opportunity that helps them achieve independence through economic advancement. But the heart of this is creating products that these Representatives – and their customers – truly want to own. The purpose of this White Paper is to present Avon's vision of what those consumer desires will be in the future: what's feeding their wants and needs from a social perspective; how these insights are gathered and from a product perspective, how they will impact new thinking in research and development.

There are 6 million Avon Representatives worldwide

Avon believes that thanks to its heritage, its excellence and the insights of its 6 million Representatives worldwide, it is uniquely placed to have developed a new, powerful and far-reaching theory on the future of beauty which has been developed through a variety of channels:

- + Global and local consumer insights
- + Trend Forecasting and Scouting
- + Technical Insights

For Avon, it is impossible to consider the future of beauty without seeing an emotional need at the heart of all our choices. This whitepaper will explore five key insights that have led to this new emotionally-led context for beauty.



Avon is represented in over 70 countries

The Emotional Journey: Where 'How Do I Look' Becomes 'How Do I Feel'?

In the future, products will be driven by more than just a perceived physical need: they will also be driven by a feeling.

The science of emotions is a burgeoning area of psychology which experts are only beginning to define. What is beginning to emerge, though, is that emotions are a way of making sense of what is happening inside your body¹ and so even on a physiological level, the emotional connection we have with our bodies means that as we discover more about this area, emotions will become more apparent in the beauty choices we make.

To take some examples: imagine a future where products are able to be customised every morning, in your bathroom, because you've woken up feeling exhausted and need a little vitamin boost in your moisturiser, or a shot of extra-calming ingredients because you've been stressed out at work. You can even lace your fragrance with a boost for when you want to feel more confident or more in control.

It's a future where when you shop for beauty, whether online, in person or in store, you're served product information in exactly the format you need it right then. It's Monday night? You're headlong into the week. You need topline information and a choice of no more than three products. Oh, and you're probably looking for a bargain, too. Saturday morning? You want to enjoy the experience. This is your time. You want your information with a side-order of ingenious tips and tricks to get the most out of your purchases, and

you're more inclined to make it a splurge.

Put simply, the thing that separates this vision of the future from the one we have now is this: in the future, we'll know not just what our customer is doing, and what she's thinking...but how she's feeling. Avon believes that in the future, the emotional impact of our choices will be evident in every buying decision we make.

The trends agency WGSN have summed it up like this:

"We live in a data-driven world, but this does not always correlate with how we are programmed. Businesses increasingly rely on data for insights and decisions, but must not forget our internal processors – emotions. In the future qualia (the unique ways that individuals perceive experiences) will be just as important as quantifiable information when it comes to reaching consumers. We will see that data is not a bad thing – it's just not everything."²



¹The Science of Emotion: What People Believe, What the Evidence Shows and Where to go from Here. Lisa Feldman <https://www.nap.edu/read/12023/chapter/17>
²WGSN 2017

The Future Is A Lonely Place

Welcome to the ultimate social paradox: while we are all becoming better connected, as a society, we've never felt lonelier.

Health care experts believe that rising levels of loneliness may be the next big public health issue. Research by the Brigham Young University shows that lacking social connections is as damaging to our health as smoking 15 cigarettes a day³.

Imagine the role beauty could play in addressing this need. Products that deliver a confidence boost, or a sense of shared community, could reach consumers on an emotional level much deeper than we've gone to before.

Some of the changes can be simple: researchers from the University of Oregon found consumers favour brands that use faces in their imagery⁴, but the effect is even greater when the consumer feels lonely.

In an edition of TIME magazine in 2017, it was reported that a third of millennials would rather communicate through emojis than words⁵. In the future, brands will use this insight to consider new ways of conveying emotion. After all, what is an emoji but a way of communicating facial expression?

Of course, the flip side of this is that human nature craves connections. And with increased loneliness also comes the need to reach out to others. Increasingly, beauty shoppers will look to brands to tap into consumers' needs to make positive change: according to Google, 39% of millennials say

an online video has helped changed their perspective, and 47% say they've watched YouTube videos to improve their health or feel better after feeling down.⁶

What this shows is that today's consumers are not only interested in passively consuming content. Instead, they are actively seeking out different kinds of content, from video, to live streaming, to social posts, that prompts change, both in themselves and the world around them. In the future, we will crave both social connection and ways to express our emotions like never before. And the beauty industry has a vital and meaningful role to play in providing products that speaks to our consumer's evolving, emotionally-charged needs.



**39% of millennials
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³<https://www.ahsw.org.uk/userfiles/Research/Perspectives%20on%20Psychological%20Science-2015-Holt-Lunstad-227-37.pdf>

⁴<https://www.futurity.org/product-labels-marketing-loneliness-1515892/>

⁵<http://time.com/4834112/millennials-gifs-emojis/>

⁶<https://www.thinkwithgoogle.com/consumer-insights/millennials-youtube-consumer-insights-marketing/>

The New Face Of 'Personal Shopping'

Avon is a beauty company better placed than almost any other to talk to its consumers. The company has a global network of Representatives in 70 countries. Its biggest focus is on empowering those millions of women through helping them establish, grow and extend their careers.

Despite Avon having recently embraced a digital model for its Representatives, the company believes that these 'offline' conversations that its representatives have with their customers, that happen IRL (In Real Life) and IRT (In Real Time), will be just as important as the business it does online. Why? Because the people its consumers trusts the most are the people most like them: and that means Avon's army of exceptional Representatives.

According to Marketing website The Drum, globally 84 percent of people trust peer-to-peer recommendations over any other form of advertising⁷. Similarly, brands like Glossier and Beautycounter have built upon the success of using peer marketing networks. Glossier, for example, recently opened a pop-up in San Francisco and hired 500 reps to market the brand through their social circles.⁸

Another thing that shows how well-placed Avon's representative model is for the future is the consumer's growing desire to shop for products and services in the very place they're going to use them – and that's in the comfort of their own home. Retail analyst VENDHQ reported last year:

"We're seeing a few retailers bringing back the "travelling salesman." Both Amazon and Best Buy are sending people into consumers' homes to consult and recommend electronics they could use around the house."⁹

For Avon, this goes directly to the heart of this emotionally-led future of beauty: because the future of beauty is about a shared sense of belonging. "Technology is transforming everyone's lives, presenting huge opportunities for Avon and our beauty entrepreneurs. Today's world of beauty is driven by social – both physical and digital – the way women share trends and ideas with their friends, and purchase products. Avon is the leading beauty company for online word of mouth, and is developing the digital tools to make beauty advice and products accessible, current and relevant, for both our Representatives and their customers," says Amy St. John, Director - Global Innovation at Avon Products.

UK Representative Carolyn Haywood believes her Facebook Live parties are the way forward for selling products in the digital world whilst keeping the spirit of AVON at the heart. "People interact directly with me during the Live session, then once it's over, I'll post links directly to the products, so people can purchase online straightaway. I use other platforms, too: my own Avon Instagram page is filled with product shots, my picks of the latest beauty innovations, empowering quotes, and pictures of myself wearing the product so customers can really see the benefits and features," she says.

The New Face Of 'Personal Shopping'

Flexing with the times is part of Avon's DNA – and the figures are bearing this out. On average, Avon representatives who sell online sell 65% more than representatives who don't. Most brands have to innovate to satisfy a retailer; Avon has always had to innovate to service our Representatives. For Avon, one innovation has to appeal to 6 million women rather than four big retailers. And that means creating products that she can story-tell, explain in a sentence or two, and demonstrate to her customer in real time. Ultimately, we know that the best sales pitch happens when she wants to use these products too.

The Example: Avon's new Epic Lipstick. "Instead of talking about an intense colour pay-off, a long-lasting result, a heavy pigment, we talked from the get-go about "one swipe," says Lisa Gallo, Vice President Global Product Development. "The whole idea was this beautiful, richly-pigmented lipstick had to give an intense result in one swipe – so the consumer would have this easy, effortless experience, but also the rep would be able to demonstrate the effect before her very eyes – rather than just talking about it."



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⁷<http://www.thedrum.com/opinion/2016/11/23/trust-the-key-the-brand-management-revolution>

⁸FashionNet

⁹<https://www.vendhq.com/uk/2018-retail-trends-predictions>

Everyone Will Become A Beauty Influencer

Co-creation is a new way of thinking about product formulating which Avon believes is vital for creating meaningful products in the future. More and more, we're seeing cosmetics companies collaborate with major beauty influencers alongside their more traditional celebrity contracts. Why? For many consumers, these influencers seem more 'relatable,' and they offer a personal touch that makes the consumer's relationship with a brand feel more authentic to her.

According to consumer insights company Millennial Marketing, 40% of millennials want to participate in co-creation of products and brands, while 70% feel a responsibility to share their feedback, whether good or bad, with a brand.¹⁰

Not only do we know that an emotionally-driven end-benefit will always be at the heart of Avon's innovation, but we also know that in the future, hearing those emotional experiences of our consumer and reflecting them back to her through not only the products we offer her but also our communication with her will be vital for sustaining meaningful relationships with our customers.

Avon believes that in the future, it will be essential not just to create products for consumers, but to co-create with them. Because put simply, everyone is a beauty influencer now.

She leaves comments on beauty posts.
She posts about her own products.
She recommends products to her friends both

on and offline.

And when it comes to products she loves – or she doesn't – she doesn't hold back.

The Example: Avon watched consumers put on mascara by using so many extra household implements to get the look they wanted – a safety pin, a toothpick, even a spoon... But what we really unlocked was the emotion behind these methods: frustration. The technical insight was that the frustration is stemming from how quickly mascaras dry out. Working with a gel technology from the candle industry, we were able to create Big & Style mascara, which enabled the mascara to set, but not completely dry so as still to have some flexibility to it, allowing the consumer to apply the mascara and still have time to mould and shape her lashes into a desired end look.

This is where Avon believes true product innovation will come from in the future: the consumer, so busy, so stressed, so bombarded with information, will be looking for brands to address her unique needs. The beauty consumer of tomorrow doesn't want to have to tell you how she wants your product to make her feel; she will expect you to already know. She will be buying into brands to facilitate meaningful connections to lifestyles and beliefs. She wants to feel as if her products have been made just for her. That mission to create products that makes every woman feel it was made just for her is what drives Avon's innovation.



¹⁰<http://www.millennialmarketing.com/who-are-millennials/>

Beauty And The Rise Of The Community

Ultimately what this means for Avon, and for the future of beauty, is that the psychological, and the emotional aspect of our beauty purchases has never been more interlinked with the idea of what beauty means.

We hear a lot about brand storytelling, but Avon believes that it's hearing the stories of our consumers; the deeper stories; the ones that go beneath the surface as well as above it, where we will make not only our biggest breakthroughs but also our biggest connections.

By its nature, Avon is a company of entrepreneurs. Each one of our Representatives is building her own business. And that culture is something that you find at every level of our organisation. Which is why in the future, you will see more products based on a comment just one woman made in a focus group, or the gut instinct of one of our researchers in the lab. Because ultimately we know that what truly works for one individual, might just work for many.

The Example: Infinite Effects, arguably our most game-changing product of the last 15 years, had its genesis in one woman in a focus group saying "I stop using products after three months because I feel like they stop working. I feel like they're not helping me out any more." We went on to learn that many women feel the same and that what she needs is a product which could really improve skin over time and not stop working. Having discovered that if skincare ingredients are 'rotated' in the same way as we've seen be

so successful in nutrition, with things like the 5:2 diet, and exercise, with interval training, Infinite Effects proves that skin can actually avoid the 'plateau' effect and keep achieving impressive anti-ageing results for at least a year.¹¹

Allowing our Representatives and our consumers to have such a fundamental say in how our products are received could be described as risky. But the instinct, the feeling, the human touch - that's what Avon believes in. Big Data and big thinking is essential to the future of beauty - we know that. But what we will never forget is the importance of the individual, who opens the tube, applies the cream - and not only looks better. But feels it.



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¹¹based on a six month study of 116 women which used computerized image analysis

In Conclusion

The future of beauty is about the emotional connection. In order to create amazing products, brands must listen to their consumer's stories. Listen longer, harder, deeper than ever before. Recognise the frustrations, which we saw with the use of mascara. The sense of betrayal, which we saw with the problem skin sufferers, and the cynicism, which we saw around the women who believed their products were plateauing. The emotional insight is worth as much, if not more, as any set of data.

“With major sweeping social change, we believe the future is full of possibilities for women, our beauty entrepreneurs and in turn, helping to reinvigorate our core purpose as a business. We're transforming to become a hi-tech, hi-touch, hi-impact, fast-beauty brand. We'll bring our customers the latest trends, through a direct, trusted, personal experience, with our beauty entrepreneurs, supported by digital – while leveraging the huge impact of our global network to create positive change for millions of women and their friends around the world,” says Lisa Gallo Vice President Global Product Development at Avon.

Brands must reflect those emotions back through the company; through every person that works on the project. What computers don't give you are emotions. And what emotions don't give you is logic. There's a need for both, but in the future, Avon believes, it's the emotional insight, the human touch, that should drive our scientific research and understanding.

