EXCERPT

PERSONAL CARE 2017

L2 DIGITAL IQ INDEX

PERSONAL CARE

May 17, 2017

L2 DIGITAL IQ INDEX

The Rise of Disruptors

Since 2011, large consumer packaged goods (CPG) firms have shed $20 billion in share to smaller, independently-owned companies. Revenues for small CPG brands grew by 3.1 percent in 2016, while sales for large, established enterprises declined 0.5 percent.[1]

While offline revenues still dominate in Personal Care, share of sales from online channels will soon pass the 20 percent inflection point at which other industries—including music & video and books & magazines—were irreversibly disrupted by e-commerce, and saw a complete overhaul of the retail landscape.[2] By 2020, online sales for health & beauty products are expected to reach $30 billion, breaching the tipping point.[3]

Online sales are key to growth, and established Index brands face competition from all sides, including niche digital disruptors and private label brands. On Amazon, non-Index brands account for 58 percent of Amazon's Best Seller listings in Personal Care. On Walmart, private label brands Equate and Parent's Choice dominate the share of first-page search results in key categories including Baby Care and Feminine Care. Meanwhile, direct-to-consumer (DTC) brands Honest, Dollar Shave Club, and Harry's have chipped away at the market share of dominant players Pampers and Gillette.

1. CPG Growth Leaders, Boston Consulting Group & IRI, March 2017.
2. "The Tipping Point Is 20%," L2 Inc., March 2017.
3. Omnichannel Point of View, IRI, September 2016.

Nicolas Bureau | Research Lead, CPG
Miguel Rayos | Research Associate, CPG
Shaggy Herur | Research Associate, CPG
Ben Zeidler | Director of CPG Research
Kyle Scallon | Senior Designer

L2 research is based on data-driven analysis. Our findings, rankings, and recommendations are objective, unbiased, and independent of membership.

Personal Care: Sales Growth Among CPG Companies by Size

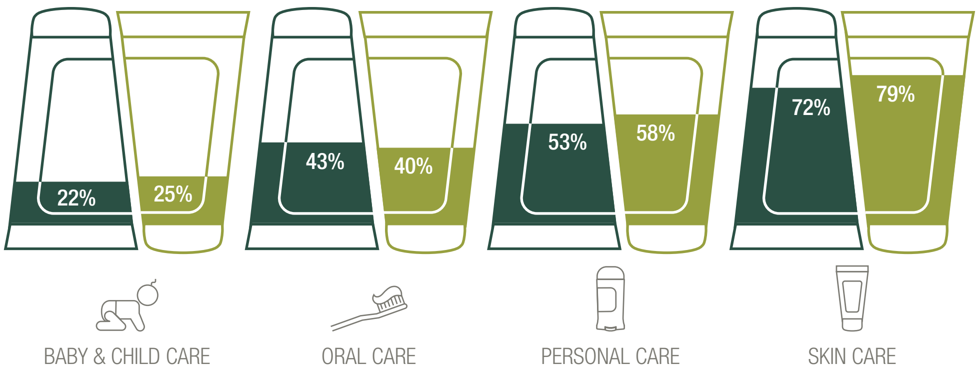
2015 vs. 2016

Source: CPG Growth Leaders, Boston Consulting Group & IRI, March 2017.

Personal Care: Share of Amazon Top 100 Products Owned by Non-Index Brands, by Best Seller Category

■ Q3 2016 ■ Q1 2017

Source: L2 Inc., Digital IQ Index: Personal Care, May 2017.



Money Talks

Large enterprises benefit from deep pockets and continue to resort to traditional advertising channels to prevent further erosion of their market share. Procter & Gamble outspent the competition on TV, accounting for 28 percent of all TV spend from Personal Care Index brands between April 2016 and March 2017.[4] However, CMOs have begun to allocate a larger portion of their total spend to digital with $73 billion spent to TV versus $83 billion spent on digital advertising in 2017.[5,6] Among Personal Care brands, digital advertising budgets grew by 52 percent, but challenges lie ahead. A projected one in three internet users will use a desktop ad blocker in 2017,[7] and viewability concerns led Procter & Gamble to increase pressure on the digital media ecosystem.[8]

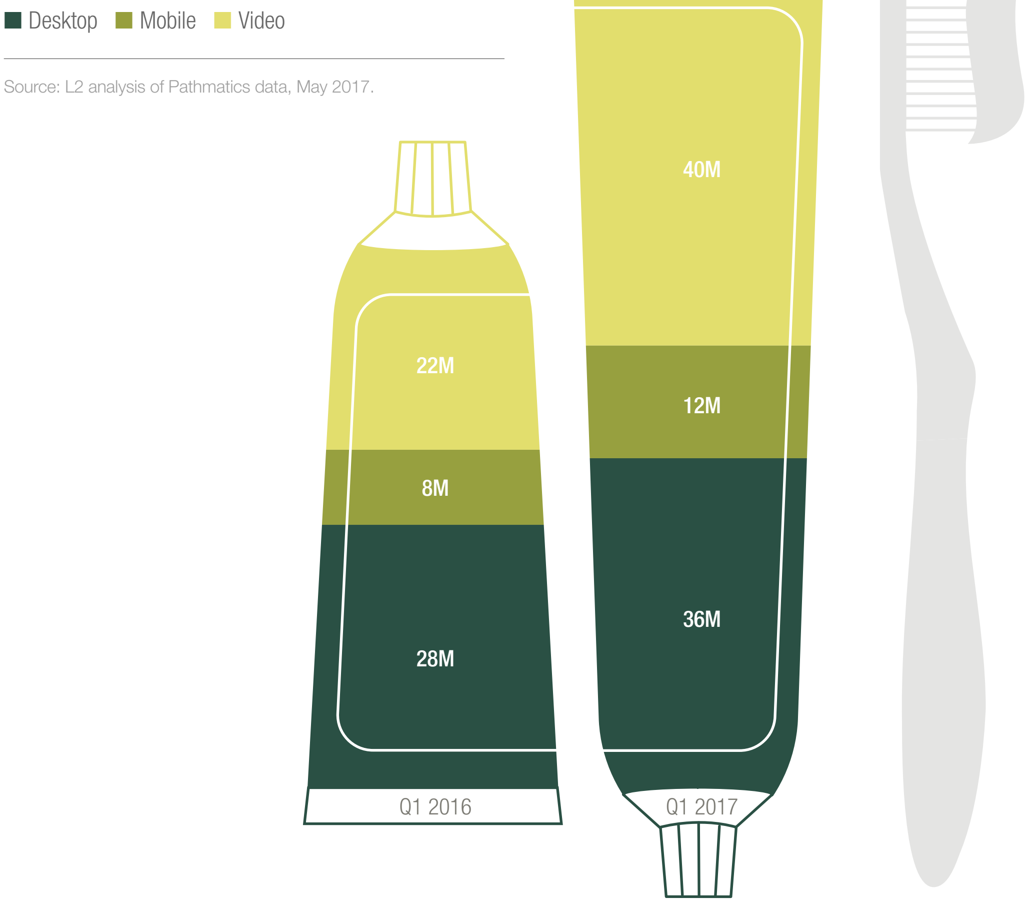
Social media platforms are not a silver bullet. Facebook's algorithm change in June 2016 cemented the social network's pay-to-play advertising landscape. Reach-focused Personal Care brands struggle to maintain engagement, with interactions on social platforms dropping by 48 percent over the period. Meanwhile, independent brand Evolution of Smooth (eos) garnered three times as many as social media interactions as the entire Procter & Gamble and Unilever portfolios combined. Despite the challenges of this quickly evolving landscape, legacy players continue to benefit from their size and resources, and strong digital investment can achieve economies of scale to manage the increasing cost of social interactions.

4. L2 analysis of iSpot.tv data, May 2017.
5. CMO Spend Survey 2016–2017, Gartner, December 2016.
6. "US Digital Ad Spending to Surpass TV this Year," eMarketer, September 2016.
7. "US Ad Blocking to Jump by Double Digits This Year," eMarketer, June 2016.
8. "P&G's Marc Pritchard Doubles Down on Demands of Digital Ad Giants," The Wall Street Journal, March 2017.

Personal Care: Total Digital Advertising Estimated Spend by Channel

Q1 2016 vs. Q1 2017, n=87 Brands With Complete Data

Source: L2 analysis of Pathmatics data, May 2017.



Toward Digital Competence

Technology continues to change the way shoppers behave; for instance, Amazon's voice-controlled personal assistant Echo has now penetrated 12 percent of households[9] and its latest version includes a screen that could ostensibly display product pages and ads. In the face of increasing digital sophistication, Personal Care brands still have significant ground to cover compared to other verticals and cannot be complacent in their investments. Six Unilever brands registered decreased performance year over year, including mainstays like Axe and Caress, while 6 out of 13 Procter & Gamble brands present in last year's study had a lower ranking this year. Incremental upgrades such as an increased adoption of video content on brand sites and an uptick in the use of Amazon Media Services are steps in the right direction.[10] Genius brands Dove, Pampers, Gillette and Huggies demonstrate the power of a robust, multi-pronged digital strategy. These brands generate millions of impressions online, offer a full gamut of product discovery features on their brand sites, and top the Amazon Best Seller lists in their respective categories. With legacy players and nimble disruptors leading the charge, the Index moves toward improved digital performance.

9. "Voice Assistants and Technologies: Ecosystem and Market Leaders," Parks Associates, March 2017.
10. Amazon Personal Care Insight Report, L2 Inc., February 2017.

Digital IQ=Shareholder Value

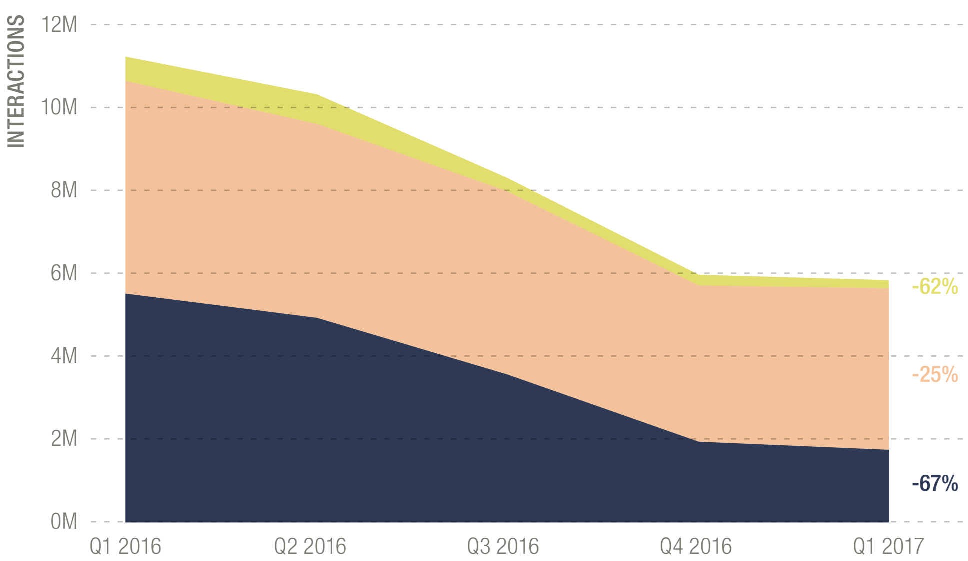
Digital competence is inextricably linked to shareholder value. This study attempts to quantify the digital competence of 108 Personal Care brands operating in the US. Our aim is to provide a robust tool to diagnose digital strengths and weaknesses, helping managers achieve greater return on incremental investment. Like the medium we are assessing, our approach is dynamic. Please reach out with comments that help improve our methodology and key findings.

Regards, **L2**

Personal Care: Breakdown of Total Interactions on Social Platforms

Total Interactions* From Facebook, Instagram, and Twitter

Q1 2016–Q1 2017, n=258 Social Media Accounts ■ Facebook ■ Instagram ■ Twitter



*Note: Interactions include Likes, Share and Comments on Facebook, Like and Comments on Instagram, and Favorites and Retweets on Twitter.
Source: L2 analysis of Unmetric data, May 2017.

EXCERPT

METHODOLOGY

DIGITAL IQ INDEX

SITE & E-COMMERCE

35%

SITE: 25%

Performance:
Homepage Load Time, Throughput, Reliability

Search & Navigation:
View All, Quick View, Filter & Sort Options Guided Selling Sophistication & Integration, Product Search

Product Page:
Image Collateral, Product Videos, Ingredients, User Ratings & Reviews, Cross Selling

Customer Service & Store Locator:
FAQs, Contact Information, Live Chat, Integration of "Where to Buy" Tools

E-Commerce & Account:
DTC Checkout/Third-Party Handoff, Offers & Coupons, Account Creation, Price Availability

E-TAILERS 75%

Brand Visibility, Share of Shelf, and Product Merchandizing Efforts on: Amazon, Walmart, Target, Walgreens, CVS, and Rite Aid

DIGITAL MARKETING

35%

Search:
Traffic, Web Authority, SEO & SEM Efforts on Brand Term, Search Visibility & Ownership Across 2,200+ High Volume Keywords Specific to Product Categories, Presence on E-tailer PLAs

Advertising:
Display & Video Impressions, Efficiency, Quality of Ad Placements, CPM

Email Marketing:
Ease of Sign-up, Frequency, Segmentation/ Customization, Estimated List Size, Open Rate

Earned Media:
Mentions, Sentiment, and Brand Activity on Mentions, Sentiment, and Brand Activity on Select UGC and Coupon Destinations: KrazyCouponLady, Hip2Save, Living Rich with Coupons, Money Saving Mom, WebMD, Mayo Clinic, Healthline, Drugs.com

SOCIAL MEDIA

15%

Facebook:
Reach, Community Growth, Engagement, Interactions Per Post

Instagram:
Search Visibility, Channel Experience, Subscribership, Performance & Optimization of Most-Viewed Content

YouTube:
Reach, Community Growth, Engagement, Interactions Per Post

Twitter:
Reach, Community Growth, Engagement, Interactions Per Post

MOBILE

15%

Smartphone Experience:
Response Time, Compatibility & Functionality, Click-to-Call, Store Locator & Geolocation, E-tailer Handoff

Mobile Search:
"Above-the-Fold" Visibility via Organic or Paid Results; Internal Site Links Sophistication, Brand Visibility in PLAs

Mobile Advertising:
Mobile & Tablet Impressions, Efficiency, Quality of Ad Placements, CPM

Mobile Innovation:
iOS & Android Apps, Coupon Availability on Popular Apps:
- Ibotta
- Flipp
- Cartwheel by Target
- Coupons.com
- Krazy Coupon Lady

CLASSIFICATION

GENIUS >140

Digital competence is a point of competitive differentiation for these brands. Creatively engineered messaging reaches consumers on a variety of devices and in many online environments.

GIFTED 110–139

Brands are experimenting and innovating across site, mobile, and social platforms. Digital presence is consistent with brand image and larger marketing efforts.

AVERAGE 90–109

Digital presence is functional yet predictable. Efforts are often siloed across platforms.

CHALLENGED 70–89

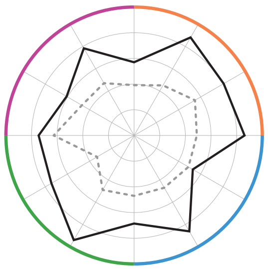
Limited or inconsistent adoption of mobile and social media platforms. Sites lack inspiration and utility.

FEEBLE <70

Investment does not match opportunity.

L2 DIGITAL IQ INDEX

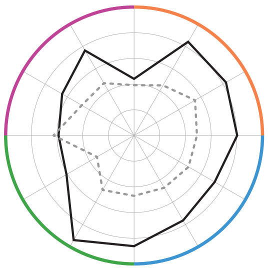
TOP 10 PERFORMERS



Dove

Unilever Group

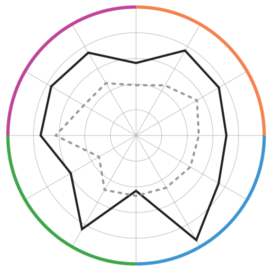
RANK	1
GENIUS	150



Pampers

Procter & Gamble

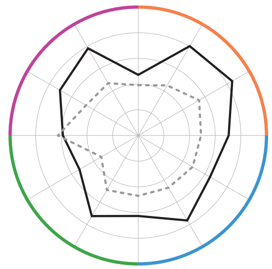
RANK	2
GENIUS	146



Gillette

Procter & Gamble

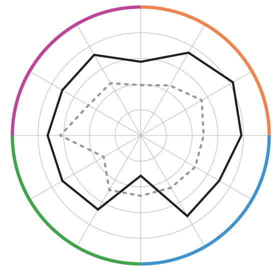
RANK	3
GENIUS	144



Huggies

Kimberly-Clark

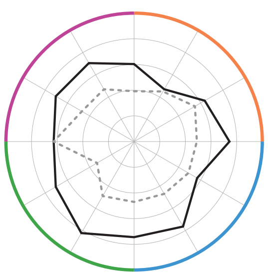
RANK	4
GENIUS	140



Oral-B

Procter & Gamble

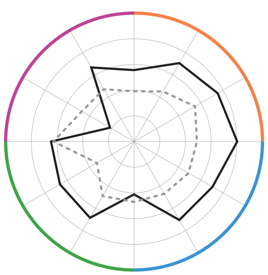
RANK	5
GIFTED	133



Olay

Procter & Gamble.

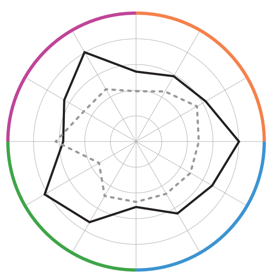
RANK	6
GIFTED	130



Crest

Procter & Gamble

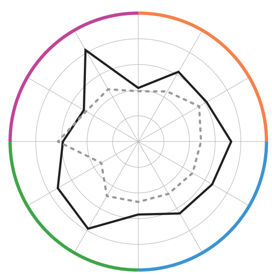
RANK	7
GIFTED	129



Neutrogena

Johnson & Johnson

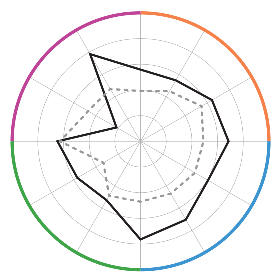
RANK	8
GIFTED	128



Aveeno Active Naturals

Johnson & Johnson, Inc.

RANK	9
GIFTED	120



Vicks

Procter & Gamble

RANK	9
GIFTED	120

INDEX AVERAGE

SITE & E-COMMERCE
1 Site & Site Tech
2 Amazon
3 Other E-Tailers

DIGITAL MARKETING
1 Web Traffic & Authority
2 SEO/SEM
3 Web Advertising

SOCIAL MEDIA
1 Facebook
2 YouTube
3 Instagram

MOBILE
1 Mobile Site
2 Mobile Search
3 Mobile Advertising

GIFTED

RANK	BRAND	DIGITAL IQ
11	Colgate Colgate-Palmolive Company	119
12	always Procter & Gamble	118
12	Depend Kimberly-Clark	118
14	Degree Unilever Group	117
14	Philips Norelco Philips	117
14	TAMPAX Procter & Gamble	117
17	Mucinex Reckitt Benckiser Group plc	115

RANK	BRAND	DIGITAL IQ
18	AXE FIND YOUR MAGIC. Unilever Group	114
18	BURT'S BEES The Clorox Company	114
20	BRAUN Procter & Gamble	113
21	Secret Procter & Gamble	112
22	FLONASE ALLERGY RELIEF GlaxoSmithKline plc	111
22	Old Spice Procter & Gamble	111
22	Philips sonicare Philips	111

RANK	BRAND	DIGITAL IQ
25	GARNIER L'Oréal Group	110
25	Johnson's baby Johnson & Johnson	110
25	Poise Kimberly-Clark	110
25	Schick Edgewell Personal Care	110
29	Gillette Venus Procter & Gamble	109
30	LISTERINE Johnson & Johnson	108
31	HARRY'S HF Global, Inc.	107

AVERAGE

RANK	BRAND	DIGITAL IQ
31	Unilever Group	107
33	Church & Dwight Co., Inc.	106
33	Kimberly-Clark	106
35	Pfizer Inc.	105
35	The Honest Company	105
35	Procter & Gamble	105
35	Unilever Group	105

RANK	BRAND	DIGITAL IQ
39	Bayer AG	103
39	Kimberly-Clark	103
41	GlaxoSmithKline plc	101
41	Unilever Group	101
41	SCA Personal Care, Inc	101
44	Colgate-Palmolive Company	100
45	Johnson & Johnson	99

RANK	BRAND	DIGITAL IQ
46	Combe	98
46	Sundial Brands	98
46	C.B. Fleet Co. Inc.	98
49	Galderma	97
49	Bayer AG	97
51	Edgewell Personal Care	93
52	Church & Dwight Co., Inc.	92

RANK	BRAND	DIGITAL IQ
52	Dial Henkel AG & Co. KGaA	92
52	K-Y Reckitt Benckiser Group plc	92
52	Right Guard Henkel AG & Co. KGaA	92
52	Rogaine Johnson & Johnson	92
57	Nicorette GlaxoSmithKline plc	91
57	Panasonic Panasonic Corporation	91
57	St. Ives Unilever Group	91
60	Dollar Shave Club Unilever Group	90
60	Excedrin GlaxoSmithKline plc	90
60	NicoDerm CQ GlaxoSmithKline plc	90
60	Prilosec OTC Procter & Gamble	90
60	Simple Unilever Group	90
65	Purell GOJO Industries, Inc.	88
65	Tums GlaxoSmithKline plc	88
67	Allegra Sanofi	87
67	Benadryl Johnson & Johnson	87
69	Always Discreet Procter & Gamble	86
69	Pepto-Bismol Procter & Gamble	86
69	Philips Avent Philips	86
69	Tylenol Johnson & Johnson	86
73	Aleve Bayer AG	85

CHALLENGED

RANK	BRAND	DIGITAL IQ
73	BIC	85
73	Eucerin Beiersdorf Inc.	85
73	NIVEA Beiersdorf Inc.	85
77	Speed Stick Colgate-Palmolive Company	83
78	BAND-AID Johnson & Johnson	81
78	ChapStick Pfizer Inc.	81
78	Jergens Kao Corporation	81

RANK	BRAND	DIGITAL IQ
78	Nexium 24HR Pfizer Inc.	81
82	Caress Unilever Group	79
82	durex Reckitt Benckiser Group plc	79
82	Vagisil Combe	79
85	eos eos Products, LLC	77
85	Robitussin Pfizer Inc.	77
87	Alka-Seltzer Bayer AG	73

RANK	BRAND	DIGITAL IQ
88	Softsoap Colgate-Palmolive Company	72
89	POND'S Unilever Group	71
90	NIVEA MEN Beiersdorf Inc.	70
90	Theraflu GlaxoSmithKline plc	70
92	Imodium Johnson & Johnson	69
93	CeraVe Valeant	68
93	IcyHot Sanofi	68

FEEBLE

RANK	BRAND	DIGITAL IQ
93	Q-tips Unilever Group	68
96	LifeStyles Ansell Unlimited	67
97	Bayer Aspirin Bayer AG	66
97	Edge Shave Gel Edgewell Personal Care	66
97	Stayfree Edgewell Personal Care	66
100	Irish Spring Colgate-Palmolive Company	65
101	Skintimate Edgewell Personal Care	62

RANK	BRAND	DIGITAL IQ
101	SUDAFED PE Johnson & Johnson	62
103	Aquafresh GlaxoSmithKline plc	60
104	Lubriderm dermatologist developed Johnson & Johnson	59
105	ACT Sanofi	56
105	Nasacort Allergy 24HR Sanofi	56
107	o.b. Edgewell Personal Care	50
108	Cortizone-10 Sanofi	34

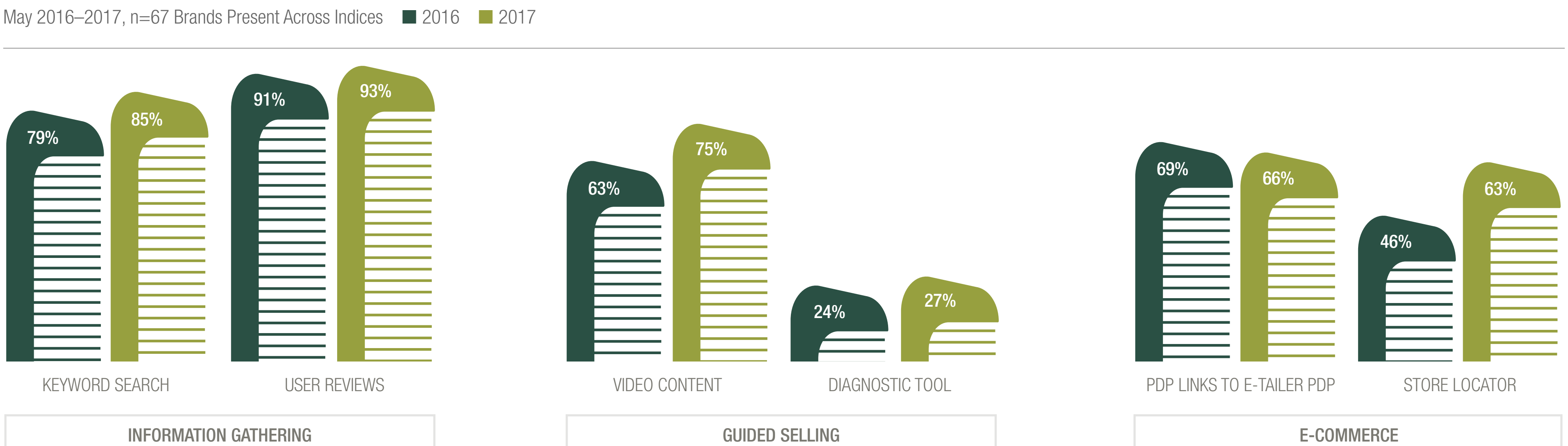
Brand Site Investments

Personal Care brands display widespread adoption of features like site search, user reviews, and guided selling tools, all of which help shoppers hone in on the most relevant products. Eighty-five percent of brand sites have keyword search and 93 percent have user reviews, the two highest adoption rates for key features measured. Diagnostic tools like quizzes and product selectors for pricier products saw increased investment from brands, and adoption of on-site video content increased by 12 percentage points. At least one brand in every category adopted video this year, ranging from product education in feminine care to how-tos and tutorials in skincare. Diagnostic tools saw a slight increase of 3 percentage points, spearheaded by brands with larger product assortments like Axe, CeraVe, and Eucerin. These tools complement video content and help users pare down products by type, concern, or user characteristics.

A few laggard brands are finally streamlining the path to purchase and experimenting with e-commerce plug-ins. The store locator feature saw the largest jump, up 17 percentage points from last year. This increase is largely driven by two enterprises: Colgate and Procter & Gamble. Colgate completes implementation across its portfolio, adding the tool to brand sites for Irish Spring, Softsoap, Speed Stick, and Procter & Gamble embeds the tool on product pages for Gillette, Braun, Oral-B, and Pampers via the PriceSpider plug-in. This plug-in enables e-tailer handoffs with its Where to Buy feature—even offering prices and stock levels at select e-tailers—and doubles as a brick-and-mortar store locator. Experiments with plug-ins like PriceSpider and DTC capabilities account for the 12 percent of brands that linked from product pages on site to corresponding product pages on e-tailers but no longer do so.

Personal Care: Percentage of Sites With Given Site Feature

May 2016–2017, n=67 Brands Present Across Indices



Source: L2 Inc., Digital IQ Index: Personal Care, May 2017.

Branded vs. Unbranded Search

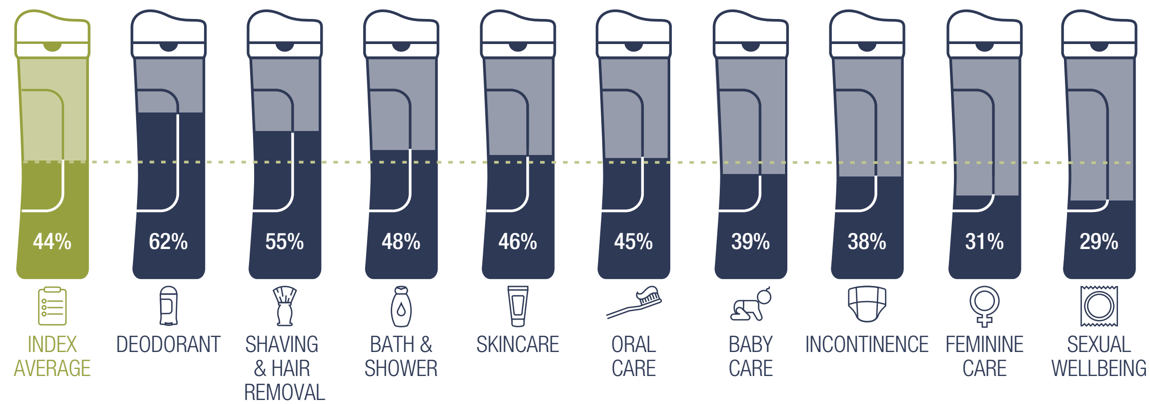
Consumer searches for Personal Care products range from product type to ingredients to symptoms, and as a result, brands should optimize across a wide range of possible term types. While a majority of search volume across the Index comes from unbranded terms (e.g. "light moisturizer") rather than branded terms (e.g. "nivea cream"), branded search volume varies widely among categories. In feminine care, branded terms account for less than a third (31 percent) of the search volume for the entire category, compared to 62 percent in deodorant. Categories with a high proportion of unbranded search volume present brands with the opportunity to intercept shoppers before they have developed a brand bias, and brands should optimize for unbranded search behavior, tailoring strategies to these shoppers' needs.

Unbranded terms are especially prominent among searches in the OTC category, where they account for 69 percent of search volume—13 percentage points more than the average for the rest of the Index. Recognizing that users are generally more likely to search by symptom than by brand, winners in search have optimized for unbranded search. For example, Vicks has symptom-oriented content pages that rank highly on unbranded search, and once users land on these pages, e-commerce is enabled for relevant products.

Personal Care: Share of Google Searches That Are Branded

Average Search Volume of Branded vs. Unbranded Terms

May 2017 ■ Branded (e.g. "axe deodorant") n=742 Terms ■ Category (e.g. "clinical deodorant") n=785 Terms

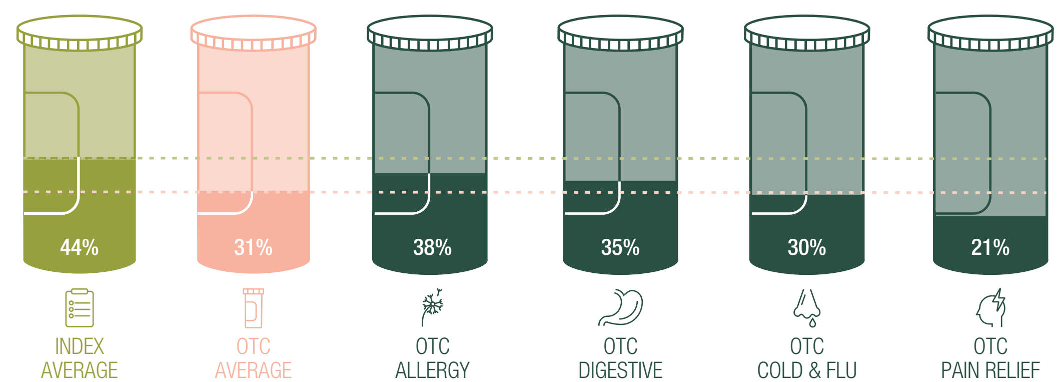


Source: L2 Inc., Digital IQ Index: Personal Care, May 2017.

Personal Care: Share of OTC Google Searches That Are Branded

Average Search Volume of Branded vs. Unbranded OTC Category Terms

May 2017 ■ Branded (e.g. "kids claritin") n=282 Terms ■ Category (e.g. "allergy medication") n=289 Terms



Source: L2 Inc., Digital IQ Index: Personal Care, May 2017.

Social Landscape

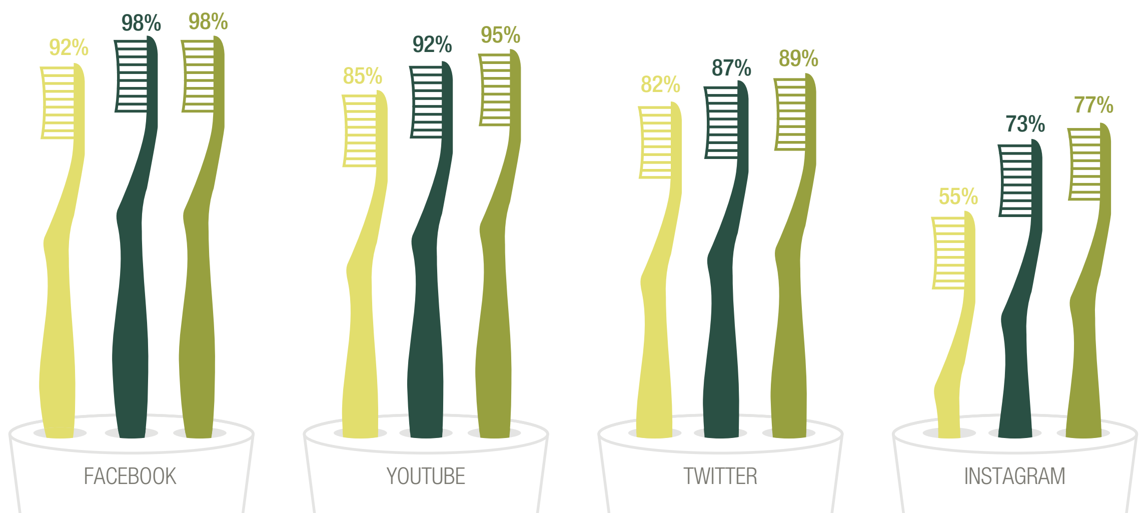
Despite questions surrounding visibility and reach, social media advertising spend in the US is expected to grow by 25 percent in 2017, reaching $13.8 billion.[11] Almost all Index brands are now present on Facebook and YouTube, with 98 and 95 percent adoption, respectively, while Twitter adoption has plateaued at just under 90 percent. Instagram is still growing—albeit at a slower pace—with 77 percent of Index brands present on the platform, up from 55 percent in 2015.

While Facebook and YouTube have fully transitioned to pay-to-play advertising platforms, Twitter and Instagram still offer some level of organic reach to brands and influencers. Advertisers should capitalize on the opportunity for organic reach before these platforms follow Facebook's lead. Instagram initiated its migration to pay-to-play by changing its algorithm last year, indicating that a more merciless monetization of the Facebook-owned platform is already well underway.[12]

Personal Care interactions on Facebook, Instagram, and Twitter are in free fall, plummeting by 48 percent since Q1 2016. Facebook drove most of this change, falling from 5.4 million interactions to only 1.8 million in the last quarter, a 67 percent drop. With 3.8 million interactions, Instagram is now the largest social media platform among Index brands, while Twitter becomes less and less significant, accounting for only 4 percent of all social media interactions.

Personal Care: Social Media Presence Over Time

May 2017, n=62 Brands Present Across Studies 2015 2016 2017



Source: L2 Inc., Digital IQ Index: Personal Care, May 2017.

11. "Advertising Expenditure Forecasts," Zenith Media, September 2016.
12. "Capitalizing On Instagram's New Algorithm," Forbes, September 2016.

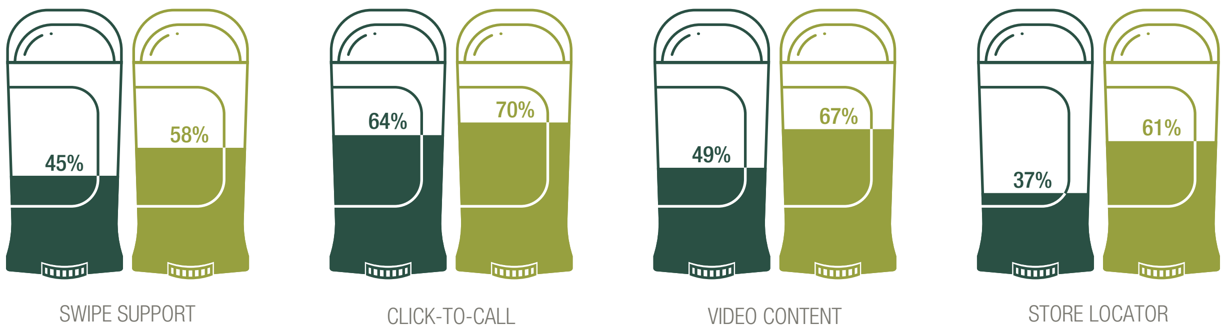
Mobile Site & Search

Mobile optimization is on the rise, with several mobile-specific site features registering upticks since last year. Personal Care brands have optimized mobile sites with features like swipe support, up 13 percentage points, and mobile-optimized video content, up 18 percentage points. The largest increase was in the number of store locators on site, now present on 61 percent of mobile sites, up from only 37 percent last year. While this omnichannel feature is among the more resource-intensive mobile investments, it ensures that mobile sites are not a commerce dead-end for mobile users. Despite the fact that consumers are actively using their mobile devices for product research, only 35 percent of mobile sites list prices on product pages, resulting in an unnecessary impediment for comparison shoppers on mobile.

Brands are also investing in features that augment their real estate in mobile search results in order to funnel traffic to their brand sites. Eighty-seven percent of organic mobile search results for brand sites include deep links, simultaneously boosting brand real estate by increasing the size of the search result and expediting top-level navigation. Coupons are present in a handful of brand-owned search results, with just over 30 percent of paid and organic results including site promotions and deals.

Personal Care: Change in Mobile Site Feature Adoption YoY

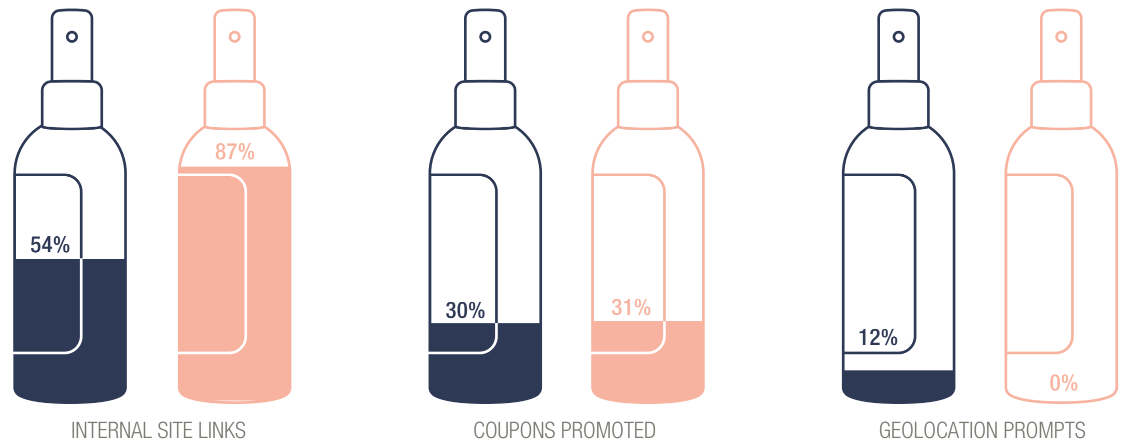
May 2017, n=67 Brand Sites Present YoY ■ 2016 ■ 2017



Source: L2 Inc. Digital IQ Index: Personal Care, May 2017.

Personal Care: Features on Mobile Search Results by Result Type

May 2017, n=108 Brands ■ Organic ■ Paid



Source: L2 Inc., Digital IQ Index: Personal Care, May 2017.

L2 DIGITAL IQ INDEX

L2 DIGITAL IQ INDEX

L2 BENCHMARKS DIGITAL PERFORMANCE

Our members receive full access to our research and tickets to our executive education events.

95 REPORTS PUBLISHED IN 2016

55 EVENTS GLOBALLY IN 2016

PRODUCTS

Digital IQ Index

For brands looking to benchmark their digital strengths and weaknesses relative to sector peers.

The L2 Digital IQ Index measures the digital competency of over 2,200 consumer brands across 1,250 data points in four dimensions:

Site & E-Commerce
- brand site performance
- search and navigation
- product pages
- omnichannel and store locator

Social Media
- Facebook
- Instagram
- Snapchat
- Weibo, WeChat, VK

Digital Marketing
- advertising
- email marketing
- earned media
- search traffic

Mobile
- smartphone experience
- mobile search
- mobile advertising
- mobile apps

Brands' scores are indexed and assigned into one of five categories:

GENIUS | GIFTED | AVERAGE | CHALLENGED | FEEBLE

Amazon Intelligence

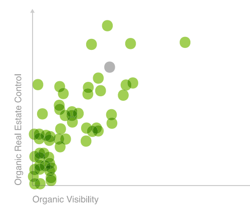
For brands whose bottom line is impacted by their performance on Amazon.

Longitudinal, data-driven analysis of a brand's performance coupled with tactical recommendations to improve ROI. Actionable insights help: boost product discoverability, benchmark the performance of priority ASINs, evaluate branded content, and calculate the impact of media and promotional levers on sales.

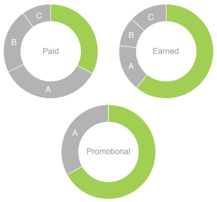
UNDERSTAND OPPORTUNITIES

- PRICING & ASSORTMENT
- MEDIA
- LISTING CONTENT

TRACK & BENCHMARK



OPTIMIZE RESULTS



Deep Dive

Exclusive to L2 members, Deep Dives are a comprehensive audit of a brand's performance in the Digital IQ, uncovering brand-specific strengths, weaknesses, and opportunities to improve the impact of digital on your business.

COMPETITIVE BENCHMARKING

SCORE CARD & RECOMMENDATIONS

Intelligence Modules

For brands looking to develop the digital competence of their leadership.

Modules blend sector insight, performance benchmarks, and identification of brand-specific opportunities on topics including Omnichannel Retail, Social Content & Strategy, Localization, Mobile, Video, and Data & Targeting.

- OMNICHANNEL RETAIL
- SOCIAL CONTENT & STRATEGY
- LOCALIZATION
- MOBILE
- VIDEO
- DATA & TARGETING

DIGITAL
IQ INDEX

CONTACT INFO:

740 Broadway, 4th Floor
New York, NY 10003

L2inc.com
info@L2inc.com