

5 factors driving the growth of beauty and cosmetics sales

Article

The cosmetics and beauty sector was the fastest-growing US retail category last year, per our The US Beauty Consumer report, with consumers spending \$94.36 billion. Many consumers plan to increase their beauty budgets in 2024, showcasing the power of trends such as the enduring “lipstick effect,” millennial spending habits, and social media-fueled viral dupes.

1. The lipstick effect continues

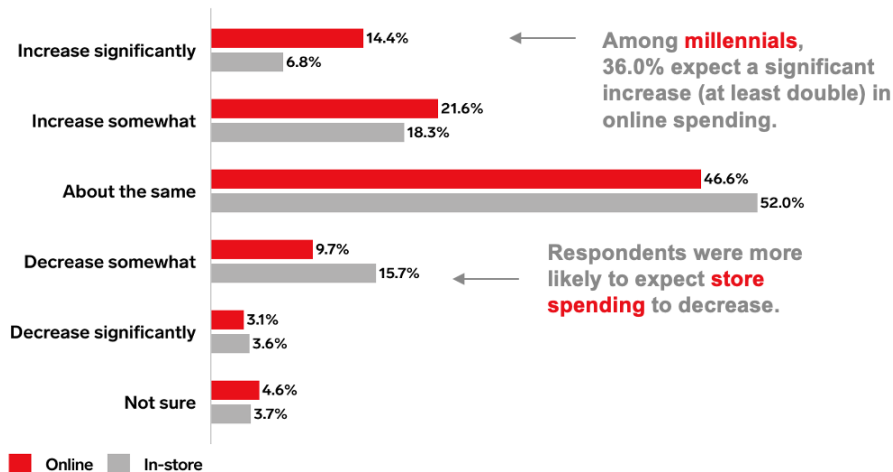
“Consumers are continuing to spend on beauty even while they cut back on other areas because it’s seen as an affordable luxury,” said our analyst Sky Canaves. The lipstick effect has occurred during past recessions, but this time, it’s heightened by an increased attention to wellness and self-care—a persisting trend brought on by the pandemic.

Major retailers and brands are feeling the impact. Ulta Beauty reported higher-than-expected Q3 2023 sales bolstered by premium skincare and fragrances, while e.l.f. Beauty’s revenues surged 76% YoY in its fiscal Q2 2024.

More beauty consumers expect to increase their online spending in the category, and few will cut back

% of US online beauty buyers, Nov 2023

? In the next 12 months, how do you expect your spending on beauty products to change?



INSIDER INTELLIGENCE | eMarketer

Note: n=1,448 online, n=1,128 in-store; margin of error is +/-2.6 and +/-2.9 percentage points
Source: Insider Intelligence | eMarketer Survey, "US Beauty Consumer," Dec 2023

2. Beauty communities are growing on social media

“That’s made beauty awareness go a lot more mainstream, especially among younger consumers. Now we see Gen Z and even **Gen Alpha** have a much more sophisticated knowledge of beauty than previous generations did at those ages,” Canaves said.

Consumers are also willing to trust recommendations from **influencers and creators** and buy the products online without trying them in-store. Almost half (48.0%) of US beauty shoppers purchased new products based on online feedback from others, per an eMarketer survey, as noted in our **The Beauty Path to Purchase** report.

3. Product dupes drive experimentation

The rise of dupes, and companies specializing in more affordable versions of high-end products, have consumers not only spending more, but also exploring different types of products and brands. That may be the start to a new buying journey: starting with a dupe and then moving up price points to the product's most expensive—and authentic—option.

Some 31% of adults have intentionally purchased a dupe, according to Morning Consult. The percentage is higher among Gen Zers (49%) and millennials (44%).

4. The millennial impact

“Millennials are really at that sweet spot of being very interested in beauty and having more discretionary income than younger demographics,” Canaves said. “They’re also going out a lot, and there’s a strong connection between beauty and real-world experiences such as travel and dining.”

Millennials report the highest amount of online beauty spending, with nearly a quarter (24.4%) of the generation spending \$1,000 or more in the last year, per our **The US Beauty Consumer** report. More than a third (36.0%) of millennials expect a significant increase (at least double their current spend) in online beauty spending over the next year.

5. Chinese-associated ecommerce giants

Temu, for example, isn't known as a beauty destination, but it's become a popular place to shop styling and grooming tools because of its low prices and mass consumer base, Canaves said. “Because [Temu] items are likely only a couple of dollars, people will just try them out. And shoppers are also taking advantage of discounts and promotions to fill their baskets,” she said.

It took just five months for Temu to **surpass Target in unique online visitors** in the US, drawing 65.2 million shoppers, according to Comscore.

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