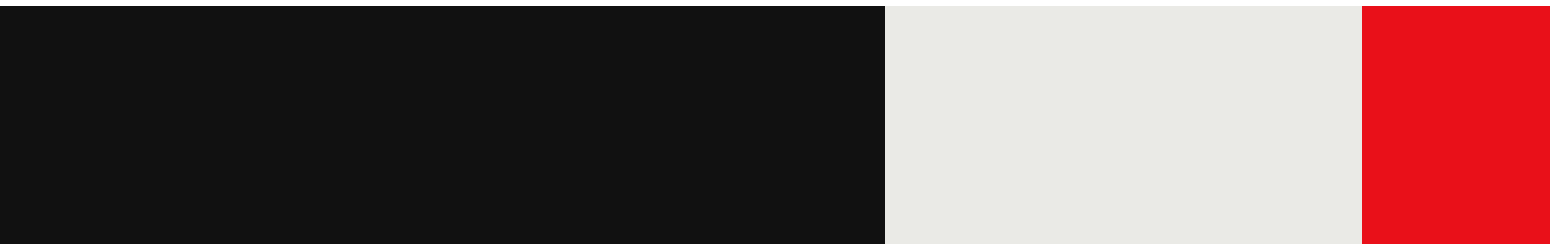



Consumers continue to splurge on beauty products

Article



The trend: While consumers have pulled back in many discretionary categories, they've continued to spend on cosmetic and beauty products.

- Beauty is an “advantaged category with consumers, at the sweet spot of affordable luxury, self-care, and confidence-boosting,” said **Coty CEO Sue Nabi**, during her company’s earnings

call.

- **Ulta Beauty's** net sales grew 12.3%, comparable sales rose 9.3%, and net income increased 4.7%.
- **E.l.f. Beauty's** net sales soared 78.2% in its fiscal Q4, and it had a nearly tenfold increase in its net income.
- **Kohl's** reported that its **Sephora** at Kohl's stores-within-a-store concept helped the retailer's total beauty sales jump roughly 150% year-over-year. The retailer's beauty sales in the 204 stores that opened in 2021 delivered "mid-teens" comparable beauty growth, and the 400 shops that opened last year are outpacing projections.

The category's resiliency helps explain why our **forecast** expects **US cosmetic and beauty sales to grow 7.6% this year**, far outpacing the broader retail market's 3.3% growth rate.

Zooming in: Despite those strong results, there are signs that the overall macroeconomic environment is beginning to impact consumer behavior.

- "Inflation concerns remain high and consumers are spending more selectively while also showing a continued willingness to splurge and treat themselves," said **Ulta Beauty CEO Dave Kimbell**, during the company's earnings call.
- Kimbell noted that sales for the chain's mass-market products were growing faster than its prestige brands. But he unclear whether that was due to growing demand for products from brands like e.l.f. Beauty and **La Roche-Posay** or consumers' growing price sensitivity.
- From e.l.f. CEO **Tarang Amin's** perspective, the company's impressive growth can be attributed, in part, to its ability to demonstrate its value proposition to consumers. For instance, when a high-end brand introduced a \$42 primer that quickly gained popularity, e.l.f. responded by launching its own version, the Halo Glow setting powder, priced at \$8. This release went viral and rapidly became one of e.l.f.'s top-selling products.

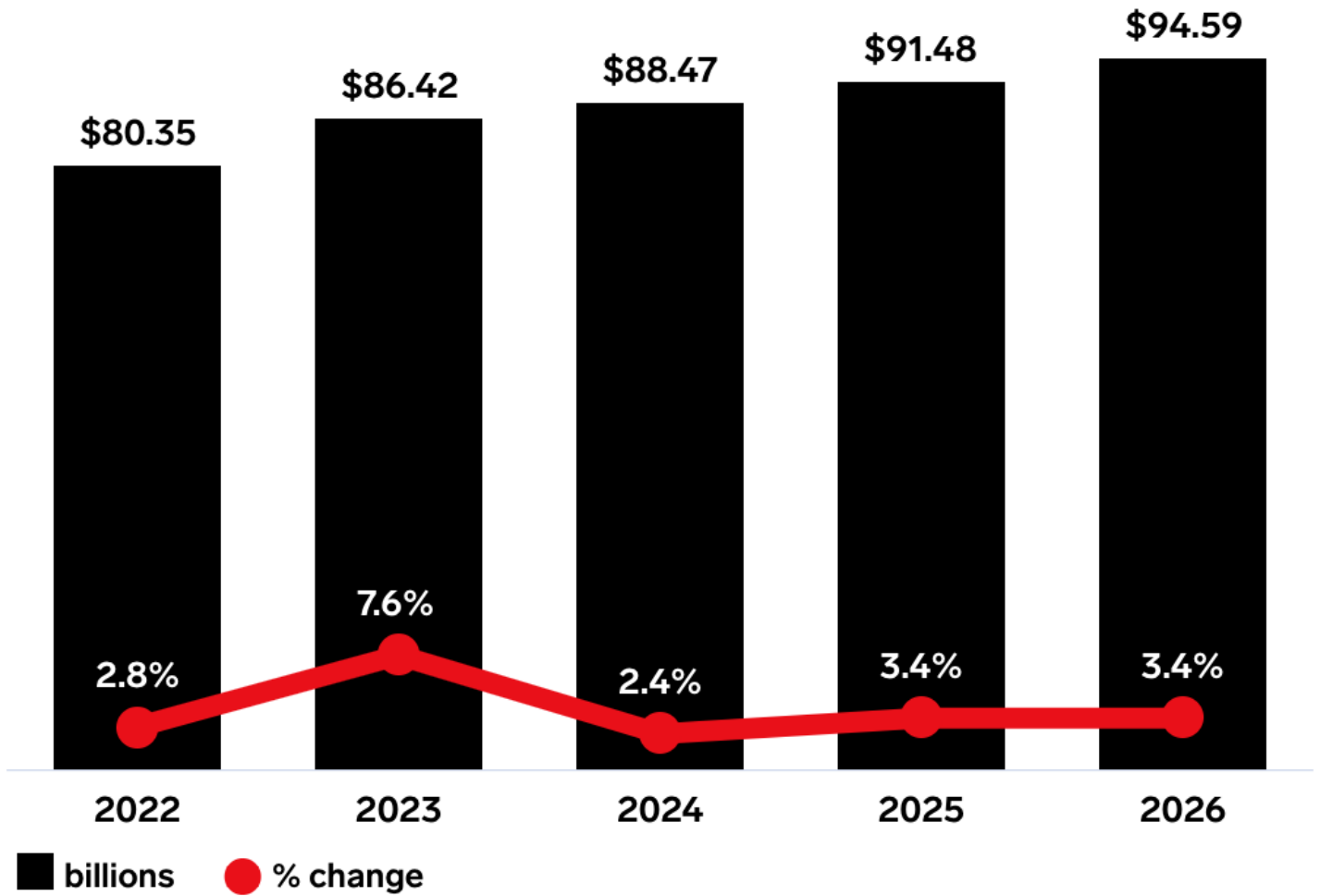
Looking ahead: Ulta noted that category growth has begun to normalize—it expects comparable sales to grow 4% to 5% this year—which will lead it to increase its use of promotions.

- Promotions and category mix shift contributed to a slight (0.1 percentage point) dip in the company's gross profit in Q1.

The big takeaway: Value is at the forefront of many consumers' minds, even in categories that they prioritize, such as cosmetics and beauty.

Cosmetic & Beauty Retail Sales

US, 2022-2026



Note: excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales

Source: eMarketer, February 2023

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