Manufacturing • 32562

Cosmetic & Beauty Products Manufacturing in the US

Extra hold: Rising disposable income will lead to increased spending on cosmetics and beauty products

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About

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About This Industry

Definition

This industry prepares, blends, compounds and packages beauty products and cosmetics. Products included in this industry are perfumes, makeup items, hair preparations, face creams, lotions and other toiletries. Toothpastes, toothbrushes, soaps and body washes are not included in this industry.

Codes

2022	32562-Toilet Preparation Manufacturing
2022	325620-Toilet Preparation Manufacturing
2017	32562-Toilet Preparation Manufacturing
2017	325620-Toilet Preparation Manufacturing

What's Included

- Manufacturing natural and synthetic perfumes
- Manufacturing shaving cream, shaving preparations and aftershave products
- Manufacturing haircare products
- Manufacturing face and body creams, beauty creams or lotions and hand cream or lotions
- Manufacturing sunscreen products
- Manufacturing cosmetics, including face powders, eye shadows, lipsticks and mascaras
- Manufacturing bath salts and talcum powders
- Manufacturing deodorants and depilatory products
- Manufacturing nail care preparations and nail polishes
- Manufacturing toilet cream or lotions

Companies

No single company accounts for more than 5% of total industry market share.

Related Industries

Domestic industries

Competitors

- No data available

Complementors

- Sanitary Paper Product Manufacturing in the US
- Soap & Cleaning Compound Manufacturing in the US
- Hand Tool & Cutlery Manufacturing in the US
- Vacuum, Fan & Small Household Appliance Manufacturing in the US
- Hair & Nail Salons in the US

International industries

- Global Cosmetics Manufacturing
- Cosmetic & Beauty Product Manufacturing in Canada
- Cosmetics, Perfume and Toiletries Manufacturing in Australia
- Perfume & Cosmetics Manufacturing in the UK
- Cosmetic & Personal Care Product Manufacturing in China

Related Terms

PARABEN

A chemical used widely in cosmetics as a product preservative. Recent research has linked parabens to cancer.

WHOLESALE BYPASS

A popular trend within retail and manufacturing industries in which producers supply goods directly to stores, eliminating the middleman.

COSMETIC

A product used for cleansing, beautifying, promoting attractiveness or altering appearance.

PREMIUMIZATION

A trend in which companies attempt to increase revenue by offering more enhanced, value-added products, often at a higher price to consumers.

SOCIAL MEDIA INFLUENCER

An individual with a large following on social media who has established credibility in a specific industry. Social media influencers often work with brands to promote products.

DIRECT SALES

The marketing and selling of products directly to consumers in a location other than a store or fixed retail site.

Additional Resources

- Cosmetics Business
- CosmeticsDesign.com
- Personal Care Products Council
- US Census Bureau

At a Glance

Revenue	$45.3bn	'20-'25	↓1.2 %
		'25-'30	↑2.5 %
Employees	55,382	'20-'25	↑1.3 %
		'25-'30	↑2.7 %
Businesses	5,146	'20-'25	↑5.6 %
		'25-'30	↑4.1 %
Profit	$8.4bn	'20-'25	↓2.6 %
Profit Margin	18.6%	'20-'25	↓1.4 pp
Wages	$3.5bn	'20-'25	↓0.7 %
		'25-'30	↑2.6 %

Five-year growth rates display historic and forecast CAGRs

Major Players

There are no major companies in this industry

Products and Services

Item	Revenue	Market Share
Cosmetics	$16.4bn	36.2%
Creams, lotions and oils	$10.5bn	23.1%
Hair preparations	$8.1bn	18%
Perfumes, toilet waters, and colognes	$5.7bn	12.6%
Dentifrices, mouthwashes, gargles and rinses	$1.2bn	2.6%
Other	$3.4bn	7.5%

Key External Drivers

Key External Drivers	Impact
Consumer confidence index	Positive
Per capita disposable income	Positive
Trade-weighted index	Negative
Research and development expenditure	Positive
Labor force participation rate of women	Positive

Key Takeaways

Performance

- Macroeconomic conditions greatly affect beauty product demand. When the economy's good, people splurge on beauty products, but tough times, like those with elevated inflation, can lead to consumers seeking more affordable alternatives, impacting sales.
- Consumer consciousness is reshaping the beauty market demographics. Health-focused trends are driving demand for eco-friendly and functional products, expanding the target audience to include younger people and men alongside older, affluent buyers.
- Macroeconomic recovery is set to boost beauty product sales. With rising disposable income and cooling inflation, consumers are ready to splurge on luxury beauty products, especially in the fragrance segment.
- AI is set to revolutionize product development, marketing and customer support. By harnessing data analytics, producers can better understand consumer behavior to tailor products and campaigns, while AI-driven chatbots enhance customer experiences with personalized recommendations and support.

External Environment

- The Food, Drug and Cosmetic Act prohibits distributing adulterated cosmetics. This law protects consumers from products containing filthy, putrid, or decomposed substances, ensuring safety and maintaining hygiene standards in cosmetic products.
- The FDA doesn't define organic cosmetics or beauty products. However, some brands still use the term to attract consumers. Shoppers should be aware that "organic" labels are not subject to strict regulatory standards.
- The federal government imposes tariffs on cosmetic and beauty product imports. These tariffs make imported products comparatively more expensive, influencing consumer choices and the competitive landscape in the domestic market.

SWOT

Strengths	High Profit vs. Sector Average
	Low Customer Class Concentration
	Low Product/Service Concentration
	High Revenue per Employee
Weaknesses	High Competition
	Medium Imports
	High Capital Requirements
Opportunities	High Revenue Growth (2020-2025)
	High Revenue Growth (2025-2030)
	High Performance Drivers
	Per capita disposable income
Threats	Very Low Revenue Growth (2005-2025)
	Low Outlier Growth
	Labor force participation rate of women

Industry Structure

Characteristic	Level	Trend
Concentration	Low	
Barriers To Entry	Moderate	Increasing
Regulation and Policy	Moderate	Increasing
Life Cycle	Mature	
Revenue Volatility	Moderate	
Assistance	Moderate	Steady
Competition	High	Increasing
Innovation	High	

Executive Summary

Extra hold: Rising disposable income will lead to increased spending on cosmetics and beauty products

In recent years, beauty product manufacturers have faced significant losses due to unfavorable economic conditions, including high inflation and increasing economic uncertainty. Many cosmetics and beauty products are considered discretionary, causing sales to weaken when disposable income drops. Heightened inflationary pressures in recent years pushed consumers to postpone purchases to downgrade to more affordable products, contributing to revenue losses between 2020 and 2022. Although domestic manufacturers have begun to recover, recent gains are largely driven by higher selling prices despite the smaller basket sizes. Since 2020, revenue has weakened by an estimated CAGR of 1.2% to reach $45.3 billion in 2025, including a 2.4% gain that year alone.

During such times, consumers tend to opt for more affordable options, leading to a surge in imports to meet domestic demand. Imported beauty products have gained a larger share of the domestic market, especially those from countries like France, Italy and South Korea, which are perceived to offer higher quality. The growing demand for innovative, inclusive, sustainable and technical products—especially anti-aging and luxury items—creates growth opportunities for domestic manufacturers. Also, companies like Glossier, which leverages social media marketing and the heightened demand for US-made products, have successfully reached international consumers, driving an increase in exports.

The ongoing economic recovery is expected to benefit domestic beauty product manufacturers. As consumer confidence and disposable income climb, spending on discretionary items like beauty products will likely increase, supporting manufacturers' performance. The anticipated decline in the world price of zinc, a key material for manufacturers, due to resolved international conflicts, will boost producers' profit. Similarly, the expected depreciation of the US dollar will enhance the performance of domestic producers both domestically and internationally. These factors are set to cause revenue to accelerate at an annualized 2.5% to $51.3 billion through the end of 2025.

Performance

Key Takeaways

Macroeconomic conditions greatly affect beauty product demand. When the economy's good, people splurge on beauty products, but tough times, like those with elevated inflation, can lead to consumers seeking more affordable alternatives, impacting sales.

Consumer consciousness is reshaping the beauty market demographics. Health-focused trends are driving demand for eco-friendly and functional products, expanding the target audience to include younger people and men alongside older, affluent buyers.

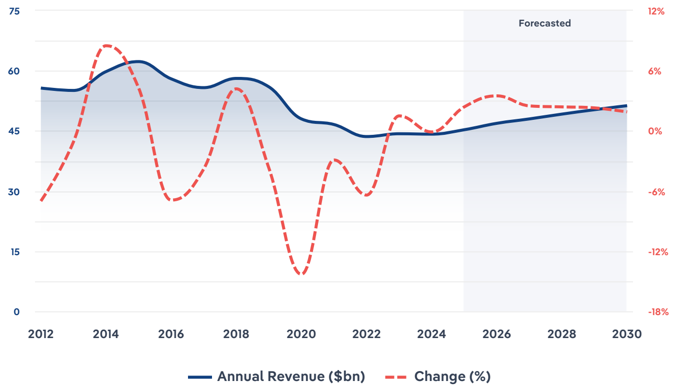
Macroeconomic recovery is set to boost beauty product sales. With rising disposable income and cooling inflation, consumers are ready to splurge on luxury beauty products, especially in the fragrance segment.

AI is set to revolutionize product development, marketing and customer support. By harnessing data analytics, producers can better understand consumer behavior to tailor products and campaigns, while AI-driven chatbots enhance customer experiences with personalized recommendations and support.

Performance Snapshot

Revenue

Total value ($) and annual change from 2012 – 2030. Includes 5-year outlook.



Revenue

$45.3bn

’20-’25 ↓1.2 %

’25-’30 ↑2.5 %

2025 Revenue Growth

2.4 % Increasing

Revenue Volatility

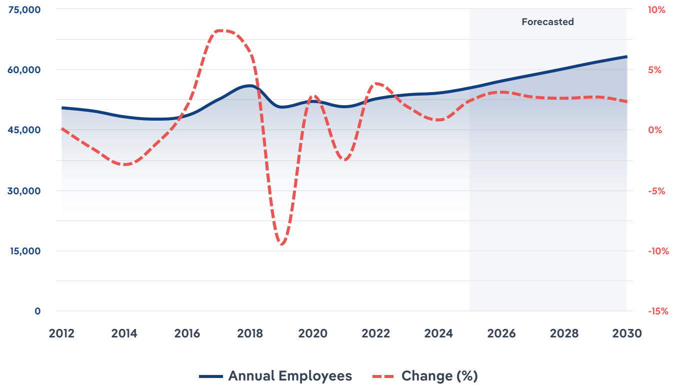
Moderate

IBISWorld

Source: IBISWorld

Employees

Total number of employees and annual change from 2012 – 2030. Includes 5-year outlook.



IBISWorld

Source: IBISWorld

Employees

55,382

'20-'25 ↑1.3 %

'25-'30 ↑2.7 %

Employees per Business

11

'20-'25 ↓4.1 %

'25-'30 ↓1.4 %

Revenue per Employee

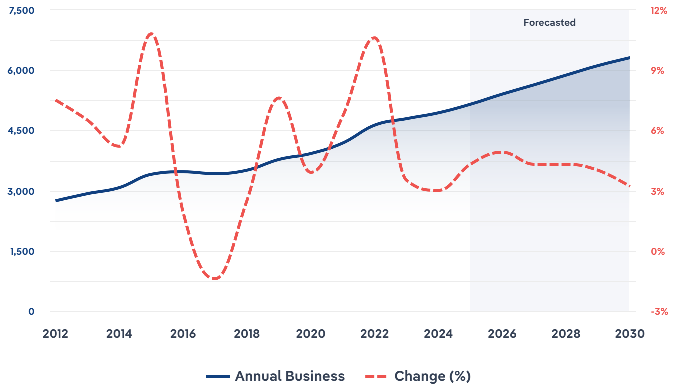
$817k

'20-'25 ↓2.4 %

'25-'30 ↓0.1 %

Business

Total number of businesses and annual change from 2012 – 2030. Includes 5-year outlook.



IBISWorld

Source: IBISWorld

Businesses

5,146

'20-'25 ↑5.6 %

'25-'30 ↑4.1 %

Employees per Business

11

'20-'25 ↓4.1 %

'25-'30 ↓1.4 %

Revenue per Business

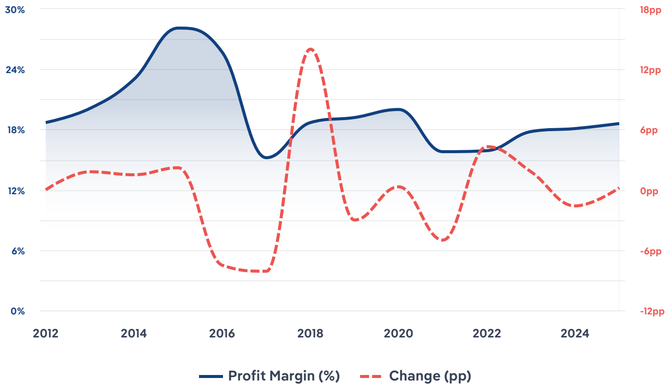
$8.8m

'20-'25 ↓6.4 %

'25-'30 ↓1.5 %

Profit Margin

Total profit margin (%) and annual change from 2012 – 2030



Source: IBISWorld

Total Profit
$8.4bn '20-'25 ↓2.6 %

Profit Margin
18.6% '20-'25 ↓1.4 pp

Profit per Business
$1.6m

Current Performance

↓ 2020-25 Revenue CAGR -1.2%

What's driving current industry performance?

Macroeconomic conditions impact demand for beauty products

- Demand for cosmetics and beauty products relies heavily on macroeconomic conditions like disposable income and consumer confidence. Because of this trend, demand for more and higher quality beauty products will grow when downstream buyers spend more on discretionary purchases. On the other hand, according to McKinsey, when conditions are unfavorable,
- According to McKinsey, consumers have been buying fewer products while spending more on these purchases, largely attributed to rising selling prices. Since consumers are becoming increasingly aware of the benefits of skincare, they are becoming more likely to buy high-quality skincare and cosmetics, supporting revenue gains in 2023. However, this trend did not spill over to other years, where unfavorable conditions like elevated inflation resulted in revenue losses.
- Although price increases cooled in 2024 amid stabilizing inflationary pressures, consumers were still facing the impacts of inflation and weaker disposable income, discouraging them from buying new cosmetics and other beauty products like skincare. Demand for these products is unlikely to drop significantly, as consumers have adopted them into their routines and are unlikely to phase them out entirely. Consumers looking to lower spending are more likely to replace their routine with more affordable alternatives.

Customers are more conscious of the products they use

- The beauty industry has expanded its target markets, allowing them to reach a broader audience. Growing demand from less traditional demographics, including younger consumers and men, has enabled companies like L'Oreal and Procter & Gamble to capture a larger market share.
- Consumers have been becoming increasingly health-conscious, supporting demand for personal care products, including skincare and higher-quality cosmetics. Similarly, men's growing interest in skincare lines has enabled producers to target niche market segments, allowing for faster gains.
- Despite this shift in consumer preferences, producers' main target audience continues to be older consumers with higher purchasing power. A growing number of adults over 50 have driven demand for anti-aging-related beauty products, pushing producers to diversify their product lines and supporting sales. Women in their thirties spend more on beauty products, especially anti-aging, because of the expansion of anti-aging technology and the growing emphasis on using these products before signs of aging appear.
- Downstream buyers are investing more in products like skincare and cosmetics with added benefits. Similarly, consumers increasingly favor brands that align with their standing on environmental and social issues. This trend has pushed retailers to allocate more resources toward social causes and grow sustainable and natural product lines.

Manufacturers leverage an omnichannel sales strategy to maximize reach

- As consumer purchasing behavior evolves, manufacturers adapt by reallocating their marketing budgets. This strategic shift aims to align with current consumption habits and optimize advertising efforts. Social media and e-commerce growth have driven more manufacturers to connect with consumers directly over the Internet, like investing in search engine marketing (SEM) capabilities to become more visible to online buyers and drive sales.
- Manufacturers with strong reputations and established online presence have benefited from vertical integration practices. Dealing with downstream consumers directly enables producers to quickly identify and translate consumer preferences into new products, supporting brand reputation and standing.
- This direct-to-consumer marketing strategy shows manufacturers adopting a more customer-centric approach to building direct customer relationships to create personalized experiences. Although these strategies enable brands to reach consumers directly, they also boost competition, particularly impacting smaller brands.
- Many consumers favor in-person shopping when trying new products or needing extra guidance. According to McKinsey, consumers' choices are impacted by both their in-person and online experiences. To adapt to this shift in shopping behavior, producers have been leveraging an omnichannel sales strategy that leverages the strength of each shopping medium, like product testing for in-store shopping and using product reviews from online platforms.

Volatile trade trends pose challenges and opportunities to privoders

- Foreign producers have become more popular among domestic consumers, causing import penetration to climb from 21.9% to 32.6% between 2020 and 2025. Although many consumers consider European producers of higher quality, particularly those from France and Italy, a considerable portion of newfound interest in imported cosmetics comes from South Korean producers.
- South Korean cosmetics are often held to higher quality standards and often offer value-added benefits, like including skincare ingredients in their cosmetics and prioritized sun protection. These producers leverage a broad range of innovative products, ingredients and production processes to attract consumer interest, making them more prominent in the domestic industry.
- The appreciation of the US dollar in recent years has further strengthened import penetration as imported products become comparatively more affordable to US producers. This trend, combined with unstable domestic macroeconomic conditions, has led to the value of imports growing despite falling demand for domestic beauty products, allowing import penetration to grow and contributing to revenue losses.
- During this time, exports grew to account for a larger share of revenue. Major domestic producers – including Estee Lauder, L'oreal, Procter & Gamble and Unilever – maintain a strong standing among foreign consumers. Demand from the Mexican market jumped between 2023 and 2024, largely supporting the growth of exports' contribution to revenue.

The threat of rising tariffs creates uncertainty among producers and consumers

- President Trump has announced his intention to raise interest rates on imported products across the board to support the domestic production industries. These tariffs include a proposed 25.0% tariff on goods imported from Mexico and Canada, as well as the possibility of further raises.
- The implementation of a blanket tariff would have a diverse impact on domestic producers. Higher tariffs will lower the impact of price-based competition by making imported products more expensive. This will enable US producers to become more competitive despite their often higher prices, supporting the industry's performance.
- Although higher selling prices often support revenue gains, higher tariffs will likely hurt consumers, particularly on products from Mexico and Canada. The rising threat of an escalating trade war between these countries will squeeze consumers' purchasing power, harming nonessential purchases and further contributing to smaller basket sizes.
- Higher tariffs will result in supply chain disruptions as the price of inputs like chemicals and packaging rises. This practice will push up the price of most goods, which, combined with weaker demand for nonessential purchases, can harm producers' demand. However, domestic manufacturers will continue to benefit from the strong and consistent demand for cosmetics, somewhat protecting revenue growth moving forward.

Volatility

Moderate

What influences industry volatility?

Companies selling necessities are less susceptible to volatility

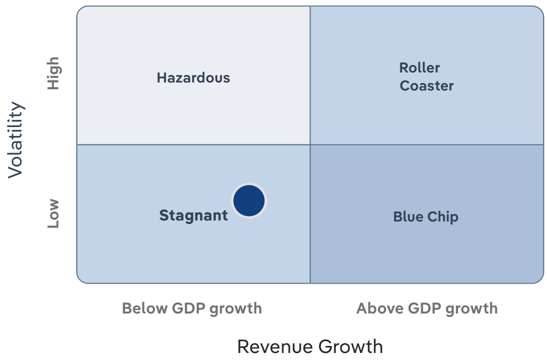
- Manufacturers face varying levels of revenue volatility based on the size of operations, brand popularity and product offerings. Factors like changing consumer preferences, macroeconomic conditions and company-specific operations influence this variation.
- Beauty products encompass a broad range of products, including necessities and luxury purchases. When macroeconomic conditions are unfavorable, producers with well-established reputations and selling products that are considered necessities will face steady demand. On the other hand, producers that sell mainly discretionary or luxury products will face higher volatility, as sales are more likely to fluctuate.
- Procter & Gamble, one of the largest producers of personal care products, targets consumers with affordable everyday essentials like shampoo and deodorant. These products tend to maintain stable demand because they are less influenced by market fluctuations. As a result, companies focusing on affordable personal care avoid sharp losses.

Discretionary products suffer the most from changes in demand

- Many consumers consider cosmetics and other beauty products to be discretionary purchases. As a result, when economic conditions are unfavorable, consumers often face restrictions on disposable income. This trend leads them to reduce discretionary spending, impacting demand for non-essential products, like some cosmetics and harming manufacturers' revenue.
- Major manufacturers, being large-scale companies, possess sufficient resources to endure temporary profit drops. Their established financial base enables them to sacrifice short-term benefits to retain long-term market dominance. Because of their scale, these producers can leverage times of weaker demand to strengthen their brands.
- Companies can mitigate profit drops through strategic investment in marketing to enhance brand visibility and new product development to pioneer and adapt to changing fashion trends. Selling innovative products that appeal to buyers makes these producers more competitive and boosts revenue.

Stagnant

Industry volatility vs. revenue growth (2018-2025 CAGR)



IBISWorld

Source: IBISWorld

Key Success Factors

How do successful businesses overcome volatility?

Leverage economies of scale to lower unit costs

Manufacturers can benefit significantly by leveraging economies of scale to reduce unit costs. This strategy enables them to compete effectively and safeguard their profits in a volatile market.

Expand and curtail operations rapidly in line with market demand

Keeping an eye on market fluctuations and customers' interests is critical for devising strategic business plans; this assists manufacturers in effectively satisfying market needs and reducing revenue fluctuations.

Outlook

↑ 2025-30 Revenue CAGR +2.5%

What's driving the industry outlook?

Improving macroeconomic conditions will boost demand

- Demand for cosmetics and other beauty products will benefit from recovering macroeconomic conditions, including rising disposable income, cooling inflationary pressures and falling unemployment levels. These recovering factors will enable consumers to resume discretionary purchases, driving demand for new beauty products.
- According to McKinsey, the beauty market will benefit from rising demand over the coming years, with the most significant gains impacting the fragrance segment. During this time, producers will benefit from the industry's "premiumization," with a growing number of consumers looking to switch to higher-quality, luxury beauty products.
- E-commerce trends will remain strong within the industry as more manufacturers continue to adopt and leverage omnichannel strategies to appeal to downstream buyers. While many consumers continue to favor in-person shopping because it allows them to test products, offering consumers access to e-commerce platforms will remain crucial for buyers comparing products and checking consumer reviews, contributing to strengthening performance.
- Offering e-commerce capabilities will become particularly relevant for producers looking to serve the international market, as these platforms enable producers to adopt a direct-to-consumer strategy.

Growing environmental awareness among consumers pushes producers to adopt sustainable practices

- Consumers are becoming increasingly aware of the impact their purchasing habits have on the environment. This has resulted in continuous interest in companies that aim to reduce their environmental impact by following more sustainable production practices or offering products that use 'clean' ingredients and technologies.
- According to Forbes, manufacturers have been shifting to adopt more sustainable practices, including the development of biodegradable, recyclable and reusable packaging, in an effort to reduce waste at the production and consumer levels. These producers also aim to lower the environmental impact their products have on water, pushing them away from harmful chemicals. This shift also proves beneficial for domestic producers, as it allows them to comply with water and air protection laws.
- Manufacturers must ensure compliance with other regulatory agencies, mainly the Food and Drug Administration (FDA), to ensure producers are labeling their products accurately. So far, the requirements to label a product as 'clean' don't have to follow any criteria set by the FDA, as the agency has yet to define that label. As regulations get stricter and the agency defines these products, producers looking to maintain their 'clean' or 'organic' labels will have to ensure their products align with the changing definitions.

Competition from foreign manufacturers will remain significant

- Domestic producers will continue to face significant threats from foreign manufacturers as US consumers continue to grow interested in imported beauty products, particularly products that leverage innovative ingredients and production systems.
- Foreign manufacturers will continue to play a major role in the domestic industry, largely driven by the globalized nature of the beauty sector. Although major producers L'Oreal and Estee Lauder have manufacturing capabilities in the United States, these brands produce most of their cosmetics overseas, contributing to significant import penetration.
- Consumers' growing interest in Asian beauty products, particularly those from South Korea and Japan, will continue to generate demand for imported cosmetics. The innovative production processes, ingredients and stricter quality standards overseas will appeal to a growing share of the domestic market, preventing demand for domestic consumers from taking off.
- The expected depreciation of the dollar over the coming years will somewhat support domestic producers by making imported beauty products comparatively more affordable. However, strong interest in imported beauty products, including popular brands from France and

Italy, will prevent domestic producers from significantly benefiting from a weakening US dollar.

Manufacturers must adapt to consumer preferences to remain competitive

- Considerable competition within the industry, both internal and external, will continue pushing manufacturers to take advantage of innovative product lines and niche markets to establish themselves among top producers like Estée Lauder. Many brands have leveraged this strategy; for example, many beauty brands have developed 'clean' product lines to appeal to these changing preferences.
- With consumers becoming more interested in health and wellness, demand for skincare and cosmetics with skincare properties will remain highly popular. Producers looking to gain more traction among Gen Z and Gen Alpha consumers will continue integrating value-added ingredients into their products, adapting to these shifting preferences.
- According to McKinsey, producers will benefit from the growing demand for haircare products as consumers develop and adopt care routines that address their specific needs. The "skinification" of haircare will create more opportunities for these producers to serve a growing niche.
- Demand for traditional cosmetics and other beauty products will continue to benefit from a growing population and rising demand from less traditional markets, like cosmetics for men. While these markets will continue to drive growth, producers carrying innovative lines that align with current beauty trends and consumer preferences will benefit from faster growth.

Producers leverage new tools to enhance new product development and marketing efforts

- Producers will have to allocate more resources toward marketing efforts to expand their reach to diverse markets, including celebrity endorsements and influencer collaborations on platforms like Instagram and TikTok. These strategies have become more common amid the influence these figures have over the beauty space.
- Over the coming years, producers will increasingly leverage alternative tools like artificial intelligence (AI) to develop targeted marketing campaigns and enhance new product development. By using these tools, producers can access advanced data analytics that enables them to better understand shopping behavior and shifting consumer preferences.
- Producers will continue to leverage AI to offer enhanced customer support online, allowing them to ask product-specific questions or receive more general support, like developing a makeup or skincare routine. These platforms give consumers access to support for more hours of the day and refer more complex issues and questions to customer service associates, allowing for efficient support.

Life Cycle

Mature

Why is the industry mature?

Contribution to GDP

Manufacturers' contributions to GDP have reached a mature stage. In recent years, unfavorable macroeconomic conditions, including heightened inflation and consumer uncertainty, have pushed selling prices higher and consumers to slow their purchases of beauty products. Despite this, beauty products are often a staple in consumers' daily routines, allowing demand to bounce back quickly.

Market Saturation

Cosmetic and beauty product manufacturers often compete in well-established product segments. Major product lines include cosmetics—including foundations, concealers and eyeshadows—skincare and haircare. While new product lines are uncommon, producers can stand out by leveraging innovative ingredients and manufacturing processes or catering to niche markets like clean beauty.

Innovation

Manufacturers must adapt their offerings to favor current consumer preferences and beauty trends. Innovation within the industry focuses on developing new product formulations using innovative ingredients with value-added properties. Similarly, producers aim to improve production processes to adopt more sustainable, eco-friendly and climate-conscious practices.

Consolidation

Consolidation activity is common in the industry. Large manufacturers often acquire smaller brands to expand their product portfolio and access new technologies without large investments in research and development efforts. This trend can be seen as major producer L'Oreal owns popular brands like Maybelline, NYX, Lancome and Yves Saint Laurent, allowing it to control a larger market share.

Technology and Systems

Manufacturers must allocate significant resources to research and development efforts to expand their product offerings and support the premiumization of the brand. Producers are increasingly leveraging artificial intelligence to enhance new product development through advanced data analytics and improved manufacturing processes.

Life Cycle

Indication of the industry's stage in its life cycle compared to similar industries

*Growth is based on change in share of economy combined with change in establishment numbers

IBISWorld

Source: IBISWorld

Products and Markets

Key Takeaways

Cosmetics are rapidly evolving with ever-changing trends. Antiaging, vegan, cruelty-free and male or genderfree-oriented products lead the market, reflecting consumer demand for ethical, inclusive and specialized skincare solutions.

Haircare is diversifying to cater to various needs. Brands are expanding their product ranges to offer specialized lines for different hair types and preferences, capitalizing on the trend towards natural hair textures.

Wealthy consumers often buy premium cosmetics and personal care items. Consumers with higher disposable income are more likely to buy more expensive products, like luxury cosmetics and entire collections, driving their significant contribution to revenue.

Low-income consumers struggle with beauty product spending. Buyers with an annual income of under $30,000 focus on covering necessities, leaving them most affected by inflation and limiting their role in the market.

Largest Market
$16.4bn Cosmetics

Product Innovation
High

Products and Services

How are the industry's products and services performing?

Innovative cosmetics adapt to rapidly changing trends

- The array of products in this segment is extensive and includes foundation, lipstick, eye shadow, nail polish, mascara, blush and eyeliner, among many other products.
- New product development is common to adapt to and drive ever-changing beauty trends. Consumer preferences favoring products with skinc care properties resulted in a rise in demand for products with anti-aging effects, with specialized products that combine cosmetics and skin care ingredients quickly coming to market.
- Manufacturers offering vegan and cruelty-free products have benefited from consumers favoring brands with strong ethical and environmental values. Producers that adapt to preferences for organic and ecologically friendly cosmetics have benefited from gains.
- Manufacturers have also focused on developing products with men as a target audience, expanding the traditional customer pool. Cosmetics have been gaining popularity among men, enabling manufacturers to capitalize on this trend by developing male-specific beauty products.

The most expensive products in the market are creams, lotions and oils

- This category includes facial creams, body, hand and face lotions, sunscreen, sun tan lotions and oils.
- Skincare products and routines have been becoming highly popular among consumers and are often seen as a way of self-care. Concerns from consumers about their appearances and advancements in technology have paved the way for the hike of this segment, with a particular focus on anti-aging treatments.
- Since the benefits of skincare have been becoming widely known, men have been increasingly purchasing these products. Men increasingly caring about grooming and skincare have boosted demand for creams, lotions and oils. As more consumers prioritize their skincare, this segment will grow to account for a larger share of revenue.
- The skincare segment faces growing competition from foreign manufacturers, particularly as South Korean skincare products grow in popularity. These producers are held to higher quality standards and use more innovative ingredients than domestic manufacturers, allowing for more innovative skincare and capturing the interest of domestic buyers. This trend has become particularly popular in the sunscreen space, where producers use newer chemical filters that enhance sun-protection capabilities.

Demand for haircare is on the rise amid shifting preferences

- Products in this segment include hair color, shampoos, conditioners, rinses, hair sprays, pomades, mousses, gels and restorative treatments. The hair care segment encompasses professional and daily consumer-use products for home use.
- An enhanced understanding of hair care product chemicals creates the potential for new specialized markets, like sulfate-free shampoo and organic care lines, with additional benefits from compounds like cannabidiol and moringa oil to treat consumers' specific needs.
- Beauty brands consistently aim to expand their product offering to serve a broader audience. This has led to the development of products for diverse hair types, including straight, wavy and curly. Some of these products have specific features that work better for a given hair type. The expanding product range allows manufacturers to appeal to a larger market.
- Consumers have been prioritizing haircare as more people are styling and wearing their natural hair texture. Producers can target

this growing market by developing new product lines that appeal to consumers with different hair textures or style preferences. This segment has significant growth opportunities as consumers take better care of their hair.

Sales of perfumes, toilet water and colognes depend on fashion trends

- Products in this segment include fragrances like perfumes, toilet water and colognes. Consumer preferences favoring imported fragrances, particularly those from countries like France, prevents this segment from accounting for a larger share of revenue.
- These producers allocate significant resources toward new product development as they have to design appealing scents that stand out to buyers. Popular scents follow a cyclical trend that moves in line with fashion, pushing manufacturers to release new fragrances often.
- Based on a McKinsey report, fragrance producers will face the faster growth in the industry, partially driven by shifting consumer preferences that favor less known, boutique producers. Growing demand for the fragrance segment will push some producers to shift their focus, although the segment will remain highly competitive.

Demand for dentifrices, mouthwashes, gargles and rinses remains consistent

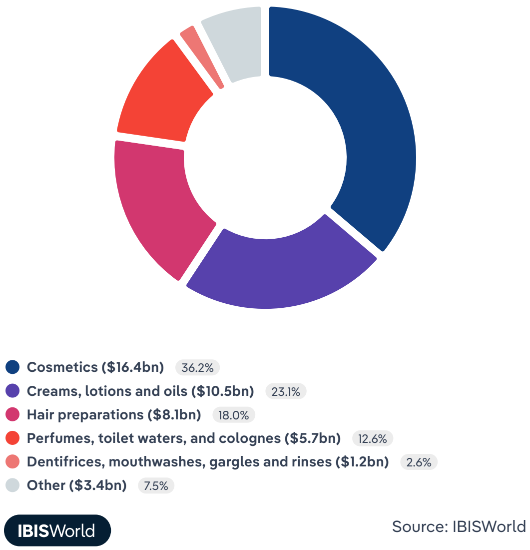
- This segment includes dentifrices, mouthwashes, gargles and rinses. Many of these products are relatively affordable, preventing them from generating a significant share of revenue.
- Many oral care products are considered necessities, preventing drastic fluctuations in sales even when disposable income weakens. During economic downturns, consumers, particularly those with a tighter budget, become more likely to switch to more affordable brands as a cost-saving measure.
- Consumers often purchase their preferred oral care producers, favoring these brands when prices are competitive. Significant price differences, however, can lead price-conscious consumers to compromise their preferences and shop for other brands, portraying the heightened levels of price-based competition.

Other hygiene products account for the rest of the industry

- This segment also includes deodorants, nail polish, nail polish remover, feminine cleansing products, bath salts and shaving gel, creams, lotions and powders.
- Many of the products in this segment are non-discretionary, enabling their revenue share to remain broadly consistent during economic downturns as there are little-to-none alternatives for many of these products. Similarly, these products are often more affordable than other product lines, preventing them from accounting for a larger share of revenue.

Products & Services Segmentation

Industry revenue in 2025 broken down by key product and service lines.



Source: IBISWorld

What are innovations in industry products and services? High

Manufacturers leverage artificial intelligence for new product development and consumer satisfaction efforts

- Some producers leverage AI and its advanced data analytics capabilities to study changing consumer preferences. By using these tools and analyzing consumer interest in various product lines, producers can predict new trends, allowing them to stay ahead of the competition and refine their product offerings more accurately.
- Manufacturers with their own e-commerce platforms have adopted automated solutions to enhance their customer service support. These solutions offer consumer support with fewer time limitations, aiming to boost consumer satisfaction and encourage repeat buyers.
- Producers are also implementing these technologies to enhance production practices. AI enables producers to improve formulations by offering precise measuring and mixing of ingredients. This practice reduces waste and ensures consistent quality across batches. These automated solutions prove highly beneficial to scaling operations and maintaining quality standards.

Consumer preferences favor innovative and eco-friendly products

- Manufacturers must focus on developing more efficient products to compete with foreign manufacturers. Domestic manufacturers have prioritized sustainability and ethical practices in their production processes to appeal to environmentally conscious buyers. These shifting preferences have also encouraged producers to use new ingredients to enhance their product offerings.

- Skincare products from South Korea and Japan have become increasingly popular among US buyers because of their use of gentle, high-quality ingredients and their affordability. Demand for this products has benefited from social media influencers introducing them to the mainstream.
- Japanese and South Korean cosmetic products often contain value-added features such as collagen, traditional herbs like mugwort and advanced sun protection. This trend encourages US brands to enhance their offerings to remain competitive. South Korean sunscreen has become particularly popular.
- Products like cushion foundations, pimple patches, essences, serums and sheet masks from South Korea and Japan have become highly popular, driving US companies to allocate more resources toward innovation and new product development to remain competitive.

Offering inclusive products drive revenue growth

- Offering a large range of shades allows companies to cater to diverse skin tones, expanding their target market and making it difficult for those with limited selections to compete.
- Products targeted at curly hair were once an overlooked niche in the market. Rising demand for haircare products has pushed manufacturers to grow their curly hair products offerings, enabling them to target new markets and indicating a healthy future growth trajectory.
- The rise in male makeup's popularity, notably among Gen Z, prompts cosmetic companies to diversify their product lines. This expansion addresses new consumer demand and broadens market reach.

Key Success Factors

What products or services do successful businesses offer?

Promote products effectively

Strategic marketing drives brand awareness and attracts customers. Using social media, influencers and targeted ads helps cosmetic brands reach their target audience, generate buzz and drive sales.

Establish brand names

A trusted brand name builds consumer confidence and loyalty. A reputable brand can differentiate products from competitors and ensure long-term customer engagement and retention.

Present products attractively

Visual appeal is crucial in the cosmetics industry. Having attractive packaging and presentation attracts consumers, influencing buying decisions and enhancing the perceived value of the products.

Major Markets

What's influencing demand from the industry's markets?

High-income buyers can spend more on beauty products

- Consumers in this segment benefit from incomes of more than $200,000 and can purchase more premium cosmetics and other personal care items. These consumers are more likely to buy entire collections rather than individual products, supporting their contribution to revenue. The combination of buying more items and higher prices has enabled this market to dominate the industry.
- Buyers with higher purchasing power tend to buy luxurious products that aim to offer a premium experience and target specific issues. These products often use rare ingredients that command higher prices, supporting this market's control over the industry. These affluent consumers prefer shopping at luxury department stores and niche retailers specializing in high-value cosmetics and beauty products, exemplifying their premium taste and high spending power.
- Consumers with incomes of more than $200,000 a year have seen the largest jump in spending since 2020. Demand from these buyers is less susceptible to changes in macroeconomic conditions amid their significantly higher disposable income, allowing them to grow as a major market.

Middle-income consumers seek higher-quality products, supporting sales

- Consumers with an annual income between $100,000 and $199,999 represent a significant market for cosmetics and other beauty products.
- Although these consumers have fewer resources to allocate toward luxury purchases, they still splurge on high-quality products. Their purchases often include high-end products like designer lipsticks or premium brand-name shampoos, allowing them to contribute a larger portion of revenue.
- Consumers have been increasingly valuing high-quality beauty products, often delivering better results and offering additional properties like skincare and sun protection. According to McKinsey, consumers are more willing to spend more on beauty products, boosting demand from this market.

Mid- to low-income consumers are impacted by volatile macroeconomic conditions

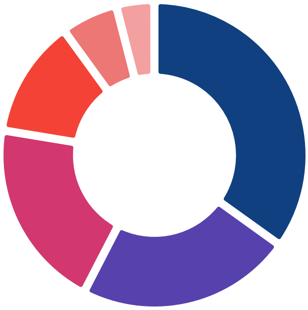
- Consumers in this segment have incomes between $30,000 and $99,999 a year. Although these consumers can often cover their basic necessities, they largely opt for more affordable product lines with the occasional splurge.
- These consumers have limited disposable income, making demand susceptible to changes in macroeconomic conditions like inflation. In 2022, the consumer price index jumped 8.0%, representing a jump in prices and limiting consumers' purchasing power. These higher prices made consumers buy fewer products and switch to more affordable options, causing this segment to weaken.

Low-income customers account for the smallest share

- Consumers earning less than $30,000 a year have the least disposable income to cover nonessential purchases like makeup. They are less likely to test new products or buy extras, tending to purchase only necessities because of their limited disposable income.
- These buyers are the most impacted by factors like elevated inflation, as higher selling prices prevent these buyers from purchasing new beauty products. When inflation is high, lower-income consumers must prioritize essential purchases, harming demand for beauty products and making them account for a smaller share of revenue.

Major Markets Segmentation

Industry revenue in 2025 broken down by key markets



- Consumers earning between $30,000 and $99,999 ($15.8bn) 34.9%
- Consumers earning more than $200,000 ($10.3bn) 22.7%
- Consumers earning between $100,000 between $149,999 ($9.1bn) 20.0%
- Consumers earning between $150,000 and $199,999 ($5.6bn) 12.4%
- Consumers earning between $15,000 and $29,000 ($2.7bn) 6.0%
- Consumers earning less than $14,999 ($1.8bn) 4.0%

IBISWorld Source: IBISWorld

International Trade

Imp. Moderate Increasing

What are the industry's import trends?

Consumers require affordable luxury products

- Unfavorable macroeconomic conditions impacting domestic consumers, including heightened inflationary pressures, have pushed consumers to look for more affordable options. Foreign producers satisfy a broad range of consumer needs, with producers based in countries like China and Mexico offering more affordable products, while French, Italian and South Korean cosmetics offer high-quality beauty products.
- Foreign producers have benefited from the recent appreciation of the US dollar, which has made imported beauty products comparatively more affordable to domestic consumers. These lower prices appeal to increasingly price-sensitive buyers, allowing imports to satisfy a larger portion of domestic demand.
- Improving domestic macroeconomic conditions has also boosted consumer demand with higher yearly incomes, largely supporting high-end European producers. These buyers have grown as a major downstream market, as they can allocate the most resources toward personal care products like cosmetics.

Asian beauty products become more popular among domestic consumers

- Domestic consumers are becoming increasingly interested in the Asian beauty markets, with South Korean and Japanese cosmetics and skincare products driving this trend. These products target specific skin issues and leverage advanced ingredients, appealing to curious beauty product users.
- Asian beauty products are renowned globally and appreciated for their high quality and affordability. Their formulations emphasize gentle, natural ingredients, prioritizing skin health over temporary fixes, carving a unique stature among beauty enthusiasts.
- South Korea is recognized for its innovation in cosmetics and beauty products. It produces sustainable, eco-friendly and climate-conscious lifestyle products, which US consumers increasingly focus on when buying cosmetics.

Proposed and imposed tariffs threaten imports

- The international trade environment in 2025 is characterized by heightened uncertainty and volatility, primarily in response to the tariff policies proposed and implemented by the Trump administration. The 25.0% tariffs on Canadian and Mexican goods (postponed for 30 days as of February 4) and an additional 10.0% tariff on Chinese imports on top of the existing 25.0% tariffs from 2019 have significant implications for this industry, because of its dependence on international trade.
- These tariffs have far-reaching repercussions for industries engaged in cross-border commerce. Companies reliant on imports from China, Mexico and Canada for their inputs will likely endure expanding costs in 2025, leading to higher production expenses and reduced profit. This situation forces businesses to choose between absorbing costs or passing them on to consumers, potentially impacting their competitiveness in domestic and international markets and risking customers switching elsewhere.
- Consumers will also feel the pinch. The Tax Foundation estimates that the average tax burden for US households could climb by over $800.0 in 2025 if all proposed tariffs are implemented. This gain in consumer prices could dampen domestic sales, potentially slowing economic growth.

Total Imports

$16.8bn

'20-'25 ↑9.3 %

'25-'30 ↑0.7 %

Total Exports

$10.3bn

'20-'25 ↑1.5 %

'25-'30 ↑3.3 %

Trade Balance

Net Importer Deficit: $-6.5bn

Exp. High Increasing

What are the industry's export trends?

US-based producers attract foreign buyers

- Although domestic manufacturers don't play a major role in the global cosmetics market, exports have grown as a share of revenue since 2020. Major global producers still have manufacturing facilities in the United States, largely contributing to the domestic exporting activity.
- Domestic producers benefit from the perceived high quality of their products, as it creates demand in countries like Canada, Mexico, China and the United Kingdom. Foreign consumers favoring US-made beauty products will allow exports to account for a significant share of revenue.
- Exports have grown as a share of revenue despite the appreciation of the US dollar in recent years. International conflicts like the Ukraine-Russia War, the ongoing conflict in the Middle East and crude oil shortages have made the dollar appreciate, making domestic cosmetics comparatively more expensive overseas.

Domestic producers capitalize on growing foreign consumer confidence

- Domestic manufacturers have largely benefited from consumers becoming increasingly comfortable with buying beauty products online. This has enabled producers to target broader geographies, with many focusing on the Canadian and Mexican markets because of their logistical advantages and established trade agreements.
- Rising consumer spending in foreign countries has boosted demand for US cosmetics. Also, increasing social media utilization effectively promotes cosmetic and beauty products globally, ensuring consistent export rates and protection against sudden dips in sales.
- Companies like Glossier have leveraged a digital business model that allows them to ship their beauty products to primary export markets, including countries like Canada and the UK, enabling them to appeal to the global beauty market.

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Trade Balance

Net Importer Deficit: $-6.5bn

Geographic Breakdown

Key Takeaways

California's economy and population drive its beauty industry dominance. Its fashion-forward cities and strategic location provide significant advantages for producers, resulting in the state housing more than 20.0% of all manufacturers.

The Mid-Atlantic region thrives due to logistics and reputation. New York and New Jersey offer manufacturers easy access to raw materials, major ports and a lively consumer market driven by the area's fashion influence.

Business Locations

State	Revenue $m	Revenue %	Wages $m	Wages %	Employment Units	Employment %
New York	6,644.0	15.2	316.7	9.9	4,306	8.6
California	5,435.2	12.4	533.8	16.6	7,833	15.6
New Jersey	5,461.0	12.5	795.0	24.7	8,041	16.0
Florida	1,440.4	3.3	149.9	4.7	2,553	5.1
North Carolina	4,541.7	10.4	247.5	7.7	4,253	8.5
Illinois	3,350.4	7.7	291.4	9.1	3,907	7.8
Texas	2,517.6	5.8	212.0	6.6	3,160	6.3
Pennsylvania	3,250.4	7.4	156.5	4.9	3,956	7.9
Ohio	2,891.3	6.6	202.0	6.3	2,415	4.8
Georgia	614.1	1.4	43.3	1.3	840	1.7
Washington	103.5	0.2	27.4	0.9	421	0.8
Tennessee	1,092.5	2.5	150.7	4.7	2,456	4.9
Michigan	1,424.2	3.3	120.1	3.7	1,865	3.7
Colorado	265.0	0.6	31.3	1.0	707	1.4
Oregon	168.1	0.4	18.0	0.6	349	0.7
Utah	1,067.8	2.4	32.9	1.0	500	1.0
Virginia	423.0	1.0	72.8	2.3	1,181	2.4
Minnesota	971.4	2.2	70.1	2.2	914	1.8
Missouri	888.2	2.0	48.8	1.5	594	1.2
Arizona	245.5	0.6	25.9	0.8	457	0.9
Connecticut	682.2	1.6	50.5	1.6	696	1.4
Iowa	800.7	1.8	20.6	0.6	315	0.6
Arkansas	474.6	1.1	50.2	1.6	560	1.1
Maryland	656.1	1.5	35.6	1.1	378	0.8
Idaho	232.7	0.5	31.0	1.0	569	1.1
Kentucky	200.5	0.5	37.8	1.2	364	0.7

State	Revenue $m	Revenue %	Wages $m	Wages %	Employment Units	Employment %
Indiana	448.7	1.0	24.9	0.8	359	0.7
Wisconsin	216.2	0.5	18.6	0.6	346	0.7
Delaware	278.4	0.6	24.8	0.8	461	0.9
South Carolina	372.9	0.9	9.7	0.3	110	0.2
Massachusetts	370.9	0.8	23.3	0.7	410	0.8
Wyoming	285.5	0.7	7.1	0.2	73	0.1
Nevada	36.7	0.1	2.1	0.1	64	0.1
Hawaii	151.3	0.3	2.8	0.1	76	0.2
West Virginia	273.0	0.6	0.5	0.0	25	0.1
New Mexico	88.9	0.2	4.5	0.1	124	0.2
Vermont	70.1	0.2	18.7	0.6	334	0.7
Montana	84.6	0.2	0.7	0.0	39	0.1
Louisiana	201.8	0.5	0.8	0.0	21	0.0
Alabama	84.5	0.2	7.2	0.2	127	0.3
Mississippi	17.2	0.0	7.6	0.2	149	0.3
Oklahoma	29.9	0.1	4.9	0.2	132	0.3
Nebraska	94.4	0.2	7.2	0.2	114	0.2
Maine	104.7	0.2	3.7	0.1	73	0.1
New Hampshire	22.0	0.1	4.1	0.1	89	0.2
North Dakota	34.6	0.1	3.6	0.1	61	0.1
Kansas	44.8	0.1	3.0	0.1	35	0.1
Rhode Island	8.2	0.0	2.6	0.1	43	0.1
Alaska	20.6	0.0	1.7	0.1	32	0.1
South Dakota	2.1	0.0	0.8	0.0	19	0.0

Where are industry businesses located?

The West region dominates the market

- California leads the nation in cosmetic and beauty product manufacturing, housing nearly a quarter of all US industry establishments. This economic sector significantly contributes to the state's diverse economy.
- California has a high population and many fashion-forward metropolises. Companies will locate manufacturing facilities close to downstream markets and save on transportation costs.

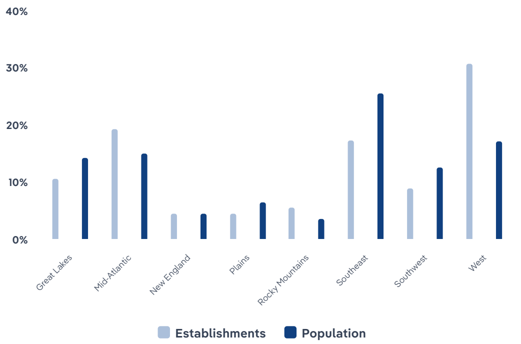
The Mid-Atlantic region capitalizes on ports

- With high industry establishments, New York and New Jersey rank second and third, respectively. The high population in New York City attracts numerous downstream customers, contributing to its popularity.
- This region is close to upstream chemical producers and contains significant shipping ports, which have become increasingly crucial to shipping within the US and for export destinations.

The Southeast region has major metropolises

- The Southeast region boasts significant consumer hotspots like Atlanta and Miami. These geographically dispersed locations offer high population densities, making them attractive markets for cosmetic and beauty manufacturers.
- Florida boasts numerous shipping ports, which are major gateways connecting the United States to export markets and imported industrial suppliers offering affordable rates.

Share of Establishments (%) vs. share of population (%)



IBISWorld

Source: IBISWorld

Key Success Factors

How do businesses use location to their advantage?

Operate in a location that is close to key markets

Reduced transportation costs are a significant benefit of being close to key markets. Cost savings can be achieved when goods and services don't need to be transported over long distances, potentially improving profits.

Identify and assess demographic and social trends

Manufacturers must adapt to shifting consumer preferences influenced by social trends to ensure product alignment. It's crucial to be located in a region with favorable demographics, labor availability and supply chain efficiency to succeed.

Competitive Forces

Key Takeaways

Cosmetic and beauty product manufacturers face intense global competition. They contend with low-cost imports from China and Mexico, high-end products from France and Italy, and innovative offerings from South Korea.

During economic downturns, people often rely on at-home remedies for cost-effectiveness. Multi-use products like coconut oil offer affordable alternatives by using what consumers might already have, helping them manage expenses without compromising their needs.

Concentration	Competition	Barriers to Entry
Low	High Increasing	Moderate Increasing
Substitutes	**Buyer Power**	**Supplier Power**
Moderate Increasing	High Increasing	Moderate Steady

Concentration Low

What impacts the industry's market share concentration?

The industry exhibits a moderate level of market share concentration

- Domestic beauty product manufacturing is dominated by four beauty giants, including L'Oreal, Estee Lauder, Unilever and Proctor & Gamble. These companies have extensive networks, strong brand reputations, established consumer loyalty and economies of scale, enabling them to control a significant share of the industry.
- Merger and acquisition activity is widespread as larger companies buy shares of smaller companies, such as Coty purchasing a large percentage of Kim Kardashian's skincare business, SKKN BY KIM. These favorable deals have supported large producers in maintaining a significant market share.
- Despite larger manufacturers' significant influence on the industry, more than 70.0% of beauty product manufacturers employ fewer than 20 people. This trend shows the fragmented nature of the industry and portrays a prevalence of small, niche businesses.

Heightened external competition threatens domestic producers

- The beauty industry is becoming increasingly globalized as manufacturers leverage their ability to establish various manufacturing plants across multiple countries to enhance operating efficiencies and diversify their supply chains.
- Major beauty brands like L'Oreal and Estee Lauder have strong reputations overseas and control a significant portion of the international market. These brands manufacturing a large portion of their products overseas prevents them from dominating the domestic market.
- More consumers have been growing interested in foreign beauty trends and products. The rising popularity of Asian beauty products has caused import penetration to grow from 21.9% to 32.6% between 2020 and 2025 alone. This shift in consumer preferences has harmed domestic producers and weakened concentration.

E-commerce has made small businesses more competitive

- Before e-commerce took over the industry, smaller producers struggled to access shelf space in popular beauty retailers, preventing these producers from efficiently entering the industry. Smaller manufacturers have become more competitive because shifting consumer behavior favoring online sellers has made them more visible and enabled them to reach a broader potential market.
- Despite leveraging online platforms to reach more potential buyers, smaller producers will continue to struggle to stand out against globally known producers. However, consumer interest in niche, small-batch products has boomed, offering increased opportunities for smaller manufacturers to thrive in an otherwise mass-production-dominated market.

Market Share Concentration

Combined market share of the four largest companies in this industry

IBISWorld

Source: IBISWorld

Key Success Factors

How do successful businesses handle concentration?

Conduct market research

Market research helps manufacturers understand customer needs and preferences. By staying informed, manufacturers can produce cosmetics and beauty products that meet consumer preferences, enabling them to stay ahead of competitors in a concentrated market.

Secure economies of scale

Achieving economies of scale can lower production costs, allowing manufacturers to offer competitive prices. Manufacturers lower per-unit production costs and maintain quality standards by producing in larger quantities, boosting profit and making them more competitive.

Barriers to Entry

Moderate

Increasing

What challenges do potential industry entrants face?

Legal

- Manufacturers are subject to various strict regulations regarding transparency laws and consumer safety regulations. Cosmetic and beauty product manufacturers are primarily regulated by the Food and Drug Administration (FDA), which monitors and enforces laws related to manufacturing, labeling and marketing cosmetics. Compliance with these stringent regulations can complicate the operational dynamics for new entrants.

Start-Up Costs

- Starting a cosmetic and beauty product manufacturing business requires significant initial investment to set up a production facility and buy equipment. Securing necessary financing remains a significant challenge for new manufacturers. Starting costs vary greatly based on the scale of the operations and the segment manufacturers serve. For example, smaller producers focusing on selling lipsticks and shadows have significantly lower starting costs than larger skincare producers.

Differentiation

- Creating a brand identity and building a loyal consumer base is crucial for new producers to stand out. Manufacturers differentiate through varied pricing and quality, appealing to diverse consumer demographics. Standing out in the industry can prove challenging as many consumers have established brand and product preferences, particularly in cosmetics and skincare. However, constant innovation among manufacturers and changing consumer preferences, favoring products with added skincare benefits, have supported new brands breaking into the industry.

Labor Expenses

- Capital remains central to cosmetic and beauty products manufacturing, driven by significant investment in machinery. Still, smaller companies invest less in machinery and more in human labor, as many of these companies need to face higher demand to warrant purchasing machinery.

Capital Expenses

- Most producers rely on machinery in their manufacturing processes. Manufacturers operating at a larger scale rely more on machinery as it enables them to reach and leverage economies of scale, enhancing performance. The need to maintain and replace machinery makes the industry capital intense. Smaller companies rely more on human labor, as they need to boost sales before scaling operations and justify machinery costs.

Key Success Factors

How can potential entrants overcome barriers to entry?

Develop strong technical product knowledge

Expertise in product formulation and ingredients enables manufacturers to create high-quality, safe and effective beauty products. This technical knowledge helps build consumer trust and meet regulatory standards, facilitating a successful market entry.

Develop new products

Launching new and trendy products helps manufacturers stay ahead of competitors and cater to evolving consumer preferences, ensuring they maintain market relevance and customer loyalty.

Substitutes

Moderate Increasing

What are substitutes for industry services?

Imports

- Domestic producers face some competition from low-cost imports originating from China and Mexico. While these imported products are attractive due to their affordability, they often lack the quality of higher-end alternatives from France and Italy.
- The market must also contend with the superior quality of high-end products imported from France and Italy. These prestigious imports set a high standard, making it essential for domestic manufacturers to focus on quality and brand prestige.
- South Korean companies continue introducing cutting-edge products, making them a rapidly growing threat to the domestic industry. Domestic manufacturers in the industry are combating the influx of Asian imports by focusing on innovation and competitive pricing.
- Consumers' growing interest in foreign beauty products will continue to pose a threat to US manufacturers, as it will boost import penetration into the domestic market and discourage consumers from buying US-made beauty products. The innovative and prestigious nature of imported products will continue to appeal to domestic buyers.

Do-it-yourself

- Unfavorable macroeconomic conditions, including times of weak disposable income, can push consumers to use do-it-yourself (DIY) beauty products. Products like coconut oil, honey and baking soda, often found in household pantries, can serve as cost-effective alternatives to some store-bought goods, including body and lip scrubs.
- DIY products offer organic advantages, with some replicating the effects of commercially produced cosmetics. Their natural components make them attractive, reliable and sustainable options for consumers looking for natural ingredients. However, DIY solutions have a small product and shade range and can be less attractive to consumers with sensitive skin, often deterring them from switching to DIY alternatives.

Key Success Factors

How do successful businesses compete with substitutes?

Produce a differentiated product

Manufacturers must offer unique products to stand out in the crowded market. Using distinct ingredients, packaging or branding can create a strong identity, making it harder for substitutes to capture customers.

Invest in research and development

By investing in R&D, manufacturers can consistently innovate and improve their products, meeting evolving consumer preferences. This proactive approach keeps the brand ahead of competitors and mitigates the risk of substitute products.

Buyer & Supplier Power

Suppliers

2nd tier

- Inorganic Chemical Manufacturing in the US
- Organic Chemical Manufacturing in the US
- Petrochemical Manufacturing in the US

1st tier

- Soap & Cleaning Compound Manufacturing in the US
- Chemical Product Manufacturing in the US
- Laminated Plastics Manufacturing in the US

Cosmetic & Beauty Products Manufacturing in the

Buyers

1st tier

- Beauty, Cosmetics & Fragrance Stores in the US
- Pharmacies & Drug Stores in the US
- Supermarkets & Grocery Stores in the US
- Hair & Nail Salons in the US
- Department Stores in the US

2nd tier

IBISWorld

Source: IBISWorld

What power do buyers and suppliers have over the industry?

High | Increasing

Buyer: Changing consumer preferences

- Buyers primarily choose cosmetic and beauty products based on quality and price. These products range from more affordable products with simple formulas to high-end beauty products with skincare benefits. Consumers shop for products and brands that fit their budgets and needs.
- Consumers increasingly favor manufacturers that follow sustainable, eco-friendly and climate-conscious practices, creating opportunities for these producers to target a growing niche. This need to adapt to changing preferences and to attract new buyers pushes companies to develop environmentally friendly alternatives.
- The growing popularity of e-commerce has given consumers access to more information. Online reviews and social media allow consumers to share their experiences, influencing others' buying decisions. Negative reviews can damage a brand's reputation, while positive feedback can boost sales, making consumer opinions highly impactful.

Moderate | Steady

Supplier: Chemicals as commodities

- Being located near upstream chemical suppliers, especially in the Mid-Atlantic region, offers significant cost advantages, such as lower transportation costs and stronger supplier relationships. Reduced transportation and logistics expenses allow for competitive selling prices, giving suppliers considerable influence.
- Large producers have stronger negotiating power because the scale of their operations encourages suppliers to reach long-term contracts with these producers. Large companies maintain low costs through strong supplier relationships, economies of scale and well-established distribution networks. These factors help lower operating expenses, often leading to higher profit.

Key Success Factors

How do successful businesses manage buyer & supplier power?

Develop marketing expertise

Efficient marketing strategies help manufacturers understand consumer preferences and trends, allowing for targeted campaigns that drive brand loyalty and perceived value. This practice can reduce buyer power and allow for better negotiation terms with suppliers.

Secure access to high-quality inputs

Ensuring a steady supply of premium ingredients helps mitigate supplier power. It allows manufacturers to maintain product quality and consistency, fostering consumer trust and discouraging from switching over to competitors.

Companies

No single company accounts for more than 5% of total industry market share.

External Environment

Key Takeaways

The Food, Drug and Cosmetic Act prohibits distributing adulterated cosmetics. This law protects consumers from products containing filthy, putrid, or decomposed substances, ensuring safety and maintaining hygiene standards in cosmetic products.

The FDA doesn't define organic cosmetics or beauty products. However, some brands still use the term to attract consumers. Shoppers should be aware that "organic" labels are not subject to strict regulatory standards.

The federal government imposes tariffs on cosmetic and beauty product imports. These tariffs make imported products comparatively more expensive, influencing consumer choices and the competitive landscape in the domestic market.

Regulation & Policy
Moderate Increasing

Assistance
Moderate Steady

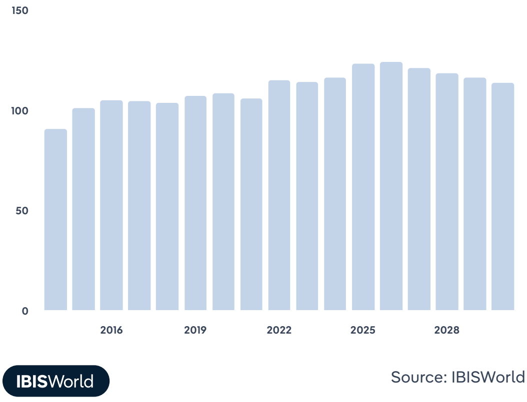
External Drivers

What demographic and macroeconomic factors impact the industry?

The Consumer Confidence Index reflects consumers' sentiments about the economy, including unemployment and disposable income trends. High consumer confidence leads to higher spending on discretionary items like cosmetics. Conversely, unfavorable economic conditions lead to reduced spending on non-essential products, including beauty items, pushing many to postpone or cancel the purchase.

Per capita disposable income shapes individuals' ability to buy cosmetics and beauty products, which include both essential items like shampoo and deodorant and luxury goods such as perfume and makeup. Higher disposable income boosts demand for discretionary products, while lower disposable income pushes consumers to lower non-essential purchases. Rising per capita disposable income represents a potential opportunity for the industry.

Trade-weighted index
Index

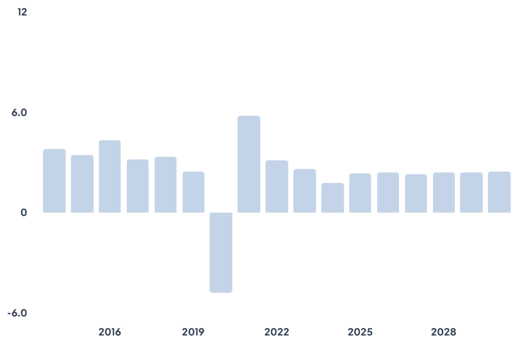


Source: IBISWorld

The trade-weighted index (TWI) measures the strength of the US dollar compared with the currencies of major trading partners. An appreciating US dollar, as measured by the trade-weighted index (TWI), impacts cosmetic and beauty product manufacturing by making US goods less affordable abroad, thereby limiting exports. Conversely, a strong dollar makes foreign products cheaper, reducing domestic demand for US-made items.

Research and development expenditure

Growth

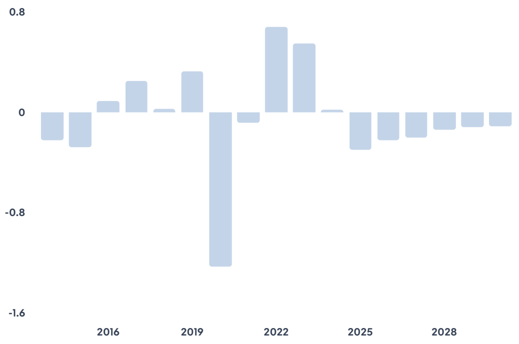


IBISWorld Source: IBISWorld

Investment in research and development drives new product development in the industry. When companies allocate more resources toward innovation, they access advanced ingredients and methodologies for producing cutting-edge beauty products. New product development is crucial for manufacturers to adapt to consumer preferences and remain competitive. Such efforts are particularly responsive to demographic shifts and macroeconomic conditions influencing spending power and demand.

Labor force participation rate of women

Growth



IBISWorld Source: IBISWorld

Women's labor force participation rate, which measures the percentage of civilian, noninstitutionalized women aged 16 and older who are either employed or actively seeking work, significantly affects demand for cosmetics and beauty products. Higher participation typically boosts demand, while a decline poses risks for manufacturers, indicating that demographic shifts in employment influence sales. A falling women's labor force participation rate poses a potential threat to manufacturers.

Regulation & Policy

Moderate Increasing

What regulations impact the industry?

Food and Drug Administration

The Food and Drug Administration (FDA) oversees the cosmetic and beauty product manufacturing industry by enforcing laws concerning production, labeling, and marketing. Companies such as L'Oréal and Estée Lauder must comply with detailed labeling and safety standards to meet regulatory requirements. These regulations impact major producers by mandating specific information on product labels and necessitating thorough testing to align with federal standards. The FDA doesn't set a definition for "organic" cosmetics, but brands frequently use this term in marketing.

Food, Drug and Cosmetic Act

The Food, Drug and Cosmetic Act imposes strict regulations on beauty products by banning the sale of cosmetics containing harmful substances. This act aims to prevent contamination, significantly reducing health risks such as skin infections and allergic reactions. Manufacturers must rigorously test their products for safety before hitting the market. High-profile recalls, like those involving products found to contain asbestos and lead, show the critical role these regulations play in maintaining consumer trust and ensuring public health.

Fair Packaging and Labeling Act

The Fair Packaging and Labeling Act (FPLA) requires beauty product labels to provide clear and accurate product details, such as net weight, ingredients and manufacturer information. This regulation aims to prevent misleading labels and ensure consumers have the information they need. Non-compliance can lead to recalls and reputational challenges, illustrated by past cases involving mislabeled skincare products. Violations may result in penalties, highlighting the necessity for compliance and transparency in product labeling within the industry.

California Safe Cosmetics Act

The California Safe Cosmetics Act of 2005 requires cosmetic companies selling products in California to disclose ingredients containing chemicals linked to cancer or reproductive harm. It particularly targets phthalates, a common chemical family in personal care products. This regulation aims to boost consumer safety through increased transparency. Companies, including industry giants like Johnson & Johnson, have re-engineered their products to comply with these stringent standards. As a result, the act significantly influences ingredient sourcing, manufacturing processes, and product labeling across the beauty industry.

Microbead-Free Waters Act

The Microbead-Free Waters Act of 2015 prohibits the production of rinse-off toiletries containing plastic microbeads. The legislation, fully effective by July 2017, targets environmental pollution from non-biodegradable plastics. Companies like Procter & Gamble have reformulated products to comply with the ban, transitioning to sustainable alternatives. This shift has pushed the industry to innovate around biodegradable ingredients, ultimately influencing product development and marketing strategies away from traditional production practices and toward eco-friendly solutions.

Environment Protection Agency

The Clean Air Act and Clean Water Act set air and water pollution standards. These regulations establish limits on emissions and discharge, requiring companies to adhere to specific environmental guidelines. For instance, Revlon received attention for not meeting wastewater discharge standards, prompting adjustments in its production practices. These regulatory measures aim to protect the environment while encouraging manufacturers to examine and potentially modify their operations and product formulations to meet compliance requirements.

Assistance

Moderate Steady

What assistance is available to this industry?

Government
Tariffs

Tariffs on cosmetic and beauty products vary based on the item and its materials. Tariffs help domestic manufacturers by creating a price advantage over foreign competitors, thereby fostering local industry growth and potentially leading to increased innovation and job creation within the sector. Tariffs on cosmetics and beauty products range from 4.9% for products like shaving preparations and deodorants to 5.8% for bath salts, somewhat reducing import competition.

Non-government
Personal Care Products Council

The Personal Care Products Council (PCPC), established in 1894, supports more than 600 global cosmetic and beauty product manufacturers. As a national trade association, PCPC offers services across scientific research, government affairs, global strategies, legal and regulatory compliance, public affairs and communications. This assistance helps companies in the beauty sector navigate regulatory complexities and achieve compliance. By providing these specialized services, PCPC fosters industry growth and aids members in successfully adapting to global market demands and regulatory challenges.

Financial Benchmarks

Key Takeaways

Economic instability is squeezing manufacturers' profit. The pinch from inflation and unemployment is forcing customers to limit spending on nonessential purchases, harming gains.

Large producers keep costs low through solid supplier relationships and robust distribution networks. Estée Lauder and L'Oréal produce high-quality products that fetch premium prices, allowing them to maintain higher profit.

Manufacturers face soaring input and packaging costs. While input prices like zinc have begun to stabilize, paper costs have jumped due to demand and supply chain disruptions, contributing to elevated purchase costs.

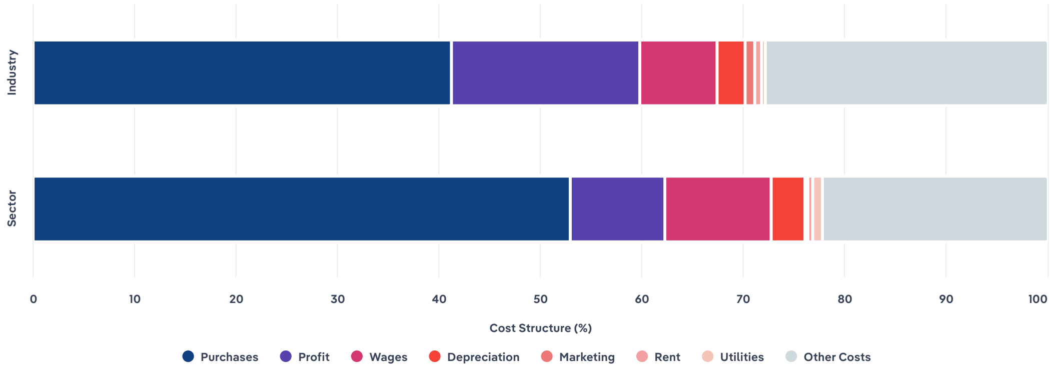
Profit Margin
18.6 % Higher than sector

Average Wage
$62,419 Lower than sector

Largest Cost
Purchases 41.2% of Revenue

Cost Structure Benchmarks

Average operating costs by industry and sector as a share (%) of revenue 2025



IBISWorld

Source: IBISWorld

What trends impact industry costs?

Purchasing inputs account for manufacturers' biggest expense

- Manufacturers must buy inputs, such as alcohols, chemicals, dyes, essential oils and minerals, to use in cosmetics and beauty products. The price of inputs like zinc endured jumps during the early 2020s but stabilized over the following years as volatile demand cooled down.
- Manufacturers must also consider the cost of product packaging. Paper prices have also endured significant volatility, growing an annualized 6.0% since 2020 amid heightened demand and disrupted supply chains. Some companies package products in-house, while others contract packaging and labeling to third-party manufacturers (IBISWorld report 56191).
- Since competition within the industry is intense, manufacturers allocate significant resources to making the packaging appealing, resulting in higher operating costs. Similarly, heightened competition prevents producers from passing cost increases to buyers, preventing purchases from falling significantly as a share of revenue despite its recent inch down.

Macroeconomic instability harms demand for beauty products

- Manufacturing costs and returns are influenced by several factors, including the size of operations, location, supply contracts and product mix. Large companies can leverage supplier relationships and use well-established distribution networks to maintain minimal costs.
- Major brands with diversified product offerings and strong reputations, like Estée Lauder and L'Oréal, appeal to new customers and to those looking for brands with positive reviews. L'Oréal Groupe offers a range of products and prices to appeal to diverse markets, allowing them to capture significant market share

and generate higher profit.

- Heightened macroeconomic uncertainty has impacted consumers' spending habits. Heightened inflationary pressures, elevated unemployment and weaker disposable income have discouraged consumers from buying new cosmetics. This trend, along with rising operating costs, has placed downward pressure on profit.

Shrinking revenue forces manufacturers to spend more on labor

- Manufacturers rely on consistent innovation efforts to drive new product development, so they must allocate significant resources to attract and retain highly skilled employees like scientists. Similarly, producers must secure workers capable of operating this machinery as production processes become more technologically advanced.
- Producers also rely heavily on having a capable marketing and sales department, as maintaining strong relationships with major buyers can enhance brand visibility and boost performance. This becomes more relevant for producers looking to scale operations and enter the traditional retail channels.
- Growing reliance on automated solutions has made producers' wage expenses more stable, although falling revenue has caused wages to inch upward since 2020. Manufacturers have been increasingly integrating artificial intelligence into their operating processes. Although this effort will enhance operating efficiencies, producers must ensure access to workers who can properly manage and implement these systems, contributing to elevated wage costs.

Depreciation costs are significant for large manufacturers

- Depreciation costs are going to vary based on the scale and scope of a manufacturer's operations. Large producers with major operations rely heavily on machinery to satisfy demand and maintain the rate of production, resulting in higher depreciation costs.
- Products like skincare and foundations require more advanced equipment than eyeshadows and lipsticks, as they often rely on more complex chemical reactions. As a result, manufacturers focusing on these product lines will face higher depreciation costs.
- Producers operating at a smaller scale and focusing on simple products don't have to replace equipment as often, exposing them to elevated starting costs but lower maintenance expenses and replacement rates.

Producers must invest heavily on marketing to stand out

- Producers must allocate significant resources toward developing strong advertising efforts to stand out in such a competitive industry. Similarly, manufacturers use advertising, promotional materials, marketing research, product sampling and publicity to build brand awareness.
- Producers adapting to changing consumer behavior and shopping preferences are increasingly leveraging social media and partnerships with influential figures, including celebrities and influencers, to drive the visibility and appeal of their brands to consumers.
- Producers targeting high-end, luxury niches spend less on marketing than other sellers and rely on brand reputation and building relationships with their target market to promote their products. Alternate advertising avenues, like word-of-mouth recommendations, might be more appropriate for producers serving specific, smaller markets.
- With well-established, popular brands dominating most of the industry, smaller producers can struggle to stand out, particularly as many consumers have long-standing relationships with these brands. As a result, smaller producers looking to scale operations must invest heavily in marketing efforts.

Rent costs are fixed and face little volatility

- Manufacturers must secure a production facility. Manufacturers operating at a larger scale often have multiple facilities dedicated to different purposes, including manufacturing, R&D and distribution efforts. Despite this, rent rarely is producers' largest expense.
- Rent costs are often fixed. Many producers avoid moving their operations until necessary to scale up production because disruptions to operations can cause elevated moving costs. These factors prevent fluctuating rent expenses.

Utilities account for manufacturers' smallest costs

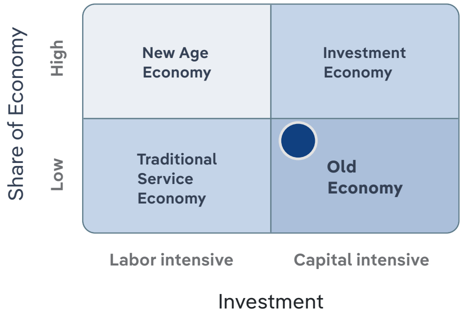
- Utility costs for contractors include electric, water and gas. These costs account for the smallest share of revenue and are typically fixed and stable.
- Producers that have adopted sustainable manufacturing practices and bought energy-efficient machinery will benefit from lower utility costs, preventing utilities from growing as a share of revenue.
- Beauty products manufacturers face significantly lower utility costs than the overall manufacturing sector. Other manufacturing segments rely on heavier machinery that needs more power, pushing utility costs higher.

Product success depends on research and development

- Other expenses account for manufacturers' second-largest cost. Producers allocate significant resources to the accounting and legal departments. Similarly, producers have to cover expenses related to waste management, compliance with laws regarding intellectual property, labeling, environmental and labor factors. Ensuring compliance with these regulations is crucial.
- Producers allocate significant resources toward R&D efforts to adapt to changing consumer preferences and develop more efficient production processes. By focusing on developing new products, these manufacturers can attract more buyers and support performance.

Old Economy

Share of economy vs. Investment



IBISWorld

Source: IBISWorld

Financial Ratios

Days' Receivables
45.0 Higher than sector

Interest Coverage
4.9 Higher than sector

Debt/Net Worth
2.6 Higher than sector

Industry Multiples

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
EBIT/Revenue	18.7	19.2	20.0	15.8	15.9	17.2	17.9	20.2
EBITDA/Revenue	24.5	23.7	24.3	19.2	19.1	20.8	22.1	25.3
Leverage Ratio	12.3	11.8	11.2	16.2	5.2	10.9	11.4	11.0

Industry Tax Structure

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Taxes Paid/Revenue	5.6	3.6	3.4	2.6	2.4	2.8	3.5	4.4

Income Statement

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Total Revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Business receipts	90.9	93.5	93.2	100.2	112.1	101.9	98.0	94.8
Cost of goods	45.2	56.2	54.3	44.5	43.9	47.6	48.8	48.8
Gross Profit	54.8	43.8	45.7	55.5	56.1	52.4	51.2	51.2
Expenses								
Salaries and wages	9.7	6.0	3.2	6.4	6.3	5.3	6.3	6.8
Advertising	2.9	2.4	2.1	2.5	2.4	2.3	2.4	2.2
Depreciation	5.0	2.5	2.5	1.8	1.9	2.1	2.7	3.8
Depletion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	0.8	2.1	1.8	1.5	1.4	1.6	1.5	1.3
Rent paid	4.0	0.9	1.4	1.5	1.4	1.4	1.9	1.7
Repairs	0.5	0.7	0.6	0.5	0.7	0.6	0.6	0.6
Bad debts	3.8	0.5	1.0	0.2	0.2	0.4	1.1	0.7
Employee benefit programs	1.9	1.9	1.6	1.5	1.9	1.7	1.8	1.9
Compensation of officers	2.8	1.0	1.4	0.8	0.8	1.0	1.4	1.4
Taxes paid	5.6	3.6	3.4	2.6	2.4	2.8	3.5	4.4
Interest Income	5.3	1.2	1.3	1.2	1.1	1.2	2.0	2.4
Other Income								
Royalties	3.8	2.1	1.9	0.3	0.3	0.8	1.7	1.5
Rent Income	0.0	1.1	0.9	0.3	0.3	0.5	0.5	0.7
Net Income	7.7	12.5	13.4	9.7	10.2	11.1	10.7	11.4

Balance Sheet

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Assets								
Cash and Equivalents	0.7	3.6	1.2	1.3	1.2	1.2	1.6	2.1
Notes and accounts receivable	23.2	24.3	25.6	12.5	12.3	16.8	19.6	17.0
Allowance for bad debts	0.1	1.8	1.1	0.9	0.9	1.0	1.0	0.8
Inventories	11.6	11.5	13.1	9.3	9.4	10.6	11.0	12.1
Other current assets	3.0	1.7	2.4	3.1	3.1	2.9	2.6	2.4
Other investments	32.8	41.1	16.4	11.1	10.5	12.7	22.4	20.7
Property, Plant and Equipment	14.0	15.4	15.4	10.5	10.2	12.0	13.1	14.9
Accumulated depreciation	7.7	8.7	8.9	5.5	5.2	6.5	7.2	9.6
Intangible assets (Amortizable)	18.9	8.9	10.5	14.8	14.2	13.2	13.5	14.4
Accumulated amortization	1.6	2.2	2.3	1.8	1.7	1.9	1.9	3.1
Other assets	3.6	18.3	7.5	5.2	5.2	6.0	8.0	7.6
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Accounts payable	15.6	20.7	16.2	8.6	8.6	11.1	13.9	13.9
Liabilities and Net Worth								
Mort, notes, and bonds under 1 yr	16.8	7.4	5.1	7.7	7.7	6.9	8.9	8.3
Other current liabilities	5.6	6.0	4.7	6.1	5.8	5.5	5.6	5.3
Loans from shareholders	2.0	4.4	18.7	3.6	3.4	8.6	6.4	6.5
Mort, notes, bonds, 1 yr or more	36.8	47.9	20.6	35.6	35.7	30.6	35.3	31.1
Other liabilities	6.4	10.2	6.3	9.8	9.9	8.6	8.5	7.5
Total liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Capital stock	3.9	7.5	13.2	6.0	5.0	8.1	7.1	7.1
Additional paid-in capital	28.4	41.2	27.5	31.5	29.6	29.5	31.6	32.8
Retained earnings, appropriated	0.5	0.5	1.8	0.5	0.5	0.9	0.7	0.9
Retained earnings-unappropriated	10.4	11.8	10.3	13.8	14.2	12.8	12.1	14.0
Cost of treasury stock	6.7	7.4	21.4	9.2	9.1	13.2	10.8	10.8
Net worth	41.4	32.3	33.5	39.6	38.4	37.2	37.0	40.4

Liquidity Ratios

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Current Ratio	1.0	1.3	1.7	1.3	1.3	1.4	1.3	1.3
Quick Ratio	0.7	1.0	1.2	0.9	0.9	1.0	0.9	0.9
Sales/Receivables	1.4	1.5	1.4	2.6	8.1	4.0	3.0	2.9
Days' Receivables	254.8	248.8	254.7	141.5	45.0	147.1	189.0	169.7
Days' Inventory	283.3	209.6	239.7	237.9	78.5	185.4	209.8	245.3
Inventory Turnover	1.3	1.7	1.5	1.5	4.7	2.6	2.1	1.8
Payables Turnover	1.0	1.0	1.2	1.7	5.1	2.7	2.0	1.6
Days' Payables	379.8	376.5	296.9	218.1	71.3	195.4	268.5	282.4
Sales/Working Capital	1.6	2.0	1.4	2.3	7.9	3.9	3.0	2.7

Coverage Ratios

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Interest Coverage	3.4	6.3	6.3	4.5	4.9	5.2	5.1	4.9
Debt Service Coverage Ratio	0.5	0.5	0.6	0.2	0.2	0.3	0.4	1.2

Leverage Ratios

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Fixed Assets/Net Worth	1.1	1.3	1.4	1.0	1.0	1.1	1.2	1.2
Debt/Net Worth	2.4	3.1	3.0	2.5	2.6	2.7	2.7	2.5
Tangible Net Worth	0.4	0.3	0.3	0.4	0.4	0.4	0.4	0.4

Operating Ratios

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Return on Net Worth, %	15.0	21.2	21.9	12.8	41.3	25.3	22.4	20.3
Return on Assets, %	6.2	6.8	7.3	5.1	15.9	9.4	8.3	8.1
Sales/Total Assets	0.3	0.4	0.4	0.3	1.0	0.6	0.5	0.4
EBITDA/Revenue	24.5	23.7	24.3	19.2	19.1	20.8	22.1	25.3
EBIT/Revenue	18.7	19.2	20.0	15.8	15.9	17.2	17.9	20.2

Cash Flow & Debt Service Ratios (% of sales)

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Cash from Trading	94.0	33.0	58.1	50.2	65.1	57.8	60.0	54.8
Cash after Operations	68.7	26.9	43.3	40.4	48.2	44.0	45.5	42.0
Net Cash after Operations	62.1	23.6	46.2	36.0	58.6	46.9	45.3	40.0
Debt Service P&I Coverage	1.0	1.0	2.5	1.2	4.7	2.8	2.1	1.8
Interest Coverage (Operating Cash)	11.4	7.7	14.5	10.2	18.2	14.3	12.4	9.7

Key Ratios

Year	Revenue per Employee ($)	Revenue per Enterprise ($ Million)	Employees per Estab. (Units)	Employees per Ent. (Units)	Average Wage ($)	Wages/ Revenue (%)	Estab. per Enterprise (Units)	IVA/ Revenue (%)	Imports/ Demand (%)	Exports/ Revenue (%)
2002	838,892	47.4	53.5	56.5	69,494	8.3	1.1	32.6	8.1	9.1
2003	843,639	39.9	44.7	47.3	73,992	8.8	1.1	31.1	9.7	10.4
2004	1,066,349	43.6	38.6	40.9	77,889	7.3	1.1	29.7	10.0	10.5
2005	1,151,202	47.0	38.9	40.9	79,556	6.9	1.1	27.5	10.2	10.7
2006	1,190,110	43.2	34.7	36.3	75,712	6.4	1.0	24.1	9.8	10.9
2007	1,203,432	42.7	34.3	35.5	74,238	6.2	1.0	23.2	9.9	11.0
2008	1,101,784	34.5	30.4	31.3	75,812	6.9	1.0	30.1	11.8	13.8
2009	1,051,259	27.5	25.6	26.2	76,410	7.3	1.0	33.7	12.6	15.2
2010	1,105,570	24.9	22.0	22.5	76,018	6.9	1.0	28.8	14.2	16.6
2011	1,189,931	23.5	19.4	19.8	79,254	6.7	1.0	28.5	14.4	15.7
2012	1,105,806	20.4	18.1	18.4	73,537	6.7	1.0	27.9	16.7	17.9
2013	1,110,802	18.9	16.7	17.0	72,416	6.5	1.0	29.4	18.1	18.8
2014	1,241,152	19.5	15.5	15.7	75,149	6.1	1.0	33.6	17.6	17.7
2015	1,309,772	18.3	13.8	14.0	74,768	5.7	1.0	41.5	17.0	16.9
2016	1,195,498	16.8	13.8	14.0	74,422	6.2	1.0	37.9	19.2	17.8
2017	1,062,173	16.3	15.1	15.4	75,039	7.1	1.0	25.4	21.0	19.6
2018	1,039,869	16.6	15.7	16.0	70,807	6.8	1.0	30.5	21.4	19.3
2019	1,106,500	14.8	13.2	13.4	71,952	6.5	1.0	28.2	21.3	20.0
2020	922,676	12.2	13.1	13.3	68,830	7.5	1.0	27.6	21.9	19.9
2021	918,767	11.1	12.0	12.1	66,153	7.2	1.0	23.9	26.3	21.4
2022	828,070	9.4	11.2	11.4	62,584	7.6	1.0	22.3	29.5	22.9
2023	824,951	9.2	11.0	11.2	62,534	7.6	1.0	25.3	30.4	22.6
2024	817,341	9.0	10.8	11.0	62,417	7.6	1.0	25.1	32.8	22.6
2025	817,318	8.8	10.6	10.8	62,419	7.6	1.0	25.5	32.5	22.8
2026	820,937	8.7	10.4	10.6	62,474	7.6	1.0	25.3	31.8	23.1
2027	819,404	8.5	10.3	10.4	62,451	7.6	1.0	25.2	31.5	23.3
2028	817,685	8.4	10.1	10.2	62,425	7.6	1.0	25.5	31.2	23.4
2029	814,863	8.2	10.0	10.1	62,382	7.7	1.0	26.1	30.8	23.6
2030	812,332	8.1	9.9	10.0	62,342	7.7	1.0	26.4	30.7	23.6
2031	810,533	8.1	9.8	9.9	62,316	7.7	1.0	26.6	30.5	23.8

Key Statistics

Industry Data

Values

Year	Revenue ($ Million)	IVA ($ Million)	Estab. (Units)	Ent. (Units)	Employment (Units)	Exp. ($ Million)	Imp. ($ Million)	Wages ($ Million)
2002	56,402.0	18,388.1	1,257	1,189	67,234	5,122.2	4,508.8	4,672.3
2003	52,827.0	16,411.1	1,400	1,324	62,618	5,509.2	5,058.3	4,633.2
2004	58,207.7	17,289.0	1,415	1,336	54,586	6,108.0	5,792.8	4,251.7
2005	62,617.4	17,193.8	1,400	1,331	54,393	6,680.2	6,326.5	4,327.3
2006	67,250.7	16,211.2	1,630	1,558	56,508	7,328.5	6,518.1	4,278.3
2007	72,642.8	16,856.3	1,759	1,700	60,363	7,980.4	7,094.4	4,481.2
2008	63,924.4	19,216.5	1,907	1,852	58,019	8,797.8	7,369.8	4,398.5
2009	54,446.8	18,367.5	2,025	1,977	51,792	8,262.6	6,648.2	3,957.4
2010	55,307.3	15,933.2	2,273	2,224	50,026	9,163.1	7,648.0	3,802.9
2011	59,953.5	17,107.6	2,597	2,549	50,384	9,384.2	8,499.4	3,993.1
2012	55,747.0	15,563.0	2,790	2,739	50,413	9,966.2	9,164.3	3,707.2
2013	55,112.4	16,176.0	2,965	2,918	49,615	10,334.6	9,918.8	3,592.9
2014	59,786.3	20,111.7	3,116	3,069	48,170	10,580.3	10,477.7	3,619.9
2015	62,342.5	25,886.4	3,453	3,400	47,598	10,514.3	10,603.2	3,558.8
2016	58,016.3	22,011.7	3,517	3,463	48,529	10,343.6	11,316.3	3,611.6
2017	55,783.2	14,174.9	3,474	3,416	52,518	10,908.2	11,903.8	3,940.9
2018	58,123.5	17,729.5	3,557	3,503	55,895	11,193.3	12,809.5	3,957.8
2019	55,980.0	15,763.6	3,820	3,770	50,592	11,202.5	12,116.0	3,640.2
2020	47,981.0	13,249.5	3,971	3,918	52,002	9,567.8	10,763.7	3,579.3
2021	46,570.5	11,122.5	4,235	4,180	50,688	9,944.0	13,052.6	3,353.2
2022	43,587.9	9,706.9	4,714	4,625	52,638	9,998.7	14,031.7	3,294.3
2023	44,261.1	11,187.8	4,874	4,787	53,653	10,008.0	14,957.7	3,355.1
2024	44,219.8	11,114.2	5,013	4,933	54,102	10,010.7	16,727.3	3,376.9
2025	45,264.7	11,535.7	5,224	5,146	55,382	10,320.3	16,817.6	3,456.9
2026	46,864.0	11,836.7	5,476	5,399	57,086	10,832.4	16,814.5	3,566.4
2027	48,031.0	12,100.1	5,705	5,631	58,617	11,175.8	16,946.2	3,660.7
2028	49,194.4	12,537.6	5,943	5,872	60,163	11,524.1	17,060.8	3,755.7
2029	50,333.3	13,132.4	6,176	6,109	61,769	11,872.8	17,150.9	3,853.3
2030	51,306.9	13,561.3	6,370	6,306	63,160	12,131.1	17,377.8	3,937.5
2031	52,448.8	13,943.7	6,576	6,515	64,709	12,468.0	17,522.3	4,032.4

Note

Figures are inflation adjusted to 2025

Industry Data

Annual Change

Year	Revenue %	IVA %	Estab. %	Ent. %	Employment %	Exp. %	Imp. %	Wages %
2002	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2003	-6.3	-10.8	11.4	11.4	-6.9	7.6	12.2	-0.8
2004	10.2	5.3	1.1	0.9	-12.8	10.9	14.5	-8.2
2005	7.6	-0.6	-1.1	-0.4	-0.4	9.4	9.2	1.8
2006	7.4	-5.7	16.4	17.1	3.9	9.7	3.0	-1.1
2007	8.0	4.0	7.9	9.1	6.8	8.9	8.8	4.7
2008	-12.0	14.0	8.4	8.9	-3.9	10.2	3.9	-1.8
2009	-14.8	-4.4	6.2	6.7	-10.7	-6.1	-9.8	-10.0
2010	1.6	-13.3	12.2	12.5	-3.4	10.9	15.0	-3.9
2011	8.4	7.4	14.3	14.6	0.7	2.4	11.1	5.0
2012	-7.0	-9.0	7.4	7.5	0.1	6.2	7.8	-7.2
2013	-1.1	3.9	6.3	6.5	-1.6	3.7	8.2	-3.1
2014	8.5	24.3	5.1	5.2	-2.9	2.4	5.6	0.8
2015	4.3	28.7	10.8	10.8	-1.2	-0.6	1.2	-1.7
2016	-6.9	-15.0	1.9	1.9	2.0	-1.6	6.7	1.5
2017	-3.8	-35.6	-1.2	-1.4	8.2	5.5	5.2	9.1
2018	4.2	25.1	2.4	2.5	6.4	2.6	7.6	0.4
2019	-3.7	-11.1	7.4	7.6	-9.5	0.1	-5.4	-8.0
2020	-14.3	-15.9	4.0	3.9	2.8	-14.6	-11.2	-1.7
2021	-2.9	-16.1	6.6	6.7	-2.5	3.9	21.3	-6.3
2022	-6.4	-12.7	11.3	10.6	3.8	0.5	7.5	-1.8
2023	1.5	15.3	3.4	3.5	1.9	0.1	6.6	1.8
2024	-0.1	-0.7	2.9	3.0	0.8	0.0	11.8	0.6
2025	2.4	3.8	4.2	4.3	2.4	3.1	0.5	2.4
2026	3.5	2.6	4.8	4.9	3.1	5.0	0.0	3.2
2027	2.5	2.2	4.2	4.3	2.7	3.2	0.8	2.6
2028	2.4	3.6	4.2	4.3	2.6	3.1	0.7	2.6
2029	2.3	4.7	3.9	4.0	2.7	3.0	0.5	2.6
2030	1.9	3.3	3.1	3.2	2.3	2.2	1.3	2.2
2031	2.2	2.8	3.2	3.3	2.5	2.8	0.8	2.4

Note

Figures are inflation adjusted to 2025

Key Success Factors

How do successful businesses overcome volatility?

Leverage economies of scale to lower unit costs

Manufacturers can benefit significantly by leveraging economies of scale to reduce unit costs. This strategy enables them to compete effectively and safeguard their profits in a volatile market.

Expand and curtail operations rapidly in line with market demand

Keeping an eye on market fluctuations and customers' interests is critical for devising strategic business plans; this assists manufacturers in effectively satisfying market needs and reducing revenue fluctuations.

What products or services do successful businesses offer?

Promote products effectively

Strategic marketing drives brand awareness and attracts customers. Using social media, influencers and targeted ads helps cosmetic brands reach their target audience, generate buzz and drive sales.

Establish brand names

A trusted brand name builds consumer confidence and loyalty. A reputable brand can differentiate products from competitors and ensure long-term customer engagement and retention.

Present products attractively

Visual appeal is crucial in the cosmetics industry. Having attractive packaging and presentation attracts consumers, influencing buying decisions and enhancing the perceived value of the products.

How do businesses use location to their advantage?

Operate in a location that is close to key markets

Reduced transportation costs are a significant benefit of being close to key markets. Cost savings can be achieved when goods and services don't need to be transported over long distances, potentially improving profits.

Identify and assess demographic and social trends

Manufacturers must adapt to shifting consumer preferences influenced by social trends to ensure product alignment. It's crucial to be located in a region with favorable demographics, labor availability and supply chain efficiency to succeed.

How do successful businesses handle concentration?

Conduct market research

Market research helps manufacturers understand customer needs and preferences. By staying informed, manufacturers can produce cosmetics and beauty products that meet consumer preferences, enabling them to stay ahead of competitors in a concentrated market.

Secure economies of scale

Achieving economies of scale can lower production costs, allowing manufacturers to offer competitive prices. Manufacturers lower per-unit production costs and maintain quality standards by producing in larger quantities, boosting profit and making them more competitive.

How can potential entrants overcome barriers to entry?

Develop strong technical product knowledge

Expertise in product formulation and ingredients enables manufacturers to create high-quality, safe and effective beauty products. This technical knowledge helps build consumer trust and meet regulatory standards, facilitating a successful market entry.

Develop new products

Launching new and trendy products helps manufacturers stay ahead of competitors and cater to evolving consumer preferences, ensuring they maintain market relevance and customer loyalty.

How do successful businesses compete with substitutes?

Produce a differentiated product

Manufacturers must offer unique products to stand out in the crowded market. Using distinct ingredients, packaging or branding can create a strong identity, making it harder for substitutes to capture customers.

Invest in research and development

By investing in R&D, manufacturers can consistently innovate and improve their products, meeting evolving consumer preferences. This proactive approach keeps the brand ahead of competitors and mitigates the risk of substitute products.

How do successful businesses manage buyer & supplier power?

Develop marketing expertise

Efficient marketing strategies help manufacturers understand consumer preferences and trends, allowing for targeted campaigns that drive brand loyalty and perceived value. This practice can reduce buyer power and allow for better negotiation terms with suppliers.

Secure access to high-quality inputs

Ensuring a steady supply of premium ingredients helps mitigate supplier power. It allows manufacturers to maintain product quality and consistency, fostering consumer trust and discouraging from switching over to competitors.

Call Prep Questions

Role Specific Questions

Sales & Marketing

How is your company affected by imports?

- Rising imports pressure industry demand, as domestic demand for imports eats into demand for industry goods. Decreasing imports increases domestic demand.

How have imports from low-wage countries like China and Mexico impacted your operations?

- Low-cost industry imports satisfy demand from low-income consumers, while luxury imports, such as products from France, satisfy demand from high-earning consumers.
- Low-wage countries tend to be able to offer lower prices since input costs are lower.

Strategy & Operations

Has your company been exposed to volatile input prices over the past few years?

- Fluctuations in the world price of crude oil over the past five years have had a strong impact on industry purchase costs and profit margins in recent years.

Has your company explored acquisition opportunities in areas with well-established infrastructure?

- Acquisition activity is prevalent among the largest players in this industry, as large industry operators acquire small players in order to expand market share.

Technology

Is your company investing in technology like augmented reality to establish a competitive edge?

- Investment research and development (R&D) is key to success in this industry, since operators rely on R&D to set themselves apart.
- Companies are increasingly focusing on environmentally friendly technology processes to adapt to consumer preferences.

Have you been able to automate your manufacturing process to ensure fast turnaround time?

- Trends in this industry change rapidly so operators that can identify trends, manufacture products then get the products to shelf quickly have a competitive advantage.
- The unique circumstances brought by the coronavirus pandemic challenged operators to adapt quickly.

Compliance

How does your company ensure all health and safety requirements are met?

- Large industry operators hire internal compliance teams that ensure the health and safety of all employees and downstream customers.

Does your company have proactive sustainability goals?

- Many major players in this industry focus heavily on environmentally friendly practices and sustainability goals. Including, reducing carbon dioxide emissions and using more environmentally friendly packaging such as thermoplastic resin.

Finance

How do your company's profit margins compare to your main competitors'?

- The average industry profit margin is relatively high, with large operators, such as Estee Lauder, reporting margins even higher than the average.

How has input price volatility affected profit margins over the past 12 months?

- Industry profit has been supported in recent years by falling input prices, such as the world price of crude oil. The coronavirus has increased volatility in input prices.

External Impacts Questions

Consumer Confidence Index

How linked are the sales to your products to consumer confidence? Does your company produce both essential and nonessential goods to protect revenue?

- Consumers are more likely to purchase cosmetic and beauty products when confidence is high, as many industry goods are considered discretionary.

Trade-weighted index

Do you monitor changes to the trade-weighted index? What percentage of your revenue comes from exports?

- Appreciation of the dollar makes US-made products less affordable for foreign customers, limiting industry exports while boosting imports.

Households earning more than $100,000

What high-end and value-add products do you offer to customers? What percentage of your revenue is derived from luxury products?

- Lavish industry goods retail at a higher price point than most essentials and are large drivers of industry revenue. When the percentage of households earning more than $100,000 in annual revenue increases, so too does demand for nonessentials, which boosts revenue.

Internal Issues Questions

Production of premium goods/services

What premium goods does your company offer? What percentage of your revenue is derived from such products?

- Customers will often purchase premium industry products if they are perceived as being higher-quality goods.
- Consumers with higher disposable income levels are most likely to purchase these goods.

Production of goods currently favored by the market

Which niches, if any, do you cater to? How do you keep track of the latest trends or help set them?

- If not a major player, niche and ultra-niche positioning is important for success in the industry.

Having marketing expertise

How do your market your company's products to the general public? Does your advertising target any specific markets?

- In this highly competitive industry, marketing and brand awareness are very important to gaining market share; however, this factor is somewhat less important in the niche and ultra-niche markets.

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