

Retail Trade • 44612

# Beauty, Cosmetics & Fragrance Stores in the US

Fresh look: A recovering economy and rebounding consumer spending after the pandemic will boost revenue



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# About

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# About This Industry

## Definition

This industry comprises stores that primarily retail cosmetics, perfumes, toiletries and personal grooming products. Operators in this industry include beauty supply stores, specialty cosmetics stores and fragrance stores.

## Codes

2022	45612-Cosmetics, Beauty Supplies, and Perfume Retailers
2022	456120-Cosmetics, Beauty Supplies, and Perfume Retailers
2017	44612-Cosmetics, Beauty Supplies, and Perfume Stores
2017	446120-Cosmetics, Beauty Supplies, and Perfume Stores

## What's Included

- Retailing cosmetics
- Retailing haircare products
- Retailing skincare
- Retailing perfumes
- Retailing toiletries
- Retailing personal grooming products

## Companies

- Ulta Beauty, Inc.
  - Sephora
  - Bath & Body Works, Inc.
- Sally Beauty Holdings, inc.
  - Perfumania
  - Ricky's NYC
- Luxury Perfumes Inc.
  - Nigel Beauty Emporium

## Related Industries

### Domestic industries

#### Competitors

- Pharmacies & Drug Stores in the US
- Hair & Nail Salons in the US
- E-Commerce & Online Auctions in the US
- Mail Order in the US

#### Complementors

- Cosmetic & Beauty Products Manufacturing in the US

### International industries

- Beauty, Cosmetics & Fragrance Stores in Canada
- Cosmetic and Toiletry Retailing in Australia
- Pharmaceutical, Cosmetic and Toiletry Goods Retailing in New Zealand
- Cosmetics & Toiletries Retailers in the UK
- Pharmacies & Drugstores in China

## Related Terms

**BRICK-AND-MORTAR**

A store that has a physical location, as opposed to an online retailer.

**ORGANIC**

A cosmetic made from mineral and plant ingredients rather than derived chemical compounds.

**COSMETIC**

A powder, lotion, lipstick or other preparation for beautifying the face, skin, hair or nails.

**NUTRI-COSMETIC**

A nutritional supplement that supports the function and appearance of the skin.

**E-TAILER**

A retailer that primarily sells goods and services via the internet. Many of these companies do not have brick-and-mortar locations.

## Additional Resources

- Cosmetics Business
- Personal Care Products Council
- Professional Beauty Association
- US Food and Drug Administration

## At a Glance

<b>Revenue</b> <b>\$55.4bn</b> '19-'24 <span>↑ 2.6 %</span> '24-'29 <span>↑ 2.4 %</span>	<b>Employees</b> <b>451k</b> '19-'24 <span>↑ 4.5 %</span> '24-'29 <span>↑ 2.7 %</span>	<b>Businesses</b> <b>179k</b> '19-'24 <span>↑ 5.3 %</span> '24-'29 <span>↑ 3.3 %</span>
<b>Profit</b> <b>\$3.7bn</b> '19-'24 <span>↓ 1.7 %</span>	<b>Profit Margin</b> <b>6.7%</b> '19-'24 <span>↓ 1.6 pp</span>	<b>Wages</b> <b>\$7.6bn</b> '19-'24 <span>↑ 2.9 %</span> '24-'29 <span>↑ 2.7 %</span>

Five-year growth rates display historic and forecast CAGRs

### ➔ Major Players

Company	Revenue	Market Share
Ulta Beauty, Inc.	\$11.0bn	19.9%
Sephora	\$3.7bn	6.7%
Bath & Body Works, Inc.	\$3.0bn	5.4%
Sally Beauty Holdings, Inc.	\$1.8bn	3.2%
Other Companies	\$35.9bn	64.8%

### ⌚ Products and Services

Item	Revenue	Market Share
Cosmetics	\$21.2bn	38.2%
Haircare products	\$14.9bn	26.9%
Skincare products	\$11.6bn	21%
Nail products, deodorants and other products	\$7.7bn	13.9%

### 📊 Key External Drivers

Key External Drivers	Impact
Consumer spending	Positive
Per capita disposable income	Positive
Number of adults aged 20 to 64	Positive
E-commerce sales	Positive

## Key Takeaways

### Performance

- The widespread popularity of skincare in recent years has contributed heavily to growth. Skincare sales cushioned retailers from severe pandemic losses and fueled growth, highlighting the segment's role in the overall market.
- Specialty beauty stores are targeting new markets with eco-conscious, cruelty-free products. Retailers now offer items that are not only environmentally friendly but also offer additional benefits to attract discerning consumers.
- Consumers are increasingly buying beauty products online, benefitting e-commerce platforms. This trend is driving demand for established beauty companies with a well-established online presence.

### External Environment

- E-commerce sales are expected to keep growing. Consumers are shifting their preferences to online shopping, which harms foot traffic at brick-and-mortar stores.
- Most foreign cosmetics aren't subject to tariffs. This leads to more affordable imports, lowering purchase costs and making it easier for consumers to access various international beauty products.

## SWOT

<b>Strengths</b>	Low Imports
	High Profit vs. Sector Average
	Low Customer Class Concentration
	Low Product/Service Concentration
	Low Capital Requirements
<b>Weaknesses</b>	Low & Steady Level of Assistance
	High Competition
	Low Revenue per Employee
<b>Opportunities</b>	High Revenue Growth (2005-2024)
	High Revenue Growth (2019-2024)
	High Revenue Growth (2024-2029)
	Per capita disposable income
<b>Threats</b>	Low Outlier Growth
	Low Performance Drivers
	E-commerce sales

## Executive Summary

**Fresh look: A recovering economy and rebounding consumer spending after the pandemic will boost revenue**

Many consumers purchase beauty products from large retailers like Sephora and Ulta because of their broad product range, expertise and loyalty programs. The pandemic resulted in significant slowdowns in revenue, as consumers were less likely to purchase new cosmetics. However, demand for skin and hair care products soared during this time, protecting the industry from revenue losses. Elevated inflation in 2022 negatively impacted demand for beauty products, as the discretionary nature of these products, combined with weaker disposable income, resulted in shrinking revenue. However, the ongoing economic recovery has largely benefited beauty stores. These factors caused revenue to grow at an estimated CAGR of 2.6% to \$55.4 billion over the past five years, including a 1.5% jump in 2024 alone.

Traditional retailers have faced high competition from various sources, including drugstores, department stores, supercenters and online retailers. Prominent competition prevents retailers from charging higher prices, as consumers can easily switch stores and brands. The rise of e-commerce has negatively impacted retailers operating at a smaller scale, as many of them lack the capabilities and sales volume to offer online shopping, resulting in lower profit and pushing many smaller retailers out of the industry. Beauty stores aim to combat substitutes by improving the in-store shopping experience, carrying products that appeal to new potential customers and setting up e-commerce capabilities.

The growing popularity of environmentally friendly and cruelty-free products will spur growth in new markets, creating opportunities for traditional retailers. Rising per capita disposable income and consumer spending will also boost demand for cosmetics. However, specialty beauty stores will struggle as more consumers favor online retailers, including stores not in the industry, like Amazon, Target and Walmart. E-commerce is likely to be one of the fastest-growing competitive threats to specialized stores, as consumers opt for the convenience and wide selection of products offered online. These trends will lead revenue to strengthen at an estimated CAGR of 2.4% to \$62.3 billion over the next five years.

## Industry Structure

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

# Performance

## Key Takeaways

**The widespread popularity of skincare in recent years has contributed heavily to growth.** Skincare sales cushioned retailers from severe pandemic losses and fueled growth, highlighting the segment's role in the overall market.

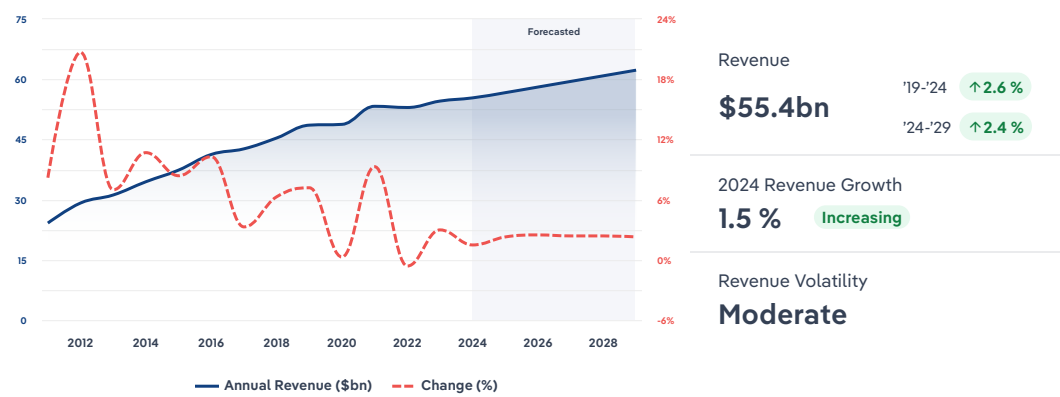
**Specialty beauty stores are targeting new markets with eco-conscious, cruelty-free products.** Retailers now offer items that are not only environmentally friendly but also offer additional benefits to attract discerning consumers.

**Consumers are increasingly buying beauty products online, benefitting e-commerce platforms.** This trend is driving demand for established beauty companies with a well-established online presence.

## Performance Snapshot

### Revenue

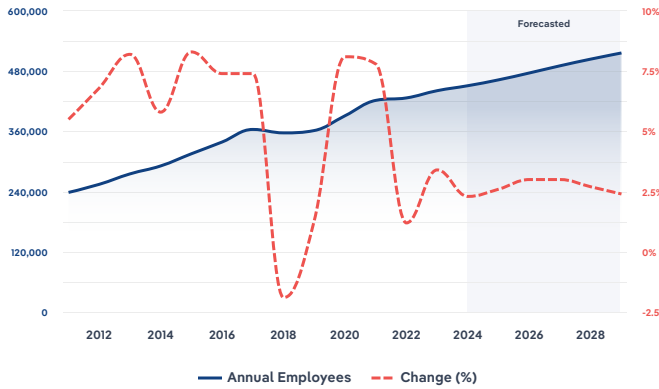
Total value (\$) and annual change from 2011 – 2029. Includes 5-year outlook.





## Employees

Total number of employees and annual change from 2011 – 2029. Includes 5-year outlook.



### Employees

**451k**

'19-'24 **↑ 4.5 %**

'24-'29 **↑ 2.7 %**

### Employees per Business

**3**

'19-'24 **↓ 0.8 %**

'24-'29 **↓ 0.5 %**

### Revenue per Employee

**\$123k**

'19-'24 **↓ 1.8 %**

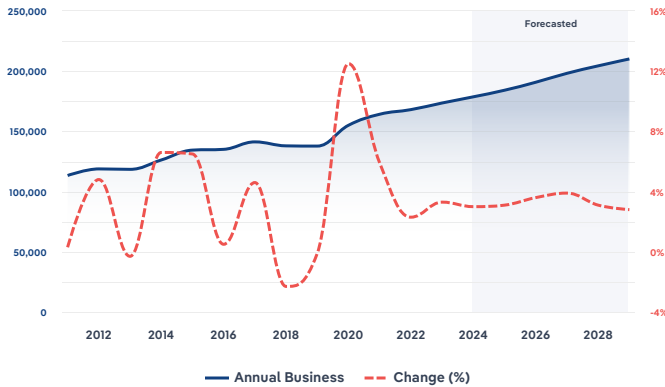
'24-'29 **↓ 0.4 %**

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Source: IBISWorld

## Business

Total number of businesses and annual change from 2011 – 2029. Includes 5-year outlook.



### Businesses

**179k**

'19-'24 **↑ 5.3 %**

'24-'29 **↑ 3.3 %**

### Employees per Business

**3**

'19-'24 **↓ 0.8 %**

'24-'29 **↓ 0.5 %**

### Revenue per Business

**\$310.1k**

'19-'24 **↓ 2.6 %**

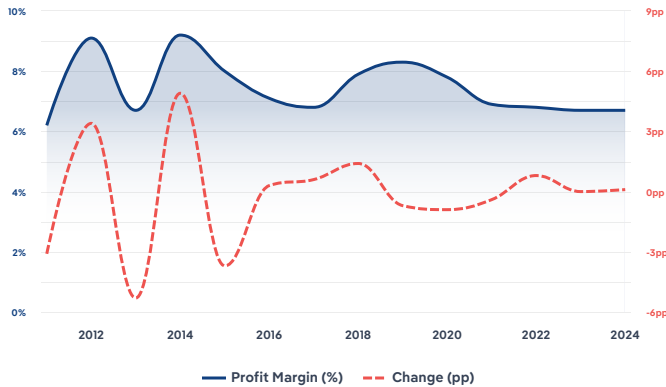
'24-'29 **↓ 0.9 %**

IBISWorld

Source: IBISWorld

## Profit Margin

Total profit margin (%) and annual change from 2011 – 2029



Total Profit

**\$3.7bn**

'19-'24 **↓1.7 %**

Profit Margin

**6.7%**

'19-'24 **↓1.6 pp**

Profit per Business

**\$20,777**

## Current Performance

↑ 2019-24 Revenue CAGR +2.6%

### What's driving current industry performance?

#### Macroeconomic conditions contribute to changes in demand

- Many cosmetics and beauty products are generally considered discretionary in nature. Because of this, beauty product sales are directly impacted by fluctuating macroeconomic conditions, including disposable income, inflation, consumer spending and economic uncertainty.
- The growing popularity of skincare and hair products prevented retailers from facing drastic revenue losses during the initial stages of the pandemic. Although revenue continued to grow during this time, elevated consumer uncertainty slowed growth drastically.
- Elevated inflation in 2022 directly impacted demand for beauty products. Consumers faced rapidly rising prices for products across the board, pushing many to focus on necessities and away from discretionary purchases. Improving economic conditions have enabled demand for beauty stores to continue growing.

#### Beauty retailers reach new audiences

- Millennials and GenX account for the large majority of retailers' customer pool. Manufacturers now produce cosmetics that appeal to this group by reformulating skincare products to yield better results and adding skincare properties to other cosmetics.
- Manufacturers are also increasingly focusing on the male cosmetics space. Cosmetics formulated for men have packaging and scents that appeal to a male audience. Men's inexperience with beauty stores often results in most of these sales taking place online.
- Younger consumers are becoming increasingly aware of consumerism's impact on the environment, increasing demand for naturally derived and eco-friendly personal products. This has pushed retailers to shift their product offerings.
- Foreign cosmetic brands are becoming increasingly popular among domestic consumers. As consumers have become increasingly curious about foreign brands, particularly Asian beauty products, retailers have kept them in stock to adapt to changing consumer preferences.

#### Consumers are increasingly leveraging online shopping

- Consumers are becoming more comfortable purchasing cosmetics and personal care products online, lowering traffic at traditional stores, which particularly harms smaller retailers. Online-exclusive retailers are also strong competitors that offer special promotions and discounts, such as free shipping and free samples, to attract customers.
- Specialized stores face significant competition from other industries, including department stores, drugstores, mass merchandisers and online-only stores. Since lower-priced cosmetics have become higher quality, these stores have become more of a threat, capturing consumers from the bottom three quintiles.

- Non-specialty stores are also reaching exclusivity agreements with beauty brands, such as Sonia Kashuk for Target. Having exclusive agreements with popular brands enables these retailers to lure consumers looking to buy their products.

#### Traditional retailers adapt to rising challenges

- Large stores have stations with mirrors, makeup remover and disinfectant throughout the store to encourage makeup testing. By enabling consumers to test the products before purchasing them, retailers become more popular among users and lower the chances of consumers returning products, supporting performance.
- Consumers who are not as comfortable with makeup are more likely to visit traditional stores, which often have a very knowledgeable workforce. Offering guidance to new users can help build brand loyalty and generate repeat customers.
- Major retailers have benefited from consumers purchasing more cosmetics online, as large stores have had an online presence for multiple years and have operating processes in place. Although this makes the industry more competitive against external threats, stores operating at a smaller scale struggle to compete.

Volatility Moderate

What influences industry volatility?

Changes in macroeconomic conditions impact sales

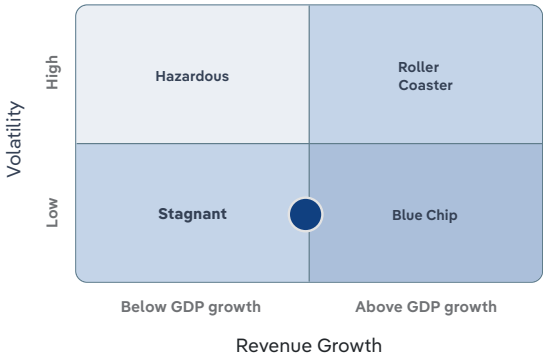
- Changes in macroeconomic conditions influence sales of beauty, cosmetics and fragrances. Personal care items, such as shampoo and moisturizer, are often considered necessities and see less fluctuation in demand.
- During economic downturns, consumers tend to switch to more affordable alternatives. Conversely, improved economic conditions increase disposable income, driving demand for higher-quality and more expensive discretionary beauty products.

The growth in e-commerce harms traditional retailers

- The rise of e-commerce negatively affects traditional retailers. Consumers' growing comfort with online shopping benefits sellers like Amazon, Walmart and Target, while reducing traffic to brick-and-mortar stores.
- Specialized stores, such as Sephora and Ulta, have developed online platforms to remain competitive, allowing them to capture a share of the digital market. Adopting these capabilities enables specialized stores to compete with larger online retailers.

Stagnant

Industry volatility vs. revenue growth (2018-2024 CAGR)



☆ Key Success Factors

How do successful businesses overcome volatility?

Leverage product design, quality and brand strengths

Beauty and fragrance stores thrive on the allure of product design and brand prestige. High-quality offerings build customer loyalty and trust, helping to stabilize sales even when market conditions fluctuate.

Develop a loyal customer base

In an industry driven by repeat purchases, fostering loyalty through rewards programs and personalized experiences ensures steady revenue. Loyal customers are less likely to switch brands during uncertain times, offering a financial buffer.

Outlook ↑ 2024-29 Revenue CAGR +2.4%

What's driving the industry outlook?

### Overall trends impact industry performance

- The ongoing economic recovery is set to support growth in disposable income, allowing consumers to allocate more resources toward increasing discretionary spending and supporting demand for beauty stores.
- Inflationary pressures have begun to slow down, but the inflation rate remains above the Federal Reserve target rate. As the Fed continues to take measures, inflation is likely to stabilize, although slowly. Beauty stores will experience slower growth over the coming years as lower inflation drives consumers to increase discretionary spending.
- During this time, smaller brands without economies of scale or strong negotiating power will have to charge higher prices than major stores, making them struggle to remain competitive. Similarly, changes in consumer preferences are pushing buyers to favor brands with a strong online presence and reputations.

### Retailers offer new products to attract customers

- Retailers will continue curating their product offerings to match changing consumer preferences. By offering more antiaging products, retailers could reach a broader market. Over the coming years, retailers will look to carry environmentally friendly, cruelty-free and natural products.
- As a growing number of consumers become interested in organic products, the subsector will become more regulated, possibly standardizing the definition of organic cosmetics and boosting demand for them.
- Traditional retailers will continue to expand their product range to attract more consumers. Domestic consumers have been growing interested in foreign beauty products, with Korean and Japanese beauty rapidly gaining traction. Stores that adapt their inventory to carry products consumers favor will benefit from faster growth.
- Buyers are becoming interested in skincare and makeup from a younger age, creating opportunities for retailers to expand their product offerings and target younger markets to grow revenue.

### Challenges will continue to emerge

- External competition will continue to threaten demand for specialized beauty stores. Because of this, retailers will have to focus on offering top-tier customer service and allocate significant resources to develop and maintain online sales capabilities.
- Online shopping offers consumers an added layer of convenience and access to information. Consumers can shop for products, read reviews directly on the platform and check in-store inventory. This feature can help stores gain the business of time-pressed and price-sensitive consumers.
- Competition upstream is also set to intensify, boosting competition and encouraging sellers to set themselves apart by offering exclusive products, lower prices or more consumer-oriented services.
- As sampling options and trial-size products become more mainstream and readily available, internet-only retailers will increasingly include these in their websites and as add-ons, threatening local beauty stores.

### Collaborating with beauty influencers can drive traffic

- Celebrity endorsements and influencer collaborations on platforms like Instagram and TikTok will continue to attract consumer attention and boost demand for new, trendy products.
- Younger consumers are increasingly focusing on the ethics behind a brand. Buyers seek products that are cruelty-free and look more deeply into a brand's mission.
- New influencers, particularly those who are Gen Z, are expected to raise their voices and not just sell products based on appearance. Instead, they'll focus on how the ingredients and the brand's history can benefit their audience.
- Factors like disposable income, consumer confidence and increased awareness of environmental and health impacts will continue to significantly influence demand for cosmetic and beauty products.

## Life Cycle

**Mature**

### Why is the industry mature?

#### Contribution to GDP

Beauty retailers are growing at a slower rate than GDP, lowering their contribution. The pandemic, rising economic uncertainty and elevated inflation led to retailers adding less value to the overall economy.

#### Market Saturation

The rise in online beauty retailers has saturated the market, giving consumers more power by offering a broad range of products from different sellers.

## Innovation

Retailers are enhancing the in-store experience by offering 'smart' services, which recommend products that match consumer preferences by using new technologies and artificial intelligence.

## Consolidation

Retailers are increasingly acquiring beauty brands to expand exclusivity, reach, and product range. However, mergers and acquisitions in the beauty sector are becoming less frequent.

## Technology & Systems

Technological advancements like efficient point-of-sale systems and strong online platforms aim to streamline in-store processes and help brick-and-mortar stores compete with online sellers.

## 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

# Products and Markets

## Key Takeaways

**Competition is fierce for personal care products like soap and deodorant.** Many consumers opt for more affordable stores to cut costs.

**Wealthier consumers buy the most products.** Those in the highest income quintile can afford full product lines and higher-quality cosmetics, boosting sales.

Largest Market

**\$21.2bn** Cosmetics

Product Innovation

**Low**

## Products and Services

### How are the industry's products and services performing?

#### Cosmetics continue to generate the most revenue

- Retailers carry a wide range of products, including foundation, eyeliner, eyeshadow, blush and bronzer. These products serve slightly different purposes, meeting the needs of consumers with varying preferences and skin types.
- Buyers are becoming increasingly aware of the effects UV rays have on the skin. As a result, consumer preferences have shifted to favor cosmetics with added skincare features, including sun-protecting, antiaging, illuminating and hydrating benefits.
- Demand for cosmetics is highly dependent on the state of the economy and consumers' ability to allocate resources to discretionary purchases. Rising disposable income in recent years has boosted cosmetics sales at the retail level, and they remain the most popular product line stores carry.
- During the initial hit of the pandemic, consumers lowered cosmetic sales as they attended fewer events. Although demand bounced back quickly as the economy reopened and consumers resumed daily activities, heightened inflationary pressures have slowed revenue growth.

returning to the salon for more elaborate services.

#### Consumers have developed more elaborate skincare routines

- Consumers are becoming increasingly aware of the benefits of having a skincare routine, boosting demand for skincare products. Large investments in research and development at the manufacturing level resulted in new skincare products with added benefits, sparking interest from consumers in skincare.
- Consumers are more likely to purchase more expensive skincare products as high-end products often have better ingredients and better results. Because of this, buyers are more likely to prioritize skincare purchases when consumer spending is weak.
- During the pandemic, consumers had significantly fewer events to wear makeup to as social distancing regulations prevented gatherings and events from being held. Many consumers used this time to develop a skincare routine, with many buyers still following them far after the end of the pandemic, enabling the segment to grow.

#### Different hair types use various hair products

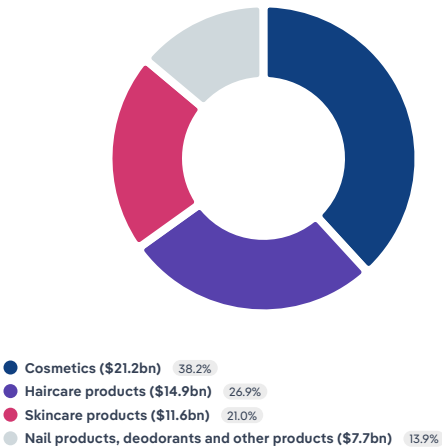
- Haircare products include shampoos, conditioners, sprays, masks and styling products. The haircare market has gained more traction as consumers value haircare routines and products more.
- Manufacturers are increasingly developing product lines targeting different textured hair. By carrying multiple product lines specializing in various hair types, retailers can grow their customer pool, enabling them to enter new markets and boost sales.
- According to Kantar, during the 2020 pandemic, many female consumers grew their hair and invested more heavily in haircare, particularly treatment and styling products. During this time, many consumers couldn't go to the salon amid stay-at-home orders, driving demand for at-home hair products, including colorants.
- Consumers' emphasis on haircare has enabled this trend to spill over to the recovery, with many still following their established routines. However, the segment has taken a hit from consumers

#### The competition to sell other products is prominent

- Other products include nail polish, textured hair, deodorant, fragrances, sunscreen and other personal care products. Many products in this segment are considered necessities, protecting them from changes in disposable income.
- In recent years, the focus on skincare, consumers becoming increasingly aware of the negative effects of UV light and an emphasis on protection against skin cancer has made sunscreen a popular item for consumers.
- Many of the products in this segment are also sold at pharmacies, supermarkets and department stores, which generally provide the same products at similar or lower prices, resulting in significant price-based competition and preventing them from taking over the industry.

Products & Services Segmentation

Industry revenue in 2024 broken down by key product and service lines.



What are innovations in industry products and services? Low

Computerized iQ systems

- Retailers aim to adopt new technologies to retain and attract new customers. Technologies like Skincare iQ, Color iQ and Fragrance iQ are revolutionizing how consumers select beauty products.
- These systems offer tailored consultations, matching cosmetic colors and scents to individual preferences, providing a highly personalized shopping experience. This innovation drives more consumers to visit physical stores.

Adopting new technologies helps operations

- Retailers are increasingly adopting tech solutions like point-of-sale systems and inventory management tools to streamline daily operations. These advancements help improve efficiency and accuracy, particularly when fulfilling online orders.
- Computer-scanning cash registers and automated warehouse equipment are gaining popularity among retailers to enhance operational efficiencies, making such technologies more accessible even for smaller stores.
- Most innovations benefiting retailers happen at the manufacturing level. These innovations impact the beauty store space by introducing new products and services that adapt to evolving consumer demands.

☆ Key Success Factors

What products or services do successful businesses offer?

Present products attractively

Visually appealing displays and packaging capture customer attention, enhance the shopping experience and contribute to the perception of quality and luxury, driving sales and encouraging repeat visits.

Offer a range of home delivery options

Providing convenient delivery options adapts to customer preferences for online shopping, enhancing their experience and satisfaction, which is crucial for retaining customers and staying competitive.



## Major Markets

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

#### Lower-income consumers buy more affordable products

- Consumers in the two lowest income quintiles have limited disposable income, making them more likely to buy more affordable personal care and beauty products at supermarkets and other stores that offer lower prices.
- Traditionally, specialized retailers offer higher-end cosmetics, often at a higher price, resulting in these consumers purchasing significantly fewer products from beauty stores to stay within budget.
- When disposable income rises, consumers from this segment become more likely to splurge on beauty products, but it's focused on particular products rather than purchasing a product line or developing a routine.
- Elevated inflation in recent years has placed downward pressure on demand from lower-income consumers as they allocate more resources toward covering necessities and switch to more affordable or entirely stop buying beauty products.

share of revenue.

- Consumers in this income group benefit from significantly higher disposable income and often aren't directly impacted by changes in macroeconomic conditions, including inflation and economic uncertainty. These trends allow them to generate consistent demand for beauty products.
- Many specialized stores carry various high-end brands, which are more expensive. Retailers carrying these brands target consumers with higher purchasing power, mainly those in the higher-income groups.
- These consumers benefit from the extensive perks companies offer through benefit programs, such as Sephora's Beauty Insider program, as their large purchases enable them to gain more benefits.

### Major Markets Segmentation

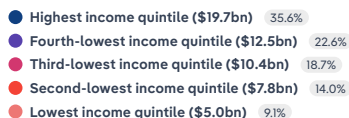
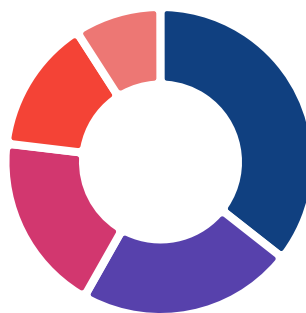
Industry revenue in 2024 broken down by key markets

#### The middle class supports specialty stores

- Middle class buyers include consumers in the third and fourth income quintiles, who often have more disposable income than consumers in the lower quintiles. This enables them to spend more on discretionary purchases, including makeup, skincare and other cosmetics.
- Consumers with higher disposable income often purchase higher-quality cosmetics from specialty stores but continue to purchase the basics from more affordable retailers, such as drugstores, supermarkets and supercenters.
- Rising disposable income has enabled the middle class to purchase more discretionary products, allowing for larger purchases and encouraging buyers to try higher-quality cosmetics, both of which drive spending upward.

#### Wealthier consumers generate the most revenue

- Consumers in the highest quintile have vast resources to purchase cosmetics and other beauty products, including a broad range of high-quality products. The combination of buying more expensive products in larger volumes leads them to account for a significant



IBISWorld

Source: IBISWorld

## International Trade

Some industries don't directly import or export goods. See reports at the manufacturing level for international trade data on relevant products.

# Geographic Breakdown

## Key Takeaways

**Proximity to population hubs boosts foot traffic for businesses.** Increased customer visits lead to higher sales, so many companies operate near metropolitan areas.

**Retailers often operate near trade ports to optimize logistics.** This strategy is driven by the popularity of imported cosmetics among consumers, allowing retailers to cut down on domestic transportation costs.

## Business Locations

State	Establishments Units	Establishments %	Revenue \$m	Revenue %	Wages \$m	Wages %	Employment Units	Employment %
California	25,698	13.1	8,749.4	15.8	1,283.9	16.8	60,897	13.5
Texas	17,656	9.0	5,406.0	9.8	686.6	9.0	41,190	9.1
Florida	17,059	8.7	4,816.6	8.7	613.3	8.0	34,199	7.6
New York	14,358	7.3	4,480.4	8.1	642.7	8.4	31,230	6.9
Illinois	6,943	3.5	2,262.0	4.1	292.0	3.8	18,914	4.2
Georgia	9,386	4.8	2,147.1	3.9	256.8	3.4	17,270	3.8
New Jersey	6,618	3.4	1,688.9	3.0	263.0	3.4	14,343	3.2
Ohio	5,891	3.0	1,431.4	2.6	232.2	3.0	14,701	3.3
Pennsylvania	6,086	3.1	1,586.3	2.9	216.4	2.8	14,185	3.1
North Carolina	6,216	3.2	1,545.3	2.8	203.1	2.7	14,529	3.2
Michigan	5,635	2.9	1,393.4	2.5	183.3	2.4	13,751	3.0
Virginia	5,107	2.6	1,318.4	2.4	176.8	2.3	11,010	2.4
Arizona	3,747	1.9	1,299.0	2.3	180.3	2.4	10,240	2.3
Maryland	4,388	2.2	1,122.7	2.0	164.6	2.2	9,565	2.1
Tennessee	4,379	2.2	1,022.3	1.8	144.7	1.9	9,497	2.1
Washington	2,987	1.5	995.8	1.8	151.7	2.0	8,442	1.9
South Carolina	3,692	1.9	762.3	1.4	106.8	1.4	6,959	1.5
Nevada	2,841	1.5	990.7	1.8	128.2	1.7	6,830	1.5
Louisiana	3,486	1.8	709.2	1.3	94.4	1.2	6,612	1.5
Missouri	3,257	1.7	771.0	1.4	118.3	1.5	7,953	1.8
Colorado	2,941	1.5	904.8	1.6	128.1	1.7	7,512	1.7
Alabama	3,399	1.7	759.1	1.4	99.5	1.3	7,281	1.6
Massachusetts	3,275	1.7	885.8	1.6	128.0	1.7	7,080	1.6
Indiana	2,832	1.4	783.5	1.4	111.1	1.5	6,976	1.5
Minnesota	2,094	1.1	736.9	1.3	93.7	1.2	6,262	1.4
Mississippi	2,646	1.4	469.6	0.8	58.9	0.8	4,541	1.0

State	Establishments Units	Establishments %	Revenue \$m	Revenue %	Wages \$m	Wages %	Employment Units	Employment %
Wisconsin	2,041	1.0	579.4	1.0	76.4	1.0	5,519	1.2
Oregon	1,682	0.9	551.3	1.0	87.9	1.1	4,983	1.1
Connecticut	2,042	1.0	548.8	1.0	82.3	1.1	4,395	1.0
Oklahoma	1,938	1.0	540.9	1.0	71.3	0.9	5,314	1.2
Arkansas	1,793	0.9	377.3	0.7	50.7	0.7	3,759	0.8
Kentucky	1,777	0.9	439.6	0.8	57.0	0.7	4,351	1.0
Utah	1,376	0.7	405.1	0.7	55.9	0.7	3,418	0.8
Kansas	1,356	0.7	348.9	0.6	52.8	0.7	3,859	0.9
Hawaii	1,060	0.5	350.5	0.6	42.5	0.6	2,592	0.6
Iowa	1,099	0.6	315.2	0.6	41.8	0.5	3,128	0.7
Nebraska	812	0.4	203.1	0.4	28.3	0.4	2,269	0.5
New Mexico	821	0.4	200.0	0.4	28.0	0.4	1,871	0.4
Idaho	664	0.3	200.0	0.4	28.3	0.4	1,998	0.4
Delaware	747	0.4	188.3	0.3	21.9	0.3	1,511	0.3
New Hampshire	679	0.3	189.5	0.3	26.0	0.3	1,533	0.3
West Virginia	453	0.2	153.6	0.3	22.0	0.3	1,585	0.4
Rhode Island	545	0.3	150.7	0.3	21.1	0.3	1,301	0.3
Maine	334	0.2	96.3	0.2	11.1	0.1	939	0.2
Montana	300	0.2	94.6	0.2	14.0	0.2	980	0.2
North Dakota	227	0.1	89.4	0.2	12.0	0.2	833	0.2
Alaska	249	0.1	57.2	0.1	11.5	0.2	642	0.1
South Dakota	238	0.1	81.7	0.1	11.3	0.1	787	0.2
Wyoming	143	0.1	58.8	0.1	11.3	0.1	481	0.1
Vermont	131	0.1	28.8	0.1	4.9	0.1	272	0.1

## Where are industry businesses located?

### Easy access to population-dense areas is crucial

- Beauty, cosmetics and fragrance stores favor locations near population-dense areas because of the easy access to a larger customer base. Higher foot traffic in these regions often translates to increased sales.
- Retailers based in the Southeast, the Mid-Atlantic and the West benefit greatly; these regions encompass over half the US population and numerous metropolitan cities. This proximity to urban centers makes them attractive hubs for retail operations.

### Proximity to trade ports lowers costs for beauty retailers

- Many beauty, cosmetics and fragrance stores are located near major trade ports. This strategic positioning allows them to minimize domestic transportation costs for imported products.

- The popularity of foreign cosmetic brands, particularly Asian makeup and skincare, is on the rise among domestic consumers. Retailers close to trade ports can access these products more efficiently and economically.

- By being near trade ports, beauty retailers can better navigate the logistics of importing products, thus maintaining competitive pricing and ensuring a steady supply.

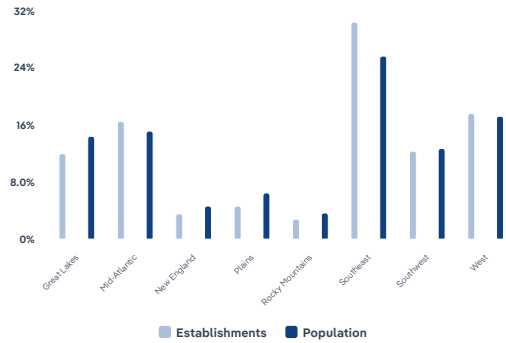
### Remaning near major suppliers creates advantages

- Beauty, cosmetics and fragrance stores are often located near major suppliers to keep transportation costs low and boost profitability. Staying close helps them save on logistics, which can slightly increase their margins.
- By operating near suppliers, these retailers benefit from stronger relationships, which allow them to enter favorable contracts and

reach better pricing. Such strategic positioning helps them stay competitive in a crowded market.

Southeast has the largest spread of businesses compared to its population

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



☆ Key Success Factors

How do businesses use location to their advantage?

Operate in a highly visible location

Beauty stores thrive on foot traffic and impulse buys. A prominent, well-trafficked location maximizes customer visibility, drawing in more potential buyers and boosting sales.

Control inventory

Convenience is key for shoppers in this sector. Being in an easy-to-reach location encourages more frequent visits, enhances customer experience and fosters loyalty, leading to repeat business and higher sales.

# Competitive Forces

## Key Takeaways

- Online retailers benefit from lower operating costs, disrupting the retail market.** This cost advantage has hindered the growth of traditional retailers, who face higher overhead expenses. Many retailers have moved to the online space to become more competitive.
- Retailers with brand deals or agreements carry exclusive products.** This practice fosters consumer loyalty and discourages them from shopping elsewhere.
- Smaller retailers are struggling with rising competition from online stores.** As consumers shift their purchasing habits to e-commerce, these traditional stores are increasingly being pushed out of the market.

Concentration <b>Low</b>	Competition <b>High</b> <span>Increasing</span>	Barriers to Entry <b>Moderate</b> <span>Steady</span>
Substitutes <b>High</b> <span>Increasing</span>	Buyer Power <b>High</b> <span>Increasing</span>	Supplier Power <b>High</b> <span>Steady</span>

## Concentration Low

### What impacts the industry's market share concentration?

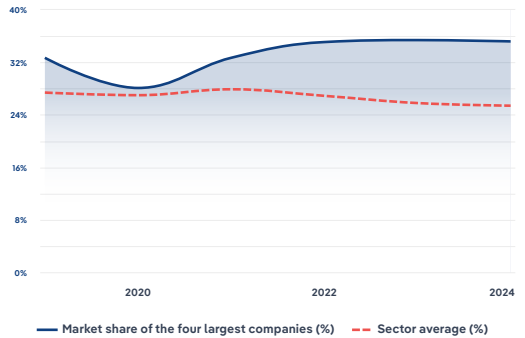
- Well-established retailers with strong brand recognition capture the market**
- The beauty store space is highly fragmented, with a large number of smaller stores dominating the industry. However, large retailers like Ulta and Sephora benefit from strong consumer preferences and exclusivity deals.
  - Larger retailers have contracts and agreements with manufacturers, giving them exclusive access to specific brands or products. These agreements may also enable retailers to reach favorable deals with manufacturers, including lower prices for purchasing large quantities.
  - Growing disposable income will enable large retailers to capture a larger share of the industry as consumers purchase beauty products from well-known, trusted stores and brands.

### Growing competition threatens small stores

- The widespread adoption of online shopping, particularly from sellers like Target and Amazon, negatively impacts traditional retailers, as the added convenience of being able to purchase wants and needs at the same store helps attract consumers.
- Larger retailers, such as Ulta and Sephora, have invested heavily in developing and enhancing their online operations. Developing these platforms has enabled retailers to adapt to changing shopping preferences, capture a larger share of the market and

- make them more competitive against online-only sellers.
- Small stores serving a local market don't have the customer base to justify investing in building a website, limiting the customer pool they can serve. Large retailers will continue to grow as these smaller companies fail to adapt to changing preferences.

**Market Share Concentration**  
Combined market share of the four largest companies in this industry



## ☆ Key Success Factors

## How do successful businesses handle concentration?

### Establish brand names

Building a strong, recognizable brand helps beauty stores stand out. Customers are more likely to trust and choose products from brands they know and perceive as high quality.

### Develop a wide and expanding product range

Offering a diverse range of products ensures that beauty and cosmetics stores can meet various customer needs and preferences, encouraging repeat visits and expanding their customer base.

## Barriers to Entry

Moderate

Steady

### What challenges do potential industry entrants face?

#### Legal

- Retailers are subject to various regulations, mainly focusing on consumer safety, labor laws and accessibility. Although most regulations increase costs at the manufacturing level, the Food and Drug Administration also oversees retailers.

#### Start-up Costs

- Retailers must secure a storefront, acquire products and hire knowledgeable workers before starting operations, resulting in high initial costs. Significant resources must also be allocated toward marketing efforts, as many consumers have established store preferences.

#### Differentiation

- New retailers struggle to differentiate, as Sephora and Ulta dominate the market. However, changes in consumer preferences create opportunities in new product segments, including cruelty-free and natural skin products.

#### Labor Expenses

- Beauty retailers rely heavily on labor to provide a positive shopping experience, manage staff and ensure smooth store operations. Labor expenses are significant because of the need for knowledgeable and skilled employees.

## ☆ Key Success Factors

## How can potential entrants overcome barriers to entry?

### Secure distribution channels

Ensuring products are readily available in stores is crucial. Effective distribution channels help beauty stores maintain consistent stock, meet customer demand and reduce the risk of losing sales due to unavailability.

### Develop marketing expertise

Creative and targeted campaigns help beauty stores stand out in a crowded market, attract loyal customers and drive sales by highlighting product benefits and unique selling points.

## Substitutes

High

Increasing

### What are substitutes for industry services?

#### Pharmacies & Drug Stores

- Pharmacies and drug stores carry affordable brands, making them practical options for buyers with tighter budgets. These stores are a common choice for lower-income consumers, offering both affordability and convenience.

- Pharmacies and drug stores typically don't allow consumers to test products or offer in-store support, making buying new products challenging. Shoppers seeking higher-quality cosmetics are more likely to turn to specialized stores for a broader selection and expert guidance.

#### Department Stores

- Department stores provide high-quality, branded products and premium customer service, similar to specialty beauty stores. However, their popularity has declined as specialty stores and online retailers offer a broader range of products and prices.
- Consumers often enjoy the convenience of a one-stop-shop experience in department stores, where they can buy fragrances, cosmetics, clothing and home décor in one location.

#### Online Perfume & Cosmetic Sales

- Companies like Glossier and ColourPop have built successful business models by engaging directly with consumers online, bypassing traditional retail channels and offering unique, trendy products that appeal to tech-savvy shoppers.
- Innovations in augmented reality allow customers to virtually sample products through apps and websites, enhancing the online shopping experience and reducing hesitation associated with buying without physical testing.
- Online stores have multiple downsides, mainly consumers' inability to physically test products. This is especially crucial for cosmetics that need color matching and perfumes, where scent can be highly subjective and vary based on individual body chemistry.

#### ☆ Key Success Factors

### How do successful businesses compete with substitutes?

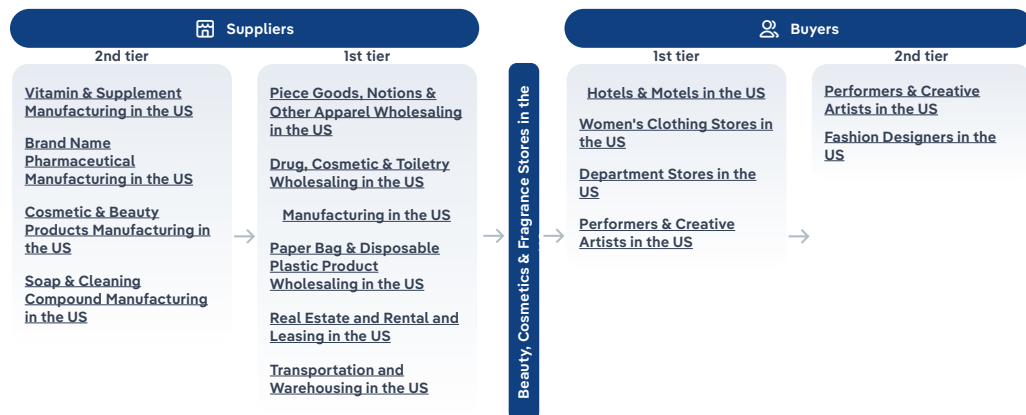
#### Develop a skilled labor force

Training staff to provide expert advice and personalized services enhances the shopping experience, fostering customer loyalty. Knowledgeable employees can effectively recommend products, making it harder for competitors to lure customers away.

#### Market differentiated products

Effective marketing strategies highlighting products' unique features and benefits can capture customer interest and loyalty, making it less likely that they will turn to substitute products.

## Buyer & Supplier Power



IBISWorld

Source: IBISWorld

### What power do buyers and suppliers have over the industry?

High Increasing

**Buyers: Total control over sales**

- Consumers choose beauty retailers based on product range, brand availability, pricing and personal preferences. Stores with strong brand loyalty benefit from lower buyer power, especially when popular brands have exclusivity agreements with particular retailers. These agreements can limit consumer choice and steer them towards specific stores.
- Retailers carrying generic beauty brands face significant challenges in differentiating themselves. Creating consumer loyalty remains difficult, as shoppers can easily switch to competitors without consequences. A lack of differentiation makes it harder for these retailers to retain customers.

High Steady

**Suppliers: Limited alternatives**

- Strong consumer brand preferences result in beauty stores having limited supplier alternatives, making it difficult for retailers to switch suppliers. This dynamic drives supplier power, especially when smaller stores lack leverage in contract negotiations, directly impacting pricing.
- Supplier power is heightened when retailers rely on exclusive products and brand partnerships. Stores differentiating themselves with such relationships have fewer manufacturer or wholesaler options, increasing dependence on specific suppliers.

#### ☆ Key Success Factors

### How do successful businesses manage buyer & supplier power?

#### Offer a competitively priced product

By maintaining attractive pricing, beauty stores can attract cost-conscious buyers and reduce suppliers' leverage in pricing negotiations, ensuring higher sales volumes and better margin.

#### Develop an extensive distribution network

An effective distribution network enhances product availability and market reach, diminishing supplier control and providing consumers with easy access to products. By increasing convenience and options, it mitigates buyer power.





# Companies

## Key Takeaways

**Ulta teams up with Target to provide a unique shopping experience.** The partnership will implement a "shop-in-shops" strategy to attract more consumers by integrating Ulta's offerings within Target stores.

**Sephora has partnered with Shipt to make shopping more convenient.** This collaboration helps Sephora extend its reach and enhances customer convenience by leveraging Shipt's delivery services.

➔ Major Players		
Company	Revenue	Market Share
Ulta Beauty, Inc.	\$11.0bn	19.9%
Sephora	\$3.7bn	6.7%
Bath & Body Works, Inc.	\$3.0bn	5.4%
Sally Beauty Holdings, Inc.	\$1.8bn	3.2%
Other Companies	\$35.9bn	64.8%

## Companies

Company	Market Share (%) 2024	Revenue (\$m) 2024	Profit (\$m) 2024	Profit Margin (%) 2024
Ulta Beauty, Inc.	19.9 ↗	11,046.9 ↗	1,582.1 ↗	14.3 ↗
Sephora	6.6 ↘	3,685.2 ↗	292.7 ↗	7.9 ↘
Bath & Body Works, Inc.	5.4 ↘	2,974.4 ↗	515.4 ↗	17.3 ↘
Sally Beauty Holdings, inc.	3.2 ↘	1,797.0 ↗	350.6 ↗	19.5 ↗
Perfumania	0.0 ↘	26.3 ↘	2.1 ↘	7.9 ↗
Ricky's NYC	0.0 ↘	14.9 ↘	1.2 ↘	7.9 ↘
Luxury Perfumes Inc.	0.0 ↘	7.7 ↘	0.6 ↘	7.9 ↘
Nigel Beauty Emporium	0.0 ↘	1.5 ↘	0.1 ↘	7.9 ↗

## Ulta Beauty, Inc.

### Company Details

Industry Revenue (2024)	\$11.0bn
Industry Profit (2024)	\$1.6bn
Total Employees (2024)	56,000
Industry Market Share (2024)	19.9%

### Description

Ulta Beauty is a public company headquartered in Illinois with an estimated 56,000 employees. In the US, the company has a notable market share in at least four industries: Beauty, Cosmetics & Fragrance Stores, Hair Loss Treatment & Removal, Perfume & Fragrance Stores, Online Perfume & Cosmetic Sales and Online Perfume & Cosmetic Sales. Their largest market share is in the Beauty, Cosmetics & Fragrance Stores industry, where they account for an estimated 19.9% of total industry revenue and are considered a Golden Goose because they display medium to strong market share and strong profit, but slower revenue growth than some of their peers.

Brands & Trading Names

- Ulta Beauty
- Ulta Beauty Collection

Other Industries

- Hair Loss Treatment & Removal in the US
- Online Perfume & Cosmetic Sales in the US
- Perfume & Fragrance Stores in the US

Company's Industry Revenue, Market Share, and Profit Margin Over Time

Year	Market Share (%)	Revenue (\$m)	Profit (\$m)	Profit Margin (%)
2008	16.5	2,360.3	318.4	13.5
2009	16.6	2,477.1	334.1	13.5
2010	16.5	2,651.4	357.6	13.5
2011	16.2	2,871.3	387.3	13.5
2012	13.9	3,022.3	407.7	13.5
2013	13.7	3,238.0	436.7	13.5
2014	13.5	3,589.7	484.2	13.5
2015	13.5	3,947.1	532.4	13.5
2016	13.1	4,266.7	575.5	13.5
2017	14.7	5,021.5	717.6	14.3
2018	15.3	5,696.0	724.3	12.7
2019	16.8	6,806.2	829.0	12.2
2020	13.9	5,721.4	220.2	3.8
2021	17.2	8,113.0	1,219.6	15.0
2022	19.2	9,596.1	1,540.3	16.1
2023	19.7	10,534.9	1,580.2	15.0
2024	19.9	11,046.9	1,582.1	14.3

Sephora

Company Details

Industry Revenue (2024)	\$3.7bn
Industry Profit (2024)	\$292.7m
Total Employees (2024)	46,000
Industry Market Share (2024)	6.6%

Description

Sephora is a private company headquartered in France with an estimated 46,000 employees. In the US, the company has a notable market share in at least one industry: Beauty, Cosmetics & Fragrance Stores, where they account for an estimated 6.6% of total industry revenue.

## Brands & Trading Names

- Sephora Collection

## Company's Industry Revenue, Market Share, and Profit Margin Over Time

Year	Market Share (%)	Revenue (\$m)	Profit (\$m)	Profit Margin (%)
2008	19.3	2,766.7	212.4	7.7
2009	19.4	2,903.6	222.9	7.7
2010	19.4	3,107.9	238.6	7.7
2011	19.0	3,365.7	258.4	7.7
2012	16.3	3,542.7	271.9	7.7
2013	16.0	3,795.4	291.3	7.7
2014	15.8	4,207.7	323.0	7.7
2015	15.9	4,626.7	355.1	7.7
2016	15.4	5,001.3	383.9	7.7
2017	15.3	5,227.3	422.2	8.1
2018	4.1	1,538.0	121.2	7.9
2019	6.9	2,813.6	265.4	9.4
2020	4.5	1,860.8	-37.2	-2.0
2021	5.3	2,488.3	113.0	4.5
2022	6.3	3,154.0	167.3	5.3
2023	6.8	3,631.0	282.4	7.8
2024	6.6	3,685.2	292.7	7.9

## What's impacting Sephora's performance?

### Sephora plans on expanding brick-and-mortar locations with new stores in 2021

- In February 2021, Sephora released an announcement that it is set to expand various company locations that will involve the company opening up 200 company locations inside Kohl stores across over 25 states. The company is focusing on bringing Sephora to more areas and making it more accessible to shoppers across the US.

### Sephora and Shipt announce partnership in March 2022

- In March 2022, Sephora and Shipt, a delivery company, announced that the two are set to work with each other in a new deal that would include Sephora products as part of the latter's services. With this deal being made, Sephora is set to expand its operations in the United States to help transport these products to consumers that use this company's services.

# Bath & Body Works, Inc.

## Company Details

Industry Revenue (2024)	\$3.0bn
Industry Profit (2024)	\$515.4m
Total Employees (2024)	56,900
Industry Market Share (2024)	5.4%

## Description

Bath & Body Works is a public company headquartered in Ohio with an estimated 56,900 employees. In the US, the company has a notable market share in at least two industries: Beauty, Cosmetics & Fragrance Stores, Perfume & Fragrance Stores and Beauty, Cosmetics & Fragrance Stores. Their largest market share is in the Perfume & Fragrance Stores industry, where they account for an estimated 12.6% of total industry revenue.

## Brands & Trading Names

- Bath & Body Works

## Other Industries

- Perfume & Fragrance Stores in the US

## Company's Industry Revenue, Market Share, and Profit Margin Over Time

Year	Market Share (%)	Revenue (\$m)	Profit (\$m)	Profit Margin (%)
2008	11.5	1,654.2	441.3	26.7
2009	11.6	1,736.1	463.1	26.7
2010	11.6	1,858.3	495.7	26.7
2011	11.4	2,012.4	536.8	26.7
2012	9.7	2,118.2	565.0	26.7
2013	9.6	2,269.3	605.4	26.7
2014	9.4	2,515.8	671.1	26.7
2015	9.5	2,766.3	737.9	26.7
2016	9.2	2,990.3	797.7	26.7
2017	10.1	3,459.0	858.0	24.8
2018	9.3	3,452.7	949.3	27.5
2019	5.4	2,180.6	419.6	19.2
2020	6.3	2,593.8	646.6	24.9
2021	6.8	3,177.8	810.0	25.5
2022	6.1	3,044.0	554.0	18.2
2023	5.6	2,991.3	517.4	17.3
2024	5.4	2,974.4	515.4	17.3

## What's impacting Bath & Body Works, Inc.'s performance?

### L Brands finalizes spin-off of Bath and Body Works into its own publicly-traded company

- In May 2021, L Brands announced plan to separate Bath and Body Works and Victoria's Secret into two separate public companies. In August 2021, the split formally went into effect and since the split Bath and Body works has performed well, especially in their brick-and-mortar US division. L Brands believed that the companies would be better suited for growth if they operated under different names. Once Victoria's Secret was spun-off, L Brands formally changed their name to Bath and Body Works LLC (Bath and Body Works).

### Bath and Body works focuses on fashion and on-trend items as one of their product pillars

- Bath and Body works focuses on product development for personal care and home products. They have a dedicated team that partners with merchants and designers who are solely focused on developing products that are on trend. This will enable the company to increase brand relevance and differentiate from competition. For example, Bath and Body Works typically releases new product collections every single month, ensuring that they are keeping up with demand and changing consumer preferences. Additionally, because demand for old scents is so high, the company is re-releasing popular favorites from the '90s, highlighting the company's commitment to their customers.

### Bath and Body works strives towards reducing environmental impact through different channels

- One of Bath and Body Works product pillars is to focus on developing clean and eco-friendly products. The company has introduced recycled plastics across categories and has increasingly looked for suppliers who are committed to sourcing inputs more responsibly. The company has also built a chemical management program and has adopted the Zero Discharge of Hazardous Chemicals Manufacturing Restricted Substances List. Beyond product specific initiatives, Bath and Body Works has also rolled out many energy-efficient projects, such as using LED lamps in stores and offices, as well as creating more efficient routes for product transportation to eliminate emissions.

### Bath and Body Works launches loyalty program with anticipated full launch in 2022

- Bath and Body Works launched a new loyalty program, My Bath and Body Works, in 2021 in four markets, with plans to expand to two additional markets in fall 2021. Members will earn 1 point for every dollar that they spend at Bath and Body Works and when they reach 75 points, they will earn a free item up to \$16.50 at any Bath and Body Works store. With the soft launch, the company has seen loyalty members spend 30% more than non-loyalty members. My Bath and Body works is anticipated to be fully launched in 2021.

## Sally Beauty Holdings, inc.

### Company Details

Industry Revenue (2024)	\$1.8bn
Industry Profit (2024)	\$350.6m
Total Employees (2024)	29,000
Industry Market Share (2024)	3.2%

### Description

Sally Beauty Holdings, inc. is a public company headquartered in Texas with an estimated 29,000 employees. In the US, the company has a notable market share in at least three industries: Janitorial Equipment Supply Wholesaling, Beauty, Cosmetics & Fragrance Stores, Wig & Hairpiece Stores and Wig & Hairpiece Stores. Their largest market share is in the Janitorial Equipment Supply Wholesaling industry, where they account for an estimated 4.3% of total industry revenue and are considered a Golden Goose because they display medium to strong market share and strong profit, but slower revenue growth than some of their peers.

### Brands & Trading Names

- Beyond the Zone
- Generic Value Products
- Ion
- Silk Elements

### Other Industries

- Janitorial Equipment Supply Wholesaling in the US

### Company's Industry Revenue, Market Share, and Profit Margin Over Time

Year	Market Share (%)	Revenue (\$m)	Profit (\$m)	Profit Margin (%)
2007	6.9	1,019.2	175.9	17.3
2008	7.6	1,089.6	188.0	17.3
2009	7.7	1,143.5	197.3	17.3
2010	7.6	1,224.0	211.2	17.3
2011	7.5	1,325.5	228.7	17.3
2012	6.4	1,395.2	240.7	17.3
2013	6.3	1,494.7	257.9	17.3
2014	6.2	1,657.1	285.9	17.3
2015	6.2	1,822.1	314.4	17.3
2016	5.4	1,767.9	290.6	16.4
2017	5.1	1,736.9	270.0	15.5
2018	4.6	1,702.6	264.7	15.5
2019	3.6	1,446.2	165.1	11.4
2020	3.4	1,401.6	160.0	11.4
2021	3.4	1,589.3	291.3	18.3
2022	3.6	1,797.0	350.6	19.5
2023	3.4	1,797.0	350.6	19.5
2024	3.2	1,797.0	350.6	19.5

## What's impacting Sally Beauty Holdings, inc.'s performance?

### Sally Beauty expands hair care product line

- Sally Beauty prioritizes offering a wide-range of products for all hair types and skin types, specifically focusing on underserved customers, such as the textured hair consumer. In 2022, Sally Beauty announced an expansion across inventory with new products focused on textured hair, as well as do-it-yourself classes catered to textured hair. The company currently offers over 50 Black-founded brands across hair care, hair accessories, cosmetics, skincare and other products. With the expansion, the company aims to retail different 100 textured hair care brands.

### Sally Beauty and DoorDash partner for the 2021 holiday season

- In early December 2021, Sally Beauty announced its partnership with DoorDash, a technology company that connects consumers with local and national businesses in more than 7,000 cities worldwide. Through the partnership, Sally Beauty is offering free two-hour delivery on all SallyBeauty.com orders for the month of December. The delivery is exclusively through DoorDash Drive, DoorDash's fulfillment platform. Customers must order before 4 PM and when checking out, they can click two-hour delivery and a local dasher will come and collect the order and deliver it directly to the customer.

### Sally Beauty Holdings Inc. rolls out buy online, pick up in-store nationwide

- Sally Beauty Holdings Inc. (Sally Beauty) rolled out buy online, pick up in-store capabilities across its locations nationwide. This trend was exacerbated by the outbreak of COVID-19 (coronavirus), as many consumers continued to shop online and pick-up in store even once stores reopened. This rollout builds upon Sally Beauty's growing omnichannel capabilities including curbside pick-up, mobile app ordering and e-commerce ship-from-store capabilities. The company also recently launched ColorView Technology, which utilizes artificial intelligence to enable customers to try on products virtually before they purchase.

# Perfumania

## Company Details

Industry Revenue (2024)	\$26.3m
Industry Profit (2024)	\$2.1m
Total Employees (2024)	265
Industry Market Share (2024)	0.0%

## Description

Perfumania is a private company with an estimated 265 employees. In the US, the company has a notable market share in at least one industry: Beauty, Cosmetics & Fragrance Stores, where they account for an estimated 0.0% of total industry revenue.

## Company's Industry Revenue, Market Share, and Profit Margin Over Time

Year	Market Share (%)	Revenue (\$m)	Profit (\$m)	Profit Margin (%)
2018	0.1	27.6	2.2	7.9
2019	0.1	32.2	2.5	7.9
2020	0.1	21.8	1.7	7.9
2021	0.0	3.2	0.3	7.9
2022	0.1	26.3	2.1	7.9
2023	0.0	26.3	2.1	7.9
2024	0.0	26.3	2.1	7.9

You can view and download more company details on [my.ibisworld.com](https://my.ibisworld.com).



# External Environment

## Key Takeaways

**E-commerce sales are expected to keep growing.** Consumers are shifting their preferences to online shopping, which harms foot traffic at brick-and-mortar stores.

**Most foreign cosmetics aren't subject to tariffs.** This leads to more affordable imports, lowering purchase costs and making it easier for consumers to access various international beauty products.

Regulation & Policy

Low Steady

Assistance

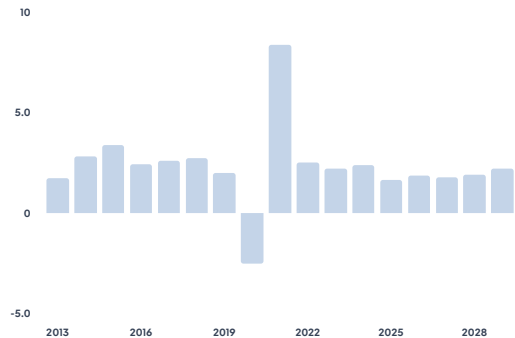
Low Steady

## External Drivers

What demographic and macroeconomic factors impact the industry?

### Consumer spending

Growth



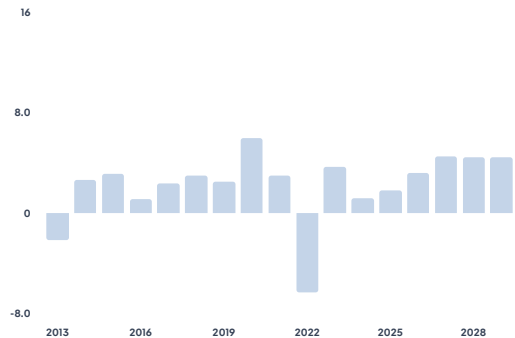
IBISWorld

Source: IBISWorld

Consumer spending significantly affects beauty stores as these products are often considered discretionary. Increased consumer spending typically leads to higher sales of makeup and perfumes. Conversely, weaker consumer spending negatively impacts sales as customers are more likely to cut back on non-essential purchases. This trend shows the impact of macroeconomic conditions on cosmetic sales.

### Per capita disposable income

Growth



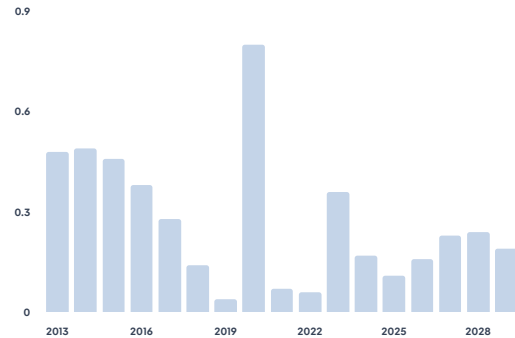
IBISWorld

Source: IBISWorld

Changes in per capita disposable income directly impact demand for beauty products. When disposable income grows, consumers are more inclined to purchase cosmetics, fragrances and other beauty items. Favorable macroeconomic conditions also encourage buyers to opt for higher-quality products, supporting revenue growth. Rising per capita disposable income represents a potential opportunity for the industry.

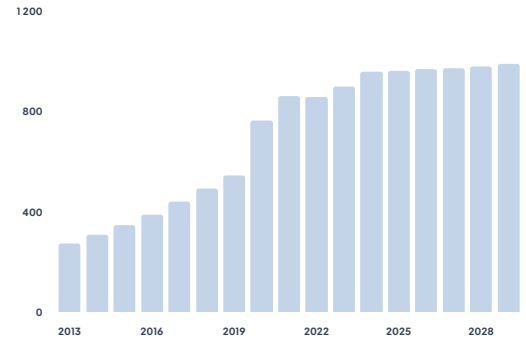
## Number of adults aged 20 to 64

Growth



## E-commerce sales

\$ billion



IBISWorld

Source: IBISWorld

IBISWorld

Source: IBISWorld

Women are the largest market for beauty stores, with 35- to 54-year-olds generating the largest share of revenue. As consumers age, they have a greater need for skincare products and other beauty items. This growing demand highlights the importance of targeted marketing strategies and product offerings tailored to mature consumers within the industry.

Adopting e-commerce makes beauty stores more competitive against department stores by enabling them to offer lower prices, wider inventories and direct shipping. E-commerce growth reflects consumer preference for online shopping. As e-commerce sales grow, retailers with online platforms will benefit from higher demand. Weaker in e-commerce sales pose a potential threat to the industry.

## Regulation & Policy

Low

Steady

### What regulations impact the industry?

#### Fair Packaging and Labeling Act

The Fair Packaging and Labeling Act requires all products to be properly labeled with accurate and complete information on their contents. The act also requires manufacturers to disclose the net quantity of the product, information about the manufacturer and any warning labels. The act aims to help consumers make informed decisions before purchasing products.

#### Food, Drug and Cosmetic Act of 1938

The FDA oversees the safety of beauty, cosmetics, and fragrance products. Manufacturers must prove their products are safe before marketing. This regulation also covers product labeling and distribution, aiming to protect consumers from harmful substances. For example, the FDA's intervention led to the removal of harmful parabens in some skincare products, ensuring safer options on store shelves.

#### California's Cosmetics Organic Labeling

California's Cosmetics Organic Labeling laws mandate that any cosmetic product claiming to use organic ingredients must be clear in its wording. While components can be labeled as organic, final products cannot. Other regulations are expected to follow suit, particularly as the current definitions of natural and organic products are imprecise and open to interpretation and abuse.

#### Federal and state agencies

The FDA regulates beauty, cosmetics, and fragrance stores to ensure product safety and proper labeling. These businesses must comply with the Federal Food, Drug, and Cosmetic Act, which mandates accurate ingredient lists and warnings for allergic reactions. For instance, Johnson & Johnson faced lawsuits for undisclosed risks in their talc-based products. Non-compliance can lead to product recalls, damaging brand reputation and customer trust.

## Assistance

Low

Steady

## What assistance is available to this industry?

### *Government*

#### **Tariffs**

The beauty and cosmetics industry faces significant regulations on certain imported products. Fragrances and cosmetics generally aren't subject to import tariffs, except those from Belarus, North Korea, Cuba and Russia, which face higher tariffs. Pre-shave, shaving or after-shave products, personal deodorants and antiperspirants incur a 4.9% tariff, while perfumed bath salts and other bath preparations see a 5.8% tariff. These tariffs can influence pricing and sourcing decisions for retailers.

### *Non-government*

#### **Professional Beauty Association (PBA)**

The PBA is a non-profit trade organization that provides resources, education and advocacy to help support the growth and development of the beauty industry. The association represents more than 100,000 beauty professionals, including salon owners, hairstylists and makeup artists. Benefits include access to insurance, business development guidance, various resources and networking events with other industry members.

# Financial Benchmarks

## Key Takeaways

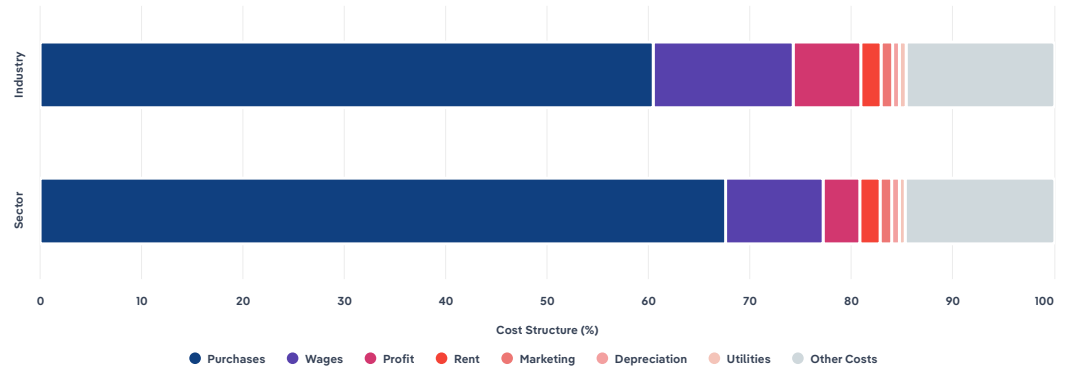
**High inflation makes products more expensive.** However, because of prominent price competition, retailers often fail to pass on cost increases to consumers.

**The industry continues to rely on workers.** Store employees provide essential services like guidance and support to enhance customers' shopping experiences, keeping wage costs significant.



## Cost Structure Benchmarks

Average operating costs by industry and sector as a share (%) of revenue 2024



## What trends impact industry costs?

### Large brands tend to be more profitable

- Like for many other retail industries, reaching economies of scale plays a major role in a company's profit margin. Larger companies, like Ulta and Sephora, can reach favorable deals with major suppliers and benefit from significant brand recognition, resulting in significantly higher profit.
- Smaller stores serving local markets often have lower foot traffic in stores and fail to build a significant online presence. This prevents them from reaching larger markets, making them less profitable and pulling the average profit margin down.
- Retailers have been negatively impacted by unfavorable macroeconomic conditions, including elevated consumer uncertainty and rising inflation, pushing consumers to lower discretionary spending. This trend, along with heightened price-based competition, has caused profit to shrink.

Retailers rely heavily on workers

- Retailers continue to rely on human labor to offer high-quality customer service, manage daily tasks, arrange the store and provide a positive shopping experience overall.
- Since many consumers visit stores looking for help or product recommendations, there is a need for a knowledgeable workforce that can help guide customers, driving wage expenses upward despite the adoption of new technologies.

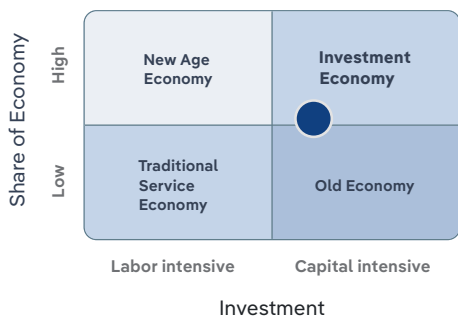
### Purchase costs are high among retailers

- Purchases include makeup, fragrances, hair products and other beauty items. Like in most retail industries, purchase costs are the most significant expense, as retailers purchase beauty products from manufacturers and wholesalers to resell directly to customers at a marked-up rate.
- Retailers often offer free samples to consumers to increase exposure, encourage larger purchases and promote new products. However, these samples push retailers' purchasing costs higher.

- Beauty products manufacturers are directly impacted by changes in input prices, including alcohols, chemicals, dyes, essential oils and minerals. These inputs have endured significant volatility amid supply chain disruptions, pushing purchase costs upward.

## Investment Economy

Share of economy vs. Investment



Source: IBISWorld

## Financial Ratios

Days' Receivables

**42.2** Higher than sector

Interest Coverage

**3.4** Higher than sector

Debt/Net Worth

**3.8** Higher than sector

## Industry Multiples

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
EBIT/Revenue	9.4	8.5	8.0	5.6	5.8	6.5	7.5	7.8
EBITDA/Revenue	12.9	11.7	11.4	7.4	8.3	9.1	10.4	10.9
Leverage Ratio	4.4	5.4	5.9	13.5	12.0	10.5	8.2	6.6

## Industry Tax Structure

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Taxes Paid/Revenue	2.1	2.0	1.9	1.2	1.0	1.4	1.6	1.9

## 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	96.4	96.3	96.9	48.4	53.4	66.2	78.3	87.5
Cost of goods	64.0	65.7	66.3	73.5	79.9	73.3	69.9	66.7
Gross Profit	36.0	34.3	33.7	26.5	20.1	26.7	30.1	33.3
Expenses								
Salaries and wages	8.0	7.8	7.7	8.3	6.7	7.5	7.7	8.2
Advertising	1.5	1.3	1.3	0.7	0.7	0.9	1.1	1.2
Depreciation	2.0	1.9	1.9	0.9	1.1	1.3	1.6	1.8
Depletion	0.0	0.0	0.2	0.0	0.0	0.1	0.0	0.0
Amortization	1.5	1.3	1.3	0.9	1.5	1.2	1.3	1.3
Rent paid	1.7	1.6	1.8	1.1	0.9	1.2	1.4	1.6
Repairs	0.6	0.6	0.6	0.8	0.4	0.6	0.6	0.6
Bad debts	0.1	0.1	0.3	0.1	0.1	0.2	0.1	0.2
Employee benefit programs	1.7	1.6	1.6	1.1	1.6	1.4	1.5	1.6
Compensation of officers	1.9	1.8	1.9	1.1	1.5	1.5	1.6	1.9
Taxes paid	2.1	2.0	1.9	1.2	1.0	1.4	1.6	1.9
Interest Income	0.8	0.7	1.0	0.4	0.6	0.7	0.7	0.7
Other Income								
Royalties	1.2	1.0	1.1	0.6	0.9	0.9	1.0	1.0
Rent Income	0.9	0.8	0.7	0.7	0.7	0.7	0.8	0.8
Net Income	5.3	4.6	4.2	3.2	3.0	3.5	4.1	4.1

## Balance Sheet

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Assets								
Cash and Equivalents	3.8	3.6	9.9	3.2	3.3	5.5	4.8	4.7
Notes and accounts receivable	10.2	10.2	8.7	9.5	11.6	9.9	10.1	9.9
Allowance for bad debts	1.0	1.0	1.3	1.0	1.0	1.1	1.1	1.3
Inventories	20.5	21.1	19.9	16.8	18.0	18.2	19.3	18.8
Other current assets	1.3	1.4	3.7	2.2	2.3	2.8	2.2	2.6
Other investments	48.5	43.6	36.1	33.6	29.0	32.9	38.2	39.4
Property, Plant and Equipment	25.0	29.7	27.0	24.8	26.3	26.0	26.6	25.3
Accumulated depreciation	15.3	14.2	13.6	11.1	12.0	12.2	13.2	14.3
Intangible assets (Amortizable)	29.5	26.3	24.6	19.3	16.6	20.1	23.3	24.7
Accumulated amortization	0.8	1.6	1.8	3.7	3.5	3.0	2.3	2.2
Other assets	3.3	6.9	9.9	7.5	7.2	8.2	6.9	5.1
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Accounts payable	3.6	4.0	4.0	3.7	4.4	4.0	3.9	3.8
Liabilities and Net Worth								
Mort, notes, and bonds under 1 yr	5.8	6.9	7.3	9.1	9.3	8.6	7.7	6.7
Other current liabilities	13.7	14.7	11.6	8.7	9.0	9.8	11.5	10.5
Loans from shareholders	11.2	9.5	4.5	7.3	7.1	6.3	7.9	9.9
Mort, notes, bonds, 1 yr or more	34.3	39.5	40.7	27.7	25.4	31.3	33.5	30.4
Other liabilities	12.9	11.9	13.1	8.2	8.2	9.8	10.9	10.9
Total liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Capital stock	10.9	9.6	7.4	5.0	4.2	5.6	7.4	8.7
Additional paid-in capital	51.6	49.6	35.7	40.0	35.1	36.9	42.4	47.4
Retained earnings, appropriated	1.4	2.1	1.0	0.8	0.8	0.9	1.2	1.2
Retained earnings-unappropriated	17.8	17.1	17.9	18.8	19.5	18.7	18.2	17.8
Cost of treasury stock	6.8	6.5	9.0	9.5	8.9	9.1	8.1	7.6
Net worth	21.6	21.2	24.4	30.1	26.4	27.0	24.7	31.3

## Liquidity Ratios

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Current Ratio	1.6	1.5	2.0	1.5	1.6	1.7	1.7	1.9
Quick Ratio	0.7	0.7	1.2	0.8	0.8	0.9	0.8	1.0
Sales/Receivables	17.2	15.4	17.0	10.5	8.6	12.0	13.8	17.2
Days' Receivables	21.2	23.6	21.4	34.9	42.2	32.8	28.7	24.3
Days' Inventory	66.5	74.3	74.0	83.3	82.2	79.8	76.1	67.0
Inventory Turnover	5.5	4.9	4.9	4.4	4.4	4.6	4.8	5.7
Payables Turnover	31.5	25.7	24.3	19.8	18.3	20.8	23.9	27.0
Days' Payables	11.6	14.2	15.0	18.4	19.9	17.8	15.8	13.6
Sales/Working Capital	6.0	5.4	5.5	2.1	2.0	3.2	4.2	5.5

## Coverage Ratios

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Interest Coverage	4.8	4.5	4.3	4.6	3.4	4.1	4.3	4.3
Debt Service Coverage Ratio	3.1	2.8	3.1	4.5	5.0	4.2	3.7	3.4

## Leverage Ratios

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Fixed Assets/Net Worth	3.5	3.6	3.0	2.1	2.3	2.5	2.9	2.4
Debt/Net Worth	4.6	4.7	4.1	3.3	3.8	3.7	4.1	3.4
Tangible Net Worth	0.2	0.2	0.2	0.3	0.3	0.3	0.2	0.3

## Operating Ratios

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Return on Net Worth, %	76.4	63.0	48.6	18.7	22.0	29.7	45.7	42.2
Return on Assets, %	16.5	13.4	11.8	5.6	5.8	7.8	10.6	12.7
Sales/Total Assets	1.8	1.6	1.5	1.0	1.0	1.2	1.4	1.6
EBITDA/Revenue	12.9	11.7	11.4	7.4	8.3	9.1	10.4	10.9
EBIT/Revenue	9.4	8.5	8.0	5.6	5.8	6.5	7.5	7.8

## Cash Flow & Debt Service Ratios (% of sales)

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Cash from Trading	31.9	32.4	32.7	31.0	20.2	27.9	29.6	33.0
Cash after Operations	21.3	20.9	16.5	17.7	10.2	14.8	17.3	20.0
Net Cash after Operations	17.9	18.1	16.8	20.3	10.0	15.7	16.6	18.7
Debt Service P&I Coverage	2.6	2.3	2.0	1.8	0.8	1.5	1.9	2.6
Interest Coverage (Operating Cash)	9.1	9.7	9.0	16.5	5.8	10.4	10.0	10.6



## 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 (%)
2005	82,553	0.2	1.9	2.1	15,395	18.6	1.1	23.8
2006	89,543	0.2	1.8	1.9	16,698	18.6	1.1	22.6
2007	95,441	0.2	1.8	1.9	16,060	16.8	1.1	22.8
2008	90,938	0.2	1.8	2.0	14,633	16.1	1.1	22.4
2009	93,938	0.2	1.9	2.0	15,116	16.1	1.1	21.5
2010	98,874	0.2	1.8	2.0	15,910	16.1	1.1	24.3
2011	101,389	0.2	1.9	2.1	16,315	16.1	1.1	23.3
2012	114,576	0.2	2.0	2.1	15,417	13.5	1.1	23.5
2013	113,387	0.3	2.1	2.3	15,282	13.5	1.1	21.3
2014	118,630	0.3	2.1	2.3	16,016	13.5	1.1	23.2
2015	118,704	0.3	2.2	2.3	16,052	13.5	1.1	22.3
2016	121,858	0.3	2.3	2.5	16,506	13.5	1.1	21.7
2017	117,246	0.3	2.4	2.6	15,908	13.6	1.1	20.9
2018	127,023	0.3	2.4	2.6	17,264	13.6	1.1	22.1
2019	134,472	0.4	2.4	2.6	18,307	13.6	1.1	22.5
2020	124,742	0.3	2.3	2.5	17,011	13.6	1.1	22.2
2021	126,411	0.3	2.3	2.6	17,056	13.5	1.1	21.1
2022	124,191	0.3	2.3	2.5	16,996	13.7	1.1	21.2
2023	123,785	0.3	2.3	2.5	16,984	13.7	1.1	21.2
2024	122,866	0.3	2.3	2.5	16,959	13.8	1.1	21.2
2025	122,467	0.3	2.3	2.5	16,948	13.8	1.1	21.3
2026	121,901	0.3	2.3	2.5	16,932	13.9	1.1	21.3
2027	121,186	0.3	2.3	2.5	16,912	14.0	1.1	21.4
2028	120,808	0.3	2.3	2.5	16,902	14.0	1.1	21.5
2029	120,619	0.3	2.3	2.5	16,896	14.0	1.1	21.5
2030	120,397	0.3	2.2	2.4	16,890	14.0	1.1	21.6

# Key Statistics

## Industry Data

### Values

Year	Revenue (\$ Million)	IVA (\$ Million)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Wages (\$ Million)
2005	16,462.0	3,925.9	104,935	97,196	199,410	3,070.0
2006	18,746.6	4,245.8	116,302	107,491	209,358	3,495.9
2007	21,470.0	4,901.1	128,125	119,070	224,956	3,612.9
2008	20,350.1	4,556.7	121,344	112,249	223,779	3,274.6
2009	21,058.9	4,525.9	121,172	111,727	224,180	3,388.7
2010	22,338.3	5,426.3	122,988	113,024	225,926	3,594.6
2011	24,167.1	5,628.9	123,839	113,361	238,360	3,888.9
2012	29,158.5	6,839.2	130,000	118,846	254,490	3,923.4
2013	31,214.1	6,641.7	129,783	118,484	275,289	4,207.0
2014	34,542.9	8,014.1	137,742	126,256	291,181	4,663.4
2015	37,441.4	8,358.0	146,508	134,459	315,419	5,063.3
2016	41,291.0	8,979.0	147,411	135,095	338,846	5,593.1
2017	42,666.8	8,903.8	154,421	141,287	363,909	5,789.2
2018	45,354.1	10,019.3	151,437	137,991	357,055	6,164.2
2019	48,642.2	10,951.3	151,754	137,811	361,727	6,622.2
2020	48,796.5	10,831.2	169,859	155,090	391,180	6,654.3
2021	53,321.2	11,252.9	180,247	164,251	421,808	7,194.5
2022	52,996.2	11,218.8	184,142	168,092	426,732	7,252.9
2023	54,607.8	11,564.3	190,154	173,591	441,152	7,492.6
2024	55,423.0	11,735.9	195,610	178,724	451,084	7,649.9
2025	56,674.5	12,044.5	201,504	184,197	462,775	7,843.0
2026	58,079.9	12,390.8	208,609	190,830	476,450	8,067.3
2027	59,473.9	12,749.0	216,491	198,238	490,766	8,300.0
2028	60,897.8	13,086.7	223,153	204,437	504,087	8,520.0
2029	62,281.5	13,413.4	229,330	210,179	516,351	8,724.5
2030	63,733.6	13,755.5	235,852	216,240	529,363	8,941.1

#### Note

Figures are inflation adjusted to 2024

## Industry Data

### Annual Change

Year	Revenue %	IVA %	Establishments %	Enterprises %	Employment %	Wages %
2005	N/A	N/A	N/A	N/A	N/A	N/A
2006	13.9	8.1	10.8	10.6	5.0	13.9
2007	14.5	15.4	10.2	10.8	7.5	3.3
2008	-5.2	-7.0	-5.3	-5.7	-0.5	-9.4
2009	3.5	-0.7	-0.1	-0.5	0.2	3.5
2010	6.1	19.9	1.5	1.2	0.8	6.1
2011	8.2	3.7	0.7	0.3	5.5	8.2
2012	20.7	21.5	5.0	4.8	6.8	0.9
2013	7.0	-2.9	-0.2	-0.3	8.2	7.2
2014	10.7	20.7	6.1	6.6	5.8	10.8
2015	8.4	4.3	6.4	6.5	8.3	8.6
2016	10.3	7.4	0.6	0.5	7.4	10.5
2017	3.3	-0.8	4.8	4.6	7.4	3.5
2018	6.3	12.5	-1.9	-2.3	-1.9	6.5
2019	7.2	9.3	0.2	-0.1	1.3	7.4
2020	0.3	-1.1	11.9	12.5	8.1	0.5
2021	9.3	3.9	6.1	5.9	7.8	8.1
2022	-0.6	-0.3	2.2	2.3	1.2	0.8
2023	3.0	3.1	3.3	3.3	3.4	3.3
2024	1.5	1.5	2.9	3.0	2.3	2.1
2025	2.3	2.6	3.0	3.1	2.6	2.5
2026	2.5	2.9	3.5	3.6	3.0	2.9
2027	2.4	2.9	3.8	3.9	3.0	2.9
2028	2.4	2.6	3.1	3.1	2.7	2.7
2029	2.3	2.5	2.8	2.8	2.4	2.4
2030	2.3	2.6	2.8	2.9	2.5	2.5

#### Note

Figures are inflation adjusted to 2024

# Key Success Factors

## How do successful businesses overcome volatility?

### Leverage product design, quality and brand strengths

Beauty and fragrance stores thrive on the allure of product design and brand prestige. High-quality offerings build customer loyalty and trust, helping to stabilize sales even when market conditions fluctuate.

### Develop a loyal customer base

In an industry driven by repeat purchases, fostering loyalty through rewards programs and personalized experiences ensures steady revenue. Loyal customers are less likely to switch brands during uncertain times, offering a financial buffer.

## What products or services do successful businesses offer?

### Present products attractively

Visually appealing displays and packaging capture customer attention, enhance the shopping experience and contribute to the perception of quality and luxury, driving sales and encouraging repeat visits.

### Offer a range of home delivery options

Providing convenient delivery options adapts to customer preferences for online shopping, enhancing their experience and satisfaction, which is crucial for retaining customers and staying competitive.

## How do businesses use location to their advantage?

### Operate in a highly visible location

Beauty stores thrive on foot traffic and impulse buys. A prominent, well-trafficked location maximizes customer visibility, drawing in more potential buyers and boosting sales.

### Control inventory

Convenience is key for shoppers in this sector. Being in an easy-to-reach location encourages more frequent visits, enhances customer experience and fosters loyalty, leading to repeat business and higher sales.

## How do successful businesses handle concentration?

### Establish brand names

Building a strong, recognizable brand helps beauty stores stand out. Customers are more likely to trust and choose products from brands they know and perceive as high quality.

### Develop a wide and expanding product range

Offering a diverse range of products ensures that beauty and cosmetics stores can meet various customer needs and preferences, encouraging repeat visits and expanding their customer base.

## How can potential entrants overcome barriers to entry?

### Secure distribution channels

Ensuring products are readily available in stores is crucial. Effective distribution channels help beauty stores maintain consistent stock, meet customer demand and reduce the risk of losing sales due to unavailability.

### Develop marketing expertise

Creative and targeted campaigns help beauty stores stand out in a crowded market, attract loyal customers and drive sales by highlighting product benefits and unique selling points.

## How do successful businesses compete with substitutes?

### Develop a skilled labor force

Training staff to provide expert advice and personalized services enhances the shopping experience, fostering customer loyalty. Knowledgeable employees can effectively recommend products, making it harder for competitors to lure customers away.

**Market differentiated products**

Effective marketing strategies highlighting products' unique features and benefits can capture customer interest and loyalty, making it less likely that they will turn to substitute products.

**How do successful businesses manage buyer & supplier power?****Offer a competitively priced product**

By maintaining attractive pricing, beauty stores can attract cost-conscious buyers and reduce suppliers' leverage in pricing negotiations, ensuring higher sales volumes and better margin.

**Develop an extensive distribution network**

An effective distribution network enhances product availability and market reach, diminishing supplier control and providing consumers with easy access to products. By increasing convenience and options, it mitigates buyer power.

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