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Path to beauty equity is a \$2.6 billion opportunity: McKinsey

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Black beauty brands have so many opportunities for success in the industry, yet face a multitude of challenges that non-Black brands may not. Image credit: McKinsey

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Supporting Black consumers and beauty brands could lead to greater equity and higher profits across the entire beauty industry, from shoppers and business owners to large retailers and investors.

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According to McKinsey and Company's report "[Black Representation in the Beauty Industry](#)," Black beauty brands raise a median of \$13 million in venture capital, a little more than half of what non-Black brands raise, yet the revenue of Black brands is 89 times higher. To tackle this paradox, organizations need to invest in Black brands, bring diversity into decision-making environments and support the needs of Black consumers.

For this report, McKinsey conducted two surveys and a focus group about the consumer experience in the beauty sector, analyzing retail-store placement among Black and non-Black populations and examining the placement of Black beauty products within stores.

The company also conducted a multitude of interviews with insiders at beauty companies to hear more about their experiences and collaborated with several notable Black beauty industry executives to gather insight for the research.

An uphill battle

In 2021, Black consumers spent \$6.6 billion on beauty products 11 percent of the total \$60 billion industry. If that share were bumped up to 12.7 percent, equivalent to the percentage of Black people in the United States, the consumer spending would increase to \$9.2 billion of the expected \$72.4 billion beauty market in 2025.

However, despite contributing a significant amount to the overall industry, the shopping experience for Black beauty consumers is challenging.



Representation in workforces, products and accessibility is required to balance the beauty playing field. Image credit: Fenty Beauty

According to McKinsey's focus group research, Black consumers experience a lack of accessibility to stores, lack of product availability and poor engagement with sales associates.

For instance, there are nearly three times the number of specialty beauty stores within a mile of predominantly white neighborhoods than there are within a mile of Black neighborhoods.

On average, Black consumers travel 3.36 miles to a specialty beauty store, about 21 percent further than white consumers. Black consumers also travel more than 17 percent further than white consumers to department stores to access expert customer service from behind a makeup counter.

Once in a store, only 23 percent of respondents found that salespeople could have sophisticated discussions about Black beauty brands and products. Only 13 percent noted that sales associates could make knowledgeable recommendations for Black consumers.

On the business side, Black beauty brands make up only 2.4 percent of revenue in the overall beauty market, lagging far behind the 11.1 percent of the Black consumer spend on beauty products and the 12.4 percent of Black people in the U.S.

There is so much untapped potential for Black beauty brands, but the number of obstacles they face creates a steep uphill climb.

According to research, there is insufficient data on Black consumers for brands to leverage, a lack of representation when it comes to high-potential employment opportunities and Black entrepreneurs find that, despite being narrowly labeled within the industry, they are held to higher standards across the board.

McKinsey also found that venture capitalist firms and other investment organizations fund Black beauty brands at lower rates and frequency than non-Black businesses.

Path to equity

By listening to the needs of Black consumers, brands and retailers have massive growth opportunities.

One major element of this is increasing the diversity of talent within a company, and not just in entry-level positions. From entry-level to the C-suite and from retailers to beauty houses, only 45 percent of all employees in the U.S. beauty industry are Black.



Investment in Black entrepreneurs and incubation programs is a key way for the beauty industry to open up to these brands. Image credit: L'Oreal

McKinsey suggests that, for true equity and fair representation, Black employees should be hired in positions that significantly influence product placement and radiation, including product design and development, merchandising and brand management, marketing and store operations.

If the top 10 beauty retailers and top 10 beauty brands by revenue increased the percentage of their Black employees to at least 15 percent, there would be 60,000 more Black people working in the beauty industry.

Additionally, McKinsey says the industry needs to see more commitments from private-equity firms, retailers and beauty organizations to investing in Black-owned beauty brands.

By supporting entrepreneurs with financial investment, networking opportunities and managerial advice, investors and corporations can offer Black businesses a space to grow.

Last year, beauty group L'Oral USA partnered with the National Association of the Advancement of Colored People (NAACP) to present a new grant program for Black-owned beauty businesses.

Small businesses in the U.S. were hit the hardest by the economic effect of the pandemic, and Black-owned businesses are closing at twice the rate as others, according to The National Bureau of Economic Research. L'Oral USA and the NAACP awarded 30 one-time grants of \$10,000 each and professional mentorship to promising Black-owned small businesses and entrepreneurs they have identified as needing investment ([see story](#)).

Similarly, LVMH-owned beauty retailer Sephora selected eight brands to participate in the retailer's 2021 Accelerate incubator program, comprised exclusively of BIPOC-founded brands.

The Sephora Accelerate program focuses on cultivating an international community of female beauty founders and providing curriculum, mentorship, merchandising support, funding and investor connections to its participants ([see story](#)).