

FRAGRANCE AND PERSONAL CARE

Beauty revenues to reach \$580B by 2027: report

May 24, 2023



With the rise of new geographic and demographic players, the industry is being reshaped amid rapid expansion. Image credit: L'Oral Paris

By EMILY IRIS DEGN

The beauty industry seems to be thriving despite economic turbulence at large.

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According to the beauty edition of the "State of Fashion" report by London's Business of Fashion (BoF) and McKinsey & Company, global retail sales are expecting annual compound growth of 6 percent between 2022 and 2027. With the rise of new geographic players, and Gen Z and millennial consumers' influence, the beauty industry is being reshaped amid rapid growth.

"A new definition of beauty is reshaping the market as consumers shift their objectives from aesthetic perfection to holistic wellbeing," said Kristi Weaver, senior partner and beauty group global leader at **McKinsey**, Chicago.

"This is particularly true for the Gen Z and millennials," Ms. Weaver said. "Brands will need to adapt to the preferences of these generations by finding ways to speak their language.

"This may require looking into new ways of doing business in many aspects, from marketing to product development."

Report findings are based on market intelligence, and business analysis and insight from leading experts, such as beauty executives. Additionally, McKinsey provided data from a global survey conducted that looked into the habits and demands and consumers throughout the six key beauty markets paired with the insights and analysis, top opportunities for strong business performance are explored, providing price and segment revenue forecasts over a five-year period, beginning with 2022 and ending with 2027.

Young sums

The beauty industry is having a heyday in the face of political uncertainty and financial crises.

The report states that on a global scale, four core segments are projected to experience growth every year through 2027, including fragrance, makeup, haircare and skincare.

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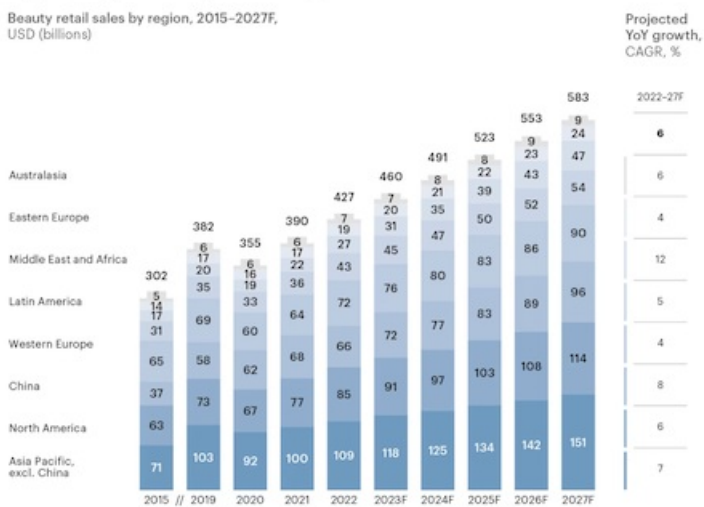
Currently, the industry as a whole is seeing \$427 billion in sales. By 2027, that number is expected to reach \$583 billion.

With an expanse of sales comes an expanse of offerings and mindsets, as new trends are catching on, and according to the report, will dramatically reshape beauty.

Younger generations such as Gen Z and millennial consumers are credited with kickstarting this evolution.

Beauty standards and ideals, wellness philosophies and among other things, civilians' perceived role in climate action are all shifting, with this demographic leading the way as they take on sustainability and conscious consumption efforts.

Beauty retail sales are expected to grow 6% a year globally through 2027



Source: Forecasts for global beauty recovery by region, category and channel reflect McKinsey perspective, based on Euromonitor historical (released in April 2023), MGI macro-economic scenarios, consumer research, comprising fragrance, colour cosmetics, skin care and hair care.



Sales across categories are set to grow 6 percent every year through 2027. Image credit: BoF

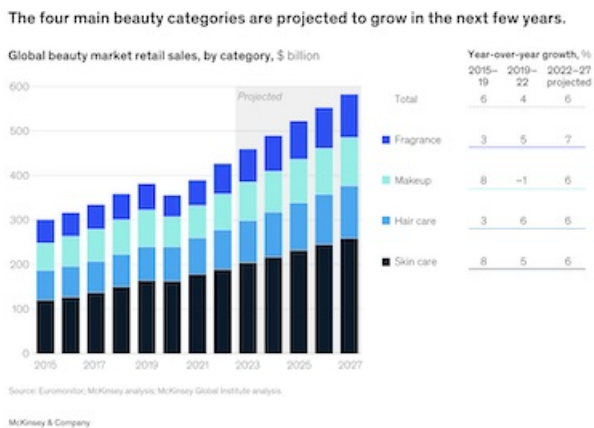
The fresh look at beauty is being felt not only within the industry but in the national and regional legislature ([see story](#)).

The report points out five new dynamics that will define the time frame analyzed, including the wellness boom, the Gen Z takeover, the importance of preparing for effective expansion, the potential of mergers and acquisitions, and the new beauty map.

"Brands should be considering all five trends," Ms. Weaver said.

"However, adjusting to the changing geographical landscape is certainly a key priority," she said. "While China and the US will continue to be major markets for beauty, other markets should also become part of brands' and retailers' growth strategies.

"India and the Middle East are emerging as growth hotspots, with retail sales expected to increase to \$21 billion in India and \$47 billion in the Middle East and Africa by 2027."



Various drivers are pushing beauty categories to new heights, with fragrance leading the way. Image credit: BoF

For so long, the United States and China have been the main areas of focus for beauty. While these markets will continue to grow China is expected to see \$96 billion in the category by 2027 and North America will reach around \$115 billion by the same year true expansion is difficult for individual brands in the regions.

However, luxury beauty is predicted to do better, stated as having the potential to double by 2027, growing from \$20 billion as of 2023 to \$40 billion.

Digging digital

As young people gather resources and rise in their careers, ecommerce is growing with them, adapting to their buying habits and personalities.

"Gen Z is very diverse, digitally savvy and demanding generation that prioritizes value for money, inclusivity, sustainability, and efficacy when choosing their wellness products and services," Ms. Weaver said.

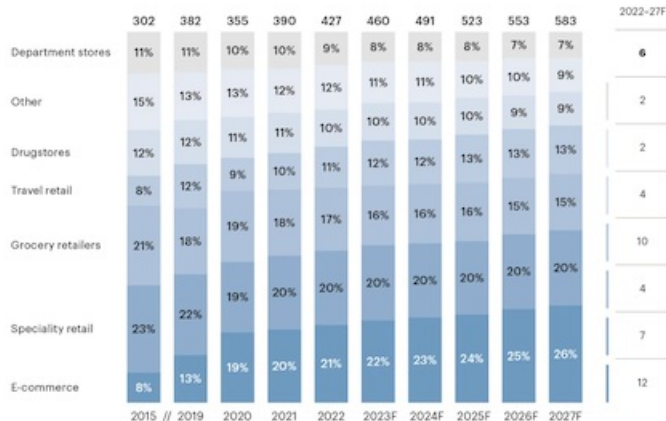
Not only are products poised to transform as a result of this shift in power, but marketing itself is as well.

BoF and McKinsey & Company encourage the industry to take on an omnichannel approach, pointing out that this is where the powerful consumer base can be interacted with.

E-commerce is set to represent a quarter of the beauty market by 2027

Beauty retail sales by channel, 2015-2027F, USD (billions)

Projected YoY growth, CAGR, %



Note: Percentages may not add up 100 due to rounding.
 Source: Forecasts for global beauty recovery by region, category and channel reflect McKinsey perspective, based on Euromonitor Historical (released in April 2023), MGI macro-economic scenarios, consumer research, comprising fragrance, colour cosmetics, skin care and hair care



Digital sales are positioned to thrive today and the years ahead. Image credit: BoF

For this reason, social media campaigns (see story) and long-term creator collaborations (see story) are proving profitable.

TikTok especially is performing well among Gen Z consumers, making it essential to prioritize as the market gets more inundated with new beauty brands that form to meet surging demand (see story).

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