

Beauty Inflation Surge: Tackling Margin Pressures and Uncertainty

April 2023

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INTRODUCTION

Scope

Key findings

INFLATION IMPACT ON BEAUTY AND PERSONAL CARE

Inflation is having “extensive impact” on beauty and personal care players across regions

The many layers of global inflation

Commodity impact: Rising energy costs do not suggest a return to January 2021 levels

Deconstructing inflation drivers for the beauty and personal care industry

FMCGs most commonly implement these five strategies to combat inflation

Beauty and personal care professionals take a multifaceted approach to combat inflation

Company impact: Streamlined routines contributed to less usage, more lipstick overstock

Promotional activity on hold in the US until lipstick demand picks up

Consumer impact: Trading down in some categories to maintain spend in others

Consumer impact: Limiting usage to afford more expensive products

Company impact: Growth of miniatures outside the travel industry

Company impact: Miniatures offer opportunity for experimentation

Consumer impact: Private label benefiting from restricted budgets

Consumer impact: Dupe culture is growing especially within private label

Consumer impact: Price influenced lower fragrance consumption in the UK, but less so in US

Unilever price increases come at the detriment of volumes

Case study: Deodorant in Argentina – brand strategy affects consumer behaviour

Estée Lauder Cos Inc’s price increases are targeted at specific brands and SKUs

Case study: Anti-agers’ prices climb in France towards the end of 2022, but not every brand

L’Oréal focuses on hyper-premiumisation and specialisation in high-spend markets

Case Study: L’Oréal focus on premiumisation and specialisation, especially in Asia and China

Coty’s resilience based on high growth segments and affordable luxury

Case study: Coty raises prices within the masstige category while remaining affordable

Inflation dents turnaround plans for Natura&Co’s The Body Shop

Case study: Nominal price increases boost Aesop sales as demand, interest remains high

Pricing strategy for major global brands correspond to the local brand share picture

Many factors influence elasticity in beauty beyond price, such as trends and emotions

Conclusion: Consumer impact will be multi-faceted and uneven across regions

RECOMMENDATIONS

Inflation impact is nuanced, but recommendations around adding value can mitigate risks

Highlight any product multifunctionality or pricing accessibility feature

Reallocate resources to fast-growing channels or positioning

Focus on clinical, science-backed beauty while “clean” becomes more important

Lean into digitalisation trends, such as influencer marketing and personalisation

Q1 2023 MACROECONOMIC UPDATE

Global economy edges closer to recession amid sharp slowdown

Global inflation begins gradual downward trend – but remains significantly elevated in 2023

Real GDP annual growth forecasts and revisions from last quarter

APPENDIX

About beauty and personal care quarterly forecast updates

Beauty and personal care: Reporting timeline

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