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*Comments and opinions expressed by interviewees are their own and do not represent or reflect the opinions, policies, or positions of McKinsey & Company or have its endorsement.*

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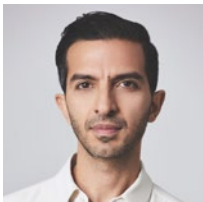
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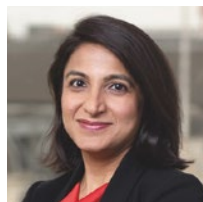
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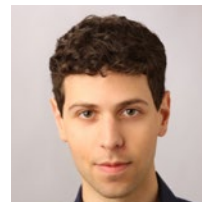
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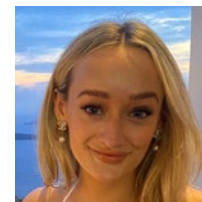
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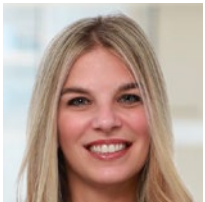
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Hannah Crump is a director for BoF Insights at *The Business of Fashion*, where she leads in-depth editorial projects and collaborates with industry experts to produce data-driven thought leadership for senior executives across the global fashion and beauty sectors. With more than a decade of experience in editorial and project management roles within fashion media and publishing, she brings a strategic and analytical lens to content creation.



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## EXECUTIVE SUMMARY

# Solving the Growth Puzzle

Beauty's era of effortless growth is giving way to a more complex landscape. *The Business of Fashion* and McKinsey & Company outline how beauty leaders should navigate evolving consumer expectations, market deceleration and regional volatility in the years ahead.

Once the darling of the consumer goods market, the \$441 billion global beauty industry is showing signs of cooling.

For years, a seemingly limitless appetite for newness in beauty fuelled robust volume and even greater pricing growth — from 2022 to 2024, the sector grew 7 percent annually. Now, geopolitical and economic uncertainty, along with market saturation, are threatening this momentum. A once-clear formula for success is now a challenging puzzle to solve.

Of course, dynamism in the sector persists in pockets, and the market is still growing. We expect the global beauty industry to grow 5 percent annually through 2030. But consumers are broadening their understanding of “beauty” beyond core categories to include wellness, personal care and aesthetic treatments and they are increasingly value-conscious, sceptical of hype and laser-focused on whether products deliver.

So how are beauty executives responding to all the change?

Seventy-five percent of executives in our survey expect consumer scrutiny on perceived value to be the biggest theme shaping the industry. Fifty-four percent say uncertain consumer appetite or restricted spending is the greatest risk to the market's growth going forward.

As the puzzle shifts, beauty players should recalibrate and sharpen their value propositions to stand out.

### Growth — and challenges — colour the industry's outlook

Opportunities in beauty remain, but headwinds including consumer fragmentation, category pressure and regional disruptions obstruct the path ahead.



In the US, the beauty market is still an attractive play, given its size and strong market fundamentals. But political and economic volatility clouds forecasts. In markets like the Middle East and Latin America, where wealth is growing, there are opportunities for global brands — but they will face strong competition from local players. Further east, we expect the Chinese beauty market to rebound in the mid term, though growth is unlikely to reach pre-pandemic rates. Europe will grow in line with global trends, but economic challenges may dampen volume growth.

### Consumers turn up the pressure

The world is changing and so are beauty consumers' preferences. Shifting demographics have splintered traditional customer profiles. Yesterday's segments defined purely by demographic differences no longer hold, and attitudinal consumer insights and hyper-localisation are needed to win.

Then, there is the question of value. Strong uptake in beauty spend plus higher inflation has pushed shoppers to pay closer attention to whether products perform. Consumers may still consider beauty to be an affordable discretionary item, but that doesn't mean the industry should take the "lipstick effect" for granted. Products in all categories and across all price tiers must demonstrate their prices are justified: 83 percent of consumers surveyed feel haircare is affordable, but that figure drops to 67 percent for fragrances. To cut through the noise, beauty labels will need to increase their investments in R&D, emphasise their unique value drivers in marketing campaigns, and create entry-level price points for aspirational and the most discerning beauty shoppers.

Purchase considerations are also evolving. Prominent, public-facing beauty founders were a marketing accelerator for many upstart brands, helping to push them to greater heights. Today, public-facing founders are among the lowest consumer consideration factors. While famous founders can still build brand awareness, a brand's staying power depends on much more. Beauty labels that previously hinged their ethos on specific demographic identities or wholly emphasised sustainability may no longer find success with these branding strategies. Instead, shoppers are focused on product efficacy and a shared aesthetic point of view.

### Commercial functions are due a refresh

Two of the most important commercial functions for beauty companies — marketing and retail — are undergoing a reckoning of their own. An overreliance on paid marketing has saturated digital channels while influencers' sway is also waning. Brand marketing can help rebalance the scales, but only if beauty players have an ownable, original story to tell.

Consumers still prefer brick-and-mortar stores for discovery and purchase, but e-commerce, and specifically marketplaces, have become a go-to destination for shopping and replenishment, thanks to widespread discounting and the convenience of ultra-fast shipping. For both brands and retailers, some of these practices may dilute brand positioning or margins. Instead of trying to solely compete on speed or promotions, beauty executives should focus on creating a compelling shopping experience that addresses the needs of their target customers. Technology-driven tools such as AI-led

agentic commerce can also yield gains, augmenting the online shopping experience by autonomously carrying out tasks for customers and even helping them to make purchases.

While only 10 percent of surveyed executives are using AI regularly today, 60 percent are in an exploratory phase. More robust AI adoption — including in research and development, quality control, social listening and marketing personalisation — could unlock more profitable growth. However, when used in any consumer-facing capacity, caution should be taken so as not to erode customer trust.

The beauty industry will maintain its allure for both investors and consumers, but the era of more-is-more consumption has ceded ground to a new focus on value, differentiation and individuality. Addressing these factors is critical to solving the puzzle at hand.

— Priya Rao, *The Business of Beauty* Executive Editor, *The Business of Fashion*

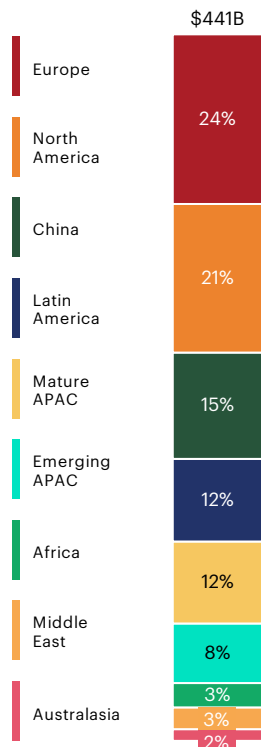
— Kristi Weaver, Global Beauty, Personal Care and Wellness Leader, McKinsey & Company

## The State of Fashion: Beauty



# Beauty is poised for growth, though near-term clouds loom

## Global beauty retail sales, 2024



|                      | CAGR | 2019–2024        | 2024–2030   |   |
|----------------------|------|------------------|---|---|
|                      |      |                  | Base case <sup>1</sup>  | Downside case <sup>2</sup>  |
| <b>Global</b>        |      | 4%               | 5%  | 3%  |
| Europe               |      | 5%               | Robust balance of volume and price growth is likely to drive beauty in this stalwart region                                     | Muted economic performance could slightly reduce volume growth  |
| North America        |      | 6%               | Strong market fundamentals and GDP per capita growth offer top- and bottom-line potential                                       | De-globalising politics such as tariffs and uncertainty may hinder economic growth in the near term         |
| China                |      | 3% <sup>3</sup>  | As consumers recalibrate to slower economic growth, spending on beauty will likely resume                                       | Continued uncertainty amid geopolitical tensions could weigh on beauty sales                                |
| Latin America        |      | 9%               | White space exists for robust volume growth and moderate price growth   | Economic volatility could limit growth in the region  |
| Mature APAC          |      | -3% <sup>4</sup> | Modest volume and price growth is likely to support the industry  | Higher-than-expected population declines and ageing populations may reduce economic growth                  |
| Emerging APAC        |      | 6%               | Robust GDP growth will likely increase regional wealth and power beauty   | Lower growth in China may impact tourism and local wealth, reducing beauty's trajectory                     |
| Middle East & Africa |      | 11%              | Growth in wealth, expats in the Middle East and population in Africa, plus increasingly sophisticated retail may support growth | Rising geopolitical tensions and a change in the profile of expats may impact the region's growth prospects |
| Australasia          |      | 4%               | Population growth, including due to migration, may continue to drive demand in the region                                       | Continued challenges in China, including reduced tourism, may affect the region's economic growth           |

1. Assumes steady macroeconomic environment | 2. Assumes persistent macroeconomic challenges | 3. 3% CAGR is disaggregated into 13% p.a. 2019-2021 and -3% p.a. 2021-2024 | 4. Excluding travel retail, the region exhibited a 0% CAGR 2019-2024, disaggregated into -15% p.a. 2019-2020 followed by 4% p.a. 2020-2024

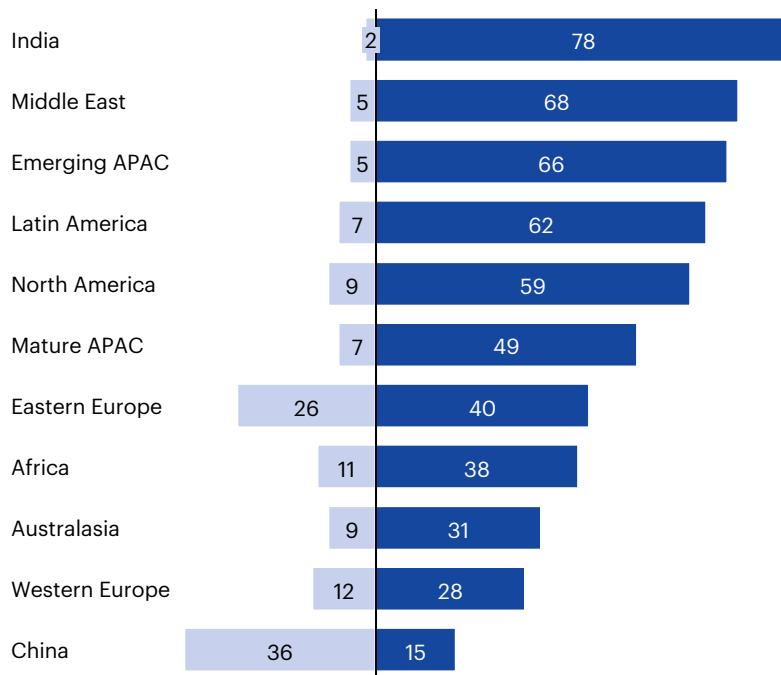
Note: Market estimates are updated periodically and communicated yearly by McKinsey. Figures reflect yearly current prices based on fixed exchange rates to 2024 levels. Beauty comprises skincare, haircare, colour cosmetics and fragrance. Mature APAC includes Japan, South Korea and Singapore. Emerging APAC includes India and broader Asia except China, Mature APAC and Australasia.

Source: McKinsey Global Beauty Market Model 2025

# Executives are eyeing expansion in North America and are bullish on India and the Middle East

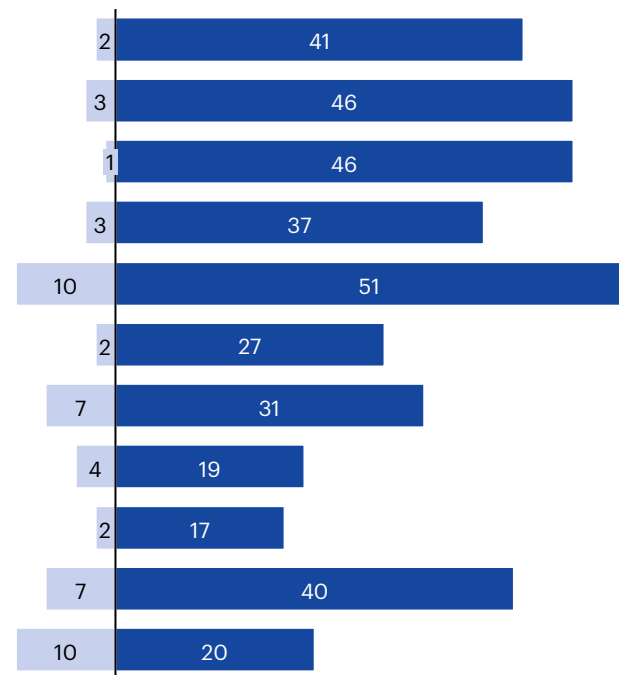
Beauty executive sentiment towards market growth prospects,  
% of executives

Not promising Promising



Beauty executive plans to adjust company footprint by geography,  
% of executives

Decrease Increase

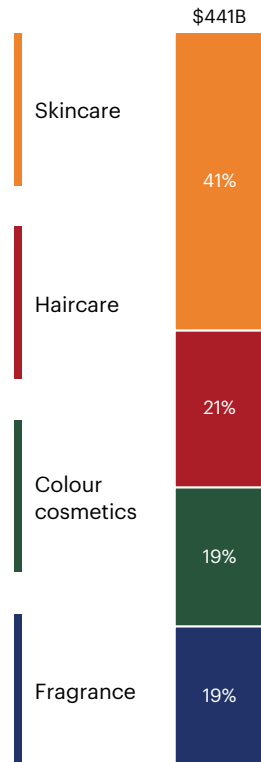


Note: The survey was concluded by end-March 2025, prior to the US announcements of tariffs. No executive who self-reported being from China or representing a Chinese brand participated in the survey.

Source: BoF-McKinsey State of Fashion: Beauty Executive Survey 2025

# Fragrance is expected to lead growth through to 2030

## Global beauty retail sales, 2024



|                  | CAGR | 2019–2024 | 2024–2030E  |  |
|------------------|------|-----------|---|--|
|                  |      |           | Base case <sup>1</sup>  | Downside case <sup>2</sup>   |
| Global           |      | 4%        | 5%  | 3%   |
| Skincare         |      | 3%        | The consumer base will continue to expand moderately along age and gender                                   | Increased focus on affordable brands may slow overall growth   |
| Haircare         |      | 6%        | Ongoing appetite for sophistication and innovation may drive trade-up behaviour and more elaborate routines | Willingness to splurge on the category may be confined to lower price tiers and therefore only grow moderately |
| Colour cosmetics |      | 2%        | Following strong post-pandemic momentum, the category has white space to grow                               | Higher spending on skincare may lead to limited purchases of colour cosmetics                                  |
| Fragrance        |      | 8%        | Increases in younger demographic penetration and growth from high-end niche fragrances will likely continue | The fragrance boom may result in fatigue or oversaturation over time   |

1. Assumes steady macroeconomic environment | 2. Assumes persistent macroeconomic challenges

Note: Market estimates are updated periodically and communicated yearly by McKinsey. Figures reflect yearly current prices based on fixed exchange rates to 2024 levels.

Source: McKinsey Global Beauty Market Model 2025

# The definition of beauty continues to expand into emerging and high-potential categories

■ Global retail sales, 2024 ■ CAGR 2024-2030E

## Aesthetic injectables

\$10B

9-12%

The US is expected to continue leading the category in absolute size, followed by China. Strong growth is expected in India, the Middle East and Latin America.

**11%**

of global consumers have had an aesthetic injectable treatment in the last 12 months; a further 28 percent are interested

## Men's shaving

\$15B

~6%

Willingness to splurge on perceived higher-quality grooming products will likely continue, with some consumers willing to trade up on shaving creams, hair removal tools and aftercare products.

**>2x**

acceleration of the segment's annual growth rate over the last three years compared to pre-pandemic

## Sun care

\$17B

~8%

Sunscreen and aftercare products (excluding skincare and colour cosmetics with SPF) are expected to continue to grow in appeal — especially in the US. Innovation can act as significant growth driver globally.

**76%**

of global female consumers use sun care products compared to 53 percent of global male consumers

## Bath and shower

\$52B

~6%

Personal care products such as shower gels have renewed potential for disruption, through increased focus on skincare-infused formulas or advanced support of the skin's microbiome, for example.

**44%**

of global consumers spent over \$35 on bath and body care over the past six months

## Beauty supplements

\$140B<sup>1</sup>

~5%

Vitamins aimed to support skin, hair and nails have grown in popularity over the last decade. The connection of beauty to longevity and newer formats like drinks and gummies support category growth.

**41%**

of consumers currently use beauty supplements, and close to half of non-users are interested in the category

## Spa services

\$148B

3-6%

As the lines between beauty and wellness continue to blur, the uptake of spa services has grown, but ongoing inflation may drive up consumers' price sensitivity.

**34%**

of global consumers report using beauty or spa services regularly, with a further 38 percent using them at least occasionally

<sup>1</sup> Total vitamins and dietary supplements market size

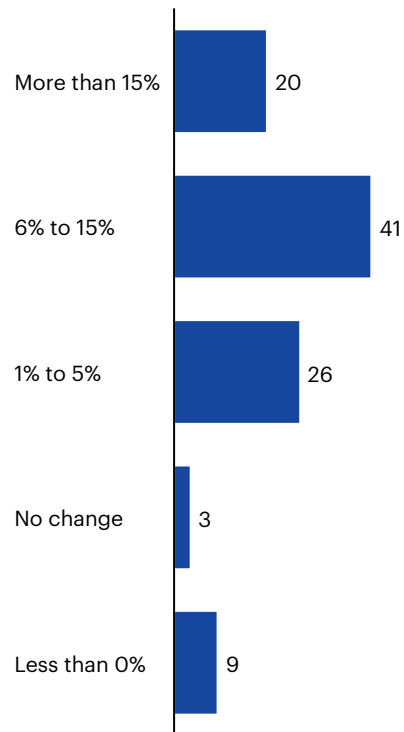
Source: McKinsey Beauty Consumer Survey 2025, Euromonitor, NBJ, Clarivate, Global Wellness Institute

# With little room left for price increases, executives are targeting volume gains

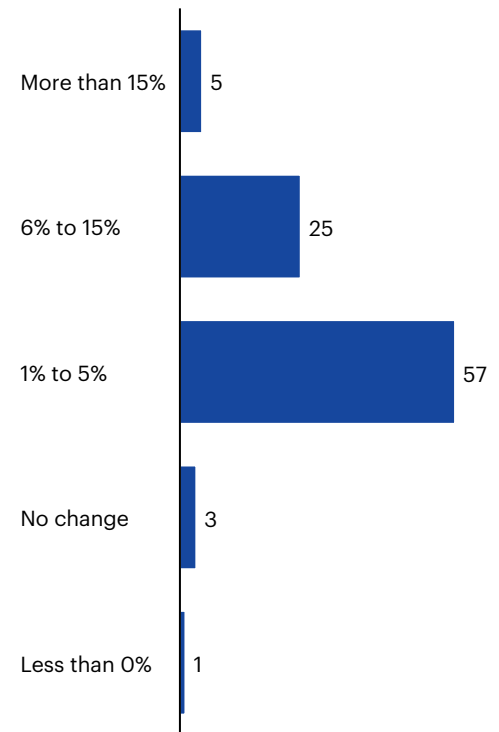
Price-led growth is not top of mind for many leaders. Surveyed beauty executives expect future gains to come from volume. Consumers are becoming increasingly attuned to the “true value” of the products and services they are buying, though that doesn’t always mean opting for the least expensive products.

Even though beauty players may be tempted to raise prices to ease margin pressures in light of economic stressors, they do so at their own risk. Based on survey results, few of their peers expect to do the same, meaning products with elevated pricing could stand out for the wrong reasons.

Beauty executive expectations for average annual **volume** growth over the next three to five years, % of executives



Beauty executive expectations for average annual **price** growth over the next three to five years, % of executives



Note: The survey was concluded by end-March 2025, prior to the US announcements of tariffs.  
Source: BoF-McKinsey State of Fashion: Beauty Executive Survey 2025

# Improving value propositions, marketing and digital transformation are top priorities

## Beauty executive key priorities

Biggest themes expected to shape the beauty industry in the next few years, % of executives

|    |   |    |
|----|---|----|
| 1  | Increased consumer scrutiny on perceived value for money          | 56 |
| 2  | AI's potential to transform the industry                          | 48 |
| 3  | The need for innovation and newness                               | 42 |
| 4  | Increasing costs of marketing online and on social media          | 42 |
| 5  | Increased focus on consumers aged 45+                             | 41 |
| 6  | Evolving consumer profiles in mature economies                    | 39 |
| 7  | Further industry expansion into wellness and personal care        | 36 |
| 8  | Increased focus on Gen-Z consumers                                | 35 |
| 9  | Increased focus on and local competition in emerging markets      | 33 |
| 10 | The need to find ways to grow in low-volume/price growth industry | 28 |

Greatest perceived risks to industry growth in the next few years, % of executives

|    |   |    |
|----|---|----|
| 1  | Uncertain consumer confidence and appetite to spend | 54 |
| 2  | Geopolitical instability and/or conflicts           | 46 |
| 3  | Inflation   | 37 |
| 4  | Disrupted trade flows and policies such as tariffs  | 36 |
| 5  | Increased competition                               | 36 |
| 6  | Rising raw material costs                           | 20 |
| 7  | Increased economic/financial market volatility      | 16 |
| 8  | Supply chain disruptions                            | 16 |
| 9  | AI adoption   | 13 |
| 10 | Regulations   | 8  |

Note: Questions were multiple choice. The survey was concluded by end-March 2025, prior to the US announcements of tariffs.

Source: BoF-McKinsey State of Fashion: Beauty Executive Survey 2025

# In our analysis, the beauty market is broken down into five price segments

|                | Skincare     |                     | Haircare    |                    | Colour cosmetics |                    | Fragrance    |                    |
|----------------|--------------|---------------------|-------------|--------------------|------------------|--------------------|--------------|--------------------|
|                | Price point  | Illustrative brand  | Price point | Illustrative brand | Price point      | Illustrative brand | Price point  | Illustrative brand |
| Luxury         | \$200-3,000+ | Sisley Paris        | \$100-500+  | No brand at scale  | \$100-1,000+     | Tom Ford           | \$250-5,000+ | Creed              |
| Prestige       | \$80-200     | The History of Whoo | \$50-100    | Kérastase          | \$60-100         | Chanel Beauté      | \$100-250    | Diptyque           |
| Entry prestige | \$40-80      | Clarins             | \$30-50     | Olaplex            | \$45-60          | Nars               | \$70-100     | Versace            |
| Mass prestige  | \$20-40      | La Roche-Posay      | \$15-30     | Wella              | \$25-45          | Fenty Beauty       | \$45-70      | Sol de Janeiro     |
| Mass           | <\$20        | Neutrogena          | <\$15       | Pantene            | <\$25            | Essence            | <\$45        | Zara               |

Note: Skincare indicative pricing for moisturiser (50ml). Makeup indicative pricing for foundation (30ml). Fragrance indicative pricing for perfume (50ml). Haircare indicative pricing for shampoo (350ml).

Source: Company US websites

# Amorepacific: A Conglomerate Indicative of the Times

The South Korean beauty corporation has experienced outsized growth as it brings its best-selling K-beauty products from Laneige, Aestura and Sulwhasoo to the US and Europe. As it charts its next chapter, its focus remains on globalisation and ongoing innovation, says chief executive Sean Kim.

BY PRIYA RAO



2025 marks 80 years of business for South Korean company Amorepacific. But the conglomerate's aims to go global only began "in earnest" in 2000, says chief executive Sean Kim. As a result, it has faced new challenges that international expansion often brings.

Last year was the first year that Amorepacific's North American business outpaced its China business (a "meaningful" milestone, as Kim describes it). In its first-quarter 2025 earnings announced in April, overall revenue increased 17.1 percent to \$1.1 trillion won (\$789 billion), buoyed

by strong growth in Western markets and other parts of Asia, including Japan.

Amorepacific, owner of 31 brands, including its namesake line, Sulwhasoo and Iope, helped bring the K-beauty conversation global. Incubated lines like Laneige have captivated Millennials and Gen-Zers thanks to products such as overnight lip masks, while the acquisition of Cosrx popularised ingredients such as "snail mucin" into Western beauty markets. Newer labels that were previously exclusive to Korea like Aestura have recently landed in Sephora US.

"We look at the markets, we look at the customers, and then each brand, from their perspective, to identify any unmet needs that there are," says Kim.

### **What values have cemented Amorepacific versus other companies?**

We believe that the customer makes the ultimate selection. [That] has led us to the growth that we have established today, and we've always placed great value on innovation. We've always had this pioneering spirit where we've developed new things that didn't exist before. For example, liquid foundation is a great product but is very difficult to carry around, so we developed the cushion

foundation, which enables the liquid foundation to be in a sponge compact form. We've also pioneered the concept of 'sleeping' beauty. Usually, people just think of skincare as something that you do during the day, but we've developed products that mean skincare can take place while you're sleeping. We applied that concept to a face product and a lip product, which has led to the great popularity of the Laneige brand in the United States. In the next five years, we're really going

to focus on accelerating our growth in North America, Europe and Japan, which are among the world's top five beauty markets.

### **What white space do you think your brands are filling?**

We have a very holistic portfolio from luxury brands like Sulwhasoo and Tata Harper to masstige like Cosrx, which we recently acquired. The regional subsidiaries look at the market from more of a channel

perspective, and combining these perspectives lets us draw conclusions about the strengths of our brands [and] the areas they can't cover. Initially, we would address white spaces by developing new products and lines from our existing brands. What we cannot cover with our existing brands, we engage [through] M&A, just as we have done in the past few years. For example, derma or clinical brands have seen a rise in demand globally. We thought of how our brands would be able to address this: we have Iope, which could cover derma at the high end, so we extended the products and line so that it's able to. It's not so much that we've changed the brand to meet that need, but we've expanded the brand itself. We also needed a derma brand that would be able to address the largest derma market in the world, which is the US. We found a masstige indie brand that was doing very well in the US, called Cosrx. Last year we [became] the majority shareholder.

**You mentioned that North America had outpaced China for the first time last year in terms of sales, and that you've moved a lot of your brands from the East to the West. How are you approaching that?**

We've traditionally had a phased approach in how we are launching



A Laneige pop-up in LA. Craig Barritt/Getty Images.



## “We found that the way that some indie brands do business is very different from our approach.”

brands, so we'd launch one brand, and then once it becomes successful, then we launch the next brand. We've always set up an overseas subsidiary to do business in that specific region, but recently, we found that the way that some indie brands do business is very different from our approach. They launch the same product simultaneously in multiple markets, with multiple retailers and distributors at the same time, and then they engage with customers on TikTok, and do seeding with influencers on Instagram. [With] Cosrx, we've been able to engage in a lot of communication with them since that acquisition, and we've been able to learn a lot from the way that they work. In key markets like the US, Europe and Japan, we [still] would need more of a phased approach. For markets like the Middle East, or Latin America, or Africa, we can learn from the indie brands, and collaborate with big distributors or retailers without having to set up our own subsidiary.

**The US is facing a great deal of uncertainty. What other pockets of**

**regional growth are you interested in?** Our most important market is North America. By far, it's the largest market, but our success in North America also has a great influence in other English-speaking countries. It has a spill-over effect to other countries like the UK and Australia, and even though we don't engage in a lot of marketing in those regions, the demand is very high. Once we enter those markets, the demand becomes very explosive. In the mid term, Japan [is] a very important focus for us. They also have similar consumption needs [to Korea]. In the [longer] term, we also have India [in mind]; the market is now just opening up to premium beauty, and then there's also the Middle East, which sits between many different continents. There's also quite a large segment of wealthy customers [there]. Then after that, the next wave would be countries like Mexico, Latin America, Africa and Central America.

Tariffs in the US impact Korea as a whole. We're closely monitoring the situation, and we're also preparing

Laneige launch of Bouncy & Firm serum. Craig Barritt/Getty Images.

ourselves by simulating various scenarios. But it doesn't just affect us, it also affects our competitors globally as well. Even US brands source many of their products from Korea and China, so it affects them, too. It could create a little bit of pressure because of increasing COGS, but looking at it from the competitive landscape, since almost all of the players are impacted, we feel that it's a little bit of less pressure on us.

**The channel and marketing ecosystem is very different in different markets. What has been your approach in deciphering that?**

Ten years ago, most of our sales [were] through traditional channels, like department stores. Sephora was there, but it was quite small at that time. But we've seen major shifts in the channel landscape, especially in the US. Sephora is very much the leading channel in premium skincare, and it has really reshaped the beauty business — not only does [it] sell products, but it's also a great partner in terms of brand building. For a company like us, which didn't really have a very strong base in the US, partnering with Sephora also was one of the key drivers behind the success of our business in the US. In the last three to four years, we've been working very closely with Amazon.

Social media plays an important role here as well, as brands or products that gain awareness and popularity on TikTok then gain traffic on Amazon. We also have other channels: for the luxury brand Sulwhasoo we need[ed] a premium channel that enables customer experience and service, so ... we have a footprint in Nordstrom. Also, from March of this year, we've opened stores in Macy's, so we have two Macy's stores in California and one in New York. We're also looking into expanding through Ulta Beauty as well. We're also looking into offline mass channels, like Target and Walmart more into the mid term.

**How do you feel about the competitive environment today and what do you think is innovative for the customer?**

If we look at just Korea alone, 10 years ago, the number of registered cosmetics companies was maybe 1,000, but last year that figure jumped to 30,000. The intensity of the competition is now twentyfold what it was in the past. But many of the K-indie brands are sourced from a small number of ODM [original design manufacturer] companies, so sometimes you end up with products that are very similar. The beauty industry in Korea itself has been able to grow because of these dynamics,

but many companies just disappear off the radar. But we believe this new ecosystem has been able to drive innovation in Korea.

**What do you think customers value today?**

If you look at the popular Korean indie brands, efficacy is important, but if you look at the average price point that sells well on Olive Young and Amazon, it's usually around between \$20 to \$25. Customers in that segment really seek products with new concepts. Product quality is a given, but they want [to have] easy access. Setting the right price point

for these types of products is very important. Differentiation is also important. If you go a little bit higher in the price tier, price is important, but there also you have higher expectations about efficacy, performance and claims. If you go even higher to the luxury segment, there are also expectations about brand values: branding, packaging and the experience. So, although we're all in the same company, by brand, we have separate organisations as we seek to meet our customers.

*This interview has been edited and condensed.*



Cosrx snail mucin products. Amorepacific.

## A stylized illustration featuring a perfume bottle, a green dropper, and a blue brush. The perfume bottle is white with a gold cap and a red label, resting on a red surface. The green dropper is on a yellow surface. The blue brush is on an orange surface. The background is a light blue with yellow and blue curved lines.



01.

## The Fragmenting Consumer

Shifting macro dynamics, wealth patterns and migration are reshaping shopper profiles across both mature and emerging markets. To stay competitive, companies must prepare for disruption and anticipate changes across generations and cultures. Each market will have layered nuances — hyper-localisation is needed to meet consumer needs.



Nearly two-thirds of consumers in the Middle East try at least one new brand every three months, compared to ~30 percent in Europe

02.

## True Value

Accessibly priced beauty brands have proven they can challenge pricier counterparts on efficacy, innovation and virality, raising consumer expectations across the market. As consumers grow more selective and cost-conscious, brands must demonstrate a clear and ownable value proposition, regardless of price.



63 percent of consumers do not think premium beauty products are higher-performing than mass beauty ones

03.

## Beyond the Founder

Over the last decade, an avalanche of brands with public-facing founders emerged. Communities were often built around their personal aesthetic, lifestyle or social presence. But while a prominent founder can propel growth, their appeal alone is insufficient for long-term success. With many branding niches now overcrowded, quality and originality will be key.



Only three founder-led brands established in the last two decades scaled beyond \$1 billion in sales

04.

## Marketing's Balancing Act

Brands must rebuild their creative marketing muscle and take chances in a crowded market. As growth marketing becomes even more expensive thanks to the oversaturation of channels, leaders will need to strike a smarter balance between brand and performance marketing. Dare to be original — it will pay off.



The importance of influencers in inspiring beauty purchases has declined in the US, China and Europe by 8 percentage points between 2023 and 2025

05.

## Channels at a Crossroads

Everyone wants a piece of beauty. Online marketplaces continue to gain share, putting pressure on speciality and mass retailers looking to expand their beauty aisles. As assortments begin to assimilate and channels increasingly blur, the bar for differentiation will rise — especially in physical stores where most beauty discovery still happens.



The share of global beauty sales made online could reach one-third by 2030

# 01. The Fragmenting Consumer



Beauty customer applying lipstick. Klaus Vedfelt/Getty Images.

**01. The Fragmenting Consumer** Shifting macro dynamics, wealth patterns and migration are reshaping shopper profiles across both mature and emerging markets. To stay competitive, companies must prepare for disruption and anticipate changes across generations and cultures. Each market will have layered nuances — hyper-localisation is needed to meet consumer needs.

## KEY INSIGHTS

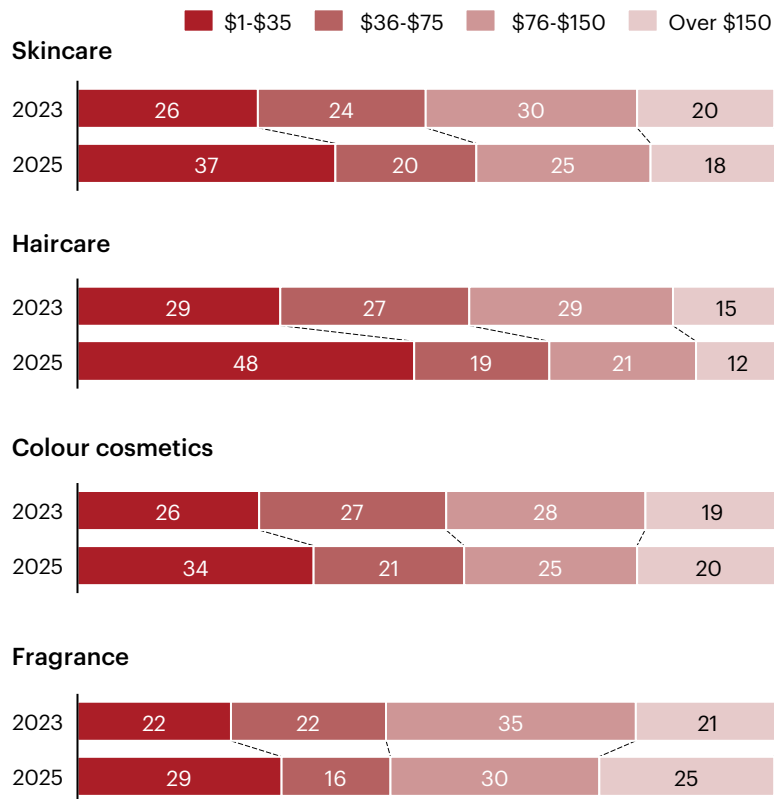
- Wealth gaps are expected to widen across the globe and especially in the US, where the purchasing power of low- and high-net worth consumers will likely become increasingly divergent.
- In mature markets such as Europe and developed APAC, consumers over 50 are set to grow their share of beauty spend. Across the globe, Gen-Z and Gen Alpha will age into higher spending brackets and are expected to drive outsized growth in markets like India.
- Preferences for domestic brands in China, Korea and India will put pressure on global players to sharpen localisation strategies and improve agility.

## EXECUTIVE PRIORITIES

- Align brand strategy to evolving wealth and migration patterns, recognising structural shifts such as the increase of Spanish-speaking consumers in the US and diasporic communities in the Middle East.
- Adapt go-to-market approaches to reflect local distinctions, using consumer insights to tailor messaging to cultural nuances.
- Understand the target consumer through micro-segmentation to avoid assumptions of homogeneous behaviour, even within a single market.

# US beauty habits and spending are diverging, exacerbated by wealth gaps

Amount spent by consumers on beauty in the last six months by category, % of US consumers



Source: McKinsey Beauty Consumer Surveys 2023 and 2025

## Wealth disparities are squeezing the mid-price tier and services

- Apart from fragrance, more US consumers say they are spending less on beauty across categories in 2025 than in 2023. This is most evident in haircare, where more consumers say they spent only up to \$35 on beauty in the last six months (48 percent in 2025 vs 29 percent in 2023).
- Whilst many US consumers are cutting back on spending, high-net worth shoppers largely continue to splurge, fuelling growth at the top end of the market. With growing wealth disparity, mid-tier price points will likely see continued pressure as consumers feel the need to tighten their purse strings.
- The use of beauty and spa services in the US has grown — over a third of consumers use them in 2025 compared to 22 percent in 2023 — but some users have started trading down or extending time between appointments.

## Wellness will continue to grow, especially in higher price tiers

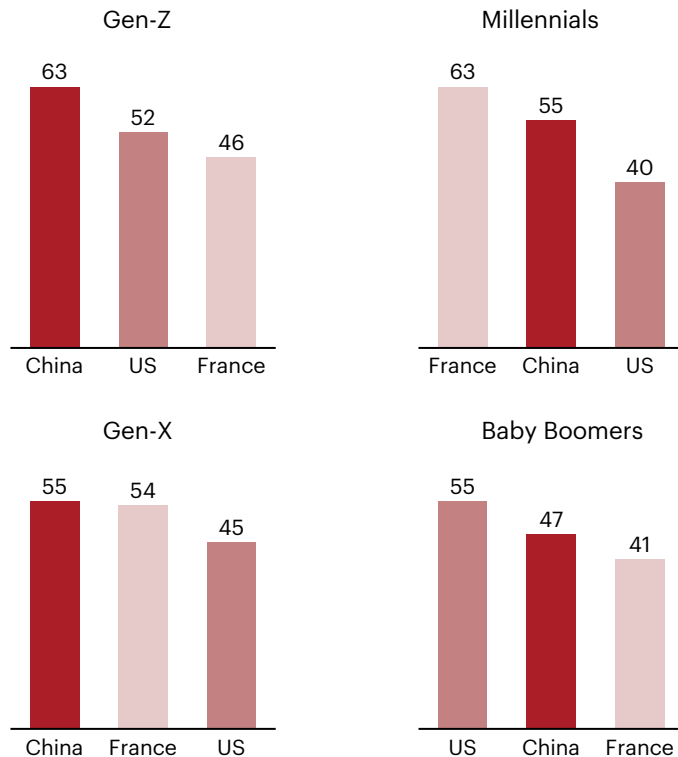
- 44 percent of consumers define beauty as taking care of the mind and body and over 50 percent of consumers consider skincare products to be a key contributor to their wellness routines, akin to physical exercise.
- The use of beauty supplements is expected to grow. 27 percent of US consumers regularly take them, and 43 percent are interested in using them. There is white space for more approachable products and innovation, such as new customisable formats or creatine supplements marketed to women.

## A heterogeneous consumer base requires multifaceted strategies

- Brands must navigate a constantly changing and vast landscape of consumer needs — from differences in skin tone and hair type to cultural preferences. Localising product offerings and go-to-market strategies is a way to stay ahead. For example, adding Spanish to packaging in the US may resonate with the nearly 15 percent of households that speak Spanish.

# As China's beauty market slowly rebounds, local brands and AI may increase competitive intensity

Top three countries<sup>1</sup> perceived to produce the best beauty by generation, % of Chinese consumers



1. Multiple-choice question with answer choices including 12 geographies across the world  
Source: McKinsey Beauty Consumer Survey 2025

## The Chinese beauty market shows signs of recovery as consumers adapt

- Economic uncertainty lingers, but Chinese beauty shoppers are cautiously optimistic. 76 percent of consumers perceive skincare and colour cosmetics to be affordable, and 60 percent and 50 percent have increased their spending in these categories in the last 12 months, respectively.
- Beauty engagement remains strong — around 50 percent of consumers try at least one new brand every three months, compared to around 30 percent in Europe. There is also high trust in the efficacy of skincare products.

## Young Chinese consumers perceive domestic beauty as market-leading

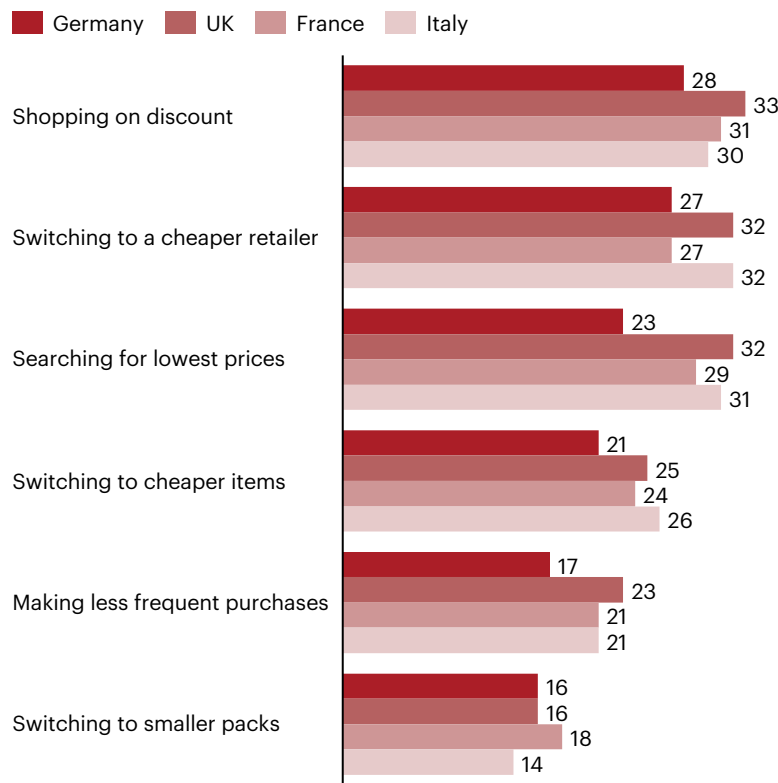
- Domestic brands account for around half of consumers' beauty bags. Gen-Z favours local labels for their perceived value and effectiveness more than older generations. As this cohort's spending power rises, their preferences will increasingly shape the broader market. While foreign brands continue to lead in the premium tier, limited middle-class growth means brands must find new ways to appeal to value-conscious consumers in the long term — and compete with local players that emphasise affordability.
- In the mid term, foreign brands will likely retain their appeal among wealthier consumers, with high-end beauty expected to return to moderate growth. One in five consumers say that they recently chose to try a new brand because it is a premium or luxury brand.

## Consumers are more open to AI in beauty than other markets

- 83 percent of consumers believe that AI can offer better beauty recommendations than people, giving brands a clear opportunity to build consumer-facing AI tools, including agentic AI (which operates without human oversight).
- Rising beauty device use and high trust in AI create favourable conditions for connected tools that sync with apps to deliver personalised experiences.

# In Europe, consumers are prioritising affordability, whilst multiculturalism is shifting preferences

Consumers who report downtrading in beauty in the past six months, % of consumers



## European consumers are more focused on price than before

- Across Europe, inflation has outpaced wage growth over the past five years (at a 4 percent vs 3 percent compound annual growth rate), peaking at 8 percent in 2022.<sup>1</sup> Today, one in four consumers say beauty is unaffordable — rising to one in two for fragrance.
- With price sensitivity expected to persist, cultural norms around what beauty should cost also shape purchasing habits. Mass channels such as drugstores (e.g. DM) and grocery (e.g. Carrefour) stand to gain, while premium speciality and department stores may face headwinds.
- To sustain growth, premium brands in particular should limit exposure to unauthorised third-party channels and reframe their value proposition, including through product education, gifting and special occasions.

## As the consumer base expands, beauty preferences will evolve

- The share of immigrants in Europe increased from 10 percent in 2010 to a projected 13 percent in 2024, with variation by country.<sup>2</sup>
- More consumers with varying skin tones, hair types and perspectives on beauty norms mean brands will likely see demand for vaster product assortments.

## Large, established players may benefit from the slower-moving market

- Europeans adopt new trends more slowly than others — only 30 percent try a new brand every three months compared to 40 percent globally. Fewer than one in four shoppers aged over 50 try a new product every three months, and half do so less than once a year. There is an opportunity to strengthen loyalty with consumers via hero franchises and higher-replenishment products, such as in skincare.

1. McKinsey Global Economics Intelligence | 2. United Nations Department of Economic and Social Affairs  
Source: McKinsey Beauty Consumer Survey 2025

# As consumer wealth in the Middle East rises, premium beauty is thriving

## Continued growth in wealthy households will power brands in the region

- The McKinsey Global Institute estimates that the number of households with annual income over \$250k will triple in the UAE and double in KSA between 2025 and 2050. Expats are a key growth driver (making up close to 90 percent in the UAE today and expected to make up approximately 45 percent in KSA by 2035, according to GMI).
- High-end beauty is set to grow in the region. More consumers in the UAE and KSA say premium prices are justified than other regions. Around 90 percent consider beauty products affordable, presenting a strong opportunity for prestige and luxury brands to expand and build loyalty.

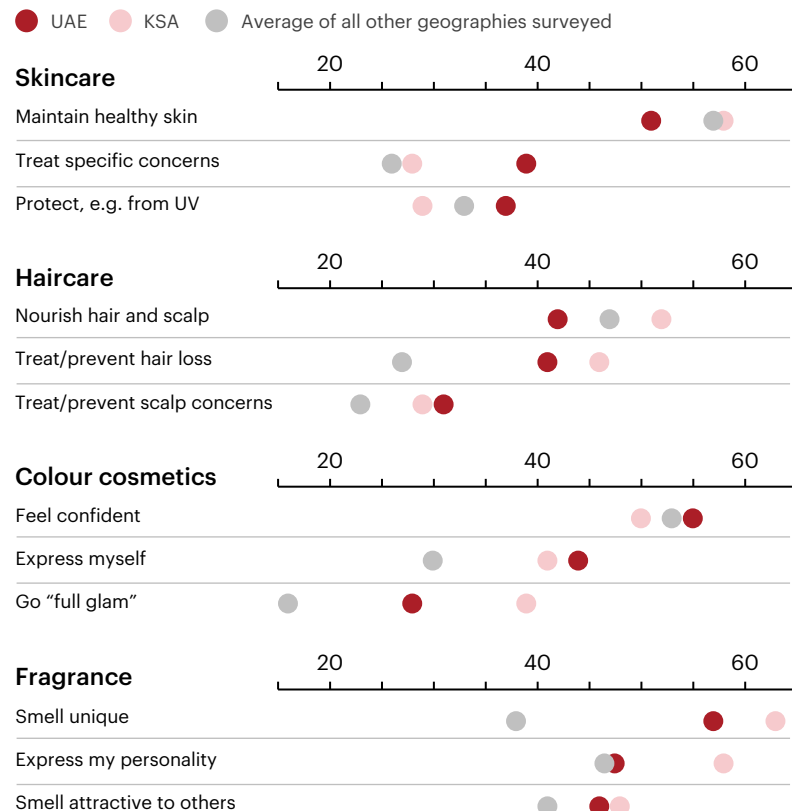
## Appetite for beauty is high across products and services

- UAE and KSA consumers are open to new products, with nearly two-thirds trying at least one new brand every quarter. In KSA, 25 percent say high-end positioning motivates them to try something new.
- Spa treatments and other beauty services are widely used, with three-quarters of consumers engaging in them. Half of non-users are interested in trying them. Higher-end brands have an opportunity to collaborate with luxury hotels, spas and clinics to offer branded experiences.

## The region may experience a rise of local brands — beyond fragrance

- The region shows lasting loyalty to fragrance houses with strong local roots, such as Amouage, Arabian Oud and Kayali. In the medium term, new local challengers could emerge across other categories as well, making real-time marketing and social listening essential.
- Deep cultural insight will be conducive to success, especially in niche areas such as hair loss treatments and “full glam” makeup.

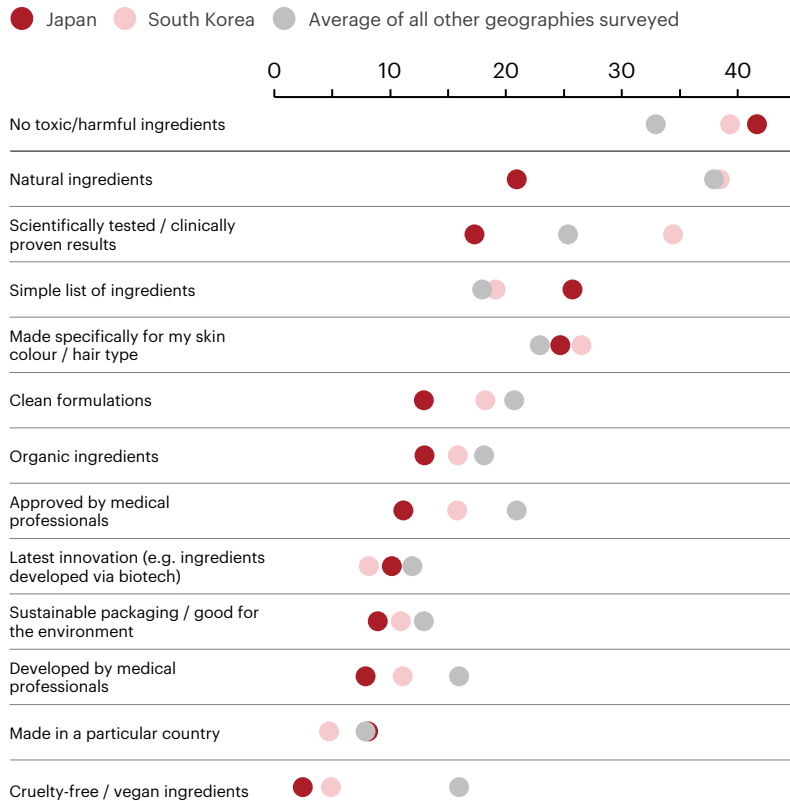
## Consumers' top goals when using beauty products by category, % of consumers



Source: McKinsey Global Institute, Global Media Insight, McKinsey Beauty Consumer Survey 2025

# In Japan and Korea, beauty expectations remain high as choices abound

Benefits consumers look for when shopping for beauty,  
% of consumers



Source: McKinsey Beauty Consumer Survey 2025

## Societal pressure on appearance remains high

- Gen-Z and Millennials experience the highest societal pressure around beauty, with 45 percent in South Korea and 33 percent in Japan reporting strong external expectations, higher than their peers in other countries.
- Korean consumers are leading adopters of at-home beauty tools like gua sha and LED face masks, with one in three using them and 40 percent of non-users expressing interest in them. This indicates a white space for topical products that complement at-home treatments or support recovery from in-clinic procedures.

## Brand competition is intensifying

- Rapid product advancement has made consumers highly discerning amid growing choice, prioritising ingredient transparency, efficacy and overall experience, as well as product texture and dispensing. Brands must clearly communicate what makes their formulas unique, stay ahead of ingredient and technology innovation and, where relevant, feature expert validation in the marketing of products to strengthen credibility.
- In Korea, retailers like dollar store Daiso Korea are gaining traction with budget-conscious consumers by adding smaller or repackaged versions of brands typically sold at higher-end locations like speciality retailer Olive Young. 42 percent of consumers report buying beauty in less expensive channels over the last 12 months.

## There are signs of beauty oversaturation

- While K-beauty fuels excitement in new brand discovery globally, signs of domestic fatigue are emerging. Around half of Japanese and Korean consumers prefer sticking to brands they know. This trend may become more pronounced as populations age.

# Rising wealth and beauty spend in growth markets like India and Brazil merit local strategies

Share of consumers who increased their beauty purchase frequency in the past 12 months by geography



In growth markets such as India and Brazil, income growth has encouraged consumers to spend more on beauty. As such, consumers are trading up from lower- to mid- and upper-levels of mass beauty. Brands can consider adding products with marginally higher sticker prices, such as in skincare, featuring special ingredients or limited editions.

A growing share of high-net-worth consumers is driving growth in premium beauty, with international brands still perceived as having superior performance. To grow market share, premium brands can reach a broader consumer profile through entry-level products and targeted sampling.

Consumers in both India and Brazil exhibit openness to trying new products and brands, with India seeing a flurry of local challengers, such as D'you, Minimalist, Asaya and 82°E. These challengers often focus on needs and use cases specific to the Indian consumer.

## Celebrity power remains unmatched in India's beauty market

- Indian consumers are twice as likely to be influenced by celebrities; one in five Indian shoppers aim to smell like their favourite celebrity when buying perfumes, compared to an average of one in 14 in other regions.
- Brands aiming to scale in the market can benefit from the right association. On-brand celebrities can act as a powerful driver of trust, aspirational appeal and engagement (30 percent of consumers trust these tastemakers the most).

## Digital direct selling can help tap into Brazil's shopping culture

- Direct selling serves as a core channel in Brazil and wider Latin America, with brands like Avon and Natura leading in the space. As digital adoption accelerates, live commerce has the potential to evolve the direct sales model.
- Live commerce represents a sizeable opportunity; 19 percent of consumers watched a live show in the last year and 61 percent of others expressed interest. For international brands, digital direct selling may be just as attractive as third-party retailers.

Source: McKinsey Beauty Consumer Survey 2025

# Beiersdorf: Spotting Opportunities Despite Beauty's Slowdown

Beiersdorf chief executive Vincent Warnery discusses offsetting China and US headwinds through new product launches, hero ingredients and expansion into fast-growing markets.

**BY LIZ FLORA**



Instead of fixating on beauty's slowdown, German-beauty conglomerate Beiersdorf is keeping its focus on steady growth.

The owner of household brands like Nivea and Aquaphor as well as luxury labels like La Prairie and Chantecaille is betting big on emerging markets, strength in mass labels and hero ingredients to keep up momentum at a time when others in beauty may be struggling.

In April, the group reported first-quarter sales growth of 3.6 percent to €2.7 billion (\$3 billion)

and maintained full-year guidance of 4 to 6 percent sales growth.

Its portfolio of drugstore and dermatological brands has offered the company some stability. Beiersdorf is certainly not immune to challenges: luxury skincare label La Prairie has struggled in part due to the slowdown in China; its global sales dropped 17.5 percent in the first quarter. Still, its mix of premium and accessible labels has bolstered its resiliency.

Global economic and geopolitical uncertainty is among Beiersdorf's most pressing challenges.

According to chief executive Vincent Warnery, the conglomerate was managing US production and product storage costs before any tariffs (or would-be tariffs) go into effect. Meanwhile, other markets, including India, are showing strong potential at a fortuitous time, given the company's plans to accelerate its global expansion.

**Many companies have been facing a challenging start to this year, but you kept your full-year guidance of 4 to 6 percent growth. What are the biggest headwinds facing beauty right now globally, and how is your company overcoming them?**

We have to get used to the fact that the market is going down to a slower growth level. We are no longer in the double-digit growth we had after Covid. In this market, the usual headwind is obviously China, because we don't know what will happen [there]. We are still all hoping to get a recovery. The new headwind [is] we are not so sure what will happen in the US with all this stop-and-go on tariffs. Where we have the really good potential is still in emerging markets, not only the usual suspects, like Latin America and Southeast Asia, but for example, India. India is a country where we are all investing a lot, because there is new distribution online. There is also the middle class willing to spend money.

**For La Prairie, are you focusing more on making changes to the China strategy or on other regions?**

We have been pretty late entering the e-commerce ecosystem in China. We are super successful, first with Tmall, then we entered with JD.com and [have been active for] one year [on] TikTok.

We are trying to correct a few mistakes. For example, we [were] increasing prices at a level which was not sustainable. The second element: we are trying to make our counters more welcoming. We are changing the look and feel of our counters. We used to be very good at maintaining our VVIPs [very important VIPs], but [we were] no longer [good at] recruiting new consumers. This is changing now.

**And moving on to the US, has the company seen any impact from the news of tariffs?**

Only 10 percent of the products I'm selling to the US are coming from Europe, where I would have had a 10 or 20 percent tax increase, which is not really material. We're not hit by that. The issue is more the impact it could have on consumer confidence and the market dynamics in the US. With inflation, we are very afraid that people will start to lose jobs and everything. Beauty might be one of the categories which is less of a priority, and then we'll see a decline. We see that already happening in some skincare categories.

**Have you taken any actions in response to the tariffs yet?**

We will not change the supply chain, because we are already producing one



Eucerin's hyaluron-filler skincare range. Beiersdorf.



Nivea Creme products. Jeff Schear/Getty Images.

third of our products in the US. We will not open a new factory. What we have done is some stocking. We had three months of stock in the US in case something happened. If we have to react, we will go through price increases. That's the only thing we can do.

Even before the tariffs, there has been talk of consumers in the US and other places feeling pressure on the cost of living. Does that have an impact on your business strategy? The beauty of the beauty market is that in bad years, we grow 4 percent, and in good years, we grow above 6 percent. We are always growing. This is not a category in which you are ready to make such a compromise that you stop buying products. We have a pretty large range, you know, if you want to buy a Nivea cream at 2 euros, you will find it. If you want to buy La Prairie for 1,500 euros, you will find it. We have an offer which is adapted to any kind of consumer expectations and consumer confidence.

**Is there more appetite for accessible brands right now or luxury beauty?**

You clearly could see that derma brands were growing at the expense of mass-market brands over the last three, four, five years in the US. Now you see the mass market being more

## **“If you look at luxury brands today, if you look at the communication ... It’s much more claims, data, proven efficacy.”**

dynamic. There is a little shift from premium to mass, which is not bad for us, because we have both — we have Nivea; we have Eucerin. But we see that people are perhaps less likely to put extra money into skincare, and this is [why] some mass market brands are doing well in the US.

**What are the best strategies for keeping household names and classic brands relevant in a beauty industry with so much innovation and newness?**

You have to come up with new products. This is something we have been doing extremely intensively [with] Eucerin.

**Beiersdorf has been using hero ingredients across brands in its portfolio. What are the benefits of this model, and are there any drawbacks?**

The obvious drawback is people are thinking, ‘Okay, why would I put 1,500 euros into La Prairie products with thiamidol? I could get it for 40 euros.’ We have to be able to explain that, yes, the ingredient is the same, but the ingredient is a small part of

the product; on top of the ingredients, you have the specific formula, the textures, the positioning of the brand, the storytelling.

**And as consumers become more educated about skincare and ingredients, is that making its way into the luxury skincare category?**

Yes, absolutely. If you look at luxury brands today, if you look at the communication, it’s much less fluffy marketing. It’s much more claims, data, proven efficacy. Consumers are saying, ‘Yes, I really need to pay much more, but give me a reason for that.’ It cannot just be that you are [advertising with] a celebrity or that you have fluffy advertising.

**Are you interested in branching into more categories, or are you staying focused mainly on skincare?**

I’m interested in categories where I can bring added value. If you look at Chantecaille, this is mostly in foundation, in products which are applied to the skin. I have an expertise there. If you ask me if I have an expertise in mascaras, lipstick, no, I

don’t. I will only go into these categories if there really is an impression that as a company, we can bring something, and it will be really an exception to the rule. We are a skincare company. This is where we will focus 90 percent of our energy and investment.

**And are you looking to acquire more brands in the near future?**

Absolutely. Chantecaille is a good example of what we can do. It took us some time to re-engineer the brand, but this year, we know we are expecting an extremely good year. We are pretty optimistic about Chantecaille, so we want to buy other brands like [it].

*This interview has been edited and condensed.*



La Prairie caviar products. La Prairie.

# 02. True Value



**02. True Value** Accessibly priced beauty brands have proven they can challenge pricier counterparts on efficacy, innovation and virality, raising consumer expectations across the market. As consumers grow more selective and cost-conscious, brands must demonstrate a clear and ownable value proposition, regardless of price.

### KEY INSIGHTS

- 63 percent of consumers do not consider premium brands to be higher performing than mass brands, illustrating a need for high-end players to sharpen their presentation of value.
- The global share of the mass and masstige segments within skincare and colour cosmetics has grown by 5 percentage points and 4 percentage points over the past five years, respectively.
- Despite beauty's reputation for being recession-proof, 24 percent of consumers have traded down to cheaper beauty products in the past 12 months.

### EXECUTIVE PRIORITIES

- Understand how perceptions of “value for money” vary among target customers — for example, absolute price, cost per use or impact per dollar.
- Emphasise unique signifiers of value and consider building hero franchises around them. Factors such as sensorial appeal and functionality can help justify a higher price point.
- Create accessible price points — even for high-end offerings — such as entry-level items, mini versions of popular products or gift sets.

# Mass players are gaining ground, with four major shifts contributing to their success

## Elevated product

- Challenger mass brands such as E.l.f. Beauty adopt similar codes to prestige brands like popular ingredients, attractive packaging, high performance and scientific claims. This is enabled by access to advanced formulations through scaled contract manufacturing and turnkey solution providers.
- The global rise of K-beauty — positioned as high-efficacy skincare, often at accessible price points — continues to build consumer trust in mass and masstige offerings.

**63%**

of consumers do not think premium beauty is higher-performing than mass

## Increased availability

- Non-core beauty retailers — including mass retailers, grocers and discounters — are actively expanding their offerings in beauty and broader personal care, mainly in mass.
- Mass brands have embraced e-commerce and fast-growing platforms like Amazon and TikTok Shop.
- Speciality beauty retailers are adding lower-priced products to serve full beauty routines and attract broader audiences.
- Hypermarkets, drugstores and discount retailers such as Target, Rossmann and Action are investing in private-label beauty, often giving these lines preferential merchandising in stores.

**17%**

growth of global beauty e-commerce per year seen between 2019 and 2024

## Broader visibility

- Mass brands excel at driving viral trends on platforms like TikTok, Instagram and Xiaohongshu, reaching broad audiences.
- Top affordable brands are maximising influencer ecosystems and user-generated content across platforms such as YouTube to target new consumers authentically.
- Lower price points give mass brands flexibility to embrace playful, approachable messaging that resonates with consumers.

**64%**

of global Gen-Z consumers say social media is one of their top sources of beauty inspiration

## Increased consumer attention

- Newer beauty consumers, including Gen-Z and men, favour mass brands for accessible pricing and wide availability.
- Nearly half of global consumers enjoy deal-hunting in beauty, benefitting the mass category.
- High inflation has boosted affordable brands as shoppers seek novelty at low price points.

**39%**

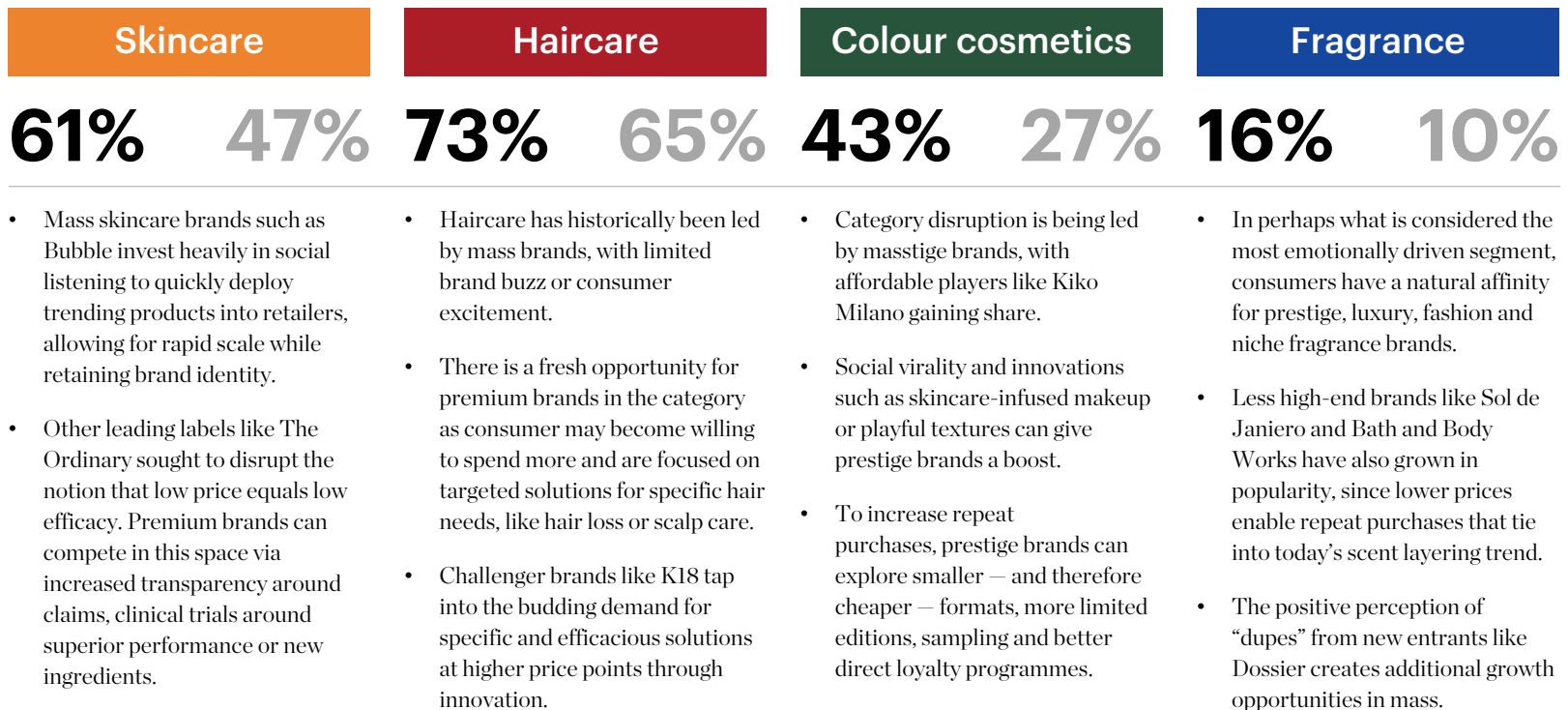
of global male consumers list a mass brand as their favourite brand, compared to 32 percent of female consumers

Source: McKinsey Global Beauty Market Model 2025, McKinsey Beauty Consumer Survey 2025

# Mass brands are frequently purchased, but high-end brands still demonstrate aspirational allure

% of global consumers who list a mass brand as their **most-purchased** brand

% of global consumers who list a mass brand as their **favourite** (most-admired) brand



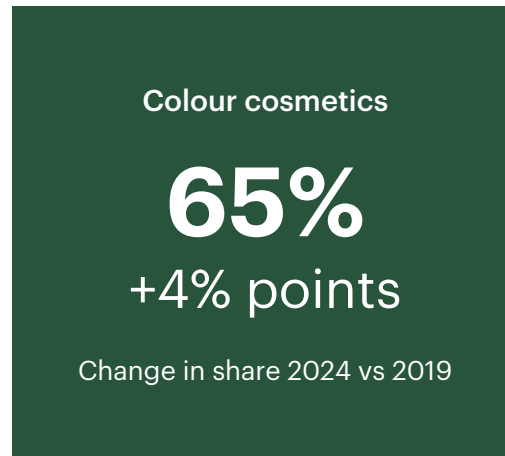
Source: McKinsey Beauty Consumer Survey 2025

# Demand for affordable skincare and colour cosmetics is rising

Mass and masstige combined share of 2024 global beauty retail sales by category



|               | 2024 | 2024 vs 2019 |
|---------------|------|--------------|
| US            | 65%  | +5% points   |
| Europe        | 74%  | +3% points   |
| China         | 73%  | -2% points   |
| Emerging APAC | 76%  | +10% points  |
| Middle East   | 73%  | +6% points   |



|               | 2024 | 2024 vs 2019 |
|---------------|------|--------------|
| US            | 56%  | 0% points    |
| Europe        | 73%  | +3% points   |
| China         | 72%  | -1% points   |
| Emerging APAC | 74%  | +10% points  |
| Middle East   | 56%  | +1% points   |

A push for affordability is most pronounced in skincare and makeup, where mass and masstige brands in both categories have been taking market share from other price tiers in nearly all markets except China over the last five years.

In early 2025, around a quarter of all global consumers said they have traded down to less expensive beauty products over the last year. This trend is only set to accelerate amid slowing growth and a challenging economic environment globally.

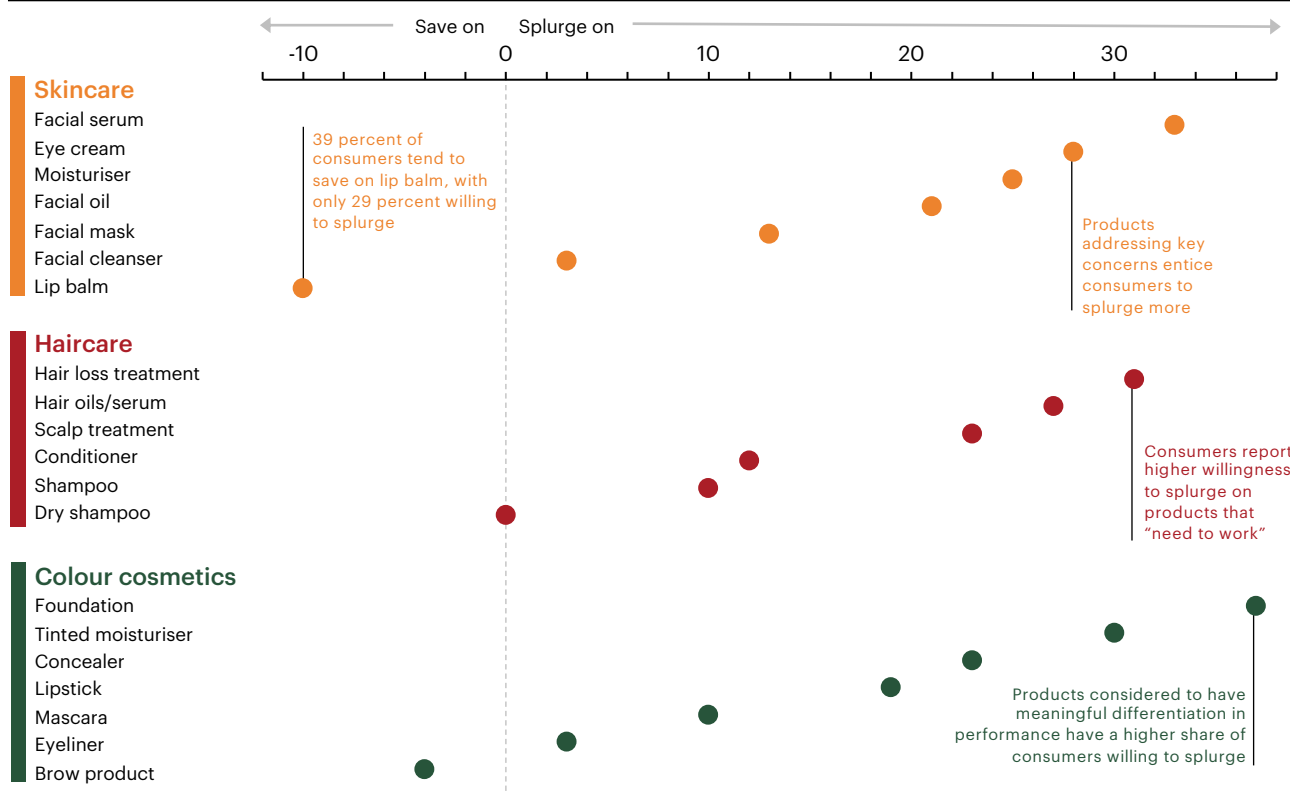
But this signals more than just cost-cutting. Many customers are not price-sensitive as much as they are value-sensitive — though differentiating on value is increasingly difficult in an era of dupes and discounting.

Higher-priced brands should think of creative strategies that allow them to open the aperture to price-sensitive customers, such as mini or travel-size editions, a lower-priced product such as lip balm, hand cream or eau de toilette spray, or increasing sampling in their retail network to ensure more customers try their products. All the while, existing customers should be retained through high-touch client care like targeted promotions and excellent customer service.

Source: McKinsey Global Beauty Market Model 2025, McKinsey Beauty Consumer Survey 2025

# As consumers splurge selectively, scrutiny on value will likely increase

Net consumer intent to save or splurge on products by category,  
%



Consumer preferences to shop across price points, combining expensive and cheaper brands, vary by country:

**46%**

Global

**53%**

India

**48%**

US

**36%**

France

Source: McKinsey Beauty Consumer Survey 2025

# ‘Dupes’ are likely here to stay, requiring higher-priced brands to demonstrate clear value

Amplified by inflation and perceptions of products being overpriced, “dupes” (products that either directly or indirectly imitate premium items at a lower price) will likely continue to appeal to consumers. Over 50 percent of surveyed global consumers say they are open to buying them — rising to nearly 60 percent for colour cosmetics.

To differentiate their position against dupes, premium brands must deliver true distinction and meaningful innovation, offering high-performance products that create stickiness for consumers.

Benefits like longer-wearing effects, science-backed clinical trials and transparency of ingredient quality should be communicated directly to shoppers. Sensorial elements also matter to consumers, such as a product’s application, texture and smell, while elevated packaging can help sell items in a self-service environment such as Sephora.

## 28%

of global consumers  
have consciously  
bought dupes

## 53%

of global consumers  
say they are open to  
buying dupes

## 50%

of global consumers  
are concerned about  
the quality of dupes



**Charlotte Tilbury**  
Celebrity makeup artist  
and founder,  
Charlotte Tilbury

In January 2025, Charlotte Tilbury launched a global brand campaign called “Legendary. For A Reason” in response to an onslaught of dupes of its popular premium cosmetics, such as Hollywood Flawless Filter and Film Star Bronze & Glow.

“I am an artist, I’m a founder, I’m a president, I’m a control freak ... When I created the Hollywood Flawless Filter, that [kind of] product had never existed in the beauty industry ... Product is king ... then you have these different dupes that are trying to pretend that they’re the same thing, [they] are duping the consumer.

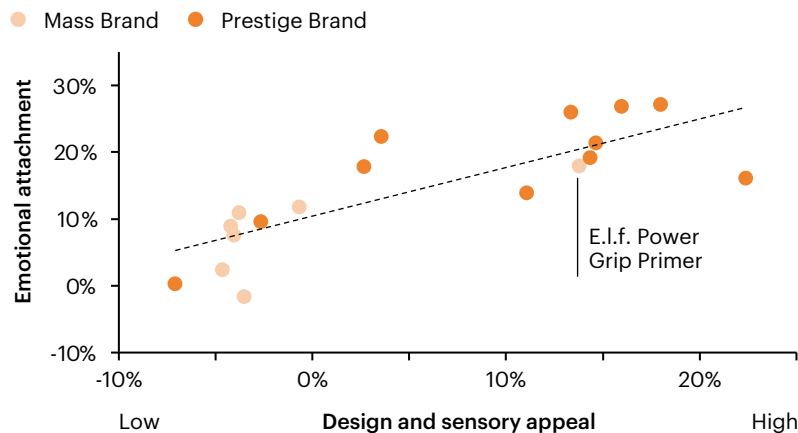
... We just launched a Legendary campaign, as these products are iconic for a reason. They’re number one in every market because they perform so much better — sorry, honest truth — than anyone else. Sometimes I invent a category; sometimes I reinvent a category. Without innovation, you have no industry.”

Source: *The Business of Fashion* interview with Charlotte Tilbury, 2025

Source: McKinsey Beauty Consumer Survey 2025

# Sensory appeal and design can drive consumer attachment

Net perception of select hero products in consumer reviews



Source: Quilt.AI for BoF Insights, global consumer product reviews from Sephora, Ulta Beauty and Amazon



Beauty is an emotionally driven category. With product performance now a baseline expectation — half of global consumers say they conduct extensive research before purchasing — value is also judged according to sensory, functional and design elements.

Proprietary analysis of online consumer reviews of select hero beauty products suggests a link between the product experience (including design, formulation texture and scent) and emotional attachment. Higher-priced hero products achieved a higher score than the mass products studied, indicating that prestige players need to deliver on these dimensions to differentiate.

Even so, there are cheaper brands that demonstrate a similar level of design appeal and emotional connection; customers rate mass brand E.l.f. Beauty's Power Grip Primer highly for its functionality and appealingly sticky texture, which the brand emphasises in its marketing, most notably in its 2023 Super Bowl campaign.

The need for design differentiation is highest for premium brands. For example, US prestige makeup brand Merit has made design a core element of its identity. The brand explains its design process and shares packaging and in-store gondola blueprints on social media, creating a cohesive brand image.

Even simple elements of functionality are paramount. Pumps that get clogged, packaging that shatters or text that rubs off bottles are common pain points that can undermine a product.

Uncertainty around global tariffs may make it more expensive for high-end brands to produce state-of-the-art packaging. While shoppers may be reluctant to pay more for packaging alone, a higher price tag raises expectations across all aspects of the product.

# Kiko Milano: A Masterclass in Pricing Power

Shoppers at all income levels are searching for value, but convincing customers products are worth the investment can be challenging. At Kiko Milano, chief executive Simone Dominici is finding ways to protect the brand's more accessible pricing while still elevating the positioning.

**BY DANIELA MOROSINI**



Across the income spectrum, one thing unites all shoppers: everybody likes to feel that they got value for money. While macroeconomic shifts will increase wealth in concentrated pockets, the next five years could also see wealth decline in lower- and middle-income households. Wealthy customers will have more brands vying for their spend, while lower-income customers will want to make every penny count. Perceptions of value will become deciding factors for shoppers.

Kiko Milano, founded in 1997 in Italy, has long walked the tightrope between high quality

cosmetics and accessible pricing. Since 2022, it has begun an elevation strategy, reducing promotions, changing its distribution strategy and introducing more premium products; as well as its \$4.50 lip liners, it also offers a \$28 serum-primer hybrid and a \$32 eyeshadow palette. The brand can now also be found in premium department stores like El Corte Inglés in Spain and Galeries Lafayette in France. So far, the strategy is working: sales grew 14 percent in 2024 to €900 million (approximately \$1 billion), while LVMH-backed investment firm L Catterton took a majority stake in the business the same year. Chief executive Simone Dominici

says further premiumisation can help grow the brand's global appeal — and its margins — but that maintaining accessible pricing will enable Kiko Milano to add new customers across the wealth spectrum. Using hero franchises, social listening and strategic relationship-building with suppliers and customers is key to winning over discerning shoppers in the brand's more than 1,250 stores. Through collaborations with tastemakers like the model Sara Sampaio and the hairstylist Rossano Ferretti, the brand is working hard to establish a premium presence, whilst also fending off competition from other masstige players.

**Is your core customer shopping for affordable beauty only?**

They mix and match. We define ourselves as an entry prestige brand now. In our stores, we see Prada bags and Louis Vuitton bags. The customer might have a lipstick from Chanel that they match with their eyeshadow from Kiko; the common denominator is the quality. Because we want to be entry prestige, it doesn't mean we need to have a lower prestige level than a true prestige brand. We need to have the same quality but more democratic price, otherwise, the equation doesn't work.

**People sometimes say that affordable beauty is not as good quality as prestige. How do you challenge that?**

When I started here three years ago, low price was confused for low quality, and 80 percent of our sales were done on promotion. When you discount your product too much [it loses appeal], and that is what some drugstores and some chains do; that's why I don't want to have my product in drugstores. Instead, we're entering department stores and speciality retailers, among the more important ones. We replaced promotions with services, and invested heavily in them. We offer a 10-minute makeover in store for free, and we don't force you

to buy. It's just for pleasure and to inspire your confidence. It's about exploring, experimenting, touching and playing with our products. When you convince people about the quality, then they become a loyal customer.

**The beauty space is being overtaken by dupe brands. How do you make a strong identity for yourself when other brands in your price bracket are doing dupes?**

There was a season in which consumers were loving dupes, but we never had a temptation to go for it. We're an innovative brand, and one of the reasons why we are strong in innovation is because we are sitting very close to the producers that produce half of the global cosmetics used in the world. So our marketing and R&D departments engage with these companies every day, and so we differentiate our innovation with our concept, packaging, design and quality, and the experience in our stores is luxurious and very unique. The environment where you buy the products also creates part of the positioning.

**What role do hero products play in your overall strategy?**

When we shifted from being a mass brand to becoming more premium, we immediately reviewed our



A Kiko Milano store. Kiko Milano.

**“To become an iconic brand, my belief was we need to have strong franchises. The brand needed an iconic product that people chase, search for and have confidence in.”**



3D Hydra lip gloss. Kiko Milano.

portfolio. To become an iconic brand, my belief was we need to have strong franchises. The brand needed an iconic product that people chase, search for and have confidence in. Then we created a few iconic franchises, one of which is the 3D Hydra lip gloss. On one hand, the goal is to recruit new customers, but also, it's to create inspiration to create different looks. Now we have more than 35 shades, so you can create different looks, combine with a lip liner, and so on. You enter through a product, and then you explore the assortment and you fall in love with the opportunities to create looks. That ends up having a higher average ticket because you have more pieces per unit. Through the iconic franchise, you expand your community footprint, then store exploration, and then you expand the portfolio.

**What does the rest of your premiumisation strategy look like?** Other than creating franchises and switching from promotions to services, it's also elevating the pricing. This is mainly thanks to product mix, so we've introduced new products with a higher value perception. We did this partly through collaborations, which we've done with Disney, Bridgerton, and then celebrities like Sara Sampaio and Emma Roberts.

We had our haircare range designed with [hairstylist] Rossano Ferretti. We don't want to become a multi-brand retailer — these are all still Kiko-branded products — but this allows us to increase the average price. Another way to increase average price is by growing in categories with a higher average price, like skincare.

**With those collaborations that retail for a little bit more, presumably that's beneficial for your margins as well.** Correct. That's why our gross margin has expanded and then we create room to open more stores, and room to increase our marketing investment, especially on digital and social media influencers.

**In what other ways have you been able to make incremental savings and boost your margins?**

We work very closely with our manufacturers, and we have an understanding of the formulaic products that maximise efficiency. Then when we launch a collection, we buy two million pieces. Our operational team, our supply chain, is capable of negotiating better pricing with our suppliers. It's like if you are in tech and you live in Silicon Valley, your network is helping you to be more innovative.

**A lot of beauty brands use social media virality to get people excited. How do you generate that with your customers?**

Of course, it's always good to go viral and have good user-generated content, but we couple [social media] with more traditional media like TV in countries where it's relevant to build penetration. We have 17.5 million people within our social media network. If you listen to them, you start learning a lot. Plus, we have over 7,500 beauty advisors in our stores. These people are connected with the customers every day, and most of them are real beauty lovers. They can give you a lot of insight into a community. We have an app that all of us share called Kiko Community.

**There's a lot of pressure to continually deliver newness; tell me how you handle that.**

There's social listening, and talking to suppliers, talking to customers through our loyalty program ... it's an ecosystem. Our marketing team works with suppliers to download these ideas into concrete projects that can last between 12 and 18 months. It's a medium- to long-term innovation process. You start today thinking of the concept. What you think of today will probably be ready by the end of 2026 ... the ingredients,

the formulation, the regulation, the compatibility with the packaging, it takes time. True innovation doesn't come in a month, unfortunately.

**But we see that customers are quite fickle, especially in cosmetics. How do you create repeat customers?**

Even when we are selling through department stores or marketplaces like Amazon, the majority of our sales are DTC so we have a direct relationship with our customers. We have almost 7 million active loyal customers, meaning they buy with us more than once in a year. On average, they buy with us 1.9 times a year. So in the last 12 months, these 7 million have bought twice. Our communication to them is more and more personalised. The newsletter you receive is not the same one that another one receives; it's based on your lifestyle and your past behaviours. The more you are personalising the approach, the more the customers feel heard and the more they come back. We also have a unified commerce platform through which our inventory, our customer database and our transaction data are shared.

**In 2025, we see a cooling in beauty market growth. How are you feeling about the near term?**

In the last three years, we doubled the percent, which is three times the



Kiko Milano eye products. Kiko Milano.

market average. But still there is a lot of room for us because our market share is neglectable in some very large markets, like the US. This is where L Catterton is helping. It won't be easy, but there is room for high-quality products in this entry prestige market at a democratic price. We signed a deal with Reliance, one of the largest operators in India, at the beginning of the year, and we're expanding our presence in the market. We opened in Indonesia in January, which is home to 200 million people. We opened in Pakistan in 2024, and we're in Brazil, Chile and just opened in Mexico. We're entering Kenya, Ghana, Nigeria. In 2025, there will be 2 billion customers that we have never reached before. Our positioning is also well placed. On one side, we

inspire the low middle class when they elevate their standard of living, and they want to have more refined products. At the same time, there will be some macroeconomic difficulties. When you slow down the middle class, they are starting to look at value with much more attention.

**What do you think the beauty consumer of tomorrow wants?**

I think they are more equipped than previous generations to spot inauthenticity. I think dupes will become less popular and there will be more demand for authenticity. Value will be an important element, because the economic conditions might not be so relaxed in the future.

*This interview has been edited and condensed.*

# 03. Beyond the Founder



Fenty Beauty products. Pexels

**03. Beyond the Founder** Over the last decade, an avalanche of brands with public-facing founders emerged. Communities were often built around their personal aesthetic, lifestyle or social presence. But while a prominent founder can propel growth, their appeal alone is insufficient for long-term success. With many branding niches now overcrowded, quality and originality will be key.

| KEY INSIGHTS   | EXECUTIVE PRIORITIES  |
|--|---|
| <ul style="list-style-type: none"> <li>• Only 13 percent of consumers cite the brand founder as a key reason for buying their most frequently purchased brand, but performance and price are cited by 39 percent and 24 percent, respectively.</li> <li>• Brands do not need to cater exclusively to a consumer's demographic for it to feel it is "for them." Consumers across ages, genders and ethnicities say they feel a personal connection to a brand if products fulfil their needs.</li> <li>• Marketing and branding that exclusively focuses on certain demographics such as race, age or gender does not necessarily entice consumers and likely limits the pool of shoppers.</li> </ul> | <ul style="list-style-type: none"> <li>• Ensure a strong and differentiated brand voice with standalone brand assets that address consumer needs.</li> <li>• Anchor the brand's identity in a distinctive point of view and approach to beauty over targeting a specific demographic.</li> <li>• Leverage a founder's strengths only where relevant — whether to lend credibility, style or reach.</li> </ul> |

# Only three founder-led brands from the last two decades scaled beyond \$1 billion in sales

Assessment of largest beauty brands by 2024 retail sales



Very few best-selling beauty brands are less than 20 years old. Only 29 lines out of 206 (14 percent) that generated \$250 million or more in annual beauty retail sales in 2024 were founded in 2005 or after. That drops to just 9 percent for brands making over \$650 million. As for brands with retail sales greater than \$1 billion, only five were founded in the last two decades.

Of these five brands, three are considered founder-led<sup>1</sup> — Fenty Beauty by singer Rihanna, which is powered by LVMH-backed incubator Kendo; The Ordinary, which was co-founded by Brandon Truaxe and Nicola Kilner; and Charlotte Tilbury's namesake label. (A fourth founder-led brand, actor and singer Selena Gomez's Rare Beauty, founded in 2019, has also achieved strong growth with annual sales approaching \$1 billion.)

While a prominent celebrity and influencer can generate early traction, building a billion-dollar brand is a full-time and long-term endeavour that requires laser-focused dedication. Brands that rely too heavily on the visibility of their founders may struggle to sustain momentum — especially in a market where attention is constantly shifting and consumer loyalty must be earned, particularly through strong product performance.

1. A founder-led brand is defined as having a prominent founder who is vocal about the brand. Tom Ford Beauty is considered a fashion label's extension.

Source: Euromonitor, press search

# Founder-led brands need to tap into the beauty customer zeitgeist

Share of founder conversation in consumer commentary on social media,  
%

| Founder-led brand with<br>2024 retail sales of \$650M+ |    | Net sentiment<br>of founder in<br>conversation | Brand value proposition beyond the founder   |
|--|----|--|--|
| Kay Beauty   | 23 | +79  | Colour cosmetics specially formulated for Indian skin tones in a market that embraces celebrity brands             |
| Rare Beauty  | 8  | +58  | High-pigment liquid blush hero products backed by inclusive messaging and mental health advocacy                   |
| Huda Beauty  | 6  | +49  | Influencer-born brand well-suited to creating dramatic, full-glam looks  |
| Fenty Beauty   | 5  | +58  | Colour cosmetics for a wide variety of skin tones, which was uncommon at the time of launch                        |
| Refy   | 4  | +56  | Innovative cosmetics that simulate professional procedures or the popular “clean” look at an accessible price      |
| Rhode  | 3  | +38  | Multi-functional colour cosmetics and skincare, focused on creating dewy and healthy skin                          |
| Glossier   | 1  | +52  | “No-makeup” makeup that tapped into Millennial sensibilities (e.g. “Millennial pink”) as their spending power grew |
| Summer Fridays   | 0  | +53  | Multi-functional skincare and cosmetics with distinct travel, summer and holiday branding                          |

A strong underlying value proposition can help nurture a brand’s identity beyond the founder’s personality over time. For example, in consumer social media discussions about Rare Beauty, founder Selena Gomez is mentioned just 8 percent of the time despite her celebrity status. While Gomez appears in some marketing materials and attends select press and influencer events, the brand has leaned into messaging around mental health and sets trends with differentiated products that resonate beyond the founder’s personality.

Implementing a strong operational team that can identify where a founder’s authority lies is essential. Being stylish or visible in the media can make a founder seem aspirational, but that does not always translate to credibility in the beauty realm.

Source: Quilt.AI for BoF Insights, global analysis of online discourse on Instagram and TikTok, Oct 2024-Mar 2025

# To maximise a founder's potential, brands must ensure close fit and a distinct point of view

Fame is undeniably a powerful marketing springboard, often bringing immediate awareness, potential authority and a built-in audience. But beyond the founder, brands must put consumer needs first and use creative strategies to deepen brand equity.

A founder's impact is maximised when their identity credibly lends itself to the brand. For example, a celebrity who is known for dramatic makeup looks on the red carpet could seem like a natural founder for a bold cosmetics brand, but if fans perceive that the founder's looks are created by a makeup artist and the celebrity has a more passive role, that could diminish their authority. Likewise, an influencer known for talking about how to minimise exposure to skin irritants could arguably bring a fresh perspective to categories as disparate as fragrance, skincare and even bath and body, providing they can also deliver superior products.

## Maogeping

Mao Geping, the brand's founder, is a well-known makeup artist in China. Products are designed to help everyday users achieve more professional-looking results. For example, its skincare-primer hybrid aims to achieve longer-wearing looks.

## Kayali

Founder Mona Kattan lends credibility to the Middle Eastern heritage referenced by the brand. It emphasises the local tradition of layering perfume, with a vast array of playful gourmand scents.

## Go-To Skincare

Founded by Australian former beauty editor Zoe Foster-Blake, the label references her beauty authority in a straightforward style. Many products feature whimsical names and simple formulas.



Kayali founder Mona Kattan. Dave Benett/Getty Images.

# Haus Labs: A Star's Brand is Reborn

BY LIZ FLORA

If there's any beauty founder who understands the art of transformation, it's Lady Gaga.

The Grammy winner's makeup label, originally launched on Amazon in an exclusive partnership in 2019, did not live up to her high expectations. Gaga, whose given name is Stefani Germanotta, and chief executive Ben Jones completely overhauled the brand with a new name, aesthetic, retail strategy and product lineup in 2022. Their gamble paid off.

The reborn Haus Labs by Lady Gaga has been growing “substantially” for the past three years, said Jones. Its Triclone Skin Tech Medium Coverage Foundation has become its hero product and one of the best sellers at Sephora, where it shifted its distribution after the rebrand.

While not all celebrities create brands they wear or promote, Gaga is frequently seen in a full face of Haus Labs for her concerts — the “ultimate benchmark” of the products' performance, says Jones in an interview with *The Business of Fashion*.

**Since Haus Labs was founded, we've seen so many new celebrity brands. How do you stand out?**

We tried to build this always as a brand that could stand alone, and Stefani always thought of herself as the cherry on top, but I don't think she sees herself as the face of the brand. She is more of the mind of the brand, who happens to also be a face of the brand. For us, we've really spent a lot of our focus on building great product. Gaga will go on tour, she will do movies, she will do many things, and we don't see a dip in our sales when she's doing other projects. If anything, all her other projects raise the tides for us.

**What specific areas of the brand is she most involved in?**

It's very much on the creative aspects of the brand — the look, the feel and where we want to go aesthetically on the product side of things. She's got an incredible mind for product, and she definitely can see where the market's going ahead of time.

**How do you centre the conversation around products when you have such a famous founder?**

[Stefani's] spark goes off when you're talking about product and innovation. There's always got to be a reason for being. For us, it was like, 'Okay, our reason

for being is going to be product, and we're going to build world-class product that wins over time.'

Where we've been winning is probably a surprise to folks, because we're winning in complexion. We're not winning in trend. We're winning in places like concealer and foundation, where brands traditionally at our size haven't really even played or won.

**It's been three years since the rebrand and shift from Amazon to Sephora. What are the results you've seen from that change?**

Since the day we launched at Sephora, it was a total change in our trajectory. Of the 50 people we had when we launched version one, there were probably 45 new people when we launched version two. It was a page one rewrite. Stefani, myself and some of the other people having seen the good, the bad, the ugly on how to do things, we just came in with clear eyes and a better idea of how to execute, and really built the company the second time around that we should have built the first time around.

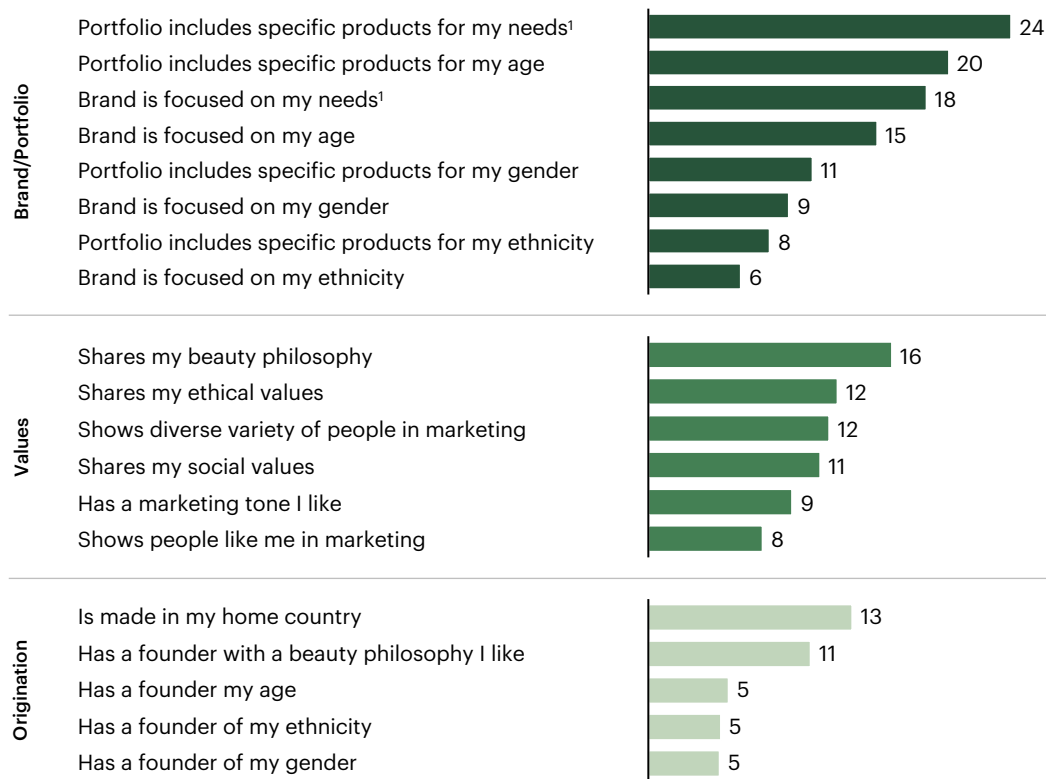
*This interview has been edited and condensed.*

Source: *The Business of Fashion* interview with Ben Jones, 2025



# Consumers want to feel seen, but what makes a brand ‘for them’ is having their needs met

Qualities that make consumers feel like a brand is ‘for them’ by category,  
% of global consumers



<sup>1</sup> For example, a consumer's particular skin or hair type  
Source: McKinsey Beauty Consumer Survey 2025

Consumers value brands that offer something that works for them, but there is no clear prioritisation of brands exclusively focused on a specific demographic. More than double as many people feel like a brand is “for them” if it offers products that credibly meet their needs even if part of a broader assortment, than brands that focus exclusively on their ethnicity and gender. This pattern remains similar across ethnicities.

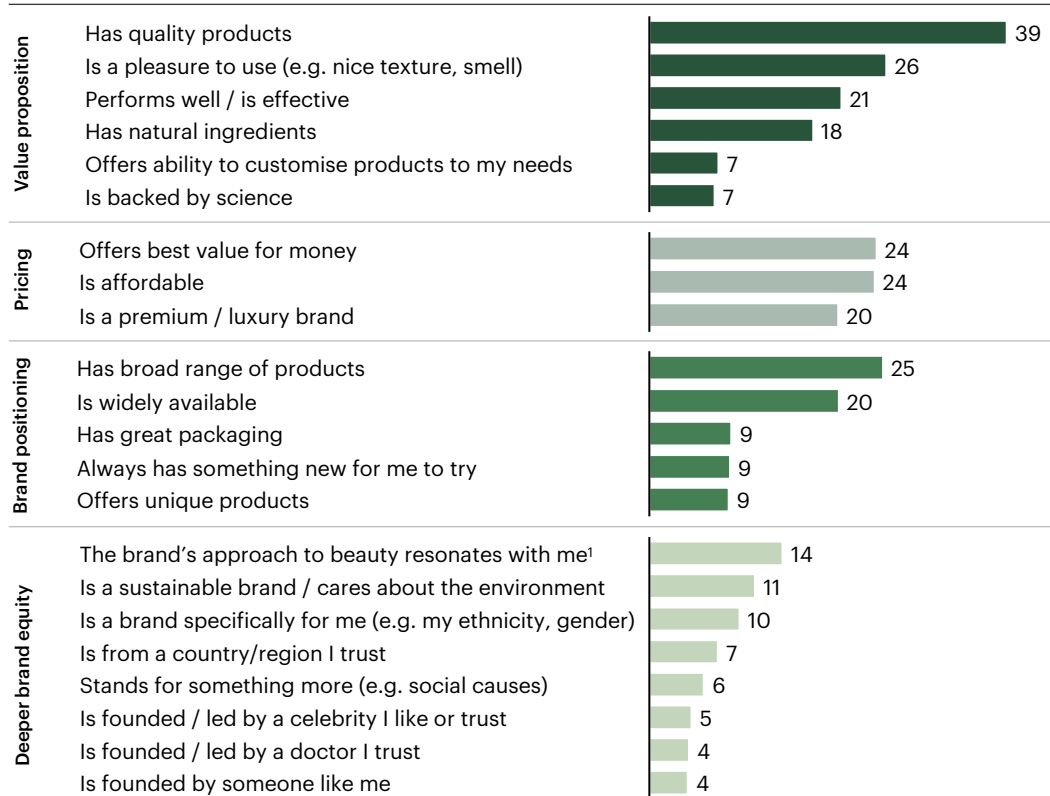
Some challenger brands have gained traction by specifically targeting groups considered underrepresented. This branding approach will likely see less success in the future, as it restricts the total addressable market (meanwhile, larger-scale brands have diversified their offerings across skin tones).

Globally, it is most important for brands to resonate with consumers around a shared beauty philosophy, whereby the brand shares the consumer's definition of beauty.

This does not mean that brands should not celebrate their differences: instead, focus first on product excellence and appropriate pricing and then build a brand universe with a distinct philosophy and attitude.

# Product quality and efficacy matter most to consumers

Top reasons why consumers buy from a brand most frequently,  
% of global consumers



1. For example, how products are made and promoted  
Source: McKinsey Beauty Consumer Survey 2025

Shoppers are most interested in a product's overall quality, results and how pleasurable it is to use. Price, affordability and aspirational qualities are more motivational than a founder being someone shoppers are familiar with or admire. Demographic similarities between a founder and shoppers matter least to consumers surveyed.

This upends what is often thought of as best practice for modern founder-led brands, many of whom target first through the demographics of the founder. Instead, consumers are more open to being introduced to products that meet their needs and fit their budgets, rather than a brand being designed in their own image. Instead, a shared beauty philosophy can help a brand resonate emotionally.

There are global differences — India exhibits a spike in celebrity founder influence (5 percentage points above the global average, especially in colour cosmetics). Meanwhile, India, the UAE and KSA have a marked preference for skincare brands founded by doctors (7 percentage points above the global average).

# Deciem: Building Brands Bigger Than Their Founders

The Ordinary, Deciem's flagship brand, shook up the market with its ingredient-first approach to affordable skincare, leading Estée Lauder Companies to acquire the company in 2021. Co-founder Nicola Kilner discusses how it went from disruptor to industry giant, and how Deciem uses values to drive decision making.

**BY DIANA PEARL**



When Deciem launched in 2013, it was the ultimate beauty disruptor. The company's flagship brand, The Ordinary, changed the skincare game by offering a science-backed approach to skincare at an ultra-affordable price, selling serums with ingredients like niacinamide and hyaluronic acid for under \$10 a bottle. What's more, the brand made radical transparency a core tenet of its branding with high-profile campaigns.

That value proposition quickly made The Ordinary a household name. In 2017, Estée Lauder Companies first invested in Deciem and completed

its acquisition of the company in 2024. Today, however, Deciem is a very different company, operating in a much-changed industry. Co-founder Brandon Truaxe, the brand's most public face, died in 2019, and The Ordinary's differentiating factor — ingredient transparency at an affordable price — is now an industry standard. Plus, there are countless upstarts nipping at its heels, something the company has begun to tackle by reviving or relaunching some of its sister brands, like the high-tech prestige skincare line Niod, the body care range Loopha and the cult fragrance brand Avestan. Even amid those changes, Deciem has stayed true

to its ethos, according to co-founder Nicola Kilner, who stepped down as chief executive late last year to focus on the storytelling and people side of the business. In many ways, she says, the values it began with are more relevant than ever.

According to Kilner, while a founder can embody a brand's values, if those values are truly woven into a brand's DNA, across everything from packaging to product and purpose, those values can allow the brand to grow bigger than the founder.

**The Ordinary has grown from being a founder-led, groundbreaking start-up, to being owned by one of the biggest beauty conglomerates in the world. What has that evolution**

**looked like from your perspective?** It's changed a lot, but I never feel like the changes are because we're part of ELC [Estée Lauder Companies], it's because of the size of the business today. At any point in business, you have amazing things and you have headaches. When you're a start-up, you're worrying about how to pay bills. As you get bigger, we have to be very considered around making sure every market is ready to go at the same time. We can't afford to make mistakes in the same way. In the early days, we would launch and then we could change packaging a few months later. With The Ordinary, we're now at a place where because we understand our community and what they expect from us, we have to just take a little bit more time to get it right.

At the same time, if a trend happens on TikTok, we're jumping on that trend; it needs to be live within a day. There isn't time to do a deck, go to meetings and get approval. We try to put in structure where we need it but also stay super nimble in things where we need to react quickly. One thing that's consistent is the values,

particularly when it comes to creativity, authenticity and transparency. There are some things that we will never compromise on.

**When The Ordinary launched, it was groundbreaking to be offering these products at an affordable price point and also to be so transparent around ingredients. Now you have a consumer who's so much more educated on skincare, and there's just so many more brands out there. How has the market changed for you and what have been the advantages of that?**

In the last decade, the amount of indie brands out there now is just phenomenal, and I love it. It keeps it interesting. You don't need big marketing budgets now to find your niche and break through. It's a really good thing because for a while, the big conglomerates almost had it easy because there weren't enough viable challengers.

The biggest change we've seen in the last decade is a shift of where the power sits, because it's gone from brands to actually the consumers holding the power. When I think about my mum, she would look in a glossy magazine and see a Julia Roberts ad, but had limited resources to actually teach herself about ingredients and get peer reviews



A Looph advertisement. Deciem.

beyond word of mouth. Now, most of us have already decided what we are going to purchase before we go into a shop. Your ingredients, your story, this really matters and consumers will call you out. If you're bullshitting them, they have the power to cancel you.

**In beauty, there's this culture of the founder-led brand and the cult of personality. How did you evolve the brand after Brandon passed away and you couldn't rely on that in the same way anymore?**

We had a founder who was very

impactful on our team, and I actually think that's what has allowed us to continue because he was a teacher. When he was creating Deciem, Brandon brought in so many of us that didn't have that much experience. We were all just in our early twenties, maybe had one job so far, we all came with blank slates. We weren't preconditioned to think that you should be one thing, and he instilled this confidence. I see Deciem as the founder of our brands because actually Deciem is this core which Brandon created [Deciem also

developed prestige skincare line Niod and body brand Loophy]. We all have this shared sense of the values and authenticity, innovation, trust, these things that are so critical to us, [but also to the] brands that Deciem will create.

There are areas where a public founder is important. For example, fashion, you follow someone's style. I think beauty is always quite interesting because beauty is an area where I think it takes so many different experts to make something

magical, and actually Brandon was rare because he truly was an incredible designer, an incredible formulator, an incredible marketer. He actually was incredible at everything, but that's quite rare.

**Do you think we're moving away from the founder-led beauty brand? Obviously, there are some very prominent examples, like celebrities Selena Gomez or Hailey Bieber, but it also feels like there is a little more separation compared to the late 2010s. My gut would say we're moving away**

**"The challenge with having those types of very visible female founders is that, in a way, you're limiting your brand."**



The Ordinary products. Deciem.

from it. The challenge with having those types of very visible female founders is that, in a way, you're limiting your brand. People will think, 'Well, I'm much older than them, I'm much younger,' if you don't feel like you fall into that group. We always say we don't think about consumers from a gender or age group. We think about consumers from mindsets. Do they share our values? Are their thoughts aligned with us? Whereas I feel like when you're more founder-led, you're naturally going to target a demographic who associates with that person, because actually, the brand could be much wider than that.

**How do you think that founders can balance wanting to give their brand a human connection without being too reliant on that one person?**

We've always just put the brand first, and of course, we all do podcasts, we'll do press, and again, that's more just to tell the story because we're good at telling the story. On our social media, 2018 was obviously an unusual year for us. [After a series of troubling messages on social media, The Estée Lauder Companies, then a minority investor in the company, removed Truaxe from the brand in 2018.] But outside of that, you would never see Brandon, particularly on social media, you'd never see myself because the

brand is more than us. The brand is about the community, the values, the integrity, everything we stand for, and we've never really needed to sell it based on an individual.

**There's so much talk about the importance of building a community as a brand. How have you maintained that, even as the brand has grown?**

We were lucky in the beginning that I feel like the community formed itself. On Facebook, there's The Ordinary chat room, which has over 200,000 members. [That] community is independent of us, which I actually think is much more organic. The reason it started is because we actually gave people the tools to talk about skincare because, before that, people didn't understand niacinamide or all these other ingredients.

Also, the fact is that we've always stayed true to our values, even as we've gone through difficult times. We've lost our founder, we went through an acquisition, but people have always felt we maintained our values.

*This interview has been edited and condensed.*



The Ordinary serums. Deciem.

# 04. Marketing's Balancing Act



Bondi beach pop-up, Summer Fridays.

**04. Marketing's Balancing Act** Brands must rebuild their creative marketing muscle and take chances in a crowded market. As growth marketing becomes even more expensive thanks to the oversaturation of channels, leaders will need to strike a smarter balance between brand and performance marketing. Dare to be original — it will pay off.

| KEY INSIGHTS  | EXECUTIVE PRIORITIES  |
|---|---|
| <ul style="list-style-type: none"> <li>• Marketing campaigns that feel fresh, imaginative and unexpected are more likely to stick with consumers and spark emotional attachment.</li> <li>• While around a third of global consumers look to influencers for beauty ideas, this number has declined in the US, China and Europe from 33 percent in 2023 to 25 percent in 2025.</li> <li>• Over half of consumers say they don't trust beauty content created by generative AI. While AI can unlock creativity behind the scenes, its use should reinforce a brand's authentic voice.</li> </ul> | <ul style="list-style-type: none"> <li>• Push the boundaries on novelty and unconventional placements to stand out.</li> <li>• Double down on brand storytelling and user-generated content as social algorithms prioritise content over creators.</li> <li>• Invest in getting to know the consumer beyond demographics, engaging in two-way dialogues. Carefully employ AI to marry behavioural insights with hyper-personalisation.</li> </ul> |

# Brand discovery and beauty inspiration still happen in physical retail

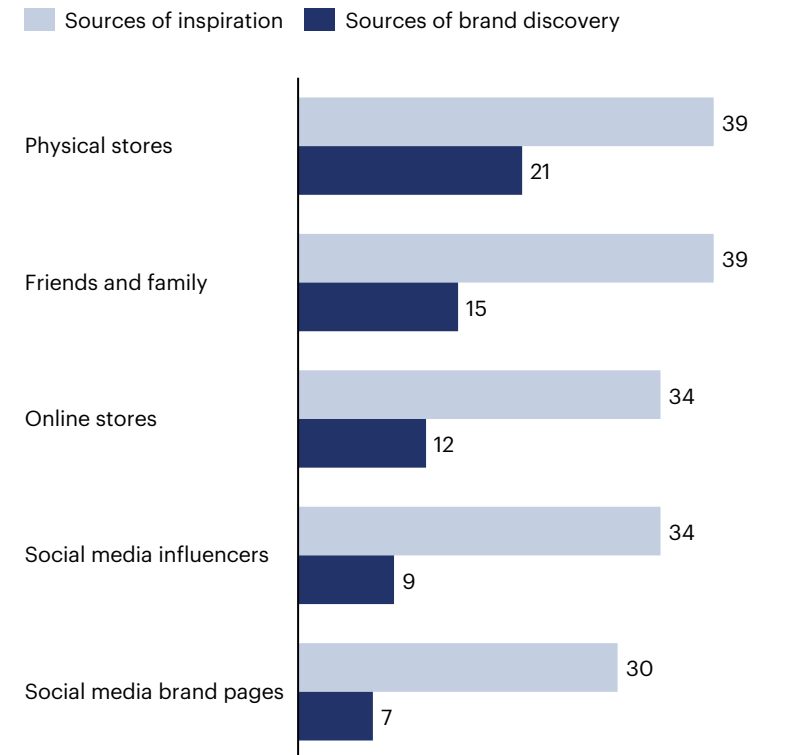
## Physical retail is where discovery most often begins

- Physical stores remain the most popular beauty discovery channel, with 21 percent of global consumers citing them as the place where they recently discovered a new brand — followed by friends and family at 15 percent.
- Pop-ups and store locations are increasingly important. For emerging brands, allocating more marketing budget for in-person activations should be a key consideration.
- Visual displays, promotional activity, sampling and store staff should all be treated as marketing levers. Brands such as Summer Fridays align out-of-home ads with bigger retail moments, targeting billboards near Sephora and spotlighting in-store availability.

## Social media influences trends — but not always purchases

- Platforms like TikTok, Instagram and YouTube continue to shape beauty trends and influence consumer preferences, particularly among Gen-Z and Millennial audiences. But social's role in brand and product discovery is diminishing. Surging marketing costs have made paid reach more expensive to sustain, further exacerbated by proliferating AI bots that by now make up more than half of all web traffic, adding to marketing inefficiency.<sup>1</sup>
- Influencers' sway is also waning on social media. Just 18 percent of global consumers consider them the most trusted source of beauty information.
- Social will remain part of the marketing mix — but with declining effectiveness for discovery, brands must adapt their strategies, linking social media pages and influencers to in-store calls to action.

Top sources of beauty inspiration and brand discovery, % of global consumers



1. Anthony Cuthbertson, "[Bots now make up the majority of all internet traffic](#)", The Independent, April 15, 2025  
Source: McKinsey Beauty Consumer Survey 2025

# Social media success requires a strategy beyond influencers

Social media can be much more than just an ad channel. It can be also used as a social listening tool, creative playground and way to interact with target groups. It is a prime space for performance and brand marketing, but the latter will take on new importance as brands try to assert their identities in a crowded market.

Beauty brand discovery via influencers is already decreasing. On social feeds, algorithms now prioritise posts likely to go viral over posts from accounts with lots of followers, impacting influencers' reach. Just 7 percent of consumers in 2025 say they recently discovered a brand via an influencer across Europe, the US and China, down from 16 percent in 2023.

Real user reviews remain the most trusted source of discovery for 51 percent of surveyed consumers, highlighting the value of consumer voices and real user-generated content. Beauty experts like dermatologists and makeup artists can help to foster trust.

Brands should also consider rebuilding their in-house creative capabilities. Without merely imitating what worked for others, brands can create the conditions for virality by investing in high-quality, differentiated and surprising storytelling.

Source: McKinsey Beauty Consumer Survey 2025

## Refy

Despite being founded by an influencer with over one million followers, the British cosmetics line has taken a more intimate approach to community-building. It invites creators with smaller followings to events, integrates user-generated content into its social media strategy and invited regular shoppers rather than influencers on a trip to Mallorca.

## Ultra Violette

The Australian sun care brand has created an imaginary ambassador it refers to as "Vi," and uses her persona to create whimsical social content. To herald its launch in the US through Sephora, "Vi" helped bring Aussie snacks like Tim Tam cookies to a pop-up in New York City.

## Tower 28

To promote a new blush, the brand debuted an original three-episode sketch comedy series titled "The Blush Lives of Sensitive Girls" on social media, inspired by a similarly named popular HBO show. The high-quality and entertaining production distinctly stands out from other, more informally created content on platforms.

## Carolina Herrera

The Puig-owned brand engages on TikTok by transforming its perfume bottles and lipsticks into playful characters in a series of videos, tapping into viral trends and sounds whilst grounding the content in its hero products. References to the New York City skyline, for instance, give the videos a sense of place and identity.

# Brands can lean into the element of surprise and experiment with channels to capture attention

Showing up across a variety of marketing channels and touchpoints can enable brands to stay close to their target groups, unlock new audiences and deliver powerful brand marketing campaigns. Originality, not copying what worked for others, will be key.

Labels that are creative and willing to experiment with new and unexpected channels can generate significant attention. Thanks to the oversaturation of digital channels, traditional media like TV, billboards, truck advertising and radio can generate strong returns, offer an element of surprise and imbue more personality.

## ENGAGE IN THE UNEXPECTED

- Vacation Inc. uses experimental marketing channels and reimagines traditional ones in creative ways.
- It offers “sunscreen sponsoring” for corporate events and summer festivals and invites consumers to events like its “Walk Clubs” in Miami to socialise and receive free samples.
- For its email marketing, Vacation breaks with present-day conventions by creating long-form content in a 1980s aesthetic. It intersperses product information with entertaining guides to “Poolside Etiquette” and includes webinars on topics like parrot training.

## INTEGRATE INTO CULTURE

- L’Oréal leaned into the broader zeitgeist through its sponsorship of the US sketch comedy show “Saturday Night Live,” in which brands appear in comic skits.
- Singer Ariana Grande parodied actor Jennifer Coolidge using a Maybelline liquid lip product in an October 2024 sketch. The clip has since amassed close to four million views on YouTube.
- L’Oréal Paris similarly appeared in a mock advert with Lady Gaga for an “Easy Run Mascara,” as a comedic inversion of its real long-lasting claims. While faux, the skit entertained viewers while still educating them about the L’Oréal Paris product.



Vacation events sponsorship ads. Vacation.



# Creating consumer segments based on needs, not demographics, will be more effective

Many marketers still segment consumers by demographics such as age or ethnicity. While useful at a surface level, these groupings rarely explain how, when or why people actually shop. They often obscure real differences in behaviour and mindset, limiting strategic impact.

Shifting the focus to attitudinal segmentation reveals distinct subgroups and offers a more actionable approach. By examining what people want and how they make decisions, brands can uncover overlooked needs — like a skincare product that does not irritate eczema or a fragrance that lasts all day.

To do it well, brands need large volumes of regularly refreshed behavioural data. Tracking how people interact with content or describe products can help shape more accurate personas. AI tools can accelerate this process, scanning reviews and comments to identify common desires or pain points. Jones Road used this tactic when launching a lightweight foundation, scraping online feedback to uncover priorities like sweat resistance or a natural finish. These insights helped the brand refine both product design and marketing, making the campaign more attuned to real consumer needs.

## Steps for effective attitudinal segmentation



### Split consumers into archetypes

Use consumer insights to create segments that are differentiated by attitudes and behaviours.



### Add colour and detail

Develop archetype-specific profiles with value propositions for each.



### Assess priority groups

Evaluate the segment size and alignment with the brand's value proposition to prioritise segments to target.



### Reach out to personas

Develop tailored activation strategies by matching channels, messaging, products and pricing with each segments' preferences.

# 4/5

of the top claims that US beauty consumers look for are the same across age and ethnicity groups

1. No toxic/harmful ingredients
2. Natural ingredients
3. Clean formulations<sup>1</sup>
4. Made specifically for my skin colour / hair type
5. Scientifically tested / clinically proven results

1. "Clean formulations" is the only claim that is not consistently in the top five across ethnicities and ages, as it did not appear in the top five for Baby Boomers  
Source: McKinsey Beauty Consumer Survey 2025

# AI can offer a competitive edge, but should be used with caution

|                  | Social listening  | Hyper-personalisation  | Content creation/transmission  |
|------------------|---|--|--|
| <b>Potential</b> | <ul style="list-style-type: none"> <li>Stay close to social media buzz, for example via AI-powered search.</li> <li>Use insights from online conversations to inform new product research and development.</li> </ul>                             | <ul style="list-style-type: none"> <li>Process large amounts of data to segment and create consumer personas.</li> <li>Hyper-personalise direct communication with consumers.</li> </ul> | <ul style="list-style-type: none"> <li>Shorten time-to-market for campaigns by quickly creating first drafts and iterating on content prior to final production.</li> <li>Accelerate customisation of content across formats.</li> </ul>   |
| <b>Risks</b>     | <ul style="list-style-type: none"> <li>Potential loss of brand authenticity if over-reliant on data to follow trends.</li> <li>Lack of real innovation that advances the category if too much focus merely on direct consumer demands.</li> </ul> | <ul style="list-style-type: none"> <li>Gradually distorted brand identity through hyper-personalised communications if unmonitored or unedited.</li> </ul>                               | <ul style="list-style-type: none"> <li>Long-term erosion of trust if content is perceived as fake; AI bot activity could drive human users away from social media.</li> <li>Plagiarising of existing work.</li> <li>Potential feeling of being “duped” by brands with AI-generated content.</li> </ul> |
| <b>Insights</b>  | <b>17%</b> potential improvement in customer satisfaction <sup>1</sup>  | <b>40%</b> potential increase in conversion rates <sup>2</sup>   | <b>58%</b> consumers who do not trust AI-generated content   |
| <b>Examples</b>  | The Estée Lauder Companies opened an AI innovation lab with Microsoft's Azure OpenAI service to monitor online buzz and tailor product claims accordingly. <sup>3</sup>   | Unilever developed an AI-powered beauty hub, analysing consumer data to tailor content, brand and product recommendations to users' preferences. <sup>4</sup>                            | Beiersdorf streamlines the tailoring of its marketing ads to different regions by using AI to adjust language and highlight relevant product attributes. <sup>5</sup>  |

1. McKinsey & Company study, 2023 | 2. “How beauty players can scale gen AI in 2025”, McKinsey & Company, January 6, 2025 | 3. [Estée Lauder Companies](#), April 26, 2024 | 4. [Unilever](#), June 14, 2024 | 5. “[Beiersdorf localizes global ad content with Grip](#)”, Grip, February 19, 2025  
Source: McKinsey Beauty Consumer Survey 2025

# Luxury brands should elevate offerings with higher-touch brand marketing

In ultra luxury, consumers expect a higher level of sophistication and integration — the products may not be bespoke, but the price point is often the beauty equivalent of haute couture.

There is an even greater impetus to appear customisable and unique — around 50 percent of consumers are interested in personalised beauty, and with luxury beauty brands' higher margins, they are best positioned to deliver on these cost- and time-intensive products.

As consumers seek longer, healthier lives, a link to longevity can demonstrate exclusive value. While currently centred on skincare, longevity has the potential to influence haircare and fragrance, for example through new technologies that can stimulate hair growth.

Luxury brands would do well to consider themselves in the broader zeitgeist: their consumers are likely interested in design, art, wellness and collectable or extraordinary items. Extensions to hospitality, such as hotels, clinics, spas and membership clubs, should receive special attention given the expected average annual growth of 10 percent in luxury travel over coming years.



The La Prairie Spa at Montauk Yacht Club. La Prairie.

## Dior

The brand has appointed a Reverse Aging Board to support its R&D efforts, aiming to highlight scientific credibility and exclusive, high-performance ingredients for biological skin rejuvenation.

## La Prairie

The brand offers permanent branded spas in luxury hotels such as the Dolder Grand in Zurich, a seasonal floating spa in the Hamptons as well as a one-off global Cobalt pop-up tour starting in Aspen, Colorado.

## Guerlain

Its cosmetics and fragrances are marketed with a focus on quality and craft. Marketing spotlights designers of lipstick cases or moisturiser jars, while fragrances have varying levels of customisation, scaling with price.

Source: McKinsey State of Tourism & Hospitality

# Puig: Creating Marketing Excellence

The elevated feel of prestige beauty can seem out of place in a digital world that rewards instant impact and short-term virality. Marc Puig, chairman and chief executive of Spanish beauty conglomerate Puig, says finding long-term success means thinking outside the box.

**BY DANIELA MOROSINI**



Today's beauty marketers face a dilemma. To power growth, spreading the message of their brands far and wide is vital. Despite all the channels available — TikTok, Weibo, Instagram — reaching customers has never been harder. Social media can be an unfiltered and fractious space, and brands cannot always anticipate how their communications will be perceived. But Puig, which has 14 prestige brands in its portfolio and three licences, has managed to turn many of its established names like Carolina Herrera and Rabanne into contemporary hits through digital channels. It also owns new disruptor labels like Byredo, L'Artisan Parfumeur

and Charlotte Tilbury that have established audiences with beauty's next generation of customers. Chairman, chief executive and third-generation company head Marc Puig led the company through its nearly €14 billion IPO in 2024, and says that in order to propel brands forward, it's more important to take risks than try to follow a set path.

While new competitors constantly jostle for customer attention, few become legacy names. A marketer's role today is about honouring brand DNA instead of responding to every fleeting trend.

That's especially true in the emotionally driven fragrance category which, along with its fashion brands, accounts for 73 percent of the Puig business. "People use fragrance either because they need self-confidence or because it's a way for them to express who they are," said Puig.

**One of your biggest recent successes is Carolina Herrera Good Girl. The fragrance has a very distinct identity, separate from the fashion brand.**

**How do you know when you can push marketing even further?**

There is this tension between the essence of the brand that we have to protect because otherwise we'll lose the identity. At the same time, [we] need to let the brand have its own life and keep evolving. It's like going on a bicycle; if you don't move, you fall. It's a delicate balance to decide what it is that makes the brand work. In this case, it's the sophistication and the atmosphere.

**How does that play out?**

The typical women's fragrance is in a cylinder [bottle] and male fragrance is a square bottle. Look at Good Girl; it's a shoe. When we launched it, people said, 'Does this smell like a foot? How are you going to launch a fragrance in a shoe?' Now it's the number one [women's fragrance] in the world.\* Look at 1 Million [a Rabanne fragrance], it's a gold ingot. We wanted, in the crisis year [it launched in 2008], to talk to consumers in a way like, 'Money will give you power.' We take a different approach to communication to how we present our products at points of sale. We make mistakes like every other

company. Fragrance is not predictable. It's more difficult and you don't know whether something will be a big success or not.

**What are some of your creative strategies?**

Humans are much more impacted by sight and sound than by smell. When you ask someone to smell a fragrance, they will say, 'Uh, it's fresh? Vanilla? Flowers?' People don't have a good way to articulate it. If they did, we would sell fragrances with the ingredients. We don't. Instead, we sell a world around that fragrance, normally linked to a woman. And the best way is fashion. Most of the top fragrance lines are associated with fashion. We own many of the brands we manage, but most of the other fragrance brands [at other companies] are licensed. They're licences of big multi-billion-dollar businesses, and those licensors also don't want to take risks with the beauty business, because they want to protect their business.

**So, fashion is your secret weapon here?**

To take another example of a brand that is not associated with fashion: Penhaligon's. It's a 150-year-old brand. When we took a majority stake in 2015, it was just light fragrances for middle-aged men. I said, 'Okay, well, it's British. What can we do with this?'



Carolina Herrera Good Girl fragrance. Puig.



Byredo candles in store. Sebastian Reuter/Getty Images.

And we believed there was a possibility of making this brand the best expression of Britishness with a sense of humour. We were inspired by Downton Abbey. We released a range of scents called Portraits, all characters from this imaginary family that allow you to tell stories in a way that makes fun of yourself a little bit. People respond to that.

**How do you approach modernisation?**  
Some of our biggest successes took us a long time to develop. People say you have to be fast to market. I say, 'Well, we're not good at that.' Because we try to push the envelope very far, rather than do a safe commercial proposition, we try to go very far and then check whether maybe we're going too far. And that takes time. The

big successes have been propositions that when they were launched, were breaking some moulds. In the case of Jean Paul Gaultier, we took over this [line] in 2016. Le Male and Classique were launched in the '90s, but we have been able to animate the brand in a way that has made it into the top 10 ranking\* this past year. These are not new launches. These are existing

brands that we have been able to bring up to date and make them relevant to young people today. When you do that, you create a lot of value.

**Shopping for fragrance is often as visual; which channels do you see as the most important?**

We have created a number of tools that really helped us interact with

consumers through the digital channel. For example, we have AI-powered tools that help people identify their preferences in fragrances. Last year, 26 percent of [Puig] revenues came from digital channels, more than we had anticipated five years ago. You have to create this scenario, this theatre, that expresses why this brand is different, what's the different point of view. We're good at telling stories. [Marketing is] not just a picture, it's a film and it's about how you can create a film that keeps people engaged and that can jump and penetrate into [the] world. Another phenomenon we are seeing is the teenage boys, through TikTok, which is booming. We believe that's a certain phenomenon that is here to stay. When people get obsessed with fragrance like that, they don't go back.

**Influencer marketing is a space always in flux. How big a part will it play in your overall strategy?**  
You cannot plan a social 'pick.' You have to create the conditions for that to happen. When it happens, make sure you're quick enough to feed it. You can't say, 'my marketing plan is that I'm going to create a social frenzy.'

**Marketing spend can feel just ever-increasing. How do you budget for it?**  
At the end of the day, we all have to

justify a P&L, so there is a certain amount that you dedicate to promote your brands, and you try to make those expenses as efficient as possible, so you can do more with them. But we will try new things, whether it's AI in digital marketing or whatever.

**There will always be new challenger brands coming in, especially in makeup and fragrance. How do you stay ahead of the noise?**

New brands are born all the time, but very few pass the test of time. When I look at the brands we've partnered with in the last few years, they were in the market for up to 20 years before we got excited about their proposition. It's very easy to launch a new brand, because at the end of the day, it's not that complicated to create products, and there's third parties that can help you do that. It's very difficult to escalate and to pass the fad of the moment. [There] has to be a reason, a point of view that is differentiated, and not all brands have that. I think there will continue to be many new brands coming up. I think that 99 percent of them will not pass the test of time, and a few, yes, will escalate and will be able to make a dent in the industry.

*This interview has been edited and condensed.*

*\* Brand rankings are from Puig's industry sources.*

**"New brands are born all the time, but very few pass the test of time."**



Penhaligon's Portraits fragrances. Penhaligon's.

# 05. Channels at a Crossroads



Lip products merchandised in store. John Greim/Getty Images.

**05. Channels at a Crossroads** Everyone wants a piece of beauty. Online marketplaces continue to gain share, putting pressure on speciality and mass retailers looking to expand their beauty aisles. As assortments begin to assimilate and channels increasingly blur, the bar for differentiation will rise — especially in physical stores where most beauty discovery still happens.

## KEY INSIGHTS

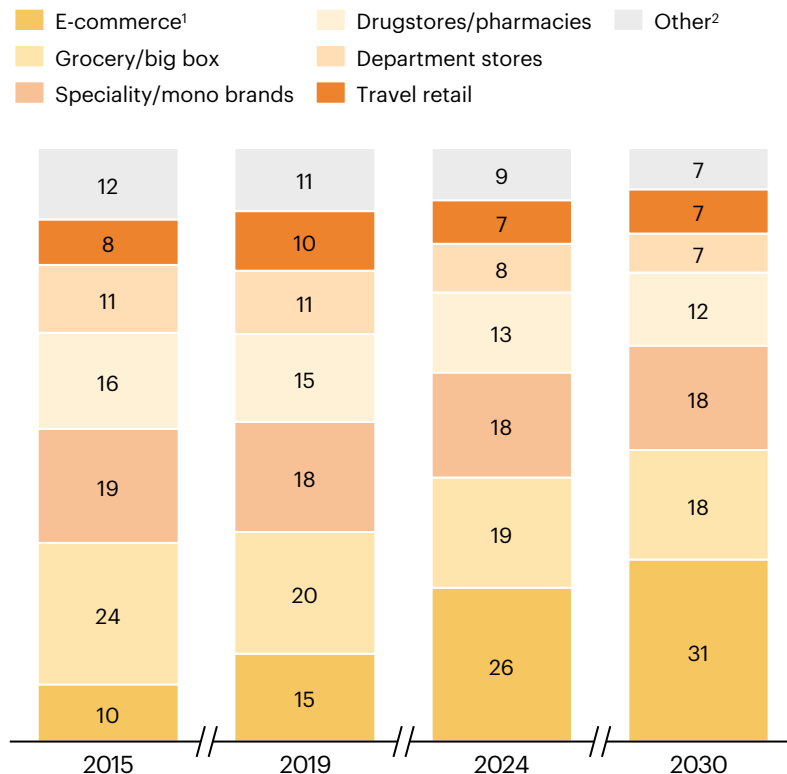
- The share of global beauty sales made online is forecast to rise from 26 percent in 2024 to over 30 percent by 2030. Online marketplaces will continue to play a central role in driving this growth.
- Mass and premium beauty sales on online marketplaces are growing, putting pressure on speciality retailers and department stores who will no longer be able to rely on brand exclusives for differentiation.
- Newer challengers, like TikTok Shop, will continue to reshape the global retail landscape and could cause a race to the bottom on price.

## EXECUTIVE PRIORITIES

- Double down on a unique shopping proposition, such as immersive experiences for speciality retailers or on-the-go convenience for mass retailers.
- Drive foot traffic and time-in-store in innovative ways. Consider integrating services, expanding the range of buzzy brands or redesigning the store layout to increase browsability.
- Create a compelling virtual shopping experience by including online-exclusive offers and an easy-to-navigate personalised assortment, while exploring automated AI agents.

# A quarter of global beauty sales occur online, a share that could reach one-third by 2030

Global beauty sales by channel, %



There are several reasons for beauty e-commerce's steady ascent, but the biggest change agent is Amazon. Its growth as a veritable mass and premium beauty retailer is raising the bar across the beauty industry — particularly for speciality retailers and department stores.

Future success in beauty will be less dependent on brand exclusives — a historic stronghold for traditional retailers — and instead on convenience and the online shopping experience.

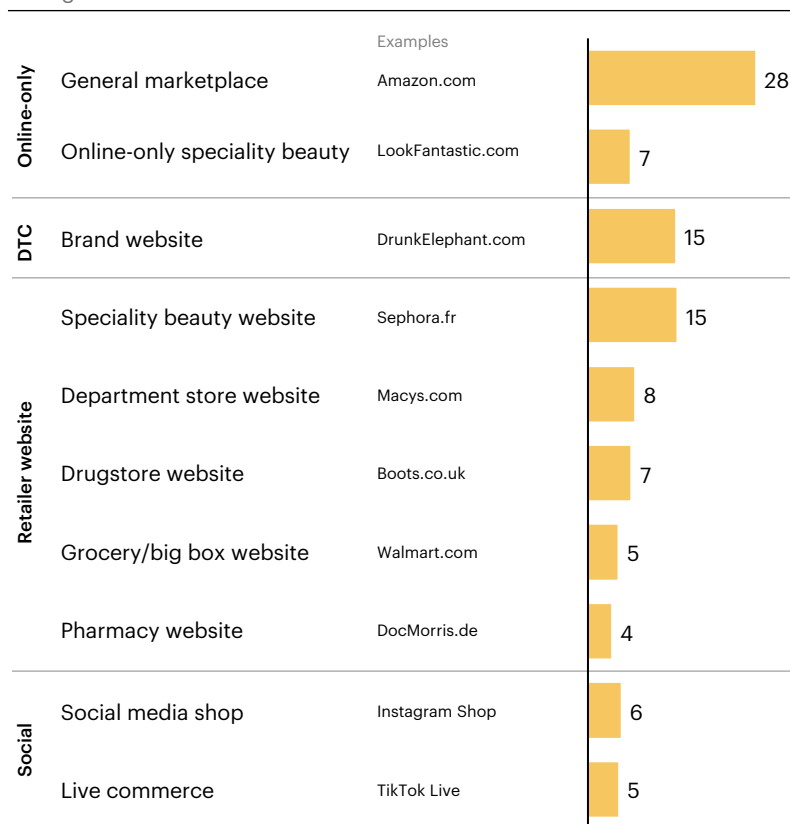
Other players outside the US such as Europe's Zalando, the Czech Republic's Notino and India's Nykaa are also seeing robust growth and expansion, while prestige sellers like Mecca and Space NK continue to grow their store footprints. Retailers should understand their consumer funnel and optimise for discovery, replenishment and gifting.

Travel retail may also see renewed interest, particularly if tariffs persist. This channel can be lucrative for brands that take it seriously — assessing the profile and preferences of consumers passing through and investing in a dedicated travel retail strategy tailored to each location. Travellers from India, the Middle East and China are some of the most likely to buy beauty in duty-free.

1. Comprehensive online commerce, including online-only shops, websites of brands and omnichannel retailers and social media | 2. Includes direct selling and professional channel  
Source: McKinsey Global Beauty Market Model 2025

# Online, marketplaces capture nearly double the beauty spend of speciality retailers

Share of online beauty spend over the last six months by channel,  
% of global consumers



## Marketplaces can maintain momentum by elevating the experience

- Thanks to convenience and affordability, general marketplaces that sell more than just beauty have outpaced other online beauty channels. Morgan Stanley expects Amazon to overtake Walmart as the largest beauty retailer in the US by end of this year.
- Marketplaces have the potential to move beyond replenishment if they improve the shopping experience. Platforms like Tmall are doing so through customisable digital brand flagships, advanced search features and exclusive products and experiences, such as La Mer's private livestreams.
- Elevating the presentation of high-end beauty online presents retailers with another opportunity. Consider Coupang, which launched a dedicated premium beauty app with a luxury design, dedicated service centre, fast delivery and special packaging.

## Special offers, wide choice and free delivery are top drivers

- Consumers currently shop twice as often in omnichannel retailers' physical stores compared to their websites but show greater intent to spend online in the future, highlighting clear room for digital growth. There is also continued appetite to shop on brands' websites.
- A sustainable online strategy will need to go beyond competing on price alone but will need to be mindful of other platforms' strategies. On TikTok Shop, brands are often sold at large discounts to entice users to shop, with TikTok paying the brand the full RRP and taking a margin hit themselves.

Source: McKinsey Beauty Consumer Survey 2025

# Social media sales are rising, and emerging markets see the most traction

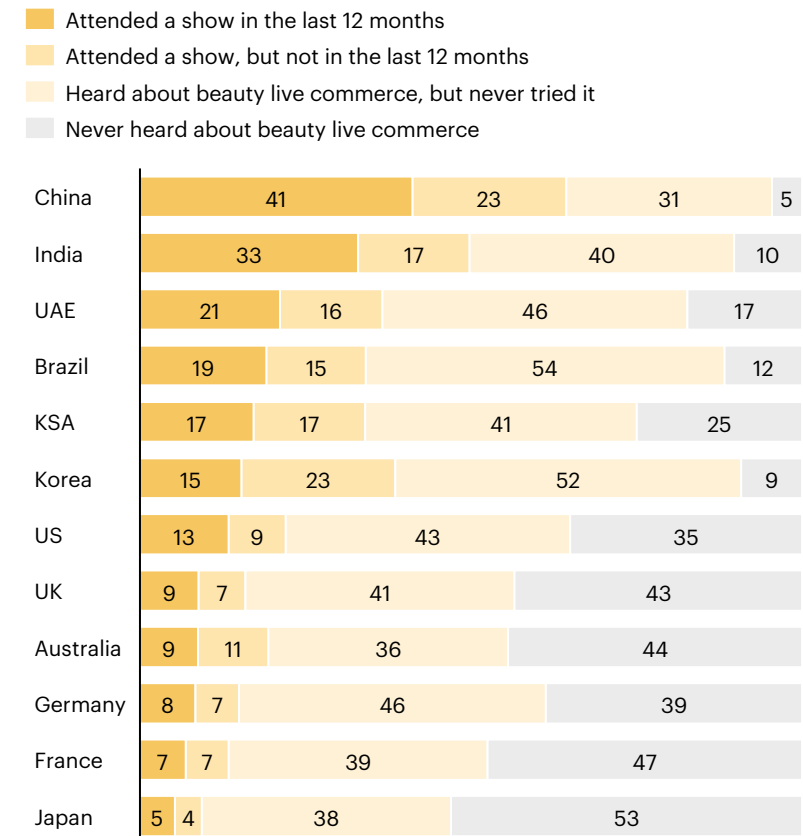
## Authentic content can drive results on social platforms

- Social commerce is a core sales channel for 31 percent of beauty executives and used by a further 21 percent of executives as a non-core channel. The advent of TikTok Shop, which has put down roots throughout the US, UK, Europe and Latin America is reshaping virality. It can offer otherwise small brands a bigger platform on the app and assist with logistics, allowing indie names to quickly reach critical mass.
- Retail associates and brand staff can play a powerful role here, creating relatable, brand-aligned content that does not feel overproduced. For example, Tree Hut's TikTok Shop performance is fuelled by videos made by a small in-house team, whose personalities foster a sense of trust and familiarity; UK brand Made by Mitchell hosts hours-long live selling sessions with product demonstrations and tutorials.

## Sustainable scaling in live commerce requires a measured strategy

- China remains the most developed live commerce market. Over a third of beauty e-commerce is expected to take place on platforms like Douyin and Kuaishou in 2025, according to Goldman Sachs. Other high-potential regions include India, Brazil, the UAE and KSA.
- Live selling platforms like Douyin can be difficult to build profitable sales growth on because of the high cost of gaining traffic. Global brands are also often outflanked by domestic players' agility.
- Brands should pay attention to each market's local preferences. While much of today's livestreaming is led by key opinion leaders, which often weighs on brands' profitability, a paced in-house livestreaming strategy can attract Chinese consumers who prefer official brand-originated and behind-the-scenes content. Indian consumers prefer celebrity features.

Engagement with beauty live shopping by country,  
% of consumers



Source: McKinsey Beauty Consumer Survey 2025

# Speciality retailers can double down on playful, immersive experiences

Ongoing store innovation cements speciality beauty retailers as destinations for discovery and delight. Design and layout updates that incorporate editorial-style storytelling have helped these players stand out. Consumer satisfaction with speciality retailers is high — 82 percent of shoppers rate their experience positively.

Retailers are also expanding assortments across price points, and 53 percent of consumers now view speciality retailers as ideal for both mass and premium products. Douglas, for instance, has moved beyond its traditional focus on high-end beauty to offer a greater variety in line with how consumers shop today. Meanwhile, Ulta Beauty has pushed its assortment more upmarket.

Private label brands also prove popular at speciality retailers. Mecca has multiple owned lines, while Sephora Collection is a consistent top-seller. Brands, in turn, should stay attuned to shifting merchandising strategies. As stores move away from brand-dedicated gondolas and towards themed, cross-brand displays, competition for standout positioning will intensify.

Source: McKinsey Beauty Consumer Survey 2025

## CREATE A DESTINATION



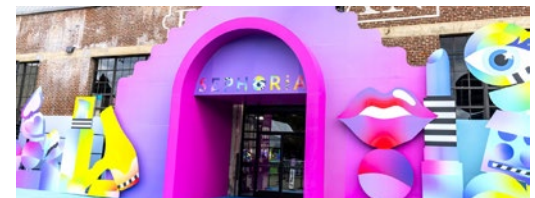
A render of Mecca's new Melbourne flagship. Mecca.

Mecca's new mega flagship, set to open in Melbourne in 2025, is slated to be one of the largest brick-and-mortar beauty stores globally.

The retailer chose its location carefully and designed it as a 360-degree beauty playground, featuring a beauty carousel in the centre, an “atelier” for makeup, hair and nails, an apothecary with a focus on natural products and an expansive fragrance section.

Services and technology, such as skin diagnostic tools, will play a role in boosting foot traffic. The store will also include an aesthetic clinic offering dermal treatments such as lasers and injectables.

## INVEST IN EVENTS, REAL AND VIRTUAL



The entrance to a Sephoria event. Sephora.

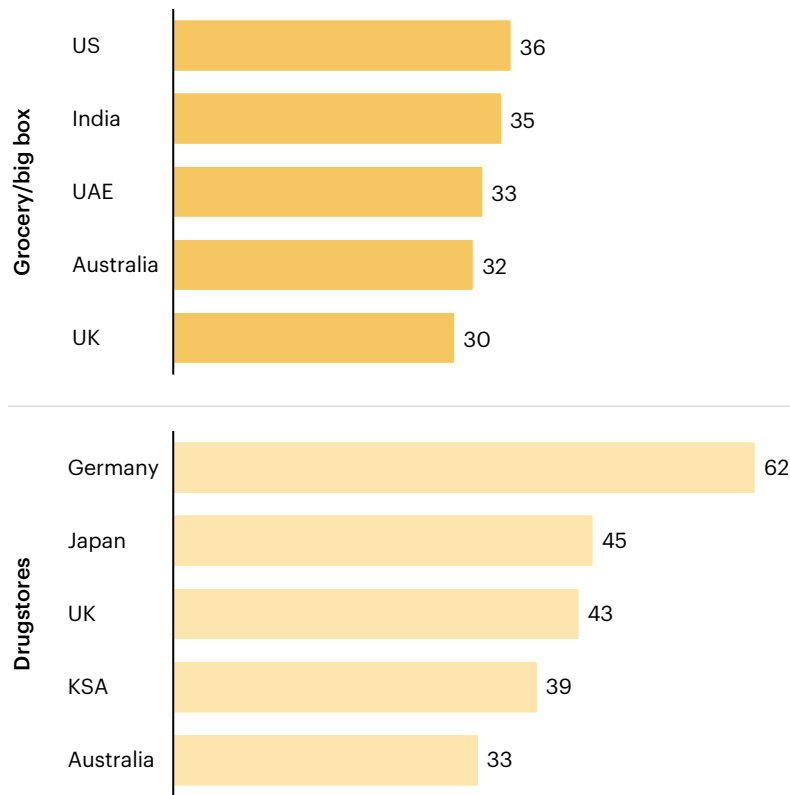
In 2018, Sephora created Sephoria, a beauty extravaganza, which now has editions in Paris, Milan, New York City, Shanghai, Dubai and Rio de Janeiro. Sephora reports events attract up to 6,000 in-person attendees at some editions and tickets often sell out in minutes.

The events offer playful, immersive, multi-sensory interaction between shoppers, influencers and buzzy brands carried by the retailer, including its own private label. Founders are often on site to host masterclasses or greet attendees.

Virtual formats can build on the excitement. Sephora's digital Sephoria expansion offers a gamified exploration and live interaction to more than 80,000 registrants.

# Mass retailers can differentiate by broadening their assortments, including private label brands

Top countries buying at grocery/big box and drugstores in the last six months, % of consumers



Retailers like Marks & Spencer, Waitrose and Sainsbury's have steadily scaled their beauty aisles. Curating a dynamic assortment to reflect popular brands in regional markets can help drive success. Daiso Korea collaborates with brands on smaller formats to offer popular products at lower prices. Meanwhile, multi-level players like Walmart can further expand their venture beyond mass into high-end beauty, but may need to consider more experiential formats to meet consumer expectations as price points rise.

For cost-conscious shoppers, robust private label ranges can offer significant value. Aldi's private label line has seen viral traction and double-digit growth, according to Kantar. The private label brands from retailers like Costco, Sam's Club, BJ's Wholesale and Target can also tempt shoppers looking to save. Private label brands allow retailers to better leverage consumer data for marketing and product development. There is also an inherent perception of affordability, which will resonate with shoppers focused on results and price.

Mass retailers such as Australia's Chemist Warehouse are expected to continue attracting consumers looking for affordable beauty. As retailers seek to expand their brand assortments, they should still ensure strategies are anchored to their core value proposition. In 2024, Boots UK launched 55 new brands across price points but also added a private label colour range priced 20 to 50 percent below alternative products.

Source: McKinsey Beauty Consumer Survey 2025

# Loyalty programmes and disciplined promotions can help meet consumer demands sustainably

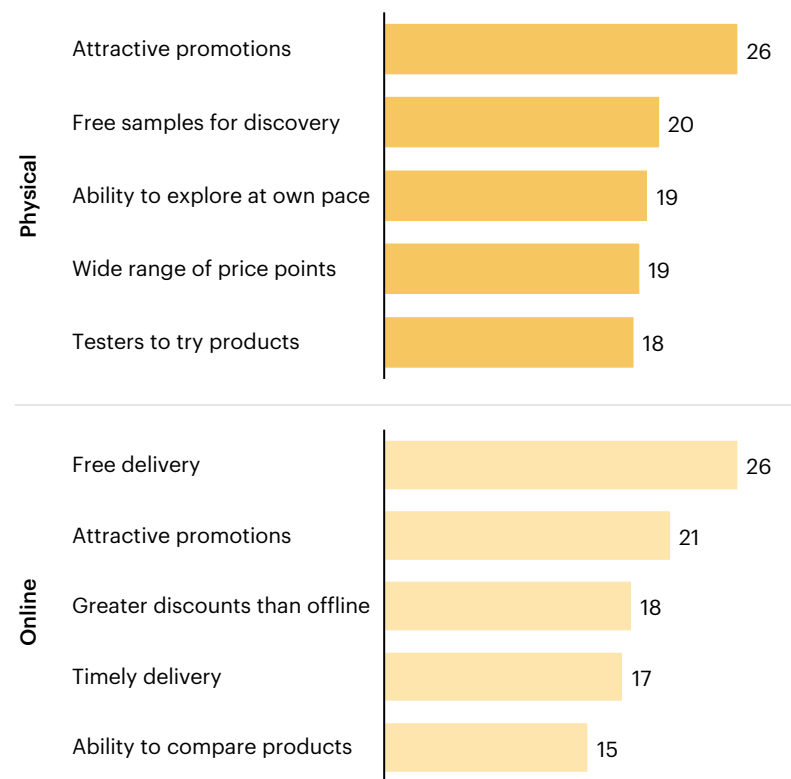
Globally, 48 percent of beauty consumers say they enjoy looking for a great deal, while around 35 percent say they have to shop on discount to afford what they want. Attractive promotions therefore rank highly on consumers' minds when shopping for beauty both in-store and online.

While price competition remains high, especially online given the ease of price comparisons, reducing discount is a growing priority; 33 percent of beauty executives say they want to reduce the amount of discounting they currently do online. Beyond impacting margins, blanket promotions can influence longer-term earnings and devalue both platform and brand image.

Retailers should experiment with more tailored and targeted promotions, such as subscribe-and-save on high-replenishment items, unique codes for select brands and consumers, or online and in-store exclusives for different product sizes. Multi-buy or gift-with-purchase is especially useful for high-end brands that do not want to be seen on discount. Brand executives should also consider when their biggest retailer partners offer promotions and decide when direct sales should occur on their owned sites.

Loyalty schemes can play a role here, too. Special programmes can help to attract consumers in the longer term, even in cases when the unit price is slightly lower or delivery is faster at other retailers. Retailers should combine their loyalty tactics and pricing strategies for better personalisation. They should also understand consumer desires, such as a preference towards early sale access, exclusive merchandise, free delivery, birthday giftings or cash savings — and communicate these benefits early and often. The process of signing up and collecting loyalty data needs to be frictionless; retailers can consider making loyalty cards available for smartphone wallets or via an easy-access widget.

Top-ranked factors that make shopping for beauty a great experience, % of global consumers



Source: McKinsey Beauty Consumer Survey 2025

# Walmart: Beauty for the People

With its colossal store footprints and diverse customer base, vice president of beauty Vinima Shekhar explains how the mega retailer is flexing its logistic muscle and building a more premium product assortment to reclaim its US beauty market share.

**BY BRENNAN KILBANE**



When asked to imagine a premium beauty retail destination, one does not immediately think of Walmart, the US-based chain of superstores that operates over 10,000 locations worldwide. Vinima Shekhar, the company's recently appointed vice president of beauty, asks: 'Why not?' Walmart's recent efforts to stay ahead of the competition have resulted in newer initiatives like Walmart Marketplace (an "endless aisle" online) and three-hour delivery.

Since being appointed to the beauty department in July 2024, Shekhar has been hard at work

expanding Walmart's premium business, in the hopes of serving their value-seeking customer — who has grown more discerning in their cosmetics and personal care purchases — and capturing new ones who might otherwise head to Sephora or browse online. Walmart was once the undisputed number one beauty retailer in the US, but has ceded significant market share to competitors like Amazon, which has successfully convinced premium brands to open digital storefronts. Walmart has also ramped up its online marketplace, which has increased the number of brands available and helped boost discovery and experimentation,

creating a digital environment that draws shoppers in and retains them with quick shipping, a seamless checkout and the ability to stock up on other goods they might also need at the same time.

Shekhar's approach is a comprehensive one and includes stocking stores with exclusive brands and collaborations, and making the most of its logistic muscle and broad distribution. She hopes to show the industry how channels can evolve with their customer base.

**Who is the Walmart beauty customer today, and how will they evolve over the coming years?**

The Walmart beauty customer reflects America. What I mean by that is, we've got every demographic represented in our customer cohort. There are over 145 million customers coming to Walmart, whether that's in store or online every week, but 71 percent of our beauty shoppers are women. Of our customers that are below the age of 40, 66 percent of them are shopping beauty at Walmart, and we know that these customers are continuing to grow and spend on beauty. Seventy-one percent [of beauty] customers are making \$100,000 or more. These customer [groups] that are under 40 and are [earning] over \$100,000

are actually our fastest-growing cohorts. Our assortment is resonating with these high-growth customers.

**Do you think the relationship between channel and product is changing?**

A hundred percent. The customer is more sophisticated and more knowledgeable, and at the end of the day — I say this all the time — no matter how rich you are, everyone wants to save money and time. That's what positions Walmart really well, and that's what you're seeing reflected in our strategy.

Our most competitive advantage is we can serve the beauty customer in more ways and through more

channels than anyone else. If you think of our omnichannel model, we offer the convenience of in-store shopping that fuels discovery. You want to touch, you want to see, you want to feel, and so we have that across 4,600 stores [in the US]. We also know that the customer wants to shop online, so we've got our Walmart.com, whether it's desktop or app, and through that, they can pick it up. On the way home from work, I can just drive by a Walmart, pick up my groceries, and oh, by the way, let me add in my skincare products. I can get them shipped to [my] home or have express delivery. We now are able to offer a wide variety of assortment in under three hours. That is extremely convenient when you think about

a customer who is shopping for specific occasions.

Recently, the morning of an event, I realised I ran out of hairspray. I went to Walmart.com, I added in the hairspray that I wanted, and I chose three hours, and I said, 'You know what, we're kind of running low on milk, and we also need some oranges.' I added those to the basket, clicked 'three hours,' and went about doing my errands, got home, and my hairspray, milk and oranges were at my doorstep.

**How does Walmart blend in-store and digital experiences?**

We don't want 4,600 stores to reflect the same assortment. Sun care is an



A Walmart store in California. Kevin Carter/Getty Images.



Buxom lip products are sold at Walmart. Walmart.

example. We know that we have stores in the South that will carry more sun care products than probably some stores that are in Vermont. The space allocation that we provide for categories, the price points, all are reflected in how we show up based on our clustering strategy.

Walmart is not trying to be a speciality beauty retailer where there are 10 beauty advisors in an aisle. How that experience comes to life is through very clear navigation based on need states. When you come into Walmart beauty, we've made it easy to know where the skincare aisle is. And within that section, there's a destination for acne, a destination for face wash. It's based on a decision tree, the customer tells us they want to shop by brand, and even within brand, product type, so you can tell where the mascaras are, you can tell where the eyeshadows are. What we also know is that end caps [prime display locations at either end of an aisle] are a great way to highlight innovation, newness and trend, so we've strategically used those end caps and those displays to just get customers excited to find something new, and be like, 'Oh, I didn't know Walmart had this.' We also have a 'Store of the Future' in about a hundred stores where we've

positioned beauty actually adjacent to fashion at the front of the store. As far as online, we've continued to elevate our digital experience with incredible brand shops and elevated visuals. We know beauty is a lot about storytelling, and the customer wants to be inspired, they want to feel trusted, and they want to feel excited.

### How will the Walmart Marketplace continue to evolve?

In stores, we've got limited space, and so we've leveraged Walmart Marketplace for what we call 'the endless aisle,' which gives our customers access to whatever they want — maybe it's that one item that doesn't have the productivity metrics to be in stores, but we've delighted them because they now can find it at Walmart. We're also leveraging Marketplace for our premium beauty experience that we launched in the summer of last year, and that is an invitation-only, authorised reseller or brand-direct programme. That allows us to ensure that we can have premium brands in a gated experience, so that customers can trust that they're getting the products that they love from the brands directly or through an authorised seller. Since we've announced that, we've actually launched 80-plus brands, and premium beauty is the

fastest-growing category in my business today.

### How does Walmart view social selling and interfaces like TikTok Shop? Is it an opportunity, or competition?

I would say we're always looking for new opportunities to create ways for our customers to interact with us, whether that's in store, at live events, or [online]. Earlier this year, we joined the Walmart fashion team in a pop-up shop in New York City during New York Fashion Week. It was a beautiful store in SoHo that featured the Walmart fashion assortment, as well as a beauty bar; it reinforced Walmart as a style destination. From a digital perspective, we've been an early pioneer in social and emerging commerce — we've got our own Walmart Creator platform, and in 2020, we were the first to actually create a shoppable livestream on TikTok featuring different fashion and beauty styles. We also have Walmart Discovered on Roblox, which is gamified beauty experiences. Whether it's TikTok Shop, whether it's live shopping, whether it's gaming and more, you'll continue to see that because we want to be pioneers.

### How will Walmart approach beauty collaborations and brand exclusives?

We had a very popular collaboration with Sabrina Carpenter. We sold out, wished we'd bought more. There's a collaboration we're working on between a skincare brand and a nail brand — these are well-known brands, but a customer [probably] hadn't thought about [them together]. That's just one way we're collaborating by bringing in unique and different assortments. What I've shared with you [so far touches on] everyday essentials and premium, but we also know we need to differentiate. Collabs and a unique assortment, whether it's our private brands or just in-and-out, one-time things will help that customer discover something new at Walmart.

We've got a programme called Walmart Start, which is our beauty accelerator, and that's focused on onboarding new, smaller DTC brands that might struggle with doing business right away with a big retailer. We feel like we're pretty easy to deal with, but naturally, supplying to 4,600 stores, the supply chain investment, just the item set-ups can be quite long and complex. This is our third year, and we just announced our third class, launching Maison 276, Kativa, which are haircare brands, as well as Tocca fragrance. What we do is give [them] white glove service. We help onboard

them, we actually give them a path to be successful at retail and invest in those brands.

### Where else does the Walmart beauty customer shop for their personal care, wellness and beauty needs?

They're probably shopping at other premium beauty, speciality beauty retailers or on other digital platforms. But they're probably buying groceries with us. So, going back to our competitive advantage, as we continue to expand our assortment,

you'll continue to see that grocery customer adding beauty products from Walmart into their basket, making it a lot easier for them to just do their full trip with us.

Oranges, milk and hairspray, right? You got it.

*This interview has been edited and condensed.*



Maison 276 and Lattafa products are sold at Walmart. Walmart.

# NOTES

**The McKinsey Global Beauty Market Model 2025** offers proprietary five-year forecasts covering all regions, price tiers and channels for beauty's core categories skincare, haircare, colour cosmetics and fragrance and reflect yearly current prices based on exchanges rates fixed to 2024 levels, with estimates updated periodically and communicated yearly by McKinsey.

**The BoF-McKinsey State of Fashion: Beauty Executive Survey 2025** was fielded from February to March 2025 and covered business sentiment, outlook and strategy, with respondents including approximately 100 C-suite to C-2 level executives or equivalent from beauty brands, owners and retailers. The survey was concluded prior to the US announcement of tariffs.

**The McKinsey Beauty Consumer Survey 2025** was fielded in February 2025 and covered beauty engagement, attitudes, recent behaviour, future intent, key purchasing criteria, channel sentiment and more, with 1,000 to 1,500 respondents per market across Australia, Brazil, China, France, Germany, India, Italy, Japan, KSA, South Korea, UAE, UK and US.

**Regional analysis** covers Europe, North America, China, Latin America, Mature APAC (Japan, South Korea, Singapore), Emerging APAC (India and broader Asia except China, Mature APAC and Australasia), Africa, the Middle East (GCC, Levant) and Australasia.



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# McKinsey & Company

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