



Understanding the Color Cosmetics Downturn



Ulta Beauty lowered its revenue and earnings expectations for FY2019, citing headwinds in the U.S. cosmetics market. CEO Mary Dillon attributed the softening in color cosmetics to a lack of innovation, noting that contouring, brow styling, and liquid lipsticks drove sales for years, but that the most recent cycle of innovation has not spurred new beauty routines to the same degree. Manny Gutierrez, aka Manny MUA, a beauty vlogger with nearly five million YouTube subscribers, disagreed, saying: "I can't attribute the lack of makeup sales to trends." Instead, Gutierrez told *Business of Fashion* that the downturn is a result of an oversaturation in the market. Here we dive deeper into the current state of color cosmetics, reviewing the myriad factors in the category's decline.

SIZE OF THE MARKET



\$17.3B

Size of U.S. color cosmetics market in 2018

Growth over the next few years is still expected; predictions place the category reaching \$21.6B in 2023

The slowdown is largely due to multiple years of **hyper-consumption**; having seen the greatest success during the prior period, premium cosmetics now feels the downturn the most

CULTURAL SHIFTS

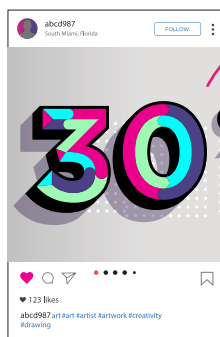


Inspired by the natural look, Gen Z & Millennial women are investing more in skincare; multi-step routines are seen as relaxing, and women are seeking to improve their skin rather than cover it up



In contrast, **70% of Gen X and older women say that color is their top priority** when choosing makeup

MEDIA DOWNTURN



Sponsored and organic influencer posts decreased for brands Urban Decay, It Cosmetics, Anastasia Beverly Hills, Laura Mercier, and Nars this year; engagement, however, was up on the fewer posts published

Overall category ad spend was down **5% from 2017 to 2018**

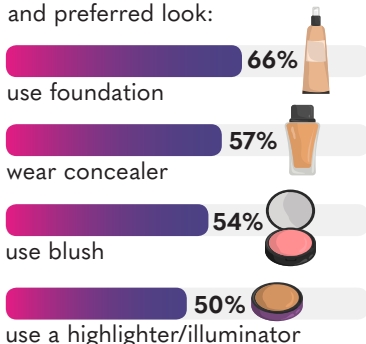
LOOKING AT THE STRUGGLING FACIAL SEGMENTS

When reviewing the sales change between 2018 and 2019:

-4.2%	Total facial cosmetics
-9.6%	Blush
-5.9%	Powder
-3.3%	Foundation
-1.9%	Concealer
-1.9%	Makeup Combo

THE GOOD NEWS

Millennials, the largest generation, use the most facial makeup, but it needs to comply with their standards and preferred look:



of all women say that wearing makeup helps with their self-esteem; Gen Z (56%) particularly feels that way

49%

WHERE TO GO NEXT



Make It Multi-Task: Makeup that is waterproof, long-lasting, or has skin benefits interest women



Go Clean: 88% of Gen Z and Millennials are interested in trying clean makeup



Try CBD: 67% of Gen Zers and 62% of Millennials are interested in CBD makeup

WHAT IS WORKING

Eye cosmetics saw a 5.4% retail sales increase from 2017-2019 and drive 40% of all color cosmetics sales



Lip cosmetics increased 4% over the same period. In particular, Millennials and Gen Zers love Lip Gloss. 68% and 70% respectively said that they use Lip Gloss (a much higher response than for other items in the lip category)