

Cosmetic industry changes due to the pandemic

The COVID-19 disaster has upset the global beauty sector (including skincare, color cosmetics, botox injections for forehead lines, lip fillers)

EDMONTON, ALBERTA, CANADA, April 17, 2022 /EINPresswire.com/ -- The COVID-19 disaster has upset the global beauty sector (including skincare, color cosmetics, [botox injections for forehead lines](#), [lip fillers](#), perfumes, personal care, and [laser machine reported by sentient laser](#) United State

District Court for the district of Utah 2:21-cv-00767-HCN-CMR). First-quarter sales were dismal, and some stores were closed.

The business has responded favorably to the issue, with manufacturers shifting production to hand sanitizers and cleaning chemicals and offering free beauty treatments to first responders. At the same time, industry executives have an obligation to do everything possible to safeguard their companies' survival. The worldwide beauty business generates \$500 billion in annual revenue and indirectly supports millions of employees. While lives are paramount, livelihoods are also critical.

The following article discusses the potential impact of COVID-19 on the beauty industry during the next three to six months. The article then discusses how the crisis may fundamentally alter the sector over time—and how stores, strategic players, and investors might respond. It frequently draws on the findings of a McKinsey Global Consumer Sentiment Survey conducted in early April.

The beauty industry's short-term forecast

While beauty is subjective, there is no argument about the global beauty industry's long-term viability. It has maintained a steady growth rate, but it has also developed generations of loyal consumers. During the 2008 financial crisis, industry spending decreased marginally but fully recovered by 2010. (Exhibit 1).



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While the economic impact of the COVID-19 epidemic on brands and shops will be significantly larger than that of any recession, there are indicators that the beauty industry may once again prove reasonably robust. In China, the industry's February sales decreased by 80% compared to the previous year. In March, the year-on-year reduction was 20%—a remarkable recovery in the current environment. Consumers in various markets anticipate spending less on beauty goods in the near term (mostly due to losses in color cosmetics spending) but more on other discretionary items such as footwear and clothing (Exhibit 2).

Noting an increase in lipstick sales during the 2001 recession, cosmetics mogul Leonard Lauder coined the phrase "lipstick index" to represent the phenomena. The premise is that people regard lipstick as an affordable luxury, and as a result, sales tend to remain robust, even during times of economic distress.

McKinsey examined nine economic scenarios over the next five years based on epidemiological trends and the efficacy of economic policy initiatives. We estimate that worldwide beauty sector revenues could decline by 20% to 30% in 2020, based on the scenarios most anticipated by global executives and current trends. If COVID-19 recurs later this year in the United States, the reduction might be as much as 35%. (Exhibit 3).

We examined the beauty industry's recovery in light of each scenario, taking into account two critical factors: where and how beauty goods are offered, as well as what is purchased.

Where and how are beauty goods sold

Before the COVID-19 issue, in-store shopping accounted for up to 85 percent of beauty-product purchases in most major beauty-industry markets, with some variance by subcategory. Even the savviest American millennials and Gen Zers (those born between 1980 and 1996) made about 60% of their purchases in stores (Exhibit 4), and the closure of premium beauty-product outlets due to COVID-19 eliminated approximately 30% of the beauty-industry market. Some of these locations will never reopen, and new locations will certainly be delayed by at least a year.

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