British beauty market to put France in the perfect shade

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It's enough to have chic Parisians smudging their mascara with tears of envy. After dominating the beauty industry for generations, France is finally set to be overtaken by Britain.

Booming sales of skincare products and perfume combined with the success of British brands, such as Typebea and Charlotte Tilbury, mean the UK market is growing at nearly twice the pace and will eclipse France by the end of next year.

Figures released by Circana, a US market-research firm, show that sales of luxury or "prestige" make-up, fragrance, skincare and hair products in the UK jumped by nearly 11 per cent in the year to June to reach £1.53 billion. By comparison, the French market, which has long been the pre-eminent and most prestigious in Europe, grew by 6 per cent, taking its value to £1.62 billion, only £90 million bigger than Britain.

Circana says that since 2019 the UK industry has grown at more than twice the pace of France. If this continues, the British market will outstrip the size of the French by the end of 2025. The UK beauty industry is already bigger than those in Germany, Italy and Spain.

Prestige beauty products are those not mass produced, such as shower gel, shampoo and soap, but produced by luxury businesses. This industry has traditionally been dominated by French companies, such as Chanel and Yves Saint Laurent, but is increasingly being challenged by British brands, including those set up by celebrities such as Rita Ora, Georgia May Jagger and Victoria Beckham.

The British Beauty Council says the growth in the UK market is down to innovative suppliers creating new and popular products and the impact of beauty influencers. Millie Kendall, the chief executive of the trade group, said: "British Beauty has always been a hub of creativity, birthing the first 'celebrity' hairstylists — including Sam McKnight — and some of the most successful beauty brands of today, Charlotte Tilbury and Pat McGrath.

"Britain has also always been a global leader in sustainable beauty. The industry began pushing environmental boundaries long before green issues became headline news and other markets are now catching on."

She added that Britain's beauty influencers were "astounding". Influencers such as Lisa Eldridge and Caroline Hirons have built up huge followings by posting about their beauty regimes online and recommending products. Eldridge has nearly two million followers on Instagram while Hirons has three quarters of a million, and their endorsements can send sales of a product soaring.

Celebrities such as Kate Moss, Ora, Jagger and Beckham also have huge sway online and have capitalised on this by starting their own beauty brands.

Analysis by the consultancy Oxford Economics said that the total value of the British beauty industry, including all products and services such as hairdressing and beauty treatments, reached £27.2 billion last year, supporting a workforce of more than 600,000 people.

Charlotte Tilbury, above, has star power behind her products. Victoria Beckham and Rita Ora, left, have their own brands. The influencer Caroline Hirons, below, also has a beauty line

However, the success and influence of the industry has led to concerns that young people are being encouraged to buy and use unsuitable products. The British Association of Dermatologists recently warned that the growing trend of children using skincare creams could leave them with irreversible problems.

It highlighted that children as young as eight were asking their parents for luxury items after seeing them used by their favourite influencers on platforms such as YouTube and TikTok. Many of these contain potentially harmful active ingredients intended for adults only, such as exfoliating acids. The association said such products can provoke allergies or eczema.

A recent thread on the Mumsnet website asked why parents were not protecting their daughters from this "blatantly misogynistic and physically and emotionally damaging exploitation".

Despite the concerns, Oxford Economics predicts that the UK market will continue to expand next year at a pace quicker than the rest of the economy. But Kendall said the British industry could only capitalise on its position if the government eased access to the EU which, post-Brexit, has led to almost an £850 million drop in beauty exports.

She said: "We've had to be dynamic and pivot — looking to China, the USA, Australia, the Middle East and India to help grow our exports in the face of increased red tape when trading with the EU."

French officials in Brussels are unlikely to want to see that happening any time soon.

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Business

The beauty of shopping in stores for life's little luxuries

Sephora is leading a renewed fashion for bringing customers back to physical retail, writes **Emma Taggart**

The "lipstick effect" did much for Estée Lauder during the pandemic. This was the term coined by Leonard Lauder, the beauty group's chairman emeritus, for the notion that people spend more on affordable luxuries such as lipstick when times are tough.

On Monday, the gloss appeared to have come off. Estée Lauder said that it expected its annual sales to fall by as much as 1 per cent or to rise by only 2 per cent, well below analysts' estimates of a 6.4 per cent increase. The demand for lipsticks and perfumes, widely considered to be recession-proof, has taken a hit.

Yet the picture is not universally gloomy. In Britain, the third largest cosmetics market in Europe after France and Germany, shoppers continue to splash out on cosmetics and skincare. The beauty industry was worth an estimated £26.7 billion in 2022 to the UK economy and this looks set to grow.

"In 2024, we've seen that the European beauty market has continued to outperform other consumer segments and so you're still seeing double-digit growth across the industry overall," Ashley Wallace, an analyst at Bank of America, said. "To be able to get small joy out of purchasing some sort of beauty product has allowed the industry to remain relatively resilient."

There is a notable difference, too, from the environment during Covid, when people turned to digital platforms to seek out beauty products to perk up periods in lockdown. Physical retail is coming back into fashion and some of the companies making the biggest gains have focused on their in-store customers as shoppers go in search of a more personalised experience.

Among them is Sephora, which closed its six British stores in 2005. Last year the beauty retailer returned to the UK and today it operates three stores in Manchester and London, with plans to open a fourth in Newcastle in September.

Founded in Limoges, France, in 1970, Sephora sells a range of beauty and cosmetics brands, including its own products. Owned by LVMH, the luxury goods conglomerate, the company has about 3,000 stores in 35 countries and employs 46,000 or so people.

With its limited number of stores in the UK, more than 80 per cent of its sales in the country are made online, but it is intent on expanding its network of stores. "You can have access to our products online and, yes, we're going to do a fantastic job of getting products to you very quickly," Sarah Boyd, the managing director of Sephora UK, said. "You can come and have that physical experience, which is why we're seeing demand before the stores open."

Space NK is another beauty retailer that has had success in the British market. Founded in 1991, it has more than 100

Sephora and Space NK, which

DAVE BENETT/GETTY IMAGES; VICKI COUCHMAN; AVALON

was founded by Nicky Kinnaird, above right, are leading a retail beauty revolution. Far left, the US pop star Ariana Grande

stores in the UK, the Republic of Ireland and the United States. It reported sales of £146 million for the year to March 25, 2023, and a pre-tax profit of £2.3 million.

Boyd puts the success of the British beauty industry down to the desire of brands and retailers to create consumer demand. "I think that idea of constant evolution and constantly pushing the boundaries is something that you see in the beauty industry perhaps more than some others," she said.

Sephora and Space NK aren't the only companies making strides. L'Oréal has reported strong half-year results, particularly in its European division. The company, which owns the Maybelline and NYX make-up brands, achieved a 7.3 per cent increase in sales during the first six months of this year to €22.1 billion, with an 11.1 per cent growth in revenues in Europe.

"For L'Oréal, it's a similar dynamic, where in Europe this continues to be one of the markets that has held up well and is delivering double-digit growth, well above the longer-term history of the industry in Europe," Wallace said.

Of course, personal beauty budgets are finite and while some companies are thriving, others have struggled to persuade customers to open their wallets. In February The Body Shop, the make-up and skincare brand focused on ethically sourced products, said it had been put into administration months after it had been bought by Aurelius, a private equity firm, for £207 million.

However, the picture isn't rosy for everyone. The success of new entrants to the UK is in stark contrast with the downturn of other beauty brands that have struggled to keep up with innovation in the sector.

"It always struck me that The Body Shop was always a brand that was best experienced in person," Becky Willan, the chief executive of Given, a consultancy business, and a former environmental manager at The Body Shop, said. "At a time when direct-to-consumer is really booming and you have a whole new generation of people who are way more knowledgeable about ingredients than ever before, what does that mean for the in-person experience?"

Wallace argued that brands such as Space NK and Sephora, which place high importance on a customer's in-store visit, had proved themselves in recent years. "I think compared with some other retailers that have pushed more the offline-to-online shift, there is a much bigger emphasis from Sephora to bring those customers back in store. Obviously during Covid there was a big increase in online penetration, which has almost completely unwound across the broader consumer landscape."

In its half-year results LVMH singled out Sephora as one of its highest-growth brands, with "double-digit growth in revenue and profit".

In contrast, some brands that have focused heavily on their online sales model and have moved away from innovations and a focus on customers have struggled. This month Morphe, an American label, said that it had closed all its UK stores with immediate effect.

"You've had quite a number of retailers in the UK launch beauty as part of their online offering — you saw that happen at players like Farfetch and Asos — to see if the consumer was willing to put an extra lipstick or nail polish into their basket, as that was supposed to be a driver of incremental revenues for those players, " Wallace said. "Actually, we've seen that those companies ultimately de-emphasise this strategy."

Willan concluded: "Of the beauty brands that really thrive in this next chapter, some of them will be direct-to-consumer and totally digital, but I think recapturing the experience that you can only get through in-person interaction will be really important."

Tesla wins a reprieve from tough car tariffs

Simon Freeman

Tesla has escaped the worst of a punishing round of tariffs set to be imposed on Chinese-built electric vehicles shipped to Europe.

The California-based electric vehicle manufacturer, led by Elon Musk, faces a 9 per cent levy on its China-built cars, well below the double-digit increase due to be imposed on rivals.

BYD, the Chinese carmaker that briefly overtook Tesla to become the world's largest electric vehicle manufacturer last year, will face a 17 per cent tariff. Geely, whose brands include Volvo, Lotus and Polestar, will be set a 19.3 per cent levy, while SAIC Motor, which owns MG, faces 36.3 per cent.

The proposed tariffs will be on top of the European Union's standard 10 per cent duty on car imports. They follow an investigation by the European Commission into what it says are unfair state subsidies that threaten "material injury" to Europe's car industry. Beijing has threatened to retaliate with tit-for-tat levies on European imports and is challenging the measures at the World Trade Organisation.

Inspectors who visited Tesla's plant in Shanghai found that while the company was benefiting from cut-price batteries and cheap land, it had received fewer government subsidies than China's domestic manufacturers.

The planned tariffs will be subject to a vote by the EU's 27 member states at the end of the month. The issue has become politically charged among members and is strongly opposed by carmakers, particularly German companies that export to China.

In a statement posted on X, the China Chamber of Commerce to the EU said that imposing trade measures was "unacceptable" and it expressed "strong dissatisfaction and firm opposition to the EC's protectionist approach".

Seat said it was working with Volkswagen, its German parent company, to reduce the 21.3 per cent planned tariff on its China-made Cupra Tavascan.

The commission has estimated that Chinese brands' share of the EU market has risen to 8 per cent, from below 1 per cent in 2019, and could reach 15 per cent in 2025. It says that prices typically are 20 per cent below those of comparable EU-made models.

Start-ups sprout as confidence grows

James Hurley

Business confidence and start-up activity is on the rise, according to two new studies, with 2024 on track to become the strongest year of the past five for new business creation.

In the first half of this year, 468,000 new companies have started up, according to research by Beauhurst, a data company, and NatWest. The number of incorporations is up from 173,000 in the first quarter of 2020 to 248,000 in the first quarter of 2024.

Paul Thwaite, chief executive of NatWest, said: "The UK's potential for growth is made clear by the numbers of people starting their own businesses."

Incorporation and dissolution numbers can be affected by factors other than mainstream business activity, such as tax avoidance or organised crime. As such, experts have cautioned about conflating growth in company registrations with a rise in entrepreneurship. However, separate research suggested an improving operating environment for small companies.

Enterprise Nation, a small business group, said one fifth of respondents to its small business barometer were looking to implement growth plans, up seven percentage points from last year. Close to half were looking for investment to finance their growth plans. There was also a slight improvement in the proportion who were exporting.

High costs were the biggest challenge cited in the survey of 500 companies. Three in five felt the tax burden was too high, "suggesting any tax hikes in the autumn budget could have a negative impact on confidence, as well as profits", Enterprise Nation said.

Emma Jones, founder of the group, said: "Entrepreneurs are often at their strongest in the face of adversity, so, after putting growth plans on hold during an extremely difficult set of challenges, they can finally see the light at the end of a very long tunnel."

A summary of business conditions from the Bank of England's regional agents for the six weeks to mid-May suggested modest improvements in industries including hospitality, business services and manufacturing.

However, small companies reported "tight" access to bank finance.

Neil Rudge, chief banking officer for commercial at Shawbrook Bank, said last week that his bank was receiving a "consistently high number of enquiries from both new and existing business customers".

Henry Whorwood, managing director at Beauhurst, said: "UK entrepreneurs are still starting lots of new businesses. This may mark the beginning of a new normal with higher rates of entrepreneurship in the UK economy than known previously."