



UK Health & Beauty Monthly

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Health & Beauty
5.2%

Health & Beauty retail sales increased 5.2% year-on-year in March, according to Retail Economics.

Health & Beauty
3-mth average
5.8%

Health & Beauty sales increased by 5.8% on a three-month rolling basis in March, according to Retail Economics

Health & Beauty
2023 Forecast
X.X%

Health & Beauty sales are forecast to rise by X.X% year-on-year overall in 2023, according to Retail Economics

UK Retail Sales
6.0%

Retail sales rose by 6.0% year-on-year in March, value and non-seasonally adjusted, according to Retail Economics.

Average
Weekly Sales
£326m

Average weekly sales for Health & Beauty were £326m in March, according to Retail Economics.



Sales growth

- Health & Beauty sales increased 5.2% YoY in March, against a 16.9% rise a year ago, according to the Retail Economics Retail Sales Index (value, non-seasonally adjusted).
- Growth slowed on the previous month against double-digit rises a year ago, although remained one of the best performing categories in March.

Health and Beauty growth eases amid tough comps

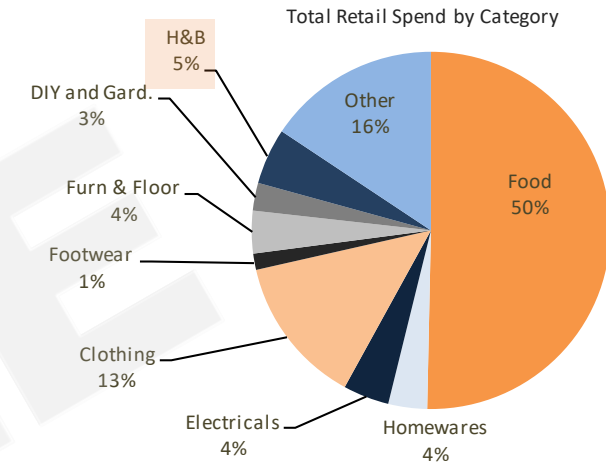
Sector Growth Rankings	Mar-23	3 month avg.	6 month avg.	12 month avg.
Food	11.0%	9.9%	8.8%	6.3%
Footwear	7.8%	7.9%	7.5%	9.6%
Clothing	5.4%	5.3%	4.4%	6.8%
Health and Beauty	5.2%	5.8%	5.4%	4.3%
Furn & Floor	2.9%	2.6%	2.6%	-0.7%
Homewares	-0.8%	-1.4%	-1.0%	-2.7%
Electricals	-1.8%	-2.6%	-2.8%	-3.1%
DIY and Gardening	-3.8%	-2.1%	-3.5%	-5.2%

Source: Retail Economics

Retail market overview

- Total retail sales rose by 6.0% YoY in March, against a 4.7% rise in the previous year, according to the Retail Economics Retail Sales Index (value, non-seasonally adjusted).
- Several factors impacted headline performance in the month, including: adverse local and international weather (discouraging spring sales and impacting fresh food); an earlier Mother's Day this year; and inflation.
- Retail sales volumes have been in decline on an annual basis for 13 consecutive months, as inflation persists (10.1% YoY in March).

Health & Beauty accounted for 5% of total retail spend

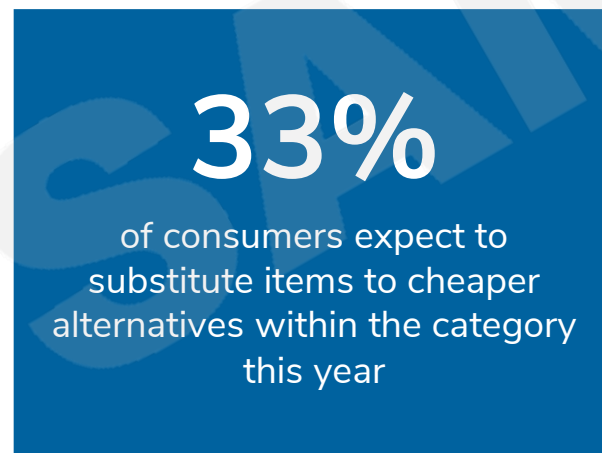


Source: Retail Economics

Outlook

Spending intentions in 2023

- Continued investment across channels will support growth prospects as cost of living pressures ease.
- The essential status of many items within the Health and Beauty sector should mean that spending levels remain buoyant, supported by more events and holidays this year.
- Just 5.1% of consumers plan to cut almost all spending on the sector this year while only 16.6% said they would delay spending,
- Instead, consumers will look to substitute items with cheaper alternatives within the sector.

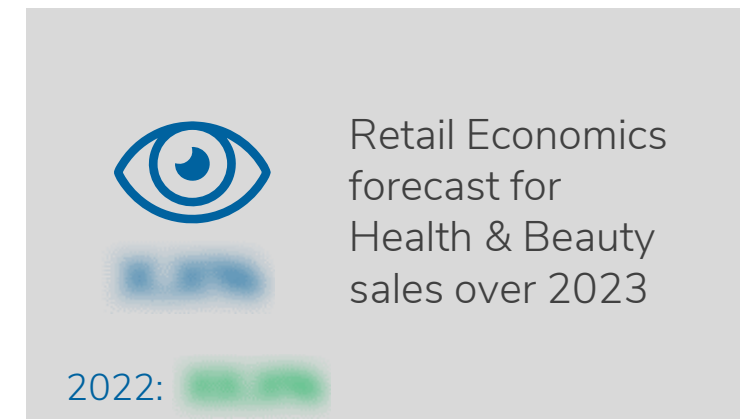


Source: Retail Economics and NatWest Outlook for UK Retail and Consumer 2023, n1,500

2023 Forecasts

- Retail Economics forecasts X.X% growth in Health & Beauty sales in 2023, with sales reaching £XX.Xbn, following strong growth of 7.1% in 2022.
- Although not immune to the impact of an economic downturn, demand for health and beauty products generally remains resilient in tough economic times.
- The 'lipstick effect' may come into play, supporting demand for certain discretionary segments as consumers prioritise self-care.

Health & Beauty to sector to remain in growth in 2023



Source: Retail Economics

Health & Beauty - Retail Economics Index: March 2023

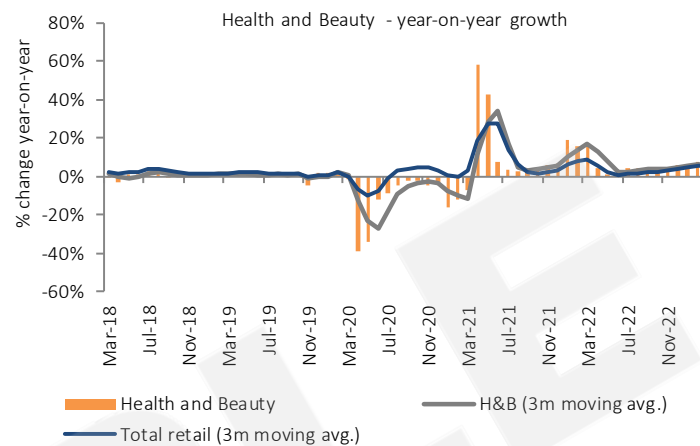
- Health & Beauty sales increased 5.2% YoY in March, against a 16.9% rise a year ago, according to the Retail Economics Retail Sales Index (value, non-seasonally adjusted).
- Growth slowed on the previous month against double-digit rises a year ago, although remained one of the best performing categories in March.
- The sector was supported by:
 - **Surging inflation** – inflation remained elevated in March, with a basket of health and beauty products rising by over 12%, suggesting volumes remain in decline.
 - **Earlier Mother’s Day:** the earlier timing of Mother’s Day this year supported fragrances in the lead up to the event.
 - **More social gatherings:** The category also benefitted from a resurgence in weddings, events and a gradual return to offices among workers which boosted demand for cosmetics, hair and dental products.
- Household budgets were kept under pressure in March, despite headline inflation easing to 10.1% from February’s unexpected jump to 10.4%.
- But within the health and beauty category, many items are seeing prices rise at a much faster rate. Annual inflation levels for perfume (34%), mascara (13%),

face moisturiser (29%), toothpaste (20%) and shampoo (16%) are all considerably higher than the headline inflation rate.

- This didn’t prevent some consumers from treating their loved ones for Mother’s Day however, with sales outperforming in the third week of the month in the lead up to the event.
- Notably, the online channel was said to have been boosted by the event with IMRG reporting online Health and Beauty sales recorded their first YoY rise in 23 months, boosted by demand for beauty, makeup, and fragrance products.

Economic backdrop improving

- Despite real term pay growth remaining in decline, the squeeze on household budgets is set to dissipate as the year progresses.
- Inflation is forecast to drop significantly when April’s data is released next month, as last year’s sharp rise in energy prices drops out of annual comparisons.
- Resultantly, optimism is building amongst consumers with the headline confidence measure edging up two points in March to -36, following a seven point rise in February.
- But confidence remains firmly in negative territory, still five points lower than a year ago with concerns about personal finances remaining at the forefront of consumers minds.
- What’s more, any improvement in confidence is likely to take some time to filter through to spending as consumers re-adjust their spending priorities.



Source: Retail Economics: Retail Sales Series – value, non-seasonally adjusted
*Period aligned to ONS trading 26 February – 01 April 2023

Health and Beauty	Annual % growth	Avg. weekly spend (£m)
Oct-22	3.9%	£304
Nov-22	4.4%	£324
Dec-22	6.2%	£490
Jan-23	5.1%	£300
Feb-23	7.4%	£312
Mar-23	5.2%	£326

Source: Retail Economics:
*Period aligned to ONS trading calendar 26 February – 01 April 2023

Health & Beauty

Year-on-year growth

5.2%

Health & Beauty sales increased by 5.2% year-on-year in March, according to Retail Economics

Health & Beauty

3-month average

5.8%

Health & Beauty sales increased by 5.8% on a three-month rolling basis in March, according to Retail Economics

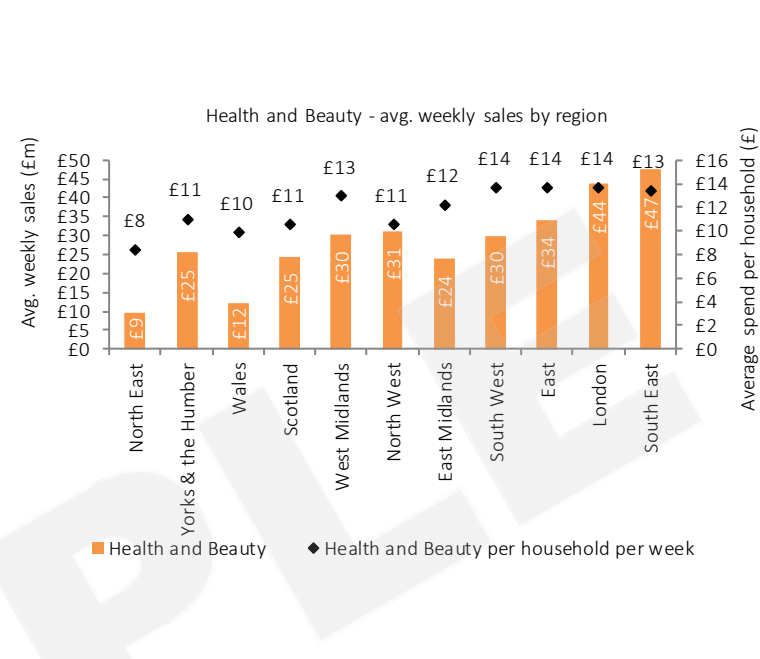
Growth slowed on the previous month against double-digit rises a year ago, although remained one of the best performing categories in March.

- Ultimately, underlying economic conditions are shaping consumer values. Lower prices are being favoured in many instances at the expense of quality and convenience.
- This is seeing a continued shift back to stores (compared with the highs seen during the pandemic) as in-store shopping reduces burdensome costs associated with online orders as well as allowing consumers to manage their budgets more closely.
- The revival of in-store performance and growing online prospects, saw Superdrug announce plans to invest in 25 new stores this year, with 70 existing stores also being revamped.
- It hopes the expansion of its store estate will support its omnichannel ambitions in a sector that has experienced rapid changes in recent years.
- The Fragrance Shop also announced it was set to open its first shop on Oxford Steet, a 'destination store', with hope of tapping into consumers growing need for experiences which were invigorated during the pandemic.

Outlook

- Continued investment across channels should support growth prospects as cost of living pressures ease.
- However, we are likely to see the entrenchment of recessionary behaviours in the short-medium term, as consumers come to terms with the budgetary pressures of recent years.

- Granted, these behaviours are likely to be reserved for lower affluence households with those on higher incomes not impacted to the same extent.
- The essential status of many items within the Health and Beauty sector should mean that spending levels remain buoyant, supported by more events and holidays this year.
- Notably, consumers are less likely to cutback on purchases within the sector compared with more discretionary categories.
- Just 5.1% of consumers plan to cut almost all spending on the sector this year while only 16.6% said they would delay spending,
- Instead, consumers will look to substitute items with cheaper alternatives, with a third of consumers indicating they will trade down in 2023.



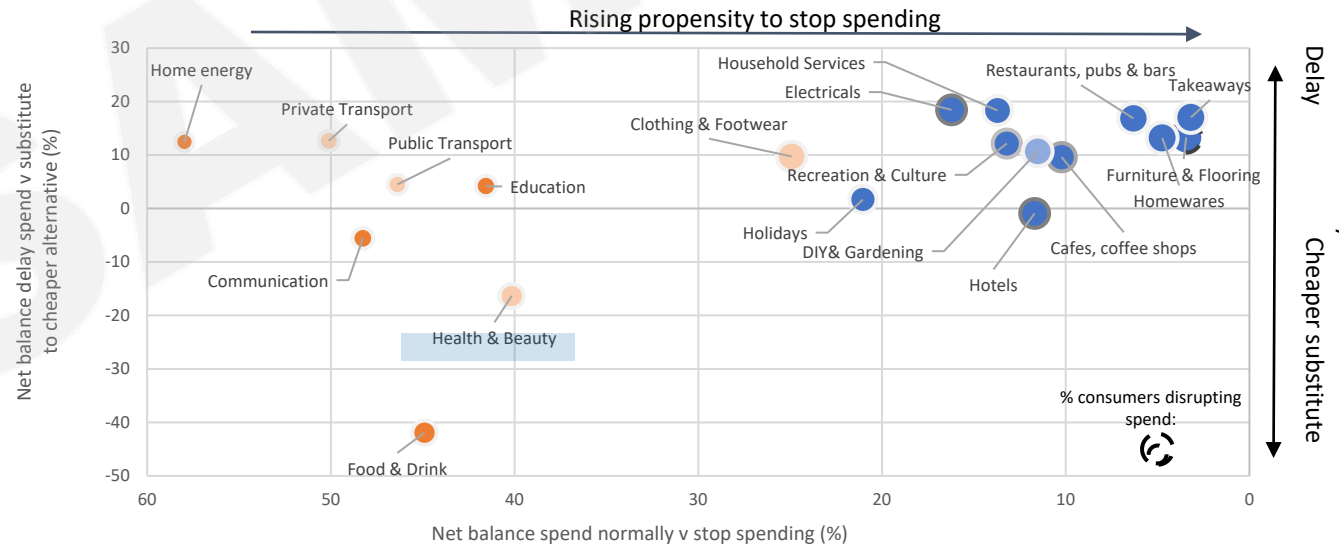
South East
£47m

Average weekly spend on Health & Beauty in the South East in March

Average Weekly Sales
£326m

Average weekly spend on Health & Beauty in the UK March

Fig 1: Spending intentions in 2023



Source: Retail Economics and NatWest Outlook for UK Retail and Consumer 2023, n1,500

How to read this chart: The bubbles reflect different categories, with orange bubbles representing typically essential spending and blue bubbles being typically non-essential spending. The size of bubble indicates the proportion of consumers disrupting normal spend in that category in 2023. The X-axis plots the net balance of those intending to spend as normal in the category in 2023 against those that intend to stop almost all spending in the category (with bubbles on the right most at risk of consumers stopping spending). The Y-axis plots the net balance of those intending to delay spending in a category against those looking to find cheaper alternatives instead (with bubbles above 0 on the Y-axis more at risk of delayed spending).

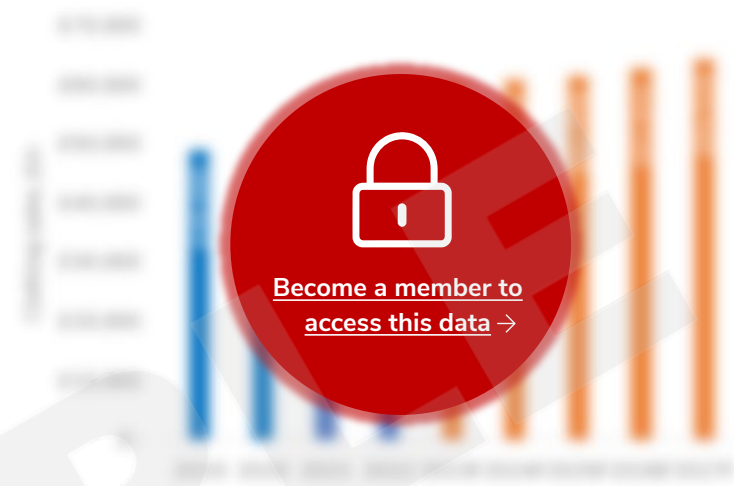
Health & Beauty Outlook

- Retail Economics forecasts X.X% growth in Health & Beauty sales in 2023, with sales reaching £XX.Xbn, following strong growth of X.X% in 2022.
- Although not immune to the impact of an economic downturn, demand for health and beauty products generally remains resilient in tough economic times.
- Basic hygiene and personal care products (e.g. haircare, toothpaste, deodorant) are considered essentials.
- The 'lipstick effect' may come into play, supporting demand for certain discretionary segments as consumers prioritise self-care.
- Skincare and fragrances represent small indulgent purchases that can be a morale-booster in times of economic difficulty.
- Health & Beauty retailers will still need to focus on delivering value to remain competitive, offering discounts, promotions, and affordable options to appeal to price-sensitive consumers.
- Premium/Luxury retailers may also need to reassess their pricing architecture and offer more accessible, entry-level options to drive sales, but must be careful not to damage their brand equity, which is a key part of their appeal to consumers.
- Online is set to account for XX.X% of Health & Beauty sales in 2023, up from 12.8% in 2022 and significantly above 2019's pre-pandemic level of 8.4%.
- Retail Economics projects a X.X% compound annual growth rate (CAGR) for Health & Beauty sales through to 2027, with sales reaching £XX.Xbn by the end of the period.

Retail Economics Health & Beauty Forecasts

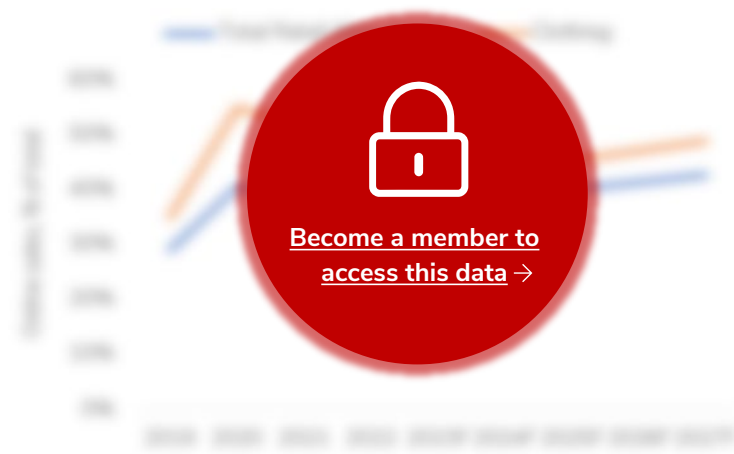
Forecasts updated quarterly. Last update: February 2023

Health & Beauty Sales forecast to hit £XX.Xbn in 2023



Source: Retail Economics

Online to account for 13% of Health & Beauty sales in 2023



Source: Retail Economics

Health & Beauty 2023 Forecast

Retail Economics forecasts Health & Beauty sales to rise X.X% YoY in 2023

Online Health & Beauty 2023 Forecast

Retail Economics forecasts Online Health & Beauty sales to jump X.X% YoY in 2023

Perfumes and cosmetics can also represent small indulgent purchases that can be a morale-booster in times of economic hardship.

Latest developments

Employee welfare

- **Superdrug** and **Savers** employees can now use Wagestream, a financial wellbeing app that allows them to track earnings, budget, save, and choose when they get paid. Additionally, a DigiCare app will launch the summer, giving employees access to free digital GP and mental health and nutritional consultations, second medical opinions, and an annual health check.

Financial results

- **THG** saw group revenues increase 2.7% to £2.2m for the financial year ending 31 December 2022, resulting in two-year total sales growth of 38.8%. Adjusted EBITDA was £64.1m during the period, missing its guidance which was downgraded to between £70 and £80m in January.

Store expansion

- **Superdrug** is set to invest in 25 new stores this year, creating 570 jobs. 70 existing stores will additionally be revamped under the Sustainable Store Scheme, ensuring sites are eco-conscious in everything from design to energy-saving and waste management.

Staff changes

- **Natura & Co** revealed that CEO David Boynton is set to leave by the end of this month. Boynton took on the role in 2017 and played a crucial part in transforming the brand and business after Natura acquired it from L'Oréal.

New product

- **Boots** released Future Renew, a new No7 Beauty Company skincare range. The range was developed following 15 years of research and was available at Boots stores from 12 April.

Store opening

- **H&M Beauty** is set to open its first global flagship store in Oslo on 4 May. The 3,000 sq ft store will feature own-label and over 80 external brands including Huda Beauty, Wishful, Kayali, and Smashbox, offering a mix of "cocktail bar and spa-like aesthetics".
- **The Fragrance Shop's** latest flagship store set to open in the summer at 70-88 Oxford Street. Year-to-date, New West End Company reports a 56% increase in Oxford Street sales supported by the Elizabeth Line.

Pay rise

- **Holland & Barrett** announced a 9% pay rise for store employees, increasing the hourly pay from £10.05 to £11, and a 7% pay rise distribution employees from £10.71 to £11.46 an hour, effective from 1 April. This means the hourly rate for Holland & Barrett colleagues has increased by 15% since this time last year.

Offloading

- Cosmetics group **Natura & Co** is selling Aesop to L'Oréal for \$2.5bn (£2bn) to strengthen its finances and allow it to "focus on strategic priorities".

Partnerships

- **THG** is set to enter a 10-year strategic partnership with beauty ecommerce retailer Maximo Group, which owns sites including allbeauty.com and fragrancedirect.co.uk.

Total Health & Beauty Market

£XX.Xbn

Retail Economics forecasts Health & Beauty sales to total £XX.Xbn in 2023

Hair Products

22.8%

Hair Products account for 22.8% of the Health & Beauty market

Boots released Future Renew, a new No7 Beauty Company skincare range. The range was developed following 15 years of research



Most consumers (64%) are Omnichannel shoppers when buying apparel, regularly switching between online and in-store.

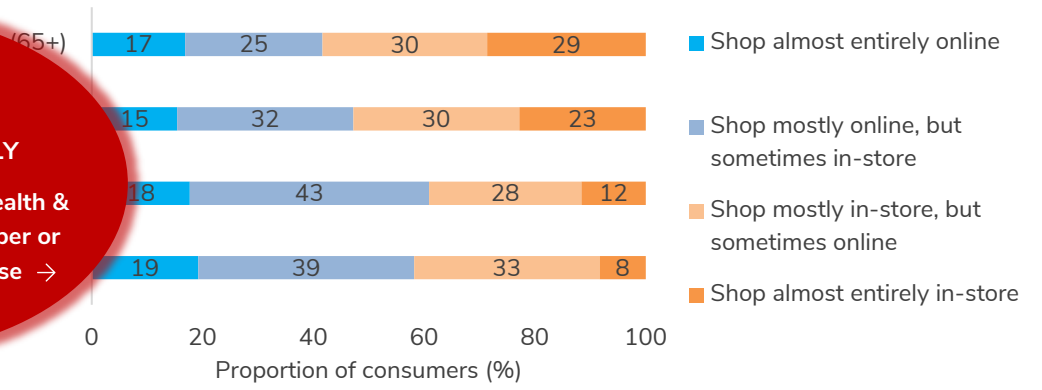
UK Omnichannel Retail 2023
Understanding consumer segmentation for in-store & online market trends

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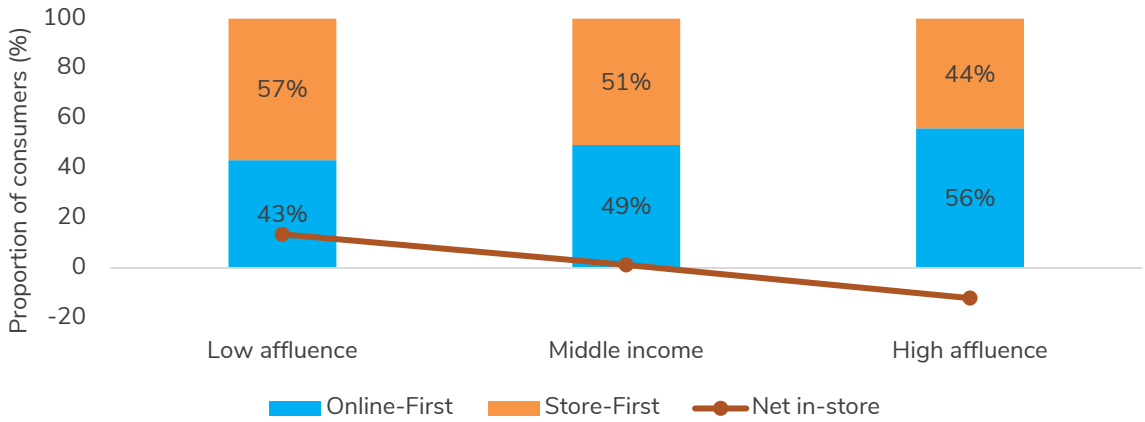


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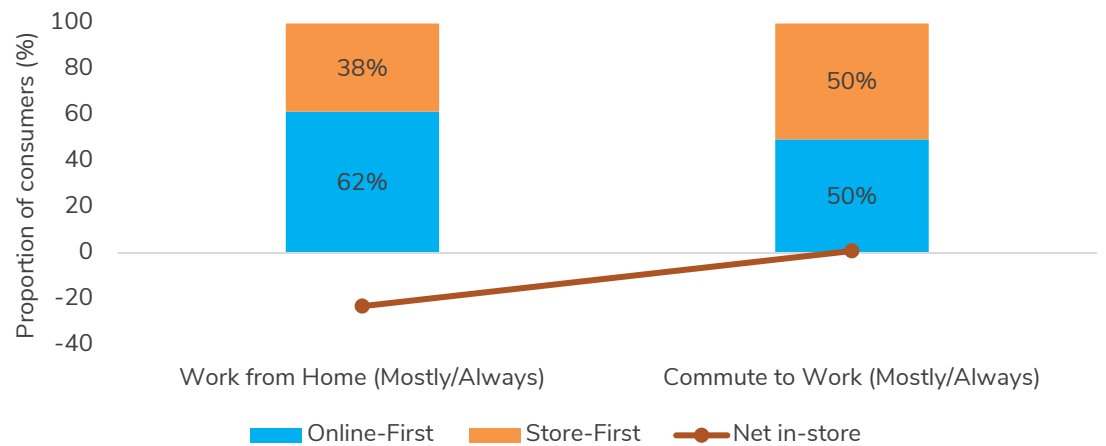
Age: Millennials & Gen Z are online-first, Gen X & Boomers are store-first



Income: Least affluent shop more in-store, Most affluent shop more online



Work location: Even split between online and physical channels for commuters



Source: Retail Economics. N=2000. Net in-store = % of consumers that shop more in-store minus % that shop more online

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We're trusted by world class corporations...

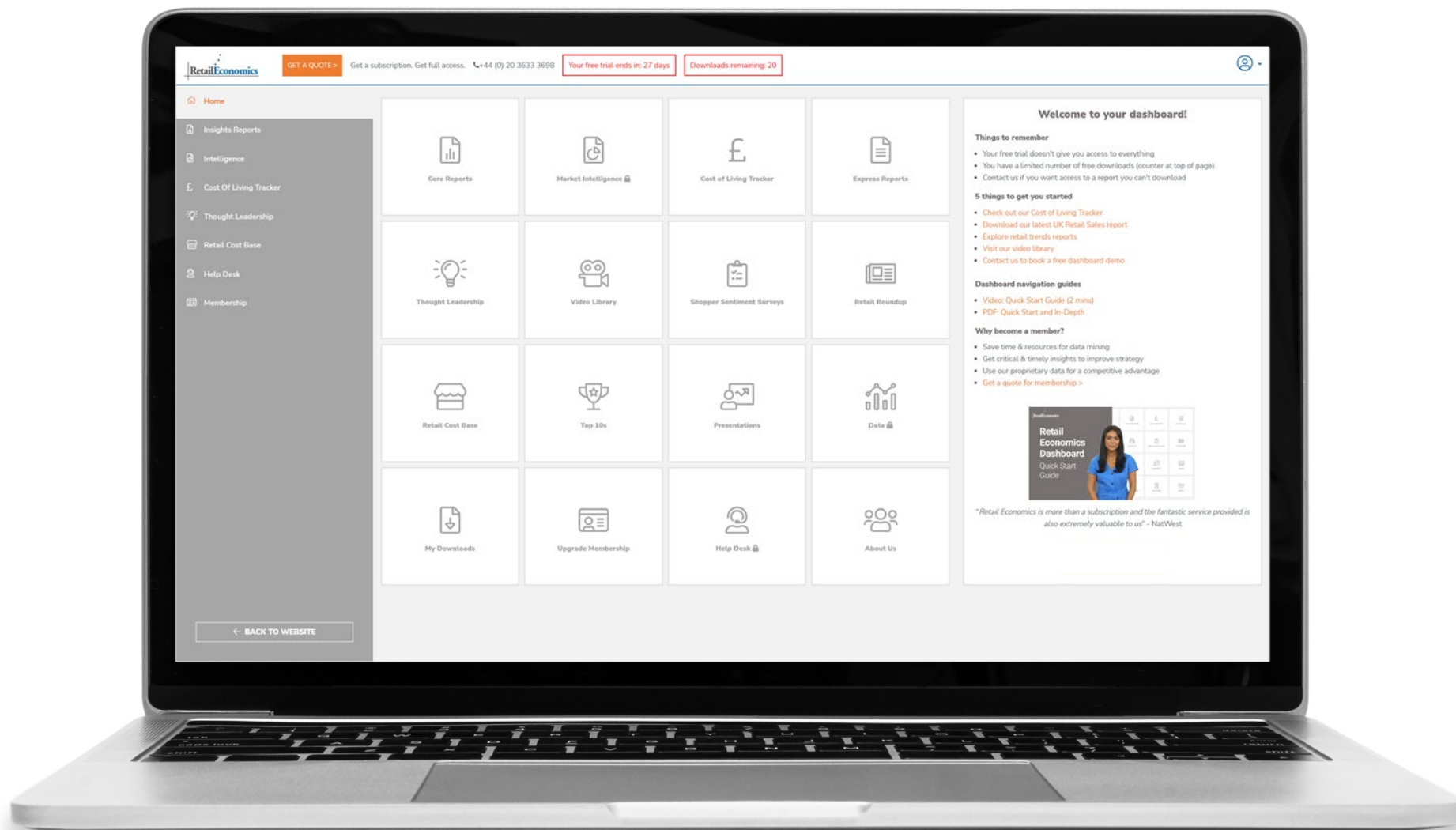
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Get the personal touch and interact face-to-face with the Retail Economics CEO (LinkedIn Top Voice, Rethink Retail Top Retail Influencer 2023).



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 →

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About

Retail Economics is an independent economics consultancy focusing on the retail and consumer industry. Our membership service empowers you with a deeper understanding of the key economic drivers within the UK retail industry, giving you a competitive edge needed to make critical business and investment decisions.

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