

WWD | BEAUTY CEO SUMMIT

BAIRD'S TAKEAWAYS

May 2025

BAIRD'S TAKEAWAYS FROM WWD'S BEAUTY CEO SUMMIT

The BAIRD logo is a blue parallelogram with the word "BAIRD" in white, uppercase, sans-serif font.

We recently attended the WWD Beauty CEO Summit in New York. The theme this year was “The New Leadership Mandate: The Issues, Innovators and Insights”, which seemed to be particularly timely given how difficult the current environment is for many. Indeed, many beauty industry players entered 2025 hoping for smoother waters, with expectations for a stronger economic backdrop coupled with a more favorable regulatory environment here in the U.S. Globally, the hope for the beauty industry was that after years of sluggish growth in China and travel retail, 2025 might be a year of recovery. However, this does not appear to be the case, with macro headwinds now looking to be far more negative than anyone anticipated. While many at the conference seemed hopeful that trade talks would soon offer some relief regarding tariffs (and indeed, in the day post the conference, progress was being made to this end), most agreed that given high levels of uncertainty – about both costs and consumer spending – 2025 is setting up to be another complex and challenging year.

1. “Uncertainty” is a More Troubling Word Than “Tariff” for Many in the Beauty Industry
2. Service Remains the Key to Success for Brick & Mortar Retailers in the World of Beauty
3. “Virality” is Exciting, but Building a Brand for the Longer-term is More Important for Most
4. Analytics is Important (and Using AI Can Help a Lot), But so are Creativity and Gut Instinct
5. Teens Continue to Drive Growth in Beauty – Across Categories and Distribution Channels

“UNCERTAINTY” IS A MORE TROUBLING WORD THAN “TARIFF” FOR MANY IN THE BEAUTY INDUSTRY

- A speaker from Boston Consulting Group (BCG) urged founders and brand owners to try to see through the current headwinds and **stay focused on their “North Star” – of building a brand that stands for something and that will endure over time**. She noted that in her experience, when the CEO’s are overly focused on short-term challenges (for example, the current tariff dynamic), they often lose sight of **what it really takes to build a brand – which is demand generation**. Her advice to brand owners was to leverage your network to find solutions to stumbling blocks and try to **remain focused on growth**.
- Another representative from BCG addressed the tariff situation specifically, which at the time of the conference, was top of mind for many folks. Indeed, the then-current average rate of tariffs stood at 27%, which is 10x the level seen in 2024. **While the absolute level of the tariffs was of significant concern, so too was the immediate timing – which gave brands and companies very little time to find alternate sourcing**. While many industries will face tariff headwinds, BCG noted that the U.S. imports far more beauty products (both finished goods and critical materials) than it exports – specifically with 65% of U.S. beauty COGS imported.
- Of equal importance to BCG in the current environment is **consumer confidence – which could potentially impact spending across beauty categories**. Indeed, we heard that according to a Harvard study, 95% of all purchases are driven by emotions. While the beauty industry has historically been more resilient than other categories when it comes to spending through challenging economic times, BCG argued that **there are pockets of beauty that generally turn out to be more sensitive to overall consumer spending than others** (for example, consumers tend to forego or delay expensive trips to the salon or med spa when they are feeling cost-conscious as opposed to cutting out a favorite skincare product from their at-home beauty regimen).

~10x

Tariff Rate
Compared to 2024 ⁽¹⁾

65%

of Total U.S. Beauty
COGS is Imported

95%

of Purchases are
Driven by Emotions

(1) Post Liberation Day and prior to the 5/11 Trade Deal with China.

SERVICE REMAINS THE KEY TO SUCCESS FOR BRICK & MORTAR RETAILERS IN THE WORLD OF BEAUTY



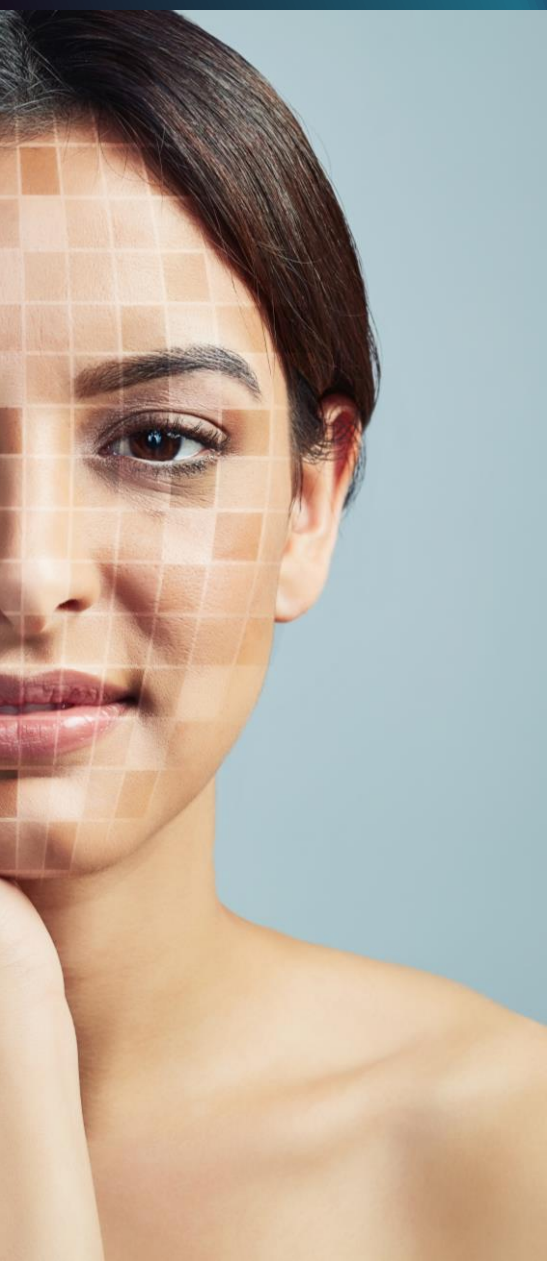
- Historically, beauty shoppers went to physical stores to find brands that were not available online. With nearly all brands now available online, **physical stores have worked hard to create a reason for consumers to come to the stores – and in nearly every case, that is no longer an issue of assortment but rather an issue of experience and service.** Given how important “the joy of new” (a term used by the CEO of Bluemercury at the conference) is to beauty consumers, **retail stores are working hard to differentiate themselves from online shopping by offering more physical try-on and consultancy opportunities** and to ensure that the relationship forged between the salesperson and the customer is a positive one.
- Similarly, the President of Saks Global talked about the importance of “edit and curation, discovery and inspiration” when it comes to shopping in-store. She said that increasingly, **luxury shoppers are looking for personalization – less so when it comes to an actual product, but more so when it comes to the experience that might lead to a purchase decision, which is easier to accomplish in-person than online.**
- An interesting point that was made by Jenna Lyons (Former Executive Creative Director and President of J. Crew) was on **ensuring that the customer service experience be enhanced not only from the perspective of the customer, but also from the viewpoint of the employee.** To the extent that an employee can feel more empowered, successful and rewarded, the more positive energy she / he will bring to interactions with customers.
- Given how significantly beauty products can impact a consumer’s self-esteem and self-image, **the more that a physical interaction in-store can tap into a consumer’s psyche, the more apt she is to purchase products and to return to that same store again.** Indeed, one of the most **important drivers of luxury purchases at Bluemercury is that “the brand makes me feel good about myself”.**

“VIRALITY” IS EXCITING, BUT BUILDING A BRAND FOR THE LONGER-TERM IS MORE IMPORTANT FOR MOST



- Having **one viral moment is not enough; but having a community that responds to multiple viral moments is nirvana**. The founder of Canvas Beauty told us a story of how her brand reached almost \$20M in sales after a viral moment online, but once the moment faded, her business nearly collapsed. She is taking these learnings to heart and re-building her brand with more emphasis on a stable cohort of repeat customers.
- The founder of Peach & Lily went so far as to say that she “doesn’t believe in virality” and that in her view, **the value of a brand is in how well it resonates with consumers over time**.
- Another viewpoint of the importance of long-term relationships with customers came from Carrie Gross (co-founder of Dr. Dennis Gross). Gross spoke about **how “building superfans” has been the key to success for her business**, as these superfans might have come to the brand for the signature Alpha Beta Daily Peel Pads, but they have **returned to the brand not only for the superior products, but primarily for the high touch way the brand interacts with people** (through events, by offering education and meeting consumers at different points in their life as their skincare needs change).
- The CEO of beauty incubator **Maesa told us that speed has been a critical factor in their success** and as an example, they were able to bring the new intimate care brand Niches & Nooks from concept to shelf at Target within nine months. To be sure, the infrastructure of Maesa helped enormously, but the message was that **if you have conviction in your strategy and if you have the right partners aligned from the start, you should work to be as fast as possible in getting your product to market**, while investing in product quality and brand image to ensure long-term success.

ANALYTICS IS IMPORTANT (AND USING AI CAN HELP A LOT) BUT SO ARE CREATIVITY AND GUT INSTINCT



- Founders know their brand ethos better than anyone else ever will and given how important authenticity is in the beauty industry, it is **critical that in the early days of a brand taking shape and taking hold with consumers, the brand ethos remains strong and steady, regardless of what early analytics might suggest.**
- Tsedal Neeley, a professor from Harvard Business School, talked about the dramatic impact that AI can have on businesses in terms of scale, speed and scope. In a nutshell, by **using AI tools, a company can make better decisions faster and more effectively because AI can help predict outcomes.** One example was how Shein works: they launch 1,000 products per day (accomplished in part because they are a manufacturer) and given their sophisticated AI tools, they can determine what is selling well very quickly and they can respond and pivot as needed, either to change the product, refill inventory, or stop production.
- Neeley also offered one specific example of how beauty **companies could get “smarter” using AI was to be more closely aligned with weather and traffic patterns** – such that, for example, a sun care company could know exactly where to have more inventory available before a retailer tells them they are out of stock. While this might be easier said than done, the message was that AI is enabling a rapid rate of change and that **the most successful companies will be the ones who think creatively about leverage technology and data to support their growth.**

TEENS CONTINUE TO DRIVE GROWTH IN BEAUTY – ACROSS CATEGORIES AND DISTRIBUTION CHANNELS

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- BCG recently completed the largest teen study about beauty that they believe has ever been done and Peri Edelstein and Pierre Dupreelle shared that the **average teen spend on beauty products has increased 45% compared to the 2000s**. Of note, while teens once entered the category at age 14, now they are starting to focus on beauty spending at age 12, if not earlier. Interestingly, we heard that **fragrance is often the category that younger consumers enter first – sometimes as early as 11 years old**.
- **Teens now represent 10% of the U.S. beauty category, with their spending growing 23% annually**, far faster than average category growth. Of note, 70% of teens consume beauty content at least 1x per day.
- Not surprisingly, **the primary medium for brand discovery remains TikTok and Instagram**, while television commercials and Google searches rank second. One note to brands was that given the way in which teens consume marketing, BCG stated that in their view, frequency and having the right influencer is far more important than having the most polished advertisement.
- Interestingly, we heard that while teens are promiscuous in their shopping (and they enjoy shopping both online and in physical stores – at each of Walmart, Ulta and Sephora) – **the one place they generally do not shop is on brand websites, as they far prefer either Amazon or TikTok Shop for online shopping**.
- We heard from several brand leaders that **TikTok is a popular medium not only for younger consumers, but also for their parents**.

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Avg. Age Consumers are
Entering the Beauty Category

+45%

Avg. Teen Spend on Beauty
Products Since 2000s

10%

of the U.S. Beauty
Category are Teens

70%

of Teens Consume Beauty
Content Daily

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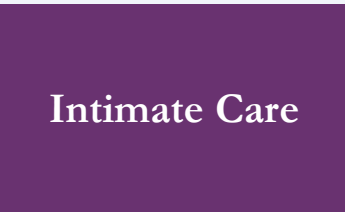
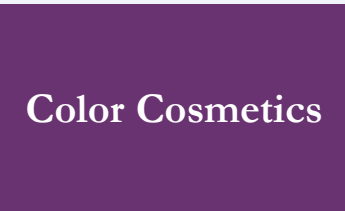
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