

Beauty and Wellness Industry Analysis



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Introduction

The beauty and wellness industry is constantly evolving and has experienced immense growth over the last decade. Driven by increasing consumer awareness and healthier lifestyle changes, the industry is heavily influenced by trends which are constantly developing. According to an article titled, “The Beauty Industry's Boom,” this industry is expected to generate \$736 billion dollars in global revenue by 2028 (Carter, 2024). However, even

though the industry is projected to be successful financially, there is a shortage of beauty professionals and small businesses, according to Forbes. Therefore, there is a high demand for new, small businesses that specialize in beauty and wellness. Additionally, there is a specific rise in the need for brick-and-mortar beauty shops (Forbes).

Consumers in the beauty industry often look for specialized services and recommendations that cannot be found online. They often seek out small businesses when they are brought to their attention. According to an article titled, "The Shopping List: 42% of Americans are willing to pay more when shopping local to support small businesses," 44% of Americans shop at small businesses when shopping in-person (Empower, 2024). As a result, this means that there is a high demand for more in-person small businesses.

While getting a small business off the ground is very hard, there is a considerable demand for these. Effective marketing is one of the best ways to get a small business off the ground. The competitiveness of these industries means that they need to set themselves apart.

Market Trends and Barriers to Entry

The beauty and wellness industry is a rapidly growing realm that is focused on promoting self-care, personal well-being and style. Due to the constant evolution of this industry, there are several emerging trends that companies and consumers alike are paying attention to. Consumer behavior is at the core of why trends develop, therefore it is essential to listen to consumers and observe their interests. According to an article from *Attest*, consumers are heavily focused on sustainability and purchasing products that prioritize the environment (Rand, 2025). Consumers are looking to not only feel good physically, but they are wanting to feel good mentally about their purchasing choices. Therefore, the trend of sustainability may not be a trend, instead it may just be the beginning of eco-friendly alternatives.

Moreover, along the same subject, consumers are interested in clean ingredients in their products. Health is extremely important to them, therefore, they are concerned about the ingredients that they are putting on their face. Therefore, this has progressed the clean beauty movement amongst companies such as: Merit, Ilia, Saie and Well People to name a few. These brands have created make-up lines that feature only clean ingredients in their products. Consumers are tired of putting harmful chemicals on their faces, and instead are switching to products that are more transparent about their ingredients.

Furthermore, this has all been propelled by the phenomenon of technology. AI and beauty technology has inserted itself into this industry and has helped change the way consumers are reviewing and purchasing products. According to the same article by *Attest*, “According to Perfect Corp.’s report, 77% of beauty professionals believe conversational AI agents, such as chatbots and virtual assistants, offer unmatched potential for creating tailored interactions,” (Rand, 2025). It is evident that AI has now entered most markets, and is changing the way of the beauty and wellness industry. These innovations are already being used by brands such as L’Oréal in their online beauty experience.

Additionally, following these trends there are several obstacles that make it difficult for businesses to enter the beauty and wellness market. For instance, according to an article titled, “3 Challenges Holding Back The Business Of Beauty,” many brands fail to prioritize the customer experience, (Parkkinen, 2024). Thanks to the advancement of technology and the introduction of social media, customers are researching brands and gathering information from multiple sources before their buying decision. Along with this, companies are focusing more on transactions than on building relationships (Parkkinen, 2024). Meaning, that they are less concerned about building relationships with consumers, and are more preoccupied with making money. Finally, companies are struggling to create uniform personalization across all brand touchpoints (Parkkinen, 2024). This is troublesome, because consumers are looking to receive a seamless experience through different platforms. Instead, they are being met with a disconnected journey, leading to lower engagement.

Differentiation & Value

The beauty and wellness industry is dynamic, and highly competitive. The market is structured as a monopolistic competition. In the past it was filled with name brands like L'Oréal, Nars, Johnson & Johnson and Maybelline. These nimble companies have developed diverse product lines in the industry, and dominated. However, as digital media advanced the beauty and wellness industry transformed. There are sole proprietors, small businesses, consumer owned, and partnerships that have evolved in the industry. These companies uniquely position their image based on strategic differentiation initiatives. Furthermore, the volume of competition is high, but companies succeed with their product and service attributes, and how they target niche audiences.

The beauty and wellness industry is segmented into many categories. Brands can tailor their products to be positioned in skincare, cosmetics, haircare, nutrition, fragrance, and self care categories within the sector. In all the segments, differentiation is a key player in success. For example, E.L.F. Beauty, a mid-size cosmetics company, uses product quality and price to retain their large audience. E.L.F. Beauty's products are vegan and cruelty free, all within a five dollar to thirty dollar price range. The brand stands out among competition because of their specialization. Their differentiation instills appreciated brand awareness from consumers. Companies in this industry can also use technology advancements to improve their ability to perform as beauty and wellness are at the top of most consumer's priority lists. Using technology to understand skin or a specific wellness plan can set a firm apart from the competition. For example, Function of Beauty has excelled in this category of the sector. Function of Beauty directs their consumers to an online quiz about their hairstyle, and texture. Once the quiz is finished, the brand crafts a personalized hair product line for that individual, and puts their name on the packaging. The use of technology in the beauty and wellness industry is a differentiation technique that can support the strength of the company, in comparison to the competition.

It is important for companies in this industry to understand the volume and intensity that exists, so they can know how to perform. Using differentiating techniques is impactful as it sets them apart, and allows consumers to recognize the brand better. There are many ways this industry can differentiate themselves by tailoring their production to one category, and using specific techniques to manufacture and present their product/service. The value received will structure the company to obtain competitive advantage, and accurately position the brand in the market.

Conclusion

Starting a venture in the beauty and wellness industry requires careful planning, market research, and financial discipline. Entrepreneurs must first identify a niche that differentiates their brand from competitors, whether it be organic skincare, high-end spa services, or innovative wellness solutions. Conducting thorough market research is crucial to understanding consumer preferences and industry trends, ensuring that the business meets an existing demand. A well-structured business plan outlining the mission, target market, financial projections, and marketing strategies serves as a roadmap for success while also attracting potential investors. Additionally, securing proper licensing and adhering to regulatory requirements—such as product safety standards and health regulations—prevents legal complications and fosters consumer trust (InCorp, 2023).

A strong digital presence is equally important in today's landscape. Investing strategic marketing through social media engagement, search engine optimization, influencer collaborations, and direct-to-consumer e-commerce platforms can drive brand visibility, and customer acquisition. Financial management also plays a pivotal role in sustainability, as businesses must monitor cash flow, control costs, and plan for unexpected expenses to avoid financial instability (Milady Training, 2023). Furthermore, prioritizing customer experience by offering personalized services and consistently high-quality products builds brand loyalty and positive word-of-mouth referrals (Forbes, 2023).

Despite the industry's potential for success, many businesses fail due to common pitfalls. A lack of differentiation makes it difficult for new entrants to stand out in an oversaturated market, leading to weak customer retention. Poor financial oversight, such as underestimating operating costs or mismanaging inventory, can quickly drain resources and force businesses to close (Salon Spa Connection, 2023). Inadequate marketing efforts often result in low consumer awareness and weak sales, while failure to comply with industry regulations can lead to legal issues or fines. Additionally, businesses that do not adapt to changing consumer preferences and industry innovations risk becoming obsolete (GLG Insights, 2023).

By addressing these challenges and implementing a strategic approach, aspiring entrepreneurs can increase their chances of building a thriving beauty and wellness business. Success in this industry depends on careful planning, continuous market adaptation, financial prudence, and a strong commitment to customer satisfaction.

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