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Together makes progress

FUTURE
of
BEAUTY

A woman in a white dress stands next to a large glass perfume bottle. The woman is seen from the back, her hair in a bun, looking towards the left. The perfume bottle is tall and slender with a wide base and a narrow neck. The background is a soft, hazy sunset or sunrise over a body of water, with mountains visible in the distance. The overall mood is serene and elegant.

Transformation

*has always been beauty's
core promise. Now the
industry is starting
to confront what that
promise actually requires.*



For centuries, beauty has served as one of the most personal forms of self-expression: a bold lip that signals confidence, a scent that collapses time and geography, a perfectly crafted hairstyle... Few categories carry that kind of weight: the power to transform, transport, and transcend. Few face a more consequential moment of reinvention.

The biggest question shaping the future of beauty isn't which trend will break next or which ingredient will command a premium. It's more basic: How do we define the consumer when identity is increasingly shaped by biology, data, and digital tools? As microbiome diagnostics, DNA-based formulations, digital twins, and AI assistants become part of the beauty experience, the category has to adapt.

That reckoning is arriving at a moment of compounding pressure for an industry still running on outdated infrastructure. Product development timelines measured in years are colliding with trend cycles that live and die in hours. Supply chains engineered for efficiency are buckling under volatility they were never designed to absorb. Ingredient prestige, once a reliable signal of quality, has met a consumer newly fluent in formulation who compares, substitutes, and cross-shops across price points with confidence rather than deference. A consumer who once budgeted beauty spend around brand aspiration now mixes across price tiers. This shopper demands clinical proof and leverages AI tools that don't care about heritage to discover products.

Meanwhile, the competitive field has been permanently redrawn, and the redrawing is not yet finished. Indie brands built on community conviction rather than distribution scale have shown that incumbency alone is no longer enough to defend a brand's position. The more unsettling shift is structural: When the boundaries between mass and prestige, beauty and wellness, and product and platform dissolve simultaneously, the very definition of a beauty brand becomes open to interpretation. Increasingly, that definition may be written not by the brand itself, but by the AI agent that determines whether it's worth surfacing at all.

The stakes, in other words, are not incremental. They are existential for brands that mistake the current turbulence for a cycle to wait out.

As part of Deloitte's Future of franchise, this paper sets out six imperatives spanning health convergence, value architecture, agentic AI, product velocity, supply chain resilience, and portfolio strategy. They were chosen for staying power: The capabilities most likely to define competitive advantage not just today but two to five years from now, holding their relevance whether the next disruption arrives as a trend cycle, a geopolitical shock, a supply chain crisis, or a breakthrough in ingredient science. They apply to incumbents and entrants, to prestige and mass, to global conglomerates and founder-led brands, and they are calibrated for a consumer who now curates on their own terms and evaluates every brand through the lens of their own biology, routine, and experience. Not because the future is arriving, but because in critical respects, it already has.

I M P E R A T I V E

1

Navigate beauty's *convergence* with health and wellness

The consumer's biology, emotional state, and health infrastructure are becoming the architecture of beauty itself. The category's shift from covering imperfections to addressing their root causes has fueled the rise of clean beauty, minimally invasive procedures, and facials as routine maintenance. That evolution is now accelerating. Consumer technology has tracked sleep, menstrual cycles, fitness activity, heart rate, and other body diagnostics for the past decade,¹ yet its application to beauty has remained limited.² That is now changing. Med spas, dermatologists, and diagnostic centers are playing an outsized role by validating products and emerging as influential distribution channels.

Innovation across health, wellness, and technology is creating three new realities that point to the same fundamental shift: health diagnostic data can inform bespoke products, shape the emotional experience of application, and help address external symptoms tied to internal health conditions and beauty.



**The consumer is the canvas.
The brand is the platform.**

The formulation of the future increasingly responds to individual biology instead of just brand vision. The investment flows make the direction unambiguous: capital is moving toward personalization platforms,³ microbiome diagnostics,⁴ and skin imaging technologies.⁵ The brand assesses a consumer's biology and turns it into a personalized product. Information like skin microbiome, barrier health, biological age, and hormonal state helps guide what gets made. In this model, the product is the result, not the starting point. A consumer who knows their epigenetic age runs four years ahead of their chronological age is not evaluating an antiaging moisturizer the way they were before. The product becomes a variable inside a larger optimization system, judged against measurable outcomes.

The infrastructure required to compete for this consumer looks far more like a pharmaceutical operation than a traditional product development function: academic and clinical research partnerships, IP built around diagnostic frameworks, and scientists embedded at the formulation stage as architects rather than endorsers. Building that infrastructure demands a different operating model, not just different talent. Category leaders like L'Oréal⁶ and Beiersdorf⁷ are already investing through their venture arms; indie entrants are being founded by chemists and biologists.⁸ The gap between where category leaders are investing and where much of the field is operating is widening. Closing it means building the analytics platforms, scalable data infrastructure, R&D and new product development systems, and compliance systems that translate biological insight into products.

The feeling becomes the franchise

The next competitive frontier in beauty is not a product. It is an emotional state, and the category already has a name for it: neurocosmetics.⁹ When adaptogenic topicals and intentionally designed scent operate in concert, the product stops being a sensory experience and becomes a system. Owning that system, whether "restorative calm" or "alert ease," is a categorically different kind of brand equity than heritage or trend relevance: earned through biology, reinforced across every product in the

portfolio, and extraordinarily difficult to displace once established. The brands moving earliest are treating market positioning and R&D investment as the same decision because the equity only holds where the science can defend it. Sisley's Neuraé venture illustrates the depth of commitment that requires: a decade of research to isolate four neuromediators (messengers from brain to skin) and build a line that addresses each one to visibly counter the effects of stress and fatigue on the face.¹⁰

The science is concrete. Adaptogens including ashwagandha, Rhodiola rosea, and holy basil are crossing from supplement formulation into cosmetic actives, working topically to modulate cortisol response and reduce stress-driven inflammation.¹¹ Youth to the People's Supershroom Calm Cleanser is an early commercial expression of this logic. Small quantities of adaptogenic mushrooms microdose the skin, delivering a measurable sense of calm through routine application.¹² Scent is the only sensory input that routes directly to the brain's emotional and memory centers without the filtering all other senses pass through first.¹³ Innovators are now engineering fragrances with a specific emotional outcome as the design brief.¹⁴ Together, these are the components of something a competitor cannot simply reformulate around.

The strategic move is to claim that territory before it gets claimed. Product lines, fragrance collections, body rituals, and color stories can all be organized around a single emotional franchise. That kind of equity, established through biology, reinforced across a portfolio, and backed by clinical proof, is not easily displaced. The companies building it earliest are the ones treating it as an R&D priority now, not a positioning exercise later.

The clinic as a new channel

The credentialization infrastructure of beauty is being rebuilt. The role dermatologist offices have historically played in legitimizing skincare¹⁵ is expanding into a broader ecosystem anchored in med spas and diagnostic clinics, where consumers in both settings are already mixing topical protocols with in-clinic procedures and looking to practitioners to guide decisions.

The med spa shelf is a credentialization platform ready for a much wider aperture. Body care, functional color cosmetics, ingestibles, and intentionally designed fragrance all have a natural home where the consumer is thinking holistically about appearance and health simultaneously.¹⁶

GLP-1 adoption is the sharpest proof of how quickly internal health management can restructure the beauty category. The physical changes it drives, including skin laxity, facial volume shifts, and subcutaneous fat redistribution, have forced new formulation conversations across body care and treatment protocols.¹⁷ A skincare brand responded directly to that shift with its specialized serum, developed through physician-led real-world studies and positioned explicitly to address the skin laxity that accompanies rapid weight loss.¹⁸ The med spa is becoming the physical space where the line between internal and external health dissolves most visibly. In these settings, metabolic management, hormone optimization, and IV therapy share a service menu with dermal fillers and body contouring.¹⁹ Brands that establish themselves within this ecosystem before it consolidates are not simply accessing a new channel. They are building equity in a rapidly evolving space. That requires building the clinical relationships, practitioner education infrastructure, and product positioning frameworks that make a brand a credible partner in that environment, not just a product on a shelf.

Brands that build the clinical, data, and operating-model infrastructure to treat biology as the starting point for formulation will be better positioned to lead beauty's next chapter rather than simply adapt to industry shifts. In addition to adding wellness-oriented claims to existing products, brands may need to develop credible clinical relationships, practitioner education, diagnostic inputs, and research capabilities that translate biological insights into relevant products and routines. The brands that successfully connect internal and external health in scientifically defensible and consumer-relevant ways are likely to be better positioned to earn trust as beauty becomes increasingly connected to a broader health and wellness journey.



I M P E R A T I V E

2

Compete across *value dimensions* as consumers shop across tiers

Beauty value is no longer decided by the price tier a product occupies. The consumer has become the arbiter of value, evaluating products against a routine they have already architected rather than an aspiration the brand defined for them. With roughly four in 10 US consumers exhibiting value-seeking behaviors, and only 14% of US beauty buyers equating higher price with better quality, the old premium-versus-mass definition has broken down.²⁰ Ingredient literacy, retail infrastructure that erodes tier boundaries, and a cultural norm around cross-tier shopping make those comparisons faster, more transparent, and more public.²¹ What has emerged looks less like a trade hierarchy and more like the high/low logic that reshaped fashion: deliberate, confident mixing across price points, driven by conviction about what each product actually delivers rather than what tier it occupies.²²

Understanding how the consumer is now organizing those decisions matters more than defending a position within them.



The definition of value is expanding to category and regimen, not just price tier

The same consumer may pay more for a specialized serum, reach for a mass alternative in color cosmetics, test a creator-backed lip product, and enter fragrance through a discovery size. The more forward-looking signal is where this spectrum leads: from tier-based shopping to category logic, to regimen-based purchasing, and eventually to agentic-guided choices that compare products against what a routine needs rather than what a brand claims. The underlying dynamic is one of benefit density, in which consumers allocate spend toward science, efficacy, or experience where it feels justified, and mixing freely where it does not. This pattern is visible in haircare, where roughly 80% of consumers already mix prestige and mass within the same routine, concentrating premium spend in treatments and scalp care while defaulting to mass for the rest.²³ Brands that try to hold a single position across that spectrum without acknowledging that logic will find it increasingly difficult to hold either end.

Proof gap between tiers is visible

Beauty brands' products across price points and channels are becoming easier to compare, and the comparison increasingly happens without the brand in the room. Mass and mid-priced brands now compete on formulation quality, ingredient transparency, claims, packaging cues, and social validation in ways that compress the perceived distance between tiers. Spending behavior reflects this shift. Prestige beauty grew 6% and mass increase 7% in Q1 2026, with unit volume posting only low-single-digit gains in both segments. This shows consumers are not consolidating into one tier but shopping selectively across both based on what delivers personal value.²⁴ Consumers have also grown savvier about beauty products over time: 77% of DIY beauty users demand proven efficacy from at-home products, and 45% of luxury beauty shoppers are influenced by medical professionals when choosing products.²⁵ Mass-tige brands like Naturium have translated these behaviors directly into positioning, building an \$18 price point around visible ingredient concentrations and clinically studied actives on pack.²⁶ When aspiration is over-weighted and product proof is under-developed, consumers fill the evidence gap themselves through ingredient

breakdowns, creator tests, reviews, and side-by-side dupe comparisons. Olaplex illustrated the inverse as early as 2023, launching a fictitious dupe of its own No. 3 Hair Perfector to redirect that conversation toward its 160-patent portfolio and proprietary bond-building technology, entering the comparison on its own terms by making verifiable proof the centerpiece.²⁷ Clinical substantiation, transparent ingredient storytelling, and credible third-party validation have become increasingly meaningful as those comparisons grow more frequent.

Creators, platforms, and agentic AI now sit inside the value equation

A creator test, affiliate link, retail recommendation, marketplace result, or agentic review can make a higher-priced product feel earned or make a substitute feel close enough. Online beauty sales are growing nine times faster than in-store, and three in five consumers are more likely to engage with a brand when a favored creator endorses it.²⁸ That makes creator strategy more than media planning; it becomes value governance: who is explaining the claim, who is comparing the product, whether the content is accurate, and whether the channel strengthens differentiation or flattens it. L'Oréal formalized that logic in 2018 with an Influencer and Content Creator Value Charter, which it updates regularly, establishing mutual commitments around authenticity, disclosure, and brand alignment that treat creator relationships as an extension of how the brand represents itself.²⁹ Access is also becoming more than a price or format decision; it is the ability to make a product easier to understand, easier to try, and easier to incorporate into a mixed-tier routine without resetting price expectations. Products are showing up where consumers already compare specialty beauty across digital marketplaces, social commerce, and retailer ecosystems that collapse multiple tiers into one shopping path. Sometimes scarcity breeds that focus: A creator built a 2.3 million TikTok following by demoing and evaluating drugstore beauty products because those were the stores she had access to, and when an all-drugstore-routine post hit 11 million views, it showed how that content can shape viewers' perception of a product's value.³⁰

Portfolio decisions that align product roles, efficacy, pricing architecture, creator governance, and distribution to where consumers are already making trade-offs are the ones building the most durable ground in this environment.

Brand leaders make value visible by defining the job of every product, matching claims and clinical proof to that job, and using a broad beauty ecosystem. Every element, including pricing, creators, and distribution, has to earn a place in the routine so consumers judge the brand by what each product delivers, not by the tier it occupies.

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3

Navigate ***agentic AI*** as the next disrupter in consumer experience

AI tools are now a mainstream starting point for product research. Consumers use them to compare formulations, interrogate ingredient efficacy, and filter options before a brand ever enters the frame. The category has spent decades engineering for human attention: packaging, visual merchandising, editorial placement, influencer reach. None of that infrastructure was designed for an intermediary that doesn't experience aspiration, respond to heritage or evaluate claims against evidence it can verify. That intermediary is now a structural feature of the consumer journey. The transition from AI-assisted research to AI-initiated commerce is the logical next step of what is already deployed.³¹ The consumer who today asks an AI agent to recommend a retinol serum will within a short horizon grant that same agent permission to reorder, substitute, and optimize their routine on their behalf.

Three priorities define the path: engineering for algorithmic advocacy, building branded agent embassies, and powering ambient commerce.



Brands must factor in algorithm discovery, not just human attention

As discovery shifts from human attention to machine interpretation, visibility moves from share-of-voice to share-of-recommendation. The shift is already measurable. An agent holding a consumer's skin profile and sensitivity history will deprioritize products it cannot substantiate against that profile and surface those it can.³² That makes semantic data architecture a core commercial capability rather than an IT function. Structuring product catalogs, clinical validation data, and ingredient efficacy claims into machine-readable formats determines discoverability in AI-mediated environments. Glossier was one of the first brands to make its product catalog available for discovery and purchase in ChatGPT,³³ with product data formatted as something a model could find rather than something a consumer would scroll. Proof buried in campaign copy or PDFs is proof an algorithm cannot parse.

Preparing for this shift means developing a new marketing discipline where campaigns are designed to feed structured data, clinical proof, and ingredient efficacy directly into the training sets of major AI models like Google's Gemini or Anthropic's Claude. e.l.f. Beauty took an initial step toward AI discoverability by participating in Google's Direct Offers pilot, which surfaces exclusive brand offers to shoppers within AI Mode at the moment Google's AI determines they are ready to buy.³⁴ One platform is one point in a broader landscape of AI-mediated discovery. A consumer's data does not live in a single model or platform, and brands whose infrastructure is built for interoperability across those environments will hold a consistent and substantiated presence regardless of which model is doing the evaluating. Building toward algorithmic advocacy requires marketing, data engineering, and R&D operating as an integrated unit rather than as sequential functions handing off to each other.

Train AI agents as advocates to answer consumer questions

The opportunity in agentic AI is not simply being surfaced in a recommendation. It is establishing a brand presence capable of meeting a consumer's AI agent with one of its own. The earliest forms of this

are already visible: brands deploying AI assistants that go beyond FAQ navigation to dynamically assess a consumer's stated profile and return a substantiated product recommendation. Ulta Beauty has deployed an AI shopping assistant on its site and app and made its catalog shoppable within Google's AI Mode and Gemini through an agentic commerce integration.³⁵ Sephora has built a presence directly within ChatGPT, drawing on a user's existing loyalty account data to deliver curated product guidance within the AI environment itself.³⁶ That is the entry point. The more consequential capability is what follows: a brand agent that can engage a consumer's AI proxy with the specificity, clinical depth, and formulation logic that proxy was built to evaluate.³⁷ This goes meaningfully beyond a configured chatbot. It requires a portable layer of brand voice, substantiated claims, ingredient evidence, and formulation rationale that can travel intact across autonomous platforms, capable of responding to queries a brand never anticipated, in a dialogue the consumer never sees. A consumer's agent makes decisions on their behalf. The brand's AI is what participates in that exchange. Preserving brand sovereignty in an agentic world is as much a governance challenge as a technology one: The organizational authority to maintain brand voice, accuracy, and differentiated positioning across autonomous platforms has to be built and owned before the exchange happens without it.

Power ambient commerce to manage customer relationships

Sustaining customer relationships over time requires an always-on ecosystem that shifts the paradigm from active shopping to ambient commerce. L'Oréal Paris has deployed a conversational AI assistant that draws on its proprietary formulation, ingredient, and clinical knowledge to maintain an ongoing dialogue with consumers, building a brand relationship that extends well beyond the point of purchase.³⁸ Perfect Corp's YouCam AI Beauty Agent takes a further step toward the intuitive, by reading a user's actual appearance, analyzing skin type, undertone, and facial features in real time to generate personalized beauty and skincare guidance that responds to what it observes.³⁹ Over the next decade, an ambient intelligence living in the consumer's smart mirror may use affective AI to detect micro-expressions, skin perfusion, and biometric stress

markers,⁴⁰ then autonomously communicate with a countertop device to bio-print a bespoke adaptogenic topical for that specific evening.⁴¹ Shopping could be replaced by a responsive ecosystem where the product continuously adapts to the consumer's daily state. Building toward this future requires investing now in the data infrastructure, device partnerships, and formulation flexibility that make real-time personalization operationally possible. Success is no longer measured by one-time conversion, but it may be by how deeply a brand embeds itself into this frictionless daily ritual, earning trust twice: from the consumer, and from the agent acting on their behalf.⁴²

Brands, in partnership with retailers, should make themselves legible to AI by organizing product, ingredient, clinical, and formulation data into machine-readable systems and give AI agents a trusted, governed way to represent the brand so recommendations can carry the brand's point of view before a consumer ever reaches a shelf or site.

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I M P E R A T I V E

4

Accelerate product life cycles for *trend-speed markets*

Beauty's traditional innovation model was built for conditions that no longer exist. Product development cycles built for 18-to-24-month planning are colliding with trend life cycles that emerge, peak, and fade in weeks. The gap between seeing demand and serving it is no longer a planning problem. It is a structural one. Aggressive new entrants are now compressing traditional launch cycles into as little as nine weeks.⁴³

Beauty companies are getting faster by combining real-time trend sensing, agile operating models, and tighter links between R&D, marketing, and digital commerce. But speed at the formulation stage alone is not enough.



Speed must be built into the operating model, not just formulation

The real constraint lives simultaneously upstream and downstream of formulation. Regulatory documentation, packaging lead times, sourcing negotiations, and manufacturing scheduling each carry their own delays, and those delays compound. A faster formulation that hits the same bottlenecks is not a faster product. Closing the gap between signal and shelf requires rebuilding the operating model as an integrated system, not accelerating its slowest individual component.

AI's most consequential role in that system is orchestration: moving the supply chain from buffering against demand to anticipating it. Olaplex and Ulta Beauty have already deployed AI-supported demand-planning systems that improve forecasting accuracy and reduce out-of-stocks,⁴⁴ proving this is not eventual infrastructure. It is available now. Virtual try-on and digital concept validation allow brands to stress-test a product against real consumer preferences before physical runs begin,⁴⁵ removing one of the most expensive sources of delay. AI-enabled prototyping lowers minimum order quantities further still, separating the decision to test from the commitment to scale. Building this architecture requires investment in data systems that connect signal detection, formulation, and commercialization into a single pipeline rather than a sequence of handoffs. The brands building this capability are making speed intrinsic to how they operate, not an outcome they occasionally achieve.

End-to-end product management requires optimization and strategic exit planning

Speed, left undisciplined, is a form of accumulation. Each SKU that persists past its commercial relevance adds a claim on sourcing capacity, regulatory maintenance, and manufacturing scheduling. Collectively, across a portfolio that grows faster than it is pruned, those claims become the friction that slows the next launch before it begins. Rationalization is not the corrective to a fast launch strategy; it is the precondition for sustaining one. Major conglomerates are now targeting reductions of 20% or more in active SKU counts, not as an exercise in austerity but to protect the margins that fund the next launch.⁴⁶ Unilever and the Estée Lauder Companies have both pursued rationalization for precisely this reason, recognizing that what looks like assortment complexity at the top of the funnel becomes embedded cost in every function below it.⁴⁷ Exit capability is not a cleanup exercise. It is what protects the headroom that makes continued velocity possible. That means systematic processes for pruning tail performers, retiring low-margin variants, and cleaning up assortment sprawl before it compounds. Launch capability and exit capability are not separate muscles. Velocity without rationalization does not compound advantage; it compounds cost.

To move from consumer signals to market-ready products faster, brands may need operating models built for speed: connecting the teams with the data and tools that translate signals into products, using flexible formulation platforms to accelerate development, and focusing resources on the opportunities with the strongest potential.



I M P E R A T I V E

5

Build *supply chain-responsive resilience* as a competitive advantage

The supply chain conversation in beauty has matured past the pandemic-era question of whether you have a backup supplier, into a harder one. That question was the right one for 2020. The landscape it produced, with brands scrambling to add redundancy to networks that had been optimized for nothing but cost, was a corrective to a specific kind of fragility. But the risks that define the current environment are different in character, and they require a different response. The new exposure is not simply that a supply chain breaks under shock. It is that a supply chain designed for efficiency becomes the thing that slows the brand down: in market speed, in hero ingredient continuity, and in the ability to turn scientific investment into consistent consumer experience.

Resilience, in that context, is not a defensive posture. It is a growth capability, and the companies treating it as such are building advantage that compounds.



Ingredients play a critical role in the value claim

In most consumer categories, a supply disruption is an operations problem. In beauty, it is a brand integrity problem. The hero ingredient is not incidental to the marketing claim; in many cases, it is the claim. Ingredients like argan oil and shea butter face supply volatility driven by weather disruption and overharvesting pressure in their regions of origin, making consistent sourcing a formulation risk, not simply a logistics one.⁴⁸ Consumer ingredient literacy means a formulation change does not go unnoticed. Consumers cross-referencing International Nomenclature of Cosmetics Ingredient (INCI) lists will detect a concentration adjustment,⁴⁹ and those evaluating products against measurable biological outcomes will quantify it. Botanical extracts sourced across different regions have produced batch inconsistencies due to variable active compound concentration, requiring additional standardization protocols that add both cost and production time.⁵⁰ For some ingredients, the sourcing constraints run far deeper. Orris, among the most prized and expensive ingredients in perfumery and requiring roughly five years of cultivation before it is usable, has prompted biotech company Debut to develop a biotechnology process that replicates its molecular profile in a bioreactor, eliminating the cultivation requirement entirely.⁵¹ A gap in supply does not create a neutral outcome, however. It creates a competitor opportunity, because the consumer who notices a formula change is already looking for something better. As Susanne Langmuir, founder of beauty brands Lixr and Bite, has noted, “some ingredients are no longer available. There are a lot of moving targets.”⁵² In a category where trust is built on clinical credibility, a logistics gap and an efficacy gap are the same thing. The answer is not patching exposure after the fact. It is building the supply chain from the start so that hero ingredient continuity is a non-negotiable, not a best effort.

Where it's made, how it moves, and who controls the capacity

Beauty brands with concentrated sourcing are exposed in a way their counterparts in fashion resolved years ago. Nike routes production dynamically across Vietnam, Indonesia, India, and other markets so that no single disruption collapses the whole.⁵³ A beauty brand sourcing a key active from a single geography is one regulatory shift or climate event away from a gap in its hero SKU lineup, with no equivalent routing logic to fall back on. Zara takes the flexibility logic further by booking manufacturing capacity before a design is confirmed, compressing the window between trend signal and production start to near zero.⁵⁴ For beauty brands pursuing fast commercialization of emerging actives, investment should go not just into backup suppliers but into reserved manufacturing relationships and flexible capacity windows that build responsiveness into the operating model rather than bolting it on after the fact. Geography is only part of the picture: Cascading port congestion has created persistent delays at major transshipment hubs including Singapore and Rotterdam,⁵⁵ and a 10-day transit delay for time-sensitive botanical actives is a launch timeline disruption, not a logistics inconvenience. Brands that map sourcing geography without mapping transit exposure are solving half the problem. That mapping needs to connect to commercial launch planning and retailer commitments before it is actionable.

Engineering out the dependency

The most durable form of supply chain resilience is not diversification around vulnerability but eliminating it. Traditional botanical sourcing sits inside risks that multi-market procurement cannot fully resolve: climate volatility and regulatory pressure that no sourcing map eliminates. The EU Deforestation Regulation has already forced a reckoning on palm oil dependency, present in an estimated 70% of cosmetics formulations.⁵⁶ Synthetic biology is the cleaner answer. Programming microorganisms to produce targeted molecules in controlled bioreactors yields precision-fermented peptides and biosynthetic compounds with consistent purity and zero crop risk.⁵⁷ Shiseido proved the model

with fermentation-derived hyaluronic acid;⁵⁸ L'Oréal's expanded partnership with Debut Biotech confirms that what was once a premium capability is becoming a category standard.⁵⁹ Those moves only compound if they operate as a connected system. Deloitte's Digital Supply Networks framework points to a practical standard: A signal detected at the ingredient sourcing level should immediately surface its implications for launch timing, campaign commitments, and retailer fill rates, with a response coordinated across functions, not improvised in sequence.⁶⁰ Brands that build this kind of integrated visibility are not just more resilient. They are faster, because the same intelligence that stops a disruption from becoming a crisis is what speeds up every decision in between. Their consumers will experience it not as a resilience achievement, but as a product that always delivers and a brand that can always be trusted.

Beauty product resiliency requires flexibility within the supply chain by mapping single points of failure, building flexible sourcing and manufacturing options, developing alternatives for critical inputs, and using AI to anticipate demand so availability is a brand's competitive advantage. Portfolio decisions that align product roles, efficacy, pricing architecture, creator governance, and distribution to where consumers are already making trade-offs are the ones building the most durable ground in this environment.

Brand leaders make value visible by defining the job of every product, matching claims and clinical proof to that job, and using a broad beauty ecosystem. Every element, including pricing, creators, and distribution, has to earn a place in the routine so consumers judge the brand by what each product delivers, not by the tier it occupies.

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I M P E R A T I V E

6

Redefine *portfolio strategy* as competitive advantage

The first five imperatives describe the terrain: who the consumer is becoming, how they evaluate and discover, how fast the market moves, and what the operating model has to support. The sixth brings it into focus: what you actually own determines whether those capabilities compound or fragment. Portfolio strategy is becoming the defining competitive lever in beauty, and the conviction is showing up at the executive level. Deloitte's 2026 CAGNY research found that 85% of surveyed executives believe focused, pure-play business models are likely to outperform large multi-category conglomerates.⁶¹ Unilever's separation of its ice cream business and LVMH's reported exploration of its Fenty Beauty stake all reflect the same logic: concentrate capital where the company can build defensible advantage, and divest where it cannot.

**Divestiture discipline is only half the equation.
The harder half is understanding what to acquire and why.**



The private equity universe active in beauty has compressed from approximately 24 firms in 2021 to roughly five in 2026,⁶² not because the category deteriorated, but because the bar for viable investment has risen sharply. The firms that remain active share one characteristic: They are not waiting for assets to reach competitive auction. The most efficient portfolio builders operate at stage 1 of the pipeline, providing early capital and accessing pre-validated assets before they are fully priced by the market. Strategic acquirers that rely exclusively on auction-stage M&A will consistently overpay for assets shaped by other capital.⁶³ Moving upstream requires building the operational expertise, incubator relationships, and diligence frameworks to evaluate new asset criteria at the pace the market demands. Legacy approval processes create friction between the pace at which opportunities emerge and the speed at which companies can act. Compressing those timelines is not a process improvement initiative; it is a strategic necessity.

What to acquire: Three dimensions beyond the traditional framework

The brands commanding premium multiples today signal a fundamental shift in what is being purchased.⁶⁴ Assets are increasingly community-led, clinically defensible, and built on scalable creator networks, and that shift has rewritten the diligence brief across three dimensions: science and IP defensibility, community and creator architecture, and AI-enabled capability at the intersection of science, talent, and scale.

Science and IP defensibility means acquiring formulation IP, clinical validation infrastructure, and dermatologist relationship networks,⁶⁵ not simply a brand name associated with science. A consumer who cross-references INCI lists and evaluates products against measurable biological outcomes will quantify the difference between those two things almost immediately. L'Oréal's acquisition of a majority stake in Medik8 at a reported valuation of approximately 1 billion euros reflects this directly. Founded by scientist Elliot Isaacs in 2009, Medik8 holds a patent for stabilized retinaldehyde and built its following through a consistently evidence-based positioning, reporting a gross margin of 34% at exit, above L'Oréal's own Dermatological Beauty division average.⁶⁶

Community and creator architecture requires evaluating creator network scalability, earned media composition, and platform concentration risk as diligence fundamentals: acquiring an influencer-backed brand without that assessment means purchasing the peak of a trend cycle rather than the infrastructure underneath it.⁶⁷ e.l.f. Beauty's acquisition of Rhode for up to \$1 billion illustrates the value that infrastructure can represent. Launched in 2022, Rhode reached \$212 million in net revenue through a direct-to-consumer model with just 10 products, and ranked as the top skincare brand in earned media value with 367% year-over-year growth in the year preceding the deal.⁶⁸

AI-enabled capability is what connects the other two, giving companies the ability to identify emerging consumer behavior, translate it into formulation decisions, and deploy through creator networks faster than legacy R&D timelines allow.⁶⁹ These three dimensions reinforce each other when they are owned together. A brand with clinical defensibility and no community architecture cannot reach the consumer who already curates on their own terms. A brand with creator reach and no formulation IP cannot survive the dupe comparison that reach will eventually invite.

Three questions are worth pressure-testing before any portfolio move: How will R&D evolve at the intersection of science and AI, and what formulation assets does that require owning? Which community architectures are needed to be credible across emerging channels? And is the organization positioned to act at stage 1 of the pipeline, or perpetually transact at stage 3? The answers determine whether portfolio strategy delivers compounding advantage or simply adds complexity.

Brands may consider using investment and M&A to add capabilities the entire portfolio can share, preserve the qualities that make acquired brands distinctive, and move on from assets that no longer create value, so the portfolio becomes stronger, faster, and more competitive with every move.



Conclusion

Beauty's defining challenge is enterprise agility, which is the ability to connect the capabilities behind the six imperatives so brands can sense change and act before the market forces them to. These imperatives are not six parallel workstreams. Together, they form a practical agenda for building and integrating the data, proof, innovation, supply, AI, and portfolio capabilities that turn signals into decisions, decisions into products, and products into durable value.

Building that agility is not a process improvement. It is an infrastructure: the ability to take market signals, macro events, ownable white space, IP, and acquisition opportunities and leverage them for brand growth. Every beauty brand wants to grow, stay relevant, and create the next hero product. The discipline to invest seriously in areas that are new and often uncomfortable is harder. It requires accepting that the category has fundamentally changed: Consumers are more formulation-literate, more confident mixing across tiers, and less deferential to brand authority than at any prior moment. Influence is decentralized. Discovery is algorithmic. And for brands currently on top, the innovator's dilemma is not a theoretical risk. Market entrants are moving quickly and bringing genuine innovation into the category, whether through a chemist-founder with a patent and a direct-to-consumer model or an influencer whose community was the product brief before a single SKU existed.

The brands built for that integration will not simply react faster; they will make change an advantage. The window to build these capabilities ahead of competitive necessity is narrowing, and the cost of waiting is not stasis. It is ceding ground to brands already treating agility as a strategic priority rather than an operational aspiration.

At Deloitte, our Consumer Industry practice works with many of the world's leading beauty and personal care companies to help them navigate exactly this kind of inflection. We bring deep category experience; a demonstrated track record at the intersection of science, technology, and consumer strategy; and the cross-functional capabilities to help brands move from insight to execution at the speed the market now demands.

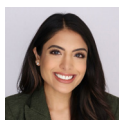
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Authors



Jean-Emmanuel Biondi

Principal
Deloitte Consulting LLP
jbiondi@deloitte.com
+1 678 596 8316



Dena Gaviola

Senior Manager
Deloitte Consulting LLP
dgaviola@deloitte.com
+1 718 308 5457



Molly Enbysk

Manager
Deloitte Consulting LLP
menbysk@deloitte.com
+1 917 439 0928

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