

THE
VALUE
OF
BEAUTY

BRITISH
SUPPORTING A SUCCESSFUL, INNOVATIVE
BEAUTY
AND INCLUSIVE BRITISH BEAUTY INDUSTRY
COUNCIL



**AN OXFORD ECONOMICS
REPORT ON THE ECONOMIC IMPACT
OF THE BEAUTY INDUSTRY**

COMMISSIONED BY THE BRITISH BEAUTY COUNCIL

MAY 2019

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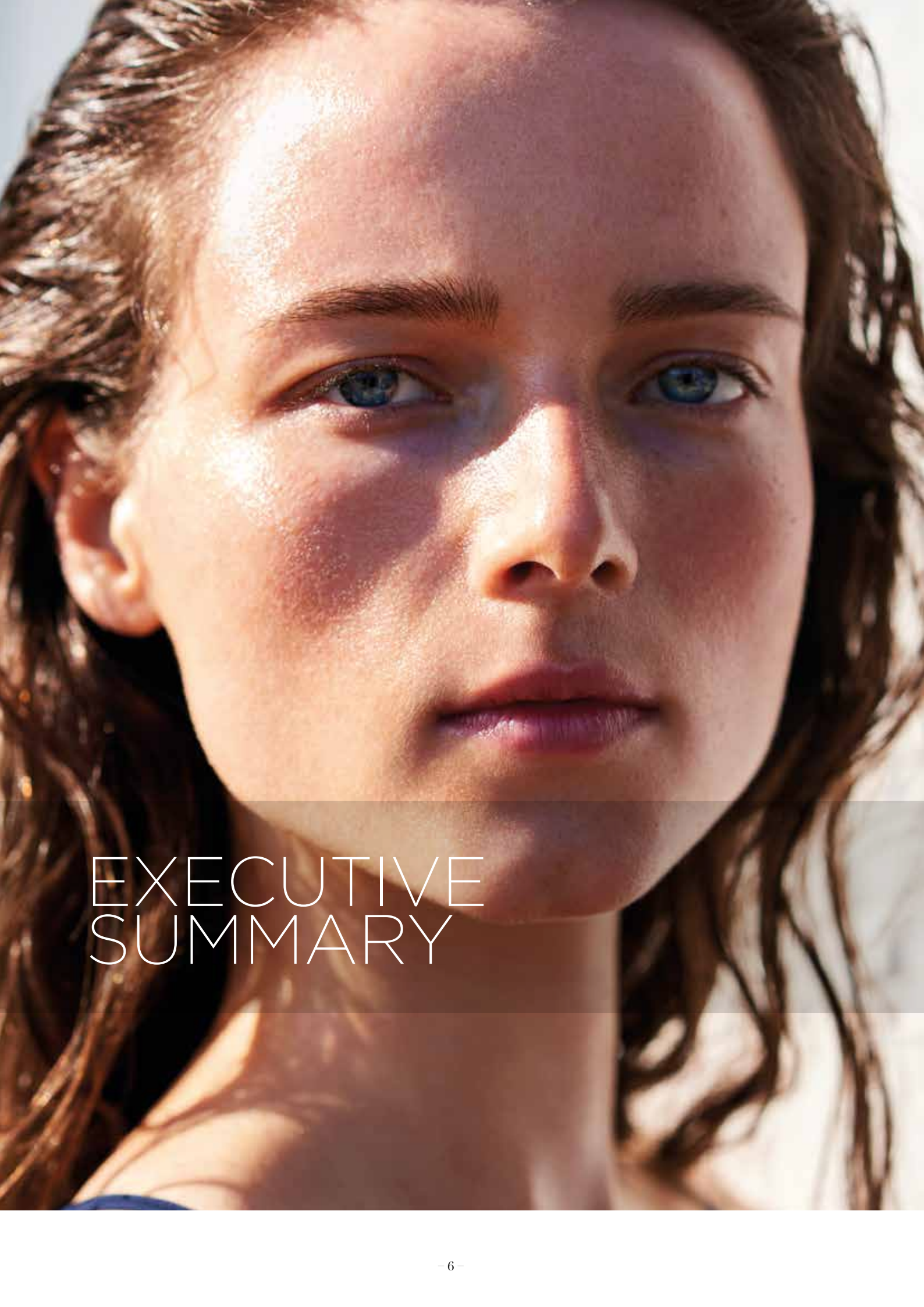
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EXECUTIVE
SUMMARY

EXECUTIVE SUMMARY

The beauty industry is a familiar presence in the UK's shops, on its high streets, and throughout the assorted media that carry its adverts. Comprising a diverse range of everyday essentials, luxury goods and personal services, consumers rely on the beauty industry for a multitude of needs every day. Such demand and innovation has put the beauty sector at the heart of the UK economy, while also establishing a major cultural footprint.

To date, however, there has been no comprehensive attempt to quantify the value that the beauty industry creates for the UK economy – either in terms of its contribution to GDP, or the jobs it sustains. Indeed, the diverse range of goods and services produced, and the lack of recognition in official industry classifications, means there has been no fixed definition of what the beauty industry actually consists of. This both limits public understanding of the importance of the industry to the UK economy, and restricts its ability to promote itself as a single entity.

This report by Oxford Economics seeks to rectify these major omissions. Commissioned by the British Beauty Council, it builds on an analysis of the structure of the industry, conducted by BritainThinks, to quantify, for the first time, the total contribution made by the beauty industry to the UK economy in 2018.

THE BEAUTY INDUSTRY'S TOTAL ECONOMIC IMPACT

The key driver of the value that the beauty industry generates for the UK economy is consumer spending, which totalled £27.2 billion in 2018. The largest share of this came from purchases of care and maintenance products, worth £10.4 billion. A further £8.7 billion was generated through purchases of personal enhancement products, while £8.0 billion was spent on the huge range of beauty services.



£27.2 bn

TOTAL VALUE OF UK
CONSUMPTION OF BEAUTY
PRODUCTS AND SERVICES
IN 2018.

EXECUTIVE SUMMARY

As a result, our analysis finds that the beauty industry made a total contribution to UK GDP worth £28.4 billion in 2018. This figure equates to 1.3 percent of the UK’s total GDP, and is equivalent to all the economic activity undertaken in either Manchester or Glasgow last year.

The largest share of this contribution to GDP, totalling £14.2 billion, was generated by the beauty industry itself (known as the ‘direct’ impact). Representing almost half the total economic impact of the sector in 2018, this reflects the fact that large numbers of beauty industry retailers, wholesalers, and bespoke advertisers are included within our definition of the industry itself.

The industry’s procurement stimulated a further £5.9 billion contribution to UK GDP along its domestic supply chain in 2018 (the ‘indirect’ impact). In addition, £8.4 billion was contributed as a result of workers in the beauty industry and its supply chain spending their wages in the consumer economy (known as the ‘induced’ impact).

Summing all three channels of impact, we calculate that the beauty industry supported a total of 590,500 jobs in 2018. This equates to one in every 60 jobs in the UK economy, and is similar to the number of people employed in Birmingham last year. The industry itself directly employed 370,200 people, with a further 220,300 jobs being supported through its supply chain and wage-related consumer spending contributions.

We also find that the beauty industry supported £7.0 billion in UK tax revenues in 2018 – equivalent to the combined salaries of 250,000 nurses and midwives.¹ More than half of this amount, £3.9 billion, was paid directly by the beauty industry and its staff. The other £3.1 billion was stimulated by the industry’s supply chain procurement and wage-related consumer spending.



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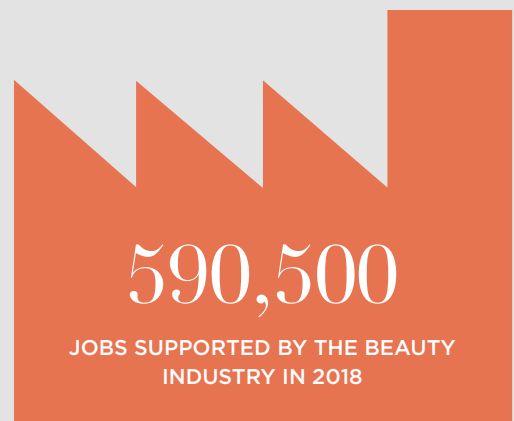
¹The median annual wage for nurses and midwives in 2018 was £28,163. ONS, (2018), ‘Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14’, 25 October 2018.

BOOSTING THE UK ECONOMY'S POTENTIAL

As well as its core contributions to the UK economy each year, the beauty industry boosts the UK's productive potential by supporting the acquisition of new skills among its employees, and by leading the way in how industries are finding new ways to reach consumers.

One of the key factors driving this is education. In 2018, a total of 65,550 people achieved beauty-related vocational qualifications. The largest share of these qualifications were in hairdressing (24 percent), followed by multidisciplinary beauty courses (23 percent). In addition, a further 1,305 people were studying for beauty-related degrees last year, predominantly in make-up related specialties.

There are also new sectors of the UK economy whose creation has been driven by the beauty industry. One example is the emergence of 'digital influencers' who use online platforms to reach huge audiences, creating a new way for companies to communicate with potential customers.



This equates to
one in every
60 jobs in the UK
economy.



THE
DEFINITION
OF BEAUTY

THE DEFINITION OF BEAUTY

The UK beauty industry is a familiar presence to British consumers, in the form of the products they use on a daily basis, the wide range of services the industry offers, and the brands that rank among the country's best-known. As a result, the sector has a very large economic and cultural footprint.

Yet to date, there has been no assessment of the total value the industry generates for the UK economy. One reason for this is that there is no official definition of the beauty sector in national statistics; another is the diverse range of products and services that can be considered part of the industry. This report rectifies this gap by producing the first quantification of the beauty industry's total contribution to the UK economy.

1.1 DEFINING THE INDUSTRY

The British Beauty Council worked with BritainThinks to develop a definition of the beauty industry. This involved two workshops, several in-depth interviews, and a quantitative survey that tested a proposed definition with a variety of stakeholders, including service providers, retailers, media representatives, and manufacturers. This definition went through several iterations, with the final version reflecting a consensus based on the perspectives of individuals representing different components of the industry. The structure of this definition, and the products and services included in it, are detailed in Fig. 1.

FIG. 1 OUR DEFINITION OF THE BEAUTY INDUSTRY

PERSONAL CARE & MAINTENANCE	
Dental care	All dental products for personal use
Hair	Products for care, washing, styling and grooming of hair
Personal care and hygiene	All personal care products, including deodorant, soaps and wash products, bath products and relevant accessories
Skin and body care	Creams and wash products for face, lips, feet, hands and brows.
Sun care	Sun creams, lotions, after-sun and self-tan products
Hair removal	All shaving, waxing and depilatory products for domestic use
Nail care	Nail care and maintenance products and accessories
PERSONAL ENHANCEMENT	
Cosmetics	All varieties of make-up, cosmetics and make-up removers
Nail colour	Nail varnish products
Accessories and applications	Applicators, disposables, electricals, accessories and applications
Hair enhancements	Hair colour, relaxers and other chemical services, extensions, wigs and enhancements
Personal fragrance/perfume	Perfume, eau du toilette, eau de parfum, after shave and body sprays
SERVICES	
Holistic treatments	Massage, reflexology and acupuncture
Beauty treatments	Face, brows, lashes, feet and nails treatments, as well as tanning, hair removal, mobile beauty, consultations and tutorials
Hair services	Haircuts, barbering, colour, perms, relaxing and other chemical services, extensions, wigs and mobile hair services

INTRODUCING ECONOMIC IMPACT ANALYSIS

The contribution that the beauty industry makes to the UK economy can be measured using a standard means of analysis called an ‘economic impact assessment’. This involves quantifying the impact of three channels of expenditure undertaken by the beauty industry:

- **Direct impact** – this relates to the employment, contribution to GDP, and tax generated by the industry’s operational expenditure. It occurs at the industry’s factories, offices, wholesale, retail and other premises.
- **Indirect impact** – the economic activity and employment stimulated along the beauty industry’s supply chain by its procurement of inputs of goods and services from outside the sector.
- **Induced impact** – this comprises the wider economic benefits that arise from the payments of wages by firms within the beauty industry and along their supply chains to their employees, who spend their earnings in retail, leisure and other outlets. It includes the economic activity stimulated in these outlets’ supply chains.

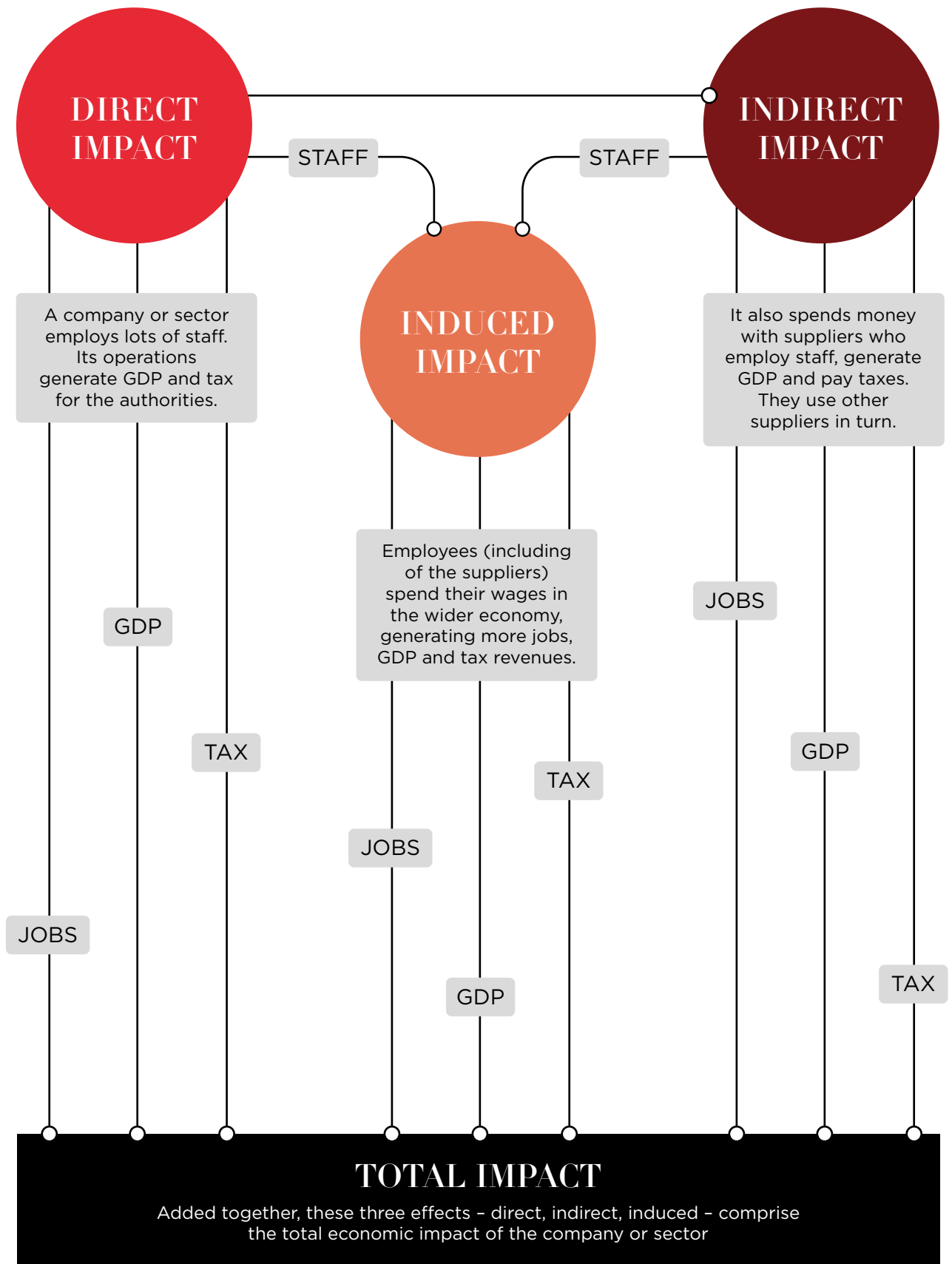
See Fig. 2, for a visual summary of how these three channels relate. The sum of these channels makes up the total impact of the beauty industry on the UK economy. This economic contribution is measured using three metrics:

- GDP, or more specifically, the ‘gross value added’ (GVA) contribution to GDP;
- Employment, measured on a headcount basis (for comparison with Office for National Statistics (ONS) data on employment); and
- Tax revenues flowing to the UK government.

The results of this study are presented on a gross basis. They therefore ignore any displacement of activity from other industries. They also do not consider what the resources currently used by the beauty industry or stimulated by its expenditure could alternatively produce in their second most productive usage.

The expenditure impact modelling is conducted using an Input-Output (I-O) based model of the UK. This model was constructed by Oxford Economics, using data published by the Office for National Statistics (ONS). Further detail about the economic impact methodology is included in Appendix 2.

FIG. 2 ILLUSTRATION OF THE CHANNELS OF ECONOMIC IMPACT



THE DEFINITION OF BEAUTY

1.2 CORE SECTORS OF THE BEAUTY INDUSTRY

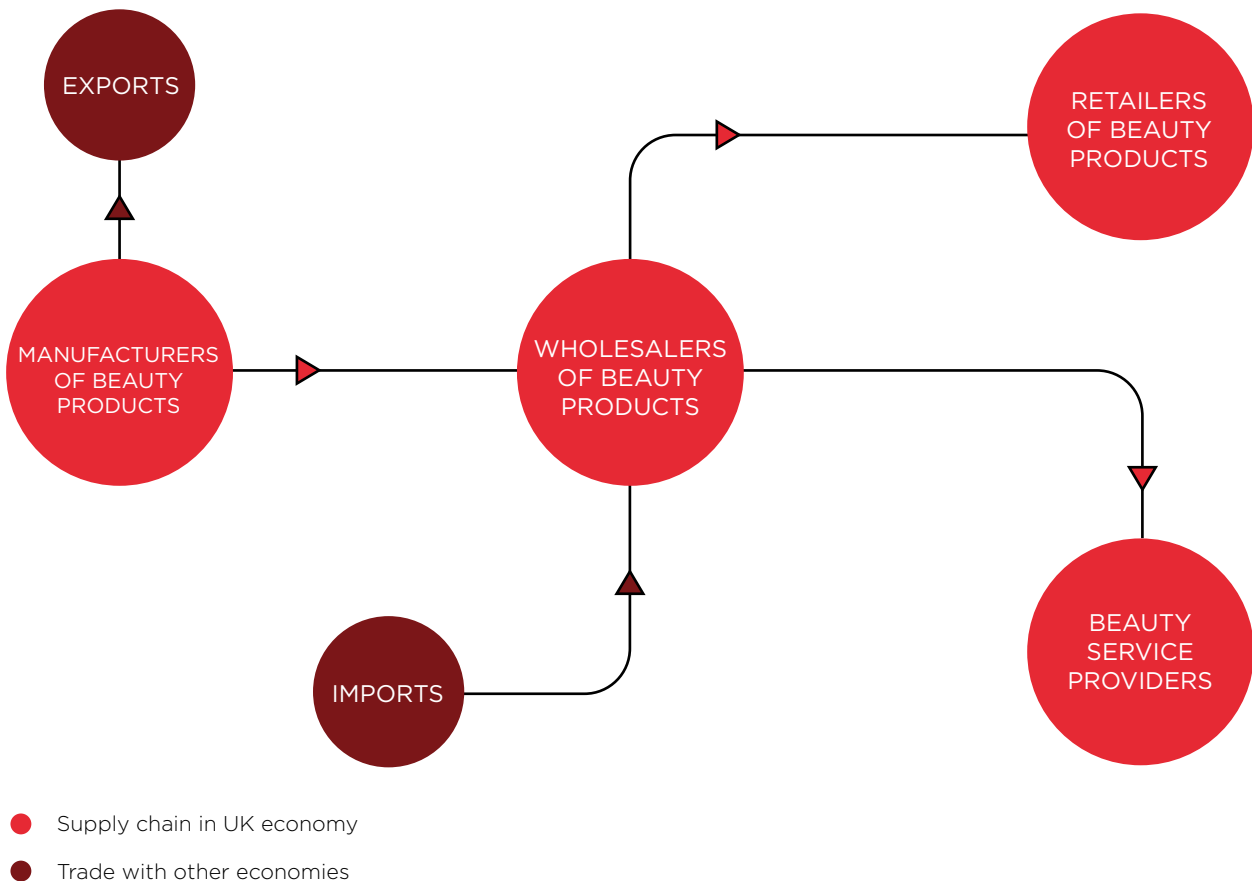
When we consider the structure of the beauty industry, as well as looking at the final goods and services that it sells, we examine the tiers of the industry that support this activity. This means that, as well as the final retailers and service providers that consumers are in contact with, we also include the wholesale and manufacturing processes. We view these as the 'core sectors' of the industry and, as such, model them all as contributors to the direct impact, seen in its contributions to GDP, employment and taxation.

Analysing the industry in this way means that the different parts of the supply chain that are responsible for delivering products and services to consumers are all recognised. This definition of the core sectors of the beauty industry and the way they interact is used throughout the analysis of the beauty industry's economic impact in this report, with their components detailed below:

- **Service providers** – The variety of beauty service providers in the industry will deliver services to consumers, with beauty products purchased from wholesalers. One example of this is beauty salons, who, as well as delivering services, will rely on purchases of beauty products in order to serve their customers.
- **Retailers** – In the case of the products that are consumed, retailers represent the top of the supply chain. They make purchases from wholesalers and supply consumers with finished products.
- **Wholesalers** – At the heart of the supply chain, wholesalers distribute to retailers and service providers. They themselves make purchases from domestic manufacturers and import goods from abroad.
- **Manufacturers** – Beauty products made in the UK are produced by manufacturers for sale in the domestic market and export markets around the world.

The structure of these interactions is illustrated in Fig. 3.

FIG. 3 ILLUSTRATION OF SUPPLY CHAIN OF THE CORE INDUSTRY



Each of these components of the direct industry will be responsible for their own direct economic footprint, whilst also relying on purchases of goods and services that are not direct components of the beauty industry. These purchases will drive the indirect contributions to GDP.

As well as this we wish to incorporate some additional measurable impacts of key industries that supply the sector. Our methodology allows us to estimate the share of the beauty industry's supply chain that is accounted for by specialist advertising and market research. These industries justify their inclusion as a part of this economic impact analysis through their specialism in working for the beauty industry.

1.3 BOOSTING ECONOMIC CAPACITY

As well as the value that we can quantify in terms of contributions to GDP or employment, the beauty industry boosts the capacity of the UK economy by making it more productive and developing new ways in which firms can reach their customers. In Section 4 we consider the large amount of education and skills training that the industry drives. This boosts the productivity of the workers undertaking the education and training, but also has spillover impacts to other staff through knowledge transfer. We also look at the industry's use of 'digital influencers', which is fostering an alternative route through which firms can communicate information to potential customers rather than traditional advertising.

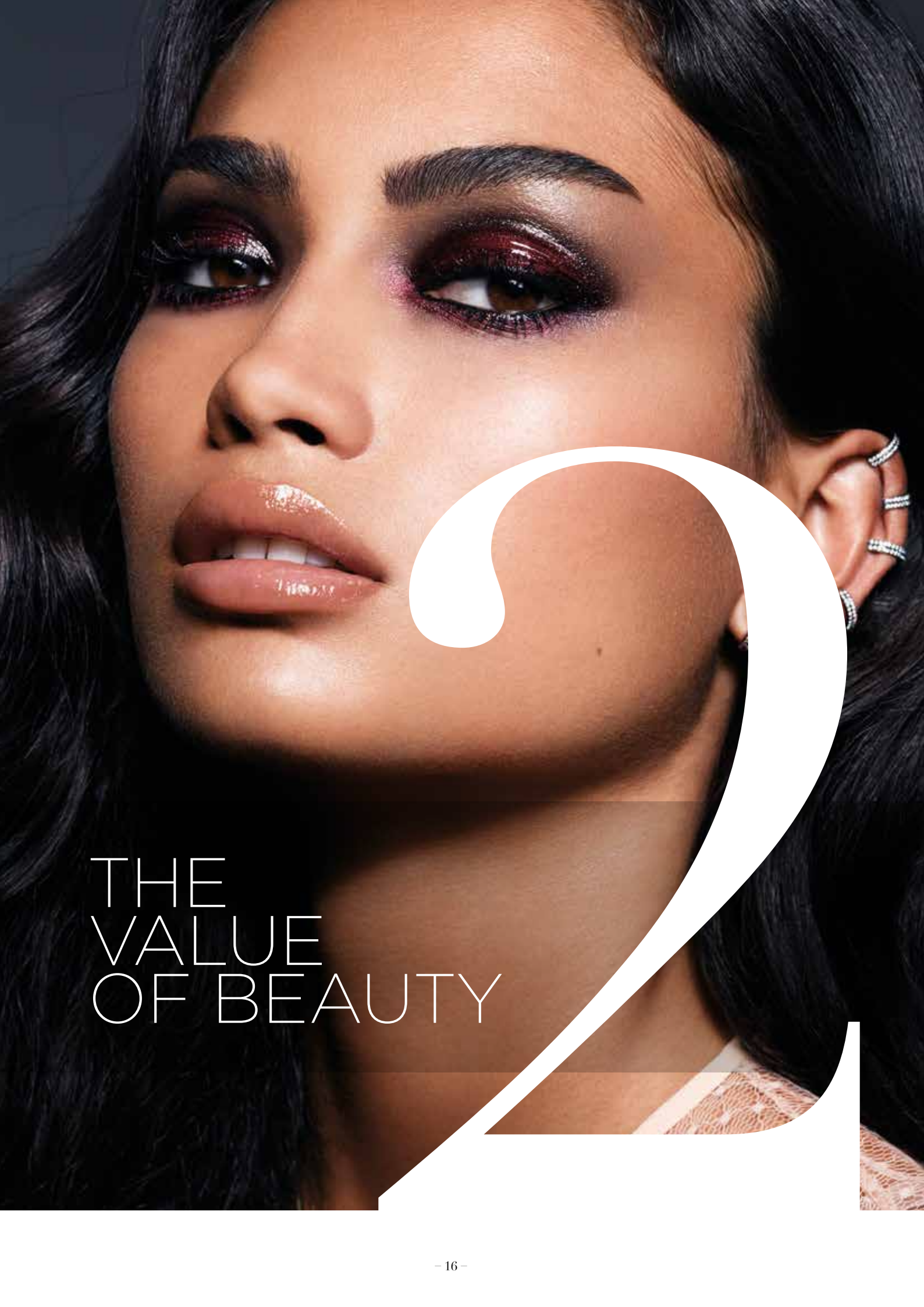
1.4 STRUCTURE OF THIS REPORT

The remainder of this report is structured as follows:

- **Chapter 2** illustrates the pattern of consumption of goods and services across the UK beauty industry, which is a key driver of the scale of the industry's activities;
- **Chapter 3** presents the total economic impacts of the industry; and
- **Chapter 4** details how the industry boosts the UK's productive capacity of the economy.

The UK cosmetics industry is innovative, vibrant and based on sound science, contributing significantly to the UK economy. People working throughout the beauty supply chain, from ingredients to manufacture to the shelf or salon, are crucial to its success, delivering products that are essential in daily life and supporting wellbeing.

DR EMMA MEREDITH
DIRECTOR-GENERAL, CTPA



THE
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OF BEAUTY

THE VALUE OF BEAUTY

2.1 CONSUMER SPENDING IN 2018

The scale of the beauty industry's contribution to the economy is primarily driven by UK consumer spending on beauty products and services. This not only creates business for retailers but supports a large supply chain that makes up the backbone of the beauty industry. The sale of exports also has an impact on the scale of the manufacturing segment of the industry. But understanding UK consumer spending on beauty products and services is key to estimating the size of the industry's impact on the UK economy.

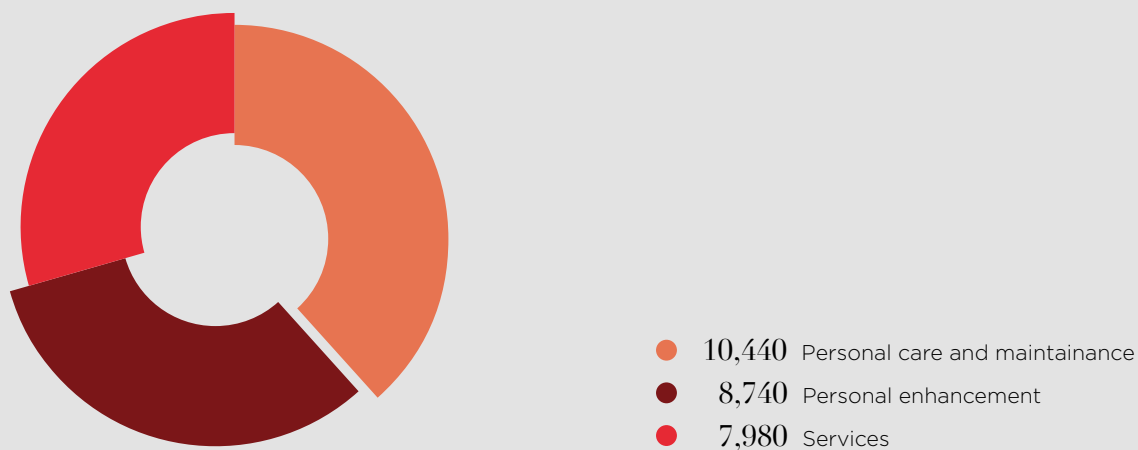
Using data from the ONS Living Costs and Food Survey and access to their Secure Research Service, we analysed consumer spending on beauty products and services according to the categories defined in Fig. 1. We estimate that UK consumers spent a total of £27.2 billion on beauty products and services in 2018, 2 percent of UK household's total consumer spending.² Some £10.4 billion or 38 percent of this expenditure was spent on personal care and maintenance products (Fig. 4). An additional £8.7 billion or 32 percent of total was spent on personal enhancement products, with the remaining £8.0 billion spent on beauty services.

To demonstrate the type of items in each of these categories, we divide spending further into a total of 15 groups of products and services.

Of the expenditure on personal care and maintenance products, the largest spend of £3.2 billion was on personal care and hygiene products, including a diverse range of items such as deodorant, soap and wash products (see Fig. 5 overleaf). Spending on skin and body care products ranked second at £2.2 billion and hair products, including both washing and styling products came third at £1.9 billion.

FIG. 4 CONSUMER SPENDING IN THE BEAUTY INDUSTRY IN 2018, BROAD CATEGORIES (£, MILLIONS)

Source: Oxford Economics, ONS (2019)



² ONS (March 2019): 'Consumer trends, UK: October to December 2018'

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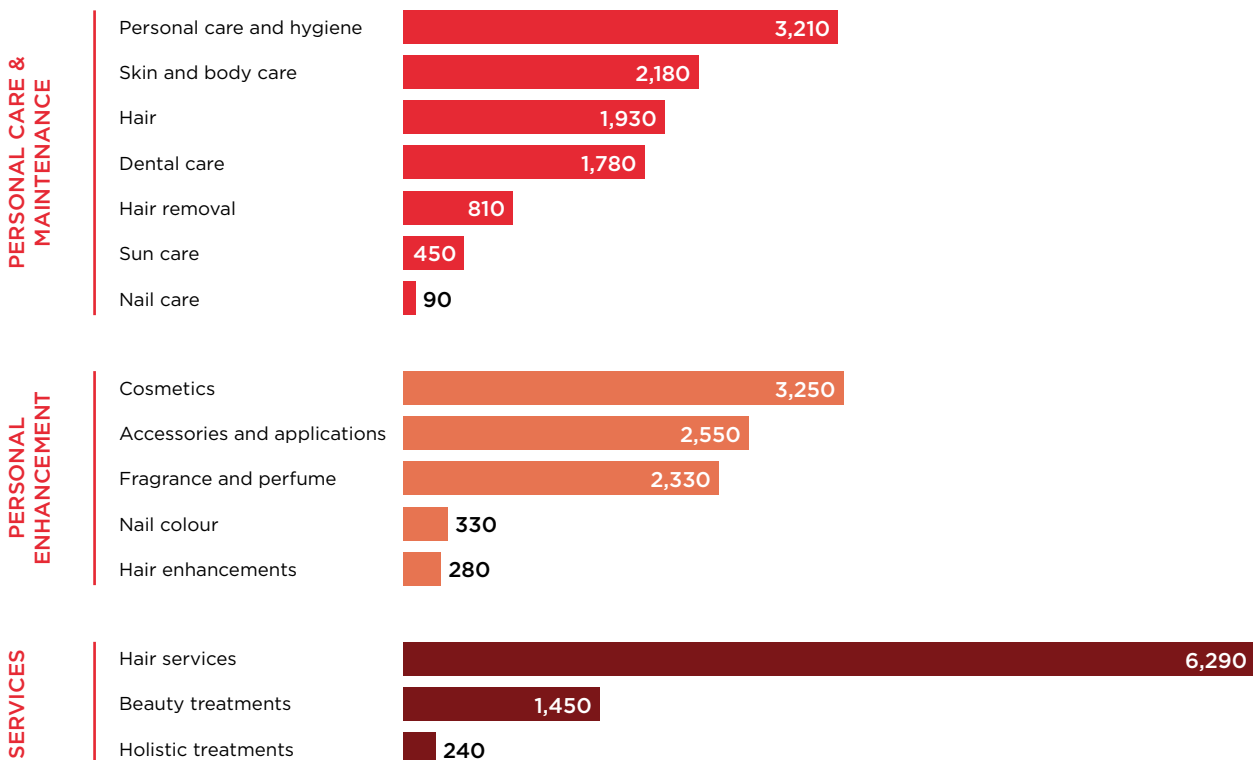
Of the £8.7 billion of consumer expenditure on personal enhancement products, some 37 percent or £3.2 billion was spent on cosmetics. There was also significant expenditure on accessories and applications, and fragrances and perfume.

Of the beauty services that are consumed within the UK, hair services make up the largest share, worth £6.3 billion in consumer spending. A broad range of beauty treatments ranked second at £1.4 billion in spending.



FIG. 5 CONSUMER SPENDING ON BEAUTY PRODUCTS AND SERVICES BY TYPE IN 2018 (£, MILLIONS)

Source: Oxford Economics, ONS (2019)



SAVING THE HIGH STREET

Recent years have provided a hostile environment for shops and services on UK high streets. Data shows a high rate of closure among shops, with a net decrease of 7,550 occupied retail units in 2018 with a steadily increasing vacancy rate among retail spaces.³

These changes have taken place in the face of a rapidly changing marketplace, with online sales taking an ever-increasing portion of the market. Between December 2015 and December 2018, the online share of department store sales increased from 11.9 percent to 17.8 percent and its share of household goods sales increased from 9.2 percent to 14.6 percent.

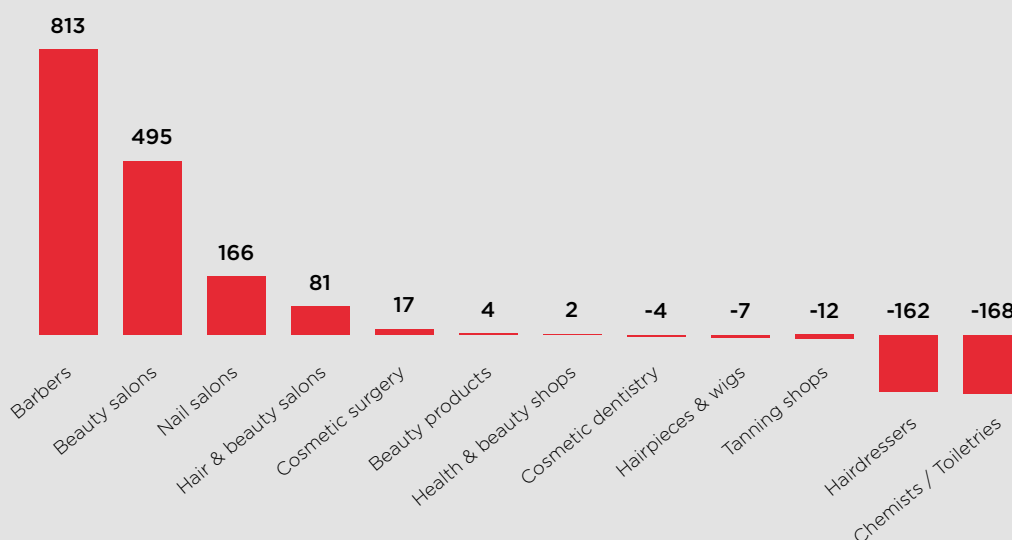
This poses a clear challenge to all businesses operating on the UK’s high street, however the beauty industry is succeeding in bucking the trend. An assessment of the retail and leisure sector in 2018 by the Local Data Company reveals significant growth in the presence of the beauty industry on UK high streets, with a net increase of 1,225 retail and service spaces.

The growth in the presence of the beauty industry on the high street is a major positive, however it masks a complex picture, with the number of service providers growing by 1,394, whilst the number of retailers of beauty products declined by 169.

Barbers are experiencing rapid and accelerating growth, with 813 added in 2018, the highest of any category (see Fig. 6). This was accompanied by the addition of 495 additional beauty salons, 166 nail salons, and 81 mixed hair and beauty salons. However there have been declines for other components, with 162 fewer hairdressers and 168 fewer retailers of chemist and toiletry products. It is unclear how much of the decline in hairdressers reflects a restructuring towards more diversified beauty salons, however this general trend of hairdressers declining whilst other service providers increase can be seen over at least the last five years.

FIG. 6 CHANGE IN THE NUMBER OF RETAILERS AND SERVICES ON UK HIGH STREETS BETWEEN 2017 AND 2018. Net change, 2017 – 2018

Source: The Local Data Company



³ All data in this section was provided by the Local Data Company.



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3.1 DIRECT IMPACTS

3.1.1 DIRECT CONTRIBUTION TO GDP

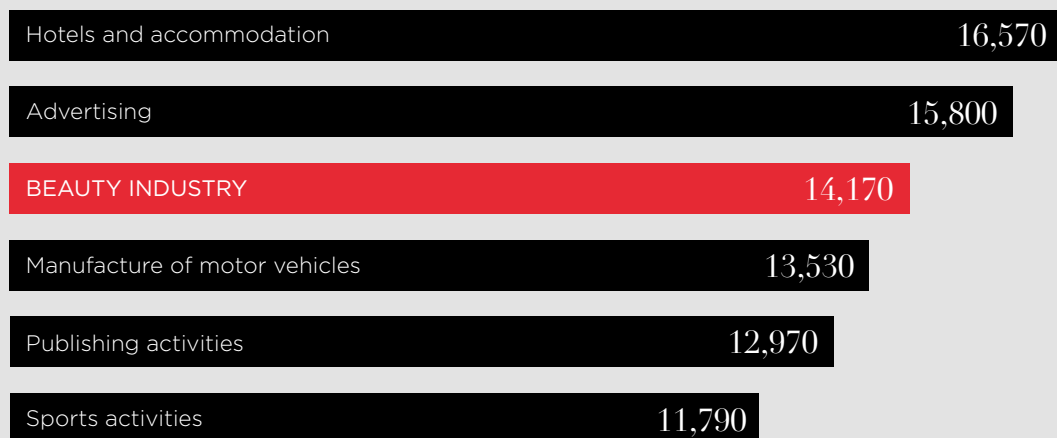
We estimate that in 2018 the beauty industry made a £14.2 billion direct gross value added contribution to UK GDP. This was 0.8 percent of the economic output produced in the UK in that year. To give a sense of scale, that was greater than the contribution to GDP made by motor vehicles manufacturing and publishing industries (Fig. 7).⁴

Beauty service providers made the largest direct contribution to GDP of the different segment of the industry in 2018, totalling £4.7 billion (see Fig. 8 overleaf). This was one-third of the total direct impact. A large reason for the size of this contribution is the large amount of time that practitioners spend with their customers, meaning that a very large share of the value that comes from the sale of their services is generated through businesses' own employee compensation and profits, rather than in their supply chain.

The distribution of physical beauty products for sale in 2018 made a large direct contribution to GDP, consisting of a £3.8 billion contribution from retailers and a £3.5 billion contribution from wholesalers. The UK's manufacturing of beauty products was worth a total of £1.9 billion to the economy. Specialised advertising and marketing firms contributed a total of £590 million.

FIG. 7 DIRECT CONTRIBUTION TO GDP OF BEAUTY INDUSTRY IN 2018, IN CONTEXT (£, MILLIONS)

Source: Oxford Economics, ONS (2019)

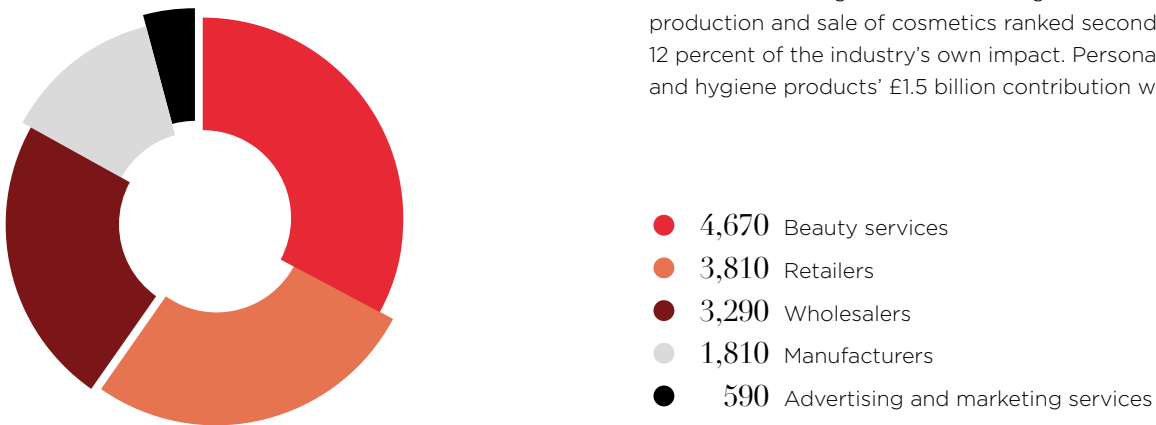


⁴ ONS (2019), 'Annual Business Survey', 8 November 2018.

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FIG. 8 DIRECT CONTRIBUTION TO GDP OF BEAUTY INDUSTRY CORE SECTOR IN 2018 (£, MILLIONS)

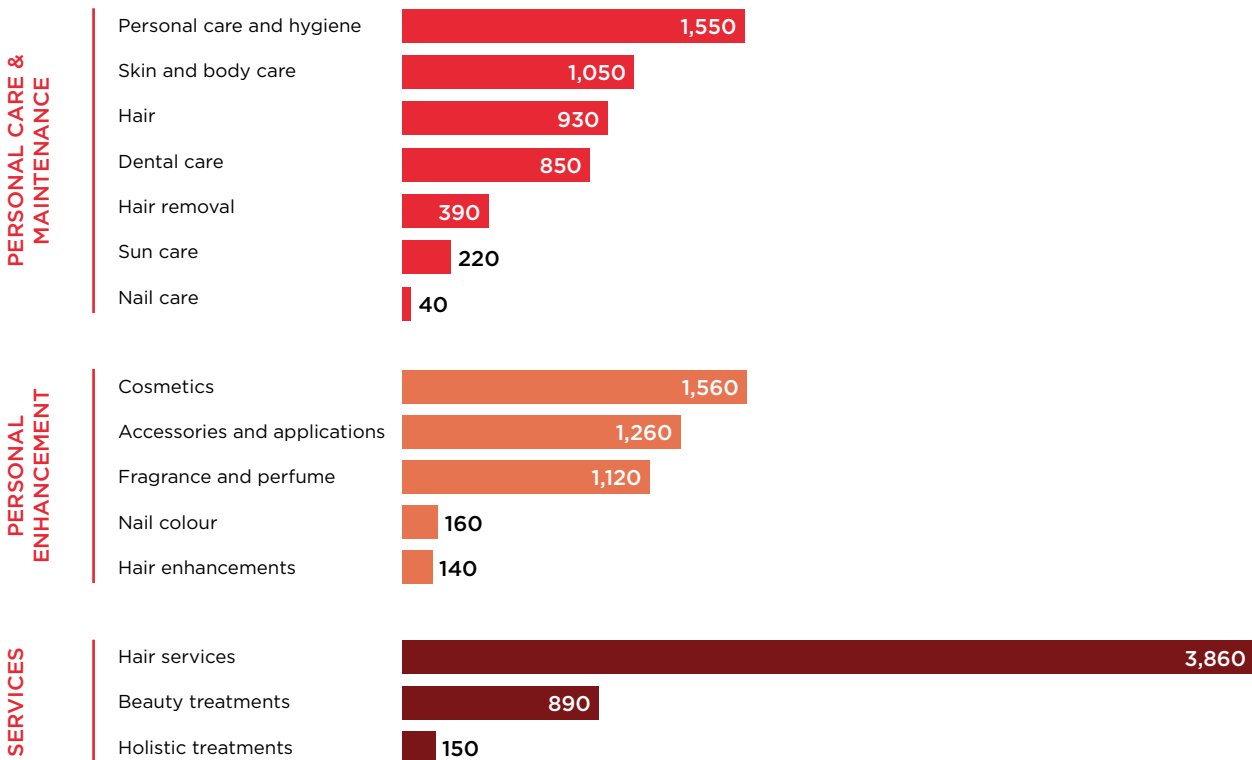
Source: Oxford Economics, ONS (2019)



In terms of specific products and services, a broad range of goods and services were responsible for the contribution that the industry made to GDP. Hair services made the largest contribution to UK GDP at £3.9 billion or 31 percent of the industry’s total direct impact.⁵ The £1.6 billion in gross value added generated by the production and sale of cosmetics ranked second, at 12 percent of the industry’s own impact. Personal care and hygiene products’ £1.5 billion contribution was third.

FIG. 9 DIRECT CONTRIBUTION TO GDP OF BEAUTY PRODUCTS AND SERVICES IN 2018 (£, MILLIONS)

Source: Oxford Economics, ONS (2019)



⁵ The total contribution to GDP made by services exceeds the direct footprint of service providers in Fig. 8 as it also includes the jobs that they create in wholesale and manufacturing.

I am delighted to see that the Value of Beauty report has shone a bright light on the fantastic contribution to employment in the UK that the Beauty industry are making. The sheer scale is really impressive, as is the diversity of the employees working across the industry in age, gender, ethnicity, sexual orientation. We are proud to be a highly inclusive industry with opportunity for all.

ANNIE MURPHY
SVP, CHIEF COMMERCIAL OFFICER, WBA

3.1.2 DIRECT CONTRIBUTION TO EMPLOYMENT

The beauty industry employed a total of 370,200 people in 2018. This was a total of 1.1 percent of all the employment in the UK. It was larger than the numbers employed in the legal industry or social work sector (Fig. 10).⁶

Reflecting their labour-intensive nature, beauty services provided the largest share of the industry's employment at 150,300 people, or 33 percent of the total (see Fig. 11 overleaf). The two parts of the distribution channel were the next most important employers. Some 122,800 people working in retail and 57,000 people in wholesaling owed their job duty to the sale of beauty products in 2018.

FIG. 10 DIRECT CONTRIBUTION TO EMPLOYMENT OF BEAUTY INDUSTRY IN 2018, IN CONTEXT (HEADCOUNT)

Source: Oxford Economics, ONS (2019)

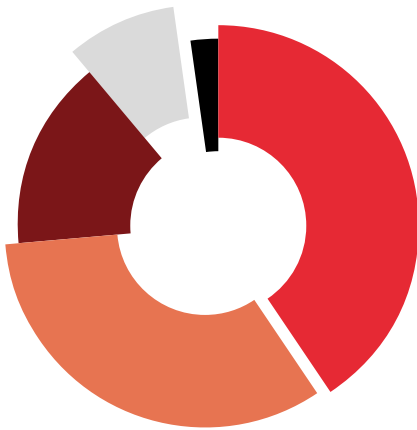


⁶ ONS (2018), 'Business Register and Employment Survey', 27 September 2018.

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FIG. 11 DIRECT EMPLOYMENT CONTRIBUTION OF CORE SECTORS OF THE BEAUTY INDUSTRY IN 2018 (HEADCOUNT)

Source: Oxford Economics, ONS (2019)



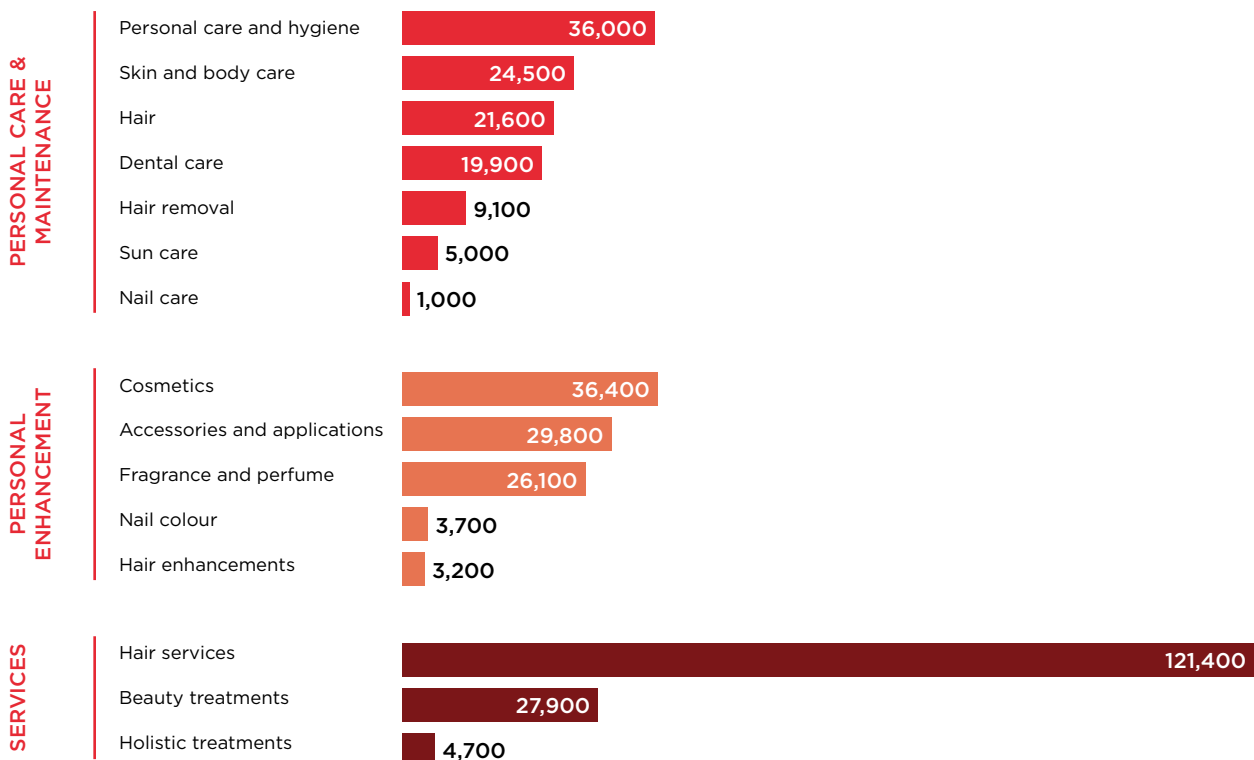
Some 81 percent of the jobs generated in the beauty services industry occur in hair services. The 121,400 people employed cutting hair, barbering and providing other treatments comprise 33 percent of total employment in the beauty industry. This is higher than hair services 31 percent of the industry's contribution to GDP.

Of the products that the industry produces, the largest number of jobs was generated by the sale of cosmetics, totalling 36,400 jobs. Personal care and hygiene products employed 36,000 people, with a further 29,800 from consumption of accessories and applications.

- 150,300 Beauty services
- 122,800 Retailers
- 57,000 Wholesalers
- 32,100 Manufacturers
- 8,100 Advertising and marketing services

FIG. 12 DIRECT EMPLOYMENT GENERATED BY BEAUTY PRODUCTS AND SERVICES IN 2018 (HEADCOUNT)

Source: Oxford Economics, ONS (2019)



3.1.3 DIRECT CONTRIBUTION TO TAX

The direct activities of the UK beauty industry made a tax contribution worth £3.9 billion in 2018. The largest share of this comes through retailers, making a £1.2 billion contribution. Beauty service providers make a further £1.2 billion contribution, with a further £980 million from wholesalers and £390 million from manufacturers. A total of £130 million was generated through the activities of specialised advertising and marketing firms.

3.2 TOTAL ECONOMIC CONTRIBUTIONS

3.2.1 TOTAL CONTRIBUTION TO GDP

The beauty industry supported a total contribution of £28.4 billion to UK GDP in 2018. Alongside the direct impact of £14.2 billion detailed earlier in this section, it stimulated an indirect contribution along its supply chain worth £5.9 billion and an induced contribution from wage-financed consumer spending worth £8.4 billion (see Fig. 14). This total amounted to more than 1.3 percent of the whole UK economy in 2018 and is equivalent to all the economic activity produced in either the Manchester or Glasgow city areas.

The beauty industry is estimated to have a GDP multiplier of 2.0. So, for every £1 million of GDP that it generates itself, its spending supports another £1 million contribution elsewhere in the economy.⁷

FIG. 13 DIRECT TAX CONTRIBUTION OF CORE SECTORS OF THE BEAUTY INDUSTRY IN 2018 (£, MILLIONS)

Source: Oxford Economics, ONS (2019)



- 1,190 Beauty services
- 1,230 Retailers
- 980 Wholesalers
- 390 Manufacturers
- 130 Advertising and marketing services

FIG. 14 TOTAL CONTRIBUTION TO GDP OF THE BEAUTY INDUSTRY IN 2018 (£, MILLIONS)

Source: Oxford Economics, ONS (2019)



- 14,170 Direct
- 5,850 Indirect
- 8,420 Induced

28,450 TOTAL

Figures may not sum to totals due to rounding

⁷The relatively small size of the multiplier in part reflects the inclusion of a proportion of the supply chain within the industry itself.

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Analysed by segment of the industry, providers of beauty services supported the largest contribution to UK GDP in 2018 (see Fig. 15). Their expenditure supported a £9.1 billion in gross value added, which was 32 percent of the total impact. Retailers supported a £7.9 billion contribution, or 28 percent of total. Wholesalers supported a £5.8 billion contribution.⁸

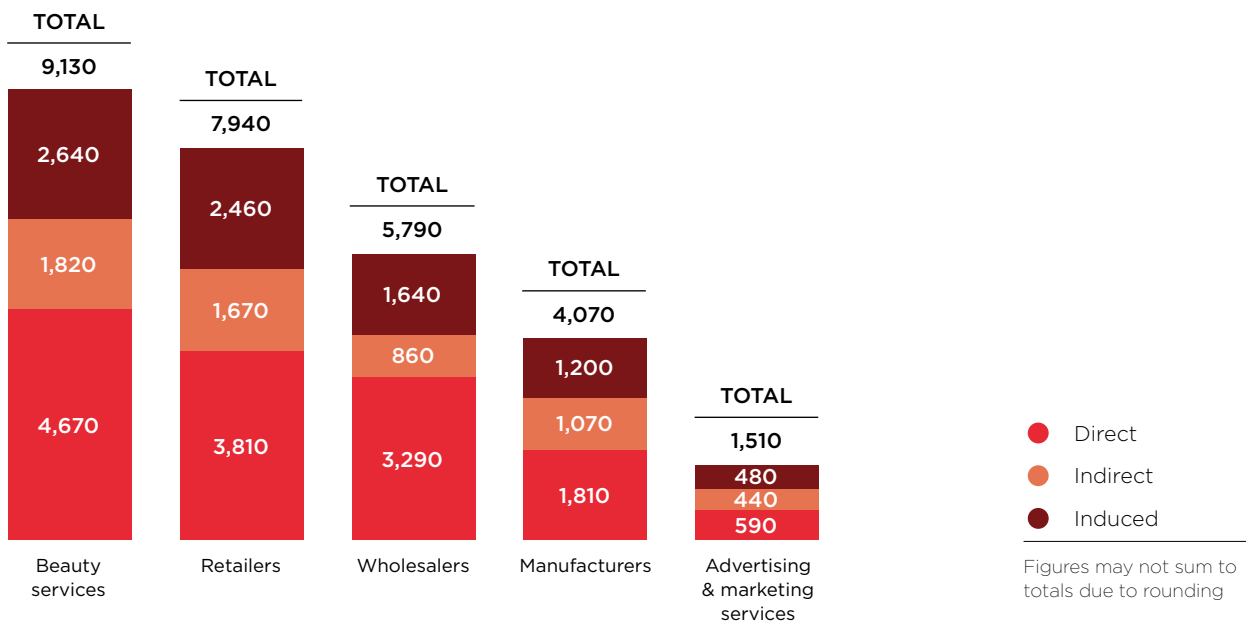
3.2.2 TOTAL CONTRIBUTION TO EMPLOYMENT

We estimate that the beauty industry supported a total of 590,500 jobs in 2018, representing one in every 60 jobs in the economy. This is comparable to the number of people employed in Birmingham in 2018.

The beauty industry's employment multiplier was lower than its activity multiplier at 1.6. So for every 10 jobs in the industry, it supported six jobs elsewhere in the economy (Fig. 16). The relatively low level of the employment multiplier reflects the labour-intensive nature of some of the segments - in particular, beauty services.

FIG. 15 TOTAL CONTRIBUTIONS TO GDP OF CORE SECTORS OF THE BEAUTY INDUSTRY IN 2018 (£, MILLIONS)

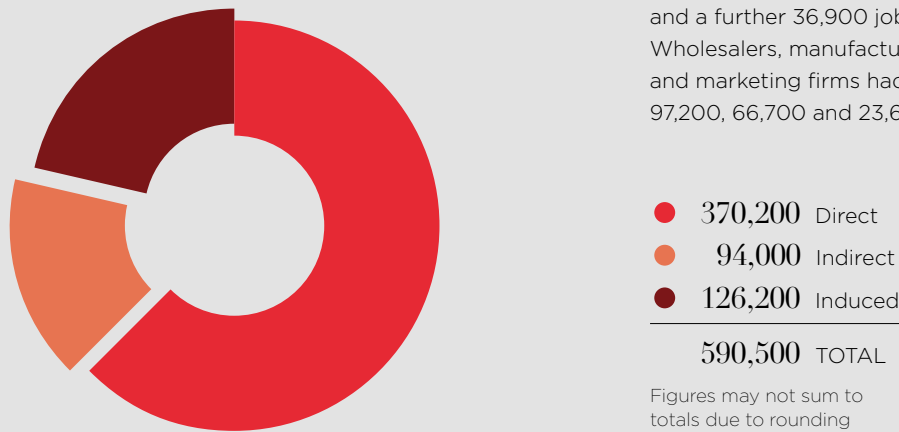
Source: Oxford Economics, ONS (2019)



⁸ A full list of results, including detailed product and service level breakdowns are available in the full results breakdown in Appendix 1.

FIG. 16 TOTAL EMPLOYMENT FOOTPRINT OF THE BEAUTY INDUSTRY IN 2018 (HEADCOUNT)

Source: Oxford Economics, ONS (2019)

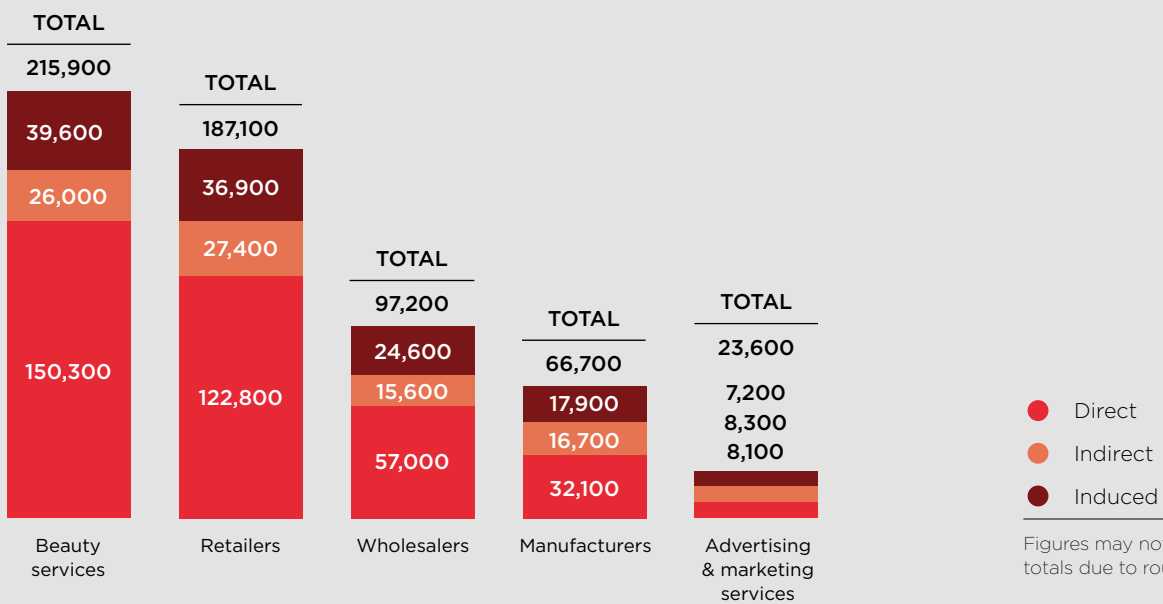


A total of 215,900 jobs were supported by beauty service providers in 2018. The majority of these jobs (70 percent) were in the industry itself, with an additional contribution of 26,000 coming in its supply chain and 39,600 from the induced effect. Retail of beauty products is responsible for an employment footprint totalling 187,100 jobs, which consists of an indirect effect of 27,400 jobs and a further 36,900 jobs from the induced effect. Wholesalers, manufacturers and specialised advertising and marketing firms had total employment footprints of 97,200, 66,700 and 23,600 jobs respectively.

Figures may not sum to totals due to rounding

FIG. 17 TOTAL EMPLOYMENT FOOTPRINT OF CORE SECTORS OF THE BEAUTY INDUSTRY IN 2018 (£, MILLIONS)

Source: Oxford Economics, ONS (2019)



Figures may not sum to totals due to rounding

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3.2.2 TOTAL CONTRIBUTION TO TAX

In 2018, the beauty industry supported £7.0 billion in tax payments to the Exchequer. The industry and its staff paid 56 percent or £3.9 billion of these itself. The remainder was fairly equally spread between those supported by wage payments at 23 percent of the total and stimulated by the industry's procurement from its supply chain at 21 percent.

The £7.0 billion contribution potentially supports vital public service work, and was equivalent to the salaries of 250,000 nurses and midwives.⁹

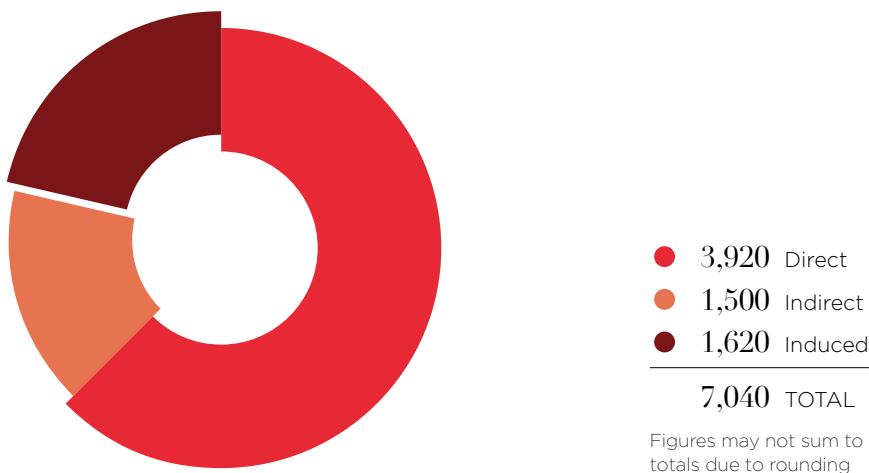


What excites me the most is how perceptions of 'beauty' and identity can be harnessed and changed for the better by those who influence from within the industry: from tech to artistic direction, to the imagery and marketing, the power to shift attitudes and be part of positive change is a real inspiration to me.

KAY MONTANO, MAKEUP ARTIST

FIG. 18 TOTAL TAX CONTRIBUTIONS OF THE BEAUTY INDUSTRY IN 2018 (£, MILLIONS)

Source: Oxford Economics, ONS (2019)



⁹The median annual wage for nurses and midwives in 2018 was £28,163. ONS, (2018), 'Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14', 25 October 2018.

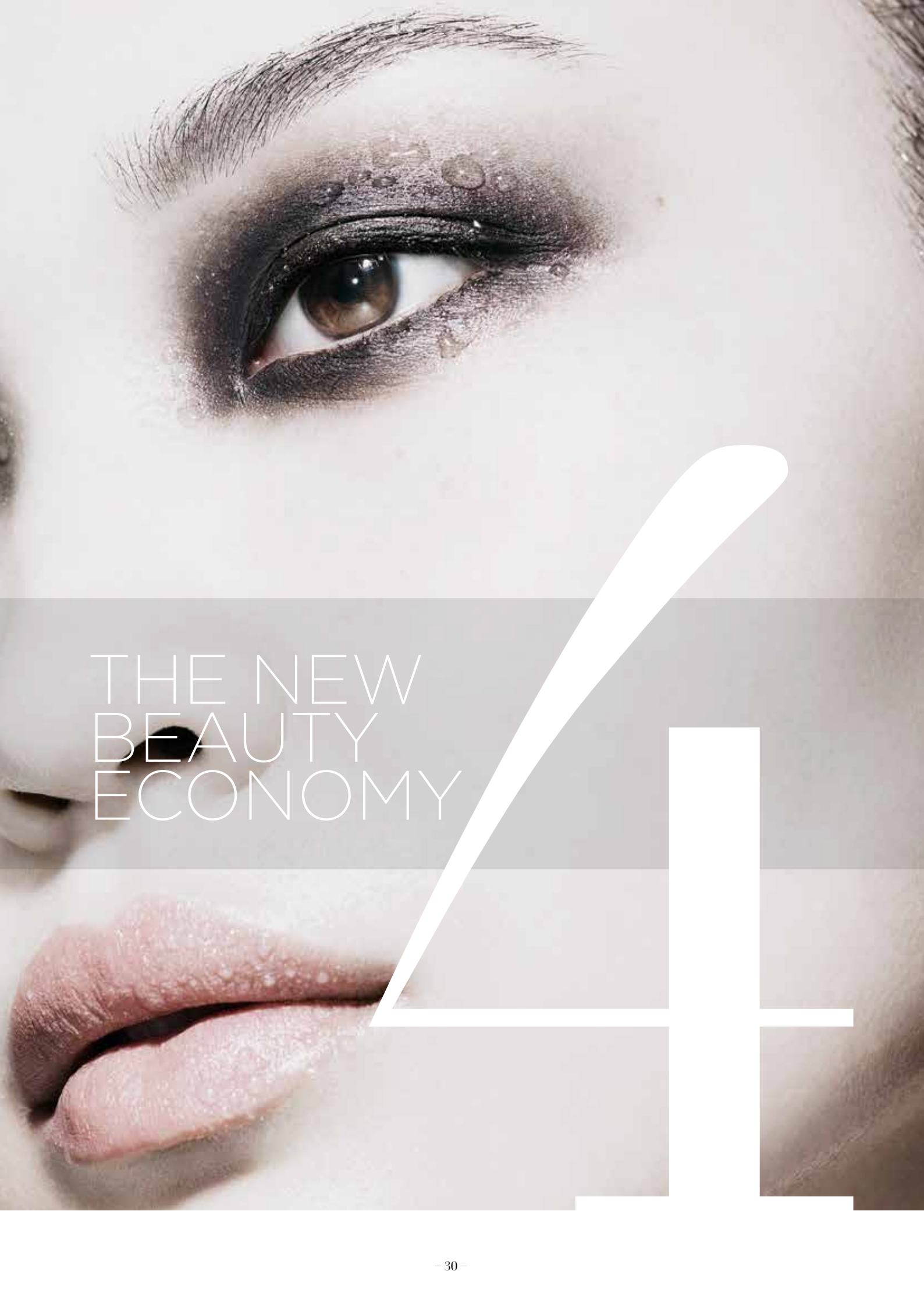
DENTAL SERVICES

One component of the beauty industry that has not been examined in this report is cosmetic dentistry. Whilst this report would have been able to analyse the whole of dentistry services, it was not able to separate cosmetic dentistry from health-focussed dentistry. As such, whilst it is important to recognise the value of dental services, of which a portion fall within the beauty industry, it has been omitted from the core impact.

We estimate that the whole dental industry made a consumer-spending driven contribution to GDP totalling £4.8 billion in 2018. The largest share of this came from the direct contribution, worth £2.2 billion, supplemented by an indirect impact of £1.1 billion and an induced contribution from consumer spending worth £1.5 billion.

This activity is estimated to have supported a total of 107,000 jobs in 2018. The majority of these, 65,800, were employed through the direct industry, with a further 18,200 indirectly through the supply chain and an induced consumer spending impact sustaining 23,000 jobs. Dental services are estimated to have contributed a total of £1.2 billion to UK tax revenues in 2018, with £560 million of this coming from the direct industry.

This is therefore a large economic footprint. However, it is unclear what proportion can be considered part of the beauty industry.



THE NEW
BEAUTY
ECONOMY



THE NEW BEAUTY ECONOMY

As well as its core contribution to the UK economy, we also recognise the importance of the industry in terms of the ways it boosts the UK economy’s productive potential. Most notably this is seen through the education and training that it provides, as well as the new industries that are emerging and disrupting the existing ways that brands reach consumers. Alongside this, this section explores the importance of the role that the beauty through the social contributions that the sector makes.

4.1 EDUCATION AND SKILLS TRAINING

The diverse range of services that are delivered by the beauty industry relies on a skilled and experienced workforce. Developing this talent involves large amounts of specialist training, which we can see in the 65,550 vocational beauty qualifications that were achieved in the UK in 2018. These are made up by a range of NVQ, diploma and certificate qualifications.

Of these qualifications, the largest share is in hairdressing, with a total of 18,310 hairdressing-specific qualifications achieved in 2018, 28 percent of the total (Fig. 19). There was a total of 15,840 beauty therapy qualifications (24 percent), with 14,955 qualifications that cover multiple disciplines (23 percent). In addition, there are a range of nail care (5,585), barbering (5,320), make-up (4,370), and other beauty qualifications (1,170).

FIG. 19 VOCATIONAL BEAUTY QUALIFICATIONS IN 2018, BY SUBJECT

Source: Ofqual, ONS (2019)

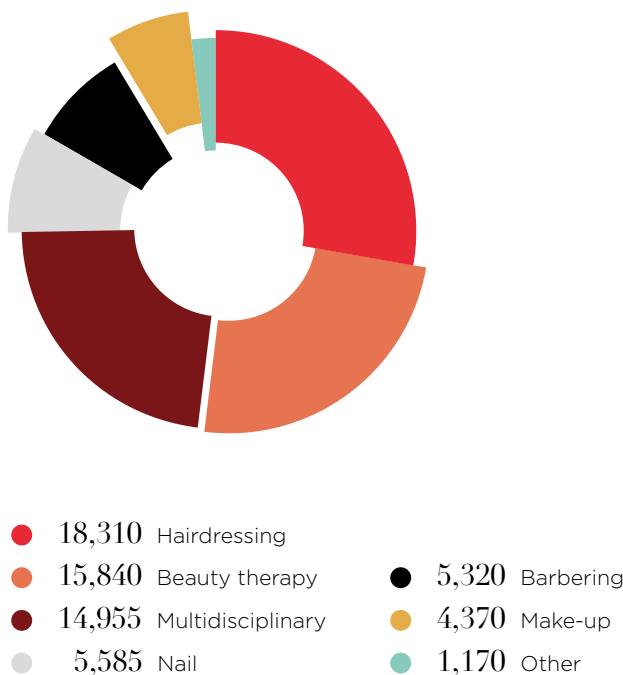
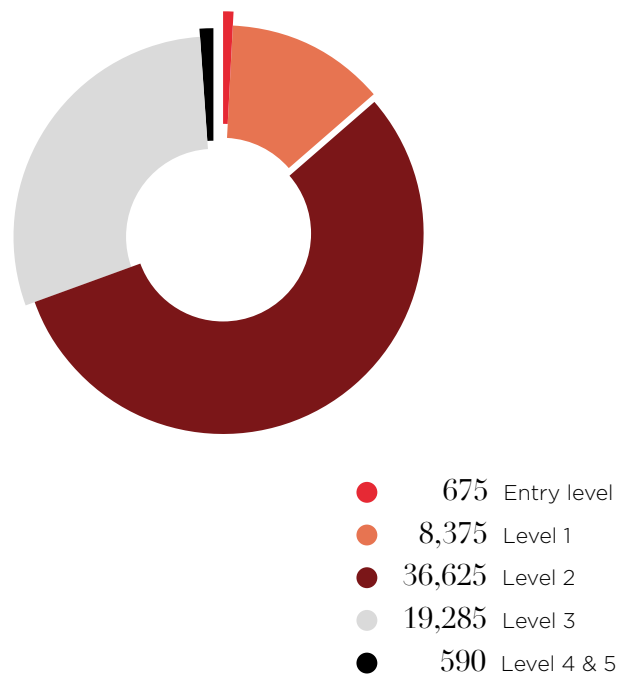


FIG. 20 VOCATIONAL BEAUTY QUALIFICATIONS IN 2018, BY LEVEL

Source: Ofqual, ONS (2019)



THE NEW BEAUTY ECONOMY

The vocational beauty qualifications achieved in 2018 are across a variety of different knowledge and skill levels (Fig. 20). Some 36,625 or 56 percent were at Level 2 (equivalent to a high GCSE grade). Another 19,285 or 29 percent were at Level 3 (A level equivalent).¹⁰ We estimate that these qualifications required an average of 400 guided learning hours to be completed, amounting to a total of 25.7 million hours of teaching in qualifications earned in 2018.¹¹

In addition to this, a number of people enter the beauty industry with university level qualifications tailored specifically to the industry. In the 2017/18 academic year there were a total of 1,305 people studying a beauty-related degree, with 610 people in their first year of study. Of those in their first year, the bulk of these courses were related to make-up, with 460 in the first year of a theatrical make-up degree and 55 in general make-up degrees. The rest are made up of management studies, with 50 percent studying salon management and 45 percent studying spa management.

4.2 DIGITAL INFLUENCERS

The way that beauty products are promoted to consumers has evolved significantly over recent years with the emergence of online influencers.¹² These are individuals who are in a position to promote products and services based on their large digital presence through various online platforms, primarily Instagram. This presents a key new way for brands to reach potential customers as they promote themselves and their products.

The role that influencers play has grown significantly in recent years, with many becoming key parts of the marketing campaigns of a wide range of beauty brands. The nature of this role can vary, with some influencers representing a whole brand, and others working on a single campaign. Furthermore, whilst many influencers will utilise their own established platforms to promote products, some have gone further to take part in campaigns using traditional media, such as TV advertisements and more established digital platforms.

The beauty industry has led the way in using this new promotional approach, with companies selecting influencers that they trust to represent their brands and values well. Specialist agencies have emerged as key components in the industry, connecting brands with influencers who can promote their products.

However, the industry provides its challenges for influencers working in it, who face a constant demand to create large quantities of content. This content must appeal to consumers, suits the brand or products they are promoting and help to develop their own profile. Furthermore, the market is becoming increasingly competitive, with many young people keen to enter the industry.

This is seen in the structure of the industry, with the majority of influencers having a relatively small following, whilst a minority have a major presence. In 2019, there are a total of more than 2,768 influencers with a presence in the industry, with many of these having suitable platforms to promote beauty products.¹³ A small number of these boast massive followings, with tens of millions of followers on Instagram, however this represents just one end of the industry. A total of only 108 have one million or more Instagram followers, with more than three fifths having fewer than 50,000.

Altogether, this represents a large change in the way that marketing campaigns can reach consumers. Brands in the industry now have a significant new way to promote themselves, generating value for them and their campaigns through a new advertising medium.

¹⁰ GOV.UK, 'What qualification levels mean', <https://www.gov.uk/what-different-qualification-levels-mean/list-of-qualification-levels>

¹¹ Guided learning hours information gathered from the different awarding bodies.

¹² Information in this section was gathered through interviews with industry figures and desk research.

¹³ Figures based on Diary Directory data.

THE INDUSTRY'S SOCIAL CONTRIBUTION

The impact of the beauty industry is seen not only in how much it generates for the economy, but also in the value that it creates for the many people who consume these products. This value can come in many forms, ranging from satisfying basic hygiene and daily care needs, to building self-esteem and expressing individualism.

A number of organisations use this impact to support individuals who have specific needs or who might find these kinds of services especially beneficial. Some examples of these are detailed below.

GIVE AND MAKEUP

Founded in 2010, Give and Makeup is a charity that provides everyday beauty products and essentials to women and children who have been victims of domestic violence. It does this by facilitating donations to Refuge and Women's Aid, which are domestic violence charities supporting women and families in the UK.

These donations take the form of dental care, make-up, moisturisers, washing, women's hygiene and other products, as well as items of clothing and toys for children. Donations are taken from both individuals and companies.

In providing these items, Give and Makeup is able to offer some comfort and small luxuries to people who have gone through traumatic experiences. In doing so it plays a role in helping people to get closer to a sense of normality, and hopefully move towards a more positive future as they build greater independence and self-esteem.

HAIRCUTS4HOMELESS

Originally inspired by stories of hairdressers who cut the hair for homeless people around the world, Haircuts4Homeless is a community of hairdressers and barbers who volunteer their time to provide haircuts for homeless people. Its volunteers give their time free of charge for a few hours a month.

Originally starting in Havering in East London, it now operates in a total of 42 locations across the UK, as well as more in Ireland and New York. Whilst its greatest resource is the expert volunteers who give their time for it, Haircuts4Homeless also benefits from relationships with a number of corporate partners, as well as being a recipient of National Lottery Funding.

As an organisation it recognises the importance of helping people to feel good about themselves, with haircuts having the ability to generate self-esteem. Furthermore, it highlights the value that hairdressers have to give, with a career that is founded on communicating and feeling empathy for their clients.



CONCLUSION

CONCLUSION

The beauty industry makes a major contribution to the UK economy, driven primarily by consumer spending on its products and services. For the first time, this report has quantified the sheer scale of the industry's total economic footprint. In 2018, we find that its gross value added contribution to GDP was approaching £30 billion, and that it supported almost 600,000 jobs throughout the UK.

It is fantastic to see the Value of the Beauty Industry quantified for the first time. Beauty, like Fashion is a modern, forward looking industry, that is a significant contributor to GDP, accessible by extremely broad audiences and provides significant employment from both big business to the independent freelancers throughout the UK.

CAROLINE RUSH CBE,
CEO BRITISH FASHION COUNCIL

But the industry's contribution extends beyond these 'core' impacts. This report has also identified two important ways in which the industry enhances the productive potential of the UK economy:

- by building the skill sets of its employees through vocational training; and
- by its pioneering use of digital influencers as a marketing tool, which may in time rival traditional advertising as a means for firms to reach out to potential customers.

Altogether, these contributions underline the huge importance of the beauty industry to the UK - today, and into the future. Recognising and celebrating this value is critical as the industry seeks to flourish and deliver ever greater value for the UK economy in the coming years.



APPENDIX

APPENDIX 1: COMPREHENSIVE RESULTS

The tables in this appendix give both the *direct* and *total* contributions to GDP, employment, and tax revenues in 2018. Note that the figures may not add up to the totals due to rounding.

FIG. 21 CONTRIBUTIONS TO GDP (£, MILLIONS)

	DIRECT					TOTAL				
	RETAIL/ SERVICES	WHOLESALE	MANUFACTURING	ADVERTISING & MARKET RESEARCH SERVICES	TOTAL	RETAIL/ SERVICES	WHOLESALE	MANUFACTURING	ADVERTISING & MARKET RESEARCH SERVICES	TOTAL
PERSONAL CARE AND MAINTENANCE										
Dental care	350	290	160	50	850	740	520	230	120	1,610
Hair	380	320	170	50	930	800	570	390	130	1,890
Personal care & hygiene	640	530	290	90	1,550	1,330	940	930	230	3,430
Skin & body care	430	360	200	60	1,050	900	640	670	160	2,360
Sun care	90	70	40	10	220	190	130	140	30	490
Hair removal	160	130	70	20	390	340	240	120	50	740
Nail care	20	10	10	0	40	40	30	10	10	80
TOTAL	2,080	1,730	940	290	5,030	4,320	3,050	2,490	730	10,600
PERSONAL ENHANCEMENT										
Cosmetics	650	540	290	90	1,560	1,340	950	490	220	3,000
Nail colour	70	50	30	10	160	140	100	50	20	310
Accessories & applications	510	420	260	70	1,260	1,050	740	440	170	2,410
Hair enhancements	60	50	30	10	140	120	80	60	20	280
Fragrance & perfume	460	390	210	60	1,120	970	680	420	160	2,230
TOTAL	1,740	1,450	820	230	4,240	3,620	2,560	1,460	590	8,220
SERVICES										
Holistic treatments	140	0	0	0	150	280	10	0	10	300
Beauty treatments	850	20	10	10	890	1,660	30	20	30	1,740
Hair services	3,680	80	40	60	3,860	7,200	140	100	150	7,590
TOTAL	4,670	100	60	70	4,900	9,130	180	120	190	9,620
TOTAL	8,480	3,290	1,810	590	14,170	17,070	5,790	4,070	1,510	28,450

APPENDIX 1: COMPREHENSIVE RESULTS

FIG. 22 EMPLOYMENT CONTRIBUTIONS (HEADCOUNT)

	DIRECT					TOTAL				
	RETAIL/ SERVICES	WHOLESALE	MANUFACTURING	ADVERTISING & MARKET RESEARCH SERVICES	TOTAL	RETAIL/ SERVICES	WHOLESALE	MANUFACTURING	ADVERTISING & MARKET RESEARCH SERVICES	TOTAL
PERSONAL CARE AND MAINTENANCE										
Dental care	11,400	5,100	2,800	600	19,900	17,300	8,700	3,900	1,900	31,800
Hair	12,400	5,600	3,000	700	21,600	18,800	9,500	6,300	2,100	36,700
Personal care & hygiene	20,500	9,200	5,000	1,200	36,000	31,300	15,800	14,900	3,600	65,500
Skin & body care	13,900	6,300	3,500	800	24,500	21,200	10,700	10,700	2,500	45,100
Sun care	2,900	1,300	700	200	5,000	4,400	2,200	2,300	500	9,400
Hair removal	5,200	2,300	1,300	300	9,100	7,900	4,000	1,900	900	14,700
Nail care	600	300	100	0	1,000	900	400	200	100	1,600
TOTAL	66,800	30,100	16,300	3,900	117,100	101,800	51,300	40,200	11,400	204,700
PERSONAL ENHANCEMENT										
Cosmetics	20,800	9,400	5,000	1,200	36,400	31,700	16,000	8,000	3,400	59,100
Nail colour	2,100	900	500	100	3,700	3,200	1,600	900	300	6,000
Accessories & applications	16,300	7,300	5,200	900	29,800	24,800	12,500	8,000	2,700	47,900
Hair enhancements	1,800	800	400	100	3,200	2,800	1,400	900	300	5,400
Fragrance & perfume	14,900	6,700	3,600	900	26,100	22,800	11,500	6,800	2,500	43,500
TOTAL	55,900	25,200	14,800	3,200	99,100	85,200	42,900	24,600	9,200	161,900
SERVICES										
Holistic treatments	4,600	100	0	0	4,700	6,600	100	100	100	6,900
Beauty treatments	27,200	300	200	200	27,900	39,100	500	400	500	40,600
Hair services	118,400	1,400	800	800	121,400	170,100	2,400	1,600	2,300	176,400
TOTAL	150,300	1,800	1,000	1,000	154,000	215,900	3,000	2,000	2,900	223,800
TOTAL	273,000	57,000	32,100	8,100	370,200	402,900	97,200	66,800	23,600	590,500

FIG. 23 TAX CONTRIBUTIONS (£, MILLIONS)

	DIRECT					TOTAL				
	RETAIL/ SERVICES	WHOLESALE	MANUFACTURING	ADVERTISING & MARKET RESEARCH SERVICES	TOTAL	RETAIL/ SERVICES	WHOLESALE	MANUFACTURING	ADVERTISING & MARKET RESEARCH SERVICES	TOTAL
PERSONAL CARE AND MAINTENANCE										
Dental care	110	90	30	10	240	200	140	50	30	410
Hair	120	100	40	10	270	210	150	80	30	480
Personal care & hygiene	210	160	70	20	450	360	250	210	50	870
Skin & body care	140	110	50	10	310	240	170	150	40	600
Sun care	30	20	10	0	60	50	30	30	10	120
Hair removal	50	40	10	0	110	90	60	20	10	190
Nail care	10	0	0	0	10	10	10	0	0	20
TOTAL	670	520	210	60	1,460	1,160	810	550	170	2,690
PERSONAL ENHANCEMENT										
Cosmetics	210	160	60	20	450	360	250	100	50	760
Nail colour	20	20	10	0	50	40	30	10	10	80
Accessories & applications	170	130	50	10	360	290	200	90	40	610
Hair enhancements	20	10	10	0	40	30	20	10	0	70
Fragrance & perfume	150	120	40	10	320	260	180	90	40	560
TOTAL	560	430	170	50	1,220	970	670	300	140	2,090
SERVICES										
Holistic treatments	40	0	0	0	40	70	0	0	0	70
Beauty treatments	210	10	0	0	230	390	10	0	10	410
Hair services	930	20	10	10	980	1,690	40	20	30	1,780
TOTAL	1,190	30	10	20	1,240	2,150	50	20	40	2,260
TOTAL	2,420	980	390	130	3,920	4,280	1,530	880	350	7,040

APPENDIX 2: METHODOLOGY

ESTIMATING THE VALUE OF CONSUMER SPENDING ON BEAUTY PRODUCTS AND SERVICES IN THE UK

The ONS collects information on household spending patterns and the cost of living using the Living Costs and Food Survey (LCF). The survey is conducted throughout the year, across the whole of the UK, and is the most significant survey on household spending in the UK, utilising a diary approach that asks respondents to identify everything that they spend their money on.

We used a list of suggested products and services produced by the ONS to identify the items which fit into each of the individual product and service groups that was provided to us by the British Beauty Council. We accessed the LCF data on the amount of consumer expenditure via the ONS' Secure Research Service, with a coded script used to sift for the products and services that were of interest and allocate them into the groups of products and services in the British Beauty Council's definition.

In a number of cases this data found no entries for certain product or service categories, meaning that no respondents had listed them in their diary entries. As a result, categories including beauty supplements, medical beauty and cosmetic procedures are omitted from the results. Furthermore, various categories were grouped together. Applications were merged into accessories; tanning, hair removal, tutorials, mobile beauty and beauty consultations were merged into beauty treatments. Because of its association with the beauty industry through cosmetic dentistry, the dentistry services were included in the modelling, but not in the totals detailed in sections 2 or 3.

These value of consumer expenditure on beauty products and services was then allocated to the broader COICOP product classification groups.¹⁴ All fell into either category 6, "Health" or 12 "Miscellaneous goods and services". These COICOP group shares were scaled up to the broad group based on the consumption values identified in the ONS' publication Consumer Trends, utilising ONS' Components of Household Expenditure data.¹⁵ This source was preferred to the ONS' Components of Household Expenditure datasets, which could have served a similar purpose, following direct consultation with ONS statisticians.

¹⁴ The Classification of individual consumption by purpose, abbreviated to COICOP, is a classification developed by the United Nations Statistics Division to classify and analyse consumer spending.

¹⁵ ONS, (2018), 'Consumer Trends, UK: July to September 2018', 21 December.

ANALYSING THE DIRECT IMPACT OF THE BEAUTY INDUSTRY

The consumer spending established above was aligned to the different parts of the economy that sell them, be that retailers in the case of beauty products, or service providers in the case of beauty services. Its share of the retail industry's employment, gross value added, and tax payments was calculated using the ONS' Annual Business Survey Standard Extracts.¹⁶ This provides summary information on different industries' sales, purchases, employee compensation and profits, as well as their employment. In the case of retail and wholesale it also identifies the value of the goods that they buy for resale. The latter was used to identify the purchases of beauty products to model the value of the supply chain of beauty products from retailers and service providers to wholesalers and manufacturers.

Data on the manufacturing of beauty products was gathered from two sources. We collected data on UK manufacturers' sales of individual beauty products using the ONS Prodcom dataset.¹⁷ This was combined with export data from HMRC to see the sales heading abroad, as well as the value of imports. This was used to estimate UK beauty product manufacturers turnover. For both wholesaling and manufacturing, Annual Business Survey data was again used to produce employment and gross value added estimates.

Finally, the tax contribution was analysed based on the effective tax rate that applies to income tax, payroll tax, corporation tax, taxes on production and taxes on products. There were all modelled based on ONS data and used to produce estimates of the tax contributions in the retail, wholesale and manufacturing components of the direct industry.

MODELLING THE BEAUTY INDUSTRY'S INDIRECT AND INDUCED CONTRIBUTIONS

The indirect and induced contributions were analysed based on Oxford Economics' in-house UK economic impact model. This builds on an ONS input-output table for the UK to analyse the interactions between different sectors of the UK economy, as well as the structure of household consumption.¹⁸ The beauty industry's procurement from businesses outside of the sector is used as the first tier of spending.

The gross value added and employment estimates in each industry in the supply chain are derived using gross output to gross value added ratios and estimates of labour productivity sourced from the Annual Business Survey. This model contains a tax analysis, utilising the same approach as was used in the direct analysis.

To calculate the induced impacts, the numbers employed in the beauty industry and each sector of its supply chain are multiplied by the distribution of wages in that industrial sector using the ONS' Annual Survey of Hours and Earnings.¹⁹ The input-output tables tracks the value of this through the economy, allowing for leakage through imports and savings.

¹⁶ ONS, (2018), 'Annual Business Survey - 2017 Provisional Results', 8 November.

¹⁷ ONS, (2018), 'UK Manufacturers' Sales by Product Survey (Prodcom): Revised Estimates 2017', 19 November.

¹⁸ ONS, (2018), 'United Kingdom Input-Output Analytical Tables, 2014', 2 March.

¹⁹ ONS, (2018), 'Earnings and hours worked, industry by four-digit SIC: ASHE Table 16', 25 October.

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