

US retail**Millennial push lifts Estée Lauder sales growth to 3-year high**

Engaged customers help revive skincare division as makeup sales surge



© AP

Mamta Badkar in New York AUGUST 18, 2017

With millennial followers, influencers and YouTube stars like Chrissy Tiegen, Victoria Beckham and Lilly Singh drumming up strong demand for makeup, Estée Lauder has seen its strongest [quarterly sales growth](#) in three years.

Makeup sales, which account for the largest portion of Estée's revenues, surged 16 per cent to \$1.3bn, while efforts to revive its skincare division — which accounts for the bulk of its profits — continued to take hold, climbing 4 per cent to \$1.07bn. That helped lift net sales 9 per cent to \$2.89bn, a touch above Wall Street expectations. Stripping out currency fluctuations, sales rose 11 per cent.

That helped shares in the makeup and skincare company behind Mac, Too Faced and Clinique, rise 7.7 per cent to \$105.92 — their best day since November 2015 and adding \$1.7bn to the company's market valuation.

Fabrizio Freda, chief executive, gave credit to millennials who, in the US, have “six more lipsticks than their mothers on average” and who want to be engaged in the global prestige beauty industry that is expected to grow between 4 to 5 per cent annually.

“The millennial wants to be engaged, while baby boomers want to be sold to. They were willing to be pushed, the millennial wants to be pulled in,” he added.

And one of the ways Estée has been trying to engage with these consumers is through acquisitions of brands that are popular with millennials. Indeed, the company invested about \$2bn to acquire or invest in eight new brands over the past three years, including indie names like Too Faced, and Becca Cosmetics, which found its success by partnering with vlogger Jaclyn Hill. Both brands contributed about 3.5 percentage points of sales growth in the quarter.

The company has also expanded its ecommerce business and is targeting digital advertising to better reach these customers through social media, which Mr Freda says has been “particularly powerful” and “fun” in luring shoppers.

Weakness in department stores and falling [mall traffic](#) had been a drag on Estée Lauder's legacy

brands, popular with its ageless consumers, but that drop is moderating. And the company “has successfully shifted the drivers of the model from the legacy core brands and distribution toward higher growing emerging brands and areas of distribution”, said Stephanie Wissink, an analyst at Jefferies.

Estée, which also cited strength in China and duty-free stores, said its net income rose to \$229m, or 61 cents a share, in the three months to June, compared with \$94m, or 25 cents a share, in the year-ago period. That eclipsed analysts’ estimates for 38 cents. Adjusting for one-time items, earnings of 51 cent a share were also ahead of expectations. Gross margin, however, deteriorated to 78.8 per cent from 80.7 per cent in the previous quarter and was shy of the 79.8 per cent that Wall Street was expecting.

Looking ahead, the company said it expected to report earnings growth of between 9 to 11 per cent, while revenue was expected to rise between 7 to 8 per cent from the previous year.

FT Future of Retail Summit

London
20 September 2018

[Register now](#)

Presented by



[Copyright](#) The Financial Times Limited 2018. All rights reserved.

Latest on US retail

