Owned Media: SWOT Analysis for e.l.f. Beauty

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Founded in 2004, e.l.f. Beauty has grown into one of the fastest-growing cosmetics companies in the beauty industry. Its affordable, cruelty-free products and culturally fluent marketing have earned the loyalty of Gen Z and young millennials. In fiscal 2026, its net sales increased 25% to $1.64 billion (e.l.f. Beauty, 2026a). However, the source of that growth is shifting amid current market pressures. A growing share of sales now comes from rhode, the brand e.l.f. acquired in 2025, while its original brands face pricing pressure and stronger competition. This SWOT analysis applies the Strategic Integrated Planning (SIP) model to examine e.l.f. Beauty as a whole, with particular attention to e.l.f. Cosmetics. It identifies the internal and external factors affecting the company's position and develops three strategic recommendations.

Strengths (Internal)

S1. Teen Brand Leadership

- According to Piper Sandler's fall 2026 survey of about 9,000 teens, e.l.f. remains the No. 1 cosmetics brand among U.S. teen girls, with 33% naming e.l.f. as their favorite, ahead of Rare Beauty (Kachi, 2026). Also, the company reports that e.l.f. is the most purchased beauty brand among Gen Z, Gen Alpha and millennials (The Motley Fool, 2026a). Popularity alone may not mean much in an industry where trends come and go, but e.l.f.'s strong lead among the next generation of beauty buyers gives it a real advantage. New products can build on the brand's existing recognition. It also gives e.l.f. an opportunity to build long-term customer relationships as these teens grow older and gain more spending power.

S2. Steady Growth Record

- Fiscal 2026 was e.l.f.'s seventh year in a row of higher sales and a bigger share of the market, with net sales up 25% to $1.64 billion (e.l.f. Beauty, 2026a). The first quarter of fiscal 2027 marked its 30th straight quarter of sales growth (e.l.f. Beauty, 2026c). This consistent growth puts e.l.f. in a stronger position when negotiating with retailers. Retailers may be more willing to offer shelf space to brands with strong sales performance, which could help e.l.f. secure better placement for new products. Its growth record could also support further expansion into new markets.

S3. Low Prices at Massive Scale

- e.l.f. Cosmetics sells more units than any other cosmetics brand in the U.S. and ranks second in dollar sales (The Motley Fool, 2026b). Even after a price increase in 2025, about 75% of its products still cost $10 or less (Moore, 2025). It also maintained a high gross margin of 83% in the first quarter of fiscal 2027, partly due to a one-time tariff refund (e.l.f. Beauty, 2026c). e.l.f. stands out by combining low prices with high sales volume and strong gross margins. This gives the company more flexibility to manage rising costs and invest in new products.

Weaknesses (Internal)

W1. Pricing Pressure and Declining Sales Volume

- e.l.f. Cosmetics raised prices by $1 across its products on Aug. 1, 2025, blaming inflation and tariffs (Moore, 2025). In the first quarter of fiscal 2027, higher prices drove most of the company's sales growth, while the number of units sold fell about 3% (The Motley Fool, 2026b). Afterward, the company has chosen about 10% of its products to keep at lower prices to win customers back (The Motley Fool, 2026b). For a brand that has built its reputation on affordability, the decline in units sold is concerning. Although higher

prices are helping revenue grow, the decline in units sold suggests that some consumers may be buying less. If this continues, e.l.f. could risk losing some of price-sensitive customers.

W2. Dependence on Major Retailers

- In fiscal 2026, Target, Walmart, Amazon and Sephora together accounted for 52% of e.l.f.'s net sales (e.l.f. Beauty, 2026b). This makes the company rely heavily on a small number of retail partners. Changes in shelf space, promotions or inventory decisions at any of these retailers could affect e.l.f.' s sales performance. It also means that much of e.l.f.'s customer interaction happens through third-party retailers, making it harder for the company to build direct relationships with consumers.

W3. Brand Image Built Around "Dupes"

- e.l.f. is widely known for its "dupes," affordable alternatives to more expensive beauty products (Peiser, 2023). While these products have helped the brand gain attention, they may also make it harder for e.l.f. to establish its own identity. Consumers may recognize e.l.f. more for offering cheaper versions of popular products than for developing original products of its own. This is damaging because a brand known mainly as the cheaper option has little to fall back on when its prices rise.

Opportunities (External)

O1. Rising Teen Beauty Spending

- Teen beauty spending increased by 7% in Piper Sandler's fall 2026 survey, with spending on cosmetics and skin care each growing by 5% (Werner, 2026; Kachi, 2026). e.l.f. already ranks as the favorite cosmetics brand among teens, putting it in a good position as

spending increases. Since the company offers both makeup and skin care products, it could also encourage existing customers to purchase across different categories.

O2. Growing Demand for Makeup With Skin Care Benefits

- According to Circana (2026), makeup products with skin care benefits, a trend known as "skinification," contributed significantly to U.S. makeup sales growth in 2025. As more consumers look for makeup that also offers skin care benefits, e.l.f. has an opportunity to expand its offerings in this category. With existing product lines in both cosmetics and skin care, the company could develop more products that combine the two.

O3. Concerns About Unrealistic Beauty Standards

- Dove's 2024 Real State of Beauty report found that one in three women feel pressure to change their appearance because of what they see online, even when they know the images are fake (Dove, 2024). With filters and AI-edited images becoming more common, brands have an opportunity to respond to concerns about unrealistic beauty standards. e.l.f.'s mission is "to make the best of beauty accessible to every eye, lip and face," and the company also emphasizes positivity and inclusivity (e.l.f. Beauty, 2025). Given its popularity among teens, e.l.f. could build on these values by featuring more natural, unedited looks in its marketing.

Threats (External)

T1. Trade Policy Pressure

- The Supreme Court struck down tariffs imposed under the International Emergency Economic Powers Act in February 2026, resulting in approximately $50 million in refunds for e.l.f. (Cerullo, 2026; The Motley Fool, 2026b). However, new tariffs of 10% or 12.5% were introduced in July 2026 (Penn Wharton Budget Model, 2026). Most of

e.l.f.'s products are still manufactured in China (e.l.f. Beauty, 2026b). Changes in U.S. trade policy could increase production costs and put pressure on the company's pricing. Although e.l.f. plans to move about 60% of its production outside China (The Motley Fool, 2026b), tariffs are still a concern as the company works to reduce its dependence on Chinese manufacturing.

T2. Unpredictable Social Media Trends

- e.l.f. has gained much of its popularity through viral social media content (Peiser, 2023). Social media allows the brand to reach large audiences without relying entirely on paid advertising, but algorithms and consumer preferences are constantly changing. Content that attracts attention today may not receive the same exposure in the future, and consumers can quickly move on to other brands or products. This makes it difficult for e.l.f. to maintain consistent visibility and engagement through social media alone.

T3. Competition in Mass Beauty

- Although e.l.f. remains the favorite cosmetics brand among teen girls, its share of votes declined from 36% in fall 2025 to 33% in fall 2026 (Piper Sandler, 2025; Kachi, 2026). Gen Z and Gen Alpha consumers also tend to be less loyal to brands than older generations (Peiser, 2023). As e.l.f. raises its prices, competing affordable brands may become more attractive to these younger customers.

Conclusion

Overall, e.l.f. Beauty's biggest strengths are its low prices and its popularity with young shoppers. But the company's recent growth depends heavily on rhode, while sales from its original brands have started to fall. Higher tariffs, tough competition and the risk of losing customers after its price increase could make that problem harder to fix. At the same time, teens

are spending more on beauty, and more consumers want makeup that also cares for their skin. To make the most of these trends, e.l.f. needs to keep its prices competitive while giving shoppers reasons to choose it beyond price. This could help its original brands start growing again.

Strategic Insights

The main problem this SWOT analysis reveals is that e.l.f.'s biggest strength and its biggest risk are closely connected. Low prices helped build the brand, but they are becoming harder to maintain. Meanwhile, teens are spending more on beauty, and more customers want makeup with skin care benefits. The three recommendations below focus on protecting e.l.f.'s price advantage while giving customers more reasons to choose the brand.

1. **Protect e.l.f.'s Price Advantage**

Rationale: Declining unit sales (W1), new tariffs (T1) and cheaper competitors (T3) all threaten on e.l.f.'s price advantage (S3). e.l.f. should keep its most popular entry-level products affordable and continue shifting production outside China to reduce tariff exposure. This would help the company protect its price advantage while attracting more customers

Success Metrics: Cosmetics unit sales return to year-over-year growth by the end of fiscal 2027. No across-the-board price increases through fiscal 2028. Cosmetics maintains its No. 1 position in U.S. cosmetics unit sales through fiscal 2028.

2. **Develop Original Skin-Infused Makeup**

Rationale: e.l.f. needs to build its own product identity rather than relying on its reputation for dupes (W3). Makeup with skin care benefits has contributed to makeup sales growth (O2), and teens are spending more on both makeup and skin care (O1). By developing original products in this category, e.l.f. could attract new customers and become less dependent on its reputation for affordable alternatives.

Success Metrics: Products combining makeup and skin care account for 15% of e.l.f. Cosmetics net sales by fiscal 2028. The share of social media mentions describing e.l.f. products as "dupes" decreases by 20% by fiscal 2028, measured through social listening.

3. **Build Direct Relationship With Customers**

Rationale: e.l.f. has a strong following among young customers (S1), but it relies heavily on a few major retailers (W2) and social media platforms it cannot control (T2). e.l.f. should use product launches, store events, pop-ups and social media campaigns to encourage customers to join its Beauty Squad loyalty program or email list. This would help the company stay connected with customers without relying entirely on retailers and algorithms.

Success Metrics: Beauty Squad membership grows 20% in fiscal 2028. The four largest retailers' combined share of net sales falls below 50% by fiscal 2028.

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