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► **7 mars 2025 - 08:31**

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How beauty should prepare for a fragrance slowdown

Growth has declined since the pandemic. To sustain momentum, brands will need to pull out all the stops.

By Nateisha Scott

Fragrance has for years been beauty's growth engine, a category that's sustained strong sales and high consumer engagement since the post-pandemic boom.

"During and after the pandemic, the category evolved from a rarefied indulgence to an emotional, mood-boosting essential, driving a surge in perfume purchases," says Aishwarya Rajpara, senior beauty and health research analyst at Euromonitor. The category has also benefitted from increased brand penetration, spurring consumer excitement and spending demand, as well as a varied price mix encouraging a broader group of consumers to buy into the sector with ease.

But now, growth is showing signs of decline as industry conglomerates' recent earnings reports show. Is fragrance's meteoric rise finally losing steam?

Puig's fragrance division saw a drop from 40 per cent growth in 2022 to 17 per cent in 2023, then down to 13.6 per cent in 2024, on a reported basis. Estée Lauder Companies reported a sharp decline in fragrance growth: 30 per cent in 2022, flatlining in 2023 and up 1 per cent in 2024. Coty fared slightly better, with reported growth declining from 18 per cent in 2022 to "low teens" in 2023, before a modest rebound to "mid teens" in 2024. (LVMH, L'Oréal, Shiseido and Kering do not break out fragrance performance.)

"After years of heightened investment, a slowdown was inevitable," says Rajpara. Euromonitor data shows a decline in fragrance's compounded annual growth rate from 17.1 per cent between 2020 and 2021 to a forecasted 6.7 per cent between 2023 and 2024 (2024 figures will be reported in April). Inflation and price hikes have also played a role in slowing volume purchases among price-sensitive consumers. While Puig CEO and chairman Marc Puig acknowledged the trend in the company's Q4 2024 earnings call, he maintained that it was too early to determine a definitive slowdown.

Should strategic players be concerned? Despite the softened growth percentages, consumer demand remains high. According to Circana, fragrance remained the fastest-growing beauty category in the US in 2024, based on sales and units sold. Linda Bolton Weiser, managing director and senior research analyst at investment banking firm DA Davidson, predicts the sector will continue to see growth. "Fragrance remains beauty's strongest category, primarily due to its lower brand penetration [compared with makeup and skincare] and its untapped innovation potential," says Korinne Wolfmeyer, VP and senior equity beauty and wellness analyst at Piper Sandler. Wendy Nicholson, managing director at Baird, agrees: "At some point, we were bound to see a slowdown. But fragrance is still on fire, and the category will remain strong in 2025, driven by new brands, scents and advertising."

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To maintain momentum, brands must focus on filling unmet needs and tapping into white space opportunities. "Innovation in the premium sector will help brands justify pricing power and capture incremental consumers," advises Wolfmeyer.

Portfolio power

Brand acquisition is now a non-negotiable, regardless of economic uncertainty for beauty conglomerates looking to sustain fragrance momentum, says Federica Levato, senior partner at global management firm Bain & Co. But the real competitive edge? Securing the niche fragrance brands shaping today's olfactive landscape.

"If large companies acquire niche brands to expand their offerings and appeal, they'll increasingly attract knowledgeable, loyal and discerning customers," she explains. According to Daash Intelligence, a predictive data insights platform, in January 2025, traditional fragrance brands (such as YSL and Chanel) declined to make up 62 per cent of the category's product mix, losing 10 per cent year-on-year, which niche and indie brands (like Kayali, Parfums de Marly, Plur, Dedcool and Sol de Janeiro) gained, per proprietary AI data.

Consumer sentiment is shifting. On #PerfumeTok, collections are as much about discovery as they are about prestige, with houses like Initio, BDK Parfums and Tiziana Terenzi appearing alongside heritage houses like Maison Francis Kurkdjian, Chanel, Armani and Dior. Today's consumers are invested in scent wardrobes that feel exclusive, personal and hard to replicate — an evolution that challenges big brands to rethink their approach. For conglomerates, smaller fragrance players offer agility and deep-rooted community loyalty.

"Many niche brands specialise in custom-blended fragrances, limited-edition drops and frequent, direct engagement with their communities," says Levato. "They lean into craftsmanship and storytelling, fostering emotional connections that drive strong engagement and long-term brand affinity."

Some players are already making moves. L'Oréal took an undisclosed minority stake in Oman-based Amouage, while its venture capital arm, Bold, invested in niche Korean fragrance house Borntostandout. Tru Fragrance & Beauty acquired clean fragrance brand Lake & Skye, and General Atlantic secured a stake in Huda Beauty's Kayali. In today's fragrance market, the message is clear: strategic players need niche brands more than ever, because exclusivity and community buy-in are the ultimate currency.

Innovation drivers

Product innovation will also be key to sustaining growth, with two trends emerging as front-runners: clean fragrance and 'skinification'.

For Rajpara, that starts with green chemistry, which aims to reduce or eliminate the use of hazardous substances in the design and manufacturing of fragrance ingredients. Consumers are drawn to naturally sourced ingredients and formulas free from synthetic additives. Brands leading the clean fragrance movement include Commodity, Ellis Brooklyn, Sana Jardin, Veronique Gabai and The 7 Virtues. "Consumers are concerned about their well-being and preserving the planet. We've seen green chemistry grow as a market trend in Europe and parts of the US [like California] as safety and environmental awareness intensifies," says eponymous founder Veronique Gabai. However, Gabai cautions emerging players that "efforts are a commitment on many fronts, including financially".

Upcycling is also on Rajpara's radar. She predicts the sub-category will grow at a pace that strategic players will need to keep an eye on. "You'll see more launches coming with upcycled ingredients, such as cauliflower or using upcycled furniture waste to create dusky, wood-like notes," she says.

Industry leaders also expect the skinification trend to thread its way through to fragrance. "Consumers are gravitating towards water-based and alcohol-free perfumes, aligning with the broader move for nontoxic beauty," says Levato. Brands are responding with alcohol-free launches such as Bella Hadid's Orebella, Dior's Sauvage Eau Forte and Guerlain's L'Eau Rose. Microencapsulation technology — which preserves fragrance on the skin without alcohol — is one alternative experts expect to go mainstream.

Levato says brands will need to hit the mark on refillable packaging, biodegradable materials and ethical ingredient sourcing to better align with consumer expectations for environmentally responsible products. Elsewhere, advancements in artificial intelligence will continue to spark interest. "It will allow brands to create hyper-personalised scents based on the consumer and not sweeping market trends," says Levato, who adds strategic players can't afford to drag their feet.

Evolving formats

Consumer preferences are expanding beyond traditional eau de parfum and eau de toilette formats, an encouraging play for brands needing a format mix-up.

"The industry has stayed within the same formats for decades, but there's a void in the market for fragrances that don't just smell incredible but feel exciting to use," says Haisam Mohammed, founder and creative director of perfume house Unifrom. Perfume oils and solids are now on the rise. Unifrom will extend its portfolio with three solid perfumes at the end of March. Levato agrees: "Solid perfumes, extraits and fragrance oils are seeing increased adoption due to their longevity, style and skin-friendly properties." Luxury body and hair mists are also booming. According to the *Vogue Business* Beauty Trend Tracker, searches for "vanilla body mist" have surged 115 per cent year-on-year.

Otherwise, as 'fragrance layering' and 'fragrance wardrobing' guide younger consumers' shopping habits, brands will need to play with offers like "perfume discovery sets" (accumulating 1,300 average monthly searches on Google, up 85 per cent year-on-year, per the *Vogue Business* Beauty trend tracker) and prices to remain relevant, says Rajpara. This trend inspired niche brand Diem's relaunch this month. The brand initially hit the market with 30ml scents (£50), but soon realised the sweet spot among consumers was to build a scent collection without compromising on quality and price. The company will launch 12 gender-neutral fragrances at 10ml (£25).

"We're in a new space where consumers want to experiment, have fun and build a collection that adapts to each version of them; doing away with the age-old signature scent," said Diem co-founder Annabelle Baker. It's a strategic move that Tom Ford CEO Guillaume Jesel recently introduced to the brand's portfolio in response to growing demand from teenage boys.

New formats also mean reshaping retail. As fragrance competition intensifies, experiential retail is becoming a key differentiator. "Consumers are drawn to in-store fragrance bars, personalised scent consultations and AI-powered discovery tools that enhance the shopping experience," Levato says. Sephora's flagship Champs-Élysées store was an early adopter, introducing an AI fragrance discovery tool in 2023 to guide consumers through their personalised olfactive journeys. For experiential online retail, AI-powered scent quizzes and digital sampling subscriptions present new opportunities for engagement and conversion.

Despite signs of slowing growth, the fragrance category has yet to peak. The key to sustained momentum will be delivering consumer value through engagement and innovation. "To stay relevant in a cooling market, brands must go beyond product launches. Consumers expect added value, whether that's through sustainability, personalisation or retail experiences," Rajpara concludes.

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