



New Fragrances

A BURST OF CREATIVITY

By Cyril Demaria

Perfume is as old as humanity, and still no less than 1330 new products were launched in 2012. What explains this burst of creativity? Are perfumes on the verge of being commoditized?

Boiling: this simple process is at the core of fragrances production, as it drives distillation and thus the reduction of ingredients to their essence. Metaphorically, the market of fragrances itself currently is too. However, far from a reduction, it witnessed a fast increase in the number of available products: according to Michael Edwards' *Fragrances of the World*, 1'330 were launched in 2012 (1'220 in 2011). 8'500 fragrances are currently on sale, out of 13'800 ever launched.

The success of fragrances is due their "highly profitability in terms of revenues and visibility", explains Christophe Cervasel, founder and creator of Atelier Cologne. "Historically, growth and profits of the fragrance market were driven by marketing messages as a key differentiator. The creativity and the talent of perfumers were backstage components", states Marc Chaya, CEO and co-founder of Maison Francis Kurkdjian. As a result, "the global perfume market has evolved from greenfield 80 years ago to global saturation", analyzes Marc Chaya. Relatively low barriers to entry (which might evolve under 150 pages of EU regulations) facilitate launches: "just about anyone can claim - and claims - to be a perfumer," states Marc Chaya.

However, a significant number of products disappear rapidly. "The dominant business model was built around distribution of power and economics between Licensors (brand owners such as fashion designers and celebrities), Licensees (acquirers of the right to use the brand name for perfume commercialization) and industrial/'creative' companies (labs such as IFF and Givaudan) ...", explains Marc Chaya. The resulting mass-market products are exemplified by celebrity fragrances (only 1% price above USD 75, compared to 46% for designer brands). In this category, winners take all: five products captured the celebrity market. Consequently, celebrity products launches abated to 52 in 2012 (74 in 2011).

Is there a risk of commoditisation of fragrances? Fabrice Pellegrin, Perfumer at Firmenich, a leading international creative labor-

ratory, doubts it: "commoditizing dream and emotions is unlikely. The story of the perfume and the interaction with clients prevent this phenomenon". Marc Chaya confirms: "I do not believe that a creative product can be commoditized. Talent however will be the only way to survive. A parallel can be drawn with fine art. There is a proliferation of fairs and the art market is booming, mixing low quality and masterpieces. Only time will set the two apart".

The advent of niche(s)

"The market is structured in four categories: mass market products (priced at 10 to 40 USD and sold through 100'000 points of sales worldwide), lifestyle products (to which celebrity products belong to, sold through 50'000 points of sales), selective products (priced at 60 to 100 USD and sold through 20'000 points of sales) and luxury products (priced above 100 USD and sold through a maximum of 2'000 points of sales worldwide)", explains Christophe Cervasel. In that context, what could explain the sustained rhythm of activity on the mature USD 44 billion fragrance market¹, growing on average by 1 to 2% a year²? The need to find new relays of growth.

The first solution is launching new product, whose success is uncertain in such a crowded market. The second is geographical expansion, but emerging markets such as Asia have proved disappointing: the daily use of perfumes is unusual and customers focus on mass-market products. The third solution is price increase. Indeed, the winning fragrance equation mixes price, exclusivity and quality. Premium priced prestige fragrances (above 100 USD) provide in that respect the best value for the money and "have grown from a few players with limited retail exposure 15 years ago to the current 'proliferation-explosion' of niche offerings, supported by the rapid development of niche perfume retail platforms" according to Marc Chaya. Premium products represented 54% of the market in 2011³ (the US and the UK alone reached USD 600 million in sales). In 2013, Premium fragrances grew by 42%⁴ in the US in terms of units sold. The segment counted 331 launches in 2012 (276 in 2011).

1 Source: Euromonitor, 2012 2 Source: MarketLine, 2011 3 Source: Euromonitor, 2012 4 Source: The NPD Group, 2013.



Nathalie Lorson



Marc Chaya



Fabrice Pellegrin



Christophe Cervasel

This niche "consists in a differentiated proposition, based on brand creativity and focused on brand experience" fitting an "increasing demand for differentiated, more authentic, elaborate and creative brands", explains Marc Chaya. "This new ecosystem has pushed existing historic luxury players to launch their own niche offerings (Hermes with Hermessense, Chanel with Les Exclusifs, Dior and La Collection Privée...) and is leading to a plethora of offers and new comers".

Personal olfactory theatricalisation

"Beyond economics, perfumes are a question of emotions and personality", states Christophe Cervasel. "Production itself remains a matter of craftsmanship". Here lies the key to the perfume market - and its recent evolution: a search for quality. "Natural ingredients, used by premium products, are a defining factor of this quality, notably when it comes to essential oils", asserts Fabrice Pellegrin.

A given fragrance can require one to two years of research to strike an innovative note reached through "a direct interaction between the client (brand owner) and the perfumer" explains Nathalie Lorson, Perfumer at Firmenich. For her, the perfumer is

an "interpreter": the client sets the frame, and the perfumer innovates within this frame. However, it is important to strike the right balance. For Christophe Cervasel, "the magic of creation can be lost in too much interaction with the client. A certain freedom is necessary to innovate and surprise. A parallel with fine art makes sense: a creation can be spontaneous or on order, but a certain freedom is given to the artist."

Fragrances are hence the equivalent of a medieval bridge: a connection between the client (brand owner) and the customer (consumer), built by the perfumer for communication, but also as a social and personal instrument. For this magic to happen, a certain "theatricalisation and personalisation of the sale process" is necessary, states Christophe Cervasel. As "customers are searching for their own way to express their personalities, sometimes made to measure fragrance (pioneered by Francis Kurkdjian) make sense," explains Marc Chaya. Fabrice Pellegrin concurs: "there is a need to build a story with the perfume: emotions and dreams on which olfactory identities are built". Perfumes are hence constantly reinterpreting our identities, supporting our daily performance in the permanent social theater we act in. ■

