

EXCEPTION FRAGRANCE

EXECUTIVE SUMMARY

OCTOBER 2023



WHAT IS THE NEW EXCEPTION CONTRACT ?

BASED ON THE ANALYSIS OF **12 BUSINESS SUCCESS STORIES**



WITH INSIGHTS COMING FROM OUR **MOST EXPERT SOURCES**

Social Media Listening

Perfumer Interviews

Fragrance Expert Consulting

CMI Market Data

OUR STARTING POINT SET

12 SKUs	Sell-Out (source: NPD ; FY 2022)
Baccarat Rouge 540 – Maison Francis Kurkdjian	121M
Aventus - Creed	79M
Oud Wood – Tom Ford	46M
Lazy Sunday Mornings – Maison Margiela	32M
Delina – Parfums de Marly	29M
Santal 33 – Le Labo	6M
Coveted Duchess Rose – Penhaligon's	5M
Erba Pura - Xerjoff	3.4M
Rose of no man's land - Byredo	2.5M
La fille de Berlin – Serge Lutens	1.1M
Bois d'Argent - Dior	0.2M
Gris Dior - Dior	0.1M

KEY TAKEAWAYS

01 | EXCEPTION IS THE ELDORADO OF THE FRAGRANCE CATEGORY

- **7.5 billion sell-out** value in 2022 with biggest growth of **+29%** vs LY among fragrance categories
- Growth expected to outpace prestige in the next 5 yrs (+13% vs +8% WW)
- Supported by the US (26% SOM), W.Europe (24%) & Asia (20%)
- L'Oréal Luxe is ranked #3 after Lauder Group and LVMH
- Mainly Gen Y/Gen X consumers, but Gen Z is booming especially in China (17% vs 10% in the US and 8% in France)

02 | THE DYNAMICS IS SUPPORTED BY A DUAL TARGET WHO STRETCHES THE MARKET...

1. **Expert consumers:** native target who seek excellence and avant-garde scents
2. **Newcomers:** who mainly associate their exception fragrance as an extra fashion item to code their identity

→ Two paths are therefore offered to Exception players

BUT BOTH ARE DRIVEN BY A COMMON INTANGIBLE MOTIVATION: ELEVATION & DISTINCTION

The desire of **elevation** manifests differently depending on the country/zone and the target.

- Elevation through **UNIQUENESS** 
- Elevation through **STATUS** 
- Elevation through **COMPLIMENTS** 

03 | AND A VERY TANGIBLE ONE: A ONE-OF-A-KIND JUICE

- The juice is the entry point to the category
- Top level technique is a must-have
- For perfumers, the genesis of an exception juice must come from a strong original inspiration (a memory, a place, a sensation) that will be easily identifiable in the final product. **Few mods, simple story, true to the artistic pulse** that first triggered the desire of creating a perfume.

04 | SOPHISTICATED NARRATIVES ARE ALSO EXPECTED TO PROVIDE DREAM

- While Prestige meets the need of archetyped incarnation, Exception fulfills a **broader desire of imaginaire**.
- Conceptual brands do 50% of the business while they have 1/3 share of offer.

05 | VIRALITY IS A NECESSARY BUT NOT SUFFICIENT SUCCESS BOOSTER

- Virality is here to **strengthen an already exceptional proposition** : killer juice + aspirational mix

06 | HOWEVER, POS EXPERIENCE KEEPS LAGGING BEHIND ALTHOUGH IT IS KEY FOR PERFUME DISCOVERY

- Consumers highly value the in-store experience as it provides them with advice, knowledge, and the feeling of being 'special'

07 | NO ONE SIZE FITS ALL RECIPE. EACH SUCCESS HAS ITS OWN MAGICAL, IMPOUNDERABLE DREAM FACTOR.

- **Artistic creation** at the heart of the mix
- A different **notion of time** vs prestige that allows magic to happen

1 EXCEPTION FRAGRANCE IS THE NEW ELDORADO OF THE FRAGRANCE CATEGORY

SELL-OUT

7.5 B €
In 2022

17%
of total fragrance market

+29%
of growth vs 2021 (vs.
19% Prestige, 16%
Access Luxury)

+13%
of growth expected in
the next 5 years
(vs. 8% Prestige)

GEOGRAPHY

N.America
26%
(+25%)

W.Europe
24%
(+29%)

N.Asia
20%
(+20%)

! S. ASIA 4% + 38%

Travel Retail
16%
(+67%)

SEGMENTATION

#1 Pure Players
58% SOB WW
(vs. 69% in China)
#1 Jo Malone
#3 Diptyque

#2 Couture Brands
30% SOB WW
#1 Tom Ford

#3 Perfumer Brands
10% SOB WW

#4 Beauty Brands
2% SOB WW

SHARE OF MARKET

#3 L'ORÉAL LUXE 8.4%
(#1 Lauder Group and
#2 LVMH)

#7 MAISON MARGIELA
(driven by *Lazy Sunday Morning* w/ +74% of growth)

#13 ARMANI PRIVÉ
(W/ +73% of growth)

#22 ATELIER COLOGNE
(W/ -29% decrease)

DEMOGRAPHICS

MAINLY GEN Y & GEN X
(~180 dollars for a bottle)

GEN Z ON THE RISE
(especially in China:
17% vs. 10% in the U.S.
vs. 8% in France)

PRICE POINT IS NOT AN ISSUE
(60% of purchase are gift to myself driven)

2 THE DYNAMICS IS SUPPORTED BY A DUAL TARGET WHO STRETCHES THE MARKET

1. THE EXPERTS FRAGRANCE DRIVEN

- they expect confidentiality, avant-garde scent, technique, olfactory surprise, originality



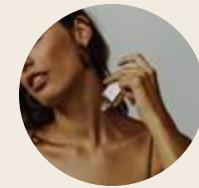
Fragrance
Collectors &
Experts



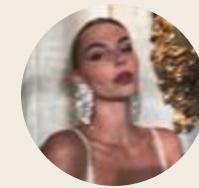
AVANT-GARDE
SCENT
CONNOISSEUR

2. THE NEWCOMERS STATUS DRIVEN

- they are status driven and look for buzzy perfumes



LUXURY
SOPHISTICATION
LOVERS



IRRESISTIBLE
ENCHANTERS

EXPERT ADVOCACY

+

Media activation

+

Celebrity/KOL endorsement

In charge of
DISCOVERY & EXPERT VALIDATION

In charge of
ENHANCED VIRALITY & MASSIVE APPROVAL



Once a reference/brand has been taken over by newcomers, Experts are most likely to abandon it in order to continue their perfume journey somewhere more confidential

+ BUT BOTH TARGETS ARE DRIVEN BY A COMMON INTANGIBLE MOTIVATION: ELEVATION

3 MAJOR WAYS TO SEEK

ELEVATION & DISTINCTION

Through **UNIQUENESS**



Linked to **confidentiality** and the feeling of wearing something **unique & refined**



EXPERTS

AVANT-GARDE CONOISSEURS

Through **COMPLIMENTS**



45% of American consumers say they expect their exception fragrance to trigger compliments. Compliments often imply **seduction** power.



IRRESISTIBLE ENCHANTERS

Through **STATUS**



: wearing Exception means that you have **education & knowledge**.

: highly linked to the "**smell rich**" trend that suggests social achievement



LUXURY LOVERS

AVANT-GARDE CONOISSEURS

3

A ONE-OF-A-KIND JUICE IS HOWEVER THE COMMON TANGIBLE ASPIRATION FOR ALL TARGETS

THE JUICE IS THE ENTRY POINT TO THE CATEGORY

30%

of the conversation on social media are about scent profiles and notes

29%

Of the virality is based on scent profiles

EXPERT CONSUMERS LOOK FOR

- Signature scents
- Unusual note combination
- Precious ingredients
- Technical performance
- Olfactive accidents

NEWCOMER CONSUMERS LOOK FOR

- An “It-bag” scent : luxury, statutory but still safe choice.



PERFUMERS TELL US WHAT MAKES A JUICE AN EXCEPTION SCENT

What are the characteristics to create a Killer Juice ?

- All 12 perfumes of our selection convey an **immediate message**: simple and qualitative olfactory message. The scent can ever be "raw": close to an accord (Baccarat Rouge and Santal 33) 
- A strong "partis pris", often an ingredient played in overdose that creates an **olfactive incident**
- **Follow one direction** (a memory, ingredient, emotions...) and keep this red thread along the whole process.
- Since exception allows the **deconstruction of the classic pyramid** top-heart-bottom, there isn't always an immediate crush (vs prestige). Time must be given to **skin revelation**. The crush will sometime only appear at heart or/and bottom.

Different segments do not follow the same creative process

Pure player brands: can be more polarizing, less consensual, pure, extreme, radical, even non identifiable to something already existing.

Couture brands: more multi-layered and complex, with powerful notes, premium scents but less radical



MAJOR INSIGHT

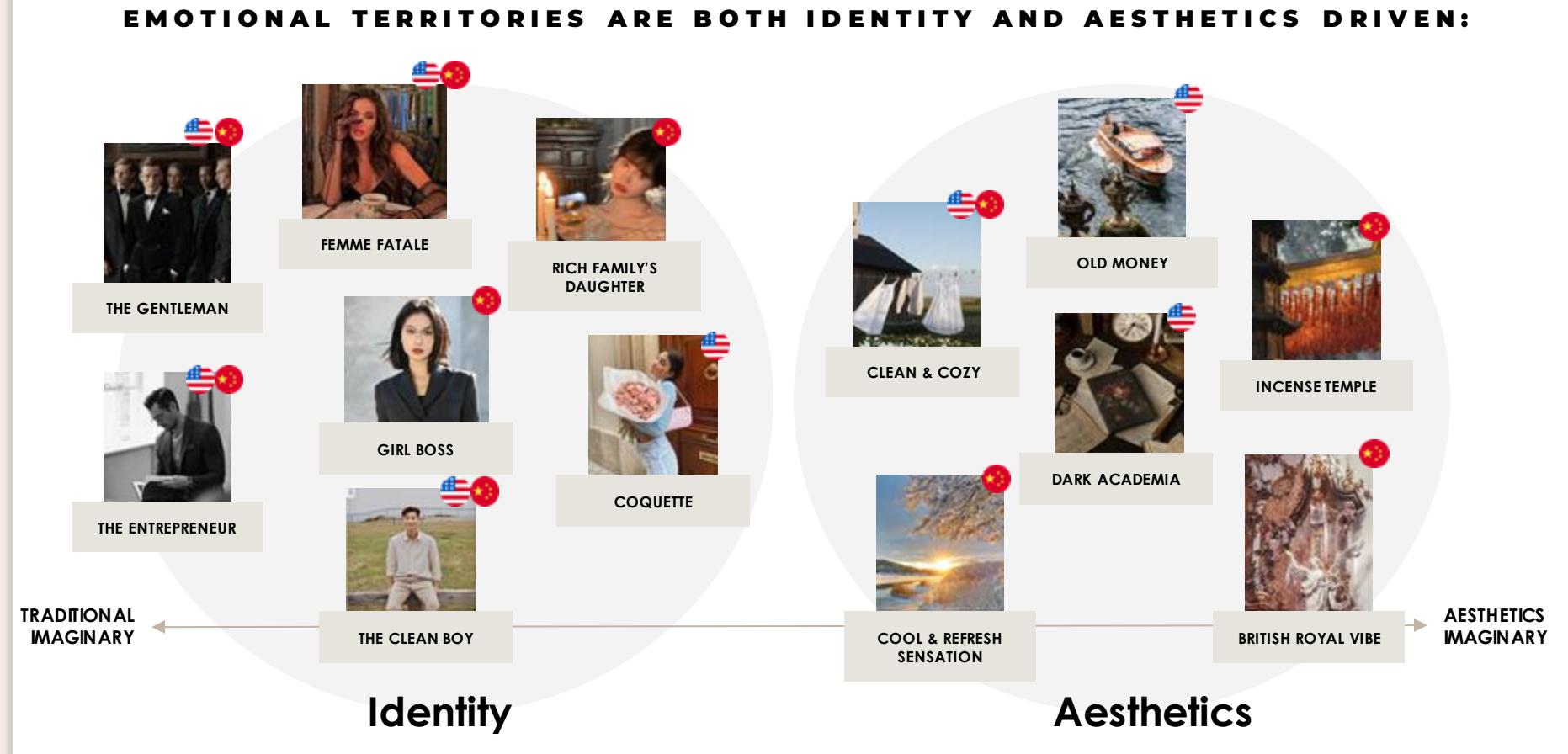
Just like ready-to-wear is designed to meet most consumers' taste and expectations, prestige is designed to trigger immediate crush and massive approval. On the other hand, **exception is to fragrance what couture is to fashion**: the consumer comes here to be offered **a vision, result of a creative pulse**.

4 SOPHISTICATED NARRATIVES ARE ALSO EXPECTED TO PROVIDE DREAM

CONCEPTUAL BRANDS DO BETTER IN TERMS OF BUSINESS THAN INGREDIENT BASED ONES:

1/3
Of the offer

50%
of the business



MAJOR INSIGHT

While prestige meets the need of an archetyped incarnation, exception fulfills a broader desire of imaginaire.