

EXCEPTION FRAGRANCE

EXECUTIVE SUMMARY

OCTOBER 2023



L'ORÉAL
LUXE



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**     
EXPERT TARGET
- Elevation through **STATUS**     
NEWCOMERS
- Elevation through **COMPLIMENTS**     
NEWCOMERS

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, IMPONDERABLE 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

EXPERT ADVOCACY

+

Media activation

+

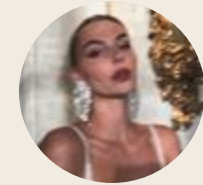
Celebrity/KOL endorsement

2. THE NEWCOMERS STATUS DRIVEN

- they are status driven and look for buzzy perfumes



LUXURY
SOPHISTICATION
LOVERS



IRRESISTIBLE
ENCHANTERS

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**

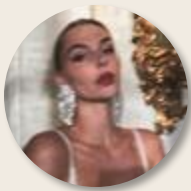


EXPERTS
AVANT-GARDE
CONOISSEURS

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**.

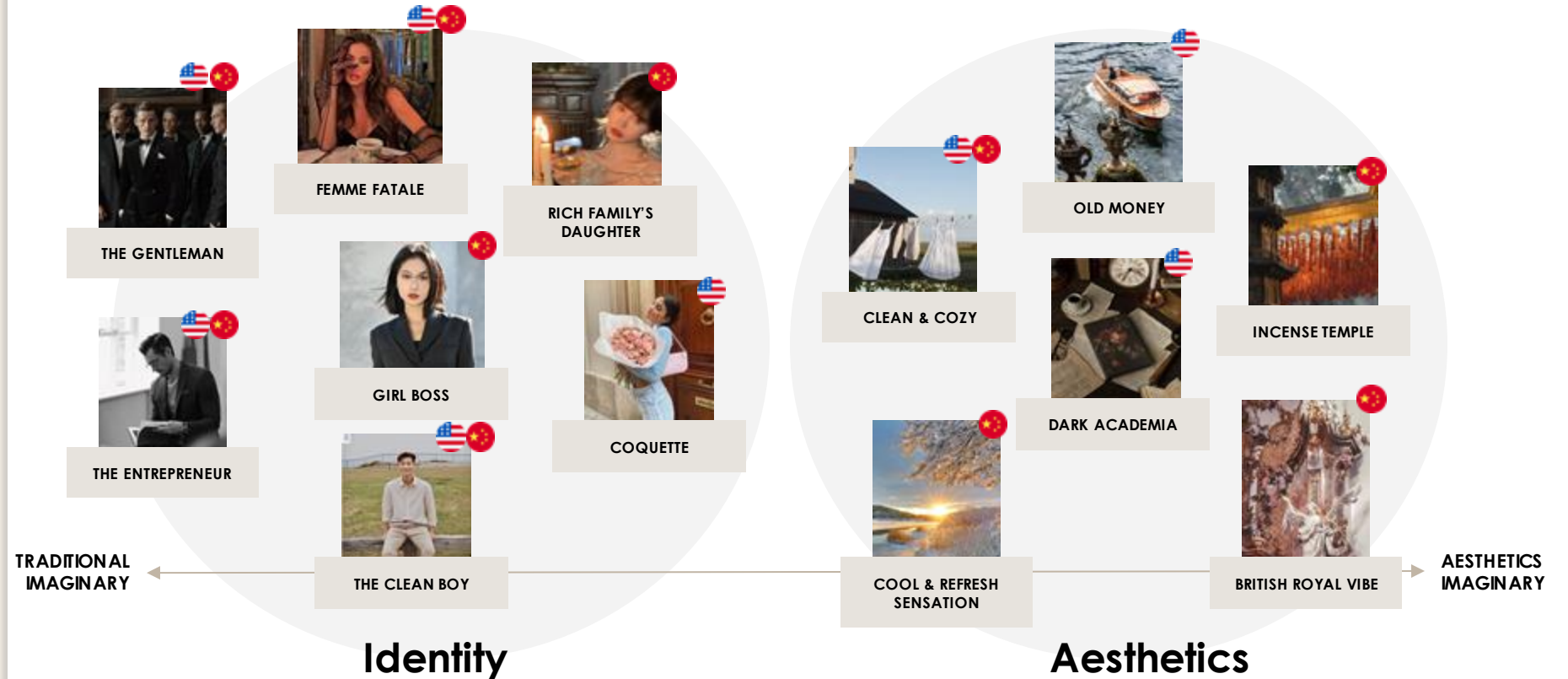
4 SOPHISTICATED NARRATIVES ARE ALSO EXPECTED TO PROVIDE DREAM

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

1/3
Of the offer

50%
of the business

EMOTIONAL TERRITORIES ARE BOTH IDENTITY AND AESTHETICS DRIVEN:



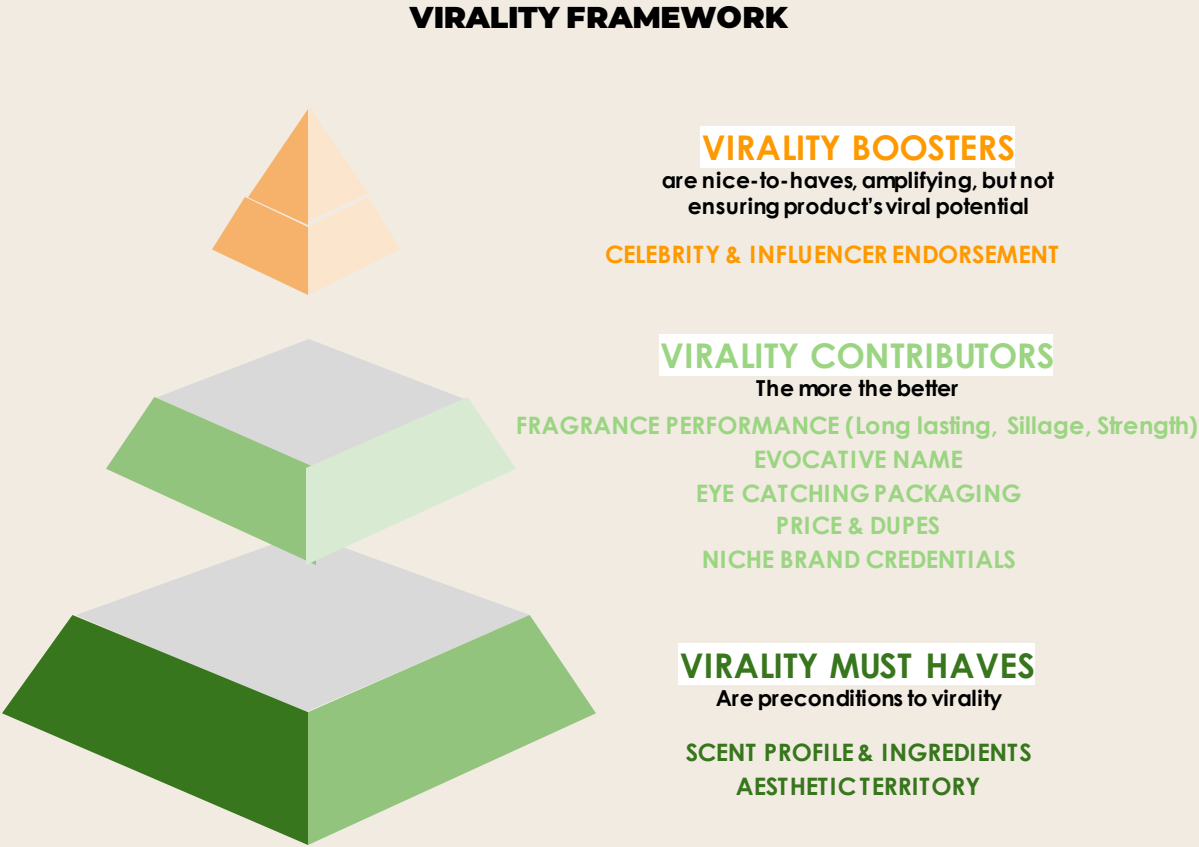
MAJOR INSIGHT

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

5 VIRALITY COMES ON TOP TO BOOST AN EXCEPTION SUCCESS

Exception fragrance is a fast-growing topic (+740% 2023 vs 2021). However, not all viral perfumes are not necessarily best sellers (Gris Dior).

12 SKUs	Sell-Out (source: NPD ; FY 2022)	Virality (TikTok ; 2023)
Baccarat Rouge 540 – Maison Francis Kurkdjian	121M	543M (#1)
Aventus - Creed	79M	133M (#3)
Oud Wood – Tom Ford	46M	48M (#6)
Lazy Sunday Mornings – Maison Margiela	32M	28M (#7)
Delina – Parfums de Marly	29M	19M (#8)
Santal 33 – Le Labo	6M	100M (#4)
Coveted Duchess Rose – Penhaligon's	5M	727K (#11)
Erba Pura - Xerjoff	3.4M	50M (#5)
Rose of no man's land - ByRedo	2.5M	1M (#10)
La fille de Berlin – Serge Lutens	1.1M	42K (#12)
Bois d'Argent - Dior	0.2M	5M (#9)
Gris Dior - Dior	0.1M	198M (#2)



MAJOR INSIGHT

Virality is necessary but not sufficient. Virality only amplifies propositions that adhere to the exceptional contract, which has for base an exceptional juice. For example, 'Missing Person' from Phlur was a failure due to its short-term journey, not designed to be enduring. Time is required for a creation to establish itself as the cornerstone of exceptional success.

6 POS EXPERIENCE KEEPS LAGGING BEHIND ALTHOUGH IT IS KEY FOR PERFUME DISCOVERY

Expert consumers

They look for exceptional places and stores scarcity

- Expert consumers highly value the in-store experience as it provides them with **advice, knowledge, and the feeling of being 'special'**.
- They look for exceptional stores that they associate to special destinations.
- They are proud when they find the “**hidden treasure**” they will make their signature scent.
- They expect the perfume advisor to **educate them and understand who they are**.

Newcomer consumers

They look for exceptional digital experiences

- Newcomers that discover Exceptional Fragrances on social media are more inclined to **blind buy perfumes**.
- Brands need to address this need **of playful and emotional discovery** through samples and/or phygital experiences.

7 STRONG INSIGHTS BUT NO “ONE SIZE FITS ALL” RECIPE. EACH SUCCESS HAS ITS OWN MAGICAL, IMPONDERABLE DREAM FACTOR.

ART OF THE JUICE

- Staying true to original perfumer / artistic director inspiration to deliver an **authentic message**
- **Associate the juice to a story** (fictional or based on reality) to justify and support the uniqueness of the scent (Women ++)
- **Culturally rooted ingredients** are relevant in China

ART OF THE PACKAGING

- In France: more **minimalistic**
- In the US: instantly **recognizable and collectible**
- Overall, consumers expect **high quality & perfect execution** (heavy materials, luxury feeling, gold/precious materials...)

ART OF EVOKING NAME

- **First hook** to make the consumer enter your **cultural universe**: brand heritage, aesthetics, emotions etc...

FIT WITH NEW SHIFTS

- China : social elevation through knowledge / next-gen genderless..
- **Gen Z** : co-creation process, sustainable packs, ultra personalization..

RISK-TAKING

A perfect playground for our twist culture



THE DREAM FACTOR

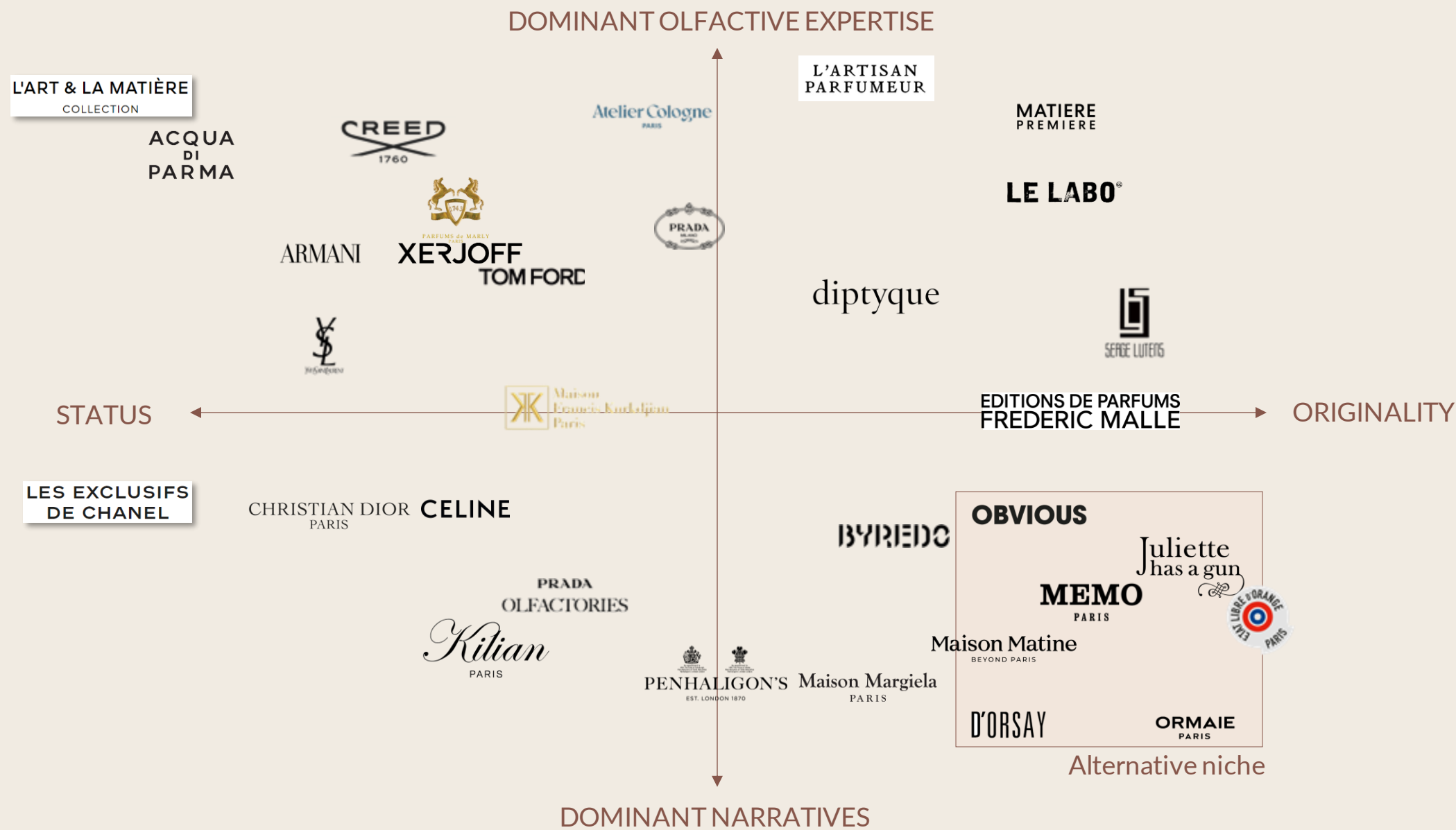
Imponderable & unpredictable mix elements

TIME TO LET THE MAGIC HAPPEN

MAJOR INSIGHT

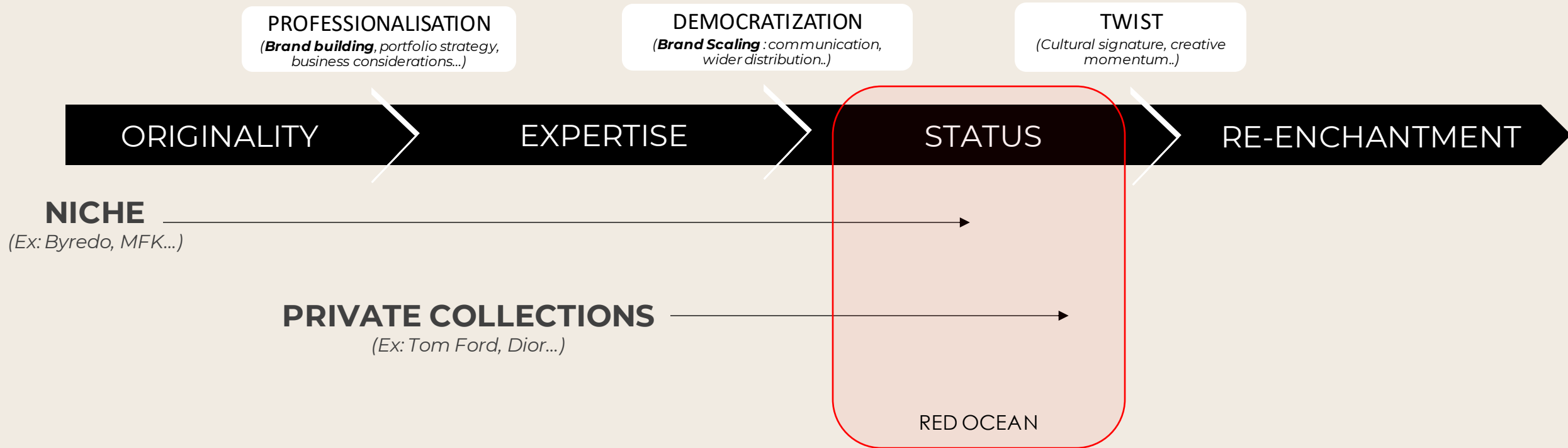
Success is a long-term journey : whether it is about creation, consumer appreciation, skin revelation or virality, time is the prevalent component of a market success. Most of the 12 benches were not immediate successes. There is a challenge of the creative process and challenges in the communication. Brands often need to choose between fast sell-out and shooting star virality.

EXCEPTION BRAND MAPPING BASED ON CONSUMERS' MOTIVATIONS



EXCEPTION BRANDS LIFECYCLE

- Successful exception franchises/brands all follow the **same pattern**.
- Through **democratization**, both collections and niche end up in the same statutory **crowded space**
- Brands will have to bring their own **Signature Twist** to the table to reenchant the category



THANK YOU



ANNEXES



OFFER STRUCTURE : NICHE PURE PLAYERS DOMINATE SALES. NARRATIVE OFFER IS MORE DYNAMIC.



EXPECTATIONS ABOUT THE MIX ARE DIFFERENT DEPENDING ON ASPIRATIONS

ELEVATION THROUGH UNIQUENESS

INSTANT EDGE OF SOPHISTICATION AND COMPLEXITY → MORE EXPERT TARGET

Key elements that aspire:

- **Discreet quality:** low-key, no commercial, no spokesperson, sharing-the-secret talks
- **Perfume properties are important:** unusual note combinations, precious ingredients, performance (++ sillage, long lasting)
- **Packaging:** minimal, neutral
- **Brands:** patrimonial, artisanal
- **References** of culture and history
- **In France:** feeling of wearing something unique & refined



ELEVATION THROUGH COMPLIMENT-GETTING

MAINLY PRAISED BY NEWCOMERS -BUT NOT ONLY- THAT WANT TO PROJECT A CAPTIVATING AURA THROUGH THEIR PERFUME

Key elements that aspire:

- **Compliment-getter scent:** a juice that doesn't leave anyone indifferent
 - ✓ Strong projection
 - ✓ Noticeable sillage
- **Confidence boosters:** scents that give confidence and strength
- **Seduction at the center:** desire to get compliments is often linked to the desire to seduce (lovers & global entourage)
- **Narratives & aesthetics +++ :** mesmerizing, hypnotizing, otherworldly, "Femme Fatale"



ELEVATION THROUGH STATUS

A NEWCOMER ASPIRATION

Key elements that aspire:

- **Trend-setter quality:** exclusive enough to stand out, but also recognizable enough to be trendy
- **Perfume recognition is important:** scents that invite attention, "signature" quality, performance (++ strength, beast-mode)
- **Packaging:** more decorative, instantly recognizable and collectible
- **Brands:** designer, cult, exclusive
- **References** of arts and fashion, local
- **In China:** refers to high education. A way to fight new-money status.

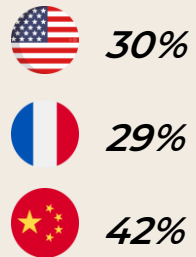


CONFIDENTIAL

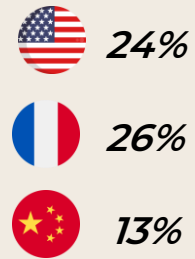
CONVERSATIONAL

MAIN TOPICS OF CONVERSATION

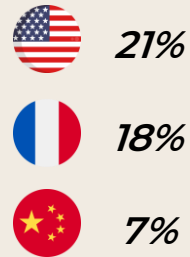
#1 31%
SCENT & NOTES



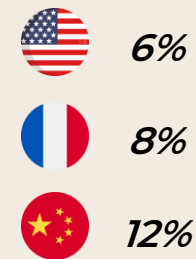
#2 23%
PERFORMANCE & QUALITY



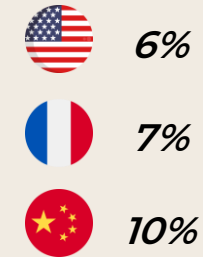
#3 18%
EMOTIONS



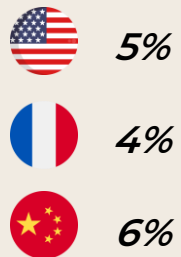
#4 8%
VALUE PERCEPTION



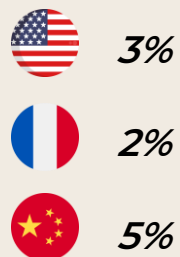
#5 7%
PACKAGING PERCEPTION



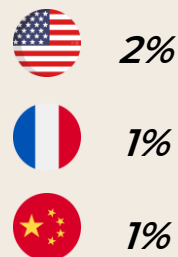
#6 5%
SAMPLING CAMPAIGNS



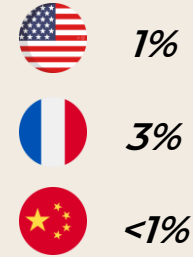
#7 4%
AESTHETICS



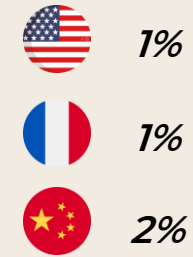
#8 2%
AFFORDABLE DUPES



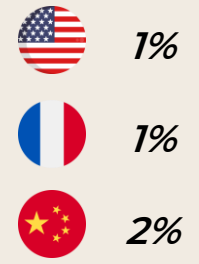
#9 1%
SUSTAINABILITY



#10 1%
INSTORE EXPERIENCE



#11 1%
PRODUCT CUSTOMIZATION



8 DRIVERS OF VIRALITY IDENTIFIED FOR OUR FRANCHISES CORPUS

