

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

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**



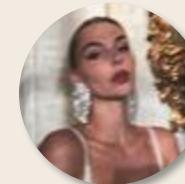
EXPERTS

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

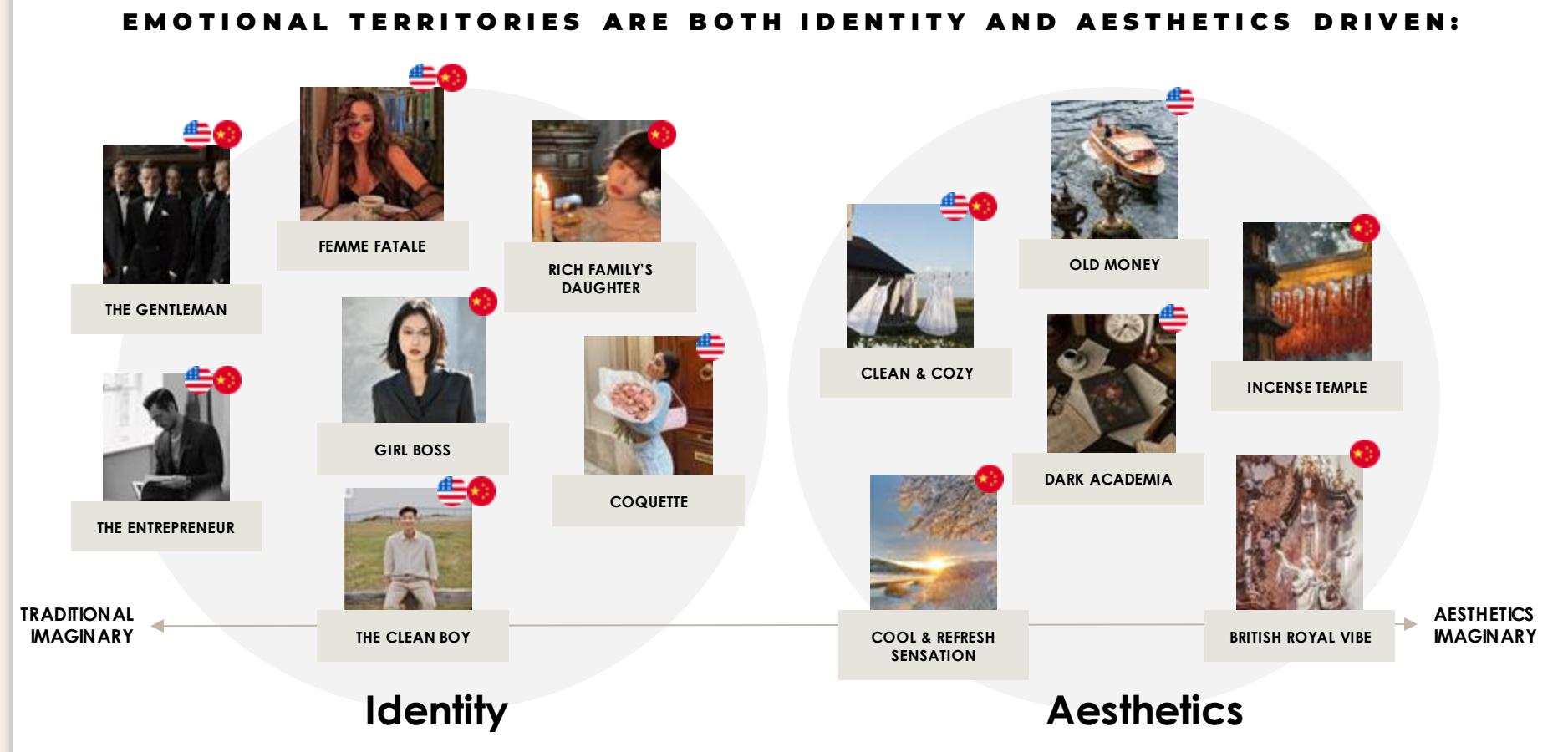
Just like ready-to-wear is designed to meet most consumers' taste and expectations, prestige is designed to trigger immediate crush and massive approval. On the other hand, **exception is to fragrance what couture is to fashion**: the consumer comes here to be offered **a vision, result of a creative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



MAJOR INSIGHT

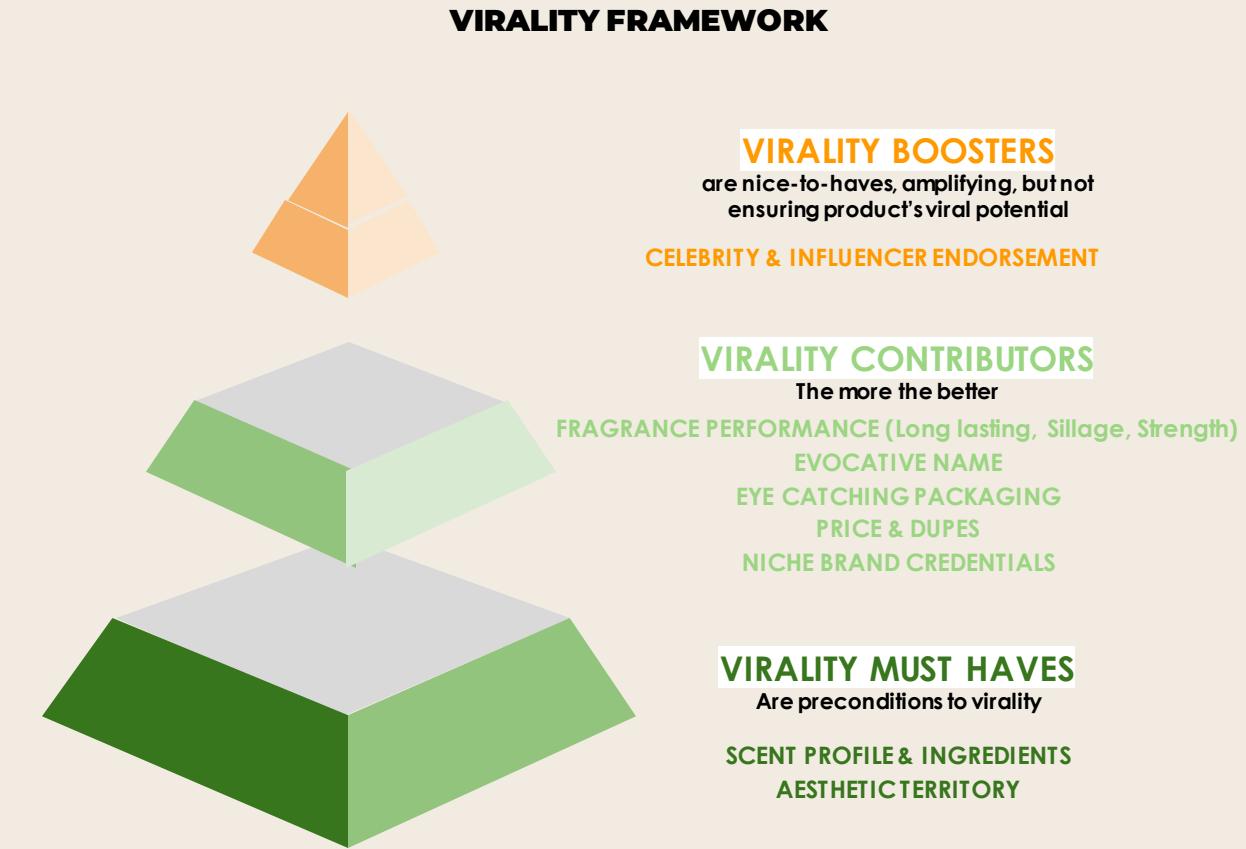
While prestige meets the need of an archetyped incarnation, exception fulfills a broader desire of imaginaire.

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

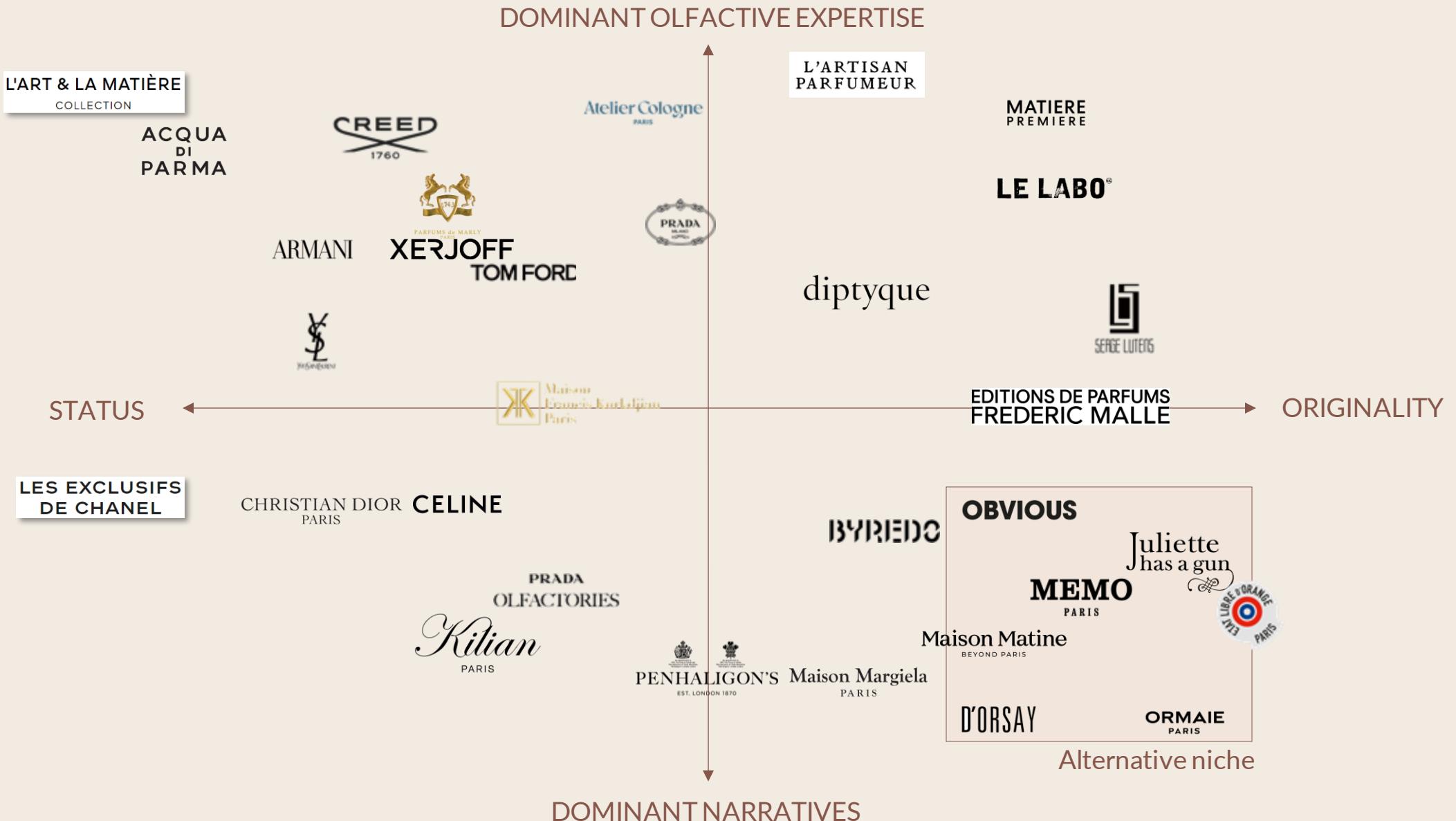
Imponderable & unpredictable mix elements

TIME TO LET THE MAGIC HAPPEN

MAJOR INSIGHT

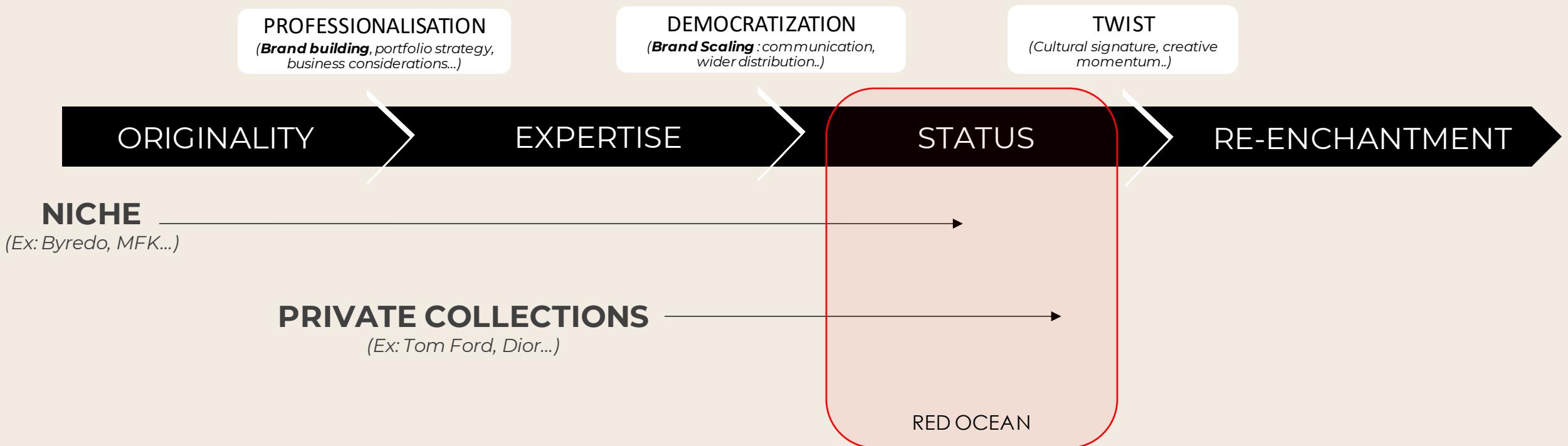
Success is a long-term journey : whether it is about creation, consumer appreciation, skin revelation or virality, time is the prevalent component of a market success. Most of the 12 benches were not immediate successes. There is a challenge of the creative process and challenges in the communication. 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.

**Contribution
to growth
2022 vs 2021**

Bubble size =
Market share in %



Sell out 2022

2 dimensions

Brand origin

- Pure players,
ex Le Labo, Dyptique...
- Couture brands
ex Armani privé, MM
- Perfumers
ex F. Malle, S. Lutens...
- Beauty
ex Lancôme collection

Brand « parti pris »

illustrated in range structure

- Ingredients
ex Santal 33 (Le Labo) , Musc ravageur (F.Malle)
- Narrative
ex Lazy Sunday Morning (MM) , the Tragedy of Lord George (Penhaligon's)

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



30%



29%



42%

#2 23%

PERFORMANCE & QUALITY



24%



26%



13%

#3 18%

EMOTIONS



21%



18%



7%

#4 8%

VALUE PERCEPTION



6%



8%



12%

#5 7%

PACKAGING PERCEPTION



6%



7%



10%

#6 5%

SAMPLING CAMPAIGNS



5%



4%



6%

#7 4%

AESTHETICS



3%



2%



5%

#8 2%

AFFORDABLE DUPES



2%



1%



1%

#9 1%

SUSTAINABILITY



1%



3%



<1%

#10 1%

INSTORE EXPERIENCE



1%



1%



2%

#11 1%

PRODUCT CUSTUMIZATION



1%



1%



2%

8 DRIVERS OF VIRALITY IDENTIFIED FOR OUR FRANCHISES CORPUS

