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PERFUMES AND COSMETICS

Report: Millennials, women key drivers behind perfume market growth

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Milan-based Acqua Di Parma is one of the top fragrance brands in the LVMH portfolio. Image: Acqua Di Parma

By STAFF REPORTS

The luxury perfume market share is expected to increase by \$4.2 billion from 2020 to 2025, with the market's growth momentum projected to accelerate at a compound annual growth rate of 6.09 percent.

The increase in demand from the millennial population is notably driving the luxury perfume market growth, although factors such as competition from products that are available at affordable prices may impede the market growth, per a new report from Technavio.

Key market driver

Indeed, there has been a significant increase in the use of perfumes among millennials, which can be attributed to the availability of these products online.

Online retail is highly popular among this generation as they are tech-savvy and more likely to purchase their specific grooming items such as perfumes online based on brand loyalty, per the report.

Many millennials possess high disposable incomes, which enables them to spend on aspirational items such as expensive fragrances.

The key players in the luxury perfume market are following the product push-and -pull strategy to increase sales.

Luxury perfumes are now available in smaller packages and priced lower than usual. These pricing strategies have made fragrances much more affordable for the younger generation, thereby offering them a higher purchasing power and enabling them to spend on beauty and personal care products.

The growth of the personal care and beauty products industry will drive the market for luxury perfumes.



Luxury perfume market size. Source: Technavio

Key market trend

Product bundling is the key market trend driving the luxury perfume market growth.

The high price of luxury perfumes is one of the key challenges for the market. Hence, vendors often use the strategy of product bundling to push products to customers who hold back their purchasing decision due to cost.

Product bundling is basically a pricing strategy in which two or more similar products are sold together for a substantially lower price.

In the case of perfumes, the bundles are usually made out of a deodorant and a perfume belonging to the same brand. The deodorant is for regular use, and the perfume is for special occasions.

Another common bundling strategy is to pair men's and women's perfumes together. Such bundles make ideal gifts for couples and, hence, tend to have high sales.

Bundling basically allows vendors to offer cost-effective deals to customers.

Key market challenge

The major challenge impeding the luxury perfume market growth is the competition from products that are available at affordable prices, according to the Technavio research.

The key challenge for the luxury perfume market is the high price that cuts down the market size considerably and also reduces the chances of repeat purchases.

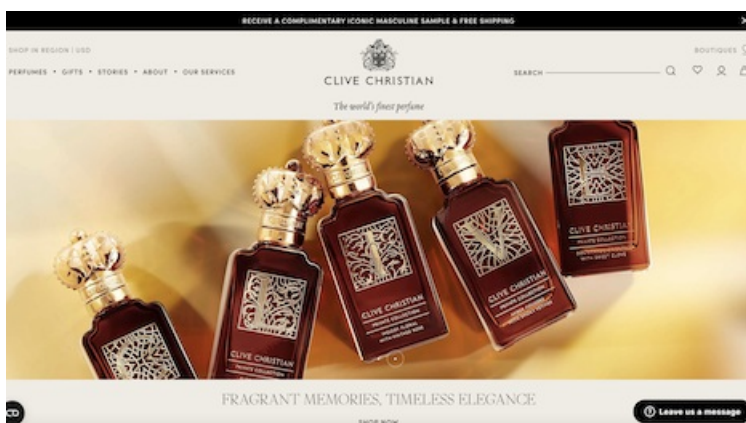
Premium perfumes suffer high competition from products that are available at affordable prices.

The customers for luxury perfumes are usually from the upper classes. They are much lesser in number when compared to the masses and mid-range customers.

Private labels are much more popular due to the economical price they set for perfumes.

The cost-effectiveness and good quality of mid-range products have made these perfumes much more popular than the premium ones.

Moreover, new buyers who are entering the segment of premium cosmetic products would not buy expensive products online without actually experiencing the scent in a bricks-and-mortar store. Hence, the price point is also liable to reduce online purchases.



Clive Christian is one of the most prestigious perfumes in the market with a loyal following. Image: Clive Christian

Key players

Major fragrance vendors in the market's competitive landscape include Amorepacific Group Inc., Burberry Group Plc, Clive Christian Perfume Ltd., Coty Inc., L and L Luxury Co. Ltd., L'Oréal SA, LVMH Moët Hennessy Louis Vuitton SE,

PVH Corp., Shiseido Co. Ltd. and Este Lauder Companies.

Quite clearly, the luxury perfume market is fragmented. Vendors are deploying organic and inorganic growth strategies to compete in the market.

To make the most of the opportunities and recover from post COVID-19 impact, market vendors should focus more on the growth prospects in the fast-growing segments, while maintaining their positions in the slow-growing segments, Technavio suggests.

Growth pockets

Thirty-seven percent of the market's growth will originate from Europe during the forecast period.

Germany, United Kingdom and France are the key markets for the luxury perfume market in Europe.

The high living standards, increased introduction of innovative products, strong brand value of the products offered in the market and rising household expenditure will facilitate the luxury perfume market growth in Europe over the forecast period.

COVID impact and recovery analysis

The outbreak of the COVID-19 pandemic in the region led to the shutdown of production plants in the first and second quarters of 2020 in several countries in the region.

Owing to the lockdown, luxury perfume retailers in Europe announced the partial suspension of their operations. These factors hindered the potential growth of the market in 2020.

However, the governments of several countries lifted lockdown restrictions in the third quarter of 2020 owing to the decrease in COVID-19 cases as well as the implementation of vaccine drives in countries such as Germany and France.

This lifting of restrictions led to the resumption of manufacturing operations of luxury perfume manufacturers and distribution channels such as specialty stores, hypermarkets and department stores across countries in the region. This is expected to propel the demand for luxury perfumes in the region during the forecast period.

The luxury perfume market share growth by the women segment will be significant during the forecast period, per the report.

With the increase in the number of working women across the globe and the subsequent increase in their disposable income, women consumers have the financial freedom to invest in luxury perfumes.

The need to look presentable and professional in the workplace is also one of the key reasons for the growing expenditure on luxury products.

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