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Carving a niche
in the global
fragrance market



messe frankfurt

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Introduction

The global fragrance market is undergoing a transformation, with growth in both premium and mass fragrances having experienced somewhat of a slowdown in recent years. In comes the niche fragrance category which is carving a niche in its own right and enjoying positive growth prospects. Here the experts at Beautyworld Middle East, drawing on market research and insights from Euromonitor International, examine how the niche segment is penetrating the perfume industry and transforming the market.



What makes a perfume niche?

Typically, a niche perfume will evoke a rare scent that is not readily accessible in department stores as there is a selective distribution process. They are usually more expensive than regular perfumes and come with more than one unique selling point such as their exclusive scent or the concentration of pure ingredients used. It is rare to see niche fragrances advertised, rather word of mouth, magazine reviews and online blogs subtly place them in the limelight.

While the niche segment is categorised by being non ubiquitous, the number of niche brands entering the global fragrance market is rapidly increasing. These new scents are still unique, retaining their selective distribution processes and small scale production, but it is clear the selection of available brands is broadening. Today, therefore, the choice in the niche segment is greater than ever with scents to suit every taste and preference.



Growth prospects in niche perfumery

While the global fragrance market was worth an impressive USD 46 bn in 2014 according to figures from Euromonitor International, it has experienced a slowdown in growth in recent years and this is expected to continue. While the small-sized nature of niche fragrance houses makes it a more difficult category to quantify, the healthy growth of perfume houses with exclusive collections does indicate its high growth prospects.

With some of the bigger companies such as Estée Lauder and L'Oréal actively acquiring niche perfume brands as part of their expansion strategies, it is clear the niche segment is an appealing market for key players who are looking to grow their market share.

Euromonitor International data shows that Western Europe and North America markets are experiencing a decrease in volume but an increase in value. The fragrance market value in Western Europe will see a compound annual growth rate (CAGR) of one per cent, but a lower volume CAGR in the 2014 to 2019 period and in North America it will be a two per cent CAGR in value, but with zero growth in volume. This indicates that consumers are opting for more quality-driven, high-priced fragrances, which come in smaller quantities, rather than the mass fragrances options. Consumers are more willing to pay higher prices for purchases made less frequently, suiting the niche segment where scents often tend to be stronger and last longer.



Why niche is catching on

Aside from increasing disposable incomes and other such factors, another trend that is driving growth in the niche segment is linked to market saturation. Consumers are becoming less brand loyal in a crowded market where it is becoming more and more difficult to distinguish between scents. This is particularly the case in the mass fragrances category. In the niche fragrance market, however, customisation and unique olfactory products are offering more personalised scents, therefore growing in popularity.

The ability to layer scents to create unique fragrances is a classic example in the customisation space. Take the now well known Jo Malone London brand which markets itself on the idea of layering different scents that complement each other. Even their online store allows customisation in two quick steps where a customer can choose a favourite blend and then adjust its tone to suit personal preference. The lid or bottle can now also be engraved. Though now owned by Estée Lauder and having expanded rapidly geographically, it still remains true to its original niche offering.

According to Euromonitor insights, creativity in ingredients is another trend that is driving growth in the niche category. The use of alternative and locally-sourced ingredients allows perfumers to market a fragrance based on the traditional smells and accents of a particular place. For example, Roads Africa range fuses African ingredients to denote African heritage and Creed Royal Mayfair denotes historical London with its notes of British gin, Jamaican lime and Duke of Windsor roses.



4. Niche – the way forward?

While it is difficult to quantify its market value, it is clear that the prospects for niche fragrances are strong and that their continued success could come at the expense of mass fragrances and premium categories in the global fragrance market. Niche perfumers are pushing boundaries with more innovative and unique offerings and this has led to bigger players heightening their activity in more inventive ways.

The challenge now lies in niche players being able to keep their original focus. Quality of ingredients, small-scale production and selective distribution processes, still define a niche fragrance, but in a market where bigger players are jumping in and geographical expansion is attainable, niche perfumers must be careful not to dilute that unique selling proposition.

Identifying these latest trends in the global fragrance market, Beautyworld Middle East has launched an exclusive platform at its annual exhibition dedicated to the world of rare and niche perfume. At Quintessence, visitors can explore the works of creative and inspirational perfumers showcasing their specific knowledge, perfume stories, high-quality production and prestigious products that are only available to a specific and selective distribution channel.

Visit Quintessence at Beautyworld Middle East to sample the very best in niche and unique perfume creations and be sure you stay abreast on the latest 'crème de la crème' of perfumer brands.

