



Esxence

THE ART PERFUMERY EVENT

MASTERS OF DREAMS

Thursday
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11:30 am

2025 ESSENCIONAL OBSERVATORY

**Current Macroeconomic scenario and the Evolution of the niche sector –
*Survey Results***

SPEAKERS

Silvio Levi

Founder & Director @Essencional

Chiara Toniello

Project Manager @Essencional

Marco Ricchetti

*CEO @Blumine & Economic
Advisor @Essencional*

Karen Marin

*Consultant & Content Director
@Essencional*

Scenario Analysis

Macroeconomic Trends & the Artistic Perfumery Market.
The Good, the Bad and the Uncertain

SPEAKER **Marco Ricchetti**

Essencional and Blumine

MASTERS OF DREAMS

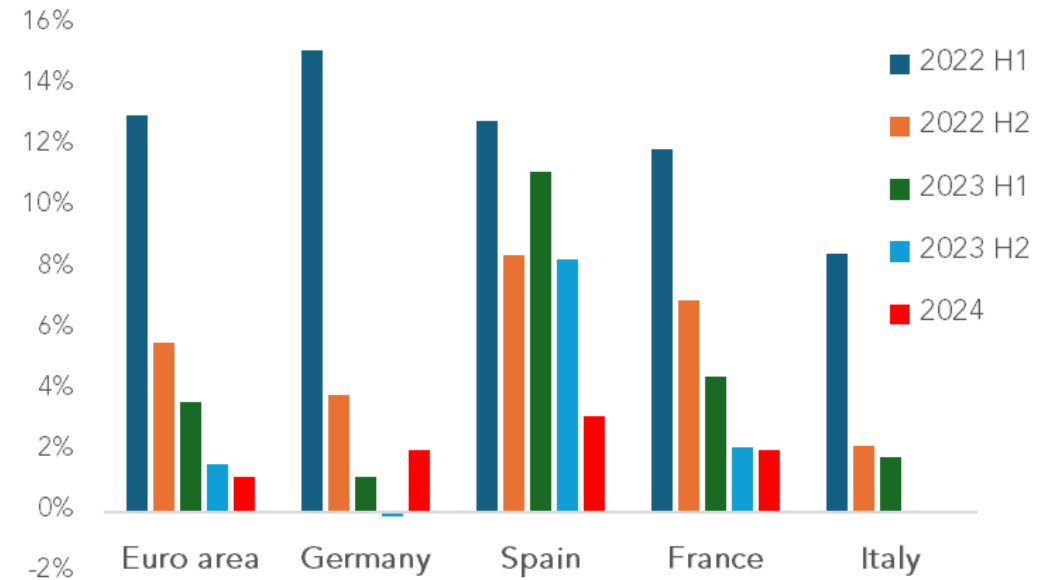
Two points of discussion

- ✓ The macroeconomic and social scenario:
the bright and dark sides of key economic forces.
- ✓ How is artistic perfumery affected?
If impacted, to what extent?
(Spoiler: Artistic Perfumery is Anti-cyclical!)

The roots of the turbulence

- ✓ The fading of the post-pandemic *Revenge shopping* phenomenon
- ✓ The double-edged sword of anti-Inflation policy success
- ✓ Luxury Brands' overreaction to inflation with aggressive price hikes
- ✓ Market geography: Crisis in Asia's Market Powerhouses: China & Korea

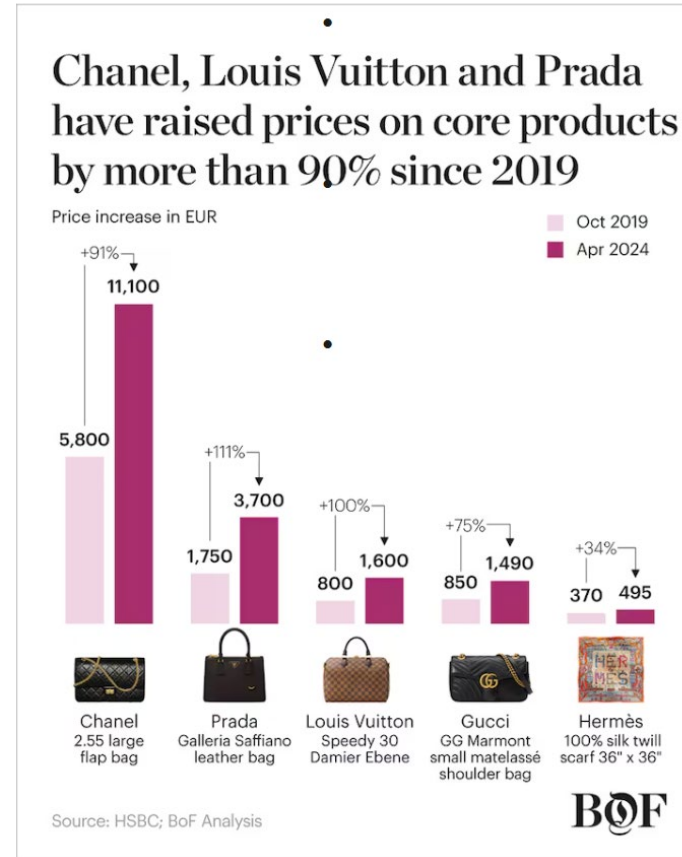
The end of Revenge Shopping
Retail sales non-food items y/y % change



Source: Eurostat

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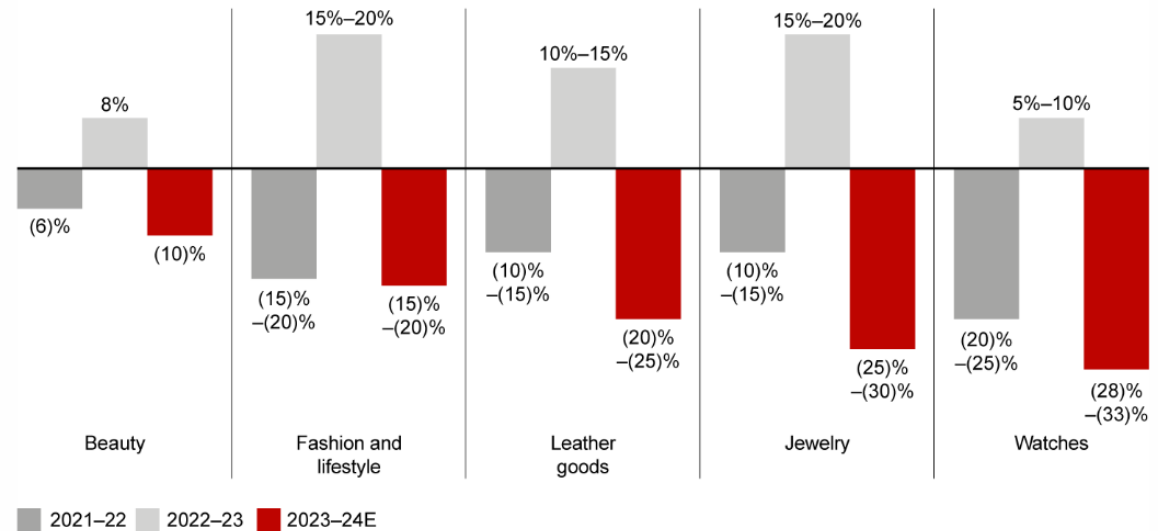
“Between the end of 2019 and September 2024, luxury goods prices increased 54% on average (CAGR +7.5%)”
(source HSBC research)

Artistic perfumery prices have also increased, though at a more moderate pace, with an average CAGR of 3-4% based on a sample of analyzed fragrances.
(source our research)

The roots of the turbulence

- ✓ The fading of the post-pandemic *Revenge shopping* phenomenon
- ✓ The double-edged sword of anti-Inflation policies success
- ✓ Luxury Brands' overreaction to inflation with aggressive price hikes
- ✓ **Market geography: crisis in Asian Market**
Powerhouses: China & Korea

Mainland China personal luxury market year-over-year growth by category



Sources: Bain-Altgamma 2023 Worldwide Luxury Market Monitor; Financial reports; Bain analysis

2025 & beyond: The bright side



EUROPEAN CENTRAL BANK

- ✓ Stronger Job Market & Rising Incomes Across Europe – Consumer confidence is rebounding as employment levels grow.
- ✓ Consumers' concerns over persistent inflation and shrinking purchasing power are gradually diminishing.

Press conference January 30, 2025:

“... the labour market (...) continues to be robust, with the unemployment rate staying low, at 6.3 per cent in December.

A solid job market and higher incomes should strengthen consumer confidence and allow spending to rise.”

2025 & beyond: The bright side

- ✓ The return of protectionism. Trump administration announced policies can bring trade tensions, tighter monetary policies, and revived inflation risks
- ✓ The persistent effects of inflation: inflation may be easing, but elevated prices continue to discourage consumers.
- ✓ Structural changes in consumer, especially Gen Z, preferences and behaviour: sustainability & *luxury fatigue* reshape consumer habits

2025 & beyond: the uncertain China's outlook

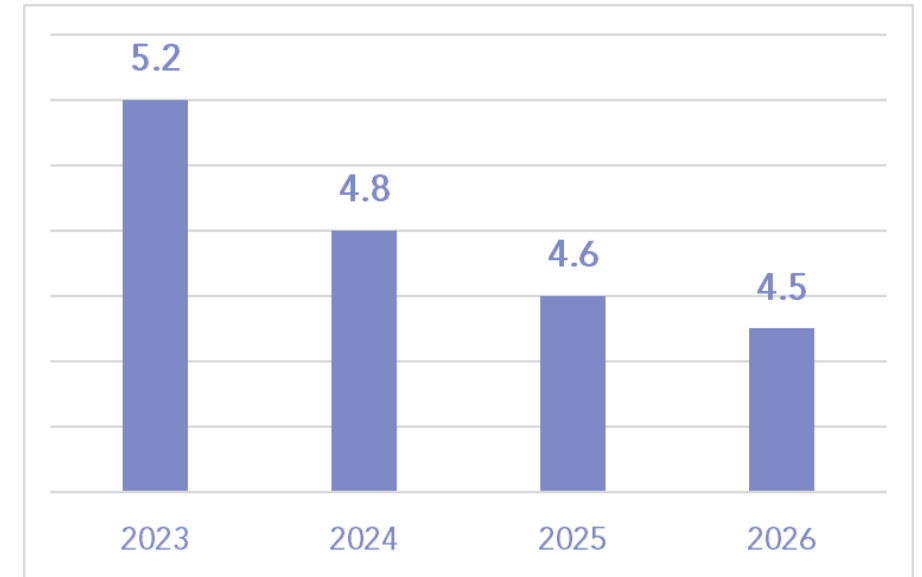


China's 2025 outlook remains uncertain. Deflationary pressures, weak consumer confidence and low domestic demand led the China Politburo to pledge "*unconventional counter-cyclical adjustments*".

Analysts remain skeptical about it, as so far policies have been limited to subsidy schemes for cars, appliances, and select goods, but more impactful initiatives remain unclear. (sources: Goldman Sachs & Morgan Stanley analysis)

A key question remains: will Beijing introduce stronger policies to effectively revive consumption, or will economic headwinds continue to weigh on growth?

China real GDP growth decline
IMF forecast Jan. 2025



Source: International Monetary Fund, World Economic Outlook Update, January 2025

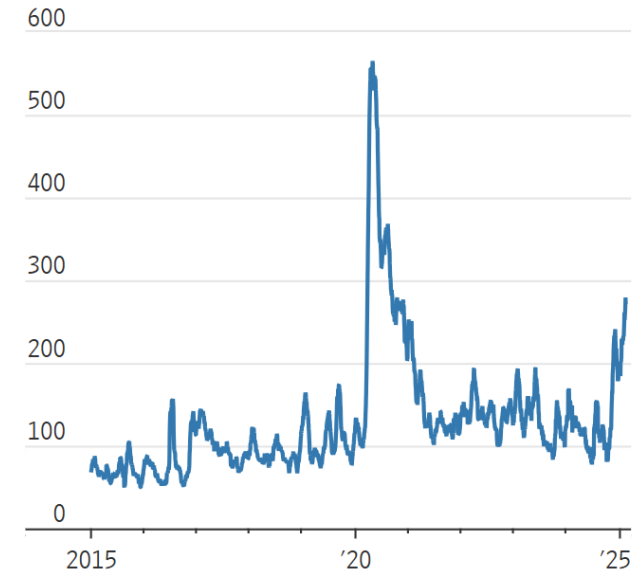
2025 & beyond: the uncertain US economic policy

WSJ: “Trump’s Conflicting Business Policies Sow Economic Uncertainty” (Feb 10th, 2025)

An index of policy uncertainty based on news articles developed by Stanford University economists, has reached levels last seen during the pandemic and in the wake of the 2008 financial crisis.

- ✓ *Will the announced tariffs trade policy actually materialize?*
- ✓ *Will the Federal Reserve yield to Trump's request to cut interest rates, potentially fueling inflation?*

News-based economic policy uncertainty index



Note: 4-week moving average. Higher values indicate higher levels of uncertainty

Source: Scott Baker, Nick Bloom and Steven Davis

The scenario for artistic perfumery



- ✓ 2024 was better for artistic perfumery than for luxury goods in fashion and other categories
- ✓ The Asian market crisis can be an issue

*While luxury fashion sales faltered and beauty's previously rapid growth softened fragrance thrived as 2024's fastest-growing beauty category.
(source: BoF, 24 Dec.2024)*

*Double-digit growth in prestige fragrances in the US in the first half of 2024 while mass market fragrances declined.
(source: Circana)*

*A single-digit full year 2024 growth in Europe, is expected (still provisional) while a -2.8 decrease is recorded in Asia
(source: Statista October 2024))*

The scenario for artistic perfumery



- ✓ The Luxury good price “*unbearable growth*” can be a factor favouring “*luxury*” perfumery especially, but not limited to, for aspirational consumers.

The “Lipstick effect”

The “lips tick effect” refers to the tendency of consumers to buy small, affordable indulgences rather than big-ticket luxury items during economic uncertainty and slowdowns

.... beware of the new entrants in the market!

Brands like **Bottega Veneta, Balmain, Valentino, Fendi, Acne Studios, and Jil Sander** have recently introduced fragrances, some for the first time, or making a comeback after years of absence. Notably, Fendi, which withdrew from the fragrance market in 2015, has re-entered with a new collection, reflecting the industry's renewed focus on luxury scents as an accessible indulgence

Conclusion



- A. Artistic perfumery's long-term growth trends will remain strong, outweighing most of the negative macroeconomic pressures.
- B. Shifting consumer behaviors in younger generations may further accelerate positive market trends, reinforcing demand.
- C. Goeconomic shifts and the potential slowdown of the Asian boom could, however, impact revenues and ROI for brands heavily invested in the region.

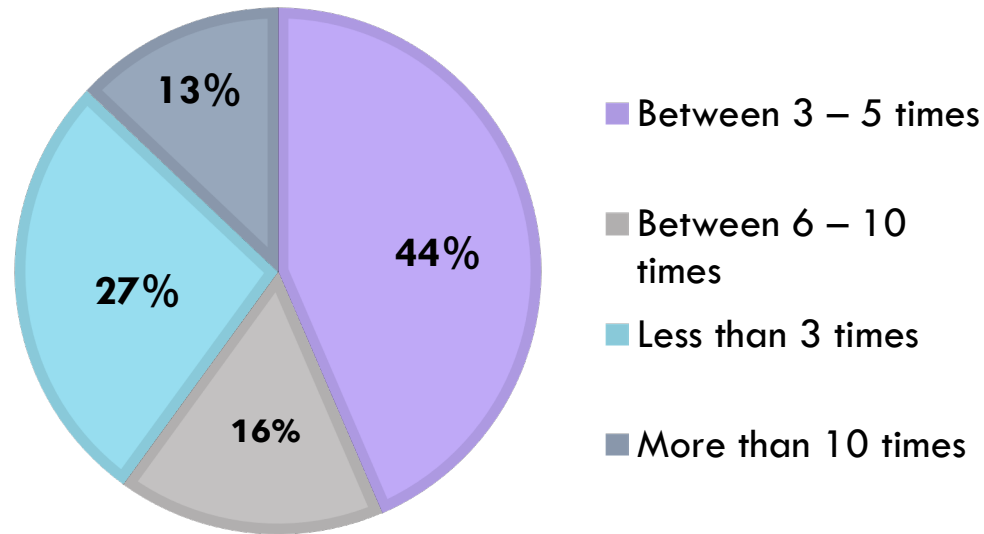
Evolution of Niche Sector: the survey

Since 2019 we have monitored how the industry is changing. This year our survey evaluated the following aspects:

Brands	Retailers	Customers
Product Strategy Key Challenges Brand Awareness Long-term goals	Brand Benchmark What is Niche? Brand Criteria Performance Review	Change in consumption habits of end customers Impact of Gen Z and Alpha

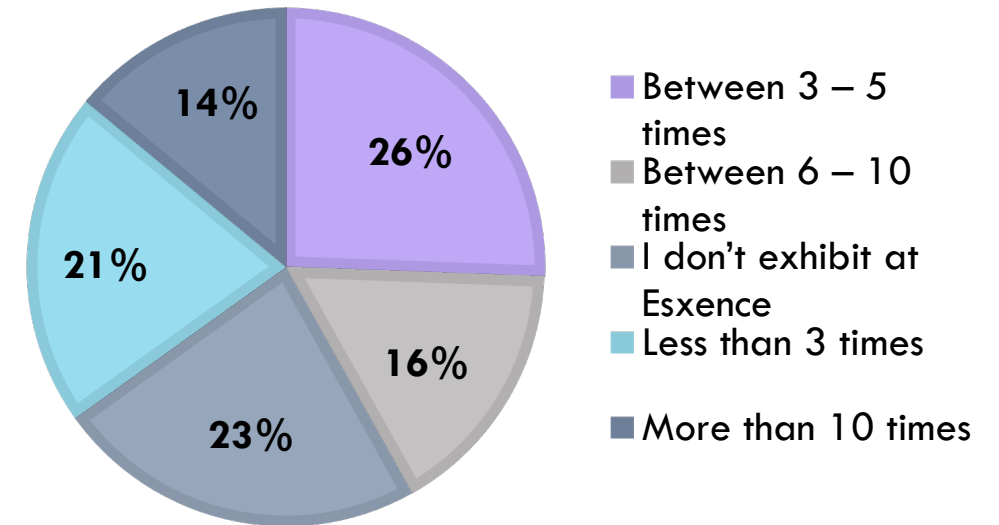
How Often do you come to Esxence? A similar response

RETAILERS/DISTRIBUTORS



Most participants have come more than 3 times, but almost 30% have visited more than 6 times

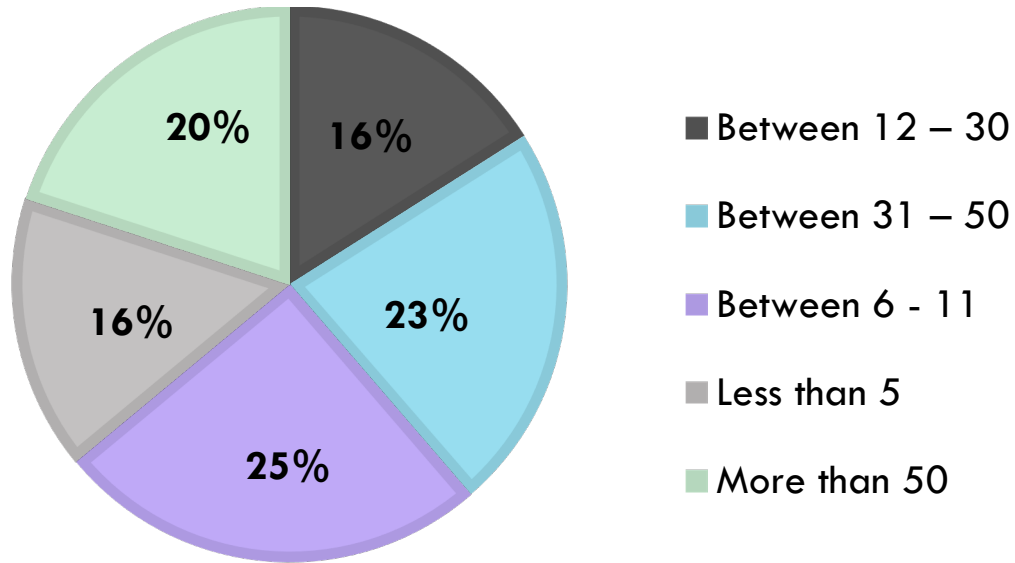
BRANDS



A fairly even split between those who have visited more than 6 times (30%) and 3-5 times (26%)

Niche Brand Portfolio

How many niche brands are in your assortment?



43% have at least 30 niche brands

Brand «benchmark» for Niche Perfumery

TODAY	10 YRS AGO	BRAND
X	X	Amouage
X	X	Maison Francis Kurkdjian
X	X	Creed
X		Nishane
X		Xerjoff
X	X	By Kilian
X	X	Montale
X	X	Byredo
X	X	Editions Frederic Malle
X		Parfums de Marly
X		Maison Crivelli
X		Ex Nihilo
	X	Clive Christian
	X	Diptyque
	X	Tom Ford



GAINING RANK

- Maison Francis Kurkdjian
- Nishane
- Xerjoff
- Parfums de Marly
- Maison Crivelli
- Ex Nihilo



LOSING RANK

- By Kilian
- Byredo
- Editions Frederic Malle
- Clive Christian
- Diptyque
- Tom Ford

What characterizes a Niche Perfume?

MOST IMPORTANT



- Fragrance is the core product



- Authentic & Credible



- Independent, not owned by a conglomerate

LEAST IMPORTANT

Transparency in sourcing,
production, packaging



What are you looking for in a new brand?

MOST IMPORTANT

- Being artistic and qualitative
- It's different from the existing assortment
 - → and doesn't copy others
- A unique and authentic story
- The fragrances will appeal to your clientele

LESS IMPORTANT

- The brand sells from their own website
- The brand has freestanding boutiques which help to build its notoriety
- Content creators are promoting the brand on their own social platforms

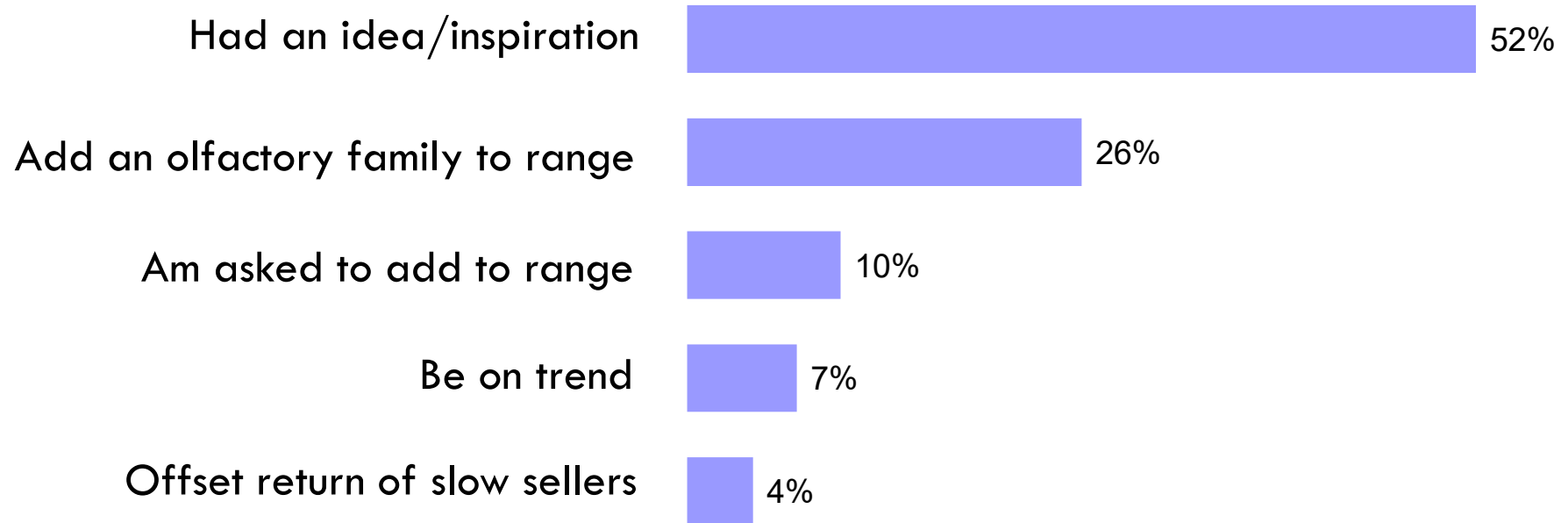


A factor deemed neither important or unimportant!

The brand puts emphasis on being eco-conscious and sustainable

Why do you introduce new fragrances?

New Fragrances are the result of the desire to express and develop the brand, rarely to meet a real existing demand of retailers or to follow trends



Product Range & Development

BRAND

43%
of brands have
9 – 15 Fragrances



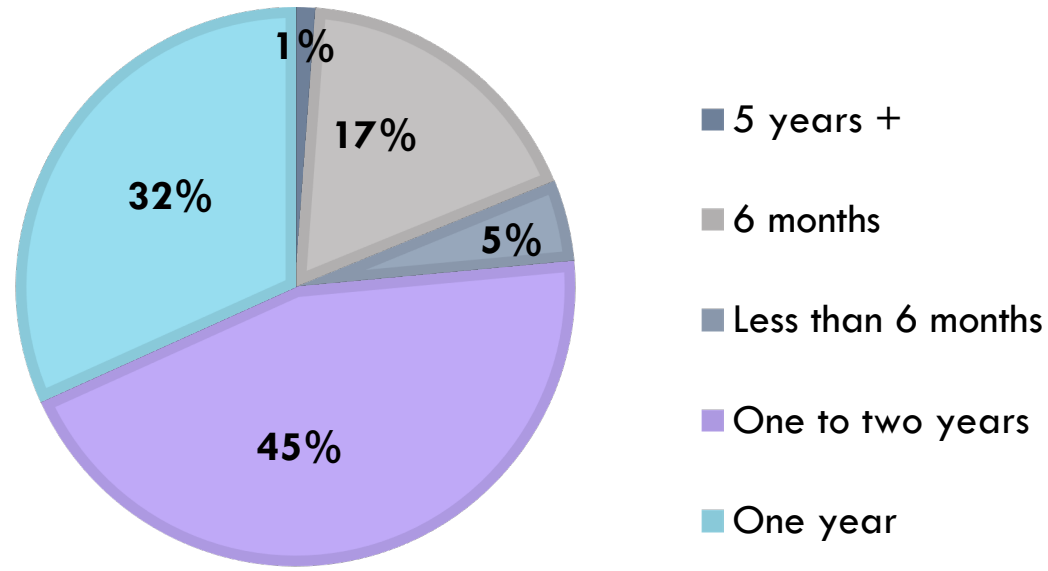
36%
of brands think the ideal size
of a collection is from **16 - 25**
Fragrances

Over **50%**
don't have ancillaries

And don't plan to add them –
even for best sellers

Review, Assess & Revise

How long do brands have to meet objectives?



REVISE!

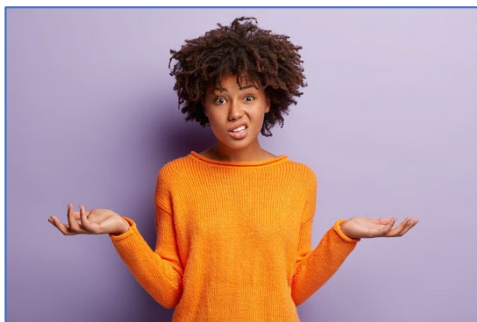
**66% of respondents
are constantly
reviewing & revising
their assortments**

Brands have 2 years or less to perform

What hinders a brand from success?

3 KEY OBSTACLES

1



The concept is not well thought out, too difficult to explain

2



The fragrances in general don't appeal to the consumer

3



The strategy is not well thought out or well executed

What are the biggest challenges for brands?

DIFFICULT



Finding a reputable distributor/agent

86%



Opening Point of Sales

67%

EASY



Building a cohesive marketing plan within my budget

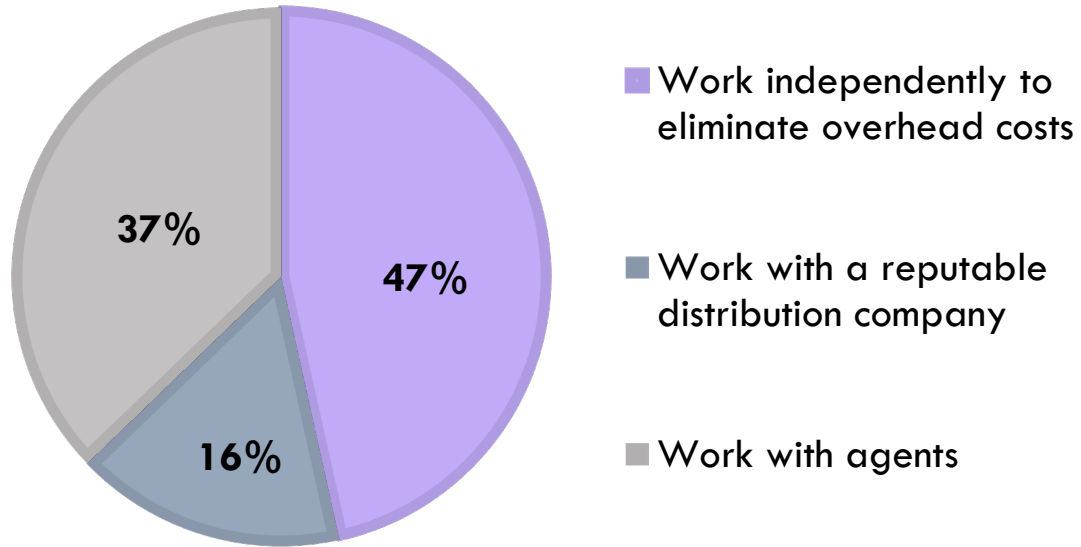
Creating a unique selling point & story for my brand



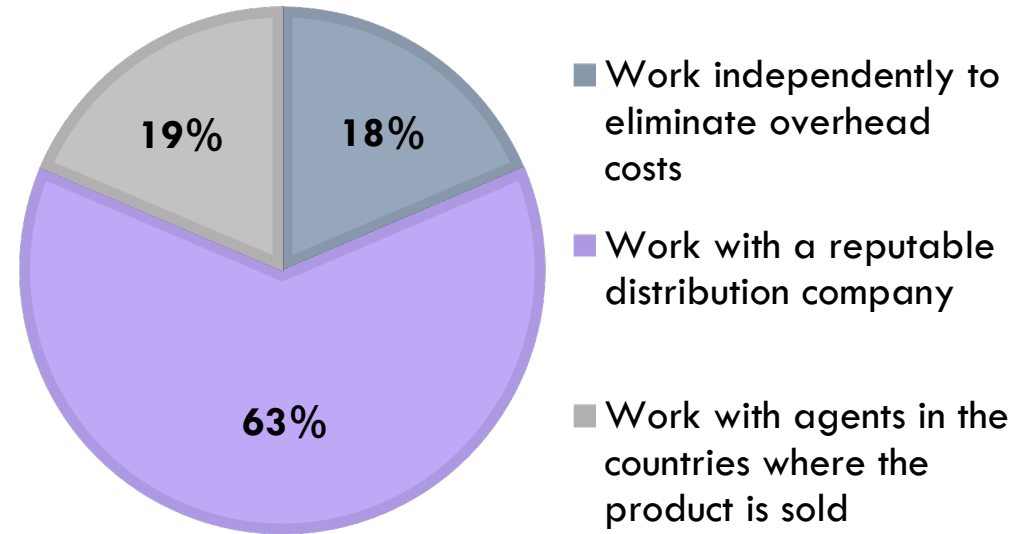
Brand Distribution Model

BRAND

DOMESTIC MARKET



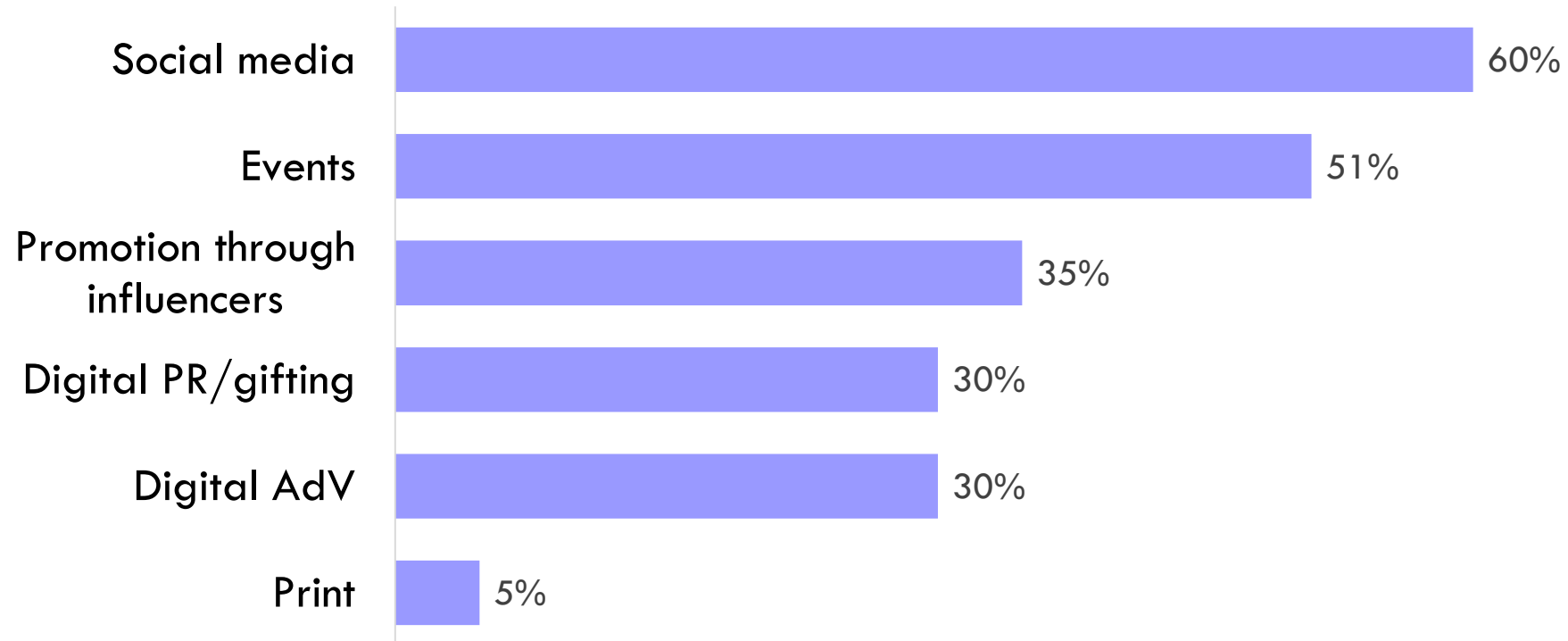
OUTSIDE DOMESTIC MARKET



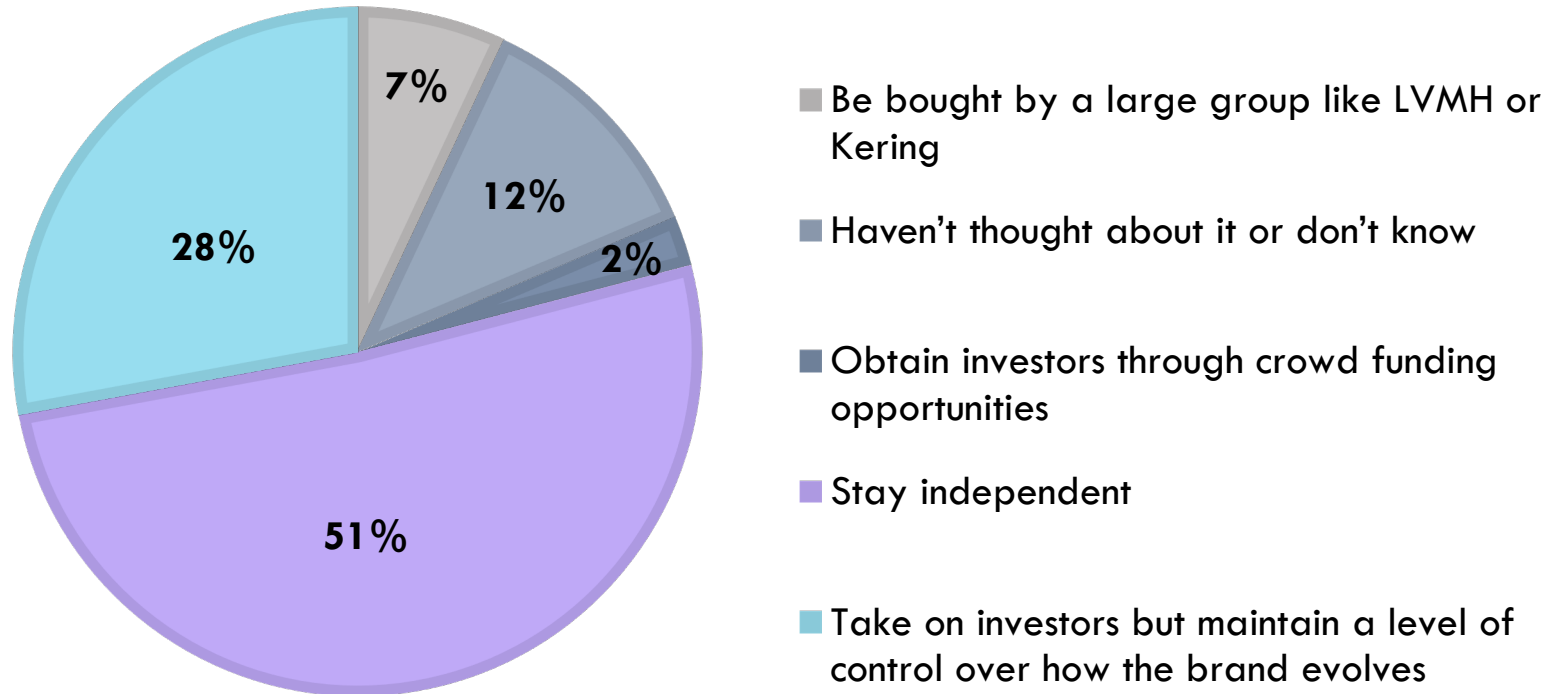
Brand Awareness – Effectiveness of Media

BRAND

- Brands agree that the most effective medium is their own Instagram profile, to the detriment of old media, which brands consider the least useful.

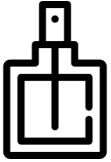


Long term plan: An overwhelming desire for independence!



Retail Deep-dive: how the consumer is changing habits

Retailers: the privileged observers in the field on the evolution of the consumer of niche perfumery nowadays



- **Niche perfumery:** a clear concept in consumers' minds compared to previous years
- **The consumer's level of expertise** in niche perfumery has increased



- **New clientele and new habits:** generations “GenZ” and “Gen Alpha” are now in stores
 - Normal to have 10 teenagers per week in big city shops
 - Less loyal to brands and fragrances

#perfumetok
6.4 Billion views

#smellmaxxing
63 Million views



- **Different behaviours in terms of interaction in store:**
 - **Gen Alpha:** not interested in storytelling, prefer self-service, looking for hyped fragrance as status symbols
 - **Gen Z: fragrances are a way to express themselves and cope with emotions. They want to discover new things.**
 - Really attracted to personalisation: es. Engraving, gadgets, ...
 - They may ask if the fragrance is refillable: sensitive about sustainability

- **Older generations (Millennial, X, ...):** curious, receptive and looking for new brands, they have an increased knowledge compared to before. Traditionally receptive to shop assistant's suggestions.



Retailers: Sales assistant and shop owners need to be the ones that make the younger generations fall in love with niche, and make them go beyond the bestsellers and most hyped fragrances.

Retail Deep-dive: how professional roles are changing



- **Perfumery Management** – more complex professional roles: Independent Perfumery Owners/Sales Assistants involvement in Social Media
- **Between 30% to 50% of the total workload** is dedicated to content creation.
- **Requires additional investments:** e.g. support for post production
- **Requires mastery of the medium used:** e.g. entertainment for Tik Tok
- **Is it worth it?** The perception of the retailers is YES!

- **Olfactory tourism is consolidating new audiences:** people travel to visit specific niche fragrance destinations, more than before.
- **Fostered by the active social media use of shop owners**
- **Regarding mainly the older generations:** Millennials, Generation X
- **Good in terms of sales conversion:** at least 3 fragrances per couple of fragrance tourist; Olfactory tourists have a high propension for unknown indie brands.




Retailers' professional roles are evolving. Shop owners that use social media effectively are becoming like content creators. A wise use of social media leads to clientele extension and makes the shops more resilient and less dependent on local clientele.