

LUXURY MEMO SPECIAL REPORTS

## Fragrance and personal care: Luxury Memo special report

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Promotional image for Harvey Nichols' recently renovated beauty department. Image credit: Harvey Nichols

By NANCY BUCKLEY

Luxury labels are no longer the sole choice for wealthy fragrance and beauty consumers as the threat of indie players sparks a series of changes in high-end brands.

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Indie beauty and fragrance brands and individual social media influencers have been rising as competitors to luxury brands for many years, raising the debate as to whether a brand should continue to battle or embrace evolution. Some brands have fully integrated the new trends by hiring vloggers or acquiring indie brands, but other marketers are set to fight the threat to tradition.

"Luxury beauty is being challenged by several factors: smaller footprint retailers, a moving price point, advancing technology, natural/wellness brands and a consumer whose definition of luxury might be more centered around time and ease instead of price point and label," said Larissa Jensen, executive director and beauty industry analyst at **NPD**, Port Washington, NY.

5 trends in the fragrance and beauty sector:

- Embracing the other side

"If you can't beat them, join them" has been the trend for some larger conglomerates that have acquired smaller beauty and fragrance brands or hired social media influencers for director positions. This mentality has allowed for more traditional luxury brands to grow their market and create relationships with a wider variety of consumers.

- Tradition with stands

There has been an increase in bricks-and-mortar presence outside department stores as brands look to build consumer relationships through a retail presence. Standalone storefronts allow for beauty brands to combat the decline of makeup counters in department stores and offer a way for brands to personally interact with consumers. Also, this gives brands a chance to have an omnichannel presence, bringing their social media and digital presence in-store, an opportunity not as readily available at makeup counters in department stores.

- Technology cannot be ignored

The increase in artificial intelligence and augmented reality has been seen across all luxury brand sectors, but competition from non-luxury brands creates a sense of urgency among beauty and fragrance marketers to offer innovative options for their consumer. Also, since the nature of the product is so personal and custom for consumers, offering a way to integrate that relationship digitally is critical.

- Fight to stand out

Indie brands and changes in search options online are causing an unprecedented problem for luxury brands as they are now forced to stand out in a crowd. In the past, luxury brands could guarantee consumers by name recognition and reputation alone, but the increase of online retailers has put the luxury brands in the masses as consumers sift through the multitude of options online. Some brands have chosen to stand out by acquiring these smaller brands and others have chosen to do this by retailing on sites such as Amazon, whereas some opt to remain traditional and rely on name recognition.

- Coherent experiences

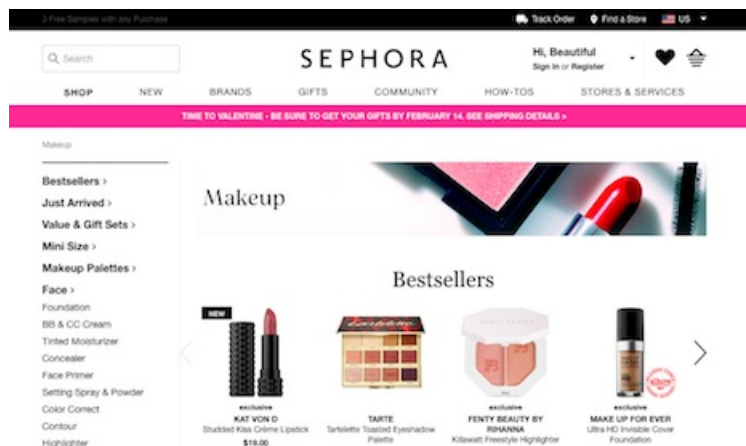
With both in-store and digital initiatives, the main focus is the experience that the consumer receives across mediums. A consumer expects her online and in-store experiences to remain consistent.

### Tolerating the competition

Indie beauty and fragrance products have long been in existence, but their threat to luxury brands has never been imminent quite like now. This impending concern has been escalated by the gradual tolerance of smaller brands by luxury labels.

Luxury beauty and fragrance companies have accepted indie brands through physical in-store collaborations, acquiring personnel as leaders in the brand and through a digital presence.

A push to acceptance came when LVMH-owned beauty retailer Sephora shifted shopping to "by category" instead of "by brand." Luxury brands have to now stand out amid a more crowded field.



*Sephora's beauty page. Image credit: Sephora*

In-store experiences with smaller beauty brands have allowed for an update to the beauty counter. For instance, Bloomingdale's offered a "beauty happy place" for cosmetics-lovers with a new boutique called Glowhaus.

The boutique specialized in beauty products from a number of brands and gave customers a place where they can freely try out and test different combinations and products in a casual and free environment. The retailer opened five boutiques at various Bloomingdale's locations in New York and California ([see story](#)).

In-store experiences, such as Glowhaus, allow for the consumer to have a hands-on experience that offers individuality to the opportunity. Prior to custom experiences, the consumer primarily interacted with a beauty product through a consultation with a makeup artist, not permitting the customer to try the product for themselves.



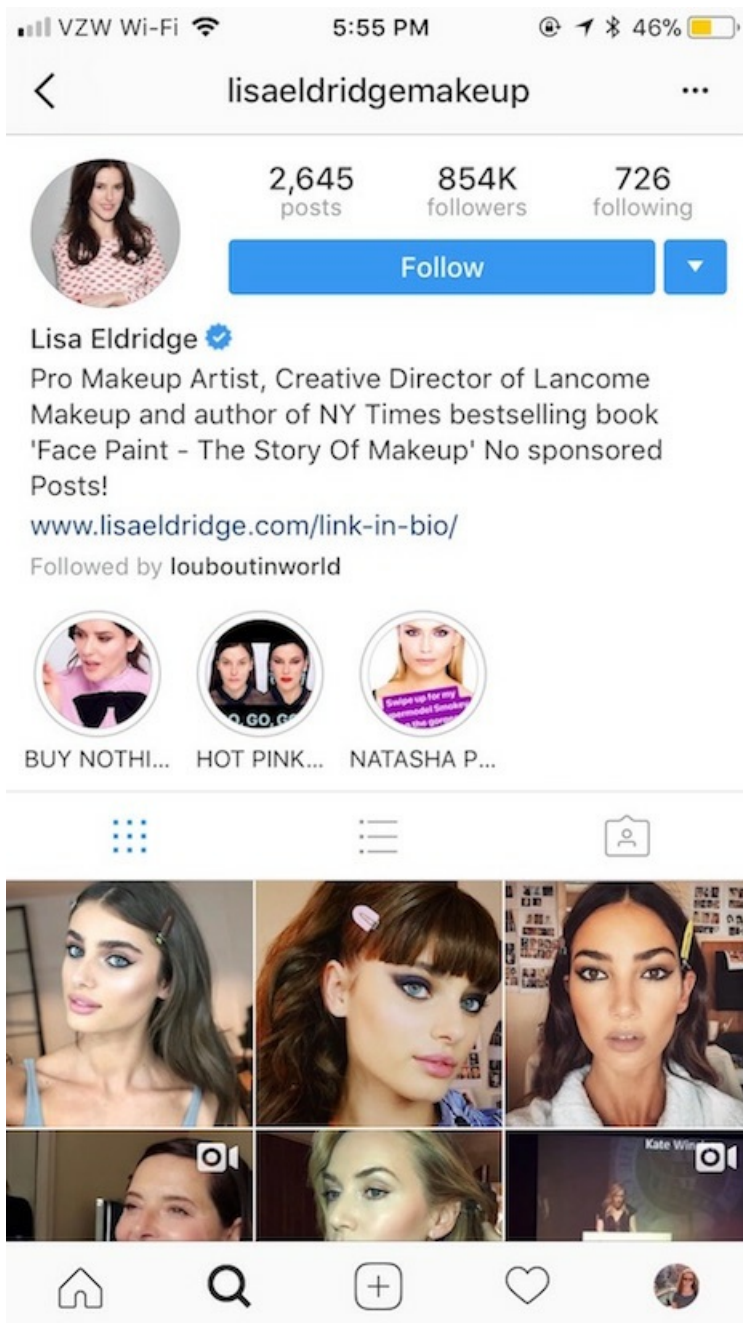
*Bloomingdale's Glowhaus. Image credit: Bloomingdale's*

Another department store that decided to modernize the beauty counter experience is Harvey Nichols. In 2016, the flagship store in London underwent a 10-month renovation to the ground floor, which houses beauty and fragrance.

The completed transformation of the department unveiled a break from the traditional model of beauty counter selling. Instead, the 13,000-square-foot space is designed to resemble a sophisticated and elegant boutique, appropriate for the discerning consumers of Harvey Nichols and the high-end and premium brands it carries ([see story](#)).

The power of social media influencers and vloggers has grown exponentially, creating an uncharted realm of beauty and fragrance threatening traditional luxury brands. As this space spread, many beauty brands feared the competition, but others, such as Estée Lauder and Lancôme, embraced it.

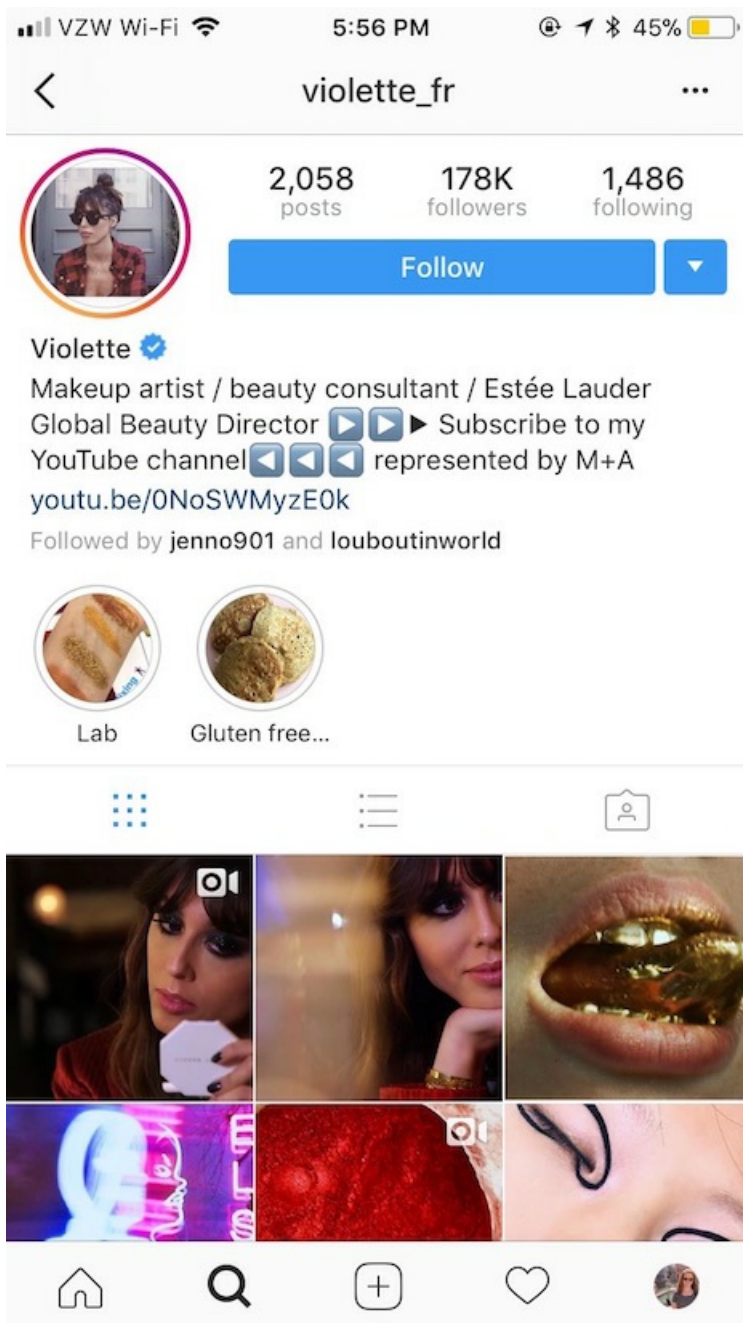
In 2015, Lancôme recruited British cosmetologist Lisa Eldridge as the brand's new global creative director of Lancôme makeup. Ms. Eldridge had consulted with brands such as Shiseido and has collaborated with brands such as Prada, Chanel and Donna Karan for runway presentations and for advertising campaigns, in addition to her personal YouTube and blog ([see story](#)).



*Lisa Eldridge's Instagram*

Similarly, in 2017, Este Lauder appointed makeup artist and influencer Violette as its global beauty director. In her new role, Violette works on developing new products and guides women in finding their beauty look.

While from a different generation than the beauty label's eponymous founder, Violette shares qualities with Este Lauder such as a sense of individuality and the perspective that beauty is a means of empowerment ([see story](#)).



*Violette's Instagram page*

As the indie beauty product sector takes off, online collaborations by brands and department stores are becoming more the norm.

For example, department store chain Neiman Marcus brought consumers under-the-radar personal care brands through a temporary event for which they partnered with Indie Beauty Expo for its limited-time ShopTheExpo, an online discovery platform for top indie brands from around the world.

The Indie Beauty Expo was founded in New York in 2015 and quickly grew to become the largest professionally-curated exposition of independent global beauty, lifestyle and wellness brands ([see story](#)).

Not quite unanimous

Although many luxury beauty and fragrance brands have been slowly embracing the trends set by indie brands, there are many who are still adamantly against change to the tradition.

In recent years, Amazon's ecommerce has made shopping online easier, conditioning consumers to choose ecommerce over in-store browsing. Of the 67 million Americans who consumed luxury in the past 12 months, 60 percent are also Amazon customers, according to the Shullman Research Center ([see story](#)).





*Amazon's fashion campaign. Image credit: Amazon*

In 2013, Burberry Beauty was among the first beauty brands to join the launch of Amazon's beauty section, but other beauty brands have been skeptical.

For example, beauty group Coty Inc. brought German-based distributor Parfmerie Akzente to court nearly a decade ago to prevent the retailer from selling its perfumes on Amazon. Coty, which develops the fragrances of brands such as Chlo, Marc Jacobs and Calvin Klein, felt that being sold on Amazon and similar ecommerce sites dilutes the positioning of its perfumes and the fashion houses tied to them.

In a landmark ruling, the Court of Justice for the European Union (ECJ) decided that luxury brands have the right to protect their image on online platforms such as Amazon and eBay ([see story](#)).

This court case will likely serve as the precedent set for brands looking to uphold tradition and exclusivity. However, many speculate that a consumer's initial search may be beginning on Amazon, posing a moral question for luxury brands: submit to the changing times or uphold tradition?

Other brands have chosen to take part in the modern practice of ecommerce through other sites. For example, Giorgio Armani Beauty launched on Chinese shopping platform Tmall as part of its efforts to capture China's fast growing appetite for high-end cosmetics.

In the weeks leading up the Jan. 16 launch, Armani Beauty held a series of pre-sale events on Tmall, Alibaba's business-to-consumer shopping platform.

Similar to fashion, the cosmetics and skincare sector has steered away from online selling in China due to counterfeit concerns, but recently, brands have begun warming to the idea as Chinese sellers establish a sense of trust ([see story](#)).

Another ecommerce threat is companies such as Beauty Pie where essentially, customers pay a monthly membership fee to join and from there, Beauty Pie goes directly to factories where many luxury beauty supplies are produced, buys products and then resells them to members at flat factory costs, or exactly what the company purchased them for wholesale.



*Beauty Pie sells luxury beauty products at a drastically reduced prices. Image credit: Beauty Pie*

Beauty Pie removes the middleman from this equation and makes it so that customers can skip the mark ups and buy luxury beauty products for their actual costs ([see story](#)). Companies such as Beauty Pie pose a threat to the luxury industry through the exposure of markups and the loss of selling a product with the experience attached to the label.

## Merging the old and the new

While some are resisting newer players, other companies are welcoming them. In 2014, Este Lauder acquired skincare brand Rodin olio lusso under undisclosed terms ([see story](#)).

Also, in early 2016, the Este Lauder Companies added to its fragrance portfolio with the acquisition of By Kilian, a young prestige perfume house was founded in 2007 by Kilian Hennessy, the grandson of the co-founder of the LVMH group.

Later that year the company acquired cosmetic label Too Faced, marking the company's largest acquisition to-date with a \$1.45 billion deal. Jerrod Blandino and Jeremy Johnson launched Too Faced in 1998, and the label is known for a combination of innovative formulas, cheeky product names and feminine packaging ([see story](#)).



*Too Faced blush. Image credit: Too Faced*

## Return to tradition

As ecommerce brands such as Amazon begin to expand to storefronts, luxury beauty and fragrance brands have also been shifting to a bricks-and-mortar format as a unique response to the growing threat of ecommerce and smaller indie brands.

Retail space can offer a unique brand building experience for consumers.

For example, in January, Japanese beauty marketer Shiseido opened its newly expanded store in Tokyo's Ginza neighborhood, which includes spaces for both cosmetic sales and brand experiences.

Newly rebranded Shiseido the Store allows visitors to take part in workshops, seminars and photo shoots. Along with offering a central place for consumers to explore its products, Shiseido's flagship added more square footage to cater to consumers' increasingly diverse needs ([see story](#)).

[https://youtu.be/e\\_rpM4c9Rlc](https://youtu.be/e_rpM4c9Rlc)

## *Shiseido the Store video*

In addition, as makeup counters become antiquated to millennial consumers, standalone storefronts have also become a trend among luxury beauty and fragrance brands. The bricks-and-mortar approach allows these brands to

further expand their individuality, often portrayed on social media, offering more space than a single counter within a department store.



*Chanel Las Vegas*

The opening of the Westfield Mall at 1 World Trade Center in New York saw several brands introducing storefronts, such as Dior.

Similarly, the luxury shopping experiences available in Las Vegas has offered a space for storefronts. For example, in 2015, Chanel opened its first dedicated fragrance, beauty and sunglass boutique within the United States in the Forum Shops at Caesars.

The 800 square-foot store features a unique design concept, including a 12-foot long chandelier in the entrance and an illusion wall creating the iconic CC logo out of nail polish ([see story](#)).

Burberry also has been expanding to individual storefronts. In 2014, it opened a Beauty Box concept store in Seoul, South Korea. This was Burberry's first attempt at bringing its new beauty concept to other markets outside its London flagship in Covent Garden ([see story](#)).

May the force be with you

Despite the resistance to fully emerge in the digital age, many brands have moved on from online influencer collaborations and social media connections with consumers. These brands have begun to embrace the technology available through artificial intelligence and augmented reality.

For example, Este Lauder offers an alternative to helping consumers visualize its cosmetics on their own faces through a personalized try-on experience.



*Este Lauder uses AR for personal try-ons. Image credit: Este Lauder*

Buying beauty online without a trial can be a challenging prospect, as consumers are unsure how a particular shade will appear on their unique skin tone. Este Lauder is looking to solve this problem and drive more confident purchases by incorporating ModiFace's automatic facial analysis technology into its ecommerce platform, allowing shoppers to view makeup on their faces in real-time ([see story](#)).

"Consumers are more savvy than ever before with a world of information at their fingertips," said Adam Gam, vice president of marketing at [Perfect Corp.](#), New York. "They are looking for interactive experiences that bring their favorite brands and products to life, instantly."



"Augmented reality and artificial intelligence technologies, like those offered in YouCam Makeup, help to immediately grab a customer's attention and provide a gamification element that encourages engagement with a unique, convenient and customizable shopping experience in store, or at home," he said.

Burberry took a more everyday route, by working with Apple's augmented reality toolkit to create an application designed to cater to tech-savvy fashion lovers. Apple's new line of iPhones has an emphasis on augmented reality as well as an ARKit to help developers create AR apps. Burberry was the first major luxury brand to make use of this new feature with a new application ([see story](#)).

Similarly, Sephora lets customers craft their own eyeshadow looks and try experts' curated stylings with purchasable products without having to step foot in a store through Virtual Artist. The mobile and online tool allows users to try on makeup through augmented reality technology ([see story](#)).



*Digital is a mindset, not only a tool for Shiseido. Image credit: Shiseido*

Shiseido took the technology advancement to the next level by acquiring technology firm, Giaran, which develops artificial intelligence platforms to heighten consumer experience and personalize beauty purchasing. The terms of Shiseido's Giaran purchase were not disclosed, but reflects the beauty sector's embrace of digital technologies as selling tools ([see story](#)).

The augmented reality experiences are unique and customizable. Some of the experiences may even draw in consumers who have never previously interacted with the brand, looking to try new technological advances in the beauty sphere.

Best-practice tips for luxury beauty and fragrance marketers:

- Adam Gam, Perfect Corp.
  - "Marrying a memorable in-store experience with an interactive online experience keeps customers immersed in the brand and products long after they leave the store. Hyper-realistic AR and AI beauty try-ons help bring products to life in a custom beauty universe, offering beauty lovers a safe place to discover and create their own beauty shopping journey, without the pressure of a sales associate."
- Becca Edelman, L2
  - "Maximize second-order search. Work with retailers to ensure paid media and earned placements are featured on the landing pages that receive the most downstream traffic from unbranded search terms."
  - "Work with licensors to ensure that fragrance is promoted in the primary navigation menu, and that product pages include best-in-class merchandising. Consider fragrance-specific social accounts if the licensor is not posting enough fragrance content."
  - "Develop Instagram-first content. The high-budget, celebrity focused content traditionally produced by fragrance brands does not drive engagement on Instagram. Winning brands focus on product-first imagery, inspire new gifting occasions and promote sampling to capture user data"
- Larissa Jensen, NPD
  - "Brands currently doing well in luxury focus on the story behind their price point. Luxury, natural brands highlight process, ingredient growth and their raison d'etre as well as the sustainability of their packaging. Consumers want to know more about their purchase than just the price tag."

- "Luxury fragrance focusing on simplicity, creation and personalization is piquing consumer interest. Unique scents that incorporate lifestyle values and beliefs can help push fragrance forward."
  - Terry Rieser, TAG Creative
    - "It's critical for marketers to know their consumers inside and out everything from their particular demographic, psychographic, purchasing preferences and, of course, where and how they shop."
    - "Stay true to your brand values, and always make sure they are clearly communicated. Your brand values must align with your consumer's values and serve as the foundation of all your marketing communications as well."
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