

The perfume industry essay sample

[Finance](#), [Market](#)



Perfume entered the western world through Arabic influence in the 14th century. The perfume industry prospered in Renaissance Italy as well as in France. With perfumes in demand from the Royalty, perfume development escalated in France. France quickly became the European center of the perfume industry. This is a distinction the France holds to this day and age.

Today, fragrances account for 14% of the \$150 billion dollar personal care market – a net annual global spending of \$21 billion on perfumes and colognes. Compared to other sectors of the personal care market, the fragrances market is less concentrated. The top three firms – LVMH (Louis Vuitton), L’Oreal, and Estee Lauder, only hold a combined 25. 2% share of the fragrances market. This three firm concentration ratio is low compared to the concentration ratio of make-up (38. 2%) and hair care (47. 8%).

Fragrances are also more dominant in Western markets where they account for 30% of cosmetic purchases compared to single digit penetration in Asian markets. (Euromonitor Market Research International, 2002)

While the concentration ratio for fragrances reveals that there is ample competition in the fragrances market, such may not be said for the individual products. A few established scents like Chanel no. 5 are able to maintain a consistent market share (Euromonitor Market Research International, 2002). However, the perfume market for the most part is characterized by short lived best sellers. The turnover of new fragrances is high with new scents being constantly launched (Euromonitor Market Research International, 2002; Weisman, 2007).

If we are to look at the marketing strategy of the perfume industry based on Michael Porter's generic strategies framework, it would appear that the fragrance industry employs a differentiation strategy. The choice of this strategy could be seen in the marketing campaigns employed by the fragrance companies as well as the value of perfume in contemporary western society. Fragrances are marketed like fashion, advertising heavily on fashion, society and image magazines. These advertisements promote the created image of the perfume brands or companies with print advertisements showcasing models or other abstract displays of beauty or prestige. It is very unlikely that someone will encounter a perfume advertisement that stresses the value or cost of the perfume – perfume simply is not sold using a cost/value leadership strategy. Similarly, perfumes are not sold as targeting specific applications. There is no perfume for dinners, or for dates or for casual Fridays. While advertisements may showcase these images, Tommy Hilfiger cologne is sold as Tommy Hilfiger cologne. The focus of these perfumes is limited to the image that the perfume company is marketing for the fragrance. Rather than a specific focus for these fragrances, their images serve to differentiate them from one another. People buy perfumes according to their promoted image, not for their use.

We now examine the value of perfume to consumers. We should also consider how perfume shares several values with fashion. Perfume, like fashion is seen as an expression of individuality. You have your own perfume similar to you having your own sense of style. Similar to how you don't want to be seen wearing the same dress in a party, you don't want to wear

someone else's perfume. Thus differentiation is the important value for consumers when they choose to buy their personal scents. Additionally, as a luxury product, cost is usually not a consideration for perfume purchasers. As a further demonstration of how perfumes may not be marketed using cost leadership, the phrase "wearing cheap perfume" has a negative connotation in contemporary western society.

Looking at the behavior of the perfume purchasers, we may see two behaviors at work. Initially, the first purchase is usually more along the Variety-Seeking behavior. Consumers see little difference between perfume brands as these brands may offer the same amount of utility. What is important for the consumer is to pick "his" or "her" brand of perfume. As such, the consumer will usually switch from product to product in order to find the specific scent that he or she feels is tailored to him. The perfume retailers also acknowledge this, the free samples of perfume given out at stores may be attributed to the retailers push for consumers to switch into their products next. However, for certain consumers who have found the particular brand of perfume to their liking, their buying behavior switches to that of Habitual Buying. They do not anymore examine the competition and just buy the perfume or cologne that they are accustomed to. It should be noted though that this switch to habitual buying behavior may not be universal.

It is during the variety seeking phase of buyer behavior that advertisers target as it is here that they may expand their user base. As previously mentioned, the free samples of perfumes at malls is a marketing strategy

that entices consumers to try out the product and see quickly if it is right for him. Print and commercial advertising is another arena where advertisers seek to convert more people into their brand. Perfumes are used by people to make them smell better yet this utility is seldom mentioned in advertisements. Instead, advertisements convey an image that they want their perfume to be associated with. Debonair, millionaire, confident? That's the image of perfume A. Adventurous, strong and manly? That's the image of perfume B. The advertisers seek to associate these values with their perfumes in the mind of the consumers. Thus consumers will think that as an adventurous, strong and masculine individual, he will pick perfume B over perfume A. Whether the fragrance actually smells better than perfume A is an afterthought to the image.

All of these methods are targeted towards the variety seeking buyer behavior. The image is important because the advertisers know that once a consumer finds his or her perfume, the consumer will settle into that perfume brand, effectively locking him into it. As individuality is an important consideration in perfume purchases, advertisers try to communicate how their perfumes are the right perfumes for the target individuals. As such, all advertisements project images of what consumers *want* to be. Who does not want to be identified as a glamorous sophisticated yet mysterious individual? I envision myself to be that sexy individual (whether that holds true is another matter), this perfume is the perfume for sexy people, maybe I should start using this perfume. That is the consumer thought process that the marketing for perfumes seek to establish.

I think that the advertisers for perfume are quite effective in considering the consumer's behavior even to the point of sneakiness. These advertisements as well as the thought process that they hope to inspire operate on many levels. From the societal values of perfume to the brand strengths of the individual perfume companies down to the subconscious insecurities and self image of the consumer, these advertisements have it all. Probably the best testament to their effectiveness is the pages upon pages of perfume advertisements present in each issue of fashion or image magazines, clearly these methods have been proven effective by the industry. These methods have proven so effective at pushing the purchase of perfume into the market that while perfumes has its roots in royalty, perfumes and colognes are now starting to become commodity products (Weisman, 2007). This is because the marketing push for perfumes understands contemporary western behaviors that permeate all strata of society, from the kings of Renaissance France to the average American who picks up a copy of *Cosmo* at the supermarket checkout line.

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