Analysis of the Fragrance Industry

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This industry provides perfumes, colognes, lotions, cosmetics and other toilet preparations to the market. Its Standard Industrial Classification Code is 2844 and its NAICS Code is 32562.

Some other major products of this industry are skin care products, oral hygiene products, deodorants, antiperspirants, and sun care products. This industry also manufactures shaving cream, aftershave, bath salts, talcum powders, and nail polishes.

Some similar industries are the Soap, Cleaning Compound and Toilet Preparation industry, the Surface Active Agents, Finishing Agents, Sulfonated Oils, and Assistants. These industries, like the fragrance industry, also rely on scientists and developers to create products on the retail market. The fragrance industry, however, deals with products that go directly onto buyers.

In April 2014, Ibisworld’s report estimated the industry to be a 52 billion dollar industry, averaging a 4.9 percent growth rate over the past five years. It employs over 57,000 workers and nearly 2,000 businesses worldwide. The top four leading companies are Estee Lauder, L’Oreal, Procter and Gamble, and Unilever.

Financial analysts of JP Morgan and Jeffries have observed that these top four companies account for over fifty percent of global market share. Some marketing trends that have also been observed are: an increased demand from customers for “natural” ingredients as well as for performance and functionality of fragrances and fragrance ingredients, such as increased stability, controlled release systems, prolonged top notes, etc.. The emergence of Aromachology or use of fragrances for reduction of stress and change in moods has also caused increased use of environmental fragrances in home care and home design. Shortening end product life cycles and increasing oversight of quality standards and labeling have also been negative trends in this industry.

Within the industry, there has been a rise in men’s cologne products for special occasions, with four of the top five fragrances launches being colognes: Gucci Guilty Black, Polo Red, Givenchy’s Gentleman Only, and Dolce and Gabbana’s The One. Recent research indicates that consumers of the toiletries segment of fragrance industry products tend to be “brand loyal,” and “share what works for them with their friends.” Matt Sena of FieldLens notes that 58% of his survey participants claimed that personal recommendations weigh more heavily than celebrity marketing, and that only 44% buy a particular product for its claim of specific product attributes.

Sena also notes that the market is not sensitive to economic fluctuations, as sales remained constant through the United States economic downturn. The most common marketing strategy in this industry is sampling.

Works Cited

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