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Missing the mark?

Designer brands may be in danger of losing their prominence on the beauty map *by Oonagh Phillips*

Much of the talk in the industry has centered on the celebrity brand in recent months. But while some have gotten caught up in the celebrity commotion, we have decided to focus on how another important sector is faring: designer brands. Are these brands still relevant? How does today's consumer perceive them? And what does the future hold for this market segment?

It is true that designer brands have slipped out of the limelight over the past year. In many ways, they have been eclipsed by their celebrity counterparts, which are held up as rescuing the fragrance market from flat if not negative growth and bringing younger consumers to the category.

But while the celebrity has become a major competitor for the designer, it is far from the latter's only rival. "There has been a huge increase of fragrances with non-designer brand names—be they celebrities or sports people and cars—and they have captured a significant part of the market," comments Morris Profumi Middle and Far East, Latin America, Asia Pacific area manager Martin Trout comments. He continues, "This phenomenon would have been impossible 10 years ago, but then the global culture has changed and personalities and objects have become the modern symbols of luxury—the lifestyle element has become more appealing." Indeed, other lifestyle options, such as spa treatments or well-

being products, are now also giving designer brands a run for their money. Some would even go so far as to say that the number of designer brands now selling their products in mass outlets, (as part of their strategy rather than just parallel trade) is proof that these labels are losing their appeal and aspirational quality. Karl Lagerfeld, for example, launched his Liquid Karl fragrance exclusively at fashion chain H&M, while Agatha de la Ruiz de Prada is rolling out its latest scent in Target stores in the US. Others, however, view this decision more as foresight and as a pragmatic approach to a change in consumer shopping habits.

Maybe not dead, but are they forgotten?

Of course increased competition from other areas does not mean that the designer brand is dead. If one looks at the top-10 in France or Italy, designer heavyweights such as Christian Dior and Chanel dominate (the celebrity brand has taken off more in Anglo markets, especially the US). The continual flow of designer licensing agreements would also seem to underline the potential in this segment. One example that would seem to prove that designers still have pulling power is former Gucci creative director Tom Ford's deal with Estée Lauder—a collaboration that so far has been a hit with retailers.

So analysts remain convinced that there will always be a market for designer brands. "As long as there are women who buy fashion, there will be women who buy designer beauty brands. There is still growth in the category, fragrance is about aspiration, emotion and appeal—fashion and designers do that, so the fragrance just needs to play off it," comments NPD Beauty senior industry analyst Karen Grant.

"Manufacturers need to leverage the designer's appeal. Celebrities are doing this [and if] designers do, they will have a tremendous opportunity"

NPD Beauty senior industry analyst Karen Grant

But the market for designer brands runs the risk of shrinking. While the category may not be dead, these brands need to do more than in their heyday when they once monopolized the market (see article p.26).

There is certainly plenty to be done. Brands need to work harder to create a story around the fragrance, to better exploit the link between the beauty product and the fashion and brand heritage—something that surprisingly remains neglected. Grant

Market performance

US

Designer brands in the US have been hurt somewhat by the craze for celebrity fragrances. However, the allure of some of the big European brands remains. Specialty outlets in larger cities are also seeing consumer demand for more exclusive, niche designer names.

Europe

Designer brands maintain a strong hold on consumers in Europe, especially in France and Italy. In the UK, however, the celebrity phenomenon has seen more success than designer brands. This market also tends to welcome products from upcoming designers.

China

Consumers in this emerging market are fascinated by big-name designers. The designer label sends out a message of luxury and still has a certain cachet—even in beauty products. It is thought that the market for these products will only grow, as purchasing power increases and more of these brands reinforce their presence in the market.

explains: "Manufacturers need to leverage the appeal of the designer. Celebrities are doing this more, for example, with Sarah Jessica Parker's Lovely fragrance—everything is tied to her, and so the consumer is getting the whole story. If designers do that, they will have a tremendous opportunity."

Bringing the story to the beauty counter

Capitalizing on this story at the retail level is also crucial. And although some brands are beginning to make more associations with the fashion at the point-of-sale, there are still missed opportunities (see article p.29). One of these is the lack of focus on the beauty advisor. "Fragrance is left alone in the store, but if the philosophy of the brand is understood by the personnel it appeals more to the consumer. We have put a major investment in training and our objective is to involve the trade in our brands as much as possible to explain how the fragrance is the olfactive expression of the designer's creativity," comments ITF general manager Massimo Cappini.

Newcomers should be aware of the increased efforts that need to be put into selling a designer beauty brand today. All too often fledgling designers will rush into launching a fragrance in the hope of making a quick buck. It does not often work this way, as many of these products quickly end up in the bargain basement rather than the

consumer's shopping bag. New designers should be prepared for the long haul that is required to build brand equity, awareness and lasting relationships with their retail partners (see article p.27).

Some of the more established brands seem to be recognizing the need to do more to stand out in the cluttered marketplace. "The rise of celebrity fragrances is forcing designers to be more competitive and bring more to the category," says Hirst Pacific ceo Kenneth Hirst. Armani international marketing director Nathalie Durnan Thiénet agrees: "Designer brands are re-centering on luxury and their values, they are putting more focus on the designer and becoming more creative." One example of this is Calvin Klein. The brand had been lost for many years, but is now making quite a comeback. Its latest fragrance Euphoria, which has been praised for its distinctive bottle, has put in a solid performance since its launch. Such is the confidence in the brand, that Klein will launch a new makeup range in conjunction with US beauty group Markwins—a brave move given that the brand's other attempts at color cosmetics failed.

Some of this recent activity is encouraging. However, designer brands still have a long way to go before they once again become the talk of the industry, especially given the noise from their relatively new competitors. ■