

Europe Premium Beauty Market - Focused Insights 2024-2029

Market Report | 2024-12-10 | 98 pages | Arizton Advisory & Intelligence

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Report description:

The Europe premium beauty market is expected to grow at a CAGR of 3.75% from 2023 to 2029.

RECENT VENDOR ACTIVITIES

- On April 26, 2024, L Catterton, a leading global consumer-focused investment firm, announced a definitive agreement to acquire a majority stake in KIKO, a prominent Italian beauty brand. This acquisition underscores L Catterton's commitment to expanding its presence in the premium beauty market.
- In 2023, The Estee Lauder Companies completed its acquisition of the TOM FORD brand, making it the sole owner of the luxury brand and all its intellectual property. This acquisition represents a pivotal move for Estee Lauder, as TOM FORD has long been recognized as a leader in high-end fashion, beauty, and fragrance.
- In 2023, Shiseido announced that its Board of Directors passed a resolution, with discretionary approval from the Representative Director, to acquire DDG Skincare Holdings (DDG), a New York-based company. DDG is a leading provider of science-driven, dermatologist-led prestige skincare, enhancing Shiseido's portfolio in the high-end skincare segment.

KEY TAKEAWAYS

- **Market Growth:** The Europe premium beauty market was valued at USD 20.33 billion in 2023 and is projected to reach USD 25.35 billion by 2029, growing at a CAGR of 3.75% during the forecast period.
- **By Product Type:** The fragrances segment dominates the market with a share of over 54%. The segment has seen robust growth due to consumer demand for personal luxury, evolving lifestyle trends, and innovation in product formulation.
- **By Age:** Millennials dominate the market with the largest share. Millennials are gravitating toward premium beauty brands that emphasize clean ingredients, sustainable sourcing, eco-friendly packaging, and cruelty-free or vegan formulations.
- **By Gender:** The male segment is the fastest-growing segment of the Europe premium beauty market. One of the primary drivers behind this growth is changing cultural perceptions, increasing self-awareness, and a broader acceptance of male beauty products.

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- By Distribution Channel: The omnichannel segment is the largest segment of the Europe premium beauty market. The segment is growing as it caters to consumers who seek high-quality products.
- By Region: Germany occupies a major Europe premium beauty market share. The growth is mainly due to rising consumer interest in self-care and the demand for high-quality and innovative products.
- Growth Factor: The Europe premium beauty market is set to grow due to a surge in demand from younger generations and digital transformation and e-commerce growth.

MARKET TRENDS & DRIVERS

Digital Beauty and Tech Integration

The trend of digital beauty and tech integration, particularly through virtual try-ons and AR/AI tools, has significantly transformed the Europe premium cosmetics market. These technologies are reshaping how consumers interact with brands, try products, and make purchasing decisions, especially as the market shifts towards more personalized and engaging digital experiences. European consumers, particularly in the premium beauty segment, are seeking more customized and personalized shopping experiences. With AI-powered algorithms and AR tools, brands in the Europe premium cosmetics market can offer tailored recommendations based on skin type, tone, and personal preferences. These technologies allow consumers to virtually try on makeup, experiment with hair colors, or test skincare products in real time, fostering deeper engagement. The skincare market has particularly benefited from this trend, as the shift to online shopping, which surged during the pandemic, has accelerated the adoption of digital beauty technologies. With more consumers shopping online, premium beauty brands have invested in AR and AI tools to bridge the gap between physical and digital experiences. Virtual try-ons mimic the in-store experience, allowing customers to sample products before purchasing them online. The development of advanced AR and AI technologies has made virtual beauty experiences more accurate and lifelike. AI algorithms analyze user features in detail, while AR renders hyper-realistic product effects on the face or skin, further strengthening the Europe premium cosmetics market.

Rising Shift Towards Sustainability

The trend toward sustainability in the Europe premium cosmetics market is accelerating as consumers become more eco-conscious and demand greater transparency from brands. European consumers are increasingly environmentally aware, seeking products that are natural, organic, cruelty-free, and sustainably sourced. This growing demand in the Europe premium cosmetics market is driven by rising awareness of climate change, pollution, and the ethical implications of production processes in the beauty industry. For instance, in 2022, Chanel introduced its Chanel N1 line, featuring eco-designed packaging and natural ingredients to cater to eco-conscious consumers. Shifting preferences have led consumers to reject single-use plastics and demand more recyclable, reusable, or biodegradable packaging. Brands are responding by adopting innovative materials such as glass, aluminum, paper, bioplastics, and refillable packaging systems. As the Europe premium cosmetics market focuses on sustainability, the use of natural, organic, and clean ingredients has become a priority for consumers concerned about environmental impact and personal health. Premium beauty brands emphasize ethical and sustainable sourcing of raw materials, ensuring their formulations are free from harmful chemicals like parabens, sulfates, and synthetic fragrances. La Mer, renowned for its high-end skincare, underscores sustainably sourced ingredients, promoting both the efficacy of its natural formulations and its eco-friendly approach.

Digital Transformation and E-Commerce Growth

Consumers in Europe are increasingly turning to digital channels for their beauty product purchases. The convenience, variety, and personalization offered by e-commerce platforms appeal to modern customers who seek premium beauty products. Brands like Estee Lauder and L'Oreal have reported significant e-commerce growth across Europe. Digital transformation allows premium beauty brands to offer highly personalized shopping experiences through data-driven insights. With the integration of AI, machine

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learning, and big data analytics, brands can recommend tailored products to individual consumers based on their past behavior, skin type, and preferences. L'Oreal's AI-powered beauty platform Modiface allows consumers to virtually try on makeup and skincare products before purchasing. This interactive experience has made online shopping more engaging and has helped boost conversion rates. Consumers are more likely to browse and purchase beauty products using their smartphones, making mobile-optimized platforms and apps critical for brand success. Sephora's mobile app, which features augmented reality for virtual product trials, loyalty programs, and personalized recommendations, has been highly successful in engaging mobile users and driving sales across Europe.

INDUSTRY RESTRAINTS

High Competition

One of the main factors behind the high entry barriers in Europe's premium beauty sector is the selective distribution framework. This system allows manufacturers of luxury beauty products-such as skincare, makeup, and fragrances-to choose specific authorized retailers for distributing their products. Brands often establish strict criteria for their retail partners, which may include store ambiance, brand alignment, product knowledge, and overall customer experience. The European premium beauty market is densely populated with well-established global brands like Chanel, Dior, Estee Lauder, and Lancome, alongside a growing number of niche and indie brands. This saturation results in intense rivalry, as companies compete for limited shelf space and consumer attention. Many new brands find it challenging to distinguish themselves in a crowded marketplace, often offering similar products in terms of quality and positioning. This can limit the appeal of new entries and reduce overall market dynamism. Consumers may experience product fatigue when overwhelmed by new launches, limited editions, and revamped formulas. With so many similar offerings available, it becomes difficult for consumers to differentiate products, leading to stagnating sales of innovations. Additionally, established brands retain large portions of the market share, which stunts the growth of new or smaller brands in the Europe premium cosmetics market.

SEGMENTATION INSIGHTS

INSIGHTS BY PRODUCT TYPE

The Europe premium beauty market by product type is segmented into fragrances, skincare, makeup, and hair care. The fragrances segment dominates and holds the largest market share of over 54%. In Europe, perfumes and colognes are not merely viewed as beauty products but as symbols of personal identity and status. The cultural significance of fragrance, particularly in countries like France and Italy, has been a key driver for premiumization in this market. Consumers are increasingly seeking premium experiences through fragrances, with a focus on high-quality, artisanal blends. The fragrances segment within the premium beauty market in Europe has seen robust growth over the years, driven by several key factors such as consumer demand for personal luxury, evolving lifestyle trends, innovation in product formulation, marketing strategies, and the importance of e-commerce.

By Product Type

- Fragrances
- Skin Care
- Makeup
- Hair Care

INSIGHTS BY AGE

The Europe premium beauty market by age is categorized into millennials, Gen X, baby boomers, and Gen Z. The millennials

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segment accounted for the largest market share. Millennials often view beauty and skincare as an extension of self-care and wellness, rather than mere vanity. They seek premium products that promise efficacy, support well-being, and provide a sense of luxury in their daily routines. Millennials are discerning consumers who prioritize quality over quantity. They are willing to spend more on premium beauty products that deliver visible results and offer high-quality ingredients. Rather than focusing on frequent purchases of budget items, Millennials prefer investing in fewer, higher-end products that offer long-lasting benefits, thus helping segmental growth.

By Age

- ☐ Millennials
- ☐ Gen X
- ☐ Baby Boomers
- ☐ Gen Z

INSIGHTS BY GENDER

Based on gender, the male segment shows significant growth, with the fastest-growing CAGR during the forecast period. The male grooming and premium beauty market is rapidly evolving, driven by changing cultural perceptions, increasing self-awareness, and a broader acceptance of male beauty products. In Europe, there has been a notable shift as more men become interested in skincare, grooming, and even makeup, embracing premium beauty products as part of their daily routines. Traditionally, beauty and personal grooming were seen as feminine pursuits, but this has changed significantly in recent years. The modern man is increasingly open to embracing self-care, grooming, and skincare routines, reflecting a broader definition of masculinity that includes self-expression and personal well-being. Men are becoming more aware of the importance of skincare, driven by the desire to maintain a youthful appearance. High-end skincare, haircare, and grooming brands like Tom Ford Beauty, Kiehl's, and La Mer have introduced lines that appeal directly to men who are willing to invest in luxury products for their grooming routines, which are helping in the segment's growth.

By Gender

- ☐ Female
- ☐ Male

INSIGHTS BY DISTRIBUTION CHANNEL

Based on the distribution channel, the omnichannel segment holds the largest share of the Europe premium beauty market. An omnichannel approach is essential for premium beauty brands to meet luxury consumers' expectations for quality, personalization, and convenience. While physical stores remain vital for offering product engagement and personalized consultations, brands also leverage technology like virtual mirrors to enhance in-store experiences. Many premium brands provide online platforms with AI-driven personalization, allowing virtual skincare consultations and tailored recommendations. Mobile commerce is growing among younger consumers, who appreciate streamlined mobile shopping and virtual consultations. The click-and-collect option is also popular, combining online shopping convenience with quick in-store pickup.

By Distribution Channel

- ☐ Omnichannel
- ☐ Offline
- ☐ Online

REGIONAL ANALYSIS

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Germany dominates and holds the largest Europe premium beauty market share. The premium beauty market in Germany is a significant and growing sector, driven by several factors such as rising consumer interest in self-care, the demand for high-quality and innovative products, sustainability, and evolving beauty standards. Germany is also at the forefront of technological innovation in the beauty industry. Many German consumers trust scientifically-backed products, particularly those developed with dermatological expertise. The country has a strong heritage in pharmaceuticals, and this scientific approach has extended into the beauty sector. Digital transformation is playing a significant role in the premium beauty market in Germany. E-commerce has seen rapid growth, especially post-pandemic, with many consumers now purchasing their beauty products online. This shift is particularly important for premium brands that want to reach tech-savvy, younger consumers who are comfortable researching and buying luxury beauty products through digital platforms.

By Region

- Germany
- UK
- France
- Italy
- Spain
- Poland
- Netherlands
- Others

COMPETITIVE LANDSCAPE

The Europe premium beauty market report consists of exclusive data on 30 vendors. The competitive scenario in the Europe premium beauty market is currently intensifying with global and domestic players offering a diverse range of products. In terms of market share, a few of the major players are currently dominating the market. Some companies that are currently dominating the market are L'Oreal, Unilever, Coty, LVMH, The Estee Lauder Companies, Chanel, Procter & Gamble, and Shiseido. Key strategies employed by vendors include a strong focus on product innovation, mergers and acquisitions, and strategic partnerships to bolster their market presence and expand their customer base. Vendors are expanding product portfolios to cater to a broader customer base and diverse beauty needs, offering tailored solutions that address specific consumer preferences and niche applications including personalized skincare, targeted treatments, and unique formulations.

Key Vendors

- L'Oreal
- Unilever
- Coty
- LVMH
- The Estee Lauder Companies
- Chanel
- Procter & Gamble
- Shiseido

Other Prominent Vendors

- Henkel
- Beiersdorf
- Natura&Co

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- Clarins
- Creed
- L'Occitane
- Bath & Body Works
- Kenvue
- Puig
- Kao Corporation
- Colgate-Palmolive
- Biologique Recherche
- Augustinus Bader
- Caudalie
- 111 SKIN
- MBR (Medical Beauty Research)
- Sisley
- KIKO
- Oriflame
- Natura Bisse
- Dr. Hauschka
- Rituals

KEY QUESTIONS ANSWERED:

- 1.□How big is the Europe premium beauty market in the global market?
- 2.□What are the factors driving the Europe premium beauty market growth?
- 3.□Who are the major players in the Europe premium beauty market?
- 4.□What is the growth rate of the Europe premium beauty market?

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