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The Impact of Advertising Design on Perfume Market Sales

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Abstract:

This study aims to analyze the impact of advertising creative design on perfume market sales performance, focusing on the effects of distinct market positioning for commercial fragrances, niche fragrances, and high-end salon fragrances. It further explores the interrelationship between advertising expenditure, brand strategy, naming techniques, and Return on Marketing Investment (ROMI). Examining fragrance industry statistics from 2020 to 2025 reveals that major perfume houses leverage extensive advertising campaigns and celebrity endorsements to elevate brand image and drive sales. Independent fragrance producers primarily rely on targeted social media promotions, strong word-of-mouth, and creative advertising displays. Mid-priced salon fragrances emphasize artisanal craftsmanship and distinctive artistic appeal, employing personalized marketing strategies to attract premium customer segments. Applying principles of advertising elasticity and diminishing marginal returns, the study explains why different perfume brands allocate advertising budgets differently and analyzes the impact of e-commerce platforms and online advertising on the fragrance industry. Research indicates that in Western mainstream markets, advertising efficiency for commercial fragrances may decline once spending reaches a certain threshold. Conversely, niche products like salon fragrances often exhibit superior return on investment due to lower advertising costs and higher brand loyalty.

Keywords: Perfume Market; Advertising Campaign Design; Advertising Return on Investment; E-commerce Platforms; Brand Loyalty.

1. Introduction

Fragrances are considered an “invisible product” because customers cannot quickly assess their quality through images or descriptions like they would with clothing or food. Purchase decisions are often influenced by external cues such as the visual impact of advertisements, the presentation of brand names, and

online reputation feedback. The sudden outbreak of the pandemic in 2020 drastically reduced traditional in-store fragrance experience channels. People primarily obtained information through online sales platforms and short-video media. In this context, fragmented information prematurely evoked customers' associations with scent, thereby amplifying the impact of advertising concepts.

This study examines publicly available data and representative brand cases from 2020 to 2025. Using comparative analysis, it comprehensively examines the specific impact of advertising design on perfume sales. It contrasts the outcomes of advertising strategies for commercial perfumes and niche perfumes, highlighting their differences. The research focuses on how, amid the rise of digital advertising, differently positioned commercial fragrances, niche fragrances, and high-end salon fragrances with their respective advertising content and distribution channels. It investigates how advertising dissemination and media impact product sales, reveals the reasons for return on investment differences among different combinations, and discusses the corporate and industry forces causing the differences.

2. Conceptual Definition

Conceptual Definition (perfume market is not a monoloy, people segment it into three big categories:"Commercial Perfume", "Niche Perfume" and "Salon Perfume". The three markets have different consumers segmentation, advertising, naming and advertising return on investment [1]. So people explain the definition and classification rules of three markets in details as followed.

2.1 Commercial Perfume

In the inexpensive part of high end fragrance, big name has certain power over consumers' preference. With large production and advertising budget support, these big names spread from department store counter to luxury boutique and even all e-commerce in the world. To win mass attention and gain preference, Commercial fragrance houses are trying to create clear symbol and meaning. TV, pictorial, outdoor billboard and large online platform are the main advertising channel, and celebrity and headline advertising are still needed to gain more reputation. Chanel No.5 and Dior Sauvage are the two successful commercial fragrance houses which can gain worldwide attention by integrated TV, print and digital advertising. The name of these scents is not describing exactly what they are but make people have a strong impression and feel elegant. Dior Sauvage is the best example. The short film made for the fragrance has been viewed more than 100 million on YouTube, which is more than the total view count of its TV commercial advertisement.

In recent years, many fragrance houses are not satisfied with celebrity advertising but want to tell a deeper cross-media story. With TV spot, short film, behind scene social media, and interactive online experience, and cooperate with film festival, art exhibition, and fashion week, to create a multi-dimensional advertising strategy. Not only can it gain more attention, but also the connotation of life and status of each fragrance can be strengthened. However, the fierce competition and price elasticity of this market make it more difficult to make profits. When advertising expenditure increases, the increase in sales will gradually decrease, showing the phenomenon of gradually decreasing returns. According to the Dorfman–Steiner principle, advertising budget should be linked to the price elasticity of the product and the return that can be brought. If the advertising budget is blindly increased, in markets where customers are price sensitive, advertising expenditure will not continue to increase indefinitely. If advertising expenditure increases, the return will not be proportional, and in the long term, it is not conducive to the development of the brand. It is better to improve product quality, enhance brand equity, and improve distribution more reasonably instead of increasing advertising expenditure [2].

2.2 Niche Perfume

Compared with big commercial fragrances, budgets for advertising by niche perfume houses are typically much smaller. Rather than a massive advertising campaign, they depend on building a reputation through media features, word of mouth, and a following among opinion leaders or perfume bloggers [3]. Typically, buyers who buy into a niche brand are particularly loyal and may support a brand based on its ability to be original, artistic, and have a certain style [4]. One perfume house that follows this approach is the independent Le Labo, which promotes its scents mostly through social media and the support of fragrance bloggers. Its core marketing strategy includes using descriptive labels such as "Another 13" or "Santal 33" that showcase the ingredients and smell of each oil blend. This marketing ploy works particularly well with customers who want to be unique and personalized, rather than a mass market product.

Some niche perfume labels, like Byredo and Diptyque, have jumped on the digital advertising bandwagon and produced short, targeted posts on Instagram and TikTok to boost sales among younger customers. While their advertising budgets are much smaller than those of major perfume houses, they have found effective ways to use social networks and the credibility of perfume or fragrance bloggers . According to Statista's 2023 U.S. case studies Niche Brand Advertising Report, their Return on Advertising Spend (ROAS) has consistently exceeded the average for commercial fragrances. High customer loyalty and low price sensitivity seems to drive this outperformance.

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The Instagram campaign by Byredo's "Baies" scent is a perfect example: By using colorful, striking short videos to promote its packaging and scent profile, it gained a huge following of loyal customers and the word of mouth buzz that comes with it. Because this customer base is loyal and willing to repurchase at a higher price point, niche perfume labels are able to generate strong marginal returns from relatively small advertising outlays on North American and European media – which continue to show strong growth [5].

2.3 Salon Perfume

Salon perfumes occupy a space between commercial fragrances and niche perfumery, embodying a distinctive artistic flair and bespoke craftsmanship. Luxury brands like Creed and Amouage emphasize the exquisite artisanal techniques and extraordinary brand narratives in their advertising campaigns. Amouage, for instance, collaborates with high-end artists and creators to produce fragrance-centric creative films, showcasing its unique cultural heritage and artistic aesthetic. Salon perfume advertising primarily targets high-end consumers through bespoke promotional approaches. This strategy links advertising effectiveness to limited production runs and brand loyalty, thereby determining return on investment. Given certain brands' fixed market positioning and target demographics, advertising ROI is often notably high.

3. Market Segmentation and Perceived Differences (Commercial vs. Niche/Salon)

3.1 Market Size and Growth Rate Comparison

According to Grand View Research, the global perfume market size was estimated at approximately USD 5,085 million in 2022 and is projected to reach around USD 8,016 million by 2030, with a compound annual growth rate (CAGR) of approximately 5.9% [6]. The luxury perfume market was valued at approximately USD 2,265 million (USD 22.65 billion) in 2023 and is projected to grow to around USD 3,439 million (USD 34.39 billion) by 2030, with a CAGR of approximately 6.2%, slightly exceeding the overall market growth rate [7]. The niche perfume market, estimated at approximately USD 239.7 million in 2023 (to align with the luxury and overall market timeframes), is projected to reach around USD 812 million by 2030, with a CAGR of approximately 14.5%.

This study cites the above growth rates solely to illustrate "demand expansion velocity" and does not equate them to "advertising ROI levels".

3.2 Naming and Brand Image Strategy

In the high-end fragrance market, brands often use inventive and evocative names that reveal little about the perfume's actual ingredients. Celebrity partnerships remain a common tactic, typically paired with large, coordinated promotional efforts. Chanel No. 5 and Dior Sauvage are prime examples—both evoke a sense of timeless heritage, refined luxury, and modern appeal. To create an image and stay top of mind in a crowded luxury category, they will spend heavily on advertising on television, in glossy magazines, on outdoor billboards, and on major online platforms. This rapidly raises public awareness and helps them stay in customers' minds.Many major fragrance houses also use a global launch event, advertising, limited-edition packaging, and a collaboration with an artist or designer to promote a new scent. By mixing and matching these elements, they can create their own signature style and added cultural cachet that helps promote their brand story across the board.

By contrast, niche perfume growers tend to use descriptive names that evoke sensory qualities, such as wood or marine or fruit notes. Their perfumes are crafted in limited quantities, marketed to select outlets, and shaped by the personal vision of individual maverics. Small companies with tight budgets can use social media, credentials from tastemakers, and reviews by other fragrance experts to generate interest. By targeting specific outlets and betting on word-of-mouth, they can cultivate a passionate following among customers who share their values. That approach focuses on authenticity, craftsmanship, and personal stories—characteristics that resonate with buyers who place a premium on individuality. Personal customers bring more business and pay better prices. For niche producers with clear targets and small budgets, concentrating on well-chosen targets can yield far better returns than broad, expensive marketing programs. Among devoted customer communities, perhaps, every dollar spent will pay off better than the dollar spent in a mass marketing campaign [8].

3.3 Advertising Expenditure and Return Estimation

Extensive advertising strategies are fundamental to commercial fragrances, requiring capital investment across television, physical billboards, and social media platforms. Research data from Euromonitor and Statista indicates that most high-end fragrance manufacturers allocate 15 to 25 percent of their sales revenue to promotional activities. For instance, in 2023, advertising expenditures for Dior Sauvage and Chanel product lines in Europe accounted for approximately 18 to 22 percent of their respective budgets [9]. Celebrity endorsements and global outreach strategies continuously reinforce these brands' status as iconic and

premium offerings. However, established brands are moving beyond conventional approaches by integrating high-end digital technologies—such as data-driven audience segmentation, location-based promotional campaigns, and AI-enhanced creative validation. This ensures maximum visibility and return on every advertising investment. In 2023, Chanel launched its new fragrance by combining Instagram AR filters with in-store sampling events, creating a seamless offline-to-online experience that deepened customer impressions and boosted social sharing. Meanwhile, Dior Sauvage leveraged Johnny Depp's appeal to launch a unique TikTok challenge, garnering tens of millions of organic shares through brand voice and editing techniques—a success that significantly increased paid media investments.

Unlike larger perfume manufacturers, smaller perfume brands generally spend much less on advertising—often less than 10% of their total revenue. For example, in 2023, a niche brand in the United States allocated only about 7% of its revenue to marketing. Instead of investing heavily in large-scale campaigns, these brands focus on building loyal customer bases through niche communities, art exhibitions, and endorsements from fragrance critics or key opinion leaders. Many also partner with micro-influencers and carefully organize events like limited-time fragrance displays or "scent creation" experiences to engage customers at a relatively low cost.Since niche perfume lovers are typically more loyal and less price-sensitive, even a small increase in advertising spending—say, 1%—often leads to a bigger jump in sales compared to mass-market perfume brands. On the other hand, commercial perfume brands face a highly competitive market with a wider customer base, complex distribution systems, and more price-conscious consumers. As these brands ramp up their advertising budgets, they often see diminishing returns on investment, with sales growth slowing down. This pattern is consistent with the Dorfman-Steiner model, which suggests that the right level of advertising spending should be based on factors like profitability, price elasticity, and brand loyalty—not just how much a brand can spend. By understanding these dynamics, smaller perfume brands can be more strategic with their budgets, move away from outdated spending practices, and use data-driven approaches to maximize their long-term returns.

Based on the definition of advertising elasticity:

$$Ad = (\%\Delta Q) / (\%\Delta A) \quad (1)$$

Where,

Ad: Advertising elasticity, representing the percentage change in sales volume per 1% change in advertising expenditure. Value >1 indicates "high elasticity," while <1 indicates "low elasticity";

ΔQ: Sales volume change, the observed difference in sales volume before and after advertising;

ΔA: Change in advertising expenditure, representing the increase or decrease in the advertising budget.

Based on qualitative inferences from publicly available industry data: Niche brands generally exhibit stronger sales response intensity relative to advertising expenditure growth, suggesting Ead > 1. Conversely, commercial perfumes show significantly slower sales growth relative to expenditure growth when the advertising-to-revenue ratio exceeds approximately 20%, indicating Ead < 1—consistent with diminishing marginal returns.

Additionally, consumers of luxury and niche perfumes exhibit heightened sensitivity to packaging, advertising creativity, and brand narratives. Consequently, advertising design, visual execution (e.g., photography, short films, celebrity or artist collaborations), and content delivery become critical competitive factors for these brands. Through precise advertising design, these brands can more effectively reach their target audiences, thereby achieving higher advertising return on investment [10].

Perfume Industry Statistics USA 2025 (Editor's Choice) indicates that in the United States, the prestige fragrance market grew by approximately 12% in 2023, significantly outpacing the mass market fragrance segment's growth rate of about 4%. This contrast suggests that for luxury fragrance brands, achieving growth through advertising and brand marketing requires a greater marginal return on investment [11].

4. Empirical Analysis of Advertising Expenditure and Sales Volume

4.1 Market and Channel Context

Statista data indicates that the global perfume market will grow at an average annual rate of approximately 5% from 2020 to 2025, with LVMH, L'Oréal, and Estée Lauder as the leading players. The pandemic's one-time shock shifted consumer behavior from "try before buying" to "consume content before purchasing": Euromonitor indicates European perfume e-commerce surged 40% YoY in Q2 2020, with e-commerce penetration exceeding 25% for the first time; domestically, Douyin/Xiaohongshu saw perfume GMV grow 180% YoY in H1 2021. Platform research indicates that 35% of new online customers are first-time perfume buyers, with Gen Z accounting for over 50% [12].

4.2 Brand Stratification Outcomes

Brands like Chanel and Dior invest ≥$100 million annually in advertising. Their estimated advertising elasticity range of 0.6–0.8% (derived from Euromonitor's 2023 industry average ROI and sales growth projections) falls below the sector average (Fig. 1). Dior Sauvage's 2020 internal testing revealed short-form video ROI exceeded TV

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by 28% with a 40% shorter conversion cycle, indicating digital closed-loop systems can reduce costs [13].

Brands like Acqua di Parma and Le Labo operate on budgets 1/10th of commercial giants yet achieve elasticity of 1.2–1.5%. ROI rises rapidly when ad spend/revenue ≤20%, with an inflection point occurring above 20%. Allocate 60% of digital budgets to Instagram Stories & TikTok challenges, collaborating with micro-KOLs (<500k followers) for short videos—average CPM is only one-third of major brands. Immediately shift budgets to new products or demographics when elasticity drops below 1 or budget share exceeds 20%, replacing repetitive hard ads with product iteration.

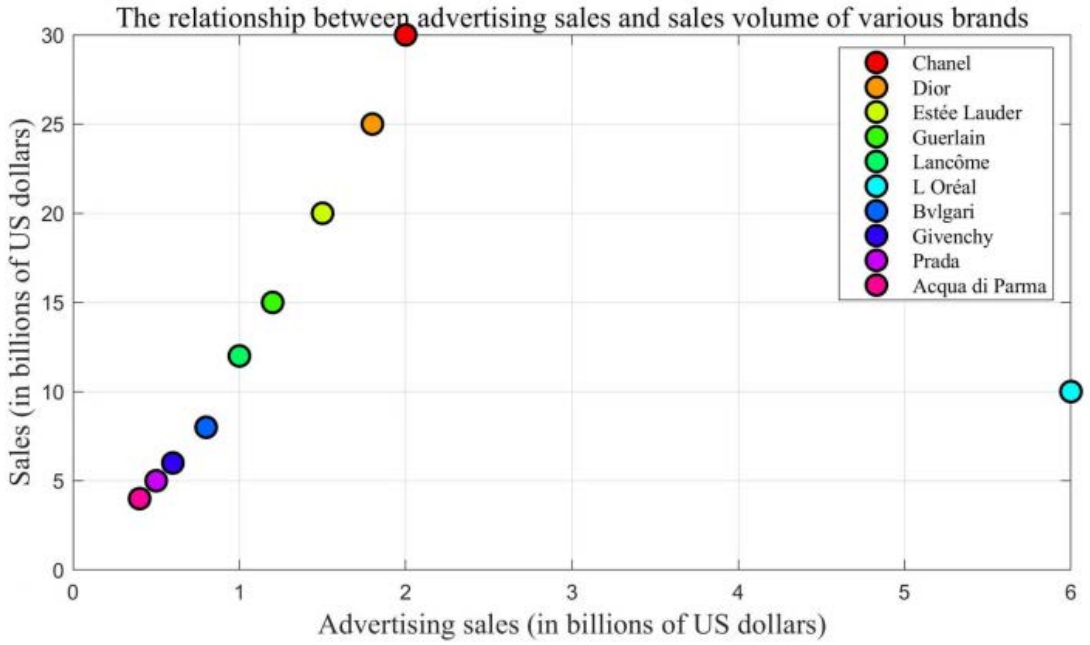

Fig. 1 Relationship Between Advertising Expenditures and Sales Revenue for Major Perfume Brands

5. Findings and Validation

Results consistently support advertising elasticity and diminishing marginal returns: Commercial brands, characterized by large market bases, diverse distribution channels, and high price sensitivity, exhibit continuously declining marginal returns. Niche brands, with smaller market bases, precise target audiences, and high loyalty, continue to enjoy increasing returns. Digitalization did not alter the theorem's direction but shifted the "efficiency-saturation" transition point leftward, providing quantitative grounds for budget reallocation [13].

For commercial perfumes, if market maturity >0.8 and price elasticity <-1.5, shift 30% of TV budget to short videos + livestreaming while retaining premium TVCs for brand image. Niche Perfumes: Maintain 10–15% ad/revenue ratio, focus on micro-KOLs and community topics; pivot to new product launches or offline pop-ups, avoiding repetitive hard ads. Regulation: Mandate platforms to disclose exposure-click-conversion metrics, lowering information barriers for SMEs; empower consumers to identify "storytelling premiums" via price-ingredient databases, enhancing decision efficiency [14].

6. Conclusion

A deep analysis of multinational market data from 2020 to 2025 reveals that performance growth has been significantly driven by optimized marketing strategies and sales channels. Within the closed-loop ecosystem formed by short videos and e-commerce integration, return on investment has increased by 28% compared to traditional TV advertising. This demonstrates that the "content-driven purchase guidance" strategy is not only effective but also statistically significant for specific sample brands. This also reveals a major shift in customer behavior from passive observation to active engagement. Short videos, real-time demonstrations, and influencer-led content have reduced the psychological distance between customers and products—especially for intangible goods like fragrances. Since scents rely on imagination rather than direct sensory experience, during the 2023 holiday season, several European niche brands and micro-influencers launched "unboxing" marketing campaigns on Douyin. These campaigns achieved double the click-through rates of traditional static banner ads at less than one-third the cost of TV advertising. However, deeper analysis requires

examining brand influence, campaign frequency, and algorithm-driven ad targeting—factors that may lead to overestimating short-term ROI. The elasticity index for commercial fragrance promotions fluctuates between 0.6% and 0.8%, while niche or boutique brands can achieve elasticity rates of 1.2% to 1.5%. When advertising costs rise to about one-fifth of revenue, all types of investment returns decline significantly. This indicates a clear threshold for growth elasticity, making the "saturation limit" crucial in budget planning. Beyond this critical point, further investment yields minimal benefits and may even impact profitability. Companies should establish maximum financial budget limits based on price sensitivity and profit margins.

Next, allocate 30% of electronic capital for mainstream market applications or 10-15% for specific niche market demands to distribution channels of so-called "potential leaders" who operate outside conventional advertising strategies and have limited influence. This approach will drive new product upgrades. For instance, small fragrance companies could invest in immersive pop-up exhibitions, customized scent-testing programs, or social media-integrated virtual reality "scent adventures" to boost sales conversion rates, rather than dispersing funds across generic marketing campaigns. Crucially, this strategy prioritizes maintaining growth momentum and building authentic brand communities over increasing hard advertising spend. Regulators could reduce information barriers for small-to-medium brands and enhance market efficiency by rigorously monitoring three key metrics: media exposure frequency, webpage click-through rates, and transaction conversion rates. Transparent metrics would allow consumers to understand the "storytelling premium" embedded in luxury pricing while providing small businesses with reference standards without incurring costly research expenses. However, these inferences are based on publicly available Western data and fiscal expenditure projections. Seasonal fluctuations, promotional tactics, and competitor influences will still introduce some interference. Moreover, Asia and other emerging regions lack comparable datasets. Therefore, in-depth research requires expanding the scope of current observational data. Future studies may incorporate brand-specific details and account for other variables like seasonal shifts, promotional activities, competitor advertising strategies. Using proxy variables or difference-in-differences methods could strengthen causal inferences. Cross-cultural testing in rapidly developing regions like Asia and Latin America would examine whether advertising sensitivity and saturation thresholds remain consistent across organizational and cultural contexts. This could reveal new elasticity characteristics in areas with large youth populations and widespread mobile e-commerce adoption.

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