



INTERNATIONAL
ASSOCIATION
OF DEPARTMENT
STORES

The only expert Department Store body in the world

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ANNOUNCEMENT

While fragrances continue to flourish in department stores, the convergence of cosmetics, beauty, and makeup under the all-encompassing "wellness" umbrella—a concept that transcends traditional notions of "care"—is now indisputable.

In October, the IADS highlighted the emergence of a post-pandemic feel-good factor in 2021-22, sparking increased demand for wellness-related products. This concept has since permeated all product categories, reflecting evolving customer preferences and compelling department stores to reimagine their approach to "care" products. Concurrently, new market dynamics in fragrances—with major brands adopting direct-to-consumer strategies while offering luxury lines to rival niche brands—explain the category's vibrancy, even as department stores remain vigilant for emerging trends.

For IADS members, the Cosmetics & Beauty business saw an average growth from 9% to 10% of total business between 2022 and 2023, with notable variations across categories. Fragrances surged from 36% to 45% of the Cosmetics & Beauty business, haircare increased from 3% to 5%, makeup held steady at 19%, while skincare declined from 34% to 26%. These shifts weren't price-driven; the balance between price segments remained constant, with luxury products accounting for 50% of category business, premium products 20%, prestige products 11%, and entry-level items 19%. Instead, they indicated a market transformation:

- The wellness concept has infiltrated every category, becoming the primary reference point for cosmetics shopping, including haircare. This shift blurs boundaries between historically "care"-focused categories and prompts questions about the global interpretation of "wellness" in each market.
- While niche and specialist brands fuel the fragrance market's growth, the makeup category faces disruption from major fashion players and celebrity-backed brands, challenging the dominance of specialist brands.

From Care to Wellness

Today's consumers seek more than just products for skin, hair, and scalp; they desire a holistic experience in 'care'. Despite declining market share, department stores are revitalising the skincare segment through enhanced services to improve consumer interaction and deliver authentic wellness experiences. **Tryano (Chalhoub Group)** is exploring the implementation of beauty cabins staffed by skin diagnosis experts. To effectively promote these new services, a blend of time-tested marketing techniques (CRM targeting, social media, influencer partnerships) and modern approaches (offering skincare treatments as gifts with purchase) is essential, mainly to attract younger clientele. In this landscape, prestige niche brands like **Barbara Sturm, Augustinus Bader, Dermalogica, La Mer, and Sisley** gain traction as customers engage with product trials.

A genuine sense of wellness also demands a fresh assortment: IADS members continuously seek brands offering self-care, personalisation, and creativity, aligned with ethical and community-centric values, tailored to their market segments. For instance, **Boyner** focuses on haircare, suncare, and serum-infused products, while **El Palacio de Hierro** emphasises men's and dermo-cosmetics.

IADS partner **Nelly Rodi** presented an exclusive selection of relevant brands in this context:

- Skincare: **Ipsium Alii, Mimétique, Mtm Labo, Talm, Thisworks, and Megababe**
- Haircare: **Flora Lab, Fatboy, Crown Affair, Prose, and Pattern**

Wellness is paving the way for new product uses and categories: In Turkey, **Boyner** observes a rise in renewable packaging products, while in Switzerland, **Manor** is tapping into the "beauty from within" trend by offering food supplements like **Vital Protein** collagen, which have become integral to customers' routines.

Fragrances: niche brands spearhead growth, raising questions on clustering

Niche fragrances lead the charge in department stores, with brands such as **Creed, Maison Francis Kurkdjian, Amouage, Montale, Byredo, Le Labo, Armani Privé, YSL high-perfumery, Penhaligon's, and Parfums De Marly** at the forefront. The market shows no signs of saturation, as **Galleries Lafayette** sees space being claimed by challenger brands like **Parfums BDK, Matière Première, and Maison Crivelli**. This diversity is crucial as department stores pursue new brands to differentiate themselves and boost foot traffic. **NellyRodi** presented its exclusive scouting of up-and-coming fragrance brands in this category: **Perroy, Obvious, Vyrao, Borntostandout, and Dedcool**.

Consequently, department stores must reconsider their fragrance department clustering strategies. Some are contemplating the creation of unisex, niche, prestige, and premium areas instead of traditional men's and women's sections. As customer preferences become more fluid, the conventional gender-based separation may be losing relevance in certain markets.

Makeup is stable with fashion newcomers

The category continues to grow in some department stores, maintaining a steady average market share, primarily due to lip and eye-related products. While established names like **Chanel** and **Dior** maintain their unchallenged dominance, other historical leaders such as **MAC** face increasing competition as the market welcomes new entrants:

- Fashion brand spin-offs: **Rabanne, Prada, Gucci, Valentino, Loewe**
- Celebrity-backed brands like **Haus Labs** by Lady Gaga and **r.e.m.beauty** by Ariana Grande

Next-generation brands are also emerging, as **NellyRodi** scouted: **Obayaty, Fara Homidi, Good Weird, (M)anasi, and Florasis**. Consequently, customers can anticipate significant changes in department store makeup floors in the coming seasons.

The Cosmetics, Beauty, & Wellness industry is undergoing dynamic shifts, propelled by the surging demand for niche fragrances and a consistent appeal for makeup, particularly in the lip category. Wellness now encompasses more than traditional beauty products as skin care evolves towards a more holistic, care-at-large approach that incorporates services and experiences. This transformation mirrors a broader consumer trend favouring personalised, inclusive, and ethically aligned products.

About NellyRodi

NellyRodi is a consulting agency in Business and Creative Intelligence. Based in Paris, Tokyo and New York, it is a global reference for foresight applied to industries and services. NellyRodi's business, based on understanding new consumer standards and new uses, is to support brands, investment funds and institutions on their desirability and performance levers.

Backed by their international future-forward expertise, NellyRodi provides strategic support at the highest levels, i.e. to senior management and investors, as well as at the field and operational levels.

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About IADS

The International Association of Department Stores (IADS) is the only expert body specializing in the department store retail format in the world. Consisting of leading department store members located around the globe, the Association acts as an international network, facilitating exchange and communication between IADS members, and conducts research to address current challenges department stores are facing to provide actionable insights for its members.

Today, IADS permanent members include Bloomingdale's (USA), Centro Beco (Venezuela), Beijing Hualian Group (PRC), Boyner (Turkey), Breuninger (Germany), Chalhoub Group (UAE), El Corte Inglés (Spain), El Palacio de Hierro (Mexico), Falabella (Chile, Colombia and Peru), Galleries Lafayette (France), Lifestyle International Holding (Hong Kong), Magasin du Nord (Denmark), Manor (Switzerland), The Mall Group (Thailand). These retail leaders are joined by a network of other department stores and retail companies as corresponding members.

Together, the IADS members, all key players in their respective markets, create a landscape of various business models and cultures and represent more than €35bn cumulated annual turnover, achieved through more than 514 stores with 181,000 associates in 23 countries.

Through its own activities and partnerships with NellyRodi, The Style Pulse, Retail Hub and RH-ISAC, the Association constantly stays up to date on its members' questions and challenges and generates solution-driven problem-solving processes for its members so that they are prepared to face the future of the retail industry.

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