Proceedings of ICFTBA 2026 Symposium: Strategic Management & Business Analytics: Data-Driven Performance Models
DOI: 10.54254/2754-1169/2026.LD38580

Analysis of Le Labo's Business Model

Hanyu Shen

Chengdu No.7 High School, Chengdu, China
shenhanyu2024@163.com

Abstract. The main topic in this paper is to what extent personalization and exclusivity will help Le Lab construct its competitive advantage in the luxury fragrance market. Le Labo features a growth strategy that integrates a niche brand identity with growth strategy that integrates a niche brand identity with the individual customer service and geographically limited products.The study employs the 5C model to analyse the company, customers, collaborators, competitors, and the general market environment. It studies the second-hand information utilized, including public information of enterprises, industry reports, and related research on luxury consumption, customization, and perceived value. The analysis results show that emotional value can be enhanced by personalization, and the social worth of customers may utilize products to show their individual identity, the perceived exclusivity will enhance the feeling of scarcity and differentiation. But this model has shortcomings: personalization is replicable by other luxury brands, and the excessive global expansion may also dilute the sense of scarcity on which Le Labo relies and impact its market position. The paper will conclude that Le Labo's competitive advantage is not only based on expanding, but also on whether it will be able to maintain its distinctive brand image as it meets changes in customer demands.

Keywords: Le Labo, Personalization, Exclusivity, Competitive Advantage

1. Introduction

Nowadays, consumer preferences in the global beauty market have undergone significant changes, especially in the perfume market. Perfume is no longer just a functional beauty product, but has increasingly become a way for the public to show their personal identity and express themselves. McKinsey's 2025 analysis of the beauty industry suggests that consumers are paying more attention to value and are increasingly interested in differentiation and individuality. It also determines evolving consumption trends of fragrance, such as the application of various fragrances depending on the mood and various occasions [1].

Against this backdrop, Le Labo has emerged as a distinctive fragrance brand. Established in New York in 2006, it adopts a lab-themed brand identity centering on the art and sensory experience of perfume craftsmanship. The Estée Lauder Companies acquired Le Labo in 2014 and positioned it within its premium fragrance portfolio [2].

Le Labo is an example that integrates the two strategies that seem opposite to each other: personalization and exclusivity. It lets consumers customize labels and choose products and has its

© 2026 The Authors. This is an open access article distributed under the terms of the Creative Commons Attribution License 4.0 (https://creativecommons.org/licenses/by/4.0/).

DOI: 10.54254/2754-1169/2026.LD38580

City Exclusive series. Simultaneously, Le Lao has also continued to go global. During fiscal 2025, the brand established 90 new sales points and launched flagship stores in Beijing and Seoul and reported high year-on-year net sales growth for the brand in the double digits in every quarter of the fiscal year [3].

This raises a vital strategic dilemma: brand expansion can boost sales and market reach, yet over-expansion risks eroding the exclusivity underpinning luxury positioning. Accordingly, Le Labo serves as a valuable case for investigating competitive advantages built via personalization and exclusivity. This paper addresses the research question: to what extent have Le Labo's personalization and exclusivity strategies fostered its competitive edge within the luxury-fragrance market? Drawing on the 5C framework and secondary literature concerning customization, luxury consumption and perceived value, the analysis prioritizes consumer trends instead of full PESTEL dimension deployment.

2. Overview of Le Labo

2.1. Brand positioning

Le Labo's competitively focuses on making perfume a luxury product, which has professional attributes and an experience rather than standardization. According to Estee Lauder Companies, Le Labo was founded in New York, inspired by the traditions of Grasse, a historic perfume center in France. In 2006, it opened its first laboratory in the Nolita community of New York, where it focused on mixing and packaging perfume.

This laboratory concept contributes to a main component of the unique brand image of Le Labo. The brand's name itself refers to "the laboratory", which strengthens the associations with experimentation and craftsmanship. Many traditional luxury brands will utilize celebrity endorsements or attractive brand logos for publicity. Nevertheless, Le Labo is based more on the perfume itself, the display form of the product, and various experiences built around the products to create brand awareness in consumers' hearts.

The reason why this brand positioning is of strategic significance is that the value of luxury goods is not entirely a result of product functions. Consumers also look at emotional, social, and symbolic benefits. In the case of Le Labo, the image of laboratory style helps perfume transcend practical functions and become an experience related to craft and individual uniqueness.

2.2. Personalization and exclusivity

One of the most apparent ways through which Le Labo can add individual value to customers is personalization. Customers have the ability to write their own messages on the label, and certain products can be engraved. According to the official site of Le Labo, its customers have the option to customize labels on fragrances and candles, and also engrave a product with a specific item [4].

The marketing effect of this strategy is also based on academic research. Yoo and Park discovered that customization could generate various values that include pleasure, practicality, creativity, and socialization for consumers of luxury brands, and the perceived values will have an additional impact [5].

This is critical in practice for Le Labo, since the perfume itself is intimately connected with identity and memory. A customized label is not going to alter the formula of the fragrance, but it will alter the symbolic meaning of the product. The smell can be given a name, message, or a personal

DOI: 10.54254/2754-1169/2026.LD38580

event by the consumer. In this way, personalization yields more emotional and experiential value to the product.

However, in the luxury industry, there are restraints on personalization. Moreau et al. discovered that luxury customers appreciate the expertise and brand identity of designers, and excessive customization may lead to a decrease in the signaling value in the luxury brand [6]. This demonstrates that Le Labo actually enjoys the advantage of limited personalization, rather than absolute customization. The private properties of the product can be touched by customers, yet the essence of the fragrance, the system of the packaging, and the brand image remain under the single control of Le Labo.

Another method that Le Labo can use to differentiate is through exclusivity. The City Exclusives series of perfumes at Le Labo includes a range of perfumes that are dedicated to particular cities [7]. They are only sold in their respective cities and are only open to global purchase for a limited period of time every year, thus forming a regional scarcity.

Recent luxury studies support the relationship between rarity and its perceived value. Wang et al. determined that natural rarity, as seen by consumers, will have a positive impact on the value perception on the functional, social, and emotional levels [8]. Nevertheless, it's also revealed in the research that rarity and exclusivity are not exactly the same. This difference is beneficial in examining Le Labo: since the strategy of City Exclusives is effective not only because of the exclusivity of the product, but more so due to the real scarcity experience brought about by limiting supply.

Thus, the concepts of personalization and exclusivity have a different yet complementary role. Personalization causes the product to be more individual, whereas exclusivity causes the product to be less widespread. The two will be able to enhance the uniqueness perception of the consumers and hence the luxury positioning of Le Labo.

2.3. Recent brand development

Le Labo can attain massive growth and still preserve its niche status. According to the reports by Estee Lauder Companies, the net sales of Le Labo in fiscal year 2025 continued to grow in double digits year-on-year, and 90 new points of sale were introduced during the year. It also opened flagship stores in Beijing and Seoul, with the Seoul store being the first flagship store of the brand in South Korea [3].

This proves that Le Labo does not have the strategy of staying unique and small-scale operations. Rather, the brand is attempting to strike a balance between niche positioning and global expansion. The resources that are offered by the Estee Lauder company have prepared the grounds for the expansion, although the expansion has been accompanied by new contradictions in the strategies.

3. Customers

3.1. Target customers

The target customers of Le Labo are more appropriately comprehended at the psychological level. Consumers who regard individuality, craftsmanship, and experiential consumption are likely to find the brand the most attractive. Consumers would not be inclined to buy a perfume only because it is well-known and would be more eager to locate the products that would allow them to identify with.

This is the positioning that matches the existing fragrance consumption. According to the research conducted by McKinsey, consumers would want to alternate their perfume depending on

DOI: 10.54254/2754-1169/2026.LD38580

their mood and occasions rather than predetermined ones. The report also states that individuality and differentiation are becoming more valuable sources of consumption in the beauty industry [1].

It is against this background that Le Labo's positioning is nothing more than a reaction to the necessity to wear perfume as an extension of identity. Its products could be seen as not merely beauty products but the means of self-expression.

3.2. Customer needs and value

Le Labo's customer value proposition revolves around four core consumer needs: individuality, self-expression, exclusivity, and experiential engagement. Personalised customisation satisfies the pursuit of unique self-identity, as engraved inscriptions endow mass-produced perfume products with personal emotional significance, fostering creative satisfaction, psychological pleasure and repurchase intention among consumers [5]. Its niche-oriented fragrance positioning enables self-expression via scent selection, while the City Exclusives range caters to demand for scarce goods. Nevertheless, scarcity alone cannot guarantee consistent perceived value [8], consumer subjective interpretation of limited-availability status determines the brand's competitive effect.

Aligned with the experiential-economy theory proposed by Pine and Gilmore, Le Labo delivers memorable consumption experiences through store ambiance, bespoke services and coherent brand tonality. Its value proposition therefore transcends product functionality to cover holistic purchasing-process perceptions [9].

4. Collaborators and competitors

4.1. Estée Lauder's support

Following the acquisition, The Estée Lauder Companies supplied Le Labo with financial resources and mature global retail-distribution capabilities, compensating for its limitations in worldwide market expansion. In fiscal year 2025, Le Labo added 90 sales outlets including flagship stores in Beijing and Seoul, delivering tangible expansion outcomes [3]. This represents a mutually-beneficial collaboration: Le Labo retains its original niche positioning and brand tonality, while contributing high-growth premium-fragrance business to the group.

4.2. Competitive positioning

Nowadays, the competition in the perfume industry is increasing. The increase in fragrance use provides opportunities for new brands to enter the market. McKinsey notes that a significant niche in the beauty industry is taken over by fragrance perfume, and how consumers interact with fragrance is evolving, especially among the young generation.

Le Labo's competitive advantage does not come from one unique feature. Everything can be copied, including customization, limited edition, minimalist packaging, and the strategy of storytelling. What is really difficult to replicate is that these elements are integrated into a stable and consistent brand image.

This is important because luxury consumers may react negatively when customization becomes excessive. Moreau et al. has pointed out that the customization of luxury goods cannot be opened unlimitedly, otherwise, it will weaken the sense of value of the brand itself [6]. Le Labo's approach therefore provides an important competitive balance: it makes customers feel a sense of ownership, but at the same time, it maintains the dominance and tone of the brand.

DOI: 10.54254/2754-1169/2026.LD38580

5. Marketing trends and market environment

5.1. Consumer trends

Customization and personalization have become the key in beauty consumption. McKinsey's 2025 research points out that the industry is changing towards value, differentiation, and personalization, and also emphasizes that "super-personalization" is becoming more and more important in the whole beauty industry [1].

This trend presents a good business climate for Le Labo. It has a customized approach that lets its customers take part in the creation of the product experience, and its niche marketing offers it a substitute to the standardized popular perfumes.

The consumption of fragrances is also getting more lenient. The number of individuals who switch between different perfumes based on the mood of the day or other events, rather than having a signature perfume as a default one, will increase [1]. This opens the door to brands that could have a range of special products, since consumers will be more open to testing a variety of perfumes.

Nevertheless, these trends become the source of competition as well. Consumers will be more interested in personalization and niche fragrances, and more brands will strive to meet such a demand. Thus, the development of the category is an opportunity as well as a threat to Le Labo.

5.2. Market environment

The macro market environment presents both opportunities and challenges.

Economically, Le Labo's premium positioning creates both opportunities and risks. Le Labo goes down the high-end road at a high price, which is an advantage because luxury consumers are willing to pay for quality and uniqueness. But when the economy is uncertain, people become more cautious in spending money, especially on non-essential beauty products. For Le Labo, this makes the justification of its premium price especially important. Consumers should feel that they have adequate functional, emotional, and symbolic value to justify that the price is reasonable.

This kind of pressure is getting increasingly evident. McKinsey reports that changing consumer preferences and economic uncertainty are placing greater pressure on beauty brands to demonstrate value for money [1]. For Le Labo, personalization, craftsmanship and exclusivity therefore need to work together to justify its premium positioning.

The market is also becoming more competitive as niche fragrance becomes increasingly visible. Consumers have more choices than before, and Le Labo cannot rely solely on the "niche" label to remain differentiated. It must continue to maintain the standard in many aspects such as brand style consistency, product quality, customized service, and limited strategy in order to maintain its unique position.

In general, the market environment is favorable to Le Labo owing to the existing consumption trend, which is, in fact, individualized, high-end beauty and experience consumption. Meanwhile, the trends are drawing competitors to the arena, making the need to continuously differentiate greater.

6. Conclusion

This paper investigates to what extent Le Labo's personalization and exclusivity strategies contribute to building its competitive advantage. The findings reveal that both strategies generate value through distinct mechanisms. Personalization endows perfume products with emotional and symbolic

DOI: 10.54254/2754-1169/2026.LD38580

connotations by connecting goods to consumers' self-identity and experiences, bringing luxury consumers pleasure, social value, and creative satisfaction [5]. Meanwhile, its City Exclusives collection creates geographic scarcity, reinforcing product uniqueness and perceived preciousness. Nevertheless, such strategies do not guarantee sustainable competitive edges, as rival firms may imitate them.

As suggested by Moreau et al., luxury brands must strike a balance between enabling consumer self-expression and preserving inherent brand value [6]. Supported by Estée Lauder's resources, Le Labo has expanded rapidly with 90 additional sales outlets and new flagship stores in Beijing and Seoul. Yet improved market accessibility creates tensions against its niche positioning. Consequently, although personalization and exclusivity substantially foster Le Labo's competitive advantage, long-term efficacy hinges on sustaining brand distinctiveness amid global expansion. Its core challenge lies in maintaining a delicate equilibrium between accessibility and scarcity, as well as consumer engagement and brand identity [4].

References

[1] McKinsey & Company. (2025). State of beauty 2025: Solving a shifting growth puzzle. https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/state-of-beauty-2025

[2] The Estée Lauder Companies. Our heritage. https://www.elcompanies.com/en/who-we-are/our-heritage?f_link_type=f_linkinlinenote&flow_extra=eyJpbmxpbmVfZGlzcGxheV9wb3NpdGlvbiI6MCwiZG9jX3Bvc2l0aW9uIjowLCJkb2NfaWQiOiIwYTc5OTRlZGFkNDJjOWVlLTM1MjAyODc3MGJjZDBmZjgifQ%3D%3D

[3] The Estée Lauder Companies Inc. (2025). The Estée Lauder Companies reports fiscal 2025 results. https://www.elcompanies.com/en/news-and-media/newsroom/press-releases/2025/08-20-2025-110025649

[4] Le Labo Fragrances. (2026). Personalization. https://www.lelabofragrances.eu/cn/en/personalization.html?region=CN&locale=EN

[5] Yoo, J., & Park, M. (2016). The effects of e-mass customization on consumer perceived value, satisfaction, and loyalty toward luxury brands. *Journal of Business Research, 69*(12), 5775–5784. https://doi.org/10.1016/j.jbusres.2016.04.174

[6] Moreau, C. P., Prandelli, E., Schreier, M., & Hieke, S. (2020). Customization in luxury brands: Can Valentino get personal? *Journal of Marketing Research, 57*(5), 937–947. https://doi.org/10.1177/0022243720943191

[7] LeLaboFragrances. (2026). City exclusive collection. *LeLaboFragrances*. https://www.lelabofragrances.eu/cn/en/city-exclusive-collection/discovery

[8] Wang, X., Sung, B., & Phau, I. (2024). How rarity and exclusivity influence types of perceived value for luxury. *Journal of Brand Management, 31*, 576–592. https://doi.org/10.1057/s41262-024-00359-8

[9] Pine, B. J., & Gilmore, J. H. (1998). Welcome to the experience economy. *Harvard Business Review, 76*(4), 97–105. https://hbr.org/1998/07/welcome-to-the-experience-economy