



# State of the Art—the Good, the Bad and the Truth\*

A frank look at the state of the fragrance industry

By Ferdinand Storp, drom

Let's start with the bad. The world of fragrances is no longer what it used to be. Every year the shelves of perfumeries and discounters are filled with a mass-produced stock of increasingly inferior quality. What ever happened to the great classics of fragrance? Why must every great fragrance be followed by some kind of limited, summer and black edition?

These questions were already answered during previous World Perfumery Congress (WPC) events. There are too many fragrances on the market already. And this trend will not reverse; on the contrary, it will further increase. This appears to be the central dilemma of the fragrance industry: more and more, worse and worse.

In this context, I love the following statement, the so-called Sturgeon's Law (named after the science fiction author Theodore Sturgeon). It says: Ninety percent of everything is crud.

Actually, this could be said of all products. Only we don't think this way because the majority of all products have already undergone a filtering process by the retailers. In addition, most fragrances do not pass the "hi" test and, yet, keep on existing. This is due to the fact that the blockbuster economy is not the only functioning form of economy. But more about this later.

**Blockbusters:** Let's first get to the blockbusters. Blockbusters are the exception to the rule; nonetheless, we view our industry in the light of such exceptions. But I think that most of us feel that the era of the megahits has surpassed its peak. Yet it is part of our culture and image that feeds the desire to create such mega-sellers. We love top 10 charts and consider it extremely exciting to find ourselves there. But the price of creating such a blockbuster is high. So is the risk. For the sake of risk minimization, most companies pursue a broadly diversified range, which means that a few genuine hits have to balance out the shortcomings of other projects. Thus the perfume industry is forced to rely on hits. And I am not only talking about profitable products, but about record-breaking sales hits. The high cost of development and the uncertain prospects of success create enormous pressure. To relieve this pressure a little, fragrances are tested. Such tests should at least provide a certain sense of security.

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## The Truth: Tests are Dumb

drom's research shows that the results of fragrance tests are of little value and difficult to duplicate. It's like sitting in a dark football stadium with a flashlight that you are allowed to switch on for just three seconds. You will see only a very small and limited section of what is actually there. If you are lucky, you will be able to determine whether a game is taking place, and if you are extremely lucky (in our case, excellent test designers and outstanding statisticians), you might even see who is playing against whom. It is unlikely that you will learn anything about the outcome of the game. And since a fragrance also has to deal with the flacon, the packaging, the advertising and point-of-sale, it is hard to imagine that a brief three-second flash of light could provide sufficient information about the general situation.

Dear (and now probably former) friends of testing institutions or in-house testing panels: never mind what I am saying here now, because you will become more and more important in the future. Still, you will always trail behind the complexity of the world. In the course of many fragrance tests, we discovered that virtually every variable included in a test design has an influence on the result. Once, as a joke, we even incorporated the position of the moon, and—surprise—it had an influence on the fragrance perception and evaluation.

It is therefore not possible to forecast whether a perfume will be a success on the market or not. In the best case you will succeed in preventing a flop or two, and I am not even too sure about that.

**Tests kill creativity:** The old psychological law that "popularity generates acceptance" translates, with regard to fragrances, to: The less known and foreign—or should I say, the more creative—a fragrance is, the worse are the test results. The lesson here is that tests are okay as long as they modify and reapply old successful recipes. If you want to create something special, to discover a niche, you should abstain from tests. Another study has shown that creativity is a result of intuition rather than of analytical testing methods. However, the dumb thing is that it will be difficult to convince your comptroller that your "good feeling" about a scent should be sufficient to release a marketing budget of €50 million. You will have fewer problems if you can provide expensive test results.

## The End of the Good Old Times

Unfortunately, the time has passed when it was sufficient to simply launch a new perfume on the market or add a “new” sticker to a modified version and expect ready market success. If one looks at a chart of fragrances sold worldwide, the typical statistical frequency distribution will form a long-tailed curve (the curve is very long compared to its head). The greatest demand for fragrances concentrates on a very small number of scents at the head of the curve. This is not surprising, since these are the blockbusters, the sales hits. If we follow the curve to the right, along the tail, we are led to think there is nothing. Which is not true, of course—we just need to take a closer look. If one changes the scale of the Y-axis, one will notice that there is still something being sold. Even in the lowest ranks the demand curve does not reach zero.

**Niche opportunities:** These are all the countless products that are hardly known but which have a continuous number of buyers. Well, if you add a sufficient number of “non-hits” you gain a market that is in actual competition to the real hits. What I mean is this: If I go to Sephora or Douglas tomorrow, I will find about 10% of all available fragrances—probably less. Here I find myself in the Mecca of blockbusters. At the large discounter around the corner I might find another 15%. In the specialty store, I may discover approximately another 5%. If I turn to eBay, I will probably find 65% of all available fragrances. (The remaining 5%, which I can’t even find at eBay, I shall have to procure through obscure side channels).

The amazing thing is that I can make good money not only with the 10% mega-sellers, but also with niche launches. Our culture and economy are no longer orientated on a comparatively small number of hits at the top of the list. Rather, we are moving toward a variety of niches. This applies to almost all industries. For example, take a look at the car market. In the 1960s we had 40 car models in the United States. Today we have more than 250, and counting all the model variations there are more than 1,000. Our traditional market slowly reaches its limits, but many new possibilities arise at the fringes.

**The “choice” dilemma:** Wait a minute; you might say at this point, that’s the problem. The people have totally lost their orientation, and

thus feel somewhat insecure. They want to turn back to the times when this orientation still existed. The classical argument for the damaging influence of choice is based on the theory of the American psychologist Barry Schwartz. In his 1994 study, “Why choice is demotivating,” he describes his Jam Selection Experiment. In short: six and 24 types of jam were presented to two test groups, respectively. The result was clear. Thirty percent of the customers presented with the smaller jam selection purchased a jar, as opposed to only 3% of those presented with the larger selection. In addition, the 3% were less satisfied afterwards with their choice than the 30% of the other test group.

Therefore, Schwartz concluded, too many choice options confuse us and even seem to oppress us. So far, so good. But I think this is a typical case of a laboratory experiment. The test situation is artificial and does not correspond to a real life situation. Just go to a large supermarket. There is one around the corner from where I live and it stocks almost 300 varieties of jam—42 brands altogether, whereby each brand offers eight jams on the average. Naturally, the strawberry and orange jams are placed in strategically advantageous spots, but close by you find pineapple-papaya, pepper-jelly or tomato-cinnamon-clove. The store manager confirmed that a demand for all varieties exists. Some more, some less, with the exotic varieties becoming especially popular.

This brings us to the bottom line, as far as perfumery is concerned. I don't believe people are frustrated about all this variety. On the contrary, the customer demands more and more choice. This is a paradox and contradicts the idea of a blockbuster; nevertheless it is reality. Nobody misses the dusty drugstores of the 1960s with their limited choices. It is this abundance of choice that pushes our taste toward the direction of niches.

**Niche success:** The increasing effect of the Internet and the ever-increasing amount of available information available to the consumer will increase this tendency. A nice example is Kitchen Aid. Every halfway decent hobby cook has at least one Kitchen Aid appliance in their kitchen. In a regular discount store, one normally finds appliances in three colors: white, black and another color that is typically a more exclusive one.

However, the third color has always been a gamble for the retailer, and quite often the wrong one is marketed. For a long time, six model colors provided the majority of turnover. In 2003, Kitchen Aid offered their entire range of colors on the Internet. Naturally, the black and the white models still sold best, but the other colors also were bought—without exception. Every year, one unlikely color that nobody anticipated appeared among the top 10; in 2006, for example, it was “tangerine”.

Nobody knows exactly why this is the case and one cannot really calculate these small successes. We live in an age of information, and this is bound to lead to a democratization of the markets and to more consumer enlightenment. I think this is a sign that we shall experience markets that will position themselves outside the present norm. Markets will be harder to calculate. This might not be as comfortable as the past, but definitely more exciting.

## The Good

Perhaps the golden age of perfumery is over. Gone are the days when all it took to be successful was to collaborate with an unknown eccentric fashion designer, talk him or her into a fragrance license, and then expect the scent to be bought by a large number of enthusiastic customers. But we are still working in a comparatively secure market, which has grown considerably in recent years. Many new concepts have proven as a successful way out of an apparent crisis. Seasonals are often more successful than the originals. Celebrities extend the circle of

potential fragrance licensees and bring a fresh breeze into the stagnating world of fashion people. And some niches have developed into a playground for new and courageous fragrance concepts, where great perfumery almost seems possible again.

But the best news is that perfumery can basically do without the digital age. We live in the universe of atoms and do not have to cope with bits and bytes. We are lucky that there won't be any “iScents” with which one can download any number of scents. Even more frightening would be something like “GaragePerfumer,” a flashy program that would allow even the most unskilled person, with a little electronic help, to come up with a halfway decent perfume. Fortunately, to create and sell a fragrance remains a material matter. Nowadays, digital content of all types can be spread around the globe by the millions within seconds. Analog contents, however, especially complex ones, cannot be duplicated easily, and always have to be transported as material matter. The fragrance branch virtually exists in a natural copyright zone. Naturally, I am aware of the large market of fragrance copies that populate the planet, but it could be even worse if we had to sell a digital product.

**Secrecy and truth:** Let us now carry on to the topic of truth. Unfortunately, the fragrance industry has never cared very much about the truth. We are always under the guise of the secretive and mysterious. We feel great when we can impress the ignorant with our knowledge of mysterious fragrances, the secret seducers. This makes for a nice story and, of course, we do sell dreams and illusions. But in the age of information this does entail some problems.

**Bureaucracy beats perfumery:** Year after year we are losing raw materials from our assortment. And partly it is the fault of the gentlemen in Brussels. But we are also not quite innocent with regards to this situation, primarily because the fragrance industry has been unable to develop a common strategy. In the mist of individual interests, bureaucracy has won to rob us of more and more raw materials. We did not manage to fight for our cultural assets; instead we chose to wait and see if our competitors would handle the situation even worse.

**Losing materials:** Long-term, I do not want to give up all hope that we will still be able to save a few ingredients. But presently the loop of regulations will further tighten. We can no longer hide behind the guise of art and hedonism; we finally have to start coming up with good arguments against rather humorless dermatologists, toxicologists and environmentalists.

To make one thing quite clear: I regard the obstacles, laid out by the authorities for the entire industry, as an incredible act of overreacting bureaucracy. Naturally, something like REACH is absolute insanity. But admittedly, some of our ingredients are really not quite unobjectionable. And some of our customers are naturally realizing that fragrances can be a problem. As soon as bureaucracy and consumers dwell on a topic, the manufacturer has to face up to the problem. Therefore, we should at least try to save a few raw materials. And I call for some kind of preservation program for raw materials.

My top five raw materials worth protecting are:

1. Galaxolide (IFF)
2. Limonene
3. Citral
4. Nitromusks
5. Coumarin

Perhaps we could start a dialogue about how your list looks, and perhaps we really could preserve something for a change.

**Raising perfumery's profile:** But getting back to the topic of truth. Alright, we are a secretive, mysterious industry. One doesn't live badly with such an image. But it also leads to the fact that a lot of nonsense is being said about fragrances and perfumery. We have to become more frank and honest. I do not want to exclude myself; even we sell fragrances with ingredients like "blue Himalayan hyacinth," which is utter nonsense, of course. That's marketing, far removed from reality. Well, you may say, but who wants to know anyhow that phenyl acetaldehyde is hidden behind Himalayan hyacinth? I only partially agree. In a perfume shop, "Himalayan" does sell better than some kind of aldehyde.

But let's take a look at a related trade, namely that of a cook. Twenty years ago, we already were experiencing celebrity chefs and their cookbooks, but nobody could have anticipated the countless cooking programs of talented and less talented cooks that flood our TV screens today. These cooks do nothing else but present their trade and sometimes their artistic skills. They show how it is done and let you in on one or another professional trick. I ask you now: Where is the television show about a perfumer? Why has no one written a book called "Confessions of a Perfumer?" The stars of our trade are usually called the "quiet stars." I don't think this is very good in the age of information.

Does openness kill the magic? I don't think that a broader knowledge of raw materials and their application will destroy the magic of perfumery. On the contrary, it opens a new and much wider basis for discussion. The trade will enthrall more people and it will open channels to better understand our consumers.

### **The Road to Hell is Paved with Good Intentions**

So, what to do? We have to be more open, more honest and, above all, more creative. Today's consumers are increasingly difficult to satisfy. Perfumes fight against a whole armada of other seductions. The mantra of recent WPC events has

always been that we have to risk more. I totally agree. We have to risk something. I know that's nothing new and there is no need to sit here for a half hour for this revelation.

But nobody does it. In recent years, I have seen far more strategies for risk minimization. I see less courage all the time. And I see fewer and fewer people willing to take genuine risks. The real reason for this, of course, lies in the nature of the matter. The incentives to create something interesting are totally different at the top of the business than among the smaller niches. On top, we find the traditional money economy (that's us); among the niches, however, we find an economic model that operates almost without any money. At the top, the driving force is money. At the other end of the business, economic considerations have less weight. The participants among these niches are creative for various other reasons: self-expression, fun, the joy of experimentation.

**Taking risks:** We should move in this direction. But I have the feeling that in our industry the basic direction is wrong. It is not the age of artists and inventors but of bookkeepers; it is not the climate for expansion and risk taking but for cost reduction. Creativity and creators have a hard time in such an environment.

I will tell you a little story about taking risks. A couple of years ago, I had to catch a train. I was a bit early for the train. I went to get myself a newspaper, a cup of coffee and a packet of cookies. There was a man sitting opposite me—a perfectly ordinary looking guy wearing a business

suit, carrying a briefcase. It didn't look like he was going to do anything weird. What he did was this: he suddenly leaned across, picked up the packet of cookies, tore it open, took one out and ate it.

Now this, I have to say, is the sort of thing the Germans are very bad at dealing with. There's nothing in our background, upbringing or education that teaches you how to deal with someone who in broad daylight has just stolen your cookies. In the end, I did what any German would do: I ignored it. And I stared at the newspaper, took a sip of coffee, tried to do a puzzle in the newspaper and thought: What am I going to do?

In the end, I decided I'd just have to go for it, and I tried very hard not to notice the fact that the packet was already mysteriously opened. I took out a cookie for myself. I thought, "That settles him." But it hadn't, because a moment or two later he did it again. He took another cookie. Having not mentioned it the first time, it was somehow even harder to raise the subject the second time around. "Excuse me, I couldn't help but notice..."

We went through the whole packet like this. When I say the whole packet, I mean there were only about eight cookies, but it felt like a lifetime. He took one, I took one, he took one, I took one. Finally, when we got to the end, he stood up and walked away. We exchanged meaningful looks, then he walked away, and I breathed a sigh of relief and sat back. A moment or two later the train was coming in, so I tossed back the rest of my coffee, stood up, picked

up the newspaper, and there, underneath the newspaper, were *my* cookies.

Apart from the funny side of this story, it showed to me one principal of life, especially in business life: Take risks!

This has been said many times before. Therefore, I say *ciao* with my top five list of the most risky actions for the perfumery business of the future:

1. Market your new fragrance prominently touting a new chemical (including a structural formula and a terrible-sounding chemical name)
2. Throw your test winner of the men's fragrances on the market as a women's fragrance
3. Take care that your new fragrance can only be bought illegally
4. Don't sign a contract with a hip-hopper; instead, hire Mr. Nobody off the street to be your new spokesperson
5. Fire your panel of experts and toss a coin

*You may say I'm a dreamer*

*But I'm not the only one*

-John Lennon

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