

# Quality Issues in the Fragrance Industry

When cutting costs means cutting corners, the whole industry is in danger—and the customer has noticed

Angela Kohut, South East Aromas Fragrance Consulting

Our industry has a problem. As fragrance houses merge, there are not as many players as there once were. We now see this shrinking pool of houses fighting for clients and business. In the interest of controlling costs, some of these fragrance companies are cutting corners, simultaneously undercutting and jeopardizing the reputations of legitimate fragrance houses that are trying to create safe, compliant and wonderful-smelling scents. These bad actors quote ridiculously low prices and use materials that are not safe or regulated or are perhaps even processed improperly. This can pose significant problems for the customer.

The issue of corner cutting is particularly relevant now. When one sees a downturn in the economy, the first reaction is for customers to start cutting costs. They will often start making changes such as reducing higher-end product lines or cutting the amount of fragrance they put in their products. The vast majority of the products in consumers' homes are fragranced. They may change brands for a time, but they will still buy fragranced brands. But in tough times, customers may well ask fragrance houses to cut costs. I've had clients tell me that they're hurting across the board: "We're paying \$12/lb and we want you to get that fragrance down to \$8/lb."

## Threats to High Quality Fragrances

This is an issue of quality and good service. All of our clients want quality fragrances, and they expect us as fragrance houses to provide them. A raw material account

## Bottom Line

It is crucial that fragrance houses emphasize quality: following regulations and guidelines and delivering to clients the scents they expect. Meanwhile, customers must understand that the old adage remains true: you get what you pay for. A \$3 fragrance will smell like a \$3 fragrance. Getting seriously involved in the vetting process for any fragrance supplier is crucial (see **Customer and Supplier Insights on Quality**). If quality and honesty is demanded, only quality, ethical fragrance houses will prevail. The health of the industry from fragrance house to retailer depends on it. Everyone's reputations are at stake.

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executive in the industry recently told me that customers, particularly in the "all-natural" realm, routinely deal with suppliers promising organic materials that are in reality processed in close proximity to contaminants such as pesticides. The cross-contamination is extensive.

It's not only the clients that are hurt. Our industry's reputation is at stake, particularly now when consumers are jittery over the perception that China doesn't follow the same regulations as the West. The worry is that we don't really know what we're getting half the time. No one wants bad materials coming from overseas or anywhere else. Yet, to create some of these cut-rate fragrances, some houses are sourcing materials from unvetted suppliers. These materials may be off-spec, byproducts or leftover materials—what they call the "ends" or the "tails" versus the true quality raw material. We don't want companies telling customers, "You know that fragrance that you're currently buying, we can do it for half the price," but what they don't tell the clients is that they can do it cheaper because they're not using the same materials. The quality of a fragrance house is directly related to the security and quality of its supply chain.

I have personally worked in companies that have been asked to recreate cinnamon fragrances that were found, via the process of matching, to not be compliant due to their cinnamic aldehyde content. When told their fragrance was not compliant, the client's reply was "Our vendor says it is." It's that easy. When compliance is verified simply through word of mouth, customers have little choice but to trust it.

## The Customers' View

Major retailers have caught on. Their attitude is "we don't know much about fragrance, but we're going to start." Home décor technical managers have toured the suppliers of fragrance for their private label brands and weeded out those houses that appeared not to be on the up and up. These proactive customers do not want to work with fragrance houses that do not stand by their work.

As customers—particularly major retailers—become more educated, the fragrance houses that don't comply with the rules will have little wiggle room. Ten years ago we used to make a fragrance and the customers would merely indicate whether they liked it or not. Today, there are so many regulatory issues and restrictions that customers are putting fragrance experts, including perfumers, on-staff to make sure fragrances are compliant so they don't get in trouble. In addition, these customers are setting tough guidelines to insure quality and safety.

"Consistency and quality is key," says a source from a major retailer who declined to be identified, "and our core fragrance vendors all have well-integrated automation into both their laboratory and production processes. Safety and regulatory compliance played a large role as well [in our core vendor selection process], as we are unable to keep track of the regulatory changes as well as the industry can." His company, he explains, requires that vendors retain International Fragrance Association (*ifragrance.org*) and Research Institute for Fragrance Materials (*rifm.org*) membership. In addition, the company occasionally turns to non-core fragrance suppliers for "non-core projects," which the retail source believes keeps core suppliers honest. As he puts it, "these lists are not judicial appointments; poor service and/or performance can get them booted off."

"Our guidelines help us avoid any potential pitfalls, such as modifying of fragrances to reduce cost, and ensuring consistent quality of components from batch to batch," says Tammie Deauseault, vice president of product development at Village Candle. "That, combined with completely open communication, is the basis for all of our strategic relationships. Equally as important, we only work with houses that are the right size and fit. We have found that medium-sized fragrance houses meet our needs the best—creative fragrances, good technical support, key marketing info to support recommendations, and superior customer service are the foundation for a quality fragrance supplier."

## Consequences

While it is always imperative to control costs, this should never result in fragrance houses undercutting competitors in dishonest ways. The reed diffuser/diethyl phthalate issue with the California Air Resources Board (CARB; background document on diethyl phthalate at *fmafragrance.org*) is a perfect example of the potential harm facing non-compliant fragrance houses and their customers. If a large company sells reed diffusers and doesn't know about the CARB issue and then puts its product on the shelf only to get fined, the customer is going to look at the fragrance house and say, "Why didn't you tell me this? You should have known this. Why are you selling me a product that is not compliant?" Aside from the money lost, it is embarrassing to these customers to have to pull their products. Fragrance houses are supposed to be telling customers these things, but they want so badly to make a sale that they don't care and will sell something that perhaps is not compliant.

Controlling costs is a priority for everyone. But there are certain realities that cannot be ignored. Raw material prices are rising exponentially. Everyone is being hit hard. A fragrance company cannot offer the same scent for half the price. It will simply not be the same. There are other considerations that have become as important as price: the services that are part of the package should be considered. These days the regulations are changing almost weekly. A fragrance company with in-house regulatory is a must. In addition, a supplier that has perfumers, evaluators, applications and marketing people on hand will be more likely to deliver fragrances to clients that are the best they can be. These personnel are critical in solving any fragrance-related issues a client might have and should be a part of the staff readily accessible to them.

My advice to customers throughout the industry: never fear, because what comes around goes around.

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# Customer and Supplier Insights on Quality

A source from a major retailer who declined to be identified by name, gained a number of insights as he brought his company's candle fragrance selection process in-house. "Consistent quality was the driving force behind this," he says, "and it quickly expanded into regulatory issues as well."

The source continues, "It became necessary to visit the various fragrance houses to see what they really have to offer. The only true way to measure worthiness is through on-site visits, and then through subsequent performance." He notes that he measured these suppliers against a number of criteria, including capacities, lead time, safety and regulatory capabilities, marketing/trend resources, sample tracking and QC methods. "The most successful creative partnerships are the result of close collaborations and mutual sharing," says John Gamba, senior perfumer at Givaudan. "A transparent relationship that fosters an open environment is necessary." He adds, "It is always helpful and even vital to have up-front intelligence on all aspects of a fragrance launch, including the positioning, packaging, colors, advertising direction, distribution, promotional calendar, etc." Gamba explains that his organization encourages clients to visit its facilities, from the creative studios to the production and distribution sites. "The more our clients can understand our capabilities, the better they can see the complete process of creation to shipping."

Chris English, executive vice president of Bontoux, underscores just how important it is for clients to do their homework. "Often there are a lot of hands that touch a product before it gets to a compound house as many essential oils are produced in remote areas by small farmers ... For most natural materials, there is not enough of the pure product to cover demand. I hate to say it, but I would venture a guess and say that over 50% of 'essential oils' sold in the world are 'cut/extended/standardized' in some way." He adds, "Some sellers have been tempted and have cut product with solvents to make money. This of course creates major problems for all sellers and buyers once this information is spread throughout the world."

"Village Candle has strict guidelines for qualifying fragrance houses, and we revisit those guidelines with each house on an annual basis to insure compliance," says the company's vice president of product development, Tammie Deauseault. Like other organizations, Village Candle requires that fragrance suppliers comply with IFRA and RIFM requirements. In addition, says Deauseault, her company requires that suppliers have a minimum of five years of fragrance manufacturing experience, maintain an internal regulatory group, an on-site GC/MS for the submission of GC traces on each batch and have an internal marketing group. "[W]e require each fragrance [supplier] to validate fragrance submissions with market data that supports their fragrance recommendations to us," Deauseault adds. "No manufacturer can risk putting products into the marketplace that aren't proven concepts."

The retail source adds, "We expect them [fragrance houses] to understand our customer, be cognizant of changes or even potential changes in the regulatory environment, and provide a quality fragrance at as low a price as possible. They also need to be able to consistently reproduce the fragrances from batch to batch. As we move in to alternate fragrance forms we need our houses to have the ability to produce well-performing, compliant fragrances that stay true to the candle fragrance version."

"A reliable fragrance supplier is one part of a team that is committed to the consumer's needs," says Deauseault. "Only in this way can we all be successful."

The unnamed source concludes, "Size was not a decisive factor [in developing our core list] so long as we were not in a situation where our business would dominate production of a given fragrance house, since we demand the flexibility to shift business as we see fit, and we don't want to put anyone out of business. Conversely, we wanted ones that weren't so large that customer service would end up lacking."

*Read more client and supplier insights in the November 12 and 26 editions of P&Fnow; [perfumerflavorist.com/newsletter/signup](http://perfumerflavorist.com/newsletter/signup).*

Quality control goes without saying, right? Unfortunately, no. Quality, more than anything else, is the main reason customers should be dealing with established, experienced companies fragrance suppliers. Quality applies to incoming (raw) materials as well as outgoing fragrances. Where your fragrance is made means more than you might think. While it's true that the cost of a fragrance is lower when made in a region where labor is cheaper, the hidden costs to the clients could be much greater than the initial savings: longer lead times, different standards and ethics, difficult or impossible order changes, production shutdowns, shipping logistics, or customer service that's only reachable on off-hours. These things affect customers' businesses.

My advice to customers throughout the industry: never fear, because what comes around goes around. If a bad actor's scents are sub-par, word will eventually spread. Fair and honest practices will always be rewarded in the long run.

The reality is that you get what you pay for. If you pay for a \$3 fragrance, you're going to get a \$3 fragrance. Anybody who takes shortcuts and buys from a disreputable fragrance supplier will hurt its own reputation. We—the fragrance industry—are all in the same boat and need to work together as a team. A few bad eggs make all the other fragrance houses look bad.

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