NEXT: The New Normal

Ferdinand Storp on dynamic emerging markets, the growing importance of private labels and recapturing creativity

Organizations find out what they're really made of in the toughest of times. No one knows that more than Ferdinand Storp, general manager of drom fragrances. Earlier this year the fragrance house concentrated its US operations at its Towaco, New Jersey, site and found success in growing opportunities such as private label customers. "The positive thing is that … things are getting back to normal," says Storp. "Projects are coming in, our numbers now are even better than the year before. It was a healthy [experience] because we rethought everything, every process and detail, which you don't do if things go well. On paper, everything looks very easy."

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Private Label Power

The economic crisis has afforded private labels an opportunity to gain customer share and, in some cases, move beyond mere copies of national equivalents. drom was positioned with these customers going into the economic crisis. While working with private labels isn't necessarily as glamorous as working with national and international brands, Storp explains that this business "runs beautifully," adding, "If you take a deeper look … you see that there's beauty inside."

With much of the industry focusing on private label customers, drom's history in this sector has proven an advantage—both in terms of relationships and working style. "There already was a solid base," says Storp. "These customers recognize that you were there before [the boom]. The companies coming in now have difficulties. It doesn't work for every fragrance company." Storp adds that the way in which a fragrance house works with a private label differs greatly from a traditional private brand/fragrance house relationship, particularly in terms of speed to market. "It's much faster," he says. "It's almost more creative because you have this time pressure and you need quick solutions. There isn't heavy testing and [extended planning]; there's almost no time for politics, which makes it pretty interesting. They call you on a Friday afternoon and say, 'On Tuesday we need the product, the picture, and if you have some suggestions for the ad, that would be good.'"

What makes private label growth so attractive to drom and other companies is the notion that consumer familiarity, coupled with inherent value and ever-improving quality, will translate into continued private label loyalty. Translation: Even when the economic crisis passes, consumers may not abandon their private label selections. "The quality level is not that far from private products," says Storp. "In some cases there is absolutely no difference. It's a question of image."

While the United Kingdom has long been a "private label country," says Storp, other regions are poised for continued growth in the category. "[In the United Kingdom], I would say the roles have already changed. All of these chains, like Tesco, have their own brands and they dominate the market. These projects are really innovative, new. I can imagine that some of these continental European manufacturers are going in that direction; not just following, but trying to set trends. In the United Kingdom you see that very clearly. It's really impressive."

Booming Developing Markets

In developing regions where consumer demand is rampant and growing—notably China and Brazil—Storp has found that success is relatively easy. This, coupled with the slow growth in mature/developed markets, has reoriented the flavor and fragrance industry's focus for the future. "It's not driven by fear," Storp says of emerging market product development, "it's driven by ideas, wanting to achieve something. I think what we see now in China or in Brazil is what happened to the industry [in the developed world] in the 1970s and 1980s. There is an automatic growth in the market."

Emerging market customers, says Storp, launch products that are eagerly consumed in the marketplace. Due to the rate of growth, traditional strategizing and product development aren't a prominent facet of the business. If a company wants to move into hair care, it does so with little agonizing. "These companies just say, 'We'll make this and this and this,'" says Storp. Until developing markets hit a saturation point and begin to experience consumer push-back, Storp foresees smooth sailing. And when maturity does finally arrive, he imagines regions such as Africa will begin to present the next wave of growth.

The Future: Recapturing Creativity

"Normally, I'd say … as soon as the tension is out of the market everything will get back to normal," says Storp. However, he says, the reality is that "we will be much more careful and picky about what we do. We have to define [our business] more sharply." Storp believes that the flavor and fragrance industry will eventually be oriented around perhaps three major companies that encompass about 80% of the market, leaving a long tail of 20%. "This is very local business … that is not big enough [for the top-tier companies]," says Storp. He envisions his organization as an innovative alternative for clients looking for something "out of the box" or just simply quicker. In a fragrance landscape that he calls "mostly boring," Storp has positioned his organization to seek out niches: "There you have the feeling you go back to perfumery and you can be creative because your customer is creative. We can create some image in these corners. This secures our place in the future as someone who delivers something special."

Storp continues, "I fear that the industry is not going back to focus on real creativity. It's much more a financial thing. Most of the time you have to deal with contracts, securing the business, up-front payments, bonuses, etc.—somehow this seems more important than anything else. If this is secured, then we talk a little bit about business and briefings. This is what kills somehow the spirit of perfumery." Much of this, he says, is the result of customer consolidation and the attendant loss of individual corporate personalities. "There was a different chemistry with these companies. It was more alive, chaotic, fragmented. People said, 'I want to bring a fragrance on the market with my name, my idea.' If you consider perfumery as a creative business, then it's going in the wrong way. The more you force your people into a corporate style, the more boring and frightened they are—the less creative they are. Surprise me and then maybe we have a chance to surprise the [customer]. We make this magical soup and we dilute it year to year. We need brave people to take risks, to bring out a fragrance that is dangerous."

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