

Perfumery, West Coast Style

Amidst industry consolidation, one fragrance house is exploring its unique regional footprint

“**F**ragrance industry consolidation helped create the fundamental need for our company,” says Mike Zarkades, president of the ingredients division of Fragrance West’s parent company, The ET Horn Co. “What does consolidation mean to most customers? It means prices go up, lead times get longer and minimums go higher. What does consolidation mean for the fragrance industry? It means you have fewer perfumers working on a larger number of projects; how can that possibly improve creativity?” This state of affairs often forces fragrance suppliers to employ basic scents from their library to address customer needs and cost profiles. The result? The control over the direction of a fragrance profile by all parties is reduced. “Where does it end?”

In late 2007, specialty ingredient distributor and manufacturer The ET Horn Co. purchased the assets and accounts of Belmay’s 30-year-old Van Nuys, California-based Belmay West fragrance division. “There are a lot of smart people in our industry going in the opposite direction,” says Zarkades. “We wanted to do something completely different.” Under the agreement, Belmay continues to manufacture compounds and supply raw materials to the renamed Fragrance West out of its Chester, New York site. Fragrance West operates in the former Belmay West lab and production facility, which is undergoing extensive renovations and expansion. While the purchase brought a standalone business and an existing customer base in key regions such as the American West and Southwest, Mexico, Central America, Australia, and Asia, Christina Fiduccia, vice president of sales of ET Horn’s essentials group, notes that the strategy was not based on short-term profit motives. Instead, she explains that ET Horn seeks to leverage the expertise and products of the parent company—particularly those in the cosmetics and personal care area—to add value to Fragrance West’s capabilities and secure new market share in categories such as home fragrance, candles and cleaning products. And so, Fragrance West supports ET Horn’s personal care, cosmetics, skin care and hair care activities, in addition to adding capabilities in fragranced product categories. “This fit perfectly,” says Fiduccia,



who adds that fragrance support had been a key need for customers. The choice was either to partner with an independent fragrance house or bring that expertise into the organization. Having chosen the latter option, the group has integrated the fragrance company into ET Horn’s six business units: Personal Care, Advanced Materials, Food-Tech, Nutraceuticals, Coatings & Building Materials, and Animal Wellness. Each sales group is part of one of three divisions, each reporting to ET Horn’s CEO Gene Alley and the company’s board. The result, notes Fiduccia, is that the individual units are run independently and entrepreneurially.

In addition to facilities, the Belmay deal allowed Fragrance West to retain a significant portion of veteran employees, some of whom have worked in the industry for well over a decade. Zarkades explains that the long-term employees have unique familiarity with key customers, and the foundation of the company indeed included the assumption of much of Belmay West’s client list. Even so, he says, a clear focus for the unit is to cross-market the specialty and functional ingredients in its parent company’s portfolio. At the same time, the company aims to take advantage of its location outside the East Coast heart of the US fragrance industry. “We are West Coast-based and we’re going to stay that way,” says Zarkades. While its location makes it easy to service customers looking for a local vendor offering short lead times and more face-to-face contact, the company is focusing beyond this regional advantage.

Meanwhile, Fragrance West's scale necessitates that it balance the types of projects it chooses to pursue. "It would be easy to absorb short-term opportunities to the detriment of long-term growth and creativity," says Zarkades, who believes in the importance of working on edgier creative projects, in addition to more straightforward commercial, duplication or high-volume/low-cost fragrance jobs. This, he says, will make the organization more well-rounded in the long term. "We have the ability to pick and choose wisely," Zarkades says. "It's hard to say no to short-term lucrative projects in favor of those that may not have a proportionally huge commercial viability, but we do so in order to grow creatively. That way, in time, we'll have more to offer a wider range of customers."

Fiduccia sees further growth for Fragrance West in home care, an area previously out of scope for ET Horn. In addition, the company's expanding regional footprint is expected to further grow the business. She adds, "The Essentials Group, which works with leading-edge skin and hair care ingredients, can share its scientific and innovation expertise with Fragrance West to initiate more creativity in the perfumery process. This helps to ensure that products' scents match the consumer message for greater overall coherency."

"The creative process remains the same," says senior perfumer Sherri Sebastian, of working on the small California-based team, "but the approach is different." Sebastian spent most of her career on the East Coast, working variously for IFF, Manheimer and Creative Concepts; the shift to the opposite side of the United States, she says, has provided some unique insights. "We need to be able to readily adapt our approach for each specific customer. In order to be successful we need to be able to view each client from a holistic standpoint. We need to be able to understand the time constraints that smaller start-up companies might have [compared to] the large internationally established brands." Sebastian adds that, in some cases, perfumers will need to work ET Horn's sales team to provide clients with a significant level of technical assistance, while helping source key ingredients to give formulations a competitive edge. "We have the freedom to be creative in that respect," she says.

Jose Gonzalez, Fragrance West's sales manager, notes that his ability to work one-on-one with customers during this process is crucial, particularly given the range of clients the company works with. "On the West Coast there are so many entrepreneurial companies that have started up," says Fiduccia. "Every week I'm surprised by something new. We are constantly entertained by creative and innovative ideas. Of course, our customer base includes some well-established brands, but companies here are more likely to introduce new and cutting edge types of products."

Gonzalez says that some clients literally walk in off the street looking to discuss a new project. One such customer, who sought to launch a range of upscale air fresheners, ended up developing an extensive and successful product line. "We developed the fragrances and

helped build a great customer," says Gonzalez. "That's the kind of person we encounter on a daily basis."

"I'm not sure if it's us being in [proximity to] Hollywood," Fiduccia says of the diversity of projects and customers, "but everyone has a dream of getting rich and being successful. That's what's driving these new ideas. Of course we can't take every single [client] that walks through the door, but we've got the management expertise to recognize a good concept and look at what we can bring from our side to make it happen." The more entrepreneurial the client, the more services that are typically required, and so the fragrance team is often charged with not only fragrance development, but also helping connect clients with contract fillers, packaging companies, ingredients suppliers and more.

"We have people walking in, each with an idea in mind, and we don't know if they're going to be successful," says Sebastian. "We help them to develop their fragrance and their brand, and even if they don't become successful it puts us in a really good position. We see the trends early. People come to us and give us information—as opposed to us going out and getting routine market research. The people coming to us are true trend setters. That's something that's really inspiring and exciting."

Gonzalez says that the company's location means that clients come from places such as Mexico, Australia and Asia with concepts ranging from air fresheners to high-end fine fragrances. "One big difference for us being on the West Coast is that you learn the intricate likes and dislikes of these vastly different markets," he adds. "Each requires a different style of fragrance." When these customers begin the development process, Gonzalez says, the team takes a step-by-step process to educate the client and ensure the signature fragrance, whatever the application, is going to work for the selected marketplace. "We educate the customers during the creation of the fragrance and beyond to manufacturing," says Fiduccia. This relationship, she explains, reflects the unique culture of the region, reflecting its diversity and air of entrepreneurship, which lead to both tight timelines and closer collaborations with customers.

"California is the first US state in which there's no majority race," says Zarkades of the region's so-called minority-majority status. "California is ... a microcosm of the world," he says, highlighting the state's unique mix of Asian, Latino, Pacific Islander and other ethnic groups, which will continue to drive the types of projects produced by the Fragrance West team.

Sebastian has concluded that while many of the differences between working on the East Coast and developing scents on the West Coast are subtle, they are tangible. "Working on a small team in California means more flexibility, more accessible clients and faster turnaround," she says. More abstractly, Sebastian notes the West's unique connection to nature: "The differences are inspiring."