

Hungarian Beauty— Fragrances in the Wild East

A rich fragrance heritage disrupted by political upheavals reinvents itself amidst a price-sensitive consumer environment.

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According to a 2013 Euromonitor (www.euromonitor.com) report, the Hungarian beauty and personal care market is positioned for gains in volume through 2017.

The market's economic challenges in recent years, the report notes, have led to a "value-for-money" outlook among consumers that still demands quality. These consumers are primarily making beauty and personal care purchases in supermarkets, hypermarkets and pharmacies/drug stores, which maximize variety and value.

Meanwhile, multinational brands have outperformed domestic producers, which have experienced sales declines in recent years. Here, author, perfumer and fragrance expert Zsolt Zólyomi presents an overview of this often overlooked market, which boasts its own rich fragrance heritage. —Editor in Chief

The beautiful legend of *Eau de la Reine de l'Hongrie*, or Hungarian Queen Water, harkens back to the dark Middle Ages of the late 14th century, when dirty and infected water was not used for drinking or personal hygiene. As a result, this citrus-aromatic formula was made from Queen Elisabeth's (known locally as *Árpád-házi Szent Erzsébet*) medicinal plants, including rosemary and citrus peel macerates, infusions and essential oils, and was probably created to serve both as a personal remedy to be drunk by the ounce and as a body care washing water—what might be used as a splash cologne today.

The legend says that Queen Elisabeth became so rejuvenated by using her new anti-aging fragrance that a fine young Polish king fell in love with and married her. This author was not there personally, and so is unaware of the political profits of the royal marriage, but one can imagine that the first alcoholic fragrance recipe was born under such medieval love story circumstances. Today, its recreation can be smelled at the Osmothèque scent archive in France (www.osmotheque.fr).

An Art Form Disrupted by War and Politics

Few people, even those in the fragrance industry, are aware that this beautiful art existed in Hungary in the 19th and 20th centuries. The nation was home to regionally renowned perfume manufactures, with brands such as Kosztelitz, Elida, Molnár és Moser, and Baeder, and hosted celebrations for perfumers as recently as the 1930s.



Product categories, particularly nail lacquer, makeup and rouge, are increasing sales volume, as they can be "a piece of luxury" and give the consumer a feeling of keeping up with the latest trends at half to quarter the price of a fragrance.

After two World Wars, Hungary's perfume industry suffered severe destruction as the Soviet Union-influenced Eastern European countries were cut away from the West by the Iron Curtain. This interrupted the supply of most exotic raw materials and the hard-currency Western markets. Meanwhile, the unifying philosophy of the communist era destroyed the luxury industries and its most important clientele, the regional aristocracy and bourgeoisie. The country's baroque castles were even used as horse stables or mental institutions for decades.

This was a hard period for Hungary and the region. As György Öveges, a survivor expert of the era, remembers, in the early 1970s, Kőbányai Gyógyszerárúgár, now Gedeon Richter, developed the famous Fabulon cosmetics product line with suntan creams, facial care products and even tonics for teenagers. Prior to that, only Caola was permitted to produce cosmetics. Caola descended from a soap manufacturer, Joseph Hutter, which was founded in 1831. In 1918, Baeder Hermann founded a new company named after his daughter, Carola, which picked up from where Hutter began. Nationalization, or rather forced deprivatization, in 1948–1950 merged about 40–50 private companies to form state-owned cosmetic companies. Later, about 200–300 workers made cosmetics like Ovenall toothpaste, Caola soap and cream, and the Exotic cosmetic line, which were exported to the whole region, including Czechoslovakia, Yugoslavia and Romania, and even Italy and New York. KHV (Kozmetikai és Háztartásvegyipari Vállalat) already produced some 1,500 different products in 1973. The legendary Károly Mayer was the last official perfumer trained at Roure Bertrand, passing his knowledge in the lab to a few talented colleagues who could work with the just 200 raw materials available under the economic embargo. From 1961 to 1981, the top personal care and cosmetics companies merged further to form the modern Caola, a mammoth chemical company with cosmetic bestsellers of the era like Gabi, Baba and licensed brands such as Nivea and Axe. Some of the local "socialist" brands are in revival these days, managed by private investors or produced under license by multinationals like Unilever, as retro lifestyles of the 1960s, 1970s and 1980s are coming back.



An interesting feature of today's market is that even bestsellers are sold mostly in their smallest size, i.e., 15 ml or 30 ml, and almost no 50- and 100-ml flacons. The financial crisis of 2008 severely hit the Hungarian economy, with retail sales dropping for the sixth consecutive year, resulting in decreasing consumer spending and less money in people's pockets.

Post-Socialist Revival

At the change of the regime in 1989, this author was 19 years old, and, after studies as a plant biologist at ELTE Budapest, worked at Silvestris Ltd., a leading chamomile essential oil producer that boasts the largest distillation capacity in Eastern Europe. During the time of the breakup of the Soviet framework, perfumeries rapidly restarted imports of foreign cosmetic brands, and perfumery chains arrived with full selections of highly envied luxurious Western lifestyle brands. However, in the 1990s Hungary was still, in the local parlance, a "lack market." Hungarians drove to shopping malls and hypermarkets around Vienna, Austria, to buy everything from refrigerators to luxury cosmetics. Hungary's national cosmetic brands, like Fabulon, Helia-D and Caola, were made in ex-socialist chemical factories with minor funds and development possibilities and in heavy competition with the better-funded incoming multinational cosmetic brands.

By the 2000s, the art of perfumery had almost vanished in Hungary. There were no existing Hungarian fragrance brands, vivid creation labs, not a single formally educated perfumer alive, no books—simply nothing. Working at Silvestris Ltd., the author was present as the company started to sell fragrance compositions in addition to its essential oils. Briefs arrived mainly from regional cosmetics and household producers, and so compositions were introduced mostly into price-sensitive private-label brands. Poland and Russia had significant market volume, with dozens of small to mid-size companies that were willing to change their fragrance supplier if they received formulas that were priced €1 or €2 less.

The first perfumery chain to enter the Hungarian market at this time was DÍVA Center, which entered the market in 1999 and was acquired by Marionnaud in 2003, and later by A.S. Watson in 2009. Douglas arrived in 2001, and Müller in 2010. The bestsellers of the immediate post-socialist era, including Armani and Chanel, proved to be evergreens to this day. *J'Adore* or *Miss Dior* variations will always have their clientele, while Christmas brings the comeback of *Trésor*, *Chanel No. 5* and *L'Air du Temps*. During this ground-breaking period, the author trained more than 100 shop assistants, who noted that that three out of four customers needed personal counsel in perfume selection, as they were lost in the abundance. Not much has changed, as bestsellers of the era, like *Cool Water*, *Coco Mademoiselle* and *Light Blue* are still top sellers.

Hungary Today

The Hungarian fragrance market is estimated to be HUF 15–20 billion (€50–65 million), which is generated in a country of 10 million inhabitants. Unfortunately, in a symptom of Central-Eastern European economies, the black/grey market likely equals that amount, at a minimum, as fake/adulterated goods are in abundance due to the logistical positioning of the market in the crossroads between East and West. In 2013, Hungarian authorities confiscated perfumes of uncertain origin with a total value of €230 million, a response to recent cases such as a Hungarian woman who reportedly almost died from the application of a "luxury perfume" that was illegally purchased and which contained soya oil, to which she was allergic. Meanwhile, earlier unknown Slovakian and Czech online perfumeries become increasingly active during the Christmas season. In this environment it is interesting to note that neither the Marionnaud or Douglas chain is present in Russia—it appears to be a difficult business environment, even from Eastern Europe.

According to product category preferences, there have been minor changes since the start of the most recent phase of the market. Cosmetics and body care (anti-aging) sales have grown, while fragrance turnover is stagnating. An interesting feature is that even bestsellers are sold mostly in their smallest size, i.e., 15 ml or 30 ml, and almost no 50- and 100-ml flacons. The financial crisis of 2008 severely hit the Hungarian economy, with retail sales dropping for the sixth consecutive year, resulting in decreasing consumer spending and less money in people's pockets.

On the other hand, niche perfumery's high-end clientele buy a 200-ml *Atelier Cologne* for €110, a 100-ml *Oud* by Mona di Orio for €345, or even a 17.5-ml *Puredistance Crystal Column* for €2,000. This level of the market needs a very special personal communication, almost like educating the client so that the whole story of the fragrance is told. This often takes place by appointment during a 60-minute personal fragrance styling session, for instance in the author's showroom, located in a five-star hotel. Custom creation is affordable only for the most wealthy private entities and companies or state institutions such as the famous Hungarian Opera, which recently had its yearly ball scented by the author.

However, for most fragrance brands, pricing is number one. This is crucial because customers are not loyal anymore, and if there is no discount on their fragrance, they easily change for another, cheaper one. In such a price-sensitive situation, product categories, particularly nail lacquer, makeup and rouge, are increasing sales volume, as they can be "a piece of luxury" and give the consumer a feeling of keeping up with the latest trends at half to quarter the price of a fragrance. Since 2009, offering discounts has been a must for brands to survive competition. Another strategy has been to launch cheaper private label products, offering a certain quality with pricing under €15, or maximum €30. It is also crucial for brands to reach new, less wealthy clientele, and/or keep the diminishing faithful customers and sell them a higher total sum offering by cross-marketing and offering very high, educated service.

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