

Did Someone Say Change?

The fragrance industry is at a turning point, defined by shifts in fragrance launch strategies, the rise of bath and body, artisanal scents, sustainable sourcing and more.

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According to Merriam-Webster, synonyms of the word “change” are ample: alteration, modification, refashioning, remaking, remodeling, revamping, revision, reworking and so on. We have seen, experienced and heard the word “change” so much in the past several years, from various aspects of life and from all corners of the world, which is changing politically, economically and culturally. Along with that, there has been a tremendous shift of population migration that affects everything we do, plan and market in our industry.

Like most aspects of culture, fashion, food and art have life-cycles and turning points. The fragrance industry has reached that stage. In 2014, major manufacturers and fragrance suppliers started to undergo realignments and restructuring, made substantial brand purchases, restructured departments and, in some cases, eliminated positions. I was a victim of the latter, but believe that with change comes new avenues and opportunities for individuals, companies and brands.

Changing to Move Forward

For this article, I interviewed more than 20 people from various ends of the fragrance industry: raw material suppliers, perfumers, retailers, fragrance supply salespeople and divisional vice presidents, sales counter staff, educators and marketers. Not surprisingly, there were a few common thoughts expressed and actions being taken amongst the majority of these generous colleagues. Common themes included:

- New ingredients, innovations and fragrance delivery methods for this next phase of the industry
- A need for structural shifts in order to focus on the growing bath and body and specialty markets
- Fear

Yes, fear. With change comes fear of the unknown. The recent devaluation of the euro has some companies worried about rising costs, and lowering of profits. There is also fear about global climate change, and how it may affect some of the industry’s most precious and common natural raw materials (such as vanilla). Overall, though, these industry experts were more optimistic than pessimistic, and understood that some things must change in order to go forward.

The Rise of Artisanal, Unisex and Luxe Scents

In my article published in the June 2014 issue of *Perfumer & Flavorist*, I discussed my perspective on the evolution of the fragrance industry, which was a precursor of the changes that I



Michael Edwards, author of “Fragrances of the World,” notes that the term “niche” will soon be replaced by “artisanal.”



Frederic Pignault, vice president, sales, prestige fragrances, IFF.



Francois Damide, founder, Crafting Beauty.



Westly Morris, senior vice president, fine fragrance, MANE.



Diane Crecca, vice president of business development, Arcade.



Bill Hamilton, founder of Fragrance Design.



Caroline Fabrigas, CEO, Scent Marketing Inc.



Katrina Neale, president of Global Essences.

Further Reading

Read Sutcliffe’s “Rethinking Fragrance” on Page 50 of the June 2014 edition of *Perfumer & Flavorist Magazine*; www.perfumerflavorist.com/magazine



believe we see now, as well as in the years to come.¹ Although Michael Edward's documentation of new launches for 2014 show that there were more launches vs. the previous year (**T-1**), there were fewer women's and "niche" launches, but more unisex launches. I believe the term "niche" will eventually be replaced in the jargon of perfumery with "artisanal," as the industry recognizes that the former term is not as applicable as it once was. In fact, Edwards acknowledges that niche will be replaced on his charts by artisanal in his next edition of *Fragrances of the World*.^a

That being said, I believe that the ongoing growth of the luxe artisanal and unisex categories is an indication that the consumer has been drawn to a style of fragrance that is high on uniqueness, aspiration and quality. These consumers do not care to be marketed to and "boxed" into the male/female category, and are willing to purchase a premium-priced fragrance if they like it. This is exemplified through notes like sandalwood, traditionally considered more of a masculine note, appearing in fragrances such as Le Labo's *Sandalwood 31*, which is one of the hottest sellers for both men and women. Conversely, neroli and rose, which are typically women's fragrance notes, have appeared in Tom Ford's *Neroli Portofino*, which is worn as much by men as by women. Of course, this movement of wearing what one likes no matter how it is marketed is not new. It is well-known in the industry that women have worn *Le Male*, *Eau Sauvage* and *Fierce*, and I have worn *Vetiver* from Guerlain for years.

^awww.fragrancesoftheworld.com

T-1. New fragrance launches: 2013 vs 2014; source: Michael Edwards' "Fragrances of the World"

	2013	2014
Total launches	1610	1620
Feminine	968	925
Masculine	328	353
Unisex	314	342
Limited editions	245	263
Flankers	245	275
Celebrity	58	79
Niche	540	448

Saturation Effects & Legacy Brands

The growth of the unisex and artisanal segments is perhaps the result of consumers reacting to the oversaturation and homogeneity of the marketplace. With more than 1,000 fragrance launches per year for almost a decade now, it is not surprising that the consumer has become distracted and confused, which has caused the shortening and cannibalization of brands' life-cycles. Perhaps the industry has finally reached a tipping point in which we will finally see fewer launches, with companies refocusing energy and dollars and giving continued support to their core brands.

The long-term health of brands has been substantiated by the end-of-year numbers. This past decade has revealed that, overall, it is the tried-and-true legacy brands (ex: Chanel) that still account for the majority of the top 10 best sellers.



A Loss of the Aspirational

Many professionals within the fragrance business quietly acknowledge that it is time to see the U.S. industry revert to the pre-masstige and celebrity era in which there was a definitive line drawn between luxury and mass. At the time of this writing, NPD reports have not been released, but it is my educated guess, based on my own intuition, experience and interviews, that luxury perfumes did well, specialty bath boomed and masstige fragrances produced fair results.^b Why would masstige results be mediocre? My instinct is that mass fragrances are not as aspirational as they used to be and that discounts came early in the holiday season.

Leigh Anne Rowinski, a shopper, brand and retail strategist for the CPG category, said that this fragrance category “has competition with fashion trends such as wearable tech, shoes and accessories, and mobile tech.” Rowinski added, “With the over-launching that has gone on for over 10 years, the category will need to find out how to stabilize so that the consumer will have few to focus on.”

Artisanal Brand Acquisitions

Things in the fragrance industry are shaking up in the wake of some recent purchases by industry giants. LVMH purchased Byredo, and in late fall of 2014 Estée Lauder went on a shopping spree with major purchases of Le Labo and Frederic Malle, allowing Lauder to own four of the leading artisanal brands on the market: Jo Malone, Tom Ford, Le Labo and Editions de Parfums Frédéric Malle. It is certain that, with these purchases, Estee Lauder has taken a very strategic move to corner a segment of the haute parfum market.

These purchases did not come as much of a shock, as Estee Lauder has been gradually rounding out its portfolio with the purchase or licensing of some of the hottest brands in the marketplace—for example, Le Mer for skin care, Bumble & Bumble for hair care and Tom Ford for fragrance. The month of January closed with big news from Puig, which announced the purchase of two classic artisanal brands, L'Artisan Parfumeur and Penhaligon's, the latter an English brand established in 1870. With these two purchases, Puig will be a major force in the fine fragrance marketplace.

^bUpdate: An NPD (www.npd.com) report from January 29, 2015, shows that my intuition was correct. NPD reported that, for most categories, prestige was up and mass was down. This includes fragrance with the following results: prestige fragrance +2%, mass fragrance -4%.

Opportunities for Small, Independent Brands

As the canvas of the artisanal segment evolves, it allows space for new, smaller indie brands to appear. Of those that caught my attention, three are of high interest because they present unique concepts and stories to tell—often based on memories of particular experiences in time. For instance, Les Liquides Imaginaires' *Eaux Sanguines* collection draws its inspiration from holy wines; each of the collection's three fragrances was created with wine, port or champagne accords. The new Irish lifestyle brand Roads specifically targets a younger consumer through various inspirations such as eras (*Graduate 1954*), experiences (*This Weekend*) and places (*Harmattan*). The 10 fragrances seem to be particularly easy to wear—fresh, clean and rather light in nature—meaning there is not an oud theme offered within this collection. Last year also closed with the launch of former Estée Lauder fragrance developer Raymond Matts' collection of seven fragrances, which were inspired by moments in time and given names that do not really have meaning. Each fragrance is described with two adjectives such as “natural” and “light,” and “crisp” and “elegant.”

The Speed & Allure of Specialty Bath

With the wilting masstige market, there will be more activity in the specialty bath arena. Consumers who are on a limited budget will continue to purchase in mass outlets as well as specialty stores such as BBW, where fragrances of low cost and high quality are accessible to the masses across the United States. BBW is also expanding into other areas around the world, including Africa and the Middle East, Eastern Europe, Latin America and Asia. This market alone has grown to billions of dollars, which is obviously of great importance to fragrance suppliers. This category is so important that fragrance suppliers such as IFF and Mane, which supply customers such as

The Next Generation of Fragrance Professionals

Virginia Bonofiglio, associate chairperson for the Fashion Institute of Technology's (FIT) Cosmetics and Fragrance Marketing program, said that the organization has added courses to the curriculum and modified the course work within existing courses. For example, over the past five years FIT has incorporated finance, functional perfumery and global management courses, as well as modules on sustainability, corporate responsibility, international fragrance and cosmetics regulations, social media and marketing analytics courses.

And what about future perfumers? Are fragrance houses training young perfumers to address the growing needs of emerging markets in Latin America, Asia-Pacific, Africa and the Middle East? Frédéric Pignault, vice president, sales, prestige fragrances, IFF, confirmed that IFF's school of perfumery, which is run by perfumer Ron Winnegrad, is consistently adding new perfumer trainees to the organization. These perfumers come from all over the world, and are trained under the tutelage of seasoned perfumers, in order to prepare them for the future.

Evolution of Olfactive Trends



Olfactively, oud was the biggest trend of the prestige fragrance market of 2014.

Olfactively, the fragrance industry will begin to see different gustative notes and more floral fruit notes vs. fruity florals in consumer, personal care and mass fragrances. There will be more creamy woods, white woods and fresh, airy fragrances.

Olfactively, oud was the biggest trend of the prestige fragrance market of 2014. Some mass brands tried to highlight oud as an ingredient via brand name, but any perfumer reading this knows that oud is extremely expensive, and that its odor is significantly unique and hard to replicate. It's tough to imitate oud. Yet, almost every, if not all high-end brands have an oud quelque chose in their collection. This trend, like all others, will reach its saturation point, and will start to become mainstream, and the cycle will come to the point at which consumers will want something new to be hooked onto. So what will it be? Although quite expensive, oud may make its way onto the palette in a way that allows perfumers to utilize it in combination with other wood notes.

I believe that there will be could be a resurgence of aldehydes as seen in Narciso Rodriguez *Essence* and *Untitled* by Maison Martin Margiela. These notes are diverse and can signify everything from fresh and clean to elegance to sophistication to sensuality. I would also challenge perfumers to explore herbal notes in new and unique ways, as well as bringing back some of the classic single floral notes, by waving that magic wand over the formula to give a new meaning to floral.

How about muguet—which would give a nod to the late, great Edmond Roudnitska and his lovely *Diorissimo*, and reinvent the refreshing vivaciousness of this crisp, clean and elegant flower? And what about exploring the modernization of magnolia and lilac? For example, I will urge the reader to smell what IFF master perfumer Carlos Benaim has seduced us with in his formula for Frederic Malle's *Magnolia*. I first smelled it on a man, and loved it for its crisp, clean, striking clarity, and I've been wearing it since. Its crisp elegance is intoxicating, refreshing and very modern. When I wear this fragrance, I get the same feeling I used to have when I wore *Diorissimo*, and that proves that there is tons of emotion in this bottle.

BBW and Victoria's Secret, are restructuring their teams so that they have a specialized group of internal sales, marketing, perfumery and evaluation specifically focused on this market segment.

"There has been a shift in specialty, as artisanal fragrances are influencing the entire industry at large (not only the specialty segment)," notes Frédéric Pignault, vice president of sales, prestige fragrances, at IFF.

Westly Morris, senior vice president of fine fragrance at MANE, believes growth in the specialty segment is "key to fragrance houses since the turnaround times are much quicker than with [our] traditional fine fragrance partners." He adds, "A specialty brief can be received, won and launched within six to eight months, whereas a typical fine fragrance project can be 12–14 months from briefing to launch."

Scent Branding: From Retail to Home

Even though fragrance usage on the body may be shrinking, people still love fragrance in their life. This is demonstrated by the growing segment of scent branding. Environmental fragrance has expanded beyond candles, aerosols, electric plug-ins and reed diffusers to the growing scent diffusion market in which fragrances are diffused via HVAC or portable diffuser machines. ScentAir was one of the first companies to offer clients the ability to scent large spaces. If one is standing at 5th Avenue and 56th Street in New York, one does not have to go inside the Abercrombie & Fitch store to smell its signature scent, *Fierce*, which diffuses through the space's open doors. The scent is so alluring that passersby have to believe that it's not just the half-naked men with the six-pack abs that attract the masses into their store.

I have travelled quite a lot over the past 13 years for my previous employer and have detected an increasing amount of hotels scenting their lobbies to welcome guests and to rid the environment of any off odors present. While ScentAir is said to be the largest scent diffusion company, AirQ/Prolitec has been growing and has expanded from scent diffusion for large spaces to offering diffuser machines on their website for homeowners. The customer can select their scents of choice, which include a collection of aromatherapy fragrances.

Fragrance industry executive Caroline Fabrigas of Scent Marketing Inc. says that she feels that the rise of the scent marketing industry is related to the fact that "brands and businesses are seeking new ways to differentiate themselves and also engage their clients in ways that have not yet been found in the virtual world." She also believes that the use of scent is a "background or canvas" against which all else plays, and that a new group of sensory experiences categorized as the "endorphin scent" will soon offer a new form of aromatherapy.

New Marketing Methods

With social media and mobile shopping becoming more prevalent, the industry has various challenges in order to meet the growing demands of consumers. One often hears about how marketing organizations are adjusting to this movement, but I was curious about what scented materials and promotional suppliers are doing to adjust. Diane Crecca, vice president of business development of Arcade, said that companies indeed "have seen some shift in spend to online/digital marketing, so Arcade has developed the iSampling technology, whereby the

consumer can receive a sample which will go directly to them at home. A follow-up email would then ask them if they would like to purchase [the fragrance].” Arcade has also just expanded its breadth of offerings following its merger with BioPlan Beauty. Along with the rise in prestige market, Arcade “see[s] a trend towards upscale scented blotter cards that are enclosed in an envelope.” These blotter cards are made with the finest paper and printed in color.

The Opportunities for Small Fragrance Houses

When small suppliers are acquired, they are often subjected to the same core supplier agreements and contracts as their new parent company. This, in addition to other industry shifts, has allowed new small fragrance supply houses to sprout up—not just in the New York City area, but Atlanta, California, Pennsylvania and various states in the Midwest.

For instance, in 2009 former IFF perfumer Bill Hamilton founded supply house Fragrance Design. Hamilton saw the potential demand for a company that could service smaller clients that were dropped by their small suppliers once they were acquired by a larger supplier house. When I asked him how he manages to obtain the experienced personnel needed to fulfill certain very specific positions (sales, evaluators, GC analysis, etc.), he explained that some were transplants from the Northeast-regional industry who were looking for opportunities—and perhaps a warmer climate. He continued, “When we added up all the years of expertise amongst my staff of 10, we counted up more than 200 years.”

Fragrance Design is just one company among several that have formed, often when a perfumer retires or departs a larger company for a solo career. The reality is that there are plenty of opportunities for perfumers and other industry personnel to work outside of the West’s New York and Paris fragrance capitals.

Shades of Gray in Marketing and Filling

There was a time in the fragrance industry when there was a defined difference between supplier, manufacturer and marketer. Today, one sees a lot of gray and overlapping of expertise and service.

Slowly, the industry has experienced growth and expansion within the filling and marketing sector with new companies such as Tru Fragrance, Maesa, American Flavors & Fragrances, and more. These companies offer turnkey development for private label companies, “take offs” and more.

Meanwhile, Crafting Beauty, founded by Francois Damide in 2010, is based on yet another business model. Damide recognized the need to fill the gap for luxury designers and celebrities who were too small to attract a licensing deal with a giant house. Crafting Beauty works with select master perfumers to create luxury formulations and packaging elements produced in France. Crafting Beauty offers personalized service with its clients, and guides them through the process of marketing, promotion and distribution of the product, but does not actually distribute the perfume.

On the other hand, Candela Lumen, which has manufacturing facilities in Pennsylvania and is known for its soy candles, has plans to expand its expertise to reed diffusers, room sprays and sachets, and will soon offer other emerging end uses. These are

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just some of the countless small organizations that have found their own niche in the industry.

Supply Sustainability

Most people go about their daily responsibilities without thinking about certain uncontrollable events that can cause serious obstacles for raw material suppliers, purchasing agents and perfumers, which is causing a domino effect all the way to the marketer, retailer and, finally, the consumer. The natural ingredients that perfumers use in their formulas are undoubtedly precious, and to be able to continue sourcing these raw materials is crucial for the overall health of the industry. Political conditions, global climate change, population and resource shifts, and disease have and will continue to threaten the health and supply of some of our natural resources.

The political climate of the greatest concern for raw material suppliers like Katrina Neale, president of Global Essences. She says, “Essential oils grown in [Eastern Europe] such as rosemary and coriander were affected by the political situation that exists between Russia and the Ukraine.” The same issue applies to materials that may come from any country in political strife, or those caught up in an embargo by the United States.

Recently, climate issues and deforestation have affected many crops such as eucalyptus and sandalwood. Meanwhile, citrus greening disease, or *huanglongbing*, has severely compromised the yield and health of Florida orange trees and other citrus. But one of Neale’s most serious concerns is a potential disease—such as *Fusarium*—among vanilla growing regions. (Can you imagine our lives and fragrances without vanilla?) Neale explained that “there are many people who feel that vanilla will be threatened sometime in the future and that much-needed resources are required to research and propagate alternate plant species.” With all the possible threats to the industry’s natural resources, including vanilla, there is no doubt that R&D divisions around the world are busy looking to solutions and alternatives.

The Sustainability Consumer

LOHAS (lifestyles of health and sustainability) is a consumer segment that I hope the industry is acknowledging and taking seriously. This group has grown in the past couple of years, transitioning from the fringe to the mainstream, and is likely to continue expanding as consumers become increasingly aware of the need for a quality of life through healthier foods and products, and the need to care for the environment.

Consumer goods companies like Seventh Generation, Nature’s Promise, Nature’s Gate and Method are growing year by year. And both Stop & Shop and Walmart stores have sections devoted to organic, “toxin-free” and natural products. Beauty brands such as Beauty Counter have recently received some substantial funding, and that typically exemplifies the acknowledgement that there is a market for “clean” products. Consumers want to know what’s in their product, as well as what is not. The value is undeniable. According to NPD, the wellness trend stood out. Natural/organic beauty increased at a compounded annual growth rate of 24% over the past four years.

According to Ted Ning of *www.lohas.com*, the LOHAS consumers who fall within the “health and wellness” category account for approximately 13–19% of adult consumers in the

United States alone, and are worth more than \$18 billion. These figures date back to 2008, but as Ning said, “it is easy to say that the category has grown considerably since, and has become much more mainstream than in the past.”

For the retail, supply and manufacturing end of the fragrance and beauty business, Walmart should be recognized for its 2009 launch of the Green Index initiative. This initiative was enacted in collaboration with the Sustainability Consortium in order to improve the sustainability and quality of the products they sell, in addition to other motivations. On the fragrance supply end, many companies have applied the 12 principles of green chemistry to their processes. This is a significant development because only 10 years ago the term “green chemistry,” first codified in 1998 by P.T. Anastas and J.C. Warner, was only on the surface of the fragrance industry. This transition represents a big step forward in recognizing that industry can make changes in the way it operates and manufactures its products to reduce waste and lower its carbon footprint.

According to Pignault, “IFF is pushing sustainable development, and is doing this via lifecycle analysis of ingredients from the beginning to the ultimate end of disintegration.” He added that the company is supporting sustainable biotech, or synthetic biology, initiatives facilitated through its recent innovative collaboration with Amyris, a California-based biotech company that specializes in renewable products “dedicated to breakthrough science to enable a sustainable planet.”

Mane has also stepped up with its creation of a tool for customers called “Green Motion,” which integrates the principles of green chemistry and makes it possible for anyone to obtain the green index rating—from 0–100—“for every type of aromatic ingredient obtained through any type of process.”

A Demanding Future

It is fairly easy to encapsulate what is shifting in our industry today: With population migration occurring from one part of the world to another, industrialization of emerging markets and social media connecting the world, the industry has to react much more quickly than ever before. Consumers are more demanding—they want it quickly, and sometimes instantaneously. Fragrance competes against gadgets, downloads and other product categories. Meanwhile, consumers want experiences and reconnectedness in a more emotional way. It has been long time coming for the fragrance industry to turn over a new leaf.

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