



What Past is Prologue?

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It has been thirty years since I was first introduced to the world of perfumery and I can remember some of my first reactions to the raw materials, particularly Geranium Bourbon. Among many others, I'm sure some of you remember that one—rich, powerfully rosy with a strong sweet background, so strong it was overpowering, almost nauseating. Today this product is not around and the best of its replacements come from a source that was so politically foreign to our way of life back then—one would have never predicted the economic exchange that was to come between China and the U.S.

I began in the 1950s as a kid in the perfume lab at Lever and stayed there until the mid-1960s. After a couple of years on the client side creating fragrances for cosmetics and toiletries, I succumbed to the lure of the supply-side and spent years creating, building and managing. Last year, I returned to Lever as an experienced young man. Some say I've come full circle and I agree. Today the experience of both the client and supply-side and my loving observation and participation in this industry provide some powerful insights. During these thirty years I have matured and so has our industry. It matured, became saturated, even stagnated, causing the attrition which we are now experiencing.

The world of fragrance and flavor variously suffers and enjoys the long lead times from submission to success. That history of patience is a part of the trouble today as our managements and we delay responses to the changing marketplace.

The title of this talk, as all you Shakespearean scholars will readily recognize, is borrowed and

slightly changed. It was one of those poignant phrases which has stuck with me since college days, and I've always been looking for a place to use it.

Where to begin? You all know the history of perfumery from the antiquity of frankincense and myrrh, to the cologne of Napoleon, to the rich innovation of Chanel 5. Rather than dwell on these points of history, I want to concentrate on the last thirty years—a kind of first-hand history whose events perhaps will have the greatest impact on our industry of tomorrow.

Captive Creativity

In the mid-1950s and early 1960s, this industry had risen to new heights. A booming postwar economy fueled consumer demand and new affluence made luxury products accessible to an ever increasing populace. Unique product formulation and brand loyalty marked the day.

Clients sought to control the total product and had full time staffs of perfumers. Companies of today like Coty, Revlon, Faberge, Max Factor, Bristol-Myers, Houbigant, Chesebrough-Pond's, Shulton, and Chanel had one or more on staff. Of course the soapers had large staffs as well. Other companies have disappeared, perfumers and all. Do you remember Bourjois, Warner-Hudnut, or Harriet Hubbard Ayer?

In general, during these ten years and for some time to follow, fragrance selection was tightly controlled and almost entirely subjective. Consumer testing was something clients—only clients—did to measure performance, not aesthetics. Fragrance back then was an ingredient and

therefore the province of the R&D group or the in-house perfumer.

Suppliers of the period had two roles to fill. Those clients with a creative staff received a service heavily oriented toward ingredient sales, either essential oils or synthetics. Specialties sold mainly to companies in fine fragrance, largely limited by the prices of the chemicals or base. This was a comfortable and might be considered a traditional role for the supplier. In those accounts where no perfumer existed, suppliers provided the entrepreneur or research director with a selection of fragrances created for the project. At all accounts, the sales relationship often involved a perfumer from the supplier.

At the soapers, all emphasis was put on the perfumer as sole arbiter of fragrance. Creativity remained tradition-bound by a rather limited number of materials, the inability of the soaper to share "secrets" and the limitation of a strictly in-house training. Newer materials researched in the 1940s were often kept captive in the supply house or, if offered to the industry, were priced in a way as to be prohibitive. Besides, the compounded specialty was frowned on by most perfumers as a subterfuge; a note they could make themselves, not more creative, just cheaper, if they had the time.

As the supplier and client sparred to expand and meet new demands from consumers and corporations, essential oil houses continued to function as though nothing would ever change. They did not employ perfumers, did not compound, nor did they expand their product line beyond natural oils.

Some of the larger aroma chemical houses began to recognize the potential of the soap companies for their compounds. Some early success by large suppliers encouraged the in-house people to look for more materials and even some creative direction from the supply side. Often the suppliers extrapolated an experience in another product area and applied it to soap or detergent. The results usually proved unstable, too expensive or at times too avant-garde for the market. Lavender, muguet, and citrus dominated the notes in every product. The in-house staffs at the soapers stiffened in resistance to the compounds from the supplier and re-asserted control of their product environment.

In non-soaper creative/compounding companies, the smaller staff and the limited number of product opportunities made corporations aware of the luxury of a full time staff of perfumers. Up until the mid-1960s these in-house perfumers remained king. The mystery of their art and their ability to maintain secrecy kept them in place.

Products didn't change much and fragrance didn't either.

While I believe the client began to look at the cost, in truth the salaries of the period were mediocre at best. Perfumers' rewards tended to be the industry fun. Entertainment, on a grand scale, made the quality of life richer and built an appreciation of the finer things. Food, wine, travel, closeness, friendships, and a growing supplier industry led the quality in-house creators to consider joining the supply-side.

Product Proliferation

As we entered the second half of the 1960s, product proliferation began. The suppliers had to have more and better perfumers so they raided, virtually wiping out all but the soaper creative staffs.

Perfumers found the supply-side held new rewards. The smaller companies made decisions quick and easy. The management was accessible. They were able to communicate openly with their coworkers. The creative opportunities included almost every product known and new materials made many new notes possible. Oh

yes, the financial rewards were better too!

I left the buy-side to join the supply-side and quickly became part of a world of perfumery creativity that had previously been unknown to me. The myriad of projects constantly challenged my creativity, and for me the constant technical considerations made my job a joy.

The "Great Society" of LBJ and the early Nixon years seemed to move forward on consumer products alone. We segmented and fragmented and specialized every product category. Colognes could splash and spray in sizes from ¼ oz pursettes to liter bottles. Detergent became solid, liquid, or tablets with high suds or low suds, and I'm sure if we look hard someone sold some no suds!

We no longer simply washed the hair; we treated it to conditioning, coloring, antidandruff or baby care. We discovered antiperspirants and lotions of all types, hair spray for men and deodorants for women, fabric softeners for the laundry and cleaners exclusively for hard surfaces, cold water products and room freshener solids. From split ends to bunions, consumers dunked, rubbed, sprayed, moistened, washed, inhaled and loved fragrance products.

Creativity in Functional Products

With the growth of the late 1960s and early 1970s, the suppliers found they had a pool of perfumery talent and a largely untapped market in the soap companies. How to reach them? The in-house perfumers still held the power and resisted compound purchases. Several large companies recognized a special need within the soapers, and those suppliers sought to cooperate with the in-house perfumers.

Givaudan, Firmenich and IFF established specialized perfumery groups to address the creative, stability problem and price needs for household products. Having the advantage of a huge creative bank, they began to translate that creativity into household and functional products.

The suppliers organized a type of "Manhattan project," devoting research and creativity time for many years before it paid dividends, but today represents a significant share of the companies' total sales.

Aroma chemical presentations became a source of creativity for the soapers. Application formulas became the marketing tool, but they were more—these formulas finally shared some of the creative insight and experience of the supplier with the soapers' staff.

The application formula allowed the early testing and basic stability to be absorbed by the supplier freeing the in-house creative staff to look at new materials in current projects. This atmosphere of cooperation quickly stimulated new product sales, enabled the soapers to develop new and more innovative fragrances for their product lines and allowed the supplier to share in a greater range of opportunities than in the past.

How did they do this? Not with mirrors or computers but with talented, well organized and hard working people.

The oil embargo of the mid-1970s changed a great deal of the client thinking. Perfume costs along with general product costs escalated rapidly. The market could not absorb the prices quickly enough, and for the first time true price pressure hit the suppliers.

The petroleum shortage definitely caused problems with supply, but it also provided an opportunity for the perfumers to create around the shortages, making the demand for qualified perfumers even stronger.

One marketing tool which was prevalent during this period was borrowed from the Old Testament, Genesis 4:17, the genealogy of early man. The "Begots" of fragrance took form in charts: which fragrance was inspired by which.

Frankly, I always felt that a genealogy chart of perfumers and their corporate affiliations would be more interesting and more informative.

Marketing Mandates

The cost of perfumers went up dramatically but so did the cost of playing the consumer game. Products now regularly budgeted in excess of \$10 million for marketing introductions and that figure quickly grew to levels of \$20 million and more. Consumer testing of every aspect of the product was now mandated by marketing—including fragrance. Slowly across the spectrum of markets R&D began to lose control of the selection process and marketing held sway. Young MBAs tried to direct or, worse yet, select a fragrance based on their limited experience or personal taste. Consumer testing in its infancy found it difficult to clearly point out the winners on such a subjective product attribute.

At the end of the decade a number of companies in both household and cosmetics became aware of the use of product aesthetics, particularly fragrance, to signal performance to the consumer. These companies sought qualified talents to direct their fragrance submission and selection process. Clorox, S. C. Johnson, Revlon, Charles of the Ritz, to name a few, placed significant importance on the whole fragrance as part of the product. Frequent new product introductions and test markets created a busy market for these people.

Suppliers started using so-called marketing or evaluation groups. These people became more important since the time and demand by the client and the inexperience of the product manager forced responses from the library. The pressures and the emergence of the evaluator separated the perfumer from the client. Thus the perfumer's creations were based on the translated interpretation of sales and marketing.

The 1970s continued to be a time of great growth and expansion. Costs expanded too, particularly those of perfumers' salaries. Some demanded and received astronomical amounts, a fact which in itself is a contributor to the problems of today.

The market energy of the 1970s moved strongly down to the end of that decade. There was some weakening of new product introduction because of approaching marketing saturation, increased costs of introduction, and manufacturing due to the creation of OSHA, TOSCA, along with the FDA becoming more involved in product safety. Safety assurance testings slowed down the introduction on new products in addition to increasing the costs.

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The me-too-isms of product proliferation started to wear. Slowly the industry began to wind down. Market saturation along with approaching zero population growth has brought us to a period of attrition for the industry—a period of weeping and gnashing of teeth.

As we entered the 1980s, successful new product introduction leveled off, limiting growth for suppliers and marketers alike, reverberating to tremendous unrest in our industry, culminating in the many people who are without employment on both sides of the fence.

Companies, in an effort to increase their market shares, absorb, take over or whatever the smaller ones, permanently changing the industry profile. These same companies are finding that they can sustain business with fewer people.

Genealogy started to mark our industry in another way. Companies began to assume that creativity was simply a matter of imitation. They expanded on the old cliché, "Imitation is the sincerest form of flattery." This heritage was nothing but duplication.

Large and small suppliers and finished goods manufacturers alike, hungry to expand their market share, began to enter this area of product copying. Both product functionality and fragrances were "knocked off" as the phrase goes. There are fewer secrets today and it's harder to keep them that way. Because of this moral decay in our companies, both sides continually lose a proprietary position before the cost of solicitation, development and introduction can be recouped—we have done it to ourselves.

The consumer has stopped increasing a wardrobe of fragrances—market saturation has occurred on all product types. Retail outlets cannot absorb endless amounts of product introductions with limited shelf space. Brand loyalty lasts as long as the initial introduction or the discount coupon is available.

Costs of introductions have continued to climb. Clients began to limit the number of suppliers they would work with. Formal lists appeared. Suppliers would have to guard their "wins" jealously, trimming profit margins to keep business and prevent alternate sources of supply from entering the scene.

This tight market, trimmed profits, acquisitions, shorter life cycles of products created perfumer surpluses. Big salaries of yesterday also serve as a control on the number of jobs available.

The markets are saturated. We need to create new product categories. Certainly, these statements are not revelations; we are living the situations today.

Tomorrow and Tomorrow

So what is going to happen in our industry? Where are we going, what does the future hold? Think about the industries in this country that have had a metamorphosis revamping their profile completely.

I'd like to draw an analogy from which we may see the future, mainly the electronics and automobile industry. What Past is Prologue? Where has the success of the electronics and auto industry in the past set the stage for what they were going to do in the future? Both of these industries fell on hard times with dramatic lay offs and sharp decline of sales and general depression.

The electronics industry's demise came about because of the glut of engineers and products produced. This has gradually rebounded with the advent of the computer. The auto industries biggest nemesis was the foreign manufacturers making more efficient cars. After several years, the U.S. manufacturer rebounded in a big way by meeting competition on their own ground. These industries were caught unaware and found that their past did not guarantee their future. They got up and changed—and today the future is bright for them.

The fragrance and cosmetic industry has not yet reached the depths of the auto industry and it probably will not because we don't have the threat of foreign intervention with new products. We have always been an international industry. We sell a better way of life. That is what we're all about. Civilization could live without us but certainly not as well.

How many of you are totally satisfied with the refinements of your own lives? If not, as I suspect you're not, then that should be the motivation for getting things on the move again. Necessity was always the mother of invention. We must accept change and adapt to it.

One major change which has taken place over the years concerns the in-house perfumers becoming a scarce breed confining themselves primarily to the soapers. They are a stronger group today having survived to find their role significantly different from what it was.

Filling a greater role as a liaison with outside creative forces and internal development and marketing, they no longer are the foe of supply house efforts to gain business. They act instead as talented guides and co-creators with outside fragrance supply houses to bring the best of both worlds to their companies, becoming the access point for smaller creative houses as well as an internal resource for marketing-development and consumer testing.

Their role as in-house perfumers has been en-

hanced because they have become the focal point for fragrance input emphasizing the proper marriage of fragrance/product and cost effectiveness.

Our industry is changing, getting smaller in the number of people it needs to survive. The profile of the industry is forever altered, but it's not without a future. New ideas, such as aroma therapy, offer some challenge for new growth, but even that one needs a new name if it is to be for consumer products. Therapy is too negative—fits in with the expression "if it's not broken, don't fix it."

Men's market—gray market—the people are out there, but have they really been converted? Do they feel it's important and gratifying to use the special products designed for them? The need is for education through actual use of products and hands-on training, if you will.

I remember when I was a young boy in grade school that the company for which I'm now employed came up with a marketing gimmick for Lifebuoy. They gave each child a bar of soap plus a chart to mark when it was used. At the end of the month, the one who used the bar the most got the gold star. At that age, it was impressionable and many long term Lifebuoy users were claimed. We pestered our mothers to buy that product "because teacher said!" Maybe now is the time to reuse those ideas to expand the market. Get the products in their hands while they're young.

The success of Georgio is a good example of this technique. The soapers are using direct mail more and more to introduce new products. But I'm going too far—I was initially invited to talk about the past of the fragrance industry, now I've slipped into the future. I do not have a crystal ball but I'm very optimistic, optimistic because this industry has always been a people industry. A fun industry to belong to. No matter how big they become, the companies are primarily collections of these people. But these same people will learn from the past that the 1970s do not guarantee us success for the 1980s and they will move this industry forward to new horizons.

But as for me regarding my own career, coming full cycle, and in the purest of Shakespeare, "What's Past is Prologue."

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