PERFUMER & FLAVORIST

Consumer Products Perfumery in the '80s and '90s

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A great deal has transpired during the 1980s to consumer products perfumery, the consumer products industry and the perfume supply industry. The 1990s most likely will be filled with change as well. In this article, I will discuss these changes from my viewpoint as a functional products perfumer and business manager.

The first major change has occurred not only in the '80s but also for previous decades, namely the change in personnel in the perfume supply industry, which provides 85 percent of consumer products perfumes. This is a business built around people. From my initiation to the industry as a technician at Procter & Gamble in the late '60s, I was struck immediately by the dynamics of fragrance suppliers, and in particular, their people. From Hank Walters to Walter Lengsfelder, Charlie Young, Ed Gorham, Bernard Chant, Al Eisenkraft, Victor Di Giacomo, and Bud Lindsay, just to name a few. These were some of the great men of our industry in the '70s and '80s. This brings me to one of the major personnel changes to the industry in the '80s—women.

The consumer products industry and the perfume supply industry provide products purchased primarily by women, from fine fragrances to laundry detergents, soaps and fabric softeners. The majority of our creative talents are directed toward women

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yet our industries are virtually 100 percent run by men. This is changing, however, and changed rather dramatically in the '80s.

It is an accepted fact that during the '70s and '80s women slowly gained power and prestige as perfumers, evaluators, and marketing experts, but especially as perfumers. Women perfumers like Laura Belovs, Josephine Catapano, Ellie Fox, Sophia Grojsman, Rayda Vega and Esther Morera, have proven beyond a doubt, women have the talent to do the job.

In the '80s, a big shift took place in other disciplines within the perfume supply industry, particularly sales. In 1980, how many women were in sales, particularly at the major perfume suppliers? There were few. Today, saleswomen have become commonplace and they have proven themselves to be the salesman's equal. This is not only true in the fragrance supply industry, but also among consumer products companies as well.

Personnel Changes

Company leadership has undergone changes during the '80s. Virtually every company in the perfume supply industry and the consumer products industry changed their top management personnel at least once during this decade, and sometimes more often than that.

Some of these changes among the fragrance suppliers were: John Yorey became president of Alpine; Jon Christensen took over the chemical division at Givaudan; Peter Dichter took over sales and marketing at Mane USA; Peter Lombardo became president of Robertet US; Dick Ford became president of RIFM; Roger Rich succeeded Peter Wood as president of BBA in the US; Frank Milo took over sales and marketing at Naarden; Demi Thoman took over fragrances at BBA; Tom Virtue became president of Roure, USA; Gene Grisanti became chairman and CEO at IFF; Manfred Hopp became president of FDO; Bob Kerr took over the PFW fragrance division of Hercules; Tony Griffiths became president of Takasago USA; Dick Carraher became president of Givaudan US; Chuck Morris took over the fragrance division at Givaudan; and Bob Unrath became president of Fragrance Resources. This list is obviously not all of the senior management changes that took place during the '80s but it gives a flavor of the magnitude of the change that took place.

Corporate Changes

Another major change to the fragrance supply industry in the '80s was that of the companies themselves. Consolidations, mergers, reorganizations, divestitures, even a few new companies identify the '80s as a transition decade. Consumer products companies followed exactly the same path, as growth through acquisition replaced internal growth as a major corporate strategy in the '80s. At the same time, the elimination of middle layers of management to produce leaner, and more productive organizations was in vogue.

What were some of the mergers, acquisitions, and new companies during this decade in the perfume supply industry? Novarome was formed; Florasynth purchased Lautier; Custom Essence was formed; Union Camp acquired BBA; Grande Prix was formed; Bell Flavors & Fragrances acquired Synfleur; Perry Brothers was merged into Creations Aromatiques; Hanson acquired SCM/Glidco; Firmenich acquired Chem-Fleur; Paul's acquired Felton; Florasynth acquired Fabrique de Laire of France; H&R acquired the aroma chemical esters business from Monsanto; IFF acquired Daksa (distilleries Adrian & Klein SA); Unilever/PPF merged with Naarden and formed Quest International; Noville acquired Universal Fragrance; Royal Essence was formed; Hercules/PFW acquired Zimmermann Hobbs; and Wessel Fragrances was formed.

Merger mania in the consumer products industry was also active during the '80s. Jovan became Quintessence; P&G acquired Ben Hill Griffin,

Norwich Eaton Pharmaceuticals, and Richardson Vicks; L'Oreal acquired Helena Rubinstein; Cosmair acquired Warner Cosmetics; Colgate acquired Reckitt and Colman and the soft soap business from Minnetonka; Dial acquired Purex and the consumer products division of US Borax; Lever acquired Chesebrough-Ponds; KAO acquired Jergens; and Avon acquired Giorgio and Parfums Stern.

There must be a good reason for all of this merger activity. The purpose of a merger is to increase efficiency by eliminating duplication and to allow reallocation of capital assets to increase sales and profits. Sometimes the purpose of a merger is just to be a bigger company and to gain a larger share of the market. I believe this may have been the thinking at Unilever with their Quest subsidiary.

Growth Factors

Demands placed on the perfume supply industry during the '80s have been enormous. Efforts to increase sales and profits were hindered by slow demand and by the resistance of customers to price increases. Therefore, many companies looked to acquisitions for growth instead of internal growth. Other external factors also affected performance and productivity during this decade such as currency fluctuations and governmental regulations and restrictions like OSHA, TSCA, EPA, Clean Air Act, Clean Water Act, California Proposition 65, and right to know legislation. It now generally costs more to dispose of a product than it costs to produce it.

What happened to IFF in the '80s? IFF's sales in 1988 were $840 million compared to $448 million in 1980, a growth of 88 percent, while net income increased 105 percent during the same period from $63 million in 1980 to $129 million in 1988. In comparison, from 1979 to 1988, the Gross National Product (GNP) grew 90 percent from $2.5 trillion to $4.8 trillion. Consumer prices increased 63 percent from 1979 to 1988 and producer prices increased 39 percent. Well, what do all of these numbers mean? It means that IFF as the industry's largest fragrance supplier, did very well as a corporation during the '80s.

However, not quite as well as Hank Walters would have liked. In 1979, he predicted that IFF's sales would reach one billion dollars by 1985 and two billion dollars by 1990. In reality, IFF's 1985 sales were half of a billion dollars and IFF will certainly attain sales of one billion dollars by 1990. Why then was Hank Walters, this industry's most profound visionary and a very credible forecaster, off by so much in his prediction of the '80s?

First of all, the consumer products industry grew at a much slower pace during the '80s than had been projected in 1979. Unemployment and interest rates were high in the early '80s, industrial production and expansion of the economy was very slow, exports slowed and imports dramatically increased as the dollar peaked in the mid '80s and has been dropping ever since. Costs to introduce a new product rose astronomically during the '80s, severely restricting new product introductions. Second, competition among the fragrance supply houses remained fierce through this decade. And finally, consumer products companies made more of an effort to control costs, restricting increases in their perfume costs and demanding more accountability of their suppliers.

How did the other major fragrance suppliers do in the '80s? Quest also did quite well although it is a little more difficult to determine since Quest wasn't Quest in 1980. The combined PPF, Norda, and Naarden sales in 1980 were approximately $401 million and the reported sales for Quest in 1987 were $635 million, an increase of over 58 percent.

Givaudan's reported sales in 1987 were $483 million, an increase of 58 percent over 1980 sales of $306 million. In general, the fragrance supply industry did quite well during this decade in spite of all the major problems with the dollar, the aroma chemical negative trade balance, cost restrictions, and "Perestroika" among most of the major consumer products companies like Procter & Gamble, Lever, Colgate, and Dial.

What happened to perfumers in the '80s? As mergers in the industry increased, leaving fewer perfume supply companies, fewer perfumers were also employed. In 1981, according to the list of members of the American Society of Perfumers, there were about 267 perfumers as members of which 28, or about 10.5 percent were unassigned, leaving 239 employed perfumers. On the membership list for 1988, there were 237 perfumers as members of the society and 26 were unassigned (11 percent). Therefore, about 211 perfumers were gainfully employed in 1988, a decrease of 28 perfumers over the past seven years. In 1989, there were 226 perfumers listed, 16 were unassigned, leaving 210 working perfumers. While perfume sales increased 50 percent from 1981 to 1988, there were 11 percent fewer perfumers to create the perfumes. Obviously then, perfumers productivity has had to increase 50 percent or more during this decade.

Computerization

Certainly one way perfumers have increased their productivity is via computerization of the formula writing process. In fact, I would estimate that perfumers can increase their productivity by 50 percent by using a computerized formula writing system. Virtually every area of perfumery is ideally suited to computerization because of the massive amounts of

data involved. In addition to formula writing, computerization is an extremely useful tool for inventory control of the thousands of ingredients used in perfumery as well as for purchasing, quality control, production scheduling, production compounding, formula costing, formula safety evaluation, and stability data. In fact, computerization is helpful for every aspect of perfumery except for the creative process itself.

During the '80s, probably every major fragrance supplier computerized almost all aspects of their perfume operations, especially since computer systems have become much more compact and affordable. Today one can purchase a compact, high speed, multi-user, multi-tasking, mega memory computer system for a fraction of the cost of a similar system in 1980.

Fragrance and Consumer Products Trends

The level of creative perfumery at the consumer products companies did not seem to change dramatically during the '80s. There are still only a handful of consumer products companies that maintain internal creative perfumery staffs. Two of those companies, Lever and Colgate, seemed to deemphasize their internal creative perfumery function in the US during this decade. The largest group of internal perfumers in the US is still found at Procter & Gamble and rightly so since P&G is the second or third largest dollar compounder of perfume in the US at over $100 million for the US market. P&G's US volume of about 20 million pounds of perfume makes them one of the largest users and blenders of perfume in the world. Dial also continues to self-blend an appreciable volume of perfume and maintain an internal creative perfumery function.

In terms of fragrance and consumer products trends during the '80s, the following changes have occurred:

- The emergence of "copy cat" fragrances in the fine fragrance market and in some consumer products.
- The growth of counterfeit products from fine fragrances to soap.
- A continuing emphasis on convenience in consumer products and the growth of multifunctional products, but within certain cost limits.
- Less new brand introductions because of the enormous cost of introducing a new product.
- More sophisticated and better quality perfumes in virtually every product category.
- Increased perfume levels in many product categories, particularly powder laundry detergent.
- Increased emphasis on the functionality of perfumes other than just providing a pleasant scent.
- An increase in liquid laundry detergents versus powders (18 percent in 1980 to 40 percent in 1988).

Table I. Liquid Soap Category

Market Share - Volume

	1983	1988
Liquid Soap	5.5	10.0
Ivory (P&G)		3.0
Dial (Dial)		2.0
Soft Soap (Colgate)		2.0
Jergens (Jergens/Kao)		2.0

Table II. Deodorant Soap Category

Market Share - Volume

	1983	1988
Dial (Dial)	13.0	13.0
Zest (P&G)	9.0	6.5
Coast (P&G)	6.0	5.5
Safeguard (P&G)	6.5	5.0
Irish Spring (Colgate)	4.5	5.0
Shield (Lever)	4.0	3.5
Lifebuoy (Lever)	1.5	1.5

Table III. Complexion Soap Category

Market Share - Volume

	1983	1988
Dove (Lever)	7.5	8.5
Caress (Lever)	3.5	4.0
Tone (Dial)	2.5	2.5
Jergens Aloe & Lanolin (Jergens/Kao)	-	1.5
Camay (P&G)	3.5	1.5

Table IV. Plain Soap Category

Market Share - Volume

	1983	1988
Ivory (P&G)	17.5	16.5
Pure & Natural (Dial)	-	2.5
Jergens (Jergens/Kao)	1.5	2.5
Lux (Lever)	1.0	1.5

Table V. Soap Manufacturers

Market Share - Volume

	1983	1988
Procter & Gamble	43.5	38.0
Dial (Greyhound)	15.5	20.0
Lever (Unilever)	18.0	19.0
Colgate	6.5	7.0
Jergens (Kao)	3.5	6.0
Others	13.0	10.0

- A rapid rise in the use of liquid autodish products versus powders (none in 1980 to 30 percent in 1988).
- A strong continuation of the "lemon scent" trend which is now more than 20 years old.
- The rise and fall of powder carpet fresheners.
- The increase in liquid hand and body soaps from less than one percent of the market in 1980 to 10 percent in 1988.
- A proliferation of brand line extensions, mostly in the fragrance line.
- An increase in products available in an "unscented" form, driven primarily by P&G.
- The rise and fall of deo colognes.
- A tendency to change fragrances more often in consumer products.
- In the soap category, new products exhibiting multiple consumer benefits like Lever 2000 and P&G's Safeguard DS.

Concerning the soap category, between 1983 and 1988, liquid soap continued to grow doubling its market share (Table I), with the main players being Ivory, Dial, Soft Soap and Jergens. Liquid Dial is the newest entry in this category and already has achieved sales of more than two percent of the total soap category in its short time on the market.

The deodorant soap category hasn't changed much in the past five years (Table II) other than losing about 100 percent of its market share to the other soap categories. Dial soap continues to be the category leader followed by P&G's Zest, Coast and Safeguard.

The complexion soap category (Table III) managed to grow about 10 percent during this period and the top three performers have remained the same: Dove and Caress from Lever and Tone from Dial. Jergens Aloe & Lanolin bar appeared during this period, while P&G's Camay bar lost half its market share.

The plain soap category (Table IV) grew about 30 percent between 1983 and 1988 with Ivory maintaining its huge lead in this category. Dial's Pure & Natural soap was new to the category during this time period. The other two players, Jergens and Lux, also grew in terms of market share.

To summarize the soap business from 1983 to 1988 by manufacturer (Table V): P&G lost about 10 percent of their market share while Dial gained about 30 percent. Lever and Colgate both gained slightly in market share while Jergens grew considerably, almost doubling their market share.

Aroma Chemicals

What happened to the aroma chemical part of the business during the '80s? In the early '80s, most aroma chemical operations were running rather smoothly, but growth was slow and profitability was

insufficient to fund major facilities upgrading or expansion. By the mid '80s, the dollar had soared in value, making imported aroma chemicals relatively inexpensive, thus boosting aroma chemical imports, and suppressing domestic aroma chemical production and prices. The challenge was overwhelming. In effect, virtually no one made money in the mid '80s in the US domestic aroma chemical business.

By the late '80s, however, everything had turned 180 degrees. Demand for aroma chemicals was up. The dollar dropped dramatically. Imported aroma chemicals became expensive and US domestic production became exportable. Today, domestic aroma chemical production is at near capacity and everyone seems to be making money again.

Demand is so strong, in fact, that most producers either have plans for capacity expansion or already have started brick and mortar. Of course, as demand is strong and supply is static at the moment, pricing has moved up. This should moderate somewhat as additional capacity comes on stream and if feedstock costs, like crude sulfate turpentine and ethylene, begin to moderate.

The introduction of new aroma chemicals slowed appreciably during the '80s primarily because of the high cost of bringing new chemicals to the market. Certainly government regulations and restrictions like TSCA, OSHA, and EPA have had a major impact on the marketing of new aroma chemicals.

Essential Oils

In the area of essential oils usage in perfumery in the '80s, these ingredients continue to be an important part of the perfumer's pallet of raw materials. According to the US Department of Agriculture, imports of essential oils in 1987 amounted to 28.6 million pounds valued at $117 million. This is a 37 percent increase in the volume of essential oils imported compared to 1980's 20.8 million pounds valued at $132 million. Even though the volume increased, the value of imported essential oils decreased by more than 11 percent primarily because of the shift in the type of essential oils imported.

For example, five essential oils increased dramatically in volume from 1980 to 1987:

- Bergamot oil doubled in volume from 76 thousand pounds to 155 thousand pounds.
- Cassia oil increased 150 percent in volume from 197 thousand pounds to 488 thousand pounds.
- Grapefruit oil increased 530 percent in volume from 39 thousand pounds to 248 thousand pounds.
- Orange oil more than doubled from five million

pounds to more than 11 million pounds.

- Pineapple oil increased almost 16 fold from 37 thousand pounds to over 590 thousand pounds.

Five major essential oils decreased in volume between 1980 and 1987:

- Clove oil decreased 20 percent from 1.9 million pounds to 1.5 million pounds.
- Lemon oil decreased 26 percent from two million pounds to 1.4 million pounds.
- Bois de rose oil decreased almost 90 percent from 320 thousand pounds to 36 thousand pounds.
- Petitgrain oil decreased more than 50 percent from 467 thousand pounds to 214 thousand pounds.
- Vetiver oil decreased by one third from 254 thousand pounds to 171 thousand pounds.

In general, the use of essential oils in perfumery has not kept up with aroma chemicals on a pound for pound basis during this decade. There are many reasons for this. The primary reason, I think, is the better quality essential oil substitutes available today versus 10 years ago. Price, value, availability, currency valuation, and odor stability are other reasons the use of essential oils is not growing as fast as aroma chemicals.

Future Predictions

Finally, what will happen to consumer products perfumery in the '90s? My guess is that more women will be in more functional areas of the business including senior management. Personnel also will change to include a new breed of computer cultivated perfumers and more business oriented managers. The number of perfumers will remain static or drop slightly.

The shrinkage of the perfume supply industry and consumer products industry will continue through mergers and acquisitions. Productivity and profitability will become more important at the expense of creativity and specialization. Computerization of perfumery will continue at an accelerated rate allowing perfumers another 50 percent productivity gain over the next 10 years.

Government regulations and restrictions will continue to increase, perhaps culminating in a national formulary repository. Perfume safety concerns will increase and more and more fragrance materials will be banned or restricted including some important perfumery feedstocks and a number of natural materials. Customers will continue to demand more value for the money spent on fragrances, thus compressing margins further.

Business philosophies, such as JIT Manufacturing, do more with less, becoming more cost efficient, return on equity, and return on investment will cause continued major restructuring of both the perfume supply industry as well as the consumer products industry. There will be fewer consumer products companies that create and blend their own fragrances.

Natural fragrance ingredients will continue their slow decline in usage and there will continue to be fewer new aromatic chemicals introduced each year. Therefore, more emphasis will be placed on fragrance specialties to give perfumers something new with which to work. Fragrance volume for consumer products worldwide will explode due to the consumerization of the Soviet Union, China, and the Eastern block countries.

Sounds exciting, doesn't it? Well, we may all be sitting here 10 years from now, working for the only perfume supply company left—Galactic Fragrances, or working for the only consumer products company left—Mega Bucks Consumer Products. Oh, by the way, Galactic Fragrances is a subsidiary of Mega Bucks!

Whatever happens in the next decade to our industries, one thing is certain—change.

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