

Mr. Porter

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Personal Impressions on the Relationship between Buyers and Suppliers of Fragrance

Dr. Gary Shaffer, Chesebrough-Pond's

Shortly after my move from Givaudan to Chesebrough last year, I was asked to discuss my general impressions of the buyer-supplier relationship in the fragrance industry after having viewed this partnership from both ends. Under this guideline, there are a delightful number of controversial areas that I would like to discuss. However, once employed, personal impressions given publicly are often construed as corporate philosophies. So my observations won't be as debatable as they perhaps could have been.

Fragrance oils are rather unique because, in contrast to other commodities which are exchanged between several buyers and suppliers on the basis of rigid specifications, the sale and purchase of an individual fragrance is between only two specific companies and because the transaction is made on the basis of creativity, images, and dreams. Due to this uniqueness, a successful fragrance is certainly a partnership between buyer and supplier.

Not only are fragrances purchased on a monopolistic basis, but traditionally the buyer has absolutely no idea of the actual contents of the oil. With the recent tightening of government controls on consumer products, the recent strengthening of consumer advocate groups, and the recent supply-price problems of 1974, many companies are seriously asking for the first time "Just what control do I have over my fragrance oils, which are the essential key to a multimillion dollar business?"

I am not advocating alternate suppliers of specific fragrance oils but am only pointing out that when purchasing an unknown entity which is critical for the life of a product, the buyer has an obligation to make sure the ship is tight. It certainly behooves him to be as knowledgeable as possible about fragrances in general and his fragrances in particular.

The first area of this control is, of course, quality assurance (QA) of purchased oils which includes two aspects: odor and analysis.

On the odor aspect, I see absolutely no reason why fragrance evaluation personnel at finished goods houses need be any less skilled than those at fragrance houses. This is simply a matter of finding people with reasonably acute odor perception coupled with both a dedicated interest and an intensive and continued training program. I feel that fragrance evaluators are made, not born. Since man evolved from life forms that depended on their olfactory sense for both survival and procreation, this olfactory ability of the average person is probably quite good, even though his nose is no longer essential for life. The major problem is simply one of olfactory recognition and vocabulary. All specialized fields have their own set of "non-laymen" terms that once understood and illustrated remove much of the mystique from that endeavor.

In the analytical area, although IR, refractive index, and specific gravity are nice, they probably accomplish nothing more than to prevent putting Cachet in an Aviance bottle. At this point in time, the best routine tool for fragrance assay is, of course, the gas liquid chromatograph. This instrument has been accepted for well over a decade by the fragrance houses, and today even the most traditional perfumers admit that gas liquid chromatography is an essential asset to their work.

Most finished goods houses already use gas liquid chromatography as an assay method for fragrance oils and certainly in the near future, this instrument will be used by all. Through the life cycle of most fragrances, some ingredient changes will have to be made. For example, there may be changes in Research Institute for Fragrance Materials (RIFM) recommendations, changes in government regulations, or changes in the control or supply of essential oils. The crazy price fluctuations of sandalwood oil is one good example.

With gas liquid chromatography as a QA tool, the buyer will know about any major changes up front. If a price increase is indicated because of

a dramatic price move by a particular ingredient, this instrument can be used by the seller to justify the increase and by the buyer to check the percentage of this ingredient.

One caution to the buyer. There are slight deviations in natural oils from year to year due to climatic changes, processing deviations, and changes in degree and type of adulterants. Therefore, minor changes periodically are to be expected in gas liquid chromatograph traces of incoming fragrance oil lots. Fragrance rejection based on this instrument is not as simple as super-position of the traces. Minor deviations must be rejected or accepted on the basis of judgment. However, in the case of any major change or a new large peak, the buyer is obliged to ask for a detailed explanation or else outright reject the oil.

What about analytical QA tools of the future? I think the day will come when most finished goods houses have a gas liquid chromatograph coupled to a mass spectrometer with computer identification of at least the major ingredients. All fragrance houses already have this set up. It is not an unreasonable goal to want to know all the ingredients in your fragrance oils that are in excess of one percent. This does not mean the objective is knock-off work but simply that the more you know about what you are buying, the better control you can and will have over it.

The creativity will certainly always remain in the industry, but the mysticism regarding fragrance oils is quickly becoming a thing of the past.

Let us turn now to safety testing of products prior to market introduction. In this area, I feel the partnership is too loose and must be strengthened. For example, the maximization procedure to assess sensitization is commonly used for finished products. To distribute cost, several products are often tested simultaneously on the human subjects. One fragrance could contain an ingredient used near the maximum recommended safe limit. Now if one of the other test products contains this same ingredient, cross sensitization can occur to the detriment of the whole project. At a minimum, the safety testing will have to be repeated at additional cost and the market timing will probably be upset.

Since the marketer has only limited knowledge about the ingredients in his fragrance, the fragrance house should be obliged to point out any materials used at high enough levels to justify any out of the ordinary precautions in safety testing. Both partners in a fragrance should know the full safety program for each product and have a discussion regarding protocol and ingredients prior to the start of this program.

Fragrance creators should have a full chemical breakdown of each submitted fragrance. Many formulas go six or seven sublevels deep in specialties before they get to the actual chemical constituents. Perhaps a maximum use chemical is added at only 75% of this level but some of the specialties contain the same chemical so that

the total amount of that chemical in the final fragrance means that maximization or phototoxicity testing may present a problem. No one would recognize problems of this type if the formula could not be broken down to chemicals. In today's safety conscious environment, it is no longer meaningful to list "Rose #32" as a 10% ingredient in a fragrance. This specialty must be fully broken down to its chemical ingredients. This has to be true for everything except the basic natural oils where the total chemical composition is not known. In these materials, however, extensive RIFM testing has been completed and the "bad actors," like bergamot and costus, are recognized and replaced with either controllable synthetic specialties or "detoxified" versions of the natural oil. However, full RIFM testing of specialty items for sale within the industry is not as current as the testing of natural oils or pure synthetic aroma chemicals. Therefore, it is becoming mandatory that anyone purchasing specialties get full chemical disclosure of that specialty so that the additive effect of any one ingredient is known for the finished product.

Take butylated hydroxytoluene (BHT) for example. BHT is a commonly used antioxidant and perhaps as much as 3-4% might be added to a finished fragrance. In addition, several of the original perfumery ingredients, all citrus oils for instance, will also include BHT. So you can end up with a fragrance containing considerably more BHT than the perfumer put in. It is becoming very important to know the *exact* amount of all chemicals present in the total formula, not just the extra amount that was added.

The addition of non-perfumery preservative items, such as BHT, or a light absorptive chemical should be pointed out to the marketer at the time a fragrance oil is submitted. These are not secret ingredients that should be kept proprietary information because they do not relate to the creation of the scent. Furthermore, the marketer in turn may be contemplating the addition of these identical preservatives to the product itself. It is an obligation between the fragrance partners that they both know the exact amount of any preservative present in the entire formula.

Most fragrance houses already realize that complete chemical breakdown through fragrance sublevels is important. There are some beautiful computer programs that presently exist for accomplishing just that. I guess all I am saying is that those fragrance suppliers who cannot break down their fragrances all the way to chemical ingredients with a summed percentage for each ingredient will find it more difficult to do business in the future.

With poison control centers, government regulations, and corporate desires to know more about their products and their safety, a fairly rapid access to the chemical composition of a fragrance is very desirable today and will probably become mandatory. The industry from here

on out will be much more than just creativity. On both the supplier and buyer end of the perfume business, the creative staff will have to be supported by a technical-instrumental-medical-regulatory backup complex. This will simply be the price of doing business. (I guess we chemists manage to sneak in nearly everywhere.)

I think it would be a good idea for the industry as a whole, through the Cosmetic, Toiletry and Fragrance Association and RIFM, to decide what safety testing, and the proper protocol for this testing, should be done on a finished perfume oil and on the finished alcoholic product made from this oil. For example, alcohol is irritating to the eye, yet rabbit eye irritations are commonly run on finished alcoholic fragrances. I fail to see the meaning of such a test. I think rabbit eye irritations should be run on the fragrance oils without the alcohol, and RIFM should decide what the acceptable irritation should be for a typical oil.

The cost to the marketer for safety testing for a new fragrance and its ancillary line can approach \$50,000. Before this kind of money is spent, I think the partners in a fragrance should have some discussion of the safety protocol in general and a bit more input regarding ingredients.

This leads into my next topic which is my impressions of what the important features of a fragrance supplier are. Of course, number one is creativity, not only in perfumery but also in a marketing sense. Knowing the existing fragrance line of a finished goods house, the fragrance house can be very creative in suggesting the general fragrance direction a new profile of a particular customer should follow.

Close behind creativity I rate a mixed bag of qualities I will call service. By that I mean not only deliveries on time but a high degree of professionalism and business ethics and good depth in technical expertise and service. The R&D departments of most finished goods houses are strongly biased in the direction of the D. If research or technical investigations of any kind are desired or necessary in regard to a fragrance oil, not only is the marketer ignorant of most of the ingredients in the oil, but he may be lacking the time and technical expertise needed to arrive at the proper solution in the shortest time.

A strong R&D department, in both the product and chemical areas, is a very desirable, and in the future probably essential, feature of a highly successful fragrance house.

Other criteria that a large volume fragrance marketer would consider important are worldwide compounding facilities and a position in the manufacture of at least some of the basic aroma chemicals. I remember that in 1974 those companies in a "trading" position with some key synthetics could maintain ingredient supply much better than those companies without such a position.

On the question of with whom should the fragrance market do business, I feel that the en-

tire industry is best served through active competition. There are approximately 40 fragrance houses and it is rather impractical for any one company to do business with all 40. But I see no reason why a fragrance supplier list cannot have 20 active participants. On any one project, six to eight houses would be asked to submit two fragrances each. I feel one submission is unfair because the perfumer-evaluation team may feel two totally different fragrance directions are equally desirable. Any more than two submissions and you cannot expect the utmost in creativity on them all.

Through in-house fragrance evaluation and limited consumer testing, the submissions can be narrowed to two or three finalists. Ideally, if everyone has done their job properly, each of the finalists should be a good fragrance that accurately projects the image requested in the profile. Provided the product is good, as you hope all the finalists would be, then the overall success of a fragrance depends mainly on the positioning, name, and advertising. Would the Aviance fragrance by itself conjure up an Aviance night for the consumer prior to the TV ad? I doubt it. Likewise, a number of fragrances could have been used to fantasize the image of a "Charlie" lifestyle.

A new fragrance is usually not totally "new," so provided it is of good odor quality and consistent with the image or dream the marketer is trying to portray, I consider both my job and that of the perfumer to be satisfactorily finished.

Success or failure at that point rests with the marketing position.

Once finalists are selected, I prefer not to go back and ask for refinements. After six to eight worldwide creative perfumery staffs and professional fragrance evaluation boards have created and selected their submissions, I would expect the fragrance to already be perfectly blended and balanced. To ask for much of a modification at this point might lead to unbalancing the whole formula, upsetting the market timing, and running a risk of abandoning the entire project. Of course, this would not be the case if none of the submissions matched profile or fed back some good numbers from market research tests.

In return for the buyer expecting dedicated application to its fragrance projects, the supplier should expect as objective and fair an evaluation of the submissions as possible. To this end, many marketers have adopted a system where samples are submitted to a group that is not involved in the evaluation, such as the purchasing department. Samples are then coded and at least up to the point where finalists are determined, the R&D, marketing, and market research groups have no idea which house submitted which fragrance.

Just a short word about profiles. I think profiles should have as much information about the target audience and positioning of the product as possible. Personally, I would also like to see the name and advertising included. However, unless the marketer is absolutely certain, I prefer not to include detailed odor direction for the fragrance. I feel this is sort of restricting the experts.

Let me finish with a word about the evolution of fragrance oils.

Perfumery has evolved, as we know, from all naturals to a predominance of aroma chemicals. Not only is the supply of naturals often questionable, but the buyer's continual demand for less expensive oils has dictated that less expensive ingredients be used in fragrances. I would be willing to bet that the average price per pound of fragrance oils on an industry-wide basis has decreased during the past twenty years in spite of dramatic inflation during the same period. The danger in this is that the overall quality of marketed fragrances could deteriorate—maybe unnoticeably year-by-year, but perhaps dramatically so over the course of several years.

When the fragrance houses first assembled large research staffs, if a new synthetic chemical had one or two notes of a natural oil, that was enough of a quality to guarantee its success as a perfumery ingredient. But I think the goal today is not, for example, to have a dozen rose-type chemicals, or sandalwood-type chemicals, but to combine as many synthetic chemicals as needed to create specialties that smell as close as possible to the natural oil. The ultimate goal must be to replace natural rose with a synthetic one that is very difficult to distinguish. It is my opinion

that only in this manner will fragrances evolve from natural to synthetic without a concurrent loss in odor quality. From my years as a synthetic organic research chemist at Givaudan, I realize that this goal is being very actively pursued on all the essential oil fronts by all fragrance houses with research facilities.

What can the finished goods houses contribute to this? I would like to call on the marketers of fragrances to keep the cost of their oils at a high enough level to allow the use of expensive captive chemicals, and expensive specialties, all of which contribute to high odor quality.

Another thought about the evolution of fragrance is the question of how often existing fragrances on the market should be reviewed as to cost and ingredient changes. Usually such changes have traditionally occurred because the marketer wants a cost reduction of his fragrance oils or the fragrance house can no longer purchase a particular ingredient and must change it. But, this is not what I mean by a periodic fragrance review.

What I mean is that a particular fragrance may contain certain ingredients that have potential stability problems or certain odor nuances that might be improved. The supplying fragrance house, through periodic review of all its fragrances, is in the best position to know this. If the fragrance in question has had a lifetime of five to twenty years, there might be other aroma chemicals or specialties available at the time of review which weren't available at the time of creation that might improve on color or odor stability or improve the total bouquet of the fragrance. I think fragrance suppliers should suggest such changes to the marketer more often and the marketers should be a bit more receptive to such changes. I really feel that periodic review and improvement is a viable approach for most fragrances.

Another area that will help the fragrance industry evolve in the direction of quality is a continual intra-industry perfume education program.

Every marketer of fragrances wants to understand perfumery, odors, and the vocabulary of the art. This can be accomplished best by a continuing series of educational seminars presented by fragrance suppliers. We have started this type of perfume educational presentation at Prince Matchabelli and thus far the program has been well received. The seminars are not sales pitches, but are simply educational presentations with smelling samples to illustrate the notes and vocabulary. They are attended by people in marketing, market research, R & D, sales, etc.

I would suggest that other marketers investigate the merits of this type of program and I invite all the fragrance houses to suggest topics to me for such a presentation at Matchabelli. The more we educate one another in this business, the closer this perfumery partnership will develop.

Mr. Porter

Our last speaker this morning is Robert Ruttenberg. Mr. Ruttenberg spent six years with Estee Lauder where he was director of marketing for the Aramis Division, director of Aramis international and general manager of the Azuree divi-

sion. From Estee Lauder he went to Revlon as senior director of the Charlie division. Mr. Ruttenberg is now executive vice president with Warner Lauren, Ltd. and is responsible for launching a line of Ralph Lauren fragrances for men and women.

Changing Trends in the Marketing of Fragrances, Women's and Men's, in the United States

Robert Ruttenberg, Warner Lauren, Ltd.

When I discuss the changing trends in marketing in both men's and women's fragrances, my focus is the franchise end of the fragrance lines, primarily in department stores.

We as marketers have become more adept at encouraging what has always been there; that is the need for fragrance. Key changes in the marketing of fragrances, and in the acceptance of fragrances, have happened over the past five or six years. I think Avon and Jovan are both good examples of terrific approaches to marketing because they have always directed their sale to the individual self-purchase. By and large, companies have not done this. In the past six years, this self-purchase has helped create a 46% increase in the women's fragrance business. Somewhere between 88% and 92% of adult women today use fragrance on a regular basis. In 1970, the figure was 72%.

Seventeen published a study that indicated that in 1970 the average beginning age for wearing a fragrance was 14. Today, that age is 12. They have always been interested in the fragrances their mothers used. Now a number of companies have introduced light, citrus fragrances geared toward younger girls, bringing them into the market earlier.

Women are much more adventuresome in using fragrances. About 40% of adult women use as many as five fragrances regularly on a yearly basis. They are much more likely to experiment with fragrance today than they were in the past. In department store promotions every spring and every fall, there are new color statements, new fashion statements, and new fragrance statements. Women come up to the counter and ask, "What's new?" They have always had this in cosmetics, but they have not had it in fragrance. In the past several years, there have been so many new introductions of fragrance that people know now there is always something new, and they want to try it. The brand loyalties that existed before in fragrances among women do not exist today because there is so much ex-

citement in the whole fragrance category.

One of the key reasons that the women's fragrance business has grown so dramatically in the past several years is television. No longer are fragrance advertisers primarily going into *Glamour*, *Mademoiselle*, *Vogue*, *Seventeen*, and a small, select fashion group. They are reaching a much broader group by utilizing television. The use of television is not only geared to the Christmas selling season, but also to the first half of the year. More and more marketers spend their dollars over a longer period. They want to reach women twelve months out of the year. In 1970, women's fragrance sales over the first half of the year accounted for about 35%; the second half of the year, 65%, almost a two to one ratio. In 1976, women's fragrance sales increased from 35% to 44% in the first half and dropped from 65% to 56% in the second half. In a couple of years, we are probably going to see a pretty even mix between the first half and the second half.

Another recent change is the new direction for positioning and presenting fragrance. I think the attitudinal approach which everyone has heard of has really opened up the whole market. No longer is fragrance just opening a bottle of sex or fashion; rather, it represents a point of view that the woman can be comfortable with because it represents what she is to herself—a new self-identity. Revlon started the attitudinal approach with Charlie in 1973. Many marketers have picked up on this approach: Aviance, Nuance, Coty, Babe, Cie.

All of these trends have raised the women's fragrance market to, in my estimation, about a \$1.3 billion market in 1976.

Bristol Myers, a major packaged goods house, is testing impulse buying of fragrances in supermarkets in the Midwest. Cosmetics are sold in supermarkets on hangings on walls or on pegs so the purchaser can see through the products. No company has ever successfully sold fragrances in this way. If Bristol Myers is suc-