# Perfumer/retailer—a silent partnership

By George J. Luby, Chesebrough-Ponds, Inc.

Certainly, when you speak to a group as distinguished as this, it is better to have been involved directly and know something of the group's subject. I have never been a technical guy and the closest I came to chemistry was in the tenth grade in high school when I almost blew off my hand trying to make oxygen.

However, after giving considerable thought to the invitation and the background of the people attending, I felt it gave me an opportunity to speak to you on some things that I do know something about, that is, purchasing and especially purchasing of fragrances from the manufacturing point of view.

I consider myself extremely fortunate in having had a career so far with two companies that have not treated fragrance purchasing and development lightly. In fact, I might add, both companies had similar approaches to the subject: an objective, open, ethical approach to working with the very best fragrance houses in the business in developing the finest fragrances achievable. This being the goal, nothing else mattered. When I think back over my 24 years in the industry and review the history of how cosmetic companies have worked, there is no question that at times in the past such practices as favoritism, aggressive salesmanship, and the amount of money spent on entertainment were important factors in awarding business from the manufacturer to the fragrance house. However, when I review successful fragrances that have lasted over these many years, I see that where objectivity was maintained throughout, those fragrances are still as well accepted today as they were when launched. Good fragrances continue to sell.

I was fortunate to join the cosmetic industry just as it was beginning to explode in the mid-50s. In the twenty years that followed, from '54 to '73, the industry followed an upward spiral that paralleled the stock market. It was Camelot all over again. Not only were cosmetic companies the darlings of the marketplace, but they were also the darlings of Wall Street. Remember when stock was selling at 40-60 times earnings?

In those days, nobody really cared what a fragrance oil cost. Nobody would dream of inhibiting a perfumer with a primitive term like *cost objective*. Just accept the price, mark it up, and pass it on to the customer. That was the thing to do. The consumer would pay anything for a nice-smelling fragrance, attractively packaged and reasonably priced.

The fragrance formula was considered an asset of the fragrance house. It was locked in its vault and the customer couldn't care less. From 1954 to 1973, a dirty word like a price increase was absolutely unheard of. The toughest decision we had in those days was deciding which company we would go with to the CIBS Ladies Day luncheon.

But soaring oil prices changed that. Suddenly, Camelot came crashing back to earth. It became so bad, lunch at 21 became lunch at Walgreens. A world where once the main contact between a salesman and buyer was a smile and a martini changed into a world of insinuations, threats, and mistrust.

With a history of almost no increases prior to 1974, increases came several times a year after that. The feeling, right or wrong, was that the fragrance houses were taking advantage of the OPEC increases and were unjustly realizing a gain. Some close relationships were severely damaged because it was such a startling change. An industry which dealt in high fashion, beautifully tailored clothes, and proper conduct from 9 to 5, moved into a new world that resembled a bombed-out city after a war. In addition, many European countries stopped considering the U.S. as the 13 original colonies and decided to enter the U.S. market either through acquisition or by beginning from scratch. Designer fragrances had also entered the market, bringing further competition to established brands. In other words, as the Pollyanna umbrella was removed from an esthetic industry certain changes were inevitable. Some good—some bad. However, in other ways, some things did not change.

One thing that did not change at the companies I have been associated with is the way fragrances were selected. There was and still is a strong desire to keep the selection process from beginning to end completely objective. This involves beginning with a selection process of selecting six to eight companies to submit against a profile.

Of course, someone in the audience might ask at this point, "How do you select companies to compete against a profile keeping within the general concept of objectivity and fairness?" To answer that, we at Chesebrough-Pond's have an approved list of fragrance suppliers. To be on this list, a supplier must have a proven record of accomplishment within our industry, must have proven perfumers on its staff, adequate manufacturing facilities, substantial financing, and overseas capability.

We keep an updated index of these suppliers showing major brands they are currently supplying, the type of fragrance it is, whether oriental or floral, for instance, the most recent hits, and any added value that may have come about through acquisition of assets, materials, people, or overseas affiliations.

Completely unidentified stock bottles are then submitted through the purchasing function, coded, and then sent through the system for review and analysis. Ultimately, when the final two or three are selected, the code is broken and if work is required to improve them, a dialogue is established among the appropriate people, whether R&D or marketing, and the perfumer. Obviously, there is no danger of favoritism here since an outside panel would be the ultimate judge in the final selection.

This objectivity has worked to assure the fragrance house that if they submit the finest fragrance against an established profile, they will not be subjected to the whim of individuals who may prefer a different company for other reasons. This methods seems to ensure the old saying, "may the best fragrance win."

This actually brings me to the title of my talk: "Perfumers/Retailer—A Silent Partnership." By retailer, I mean manufacturer, us guys in the black hats. It seems over the years that it has been less of a partnership and more of a one-sided relationship. For example, since the advent of the oil embargo and spiraling cost increases, the manufacturer has tried to find the identity of the ingredients that go into the formula. This, it was felt, would lead to a better understanding of the basis of requested price increases and provide both sides with equal talking points. This request might have been veiled under the disguise of being sure that the ingredients were compatible with RIFM requirements, but don't kid yourself, the manufacturer had one purpose and only one purpose in mind—to be sure that cost increases were justified and legitimate.

Certainly, sandalwood going up 400% at that time prompted people to wonder if there were any more sandalwood in the formula. Even if the manufacturer knew the identity of the ingredients, it did not give it the quantitative data it was looking for. Or if there were chemicals of a proprietary kind, it couldn't pick that off either. So the only answer to prevent an $18/lb cologne oil from going to $30/lb was to reformulate. This was not accepted easily in the beginning nor, would I say, is it completely accepted today.

What has happened has happened. There is no way we can bring back those esoteric 50s or 60s. They are gone along with all the other things that identified that period. What we have left, and what is of overall importance to today's meeting, is how we are going to approach the development of fragrances in the 1980s and really make it into a full and desired partnership.

The first step forward that we should take jointly is for the perfumer and the manufacturer to get closer. When I say perfumer, I am referring to the technical staff within the fragrance company. This doesn't mean downgrading or belittling the efforts of account executives. Heaven knows they have my empathy. It must be very difficult to sit in a reception room of a leading account month after month, year after year, and never get a piece of business because they weren't fortunate enough to have a hit, or in some cases, because they didn't entertain or know the right people. And then once they do get a piece of business they have to go in and take the heat from a purchasing agent when they must propose a price increase.

What I am suggesting is the basic understanding of the perfumer knowing directly more what the manufacturer requires, and its willingness to move from that position based on a different creative suggestion. What I know technically you can put into a thimble. However, I believe we all have come to know and expect certain basics. Perfumers will be asked by companies such as mine to create quality fragrance under severe price limitations.

Even in times of tremendously high inflation like these, the manufacturers of finished goods for the mass market have to keep their prices competitive and attractive to the typical consumer. If not, we lose sales and you, our partners, lose business. Consequently, our cost of goods must be pared to the bone. There are obviously manufacturers who appeal to a higher price market. That is a select few and sometimes I wish we were one of them. However, there is an old saying, "There are more people buying Chevrolets than Cadillacs" and the mass market is the one we have identified as our target market.

This requirement for quality fragrances created from less expensive ingredients not only challenges the perfumer, but the research chemist as well. Those fragrance houses with a concurrent manufacturing position in essential oils, aroma chemicals and specialties would be able to use those ingredients internally on a cost plus basis. This can allow a perfumery staff that winning advantage in raw material cost that should result in more fragrance payout per dollar.

In recent visits to chemical houses, I have asked research chemists, since plastic resins have replaced many other materials, what new developments they see in the raw material area that would reduce cost but at the same time keep fragrances as appealing as ever. They have said that an interesting challenge for our industry in the 80s would be botanical ingredient sources. The trend for three decades has been to replace more and more botanical ingredients with petrochemical-derived aromatics and specialties. Now the trend should definitely be going the other way as the petroleum supply continues upward in price and is constantly disrupted politically.

Therefore, it would become more attractive to fully utilize any fragrance ingredient or starting material that is produced using the sun as an energy source. They tell me that botanicals, and the chemicals they contain, are continually renewable. The world is full of plants that could be economically raised and harvested. The challenge for our industry, according to these sources, would be to exploit all these sun-derived renewable chemicals as sources or starting materials for fragrances. Conceivably, high oil-yielding hybrids would be developed and the research departments of the most successful fragrance houses of the 80s will contain professional botanists and biochemists working toward this goal.

In addition to controlling costs, what helps fragrance houses is worldwide compounding facilities and being in a position to manufacture at least some of the other basic aroma chemicals. I remember in 1974, those companies in a trading position with some key synthetics could maintain ingredient supply much better than companies without such a position. This means that if the barter situation again arises, as evidenced by continued unrest in the money market and soaring prices of noncurrency valuables such as gold, companies in a horsetrading position with some key ingredients could maintain fragrance supply much better than companies without such a position. Therefore, perfumers are going to have to work very closely, if they are not doing so already, with their purchasing groups to determine "safe" ingredients that are relatively stable and where continuity of supply will not be a problem.

They call 1974 the year of the purchasing agent. I take exception to that since that implies other years were not the year of the purchasing agent. Certainly as we enter the 80s every year will become the year of the perfumer, the purchasing agent, the account executive, the executive, and all the others who contribute to the overall success and profits of their company.

Other thoughts on how the perfumer could become more of a responsive partner as opposed to a silent partner is in the area of making suggestions either in cost-reducing materials or in improved fragrance integrity. What I mean by this is that a particular fragrance may contain certain ingredients that have potential stability or supply (thus price) 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 5-20 years, there might be other aromatic chemicals or specialties that have become available through research and are less expensive and more available. These new products might improve the color, the odor stability, or the total bouquet of the fragrance. We would encourage all perfumery specialists to suggest such changes to the marketer, as we are becoming more receptive to such suggestions.

We think we ought to take the old-fashioned word mystique, toss it in the scrap heap, and replace it with a concept of prudent management of ideas mixed with a fruitful exchange of thoughts. In addition to basic and fundamental exercises of good judgment in the selection of ingredients that go into the fragrance, we are also looking for different product concepts that could be used under the same fragrance umbrella. I have seen many fragrance houses pursue to the limit a new profile they get wind of.

There seems to be a mentality that says "go after every piece of business that is out there," with the idea that you can't get a hit unless you are invited to play in the game. I have no argument with this in principle except that, in fact, what has happened is that once a company gets a hit they forget about it and seem to put it in the safe and regard it as an asset to be dusted off once a year at the annual meeting. What I am suggesting is to go after the new hits but also expand upon the acknowledged success of a fragrance that has already been launched. Help the customer in building the business in any way you can so that we both can share in the increased profits that can be derived.

The whole thrust of the business in the past has been that the fragrance company supply the fragrance and the marketer will do the rest. We do not have a complete monopoly on creative ideas or brains. We are no slouches. We will match our record against anybody's. However, no one group is an island to itself. We need all the help we can get, especially from a company that has developed a successful fragrance—one with a strong consumer franchise. I would encourage you to work closely with our R&D people and our marketing people. The time and atmosphere have never been better to knock on the door and say, "Have you thought of this?" or "Have you tried that?"

I have noticed, however, that where fragrance houses seem to be more attuned to helping a marketer launch a new fragrance, they seem to forget about the ones that are continually paying the rent. It amazes me that we can have price stability the first year launching a new fragrance and then get clobbered with multiprice increases year after year after the launch. Perhaps we should include in our profile not only the cost objective now, but an indication of the limits of price increases we would be willing to accept in the future. The very fact that there are some 40 fragrance houses all ready, willing, and able to knock on our door means that any one of them could get lucky and have a major hit against a new profile which could effectively reduce the overall sale of an existing fragrance. It seems to me that when suppliers have existing business they should work extremely hard to protect that franchise, not only to keep the marketer from duplicating it with somebody else, but also to help that marketer expand and protect that fragrance business in the competitive market.

In other words, if any of our brands fall by the wayside for one reason or another, there is no automatic way that particular fragrance house is going to make up the loss of that business, because the competitive cycle starts all over again with no guarantees of who will win the next race.

We cannot do it alone. What good is developing a Picasso and have it fade when exposed to sunlight? That is the way we feel about our business and that is the way we should all feel about our businesses. We launch, with your help, successful fragrances. Let's be sure we don't become the Chrysler Corporation of the fragrance industry and watch what were once great fragrances fade away from lack of attention or apathy, or not spending enough time working on or developing the business continually along progressive lines. I believe by the end of the 80s decade, we may be able to look back and say it is possible to teach an old dog new tricks.

Annette Green, no stranger to the society, serves with distinction as Executive Director of the Fragrance Foundation. A provocative speaker, Ms. Green is recognized as one of the leading American fragrance authorities and futurists. It is appropriate that we share her subject "Past Trips/Future Escapes."