How to prosper in a world of corporate giants

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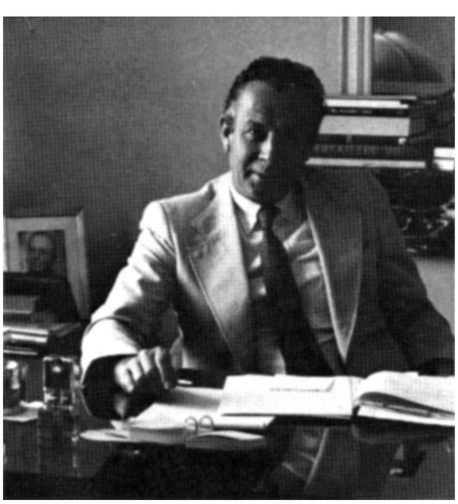
My topic is self-explanatory: "How to prosper in a world of corporate giants." My views come basically from my own experience in my business and do not pretend to have any universal application. My first task is to define two concepts: *privately owned business* and *corporate giants*.

Let's begin with *corporate giants*. In my own view, these are conglomerates of various corporations involved in numerous fields of activities. They also represent strength and power in finance, economy, production, investment, and skilled management. Because of this strength and power, they have the ability to make decisions that can ultimately deeply change the trend of the market in a given domain. The basis of their power is more money than anything else. Their guiding principle could be the question: "How much more profit can my money buy?" Perhaps *megalomania* will be the word that better defines corporate giants.

In contrast, the privately-owned business, at its early stage, is basically the result of one man's idea, which fits into a narrow market segment that has been ignored by the giants either because of a supposed lack of potential profitability or because they just forgot to think about it. Accordingly, the privately-owned business is a one-person operation, a single product or product line with a small financial capacity. *Monomania* is then the word that better defines a small business. The one advantage of being a privately-owned business, under certain circumstances, is that it might become a giant, while the giant has the obligation to become a bigger giant.



At this point, and with very little experience in working with giants, I will endeavour to point out what must be kept in mind when operating a privately owned company, to be able to maintain and develop its market share against the more aggressive, more wealthy, and more powerful corporations. The goals to be reached are to *gain*, *develop*, and *keep* the consumer's loyalty. The means to achieve these goals are contained in a few basic concepts: *product policy; quality policy; identity policy; marketing policy; innovation policy.* These five concepts are not listed according to their importance. They have to be tied together so that all five of them contribute to create a specific and reliable image in the consumer's mind. I will comment briefly on each of them.

Product policy

It is essential that the product carries its own unique character. I don't think it must aim at appealing to the mass market, because the mass market is already busy with the giant's products. There are still, in this world, a number of people trying to use and to live with something which is not everybody else's product. Probably this number will increase, predictably giving more opportunities to the privately-owned business.

That means that the product must be elaborated without reference to anything in existence on today's market. That means that the product primarily brings a new concept on its final market. That means that the product will astonish, surprise, and fascinate the trade and the public. It must then deliberately step out of the common ways and definitely avoid being a lookalike. This means courage, self-confidence, or merely a gambling spirit.

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Quality policy

After the product has been introduced to the trade and to the public and hopefully has met a good acceptance and is on its way, comes the concept of quality, or rather retention of quality. I will try to explain what I have in mind with respect to that. When Jean Desprez, my father, the founder of Parfums Jean Desprez, the man who created "Crêpe de Chine" and "Bal à Versailles," died, I called my sister, Marie-Céline Grenier, who was my father's assistant at the laboratory, and told her that the formula book was to be considered as the *bible* and that no matter what the problems to come would be, we would have to stick to the formulas, line by line. I also met with our leading essential oil suppliers and insisted on a formal and personal commitment that they would keep supplying first quality products. I am sure that you will admit that if candid I was not naive, because all of us here knew that we are experts in fragrance and perfume but that the consumers who use our products, even though they are not experts, know much more about them than we do.

This is really my concept of quality and permanence in quality. It also applies to the bottle, the packaging, and all that is related to the public's awareness of the product.

Identity policy

Obviously, the identity policy is directly tied to the product policy and the quality policy. It can be developed only if those two are maintained. The identity concept also relates to the marketing policy. Briefly, I would define identity by this educational British saying: "Stay where you belong."

Identity is built through a very rigid idea of the product aspect. By aspect, I mean each and every circumstance where the product is confronted by its consumers. This includes the quality of each individual packaging and its consistency with the rest of the line, the magazines where the product is advertised, the kind of advertising that is used, the publicity about the products or the person behind the product, the stores where the product is sold, the merchandising policy, the pricing policy and so on. All those elements have to be in complete cohesion among themselves and with the kind of consumer we are trying to reach.

Meanwhile, consumers, when buying the product, must feel totally secure with the product and proud of their purchase. This is a very difficult goal to achieve because it means more "no's" than "yesses." It means that I have to resist apparently bright new ideas. Anything new that comes to my mind with respect to "Bal à Versailles" and "Versailles pour Homme," any suggestion coming from publicity or advertising consultants, any idea in the field of promotion has to be carefully screened and looked at until I am convinced that this new idea will not conflict with the acquired product identity and above all will not confuse or deceive the consumer.

Marketing policy

The marketing policy is merely the practical application to the market of my first three points. Obviously it will be deduced from the product, quality, and identity policies. Here too, the difficulty lies in being consistent with the initial goal. To say no is more difficult than to say yes. If there is a fast-growing demand, one has to be careful to maintain the distributing policy and allow only the right retailers to carry the product in order for it to stay in line with the customer's expectation. Of course you understand that I am talking about luxury goods, and more particularly about high quality fragrance. Other policies will apply to other products when merchandised by small companies competing against giants, but the principles will probably remain the same: Specific products; quality; identity; and a strong marketing policy.

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Innovation policy

Now as you all know, whether big or small, whether a giant or a privately owned firm, innovation is the big problem in today's world and this is the field where small companies may be hurt in the long run. However, there is no way to escape that obligation. It is no longer possible to live for years on only one product. New products must be brought to the market because the trade wants excitement, the public wants excitement, and the giant competitors constantly introduce excitement. Small firms must maintain their own share of excitement too. And this is becoming the increasingly difficult part of our business.

For small business, there are two ways to develop an innovation policy and those two ways can be validly used. The first one is to complete an already existing line by bringing new products under the same umbrella. This is easy and does not involve either very heavy investments or high costs of advertising and promotional expenses. Because the line is already exposed and acknowledged, acquired consumers will be happy to have a new opportunity to use their favorite product. Where there is an extract, lighter concentrations, from Parfum de Toilette to Cologne, will be developed, a bath line will be added, and so forth. Also, new presentations will be proposed: smaller, bigger, adapted to various circumstances—travel, holidays, to be used indoor or outdoor. You all know that in this field, our profession is never short of imagination.

This method, however, does nothing but postpone the moment when a real new product is needed to keep or renew the consumer's interest in the brand, as well as the merchants' commitment. And this is then the real big game. It is the big game because while the small company is successful with a new and original concept, suddenly the giants realize that they are missing something. With the years they start developing a look alike product to be merchandised in the same market segment. The difference that it makes is that while you were deliberately playing low key and underexposing, the giants come on your territory with big money, heavy promotion, lots of advertising, and new gimmicks that the small corporation cannot afford. And progressively, even though the initial product does not really lose its market, it becomes less exciting for the merchants, it loses its space on the counter, the sales staff enthusiasm decreases, and this may be the beginning of the end for the small business and its initial wonder product.

That is then the time to be ready with a new product. This new product must have the same original appeal and still be totally different, so that it looks in no way like a remake of the initial product. This new product obviously will have to be built according to the same concepts as those I pointed out at the beginning: uniqueness, quality, identity, and specific marketing policy. It seems it could be easier to be successful the second time than the first time. Unfortunately it is not.

As you know, in the fragrance industry the birth rate is very high and so is the death toll. In France alone, twenty-six women's fragrances were launched in 1979. In 1980, forty-two women's fragrances and twenty-eight men's fragrances came to the market. How many of those will still be in existence two or three years from now? If we go back to 1978 or 1977, even as far as 1971, I leave it to you to name the two or three that will achieve a real, successful, world-wide and long-lasting career. Meanwhile, everybody in the industry and in the trade knows the amount of time, money, and talent involved in the launch of a new product. As an example, "Versailles pour Homme," which was introduced in 1980, took three years in research before I made the final decision to proceed with the launching. Deliberately, I decided that the line would be a one size bottle only. Deliberately, a more than modest advertising campaign was scheduled. Still, the amount of money involved was slightly over two years' profit for the company.

At this point, the perfume industry can be compared more with a gambling operation or with show business than with any normal operation. It is evident then that although this kind of gambling can be harmless for the corporate giants, the small corporation is actually engaged in a game of Russian roulette. This leads me to list an additional obligation for the privately owned business, which is *profit*. When giants make a mistake, they change their corporate structure. Profits made by other divisions will contribute to clear up the situation and no major problem will emerge as long as the shareholders receive their dividends. With the individually owned company, it is a totally different world. Loss is literally the unforgivable sin, while profit is the basic obligation.

Profit here is not meant for the shareholders' benefit only. It is the one condition necessary for the small business to progressively develop, invest, innovate, and ensure the necessary bankers' backing in those various fields. It is an obvious truth to assert that profit is generated not only by sales, but also by margins and a rigid control of overheads. Overheads in our profession are the constant temptation: our sales force as well as our retailers are always demanding more advertising, more promotion, more special offers, on the ground that the others do it, and much more besides. This is the field where a small operation must resist. It must resist competing with the bigger names because one: it will lose at the game; two: this is not its consumers' expectation.

At this point, I am back at the beginning of my address. Privately owned business opposed to corporate giants has its own characteristics, its own obligation, its own rules that create its specific image in the public's mind. It also requires a very strong personal involvement from its management and above all from its leader, who must constantly be available to represent the company, the product, and more than everything else a personal philosophy of what business means: not only money but enthusiasm, careful attention, and self-commitment.