
Fragrance and the world around us

By Henry G. Walter, Jr., International Flavors & Fragrances, Inc.

Perfumery encompasses not only colognes, perfumes, cosmetics, and treatment lines but also the ever-expanding classes of functional products that appeal to the sense of smell. Who would believe, for example, that young pigs grow faster in a properly fragranced pig pen? Yet preliminary research supports that conclusion. The world fragrance business has been growing steadily for the past 20 years. The current lull in Europe and the pause in the United States have no long term significance. The world's fragrance business will continue to grow for the next 20 years.

I've found that a split personality helps in this business. I have the good fortune to have inherited both a hardnosed Swiss German business sense and wild Irish imagination.

First, an observation from the Swiss German side: Churchill used to complain that too many generals waste their time—and their country's money—preparing to fight the last war. For our industry the last war was the golden era of stable costs and cheap money—the 1960s and the early 70s. Natural oils were abundant then, and affordable. Today, like it or not, we are operating in most parts of the world under double digit inflation, which pushes up costs even when business is bad and unemployment grows.

Companies who have lived with this kind of inflation in South America for decades, as IFF has, know from experience that those who do not raise their prices to cover increases in their costs and to maintain a reasonable profit will in time go under. When the Brazilian government fixes retail prices at unprofitable levels, the goods just don't come on the shelves. The makers do not supply them. That's the lesson all of us have to learn. Fragrance suppliers cannot absorb the shocks of inflation any more than can those end users who do their own creation and compounding. The retiring Du Pont Chairman, Mr. Irving Shapiro, made the same point recently in noting the necessity of passing on to the textile industry further increases in costs of petrochemical raw materials.

Today, a prime fragrance supplier needs a much bigger capital investment than ever before to service customers properly. Why? Much more equipment is needed to provide better stability and longer shelf life, and to comply with an ever-lengthening list of ingredient and manufacturing safety standards and environmental safeguards. Added working capital is also needed to finance more frequent deliveries of

smaller quantities to customers. Remember that interest rates are probably going to continue to exceed the inflation rate. In the United States that probably means rates of 15% or more. When, without any effort or risk investors can realize a pretax return of 15% by a simple investment in the United States money market, why would anyone want to invest in the fragrance or any other business unless they expect to make a lot more money by doing so? That's the way capitalism works. This is one of the reasons why so many conglomerates are now trying to sell off low profit parts of their business.

What's the future for fragrance supply business under these conditions? It is excellent for any well managed supply house that maintains its own profit margins. A combination of four approaches will do that and at the same time improve the servicing of our customers at all price levels.

- As noted, price increases are a fact of business life today. Those customers who care about quality and who can pass on the increases will do so and continue to use the same fragrance. \$200 per ounce is no longer rare for a quality perfume any more than is \$200 for a pair of lady's shoes or \$50 for a man's haircut. There always will be a good market for prime quality at high prices, whether it be silk or wool, real estate, alcohol, automobiles, or fragrances.
- For customers who feel that they must stay closer to traditional pricing points, there is the lower priced version. But, of course, there is a downside limit to that. One of the ways of extending that limit is to forget about the original formula and its fingerprint, the GLC, and take a fresh creative perfumery approach to making a fragrance equivalent. After all that's what is done by department stores such as Bloomingdale's that want to continue to offer a dress at \$50. To keep that pricing point the store is ready to accept changes in the nature and, if necessary, the quantity of the dress fabric so long as the consumer's perception of value is maintained. In these lower priced versions more and more synthetics will replace naturals just as is the case in clothing.
- Design a methodology for producing more fragrance bang for the buck. IFF is doing this by using a combination of our newer research materials and a nontraditional approach to perfumery. Originally intended for functional products, this

approach is proving useful for alcohol perfumery as well.

- Work diligently at extending the fields of application for fragrances both by product and by geography. I personally spend a great deal of time on this.

A word of caution about major fragrance launches and market tests. In some cases it can take a customer up to three years to recoup all costs and yield the profits we have been talking about. TV producers have a similar problem. A prestige launch is easier in a way, because less importance is placed on existing market preferences. It is the mass market launch that must beware the Edsel syndrome. Such a test can occur up to a year or more before the actual launch, yet the evaluators must frequently predict how the fragrance will sell two to three years later after the initial \$4 to \$7 million of hype has been spent. With so much at risk, it is essential that the perfumers have the chance to work closely with the customer's creative and marketing staff. Market feel is very important in interpreting tests, as our friends in the advertising business keep reminding us. Many present market successes are the result of such close collaboration. This is an area where all of us must do a better job. Let's see if we can't cut down the number of market failures in fragrance products that have won market tests.

And now, a little Irish imagination: The alcohol fragrances are going to continue their growth, but greater total fragrance growth may well come in cosmetics, treatment lines, and other line extensions and in other functional products.

We break out the champagne now for the creator of the latest high fashion fragrance and the industry's jungle telegraph spreads the news. But what about the creator of a top-selling shampoo or household product fragrance? Journalism used to make a similar discrimination. Only a few big names and sob sisters had a byline. The anonymity of all the rest was proclaimed as a virtue, like virginity, by the news magazines under the category of group journalism. All that

is changed now. All the names are listed for the reader. May I suggest that more perfumers take the time to acquire the technical expertise to create lovely fragrances for line extensions and other functional products? It's a different but equal skill and we will honor it as such. Over the next ten years this will be another high road to fame and fortune for perfumers—at least at IFF.

Having spent three of the past eight months on world tours, may I use Horace Greeley's exhortation to the young: Go west, young perfumers, but don't stop in California. Go on to Asia; go south of the border; go to Africa and the Middle East. These growing markets can no longer be serviced adequately from centers in the United States or Europe alone. We are seeking perfumers to go to these markets for extended tours of duty. They not only offer you new places to exercise your skills—they will enrich your talents, refresh your spirit, and challenge your imagination. (And remember, you're working on an international fragrance, you've got the backing of snob appeal to encourage you to add unfamiliar but beautiful notes.)

Finally, creative renewal. In a rapidly-expanding field like ours it is easy to rest on our laurels, to sit back contentedly making minor modifications of current favorites. Be careful. The consumer's familiarity with fragrance is growing. As impressions of yesterday's classics find their way into low-priced household products, we will have to come up with better ideas for fragrances intended for personal use. There are many ways to stimulate the imagination. Here are a few.

Travel, of course.

Art—five of our young IFF perfumers electrified us with their individual fragrance reactions to the genius of Picasso as seen last year at the massive retrospective show here at the Modern Museum of Art. Take a look at the Japanese painters of the Edo Period who inspired Van Gogh. Contrast the simplicity and strength of his sunflowers or Picasso's bouquet with

traditional flower paintings.

Children—have you ever tried explaining fragrance creation and enjoyment to kids? They love it. And so will you. You must have seen the wide eyed wonder of children's paintings or the fun of Jacques D'Amboise's dance classes for the very young. Did you happen to read any of the poetry of 10 year olds in the New York City Public Schools? The lead poem in the anthology begins "Rose, where did you get that red?" Kids have the natural ability to cut through layers of sophistication to basics. We can all use more of that.

Music and movies—have you seen the movie, *Napoleon*? Think of Francis Coppola's genius in taking a fifty-year-old, six-hour, black and white silent movie and turning it into a four-hour smash hit. How? Careful editing and the back up of a sixty-piece symphony orchestra with a new score. No new gimmicks. The Tryptich screen was Gance's idea fifty years ago. No market test. Just Coppola's creative sensing of the timeliness of this classic portrayal of leadership, patriotism, and the birth of that most stirring of national anthems, "The Marseillaise," of which Napoleon said it would do more for freedom than a revolutionary army. Have you ever thought about the smell of freedom?

In IFF's current annual report we have tried by a combination of pictures, poetry, and text to project

the awareness, the sensitivity, and the response to the human condition to which our industry is dedicated. There lies within the members of the perfumery profession, the capacity to supply the world with great beauty, with hope, and with dreams. It is a great gift, to be nurtured, to be used well, and never to be forgotten.

Vega: New product ideas are the catalyst of our industry. What gives rise to new concepts, how are they developed, and what jeopardizes their future?

The Marshalk Company, a top ranking advertising agency, has an enviable track record in handling new product launches. Their accounts include Tame and Earthborn shampoos, Trac II and Foamy shave creams all for Gillette; Mitchum anti-perspirant for Revlon, Inc. and Esoterica Dry Skin Products for the Noreliff-Thayer division of Revlon, Inc.; Maybelline Face and Lip Products; Smirnoff Vodka for Heublein; Sprite and Minute Maid Juices for the Coca-Cola Co.; and the Gun Control and Water Conservation campaigns for the City of New York.

Paula Drillman, Executive Vice-President, Chairwoman of the Executive Committee and a member of the Board of Directors of The Marshalk Co., with a PhD in psychology, began her career in research at McCann-Erickson, Inc. She subsequently worked for The Interpublic Group of Companies, Inc. as Vice-President and Director of Research at Tinker, Pritchard-Wood (now Tinker Campbell-Ewald) and as an associate partner of Jack Tinker and Partners. Ms. Drillman left the Interpublic Group to become an Executive Vice-President, and member of the Board of Directors and Executive Committee at Rosenfeld, Sirowitz & Lawson. After seven years at RS&L, Ms. Drillman joined The Marshalk Co. and has played an important role in the strategic planning and the creative product for many major accounts including Gillette, Maybelline, Coca-Cola and Heublein.