
Michael Stern is a Certified Public Accountant and an attorney. After leaving public accounting, he spent six years as an investment banker. He then opened his own firm which handled everything from motion picture distribution, to fast food restaurants, to real estate.

In 1979 Mr. Stern joined Parfums Stern as President. Parfums Stern was founded in 1976 by Milton Stern who for 16 years prior was the distributor for the Cabochard fragrance. In 1977

the company launched a women's fragrance, Oscar de la Renta, which according to the Sunday *New York Times* now ranks as the number one fragrance in department and specialty stores. In 1980 the men's fragrance line was introduced. Indications are that it is on its way to celebrating the same success as its sister fragrance.

Mr. Stern will "challenge precedent and question tradition."

Challenge Precedent Question Tradition

**By Michael Stern
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What could an ex-accountant, lawyer and investment banker meaningfully add to a meeting of a professional group of perfumers? Based on my background as a lawyer/accountant and investment banker, I considered such subjects as:

*Creating your own tax shelter
(or the launching of another women's fragrance
with limited distribution)*

*Creative department store financing
(or how to sell Bloomingdales and survive in
business)*

*Reasons for the deteriorating balance of
payments in the U.S.
(or how marketers use diversifiers in meeting sales
goals)*

As an alternative, I thought it might be interesting to share my observations of some of yesterday's fragrance industry precepts which have become today's myths from my perspective as a professional consultant who for six years ran a conglomeration of companies ranging from motion picture distribution to fast-food franchising. And from the perspective of one who had a very able teacher and understanding father who has always espoused the dictum—challenge precedent, question tradition.

1982 Perfumers Symposium—Stern

● *To achieve volume, you must have broad based distribution.* Our distribution is restricted to under 100 accounts and 800 doors, yet we rank in the top five in fragrance sales volume. The traffic necessary to create volume is present in department and specialty stores—it is only a matter of knowing how to reach this customer base and persistently to follow up, develop and retain it.

● *To achieve consumer acceptance, you must sell a broad product line.* Our women's line consists of only fifteen stock-keeping units representing six different products. Our men's line consists of only seven stock-keeping units representing three products. The consumer can be developed and resold by offering selective items with clearly defined functional benefits which meet basic consumer needs. Variety is no substitute for selectivity.

● *To achieve broad consumer appeal, you must have moderate price points.* Our volume has been established at the top end of the market. Indeed, in 1979 when we introduced our body lotion at \$20, it was twice as expensive as our nearest competitor. When we raised it to \$28 over the objections of our sales department, the only reaction was increased unit sales. It now ranks as our third best-selling product. The consumer recognizes quality and is willing to pay. Never have so many competing alternatives been available. Yet, this does not limit the growth potential of quality products selectively marketed.

● *To compete in today's market, you must use "gift-with-purchase" or "purchase-with-purchase" promotions.* Our policy of selling the consumer a quality product without such promotions is well known. Working with the store and demonstrator to convey the image and quality of our product has been instrumental in

creating sales. The consumer who wants the product and realizes there is no discounting through the fiction of GWP or PWP will pay the full retail price.

● *To achieve rapid success, national advertising in the millions of dollars is necessary.* Our efforts are aimed at the customer at the store level. By focusing marketing efforts on a select group of consumers in a narrowly defined market, we optimize your return on the invested promotion dollar. This is the first line of sales offense.

● *Consumers are no longer brand loyal.* Consumers will always be brand loyal where personal taste is concerned—so long as you deliver consistent quality. This does not mean they won't experiment, but it also does not mean they won't acquire preferences.

This is the lesson—zero base thinking. Challenge precedent, question tradition. Never assume that because something was done in the past, it is still relevant. Let me venture some further thoughts on today's precepts which might very well be tomorrow's myths.

● *Treatment cannot be fragranced.* Why not? Why can't one have luxury with treatment?

● *Designers are limited to fragrance and color—they cannot cross over to treatment.* Why not? If they are experts on women, why won't women listen to them on beauty and health?

● *Treatment is serious—it must be treated clinically.* Why? Why can't treatment be romantic and beautifying?

● *Perfume must be sold in ¼, ½ and 1 ounce sizes.* What is so sacrosanct about these sizes and configurations?

Ed Shuster of Fritzsche D&O, Betty Busse of Creations Aromatiques, and Bob Gaudelli of Perry (left) and Steve Hoch of Ungerer with John Simpson of Avon (right).

● *To distribute samples, you must use models.* Does the cost justify selective distribution? At \$10 an hour, we can afford a lot of "wasted" samples? Who is the model to judge who our next customer will be?

● *American fragrances cannot make it in a world market.* Perhaps this is only because most American companies have made the same mistakes in entering foreign markets as the French have made in entering the United States—that is, not understanding the unique problems of local distribution and promotion.

● *The men's treatment market is wishful thinking.* Who says? Maybe our approach has been wrong.

I could go on with this list of today's precepts, but this is not constructive. What is at issue is how we, as perfumers and as marketing companies, approach our future. The 1980s have all indications of a reversion to the complacency of the 1950s. We now see the return to nostalgia: in fashion—as evidenced by 1920 clothes, short hair and no beards; in theatre—as evidenced by the success of revivals and reviews; in politics—as seen in the return to conservatism. All of these reflect a national mood and consumer attitude, a desire for the old, safe, secure ways. Protect what we have. Don't experiment. Don't create. Don't risk. Indeed, even in fragrance development, I see a trend to copy rather than create, a trend to avoid risk and creativity.

In the development of fine fragrance, the creation of a classic defies definition in time. It is by definition appealing at all times to basic tastes that transcend the fashions of the time. Therefore, in searching for new classic fragrances, the essential qualities will not be temporal, but will appeal to basic universal needs. I question the need to imitate success. Be evolutionary. Go the next step.

The challenge of the 1980s is for perfumers to re-establish their rightful position vis-a-vis the marketers. Perfumers must assert their integrity as artists. They must present what they truly believe is original and innovative and not seek to appease the demands of the timid marketer who believes the way to success is by imitation of others' success. Too many of today's new fragrances are reflecting this nostalgic influence—this fear of the new, the creative, the innovative.

A perfumer might say, "Easy for Stern to say this, when he just rejected the last four innova-

tive fragrances I showed him." Good point! Let me respond. "As marketers, we are at best like good art dealers—we can't create. Even a Van Gogh might slip by to be discovered in later generations. We won't always select the next great fragrance. But if perfumers like artists truly believe in their creations, they must be willing to present, indeed sell aggressively, their concept to the marketers. Don't present four or five fragrances and hope one appeals to the "stuffed noses" sitting pompously around a conference table. Select a submission, believe in that submission and then don't be afraid to sell.

Understand that today's committee system of product creation is merely a defense mechanism to protect against the responsibilities for failure. Creativity belongs to individuals not committees. Think about recent successes—Opium, Oscar, Chloe. These are the products of individual creative input, no focus group consensus on committee compromise.

While I would challenge the marketer to trust the judgment and taste of the creative individual, since I address you the perfumer, I seek to remind you of the environment in which you function to protect you against the acceptance of mediocrity—of compromise. Focus group input is today's reaction to yesterday's success. You and the marketers should be looking for tomorrow's success. This is the contribution of the artist. Great art, music or fragrance was never created by consensus, by committee. Why think that suddenly market research can replace individual inspiration?

Your stake in a successful fragrance can be substantial. You have the obligation to edit and reject before selecting and offering. Smart marketers will listen more carefully if they believe you have gone through this editing. But once they feel like a dumping ground for a load of yesterday's rejects, they will tune out.

We look to the perfumer to challenge precedent, to question tradition—to be creative, to be original. If we at Parfums Stern are not perceptive enough to recognize the future, the one thing this industry has shown is that there *is* someone else who will. So don't be afraid to risk. This is our future together.

