



The Chartered
Institute of Marketing

Professional Postgraduate Diploma in Marketing

Strategic Marketing in Practice

Case Study
December 2007



The Fragrance Industry

Strategic Marketing in Practice – Case Study

Important notes for candidates

The examiners will be marking your scripts on the basis of questions put to you in the examination room. You are advised to pay particular attention to the mark allocation on the examination paper and budget your time accordingly.

Your role is outlined in the Candidate's Brief and you will be required to recommend clear courses of action.

You are advised not to waste valuable time collecting unnecessary data. The cases are based upon real-life situations and all the information you will require for the examination is contained within the case study. No useful purpose will therefore be served by contacting companies in the industry and you are strictly instructed not to do so as it may cause unnecessary confusion.

As in real life, anomalies will be found in the information provided within this Case Study. Please simply state your assumptions, where necessary, when answering questions. The Chartered Institute of Marketing is not in a position to answer queries on case data. You are tested on your overall understanding of the case and its key issues, not on minor details. There are no catch questions or hidden agendas.

Acquaint yourself thoroughly with the Case Study and be prepared to follow closely the instructions given to you on the examination day. To answer examination questions effectively you must adopt a report format.

As part of your preparation for the examination, you need to carry out a detailed analysis of this Case Study. You will then need to condense your analysis into a 6-page summary (a maximum of 6 sides of A4, no smaller than font size 11). This summary, and how you use it to answer the questions set, will be awarded marks and should be attached, with a treasury tag, to your answer booklet at the end of the examination.

The copying of pre-prepared 'group' answers, including those written by consultants/tutors, or by any third party, is strictly forbidden and will be penalised by failure. The questions will demand analysis in the examination itself and individually composed answers are required to pass.

Important Notice

The following data has been based on real-life organisations, but details have been changed for assessment purposes and do not necessarily reflect current management practices of the industries or the views and opinions of the Chartered Institute of Marketing.

Candidates are strictly instructed not to contact individuals or organisations mentioned in the Case Study or any other organisations in the industry. Copies of the Case Study may be obtained from:

The Chartered Institute of Marketing, Moor Hall, Cookham, Berkshire SL6 9QH, UK or may be downloaded from the CIM student website www.cimlearningzone.com

Candidate's Brief

You work as a Senior Marketing Consultant for a full service marketing agency in the fragrance and cosmetics industry. You have experience in market research and analysis, along with an ability to make key strategic decisions, in particular relating to product innovation, branding and strategy development. Part of your role is to consider market research based on the fragrance sector with a view to developing effective high-impact marketing strategies for new fragrances launched into the market.

Recently your agency undertook a significant piece of research to gain a more in-depth understanding of the fragrance market as it is rapidly evolving and changing, particularly with the high level of celebrity involvement. The research consisted of:

- a critical analysis and appraisal of the fragrance industry, which is large and complex
- consideration of the fragrance market, including France, which is considered to be the most sophisticated perfume market in the world
- an in-depth look at a specialist perfume manufacturer, Scents of Time, which makes perfumes for a niche market, and
- an in-depth look at Coty, one of the leading competitors in the fragrance market, specialising in celebrity perfumes.

You are now required to analyse this research in preparation for making key strategic recommendations for the fragrance sector on 7th December 2007.

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The Fragrance Industry

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1.0 Perfumery

The art of making perfume, it is believed, originated many thousands of years ago soon after our early ancestors learned how to make and control fire. This enabled them to discover that parts of certain plants produce pleasing aromas when they smoulder.

Notable among materials of this nature would have been sandalwood, cinnamon bark, the roots of calamus and vetivert, and resinous substances such as myrrh, frankincense (also known as olibanum), and benzoin. When thrown upon an open fire these materials produce odours which today we would describe as 'heavy' or 'sombre'. The incense used in religious ceremonies consists of olibanum, or mixtures of similar oleoresins with aromatic woods, and it is in reference to this source of fragrance that the Latin expression *per fumum*, which means 'through smoke', gave rise to the word 'perfume'.

1.1 Perfumery in Europe

In Europe, perfumes were first made in Italy, and knowledge of the art spread from the East, and then through Arab influence in Spain. Following the European discovery of America, access was gained to new aromatic materials. This allowed Spain and Italy to develop their own styles of perfumery and they continue today to produce important essential oils and fine perfumes.

Spain, in particular, quickly gained access to new materials for perfumery, including balsam of Peru, guaiacum, copal and pepper, and so did Portugal through the adventurous voyages of explorers like Vasco da Gama and Magellan. The growing Spanish and Portuguese influence spread the use of new perfumery materials into Europe. The cultural exchange between Spain and France led to the spread of the practice of perfumery to the south of France at the end of the thirteenth century and into the fourteenth. French climatic conditions were found to be most favourable for the cultivation of flowers such as rose, jasmin and tuberose, together with other aromatic plants yielding valuable materials for the creation of perfumes.

The countryside around the town of Grasse in the Department of Provence, being protected from north winds by the Maritime Alps, was climatically ideal for this purpose. Grasse soon became renowned for the superior quality of its products for perfumery: extracts of jasmin and rose, mimosa, jonquil and tuberose, essential oils of lavender and lavandin, and many others.

The reputation of Grasse grew, leading to an influx of perfumers and other experts in fragrance, who came to Grasse to work and gain fresh experience in the local processing factories and laboratories. Grasse became and remains today the focus for perfumers throughout the world.

For the production of citrus oils Sicily became the most important centre, while for one citrus oil in particular, bergamot, the Italian province of Calabria became world famous. Sicilian lemon oil and Italian bergamot are as highly prized today as ever they were, as indispensable ingredients of Eau de Cologne and as components of the top notes of fine perfumes (i.e. those elements of the smell that are first noticed). The establishment of growing areas for citrus fruit trees in southern Spain brought fame to that country, not just for the quality of the fruits themselves but also for the essential oils obtained from them. In Spain, the distillation of essential oils from wild-growing plants of sage, rosemary and thyme also became established as cottage industries, employing simple but largely effective equipment.

1.2 Chypre

A perfume called 'Eau de Chypre' (meaning 'water of Cyprus') was brought to Europe from the island of Cyprus. Subsequently many different perfumes called 'Chypre' made their appearance. For example, an incense was sold under this name in the fourteenth century. From these there emerged compositions based on rose, jasmin, balsamic ingredients, sandalwood and possibly civet and oakmoss that were to inspire François Coty to create his famous perfume 'Le Chypre', which was introduced in 1917.

The basis of modern Chypre perfumes is a blend of oakmoss, sandalwood, civet, rose, jasmin and bergamot – a combination which lends itself to almost infinite variation by adjusting proportions and introducing novel nuances.

Being so versatile and almost universally popular as a fragrance, the Chypre complex and its variants lie at the heart of countless perfumes of today, which are referred to as being of the Chypre type.

1.3 Alcohol

The discovery of alcohol enabled perfumers to develop their products further. Though flammable, concentrated and purified alcohol was found to be an almost ideal solvent and diluent for perfumes. Its use for these purposes made possible the manufacture of the alcoholic perfumes that came to be known as extraits and toilet waters.

1.4 Further perfume types

By 1660, the pharmaceutical chemists of England had started distilling aromatic waters from herbs such as lavender, elderflower and rosemary. These were sold in their shops, together with a variety of cosmetics, and this established the traditional association between pharmacy and perfumery which continues today. At that time, perfumery was firmly established in England as a creative art, and there was great competition between the English and French perfumers to see who could outdo the other in terms of creative flair.

The overriding preoccupation of perfumers became the imitation of nature, so that many of the perfumes reaching the shops and boutiques represented attempts at reproducing fragrances of single flowers. The popularity of these perfumes gave rise to the concept of the 'single flower' perfume, but perfumes of this type are not very popular today. A single exception is lily-of-the-valley (Muguet), represented classically by the 'Muguet des Bois' of Coty.

The popularity and importance to creative perfumery of *interpretation* of the fragrances of single flowers must not, however, be forgotten. This is represented, for example, by the striking 'Muguet du Bonheur' by Caron, and the equally remarkable 'Diorissimo' by Dior.

Another innovation was the creation of the 'Floral Bouquet' type of perfume, a blend of different floral notes, either so balanced that the fragrance of no individual flower predominates over those of the others, or with emphasis on one or more of the component notes. The combinations of floral notes to be found within this large and important family of perfumes is virtually without limit, but in most of them rose, jasmin and lily-of-the-valley make essential contributions to the fragrance profile. Within this family are to be found some of the finest examples of the perfumer's art, which have inspired the creation of countless other perfumes.

1.5 Eau de Cologne

The invention of this most famous of all toilet waters dates from about 1690 and is popularly, though possibly mistakenly, credited to Jean-Antoine Farina, whose name appears on the label of bottles of 'original' Eau de Cologne which may be purchased today. Cologne was first produced and sold in Germany in Köln (Cologne).

The Parisian firm of Farina originated in about 1805, and was eventually sold to the house of Roger and Gallet, who continue today to market 'original' Eau de Cologne. Strictly speaking, traditional Eau de Cologne is not a perfume, for it has no lasting power.

Towards the end of the seventeenth century, perfumes were highly valued and regarded as luxuries; they were used by those who could afford them not only for purposes of personal adornment, but also for protection in epidemics and to repel evil spirits.

1.6 Founding of the perfumeries of France

From the seventeenth century onwards, the preparation of perfumes became separated from pharmacy and evolved into an industry having its own identity.

The great perfumeries of France, whose names are known and respected throughout the world, were founded in the latter part of the eighteenth century and in the nineteenth. Houbigant, Lubin, Guerlain, Millot and Worth were the first, and they were joined in later years by Caron, Corday, Coty, Lanvin and Lancôme.

Many of the perfumes introduced by these famous houses are as popular today as ever, and some are regarded as models of the perfumer's art.

1.7 'Chanel No. 5': couturier perfumes

The creation of the new perfumes depended on the judicious and imaginative use by perfumers of synthetic chemicals to produce innovative and highly alluring fragrances.

However, in perfumery as in other arts, the influence of the past is not easily dispelled. The new creations, though finer, more exciting, and in many cases more long-lasting than their predecessors, were still based upon traditional formulae. They were still largely floral or floral-balsamic in effect and were embellished in traditional style by their elegantly moulded containers and sumptuously decorated presentation packaging.

Then, in 1921, came the launch of what was to become the most famous of all modern perfumes: 'No. 5', presented by a dressmaker, Mademoiselle Coco Chanel. 'No. 5', created by Ernest Beaux, was original in both its composition and presentation. Founded upon a base of olibanum, labdanum and guaiacwood, its main theme is predominantly floral, with gardenia somewhat accentuated, these notes being effectively lifted by skilled use of ylang-ylang. Thus it would appear that the construction of the perfume was conventional. It was, however, the top note which set 'No. 5' apart from anything that had gone before and which so effectively captured the imagination.

Perfumes containing chemicals of the class of fatty aldehydes, such as 'quelques fleurs' by Houbigant, were well known by the 1920s. In 'Chanel No. 5' these chemicals were present in far greater proportions than ever before, with the result that an entirely original type of note was generated. Aldehydic perfumes, of which 'No. 5' was the first, are powerful and persistent, and exhibit marked radiance.

In almost stark contrast with its contemporaries, bottles and packaging for 'No. 5' were of the simplest design: clean-lined and unsophisticated, yet speaking of high quality and impeccable taste. Artistically a brilliant innovation rather than a great perfume, commercially a superlative success, 'Chanel No. 5' has become a legend in its own time; a perfume to be studied by the novice, matched by the improver and discussed even today by perfumers throughout the world.

The introduction of 'No. 5', besides bringing to perfumery the 'aldehydic' note, marked also the beginning of a new trend: the involvement of the French couturiers with perfumery. The reason for this departure from tradition was that for some years previously the large dressmaking firms in France had been experiencing difficulty in competing with the lavish presentations of the collections of the couturier Poiret. As a result they were seeking a means of survival which would readily be associated by the public with the customary activities of the dressmaker. What was to become the ideal association, that between fashion and perfumery, was first realised by Coco Chanel, and with the successful launch of 'No. 5' other well-known couturiers soon followed her example: D'Orsay with 'Le Dandy' in 1925, Lanvin with the famous 'Arpège' in 1927 and 'Scandal' in 1931, and Worth with 'Je Reviens' in 1932. These are a few of the many examples of the countless couturier perfumes which have been launched since 1921.

There is another reason why success in the marketing of their 'own' perfumes came so readily to the dressmakers. Until the 1920s, the most profitable enterprises in the perfume industry were the large perfumeries such as Coty, Houbigant and Piver, all of whom employed their own perfumers. The manufacturers of the raw materials used by the perfumeries, however, made relatively small profits in relation to the large expenditure they incurred in installing and maintaining plant for the production of established and new aromatic chemicals. In seeking to redress the balance, some of these latter firms began to offer ready-made perfumes to the dressmakers, whose only problem then, as firms outside the perfume industry itself, was the design of suitable presentations. No real problem existed, however, since design and presentation were the foundation stones of the couturiers' success in their own field.

1.8 Fragrance in every home

As the demand for perfumery synthetics increased during the early years of the 20th century, manufacturers of chemicals scaled up their production processes to meet the requirements of their customers. They were able to offer their products for sale at lower prices in order to compete successfully with their rivals. This also enabled them to undertake important research.

Thus, perfumers became skilled in the use of aromatic chemicals for the imitation of natural fragrances and for the reconstitution of expensive essential oils and extracts. At the same time, a number of firms who combined the manufacture of perfumery chemicals with creative perfumery began to market speciality perfume bases. These represented fragrance notes that in their absence were difficult or impossible to achieve without lengthy search for the right materials and innumerable experiments, or prohibitive expenditure. Some of these bases contained chemicals that were

products of the original research of their manufacturers, and which were kept off the market for the exclusive use of the originating companies. As a result they enjoyed an advantage over their competitors in the sale of bases of exceptional quality or originality containing 'captive' chemicals.

Using inexpensive synthetics, essential oils and bases, perfumers found it possible to create perfumes that were sufficiently stable, economical and pleasing for incorporation into cosmetics, soaps and other functional toilet preparations and many different kinds of household products. This made them more attractive to purchasers, and hence more competitive in the market place, than unperfumed products of similar kinds. Thus within a decade, fragrance became an integral part of innumerable consumer products, from bath salts to beauty creams; from lipstick to cleaning fluids. Today, fragrance is no longer limited to the wealthy, but is enjoyed in every home where perfumed consumer products are used.

1.9 Perfumery in a commercial framework

The trend towards the commercialisation of fragrance was to set the pattern for the future development of creative perfumery. Consumer preference has for many years taken precedence over creative originality and is a prime factor to be considered in the design of a perfume for a consumer product. Outside the highly specialised field of fashion perfumery, where fragrance means something more than money in the bank, perfumes are made to help sell products. The successful perfumer is one who is able to exploit creative talents within a necessary framework of commercialism.

1.10 A considerable breakthrough – trickle-down effect

In the 1960s, a moderately priced toilet soap appeared on the market displaying a fragrance far superior to and more sophisticated than anything previously presented in products within the same price range. The chemicals used are now well known to perfumers, and have been joined by others offering similar possibilities. The matching of extrait perfumes for incorporation into toiletries and everyday household products is now part of the day-to-day work of most perfume laboratories. It brings, at small cost to users of these products, something of the wealth of fragrance experience offered by the best perfume creations.

Appendix One lists some of the key landmarks in the history of perfumery.

2.0 The creative perfumery house and the fragrance supply chain

The creative perfumery houses develop the main ingredients necessary for perfumery and toiletries. This involves producing perfume oils which go into the manufacture of not only fashion perfumes but also a wide range of fast moving consumer goods (FMCG), including cosmetics, personal care products, toiletries and household products, such as air fresheners, surface cleaners, disinfectants, toilet care and fabric care products etc. The customers of creative perfumery houses are the manufacturers of these consumer products, and they operate in a business-to-business (B2B) marketing context. A key unique selling point (USP) is their understanding of how fragrances communicate product messages to consumers including freshness, relaxation and excitement.

2.1 Manufacturers of fragrances and fragranced products

In general, there are two types of manufacturers: the brand owners (e.g. Procter & Gamble (P&G), Unilever, etc.) who manufacture products to sell under their own brand names, and parallel manufacturers who specialise in the manufacture of products for the distributor's own label market (e.g. Tesco, Wal-Mart, etc.) This is illustrated below in Figure 1.

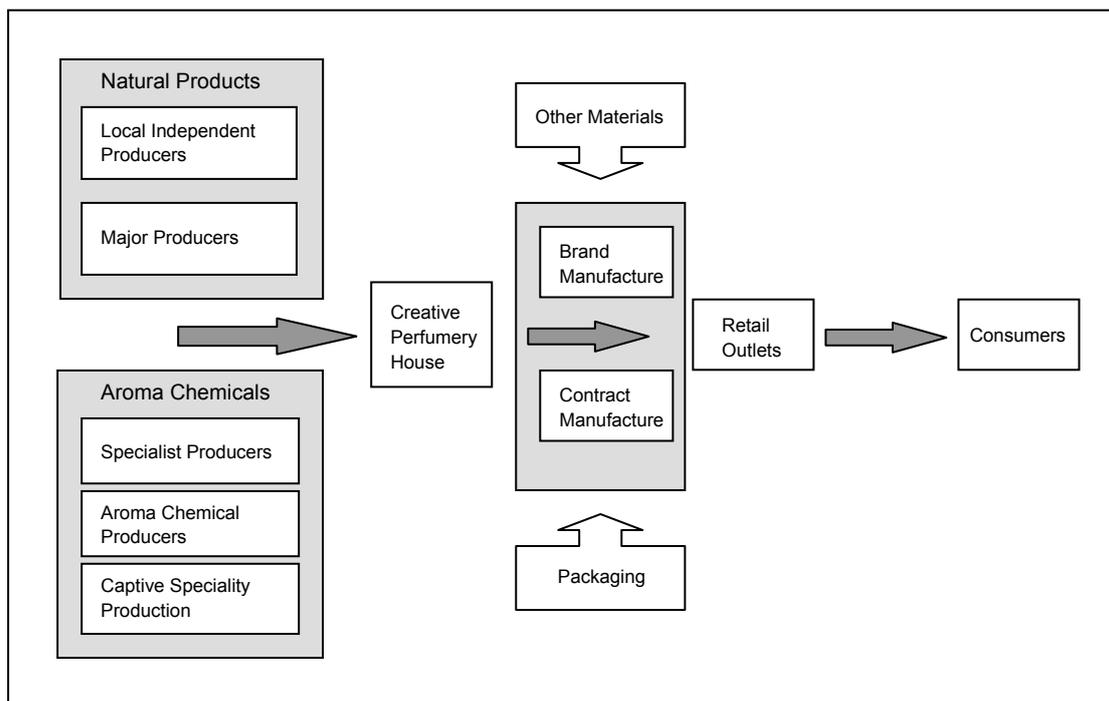


Figure 1: Supply chain for typical fragranced product

2.2 The brand manufacturers

The leading brand manufacturers include the major global companies such as P&G and Unilever as well as regional and specialist manufacturers. Just a few fashion fragrance manufacturers create and manufacture their own fragrances. The majority of the industry goes to the specialist creative perfumery houses for their fragrances across the range. Fragrance preferences and products differ around the world, e.g. different types of washing machines are popular in different countries, demanding different detergent formulations and different fragrances.

The fragrance briefing and fragrance selection process involves inputs from a range of roles in the brand manufacturer including marketing, new product development, technical support, quality assurance, production and procurement.

The manufacture of a typical fragranced product is dependent on bringing together various components. The components (e.g. detergent, packaging, etc.) are purchased from various suppliers and must come together to provide a single formulated product that works. The perfumery house has to collaborate with other suppliers to ensure that the elements of the product combine successfully, e.g. the fragrance does not interact with an ingredient to discolour the product.

2.3 The contract manufacturer

Many retailers sell 'own label' and their own branded products. Companies such as Tesco, Wal-Mart and Marks and Spencer (M&S) do not manufacture their products themselves but have them made by contract manufacturers. This aspect of their business provides good margins and these companies not only devote considerable marketing commitment to their products, but also maintain their own product development capabilities to work with their suppliers. In this context, the perfume house has to work with both the contract supplier and the retailer's staff, i.e. both the contract manufacturer's and the retailer's quality assurance staff will be involved.

2.4 Derived demand and the original ingredient manufacturers (OIM)

A key competitive advantage to a creative perfumery house (OIM) is a good market research section reviewing consumer needs and wants on a global basis. The perfumery house must understand the end use consumer just as well as P&G or Unilever, even though it is further up the supply chain. For instance, good market research and intelligence is needed by the perfumery house to track the products that are in decline (e.g. hand wash soap in Europe) and the products that are growing (e.g. liquid hand wash products). Products are often at different stages in their lifecycles in different parts of the world, so detailed local knowledge is needed.

2.5 The creative perfumery house

The creative perfumery company has two main functions:

- i. the creation of the perfume and, when adopted, its production
- ii. a good briefing process and real collaboration with the client and the client's other partners.

In order to deal with its customers, a creative perfumery house needs to have the following personnel in key roles within the organisation:

The key account manager

The person who manages the relationship between the creative house and its major clients

The creative perfumer

The 'nose', the person who creates the perfume

The evaluator

This is a special role in the perfume industry. The evaluator has an intimate understanding of the marketing context of the product area for which they are responsible, e.g. developments in the technology of air fresheners and trends in consumer preferences for odours. The evaluator then works to evaluate the odour performance of the fragrance.

Technical support

These are the technical staff that ensure the perfume works in the product and is stable. They may also develop new fragranced systems to support their customers e.g. new types of air fresheners.

Quality assurance and regulatory affairs

In the creation stage, this group ensures that the product is safe and legal for the intended use, according to the relevant legislation, e.g. The European Cosmetics Directive. In production, they ensure the quality of incoming materials and the quality of the outgoing fragrance oil.

Production and logistics

This is the department that compound (manufacture) the fragrance from a wide range of ingredients and finally ship it to the client.

The fragrance market has experienced consolidation over the last decade and the top ten companies have merged to become the top four companies, namely Firmenich, Givaudan, Symrise and IFF. These four companies each have global operations and their combined sales are in excess of a billion dollars a year. Exploiting the expanding market is a range of smaller companies, such as CPL Aromas and Ultra International. These companies are also selectively growing their international operations.

3.0 Perfume: another 'P' for the marketer

Sometimes marketers forget that perfume is the 'hidden' P in marketing. Aromas are commonly used in retailing. For instance, coffee aromas attract people to shops such as Starbucks, and ice cream parlours use ice cream flavour aromas for the same purpose. Specific scents or ambient aromas are supposed to make people entering a place of business recall a pleasant memory or get a certain feeling about that business.

The Managing Director of The Aroma Company explained the concept in a press release: "When a fragrance is linked to a purchase decision, the pleasure of that buying process can be recreated next time you encounter the smell – psychologists call this cognitive assonance – which can be used by retailers to encourage future spending." These are called 'ambient' perfumes and are used extensively to encourage shoppers into specific retail outlets. Perfumes in clothes conditioners are used to evoke feelings of warmth or security. In general, the perfumery market relies very much on packaging style, brand image, price and scent quality to determine exclusivity.

3.1 The function of 'signal attributes' in products

The marketer can use colour, texture, shape, feel, scent and appearance to 'signal' (communicate) a new product's intended market positioning. In the UK, an antidandruff shampoo may be fragranced to have a 'medicated' odour and a pale blue colour. Figure 2 provides a brief overview of an approach to analysing the architecture of a product.

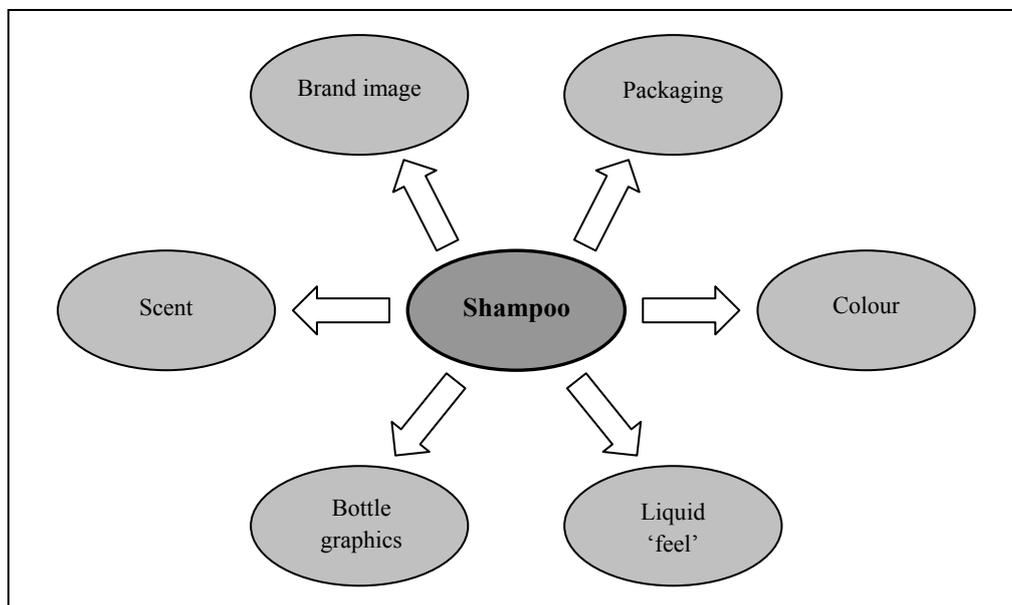


Figure 2: Product architecture

Market research is aimed at understanding the product architecture and making it specific to the needs of the consumer as shown in Figure 2. It is sometimes possible to simply re-position a product by changing other elements of the marketing mix and directing the effort to new market sectors. Minor incremental improvements can rejuvenate a product and extend its life.

3.2 Odour communications and emotion

Some aspects of odour perception and communication are part of people's biological makeup, e.g. the smell of burning is a universal communication of potential danger. Other aspects are part of people's cultural heritage. Just as with food, there are different culture implications and uses of perfumes and perfumed products.

The biology of odour perception is different to other senses. Odour sensations are transmitted to the limbic system. This area is also considered to be involved with feelings, moods, emotions and memory. Laboratory experiments have demonstrated that odours can affect mood and trigger memories. This developing science has been called 'aromachology'. The bottom line for marketers is that odours provide a powerful, non-verbal channel of communication, with the ability to affect moods and emotion. With a hair conditioner, the advertisement is seen occasionally and for a few seconds. The user sees the pack every time the product is used. The odour is perceived in the washing process but the fragrance is often substantive (designed to remain on the hair) so the hair smells 'right' for the whole day. In the branding of consumer products, packaging and signal attributes are vital aspects of the integrated communications strategy.

A practical illustration is in how appropriate perfumes can help marketers position bath and shower products. Many bath products (e.g. foam baths) are based on the platform of 'relaxing'. Half an hour in an aromatherapy bath is the ideal de-stressing programme. Many shower products are based on developing an 'invigorating' and 'get up and go!' experience. Different fragrances in the products can help signal this type of product positioning. For 'relaxing', the claim might be 'contains relaxing aromatherapy oils'. For 'Get up and go!', the product might have 'invigorating citrus oils'.

These messages may be culturally dependent and detailed knowledge of different markets is needed. Moreover these issues, as with other consumer products, change with time. Fifty years ago, few homes in the UK had a shower; now, the majority of homes do. In the UK, hand bar soap is in decline, with liquid hand soap gaining market share; this is not true in all countries where hand soaps are still in product life cycle (PLC) maturity. A major activity in creative perfumery houses is the market research and intelligence to understand the different demands of various markets, and how these are changing with time.

4.0 Fragrance creation and the perfumery brief

In a typical supermarket, there are thousands of fragranced products on sale, reflecting a competitive market. For example, for a fabric conditioner many product innovations and relaunches take place. Thus a typical fragranced variant (e.g. a specific fabric conditioner variant) has a product life cycle of around two years. The implication for the fragrance house is that a continual stream of new fragrances has to be developed.

The perfumery brief provides the information from the client to the creative perfumery house, and is the basis for developing the desired fragrance. The brief gives general information about the intended market for the product and the positioning of the product within the target segment. Detailed technical information is given about the product to ensure that the developed fragrance performs, and is safe and stable. Information is provided on the intended function of the fragrance and the communications objectives (e.g. signalling freshness). There should be a shared understanding of the methods for evaluating performance and fragrance selection (e.g. for panel testing).

The brief should specify what is required: the amount of test fragrance to be supplied, technical reports, market reports, commercial documentation (e.g. quotation) and quality assurance documentation (e.g. specification).

A successful fragrance must:

- perform and convey the right olfactory message (e.g. fresh)
- be stable in the product (e.g. not discolour)
- have the right price
- be safe and legal.

5.0 The range of products

Perfumes

Typically, these are solutions in alcohol of the perfume oil at around 20% for an extrait perfume and around 5% for a toilet water. The market is usually divided into premium (around £50 a unit) and mass (around £10 a unit). Perfumes can be aimed at the male market, female market or unisex. There are major fragrance groups such as floral, aldehydic, chypre, woody, oriental, fougère and leather. Each fragrance is intended to have its own identity and brand positioning. The market is highly fragmented, with over 100 launches a year. Some fragrances, such as Chanel No. 5, are almost timeless, others have limited lifecycles and launched for a year. Fashion products are one of the few sectors where 'own label' products have not made major inroads into the brand manufacturers' share of the market.

Cosmetics and personal care products

- Antiperspirants and deodorants
- Bath and shower products
- Decorative cosmetics
- Dental; oral hygiene
- Hair care (shampoos, conditioners, hair strengtheners, etc.)
- Skin preparations
- Soap
- Sunscreen preparations
- Men's toiletries (e.g. shaving products)

Fabric care

- Pre-wash products
- Detergents
- Conditioners
- Post-wash products

Household

- Surface cleaners
- Bathroom and toilet care products
- Dish wash products
- Polishes
- Disinfectants

Air fresheners

- Paper
- Liquid wick
- Electric
- Candles
- Incense sticks
- Gel

6.0 New product development (NPD)

6.1 Introduction

Organisations need to innovate to survive. As existing products become obsolete, new products must be added to the portfolio. Much of the need for new products is determined through market research. However, a successful launch also requires market research, as illustrated in Figure 3.

NPD Process	Marketing research process
Identifying consumer views and product needs	Primary and secondary research into consumer views and product needs
Product concept and packaging development	Concept, volumetric and packaging testing
Testing the product	Consumer usage research
Brand positioning and advertising development	Pre-testing of image and advertising research
Product launch and post-launch	Marketing monitoring

Figure 3: Market research process for developing a product

6.2 Generation and collection of concepts and new product development

Innovative businesses cannot rely on discovery by accident or good fortune. To be successful, they have to systematically explore various approaches to harvesting creative concepts. In the perfume industry, new concepts often arise from discovering new fragrances in nature and ‘capturing’ them: see Appendix Two ‘The Perfume Hunters’.

In this highly competitive market, the requirement to be innovative has never been greater. New product development can take several different forms:

- occasionally, a genuinely new product is launched, which may include technological innovation
- sometimes, an old product is relaunched, perhaps simply with new packaging
- seasonal limited editions are a popular way of attracting interest in a product
- many perfume houses launch light versions of existing products with a much lower percentage of essence, making them a lot cheaper
- once a range is established, perfume manufacturers will often introduce extensions which build on the popularity of others in the range
- licensing and using the names of celebrities are becoming popular ways of attracting publicity for the launch of new products
- issuing a fragrance (either a new or an existing product) as part of a collection, packaged with other toiletries, is also popular, especially for gifts.

6.3 Suppliers

In a B2B market, one source of competitive advantage is to provide superior technical service. In the perfume industry, the creative houses also use their creative ability as a source of competitive advantage; in some ways they are similar to a creative advertising agency – they provide market leader brand manufacturers with new product concepts and positioning strategies.

6.4 Competitors and market leaders

One legitimate business strategy is to be a market follower. The art of innovation for this type of organisation is to copy technology quickly. Chemical analysis can explore the formulation of new products (including the perfume) and allow reconstruction of the product. The distributor's own brands are largely 'me too' copies of market leader products. Care must be taken not to infringe intellectual property rights but it is not easy to patent protect a perfume. The secure way is to include novel fragrance ingredients – which can be patent protected – in the formulation. Perfume houses with research and development capability to produce novel aroma materials have a competitive NPD advantage in creating exclusive products.

One key element of the marketing information system (MkIS) in the creative perfume house is the product library. As new products are launched they are purchased. The marketing background (e.g. advertisements) and packaging are scanned into the product library database. The perfume is evaluated and a computer-searchable odour description added to the database. The sample is kept. This has to be done for all the international markets in which the creative perfumery house has active clients. Perfumers who are instructed to create a product in the direction of Brand X can then go to the product library and smell the product and download the marketing background and other information from the market product database.

6.5 Channels and customers

Channels are close to the ultimate consumers and can spot trends. Staying close to channels and agents can help pick up changes in the market place, and so identify a need for product development. Customer complaints can be indicative of where product improvement is needed. In some cases, the customers are using the product in a way never intended by the new product development team. Exploration of this can lead to new product development. This is particularly important in overseas markets where market information must be channelled back by agents.

6.6 Market analysis

The marketing information system is a valuable input into the creative processes. Identification of gaps in the market provision can point to new products. New products can be created or products adapted for changing environmental conditions, e.g. new products aimed at the 'grey' pound as people live longer and have high spending power from their pensions and rising property values. In multicultural societies, such as the USA and the UK, ethnic and cultural diversity provides a range of profitable niche markets for perfumes, cosmetics and personal care products. Good local market knowledge is vital.

6.7 Enabling technologies

New materials and technologies provide platforms for the development of new approaches to old problems and the creation of entirely new products (e.g. the range of new offerings made possible by the internet). The perfume and cosmetics industry has embraced technological innovations to underpin its developments, e.g. the use of nanotechnology in sunscreen products. The marketing information system must pick up not only economic data but also technological developments.

6.8 Line extension

If a company has a successful product range, it can add related companion products to that range. In the personal care industry, cosmetic chemists sometimes formulate a range of cosmetic products (e.g. skincare products) to complement a successful new fragrance brand.

6.9 Creative inspiration

Innovation in the perfume industry – as with other sectors – is dependent on creative genius as well as more structured approaches, such as brainstorming and problem solving. Creative inspiration is particularly important in fine perfumes, not only for the perfume but also for the perfume bottle and packaging. The leading creative perfumery houses have their star creative perfumers who are famous in their own right and whose name can help boost the popularity of a product or range.

6.10 Formulation of new product ideas

The above activities, along with the continual flow of information feed ideas and concepts into the creative pool. The next stage is to build a bridge between the market benefit needs and the technological possibilities. Attribute analysis provides a framework to assist in this process. The golden rule is that there must be a cost effective technical solution and there must be a genuine market need. Just because you *can* do does not imply that you *should* do. With a full outline definition of the product in both dimensions (benefit sets to consumer and technical approaches) the development team can take the concept into the screening process.

Just as with new product ideas, the new product development manager must be alert to potential new markets. What is required differs between countries and cultures. Different products may be needed, requiring different fragrances. These issues are still further complicated by cultural differences in preferred fragrance types. Different hair types and skin colours demand tailored products for specific target groups. Detailed local knowledge of markets is necessary.

6.11 Screening of opportunities and concept testing

At this stage, the screening of opportunities and concept testing should be repeated. Is there a real market need and will the technical approach yield a cost effective product offering? However, a third aspect should also be brought into the equation, namely the fit with the business mission, aims and objectives. In particular, for branded fashion products, will the product remain true to the brand's values?

6.12 Concept development and formulation of the NPD plan

The new product development project plan should be developed taking the more general business issues into consideration. Will new components or raw materials be needed? What will they cost and will they be available in sufficient quantities in good time for the launch? All the key project stakeholders should be identified and plans and frameworks put in place to manage their contributions. Similar problems exist with perfume materials. There are limited supplies of some fragrance materials, e.g. sandalwood oil. Care must be taken that there are adequate supplies of all the ingredient materials. The brand manufacturer needs to have great confidence in the creative perfumery house. As perfumes are unique there is no possibility of second sourcing. Reliability of supply, often on a just-in-time (JIT) basis, is vital.

There is also increasing pressure for green products from sustainable sources. Some fragrance materials can be considered POPs (persistent organic pollutants) as they are resistant to biodegradation in the environment (i.e. they persist in the environment for a long time). As consumers become more environmentally aware, this is an important consideration.

For technical reasons it is difficult to patent a fragrance. However, the use of novel patented aroma materials can lock out competitors who do not have access to the material. Integrated perfumery houses with their own aroma materials production seek to produce a continual stream of novel (patented) captive ingredients, to enable them to offer clients unique products that cannot legally be copied.

6.13 Business and marketing analysis

There is a problem in the two-dimensional representation of the NPD process. The process appears to be rather linear and orderly. In fact, there are many feedback and feed forward loops, with a continual flow of additional information needed from the marketing information system. As the product is being developed, parallel work needs to be undertaken on the development of the business and marketing plans. Where will the product be made? Will this need new equipment and investment? Are there partner organisations that need to be informed and relationships managed? The ultimate perfumed product will be made by the brand manufacturer. Good working relationships must be maintained with the brand manufacturer's decision-making unit (DMU) and other suppliers (e.g. the manufacturers of the packaging for the client's new product).

6.14 Development

For formulated products such as cosmetics, personal care and household products, test formulations will be evolved to perfect the optimal solution.

6.15 α , β , γ testing

The ' α ' test determines whether the product works in the laboratory. Great care is taken in the laboratory to ensure that tests are reproducible and conditions are ideal. This might not be the case with the consumer's in-use situation, and ' β ' tests need to be conducted to ensure the product will perform and survive in the real in-use situation.

The final aspect is the ' γ ' test which determines whether the product does what the consumer wants and provides real benefits. This often involves the technologist devising laboratory style in-use simulations of how the product will be used by the consumer. Sometimes the results can be evaluated by instrumental means. In other cases, the result is a product where the outcome is more subjective, e.g. the smell and softness of a fabric after a wash cycle. Here the use of trained panels may be required to develop the product. In the final stages of product development, additional panel testing may be needed to select the best product for the market.

6.16 Product testing

Product testing can be objective or subjective. The colour of a product or the intensity of its odour form objective tests. Colours can be ranked according to the intensity of the hue. Colour matching of products is now largely an instrumental process. However, odour is more difficult to measure using instruments and here well trained

panels are still key. Such panel testing is costly (highly trained staff time is expensive), and takes time and effort to organise and conduct. The selection, training and motivation of panels are significant overheads.

The results of subjective odour assessments need to be evaluated with care. Skilled panels are more consistent but get 'house trained' and get into 'company group think' and so are less representative of the real consumers. The use of semi-trained panels (non-technical staff taken from commercial departments with no technical connection with the project) can provide a partial solution. Full consumer testing is better, but is slow, expensive to administer and because the participants are less well trained (i.e. produce more variable results), a larger panel is often needed. Tests can be undertaken *in vitro* or *in vivo* (i.e. in an artificial environment or on people). For instance, the testing of a hair conditioner can be undertaken on standardised hair swatches. Final benchmark testing against the action standard can be undertaken with half head tests on volunteers (half the head is treated with the test preparation, the other half with the action standard).

There is no point in designing performance into a product unless you have a test procedure to evaluate the success (or lack of it). Good quality laboratory facilities are required to simulate the in-use situations and provide acceptable conditions for assessments. For odour assessments this requires temperature and humidity control and minimal background odours (e.g. care should be taken to avoid porous surfaces where odours can linger and provide cross-contamination between tests).

The ability to simulate end product performance in consumer use is a key source of competitive advantage for the creative perfumery house. To know just how people actually use products needs good data from the MkIS for all the markets serviced by the company. This is particularly important in international markets, where in-use conditions may differ considerably.

In all stages, care is taken to ensure the safety and legal conformity of the product. At this stage, final tests (e.g. stability test for formulated products) must be made and all the relevant information collected for hazard assessments and quality assurance needs (e.g. labelling requirements and hazard warnings to meet EU directives).

6.17 Full business evaluation

Pilot production provides realistic estimates of costs. Once the marketing mix approaches have been investigated and consumer trials have proved the acceptability of the product, it is then time to firm up the outline plan into the full launch with cash flow projections. All the detail of the launch must be considered, from the development of advertising copy to the training of field staff. However, there is always some uncertainty about the actual success of any product.

6.18 Test marketing

The advantage of test marketing is that it gives an organisation an opportunity to test the mix and estimate the likely success of the launch. The disadvantage is that it takes time and delays the launch, increasing the time to market. Moreover, it showcases the firm's intentions, giving weeks of notice for the competitors to consider their responses.

6.19 Product launch, feedback and control

As part of the planning, the advertisements should be booked, all the creative work completed and stocks built up in the channels. Marketing costs for fine fragrances are very high, with national launches costing millions of pounds. (See Appendix Three: Health & Beauty).

Estimation of market size is not a precise science and anticipating the response of the competitor(s) is problematic. The marketing information system should be used to track the progress of the launch. Some contingency plans need to be made.

The problem for the creative perfumery house is that all the direct information flows to the brand manufacturer. Good working relationships with the client are needed to gain feedback about the perfume's performance in the field. This is supplemented with MkIS activity, not only to track products fragranced with the firm's perfumes, but also to monitor competitor responses (e.g. fragrance trends being exploited by other creative perfumery houses).

6.20 Maintaining competitive advantage

The life cycle of a major fashion fragrance may be decades, but for a given variant of a functional product it will typically be two or three years. In such a dynamic and turbulent market place there is a continual demand for product innovation. The creative perfumery house needs to research both the B2B and the B2C aspects of the market place. The cost sensitivity of the emerging markets implies that, for all but the most expensive fine fragrances, local manufacturing capability is a competitive advantage. In addition to cultural differences, some of these markets have differing levels of disposable incomes. Good market research and market intelligence must be fed into the new product development process to ensure that a competitive advantage is sustained.

Appendix Four illustrates the new product development process.

7.0 The perfume industry's regulatory environment

Regulation has become a greater issue, resulting in bans on the use of animal products (e.g. natural musk) and the use of animals in product testing. The new European Community regulations on chemicals and their safe use (REACH), cosmetics directives and other European legislation make regulatory compliance a vital and expensive aspect of the creative perfumery house's activities. The provision of detailed compliance advice to clients is a key aspect of customer support, e.g. correct ingredient labelling. The above issue is complicated, as major trading areas such as the USA and Japan have regulations that are significantly different from those within the EU.

For example the major classic fashion fragrances are little modified from market to market (duty free Chanel No. 5 at JFK airport in the USA is much the same as at Heathrow airport in the UK). However, different legal and regulatory rules affect the labelling of these products (e.g. ingredients declaration). Certain markets prefer to have non-alcohol based products, and perfume variants based on other solvent types may be produced for these countries. With cosmetic, personal care and functional products, the very different cultural and regulatory factors may imply that major brands have to tailor the production and labelling of their products to different foreign markets.

8.0 Profile of the fragrance industry

8.1 Global overview

The following market analysis is based on data produced by Datamonitor.

Please note: the following figures are quoted in US dollars.

- Total revenue generated by the market was valued at nearly \$24 billion in 2006 (rising from \$22 billion in 2002). This amounted to a compound annual growth rate (CAGR) for 2002-2006 of 2.5%.
- The growth rate for the global fragrance market more than doubled in 2004, but then remained stable until 2006.
- Growth is forecast to remain stable until 2011, when global sales are predicted to reach \$27.4 billion.
- The main centres of activity in the global fragrance market are:
 - Europe
 - Asia-Pacific
 - USA
 - Argentina
 - Brazil
 - Canada
 - Chile
 - Mexico.
- In 2006, market segmentation by product type was as follows: female fragrances 65% of total sales, male 29% and unisex products 6%. Segmentation by region was: Europe 47%, Americas 37% and Asia-Pacific 16%.
- Market share for global fragrances for the same period was:
 - Estée Lauder 4.9%
 - Unilever 4.9%
 - Coty Inc 4.8%
 - Other 85.3%
- Channels of distribution (for 2004) used by the fragrance market show the following breakdown:
 - specialist retailers 37%
 - department stores, including duty free 27%
 - supermarkets and hypermarkets 11%
 - other 25%

Europe and the USA are mature markets with comparatively little growth as the markets are almost fully saturated. Some scope for growth is seen in the male grooming sector where male spend is still significantly less than female.

Major growth areas are seen to include areas such as emerging Eastern Europe (e.g. new members of the EU), India, China, South America and South Africa. Some of this expansion is being provided by the global companies (e.g. P&G and Unilever). However, much of the demand is being met by local brands and manufacturers.

8.2 Europe

The following figures have been based on data produced by Mintel.
Please note: the following figures are quoted in Euros.

- Market value of leading countries (estimates for 2007) (annual growth figures compared with 2006 in brackets):
 - France €1.2 billion (3%)
 - Germany €780 million (2%)
 - Italy €548 million (growth projection not available)
 - Spain €1 billion (24%)
 - UK €944 million (3.9%)
- Projection for 2012 (projected five year growth in brackets):
 - France €1.3 billion (7.9%)
 - Germany €958 million (23%)
 - Italy €680 million (24%)
 - Spain €1.1 billion (15.4%)
 - UK €1.2 billion (28.7%)
- Market leaders:
 - France – Thierry Mugler Angel (overtaking Chanel No. 5)
 - Germany – Chanel No. 5 (overtaking 4711)
 - Italy – LVMH, followed by Chanel
 - Spain – Puig
 - UK – Coty.
- Favoured channels of distribution:
 - France – specialist retailers
 - Germany – self-service drugstores/pharmacies
 - Italy – chain stores
 - Spain – grocery outlets
 - UK – specialist and chain stores.

Appendix Five provides information on advertising spend on women's fragrances and new product development in Europe.

8.3 USA

The following figures are based on data produced by Mintel.
Please note: the following figures are quoted in US dollars.

- The USA fragrance market grew by 2.9% in 2006, to reach a value of \$6.7 billion. This represented a CAGR of 2% for 2002-2006.
- The forecast is for a CAGR of 1.1% for the 2006-2011 period.
- Female fragrances have the major share of the market (62.9% compared to 26.7% for male fragrances and 10.4% unisex).
- Market leaders:
 - Estée Lauder (17.8% share of market)
 - Unilever (11.6%)
 - Coty (9.6%)
- Favoured channels of distribution:
 - specialist retailers (31.1%)
 - department stores, including duty free (30.3%)
 - supermarkets and hypermarkets (14.2%)

8.4 Asia-Pacific

The following market analysis is based on data produced by Datamonitor.
Please note: the following figures are quoted in US dollars.

- There has been considerable growth in the Asia-Pacific fragrance market in recent years, although the growth rate is expected to decline slightly until 2011.
- The total value of sales amounted to \$3.9 billion in 2006, a CAGR of 4.1% for 2002-2006.
- The forecast is for CAGR to remain relatively unchanged over the next five years (4.2%) leading to sales for 2011 of \$4.7 billion.
- The main centres of activity in the Asia-Pacific fragrance market are:
 - Japan 49.8%
 - China 15.1%
 - Australia, Singapore and Taiwan 14.3%
 - India 10.6%
 - South Korea 10.2%
- In 2006, market segmentation by product type was as follows: female fragrances 77%, male 21% and unisex products 2%.
- Market share for the Asia-Pacific fragrance market for 2006 was:
 - Shiseido Company 11.8%
 - Chanel 9.0%
 - LVMH 5.2%
 - other 74.0%
- Favoured channels of distribution:
 - department stores, including duty free 53%
 - specialist retailers 31%
 - supermarkets and hypermarkets 5%
 - other 11%

8.5 Africa and the Middle East

The following market analysis is based on data produced by Goliath and relates to 2005.

Please note: the following figures are in US dollars.

- Projected growth over the next five years is \$770 million.
- 67 countries are included within the region and are very diverse in terms of economic activity, wealth and social and cultural identity.
- The implication for the fragrance industry is that opportunities differ widely across the region.
- South Africa was the largest market in 2005 with \$300 million total sales, and annual growth predicted to be at least 10% over the next five years.
- Saudi Arabia is the second largest market, with total sales of \$194 million in 2005.

Appendix Six looks at key regions and some future strategies for maximising the category's potential.

9.0 Detailed analysis of the French market

The women's fragrance market in France in 2007 is worth €1.2 billion, 3% higher than in 2006 and 7% higher than in 2002. According to Mintel, it is likely that the French market will grow by 8% between 2007 and 2012. This represents an actual value decline in real terms of around 7%. This means that the market will continue to be extremely competitive, with luxury brands competing even more fiercely.

As fragrance plays such an important role in the lives of French women, it has an underlying resilience to market turbulence. France is where the perfume market became sophisticated and the culture is such that 90% of women (around 24 million) use fragrances and of the 90%, 75% use it on a daily basis. Fragrance sales form the fourth largest cosmetics and toiletries market in France. Many perfumes are tied to a woman's perception of her attractiveness, femininity and self-image. Selling a fragrance is about selling a dream, image and heritage. It is much more than just selling a consumer product.

Within this market, where perfumes are regarded as an essential part of a woman's life, growth is likely to be fuelled by innovations such as organic fragrances, purse sprays, alcohol-free perfumes and innovative new scents to keep the exclusive cachet that major brands possess. The market is threatened, however, by what is referred to in French as *banalisation*, where limited editions of famous marques are produced too frequently. There are currently over 2,500 fragrances on the market, with nearly 400 new brands launched every year. However, there has been a discernible trend towards producing limited editions of summer perfumes and more specialised ones, such as Agent Provocateur's *Maitresse*, aiming to create a sensual experience. French women are a little less attracted by celebrity perfumes compared with their British and German counterparts. There has been little change in the top ten brands over the last ten years, and more expensive eaux de parfum outsell cheaper eaux de toilette.

Packaging continues to be innovative, with interesting bottles, sculptural effects and limited edition designs. Some perfumes are produced as belt and bag attachments for frequent spraying. Nina Ricci launched L'Air du Temps in a collectable Lalique bottle at €300 and produced only 1,000 bottles world-wide. Yves Saint Laurent produced Roger and Gallet's Jean-Marie Farine in a bottle designed by Emeri, with a glass stopper sealed with a hand applied baudruche and a label printed in 22 carat gold.

The fragrance companies have to be innovative to survive and to keep market share. This snapshot of the French market gives insights into the development of fragrances worldwide, as France is still regarded as having a major influence on the fragrance industry.

Figure 4 illustrates examples of new product segments for the fragrance market.

New Product Segments	Examples of Fragrances
The Collection	Givenchy's <i>Mystical Fragrance</i> collection
The Genuinely New	Cacharel – <i>Liberte</i> Nina Ricci – <i>Nina</i>
Reincarnated	Dior – <i>J'Adore</i> revamped
Seasonal Limited Editions	Paco Rabanne – <i>Ultraviolet Summer Pop</i> Joop! – <i>Jump Summer Temptation</i> Davidoff – <i>Cool Water Happy Summer etc.</i>
Eau Fraiche – The light alternative (only 3% essence)	Chanel – <i>Chance</i> Armani – <i>Summer Mania</i> Boucheron – <i>Eau Legere etc.</i>
Range Extensions	Thierry Mugler – <i>Angel Eau de Star (50th Anniversary limited edition)</i> Dior – <i>Pure Poison Elixir</i> Chanel – <i>Allure Sensuelle etc.</i>
Licensed and Celebrity Fragrances	Coty – <i>Kate Moss, Intimately Beckham</i> Proctor and Gamble – <i>Christina Aguilera</i>

Figure 4: Examples of New Product Segments

10.0 Scents of Time

10.1 Background

DP, the owner of Scents of Time, works as a consultant to the perfume industry and is about to launch his range of fragrances – Scents of Time – based on perfumes lost in time, rediscovered and recreated for the modern world. DP is a qualified chemist, marketer and aromancer. He has worked for thirty years in the fragrance business with Boots, ICI and Unilever, where he gained the experience needed to launch his exciting new venture.

10.2 Lost perfumes are found

Travelling the globe, DP searches out perfumes that have been lost in time, finds them, rediscovers them, recreates them and gets them ready for the market. Over the next few years he is developing and launching a range of 15 perfumes, all of which have an interesting historical context to support them. Known as the 'Indiana Jones' of the perfume industry, after the fictional archaeologist and adventurer, DP has spent a large part of his life searching for perfumes lost in antiquity. He is quoted as saying that perfumes are 'transient, ephemeral beings. Open the stopper and they are lost in the arrow of time.' He argues that perfumers, or unguentari, in ancient times were gifted people. The only difference between them and a modern perfumer is that they used only natural materials and so their palette of aromas was not as extensive as it is today.

10.3 Discovering the perfumes

DP explains that the perfumes are essentially natural aroma chemicals. In one instance they are created using a kind of forensic science from gas layer chromatography and mass spectrometry. This can finger print or 'aromaprint' the finds, which can then be recreated. If actual samples are found, these can be recreated with the additional knowledge of sampling, using the 'nose' of a perfumer.

There are five ways to capture perfumes in time and recreate them:

- i. decipher pictographs from tombs or formulae from old books
- ii. recover actual samples in archaeological digs
- iii. capture them from plants known to be used, applying head space analysis. This is where a glass dome is put over a flower and its aroma, or soul, stolen and captured by sucking out the air around it and passing the air through sophisticated polymer filters. The flower is not harmed.
- iv. recover samples from museums
- v. imagine the aroma from written records and clues.

10.4 Development of the perfumes

The new fragrances are developed to be as near to the originals as they can possibly be. DP states that they keep the aroma experience intact. When asked whether historical perfumes would still be appealing to today's tastes, DP's response was clear: 'Of course. Our brains and noses were just as good thousands of years ago. And the odour of rose or cinnamon was just as appealing.'

However, the new perfumes differ in two fundamental ways. The first is toxicological. The perfumes of the 'Scents of Time' range are created from absolutely safe materials under the strict regulations of RIFM and IFRA – the regulatory authorities for the perfume industry. In ancient times, people were unaware of some of the adverse effects that some substances might have. All the fragrances have been created by very experienced modern perfumers, some of whom now work for top fashion houses. The second difference is in the carrier oil. Put simply, in modern times alcohol is used rather than argan, olive or almond oil of ancient times.

10.5 RMS Titanic

One interesting example of DP's work was his involvement with the RMS Titanic, (the ship which sank in 1912), and the salvaging of one of the passenger's fragrances. The perfumes belonged to Adophe Saalfeld – a German-born perfumer who was on the RMS Titanic. He was taking samples of his perfumes to America to see if he could sell them commercially. The samples were lost with the sinking of the RMS Titanic and although Saalfeld survived, he was never able to realise his dream of producing and selling the perfumes.

Working as a consultant, DP arranged for the transfer of the phials to England, in particular one which was code-named 'pink' because of its composition of violet, heliotrope and mayflower. There was also a very appealing male fragrance. However, many of the other phials were damaged beyond repair, or contained raw materials which would be considered too expensive or toxic today.

10.6 Learning about fragrances

DP is determined to help consumers learn more about the perfumes they are buying, and supports the Fragrance Foundation's claim that knowledge of perfume in the UK is at the same level as knowledge of wine was in the nineteen seventies. He maintains that 'only three main brands of wine were easily recalled in those days, as people were not informed. But now, because of books and labelling, we know a great deal more, from Argentinian regions to Zinfandel grapes. 'Scents of Time' will be fully described through head, heart and soul notes, and will be linked into one of the twelve fragrance families developed by Michael Edwards as the growing industry standard.'

10.7 Dragons' Den

As an owner of a small company, DP did not have sufficient capital to launch the perfumes himself, and he soon found that it was a difficult proposition to sell 'Scents of Time' as a concept to the industry. He explained: 'if you have an international name and a characteristic stable of perfumes set up over the years, it is not an easy fit to bring out the sacrificial perfume of the Mayas of Yucatan.' DP decided to make the business his own, recognising that his blend of knowledge, experience and gathered samples from his explorations gave him a distinct advantage in a niche market. To raise the necessary capital he went on a UK television programme, BBC Two's Dragons' Den, to sell his concept and marketing strategy. The programme gives aspiring inventors and entrepreneurs the opportunity to pitch their ideas to the Dragons – a panel of wealthy business people with the expertise and finances to support projects that they approve of. When asked by a panel member on the television show whether he meant to take on Yves St. Laurent, he replied, 'And the rest!' Two of the panel members were interested in the venture and invested £80,000 in the company, for a 40% share.

10.8 Plans

The first two fragrances being launched in quarter four of 2007 to selected outlets are Nenúfar (the Blue Lotus-favoured scent of Cleopatra) and Pyxis, the lost fragrance of unguentarius (perfumer) Sperato of Pompeii. Over the next five years, it is intended to launch a complete set of fifteen fragrances. Ankh is being launched in 2008 to coincide with the millennium exhibition of Tutankamen's tomb treasure. The packaging and design of the products are illustrated in Appendices Seven and Eight.

Each presentational box of 100ml perfume will contain a booklet explaining how the perfumes were lost, found and recreated, as well as the origin of the name for the scent and its place in one of the twelve perfume families. Special poetry has been included to make the Scents of Time an original and unusual gift. The names of the perfumes also have a link to the stories. For instance Nenufar is Latin for the Blue Lotus flower, the heart of Cleopatra's fragrance, whilst Pyxis is made up from PY (meaning fire, as in pyrotechnics – fireworks) and 'oixies' resembling the little eros figures found in a fresco at the House of the Vetti in Pompeii making perfumes.

10.9 Routes to market

The perfumes will be distributed through a number of channels including:

- major retailers
- chemists and pharmacists
- duty free shops
- museums
- the internet.

The aim is to capture one tenth of one per cent of the global market, which is currently worth £15 billion. This would equate to £15 million.

11.0 Coty

11.1 Background

Coty Inc., a privately owned company, was established in Paris in 1904 by François Coty and is now based in the United States. As a multinational producer of premium and mass-market cosmetics and toiletries, the company is one of the largest in the beauty business and has operations in more than 25 countries globally, with a presence in the Americas, Europe, Asia Pacific, the Middle East and Africa. It has a turnover of US\$2.9 billion per annum, with 50% of its turnover coming from Western Europe and 26% from North America.

In 2005, 63% of the company's total sales came from fragrances. This is an increase from 50% in 2001 and was a result of the company's intensive product development and acquisition strategies. Coty's second largest sales are generated from colour cosmetics, representing 24% of total sales. This is followed by deodorants at 5% and men's grooming products at 4%.

11.2 Mission statement

'Our mission is to deliver extraordinary fragrance and beauty products to consumers worldwide. As an organisation and as individuals we value honesty, integrity, empowerment and openness. By consistently aiming for breakthrough excellence in creation, design and experience we believe we will stay close to our consumers and communities.'

11.3 Brand portfolio

The company has a wide fragrance portfolio of over 35 brands, divided between two divisions: Coty Prestige and Coty Beauty. Coty Prestige develops fragrance, colour cosmetics, toiletries and skincare for the prestige sector, distributed through up-market and exclusive stores. The Coty Beauty brand portfolio is more widely distributed. The brand portfolio is illustrated in Figure 5.

Portfolio	Designer brands	Celebrity brands	Lifestyle brands
<i>Coty Prestige</i>	Calvin Klein Cerruti Chloë Jette Joop, JOOP! Jill Sander Kenneth Cole Marc Jacobs Nikos Vera Wang Vivienne Westwood	Jennifer Lopez Sarah Jessica Parker	Chopard Davidoff Lancaster Nautica
<i>Coty Beauty</i>	Esprit Miss Sixty Pierre Cardin	Céline Dion, David and Victoria Beckham Isabella Rossellini Kylie Minogue Mary-kateandashley Shania Twain	adidas Aspen Astor Chupa Chups Desperate Housewives Exclamation Jovan Miss Sporty Rimmel Stetson Vanilla Fields

Figure 5: Coty's Brand Portfolio

Coty specialises in fragrances and has become a market leader in this area as a result of product developments, licensing agreements and acquisitions. For example, the acquisition of Unilever's premium fragrances portfolio in 2005 provided Coty with a comprehensive portfolio of fragrance brands, including Calvin Klein, Chloë, Lagerfeld, Vera Wang and Cerutti. The acquisition resulted in Coty becoming a global market leader in fragrances and raising its ranking in the global cosmetics and toiletries market from 15th to 13th.

The Unilever acquisition provided Coty with a presence in the fine fragrance market. However, the company's core business remains in the mass markets, specialising in celebrity endorsed products. In the toiletries sector, Coty produces a wide range of products which include bath and shower products, deodorants, skin and sun care products and cosmetics for both the mass market and exclusive sectors.

Appendix Nine identifies Coty's brands and sub brands for fragrances.

There are plenty of examples of the company taking advantage of brand recognition of some of its fragrance brands and applying it to the cosmetics and toiletries sectors. adidas, for instance, illustrates the company's cross-sectoral brand extension strategy, successfully taking the brand into bath and shower products, deodorants and men's grooming products. Such a strategy has to be pursued cautiously, however, as over cross-sectoral extension may actually weaken a brand.

11.4 Recent developments

In 1996, Coty was acquired by the German company Joh. A. Beckinser. Over the years the company has undertaken many innovative marketing strategies to expand its market:

- in 2000, it signed up with Club Méditerranée (with tourism-related business in 40 countries) to market Coty fragrances, bath and beauty products under the Club Med name
- in the same year, it reached a licence agreement to produce and distribute Pierre Cardin fragrances in Europe
- in 2001, it entered into an agreement with the sweet company Chupa Chups to develop and market fragrance and cosmetics with the Chupa Chups brand
- over the years, it has concluded agreements with Jennifer Lopez, Céline Dion, Kenneth Cole, Marc Jacobs, Miss Sixty, David and Victoria Beckham (creating the Beckham Beauty House), Kylie Minogue, Gwen Stefani (brand L.A.M.B.) and Kate Moss
- in 2005, Coty purchased Unilever Cosmetics International (UCI), Unilever's global fragrance business
- in 2006, it signed a deal with the Kosé Corporation in Japan to manufacture and sell Rimmel cosmetics (a brand owned by the company).

Continuing its innovative activities, Coty launched its first US-based 'fragrance bay', a retail kiosk located on the main level at the Lord & Taylor Fifth Avenue store in New York City. The new fragrance bay consisted of 18 brands with Coty Prestige's product lines (see Appendix Ten). Coty has also worked closely with French designer Denis Boudard to create a range of innovative packaging for its products (see Appendix Eleven).

11.5 Business objectives

Coty has an established market in Western Europe and North America and these regions are central to its strategy for growth. While it has increased its global coverage, its growth in the Asia-Pacific market has been disappointing in comparison. In part, it has focused on Japan to address this, and has been tailoring its products to meet the styles and tastes of Japanese women. Coty is also introducing fragrances together with some skincare products into China, aimed particularly at the younger age groups. Appendix Twelve illustrates Coty's world sales and regional sales performance for 2005.

Research and development is highly regarded within the organisation and it takes pride in the speed with which new products are developed and introduced, giving it crucial competitive advantage. To illustrate this approach, Coty is increasingly tailoring existing global brands to suit local preferences. Euphoria Blossom, for example, has been developed for the Asian consumer.

11.6 Sales distribution priorities

Coty's two target markets are:

- i. the mass market, through Coty Beauty, distributed through mass distribution channels such as pharmacies, large retailers and supermarkets (e.g. Boots, Wal-Mart, Carrefour)
- ii. the prestige market, through Coty Prestige, distributed through upmarket department stores and duty-free shops (e.g. Harvey Nichols and Bloomingdale's).

Some products are marketed through both channels: adidas and Céline Dion fragrances, for example, were distributed as "upper-mass" brands when they were launched in 2003.

Cotyshop is Coty's online sales site, used to promote its many brands including men's and women's fragrances, aromatherapy lines and bath and body products.

11.7 SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Market leader and specialist producer of cosmetics and toiletries (sole focus) with strong brand portfolio in prestige and mass markets • 13th position in global cosmetics and toiletries market • Long established and strong position in Eastern Europe • Rimmel and Astor brands offer strong presence in colour cosmetics market • Licensing agreement with Kosé to import, produce and distribute Rimmel products – Kosé is the fourth largest player in the Japanese colour cosmetics market • Effective target marketing • Highly developed marketing strategy, including marketing partnerships with celebrities • Comprehensive portfolio of fragrance brands and colour cosmetics • International operations covering both mature and emerging markets • Responsive product innovation capturing market share driven by market trends rather than customer loyalty • Effective strategy for growth through acquisitions and organic growth, utilising brand diversification and extension • Reputation for brand equity and value for money 	<ul style="list-style-type: none"> • Private company status may restrict opportunities for fundraising compared to multinational competitors such as L'Oréal and Estée Lauder • Restricted ability to raise additional funds limits potential to fund research and development • Within cosmetics and toiletry range, possible over-dependency on colour cosmetics and fragrances • Low profile in the cosmetics and toiletries market, which potentially offers high returns • Possible short-term popularity of celebrity endorsed brands which form a major part of the company's product portfolio • Celebrity endorsement is expensive, impacting on profitability • Limited opportunity for significant growth of many of the brands due to the transient nature of the market • Size of portfolio may lead to failure to nurture and exploit some of the smaller brands • Very dependent on the European market for sales • Limited success in the Chinese market • Declining presence in global skincare market following loss of Yue-Sai Cosmetics in China
Opportunities	Threats
<ul style="list-style-type: none"> • Organic growth in Eastern Europe (rising incomes and increasing importance attached to toiletries) • Increased presence in Africa and the Middle East • Strong growth potential in Latin America, especially Chile, Argentina and Brazil • Potential expansion into Asia-Pacific • Responsive to significant social trends including: <ul style="list-style-type: none"> - popularity of and interest in celebrity culture and lifestyle - increased awareness of issues relating to style, fashion and appearance - increased disposable income of women in mature markets - greater proportion of income being spent on appearance - growing popularity and interest in sport - greater interest in male grooming - greater awareness of ethnic beauty • Growth through mergers, acquisitions, strategic alliances, partnerships, brand development and celebrity endorsements • Potential for growth in colour cosmetics 	<ul style="list-style-type: none"> • Possible downturn in world economy • Competitive global market for fragrances with little room for growth • Power and influence of multinational competitors • Competitive US market with strong rivals • Innovative approach of competitors who have greater resources to fund research and development, especially in the target market of skincare and colour cosmetics • Ephemeral nature of celebrity culture – the life cycle of the brand is tied in to the short life cycle of the celebrity • Possible damage to reputation of brand resulting from negative publicity of the celebrity endorsing the product • Low growth potential in the declining and highly competitive US premium fragrance market • Battle of the retailers has forced down prices with reduced margins in perfume supply chain • The price of aroma materials can be very volatile, e.g. a hurricane in Florida can sharply increase the price of orange oil

11.8 Business performance

According to the Chief Executive Officer of Coty, the guiding vision for the company is to be 'even faster to market, go even faster in the beauty industry and think more freely than ever.' He states that 'these principles have been the bedrock of Coty's success today and a vision for the company's ambitions tomorrow.'

Performance for the year ending 2006 certainly demonstrated significant returns. According to Coty's published accounts, net sales for 2006 were \$2.9 billion, which was up 38% on the previous year. Coty Prestige accounted for 55% of the sales and Coty Beauty 45%.

Sales by product category for 2006 comprised:

- fragrances 65%
- colour cosmetics 17%
- toiletries 14%
- skincare and suncare 4%

Sales by region for 2006 comprised:

- Europe 50%
- Americas 33%
- Asia 4%
- Other 13%

Coty's strategic priorities to help them achieve their sales target of US\$5 billion by 2010 and to be one of the top five global beauty companies include:

- identifying priority brands for development:
 - Rimmel
 - adidas
 - Calvin Klein
- continuing the strategic development of brands, new launches and planned partnerships
- prioritising innovation in colour cosmetics
- maintaining growth and active development in fragrance (forecast for 3% growth in the global fragrance market)
- targeting developing areas such as Eastern Europe, Africa and the Middle East
- enhancing premium fragrance range into new geographical areas
- exploiting opportunities for mass market fragrance in emerging regions
- strengthening its position in colour cosmetics market through promotion of the Rimmel and Astor brands
- building on advances in the Asia-Pacific market for colour cosmetics, especially in Japan
- targeting US premium fragrance market

12.0 Celebrity fragrances

In the last few years, perfume houses such as Coty have signed deals and partnership agreements with celebrities to capitalise on the intrinsic desirability of association with famous, attractive and popular personalities. The marketing campaign typically focuses on promoting the celebrity endorsement by capturing key characteristics that are associated with that person and, by extension, to the perfume.

The celebrity fragrances have a fairly long history, with stars such as Elvis Presley launching the 'Love me Tender' range in the sixties, Michael Jackson launching his 'Hologram' edition and Cher her 'Uninhibited'. However, because of the elaborate packaging, most were considered to be collectors' items rather than perfumes for regular wear.

The celebrity fragrance industry has recently been transformed by a new wave of celebrity perfumes, such as:

- Jennifer Lopez's (JLo): 'Glow'
- The Beckhams' 'his and her' range: 'Intimately'
- Kylie Minogue: 'Darling'

Sales of celebrity endorsed perfumes have increased by 2,000% since 2004, according to the British newspaper, The Independent, with more than 30 launched in 2007 alone. The article states that the Perfume Shop reported an increase in the sale of low-priced celebrity perfumes. In 2004, celebrity perfumes made up about 1% of the company's total sales. This has now increased to between 15% and 20% of sales.

The success of these and other celebrity perfumes was due to a range of factors, including slick marketing campaigns and the growth of the celebrity culture. The market has seen a significant growth in new product launches over the last few years. Celebrity perfumes have grown rapidly in the USA and contributed to mass fragrance sales, but mass sales are expected to decline by 2010. Quality is likely to be the key to future sales expansion and profitability. It remains to be seen whether the celebrity endorsement trend continues to invigorate the market.

The biggest danger faced by the continuing launch of celebrity perfumes into an over crowded market, where perfume companies themselves are introducing different versions of well known brands, is that consumers will become irritated by continually increasing choice.

As with any close association with an individual, there is always a danger that the value of the product falls in the eyes of the consumer if the popularity of the celebrity diminishes. This may occur naturally over a period of time, or may be the result of adverse publicity. For example, the perfume 'Paris Hilton' may suffer from the recent and widely publicised imprisonment of the celebrity. According to Euromonitor International, the potential of celebrity fragrances is under threat as the market becomes over-saturated with new products. For example, the JLo fragrance has seen six new products launched since 2002. Appendix Thirteen analyses how the fragrance industry has adjusted to the fast pace of a fickle consumer market.

13.0 Summary

There are many factors that will contribute to the growth of the fragrance market. Buying behaviour is affected by economic activity. Strong economic performance resulting in greater consumer confidence is reflected in high levels of disposable income. This is further fuelled by an increase in consumer credit. This is particularly true in the female employment market, which has seen an increase in recent years and where working women are more likely to use fragrances than non-working women. The emergence of cut price retailers and lower high street pricing has ensured greater accessibility to, and purchase of, premium fragrances. As a result, sales within the mature market of cosmetics and toiletries have increased as designer labels, such as Prada, become accessible to all. Improved economic performance is also mirrored in the growing interest in personal care products and the popular view that fragrance is an essential rather than a luxury product. Finally, consumers are increasing their expenditure on skincare and cosmetic products, thereby providing opportunities for organisations to diversify into related product markets.

Despite the potential for growth, there are factors that may have a negative impact on the market environment. Any downturn in the world economy is likely to affect demand for luxury items. Research undertaken by Mintel in 2006 suggests that there is already evidence that women are spending less on expensive fragrances, and that occasional rather than regular use of a fragrance is increasingly common. Parts of the mature markets in Europe and the USA are arguably over-saturated, leaving little room for market growth.

The fragrance market is becoming more price sensitive as consumers become more discerning about the comparative costs of products and the availability of discounted products. This occurs at a time when the costs of production are increasing due to new European Community regulations on chemicals and their safe use (REACH: EC 1907/2006), which suppliers are expected to bear the costs of. REACH covers the registration, evaluation, authorisation and restriction of chemical substances. The new law entered into force on 1st June 2007.

It is clear that the fragrance industry has a significant global presence and a large part of its success is due to carefully targeted marketing. Advertising continues to play a central role in driving up sales in a crowded market place, where the rate of new product launches continues to increase. The European market is currently the largest in the world, but in due course, the growing markets of Asia-Pacific may eclipse Europe's position in terms of turnover and sales. Competition is likely to intensify over the next decade and growth will be fostered by both innovative product development and intelligent marketing.

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Appendix One – Landmarks in the history of perfumery

- 2300 B.C.** **China** – Jasmin and lotus valued for fragrance, also other scented flowers and aromatic woods
- 1500** **India** – Use of perfumes for religious purposes: incense made from sandalwood, benzoin and olibanum (frankincense); tuberose and narcissus valued for fragrance
- 1400** **Central America** – Use of incense by Inca, Maya and Aztec civilisations
- 1000** **East Asia** – Perfumes appropriated for secular use
- 500** **Middle East** – Fragrant anointing oils made and used; galbanum, saffron, labdanum, olibanum, myrrh and cinnamon resins in use for perfumery
- 300** **China** – Perfumery established in China; use of fragrant massage oils
- 200** **Greece** – Use of perfumes and cosmetics widespread; treatise on perfumes written by Apollonius; reinvention of distillation
- 150** **Roman Empire** – Widespread use of perfumes and cosmetics
- 100 A.D.** **Roman Empire** – Romans now skilled in the art of perfumery
- 1100** Perfumes manufactured in Italy and Spain; contact between European countries and the East revived the use and appreciation of perfumes
- 1190** **France** – Perfumers' Charter granted by King Philippe Auguste
- 1200** 'Eau de Chypre' perfume brought to Europe from Cyprus
- 1300** Beginning of the Grasse perfume industry; application of distillation to the concentration of alcohol; use of pomanders among kings and noblemen commenced in France, spread to England and continued during the reign of Queen Elizabeth I (1558-1603)
- 1370** Queen Elizabeth of Hungary was given a formula for a perfume based on rosemary; this perfume, first known as 'The Queen of Hungary's Water', and later as 'Hungary Water', was the first known alcoholic perfume; it was in use for more than five centuries and is believed to have been the origin of 'Eau de Cologne'
- 1658** **France** – Perfumers' Charter renewed, by King Louis XIV; an apprenticeship of four years, followed by three years as a 'companion', was by now necessary for admission to the select company of French 'Master Perfumers'
- 1690** **Italy** – 'Eau de Cologne' invented in Milan, probably by Jean-Paul Feminis, who is said to have passed the formula to his nephew, Jean-Antoine Farina, who settled in Cologne, from which the original name 'Kölnisch Wasser', was derived

- 1730** **France** – Perfumes freely used in the French Court under King Louis XV; perfumed powders, oils, ointments and toilet vinegars popular; great competition between French and English perfumers in the imitation of natural flower fragrances
- 1828** House of Guerlain established in France
- 1846** Pond's Extract launched in the USA
- 1873** Colgate launched the first toothpaste
- 1882** Launch of 'Fougère Royale' (Houbigant): the first perfume containing a synthetic chemical to become popular
- 1885** House of Lever Bros. established
- 1887** House of Johnson & Johnson established in the USA
- 1903** The first aerosol dispenser for perfumes patented
- 1907** Helena Rubinstein established a beauty salon in London
- 1908** House of Max Factor established in the USA
- 1910** House of Elizabeth Arden established in the USA
- 1911** Introduction of 'Nivea Creme'
- 1921** 'Chanel No. 5' launched
- 1931** Almay Cosmetics established
- 1935** House of Lancôme established
- 1945** 'Air-Wick' launched: this was based on Zwaardemaker's theory of 'odour opposites'
- 1961** House of Yves St Laurent founded
- 1964** Brut launched
- 1977** Opium launched
- 1978** Calvin Klein produced its first perfume, 'Calvin Klein'
- 1985** International Federation of Aromatherapists formed
- 1987** Montreal protocol limits the use of CFCs

Appendix Two – The Perfume Hunters

Stephanie Pain

21 April 2001, from issue 2287. page 35

New Scientist magazine

TIRED, scratched and soaked with sweat, the hunters begin to think about turning back. They've slogged up and down the steep paths of this Madagascan forest since dawn. Time is running out. Dusk is falling and they still haven't caught sight of their quarry. Suddenly they stop. One of the men lifts his head and sniffs. He knows they are close. He scans the undergrowth in the deepening gloom – and suddenly he spots what they've been looking for. There, hidden beneath some leaves at nose height is a tiny spike of flowers, the whole bunch no bigger than a thumbnail. Within minutes, the hunters have set their trap. All they have to do now is wait.

The hard slog was worth it. Next morning, there in the trap is a rare catch – a new sort of smell. For the men in the Madagascan forest are perfume hunters. And instead of rifles they are armed with nothing more sinister than a few glass jars, a couple of pumps and some silicone tubing as they search for new and exciting fragrances to make our lives smell sweeter.

Ever since the first unguentarii plied their trade in Roman Capua, perfumers have had to keep abreast of changing fashions. These days they have several thousand ingredients to choose from when creating new scents, but there is always demand for new combinations. The bigger the "palette" of smells, the better the perfumer's chance of creating something fresh and appealing. Even with everyday products such as shampoo and soap, kitchen cleaners and washing powders, consumers are becoming increasingly fussy. Cheap, synthetic-smelling ponges are out. Fresh and natural smells are in. And many of today's fragrances have to survive tougher treatment than ever before, resisting the destructive power of bleach or a high-temperature wash cycle.

Chemists can create new smells from synthetic molecules, and a growing number of the odours on the perfumer's palette are artificial. But nature has been in the business far longer. Plants produce countless fragrant chemicals. Some are intended to attract pollinators. Others are produced for quite different reasons. The fragrant resins that ooze from wounds in a tree, for instance, defend it against infection.

Last October, Quest International, a company that develops fragrances for everything from the most delicate perfumes to cleaning products, sent an expedition to Madagascar in pursuit of some of nature's most novel fragrances. Madagascar is an evolutionary hot spot, and 85% of the plants there are found nowhere else. For Robin Clery, a natural products chemist based in Quest's laboratories in Kent, and Claude Dir, the company's head "nose" from Manhattan, this meant exploring two contrasting landscapes in northern Madagascar. Their first stop was a remnant of rainforest in the national park of Montagne d'Ambre. The second was the tiny uninhabited island of Nosy Hara off the north-west coast.

With some simple technology borrowed from the pollution monitoring industry and a fair amount of ingenuity, they bagged 20 promising new aromas. The technology allows the team to gather fragrances as they waft from a flower or leaf – capturing the mixture of volatile molecules that make up the smell while leaving the plant itself undisturbed. But capturing the smell is just the start of a long process. Back at the

lab, Clery must identify the component chemicals and then try to recreate the original odour from materials closer to hand.

First, though, you must catch some likely new odours. In Montagne d'Ambre, Clery and Dir teamed up with guides from the national park authority (ANGAP) and a local botanist. They were also joined by Felix Mayr-Harting from Quest's Paris office, whose job was to keep everyone's noses focused on the sorts of smells that might appeal to the company's clients. The "Amber Mountain", 1500 metres at its peak, is cloaked in moist forest and is home to a rich diversity of plant species. "It was like being a kid surrounded by candies," says Dir. As an experienced "nose", he has a finely tuned memory for smells and can distinguish between thousands of different odours. "And here I was surrounded by unique new aromas." Flowers may be the most obvious source of fragrance, but the perfume hunters sniffed at everything. "We were keen to look not just at flowers but leaves, resins and woods – even mosses," says Mayr-Harting.

Each day, the team packed their gear, pocketed some sandwiches and set out from their hotel based laboratory – a wooden hut lit by kerosene lamps, with cold running water diverted from a waterfall just up the hill. They trailed up and down paths and animal tracks, exploring the thick vegetation up to 10 metres either side of the trail. Some smells came from obvious places, often big showy flowers within easy reach. Others were harder to pin down. "Often it was the very small flowers that were most interesting," says Clery. Whenever the team found something, it was up to Clery to figure out how to sample its smell.

Tape and string

With most flowers or fruits, the fragrance hunters used a technique originally designed to trap and identify air pollutants. The technology itself is relatively simple. A glass bell jar or flask is fitted over the flower. The fragrance molecules are trapped in this "headspace" and can then be extracted by pumping the air out over a series of filters which absorb different types of volatile molecules. The real challenge is getting the gear into place. "In the rainforest you have to be ingenious, and you usually need a lot of tape and string to hold it all together," says Clery. Back in Kent, the molecules are flushed out of the filters – either with solvents or on a warm stream of nitrogen gas – and injected into a gas chromatograph for analysis.

If it's impossible to attach the headspace gear, Clery fixes an absorbent probe close to the source of the smell. The probe looks something like a hypodermic syringe – except that the "needle" is made of silicone rubber which soaks up molecules from the air. Developed as a means of detecting organic pollutants in water, the device is ideal for collecting scent molecules. "Any organic molecules floating around will stick to it," says Clery. "You might catch a few stray molecules from other sources, but it gives you a chemical snapshot of the fragrance." After a few hours, Clery retracts the rubber needle and seals the tube, keeping the odour molecules inside until they can be injected into the gas chromatograph in Kent.

The moist mountain forest is a far cry from the perfume houses of Paris or Manhattan, but the sweat and insect bites paid dividends. Those tiny *Dichapetalum* flowers discovered in the dusk had a peachy, coconutty scent. Higher up the mountain, the hunters found an even fruitier fragrance. It came from a green, golf-ball-sized fruit, very popular with the local lemurs. "The fruits didn't have much smell at all when we picked them up," says Dir. "Then we cut into the skin." Out oozed a thick, white latex. "The smell was almost unnatural – like something you get in the lab

when you make a very concentrated oil," says Dir. The fruits were from a large *Chrysophyllum* tree, a relative of the sapodilla. And the smell? It was like some supercharged pear. Analysis showed that the fragrance contains many of the same ingredients as a pear – but with a lot of extras. "If it was just pear it wouldn't be very interesting because we know about pear already," says Dir. "But it was like smelling the juice of hundreds of pears, with a nuance of pineapple, coconut and a little floral note."

Some of the most promising fragrances were those given off by resins that oozed from the bark of trees. Resins are the source of many traditional perfumes, including frankincense and myrrh. "If you see a resin, you smell it. You don't let one go past," says Clery. The most exciting resin came from a *Calophyllum* tree, a relative of the Asian beauty leaf which produces a strongly scented medicinal oil. The sap of this *Calophyllum* smelt rich and aromatic – a little like church incense. But it also smelt of something the fragrance industry has had to learn to live without – castoreum, a substance extracted from the musk glands of beavers and once a key ingredient in many perfumes. "We don't use animal products any longer, so to find a tree with an animal smell is very precious," says Dir.

Before the odour-seekers left the forest there was one other fragrance they were determined to capture. Montagne D'Ambre is famous for its waterfalls. The Grande Cascade drops some 80 metres from a green lake past lushly vegetated cliffs. Like everything else in the forest, the falls have a distinctive smell. "You get a characteristic odour around waterfalls. It smells like a mix of vegetation and minerals thrown off the rocks by the force of the water," says Mayr-Harting. To a group of fragrance hunters, this was a new challenge. Could they capture the essence of a waterfall?

The first problem was identifying what it was in the water that gave it such a fresh, green fragrance. "There's no obvious source of odour – nothing you can see in the waterfall that gives it its smell," says Clery. The second problem was how to collect the odour, capturing the smell from water rather than air. Clery fixed up some of the silicone probes where they would be exposed to fine spray from the falls. If they pick up organic pollutants from water then they should also catch other sorts of organic molecules, including those responsible for the odour of the falls. It worked. "We have been able to identify some of the odorous ingredients," says Clery. "We found lots of familiar materials, mainly from the more water-soluble bits from trees and plants upstream, with resins, leaves, bark and moss from the plants growing around the falls."

After the luxuriance of the rainforest, the little-known island of Nosy Hara was a stark, dry place, geologically and biologically very different from the mainland. This time, the team tagged along with a group of biologists from the Universities of Oxford and Antananarivo who were studying Nosy Hara's flora and fauna. This craggy lump of limestone is only a few kilometres long, but the interior rises up in massive weathered cliffs that are covered in thick, dry scrub – a landscape known as "tsingy". "Apart from two beaches, the rest of the island is impenetrable, except by hacking through the bush," says Clery. Occasionally fishermen camp on the beaches while gathering sea cucumbers, but they never venture inland.

The fishermen were responsible for the island's most pervasive smell – the stench of drying sea cucumbers. With everyone camping on the same beach, it was hard to escape. "It was an interesting olfactory experience," says Mayr-Harting.

Away from the beachside pong, the fragrance hunters tracked down spicy barks and leaves with a vague smell of eucalyptus. But the biggest prize was a sweet-smelling sap weeping from the gnarled branches of some ancient shrubby trees in the parched interior. So far, no one has been able to identify the plant. Although the tree belongs to the same family as frankincense and myrrh, the group suspects it might be a new species. The sap has a soft, sweet smell reminiscent of those biblical perfumes but with added freshness and a hint of juniper.

Sun-kissed seas

And if you think capturing the fragrance of a waterfall was a tall order, Clery and his colleagues tried something even more ambitious on Nosy Hara. This time they were after the scent of a coral reef. Odours that conjure up fresh, clean lakes or sun-kissed seas are highly sought after by the industry. "From the ocean the only thing we have is seaweed, and that smells dark and heavy. We hope to find something unique among the corals," says Dir.

As with the waterfall, the hunters had to extract a smell from water rather than air, although this time they did at least know the source of the molecules they were after. This was an opportunity to try Clery's "aquaspace" apparatus – bell jars and pumps equipped with filters that work under water. Early trials in the rock pools of Woolacombe on the north Devon coast had produced a fragrance instantly recognisable as "eau de rock pool" so Clery was optimistic. On Nosy Hara, the jars were fixed over knobs of coral about 2 metres down and water pumped out over the absorbent filters.

So what does coral smell like? "It's a bit like seafood. It's a bit like lobster and crab," says Clery. That isn't enough to put Dir off. "To me, there's nothing that smells bad," he says. "By diluting and combining with something else you can create a quite different effect. It's just a question of getting the balance right."

The team's task now is to recreate the best of their captured smells. First they must identify the molecules that make up each fragrance. Some ingredients may be common chemicals, and others easily synthesised. But some may be completely novel, or they may be too complex or too expensive to make in the lab. The challenge then is to conjure up the fragrance with more readily available materials. "We can create the smell with a different set of chemicals from those in the original material," says Clery. "If we get it right you can sniff the sample and it transports you straight back to the moment you smelt it in the rainforest."

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Appendix Three – Health & Beauty

Tony Case

30 April 2007 Adweek, Vol 48 Issue 18 p. SR17

Health and Beauty Report (Adweek magazines special report)

Two years after it sent shockwaves through the broadcast networks and the advertising community by reducing marketing spend that had been committed during the annual upfront negotiations, packaged goods giant Procter & Gamble (P&G) finds itself among the major players now fueling growth in prime-time spending by health/beauty accounts.

After earlier declines, the picture last year got prettier for the category, which encompasses personal-care products like soap and shaving aids and over-the-counter medicines like laxatives and cold medicines. Health/beauty contributed \$1.63 billion to prime time television adverts in 2006, up from \$1.53 billion the year prior, per Nielsen Monitor-Plus.

On the horizon, look for a range of new fragrances appealing to both young males and females, with an emphasis on the floral, as well as blossoming new lipstick varieties to help drive prime time business this year, advises Karen Grant, senior beauty analyst with Long Island-based market research firm NPD Group.

Despite all the bad news about dwindling network viewership and the range of media options from cable to the Web, for health/beauty marketers, "network TV continues to have such great reach, especially reach among the young," Grant says. "When you have something important to say and you want to make sure your message is getting out there... [network] continues to be one of the best [media options]."

Those who follow the sector agree that, even as they funnel more dollars into alternative media like cable and Internet, health/beauty marketers must continue to secure their spots in prime time, especially on female-skewing hits like ABC's Grey's Anatomy and Ugly Betty and CW's Gilmore Girls, especially when they're launching new products such as Olay's new anti-aging line, Definity, and Revlon's new haircare brand, Colorist, which was introduced during the Super Bowl with spots featuring Sheryl Crow via IPG's Momentum.

P&G, whose brands include consumer lines such as Ivory, Secret and Pantene, dramatically increased its prime time outlay last year, laying out \$389.4 million, up 9.6% over 2005, and retaining its standing as the top spender in the category by far. All this, after it previously reduced spending in product areas including shampoo, hair colour and deodorant.

P&G's CoverGirl, which last year invested \$92 million on all ads, continues to bank on celebrities to sell products in prime time and beyond, this month signing movie star Drew Barrymore to be the face of an upcoming campaign, and even co-creative director on one TV spot.

P&G is not alone in cosying up to the broadcast networks. Last year, among the top 10 advertisers in the sector, only two players slashed their prime time spend: No. 2 spender Johnson & Johnson, with major brands including Johnson's Baby Shampoo, Neutrogena and Listerene, and No. 8 Bayer.

No. 3 spender L'Oréal, which encompasses consumer lines Maybelline and Garnier as well as luxury names like Lancôme and Ralph Lauren Fragrances, has also poured more money into prime time, last year investing \$145.3 million, up 11.1% on 2005. Look for upcoming appeals to promote a health/beauty-oriented neutraceutical beverage from L'Oréal and partner Coca-Cola Co., expected to launch next year.

Also boosting its spend on prime time is Unilever, which has invested heavily to push brands including Dove and Pond's – pumping \$122.8 million into network pockets last year, a 16% jump. Another big source of revenue for the nets has been Japan's Kao Corp., whose brands include Biore. It upped its investment in prime time last year 14% to \$46.7 million. Also delivering dramatic increases in their prime time outlay: MacAndrews & Forbes Holdings, which includes Revlon, boosting its spend 72.3% to \$43.8 million.

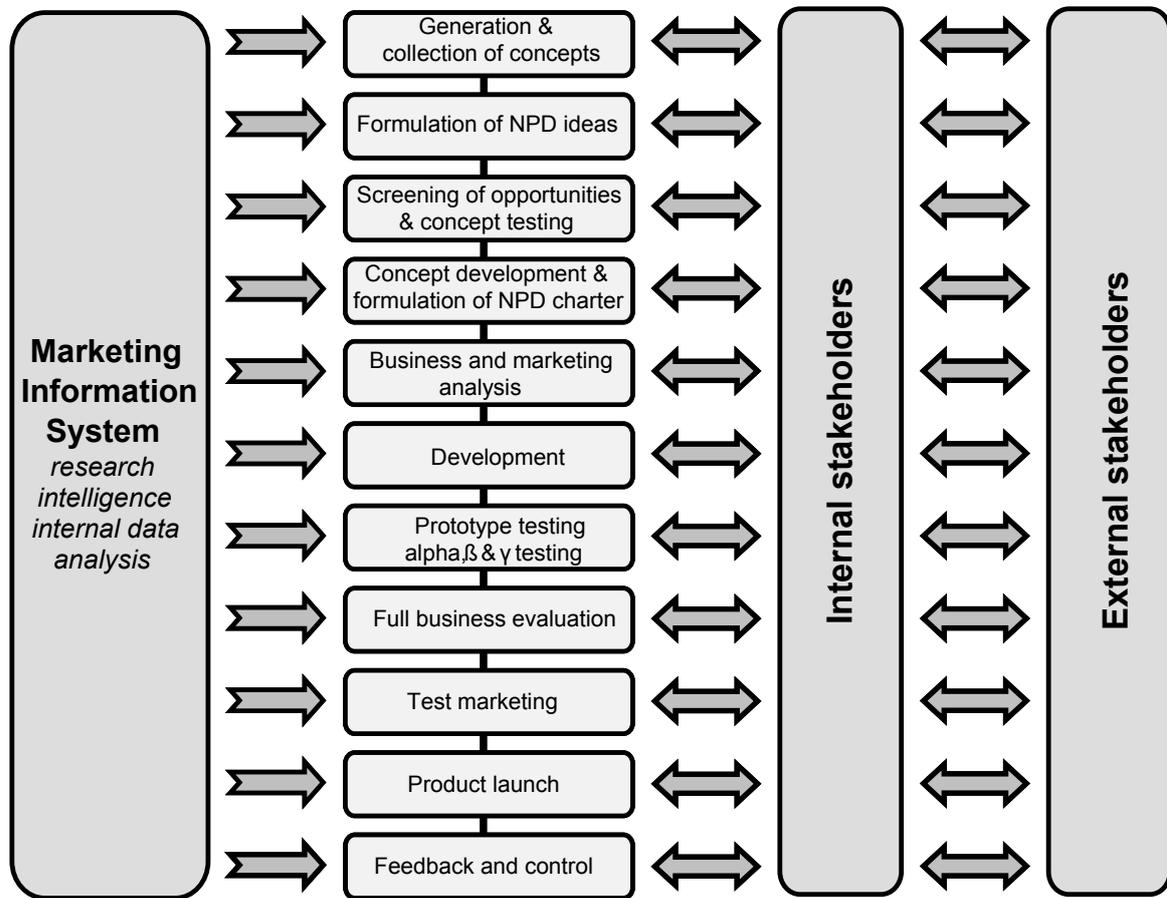
While cosmetics and other women's products dominate network business, guys are a growing focus of health/beauty marketers. "We're seeing stronger sales coming out of men's product lines, fragrances and skincare," NPD's Grant reports. P&G is attempting to breathe new life into the 70-year-old Old Spice brand, giving rivals like Unilever's Axe a run for their money with a series of spots, via Wieden + Kennedy, Portland, featuring the tagline "Experience is everything." And Coty Inc.'s Stetson tapped NFL star Tom Brady to become the face of the fragrance line in a series of TV and print ads via Laird + Partners, New York, set to launch this September, just in time for the new fall season.

5-Year Prime Time Spending Trend (Numbers in millions)

Year	Network	Cable
2002	1,542.1	402.7
2003	1,676.0	552.2
2004	1,660.1	628.5
2005	1,533.4	708.9
2006	1,631.7	709.6

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Appendix Four – New product development process



Appendix Five – Brand Communication in Europe

Table One

**Brand Communication in Europe
Main monitored media advertising spend on women's fragrances, top five, 2006**

France	Germany	Italy	Spain	UK*
Christian Dior J'Adore €6.9m	Giorgio Armani Code €6.9m	Gianni Versace Bright Crystal €10.0m	Calvin Klein Euphoria €3.2m	Procter & Gamble £7.9m
Lancôme Hypnose €6.3m	Naomi Campbell Cat Deluxe €3.4m	Christian Dior J'Adore €9.4m	Pacha (Puig) €3.1m	Chanel £6.8m
Kenzo Flower €4.2m	Lancôme Hypnose €3.3m	Dolce & Gabbana the one €7.5m	Giorgio Armani Code €2.6m	Coty Prestige £4.0m
Guerlain Insolence €3.5m	Dolce & Gabbana the one €3.2m	Giorgio Armani Code €7.1m	Estée Lauder Pleasures €2.5m	L'Oréal £3.7m
Giorgio Armani Code €3.4m	Chanel No 5 €2.7m	Lancôme Hypnose €6.9m	Rochas Eau de Rochas €2.5m	Parfum Christian Dior £2.8m

* Adspend by advertiser – brand breakdown not available

Source: **MINTEL** 2007

Table Two

New Product Development in women's fragrances, major markets, year to May 2007

Country	Number of launches
France	382
UK	282
Germany	124
Italy	148
Spain	147

Source: **MINTEL** 2007

Briony Davies

October 2006, Vol. 174 Issue 10, p26-28, 3p

www.gcimagazine.com

The mature luxury fragrance sector is seeing rejuvenation in some markets. Players in premium fragrances have been blighted by saturation of usage in key markets, increased consumer price consciousness and competition between retailers. Yet, growth of 3% in 2004 is indicating that manufacturers' attempts at rejuvenation of this highly mature sector are having some impact. Euromonitor International looks at key regions and markets, monitors trends throughout the last year and recommends future strategies for maximising the category's potential.

Meltdown in mature markets

Western Europe and North America account for almost 80% of global premium fragrance sales in value terms. In spite of their formidable size, average annual growth since 2000 has been somewhat disappointing with both regions consistently registering rates below the global average. After three years of shrinkage, North America appears to be coming out of the doldrums with gains of nearly 3% for the second year running in 2005.

The beleaguered US market received a boost from a number of new launches in the men's arena, including Armani code, Ralph Lauren Polo Black and Kenneth Cole Signature. All were supported by bold advertising campaigns, resulting in 5% growth in men's premium fragrance versus 2.5% in women's.

The explosion of celebrity fragrance launches after the success of *Curious* Britney Spears in 2004 fuelled growth in premium women's fragrance. That high growth witnessed in 2004 was not quite echoed in 2005.

Manufacturers are exploiting the migration of consumers toward the mass retail environment with innovative strategies geared to this arena. Elizabeth Arden introduced its *Curious* Britney Spears premium fragrance into the mass market channels to great success, with specially designed smaller packages at price points under \$20. Although economic recovery and increasing consumer confidence is in part responsible for the revival of premium fragrances here, manufacturers in other regions can rest assured that creativity and perseverance can go some way toward rescuing a floundering sector.

Waning sales in Western Europe

The performance of Western Europe, which recorded growth of slightly more than 1%, has been blighted by the region's present economic difficulties and the increasing availability of premium fragrances through mass market channels and the Internet that brings down unit prices.

France remains the undisputed champion in Western Europe's fragrances, topping the \$10.4 billion sector with a 22% slice. Yet, Spain is rising up the ranks with growth momentum that is expected to see it overtake Germany by 2010, closing the gap on France. The latter has hit saturation point, with sales declining every year for the last three.

Despite this, celebrity and fashion label fragrances have proven unceasingly popular, a phenomenon that has helped sustain the high-end segment, as have the advent of one-off, customised scents and the surprising comeback of old favourite brands. Expanding the consumer core by creating perfumes for teens, tweens and even babies has also contributed to sales. Men's fragrances are proving more dynamic in the premium segment than the sector as a whole, signalling this as another area with value-generating potential.

Emerging Stars

Eastern Europe, Africa, the Middle East (AME) and Latin America have been the star performers in premium fragrances since 2000. All are benefiting from rising disposable income, the influx of women in the workforce and the inspirational nature of these products.

Eastern Europe managed average annual growth of more than 15% - a notable achievement in that it is twice the rate of the next strongest performer, the AME. Double-digit growth in Russia, Romania and Ukraine outweighed lacklustre performance from Poland, Bulgaria and Slovakia.

Consumer tastes in Eastern Europe do not differ greatly from those in Western Europe – in both regions the top two brands in women's premium fragrances are *Chanel No. 5* and *J'adore*, and *Fahrenheit* ranks highly in men's. The AME is the only emerging region where sales of premium fragrances outstrip those of mass. This is most notable in Israel where the share of premium fragrances accounted for a weighty 88% of total fragrance sales, highlighting the fact that Israeli consumers perceive the high-end products as necessary status symbols.

Although Latin America has seen significant increases in sales throughout the past five years, growth is set to falter with only 3% compound annual growth rate (CAGR) to 2010 as masstige fragrances from local players such as Natura and O Boticario cannibalise sales.

Eastern Europe and the AME will remain the two fastest-growing regions with Asia Pacific, buoyed by expectations for India and China, shooting up the ranks to join them.

With absolute growth in all three regions accounting for in excess of half of global growth to 2010, players wishing to succeed on the world stage must adapt their strategies to suit these markets.

Luxury moves further East

Following sluggish growth since 2000, Asia Pacific looks set for recovery with 37% growth expected over the next five years. The lion's share of sales will come from China. Many manufacturers also have their sights on India, and for good reason: China was one of the world's top 10 countries in terms of gross domestic product (GDP) growth measured at purchasing power parity between 2000 and 2005, and India's GDP rose by 70% during the same period. This newfound prosperity is putting more money in the hands of consumers who are proving increasingly willing to spend it. BMW sold more Bentley Mulliner 728 limousines, which at \$1.2 million is the world's most expensive car, in Beijing than in any other city in the world. In contrast to the West, conspicuous consumption is the done thing, and labels rather than quality prevail.

Focusing in on the sector, the tariff on premium fragrances in China was lowered from 30% to 10% at the beginning of 2005, enhancing the potential for stronger demand and encouraging new brands to enter China. Similarly, reductions in customs and excise duties on alcohol-based cosmetics and toiletries in India will see an increase in international and domestic manufacturers seeking to leverage the reduced barrier to entry.

Marketing premium fragrances in these emerging nations will require manufacturers to employ different tactics to reach potential consumers – regardless of the relative sales gains to be made, such products are only within reach of an elite but growing consumer niche. The scent itself must then take a backseat with the emphasis on the name and its association with luxury to attract the image-conscious consumer.

Another issue that premium fragrance players must be alert to is the prevalence of counterfeiters in both markets. The Chinese government is attempting to clampdown on copycats as are manufacturers themselves, but until this problem ceases, all premium fragrance brands will be vulnerable to erosion.

Unisex Take Two

Premium unisex fragrances' sales of \$0.3 billion are negligible when compared to both men's and women's, with sales of \$5.5 billion and \$10.9 billion respectively. When it becomes apparent that Coty's *cK one* and *cK* together account for more than 70% of value purchases, the future for unisex fragrances looks bleak with little chance of recovery after seven years of falling sales.

In spite of this, there has been renewed interest in this area from a number of other players during the past 18 months. Launched in 2005, Jean Paul Gautier's *Gautier 2* claims to close the "sexual divide between men and women". As well as a specifically unisex launch from Hermes, the area also has been fuelled by Dior Homme's *Eau Noire*, *Cologne Blanche* and *Bois d'Argent*.

The exact rationale behind these new launches in hair and skincare, including Malin and Goetz, indicate that sharing is becoming slightly more accepted again. Yet, categorisation in cosmetics and toiletries is on the increase, particularly in the men's grooming arena.

Whatever the motivation behind the recent forays back to unisex, it is clear that image is critical to a product's success. *cK one* works because of its androgynous image. In contrast, Jean Paul Gautier is likely to deter some male consumers given the designer's camp status. Fragrance players attempting to crack this difficult area should focus heavily on creating neutral brands.

Cult of Celebrity

In recent years, the cult of celebrity helped drive sales in fragrances with more shelf space devoted to pop stars, actors, fashion labels, models and even authors. Although the risks of celebrity endorsement are apparent – the selling power of particular icons is only as strong as their image – the trend shows no sign of abating. Kylie Minogue is the latest star to jump on the bandwagon with an agreement with Coty, which also works with Jennifer Lopez, Sarah Jessica Parker, and Victoria and David Beckham.

Cosiness with celebrities also has proved successful for Elizabeth Arden, with carefully chosen stars used to generate appeal among a range of consumer groups. With Britney Spears and Hillary Duff targeting the teens to 20s segment, the company is hoping for a hit among baby boomers with its Danielle Steele fragrance.

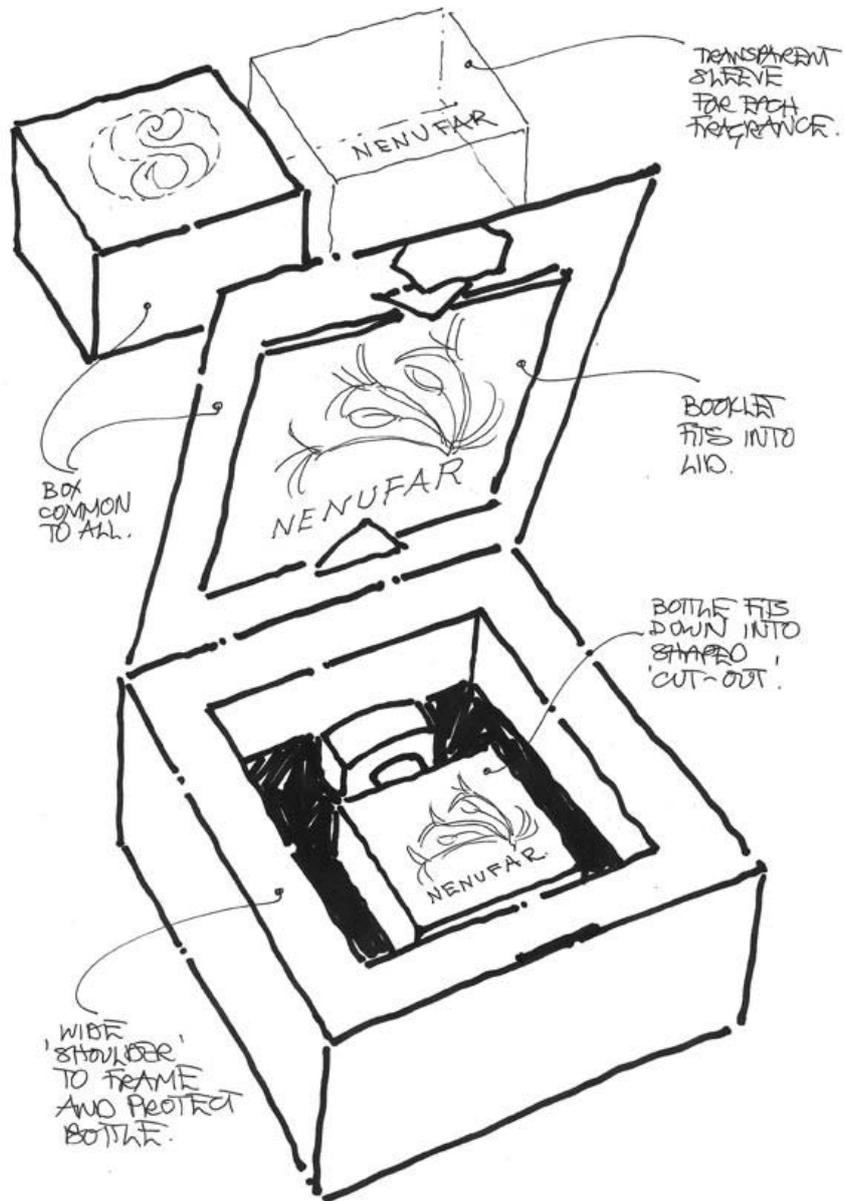
As the celebrity trend becomes more mature, this focus on catering for diverse demographics will enable manufacturers to eke out the sector's maximum potential. Expanding the consumer core by creating perfumes for new groups such as babies has contributed to sales. Givenchy, Guerlain, Burberry and Bulgari have launched baby fragrances in the US, and if fruitful, could take these to other markets.

Although the power of celebrity remains strong, some of the more innovative launches this year include unusual brand partnerships, such as Eau de Stilton in the UK and International Ltd.'s *Beautimatic Fragrance Pour Homme* in Egypt. The likely success of such novelty launches is questionable.

Strategies more likely to be prosperous in the long-term are those that focus on protecting share in developed markets, and capturing the potential that exists in emerging markets by ensuring endorsements are adapted to local preferences. For example, a fragrance from Bollywood actress Amisha Patel could prove popular in India. With a forecast CAGR of 2.2% to 2010, significantly lower than that of mass fragrances, manufacturers will not have an easy ride.

Reproduced with permission from Global Cosmetic Industry magazine, October 2006

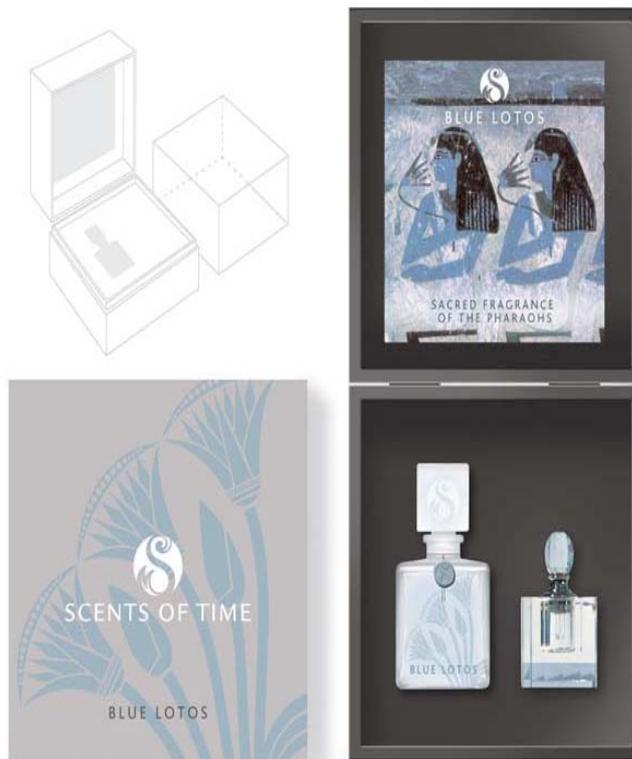
Appendix Seven – Original box sketch and samples



Source: © Scents of Time Limited 2007



Source: © Scents of Time Limited 2007



Source: © Scents of Time Limited 2007

Appendix Eight – Inlay and perfume bottle

CENOTE

In ancient times
Nothing was certain
The Sun God's return every day
The Rain God's favour on crops
Nothing was guaranteed.
So it was that Mayan Nobles
Sacrificed beautiful virgins
At the right season
In the appointed place
The Cenote of Chichen Itza
Well of death and rebirth
Path of transformation
Death for the chosen one
Life for the crops
The rain God Chacmool
In return for his gift
Brought Green Bounty.
The women,
Richly adorned
Incensed
And lavishly perfumed
Lived again
In the grateful hearts
Of their peoples

BLUE LOTOS

The scent of the blue lotos flower revered by Cleopatra

KODO

The aroma of alder wood incense from ancient Japan

COPAL

The sacrificial incense of the Maya

Other fragrances available in the Scents of Time range.
Contact details to go here including the address and telephone number of stockists
www.scentsoftime.co.uk


SCENTS OF TIME

PYXIS


SCENTS OF TIME

THE STORY OF COPAL

SACRIFICIAL INCENSE OF THE MAYA

When the Spaniards conquered Mexico, they came across many legends of the Amerindian tribes. One concerned a sacred well at Chichen Itza in the Yucatan peninsula. It was said that virgins were sacrificed to appease the Rain God and ensure bountiful crops. An American, Edward Thomson, wondered if there was any truth to the supposed legend. He dug down through the silt of this massive cenote early in the twentieth century and found not only the bones of the victims, but also the gifts of incense they were carrying in the form of balls of Copal. For these sacrifices to have been willingly led to the edge of the deep well, and to dive within, they were feted with the very best the Mayans had to offer. They were given strong stimulants, amongst which were the aromas of Mexico's gifts to today's world, cacao and vanilla. A heady perfume of night-blooming Jasmine and rich sensation of green vegetation completes the fragrant perfection of Copal – gift to the Gods.



THE FRAGRANCE FAMILIES

-  CIRUS
-  GREEN
-  WATER
-  FLORAL
-  SOFT FLORAL
-  FLORAL ORIENTAL
-  SOFT ORIENTAL
-  ORIENTAL
-  WOODY ORIENTAL
-  MOSSY WOODS
-  DRY WOODS
-  AROMATIC

COPAL

SACRIFICIAL INCENSE OF THE MAYA



RICH ORIENTAL

Head Notes
GREEN FOLIAGE ACCORD, CENOTE WATER ACCORD

Heart Notes
NIGHT-BLOOMING JASMINE

Scent Notes
CACAO BEAN, VANILLA ABSOLUTE, COPAL INCENSE ACCORD

Source: © Scents of Time Limited 2007



Source: © Scents of Time Limited 2007

Appendix Nine – Examples from the Coty fragrance brand portfolio

Designer Brand	Brand Value	Notes
Calvin Klein: <i>Obsession, Eternity, Eternity Moment, Escape, CK one, CK be, ckIN2U, Contradiction, Truth</i>	modern chic, minimalism, sexy	largest and best selling fragrance house in the Coty portfolio, brand aimed at youth and people of any age, ckIN2U was developed for a new consumer group: 15 – 25 year old technosexuals
Nino Cerruti: <i>1881 Pour Femme, Cerruti Image, CerrutiSi</i>	elegance, timelessness, refinement	acquired in 2005
Phoebe Philo, Chloé: <i>Narcisse Classique</i>	chic, femininity	acquired in 2005
Jette Joop: <i>Jette by Joop By Night Jette</i>	trendy, glamour, self-confidence	in 2005 Coty joined forces with Jette Joop
Joop! <i>Joop, Joop Jump, Joop Go, Joop Le Bain, Joop Homme, Joop Femme</i>	bright, classic with a fresh attitude	working with Coty since 1987, major focus in Europe, Middle East, Australia
Jil Sander	purity, simplicity	collaborated on a range of fragrance and beauty products from 1979
Kenneth Cole	sophisticated, warm and comfortable	acquired brand in 2003
Marc Jacobs: <i>Marc Jacobs, Marc Jacobs Women, Marc Jacobs Blush</i>	understated style and attention to detail	acquired brand in 2003
Nikos: <i>Nikos Sculpture Homme</i>	physical beauty, heroic, iconic	
Vera Wang: <i>Princess, Truly Pink</i>	elegance and sensuality	acquired in 2005, in 2006 the Vera Wang brand was developed extensively leading to the creation of Vera Wang For Her, EdP, Princess and Truly Pink.
Vivienne Westwood: <i>Anglomania, Boudoir, Boudoir Sin Garden</i>	sensuality and eccentricity	partnered with Coty in 1998

Celebrity Brand	Brand Value	Notes
Jennifer Lopez: <i>Still, Miami, Glow by JLo, Live, Live Luxe</i>	angelic, sensuality and glamour	collaborated with Coty in 2002, first scent was Glow which generated nearly \$100m in first year, considered one of the most successful fragrance launches ever, considered to have huge potential
Sarah Jessica Parker: <i>Lovely, Covet</i>	timeless, everlasting and girl next door	fashion icon status ensured record sales when launched in 2005

Lifestyle Brand	Brand Value	Notes
Chopard: <i>Casmir, Casran, Infiniment, Pure Wish, Wish, Wish Pink Diamond</i>	fairytale, joyful spirit	one of the few family owned luxury brands, Casmir remains one of the top selling brands in some markets, 15 years after its launch
Davidoff: <i>Echo, Cool Water, Cool Water Game, Deep</i>	luxury, intense pleasure	launched 1988
Lancaster: <i>Elegance, Sun, Aquasun, Aquazur, Integrity, Experience, Mediterranean</i>	sensuality, refreshing, energy, purity	specialises in skincare fragrances
Nautica: <i>Classic, Latitude Longitude, Competition</i>	adventurous and spirited	licensing partnership from 2005

Portfolio: Coty Beauty

Designer Brand	Brand Value	Notes
Esprit: <i>Esprit for Life</i> <i>Esprit Life Man</i> <i>Esprit Collection Him and Her</i>	playful and youthful	launched 2004, one of Coty's best performing brands in Europe
Miss Sixty: <i>Miss Sixty</i> <i>Miss Sixty Elixir</i>	60s and 70s retro and modern	introduced in 2005
Pierre Cardin	exclusive	among France's top 10 eaux de toilette

Celebrity Brand	Brand Value	Notes
Céline Dion: <i>Céline Dion, Always</i> <i>Belong, Notes,</i> <i>Enchanting, Spring in Paris</i>	passion and elegance	Céline Dion brand is Coty's best seller in France, retail value sales increased by 75% since 2005 largely due to launch of <i>Belong</i> , continued strategy of brand extension
David and Victoria Beckham: <i>Intimately</i>	elegant masculinity, sensuality	partnership established in 2005, one of Coty's number one fragrances
Isabella Rossellini: <i>My Manifesto, Isabella</i>	glamour, timeless femininity	one of Coty's first celebrity partnerships
Kylie Minogue: <i>darling</i>	sweet, sensual, strong and talented	introduced in 2006
mary-kateandashley	individuality, glamour, aspiration	launched in 2004, securing number one position in 'tween' market
Shania Twain	western chic and elegance	licensing agreement established in 2005

Lifestyle Brand	Brand Value	Notes
adidas: <i>adidas</i> <i>adidas for women</i>	sporty, healthy	strategic partnership since 1985, iconic global sports brand distributed in 82 countries, adidas for women among France's top 10 eaux de toilette
Aspen: <i>Aspen for Men, Aspen Sensation, Aspen Discovery</i>	romance, adventure and clean, crisp sophistication	promotes outdoor values
Astor	simply irresistible	relaunched by Coty in 2002
Chupa Chups: <i>Love Trap</i> <i>I Love Me</i>	fun and seductive	based on the playful flavours of the lollipops aimed at pop youth culture
Desperate Housewives: <i>Forbidden Fruit</i>	seduction and sophistication	introduced in 2006
Exclamation	individuality and confidence	launched in 1988 with one of the most synergistic and memorable marketing campaigns ever
Jovan: <i>Musk, White Musk for Men and Women, Woman, Island Gardenia, Sex Appeal for Men and Women, Jovan Ginseng NRG, Jovan Fever</i>	down to earth	a best selling musk, first ever fragrance to sponsor a rock band 'Rolling Stones'
Miss Sporty	open-minded, playful, animated	
Rimmel <i>Beat</i>	spontaneity, fun, light-hearted cheek	the fragrance was developed by Rimmel and represented a departure from their traditional product range of cosmetics
Stetson Cologne	rugged, masculinity	brand developed in 1981, one of the best selling fragrances for men in the US
Vanilla Fields	freshness and warmth	inspired by nature, caused a vanilla craze in the 1990s

Source: Coty.com

Appendix Ten – Coty Launches Fragrance Bay

Global Cosmetic Industry
March 12, 2007

www.gcimagazine.com

Coty Inc. unveiled its first US-based fragrance bay, a retail kiosk that will be located on the main level at the Lord & Taylor Fifth Avenue store in New York City. The new fragrance bay will feature 18 brands, and will be outfitted with Coty Prestige's popular product lines.

"This is an exciting moment for Coty Prestige," said Bob Taylor, SVP Specialty Stores, Coty Prestige North America. "The fragrance bay provides consumers with the opportunity to experiment with several of Coty's fragrances and get a full sense of the wide spectrum of perfumes we offer. Our staff of trained fragrance professionals will be able to guide consumers to the best Coty scent that fits their lifestyle."

Providing consumers with hands-on access to its products, the fragrance bay, according to Coty, is the only one in the U.S.

"The premiere of this Coty fragrance bay is an extraordinary opportunity for Coty," said Bernd Beetz, CEO Coty Inc. "The fragrance bay will allow us to showcase our popular Coty Prestige brands in one central location while resonating with consumers as the world's largest fragrance leader."

The fragrance bay launch at Lord & Taylor coincides with Coty Prestige's movement to successfully unite all divisions of the fragrance house under one umbrella. "The launch of the fragrance bay is the perfect opportunity for Coty Prestige to internally and externally unify and showcase popular prestige brands," said Taylor.

Brands and fragrances to be carried at the Lord & Taylor Fifth Avenue launch include Calvin Klein, Nina Ricci, Sarah Jessica Parker, Vera Wang, Marc Jacobs, Carolina Herrera and Prada lines. Coty and Puig have a strategic partnership for the distribution of the perfume lines of Nina Ricci, Carolina Herrera and Prada in the U.S. As success of the bay builds, Coty will add additional lines and products along with new launches yet to come and additional sites around the country.

Reproduced with permission from Global Cosmetic Industry magazine, March 2007

Appendix Eleven – French Designer Provides Contemporary Packaging for Bourjois and Coty

Katie Bird
2 August 2007

www.cosmeticsdesign-europe.com

Clean lines and simple, contemporary colour schemes characterise QSLD's recent campaigns for Bourjois and Coty, in an attempt to attract the sophisticated consumer looking for convenience in their cosmetics.

Bourjois, has chosen French designer Denis Boudard, the President of QSLD Design Group, to design the packaging for its new range of mascaras 'Waterproof Easy' and lipgloss range 'Eau de Gloss'.

The range of waterproof mascaras is aimed at fun loving consumers who 'love their lashes to look their most luscious even at the beach', and Bourjois asked Boudard and his team to create a *'modern and seducing look that would embody the ease of use and convenience of the product'*.

'The celadon blue and chocolate tawny colours are both sophisticated and resolutely contemporary' says Boudard, truly reflecting the character of the product.

Similarly, Boudard wanted to reflect the innovation of the waterbased lip gloss range, attempting to capture the essence and convenience of the new product. For this product Boudard created clear pots and lids, with clean lines and simple, stylised labels to reflect the futuristic, innovative nature of the product.

For Coty's brand Esprit the theme was tropical, sunset beaches with exotic bamboo motifs, reflecting the fragrance 'Night Life' - a cocktail of pineapple, fresh coconut, almond blossom with a musky undertone. The packaging combines clean, streamlined horizontal lines with exotic looking bamboo stalks and tropical flowers in warm colours to evoke the summer nightlife concept.

Boudard's designs are innovative and sophisticated yet all three give a clean, streamlined feel, appealing to the carefree, youthful consumer.

This unfussy approach to packaging is becoming something of a trend in the world of cosmetics. For example premium oral care brand Rembrandt has recently rebranded its whitening range opting for simple, minimalist packaging with straight forward colour coding to determine each product line.

Many companies have been using the back to basics approach, opting to update iconic traditional designs rather than replace them altogether; exemplified by last years German Packaging Award that went to Dieter Bakic for their modern update on Nivea's classic round tin.

QSLD has been at the core of the French Luxury scene for more than a decade, designing for Coty, Puma, Lacoste, LVMH, Paco Rabanne and Lancôme, amongst others. The US branch, QSLD New World, specialises in outer packages and bottles that help luxury brands to reach their target audience.

Source © 2007, Decision News Media

Appendix Twelve – Coty sales performance

Table One
Coty Inc: World Sector Sales Performance 2005

	Market size US\$ million	Market % CAGR 2001/2005	Market % CAGR 2005/2010	% of Company Sales	Company Share 2005	Global ranking 2005
Suncare	5,614.6	11.5	5.1	1.6	1.3	13
Skincare	55,495.9	10.9	4.6	0.6	0.0	63
Men's grooming products	20,289.2	9.7	3.7	4.0	0.9	12
Cosmetics and toiletries	253,626.9	7.9	3.4	100.0	1.7	13
Colour cosmetics	34,829.5	6.4	3.3	23.9	3.1	7
Deodorants	12,040.8	9.1	3.2	4.8	1.8	7
Fragrances	27,612.4	7.9	2.9	63.1	10.3	1
Bath and shower products	23,268.3	5.4	1.9	2.0	0.4	27

Source: Euromonitor International

Note: Percentage of company sales in each sector is calculated from rsp sales within this market in 2005. This figure may be slightly distorted by double-counting products which appear in more than one sector.
Data sorted by forecast CAGR 2005/2010

Table Two
Coty Inc: Cosmetics and Toiletries Regional Sales Performance 2005

	Market size US\$ million	Market % CAGR 2000/2005	Market % CAGR 2005/2010	% of Company Sales	Company Share 2005	Regional Ranking 2005
Eastern Europe	17,082.3	14.5	6.9	9.7	2.5	9
Africa and Middle East	11,084.8	5.0	5.6	3.4	1.3	13
Latin America	29,037.0	5.7	5.2	4.7	0.7	14
Asia Pacific	63,117.3	4.5	4.7	4.2	0.3	38
World	253,626.9	6.3	3.4	100.0	1.7	13
Western Europe	76,462.5	9.9	2.2	51.1	2.9	8
Australasia	3,453.6	10.3	1.9	1.1	1.4	15
North America	53,389.3	2.8	0.8	25.7	2.1	11

Source: Euromonitor International

Note: Percentage of company sales in each region is calculated from rsp sales within this market in 2005.
Data sorted by forecast CAGR 2005/2010

Appendix Thirteen – Fragrances Industry Adjusts to the Fast Pace of a Fickle Consumer Market

Diana Dodson
4 September 2007

Euromonitor.com

Fragrances have gone the way of the colour cosmetics sector, viewed in the same light as short-term fashion fads and increasingly influenced by them. It is this high churn rate that is fuelling celebrity scents and prompting perfumers to seek inspiration from trends beyond the beauty market.

Celebrity fragrances continue to thrive despite industry predictions of a backlash and the rise of artisanal fragrances, which are working to revive perfumery's status as an art form in the hope of bringing durability to an increasingly fickle market. Six celebrities have already announced they will introduce scents before the end of 2007 in the US alone. Gwen Stefani, Mariah Carey and Usher are all new names to the fragrances sector while Sarah Jessica Parker, Sean "Diddy" Combs and Paris Hilton are expanding their scent collections.

There will always be consumers that stay loyal to a single, signature scent, particularly among the older age groups, but for the majority, fragrance has become the accessory that completes an outfit and these consumers update their scent wardrobe almost as often as they update their 'look'.

For the manufacturers of celebrity scents, there is a recognition that fragrances do not need to last more than the two years that have become the industry average for new launches. They are catering to the fashion side of the sector, generating a buzz by creating the next must-have scent. By using prominent figures from the worlds of music, movies or fashion, they can instantly affiliate with a particular trend with a minimum of brand building and costly advertising.

And the strategy is working. Euromonitor International data shows fragrances put in a strong performance in 2006 for such a crowded and competitive sector, increasing by 6% in fixed exchange rate terms to US\$30.6 billion. The figure also caps off a three-year trend of growth acceleration fed by economic prosperity in the emerging markets, but also stronger demand in the maturing, developed countries. In Western Europe particularly there was a marked upturn in 2006, according to Euromonitor International, for which celebrity scents are largely credited.

Tapping into outside trends

Celebrity branding, however, is not the only way for manufacturers to keep their fragrances aligned with fashion. Increasingly, for instance, the industry is using colour trends as inspiration for new scents. US-based Arylessence works with colour forecasters to create a palette that conveys an identified trend, which it then translates into notes and accords. The company, for example, was inspired by a palette including sugar coral and deep-water blue (based on the lifestyle trend Exotica, which epitomises freedom, escapism and adventure) to create fragrance combinations of green curry and mango, and Tahitian sugarcane and papaya.

Arylessence also illustrates how fragrance companies are increasingly tracking food fads as predictors of future scent trends. Other examples include Jo Malone's

Pomegranate Noir, which rides on the present wave of popularity for super fruits, and Tartine et Chocolat Gransenbon Perfume by Givenchy.

Limited editions are another way for fragrances to stay current and to cut across the constant hype in such a launch-heavy sector and stand out from the other new products coming onto the market. They often tap into a high-profile event of the moment to benefit from the publicity surrounding it, or mark the coming of a new season or holiday. Yves Saint Laurent originally launched In Love Again as a limited edition to celebrate 40 years in the fashion business and last year Thierry Mugler introduced a limited edition box set of fragrances linked with the film release of Patrick Süskind's novel Perfume: The Story of a Murderer.

In terms of future prospects, the outlook is rosy for fragrances, with Euromonitor International forecasting it to keep pace with the overall cosmetics and toiletries market at a steady 3% a year over 2006-2011. This is a more positive picture than was being painted this time last year and shows that the industry is adapting to a faster-paced environment in which brand loyalty is low.

Source: Euromonitor International



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