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BUSINESS

A mainstay of the French economy

The tradition of French perfume manufacture goes back many centuries. Today, French perfumes account for a substantial share of world perfume exports and four of the eight major groups in the sector are French. As an evanescent product *par excellence,* supporting thousands of jobs and colossal sales figures, perfume is a luxury product that is increasingly popular; as a sector, it has, for a number of years, undergone some considerable changes.

Rarely has an industrial sector of such importance consisted of so many contradictions: as the quintessence of luxury, sensuality and refinement, the perfume industry is also the domain of powerful industrialists, of experts in marketing and publicity launches at the global level. In spite of the product's somewhat frivolous connotation, the perfume industry has drifted through the recession virtually unaffected, its growth rate in France varying from 12.3% in 1991 to 4.2% in 1993 and 3.2% in 1994, without ever dropping into negative figures (in France, nine out of every ten women and one out of two men use perfume). And despite several centuries of tradition, French perfume manufacturers now use state of the art technologies.

Perfumes are perfected by inspired inventors (the famous "noses" skilled in the art of blending different essences) who know all about the latest findings in chemistry as well as the market prices of expensive natural raw materials. Perfumes are packaged with care, given evocative names and labelled by all the greatest fashion names. Nonetheless, they have never been as popular and are now sold on the shelves of large stores. At the same time, perfumes appeal not only to women but also more and more to men, young people and even children, a market in full expansion (see box).
In this sector, France occupies pride of place, with four corporations in the leading pack, followed by a myriad of more modest companies. As a whole, the industry represents a domestic market of FF 29.4 bn (or US$ 5.8 bn, on the basis of 1 French franc = 0.20 US dollar) (all brands included), to which can be added approximately FF 5.5 bn (approximately US 1 bn) of imports and FF 29.7 bn (US $5.9 bn) of exports in 1995. Not forgetting that French perfumes represent a good share of world exports in this sector.

Some one hundred launches per year

Some one hundred new perfumes were launched in 1995, as in 1994, involving just as many operations with huge implications. Last autumn (the main launches always take place towards the end of the year, with Christmas presents in mind), Lancôme launched *Poême;* Dior, *Dolce Vita;* Cartier, *So Pretty.* Not to mention *Le Mâle* by Jean-Paul Gaultier or *Nilang* by Lalique and, of course, the half dozen or so perfumes signed by Italian or American stylists, which are often manufactured by the profession's big names. These launches involve advertising costs of around FF 100 m (US$ 20 m) for Cartier, three times that amount for Dior and Lancôme (not counting the cost of designing, bottling, packaging, etc., which represents some FF 500,000 or US$ 100,000).

The 1996 vintage promises to be just as good, even if the launches are those of lesser known brands: Paco Rabanne is launching *Paco,* backed by massive ad campaigns in the press and on television; Gianfranco Ferré, *Geffeffe;* Michel Klein, a most Parisian *Rendez-vous;* Gianni Versace, *Blonde;* Régine's, *Palace;* and Tiffany, *Trueste...* There is no respite in the world of perfumes, with its succession of launches. Indeed, for brand names, the stakes are high: since the world launch of *Poison* by Dior in 1987, a launch has to be on a massive, global scale in order to succeed. In other words, in order to reach annual sales of one billion French francs (US$ 200 m).

As a frivolous product with but a fleeting effect, perfume is the mainstay of a considerable industry. French companies are well represented among the sector's big names: L'Oréal takes second place after the American group Estée Lauder, with a turnover in perfumes of FF 6 bn in 1994 (US$ 1.2 bn). The French perfumes and cosmetics champion manufactures and distributes the brand names Lancôme, Ralph Lauren, Cacharel, Guy Laroche, Giorgio Armani, Paloma Picasso and Lanvin. Hot on its heels is Louis-Vuitton-Moët-Hennessy (LVMH), which owns Christian Dior, Guerlain, Givenchy and Kenzo (turnover: FF 5.4 bn, or around US$ 1 bn).

The Elf Aquitaine Group is not far behind, through its subsidiary Sanofi, with the brands Yves Saint-Laurent, Nina Ricci, Van Cleef & Arpels, Oscar de la Renta (turnover: FF 4.5 bn, or US$ 900 m). Finally, Chanel boasts a turnover of FF 3.5 bn (US$ 700 m), with its eponymous brand and Ungaro. It is obvious, then, that the big companies collect a multitude of brands and that some, which might be mistaken as American or Italian, belong in fact to French groups. In an exchange of proven processes, French fashion stylist Jean-Paul Gaultier manufactured his perfume - whose bottle is shaped like a woman's bust - with the Japanese Shiseido.

Behind these major players, there are scores of smaller companies that exist or survive. For instance, Cartier (1994 turnover: FF 280 m, or US$ 56 m, in perfumes, i.e. 5 to 7% of the group's total turnover) and Annick Goutal (Taittinger group), whose highly sophisticated "liquors" have yet to attain greater notoriety. Among many others, luxury houses such as the jeweller's Boucheron or the crystal glass makers Lalique have also launched their own perfumes, not to mention other, lesser known brands such as Ulric de Varens, the champion of inexpensive perfumes which, in France at least, are distributed only in large department stores and hypermarkets.

A changing industry

The Fragonard perfume plant, at Grasse, ca. 1900.

In France perfume manufacture is an industry with an ancient tradition and Grasse on the French Riviera has been its capital since the 18th century (see box); today, that industry is undergoing change. Indeed, even washing powder manufacturers have entered the market, whose growth has withstood the impact of economic crises. Examples of the last few years include Americans Procter & Gamble, Unilever and Johnson & Johnson. Very often, these groups are also specialists in beauty and hygiene products and the temptation to complement the upper end of their product range, i.e. luxury goods, is great. That is why Unilever acquired the Fabergé-Elisabeth Arden Group as early as 1989 as well as Calvin Klein. It also has the licenses for Scherrer and Lagerfeld.

Procter & Gamble had started with "mid-range" brands: Oil of Olaz and Vidal Sassoon. By buying the American cosmetics group Max Factor, it acquired the Hugo Boss and Laura Biagiotti licenses; in 1994, the group bought up Giorgio of Beverly Hills. Thanks to a consistent policy of acquisition the German detergents manufacturer Benkiser has also successfully converted, buying up Coty perfumes and Nikos products.

The emergence of new groups in the sector has had two repercussions: firstly, stiffer competition, which explains the inflation in launch costs. Secondly, by investing in large-scale distribution, the sales practices used by washing powder manufacturers are diametrically opposed to those implemented by leading perfumers. In the past Guerlain refused to hear of anything but highly selective distribution. In Paris, its products are sold exclusively in its boutiques. But, more and more, perfumes are starting to line the shelves of large department stores, alongside more modest fragrances such as eau de Cologne for example.

Pierre Cardin, for instance, has crossed the threshold and authorised the sale of its toilet waters in supermarkets. Cartier believes that the trend seems irreversible and that perfume, like champagne, will soon be sold in all supermarkets. By contrast, certain experts feel that the die has not yet been cast and the big brands are more than capable of protecting their selective networks (perfumeries, department stores, etc.). It is up to them to play the game and to keep an eye on their distribution. In any case, in 1995, sales in selective distribution declined by 2.5% while total turnover, which reached FF 64.6 bn (US$ 12.9 bn), increased by 5.3%. One thing is certain, world-wide: the battle for the perfume market promises to be tough. All the more so since Asia and the eastern Europe countries are awash with counterfeit products.

Alix Villeneuve

Well worth a visit:

- **The international perfume museum:** 8, Place Cours, 06130 Grasse. Tel.: (+33) 93 36 80 20.
- **The perfume bottle museum:** 33, rue du Temple, 17000 La Rochelle. Tel.: (+33) 46 41 32 40.

Creating a perfume, the prerogative of "noses"

While "Mademoiselle" Chanel herself may have created her famous *No.5*, which is still among the world's most famous perfumes, that age is well and truly gone. Today, creating a "liquor" is the prerogative of a handful of inventors particularly skilled at handling essences: they are known as "noses". It is not a profession that comes with a diploma since, above all, it requires a love of and a gift for fragrances as well as many years of apprenticeship not to mention the fact that a "nose" does not smoke and avoids anything and everything that might ruin his or her talent. After all, these rare experts (who can be counted on the fingers of both hands) must be capable not only of finding their way through a range of several thousand fragrances but also of blending them successfully.

To create a perfume, you need to blend several dozen essences and choose what specialists refer to as the "key note" (the fragrance that is instantly perceptible), the "core note" (which gives the perfume its character) and the "basic note" (which holds the entire structure together). The perfume is created by mixing notes that are fruity or tart, woody, flowery or sensual. Some of these experts work for a particular house such as Jean-Paul Guerlain, who created *Samsara*, while others create for a brand, such as Jacques Cavalier and Jean Guichard, from Grasse.

The ability to distinguish olfactory notes with a mere sniff is not enough to create a perfume that will remain famous. It also requires a sensitivity for the mood of the day, as was the case for *Shalimar* by Guerlain, created in 1925, or, more recently, for *Opium* (1977) by Yves Saint Laurent and *Poison* (1985) by Dior. Nowadays, perfumes are more startling, such as *L'Eau* d'Issey by Miyaké, with its pronounced marine touch. Or more discreet, for young girls, such as *Eden* by Chanel. In most cases, as in fashions or in any artistic creation, success comes from the chance encounter between the public and a certain sensitivity. For that, the perfume must also correspond to the brand name that launches it and comply with its image luxury, youth, sensuality, mystery, originality. There must be total coherence between the perfume, its bottle and the image they convey.

A.V.

Chanel "No.5" and the shadow of Marilyn

What better endorsement of a product could a perfumer hope for than that of an actress such as Marilyn Monroe, who once stated that the only thing she wore in bed were a few drops of Chanel *No.5*? Chanel was that fortunate, so much so that its perfume, which was created in 1921, still remains its brand leader several decades later. No.5 was given its name by "Mademoiselle" Chanel as it was the fifth bottle she chose among the models presented to her and it was due to be launched in May, the fifth month. This precious elixir has been the highest selling product ever since and is currently nudging the 5% mark in world market share.

Better still, the growth rate for sales of this perfume alone is still above 18%. A real annuity for the parent company which, traditionally, has relied on the services of French actresses to ensure the promotion of its prize product. Today, it is Carole Bouquet who endorses the brand's products; in a recent television ad, she had to transform herself into none other than Marilyn Monroe.

In the seventies, Catherine Deneuve had caused sales of the perfume to soar in the United States. So much so that the American press, captivated by her charm, had nominated the French actress as the world's most elegant woman.

Chanel's world-wide reputation cannot conceal the entirely family-owned structure of its capital, which, as far as perfumes are concerned, has been held by the Wertheimer family since 1924. The group is not quoted on the stock exchange and is usually most reticent about its figures. Nonetheless, it is known to achieve annual sales in excess of FF 8 bn (FF 9 bn in 1994, or US$ 1.8 bn) for its perfume sector alone. With *No.5, No.19, Coco, Cristalle, Egoïste,* the group, which also owns Ungaro perfumes, is ranked sixth in the world and fourth in France after L'Oréal, LVMH and Elf-Aquitaine.

For many years the company was closely linked with the personality of its founder, Coco Chanel; today, it is a major international group. Its American subsidiary and, more particularly, its chairman Alain Wertheimer, has just bought up a leading Bordeaux wine, Château Rausan-Ségla, a Margaux *deuxième cru classé.* The start, perhaps, of a policy of diversification...

Michel De Grandi

Grasse, the perfume capital

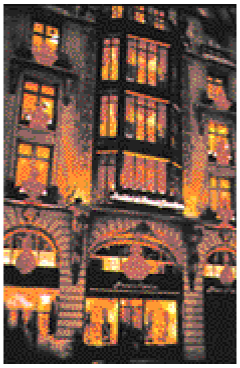
Flowers and a few animal essences such as musk and amber are the basic ingredients of all perfumes. Indeed, it is because of flowers that the real perfume capital in France is not Paris but Grasse, in the Cannes hinterland, on the French Riviera. For centuries, roses, jasmine, lavender, irises and mimosa have been grown here along with aromatic plants to extract their essences.

In this small sunny town, perched in the foothills of the Alpes-de-Haute-Provence, 2,000 people work to make perfumes and aromas, generating a turnover of almost FF 3 bn per year (US$ 600 m), or 50% of the market for French perfumes and food aromas and 6% of the world market. A number of major perfume groups, such as Sanofi, are represented there. But essences are the real trade in Grasse, with names such as Givaudan-Roure and Robertet. Nowadays, flowers are rarely cultivated on site due to the excessively high production costs and most flowers and, of course, spices are imported from Bulgaria, Turkey and Madagascar.

In spite of the difficulties and relocations of some of its industries, the tradition is carried on at Grasse. Robertet, for instance, produces custom-made essences for its clients from the Middle East, who are willing to pay between FF 3,000 and FF 5,000 (US$ 600 and 1000) for a litre of compositions that blend the finest of essences. This kingdom of perfume has seen the birth of new vocations: two sisters, heirs to the Fragonard brand, have just relaunched some of the perfumes that once made the fame of the brand. But, conversely, labour costs and environmental concerns have compelled others to relocate (indeed, the perfume industry is extremely polluting).

A.V.

Guerlain: the conductor of fragrances



France's oldest established perfumer is a veritable "conductor of fragrances". Over the last 165 years, Guerlain's compositions have all become great classics: *L'Eau impériale, Shalimar, L'Heure bleue, Vol de Nuit and Mitsouko.* The entire history of French perfumery is concentrated in those two syllables, Guer-lain. From the Second Empire through to the Belle Epoque, the Roaring Twenties and the postwar period, five generations of perfumers have taken the succession in the Guerlain family, founded by Pierre François Pascal. Ever since the first boutique was opened in Paris, in 1828, the company has gone on expanding; today, it has seven exclusive boutiques in Paris, with equally exclusive shops in Milan, Frankfurt, Tokyo, Singapore and Hong Kong.

The House of Guerlain has gradually developed from small-scale production in the 19th century to an international cosmetics firm which, with 321 fragrances, boasts the broadest product range in the French perfume trade. The "Guerlain style" over the past few decades has been characterised essentially by such products as *Vétiver, Habit rouge, Chamade, Nahéma, Jardins de Bagatelle, Samsara, Héritage.* There has been a marked acceleration, since the early eighties, in the creation of beauty products, with beauty care ranges - Issima, Evolution, Odélys - and also make-up lines - Matéorites, Terracotta and L'Or de Guerlain.

In April 1994, the perfumer's history turned a major corner since the established house was bought up by the world's leading luxury group, LVMH (Louis-Vuitton-Moët-Hennessy). Headed by Bernard Arnault, the Group includes other perfumes such as Christian Dior and Kenzo. Does this mean, then, that the label which is so selective when it comes to the distribution of its products is to become more widely available?

Today, Guerlain intends to develop by *"retaining all of its tradition while incorporating contemporary elements in its offering,"* explains Christian Lanis, the new chairman of the board. At present, the Group achieves 33% of its turnover in Europe as a whole, with France accounting for 27%, America, for 18%, Asia and Oceania, also 18% and 4% throughout the Middle East and Africa. The new dimension afforded by LVMH, resulting no doubt in new sites abroad, will not prevent the group as a whole from remaining true to its motto: *"To be Guerlain more than ever before".*

M.D.G.

The irrepressible growth of children's perfumes

"Perfumes as fresh as children's flesh", so dear to Baudelaire, would today no doubt surprise the poet, for they are on sale, bottled, in the best boutiques. True, it is a recent trend, started some ten years ago, but its success has been resounding. In 1993, the market in France was close to FF 500 m of sales (US$ 100 m) compared with FF 50 m (US$ 10 m) in 1973. The children's clothing label Tartine and Chocolat was the first to launch a perfume with *P'tit senbon*, followed by the stylist Agnès B. and Jacadi, Bon point, Clayeux. And the prestigious House of Guerlain did not hesitate to follow the lead of children's prêt-à-porter by creating *Petit Guerlain.* Although Guerlain did not disclose its turnover, it claims to have tripled its target

figures. Another advantage of this type of product is that its launch cost a mere FF 30 m (US$ 6 m), i.e. ten times less than the cost of launching *Samsara*, the brand's latest perfume for women

Besides the *eaux fraîches* (which contain very little or no alcohol) intended for babies and their mothers, the market also includes chocolate or blackberry "smellies" designed to appeal to little girls. Very young girls are targeted with a whole range from the leading brands, with *Fleur d'interdit* by Givenchy and *Tendre Poison* by Dior, lighter versions of *Interdit* and *Poison*, a reminder of the "grown-up version" at gentler prices. Indeed, the adolescent target group is particularly sensitive to price. And versatile, too, since it has no qualms about switching from a glamourous brand to that of a manufacturer of children's prêt-à-porter: Kookaï, Naf-Naf, Benetton and even the Tati chain of popular stores have not failed to launch their "liquor", too, to complement their line of clothing.

A.V.

contents

Questions in English:

1. When you think of perfume, with what is it associated? Do these associations represent France in your opinion?
2. Do you consider France to be the perfume capital of the world? Why or why not?
3. Perfume is becoming more accessible for all people (men, women, children, etc). What does this mean for France?