FRAGRANCE INDUSTRY PROFILE

AND MARKET POTENTIAL FOR TARAMEA

Interim Report

Milestone 5 – Path to market investigations

November 2014

A BRIEF HISTORY OF PERFUME

Fragrance vases and perfume-burners provide evidence of the importance of scent as early 7th-6th centuries B.C. Early scent was primarily resin-based and fixed with oil or fat. Use ranged through sacred, therapeutic, cosmetic and culinary and perfume then as now was considered a valuable trade commodity.

Distillation was developed from the 10th century and what we know as modern perfume became prevalent throughout Europe. Perfumed leather gloves became popular in France and in 1656, the guild of glove and perfume-makers was established in Grasse. The use of perfume in France grew steadily to the point where France was considered the centre of perfume.

Today fragrances are formulated mixtures of aroma chemicals - natural and synthetic ingredients - combined in unique ways using novel technologies for specific purposes. Although fragrance continues to have a range of uses, it is the cosmetic and perfume applications that are the major revenue earners. Fragrances are included in a variety of products including fine fragrance, personal care, home care, and home design products.

A BRIEF HISTORY OF MAORI PERFUME MAKING

Taku hei piripiri
Taku hei mokimoki
Taku hei tāwhiri
Taku kati taramea

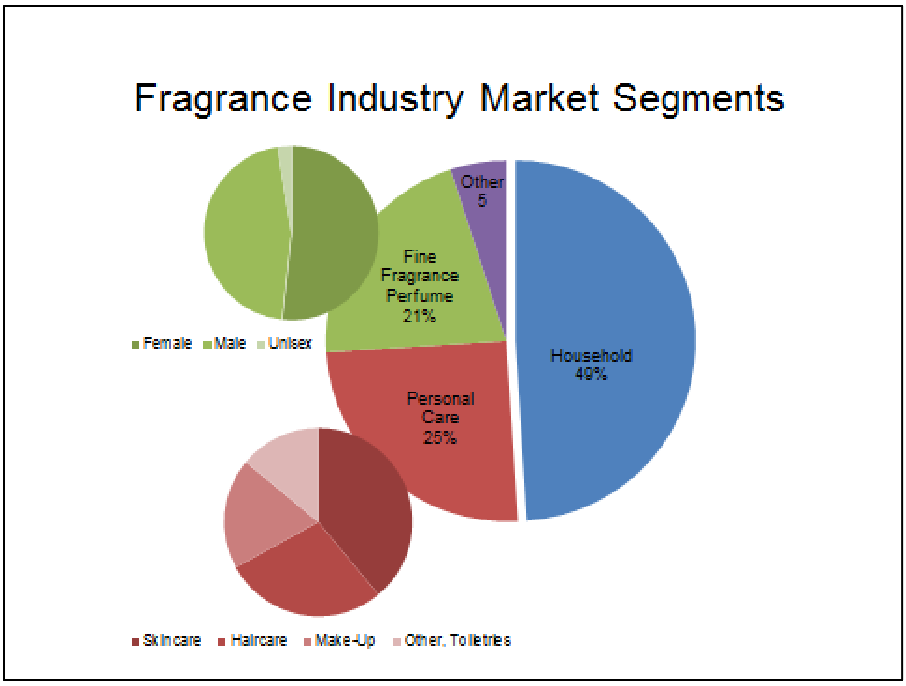
My little neck-satchel of sweet-scented moss
My little neck-satchel of fragrant fern
My little neck-satchel of aromatic gum
My sweet-smelling neck-locket of speargrass

The Maori used scent made from gum extracted from Aciphylla leaves, and named the plant Taramea. The leaves were gathered, plaited and the base of each plait was singed over embers until the heat forced the gum to the top, where it was squeezed out and collected.
The gum was then mixed with animal fat, such as refined pigeon or muttonbird oil. Fragrant sachets took their names from the materials composing them, as in *hei raukawa, hei piripiri, hei tawhiri, hei mapuna, hei mokimoki, kati taramea, pona tarata,* etc. The perfumed oil produced in this way was highly valued and was used for barter for food and greenstone, and as koha between rangatira.

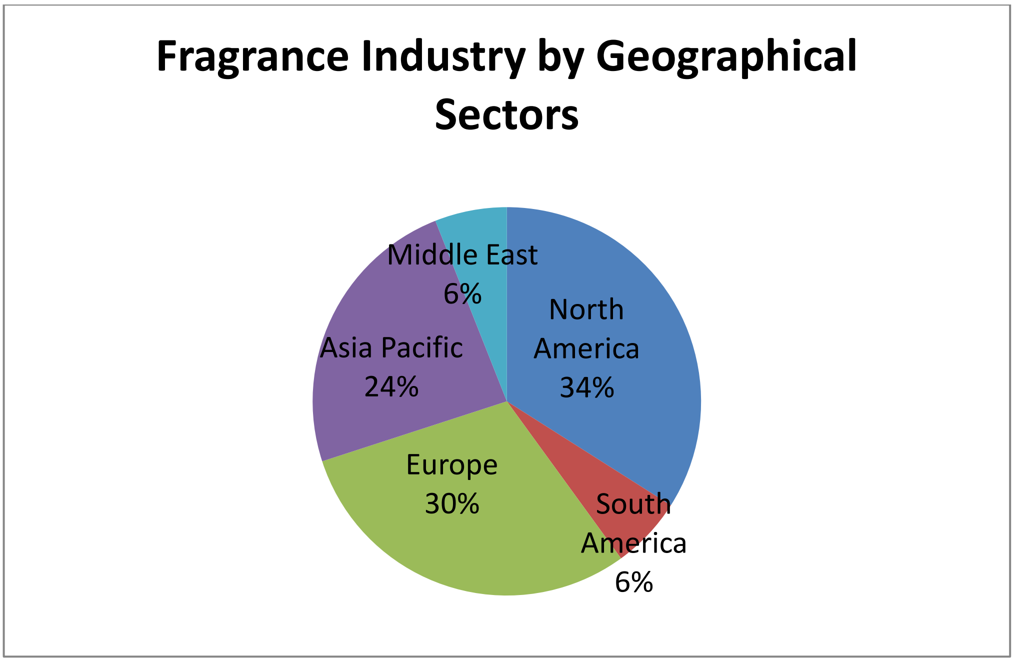
MODERN FRAGRANCE INDUSTRY SEGMENTS

In 2013, the supply of base fragrance, primarily essential oil, to the global fragrance market had an estimated value of US$8 billion to $10 billion. The base fragrance or essential oil is a very small component of the end product for most products, and once the fragrance is incorporated into the end-products the value of the market increases exponentially. For example, sales revenue in the global perfume industry alone was US$29 billion in 2013 and is forecast to reach over US$33 billion by 2015.

The main end-market for fragrances is household products, followed by personal care products, and then perfume (figure below). The household product market is dominated by low-value fragrance evoking cleanliness to be included in products such as floor cleaner and laundry powder although there is a small higher-value home design component in this market e.g. candles.



The fragrance industry can also be viewed by geographical segments (figure below). North America, primarily the United States, and Europe, primarily western Europe, are the major markets in the global fragrance industry. Asia is a growing and targeted market.



Market Trends

The annual growth rate in the global fragrance industry has averaged 2-3 percent over past decade. The top four companies account for over fifty percent of global market share and the top ten account for almost eighty percent. Trends in the industry include

- Increased demand from customers for “natural” ingredients
- Emergence of aromachology or use of fragrances for reduction of stress and change in moods
- Increased use of environmental fragrances in home care and home design
- Increased demands on performance and functionality, such as controlled release systems, prolonged top notes, increased stability
- Increasing protocols and monitoring of quality standards and labeling
- Continued consolidation of companies

Industry Organisations

- The fragrance makers are organized/represented through the International Fragrance Association (IFRA) based in Geneva, Switzerland. IFRA sets standards for safe use and manufacture of fragrance materials and directs the code of practice for its industry members.
- IFRA standards are based on recommendations of the Research Institute for Fragrance Materials (RIFM). RIFM is the global scientific authority on fragrance materials, testing and reviewing new ingredients ensuring safety for manufacture and use. RIFM maintains the database on fragrance materials. RIFM is based in the US

FINE FRAGRANCE / PERFUME INDUSTRY STRUCTURE

Although perfume companies are still considered the "noses" who deal in fine fragrances, increasingly it is role of the industrial chemists to create new scents. The perfume making industry is dominated by a small number of companies who create scents under contract for the perfume houses and designer labels whose names we recognise . The top 5 include

- Symrise (German)
- Givaudan (Swiss)
- Firmenich (Swiss)
- IFF (American)
- Takasago (Japan).

Perfume by definition

Perfume is made from 1 to 22% of essential oils combined specially denatured ethyl alcohol. Perfume types are defined by the amount of essential oil included; the higher the percentage of higher the more costly the fragrance.

- Perfume is the costliest form of fragrance with 22% of essential oils.

- Eau de Parfum (EDP) comes next with between 15 and 22% essential oils.
- Eau de Toilette (EDT) has 8 to 15% oils.
- Eau de Cologne has just 4% essential oils.
- Eau Fraiche with 1 to 3% essential oils is the lightest dilution of fragrance.

Market Trends

- Brazil has emerged as a major market for perfume sales and Sao Paulo is now also considered a centre of fine fragrance making.
- Every year, about 400 new fragrances are launched around the world. Within three years only 40 will still be on the shelves and maybe 10 of them after five years.
- In 2010, US department stores carried 1160 perfume brands compared to 756 in 2002.
- Celebrity perfumes (e.g. Britney Spears, Trellise Cooper) and youth-oriented fragrances are growing trends in the mass perfume market.
- In terms of price, 46% of designer perfume brands were priced over 75%. Only 1% of celebrity perfume brands were priced over $75.
- Different market prefer different types of perfume: Fresh, sporty scents are the preference in America and also popular in New Zealand. Brazilians like Oriental-style opulent fragrances. The French fancy the sensual, with a liking for what is deep, dark and provocative. It is said that Anglo Saxons wear fragrance because they want to smell clean, pure, presentable and French and Latin people wear fragrance to seduce.
- Men’s perfumes are experiencing significant growth expanding beyond the traditional after-shave.
- Although a growing globally, growth is not consistent across geographic regions.
- Emerging markets the Asia-Pacific, Latin America and Eastern Europe are experiencing stable growth. The Chinese and Japanese markets have low penetration and are currently the focus of large international players.
- In terms of market potential, the Middle East market is projected to achieve compounded annual rate of over 5.0% over the next few years. Several of Middle East's local favorites such as musks, ouds, sandalwoods and ambers are making a comeback in the western market.
- Custom fragrance is an emerging segment with significant growth potential.
- A luxury good, the global perfumes market was not impacted by the 2008-09 global recession and maintained average sales pattern during the period. The economic downturn spurred the demand for perfumes that offer nostalgia and comfort such as strong floral scents of violet and rose, which performed particularly well during the period.

COSMETIC INDUSTRY STRUCTURE

The worldwide cosmetics industry currently generates an estimated annual turnover of US$140 billion. Sales revenue in the US cosmetic industry, the largest cosmetic market, reached US$56 billion in 2013. Japan and Germany are the next largest markets.

- The manufacture of cosmetics is dominated by a small number of well-established multinational corporations including The L'Oréal Group, Procter & Gamble, Unilever, Shiseido Company, Limited and Estée Lauder Companies, Inc.http://en.wikipedia.org/wiki/Cosmetics - cite_note-19
- The main cosmetic exporting countries are France, Switzerland, the United States and Italy, and they mainly consist of makeup and fragrances or perfumes for women.

NEW ZEALAND COSMETIC AND FINE FRAGRANCE INDUSTRY

The cosmetic manufacturing in New Zealand is limited mainly to blending and packaging. The trend is for multinational marketing companies to consolidate their manufacturing in fewer sites around the world. The final manufacturing of New Zealand products is increasingly moving offshore. However, it is possible to have a wide range of products made on a contract basis by multi-disciplinary contract manufacturers within New Zealand.

Product categories that can be manufactured in New Zealand:

- Surfactant mixtures for cleaning based on mild detergents and which include shampoos, bubble baths, facial scrubs

- Alcoholic and hydro alcoholic solutions such as colognes and aftershaves
- Stabilised emulsions such as moisturisers and sunscreens
- Concealer products primarily make up
- Alcoholic and hydro alcoholic gels including fragrance gels
- Molded wax products such as lipsticks or leg wax.

The "cosmetic" ingredients – fragrance, colour, vitamins, plant extracts can be added to all of these products. Some, such as emulsions, can require a degree of skill on behalf of the formulator.

New Zealand contract manufacturers

Alaron Products
Aldwin Paige
API Consumer Brands
C+R Cosmetics
NZ Cosmeceuticals
New Zealand Cosmetic Laboratories
Pauling Industries
Robin Pharmaceuticals
The Cosmetic Factory
The Cosmetic House
The Soap Factory
Zealand Health Manufacturing

New Zealand branded products

There are a number of branded cosmetic products manufactured and distributed in New Zealand and overseas. These companies range from very small catering to niche markets to large operations such as Comvita and Trilogy.

Antipodes
API Consumers Brands
ApiHealth
Art a Face
Azurlis
Bella Vi
Comvita
Ecotech Solutions
Eternal Youth
Evolu
Goodbye Sandfly
Happy Valley (NZ)
Holistic Hair
Lanocorp Pacific
Les Floralies
Linden Leaves
Living Nature
Made 4 Baby
Madeleine Ritchie Skincare
Mix
Natures Beauty
Neat Feat Products
Nude Natural Skin Care
NZ Cosmeceuticals
NZ Skincare Company
Obigo
Oasis Beauty NZ
Pacific Perfumes
Pacifica
Parrs Products
Quantec
Savar
Scarlett & Greene Cosmetics
Skinfood
Supreme Biotechnologies
The Aromatherapy Company
Trilogy

Industry Organisations

The Cosmetic Toiletry and Fragrance Association of NZ (CTFA) is the organisation that represents the cosmetic, toiletry and fragrance businesses in New Zealand. CTFA represents manufacturers, New Zealand labels and distributers lobbying government on issues such HSNO, new regulations and harmonisation in the interests of member companies.

The Society of NZ Cosmetic Chemists is a sub-group of CFTA.

CASE STUDY

Australian Sandalwood Industry

The Australian sandalwood industry and the growth of recent years provide a case study for consideration in the marketing of Taramea. There are several important similarities

- New modern industry developing from existing
- Rapid knowledge required in physiology, chemistry, markets
- Diversity of wild sourced supply
- Long lead times between plant establishment and harvest
- Plantation vs wild sourced production parameters including price effects of increased supply
- Size of domestic market and distance to international markets
- Near exclusive supply proposition
- Environmental additionalities

POTENTIAL PATHWAYS FOR TARAMEA

The fragrance market offers several points of entry depending upon the degree of horizontal and vertical control. Taramea could be offered to existing perfumers and manufacturers as an essential oil – a raw ingredient for incorporation into perfume and/or other scented products. This market pathway is dictated by the whims of the industry. From over 1000 applicants, only 5-10 new compounds are approved for use as ingredients by IFRA each year. And approval does not guarantee use by the international perfumers or the price they are willing to pay. The alternative is to develop and manufacture product for sale either through a contract manufacturer and formulator or through the establishment of a niche production plant.

Potential market pathways

Product options range from skincare and cosmetics, home products, to perfume or fine fragrance and the following are the market pathways that will be further examined

- Deep single use ingredient product with one or more of the international perfumers
- Broad multi-use ingredient for a range of fragrance manufacturers
- Broad multi-use ingredient for a range of cosmetic manufacturers
- Broad multi-use ingredient for a range of home ware products
- Creation of a unique branded cosmetic range
- Creation of a unique branded home ware range
- Creation of a branded bespoke fragrance.

Value Proposition

Investigations of current trends in the international fragrance market and within the domestic market have validated that the long relationship between Ngāi Tahu and Taramea would be a valuable component of the commercialization and marketing strategy. Story and provenance are important for products being sold at the high end of the market. The brand story is good.

Industry feedback

Feedback from perfumers in New Zealand and France has been positive with perfumers complimentary and even enthusiastic about the unique scent of Taramea. However, feedback clearly expressed the need for us to demonstrate the commercial viability of Taramea. Production scale and product registration are essential to proceed.

REFERENCES

- Global Industry Analysts
- IAL Consultants
- Industry consultation in New Zealand and France
- International Fragrance Association
- JP Morgan and Jefferies International

- Perfumer and Flavourist
- Statistica
- The Huggard Consulting Group
- The Research Institute for Fragrance Materials

Australian Industry

Country: **Australia**
Main activity: **Design**
Brand website: link
This is a niche designer

Nomad Two Worlds began over a decade ago as an artistic collaboration project between internationally renowned Australian photographer Russell James and Australian Indigenous artists. Since that time, the organization's focus has expanded into additional cultural collaborations worldwide and evolved into a socially responsible global business whose mission is two-fold: To collaborate with Indigenous artists, and artists from marginalized communities in the creation of culturally relevant contemporary art and “meaningful luxury” consumer products, with an aim to provide long-term economic benefit to the artists while furthering understanding and appreciation of the world’s most threatened cultures and communities; and to raise awareness of the beauty and rich cultural history of Indigenous and marginalized people worldwide, with traditional art, music, children’s health and family, self-esteem and cultural pride at the heart of Nomad’s creative, educational and philanthropic activities.
Fragrances are just one line in the product offering of Nomad Two Worlds. The organization's fragrance line, Raw Spirit, is its first commercial collaborative product. Debuting in 2012 with Fire Tree, a limited edition fragrance featuring Australian-sourced aroma components, the fragrance line expanded in 2013 and features creations by master perfumer Harry Fremont of Firmenich.
Designer **Nomad Two Worlds** has **6** perfumes in our fragrance base. Nomad Two Worlds is a new fragrance brand. The earliest edition was created in 2012 and the newest is from 2014. The nose who worked on the fragrances is Harry Fremont.

Raw Spirit


Raw Spirit Bijou Vert
2013 for women and men


Raw Spirit Citadelle
2013 for women and men

 [Raw Spirit Desert Blush]
2014 for women and men
 [Raw Spirit Fire Tree]
2012 for women and men
 [Raw Spirit Wild Fire]
2013 for women and men
 [Raw Spirit Winter Oak]
2014

ONE SEED PERFUMES AND COLOGNES

Country: **Australia**
Main activity: **Fragrances**
Brand website: link
This is a natural perfumery brand

ONE SEED
Australian natural perfumery

One Seed is a niche Australian company, handcrafting botanical fragrances from the finest natural extracts sourced worldwide. It is founded by Liz Cook in 2009. The fragrances are 100% natural, organic – focused and GMO-free.
One Seed is a new fragrance brand. Designer **One Seed** has **9** perfumes in our fragrance base all launched in 2009. The nose who worked on the fragrances is Liz Cook.

 Bohemia
2009 for women

 Courage
2009 for women

 Devotion
2009 for women and men

 Frangipani
2009 for women

 Freedom
2009 for women

 Grace
2009 for women

 Hope
2009 for women and men

 Slow Fire
2009 for women and men

 [Sweet Water]
2009

AESOP PERFUMES AND COLOGNES

Country: **Australia**
Main activity: **Cosmetics**
Brand website: link

Aēsop

Aesop cosmetic niche house was founded in 1987 in Melbourne. Its founder is Dennis Paphitis. Designer **Aesop** has **3** perfumes in our fragrance base. The earliest edition was created in 2005 and the newest is from 2014. The nose who worked on the fragrances is Barnabé Fillion.

 Marrakech
2005 for women and men

 Marrakech Intense
2014 for women and men

 Mystra
2006 for women and men

www.fragrantica.com