

BULLETIN

CTFA CHANGES NAME



The Council's Pamela Bailey and Marc Pritchard of Procter & Gamble.

As indicated in last week's bulletin, **The Cosmetic, Toiletry, and Fragrance Association** has a new name. The trade organization will now be called the

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DANIEL RACHMANIS JOINS LAUDER



Daniel Rachmanis

Daniel Rachmanis, most recently the CEO of **Chemaid Laboratories**, has been appointed to a newly created position at **The Estée Lauder Companies**: senior vice president, international business development, effective

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INTER PARFUMS SIGNS BROOKS BROTHERS

Brooks Brothers—reportedly the oldest clothier in the United States—signed a licensing agreement with **Inter Parfums, Inc.** for the design, manufacture

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PHILIP SHEARER RESIGNS

Among the ongoing changes at **The Estée Lauder Companies**, it was announced last Friday that group president **Philip Shearer** has resigned. Mr. Shearer

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APOTHIA+GIVAUDAN'S FASHION FRAGRANCE PREMIERE

"Fragrance is all about image. It's related to fashion and art," stated **Pierre Negrin**, vice president, fine fragrances at Givaudan. **Ron Robinson**, founder of **Apothia @ Fred Segal Melrose** in Los Angeles, agreed: "My fashion industry background and my understanding of social trends help me to translate that to another art form, fragrance. To me, it's all about the big 'F'—fashion and fragrance."

Apothia, a hip beauty retailer that carries well-known and niche beauty brands, has built a following among the L.A. fashion elite and celebrities. It was the location, on October 13, for a breakfast that brought together fragrance



Givaudan's Pierre Negrin, Lisa Popoli, Kate Greene, Apothia's Ron Robinson and Through Smoke Creative's Gary McNatton at the entrance to Apothia.

aficionados, including members of **Sniffapalooza**, an event-based group of fragrance enthusiasts.

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A WAREHOUSE GROWS IN NEW JERSEY



Jack Sandbach

In just a few years, **Jack Sandbach**, president and CEO of **Packaging & Distribution Resources (PDR)**, has increased his business 10 times over. A third-party warehouse that caters to smaller businesses, PDR had less than a handful of clients when Mr. Sandbach acquired the facility in 2003. Since then, his customer base has expanded to include more than 100 brands stored, assembled and distributed from his New Jersey facility. *See full story on page 593*

TOVA TALKS INTERACTIVE

A marketing pioneer on many levels, **Tova Borgnine** addressed beauty executives gathered at **The Fragrance Foundation** last Thursday to discuss interactive media and its applications to the fragrance market. Joining her was **Allen Burke**, director of beauty merchandising at **QVC, Inc.**, which has broadcast and sold the **Tova** brand since 1990.



The Fragrance Foundation's Rochelle Bloom, QVC's Allen Burke and Tova Corporation's Tova Borgnine.

"I was always taught by Ernie to get in front of my audience," quipped Ms. Borgnine, referring to her husband,

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PARIS LIGHTS

The frivolity of the Parisian Belle Epoque is revisited with the launch of the **Sem Candle Collection** from **Maxim's de Paris**. Sem is the pseudonym for artist George Gourset, whose caricatures of society patrons immortalized the spirit of Maxim's de Paris restaurant circa 1900. The collection's three candles each feature one of these famous drawings. The lineup launched at **Bergdorf Goodman** last month, priced at \$45.00 each.

"The candle scents were inspired by the French tradition of blending notes of herbs, fruits, florals and teas and patisseries, but also by Sem's whimsical portrayals of the restaurant's goings-on," said **Pamela Friedman**, president and CEO of **PRF Concepts, Inc.**, which holds the license for Maxim's Candles. "At the beginning of his career, Sem would draw and patrons would buy him meals as payment."



The Fruit Glace, Bergamot Eclat and Figuier Blossoms candles.

The three scents comprising the Sem collection are Figuier Blossoms, Bergamot Eclat and Fruit Glace. "They are very complex, very French and very sophisticated," Ms. Friedman said. The candles are made of a soy blend with a 100% cotton wick, and burn for 60 hours.

By the end of the year, the Sem collection will roll out to additional prestige stores, explained **David Horner**, a principal in PRF Concepts. But distribution will be kept very exclusive, he added. ■CW

GQ AND CALVIN KLEIN JOIN FORCES



Calvin Klein Fragrances' Dennis Keogh and Lori Singer (2nd r.), with Calvin Klein Man spokesman Garrett Neff and GQ's Peter Hunsinger.



Hopefuls entering the nationwide search at Macy's Herald Square.

GQ and Calvin Klein Fragrances are conducting a nationwide search for five real men who most epitomize **Calvin Klein Man**, the brand's newest fragrance. Contestants can enter at department stores or online, and winners will be featured in a GQ issue next year celebrating the "Year of the Man." ■CW

NEW PRODUCTS

Coty Prestige

Daisy Marc Jacobs Purse Spray

Category: Fragrance

Launch: February 2008

Claims: A refillable, travel-size purse spray topped with a vinyl daisy, available exclusively at Bloomingdale's.

Stats: .5 oz., \$40.00



Daisy Marc Jacobs Solid Perfume Ring

Category: Fragrance

Launch: February 2008

Claims: A limited-edition, solid perfume in a mod-styled gold daisy ring, available exclusively at Bloomingdale's.

Stats: .02 oz., \$30.00

COSMETIC WORLD

John G. Ledes publisher & editor ext. 241 jledes@beautyfashion.com	George Ledes ext. 242 gledes@cosmeticworld.com	Dorene Kaplan executive editor ext. 226 dkaplan@cosmeticworld.com	Geoff Weiss assistant editor ext. 236 gweiss@cosmeticworld.com
--	---	---	--

Debbie Ward special issues editor ext. 241 dward@cosmeticworld.com	Debra Davis advertising director ext. 245 ddavis@cosmeticworld.com	Jennifer Drucker art director ext. 252 jdrucker@cosmeticworld.com	Yvonne Jang creative director ext. 240 yjang@beautyfashion.com
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Eric Michelson
photographer

FONE (212) 840-8800 FAX (212) 840-7246

WEB www.cosmeticworld.com

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TOVA TALKS INTERACTIVE

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actor **Ernest Borgnine**, as she stepped out behind the table to be closer to the audience. His advice was well-received. For the last 17 years, Ms. Borgnine, founder of the **Tova Corporation**, has appeared on QVC, selling her **Tova Signature** fragrance and other products on *Beauty by Tova* programs.



Tova Borgnine with Steve Manheimer of Manheimer Fragrances.

"Tova Signature is a fragrance that is now on its second and third generations," she said. The first scent ever to be sold on QVC, Tova Signature remains the network's best-selling fragrance with more than eight million bottles sold.

"No one is more passionate about fragrance than Tova," Mr. Burke said. Beauty accounts for 11% of QVC sales, he added, and "fragrance has played an important role in that growth." He offered five rules for



Robertet's Martha Basanta, Designer Fragrances' Ulli Lindauer and Gemini Cosmetics' Joanne Cardello.

marketers interested in selling fragrance on television, admittedly a venue that presents a few hurdles for an olfactive product. To succeed on TV, he advised, fragrance brands must be 1) created with genuine



Allen Burke, Rochelle Bloom and Bulgari's Didier Maine de Biran.

passion, 2) committed to long-term growth, 3) have their own "space," 4) love and respect the customer, and 5) possess a touch of magic.

Today, QVC is the second largest television network, second only to **CBS**. Competition for air-time is tough and new brands are given only eight minutes to prove their worth. On average, beauty brands must sell \$20,000 per minute, including online sales. That means brands new to QVC must sell \$160,000 in eight minutes in order to remain on the network.



Manheimer's Karen Elliott with Prescriptives' Caroline Geerling.

The situation was less extreme when Ms. Borgnine brought her brand to QVC approximately three years after the shopping network debuted. She was given three hours of air time and during the last hour, in 1990, the first Gulf War broke out.

At that time Ms. Borgnine ran the **Tova Beverly Hills** beauty business as a mail order company. She created the Tova Signature fragrance 25 years ago, which reportedly is the best selling 25-year-old American scent on the market. Ms. Borgnine also appears on QVC in the U.K. and Germany.

BULLETIN

CONSTRUCTIVE CAPITALISM

Earth-friendly cleansing brand **Dr. Bronner's Magic Soaps** will now source all of its major raw ingredients according to Fair Trade standards, beginning this month. The initiative, designed to ensure comfortable working conditions and wages to farmers in developing countries, also marks the company's 60th anniversary. Olive oil will be sourced from Palestine and Israel, coconut oil from Sri Lanka, and palm oil from Ghana.

Known for its commitment to social responsibility, the line is all-natural, preservative-free and made with organic ingredients. According to the company, no soap can be considered organic by the USDA because soaps are made with more than 5% salt, and organic products must be more than 95% organic. However, all of Dr. Bronner's lip balms, lotions and body balms are 95% or higher organic, and the company encourages organic farming for the ingredients which it sources all around the world.



Intelligent Beauty's Bob Johnson with Tara Thompson of Manheimer.

"In one sense, I've broken every rule more than once," Ms. Borgnine said. She even broke a barrier with her fragrance house, **Manheimer**, which was not a fine developer fragrance, prior to Tova Signature.

"In the beginning, my dream was to have **Saks Fifth Avenue**, **Bloomingdale's** or another one of those prestige retailers beg me to come into their store," Ms. Borgnine said. "But not anymore....I am very happy that I went the way I did." ■CW

PDR Provides Turn-Key Solutions

There are many links in the beauty industry supply chain and **Packaging & Distribution Resources** (PDR), headquartered in Sayreville, NJ, plays a pivotal role. It offers back-office solutions for small to medium-sized companies. "We are a third-party warehouse that caters to smaller businesses—ranging in sales from one-quarter million to thirty million," said **Jack Sandbach**, PDR's president and CEO.

PDR assembles kits, stores inventory and ships product to a range of retailers—from **Neiman Marcus** to perfumeries to **HSN** and **QVC**. It also handles EDI, as well as provides accounting, payroll and bookkeeping services. Currently, PDR works with 23 companies, which represent more than 100 brands. Product lines include **Orlane**, **Perlier**, **Go Smile**, **Prada Beauty**, **Sue Devitt Studio**, **Cellcosmet** and **Dr. Denese Skin Care**.

Readers may recognize Jack Sandbach from another venture. He is the COO of **Orlane Inc.** and **Perlier Inc.**, the U.S. subsidiaries of the Italian companies, owned by the **Giraudi** family. In 2003, the U.S. warehouse handling the Orlane and Perlier business became available for purchase. Mr. Sandbach asked the

In fact, he has just expanded the facility by one-third, bringing the total size to 150,000 square feet.

With the added space, PDR will increase its number of assembly lines from eight to 20, with the



PDR's owner Jack Sandbach (r.) and team: Richard Lauffer, Erin Fadden and Casey Pipero. addition of six new double-sided conveyor belts, explained **Casey Pipero**, director of operations.

Currently, PDR puts together and assembles many cosmetics kits sold through HSN and QVC. These are shipped out daily via "a million trucks," Mr. Sandbach quipped. It also ships smaller orders to retailers and perfumeries. But with the additional space, PDR soon will become a drop-shipment center or fulfillment provider—able to ship individual consumer orders placed through a call center or website.

tor that all the pieces are in place," Mr. Lauffer said. Mr. Sandbach and team attribute PDR's fast growth to a focus on human relations—both among its customers and employees.

"We make sure our customers feel like this is their warehouse by having dedicated people for each company," Ms. Pipero explained. Customers can access inventory levels and shipping dates online—a great asset for smaller companies that can't afford an elaborate computer system. "They love the computer system and the turnaround time," Ms. Pipero said.

"What we love about PDR is our employees," she continued. PDR operates with 100 full-time employees, who receive affordable medical and dental coverage, 401Ks and life insurance. During busy times of the year, up to 250 temporary employees will join the permanent staff.

The company prides itself on its relationship with HSN. "When a new customer comes to HSN that has never shipped to a television network, HSN tells them 'go to PDR, you will have nothing to worry about,'" said **Erin Fadden**, marketing manager for Perlier, USA. PDR customers also include many independent websites.

A view of the expansive warehouse.



Workers package an eye product.



Giraudi family if they were interested in purchasing it. When they declined, he asked if they would mind if he bought it. They didn't, and Orlane/Perlier became the first customer of Mr. Sandbach's new warehouse.

Since that time, the business has grown ten-fold. "The company is ten times the size of what I bought, and hopefully it will become twenty times that size," Mr. Sandbach said.

"We're known for our speed to market—that we get orders out the door in twenty-four hours," said **Richard Lauffer**, PDR plant manager. No matter the size of an order—which can be \$100,000 or more worth of product—shipments must leave the New Jersey warehouse within 48 hours.

"Since we are the end of the supply chain, many times we have to moni-

Poised for growth, Mr. Sandbach now services other categories including handbags, baby lines, crystal, and through another facility, food products.

"My overall goal is to find some smaller brands that want this kind of back-room expertise," he said. "This is our first expansion, but I could see us opening warehouses in other states." ■ **CW**

APOTHIA+GIVAUDAN'S FASHION FRAGRANCE PREMIERE

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Mr. Robinson equated the “intimate” crowd to enthusiasts at a wine tasting. They came to learn about the latest fragrance trends, how fashion fragrances are created and what inspires Givaudan, the largest fragrance house in the world. Along with Mr. Robinson, speakers at the breakfast were Givaudan’s **Kate Greene**, vice president of marketing, Mr. Negrin, and **Gary McNatton**, founder of **Through Smoke Creative**, a full service fragrance and packaging design company.



Lisa Popoli (rear 6th l.), Kate Greene (rear c.), Pierre Negrin (rear 4th r.) and Ron Robinson (r.) join students from The Fashion Institute of Design & Merchandising.



Pierre Negrin, Lisa Popoli, Kate Greene (2nd r.) and Gary McNatton (r.) are joined by The Fashion Institute of Design & Merchandising’s Irene Cotter.

Mr. McNatton spoke to the group about how the name of his company evolved. He explained that fragrance was first distributed through smoke or incense. He reminded his listeners that the word perfume came from *parfumare*, Latin for “to fill with smoke.”



Lisa Popoli prepares fragrance blotters for the Apothia+Givaudan Fashion Fragrance Premiere.

Ms. Greene translated trends to some themes of scent that influence and inspire Givaudan’s creative team. She introduced the themes in five graphic presentations: *Green*

Power—color & texture is suggested by green naturals, botanical hues, striking botanical brights, organic elegance, lush, leafy, mossy. *Intoxicating Remedies—color & texture* is expressed with natural textures, green moss, reflective, delicate colors, sleek refinement, transparency, warm nuances, transitory.

with his explanation of the five unique, hand-made fragrances he created especially for the group, which were designed to match the five fragrance trends Ms. Greene presented. The scents were available for purchase after the program when attendees were invited to shop throughout Apothia.



Kate Greene presented five themes that inspired Pierre Negrin’s creation of five fragrances.



Pierre Negrin reviews the five scents he created especially for the Apothia+Givaudan Fashion Fragrance Premiere.

True Luxe—color & texture relates to detail, matte, luster, nuances, depth, richness, surreal quality, sparkling, richness, opulence, eye-catching, illuminating, dramatic colors. *Cybereality—color & texture* conjures up layered, dramatic shapes, bold splashes of colors, vibrant, surreal, graphic images, contrast, intense. *Whiteness Of Being—color & texture* is characterized by still, serene, hushed, opaque, incandescent, faint, ice, birch, aura, smoke, shadows.

This exercise in revealing the behind-the-scene process of fragrance, Mr. Negrin believes, “helps to keep the dream alive. Consumers need education from professional experts who clarify and separate the true from the false. When you hear about fragrance from the people who are creating the product, it adds a lot of credibility.”

Mr. Negrin filled the role as “teacher” at the Apothia breakfast

“It is important for a fragrance house to promote the perfumers’ work and our expertise and to educate consumers in order to help them pick the right fragrances. In general,”

WALL STREET CASINOS

he continued, "it can contribute to boosting the fragrance business, but more importantly, it will build consumers' knowledge so they will find what is right for them."

He sees similarities between experiences with fragrances and the enjoyment of wine, cigars and food. "We need to show what is good and genuine. It's all about image because it's related to fashion and art."

Ms. Greene sees great benefit in partnering with retailers such as Apothia to help consumers better



Pierre Negrin answers questions from the attendees as they shopped for fragrance in Apothia.



Fragrance shoppers sniff and sample in Apothia.

understand the creative process—the art plus science that is the fragrance world. Reminding her audience that there are only about 350 perfumers currently working in the world today, "you can understand how special this breed of artists is," she said. "The more consumers find out that there is a person—a perfumer—who has touched the fragrance they love and learn about the amazing ingredients that were sourced to make it happen as well as the emotion and passion behind it, then you have a consumer who wants to wear fragrance and who becomes an aficionado, a true devotee of scent." ■CW

In the mid-50s, when I was in the investment banking business, the vision of an investor was "long term." Financing companies to help them grow to benefit the "owners," i.e. shareholders, was the target of the financial community since the turn of the 20th century. By the 70s, executives of public companies were getting salaries in the seven figure, and at annual shareholder meetings, the criticism of those incomes became vociferous.

So began the move to "employee stock options." Of course the "E" is really "executive" stock options (ESO) when the numbers of options issued are examined. The theory was that if the shareholders benefited with a rise in the share price, these executives would also benefit in the same fashion, rather than receive ballooning paychecks.

In the next two decades, we have overseen the avalanche of corporate rape from accounting advisory methods, backdating of options and stock buybacks, which arose from

this new frontier of executive compensation. I will detail some of these in future issues.

The stock buyback is one I will comment on today. Funds for the buyback come from cash in the public company's accounts. Such funds are from earnings or from bank loans, which are serviced by earnings. A stock buyback is to benefit the investor who wants out and not the long-term investor.

In simple terms, the classic theory of "long term investor" is totally destroyed by stock buybacks. It supports those investors who want out. Why would you want to do this unless you were sure you could buy the same shares back at a lower price?

Thus began the Wall Street Casinos. Those executives with ESOs could buy their shares back, for sure. The ordinary stockholder could not benefit unless the stock dropped and he could get back. Why would he want to do this?

We will tell you more in Wall Street Casinos II.

BULLETIN

CTFA CHANGES NAME

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Personal Care Products Council—or

Council for short. The new name complements the debut of another major initiative. The launch of its new website, www.cosmeticsinfo.org, will serve as an online resource for consumers about product safety. See next week's issue for more details.

DANIEL RACHMANIS JOINS LAUDER

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November 12. In his new role, he will oversee the international rollout of the **BeautyBank** brands, among other projects. In addition to reporting to **Jane Hudis**, president, BeautyBank, Mr. Rachmanis also will report to **Cedric Prouvé**, group president, The Estée Lauder Companies.

INTER PARFUMS SIGNS BROOKS BROTHERS

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and supply of its personal care products. The first items will launch in the U.S. in November 2008 at all Brooks Brothers stores, with an international rollout slated for 2009. In addition to new product development, Inter Parfums will assume responsibility for Brooks Brothers' existing personal care line.

PHILIP SHEARER RESIGNS

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joined Lauder six years ago, moving there from **L'Oréal USA**. As we go to press, speculation is not in short supply as to Mr. Shearer's next move.

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DECEMBER

DECEMBER 3rd

Estée Lauder Companies

Lauder Family Holiday Cocktail Reception
NYC 6:00 PM (R) (IO)

Givaudan

Holiday Cocktail Reception
NYC 6:00 PM (R) (IO)

DECEMBER 7th

Coty Prestige

Lancaster Skincare Product Launch
NYC 9:00 AM (I) (IO)

Cosmetic Executive Women

*The Beauty of Giving Luncheon
Benefiting Cancer and Careers*
Waldorf-Astoria • NYC 11:00 AM (TA)
(212) 685-5955 x16
www.cew.org

DECEMBER 8th

CIBS (Cosmetic Industry Buyers & Suppliers)

Holiday Dinner/Dance
NY Hilton • NYC 7:00 PM (TA)
www.cibsonline.com

DECEMBER 11th

JV Fragrances & Skincare

Introduction of John Varvatos Women's Fragrance
NYC (I) (IO)

DECEMBER 11th

St. Ives

Product Launch
NYC (I) (IO)

DECEMBER 12th

Clarins

New Product Launch
NYC 9:30 AM or 4:00 PM (I) (IO)

CIBS (Cosmetic Industry Buyers & Suppliers)

Luncheon
Opia Restaurant • NYC 12:00 PM
(212) 688-3939
www.cibsonline.com

SUBJECT:

- (A) Awards
- (B) Benefit
- (E) Retail Event
- (I) Product Intro
- (M) Meeting
- (P) Press Trip
- (R) Reception
- (S) Seminar
- (T) Trade Show

ADMISSION DETAIL:

- (TA) Tickets Available
- (IO) Invitation Only

JANUARY

JANUARY 15 - 17th

Cosmoprof Shanghai

Shanghai New International Expo Centre • Shanghai (T)
www.cosmoprof.com

JANUARY 17th

Fashion Institute of Technology

Spa: The New Beauty Destination
FIT • NYC 12:00 PM (S) (TA)
(212) 217-4100
vicki_guranowski@fitnyc.edu

JANUARY 25 - 27th

Beautyworld Frankfurt

Frankfurt Germany (T)
www.beautyworld.messefrankfurt.com

JANUARY 29th

Fragrance Foundation

"Hot Off the Press"
Review of 2007 Beauty Industry Results
Rainbow Room • NYC
8:00 AM Breakfast (S) (TA)
(212) 725-2755
www.fragrance.org

Fashion Institute of Technology & The Educational Foundation for the Fashion Industries

Annual Awards Dinner
Honoring JCPenney's Myron E. (Mike) Ullman, III
NYC (A) (IO)
(212) 217-4100

FEBRUARY

FEBRUARY 2 - 6th

EX•TRACTS

New Discoveries in Beauty & Wellness
Javits Center • NYC (T)
(914) 421-3206
www.extractsnyc.com

FEBRUARY 5 - 7th

Day Spa Expo and Business Forum

Sands Expo Center • Las Vegas (T)
(800) 859-9247
www.dayspaexpo.com

FEBRUARY 12th

James E. Marshall OCD Foundation

Beyond Beauty Dinner Honoring Elizabeth Arden's
E. Scott Beattie & Conde Nast's Charles H. Townsend
Union League Club • NYC
6:00 PM Reception, Dinner (B) (TA)
(608) 845-3664

FEBRUARY 19th

Fragrance Foundation

Bridal Redefined
NYC Breakfast (S) (TA)
(212) 725-2755
www.fragrance.org

FEBRUARY 20th

Cosmetic Executive Women

Beauty Awards Product Demonstration
Metropolitan Pavilion • NYC 6:00 PM (R) (IO)
(212) 685-5955 x16
www.cew.org

FEBRUARY 26 - 29th

Personal Care Products Council

Annual Meeting
Boca Raton Resort & Club • Boca Raton FL (M)
(202) 331-1770
www.personalcarecouncil.org

For more events

check out

CosmeticWorld

Calendar.com