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Natura: Expanding Beyond Latin America

06/2007-5365

This case was prepared by Nina Paavola, Research Associate (INSEAD), under the supervision of Amitava Chattopadhyay, the L'Oréal Chaired Professor of Marketing-Innovation and Creativity (INSEAD) and Betania Tanure, Professor (FDC), as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. We would like to thank Ms. Renata Ribeiro, Mr. Philippe Pommez, Mr. Joel Ponte, and Ms. Carmen Nascimento of Natura, for their help and support throughout the development of this case. Financial support from R&D INSEAD is also gratefully acknowledged.

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Introduction

Philippe Pommez, recently promoted from head of Business Innovation and Development to Vice-president of Internationalisation at Natura, sat pondering the recommendations he would shortly have to make, regarding the next step in the internationalisation of Natura. In Brazil, its native country, Natura was a well recognised and highly regarded brand; it enjoyed high brand loyalty among consumers and the highest retention rate among sales representatives in the cosmetics industry. However, attempts at internationalisation within Latin America, had not been as successful as expected. Notwithstanding this experience, the joint Presidents of Natura now wanted to take the leap and enter developed markets. Pommez had been charged with recommending where, when, and how Natura should make its next move. The meeting with the three Presidents and the Executive Committee, where Pommez would have to present his recommendations, was just a week away.

Natura Operations and Philosophy

"Bem estar bem", which means "well-being well", is the driving idea behind Natura. According to this concept, well-being is the harmonious and pleasant relationship of an individual with him/herself, with his/her body, with other individuals, and with nature. Natura's premium, high-margin cosmetics and personal care products, are mostly sold to middle- and upper-class customer segments by its sales representatives, a direct sales force, more than 400,000-strong. The company believes that by using natural ingredients from Brazil's biodiversity, it can deliver what users want and need – products that enhance each person's natural beauty and well-being. Natura sold 177 million units in Brazil and abroad in 2004, an increase of 33.5% on 2003's total of 144.8 million. Cumulative growth over the previous three years stood at 117%. 2004's net income of €111.1 million represented 17% of net revenues.

Natura was founded in 1969 when Luiz Seabra, aged 28, opened a small cosmetics shop in São Paulo, with a starting capital of €7,500. The concept was to incorporate principles of therapeutic treatments in the production of cosmetics using a personalised approach and products customised to Brazil's humid climate and local skin types. The first store was set up in a garage, and now, more than 35 years later, the company markets and distributes premium products from its portfolio of around 600 products, including make-up, fragrances, bath oils and salts, hair, facial and body treatments, oral hygiene, and sun protection.

Seabra, along with Guilherme Leal and Pedro Passos, act as co-presidents of the board of directors. Together, they make up the essence of the company. A saying echoed around the company is that Leal embodies Natura's head, Passos represents the arms and legs, and Seabra is the company's soul and vision. Leal concentrated on the strategy and direction of the company, Passos on operations, and Seabra on understanding consumer needs, as well as nurturing the company's collaborators and sales representatives. This rather unusual arrangement at the top is responsible for the company's originality; it keeps operations running, and reinforces Natura's vision.

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Cosmetics Market

The cosmetics and personal care products industry has grown significantly over the years since 1998, when a wave of acquisitions led to a concentration of volumes in large, global organisations. The 20 largest companies increased their share of the industry to 72% in 1998, with the ten largest companies controlling 54% of the market (See Exhibit 1). In 2004, the world total of retail value for the cosmetics and toiletries market reached €192 billion, 9.4% higher than in 2003.[1] The strategic priority for most players in the industry was to develop and promote global megabrands, such as Procter & Gamble's *Oil of Olay*, or Beiersdorf's *Nivea* and to expand market share further and faster through acquisitions and joint ventures. They also made attempts to lead the industry in R&D, boosting the numbers of new products offered on the market. The industry has traditionally been divided into three main categories based on sales channel and price: the expensive premium brands sold mainly in department stores and specialised boutiques; the cheaper mass-market brands, sold in drugstores, pharmacies, and supermarkets; and the direct sales brands, which typically target the low end of the mass market, sold door-to-door.

The Premium Sector

The premium sector includes companies such as Estée Lauder, Chanel, Christian Dior, Clarins, Guerlain, Shiseido, and, the largest in the sector, L'Oréal, who announced consolidated sales totalling €14.5 billion in 2004. These companies focus on selling products that imply a certain status and boast technological innovation. They succeed in keeping their premium image because of massive investments in R&D and the marketing of individual brands for customers in specific niches. They distribute products through many outlets, including perfumeries, department stores, as well as health and beauty stores. Target customers are those in the high income group.

The Mass-market Sector

With the rise of globalisation, the mass-retail market became the most important segment in the industry. In 1998, it represented the largest segment of the industry with 63% of total cosmetics sales, and its popularity grew as it became the most accessible channel for foreign companies. Procter & Gamble is one organisation that sells many mass-market brands, including *Oil of Olay*, *Cover Girl*, and *Gillette*. Competition became fierce in the sector as premium companies began entering the mass market through acquisitions, as was the case in the 1996 acquisition of *Maybelline* by L'Oréal. Also, the emergence of what is known as the "high mass-market" changed the sector's landscape. Products in this category offer special ingredients and scientific advances, typically available in premium products, but are sold at lower prices. Many brands are dissuaded from entering this sector because of the huge investments necessary to establish a new brand – providing high margins to distributors and investing heavily in advertising are two key costs. Thus, many companies preferred to expand through acquisition.

1 Euromonitor, 2005.

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Direct Sales Sector

Direct sales organisations (DSO) can be classified as a separate business model due to their specific marketing, recruitment, and development strategies. Historically, DSOs have succeeded thanks to their workforce, a group of people who otherwise have somewhat restricted access to the formal labour market. They attract staff by offering a profitable, flexible, and creative working environment. In the cosmetics business, notable DSOs include Avon (€6.4 billion in net sales in 2004), Mary Kay (around €1.5 billion in 2004), and Amway (€5.2 billion in 2004).[2] Their products are typically targeted at low- and middle-income consumers. However, Avon, the largest group in this segment, is making determined efforts to attract wealthier, younger consumers and shed its rather old-fashioned image. It has begun promoting cosmetic sales in shopping malls across the US. Although Natura falls into the direct sales sector, one feature that distinguishes it from other DSOs is that it markets premium products.

Brazilian Cosmetics Industry

When Natura was created in 1969, there was a clear division in the Brazilian cosmetics market. Low-price, mass products could be easily found in drugstores and supermarkets, and a few luxury products were sold in specialised stores. Apart from Avon, which entered the Brazilian market in 1959 with local production facilities, and Unilever, which had been operating there since the 1960s, foreign competition was almost non-existent. Import substitution policies, implemented in the 1970s with prohibitively high import tariffs, spurred domestic production for a virtually captive market. Those protectionist policies lasted through the early 1980s, when almost all the American banks cut off their credit lines to Brazil, due to the political instability of the region. A lasting recession followed. Nevertheless, in the mid-1980s, giants like Procter & Gamble entered the Brazilian market, attracted by high margins in the sector. These large companies began investing significant amounts, as well as buying brands and companies.

When Brazil opened its market in 1990, a flood of foreign competitors entered and many of the Brazilian products were either bought out or disappeared from the market. Most of the local companies were not prepared to keep up the pace or level of innovation required to compete. In the eyes of the foreign beauty and personal care companies, Brazil was highly attractive – the fifth-largest beauty market in the world. It was also ranked 27th worldwide in *per capita* income, which, given its population of 170 million, implied a high consumption potential. The inflow of foreign companies made the cosmetics sector more concentrated. By 1998, cosmetics and personal care product sales in Latin America totalled more than €15.4 billion, more than half of which came from Brazil. The largest cosmetics player at that time was Avon, with sales around €700 million, and Natura held the number two spot Other players with significant presence in the market were Gessy Lever, O Boticário and L'Oreal. Among the upscale newcomers were Dior, Shiseido, Oriflame, and Davidoff (See Exhibits 2 and 3).[3]

Avon competed with Natura for the same sales force, but its products were targeted at a lower-income client base, with average prices of one-third of those of Natura. Avon had over

2 Includes other lines of products, such as home and kitchen utensils and food supplements.

3 See Exhibit 2, "Natura's Competition in the Brazilian Cosmetics Industry" for more details.

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500,000 resellers in Brazil, but they had a much lower productivity than that of Natura's sales representatives. In 1996, the average per annum sales for an Avon representative was €2,039 while that for a Natura representative was €2,857. In terms of products, Natura's closest rival was O'Boticario, a Brazilian company with 2,300 stores (See Exhibit 4), of which a little over 100 were company owned, while the rest were franchised. The company was present in skin and hair care, cosmetics, sunscreens, and perfumes, with a particularly strong portfolio in the latter. O'Boticario positioned its products 10 to 20% cheaper than Natura. Over the previous years, it had achieved growth rates of around 20% per annum. The company's focus was Brazil, where it hoped to grow and consolidate its position.

Natura's Development

Natura's initial product range focused on skin care, and Seabra's first efforts to sell his products began humbly, with him, his partner and seven employees working out of a middle-class residential area in São Paulo. In those early days, Seabra was the person who showed, promoted and sold Natura products. The company was looking for the right sales channel for distribution, and began looking to drugstores and franchises, but Seabra thought that it would be difficult to pass Natura's specialised, therapeutic concepts through store assistants or investors. If it tried to go through distributors, Natura would have to provide high margins and empower them with determining how to sell, or it would have to invest heavily in advertising to help sales. Without the resources to invest in marketing, and with a strong desire to maintain Natura's image, the direct sales method appeared to be the only viable option. Seabra and his colleagues were surprised to find a large pool of capable women eager to embrace the opportunity to sell. Sales started to take off when the company implemented the direct sales approach, and from 1974, sales representatives began doing the job that Seabra used to do.

Along with Yara Amaral, an executive with extensive experience in direct sales, Seabra founded a company called Pró-Estética, created to distribute Natura products in São Paulo and manage the sales force. Leal, who, at the time, was a consultant to Natura, saw the opportunity to extend distribution nationally, and created Meridiana in 1979 to distribute Natura products nationwide (except in São Paulo and Rio de Janeiro, which were both already covered by other distributors). In 1982, Seabra approached Amaral, Leal, and a cosmetics producer, to found YGA, a company that would make colour cosmetics and perfumes that were marketed under the brand name of L'Arc en Ciel. In 1983, Pedro Passos was brought in by Leal as head of the YGA factory. Finally, the company Éternelle was created to replace Rio de Janeiro's independent distributor.

Aided by the aforementioned closed economy, high inflation, and unstable currency in Brazil that all but blocked foreign competition, the five-company structure became an effective way of fulfilling the needs of quick growth and new capital infusion. It also provided an internal competitive dynamic which pushed the company forward. For example, Meridiana attempted to surpass Pró-Estética's sales, while YGA tried to emulate Natura. The companies battled amongst themselves for the highest amount of participation in the sales channel. Passos said: "During this time, when we were relatively alone in the market, that internal competitive energy forced each [company] to make more innovative products and improve quality, trying to win the attention of the sales representatives. This internal struggle created energy for growth."

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The result was that from 1979 to 1989, when nine zeros were removed from the currency, ten currency plans were attempted and failed, and 11 finance ministers rotated through office, Natura's sales jumped from €4.2 million to €142 million (43% CAGR). The number of sales representatives grew from 1,000 to 33,000. However, at the height of the economic crisis in 1989, Natura's growth came to a screeching halt. Inflation of 89% per month, costly capital and the opening of the Brazilian economy contributed to the company's instability. Earnings slumped and Natura was forced to dismiss 15% of its workforce. As new competitors began pouring into the market, the company was faced with the reality that it had many shortcomings. Some of the difficulties included limited production capacity, an outdated product portfolio, low-quality services for its sales force, and a complex decision-making process. In addition, internal conflicts within the company made it difficult to react to the changing environment. Passos explained that the energy created by the five different companies became negative. "By 1989, we needed a more long-term plan, to invest in a new factory, technology, and professionals, but we couldn't agree on a common strategic plan for the different companies," he said. "We had reached an *impasse*." The company leaders needed to decide the next step, but they did not necessarily agree on what that would be.

Four major partners, including Seabra and Leal, owned 80% of the companies, but there was discord among them. The shareholders polarised their positions; one group, led by Seabra and Leal, wanted to invest significantly in growing the business, while others wanted to cash out. In 1989, Seabra and Leal ended up buying a 26% stake in Natura for €20.9 million from one of the other top shareholders, which left Seabra with 37.9% of company shares, Leal with 36%, Passos with 9%, and the rest in the hands of minority shareholders. At that point, Seabra, Leal, and Passos took the company in their hands and began establishing their triumvirate leadership structure.

A three-year transformation period followed, during which the organization was integrated under one brand, Natura. The Natura headquarters were moved to a new factory, with 50% increased capacity, and production and distribution centres were centralised. The new owners reinvested profits to develop new operational, information, and planning systems, as well as to revamp the product line with new technology. Natura was prepared for the sales boom that came with the currency stabilisation programme in 1994 (Real Plan). In the four years that followed, the company grew by more than 500%. It was great news for the company – almost too great. Realising that the company was growing larger than the current management could handle, and becoming increasingly aware of the social responsibilities that accompanied the newfound stature, Natura recruited a new management team. Nine of the eleven directors in 1999 were brought in from outside the company; individuals with extensive experience in multinational firms. While this created tensions with the incumbent middle management and fears of disruption in Natura's culture, the newcomers effectively helped the company benchmark, implement best practices, and incorporate international management tools.

In May 2004, Natura's IPO appeared on the São Paulo Stock Exchange's (BOVESPA) New Market (NATU3), an important milestone in the company's transformation. The listing enabled the company to obtain resources at lower costs, enhance shareholder liquidity, and reinforce the corporate image, thanks to the transparency required by the governance mechanisms. At the beginning of 2005, former Natura business vice-president, Alessandro Carlucci, was appointed CEO. Carlucci's achievements included the recovery of company operations in Argentina. With Carlucci in this new position, the company looked towards faster implementation of changes, especially those dealing with internationalisation.

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Natura Brands

Natura had a portfolio of several brands, with over 2,500 SKUs, collectively. Natura's beliefs and vision of the world, which was captured by the values of harmonious relationships, innovation, truth, and building a better world, inspired its brand portfolio and the brand portfolio and product development process. These brands are developed based on the commitment to integrate people physically, intellectually, and emotionally, and to blend their family, professional, social, and environmental relationships. The brands are seen as instruments that inform, boost awareness, and encourage personal betterment. Six of these brands stand out: Tododia, Natura Chronos, Natura Mamãe e Bebê, Natura Ekos, Faces de Natura and Natura Criança.

Tododia expresses the belief that each minute is a moment in which one can celebrate life, care for one's body and mind, and reflect on what one can do to realize a better future. Tododia products are made from natural ingredients and inspire people to rekindle their senses, connect to themselves, to others, and to the world. The brand is for daily use; people gain self-awareness every day through caring for their well-being. It brings textures and fragrances to transform women's daily care routine into pure sensation and pleasure.

Natura Chronos expresses the desire to combat stereotyped, preconceived beauty standards. It expresses the belief that it is necessary to respect the passage of time and past experiences. Natura Chronos offers a complete range of skin treatment options for the face, including cleansing, toning, hydrating, and wrinkle treatment products divided into categories for women from 30 to 45, 45 to 60 and 60 and older. To express the value of the brand, Natura developed the concept of "anti-sign", and established an innovative communication standard by valuing the truly beautiful woman. The communications focus on the idea that it is indeed possible to feel well and beautiful, regardless of age.

Natura Mamãe e Bebê (mother and baby) offers personal care products for babies and pregnant women. It is rooted in the special relationship between a mother and her child and thus the relationship a person will have with oneself and with the world. The specific products under this brand utilize ingredients, textures, fragrances, colours, forms, and functions to evoke the tenderness of a mother's care for her child. The brand articulates the fundamental love between mother and child through the senses – touch, smell, sight, and hearing.

Natura Ekos, the most recent addition, consists of around 80 SKUs that include fragrances, personal care, and ambience products (e.g., aromatherapy oils). Natura Ekos offers a line of natural products that draw from Brazil's biodiversity and is inspired by traditional uses of plant ingredients. The brand is strongly rooted in the richness of the environment. It aspires to show that by experiencing nature and different cultures, we can share and learn new experiences. It expresses love and respect for the delicate, fragile chain of life, and commitment to sustainability and diversity. Its scientifically proven benefits capture the knowledge that indigenous populations have accumulated through centuries of living in oneness with the environment in Brazil's forests. The launch of the Natura Ekos brand, in 2000, marked a new phase in the development of Natura, which sought to be recognized as a company that knew about, researched and utilized Brazilian biodiversity in a sustainable manner, thus contributing to its preservation.

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Faces de Natura, is a brand targeted at the modern young woman. It brings together treatment, make-up and perfumery products. The brand concept is "You invent what you want, the way you want it – the order of the day is to dare." The make-up products, for example, have properties that allow the user to separate the colours into luminous, neutral and deep tones and then combine these tones on the mouth and eyes, resulting in a new, unique and daring look. The brand's messaging notes: "Faces de Natura is the new make-up line that brings freedom to play, to dare, to try everything or everything again, while discovering and rediscovering all the time. Set up a meeting with yourself."

The **Natura Criança** brand, launched in 1998, extends the experience of well-being/being well to the age at which children start to discover their bodies, other people and the world. Through this line, Natura believes it is helping children to grow better physically, mentally and emotionally; to grow up more in touch with their parents, with the people who children most trust and who will help them to become balanced and happy adults. The gentle formulations of this line are free of alcohol, colorants and other irritating substances.

Other important brands include the **Natura Única**, a brand of premium make-up products, which encourages self-realization and discovery of the unique beauty of each woman, affirming diverse beauties, races and styles. **Sève,** launched in 1983, is a line of bath oils based on sweet almonds that gently perfumes for a long time and leaves the skin soft and silky, pleasant to feel and to touch. The subtly different notes of its fragrance are the refinement of originality for women who are also original. **Fotoequilíbrio,** a brand of sun protection with proven UVA, UVB and visible light multiprotection and pleasant textures, was launched in 2000.

Natura also has two brands specifically for men. The **Sr. N** brand was launched in 1979 and is a skin care product built around the ritual of shaving. **Natura Homem**, launched in 1997, offers men a complete solution for caring for themselves to enhance their well-being and thus being well. The products emphasize practicality, efficiency and sensory pleasure.

R&D

In an industry where constant innovation is the key barrier to entry, Natura knew that it had to find a way to compete with global competitors, who had far deeper pockets. To this end, Natura turned to its natural surroundings, as 22% of the earth's flora species are located in Brazil, of which only 1% had been catalogued by the beginning of 2001, and only 8% of those had been studied for homeopathic use. The inspiration for Natura's product lines thus largely comes from matching these resources to clients' needs of personal care, while ensuring the preservation of the resources through sustainable cultivation

To unlock the therapeutic value of Brazil's biodiversity, the R&D department draws upon a portfolio of projects developed in collaboration with universities and research centres, with notable connections with universities in France and the US. Natura tracks the projects and buys technology from its research collaborators, enabling it to produce a new product every three working days; an output comparable to companies like 3M. In 2004 alone, Natura was awarded 26 patents for inventions and industrial designs in Brazil and abroad, and sixty-three per cent of the company's revenues for the year originated from products that were either launched or re-launched over the previous two years. Importantly, this approach keeps

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Natura's investments in R&D relatively small compared to its main competitors: in 2004, Natura invested 2.7% of net income in R&D, whereas its main competitors spent close to 3.5%.

Historically, R&D had been an independent department which, since 1996, was headed by Pommez, a French national, who had come to Natura that year as Director of Research, Technology, Development and Engineering. Prior to joining the company, he had done stints at Redpath Sugar, where he was responsible for R&D, manufacturing and new business development and, subsequently, Johnson & Johnson in Canada, Brazil and the USA, where his last position was Vice-President R&D of the personal products division. In 2000, Natura decided to combine the R&D and marketing organizations under the newly created business innovation and development organization, with Pommez at its helm. The reorganization impacted the way R&D and innovation occurred within Natura. Today, Natura's innovation process starts with a monthly discussion among the three presidents, the marketing director, operations director and the R&D director. Ideas and technological advances are discussed, and the team decides which ones should be taken forward. New product ideas do not need to undergo traditional market testing, thanks to the immediate feedback that sales representatives obtain from their customers just after selling a new product. Natura estimates that with this system, it has a good notion of the product's acceptance within a week.

Social Approach

Customer surveys, conducted by the Instituto de Pesquisas Datafolha in 2004, found that Natura was elected Top of Mind in the cosmetics category. It was also considered the Most Highly Regarded Company in Brazil in accordance with *CartaCapital* magazine and Instituto InterScience in 2004, and the third most valuable brand in Brazil, according to *ISTOÉ Dinheiro* magazine and Interbrand consultancy. Furthermore, for the fifth consecutive year, it was considered a benchmark in good civic responsibility by *Exame* magazine and Instituto Ethos.

These accolades affirm and reinforce the company's philosophy. According to Seabra, "In an industry famed for promises and the pursuit of success at any price, Natura prides itself in offering a truthful approach to consumers." For the company's operations, that meant having products that were clearly labelled and a sales force trained to give informed advice regarding the ingredients and appropriateness of each product. Natura's products had to contribute to the well-being of its customers, through both the choice of technology and the message behind each product. "We believe we can help transform people's lives and society," Leal said. "We do what we believe and make a profit from it. The functionality of the product is just one aspect of the necessities it provides ... We deliver in our products much more than functional answers. We deliver emotions, spiritualism, and intellectual ideals that can improve people's lives."

New products and lines were usually launched with a message of how it contributed to customers' well-being, which was incorporated into commercials and sales representative training. The Natura Mamãe e Bebê (mother and baby) creams, for example, were associated with encouraging touch and caressing, which created a stronger bond between the mother and the child. Natura Chronos, the "anti-signs" cream, was marketed with the message that beauty was not achieved through the pursuit of youth but through the right attitude towards ageing.

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Natura believed this approach had contributed to its loyal customer base, and was a key differentiating factor for its products. It used consumers over 30 years of age instead of young models. The implicit message, according to Leal was that, "You will not look like Claudia Schiffer with our products, but you're still beautiful." The campaign celebrated middle age beauty which, according to Natura, depends on the woman's harmonious relationship with time and the different phases of her life. This campaign helped make Natura Chronos one of Natura's most profitable brands.

Another success factor could be attributed to the composition of the product, which differentiates it. For example, while many leading brands have as many as three different products for wrinkles, one with vitamin A, another with vitamin C and another with vitamin D, the Natura product will have all three vitamins because they all help enrich the skin.

Sales Force

Seabra realised early on the power of relationships in people's well-being, and decided to make his company a vehicle for these rewarding relationships. An army of more than 400,000 sales representatives (26,000 abroad) provide Natura with a significant competitive edge and create a strong entry barrier for other direct sales companies. Natura fiercely competes with Avon, Amway and Mary Kay for its share of this autonomous and highly mobile workforce, offering its representatives continuous training and the highest commissions in the industry. Natura has the lowest turnover ratio among all direct sales companies.

Natura's sales organisation has three levels: sales manager, sales promoter and sales representative. All benefit from extensive training programmes that last the duration of their relationship with Natura. Each sales manager is in charge of a group of a couple of dozen promoters who cover a specific geographical area. Each promoter is responsible for training and supervising a group of representatives, as well as wooing new representatives and keeping them. The major part of his or her salary is linked to retention of representatives rather than sales. Promoters organise what are known as Natura Meetings for their sales representatives every 21 days. At these meetings, new products are presented along with a detailed description of each product, its ingredients, benefits, and the target customer. The meetings often take place at the promoter's home, where the whole family participates in cooking and decorating the home, creating an intimate and personal atmosphere. The gatherings are characterized by cheering and applauding, as almost a quarter of the sales representatives receive a gift of some kind, for example, for high performance in sales, bringing along new representatives, or just winning a random lottery. Promoters are free to incorporate other activities during the meetings. For example, one promoter devoted one meeting to explaining recent financial news, and another to celebrating Mothers' Day by reading poems and singing

Sales representatives revisit Natura's values through videos and the Natura Consulting newsletter. They receive free courses and support materials and are also recognised by the company through a series of programmes that acknowledge the value of their relationship to the company, based on factors such as the length of activity, number of customers, sales volume, presence at events and Natura Meetings, and so on.

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Two service hotlines help promoters with administrative chores. The *Centro de Atendimento Natura* provides pre- and post-sales support for the sales representatives, 14 hours a day. With 400 operators receiving 420,000 calls per month, it is one of the largest phone-based support centres in Brazil. It receives product orders, and provides information on delivery times, bills, promotions, and products. It gives information on Natura's product lines and takes orders from sales representatives, which are usually shipped within 24 hours. The customer service hotline, staffed by several dozen telephone operators, also plays an important role. The team receives over a thousand calls a day regarding all types of customer needs, including complaints, feedback, and queries about products. The customer service hotline thus plays an invaluable role in providing rapid feedback, and the operators who are empowered to reimburse or replace a product under any circumstance ensure that consumer concerns are dealt with before they can have a negative impact on the company and its brands.

International Expansion: Latin America

Going international seemed like a natural progression for Natura, because of its rapid growth during the 1980s and as a means to steer around the economic crises in Brazil. The company's first attempt at internationalisation began in Chile in 1983, because of its proximity to Brazil. Initial activities were implemented by a local distributor who imported products and built the local market. The early years were plagued by weak results, mostly attributed to the fact that the distributor was a poor fit: The distributor had been chosen hastily, and there was neither a fit in values between Natura and the distributor, nor had the distributor been familiarized with Natura's values. The company decided to end their distribution relationship and turn the Chilean unit into a subsidiary. However, financial recovery took quite a while; the management team heading the Chilean subsidiary frequently changed, which slowed down continuity of policies. Also creating problems was that fact that business policies had to conform to central budgetary requirements without exception. This meant that even though Natura was relatively much more expensive than existing brands on the Chilean market, prices could not be lowered. But perhaps the most pertinent problem facing the sales force in Chile was that the retail business was the dominant form of cosmetics distribution (See Exhibit 10). Direct sales, including those of Avon, Etel, Renic, Oriflame, and other smaller companies, amounted to less then 20% of the total cosmetics market share. Business finally began to turn around when a number of adaptations were instituted, notably the repositioning of prices and a massive investment in communication. However, issues remain: Chile is a country with full employment and high income, and women are not under any pressure to add to their household incomes. Thus, a key task here is the establishment of direct sales as a legitimate channel for premium cosmetics.

Argentina was the next country that Natura entered, in 1994. Initially, an ex-manager of Avon was hired to head the office in Argentina, and given the charter to rapidly develop sales. However, growth in Brazil at the time was so high that there were no internal human resources to devote to Argentina, to provide guidance on Natura and its values. The result was that the internationalisation effort did not work out. The sales structure in Argentina was not a replica of the structure used in Brazil. Sales representative turnover was high and sales volumes were low as there was no standard, as in Brazil, where new sales representatives were obliged to deliver a minimum ordering amount. Faced with these difficulties, the management re-evaluated Argentina's sales strategy in 1998 and decided to take charge of the entire Argentinean operation, and not just logistics and supply chain, as had been the case

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initially. New managers from Brazil were appointed and given the task of not only taking care of the business, but more importantly disseminating Natura's culture and values; in particular, setting a social, environmental, and economic agenda.

The business turned around in 2002, when the Argentinean currency was devalued. While most of Natura's competitors raised their prices to counterbalance the increasing cost of raw materials and the imported final product, Natura kept its prices at the same level. Its market almost quadrupled to 15%, and it was one of the few companies in Argentina that increased unit sales in 2002. However, as expected, the profit margin plummeted. Natura tried to counter this by reducing its internal costs. It assured suppliers that operations would continue throughout the financial crisis, and in exchange managed to obtain guaranteed prices, which gave the company control over the costs and made it more competitive. By 2005, Natura had the highest market share in Argentina and was considering building a plant in Buenos Aires to handle demand from within Argentina and proximate smaller country markets.

Aside from Chile and Argentina, Natura has an independent operation in Bolivia, a country it entered with the aid of a Natura ex-manager as distributor, some 15 years ago. Natura also has an independent operation in Peru. Most recently, in 2005, Natura entered Mexico, the largest direct sales cosmetics market in Latin America, after Brazil, and one where it faced strong competition from the already present multinational competitors like Avon, Jafra, and Mary Kay. A key innovation in the Mexican operation is the establishment of Casas Natura (Natura's House), a facility established to support sales representatives and managers in their activities.

Potential Expansion Countries

Notwithstanding its experiences in Argentina and Chile, Natura believed that its future lay outside Brazil's borders, as international expansion would potentially generate value, diversify risk, avoid stagnation in the domestic market, and make the most of organisational learning. As such, Natura had set itself the goal of 3.3% of net sales from operations abroad, for 2004. However, it had come up short, achieving only 2.6% of its sales outside Brazil that year. Based on these numbers, management had come to the conclusion that expanding outside Latin America was essential if Natura was to achieve its internationalization goals. They also believed that it was important for Natura to enter G7 countries, as a presence there would have the effect of reinforcing brand equity in the Brazilian market, over and beyond adding to top line growth, an issue that had become more important following its recent IPO. Natura directors not only believed that entering G7 countries was feasible as, in their eyes, the company's values were universal, but they believed that taking Natura's business values to new cultures and building relationships with people there would make the world a better place to live in. Thus, they had appointed Philippe Pommez to lead international expansion and recommend which G7 country Natura should enter first (See Exhibits 5-10 for data on the G7 markets).

USA and Canada

The US market, the single largest consumer market in the world, is characterized by intense competition with all the major cosmetics players vying for the consumers' wallet. It is also home to the two largest direct sales cosmetics players, Avon and Mary Kay. As a result, the

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cost of entering with a new cosmetics brand runs in to triple digit millions of dollars for a national launch. Although overall GDP growth in the US picked up in 2004, consumer confidence remained low, with the result that retail sales of cosmetics and toiletries grew only 0.5%. Moreover, the growing trade deficit suggested a continued weakening of the dollar, which would drive up the cost of imported products in the US.

Although, on average, spending on cosmetics and toiletries is significantly less than that in many other countries, US consumers are quality conscious and willing to pay premium prices for individual items if they perceive the product to be superior. Consumers perceive European products to be sophisticated and high quality, which has enabled L'Oreal to acquire a 13% share of the US market, putting it in the number 1 spot alongside P&G, its local rival.

The demographic shift resulting from baby boomers entering their 50s and 60s is creating an increase in demand for products and services offering certain benefits. The data show that ageing baby boomers are looking for "balance" and more holistic solutions to a healthy, happy life. Not surprisingly, the demand for natural personal care products is expected to grow by almost 50% between 2003 and 2008, to US$5.8 billion.[4] Another trend is the convergence of cosmetics and toiletries with pharmaceuticals and packaged food industries. For example, Estée Lauder's Origins introduced the Cocoa Therapy Collection in autumn 2004, which includes body care products with skin-beneficial components of cocoa, as well as chocolate bars with aromatherapeutic, mood-enhancing properties. Also, low-cost alternatives to popular cosmetic medical procedures are taking off. In 2004, manufacturers launched gentler at-home versions of microdermabrasion and chemical peels that could be safely used at home for a fraction of the cost.

To the north, economic growth in Canada is boosting consumers' spending power, and products and services associated with personal appearance are seeing significant increases in consumer spending. Specialised products for at-home professional care and skin care brands boasting advanced formulations and active ingredients are seeing increased consumer spending. Professional spas and salons and clinical products and services, including surgical procedures, once only available to the rich, are increasingly available to the masses.

Western Europe

A third of the 2004 global cosmetics market is located in Western Europe, which is dominated by five countries: France, Germany, the UK, Spain and Italy. The market is showing robust growth – almost 30% between 1999 and 2004 – and demand for natural personal care products has been booming since the late 1990s. Due to the sophistication of the European market, where many cosmetic innovations originate, maintaining a presence there is important for any company that is intent on becoming a global player. It also implies a massive investment to construct a brand in an already highly competitive market. However, Europe is logistically similar to Brazil in that it heavily uses sea transportation, which provides lower costs. Also, the network of relationships that Natura currently holds with its global suppliers indicates that entry into Europe could be supported by the pre-existing infrastructure. However, the unusual position of Natura as a premium brand using a direct sales channel in Brazil may pose serious challenges to its replication in Western Europe. Selling a premium brand through a direct sales channel may lead to a conflict in consumers' minds, as they

4 The US Market for Natural Personal Care Products, a Packaged Facts report.

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associate low quality with the direct sales channel, and expect to find premium products in specialised retail outlets.

France

In France, cosmetics sales in 2004 were worth more than €11 billion. Because it is a mature market, the emphasis falls on premium products, and cosmetics producers are pushed to diversify product ranges to stimulate demand and boost value growth. Recently, there has been a shift towards higher value products in general, as high mass-market products introduced to larger retail outlets between 2002 and 2004 have been quite successful. Manufacturers of mass-market brands such as Bourjois, Adidas, and L'Oréal Paris have adopted advertising strategies that are stylistically similar to those used to promote premium products, and consequently, these brands are perceived by consumers as more upmarket. As a result, they erode sales of products at the cheaper end of the premium price segment, blurring the line between mass and premium products. Upper-mass products are also getting ahead on innovation, which used to be exclusive to premium lines. L'Oréal and direct-selling brand Cosmence, for example, recently introduced upper-mass "Botox-like" products, which claimed to reduce wrinkles through a muscle-relaxing action. This came shortly after premium brands Dior, RoC, Vichy, Lancôme, and Gatineau introduced their own, similar variations. To counter the upper-mass market, manufacturers and retailers of premium products are trying to gain a competitive advantage through customer service.

Studies show that consumers in France are more sensitive to sensory marketing, which can be seen in ergonomic new product designs, therapeutic scents, and sensual textures. There is a clear focus on textures and colour in body care following the introduction of the first anti-cellulite mousse, which boasts a "thermic choc" effect – a cold sensation followed by a warming effect – and uses unconventional, brightly coloured packaging. Texture is also important in colour cosmetics, with the introduction of high-water content mousse, and smoothing foundations such as the Dream Matte Mousse from Gemey Maybelline Garnier SNC. New target segments include the so-called "young seniors", consumers between the ages of 50 and 65 years old, as well as men and teenage girls. Future sales are expected to come from the skin care category, sun care, depilatories, and men's grooming products.

French market regulations regarding packaging, registration of formulas and safety tests are time consuming and expensive, which delays the introduction of new products or brands. It is one of the contributing factors as to why the leading brands in France are French. In the last two years, for example, there were no significant new entrants into the French cosmetics and toiletries market.

Germany

Cosmetics and toiletries sales experienced a slight decline in Germany in 2004, due to the country's unfavourable economic climate. The main trend there is towards health and wellness, which can be seen in the popularity of feng shui, yoga, ayurveda, and aromatherapy. Products follow this trend, with skin creams that boast benefits of anti-ageing, for example, revitalisation of the skin, protection from pollution, and stress relief. Physical appearance and convenience are the selling points of hit products, as more men and women are looking after

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themselves and wanting to do so in a "quick-and-easy" way. Growth in the market is expected to be modest, considering market maturity and economic uncertainty.

Italy

The Italian economy has also recently suffered, and therefore cosmetics, which are considered a luxury, only had modest gains in 2004. Mass-market products performed better than premium ones. Supermarkets gained ground while perfumeries suffered, although pharmacy sales increased, showing perhaps that consumers are willing to pay if they believe in the quality of the product. Consumers are increasingly driven to buy based on emotional factors, and they tend to reach for products because of their packaging, colour, and especially the self-gratification they provide. L'Oréal particularly shone as a top seller in the country because it was able to sell some of its mass-market products as high mass-market products, explaining that they were "luxurious, yet affordable" and effectively targeting the market.

UK

The UK economy is enjoying the longest period of sustained growth in the post-war era, and the cosmetics industry is expected to profit from it, especially in the ranks of premium goods. Technical buzzwords are helping sell new products, especially those for skin care, and advertising highlights scientific breakthroughs. The promise of non-surgical face lifts and quick results continues to win over female consumers, even 20-something women, who are becoming concerned with age prevention. The younger market is also looking to shake off "older" market standards, and thus niche products, such as Benefit, Stila, Bloom, and Urban Decay are all doing well. Pharmacies continue as the leading distribution channel, but supermarkets are quickly grabbing market share thanks to heavy price discounting and an increasing interest in one-stop shopping.

Spain

Although Spain did not belong to the G7, its membership in the top 5 EU economies, led Pommez to consider Spain as one of the potential countries for expansion. Spain's strong GDP growth, low unemployment level, and growth in median family income, compared with other European markets, spurred greater spending in 2004, leading to sales of cosmetics and toiletries increasing by nearly 8%, by value. The changing role of women in Spanish society is creating a striking impact on the industry. More women are entering the workforce, and increasing disposable incomes have contributed to increased demand for high mass-market and premium products. The value-added features often cater to a desire for luxury items that attempt to soothe the body and soul. At the same time, recent years have seen a significant influx of immigrants into Spain, and therefore the mass-market segment will continue to grow to serve the more price-conscious, immigrant families. Attitudes are quickly changing about men's grooming habits and personal appearance, especially among young men, which is bringing about change in the market. The dip in direct sales noted in 2004 is linked to the role of the Spanish woman. Fewer women now stay at home and therefore the direct sales channel does not fit their lifestyle. Skin care, sun care, hair care, and depilatories all showed double-digit value growth in 2004.

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Japan

With 25% of its population predicted to be aged 65 or above by 2010, Japan is one of the most rapidly ageing countries in the world. This has led to increased demand for anti-ageing products among older as well as younger consumers, who are increasingly starting an anti-ageing care regime at early stages of their lives. Japanese women adhere to a complex daily skin care regime involving seven steps, rather than the three step regime typical in most other countries. Skin care, the largest sector in cosmetics and toiletries, saw value growth of an estimated 5% in 2004. In this category, consumers strongly believe that Japanese products are superior, as they are specifically formulated for Japanese skin types.

Overall, sales of cosmetics and toiletries continued to grow in 2004, registering a current value increase of an estimated 1%. But women are not alone, as the so-called "metrosexual male", a man who looks after his appearance while still being secure in his masculinity, is the largest target group for new growth. However, many companies involved in direct sales saw declines in market share in 2004 as Japanese social structures were changing, with more Japanese women staying in the workforce after marriage, which limits the availability of the sales personnel needed for door-to-door sales as well as the number of consumers at home. Shopping preferences lean towards retail outlets where there is a wider range of products and time convenience. In response, some direct sales companies, such as DHC and FANCL, are looking at distributing their products through retail outlets – convenience stores or own specialist shops. Cosmetics and toiletries sales are forecast to see growth of around 9% in constant terms between 2004 and 2009. Sun care and skin care are predicted to see the strongest growth.

The Decision

As Pommez sifted through the data, he wondered which country he should present as a viable choice for the company's next stage of internationalisation. He knew he had to present a comprehensive and coherent plan which would indicate which brand, or brands, from the Natura portfolio should be used in entering the new market. Should the direct sales strategy that had been key to success in Brazil, and utilized across Latin America, be used in entering the chosen market? Pommez also believed that his plan needed to include a recommendation on how Natura should manage international operations. His discussions with key stakeholders had surfaced four alternative approaches: One approach came from the lessons learned from Chile and Argentina. The idea was to enter each market with teams made up of executives from within Natura, who could be responsible for their markets as profit centres. The country market teams would have full control over local operations, deciding on which lines to sell, and at what price points, and with what marketing support, within broad guidelines set by headquarters. The countries would report to the head of international operations, a member of the Executive Committee who reported directly to the presidents.

A second, and more nuanced option, was the creation of regional units, as had been done at companies like Mary Kay and Avon.[5] The regional units would be responsible for the sales mix, communication, logistics and product launch programming. Moreover, the regional body would coordinate regional country units and help rationalise the duplication of functions. To

5 Mary Kay Cosmetics: Asian Market Entry, John Quelch, Harvard Business School Press.

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achieve this, countries within each regional unit would be categorized at three levels. Those with low sales levels and/or potential would be managed through a distributor. At the other extreme, successful countries with high sales potential, e.g., Argentina, would be full blown organisations with all functions, e.g., marketing, IT, accounting, legal and regulatory, call centre, human resources, etc., and led by a country manager who would report to the regional head. In between the two extremes would be countries with moderate sales potential, with organizations that would have a key management team, reporting in to the nearest high potential country market and locally supported only in key functions, such as legal and sales, to ensure functionality on the ground. The hope would be to migrate countries, over time, to key market status.

A third option drew upon the structural model implemented at companies like Diageo (See Exhibit 11), a much more centralized model structured around brands rather than markets. In this model, there would be a centralized cross-functional team responsible for strategy for each brand at a global level, known as the Global Brand Executive (GBE) at Diageo. The team would be responsible for creating a mega-brand that would deliver significant growth against a five-year target and be made up of heads of key markets, members of supply companies, and the global brand director. A second group, the Global Brand Team (GBT) would be responsible for the development and execution of in-market activity to generate value growth. The GBT would be made up of marketing directors who had regional responsibilities, key country marketing managers, and the global brand director, enabling control over local implementation at the global level.

A fourth option drew on the recently completed restructuring at P&G (See Exhibit 12), again a model structured around broad consumer needs and brands in the portfolio that fulfilled them. In this model, there would be a global group, akin to P&G's Global Business Units, responsible for strategy formulation and P&L for one or more brands on a worldwide basis. This unit would also be responsible for breakthrough consumer insights at the global level and new product development, to ensure the coherence of the brand worldwide. Locally, there would be an in-market company, along the lines of the Market Development Organization (MDO), as P&G calls it, which would be responsible for strategy implementation based on local consumer insights, including insights garnered from the role of the consumer as a shopper. The MDO would have responsibility for the management and development of the distribution channel locally. This approach allowed for greater autonomy and flexibility to the team responsible for local execution, as compared to the model adopted at Diageo. Each option had its supporters and detractors, and Pommez knew that in the end he would have to make the final choice. A choice he needed to make very soon, as the meeting at which he would need to present his recommendations was just a few days away!

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Exhibit 1

Top Cosmetics and Toiletries Companies by % Market Share

Company	Country of origin	Leading brand	2001	2002	2003	2004
L'Oréal Groupe	France	Lancôme	9.0	9.5	10.1	10.4
Procter & Gamble Co.	USA	Pantene Pro-V	7.7	7.6	8.8	8.8
The Unilever Group	United Kingdom	Dove	8.2	8.1	8.2	8.2
Estée Lauder Cosmetics Inc.	USA	Clinique	4.3	4.4	4.3	4.3
Colgate-Palmolive Co.	USA	Colgate	4.3	4.1	4.0	4.1
Gillette Co.,	USA	Gillette Mach3	3.6	3.6	3.7	3.7
Beiersdorf AG	Germany	Nivea Visage/Vital	2.6	2.7	3.0	3.1
Shiseido Co. Ltd.	Japan	Shiseido	3.1	3.1	3.0	3.0
Avon Products Inc.	USA	Avon	2.9	2.9	2.9	3.0
Johnson & Johnson Inc.	USA	Johnson's Baby	2.1	2.2	2.1	2.1
Kao Corp.	Japan	Sofina	2.2	2.1	2.1	2.1
Henkel KGaA	Germany	Fa	1.7	1.7	1.8	2.1
LVMH Moët Hennessy Louis Vuitton	France	Christian Dior	1.7	1.9	1.8	1.8
Coty Inc.	USA	Chicogo/Rimmel/Invite	1.2	1.2	1.3	1.3
GlaxoSmithKline Plc	United Kingdom	Aquafresh	1.1	1.1	1.1	1.1
Revlon Inc.	USA	Revlon	1.1	1.1	1.0	1.0
Mary Kay Inc.	USA	Mary Kay	0.8	0.9	1.0	1.0
Alticor Inc.	USA	Amway	0.9	1.0	0.9	1.0
Chanel SA	France	Chanel	0.8	0.9	0.9	0.9
Pola Cosmetics Inc.	Japan	Pola	1.0	1.0	0.8	0.8

Source: Euromonitor, 2005.

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Exhibit 2

Natura's Competition in the Brazilian Cosmetics Industry

AVON	Avon distributes skin care, hair care, make-up, wellness products and fragrances through a direct sales channel. Avon brands include Avon Color, Anew, and Skin-So-Soft. The target markets include low- and middle-class men, women and teenagers.
Unilever	Gessy Lever (Unilever, Brazil) distributes fast-moving consumer goods through drugstores, pharmacies, supermarkets, and other mass-retail channels. Its brands in Brazil include AXE, Close Up, Dove, Gessy Crista, Lux, Vasenol, Vinólia, Seda, and Roxena. Its target is the mass market.
O Boticário	O Boticário, a Brazilian company founded in 1977, distributes make-up, cosmetics, and personal hygiene products through its owned and franchised O Boticário stores, as well as through pharmacies, make-up, perfume, and beauty outlets. It sells brands, such as Lavanda, Ervas, and Quasar to the mass market, with specific product lines for children, teenagers, men, and women. In the last few years, it has been growing at ~20% per year.
L'ORÉAL BRASIL	L'Oréal Brasil sells premium and mass-retail brands in Brazil through a variety of distribution channels, including hair salons, perfumeries, hyper- and supermarkets, and health and beauty outlets. Its products include sunscreens, make-up, perfumes, and personal hygiene with brands such as Helena Rubenstein (introduced in Brazil in 1983), Elsève (1986), Lancôme, and Maybelline (1997). Lancôme targets up-market consumers, while the other brands target mass-retail consumers.
Dior	Dior distributes deluxe make-up, skin care, and fragrances through Dior boutiques, department stores, make-up, perfume and beauty outlets. Its brands include Looks, Miss Dior, Dior Addict, J'adore, Eau Sauvage, and Poison. It is in the premium sector targeted at up-market consumers.
	Shiseido is also targeted at up-market consumers, with its lines of deluxe cosmetics and toiletries. Its distribution channels include Shiseido boutiques, department stores, make-up, perfume and beauty outlets, where it sells brands such as IPSA, D'ici La, Ettusais, and Ayura.
oriflame	Oriflame is a direct sales company that sells skin care and cosmetics. Its target is the mass-retail market. Oriflame brands include Oriflame Colour, Visions and Swedish Care.
Davidoff	Davidoff is a luxury brand that sells its perfume, Cool Water and Cool Water Woman, in department stores and in make-up, perfume and beauty outlets.

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Exhibit 3

Top Companies by % Market Share in Brazil (Retail Price)

Company	Leading brand	2001	2002	2003	2004
Unilever Group Ltda	Sedal	14.7	13.6	13.6	13
Natura Cosméticos SA	Natura	9.5	9.5	10.3	11.3
Avon Cosméticos Ltda	Avon	8.3	8.3	7.7	7.5
Belocap Produtos Capilares Ltda	Elsève	5.8	6.1	5.8	6.1
Botica Comercila Farmacêutica Ltda	O Boticário	5.6	6.3	5.9	5.9
Gillette do Brasil Ltda	Gillette Prestobarba	5.4	5.5	5.7	5.0
Belcosa Distribuidora de Cosméticos Ltda	Koleston	2.1	2.2	2.1	2.3

Source: Euromonitor, 2005.

Exhibit 4

O Boticario Outlet

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Exhibit 5

Cosmetics Consumption Pattern by Country

Country	Per capita consumption (units/inhab)
Brazil	45
Mexico	44
Portugal	41
France	39
Spain	39
UK	38
Germany	38
Italy	32
USA	31
Argentina	28

Country	Per capita expenditure (US$/inhab)
France	230
UK	200
Spain	170
Italy	160
USA	160
Germany	150
Portugal	130
Brazil	60
Mexico	50
Argentina	40

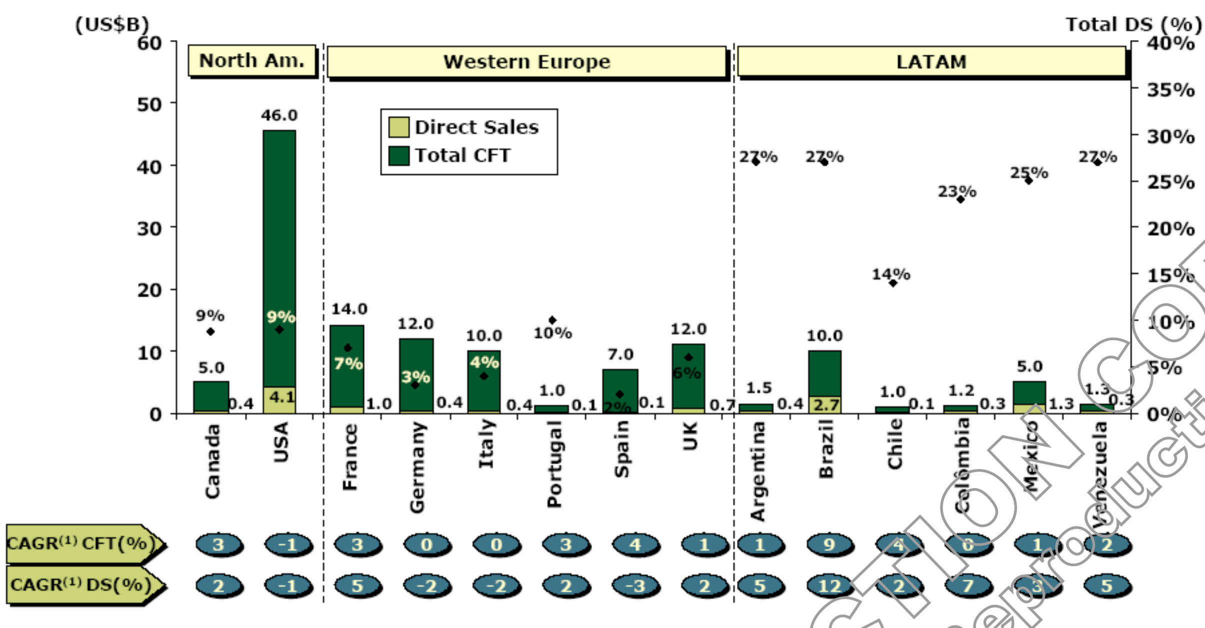
Country	Average price (US$/units)
France	5.9
USA	5.1
UK	5.1
Italy	5.0
Canada	4.4
Spain	4.3
Germany	4.0
Portugal	3.2
Argentina	1.5
Brazil	1.3
Mexico	1.2

Country	CFT[1] expendit. /GDP (%)
Brazil	1.6%
Argentina	1.0%
Mexico	0.8%
Portugal	0.8%
France	0.7%
Spain	0.7%
Germany	0.6%
Italy	0.5%
UK	0.5%
Canada	0.5%
USA	0.4%

[1] Cosmetics, fragrances, and toileteries
Note: Data of 2004
Source: Euromonitor; World Bank website

Exhibit 6

Direct Sales Market Size for Cosmetics and its Share in CFT[6]



(1) CAGR as average annual growth rate from 2000 to 2004 in constant 2004 US$, fixed exchange rate
Source: Euromonitor, data of 2004

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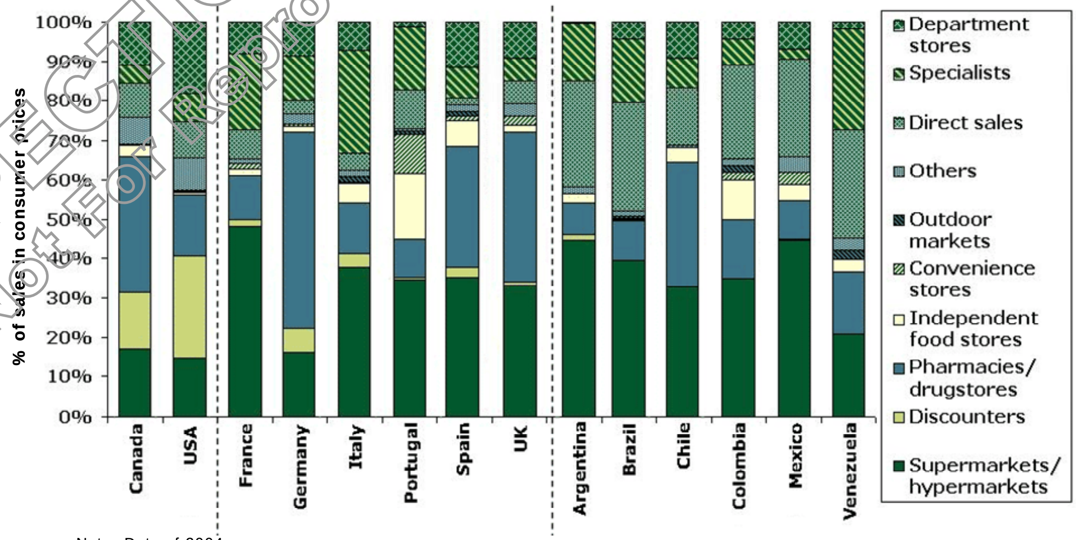
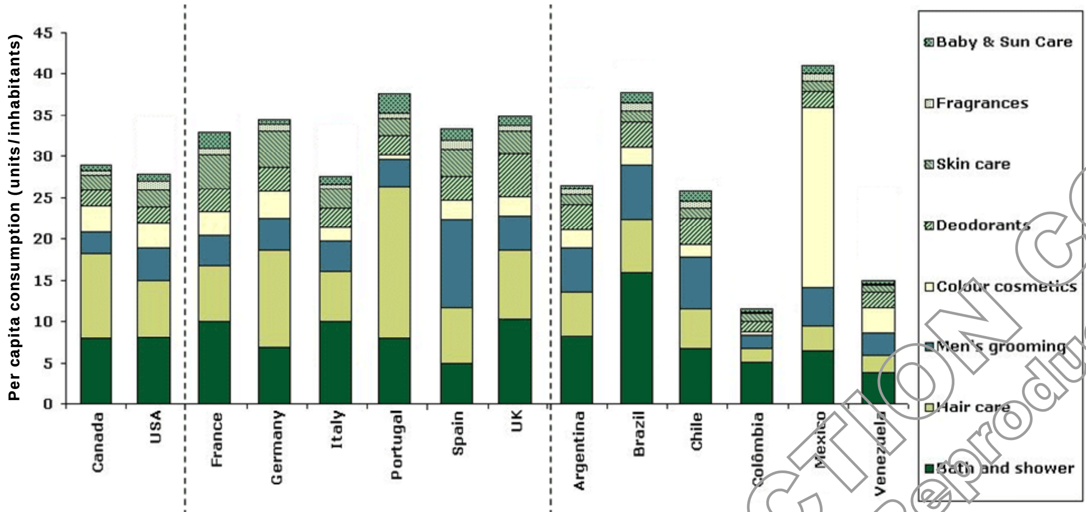
6 CFT = Cosmetics, fragrances and toiletries.

Exhibit 7
Channel Profile for Cosmetics by Country



Note: Data of 2004
Source: Euromonitor

Exhibit 8
Consumption per Capita per Category



Note: The categories have overlapping; does not include depilatories and hygiene oral; units per capita per category in 2004
Source: Euromonitor, Web site World Bank

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Exhibit 9

Average Consumer Price per Unit per Category

US$/Units	Baby Care	Bath and shower	Deodorants	Hair care	Colour Cosmetics	Men's grooming	Fragrances	Skin Care	Sunscreen
Canada	4.2	2.0	3.4	4.1	7.6	4.1	22.7	9.5	7.3
USA	4.4	1.8	3.6	4.9	9.4	3.7	19.1	12.7	8.8
France	3.7	1.7	4.5	6.1	8.8	5.4	46.0	14.7	7.7
Germany	4.6	1.7	2.8	2.7	5.5	3.1	24.5	7.3	8.9
Italy	5.3	1.8	3.9	4.4	11.8	3.8	28.9	15.6	14.4
Portugal	4.3	1.6	3.5	1.6	8.9	4.2	29.0	8.9	15.0
Spain	6.7	2.1	3.0	4.2	8.7	1.4	34.2	7.6	9.3
United Kingdom	4.5	2.0	2.9	5.1	11.6	5.3	30.8	10.1	14.6
Argentina	2.7	0.4	1.8	1.8	1.3	1.1	7.4	4.3	4.8
Brazil	1.3	0.3	1.4	2.4	2.0	0.7	10.2	4.3	8.8
Chile	1.1	0.6	2.7	3.5	4.6	1.2	9.0	6.8	7.5
Colombia	2.7	0.5	2.3	3.6	5.8	1.8	48.4	3.8	5.7
Mexico	1.3	0.8	2.0	3.9	0.3	1.0	8.6	5.4	16.0
Venezuela	2.3	0.8	1.5	3.5	3.2	2.2	37.6	8.5	10.9

Nota: Data of 2004; average price as total sales per category in US$/ total of units
Source: Euromonitor

Exhibit 10

Comparison of Competitors by Market

Companies	France	German	UK	Italy	Spain	Portug	USA	Canada	Brazil	Mexico	Argent	Venez	Colomb	Chile
L'Oréal	**28%**	**14%**	**11%**	**19%**	**14%**	**20%**	**13%**	**16%**	6%	9%	6%	4%	4%	**11%**
Unilever	**6%**	4%	**10%**	**7%**	5%	**14%**	7%	**8%**	**13%**	8%	**18%**	8%	**16%**	**20%**
Procter & Gamble	2%	**11%**	**11%**	**8%**	**7%**	**9%**	**13%**	**19%**	3%	**14%**	3%	8%	**10%**	8%
Colgate-Palmolive	3%	4%	4%	3%	2%	8%	3%	4%	7%	**14%**	7%	**16%**	**12%**	6%
Avon	**0%**	**1%**	**4%**	**1%**	**1%**	**2%**	**4%**	**3%**	**8%**	**10%**	**14%**	**9%**	**5%**	**10%**
Beiersdorf	**6%**	**12%**	3%	6%	5%	8%	0%	1%	2%	2%	2%	2%	1%	3%
Gillette	3%	4%	5%	5%	5%	5%	5%	6%	5%	5%	**7%**	**9%**	8%	6%
Henkel	4%	9%	1%	2%	4%	3%	1%	1%		0%		1%	3%	0%
Private label	3%	8%	6%	2%	3%	2%	2%	2%	0%	0%	0%	0%	1%	1%
Louis Vuitton	5%	4%	2%	4%	4%	1%	1%		0%	0%	1%		0%	0%
Johnson & Johnson	2%	2%	4%	2%	1%	6%	4%	2%	3%	1%	2%	1%	6%	0%
Estée Lauder	1%	1%	4%	1%	2%	1%	**9%**	5%		1%	0%	2%		1%
Puig Beauty & Fashion	1%	0%	1%	1%	**11%**	1%	0%	1%	0%	1%	0%	1%	0%	0%
Sara Lee	**1%**	**1%**	**2%**	**1%**	**3%**	**2%**			**0%**	**2%**	**2%**			
Yves Rocher	**5%**	**1%**	**1%**	**0%**	**1%**	**3%**	**0%**	**1%**						
Natura Cosméticos									**11%**		**1%**			**1%**
Oriflame					**0%**	**2%**				**0%**			**0%**	**1%**
Mary Kay		**0%**			**0%**	**0%**	**3%**	**2%**		**3%**	**1%**			
Jafra Cosmetics							**0%**		**0%**	**7%**				
Kalina OAO														
O Boticário						0%			6%					
Outros	30%	25%	34%	39%	32%	14%	47%	31%	36%	22%	35%	39%	32%	31%
Market share of 5 largest	50%	54%	43%	44%	42%	63%	47%	54%	46%	55%	51%	50%	53%	55%

Note: % of market share of companies in each country; The chosen competitors have a market share of at least 5% in one country and the main DS; Data of 2004
Source: Euromonitor

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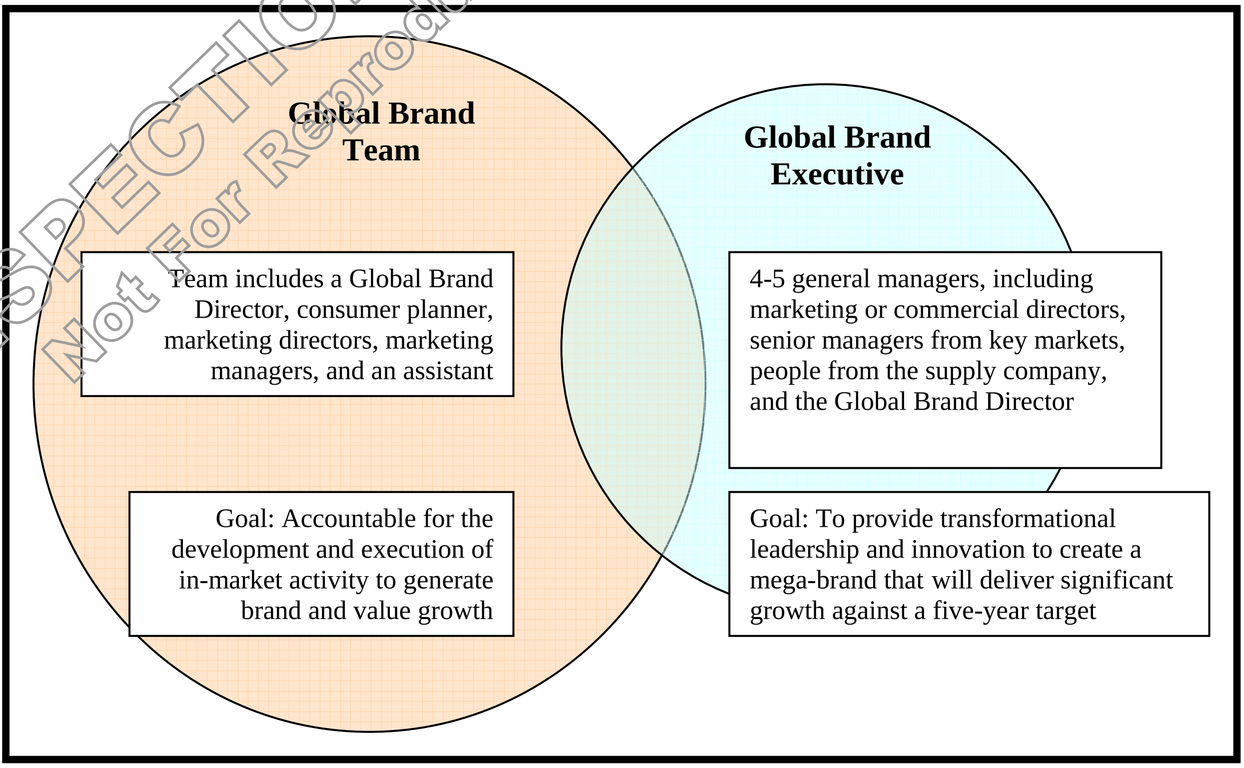
Exhibit 11

Global Brand Management Structure at Diageo



Source: Diageo.

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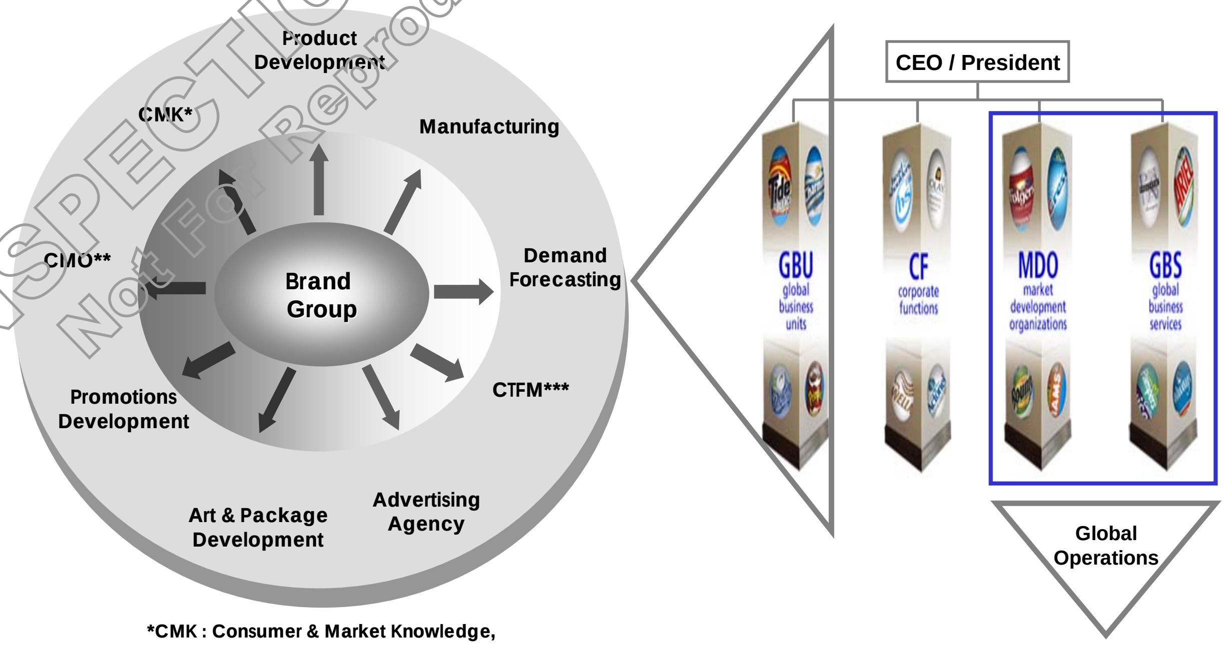
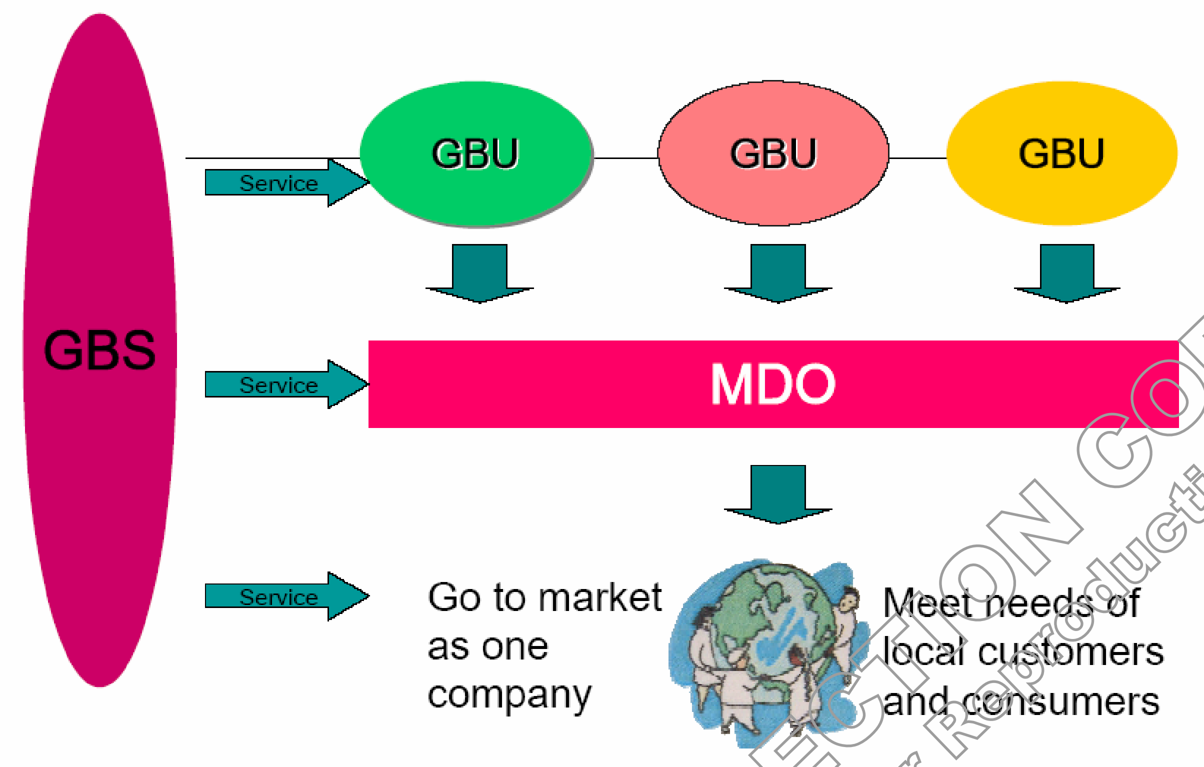
Exhibit 12
Global Brand Management Structure at P&G



*CMK : Consumer & Market Knowledge,
**CMO: Customer Marketing Organization
***CTLM : Customer Team Logistics Manager



Source: P&G.

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