

Looks good

Brazilian cosmetics and other consumer brands are powering ahead



“cafuné (N): A stroke or ruffle of a loved one’s hair”. That Brazilians have coined such a specific word testifies to their physical warmth, sense of touch—and obsession with hair. Brazil, although only the world’s seventh-largest economy, is its second-largest market for hair-care products. The amount Brazilian women spend on priming has been growing strongly for years and now matches British women’s spending per person, though their disposable incomes are far lower. Soon Brazil will overtake Japan to become the second-biggest market for beauty products overall, after the United States.

“The whole world has woken up to the potential of the Brazilian beauty market,” says Hana Ben-Shabat of A.T. Kearney, a firm of analysts. Sales of big global companies such as Unilever and Procter & Gamble are growing fast in Brazil, and luxury brands such as l’Occitane are piling in. But the country has also come up with a home-grown beauty company that dominates its bathroom shelves. Natura has a 13.4% share of the Brazilian cosmetics, perfume and hygiene market, with customers in 60% of all households. It is already the world’s 20th most valuable cosmetics brand, according to Brand Finance, a consultancy, even though nearly 90% of its sales are domestic and hardly any are outside Latin America. Now it is planning to go global.

Natura was green before greenery became chic, and catered for women of African heritage before North American or European firms had noticed their existence. According to Alessandro Carlucci, Natura’s chief executive, it is similar in some ways to The Body Shop, a green cosmetics firm that started life in Britain, though Natura was years ahead. The big difference is that The Body Shop picks and mixes its cosmetics from around the world whereas Natura has a Brazilian “terroir”. Its products are 70% plant-based (by dry weight), and about 10% come from the Amazon, where it buys from co-operatives of villagers and indigenous tribes.

Since 1974 Natura’s products have been distributed by self-employed salespeople, a bit like the Avon ladies. The idea was to get to know its customers better and provide a personal service, but there were happy side effects too: fewer employees covered by onerous labour laws; less need for capital during a period of hyperinflation; less reliance on awful roads. It focused on the middle market, which placed it perfectly to benefit from the emergence of a huge new middle class.

The new face of Brazil

The years when Brazil had a policy of keeping out imports gave Natura time to build brand awareness. But it never relaxed because the country was always tricky to do business in, says Mr Carlucci: "If the environment is tougher, it makes you stronger." And since the opening of the domestic market it has flourished, as has a clutch of other Brazilian beauty and clothing brands, despite foreign competition. O Boticário (The Apothecary) is a high-street competitor to Natura. Hering is Latin America's second-largest clothing company. Riachuelo will soon sell fast fashion in every Brazilian state. Lojas Renner's department stores sell their own popular clothing lines. Melissa and Havaianas have made it chic to wear cheap shoes for tropical climes.

These firms are just some of the many consumer brands that have ridden Brazil's consumption boom during the past decade. Whereas carmakers spend their time in Brasília lobbying to keep trade barriers and special privileges, these companies have a more liberal agenda which has quite a lot in common with that of June's protesters. Better infrastructure would cut their overheads. Better public services, especially in education, would provide them with more competent staff. Cleaner politics would improve economic decision-making and future growth.

As long as the Brazilian market was expanding vigorously, it made sense to focus on it. But now all these companies face the same immediate challenges: a slow economy, high consumer debt and the impossibility of Brazil repeating its trick of the past decade: the acquisition of 35m new consumers with the emergence of its new middle class.

The home market remains important. Natura, for instance, plans to keep expanding it by wooing consumers above and below the income group of its current customers and by tweaking the sales consultants' role. The drudge work of taking customers' money and delivering goods will increasingly be moved online, leaving sales consultants to sell, pamper and provide the human touch. Lower-income customers are being enticed with a new range in lighter, cheaper packaging that gives up every drop of its contents, prompted by the firm's discovery that cost-conscious consumers were using a spoon to scrape out its containers.

The example of Havaianas shows what consumer brands facing a slowdown in Brazil can do to improve their lot. The company was already supplying almost the entire market for light slip-on shoes in Brazil in the 1980s. It continued to grow strongly first by going upmarket at home and then by moving abroad. O Boticário, whose early attempts to sell its bright lipsticks and eyeshadows to Portuguese women flopped, now has outlets scattered through more than 20 countries. Natura was initially held back by the difficulty of direct selling in a new market, with salespeople having to trudge the streets for an unknown brand. Sales in several other Latin American countries are now doing well, though going farther afield will require a new approach.

In the race to go global, Brazilian consumer brands will benefit from a competitive advantage less often noted than the country's abundance of commodities: its reputation for style. Market researchers say that although few consumers elsewhere know much about the country, they feel positive about it and think Brazilians are beautiful. They also associate Brazil with biodiversity and the rainforest, an obvious advantage for a firm called Natura that uses ingredients from the Amazon. Coming your way: the scents of pitanga (a red berry) and priprioca (a sweet-smelling grass)—and perhaps a cafuné.

Fonte: The Economist: Special Report Brazil, London, v. 408, n. 8855, p. 14-15, 28 Set. a 4 Oct. 2013.