

FUNDAÇÃO GETÚLIO VARGAS
ESCOLA DE ADMINISTRAÇÃO DE EMPRESAS DE SÃO PAULO

MARIE ANNIE ANDRÉE GUIMBERT

**THE INTERNATIONALIZATION OF THE COSMETIC RETAIL
INDUSTRY: A HISTORY OF SUCCESS?**

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Campo do Conhecimento: GESTÃO E
COMPETITIVIDADE EM EMPRESAS
GLOBAIS

Orientador Prof. Dr. LUIS HENRIQUE
PEREIRA

**SÃO PAULO
2013**

Guimbert, Marie Annie Andrée/ The internationalization of the cosmetic retail industry: a history of success? / Marie Annie Andrée Guimbert - São Paulo - 2013.
112 f.

Orientador: Prof. Dr. Luís Henrique Pereira
Dissertação (MPGI) - Escola de Administração de Empresas de São Paulo

1. Globalização. 2. Marcas (Imagem). 3. Mercados emergentes. 4. Cosméticos - Indústria. 5. Marketing. 6. Planejamento estratégico. I. Pereira, Luís Henrique. II. Dissertação (MPGI) - Escola de Administração de Empresas de São Paulo. III. Título.

CDU 658.8

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Data de Aprovação:

___/___/___.

Banca Examinadora:

Prof. Dr. LUIS HENRIQUE PEREIRA

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ACKNOWLEDGMENTS

First of all, I would like to thank FGV-EAESP with the opportunity they offered me when accepting my candidature to study in Brazil, in the Double Master's degree program with Sciences-Po.

Additionally, I would like to thank Professor Dr. Luis Henrique for having accepted to be my supervisor. Having been able to work with a recognized FGV's marketing professor as a supervisor was utterly important for me as I strongly intend to work in the marketing area. I am pleased to have been able to work with you and benefit from your knowledge, even though I was in France, for most of the writing of my dissertation!

I am also grateful to Nicolas, manager at L'Occitane en Provence in Brazil, who kindly accepted to be interviewed in order to provide me with a concrete insight of his knowledge.

Equally, I would also like to thank my family who always encouraged me during my moments of despair. My friends also deserve to be thanked for their patience and comprehension over the last six months.

Finally, a special thank you to the two other members of the reading committee who kindly accepted to judge my work.

To my beloved parents and brothers.

To my exceptional friends, all around the world.

RESUMO

O setor de varejo foi cada vez mais global ao longo das últimas décadas, ilustrando visualmente a globalização dos negócios. Muitos varejistas estão apostando em expandir, as atividades ao nível internacional, a fim de evitar a saturação da atividade no país de origem deles (Alexander, 1990), de aumentar os lucros ou de imitar os concorrentes (Williams, 1992). Portanto, eles tornaram-se competidores globais consideráveis: eles fornecem novos produtos no mercado, além de ser mais influentes na cadeia de abastecimento global (Williams, 1992). Em relação à internacionalização do varejo, a indústria cosmética oferece com exemplos de muitas realizações bem-sucedidas. O objetivo deste trabalho é analisar o processo de internacionalização de vários varejistas globais, especializados na venda de produtos cosméticos. Mesmo que o campo de internacionalização no varejo já foi no passado o objeto de vários estudos, este trabalho visa a compreender, por meio da utilização de um estudo de caso múltiplo, a estratégia de retalhistas cosméticos que entram nos mercados internacionais. Por meio de um estudo qualitativo, a questão principal que orienta este trabalho será a de compreender se o varejo de cosméticos segue as mesmas estratégias de negócio e estratégias de marketing para se tornar global. O estudo de casos múltiplos foi escolhido a fim de comparar quatro empresas, especializadas na venda de produtos de cosmética, com atividades no exterior. Os resultados claramente exibem diferenças entre os processos de internacionalização, baseado especialmente na nacionalidade das empresas sob análise.

PALAVRAS-CHAVE: Internacionalização, estratégia de marketing, diferenças culturais, imagem de marca, mercados emergentes.

ABSTRACT

The retailing industry has increasingly become global over the past few decades, illustrating visually the internationalization of business in general. Many retailers are betting to expand their activities internationally in order to avoid the saturation of their business in their country of origin (Alexander, 1990), increase profits or imitate competitors (Williams, 1992). Therefore, they have become considerable global players: they provide new products in the marketplace as well as being more influential within the global supply chain (Williams, 1992). Looking at the internationalization of retail more closely, the cosmetic industry provides with many examples of, what seems to be, successful achievements. The purpose of this work is to analyze the process of internationalization of four international competitors in the cosmetic retailing. Even though the field of retail internationalization has already been subject to many studies, this work aims at understanding, through the use of a multiple case study, the strategy of cosmetic retailers entering international markets. Through a qualitative study, the main question guiding this work will be to understand if every international cosmetic retailer has been following and still follows the same business and marketing strategies in order to become global. A multiple-case study was undertaken in order to compare four companies specialized in the cosmetic retail, with activities abroad. Results clearly expose differences between the internationalization processes, especially based on the companies' nationality.

KEYWORDS: Internationalization, marketing strategy, cross-cultural differences, brand image, emerging markets

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I. INTRODUCTION

I-1. CONTEXT

I.1.1 The cosmetic industry in the world

A cosmetic product (see figure 1) can be defined by “a substance or preparation that aims at entering into contact with various superficial parts of the human body (skin, hair, lips, nails) in order to clean, perfume, or protect them (European guideline 76/768/CEE, 1976). The cosmetic industry has been internationalizing for years now and represents in 2011 a revenue of 426 billions of dollars, making it a particularly performing and contributing industry (Ubifrance, 2011). In 2010, ten players were dominating the industry (see Figure 2), accounting for half of the market value. Large multinational firms dominate the cosmetic industry’s revenues but have been challenged by the presence of successful small and medium companies (Ubifrance, 2011). The evolution of The Body Shop, Natura, L’Occitane are a few examples of companies embodying a new competition to the big multinational companies, thanks to innovative business models and marketing strategies, mostly based on social responsibility and natural products.

The 2006 global financial crisis has had an impact on the cosmetic industry and induced major shifting patterns in the industry. Companies intend to promote more transparency towards the final consumer and to develop a more responsible and sustainable strategy. Most of the brands also invested massively on digital marketing in order to get closer to the consumers (participative blogs, corporate blogs, social media, breaking-through website). They constantly try to improve the image of their products by taking into account the consumers’ opinions that are, nowadays, easily

accessible on Internet communities, especially in the beauty industry. In Europe, the “beauty boxes “ are last trend in the cosmetic industries that were initially developed by the famous blog My Little Paris. For an average sum of 14 Euros per month, the subscribers receive a box full of beauty products and companies benefit from economical advertising. At first, small companies showed their interest for this new distribution model but in a few months, the concept had rallied luxury, natural, professional, or out-of-the-box beauty brands.

Another consequence of the crisis has been the will of the leaders of the industry to conquer emerging markets in order to grow their profits by targeting new clients. In December 2011 (*Challenges Économiques*), Jean-Paul Agon, C.E.O of the L’Oréal group surprisingly expressed in an interview: “L’Oréal is in a conquest phase. We have suffered from the consequences of the crisis since 2008 even though we have to understand that L’Oréal has not been suffering a worldwide crisis. Europe is now certainly a stable market in terms of opportunities; other continents generate double-digit sales growth. Our objective is to conquer 1 billion of additional consumers in 15 years maximum”. Even though Europe was strongly impacted by the economic crisis, it remains by far the leading region in this industry in terms of revenue generation (Euromonitor, 2012). The emerging markets, often referred as the BRICs (Brasil, Russia, India, China), have only been targeted by the beauty industry for over a decade now. The 2006 financial crisis only prompted companies to invest even more in the BRIC countries, where the disposable income per capita continues to advance, approaching the range of the most developed economies (see appendix 3).

The question of the product portfolio’s adaptation and the model of distribution are two key aspects that have been tackled by the industry. Indeed, emerging markets often deal with inadequate distribution infrastructure, leading companies to develop

new models of distribution in order to increase product accessibility to their consumers. Unilever, a top-leader in the cosmetic industry was one of the first players to understand the growing opportunities in developing countries. The famous Harvard Business Review case “Unilever in India: Hindustan Lever's Project Shakti--Marketing FMCG to the Rural Consumer” (Rangan & Rajan, 2005) illustrated Unilever’s marketing strategy to tap the bottom of the pyramid, by empowering rural consumers and trusting them into becoming company’s representatives.

It has been exposed that emerging markets had a different approach to cosmetic consumption than the Western countries as they tend to favor skin care products, color cosmetics and fragrances (Euromonitor, 2010). Even though the emerging markets’ population have a distinctive purchasing pattern of beauty products, it appears that most of them are still willing to adopt a Western style, as soon as their income allow them to. Many women, and since recently men, wish to look like Europeans by using skin lighteners in order to obtain a paler face (Thompson, 2004). A white and fair skin symbolizes a high status in Asia, Africa or Latin America as well as a women’s empowerment but this it can also jeopardize the life of women who happens to have a low-self esteem and self -confidence if their skin in not light enough (Mikiko, 2003). However, for less than a decade, this hegemony of the European beauty is being challenged. “ The European beauty model is not making Chinese women dream anymore. What makes Chinese women dream is the Japanese or Korean model (Vulser & Barbery Coulon, 2012). Equally, emerging markets have recently become trendsetters in the cosmetic industry with the most striking example of the decade: the Blemish Balm cream, often referred to as the BB cream (see Appendix 4). If the trends used to be set by the most important Western cosmetic groups, the influence of Asia has never been that important for the Western

economies. Japan was the country that initially launched the BB cream before the concept was developed in Europe five to six years later. Occidental women are not the ones to first experiment the last discoveries in the cosmetic industry anymore (Vusler & Barbery-Coulon, 2012).

Currently, another key trend can be identified globally and not only in the top importing or exporting countries of cosmetics. In fact, the organic and natural tendency has invested the cosmetic market, as well as fair trade certifications and ethical mentions. Consumers are much more conscious than in the past and are eager to identify the provenance of the product, the process of fabrication and tend to favor products using natural components. Companies also have to respect the law by indicating the provenance of the product, the ingredients and the possible undesirable effects. This has led customers to increase their knowledge of the beauty products and has also encouraged companies to respect the legislation of “natural products” (Dimitrova, Kaneva & Gallucci, 2009; Ubifrance, 2010).

The cosmetic world, innovative in its products, has also been focusing on taking advantage of the new technologies in order to improve their process of distribution (Euromonitor, 2010). Internet beauty sales are seen as the ultimate competitive threat by the industry, as, for instance, the Internet market in China is already worth the entire beauty market in France in 2011 (Kline report, 2012). The online phenomenon applied in every part of the world, where the number of Internet users is constantly growing. E-beauty malls have recently appeared in China and allow every customer to buy beauty products in a one-stop shop. The popularity of e-commerce certainly offers a new opportunity of distribution for the cosmetic industry by proposing a new experience to the final customer.

I.1.2 Distribution and the cosmetic industry

The distribution channels represent an important feature in the cosmetic market. A well-established distribution process can be a key success factor in this industry. Throughout the world, many distribution channels have been identified in the cosmetic industry. Mass distribution, selective distribution, direct sales, pharmacy sales, retailers' cosmetic chains, retailers' perfumeries chains have been identified to be the most common distribution channels in the industry (European Commission, Directorate General for Enterprise and Industry, 2007). Catalogs, online stores, discount retailers are also strong channels of distribution in the cosmetic industry, but less relevant in terms of revenue generation.

The arising of the mass-market retailing used to be a structural aspect of the world beauty industry, which encroached upon the selective market (perfumeries, independent stores). However, since 1995, powerful cosmetic chains regain the upper hand, making it harder for the mass-market retailing to continue gaining market shares in the cosmetic industry, especially in Europe. (Rossi, Prlic & Hoffman, 2007).

Many cosmetic companies have invested in a multi-channel distribution in order to have a wide market visibility and maximize their chance to reach the largest base of customers, with different consumption patterns. Commonly, the leaders of the industry such as Procter and Gamble, L'Oréal Paris or Unilver have been betting on a multi-channel distribution. Nevertheless, the key player Avon has built its successful business model on a direct-sales strategy, also known as the Tupperware strategy. Direct selling allows a company to offer a lower price than in a retailing environment, by not having any expenses in promotion and advertisement. Direct selling appears to be a successful approach in the emerging markets, especially in the rural areas.

Currently, direct selling is the most performing distribution channel in the beauty industry with a sales increase of 8,6% in 2009 (Kline report, 2011), representing more than the total market sales increase.

Besides, multiple retailers' cosmetic chains have successfully popped out around the world over the last thirty years. The increase competitiveness in the beauty sector and the recent financial crisis has exposed the importance of an own distribution place selling a unique brand. Indeed, the dynamism of the distribution has been unequally affected by the crisis. In the United States, the shopping centers have been the most affected by the decrease of the economic growth in 2010 (Kline report, 2011).

Figure 1: Simplified scheme of the beauty and personal care industry (adaptation of the Euromonitor International Study (2010))

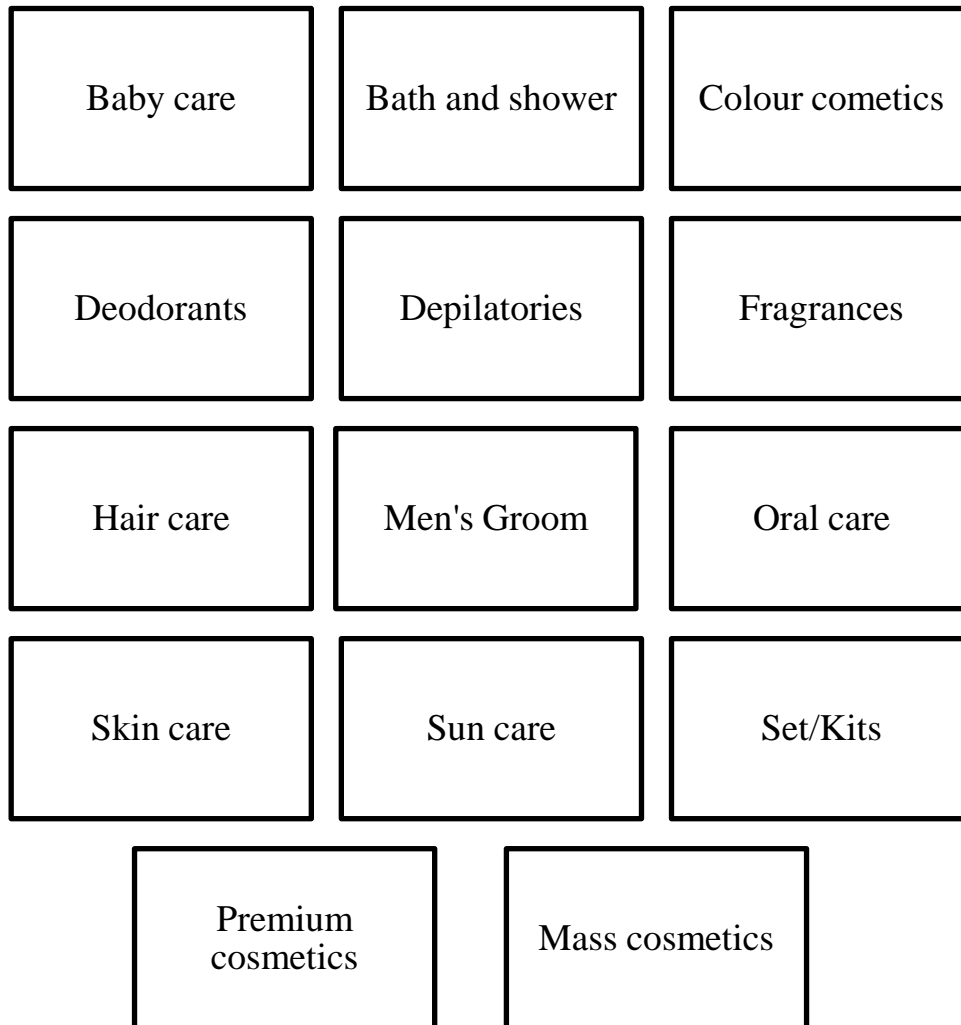


Figure 2: Top exporting and importing countries/ Leaders in the beauty industry



Top 5 exporting countries:

- 1- France
- 2- Germany
- 3- United States
- 4- UK
- 5- Italy

Top 5 importing countries

- A- France
- B- Germany
- C- United States
- D- UK
- E- Italy

World leaders in the cosmetic industry

- 1- Procter and Gamble
- 2- Unilever
- 3- Johnson and Johnson
- 4- L'Oreal
- 4- Henkel
- 6- Kao
- 7- Avon

SOURCE: created by the author, based on the information provided by Ubifrance in 2010

I-2. OBJECTIVE

The cosmetic world has been invaded by a multitude of brands over the past thirty years. The multinational companies, thanks to a wide range of products, massive funds to invest in marketing and small competitors' acquisitions, have managed to develop a successful international supply chain and to « glocalize » their marketing strategy. Here above, we have exposed that cosmetic chains of stores and cosmetic companies with innovative business models have been challenging large multinational companies, even though their revenues remain considerably less important.

Therefore, the main objective of this dissertation is to provide an analysis of the international beauty retail industry and to understand the business strategies of the “smaller players” of the industries. The goal of this dissertation was to concentrate on businesses with different model of distribution such as franchises, proper retail stores or even “non-traditional” sales methods (e.g. direct selling). The strongest players in the cosmetic industry have been started to internationalize for decades whereas the newest players have begun to internationalize more recently (1980s-1990s) and are willing to increase their number of points of sales throughout the world. Therefore, it seemed relevant to focus on the smaller businesses of the beauty industry as their strategy is often much more unheard of.

The second main objective of this dissertation will be to understand and analyze the marketing strategy, often referred to as the marketing mix of the companies under analysis while internationalizing their activities. Indeed, it will be important to understand what marketing strategies are relevant during the internationalization of a business in the cosmetic retail industry and to attempt to compile the best approaches to adopt while exporting one business abroad.

I-3. RESEARCH QUESTION

To answer the previously stated objectives, an attempt will be made to answer two central questions. The most essential research question to be asked will be: Have L'Occitane en Provence, Yves Rocher, Natura and O Boticário, adopted the same business strategies to internationalize their activities?

From this main research question, we have been able to identify more specific questions:

- How did the previously chosen companies decide to proceed during their internationalization?
- Have they managed to export the exact same successful national business in foreign markets?
- What marketing decisions have been taken in order to better perform their internationalization?

I-4. JUSTIFICATION

This topic was selected because of its relevance with what is currently happening in the evolving and challenging beauty industry worldwide. Not only this topic appears to be in touch with the cosmetic retailing, it could also be applied to various industries such as the fashion industry or even the food industry where smaller players do not hesitate to challenge the leaders of the industry (e.g.: the “fooding” movement in Europe). As previously mentioned, studies concerning the “Big” cosmetic companies have already been subject of various research papers or newspapers’ articles. However, this dissertation provides with a new topic in the cosmetic field, when it tends to be forgotten that smaller players are the lifeblood of the economy.

This topic can also be useful for various actors, especially marketing professors and students, not to forget companies of the beauty sector or even people who have a strong interest for this industry. Also, the major multinational companies might learn some lessons from this dissertation. It is commonly claimed that when a company has a leader position in an industry, it tends to believe that the actions undertaken are the only and unique way to act. However, one must not deny that many creative ideas are generated in small companies by being more flexible and by offering more high-powered incentives to their employees (Kamien & Schwartz, 1982; Scherer, 1965; Schmookler, 1972; Mansfield et al., 1971).

The decision to discuss this topic has also to do with the internationalization aspect of the cosmetic industry. This is also the reason why it was decided not to focus on the analysis of retailing companies in provenance of a unique country, but to take the chance to investigate on both Brazilian and French companies. This dissertation will not especially focus on cross comparing the two Brazilian companies with the two

French companies as the goal of this dissertation is to deeply investigate on each company's internationalization process. However, it should not be surprising to observe noticeable differences between the internationalization schemes depending on the nationality of the companies. The beauty industry has long been part of the French cultural heritage and its reputation is still shining all over the planet. Brazil is another country internationally famous for its beauty industry and for the passion of taking care of one's body. Most importantly, France and Brazil are two countries that seem completely different for economical, social and cultural reasons but that can certainly be comparable throughout the beauty industry. The will to understand the different business strategies of companies coming from the Old Europe and companies coming from one of the most important emerging countries also appeared challenging.

Finally, this subject was also of a particular interest for the author as the topic was chosen after having started an internship in international marketing development at L'Oréal Professionnel. Indeed, this topic participated in the development of a better insight of the global cosmetic industry.

I-5. DISSERTATION STRUCTURE DESCRIPTION

This dissertation is divided into four main parts, each being relevant to the process of answering my research question.

The first part sets the initial context of the dissertation by describing the global cosmetic environment and the trends that can currently be depicted. Not only the first chapter demonstrates the importance of the beauty sector but it also illustrates in two subsections the importance of the cosmetic retail chains as well as of the significance of alternative models of distribution in this sector. This chapter also shows the importance of the dissertation context, the main research questions and the hypotheses.

The second chapter makes a review of the past and current literature concerning business internationalization, retailing and distribution activities and marketing adaptation. The literature review intends to provide a non-exhaustive list of major findings to the author, in order to properly situate the context of the study.

The following chapter details the methodology followed all along the study and genuinely analyzes the data provided by the various websites and especially by the detailed examination of corporate websites and official documents of the public-owned companies under analysis, secondary data and an interview of L'Occitane marketing manager in Brazil.

The last chapter introduces the final considerations of the analysis and validates most of the initial assumptions proposed at the end of the literature review. The process of internationalization appears to have been deeply thought through by European companies while Brazilian companies did not necessarily show the same interest in expanding their activities abroad (nowadays Yves Rocher and L'Occitane have a

turnover generated in many more countries than the two Brazilian companies). Another main striking conclusion lies in the fact that the French companies did not need to adapt their marketing strategies to sell their product abroad as the reputation of the French beauty industry preceded the entry of L'Occitane or Yves Rocher abroad.

II. LITTERATURE REVIEW

II.1. The retailing industry

Retailing activities have always been looked at in order to analyze the performance of an economy, as they tend to be an important factor of job creation all along the supply chain (production, distribution, selling). A classic definition of the retailing activity would be “the management of resources to supply the product and service needs of the end- consumer, encompassing the supply chain of any physical products and the exchange processes involved” (Davies, 1993). Since the end of the Industrial Revolution, retailing has constantly been associated with the physical place such as a shop or a store. Nowadays, the concept of retail is wider and includes numerous formats including supermarket, department store, category specialist, catalog, and since the late 1990s electronic retailing (Weitz, 2000).

In a world where manufacturers try to compete in order to match consumers' needs, retailers have an important role to play. Retailing has been facing profound changes over the last thirty years in order to adapt to a changing environment (Ailawadi & Keller, 2004). Pressure has been increasing within and between retailing traditional formats, as discounters or warehouse clubs have been increasing their presence. Within a retailing format, the competition between retailers is severe, as it remains

difficult to build an own equity, when every single retailer proposes the same manufacturers' products portfolio to the consumers (Ailawadi & Keller, 2004). In order to counter this increase of competition, the concept of "retailer brand" has been developed within the retailing industry. A retailer brand is supposed to provide consumers with a more qualitative experience than a manufacturer's brand, as one consumer is only able to find this brand in a unique retailer company.

The literature has also analyzed the key factors of the retailing industry, such as the location of the store (Donthu & Rust, 1989), the design and atmosphere of the store (music, lightning, the availability of employees) (Mehrabian & Russel, 1974), the pricing format (Every day Low Price or High-Low Promotional Pricing) and promotions, the cross category assortment (Messinger & Nasimhan, 1997). In order to position a store adequately, one retailer has to analyze all these aspects and build its strategy around them. The retailing activity has increased its power over manufacturers who used to be the most important link of the supply chain. Indeed, retailers have been a key aspect of consumer behavior analysis's development, by being in constant relationship with the customer. Retailers can compile many data such as the number of potential customers entering a store and the conversion ratios, the basket value, the selling process time. Such information allows one store to better answer the needs its clients' typology.

The Internet, a booming technology all over the world, is thought to be changing the traditional structure of retail industries by allowing a retailer and a customer "to communicate through an interactive electronic network" (Levy & Weitz, 2001). Retail sales in stores is thought to be impacted severely over the next few years as, only in the United States, at the beginning of the 2000s, the growth of electronic retail was reaching 100%. With the increasing adoption of Internet in Asia, Eastern Europe or

South America, electronic retail is necessarily having an impact on the industry. However, Belvaux (2008) explains that the concern over Internet retailing was not justified as many Internet users only look for information on the Internet before finalizing their purchase in a traditional store. Internet would therefore be a tool useful to compare alternatives and to look for pertinent and useful information rapidly, economically, and easily (Korgaonkar & Wolin, 1999). One of the main motives that kept people from buying on the Internet was the credit card transactions' risk (Caragata, 1999). However, this risk perception has been decreasing with all the improvement in the sector of credit card security. Weitz (2000) conducted a study concerning the benefits offered by electronic retail over the traditional retail formats (store and non-store based retail format). Different criteria were chosen, among which social interaction, personal security, number of alternatives, ordering and receiving merchandise, assistance, quality of information, cost of merchandise. From this study, the potential of electronic retailing was made evident as it is interactive and proposes consumers with a variety of options, tailored to their needs. Even though customers search for information on the Internet before buying a product (Darby & Karni, 1973), they are only capable of judging the product, once they receive the product at home. The initial purchase of a product on the Internet can be risky, especially for products requiring touch and smell experiences (Weitz, 1999). However, this observation hardly seems to apply once a customer has experienced the product and is aware of the quality of the product. Therefore, direct selling can be the right business format for first experimentations when electronic retailing enters the retail format competition once a customer has experienced the product.

II.2 The internationalization process

The business environment has been facing radical changes over the last decades. The decrease of commercial barriers has been the first step of business opportunities' growth over the world as well as trade agreements between countries. This resulted in a growing integration process, also called globalization (Raynard & Forstater, 2002).

Ricardo (1821) was the first economist to demonstrate the benefits of international business transactions after Smith's initial theory about international free trade (1776). According to Ricardo (1821), countries' specialization lead to an optimal resources' allocation and utilization.

Other theories are commonly cited in order to explain the theory of internationalization. The behavioral school and the Uppsala process model conceptualized the internationalization as being a progressive process where a company will start exporting abroad and progressively develop subsidiaries before implementing production units abroad, when the risk is thought to be minimized (Johanson & Wiedersheim-Pul (1975), Johanson & Vahlne (1977), Welch & Luostarinen (1988)).

The theory of networks advocates that the internationalization is a process of market knowledge, and that can only be acquired by establishing relationships with foreign actors (Khayat, 2004). By belonging to international networks, CEOs and managers will get crucial information (Casper, 2007), which have an important role at the time of expanding activities abroad. More specifically, SMEs are the most needy actors in terms of information.

Porter (1986) has also developed new models and theories concerning the internationalization of the firm, referred to as the international strategies' typology. He identifies four major phases, the exportation being the initial phase of a company's

internationalization; one company enlarges its market to other countries but the production remains local. The forthcoming step happens to be the creation of a subsidiary; the company starts to relocate partially its operations out of its market of origin. Those two steps are part of the “international” strategy, generally adopted by companies initializing their internationalization or Small and Medium Enterprises, wishing to internationally develop their activities, as it remains the most economical strategy.

A multinational company has a different approach to internationalization as it wishes to be more integrated in the international sphere than an international company. Generally, it will maximize the most each country it has operations in, depending on what they have to offer (low labor costs, products of quality). The Foreign Direct Investment is the most common to implement production units abroad. Strategic decisions remain centralized at the company’s headquarters but the local managers are in charge of the daily operations in each country. Equally, products or services are adapted according to local specificities and standardization is banished. Multinational companies tend to target large markets where the economy is rapidly growing and competition remains low.

The global strategy is mainly known for its standardization and resources optimization’s advocacies. The world is considered as a unique market where consumers are considered to have homogeneous tastes; consequently marketing adaptation is perceived as unnecessary.

A transnational company is a combination of a multinational and global company. Indeed, a transnational company identifies that cultures are utterly different and that adaptation to cultures’ specificities is requested. However, a transnational company aims at being globally integrated and develops a global strategy to create a substantial

competitive advantage over the competitors (though adapts the strategy to each country it has operations in).

II.3. Motives for retailer internationalization

From an academic point of view, it is essential to understand the motives of retail firms expanding their activities internationally. It can provide an interesting framework for companies questioning their potential for internationalization and those on the verge of internationalizing their operations. Multiple researches have focused on the motives hidden behind retailers' internationalization. The first reason appears to be the limited market opportunities in the domestic market (Dawson 1976) due to market maturity, aggressive competition or restrictive regulations. A domestic expansion pushed to its limits will be most of the time followed by an expansion in a "similar" international market (1993). In this regard, the internationalization process would be assimilated to an extension of domestic expansion (Linder 1961). However, this assumption seems approximate as many retailers pursue both domestic and international growth opportunities at the same time (e.g.: Carrefour, Yves Rocher). Other passive motives, also referred as to "push" motives (Aacker, 1985; Treadgold & Davies, 1988), have been identified as affecting retail internationalization. A non-exhaustive list of push factors can be competitive war in the local market, an intense regulation, a restrictive trading environment, and a market with low economic growth. Market saturation is another drive lying behind internationalization and, depending on the school of thought, can be analyzed as a push or pull factor. Saturation, in the optic of retail internationalization has a polysemous meaning. Guy (1994) assimilates saturation as the "maximum possible number of profitable stores that exist in a consumer market". Treadgold & Davies (1988) discuss saturation in retail floor provision as being a motive for moving across borders. The recent literature has emphasized its research on the proactive drivers (Wrigley et al., 2005) or pull factors (Alexander, 1997) that can lead to retailer internationalization. Some internal

proactive drivers are predominant in the literature such as the uniqueness of the retail offer (Alexander, 1990; Williams 1992), retailer size, or management' international experience (Vida et al., 2000). The founder of the company has also its role in the brand internationalization. Hutchinson et al. (2007) demonstrate that the founder of a retail company tends to be risk-averse when the question of expanding activities abroad is brought up. External pull factors are drivers related to the attractiveness of a potential foreign market. The existence of large untapped markets, the perspective of niche opportunities, the growth prospects (Williams, 1992) are the main external proactive factors that can justify internationalization.

Finally, the brand itself can be a motive of international expansion (Moore et al., 2000), especially in the beauty and fashion markets, where the brand has a meaning and tells a particular story. By being unique and desirable, a brand can drive a retail to expand internationally.

II.4. Choice of countries in the internationalization process

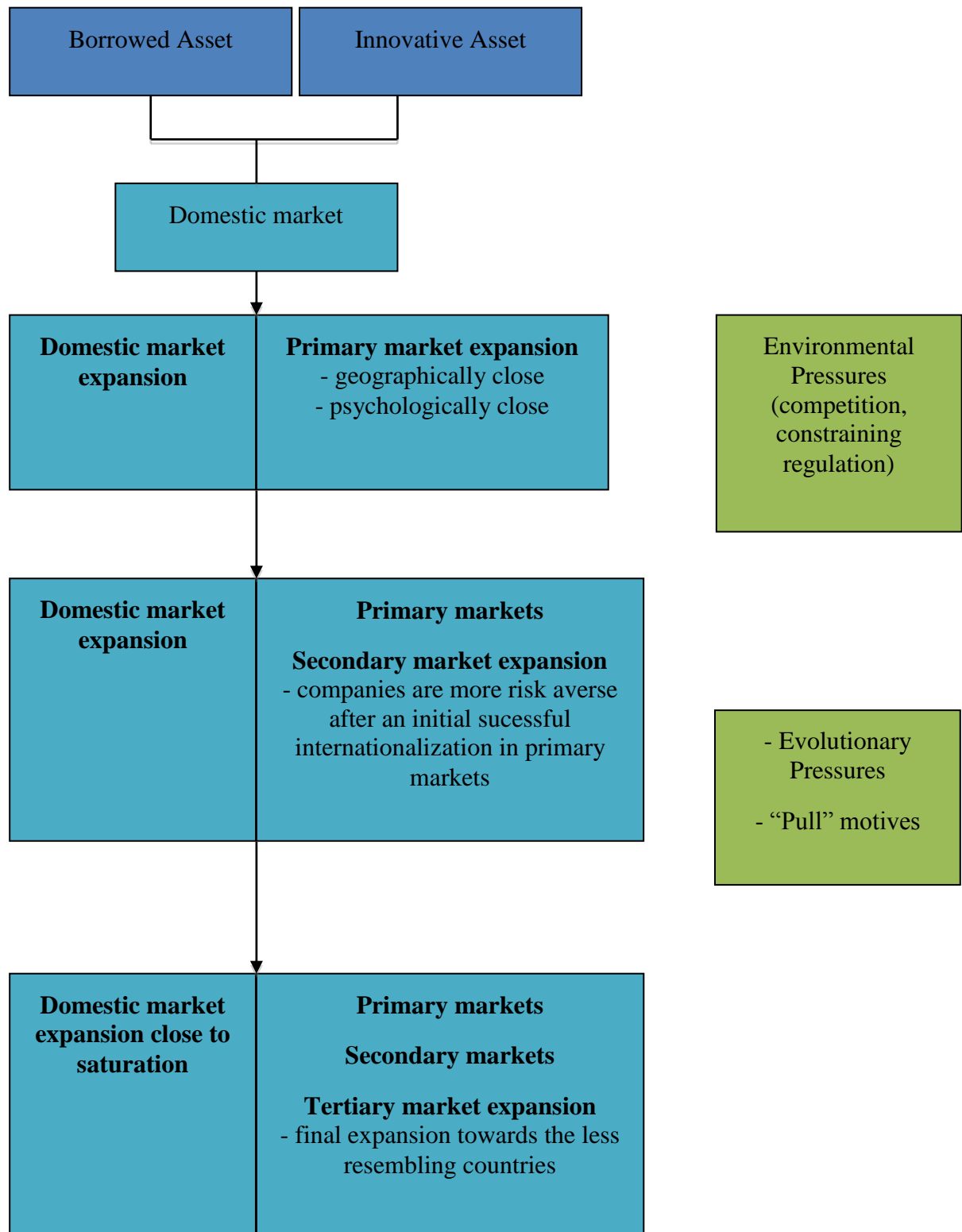
The direction that a retailer should follow to expand its activities abroad has been a matter of debate in the literature for the past fifty years. The publications coming from the 1960's have focused on the level of development when the decision of internationalization has already been undertaken. As Linder (1961) exposed, "international operations are an extension of domestic activity". In this perspective, targeting markets that have approximately the same level of socio-economic development results to be the best approach. The World Bank has developed the income rate per capital measure, which allows any company to compare countries' levels of development. However, taking into account the sole level of development seems restrictive and does seem to fit with the current trend of internationalization. Indeed, many companies have been willing to expand their activities in the "emerging markets", where the economic growth is strong but where the level of development remains low. The will to develop one's activities in emerging market is already a twenty year-old phenomenon (Alexander et al., 2000). Alexander (1999) has explained this change of perspective by the simple fact that entering a market already developed does not provide much opportunity and retailing space for a newcomer. Therefore, the level of economic growth might be a better index to take into consideration by retailers when it comes to internationalization (Alon & McKee, 1999). Entering emerging markets remains a constant challenge, as retailers not only look at the economic situation but also take into consideration the political, social, and cultural aspects of a country as well as the retail structure in itself. It certainly explains that most companies remain beginning their internationalization by moving into geographically close countries before entering more distant countries, or remain moving towards developed countries before entering emerging countries (see Annex

3). Indeed, the cultural distance remains wider between developed and developing countries (Brouthers & Brouthers, 2000), forcing the retailer to adopt a cultural sensitivity. Psychic distance between countries has been assumed to play an important role in the decision of exporting development. Johanson and Vahlne (1977) have defined the psychic distance as being a measure that allows capturing the “sum of factors preventing the flow of information to and from the market. On a more concrete note, Klein and Roth (1990) developed a model concerning psychic distance encompassing five factors ranging on a scale from “very similar” to “very different”: the language of the country, the common and accepted business practices, the economic environment, the legal system and the communication infrastructure. The psychic distance is has been described as being an excellent predictor for export pattern (Shoham et al., 1995). As a result, many authors support the theory that companies should first extend their activities into foreign markets that are psychologically close to their domestic market (Klein & Roth, 1990; Shoham & Albaum, 1995). Those primary markets are considered to be as much receptive as the domestic market to an innovative concept or retail format. Accordingly to this theory, new environmental pressures in the primary markets would lead to an expansion towards secondary markets and tertiary markets. An interesting research developed by Iyer and Hill (1994) intended to compare the strategies of internationalization from European and American companies. The results of this research demonstrated that both American and European companies initially decide to expand their activities in psychologically similar markets. However, American companies tend to be less risk-averse in their choice of secondary and tertiary markets by preferring less traditional markets such as Mexico or Japan. Another explanation provided by the authors concerns the fact that the American firms have less similar markets to attend than

European firms, which benefit from the European Union. Stöttinger and Schlegelmilch (1998) provided the marketing literature with findings contradicting the accepted proposition that sales were to decrease to countries with higher psychic distance (Jain, 1989), with the analysis of US exports. Indeed, even though Mexico was ranking more psychologically distant than Germany for US managers, the exports towards Mexico were three times higher. Nörstrom (1990) also concluded that the psychic distance between countries was, to a certain extent, less relevant to understand retail internationalization as globalization had brought increased interaction between markets.

The literature has also focused on understanding the movements of Foreign Direct Investment abroad. Sternquist (2007) suggests that companies will tend to invest in underdeveloped regions thanks to the implementation of Government incentives. This would promote certain locations' attractiveness and encourage companies to invest in such countries. Opening a wholly owned subsidiary would therefore be seen as providing more advantages than passing through the traditional exporting, franchising or joint venture phases, when generally, an FDI would constitute the last stage of the internationalization process. Local incentives such as tax exemptions could therefore be a key factor shaping the type of internationalization one company wishes to pursue as well as the final destinations to expand to.

Figure 3: Countries and internationalization choice model developed by Alexander & Myers (2000) and adapted by the author



II.5. Entry mode choice and internationalization

Entry mode choice is a crucial aspect for retailers involved in an internationalization' process (Doherty, 2000). This led Wind and Perlmutter (1977) to characterize entry modes as a frontier issue.

Entry mode choice has been defined as an “institutional arrangement allowing the entry of products, technologies and human and managerial competencies or any other company' resources in a foreign country” (Root, 1987). More precisely, Anderson and Gatignon (1986) argue that not only the entry mode determines the conditions of organizing the market penetration by carrying out a marketing place, but also those of accessing a country geographically and culturally. Contrary to the local market, a company is looking to both enter a country and a market through the most adapted entry mode (Erramili & Rao, 1993). Companies involved in an internationalization process face a multiple range of organizational possibilities such as a joint venture, wholly owned subsidiary, licensing, franchising, acquisition of networks (Dawson 1994; Alexander 1997). Multi-modal forms of entry mode have already been observed and possibly allow synergies in terms of concept's coherence (Moore, 2000). The higher the control level of a mode of entry, the higher the resource commitment and risk on return is high (Sternquist, 2007).

Various theories have tempted to understand the determining variables of a specific mode of internationalization. The transaction cost theories demonstrates that using a model with high level of control should minimize the transaction costs associated to business internationalization (e.g. information cost, opportunistic behavior of partners) (Brouthers et al., 2000). On the contrary, the internationalization theory tends to promote an opposite vision. Blomstermo (2006) exposes that foreign markets

are originally risky due to cultural differences. Companies are therefore advised to enter a foreign market with a low degree of control in order to minimize risks. The resource-based theory illustrates another perspective concerning the entry mode and only considers the potential of a new entrant company's resource deployment (Brown et al., 2003). According to Sharma & Erramilli (2004), if the firm possesses considerable resources, it should enter a potential market with a high control entry mode.

The Foreign Direct Investment (FDI) literature argues that companies generally follow an internationalization process that is complete: a company prefers FDI to a contractual arrangement (Buckley, 2002). As defined by The World Bank, "Foreign Direct Investment is the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor". Indeed, the more resource-committed a firm is in a given country, the more it requires a high degree of control, that can only be satisfied by a FDI.

Many authors have taken into account other variables such as the core strategy of the firm (the marketing strategy (brand and concept strength) (Burt, 1993; Doherty & Alexander 2006), the experience of internationalization, sector of activity (Davies & Ferguson, 1995), cultural distance (Evans, 2002), geographic distance (Burst, 1993), competitive characteristics of the targeted market (Moore, 1996).

Even though the literature concerning entry modes is abundant, it still lacks of converging results concerning the determinants of an entry mode of a retailing network abroad. However, a recent study (Lu et al., 2009) has focused on the factors influencing international fashion retailers' entry mode. Some conclusions could

probably be applicable to the cosmetic environment. First of all, the brand equity perspective is a key factor in a fashion retailer's expansion (Moore & Burt, 2007). Keller (1993) has defined brand equity as being "the differential effect that brand knowledge has on consumer response to the marketing of that brand". Indeed, brands with a global reputation face low challenge of adaptation in a local market (Moore & Burt, 2007). A fashion retailer with high brand equity should consider a high control mode of entry in a foreign market. As a matter of fact, growing across borders through the opening of franchises might be erroneous as the franchisee may lack of brand interest and understanding concerning the image one brand wants to project on the market (Doherty, 2007). Similarly, a fashion retailer with high asset specificity, a successful previous expansion abroad, a high financial capability, should prefer a high control mode of entry. However, when cultural distance and country's risks are high, when government restrictions and market competition are significant, a fashion retailer should adopt a low control entry mode. Compiling those diverse variables, one fashion retailer should be in position to define the most appropriate mode of entry in a foreign market.

In the international business literature, franchising has been considered to be an effective mode of international development for companies wishing to distribute their services and products in foreign markets as this mode is considered to be a growth catalyst, helping companies to internationalize rapidly and effectively (Anderson & Sullivan, 1993). Even though franchising is commonly adopted by the service industry (fast-food, dry cleaning), franchising has been linked with various types of retailers (niche concept, supermarkets). A franchising agreement has been defined as "one in which the owner grants to another person the right to operate under this

trademark for the purpose of producing or distributing a product or service” (Caves & Murphy, 1976).

A model illustrating the steps of the franchise system internationalization has been proposed by McIntyre and Huszagh (1992) and Hoffman & Preble (2004). The first stage is the domestic franchising and implies franchising solely in the home market. This first stage is considered to be essential for multiple reasons. Indeed, an initial local retail experience is useful to develop a certain expertise before bringing the concept out of the borders; the reputation of a franchise may favorably precede its implementation in a foreign country and helps developing a network of potential foreign franchisees (Quinn & Alexander, 2002). Yet, only a few successful companies develop franchising when they decided to target international markets (e.g. Marks & Spencer) and on the contrary, many companies develop franchising locally before choosing a different international mode of entry. The second stage is called experimental involvement and is simply a preliminary evaluation of international expansion. The two next stages are the active involvement and committed involvement stage where a franchisor begins to explore the possibility of expanding an international franchise activity before considering a long-term commitment to international franchising.

Commonly, the master franchise is often the most adopted form to develop franchises abroad, as it is considered to be the less risky. Such a system, allows a master franchisee, after having paid a fee to the franchise company, to recruit franchisees and be responsible for their formation (Quinn & Alexander, 2002). Similarly, in order to reduce the risk of international expansion, non-traditional franchisors may decide to choose international franchising as an option for the most distant countries (psychologically and geographically).

II.6. Internationalization/Localization/“Glocalization”

Salmon and Tordjman (1989) also provided the literature with a theory concerning global and multinational focus during an international expansion. Those two approaches are distinct since the parent company, in its market of origin, will have a different role to play.

A multinational approach leads to adapting its operations to the specificities of a country by using various retail models or marketing strategies. A more globalist approach pushes a company to develop the exact same business strategy in every single foreign market (Johansson, 2000). Levitt (1983) defines the concept of globalization by the following quote: “Companies must learn to operate as if the world were one large market, ignoring regional and national differences. In the 1980s, this idea was highly relevant and effective, especially at a time where American companies were penetrating international markets. Companies were standardizing the products, communication and packaging (Holt et al., 2004). Sheth (1986) first rejected the theory of marketing standardization due to the constraints of “governmental and trade restrictions, inter-country differences in marketing infrastructure or even local management resistance. Nowadays, marketing adaptation seems to be in favor in the corporate world (Dow, 2005; Lewis, Acito & Rusetski, 2006). Companies tend to adapt their marketing mix, or at least part of the marketing mix, to each culture in order to fit with the needs of every population. This concept has been developed in the international literature with the term of “glocalization” and the common “Think Globally, Act locally” (Herbig, 1983). This acronym illustrates that some elements can be standardized throughout the world in order to benefit from economies of scale,

when other elements need to be customized to please the local customer. Therefore, a company would avoid the issues related to the lack of adaptation in the global vision.

Hofstede (1983) defines culture as the “modus operandi of a group where artifacts and behaviors would be the upper-part of an iceberg, and values, rituals, heroes or symbols would be part of the lower layer of the iceberg”. Understanding a culture is a long process where the hidden part of the culture needs to be assimilated, not only the visible part of the iceberg. Many researches have focused on defining dimensions of cultures that could unite every culture throughout the world. The most famous model designed to apprehend another culture is the cross-cultural dimensions’ model designed by Hofstede (1983). By studying the national dimensions of a given culture in the working place, Hofstede realized that the individual behavior could be extrapolated to a larger group or even a country. Hofstede (1983) built his famous model upon five dimensions being individualism, power distance, masculinity, long-term orientation and uncertainty avoidance. The individualism value measures to what extent a society rewards collective achievement; the power-distance value measure to what extent a society tolerates inequalities; the masculinity value analyzes if a society tends to reinforce or not the traditional characteristics associated to masculinity (power, strength, achievement); the long-term orientation identifies whether a society is planning its future and the uncertainty avoidance helps understanding if a society needs bureaucracy to be performing. The Global Leadership and Organizational Behavior Effectiveness research program (House et al, 2003) constitutes another accurate model, comparing eight variables relevant to each culture. The main difference with the Hofstede’s model lies in the way data were collected. Indeed, the GLOBE model establishes the differences between how a culture is and how a culture should be, according to the respondents. Both models have underlined the influence

of national cultures on corporate management such as leadership, motivation practices, decision-making style, negotiation, or team working. In a world where globalization is at its paroxysm, demonstrating a cultural intelligence (Earley & Ang, 2003) is every day more crucial in order to understand cross-cultural situations. Cultural intelligence can be defined as “a person’s capability to adapt to new cultural contexts”. Most importantly, culture appears to be an important aspect of the global-local dilemma, as it certainly influences consumer behavior (Earley and Ang, 2003). However, authors such as Kotler (1986) and Johansson (2000) perceive global marketing as inevitable for a marketing strategy, in order to build on economies of scale by designing the same product, packaging, advertising campaign.

Thompson and Merrilees (2001) developed for the first time a marketing model through a modular system with a standardization of the core elements with the option to adapt peripheral elements. They argue that companies looking for internationalizing into emerging markets can benefit from three modular sub-systems: marketing, branding and operations. Those three subsystems need at the same time a core and menu elements. The authors also demonstrate that the host country’s culture is a critical element for a successful international development in emerging countries, where culture is more heterogeneous than in developed countries.

II.7 Country of Origin and brand image

Most of the companies develop a brand in their country of origin and develop a certain brand image in order to differentiate them from their competitors. If the brand is successful, the thought of turning to other markets may be a valuable option, but the question of the country of origin in relation to the brand image happens to be a strategic question. Indeed, the country of origin (COO) effect has been widely investigated in the area of international marketing since the 1960s. One of the most important conclusions of the researchers is the close relationship that has been found between COO and brand image. Keller (2003) defines brand image as “the personal meaning about a brand stored in consumer memory, that is, all descriptive and evaluative brand-related information”. Keller (2003) demonstrated that in international market, the country of origin is determinant for the success of a brand. Indeed, consumers are thought to transfer positive impressions concerning a country on a company’s products (Hong & Wyer, 1989; Lecrec et al., 1994). Companies have understood the importance of COO when they develop marketing campaigns around the world and try to focus on their country’s positive stereotypes to improve their brand image value (Ind & Bjerke, 2007). The level of education and socio-economic class is an important variable concerning the COO effect as the more educated consumers are, the more eager they are to purchase foreign products as they develop a broader knowledge about foreign cultures (Al-Sulaiti & Baker, 1998). Countries with a certain product’s expertise (cosmetics in France; leather in Italy) often obtain a positive judgment from customers. French perfume brands always build advertising campaign promoting French womanhood and creativity in order to remind foreign customers of the quality of French perfumes. This has often led companies to use foreign brand names in order to promote a certain quality or originality of their

product (e.g. *Häagen-Dazs* is an American Brand having a communication strategy at the opposite of traditional American ice cream brands). However, it is important to underline that the level of customer involvement varies across a product range (Mittal & Lee, 1989). Indeed, the act of purchasing a car necessitates a high involvement when the act of buying a bottle of water, a low involvement. Indeed, many factors enter in the purchasing process, such as the reputation of the brand, the price or perceived quality; those elements are more important than the COO of the brand, when the decision of purchasing is easy.

With the globalization effect, the country of origin effect has also evolved, as the production process often takes place in a country where the production or assembling costs are inferior. Nebenzahl and Jaffe (1996) exposed the importance of choosing the right country to source out a company's production in order to maintain its brand image in international markets.

II.8 Internet in the retail internationalization process

Peterson et al. (2002) claimed that the Internet would have a revolutionizing impact on the retailing industry, by being a new powerful selling channel that could jeopardize every traditional retailing channel. Anderson, Simester, Zettelmeyer (2010) recently exposed what they believe to be one of the greatest benefits of the Internet over another form of retailing channel: "Internet introduced one-to-one marketing with a scalable cost structure". Equally, companies won the opportunity to target new customers through this "new" retailing channel (Anderson, Simester & Zettelmeyer, 2010). It is to acknowledge that the Internet technology has spread out over the next decade and in 2012, 2,27 billions of Internet users have been listed (Royal Pingdom, 2012), an increase of 100% since 2007. Even though the Internet consumption has increased in the world, the percentage of Internet purchases remains low. In the United States, where the number of internet users is the most important, internet sales represented 4% of the total sales for every type of business, in 2012 (US Census Bureau, 2012). Chen (2003) attempted to demonstrate that Internet is not necessarily a driver of internationalization for companies, as many issues are still related to the Internet usage. Indeed, in the USA, in 2008, 30% of "internet-companies" were only having regional activities. Coker, Ashill, Hope (2011) explained that a large part of consumers believe remain doubtful about the payment security when it comes to purchase a service or a product online. It remains an important "variation in the types of products purchased on the Internet" (Coker, Ashill & Hope, 2011). Research on online consumer behavior has also identified other traditional retailing habits that cannot be identified during web shopping (So, Wong & Sculli, 2005) such as "the effect of sales promotions", "the sensory search attributes" or the affective relationship that can be established between a seller and a potential buyer.

On the companies' side, regional cultural aspect still matters when it comes to selling through the Internet channel. The Internet is not used for the same motives between countries (Guillen, 2002), and this may lead to different web-marketing strategies (web-site content, web-site layout design). Equally, Anderson, Simester and Zettelmeyer (2010) identified that Internet can lead to the destruction of traditional segmentation (one distribution channel for one segment) as well as to negatively impact traditional retailing channels' income.

Therefore, the Internet distribution might not easy to implement for developing international activities, but as Chen (2003) concluded in his research, leaders or at least companies famous in their country of origin will have much more chance to have a fast international growth by using the Internet and by establishing a global standard

III. METHODOLOGY

III-1. RESEARCH DESIGN

As it was previously exposed, this research was conducted in order to analyze the behavior of four major cosmetics retailing company in relation to their international expansion. Therefore, it was decided to evolve with what appeared to be the most appropriate design for this dissertation: the exploratory research design. Indeed, the expected findings and conclusions of this work do not seek to be conclusive and generalized but to provide a better insight and understanding of an industry, that could be useful for further exploratory research or even conclusive research (Kendra, Taplin, 2004).

III.1.1 Qualitative research

According to Patton and Cochran (2002), qualitative research is characterized by “its aims, which relate to understanding some aspect of social life, and its methods with most of the time generate words rather than number, as data for analysis”. It is often that qualitative research is criticized and its results are said to be imprecise (not representative samples), not rigorous and biased by the opinion’s author. This research addresses the strategic question of companies’ internationalization: a lot has been said about this area and many hypotheses have already been verified. The novelty about this dissertation was the industry chosen to understand the process of internationalization: the beauty industry. Therefore, no conclusions had been identified concerning the internationalization of this precise industry. A qualitative research was therefore the most appropriate approach to answer questions about the “what, how, why of a phenomenon rather than “how many or how much” which are generated by quantitative studies (Patton, Cochran, 2002). Equally, qualitative

research allows to be subjective and to interpret data, whereas quantitative research only attempts to “control or exclude” data (Maxwell, 1992), which best suited the research design.

III.1.2 Importance of primary and secondary data

The use of secondary data was of ultimate importance for this research and remains one of the most consistent methodologies to analyze data, during an exploratory research. Secondary data are data already available from various sources (the Internet, research articles, newspapers) and relevant for one’s area of research, even though they have been initially collected for another purpose than the specific question of this dissertation (Silverman, 2005).

Secondary data were used to first introduce the research in order to contextualize our research question and objectives. Indeed, this type of data were clearly useful to provide a true picture of the world beauty industry and of the internationalization of business in general. Newspapers’ articles, Governmental reports, published statistics, consulting reports, research papers were the main secondary data sources to be able to gather such pieces of information. In order to write the literature review, mainly academic articles were used and especially the ones analyzing the internationalization of business, the retail internationalization, the modes of entry in foreign countries. Three main computerized database provided most of the articles used in the literature review: JSTOR, Ebsco and Emerald.

Primary data (data that have not been processed by another were also helpful for the introduction and analysis parts of the dissertation, and especially for the construction of the multiple-case study and most importantly, the companies’ corporate website.

III.1.3 Case study as a qualitative research

After having decided to run a qualitative research, a case study seemed the most appropriate in order to deeply analyze the research's theme. According to Yin (2003), two situations call for applying the case study method: "when the research addresses an explanatory question (how or why?), or a descriptive question (what happened?)." By addressing a descriptive question, the case study appeared to be a suitable method for this dissertation. Moreover, the literature review, even though abundant for the internationalization, was inexistent for cosmetic companies' behavior towards internationalization. Therefore, the literature review was not offering any theory to test.

III.1.4 Multiple Case design

The choice between single and multiple case study is another key decision in designing the research (Yin, 2003). This dissertation was built around a multiple-case study for various reasons, the most important one being that the single case design could hardly be justified. A single-case design is appropriate when it represents a critical theory or is a pilot for further complex research design. In this research, the principal objective was to compare the internationalization of companies belonging to the beauty sector. In a qualitative research, it exists no rule concerning the right sampling size (Patton, 2002) because it depends on the resources available when constructing the cases and relies more on the richness and quality of information. In the literature (Patton, 2002; Yin 2003), it is commonly accepted to address two to four cases at the minimum and fifteen cases at the maximum. It was decided to undertake the analysis of four companies in order to be able to gather much information without reaching the

point of redundancy (Lincoln, 1985), which could have negatively impact the research analysis by adding unnecessary insight. Also, as the analysis will be really detailed for each case, a small number of cases appeared to be the best solution. The selection of cases should not be based on representativeness, as it should be in a quantitative research design (Patton, 2002). Thus, it was resolved to choose at the same time typical though diversified cases where the expecting causes and results could highly vary but equally accessible cases witch abundant information available to construct them. With this sample structure, it was believed that literal replication as well as theoretical replication could be expected. Literal replication exist when two cases, at least, offer the same or very close results; theoretical replication occurs when two cases offer opposite results because of expected assumptions (Yin, 2003).

Secondary data were also useful to develop the multiple-case study, as documentary information is relevant to every case study (Yin, 2003). Documentary information is inexpensive and easily accessible (newspapers, websites, customers' forum) but can be partial and biased. Therefore, it seemed important to crosscheck the publicly available data and it justified the use of at least another method. In the context of this research, in-depth interviews were supposed to be an important tool to build the cases. McNamara (1999) exposed the relevance of interviews in order to "get the story behind a participant's experience". The purpose was to interview a marketing manager from each company (the location of the marketing manager was not important as the interview was easily feasible by phone or Internet) and to have the opportunity to obtain clear answers on a few topics, without any intermediary. However, only one manager from L'Occitane in Brazil accepted a telephone interview. This interview was easily set up and made it fast and easy to collect information. The interview was based on a questionnaire tackling various areas even

though a certain degree of improvisation was necessary to obtain the most precise pieces of information.

III-2 ASSUMPTIONS

The literature review has allowed analyzing a wide range of information concerning the internationalization process. Each theme of this literature review is full of crucial conclusions, provided by an extensive list of authors. Therefore, it had been possible to build on diverse assumptions concerning the expected results part of this dissertation. These assumptions will either be confirmed or invalidated in the analysis part.

ASSUMPTIONS, TO BE CONFIRMED

I

Yves Rocher and L'Occitane initially started their international expansion to **avoid** the threat of multiple competitors in the beauty industry. The two Brazilian companies initiated their international expansion at a time where they had the luxury not to have too many competitors in Brazil. →the role of the leader or the uniqueness of the offer must have been two important drivers for their international expansion.

II

The four companies, at least, began their internationalization by focusing on culturally close/same level of economic development countries and focus on less-similar countries when segmenting their international secondary and tertiary markets.

III

it would be expected from the two Brazilian companies to have made direct investment in other countries, even though it appears to be the riskier approach. However, the French companies might have chosen a less risky mode of entry such as exporting, franchising or implementing a joint venture.

IV

it is to be believed that all four companies have developed a global and local marketing strategy, either in physical stores or online.

Assumption 1: To begin with, the motives of internationalization must be different between the Brazilian and the French beauty companies. Brazil and Europe in general do not have the same level of saturation in terms of distribution space and it is to be believed that the Yves Rocher and L'Occitane initially started their international expansion to avoid the threat of multiple competitors in the beauty industry.

However, one can suppose that the two Brazilian companies initiated their international expansion at a time where they had the luxury not to have too many competitors in Brazil. Therefore, the role of the leader or the uniqueness of the offer must have been two important drivers for their international expansion.

Assumption 2: From what have been analyzed above, it has been seen that two main conclusions can be extracted from the choice of countries' literature. Indeed, the importance of targeting same level of economic development and culturally close countries appear to be the rule. From the literature, it should be assumed that the four companies, at least, began their internationalization by focusing on such types of countries, and focus on less-similar countries when segmenting their international secondary and tertiary markets. However, it is sensible to believe that companies coming from an emerging market will not necessarily target a same-level of economical development country but rather a cultural similar country.

Assumption 3: Concerning the entry mode choice, understanding which culture is more risk averse will be central. Following Hofstede's point of view, Brazil is often referred to as risk lover, in the working environment at least. Therefore, it would be expected from the two Brazilian companies to have made direct investment in other countries, even though it appears to be the riskier approach. However, the French companies might have chosen a less risky mode of entry such as exporting, franchising or implementing a joint venture. However, considering that those four companies all have "a brand equity to manage", the mode of entry may have varied considering the risk to lose the control of the brand image.

Assumption 4: The last postulation is in relation to international, local, glocal marketing strategy. The literature exposed that the current way of doing business is to

have a global marketing strategy but to adapt multiple key aspects of the marketing mix in order to better answer cultural needs. Therefore, it is believed that all four companies have developed a global and local marketing strategy, either in physical stores or online.



IV. DATA DESCRIPTION AND ANALYSIS

IV-1. PRESENTATION OF THE COMPANIES

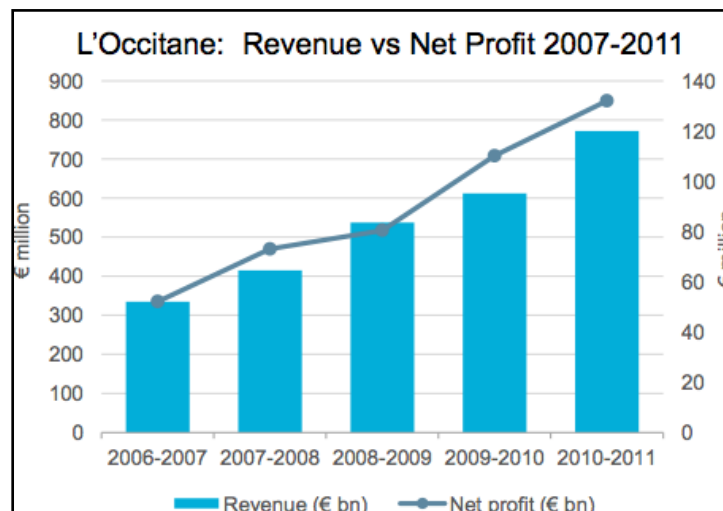
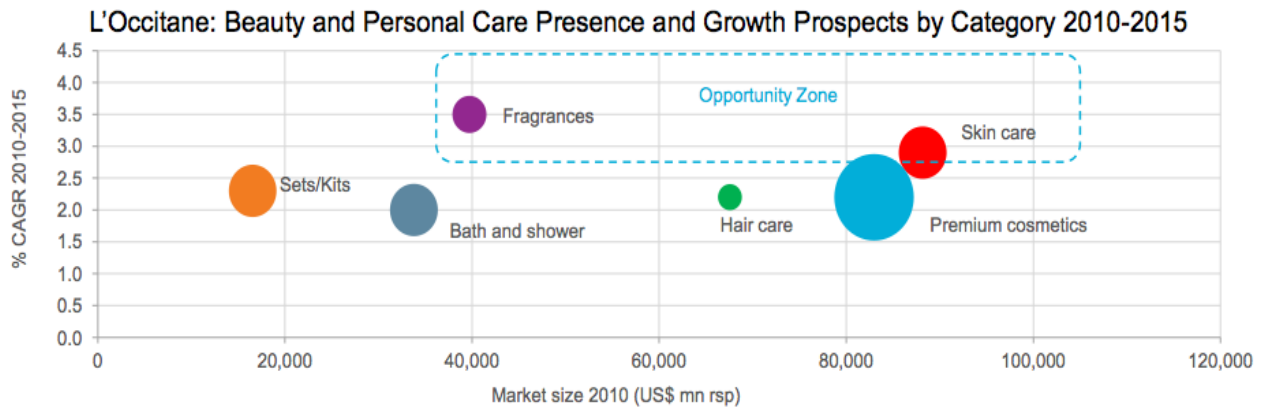
The four companies that are being analyzed are all involved in international retail activities, and have all built, what appears to be a successful business model.

IV.1.1 L'Occitane en Provence

L'Occitane en Provence (L'Occitane) is a French company that was initiated in 1976 by Olivier Baussan and is now among the top 50 first players in the beauty care sector, with a 0,2% market share in 2012 and a growth of 4,4%. L'Occitane offers premium cosmetic products, its specialty remaining over the years skin care products and especially facial care products. Nonetheless, L'Occitane has developed perfume, house and bath/shower lines of products. L'Occitane has built its reputation on natural ingredients being used in its products and on its focus on sustainability. Also, one of L'Occitane's strength has been to develop its marketing strategy on its province of origin: Provence. The company started to create a story around each of its product in relation to Provence, one of the most touristic places of France, and still builds a story telling around this region.

L'Occitane is currently benefiting from increasing purchasing power of emerging markets' customers, especially in Asia and South America where it is opening its own retail stores as well as concessions in department stores (Euromonitor, 2010) and in order to counteract the slow growth of its two main markets (France and the USA). However, Western Europe and the United States still represent 52% of the total revenue in 2010. L'Occitane decided to become a public company by entering the Hong-Kong stock exchange in 2010, justifying its growing activities in Asia.

Figure 4: L'Occitane's portfolio/global revenues and profits between 2007 and 2011



Source: Euromonitor, 2011

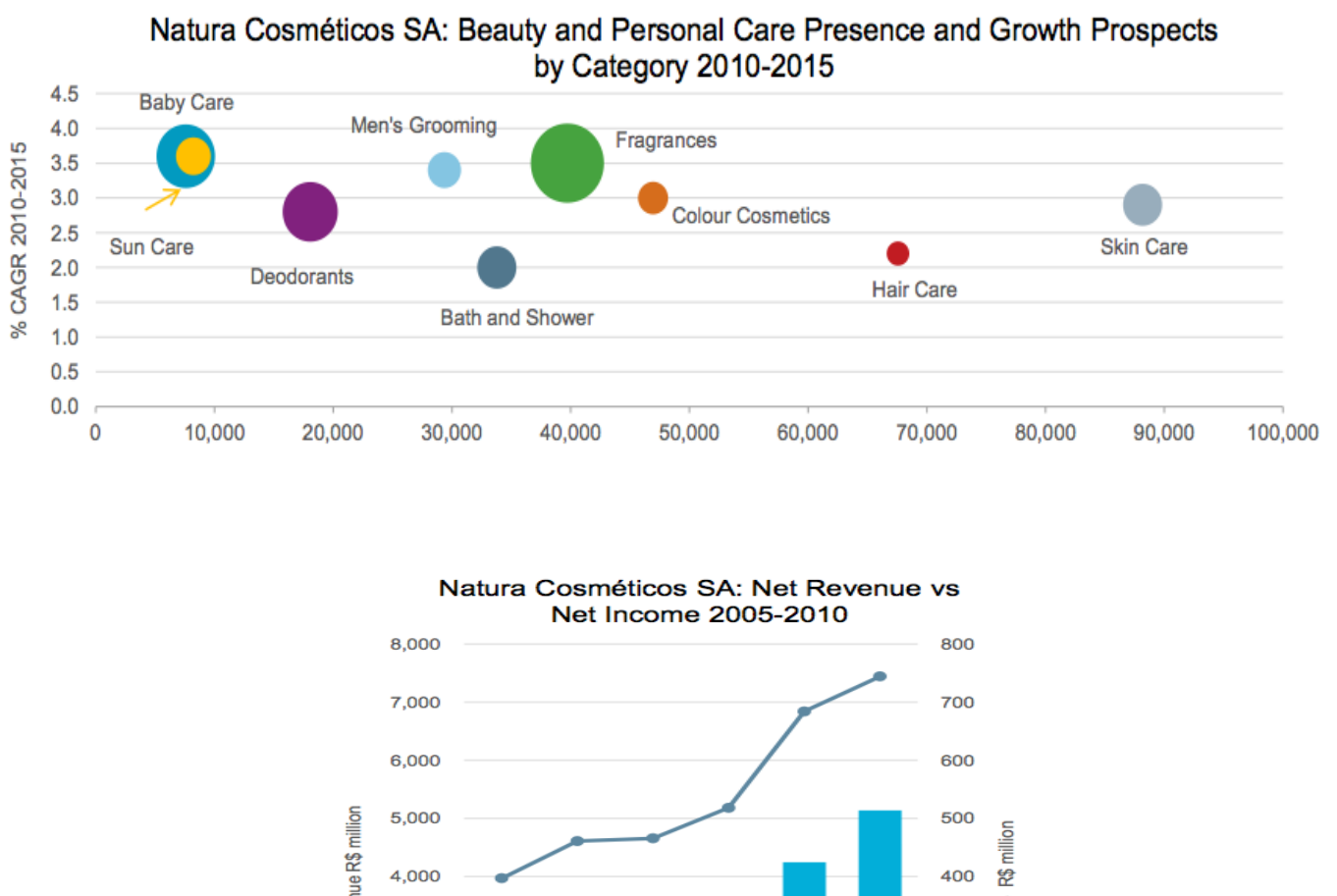
IV.1.2 Natura

Natura is a Brazilian beauty care company, leader on the Brazilian market and famous in the world for its direct selling strategy. Natura's revenues are mainly generated by fragrance sales, which represent the core business of Natura around the world. Natura has also a strong position in the skin care market but a weak market share in the hair care, even though Brazil has the reputation to be the country of hair.

It is ranked number 3 in the cosmetics sales direct selling industry, even if its revenue is mostly generated in the unique Brazilian market (94% of sales in 2010). This is one of the only successful companies that initiated its activities in an emerging country and is now promoting in foreign countries “o bem estar brasileiro” (“the Brazilian well being”). This constitutes a competitive advantage for the company, as the global interest is embracing the BRIC trend. However, Natura’s presence in Brazil is thought to have reached its paroxysm with a 14% of market share at a time where competition in the beauty industry is increasing in Brazil. Natura is promoting social and ethical consciousness and has developed a clear identity around those values, as even the name of the company is a reference to Mother Earth.

Natura is working with 1,2 million consultants around the world, and this number has grown by 17% in Brazil at the end of 2010 and by 2010 in its foreign operations: growing outside of Brazil’s borders is now a key objective of Natura, which remains confident, in a world where internet-selling is booming.

Figure 5: Natura’s portfolio/global revenues and profits between 2005 and 2010



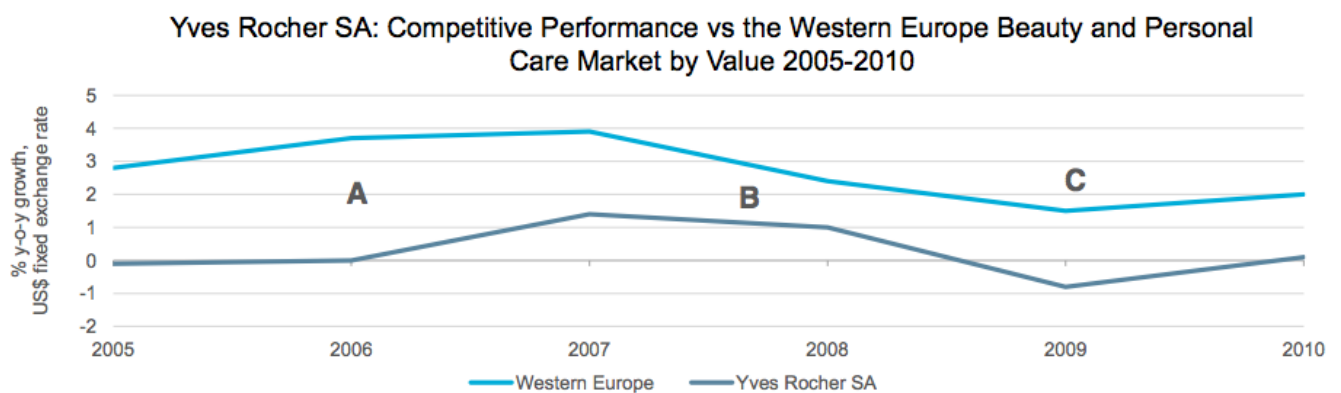
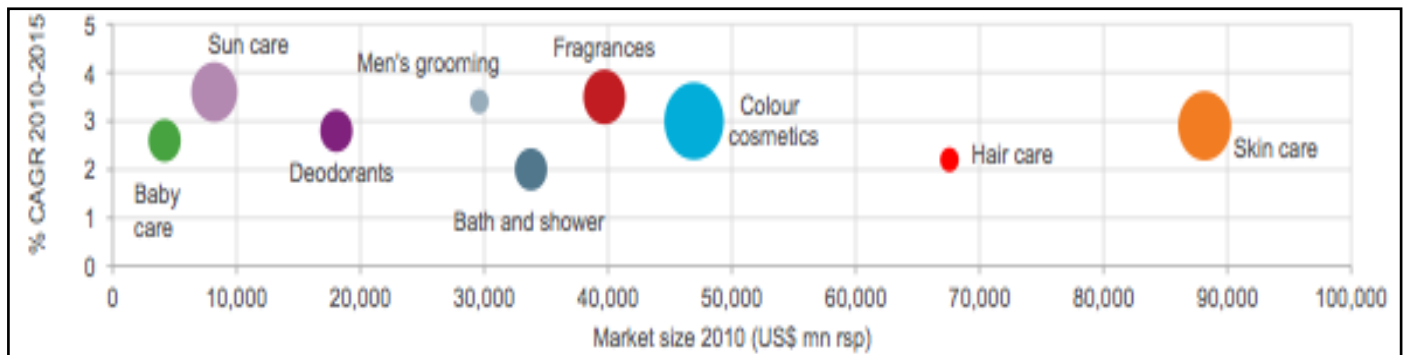
Source: Euromonitor (2011)

IV.1.3 Yves Rocher

Yves Rocher is a French cosmetic company that was launched in 1930 by its founder, Yves Rocher. The company has developed a franchising model in France as well as in many countries and is now counting with 1600 company-owned or franchises stores around the world. Yves Rocher has been privately owned since it opened, essentially because the Yves Rocher's family wishes the company to remain a "family business". The "green beauty mail-order book" was issued for the first time in 1965 and was already broadcasting an original and strong brand image. Yves Rocher has essentially focused on developing natural cosmetics and toiletries, but changed its selling model over time as it started selling by mail deliveries but decided to develop the concept of franchises when sales began to increase consistently. Yves Rocher has a turnover of more than €2 billion mainly generated by skin care products even though Yves Rocher also offers services such as free skin diagnostics or treatment cabins in its beauty centers. This has helped Yves Rocher build a reputation of expert in the skin care industry. Yves Rocher is really careful when it come to its brand equity and is closely controlling its distribution, jeopardizing sometimes its international development. The increasing competition of natural and organic cosmetic markets is

also an important threat for Yves Rocher, which product remains pricier than the market average.

Figure 6: Yves Rocher's portfolio/global revenues and profits between 2005 and 2010



Source: Euromonitor 2010

IV.1.3 O Boticário

Botica Comercial Farmacêutica, traditionally called O Boticário, is a private cosmetic company that initiated its activity in 1977 in Brazil and generated in 2011 US\$2.9 billion revenues. The name of the company recalls a pharmaceutical atmosphere, which matched the initial core activity of this company. O Boticário is the second player on the Brazilian beauty care market, just behind Natura, and has a completely different business approach than this former company. Indeed, O Boticário is

specialized in producing and distributing mass fragrances and color cosmetics, without proposing “natural” products. O Boticário principally works with a network of franchises on a national scale (largest network of franchises in Brazil), and its mass fragrances and cosmetic approach has allowed the company to generate 50% of its revenue in the northeast of Brazil, one of the less-economically developed regions in Brazil. O Boticário is one of the unique Brazilian companies to have developed a performing system of franchise, making it a unique competitor in the market of “masstige” (association of mass and prestige) brands (Euromonitor, 2010). Not only has O Boticário developed its network of franchise, it is currently developing its direct selling strategy with the acquisition in 2011 of Eudora (cosmetic company specialized in direct selling) and by beginning to develop an on-line strategy with the creation of an e-store (only for purchases in Brazil).

Table 1: Characterization of the four firms under analysis

| | Country of origin | Date of creation | Date of first internationalization | Number of countries where the company operates | Regions where the company is active | Revenues in 2011 | Number of employees |
|--------------------|-------------------|------------------|------------------------------------|--|--|--------------------------|--|
| L'OCCITANE | France | 1976 | 1995 | 85 countries | Europe Asia America Oceania Africa | 712 million US\$ | 4700 |
| NATURA | Brazil | 1969 | 1982 | 7 countries | America (South mainly) Europe | 3 billion US\$ | 7000 |
| YVES ROCHER | France | 1959 | 1970 | 90 countries | Europe Asia America Oceania Africa | 2,64 billion US\$ | 13 000 (including franchises' employees) |
| O BOTICÁRIO | Brazil | 1977 | 1987 | 11 countries | Europe Asia America Oceania | 2,9 billion US\$ | 11300 (including franchises' employees) |

Source: Companies' annual reports + Euromonitor (adapted by the author)

IV-2. DIFFERENT MOTIVES FOR A SAME GOAL: THE BRAND'S INTERNATIONALIZATION

From the introduction on, it has been clarified that the cosmetic channels are well implemented in the international sphere. From this first observation, it is to believe that in the essence of the beauty industry, internationalization must be an unavoidable path to success, and even more nowadays, where the globalization phenomenon is at its paroxysm. The four companies that are being under analysis have all focused on developing their internationalization, but the motives must have been different from a company to another, from one origin of a brand to another one.

To begin with, Yves Rocher can now be considered to be a global retailer as it has developed a powerful concept (unique concept, hard to imitate, added value perceived by different countries) and is mastering all the value chain from the conception of the products to their distribution. However, the internationalization of Yves Rocher was initially due to the development of a strong concept in France, during more than ten years. As Arnaud Périssé (Yves Rocher's franchisor in Thailand) explains, Yves Rocher, the founder of the company of the same brand, decided at the beginning of the 1970s that the company "had a strong enough concept and know-how in France to approach adjacent countries in order to create an international added value." This position fit with the position of Alexander (1990) and Williams (1992) who illustrated that a company believing it has a unique and strong retail offer will inherently wish to internationalization. Equally, Yves Rocher had understood the power of the French image of cosmetics and believed that the country of origin effect would facilitate the internationalization of the brand, therefore validating the COO theory developed by Hong and Wyer (1989), stating that consumers transfer positive feeling towards a country on a company's products. Yves Rocher's first objective of the 1970s was

therefore to internationalize its activities, only in European countries. Therefore, the Group Yves Rocher's first steps outside of France have followed a certain path, as described in the literature. Yves Rocher's internationalization is not related to any "push factors" such as a saturation of the market or the high competitiveness of the market of origin (Aacker, 1985). On the contrary, the company's founder had seen the potential of the brand in France and believed that this success could be repeated in psychologically and culturally close countries (e.g. Belgium). Therefore, the founder was the main reason (Hutchinson et al., 2007) for Yves Rocher's internationalization, at a time when Yves Rocher was still developing its brand in France.

L'Occitane en Provence also shared with Yves Rocher similarities in the process of internationalization. The goal of L'Occitane was to promote a brand with a story, the story of natural products made in Provence. The story telling around the brand was the key of its success, though partial, in France and the company's founders also believed that the story of their brand should not be stopped at the French borders. L'Occitane en Provence also believed that the "made in France" label would help the brand internationalize, as France was and still is a reference in the beauty industry and Provence, an appreciated vacations' spot for tourists. As L'Occitane en Provence is seen as a premium company in terms of prices, customers are highly involved in the purchasing process (emotive purchase more than a utilitarian purchase) as Mittal and Lee (1989) demonstrated. Therefore, playing the card of the country of origin helped the company building on a semi-luxurious brand image in foreign countries, respecting the view of Ind and Bjerke (2007).

As it is going to be illustrated in the next parts of this research L'Occitane en Provence is now more successful in its international markets, where the customers really have perceived the essence of the brand: selling natural cosmetic products,

based on a Provençal traditional recipes. With more than 80% of its revenues made outside of France, it is certain that the expansion of L'Occitane was a necessary on the international markets.

However, the first international opening for L'Occitane was only effective in 1995, in Hong-Kong. L'Occitane en Provence's decision to internationalize was therefore late and the choice of the first country was deeply analyzed. Therefore, the will to export the name L'Occitane abroad was not the unique reason for L'Occitane. The company really had difficulties to impose its brand on the national market as it was competing against Yves Rocher for example, which had the favor of the French population. L'Occitane's limited market opportunities and the competitive pressure in France constituted a "push factor" as Dawson illustrated in 1976. L'Occitane's decision to grow abroad was deeply motivated by the French saturated beauty market in the end of the 1990s. In 1996, when Reinold Geiger bought L'Occitane to its initial founder Olivier Baussan, he decided to concentrate his efforts on the geographical placement of L'Occitane (Corporate website L'Occitane en Provence, 2012). In fact, at the time, it was a necessity for L'Occitane to export its resources abroad in order to acquire more knowledge that could help better positioning the company its market of origin. L'Occitane had a peculiar way of internationalizing its activities, as it decided to invest abroad, while its competitive situation in France was at the worst in 1996. However, as Williams (1992) exposed, external pull factors facilitated the decision of the proactive new CEO to tap foreign markets such as the perspective of large untapped markets in the developing countries with a large potential of growth.

Then again, the two French cosmetic companies embodied the "green phenomenon". The green phenomenon made its first steps in the late 1980's and many companies saw a great opportunity to position in a market niche (Peattie & Crane, 2005). Both

Yves Rocher and L'Occitane have bet on green marketing in France and in their international strategies because they were seeing huge opportunities to answer the population green concerns, especially in developed countries. As the Body shop was often cited in the green marketing literature, L'Occitane and Yves Rocher both trusted that their natural products portfolios would leverage the company's growth abroad in a period where the comeback to green was fashionable, according to Mintel (1995).

Natura, which also addresses sustainability, also believed that the green growing interest could be a potential tool for expanding its activities abroad. Indeed, Natura initiated its activities abroad 13 years after its creation, by creating a subsidiary in Chile. The company had plural motivations to expand internationally, the first being to become the most powerful Brazilian cosmetic brand abroad. Indeed, Natura is the most famous Brazilian brand committed to the environment and the company believed that it had a possible competitive advantage to be exported in Latin America (Kline, 2009) in order to become a major player in the region, only by being positioned in a niche market. Indeed, as the company was committed to the environment in Brazil, the idea to federate foreign customers around the company's natural ideal of beauty made sense for the company.

Another motivation for Natura was to increase its geographical dispersion in order to reduce economical and financial risk. Indeed, in 1992, Brazil was not as economically healthy and powerful as it is considered to be nowadays. In 2011, Brazil was the 5th economic power of the world (Center for Economics and Business research) when in 1992 the country was not an active member of in the international economic exchanges and was facing 1020% of inflation (International Monetary Fund website, 2012) before Henrique Cardoso's government improved the situation from 1995 on. The constraining economic situation also affected Natura's internationalization and

constituted a push factor (Aacker, 1995; Treagold & Davies, 1985) for the company, which decided not to put all its eggs in one basket.

O Boticário decided to export its operations abroad only a decade after it started in Brazil. With an exponential number of franchises openings in Brazil (in 1987, 500 franchises had been opened), O Boticário really surfed on the wave of business world's globalization to inaugurate its first store in Portugal (O Boticário corporate website, 2012). However, contrary to the other companies under analysis, O Boticário did not strategically planned its business internationalization, but only followed this path to be consistent with competitors. Therefore, O Boticário's strategy appeared to be interlinked with Alexander and Myers' (2000) demonstration that "international operations are an extension of domestic activity". No underlying motives appeared to have influenced the decision of O Boticário, even though the economic situation of Brazil was the same that Natura was experimenting at the time (complex financial environment and constraining business rules). O Boticário was therefore the least prepared to internationalize its activities, as no concrete motives seemed to have been lying behind the company's expansion abroad. However, the lack of apparent motives does not necessarily mean that the expansion is certain to fail.

IV-3. THE CHOICE OF COUNTRIES AND DISTRIBUTION MODEL

The international literature concerning the choice of countries in the internationalization process is almost always demonstrating that most retailers will initially develop their concept in geographically or culturally close countries where the languages, business practices, economic development or legal system are quite similar (Roth, 1990; Johansson, 2000). However, understanding what is “cultural closeness” remains difficult, even nowadays where the phenomenon of internationalization has been deeply analyzed. As a simple example, it is often said that Italy and France are really close culturally because both are considered to be “Latin countries”. However, it has not been easy for French companies to establish their activities in Italy and success has not always been easy to achieve. Equally, nowadays, the financial crisis of 2008 seems to have redistributed the cards of internationalization as Foreign Direct Investment to developing economies accounted for half of global inflows in 2011 (Third World Network, 2012). FDI are rapidly growing in Asia (mostly in Thailand, Malaysia, Indonesia) and in Latin America (especially in Colombia and Brazil where a larger part of the population is accessing consumer markets and where natural resources are attracting international investors). The supremacy of developed economies is still observable in the global economy, but the situation has been evolving for a few years now.

IV.3.1 Analysis of the past and current internationalization strategies of the four companies

The cosmetic world has increasingly grown global, and so have the companies under study. However, from the initial analysis of the four companies, it is surprising to see that the two French companies have operations in many more countries than the two Brazilian companies, even though Natura and O Boticário

started to internationalize ten years before L'Occitane en Provence. It might therefore be interesting to analyze where the four companies decided to internationalize and under what business format, in order to draw conclusions concerning the potential of companies' internationalization

IV.3.1.1 Brazil Vs France: history of the beauty industry in relation to the internationalization process

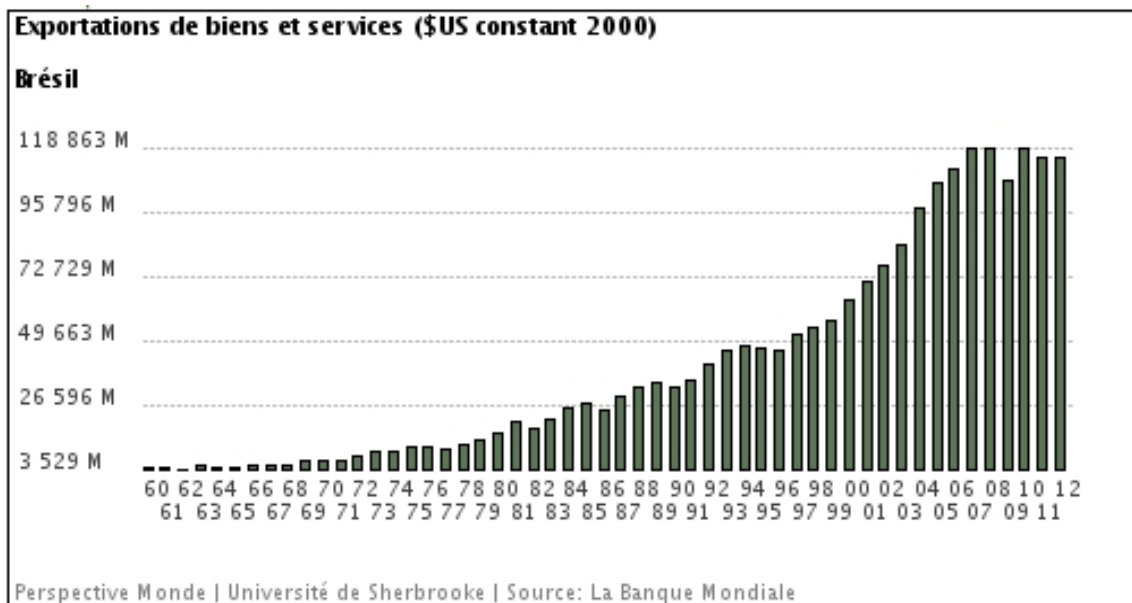
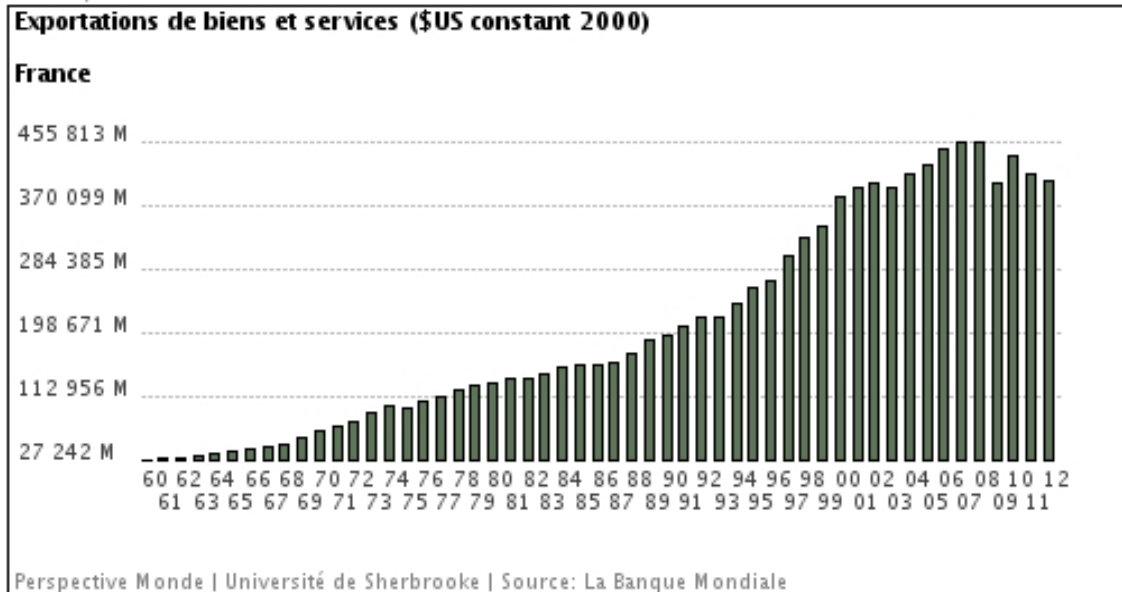
For years, and even centuries, France had a privileged position on the international sphere and remain one of the most open economies nowadays (Université Sherbrooke, 2012). When one compares the international exchanges in US\$ of Brazil and France, it is still striking to see that France is exporting four times more (in value) than Brazil. It is closely link to France's rich history and will to always be a powerful economy. Historically, France has always had a certain influence on the international sphere in relation to culture, elegance, and luxury as it was reflected by an international survey, which tempted to understand the "French myth around the world (Le Figaro, 2010). Despite the financial crisis, France remains influential in the business sphere and still represents 3% of the global exportations, even though in the 1970, France represented at its paroxysm more than 6% of the global exportations. France has therefore always been a country actively present in the international exchanges. Notably, France has a reputation of excellence when it comes to the beauty industry, either in the haute couture or in the cosmetics and perfumes. France remains the leader of the global beauty industry with 18% of market share and 16 billion revenues in 2009, in a market, every year more competitive. The beauty sector is also the fourth French industry in terms of exportation and importations (Les Echos de la Franchise, 2009).

Comparatively, Brazil's low openness of its economy is closely linked to its political past. However, since the 1990s, Brazilian economy is progressively opening its borders thanks to the measures implemented under Cardoso's government. The degree of openness in Brazil went from 11% in 1980 to 28% in 2004 and the commercial exchanges should grow twice faster than the global exchanges in the next decade (HSBC Trade connections, 2012). Brazil's main commercial partners are currently the European Union, followed by the United-States, and the Mercosur (Latin-American free-trade zone). The Brazilian conjuncture is currently playing on the internationalization of Brazilian companies. Indeed, in 2002, the Fundação Dom Cabral revealed that Brazilian companies were mostly initiating their internationalization by exporting, which is commonly the first step of internationalization. However, they had difficulties to clearly evolve towards more complex business formats, and many companies mainly focused on the Brazilian market to operate. In 2012, the data concerning Brazil and the internationalization have clearly evolved. Brazil had surmounted the economic crisis thanks to a growing middle class and an effective banking system where speculation is closely regulated. Brazilian firms are now intensifying their presence in international markets and companies such as Petrobras or Embraer are now two global and prestigious Brazilian companies. Around 800 Brazilian firms currently have foreign investments abroad while 50 of them are significant players on the international scene (UNU-Merit, 2010).

This opening of the borders, as well as Cardoso and Lula's social policies, have favored the current economic growth of Brazil, translated by the growing middle class. Indeed, over the last ten years, 40 million new Brazilians have joined the middle-class (Agence France Presse, 2012). This middle class has participated a lot in

the explosion of the beauty industry in Brazil, due to the increasing purchasing power, which currently represents 43 billions dollars (ABIHPEC, 2012). The new middle class is now willing to have the same consumption patterns as the Brazilian upper class (AFP, 2012). Women are also playing a more important role in the Brazilian economy as they are progressively participating more in the labor market. Their increased revenues for women and the increased number of beauty products launched in Brazil are resulting in a powerful industry, growing at a rhythm of 5% per year (ABIHPEC, 2012). Brazil's beauty and personal care industry is number 3 in the world after the United States and Japan, but should rapidly overtake Japan's second position (ABIHPEC, 2011). The Brazilian beauty industry is not really comparable to France, except for the increasing part of natural products in its portfolio. As a matter of fact, the Brazilian biodiversity is the most important in the world: 250 000 species are part of the Brazilian flora, while only 300 species have been studied and are currently used in the cosmetic and pharmaceutical industry.

Figure 7: France Vs Brazil: exportations of good and services from 1960 to 2012

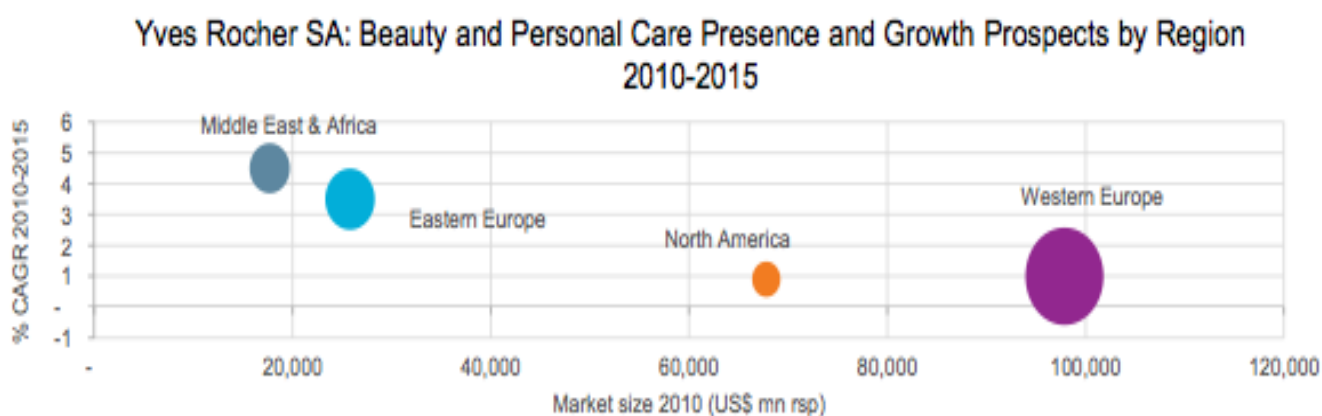


Source: World Bank (2012)

IV.3.1.2 Companies' choice concerning countries to expand operations

Yves Rocher, as Klein and Roth (1990) exposed initially expand their activities in psychologically and culturally close countries. As a result, the company is now extremely present in Western Europe. In Western Europe, most of its retail sales are still generated by France, followed by Germany, Spain and Belgium. As a result, Yves Rocher suffered from the economic growth, which impacted negatively the Western part of the world (Euromonitor, 2011).

Figure 8: Yves Rocher's global perspective of growth



Source: Euromonitor, 2011

From this chart (Euromonitor, 2011), the supremacy of Western Europe in Yves Rocher's strategy is clearly visible as almost 80% of the revenues are generated in this region (40% of the Western European revenues are generated in France), where the CAGR is only predicted to grow by around 1% until 2015. Despite the fact that the highest spending/capita remains in Western Europe, Europe is nowadays a mature and tough market in the beauty industry, where the top-ten companies struggle to keep their market shares.

Nonetheless, Yves Rocher has invested in other regions such as Eastern Europe, North America and Middle East and Africa. Yet, those four regions only participate in 20% of Yves Rocher's global revenue. Over the last decade, Yves Rocher has seized the opportunity to expand its activities in Eastern Europe, and especially in Russia, both in retail and distance selling (Yves Rocher was a foreign brand, pioneer in Russia). The Russian beauty products market was valued at USD 7,8 billion, with a growth of 14% in 2010 (Staraya Krepost, 2010). In Russia, imported products represent more than half of the beauty market value. Indeed, the Russian population shows a preference for foreign products, especially in the beauty and luxury products. This has left an important opportunity for French beauty companies to tap the Russian market. In Russia, the key market segments are hair care, make-up, bath, anti-aging products, and the segment of cosmetics for men and children are also growing in Russia. However, Yves Rocher business format in Russia (stores, online selling) might not be the best option to increase the market share, in a country attracted by direct selling. In Russia, 20% of beauty products were distributed through direct selling, compared to 12% for the global market (Euromonitor, 2010). However, it is certain that Yves Rocher still has a huge potential in Russia, a pro-organic increasing population, adopting Western lifestyle.

Yves Rocher has been struggling to expand its operations abroad (except for the USA and Eastern Europe) mainly because of its lack of scale (Euromonitor, 2011) as it does not have the necessary capital to be aggressive in market development, reducing its competitiveness. To be competitive in Russia, where the number of competitors is increasing, Yves Rocher has had to imperatively invest more in marketing and communication, in order to offer the brand a certain market visibility (Yves Rocher corporate website). Since 2010, Yves Rocher has managed to increase its marketing

budget from 10% of the turnover to 15%. Therefore, the lack of marketing investment was not the unique reason of Yves Rocher partial success outside of culturally close countries. As a more concrete example, Eastern Europe is a “very different” region (Klein & Roth, 1990) in comparison to the countries Yves Rocher first expanded its activities: the accepted business practices are different, as well as the economic environment, legal system or communications infrastructure. Yves Rocher must not have run sufficient market analysis before investing in these psychologically distant countries with different consumption patterns. Even though Yves Rocher has followed the traditional path of extending its activities in culturally close countries (Shoam & Albaum, 1995), the challenge to be successful elsewhere has not resulted in the positive expected results.

One other important reason explaining Yves Rocher lack of success in culturally distant countries concerns the retail model, which appears somehow contradictory with the brand’s desire to penetrate new emerging markets. Indeed, product distribution is highly controlled (the company is organized in international subsidiaries, but Yves Rocher controls the distribution) and products are only sold via catalogues, in-store stands, franchised stores, company-owned stores and more recently online (depending on the countries’ specificities). Also, since its creation, Yves Rocher has developed a brand equity that it does not want to imperil (Srinivasan et al., 2005). As a result, the company still manages to position itself in Western countries and in North America, even though the price pressure generated by mass retailers is jeopardizing the beauty industry. Moreover, Yves Rocher (Euromonitor, 2008) tends to have a mass position, which is currently the toughest position to have due to many retailers such as supermarkets, developing their own natural and organic beauty products. Despite the negative perception of buying beauty products with a

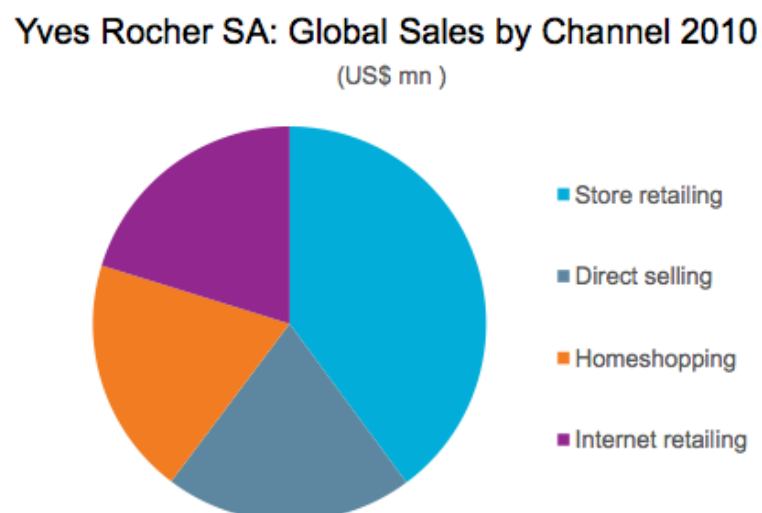
supermarket, sales have been increasing and many supermarkets have developed their own brands. Supermarkets brands position themselves 20% to 50% less expensive than national or international brands, for a comparable quality (LSA, 2010). This has been seductive in Western markets where the global financial crisis has left a large part of the population poorer. The “store’s beauty brands” have also improved their image and communication in order to be as competitive as national brands. Simply by analyzing the new advertising campaign developed by Carrefour, it is striking to see how “professional” their ad campaign is, in the spirit of Keraskin Esthetics brand (part of the L’Oréal group). Therefore, they are developing an imaginary universe around their beauty products line, in order to be competitive against the leaders of the market. Equally, they are conscious of the market opportunities and have focused on developing natural and organic brands and have also developed innovative products. As a result, in Western countries or in the USA, where the supermarkets play on the prices to attract customers, Yves Rocher might have to rethink its positioning.

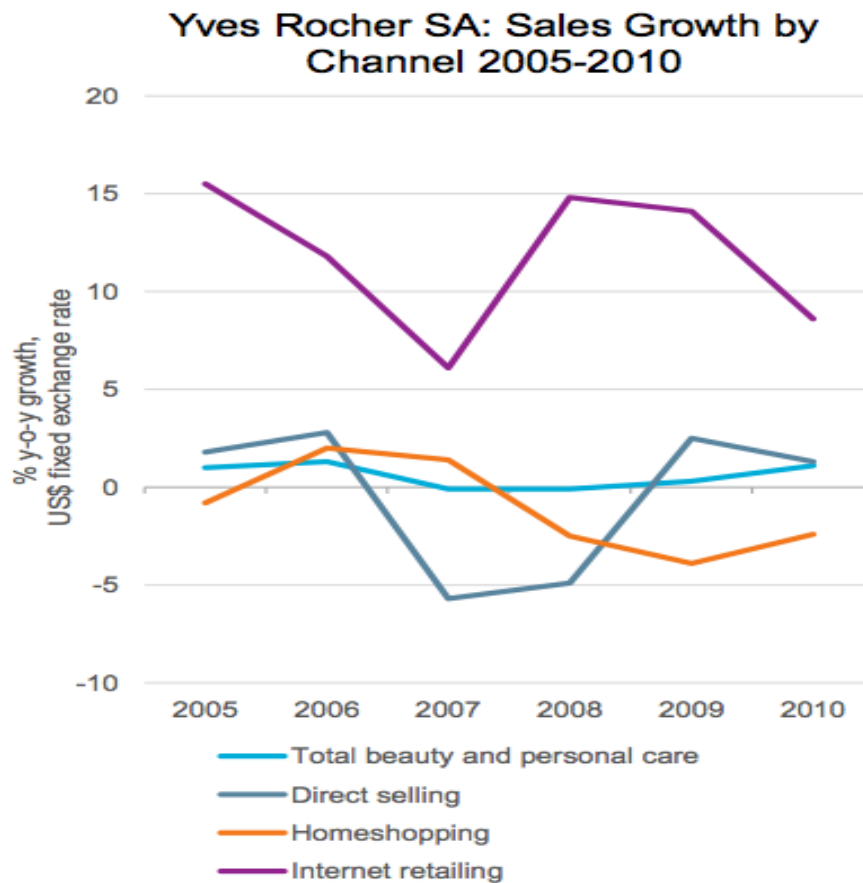
Even though Yves Rocher managed to expand its operations in Russia, a growing economy, it has failed so far to tap other emerging markets such as Asia, Middle East or South America, even if it intends nowadays to invest in such regions. Indeed, Yves Rocher’s strategic plan was to enter South America in 2010, but the impact of the financial crisis prevented them from doing so. Also, in the Asian-Pacific region, Yves Rocher has a limited market share in Thailand but only relies on franchisees to support the opening of stores (from 26 outlets in 2010, Yves Rocher wants to own 50 by 2015). Again, Yves Rocher’s lack of scale and possibility to invest prevent the company from competing with international beauty companies. Moreover, Yves Rocher attempted to enter China and India in 2006 and failed to develop its business model over there. Yves Rocher possesses 70 stores (mostly in shopping malls) in

China, which is not sufficient to be visible on the Chinese beauty products market. Equally, in India, Yves Rocher keeps a low profile and only distributes its products through a young chain of pharmacies (Guardian Pharmacies), only present in 20 cities around India. The growth prospects for both Indian and Chinese beauty markets is expecting to reach 8%, therefore, Yves Rocher has been thinking in repositioning its brand in those markets in order to gain market share. Indeed, Yves Rocher' natural and organic products associated with lower prices than in Western Europe should satisfy two price-sensitive populations who respects nature.

Yves Rocher could also invest more in non-store retailing in order to tap those markets, especially in the USA and in the UK, where the company has never opened any store. Currently, Internet sales represent 20% (Yves Rocher, 2011) of the company's total revenues, the majority of the consumers being between 20 and 35 years old. This young population often uses the Internet (blogs and forums) previous to a purchase and does not hesitate to purchase products online. Moreover, the Internet usage is increasing in Emerging markets, which could improve Yves Rocher's Internet sales over the next few years.

Figure 9: Yves Rocher: sales growth by channel of distribution





Source: Euromonitor, 2011.

Although Yves Rocher has been struggling in internationalizing in emerging regions, it undertook changes that could renovate its perception from the customers' point of view. In 2008, Yves Rocher decided to change its visual identity in order to have a more natural image, matching its "plant-based cosmetics" concept. The company not only adopted a new logo, but the stores have been progressively changed, with less advertising inside (The Nation, 2010). From 2010 on, Yves Rocher has also increased its marketing budget from 10% to 15% in order to be more aggressive in international markets.

Figure 10: A new competition for beauty-products retailers, the development of store brands



Walmart launched in 2011, a natural makeup line for pre-teens called geoGirls.
Source : Walmart, 2011



In 2012, Carrefour started its own beauty brand with the creation of the Cosmétiques Design Paris Collection, counting with more than 650 product references.
Source : Carrefour, 2012



Auchan launched in 2009, a natural makeup line with 10 product references
Source : Journal des femmes, 2009



Carrefour's advertising campaign for the Pro's line of products (Source: Carrefour, 2012)



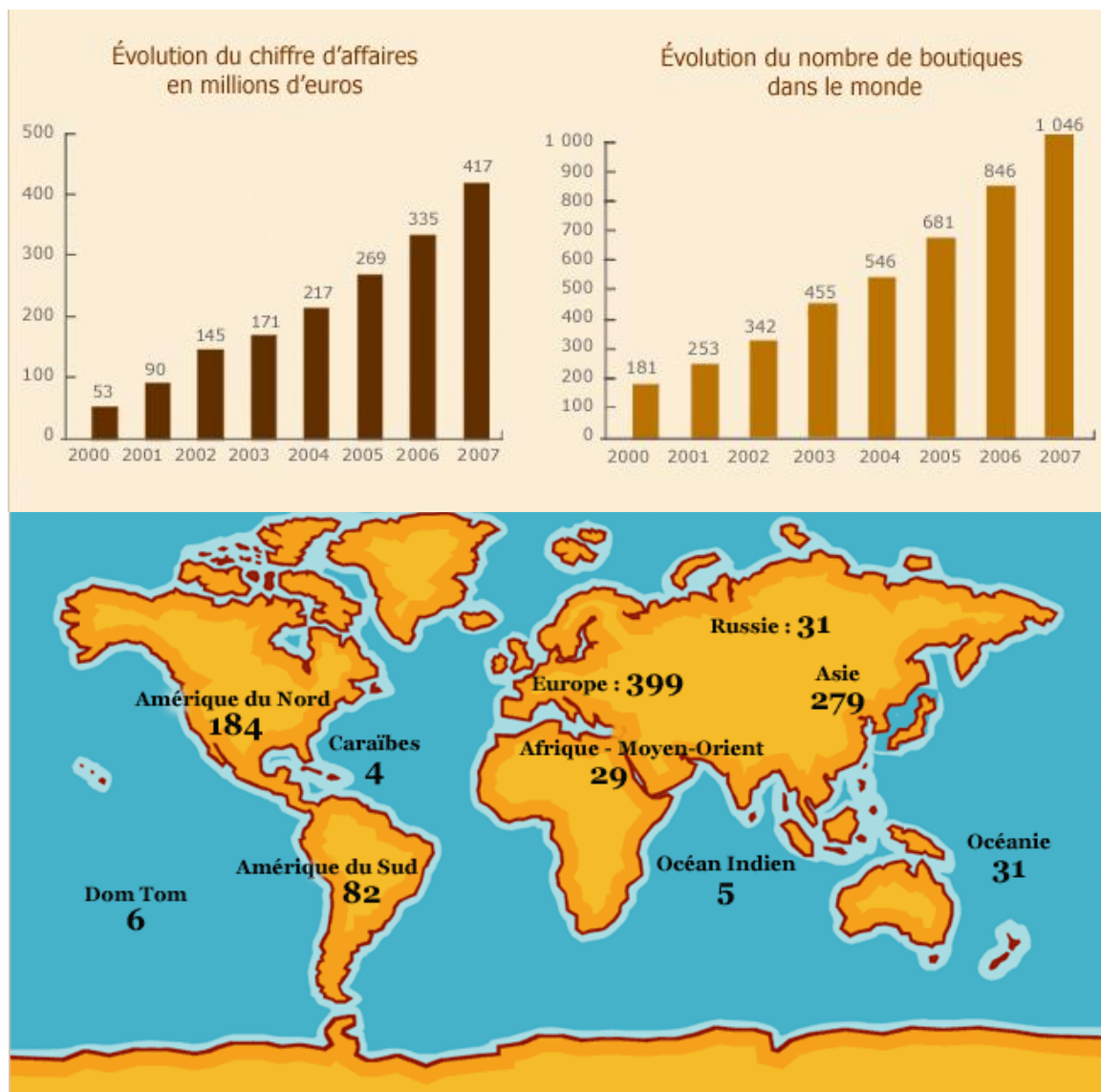
Carrefour's advertising campaign for the Pro's line of products (Source: Carrefour, 2012)



Keraskin esthetics (the latest professional brand by L'Oréal) advertising campaign (Source: Keraskin esthetics, 2012)

L'Occitane en Provence appears to have a more equilibrated internationalization, in terms of regional presence as it has operations in Europe (Western and Eastern), America (Northern and Southern), Middle East, and Pacific Asia, but in terms of revenues generated by international operations as well.

Figure 11: L'Occitane: Revenues and number of stores' evolution



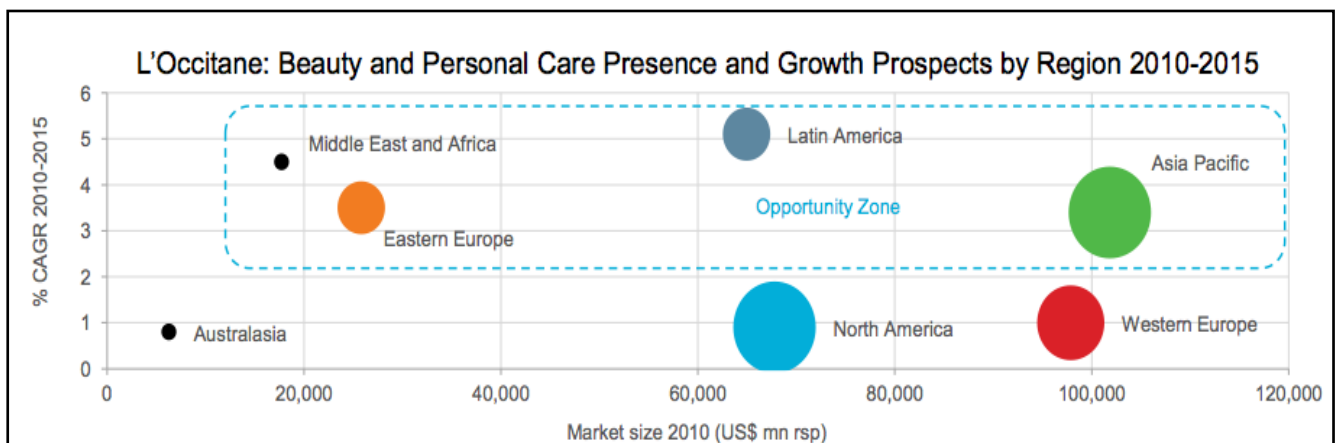
Source: L'Occitane's corporate website

Since its first international opening in 1996, L'Occitane has increased its stores number by more than ten. In 2000, L'Occitane had 181 stores around the world; in

2007, it had 1046 stores (company owned or franchised). From the graph below, it appears plausible to make a correlation between the international expansion of L'Occitane and its growing revenues since 2000. This would imply that L'Occitane internationalization has been a real success all along the last decade.

In 2006, L'Occitane had a much faster growth than the beauty and personal care market but the situation changed in 2008/2009. As a matter of fact, the demand for high-end beauty products being highly elastic, the financial crisis impacted negatively L'Occitane's growth. However, the strategy of having invested in emerging markets helped the company growing again after 2009, but way below its initial growth.

Figure 12: Operations of L'Occitane in the world



Source: Euromonitor, 2011

From this chart, it is clearly visible that L'Occitane has managed to expand its operations in all the regions of the world, and especially in the emerging countries, in less than 17 years. Asia is L'Occitane most important market in terms of revenues (nearly 50% of its revenues), followed by the USA, which generated USD 302 million in 2010 and by Western Europe, where 27% of the revenues are generated. L'Occitane is also positioned in Latin America (mostly in Brazil) but has been

struggling for more than ten years to increase its market share, which only represents 4% of the global revenues. Even though Brazil is still a risky market for L'Occitane, the company has been increasing its investment in this country, going against the theory that the riskier a country, the less a company should invest its own funds (Bloomstermo, 2006).

With its premium status brand, L'Occitane has a card to play in such markets where the disposable income is clearly growing. For instance, L'Occitane has become one of the most favorite beauty products brand in Japan where the brand has opened 57 retail places since its implementation in 1996, in the most frequented areas (Le Point, 2010). In order to grow bigger, L'Occitane decided to introduce 30% of its capital in the Hong-Kong stock exchange in 2010 and managed to raise 530 million Euros. It was the first time that a French company was introducing its capital in Hong-Kong but according to Nicolas, a manager in Brazil, this solution made sense as nearly 50% of the revenues are generated in Asia. In Japan, L'Occitane is more successful than the most important French luxury brands such as Chanel, Dior or Estée Lauder. The demand for products originated from Provence is impressively growing, transforming L'Occitane in a potential global giant for high-end natural products. As a matter of fact, L'Occitane is currently growing much more than Yves Rocher, the pioneer of natural beauty products. In Middle East, which has one of the highest growth perspectives, L'Occitane has not yet tapped all the opportunities, at the difference of Eastern Europe where it seemed to have already understood the region's potential (Euromonitor, 2010).

In order to keep its premium image intact, L'Occitane distribution model is based on both own stores and franchises. In Brazil, L'Occitane is currently focusing on developing exclusively own stores, as a way to control closely the work force and the

brand image. L'Occitane has not focused on creating luxurious flag ships in the best areas of the world but continues to function with partially built-up stores, that are sent in kits all over the world. This allows the company to build stores that are recognizable throughout the world.

L'Occitane's positioning abroad is therefore a success when it struggles in its country of origin to generate growth. French consumers consider that L'Occitane only sells basic beauty products instead of beauty care products. However, L'Occitane has been massively investing in marketing and communication (€84.6 million in 2011; 10% of its revenues in 2011) to compensate for this deficiency. L'Occitane's international development is evidently spectacular, as it never had a consolidated position on the French market, which could have been a warranty to its best international expansion. As previously mentioned, L'Occitane holds a premium image abroad that it never managed to build in France. The story telling being mainly concentrated around the traditions of Provence, it has a stronger impact on the foreigners than on French customers. However, L'Occitane wishes to be more visible on the French beauty industry and, since 2008 has invaded the pharmacies and "parapharmacies" (parapharmacies sell beauty products that do not need a prescription, but are supposed to be healthy). In France, pharmacies have decided to increase their visibility in the beauty industry and are promoting brands such as Nuxe, Avène, Vichy, SkinCeuticals La Roche-Posay, Biotherm, as the "taking care of oneself" is nowadays in France, closely associated by customers to health. L'Occitane has perceived this phenomenon and decided to penetrate this "new" market segment. In most of the French medium-sized cities, L'Occitane did not identify the necessity of opening a proper store and decided to sell its products throughout the (para)pharmacies' channel. In 2010,

L'Occitane was represented in 750 pharmacies, allowing the company to increase its geographical network and therefore, its customers' base.

Figure 13: L'Occitane's product placement in pharmacies and parapharmacies



Source: Pharmacie d'Azé, Pharmacie du Triolet, Pharmacie de Pourvouville (France)

O Boticário, the most important beauty franchise in the world was passive in its internationalization process, only answering at first a few requests from Portugal. Indeed, the directors were prioritizing franchisees that they already knew and believed to be trustworthy. Brazil's business environment is in fact characterized by building up reliable and long-lasting relationships (Hofstede, 2010). This aspect is important to consider, as French culture is much more individualistic than the Brazilian, impacting considerably on the working environment. By scoring high on the individualistic index (Hofstede, 2010), France has a different approach of work. One will be judged by his performance on a specific task, and less emotion is involved in the work place. This collectivism versus individualism aspect could partially explain the carefully led internationalization of O Boticário, in comparison to the two previous cases. This seems to be a Brazilian peculiarity where the business networks

have the potential to leverage an internationalization process, by reducing the perceived risk to operate in foreign countries. However, it only confirms the theory of networks, which illustrates that building networks can have a crucial role at the time of internationalizing activities (Casper 2007).

This explains why O Boticário only decided to internationalize to the United States at the beginning of the 2000s. Indeed, in 2004, the German Klaus B. Zensen started to negotiate with O Boticário, in order to establish a commercial partnership with Newark, in the state of New Jersey. He had been living in Brazil for more than ten years and trusted the quality of O Boticário's products. Moreover, he believed that the opportunities were huge for O Boticário in the USA because the costs of production were inexistent in comparison to the beauty products sold in the USA. When the headquarters approved this decision, it was decided to open an exclusive store in the USA as the Brazilian headquarters refused to work under the model of franchises, yet successful in Brazil. The targeted market was the Brazilian population established in New Jersey, or Brazilians descendants. However, due to the constringent rules of the Federal Drugs Administration, it remained difficult to open the store as every product had to pass through expensive clinical tests. Also, the process to register the brand products was fastidious, impacting directly on the total number of references to be sold in the USA: from 550 products distributed in Brazil only 100 were authorized in the USA.

Equally, O Boticário's internationalization process matches Rocha's (2002) conclusions concerning the importance of geographic and psychic proximity as being the initial targets of most companies. This explains O Boticário's decision to initially open stores in Portugal, a supposed to be culturally close country because of the shared history (52 stores have been opened in Portugal in 25 years) and in Latin

America (Bolivia, Peru, Paraguay and Mexico). Brazilian firms have since the 1980s a perceivable preference for investing in Latin America. Latin America hosts 23,2% of Brazil's investments abroad; 19,2% are concentrated in Europe and especially in Portugal, which share cultural similarities with Brazil (as for instance the same language); Asia concentrates 13,3% of Brazilian total foreign investments (Comisión Económica para América Latina, 2009).

More recently, it appears that O Boticário attempted to tap emerging countries that could offer an immense potential for the company's future. Since 2005, O Boticário has been investing in the Middle-East (Egypt, Saudi Arabia, United Arab Emirates), and, since then, has not stopped opening stores or points of sales. They first entered the Middle East by the traditional channels in the beauty industries (points of sales) but soon decided to open stores, through a special partnership with local investors. However, Middle East has been the target of great international brands for years now, especially brands with an undisputable expertise in perfumery (women in the Middle East essentially purchases perfume) (Arab Brazilian Chamber of Commerce, 2012), making it difficult for O Boticário to become an essential pillar in this region.

To conclude, O Boticário has increased its presence in the world (essentially in Europe, the USA, the Middle-East) and "wants to internationalize more and more" (Roberto Garcia Neves, 2009). Nonetheless, from what has been described, it is manifest that O Boticário has been privileging to develop its business in Brazil where franchising has been growing since 2002 (Brazilian Franchising Association, 2006), and where the beauty sector's growth is at its paroxysm.

Figure 14: O Boticário's stores and points of sales around the world**O Boticário worldwide**

- 2114 stores in Brazil
- 52 stores in Portugal
- 4 stores in Mexico
- 5 stores and 6 points of sales in Bolivia
- 2 points of sales in Peru
- 2 points of sales in Paraguay
- 438 points of sales in Japan
- 6 stores and 367 points of sales in the USA
- 1 point of sales in Australia
- 3 stores, 2 kiosks and 70 points of sales in Saudi Arabia

Source: Website O Boticário, 2012

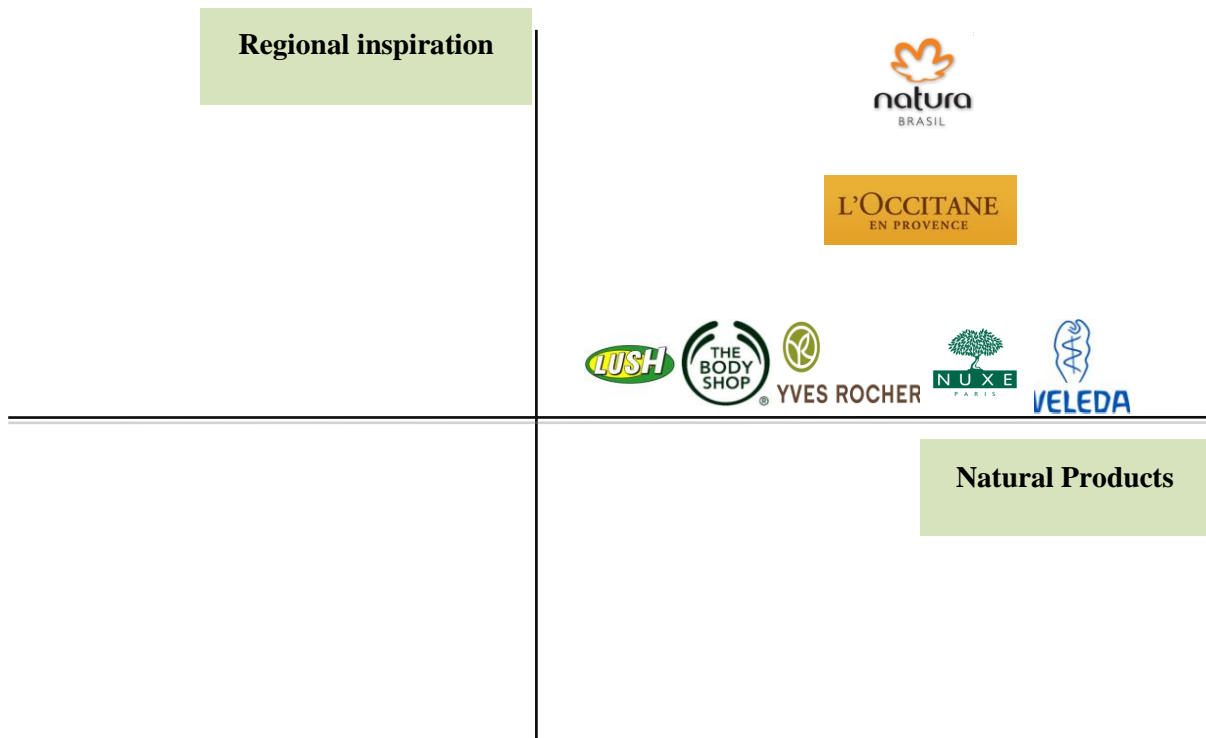
Natura is one of the top three direct beauty sellers in the world, even though 94% of its revenues are solely generated in Brazil, demonstrating its powerful position in its home market (Euromonitor, 2010). In 2010, Natura had 13% of market share in Latin America while Unilever, Avon, Procter and Gamble or Colgate-Palmolive did not reach individually 10% of market share (Mano & Costa, 2009). Natura's corporate and operational strategies are really effective in Latin America, and particularly in Brazil. However, Natura's international strategy is still fragile, even though the international process began in 1982, when Natura decided to enter Chile's beauty market. Chile's operations were counted for 4% of Natura's total revenues after 16 years of presence in the country. After its first internationalization in Chile, Natura entered Bolivia, Argentina and Peru, through local distributors. In 1994, Natura established its own sales operations in Argentina, Chile, Peru building distribution centers and training beauty consultants (Gracioso & Najjar, 2000). Natura also considered Portugal and Venezuela as potential new international destination but wound down the operations even before the launch of the company in those two countries.

Once again, Natura decided to enter culturally close and geographically close countries in order to facilitate the internationalization process. However, in the case of Natura, culturally closeness did not help the company to build sustainable businesses abroad. Portuguese operations were closed in 1998 because of the lack of coordination and of adaptation (the products being the same all over the world and only the marketing techniques were changing). In 2005, 2006, and 2007, Natura decided to start operating in Mexico, Venezuela and Colombia respectively. Natura's underlying strategy was to have operations in countries consuming 80% of all types of beauty products in Latin

America (Natura, 2008). In 2008, there were commercial operations in seven countries through the intermediary of beauty consultants.

In 2005, Natura decided to enter another European market after its first failed experience in Portugal and decided to enter the French beauty market. Nowadays, 2500 consultants are operating in France and Natura also opened the “Casa Natura” where consumers can purchase products without the intermediary of a consultant. However, Natura’s has not managed to be as successful as in Brazil and Latin America, even though the company still believes it has a great potential in France. Direct selling might not have been the best approach to become a leader on the French market. Indeed, in France, cosmetics direct sales represent 8% of the total sales and companies such as Avon or Frederic M already had most of the market shares before Natura entered the French market. Natura might have a competitive advantage by promoting natural products made in Brazil (even though O Boticário also has a similar approach) but in France many retailers had also been betting on natural cosmetic products before Natura’s entry in France. Natura had understood that its entry on the French territory would represent an important challenge and decided to adapt its strategy through the opening of a physical store and an e-store.

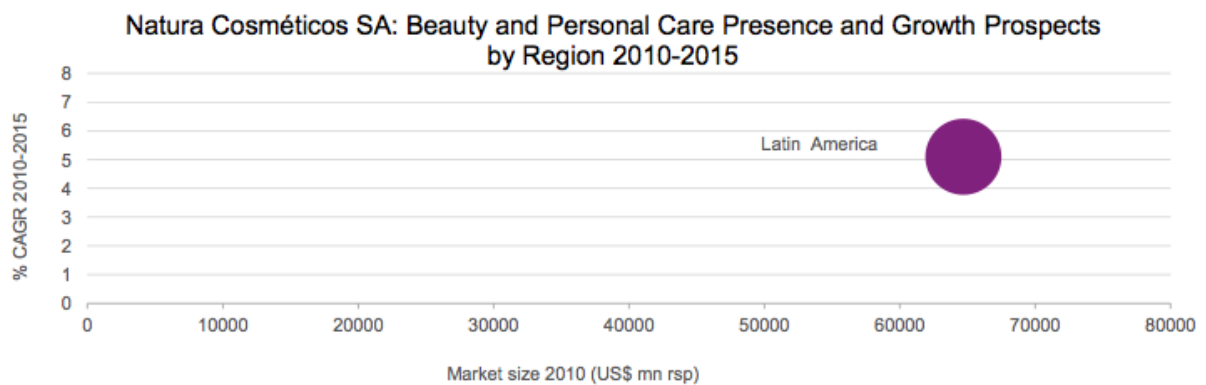
Figure 15: Positioning cosmetics and beauty care retailers in France



Source: created by the author

Even though, Natura’s success in France is relatively questionable, sales in Latin markets such as Colombia or Mexico have strongly been growing. In 2010, Natura’s sales were increasing at a 48% rate in those countries, while in the “older markets” (Argentina, Peru, Chile) the turnover was increasing by 18% (Euromonitor, 2010).

Figure 16: Natura in the world



OPERATIONS

Natura Cosméticos SA: Global Operations 2010/2011



Source: Euromonitor, 2010

In 2004, Natura opened 25% of its capital and obtained R\$ 768,12 millions (Valor Econômico, 2004), which was principally invested in new technologies platform as well as operational improvements. This investment also aimed at helping the company to be more pro-active in its international strategy, when Avon, the leader in direct selling in the world is increasing its market share in Brazil, as well as O Boticário and Jequití. Increasing its international presence, especially in emerging markets, which have been spared from the negative impacts of the crisis, is currently a strategic purpose for the company, in order to reduce its over-dependency with the Brazilian market. Nevertheless, Natura remains uncertain to tap the Eastern Europe and already modify its plans to develop sales in the United States (principally because of the US economic slowdown since 2008).

IV-4. THE DEBATE OF ADAPTATION

The country of origin has a strong influence on beauty and personal care products' brand image in the world. For instance, France has a reputation of excellence in the beauty industry and has managed to promote its products in the world simply by underlining the superiority and expertise of French beauty products. However, adaptability has become a potential key of success especially in the markets where competition has reached summits (Hong-Kong Express, 2008). This is particularly the case in Asia, where companies often develop a line for Asian customers or adapt their communication to Asian customers (new visuals, new advertisement). Also, the beauty and personal care market varies from one place to another, because consumers have a different purchasing pattern. In Asia, customers principally buy moisturizing products for their face, while in Brazil hair care is the most profitable market (Nicolas, 2012). Therefore, developing new lines of products or adapting products may have an important role to play for brands wishing to internationally develop their activities.

Yves Rocher has adopted a low-adaptation position in its marketing strategy, even though in Asia, it has developed new market-specific offer such as a whitening line of products, which is a key marketing adaptation for occidental brands wishing to penetrate Asian markets. Also, the distribution model, even though controlled by the headquarters, has been adapted depending on the market specificities and local distribution models. In China for example, the majority of products are sold in the "shops in shops" of retail stores. Indeed, Yves Rocher has deeply analyzed the Chinese market before investing and has managed to understand the complexity of the rules: 2 years of homologation for imported products, development of a line with specific products for the Asian region, selective distribution overtaken by department

stores distribution. Yves Rocher understood those specificities and approached the Chinese market differently, by creating new lines of products, by selling in department stores and by having an education role concerning beauty products towards the Chinese young consumers.

However, in the rest of the world Yves Rocher has the same point of sales and stores' layout as well as the same line of products and in-store advertising. The company has indeed bet on communicating around "plant-derived" products and on the "made in France" tag to attract international customers in the stores. As a result, Yves Rocher has decided to keep an identical visual identify in each country where it has operations in, so that people can better relate to the brands, anywhere in the world.

L'Occitane has followed the steps of Yves Rocher and has not been wishing to transform L'Occitane identity from a country to another one. It has not developed a multi-format, multi-canal or multi-structure strategy but has focused on proposing the exact same products in every shop of the world. However, L'Occitane has recently been facing important issues, especially in Brazil ("the hair country") where the global strategy is not in adapted to the local market where the portfolio of products does not match the consumption patterns of Brazilian customers. As L'Occitane is principally selling perfumes and skin care products, it has not managed to benefit from Brazil's economic growth over the past few years. For this matter, L'Occitane has decided to change its rule of "no adaptation across borders" in Brazil (Exame, 2012). The shop windows, which are usually conceived by the French headquarters, have to be identical in every subsidiary of the world. However, L'Occitane's subsidiaries, which are currently struggling in Brazil, have convinced the French headquarters to adapt the international visual identity of L'Occitane in Brazil. As for now, Brazilian subsidiaries will only be able to change the window' stores layout,

where they are going to focus on hair care products, in order to attract more customers in.

As explained above, Natura's presence in foreign markets remains quasi inexistent, except for a few countries in Latin America and in France. In Latin America, Natura has kept the same marketing strategy than in Brazil, after having ordered a study based on Latin America and the beauty and product care industry. However, Natura has understood the importance of adaptation for the French market. First of all, the French subsidiary developed an Internet commercial and institutional website in 2005. The main objective of this website was to prepare the opening of its unique physical store in April 2005, in Paris. In France, Natura decided to bet on electronic retailing, which is considered to be a platform of opportunities in the literature (Weitz, 2000).

In Brazil, it is still impossible to buy online and the Internet' users are always redirected towards beauty consultants. In France, even though the commercial website was implemented, the purchase is not really put forward. Another difference lies in the fact that the brand is targeting the 20-30 years old segment of the population, whereas in Latin America, Natura is not targeting any specific segment. Natura has understood that they should surf on the sustainable development values that are quite important for the European young adults. In order to target such a segment, its price proposal remains affordable, in between the mass market and the top end of the beauty market. Equally, the brand offers the possibility to buy a first pack and to buy refills 20% less expensive, in order to play on their ecological image. Concerning the products, Natura has mainly focused on its Ekos line (bath and body line) to internationalize because those products valorize the image of Brazil. Each product of the line is specifically conceived out of Brazilian flora. This line helped Natura

position its products internationally, especially since Brazil's cultural influence increased over the last years.

Figure 17: Ekos line of products in French advertising visuals



Source: Natura's French website

O Boticário's internationalization outside of Latin America was quite similar to L'Occitane's internationalization's strategy. When O Boticário decided to enter the US market, it offered the exact same type of products, and did not offer a specific training concerning Brazilian culture to the employees. Also, the American stores were and still are autonomous in their strategy and decide how to position O Boticário's products (Tromboni de Souza Nascimento, Sin Oih Yu & Sobral, 2008). Equally, O Boticário decided to expand its operations to Portugal, a supposed-to-be culturally close country. However, it took 20 years to O Boticário to clearly adapt to the Portuguese market. At first, they did not adapt their products, at a time when the Portuguese were not used to tropical essences and flashy colors. Also, the headquarters decided for some years to keep the same advertising material. However, the Portuguese and Brazilian ideals of beauty are completely different, and the

Portuguese language varies in Portugal and Brazil, forcing O Boticário to readapt its promoting content (Exame, 2007).

The four companies under analysis have mainly adopted a “Think Globally, Act locally” (Herbig, 1983) strategy. Natura chose to adapt for the best, because entering the French market, one of the traditional leader in the beauty industry would have been unfeasible; Yves Rocher principally develop a new line of products for Asia; L’Occitane is currently reviewing its marketing strategy in Brazil concerning hair care. O Boticário did not do a lot of research before entering the USA or Portugal and, unfortunately, did not plan to adapt its marketing mix.

V. CONCLUSIONS

V.I. MAIN FINDINGS AND CONCLUSIONS

The research question and objectives were to find out if companies with different distribution models and origins, but all belonging to the beauty sector, had adopted the same business strategies to internationalize their activities abroad.

The dissertation mainly focused on examining Brazilian and French cosmetic retailing companies and exposed the similarities and differences in their process of internationalization. Many researches had previously focused on the internationalization phenomenon and on the retail as well, but no paper had been previously written about the internationalization of the beauty industry; this is why it seemed relevant to develop a study on this specific theme.

In order to perform this study, it was chosen to run a qualitative research in order to be able to deeply investigate on the subject under study. Primary and secondary data were prioritized in order to build a multiple cases. Two out of four companies are publically traded; therefore the abundant information from annual reports, newspapers articles, blogs, consulting firms was consequent enough to build the cases. The construction of the literature helped gathering all the crucial information concerning the principal themes (internationalization and retail) of the dissertation and to build on diverse assumptions.

It was decided to compare each company's internationalization under 4 important themes in the internationalization literature: the motivational choices behind activities' expansion abroad, the choice of countries to internationalize to, the distribution model and the debate of adaptation.

The research's results were quite diverse, and no real pattern has been defined to successfully manage business internationalization in the beauty industry. However, it clearly appears, and this all along the analysis, that the internationalization of the two French companies is currently more fulfilled than the internationalization of Natura and O Boticário, even though the Brazilian companies generated more revenues in 2011.

First of all two groups of companies clearly emerge concerning the motives lying behind their business internationalization, partially validating the first assumption. Indeed, it had been supposed that the motives would have been clearly different between the French and Brazilian companies under study, due to the different level of market's saturation. However, it seems that Natura, L'Occitane and Yves Rocher began expanding their operations abroad in order to prove that their strong business models in their home country could also be performing abroad. However, O Boticário was passive in the process of internationalization and only seems to have followed the "internationalization trend". This lack of concrete commitment to the process of internationalization might have jeopardized the current international situation of O Boticário, which continues struggling to increase the revenues made out of Brazil.

Even though the four companies decided to start internationalizing their activities, it is quite striking to see that the two French companies are nowadays present in a vast number of countries (Yves Rocher: 90 countries; L'Occitane: 85 countries), while O Boticário (11 countries) and Natura (7 countries) are still looking to increase their presence abroad. Many causes can explain this phenomenon and have been mentioned in the analysis part. First of all, the two Brazilian companies have focused on developing their activities on their territory, much more than building a plausible strategy to develop their activities abroad. Also, France has a strong reputation of

producing qualitative and trustworthy products in the beauty industry. France is indeed as famous for its luxurious products than for its cosmetic industry and its reputation certainly had preceded it. This made it easier for French companies to enter new markets, especially emerging markets that still value the European's living style. This second explanation can also be supported by the fact that the two French companies did not have to adapt so much to enter their international target markets while the two Brazilian companies failed to enter new countries or struggled for years to manage to adapt their offer. However, with the new image of Brazil and the two forthcoming global events that Brazil will be hosting (World Cup in 2014, Olympic Games in 2016), it should be easier for Brazil to promote its image in the international beauty industry.

Equally, the four companies all had the same logic concerning the destinations to target during their internationalization process. They all decided to expand their operations to culturally and psychologically close countries before targeting more distanced countries, which validates the second assumption (companies will initially extend their activities to culturally and geographically close markets). However, only L'Occitane appears to have an on-going internationalization process printed in its business strategy. As a matter of fact, the company is present in most of the emerging regions around the world or is planning to go, while Yves Rocher is mostly entering European markets and struggling elsewhere. As for Natura and O Boticário, most of their revenues are mainly generated in Latin American, even if O Boticário plans to continue investing in the Middle East.

Another interesting point revealed by this research was the fact that the distribution model did not seem to have an important role to play in the internationalization. All the companies started their international expansion by creating points of sales or directly by opening a store, except for Natura, which decided to adapt its format for French customers.

The last assumption had to do with marketing adaptation when expanding abroad and it was believed that most companies would clearly develop specific products for each region they were investing in. This hypothesis was partially confirmed because most companies did not adapt their marketing mix before entering foreign countries. The issue of cultural adaptations did not reflect on the countries' marketing mix adaptation even though each company modified (mostly with parsimony) certain levers of action in their marketing strategy (e.g.: L'Occitane in Brazil and launch of hair care products to adapt to market needs).

V.II. LIMITATIONS AND FUTURE RESEARCH SUGGESTIONS

The qualitative approach associated with a multiple-case study was an interesting way to approach the subject of beauty retail internationalization. Indeed, even though a qualitative study does not allow generalizing conclusions over a sample of companies, it still let the researcher make a deeper analysis of the subject. In order to may be take this research further, it might be important to run multiple interviews with business development or international marketing managers of cosmetic groups in order to understand from the inside the internationalization process. However, the topic of the research being quite strategic for multinational companies, it might be more conclusive to build a multiple-case analysis around micro-firms wishing to internationalize or on the verge to internationalize their activities. In this research, the initial goal was to interview at least one marketing manager for each company under study and it was thought that the potential interviewees would agree to disclose information. However, only one marketing manager from L'Occitane in Brazil agreed to be interviewed without being able to reveal too much about the company's strategy. The other managers were not willing to participate in research projects because they feared it could harm their business.

This research did not aim at solely comparing the two Brazilian and French firms but to really understand each company's attitude towards internationalization. Evidently, the research led to cross-comparing the companies based on their nationality at some point of the analysis and some parallels were easily drawn between the two French companies and the two Brazilian ones. Another suggestion could be to entirely compare companies' internationalization depending on their nationalities. A questionnaire gathering all the themes mentioned in this research could be created and

one could potentially observe if a clear relationship exists between the nationality and the internationalization process.

VI. APPENDICES

VI-1. INTERVIEW WITH NICOLAS, MANAGER AT L'OCCITANE EN PROVENCE IN BRAZIL (29/05/2012)

- Good morning Nicolas. Can you please explain me your role at L'Occitane in Brazil?

Good morning Marie. Basically, I am in charge of exporting the French marketing model of L'Occitane in Brazil. I am responsible of adapting the Brazilian marketing mix of L'Occitane, which obviously varies from the French one.

- While looking at Natura's corporate website I noticed that, out of 52 stores in Brazil, 17 are franchises. Do you want to pursue your development in Brazil by opening more franchises or growing through company-owned stores? What will you privilege in other countries.

I believe that nowadays, the best strategy for L'Occitane is to open our proper stores. Franchising is an appealing business model where a third part is investing and which allows developing much faster with less cash. In the retailing industry, franchising has permitted companies such as McDonald's or Subway to develop globally in a few years. O Boticário, a success story of the cosmetics retailing in Brazil, is also working with franchises.

However, we now want to be our own chief in our stores. We do not want to share the brand with a franchisor. Just an example to illustrate this concept: when working with franchises, you have to take into account the franchisors' opinions concerning the products that are being sold in the stores. L'Occitane will not launch a product in which it believes if no franchisor will in the end buy and sell the product. We are an innovative and dynamic company and do not want to be stopped in our creative process by franchisors who do not share our vision.

Also, many current L'Occitane franchisors did not have any experience in cosmetics retail. Even if L'Occitane is here to help them grow, they lack of experience often impacted on their sales results. When the company opens an own store, it is able to keep control on the recruiting, formation of the workforce, control of the

merchandising, sales. We now believe that company-owned stores are key to offer a valuable service to our customers.

In emerging countries where the brand is not yet famous, it is even more important to keep control on our stores. In Azerbaijan, we are going to open stores that will belong to the company. Franchises would not be an option.

- In my opinion, L'Occitane en Provence does not have the same brand image in Brazil than in France. In France, L'Occitane emphasizes on the natural aspect of the products where in Brazil, L'Occitane seems to be a luxurious cosmetics brand. Would you agree upon that?

Well, you might have this impression because the economic reality is completely different between France and Brazil. As a matter of fact, we have to deal with high taxes in Brazil, which reflects in the much higher prices. We are certainly more expensive here, but still remain five times cheaper than a brand like Lancôme. Our margins are not higher in Brazil.

Also, in order to charge more expensive prices, we cannot open stores in front of the favelas. It is certain that nobody would have sufficient resources to buy our products. It is true that in France, we locate our stores in various places but in Brazil we have to think differently. However, we do not want to have a luxury image: we do not pick the most exclusive shopping malls to open new stores.

- In 2010, L'Occitane became public by entering the Hong-Kong stock exchange. Can you tell us why?

Clearly, it has positive and negative aspects of becoming a public company. We will have many more constraints such as reporting to our shareholders. However, we gained \$800 million of cash. It was a deliberate choice and we felt that people really wanted to invest in our company. The choice of the Hong-Kong stock exchange actually made sense as 50% of our revenues are made in Asia.

With this money, we will be able to invest much more in Research and Development. But we remain a small structure!

- L'Occitane is present in many regions of the world. Do you intend to adapt your products to cultural specificities?

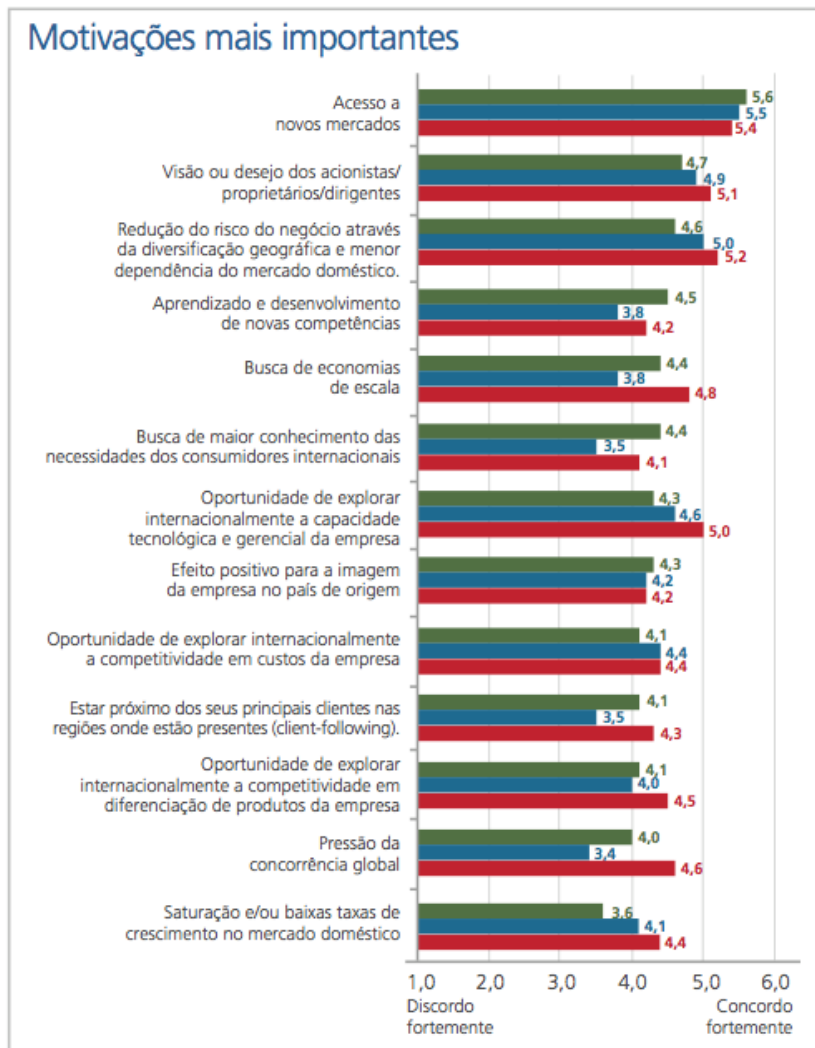
Our intentions have always been to develop products that could fit in any markets. We tell true stories throughout our products and we intend to sell Provence in the world. That's our ultimate goal. But we might have to make some adjustments. Indeed, Brazil is a country where women take a really good care of their hair but they do not have the same approach when it concerns skin. Buying creams in Brazil is a completely different approach from France. However, we are going to try to make them love our products.

- How have you been able to promote L'Occitane in Brazil? Do you invest in any specific means of communication?

L'Occitane is pretty classical when it comes to promotion and communication. Obviously, we advertise in Brazilian feminine magazines and you can see some promotion on the web as well. Also, CRM is really important to develop a personalized relationship with our customers. We have a clients' database that illustrates what are their preferences in terms of products. According to their taste, we send the clients reduction coupon on their favorite items in stores.

- Thank you for your time.

VI-2. MAJOR MOTIVATIONS FOR LATIN AMERICAN COMPANIES TO PENETRATE FOREIGN MARKETS



Ao dirigir sua atenção e seus recursos para os mercados internacionais, as empresas pesquisadas são movidas primordialmente pelo crescimento. Para tanto, buscam o acesso a mercados adicionais, a fim de se beneficiar de economias de escala. O desejo dos acionistas e dirigentes também é um *driver* importante, visto que se trata de uma decisão de longo alcance, envolvendo o aporte de recursos significativos. As empresas também reconhecem na internacionalização uma oportunidade de aprendizado e de desenvolvimento de novas competências, em particular aquelas ligadas ao mercado e aos clientes. A busca de diversificação geográfica e da conseqüente redução de riscos é, igualmente, um *driver* significativo para as empresas. Motivações defensivas e reativas, como pressão da concorrência e saturação ou baixo crescimento do mercado doméstico são motivadores de média importância.

Source: Fundação Dom Cabral (2008)

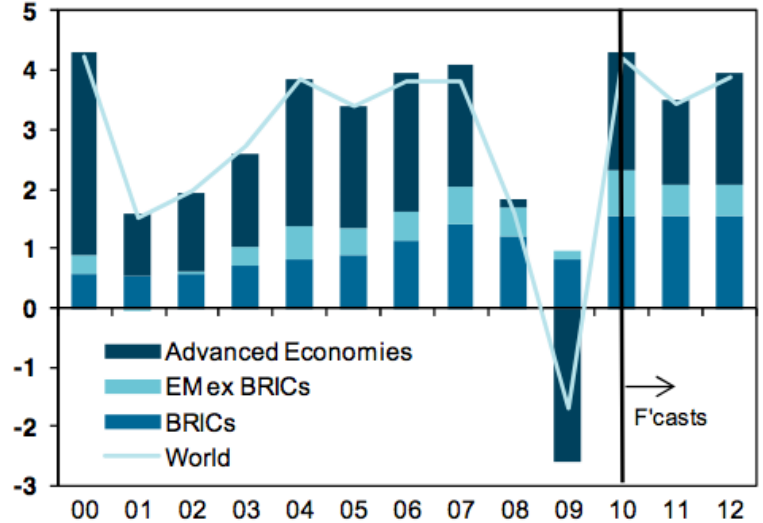
VI-3. SITUATION OF THE BRIC ECONOMIES

BRICs Move Up USD-denominated GDP Rankings

| | 2007 | 2008 | 2009 | 2010 | 2011* | 2012* |
|----|-----------|-----------|-----------|-----------|-----------|-----------|
| 1 | USA | USA | USA | USA | USA | USA |
| 2 | Japan | Japan | Japan | China | China | China |
| 3 | China | China | China | Japan | Japan | Japan |
| 4 | Germany | Germany | Germany | Germany | Germany | Germany |
| 5 | UK | France | France | France | France | France |
| 6 | France | UK | UK | UK | UK | UK |
| 7 | Italy | Italy | Italy | Brazil | Brazil | Brazil |
| 8 | Spain | Russia | Brazil | Italy | Italy | Italy |
| 9 | Canada | Spain | Spain | India | India | India |
| 10 | Brazil | Brazil | India | Canada | Russia | Russia |
| 11 | Russia | Canada | Canada | Russia | Canada | Canada |
| 12 | India | India | Russia | Spain | Spain | Spain |
| 13 | Korea | Mexico | Australia | Australia | Australia | Australia |
| 14 | Mexico | Australia | Mexico | Mexico | Mexico | Korea |
| 15 | Australia | Korea | Korea | Korea | Korea | Mexico |

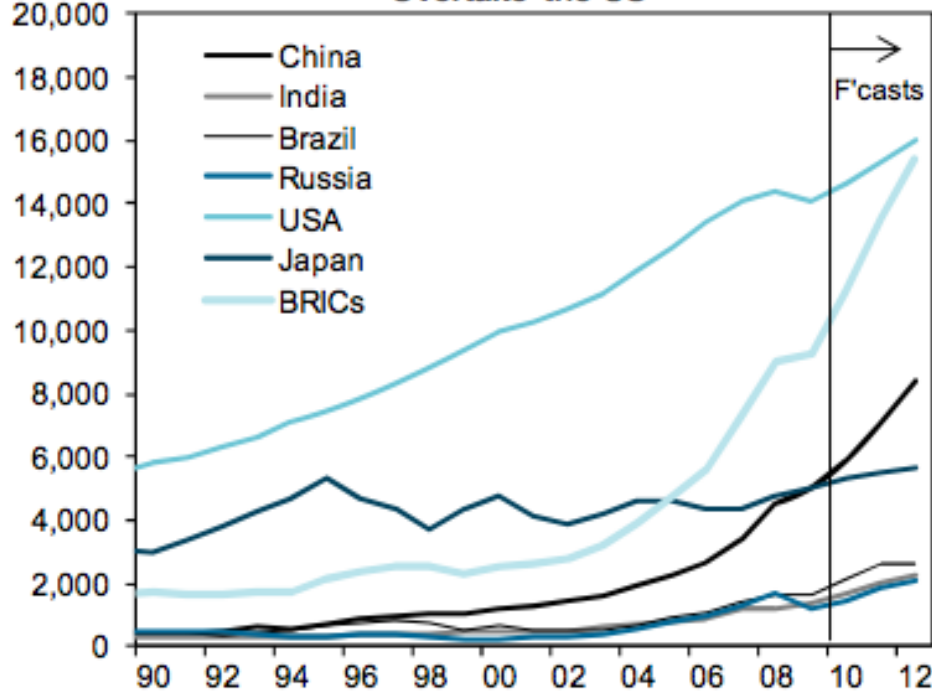
*based on forecasts from our regional economists
Source: GS Global ECS Research

BRICs' Contribution to World GDP Growth* Continues to Increase

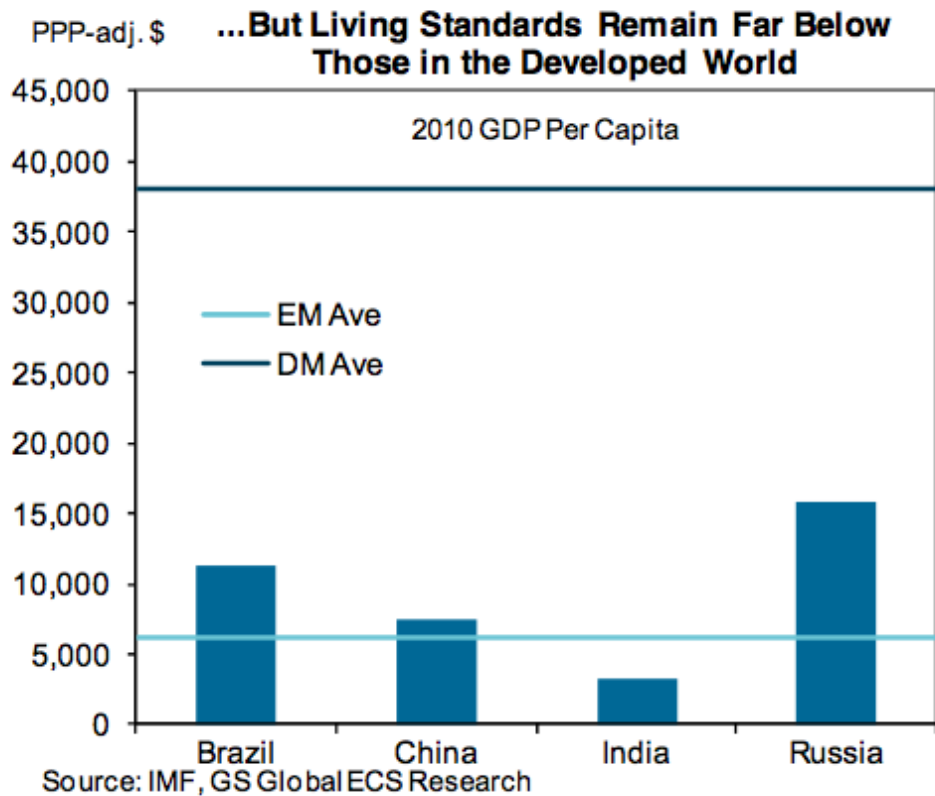
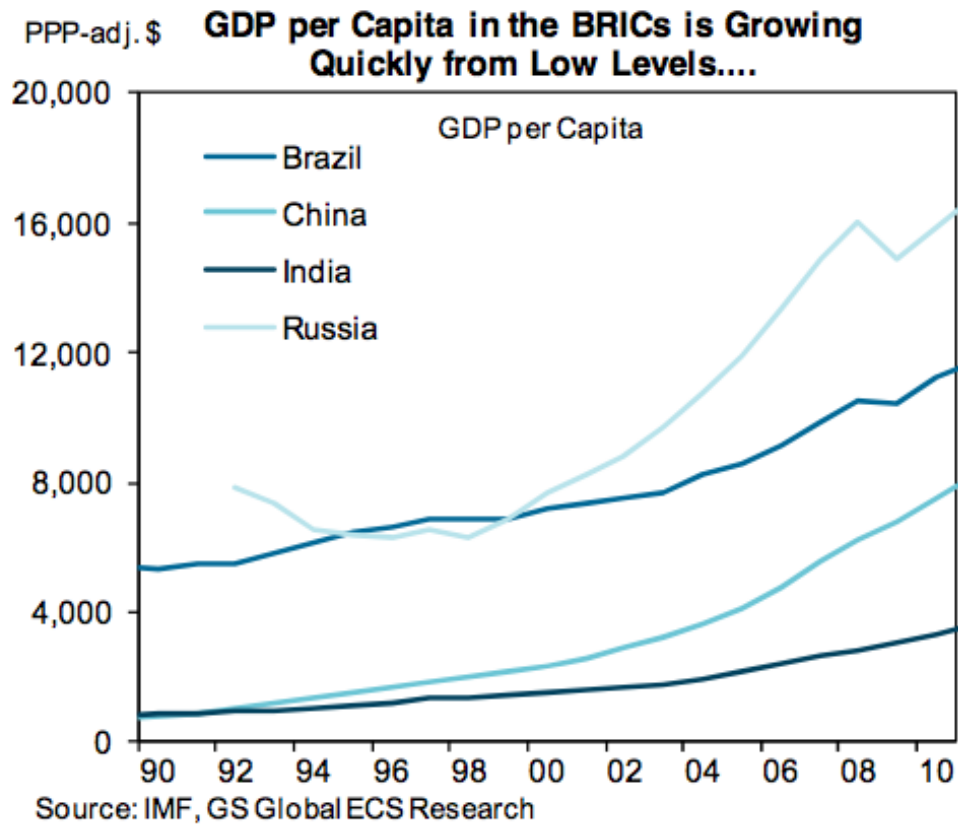


*measured in USD terms
Source: GS Global ECS Research

The BRICs' Aggregate GDP Looks Set to Overtake the US

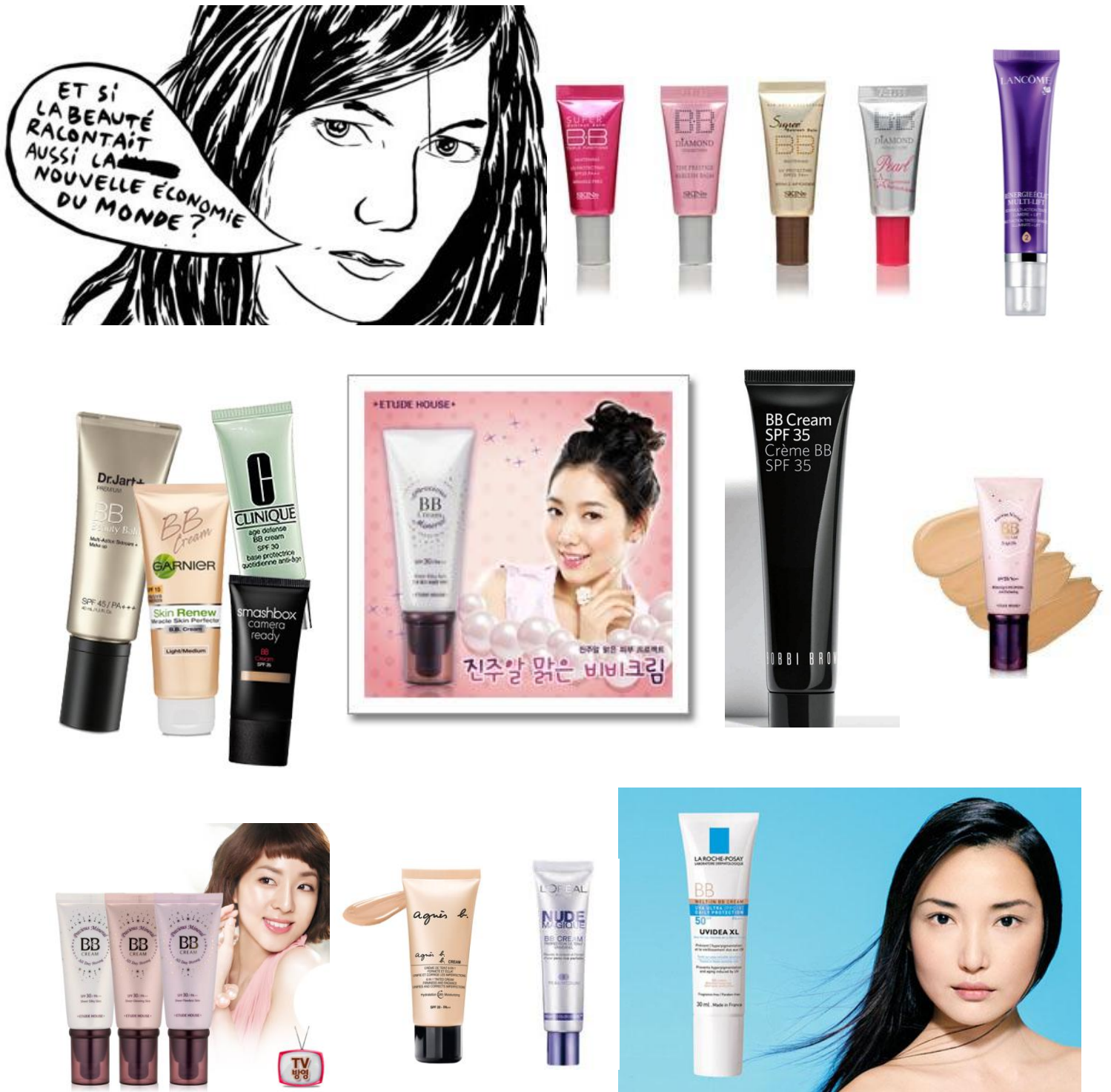


Source: GS Global ECS Research



Source: Goldman Sachs Global Economics, Commodities and Strategy Research. (2011)

VI-4. AND IF BEAUTY WERE ILLUSTRATING THE NEW WORLD ECONOMY? EXAMPLE OF THE BLEMISH BALM CREAM.



Source: Le monde magazine, 2012

VI-5. NATURA'S PROMOTIONAL ADVERTISING IN FRANCE

CASTING 

COLOR

LE CONCOURS PHOTO
LE PLUS FLASHY DE L'HIVER.

DU 13 NOVEMBRE AU 9 DÉCEMBRE.

- TU DÉNICHE LES LOOKS LES PLUS **COLORÉS** DE LA RUE.
- TU POSTES DES PHOTOS **ÉNERGIQUES** SUR LA PAGE FACEBOOK DE TUDO BOM

A GAGNER

- Un billet pour **RIO DE JANEIRO**
- Un appareil photo **LOMOGRAPHY**
- Et 2000 € d'autres lots par...
Natura Brasil, Lov Organic, Alter Eco, My Biotiful Bag, Faguo, Decolor Stop, Archiduchesse, Paulette mag, radio nova

→ JE PARTICIPE !

my biotiful bag nova lov faguo natura decolor stop alter eco Paulette lomography

NATURA

OFFRE SPÉCIALE DE NOËL :

Dès 45€ d'achat dans la gamme EKOS*,
5€ REVERSÉS À L'ASSOCIATION LA VOIX DE L'ENFANT



LA VOIX DE L'ENFANT
Notre combat, c'est leur avenir

La Voix de l'Enfant s'engage dans la défense de la dignité et de l'intégrité de l'enfant.

- La Maison de Sagesse à Paris notamment, aide les jeunes à retrouver confiance en eux dans leur cursus scolaire. Plus de 60 jeunes de 6 à 18 ans bénéficient de ce soutien scolaire dispensé par des bénévoles.
- La Chance aux Enfants à Noeux les Mines offre la possibilité à des centaines d'enfants de s'ouvrir au sport et à la culture.

Natura remercie toutes les personnes qui s'engagent pour la cause des enfants ainsi que tous les Conseillers(ères) et les clients(es) qui les soutiennent.

Source: Website Natura France/ Facebook Natura France

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