

INTERNATIONALIZATION IN THE LATIN AMERICAN PERSPECTIVE: CASE STUDY NATURA

Amanda Lima – Faculdade de Tecnologia da Zona Leste

amdgin@gmail.com

Barbara Genari – Faculdade de Tecnologia da Zona Leste

barbaragenari@gmail.com

Mônica Éboli De Nigris – Faculdade de Tecnologia Zona Leste

monicaebolifatec@gmail.com

Abstract

Internationalization of companies is a subject in progressive evidence in our current scenario. Seeking balance in this race, Brazilian companies have outlined ways that can make our country a world authority in the cosmetic sector. We will approach, as a case study, the company Natura that has this process in progress, contrasting with other companies of the segment in the domestic market. This opening meant that Natura diluted risks, allocated real resources abroad and consequently added value to the company that already has a solid image in innovation and strategy. We understand that a crucial point in the method of internationalization of a company is the selection of the location, that is, we will approach the Latin American panorama, noting the benefits obtained as a result of the geographical proximity of these countries.

Based on this concept, this article aims to reveal the gains in the internationalization method through the evolution of Natura, since almost a third of the net revenue of this company comes from International Operations (OIs), according to the annual report of 2015 - released by the company showing Improvement in indicators in general. We realize that our challenge is to foster this practice so that it will be effective in Brazilian companies, which will achieve a greater share in the foreign market, as well as strengthen their business gain in times of crisis in Brazil.

Keywords: Internationalization of Companies, Natura, International Operations.

1. Introduction

The international business activities of the companies are of fundamental importance for the economic development of a country. Activities such as exports contribute to improve the commercial balance (attracting foreign exchange), to generate jobs, to strengthen relations between countries and, in the long term, to make the domestic industry more qualified.

Regarding the globalization of the economy, the idea of seeking competitive advantages by companies and nations is strengthened. Firms and governments must be aware of the importance of seeking a strategic position and not just "function" as a mechanical process (Porter, 1993).

Based on what it was mentioned in the previous paragraph, the research is justified by the importance of the internationalization of Brazilian companies, which is fundamental for the development of the national economy. Taking that into account, this theme plays an important role.

The problem observed was due to the scarcity of specialized human resources in the Brazilian cosmetic sector; lack of willingness of companies to adequately remunerate their employees with managerial capacity and with extensive knowledge in languages; and due to the crisis in the domestic market, part of the business is cutting its investments in international participation. Once observed this problem, we investigate the following question: What is the scope of Natura's internationalization in Latin America?

Internationalization is the process by which the company begins to operate outside its home market. However, the great challenge for the company is to know what the best for each market is, considering its peculiarities and characteristics, which can determine the success or failure of its products (HITT; IRELAND; HOSKISSON, 2002).

The effective process of internationalization of companies in the Brazilian cosmetic sector will stimulate the consumption of national products in an international scope, generating improvements in the private and public sectors. Another important point will be better revenues from international operations for the domestic market.

The hypotheses investigated were: a) increased participation in the international market, b) migration of production to respective countries abroad, c) minimization of costs and distribution of risks, d) wider coverage of the Brazilian cosmetic presence in other countries.

The general objective was to study the case in the business scope of Natura, as well as to foment the process of internationalization of this company in the cosmetic sector.

The specific objectives were: a) to understand the internationalization process; b) to study the growth of Natura in the Latin American sphere, c) to evidence the benefits generated to Brazilian foreign trade and how they are incorporated into Natura.

The method applied in this research has a descriptive focus, of a qualitative nature, using as a research strategy the case study. Bibliographic research and information collection are used based on the annual reports available on the internet and official websites of the regulatory organizations of the cosmetics sector.

According to Marconi and Lakatos the descriptive research "is characterized by the search for scientific progress and expansion of knowledge", so this research is classified as Descriptive Research. (MARCONI and LAKATOS, 2011, p.6).

Therefore, we will seek to raise the awareness of the national business class aiming to achieve effectiveness in the internationalization processes.

2. Theoretical Foundation

Brazilian companies, belonging to different branches of economic activity, have been intensively seeking from the foreign market, among other forms, exports, mergers and acquisitions of foreign companies, new blueprints and franchises abroad.

The process of internationalization of the company is inherent in its growth and occurs gradually, starting from exports and reaching more complex levels, until it has exclusive knowledge and resources. Some of the advantages conceded to the firm by the internalization of processes related to internationalization are the reduction in exchange costs and operational uncertainty; the ownership of information and more effective control of supply and markets, and better possibility of negotiations and agreements (BORINI et al., 2006).

The concept of company internationalization can be described as the company's participation in the international market. Dom Cabral Foundation (2002, p.5) proposes a more precise definition: "internationalization is the process of obtaining part or all of revenues from international operations, whether through export, licensing, strategic alliances, acquisition of Companies in other countries or building their own subsidiaries."

When it comes to internationalization of companies the whole process refers to extreme knowledge of the strategic area. According to Oliveira (2004), it is possible to define strategy as a way or the formulated and adequate action to achieve, preferably, in a differentiated form, the challenges and established objectives, in the best positioning of the organization before its environment. The purpose is to establish the paths, the courses, programs of action that must be followed to achieve the objectives and the challenges established.

According to Barney and Hesterly (2007, p.10), the strategy is a theory of how the company will gain competitive advantage. The authors define that the company has a competitive advantage when: "it is capable of generating larger economic value than rival companies." The intention of strategic management is to enable the company to choose and execute the appropriate strategy to acquire the competitive advantage that can be perceived in the economic value created by the company compared to its rivals.

The internationalization of companies can be carried out by several types of strategies, such as: export (direct and indirect), licensing, franchising, strategic alliances, joint venture, merger, acquisition and direct investment. In the first three there is less involvement of the company and in the others there is a bigger involvement by the organization (PAIVA, CARVALHO and FENSTERSEIFER, 2004).

3. Natura

Natura, a Brazilian company, was founded in 1969 by Luiz Seabra in São Paulo. Since its origin, its trajectory has always been driven by sales based on relationships. They reached millions of consumers, through 1.37 million Natura Consultants (CNs) in Brazil and 505 thousand in International Operations (OIs), in Argentina, Chile, Colombia, France, Mexico and Peru.

International Operations (IOs) have experienced significant growth in the last five years, with an average of 47% of advance per year. The countries currently active are Argentina, Colombia, Mexico - countries where local production is maintained through partners -, Chile, Peru and France. Argentina is the country with the largest operation outside Brazil and headquarters of OIs.

Table 1 - Natura Consultants in Latin America

Número de Consultoras Natura¹ (milhares)

	2013	2014	2015
Brasil ²	1.290	1.319	1.377
Argentina	94,6	115,7	139,6
Chile	59,6	66,6	72,7
México	97,8	98,0	130,4
Peru	70,6	83,2	90,5
Colômbia	42,3	59,0	71,9
França	1,7	1,5	1,06
Total	1.656,5	1.743	1.883

Font: NATURA (2015)

Table 2 - Financial Management - Distribution Ratio

Distribuição de Riqueza (GRI G4-EC1)

Distribuição de riqueza (R\$ milhões)	2013	2014	2015
Acionistas	854	702	352
Consultoras	4.107	4.152	4.166
Colaboradores	917	1.010	1.245
Fornecedores	5.425	5.989	6.374
Governo	1.804	1.721	2.149

Font: NATURA (2015)

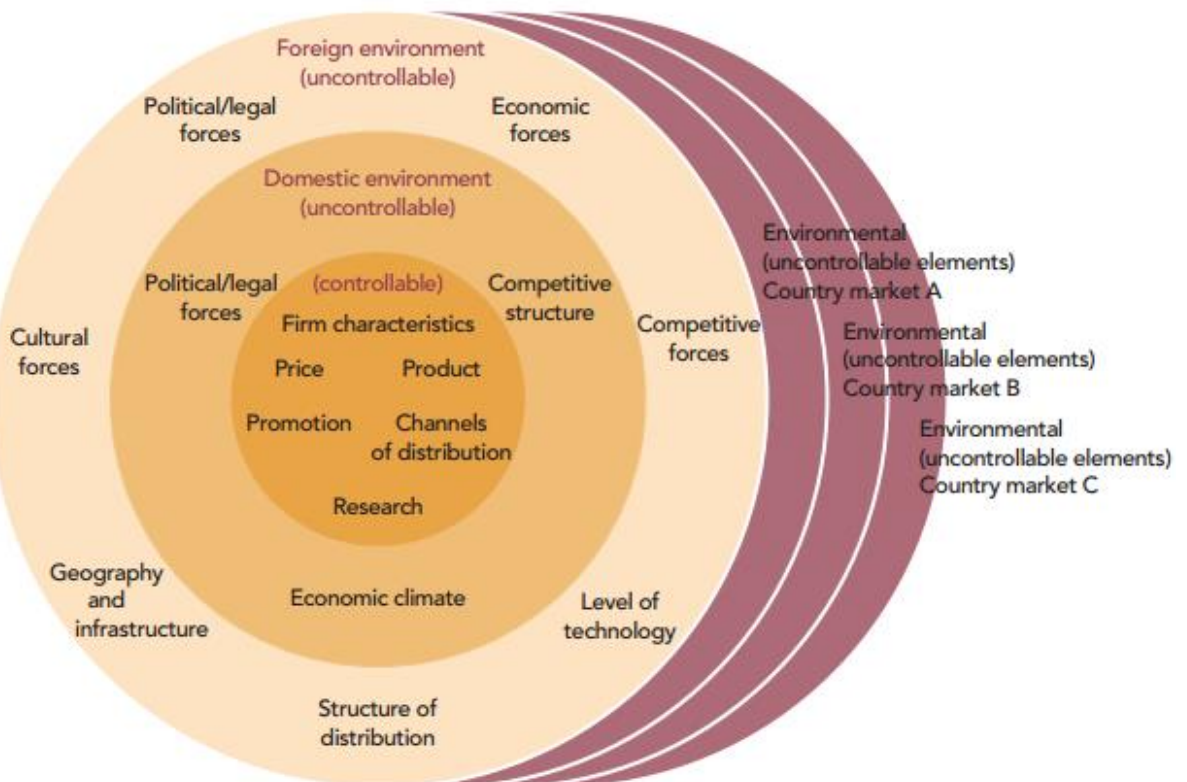
The tables above correlate the extreme representativeness that the Natura Consultants have regarding raising of capital for the company in the international operations. Thus, demonstrating that the interpersonal relationship is still the predominant commercial development for Natura.

4. Results

The internationalization process reflects the main challenges of International Marketing:

Figura 3 - International Marketing Task

The International Marketing Task



Font: CATEORA E GILLY, 2010

We summarize the internationalization of Natura in three phases. The first one was the analysis of the conditions of the company and the market at a national level, in

which Natura has already notoriety before its competitors. It was observed that the expansion in Latin America would be extremely promising.

The second stage was the elaboration of the strategy of internationalization in Latin American territory, given the geographical proximity and the similar cultural forces, such as Spanish being the predominant language - a factor that justifies the inclusion of Mexico in the Latin American panorama - facilitating local production operations or exports from Brazil. The infrastructure provided by third parties in the countries of operation were also part of the issues addressed in the creation of the brand awareness strategy.

The third step was the application of its objectives in the external environment. Natura has in Argentina the largest operation outside Brazil and headquarters of international operations. Since 2010, part of the production is carried out in the country, and today half of what is sold is already manufactured locally, which helps to reduce costs and CO2 emissions by transporting products, as well as increasing the local impact, economic and socially speaking. Currently, the company is among the three largest in the direct sales sector in Argentina. In all, the sales network has more than 140 thousand Argentine Natura Consultants (CNs), a growth of 130% in five years.

In Mexico, which also has its own production, a quarter of the products sold are locally sourced. In order to support this increasingly important expansion, logistic investments in Latin America have been strengthened. Colombia has won its new, expanded and high-tech Distribution Center in 2015. The facilities will ensure the necessary infrastructure for growth projected until 2018 in this country.

In Peru, a new pick-to-light line was installed, technology that optimizes the order preparation time, from 220 to 300 per hour. Logistic investments in International Operations provide modernization and expansion of facilities with high technology for order sorting, similar to those in Brazil. Natura's sales network continues to expand and helps to increase market share in these markets.

In Chile, Natura is a leader in direct sales, with more than 73,000 Natura Consultants (CNs) and Natura Advisors (CNOs), and the fourth largest company in the cosmetics, fragrances and hygiene products market. To expand the sales options for this channel, Natura Network in Chile was created, the first experience of the project outside Brazil. The model allows CNs to maintain their online pages for the sale of Natura products in a digital franchise environment. In addition to the Natura Network model in Chile, in Mexico a differentiated format of direct sales is maintained - the

country is the second largest market for cosmetic products in Latin America, preceded only by Brazil.

Since 2011, the Sustainable Relations Network has been established, which follows a strong pace of growth, with a 33% increase in 2015, reaching 130.4 thousand CNs. The model is based on multilevel direct sales, with a strong stimulus to entrepreneurship, and aggregates inclusive and qualitative concepts related to sustainability. The consultants can establish their own sales networks and create new links with Natura as their network of consultants grows and socio-environmental initiatives are developed in their communities.

The evolution of this network in 2015 represented the inclusion of almost 2 thousand new CNs in each sales cycle (of 21 days). Opportunities for international expansion are as significant as the adherence of these countries to the value proposition. Natura is among the 20 companies with the best corporate reputation in Argentina and among the 10 companies in Colombia, according to a survey by Merco. This attractiveness is reinforced by recognition of people management practices. Moreover, the company integrates the rankings of the best companies to work in Colombia (1st), Argentina (2nd) and Chile (6th).

In 2007, Natura started operations in Venezuela, but due to the imminent danger in this external environment the company was forced to close its actions in this country. As seen in Figure 3, political and legal forces influenced the exit of Natura from Venezuela, such as the privatization of companies by the Venezuelan government. Overcoming this episode, in 2013 Natura acquired 65% of Aesop (Australian Brand) and in 2016 acquired 100% of the brand, reinforcing the belief in the potential of expanding the business through new brands and categories of products.

The company followed its strengthening process in the large global consumer centers of a cosmetic segment. In International Operations, the goal is to accelerate the transfer of innovations and learning, especially to those countries where businesses are already consolidated, such as Argentina, Chile and Peru, and to continue to expand the sales channel and knowledge level of Colombia and Mexico.

6. Conclusion

The initial purpose of the project was to identify the evolution of this method in the Latin American scenario. Our questioning in this study sought to determine the real benefits achieved in the internationalization of companies.

Based on the presented scenarios, one can note the magnitude of the progress in the internationalization of Natura, its applicability and its consequences. As a result of the investments in this process and infrastructure, the institution currently owns five factories in Cajamar (SP) and Benevides (PA), with a total production capacity of 508 million items per year, as well as manufacturing through outsourced suppliers in Argentina, Colombia and Mexico. They also have eight distribution centers in Brazil, and São Paulo is the most modern in Latin America.

Summarizing, Natura achieved larger consumption of its products on the Latin American level, as well as a recognition of its brand in the respective markets. It can be concluded, therefore, that in the cosmetic industry, although the global scale has a relevant weight, the local factor plays a significant role and we must always consider the cultural aspect of each country.

To justify this, companies are more powerful in culturally and geographically closer markets: Natura has a large part of its revenues from Latin America, Argentina is our largest operation outside Brazil and headquarters of International Operations. The institution has used internationalization as a competitive advantage and generating higher economic value than its competition in the cosmetic sector in domestic and foreign environments. It was perceived that the advancement of this method reflected in greater awareness of its brand and therefore, the increase in consumption of its products in Latin American sphere. Nonetheless, the significant results attest that the institution is at a more advanced stage in the internationalization process. Natura uses a greater number of tools of this process in favor of its growth in Latin America, including Mexico. The effective internationalization of the institution will allow an increase in exports, thus generating a favorable trade balance for the country.

7. REFEREES

ABIHPEC. Panorama do setor de HPPC 2016. Disponível em: <<http://www.abihpec.org.br>>. Acesso em 20 fev. 2017. 15h40.

BARNEY, Jay B.; HESTERLY, William S. Administração estratégica e vantagem competitiva. Tradução Mônica Rosemberg. São Paulo: Pearson Prentice Hall, 2007.

BORINI, F. M.; RIBEIRO, F. C. F.; COELHO, F. P.; PROENÇA, E. R. O prisma da internacionalização: um estudo de caso. Revista de Administração FACES Journal, Belo Horizonte, v.5, n.3, p.42-55, set – dez 2006.

CATEORA, P. R.; GRAHAM, J.G.; GILLY, M. C.; International Marketing. Editora: Mc Graw Hill, 2010

FUNDAÇÃO DOM CABRAL. Pesquisa sobre a internacionalização da empresa brasileira. Sumário executivo. 2002.

HITT, M. A.; IRELAND, R. D.; HOSKISSON, R. E. Administração estratégica. São Paulo: Pioneira Thompson Learning, 2002.

MARCONI, Marina de Andrade e LAKATOS, Eva Maria. Técnicas de pesquisa: planejamento e execução de pesquisas, amostragens e técnicas de pesquisa, elaboração, análise e interpretação de dados. São Paulo: Atlas, 2011.

PAIVA, Ely Laureano; CARVALHO JR, José Mário de; FENSTERSEIFER, Jaime Evaldo. Estratégia de produção e de Operações: conceitos, melhores práticas e visão de futuro. Porto Alegre: Bookman, 2004.

PORTER, M. E. A Vantagem Competitiva das Nações. Rio de Janeiro: Campus, 1993.

NATURA. Relatório Anual. Disponível em: <<http://www.natura.com.br/relatorio-anual/2015/relatorio-anual-2015>>. Acesso em 20 fev.2017. 13h30.

OLIVEIRA. Djalma de Pinho Rebouças. Planejamento Estratégico: Conceitos, Metodologias, Práticas. São Paulo: Editora Atlas, 2004.