

Strategy & Management:

Natura – Natural success in Brazil

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Brazilian natural products company Natura shows that sustainability can be more than cosmetic

Twenty-five years ago, before most Brazilians were aware of climate change and environmental causes had grabbed the media spotlight, Brazilian natural products company Natura set about creating a company where ecological concerns were more than skin deep.

As well as being one of the best-known Brazilian brands for shampoos, cosmetics, creams and beauty products, Natura has been a “pioneer” in Brazil for sustainability, says Paulo Branco of Rio de Janeiro-based sustainability consultancy Ekobé. “The company was one of the first to really look into sustainability issues, especially good environmental practices and transparency,” Branco says. Since its foundation, the company has worked hard to integrate sustainability into its core strategy, he adds.

Natura’s five founders still own 75% of the company. They have ingrained sustainability at the core of the \$2bn operation, which generates 95% of its sales in Brazil, but is expanding into Argentina, Bolivia, Chile, Peru, Mexico, Venezuela and Colombia. The company also has plans to enter the US in 2009 and to set up a store in Paris, Europe’s fashion capital.

In Brazil’s fast-growing beauty products market, Natura competes against international heavyweights such as Avon, L’Oréal, Beiersdorf and Unilever. Brazil recorded nearly 14% growth in cosmetics and toiletries sales in 2007, and now ranks fourth in the global market, according to consulting and research firm Kline & Company. Latin America’s largest country is poised for further double-digit growth in cosmetics over the next five years, according to the firm’s research.

Beauty-conscious middle- and low-income Brazilians have seen a big improvement in their purchasing power, and they’re spending more on beauty products. Natura is well known in the market even among poorer sections of the society. “The company is seen as ethical and can be trusted,” says Malak Poppovic, director of São Paulo-based human rights group Conectas.

Although Natura faces fierce competition, the company believes that sustainability policies are more than just a marketing tool. Chief executive Alessandro Carlucci says that Natura is committed to its environmental initiatives for the long term, because they are good for business. “We did it because, for instance, we thought, ‘Why should the customer pay for packaging if they can be refilled five times, which costs less for them and the environment?’” Carlucci says.

Carlucci, who has headed the company since 2005, warns that sometimes this ecological brand reputation can raise expectations higher than the company can deliver. Despite

being called Natura, the company's products are not 100% natural. "It would be impossible to use only natural ingredients as they must be used in a few days," the chief executive says, referring to their short shelf life.

Carlucci uses the example of the pitanga fruit – a red, sweet-smelling berry from the Amazon rainforest. Currently, Natura's shampoos contain about 1% of the fruit. "With the current technology we would create a bad product if we used more pitanga," he says.

No animal testing :

Natura labels its products with environmental charts to highlight the ingredients, and Natura is striving to increase natural ingredient content. For instance, last year, the company decided to use only organic alcohol and increased vegetable content and other natural ingredients. The company also avoids products tested on animals. "This is easier than increasing the percentage of a specific ingredient," Carlucci says.

Natura tries to limit the amount of plastic packaging it uses. Petrochemicals will continue to have a role, but their use is constantly decreasing, Carlucci says. Natura's ecological Ekos line of shampoos uses 30% recycled ingredients and next year the level could rise to 50%, he says. "For a while we must use chemicals, but gradually we're working to reduce this," Carlucci says.

João Meirelles, director general of environmental non-governmental organisation Instituto Peabiru, says Natura tries to do the right thing, but there are areas where the company could improve. "Sometimes they source materials from a handful of suppliers, while they should really try to extend this to wider communities," says Meirelles, who works in Brazil's Amazon region. As the company is growing fast, it can be hard for local communities in the Amazon to see a different Natura representative arriving each time they visit, he says.

In general Meirelles is encouraged by Natura's approach. He says: "They are open to critical ideas and accept them, which is positive and rare in business."

Natura firmly believes that Brazilian businesses can combine fast growth alongside preserving the environment. Carlucci says: "Brazilian companies need to show the world that it's possible to do both things. And if we take care of the environment we'll grow faster. Brazil can be an example to the world."

Carbon neutral

Natura, which claims to have been a **carbon neutral** company since 2007, currently examines its entire **supply chain**. From the oil in packaging through to carbon emissions generated by its sales representatives or by the end consumer, Natura maps its whole chain. "This allows Natura, for example, to deal with its suppliers to say the price is good, but the carbon impact isn't, so they must change the type of energy they use and we can also change our processes too," says chief executive Alessandro Carlucci.

Natura cut greenhouse gas emissions by 7% last year and aims for a 33% decrease in five years. As part of the carbon offsetting programme, Natura assessed 20 proposals last year and selected five projects. The company selected projects that integrate both environmental and social aspects.
