

Features

The Beauty of Brazil

By Tom Branna , Editorial Director | July 2, 2014

Yes, there's the rainforest and biodiversity, but the country is about so much more, as cosmetic chemists found out at the recent symposium developed by the New York Chapter of the Society of Cosmetic Chemists.

Cosmetic chemists the world over can parrot at least a few of the ingredients found in the Amazon, Brazil and, increasingly, global cosmetic formulas. But the country is much more than a sourcing station for açai, buriti and babassu, insist industry experts who detailed the beauty of Brazil and the Brazilian beauty industry in a one-day symposium sponsored by the New York Chapter of the Society of Cosmetic Chemists (NYSCC).

"Companies are looking for new sources of growth and revenue," explained Marie Thadal of Coptis who co-chaired the event with Steve Herman, PJS Partners. "Brazil presents many opportunities, as well as challenges in terms of customers, competitors, regulations and the environment."

All of those topics, and a few more, too, were discussed at length during the event, which was held on May 12, just prior to the NYSCC Suppliers' Day. Next year's symposium, set for May 11, 2015, will take an in-depth look at India, another vast, quickly emerging market for the global cosmetic industry.

But this year, the focus was on business in Brazil and Eddy S. Mayen, who oversees implementation of the international business development strategy for New Jersey, reminded attendees that chemicals are the No. 1 business in the state and that many cosmetics marketers and suppliers call New Jersey their home. Mayen also noted that Port Newark is the third largest container port in the US and that New Jersey shipped more than \$700 million worth of products to Brazil last year.

By the Numbers

Dawn Thiel Glaser of Beraca noted that Brazil has the sixth largest economy in the world, is No. 5 in terms of size (8.5 million square kilometers) and population (200.1 million in 2013) and that 60% of Brazilians are age 29 or younger, all of which makes the country one of the biggest and youngest on the planet. With \$43 billion in sales, Brazil is the No. 3 market for personal care products and is No. 1 in fragrance and deodorant sales, No. 2 in bath and hair care products, No. 3 in color cosmetics and No. 4 in skin care. In fact, one in every five deodorants sold in the world is sold in Brazil, she told the audience.

No wonder then that Brazil represents 50% of the Latin American CFT market, with Mexico a distant second. Perhaps most startling though is that 96% of CFT sales are in mass markets.

During the past decade, Brazil's economy has made great strides, lifting half of the population into the middle class—a target audience for personal care companies and their suppliers, according to Glaser.

“The middle class cares about their appearance and they are getting more sophisticated,” she explained. “After housing and food, CFT represents the biggest portion of their budgets.”

Due to the vast size of the country and the variety of its people, Brazil has several climates and seven out of the eight classified hair types. Brazilians take their hair care seriously, too, with much of the population washing their hair two times a day, due to the heat and the humidity.

The uppers class accounts for 17% of the population. This group is aspirational and seeks premium brands. Yet, the great strides made during the past decade have come at price. Glaser pointed out that 70% of Brazil's forest is the Amazon, which has been described as “the lungs of the world,” as it absorbs 1.5 billion tons of carbon dioxide every year, representing 20% of global oxygen production, according to some estimates. However, she warned that deforestation emits CO₂ and ultimately, a tipping point will be reached when the Amazon is emitting more carbon dioxide than it absorbs. Which is why Beraca and other companies work with indigenous populations to reduce the pace of deforestation.

“Sustainability will be key to Brazil's success,” concluded Glaser. “Beauty is a very superficial industry, but if we can do something good it is a win/win for everyone.”

How to Win

The market is vast, so how can it be conquered by cosmetic companies? By understanding the consumer, explained Alberto Keidl Kurebayashi, advisory board president, Brazilian Cosmetology Association. He noted that Brazilians often keep five kinds of shampoo in their shower, and they purchase products at retail, in franchise, through direct sales and on the internet. But no matter what they buy or where they buy it, successful companies in Brazil (and everywhere else) focus on the 4Ps: Product, price, place and promotion, said Kurebayashi.

Products should have attractive packaging, innovative claims, excellent sensorial properties and immediate effects. Pricing should take into effect loss leader strategy and the sales channel. Place should be convenient and take into account where it is manufactured and stored as taxes play an important role in profitability.

And successful companies will be those that focus on growth segments such as hair, sun and skin, said Mohamed Omer, a Mintel analyst. He explained that skin care is growing at a CAGR of 8.9% and urged companies to focus on basic claims such as moisturization, hydration and cleansing.

“There is not a lot of sophistication,” he explained.

Conversely, there is plenty of opportunities in facial skin, as 16% of Brazilians are looking for help with acne. And even though it has a young population, Omer predicted that anti-aging skin care sales will soar; already Brazil has transplanted the US as the No. 1 market for plastic surgery, he noted.

Unlike other countries, Omer explained, Brazilians care more about their hair than their skin, which explains why hair care sales are growing at a CAGR of 10.9%.

“I was in Brazil three days ago and nobody was having a bad hair day,” he joked. “And there were blondes everywhere.”

That may explain why colorants account for 22.6% of the Brazilian hair care market, with shampoo and conditioners representing 74.7% and styling products just 2.7%. Omer explained that 75% of Brazilian women use conditioner, compared to just 31% of French women, for example. What’s more 39% of Brazilians use leave-in conditioner.

“Brazilian women use conditioner as a styling product to maintain their curls,” said Omer. “Leave-in conditioners act as a hair treatment.”

Another unique attribute of the Brazilian hair care market is that women love formaldehyde-based products, which promise to keep hair smooth for six weeks. At the same time, there is a growing market for products that treat chemically-treated hair, he added. Other big hair care trends include oil-based products, which help reduce frizz; dry shampoos for busy Brazilians and “shampoo bomba,” a customized concoction that consumers mix with monovin A and provitamin B5.

“They’ll purchase Johnson’s baby shampoo and mix it up at home,” explained Omer. “The trend moved from Brazil to South Korea in just two months.”

How can marketers navigate this dynamic market?

“Be attentive and speak Portuguese,” advised Jean-François Molina of Solabia, who noted that although a plethora of regulations make Brazil difficult to navigate, “there is an energy in Brazil that makes everything possible.”

Things are possible these days because the Brazilian government is more willing to develop the country’s biodiversity with companies that respect the general principles of sustainable development and also follow the Nagoya Protocol, which calls for the fair and equitable sharing of benefits that arise from the utilization of genetic resources.

He explained that it is crucial for companies to work with CGEN, Brazil’s Council for the Management of Genetic Patrimony, a federal government organization that monitors, audits and considers requests for access to genetic resources of Brazilian Biodiversity.

Molina gave attendees a brief history lesson on the country, noting that the country derives its name from the brazilwood tree, which was its earliest commercially-exploited product. In Portuguese, brazilwood is called pau-brasil, with the word brasil commonly given the etymology, “red like an ember.” Even its flag has its roots in nature, with the green representing forests; yellow, its mineral wealth, blue, the sky and the 27 stars, the federal district and its 26 states. And while much focus is put on the

Amazon, Molina said the Mata Atlantica or Atlantic Forest region offers just as much biodiversity. The population is diverse, too. Eighteen generations of interracial mixing has produced a population that includes: White, 53%; Mulatto, 22%; Mestizo, 12%; Black, 11%; Japanese, 1%; and other, 1%.

Sergio Oliveira of Johnson & Johnson said UV protection will become increasingly important in Brazil and the sun care market is growing more than 12% a year.

“Even in winter there is high UV exposure, and it is extreme in summer,” he told the audience. Like consumers in other countries, Brazilians don’t apply sunscreen evenly, only 33-50% apply enough sunscreen on initial application and only 30% of them reapply.

This year, Brazil’s National Health Surveillance Agency, ANVISA, revised and simplified its cosmetic registration process to be inline with European regulations, said Oliveira.

“The government wants to help companies with their innovation projects,” he insisted. “The next time that you think of Brazil, remember that it is a great place for vacation, but it is even better to conduct business.”

Emiro Khury, EK Consulting, reviewed the technological advances and regulatory issues surrounding sunscreen products in Latin America, noting that consumers care more about sensorial properties over safety; although SPF 30 + 50 are the most popular levels of protection. Khury said that Mexico and Brazil are the best sun care markets in Latin America, but Peru and Chile also offer growth opportunities.

“Consumers want high SPF and light, refreshing products,” he explained.

Brazil is the largest fragrance market in the world, with retail sales of \$7 billion, according to Ana Palombo of Coty. The mass market accounts for a whopping 92% of sales.

“Brazilians have European roots, but they want to consume like Americans,” she explained. “They are brand conscious, well-informed and believe anything imported is better.”

Women are at the center of the culture and a force in the workplace, she said. They have high self-esteem, are vain, and have less than two kids per household. Palombo described Brazilians as religious and superstitious, too.

Natura (43%), Boticario (27%) and Avon (18%) are the key players in the Brazilian fragrance market. By channel, direct sales (59%) is most popular, followed by franchise, supermarket, perfumery, pharmacy and department stores. And what are they buying? Body sprays and splashes and lots of them.

“People take three showers a day and they want to feel fresh,” she explained. “Fragrance is used by everyone, which is why a liter of fragrance splash can be found in every bathroom in Brazil,” said Palombo.

Women prefer fruity florals and fruity oriental notes—not heavy florals. Men prefer citrus notes, but are

slowly moving toward more complex vanilla and woody accords. But whatever they buy, Brazilians will keep buying more and more. Palombo predicted that Brazil will account for 30% of global fine fragrance sales by the end of 2015.

More on Materials

Silvia Staniscuaski Guterres, a professor of pharmacology at the Federal University of Rio Grande in Sao Paulo, called nanotechnology a good tool for developing innovative products. Nano-sized materials can provide control release, reduce toxicity and increase efficacy.

“Nanotechnology gives safer, more stable formulations with better properties,” she insisted, noting that when vitamin K1 is nano-sized, it can be applied to the delicate eye skin area without causing irritation. Similarly, the irritation profile of capsaicinoids is reduced by means of a nano-structured formulation that is based on polymeric particles and a hydrogel. Guterres also explained how researchers are using nanotechnology to encapsulate Brazilian raw materials, such as Cupuaçu butter, to improve delivery and substantivity.

Rakesh Jain of Amyris noted that Brazil’s biggest crop is sugarcane, and by fermenting it with yeast it produces a range of useful materials including ethanol, squalene, fragrance and biofene.

“Companies are exploring what biofermentation can do for them,” he explained.

For example squalene produced via biofermentation has all the properties found in products derived from sharks without the impurities associated with olive-derived squalene. Amyris’ product, called Neossance, is a 100% plant-based emollient that is Ecocert-approved. It aids in cell turnover, reduces TEWL at 50% and, in clinical tests, improved wrinkles after 28 days. It is already being incorporated into personal care products, according to Jain, who predicted that Neossance will find widespread use in baby care products too.