

*Full Length Research Paper*

# Internationalization strategies adopted by Natura in Latin America and Europe: An exploratory study with an emerging market company

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**This study seeks to identify the main strategies adopted by an emerging market company in its internationalization process in Latin America and Europe. The company studied was Natura Cosméticos. To this end, a survey was conducted on the theoretical framework that discusses the internationalization theory from the behavioral perspective, the motivations for organizations to go international and the internationalization strategies. An exploratory qualitative research was conducted based on the case study method. To collect the data, we conducted interviews with a company's executive and an intense documentary analysis, which allowed the identification of the main internationalization strategies adopted by Natura in Latin America and Europe.**

**Key words:** Internationalization, strategy, Natura, emerging market company.

## INTRODUCTION

The global market competition has intensified in all segments over the past decades. The evolution of the economy around the globe began to demand a differentiated positioning from the organizations (Oliveira et al., 2010), which started to develop international strategies to continue thriving. Most of the current literature shows the importance of globalization and internationalization as key factors of the competitiveness of organizations.

Within this context, the internationalization has become not only a path (Ansoff, 1990), but an attractive alternative for the organizations to compete. As a result of this environment, several organizations have expanded their scope of activity and began to operate across borders, offering services, products and setting up operations abroad.

The internationalization movement has also affected emerging markets companies. Understanding the natural need to operate in other markets in order to remain competitive, some Brazilian Companies started to go international. However, Brazil's international insertion is still very small (Cyrino et al., 2010).

The internationalization process is complex (Oliveira et al., 2010). There are two main schools of thought that interpret this phenomenon. According to the economic school, the internationalization occurs when an organization chooses to explore advantages through the production or establishment of a new market. While behavioral theories suggest that the internationalization of an organization occurs gradually, going through various stages and therefore, organizations choose to enter into a new market in different ways and

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that they gradually evolve the way they operate and commit to the new market (Cyrino et al., 2010).

This study seeks to analyze the internationalization process of Natura; therefore, it aims to answer the following research question: How did Natura conduct its internationalization process in Latin America and Europe? The primary objective is to verify the internationalization strategies used by the company to enter Latin America and Europe, both considering the entry strategy and the other strategies adopted over time. To this end, we decided to conduct an exploratory qualitative research, based on the method of the study.

The company started its internationalization process in 1982, exporting to Chile, then to Bolivia, Argentina and Peru, through local distributors. In 2005, the company started its operations in Mexico, in Venezuela in 2006, and in Colombia in 2007. In 2005, the company decided to cross the Atlantic Ocean and explore the European market, a continent known for its expertise in the cosmetic industry. To collect the data, we conducted interviews with an executive of Natura and analyzed the documents available on the company's website, including annual reports, institutional presentations and other academic studies. It is worth pointing out that the company went public in 2004, with stocks listed on the Novo Mercado and the highest corporate governance level of Bovespa.

This research is relevant because of the importance of the study on the internationalization process of emerging markets. Organizations, due to the fierce global competition and the intention of such organizations, explore new markets and improve their conditions and skills to compete across borders. In the academic sphere, the study illustrates the application of the theory to practice and proposes a new conceptual model that can be tested in future studies with significant sample of organizations from emerging markets. From the management standpoint, the study contributes by pointing out the main forms of internationalization adopted by Natura in the international expansion process, which can be used as guidelines for organizations experiencing this process or that intend to start it.

In addition to this introductory chapter, the study is divided into five chapters. In chapter 2, we present the conceptual basis of the research and propose a conceptual model. The third chapter explains the methodology of the study, followed by a chapter with the company's description and data analysis. The final part of the study makes a comparison between the literature review and the research findings and also presents the limitations of the study and recommendations for future research.

## LITERATURE REVIEW

We collected secondary data about the motivations for internationalization, Internationalization theory from the behavioral perspective and internationalization strategies.

These data formed the basis of the field research.

### Motivations for internationalization

The international strategy of a company occurs through the commercialization of its products or services outside the local market. Palácios and Sousa (2004) point out that the motivations for the internationalization of organizations fall into two categories: proactive motivations and reactive motivations. However, Czinkota and Ronkainen (2001) point out that in most business activities, the company is not internationalized in terms of only one stimulus, thus the mix of factors that indicate the company's need to follow a direction.

Hitt et al. (2009) indicate that there are four main benefits for companies with successful international strategies: greater market size; higher returns on capital investments; economies of scope, scale and learning; competitive advantage through the location (for example, access to low cost workforce, critical resources or customers).

A few theoretical models try to explain the internationalization process of companies under the strategic focus of the organization and also describe its level of internationalization. Two approaches that seek to explain the process have stood out: economic theories and behavioral theories. Stal (2010) summarizes the two internationalization approaches in a simple and easy way to understand. According to the author, the economic approach on the internationalization process relates the investment decisions overseas to the characteristics of the company's assets and product, while behavioral theories suggest that other factors, besides the economic factor, influence the decision of a company to operate in other markets. These factors are related: with the organization's external environment, with the internal characteristics, the proximity to culture, as well as the attitudes, perceptions and expectations of its executives. Therefore, Stal (2010) points out that the behavioral theories interpret the investment decisions in international markets gradually, following stages that range from regular export activities to the implementation of strategic activities, such as R&D abroad.

This study is based on the behavioral theory. To legitimize the gradual process of commitment to new markets, the organization should develop an internationalization strategy that involves entry strategy and other strategies used by the company over time in this new competitive environment. Therefore, the view of this research on internationalization strategies includes choosing the entry strategy and the strategies adopted over time to expand in the new market.

### Internationalization theory from the behavioral perspective

This internationalization model was developed in the 70s

by researchers from Uppsala University. The purpose of the study was to understand the internationalization process of Swedish manufacturing companies. For that, a model was developed showing how these firms would choose the markets in which they wanted to operate and the ways to enter these markets (Hilal and Hermes, 2003).

The researchers found that the sequence to enter other markets starts discreetly, usually with direct export, a stage that allows the companies to learn more about the new market. As the company increases its knowledge about the new market and improves its information channels, its involvement in that market grows, thus enabling the company to establish subsidiaries in the foreign country (Hilal and Hermes, 2003).

According to Johanson and Wiedersheim-Paul (1975), the companies go through four steps during the process of entering an international market, which constitute what the authors call the "establishment chain":

- Stage 1 – No regular export activities;
- Stage 2 - Export via independent representatives;
- Stage 3 – Establishment of overseas sales subsidiary;
- Stage 4- Establishment of overseas production/ manufacturing unit.

For Cyrino et al. (2010), the behavioral theory argues that the firm consists of cumulative learning processes through a complex network of resources, relationships and skills. Hence, the authors point out that the stages of the internationalization process of the organization - mentioned above - are not based on deliberate and planned structures of the rational analysis, but represent stages of the successive learning and the incremental nature that occurs through the increasing commitment to foreign markets, which involve company's organic development.

Several authors discuss their conceptions of internationalization strategies. The next section will provide details on the strategies that can be used by the organization throughout the gradual process of international expansion proposed by five authors.

### Internationalization strategies

Most companies start their international operations in regional markets, starting by those with which they have the highest affinity (Hitt et al., 2009). The implementation of the international expansion occurs through: the export of products, strategic alliances, participation in licensing agreements, acquisitions and the establishment of new subsidiaries in other countries (Hitt et al., 2009).

Several authors are focused on explaining the commitment to the new market according to the form of entry chosen by the organization. As important as the entry strategy are the operation mechanisms strategies

adopted by the company over time, which may change or remain unchanged. In this study, the internationalization strategies encompass all the strategies used by the organization during the internationalization process (entry and expansion), and these strategies are consolidated on the range of different authors in Table 1.

Cyrino et al. (2010) present a commitment scale in forms of entry developed based on the Uppsala Model and the theories on the strategies to enter international markets. The scale is from one to eight, whereas: (1) the least compromised entry strategy (8) the entry strategy in foreign markets where the company is more committed to the new competitive environment, the model is detailed in Table 1.

Interestingly, the only model that mentions research center in the internationalization process was the one proposed by Cyrino et al (2010), referring to what Porter and Stern (2002) reported the importance of innovate globally that for any organization that wishes to maintain its sustainable competitive advantages

Palácios and Sousa (2004) point out that some companies choose to start their internationalization process exporting to markets that are culturally and/or geographically closer, and later develop in more distant markets. Czinkota and Ronkainen (2001) state that the exploration of markets that are culturally and/or geographically closer gives rise to the concept of psychic distance. Thus, the companies need to be aware that the geographical proximity to other markets may not necessarily be translated into proximity to the foreign consumer.

Czinkota and Ronkainen (2001) point out that sometimes, the legal factors, social and cultural variables, among other factors, make a market that is geographically close seem psychologically distant. The authors believe that two aspects should be taken into account in this context: 1) the fact that it is advantageous for the organizations who are starting their internationalization process, to explore, at first, this activity by entering psychically close markets to gain experience before exploring distant markets; 2) the companies must make decisions based on reality, not perception.

Johansson (2006) points to the need to control the market in which the company operates and, therefore, suggests that a company chooses among three alternative ways to organize its work in the local market:

- 1) independent agents and distributors;
- 2) alliance with a partner in the local market; and
- 3) a wholly-owned subsidiary. For this author, the entry modes are directly related to the way the company operates in the foreign market.

The entry via exports involves independent agents and distributors, but if the company chooses to enter through strategic alliances, it should rely on local partners. Finally, when the company decides to invest in the foreign market (foreign direct investment), it means the creation of a wholly-owned subsidiary operating also for the company's

**Table 1.** Internationalization strategies.

Hitt et al. (2009)	Palácios and Sousa (2004)	Cyrino et al. (2010)	Keegan (1984)	Johansson (2006)
Export	Export;	Exports through third parties (scale 1)	Export	Indirect exports
Licensing	Establishment of overseas sales subsidiary;	Direct Export (scale 2)	Licensing	Direct Export
Strategic Alliances	Licensing	Licensing (level 3)	Joint ventures	Establishment of overseas sales subsidiary
Acquisition	Establishment of overseas manufacturing units	Association/ strategic alliances with foreign companies (scale 4)	Acquisition	Local Assembly
New wholly-owned subsidiary	Full establishment (commercial or industrial); Development of joint operations	Franchising (scale 5) Establishment of a subsidiary/office aimed at sales (scale 6) Establishment of subsidiary/product unit (scale 7) Research Center (scale 8)		Overseas production

Source: Authors.

expansion in the local market (Johansson, 2006).

In addition to the entry strategy in a new market, the company must give due attention to how products reach new consumers. Therefore, the company needs knowledge about the international distribution channels, in order to choose the most convenient channel for the company or product (Palácios and Sousa, 2004).

Czinkota and Ronkainen (2001) claim that psychographic and demographic characteristics of the target audience are responsible for designing the foundations of the distribution channel. These authors point out that the following determinants should be considered when a company decides to organize a structure of channels and relationships in new markets: consumer characteristics, culture, competition, the organization's objectives, characteristics, capital, cost, coverage, control, continuity and communication.

To join the global market the company should select the most appropriate strategy to its context, and this decision should result from several aspects analysis, such as: competitive conditions in the industry; the country's situation; the status of government policies and exclusive set of resources; key skills and capabilities that the company has (Hitt et al., 2009).

### Conceptual model proposed

The conceptual review allowed the identification of a few gaps between the internationalization models. Some strategies of commitment to the new market, such as

exports, are mentioned by the authors in different ways. Note also that some authors detail some strategies more accurately, while others are more dedicated to others. The models presented are complementary and to understand the various strategies of internationalization, we propose a model which will be used in the research field of this study, but has to be validated in further studies with a significant sample of multinationals. The proposed model is shown in Table 2.

### METHODOLOGY

This study was conducted in order to identify the strategies adopted by Natura in the internationalization process in Europe and Latin America, both considering the entry strategy and the other strategies adopted over time. To this end, we decided to conduct an exploratory qualitative research, based on the method of the study. According to Yin (2005), the case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context. For Eisenhardt (1989), the search tool in question provides the in-depth analysis of a particular situation and the identification of variables and their interrelationships that otherwise could be unnoticed. We chose the single case study, as this research strategy focuses on understanding a phenomenon - in this case, the entry modes of the internationalization process of a Brazilian company - and focuses on contemporary events - the market expansion across borders - pointed out by Yin (2005) as relevant situations to use this search

**Table 2.** Internationalization strategies.

Forms of Internationalization	Authors that mention these forms
Exports through third parties or indirect exports	Cyrino et al. (2010), Johansson (2006), Palácios and Sousa (2004), Keegan (1984), Hitt et al. (2009).
Direct Export	Cyrino et al. (2010), Johansson (2006), Palácios and Sousa (2004), Keegan (1984), Hitt et al. (2009).
Licensing	Hitt et al. (2009), Palácios and Sousa (2004), Cyrino et al. (2010), Johansson (2006), (1984).
Association/strategic alliances/partnerships with foreign companies	(Hitt et al, 2009), Palácios and Sousa (2004), Cyrino et al. (2010), Johansson (2006), Keegan (1984).
Franchising	Cyrino et al. (2010), Johansson (2006), Keegan (1984).
Acquisition	Hitt et al. (2009), Keegan (1984).
Establishment of sales subsidiaries	Cyrino et al. (2010), Johansson (2006).
Establishment of a wholly-owned subsidiary	Hitt et al. (2009), Palácios and Sousa (2004), Johansson (2006).
Establishment of production unit/subsidiary	Hitt et al. (2009), Cyrino et al. (2010); Johansson (2006), Palácios and Sousa (2004).
Research center	Cyrino et al. (2010)

Source: authors.

tool. The depth and detail of information that can be obtained through the case study are, according to Gil (1987), virtually impossible to be achieved using other research methods.

The data collected were obtained in primary and secondary sources, from March to June 2011, through interviews with the company's executive, the participation in talks with executives, literature review, data available on the company's website, analysis of reports and document analysis.

To conduct the interviews with the company's executive – one held in May and another in June 2011 – we developed a semi-structured guide based on the conceptual model proposed. The initial protocol of the study contained questions: on the company's internationalization trajectory since 1982; the entry strategies used in Latin America and Europe; the reasons why such internationalization strategies were chosen and the strategies currently used in the international expansion process. The process to obtain the information with the executive lasted one month and said executive forwarded the papers and presentations on the focus of the study and was

willing to cooperate by providing two appointments. On the first appointment, the executive sought to become familiar with the study and scheduled the second appointment so that, in the meantime, he could make sure to have all the information to contribute to the research. Thus in the second appointment the executive gave an interview, which lasted 1:30 minutes, and even offered to help with other documentation, which was sent later.

As proposed by Eisenhardt (1989), we used different data sources to ensure the principles of interaction and data triangulation. Hence, the information obtained was compared with the theoretical models of internationalization, company's reports, scientific research and secondary data available.

An intrinsic limitation of the study method used is the bias of the researcher and its preconceptions, which have been reduced through the use of various sources of data as explained above. Another limitation of the study is due to the qualitative approach; that is why these investigation data cannot be generalized; therefore the

suggestions from the study are limited to the research context.

The following section describes the trajectory of Natura and analyzes the internationalization process in Latin America and Europe.

### Description of the company

Natura, the current national leader in the cosmetics industry, with an increasing global market share, was founded in 1969 by Luiz Seabra and Jean Pierre Berjeaut, working in a shop located at Rua Oscar Freire in São Paulo. In 1974, Natura had to choose between operating through franchises or using direct sales channel. The company preferred to choose to work through specialized saleswomen (direct sale), as it was not willing to lose control over the service quality with the customer. Beauty consultants were recruited among the customers, and would sell the products upon a commission.

In 1982, the international trajectory began in Chile, having its growth cycle interrupted by the

economic crisis of 1989 and the trade liberalization in the Brazilian economy in 1990, period in which the company was compelled to lay off 15% of its employees.

Despite the difficulties faced, such as the strong competition and the various purchase proposals rejected by Natura, the company managed to thrive (Ghoshal and Tanure, 2004) and started to invest heavily in technology and quality programs, which led to an average annual growth of 31%.

In 2000, the company started to invest in training and infrastructure, investing R\$ 200 million in the construction of a new plant, opened in 2001 (Garnica, 2011; Natura Cosméticos, 2010). The Espaço Natura, located in Cajamar, São Paulo – its own and integrated R&D center for cosmetics, production and logistics, taking over some functions that it had previously outsourced (Ghoshal and Tanure, 2004).

In 2001, the company launched a line of products that incorporated active ingredients from the Brazilian biodiversity obtained in a sustainable manner, the Ekos line. The company's initiatives have provided good results up until that moment, which can be observed by the historical result obtained in 2004, a year closed with a turnover of US\$ 1.2 billion, thus going public in May of that year. Natura obtained R\$ 768.12 million with the sale of 25% of its shares (Stal, 2010). Since then, its performance has strongly increased, and its market value has tripled in three years, rising from R\$ 3.6 billion in May 2004 to R\$ 11 billion, three years later.

Currently, the company is headquartered in Cajamar (SP) and owns three offices in five regions of Brazil and in other countries (Clayton, 2011; Natura Cosméticos, 2010). The products' distribution is carried out through seven distribution centers. The company strives for innovation, and over the past few years, it invested approximately 2.6% of its net revenue in innovation, allowing the company to reach the innovation rate of 65.7% in 2010, which means that more than 60% of the company's revenue was generated from products launched between 2009 and 2010.

Due to its trajectory, briefly analyzed, the impressive figures presented above, Natura has been recognized for its commitment to product innovation and the enhancement of the relationship practice through the so-called sale through relationship avoiding distributing thru point of sales. The company seeks to spread these policies into other markets, raising the interest for the study on the internationalization strategies adopted by Natura. An appendix (appendix A) was built for deepening Natura's journey in new markets.

### Data analysis

The research on the internationalization strategies of Natura in the Latin American and European markets showed that the company started from different proposals

to develop its activities in each continent, thus aiming different strategic objectives. Therefore, before analyzing the internationalization strategies, it is necessary to reflect on the company's goals towards the expansion in each continent.

According to the Strategic Planning Manager for international operations, there are two ways for any company to consolidate in the global arena, which is through innovation and geographic expansion. Porter and Stern (2002) combine the two ways mentioned by the manager by reporting that any organization that wishes to keep its competitive advantages sustainable should innovate globally. For these authors, the organization must create and sell products and processes to expand their technological boundaries and be ahead of its competitors.

Through the field study, it was verified that the main reason that led Natura to expand its activities in Latin America was the geographical expansion, and thus, expand its market of operation (Hitt; et al, 2009) reaching countries that together account for 80% of the consumption of cosmetics and personal care products in this geographic location. For this expansion, the company considered the factor of cultural proximity with the countries in Latin America, a factor that goes against what Czinkota and Ronkainen (2001) reported that sometimes it is advantageous for organizations who are starting their internationalization process to explore psychically close markets to gain experience before exploring distant markets and also confirms the argument of Hitt et al (2009) that most companies start their international operations in regional markets, starting by those with which they have the highest affinity.

When Natura tried to enter Portugal, it also followed a strategy guided by the cultural proximity element, since Brazil was colonized by this country. However, this decision was made based on perceptions, which Czinkota and Ronkainen (2001) point as common in the business world. Natura learned from this experience and started to be aware that the geographical proximity to other markets may not necessarily be translated into proximity to the foreign consumer. Thus, the cultural proximity with Latin American countries was the most relevant aspect when the company decided to expand geographically.

Since the psychic distance and the strategic objectives arising from the expansion to Europe are different, the internationalization strategy in this continent had a different character. Among the main objectives of the operation in France are: proximity to the demanding consumer, being present in the center of the cosmetics world, being close to the market trends, strengthen and promote the brand and develop innovative products, confirming the argument of Czinkota and Ronkainen (2001) that most companies have internationalized due to a combination of factors that indicate the company's need to follow a direction. The objectives of this expansion are extremely important for the company's success.

**Table 3.** Internationalization strategies of Natura by market.

Forms of Internationalization	Latin America	Europe
Exports through third parties or indirect export	Chile, Peru, Argentina (initial stage); Honduras, Bolivia, El Salvador and Guatemala (early and current stage)	Portugal (operation disabled)
Direct Export	Chile, Peru, Argentina (2 <sup>nd</sup> stage)	
Licensing	Company does not use this tool	
Association/ strategic alliances/partnerships with foreign companies	Peru (unsuccessful partnership) Argentina, Mexico and Colombia – local manufacture through partnership (current)	
Franchising	Company does not use this tool	
Acquisition	Natura has not acquired other companies abroad	
Establishment of wholly-owned sales subsidiaries	Chile, Peru, Argentina, Mexico, Colombia (current) and Venezuela (operation disabled).	France (current)
Establishment of a distribution center	Argentina, Peru, Chile (current)	
Transferring personnel to work in the local market.	Argentina (current)	France (current)
Establishment of a wholly-owned sales subsidiary or a place for customer interaction	Argentina, Chile, Peru, Mexico and Colombia (current). (Maison Natura - a place for the interaction between the consumer and the organization, there is no commercialization in these countries through this channel).	France (current) Maison Natura - point of sales in Europe.
Establishment of production unit	There is no subsidiary for the production outside of Brazil yet	
Research center		France (current)

Source: Authors (2012).

According to Porter (1989), the contact with demanding consumers teaches the companies how to improve their products and service, forcing them to improve the level of their products/services, translating directly into higher value and prices for the consumers.

By understanding the main reasons of the market expansion process on each continent, we understand that they demanded different internationalization strategies. Natura's internationalization process in Latin America began in 1982 with the model of export through third parties, a strategy that is still used in Honduras, Bolivia, El Salvador and Guatemala. In other Latin American countries (Chile, Peru, Argentina), the strategy evolved to the direct export. Natura also adopted the local partnership strategy, which was unsuccessful in Peru, but that was adopted again years later in Argentina. After a few years, the company started to adopt a new strategy, sending professionals to markets in which it operated (Argentina) and managed to achieve better results, adopting also the strategy of establishing an office for the local operations (Chile, Peru, Argentina, Mexico and Colombia), a distribution center (Argentina, Peru, Chile) and a manufacturing unit through third parties (Argentina)-with the marketing and other activities developed only in Brazil (as explained in Chapter 4), following the statements pointed by Galina and Moura (2010) about internationalization, which is the process of increasing the involvement of a company and the operations between international markets.

When market size reached a higher volume Natura realized it needed a local marketing mix, and to do so, the company sent a team, which is based in a regional office in Buenos Aires to manage all international operations.

As a result, we conclude that the current strategy of Natura in Latin America includes exports through third parties, regional offices, commercial operations, distribution centers and manufacturing partnerships as detailed in Table 3.

While in Europe, the internationalization strategy was implemented in a different manner. The more than two decades of internationalization experience in Latin America have generated several insights for the company. Thus, before entering the European market, Natura conducted studies and supported by research, the company understood that the Latin American and European markets were very different culturally. The French appeared to be welcoming the product offered by the company, however, they were not used to buy from direct sales channel (sales consultants).

Based on the studies that show the reality and not the perception of the European market, respecting the suggestions of Czinkota and Ronkainen (2001), in 2005, Natura opted for the strategy to enter the French market by structuring a new distribution channel, a physical point of sales, a distribution channel that was never used before. The determinants considered to elaborate the new distribution structure in France were the consumer

characteristics, the culture and the organization objectives. These determinants are presented in the literature by Czinkota and Ronkainen (2001). The decision to build a new distribution structure in Europe confirms the suggestions of Palácios and Sousa (2004) that the company should know its international distribution channels in order to select the most convenient channel for its operations or for the product.

In 2006, Natura consolidated its internationalization strategy in Europe by opening a satellite research laboratory, whose aim was to capture more knowledge in that country and establish a business office.

Note that the company adopted a strategy to enter the French market through its wholly-owned sales subsidiary, a strategy that is still used in France by Natura. After the entry, the company added to its strategy the establishment of a research center and an office with a team of Brazilian professionals, a strategy that is quite different from that adopted in Latin America.

Table 3 summarizes the internationalization strategies adopted by Natura throughout its international expansion on each continent. This table was prepared based on the conceptual model proposed in this study with addition of two internationalization strategies adopted by Natura, which were identified in the interviews and analysis of secondary data and were not specified in the literature, which are: the establishment of distribution centers and the transfer of Brazilian professionals to the new market. Interestingly, in Europe the internationalization strategy started with a greater involvement, since the company chose the entry strategy in this market through the establishment of a point of sales. Through the study, it was observed that the higher degree of commitment occurred due to the experience in Latin America, a continent in which we observe a gradual internationalization process. This observation is mentioned in the literature by Cyrino et al (2010), when they explain that the behavioral theory suggests that the firm consists of cumulative learning processes through a complex network of resources, relationships and skills. For these authors, the stages of the internationalization process of the organization are not based on deliberate and planned structures of rational analysis, but they represent successive stages of learning and the incremental nature that occurs through the increasing commitment to foreign markets, which leads to the organic development of the company.

This understanding of Natura's internationalization process is confirmed in the literature by Palácios and Sousa (2004), when they argue that some companies choose to start their internationalization process by exporting to markets that are culturally and/or geographically closer and later develop in more distant markets.

The suggestions of Johansson (2006) on the need for the organization to control the market in which it operates were also confirmed. Natura seeks to control the market by using at least two of the three alternative ways to

organize its work in the local market: independent agents and distributors; 2) alliance with partner in the local market; and 3) a wholly-owned subsidiary.

It is worth pointing out that Natura has never adopted the strategies of mergers, acquisitions, licensing and franchising, showing its position by investing in projects assuming all risks, but also never established its own production subsidiary. The company has no intention to use any of the first three expansion strategies in the foreign market and will only consider the establishment of a production subsidiary when the volume of market demand justifies such decision.

Note that the company adopted the internationalization strategies that it understood as being the most appropriate to the context both in Latin America and in Europe, a decision that resulted from the analysis of several aspects, such as: the competitive conditions of the industry; the country's situation; the status of the government policies and the exclusive set of resources, key skills and capabilities that the company has (Hitt et al, 2009).

### Final considerations

The aim of this study was to identify the internationalization strategies adopted by Natura Cosméticos S.A. 2010, in the Latin American and European. Throughout the literature review, a new conceptual model was proposed, which was improved throughout the study. This model introduces two academic contributions: 1) it groups the various internationalization strategies in the literature and 2) adds the two internationalization strategies identified during the field survey.

Natura started the internationalization process in 1982 in Latin America and, in 2005, the company decided to explore the European market, launching its activities in France. The company has adopted most of the internationalization strategies proposed in the conceptual model. By analyzing the internationalization process of the company, from behavioral theory's perspective, the type of market had a direct influence on the choice of the entry strategy in the Latin American countries and in Europe. Therefore, it is important to remember that in addition to the distinct economic and cultural aspects (psychic distance) between the Latin American and European markets, Natura understood that the strategy, in terms of entry and the mechanism of operation, in France, should be different from the strategies adopted in Latin American countries.

The study made it possible to identify that the internationalization strategies in the two continents are dissimilar, because the strategic objectives of internationalization for each continent are different. The internationalization in Latin America focuses on the geographical expansion, and currently, the internationalization strategies adopted are 1) export through third

parties; 2) strategic partnership; 3) establishment of wholly-owned sales subsidiaries; 4) establishment of a distribution center; 5) transfer of professionals to work in the local market and 6) the installation of a place for the interaction with the customers. While this process in Europe seeks: a proximity to the demanding consumer, presence in the center of the cosmetic world, proximity to the market trends, brand strengthening and awareness and the development of innovative products and, to this end, Natura has: 1) established its own point of sale, 2) established a wholly-owned sales subsidiary; 3) transferred professionals to work in the local market and 4) established a research center.

Hence, we understood that the internationalization in Latin America started with exports through third parties and gradually commit to its market, until reaching the establishment of interactive places with the end customer (Maison Natura), following the gradual commitment model proposed by Johanson and Wiedersheim-Paul (1975). So when the company decided to enter the European market, it had already accumulated some experiences due to the failure when it tried to enter the market in Portugal and the experience with the process already started in Latin America. The company understood that it would have to develop a new marketing strategy and established a point of sales. As opposed to the Junior et al. (2008)'s statements, entering the European market through a new sales channel (store) was not mainly intended to test this distribution channel, but an operation and entry strategy appropriate for the French market, since the essence of Natura's work lays in the relationship between the customers and the sales consultants.

Consequently, we conclude that the different objectives added to the experience accumulated in the internationalization process, influenced the company's decision to opt for different internationalization strategies on each continent. It was also inferred that the strategies adopted are different between continents and countries as well, which means that strategies may change over time. We suggest future studies that seek to understand the factors that lead the company to change its strategy in the internationalization process. We also recommend further studies to verify whether the Natura's new management model of the internationalization, based on Argentina, corroborates to the growth of the international operations, and how the organization should be structured to continue succeeding in its internationalization process.

The study contributes to a better understanding of the internationalization strategies in international markets, helps to explain the internationalization process of a Brazilian company, confirming most of the theoretical assumptions presented in the conceptual basis chapter. The study also brings a contribution to the literature by proposing a conceptual model about internationalization strategies. Nevertheless the case method does not allow generalization of the conclusions; therefore, further research will be needed for that purpose.

## Conflict of Interests

The authors have not declared any conflict of interests.

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## APPENDIX A

### Internationalization strategies adopted in Latin America

The expansion process of the operations in other markets still appears to be a major challenge for most Brazilian companies. Natura began the internationalization process in Latin America in 1982, in Chile, following what was pointed in the literature as the most common strategy of entering new markets, the indirect export, exporting to an agent who would resell the products. In 1983, the company had a brief experience in the U.S. market, in Miami, with the brand Numina (Contador and Stal, 2010). At first, the company had difficulties due to the lack of a business model that could be at the international level. As a result, Natura redefined its organizational processes, and five years later began to explore Bolivia through a partnership with the distributor (export through third parties) and later expanded its operations, also through third parties, to Argentina and Peru (Contador and Stal, 2010).

In 1994, the company started to change its strategy of entering and exploring new markets, establishing its own marketing operations, building distribution centers and training sales consultants in the three countries where it was already operating (Argentina, Chile and Peru) and started this work in Portugal, thus no longer exporting products to international partners (Stal, 2010). The entry strategy in Peru was conducted through a partnership with a local company, as a result of its market expertise. However, this partnership failed to evolve and was terminated (Ghoshal and Tanure, 2004).

Natura gave priority to expanding its activities in Latin America and Portugal due to the physical proximity and, above all, the cultural compatibility. However, it was not successful at this stage of its internationalization process and, in 1998 the company closed its operations in Portugal (Contador and Stal, 2010). In the other countries, the process was not successful either. The lack of coordination was identified as the main cause. Operations were performed independently, the products offered to the various markets were the same, but each country would develop the marketing, distribution and relationship roles with the resellers in their own way, without a central orientation.

During this period, according to Stal (2010), Natura defended its position against major international competitors, such as Revlon, Estée Lauder, P&G and Shiseido, however, the company failed to leverage in nearby markets, such as Argentina, Chile and Peru. While in Brazil, the company's growth over the same period reached 50%. With outstanding results in the national operation, Natura did not transfer qualified managers to other markets to deal with new market opportunities.

Only in 1999, the company started to send employees

from Brazil to international operations. This strategy proved to be efficient and productive to the extent that employees are sent on a mission to convey the business model and the institutional vision to these operations, integrating them into the local culture (Gomes, 2006).

In 2000, Natura strongly recovered the operations in Argentina, based on the strategy mentioned above. The company transferred the sales director to Buenos Aires to take care of the operation. Due to the end of the exchange rate parity between the Argentine peso and the US dollar, Natura began to adopt a policy of slow price increase not to restrain the relationship with the consumers and the distribution channel. Although the Argentine market suffered a sharp decline, Natura, by strengthening its commitment to the country, achieved market share due to the positive impact generated by its sales force (Stal, 2010).

In the second half of 2005, the expansion of the Brazilian cosmetics company led to the beginning of its activities in the Mexican market, extending to Venezuela in 2006 and to Colombia in 2007. According to Stal (2010), by operating in these countries, Natura seeks to enter the Latin American market, where the annual consumption of products - which include cosmetics, toiletries and personal care items - exceeded US\$ 13.4 billion in 2004.

The company's goal is to be present in countries that consume 80% of all cosmetics, toiletries and personal care items in Latin America. Currently, the company operates in five Latin American countries other than Brazil, with local offices, including: Argentina, Chile, Colombia, Mexico and Peru. To get closer to its customers, the company has installed Natura Houses in Argentina, Chile, Peru, Colombia and Mexico. Natura is also present in Honduras, Bolivia, El Salvador and Guatemala through local distributors. According to the annual report, in 2010 the company had already 189.9 thousand consultants in the region and took an important step towards internationalization in 2010, initiating the implementation of the international manufacturing strategy through partnerships. The company believes that the evolution of the export model for the local production model will increase the generation of social benefits, as well as reduce the environmental impact, a combination considered crucial by the company to build a sustainable development model.

Also in 2010, the international operations started being managed from an office settled in Buenos Aires, Argentina, since 2008. By the end of 2011, the company plans to start manufacturing in Mexico and Colombia, and by 2013, it aims at reaching a rate of 50% of revenues from international operations in Latin America with products manufactured outside of Brazil.

### Internationalization strategies adopted in Europe

After the unsuccessful experience in Portugal, Natura

considered entering the European market again a decade later. The strategic decision to extend the operations to this market was taken based on the analysis of several studies on the European market, which results pointed to the appreciation of sustainable use of natural resources by some countries. It was verified that the consumers in these countries would identify with companies that had social and environmental commitments, and another significant aspect was the fascination with the Amazon Rainforest. Given this scenario, Natura believed that it could have a potential consumer market ready to be explored. However, other studies have shown that in some countries, depending on the cultural issue, the direct sales (on which the company's business strategy was based) did not please the consumers (Gomes, 2006).

Therefore, the company found itself in a dilemma, whether it should or not enter the European market. The executives knew that they could be very successful with their products in that continent. However, they would have to develop a new internationalization strategy, i.e. they would have to try a new business model (Gomes, 2006).

Thus, Natura opted for the strategy of establishing its own point of sale, and therefore, in 2005, it opened its first store in Paris, the Maison Natura. The French capital was chosen because it was the European city most likely to identify with the company's products. Natura knew the dimension of the challenge that lay ahead, as it was surrounded by large players in the region, but the company was aware that it would be an excellent opportunity to test its skills and that, from Paris, it could be able to conquer new European capitals.

According to Junior et al. (2008), the entry strategy in France through a physical point of sales was intended to test a new distribution channel. However, according to the strategic planning manager for international operations, the establishment of Natura store in France is justified by the presence in the center of the cosmetics world, allowing the company to: 1) build the Natura brand in France and subsequently in Europe; 2) learn from a more competitive market and demanding consumers; and 3) develop new technologies and products. The marketing strategy of Natura in Europe demanded the company's adaptation to the local environment and resulted in a new tool for marketing the products which the company does not use in any other country, the physical point of sale.

The Maison Natura in Paris is a place where the customers can find products, especially the Ekos line products, which are derived from raw materials of the Brazilian biodiversity. Above all, through the Maison, the consumer comes into contact with the Brazilian culture and customs. To develop this project, a team of 12 Brazilian professionals was transferred to France to adapt the products to the local laws, from the European

standard package size to the research and marketing planning (Gomes, 2006).

In 2006, the company started the direct sales test in France, and implemented the strategy of establishing a research center by opening an advanced research center whose main goal is, until today, to keep a close relationship with the development of new cosmetics technologies (Natura, 2006). The French operation also has a business office.