

# Caso natura harbard essay



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Professor Geoffrey Jones and Senior Researcher Ricardo Reisen de Pinho of the Latin America Research Center prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management. Copyright 2006, 2007 President and Fellows of Harvard College. To order copies or request permission to reproduce materials, call 1-800-5457685, write Harvard Business School Publishing, Boston, MA 02163, or go to <http://www.hbsp.harvard.edu>.

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807-029 Natura: Global Beauty Made in Brazil enough. The rapid consolidation of the global beauty industry was forcing smaller companies to be even more aggressive in developing new product lines, segmenting existing markets, and challenging the previously strong borders between the mass and prestige sectors.

However, despite the well-dressed Russian women walking past them in Red Square, the three founders wondered what this country would have in common with their home market, known for its luxuriant Amazon Forest, warm tropical beaches, and an ethnically and culturally diverse population. “Beginning with its Cyrillic alphabet, almost everything was initially beyond

our understanding,” Leal remembered. As they approached the door to the business center, many thoughts crossed the minds of the Brazilians.

Natura, they felt, was a unique company with a growing vision for humanity.

Would globalization facilitate the achievement of this vision or prove the ultimate undoing of the company? Was the company ready to build a global business? Was Russia a step too far? The Brazilian Beauty Market Regardless of culture, geographical location, or era, beauty had always created significant economic and social advantages. Economists agreed that there was a beauty premium: physical attractiveness, which could be enhanced by products of the beauty industry, appeared to exercise a major impact on individual lifestyles, ranging from the ability to attract sexual partners to lifelong career opportunities and earnings. The modern beauty industry was established during the late nineteenth century, as social attitudes toward the use of cosmetics became more favorable and as branding strategies and mass production began to be applied to the former craft industry.

<sup>3</sup> In 2004, beauty was a US\$231 billion global business, with compound annual growth rates (CAGRs) close to 5% since 1999. <sup>4</sup> It appeared largely recession-proof.

This growth had been driven by aging baby boomers in Western countries with higher amounts of disposable income and growing middle classes in developing countries such as Brazil (see Exhibit 1 for sales of cosmetics and toiletries by major markets). Preteen girls, metrosexuals, and seniors all offered huge future growth potential. Brazil was the fifth-largest country in the world in terms of area and as of 2005 held 20% of the planet’s

biodiversity, mainly located in the Amazon region in the northern part of the country. It had a total population of 180 million and gross domestic product (GDP) that ranked 10th in the world.

6 Approximately 80% of its population lived within 350 kilometers of the coast, with the majority of its 47 million households (83% of the population) located in urban areas.