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Vichy goes to Brazil: the road to success

Abstract

The objective of this case was to study how the cultural variables can influence the internationalization process of a brand, and how the marketing strategy can be designed balancing standardization and adaptation in order to not only achieve scale gains, but also guarantee a certain level of appropriateness to the characteristics of the consumer market being considered. The case was organized as follows: first the history of the Vichy brand is contextualized; then, its expansion process for the Brazilian market is approached; and, finally, the future challenges for Vichy in Brazil are discussed.

Key words: International Marketing, Internationalization, Adaptation, Standardization, Repositioning, Brazil

Introduction

Brazil is, without a doubt, a country of rich cultural diversity. The colonization period (when the Portuguese, Dutch, Spanish, German, Indian, and many others were found in the "tropical country") transformed Brazil into a multi-culture country, which is quite complex and not very common. Due to this, in the decision-making process of international companies of entry in other countries, when assessing the country's environment, culture stands as one of the most important variables. Hence, the definition of assertive International Marketing strategies for entry in this country can prove to be a difficult task especially for multinationals who may be surprised by this scenario.

The adaptation vs standardization dilemma is a function of the corporate strategy in which the company needs to make decisions on several variables. This dilemma is associated with two extreme options that companies can take: while adaptation focuses on better adapting to local markets, standardization gives global directions so as to achieve economies of scale. To overcome some of the difficulties associated to differences in performance in different markets, companies decide to make a trade-off between adaptation and standardization of international marketing variables. This trade-off is known, within the discipline of international marketing, as the dilemma adaptation vs standardization. (Rocha & Silva, 2011)

The case of Vichy, a French brand of dermocosmetics, is a good example of how the balance between standardization and adaptation can be built so that the brand has real benefits during its internationalization process, especially in more complex and uncertain scenarios as the Brazilian market. Adding to this, it is a case that illustrates how a company can tailor its marketing strategies to the cultural particularities of a country or a locality, and how it can use a specific market to contribute to the global strategy of a global brand.

During its process of entry into Brazil, Vichy faced some difficulties due to the Brazilian cultural barriers. By the time Vichy's directors understood that the Brazilian public had not reacted as expected to the brand's proposal and positioning, they decided that the situation needed to change. Bearing that in mind, they reformulated their entire strategy to "re-launch" the brand in Brazil aiming to find a consistent positioning in the market, and also to create a stronger emotional proximity to Brazilian consumers. With the implementation of these new strategy, the brand became more relevant in the market, consolidating its positioning, and even using Brazil as a laboratory for its launches worldwide.

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achieve scale gains, but also guarantee a certain level of appropriateness to the characteristics of the consumer market being considered.

Vichy

Vichy, L'Oréal's dermocosmetics brand, is now present in approximately 90.000 sales points around the world and is distributed in more than 60 countries. It has more than 20 million consumers and has around 200 products, divided into the product lines of skin care, body care and sun care. It is, today, one of the 10 largest and most important brands of the L'Oréal group, and it is the number 1 in sales in pharmacies and drugstores in Europe, in addition to having considerable participation in the markets of the US and Brazil. In Brazil, Vichy has been operating since 2001, and despite reporting consistent growth in recent years, Vichy has faced some difficulties in sustaining its positioning during the first few years in the Brazilian market.

Vichy is an originally French brand, which was accidentally born in the city that gave it its name: Vichy. The city has about 60.000 inhabitants and is located in Central France, near Clermont-Ferrand in the Auvergne region. The region is strongly associated with the time when it was the capital of France of Vichy, during the occupation of Nazi Germany in World War II. But, in fact, it is its famous thermal spas that make it world-famous these days.

Vichy - as a brand – is born officially in 1931, but to understand its history it is necessary to go back 30 years and to know in depth the history of Prosper Heller: visionary doctor, who, with his dream to explore the world, ended up changing, inexorably, the world beauty market. In 1899, Heller, still young and with his dream to conquer the world, joined the French pacific mission in the Sahara Desert. A few years later, he was forced to return to France and gave up his dream to become a doctor at the *Vichy Thermal Spa Center*. Always avant-garde and with an (unbelievable) holistic view on health, he reinvented the SPA industry, combining the most modern medical techniques of that time: electrotherapy, mechanotherapy, and anatomical massage. As a result, he raised the reputation of the Vichy Thermal Spa Center worldwide and consolidated it as one of the largest and most renowned Spa Centers on the planet. All that legacy would have been sufficient for Heller to have literally achieved worldwide fame, but perhaps he was willing to go that extra mile. Years later, he would discover something bigger, that lasts until today in the market of cosmetics all around the world: the unbelievable properties of the thermal waters. After washing some of his patients' wounds with the thermal waters of the Vichy resorts, Heller observed that they allowed a rapid (and unbelievable) healing of the skin. Thermal waters were able to stimulate natural cutaneous defense because they had large quantity of minerals and antioxidants. It was in 1931 that, in partnership with Georges Guérin, industrialist and president of Parfums Grenoville, he took

another important step: the creation of Vichy as a brand of the dermatological segment. Always containing the miraculous water in the composition of its products, Vichy was the pioneer in the creation of cosmetics segmented by types of skins, taking into account the diversity of the women. More than a new brand, from there, an innovative category of products emerged: the dermocosmetics, that represent the healthy (and pioneering) union between medicine and cosmetics.

The first Vichy product launched on the market was an anti-aging wrinkle cream (Annex 1), and over following years new products were added to its portfolio, always developed through partnerships between scientists and internationally recognized doctors. The connection between medicine and beauty has always been present in the brand's history and keeping that principle alive was essential to the huge recognition it has gained over the years. This success caught the eye of L'Oréal, a French multinational company and global leader in the cosmetics segment. In 1955, L'Oréal bought the brand, and right after important changes in the marketing mix were made: the goal was to enhance the growth of Vichy through its pioneering position in the segment, still in development, of functional cosmetics.

Firstly, new product lines were launched in the market, always presenting innovations that could strengthen the positioning of the brand and consolidate the dermocosmetic term once and for all. The distribution was conducted by pharmacies and drugstores. Moreover, a new slogan was created for the brand: "***Vichy health is vital. Start with the skin***", and the logo also went through some changes (Annex 2).

Year after year, Vichy's launched new products to its wide portfolio, and was able to sustain its pioneering position in the dermocosmetics segment. That is how Vichy earned its share in the European market and consolidated its position as number 1 in pharmacies across all Europe. Due to the great potential of the Brazilian market concerning the beauty segment, Vichy decided to start its expansion to Brazil in 2001. So as to understand what the strategy of entry was, it was necessary to take into account the dimension of this market in Brazil.

The beauty market in Brazil

The Brazilian woman is, without doubt, a synonym of vanity and beauty. Aware about the face, the body and, especially, with the hair, there are millions of consumers who promote the market of beauty and aesthetics in Brazil. This culture of good looks can be translated into numbers: there are approximately 100 billion Brazilian reais traded annually, countless players of various dimensions (some examples are the giants Unilever, Procter & Gamble, Johnson & Johnson, L'Oréal etc.) and thousands and thousands of products are released

every year. As a result, Brazil is today the 3rd largest beauty market in the world, being the 2nd fastest growing country in this segment. If we considered only the specific market of fragrances, sunscreens and nails, Brazil is already the 2nd largest on the planet.

This market also stimulates the growth of numerous complementary services: today the country has about 500.000 manicures and 190.000 beauty salons (100% focused on aesthetics). It is number one in plastic surgeries and has the second largest population of dermatologists in the world, with 99% of them focused on cosmetic procedures. In 2016, the sector grew by 19% versus the previous year, and the main reasons are: from the increase in life expectancy (generating the need to maintain an impression of youth) to women entering the labor market (which increases their purchasing power and thus they consume more). And the expressive numbers do not stop there: the expectation of experts is that this market grows more than 100% by 2025.

However, Brazil is much more than just a very promising market: it also has a very strategic role for multinationals in the beauty segment. Due to the fact that the country has a great diversity of ethnicities, with different hair, bodies and skins (with women descendants of European, African, Indian, Japanese, Lebanese, Chinese, etc.), Brazil became a great (and important) production laboratory. In addition, it has a huge wealth of natural and medicinal resources, which can be raw materials of new (and innovative) products for the market.

The big global companies in this segment already seem to understand the potential of the country. Despite numerous small and micro-enterprises in the sector, the five largest companies (part of them multinationals) concentrate half of the sales of the beauty market in Brazil.

Despite being a promising market, Brazil also presents a strong competitive scenario. The challenges of Vichy's internationalization were significant in 2001: to consolidate the category of dermocosmetics in a market dominated by large companies (and their financial contributions) already established for some time in the country and, therefore, with extensive knowledge about that consumer market.

By contrast, the specific segment of dermocosmetics was still quite an unknown territory. Among the 5 largest companies cited above, none had relevant offers in this area. Thus, Vichy's biggest direct competitor was in L'Oréal's own portfolio: it was La Roche Posay, a brand of dermocosmetics that had already coexisted with Vichy in other markets and had already begun its operations in Brazil when Vichy began its expansion for that market.

The Entry into the Brazilian Market

In order to understand how Vichy entered the Brazilian market, we must first understand how the dermocosmetics market in Europe, the origin of Vichy, is structured, and where the brand has been designed for the world. L'Oréal has the two largest brands in the European cosmetics market: Vichy and La Roche-Posay. Although they are in the same segment, both have very different positionings, which have always worked and were easily understood by European consumers.

La Roche-Posay is a brand with more functional benefits, focused on the specific needs of the skin. The brand talks about caring and healing, so it has always been worked on the concepts of safety, efficacy and simplicity, even signing as "laboratoire dermatologique" (dermatological laboratory). By quickly analyzing all the La Roche-Posay communication codes (Annex 3), from the advertising pieces to the color palette used, it is easy to perceive the imperative of this positioning: predominantly white packaging, highlighting the product features and communication pieces following the same color code of the packaging, strongly using the appeal to promote skin health.

Vichy, on the other hand, seems to be a brand oriented to promote the quality and appearance of the skin, and its main message revolves around rebalancing and promoting well-being. The brand is worked on the concepts of recovery and beautification, signing as "Vichy Laboratoires" (Vichy laboratories). Its communication pieces (Annex 5) translate this positioning very well: always with emphasis on the product and allusion to the feminine beauty and convey a concept a little more playful, taking advantage of the V of "Vichy" in the different colors of their packaging.

Their SPA centers, both located in the cities that gave them the names, are a *pout pourri* of these concepts, and translate very well the differentiation between the two brands: while the La Roche Posay Spa Center resembles a "dermatological hospital" (Annex 4), the Vichy reminds one of luxury hotel (Annex 6).

The great potential concerning the beauty segment, seems to have been the main motivation Vichy had to enter the Brazilian market. It has over 7.000 dermatologists (ranking second in the number of dermatologists in the world, behind the United States), and a pharmacies channel that has become more organized and focused on selling cosmetics products. In 2001, Vichy was introduced to the Brazilian market mainly through the pharmacy channel. The company, which used mainly distributors to approach the market tried to replicate exactly the same positioning it had on the European market, that is opting for standardization, as it was believed that this positioning and differentiation, as

opposed to the main competitor La Roche-Posay, would apply to Brazil. It seemed a very obvious and natural decision, given Vichy's success (and continued growth) in Europe. In addition, standardization could facilitate the support of a single global positioning for the brand and to obtain, in a certain way, scale gains. Therefore, it seemed natural for the company to proceed as follows concerning the elements of the marketing mix with respect to its performance in Brazil:

- Product - some product lines were imported from the European market, all produced in France. The products came with the same packaging (with the language in French and in English) and had the same functionalities designed for the French market.

- Place - Initially some Vichy sales booths were developed, but later the distribution of the brand was focused on the pharmacy channel.

- Price - The price logic followed the European market: exactly the same price was used, only with the additional application of the corresponding taxes.

- Promotion: the materials were translations of the international communication, without any additional adaptation. Looking at the pieces of communication (Annex 7), it is noticeable that the visual language was standardized, the communication messages were exactly the same and the product features were communicated in precisely the same way. The ads were usually published in mass-media magazines.

Although there was a well-structured and assertive strategy in the success model that had been used in Europe, Vichy's positioning was not very clear to Brazilian consumers due to some cultural barriers that compromised the success of standardization right from the start. In the table below (table 1), the main obstacles of the proposal used in the Brazilian market are presented:

“Beauty concern”	Analyzing the main beauty care of Brazilian consumers (Annex 8), it is possible to perceive a great difference in relation to other places of the world: first comes hair care (50%), then body care (30%), and, finally, face care (20%). This logic is completely different in other countries, so importing a pre-conceived portfolio, without considering the cultural distance to Brazil, could end up making impossible the success of internationalization.
Skin type	Unlike European women, Brazilians have more oily skin due to the warmer climate predominant in the country for most of the year. Thus, bringing European products that do not meet the specificities of this skin type, and therefore that are not relevant for Brazilian consumers, could act as another barrier to the internationalization of Vichy.
Tropical climate	In Brazil the temperature is generally higher, especially during the summer. Therefore, women are very concern about the damages to the skin caused by the sun exposure and. Due to this reason, using sunscreen daily is a very common routine among Brazilian women. This characteristic should also be considered when defining the Vichy portfolio to compete in the Brazilian market.
Language	Packaging in French or English were also great barriers to the internationalization of Vichy to Brazil, since they made it difficult for consumers to understand what was written in the packages. The country has major gaps in terms of education, with only 5% of its population speaking a second language. English proficiency, for example, is so low among Brazilians that the country ranks 41 st in a ranking of 70 countries developed by an international education group.

Table 1 - The main obstacles to Vichy's strategy in Brazil

Adding to all these factors, the differentiation of Vichy versus La Roche-Posay was also not well understood. In the eyes of the consumers, both seemed to have the same proposal and even though Vichy had very strong brand properties, it ended up running out of identity. All things considered, L'Oréal needed to review Vichy's strategy to create more identification with the local market. From that moment, L'Oréal wanted that its brand in the dermocosmetics segment could serve the Brazilian market and be differentiated by the psychographic profile (lifestyle) rather than the functional benefits of their products, which are often far from the reality of the local market.

The changes were made gradually - as the Brazilian market seems to require a large investment, due to its dimension and cultural plurality - and aimed at a long-term growth of the brand. Among the strategy's changes conceived, the brand chose to achieve the following regarding the variables of the marketing mix:

- Product - The product portfolio was the most significantly changed. Firstly, the products had to be adapted to the Brazilian skin characteristics, which is predominantly oily. Vichy also needed to work with line extensions: highly effective sunscreens were introduced in the market, aiming to meet the sun protection needs of Brazilian consumers; and in order to reinforce the dermatological part of their dermocosmetics, products with high concentrations of effectiveness actives have also been launched, since these are the products most prescribed by dermatologists. Finally, the packaging was translated into Portuguese (today about 90% of Vichy products are in the Brazilian language), and, over the years, some products have been produced in Brazil, exactly so that the brand can adapt more to the specificities of this market.

- Place: The distribution continued focused on the pharmacy channel, but gradually expanding the coverage within this channel. Another crucial point for Vichy was to work the display of the products in the points of sale, so that the brand could generate greater conversion in the moment of purchase of the consumer. Additionally, in order to modernize its presence in pharmacies, the brand decided to open dermacenters, where consumers can buy products from La Roche-Posay, Vichy and Skinceuticals. In these points of sales, consumers can get advice from derma-advisors, sharing their knowledge and recommending the most appropriate products for each person. This enhanced the customer experience by offering an experience with real added value to the customers.

- Price: The brand continued with its premium price positioning. The biggest change in this variable happened when some products started being produced in the country, and the price volatility became smaller (simplifying the implementation of its position) because the variation of the dollar started to impact only on raw materials, not on the final product.

- Promotion (communication): Together with the product variable, communication was one of the variables that suffered more changes by this restructuring of Vichy in Brazil, because the brand developed a series of activities to communicate, in different ways, with each of its target audience. The first strategy adopted was dermatological endorsement, when activities were implemented with the aim of bringing Vichy closer to dermatologists, so that they would indicate the brand and advocate the dermatological properties of their products. In addition, in order to generate more identification with its consumers, all the pieces of communication were adapted to the Brazilian market (Annex 9): the product continued to be the main focus of the advertising campaigns, but

100% of the pieces were distributed in Portuguese and the models used, from then on, were all Brazilian (guaranteeing greater identification with its public).

Moreover, all these strategies seem to have contributed to make the concept of dermocosmetics more present in the Brazilian daily life, which helped Vichy to differentiate itself from the other brands already established in Brazil (Natura, Avon, Boticário, etc.). It was clear that Vichy belongs to a differentiated category of functional cosmetics, while the competitors act mostly in the mass cosmetics segment.

After the consolidation of the new strategy, the market responded positively, and Vichy showed consistent growth, year after year. Today, the brand grows twice as much as the market, with great highlights for the sunscreen product line, where Vichy grows three times more than the segment (Annex 10). With growth of +35.9% in 2013, Brazil is a major growth for the brand.¹ Vichy achieved a true acceleration in sun protection and anti-ageing and reinforced its model around medical visits and prescription by dermatologists. A key issue in a country where beauty holds an important place. In social networks, where the brand has been working hard, there are already more than 200.000 followers, ahead of the market players: La Roche Posay BR (160.000 followers), Natura BR (72.000 followers), Avene BR (56.000 followers) and Neutrogena BR (32.000 followers). Source: Instagram 2016. Still, in terms of billing, after the repositioning of the brand in Brazil, the great growth that Vichy has been presenting is noticeable: expressive results year on year, and with great prospects for the future (Annex 11).

Future Challenges

Today Vichy grows significantly: one can say that the structural (and long-term) changes were extremely assertive and guaranteed their consolidation in the Brazilian market. The brand has an extensive line of products (many of them already produced locally), and today Brazil serves as a laboratory for worldwide launches. All communication is worked focusing on specific product lines, and the brand already uses its social networks (with thousands of followers) to work the endorsement of dermatologists and influencers of the digital world.

However, it was visible that the Vichy brand still has low percentages of *Awareness* among users of dermocosmetics, falling behind all its competitors (Annex 12). Faced with this, the challenge for the brand directors was: how to enhance the current good image of Vichy, making it well known on a large scale in the Brazilian territory? How to maintain brand growth in the coming years? These are the challenges that the brand presents to its local team on a daily basis and for which it relies not only on the experience accumulated over decades in

¹ L'Oréal Finance: the Letter to Shareholders n°60 Spring 2014.

the European market but also on the experience of a decade and a half in the particular Brazilian market.

Annexes

Annex 1: Vichy's first product on the market



Annex 2: Vichy logo



Annex 3: Communication Codes La Roche Posay





Annex 4: La Roche Posay Spa center



Annex 5: Communication codes Vichy

**NOUVELLE ARME DE POINTE
CONTRE LES IMPERFECTIONS**

NOUVEAU
NORMADERM HYALUSPOT
AVEC TECHNOLOGIE « EFFET PANSEMENT »

Dès 48h
Les imperfections disparaissent
plus rapidement sans laisser de marque

EN SAVOIR PLUS

IMPERFECTIONS
SOS
ET MARQUES

PEAU SENSIBLES
SANS PARABEN
EAU THERMINALE DE VICHY

The advertisement features a close-up of a woman's face on the left. A large green leaf graphic is superimposed over the image, with a white tube of Vichy Normaderm Hyaluspot product positioned vertically through it. The product tube has the Vichy logo and the product name. The background is a soft, light green.

NOUVEAU
**IDÉALIA
LIFE SERUM**

TRANSFORMATION VISIBLE
DE LA QUALITÉ DE PEAU

The advertisement features a close-up of a woman's face on the left, with her hands resting on her cheeks. A large pink leaf graphic is superimposed over the image, with a clear glass bottle of Vichy Idéalia Life Serum positioned vertically through it. The bottle has a silver cap and the Vichy logo. The background is a soft, light pink.



Annex 6: Vichy Spa Center

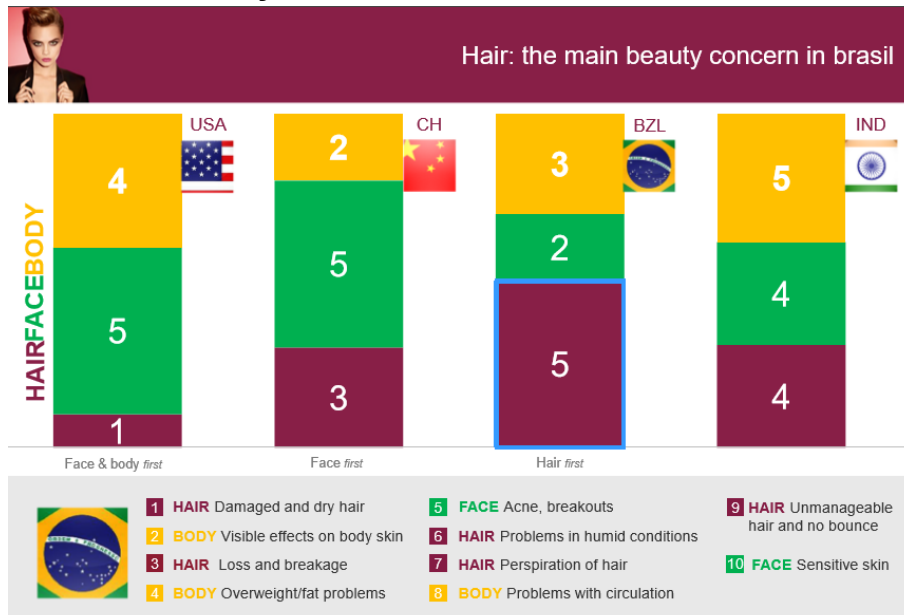


Annex 7: Adaptation of Vichy communications for entry into the Brazilian market





Annex 8: “Beauty concern” in Brazil

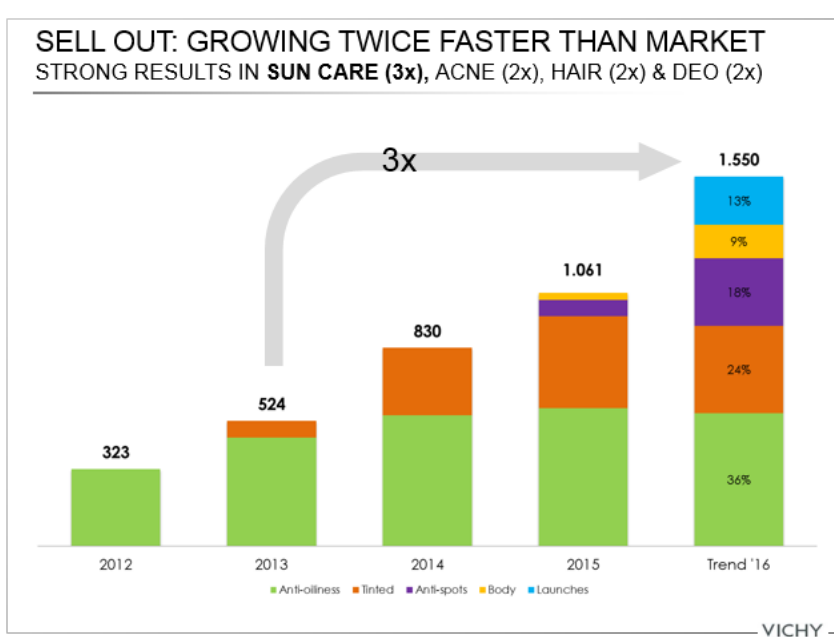


Source: Market research report of Vichy in USA, China, Brazil and India, 2015

Annex 9: Current communication pieces of Vichy

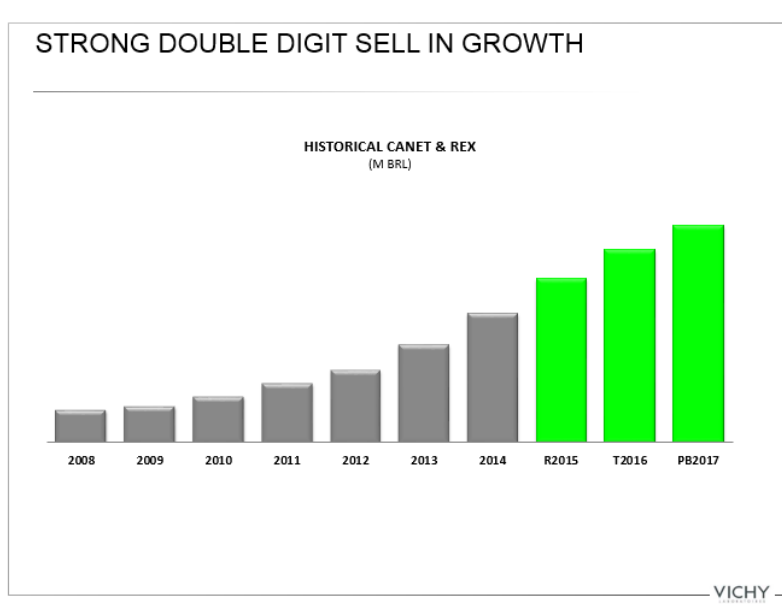


Annex 10: Vichy results



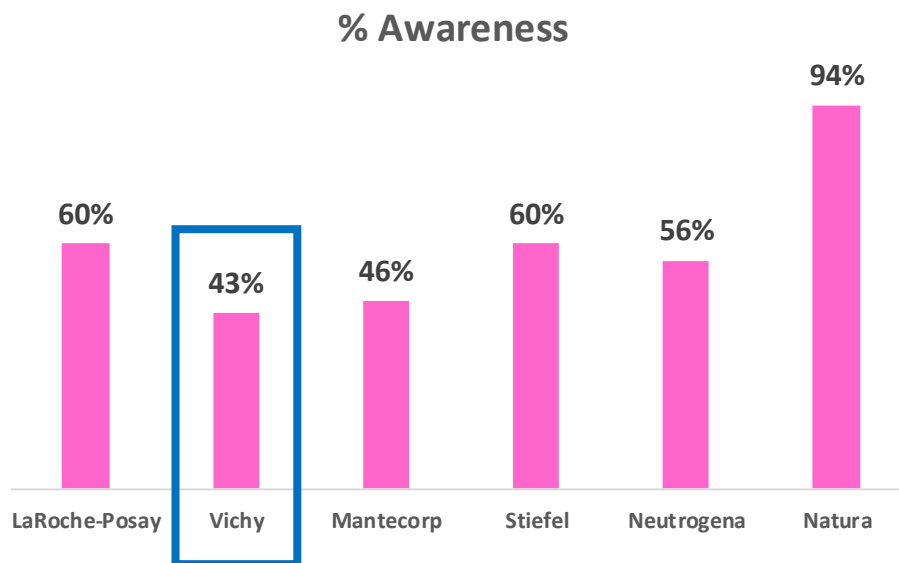
Source: Vichy sales report 2015

Annex 11 - Growth of Vichy after the "re-launch" of the brand in Brazil



Source: Vichy sales report 2017

Annex 12 - Brand Awareness (Derma Users)



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