

# Clarins K.K.

By Nagami Kishi

Most companies which have grown in size through the sale of European luxury products during the bubble economy are now suffering deteriorated performance under the present recession. Clarins K.K., the Japanese subsidiary of a French manufacturer of cosmetics, is one of the few still enjoying a steady growth. "We achieved sales of ¥7.4 billion in 1992 on a rack-price basis, a ¥1 billion growth from the previous year. We project sales of ¥8.5 billion in 1993," says President Namio Wanikawa of Clarins K.K.

Clarins S.A., the French parent company, is distinct from many competitors in that it began its history in 1954 as an aesthetic salon in Paris. Mr. Jacques Courtin-Clarins, who founded the company and has been president since, initially won a significant reputation among customers by preparing products with his own hands according to the skin characteristics of a particular customer and offering, after counseling, to perform the work himself.

As customers increased, a complaint surfaced about the inconvenience of only being able to receive skin treatment at one shop. As a solution, Clarins began to sell cosmetics as retail products in 1966. Even in retailing, Clarins adhered to the initial principle and handled the goods solely as a means of making it unnecessary for customers to come to the salon personally.

The shops handling Clarins products, therefore, put up a sign reading "École de Beauté" (School of Beauty) but do not display their products. Instead, skin care specialists who have received sufficient training provide counseling over the counter. They instruct their customers on the Clarins theory, how to use particular products, and the actual practice most suitable to individuals.

President Wanikawa explains, "Our principle of skin care lies in maximizing the beauty of bare skin. Our products are manufactured mainly using the essences of different plants as ingredients, because cosmetics are products to be applied on bare skin every day, and quality, stability and safety are essential. Japanese people tend to associate cosmetics made from plants with natural cosmetics, which bear

a cheap image here. What makes our products distinct from these cosmetics is that ours are made from plants but give the image of luxury products. Our basic philosophy in pricing is to price our products reasonably."

Clarins S.A. established its Japanese subsidiary, Clarins K.K., in 1985 and went operational the following year on the Japanese market. Since then, the subsidiary has grown steadily in sales; it recorded a black-ink balance on a one-fiscal-year basis in 1988, cleared all the cumulative losses away in 1989, and achieved a sales of ¥7.4 billion on a rack-price basis last fiscal year.

In Japan, Clarins sells its products over the counter at department stores, chosen according to its strict standards. Except for large markets, such as Tokyo and Osaka, it never has its products handled by more than one outlet in one prefecture. In the Tohoku and Shikoku regions it sells only at one shop; Fujisaki in Sendai and Iyotetsu Sogo in Matsuyama, respectively.

Concerning this strategy, Mr. Wanikawa explains, "Having our products carried by a limited number of outlets is a strategy being taken not only in Japan but also in other countries. Our policy in Japan is to have our products handled only by highly-sophisticated, top-rate department stores so that we can ensure that these stores achieve good performance. It is not our business philosophy to pursue aggressively a rapid growth in aggregate sales by increasing outlets."

At present, Clarins products are being sold at 34 department stores in Japan, which will be increased to about 50 in three or four years. After that, Clarins has no intention to increase the number of outlets. Also, unlike some other foreign manufacturers of luxury products, it does not plan to operate its own outlets in prestigious hotels or at luxury shops in Ginza.

"Using department stores as outlets saves one from being caught in the multi-shop trap. Isetan in Shinjuku, for example, is visited by 100,000 people per day, and we sell ¥60 to ¥80 million in rack prices per month. Thus, the advantages of selling at a limited number of prestigious department stores over having costly individual

shops are obvious," says President Wanikawa.

Individual shops are mostly operated as the symbol of a manufacturer or as a means of maintaining its prestige, neither of which interests the Clarins management. Besides, for Clarins, an increase in outlets means more skin care specialists to deploy, more cost, and less per-shop sales. The Clarins management has taken all this into account and chooses to continue with its present strategy.

Previously, 75% of total cosmetic sales at a department store represented the sales of domestic products, and only 25% was achieved through the sale of foreign products. But now, the sales levels have reversed completely, with foreign products accounting for 75%. This is partly because Japanese manufacturers tend to withdraw their product from a department store rather quickly if it is not profitable.

Among the subsidiaries of foreign cosmetic companies in Japan, Clarins K.K. and Clinique Laboratories K.K., the subsidiary of Estée Lauder Inc., are the top two manufacturers, far and above others. Clinique achieves greater sales than Clarins, but through far more outlets, i.e. 100. It has grown steadily as Clarins has, but in 1992, it suffered a year-on-year negative growth in sales. This result demonstrates that Clarins' strategy of adhering to a limited number of sophisticated outlets has been a smart choice.

## The personal touch

Clarins offers guidance to customers in using its products in their daily skin care. It gives visitors samples, and asks them to come back if they are satisfied with the effects of the products. Now, many cosmetic companies do this also, but Clarins is the first to use this method. One significant difference between the Clarins method and others was that Clarins' skin care specialists are not assigned sales quotas. This flows from the belief that customers are sure to return if they are satisfied with the product, which implies, in turn, how strongly Clarins believes in its products. If a customer tries to buy three packs of a product, the skin care specialist would advise her that she should make it



Clarins uses ingredients from plants to enhance and enrich natural skin beauty.



Clarins K.K. President Wanikawa



Staff prepared to serve and advise on the benefits of using Clarins cosmetics.



two, Wanikawa says.

Japan is not the only Clarins subsidiary using this method of offering guidance over the counter and samples to customers. It adds, however, an original kind of tactic to this method, that is, the management of information obtained through its outlets. The Clarins outlets in Japan collect data from customers, classify each customer under a number of items, including motivation for visit and products purchased. The information is input on the spot and used as a database for subsequent reference in sales and marketing.

Visitors are classified into several groups: "new," those who visit the Clarins shop for the first time and give their names; "free," those who visit the Clarins shop for the first time but do not give their names; "return," those who did not buy any products on their first visit but buy some on their second; "repeat," those who bought some products on their previous visit and again on subsequent ones; and "no purchaser," those who visit the shop but leave without buying anything. Thus, data is accumulated steadily on what kind of products a customer with a certain pattern of behavior would buy, what kind of products would be purchased next by a customer who bought a certain product, and so on.

Clarins also makes a detailed analysis of its advertisements and sales promotion from which it develops careful strategies. While many manufacturers have been cutting their advertisement and sales promotion cost because of decreased sales, Clarins has not done so—it is increasing them instead. In advertising, Clarins focuses on advertisement and promotion

department stores. But Clarins chose to support the department stores in the hope that they will hold out and recover soon.

"The attractive products and sales strategies supplied by our parent company are two major reasons for our success on the Japanese market in a short period, and the bar-code system employed in Japan for computer analysis is another. There is another reason which is as important—the management of our parent company has a policy of entrusting local management with the operation of a local subsidiary," Wanikawa analyzes.

According to him, head management in France is concerned with four points. The first is maintaining and enhancing the quality of counseling so that customer satisfaction can be increased; second is management based on long-term prospects; third is the creation of a family atmosphere within the organization; and fourth is employee attention directed toward the front lines, that is, the shop counters. Except for these principles, head management entrusts decision making to the Japanese management.

### Global success

"There are a few French directors in Japanese management, but only nominally. Clarins K.K. is, in effect, being managed by Chairman Takakura, the ex-president, and myself. Of course the top members of the head office often come to Japan, and I also visit there fairly frequently. In fact, they are surprisingly familiar with Japanese conditions, and, therefore, are exact in instructions. But, generally, they place great confidence in us. Giving priority to the intent of local

management is not specific to Japan, but is the global strategy of Clarins. The four basic concepts, together with this strategy, explain the higher ratio of employees who stay longer with this organization than the average for foreign companies doing business in Japan," President Wanikawa explains.

Clarins' strategy in entering a foreign market is, thus, to thoroughly investigate the circumstances of a target country, develop a basic strategy that is appropriate according to the findings, and to entrust the implementation of that strategy with the local management. Clarins set up the Japanese subsidiary in 1985, but before that the top managers in France since the late 1970s had frequently visited Japan. Through this work they saw that total aesthetic care was becoming a boom in Japan, demonstrated by the term "body conscious," and finally decided to begin business. This resulted in the later start in Japan than in some Southeast Asian countries. The process taken by Clarins may not seem so significant, but is what many other companies have failed to do.

In entering the Japanese market, the Clarins management selected Mr. Hisashi Takakura, now chairman of Clarins K.K., as president. Mr. Takakura spent many years with Shiseido Co., Ltd., the top Japanese cosmetic company, including several years' service as president of IPSA, Shiseido's subsidiary which handles luxury cosmetics. After solidifying the foundation of Clarins K.K., Clarins invited Mr. Wanikawa, the current president, into the organization. Like Takakura, he worked many years for Shiseido, climbing up the career ladder from section chief of the department store division to president of Shiseido's subsidiaries in the United States and Germany, and ended up as IPSA president.

Wanikawa states, "I have much experience in sales and other aspects of department store operations. I also studied in depth the Clarins company when I was president of Shiseido's subsidiary in Germany. Thus, I had experience in selling cosmetics at department stores and enough knowledge of Clarins' way of doing business, which enables me to work fairly smoothly without much trouble."

Wanikawa entered the subsidiary of Clarins as vice president in 1992. After engaging in practical business affairs for

(continued on page 49)