



Sequoia Case Study

Oriflame: Rising in the East

How cosmetics provide an outlet for the entrepreneurial spirit in Easter Europe.

Our featured client in this issue is Oriflame – possibly the most successful FMCG company you have never heard of.

The company has fundamentally cracked the East European market conundrum – distributing cosmetics the length and breadth of the CEM and CIS regions – and has grown to over \$1bn in sales in a little over a decade.

Founded in 1967 in Sweden, Oriflame's business spread across Scandinavia in the first 23 years of its life, and on into the UK, Holland and Iberian peninsula. By 1990, it was a modest but successful enterprise with sales of just under \$100m p.a. In that year, it launched in Czechoslovakia (as it was then); and in successive years, Poland plus Hungary, then Russia plus Turkey and Latvia, then Ukraine plus Slovakia. This process continued until, by 2000, virtually all of the CIS and CEM was included, by which time sales had grown to a staggering \$400m –

18% CAGR over a decade. By 2006 sales had burst through the \$1bn mark, driven both by continuing territorial expansion in

South America and Asia and also by enviable levels of organic growth from its existing territories.

So...what's the secret?

Certainly, the products are excellent – but many cosmetics companies with equally good products and much bigger brands and budgets have come nowhere near this level of success within the Eastern parts of Europe. The secret is in the Oriflame direct sales business model which has a special tweak to unlock the latent (and largely frustrated) entrepreneurialism that exists within emerging economies.

Oriflame supports and encourages its consultants to recruit their own consultants, providing facilities, branding and other support services. In turn, these

consultants have created a huge network – focused on sales and distribution of Oriflame products – at a grassroots level. This network is highly motivated and imbued with immense local knowledge of how to operate in some of the most difficult areas of the world. The consultants solve all the micro-distribution problems for Oriflame, who only have to get

the products to the local warehouse. Oriflame's problems are, to use a cliché, those of success. Their own distribution network and replenishment policies have had to grow rapidly and organically. Five years ago it was failing; Brian Rolfe and David Nordon came in and fixed it. Now they have developed, with Sequoia, a comprehensive pan-CIS distribution strategy, which will see the establishment of an infrastructure that will serve Oriflame for the next decade of growth.