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Mainland China's market is crucial for the development of the company internationally

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Laurence Fr my, director for APAC at Laboratoires Expanscience, discusses emerging skincare and dermatology trends in the region and her priorities for the affiliate.

Having had the experience of opening the affiliate in Brazil, in addition to your in-depth understanding of other emerging markets, what were the key skills you developed there?

I had the opportunity to analyze emerging markets when I first joined Expanscience, with my extensive background in business development and management. This involved identifying new products, new markets and thus new opportunities for the company. I began working on how to help expand our presence in the world through a deep analysis of both India and Brazil. This observation and understanding of the market landscape and its potential to help in the decision-making process of whether we should enter the market through a partner or as an independent affiliate and capitalize on the opportunities present there.

At the time, Brazil was the third largest market for baby skin care and the route to market was in line with our global strategy. It led me to make a positive recommendation to our CEO, Jean-Paul Berthom , that we should enter this market independently.

Thus, I developed two main skills: firstly, understanding how to become operational in the country, by creating a team made of local talents and learning key business specificities like financial or administrative rules. Secondly, how to expand the company in the market. For me, a deep insight into the market requires a local team, especially in areas such as sales, marketing, and communication. Although I spoke Portuguese, there is always the obstacle of language barriers and miscommunication, so having a local team really helped me to fully understand the region and the market, far more than any research or observation I had done prior to arriving there. These are the main skills and attributes I was able to translate into my operations here in Asia.

What do you believe are the main similarities between an emerging market like Brazil and the APAC region?

What I discovered through my experiences is that there are a lot of similarities, despite the distance between the two regions.

An emerging market like Brazil actually covers both highly developed state cities with high-income levels and emerging regions. The Asia Pacific shows similar market situations with wealthy countries and emerging neighbors. In both cases, the challenge is to manage diversity and be able to develop

a brand in line with corporate guidelines but adapted to local realities. It requires the right mix between a deep understanding of the company's strategy and some agility/creativity in daily operations.

Another example lies in people management and commitment. I was warned that hiring young, career driven individuals would result in a high talent turnover.

However, my belief is that many professionals also want to be part of an exciting story, with a long-term vision and a career plan. I had the chance to share my vision for Laboratoires Expanscience in Brazil and convince many of my employees that there is a great job to be done in the region for our brands. Since first having them on board more than five years ago, I am proud to say that my key team players, who were all high-flying career driven individuals, are still with the affiliate. Similarly, I believe that young talents in Asia can be very attached to a company's vision and values, and deliver their best over many years

What have been your main priorities since becoming Director of the APAC region?

Since heading the region, my main priorities have been to honor the wish from management to enhance our position and presence in the Asian markets, along with supporting more our distributors and strengthening our relationship with them, ultimately forming partnerships.

Creating a strong presence in Asia has been a strong wish of our CEO. Beforehand, we only had a direct affiliate in Australia and distributors the other countries. In order to progress, it was important to create a regional team here and strengthen our Asian identity. To do so, a small team was set up in Hong Kong. Furthermore, in June last year 2017, both sides of our business units, baby skincare, and Rheumatology, have come together under the same organizational structure. The priority now is to manage and grow together with our partners in the APAC region and provide more training.

Another big step in the right direction to create this stronger presence in Asia came with acquiring our distributor in charge of our baby skincare brand Mustela on the Hong Kong market and establish a direct anchor here through a fully owned affiliate.

Finally, our major objective was to adhere to the big ambitions that we had for mainland China, which was structured under my responsibility. Mainland China's market is crucial for the development of the company internationally. We had formed a good relationship with our new distribution partner back in 2011 so it was crucial to continue reinforcing this bond and understand more about the country. Following on from this, we made the decision to prepare for the next ten years by splitting the Chinese affiliate away from APAC.

With regards to new markets, we've been experiencing an incredible success with our Mustela Brand on the Korean market since its relaunch by a new partner early 2017.

What are the main growth drivers when it comes to your product portfolio?

Looking at the figures, ten percent of the world population calls Asia their home, and half of the world population lives within a five-hour flight radius from Hong Kong. For Mustela, our baby skincare range, these figures offer great potential. Globally, we have a core goal of targeting one million newborn babies a year. This is an interesting figure, especially when knowing that the region covers both mature and emerging markets. In the latter, we observe that the middle class is growing

exponentially, with the consumption worth for their babies also growing proportionally. This shows that there is a vast, untapped potential in the region.

Secondly, mothers demand the safest highest quality products for their babies. I am proud to say that Mustela is a highly safe, science-based product range. We have extensive work ongoing in our laboratories in France, and we were the first company in the world to reproduce baby skin thanks to the patented Stela skin technology! Consumers want safe and also natural products. All our formulations are plant-based and our products contain a minimum of 95% of natural ingredients. Last but not least, our ranges are designed to different skin types, covering needs of normal, dry, very sensitive and atopic skins.

Here in Hong Kong and the region, levels of pollution are high. Thus, babies develop allergies or eczema. I see great potential to hone in on this unmet need and strongly push our plant-based atopic range to combat the issue. Overall, with safe, natural and adapted to different skin types of products, we can rely on an ideal offer to drive growth in the region.

Regarding Hong Kong in particular, where we have been present for over 25 years, we may think that we have reached a very mature position with limited growth potential. Nevertheless, recent Usage and Attitude studies have shown that with our different ranges and brands for unique skin types, we are beginning to unravel Hong Kong potential.

How do you adapt your marketing strategies to the “Mother and Baby” concept which varies in each country and culture?

The notion of “Mother and Baby” is a key question to ask when it comes to the Mustela brand. Motherhood is a cultural and an intimate topic, so we have to integrate some emotional aspects in our understanding of the markets.

The APAC region, made of ten very different countries and markets In China, Hong Kong, and Taiwan, their culture dictates that the first month with their newborn child is crucial, and so in Taiwan, there are many state of the art post-partum centers. However, in other countries, many new mothers return to work as soon as possible after childbirth. Moreover, in the Philippines, the role of the helper is very important. Overall, this means that we have to individually target not only different cultures but also different mindsets and respect their outlooks on the “Mother and Baby” concept. As aforementioned, having a local team is crucial to fully understand a culture. We take into consideration different viewpoints, especially when it comes to sales and marketing campaigns.

All of our clients care about safety and how best to protect their babies, so we have to push through our CSR commitment and respect for the environment also. Young mothers here in Asia are very much interested in the brand and its surroundings including safety.

Carrie Lam has made healthcare and aging a national priority this year for the first time in Hong Kong. As a rising issue in the region, how do you aim to adapt your business strategy around this with your rheumatology product?

The silver economy is booming in Asia and it is positive to see more government intervention, giving priority to the aging population and their needs. Here again, we are facing very different situations in the region. Regarding Hong Kong, we have not yet seen the potential to develop our Piasclidine® 300 rheumatology drug. When it comes to consumer goods like cosmetics, Hong

Kong can be seen as a huge duty-free market with a lot of different products and foreign consumers passing through. On the contrary, drugs answer to local specificities and this limits the Hong Kong market to its seven million only. Introducing pharmaceuticals into the market is difficult.

On the other hand, Korea is our biggest market in the world for our rheumatology product. Although we do not sell under the brand name Piasclidine 300, this is where we sell the most of our capsules. Korea is also very advanced in terms of its dermo cosmetic market, and as already mentioned, we also have a strong Mustela presence there. This country is a key focus in terms of development for the company and is a prime example of successfully implementing digital and advanced e-commerce solutions for our customers.

Jean-Paul Berthomieu's vision for the company is to have 75 percent of revenues coming from outside of France. What role does the APAC region and Hong Kong play in achieving this?

As it currently stands, 67 percent of all revenues for the company come from outside of France, so we are on the right track to reach this target. The Hong Kong affiliate is the latest of 16 to be opened and is, of course, the Asian hub. Although APAC already accounts for a quite significant part of our export sales, the opportunities in the region let us believe that the business is set to double within the next five years.

Strategically speaking, Hong Kong is a buoyant laboratory, because it is made of a mix of many different populations and experiences. On one hand, this means that new trends can be identified. On another hand, we can rapidly adapt and validate options that can then be implemented in other markets.

Hong Kong allows Expanscience to further position itself as a leading brand in the APAC region because it is a stepping stone into new markets. We are continuously pushed to remain competitive in these markets and strengthen our own brand presence here, in addition to becoming more coherent around the world in terms of pricing and branding. Furthermore, when looking at communication, the country's digital capabilities forces us to move ahead and continue to find solutions that our consumers can benefit from.

Looking forward, where do you hope to see the affiliate in five years' time?

My vision for the affiliate is to create something that headquarters in France could see as a benchmark. I want to capitalize on all of what Hong Kong has to offer in terms of communication developments and the capacity of the market. Here in Hong Kong, the brand is mature, we have a good business outlook, continuing to further push our new and exciting brands into the market.

Additionally, we have the first flagship Mustela store in the world open here, and we have booths in operation at key baby fairs in the area, which happen each and every year, targeting 500 000 mothers and their babies. To be a modern brand, Laboratoires Expansciences provides not only products but also services, expanding our horizons and moving into more entertaining moments for our customers, involving digital services. Remaining connected with our customers is a priority for the whole group, but I envision Hong Kong being the catalyst for this and thus a flagship affiliate for the future operations of the global organization.

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