

Hair Care Company Sitting Pretty

Assistance Locating Distributors

By Doug Barry

U.S. Commercial Service

The next best thing to having a factory or an office in a foreign country is to have a knowledgeable, aggressive distributor. It is also potentially the least expensive, lowest risk way to enter and profit from overseas markets, as many smaller U.S. companies are finding.

But how do you locate well-matched, trustworthy distributors without spending an arm and a leg?

Farouk Systems, Inc., a Houston-based manufacturer of natural hair care and spa products, wanted to get a foothold in Southeast Asia, after successfully entering more than 60 countries, including China. Lenita Fuchs, vice president for Southeast Asia at Farouk, learned about a trade show in Singapore from her husband, who knows the commercial counselor at the U.S. embassy there.

At the show last March, Fuchs met Luanne Theseira, a commercial specialist at the embassy. Fuchs was pleased to learn that Theseira and her colleagues at the U.S. Commercial Service offer a service called Gold Key that locates potential buyers and distributors for U.S. firms wanting to enter Singapore and other Asian markets. Of particular interest to Fuchs was that it is not possible to throw a mud pack in Singapore without hitting a beauty shop or spa.

"First we sought Singapore distributors who serviced salons and spas," says Theseira. "Then we took it further by asking the end users their opinion of both the Farouk product, its potential in an already saturated market, and which of their current distributors they were comfortable with."

Fuchs provided Theseira with a wish list of characteristics for the ideal

distributor. This list included: "Experience within the Southeast Asian market, connections with other countries, experience doing hair shows and educational seminars; a company with solid foundations within the industry, and financially sound."

Theseira came up with a shortlist of distributors in Singapore, and Fuchs approved them based on profiles of the potential distributors including existing distribution channels, how many people would be dedicated to the new agreement, and information on the financial status of the Singaporean companies.

MEETING AT THE EMBASSY

Farouk and the prospective distributors came to the embassy for a series of individual meetings that lasted through the day. Theseira watched as the parade of distributors explained to Fuchs how they would position and market the Farouk line in Singapore. "For a new product that is soon to be introduced in a market, knowing how well a distributor can build your brand is very important," explains Theseira. "Every U.S. manufacturer should want a distributor that looks long term and who will invest in the brand."

Theseira and Fuchs watched and listened as the prospective distributors described what in essence was a marketing plan for the Farouk line. "This

is important as it demonstrates understanding of the product and market, and if there is a fit then the agreement between the parties will fall into place," Theseira says.

CHEMISTRY AND GUT INSTINCT

Theseira says another important factor is the chemistry between the U.S. client and the potential distributors: "It is very important that there be a high comfort level between the parties. Whether or not this gut feel exists is often evident by the end of a session."

Fuchs settled on Tru-Line Beauty Consultants and its president, L.P. Lim, a former engineer turned beauty products dynamo. According to Theseira, "Lenita was very comfortable with Mr. Lim and felt that she could communicate and work together with him. We actually had an order for sample products from another distributor, but Lenita declined because she agreed to work with Tru-Line."

Lim concedes that his resume is somewhat unorthodox for this line of work. "For many years my concept of beauty care consisted of a bar of Lux soap, which I used head to tail," says Lim, who appears to be in his mid-60s and sports a surprising shock of lightly lacquered, jet-black hair, suggesting that Lux soap is a thing of the past.

"I needed a new career during an economic slowdown here in the 1980s, and I've always been interested in buying and selling," Lim explains. Tru-Line Beauty was formed 12 years ago and now



True-Line and Farouk meet at the embassy in Singapore to conduct business. From left are Commercial Specialist Luanne Theseira, Lisa Lee of Tru-Line Beauty, L.P. Sim of Tru-Line, and Lenita Fuchs of Farouk.

Photo courtesy of U.S. Commercial Service, Singapore.

has 20 employees. “We’re close-knit,” says Lim. “We eat from the same rice bowl,” a figurative expression meaning they share the company’s fate. Many of Lim’s staff members are former hair stylists turned salespeople, and he has the largest beauty products sales staff in Singapore.

Lim’s strategy for introducing new products is to know the individual stylists and to offer them reasons to use the products. His sales force will fan out across Singapore, an island state of 4.4 million people, explaining the benefits of a new product (natural ingredients and environmental friendly being persuasive features of Farouk) and offering incentives such as refunds if the product does not sell or one free bottle for every so many sold. Once a new beauty shop or spa has shown interest, Lim lays out training for stylists, demonstrating new cutting and coloring techniques using Farouk products. These kinds of promotions are largely possible because of the relatively high profit margins associated with beauty products.

THE COST OF PAMPERING

Lim says that Singapore is a good market for U.S. beauty care products, in part because Singaporean women spend an average of nearly \$80 a year on such goods, compared with the 17 cents women spend in China. “There are a lot more heads in China, but women here spend much more

per capita, and there are far fewer barriers to entry,” says Lim.

Fuchs was impressed with Lim’s proposals regarding representation in nearby markets. In fact, Lim asked for and received exclusive distribution rights in a number of other countries, including Malaysia and Taiwan. These efforts have been slower in developing, and Fuchs now wonders if at the beginning it would have been smarter to go with Tru-Line in Singapore and another distributor in the other countries. “My plan now is to get Singapore up and running, then move into the other markets,” she says.

A NEED FOR FLEXIBILITY

What can U.S. companies do to avoid such disappointments? Theseira says that it is sometimes useful to specify performance benchmarks tied to timelines in the agreement conferring exclusivity on the distributor. If the results are unsatisfactory, the U.S. company can move to plan B, which might be to find another distributor to perform some of the work the original distributor cannot do. “The setting up, care, and feeding of distribution networks in multiple countries with different cultures and economic conditions is a big challenge,” explains Theseira. “You need to analyze the distributor’s capabilities in each market separately.”

An even larger issue, says Theseira, might be called expectations on the part of U.S. companies that are in part culturally based. She cautions that the U.S. firms should not be “too rigid” about meeting the expected sales volume of initial orders or timelines. “Be flexible,” she advises. “That way, goodwill is established and the Singapore distributor will work harder for you.”

Theseira contends that many distributors view Americans as overly “clinical” or “hyper-rigid” in their approach to business. She says that some Singaporeans are caught in a Catch-22 situation: “Do very well and the U.S. company will set up an office here and kick you out; don’t do too well and they’ll look for other distributors, which means whatever resources have been invested by the distributor are wasted.”

In the end, “it is important that both parties view their partnership as a long-term commitment.” Theseira believes Tru-Line and Farouk are on course to do exactly that. Tru-Line Beauty and Farouk recently received an award from the U.S. Department of Commerce for creating new trade between Singapore and the United States.

To help create more long-term partnerships between U.S. companies and international buyers, the U.S. Commercial Services has an ongoing promotion called Asia Now, which provides single-point access to 14 country markets in this huge region. The goal of the program is to offer U.S. companies a cost-effective way to enter multiple markets in Asia. For more information, visit www.buyusa.gov/asianow. ■