

In the Zone with MWEB Entrepreneur: Bio-Oil - a well-oiled business machine

SA skin-care brand Bio-Oil is a worldwide success story, and the core product of Union Swiss, a multi-million dollar company that sells Bio-Oil in over 50 countries worldwide.



Brothers David and Justin Letschert powered the company from a South African operation with retail sales of R5m in 2000, to the billion rand global operation it is today. What is the history behind this multinational skin-care company?

Frustration was one of the reasons that the Letschert brothers bought Union Swiss, the producer and distributor of Bio-Oil, 13 years ago. In 2000, Justin and David were running a mergers-and-acquisitions firm specialising in the pharmaceutical and personal care product industries.



They were approached to find a buyer for Union Swiss, a 50-year-old company that was up for sale, with 120 products in its portfolio. Several of the Union Swiss brands were labels that weren't profitable, but the owner wanted to sell the business as one entity. This made the deal unattractive and while Justin and David were able to find buyers for separate brands in the company's portfolio, nobody was willing to buy the whole company. "We bought Union Swiss out of frustration," says Justin. "We had spent a lot of time on the deal and when the owner would not accept any of the piecemeal offers on the table, we decided to buy it ourselves and try our hand as brand owners."

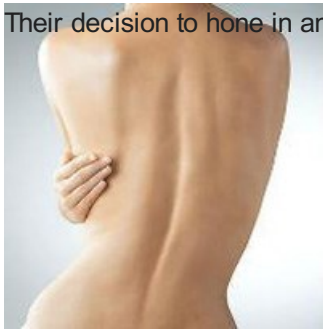
The brothers bought the entire company, sold off the brands that weren't doing well, and chose to focus the business on one core brand: Bio-Oil. They had recognised the potential of the Union Swiss flagship brand, and knew it would be a strategic business move to acquire a product that was already established, and achieving annual retail sales of R5m.

No experience in manufacturing, but...

Although they had no intention of becoming manufacturers of skin-care products, the Letscherts decided to buy the company with the intention of cleaning it up and selling it off. Their backgrounds as chartered accountants gave them a solid grounding for implementing infrastructure and systems, but they had limited experience in the personal care products industry and had to hit the ground running. They decided to focus on their supplier partnerships, logistics and distribution, and outsource their manufacturing. As Justin says, "Although we didn't have any manufacturing experience, David and I felt passionate about the company. We initially had no staff or manufacturer, and the company was based in a different city to ourselves. Luckily we make a strong, complementary team, so while I took care of marketing, David handled the rest."



The Letscherts positioned Union Swiss as an international company (with its head office in central Cape Town), which owns the distribution company in South Africa as well as the global distribution rights to Bio-Oil, and independent distributors in other countries.



Their decision to hone in and focus on a single brand is a key factor to the success of Bio-Oil, and they were soon able to expand beyond South Africa and promote their product internationally. Once they realised Bio-Oil's potential, their aim was to focus on worldwide sales. "That's why we sold the other brands," Justin says.

"They didn't have the international legs that Bio-Oil has and that's the direction we wanted to take. We made the decision early on with Union Swiss that we did not want to be a South African company. We wanted to be a global organisation."

Fixed focus pays off

Eliminating the need to constantly launch new brands and instead retain a laser-like focus on a single product made it easier to ensure its success.

With fortuitous timing, the skin-care and pharmaceutical industries were beginning to grow toward each other. Skin-care products were becoming more scientifically formulated and the pharmaceutical industry wanted to attract buyers outside of the medical market. There was strong collaboration between the pharmaceutical and dermatological industries and the skin-care market was moving into the cosmeceutical arena. This enabled the introduction of new brands to treat specific skin-care problem areas; the merging of beauty and pharmaceuticals. Utilising their instinctive marketing talent, the Letscherts repositioned Bio-Oil from being a beauty product to a cosmeceutical product, redesigned the packaging, and went against traditional above-the-line advertising for the skin-care category by relying on consumer testimonials to promote the brand.



Repositioning pays off...

At the time, no other brands were specifically targeting the scar market because commercial products to treat scars didn't exist at the time. The skin-care industry seemed to think that scars belonged in the medical field, and the pharmaceutical industry didn't think scars were a big enough medical problem or market on which to focus. In a shrewd move, the Letscherts repositioned Bio-Oil from being a tissue oil that was used for special occasions, to a scar and stretch-mark product that could be used for a variety of conditions, and the product proved to be popular.



After successfully establishing themselves in the South African market, Union Swiss decided to tackle the international market, with a swift and strategic global rollout. Their first major foray into the international market was with the UK launch of Bio-Oil in 2002, and this also proved to be their first big test.

Just before the launch, the rand weakened dramatically against the pound, and their required investment virtually doubled overnight. To add to the challenge, a week before their launch, the pharmacy chain Boots refused to carry Bio-Oil unless they removed the word "scars" from their packaging. This wasn't because the wording

didn't comply with UK labelling laws; it was Boots' own rule.

As Justin says, "Our UK distributor said it would be suicidal to launch without Boots, but we stuck to our guns and went ahead anyway. We just made sure our ads worked twice as hard." Bio-Oil started out fighting for space on the bottom of store shelves but within three years it was the top selling body-care product in the UK.

Same success in Australia, New Zealand, but the scar's the limit for Japan

Bio-Oil enjoyed a similarly meteoric rise in Australia and New Zealand, followed by their first major success in a non-English speaking market, Japan. Language wasn't the only barrier they faced as Japanese law expressly prohibited them

from using the word "scar" on their packaging and in their advertising, which forced Bio-Oil to be more creative than ever in their marketing.

**Quotes from Bio-Oil CEO,
Justin Letschert:**

"In today's environment consumers want honesty. With the advent of the Internet and the growth of blogging, truth is becoming pervasive. People don't want to be hoodwinked."

"We use consumer testimonials to tell the story and we talk to the human heart, which is the same the world over."

"We were driven by the principle that our ad needed to do 10 times what another ad would do."

Further successful launches and international rollouts followed over the years, and Bio-Oil is now available over 50 countries across five continents, and continues to win numerous international awards and accolades.

The Letschert brothers took the lessons from their early successes and challenges and refined them into a streamlined business model. All the marketing, advertising and PR material is created in-house and stored electronically for use by Union Swiss brand managers and distributors around the world. Another aspect of their core strategy is to understand the global market for skin-care products. In most countries the large multinationals have their brands, which typically occupy 80% of the market. The remaining 20% are brands produced by smaller, typically local, companies. Union Swiss identifies one of those local companies and allies itself with it, while retaining control over the marketing of the brand in each country, which means even though they use a local partner, Union Swiss controls and pays for the marketing push in each country.

No bricks, just clicks

As Justin says, "We're a true outsource multinational. We don't need to put up bricks and mortar in our various markets. Trusted partners handle our distribution. We can create an ad here and email it to a magazine in Buenos Aires as easily as one in Cape Town."

The Letschert brothers believe in the Bio-Oil product, and are convinced the quality of the oil was responsible for the success of their business.

The Letscherts' success story may partly be a classic case of being in the right place and making the right decision at the right time, but maintaining a global vision, underpinned by tenacity and enthusiasm, as well as adopting the philosophy that a good product will sell itself via customer feedback have gone a long way towards adding to their formula for success.

Fast Facts

- Conceived as a skin tonic, Bio-Oil was launched in South Africa in 1987
- Bio-Oil is sold in over 50 countries worldwide
- Bio-Oil has won 135 skincare awards and has become the No.1 selling scar and stretch mark product in 20 countries since its global launch in 2002
- Bio-Oil won Best in Body Treatment at Elle (South Africa) Beauty Awards 2012
- The Florence Nightingale Awards for Excellence in Nursing is a Bio-Oil initiative that aims to elevate the work being done by South Africa's nurses.

Bio-Oil

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