

Cosmetics exec prefers the unadorned truth

By PAUL MURPHY

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Ever since Richard Collasse came to Japan in 1973 to buy a Nikon camera, his curiosity has kept him here, apart from a handful of years.

"Every day I wake up, I am going to learn something about Japan that I didn't know," the president of Chanel KK said in a recent interview.

There are some Japan unknowns, however, that he can do without.

Collasse, who serves as chairman of the European Business Community in Japan, frequently comes across problems with the transparency of regulatory authorities.

The 49-year-old Frenchman quotes one example of a foreign company unable to get a written response on the potential tax obligations of a merger with an indebted Japanese firm.

"When you talk to the tax administration, they give you oral answers, which might be different from one person to the next," said Collasse, who is in his eighth year as president of Chanel KK. "(As long as) you don't have a written answer, you do not know what is going to happen."

Although his lobby group has been pushing for the government to provide written answers, ministries and agencies have been reluctant to comply, except for the Ministry of Economy, Trade and Industry.



Richard Collasse, president of Chanel KK

This sparks frustration in his dealings with Chanel's Paris headquarters, where executives are not as familiar with, nor as tolerant of, local business idiosyncrasies.

"There is a point when people (at head office) say, 'Give me a break. Is it or isn't it possible?'" Collasse said in his heavily scented French accent.

The same question arises when Chanel imports a new cosmetics product.

Unlike other developed countries, which tend to have only a set of unapproved ingredients, Japan has lists of both approved and unapproved ingredients, with everything else falling into a

"gray area." Finding out what ingredients are acceptable can be a "struggle," Collasse says.

The 25-year veteran of the cosmetics industry argues—most recently in a meeting with Prime Minister Junichiro Koizumi in January—that bureaucratic opacity deters foreign direct investment in Japan.

Nonetheless, Collasse believes this country is a much more attractive opportunity than undemocratic, unstable China.

He advises French firms that ask him about investing in China to "go carefully."

"Do not forget that China has not yet gone through the

process of becoming a regular democracy and that you had Tiananmen ... that could happen again," he said. "It is a dangerous El Dorado."

Collasse believes Japan represents a more orderly and safer option. Unlike China, "I know very few companies that don't make money here after three or four years if they do the right thing," he said.

Apparel sales, which make up about half of Chanel's revenue here, have rebounded following a stagnation during the late 1990s after Collasse shook up local management and tried to shed the brand's aloof image by staging fashion shows open to the public and making the company more media-friendly.

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RICHARD COLLASSE
Chanel KK president

While the privately held company does not release precise sales figures, Collasse said Japan sales are on target to rise 12 percent year on year to over 75 billion yen in 2003, about double the figure for 1999.

"We may become larger than (Chanel) America in a

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couple of years," he added. Chanel sales in Japan, the French firm's second-largest market, are estimated to be about 70 percent of those in the United States.

Apart from a stronger euro, which is eating into the 25-35 percent premium that the Japanese subsidiary charges above French prices, the only challenge to the nation's second-largest foreign brand goods firm appears to stem from Japanese women's refusal to embrace perfume, a tendency they share with their Asian sisters.

While perfumes make up a hefty 40 percent of Chanel sales in the United States, they account for only 2 percent of revenue in Japan. "Japan is not a natural market for fragrances," Collasse said.

But what Chanel loses on the local disinclination toward perfume, it gains from the climate.

The havoc that Japan's muggy summers and dry winters play with complexions has made Japan the most lucrative market for Chanel's skin care products.

"They have different skin problems than we have," Collasse said, noting that treatments for spots and freckles rather than wrinkles have driven a doubling of skin-care sales every 24 months over the last five years.