

Intercos is the undisputed world leader in the make-up sector, with a turnover of over ?180 million, profits of nearly €10 million. A giant with nine factories and over 200 clients worldwide, including China. A portrait of one of many pocket-sized Italian multinationals. The company owes its 30-year existence to the entrepreneurial skills of Milan-born businessman Dario Ferrari.

Intercos: Making up the world, China included

GLOCALIST LEADERS 2

edited by Guido Vigna



Dario Ferrari is as Milanese as they come. He's a chip off the old block: his father owned an electronics firm and his mother ran a small company in Switzerland. Dario, however, is a self-made man: he set up the little empire he governs, and in which he owns a 60% shareholding, on his own. He modestly says it's all thanks to a large dose of luck – a claim one only partly believes. His empire is called Intercos, a name that probably wouldn't ring any bells for most people. And yet Intercos is one of the world leaders in the cosmetics sector. This cosmetics giant has nine factories – five in Italy and the others in various locations abroad including the U.S. – and, of course, China, for you're out of the running today if you're not in China; a turnover of €180 million, a net profit of over 5% of turnover, i.e. over €9 million; 600 million products a year and 220 clients in as many countries. Why, despite these excellent figures, is the name Intercos practically unknown outside cosmetics circles? That's easily explained. The group that Mr Ferrari – he makes it a point to emphasise that he is not a university graduate – runs, makes products for other companies; all the big names on the tubes and pots and boxes of women's beauty creams. Don't ask him to tell you the names, though, for he swears he wouldn't reveal them even under torture. Suffice it to say that all the big cosmetics companies are in the habit of knocking on Intercos's door. And anyone who'd dismiss

Intercos as just another outside contractor would be wrong. Intercos was indeed a contractor – *illo tempore*, in times past. Things are very different today: the group researches, studies, designs, experiments and produces totally autonomously. To sum up, as Mr Ferrari's grandfather used to say: "It's all our own work". "We are the ones who develop the products", says Ferrari proudly – products that are sold to companies both big and small worldwide. That would be enough to satisfy anyone – but not Mr Ferrari, an athletic 63-year-old who is married with four children and is Chairman, CEO and majority shareholder of the group. He has a plan to make Intercos even bigger, for you need to keep thinking big to stay ahead of the others, as he explains in this interview.

When was Intercos set up?

Let me think. It must have been 1972 – yes, it was 1972.

What did you do before that?

I'd set up a plastics company...

Which you sold, of course.

You're mistaken. I closed it down. I was forced to close it down. I'd lost everything.

What did you study?

I see: you want to know whether I have a university degree. I don't have one. I first went to the Milan Polytechnic and then to Bocconi University – without graduating, in both cases, but I have no complaints. I had an accident that put me into hospital for six months. When you're stuck in a hospital bed you have plenty of time to think, and that's what I did – I thought. I realised that I had no idea when I'd be able to leave university, that I wasn't all that interested in a degree and that I'd rather start working, so I started a plastics factory. I wanted to follow in my father's footsteps. I already mentioned the way the company ended up.

That was when you decided to get into cosmetics.

Exactly. My mother had a small company in Switzerland. I followed her example and began to sell Swiss products. They sold well, so I thought it was worth it to take another risk and start up another

factory. That's how Intercos came about. It was a really basic set-up.

What does the name Intercos mean?

Nothing. I copied a French name I liked, but I'd copied it wrong.

Did you start up on your own?

Yes. No partners. And let's say I was self-financed. I had six or seven employees.

And now?

Now, 34 years later – Good Lord, how time flies – I have 1,600 employees. More, actually, because we keep hiring.

What's your current turnover?

Quite substantial: over €180 million in 2005. But these figures don't really sum up the Intercos phenomenon, because my company is the world leader for more than one product. Did you get that? The world leader.

Do your profits match that leadership?

I'll let you be the judge: last year, i.e. 2005, our balance sheet showed a net profit of €9.1 million.

A sizeable profit, certainly. Has your company ever been in the red?

Not even once, the plastics episode excluded. Ever since I got into cosmetics, I've never once had a balance sheet in the red.

Are you better at producing or selling?

We're good at both producing and selling. The good way to sell is the result of an idea. As a matter of fact, I don't go around selling a product; I sell the idea of a product. And, let's be frank, if a product isn't good enough, it doesn't take the market long to get rid of it. Especially in cosmetics.

In what areas are you world leader?

In the conception, development and production of make-up products: basically, everything related to colour for make-up and treatment.

Meaning...

We're the leader, the world Number One, in lipstick, eye shadow, mascara, foundation, face powder, eye and lip liner pencils. We're

A Small Multinational

Intercos has all the characteristics of a small multinational – not only in terms of the location of its factories (five in Italy and the others in the U.S., China, Malaysia and Switzerland) but also, and above all, in terms of its earnings, 56.30% of which come from the U.S., 27% from the so-called EMEA (broadly speaking, the EU countries, France excluded), 14% from France and 2.70% from Asia. These are the figures for 2005, a golden year for Dario Ferrari's group, with a turnover of €180.40 million, i.e. 17% more than the previous year, and a net profit of €9 million, a hike of no less than 161.3 % compared to 2004. The spiralling growth of the last few years has fed ambitions to grow further so as to consolidate the leadership the company has acquired. And, to back up those ambitions, the idea was to have Intercos listed on the Stock Exchange between 2005 and 2006. The project was well underway when, in view of the circumstances, which were anything but favourable for a debut on the Milan Stock Exchange, the decision was taken to postpone it... for how long? We'll have to wait and see.



practically unbeatable. Just to give you an idea: the Number Two does 25 percent of what we do.

How did you become world leader?

That's a good question. First of all, because I was convinced about what I was doing, and I had very clear ideas. Plus imaginativeness and inventiveness – because we are the world Number One of a sector that we invented. And because, with our humility and reliability as producers, we were capable of convincing the world's great cosmetics names that we were the right ones for them. In fact we started out as an outside contractor: we needed to learn and grow and the time was right; the big names in the sector were not managing to produce enough to satisfy the demand. It was an experience that allowed us to first grow and understand what the market wanted and then anticipate it. Contracting is an excellent learning experience, which also gave us international visibility for the first time.

When did you stop working as an outside contractor?

In the 1980s. We had started being known and were increasingly solid. Above all, we were investing a lot in research.

How much?

If I go over the balance sheets of the past, I see that in some years we actually invested up to 20 percent in innovation and research. But on average we invest about eight to nine percent a year.

That's a lot.

It's the minimum required to continue to be the world leader. In fact, the figures started looking good quite soon. We have invested ?30 million over the last five years to open three factories – three major production units – with state-of-the-art technology.

Where are the factories located?

In the U.S., China and Italy.

Did you go abroad to save on labour costs?

Partly, but not always. We went abroad mainly to sell. In fact, our first factory outside Italy was in America: the U.S. We

had to be present in a market as important as this one; otherwise we would have given the competition free rein. You have to remember that we have over 200 clients – 220 if I’m not mistaken – and thanks to them our products go to as many countries.

Would you like to tell us the names of some of your clients?

It wouldn’t be right to reveal the names. All I can say is that all the best cosmetics companies in the world buy from us.

Why did you decide to invest so heavily in China?

The first reply comes spontaneously: because you have to be in China today. Having a factory in China is like having a pistol at the ready and the others – our competitors, I mean – know that. We went to China to do various things. We went because it’s a market with enormous potential (I know, I’m repeating what everyone says, but you just have to go to China once to realise that it’s true). Besides, from there it’s easier to slip into other big markets such as Russia, China and Asia in general.

All that while saving on labour costs...

Naturally. And that doesn’t do any harm. In China an employee costs a dollar an hour all included against 19-20 dollars in Western countries.

Is the Chinese factory a big one?

It’s one of the biggest ones in the group. We’re located in the Suzhou Industrial Park in Shanghai. There are about 400 employees and that figure will increase, because we are looking at a potential production of over 60 million pieces a year.

You founded Intercos, turned it into a major company and made it the world leader in its sector. Why did you sell a large slice of stock to Equinox, a Luxembourg-based investment company, in 2002?

We sold 40 percent for a single reason: we want to grow further.

Could you explain?

Our reasoning is simple. For 30 years, we carried on investing all our earnings and

investing to be able to grow. When you reach a certain size, growth requires greater effort and commitment: hence the sale of 40 percent. We needed liquidity to feed our growth plans. Keep in mind that growth is a sine qua non if we want to retain the leadership we have acquired and hence keep the competition at bay. To sum up: continuous growth is compulsory for us.

Which brings me spontaneously to the question: how do you envisage feeding this continuous growth? Do you plan to focus whenever possible on increasing turnover or setting up new companies?

I consider that the phase of opening factories, which was our strategy over the last few years, has come to a close. Now it’s time to grow by buying companies. It’s no secret that Intercos is on the hunt for companies.

What sort of companies?

We’re looking for companies with high levels of technology so as to continue with our policy of ever more innovative products.

In what countries?

I’d like companies in Germany.

There’s no such thing as a businessman without a dream for his company or companies. What is the dream of Intercos’s chairman?

To keep growing – and to grow, above all, as regards our mission.

Which is?

To help satisfy every human being’s desire to be beautiful. Hardly small, wouldn’t you say?

THE GROUP IN NUMBERS

Year of foundation:	1972
Turnover:	180,4 million euros
Consolidate net income:	9,1 million euros
Workforce:	About 1.600
Abroad:	China, Malaysia, Switzerland, U.S.