

CBI MARKET SURVEY

THE MARKET FOR NATURAL INGREDIENTS FOR COSMETICS IN SPAIN

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Report summary

This CBI market survey discusses, amongst others, the following highlights for the market for natural ingredients for cosmetics in Spain:

- A further increase in consumption of cosmetics could lead to increasing use of natural ingredients for cosmetics, considering the sizeable domestic industry.
- The role of developing countries is very considerable as suppliers of colouring matter. However, imports for this product group are still under 2000 levels, although they rebounded from their 2002 lows. Of the other product groups where developing countries play an important role, essential oils also show a positive development. Spain often plays a role as a port of entry for products coming from Latin America.

This survey provides exporters of natural ingredients for cosmetics with sector-specific market information related to gaining access to Spain. By focusing on a specific country, this survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The market for natural ingredients for cosmetics in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.nl/marketinfo>.

1. Market description: industrial demand and production

Industrial demand

There is a general lack of information on the industrial demand for natural ingredients for cosmetics as well as for general ingredient needs of the cosmetics industry. Therefore, the sections on industrial demand and production will also discuss the cosmetics market and industry which can function as an indicator for industrial demand for natural ingredients for cosmetics. Where available specific information on the Spanish ingredients for cosmetics market/industry has been included.

Cosmetics consumption

Spain is the 5th market in the European Union, with sales amounting to € 6.8 billion in 2004. Its cosmetic market has been registering solid growth figures for almost two decades. In the last 3 years, only Sweden showed higher growth. This is for a large part due to the continuing increase in the female labour force participation rate in Spain, leading in many cases to double income households with greater disposable income, which has had a positive and discernible impact on spending in the cosmetics and toiletries category, particularly for high value-added offerings (Euromonitor, 2005).

Table 1.1 Spanish market for personal care products (at retail sales prices) in € million

2002	2003	2004	% change
5,927	6,384	6,795	14.6%

Source: Colipa (2006)

The Spanish market amounts to 11% of the total EU market. Per capita consumption is € 166, as opposed to the EU15 average of € 149, making it 2nd in the EU15 after France. Due to the

rapid increase in consumption, it is not unlikely that Spain will surpass France as the leading per capita consumer (Colipa, 2006).

Table 1.2 Spanish market for cosmetics and toiletry per product group, 2004 at retail sales prices (RSP), in million €, share in %

Fragrances perfumes		Decorative cosmetics		Skin care		Hair care		Toiletries	
€ billion	%	€ billion	%	€ billion	%	€ billion	%	€ billion	%
1.60	23.5%	0.58	8.5%	1.69	24.8%	1.61	23.7%	1.33	19.5%

Source: Colipa (2006)

In 2004, skin care was the fastest-growing category, up 11.4%, almost double the rest of the categories. Sun care products performed especially well. The increased interest in beauty boosted sales of anti-wrinkle and anti-cellulite products.

Toiletries and hair care gained 6.7% and 6.4%, respectively. Within toiletries, strong private-label efforts grew volume but less value sales. Fragrances experienced the lowest growth (2.5%), due to changing consumer gift-giving patterns (Colipa, 2006).

Between 2000 and 2005, Spain has seen the most dynamic growth with sales of fragrances and cosmetics up by 34%, thanks partly to increasing female employment and growing consumer prosperity. Spanish (97%) and French (94%) women have the highest penetration rate of perfume and eau de toilette and some three-quarters of them wear fragrance every day. Spanish women also register very high penetration rates for colour cosmetics. (Intel, 2005).

Natural cosmetics consumption

Due to the emphasis on physical appearance common in Spanish culture, products that help consumers meet these images significantly increased in sales volume. Examples are medicated skin care products. Most dynamic were the “nutri-cosmetics” and cosmeceuticals. Natural cosmetics are also increasing in importance, however, this remains a relatively small market in Spain.

Natural ingredients for cosmetics

No specific information on most of the product groups considered as natural ingredients for cosmetics is available. As to industrial demand of medicinal and aromatic plants, the largest demand exists for *Sylibum marianum*, *Equisetum arvense*, *Eucalyptus globules*, *Fucus vesiculosus*. Currently high priced species are *Panax ginseng*, *Artemisia dracunculus*, for which there are currently cultivation difficulties, and *Drosera rotundifolia* which has been collected in an unsustainable manner in the past, and is now endangered. The above relates to fresh plant material, while for dried material, the largest demand exists for *Trigonella foecum-graecum*, *Pimpinella anisum*, *Avena sativa*, *Sylibum marianum*, *Equisetum arvense*, *Juniperus communis*, *Echinacea sp.*, *Fucus vesiculosus*, *Gentiana lutea*, *Ginkgo biloba*, *Hypericum perforatum*, *Humulus lupulus*, *Matricaria chamomilla*, *Chrysanthemum parthenium*, *Melissa officinalis* and *Mentha piperita* (Palos and Gorgues, 2002).

Spain is also a leading European market for colouring matter of vegetable or animal origin. As can be seen in table 1.3, Spain is also among the largest consumers of vegetable oils in the EU. Please note that many of these products, especially palm oil, soybean oil and sunflower oil are mass market products, of which only a small part ends up in cosmetics. Because of these large volumes, they are very difficult markets for smaller producers to enter.

Table 1.3 Spanish consumption (domestic supply) of vegetable oils, 2001-2003, in 1,000 tonnes

	2001	2002	2003	Share of EU
Coconut oil	29,391	45,167	40,171	6.1%
Groundnut oil*	273	318	702	0.4%
Olive oil	659,661	598,574	696,348	33.5%
Palm kernel oil	28,856	33,247	30,744	4.8%
Palm Oil	328,316	360,786	409,408	12.2%
Sesameseed oil	69	101	94	0.3%
Soybean oil	223,572	220,498	226,997	10.2%
Sunflower seed oil	414,510	428,171	473,670	18.8%
<i>Other vegetable oils</i>	<i>126,941</i>	<i>124,431</i>	<i>109,705</i>	<i>2.0%</i>
Vegetable oil total	1,811,589	1,811,293	1,987,839	11.6%

Source: FAO (2005)

*The use of groundnut oil in cosmetics is decreasing due to its allergic properties.

Market segmentation

The market for natural ingredients can be segmented at different levels. Firstly, there is a clear difference between established ingredients, with a focus on quality, price and consistency, and new ingredients with a focus on functionality, safety and meeting regulations.

Secondly, the market for natural cosmetic ingredients can be divided into a segment for the processing industry and the end-product manufacturers. In the processing industry herbal extraction houses, milling operations, essential oil distillers, farms, nut and seed oil producers and wholesale distributors with value-add capabilities are all important.

Thirdly, the market is also segmented according to type of ingredient such as essential oils, vegetable oils and plant extracts. The Spanish natural colouring matter segment is of particular importance in comparison to other EU countries.

Trends in industrial demand

The market for cosmetics is starting to grow at a slightly slower rate. The cosmetics and toiletries sector is expected to increase moderately over the forecast period (2003-2008), averaging a constant value growth rate of 4% until 2008. Sales of fragrances are predicted to be flat over the next 2 years, growing at a pace of slightly less than 1% annually in constant value terms. Skin care, depilatories and sun care products will experience healthy growth rates over the forecast period, increasing in total by 51%, 36% and 34%, respectively, over the forecast period.

Increasing disposable incomes, coupled with the more hectic lifestyles of Spanish adults, have tended to push up demand for upper mass market and premium products with value added features, including natural cosmetic products, which cater to a desire for luxury items that attempt to soothe both body and soul (Euromonitor, 2005). Therefore a further increase in products focusing on the health and beauty trend, including cosmeceuticals and natural cosmetics can be expected to take place in the coming years. This and a further increase in consumption could lead to increasing use of natural ingredients for cosmetics, considering the sizeable cosmetic industry in the country. Specific information on trends in industrial demand for natural ingredients is not available.

Production

Total production

Cosmetics production

Spain has two of the top-hundred cosmetics producers, but also a considerable number of medium-sized and small producers. In total, Spanish production of cosmetics production is sizeable. Several large multinationals also have production facilities in the country.

Table 1.4 Spain's top beauty companies in 2004, in € mln.

Company name	Sales in € mln	World ranking
Puig Beauty and Fashion Group	886	26
Colomer Group	349	41

Source: WWD Beauty 100 (2005)

Ingredients production

According to the WWF, Spain is one of the prominent producers of herbs. However, information from EHGA Europam does not support this. According to Ienica, herbal products with considerable cultivation in Spain are lavender, spearmint and peppermint. Wild-collection remains prominent in Spain for many other products. According to ISHS, Spain is a more important European producer of medicinal and aromatic plants with 28,000 ha. The intermediate industry, including extractors, is reasonably well developed, and mainly located around Madrid and Barcelona. Examples of these and end-product producers and traders can be found in section 3 of this survey.

Table 1.5 shows Spanish production of vegetable oils, which is mainly centred around olive oil. The large fluctuations in production of vegetable oils, is mostly attributed to changes in crop-size of olives. Please note that many specialist fats and oils from developing countries are not included here, because they are not, or to a very limited degree, produced in Spain.

Table 1.5 Spanish production of vegetable oils, 2001-2003, in 1,000 tonnes

	2001	2002	2003	Share of EU
Coconut oil	13	1	0	0.0%
Groundnut oil	not reported	not reported	not reported	
Olive oil	1,520,100	905,602	1,492,800	54.5%
Palm kernel oil	2	25	0	0.0%
Sesame seed oil	not reported	not reported	not reported	
Soybean oil	489,000	490,300	494,000	17.1%
Sunflower seed oil	484,750	413,977	420,538	7.8%
Other vegetable oils	96,756	97,388	91,980	4.6%
Vegetable oil total	2,590,621	1,907,293	2,499,318	19.1%

Source: FAO (2005)

No information is available on domestic production of the other product groups considered in this survey.

Major players

The major Spanish cosmetic companies are shown in table 1.4. Examples of leading producers in Spain of natural ingredients are Ravetllat Aromatics and Provital. Contact information of these companies, as well as companies from other trade channels such as raw ingredients traders can be found in section 3 of this survey. Furthermore, the 2001 Ienica report lists a number of processors of vegetable oils, fats and waxes and aromatic plants, starting from page 48.

Trends in production

Cosmetics production is increasing in Spain. However, wild collection and cultivation of medicinal and aromatic plants has been showing a decrease.

Opportunities and threats

With slower growth rates in the cosmetic sector, large demand increases for natural ingredients as in the past cannot to be expected. However, a further increase in products focusing on the health and beauty trend, including cosmeceuticals and natural cosmetics is still likely to cause a further increase in demand for natural ingredients, especially active ingredients. As both wild-harvesting and cultivation of medicinal and aromatic plants has

declined, this might offer increasing opportunities for developing country producers (Ienica, 2004).

Useful sources

Interesting sources for obtaining information on the industrial demand and production of cosmetic products and their ingredients are firstly encountered in the survey covering the EU. However, focusing on Spain, the 2004 Ienica provides information on vegetable oil production and specialty crops such as aromatic plants and dyeing plants. This report is available at <http://www.ienica.net>. Furthermore EHGA Europam (<http://www.europam.net/>) offers information on the cultivation of herbs. Also the article by Palos and Gorgues, "Distribución comercial de plantas aromáticas y medicinales en Cataluña", which can be requested at eva@ctfc.udl.es, is of interest. Organizations mentioned in section 6 of this survey can also serve as information sources.

2. Trade: imports and exports

Imports

Spain is a relatively important importer in the EU, and plays an especially significant role for colouring matter for which the country has a role as a trader. Its importance in the other product groups is more limited. However, Spanish imports are substantial for all product groups.

Spanish imports are showing a more positive picture than in other EU countries. Regarding essential oils (annual increase of 2.5% between 2000 and 2004) and vegetable saps and extracts (2% growth per year), imports grew during the entire period, and for colouring matter and vegetable oils, fats and waxes, they rebounded after a slump in 2002. Only raw plant material is showing a distinct annual decrease of 4.5% between 2000 and 2004.

Within vegetable oils, only cacao butter and fat and oil are showing a large increase of more than 16% per year. Fixed fats and waxes are showing particularly substantial decreases. Within raw plant material, seaweed and algae are showing a more substantial decrease (-9% per year) than medicinal and aromatic plants (-2.5%).

Among essential oils with substantial imports, orange oil, citrus fruit oil, vetiver oil and geranium oil are increasing fast. The market share of developing countries is large for vetiver, geranium and orange oil.

The leading suppliers of natural ingredients for cosmetics are European countries, such as The Netherlands, France and Germany which often re-export ingredients to Spain. The Netherlands is a leading (re-)exporter of vegetable oils to Spain, France of vegetable saps & extracts and essential oils & oleoresins and Germany of raw plant material and of colouring matter. Denmark is also regularly represented in the natural cosmetic ingredient trade to Spain.

Developing countries that play a substantial role on the Spanish market are Indonesia, Malaysia (vegetable oils), China, India and Peru. The role of developing countries is very considerable for colouring matter, where it far exceeds the EU average and several developing countries play important roles. It also exceeds the EU average for vegetable oils, fats and waxes, essential oils and raw plant materials. Developing countries are less important as suppliers of saps and extracts.

Table 2.1 Leading suppliers of ingredients for cosmetics to Spain (share in imported value, 2004)

Product	Total 2000 € 1000	Total 2004 € 1000	Leading suppliers in 2004 (share in %)		Share in Spanish imports (%)
Vegetable oils, fats & waxes	97,377	81,436	Intra-EU:	Netherlands (10%), Germany (9%), France (7%), Belgium (4%)	35%
			Extra EU excl DC*:	Japan(2%), USA (2%)	5%
			DC*:	Indonesia (21%), Malaysia (8%), India (7%), Philippines (6%)	60%
Vegetable saps & extracts	63,455	68,492	Intra-EU:	France (24%), Germany (15%), Denmark (14%), Italy (10%), The Netherlands (3%), UK (3%)	72%
			Extra EU excl DC*:	Switzerland (5%), USA (3%)	11%
			DC*:	China (5%), India (4%),	17%
Essential oils & oleoresins	38,913	42,921	Intra-EU:	France (17%), Germany (7%), UK (6%), Italy (5%)	41%
			Extra EU excl DC*:	USA (9%)	13%
			DC*:	China (11%), Indonesia (8%), India (7%)	46%
Raw plant material	40,174	33,540	Intra-EU:	Germany (15%), France (11%)	35%
			Extra EU excl DC*:	Bulgaria (5%), USA (4%)	9%
			DC*:	India (10%), Indonesia (9%), Morocco (8%), Philippines (7%)	56%
Colouring matter	26,362	20,901	Intra-EU:	Germany (8%), France (6%), Ireland (5%)	26%
			Extra EU excl DC*:	Japan (1%)	2%
			DC*:	China (34%), Peru (10%), Zimbabwe (9%), India (8%), Mexico (7%), South Africa (3%)	72%

Source: Eurostat (2005)

*DCs: Developing countries

The most important species imported into Spain in 2002 were *Matricaria chamomilla*, *Peumus boldus*, *Hapagophytum procumbens*, *Rhamnus frangula*, *Equisetum arvense*, *Ginkgo biloba*, *Mentha piperita*, *Tilia sp.*, *Passiflora incarnate*, *Juniperus communis*, *Valeriana officinalis*, *Rosmarinus officinalis*, *Boswellia carterii*, *Jasminum grandiflorum* and *Pogostemon patchouli*

Products with supply shortages were encountered for *Pogostemon patchouli*, *Matricaria chamomilla*, *Illicium verum*, *Echinacea sp.*, *Trigonella foecum-graecum*, *Valeriana officinalis*, *Pimpinella anisum*, *Gentiana luteam* and *Hypericum perforatum*) (Palos and Gorgues, 2002). However, as this concerns data for 2002, they should be used with caution.

Exports

Spain is the main exporter EU of colouring matter. Although decreasing by 4% annually between 2000 and 2004, the country still exported € 45 million worth of colouring matter in 2004. In colouring matter, Spain plays an important role in intra-EU trade, and some of the exports concerns re-exports. Next to colouring matter, vegetable saps and extracts is a relatively important product group exported from Spain, which showed a slight growth of 1% per year, amounting to € 118 million.

Opportunities and threats

The increased industrial demand for natural ingredients offers increasing opportunities for developing country producers of plant material. Please refer to the list above for leading species and supply shortages.

The role of developing countries is very considerable for colouring matter. However, imports for this product group are still under 2000 levels, although they rebounded from their 2002 lows. Of the other product groups where developing countries play an important role, essential oils also show a positive development. On the other hand, the market for vegetable saps and extracts, in which developing countries also play a considerable role, is contracting. Relating to specific products, cacao butter and fat and oil, orange oil, citrus fruit oil, vetiver oil and geranium oil are showing increased imports.

Spain often plays a role as a port of entry for products coming from Latin America.

Useful sources

- EU Expanding Exports Helpdesk
<http://export-help.cec.eu.int/> → go to: trade statistics
- Eurostat – official statistical office of the EU
<http://epp.eurostat.cec.eu.int> → go to: 'themes' on the left side of the home page → go to 'external trade' → go to 'data' → go to 'full view' → go to 'external trade' → go to 'detailed data'.

3. Trade structure

Trade channels

In general, the same trade channels apply to Spain as in the rest of the EU. The traditional approach of contacting traders, intermediate processing companies such as fragrance houses, refining companies and extractors, agents or wholesalers (either with or without processing capacity, dependent on the product) remains the most important method.

Comparable with other European markets, it is recommended that suppliers deal with a local distributor or agent who is familiar with EU and Spanish import regulations and marketing practices. Spanish distribution networks are highly segmented and therefore it is common to have several distributors to cover the mainland territory and islands. Moreover, since the Spanish cosmetic market is relatively mature, manufacturing under licence or joint ventures with local companies are other viable options for developing country suppliers attempting to enter the Spanish market. Moreover, the Spanish franchising market, currently No.1 in Europe, could provide another way to enter the market for innovative business concepts.

There is also a number of distributors representing well known ingredient suppliers/manufacturers. These distributors may also have their own specialised lines of ingredients. Otherwise these distributors have their own principals with which they are dealing and most do not actively look for other suppliers, especially of the same ingredients. However, it is useful to investigate which suppliers/producers supply these distributors. Internet research and trade fair visits facilitate this.

However, some end-industries can also be approached, as they also import directly from developing countries. This is particularly the case for specialist niche players such as natural or organic producers, which are listed below. Please keep in mind that end-industries are often not keen on adding to their supplier list and are therefore far more difficult to establish business relations with than traders, wholesalers etc.

Regarding processing, it needs to be stated that for certain ingredients value addition takes place in the EU e.g. vegetable oils where manufacturers generally prefer to use refined oils. Refining oils outside the EU is economically challenging. On the other hand, essential oils need little or no further processing; examples of processing include breaking down into smaller

units, re-packing and labelling. Regarding plants extracts, although extraction can take place in Europe, the higher value of the goods may make extraction outside the EU more economically feasible. Supply scenarios like this also determine the trade structure. E.g. manufacturers do not want to buy one container of unrefined vegetable oil – they might need 200kg refined each week.

For general information on trade structure, please refer to the CBI survey covering the EU, in which specific approaches for new ingredients are also included. Below, we give a list of the most important cosmetic companies, as well as interesting companies focusing on natural cosmetics production, ingredients processing or production and ingredients trade.

Leading cosmetics companies	
• Puig Beauty and Fashion Group	http://www.puig.com/ (also buys ingredients directly from developing country suppliers)
• Colomer Group	http://www.thecolomergroup.com/
• Cotyastor SA	http://www.cotyastor.es/
• Cruz Verde-Legrain	http://www.saralee.com Cruz Verde-Legrain is a subsidiary of Sara Lee
• Productos Cosméticos SA (Wella)	http://us.wella.com/index.jsp
• Reckitt Benckiser España SL	http://www.reckittbenckiser.com/
Companies focusing on natural products	
• Warwick Benbassat	http://www.warwickben.com Agent and distributor of chemicals and especially essential oils
• Soria Natural	http://www.sorianatural.com/home_ing.htm Cultivates, processes natural ingredients and manufactures products derived from medicinal plants
• Arlinco	http://www.arlinco.com Natural cosmetics producer
• Cosmetica Tecnica	http://www.lendan.com/eng/entrada.html natural cosmetic products
• Ravetllat Aromatics	http://www.ravetllat.com Fragrance and essential oils producer
• Provital	http://www.provital.org Wide range of functional ingredients and vegetable oils. Also organic lines.

Sources: Euromonitor (2006), ProFound's and consultants' sources

Trends

As the European cosmetic market is consolidating, the number of powerful players is decreasing and the remaining companies are growing in size. On one side, this fact increases the market power of these players in negotiations with their suppliers. Moreover, these players are more demanding concerning services along with supply, i.e. product documentation, and want to limit the number of suppliers they work with. On the other side, the European companies are realising that special attention needs to be given to the management of a sustainable supply chain to safeguard the investments in the earlier development of their own consumer product portfolio. At the same time ongoing innovation in new cosmetic natural ingredients requires a build up of new supply chains in order to be sustainable (IENICA EU report, 2005).

However, small players will still fulfil an important role, filling the niches the large companies do not cater for. This will especially be the case for specialist products. Natural cosmetics and organic ingredients are examples of such niches. Many of these companies tend to be supplied by specialised processors or traders. Several of the traders above have developed organic lines in addition to their conventional quality ingredient portfolio. Direct sourcing from developing countries is also more common in this specialist channel.

It is noted in the survey focusing on the EU that several conventional multinationals have also (re-)entered the organic and natural ingredient markets.

An important trend, prevalent throughout the European cosmetic and ingredients sector, concerns more direct sourcing. Due to GMP requirements, this is increasingly a must for Spanish producers.

Useful sources

For general information, please refer to Chapter 8 of the survey covering the EU. Two examples of interesting sites to visit for additional information, especially current trade leads and companies are the following market places or buyer guides: <http://www.ingridnet.com> and <http://www.herbworld.com>. Greentrade (<http://www.greentrade.net>), an online marketplace serving as an important reference point for organic products is of interest. The sections "medicinal and aromatic plants", "herbs, spices and condiments", "cosmetic products" and "raw materials" are of relevance.

4. Prices and margins

Prices and margins

For prices of ingredients, please refer to the survey covering the EU, as the indications of prices given there do not defer from those in Spain. Actual prices are dependent on negotiation with the companies. Exporters need to have detailed production costs/volume price breaks for the ingredients that they supply. This will give them a vital reference point for any negotiations with buyers.

Useful sources

Interesting sources of price information are especially the trade magazine Public Ledger (<http://www.public-ledger.com>) and ITC market news service (MNS) (<http://www.intracen.org>).

5. Market access requirements

As a manufacturer in a developing country preparing to access Spain, you should be aware of the market access requirements of your trading partners and the Spanish government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.

Legislative requirements

National legislation in EU countries is compulsory for all products traded within the country concerned. Therefore, as an exporter in a developing country you have to comply with the legislative requirements that are applicable to your products. For information on legislation for natural ingredients for cosmetics go to 'Search CBI database' at <http://www.cbi.nl/marketinfo>, select your market sector, and the EU country of your interest in the category search, click on the search button and click on legislative requirements for an overview of all documents on legislation in your country of interest.

Non-legislative requirements

Social, environmental and quality-related market requirements are of growing importance in international trade and are often requested by European buyers through labels, codes of conduct and management systems. For information on non-legislative requirements applicable to natural ingredients for cosmetics, go to 'Search CBI database' at <http://www.cbi.nl/marketinfo>, select your market sector and the EU country of your interest in the category search, click on the search button and click on your subject of interest under non-legislative requirements for an overview of all documents on the subject concerned in your country of interest.

Packaging, marking and labelling

For general information on packaging, refer to the survey covering the EU. You can download information on requirements on packaging, marking and labelling in specific EU markets from <http://www.cbi.nl/marketinfo>.

Tariffs and quota

For information on import tariffs, please refer to the survey covering the EU. The general VAT rate in Spain is 16% as of February 2006 and this also applies to cosmetic products.

Useful sources

- CBI Database <http://www.cbi.nl/marketinfo>
- Taric Homepage http://europa.eu.int/comm/taxation_customs/dds/en/tarhome.htm
- Directorate General XXI http://europa.eu.int/comm/taxation_customs/common/publications/info_docs/taxation/index_en.htm

6. Business practices

For general information on business practices, exporters should refer to the survey covering the EU, CBI's Export Planner and CBI's Image Builder manual.

Selecting a suitable trading partner

Finding a trade partner in Spain should not deviate from the general EU method as described in the survey covering the EU. Spanish importers search for new suppliers from developing countries by visiting the country of interest, through recommendations or sometimes through trade fairs. The most common ways For developing country exporters approaching Spanish customers are through direct (e)mail, personal visits as follow up, inviting potential Spanish customers to visit them in their country, building a network and visiting international trade fairs.

After obtaining contacts, evaluating potential trade partners should be done according to criteria such as information quality, geographic coverage, the kind of trade relation the partner is interested in, the position of the partner and the financial status and credibility.

Coming to terms with your trade partner

As in the rest of Europe, both general offers and specific are common in Spain. Therefore, common practices as detailed in the survey covering the EU apply. When establishing an overseas price for your products, factors to take into consideration are: competition, costs such as production, packaging, transportation and handling, promotion and selling expenses; the demand for your product or service and the maximum price which the market is willing to pay. Conformity to market prices depends on the product's novelty. How you price your product demands a good deal of thought and effort, since it directly affects your ability to make a profit.

The most commonly used contract terms in the market for natural ingredients for cosmetics are documents against payments (D/P), by which the buyer takes possession of the goods only after payment, and payments in advance, which are most desirable from the seller's standpoint, but also has drawbacks. Most initial export shipments are partly pre-paid before the natural ingredients are shipped. In case of co-operation agreements with overseas companies, payment terms could also include periodical payments.

Export terms of sale determine what costs are covered in the price of the cargo, and at what point ownership transfers to the buyer and at what point responsibility for the cargo is transferred. The most commonly used term of sale is FOB (Free on Board). Under this term, the seller quotes a price for goods that includes the cost of loading at the port of departure. The buyer arranges for transportation and insurance. Less frequent are CFR (Cost and Freight) and CIF (Cost, Insurance, Freight). Special attention should also be given to contract fulfilment in reference to contingencies that might occur while the sale order is being processed, shipped etc.

Cultural differences

A profound knowledge of the Spanish business culture is one of the main keys to a durable relationship. In spite of all modern communication tools, the personal relationship with a trading partner often decides a durable co-operation. Some key aspects are listed below.

- Spanish culture places a strong emphasis on personal pride. Therefore, causing loss of face through criticism or embarrassment should be avoided at all costs.
- Avoidance of uncertainty is a vital element of Spanish culture linked to the cautious approach the Spanish take towards new ideas. Spanish business managers generally prefer to have precise answers to questions and give precise instructions in order to reduce conflict and any uncertainty.
- Hierarchy and position are extremely significant in Spanish business culture. The authority to make decisions rests with the individual in highest authority.
- Spanish business culture advocates subordinate initiative where problems are dealt with at lower levels first, before approaching superiors for assistance.
- An essential part of conducting business in Spain lies in establishing personal contacts. Generally speaking, the Spanish prefer to do business with those they are familiar with, so that obtaining personal contacts enables the negotiation process to advance more swiftly and successfully.
- The decision-making process in Spain is usually unhurried and can be a gradual one.
- The Spanish appreciate a more modest approach to business negotiations.
- Remain patient in all dealings with your Spanish counterparts. However, the 'mañana', i.e. "tomorrow" stereotype is not something often encountered in northern regions.
- Use basic titles of courtesy, Mr, Mrs, or Miss, followed by the surname, and professional titles, such as Dr, where known, particularly with older counterparts or those in the south of Spain. Also pay attention to surnames.
- Punctuality is expected of foreign visitors; however, you may sometimes find your Spanish counterparts arrive up to 30 minutes late.

Internet provides many sources on business practices and culture, such as <http://www.communicaid.com/spanish-business-culture.asp>. Please keep in mind that these pages only give general remarks. Therefore, when conducting business use your intuition and an understanding attitude.

Sales promotion

Common practices of trade promotion should not differ considerably from other European countries. It is preferable if export/sales personnel of your company is capable of speaking Spanish, otherwise it is recommended to hire an interpreter if both parties do not have a shared language. In general good care should be taken of existing contacts, by applying prompt, constant and reliable communication. Letters of inquiry should always be replied to. An essential tool used in sales is a detailed and up-to-date customer database.

Exporters should realise that the Internet is an important medium in sourcing of raw materials for herbal products. A number of users/traders of natural ingredients stated that they use the Internet in order to find new suppliers.

In the case of ingredients for cosmetics, many Spanish importers are not in favour of trade fairs as a means to promote suppliers from developing countries. However, visiting or even participating in one can be an efficient tool for communicating with prospective customers. It can also be a valuable source of information on market developments, production techniques and interesting varieties.

Assistance with market entry can also be sought through local business support organisations, import promotion organisations such as CBI and branch organisations focusing on the pharmaceutical, herbal medicine and natural ingredients sectors.

- A **trade association** that could be of interest is STANPA; Spanish Cosmetic Toiletry and Perfumery Association (<http://www.stanpa.es>).
- A major **trade fair** is Cosmobelleza- Wellness International Fair in Barcelona (<http://www.firabcn.es>).
- Two online **magazines**, that function as a gateway to the cosmetic branch are Portal de Perfumería y Cosmética (<http://www.abocovital.com>) (in Spanish) and Dermatologia & Cosmética (<http://db.moya.es>) (in Spanish).

This survey was compiled for CBI by ProFound – Advisers in Development
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