

CBI MARKET SURVEY

THE MARKET FOR NATURAL INGREDIENTS FOR COSMETICS IN THE UNITED KINGDOM

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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 the United Kingdom:

- Growth in cosmetics consumption will amount to 10% in the coming years and the natural cosmetics market will grow even faster. This could also mean an increase in natural ingredient demand, as the UK is a large producer of cosmetics itself. Organic certification is a clear trend in the UK.
- Imports of vegetable oils are increasing. However, all other products groups either showed a decrease or were stagnant.
- The role of developing countries in the UK market is limited, either around or under the EU average. However, essential oils, where developing countries have a more prominent position, showed decreasing imports.

In general, the role of developing countries is more limited in the United Kingdom than in the EU in general. That role is especially modest for raw plant material. The role of developing countries, however, is more prominent in the UK than in the EU for essential oils. Important developing country suppliers to the UK are Argentina, China, India and Malaysia.

This survey provides exporters of natural ingredients for cosmetics with sector-specific market information related to gaining access to the United Kingdom. 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>.

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 ingredients for cosmetics market/industry in The United Kingdom has been included.

1. Market description: industrial demand and production

Industrial demand

Cosmetics consumption

According to Colipa, the UK is the third largest cosmetics market in the EU, with sales amounting € 9.2 billion in 2004, with per capita consumption outstripping the EU, at € 154 compared to € 149 for the EU15. In 2005, CTPA assessed the UK market at € 9.3 billion. The largest product groups are toiletries, followed by hair care and skin care (CTPA, 2005).

Table 1.1 UK cosmetics market in million €, 2003-2005

	2003	2004	2005	% change 2004-2005*
Fragrances (incl. gift packs)	1,183	1,314	1,166	7.2
Colour cosmetics	1,223	1,378	1,617	-1.7
Skincare	1,584	1,726	1,886	5.7

Hair care	2,282	2,302	2,145	-5.2
Toiletries	2,481	2,496	2,493	2.4
Total	8,750	9,215	9,308	1.0

Source: CTPA (2005)

Due to exchange rate differences, the percentage change has been calculated using the original data in British Pounds. Oanda.com has been used for conversions.

The UK market is driven by fast growth of colour cosmetics (12.7%) and skin care (9.0%). The UK has the highest penetration level for most types of colour cosmetics, with lipstick used by eight out of ten British women, (Mintel, 2005).

Price competition has been increasing, as cosmetic companies sought market share increases in the traditional destination stores. The market was pushed by men's cosmetics products, products for teenagers and products focussed on anti-aging. Overall, the mass market showed greater growth than prestige as technology and innovative packaging from premium products become the "norm" in the mass market thus eroding the distinction between the categories and the reason to spend more money on premium brands (Colipa, 2006). However, niche brands remain highly fashionable and are increasing their market share (Euromonitor, 2005).

Natural cosmetics consumption

Spending on ethical purchases such as organic and Fairtrade cosmetics is on the rise in the UK, and product launches increased (cosmetics design Europe, 2006). The UK and Germany are the largest markets for natural cosmetics in Europe (Euromonitor, 2005). Natural personal care products are gaining ground in the UK with sales almost doubling between 2002 and 2005. Increased health awareness is the main driver, but the availability of natural personal care products is also widening with an increasing number of retailers introducing these products. The highest growth has been observed in health food shops and organic food retailers due to the Food Supplements Directive causing retailers to rationalise their product range and give more shelf-space to natural personal care products.

Skin care and hair care products are the most popular with consumers, accounting for 80% of natural personal care product revenues. Natural deodorants and oral care products are also showing healthy growth rates.

In spite of high growth rates, the market share of natural products remains low at below 5% of total personal care product sales. One factor is the absence of official regulations for natural & organic personal care products, with consumers unable to distinguish natural products. Low consumer understanding of natural products, the growing threat from competing products and lack of research are other barriers to market growth.

Natural ingredients for cosmetics

Not much information is available on British industrial demand of natural ingredients for cosmetics. Table 1.2 shows the industrial demand of vegetable oils. In general it can be said that, with rising consumption of both cosmetics and especially natural cosmetics there is considerable demand for natural ingredients, as domestic production is significant. Moreover, there is a large extraction industry and natural ingredients industry in the UK, which imports a very large part of its inputs from abroad so the industrial demand for natural ingredients should be significant and growing due to increasing domestic production of cosmetics.

Table 1.2 UK consumption (domestic supply) of vegetable oils, 2001-2003, in 1,000 tonnes

	2001	2002	2003	Share of EU
Coconut oil	38,231	30,508	32,487	5.0%
Groundnut oil*	2,346	5,149	7,461	4.2%
Olive oil	36,967	34,039	49,091	2.4%
Palm kernel oil	63,562	60,252	78,126	12.2%

	2001	2002	2003	Share of EU
Palm Oil	768,821	554,784	732,237	21.9%
Sesameseed oil	2,011	2,516	2,392	8.2%
Soybean oil	175,041	186,010	263,104	11.8%
Sunflower seed oil	134,191	257,427	245,283	9.8%
<i>Other vegetable oils</i>	<i>859,281</i>	<i>697,703</i>	<i>555,719</i>	<i>10.2%</i>
Vegetable oil total	2,080,451	1,828,388	1,965,900	11.5%

Source: FAO (2005)

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

There is demand in the UK for essential oils from lavender, chamomile, jasmine and rose. No information is available for the industrial demand of other product groups considered.

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. Thanks to a large cosmetics industry, the end-product segment is of most importance in the UK.

Thirdly, the market is also segmented according to type of ingredient such as essential oils, vegetable oils and plant extracts. In the UK, import figures show that essential oils are of particular importance in comparison to other EU countries.

Trends in industrial demand

Growth in cosmetics consumption will amount to 10% in the coming years, although thwarted by low pricing and discounting by supermarkets. The commodity sector, like bath and shower products, deodorants and hair care, will be hardest hit. Products that do not rely on supermarkets, like colour cosmetics, will continue to grow. Men's hygiene, oral hygiene and depilatories, will grow strongest, by around 30%.

However, new product development continued apace, especially in skin care where increasingly technical terms are used to advertise the unique selling point of a range of products of several cosmeceutical products being launched. Science and premium products are seen as the key incentives to boost sales.

The natural cosmetics market is projected to report the highest growth in the coming years. The appeal of natural cosmetics is widening as manufacturers market their products as premium lines. Natural products are also making inroads in chemists, department stores, hair salons and beauty centres. However, natural personal care products are not making inroads in supermarkets, unlike organic food. The market is not gaining momentum since supermarkets have failed to make an impact with natural personal care products. Indeed, one major retailer de-listed its entire range of organic personal care products because of poor sales (Organic Monitor, 2006).

According to the Soil Association, the UK organic cosmetics market has large potential considering the results of a recent opinion poll in which 80% of the people surveyed were already buying, or considered buying organic personal care products; 46% currently not buying such products expected do so in the future.

Due to significant domestic production of cosmetics, these increased sales are also likely to translate into increased industrial demand for natural ingredients.

Production

Total production

Cosmetics production

The UK is a major producer of cosmetic products. The country has a large number of the top-hundred producers, and several foreign multinationals are also present. The United Kingdom also has a significant number of natural cosmetics producers, with the most important one being the Body Shop.

Table 1.3 The UK's top beauty companies in 2004, in € mln.

Company name	Sales in € mln	World ranking
Unilever PLC	7,495	3
The Boots Company Plc.	1,102	22
The Body Shop International*	617	34
IWP International Plc.	170	51
Lush Ltd.	133	63
Molton Brown	65	92

Source: WWD Beauty 100 (2005)

*Acquired by French L'Oreal

Ingredients production

The UK seed-crushing industry accounts for only about one third of the total volume of oils refined in the UK, the balance of which is comprised liquid oils from other EU countries (Ienica, 2001). The UK has five seed crushers and eight oil refiners. Please refer to chapter 3 of this survey for their names. Table 1.4 shows the production figures for vegetable oils in the UK. 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 the UK.

Table 1.4 UK production of vegetable oils, 2001-2003, in 1,000 tonnes

	2001	2002	2003	Share of EU
Coconut oil	5,700	6,700	4,700	23.6%
Groundnut oil	0	0	0	0.0%
Palm kernel oil	0	0	0	0.0%
Sesame seed oil	not reported	not reported	not reported	
Soybean oil	140,100	144,500	143,200	4.9%
Sunflower seed oil	1,100	1,300	1,500	0.0%
Other vegetable oils	674,813	686,664	676,340	14.3%
Vegetable oil total	823,714	841,166	827,743	6.3%

Source: FAO (2005)

The UK has a sizeable production of herbs used in cosmetics, the largest production areas being for borage and coriander. Table 1.5 shows the most important ones.

Other herbs used for cosmetics cultivated in the United Kingdom to some extent, starting at 20 hectares (and decreasing along the list) are Garlic, Angelica, Hemp, Feverfew, Clary sage, Pennyroyal, St Johns Wort, Marigold, Hyssop, Marjoram, Selfheal, Blackcurrant, Lovage and Bog myrtle (EHGA Europam, 2005).

The area of chamomile being produced in the UK has increased significantly since 1998. The area grown increased from 43 hectares in 1998 to 175 hectares in 2002. The chamomile area tripled in 2001 after advice given under the European Agricultural Guidance and Guarantee Fund (EAGGF) Programme. This increase has flooded the market and caused damage to existing chamomile growers by a 50% reduction in price (Ienica, 2001).

English production of some oils, typically chamomile and lavender, still demands a premium on the market (through quality) although volume is small (e.g. 50ha of lavender producing

around 250litres/ha of oil on average) and there is a general lack of availability; there are large variations in the yield of oil from season to season (up to 8-fold differences between seasons for lavender oil) (Ienica, 2001)

Table 1.5 Indication of total cultivated area of herbs used in cosmetics in United Kingdom, 2005, in hectares

Scientific name	Common name	Total area
Borago officinalis	Borage	2,685
Coriandrum sativum	Coriander	967
Mentha spicata	Spearmint	378
Lavendula spp,	Lavender	367
Ocimum basilicum	Basil	358
Mentha piperita	Peppermint	344
Chamomilla recutita	German chamomile	217
Salvia officinalis	Sage	193
Oenothera biennis	Evening primrose	179
Chamaemelum nobile	English (Roman) Chamomile	145
Melissa officinalis	Lemon balm	63
Rosmarinus officinalis	Rosemary	36
<i>Other</i>		131
Total		6,063

Source: EHGA Europam, 2005

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

Major players

The major UK cosmetic companies are shown in table 1.3. However, the largest producers in the UK are foreign; L'Oréal, and Proctor & Gamble, while Unilever holds a third position. The UK processing industry of oils, is actively interested in increasing its capacity and introducing new extraction techniques. Starting from page 183 in the Ienica 2001 report, extensive lists are provided of companies active in the botanical industry and the vegetable oil industry. A membership organisation of the botanical industry is the British Herb Growers association (<http://www.bhta.org.uk/about.html>). Their website does not provide membership listings.

Contact information of the most important cosmetic producers, as well as companies from other trade channels such as raw ingredients traders and processors can be found in section 3 of this survey. Examples of producers of ingredients are M&A Combine, Buckton Scott, Lionel Hitchen and Jarvis.

Trends in production

Organic certification is a clear trend in the UK. 45 UK cosmetic producers are certified under Soil Associations standards, with a total of 1,700 certified products in 2004. Organic certification is seen as a way for producers to distinguish their products from those their competitors offer (Soil Association, 2006). An interesting discussion on certification can be found at http://www.in-cosmetics.com/2007/files/pres_soil_association.pdf.

Much research is conducted in the domestic production of natural ingredients, in line with the British government's policies to increase domestic production of agricultural crops. Examples are several herbs and indigo for colorants (Ienica, 2001).

Opportunities and threats

The natural cosmetics market is projected to report the highest growth in the coming years, but the cosmetic sector in general will also show increased growth. Consumer preference for natural cosmetics is widening as manufacturers market their products as premium lines. In general, the United Kingdom is a highly competitive market and any new entrants must be prepared to take a long-term approach. However, differentiated cosmetic products with unique

benefits containing natural ingredients are mentioned as an opportunity (Austrade, 2006). This also points to increasing opportunities for natural ingredients.

As the production of cosmetic products in the UK is a significant industry, which also continues to show growth, the above is likely to translate into increased industrial demand for natural ingredients for cosmetic products.

However, increasing efforts to strengthen domestic production could in the future limit opportunities for new suppliers of natural ingredients on the UK market, if production proves to be competitive. This is relevant only to temperate species which can be grown in the UK.

Useful sources

Interesting sources for obtaining more information are firstly encountered in the CBI survey covering the EU. However, focussing on the UK, the 2003 Ienica provides valuable 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 in the United Kingdom. Organizations mentioned in section 6 of this survey can also serve as information sources.

2. Trade: imports and exports

Imports

The United Kingdom is one of the leading EU importers of natural ingredients, although between 2000 and 2004, imports of vegetable saps and extracts and essentials decreased by 5% per year. Imports of vegetable oils, fats and waxes increased considerably (by 8% annually between 2000 and 2004), while the other product groups showed much less change. The United Kingdom is a particularly prominent importer of essential oils and oleoresins, ranking second after France.

On the product level, several products showed interesting developments. Peanut oil imports increased by 15% per year, to € 7.5 million. More importantly, direct imports from developing countries showed a very large increase, now accounting for a quarter of total imports. The same was the case for cacao butter and fats, increasing by almost 10% per year, to € 132 million.

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

Product	Total 2000 € 1,000	Total 2004 € 1,000	Leading Suppliers in 2004 (share in %)		Share in UK imports (%)
Vegetable oils, fats & waxes	233,447	320,061	Intra-EU:	The Netherlands (22%), Germany (16%), France (8%), Denmark (6%)	58%
			Extra EU excl DC*:	USA (5%)	7%
			DC*:	Indonesia (6%), Malaysia (5%), Papua New Guinea (5%)	35%
Vegetable saps & extracts	134,038	109,488	Intra-EU:	France (12%), Spain (11%), Germany (9%), Denmark (7%)	53%
			Extra EU excl DC*:	USA (12%)	20%
			DC*:	Sudan (5%), India (5%)	27%
Essential oils & oleoresins	134,650	130,853	Intra-EU:	France (11%), Germany (3%)	22%
			Extra EU excl DC*:	USA (29%)	32%
			DC*:	Argentina (17%), China (7%), Brazil (7%), India (5%), Mexico (5%)	46%

Product	Total 2000 € 1,000	Total 2004 € 1,000	Leading Suppliers in 2004 (share in %)		Share in UK imports (%)
Raw plant material	49,043	50,003	Intra-EU:	Germany (12%), France (10%), Belgium (7%)	40%
			Extra EU excl DC*:	USA (14%), Israel (5%)	30%
			DC*:	China (8%), Malaysia (4%), India (4%),	30%
Colouring matter	21,310	18,586	Intra-EU:	Denmark (18%), France (13%), Spain (8%), Germany (7%), Netherlands (7%), Ireland (4%)	67%
			Extra EU excl DC*:	USA (7%)	10%
			DC*:	India (12%), China (5)	23%

Source: Eurostat (2005)

*DCs: Developing countries

Regarding raw plant material, medicinal and aromatic plants showed a slight decrease, while seaweed and algae showed an increase of almost 5% per year and the share of developing countries increased dramatically.

Among the essential oils, bergamot (-9.5%), geranium (-13.5%) and peppermint (-11%) showed very substantial decreases. On the other hand, large increases were recorded for the essential oils from citrus fruits. Larger increases were recorded for jasmine (41.6%) and vetiver (38.7%), but for the first, developing countries have lost most of their market share.

The leading suppliers of natural ingredients for cosmetics are often European countries such as The Netherlands, Germany, France and Spain, which often re-export ingredients to the United Kingdom. The Netherlands is an important (re-)exporter of vegetable oils to the UK; France and Spain for vegetable saps & extracts; France of essential oils & oleoresins; Germany and France of raw plant material and Denmark and Spain of colouring matter.

The role of developing countries is more limited in the United Kingdom than in the EU in general. That role is especially modest for raw plant material. The role of developing countries, however, is more prominent in the UK than in the EU for essential oils. Leading developing country suppliers to the UK are Argentina, China, India and Malaysia.

Exports

The United Kingdom is the number two exporter of essential oils in the EU. It exported more than € 87 million in 2004, but compared to 2000 essential oil exports decreased by more than 3% per year. Imports of raw plant material (9% growth per year) and vegetable saps and extracts (9%) are increasing fast to € 11 million and € 64 million respectively in 2004. Vegetable oils, fats and waxes are also showing growth of 5.5% per year, amounting to € 115 million in 2004.

Opportunities and threats

Although the role of developing countries in natural ingredient imports is more limited in the United Kingdom than in the EU in general, the country should offer exporters of natural ingredients ample opportunities, because of its increasing cosmetic consumption and large and growing cosmetic industry. This is expected to lead to increased industrial demand of natural ingredients. However, in general, the United Kingdom is a highly competitive market and any new entrants must be prepared to take a long-term approach.

Also, it must be noted that a negative development has been visible for the product groups where developing countries previously had the most prominent role in total UK imports. This concerns essential oils and oleoresins and colouring matter. However, due to the UK's role in the natural ingredients trade and production and natural cosmetics trade and production, the

UK will remain an interesting country in Europe for exporters of natural ingredients for cosmetics. Also, for several products, developing countries increased their presence, or imports are increasing fast. Important ones are peanut oil, cacao butter and fats, seaweed and algae, the different citrus oils, vetiver oil and jasmine oil.

Organic certification can also be an interesting opportunity for exports to the UK.

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 the UK as in the rest of the EU. The traditional approach of contacting traders, agents or wholesalers (either with or without processing capacity, dependent on the product), but also intermediate processing companies such as fragrance houses, refining companies and extractors remains the most important method.

There are also a large 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 have to deal 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 facilitates 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. Generally speaking, manufacturers will buy from traders and distributors to keep their supplier base narrow. Buying directly from developing countries is mainly done by the traders and agents. Some branded goods will be made under licence by other companies.

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 information on trade structure, please refer to the CBI survey covering the EU. Here, specific approaches for new ingredients are also included.

The UK cosmetic market is fragmented and no company commands a market share of over 10%, while all major players except Gillette are seeing increases in their shares. Interesting companies currently active in production of cosmetic products, processing or ingredients and trade of ingredients are listed in the lower rows of the below box.

Leading cosmetics companies	
• Unilever PLC	http://www.unilever.com
• The Boots Company Plc	http://www.boots-plc.com/ Offers a supply manual
• IWP International Plc.	http://www.iwp.ie/ Website under construction
• Lush Ltd.	http://www.lush.co.uk/
• Molton Brown	http://www.moltonbrown.co.uk/ Uses natural ingredients from sustainable sources and encourages supplies from developing countries.
• Accantia Health & Beauty Ltd	http://www.accantia.com
• Coty UK Ltd	http://www.coty.com
• GlaxoSmithKline Plc	http://www.gsk.com/
Companies focussing on natural products/ingredients	
• A & E Connock Ltd	http://www.connock.co.uk Natural ingredients trade and production
• Buckton Scott	http://www.buckton.co.uk/ Manufacturing, import/export trade of natural ingredients
• The Body Shop International	http://www.thebodyshopinternational.com Natural cosmetics company, subcontracts production. Does not buy ingredients directly.
• The Organic Herb Trading Co	http://www.organicherbtrading.co.uk Organic herbal ingredients trade
• S&D Aroma	http://www.sdaroma.com Trade and production of essential oils for natural skin care
• Jarvis	http://www.pjd.co.uk Production of botanic extracts for cosmetics.
• M&A Combine	http://www.macomcombine.com/profile.htm trading marketing, distribution & sourcing
• Lionel Hitchen	http://www.lheo.co.uk Production of essential oils

Sources: Euromonitor (2005), Ienica (2001), 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 for 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 be especially 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 also is more common in this specialist channel.

It is noted in the CBI survey focussing 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 UK 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 of “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 differ from those in the United Kingdom. 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>). Greentrade (<http://www.greentrade.net/>), an online marketplace serving as an important reference point is of interest. The sections of medicinal and aromatic plants, “herbs, spices and condiments” and “raw materials” are of relevance.

5. Market access requirements

As a manufacturer in a developing country preparing to access the United Kingdom, you should be aware of the market access requirements of your trading partners and the UK 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 the United Kingdom is 17.5% 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 the United Kingdom should not deviate from the general EU method as described in the survey covering the EU. UK importers search for new suppliers in developing countries by visiting the country of interest, through recommendations and a more limited number also through trade fairs. The most common ways for developing country exporters approaching UK customers are through direct (e)mail, personal visits as follow-up, inviting potential UK 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 the United Kingdom. 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 products 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 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 British 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. The general business culture of the United Kingdom is described below:

- Polite, direct with an understated use of language.
- Treats counterpart as equal but expects respect for achieved status/position. Wait till your counterpart assigns you a seat.
- Extremely task-oriented – ‘hello, nice to meet you’ and then straight to the point – although this may confuse an exporter, who thinks his trading partner is relationship building. Questions are purely ritual and over very quickly.
- A British trading partner will give the exporter the opportunity to sell himself, his company and his products.
- He will be interested in the track record/achievements of your company and your products.
- When convinced, he will be prepared to give it a try on the basis of a trial shipment.
- He becomes slightly irritated by small talk and formalities and likes to get down to business. do not talk about politics, religion and private/family matters.
- He expects his counterparts have their own opinion and voice it, even when disagreeing.
- He expects counterparts to take initiative and expects assertive communication.

Internet provides many source on business practices and culture, such as <http://www.communicaid.com/british-business-culture.asp>. Please keep in mind that the above concerns general remarks. Therefore, when conducting business, use you intuition and an understanding attitude.

Sales promotion

Common practices of trade promotion should not differ considerably from other European countries. In general good care should be taken of existing contacts, 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 UK 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 focussing on the cosmetic, herbal medicine and natural ingredients sectors.

- Wide-coverage **trade associations** are the C.T.P.A. - Cosmetic, Toiletry & Perfumery Association (<http://www.ctpa.org.uk>) and the Society of Cosmetic Scientists, affiliated with the International federation of Societies of Cosmetic Chemists (<http://www.scs.org.uk>).
- An interesting cosmetic **trade show** in the United Kingdom is the Professional Beauty Autumn in London (please refer to <http://www.biztradeshows.com/unitedkingdom>).
- Interesting **trade press** is International Journal Of Cosmetic Science (<http://www.blackwell-science.com>), Soap, Perfumery & Cosmetics (<http://www.spc-magazine.com>) and Cosmetics International, which also covers in-depth industry knowledge about companies, marketing and packaging (<http://www.cosmeticsint.co.uk>).

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