

CBI MARKET SURVEY

THE MARKET FOR NATURAL INGREDIENTS FOR COSMETICS IN ITALY

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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 Italy:

- Sales of cosmetics and toiletries products are forecast to record a positive performance during the 2006-2009 period, with an annual growth rate of 2%. Next to the increasingly importance of cosmetics containing natural ingredients, an interesting niche market is the organically certified cosmetics market. Fast growth is expected.
- As a major importer of natural ingredients Italy is an interesting market, but imports are either stagnant or decreasing.
- The importance of developing countries on the natural ingredients market remains limited, and is either around, or below, the EU average.

This survey provides exporters of natural ingredients for cosmetics with sector-specific market information related to gaining access to Italy. 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 Italian ingredients for cosmetics market/industry has been included.

Cosmetics consumption

Italy is the fourth largest market for cosmetics in the European Union, with sales worth € 8.5 billion. However, the Italian market shows limited growth. Per capita consumption is, at € 146, just below the EU15 average of € 149. The growth achieved in Italy can be attributed to the detectable effort in innovation made by the various firms, both national and multinational, operating up and down the length of the country, together with the promotional activities that have sustained consumption. It is estimated that new products accounted for 10% of all market sales. Innovation through technology advancements, marketed under existing umbrellas, was increasingly aimed at catering to specific consumer needs.

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

2002	2003	2004	Average annual % change
8,014	8,317	8,462	2.8%

Source: Colipa (2006)

Skin care (3.7%) and decorative cosmetics (3.2%) grew fastest between 2002 and 2004. Within skin care, strong growth of anti-cellulite products was offset by decreases in body oils. Facial treatments showed good growth in 2004. In decorative cosmetics, face makeup and eye makeup showed the strongest gains. Mass products performed better than premium ones in 2004.

Table 1.2 Italian market for cosmetics and toiletries 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	%
1.10	13.0%	1.13	13.4%	2.23	26.3%	1.78	21.0%	2.22	26.2%

Source: Colipa (2006)

Perfumery has been badly hit by the crisis in premium product sales, with consumers moving to mass goods. This is not just due to price consciousness: sales through herbal shops and pharmacies are increasing, as the quality perceived is higher for products bought in these outlets.

Natural cosmetics consumption

Also, in recent years Italians have been keeping pace with the rest of Europe in realising the benefits of a healthy lifestyle. This is reflected in the growing popularity of non-traditional healthcare treatments (e.g. homeopathic, naturopathic, and herbal, ayurveda) and the increase in sales of cosmetic and toiletry products containing non-synthetic but also active ingredients (Austrade, 2006). Products featuring natural ingredients and cosmeceutical products are helping to drive demand in the Italian cosmetics and toiletries industry (Euromonitor, 2006).

Natural ingredients for cosmetics

Italy imports most of its raw materials. While the Italian cosmetics market is highly competitive, it is open to new products, particularly those which are natural or contain natural active ingredients derived from plants and vegetable extracts. Since Italy imports virtually all its raw materials, there are opportunities to supply Italian manufacturers with ingredients such as aloe vera, lavender, and essential oils and novel ingredients (Austrade 2006).

Italian industrial demand of vegetable oils is among the highest in the European Union, especially for groundnut oil and olive oil (the latter is mainly for food purposes). Oils from tropical countries such as palm, palm kernel oil and coconut oil are consumed to a much lesser degree. 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 Italian consumption (domestic supply) of vegetable oils, 2001-2003, in 1,000 tonnes

	2001	2002	2003	Share of EU
Coconut oil	57,703	69,161	61,598	9.4%
Groundnut oil*	48,997	49,203	37,374	21.1%
Olive oil	810,056	830,057	813,911	39.2%
Palm kernel oil	35,695	38,038	34,374	5.4%
Palm Oil	209,922	224,820	228,332	6.8%
Sesameseed oil	2,270	3,029	2,580	8.9%
Soybean oil	241,965	252,563	288,676	13.0%
Sunflower seed oil	301,010	291,484	290,955	11.6%
Other vegetable oils	361,099	364,495	361,606	6.6%
Vegetable oil total	2,068,717	2,122,850	2,119,406	12.4%

Source: FAO (2005)

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

Recently, the interest in natural colorants has been growing thanks to the consumer trend towards environmental friendly products. However, considering trade volume the market is still very limited, amounting to around € 9 million in 2001 (Ienica, 2001).

With a very sizeable cosmetics industry, it can be expected that Italy is also a large consumer of natural ingredients for cosmetics. This is also visible in section 2 of this survey.

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. With both a large cosmetics end products as well as an ingredients industry, both segments are of significance in Italy.

Thirdly, the market is also segmented according to type of ingredient such as essential oils, vegetable oils and plant extracts. No segment stands out as being of particular importance in Italy.

Trends in industrial demand

Sales of cosmetics and toiletries products are forecast to record a positive performance during the 2006-2009 period, with an annual growth rate of 2%. Value growth will continue to be hampered by a generally negative economic environment at the beginning of this period, with sales growth picking up later. Except for prices, producers are increasingly focusing on transforming "mass" products into "upper mass" through packaging, advertising and marketing strategies. L'Oréal performed well in this respect, as did Procter & Gamble.

Overall growth will be driven by sectors like men's grooming, skin care and sun care (Euromonitor, 2005). Good potential also exists for innovative products aimed at problem areas (e.g. facial creams for wrinkles, cellulite treatments, sun block and related protection from the environment, enriched lipsticks, etc). (Austrade, 2006).

Emotional factors continued to play an important role in consumers' choices. As a result, texture, colour and, especially, fragrance, are becoming extremely important in sectors such as colour cosmetics, skin care, hair care, and bath and shower products (Euromonitor, 2006).

Next to the increasingly importance of cosmetics containing natural ingredients, an interesting niche market is the organically certified cosmetics market. The organic market is still very limited, but the number of producers and consumption is rising rapidly in Italy, propelled by increased health awareness. The 42 certified producers and 520 certified products (with two firms accounting for 50%) are mostly in skin care, soaps and shower gels and hair products (AIAB, 2006). In 2005, the market amounted to approximately € 1 million, which signifies a growth of 40% since 2004. Fast growth is expected in future years as well.

The main limiting factors are, however, the small number of certified products, the availability inside the greater distribution chain and the fact that this niche market is still predominately dominated by small producers (AIAB, 2006). An interesting discussion on certification can be found at http://www.in-cosmetics.com/2007/files/pres_round_table_AIAB.pdf.

While the Italian cosmetics market is highly competitive, it is open to new products, particularly those that are natural or contain natural active ingredients derived from plants and

vegetable extracts. There are also good prospects for ingredients that distinguish themselves from what is already available on the Italian market (Austrade 2006). This, and rising consumption could translate into further growth of the industrial demand for natural ingredients as the country has a significant cosmetics industry.

Production

Total production

Cosmetic production

The Italian market is for a considerable part supplied by international multinationals, some of which have production facilities in the country. L'Oreal is the country's premier producer. However, the country also has several sizeable and a large number of smaller producers (Euromonitor 2006). Next to the local market, the Italian beauty industry is increasingly aiming at export markets such as Russia and China.

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

Company name	Sales in € mln	World ranking
Euroitalia	499	36
Kelemata	170	50
The Guaber Group SA	165	53
Micys Co. Spa	140	60
Mirato Spa.	138	61
Conter	125	64
Deborah Group	120	66
Versace Profumi	97	73
Pagliari Profumi Spa.	95	76
Collistar	94	80
W&J	68	89

Source: WWD Beauty 100 (2005)

Ingredients production

Italy has several large traders and processors of natural ingredients and is one of the larger producers in Europe of these products. However, most of the domestic raw material needs are still imported, demonstrating a shortage in domestic production and/or a mismatch between domestic needs and domestic production.

Table 1.5 Indication of total cultivated area, organic area and number of growers of herbs used in cosmetics in Italy, 2005, in hectares

Scientific name	Common name	Total area	Organic area	Nr. of growers
Citrus bergamia	Bergamot	560	40	750
Mentha piperita	Peppermint	214	25	87
Ocimum basilicum	Basil	130		1,440
Glycyrrhiza glabra	Licorice	75	71	9
Chamomilla recutita	German chamomile	66	104	46
Citrus medica	Lemon	46		100
Rosmarinus officinalis	Rosemary	28	17	98
Lavendula spp.	Lavender	24	108	85
Helicrisum italicum	Curry plant	10	1	13
Salvia officinalis	Sage	10	29	114
Melissa officinalis	Lemon balm	7	33	91
Salvia sclarea	Clary sage	3	7	20
Anisum vulgare	Aniseed	1	15	9
Hyssopus officinalis	Hyssop	1	22	56
Rosa canina	Dog rose		11	8
Linum usitatissimum	Flaxseed		81	3
Total		1,175	546	2,929

Source: EHGA Europam (2005)

Italy has a sizeable production of herbs for cosmetic uses as can be seen in table 1.5. Moreover, as Europe's principle organic producer, a large part of this production is organically certified. The country also has a considerable number of companies focusing on extraction of and trade in natural extracts, essential oils, colorants and raw plant materials. For examples of these companies, please refer to section 3 of this survey.

Table 1.6 shows the production of vegetable oils in Italy. Little more than 50% is derived from national production, while the remaining part is imported (Ienica, 2001). 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 Italy.

Table 1.6 Italian production of vegetable oils, 2001-2003, in 1,000 tonnes

	2001	2002	2003	Share of EU
Coconut oil	0	0	0	0.0%
Groundnut oil	3,600	3,600	3,600	5.8%
Olive oil	608,500	619,950	663,252	24.2%
Palm kernel oil	0	0	0	0.0%
Sesameseed oil	2,300	3,000	2,500	9.8%
Soybean oil	230,000	217,000	245,000	8.5%
Sunflower seed oil	274,000	174,300	142,800	2.7%
Other vegetable oils	137,880	141,257	133,692	6.7%
vegetable oil total	1,256,280	1,159,107	1,190,844	9.1%

Source: FAO (2005)

Different initiatives are signalled by agricultural farms that grow plants for colorants. They directly extract the active compound. A few hectares (6-7) are grown for colorants (Ienica, 2001).

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

Major players

The major Italian cosmetic companies are shown in table 1.4. Important local extractors are Carlo Sessa SpA, D. Ulrich SpA, Erbex SpA and Natur Farma SaS. Of these, especially Carlo Sessa SpA and D. Ulrich SpA are involved in local cultivation, with extensive domestic networks for local sourcing, while also promoting local production of raw material. For contact information of these companies, please refer to section 3. Furthermore, the 2001 Ienica report also lists vegetable oil, fats and waxes processors and companies active in the botanical industry and of colorants, starting from page 100.

Trends in production

Both in the production of colorant materials and colorants and regarding plants containing biologically active compounds, work has been done at the level of research in collaboration with the Italian pharmaceutical and cosmetic industrial sector. Increasing production, especially by small companies that were collaborating in these research endeavours is becoming visible for some products.

Opportunities and threats

As the country has a large cosmetic industry, the increased consumption of cosmetics domestically, as well as increased consumption elsewhere in Europe, is also likely to translate into increased industrial demand for natural ingredients for cosmetics. Functional ingredients are especially of interest in Italy.

The continued increase in organic production and consumption points to the increasing opportunities for such products on the Italian market.

The increased efforts to broaden and promote local production may be a threat to developing country producers, if the local production turns out to have a competitive advantage over crops currently imported into Italy.

Useful sources

Interesting sources for obtaining information on the consumption and production of cosmetic products and their ingredients are firstly encountered in the survey covering the EU. However, focusing on Italy, 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>. AIAB (<http://www.aiab.it/home/>) offers information on the Italian organic market and production (In Italian). Furthermore EHGA Europam (<http://www.europam.net/>) offers information on the cultivation of herbs in Italy. Organizations mentioned in section 6 can also serve as information sources.

2. Trade: imports and exports

Imports

Italy is a relatively important importer in the EU, and plays an especially important role for vegetable saps and extracts and raw plant material, both for which it is the 4th importer. Its role in the other product groups is more limited. However, Italian imports are substantial for all product groups.

Between 2000 and 2004, Italian imports of all product groups, except for colouring matter and vegetable saps and extracts, decreased in terms of value. In the whole review period, vegetable oils, fats and waxes (annual decrease of 5%) and essential oils (-10% annually) in particular showed a considerable decrease.

Within vegetable oils and fats, fixed fats and oils (-14.6% per year between 2000 and 2004), and the much smaller product of waxes (-10.4%) showed large decreases, while cacao butter and fat are increasing by 10.5% per year and are more often directly imported from developing countries.

Regarding raw plant material, it is interesting to note that while the entire product group showed a considerable decrease, seaweed and algae increased by almost 3% annually.

Italian imports of essential oils are relatively limited, but within that product group, citrus fruit oils and mint oils are showing very large increases. However, except for orange oil, which is also increasing fast, the role of developing countries is limited.

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

Developing countries which play a substantial role on the Italian market are India, Indonesia, China and Peru. In general, the role of developing countries is more limited in Italy than in the EU except for vegetable oils, fats and waxes and colouring matter, where it exceeds the EU average. The role of developing countries for essential oils in particular is very limited.

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

Product	Total 2002 € 1,000	Total 2004 € 1,000	Leading suppliers in 2004 (share in %)		Share in Italian imports (%)
Vegetable oils, fats & waxes	256,060	209,797	Intra-EU:	The Netherlands (16%), France (16%), Germany (9%), Spain (6%), Belgium (5%)	57%
			Extra EU excl DC*:	USA (1%)	1%
			DC*:	India (11%), Indonesia (8%), Philippines (6%)	42%
Vegetable saps & extracts	106,706	106,201	Intra-EU:	France (27%), Germany (13%), UK (9%), Spain (7%), Denmark (6%)	68%
			Extra EU excl DC*:	Switzerland (4%), USA (3%)	9%
			DC*:	India (7%), China (4%), Sudan (3%)	23%
Essential oils & oleoresins	38,054	25,237	Intra-EU:	France (27%), UK (21%), Netherlands (12%), Germany (9%), Austria (7%), Spain (5%)	82%
			Extra EU excl DC*:	USA (5%)	8%
			DC*:	Brazil (4%), India (2%)	10%
Raw plant material	50,772	41,499	Intra-EU:	France (13%), Austria (8%), Germany (6%), Netherlands (4%), Belgium (3%)	38%
			Extra EU excl DC*:	USA (16%), Canada (3%)	24%
			DC*:	China (20%), Croatia (3%)	38%
Colouring matter	15,009	15,780	Intra-EU:	Spain (22%), France (11%), Belgium (8%), UK (8%), Netherlands (8%), Germany (6%)	68%
			Extra EU excl DC*:	USA (5%)	6%
			DC*:	Peru (19%), China (5%)	26%

Source: Eurostat (2005)

*DCs: Developing countries

Exports

Developments in Italian exports of natural ingredients for cosmetics showed very large differences between product groups. Only saps and extracts, the largest product group, is largely stable, amounting to € 103 million in 2004, of which a part is likely to concern re-exports. Italian exports are limited for other product groups. Vegetable saps and extracts increased by 15% annually to € 67 million in 2004. Essential oils decreased by 4.4% annually to € 41 million in 2004. Raw plant material increased by 11% annually to € 10 million in 2004 and colouring matter decreased by almost 9% annually to € 14 million in 2004.

Opportunities and threats

While the Italian cosmetics market is highly competitive and showing limited growth, it is open to ingredients that distinguish themselves from what is already available on the Italian market, active ingredients, and increasingly for organic products. Among specific products, cacao butter and fat, seaweed and algae and citrus fruit oils and mint oils are performing well, as regards imports.

As a major importer of natural ingredients Italy is an interesting market, although but imports for many products are not performing well. Imports for most product groups, except vegetable saps and extracts and colouring matter are decreasing. Also, the importance of developing countries on the natural ingredients market remains limited.

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 Italy 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.

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 facilitates this.

However, some end-industries can also be approached, as they also import directly from developing countries. This is 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.

The Italian cosmetic and toiletries market is dominated by the well-known European cosmetic multinationals, such as L'Oréal (18% market share in 2004) and Procter & Gamble.

Leading cosmetics companies	
• Euroitalia	http://www.euroitalia.it/ Website is password protected
• Kelemata	http://kelemata.crweb.it/ (Only in Italian)
• The Guaber Group SA	http://www.guaber.com
• Mirato Spa.	http://www.mirato.it/home.php?language=en
• Conter	http://www.conter.com/
• Deborah Group	http://www.deborah.it/eindex.htm
• Versace Profumi	http://www.versace.com
• Paglieri Profumi Spa.	http://www.paglieri.com/
• Collistar	http://www.collistar.it/cellcop.htm

• W&J	http://www.weruska.com/
Companies focusing on natural products	
• Arda Natura Srl	http://www.acef.it Production of vegetable extracts and raw materials, global sourcing of raw materials.
• Carlo Sessa SpA	http://www.carlosessa.it/azienda.asp trader of active ingredients and medicinal and aromatic plants worldwide. Promotes domestic cultivation.
• D. Ulrich SpA	http://www.fermacol.com/d_ulrich.htm extractor, mainly of own and domestic production
• Erbex SpA	http://www.erbex.it/
• Indena SpA	http://www.indena.com/ active ingredients trade and production
• Natur Farma SaS	http://www.raihuen.it/it_home.htm trade and production of ingredients

Sources: Euromonitor (2005), 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 Italian 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 actual 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 Italy. 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 Italy, you should be aware of the market access requirements of your trading partners and the Italian 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 Italy is 20% 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 Italy should not deviate from the general EU method as described in the survey covering the EU. Italian importers search for new suppliers in developing countries visiting the country of interest, through recommendations and less often also through trade fairs. The most common ways for developing country exporters approaching Italian customers are through direct (e)mail, personal visits as follow up, inviting potential Italian 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 Italy. 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 Italian 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.

- Although punctuality is taken seriously, your Italian counterparts, especially in the South, may not always adhere to this rule.
- In the north of the country, people are direct, see time as money, and get down to business after only a brief period of social talk. In the south, people take a more leisurely approach to life and want to get to know the people with whom they do business.
- The Italian bureaucracy and legal systems are rather slow; therefore you should expect decisions and business action to take time.
- Italian business organisations are often hierarchal, only the most senior managers make decisions, furthermore they like doing business with high-ranking people.
- Personal relationships in Italy are critical for successful business negotiations, but take a long time to develop. Therefore, a third party introduction is very useful.
- Personal interest is appreciated and will also be shown.
- Initial business meetings are often informal opportunities for evaluating colleagues and establishing relationships, not for reaching decisions. Meetings are meant for a free flow of ideas, to let everyone have their say, and can even erupt in heated debates.

- When greeting your Italian business colleagues, use their last names and, if known, appropriate, professional titles, until invited to do otherwise.
- Appearances matter in Italy, therefore dress well. First impressions are lasting impressions in Italy. Greetings are enthusiastic yet rather formal.
- Wait until invited to move to a first-name basis. Italians are guided by first impressions, so it is important that you demonstrate propriety and respect when greeting people, especially when meeting them for the first time.
- Bargaining over price and delivery date is common.

Internet provides many sources on business practices and culture, such as <http://www.communicaid.com/italian-business-culture.asp> and <http://www.kwintessential.co.uk/resources/global-etiquette/italy-country-profile.html>. 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. Although most Italians are able to speak some English, it is of course preferable if export/sales personnel of your company is capable of speaking Italian. 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 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 Italian 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 cosmetic, herbal medicine and natural ingredients sectors.

- An Italian **trade association** that could be of interest is Unipro; Italian Association of Cosmetic Industries (<http://www.unipro.org>).
- An interesting **trade fair** is Cosmofarma in Rome, representing five sectors; Pharmaceuticals, Cosmetics, Natural Products, Nutrition and Dieting, Services and Laboratory (<http://www.cosmofarma.com>). The most interesting trade fair for the sector discussed in this report is SANA, the International Exhibition of Natural products, taking place from 7-10 September 2006 in Bologna (<http://www.sana.it/>).
- **Trade press** of interest is the World Directory Cosmetics Industry (<http://www.teknoscienze.com>).

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