

CBI
Ministry of Foreign Affairs

Exporting natural ingredients for cosmetics to Europe

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What competition do you face on the European natural ingredients for cosmetics market?

Innovation is key in the cosmetic industry. European buyers of cosmetic ingredients are often looking for new ingredients or new suppliers of ingredients that they already use. Opportunities are strong for speciality ingredients: essential oils, botanicals and vegetable oils. However, it is a competitive market, not only between the same products but also between products with the same or similar active or functional benefits. You need to meet the minimum market requirements as well as stand out from others.

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1 . What are the opportunities and barriers when trying to enter the market?

European legal requirements are a growing barrier to enter the market. You need to prove and document the safety and efficacy of your product. You also need to show good practices in terms of the supply chain, processing, use, availability, Corporate Social Responsibility and traceability.

Buyers have increasing demands, especially in terms of traceability and sustainability. To anticipate these needs, you will need to have all required documentation in place.

If you can already meet European buyer requirements, you have a competitive advantage over new entrants. It will be hard for them to keep up. This is especially the case if you can go beyond European buyer requirements.

Innovation is crucial for cosmetics manufacturers. Buyers are always looking for new ingredients (new species, ingredients with new research showing new properties, or products with a new marketing story). They are also interested in new suppliers of ingredients that they use already, with a better value in terms of price, service or quality. This makes Europe a very interesting market for new entrants. It is easier to enter the European market with speciality ingredients for cosmetics than with commodity ingredients. Suppliers of commodity ingredients face additional market entry barriers:

large volumes;•

- relatively low margins; reluctance to change suppliers unless there are major
- issues; potentially high investments (depending on technological capacities and
-



facilities, you will need to standardise your product or reach a certain scale).

Many suppliers of speciality ingredients try to enter the European market. If you want to succeed, you will need to stand out in terms of:

- quality (technical documentation, robust supply chain and traceability); highly demanded and well-supported active or
- functional properties; certified sustainability practices;
- origin; marketing stories.
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Tips:

Comply with market access requirements in terms of quality control, traceability and sustainability.

Prepare detailed product documentation on product, technical, safety and efficacy data, as well as professional samples. Increase your capacity for safety testing and monitoring to do so. For more information, see our [guide for preparing such documentation](#).

Stand out from other new entrants by going beyond typical production information. Especially if you produce an active extract, you can increase your chances to enter the market. Document historical use and provide information on the use of the ingredient. Include graphs and tables that highlight your ingredient's technical characteristics, safety and efficacy. Show that you can help your buyer where needed. Provide potential buyers with information on your product's traceability and sustainability

Show your buyers that you are aware of all developments for your ingredient/plant species.

See our study of [Buyer requirements for natural ingredients of cosmetics](#) for more information.

For information on [requirements for specific products](#), have a look at our fact sheets. See, for example, the fact sheets about [liquorice](#), [sacha inchi](#), [sandalwood](#) or [rose geranium oil](#).

Read more about [customs tariffs, tariff-rate quotas, trade remedies, rules and certificates of origin](#) as explained by ITC's Market Access Map.

Find out what [technical data](#) you need to supply.

2 . What are substitute products?

Substitute products for natural ingredients for cosmetics include synthetic ingredients and other natural ingredients.

Synthetic ingredients have various advantages compared to natural ingredients, especially in terms of supply chain control, efficacy, safety, stable prices and standardisation. As the consumer demand for efficacy is growing, the use of synthetic ingredients could increase as well, so long as cosmetic producers can market them in a way that resonates with consumers.

Not all cosmetic ingredients face the same threat to be substituted. For example, companies that are currently using essential oils will rarely substitute their ingredients for synthetic ingredients.

Moreover, buyers are likely to switch between suppliers of commodity ingredients more frequently than between suppliers of speciality ingredients. Commodity

ingredients are usually standardised, are well understood by buyers and suppliers, and are more widely available. Switching suppliers for such ingredients is not as complicated as for speciality ingredients. However, buyers still only take the decision to switch after weighing up all the pros and cons.

If a cosmetic manufacturer has built a product's marketing around a speciality ingredient, it will be more costly for them to switch suppliers.

Industry sources expect growing product competition from natural, identical ingredients derived from biotechnology. In future, ingredients made with biotechnology could substitute natural ingredients.

The more unique your ingredient and its story, the less you need to be worried about substitute products. How unique your ingredient is depends on:

- its properties or functionality (ingredients that are used for a clear performance are more difficult to substitute than those that are solely used for their natural origin);
- origin (from the wild or produced in a specific region);
- certification;
- its suitability to marketing trends.

The threat of substitution is smaller if you can build a marketing story around the product (for example, based on a specific origin or composition of a vegetable oil).

Price and availability are also important reasons for manufacturers to stick with an ingredient; for example, when there are few ingredients with the same low price.

Substitution with new ingredients becomes more difficult once a cosmetic manufacturer has included it in a cosmetic product, especially if the manufacturer has spent time and effort on a marketing campaign for that ingredient. It would be too expensive for them to reformulate and retest the final product, and prepare the necessary documentation. Buyers will only do this if a new ingredient is substantially better than what they currently use. This improvement can be in terms

of:

- price
- availability
- supply
- security
- sustainability

Tips:

Determine the threat of substitution for your ingredient. Which other ingredient could be used in a similar way as your product? How does your ingredient compare to the substitute product? Does your ingredient have an advantage in price, properties or marketing story?

Promote interesting properties of your ingredient that can give you an advantage over your competitors; for example, information on applications or proof of efficacy, or attractive details on the ingredient's origin.

Innovation is key in the cosmetics industry. A manufacturer who is developing a new cosmetic product will definitely look for the next market trend and new ingredients.

Promote your ethical and sustainability standards. Use your website to show what standards you use.

As a first step to Corporate Social Responsibility, you can subscribe to [ethical platforms](#) such as the Supplier Ethical Data EXchange (SEDEX).

[Consider gaining membership to the UN Global Compact](#). This initiative asks companies to support and enact ten core values in human rights, labour standards, the environment and anti-corruption efforts. Also consider developing a Code of Conduct and a CSR policy. Communicate these actively to your buyer in order to differentiate yourself from other suppliers.

Set your ingredient apart from potential substitute products: focus on what makes it unique. Can you exceed buyer requirements, offer sustainable production, certify your ingredient and ensure traceability?

Build and communicate a strong and attractive marketing story around your ingredient. Focus on a traditional use or production method, your product's origin or its benefits to local communities.

If you make a claim for your ingredient, support this with scientific evidence, not just traditional use. Never make a medical claim, because these are not allowed for cosmetics.

3. How much power do I have as a supplier when negotiating with buyers?

When it comes to cosmetic ingredients, European buyers generally have a lot of negotiating power. Cosmetic manufacturers and ingredient processors are consolidating with distributors, which further increases their negotiating power. However, there are ways to improve your own position in negotiations. Your negotiating power is higher if you can offer:

- **unique or speciality ingredients; ingredients with limited availability;**
- **ingredients with superior innovation (fewer substitutes; most likely for botanical actives).**

If you export conventional ingredients, buyers have more negotiation power. This situation means that they can require you to comply with strict demands of

consistent quality, quantity, documentation, timely delivery and price. They can more easily switch to other suppliers of the same ingredient without excessive costs. Conventional ingredients include commodity oils or well-established botanicals. European buyers are facing supply shortages for some products. These shortages may lower the power of buyers in future. However, they could also result in more producers entering the market if shortages can be resolved on short notice. If supply security becomes a major issue and price pressure continues, buyers might also start looking for alternative ingredients. They do not want such uncertainty for ingredients that are of strategic importance to their products.

The main reasons for supply shortages include:

- **growing demand for cosmetic ingredients from specific regions; production**
- **constraints (such as rosehip oil, jatamansi or gum arabic); increasing use in**
- **other sectors (for example, agave-based ingredients have become more expensive because of increasing tequila demand).**

How much negotiating power you have over your own suppliers depends on how much you depend on them. Do you rely on a wide range of suppliers for your raw materials? Do you produce them yourself? How strict are the quality requirements with which you and your suppliers need to comply?

Tips:

Manage your value chain to ensure the future availability of your ingredient and to control your prices. If you depend on suppliers for your raw materials, establish clear agreements on the amount and quality of their supplies by using product specifications and supply contracts. Build trust between you and your suppliers, and be consistent in your purchases of raw materials. This process takes time, but it is vital for your operation.

Help your regular suppliers to improve the quality and quantity of their product. Build their commitment to your company. You can include Fairtrade principles and fair sharing of benefits to improve their commitment.

Stand out in the market by investing in quality management systems that fit the segment which you want to target. Examples include [Guidelines on Good Agricultural and Collection Practices for Medicinal Plants of the World Health Organisation \(GACP\)](#), [Good Manufacturing Practices \(GMP\) specifically for cosmetic ingredients](#), [ISO standards for specific ingredients](#), [the ISO standard for organic and natural cosmetic ingredients and products](#), and [organic or Fairtrade International](#) production.

Improve the availability of your product by making resource assessment and management plans, especially if you supply wild-collected ingredients. Document these processes and demonstrate supply security to your buyer.

See our studies of the [Channels that you can use to get natural ingredients for cosmetics on the European market](#), [Tips for doing business](#) and [Tips for finding European buyers](#) for more information on potential buyers and how to find them.

4 . Who are my rivals?

Competition between you and other suppliers of your type of ingredient can be strong. This competition depends on:

- which ingredient you produce; where
- and how you market your product;
- what relationship you have with your
- buyer(s); what place you occupy in the supply chain.

In most cases, other suppliers can supply the same products as you, so it is very important to look for ways to increase the switching costs of your buyers. One way is through value-added processing. The more you process your ingredient and the more you can back it up with research on efficacy and safety, the less competition you will face from your existing rivals. However, you may face competition from larger, more international players.

Intellectual property of your ingredients differentiates you from your competitors. Specifically, you stand out if you can move from producing a simple plant extract or vegetable oil to isolating key components, or even to developing unique cosmetic ingredients. However, if you isolate components, you will also face direct competition with suppliers of a similar component from a different source. You should also build your company reputation to stand out from your rivals. Buyers indicate that a

company's value is increasingly built at a company level instead of on a product level. They are less likely to switch to another supplier if they trust your company. This trust can be gained through your quality assurance systems, and by ensuring the traceability and sustainability of your products. Consistently being prompt and honest in your communication, keeping promises and being transparent about non-compliance are vital as well. This process also means that if you damage the relationship which you have with your buyers, they will be more likely to switch to new suppliers.

You may find it difficult to compete with suppliers of the same ingredient who are much closer to the manufacturers of cosmetic products. There are exceptions, but most manufacturers prefer to buy from suppliers that are located within Europe. As a result, you need to identify precisely who your competition is. Are you competing with a supplier to a European cosmetic manufacturer or are you competing with companies who sell to those suppliers?

Other ways to make switching less attractive to your buyers include:

- building a strong and unique marketing
- story; offering a unique supply of
- ingredients; providing additional services to your buyers.



Tips:

Compare your strengths and weaknesses with other suppliers or the industry in general. Think about what makes you different and promote this.

See our study of [Buyer requirements for natural ingredients for cosmetics](#) for more information on quality management systems, standards and REACH.

If you isolate components, ensure that you can compete with other suppliers in terms of raw material sources as well as processing yields and costs.

Invest in your processing ability to increase yields or reduce energy inputs that will improve your margins.

If you can reduce your environmental footprint, you can use this in your marketing. Stay up to date with what producers in other regions do in this respect so you do not lose your competitive edge.

To compete with rivals, especially from Europe, demonstrate that you are reliable in quality consistency, documentation, communication, delivery, packaging, service delivery and supply security.

Target niche markets such as organic or natural cosmetics. Although these markets are smaller, buyers want you to tell your story here, which may give you a competitive advantage over rivals. They want to establish longer-term relationships, because such cosmetic brands often use the ingredients that they work with and the people who make them in their marketing campaigns and product identity.

If you produce conventional ingredients, target unsaturated markets with fewer rivals than the main markets. Examples include eastern European countries.

5. Who are my rivals for specific product groups?

Botanicals

The level of rivalry that you will encounter on the European market for botanicals depends on:

- what type of species you produce (temperate or exotic species, wild or cultivated);
- how far you process these (raw plant material or extracts);
- whether you add intellectual property (for example, efficacy and safety data).

European production is limited to temperate species. Eastern European countries are strong competitors for temperate species, particularly those that are wild-collected (such as nettle and elderberry). Many of these might not be available in your country.



Countries such as China and India can also be strong competitors for some temperate species. If you produce Mediterranean plant species (such as rosemary and thyme), expect strong competition from southern Europe and northern Africa, as well as from countries with similar growing conditions in other parts of the world (e.g. Kenya). A wide range of developing countries produce tropical or subtropical species.

Botanicals can be traded in two forms:

- as raw plant material as
- extracts

The most appropriate form for you to offer your botanical to the market depends on:

- your technical capacities (to comply with legal and buyer requirements);
- the business case for processing at origin;
- buyer specifications;
- buyer perceptions of capacities (in your country).

In general, buyers import more and more extracts from developing countries as buyer trust in sourcing, quality, technical and managerial capacities of suppliers in developing countries is increasing. Suppliers from developing countries represent better value for European companies.

From 2012 to 2016, European imports of extracts from developing countries (for all sectors, not only cosmetics) grew by 15% annually (volume). By contrast, imports from European sources grew much more slowly by 3% annually. The total European imports of extracts amounted to 53,000 tonnes or € 691 million in 2016.

In the same period, the role of developing countries as raw plant suppliers decreased. European importers are increasingly turning to the market for European suppliers, which grew by 17% annually (volume).

By moving to extraction, and in particular to further processing and intellectual property, the competition that you face changes. If you export well-documented botanical active extracts to Europe, you can expect strong competition from European rivals. You will also face strong competition from some developing countries with a strong domestic industry, such as Indonesia, China and Brazil. Germany is the largest importer of raw plant materials from developing countries, whereas Spain is the largest importer of extracts from developing countries. Other main importers of both raw plant materials and extracts are Italy and France. The United Kingdom is one of the four leading importers of botanical extracts.

Tip:

See our fact sheets for more information on competition on the European market for [botanical](#), [gums for cosmetics](#), [anti-ageing extracts](#), [marine extracts](#) and [liquorice](#).

Essential oils

Europe imports essential oils from a wide range of countries. Overall, 45% of the imports in 2016 originated from developing countries. In the past five years, import volumes were stable. At the same time, the value of essential oil imports grew by 8% annually. The total European imports of essential oils (for all sectors, not only cosmetics) reached 86,600 tonnes or € 1.58 billion in 2016.

As many supplying countries specialise in a product group, the level of competition depends on your product. For example, if you produce orange oils, you can expect strong competition from

Brazil; almost 80% of orange oil imports from developing countries in 2016 originated from Brazil. Mexico is an important producer of various citrus oils, whereas Argentina will be a strong competitor for lemon oil.

Citrus oil producers are closely linked to the fruit juice and concentrates industry in these countries. Without such a link offering you direct access to raw materials (such as their waste materials), it will be impossible to compete.

China, Indonesia, Madagascar and India are large producers of essential oils, which are not further specified (HS code 3301.29). In this product category, Egypt is a relatively important supplier in terms of essential oils such as geranium and fennel oil. In 2016, Egypt supplied only 0.8% of the European imports in volume, but 3.3% of the imports in value.

Indonesia and India are important producers of a broad range of spice-based essential oils. In particular China, but also India, produce a wide range of essential oils, both based on domestic raw materials as well as imported raw materials.

Although several countries in Europe have a strong history of producing essential oils, the

European production amounts to less than 20% of the global production, making Europe dependent on imports for many oils. However, Europe is a powerful competitor for processed oils and those produced with mechanised harvesting and processing.

The main European producers of essential oils are Hungary, Bulgaria and the Mediterranean countries (such as France, Italy and Spain). Eastern Europe produces several essential oils (such as juniper) from domestic wild collection, which you might not be able to offer.

If you produce essential oils with a tropical origin, your competition is limited to suppliers outside of Europe. Such essential oils are crucial for European cosmetic companies but cannot be produced in Europe.

In general, the production of well-known temperate essential oils is moving eastwards, where production costs are lower.

Europe is a significant producer of the following products:

- citrus oils (orange, lemon, bergamot, mandarin and tangerine) lavender lavender peppermint eucalyptus
- coriander rosemary rose anise seed oil marjoram oil
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- With its varied climate and good infrastructure, South Africa is becoming a better-recognised supplier of some of these essential oils.
- There are several interesting markets for your essential oils in Europe. The leading European importers of essential oils in 2016 were Germany, the Netherlands, the United Kingdom, France and Spain. Of these, France is the largest importer of high-value oils, both from developing countries and other suppliers, while Germany is the largest importer in terms of volume.

Tips:

To reduce competition from European rivals, focus on ingredients that cannot grow in Europe or that you can produce more profitably in developing countries.

See our fact sheets for more information about competition on the European market for [essential oils used in fragrances](#), [carrot seed oil](#) and [rose geranium](#).

Vegetable oils

The European market for commodity vegetable oils is dominated by large multinationals. Commodity vegetable oils are traded in large volumes and market entry barriers are beyond the capacities of small and medium-sized producers. However, the European demand for new and speciality oils and fats has led to the development of exotic vegetable oils, such as sacha inchi (mostly from Peru) and moringa oil (from India and South Africa), among many others.

Trade data indicate growing opportunities for smaller, speciality oils. In the past five years, European imports of such oils grew by 6% annually. In 2016, the European imports of speciality oils reached 577,000 tonnes or € 1 billion.

In the same year, 43% of the supply (volume) originated from developing countries, with India as the largest supplier. India produces a wide range of vegetable oils and can be an important source of competition for you. A wide range of other countries supply speciality oils, such as Togo, Ghana, China, Burkina Faso and Thailand. Rivalry for your speciality oil can change over time. Take the case of sacha inchi oil. This oil was first only available through wild collection from the Amazon region in Peru. When producers started to cultivate sacha inchi plants, rivalry grew but was still limited to suppliers in Peru. However, if the plant can be cultivated, producers in other countries can also start cultivation projects and become future rivals.

There are several interesting markets for your vegetable oils in Europe. The Netherlands, France and Germany are the largest importers of vegetable oils. Together, they imported 81% of vegetable oil supplies (volume) from developing countries in 2016. Other large importers of higher-value vegetable oils from developing countries include Belgium, the United Kingdom and Italy.

Oils that are used for cosmetics are imported in smaller volumes. European importers are the main entry point onto the market. Cosmetic manufacturers generally prefer to buy oils from suppliers in Europe. See our study of Market channels and segments for more information.

Tips:

If you want to bring new exotic vegetable oils to Europe, develop a differentiation around new features and benefits to stand out from suppliers of existing vegetable oils. Focus on their marketing story and be clear on the fatty acid composition.

See our fact sheets for more information about competition on the European market for [vegetable oils for conditioning](#), [high omega oils](#), [fruit seed oils](#) and [palm oil alternatives](#).



Which trends offer opportunities on the European market for natural ingredients for cosmetics?

European cosmetic producers are constantly looking for new vegetable oils, essential oils and botanicals. There are opportunities for ingredients that work, tell an inspirational marketing story and have an interesting provenance. Cosmetic manufacturers also use popular ingredients from the health and food sectors in cosmetic products. Sustainability is becoming more important for European buyers and consumers of cosmetics.

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. Moving marketing beyond the natural: ingredients need to work

Marketing ingredients as natural is no longer sufficient; these ingredients need to work. This fact is especially true for new ingredients. Well-known ingredients that the industry has used for some time already have their own story regarding their characteristics in cosmetic products. Still, buyers are interested in new and interesting stories about the provenance of existing ingredients. Provenance is the origin or background of an ingredient, but it can also include how an ingredient is used or produced traditionally.

It is also no longer enough to just market your ingredient as natural. To make your new ingredient interesting to buyers, you need to show that it works.

Cosmetic brands take different routes:

Some focus on the performance of natural ingredients in the marketing of • cosmetic products, especially in the case of botanical extracts. Instead of using the natural origin of an ingredient, they highlight the performance of extracts (as “active naturals”) or their high-tech properties. • Others build the value proposition of their company on the natural origin of the ingredients that they use.

Behind the scenes, the differences are not that large. Companies that position themselves as “natural” also depend on high-tech natural actives. At the same time, companies oriented towards efficacy claims might use a large share of natural ingredients.

Tips:

Test your new ingredient yourself to attract buyers. It is easier to get potential buyers interested in your ingredient if you can show some basic test results, including how it performs in a finished product. Contract local universities to help with such tests or work with laboratory service providers. Note that some testing might need to be done in Europe.

Are you considering developing an ingredient with intellectual property? Be aware that buyers will probably only pay for your intellectual property if they use the claim of your ingredient for their final cosmetic product.

If you produce well-known ingredients, look for existing scientific literature to substantiate your claims. You can use websites such as Google Scholar to find [scientific research related to cosmetic ingredients](#).

If you market an ingredient with active or functional properties, clearly communicate what these properties are. Prove claims about active or functional properties with evidence.

Use the correct terminology when you make claims. For example, you can use the term humectant (draws in moisture) but not moisturising (restores moisture). Use functions from [Cosing](#) as a basis.

Research the claims that European companies, ingredient processors and final manufacturers use and the way in which they communicate these claims. You can check their websites or visit companies at trade fairs. If you cannot visit a trade fair, check the fair's online lists of exhibitors and products to identify how companies categorise their products and how they communicate. For example, see the exhibitor directory and ingredients database on the [in-cosmetics trade fair website](#).

. Growing importance for marketing stories

Consumers are increasingly interested in the story behind the cosmetic products that they use. Ingredients can be an important component of such stories. Consumers are especially keen on ingredients with an interesting provenance or origin. For example:

- **fascinating locations, such as the Andes, the Amazon or desert regions; traditional and specific local production processes; traditional use; local beauty rituals.**
-
-
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Tips:

Once you know how your ingredient performs, use this knowledge to build your marketing story.

Base your story on what makes your ingredient different. You can also promote the sustainable and ethical aspects of your production process in your marketing story, or share the story of your ingredient's specific origin or history of use.

Use your promotion materials, social media (for example, [YouTube](#) or [Vimeo](#)) and your website to communicate your marketing stories. Show pictures and videos; for example, of your harvesting process or the traditional use of your ingredient. Remember: a picture is worth a thousand words!

Give your buyers elaborate information on your ingredient's provenance. They can use this in their marketing.

See our [study of shea butter](#) for more information; this ingredient includes several elements for an interesting marketing story.



. Growing demand for sustainably produced cosmetic ingredients

The European demand for organic and ethically produced cosmetics continues to grow, although its share in the total cosmetics market is still small. The main reason for this growth is increasing consumer concern about where ingredients come from and whether they are produced sustainably. Consumers are increasingly asking detailed questions about the sustainability and origin of cosmetic products. They base their knowledge of these topics on information from the internet which is not always correct.

Another driver for the popularity of Organic and Fair Trade certifications in cosmetics comes from their use for food products. Because consumers generally know food labels better than cosmetic labels, they are interested in similar labels on cosmetic products.

Persistence Market Research predicts that the global market for organic cosmetics will grow by 8–10% annually from 2016 to 2022. The same company estimates that this market reached \$ 11 billion in 2016 and expects the market to amount to almost \$ 22 billion in 2022. To compare, the total 2014 cosmetics market in the USA, Europe, China and Japan reached € 168 billion. Europe accounts for around 30–35% of the global organic market.

The main European markets for organic cosmetics are Germany and France, followed by

Switzerland, Italy and the United Kingdom. Germany, France and the United Kingdom also have the most natural product launches and a strong focus on innovation.

The European market for Fairtrade cosmetics is growing as well, especially in the United Kingdom.

European cosmetic producers can choose to either certify their final product or to use Fairtrade ingredients without certifying the final product. It is more common to use Fairtrade ingredients without certification of the complete product, which has led to an increase in demand for Fair Trade certified ingredients. Cosmetic brands often combine Fairtrade ingredients with natural or organic labels.

In particular, there is increased public attention to the use of microplastics in cosmetics and their negative environmental effects, particularly in oceans and on marine life. These microplastics are used in scrubs and as exfoliants. As a result, the United Kingdom announced in 2016 that it is ready to ban microplastics in cosmetics and personal care. Already, 70% of the cosmetic products in the United Kingdom no longer have microbeads. France has set a deadline of 1 January 2018 to ban these components.

In the coming years, there will be an increase in demand for alternative exfoliating agents in this widespread reformulation process. This situation could offer opportunities for you to develop new natural exfoliating agents. Moreover, natural exfoliants offer an opportunity to add value to waste or by-products such as barks or husks.

Tips:

Check whether there is sufficient interest in an organic or Fairtrade version of your ingredient to recover your investment. Organic certification is the most common for essential and vegetable oils. Although some botanical ingredients are Organic certified, most are not.

Check the websites of buyers to find out whether they work with certified ingredients. Buyers that do not are unlikely to pay a premium for such certification.

If your ingredients are not certified, promote the sustainable and ethical aspects of your production process. Identify the social and environmental benefits that local communities enjoy by working or trading with you. Communicate these benefits to your buyer. Buyers might ask you to support your claims with certification or documentation on your Corporate Social Responsibility practices.

Want to certify your ingredient? See our study of [Buyer requirements for natural ingredients for cosmetics](#) for information on certification standards and their requirements.

Study the new [International Standard Organization standard for natural and organic cosmetics](#) (ISO 16128-1:2016). You can use self-certification according to this standard if certification is beyond your scope.

As consumers become more educated and outspoken, you need to be prepared to help your buyer to answer questions on your product. Make sure that you have a product dossier available to do so. See our study of [Preparing a technical dossier for natural ingredients for cosmetics](#) for additional information.

Determine whether you can produce natural exfoliants from your waste products. See our study of [natural exfoliants](#) for additional information.

Test the performance of these exfoliants in finished products. This process will help you understand what levels are effective, and what maximum levels maintain the stability and shelf life of the finished product.

. Convergence of health and cosmetic ingredients

European consumers are more aware of the importance of healthy lifestyles. They take more responsibility for their personal health, integrating mental and physical well-being.

At the same time, the understanding of what it means to be healthy is changing among European consumers. Being healthy is not the same as not being ill. Being healthy means living a healthy lifestyle, feeling well and looking radiant.

This trend has led to a rising interest in cosmetic products with well-being claims, such as relaxing or uplifting. This offers opportunities for exporters that can make and prove such well-being claims on their products.

Ultimately, the retail brands decide which claims they make on their finished products. However, you can carefully guide your customers and other downstream companies on the opportunity that your ingredients offer for specific claims. If you do, always make sure that you can substantiate these claims and that they conform to cosmetic legislation.

The healthy living trend also reinforces the popular view that natural products are safer than synthetic products. Among European consumers, this has sparked interest in natural cosmetic products and ingredients.

Because of this trend, there is a renewed interest in aromatherapy and other natural remedies for healthier lives. This interest offers opportunities for exporters of essential oils with an aromatherapy benefit.

Cosmetic brands use essential oils with aromatherapy benefits in product innovations. They add essential oils to conventional cosmetic products and use the oils' health properties to make their products meet the healthy living trend.

Examples include aromatherapy body creams, perfumes, hand creams, bath salts or lipsticks with relaxing or refreshing properties.

Many oils are used in aromatherapy. Popular ones include lavender, lemongrass and peppermint.

Consumer interest in health and wellness also leads to a growing demand for dermo-cosmetic products. These products claim to treat skin conditions such as acne, eczema, psoriasis, reactive skin and extreme sensitivity. According to legislation, these products are considered a pharmaceutical product, although they might be mislabelled in practice.

In 2015, the European market for dermo-cosmetics was valued at € 6.95 billion, according to dermo-cosmetic skincare brand Eau Thermale Avene. This figure represents a growth of 3.9% compared to 2014. Other drivers for these products are the increased incidence of allergy and lifestyle-related skin complaints as well as the consumer demand for benefit-driven products.

Tips:

Show your buyers how your ingredient can help consumers maintain their health. However, it is up to the cosmetic brand which claims they use.

Use the correct terminology in your marketing terminology. How can your ingredient make consumers feel good and stay healthy? Does it have properties or components that people look for to prevent illnesses? Think about vitamins or antioxidants.

Never make medicinal claims in your product promotion! That rule includes claims to treat skin conditions. These are not allowed for cosmetic products. Support any cosmetics claims that you make with sufficient scientific data.

If you want to supply aromatherapy oils, extract your essential oils with steam distillation. This method is the most preferred by European buyers. See our study of [Essential oils for aromatherapy](#) for more information on this market and its requirements.

. Convergence of food and cosmetic ingredients

The lines between cosmetic and food ingredients are increasingly blurred. More and more, cosmetic brands use natural food ingredients in their formulations. Because consumers associate these natural food ingredients with health benefits and consider them safe for consumption, cosmetic brands can easily market them for a healthy lifestyle in cosmetic products.

Superfoods (such as baobab and açai) are a popular group of food products that are added to cosmetics. They usually have a rich nutritional composition and possible health benefits. Examples include vegetable oils high in omega-3 and omega-7 fatty acids as well as botanicals high in vitamins or protein.

You can see the convergence of food and cosmetic ingredients in nutricosmetics as well. These are food products that claim to improve the consumer's beauty. If you want to supply ingredients for this segment, you need to meet the requirements for food and food supplements.

The global market for beauty supplements was valued at \$ 2.9 billion in 2016. It is a small but growing market segment in Europe, growing at around 4% annually.

Tips:

If you produce an ingredient which is also used as a superfood, link the composition of your ingredient to actual cosmetic benefits through some basic testing on skin or hair. Always consider the costs and benefits of such tests first. This can improve the durability of your ingredient on the market. In other cases, you might be able to use data from public sources.

Support your superfood with evidence. Determine the chemical composition in terms of nutrients and fatty acid profile, and communicate this to your buyer.

Be aware of the fact that superfoods are very trend-sensitive. Superfoods that are popular today may lose to a new and trendy superfood tomorrow.

Attract the attention of your buyers by showing what claims they could make with your ingredients. Always substantiate these claims and ensure that they conform to cosmetic legislation. Cosmetic brands decide what claims they make on final products.

For more [information on food supplements](#) and the [requirements that you have to meet to get health-related products on the European market](#), see our studies of the natural ingredients for the health products sector.

See our studies of [high-omega oils](#) and [fruit-seed oils](#) for additional information.

. Continuous innovation in ingredients

To stand out in the competitive cosmetics market, manufacturers rely on product innovation. New ingredients are an important part of product innovation. These can be completely new ingredients or common ingredients with a new marketing story or origin.

There are two main routes for innovation:

• starting at the cosmetics manufacturer (top-down innovation). For example, if a company wants to develop a product with an anti-ageing claim, it can ask its suppliers to deliver ingredients that could be used for such a claim. The manufacturer then develops a product based on one or more of these ingredients and owns all intellectual property of the product; • starting at the supply side (bottom-up innovation). If you as a supplier can start innovation on your side and develop intellectual property yourself, you could profit more. You can also approach the brand to which you supply for feedback on your product innovation. However, in this route, risks are more substantial and developing new ingredients is very expensive.

Bottom-up innovation starts with documenting traditional use and can extend to testing and product development. Importers or distributors are your market entry point for such innovations. They know the European market, what the requirements and opportunities are, and which cosmetic manufacturers would be good business partners for innovation.

Opportunities for innovation also depend on the type of ingredients that you supply:

• Vegetable oils are relatively easy to introduce in Europe, because safety requirements are less demanding than for essential oils or botanicals. The main concern for new vegetable oils is the volume (whether there is enough) and the presence of toxic fatty acids, as well as the protein content (due to low-quality filtration and refining) and their related risk of provoking allergies. It is difficult for new vegetable oils to stand out on the market, because the functionality of vegetable oils is generally the same. They only differ from each other in their exact fatty acid composition, especially after refining.

Introducing new essential oils to the European market is very expensive and probably beyond your reach. Instead, reintroduce lesser-known or little-used (but permitted) essential oils to European buyers. If you want to introduce new essential oils, identify oils with a new fragrance profile from existing ingredients and partner with a European company to support the safety testing. The most important aspect is the fragrance profile. If it is new and interesting, companies in the fragrance sector can be very interested in developing this fragrance. During development, they also look into the composition of the essential oil and the presence of prohibited or restricted components (see the International Fragrance Association standards). • Botanical extracts are mostly used in skin care products. The demand is strongest for extracts with active properties. These include Combating the signs of ageing (for example, toning or antiwrinkle); Reducing or reversing “environmental damage” (for example, skin discolouring, moisturising or conditioning) and Antioxidants (for soothing and cooling goals).



Tips:

Find out whether there is enough market interest before you invest in developing new ingredients. Talk to potential buyers or visit trade fairs.

Research the biodiversity in your country. Explore your possibilities to offer innovative ingredients based on the traditional use of plants in your region. Always follow Access and Benefit-Sharing (ABS) legislation on using these local ingredients. See our study of [Buyer requirements](#) for more information on ABS.

Develop your product further to add more value to it. Transform it from theory to chemical analysis, cellular testing, synthetic skin testing and formulation tests. Progressive product development testing adds value to your company, because you create intellectual property. However, buyers will only pay for this intellectual property if they also use your ingredient claim in their final product.

In your product portfolio, balance innovative ingredients with established ones to reduce risks. If you only market new ingredients, it can take a long time to get a return on your investment.

Always support the ingredient claims that you make and their safety with research. Go beyond traditional use. Do literature research or basic testing on your ingredient's safety and efficacy. See our study of [Buyer requirements for natural ingredients for cosmetics](#).

Carry out initial product development tests yourself. Contract local universities to help with such tests. Find out whether your country provides subsidies to build up dossiers for product development. You can also do a trial of your ingredient in finished products to show its application, use and efficacy.

Discuss your ideas with potential business partners. Maintain strict confidentiality at all times. Protect your knowledge at every step of product development: from first identification of the ingredient to a market interest assessment and investing in documentation so as to prove efficacy and safety. Use Non-Disclosure Agreements to protect your intellectual property. See the [templates of such Non-Disclosure Agreements](#) from the European Intellectual Property Rights Helpdesk.

See our studies of promising markets and export products for additional information; for example, on [skin conditioning](#), [anti-ageing](#), [antioxidants](#) and [essential oils for fragrances](#).



. Increasing global demand for cosmetics

The global demand for cosmetics is growing, particularly in East Asian countries. Especially China is expected to grow substantially in the coming years. Sources mention a growth of more than \$ 10 billion (€ 9 billion) from 2014 to 2019. European markets are expected to be more stable, with a maximum growth of \$ 950 million (€ 836 million) in the same period.

Euromonitor foresees a similar growth in Brazil (a growth of over \$ 10 billion). The market research company expects a growth of between \$ 2 and \$ 5 billion in Indonesia, India, the USA and Saudi Arabia.

This growth in demand has three main effects that you need to consider:

European manufacturers are exporting more and more cosmetic products and ingredients all over the world because of their image of high quality and purity. This increases industrial demand for cosmetic ingredients in Europe, which can offer opportunities for you as a supplier. • It can lead to growing pressure on the global supply of some natural ingredients and possible scarcity. As a result, buyers are more willing to pay higher prices for such ingredients. Also, a larger international market gives you more options to sell your products.

As the markets for cosmetics are becoming increasingly global, so is the legislation of cosmetics. This makes it easier for multinational companies to market cosmetic products on different international markets. Please see the section on industry-wide requirements and globalising legislation for more information.

Tips:

If you can offer sustainable supplies of an ingredient with a limited or uncertain availability, target the European market with these products. You can also target European buyers with alternative materials that have similar properties as the scarce ingredients.

If you want to target the Asian cosmetic market, you need to show that you understand how consumers see cosmetics on those markets. This is different from the European market. For example, Asian consumers see skin as an organ, and demand safe and mild natural ingredients.

If you can, keep your options open in terms of the international markets to which you supply. You can consult national associations and consultant firms, or ask your buyers which requirements they need you to comply with to market their products on other markets.

Comply with international standards such as [Good Agricultural and Collection Practices \(GACP\)](#) and [Hazard Analysis Critical Control Points \(HACCP\)](#) to export to international markets.

If you or your customer wants to export to China, find out whether your ingredient is on the [Chinese list of ingredients that are allowed in cosmetics](#). You can also contact consulting firms. It is a slow and expensive process to obtain registration. Although some major brands will only use ingredients that are on the Chinese list, not all companies want to sell finished products in China.

. Sustainable sourcing

European buyers are getting more involved in the sustainable management of natural resources that are of strategic importance to their products. This is a response to supply shortages of some ingredients, often caused by changes in weather patterns. Buyers are increasingly taking responsibility of the supply side. The risk of a supply shortage in strategic ingredients is simply too high for European buyers because of the large investments that they make in product development and documentation. This risk is especially high for wild-collected ingredients. Moreover, European companies need to comply with legislation on Access and Benefit-Sharing (ABS). This legislation aims to protect local communities who produce natural resources by setting rules for international companies on the access to these resources and the sharing of benefits with the local communities. The importance of ABS has grown in Europe since the European Union adopted the guidelines into European law. As a supplier, you need to show that you comply with ABS requirements.

Tips:

- Make your supply chain traceable to make your company more interesting for new buyers.
- Demonstrate that you take responsibility for the sustainability of raw material production throughout your supply chain.

To find out what buyers may expect from you in terms of sustainable sourcing, read more about their sustainability initiatives. See, for example, the websites of global manufacturers [L'Oréal](#), [Unilever](#) and [Procter & Gamble](#).

Check the trade press to read more about sustainability initiatives that may be interesting for your ingredient. See, for example, the website of [Cosmetics Design Europe](#).

Comply with [ABS requirements](#), especially if you market extracts for their performance based on traditional knowledge.

See [our study of Buyer requirements for natural ingredients for cosmetics](#) for more information about what buyers expect from you in terms of sustainable sourcing and ABS legislation.

. Corporate Social Responsibility (CSR) is becoming more important

European companies increasingly apply Corporate Social Responsibility (CSR) principles at different levels of the industry. They look at their market segment, position, product, price, place and promotion. Among other things, this covers traceability of ingredients and ensures that you meet standards for labour and environment.

The growing importance of CSR is the result of both consumer and manufacturer pressure for sustainable sourcing and maintaining biodiversity.

European companies are also moving towards environmental responsibility in their chain, including logistics and processing facilities. This development has led to an increase in green and sustainable production technologies. It can offer opportunities if you use or plan to use sustainable technologies or production methods.

Tips:

Find out what your buyer expects from you in terms of CSR; for example, access to information, staff responsibilities and paperwork. You can often find this information on their website or ask them about their specific requirements. For example, have a look at the L’Oreal sustainability programme [“Sharing Beauty With All”](#) or Unilever’s [Sustainable Living Plan](#).

See our [study of Buyer requirements for natural ingredients for cosmetics](#) for additional information and tips on CSR standards, initiatives, codes of conduct and the implementation of a quality and resource management system.

Before you make any investments in sustainable technologies, do an impact assessment; where can you achieve most results with these technologies?

Develop and promote environmentally friendly production processes. For example, use eco-friendly biopesticides, reduce waste and recycle waste materials, or minimise water use at your production base.

Communicate to potential or new buyers how you are reducing the footprint of your company. For example, use company brochures, your website and/or your newsletter.

. Industry-wide requirements and globalising legislation

Non-legal requirements such as product quality standards are increasingly used as industry-wide requirements. Examples include:

- **International Fragrance Association (IFRA) standards (for essential oils);**
- **International Standard Organization (ISO) standards (for all ingredients).**

International cosmetic companies are looking to make sure that their products meet requirements in the range of countries that they want to target. The progress towards globalisation of legislation is making this fact easier.

On the one hand, national legislation becomes more and more similar; for example, when this legislation is based on international guidelines such as guidelines on Good Agricultural Collection Practices (GACP).

On the other hand, differences between countries remain. In China, some companies require animal testing, while this is illegal on the European market.

Legislation in the United States is less strict than in Europe. European producers who want to export to growing markets in Asia and the United States need to comply with these different legal systems. They can expect you, as their supplier, to comply with these requirements as well.

Tips:

[Follow IFRA standards](#) if you produce essential oils. For these ingredients, product safety and quality are the main issues.

Produce your ingredients according to product quality standards if they are available. Refer to the standards that you use in your product documentation. These are good benchmark standards, especially for essential oils.

. Increasingly strict rules for allergens

European buyers expect new, stricter legislation on the testing and communication of fragrance allergens. This could include adding more allergens to the existing lists and the requirement to list these allergens on packaging.

In particular, buyers expect that these new rules will have a negative effect on the demand for essential oils for cosmetics. Cosmetic producers may use less essential oil in their products to avoid long lists of allergens on their final product. Alternatively, they may use synthetic ingredients instead of natural ones.

Tips:

Keep up to date on European allergen legislation, especially if you produce essential oils. Stay informed through your own national sector association or check the [International Fragrance Association](#) website. This association is involved in discussions on new legislation and looks into how to prove the safety of cosmetic products.

See our study of [Buyer requirements for natural ingredients for cosmetics](#) for additional information.

See our studies of essential oils for [fragrances](#) and [aromatherapy](#) for additional information.

. Increased opportunities to add value locally

There are more and more high-tech extraction facilities in developing countries. With these facilities, you can produce and export natural ingredients that meet European market requirements.

Local processing can lower costs for some ingredients; for example, by:

- reducing labour and production costs; decreasing
- transport costs, because you can ship lower volumes.

Other benefits include:

- increasing a product's shelf life and stability;
- standardising the product; making better use of
- the raw material; providing a better marketing
- story for ethical production.

European companies are not actively looking for value-added products, unless there is a shortage of an ingredient. They would be interested if you can offer them an innovative ingredient.

We are far from a consistent shift of processing to origin countries. Whether buyers are interested in your ingredients depends on their expectations and how well you can meet these expectations. Trust is vital! To interest new buyers, they need to trust that you can meet their quality requirements. Some buyers will only buy raw materials from new suppliers.

Your options for local processing also depend on the product itself. What are the costs of transporting raw materials vs. extracts to Europe? It is common to process perishable plants locally, such as many fragrance materials.

Do you produce vegetable oils? It will be difficult to find vegetable oil refining services outside Europe. However, you could increase the value of your exports by refining your vegetable oil yourself if you have the technical capacities to do so and if you can recover your investment. If you do, you will face challenges such as ensuring sufficient quality, composition, quantity and price (see the tips below). Especially for botanical extracts, there are various issues in quality and reputation if you want to process these components yourself:

Your extracts need to be consistent in quality, as safety and efficacy requirements are increasing. Buyers are very cautious in choosing suppliers when it comes to risks in product safety.

- **Buyers need to be convinced that they get what they pay for. They can run into very high risks if they import processed botanical extracts in terms of quality,**
- **safety and efficacy.**

You can add value to your extract if you can quantify the concentration of active components in your product and specify at which levels these components give a conclusive cosmetic benefit. Buyers are increasingly looking for extracts with a specified concentration of active components to comply with legislation on product claims.



Tips:

Only process ingredients locally if you can meet European buyer requirements and earn back your investments. Involve your buyer before you look at value addition and investments. Look at what profit you could achieve. If your investment is not worthwhile, find out whether you can work with a processor locally or in Europe.

Train collectors and/or farmers in good harvesting practices and quality parameters to ensure the quality of your raw materials. Monitor the quality of raw materials as they enter your processing facilities. Document that you checked their quality. For more information, see our study of [Buyer requirements for natural ingredients for cosmetics](#).

If you use cultivated raw plant materials, standardise their production to reduce variation in the composition of your processed ingredients. This will also help you to safeguard quality when you increase the scale of production.

If you use wild-collected plant materials, test the effect of changing harvesting conditions on the composition of key components in your ingredient.

Build the technical expertise that you need in processing and quality control to standardise the concentration of components. Create fitting product specifications. Concentrations of plant components vary because of seasonal and geographical variation in plants. Since we cannot control the growing conditions for wild-collected plant materials, variations can be even higher in these extracts.

Work together with European importers to bring a new processed ingredient to the market. Importers can help you to get specific technical expertise, market knowledge and credibility, distribution infrastructure and contacts with cosmetics manufacturers, and – in some cases – co-financing of product development.

Before you start working together with European importers, study the type of agreement that you are negotiating. Is it non-exclusive? How proactive are they in promoting your products? Confidentiality and intellectual property are key.

If you market new processed ingredients, particularly extracts, back up your product with scientific evidence. For example, provide data on safety, efficacy and standardisation. Adapt your marketing materials according to this evidence, including your website and product information.

. Increased direct sourcing

European processors and cosmetic producers increasingly source ingredients directly, especially if they see benefits in costs or in the supply security of key, strategic resources.

Direct sourcing can improve:

- -
 -
 -
- traceability
marketing
opportunities
efficiency

control of quality, price and quantity

Cosmetic companies can also include direct sourcing practices into their Corporate Social Responsibility (CSR) policies.

The direct sourcing potential is the highest for essential oils, as these require limited processing in Europe.

Instead of trading through importers, you could supply to European processors directly; especially if:

- it would result in a better price for your buyers; your unique selling points
- include social and environmental aspects that European companies can use in their marketing.

However, all your costs, risks and responsibilities will increase if you supply to European processors directly:

- Your product documentation needs to be impeccable. See our study of Preparing a technical dossier for natural ingredients for cosmetics for additional
- information.

The amount of paperwork needed is increasing for everyone in the supply chain.

Your professionalism as a supplier depends on how well you manage this paperwork and your products. Make sure that you keep everything up to date and show your buyers that you can handle the documentation requirements.

- You need to guarantee product quality and consistency before you try to enter the market. Some processors and cosmetics manufacturers may still want to work through supply partners, because they prefer to work with as few suppliers as possible or because trading through supply partners can reduce risks.

For many ingredients, logistics and contracting costs are high because companies demand prompt delivery of smaller quantities at a short notice. You would need improved stock-keeping and distribution capacities in Europe.

- Buyers demand very high quantities of some ingredients, which requires you to work together with other suppliers. In your cooperation, you need good quality management, trust and control. You will need a larger export budget, because European companies expect experience and professionalism. For example, you will need sales and trade administrative staff dedicated to exports. You may even need to include services to support product development.

- You need the right capacities for export packaging. You can either develop this in-house or outsource it.

- You will face strong competition from European importers. You need to ensure that you can compete with them in terms of price, volume, quality, timely delivery, and so on.

Tips:

Determine whether you can meet the challenge of supplying to processors directly. Can your company and ingredient compete with European importers on price, volume, quality, communication, support services and timely delivery?

Show that you are a highly professional company if you approach processors or manufacturers directly.

Prepare detailed documentation for your ingredients to show that you are a reliable supplier and can support product development.

Organise your production to reach the necessary volumes at a consistent quality.

. Growing market diversity and consolidation lead to companies with increased negotiating power

Companies active in cosmetic ingredients and final products are growing, both in number and in size. Because of their negotiating power, they can demand that suppliers provide reliable, large quantities and qualities at lower prices and with additional services. If you can comply with their requirements, they offer interesting opportunities to you. These companies offer stable, long-term trade relationships. This trend is partly the result of growing costs due to increased legislative requirements.

Paperwork cannot be ignored! See the trend of “Increased direct sourcing” above for more details on paperwork and professionalism.

European processors are also increasingly importing their own natural ingredients instead of trading through importers. At the same time, they are widening their product range. They are supplying both organic and conventional ingredients to different end-product manufacturers, such as cosmetic, food and health products industries.

European cosmetic producers are also becoming larger because of mergers and acquisitions.

At the same time, many smaller processors still exist on the market. These processors offer opportunities to you as a supplier, especially if you produce speciality products.

Specialised importers are the main traders for many botanicals and speciality oils. They can manage low volumes from small companies that are available on a seasonal basis. Some processors even create derivatives based on speciality vegetable oils. Processors with an ethical focus also work directly with suppliers in developing countries.

Tips:

Do market research to find the right company division to target. Identify the decisionmakers within these companies, so you contact the right people. Use the correct terminology when you talk to marketers, Research & Development or sourcing staff.

Build your network in your own country and in Europe. This process can help you to stay up to date on what is happening within the market and where you can sell your products. Go to events such as international trade fairs, use social media and ask questions to find the right contact person.

Research each potential client to find out what they sell, where they buy it and what opportunities they might see for your ingredients.

Find out whether you are targeting the right buyer. Can you meet demands of quantity, quality and price?

See our study of [Finding buyers for natural ingredients for cosmetics](#) for more information.



Through what channels can you get natural ingredients for cosmetics onto the European market?

Which segment of the European market for natural ingredients for cosmetics you can target depends on your ingredient. What does it do? In which cosmetic products can it be used? You can reach these market segments through European importers or processors. There are growing opportunities to add value locally and supply to processors directly. If you produce speciality botanicals, essential oils or vegetable oils, small importers or processors are good options for you.

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2. [Through which channels can you get natural ingredients for cosmetics on the European market?](#)
3. [Market channels and trade hubs for botanicals, essential oils and vegetable oils](#)

1 . Which market segments to target?

Following the order of a sales pitch, we can segment the market for cosmetic ingredients into several levels by answering the following questions:

1. **What does your ingredient do?**
2. **For which industry segment is your ingredient useful?**
3. **For which kind of party is your ingredient interesting?**
4. **What is your Unique Selling Point? What makes your ingredient more interesting than that of your competitors?**

What does your ingredient do?

Most ingredients either have:

- **functional properties (affecting the final cosmetic product's form, texture, consistency, fragrance and delivery system); or active properties (with a**
- **cosmetic effect on the skin/hair).**

If you know what your ingredient does, it can help you to determine which segment and party you should target and how you can stand out in the market. This is vital in the current cosmetic ingredients market. Adding natural ingredients to a cosmetic product simply because they are natural is less of a value proposition on the current

cosmetic market. This approach is not only becoming less common, but the ingredients bought for such a purpose will often be worth a low price. Functional and active properties of ingredients differ per product group: botanicals, essential oils and vegetable oils.

Botanicals

Table 1: Functional and active properties of botanicals

Functional Properties	Active Properties
Emollient	Antimicrobial
Emulsifying	Skin regenerating
Preservative/Stability	Skin repairing
Surfactant	Anti-ageing
Humectant	Anti-wrinkle
Foaming	Skin brightening
Viscosity controlling	Skin lightening
Perfuming	Anti-pollution

Cosmetic manufacturers mostly use botanicals in products for their active properties. Botanicals have the widest range of both functional and active properties (see Table 1).

Sometimes, these two segments overlap; for example, with botanicals with high levels of antioxidant activities. These can be added for their function (improving the stability and shelf life of a cosmetic product) or for their activity (as an anti-ageing agent). In order to make these claims for functional or active properties, you need to provide evidence that supports the claims.

Tip:

For more information on extracts with specific properties, see our studies of [antioxidant](#), [anti-ageing](#), [skin conditioning](#) and [hair conditioning](#) extracts.

Essential oils

Table 2: Functional and active properties of essential oils

Functional Properties	Active Properties
Masking/perfuming	Anti-microbial
	Skin conditioning
	Anti-aging
	Aromatherapy (e.g. 'relaxation' or 'energising')

In cosmetic products, manufacturers mostly use essential oils for their fragrance and aromatherapy properties. These two properties can overlap, because aromatherapy benefits come from the different scents of essential oils. If you want to market your ingredient with anti-microbial properties, be careful to only use officially permitted preservatives.

Tips:

Find out whether your essential oil is also used for aromatherapy benefits. See our study of [Essential oils for aromatherapy](#) for examples and sources of information.

See our study of [Essential oils for fragrances](#) for more information on their functional properties.

Vegetable oils

Table 3: Functional and active properties of vegetable oils

Functional Properties	Active Properties
Emollient	Anti-aging
Skin conditioning	Anti-wrinkle
Hair conditioning	



In general, cosmetic manufacturers use vegetable oils for their functional properties (see Table 3). These properties are similar for all vegetable oils.

The active properties that a vegetable oil has are often the result of its functional properties. For example, these oils can be used in anti-ageing cosmetics, because they have skin conditioning properties.

Because functional properties are the same for most vegetable oils, it may be difficult to stand out from other oils with your product. Still, vegetable oils are one of the most important ingredients used in natural cosmetics. Formulators like to be able to choose from a range of different oils to stand out from their competition.

The main differences between oils come from distinctive fatty acid compositions, as this aspect affects their properties. Cosmetic manufacturers also use fatty acid profiles of vegetable oils as a basis for active properties, but mostly in marketing claims. Cosmetic producers especially use these marketing claims for pure oils. Once vegetable oils are included in a finished product, it becomes difficult to prove a specific claim.

Tips:

Be careful in any claims that you make for active properties of vegetable oils. You need to substantiate your claims, which can be difficult to do for the active properties of these products.

Find out whether and how your vegetable oil performs a function better than competing oils.

Give your potential buyers data on the chemical profile and performance tests of your oil. Show them how these are different from competing oils.

For more information on vegetable oils with specific properties or content, see our studies of [vegetable oils for conditioning](#) and [high omega oils](#).

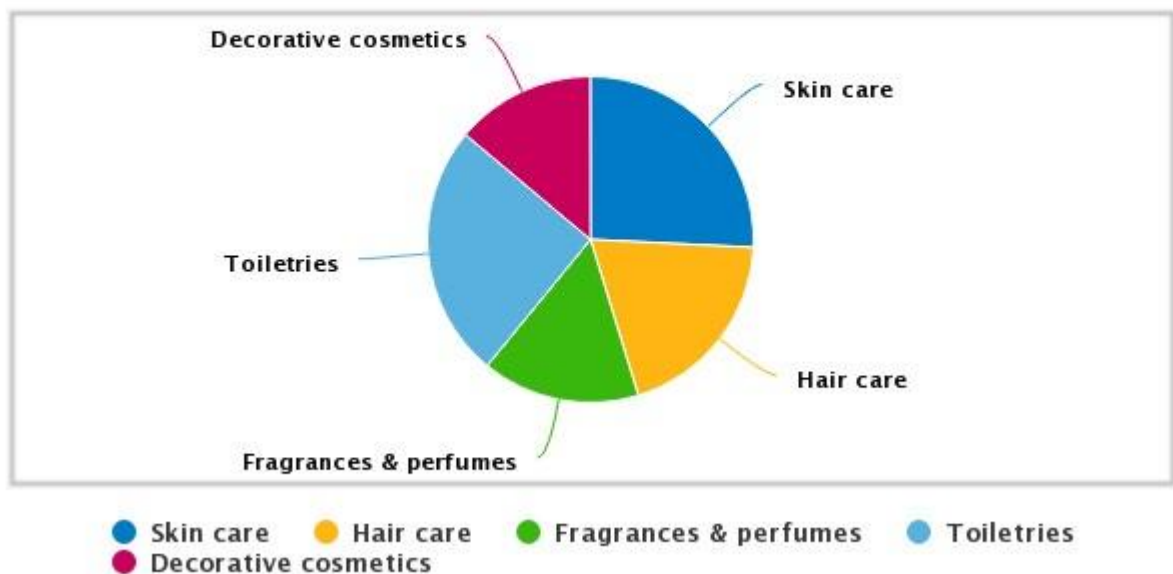
For which industry segment is your ingredient useful?

The European cosmetic industry has five segments:

- skin care
- hair care
- decorative cosmetics
- perfumes and fragrances
- toiletries

Figure 1: Market share of industry segments 2015

in percentage of European retail sales market



Source: Cosmetics Europe, 2017

These industry segments need different types of functional and active properties in their formulations. See Table 4 below for more information.

Cosmetic companies also use ingredients from a specific origin to build a product message around a certain ingredient. They use such an ingredient in products from different segments. For example, a product range may include baobab oil or rooibos extract to sell it as African. Or, it uses sandalwood oil or bamboo extract to market it as an Asian product range. To sell it as a South American product range, companies may include sachai inchi oil.

Some types of products within these segments use very few natural ingredients, such as nail polish and hair colouring. There can be various reasons for this choice:

- It is too difficult to formulate such products with natural ingredients, also because of the chemical nature of the product.
- Natural ingredients are too expensive or need to be used in much higher quantities to become effective.
- There is no particular advantage to using natural ingredients; for example, when formulators use synthetic ingredients in such small quantities that the final cosmetic product is still considered “natural”. Most natural cosmetic products can contain a small amount of synthetic ingredients.

Companies can use this fact for ingredients such as preservatives and colourants, which have

very few natural alternatives. If a cosmetic company wants to adhere to an all-natural philosophy, they would not use any synthetic ingredients. However, there are very few companies in this very niche end of the market.

Skin care formulators much more often use natural ingredients. The use of natural ingredients in hair care and toiletries also continues to increase. However, decorative cosmetic products still contain very few natural ingredients.

Which industry segment you should target also depends on the type of ingredient that you export:

- **Botanicals have most opportunities in skin care. The industry segment or product where botanicals can be used depends on their specific active and functional properties.**

Essential oils are mostly used as fragrances, both in skin/hair care and as perfumes. Essential oils have a high potential in hair care, skin care and toiletries.

Although all vegetable oils have similar properties, their derivatives can have very different functions such as thickeners, foaming agents or surfactants. These properties can be used in a wide range of segments and products.

Have a look at Table 4 to see what the potential of your ingredient is in the industry segments.

Tips:

Once you know what your ingredient does, use this to find out in what type of products it can be used. Which product type your ingredient can be used in can help you to find interesting parties and traders.

For more information on how natural ingredients are used in specific product types, have a look at our product fact sheets such as [waxes](#), [resin oils](#), [palm oil alternatives](#) and [antioxidant extracts](#).

Table 4: Use of natural ingredients for cosmetics in industry segments

	Botanicals	Essential oils	Vegetable oils
Skin care	Many opportunities in beauty treatment products, serums and in cooling, soothing, anti-blemish and anti-ageing products.	Mostly for fragrances; as a fragrance, perfume blend or directly added to the product. Some are used for active properties (for example, anti-ageing) and they are increasingly marketed for aromatherapy benefits.	Many opportunities in body oils & butters, sun screens and body & face creams. Even wider applications when processed into derivatives.
Hair care	Total use of botanicals is limited, but there is a particular interest in botanicals that are, or support, hair conditioning agents.	Use for fragrance is most interesting. Aromatherapy hair care products are a growing category.	Used considerably, particularly as/for conditioners.
Fragrances & perfumes	Limited use of botanicals, only as a basis for essential oils or other aromatic by-products.	Largest use of essential oils.	Limited use of vegetable oils, mostly in scented/fragrance oils and creams, and other emulsions that use fragrance.
Toiletries	Significant markets for botanicals in soap, deodorants and depilatories.	Essential oils are sometimes added directly to toiletries.	Significant markets for soap, deodorants and depilatories. Most derivatives used in soaps are based on commodity oils.
Decorative cosmetics	Limited use of botanicals.	Limited use of essential oils.	Limited use of vegetable oils.

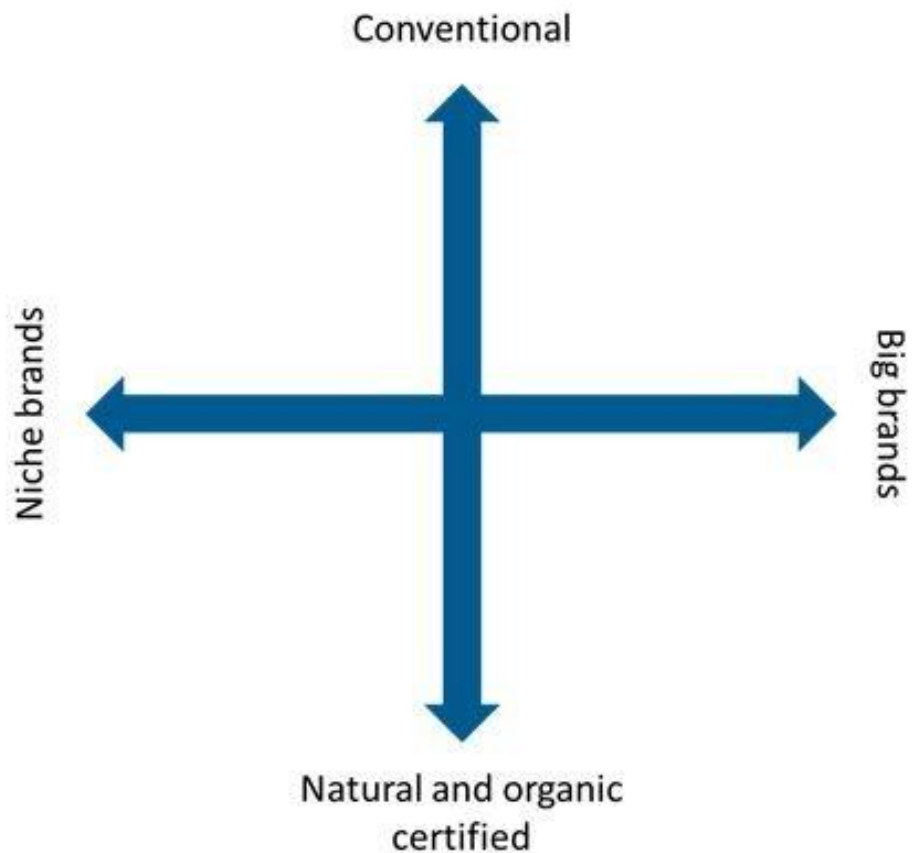
For which kind of party is your ingredient interesting?

To determine where to find interesting players, we can categorise cosmetic manufacturers across two ranges (see Figure 2):

1. conventional cosmetics vs. natural/organic cosmetics;
2. niche brands vs. big brands.

It may be difficult to reach manufacturers directly, because these do not generally buy directly from developing countries. More commonly, they buy their ingredients through distributors. See the section on market channels below for more information.

Figure 2: Cosmetic brands segmentation



Conventional vs. natural and/or Organic certified cosmetics

Both types of cosmetic manufacturers use natural ingredients, but in different percentages.

Growing numbers of conventional cosmetics manufacturers use natural ingredients at low percentages to make a marketing claim. They might use higher percentages for a specific functional or active property. Even if quantities per product are low, large manufacturers probably buy higher total volumes of natural ingredients for popular or widely marketed products than small companies. Small companies may use a higher quantity per product, but they sell lower volumes of such cosmetic products.

Natural cosmetic products commonly contain much higher quantities of natural ingredients per product. What quantities are used depends on:

- maximum usage levels (especially for essential oils)
- price; minimum quantity that formulators need to get a certain benefit.
-

Niche brands vs. big brands

More often than big brands, niche brands are trendsetters. Therefore, these can be particularly interesting if you supply new, innovative ingredients. They also need lower volumes of ingredients for their cosmetic products. If you struggle to meet the volume requirements of big brands, niche brands can be an interesting option.

Big cosmetic brands such as The Body Shop offer better opportunities for established ingredients, as long as you can ensure stable quantities and qualities. They often pick up interesting trends from niche brands.

Tips:

Use the segmentation in Figure 2 to determine what kind of player may be interested in your ingredient.

Target small, niche brands instead of mass-market brands. Many of these niche brands exist in Europe. You can often find them through national cosmetics manufacturers' associations, trade press or blogs. For example, Eluxe Magazine identified [Supermood](#) from Finland as a key natural-focused cosmetics brand to watch. Such small brands are often more innovative than large brands; for example, as regards natural or organic cosmetics. Large brands turn to these trendsetters for inspiration, picking up interesting and long-lasting trends.

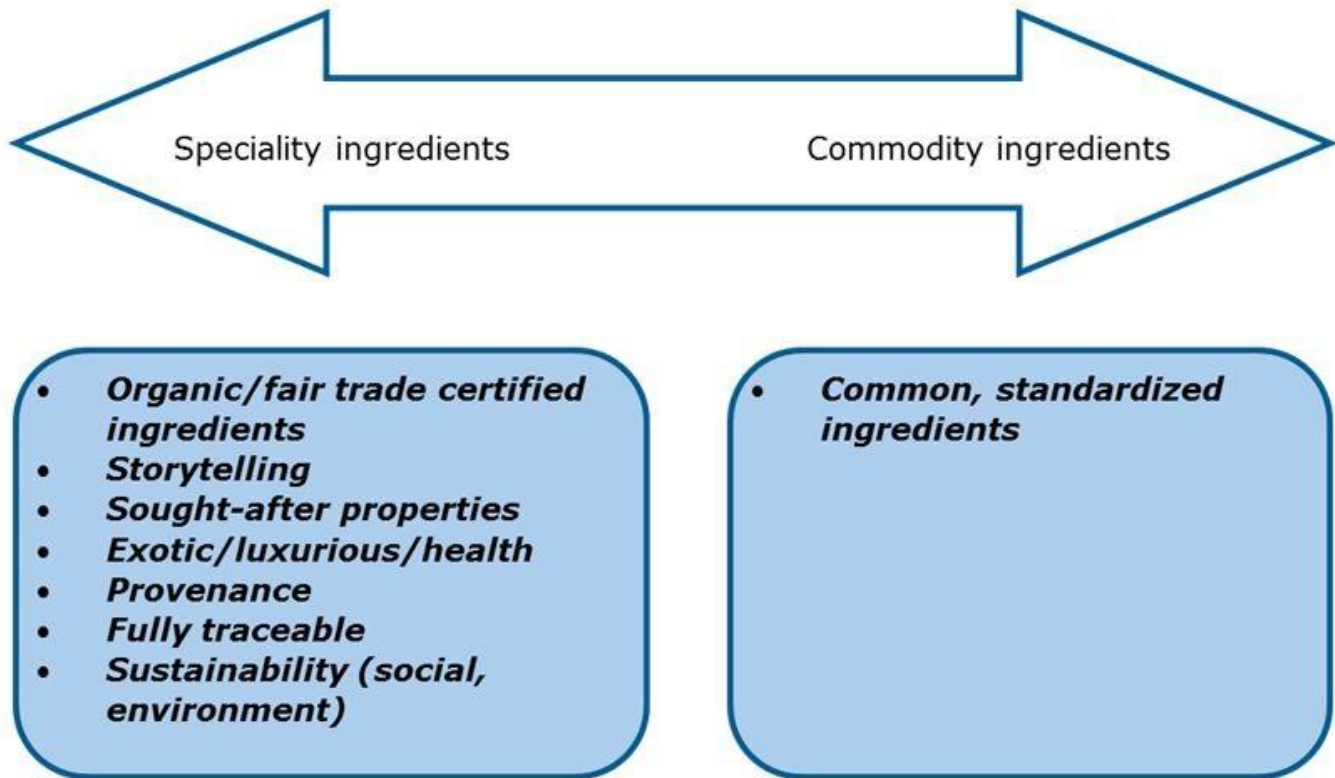
If you can produce larger volumes of established ingredients, target big brands producing conventional cosmetics.

Want to find buyers in these segments? See our study of [Finding buyers for natural ingredients for cosmetics](#).

What is your Unique Selling Point?

Finally, you need to find out what makes your ingredient different from its competition. Is it a commodity ingredient or a speciality ingredient?

Figure 3: Segmentation in speciality and commodity ingredients



Commodity ingredients

Commodity ingredients are commonly used ingredients, such as standardised extracts or commodity oils (for example, palm oil or coconut oil). They are often traded at high volumes, which leads to low margins along the value chain. The cosmetics market is very competitive. Therefore, an ingredient's price is key when manufacturers choose which commodity ingredient to use and in what quantities per product.

For essential oils and botanicals, the situation is less straightforward. On the one hand, some of these ingredients have a maximum allowed use level in cosmetic products because of specific compounds that they contain. On the other hand, some will also require a minimum level of use to achieve a desired effect.

Speciality ingredients

Speciality ingredients most commonly offer:

- an interesting market benefit (such as story or efficacy); traceability; assurance of
- sustainability; supply security.

If cosmetic producers include speciality ingredients, they can make their final product more interesting to consumers and potentially increase the price of final products. Consequently, producers could pay a higher price for their ingredients as well. They would also be willing to pay a higher price if you can reduce risks. Speciality ingredients are usually traded in small quantities and prices can be high. For example, commodity vegetable oils such as sunflower oil and flaxseed oil are priced between € 3–5 per kg. A speciality oil such as sea buckthorn goes for around € 100 per kg.

Some importers and distributors actually focus on speciality ingredients, especially botanicals and vegetable oil.

Tips:

Find out if you supply a commodity or speciality ingredient. Is it new or commonly used? Does your ingredient have a marketing benefit, is it certified, can you assure traceability?

For more specific information on market segments, have a look at our studies of [promising export products and markets](#) such as [palm oil alternatives](#) or [marine extracts](#).

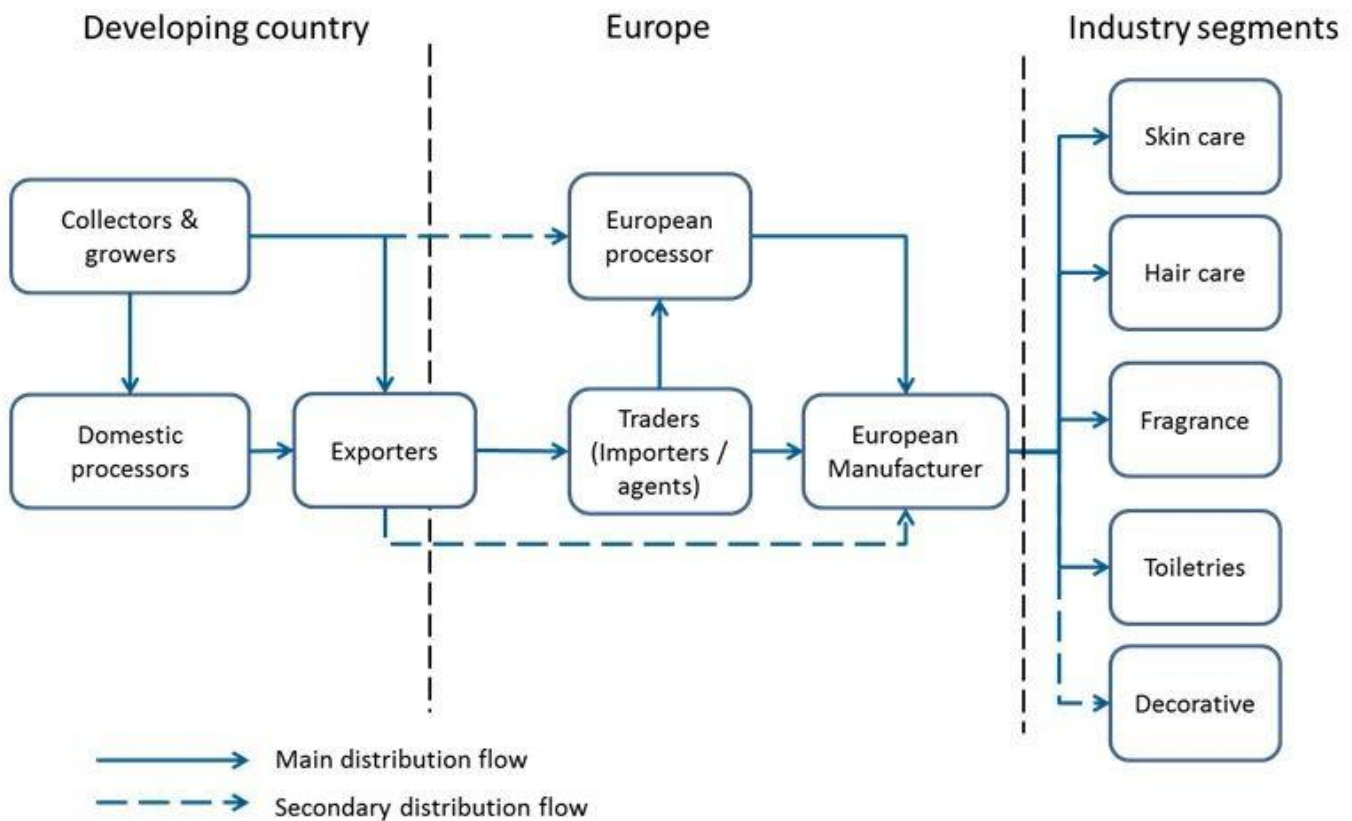
See our study of [Competition for natural ingredients for cosmetics](#) for tips to stand out from your competitors.

See our study of [Trends for natural ingredients for cosmetics](#) for information and tips on speciality ingredients, such as “Growing importance for marketing stories”, or “Growing demand for sustainably produced cosmetic ingredients”.

2. Through which channels can you get natural ingredients for cosmetics on the European market?

The best way to get your natural ingredient on the European market depends on the type of ingredient that you export: botanicals, essential oils or vegetable oils. However, there are some similarities in their market channels; see Figure 4 below.

Figure 4: Market channels for natural ingredients for cosmetics



Targeting importers

European traders and distributors are your most important market entry point. Of these, distributors are importers that often make contracts with their suppliers. These importers can trade in up to 500 species, together with other, synthetic ingredients.

Importers can also act as a security screen for their customers. They can help to ensure that the products which they trade comply with regulations. By buying ingredients through importers, cosmetic manufacturers and processors have a guarantee that the quality and traceability of the ingredients that they buy is sufficient.

Importers are involved in:

- global sourcing; analysis and quality control; rectification (correct quality or other issues); blending; product documentation; sales to processors and cosmetics manufacturers.
-
-
-
-
-
-

Often, established importers have already registered their imports under REACH (Registration Evaluation and Authorisation of Chemicals), which is required for many cosmetic ingredients.

Aside from importers, agents are important in speciality niche products. They can be interesting if you:

- have limited experience on how to export to Europe and need guidance on
- export processes; need an intermediary that has the knowledge to evaluate and select interesting buyers, especially if you have a new ingredient for the
- European market; need a partner who is trusted within the sector and can make up for your lack of sector reputation.

Small importers often specialise in either the cosmetics, pharmaceutical or food and food supplements industry. Larger players supply to all these industries and work with both raw materials and processed ingredients.

Both small and larger parties can be interesting for you. This depends on:

- the size of your company; the
- type of products that you
- export; certification;
- documentation needed.

Targeting the European processing industry

Europe also has a large processing industry. Processors mostly buy raw materials from importers. However, in some cases – and in particular with strategic ingredients – they import natural ingredients directly from developing countries. They can specialise in:

- oil crushing; refining or derivative
- production; extraction;
- compounding ingredients for
- fragrances; further ingredient
- processing.

Ingredient processors create ready-to-use cosmetic ingredients. For example, they isolate active components from raw materials or combine components from different ingredients into proprietary cosmetic ingredients. They often sell these ingredients to cosmetics manufacturers. Smaller processors might work through distributors. Large processors often supply to producers of cosmetics and health products, while smaller companies specialise in one of these sectors.

Targeting cosmetics manufacturers

Cosmetic manufacturers develop and make final cosmetic products. They often specialise in one or more industry segments (see Figure 4). Large cosmetic companies such as L'Oréal are active in all segments. Cosmetic manufacturers rarely source ingredients from developing countries directly, preferring to buy from European processors and importers.

The bulk of finished products are sold through retail outlets, both mass-market and speciality stores. However, direct sales through web shops are becoming more important in the natural cosmetics sector. Companies are increasingly targeting consumers directly instead of going through retailers.

Speciality and certified ingredients usually have short trade channels. This situation means that there are fewer steps between you as a supplier and the cosmetics manufacturer. Buyers of these ingredients would like to know the source of the ingredients as specifically as possible, so that they can use this information in their marketing campaigns.

Consumers are also asking increasingly detailed questions on the provenance and sustainability of cosmetic products. As a result, you can expect that buyers will need more information and documentation on the traceability and sustainability of your ingredients.

Tips:

Target European importers with your ingredients instead of supplying to cosmetic manufacturers directly. Importers are the main entry points to the European market.

Alternatively, you can establish your own European import and distribution business.

If you produce speciality niche products, you can use the expertise of agents to reach the European market.

See our study of [Finding buyers on the European market for natural ingredients for cosmetics](#) for more information.

See our study of [Buyer requirements for natural ingredients for cosmetics](#) for additional information.

3 . Market channels and trade hubs for botanicals, essential oils and vegetable oils

Depending on the specific natural ingredient that you produce, there are different channels to get your product on the European market. **Botanicals**

Botanicals can be imported either as raw materials (to be processed in Europe) or as extracts. Traditionally, most extraction took place in Europe, but this is gradually shifting to developing countries.

However, further processing into ready-to-use cosmetic ingredients and developing proprietary ingredients (with intellectual property rights) based on extracts still predominately takes place in Europe.

European importers and processors play a dominant role in the global trade in botanicals, especially in terms of innovative and proprietary extracts. They supply to European and North American cosmetic producers.

Germany is the main hub for botanicals trade. The country is an important importer and exporter of both raw plant materials and extracts.

In 2016, Germany imported 65,000 tonnes of raw plant materials, of which 55% came from developing countries. Germany also holds the largest extraction industry in Europe.

In recent years, Portugal has become the largest importer of raw plant materials.

These imports mostly originate from Spain. Other large trade hubs for botanicals are Spain, France and Italy. They are the largest traders and processors of botanicals in Europe. France plays a particularly important role in the botanicals trade focused on cosmetics applications.

Tips:

If you cannot produce an extract yourself, look for importers of raw plant materials in the countries listed above or collaborate with extractors in your country.

For more information and tips, see the trend of increased opportunities to add value locally.

Essential oils

It is easier to sell essential oils directly to European processors and cosmetic producers than botanicals and vegetable oils. Essential oils are commonly traded in small volumes and often do not require further processing.

European companies can add value by:

- transformation of oils (if required);
- isolation of specific fragrance compounds;
- repackaging and labelling.

The European fragrance industry combines different essential oils and fragrance compounds into fragrances for cosmetic producers.

The leading trade hubs of essential oils are:

- Germany
- United Kingdom
- the Netherlands
- France
- Spain

Together, these countries imported 74% of the total European imports in 2016 (volume). The same year, they also accounted for 65% of the export volume. France is a large importer of high-value oils (such as rose geranium and jasmine absolute), which are most commonly used in cosmetics.

Tips:

Target importers if you can supply large volumes of essential oils. They generally buy larger quantities than cosmetics manufacturers.

Target cosmetics manufacturers or fragrance houses directly if you supply small volumes of essential oils.

Vegetable oils

Some commodity raw materials, such as cocoa beans, are still mostly processed into vegetable oils by the crushing industry in Europe. However, this situation is changing. Specifically, noncommodity oilseeds and nuts are increasingly crushed in the countries of origin, such as argan and sacha inchi nuts.

Some commodity raw materials are processed more often into vegetable oils and fats in the country of origin as well, because they are used in the cosmetic sector. An example of this process is shea butter. The food sector uses 90% of all shea butter.

To this end, shea nuts are imported and processed in Europe. However, several cosmetic manufacturers choose to use shea butter produced in the country of origin. Cosmetic brands can use this locally produced shea butter in their marketing campaigns.

Vegetable oils are often filtered in their country of origin. Whether further processing is feasible depends on the quality of your oil, the available volumes and your buyer's needs.

Most vegetable oils arrive in Europe as a crude oil. Here, they are then further processed into a refined oil or higher-value derivatives (such as emulsifiers or surfactants). Most large-scale cosmetic manufacturers prefer to use refined vegetable oils. Using refined oils reduces the risk of variations between different batches.

Manufacturers often use organic oils directly in cosmetic products, because chemical processing is restricted for such certified ingredients. At the same time, allergens do need to be removed from allergenic oils, usually by filtration or by refining processes.

It is very rare for small exporters from developing countries to supply to refiners directly, because they usually cannot provide sufficient volumes. Small exporters do not supply to derivatives industries directly either, because these are complex industries.

Direct supply to derivatives producers is more feasible if you supply speciality oils. You need to be able to supply sufficient volumes of a consistent quality and find a company that is interested in small volumes.

France and the Netherlands are the largest trade hubs for vegetable oils, both in terms of total imports and imports from developing countries. These countries are among the four largest exporters as well, together with Italy and Denmark.

Other large importers of vegetable oils in 2016 included Germany, Austria, Sweden and Belgium.

Although the United Kingdom is a medium-scale importer of vegetable oils, it is an important destination for vegetable oils from developing countries. In 2016, 63% of its vegetable oils came from developing countries. Only the Netherlands imports a larger share from developing countries: 82% in 2016.

Tips:

If you do not have the capacity to process your raw materials into oils, try to find a partner in your own country to reach a sufficient scale for processing or look for a company that can process the materials for you.

If you produce speciality oils, see whether you can find a European refiner that you can supply to directly.

See our studies of specific vegetable oils for more information on market channels, such as the fact sheets on [shea butter](#) and [sacha inchi oil](#).

What requirements must natural ingredients for cosmetics comply with to be allowed on the European market?

If you want to get your natural ingredients for cosmetics on the European market, you will have to source in a sustainable way. You also need to comply with international conventions on supply and trade in plants. Buyers expect detailed information on your company, process and product. This procedure is intended to ensure compliance with legislation on cosmetic products and their ingredients. Buyers can also have additional requirements for quality, documentation and CSR.

Contents of this page

1. [Which requirements must you comply with to export cosmetic ingredients to Europe?](#)
2. [Which additional requirements do buyers often have?](#)
3. [What are the requirements for niche markets?](#)

1 . Which requirements must you comply with to export cosmetic ingredients to Europe?

You can only get your product on the European market if you:

- comply with the European Union Cosmetics Regulation (Regulation (EC) 1223/2009); provide the right documentation; comply with legislation on
- Registration Evaluation and Authorisation of Chemicals (REACH); comply with
- rules for Classification, Labelling and Packaging (CLP); follow rules for claim
- substantiation; are able to demonstrate your ability to deliver sufficient
- quantities, on time and at the right quality and price.

Below, you can find information on each of these requirements.

Cosmetics Regulation (EC 1223/2009)

The Cosmetics Regulation covers the safety and efficacy of cosmetic products, including claims. Although it applies to finished cosmetic products, there are several implications for you as an ingredient supplier:

- Check the lists of prohibited and restricted substances, allowed colourants, preservatives and UV filters to see whether your products can be used in
- cosmetics.

You need to give your buyers detailed product information. Buyers need to include this in a “Cosmetic Product Safety Report” and a “Product Information File”. You need to provide information on the physio-chemical (physical and chemical), microbiological and toxicological characteristics of your ingredients.

Since product safety and transparency on safety are essential in Europe, requirements on allergens are becoming stricter. Legislation covers an increasing number of allergens and additional labelling requirements (such as listing all allergens on cosmetic lists of ingredient). Data on efficacy (performance) increases the value of your raw material. Manufacturers are very interested in data that substantiate claims of certain cosmetic benefits resulting from a known concentration of the ingredient (or component of an ingredient) in a finished product.

Tips:

Consult the EU Export Helpdesk [for a full list of requirements](#). Select your specific product code under Chapter 12, 13, 15 or 33.

Ask your buyers which information they require and in which format they want it. Cosmetic manufacturers and ingredient producers may make you responsible for the information that they need in safety reports and information files. If you can provide all information needed, you can offer your buyer a better package. European buyers communicate their requirements in different ways. Some buyers have extensive “supplier manuals” which describe all requirements in detail, while others provide very little information.

Do not test your new ingredients on animals. Find alternative methods. Even though there are some exceptions in the marketing ban in the European Union, buyers usually want to avoid animal testing altogether.

Use the [Raw Material Information Form](#) published by the Personal Care Products Council as [guidance on the requirements](#).

Use the Plan of the Toxicological Assessment file template published by UNITIS as a reference for the [information that you need to give to your buyers](#).

- Read more about [marketing conditions for cosmetic products](#) in the EU Export
- Helpdesk.

If you produce botanical extracts, use suitable solvents and only use approved preservatives or no preservatives at all. If your ingredients are used in so-called

preservative-free cosmetics, you need to gain expertise in microbiology because these cosmetics have their own quality liabilities.

- See our [Tips for finding buyers](#) and [Tips for doing business](#) for more information.

Keep up to date with upcoming changes within European Union Cosmetics legislation in terms of the labelling of natural and organic products. See the section on [Natural Cosmetics](#) below.

Contact [Open Trade Gate Sweden](#) if you have specific questions regarding rules and requirements in Sweden and the European Union.

Documentation

To comply with legal requirements, buyers need well-structured product and company documentation. Buyers make increasing demands in terms of traceability, sustainability and quality, which all need to be documented. This documentation acts as an insurance to buyers. You need to supply detailed:

- **Technical Data Sheets (TDS)**
- **Certificates of Analysis**
- **Safety Data Sheets (SDS)**

These data sheets are becoming increasingly large and complicated because of all the information that they need to comply with legislative requirements. European standards for SDS are likely also used in other regions. Classification, Labelling and Packaging below for more information on SDS requirements.

European buyers also need you to fill out supplier questionnaires. Buyers use these questionnaires to audit their suppliers. The questionnaires also provide a documented record of statements made by suppliers on a wide range of topics about the company, its products and its standards. As compliance with legal requirements becomes more complicated, these questionnaires are becoming longer. Topics cover:

- **the type and origin of ingredients**
- **the way that ingredients are produced**
- **labour and environmental policies and practices**

If you supply essential oils, you also need to compose an allergen declaration in accordance with the European Union Cosmetics Regulation and the standards of the International Fragrance

Association (IFRA). If you supply vegetable oils, you need to pay attention to the protein content (which can cause allergic reactions) as well as to other undesirable components that may be present.

Tips:

Prepare a commercially oriented Product Data Sheet (also known as a sell sheet). It should contain photos, information on the product's origin and bibliographic references. For your own internal purposes, you should prepare a more detailed dossier containing all technical and commercially relevant data from both primary and secondary research.

See our study of [Preparing a technical dossier for natural ingredients for cosmetics](#) for additional information on documentation requirements.

- If possible, partner up with a buyer who can help you with paperwork and safety tests.
- Check the websites of European companies for [examples of an allergen declaration](#), such as The Soap Kitchen.

[Check the Raw Material Information Form](#) of the Personal Care Products Council and/or the [Toxicological Assessment File](#) of UNITIS mentioned above for examples of documentation required.

Have a look at [an example of a supplier questionnaire](#) from Ceres to see what type of questions your buyers may expect you to answer.

Registration, Evaluation and Authorisation of Chemicals (REACH)

REACH refers to the European chemicals legislation aimed primarily at European manufacturers and importers. It is designed to manage the risks of chemicals manufactured and used in the European Union.

Cosmetic ingredients (including natural ingredients) are considered chemicals and need to be registered with European authorities by the importer or manufacturer of the ingredient. While there are exemptions, your cosmetic ingredients might need to be registered according to REACH regulation. To register new chemicals, their hazards need to be evaluated before they are authorised for use on the European market.

If your cosmetic ingredient is not registered, it cannot be sold in the European Union. However, not all cosmetic ingredients need to be registered. European producers or importers of cosmetic ingredients need to prove that their ingredient meets the exemption criteria. Ingredients that do not need to be registered are:

- naturally occurring and chemically unmodified substances, such as vegetable
- oils; ingredients that are imported in quantities of less than 1 tonne annually (meaning that you cannot export more than 1 tonne per year to each importer if they do not have a registration for this chemical).



Common ingredients are probably already registered under REACH by your importer. The registration of new ingredients is the responsibility of a European company or representative. It is a costly process where your business partner might also require you to supply safety data.

You can register new cosmetic ingredients yourself, by setting up your company as an “Only Representative” of your company in Europe. This gives you more protection as a supplier, because you do not depend on one importer who holds the registration. However, registration will cost over 10,000 euros. It can even reach up to several hundreds of thousands of euros, depending on the safety and environmental profile as well as the import volumes.

Tips:

If your ingredient is [registered under REACH](#), ask the [European Federation of Essential Oils \(EFEO\)](#), which is allowed to import the ingredient. These are potential buyers for your ingredient.

- If your ingredient is not registered under REACH, find out whether it needs to be.
- Is it exempted from registration? Have a look at the [guidance for exemptions \(Annex V\)](#), published by the European Chemicals Agency.

If it does need to be registered, decide whether registering the ingredient yourself is worth the investment. What volumes could you supply, what is the value of your ingredient? Are they sufficient to pay for your high investments? Discuss with your potential European business partner whether they are willing to form an alliance to go through the registration process with you. Be aware that your partner is likely to ask exclusivity to be the first to market.

If you want to register a new ingredient, consider hiring a consultant to help you with REACH registration; for example, through [EFEO](#).

Check how you need to [implement REACH and CLP](#) for your product in the “Identify Your Obligations” section of the ECHA website. This gives a practical and step-by-step guide.

- Read [more about REACH in the EU Export Helpdesk](#).
- See [our study of REACH](#) for additional information and tips.

Classification, Labelling and Packaging (CLP)

Cosmetic ingredients are chemicals. Because of this fact, you need to label and package them in a way that shows their potential dangers to workers who use them in the supply chain. This procedure is regardless of REACH legislation and the volumes exported to Europe per year.

Specific requirements which apply depend on the classification of the ingredients that you export.



The European Union has set packaging and labelling requirements of chemicals based on the Globally Harmonised System of Classification and Labelling of Chemicals (GHS). You can use these requirements to find out how your ingredient is classified and which pictograms and other notices you need to include on its label. You also need to include information on potentially dangerous characteristics of chemical substances on your Safety Data Sheet (SDS). This sheet gives workers and emergency personnel information on procedures to handle or work with that chemical safely. Here, you also need to include information on:

- physical data (melting point, boiling point, flash point, and so on)
- toxicity health effects first aid reactivity
- storage disposal protective equipment spill handling procedures
- You need to have in-house competences in order to prepare the necessary SDS for your ingredients. If you do not have this competence, you must use the services of properly qualified parties to help you prepare the SDS.
-

Tips:

Look at the websites of natural ingredients companies for [examples of an SDS](#), such as The Soap Kitchen.

- You can also seek qualified advice in preparing an SDS from specialised service providers.
- Check the website of the European Chemicals Agency, which includes a [classification and labelling database](#). In this database, you can search for a substance and find out the symbols and warning phrases that you need to add to your labelling. You can look for substances by their name and the European Inventory of Existing Commercial chemical Substances (EINECS) or Chemical Abstract Service (CAS) numbers.

On the SpecialChem [INCI Directory](#), you can find information on cosmetic ingredients by using either the relevant INCI name (International Nomenclature of Cosmetic Ingredients) or the CAS Number.

- Read [more about Classification, Labelling and Packaging \(CLP\)](#) in the EU Export Helpdesk.
- See our [Workbook for preparing a technical dossier for cosmetic ingredients](#) for additional information and tips.



Claim substantiation (Regulation 655/2013)

You can only make claims about cosmetic products if you can substantiate these claims. The Cosmetics Regulation sets criteria for this proof, which you need to comply with. Cosmetic manufacturers are increasingly looking for ingredients with a proven efficacy. This leads to a stronger focus on efficacy, especially for active extracts.

This can be a threat for you, as you will need to provide additional documentation to new buyers to prove the efficacy of new ingredients. However validated product claims also give cosmetic manufacturers the chance to bring innovative products to the market with a clear marketing story. It provides consumers with more security, which should support the product sales and drive demand for the ingredients used in the claim.

Tips:

Study the criteria for the [justification of claims for cosmetics](#). These will have important implications for what evidence you need to support your claim.

Analyse labelling and wording possibilities to ensure that you “sell an appropriate claim”. Look for product examples already sold in Europe through online retailers.

Provide in vitro data (from cell research in a laboratory) on the efficacy of your product to raise interest in Europe. With these data, processors or manufacturers can more easily include your ingredient in a product development process. They can also use your data as an intermediary to approach manufacturers themselves.

To justify the claim that you make, go beyond documentation on traditional use. Although this factor has a strong marketing value and adds backing to the dossier, it is not sufficient by itself to justify a cosmetic claim.

CITES (Convention on International Trade in Endangered Species of wild fauna and flora)

You need to comply with requirements on trading plant resources as agreed internationally under CITES. The European Union has translated this convention into European law. Most likely, your own country is also a signatory, meaning that you also need to comply with it to meet national law. CITES aims to protect endangered plants and plant products by regulating their trade. It provides a list of plant species that you cannot export/import or where export/import is restricted. If your product is listed in Annex A and Annex B of Regulation (EC) No 338/97, you need to get an export permit from your country's CITES authority. You will also need an import permit from the country to which you are exporting.

Tips:

- Check in the Annexes [whether import and export permits are required for your product](#).
- If you are not sure whether an import or export permit is needed, [contact your local CITES authority](#).

When you start working with a new species, [check its conservation status](#) at the Cites Checklist.

Read [more about CITES](#) on the EU Export Helpdesk website.

Convention on Biological Diversity (CBD)/Access and Benefit-Sharing (ABS)

International treaties and protocols on using plant resources within the scope of the Convention on Biological Diversity are part of European Union law, but most likely also of your national law. This situation means that you might also need to comply with them to meet national law.

The goal of the Nagoya Protocol of the Convention on Biological Diversity (CBD) is to make sure that the benefits of genetic resources and traditional knowledge are shared in a fair way. This is called Access and Benefit-Sharing (ABS).

ABS is especially important for wild-collected ingredients.

The Nagoya Protocol provides guidelines for accessing and utilising genetic resources and traditional knowledge. Many countries have signed this protocol and have adopted it into national law. If your home country did so as well, you need to comply with these national laws. European companies are now legally required to follow those laws that are in force in your country regarding access and benefit-sharing.

You will need to find out whether the use of the genetic resources comes within the scope of the ABS legislation in the country of origin. If it does, European companies will need evidence that the entire upstream supply chain in the country of origin complies with those national laws.

You will only need to comply with requirements on ABS if you use the genetic resource for Research and Development (R&D); for example, if you research the genes of an ingredient or its biochemical composition. Anyone who carries out R&D, including the buyer downstream in your supply chain, has ABS obligations under the Nagoya Protocol. Although they will be responsible for compliance with ABS, they might ask you for help. The national legislation in the country of origin also defines the specific meaning of R&D or the “utilisation” of genetic resources.

Tips:

- Find out the status of your ingredients in the context of ABS legislation in your country.
- Develop a procedure to check whether ABS applies to every new genetic resource or traditional knowledge that you want to develop. This includes knowing the local context and officials. Have a look at the [CBD website](#) for more information, which also includes country profiles.

Demonstrate that you comply with CBD principles and offer security to partners/buyers. Contact local officials for more information. •

2 . Which additional requirements do buyers often have?

Many buyers have additional requirements for natural ingredients for cosmetics. You need at least a basic level of compliance to find a buyer in Europe, but some suppliers may demand that you meet many more of these requirements. Regardless of the type of ingredient that you supply, European buyers demand sustainable sourcing in terms of quantity and quality, as well as compliance with basic CSR principles.

Quality management

European buyers expect you to have good and reliable quality standards in raw material production and manufacturing:

- If you cultivate or collect raw materials, you should follow Good Agricultural and Collection Practices (GACP) before processing.
- At the least, buyers expect you to follow Hazard Analysis & Critical Control Points (HACCP) principles in your processing facilities. Using these principles prevents hazards for food safety but also helps ensure product safety for cosmetic applications. While HACCP certification is not obligatory, it will give you a competitive advantage. If your product is also used in the European food industry,
- you will already need to have HACCP certification as a minimum standard. If you want to do more, you can use the Good Manufacturing Practices (GMP) of the
- European Federation for Cosmetic Ingredients.

If buyers refer to product quality standards in their product specifications, they expect you to comply with them. Examples include standards from the International Organisation of Standardisation (ISO) or the International Fragrance Association (IFRA, for essential oils).

Tips:

Monitor the quality of raw materials before they arrive at your processing facility. This is crucial to ensure consistent quality.

Implement a good management system. You should at least [follow HACCP principles](#). If you follow [GMP for cosmetic ingredients](#), you can create a competitive advantage.

Make sure that you and your suppliers [comply with the GACP guidelines of the World Health Organization](#) in all your operations and activities. Also show that you follow GACP guidelines in your marketing materials. This can give you an edge over your competitors.

Prepare analysis reports with information on the quality of your product. Depending on the ingredient, European buyers may ask for this information.

Sustainable sourcing

Most buyers will only do business with sustainable suppliers. Consumers want to know more about the sustainability and traceability of the products which they buy, while buyers want to ensure that they are “safe” in terms of compliance with sustainability expectations of consumers. To answer these questions, your buyers may demand that you provide additional proof of sustainable sourcing.

You do not need to certify your sustainable practices. However, certification can help you to enter niche markets and support the credibility of your sustainability claims. Read more about relevant sustainability standards in the section about niche markets below.

If you collect plants from the wild, your sourcing practices need to avoid overharvesting to ensure the future availability of your products. You also need to provide living wages to your collectors.

European buyers increasingly demand their suppliers to follow sustainable collection practices, because they are facing supply shortages for a growing number of plant species. The main reasons for these shortages are overharvesting, habitat destruction and fewer collectors.

Buyers indicate that sustainability will only become more important in future.

Tips:

Conduct a resource assessment and implement a resource management system; for example, as prescribed by [FairWild certification](#). Detailed information on availability is crucial for buyers.

If you supply cultivated ingredients, demonstrate sustainability by producing according to organic principles.

If you supply wild-collected ingredients, check [the status of regulations in your own country](#) regarding the Convention on Biological Diversity.

Check the conservation status of your species to determine their availability and sustainability threats. For example, see the [red list of the International Union for Conservation of Nature](#) (IUCN).

Show that you practise sustainable wild collection. Show how your company impacts biodiversity and provide documentation of sustainable collection practices.

Show sustainable wild collection by implementing Good Agricultural and Collection Practices (GACP) [through FairWild certification](#), [collecting according to BioTrade](#)

[Principles and Criteria](#) or documenting sustainable collection practices.

Determine your options to domesticate species that are insufficiently available in Europe. Always determine the economic viability of such trajectories first with a feasibility study.

Social and environmental responsibility – Corporate Social Responsibility (CSR)

European buyers are looking for suppliers that can comply with good standards of social and environmental responsibility. They select suppliers who have a code of conduct and aim to improve their performance in key areas, such as child labour and limiting damage to the environment.

You can demonstrate your Corporate Social Responsibility (CSR) policies by:

- following company-specific policies (for example, of large manufacturers);
- implementing international initiatives from the industry (for example, the Business Social Compliance Initiative);
- developing your own code of conduct.

Industry sources claim that social responsibility systems will become a basic market entry requirement in the near future. You need to show potential buyers that you know how you score on CSR and that you set targets to improve it.

Tips:

Assess your CSR performance; for example, by doing a self-assessment. Check your performance against publically available standards such as [FairWild](#) or [SA 8000](#). You can also consider certifying according to such standards.

At the very least, build awareness of CSR in your company and comply with the basic principles (such as no child labour).

If you want to do more, develop a code of conduct for your company and your suppliers that covers social and environmental performance.

Read more about the [United Nations Global Compact](#). Some buyers demand compliance with the [ten principles of this initiative](#). These cover human rights, labour standards, the environment and anti-corruption.

[Have a look at social responsibility platforms](#) such as the Supplier Ethical Data Exchange (SEDEX). These provide a template of the typical information required. They also facilitate the sharing of this information with potential customers.

3 . What are the requirements for niche markets?

If you want to sell your ingredients to manufacturers of natural or organic cosmetics, your production needs to follow the guidelines for natural and organic standards. You can also certify your ingredients as Fairtrade.

Tips:

For a [full overview of certification schemes in the sector](#), consult the ITC Standards Map database.

Check the Standards Map videos on YouTube to see how Standards Map can help you to determine [which initiatives may be useful for your company](#).

Natural cosmetics

Natural cosmetics is a growing niche market segment which represents another opportunity for suppliers of natural ingredients. What classifies as natural cosmetics is currently defined by private-sector standards, specifically COSMOS and NaTrue. More recently, the International Standard Organization (ISO) has started to develop its own definitions.

Virtually all cosmetics, those that are certified as natural and those that are not, can use natural ingredients. Nevertheless, certain companies may see marketing advantages to using certified natural cosmetics.

Essentially, cosmetics can be certified as natural if they contain a certain amount of natural ingredients. They also need to follow the guidelines that the aforementioned standards set for permitted ingredients. The standards also specify guidelines for the processes and additives that companies can use to develop natural cosmetics. As a supplier, you need to follow these guidelines, so that your buyers can use your ingredients in natural cosmetics.

There is no formally adopted legal definition of a natural ingredient. The REACH regulation has come closest to such a definition and may be used as a reference for a minimum legal definition. ISO and the private standards have developed their own non-legally binding definitions.

There are initiatives to develop an international standard for natural and organic standards; for example, as developed by Natrue and COSMOS.

The International Standard Organization (ISO) has launched its standard for Natural and Organic Cosmetic Ingredients and Products (Part 1). This development means that you can use the standard for self-certification as well as future independent certification. Part 2 of this standard defines eight different indicators to standardise the measurement of natural and organic content. This second part of the standard is expected to be published in the first half of 2017.

Some buyers of cosmetic ingredients expect that private-sector standards will continue to remain the standard in the European Union until it introduces European

legal standards. The ISO standards are still in development and are not yet widely used. However, these standards are an option for small producers to whom certification is too expensive. Moreover, upcoming changes in EU cosmetics legislation will incorporate rules on organic and natural product labelling which might be based on ISO standards.

Tips:

Include the natural character of your product in your marketing tools. Buyers are interested in products with a story. Make sure that it is a true story: do not make any claims without scientific evidence.

You can bypass the need for Organic and natural certification if you adopt good practices in your supply chain. Not every customer is willing to pay extra for certification. However, you have to find out what your customer wants.

Make sure that your product is traceable and your production process transparent. This is increasingly important to show that your ingredients follow the guidelines of natural and organic standards.

Take a look at the list of companies that have already obtained finished product certification. These lists are provided on the standard websites. Match the list to the ingredient that you offer to help you decide whether you want to get ingredient approval or certification.

If natural or Organic certification is beyond your current capacities, use the ISO standard for self-certification. This standard is less demanding than the certification standards and can be a first step towards certification.

Organic

As is the case for natural cosmetics, organic cosmetics represent a niche segment. They are also defined by private-sector standards. Cosmetics are organic if they contain a specified amount of organic ingredients.

The COSMOS standard is becoming the dominant standard for cosmetic products in Europe. According to industry sources, 80–90% of organic brands use the COSMOS standard.

Apart from certifying a cosmetic end product, producers can also choose to use Organic certified ingredients. An added advantage to Organic certification is that buyers can trace the ingredients back to the source. However, you do not necessarily need Organic certification to achieve traceability.

Private-sector standards use European Union legislation on organic production and labelling of food products as a basis for organic labelling of cosmetic ingredients.

Certifiers for ingredients for cosmetics include:

- **Soil Association (United Kingdom)**
- **Ecocert (France)**
- **BDiH (Germany)**

The difference between organic and natural cosmetics is not always clear. Even though the market for organic cosmetics is growing strongly, the market for Organic certified cosmetic ingredients remains limited. This means that you might need to sell your certified ingredients without the organic premium if you cannot find a buyer interested in Organic certification.

Tips:

Before complying with Organic certification, determine the buyer interest in an Organic certified version of your ingredient. Visit and participate in trade fairs such as [Vivaness](#) in Germany to test whether the market is open to your product, obtain market information and find potential business partners.

Determine the potential size of the market for your Organic certified ingredient. Try to find out whether you can recover investment costs coming from the certification of the ingredient.

For an overview of control bodies, see the websites of certification standards such as the [authorised certifiers list from COSMOS](#).

See our study of [Trends for natural ingredients for cosmetics](#) for additional information on the organic trend.

Fair production

Fairtrade is increasingly popular in cosmetics, also because consumers recognise Fairtrade labels from food products. Cosmetic manufacturers can certify the final product, but more often choose Fair Trade certified ingredients to support their brand image. In that case, the final cosmetic product is not certified. Especially in the United Kingdom, consumers increasingly demand natural cosmetic ingredients with certified fair production. They are more and more interested in social sustainability. Examples include:

- Fairtrade
- Fair for Life
- FairWild (wild-collected ingredients)

More importantly, European consumers want to know where cosmetic ingredients come from. They want to hear stories about the people producing these ingredients. You can exploit this trend by using fair production methods in your marketing story.

Tips:

- Read more on [FairWild](#), [Fair for Life](#) and [Fairtrade](#) in the ITC Standards Map.
- Check the Fairtrade Herbs and Spices list [for herbs that can be certified with Fairtrade](#). Also have a look at the Fairtrade standard for herbs, herbal teas and spices for [additional information on the requirements for Fair Trade certification](#).
- Demonstrate fair labour conditions with your code of conduct.
- Create an authentic story for your company and your product. Use it to show potential buyers where you are located, where your products come from, and how they are collected or harvested and processed.

See our study of [Trends for natural ingredients for cosmetics](#) for more information on the importance of Fairtrade in the sector.