



## [Exporting skin conditioning extracts to Europe](#)

The growing demand for premium skin and hair care products in Europe offers opportunities for exporters of botanical extracts for conditioning, especially since European consumers increasingly demand natural ingredients. You will find most opportunities if you can prove the efficacy of your conditioning extracts beyond their traditional use and chemical composition.

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## 1 . Product description

Botanical extracts are produced from plant parts by using solvent extraction. Extracts are commonly produced from leaves, stems, bark or roots. The extracts and their derivatives are used as ingredients in cosmetics, pharmaceuticals and food products. Examples include:

- *Fucus vesiculosus* extract (bladderwrack seaweed)
- *Boswellia carterii* gum extract (frankincense)
- *Glycyrrhiza glabra* root extract (liquorice)
- *Calendula officinalis* extract (calendula)
- *Aloe barbadensis* extract (aloe vera)

This fact sheet covers conditioning botanical extracts for cosmetics applications. It looks at the following conditioning properties for hair and skin care products:

- soothing extracts – to soothe irritated skin;
- humectants (also called moisturising extracts) – to increase the water content in skin or hair and to soften the skin or hair to the touch;
- smoothing extracts – to create an even skin surface by decreasing irregularities. These extracts require the most testing for effectiveness;
- extracts with volumising, shine and anti-frizzing properties – these extracts are used in hair care.

There are limited opportunities for natural extracts in other hair treatments. Most botanical extracts need further processing to make them suitable for hair conditioning.

You can find conditioning extracts in various skin and hair care products. The chemical properties of extracts determine whether and how they can be used for skin or hair conditioning.

Conditioning extracts are commonly used for their efficacy as active ingredients. You need full scientific studies on efficacy to build a product claim for that specific ingredient.

Many botanical extracts for conditioning are proprietary products. These extracts are developed by cosmetic ingredient manufacturers and are exclusively owned by them. They invest in the isolation and chemical processing of active compounds to reach the effect that they want. Moreover, they invest in efficacy and safety testing. Developing proprietary extracts often requires you to work with a European partner.

See Table 1 for the classification of various conditioning extracts. These codes and ingredient names are used to identify a product in documentation (as listed in CosIng and with a CAS number) or in trade (through Harmonised System codes).

Table 1: Classification for examples of conditioning extracts

Source	Classification
<a href="#">CosIng</a> : European Commission database with information on the International Nomenclature of Cosmetic Ingredients (INCI) cosmetic substances and ingredients	<p>CosIng lists numerous extracts with hair or skin conditioning, humectant, moisturising, smoothing and soothing properties, including:</p> <ul style="list-style-type: none"> <li>• <i>Fucus vesiculosus</i> extract (bladderwrack seaweed)</li> <li>• <i>Boswellia carterii</i> gum extract (frankincense)</li> <li>• <i>Glycyrrhiza glabra</i> root extract (liquorice)</li> <li>• <i>Calendula officinalis</i> extract (calendula)</li> <li>• <i>Aloe barbadensis</i> extract (aloe vera)</li> </ul>
Chemical Abstract Service (CAS) Registry Numbers	<ul style="list-style-type: none"> <li>• 84696-21-9 (centella)</li> <li>• 89957-98-2 (frankincense)</li> <li>• 84775-66-6 (liquorice)</li> <li>• 84776-23-8 (calendula)</li> <li>• 85507-69-3 (aloe vera)</li> </ul>
Harmonised System codes (trade)	<ul style="list-style-type: none"> <li>• 1302.19 - Vegetable saps and extracts (excl. liquorice, hops and opium)</li> <li>• 1302.12 - Extracts of liquorice (excl. that with a sucrose content by weight of &gt;10% or in the form of confectionery)</li> </ul>

Source: [European Chemicals Agency](#), CosIng

## 2 . What makes Europe an interesting market for conditioning extracts?

### Growing demand for active ingredients in both skin care and hair care

On both [skin care](#) and [hair care](#) markets in Europe, premium products are on the rise. For both market segments, western Europe is the main market.

Markets and Markets predicts that the [global skin care segment will register the strongest growth](#) among cosmetics market segments in the coming years. This growth will boost the demand for active ingredients. Europe is the largest market for active ingredients for cosmetics. Hair care manufacturers are aligning their products to skin care by using similar claims, such as brightening, moisturising, hydrating and anti-ageing. Conditioning extracts can offer these benefits to cosmetic

products.

Globally, the active ingredients market for cosmetics is expected to grow by 5.2% annually from 2016 to 2026. Conditioning agents take up the largest share of this market, benefiting from their wide applicability in hair and skin care. These conditioning agents are not only natural; synthetic ingredients take up a large share as well.

### Tip:

- Have a look at websites such as [Cosmetic Analysis](#), where you can find cosmetic products that use conditioning extracts. This information can help you to determine what your extract is used for and by what type of cosmetic producers.

## Increasing demand for natural ingredients in growing hair care segment

Consumers increasingly [demand hair care products and product ranges with a natural profile](#). They expect more in terms of the natural and organic composition as well as the ecological footprint of hair care products. Hair care manufacturers are catching up to skin care, traditionally a much larger user of natural ingredients. For example, L'Oréal recently launched their new hair care range called [Botanicals Fresh Care](#), with products based on four natural ingredients. Manufacturers are increasingly using botanical and herbal extracts to [claim that their hair care products are natural](#).

According to the Kline group, the natural cosmetics market amounted to \$ 33 billion globally in 2015 (€ 29 billion). That figure is 13% of the total cosmetics market (Brands with a Conscience, Ind & Horlings, 2016). This market is predicted to grow to \$ 50 billion (€44 billion) in 2019.

Technavio estimates that the smaller [organic cosmetic market will grow by almost 10% annually until 2021](#), when it will reach \$ 17.6 billion (€ 15 billion). In 2016, hair care products accounted for 25% of the organic cosmetics market, while skin care represented 32%.

### Tips:

- Find additional information on natural and organic cosmetics in our study of [Trends for natural ingredients for cosmetics](#).
- See our study of [Buyer requirements for natural ingredients for cosmetics](#) for more information on certifications for natural ingredients. Always discuss these options with your buyers. It only makes sense to certify your conditioning extracts according to natural or organic standards if the final product is also certified.

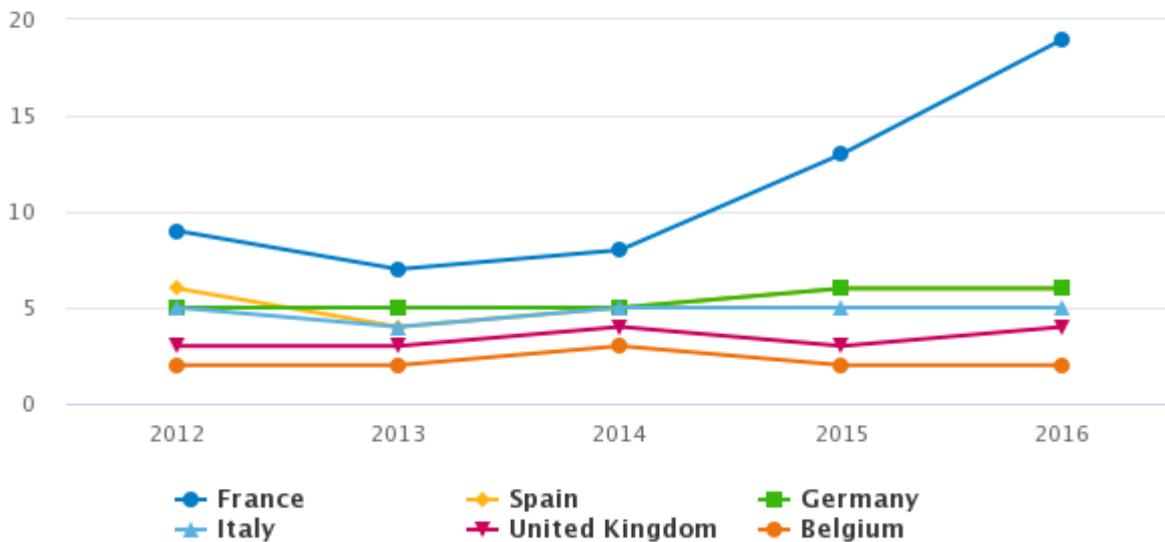
## Developing countries play a growing role in European imports of extracts

There are no specific trade data on conditioning extracts. However, trade data on extracts show an increase in imports, especially from developing countries. These extracts are covered under Harmonised System code 1302.19 and exclude extracts of liquorice, opium and hops.

The total European import grew by 5% annually from 2012 to 2016, while imports from developing countries grew by 15% annually. In 2016, the total European imports of extracts amounted to 53,600 tonnes at € 690 million. Developing countries contributed 25% to these imports.

Figure 1: Leading European importers of extracts 2012–2016

in 1,000 tonnes



Source: Eurostat

Figure 1 above gives an overview of the leading European importers of extracts. These importing countries do not specialise in imports of specific extracts. Specific importers do specialise, but they sell their products throughout Europe and even globally. For example, the global company The Body Shop has developed a [product line based on seaweed extracts](#) commonly used for skin conditioning. This product line is sold all over the world.

- France is the largest importer of extracts and is growing rapidly. A relatively large share of these imports is used in cosmetic products. However, only 6% of the country's imports in 2016 originated in developing countries. France's main suppliers are European processors and traders located in countries such as Italy, Spain, Germany and Belgium.
- Spain is the largest importer of extracts from developing countries. Supplies from developing countries were the main driver for growth in Spanish extract imports. In 2016, 46% of the country's extract imports originated in developing countries. China, India and Brazil were Spain's largest suppliers in 2016.
- Germany is a large importer of extracts from developing countries and also has Europe's largest extraction industry. It is the largest importer in terms of value, indicating that the country imports relatively high-value extracts.
- Along with being a large importer of extracts, Italy is also one of Europe's largest extract producers and its main exporter. The country increasingly imports extracts from developing countries. In 2016, 39% of Italy's extract imports originated in developing countries, an annual increase of 22% since 2012.
- The United Kingdom has a relatively small extraction industry and relies mostly on imports for its extract supplies. Its main suppliers are based in Europe, with 28% of extracts originating from developing countries in 2016.
- Belgium mainly imports extracts from European sources such as Spain, France, the United Kingdom and Germany. However, over the last five years, Belgian imports from developing countries increased by 27% annually. In the same time frame, imports from European suppliers decreased by 6% annually. This fact indicates that although Belgium is a small importer of extracts from developing countries, you can find growing opportunities in this country.

Smaller extract importers with a high and growing share of imports from developing countries can also be interesting target markets for your exports. These countries include several in eastern Europe; for example, Slovenia (49% of imports from developing countries in 2016) and Poland

(44%).

### Tips:

- Target countries with high or growing imports of extracts from developing countries, such as Spain, Germany, Italy, Lithuania, Poland and Belgium. Some of these countries also serve as trade hubs for other countries in Europe.
- Identify other, smaller potential markets for your exports by doing a feasibility study. These markets can offer substantial export opportunities for small and medium-sized enterprises.
- Conduct additional market research for more insight into the differences between the countries mentioned above. Use free statistical databases such as [ITC Trademap](#) or the [EU Export Helpdesk](#).
- Visit or participate in trade fairs to test whether the market is open to your product, to obtain market information and to find potential buyers. Relevant trade fairs in Europe are [Vivaness](#) and in particular [in-cosmetics](#).
- Keep up to date with developments in conditioning extracts; for example, by checking the websites of [Cosmetics-Design](#) and [in-cosmetics](#). Make sure that the extracts which you want to export are in demand on the European market.
- If you produce liquorice extract, see our [study of Liquorice extract for cosmetics](#) for market opportunities and trade statistics. This extract is also used for conditioning in cosmetics because of its soothing properties.

## 3 . Which requirements must conditioning extracts comply with to be allowed on the European market?

### Requirements for cosmetic ingredients

You can only export your conditioning extracts to the European cosmetics market if you comply with the legal [requirements for natural ingredients for cosmetics](#). These requirements include:

- relevant [European cosmetics legislation](#) (Regulation (EC) 1223/2009);
- well-structured product and company documentation to supply to your buyers;
- [Registration, Evaluation and Authorisation of Chemicals](#) (REACH);
- [Classification, Labelling and Packaging of chemicals](#) (CLP). You can also discuss this requirement with the freight forwarder or transport company, who will usually be happy to advise you.

### Tips:

- Comply with market access requirements in terms of quality control, traceability and sustainability. You need to show where your extract comes from and where it is processed.
- See our [Tips for doing business](#) for additional information.
- See our workbook on [Preparing a technical dossier for cosmetic ingredients](#) for more information and tips.

## Allergen legislation for cosmetic products

The European Union Cosmetics Regulation lists 26 fragrance allergens with a well-recognised potential to cause allergy. However, in 2012, the Scientific Committee on Consumer Safety (SCCS) concluded that the current regulations on fragrance allergens are insufficient. They identified more than 100 additional individual substances and natural extracts as probable contact allergens. The SCCS recommends that consumers should be informed of whether cosmetic products include these additional allergens as well.

As a result, European buyers expect new, stricter legislation on the testing and communication of fragrance allergens. Although conditioning extracts are not used as fragrance ingredients, the industry and legislators are increasingly aware of the risks that allergens pose.

### Tips:

- Check the website of the [Scientific Committee on Consumer Safety](#) for updates.
- For changes to the cosmetics legislation, see the [EUR-Lex website of the European Union](#), where legislation and amendments are published.
- See our study of [Buyer requirements for natural ingredients for cosmetics](#) for additional information.

## Access and Benefit-Sharing

You also need to comply with requirements derived from international treaties on using and trading plant resources.

The Nagoya Protocol contains terms and conditions for companies that want to carry out research and development on genetic resources or to benefit from traditional knowledge. It aims to make sure that the [benefits of genetic resources and traditional knowledge](#) are shared in a fair and equitable way. This process is called Access and Benefit-Sharing (ABS).

European companies are now legally required to follow those laws that are in force in your country regarding Access and Benefit-Sharing. Gradually, countries are implementing legislation in order to govern access to genetic resources.

You will need to find out whether the use of the genetic resources falls 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.

Anyone who carries out R&D, including the buyer downstream in your supply chain, has ABS obligations under the Nagoya Protocol. They will be responsible for compliance with ABS but might ask you for help. The national legislation in the country of origin also defines the specific meaning of R&D or “utilisation” of genetic resources.

## Additional buyer requirements

Many European buyers have additional requirements that can go beyond legislation and standards. These elements are established in buyer specifications and include the following requirements:

- delivering a good and reliable level of quality by following basic practices such as [Hazard Analysis & Critical Control Points](#), or [Good Manufacturing Practices of the European Federation for Cosmetic Ingredients](#) if you want to do more;
- being a sustainable supplier in order to ensure the future availability of your ingredients. Avoid overharvesting of wild plants, provide living wages to your collectors and ensure that you can deliver a stable quality and quantity of essential oils. Certification of these sustainable practices

is only a requirement for niche markets;

- showing good Corporate Social Responsibility practices such as developing a code of conduct and improving your performance in key areas (for example, banning child labour and limiting damage to the environment).

## Voluntary standards and certifications

Standards for cosmetic ingredients include:

- natural cosmetics, the largest and most important niche market – [NaTrue](#) and [Cosmos](#);
- organic cosmetics – [Soil Association](#) (the United Kingdom) and [Ecocert](#) (France) also certify according to the Cosmos standard for natural and organic cosmetics. [BDiH](#) (Germany) also has its own standard;
- the [ISO 16128 standard](#) as an alternative minimum self-certifiable standard, which covers definitions and criteria for natural and organic cosmetic ingredients and products. Buyers of cosmetic ingredients expect that private-sector standards will continue to remain the standard for natural and organic cosmetics in Europe, until Europe introduces legal standards. However, the ISO standards are an option for small producers for whom certification according to a private standard is too expensive or not required;
- fair production, a small niche market in terms of certified cosmetic ingredients – [Fairtrade](#) and [FairWild](#) (for wild-collected ingredients).

## Quality requirements

In Europe, conditioning extracts must be pure and without additives in order to be of optimum quality. Moreover, standardisation is increasingly important. This procedure refers to the situation when the content of the active components that have conditioning properties is standardised.

You need to train your suppliers in order to ensure the quality of the extract throughout the value chain. This requirement refers to quality, cultivation, processing and logistics.

In most cases, cosmetics buyers prefer odourless and colourless extracts in liquid or spray-dried form. Manufacturers will use specific fragrance ingredients for a product's scent.

### Tips:

- Minimise the time between harvesting and extraction to prevent quality deterioration.
- If you work with suppliers, give them clear standards on the collection and/or processing of raw materials that you buy from them in your own specifications. If your suppliers lack technical or human resources capacities, include pictures in your specifications and train them on how to comply with these standards.
- Keep facilities and equipment clean to prevent contamination with foreign materials. Produce your conditioning extracts with a minimum of impurities.
- Determine which extraction method you need in order to optimise the conditioning properties of your extract. Use an extraction method that is consistent with your buyer's preferences and specifications.
- Do not add additives to your extracts unless your buyer requests them. Buyers prefer pure products. Any use of additives must be specified in the Technical Data Sheet (TDS).
- Create a standardised product with a well-defined specification. Develop and monitor standard operating processes for harvesting and processing. Use raw materials from different crops to standardise your product's quality; for example, by combining early and late crops or by using crops from different slopes or areas.
- If you produce organic conditioning extracts, dedicate your processing plant or a specific processing line to produce only organic extracts. This process helps to avoid contamination from non-organic particles. If you cannot do so, clean your machinery and equipment

thoroughly between conventional and organic production.

- See our study of [Preparing a technical dossier for cosmetic ingredients](#) for additional information.
- For information on specific extracts or their properties, see our studies of liquorice extracts with soothing properties, [marine extracts](#), [antioxidant](#) extracts and [anti-ageing extracts](#).

## Labelling and documentation requirements

You need to comply with the following European requirements when labelling your conditioning extracts:

- Set up a registration system to identify and trace individual batches of your conditioning extracts, whether they are blends or not, and mark them accordingly to ensure traceability.
- Label your products in English, unless your buyer wants you to use a different language.

Your labels must include:

- product name/INCI name;
- batch code;
- place of origin;
- name and address of exporter;
- date of manufacture;
- best-before date;
- net weight;
- recommended storage conditions.

For organic extracts, include the name/code of the inspection body and the certification number.

You also need to provide your buyer with the following [documentation](#):

- Technical Data Sheet (TDS; check [this example of ginger extracts](#));
- certificates of analysis (check [examples for different extracts](#));
- Safety Data Sheet (SDS);
- GMO certificate (if requested);
- certificate of origin;
- product information sheet;
- 100% composition of the extract.

Some conditioning extracts can be classified as hazardous, such as frankincense extract. For these extracts, you need to include relevant hazard symbols (see Figure 2) in order to indicate that the extract is hazardous to the environment, flammable or harmful. You also need to include relevant risk and safety phrases, depending on the precise classification of your extract.

Figure 2: Hazard labels for extracts



### Tips:

- Visit the website of the [European Chemicals Agency](#) to check the hazard classification of your extract.
- See our study of [Buyer requirements for natural ingredients for cosmetics](#) for information on classification, labelling and packaging (CLP).
- See our manual on [Preparing a Technical Data Sheet](#) for more information (it includes information on preparing a Safety Data Sheet).

## Packaging requirements for conditioning extracts

Packaging requirements differ per buyer and extract. However, there are some general requirements that you have to take into account in order to preserve the quality of the product. See the tips below.

### Tips:

- Always ask your buyer for their specific packaging requirements.
- Use containers of a material that does not react with the components of the extract, such as lacquered or lined steel or aluminium.
- Clean and dry the containers before loading the extract.
- Fill the headspace in the container with a gas that does not react with constituents of the extract, such as nitrogen or carbon dioxide.
- Store containers in a dry, cool place to prevent quality deterioration.
- If you produce Organic certified conditioning extracts, physically separate them from extracts that are not certified.
- See our study of [Buyer requirements for natural ingredients for cosmetics](#) for information on classification, labelling and packaging (CLP).

## 4 . What competition do you face on the European market for conditioning extracts?

### Market entry barriers

It may be difficult to enter large, established and competitive markets. For example, aloe vera, calendula, cucumber, cornflower, oats and witch hazel extracts are traded in large volumes.

Moreover, it is difficult to access importers. This undertaking involves a long process where you need to build trust and partnerships with your potential buyer. Cosmetic manufacturers do not commonly switch to new suppliers, because it is difficult and time-consuming to adjust the formulation and documentation of their products. If you export common, standardised extracts, it may be easier to access importers.

Processing can also be a market entry barrier, especially for extracts. Depending on the raw material that you use and the wishes of your buyer, you may need to make significant investments

in plant installations. It also requires specific technical expertise to ensure a good and standardised product quality. For example, different solvents and extraction times can lead to variations in extract compositions. You need to determine which extraction methods result in a good and stable quality, while you also need to find out what your buyer expects from you. This information will help to determine which investments and expertise you need.

You need to show good practices in terms of the supply chain:

- processing and safety
- handling of raw materials and extracts
- availability
- traceability

It is very important to have documented processes in order to understand how you manage risks on all of the above points. Ideally, you will certify some of these processes.

Moreover, efficacy testing is key if you want to export conditioning extracts to the European market, especially for new extracts. You need to show the results of these tests in your marketing campaign. Efficacy testing of new conditioning cosmetics products covers two main steps:

1. testing the efficacy in terms of the suggested effect before and after treatment. For example, in the case of skin conditioning effects, the water content of the skin is measured after applying the product;
2. assessing the overall cosmetic quality and efficacy of the product by participants in the study.

### Tips:

- Determine which investments you need to make in order to produce extracts. If you need a significant investment, consider sharing the costs with other extract producers.
- Perform feasibility studies of new extracts to determine whether or not your extract has sufficient potential on the market. Examine your extract's functionality, efficacy, safety and market opportunities. Also base these opportunities on the price and availability of the raw materials.
- If you cannot produce a sufficient quantity and quality of conditioning extracts yourself, link up with other producers.
- Prepare detailed product documentation on the product, its technical, safety and efficacy data, as well as professional samples. Increase your capacity for safety testing and monitoring to do so.
- Set aside sufficient funds for promotion activities. This process can be costly, but it is important to demonstrate the benefits that your product can offer to new potential buyers.
- Determine to what extent you can enter markets for established conditioning extracts. Can you supply sufficient volumes at a stable quantity and an attractive price?
- For more information and tips, see our [Tips for doing business](#).

## Product competition

Conditioning extracts face competition from a wide range of ingredients. These ingredients include:

- synthetic alternatives – this product is the primary source of competition for conditioning extracts. Several well-established ingredients are on the market, which have a proven effectiveness and have been standardised. Some of these alternatives are cheap, because there

is strong competition; for example, from China. Examples include silicones, emulsifiers, petroleum jelly, pidolic acid (PCA) and lysine (available in both natural and synthetic form);

- glycerine – a cheap humectant, derived from vegetable or other oils;
- vegetable oils, fats and waxes – these products are used for their emollient properties. Examples include high-volume oils such as coconut, palm and olive oil, as well as speciality oils such as argan and marula seed oil. Speciality oils can have additional marketing potential, but the effectiveness of conditioning extracts is commonly higher;
- high-protein plants – these products are commonly used in hair care for their strengthening, repair and anti-frizz properties. Examples include baobab, wheat, oat and rice protein, and hydrolysed protein from oilseed by-products such as hydrolysed protein from brazil nut cake.

You have several options to stand out from the competition with your conditioning extract, such as:

- developing an extract with popular properties related to relevant market trends;
- developing extracts with a strong, documented efficacy (based on a standardised extract);
- developing interesting marketing stories based on the extract’s origin and marketing appeal;
- producing safe extracts (obligatory);
- certifying your extracts, especially Organic;
- excelling in Corporate Social Responsibility (CSR) – because buyers expect you to have some CSR, it is difficult to get a better price through this process. This aspect is becoming a basic market requirement;
- improving access to resources/sustainability of the resource;
- producing an extract at competitive prices.

You can also stand out from the competition by developing proprietary extracts: extracts that are protected by intellectual property rights. The further you progress along the “efficacy chain”, the more attractive your product becomes to cosmetics manufacturers, provided that your extract is also shown to be safe at the recommended levels of use in a product. The efficacy chain covers several steps:

1. analysis of theory;
2. standardisation of the extract to ensure consistent results;
3. chemical analysis of the extract and its components;
4. testing extract on cells (safety and efficacy);
5. testing extract on synthetic skin or hair (safety and efficacy);
6. testing extract in cosmetic formulations.

However, you would need to do a great deal of research in order to develop proprietary extracts for specific conditioning properties that are of interest to manufacturers, especially for skin smoothing. For this product development, it will often be needed to work with partners in Europe, generally distributors and/or processors of cosmetic ingredients. European companies are also better able to market the product, as they understand buyer requirements and have decision-makers among their clients. They will often require a period of exclusivity before engaging in joint product development.

Manufacturers will not commonly switch suppliers or include new ingredients once they have included a particular extract in a cosmetic product or product range and have built up its market. Manufacturers are also more interested in new ingredients when they develop new products or product ranges.

Table 2: Example of product substitution for conditioning ingredients

	<i>Centella asiatica</i>	<i>Kigelia africana</i>
Comparative profiles	Both <i>Centella asiatica</i> and <i>Kigelia africana</i> are used for their anti-ageing, skin-firming and anti-inflammatory properties. <i>Centella asiatica</i> is a more established product with proven effectiveness, whereas <i>Kigelia Africana</i> is newer to the market.	

<p>Competitive advantages</p>	<ul style="list-style-type: none"> <li>• <i>Marketing potential</i> is based on its use in traditional medicine within Asia. The leaves are used as food in Sri Lanka.</li> <li>• <i>Efficacy</i>: the active components have anti-oxidant properties, which makes them interesting in cosmetics.</li> <li>• <i>Centella asiatica</i> is used as an anti-ageing and skin-firming active. Its active ingredients have shown to have modulating properties on the development and metabolism of connective tissue. The extract promotes collagen synthesis (Provital).</li> <li>• <i>Price</i> depends on many factors: type of extract, concentration of actives, and so on. This product has a well-established, competitive value chain.</li> <li>• <i>Availability of Centella asiatica</i> is higher, as the extract is now available from large multinational suppliers of cosmetic ingredients.</li> <li>• <i>Social responsibility</i>: <i>Centella</i> is a commercial product without a strong social responsibility story.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Marketing potential of Kigelia africana</i> is higher. <i>Kigelia africana</i> is new, exotic and native to Africa. It is based on the traditional use of <i>Kigelia</i> fruits in Africa, both medicinal – as a treatment for skin complaints from eczema to skin cancer – and cosmetic as a preparation to firm and enhance skin tissue (PhytoTrade).</li> <li>• <i>Efficacy</i>: this product produces a tightening and a general increase in skin firmness. It can be used in products designed for eye contour care, breast shaping and firming, skin tightening and products designed to give mature skin a more youthful appearance (Laboratoires Prod’Hyg).</li> <li>• <i>Price</i> depends on many factors: type of extract, concentration of actives, and so on. <i>Kigelia</i> has a new, emerging value chain.</li> <li>• <i>Availability</i> is lower, as this ingredient is generally supplied by small and medium-sized enterprises and sourced directly from companies in Africa.</li> <li>• <i>Social responsibility</i>: <i>Kigelia</i> has strong social benefits in its production.</li> </ul>
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Source: Andrew Jones, CBI sector expert Natural Ingredients for Cosmetics, Fair Venture

### Tips:

- Determine the chances of substitution for your product. Find out which competing ingredients you should include in your market analysis. Have a look at Table 2, which gives some considerations for product substitution by comparing the competitive advantages of two conditioning extracts. Compare the composition and properties of your extract with those of the competing products. Communicate this information in a clear and attractive way.
- Work out a marketing story for your extract. What sets your extract or your company apart from competitors? Determine which story is the most attractive for your targeted market segment.
- Provide your buyers with high-quality pictures or videos to support your marketing story; for example, pictures of the exotic origin of your extract, results in skin trials, and traditional or local production processes.
- Build up a library of documents that refer to the properties, benefits and claims associated with conditioning extracts or other ingredients with conditioning properties. Refer to publications, press releases, advertisements from competitors and other source material.
- Perform skin or hair trials to demonstrate the effectiveness of your conditioning extract. Conduct specific research into the effects on different parts of the skin or hair that have different conditioning needs; for example, body, face, scalp, lips, eye region. For hair

trials, test the effects on different hair types such as dry, fine, thick, old, dyed. This information may give you an advantage over competitors. Work with a recognised product/ingredient testing service, ideally in Europe. Be aware of the costs involved.

- Based on these trials, provide efficacy data on the use of your extract in specific application areas to differentiate yourself on this market. Ensure that you have thorough efficacy data to back up your specific claim. This information will help buyers to make claims about the final product.
- See our studies of vegetable oils and extracts for more product-specific information and tips: [vegetable oils for conditioning](#), [shea butter](#), [fruit-seed oils](#), [high-omega oils](#), [palm oil alternatives](#), [waxes](#), [marine extracts](#), [antioxidant extracts](#) and [anti-ageing extracts](#).
- Use your promotional campaign to explain the benefits of your extract as compared to substitute products. For instance, focus on its marketing potential to compete with synthetic ingredients or its efficacy to compete with vegetable oils.

## Company competition

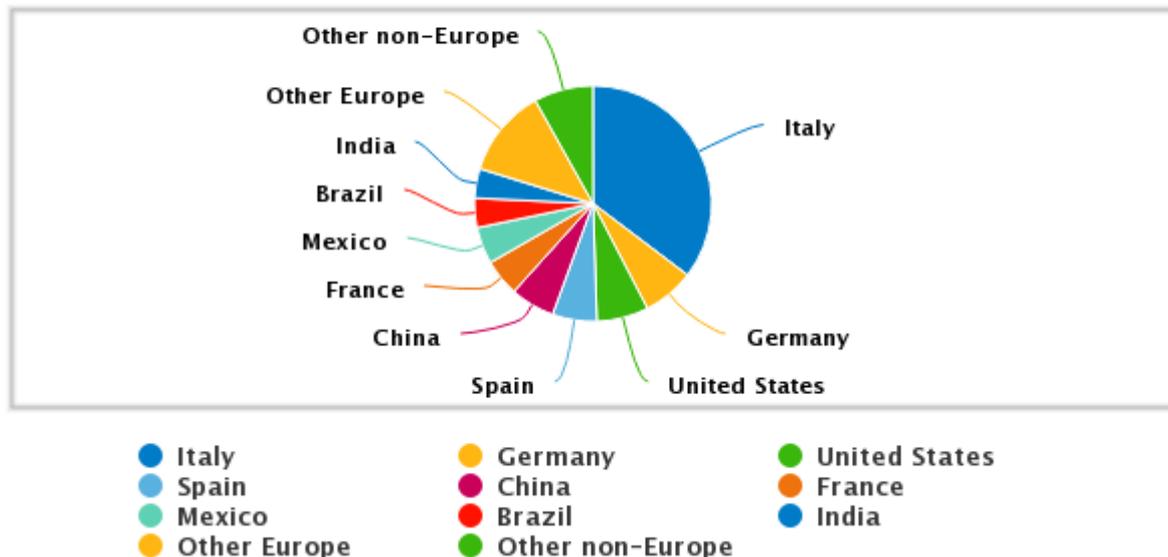
In most cases, other suppliers can deliver the same product as you. To differentiate your conditioning extracts from rivals on the market, you need to find your unique selling point. You can find more information under Product competition above.

Along with finding a unique selling point for your product, you should also build your company reputation to stand out from your rivals. Industry stakeholders indicate that companies increasingly use their reputation to stand out from the competition instead of focusing on the individual products which they produce.

Having a strong company reputation based on trust may make it easier to stand out from the competition and will improve your negotiation position. Buyers are less likely to switch to another supplier if they trust your company. This process also means that if you damage the relationship which you have with your buyers, they will be more susceptible to new suppliers.

Figure 3 gives an overview of leading extract suppliers.

Figure 2: Leading extract suppliers, 2016, in share of total supply



Source: Eurostat, 2017.

European companies are strong competitors for your extracts. In 2016, European countries accounted for 65% of the total extract supplies. European competitors use their technical expertise and close contacts with cosmetics buyers to produce high-quality, innovative and often proprietary extracts that closely match customer expectations.

Developing countries supplied 13,000 tonnes of extracts to the European market in 2016. The main suppliers from developing countries are China, Mexico, Brazil and India. Together, they accounted for 76% of the supply volume from developing countries in 2016. However, in terms of value, China is the leading supplier of extracts to Europe at 15% of the total import value. It is followed by France, Germany and the United States. China can be a strong competitor for you.

Aside from these leading suppliers, many other and smaller suppliers are important for the European market as well. Your opportunities are particularly strong if you produce extracts from plants that do not grow in Europe.

Because extracts are produced in a wide range of growing conditions, supplies of extracts from developing countries are very fragmented. Some cultivated species grow exceptionally well in certain climates, while others only occur in the wild within specific regions. Various extracts benefit from the availability of skilled or cheap labour in specific areas, such as the extraction industry in India which processes a wide range of plant materials from neighbouring countries. Examples of botanical materials used for conditioning include the commonly used aloe vera (from Asia, Africa and South America) and calendula (from temperate regions throughout the world), both of which are cultivated extensively.

### Tips:

- Diversify your product portfolio. This strategy will make you less vulnerable and is important for a competitive market segment such as skin or hair care. You can diversify your portfolio by including extracts that are non-proprietary and/or destined for other sectors.
- Consider both “wet” and “dry” alternatives for extracts. This process is especially interesting if you can reduce transport costs by lowering the water content without affecting the quality of the extract.

- Promptly answer questions and requests from your potential buyers. Be open and honest in your communications. Keep your promises and be transparent about non-compliance.
- Demonstrate that you are a reliable supplier in terms of quality consistency, delivery, packaging, service delivery and supply security.
- Organise your supply chain to differentiate your company on the market. Make sure that your supplies are traceable, sustainable and well documented.
- Be prepared to support statements that you make with documentation. You also need to prove your policies on Corporate Social Responsibility.
- See our [Tips for doing business](#) and our study of [Competition for natural ingredients for cosmetics](#) for additional information.

## 5 . Through which channels can you get conditioning extracts on the European market?

### Which market segments to target?

In order to determine which market segment you should target with your conditioning extracts, you need to answer the following questions.

#### 1.What does your extract do?

You need to determine what the conditioning properties of your extract are. You can use the chemical composition of your extract as a basis for these properties, but you will often need more proof. For many extracts, you can find information on their properties and use. In [CosIng](#), various conditioning extracts are registered with conditioning properties such as:

- soothing
- smoothing
- humectant
- hair conditioning
- skin conditioning

Make sure that you support your product with relevant efficacy and safety data to prove these properties, either from your own research or by referring to publically available data.

#### 2.For which industry segment is your extract useful?

Conditioning extracts are used in a wide range of products, most commonly in skin and hair care segments but sometimes also in decorative cosmetics.

Skin care products that contain conditioning extracts include face cream, body lotions, aftershave cream and sunscreen.

In hair care, conditioning extracts are primarily used in hair conditioners for both rinse-off and leave-in solutions. Other applications in hair care include shampoos, serums and hair masks.

Conditioning extracts only find limited use in toiletries and decorative cosmetics.

#### 3.For which kind of market party is your extract interesting?

Both natural and conventional cosmetic brands are interested in conditioning extracts. For example, the small producer [Dr Jackson's](#) (United Kingdom) and the large brand [Rituals](#) (the Netherlands) both use conditioning extracts. Such extracts are already used in a wide range of products.

If you can ensure stable quantities and qualities, large cosmetic brands offer good opportunities. Conventional cosmetics manufacturers will rarely consider more expensive natural extracts either as humectants or for their smoothing and soothing properties, as there are cheaper and highly effective synthetic alternatives. High-end cosmetics manufacturers may use highly technical extracts that may have a natural origin, but this origin is not used in the product's marketing; for example, triterpenes, which are extracted from *Centella asiatica*.

If you produce a speciality extract, natural cosmetic brands can be a good choice. The natural and organic cosmetics sector is increasingly interested in organic skin and hair conditioning extracts for cosmetics to meet the increasing consumer demand.

#### 4. What is your unique selling point?

Your unique selling point for conditioning extracts can be based on their marketing appeal or their performance. You need to find out how your product stands out from its competition. What makes it different or special? For example:

- Does your extract include compounds that have been proven to have soothing properties?
- Can you offer a highly effective extract, based on efficacy data?
- Do you offer an extract with an interesting marketing story? Does it have an interesting or exotic origin? Is it traditionally used in beauty rituals?

#### Tips:

- Use the [properties of conditioning extracts as registered in CosIng](#) or as listed on websites of European manufacturers of cosmetics products in your promotional materials. Do not use terminology that is not used on the market.
- Collaborate with a local university department or laboratory to determine the composition of your extract for a 100%. You need to include this information in your product documentation.
- See our study of [Doing business](#) in natural ingredients for cosmetics for additional information.
- See our study of [Market channels and segments for natural ingredients for cosmetics](#) for an overview of market channels, segments, trends and developments.

European importers are your most important entry point into the market. They will supply the extract to processors, or directly to cosmetic manufacturers for certain products.

It is very rare for small exporters from developing countries to supply European processors and manufacturers directly. It can be difficult for small exporters to provide sufficient volumes and quality at short delivery times. Moreover, processors and manufacturers commonly do not want to buy ingredients from a high number of suppliers.

Conditioning extracts based on raw materials from developing countries can be produced in:

- source countries;
- countries in the region with a strong processing industry, such as India for south Asia or Mexico for Central America;
- Europe.

Whether you can process raw materials yourself or should work with an extraction company nearby or in Europe depends on:

- the origin of the raw plant materials;

- the shelf life and vulnerability of the raw materials;
- the complexity of the extraction process;
- the processing costs and the identification of the quality requirements for your chosen customer (depending on their position in the value chain);
- the transport costs to export the product to Europe.

In some cases, extracts can be used directly in cosmetics. However, in order to be effective, extracts might undergo further processing such as isolation of active principles or chemical processing. For example, rosemary extracts are processed in Europe to obtain rosmarinic acid, which has soothing properties.

### Tips:

- Do a feasibility study to find out whether you could set up installations to process conditioning extracts yourself. Find out which installations you would need in order to meet your buyer's requirements and determine whether you can earn a return on your investment. Even though these ingredients could fetch a much higher price, the costs and human resource requirements are also far higher.
- Benefit from the experience and knowledge of European importers instead of approaching end-users directly. If you export specialised products such as proprietary conditioning extracts, target European importers who focus on distributing extracts to different cosmetic producers. These importers can be larger, such as [IMCD](#) (the Netherlands), or smaller.
- If you produce certified conditioning extracts, check the websites of buyers to find out whether they work with certified ingredients. Buyers that do not do so are unlikely to pay a premium for your certification.
- Visit and participate in trade fairs to test market receptivity, to obtain market information and to find potential business partners. The most relevant trade fair in Europe for exporters of conditioning extracts is [in-cosmetics](#). Other options include [Beyond Beauty](#) (Paris, France), [SANA](#) (Bologna, Italy) or [Vivaness](#) for organic producers (Nuremberg, Germany).
- Find potential buyers by identifying finished products on the market that already use conditioning extracts. For example, check websites such as [Cosmetics Analysis](#).
- See our studies of [Finding buyers](#) and [Market channels and segments](#) for additional information.

## 6 . What are the end-market prices?

Prices for conditioning extracts depend on:

- properties and efficacy, and proof thereof – an extract with popular or special properties and proven efficacy could sell for a higher price;
- intellectual property – the further you progress in the so-called efficacy chain, the more valuable your product becomes (see Competition);
- raw material prices and processing costs – these costs can increase prices, for example, considering energy inputs, yields, equipment and process management costs;
- exclusivity and novelty vs. availability – popular extracts with a limited availability can sell for a higher price;
- certification – certified extracts could sell for a higher price, as long as you are able to find

customers willing to pay for the certificate.

Quality also impacts the price, but it is a subjective factor. You need to comply with legal requirements as a minimum quality. Beyond that aspect, your buyer will decide how they define “high quality”; for example, in terms of composition or properties for which they are looking. You need to find a buyer who values what you can offer and who is willing to pay more than other importers.

Industry sources identified a price range of € 15 per kg for widely available, mass-produced extracts. Liquorice extract is priced at around € 6.20, whereas the commonly used humectant glycerine (glycerol) is even priced at under € 1 per kg. Specialised extracts can be worth up to hundreds of euros. Such high-priced extracts are used in low levels within final products.

These higher-priced extracts are more commonly used in skin care than in hair care. In skin care, consumers are more willing to pay a high price than in hair care products. However, as the market for premium hair care products is growing, the demand from the hair care industry is also expected to increase.

### Tips:

- For your specific extract, monitor harvests in major production countries to anticipate price developments. You can also ask such information from buyers.
- Calculate your production costs by using a detailed cost breakdown from raw material to market. Do not forget additional costs such as certification, marketing and chemical analysis. After the cost breakdown, add a profit margin to create your selling price.
- If you compare the price of your extract with competing products, also take account of the recommended dosage in cosmetics formulations. Different ingredients must or may be used in different quantities to be effective. The price per kilogram needs to be adjusted for this ratio.
- Determine whether you can improve your price competitiveness by increasing production and extraction yields. You can also reduce your energy inputs, which can be an important sales argument to buyers who focus on sustainability.

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