

How to respond to COVID-19 in the natural ingredients for cosmetics sector

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The global outbreak of the COVID-19 virus is having a major impact on international trade, travel and communication. Like in many other sectors, companies trading in natural ingredients for cosmetics may face some challenges. At the same time, there may also be new opportunities. This study provides you with a step-by-step plan. It includes the immediate actions you should take and actions that prepare you for doing business after the crisis.

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Effect on the sector

At the time of writing this report, most of the world has been living with COVID-19 for at least 4 months. Everyone has been affected by the measures implemented by the public health authorities to control the pandemic.

Many of the companies operating in the cosmetic ingredients sector have been able to continue to operate. Some even report that business has never been better. However, for others, it has been more difficult, with orders coming to a halt, staff costs to pay, raw materials to buy and cash running out. Of course, some companies have been directly affected, with staff becoming ill due to coronavirus.

In general, the cosmetics and personal care industry has been very important in maximising the production of products that help to reduce the spread of COVID-19. This is especially the case for hand sanitisers, handwashes and soaps. These products require ingredients that are supplied by cosmetic ingredient manufacturers in developing countries.

It may seem late to be issuing this advice now. But it comes in two parts: actions for the immediate situation and actions to take now for the future. Maybe you are already implementing all of these recommendations, and maybe some of them will trigger actions. The aim is to recommend and not prescribe. This report takes a careful

approach to dealing with COVID-19, putting health first to ensure a thriving economy.

What actions should you take in the short-term to ensure survival and deal with the immediate effects that COVID-19 has on the cosmetic ingredients sector?

1. Be a good leader

Many of you reading this study will be company owners or senior managers. This crisis means you have to rise to another level as a leader in your company and in your community. This is needed to reduce the spread of the virus, and balance the social responsibilities with your corporate responsibilities.

Leadership means great communication. Communicate calmly when there is concern, worry and maybe even panic. Communicate clearly and make clear decisions that are understood. Communicate on time and voice both what you know and what you do not know. At this time there are many uncertainties. Living with those uncertainties and still doing things that move the enterprise forward is very important if you want to make it through this crisis. Take time to plan and get your thoughts in order.

Tips:

Remind yourself of your goals, and why you are in business.

Do a mini [SWOT-analysis](#) of your business. Stay focused on the present and plan for the future.

Do an [Urgent/Important matrix](#). Sort/filter all of your activities into the 4 quadrants.

Set up weekly crisis meetings with management and staff.

Be extremely detail-focused.

Make sure you know how COVID-19 is affecting every one of your staff members.

Be responsible for your health and the health of others.

Maintain business ethics and professional conduct.

2. Communicate with customers

During a crisis, one of the most important aspects of running your business is communication and customer service. You need to maintain or develop a high level of this with your customers. Of course, you want to ensure that they will continue to pay you for the delivered orders. Still, they will appreciate knowing the honest state of your business and your ability to supply current orders and future orders. This is especially the case if your supply is disrupted, for example, because of lower raw material availability or lower production outputs, new shift patterns or logistical restrictions.

The feedback from your customers will be critical to how you manage your business and your cashflow. It will not give you all the answers, but it is an important component. Some of your customers might request longer payment terms when you speak to them. It is important to fully understand their reasons.

The reality is that there was a contract, but the circumstances have changed unexpectedly. When replying to a customer's questions about payment terms, there are many things that you need to take into account. Some things will be more relevant than others. These include the size of the order, how long the payment delay requested is, the impact on your cash flow, and the type of product, for example, niche, exclusive, commodity,

and so on.

While the relationship with a customer could be seen as a variable, it is not included here. Regardless of the relationship, there is a contract.

Tips:

Phone or write to all your customers with an update on your business and your product availability. Request an update on their business too.

If needed, set up a call with selected customers.

Discuss the status of all open orders.

Discuss the possibility of new orders with due dates.

Be prepared for questions about new payment terms.

3. Manage financial and human resources

On a positive note, for some businesses in the cosmetic ingredient sector, the COVID-19 crisis has not led to a big reduction in orders. In fact, some are as busy as ever. Many companies are finding that their cosmetic ingredients are still in demand. Of course, those companies supplying soap and anti-bacterial ingredients are seeing the demand increase significantly, as members of the public are advised to wash their hands more regularly.

Also, cosmetic products are well-known to be recession-proof. Most consumers continue to use their regular personal care products during the COVID-19 crisis. Still, each company will have its own particular circumstances. Some companies will have enough financial resources to cope with a short-term reduction in demand. But others will have fewer financial resources. This means that the impact of even a short-term negative cashflow may cause significant problems for the business.

You must look at every business expense to check where you can reduce costs. Companies that already have good systems in place to manage their costs will find this easier to do than companies that do not. In most businesses, staff costs are one of the biggest expenses. Yet, you must avoid the automatic reaction to reduce the number of staff.

It may be necessary to change shift patterns, to save money and follow government COVID-19 restrictions that apply to the workplace. Most governments have issued guidance to the commercial sector on how to organise the workplace. This way, companies can continue working with social distancing in place.

Another big cashflow problem for companies in the natural ingredients sector is that farmers and producers are typically paid immediately. Also, some of the ingredients come from leading suppliers and are not available from other sources quickly or easily. At the same time, you may not be paid for 30 or 60 days after the goods have been shipped. This could mean you are waiting many weeks to be paid since the goods were first bought from the farmer.

One positive outcome of COVID-19 is that some of the cost reduction measures introduced during the crisis may become permanent. This will lead to an overall improvement in business.

Tips:

Have an updated detailed cashflow for the business. Make sure you are well-informed.

Look at the impact of paying farmers in cash.

Talk to your suppliers. They may be open to negotiation on their payment terms and could agree to an extension.

Review the impact of any payments still owed. Contact your customers and request earlier payment.

Review the open order deadlines and immediate cash requirements to deliver those orders.

Look at the forecasted orders and what they mean for costs and cash requirements.

4. Communicate with staff

Your staff will be concerned about their families and friends, as well as their jobs. Communicate with them and be honest. They will want to know, for example, how you are going to manage shift patterns and how many staff will be temporarily laid off or even made redundant. They will especially want to know about their wages/salaries. Your staff will also want to know if, how and when you will be using government financial support.

Besides the regular operational activities of the company, you will have to work out how to set up the factory and office so that staff can work safely. Your set up needs to follow all government requirements. You will need to create a team for this. What are the shift patterns going to be? How many staff can be in the building at any one time? What are the Personal Protective Equipment (PPE) requirements? What are the expected production outputs with the new shift patterns? Who will be working from home? What do they need to work from home?

Tips:

Have regular staff meetings - handle their concerns with compassion.

Make regular announcements on any changes to work patterns.

Review the short-term operation plans - purchases, processing and sales and logistics.

Get updated government advice on financial support packages.

Get updated government advice on how to work safely during COVID-19.

Make sure that you are fully informed and know how to apply government support to your business.

5. Communicate with suppliers

You may be buying raw materials that you process into cosmetic ingredients yourself. Or, you may buy partly processed ingredients which you then refine or otherwise process to add value before you export them. Whatever the type of supply chain, you need to be in communication with your suppliers.

You may be experiencing an increase in demand for a particular ingredient, or maybe a few ingredients are

exclusively supplied, and you need to secure your future supply. Maybe you have no demand for a particular ingredient right now. Whatever the circumstances, and whatever actions you decide to take with your suppliers, speed and clarity of communication are critical. Keeping in contact with them is simply good business practice. You are one of their main stakeholders, and your success is related to their success.

In the natural ingredients sector, many suppliers of raw materials are people from poorer communities. Their sales to you may represent a significant income to them. This is where the balancing of social responsibilities and corporate responsibilities comes in. Each case will be different, so the guidelines we provide here are:

- Communicate with your suppliers.
- Do not make assumptions about their situation.
- Keep an open mind about what is possible.
- Be clear about your values and the benefits of the relationship with your suppliers.

Your suppliers also include your logistical service providers and the testing laboratories. Find out how they are operating and what you need from them, and work out how to make it happen. Use the outputs from these communications as inputs for your communications with your customers.

Tips:

Contact all your suppliers to find out how they are doing. Discuss the progress of open orders and update them on your plans for future business.

Be prepared for questions about availability problems, payment terms, and new orders.

Contact all your service providers to find out how they are doing. Discuss the progress of open orders and update them on your plans for future business with them.

Be prepared for questions about availability problems, payment terms and new orders.

6. Stay informed on the local and global situation

Staying informed on the latest information about COVID-19 is important, not only the situation in your own country but also internationally. Make sure that you updated all the latest COVID-19 measures in your own country. This includes the requirements for social distancing in your own workplace and the workplaces of your suppliers. Also, stay informed on opportunities for financial support from the government.

If you are a member of a sector association, like a Chamber of Commerce or a sector-specific association, then make sure that you are checking their information. Your sector association should be able to support you with updated information on COVID-19. It will also know about government support packages. If you are not already a member of a sector association, now is a good time to join one. There may also be many initiatives available to support your company and the other members.

Everyone is affected by this disease in some way. By staying in contact with your staff, your suppliers or your customers, you show that you are interested in them. Ask them directly about their situation, their families, their businesses and their country or area.

As well as staying updated on the COVID-19 situation, you should take an interest in what is happening to develop a vaccine or other medical treatment. It is important to be realistic about the time it may take to develop an approved medical treatment. Until medical treatment is available, there are physical measures that can be taken to successfully reduce or eliminate the risk of becoming infected. Staying informed also gives you

the opportunity to respond to rumours and misleading information about COVID-19.

In the natural ingredients for cosmetics sector, there are some ingredients that are reportedly useful for treating or improving symptoms. This is due to their natural anti-bacterial or anti-viral properties. Still, European legislation only permits cosmetics claims for cosmetic products and ingredients. Cosmetic claims should emphasise the cosmetic use of the product. This can be cleansing, moisturising, perfumery and keeping the skin in good condition.

If your product is cosmetic, you are not allowed to make any medicinal or biocidal claims. Even if the cosmetic product contains a concentration at which the medical or biocidal property is proven. The [Cosmetic, Toiletry and Perfumery Association \(CTPA\)](#) reminds companies that the Medicines Healthcare products Regulatory Agency's (MHRA) stated position is that [any hand wash or hand cleansing products making claims to kill named or specific pathogens are medicines](#).

Tips:

Contact your sector associations for information about support packages and events related to COVID-19.

Join a sector association if you are not already a member.

Be active in your community of enterprises.

Get the facts about the COVID-19 situation in other countries and areas.

Do not use medical claims for your cosmetic ingredients when targeting European countries. Check the legislation in your country and other countries. For more information, see the European Commission's [guidance on the applicable legislation for leave-on hand cleaners and hand disinfectants](#).

What actions should you take next to prepare for successfully doing business after the COVID-19 crisis is over?

The COVID-19 crisis requires you to take many urgent and important actions to deal with the short-term problems and challenges faced by your entire supply chain. Still, COVID-19 also provides opportunities to take another look at your business. It is important to use this time to look into new customers, new product development and other projects that were not prioritised before. At the same time, the actions you take need to reduce the company's exposure to (financial) risk.

7. Identify new customers for the same products

During the COVID-19 crisis, you need to offer an extraordinary level of customer service to your current customers. You have worked hard to develop these relationships, and you must ensure that they continue during and after this crisis. Ensuring that your customers receive their orders on time and in full is essential. If this is not possible, you need to provide an excellent level of customer service to keep the customer fully informed.

As well as maintaining your sales to existing customers, it is important to continue to research and find new customers. If you are operating under your production/sales capacity, this is a necessity. When you find new customers, you need to approach them with your offer. If you have low/no extra capacity, it is still important to keep tracking the market opportunities and find new customers. However, it may not be appropriate to contact them at this stage.

When contacting a new or potential customer, honestly state the available quantities. Your export customers could be importers on the front line; this is the classical importer/distributor. Or they could be or importers behind the front line, which includes not only importers/distributors but also importer/manufacturers. Successfully targeting importers/manufacturers behind the front line depends mainly on whether you meet their requirements.

Sales and marketing teams can usually work from home to meet their work objectives. Researching and finding new customers also fits well within the home working requirements.

Tips:

Review the websites of trade fairs to find exhibitors who may be possible customers.

Develop and manage a research plan. This should describe the objectives, activities, time inputs and budget for researching and finding new customers.

Confirm the existing production capacity for each product. What is required to increase capacity?

Decide when it is appropriate to contact new companies.

Do not make promises that you cannot keep.

For more information, see our study on [finding buyers](#).

8. Consider new product development for existing and new customers

Some of the staff that work in research and product development (R&D) become under-used during the COVID-19 crisis, as the focus is on selling and procurement. This gives you the opportunity to continue R&D work. Still, there may be some limitations when working in outsourced laboratory facilities. You may have difficulty contacting suppliers of raw materials or buying equipment to produce new ingredients.

In a supply-led approach to new product development, a company sells products that are available in the local area when other raw materials are not available. The three basic product types used by the cosmetics industry are vegetable oils, essential oils and other plant extracts. Suppliers are usually in one of these three segments. So, suppliers of vegetable oils should look for other oilseeds they can process in their existing equipment. Suppliers of essential oils should look for other plants they can process.

Your existing customers are also potentially a great source of information. Taking a demand-led approach, contact them to ask what other products they are interested in. This sends out a positive signal to the customer. They then know that you are interested in supplying other products.

Your customers may not only be interested in new products. They may also be interested in products with new or different certification. Products that are certified as organic or fair trade, for example, are also new products.

Tips:

Investigate what other products are available within your area that you can supply to the cosmetic industry.

Ask your existing customers what new products they are looking for.

Be aware that new products can include new certification.

9. Get ready for the virtual world

One of the outcomes of the COVID-19 crisis is that we are all going to be used to working remotely and using more digital technology. Everyone is becoming familiar with video conferencing solutions, for example. However, there is much more technology available.

Digital technology has the potential to make business processes more efficient and effective. You should look into digital tools for Customer Relationship Management (CRM), procurement, production, inventory and sales management.

There are well-known brands on the market offering these products. Also, there are hundreds of apps that you can manage directly from your smartphone. Most of these have a small subscription fee. You can also integrate these tools with your suppliers. Besides existing apps, there are many people qualified to develop custom apps for you.

Look at how you are using digital technology now. This will help you identify gaps and opportunities to incorporate more digital technology in your company. This does not necessarily mean that you have to buy it now. However, when the crisis is over, you will have already done the research.

Tips:

Research smartphone inventory and sales apps, such as [Sortly](#), [Inventory Now](#) and [On Shelf](#).

Look at digital technology for CRM and processes from procurement through to sales.

10. Enhance your Corporate Social Responsibility profile

Having a strong Corporate Social Responsibility (CSR) profile is very important for the cosmetics sector. You should have a full set of policies and procedures for the internal organisation of your company. You can then develop the relationship that you have with your stakeholders, especially your suppliers and their communities. Spend some time during the COVID-19 crisis to enhance your CSR profile. This will boost your opportunities when communicating with new and existing customers.

Many companies think that CSR is about setting up projects with suppliers and communities. That can be part of your overall CSR profile and can add value to your offer. However, the basic CSR profile looks at your internal organisation. This profile is the first thing that your customer or potential customer needs to understand. With it, they can assess whether you meet their supplier requirements.

You can use [Sedex](#) to create your CSR profile. This is a self-certification system for CSR. It is commonly used by many sectors, including the cosmetics industry. Each company has to pay a subscription fee to access the database. Once you have created your profile at the Supplier level, you can choose to provide your reference to members at the Buyer level so they can see your profile. You can also have a third-party audit, called a SMETA, carried out by a Sedex authorised auditor. Once registered with Sedex, you can also use their logo on your website.

You can build up your CSR profile by setting objectives, milestones and targets for your CSR activities. Use your company mission and vision to identify what areas of CSR your company is most passionate about. Involve your staff when you set the targets and a budget to achieve those targets.

Tips:

Consider self-certification to build up your CSR profile using Sedex.

Go beyond your profile and establish objectives and measurables for your CSR activities.

Remember to measure the baseline from which you will track your progress.

11. Provide staff training and development

When there is downtime during the COVID-19 crisis, you have an opportunity to carry out staff training and development. This can be either in person in the office and/or with staff who are working from home. In the office, you need to follow government regulations on workplace social distancing.

Besides the learning opportunity, such group events keep the team in contact with each other and help to maintain team spirit. Training and development also have a future focus. They let staff know that when the crisis is over, the company is going to be highly trained, motivated and ready to get back to business as quickly as possible.

Training does not have to involve all staff at all times. For example, the staff from each department can be trained in topics that relate to their specific division or department. The Human Resources (HR) department and Heads of Departments should work together to identify areas. This should also be discussed with all staff. They can then put forward their own proposals for areas to develop their skills.

After the identification of the training and development needs, the HR department can develop a draft training proposal and present it to senior management.

Tips:

Provide staff training and development to keep them motivated and focussed on the future.

Train staff in how to organise, prepare and deliver webinars and video conferences.

Identify training and development needs at all levels by talking to your staff with your HR department.

Ensure that all staff have a training and development plan.

This study was carried out on behalf of CBI by [Andrew Jones from Fair Venture Consulting Limited](#).

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