Strategic Segmentation of the Global Value Chain of Essential Oils and Natural Extracts

Draft Final Report

June 11th, 2018
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# Table of contents

1. Executive Summary ................................................................. 1

2. Industry Analysis: Main markets and relevant global trends .......... 4
   Market of dry herbs, spices, cosmetics products and essential oils. ........... 5
   Relevant global trends........................................................................ 7
   Strategic Segmentation......................................................................... 11
   Advanced Buyers Purchase Criteria (BPCs) and benchmarking interviews .......... 13
   Generic strategic options, Key Success Factors, value chain and areas or improvement ................................................................. 14

3. Strategic Segmentation .................................................................... 16
   Food Industry..................................................................................... 16
   Wellness............................................................................................ 26

4. Ranking or Potential segments ......................................................... 33

5. International Benchmarking ............................................................. 35
   Hypothesis of the benchmarking interviews ........................................ 35
   Best practice references .................................................................. 35
   Identification of the advanced Buyer Purchase Criteria (BPCs) ............... 50

6. How to compete in that strategic segment? ..................................... 52
   Ideal Value Chain............................................................................. 52
   Generic strategic options..................................................................... 55
   Key Success Factors (KSFs): .............................................................. 57

7. Areas of Improvement ..................................................................... 59
   Current Value Chain in Tunisia ........................................................ 59
   Identification of Areas of Improvement ................................................ 61
8. Recommendations for next steps .........................................................66
9. List of sources and bibliography .........................................................68
Annex 1: Extracts from Alquimia spa menu of experiences .....................70
Annex 2: Range of beauty product for Summer – Kreyòl Essence - Haiti74
Annex 3: Methods of essential oils extraction .........................................77

Introduction ...............................................................................................77
Production of Essential Oils .........................................................................77
Examples of extraction methods.................................................................77
1. Executive Summary

The project undertaken the last 2 months aims to find and show a strategic path for the Tunisian North West production of essential oils, looking for a better positioning. COMPETITIVENESS has an extensive experience world wide in providing this type of strategic analysis using its own methodology, based on the strategic concepts developed by Harvard University Professor Michael Porter like the 5 Forces of the Industry, the Value Chain or the Strategic Business Segments.

The project started with the identification of the main uses of the plants shortlisted in the Terms of Reference: rosemary, myrtle, thyme, lentisque, eucalyptus and cedar. When looking at the similarities, the uses they have in common are food and wellness applications including cosmetics and medicinal uses of the herbs. Therefore, the strategic segmentation has been done according to these uses.

In order to start with the strategic segmentation it is required to first analyze the main markets and global industry trends. It is relevant to mention that in recent years, a new type of consumer has emerged: the Global Socially-Conscious Consumer. This new consumer is conscious about the health and wants to buy wellness and natural products, conscious about the flavor and indulgence experiences in general, conscious about the environment and interested in the origin of products. Considering that, the identification of strategic segments was done for the food industry (herbs and spices) and the wellness (cosmetics), as well as the analysis of attractiveness. The segments in which the herb producers in Tunisia currently compete are “Feed dry: oriented to consumers which motivation is only to be fed and the products have long shelf life”, and “chemical wellness + product: the cosmetics that are made from chemical ingredients”. In both cases the attractiveness of the segment is low. In the case of “Feed dry” low attractiveness is due to the low barriers of entry and high rivalry coming from lower cost production countries. The margin is taken either by the highly concentrated suppliers (seeds, fertilizers, etc.) or by the buyers (the large spice producers and the distribution market).

For the “Chemical wellness + product” the low attractiveness comes from the rivalry that is based in cost and volume, leaving no room for any other differentiation and making possible that low-cost countries like China and India are increasingly growing as suppliers. With this tight rivalry the margin left is low and mostly captured by large cosmetics companies that are big players who control the market.

However, two other segments with higher attractiveness were identified that could be better for the Tunisian producers. In the case of food this is the “Fresh/pleasure segment: consumers looking for a treat and interested in high quality fresh herbs with a short shelf life”. In this segment the switching costs to a new supplier are higher for the buyer compared to the dry segment, due to the cold supply chain needed to guarantee the constant
supply of freshness and quality to retail markets (less amounts and more often). Alongside, there is less rivalry as seasonality and distance reduces the number of competitors in the market. It is clearly a better business for the Tunisian suppliers of fresh herbs who could sell fresh in nearby countries and/or through the Netherlands (European hub for fresh agro products).

In the case of wellness products, there is the segment of “Wellness natural products + service (spa)”, where products are made from natural ingredients without chemicals, and sold directly to spas, wellness, yoga and aromatherapy centers, in which the attractiveness is also high. Switching cost for those centers to a new supplier of essential oils or natural cosmetics is higher; because they believe in the impact the quality of ingredients has in the overall experience, often using the story of origin behind the natural products to differentiate from the rest. This segment has clearly a potential in Tunisia also because of the increasing demand of tourism of thalassotherapy hotels that could be linked to.

After having presented the analysis of all the segments mentioned above on the first intermediate report, the FHI 360 team decided to keep working on the segment of “Wellness natural products + service (SPAs)”. Therefore, the project has moved forward focusing only on the analysis of the chosen segment.

The 2nd part of the analysis started by identifying the benchmarking interviews to be done. Since neither the ACEA nor the FHI 360 team could join the benchmarking trip, they approved to do the interviews through Skype instead of a trip for in person interviews. The budget of the trip was used to do more interviews to cover other buyers and interesting companies. The interviews were useful to identify the advanced buyer purchase criteria of this segment as well as the ideal value chain and the key success factors. It is important to highlight that the main difference between the ideal value chain and the current one, is that the products are formulated thinking holistically in their use through the final experience. This can go from a sensorial application like aromatherapy or mix of creams and oils to do a massage. Thus, it has to be formulated with the input and knowledge from the therapist who is in direct contact with the final consumer. This is a total change from the current situation where the producer formulates the product and sells it to the market with a push model. Also, in order to formulate the products, traditional uses of herbs for medicinal purposes must be recovered focusing on native plants and herbs.

A key strategy in this segment is to have ownership over the formulation process; this is not to say to make the products but to have the plant knowledge that allows creating the products for specific results and experiences. As learnt from the benchmarking interviews, even the smallest companies, they have this is common. They might subcontract the production but they own the formulation process. Other key success factors that the Tunisian producers must consider are of course the natural and organic process of production, from planting (if the plant is not wild), harvesting to the final packaging, and its
traceability to have evidence on that. It is also very important to explain the history of the producer and the origins of the plants, so all has to be adapted to explain the truth. Finally it becomes crucial to train the therapists of the spas in the use of the products, because they are the prescribers who will help the consumer in choosing the mix that he/she will be experiencing.

Finally, the findings in the research say that the companies competing in this strategic segment started being local with a reduced range of products (for example just essential oils) to increase it later on. Since the business requires not only selling the product but also adding some services to the spas and aromatherapy centers, such as trainings, the companies start doing this locally. Once they have the local experience, then they move to increase the range of products by acquiring the needed skills to formulate creams, peels, scrubs, masks, etc. to use them in the spas. Finally, they start selling to spas from other countries, but always providing the service in each country instead of just exporting the products. This sequence is important because at each step the company needs to have the knowledge and have completed the learning experience to move to the next one, and these are transitions that probably need years to happen.

Finally, the document ends with some recommendations of the next steps and the areas of improvement that will allow continuing the work by defining the action plan to be done to make the change. It is all about how the North West Tunisian essential oil producers could take advantage of the country’s privileged position as a leading tourism destination in thalassotherapy treatments. The mix of thalassotherapy and use of local healing herbs could work to sell a unique concept in the world and explain the story and its origins. This is similar to the natural cosmetics producers in Iceland that are able to promote their products and sell experiences thanks to the increasing amount of tourist that visit the country every year interested in the wild, natural and wellness aspect of the country.
2. Industry Analysis: Main markets and relevant global trends

According to the Terms of Reference of this project, the short list of plants considered in the analysis is: rosemary, myrtle, thyme, lentisque, eucalyptus and cedar. In the following table, we can see the main uses of these herbs, however it is not limited to.

Table 1 - Main uses of the herbs analyzed

<table>
<thead>
<tr>
<th>Product</th>
<th>Description</th>
<th>Dry use</th>
<th>Fresh use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rosemary</td>
<td>Perennial herb and, the leaves, twigs, and flowering apices are extracted for use.</td>
<td>Spices, culinary condiment( butter oils…), nutraceutical, herbalism and essential oil.</td>
<td>Spices</td>
</tr>
<tr>
<td>Thyme</td>
<td>Perennial herb and, the leaves, twigs, and flowering apices are extracted for use.</td>
<td>Spices, culinary condiment( butter oils…) nutraceutical, herbalism and essential oil.</td>
<td>Spices</td>
</tr>
<tr>
<td>Myrtle</td>
<td>Tree of the same family as tea tree and eucalyptus with aromatic flowers and leaves.</td>
<td>Spices (not very common, only used in regions of origin), essential oil, cosmetics (ex.soaps), nutraceutical, herbalism.</td>
<td>Floral Supplies</td>
</tr>
<tr>
<td>Eucalyptus</td>
<td>Tree in the myrtle family, originally from Australia.</td>
<td>Culinary condiment, Essential oil, wood, nutraceutical and herbalism.</td>
<td>Floral Supplies</td>
</tr>
<tr>
<td>Cedar</td>
<td>Indigenous to the Lebanese mountains, the southwest of Turkey, Cyprus, the Atlas Mountains, and the Himalayas, the cedar tree is also found in Asia, Africa, and the Americas. Cedar oil is the essential oil extracted from the leaves and wood.</td>
<td>Essential oil, culinary condiment (dry cedar leaf tea), aromatherapy (incense), wood, nutraceutical and herbalism.</td>
<td>NA</td>
</tr>
<tr>
<td>Lentisque</td>
<td>Pistacia lentiscus is a shrub or tree, with a strong smell of resin, growing in dry and rocky areas in Mediterranean Europe. The part used are the leaves.</td>
<td>Essential oil, resin (in natural perfumery, mastic absolute lentisque is used in, incense perfumes, amber bases, and floral notes), wood, herbalism.</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source: Made by author

When looking at the similarities, the uses they have in common are food and wellness applications, including cosmetics and medicinal uses of the herbs.
Market of dry herbs, spices, cosmetics products and essential oils.

As it can be seen in the figures below, India has clearly been the top producer of spices over the last 5 years and also the top exporter in 2016 together with China. Imports are mostly distributed between the US and Europe, as well as some part in Asia.

**Figure 1 - Top 10 countries producing spices 2011-2016**

![Figure 1 - Top 10 countries producing spices 2011-2016](http://www.fao.org/faostat/en/#data/QC/visualize)

**Figure 2 - Exports and imports countries share in 2016**

![Figure 2 - Exports and imports countries share in 2016](https://atlas.media.mit.edu/en/profile/hs92/0910/)

When looking at the cosmetics products markets, as shown in the figure below, global cosmetics market has had a positive growth in the last 10 years.
Final Report - Strategic Segmentation of the GVC of Essential Oils and Natural Extracts

Figure 3 - Annual growth of the global cosmetics market from 2004 to 2017

![Annual growth of the global cosmetics market from 2004 to 2017](https://www.statista.com/statistics/297070/growth-rate-of-the-global-cosmetics-market/)


Regarding exports and imports, in 2016, France and the United States were the leading exporters, and China and the United States led in imports.

Figure 4 - Country share of exports and imports of the beauty products in 2016

![Country share of exports and imports of the beauty products in 2016](https://atlas.media.mit.edu/en/profile/hs92/3304/)


When looking at data of essential oils, India and the United States were the largest exporters followed closely by China in 2016. On the other hand, the imports in 2016 were clearly led by France and Brazil and the United States. France and United States may use the essential oils as ingredients to elaborate their cosmetics products, since as shown before both countries are leading exporters.
Relevant global trends

In recent years, a new type of consumer has emerged: the Global Socially-Conscious Consumer. This phenomenon has seen an accelerated growth shaping the purchasing criteria of a vast group of people worldwide.

According to Nielsen the Global, Socially-Conscious Consumer is a young person (63% under the age of 40%), green (66% think companies should support the environment) and is willing to pay more money for socially responsible products and services. The Global, Socially-Conscious Consumer is changing the industry due to the different ways of consuming:
- Health and wellbeing: This consumer is conscious on his/her health and well-being, always looking for natural products with a focus on maximizing the nutrition: “Good for you”.
- Convenience: This consumer is conscious on his/her lack of time and since he/she works doesn’t have enough time to cook. Therefore he/she is looking for easy to cook and ready to eat products that preserve nutritional, health and tasting qualities. It doesn’t mean the consumer is not interested in cooking, but as more like a hobby or an enjoying experience.
- Taste and variety: this consumer is also conscious on the taste and flavors, so looking for culinary experiences, and buying “Premium” products, as a moment of indulgence and pleasure.
- Environmentally conscious: this consumer is always looking for green products that are good for the environment and ethical companies.
- Socially conscious: this consumer is willing to pay more for socially responsible products and interested in the origin of the products and the history of who contribute in producing them.

Figure 7 - Different definitions of the socially conscious consumer

Source: https://www.personadesign.ie/social-responsibility-how-to-build-a-socially-conscious-brand/

The Global, Socially-Conscious Consumer wants to buy products and services that are good for them as individuals as well as for the planet. His/her way of understanding the companies is not to maximize the benefit but to maximize the prosperity of the community where the company works. So this consumer is not interested in the best products or companies in the world but in the best products or companies for the world.

Even if the explanation given about this type of consumer is based in research about ongoing trends, the objective is to try and find information for the strategic segmentation

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1 https://www.personadesign.ie/social-responsibility-how-to-build-a-socially-conscious-brand/
and identify new businesses in this industry. This process is not easy because sometimes the new segments identified may not exist yet, but the trends show it is emerging. In fact, in this case there are already some examples or companies who are selling their products to this type of consumer:

**Everlane:**

[https://www.everlane.com/](https://www.everlane.com/)

It is a company from San Francisco that sells apparel products. They produce their clothes in what they call ethical factories from around the world, giving a compliance audit to evaluate factors like fair wages and working hours, and environment. They share these stories with the clients and they share the true cost of every product they make. Their base line is “Radical Transparency”. See an example of the cost of a T-shirt:

![T-shirt cost diagram](image)

**Sustainable harvest:**

[https://www.sustainableharvest.com/](https://www.sustainableharvest.com/)
Sustainable harvest is an innovative coffee business in the heart of Portland, a leading city in the specialty coffee market. Sustainable Harvest connects coffee buyers to coffee growers to negotiate price directly, discuss quality expectations, and create shared understanding. They use the Relationship Coffee Model, transforming a traditionally linear supply chain into an engine for transparency and collaboration allowing the direct of trade of coffee from farm to roaster. Having offices in four coffee-producing countries enables the company to easily trace lots back to the producers who grew them, empowering coffee producers that invest in quality single origin coffee rather than quantity.

Conceptual Tools

The Methodology for the Strategic analysis used by the COMPETITIVENESS team in charge of this project, is based on the concepts developed by Harvard University Professor Michael E. Porter in his books “Competitive Strategy” (1980), “Competitive Advantage” (1985), “The competitive Advantage of Nations” (1990) and “On Competition” (1998). The developed conceptual tools as the 5 forces of the Industry, the Value Chain or Strategic business segments are models commonly used in COMPETITIVENESS projects. The figure below represents the conceptual tools used in the following sections.

Figure 8 - Conceptual tools for the analysis

Source: COMPETITIVENESS Methodology
The analysis started looking into the industry trends at a global level including the macro and consumer trends, in order to understand the sector where the companies will be competing. In this part the results were industry trends, how they are evolving and if there have been any changes that could have a structural impact.

After that, the identification of strategic segments was done, looking for sector portions that behave in a similar manner from a business point of view. Thus, different businesses within the industry were identified as well as if they were attractive, the growth, the barriers and power relationships. These results show if the companies in the North-western cluster in Tunisia were at the right business or had to change into another one, better suited for them. This part will end by identifying the advanced buyer purchase criteria of the ideal strategic segment (the segment selected by the FHI360 team as the most attractive for the beneficiaries of the North West area of Tunisia). Further information can be found in the following sections of this report.

After that, the analysis continued to find the strategic option, which is the strategy that a company follows to beat its competitors. That was the moment to identify what the critical success factors to compete were and how the local value chain needed to improve to get there.

**Strategic Segmentation**

Once the main data of the industries related to the herbs and plans applications had been reviewed, the next step was to identify the different strategic segments that existed.

A strategic segment is a function of both the product and the user or market group that the product serves. The strategic segments are distinct from one another because the relative strength of the “Five Forces that shape the competitive strategy”\(^2\) and are different in each case. Therefore the value chain required to support each one is also different. The strategic segmentation is not country-specific but rather provides a global overview of the segments that exist within one industry.

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Once the different strategic segments are identified, Michael Porter’s ‘Five Forces’ analytical tool is used to assess industry attractiveness by determining the profitability of an industry or sector (strategic segment). By assessing the relative bargaining power of buyers and suppliers, the intensity of competitive rivalry, the threat of new entrants and the threat of substitutes, the tool provides an insight into which actors appropriate the bulk of the available profits in the value chain.

**Figure 9 - Five Forces of Michael Porter to assess the attractiveness of a strategic segment**
Figure 10 - 3 Forces of the vertical axis: Is there margin in this business?

The vertical axis of the Five Forces analysis formed by 3 forces is used to determine if there is margin at that particular business. By the combination of understanding how the thread of new entrants (barriers of entry) are, as well as the rivalry and the thread of substitute products, the result will explain if there is margin or not at the strategic segment that is being analyzed.

Figure 11 - 2 Forces of the horizontal axis: Who is mostly capturing the margin in this business?

The horizontal axis is used to know which player of the value chain in that particular strategic segment is mostly capturing the margin. In order to apply it right, it is important to locate the beneficiaries of the project in the center of the 2 forces. In this case, the beneficiaries are the producers of essential oils. Having in mind this is important in order to identify who their suppliers and buyers are, and which is the bargaining power of them compared to the beneficiaries. The result of this analysis will determine who is in the value chain capturing most part of the margin.

Advanced Buyers Purchase Criteria (BPCs) and benchmarking interviews

This part of the analysis starts by establishing the hypothesis to be contrasted during the benchmarking interviews, and that in fact, the analysis done so far brought to identify value chain gaps and business environment deficiencies.

Once the strategic segment is chosen, different interviews with advanced buyers and other relevant industry experts have been set up to understand their purchase criteria. This is key to carry out a thorough gap analysis, identifying what upgrades are necessary in the current value chain in Tunisia to move into a more attractive strategic segment. The advanced buyers must not be confused with potential buyers; they are not interviews for commercial purposes but only as a research in order to analyze what they require. The advanced buyers are the ones who already buy at that particular strategic segment, in which Tunisia is not yet there.
The benchmarking interviews will also be done to other agents of the new segment value chain, to understand all the rest of activities as the way of harvesting, distillation process, logistics, etc. They are useful not only to complete a more solid analysis but also to obtain key first-hand inputs.

**Generic strategic options, Key Success Factors, value chain and areas or improvement**

After the analysis done at the level of the strategic segment, the generic strategic options need to be identified to know the strategy that a company follows to beat its competitors. As it can be seen in the figure below, the options are: Product or Multi-Product (if the strategy is only one product, or other products can be added to grow), and the geographic scope, which is local (same region, country) or global. Being global sometimes does not only mean exporting but also having some infrastructure at the country were selling, or providing some service. It all will depend in each strategic segment. This is actually what it needs to be found out after: the Key Success Factors (KSFs) necessary to compete on it successfully, according to the buyer purchase criteria found during the interviews of international buyers.

**Figure 12 - Generic Strategic Options**

![Image of Generic Strategic Options diagram]

Source: COMPETITIVENESS Methodology

Lastly, the ideal value chain for the ideal strategic segment needs to be identified. Actually the objective is to identify the gap between the current value chain in Tunisia and the ideal Value Chain needed to compete in the identified segment, as the most attractive one. By comparing the activities of the two value chains (current vs. ideal) it will be
possible to identify the areas of improvement. Then it will be possible to evaluate if it would be feasible for the current local producers, artisans and companies in Tunisia to develop the value chain to this new ideal one. The gaps between the two value chains (current vs ideal) will actually be the areas of improvement that need to be fixed in order to make the change.

Figure 13 - Value chain representation

![Value chain representation](image)

Source: Michael Porter strategic concepts
3. Strategic Segmentation

Food Industry

The following strategy segmentation includes all the products and services that are included in the food sector, considering the herbs and spices.

Table 3 - Strategy Segmentation Matrix of the Food sector (herbs and spices)

<table>
<thead>
<tr>
<th>Feed</th>
<th>Convenience (Ready to eat)</th>
<th>Pleasure/Treat</th>
<th>Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dry/Stockable (Long-Shelf Life)</td>
<td>A1</td>
<td>A2</td>
<td>A3</td>
</tr>
<tr>
<td>Fresh (Short-Shelf Life)</td>
<td>X(^{(1)})</td>
<td>B2</td>
<td>B3</td>
</tr>
</tbody>
</table>

The horizontal axis gathers the motivation that the user has when consuming the herbs and spices; whereas the vertical axis differentiates between the shelf life of each product, if it's something dry that can be stockable for a long time (months) or a fresh product that expires in days.

Description of the segments

Figure 14 - Segment A1: Feed dry and stockable

Dry herbs and spice products which consumption motivation is just to “feed” – this includes all the basic and daily use products, often traded as commodities. In the case of herbs and spices, these are the mainstream dry products available in supermarkets.
### Figure 15 - Segment A2 & B2: Ready to eat

<table>
<thead>
<tr>
<th>Feed</th>
<th>Convenience (Ready to eat)</th>
<th>Pleasure/Treat</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dry/Stockable (Long-Shelf Life)</td>
<td>A1</td>
<td>A2</td>
</tr>
<tr>
<td>Fresh (Short-Shelf Life)</td>
<td>X</td>
<td>B2</td>
</tr>
</tbody>
</table>

Segments A2 and B2 are “ready to eat” products which consumption is driven by convenience. Consumers who lack the time to cook or prefer to spend their time in other activities instead of cooking. A3 are meals that contain herbs and have long shelf life, such as frozen pizzas and canned meals. B3 are fresh, for instance salads or fresh meals that include herbs.

### Figure 16 - Segment A3: Treat dry and stockable

<table>
<thead>
<tr>
<th>Feed</th>
<th>Convenience (Ready to eat)</th>
<th>Pleasure/Treat</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dry/Stockable (Long-Shelf Life)</td>
<td>A1</td>
<td>A2</td>
</tr>
<tr>
<td>Fresh (Short-Shelf Life)</td>
<td>X</td>
<td>B2</td>
</tr>
</tbody>
</table>

These are products which consumption is driven by pleasure and indulgence, such as a treat. These are gourmet products that combine different kind of herbs and spices, sometimes including salt. Consumer choice is motivated by quality.

### Figure 17 - Segment B3: Fresh and pleasure

<table>
<thead>
<tr>
<th>Feed</th>
<th>Convenience (Ready to eat)</th>
<th>Pleasure/Treat</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dry/Stockable (Long-Shelf Life)</td>
<td>A1</td>
<td>A2</td>
</tr>
<tr>
<td>Fresh (Short-Shelf Life)</td>
<td>X</td>
<td>B2</td>
</tr>
</tbody>
</table>

This segment is also driven by indulgence, such as having a moment of pleasure. Consumers are looking for top quality and freshness. Some examples include, fresh herbs, truffles or wild mushrooms such as porcini.
**Figure 18 - Segment A4: Health and stockable**

<table>
<thead>
<tr>
<th>Feed</th>
<th>Convenience (Ready to eat)</th>
<th>Pleasure (Treat)</th>
<th>Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dry/ Stockable (Long-Shelf Life)</td>
<td>A1</td>
<td>A2</td>
<td>A3</td>
</tr>
<tr>
<td>Fresh (Short-Shelf Life)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Consumers at this segments are looking for food supplements to add at their diet for a better health. A4 includes stockable products so all the food supplements that can be stored for months, like vitamins, pills, oils, packed juices, infusions, liquid herbal extracts, essential oils...

**Figure 19 - Segment B4: Health and fresh**

<table>
<thead>
<tr>
<th>Feed</th>
<th>Convenience (Ready to eat)</th>
<th>Pleasure (Treat)</th>
<th>Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dry/ Stockable (Long-Shelf Life)</td>
<td>A1</td>
<td>A2</td>
<td>A3</td>
</tr>
<tr>
<td>Fresh (Short-Shelf Life)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Also within the motivation of health and dietary supplements, but in this segment the products are fresh, with few days of storage. This could be fresh juices or other herbs formats that requires cold storage.
Analysis of the Attractiveness

Segment A1: Feed dry and stockable

Figure 20 - The share of countries that export spices in 2016 – 2.71B US$

Source: https://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/show/all/0910/2016/

In the 15th century, any country that dominated the market in spices from the Far East was rich - the equivalent of controlling massive oil reserves today. Today however, competition in the dry herbs market is between companies, not countries. It is a business of large players with low cost production and huge quantities, since the barriers to entry are relatively low. Large manufacturers of spices and herbs switch their supply from country to country to keep their revenues high. When looking at the evolution of the last 20 years, spices exports have grown from 500M US$ to 2.71B US$, and the exports market is slowly consolidating with less and less countries participating every year. China is becoming a lead supplier of dry herbs and spices for Europe (ex: the Netherlands from 5M to 49M US$ in 10 years), as it is shown at the figure below.
When looking at what happened in Tunisia during the last years, it loses market share in some European countries like Italy or France, that they switch dry herbs supply to countries such as China or India for lower cost efficiency. The essence of dry spices allows for bulk logistics from further countries and proximity is not an asset anymore. Therefore, the margin of this strategic segment has been reduced all over the years, and the trend is to continue decreasing.
Regarding the bargaining power of the suppliers, in 20 years the global production of seeds has more than doubled. 3 companies resulting from several mergers control 59.8% of the world seed production. The 10 largest seed companies represent 75.3% of the market share, making the seed industry a very consolidated one. The global supply of fertilizers has also grown considerably in the last years. The top 5 companies control 26% of the global market. The market of fertilizers even though has seen its consolidation later in time; it is now rapidly taking over in this direction. Even though the global supply of pesticides oscillates, it represents the most concentrated market among the 3. According to 2013 statistics, 51% of the production was controlled by 3 companies, and 75% by 6. Thus, the power of suppliers compared to the beneficiaries of this project (herbs harvesters and producers) is huge.

When looking at the bargaining power of buyers, the situation is similar, presenting much more power compared to the herbs harvesters and producers. Consumer packaged retail spices and seasoning are an $11 billion worldwide market and 1 company (McCormick) has 20% market share, four times its next-largest competitor. The European grocery market will not be significantly larger in 2025 than it is today. What will be different is its composition. After intense international consolidation, there will be fewer large retailers, with those remaining each controlling a greater proportion of the market. Russia is poised to become the largest European grocery market with a value of 391 billion US dollars, followed by the United Kingdom at 307 billion US dollars.

As a conclusion of this strategic segment analysis, the margin of this business is being reduced and will continue during the next years, due to the barriers of entry that are relatively low, high rivalry coming from lower cost production countries and switching cost of new herbs suppliers is low, based in cost. Lastly, margin is taken either by the highly concentrated suppliers (seeds, fertilizers, etc.) or by the buyers (the large spice

Figure 22 - Exported growth of spices value from Tunisia in US$ (%) 2012-2016

Source: https://www.trademap.org
producers and the distribution market). Segment FEED-dry and stockable has **low attractiveness** for a spice and herb grower.

**Segment A2 & B2: Ready to eat**

Large players in the dry herbs and spices market, also compete in the ready-to-eat market. The same activities undertaken by producers to sell dry herbs in the A1 segment are undertaken by producers in the ready to eat segments. The difference is in the higher up activities of the value chain (processing and packaging). The value addition and transformation from spices and herbs into ready-to-eat meals is undertaken by the retailers and food manufacturers, same as in the dry spices segment (such as Unilever, Nestle or Kraft foods). Since our analysis is considering that the herb growers are at the center of the 5 Forces, the buyers of dry & stockable (A1) are the same as the ready-to-eat (A2 and B2 segments), so the same market structure and value chain apply and as a result the attractiveness of this segment is also low.

**Segment A3: Treat dry and stockable**

The specialty food industry continues to grow strong. Sales hit $127 billion, a 15 percent jump in total sales between 2014 and 2016. Specialty spices and herbs represent a 3% of the specialty foods market and sales are worth 1,928 million USD.

They are traded in smaller volumes and often through different channels, such as the culinary industry. Examples of attributes and characteristics that make specialty herbs are:

- **Terroir and place**
- **Unique blends often adding other premium product like specialty salts**
- **Common herbs of extra premium quality with accurate dry processes**

Production focuses on activities around product characteristics to achieve better taste and color among other differentiation attributes. The quality attributes that characterize the specialized herb segment translate into more “niche” activities at the place of origin and in return higher barriers to entry. The main difference between dry herbs and specialized dry herbs is the non-commodification nature of the latter. The unique characteristics of the herbs that are achieved through a value adding process, starting from the planting and harvesting techniques, make the origin of the product a defining attribute of purchase decisions. The story of the origin is important to the consumer.

The standardization of production from country to country is not common in the specialty market as the consumer is driven by uniqueness and niche qualities. The lack of standardization as well as the unique qualities required in the specialty market leave space for greater differentiation and reduce the number of direct competitors.
The type of buyers in the specialty herbs market varies between large retailers to niche retailers. Specialty herbs are a niche market, however, an expanding one as new flavors and trends emerge. As the popularity of healthy, ethnic cooking home grows, the herbs and spice market keeps expanding to accommodate the seasoning, an example is the popular vegan diet and its unique characters. An example of a large retailer is Dean & DeLuca (https://www.deandeluca.com/) a multichannel retailer of gourmet and specialty foods, wines and kitchenware. Another example of a smaller company is NOMU (https://www.nomu.co.za/), a South African independent and high quality food retailer. The niche qualities and market size, allow smaller businesses to compete. The unique characteristic is what buyers look for, involving the producer in the value addition process. This translates into a more balanced and closer relationships between producer and buyer, than in other segments.

All this translates into higher barriers to entry due to herbs of greater quality and the importance the activities of planting and harvesting play in achieving higher quality as well as less rivalry as product origin becomes a defining attribute for purchase decisions. As a result, this segment has medium attractiveness for a spice and herb grower.

**Segment B3: Fresh and pleasure**

Fresh herbs can be packed as potted herbs as well as freshly cut herbs. Potted herbs are almost exclusively from local produce due to the presence of soil. Freshly cut herbs are usually packed in plastic and shipped worldwide in carton boxes.

Quality of fresh herbs can only be achieved and preserved through proper postharvest handling practices, which makes the barriers to entry higher than the dry food segment:

- Temperature is the single most important factor to quality.
- Optimum postharvest temperature for fresh thyme and rosemary is 32°F/0ºC.
- A shelf life of 3 to 4 weeks can be achieved at this temperature. The higher the temperature the lower the shelf life.
- Prevention of excess moisture loss is the second most important factor to quality.

Seasonality and distance reduce the number of competitors in the fresh herb market. Even if greenhouse production allows year round produce the cost and quantities do not compete with on season produce. Therefore the rivalry is less compared to the segment of dry food, and together with the higher barriers to entry due to the cold logistics needed in place, brings to the conclusion that the margin in this segment is higher than the others analyzed so far.
When analyzing the power of suppliers, it could be thought that fresh herbs can be dependent on a concentrated supplier market of pesticides and fertilizers as in the case of dry herbs. There is however a tendency towards natural and “free from” products in the fresh herbs market. Increasingly “free from” and natural foods are marketed as organic certified produce. The suppliers for the organic market are the regional and national regulation agencies that provide the certification to enter the market. Natural herbs that contain no pesticides can be sold at a premium price under certified terms such as the organic certification scheme. The growing demand for fresh and natural ingredients is increasingly oriented towards the organic market and will move beyond niche markets in the oncoming years.

Regarding the buyers, leading EU importers of spices and herbs are Germany, The Netherlands, the UK, France and Spain. The EU is a net importer of spices and herbs. A large part consists of spices and herbs, which have been imported without transformation and, following processing and/or repackaging, are re-exported to other EU and overseas markets.

The final sale is highly concentrated in the hands of supermarket. Direct sourcing is not very common and specialized importers come into play. Large supermarket chains are increasingly involved in sourcing fresh herbs, but most of the supply from overseas is still handled by specialized importers. The role of specialized importers is to facilitate entry to markets (such as large retail stores like “Whole Foods”). The type of importers varies from niche; those looking for trust relationships with the suppliers, to large importers. An example of the former is “Natures Pride”, a Dutch importer that specializes in fresh and high quality produce in the European retail market. One example is their premium rosemary from Israel and Ethiopia.
Independent grocers, delicatessens, specialty shops and organic stores (butchers, bakers, spice shops, Indonesian food shops etc.) have a small share. However, within the organic market, health food stores, natural food stores and specialized organic stores do play a much larger role. The two largest European markets for organic food - Germany and France - increased by almost 5% and 10% respectively. Independent retailers account for approximately 15% of UK sales totaling almost £300m.

**Figure 24 - Growth rates for organic sales across the market channels for 2015**


In conclusion, in the fresh herb market, the switching costs to a new supplier are higher for the buyer compared to the dry segment. This is due to the dynamics that characterize the supply chain and guarantee the constant supply of freshness and quality to retail markets (less amounts and more often) – Relationships are based in trust, buyers are interested in long-term partnerships with fresh herb producers. Even if the specialized importers and retailers are big companies and have greater power than herb growers, their switching cost to a new supplier (herb grower) is higher. This is because they need to commit to supply less quantities, higher fresh quality. Alongside, barriers of entry are higher: cold logistics from farm to market and sophisticated traceability are required due to the high perishability and there is less rivalry as seasonality and distance reduces the number of competitors in the market. As a result this segment has higher attractiveness for an herbs grower.

**Segment A4: Health and stockable**

The barriers to entry in this segment are slightly higher than the A1 segment (dry and stockable). This is due to the need of adding some processes in the activity of extraction
in order to have better quality of herbs and plants, and some R+D, due to their healthy properties.

However, regarding the buyers, it is true that there are some specialized stores where to buy these products, but more and more the dietary supplements can be found in the regular supermarkets, where the A1 dry and stockable products can be found. Therefore, the attractiveness of this segment can be considered medium for the herbs growers.

**Segment B4: Health and fresh**

The differences between A4 and B4 segment are the same as B2 and A2, due to the fact of the short shelf life that these products. There are not many examples yet at this segment, but these could be all dietary supplements that need refrigeration as for example cold presses juices. Therefore, the need of the cold logistics makes to increase the barriers to entry in this segment, and again the proximity is key, which reduces the number of rivals.

Also, as it happens in segment B2, the switching costs of the supplier increases, since the buyer needs to trust that the freshness is true and that the delivery will be frequent. Therefore, the attractiveness of this segment is high.

**Wellness**

The following strategy segmentation includes all the products and services that are included in the wellness sector. The wellness products are understood as those that can be for cosmetics purposes but also for medicine reasons.

**Table 4 - Strategy Segmentation of the Wellness sector**

<table>
<thead>
<tr>
<th>Product</th>
<th>Chemical Wellness</th>
<th>Natural Wellness</th>
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</thead>
<tbody>
<tr>
<td>A1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product + Service</td>
<td>A2</td>
<td>B2</td>
</tr>
</tbody>
</table>

The main difference in terms of users (horizontal axis) is the base ingredients used in elaborating the products; if these are done using chemical inputs or if the base consists in natural, plants and herbs ingredients.
About the vertical axis, the consideration is if what is sold is only a product that can be bought in a store, online, etc. or if there is some other added value like a service associated, which means experiencing that product through a massage or an aromatherapy session.

**Description of the segments**

**Figure 25 - Segment A1: Chemical Wellness and Product**

Traditional cosmetics made by artificial and chemical ingredients mixed with some natural essential extracts. These include any type of cosmetic products like creams, shampoos, shower gels, soaps, perfumes, etc. There are different strategic options once competing in this segment:

- **By cost:** mass market products including those without any differentiation
- **By differentiation:** that can come from:
  - **Brand:** luxury products targeted to high income consumers
  - **Functional:** non-medicinal products, that fall in between medicinal products and cosmetics, designed for a specific purpose. For instance those to minimize a personal care problem such as acne or dandruff.
  - **Professional:** products and brands marketed only for professionals

**Figure 26 - Segment B1: Chemical Wellness Product + Service**

This segment includes all the traditional products explained in the last segment (A1) but adding a service. This service could be in the form of for example a beauty salon or a spa center, where products are used by professionals to offer a customized service to the client.
When talking about the thread of new entrants, it can easily be seen that in the conventional beauty products market exports are worth $40 billion and the demand has seen a fast growth in recent years with leading regions like Asia largely expanding every year. Countries like South Korea have strongly entered the market as exporters to Japan, during the last 10 years, as well as other countries in the Asia region, where traditionally were dominated by France. However South Korea is not only exporting to other Asian countries but to other regions as in the case of the United States. South Korea is at the forefront of research and innovation into new cosmetic products, so not focused in low prices. The leading position of South Korea as well as other Asian countries has threatened Europe's role as a key exporter in the cosmetics market.
Figure 29 – Beauty products imports evolution of Japan and United States from 2000 to 2016

![Graph showing imports evolution of Japan and United States from 2000 to 2016.](https://atlas.media.mit.edu/)

Source: [https://atlas.media.mit.edu/](https://atlas.media.mit.edu/)

Regarding the ingredients, China and India are large exporters of the chemical ones and together in 10 years their market share moved from 14.3% to 24%. What it can be learned from the increasing presence of low-cost countries in the market is that, even if companies and cosmetics manufacturers compete through innovation, speed to market and marketing, their focus is also on reducing operational and input costs. In chemical cosmetics, plant based ingredients are not differentiated from the rest of ingredients and the same strategy is undertook to source them. Large players in this segment are only interested in cost and volume. Actually when looking at the buyers, companies that compete in this segment are big players that compete in almost every segment of the beauty industry. It’s a business of scale and market growth is captured by the top companies in the industry.
As a conclusion of the 5 forces analysis, it can be said that the growth of consumers and cosmetics companies from Asia, like South Korea, are speeding up the product innovation, as well as making the plant based ingredients be part of the cost reduction of inputs they seek. That makes the rivalry to be based in cost and volume, leaving no room for any other differentiation and making possible that low-cost countries like China and India are increasingly growing as suppliers. With this tight rivalry the margin left is low and mostly captured by large cosmetics companies that control the market. Switching cost to a new supplier of plant based ingredients is very low. Thus, the attractiveness of this segment is low for the herb growers.

**Segment B1: Chemical Wellness and Product + Service**

When analyzing the barriers to entry of this segment, these are higher to the introduction of other activities, adding more difficulty to the last segment of just a product (A1). The main difference of selling a service instead of just a product, through a SPA or a wellness center is that the business is less standardized, the final product is tailored through experience, there is a face to face relationship with the final user and also that local and independent companies are more common.

However, in the chemicals beauty service, the SPA market is dominated by the same players that dominate the chemical beauty products (A1). Large-scale companies with
global presence and rather standardized services compete in this business. Therefore, tailorisation and locality are not viable and the entry of small businesses is not attractive.

**Segment A2: Natural Wellness and Product**

Growing interest in “ethical consumerism” has also translated to rising demand for natural, chemical-free products. Some examples are essential oils of herbs and plants that have gained importance in the beauty and personal care industry. Companies like “Krèyol Essence” from Haiti or “Doterra” both founded in the last 10 years ground their business in sustainably sourced essential oils.

However, the term “natural” has become a mainstay marketing pitch that many argue has lost some value in a maturing segment. The niche market of natural beauty products is becoming standard and has gone mainstream. The large companies of the chemical cosmetics saw the opportunity and all entered the natural wellness products market by mergers and acquisitions, for example Estee Laurel bought Aveda in 1997 and L'Oreal bought The Body Shop in 2006 (it was sold again ethical Brazilian cosmetics B-Corp, Natura in 2017).

As a summary of the analysis, it can be said that barriers of entry are higher than in chemical cosmetics segment thanks to the use of natural ingredients based on plants and herbs. However, the large players like L'Oreal and Estee Lauder have entered the market buying successful companies, although they keep as a total separate brand and business. The niche market of natural beauty products is becoming standard. The switching cost of buyers to another natural ingredient producer is higher since they are looking for longer-term relationships, however they want to avoid supply shortage. So it can be challenging for small producers that work with wild-collected ingredients. Thus, this segment has medium attractiveness for a herbs grower.
**Segment B2: Natural Wellness and Product + Service**

In the natural beauty service, the SPA and wellness centers market is composed of players of diverse sizes that provide experiences with natural beauty products. As we have seen in the natural wellness products segment (A2) analysis, the market is not dominated by large players and more niche and specialized production still persists. Therefore, customization and locality are viable and the entry of small businesses is more attractive.

**Figure 31 - Key facts in the segment of the natural wellness products + service**

![Diagram](image)

Source: Made by author

The complexity of cosmetics can go as far as they want, but there is room to start with only essential oils thanks to the diverse types of centers: SPAs, yoga studios, aromatherapy centers, etc. Switching cost for those centers to a new supplier of essential oils or natural cosmetics is higher; because they believe in the impact the quality of ingredients has in the overall experience, often using the story behind the natural products to differentiate from the rest. **Therefore the attractiveness of this segment is higher.**
4. Ranking or Potential segments

Below there is the summary of the attractiveness of the segments analyzed in the last section.

Table 5 - Summary of attractiveness of the Food Strategic Segments

<table>
<thead>
<tr>
<th></th>
<th>Feed</th>
<th>Pleasure/Treat</th>
<th>Convenience (Ready to eat)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dry/Stockable (Long-Shelf Life)</td>
<td>LOW ATTRACTIVENESS</td>
<td>MEDIUM ATTRACTIVENESS</td>
<td>LOW ATTRACTIVENESS</td>
</tr>
<tr>
<td>Fresh (Short-Shelf Life)</td>
<td>X</td>
<td>HIGH ATTRACTIVENESS</td>
<td>LOW ATTRACTIVENESS</td>
</tr>
</tbody>
</table>

Table 6 - Summary of the attractiveness of the Wellness Strategic Segments

<table>
<thead>
<tr>
<th>Product</th>
<th>Chemical Wellness</th>
<th>Natural Wellness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dior</td>
<td>LOW ATTRACTIVENESS</td>
<td>MEDIUM ATTRACTIVENESS</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product + Service</th>
<th>Chemical Wellness</th>
<th>Natural Wellness</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LOW ATTRACTIVENESS</td>
<td>HIGH ATTRACTIVENESS</td>
</tr>
</tbody>
</table>

The segments in which currently the herb producers in Tunisia compete are Feed dry and stockable and Chemical Wellness Product, in both cases with low attractiveness. However, the segments that are more attractive for Tunisia are Fresh and pleasure in the case of Food and Natural Wellness Product + service.

For the Fresh/Pleasure, the herbs that can be used as culinary condiments could be sold fresh in nearby countries and/or through the Netherlands (European hub for fresh agro products).
For the Natural Wellness/SPAs, the rural artisans could start selling Essential Oils, without having to make complex formulations and cosmetics, by only doing distillation and packaging. They could start selling to Hotels and SPA Resorts in Tunisia, linked to the tourism industry and its widely known Thalassotherapy industry. This could be a first step before exporting to SPAs and before starting the production of more complex natural cosmetics (shampoos, creams, etc.). Also when starting exporting they could begin with nearby countries with closer relationship like Arab countries or France.

After having presented all this analysis in the first intermediate report, the FHI 360 team decided to keep working on the segment of “Wellness natural products + service (SPAs)”, mainly because the cold channel in Tunisia is weak and fresh plants for food industry wouldn’t be the right segment to orient the beneficiaries of the North West. Therefore, the rest of the analysis done in the next sections, has been considering only the segment chosen “Wellness natural products + SPA”, since it is one of the most attractive ones and has potential for the artisans producing essential oils in the North West of Tunisia.
5. **International Benchmarking**

**Hypothesis of the benchmarking interviews**

The results from the analysis and research done so far, brought the following hypotheses that need to be confirmed during the benchmarking interviews:

- There is an increasing demand of natural products and especially of the essential oils. Also there is an increasing demand of all types of wellness experiences like spa, aromatherapy centers, yoga centers, etc.

- The products used in these experiences (oils, creams, soaps, etc.), in the wellness centers, are formulated and designed thinking in the final use, the experience itself.

- If the last hypothesis is confirmed, then we are moving from a product push model - design and formulation done by the cosmetics products and then sold to the market, like L'Occitane, The Body Shop, etc.) to a model demand pull – where the formulation takes place once the experience has been conceptualized according to the consumer preferences and the massage professionals.

- The SPAs and wellness centers demand native plants and are interested in learning its healing properties. Also they like to explain the story of the harvester/distiller and sell all the experience with the local concept.

**Best practice references**

**Iceland**

Iceland is considered a leading tourist hotspot in the wellness industry. Due to the geologic activity, the country has gained prominence as an area offering natural hot springs for bathing under the open sky. The Mývatn Nature Baths, opened in 2004, is the largest spa attraction for visitors in the region, welcoming over 60,000 visitors annually. The countries spa tradition however dates back years ago before the tourism boom with a long heritage and ancestral practices of local resources, such as hot springs and plants as natural remedies. Now that the country is well known for its wellness sector, many of the companies still preserve the traditional use and knowledge of local plants offering a competitive advantage that attracts many tourists and consumers every year.
Villimey
https://villimey.is/
Strandgata 44
460 Tálknafjörður
Tel: +354 892 8273

Villimey specializes in biological salves and ointments made of Icelandic herbs that are certified organic. Villimey started out as a hobby at the kitchen table over twenty years ago. Today it still maintains the traditional Icelandic remedies, passed on by word of mouth from generation to generation over hundreds of years. They use only native and fresh herbs that have been hand picked in the wild West Fords to make a range of ointments, salves and apple cider vinegars. This is a good reference to learn from a small yet successful company that has found a market in the spa industry based on local harvested herbs.

**Objectives of the interview:** Learn about the cosmetics production and how a natural cosmetics producer that uses local herbs and creates experiences throw their products manages it.

**Person interviewed:**
Aðalbjörg Þorsteinsdóttir
Founder & Director
Email: alla@villimey.is
Tel: +354 892 8273

**Date:** 28/05/2018

**Learning from the interview:**

Villimey started as a hobby in 1990 producing only for friends and family. 15 years later the company introduced their first product in the market, the organic muscle and joint salve, which is still their most popular product. The company is still a family business where the 4 daughters of the founder are employed. During the summer when the harvest season takes place the company has 8 employees.

They collaborate with local farmers who grant them access to their organic certified land to collect wild herbs. In total they have access to 11,000 hectares. Most of their plants and all their featured herbs come from this local lands, however they have to import some oils, such as base oils and essential oils always certified organic and as much as possible they like to buy from farmers directly, always in the EU.

They own all of the process from harvesting to final sale including the formulation, production, packaging and labeling. They have their own factory and every process
is artisanal and hand made. For instance they create herb extract using water distillation. The reason why they don’t do essential oils from the herbs they collect is because they say they don’t collect enough herbs to make single plant essential oils.

Sóley Organics
https://www.soleyorganics.com/
Bæjarhraun 10
220 Hafnarfjörður
Iceland

The Icelandic actress Sóley Elíasdóttir founded Sóley Organics in 2007. Sóley’s great-great-grandmother, Thorunn, was a famous healer and midwife in Iceland and her traditions are still very present in the company. The active ingredients are wild-harvested from Iceland’s highlands, among the least-touched places on Earth and are certified organic. Sóley gathers them herself, with help from family and friends. Their products are then made in a small village and they get water for their products from a pure spring. Their products are sold in their own store in Iceland and in another 11 countries through retailers as well as on their online store and Spas in Iceland.

Objectives of the interview: Learn about the cosmetics production and how a natural cosmetics producer that uses local herbs and creates experiences throw their products manages it.

Person interviewed:
Sóley Elíasdóttir
Founder & Director
Tel: +354 897 4432
Email: soley@soleyorganics.com

Date: 28/05/2018

Learning from the interview:
Sóley started with a single employee and a single product the founder Sóley in 2007 and now has 4 employees and an annual revenue of €1 million.

They source as much as possible their ingredients locally in Iceland. This is the case of their featured herbs, Yarrow, birch, bearberry and willow. During the summer, they harvest them from a certified organic patch of wilderness in Southern Iceland and take them to a subcontracted factory that together with other ingredients creates the cosmetics.

They buy essential oils from earth oils (https://www.earthoil.com/products/essential-oils), a UK based company that sources essential oils from all over the world. They own the formulation process however they subcontract the production and packaging to a local factory. Their products are a combination of essential oils, base oils and plant extracts and all are organic certified.

The company started selling in retail stores in Iceland and then introduced their products in spas. Currently they also sell online internationally. As part of their spa market, they train their sales people to train spa staff on how to use their products and the benefits they provide to create an experience.

Icelandair Hotels (Natura Spa)
Nautholsvegur 52
101 Reykjavik
Tel: +354 444 4000

Inspired by Iceland’s unique surroundings and natural resources, the Spa offers some of Reykjavik’s most exclusive beauty and massage treatments. At Natura Spa we use Sóley Organics products. These products are a blend of handpicked wild Icelandic herbs - like the birch, yarrow and bearberry - and aromatic essential oils. The products are for sale in the spa. Their services range from aromatherapy to traditional and stone massages. Natura spa is an important reference to complete the full process from plant to experience, understanding the production part from Sóley organics and the application at the spa through Natura spa.

Objectives of the interview:
Icelandair hotels are an advanced buyer so the objectives are to identify the purchase criteria when buying essential oils and cosmetics in general.
Thus, basically the interview is aimed to understand where they source the products, if these are all local or they also buy somewhere else. If they buy directly or through any distributor. Also know about the standards of packaging (amount of product, material, etc.), the range of products used in the spa service, how many different essential oils and other cosmetic products. It is also important to know about the service they provide in the spa, how they use the products and if they explain the history of the herbs producer to show and value that they are local, natural and artisan made.

It will be also interesting to find out if the Spa receives any service from the supplier, in terms of training for example, and if they influence the development of new products.

**Person interviewed:**

Ragnhildur Gunnarsdóttir  
SPA Manager

Email: ragnhildurgu@icehotels.is

**Date:** May 23rd, 2018

**Learning from the interview:**

Icelandair hotels buy the products used in the spas to three different companies: two local ones (Sóley Organics and Purity Herbs) and an Italian one (Comfort zone [https://www.comfortzone.it/](https://www.comfortzone.it/)). The essential oils are mainly bought to Purity Herbs ([https://www.purityherbs.is/](https://www.purityherbs.is/)), a company from Iceland that uses native natural herbs to make different essential oils. Sóley Organics (explained also in this section) supplies them with other products based in native plant ingredients. Comfort Zone is a company specialized in products and professional treatments for spas from Italy.

In the SPA, the essential oils are used for face treatments, for massages treatments, also for aromatherapy and to enjoy the air with the fragrance. They have 5 therapists that are the ones in charge of deciding which products use. Usually when it is for a massage or a beauty service, the mix of oils and creams used is done together with the customer in order to personalize the experience.

These therapists receive training from the suppliers. Purity Herbs provide online trainings and Comfort Zone has a thorough package for spas including trainings. However they don't influence the new product development of the suppliers but only the customization of the mix that the final consumer wants to have as an experience. Their use of essential oils is basically for feelings and sensations rather than for healing
treatments because for that it needs to be used longer and not in a one-day experience in the spa.

About the size and the packaging, when using pure essential oils the package is the typical one with small quantity of 10 ml (it is very concentrated and expensive). The products used for the massages are not pure essential oils but mixed with other ingredients, so they buy directly the mix for example with coconut oil and the size is from 50 ml to 125 ml.

The clients that visit the hotel spa are mainly local (70%) and also some international (30%). They go there because of the spa and they are interested in local herbs plants and specially the organic ones.
United States / California

The United States has a 62.5 billion cosmetics industry, the largest in the world followed by China and is expected to rise from $80 billion today to $90 billion by 2020. California is the epicenter of beauty industry and well being of the United States. In demand terms, the state of California due to its culture influenced by Hollywood is among the highest in the country. The image of the actors' glamour and actresses and the existent high class all account for this as well.

<table>
<thead>
<tr>
<th>Osea Malibu</th>
<th><a href="https://oseamalibu.com/">https://oseamalibu.com/</a></th>
</tr>
</thead>
<tbody>
<tr>
<td>1795 Washington Way</td>
<td>Venice, CA 90291</td>
</tr>
</tbody>
</table>

OSEA creates active, organic and natural luxury skincare products for the spa industry. Using seaweed and the sea as the primary sources the formulate seaweed, organic essential oil and nutrients to create anti-aging solutions and effectively reduces the appearance of blemishes and oily shine. The first product line was launched more than 20 years ago in Los Angeles and despite the increasing growth of the company, it remains a family-run business with a multi local presence.

**Objectives of the interview:** Osea, a company that started as a family business and is now a global company is interesting because it still maintains a local presence and small size with a very defined range of products. This is interesting because it allows us to understand what makes a company like this stay competitive.

**Person interviewed:**
Natasha Lipson
Retail Account and Product Development Manager
Tel: (424) 258-5393
Email: natasha@oseamalibu.com
Date: 24/05/2018

**Learning from the interview:**
OSEA sources the majority of their ingredients locally, in California. Their Seaweeds are sourced from the pristine waters of Patagonia because they were not able to find a clean source of seaweed locally. The majority of their ingredients come from small farms, most of which they have had a close relationship for over 20 years. They also buy essential oils and incorporate them into many of our products. For essential oils, they require their distributors to prove that they source directly from farms, that they follow organic farming practices, that the oils are either distilled or expressed, that safety data sheets are included (MSDS) and finally that the oils are pure as shown by GC/MS tests. They do not distil and formulate themselves however they work closely
with the companies they hire for these services and for instance work on the formulations together.

OSEA started with one facial oil and has since grown to incorporate a full line of oils, serums, moisturizers and cleansers for every skin type and concern. OSEA remains a family run and operated company. The founder Jenefer Palmer still formulates the products 22 years later. They have hired a select number of employees to help them with the every day operations of a rapidly growing business and currently they have 45 employees.

The company started supplying local spas, including Montage Laguna Beach, Island Spa Catalina, Miraval Spa. After 7 years they started supplying their spa products to other countries. Osea sells to luxury holistic spas around the world— from The Breakers, Palm Beach to St Regis in Princeville, Hawaii. The frequency of supply depends on the needs of the spa. It can be anywhere from bi-weekly to monthly.
Germany / Baden-Baden

Baden-Baden is a small, atmospheric town in a beautifully scenic location in southern Germany that offers charming hotels, magnificent green spaces and a variety of health-focused options. Baden-Baden’s tradition as a spa resort dates back over 2,000 years. The Romans, who were the first to appreciate the health benefits and healing powers of its hot springs, established the first baths here as long ago as AD 69. There are a total of twelve thermal springs in Baden-Baden with therapeutic powers that remain undiminished today. The water bubbles up from 2,000 meters below ground and contains minerals such as lithium and magnesium plus traces of cobalt, zinc and copper. Spa visitors bathe in the restorative water to alleviate a variety of illnesses including cardiovascular, rheumatic and joint disorders, although metabolic ailments and respiratory conditions also reap lasting benefits.

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<td><a href="http://www.speick.de/en/home.html">http://www.speick.de/en/home.html</a></td>
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It all began in 1928 with a passion for a very special high alpine medicinal plant. 90 years later, SPEICK natural cosmetics stands for gentle, natural and effective body care. Globally unique, all SPEICK products contain the harmonizing medicinal properties of the Speick extract. A medium-sized family company, we produce near Stuttgart, as we always have, with everything from one source – from product development to shipping. Speick is a reference to learn from the use and creation of cosmetics from locally harvested plants and the relationship between product and place/terroir/experience.

Objectives of the interview:

It will be interesting to learn about how the product and plants contribute to the final experience. Furthermore learning about the Harmony pampering concept that the company has developed in in cooperation with the Harmony’s hotels in Carinthia, can allow us to understand how local and natural plants can be sold for a premium price as a unique experience within the wellness industry.
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<td>Gudrun Leibbrand</td>
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<td>Leitung Marketing / Produktmanagement</td>
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<td>Email: <a href="mailto:gudrun.leibbrand@speick.de">gudrun.leibbrand@speick.de</a></td>
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**Date:** This interview never took place due to the unavailability of the person to be interviewed.
Spain / Mediterranean

The cosmetic industry in Spain is a mature and developed market. Spain is the fifth-largest market in Europe behind France, UK, Italy and Germany. It is also the sixth largest global exporter of cosmetics, exporting more cosmetics than it produces, with $4.3 billion in exports in 2015. One of characteristics that make the Mediterranean an attractive region for the natural wellness industry is the amount of companies from the segment B2 present here. Another reason is the strong presence of the tourism industry relates to wellness and relax that attracts the region and lastly the amount of natural plants available locally due to its location and different climates including the Pyrenees and the coastal areas.

Alqvimia
www.alqvimia.com
Can Duran, s/n. 17853 Tortellà, Girona (España). Spain.

Alqvimia presents 25 years as referent in high-natural cosmetics innovating in products that deal with complete efficiency body, mind and spirit. The company has stores in 5 cities, as well as an online store and sells to unique and niche spa’s in Spain. Alqvimia uses a method of craft production based on the old alchemy of the plants, combining scientific knowledge and wisdom or spirituality. Alqvimia is a good reference for us to understand the process of elaboration of niche products and the story as well as the relationship between the production of those products and the beauty services rendered.

Objectives of the interview: Alqvimia, both as a cosmetic manufacturer and a spa business offer us the opportunity to learn about the purchasing criteria of a company that sells experiences rather than just products. These means, we can understand what are the values and characteristics that are required by a company that sells natural beauty and wellness services with a story behind. The story is understood as the marketing strategy that the company uses in order to attract a niche group of customers that connects to the values of the company and develops as a competitive advantage, differentiating the products based on product origin, specifications such as purity and processing methods and lastly the attributes that make the experience unique.

Person interviewed:
Leila Arias
Global business development manager
Tel: +34 972 28 70 03
Email: larias@alqvimia.com

Date: 24/05/2018
Learning from the interview: The founder of Alqvimia, Idili lizzcano, is a visionary that more than 30 years ago, knew natural beauty would slowly become the new trend. As a refuge and philosopher he learned about the perfume science, aromatherapy and many other ancient herbal practices during his lifetime. For cultural and geographic reasons he started Alqvimia from his home workshop in the Pyrenees where the company still maintains their offices. Both ancient traditions and wisdom in the area and abundance of medicinal plants were the reasons behind his choice for the company’s base.

Alqvimia was also a pioneer combining retail stores with spa services offering treatments in their retail stores, similar to what today are beauty salons. Many of the formulas sold by the company are created in the founder’s dreams, which has both the scientific and tacit knowledge of many plants in the world as well as the knowledge to formulate beauty products. This makes a lot of the company’s products unique both in composition and results. Currently the company sells They have 57 essential oils. Alqvimia also has a particular view of how to do business and they operate the company on a no credit strategy, working only with ethical banks (Triodos) and investing only as they earn.

From the beginnings of the company as a family run business by 4 people in the small workshop, the company has evolved into a 4.5 million euros revenue company with 45 employees, that chooses their new markets and clients very carefully and only those that match their values. However their revenues grow at an average rate of 35% per year. The strategy of the company is to sell artisanal, 100% natural products in the high end market through a positioning of premium quality and uniqueness in the market. They achieve these offering tailored rituals, workshops and services through their varied methods of market access such as company owned retail stores and spas, intermediary hotels and shops and online store. They have also moved into owning all the formulas and products, whereas at the beginning they used to subcontract part of it. They do not do the distillation of their oils but rather contract local companies in the region to do it but they do in house spagyric processing of plants.

The distillation and extraction methods used by the subcontracted companies are:

The cold-press extraction, that they use for instance for orange peel. Here, the peel is placed in a device that mechanically pierces it to rupture the essential oil sacs, which are located on the underside of the rind. The essential oil and pigments run down into the device’s collection area. The oil separates from the juice layer and is siphoned off into another receptacle.

The steam distillation is used for instance for the neroli oil extracts. The process isolates oil from orange flowers injecting steam into the flowers turning molecules into vapor and lastly into oil.
The third method is Spagyria method consists of alchemical procedures to create herbal products. These procedures involve fermentation, distillation, and extraction of mineral components from the ash of the plant.

They only buy the plants that don’t grow naturally locally in the region. This is because they look for plants that grow naturally in their environments to get a higher quality. They carefully select their suppliers and are interested in only those that represent their values in terms of sustainability and ethics, and are highly interested in the story behind the plants. They do not use any certification because as they argue would lower the quality of their products. Ecocert for instance allows for 1-2% of chemical ingredients and Alqvimia uses 100% natural ingredients.

Alqvimia sells both nationally and internationally. They are now working with the company Oberoi hotels and resorts. They also sell in beauty shops and in the USA, Japan, and Mexico. They sell spa menus that include the products and treatments that create the experience of wellness. They have academy where they share company values and knowledge with employees, clients such as spas and customers. Some of the trainings include for instance aromatherapy apply as the products, because for example not all the therapists trained in aromatherapy. Clients to search carefully, processes based on the nature, and to support the mission is across the workshops and the workers to support the philosophy.

Currently their biggest income generator is the beauty salon and spa business and they plan to expand both nationally and internationally specially Europe through this channel as well as their own retails stores and spa and other brand stores.
Gaia Naturals Mallorca
https://www.gaia-natural-mallorca.com/
Aka, San Magi 81A
07013 Palma de Mallorca, Spain.

Gaia Natural Cosmetics offers environmentally friendly soaps, moisturizers, gels, washes and scrubs. Using sustainably and biologically grown flowers, herbs, Olive and Sweet Almond oils that are native to Mallorca, Gaia has developed its own original recipes to create natural solutions for skincare. They sell online and through local spas in the island of Mallorca.

Objectives of the interview: Gaia is an artisanal natural cosmetics manufacturer from which we can learn the dimensions and characteristics that a business that targets spa and wellness centers works with. For that we will interview about the marketing and sourcing strategy as well as the characteristics of the services offered to spas including products and services.

Person interviewed:
Trudi Murray
Founder and Manager
Tel: +34 659 587 334
Email: trudi@gaia-natural-mallorca.com
Date: 15/05/2018

Learning from the interview:

The company works with a wide range of essential oils and other oils like locally produced almond oil. They started with local products such as almond and olive oil and expanded into other products sourcing from the peninsula and other countries in Europe such as essential oils.

As much as possible they use locally grown and sourced from the mainland Spain. Many of their ingredients are also grown around their finca or workshop such as Aloe Vera plants, Lavender, Rock-Rose and many other plants. They also make their own organic hydrolates (floral waters, by-products of the process of making essential oils) and press their own Aloe Vera gel. When plants are not available locally, they source them from buyers in Spain and the European Union. They have tried to source from international markets but it has proved to be too complicated for their business size. Most of their products are either produced on site or sourced from mainland Spain as well as locally in the island of Mallorca. However they buy some essential oils from foreign buyers in the EU that are organic (bio) certified. They buy in 1 and 5 liter containers and repackage and label it.
Their market strategy is selling online and to local spas. They supply a number of fine Hotels, Spas and Yachts on the Island. Some of their clients include Albatros Barcelo Hotel Illetas, Can Cera and Can Alomar Palma.

Every product they sell to spas is customized for the client. From the packaging, quantities to labeling are made to measure for the spa. Usually spas ask for almond oil because it’s the locally produced and most renowned in the industry. Some spas also ask for essential oils, however due to the higher price it is less common that almond oil. Spas buy in kilos, oils such as almond is bought in 5 kilos and more expensive oils like essential oils in 1 liter. For the general public the sale is usually in bottles of 100 milligrams. They supply the menus, the corresponding products and come and coach your staff if you choose to work with our Menu.
Identification of the advanced Buyer Purchase Criteria (BPCs)

The interviews and the research done have been useful to identify the purchase criteria that the advanced buyers, when purchasing in the strategic segment that we are considering, it is . These criteria is the following one:

- **Natural products:**
  
  Spas like to offer organic products in their services and treatments, however there is not a unified regulation for organic and natural cosmetics. In the USA example it exists the certification for organic products (for food or drinks) but the one for cosmetics is in general including chemicals. One of the most used labels in Europe to certify biologic and natural cosmetics is Ecocert (www.ecocert.com) but it allows 5% of chemicals, which makes the pure 100% natural cosmetics producers to reject it.

- **Concept – Holistic Experience:**
  
  The spa wants to buy a concept because they want to offer a sensory experience, rather than a simple massage or treatment, and thinking about how the client will feel in the spa. The clients of the spa want to enjoy a unique experience, with methods based on ancient alchemic wisdom, and treatments that evoke physical, sensorial, energetic and emotional sensations. The essential oils and products that the advanced buyers (spa) purchase must have these features and must explain their native history and healing or wellness properties, as well as the history of the harvesters or producers. The spa wants to create its own holistic experience for their clients based in a menu of services, products sensory applications and treatments based in the products and the experience that it can be obtained from them. An example of this can be found in the Annex 1 where there is the menu of an Alquimia Spa (one of the references interviewed).

- **Local products:**
  
  The spa prefers to buy local products and sell, as explained before, the experience when using it as a total conjunction coming from the local native plants. This the concept explained before where the featured ingredient of the final product must be designed and explained as a native one from where it can be experienced.

- **Product range:**
  
  The spa needs to offer a medium range of products. This includes essential oils but also other type of oils, creams, scrubs, peels, masks and other cosmetics used
in the treatments and massages. If the producer can only supply 3-4 types of essential oils, the spa buys the rest to other suppliers. Even if the spa is mainly interested in selling the local experience and products, it can also happen that some of the treatments offered by the spa may require plants or herbs that are not harvested in that area, therefore the producer should also offer them to complement its product range.

- **Packaging and product amounts:**

The product quantities match the standard sizes in the market. For example for essential oils, if they are pure these are bottles of 15ml (0.5 oz) and for mix with other oils then the bottles are 100ml (3.4 oz). The packaging must be made from an eco-friendly material and must be recyclable. The label must include its own design with all the information required by the corresponding regulation body. This can be for example:

- Identity statement, which includes the product name and use of the product.
- Net contents, which may be calculated in terms of numerical count, measure, or weight.
- Ingredients, listed in descending order of predominance.
- Caution statements or warnings which must be placed in a conspicuous manner and include any hazard warnings if products are flammable or pose any other hazard.
- Name and place of business, which may be the disturber, manufacturer or packer. Also the information about the producer, the region and country.
- Material facts, such as directions for safe use.

- **Local support for therapists:**

The therapists of the spas and beauty salons are the ones deciding, together with the client, which is the final mix of products that they will be using in the massage or treatment. For this reason, they need to know all the potential and ways in which the different cosmetics can be used. They also need to be familiar with the use of essential oils and wellness products in aromatherapy and for sensorial applications.
6. How to compete in that strategic segment?

Ideal Value Chain

After gathering all the information during the interviews and doing the research and analysis, below there is the representation of the ideal value chain for the strategic segment of “Wellness natural products + service”.

**Figure 32 - Ideal Value Chain**

Source: Made by author

The activities of the ideal value chain are the following ones:

- **Ingredients Producers/Harvesters**: these are all the activities related to the production of herbs and plants that will be used as main ingredients in the elaboration of products. Mostly all of them are grown in a wild area like forests or woods in rural and mountain areas, but also there are some plants that can be cultivated. If this is the case, then the crops must be of organic farming, using biological fertilizer inputs and management practices to improve soil quality and build organic soil matter.

Moreover, the harvest must be done consciously and keeping the maximum quality possible of the plant. Depending on each plant and herb considered, the part to be harvested will be different, so it will require applying the best practices in each case.
As it is shown in the figure above, the activities of Product Development (Formulation and Packaging), Production, Marketing, Sales and Distribution, and the Therapist support must be done all by the producer of cosmetics. Part of it can be subcontracted to a service supplier, when sharing services are needed, like for example the distillation process if the producer does not have the equipment. However the control of the processes must ultimately fall in the producer hands to guarantee the final quality of the product and service. So if there is a cooperative owning the distillation equipment, the producer can subcontract the services but not sell the product. Meaning that the producer is always the one who will sell the products to the spa, without intermediaries being able to explain the story behind.

- **Product Development (R+D) – Product Formulation and Packaging**: This part is key in this new value chain. It is done by considering a double input:
  - 1) Knowing the use and the healing properties of the plant, with the objective of harnessing the traditional use of the native herbs, by recovering ancient natural medicine wisdom.
  - 2) Designing the product thinking in the holistic experience that the consumer will have with it in the spa. It means that the product formulated will be part of a mix of products and services that foster the beneficial effect on a client as a whole, instead of a single product for a single end (face cream for example). The experience in a spa aims to make the client feel in harmony because all his/her receptors feel that way.

The packaging must include the design of the producer explaining the origin and the history behind them. The amounts are the standard ones and the bottles and containers used must be made from eco-friendly materials and be recyclable.

With all that said, it is clear that the producer of cosmetics and essential oils must start locally to be close to the spa, and to be able to gather all these information about the experience easily.

- **Production**: This part groups all the activities related to the elaboration of the final product. It will depend on the final product whether the activities are rather basic such as a simple distillation process for essential oils or more elaborated in case of other types of cosmetic products.

Regarding the distillation of essential oils, there are many alternatives than the steam distillation commonly used in Tunisia. The most suitable extraction process to obtain the maximum natural properties varies from plant to plant. Some examples can be found in the Annex 3 of this document.
Since many companies are small family businesses, they sometimes subcontract this part to other firms but they own the formulation process. This is key in this segment, to have ownership over the formulation process; this is not to say to make the products but to have the plant knowledge that allows creating the products for specific results and experiences.

- **Marketing, Sales and Distribution**: the distribution is done directly to the spas, yoga, wellness and aromatherapy centers and similar places, where the products can be used to create the experience. There are no intermediaries and the sale implies being close to the center and helping to choose the right mix of products that correspond to the wellness holistic concept they have. All the marketing actions must be done adapted to this channel, like writing in specialized magazines or going to exhibitions.

- **Therapist support**: Therapists are the key people in the sale of cosmetics products in this strategic segment. They are the ones who can prescribe them to the final user and make his/her experience unique. Therefore, the cosmetics producer must do some activities to promote the products and to show how to use and how to mix them. The therapists are the ones who customize the final mix of products according to the consumer likes and needs, in order to have the best holistic experience. The support to the therapists has to be local and it can be in the format of workshops or trainings, at the producer premises or eventually directly at the spa.

- **Consumer experience**: It covers not only the treatment part (massage, etc.) but from the first moment that the client enters the spa until he/she leaves. This is the idea explained before in this document about the holistic experience. The spa wants to offer a sensory experience, rather than a simple massage or treatment, and thinking about how the client will feel in the spa. This means that the spa will use products as aromatherapy and other uses to cover the full experience. Then the therapist will together with the client, decide what mix of products he/she will be having in his/her treatment. The clients of the spa want to enjoy a unique experience, with methods based on ancient alchemic wisdom, and treatments that evoke physical, sensorial, energetic and emotional sensations. The essential oils and products that the advanced buyers (spa) purchase must have these features and must explain their native history and healing or wellness properties, as well as the story of the harvesters or producers.

When looking at the value chain it is important to identify the differences with the current value chain, in order to see which are the areas than need to be improved. This information is in the next section of this document.
Generic strategic options

According to the research done and the information gathered in the interviews below there are the generic strategic options that the companies competing in the strategic segment of “Wellness natural products + service (SPAs)”.

Figure 33 - Generic strategic options for competing at “Wellness natural products + service (SPAs)” strategic segment

Companies start being local with a reduced number of products, for example just essential oils. Since the business requires not only selling the product but adding also some services to the SPAs and aromatherapy centers, such us trainings, the companies start doing this locally.

Once they have the local experience, then they move to increase the range or products. This means that they need to acquire skills in order to do some product research and formulate other more elaborated cosmetics than essential oils, like soaps, creams, peels, scrubs, masks, etc. all the ones that are used in a SPA treatment.

After companies are ready to sell to other SPAs in other countries. They will become global or multi-local, in the sense that it is not only product exports but also providing something else, like the service required in trainings.

In the next figure there is an example of different companies at each option. This is not a sequence that can be done easily or in short time. It requires learning at each option and acquiring the right skills to move to the next one, it can take years. As an example, Osea started selling few products to local spas in California, and then they increased
the product range and finally started selling to spas from other countries. It took 7 years for Osea to start selling to spas from other countries.

**Figure 34 - Examples of companies at each option**

![Diagram showing examples of companies at each option](source: Made by author)
Key Success Factors (KSFs):

The Key Success Factors are the activities, skills and competences that a company, in this case a cosmetics (essential oils) producer need to compete successfully on the strategic segment considered, according to the advanced buyer purchase criteria explained before. The KSFs are the following ones:

- **Organic and Natural production:**

  This includes both the nature and essence of the product and the way in which it has been produced from planting, harvesting to final packaging. It starts using only not altered chemically or synthesized ingredients and products derived from plants that have not been treated with any chemicals and are certified as organic. Natural products are also often related to the ways in which the product is produced. This includes the method of processing as well as the machinery used to do it. Natural products are hand made as much as possible regarded as artisanal and the methods of production employed are sustainable and energy efficient.

- **Traditional uses of native plants:**

  The use of plants and herbs that grow wild and under natural conditions in the local area is a key characteristic seen in all of the companies interviewed. All of these companies start their formulas and choose their featured ingredients based on plants that are native to a place, and often this place is their local area. The main reason for this is that for best results and high quality plant extracts it is believed that the benefits that each plant provides and their purity is higher when grown naturally in their habitat, due to climatological and biological conditions.

- **Traceability of the product:**

  This is key not only for health safety issues but also for the creation of the experience. The source of the plants is where the story behind the product success starts and therefore being able to have as much information and coherence between the product origin and the marketing story is key in this segment.

- **Basic product range to start and new product developments:**

  Starting with one or a few products is usually the strategy of these companies often because these are small family businesses that can’t afford bigger investments. However as they move into selling to spa they realize that they need to create a product range that allows spa to make a profit from the product sale as well as offer a complete experience with as few brands as possible. A key strategy in this segment is to have ownership over the formulation process; this is
not to say to make the products but to have the plant knowledge that allows creating the products for specific results and experiences. As we have seen, even the smallest companies, they have this is common. They might subcontract the production but they own the formulation process. This will have different implications depending on the size of the company and the type of product. When products require a very particular and unique formulation companies may choose to patent the product however in the natural cosmetics segment there are many product attributes that make the cosmetic unique that cannot be patented, such as natural herbs from a very specific location or particular company philosophies and characteristics that attract customers. Often many companies protect themselves by keeping formulas secret among a very few people rather than spending money on patents, so again it will depend on the formula and the type of product.

- **Packaging:**

Natural products are slowly moving towards more eco alternatives and biodegradable materials. However the packages available locally play a major role when choosing a supplier. Packaging and labeling requirements vary from country to country and it is imperative to comply with local regulations especially in terms of certifications such as organic. The packaging will depend on the type of spa and product use. For instance if the product is of high value and used in small quantities spas might be interested in smaller sizes and if on the contrary a product is very popular, spas may require larger formats. This is a process that requires constant communication with the buyers to find the best and most cost efficient option for the producer.

- **Workshops and trainings for therapists:**

Product sale is not enough and it has to be accompanied by the knowledge and the training that prepares the massage and spa employees to create the desired experiences. For that, some of the companies interviewed have created their own academies in which they receive spa therapists and train them on how to use their products. Smaller companies on the other side, train their sales people that afterwards train spa employees. The training often consists of massage techniques, product composition and benefits and application methods.
7. Areas of Improvement

Current Value Chain in Tunisia

When looking at the information provided by the ACEA team regarding the supply chain and rosemary production in Tunisia, the representation of the current value chain is as follows:

Figure 35 - Current value chain in Tunisia

Source: Made by author

The different activities along the value chain differ when the company involved is one of the large firms (8 big companies in Tunisia), the SMEs or the women artisans from the NW region.

In the case of the large firms, according to the Report on Rosemary 2017 of the NRSC field mission, once the producers of essential oils and other cosmetics products have a land adjudicated, they contact the so called “corporals”, who take care of the harvesting and the distillation process, including the technical equipment. The corporals pay the fresh rosemary to the picker and then pay the distiller and if necessary the people who bring water for the process. Once the oil is done, then the corporals sell them to the producers. They don’t consider themselves employees of the producers but businessmen. There is no more information on how once the producer has the oil the final product is elaborated. However, based on the research done, the formulation, final product elaboration and packaging is all done by the producer.

The women artisans usually collect the herbs themselves and use the facilities of a cooperative (GDA: “Groupements de Développement Agricole”) to do the distillation. These GDAs are composed by women, usually an average of 30-40 members. Each cooperative has around 3 to 5 pieces of equipment for distillation that were given to
them by a donor or they bought themselves. The use of the equipment is scheduled according to the necessary time that each artisan requires. She goes there with her herbs; she does the distillation and takes the oil. She pays to the cooperative the use of the facilities according to the time used. Actually, the GDAs are not allowed to provide services.

In terms of packaging, some GDAs are using very basic bottles and others import better bottles or receive them through a donor. Tunisia does not produce these type of bottles; this is why they import them from Italy. They then add basic labels with some information.

In the case of the SMEs, the difference is that they have their own facilities for the distillation.

What is common in all the cases is that the way the product elaboration is done is based in a product push model, where the product is formulated and developed by the producer and then pushed to the market, without getting the feedback from the consumer and the demand likes in the process.

As it will be explained in the next sections about areas of improvement and next steps recommendations, it would be useful to gather more information about how the last part of the value chain works. This means to understand how the producer formulates and elaborates the products, what is the level of the cosmetics industry in Tunis in terms of skills, equipment and company development. Also it is needed to identify where these companies sell the product, to which type of stores, how they do the marketing and sales, the packaging, and in general all the activities from the producer to the end consumer.
Identification of Areas of Improvement

When comparing the current value chain in Tunisia versus the ideal one in the strategic segment we are considering, there are many differences that are actually the areas to improve, which are the following ones:

1. New product development
2. Best practices in harvesting
3. Best practices in distillation and other methods for herbs extraction and processing
4. Marketing and packaging
5. Therapists support
6. New sales channel development
7. Certifications and regulations in Tunisia

Area: NEW PRODUCT DEVELOPMENT

In order to develop new products different actions need to be done with the objectives detailed below:

- Identify and recover the traditional remedies, passed on by word of mouth from generation to generation, based on herbs, plants and flowers and their natural healing powers.
- Include and research how to take advantage of Tunisia privileged position as a leading tourism destination in thalassotherapy treatments. The mix of thalassotherapy and use of local herbs needs to be investigated to sell a unique concept in the world and explain the story. This is again similar to what Iceland has done with their natural tourism and spas together with the natural cosmetics. This part has to be done together with the thalassotherapy spas and specialists in order to maximize the results.
- Product range: the artisan women producing essential oils can start with a few products and at the same time work on increasing the range by formulating easy creams and salves. An example of a company who started with only essential oils from Haiti and they increased their product range with easy product development is Kreyòl Essence (https://kreyolesence.com/). See in Annex 2 the product range they have just launched for this summer.
- It is important at the same time to know what is the level of cosmetics production and development in Tunisia, in order to see if there are local skills that can be used in this process.
- Also, another important aspect on product development is the fact that essential oils require large amounts of herbs, and it can be a challenge when harvesting them only in wild lands. It is necessary to see the availability of the plants as well
as start looking at increasing the range by developing either other type of products than essential oils that don't require as many herbs.

### Area: BEST PRACTICES IN HARVESTING

In order to develop new products different actions need to be done with the objectives detailed below:

- Harvesting the leaves, flowers or the part of the plant needed to produce the essential oils or cosmetics product wanted, is key to maintain the quality of the remedies and its properties. Therefore, per each type of plant the best practices when harvesting should be identified and shared with the pickers who are in charge of this crucial job.
- Also, it is not only the harvesting important but how to transport and treat the plant from the land to the distillation point. This means identifying how to transport the plants and in which temperature and humidity conditions, but also if they require any other treatment before the distillation process.
- Moreover, if the plants are coming from crops, as it has been explained in the key success factors, everything has to be organic to be able to get the organic certification. Thus, in this case the best practices must be introduced in organic farming, using biological fertilizer inputs and management practices to improve soil quality and build organic soil matter.
- It is important to remember that the final product has to be traceable throughout the whole process, and this includes the herbs and plants harvested. This is increasingly important to show that all the ingredients follow the guidelines of natural and organic standards.

### Area: BEST PRACTICES IN DISTILLATION AND OTHER METHODS FOR HERBS EXTRACTION AND PROCESSING

Rather than being synthetically manufactured in labs, essential oils are extracted from plant materials through removal methods that are suited to the specific plant part containing the oils. Essential oils are the liquids that are isolated from plants when introduced to solvents – they are liquefied versions of the plants. Popular extraction methods include: Steam Distillation, Solvent Extraction, CO2 Extraction, Maceration, Enfleurage, Cold Press Extraction, and Water Distillation. See the definitions of them at Annex 3 of this document.
The method of extraction affects essential oil quality by way of pressure and temperatures applied. It is therefore important to develop the best and most effective methods for extracting the unique constituents of each specific herb; this includes determining the correct percentages of organic alcohol, distilled water, and if needed, glycerin or vinegar for each menstruum.

Some extraction methods are best suited to particular plant types and parts; for example, Cold Press extraction is better than Enfleurage for obtaining oils from citrus fruit peels, because the peels need to be pierced and squeezed, which is not achievable through Enfleurage.

This is an area of improvement that needs to be developed in order to advance in finding the extraction methods suitable for the native plants and herbs from Tunis. Some of the companies interviewed in this project could be adequate to help in this process. Alquimia for example, they have large experience in these methods.

**Area: MARKETING & PACKAGING**

These include all the activities that need to be improved in terms of marketing and packaging. All related to the type of packaging mentioned in the BPCs and KSFs with the amounts per bottle and type of materials. This is not about creating a brand grouping with all the distillers or producers, but the opposite. Each distiller or producer must have his/her own brand, which is the way to differentiate in terms of quality and also to explain the personal history behind it.

The marketing tools should include the natural character of the product. Buyers are interested in products with a story. But it is important to be sure that it is a true story, and do not make any claims without scientific evidence.

This areas of improvement will include also some training in marketing tools for the producers in understanding which is the best ones that they need to use, how to interact with social media and websites, amongst others.

**Area: THERAPIST SUPPORT**

As explained before in this document, therapists are key because they are the prescribers of the essential oils and cosmetics products. They are the ones who create the final experience when using the products therefore they should be aware of all the benefits and potential uses of them. Also, they are the ones that together with the final consumer chose the mix of products, oils, creams, salves, lotions, etc. that according to
clients likes and needs are going to be used at the treatment. Therefore it is crucial that therapists know all about the products.

This is actually part of the marketing actions that the cosmetics producer should do, but totally focused in transferring the knowledge to the therapists. It could be in the form of workshops or one-to-five-day courses with a different focus tailored to professionals working in the spa industry in Tunisia. Therefore, at this point some local research about therapists needs to be done, as well as local schools that give this type of certifications. It is basic that these therapists work in the beauty and wellness spa industry for tourist and of course have a penchant for natural cosmetics and medicinal plants.

This type of activity again cannot be done as a group. It is true that there is a common part of knowledge about traditional medicines based in native plants and herbs, but at the end each cosmetic producer will have its own product diversity. In fact training the therapists is aimed to convince them to use its products above other ones they can choose, so it is a task that each company has to do on its own.

Area: NEW SALES CHANNEL DEVELOPMENT

This area of improvement is aimed to identify the most convenient local spas in Tunisia to start working with. This includes all the ones related to thalassotherapy since Tunisia is one of the most important countries receiving international tourists seeking treatments.

A market analysis must be done to identify the key players and the most innovative spas who could be the ones starting to use the essential oils and other natural products in their treatments.

Ideally once a spa has been identified, a pilot test could be done by starting to define together with the therapists of the spa, a range of products to be used. Then from the definition do all the rest, until being able to make this pilot test in the spa with its treatments.

Area: CERTIFICATIONS/REGULATIONS IN TUNISIA

In general there is not a clear definition or regulation of the term “organic” as it applies to cosmetics, body care or personal care products.
In the USA for example, cosmetics products labeled with organic claims must comply with both the USDA (United States Department of Agriculture) regulations for the organic claim and FDA (Food and Drug Administration) regulations for labeling and safety requirements for cosmetics.

In Europe what classifies as natural cosmetics is currently defined by private sector standards, specifically ECOCERT (as it was previously explained in this document), COSMOS ([https://cosmos-standard.org/](https://cosmos-standard.org/)) and NaTrue ([http://www.nattrue.org/](http://www.nattrue.org/)). More recently, the International Standard Organization (ISO) started to develop its own definitions.

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 labeling which might be based on ISO standards.

Some natural producers actually bypass the need for organic and natural certifications if they adopt good practices in the supply chain. Not every customer is willing to pay extra certification, however, it is important to start looking at this area in Tunisia and be aware of the changes happening in regulation in other countries.
8. Recommendations for next steps

This project and this deliverable were done with the aim to show a strategic path to follow, a direction towards the strategic change into a better business for the artisans producing essential oils and related products can be made. There is still work to be done and, in fact, the previous section about areas of improvement is mainly to cover that part with precise information.

Therefore, the next steps should include the work explained in the areas of improvement, which review step by step the gaps to achieve the ideal value chain of the strategic segment “Wellness natural product + service (spas)”. It is also worth it to mention again that there is still some research to be done, especially locally, to better understand the current value chain. Specifically in terms of the existing level of skills and product development of the cosmetics producers, the local spa and thalassotherapy industry and the therapists and local training schools.

After having gathered this local information and always having the areas of improvement in mind, the action plan must be done. This includes the definition and launch of actions lines emerging from the strategic analysis, explained in this document. These actions pretend to help the artisans and small companies to prepare themselves for the new strategic segment and its challenges.

The action lines must be limited in number (3 to 5) and must translate into small successes in the short term, so as to start up a change dynamic and collaboration from all of the agents. These actions don’t need to be very complicated, on the contrary, since they should show that the new strategy is feasible and more interesting, in order to convince people to join it.

In terms of change management process, a public meeting is required to present the strategy to the cluster. This meeting can finish with the creation of workgroups made of different companies, artisans and cluster agents in general, who can volunteer to join. The workgroups can be done according the areas of improvement, so they have a common topic to discuss and advance. The objective of each workgroup is to define an action line.

After that, it is important to add the key people at each workgroup, for example if there is a workgroup to talk about new sales channel development, spa representatives should be invited or if it is to develop new products, some therapists should be there. The meetings of each workgroup have to be done separately and talk about objectives, activities to be done at the corresponding action line, budget, how to finance it, deadlines, etc. Sometimes it is needed to arrange some interviews with experts who can help into better define the action line and the work to be done.

According to the experience of COMPETITIVENESS in this type of projects, it is also very effective to end this process with a final cluster public meeting where all the different
action lines are presented. Also, if the action lines are presented directly by cluster agents (companies or the artisans) it will be more effective to ensure the continuation of the actions once this phase is complete.

Last but not least, it is important to notice that the success of the process does not have to be judged regarding the action lines or workgroups success. The project pretends to create change in the agents, and in this approach of action lines and workgroups is just a tool to have these agents thinking and developing the strategic options. Even if action lines end up failing, if companies individually change their strategy to get positioned in more interesting strategic segments and options, the process has reached its goal.
9. List of sources and bibliography


Centre for the Promotion of Imports from developing countries. Available from: https://www.cbi.eu [Accessed 18/04/2018].


Annex 1: Extracts from Alquimia spa menu of experiences

**ALQVIMIA RITUALS**

Health, beauty and wellbeing are natural expressions of the balance between body and mind. ALQVIMIA rituals offer a unique combination for body, mind and soul that help to maintain or reestablish this harmony.

**OASIS OF SERENITY**

Forget everyday stress with this spa ritual - a combination of an anti-stress spa ritual with a nourishing facial treatment, lending sensations of peace and relaxation to body and mind. For deep inner wellbeing, which is essential for a harmonious lifestyle.

Duration: 1 hour 30 min. - Price: 145 €

**QUEEN OF EGYPT**

Ease yourself into a world of relaxation with our luxurious Queen of Egypt natural fragrances, with products inspired by Cleopatra herself, one of history’s most enchanting women, a symbol of power and seduction. This beauty ritual includes wraps with Dead Sea salt, exotic fragrances with the invigorating aromas of frankincense and myrrh, from our own Queen of Egypt Body Oil. Rejuvenate your skin, restore and enhance your natural beauty and feel like a queen.

Duration: 1 hour 30 min. - Price: 145 €

**CITRUS JOY**

Immerse your body and mind in a world of stimulating perfumes, pure sensations and unique textures. This facial and body ritual is based on the revitalizing properties of citrus fruits to moisturize, regenerate, rebalance and tone skin, lending deep nourishment, and evoking the happiness of your inner child.

Duration: 1 hour 30 min. - Price: 145 €
ETERNAL YOUTH RITUAL
An exclusive ritual of luxury for deep-down rejuvenation, combined with products from our Eternal Youth range. The exclusive formula used in this facial and body treatment helps attain holistic harmony for body, mind and soul, while restoring and rejuvenating. Includes our Alqvimia Biological Age Test.
Duration: 2 hours - Price: 220 €

GARDEN OF DESIRE SENSUALITY RITUAL
Enhance and increase your feminine sensuality to seduce, attract, charm and enjoy, with a facial and body ritual inspired by the extraordinary properties of the most feminine of flowers. Wrap yourself in the enchanting blend of rose, neroli and jasmine, with our unique Sensuality oil. For smooth, soft and younger-looking skin and rejuvenation on all levels.
Duration: 1 hour 30 min. - Price: 190 €

GARDEN OF DESIRE SEDUCTIVE MAN RITUAL
A facial and body ritual designed exclusively for men and based on the extraordinary properties of the finest natural ingredients in the world - in our revolutionary Seductive Man Body Oil. Combining a blend of powerful essential oils, together with oils from seeds and exotic woods, applied with the expertise of trained professionals; this treatment will open up a world of sensations while balancing and recharging masculine energy.
Duration: 1 hour 30 min. - Price: 190 €

MOTHER-TO-BE RITUAL
Enjoy a magical moment during pregnancy with this spa ritual. You will receive a relaxing, nourishing body massage with our Body Stretch Stopper Body Oil and a personalized Absolute Beauty facial treatment to refresh and revitalize. For soft, gentle and deeply-nourished skin, including sensations of relaxation and inner calm, using our very own 100% natural products.
Duration: 1 hour 30 min. - Price: 145 €
**FACE TREATMENTS**

**ABSOLUTE BEAUTY FACIAL**

Attain absolute beauty with this personalized facial treatment, with products from Alqvimia's Absolute Beauty range, including a scrub, face mask and deep moisturization.

Duration: 40 min. - Price: 55 €

**ESSENTIALLY BEAUTIFUL** [NEW]

Reach the essence of your natural beauty with this personalised facial using products from our new Essentially Beautiful range, containing the latest in specific active ingredients and sublime essential oils which help restore your natural essential beauty and generate inner peace.

- **ESSENTIALLY BEAUTIFUL NOURISH**: especially suitable for alipic (dry) skin, provides a complete level of stimulation throughout the epidermis tissue, helping to keep the skin young and supple.
- **ESSENTIALLY BEAUTIFUL CALM**: for sensitive skin, achieves a calming, decongestant effect, while moisturizing and protecting the skin. It is a reconstituting treatment, with a repairing effect.
- **ESSENTIALLY BEAUTIFUL BALANCE**: suitable for oily skins, rebalances excessive secretion from the sebaceous glands and favors their normalization, while visibly harmonizing the skin.
- **ESSENTIALLY BEAUTIFUL REJUVENATE**: created specifically to activate deep cellular regeneration. It visibly softens the appearance of existing wrinkles, with a moisturizing, nourishing, antioxidant and regenerative effect. It stimulates epidermic micro-circulation to achieve an optimum level of nourishment. It works on the causal processes of premature ageing.

Duration: 60 min. - Price: 75 €
**Body Treatments**

**Silhouette Treatment**

Let us help you choose a made-to-measure Silhouette Treatment for your personal needs and desired results using our kinesiology test. With a 100% natural combination of Dead Sea salts, seaweed from Britanny, and a synergy of the best essential oils, in order to obtain a beautiful, slender figure, and smooth, nourished skin.

- **Shape Reducer**: Ideal for reducing excess volume, by performing a draining, lipolytic effect, and helping to stimulate skin tissue. It improves micro-circulation and promotes the exchanges needed for cell renewal. Reducing, moisturizing and toning action.

- **Body Sculptor**: Shapes the figure through lipo-reductive, restructuring action. Thanks to its 100% natural, powerful ingredients, it firms, moisturizes, tones and stimulates the skin. It is suitable for those who want to reduce fat in specific areas and shape the figure. Body Sculptor is also the perfect complement to the Alqvimia reducing treatment, with an overall volume reducing function.
Annex 2: Range of beauty product for Summer – Kreyòl Essence - Haiti

This summer, be hot - but not bothered by harsh UV rays, heavy humidity or sweat! Born from a tropical climate, we are naturals at preparing hair and skin for a heat wave. Our home-grown Haitian ingredient blends are specially designed to lock-in hydration, resist heavy humidity and protect from intense heat.

The Hot List
Our 6 Summer Must-Haves

Haitian Hand & Body Crème Mango Rhum Punch

A luxurious skin crème with a combination of tropical fruits and oils; coats evenly and absorbs quickly for a non-greasy sun-kissed glow. Guaranteed to give you flaunt-worthy skin, this moisturizer will arm you with unwavering confidence to rock your swimsuits all summer long.
Haitian Black Castor Oil Deep Repair Hair Mask

Brit + Co is calling this Mask one of the hottest hair essentials of the season. It effortlessly reverses long-term damage with a unique blend of Caribbean ingredients such as ylang ylang, mango and papaya.

SHOP NOW >

Haitian Black Castor Oil Goat + Coconut Growth Hair Milk

This lightweight, spa-grade treatment not only encourages new healthy hair growth, but also seals out harmful elements such as chlorine and sea salt.

SHOP NOW >

Haitian Shea Butter Hair + Body Butter

With more shea per jar than many shea butter based brands, our extra-rich beurre is perfect for those with eczema, psoriasis and other skin conditions. By soaking the Shea in herbs, organic oils, and whipping with mango butter hydration is yours for up to 72 hours.

SHOP NOW >

Haitian Moringa Oil Hair & Face Oil

This powerhouse oil penetrates the deep layers of skin for a youthful, glowing and silky smooth face. The natural healing properties found in this oil are also great remedy for treating unseen UV damage and painful sunburns.

SHOP NOW >
Haitian Black Castor Oil

Acting as an oasis for hair, this non-greasy oil allows strands to soak in hydration to lift curls while eliminating frizz and fly-aways.

SHOP NOW >
Annex 3: Methods of essential oils extraction

Introduction

The miniscule molecules of essential oils are able to penetrate skin cells, enter the bloodstream, and move to different internal regions of the body to disperse therapeutic benefits. The difference between them and fatty oils, such as vegetable or nut oils, is that the latter cannot penetrate cells due to their larger molecule size, which means they are less therapeutic than essential oils. According to scientific study, skin should be able to absorb a substance that weighs less than 1000m (m = weight of molecule), and essential oils have a weight less than this. The most common way to use essential oils is in DIY personal care products, which improve the health of body and mind, enhancing the appearance of each.

Diffused essential oils are absorbed by the blood vessels in the lungs, which circulate the oils throughout the body and get absorbed into the bloodstream. When diffused, some essential oils with the corresponding constituents can help reduce stress, eliminate odour-causing bacteria and purify the air, improve cognitive function and create emotional upliftment, and enhance a spiritual experience. 3

Production of Essential Oils4

Essential Oils are not made, but instead, they are extracted from plant materials. Extractions are used to obtain a plant’s active botanical constituents that function as its “life force.” They are essentially the liquefied version of a plant, and they effectively allow its beneficial compounds to reach the bloodstream faster than they would by simply consuming the plant.

An herbal extract is produced when a botanical material is introduced to a solvent in which some of the plant material components dissolve. Ultimately, the solvent becomes infused with the botanical materials that it has pulled from the source plant, and this is what is referred to as the “extract.” The solution that remains at the end of the process can be liquid, or the liquid can be removed to turn the remnants of the botanical into a solid. The solvents can act as preservatives or as agents that help plant cells to break down and release their contents.

Examples of extraction methods

Steam distillation

Steam Distillation is the most popular method used to extract and isolate essential oils from plants for use in natural products. This happens when the steam vaporizes the plant material's volatile compounds, which eventually go through a condensation and collection process.

4 https://www.newdirectionsaromatics.com/blog/articles/how-essential-oils-are-made.html
SOLVENT EXTRACTION
This method employs food grade solvents like hexane and ethanol to isolate essential oils from plant material. It is best suited for plant materials that yield low amounts of essential oil, that are largely resinous, or that are delicate aromatics unable to withstand the pressure and distress of steam distillation. This method also produces a finer fragrance than any type of distillation method.

CO2 EXTRACTION
Essential oils derived from the supercritical CO2 extraction of herbs are similar to the oils produced through distillation in that they can be used in aromatherapy and natural perfumery.

Oils derived from steam distillation vary in their qualities depending on the temperatures, pressures, and length of time applied for the process. The CO2 extraction process might thus produce higher quality oils that have not been altered by the application of high heat, unlike the steam distillation process. In CO2 extraction, none of the constituents of the oil are damaged by heat.

Thus, the difference between traditional distillation and supercritical extraction is that instead of heated water or steam, CO2 is used as a solvent in the latter method.

MACERATION
Macerated oils are also referred to as infused oils. They are created when carrier oils are used as solvents to extract therapeutic properties from plant material. The benefit of a macerated oil above a distilled oil is that more of a plant’s essence is captured in the oil, because it captures heavier, larger plant molecules than the ones captured in the distillation process. This keeps the product closer to retaining more of the plant’s valuable offerings.

The ideal plant material to be infused will be harvested so that it is as dry as possible, as any plant moisture will cause the oil to become rancid and will encourage microbial growth. Adding 5% of Vitamin E oil or Wheatgerm oil (which is high in Vitamin E) will prevent rancidity.
ENFLEURAGE
Enfleurage is not commonly used today, but it is one of the oldest methods of essential oil extraction that implements the use of fat. By the end of this process, either vegetable fat or animal fat becomes infused with the flower’s fragrance compounds. The fats that are used are odorless and solid at room temperature. The enfleurage process can be done either “hot” or “cold.”

COLD-PRESS EXTRACTION
This method is also called Expression or Scarification and is used for citrus peels in particular.

WATER DISTILLATION
Delicate flowers such as roses and orange blossoms would clump together when introduced to steam in the distillation process, so the most effective method of extraction in this situation is to submerge fragile plant material in pure boiling water instead.

WATER AND STEAM DISTILLATION
In this method that can be employed with herb and leaf material, the plant material is immersed in water in a Still to which heat is applied. Steam is fed into the main Still from outside.

THE SPAGYRIC PROCESS
The Spagyric alchemical processing maintains the full spectrum of nutrients. After the herb is macerated in the extracting liquid (the menstuum), the used herb or marc is removed and then burned and reduced to white ash. This white ash is pure minerals and

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5 http://www.herbalist-chemist.com/about-so.html
almost all of it is soluble when it is added back into the tincture. The detailed process is described below.

**Alcohol Extraction**

Extraction of the plant is done via organic grape alcohol in a soxhlet extractor for fast, high potency tinctures (*all distillations are done under vacuum so none of the heat sensitive components of the plant are destroyed*). A jar and 40 day maceration can also be done instead of the soxhlet method.

Here the alcohol will dissolve the essential oils of the plant along with the alcohol soluble chemicals. Alcohol is the only solvent which extracts the plant's chemicals at the same ratios contained in the plant. Alcohol is also strictly produced from plants themselves. It is a solvent made by plants for plants.

**Mineral Extraction**

The tincture is poured off and saved in a dark place. The leftover extracted plant material is then burned, and calcined to extract the minerals contained within. Once the herb is burned to a white ash, the mineral salts will now readily dissolve in water. The ash is then mixed with distilled water to dissolve the minerals. The water is filtered and slowly evaporated to crystallize the mineral salts.

**Recombination**

The white salts are gathered and recombined with the tincture of the plant that was made prior. This completes the spagyric process. The tincture now contains all the acids, oils and minerals the plant originally had but now in a more potent and purified form. In this way, the energetics and the chemical aspects of the plant are maintained to the fullest extent.

**Chemistry**

From a chemical standpoint, the mineral salts neutralize the organic acids of the plant. This converts the acids of the plant to their ester form yielding soap-like compounds. What was once oil soluble, is now water soluble. This form is more bioavailable, making the plant's compounds more potent and effective.