7 tips to go digital in the natural ingredients for cosmetics sector

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We live in an age where digitalisation is increasingly being used in international trade, and this is expected to continue. This study provides 7 tips on how exporters of natural ingredients for cosmetics can use digitalisation to their advantage when entering the European market. Exporters must carefully choose the most suitable options based on a realistic view of their own company and capabilities. Bad choices can have serious consequences.

Contents of this page

1. Get familiar with common types of digitalisation

Throughout the world, and not only in Europe, digitalisation has become a part of everyday life. We, as consumers, are using digital devices such as smartphones and tablets, and the Internet of Things (IoT) is becoming important.

For exporters of natural ingredients for cosmetics, digitalisation is becoming more important in their journey to enter the European market. The correct choice and use of digital tools, digital activities and platforms can help exporters enter the European market and successfully trade on it. Not introducing digitalisation into your supply chain can reduce the opportunities and chances of successfully entering the European market. There are various types of digitalisation tools at different stages of the supply chain. These include:

Farmer level

At the farmer level, digitalisation can be used to improve efficiencies concerning fertilisation, irrigation and the use of land. Digitalisation technologies, such as smart or precision farming, can also be used to ensure compliance with regulation, for example for a reduction in use of pesticides. Greater efficiencies at the farmer level could result in a reduction of costs and greater productivity. This could potentially lead to greater profitability.

Processor level

New equipment and technologies at a processor level enable precise maintenance, measuring and monitoring of key quality parameters for natural ingredients. Moisture content and size of production output are 2 examples. New equipment and technologies at the processor level also enable the precise maintenance, measuring and

monitoring of storage conditions. Temperature is an example, with some natural ingredients for cosmetics needing to be stored in certain temperatures for them to retain their quality.

As a small and medium-sized enterprise, you can use digitalisation tools for only a specific aspect of your operation. For example, you can use monitoring and tracking during transport. Most and Switrace are examples of companies that offer such services.

Big data

Lots of data are collected at the sector association level; these are used to set standards, identify the most and least prospective regions and country markets and identify current and future trends, among others. Examples of associations doing this in the European cosmetics industry include the European Federation for Cosmetic Ingredients and Cosmetics Europe. The International Fragrance Association (IFRA) is an organisation that does this globally.

Governmental and non-governmental organisations (NGOs) such as Eurostat, the International Trade Centre (ITC) and the Food and Agriculture Organization also collect data on natural ingredients used in cosmetics.

Digital and online trade finance

We are moving towards a cash-free and paperless society where electronic documents and digital platforms and services are used to finance international trade. Small-scale digital trading and payment platforms are also becoming available for suppliers and exporters in developing countries. Examples include Stripe and Global Payments.

Logistics

Blockchain technology is being deployed in supply chains where it monitors the flow of products/ingredients from producers to consumers. The main advantages of blockchain technology are traceability and transparency in supply chains. It can also be used to cut out intermediaries and therefore reduce costs.

Blockchain technology enables all parties in the supply chain to check the status of their products and monitor their movement in real-time and to see the status of documents. Alongside tracking goods, blockchain technology can safely and securely encrypt important documentation such as business contracts.

Export sales

Communication with buyers through emails and online platforms from first contact to the communication thereafter and ending with a sale is nothing new. Recently, however, the global COVID-19 pandemic has increased the use of email and online platforms. This is expected to continue into the foreseeable future. Connature is an online platform that gives raw material suppliers in developing countries access to a global market of cosmetic companies and cosmetic ingredient buyers. Another example is 1-2-Taste, which is a trading platform for raw materials including food ingredients and cosmetic ingredients.

Temporary travel bans and the reluctance to hold industry trade fairs and events due to safety concerns and risks posed by COVID-19 have resulted in them taking place on digital platforms. For example, In-Cosmetics Global, the largest and most important trade show in the world which focuses on cosmetics ingredients, is hosting digital events. Vivaness is another trade fair specialising in organic and natural cosmetics which has also been held online due to COVID-19.

Smart shopping and the informed consumer

We are living in a digital age. The internet, mobile technology and mobile devices have increased consumer access to information and have allowed consumers to be better informed when buying products. Consumers are demanding greater transparency from businesses about the products they sell, including cosmetic ingredients, production methods, labels and standards. Several mobile apps and tools now exist to help consumers make

more environmentally friendly choices. The EWG Healthy Living App and the ThinkDirty app are 2 examples.

Figure 1: EWG Healthy Living App

Source: EWG

Being honest and realistic

For exporters of natural ingredients for cosmetics in developing countries, money, access to money and resources can be stretched and limited. At the same time, costs can be high and profit margins can be thin. Thus, exporters should be honest and realistic when choosing the types of digitalisation they will invest in. During this process, exporters should ask and answer the following questions:

- Are there other, more important priorities that need to be addressed before going digital?
- Which type of digitalisation is the most suitable given my situation and circumstances?
- Can the costs of going digital be covered by your revenues? Wil you be able to pay all the necessary extra expenses related to maintenance and training?
- Can the costs of anything unexpected when going digital be met? You may be forced to cover extra costs related to upgrading the software or your devices or in case of troubleshooting.

Tips:

Carefully choose and then apply the level of digitalisation that is most relevant for your business and the customers you trade with.

Read the CBI study tips for doing business with European buyers of natural cosmetic ingredients for information on what else is needed to do business with European buyers.

See the example of shea butter exporter Sommalife, which enables its clients to order its shea butter online. This helps the company reach more clients and streamlines the process of ordering.

2. Use e-commerce platforms to find buyers

E-commerce is the trade of goods and services through the internet, with the transfer of money and data to complete sales. E-commerce is also known as electronic commerce and internet commerce. According to the United Nations Conference on Trade and Development (UNCTAD) there has been a dramatic increase in global e-commerce, with business-to-business (B2B) sales dominating e-commerce. This trend is expected to continue.

Exporters of natural ingredients for cosmetics should follow this tip and use e-commerce platforms to find buyers, as they can increase sales and offer new opportunities.
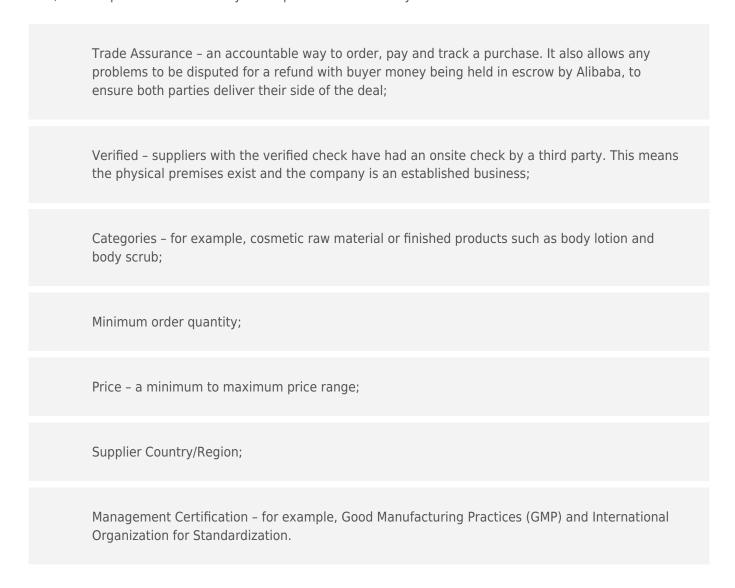
E-commerce platforms allow exporters to advertise their business and the products they offer. On the other hand, they also allow buyers to find exporters that meet their needs through search filters such as price, country/region and certification. For exporters, the benefits of using e-commerce platforms include:

- Building an online presence;
- Capitalising on existing buyer demand and expanding the current network;
- Lower costs;
- Easy set-up;

- The ability to test new products;
- Expanding the global customer base;
- Access to foreign markets, which is particularly important for small to medium-sized enterprises in developing countries; and
- Increasing customer service and loyalty.

Established European buyers and international buyers do not usually look for suppliers on e-commerce platforms. Smaller buyers requiring lower quantities of natural ingredients are more likely to look for suppliers on them.

Alibaba is an example of an important online international B2B e-commerce platform. IndiaMART (B2B and B2C) and TradeKey (B2B and B2C) are other examples. Buyers search for suppliers on Alibaba by searching for products and suppliers of products they want to buy, such as shea butter. To choose a good supplier that is safe, Alibaba provides filters to buyers. Important filters for buyers on Alibaba include:

Trade Assurance – an accountable way to order, pay and track a purchase. It also allows any problems to be disputed for a refund with buyer money being held in escrow by Alibaba, to ensure both parties deliver their side of the deal;

Verified – suppliers with the verified check have had an onsite check by a third party. This means the physical premises exist and the company is an established business;

Categories – for example, cosmetic raw material or finished products such as body lotion and body scrub;

Minimum order quantity;

Price – a minimum to maximum price range;

Supplier Country/Region;

Management Certification – for example, Good Manufacturing Practices (GMP) and International Organization for Standardization.

To trade on Alibaba, exporters must register and create an account. Following this, exporters can list products they sell, including their description, specification, product functions, packaging and delivery, and company profile.

Figure 2: Shea butter exporter on Alibaba

Source: Alibaba

[Connature](#) is a digital platform that gives raw material suppliers in developing countries access to a global market of cosmetic companies and cosmetic ingredient buyers. The platform is only for sustainable industry professionals, manufacturers, buyers, distributors, retailers, exporters and wholesalers of products and raw materials. On the platform, suppliers advertise their company and their offerings. Buyers search for products and have filters such as 'select a category' and 'select a country' to refine their search based on their needs.

1-2-Taste is a B2B platform for raw materials including food ingredients and cosmetic ingredients that focuses on small and medium-sized producers. The platform focuses mainly on food ingredients and also offers certified ingredients. 1-2-Taste also provides technical services including consulting and market insights. In order to become a supplier, you have to create an account. The platform can register suppliers from any part of the world.

To trade on the platform, suppliers need to be certified with at least 1 sustainable certification on end products, raw materials used or manufacturing processes. Examples of sustainable certification include organic and fair trade.

> **Tips:**
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> Before paying a subscription fee to join some e-commerce platform or access its paid tools and services, determine if it is suitable for you and your product. Asking for a free trial to check this is 1 way of doing this.
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> Regularly visit [Ecommerce News Europe](#) to follow the latest e-commerce developments in Europe. This can allow you to adapt your e-commerce presence according to the latest e-commerce developments.
>
> Read [What is a B2B marketplace? and the best way to utilize it](#) to get a better understanding of business to business on e-commerce platforms and how you can take advantage of them.

3. Consider using blockchain technology

Blockchain technology is a secure and transparent way to record and store data digitally at lots of points in the supply chain which is available to all parties. Data can include business contracts containing information on buyer and seller identity, price, order quantity, quality and traceability alongside important documents such as customs documents.

According to the [International Trade Center](#), advantages of blockchain technology for small to medium-sized enterprises (SMEs) in developing countries include:

- Greater efficiency and effectiveness;
- Faster trade;
- Lower costs; and
- The ability to prove and ensure quality, safety, traceability and environmental and social responsibility, including fair prices.

For blockchain technology to work, your company and parties involved in the supply chain must:

- Be in a position to invest in buying and maintaining the necessary technology such as hardware and software;

- Have staff who can or are able to learn to use it; and
- Be willing and ready to share data.

The use of blockchain technology in the cosmetics industry is at the infancy stage, i.e. adoption rates are very low. However, its use is expected to increase in the future. Blockchain technology's ability to prove and ensure supply chain traceability, especially environmental and social responsibility, is a key reason behind this. This is particularly important because younger consumers are becoming increasingly concerned about environmental and social responsibility.

A 2018 survey found that 76 percent of consumers want brands to ensure safe ingredients, while 65 percent also expect that brands will disclose ingredient sources in a transparent way and another 54 percent are concerned about environmental impact.

More recent studies have found Generation-Z consumers (born from 1995 onwards) in the UK are 1.4 times more likely to pay a premium for eco-friendly products, with another report finding 45 percent of Generation Z plan to prioritise sustainability over price. This trend suggests demand for environmentally and socially responsible natural ingredients is likely to grow in the future. This presents an opportunity to exporters in developing countries who are using or are considering using blockchain technology, as it improves transparency and encourages sustainability.

Exporters in developing countries should follow this tip of considering using blockchain technology, as it offers them several advantages. However, while doing so, it is important to consider if there is a business case for them to do so.

> ### Tips:
>
> Carefully determine if blockchain technology is right for you before investing in it.
>
> Read the CBI study What is blockchain to get a better understanding of what blockchain is.

4. Use cost-free big data to identify and take advantage of opportunities

A number of market research companies regularly collect large data sets alongside analysing existing data sets concerning natural ingredients for cosmetics. Following this, they publish data and produce reports containing analyses of large data sets at a cost. Analysis can include the most and least prospective regions and country markets in terms of volume and value alongside their development over a period.

However, for small to medium-sized exporters in developing countries, access to large data sets and reports containing their analysis is expensive. As an alternative, exporters can use and download large data sets published on cost-free digital international trade tools. Use these data to find new opportunities for your business and increase your chances of entering the European market.

Examples of cost-free digital international trade tools providing access to big data on natural ingredients for cosmetics include:

The International Trade Centre (ITC) Trade Map

The ITC Trade Map tool provides indicators on export performance, international demand, alternative markets and competitive markets alongside a directory of importing and exporting companies. It covers 220 countries and territories and 5300 products of the Harmonized System. Data are available in quarterly and yearly trade

flows in table, graph and map form. Trade Map transforms the large data sets into a user-friendly and interactive format.

Food and Agriculture Organization of the United Nations, FAOSTAT

FAOSTAT provides access to food and agriculture data for over 245 countries and territories from 1961 to the most recent available year. It allows users to search by indicator or commodity and to compare data while also providing information on its definitions and standards.

Eurostat

Eurostat is the statistical office of the European Union (EU). Eurostat provides international trade data on its database according to the Harmonized Commodity Description and Coding System (HS code). Data dimensions to choose from include European country markets, partner countries, product flows such as import and export, period and indicators such as value in euros and quantity in 100 kg. Data are available in spreadsheet, chart, treemap, map and table form.

European Commission Access2Markets

The European Commission's Access2Markets portal statistics tool provides EU trade statistics (including the UK) according to HS code, individual EU Member State, the entire EU, trade partner countries, import value, export value, import quantity and export quantity.

Figure 3: HS Code 15190 (under which shea butter is traded) trade data from the Access2Markets portal statistics tool

Source: Access2Market

Cost-free digital international trade tools often only publish large data sets. However, they do not always publish reports containing analyses of large data sets. Analysing large data sets can be difficult for exporters in developing countries, as they may not have the skills, time and resources to do so.

The Centre for the Promotion of Imports from developing countries (CBI) does provide market analysis studies containing analyses of large data sets of promising natural ingredients for cosmetics. In the studies, the most and least prospective European country markets in terms of volume and value alongside their development over a period are identified. Exporters should therefore consider reading the CBI's market analysis studies for promising export products for natural ingredients for cosmetics in Europe.

> **Tips:**
>
> Use the ITC Trade Map video tutorials to learn how to do basic export market screening by analysing the size and openness of markets and trends since 2001.
>
> Use this Access2Markets tutorial to analyse internal and external European trade for your natural ingredient for cosmetics.
>
> Read CBI's market analysis studies for promising export products for natural ingredients for cosmetics in Europe. These studies contain easy and understandable analyses of large data sets.

5. Attend digital events and use digital resources

In recent years, events where potential buyers can be found have started taking place digitally. At the same time, resources providing market information are being made available digitally. Exporters of natural ingredients for cosmetics should follow this tip, as it can increase their chances of entering the European market. This is a key advantage of following this tip. Not following this tip is only to your disadvantage.

Digital events

The global COVID-19 pandemic poses serious safety risks to human health. As a result, in 2020 and 2021, physical trade fairs, exhibitions and industry conferences where buyers could be found have been postponed or cancelled. Reasons for this include lockdown measures and restrictions placed on large events by governments and authorities to prevent the spread of COVID-19. As an alternative, many of these events have been held digitally.

For example, in 2020, in-cosmetics, the largest trade show in the world focusing on cosmetics ingredients, was held digitally. Additionally, in-cosmetics trade shows in certain regions scheduled for 2021 have been postponed to 2022, with some taking place digitally. In 2021, Vivaness, a trade fair specialising in organic and natural cosmetics, held its trade fair digitally. Uncertainty caused by COVID-19, particularly the risk of future waves, means digital events are likely to continue to take place digitally.

Figure 4: Vivaness digital tradeshow platform

Source: trend-traveller.com

Digital resources

Market information about natural ingredients for cosmetics and information about the latest news, trends and developments in the cosmetics industry and European country markets are increasingly being made available digitally. Digitally available industry magazines, newsletters and articles published on websites are a valuable source of this information. Examples include Cosmetics Business, Cosmetics Design Europe, Happi and Cosmetics and Toiletries. In addition, exporters can subscribe to the CBI newsletter.

Webinars and their recordings, which allow speakers to deliver and share presentations while answering questions, are being made available digitally. These webinars contain information about the latest news, trends and developments. For example, CBI holds webinars for natural ingredients for cosmetics such as Export openings in Europe and Natural butters and oils in cosmetics: Export openings in Europe.

Figure 5: CBI webinars for natural ingredients for cosmetics

Source: CBI

> **Tips:**
>
> Consider attending digital events held as alternatives to physical events, as they allow you to find and connect with potential buyers.
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> Visit the CBI YouTube channel to access free webinars on natural ingredients for cosmetics.
>
> Read digitally available industry magazines, newsletters and articles published on websites, as they

are a valuable source of information.

Attend live webinars or watch their recordings, because they are a valuable source of information.

Read CBI's tips for finding buyers on the European cosmetics market, which include several practical tips on finding buyers in Europe.

6. Get help going digital

For exporters of natural ingredients for cosmetics, going digital can be challenging. However, the main advantage of following this tip and getting help going digital is that challenges can be reduced and overcome. Meanwhile, disadvantages of not following this tip are that you will continue to face challenges which could have a serious impact on your business and you missing out on opportunities.

An easy way to get help going digital is to do online searches for companies and organisations offering services to go digital. To start, you can do basic online searches with simple search terms such as help going digital followed by the name of the country you are in. You can also narrow your results by selecting and entering information in filters on search engines. Common filters include language, region and year. Following this, you should contact companies that are relevant for you.

Another way of getting help going digital is to visit websites of digitalisation support projects, companies, platforms and associations offering digital solutions suitable for you alongside further information. Examples include:

- GIZ Digitalisation projects – GIZ is a German international development agency providing support for sustainable development in developing countries. GIZ's digitalisation projects provide digital support in several developing countries;
- GSMA Mobile for Development programmes – provides resources and services to go digital. Services include device information, eSIM, fraud and security, network, interconnect and roaming services;
- Ujuzi Kilimio – a company providing a real-time soil testing service using sensors and mobile technology, access to large data sets and digital software to allow users to make informed decisions;
- Agri-Wallet – a company offering a digital financial platform for value chains in developing countries. It creates financial transparency and provides real-time insights;
- Futurepump – a company providing sustainable solar-powered water irrigation technology designed for small farmers in developing countries;
- Sypecomp – a company providing digitally remote sensing, farm mapping, financing, intelligence, smart sourcing/traceability and localised weather forecasting to suppliers in Ghana;
- M-Shamba – a social enterprise providing a digital platform, using interactive voice response services to explain and transfer agricultural technologies to smallholder farmers. It also provides digital literacy programmes;
- Africa Goes Digital – an African association of companies offering digital solutions in Africa. Consider contacting its members that are suitable for you.

In addition, see Annex 5.A1. of the OECD Latin American Economic Outlook 2020: Digital Transformation for Building Back Better report to see a list of digitalisation projects in Latin America countries. Consider contacting those that are relevant for you.

Tips:

Ask companies and organisations that answer digital questions any questions you have. Do not be shy. This will help you make a more informed decision when deciding if they are suitable for you.

7. Consider satellite imagery to improve growing practices

The growing importance of sustainable production methods is making satellite imagery an effective way to monitor various aspects of the growing process and harvesting. This technology leverages data sets that have the potential to improve a company's supply chains. Satellite imagery uses machine learning, computer vision and cloud-based infrastructure. This technology has the potential to transform supply chain risk assessment and monitoring.

There is high interest in using satellite data to provide sustainability in supply chains. In July 2021, the Roundtable for Sustainable Palm Oil (RSPO) launched the RSPO Hotspot Hub. This is an interactive platform that is designed to strengthen fire prevention efforts in palm oil plantations in Indonesia and Malaysia using satellite technology. The data can be downloaded from NASA Fire Information.

Satellite technology can also be used for shea trees. The technology can improve supply chains and improve practices when collecting shea kernels. By using satellite data, production costs can be reduced and overall planning improved. Shea kernels represent untapped potential, as many locals still do not know how kernels can be used. By using satellite technology, the location of unused shea trees can be detected.

Other applications include improved productivity and yield, regeneration and protection of trees and improved sustainability practices. Collated data can be used to prove to buyers that shea kernels have been gathered in line with social and sustainable standards and additional buyer requirements.

It is expected that satellite technology will become more common in supply chain management. It is relatively less demanding on resources compared to blockchain solutions. However, suppliers of natural ingredients in developing countries would still have to invest extra resources into implementing this technology.

Tips:

Do research on what the latest innovation for satellite technology has to offer. For example, a new type of satellite technology is available that is based on the application of radar – Synthetic Aperture Radar (SAR). This technology provides insights into things like weather events, vegetation health and hazard monitoring.

Get in touch with your industry association if they have any advice or experience with using satellite technology.

This study was carried out on behalf of CBI by Ecovia Intelligence.

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