SURVEY WAREHOUSE

Integrated research solutions

IPTT/PHYTOTRADE RAPID ASSESSMENT MARKET SNAPSHOT

FINAL REPORT

PREPARED BY SURVEY WAREHOUSE

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1. INTRODUCTION

The Indigenous Plants Task Team (IPTT) in collaboration with PhytoTrade Africa contracted Survey Warehouse to conduct a rapid assessment snapshot of the usage of and attitudes towards natural and organic cosmetics in the Namibian market. This assessment will form part of a wider initiative to better understand the formal, national market for indigenous plant products. The study aimed to identify gaps and provide essential information for decision-making that would be beneficial for the development of a strategy to support SMEs in Namibia. Although the study was limited in various respects, it may serve as a basis for further market research.

2. CONSUMER INTERCEPT INTERVIEWS

2.1 METHODOLOGY

The study consisted of an intercept survey of 250 cosmetics consumers, interviewed outside of the Body Shop and Clicks, Maerua Mall. Interviews were conducted on a Thursday, Friday and Saturday, to ensure a spread of both peak and off-peak shopping times and customers.

The main aims for the intercept survey were to ascertain:

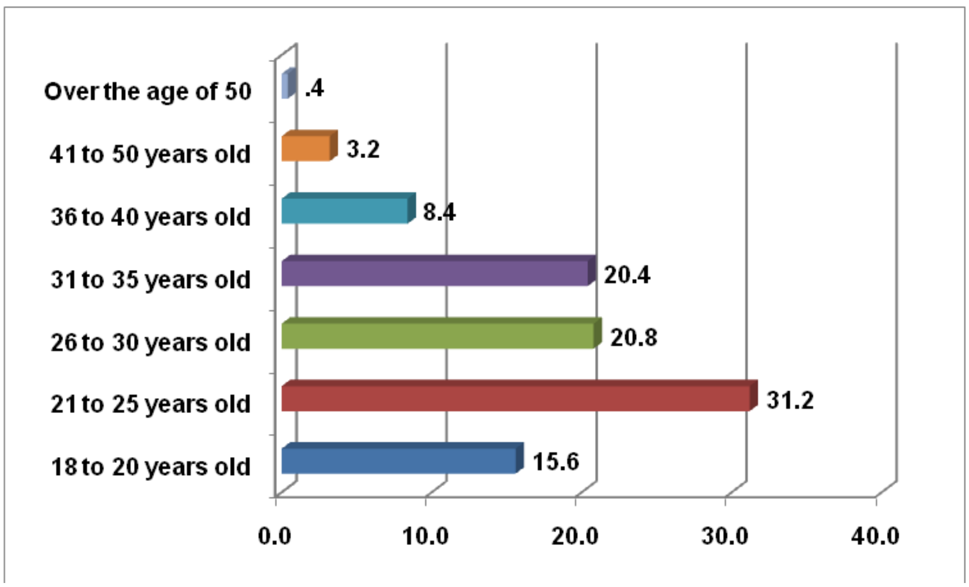
- Drivers to purchase cosmetics
- Current cosmetics usage trends
- Awareness of Namibian Indigenous Natural Products
- Usage of cosmetics containing Namibian Indigenous Natural Products
- Media usage

2.2 SOCIO BIOGRAPHICS

As expected, the majority of intercept interview respondents were female, although some males (18%) did participate in the snapshot survey.

For the most part, respondents were between the ages of 21 and 35. A detailed split is contained in the chart below.

Chart 1: Respondent Age (Grouped %)

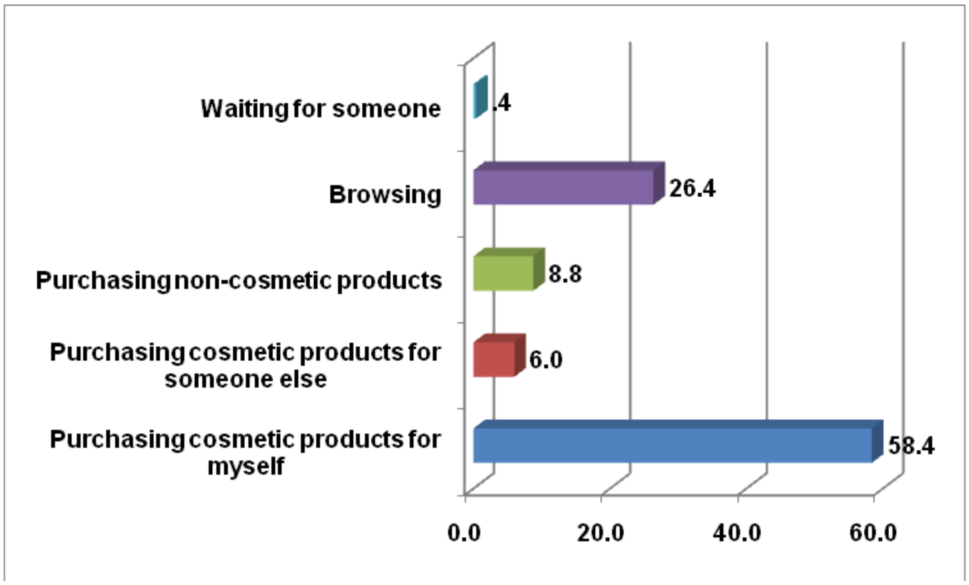


Interviews were split between clients exiting The Body Shop, and those exiting Clicks. With Clicks having far more clients, it was necessary to adjust the sample split to account for this and ensure the final sample of 250 interviews was completed. In the end, 60% of interviews were completed at Clicks and 40% at The Body Shop.

2.3 USAGE TRENDS

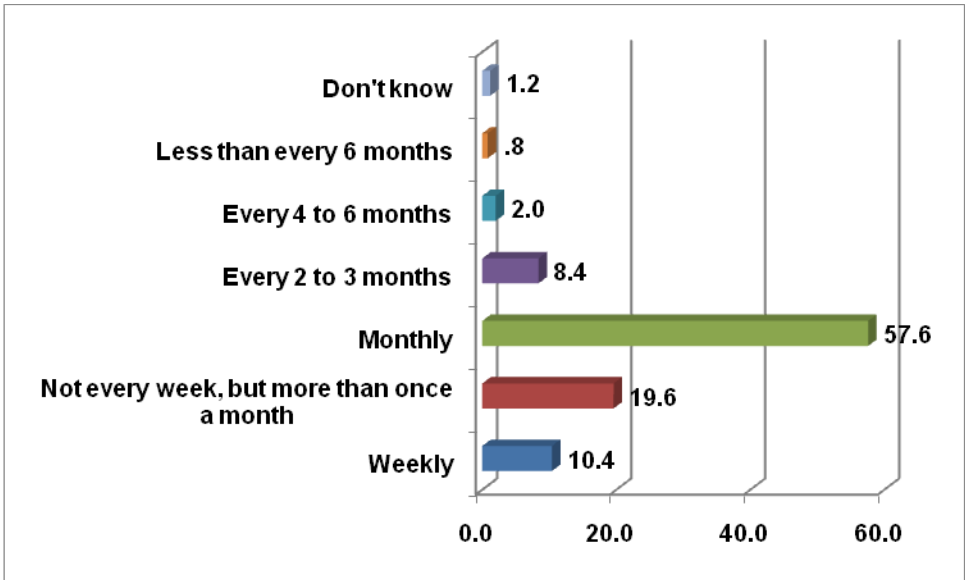
When enquiring what the main reason was for visiting the shop, 60% of respondents indicated it was to purchase cosmetics for themselves. A further 25% visited the shop simply to browse. Chart 2 below contains a more detailed split of responses.

Chart 2: Main Reason for Visiting Shop (%)



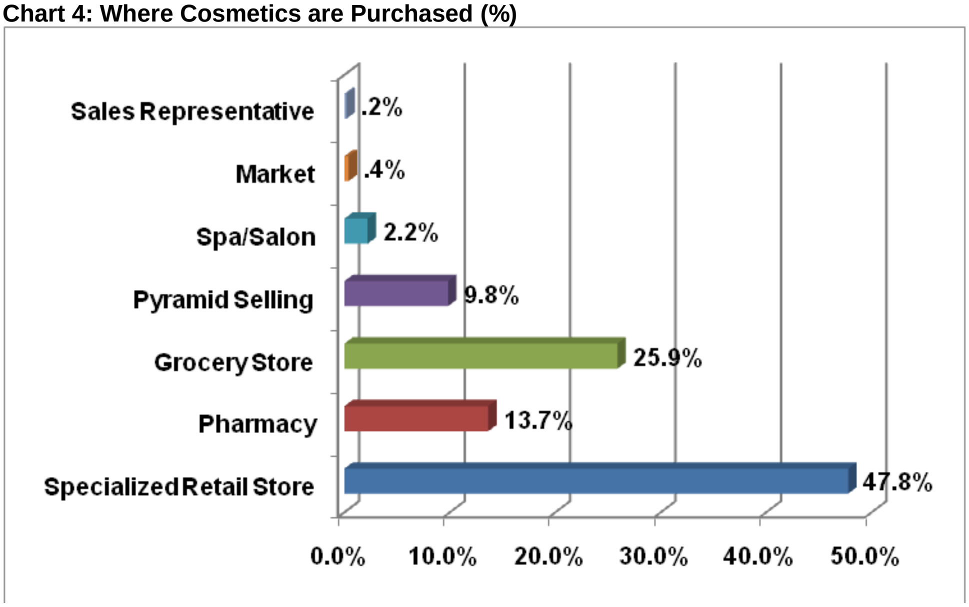
When enquiring about the frequency with which cosmetics products are generally purchased, 60% of the sample indicated that this was done monthly, with 20% of respondents stating that this was done more regularly than monthly, but not quite weekly. A further 10% indicted that they purchase cosmetics products on a weekly basis. Chart 3 has more details.

Chart 3: Frequency of Purchasing Cosmetics (%)



With regards to where cosmetics products are generally purchased, half of the sample reported that they buy from a specialised cosmetics retail store, with a further 25% reporting that they purchase cosmetics from a grocery store. Please refer to Chart 4 below for details.

Chart 4: Where Cosmetics are Purchased (%)



2.4 INP AWARENESS & USAGE

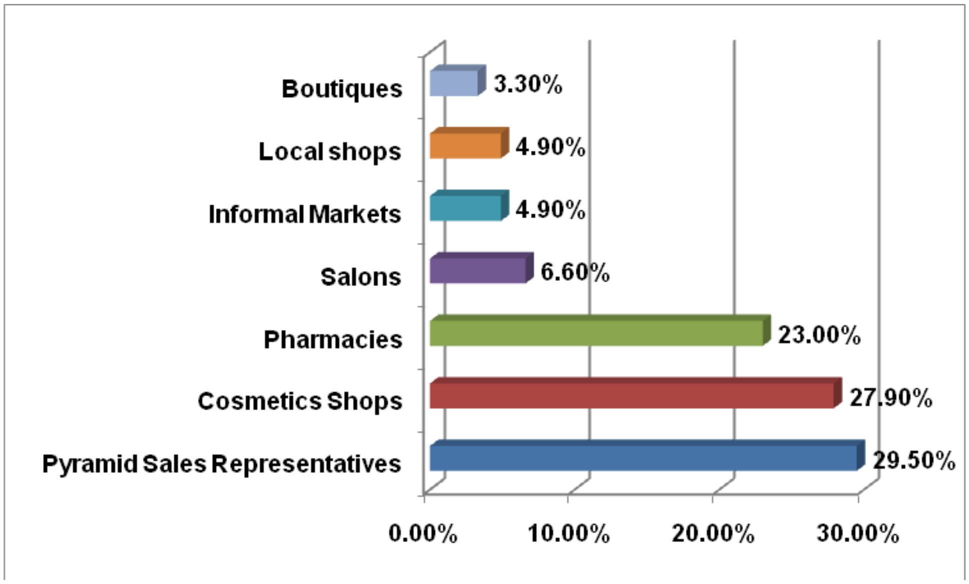
When asked, 66% of respondents indicated that they had heard of Indigenous Natural Products (INPs). With 80% of those reporting that they had heard about INPs being used in the production of cosmetics. Furthermore, half of these respondents claimed to specifically purchase cosmetics products containing INPs. Table 1 below contains a breakdown of INPs identified by respondents. Note that names of INPs were reported as verbatim for purposes of emphasising awareness. Also, non-Namibian INPs were not omitted for the same reason.

Table 1: INPs used in Cosmetics (%)

INPs Used in Cosmetics	Percent (%)
Marula	46.6%
Devil's Claw	12.3%
Ombeke (Ximenia)	9.6%
!Nara	8.2%
Hoodia	5.5%
Aloe Vera	5.5%
Kalahari Melon Seed (Tsamma)	4.1%
Commiphora	2.7%
Ximenia	1.4%
Olive Oil	1.4%
Rooibos	1.4%
Rose wood	1.4%

Pyramid Sales (30%); Cosmetic Shops (28%); and Pharmacies (23%) appear to be the most popular avenues for purchasing INP cosmetics. Chart 5 contains a breakdown of where INP specific cosmetics are generally purchased.

Chart 5: Where INP Cosmetics are Purchased (%)



Respondents were probed on the Cosmetics Brands or Types of INP Cosmetics they used regularly. Table 2 below has a breakdown of responses.

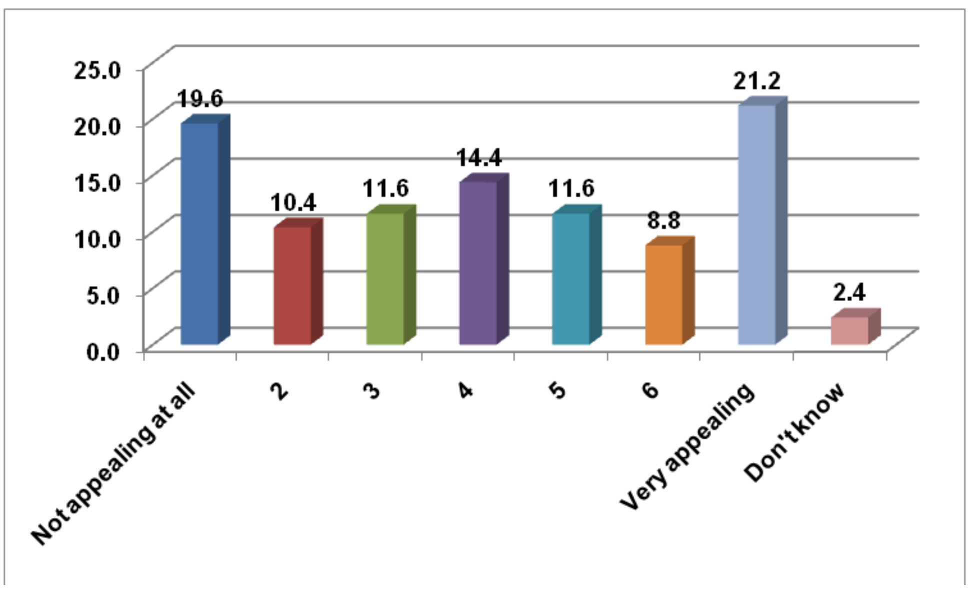
Table 2: INP Cosmetics or Brands used regularly (%)

INP Cosmetics / Brands Used Regularly	Percent (%)
Marula	23.9%
Ombeke (Ximenia)	19.6%
Swizgard	8.7%
Olive Oil	6.5%
Rose Wood	6.5%
Devil's Claw	4.3%
Hoodia	4.3%
Sunsilk	4.3%
Omathee	2.2%
Tsamma (Kalahari Melon Seed)	2.2%
!Xava	2.2%

Avon	2.2%
Dark 'n Lovely	2.2%
Kalahari Melon Seed	2.2%
Ximenia	2.2%
Avara	2.2%
PEWA	2.2%
"Cream tube with a tree on it"	2.2%

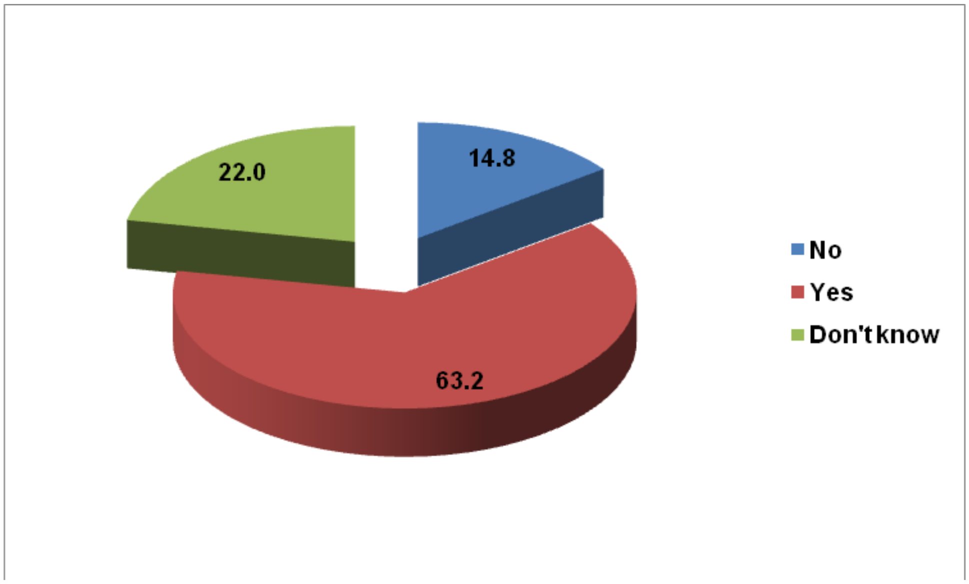
Out of the total sample, about 40% of respondents indicated that they purchase cosmetics that are labelled as “Green” or “Natural.” In terms of appeal, there was large discrepancy within the sample on how they felt about products labelled as “Green” or “Natural” as shown in Chart 6 below. Ratings were done according to a 7-point Lickert Scale.

Chart 6: Appeal of Cosmetics Labelled as “Green” or “Natural” (%)



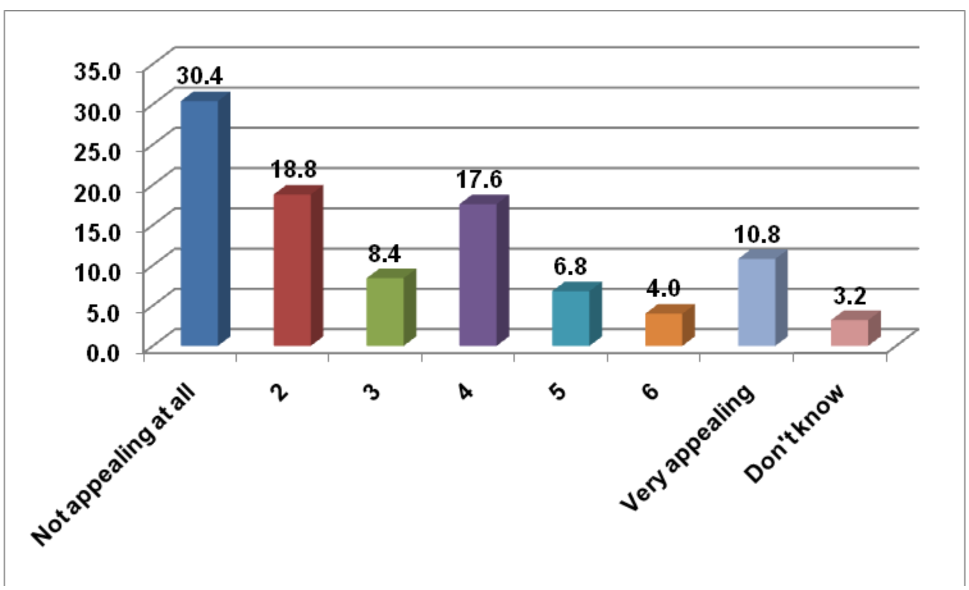
Although the general appeal of some form of organic brand certification was rather unconvincing, most respondents did feel that natural products were better for them than regular commercial alternatives, as is shown in Chart 7. This might well be due to the fact that consumers do not always trust large-scale certifications as being truthful, since many of products currently being labelled as "organic" contain only trace elements of the natural products they advertise.

Chart 7: Respondents who feel that cosmetic products labelled as "Green" or "Natural" - or those containing INP's are better for consumers than commercial cosmetics products (%)



In terms of Namibian Produced Cosmetics, 35% of respondents indicated that they had purchased locally manufactured cosmetics products, however the overall appeal of cosmetics products manufactured in Namibia is low, as is shown in Chart 8.

Chart 7: Appeal of Cosmetics Products Manufactured in Namibia (%)



When considering the availability of the various types of cosmetics products on the Namibian market, it is clear that cosmetics manufactured in Namibia, as well as Indigenous Natural Product cosmetics as far less obtainable than the more commercial derivatives available on the market. Even commercial products branded as "Green" or "Natural" seem to be well represented in the Namibian market. Table 3 contains mean scores out of 7 for ratings related to the accessibility of cosmetics products in the Namibian market. All items were rated according a 7-point Lickert Scale, where 1 = not readily available, and 7 = readily available.

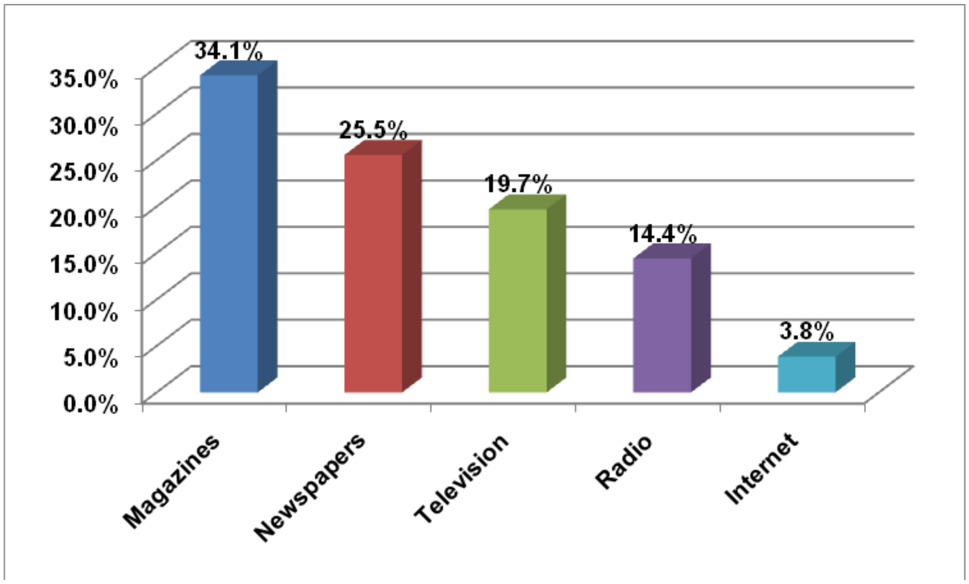
Table 3: Rate the availability of the following in Namibia (Mean out of 7)

Big Brand Cosmetics	Green/Natural Branded Cosmetics	Cosmetics Containing INP's	Cosmetic Products Manufactured in Namibia
6.45	4.41	3.17	2.6

2.5 MEDIA AWARENESS & USAGE

Respondents were asked which media channels they most relied on for information on new products and current trends. As is clear from Chart 8 below, Magazines (35%) hold the highest esteem amongst consumers, followed by Newspapers, Television, Radio and Internet.

Chart 8: Media Channels Most Valued for Information on Products/Trends (%)



2.6 CONCLUSIONS

The findings of this snapshot survey show that cosmetics shopping is largely done through specialist cosmetics channels (specialist stores, pyramid selling/sales representatives and pharmacies) and at monthly intervals, as opposed to an ad-hoc convenience basis. This seems to indicate that cosmetics shopping is a planned event and that cosmetics carry important consideration amongst consumers.

Knowledge of the term “Indigenous Natural Products” was high, with 66% of all respondents claiming they knew what INPs were (although some were found to have been misinformed.) The majority of these respondents were also aware that INPs were used in the production of cosmetics products. More than 25% of the total sample claim to specifically buy cosmetics products that contain INPs. The most familiar INP being used in cosmetics was Marula, cited by nearly half of respondents with knowledge of INPs being used in the production of cosmetics.

When purchasing INP cosmetics, respondents rely mainly on pyramid (personal face-to-face) sellers, specialist cosmetics stores and pharmacies to supply them with their desired products. The most popular INP Cosmetics Products reportedly being used by respondents were Marula (23.9%) and Ombeke (Ximenia) (21.8%).

When considering the appeal of using an “organic” brand certification to market INP products, only 40% of the total sample surveyed indicated that they purchase cosmetics products labelled as “Natural” or “Green.” Furthermore, when rating the appeal of cosmetics products labelled as “Green” or “Natural” – respondents were divided, as half found it to be appealing, while the other half did not. This may well be due to the fact that more educated cosmetics users who prefer organic products were sceptical of such claims, since commercial products advertising such products often only use trace elements of the products they are said to contain. The majority of respondents felt that cosmetics labelled as green or natural, or products containing INPs were better for consumers than the commercial alternatives.

That being said, the general appeal of cosmetics product manufactured in Namibia was not good, with only about 20% of respondents rating the idea as appealing. This might be due to a general lack of trust in Namibian manufacturing standards and should be further investigated.

The snapshot found that popular commercial cosmetics products and brands (even those labelled as “Natural” and “Green”) were readily available in Namibia, far more so than cosmetics products containing INPs and specifically products manufactured in Namibia.

When learning about new products and current trends, respondents primarily looked to magazines for information, followed by newspapers, television and radio. This shows that access and usage of mass media does not guarantee the effective spread of information. Although it is safe to assume that word of mouth has had a major impact on the spread of INP Cosmetics awareness in Namibia to date, it might not be the most effective marketing channel to use for large-scale consumer education.

3. PRODUCER/RETAILER IN-DEPTH INTERVIEWS

In addition to the snapshot survey, 10 in-depth interviews were conducted with cosmetics producers and retailers to gather their views on markets, as well as cosmetics products containing Namibian Indigenous Natural Products, or other natural/organic ingredients.

The main aims for the depth interviews were to probe:

- Current and potential market climate of Namibian INP cosmetics
- Future growth
- Barriers to growth
- Pricing
- Brand certification
- Emotional drivers of Namibian INP cosmetics
- Marketing

3.1 NAMIBIAN INDIGENOUS NATURAL PRODUCTS AND ITS USE IN COSMETICS

Respondents interviewed were largely producers or retailers (sometimes both) of INP oils, INP cosmetics and also other natural/organic (non-INP) cosmetics products. Although many of the respondents have been experimenting and producing items from Namibian Indigenous Natural Products for close to 10 years, the majority of products currently available from participants had been developed during the past five years, indicating a period of initial market penetration for Namibian INP cosmetics. As one participant said: "2008 was when it took off." This timeframe repeated across several interviews.

Namibian INPs used in cosmetics offered by respondents included:

- Marula
- !Nara

- Kalahari Melon Seed
- Ximenia
- Manketti

Other (non-Namibian) natural/organic products mentioned included:

- Olive Oil
- Aloe Vera
- Rooibos
- Bio Oil

Product ranges offered by respondents were:

- INP (Base) Oils
- Hair Products
- Lip Balms
- Body/Hand Lotions
- Moisturising Oils
- Soaps
- Facial Cleansers/Toners/Moisturisers
- Make-Up (Colour Foundation)

All of the respondents indicated having had prior knowledge and experience with their selected INPs, long before they became involved with cosmetics. This familiarity was also cited as the main cause of interest in the industry and eventually the development of their products/services. Respondents were all extremely knowledgeable about Namibian INPs, not only from a traditional usage point of view, but also from a scientific point of view. One respondent indicated that they had several INPs tested and analysed in a laboratory.

One of the main reasons for respondents producing cosmetics products from INPs was due to a belief that Namibian INPs and the locally produced cosmetics offer a higher quality product to consumers compared to other commercially available cosmetics. As one respondent explained: “The aim is to provide a natural alternative. We need to lighten the chemical load on people.” Even when comparing Namibian INPs to other green/organic ingredients and products on the market, there seemed to be a sense that Namibian INPs were superior. “There is a big difference… [between Namibian INP and other Green/Natural products] They might contain good ingredients, but our INPs are local and good. I use large amounts of oil compared to commercial green products, who use only trace amounts of their INPs.”

Another reason given for the use of Namibian INPs in the manufacture of cosmetics was the national pride in the traditional application of these INPs. One respondent explained: “I am proud of it. It is part of my culture. My heritage. I grew up with it and used it always.” Another said: “I grew up with it and wanted to make it commercially available”

3.2 NAMIBIAN INP COSMETICS MARKET

Based on the previous information, two distinct local market segments emerged. One targeting and supplying products to a commercial cosmetic and novelty market, while the other ensured that traditional cosmetic products were made available to the local people who no longer had access to the traditional INPs, largely due to urbanisation.

Despite the local knowledge, there was a sense that the international market potential for INP cosmetics was slightly better at this stage than the Namibian market. Respondents offered “… a type of person” who buys INP cosmetics, however very little information was supplied from which to be able to identify such a person. Some respondents did seem to suggest that this commercial target “Person” would be found both locally and abroad and that they would account for a potential market of around 20% to 30% of the total cosmetics market, both globally and locally. It is important to note however that this was an estimate, and in no way based on any concrete factual information. Other respondents could not offer an indication of market share or potential market size, other than to say that they believe it will grow over the next 5 years.

3.2.1 MARKET GROWTH

When probing the current state of the market, initially some respondents felt that it was good, while others saw it as struggling. However, when exploring the reasons behind their opinions, they all painted the same picture of the Namibian INP cosmetics market. Respondents were unanimous in their confidence that there is massive potential for growth in the Namibian INP cosmetics industry, but that a lack of (particularly local) consumer knowledge and the global financial crisis were to blame for the market not currently faring as well as it could. Respondents would like to see marketing on a national level to help educate consumers on the benefits of using products made from Namibian INPs. One respondent mentioned: “Look at the EU and what they did for Olive Oil. It needs to be promoted by government and other stakeholders at a national level. And there needs to be protection.” Respondents frequently mentioned marketing as the most important factor for industry growth, but the feeling exists that this marketing should come from somewhere other than the producers/retailers. As one respondent said: “People who are aware [of the benefits of the use of INP cosmetics] will be sceptical of advertising.”

3.2.2 BARRIERS TO GROWTH

There are currently very few investors willing to fund start-up/expansion costs in the INP cosmetics industry. This coupled with relatively small returns on investment in a slow growing marking contributed to the fact that financing was the biggest barrier to growth cited by respondents. The only other barrier to growth cited by respondents was the quality of raw INP ingredients (mainly oils), particularly from small-scale presses. Since the industry is unregulated, quality is not consistent. Respondents were largely satisfied with supply of raw ingredients to ensure the sustainability of their businesses, however the problem of quality of raw ingredients affecting their product quality was raised. One respondent mentioned: “There are lots of suppliers, but I have had some nasty experiences with poor quality from small presses.” To curb this, some manufacturers have opted to process their INPs themselves, inadvertently causing growth and diversification within their business. The other reason mentioned for producers becoming more self-reliant on processing raw INPs was the fact that these products have a fairly short shelf life if they are kept natural – unless they are mixed with artificial preservatives.

Despite the challenges that exist, respondents were all managing to keep their heads above water and have all established their businesses to the point of being sustainable, even though challenges exist.

3.2.3 PRICING

Respondents offered several factors that influence the price of Namibian INP cosmetics. Firstly, there is the question of value, since local producers believe their products to be of a higher quality than other commercial alternatives, thus warranting a higher price tag. As one respondent noted: “The general market is not aware of the value of our products, so they see it as expensive.” Secondly, production costs to small-scale producers often hinder competitiveness in the market. While the majority of products from respondents were more expensive than commercial alternatives, respondents defended this by citing high production costs and superior value.

When probed on competitiveness, respondents felt that it was unrealistic that they could ever compete with international cosmetics brands, and therefore decided to cater for a niche market instead of trying to break into the mainstream commercial market. One respondent said: “We’re not competing with commercial products head on. I don’t think we have that potential.” That being said, it is worth noting that Namibian INP cosmetics are not necessarily excessively over-priced compared their commercial counterparts. One respondent quantified offered the following comparison: “The price for INP products is higher, but not much. My body lotion is N$35 for 250ml, while Vaseline is N$38 for 350ml.” Another respondent offered: “We are much cheaper than Bio Oil. If you’re selling in-country you can’t be expensive.”

3.3 PRODUCT DEVELOPMENT

Not always ready for rollout, all producers mentioned continuous product development on their part, while retailers were always looking for new products to offer clients. It is important to note that this was not limited to products containing Namibian INPs.

Respondents were all looking to expand and diversify to ensure continuous improvement on quality, even if this meant using non-Namibian INPs. One respondent offered: “We only have oil. We can learn a lot from other countries and their products.” Another said: “I want to use Shea Butter and Aloe. It might not be Namibian, but it’s in the region. There is a problem with the smell of some of the Namibian products. I do not use artificial fragrances.” One respondent even indicated a long-term dream of creating individual lines of INP cosmetics for different countries in Africa, each line based on locally available traditional products.

Respondents who focussed only on one type of INP at present were all aware of and largely knowledgeable about other Namibian INP alternatives. Some were already exploring the possibility of incorporating these INPs into their products, while others saw them as a potential backup plan, should their current INP supply suddenly become unstable in future.

Although product development came across as a very open and creative process, it was mentioned that consumer preference and the availability of financing actually determines which products inevitably make it onto the market.

3.4 BENEFITS OF NAMIBIAN INP COSMETICS

When considering all of the benefits of producing cosmetics from Namibian INPs, respondents offered a number of positive advantages. The belief that Namibian INPs were superior to many other cosmetics ingredients was the most important factor offered by respondents. This was followed by the financial benefits of the industry on a personal level, as well as on a wider community level. Respondents seemed to have a sense of responsibility for the communities harvesting and processing their particular INPs and exhibited a sense of pride in helping to stimulate wider economic growth.

3.5 MARKETING

At present, marketing of INP cosmetic products is limited to personal face-to-face educational marketing, mainly at trade fairs and expositions, where manufacturers/retailers could inform customers about the products and their benefits. The only advertising materials mentioned were brochures and websites, with one retailer noting products being mentioned on advertisements in the Air Namibia in-flight magazine, the Flamingo. Again, it is important to note that respondents seemed to think that commercial advertising would in fact detract from the image of natural quality that they would like to maintain.

3.6 CONCLUSIONS

Respondents indicated very similar pathways leading them into the INP cosmetics industry. It seemed to be that knowledge of and an interest in Namibian INPs and its traditional uses led respondents to further study and experiment with these INPs to create marketable cosmetics products. And although many respondents have been experimenting with and started producing INP cosmetics over 10 years ago, it appears that the past five years has seen unrivalled industry wide development and growth.

Two distinct Namibian INP markets seem to exist, one targeting a commercial cosmetics and novelty market, while the other provides traditional cosmetics products to Namibian women who do not have access to traditional INPs. It was indicated however that the international market offers more opportunities for growth at present than the local market. That being said, respondents were generally positive in their outlook for the growth of the industry over the next five years.

Regarding the current state of the Namibian INP cosmetics industry, respondents indicated that consumer education would be a key driving force behind growth and that a broader stakeholder backed drive on a national level would be the perfect platform to present the benefits of INP cosmetics to consumers. This drive should include the endorsement of INP cosmetics products from government, NGOs and various other Industry Associations and should ideally offer some type of industry protection, while at the same time giving support to educate consumers on the benefits of using INP cosmetics.

Since the industry is not extremely lucrative yet, very few financing options exist for producers who want to expand and grow their businesses. The other production problem cited was the lack of industry regulation of raw INP products used in the manufacture of cosmetics, specifically the quality of oils from small presses. Industry regulation would ensure that Namibian INP cosmetics could be held to the highest possible standards, which is one of the driving factors behind respondents wanting to produce cosmetics in the first place.

Respondents believe that their products are of a higher quality than commercially available alternatives and therefore justify higher prices by citing greater value for money. Another reason for the higher price of Namibian INP cosmetics is due to higher production costs of smaller scale operations. That being said, Namibian INP cosmetics are not always excessively over-priced when compared to many commercial alternatives. Price is however also influenced by how far the retail product is removed from the manufacturer.

Namibian cosmetics producers are currently refining and expanding their product ranges and are committed to providing high quality products to consumers. Many respondents want to expand by using other INPs in future, both to set themselves apart from competition, but also because they feel that this could benefit their product quality.