



INNOVATIVE INTEGRATED TRAINING IN HEALING PLANTS BUSINESS

IO3 - The Total Business Plants Training Material

Module No. 4

“Business start-up in the sector of medicinal plants”

FyG Consultores



- **Summary**

Unit 2 “Market Analysis” shows all data connected with European markets and current situation in specific countries. Presenting the customer profile will help to understand the situation and needs that exist on the labour market. Market analysis is connected with overall view that is related to herbs and plants.

- **Learning outcomes**

- ✓ **Knowledge, understanding and professional skills:**

1. Extensive knowledge and possibility to discuss about: labour market and specific analysis about EU situation in terms of new herb/plants Start-Ups
2. Connect all information and data from business sector with medicinal plants industry.

- ✓ **General and transferable skills:**

1. Show knowledge related to business vocabulary.
2. Plan and follow the business needs and expectations
3. Work alone or with team and set up activities that lead to the main goal.

Unit 2: Market Analysis

Before you go out of your comfort zone you have to check where, how and when should you go and where will you have a chance to succeed. Market analysis is another must for your business – check where is a need, who might buy your product, who is already buying the same product but maybe more expensive, where people are not interested in medicinal plants/herbs – if they are not interested maybe its worthy to check why and start there? Market Analysis can give you a lot of answers for questions related to your future customer.

Nowadays people want to live and have healthy life and pay more attention to what they eat and how they eat. Due to this change, there is a big chance for medicinal plants and herbs to get into the market and attract more clients. Listening about eco-friendly products you might realise that with eco-friendly Medicinal Plants you have a chance to succeed and grow very fast.

If people get what they want and at the same time it's not very expensive but is helpful they are happy and by the time they are willing to pay more for the same product. Making people happy will make you happy.

Medical research show that there are many herbs which can be used as health alternatives to expensive medicines. It's been reported that in Germany, doctors write seven times as many prescriptions for St John's Wort as they do for Prozac for depression. Because of this fact Medicinal Plans Business is really a good business as people will always get sick and need health support.

Sell my product in the new market. How am I going to do it? How to sell my product now if I have no idea where to go?

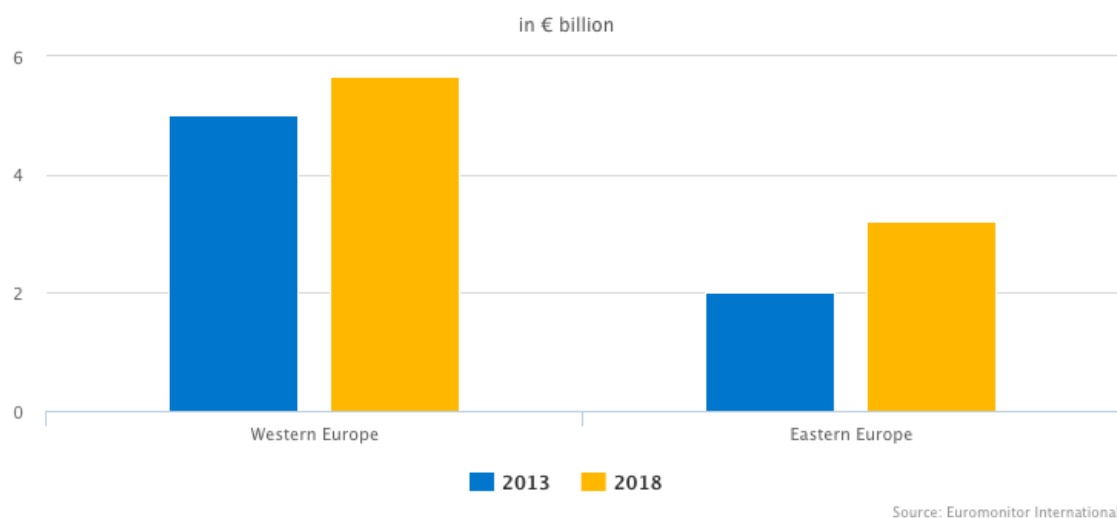
Living in 21st century process of selling in not a problem. The issue can be what to sell and how because there is always a way to do it. The market is giving us many channels and due to that fact it's very easy to sell as you can do it online using your online shop/website and at the same time keep selling in your shop or farm. If you run your business at the farm maybe there is a fresh market where your customers go every morning? All eco-friendly events are full of your potential clients as for them their health is very important and they are more likely to try your products. Once the good product will reach to the

client it might start an automatic promotion process by “selling” success stories to the neighbours and friends.

There are also many other good news!

- European consumers are becoming more aware of the importance of healthy lifestyles. They take more responsibility for their personal health, integrating mental and physical wellbeing.
- *Euromonitor expects the European food supplements market to grow by 28% from 2013 to 2018. Demand for food supplements is strongest in Western Europe: Germany, France, Italy and the UK. (CBI, Ministry of Foreign Affairs)*

Figure 1: European food supplements markets



- *The strongest growth stems from Eastern European countries, such as Poland, Romania and Slovakia. In 2018, the region is expected to reach a market size of €3.2 billion. Russia makes up around two thirds of that. (<https://www.cbi.eu>)*
- Very popular trend to live healthy and eco connects with need of healthy products which are safer than synthetic alternatives. Trending natural ingredients include marine ingredients and all that contains Omega-3
- This generated a renewed interest in natural remedies for healthier lives, such as herbal medicinal products
- France and Germany are the region’s market leaders in terms of market for herbal medicinal products in Europe.



- In 2015, consumers from Germany spent 1.15 Euro billion (retail prices) on making self-medication herbal products. In 2008, France held a share of 24% of the European market for herbal medicinal products. France is the number-two market in Europe.

The market for herbal products in the United Kingdom was estimated at *£485 million (€668) in 2012*. This figure also includes food supplements. Spain has a relatively small and declining market of €213 million.

In Eastern Europe, Poland is the main and growing market. A rough estimate of the Polish market is €600 million. (CBI, Ministry of Foreign Affairs)



Interest herbal medicinal products is growing in East European markets, specially Bulgaria, Czech Republic and Romania. Looking outside of the EU, Russia is the main market where we can see that medicinal products market is growing as well.

- Consumer interest in people-helping-people is definitely growing.

This trend of people-helping people is especially strong in the United Kingdom. Consumers are interested in helping others and receiving help or information from others. People are interested in knowing real stories and examples of groups that harvest and produce special ingredients, which later can be used in daily bases.

Due to that phenomenon, you can also document socially sustainable production methods to support and substantiate your marketing story.



By 2050, around 30% of the European population is approximated to be 65 years and older. This is much higher percentage than it was in 2013 – 17%. It's important to have in mind that the senior generation is an important market for natural healthcare products. This target group use more self-care products than younger easy-going generation and are increasingly interested in natural healthcare offers.

European manufacturers differentiate their marketing target group to specific age groups or segments within the older population, for example menopausal women and people over 70.

In all parts of the world an ageing population has specific health needs different than the young generation. Around 22% of Europe's population is reported to be under long-term treatment for health problems with many areas as: muscles, bones and joints, such as rheumatoid and arthritis. Frequently consumers are looking for natural products that they can use on a daily basis and for a long-term instead of using conventional medicines. Main ingredients that are getting very popular include frankincense, turmeric and capsicum.

Because of that people pay more attention to those who grow their own medical plants and sell them later to the other (People helping People)

- Rising stress level has an impact on medicinal plants market

Nearly four out of fifteen people in Europe are affected by anxiety and depression every year – which is a lot. A major source of stress is work-related aspect. Stress that is work-related is most often reported by workers everywhere that are between 40-54 years old. Moreover, 31% of the Western European population have reported difficulties related to sleep and rest.

Other sources of rising stress levels include:

- Travel
- Pressure
- Sensory overload
- Huge quantities of information

There is an increasing big need for health products to relieve symptoms related to stress (at work, at home, travelling). In Europe, the market offers mood/relaxing food supplements which is the highest in France and Belgium.

In France, this takes up 10% of the total market (€611 million) and in Belgium 10% of a €188-million market. Herbal food supplements that help reduce stress are expected to benefit from the trend towards preventive health care.

- Growing popularity of aromatherapy another chance for medicinal plants market

There is also a good market for aromatherapy in the United Kingdom and the Netherlands. Here, as in most other Western European countries, aromatherapy products are at the same level as cosmetics. Products are primarily used for relaxation, stress release or preventative care rather than as a form of medication for particular health problem.

- There is more interest in herbal veterinary medicine

The demand of organics (eco-friendly) meat and dairy make many farmers think about changes that they need to apply to the sector of feeding and recovery of the animals. It's observe that there are many opportunities in Western Europe for veterinary natural medicine directed at pets and horses. At the same time this trend leads us to the conclusion that food and feed supplements for pets can be connected with medicinal/herbal plants. For example: chia seeds are very good for pets, supplements for joint or digestive support or those containing Omega fatty acids or fish oils.

The ingredients used are similar to those used in herbal medicinal products for humans. Examples include rosemary and oregano as raw materials and/or essential oils.

Industry sources warn that in general targeting the herbal feed supplements industry may be difficult at the beginning. The legislative framework is different from human medicine and supplements and can even be stricter, especially for feed additives for industrial production of food, meat, eggs, etc. Because of that it's crucial to make sure you have all needed knowledge in order to sell the product for the Human and not only used.

Wondering where could you start? Would you like to go global? If yes, here are some advices and places where you have a chance to succeed but at the same time there might be more competitors.

- ✓ Countries where you could expand your business and at the same time be aware as they might be your competitors:

➤ POLAND

Polish growing health market is the largest in Central Europe and it offers opportunities for developing this country. Especially herbal medicine and food supplements make up a considerable share of this market. Local demand for ingredients is focused on plants used in Western herbal medicine, but at the same time there is a growing demand for established tropical species for local consumption and exports to neighbouring countries as Germany, France.

Consumer profile

Poland represents the largest market in Eastern Europe for (herbal) medicine and food supplements. Polish inhabitants have a strong tradition of collecting, cultivating and using herbs for their health purposes. The knowledge among consumer and interest amount collection communities has changed a lot in recent years, there is still a strong interest in the private sector. There are many meetings and events organised connected with herbal/medical plants topic. The purpose is to build consumer interest in herbal health products in Poland and outside the country.

If we compare Poland with more innovative Western European markets like the UK, Poland still remains traditional, focusing on temperate species with a long-established history of use in the country. Health products in Poland have relatively often been combinations of herbal ingredients with minerals and (synthetic) vitamins.

Good to know and to remember that in Poland, part of the consumption of health products is registered as herbal teas. Herbal teas account for 14% of the €310 million Polish tea market, according to the Ministry of Treasury.

Main suppliers in Poland are from their region. Poland as country is a trade hub for Central and Eastern Europe and has a strong extraction industry. Regional suppliers include several East European countries most of them are: Ukraine (9.7%), Bulgaria (8.6%), Russia (6.4%) and Albania (4.1%). However, Germany is the largest supplier of MAPs to Poland - 37%. Poland's main East European suppliers experienced was growing from 2010 till 2014.

TIPS

- If you are a producer of tropical MAPs, consider your potential for exporting to Poland, as MAPs offer more opportunities for you than temperate species
- Consider establishing a local presence in the Polish market seems as a very good idea. It should be done through a reputable agent or representative and have in mind that price/value remains competitive. Thinking about Poland maybe its worthy to have a partnership with a Polish trading company?
- Very useful market information and interesting companies can be found at PASMI (the Polish Association of the Self Medication Industry) and Polski Komitet Zielarski (the Polish Herbal Committee, website in Polish only).
- Go and show up on the fairs/events related to the herbal market. Trade fairs are excellent venues for finding companies that deal with natural ingredients for health products.

➤ GERMANY

Consumer profile

Germany for a long time represents the largest market in Europe for (herbal) medicine. In 2013, total (retail) sales of self-medication products, which includes most herbal medicinal products, amounted to € 4.9 billion (AESGP). In 2013, per capital spending on self-medication in Germany amounted to € 61. This is relatively high compared with other European countries. Other countries with high per capital spending include Belgium (€ 71), Switzerland (€ 62) and Austria (€ 71 in 2012). In order to compare with other countries, France and Italy have low per capital spending (€ 35 and € 30, respectively), the same Spain (€ 20) and Poland (€ 19).

Today more than 70% of German physicians prescribe herbs, and St. John's Wort is more commonly used than any other chemical medicine to treat mild to moderate depression.

- Germany has a long tradition of using herbal medicinal products. According to the Institut Für Demoskopie Allensbach (2010), 72% of the German population have used herbal medicinal products at some point in their lives (for their family, at work or their own health care), up from 52% in 1970.
- Germany is the largest and still growing European importer of medicinal and aromatic plants (MAPs). The import volume grew annually by 3% between 2010 and 2014, with the highest growth occurring from 2012 to 2014 (+20%).
- There is a growing role for developing countries in German imports. The developing country share of import volumes increased from 48% in 2010 to 54% in 2014. This is comparable to other main European importers. France (66%) and Spain (59%) have a higher developing country share of imports, while the UK, the Netherlands and Italy have a similar or slightly lower developing country share.

TIPS

- Show understanding of the specific market realities in your promotional materials and communication.
- There is a large market in Germany for established herbal ingredients. The food supplements sector offers greater opportunities for more innovative ingredients.
- German businesses are comfortable about using English in their communications with potential foreign business relations so do not worry about the language barrier.
- Be punctual, as this is highly appreciated in Germany.
- Research the Plant LIBRA Consumer Survey to determine whether your product features in it. Note that the markets for these main products are highly competitive.

➤ THE UNITED KINGDOM

Consumer profile

Interest of natural health products is likely to increase with growing consumer demand for OTC medication and self-medication, as these consumers are more likely to buy natural health options than in other countries. UK sales of over-the-counter (OTC) medication increased by 2.2% between 2012 and 2013. In 2013, OTC sales amounted to £ 2.5 billion (€ 3.2 billion) according to the Proprietary Association of Great Britain (PAGB).

Within the OTC market, the largest product groups in 2013 were:

- pain relief (£ 544 million/€ 687 million)
- coughs/colds/sore throat (£ 444 million/€ 561 million)
- skin treatments (£ 415 million/€ 524 million)

In the UK, the food supplements segment is the one that offers the most opportunities for developing country producers. Consumers are especially interested in natural health products that will increase general wellbeing (They basically want to feel good and healthy). The UK depend mainly on imports of natural ingredients, as local production of raw materials is very limited.

As a result of harmonization of the EU regulatory framework for herbal medicinal products and food supplements, many small shops and sellers have disappeared from the UK market. New legislation on herbal medicinal products has affected the UK much more than other European countries, such as Germany, because of the considerable differences between the old UK legislation and the new harmonized framework.

In 2013, product groups with the largest market share were those aimed at:

- Joint health (16%)
- General health (14%); supplements for general welfare and with multiple health benefits
- Heart health (12%)
- Women's health (9.6%); including supplements for pregnant women, menstruation and menopause
- Energy (around 7%)
- Immune system (6.7%)

Consumer trends in natural health products:

General wellbeing, being happy and feel good: Holistic or lifestyle health products are popular in the UK, as are product ranges consisting of several health products or product ranges that go beyond health to include food and cosmetics. The reason for this is that typical UK consumers of natural health products show greater interest in general wellbeing than in specific indications when compared with consumers in other EU countries.

Interest in non- Western health system: This is caused by demand from the UK's large ethnic populations (South Asian, Chinese, African, etc.) and the interest of other UK residents in something different which is non-traditional health options.

Ageing population that want to live healthy: An ageing UK population may lead to growing demand for products such as herbs and medicinal plants. The main reason for this is that UK consumers over 50 years old represent the largest consumer group for vitamins and food supplements, and they are generally more liable to use and buy natural health products as well. Few years ago (around 2013) we could observe that in the UK had a population of 64.5 million, with the 25-54 age group presenting the largest population group (41%). According to the Office for National Statistics (2012), the average age in the UK is expected to rise to 43 by 2037, compared with 40 in 2013. The number of people aged 80 or above is projected to double to 6 million by 2037.

Increasing healthcare costs significantly: Rising healthcare costs is another consumer trend that is leading to increased sales of natural health products not only in the UK but in any other country. Herbal medicinal products and, above all, food supplements are seen as low-cost alternatives to conventional drugs especially in the case of prevention or long-term use.

Certified ingredients: You will have more opportunities on the UK food supplements market if you can certify your products as fair trade. As it was mentioned before in the UK, consumers have a particularly strong interest in 'people helping people': consumers want to hear stories and know news from their friends, colleagues or neighbours about their experience and acts related with producing health ingredients. With all changes related to this topic, the requirement for organically certified ingredients in food supplements is also growing, as these are seen as healthier options than non-certified ingredients.

TIPS

- Investigate potential buyers: find out whether they are located in the UK, whether they import MAPs or extracts, and whether these products are sourced directly by them.
- For an overview of legislative requirements for herbal medicinal products and food supplements in Europe, please refer to the CBI EU Buyer Requirements – Natural Ingredients for Health Products
- Reach to the UK if you produce tropical MAPs. This market offers opportunities for tropical species.
- If you produce temperate MAPs, have in mind that the UK may be difficult to access. Although cultivation is small-scale in the UK, many of the species have an established and competitive market owing to production in other countries (continental Europe, Kenya).
- Consider your opportunities to engage in e-marketing. This could be a (niche) opportunity in the UK, particularly with regard to supplying traditional products to immigrant populations or people interested in non-Western nutritional solutions, such as the country's large Indian population.
- As the British are rather formal, always address professionals by their surname, unless they indicated otherwise.
- Be aware that rank is respected and businesspeople like to deal with others at the same professional level. Be punctual, as this is greatly appreciated.

➤ SPAIN

Spain has a large market of extracts and imports large quantities of medicinal, aromatic plants and extracts, often from developing countries. Although Spain is still recovering from the crisis, the consumer can still be an interesting target for exporters from developing countries.

People in Spain take a lot of care of their health and at the same time they are looking for low cost products but with high quality.

Consumer profile

Nowadays, consumption of herbal medicine and food supplements is growing, even in the difficult economic situation which is currently affecting many Spanish householders.

Traditionally, herbal products are not very popular health solutions in Spain. Consumption remains limited to a small part of the population. However, Spanish consumers are familiar with herbal health solutions, especially traditional Western herbal medicine based on domestic (temperate) species. One in three Spanish consumers is estimated to have used herbal medicinal products, especially among older generation. Figures are even higher for homeopathy, with 33% of Spanish consumers having used homeopathic products, and an additional 27% using them on occasion or even regularly. Aromatherapy has developed as an important contribution to primary health care in Spain.

Trends in natural health products

Ageing population: Spain's ageing population the same in the other countries will mean higher consumption of health products to (help) remedy the various illnesses associated with age (older age). Moreover, both European expatriates retiring in Spain as well as Spanish elderly more often consume herbal products for their health, especially herbal medicinal products. Important to know that almost 18% of the population is currently over 65 years old, and this is expected to increase to 25% in 2029 and 39% in 2064, one of the highest rates in Europe (INE, 2014).

Increased consumer awareness: There is increased demand for different health product categories, especially food supplements and herbal medicinal products aimed at preventing illnesses. Consumers are looking for healthy options in terms of food, medicines including aromatherapy, and cosmetics, due to an increased awareness of general health and wellbeing among Spanish consumers.

Looking for cheap healthcare options: Spanish consumers see herbal medicinal products and, above all, food supplements as low-cost alternatives to conventional drugs, especially when looking at prevention. This is becoming more pertinent as decreasing disposable incomes have affected millions of Spanish households.

Cut-back in reimbursement of prescription drugs: Spanish consumers are increasingly looking at self-medication products and food supplements where, traditionally, they would have mostly considered prescription drugs for their health care. This has changed since the moment when fewer medicinal products are reimbursed by the Spanish government.

TIPS

- Show understanding of market realities in your promotional materials and communication (thanks to that your customers will know that you know their market and economic situation)
- Consider focusing your MAP exports on Spain, as the country plays a major and growing role for developing country suppliers.
- If you produce tropical species, be aware of competition from other places like South American sources, such as Peru and Paraguay.
- Explore your potential for exporting botanical extracts to Spain, as developing country suppliers play a relatively large role in the country's imports.
- Be aware that it is common when doing business with Spanish people that they take the time to get to know you first before deciding on further business relations. They take their time and it is totally normal.
- Preferably approach companies in the Spanish language. Most international companies will have personnel who speak English. It is useful if documentation is translated into Spanish, as English is still not a widespread language

In order to make it a bit clearer, we present some groups of people that could be your target group:

- ✓ Big companies that care about their stressful employees – they could buy special herbs or plants which reduce the level of stress
- ✓ Owners of animal farms – Some plants or herbs are also for animals
- ✓ Young generation – They care about their healthy lifestyle and also want to buy what is cheaper and good quality. Eco friendly products are a new fashion
- ✓ People who want to lose weight – Some plants might help and work as slimming ingredient

- ✓ People who has difficulties with falling asleep – You know that there are herbs and plants that helps to fall asleep
- ✓ Seniors – they care a lot about their health and not always have enough money to buy expensive medicines
- ✓ People with skin disease/ infections
- ✓ People with depression, without motivation and energy

Another topic and information that you have to know:

- If you want to supply veterinary medicine for pets, go for the Western European market.
 - If your natural ingredient has antibiotic properties, consider veterinary medicine as an additional market.
 - Obtain organic certification for your ingredients if you want to target the herbal veterinary medicine industry for organic meat production.
- What with your competitors? They are everywhere but they can't stop you! Learn from their mistakes and do your job better.

Your competitors can be everywhere and they can also help you or harm you but this is totally normal and correct. You have to be aware of your competitors and always check their products, marketing technique and pricing.

Good advice:

- ✓ Have in mind your competitors from Germany, Eastern European and Egyptian sources if you producer of MAPs (Medicinal and Aromatic Plants)
- ✓ Remember that Germany is the largest European importer of MAPs
- ✓ Germany is the second largest importer of extracts
- ✓ Do not hesitate to check your competitor and try to bit them
- ✓ Each competitor can have something different that can make them better or worse than you

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