

**The last BTFP Technical Updates (April 2004) was devoted to strengthening the supply capacity of BTFP companies. Consideration was given to integrating quality and sustainable use of biodiversity in the supply chain of natural ingredients for cosmetics and pharmaceuticals. Since then, two exchange and training missions have been held with the BioTrade Programmes of Colombia, Peru and Ecuador. After the training workshop held in Bogotá in February 2004, Peru launched a successful training programme on quality and sustainable use. It attracted the interest of businesses, suppliers of raw materials and governments alike, and generated new impetus in the natural ingredients sector. Colombia and Ecuador are also advancing on launching a similar training programme.**

**This issue of the BTFP technical up-dates deals with promoting the demand for natural ingredients. It focuses on the role that B2B strategies can play in trade promotion. In the future, the BTFP is expected to dedicate more attention to match-making between companies and the promotion of B2B linkages, while national partners are expected to concentrate on assuring the supply capacity of enterprises.**

## Using B2B strategies in promoting trade for natural ingredients

*B2B (acronym for Business-to-Business): a business that sells products or provides services to other businesses avoiding intermediaries and the extra costs and transactions involved.*

Developments in world trade, and particularly in the natural ingredients sector, need to take a closer look at business linkages between suppliers and buyers. Global trends show a rapid change in conditions for natural ingredients, forming part of a substitution market with a wide variety of ingredients that have similar applications and come from various origins.

Natural ingredients are processed raw materials originating from animal or vegetal sources for final use in consumer products such as cosmetics, pharmaceuticals and food industries. Use of natural ingredients may contribute to biodiversity conservation. For this reason, the BTFP supports SME supplying natural ingredients from developing countries enabling them to add value and trade their products in developed countries.

As highlighted in the previous technical up-dates, European enterprises seek reliability, quality and cost or efficiency, as well as insight into the primary source of ingredients in developing countries in order to optimise control over quality and safety. At the same time, suppliers need to produce adequate and stable supplies of natural ingredients, comply with market requirements and establish lasting relations with customers.

The development of B2B linkages can bridge gaps in information, skills, infrastructure, knowledge of business partners, export procedures and regulations. Among the suppliers, there is often inadequate information with respect to required quality standards, such as standard operational procedures (SOP) and safety documentation (MSDS).

### B2B: advantages for suppliers

- Long-term and more stable commercial ties
- Fair prices and revenues
- Potential for expanding/entering into new markets
- Fair trade principles
- Risk mitigation
- Skills and technology transfer from larger business
- Best practices related with biotrade activities
- Improving natural resources' management

### B2B: advantages for buyers

- Strengthened and stable supply chains and sustainable development creation
- Cost efficiency and stability
- Product innovation
- Enhanced public image through better corporate social responsibility
- Quality improvement and tracing
- Support sustainable value chains with adequate use of natural resources

The BTFP and its partners are exploring ways to actively promote B2B linkages. On 30 April 2004, the UNCTAD BioTrade Facilitation Programme (BTFP) and the Centre for the Promotion of Imports from Developing Countries (CBI) organised a workshop to discuss strategies for promoting successful business linkages.

The workshop brought together suppliers of natural ingredients from developing countries, buyer European buyers as well as business service providers from the public and private sectors. It was held in Milan, Italy, on the occasion of the international trade fair for the cosmetics industry, In-cosmetics<sup>1</sup>, in which workshop guests also participated.

### B2B meeting in Milan

The main objective of the meeting was to create a forum for discussion and brainstorming with private sector representatives from developed and developing countries and BTFP partner organisations. Ways on how to forge effective partnerships and strategic alliances were discussed during the meeting.

The following questions guided the discussions:

- What are the realistic strategies for companies in developing countries to follow when willing to develop effective linkages with customers and/or partners in target markets?
- What are the existing barriers and perceived risks when wanting to strengthen commercial ties between companies in the European Market and companies in developing countries?
- What are the potential benefits for buyers in the market when expanding commercial linkages to developing countries?
- What actions could/should be taken by entrepreneurs and various private and public stakeholders to develop and sustain such commercial ties over the long term?



### Main workshop outcomes

#### *On realistic strategies:*

Participating business executives confirmed the potential benefits that strategic alliances can bring to their businesses. However, the identification of potential partners was mentioned as a major challenge for the creation of B2B alliances.

*"Creating direct alliances with suppliers of natural ingredients, located in the countries of origin and capable of sustainable and reliable production, is a challenge for our company; yet it would allow us to stay on top of the market with new ingredients..... When we identify a supplier who shows potential, we are ready to explore all possible avenues to promote its products with our European clients."*

Jen Dekker International, The Netherlands.

With respect to B2B linkages, it was also mentioned that it might be more effective to link directly to formulators in buyer enterprises instead of creating linkages with marketing departments. Formulators usually have more concrete information about the buyers' requirements.

Clear guidelines on requirements need to be provided by buyers (GACP, GMP) which are then followed by suppliers: e.g. traceability of ingredients.

#### *On trade barriers:*

Trade of natural ingredients is mainly affected by non-tariff barriers. In the case of natural ingredients, tariff barriers are not considered so important, unless for bulk products. Non-tariff barriers include complex requirements for natural ingredients such as: tests of efficacy, intellectual property, traceability, safety, quality, price, access to the European market and future legislations such as Novel Foods. Nevertheless, buyers and suppliers agreed that B2B linkages could help address these issues as they could reduce investment risks or result in (or resort to) cost-sharing arrangements.

#### *On potential benefits:*

B2B linkages could facilitate joint R&D and innovation, e.g. on natural ingredients with anti-aging, anti-pollution and anti-stress properties. Innovation is determined by multiple factors such as the origin of the species, the conditions of extraction, the interaction with rural communities during production, etc.

The importance of value addition, quality and sustainable use in the natural ingredients sector is becoming increasingly important. European firms confirmed that price is not a determining factor in the case of value-added natural ingredients that have a specific niche that require advanced production and extraction processes in the countries of origin, or "eco" or fair trade certifications. B2B partnerships could give companies access to such high quality ingredients on a sustainable basis.

<sup>1</sup> [www.in-cosmetics.com](http://www.in-cosmetics.com)

*"When we entered the natural ingredients market with Indigo, a natural dye made from native plants from Central America, we imagined that we would be unable to compete as the quality and purity of our product required additional costs which had a direct impact on our prices. Three years later, after we managed to segment the market according to different degrees in quality, the price of our product tripled and we now sell 100% of our output."*

Azules, Asociación de Añileros de El Salvador, El Salvador.

#### *On actions to be taken:*

With respect to actions that could be taken by entrepreneurs and service providers to facilitate B2B linkages, the participants mentioned that traditional meeting methods among companies, such as trade fairs, round-tables, seminars, and symposiums, are a useful starting point. However, for B2B linkages to materialise, personalized approaches and continuous communication processes are required. Small meetings with buyers and suppliers, facilitated by experts, could help to establish B2B alliances.

*"Programs such as the BTFP are an excellent source of information and contact with reliable suppliers. It is very exciting to find suppliers located at the origin of the resources and to explore different alternatives for cooperation. In our role as European industrialists, we are prepared to move directly to the sites of our potential partners and to incur the expenses that this implies."*

Italian Importers Association Assoerbe, Italy.

#### **What's next...**

The meeting showed that the BTFP provides an appropriate framework to promote B2B linkages. In order to further promote B2B linkages, continued communication and follow-up meetings are required. Over the next months, BTFP and its partners will discuss ways on how to put mechanisms in place to effectively promote B2B partnerships.



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