

NEW INDUSTRIES DEVELOPMENT PROGRAM



MADE IN AUSTRALIA

INNOVATIVE INDUSTRY DEVELOPMENT IN AUSTRALIAN AGRIBUSINESS

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Markets

Market planning and identification is an essential skill for the contemporary agribusiness



AGRICULTURE, FISHERIES AND FORESTRY - AUSTRALIA



Photography
Nadine Shaw

From left
John Hunter,
Narelle and Colin
Chenery and
Alf Orpen are
joint directors of
ONE Group.

THE ESSENCE OF ORGANIC BRANDING

Market education drives demand and product line extension for this world market leader

Four years ago, Narelle Chenery was in her kitchen making a, mostly organic, skin care range. Now, because of the demands of her faithful customers, she heads a leading organic company, making not only skin-care products, but also a new range of cosmetic products. All products are certified organic to the highest world standard which, as it happens, is Australian.

While the cosmetic competition is on—many companies are scurrying to be perceived as 'natural', 'safe' and 'pure'—husband and wife team Narelle and Colin Chenery, together with Alf Orpen and John Hunter, the managing directors of ONE Group in Queensland, are trouncing the competition. ONE is producing the world's first range of skin care and cosmetics that are certified organic by

Biological Farmers of Australia (BFA) and its subsidiary, Australian Certified Organics (ACO). These standards and certification are internationally recognised as either complying with or exceeding all importing countries' requirements.

The MiEssence organic skin and personal care range was launched in February 2002 and includes a full range of skin care, personal care, oral care and some

hair care products. Narelle's newest product development is her cosmetics line: she is creating organic lipstick, face powder, foundation, mascara, eye shadow, blusher, lip liner and eyeliner.

Narelle believes the only acceptable ingredients are edible. Her ingredients include organic beeswax, locally grown plant oils such as organic avocado oil and safflower oil, organic herbal extracts, and essential oils such as lemon myrtle and lavender. She does not use synthetic or 'derived from' semi-natural ingredients; there are no artificial preservatives, no colours, no fragrances except essential oils, no artificial emulsifiers in her products. The MiEssence definition of 'organic' is that their original ingredients were grown, cultivated and stored



without use of chemicals, herbicides, pesticides, fumigants or other toxins. Narelle only tests her products on humans; and they are hand-made in small batches and shipped direct from the factory with a use-by date of 12 months.

John explains, 'It was a merging of Colin, Narelle and Alf's company (MiEssence) with my company (Hygeia) and we needed to create a niche market with a unique selling point.' This has resulted in a unique business model which includes retail, health professionals, networking and direct sales.

Narelle adds, 'While we are marketing our products in retail stores, we're not attempting to compete with the big players. At this stage, we're leaning towards educating consumers about the dangers of toxins in the environment, in what they eat and in what they put on their skin. And the best market for us is consumers who are already looking for healthy alternatives. We're going with our strengths: good products and our desire to educate consumers.'

A great market opportunity

MiEssence has entered foreign markets with brochures and advertisements. It has achieved recognition from Japan, with the Japanese Agricultural Standards of Organic Agricultural Products (JAS) mark, as well as America through the United States Department of Agriculture (USDA) new National Organic Program standards. In both countries, MiEssence is the only skin care product range to meet the stringent certification requirements. Organic products must go through the certification process in each market and compliance with the BFA and ACO standards guarantee they will receive organic certification in other countries. Alf explains, 'Ours are the only products that can carry the National Organic Program seal in the whole of America. All other companies now have nine months to remove the word "organic" from their packaging and products.'

Narelle adds enthusiastically, 'This is our huge opportunity. It is a US\$9.4 billion industry and we're the only skin care range eligible to be in the market. All our research confirms, and responses to our samples have shown, American consumers will be over the moon with our products.'

Extending an existing market

Their corporate newsletter, *The Essence*, carries the educative messages, it explains more of their principles to consumers and encourages two-way communication. 'Our extensive mail-order business developed from my educational efforts,' Narelle says. 'The lists started as I received responses to articles published in natural health magazines and newspapers, and through word of mouth. Suddenly, the lists were expanding as sisters, daughters, mothers, neighbours and workmates were added. It has been an organic growth!'

Expansion into cosmetics was based on market demand. As people learned about what they put on their skin, they started asking, 'What can I use instead of toxic mascara or lipstick?' So the move into cosmetics is a concept direct from their existing market. 'It is a powerful mechanism, having direct contact with consumers through newsletters, email, letters and phone orders,' says Narelle.

Alf adds, 'The other thing is, we're growing steadily and our intention is to increase each customer's purchase. These customers are looking at making a lifestyle choice by replacing an existing purchase with our products. The biggest talk in the cosmetics industry is how to increase the level of purchase from your existing customers.'

Streamlining distribution

Instead of launching the products in the cosmetics industry, ONE chose to concentrate on the organics market. 'The easiest market penetration for us is health food shops—they represent the biggest acceptance without too much product explanation,' explains Alf. Organics are an international growth industry. With over 600 stores in Australia and 36 000 in the world, this 'niche' market is looking decidedly healthy.

ONE is also redesigning the MiEssence packaging to attract buyers in pharmacies but, at this stage, is leaving high-end retail until it seeks them out. 'The easiest way into exclusive department stores is when they approach you. This is due to the high cost of entering that market—so ours is a bottom-up approach,' Alf states.

A Pilot Commercialisation Project grant from the New Industries Development Program (NIDP) has helped ONE. Narelle says, 'It has been absolutely fantastic working with them. The money has gone towards buying raw materials for our cosmetics, extending the capabilities of our pilot manufacturing plant, and towards the market research on the finished products.'

Colin adds, 'A lot of our planning—before and during the decision to merge with Hygeia—was happening while I was doing the NIDP diagnostic workshops on investment

At a glance . . .



ONE Group Pty Ltd

Location: Nerang, Queensland.

The project: World's first certified organic cosmetic range—'MiEssence'—including formulas for eight cosmetic products as a new segment in the organics industry.

How project objectives are met:

Focusing marketing on the target consumer.

NIDP funding: \$110 000 supports development of commercialisation for the world's first organic cosmetics including certification.

readiness. Most of the topics were very relevant to the questions we were asking ourselves at the time. The workshops were terrific and I was able to come back to the office fired up with new perspectives and a different focus. That helped us refine what we were doing and helped move the planning along. The business plan we assembled to attract investors is very professional, as a result.'

'I definitely think networking will be a big part of our future success,' continues Colin. 'In the NIDP workshops, there was a lot of information on the culture around the value chain—and the importance of communicating in both directions of your particular chain. Through that, you get more contacts, as far as market entry, because there's a synergy between the different levels, whether production or distribution.'

Narelle also stressed the importance of participating in an industry network. For them it is Queensland's Australian Organic Institute Inc., which is a group of certified organic growers, processors and wholesalers who help each other access markets and help people through the organic conversion process.

Useful contacts

ONE Group www.onegrp.com

Australian Organic Institute Inc.
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