

PART 4 – AROMA CHEMICALS DERIVED FROM ESSENTIAL OILS

11 KEY SUCCESS FACTORS

As a result of the Study, the Key Success Factors (KSF's) , set out below, have been identified. These KSF's are critical to the successful development of the South African essential oil industry.

1. There must be a sustainable and significant **quantity** of essential oil being produced. Each oil has its critical mass, at which point a local supplier/s will get the attention of an international buyer. This requires:
 - Availability of good genetic material
 - Good production systems (nutrition and plant care)
 - Good post harvest treatment
 - Good distillation practices
 - Good storage and handling practices

2. The essential oils must be consistently of the correct **quality**. Besides the horticultural issues, there needs to be careful quality control with no indication of adulteration, contamination or degradation. The delivery of poor quality oils is unforgivable. The requirements here are similar to those relating to quantity. The two aspects go hand in hand.

3. There must be a **market focus**. For technical and marketing reasons, it is important for local players to have a good knowledge of the international industry. It is important to cultivate close relationships with international buyers, particularly the dozen or so large flavour and fragrance houses. The industry is characterised by close relationships and high levels of trust. Although "breaking into" a market may be difficult, once one is an accepted supplier customer loyalty is possible to maintain. Long term relationships must be valued over short term sales considerations. This requires:
 - A good reputation in the market place, both as individual companies and as a producing region (committed for the long term)
 - Knowledge of regulatory parameters and trends
 - The setting of national quality standards and testing procedures
 - Understanding of the market dynamics, nuances and segmentation
 - National marketing campaign and international presence

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4. There must be a high level of **technical service**. The difference between suppliers of raw materials and suppliers of an end product is the knowledge requirement. With sufficient investment in chemistry and organoleptic skills and experience it is possible for a supplier to become a partner and thereby share in the knowledge and the rewards of the downstream industry. This requires:
- Local commitment to ongoing research and development
 - Local commitment to skills development and training

In addition to the foregoing, and as an illustration of how others view the industry, Biosys Plant Extracts (Pty) Limited has identified a number of key success factors⁷⁵ in establishing an essential oil business in South Africa. These are:

- Obtaining reliable market and technical information during the early stages of the project.
- Obtaining the planting stock with the correct genetic characteristics to obtain the oil with the correct chemical composition and in sufficiently high yields.
- Establishing a sufficient critical mass to form relationships with overseas buyers in international markets.
- Consistent quality and specifications of the essential oil
- Understanding the cyclical nature of the profitability of the local and international essential oil market.

Furthermore, in contrast, the American FOA has identified the following as the most crucial challenges faced by most developing countries endeavouring to grow industries in non-wood forest products (which of course can be converted into key success factors, which are captured above):⁷⁶

- Poor harvesting (indiscriminate) and post-harvest treatment practices;
- Lack of research on development of high yielding varieties, domestication etc;
- Inefficient processing techniques leading to low yields and poor quality products;
- Poor quality control procedures;
- Lack of R&D on product and process development;
- Difficulties in marketing;
- Lack of local market for primary processed products;
- Lack of downstream processing facilities;

⁷⁵ www.biosys.co.za/genintro.htm

⁷⁶ "Processing, refinement and value addition of non-wood forest products" T de Silva and CK Atal, FOA

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- Lack of trained personnel and equipment;
- Lack of facilities to fabricate equipment locally;
- Lack of access to latest technological and market information.