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As the naturals & organics market gathers pace, standing out from the crowd is becoming increasingly important. But as Alexandra Shore discovers, Neal's Yard Remedies has an ace up its sleeve

By all accounts, Romy Fraser was ahead of her time when she set up her business dedicated to natural medicine and organic beauty products in the UK 26 years ago. Fraser opened the first store in Neal's Yard in Covent Garden, London on 4 December 1981. At that time, independent traders such as Monmouth Coffee were already installed at the site and the close community atmosphere quickly attracted attention from consumers looking for a certain type of shopping experience.

As these stores were relatively small in size and the site hidden from the beaten track, Neal's Yard relied on word of mouth to attract new customers. The store, originally named Neal's Yard Apothecary but changed to Neal's Yard Remedies for legal reasons, offered a range of toiletries as well as homeopathic and flower-based remedies, essential oils and a variety of dried herbs.

From its inception, the brand's ethic was to offer something to customers that they couldn't get elsewhere, offering a specialised service with a simple and natural ethos. Along with the unique offering of therapies and treatments, key to the brand's success is its staff, three-quarters of which are trained in natural medicine, who are on hand to answer questions and offer advice. The company also holds workshops and evening events where customers are invited to enjoy personal blending sessions. "The brand provides a great in-store experience," explains Catriona Callender, who was appointed managing director last year.

Expansion followed fairly rapidly after the first store was opened. In 1985, to cope with increasing demand, the company opened a small factory in Battersea, South London and the following year saw the opening of two more stores.

Now, with a presence throughout England and stores in Scotland, Wales and Northern Ireland, the current store count lies at 28.

The last year has been one of fervent activity for Neal's Yard. Following organic farmer Peter Kindersley's purchase of a controlling stake in the company for an estimated £10m in 2006, Neal's Yard has used this cash injection to fund an energetic expansion programme.

From the off, Neal's Yard has been careful to site its stores in order to benefit from synergies with the local neighbourhood. The Bedale Street store, for example, is right next to East London's bustling Borough market, a location that fits well with the brand's image. On market days staff mingle with shoppers allowing them to sample products and spreading the word. "This is one of our best performing stores due to the obvious synergy between the two. We leverage the momentum of market days. That sense of community

is important. We're more than just a store, people come to us for advice," says Callender. Concept stores such as the company's Marylebone High Street and Carnaby Street locations carry more contemporary layouts to fit with the locality. And Neal's Yard opened a new store in Leamington Spa last month.

Neal's Yard is also distributed in department stores John Lewis and Liberty, along with supermarket chain Waitrose – all of which provide a good fit with its key values of ethically produced, natural cosmetics. More unusual perhaps is the company's choice of upmarket furniture store, Heal's as a distribution partner, indicating that Neal's Yard isn't necessarily interested in presence for presence sake in the big beauty halls.

Neal's Yard is also present on the international market, celebrating its large following in Japan with ten stores, an organic café and an education centre. Though small, it also has a presence on the US and Canadian markets. However, its European operations have been less successful; a brief sojourn into France resulted in a withdrawal in order to focus on the UK market, according to Callender; to consolidate and build on its 2006 turnover of approximately £11m, a 20% rise on 2005.

A firm grip

Indeed the naturals and organics market in the UK is now a considerable size compared to a few years ago. A recent report by UK business intelligence company, Report Buyer, states that the organic personal care market is set to increase from the current £9m turnover to £12m by 2011. This rise in sales has been prompted by an increasingly savvy public who is taking a greater interest into what goes into its C&T. In fact, this is exactly the type of customer Neal's Yard appeals to.

Callender has great respect for the brand's audience: "Our typical customer is very aware of ethical and environmental issues. Our core customer is well-informed and looking for a natural approach but we also have consumers who are more dedicated to our skin care range in particular." A market where consumers take an interest in the production and sourcing of their products causes little concern to a brand which upholds a level of transparency rarely seen in the consumer goods industry.

"What is going to be important in the near future is ethical, not just what is in the product but how it is produced. We are in very good shape as far as that is concerned," explains Callender.

Indeed, an investigation into the company's sparkling credentials reveals that products are handmade, formulated without parabens and use non-GM ingredients. Neal's Yard is a member of the British Union for the Abolition of Vivisection, is proud to have been the first to achieve Soil Association certification for non-food products and boasts the largest range of certified organic C&T products in the UK.

Certification is important, says Callender, to clarify to the consumer that the product meets their expectations. "We set such a standard for ourselves. We could take shortcuts

but that's not us. It is incredibly confusing for the customer right now. We want to get our

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message out there and would therefore push for European certification to be aligned.”

Of course, with the rise in the organic market comes a rise in competition, but Callender is not unduly concerned: “Heritage for us is so important and newer companies cannot buy that. The natural medicine side of our business is a unique proposition; nobody else on the market is vertically integrated or offers the whole holistic gamut like we do.”

Although the company does not feel it has any direct competitors, Callender points to Culpepper & Napier and Weleda as having a similar ethic and, in certain product sectors, Dr Hauschka, Ren, L'Occitane and Green People provide similar propositions. Though the company is confident of its place on the market, Steve McIvor, communications director, recognises that the market is definitely changing: “The minute supermarkets start bringing out organic own brands, you know that the market has hit the mainstream.”

Callender finds it difficult to place Neal's Yard in the market: “Because the company is present in so many different product sectors, an overall market share is difficult to determine. In the organic skin care category, particularly facial skin care, we are probably market leaders.”

The right attitude

Neal's Yard is naturally keen on highlighting its eco-friendly credentials. In 2005 the company took another step towards sustainability when it opened a new purpose built eco factory in Dorset. The factory, located at Peacemarsh near Gillingham, was specially designed by Feilden Clegg Bradley architects, who also managed the new National Trust and Greenpeace buildings and is renowned for producing environmentally sustainable buildings.

The site is used to grow herbs and flowers, minimising the company's carbon footprint. The premises are built to be low impact, have timber frames and allow in as much natural light as possible. Even rainwater is recycled and ends up in the factory's toilet flush system. Materials for the construction were sourced locally and the company strives to maintain a good relationship with the local community. Open days are held for members of the general public to come and tour the factory and discounts are awarded to those living close to the site.

McIvor enthuses about the site and there is a feeling that this project is a labour of love, rather than just a necessary step towards full sustainability. Since the site is only two years old, some crops are yet to reach maturity. The factory too is still in development

and a new turbine is currently on the agenda. Neal's Yard is also looking to install solar panels.

The key benefit of the site is that Neal's Yard now has access to its very own supply of natural ingredients ready for the picking. However, McIvor points out the fallibility of relying on one particular ingredient source.

Just as suppliers to the food industry are currently feeling the heat as demand grows for organic fruit and vegetables, this demand is sure to cross over into the cosmetics business. In the past two years organic content in C&T products has increased dramatically and this is, in part, why the company has chosen to branch out into the role of supplier as well as manufacturer.

McIvor explains that the brand still relies on the same suppliers with whom it has worked for 25 years, but it is a fact of the business that one can never assume things will run smoothly. "Sourcing is about having to plan in advance. It can be a struggle due to lack of availability. When crops fail we have to think, where do we go now? But that is definitely becoming easier. A challenge for us is that we don't just want organic, but locally sourced too."

In line with the times

The company is looking to a future when it becomes feasible to marry Neal's Yard's values with every stage of the production process, such as using 100% recyclable materials and renewable energy. Every move the company makes is carefully thought out, down to the iconic blue bottles which filter out 97% of UV light in order to protect the organic ingredients inside, to the more structural; one store's counter is made of used plastic bottles.

McIvor is aware that Neal's Yard needs to rethink certain elements of its branding and packaging. For example, while the packaging may offer instant brand recognition, the uniform labels and small font makes it more difficult for customers to distinguish between products on-shelf, so the labels will be updated in due course.

More haste, less speed seems to fit with Callender's agenda for the coming year: "Ours is a medium sized business that is growing. We definitely think Asia has a lot of potential and the US also holds opportunities, but for now we are consolidating our proposition in the UK. It is important to be locally relevant wherever we choose to go."