



CASE STUDY



Growing Inclusive Markets

Business Works for Development • Development Works for Business

Subsaharan Africa • Burkina Faso

***“L’Occitane au Burkina Faso”:* More than just business with shea butter producers**

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Sector • Consumer Goods, Agriculture and Forestry
Enterprise Class • Foreign MNC



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Executive Summary

L'Occitane en Provence is a highly successful French multinational cosmetics firm recognized worldwide for its luxury products based on natural ingredients. For decades, one of the firm's signature ingredients has been shea butter sourced from Burkina Faso. Shea butter is produced from nuts of the shea tree, a tree indigenous to the African Sahel belt. The collection and processing of shea nuts is an activity in which a large part of rural households in Burkina Faso partake and that is traditionally carried out by women exclusively – it is thus that shea is referred to as “women's gold” as it provides a source of revenue for rural women who often have no other source of income.

L'Occitane was founded in 1976 by Olivier Baussan who imbued the company with strong social objectives. A trip to Burkina Faso in the early eighties in search of new natural ingredients instilled L'Occitane's founder with a desire to utilize shea butter in cosmetic formulations and to develop a long-term relationship with the country. Over the years the company experimented different ways of sourcing shea butter from Burkina Faso. Today L'Occitane buys shea butter from five cooperatives that together have 15,000 members and is one of the biggest buyers of hand-made shea butter in Burkina Faso. Unlike several other cosmetics industry players, L'Occitane chooses to source butter produced with semi-artisanal techniques, rather than mechanized techniques, in order to contribute to preserving traditional knowledge and to involve more grassroots producers in its supply chain. Over the past few years, the company has also helped its suppliers get fair trade and organic certification and today it buys all its shea butter at a minimum fair trade price. In order to meet the standards, in terms of quality and quantity, required for the cosmetics industry, L'Occitane's supplier cooperatives have received a lot of capacity building support from NGO and donor organizations as well as from L'Occitane itself.

The collaboration between L'Occitane and shea butter producers has created win-win outcomes for both sides. In 2011, L'Occitane bought more than 500 tons of shea butter from Burkina Faso generating significant revenues for 15,000 rural women and their cooperatives. Each cooperative also placed 2% of the sales revenue from the shea butter into a social development fund used to make social investments in the producer communities, such as financing a district health mutual. As for L'Occitane, the company formulates almost 100 different cosmetic products using shea butter and its shea butter hand cream is the company's best selling product, with one cream being sold every three seconds in shops across the world. L'Occitane's relationship with shea butter producers in Burkina Faso has also become a key part of its corporate story, cherished both by its consumers and its staff.

GUIDING QUOTE

“Some of the results of L'Occitane's actions are obvious: well-dressed women with a bicycle and, increasingly often, a moped. Then there are the results that are not as visible and are the most important: children who have enough to eat, who go to school, and who have access to treatment and healthcare.”

Assetou Nikiema, President of the UPROKA cooperative, “L'Occitane and the Women of Burkina Faso, A Joint Development Approach”



Introduction

L'Occitane en Provence is a French multinational cosmetics firm recognized worldwide for its luxury products based on natural ingredients. The company employs more than 6,000 staff, has over 1,000 shops in 85 countries, is listed on the Hong Kong Stock Exchange, and generated close to US\$1 billion in revenues for the 2010-11 fiscal years. Along with great commercial success, L'Occitane has kept sight of a deep-seated commitment to furthering social and environmental goals. This is well evidenced by the long-term relationship L'Occitane has maintained with shea butter producers in Burkina Faso since the early 1980s, shortly after Olivier Baussan founded the company. Shea butter from the West African Sahel has since become one of the signature ingredients in French cosmetics firms' products and L'Occitane is now one of the biggest buyers of hand-made shea butter from Burkina Faso.

This case study focuses on L'Occitane's involvement with the shea sector in Burkina Faso. Using an approach that L'Occitane itself has labeled "joint development", the multinational has not only positively impacted the lives of thousands of rural women producers but has also contributed significantly to transforming the nature of the shea sector in Burkina Faso.

Context and Genesis of L'Occitane

The shea tree (*Vitellaria paradoxa*) is a wild tree native to 16 countries in Africa, located mainly in the Sahel belt. The nuts have been traditionally processed for centuries by locals to produce shea butter, which is used for cooking as well as for personal hygiene in the form of creams or soap. The production of shea butter, including the harvesting of the nuts, is an activity almost exclusively undertaken by women in Burkina Faso. It is for this reason that shea is referred to as "women's gold" - it provides a source of revenue for rural women who often have no other source of income.

The shea tree, being wild, is not amenable to plantation arboriculture and the nuts are generally harvested for free by rural women from trees growing naturally in open access areas. Small-scale shea nut collecting for sale or for processing is widely practiced by rural households: according to the 2010 Burkina Faso Agricultural Survey, 45% of rural households in Burkina Faso were involved in harvesting shea nuts¹.

Over the past few decades, the West has come to appreciate the nutritional and cosmetic properties of the shea nut and its butter. Since the 1990s, a large export market for shea has developed in Burkina Faso. Most exports are destined for the confectionary industry, where shea butter is primarily used as a substitute for cocoa butter. For this industry, which represents 90% of exports², the nuts are processed in the West or in Asia, limiting the local value addition. The international cosmetics industry, on the other hand, either source shea extract processed by European and Asian manufacturers or shea butter produced in shea-growing countries. Shea butter, which is rich in fatty acids and vitamins A and E has notable

¹ Badini et al. (2011)

² Global Shea Alliance (2011)



moisturizing, anti-microbial and anti-inflammatory properties. The cosmetics industry uses the butter to produce rich and creamy lotions, soaps, shampoos, conditioners, and much more. The cosmetics industry sources two kinds of butter, both of which can be of good quality: butter produced through mechanized industrial processing and butter produced through semi-artisanal techniques based on traditional processes. The former technique yields a greater consistency of quality and is easiest for producing high volumes. The latter technique can also produce butter of exceptional quality in high volumes, but generally requires more time and greater investment in training of the producers to meet quality standards. Mechanized industrial processing is thus the preferred option for most buyers of shea butter.



Source: L'Occitane website

L'Occitane was one of the first Western cosmetics firms to discover the exceptional cosmetic properties of shea butter. Olivier Baussan founded L'Occitane in 1976 in southern France. Coming from a rural farming background, he wanted to create a business based on the values of authenticity and respect of natural ingredients that would contribute to the preservation and improvement of traditional knowledge and processes, as well as environmental sustainability. The company's first products were essential oils, such as lavender and rosemary, indigenous to the Provence

region of France. As these natural products were met with a resounding success, Baussan went to Africa in 1982 seeking natural raw materials that could be used in soap production. In Burkina Faso, he learned about shea butter and its properties, and also developed a deep interest for and appreciation of the country. He brought back some raw shea butter as produced by village women to L'Occitane's laboratories for testing; however, the results of the analysis revealed that the butter was of too low a quality to use in L'Occitane's cosmetic formulas. At that time, the logistics for getting shea butter from the rural zones - from sourcing large enough quantities to packing the butter in suitable containers for transportation to Europe to getting the butter through customs - were nearly insurmountable.

Olivier Baussan, however, was determined to establish a relationship with shea butter farmers and with those in Burkina Faso in particular. After several failed experiments with the import of shea butter, L'Occitane commissioned a local soap factory in Bobo Dioulasso, Burkina's second-largest town, to supply them with shea butter soap noodles. This arrangement was not satisfactory, however, as there were still significant logistical difficulties. Additionally, a good part of L'Occitane's orders would regularly deteriorate in the Sahelian sun whilst waiting to clear customs because of delays and unsuitable containers. In the late eighties, L'Occitane went back to sourcing shea butter, this time from a group of a dozen or so workers, under the leadership of a woman who was often referred to as *Madame Karité* (Mrs Shea) by people in the field.

In 1989, L'Occitane launched its "100% shea butter" product packaged in a small metallic wax box and it quickly became one of the company's emblematic products. Today, shea



butter is a trademark L'Occitane ingredient: almost 100 of the company's cosmetics products contain this ingredient, and shea butter hand cream is the company's best selling product, with one cream being sold every 3 seconds in L'Occitane shops across the world. L'Occitane still sources its shea butter produced from Burkina Faso exclusively with semi-artisanal techniques. Today they work primarily with five shea butter producer cooperatives that hire over 15,000 women. The company has also evolved from buying ordinary butter to buying largely Fair Trade and organic shea butter, influencing the way shea butter is produced in Burkina Faso.

Figure 1: L'Occitane in Burkina Faso timeline

1976	<i>Creation of L'Occitane en Provence by founder Olivier Baussan</i>
1982	<i>Baussan discovers the properties of shea butter</i>
1983 - 1995	<i>L'Occitane sources soap noodles containing 40% shea butter from the local industrial firm SN-CITEC</i>
1989	<i>Launch of "100% shea butter" which becomes an emblematic product. Progressively L'Occitane starts to work with increasingly large producer groups to source its shea butter.</i>
2003	<i>L'Occitane introduces 50% pre-financing to shea butter producers. This is later increased to 80% of pre-financing</i> <i>L'Occitane provides support to some of its producer cooperatives in getting organic certification.</i>
2004	<i>As part of its industrial mentoring approach, L'Occitane provides training to a Burkinabè soap technician, Mr Konaté, at their factory in Manosque, who then goes on to open his own soap factory with support from L'Occitane. Mr Konaté, who was the first industrial mentee, has been followed by five other mentees since then.</i>
2006	<i>Creation of the L'Occitane Foundation to carry out charity activities focused mainly on the economic emancipation of women in Burkina Faso, France and other parts of the world. Several of the Foundation's activities in Burkina Faso are linked to the communities of L'Occitane's shea butter producers.</i>
2007	<i>L'Occitane builds the Espace Karité in Ouagadougou, a 400 sq.metres production site with contains storage space and a laboratory for analyses of shea butter produced by the producer cooperatives.</i> <i>The company starts placing large-scale orders for soaps from local factories having benefitted from its industrial mentoring for an annual charitable operation – 20,000 soaps are ordered in 2007. The soaps are the first 100% made in Burkina product to be marketed by L'Occitane.</i> <i>The tonnage of shea butter bought by L'Occitane represents almost 50% of all shea butter exported by Burkina Faso.</i>
2009	<i>L'Occitane instigates and provides support to its producer cooperatives in getting Ecocert's ESR Fair Trade certification.</i> <i>Baussan, L'Occitane's founder receives a medal of honor from the French Minister of Agriculture</i>

Sources: "L'Occitane and the Women of Burkina Faso: a joint development approach" and interview with Maud Reboul



What stands out in L'Occitane's collaboration with Burkina Faso is the extent of philanthropic commitment embedded in the business relationship and how this commitment has contributed significantly to the company's commercial success. L'Occitane has gone above and beyond what most international companies would do to secure a sustainable supply chain in line with their values, as evidenced by some key events highlighted in the timeline above. The company's strong altruistic drive probably originates for a large part in the founder's personality. Olivier Baussan is described by colleagues as a very atypical industrialist; he is described as more a creative type, an artist who likes to establish real contacts with other people and other cultures³. In 2006, to further reach philanthropic targets, L'Occitane created the L'Occitane Foundation, which carries out several charity activities for the economic emancipation of women in Burkina Faso. L'Occitane's collaboration with women producers in Burkina Faso has become a key part of its story that motivates both the company's consumers and its employees. Furthermore, knowing that 15,000 rural women are dependent on the company for an important part of their livelihoods, gives L'Occitane an added drive to remain profitable.

Business Model

True to its founder's philosophy, L'Occitane's collaboration with Burkinabè producers aims at providing high-quality natural products in a socially and environmentally responsible manner. Working with shea butter producers in Burkina Faso allows L'Occitane to access a natural ingredient with highly desirable cosmetic properties and, at the same time, pursue some social objectives in line with the company's values, contributing to improving lives and the economic emancipation of women producers.

The nature of the market that L'Occitane operates in perhaps facilitates the pursuit social objectives. The cosmetics industry generally generates quite large profit margins, significantly more so than the food industry, the largest user of shea internationally. L'Occitane sells products not just in the cosmetics market; they target the high-end, semi-luxury cosmetics market. To get from the basic ingredients, including shea butter and several other natural ingredients from across the world to the finished product for the target market, L'Occitane adds considerable value, notably in terms of the development of cosmetic formulas, packaging and design, and marketing. Due to this value addition, the end product can retail at prices that generate sufficiently large margins such that sourcing at the lowest prices is not a key necessity for the financial sustainability of the business model.

Shea butter

The main product L'Occitane buys in Burkina Faso is shea butter. L'Occitane currently sources its shea butter primarily from five producer cooperatives: the Club Bio and the UNAPROKA based in Ouagadougou and surrounding rural areas, UGPPK S-Z in the southwest and UGPPK Houet and SOTOKACC in the west of the country. The four cooperatives are composed of over 100 women's groups, which themselves are composed of

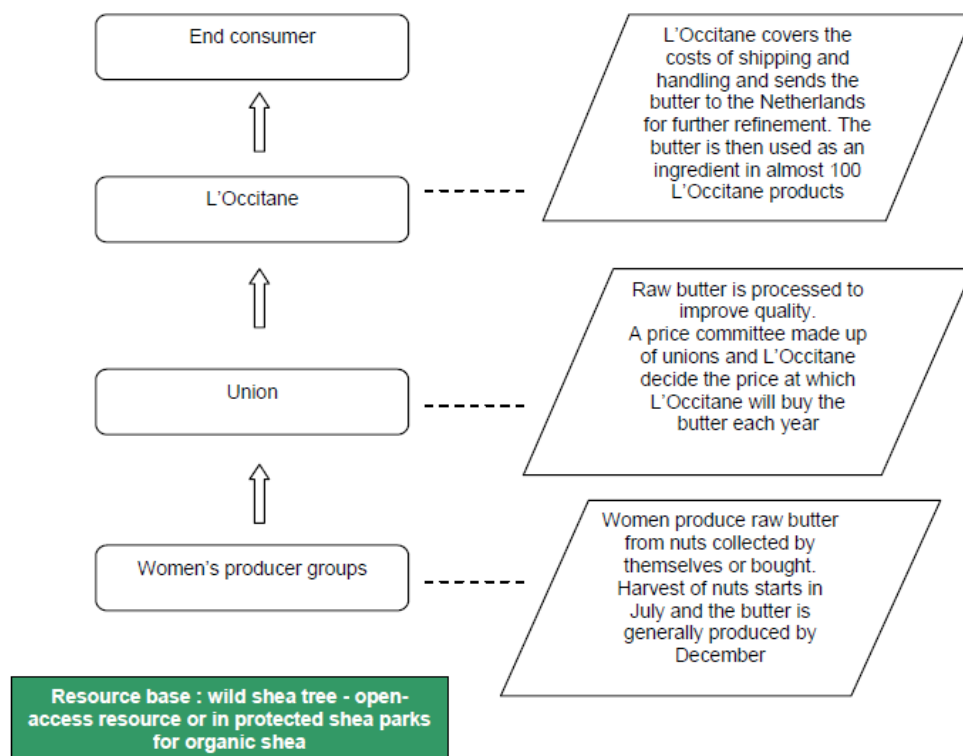
³ Interview with Maud Reboul, Sustainable Ingredients Manager of L'Occitane, July 2012



more than 15,000 female members, who are the producers at the base of the production chain (see the schema below).

The members of the cooperative either collect or buy shea nuts; for certified organic shea butter, it is required that the nuts be collected in protected shea tree parks by the members of the union. The women's groups then undertake a preliminary processing of the nuts using artisanal techniques to produce shea butter⁴. This butter is collected by the cooperatives and processed once more using semi-mechanical means to produce a filtered homogenous butter with more stable properties (less inclined to rancidity, low moisture content, etc.) The cooperatives sell the butter to L'Occitane at a price that has been set by a price committee composed of representatives from each union, L'Occitane, and the fair-trade certifier Ecocert as an observer. The prices and quantities to be bought are fixed at the beginning of the shea season, which runs from July to September, and an advance payment of 80% is made by L'Occitane to permit the cooperatives and their member groups to finance the costs of production.

Figure 2: The L'Occitane shea butter production chain



⁴ See Annex 1 for a description of the artisanal shea butter extraction method.



Shea butter from traditional processing.

Source: Yarri Kamara

L'Occitane covers the shipping and handling costs of the butter bought from the cooperatives and sends it to the Netherlands for further refinement, as the butter must achieve a quality standard in order to be used as an ingredient in cosmetics products. This additional processing is required to reduce the butter's acidity levels and eliminate fine impurities. The refinement is done without the use of chemicals and is certified as such by the organic certifier Ecocert. After refinement, the product is white in colour as preferred by Western consumers, rather than the more yellow butter resulting from traditional processing. The refined butter is then shipped to the L'Occitane factory in Manosque, in the South of

France. At its factory, L'Occitane formulates almost 100 shea products with very high shea butter concentrations, often in the range of 20 to 25%, which is unusual in an industry where most cosmetic shea formulas contain less than 1% shea butter.

This system has been in place for around twenty years, since L'Occitane was able to identify increasingly larger associations and producer cooperatives from which to source its butter. The collective price setting was put in place in 2009 when L'Occitane decided to push its supplier cooperatives towards getting Ecocert's ESR⁵ Fair Trade certification⁶. The company previously determined the price based on average market prices and other considerations. With the Fair Trade approach, the capacity of the cooperatives to calculate their true costs of production has been improved thanks to support from L'Occitane. The prices paid to the cooperatives have increased significantly, almost doubling from the prices in 2005 for non-organic shea butter. Today, L'Occitane buys all its shea butter at the Fair Trade price, even from a supplier cooperative that has not yet been certified. An increasingly large proportion of the butter is also organic-certified.

Under the Fair Trade model, 2% of the price paid to the cooperatives goes to a social development fund. This fund, run by each cooperative, undertakes projects to improve social and economic conditions in their communities. The rest goes to covering the cooperative's processing and overhead costs and to paying the individual female producers. In line with the Fair Trade philosophy, L'Occitane actively encourages and tries to support its suppliers in finding other clients so as to increase their autonomy.

L'Occitane's shea butter supply chain generates higher costs than the "standard" cosmetic industry supply chain, in which firms buy refined shea butter from industrial processors in the West or in Asia. The additional costs include: high transportation costs, which arise due to shipping from land-locked Burkina Faso to the Netherlands and then to France; a loss of

⁵ ESR stands for fairness, solidarity and responsibility in French.

⁶ It is interesting to note that consumer opinion polls indicated that most consumers thought L'Occitane's shea butter products were fair trade before fair trade certification was received. L'Occitane did not push for this certification to improve its image with consumers but rather because it wanted to improve the governance of its supply chain and make sure that fair benefits were accruing to all concerned.



about 8% of the original amount of butter when it undergoes further refining in the Netherlands; costs for Fair Trade certification for the cooperatives, covered by L'Occitane; and the higher administrative costs incurred to manage the relatively complex supply chain. L'Occitane estimates that the overall price it pays to source shea butter from Burkina Faso is between 20 to 30% more expensive than buying from Western industries.

The margins the company makes on its high-value cosmetics, however, permit it to bear these additional costs, source shea butter from Burkina Faso, and work in line with the founder's philosophy. Furthermore, butter produced using artisanal techniques correctly is of very high quality and retains properties that are often lost through industrial processing. The investment that L'Occitane has put into building the capacities of its suppliers over the years has also enabled access to shea butter of exceptional quality, compensating the extra cost and time. L'Occitane believes that it is the cosmetics firm with the best quality of shea butter on the market at present, and this high standard of quality contributes to the richness of its cosmetic formulas much appreciated by L'Occitane's loyal clientele. Sourcing of shea butter from Burkina Faso also has another commercial advantage for L'Occitane. As a shea butter pioneer in the cosmetics industry, L'Occitane has become well known by its consumers, especially those in France and in the US, for this product and for the work the company does in Burkina Faso with local producers. Shea butter and Burkina Faso have thus become an important part of L'Occitane's consumer image.

Soap products

In addition to sourcing shea butter from producer groups, L'Occitane has also worked with soap producers under what it refers to as 'industrial mentoring', an approach born out of the company's desire to contribute to the development of the countries it works with. The company's first industrial mentoring activity took place in Cape Verde where it helped set up a soap factory to utilize *jatropha curcas*, a local raw material, in 1988. In 2004, L'Occitane took its industrial mentoring to Burkina Faso to help increase value addition in that country. The first beneficiary was Moumouni Konaté, owner of a small-scale soap factory, the *Savonnerie et Parfumerie de Houet*, in 2004. Since then, L'Occitane selects a mentee from Burkina Faso almost every year, based on applications it receives from individuals or existing small-scale companies wanting to develop soap or cosmetics production. The mentees are invited to the L'Occitane factory in Manosque for one to two months, during which they gain exposure to all the company's departments. Each of the six alumni have launched or improved their soap production business following their internship at L'Occitane, and the company has developed long-term relationships with some of these establishments.

For three years following his internship, L'Occitane placed orders for "100% made in Burkina Faso" shea soaps from Moumouni Konaté's factory to be sold in France at an annual fundraising drive organized by the L'Occitane Foundation to raise money for some of its projects. The partnership voluntarily came to an end in order to push the Burkinabe factory into more actively looking for other clients and to permit L'Occitane to provide opportunities to other soap makers. For the past three years, the soap maker Fédération Nununa, which is linked to UGPPK S-Z, one of L'Occitane's shea butter producer cooperatives, and set up by a former mentee, a young woman who used to produce soaps to help her family, has been the



supplier of soaps for L'Occitane's charity fundraisers, producing a special "Women's Day Soap".

For the moment the soaps produced in Burkina Faso are not regular L'Occitane products as the Burkinabe producers cannot produce the soaps in large enough quantities for sale throughout the year. L'Occitane thus uses them for limited edition sales and has made the decision, given the strong link of the soaps with Burkina Faso, to use these limited editions to raise funds for philanthropic activities. Again, L'Occitane consumers greatly appreciate the strong link with local producers in Burkina Faso and the "100% made in Burkina Faso" are a great communications tool for L'Occitane. In the long run, as capacity increases, the mentoring program might actually lead to Burkinabe soaps becoming an integral part of the product range and a regular revenue generating activity for L'Occitane.

The industrial mentoring activities, which are covered by L'Occitane's general budget, are bolstered by volunteer work through an association set up by L'Occitane staff in 2007, the *Association Nord et Sud*. Maud Reboul, the current Sustainable Ingredients Manager responsible for supply chain operations in Burkina Faso, set up the association following her first visit to the country. During her trip, she was struck by how much money and time rural women spent buying mostly imported soaps from nearby towns. Since 2007, the association has provided training for 1,700 women across Burkina Faso in basic soap-making techniques; some of the beneficiaries of this training have gone on to participate in the industrial mentoring program.

The Business and its Relationships

L'Occitane has invested heavily in its relationships with its supplier cooperatives and has demonstrated perseverance even through adversity. After initial problems with low-quality shea butter and logistical hurdles with shea soap noodles, L'Occitane was able to find a way to source shea butter from a small women's group in 1989. Because the group was having difficulty producing the desired quantities, L'Occitane decided to give them a 50% advance at the onset of the season. With this advance, the group could purchase enough nuts to produce the quantities of butter required and pay for the large amounts of water and firewood used in traditional processing. Unfortunately, this partnership came to an end when the director of the group used the advance payment for her own personal aims.

To identify new shea butter suppliers, L'Occitane sought the assistance of a non-profit organization (NPO), the Canadian *Centre d'Etude et de Coopération Internationale* (CECI) to help structure shea butter producers who were mostly working in small isolated groups. CECI offered organizational support for organizing women into large cooperatives, as well training in shea butter production techniques to improve quality, under "The Women's Project and Shea Network" financed by the UN Development Fund for Women. CECI was already working with groups in Leo, which it later helped structure into UGPPK-S-Z, one of L'Occitane's most dynamic suppliers today. It also started working with two other groups that became UNAPROKA and UGPPK-Houet, two other main suppliers of L'Occitane. In 2004, L'Occitane encouraged the creation of the *Club Bio*, the Organic Club, a cooperative of



organic shea butter producers that became its fourth major supplier. Recently, L'Occitane, through its subsidiary Melvita, has also started sourcing shea butter from SOTOKACC, a cooperative that has been supplying shea butter to another French cosmetics firm since 2007.

To establish and maintain the commercial relationship with L'Occitane, the supplier cooperatives required support in capacity building. They had to increase the size of their cooperatives and improve their organization in order to increase the quantity they were able to produce. They also had to improve technical skills and their understanding of quality criteria for the international cosmetics market. Further, they had to upgrade some of their equipment to be able to attain the level of homogenization required for the butter.

To achieve these goals, the supplier cooperatives received assistance, initially mainly CECI and later from the Canadian International Development Agency (CIDA) funded DYFAB⁷ project which took over when CECI's activities came to an end. L'Occitane provided some funding to CECI and DYFAB in the form of staff fees for advisory services provided to the cooperatives, such as support for developing action plans for the cooperatives' strategic development. The director of the DYFAB project acted as an informal local agent for L'Occitane for several years. Some of the cooperatives, especially UGPPK-S-Z and UNAPROKA, thanks to their dynamic leadership have also been successful in attracting support, without L'Occitane's intermediation, from other NGOs and donor organizations in order to increase their capacity for high quality shea butter production. Figure 3 below illustrates the support received by UGPPK-S-Z.

From 2007 onwards, when L'Occitane increased their presence in Burkina Faso, the cooperatives also increasingly received capacity-building support directly from L'Occitane. Along the years, L'Occitane has paid for or provided training in shea butter production, general business management for cooperatives, bookkeeping and Fair Trade standards. The company has also provided equipment to the cooperatives and auxiliary services, such as helping equip a laboratory to undertake quality analyses of the shea butter produced.

The move towards organic certification, and later, Fair Trade certification, brought other capacity challenges to the supplier cooperatives. To ensure traceability for organic certification, the cooperatives had to establish shea tree parks in protected areas from which they would exclusively harvest their nuts for their organic butter⁸. For the Ecocert's Fair Trade label, L'Occitane not only covers all the costs of certification but also provided support to the cooperatives in the form of training to ensure that they understood the requirements and specifications of the label, as well as training and software for the cooperatives' accounts departments so that they would be capable of correctly tracking their costs to fix a fair price.

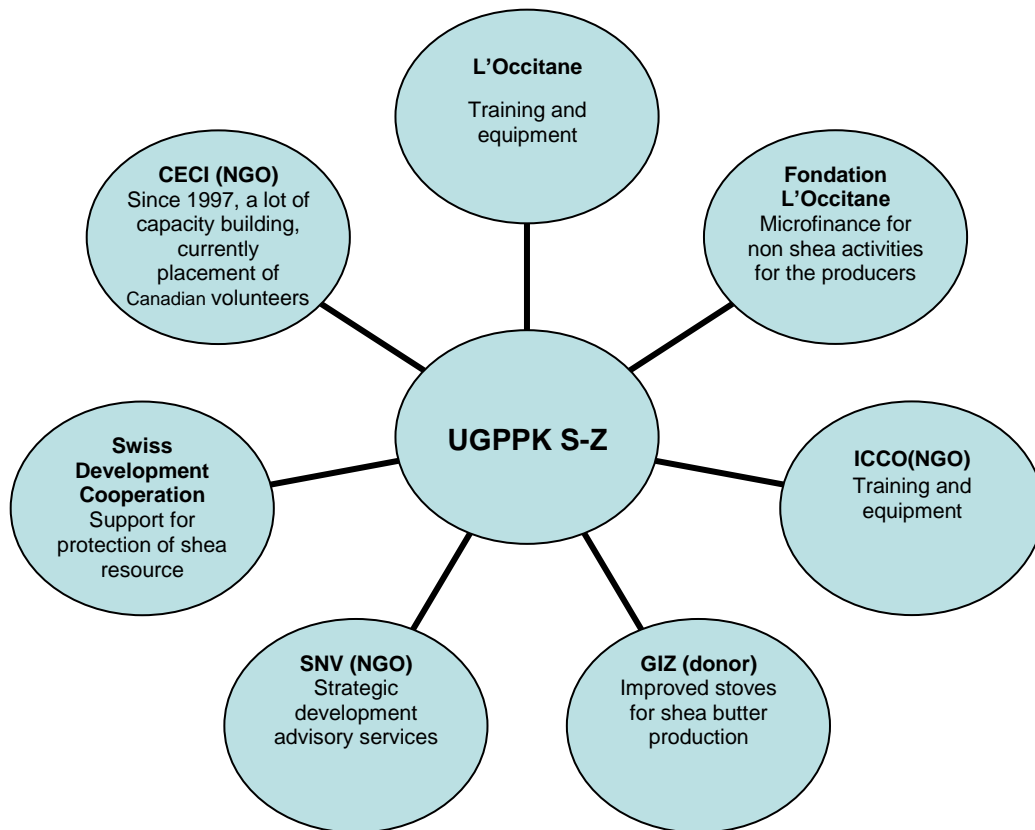
⁷ *Dynamiser des filières agricoles au Burkina (DYFAB) is an agricultural value chain development project that covers the shea sector amongst other sectors.*

⁸ To establish the shea parks, generally the cooperatives negotiate with customary land owners in the concerned villages to designate land for shea nut collection. This land is then protected from any activity that could compromise the shea trees. The shea trees, however, remain an open access resource, meaning that even women who are not members of the cooperatives can harvest nuts in the parks.



The cooperatives sign a three-year memorandum of understanding that stipulates minimum prices and quantities of butter that L'Occitane will buy over the period. Each year, a contract is signed with the exact price and quantity for that year. When the order is placed in July or August, the cooperatives receive an 80% advance payment in order to meet the costs of harvesting or buying shea nuts and processing. The amount of the advance payment progressively increased over the years as trust between the partners grew.

Figure 3: Example of support currently received by one supplier union



The supply chain is coordinated at L'Occitane by its Sustainable Ingredients department headed by Maud Reboul and two other colleagues. In order to gain a better understanding of the constraints their suppliers face, provide suitable support to overcome these constraints, and thus strengthen their supply chain, the department increased its presence in Burkina Faso through regular field trips four times a year, starting in 2007. During these trips, L'Occitane staff not only visits the cooperatives, but also some of the grassroots producers in the field. L'Occitane has also hired two local part-time consultants to supervise the filling of their orders, collect market information, and maintain regular contact with the cooperatives and their members. Choosing to hire local consultants also allows L'Occitane to benefit from local understanding when identifying constraints and solutions.



Today, the cooperatives have reached a level of maturity such that intensive support is no longer necessary for the L'Occitane supply chain to function correctly. The DYFAB project's support to the cooperatives has been phased out⁹. Some of the cooperatives seek support from other organizations to deal with new issues and concerns – for example environmental concerns – but they no longer need basic support in cooperative organization and shea butter production techniques. The supply chain, today thus essentially functions with just L'Occitane's Sustainable Ingredients staff and its two local part-time consultants and the cooperatives.

The L'Occitane Foundation, created in 2006, is also an actor that contributes indirectly to the business model. The Foundation aims to undertake activities that “create sense for our future”¹⁰ and has three main programs: support to the visually impaired, the economic emancipation of women, and the preservation of the knowledge of nature. The Foundation's activities mainly take place in France, Burkina Faso and Bangladesh. In Burkina Faso, some of the projects under the women's emancipation program involve the communities where the supplier cooperatives work. Thus, some of the shea butter producers benefit from literacy training provided under the Foundation's projects with NGO partners, and others have benefited from microfinance and income-generating activities training aimed at helping them diversify their sources of revenue. The Foundation's work in this way contributes to developing the capacities of some of the shea butter producers – literate producers are more likely to understand and respect quality criteria. It also helps render the women more resilient to any socio-economic shocks by supporting them in diversifying their sources of revenue.

Constraints and solutions strategies

The low capacity, in terms of organisational and technical skills and equipment, of its suppliers has long been a problem for L'Occitane. The company has used two main strategies to overcome this constraint: investing in capacity building and combining resources and capabilities with non-profit organisations¹¹. In the late 1990s, NGOs and projects working in the sector helped L'Occitane identify potential partners. The suppliers identified were in some cases already receiving capacity building support from projects, especially in the field of group organisation, to help the cooperatives – who were small at the time – increase in size to boost production capacity. UGPPK S-Z, for example, only had 600 members when they started to receive organizational support from the NPO CECI, and could deliver only 8 tons of butter at the beginning of their business relationship with L'Occitane in 2003. Today¹² the cooperative has 4500 members (including some sesame producers) and delivered 182 tons in 2011.

⁹ DYFAB's funding from CIDA fell significantly in 2011.

¹⁰ Fondation L'Occitane, 2011, pg 3.

¹¹ See UNDP 2008 for a discussion on strategies commonly used to address constraints in inclusive business models.

¹² July 2012



Another constraint was the quality of the shea butter. The cooperatives received support in the form of training and/or equipment from project partners to improve the quality of their butter. L'Occitane invested in increasing the quality of the butter of its suppliers in the form of several training sessions, providing equipped laboratories for quality analyses of the butter, and, in 2010, they instated a quality bonus for butter meeting the highest quality criteria. This bonus, although very modest – equivalent to only 1% of the purchase price of the butter – had a notable beneficial effect on quality. Today, L'Occitane is satisfied with the quality of butter it sources and feels that it has come a long way from the days when the company would throw away a significant part of its orders due to substandard quality.

L'Occitane's suppliers did not always have the managerial and governance capacity that the company would have liked. At points during their partnerships, the company could not be sure that the producers and, in some cases, the shea nut suppliers at the base, were benefitting fairly from the transactions, even before Fair Trade certification became an issue. Consequently, L'Occitane invested in business management training for the cooperative managers and, in preparation for Fair Trade certification, reinforced the capacities of the cooperatives' accounts department, not only through training but also by providing suitable software. There was also more general training for three staff members from each cooperative on compliance with Fair Trade regulations. L'Occitane furthermore decided to increase their direct presence in Burkina Faso, organizing field trips four times a year to get a clearer picture of how their cooperative partners are governed. These efforts have resulted in significant progress in managerial capacity, particularly in the clarity and transparency of the accounts kept and in the capacity of the cooperatives to calculate production costs, which is important for fixing a Fair Trade price.

Another problem that L'Occitane faced involved poorly-serviced logistics. Burkina Faso is a landlocked country and goods for export are either transported by air directly or by road to neighboring ports in Ivory Coast, Ghana or Togo. From the very beginning of L'Occitane's work in Burkina Faso, the company experimented with all kinds of packing and modes of transport, including tankers, but continued suffering significant deterioration of their butter during transportation. In the end it was L'Occitane's refinery in the Netherlands who also had experience with the West African cocoa butter supply chain that found an appropriate solution: packing the shea butter in large plastic bags and placing them in cardboard cartons. L'Occitane quickly trained the cooperatives in this type of packing and for the past three years, the company no longer suffers any significant losses during transportation.

Two persisting issues that are likely to pose constraints in the near future concern the environmental impact of shea butter production and the physical difficulty of producing butter in the traditional manner.

Now that L'Occitane is at a stage where its suppliers can provide butter in sufficient quantity and quality, the company wants to start to explore ways with its supplier partners to reduce the environmental impact of production. Shea butter production requires large quantities of combustibles (traditionally firewood in rural settings) and water. It produces significant



quantities of fatty waste material¹³ and even though this is organic waste, it can damage the soil in large enough concentrations. L'Occitane and its supplier cooperatives have decided to create an environmental fund that will be used mainly to test and acquire more ecological combustible equipment, such as improved stoves that reduce or completely eliminate the need for firewood, or equipment that reduces the amount of water needed. L'Occitane is in the process of trying to identify a partner organization that can help build the capacities of its supplier cooperatives in environmental protection.

The physical difficulty of the production processes poses a societal problem: young women today shirk shea butter production because they see it as very hard work. The average age of the female producers in the cooperatives is around 40 years old, and the cooperatives are concerned about the long-term sustainability of the production chain. Investments to increase the mechanization of the work could make it easier; however, there is concern on how to do so without losing some of the special qualities that can be attained through artisanal processing. L'Occitane also wants to maintain its corporate values of preserving traditional knowledge and would thus aim to ensure that the traditional production skills are not completely lost.

Results

L'Occitane's actions in Burkina Faso have had significant impact, not only through commercial transactions with its supplier cooperatives, but also through the work that its Foundation undertakes in the country.

ECONOMIC IMPACTS

In 2011, L'Occitane bought over 500 tons of butter at at least a certified Fair Trade price equivalent to about double the local market price of shea butter; the organic Fair Trade butter fetched a price 30% higher than the Fair Trade price for conventional butter. Sales to L'Occitane represent about 1 million euros (US\$1.23 million) in revenues for the supplier cooperatives and their 15,000 rural women members. The cooperatives generally buy the butter from the women producers at around 75% of the sales price¹⁴. Over the years, with increased production capacity and the Fair Trade and organic certifications acquired, the supplier cooperatives have been able to increase their revenues significantly: UGPPK S-Z, for instance, increased its revenues from shea butter fifteen-fold between 2005 and 2011¹⁵.

The organic and Fair Trade labels certainly placed additional demands on the cooperatives – the costs of the certification for the organic certification, the need to recruit qualified staff and put new control systems in place, etc. – and it also limited the potential clientele of the certified production to a niche market. Nonetheless, the cooperatives think it has been worthwhile. Not only can they demand higher prices, albeit from a niche market, but they also feel that the quality standards the labels require pushes them towards continued excellence.

¹³ 1 kg of butter produced generates 2 kg of waste.

¹⁴ De Smet (2010)

¹⁵ Interview with Abou Tagnan, UGPPK S-Z, July 2012



L'Occitane's zeal and enthusiasm for increasing value addition in Burkina Faso have also contributed in a small but significant way to developing industrial soap production in the country. While there are several local industrial and artisanal producers making soaps from shea butter for the local or export market, L'Occitane's industrial mentoring program has given a real boost to the soap production activities of its mentees.

SOCIAL IMPACTS

The direct revenues that the women producers get from the sale of butter through their cooperative have contributed significantly to their economic emancipation, permitting them to provide better food, education, and healthcare for their children and themselves without depending exclusively on their husbands. There are also larger benefits that accrue to the communities as a whole thanks to social development funds set up by the cooperatives under the Fair Trade scheme. In 2011, 2% of the sales price went into this fund, which is used to finance community development initiatives. One cooperative, for example, has used the fund to invest in their district's health mutual, which has reduced costs for all members of the community by about 10%. Further, they used the fund to set up a sponsorship program for orphans and vulnerable children, paying their school fees and school supplies and offering them regular meals, to create merit awards for the best literacy students and primary school students, and to contribute to the creation of literacy centers by the L'Occitane Foundation.

Since the creation of the L'Occitane Foundation in 2006, there are also several philanthropic activities contributing to the economic emancipation of women in Burkina Faso that benefit women across the country, including some of the shea producers' communities. Most notable is the Foundation's literacy training activities, in collaboration with the NGO Aide et Action. The Foundation also works with the NGO Entrepreneurs du Monde to implement microfinance and income-generating activities training for shea butter producers to help them secure revenues during the shea off-season. Between 2006 and 2011, more than 7,000 women have gained in autonomy thanks to literacy training, microfinance, and training in income-generating activities within and outside of the shea communities¹⁶.

The L'Occitane volunteer staff organization, *Association Nord et Sud*, has also provided training to 1,700 village women across Burkina Faso in soap-making skills that could be the basis for income generating activities.

Aside from undertakings linked to shea butter producers, the Foundation is also involved in activities to further benefit communities across Burkina Faso; for example, it supports an NGO in developing irrigated plots of horticulture production by women's groups in the Centre North region. The L'Occitane Foundation spent 400,000 euros (US\$493,080) in Burkina Faso in the 2011 fiscal year.

ENVIRONMENTAL IMPACTS

L'Occitane and its supplier cooperatives are brainstorming on how to offset the negative environmental impacts that shea butter production can have and plan on setting up an environmental fund. Some cooperatives have already undertaken some actions to protect the

¹⁶ Fondation L'Occitane (2011)



environment with support from other institutions. For instance, UGPPK S-Z is working with GIZ, a service provider that assists the German Government in achieving its objectives in the field of international cooperation, to test the use of improved stoves in shea butter production and ways to use shea residues as a combustible material. The cooperative has also created 20 shea parks to protect shea trees and trained their members in grafting techniques, which is one of the few ways of propagating the tree and which can reduce the amount of time (often more than 20 years) before a shea tree bears fruit.

L'Occitane has also opted to use sea transportation for getting the shea butter to Europe rather than air transport in order to reduce carbon emission involved in transportation.

Conclusion

Strong ideals, enthusiasm, and perseverance in the face of adversity have allowed L'Occitane to establish mutually beneficial commercial relationships with grassroots shea butter suppliers in Burkina Faso. L'Occitane's inclusive business model, which the company calls "joint development", is built on a pro-active desire to do business in a certain way. The company was willing to invest heavily in developing partnerships with shea butter producers, as well as soap makers, in Burkina Faso. With these investments, as well as those from non-profit actors in the form of capacity building for the supplier cooperatives, L'Occitane was able to forge relatively stable win-win partnerships with its shea butter suppliers over the past 30 years.

L'Occitane's determination to carry the partnerships forward has helped its model survive, and added capacity has enabled the cooperatives to overcome the difficulties of doing business directly with a multinational company. Today, despite the increased capacities of the cooperatives, a concern for both L'Occitane and the cooperatives is the latter's dependence on the former. For the four main supplier cooperatives, L'Occitane remains by far the largest client, generally accounting for 90% or more of turnover, despite L'Occitane actively pushing the cooperatives towards looking for new clients for the past several years.

At any rate, L'Occitane intends to continue its long-term relationship with Burkina Faso. This has become an essential part of its corporate story that is important not only to its customers, but also to L'Occitane staff. Still driven by Olivier Baussan's altruism and love for Burkina Faso, the company is currently considering different industrial projects that would increase the value added by Burkinabè producers even further. L'Occitane en Provence will thus continue to be a key player in Burkina Faso's shea sector, perhaps moving up the value chain with time.



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Organisation	Name	Role	Date
L’Occitane	Maud Reboul	Sustainable Ingredients Manager	July 13, 2012 Aug 31, 2012
Fédération Nununa/ UGPPK-S/Z	Abou Dradin Tagnan	Technical director	July 8, 2012 Aug 7, 2012



Annex :

SHEA BUTTER EXTRACTION METHOD¹⁷

There are eight main stages in producing shea butter by artisanal means.

1. **Cleaning** the nuts by washing them in water.
2. **Crushing** the nuts with a crusher (generally a large mortar and pestle).
3. **Roasting** the crushed nuts. This operation helps to soften the nuts, to break down the oleiferous cells and to destroy certain germs or enzymes that could damage the butter.
4. **Milling** to obtain a very fine paste. This milling can be done entirely by hand (mortar and pestle, and large grinding stones) or with a motorized mill.
5. **Churning**: this is the actual extraction. This operation is manual and is often carried out in a deep receptacle. The paste is mixed with water so that it is lighter for churning. It is then beaten by hand until it turns whitish. A large quantity of water is added and the butter-water emulsion that rises to the surface is progressively decanted off. The emulsion is washed repeatedly with warm water until clean.
6. **Steaming**: the rinsed emulsion is transferred into a large pot and cooked over a fire. This operation lets residual water and impurities evaporate and settle out of the butter
7. **Settling**: this consists in separating the liquid butter from the residue after cooling and a long period at rest.
8. **Filtering**: this operation helps to eliminate the suspensions from the butter to obtain purer quality butter.



Milling. Source : Thierry Ferré



Churning. Source : Sarah de Smet

¹⁷ Adapted from « L'Occitane and the Women of Burkina Faso, a joint development approach » and Practical Action 2008.