

Essential oils find their way

After only 2,500 years, essential oil sales take off

By Bill Giebler

In the business of natural products, the right-place-right-time formula has several other requirements: right product, right message and, perhaps most importantly, right business model. “Right” need not mean “new” to bring explosive success. Take essential oil giant, **dōTERRA**, which distributes age-old products through a Tupperware model—not exactly the makings of category disruption. But time it with a macro trend of exponential natural product awareness and booming internet social networks and you’ve, apparently, got it just *right*.

The practice of employing the concentrated chemistry of essential oils is not new. Rooted in perfumery and medicine, historical references date back 2,500 years. In 1910 their therapeutic popularity received

a boost when chemist Rene Gattefosse learned firsthand—very literally, after severely burning his hands—the healing benefits of lavender oil. Gattefosse’s investigations helped treat WWI soldiers suffering gangrene and his 1937 book, *Aromatherapie*, coined the term that would accompany the oils ever since.

Aromatherapy in the natural products sector is nothing new either. Present-day essential oil companies date back at least to 1974 when Robert Tisserand founded **The Aromatic Oil Company** (a predecessor of **Tisserand Aromatherapy**). **Aroma Vera** was founded in 1981, and **Aura Cacia**, today’s largest supplier of essential oils through traditional channels, started in 1982.

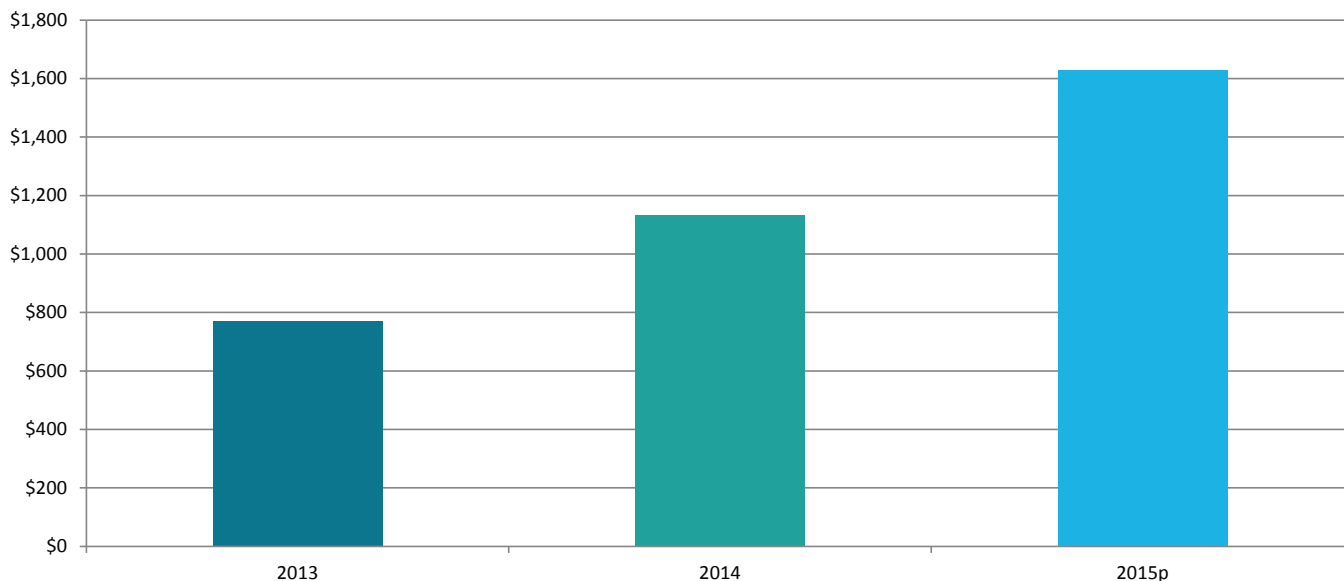
The story took a turn into multi-level marketing (MLM) with the founding of

NBJ Takeaways

- » Essential oil’s dramatic market growth is being led by multi-level marketers
- » dōTERRA combined product and business model at the right time for unprecedented growth
- » Consumer interaction with the oils is a key sales driver

Young Living in 1993, but the big numbers started rolling in only after a group of Young Living officers and employees spun off their own essential oil MLM, dōTERRA, in 2008. In February of this year, NASDAQ’s research firm, *Verify Markets*, stated, “The direct sales channel

U.S. CONDITION FOCUSED ESSENTIAL OIL SALES, 2013-2015



Source: Nutrition Business Journal (\$mil., consumer sales)

dominates distribution [of essential oils] with over 60 percent of the market,” calling dōTERRA, “singularly responsible for the rapid category growth.”

United Natural Products Alliance (UNPA) president, Loren Israelsen concurs, crediting the dramatic increase in the category to, “the tremendous success of dōTERRA, which has professionalized the market and brought the unique value of essential oils to a young, largely female audience, which is receptive to the role of essential oils in healthy family living.”

In 2015, just their seventh year, dōTERRA crossed the \$1 billion revenue line, and, says Vice President of corporate relations, Kirk Jowers, the company has “just scratched the surface.”

Experiential marketing

Jowers, new to dōTERRA mid-2015, was attracted in part by their “co-impact sourcing” model. “What dōTERRA is doing could really be a paradigm shift in how companies work with people in the devel-

oping world,” he says.

Co-impact sourcing was developed in response to “two great forces at work,” says Jowers. First, the demand created by dōTERRA has made the oils harder to find. Second was the lack of incentives to farmers, a problem Jowers identifies as inadequate and infrequent pay in a market full of middlemen where farmers received payment as little as once or twice a year. “What we’ve decided to do is cut out the middlemen and thereby double, triple or in some cases quadruple the amount of

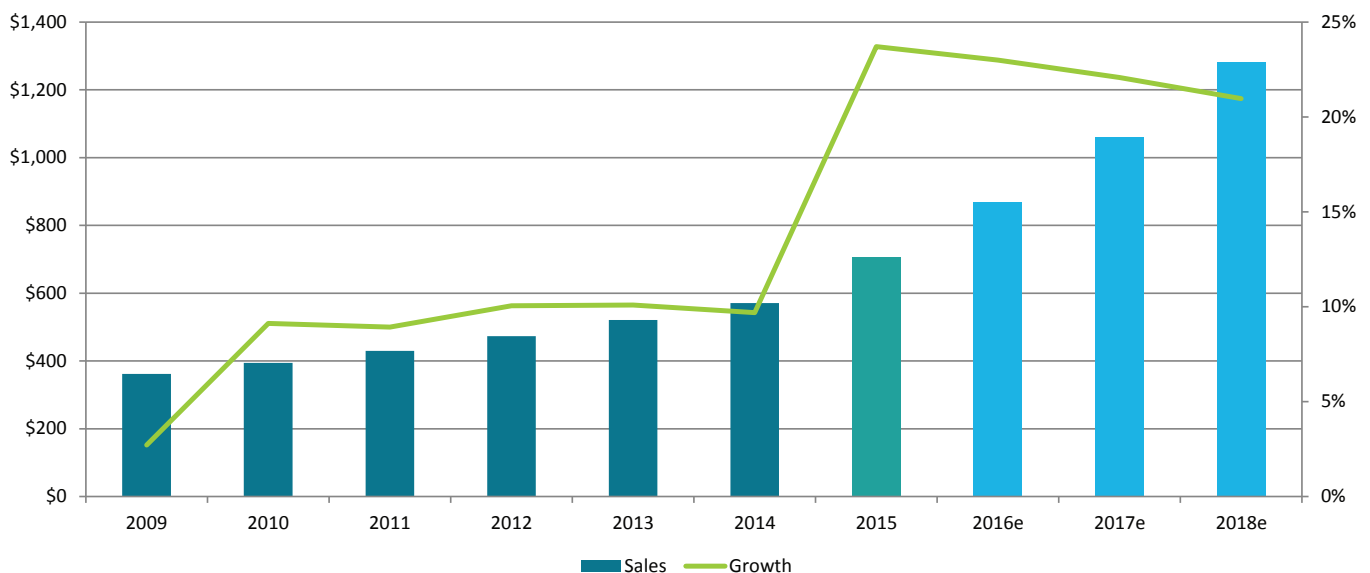
money the farmers can earn,” he says. At the same time, dōTERRA’s charitable arm works to provide fresh water and medical supplies and build schools and distilleries to produce the oils. All of this builds partners throughout the communities, and the stills, he continues, “ensure that the timing is perfect to get the best chemistry return from each essential oil.”

In many ways, this sourcing model is something of an inkblot reflection of the company’s direct selling distribution model that eliminates traditional distributors

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– Kirk Jowers, dōTERRA

U.S. NATURAL AND PERSONAL CARE AROMATHERAPY SALES AND GROWTH, 2009-2018E



Source: Nutrition Business Journal (\$mil., consumer sales)

and brick and mortar in favor of individual agents, or “wellness advocates,” who sell the oils and other products through their own social networks.

“The great thing about direct selling is the oils are not completely intuitive,” says Jowers. “Direct selling is a way where people get trained and can go into customer’s homes and help them understand how best to use them.” The direct model just might be the key to the success of the whole category.

“From way back we would say that we want more people to know about essential oils,” says Aura Cacia’s director of marketing Shannon Ousley. “So introducing more people to it I think is a positive for everyone involved in the essential oil business.” It seems to be. The Aura Cacia brand has seen double-digit growth each of the last three years.

Ousley also attributes their recent growth to another experiential aspect. “Whenever we do consumer engagement where we go into stores and we do demonstrations and the shoppers can make a product with us, they love it!” Delivery mechanisms like roll-ons and mists are increasingly popular portable ways to apply essential oils, she says, “and consumers are actively searching for ways to make [home and personal care products] themselves out of simple ingredients that they have in their own house.”

Shifting attitudes

MLMs are just one factor behind essential oil’s rapid growth. The exponential market awareness of natural products in recent years plays a part, too. “It’s people wanting to incorporate organic and chemical-free products into their lifestyle,” Ousley says. “I think the food area is a little farther ahead.”

Now personal care gets to ride that wave.

Jordan Morrow and Worth Anne Herrell took note of all of these trends and seem to have launched their company, **Oiologic**, in the right place at the right time, too. It would be hard to find a more recent newcomer to the category—Oiologic just launched their website in November, 2015 and began shipping in December—yet they are already on shelves in select **Target** and **Buy Buy Baby** stores.

“There is a macro trend in the industry now for more natural products,” says Herrell, identifying a “what’s-old-is-new-again” attitude that has “a lot of people us-

ing a lot of old school remedies.” Further, she says, “essential oils are such a diverse ingredient because they have so many wonderful properties and you can use them in beauty care, in health care, in so many different applications.”

“I found them extremely effective,” Morrow says of essential oils, “but I found them quite intimidating. I found the knowledge out in the market very confusing. I was mixing them in my kitchen but I didn’t think that was the best way to be concocting something. I thought: there’s got to be a better way to do this.”

Thus, the foundation for Oiologic, “was really about essential oils made safe, easy and portable.” And then to go category-specific with a select number of blends. “We’re really passionate about baby, toddler and kiddo with essential oils as the solution,” says Morrow.

She, too, acknowledges the MLM driver. “Some of the multi-level marketers have educated a lot of people on the benefits of essential oils.”

Essential science

dōTERRA is not just a standout in the essential oil market. They’re a standout in the MLM category, maintaining, says Jowers, a 70 percent customer retention rate—meaning 70 percent of customers who have *ever* signed up with dōTERRA placed an order in the last year. “Our CFO came from another very reputable and thriving direct selling company,” says Jowers, “and he said they never, in his 20 years at that company, got over 12 percent.” (Corey B. Lindley, dōTERRA’s CFO worked at international MLM **Nu Skin** from 1990 to 2007.) “That makes it easy to grow because we’re not having to replenish our people all the time.”

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- Loren Israelsen, United Natural Products Alliance

As dōTERRA sets its sites on the international market, they see no end to growth. Indeed, while selling in 73 countries, 80 percent of their 2015 business was in the United States. “I think we caught that wave nicely in the U.S.,” Jowers says, referring back to the increased adoption of natural ingredients, “but I think that wave started earlier in other regions of the world.” Today their biggest international markets are Canada, Australia and, Europe, with sales growing in Mexico and Asia.

Jowers cites other reasons for dōTERRA’s rapid success: science and integration with western medicine. “From the start, one of the many things they did right was a real focus on the science, and they put most of the profits back into research and collaboration with top universities.”

Based on that research, dōTERRA puts essential oils into supplements, including multivitamins and vitality formulas. “Some essential oils are safe and beneficial for internal use and some should only be used for external use and aromatherapy.” Science, he says, dictates how they use and label oils. “If you plug the search term essential oils into the PubMed database you’ll find more than 10,000 peer-reviewed and evidence-based studies in scientific journals in the last decade about essential oils,” he says, also noting the increased use of essential oils in medical facilities around the world.

“So, it is the coming together of right products, right business model, a modern refresh of an ancient tradition and the right message to a young and very informed audience,” says Israelsen. And, again, the experience: “Essential Oils are so physical,” he continues. “The fragrance, the sensation, the immediacy of benefit are unmatched in the natural products world.” 