

A New Era in Cosmetics: the Drive Towards Sustainable, Natural and Organic Growth

This report will detail the impressive sustainable growth seen in the cosmetic industry since 2008, its green trends and the pioneering eco-friendly packaging, manufacturing processes and global regulations that have permitted them.

Introduction

It is essential for cosmetic manufacturers to be prepared when new trends emerge or gain popularity, as the industry has seen recently. When the price of oil was increasing at the speed the Antarctic ice shelf was depleting, a global movement began to influence the buying and living decisions of consumers. This movement, of course, is the green movement – an era heavily influenced by sustainable and environmentally-conscious decision making in an attempt to curb the industrial destruction the planet has taken for the past 150 years.

While this movement is much larger than just the cosmetic industry, consumers and manufacturers alike took notice. Over the past 2-3 years, sweeping changes are taking form throughout the cosmetic industry, from natural and organic cosmetic compounds that have replaced dangerous toxins, to manufacturing processes and new product developments that help sustain the environment throughout the production lifecycle.

The worldwide cosmetic industry's annual revenue would make it the 30th largest country in the world.¹ With 1/3 of \$1 trillion in annual sales (\$333 billion²), the cosmetic industry generates more money than Argentina, Venezuela, South Africa or the entire United Arab Emirates.

Market Trends

The cosmetic industry is going green and has been for a number of years under the radar. According to Mintel, a market research company, **eco-friendly and ethical personal care products are likely to be one of the biggest worldwide trends moving forward** in the cosmetic industry.³ The major drivers of market growth, according to the Organic Monitor, are the "mainstreaming of natural and organic cosmetics, inward investment and growing consumer demand for green products."⁴ The report continues to detail that by 2010, the market share for organic and natural products is expected to reach 10% in the United States⁴ leaving significant growth potential for eager manufacturers.

Many of the controlling businesses in the cosmetic industry have already acted on this potential. According to the Organic Monitor, L'Oreal is "eyeing further acquisitions since buying [organic cosmetic manufacturer] Laboratoire Sanoflore and The Body Shop in 2006."⁴ Estee Lauder, under its organic brand Origins Natural Resources has recently launched a certified organic cosmetic line and Colgate-Palmolive acquired organic producer Tom's of Maine. With participation from the largest cosmetic brands, this presents a unique opportunity for smaller, natural-based producers to gain recognition. More positive information-flow has been coming from chain retailers, including supermarkets, drugstores and pharmacies across North America and Europe who have announced increased distribution of natural and organic cosmetics and increased investment from large cosmetic manufacturers, retailers, private and financial investors.⁴

Two breakthrough trends have established a unique positioning platform for natural and organic cosmetic products. The first, the move by many cosmetic manufacturers to fair trade, is following in the well-regulated footsteps of the food and beverage industry and should present a positive impact on the cosmetic industry, according to the market research company Mintel.⁵ According to the study, "in the United States, Latin America and Asia there is likely to be a rising number of fair-trade and fair-trade certified personal care products available on the market, with European companies tipped as being one of the biggest suppliers of such products to these regions."⁵ Why is this important? Fair-trade means that "more and more food-based ingredients will be used to provide functionality in personal care products, for example super fruits with high antioxidant contents"⁵ as another method to further diversify the market.

The second trend is directly correlated to the first. In an industry long scrutinized for its chemical and toxic composition, many cosmetic manufacturers are beginning to transition to natural products as substitutes. Food-based ingredients have been a popular choice for transitioning companies. According to a Chemical Industry and News report, "2007's cosmetic headlines were inundated with fears about parabens, hydroquinone, lead in lipstick and other potential or known toxins. Of those who buy natural and organic brands, 45% said the main reason is because of their fear of chemicals in traditionally made beauty brands."⁶ The transition to organic and natural based cosmetic products has taken shape due to many contributing factors.

These factors, including fair-trade and consumer demand, have shown no signs of slowing down and should be expected to continue into the foreseeable future. For companies looking to profit from new, innovative strategies, these trends serve as an important building block.

The Manufacturer's Role in Cosmetic Sustainability

“Sustainability is not an eco-Band Aid, a luxury for affluent Westerners, nor pie-in-the-sky idealism. It is the necessary life-blood of a new era of enlightened capitalism. A successful sustainable business involves ethical transactions or energy exchanges in the form of services, products and money that benefit all parties – the company, the clientele and the greater community of which they are a part.”⁹ – Horst Rechelbacher, founder Aveda and Intelligent Nutrients

Green trends in the cosmetic industry have affected stakeholders throughout the manufacturing process, forcing businesses to become active throughout their production lifecycle. Cosmetic companies are using everything from eco-friendly packaging to innovative product formulations to garner a greater green-image for their products. Green packaging has become a hot topic due to consumer demand and government insistence. According to Mintel, “increasing pressure from savvy consumers as well as government measures to reduce pollution, [have forced cosmetic] manufacturers to make significant changes to their carbon footprint.”⁷

These changes in the manufacturing carbon footprint are taking place throughout the lifecycle of the product, from eco-friendly packages used during in-process manufacturing, to industrial bulk containers used to ship large quantities and the final retail package on store shelves. Increasing recyclability and recovery have combined with smaller, lighter-weight packages to improve the entire manufacturing system in an effort to reduce energy input, increase transportation efficiencies and overall sustainability. Brands are looking at more clean energy, according to Media Post. In its manufacturing facility in Blaine, Minnesota, Aveda has been using 100% wind energy to produce 60% of its products.⁸

Product formulation is an important part of the manufacturing lifecycle and is coming under green scrutiny as an area for potential improvement. According to the Organic Monitor, “new product development (NPD) has become a key feature of the natural cosmetics market. By adopting private standards like ECOCERT and Soil Association, cosmetic manufacturers are forced to differentiate through product formulations. Companies are experimenting with natural preservatives, surfactants and colorants as they move away from synthetic chemicals.”¹⁰

Although these regulations mainly affect organic business in Europe, it is without doubt that the United States will see a greater regulatory authority presence moving into the future. As a cosmetic manufacturer, this is an important area to become familiar with. Organic product formulations have been used in cosmetic manufacturing for years, but are now gaining a marketable reputation.

The majority of custom formulations are based from carbon, the most abundant, naturally occurring element on the planet. The principles of organic chemistry (the study of carbon-based molecules) are used to produce a vast number of custom, natural formulations. According to Sarati Laboratories, some of these naturally occurring base-components include aloe vera, green tea, jojoba seed oil and beta-carotene.¹¹ **Replacing synthetic chemical compounds with abundant, naturally occurring elements will positively impact consumer decision making, generate unique marketing opportunities and satisfy government regulations** in an effort to improve overall return.

ECOCERT is an organic certification organization founded in France in 1991. Although based in Europe, it conducts inspections in over 80 countries, making it one of the largest organic certification organizations in the world. The Soil Association is based in the United Kingdom and promotes sustainable certification of everything from food and farming to textiles.

The Importance of Cosmetic Regulation

It will be essential for the cosmetic industry to develop a universal standard for the organic/natural regulation of their products. An agreeable point throughout the industry has been the lack of collective regulation of organic compounds, formulations and packages, as U.S. regulations differ significantly from Europe and Asia. Governments have put measures in place to reduce pollution and increase environmental responsibility, forcing the cosmetic industry down the path of sustainability, but the debate over natural and pseudo-natural products is preventing true growth.

According to the Organic Monitor, **“differences in natural ingredient compositions and the variation in private standards could dampen consumer confidence in natural & organic products.”**¹²

Despite the nuances of difference, certification agencies in the United States and abroad will surely change the landscape of the cosmetic industry. According to Cosmetics Design, natural and organic standards “are being affected worldwide by the enforcement of more stringent certification, particularly in Europe [and by] the introduction of a number of private standards by certification agencies, industry groups and retailers”¹³ in the United States. Christine Groff, director of the IntertechPira Sustainability in Cosmetics Conference, agreed, “This is such an important topic within the cosmetics industry. [...] This program will provide a global regulatory and standards overview from industry experts who can guide [cosmetic manufacturers] through the regulations and certification standards affecting their business.”¹⁴

Although global standards have been slow to market, some organizations are making an effort to bring the principles to light. These bodies will have an important say in the development and growth of an eco-friendly cosmetics industry. The USDA was the only US-based organization to offer organic certification, according to Cosmetics Design.¹⁵ The USDA is not specific to personal care, however and many cosmetic companies are turning to other regulatory authorities to satisfy their needs. In 2008, representatives from leading cosmetic manufacturers came together to form OASIS (Organic and Sustainable Industry Standards) – the first U.S. industry standard for certifying organic cosmetic products.¹⁶ Tim Kapsner, a Senior Research Scientist at Aveda explained, “the lack of a clear industry standard and increased consumer demand for organic beauty products have caused some companies to apply the USDA Organic food-grade standard to their cosmetic products. But those standards were never designed for the beauty industry and presented a number of challenges to companies looking to certify high-performance products.”¹⁷

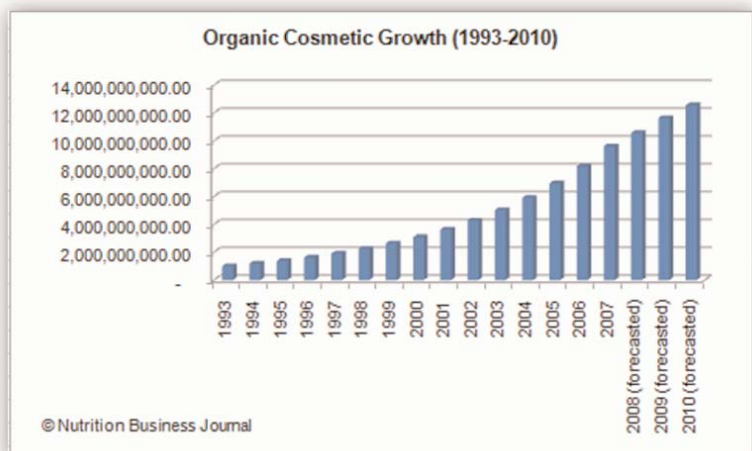
OASIS is a registered 501c 6 Mutual Benefit Trade Association designed to represent the concerns and goals of companies that make sustainable and organic products for the beauty and personal care industry.

OASIS requires 85% organic content for certification, compared to just 10% certified in Europe’s equivalent organization, ECOCERT. According to its organizing board, the “organic” standard will gradually increase until it reaches 95% organic content in several years.¹⁸ A second organization, NSF International, is a non-profit, non-government public health and safety company based out of Ann Arbor, MI. NSF has developed a fully-organic standard in addition to a “made with” standard specifically for cosmetic manufacturers. According to Cosmetic Design, “the NSF organic standard is identical to the USDA’s, the ‘made with’ standard differs in a way that enables

manufacturers moving in an organic direction to become certified. To obtain the ‘made with’ standard, manufacturers will not be allowed to use petroleum-based ingredients or processes.”¹⁸ However, this standard may face further scrutiny as several “processes and ingredients banned in the USDA’s equivalent will be permitted by the NSF, including certain synthetic preservatives and biodegradable surfactants.”¹⁹

The end-result of these movements is an important driver towards universal cosmetic sustainability. **Organic regulations will influence companies to reconsider future strategies** in an effort to go green. The green process is not solely limited to product formulations, as it encompasses everything from eco-friendly packaging to sustainable manufacturing facilities. The natural and organic cosmetic market has grown at a steady rate of 15% over the past 15 years,²⁰ showing no signs of slowing down.

It is clear that the companies that take advantage of the green movement will be rewarded with new opportunities, expanded markets and product differentiation. Investing in the research and development needed to formulate organic cosmetics, in addition to maximizing the use of sustainable supporting products, from in-house storage to consumer packaging, will only serve to strengthen the cosmetic industry. The general and manufacturing trends point towards a steady growth in sustainability that is only catalyzed by the growing regulatory authority across the globe. To capitalize on this requires cosmetic companies to enter the new-world of consumer-consciousness and environmental-responsibility.



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