

Scancos Sustainable Cosmetics

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The Confused Consumer
Natural and Organic:
What is all the fuss about?

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Background

Major Issue: What are natural & organic cosmetics?

- No formal definition of natural cosmetics
- No legal protection of natural and organic terms
- No formal standards for natural & organic cosmetics

How can consumers choose a genuine natural or organic product?

Some Market Definitions

- Organic cosmetics
 - must contain certified organic ingredients
- Natural cosmetics
 - made from plant extracts and natural ingredients
 - contain low / minimal amounts of chemicals

Exclusions: Body Shop, most L'Occitane products, etc. (termed as 'Natural-based Cosmetics')

Source: Organic Monitor

European Market

2008 Data

Market Size (revenues)

US \$2.2 bn

Market Size (of total)

2.7%

Spend Per Capita

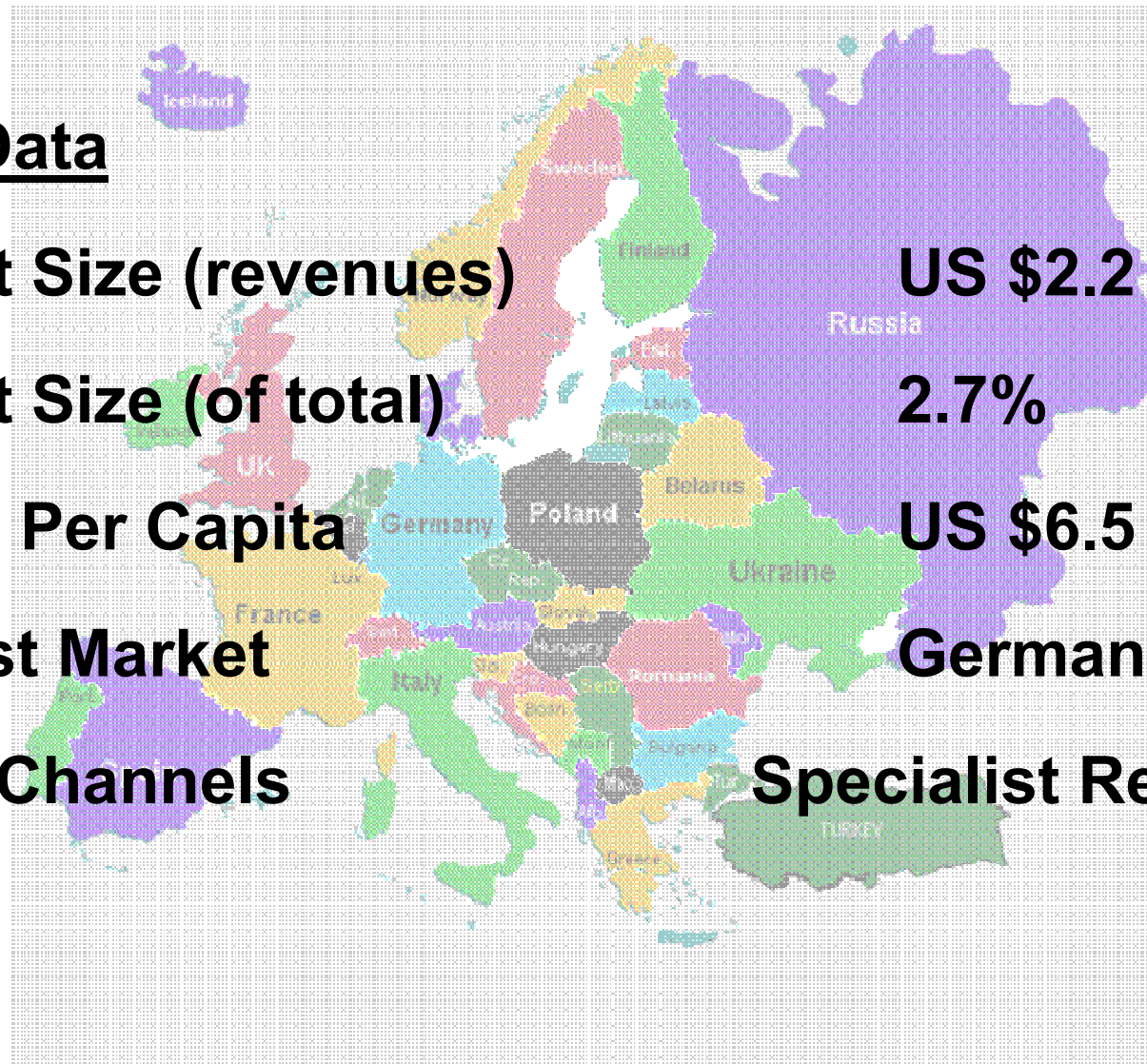
US \$6.5

Largest Market

Germany

Major Channels

Specialist Retailers



Major Trends

- Organic & natural going mainstream
- Food ingredients transferring to cosmetics
- Fairtrade ingredients and standards becoming important
- Certification of “authentic” natural and organic cosmetics to differentiate them from the naturally inspired products
- Harmonisation efforts by some of the private bodies in the US and Europe
- However, further fragmentation with retailers and women’s media getting in on the act!

Consumer Trends



Consumer Trends

- Growing consumer concern about chemicals in cosmetics & toiletries
- Demand for organic foods percolating to non-foods
- Rise in ethical consumerism

Avoidance of synthetic chemicals

	Total Sample		Very important	Important	Neither Important nor unimportant	Not important	Not at all important
	No.	%	%	%	%	%	%
Total	89	100	54	35	9	1	1

Source: Organic Monitor Survey



Consumer Information Access

- Consumers have more on-line access than ever before to information and misinformation.
- INCI lists are available for consumers to read & question.
- Many TV programmes and newspaper articles on the dangers of “toxic chemicals”.
- Natural is perceived to be somehow inherently safer.

Chemicals in the Press

- So called “chemical ingredients” targeted by activists and the media include:
- Parabens and other formaldehyde donor preservatives.
- Petrochemicals e.g. mineral oils, petrolatum and synthetic fragrances and colours.
- Silicones
- Formaldehyde
- Propylene glycol & other glycols
- Sodium lauryl sulphate (SLS) and SLES
- Phthalates
- Ethanolamines e.g. DEA / TEA
-

Are Natural Ingredients Safer?

- A UNITIS (European organisation of cosmetic ingredients, industries and services) study identified 27 'possible intrinsic hazards' in 350 plants used as cosmetic ingredients
- Botanical ingredients were tested for the presence of some 800 CMR (Carcinogenic, Mutagenic or toxic to Reproduction) substances as a result of the 7th Amendment to the EU Cosmetics Directive
- Of the 350 studied, 283 plants were completely devoid of CMR substances, suggesting they are largely safe for cosmetic applications
- However, 71 botanical plants did contain one or more of CMR substances, including acrylonitrile, isoprene, furan, glyoxal, pyrogallol, safrole and phenol
- The fact that a dangerous substance occurs in a living plant does not mean it will be present in the dried plant or extract

The Consumer Today

- Financial crisis raising consumer price sensitivity.
- Consumers 'trading down'.
- Lowering industry investment overall.
- However, organic & natural cosmetics still overall a bouyant, growing sector.
- Many consumers still to fully engage with green personal care.
- Availability in mass channels may change this.

Market Implications

- Rising demand from mass market retailers
- Consumers looking for value products
- Growing popularity of mass market and own brands
- Discounters starting to offer low cost natural products in Europe
- Will the major multi-nationals enter the market soon?

Natural Beauty Industry Drivers

- Marketeers pressing their R&D to develop greener products to satisfy consumer demand
- Sustainability starting to come to the fore
- Better functionality – some great new active ingredients now available
- Profitability
- Fair Trade opportunities
- Community projects
- Locally made products or sourced ingredients

Food Ingredient in Cosmetics

- Consumers easily recognise many ingredients
- There is a feeling - “If it is good enough to eat then it must be good for the skin”.
- Natural ingredients have an affinity with the skin’s structure.
- Food crops are widely available.
- Organic food crops easier to source.
- Cosmetic ingredients may be produced from by-products of the food industry.
- Many different marketing themes can be developed.
- Good visual appeal for advertising.

Organic & Natural Standards

What About Standards?

- Organic or natural cosmetic products are not covered by legislation virtually anywhere in the world.
- ‘Private Standards’ were introduced by several bodies to encourage self-regulation and were based on organic food regulations
- Food regulations don’t cover many areas of chemistry used in cosmetic ingredient production
- Each certification body developed their own interpretation of what constitutes an organic or natural cosmetic and what ingredients are permissible
- This has lead to some fundamental differences between each of the standards and consumer confusion.

Comparison of Standards

- This is not always easy, as different standards refer to processes in different ways (or languages).
- The specifics are not always published in the standard, so you need to check the whole manufacturing process of a raw material.
- The use of certain non-approved catalysts or materials that cannot be confirmed to be GMO-free could lead to a raw material being rejected that from the INCI name would appear acceptable.
- Some standards openly publish positive lists, others negative lists and some no lists at all!

Examples of Universally Prohibited Processes

- Ethoxylation / EO treatments
- Propoxylation
- Sulfonation
- Irradiation
- Chlorine Bleaching
- Genetic Modification
-

Controversial Materials

- Preservatives
- Surfactants esp. Betaines
- Sodium lauryl / coco sulfate
- Quaternised hair conditioning ingredients
- Nano particulate materials
- Titanium dioxide / zinc oxide

European Natural Certification

- Until relatively recently, there were three main bodies in Europe that provided natural cosmetic product certification:
 - BDIH in Germany
 - Ecocert & Cosm bio in France
- In each case, an independent control body checks compliance. The association's label is used to indicate that the required criteria have been complied with.
- Even if certification is not being sought, it could be useful to follow these guidelines when developing a natural cosmetic ingredient or formulation.

Standards in Europe

- Harmonisation of a number of the existing standards from individual organisations in the COSMOS grouping aims to provide a European-wide standard for both natural & organic cosmetics.
- However, the process has taken over 6 years & still has issues to be resolved.
- A new European industry lobby group, called NaTrue, was formed late 2007 to represent the interests of the natural cosmetics industry. Companies involved in its creation include pioneers such as Weleda, Dr Hauschka, Santeverde, Primavera and Logona etc.
- NaTrue is a “not for profit” interest grouping of natural & organic cosmetics manufacturers who aim to safeguard authentic natural products.
- Standards launched by NaTrue September 2008. First products began to be certified early this year.

COSMOS

- Delays to the implementation of the draft.
- Forming an European Economic Interest Grouping for the standard (does this mean non-profit making?).
- Training their certifiers and licensees now.
- Plan to begin certifying products January 2010.
- Some current producers may need to reformulate – 5 year time frame allowed.
- There will be a logo but when is not clear.

COSMOS Basics

- Natural cosmetic – no organic requirement
- Only allowed synthetic preservatives (no 5% max.)
- Organic – 95% of physically processed ingredients must be certified organic
- Min. 20% organic content (except for rinse off, lotion and powder products min. 10%)
- 30% min. of chemically processed agro ingredients must be organic within 3 years of introduction of the standard
- Green chemical processes must be used
- Following consultation, extracts and reconstituted ingredients now calculated according to new rules.

The NaTrue Label



- **Natural Cosmetics** – no organic content required. Min. levels of natural content & max. level of nearly natural materials are specified by product type.



- **Natural cosmetics with organic ingredients** must also contain min **15 %** of chemically unmodified natural substances and max. **15 %** of nearly natural substances.
 - Min. 70 % of the natural substances of plant & animal origin must come from controlled organic farming and/or from controlled wild collection.



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FairTrade

- New market opportunity for cosmetics.
- New FairTrade standard available in the UK from the FairTrade Foundation.
- FairWild standard produced by IMO Switzerland.
- Disadvantage - only a limited number of ingredients available as Fair Trade to date e.g. shea & cocoa butter, brazil nut oil & sugar.

FairTrade

- The UK Fairtrade Foundation has recently certified 57 beauty products.
- Products cover a range including lip balms, shower gels, and body butter.
- Some large UK natural and ethical cosmetic companies e.g. Boots, Bubble & Balm, Essential Care, Lush and Neal's Yard Remedies are the first to be certified.
- The Fairtrade Labeling Organisations International (FLO) sets the requirements for Fairtrade certification.
- For 'rinse off' products a minimum of 2% must be Fairtrade for it to be eligible for the Fairtrade label.
- For 'leave on' products minimum figure is 5%.

www.fairtradefoundation.co.uk ????

US Natural Cosmetic Standards

- The Natural Products Association has launched a standard specifically for natural cosmetics.
- They say “Today, 63% of people are more conscious of the natural ingredients that go into personal care products than five years ago.”
- “Between now and 2010, when the standard will officially be reviewed again, it will be open to contrary points of view and a “debate and review” procedure will be provided to ensure the best thinking is used in the evolution of the standard.”
- In the process of signing a mutual recognition agreement with NaTrue.

NPA Natural Standard

- First NPA certified products from Burt's Bees, Aubrey Organics & J.R Watkins announced October 2008.
- First products were lip balms & glosses + body butters from J R Watkins.
- Now 240 certified SKUs (last updated Oct. 2009) from these companies + 12 others e.g. Yes to Carrots.
- However, no. of unique product types is lower.

US Organic Standards

- Until recently there were no specific standards applicable to non-food products
- USDA seal is used on some products. Companies can label cosmetics as organic if they meet the same criteria governing its organic certification of food
- OASIS & NSF standards now available for products “made with” organic ingredients

Retailers Own Standards

- Whole Foods Market, a major retailer in the natural / organic area in the USA, has introduced its own Premium Body Care™ standard.
- The standard focuses on minimally processed ingredients and what is left out, e.g. parabens, petrochemical surfactants, synthetic fragrance and organic sunscreens.

Women's Media

- Green Good Housekeeping Seal introduced by the magazine & their Good Housekeeping Research Institute (GHRI) in 2009 in the US.
- An environmental extension to the primary GH seal.
- Said to help consumers “sift through the confusing clutter of green claims” on products in order to help them make “environmentally responsible choices”.
- Products are evaluated by the GHRI scientists and engineers to earn the seal – a type of satisfaction guarantee (2 year limited warranty).
- Cleaning & beauty products are the first two categories to be introduced but will be expanded to other areas.
- Seal is not for sale to manufacturers – just a service to consumers.

The Future in Europe

- COSMOS harmonisation can things still go wrong before January?
- 'Private standards' will still be allowed.
- Unified COSMOS symbol should increase public recognition and acceptance.
- Harmonised Standard should at least simplify the application process
- NaTrue pose a viable alternative for new and existing companies looking to gain certification
- Time will tell which standard will become best accepted in Europe.

Thank You

More Information

Sustainable Cosmetics Summit: 16-17 Nov, Frankfurt

www.sustainablecosmeticssummit.com

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