Lessons from the Cosmetics Industry

Finding the Right Balance of Economic Progress, Environmental Care and Social Responsibility

Almost every day, there are news stories about environmental damage and social inequality. Whether it is illegal immigrants attempting to enter Europe, erratic weather conditions, deforestation and depletion of natural resources, endangered species, overpopulation, or climate change, these are all stories (directly or indirectly) about sustainability. The challenge for the business world is how to make a difference to these issues, or rather encourage sustainable use of resources so they are ‘part of the solution’. This article highlights how the cosmetics industry is playing its part in sustainable development.

To many, sustainability and cosmetics are two terms that do not sit well together. Indeed, at a summit organized by Organic Monitor, one environmentalist questioned the term ‘sustainable cosmetics’. He remarked, ‘is it me, or does no one else see this as the elephant in the room….how can you call vanity products like cosmetics sustainable?’ Whilst he was not entirely right, he had a point. Human consumption is far exceeding the rate of replenishment of the planet’s resources. Should the Earth’s resources not be re-directed to more meaningful products then cosmetics?

The role of cosmetics in society is often understated. Many products like soap, shampoo, and toothpaste are an essential part of basic hygiene. Other products, such as sun care creams and rash lotions, play an important role in skin protection and health. Even make-up products like mascara and foundations contribute to society by raising the confidence and improving well-being of the wearers. Going back to ancient civilizations like that of the Egyptians, dyes were used as lipsticks and oils as fragrances. Thus, cosmetics have been and always will be an integral part of human society.

Sustainability in the Cosmetics Industry
However, how sustainable is the cosmetics industry? How is the cosmetics industry meeting the sustainability challenge compared to other industries?

Some may be surprised to know that it is doing fairly well. Cosmetic and cosmetic ingredient firms are regularly featured in green lists of global enterprises.

Six cosmetic companies were listed in Ethisphere Institute’s 2015 World’s Most Ethical (WME) Companies list. Cosmetic companies on the WME list were L’Oreal, Shiseido, Colgate-Palmolive, Henkel, Kao Corporation, and Natura Brasil. Another study by Corporate Knights listed the 100 most sustainable corporations in the world; L’Oreal, Johnson & Johnson, Unilever, Henkel, and Natura Brasil were listed in the top 100 this year. The Corporate Knights methodology involves evaluating corporations on a number of environmental, social and governance performance measures.

**Environmental Impacts**

According to the Brundtland Commission, there are three pillars of sustainability. However, most cosmetic and ingredient firms are focusing on their environmental aspects. Figure 1 shows the various ways the cosmetics industry is addressing its environmental footprint. Most attention is going to raw ethical sourcing, green formulations, and sustainable packaging.

In general, the larger companies take a wider view; they also look at reducing resource usage, waste reduction, as well as operational efficiency. It is common for such companies to take a systematic approach to sustainability, setting targets for various areas. For instance, L’Oreal made its “Shared Beauty For All” commitment in October 2013. The cosmetics multinational has pledged to make all its products have an environmental or social benefit by 2020. More ambitiously, it plans to reduce its environmental footprint by 60% whilst reaching 1 billion additional consumers. It has set individual targets for carbon emissions, water consumption, and waste reduction.

**Green Formulations**
One of the areas receiving considerable attention in the cosmetics industry (as well as related industries, such as cleaning products) is green formulations. A growing number of cosmetic and ingredient firms are shifting away from petroleum-based chemicals to plant-based ingredients for personal care and home care formulations. Rather than environmental issues, the major driver of this trend has been consumer concerns.

Consumers are concerned about the possible harmful effects of synthetic chemicals in their products. In cosmetics and toiletries, they are looking to avoid parabens, phthalates, petroleum oils and minerals and aluminium salts. They also look to avoid sodium lauryl sulphate (SLS) and sodium laureth sulphate (SLES) in their personal care and home care products. Evidence of this is from a Consumer Insights study by Organic Monitor in 2014 (fig. 2); 90% of UK consumers buy natural and organic cosmetics because they wish to avoid synthetic chemicals. Of the chemicals they look to avoid, parabens were top of the list; 63% of UK consumers mentioned parabens in 2014, up from 34% in 2007.

This development has led to a growing array of green materials being introduced that replace contentious synthetic chemicals. For instance, a number of plant-based surfactants have come into the market; one example is the EcoTain range of sugar-based surfactants of Clariant. Many cosmetic companies have also removed parabens from their formulations, replacing them with green preservative systems.

Environmental issues are also playing a role in the shift towards green ingredients. For instance, polyethylene beads - also called microplastic exfoliants - have come under scrutiny in recent years because of their impact on marine ecosystems. A number of American states are introducing legislation to prohibit the manufacture and sale of personal care products with microplastic exfoliants. Green alternatives to microbeads are being developed from corn, jojoba, wood cellulose, and natural minerals.

The use of green ingredients also brings fresh challenges to the cosmetics industry. Unlike petroleum-based chemicals, they are susceptible to supply fluctuations, greater price volatility, as well as traceability issues. At a recent Sustainable Cosmetics Summit, a buyer of such materials stated they prefer to rely on a number of sources because of these issues.

**Social and Economic Impacts**

In terms of social impacts, ethical sourcing and fair trade practices are common. A growing number of cosmetic companies are implementing ethical sourcing
programs, especially if they are getting raw materials from developing countries. The Swedish vegetable oils company AAK is a pioneer in setting up ethical sourcing projects for shea butter. Widely used in cosmetic products, shea butter is produced in the Sahel region of Africa. The UK organic cosmetics brand Neal’s Yard Remedies is sourcing a number of its ingredients according to fair trade practices. It received recognition for its ethical sourcing practices when it received the Sustainability Pioneer runner-up award at the 2014 Sustainable Beauty Awards.

Some companies have set up foundations to promote good causes. Group Boticario, the second leading cosmetics company in Brazil, set up the Boticario Group Foundation for Nature Protection in 1990. The foundation protects over 11,000 hectares of atlantic rainforest and cerrado, two of the most endangered biomes in Brazil. The foundation has donated over $10 million in nature reserve programs, enabling the discovery of 69 new species of plants and animals.

Few have gone further and invested in equitable customer-supplier relationships and social investment. The one area that needs most attention is the economic impact: indeed, not many companies could respond to the question: “how is your company having a sustainable economic impact?”

One reason is that many equate economics with profits – a term not commonly associated with sustainability. However, there are many ways companies can address their economic impacts. One way is to share wealth creation with stakeholders - and not just share-holders. A few American companies are reducing income inequality by capping executive salaries. For instance, the natural food retailer Whole Foods Market caps its executives pay at 19 times of its average employee’s salary. Natura Brasil, arguably the most sustainable cosmetics company, is a pioneer in this respect as it is looking to integrate economic aspects into environmental and social impacts.

**Future Outlook**

The global population is projected to reach 9 billion by 2050. This growth brings benefits to consumer good companies in that they have a larger pool of customers, giving potentially higher sales and thus, profits. However, companies like Unilever and L’Oreal have realized the limitations of uncontrolled consumerism. They have set targets to reduce the amount of resources they use, waste they produce, whilst continuing to expand their business. They have realized that sustainability holds the key to sustainable business growth; the days of producing and consuming with no concern for tomorrow are long gone. These companies are not having sustainability as a stand-alone department, but integrating it into every aspect of their business.
In this respect, there are many green lessons to learn from an industry that was once associated with ‘vanity products’.

**Sustainability in the Cosmetics Industry**

_This article has been prepared by taking excerpts from “Sustainability: How the Cosmetics Industry is Greening up”, the first book on sustainability in the beauty industry. The first edition, published by John Wiley & Sons, is edited by Amarjit Sahota. His company Organic Monitor organizes sustainability summits that feature development in sustainability, especially green formulations. Learn more about upcoming events at www.sustainablecosmeticssummit.com._

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