For health and beauty operators, 2018 began with a bang. Or rather a ban. From 9 January plastic microbeads were banned from being used in the manufacture of cosmetics and personal care products in the United Kingdom. From July, the ban was extended to the sale of such products. In November, the Sustainable Cosmetics Summit will be held in Paris, and, in addition to discussions on overcoming formulation hurdles and engaging with disruptive technologies, attendees will also discuss the marketing of green cosmetics. Ethical trends in the UK cosmetics sector are well established, with the testing of cosmetics products on animal banned in 1997 after a voluntary industry initiative. Over 2017, meanwhile, the market for organic cosmetic products in the United Kingdom increased by 24%, according to a Soil Association report. Nevertheless, companies do have scope for further development. With millennials being particularly keen on ethical consumerism (according to a Nielsen survey, more than 73% of global millennials are willing to pay extra for sustainable offerings), effective marketing is likely to prove key for companies seeking to benefit the environment without failing to capitalise on consumer trends.

Natural beauty
The importance of ethical consumerism in the UK market is already readily apparent on the high street; Lush is the second largest operator in the Cosmetics and Toiletries Retailers industry (IBISWorld report G47.750), and the brand’s long-standing environmental and ethical agenda has regularly garnered positive media attention. The firm also has operations within the Perfume and Cosmetics Manufacturing industry (IBISWorld report C20.420). More than 70% of Lush’s products have no packaging and 90% of the company’s packaging material is recycled, with Lush working on the remaining 10%. This stands the firm in good stead with environmentally minded consumers, given the recent media focus on plastic packaging. The company has also incorporated its environmental agenda into its online operations, ensuring that their digital hardware is from conflict-free materials, and also powering its data centres with renewable energy. Given the importance of the online sphere, such practices could be useful examples. Lush’s performance has been noteworthy, with the company’s UK revenue estimated to grow at a compound annual rate of 18.3% over the five years through 2018-19. Whilst it has not grown as rapidly, the Body Shop has also
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performed well, and has demonstrated the ways in which environmental activism can be tied to traditionally strong retail periods – in November 2016, The Body Shop launched a Christmas campaign pledging to restore a square foot of rainforest through each purchase made from selected lines of cosmetics. More generally, cosmetics retailers have increasingly taken advantage of technological innovations in other areas of the chemical sector, making use of recycled polyethylene terephthalate and bioplastics in order to make packaging sustainable.

However, other big-name brands offering health and beauty products have come under fire. The £28.6 million worth of goods destroyed by Burberry in its 2017 financial year included £10.4 million worth of beauty inventory. Public backlash did force the firm to cease this practice, but it is the first such operator to do so, and other firms could face similar reputational damage should they not address wastage and environmental damage in their operational strategy.

Whilst reduction in waste and environmental damage has hit the headlines for large firms this year, smaller and medium-size enterprises, including many in the health and beauty sector, can also benefit from a more positive association with good causes. In recent years, popular concern over the plight of Britain’s bees has been palpable, with Defra hosting a range of summits on the issue, and nationwide planting campaigns taking root. Given the importance of horticulture to many health and beauty products, such a trend was at once marketable and highly beneficial to the environment. Small British firms such as Bee Good and The Soap Company have made a point of producing their cosmetics in harmony with good practice in apiculture and horticulture. Prominently displaying a symbol of environmental accreditation, in this case the ‘Bee Friendly’ label, is a key means of leveraging credibility to a firm’s advantage, and many consumers seek out such symbols. Award schemes, such as the City of London’s Sustainable City Awards, can also confer reputational advantages.

A good look
As environmental concerns swell and as more consumers seek ways of reducing their footprint, operators at a range of price points may consider refocusing their businesses towards a more environmentally and ethically friendly strategy. Indeed, & Other Stories, a company within the H&M Group, offers an in-store recycling programme for its beauty packaging; if a customer drops off an emptied tube of lip gloss, they get 10% off their next purchase.
MAC, meanwhile, has a return and recycle programme that also includes a gift, further encouraging consumer engagement, with the company also pledging to discontinue its line of brushes made using animal hair in January 2018. Such consumer-facing approaches could be a valuable means of customer engagement, in addition to the environmental benefits they offer. As many cosmetics companies have found, a ‘back-to-basics’ and natural approach can be highly successful with customers. Over recent years, a focus on natural, organic and botanical products with fewer synthetic ingredients has been highly evident and, in such a consumer-facing market, companies that are able to proactively address prevailing concerns can add a gloss to both their revenue and their reputation.

IBISWorld Industry reports used in this special report:
- C20.420 Perfume and Cosmetics Manufacturing in the UK
- G47.750 Cosmetics and Toiletries Retailers in the UK
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