

## **Sustainability in Cosmetics Summit, Regal Hotel, Hong Kong 13 November 2013.**

The focus of the three day event was sustainability of supply chain from raw ingredient production through to the end consumer in a tight economic climate.

Many presenters highlighted that global growth in natural and organic cosmetics has slowed, especially when compared to the overall growth of the personal care industry. Previously companies may have been able to be on the natural or organic bandwagon (with or without certification) but consumers are demanding more information about sustainability status. This can be enhanced through the use of fair trade ingredients, carbon zero status and looking at the water footprint of production - the new 'buzz word' as opposed to 'carbon foot print'.

Biodiversity and preservation of ecosystems was a dominant theme with some very sorry statistics to back up the poor global performance in this area over the last 40 years – 16,000 species are threatened with extinction. While in NZ we don't have this issue within our natural product industry there are certainly considerations when sourcing natural ingredients.

One interesting presentation by BSR noted that there will always be a trade off for companies - e.g. social vs environmental vs economic factors. The question though is bigger than whether natural is better than synthetic. All the other factors come into play. An example of this is the use of palm oil and this was clearly a very contentious issue which evoked some heated discussions. The fact remains that while there is a certifying body for Sustainable Palm oil (RPO), this standard is not rigorous enough as there is still wide scale deforestation and peat fire burning which contributes significantly to pollution in the wider region. Between 2009 and 2011 Indonesia lost 71.2 million ha of rain forest in the name of palm oil production. The Sumatran tiger is the symbol of rainforest health and with only 400 left in the wild the species is dangerously close to being extinct due to palm oil production.

Day two provided value for New Zealand companies looking to Asia with presentations on brand positioning, certification, consumer awareness and management of supply chain and shelf life. Currently there are no national organic certifications in the HK/China market, and with the global market overloaded with over 40 standards long with brand 'pseudo' green logos, this all adds to consumer confusion.

The regional spend in the wider Asia Pacific region is US\$450 million compared to US\$5.7 billion in the US. So while there is increased awareness of what it means to be natural and organic, this has not yet translated into increased sales in the Asia region.

Another factor impacting smaller niche brands is the bigger global players putting out natural and organic lines, e.g. L'oreal, Johnson & Johnson and Unilever. To illustrate this, the German supermarket chain, Aldi, has a BDIH line of skin care launched with the retail price of around 2 Euro. NZ brands just cannot compete with this!

## **Some takeaways from the event:**

1. Understand your channel to market – it will be different to other markets (e.g. no organic food store chains compared to north America) and think outside the box e.g. pay in airport lounges
2. The 'natural' concept is not well understood. The market is dominated by natural like brands from Korea which are well trusted- e.g. Face Shop & Skin Food
3. All key points need to be on the front of the packaging
4. Some type of certification is important
5. Need to be able to communicate sustainability but there is a cost to this
6. Main competitors in the region are from the US. Around 30 big brands dominate
7. Possible distributors look for forbidden ingredients (they will have a list); product must perform better than conventional equivalent; there must be a believable back story; brand perception in own country important (on line presence is key); scalability of range, competitive MOQ and ongoing marketing support.

## **Summary**

The event is well organized with good quality international speakers. For newer brands looking to enter this market it is a good starting point to gather intelligence as well as network with some of the key industry players. For example at this event there were buyers from some of the big chains in Hong Kong such as Sasa, Wing On and Watsons. It would otherwise be virtually impossible to gain access to these sorts of stores.

There were sponsor's trade stands offering ingredients and resources. Whilst some may consider the show expensive, if you use the time strategically it does provide good value tagged onto a market visit to Cosmoprof. It would also be an ideal location to set up meetings.

The Summit provided plenty of networking opportunities. The numbers attending seemed lower than last year with around 80-100 people each day. However this year there was more time allocated to each presenter with ample time for panel discussions and questions so it was possible to get a deeper insight into the topics.

After the summit there is another day of technical sessions which is at an additional cost.

The event is organised by Organic Monitor and other events are held in Paris and Brazil. It precedes the Cosmoprof show but is organised and located quite separately. If you were exhibiting at Cosmoprof the logistics of attending the Summit and setting up for the show may be an issue for a solo person.

Report compiled by Wendy Maddocks