

Mindful  
Beauty







## Conscious consumers are the driving force behind market growth in ethical beauty

Beauty trends used to be all about the look, from seventies sparkle to eighties colours and the carefully crafted flawless image of the millennium. These days, the final result that beauty addicts are looking for is the impact on the world around them. From reducing plastic in products and packaging to organic and vegan products, ethical beauty is more than just the latest trend; numbers regarding growth suggest it may become the new standard.



## Cutting out the cruelty

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One of the biggest issues in the beauty industry used to be whether or not a product was tested on animals, but animal testing for beauty products has been banned in the EU for almost 15 years, including both products produced in the UK and imports.

The law was given further weight in 2013 when it became illegal to sell cosmetics that have been tested on animals from elsewhere, or contain ingredients that have been tested on animals, anywhere in the EU. However, the EU laws didn't clear the issue up entirely. Exporters should be aware that any products

sent to China will lose their cruelty-free status because all imported products must be tested on animals before they go on sale. This means previously cruelty-free products could lose their status if sent to markets across the world that have this requirement.

## The rise of the vegan

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Vegan products are fulfilling a rapidly growing market. According to research conducted by the Vegan Society, the number of vegans is up from 150,000 in 2006 to 540,000 in 2016. This year, over 250,000 people in 190 countries took part in Veganuary.

Of those, 360,000 people described themselves as lifestyle vegans, which meant that they cut animal products out of all areas of their lives, not just their diet. The growing popularity of 'Veganuary' as a means of trying out the plant-based life for a month, together with the increasing availability of vegan alternatives and growing awareness of environmental benefits means that the numbers continue to rise. Beauty brands have been fast to recognise the need for vegan products; this means that the ingredients must be free from anything derived from an animal. When it comes to skincare, this could include certain types of lipids and collagen as well as more obvious elements such as honey and beeswax.

As consumers seek the best products to suit their vegan lifestyle, certifications are becoming increasingly important. Cruelty Free International and Peta provide certification for products not tested on animals, but this is no

guarantee they are vegan. There is, however, certification from The Vegan Society, which is the label to look for. The two aspects go hand in hand and many products seek certification from at least two, if not all three organisations. There are certainly benefits for companies embracing the market – Superdrug reported a 750% sales increase during Veganuary 2019 of its vegan B. range of cosmetics. However, canny consumers often look at the bigger picture – for example, the broader range of products available in Superdrug, or in the case of the recently launched My Clarins vegan friendly range, point to the fact that other Clarins products are sold in China and are not cruelty-free. Although the range itself isn't sold there and claims that the range is vegan and cruelty-free are accurate and have proven popular, many are expecting not just ethical products, but ethical companies to deliver them.

## The war on plastic

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According to campaigning group Surfers Against Sewage (SAS) roughly 8 million pieces of plastic pollution reach our oceans every single day.

Industry watchers are predicting a rise in sustainable and refillable packaging, such as glass jars or recycled or compostable containers. In the beauty industry, it's not just packaging that contributes to this pollution, the products themselves sometimes contain

plastic derivatives. After lengthy campaigning from environmental groups, the UK has banned the sale of beauty products containing harmful microbeads, but a lot of cosmetics use synthetic polymers and this is more plastic that, once washed away, finds itself in the ocean.

## Embracing natural beauty

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All this focus on environmental issues has created demand for products made with natural and often organic ingredients.

Zero-fragrance and 'clean beauty' ranges are on the rise and are gaining popularity with consumers. According to The Soil Association, sales of organic beauty and wellbeing products grew by 14% in 2018. This represents sales totalling £86.5m in 2018, up from £75.9m in 2017. The Soil Association also recorded

10,000 COSMOS-certified organic or natural products in Europe last year, more than double the number for 2017. The increase in certified products presents an opportunity to develop beauty products using previously certified ingredients as well as adding new ones, which will contribute to ongoing growth.

### ONE TO WATCH

## CBD Oil and Hemp

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Derived from the non-psychoactive part of the cannabis plant, cannabidiol or CBD is being used in skin care for a range of products for acne, eczema and rosacea and is also being considered an anxiety remedy. Recent statistics show that sales of CBD products in the UK have doubled in the last year.

Experts predict that demand may grow as more products are created to combat stress and sleep issues as well as skincare. Hemp is also increasingly popular, not just in skincare but also as a more environmentally-friendly alternative to plastic packaging.

## Beware of second-wave greenwash

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The increasing popularity of natural and organic products has led to what campaigners are calling a second-wave greenwash, as companies try to jump on the bandwagon without considering the overall impact on the environment or business ethics.

In some cases, this is a case of claiming natural products without adequate certification, and in others it may include issues of packaging, sustainable production and the destruction of ecosystems to harvest the in-demand natural crops as well as fair trade concerns and business ethics.

The sourcing of raw materials and the impact on biodiversity are issues discussed within the industry and as more niche companies fight to push the standard higher, it could

mean increased consumer awareness. Ethical beauty is more than just the latest fad for manufacturers to capitalise on; it requires an examination of the whole supply chain and the organisation of the business to build consumer trust. Increased demand for natural and organic ingredients requires more land use, more water and the consumption of more resources. As a result, consumers are beginning to ask questions about the long-term impact of the products they choose to buy.

## What about Brexit?

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Although there is no clear agreement yet, it seems unlikely that if the UK leaves the EU, there will be any backtracking on the issue of animal testing.

Even if the government did make such a move, companies aware of the market demands would be unlikely to revert back to a practice roundly rejected by consumers. Independent accreditations, such as The Soil Association COSMOS organic certification, are likely to hold the same weight. The issue may be more related to sales across Europe and the challenge of any additional tariffs,

and any impact that currency fluctuations may have on pricing. It may be that the ethical beauty industry can weather the Brexit storm, whatever the outcome, because as a consumer-driven movement it's likely that prices will be less of a consideration than the overall ethical status and stance of the company.



# Currency risk and international payments

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While there is little that companies can do but wait and see what the outcome of Brexit will be, it's clear that growth in sales of ethical beauty products is happening on a global scale, and requires an international supply chain.

From importing natural, fair trade and organic ingredients from across the world to supplying international markets with the latest products, many companies will be making and receiving international payments. Fluctuations in the value of the pound can put pressure on margins and prices, but a currency specialist can provide guidance and support for the development of a currency strategy to mitigate risk. In addition, the secure online platform allows businesses to make, receive and track international payments, which helps to build relationships with reputable suppliers and manage overseas revenue. Our expert corporate team understands the challenges and opportunities ahead for the ethical beauty industry and works closely with clients to provide guidance, support and a range of currency tools to help companies make the most of their business opportunities across the globe.

## Managing currency risk

### STEP ONE: UNDERSTAND THE NATURE OF YOUR CURRENCY EXPOSURE

Take a look at your balance sheet and consider what fraction international payments are of overall incoming and outgoing funds because this will indicate your measure of risk. If it's only 10% of your business, you may think you have less to worry about than if it's currently 70% but the issue isn't quite that simple. Of course, a company with higher currency exposure bears more risk due to currency fluctuations, but you may want to look beyond the numbers at your strategic plans. You should consider where the market may be growing or shrinking and where the future opportunities lie. In trying economic times, whatever the percentage of your overall profits and losses are consumed by currency, you should aim to make the most of every penny. Don't forget also that currency risk applies as much to suppliers, and this is an area that needs considerable focus to ensure you're getting value and adhering to the ethical standards set by the

company.

### STEP TWO: UNDERSTAND THE CHOICES AVAILABLE

There are a number of currency tools which can help you make the most of your company's resources and still expand into further overseas markets. A forward contract allows you to lock in a prevailing rate of exchange for a set period of time. (Please note, a forward contract may require a deposit.) This can help with forward planning and provide some certainty but it carries its own risk. Currency can go up as well as down, and it depends on what is going to work best for you.

In addition, there's the fact that this works best when you have a clear pipeline and this isn't always possible in areas such as beauty, which can see a sudden rise or fall in demand due to rapidly evolving fashion trends. If you have definite commitments then a forward contract may be the best approach. However, you can also set up a market order; this allows you to specify your target rate and the funds are transferred if that rate is reached. There are no guarantees with a market order but you can pair this with a stop-loss order which specifies the lowest limit you are willing to accept. This allows you to protect your profit margin while also having the opportunity to take advantage of movements in the market. These are both longer term strategies that require some planning, but if you operate a more agile business, you may feel like the best approach is to wait and see what the market brings and adapt accordingly. This does carry some risk, but if you work with a specialist who can keep you updated on the latest changes in the market then it could allow you to maximise your profit margin and help protect against too severe losses.



### STEP THREE: SPEAK TO A SPECIALIST

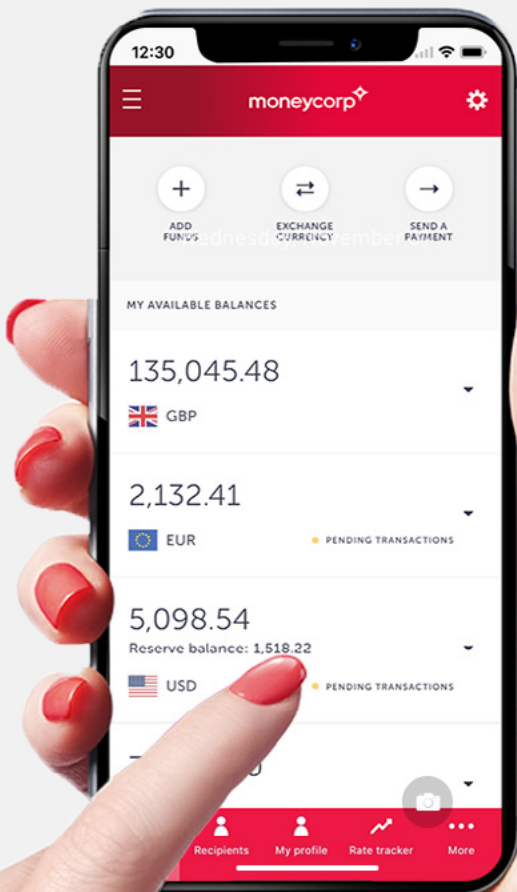
All of the above products and services are available via a currency specialist but that isn't the only advantage. Currency specialists typically offer better rates and lower fees than high street banks. You also get the benefit of expert guidance from someone who not only understands the foreign exchange market but also the challenges of producers and manufacturers within the beauty industry. Whether you're just starting to consider your currency exposure or are simply looking to review your current approach, the additional expertise can shed light on the opportunities and risks of different approaches – and you can get all this extra help for free when organising your international payments through a specialist.

### Controlling currency costs

Fluctuations in the exchange rate have an impact on the cost of international payments, but it isn't the only factor. Different providers offer different rates of exchange, and even a fraction of a percentage point can make a big difference. In addition, if you're working with multiple partners, perhaps working on innovative new sustainable packaging or a fair trade supplier, exchange fees can soon add up and can further erode the profit margin. If you're working across multiple markets around the world, then it may be time consuming to set up and deliver the broad range of currency transactions required and to keep track of cash flow when working in multiple currencies.

### Managing international payments

Working in partnership with a currency specialist like moneycorp can improve the process of managing international markets and partnerships. As well as expert guidance on the currency market and available currency tools for managing risk, moneycorp provides clients with an online platform for managing international payments. Features of the platform include live statements, progress updates on international payments, the facility to make payments in multiple currencies and management controls. This approach doesn't add too many additional layers of administration or require staff with specialist expertise, but does provide the transparency and checks and balances that allow for the close management of currency costs.



## Contact us

To find out more about how moneycorp could help to make the most of your overseas revenue and support your ethical global supply chain, drop us a line and our team will be happy to help.

Email: [corporate@moneycorp.com](mailto:corporate@moneycorp.com)

T: + 44 (0) 207 823 7800 and quote 'mindful beauty whitepaper' (Monday-Friday 7:30am - 6:00pm)

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