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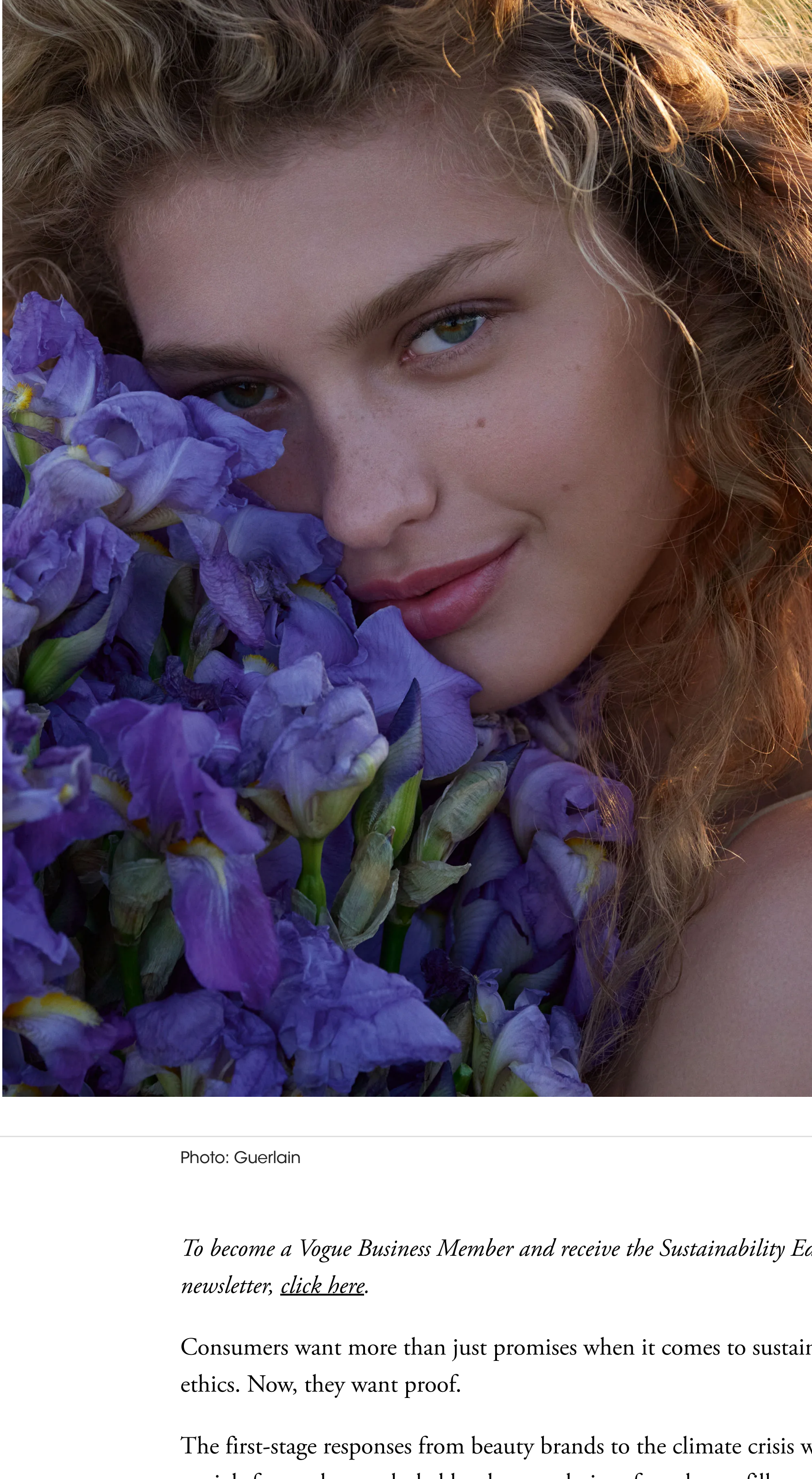
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Consumers want more than just promises when it comes to sustainability and ethics. Now, they want proof.

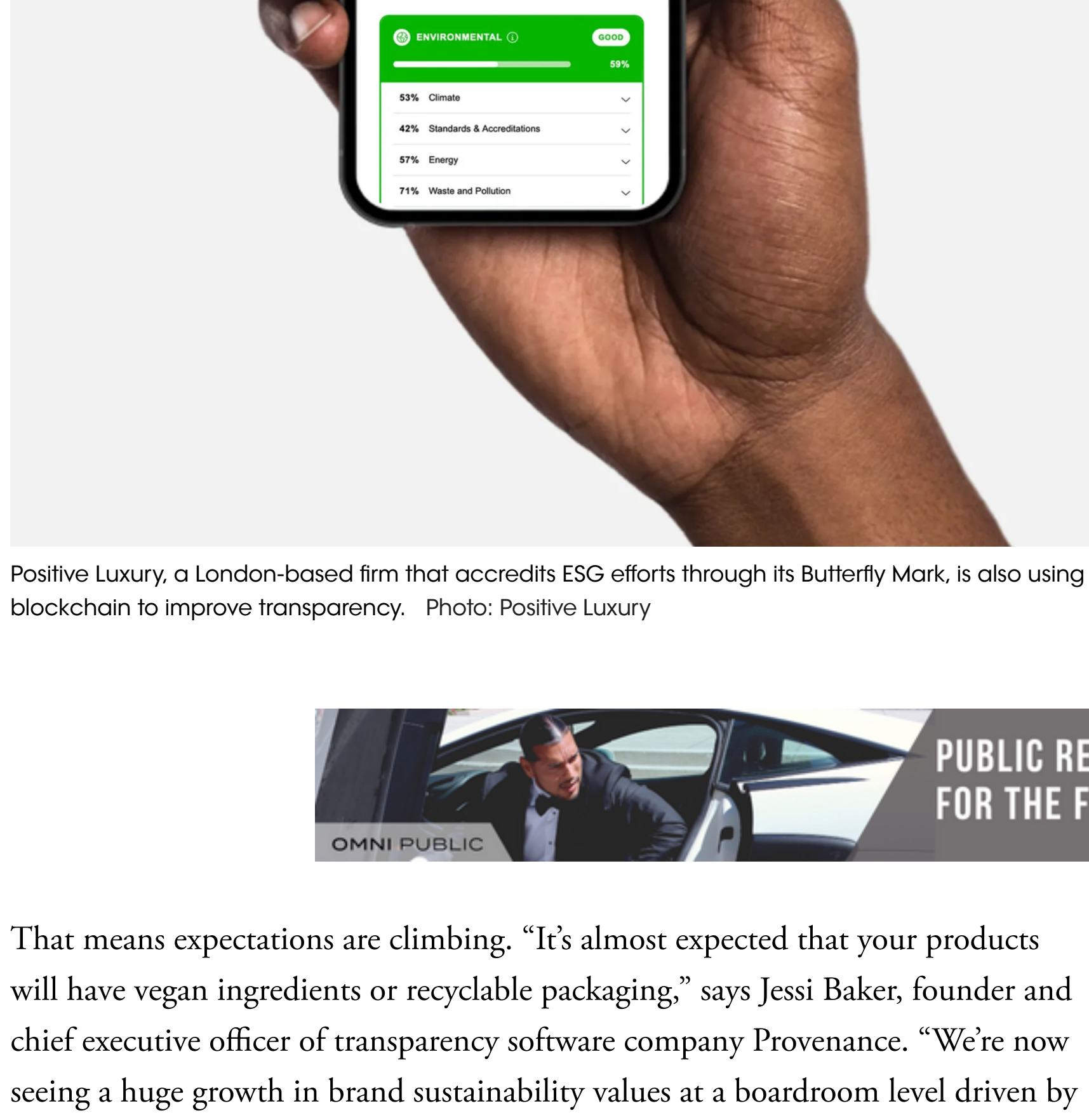
The first-stage responses from beauty brands to the climate crisis were straightforward enough, led by the popularity of product refill systems and simpler packaging. However, the industry is under pressure from both consumers and regulatory authorities to do more — and to provide the evidence. Experts say the industry needs to end its reliance on conventionally farmed ingredients and air freight, shore up supply chains to remove ethical violations, as well as move away from a model that relies on endless use of packaging and that encourages excessive consumption of new products.

As many as **61 per cent of participants find it difficult to tell if hair and skincare products are sustainable** from the packaging, per a study by Wella's sustainable haircare business weDo! Professional. Research by Accenture suggests that consumers are ready to pay 12 per cent more for brands that get it right.

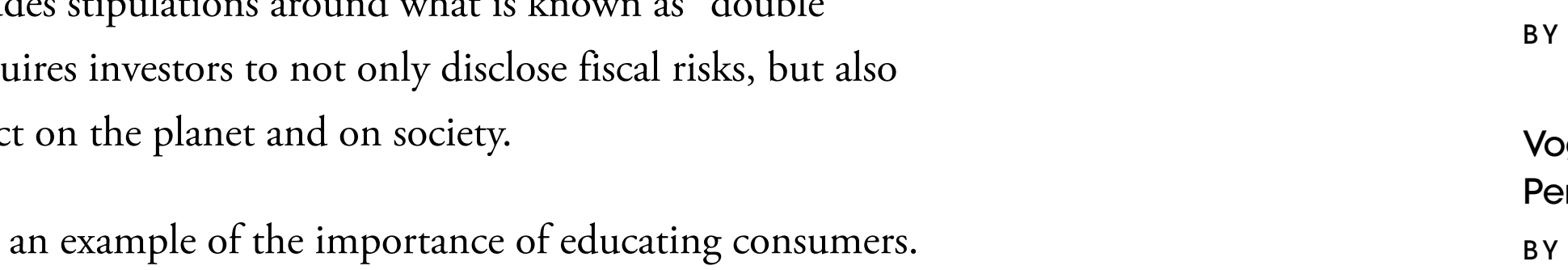
A crackdown on greenwashing

Across industries, regulatory oversight is increasing. The [Advertising Standards Agency in the UK](#) is enforcing new criteria for marketing material linked to sustainability. In Germany, [Deutsche Bank's asset management arm DWS](#) was raided by police following greenwashing allegations. Financial regulators on both sides of the Atlantic are vowing to tighten up regulations following reports of mislabelling of ESG (environmental, social and governance) investment products.

Consumers are also becoming more sophisticated in their understanding of the issues, say transparency experts. On social media, for example, [science-trained influencers](#) are using their platforms to educate consumers about greenwashing.



Positive Luxury, a London-based firm that accredits ESG efforts through its Butterfly Mark, is also using blockchain to improve transparency. Photo: Positive Luxury



That means expectations are climbing. "It's almost expected that your products will have vegan ingredients or recyclable packaging," says Jessi Baker, founder and chief executive officer of transparency software company Provenance. "We're now seeing a huge growth in brand sustainability values at a boardroom level driven by investor pressure, consumer and employee demand." This investor pressure may prove especially persuasive — financial regulation such as the [European Union's Green Taxonomy](#) includes stipulations around what is known as "double materiality", which requires investors to not only disclose fiscal risks, but also potential adverse impact on the planet and on society.

Baker cites recycling as an example of the importance of educating consumers. With different recycling policies from region to region, what is recyclable in one city or country might not be recyclable in another; and the presence of a recycling symbol on a package **does not mean** it's actually recyclable. The success of recycling also hinges on customer participation. "Even if packaging is recyclable, the responsibility of the product's end-of-life falls on the customer to place the packaging in the recycling bin and ensure that less than 10 per cent of the product is left or fully washed, both of which are rarely the case."

Consumers tend to focus on the most obvious aspects of sustainability, such as packaging and product size. The environmental implications of ingredient sourcing and the social and human aspects of beauty production tend to be overlooked. Oliver Wright, global lead of Accenture's consumer goods and services industry group, observes a gulf between consumer perceptions of sustainability and what is sustainable and reliable across a product's whole life cycle.

Even for those companies authentically committed to positive action, the process of tracking progress and quantifying return on investment is complicated by the multiplicity of streams to measure. Many companies are now looking for support from external auditors and accreditors.

The power of proof points

Some beauty brands are considering the potential of blockchain as a tool to improve transparency. Provenance partnered with British e-tailer Cult Beauty in 2019 to provide "proof points" on the product pages of participating brands. These allow customers to examine and compare claims made by brands, such as cruelty-free status or easily recyclable packaging, with the reassurance that the information has been independently vetted and is unedited — because it exists in the blockchain.



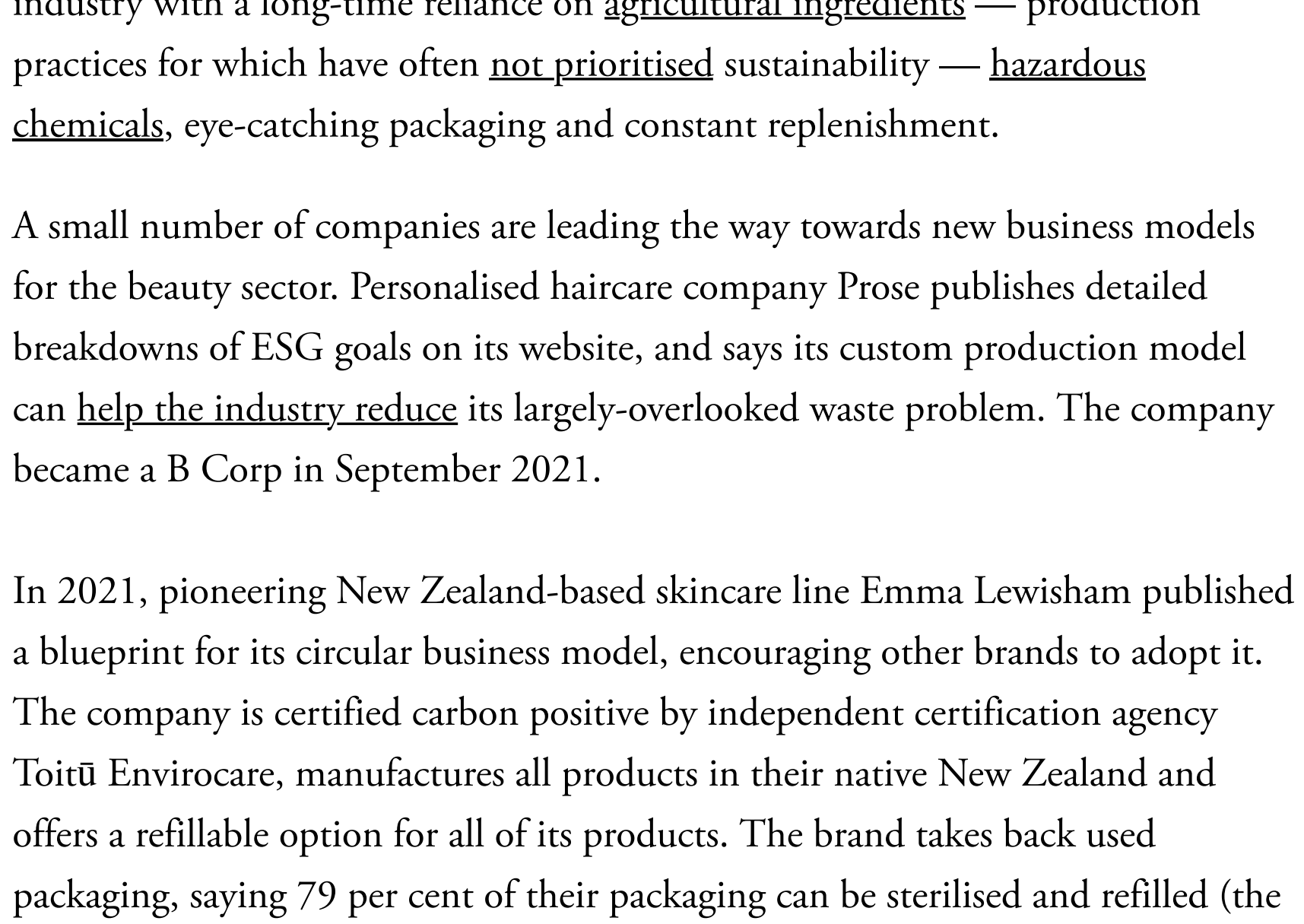
"Sustainability is complex for shoppers to understand, which is why transparency and education really go hand-in-hand," says Baker. "We see a high click-through rate on certifications, demonstrating the interest from shoppers to find out more about what's behind the logo."

Positive Luxury, a London-based firm that accredits ESG efforts through its Butterfly Mark, is also using blockchain to improve transparency and make it easier for brands to track their progress. "With our blockchain and QR code-powered pages, our portfolio brands will have an easy dashboard that will show them where they're at, and the return on their sustainability investment," explains Diana Verde Nieto, co-chief executive and co-founder.

Demand is growing, says Verde Nieto. "Before, when we would onboard brands to Positive Luxury, we would maybe liaise with a brand's chief marketing officer. Now, the chief executive officer and the board are involved because ESG credentials really impact the valuation of the business, as well as the operations of the business." Positive Luxury's new blockchain-powered initiative, called The Connected Butterfly Mark, is available from September.

Such options are popular in fashion, too. The [Aura Blockchain Consortium](#), a non-profit association backed by LVMH, has [joined the Sustainable Markets Initiative](#) (SMI), a coalition aimed at accelerating a more sustainable future in fashion. The SMI was launched at Davos in 2020 by Prince Charles.

Berlin-based tech company Planety has a threefold offering: measuring and identifying means to reduce carbon emissions, giving businesses software to help manage ESG goals, and providing investors with tools to manage sustainability KPIs across their investments. "A big part of the process is working with brands to help them identify the right KPIs," says Micha Schildmann, vice president of strategy. "Saving water, biodiversity and social aspects, such as fair working conditions, are likely to come up for many." Planety, founded in 2019 and acquired by US-based Onetrust in December 2021, has clients including Finnish beauty brand Lumene and vegan nail polish company Gitti.



Personalised haircare company Prose publishes detailed breakdowns of ESG goals on its website. Photo: Prose

Planety provides portfolio companies with regular assessments on progress towards their goals, and contextualises these by comparisons with other businesses, helping companies benchmark their progress. "There's been a really strong push towards digitalisation of sustainability. For companies to stay ahead, you need an intelligence platform where everything is all in one place," says Schildmann.

Beauty's unique challenges

The adoption of sustainable values is particularly challenging for beauty, an industry with a long-time reliance on [agricultural ingredients](#) — production practices for which have often [not prioritised](#) sustainability — [hazardous chemicals](#), eye-catching packaging and constant replenishment.

A small number of companies are leading the way towards new business models for the beauty sector. Personalised haircare company Prose publishes detailed breakdowns of ESG goals on its website, and says its custom production model can [help the industry reduce](#) its largely-overlooked waste problem. The company became a B Corp in September 2021.

In 2021, pioneering New Zealand-based skincare line Emma Lewisham published a blueprint for its circular business model, encouraging other brands to adopt it. The company is certified carbon positive by independent certification agency Toitū Envirocare, manufactures all products in their native New Zealand and offers a refillable option for all of its products. The brand takes back used packaging, saying 79 per cent of their packaging can be sterilised and refilled (the refill pouches cannot be, and are sent to recycling company Terracycle). Online, the company discloses 100 per cent of its ingredients, along with their origin and extraction methods. It's also a Living Wage accredited employer in New Zealand.

It's not straightforward for other companies to follow the example of these kinds of businesses, acknowledges Accenture's Wright. What really resonates for shoppers is transparency, not perfection, he says. "If you walk into your local beauty retailer and try to make a purchase based on what you think is best for the planet, you probably couldn't do it with the information they provide. Educating consumers to enable them to make those sorts of more informed decisions is a challenge, but it's one that starts with transparency so shoppers can make simple comparisons across brands."

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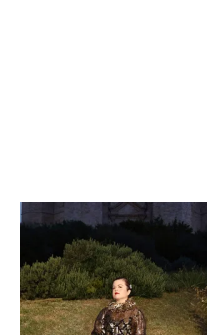
Proving you really care:
How to respond to
beauty's greenwashing
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Pressure is growing to end perfunctory greenwashing initiatives. So how does a beauty brand demonstrate it really means what it says? Transparency is a good place to start, say experts.

BY DANIELA MOROSINI
July 25, 2022



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