

## CASE STUDY

# BEAUTYCOUNTER

## Beautycounter: 1,800 on The “Never” List and Counting...

In 2011, Gregg Renfrew learned that the US only banned 30 ingredients from personal care products and that many products contained substances that were potentially harmful. This led her to found Beautycounter, a firm that established a promise to restrict all potentially unsafe chemicals in their formulations. The number of such ingredients continued to go up and is currently at more than 1,800, (which became known as “The Never List”). Renfrew emphasized that “I’d never considered that the products I used on myself, and my kids might not be safe, so I set out to transform the beauty industry by creating clean, high-performing skin care and makeup—while fighting to change the laws that control what can and cannot be used in products, so that everyone has access to safer beauty.” Beautycounter has a full product assortment across product categories and is constantly innovating to create new, safer products.

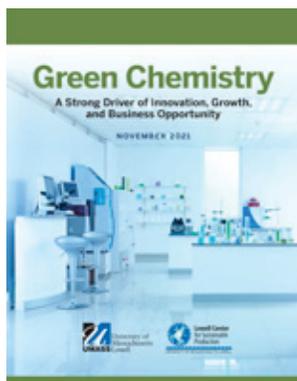
### QUICK FACTS

- Beautycounter was founded in 2013
- Leader in clean beauty
- Based in Santa Monica, California
- Pre-acquisition revenue (2020) of \$341 million

Decades of studies indicate that serious health issues (including but not limited to asthma, cancer, and infertility) are on the rise and are due in some part to our ongoing exposure to toxic chemicals. There are tens of thousands of chemicals on the market today. Many have limited safety data. This is particularly true for those used in the skin care and beauty industry. The U.S., Canada, and the EU restrict 30, 600, and 1,400 substances in the cosmetic products industry respectively, which gives an idea of how these priorities stack up across countries. What’s worse is that the Food and Drug Administration (the agency that regulates cosmetics in the United States) has the authority to remove harmful ingredients from the products we put on our bodies and on our

kids’ bodies every single day, day after day; however, it is difficult to apply this authority, especially when there is no premarket approval required for beauty products (unlike the pharmaceutical industry).

Other chemicals they avoid also have problematic supply chains when it comes to labor practices. A good example of this is the cosmetic chemical known as Mica. This is used to give



Excerpted from ***Green Chemistry: A Strong Driver of Innovation, Growth, and Business Opportunity***, University of Massachusetts Lowell, November 2021

<https://greenchemistryandcommerce.com/publications>

## CASE STUDIES

certain cosmetic powders, like highlighter and eyeshadow, a pretty, shimmery glow. However, sourcing of this mineral has severe problems, including unethical labor practices in the mining and refining process. Beautycounter is now in the process of auditing 100% of their mica suppliers in person, to ensure that they are compliant with ILO practices.

The future of retail and developing a sense of intimacy with customers is a big focus of the company, which is driving some very new experimental marketing approaches with their customers. This is part of the company's efforts to drive innovation in all facets of their business. The new store in Los Angeles, "Live at Abbott Kinney" will also be a place for livestreaming content to interact directly with customers around the world. This interesting approach was documented in a recent Fast Company video.<sup>1</sup> Beautycounter has over 65,000 independent sellers, three stores, and sells directly to consumers. Their independent seller network represents an army of advocates for change in the industry.

Lindsay Dahl plays a critical role at Beautycounter, and is responsible for ingredient safety, quality, sustainability, advocacy, and corporate giving. Her background involves work on state and federal policy around environmental health and ensuring that the right science can be applied to formulations as a way to advocate progressive policies.

The company was initially privately owned, but was recently acquired by the Carlyle Group,<sup>2</sup> and the company was valued at over \$1 billion. This was the second largest acquisition in the beauty space and is a testament to where investors believe is the future of beauty products, namely safer and cleaner products that consumers will want to buy. Although Beautycounter was once viewed as a fad and a niche player, their work on safety and sourcing only safe ingredients is making a huge impact in the sector.

When it comes to their supply chain, there are two primary elements associated with Beautycounter's strategy: how they screen for ingredients, and how they assess ingredients into a restricted substances list. In general, the MSDS forms on most chemicals do not reveal a lot of information, so Beautycounter does a lot of their own screening. They begin by examining a lot of third-party research, peer reviewed literature, authoritative lists, research produced by national bodies, and continue to add to the list of 1,800 ingredients that are restricted. For instance, a number of chemicals have potential reproductive toxicity effects or could increase the risk of cancer, as well as other hazards. These chemicals can build up in the environment and in our bodies. The team uses a variety of tools but relies heavily on peer reviewed literature to identify chemicals of concern. The assumption in most cases is that the absence of data does not mean the chemical is safe; therefore, it is a screening activity, which only allows safe chemicals to be used.

1 <https://www.fastcompany.com/videos?jwsourc=cl>

2 <https://www.glossy.co/beauty/beautycounter-is-now-a-1-billion-brand-following-carlyle-group-investment>

## CASE STUDIES

One of the biggest challenges faced by the team is the difficulty of finding a “drop-in” replacement for a chemical being used in a product, once it is found to be potentially harmful. In many cases, the formulary must be “rebuilt” from the ground up. For example, recently the Beauty-counter R&D team was working a skin serum in the company’s inhouse lab, and the team proposed the formulation to the screening team. The product development team was subsequently told by the screening team that one of the chemicals which provided excellent product performance had to be dropped. In turn, the development team went back and proposed a new ingredient. Dahl notes that “we often have to go back and forth several times until we land on a formula that we both agree on, and this occurs well before the actual formulation stage.” Dahl notes that “cosmetic chemists are very creative people, and there is always a push and pull between us to get it right.”

In this manner, the formulation of a new product by the R&D team starts on paper. Once submitted, the screening team will rely on several other tools. One of the most important tools is the SCIVERA<sup>3</sup> database resource, which is a company that works with leading consumer product brands to fundamentally advance chemicals management and sustainable chemistry. This organization provides a database tool (SCIVERA LENS) that can solve some of the most significant problems brands face — obtaining chemical information without the ability to assess, understand, or manage those chemicals.

There are clearly some ingredients that are considered the most problematic. Some of these include:

- **Siloxanes.** Used in a variety of cosmetics to soften, smooth, and moisten. Suspected endocrine disrupter and reproductive toxicant (cyclotetrasiloxane). Harmful to fish and other wildlife.
- **Aluminum.** Toxic metal that can have estrogen-like effects in human systems, disrupting the healthy functioning of the endocrine system.
- **Synthetic fragrances.** Often unknown substances that appear in many cosmetics.
- **Preservatives.** Ones such as parabens, DMDM and urea which may cause joint pain, skin allergies, headaches, hormone disruption, and loss of sleep.

As the clean ingredients movement is growing, people are becoming more aware that many of the products that seem natural are in fact highly unsustainable, are allergenic, and are often not listed as such on the packaging. There are also differences in targeted markets. For instance, many of the products considered as “high risk” have very high toxicities and are marketed to women of color, such as skin creams, and professional salon use products.

The greatest growth in the clean beauty products segment is the premium category for women in the age group of 30 to 45. The second largest consumer base are the Gen Z and Millennials

3 <https://www.scivera.com>

## CASE STUDIES

groups, who are more concerned about sustainable products, but may not understand the safety risks. The other segment of the Gen Z and Millennials demographic follow the “influencers” and are less concerned. It is relatively more expensive to make products clean, which leads to a higher price point; however, more and more people are willing to pay this premium.

A good example of this is with Mica, which became a sourcing issue. Seventy percent of influencers using cosmetics were willing to pay a premium once they discovered that child labor was involved in producing Mica. In fact, Beautycounter’s cost of raw materials to produce a similar Mica-free product was higher than what competitors were selling their product for. Dahl notes that “The large cosmetic brands produce at large scale, whereas we have to bake into our prices the cost of running a full safety team, including an in-house lab that tests every batch of product for heavy metals. We also bear the cost of auditing and sourcing with our suppliers to ensure that there are no human rights violations. These costs are in addition to the premium costs of our safer packaging and raw materials, which renders our costs higher than those of larger brands.”

Packaging is another area that is a focus for Beautycounter. Unfortunately, biobased plastics are good for food, but are not suitable for cosmetics, as the packaging needs to maintain a high stability rate for years in many cases. Agriculture-based materials do not hold up over time, due to their corn-based plastic which has a higher carbon base.

Nevertheless, Beautycounter spends a lot of time on material selection to ensure that aluminum or glass packaging can be recycled and re-used more than once before it reaches the landfill. Many of its products are designed to be refillable, to ensure circularity. Others use a safer-based petroleum plastic that can be recycled. For instance, the majority of the company’s deodorant stacks are refillable, and have an outer case of singular plastic that can be recycled or refilled. They also closely audit their contract manufacturers, to ensure that they are meeting their rigorous standards.

Not all Beautycounter’s new products are successful when introduced, but they are always used as an opportunity to learn and understand what could be done better next time. If there is no clean alternative, people don’t have a choice to shop for safer products. Research and development are all about understanding the opportunity upfront and designing a safer formulation that meets that opportunity. To identify the opportunities, Beautycounter spends a great deal of time marketing and polling people who sell their products. Some sectors (e.g., baby products) are already flooded with clean products, and are very competitive, so the company stays largely within the skin care and body care segments. As they expand their portfolio, they will continue to innovate with new and safer products.