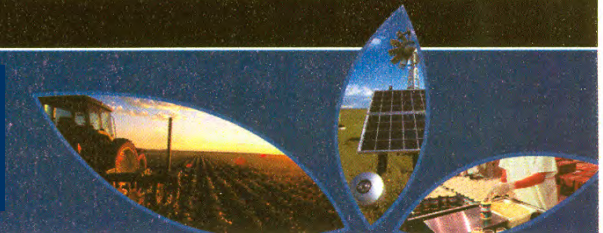


# COSMETIC INDUSTRY CONNECTS NEWSLETTER

Issue 8

August 2007



*Specialty Chemicals for the cosmetic & personal care ingredients industry*

## Welcome!

We proudly present the Eighth Edition of “**Cosmetic Industry Connects**”, the official newsletter of the Specialty Chemical Ingredients initiative, a collaborative effort led by Alberta Agriculture & Food, which includes local industry, research institutions, industry organizations, growers, major industry players and service providers. We have made incredible progress since our inaugural issue and I thought it might be worthwhile to look back to some of the stories our first issued contained.

**“Helping to build a globally competitive natural cosmetic and personal care ingredient industry in Alberta.”**



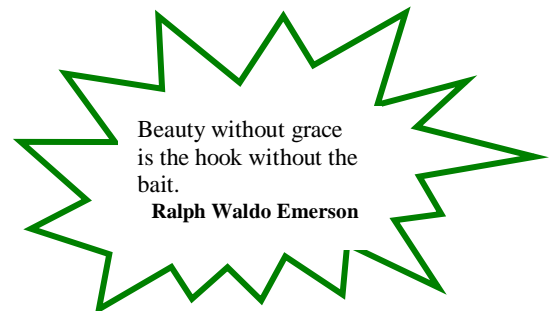
## A Look Back - Stories from our Inaugural Issue

Front and centre was an article about the Cosmetic Industry Connects conference, held on March 3<sup>rd</sup>, 2005. Over 125 people met in Nisku to learn more about the industry, to network, and to visit the many displays. Keynote Speaker Joseph Duszczyszyn, President and CEO of Gattefossé Canada, provided an outstanding overview of industry trends and was thanked for his presentation by Brian Rhiness, Assistant Deputy Minister, Industry Development Sector, Alberta Agriculture & Food. This conference represented the public launch of our initiative and was the beginning of the incredible network that has continued to grow and remains in place today.

Two other articles highlighted the formation of our Advisory Groups. In order to ensure the Specialty Chemical Ingredients team (SCI) maintains its focus on the market, an International Advisory Board was formed.

On June 14th, 2005 the first meeting of the Alberta Industry Advisory Group was held. The Alberta Advisory Group was formed to ensure the Specialty Chemical Ingredients team receives input from, and works with local industry.

Over the past two years we have written several articles about Strategic Advisor meetings and put the “Spotlight” on a number of our Advisory Group members. Our Advisors are a key factor in our success and we are very grateful for their contribution.



## Health Canada Releases Draft Guidance Document – Classification of Products at the Cosmetic-Drug Interface

In June 2007, Health Canada released a DRAFT Guidance Document, *Classification of Products at the Cosmetic-Drug Interface*. The purpose of this guidance document is to provide an understanding of the factors that guide classification decisions by Health Canada in relation to external use products which may share characteristics of both 'cosmetic' and 'drug', as defined under the *Food and Drugs Act*.

Continued .....

The definition of a product at the cosmetic-drug interface (PCDI) in this draft document is: *A subset of personal care products, which are not easily distinguished as either a drug or cosmetic, as defined in the Food and Drugs Act.*

In Canada, cosmetics and drugs are regulated by Health Canada under the *Food and Drugs Act*. A PCDI can be regulated by one of three sets of regulations under the Act:

- Cosmetic Regulations administered by PSP (Product Safety Program -- Healthy Environments and Consumer Safety Branch),
- Food and Drug Regulations, administered by TPD (Therapeutic Products Directorate -- Health Products and Food Branch), or
- Natural Health Products Regulations, administered by NHPD (Natural Health Products Directorate -- Health Products and Food Branch).

It is important to note that a product's classification is based on its function, purpose, and representation for use (explicit or implied) as outlined in the definitions of the Act. The regulations under the *Food and Drugs Act* are designed to address known or potential risks for each product category. In instances where the classification of a PCDI is not immediately evident, Health Canada decides whether to classify such a product as a drug or as a cosmetic on a case-by-case basis and takes into account factors relating to its presentation and composition.

For more information, go to:

[//www.hc-sc.gc.ca/dhp-mps/consultation/cosmet/guide\\_cos\\_drug\\_e.html](http://www.hc-sc.gc.ca/dhp-mps/consultation/cosmet/guide_cos_drug_e.html)

**A little boy watched, fascinated as his mother gently rubbed cold cream on her face. "Why are you rubbing that stuff on your face, mommy?" he asked. "To make myself beautiful," his mother said. A few minutes later she began removing the cream with a tissue. "What's the matter?" he asked. "Are you giving up?"**

**The FAQ's Ma'am, only the FAQ's!  
Each issue we will publish FAQ's as part of our ongoing effort to ensure those interested in our project are provided with as much information as possible.**

### **Why is the team working with companies from outside of Alberta?**

We work both with companies located in Alberta and with companies from outside our province. The cosmetic and personal care industry is a global industry and in order to be part of it you must work with international companies. We have developed excellent relationships with a number of multinationals who strongly support our efforts. If Alberta's cosmetic and personal care ingredient industry is going to grow we need to be able to succeed in the global marketplace and our collaboration with international partners provides us with a direct connection to that all important market.

*I plan on living forever. So far, so good.*  
Steve Martin

### **IN-COSMETICS 2007 TOP TRENDS REVIEW**

In April 2007, the annual European in-cosmetics was held in Paris, with visitors from 100 countries. Attendance was up 35% over 2006, with almost 500 exhibiting companies and over 10,000 visitors attending the show.

### **TOP TRENDS OF GLOBAL COSMETICS AND TOILETRIES MARKETS**

Euromonitor's Briony Davies highlighted a number of key issues in her comprehensive review of the global cosmetics and toiletries markets. With global sales reaching US\$270bn in 2006, its highest level for five years, Davies provided the following reasons for growth:

- Lifestyle issues, such as an aging population and the fast pace of life that demands convenient solutions
- Developed markets have experienced sustained increases in disposable income

Continued . . . . .

### Top Trends of Global Cosmetics Continued . . . . .

- Some consumers can afford premium prices for all types of products
- Consumers are becoming more concerned about what they put in, on and around their bodies
- Concern for the environment and ethical issues.

The last five years have witnessed big changes, including the recovery of the mature markets Japan and the US and the growth of emerging markets. Asia Pacific has now overtaken North America in terms of value sales, largely due to China. The fastest growing regions are Eastern Europe and Latin America, up 13.6% and 13.5% respectively, Brazil is now the third largest market, behind the US and Japan, and growing by 13%.

HOT: Chocolate is the next 'hot' ingredient for everything from face mousse and hair products to scents for various other products.

### Top Trends of Natural and Organic Markets

Amarjit Sahota of Organic Monitor highlighted key trends in natural and organic markets. Consumer demand for naturals/organics will strengthen and more will move from health food shops into mainstream retail outlets, such as supermarkets and drugstores.

#### Product Trends

- Growing consumer concern about chemicals in cosmetics & toiletries
- Expanding shelf-space in specialist retailers
- Increasing penetration in mainstream retailers
- Rising interest from high-end retailers
- Celebrity endorsements
- Growth of umbrella brands
- Prominence of Ecocert-certification

#### Ingredient Trends

- Substitution of synthetic ingredients
- Traceability of ingredients
- Certified organic ingredients
- Use of food ingredients
- Novel ingredients

[www.organicmonitor.com](http://www.organicmonitor.com)

For more information, go to:

[www.in-cosmetics.com/page.cfm/link=155](http://www.in-cosmetics.com/page.cfm/link=155)

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Wild Bergamot (*Monarda fistulosa*)  
Compliments: Dan Tenaglia,  
[www.missouriplant.com](http://www.missouriplant.com).

### The Merging of Natural, Organic and Luxury Personal Care

While the overall US cosmetics and toiletries market grew by only 3.5% in 2005, the natural personal care sector experienced a growth of 15% over the same period. More than 2000 new natural or organic personal care products were launched in 2006, up from nearly 800 in 2005. This rapid growth validates the expressed intent of manufacturers and retailers looking to capitalize on the growth of natural, organic and eco products to increase sales.

In 2006, the Natural Marketing Institute (NMI) conducted a quantitative survey, and found that more than half of all consumers indicated they want personal care products containing natural or premium ingredients. About 44% are looking for organic ingredients. Using a combination of the responses of the 5,000 US adults interviewed in the survey and data mining across seven years of NMI's proprietary databases, NMI identified five distinct psychographic consumer segments among the US population.

The Natural Marketing Institute's Evolution of Personal Care Database five segments and percentage of general population:

**1. Indulgents™ - 29%** - while natural/organic is appealing, it is not the main criteria for this highly involved, premium-oriented group that splits evenly between women and men. They are salon brand oriented and want their personal care items to deliver a sensory experience.

Continued. . . . .

**Specialty Chemicals** for the cosmetic & personal care ingredients industry

They have projected sales in this category to reach \$15 billion by 2011.

*SOURCE:*

Healing Arts Guide to Spa and Wellness Products and Services. 10<sup>th</sup> edition. Summer 2007. p. 20.

The Merging of Natural, Organic & Luxury Personal Care, Continued. . . .

**2. Seekers™ - 21%** - premium oriented, this predominantly female segment wants personal care products that deliver results. Age defying and clinically proven products produced by a brand they trust should meet with acceptance in this segment. Organic is not a driver, although natural is to some extent. Notably, they want a product that not only works, but that delivers a sensory experience as well.

**3. Naturalaires™ - 18%** - this segment is driven by organic and natural personal care components. They are not price driven and they lean toward premium. Notably, they are not sensory oriented, but do want products that won't block pores.

**4. Minimalists™ - 17%** - As their name indicates, this group takes a no-fuss approach to personal care. They prefer to keep their hair, skin and nails clean without much effort. While they have the distinction of being price conscious, they show a definite orientation toward effectiveness. Convenience, ease and speed are key to their personal care regimes.

**5. Uninvolveds™ - 15%** - Preferring to 'stick to the basics' this segment is uninvolved in the category. They are not particularly price conscious (perhaps because they do not have many products in their repertoires) and the great majority are men.

Each of these segments have particular product attributes that are important, including cruelty free and environmental attributes, animal rights related issues, along with natural, organic, biodegradable, no artificial preservatives, not tested in animals and specific ingredients.

NMI research indicates that sales of natural and organic personal care products in 2006 reached \$6 billion. They found that this category showed the largest growth at 23.7%, of all health and wellness categories over 2005.

## Cosmetic Corner

### Beauty in the 1900's

French chemist, Eugene Schueller creates Aureole, one of the first hair colors on the market. The company was later named L'Oreal. While coloring their hair was frowned upon, many women used hair coloring.



If you could not afford a professionally formulated hair dye, women often made their own from herbs, rust and other nasty ingredients. The fragrance often left much to be desired.

### RELATED INDUSTRY LINKS:

**AVNET (Agri Value-Added Investor Network)**  
[www.avnetonline.ca](http://www.avnetonline.ca)

**BioProducts Alberta**  
[www.bioproductsalberta.com](http://www.bioproductsalberta.com)

**Household & Personal Products Magazine:**  
[www.HAPPL.com](http://www.HAPPL.com)

**Interactive European Network for Industrial Crops & Their Applications:**  
[www.ienica.net](http://www.ienica.net)

Editor: Corey Keith, Keith & Associates

Design/Layout: Maxine Hutt,  
Alberta Agriculture & Food

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