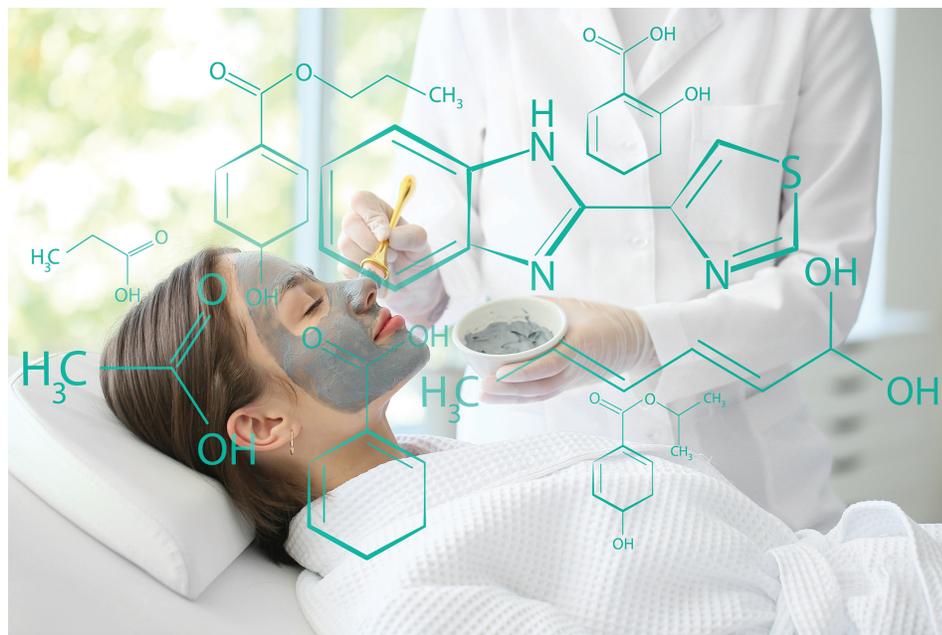


SEVEN REASONS WHY IT'S TIME TO REFORMULATE YOUR PERSONAL CARE PRODUCTS

Personal care companies must always stay ahead of market demands and ever-changing trends, but they are under particular pressure now. The COVID-19 pandemic sent supply chain disruptions rippling through sector niches, including beauty and hygiene, and the market for personal care products has grown more competitive as a result of increased globalization.¹ Customer preferences have evolved, too. Consumers take advantage of opportunities to research ingredients and are willing to pay a premium for preferred formulations. Cosmetic and personal care companies now find themselves in a wholly changed market and are left wondering how best to adapt.



Personal care companies are updating product formulations to meet market demands for sustainability and transparency.

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One solution is a change that has long been an industry standard: reformulation. As the thinking goes, by reformulating products now, a company will not only meet consumer demands today but also set itself apart from the competition.

What might reformulating a product look like? Perhaps it means overhauling the ingredients in a shampoo to improve its texture. Maybe a flagship line of moisturizers hasn't been updated in a decade and a chemical reformulation can provide anti-aging properties or sun protection to realign with consumers' desires. Adjusting ingredients to accommodate supply chain challenges could keep a product on shelves.

Reformulating a product is a big decision, as the process can take as many as 5 years.² But companies are making the choice to reformulate. Here are seven reasons why this might be the perfect time to consider reformulation.

1. INFLATION AND SUPPLY CHAIN WOES PRESSURE THE INDUSTRY

Beginning in 2020, once-in-a-generation shipping interruptions prevented companies from producing key products. Even if a manufacturer successfully sources most of its ingredients, missing just one chemical for a formulation keeps products off the shelf.

"The ingredient supply chain issue is forcing change at a far greater pace than usual," says David Patterson, head of the consumer product group team at Clarkston Consulting. That has been true across sector niches. An article in *Vogue Business* in summer 2022 reported that beauty brands faced shortages of oils and alcohols, such as glycerin and citric acid, used in lotions, face cream, and body wash.³

Skin-care brand Good Molecules uses plum oil in its retinol night oil. But shipping disruptions prevented the brand from selling as much as it would like. "It was only available in a small quantity and just through [one retailer]," says Nore Wells, a customer adviser with the brand, in February 2023.

Supply shortages often lead to higher costs. Some brands reported accepting the financial hit themselves. Others, like Glossier, announced price hikes.⁴ But amid a stretch of record inflation, consumers hesitate to spend more.

"Perhaps the most common voluntary reason for reformulating is an organization seeking to reduce the cost of their cosmetic formula," Patterson says. "During times of inflation, it's expected that consumers will switch to cheaper alternatives and stop spending on items deemed nonessential."

Reformulation is an opportunity to reduce costs, switch to more available ingredients, and shift to chemical suppliers closer to home. After launching its Sharing Beauty With All sustainability program in 2013,⁵ L'Oréal reformulated its personal care products to use more sustainable and locally sourced ingredients, reducing its reliance on suppliers vulnerable to global disruptions. The shift afforded the company a more resilient and sustainable supply chain. In 2012,



Switching to less light- and temperature-sensitive ingredients in personal care products means companies can reduce the need for special packaging.

Credit: Africa Studio/Shutterstock

L'Oréal's supply chain ranked 71st in the world, according to a list from the consulting firm Gartner that is based partly on resilience and agility. In 2020, it cracked the top 10.⁶

2. LOGISTICAL CHALLENGES CAN AFFECT PRODUCT INTEGRITY

Ingredients in personal care products are chosen and combined to withstand variations in light, humidity, and temperature that occur during shipment.

A product optimized for stability still has sensitivities, however. For instance, some sunscreens become less effective after exposure to extreme heat.⁷ Facial moisturizers depend on preservatives to remain viable for up to a year after opening. Moisturizers that forgo synthetic preservatives may expire within 3–4 months, according to HuffPost.⁸

Now, more frequent logistical interruptions and historic shipping times could lead to increased spoilage. Manufacturers may tweak ingredients to dial up the stability. This could include using more stable emulsifiers, humectants like glycerin, or even natural ingredients with antimicrobial properties, like neem oil.

There are upsides to reformulating for stability. Light- and heat-sensitive products require special packaging. For example, amber glass prevents ultraviolet damage to what's inside the jar or bottle, and thick, insulated containers buffer temperatures. Switching to less fussy ingredients may reduce packaging costs.

3. A REFRESH BASED ON CUSTOMER FEEDBACK

Wells at Good Molecules says the biggest reason to rethink a product's formulation is consumer feedback. An item may already be successful, but users can tell you how to make it better.



The personal care industry recognizes the power of consumer feedback. Companies are listening to their customers and responding with updated product formulations.

Credit: LaylaBird/Getty Images

“We had a few reformulations last year just based on customer feedback,” Wells says. She adds that the company increased the dose of active ingredients in its discoloration-correcting serum, “to make sure that we’re just getting the most benefit out of our products.” The Personal Care Products Council (PCPC), a national trade association, considers consumer feedback critical to the sector’s future.⁹

In the first few years after a product launch, chemists—and customers—may avoid some ingredients. For example, after regulators discovered that decamethylcyclopentasiloxane bioaccumulates in the environment,¹⁰ Estée Lauder chemists reformulated products that use it, including makeup remover, moisturizer, and liquid foundation.¹¹ Companies are even rethinking their synthetic surfactants. Hair care chemists find that soap nut extract will foam as well as less green synthetic compounds, such as sodium lauryl sulfate.¹²

Even minor reformulations take time—Good Molecules’ adjustments took about 6–12 months, from start to finish, Wells says. But brands often determine that it’s worth the hassle. Skin-care company Philosophy recently reformulated its entire Hope in a Jar line.¹³ Senior vice president Margot Humbert told NewBeauty last year that the company had decided it was time to “modernize.” The revised formula contains three ingredients common in consumer searches: hyaluronic acid, glycolic acid, and plant-derived flavonoids called vitamin P.

4. PRODUCT UPDATES HELP BRANDS PROVIDE PERSONALIZATION

Customers have developed more individual tastes in the products they use. One consequence, according to consulting firm McKinsey & Company, is a demand for personalization and inclusivity.^{14,15} Reformulating offers nimble companies an opportunity to adapt according to what the market and clinical trials say works best.

For Tarte Cosmetics, this meant tweaking product ingredients in a foundation to increase the number of tints available from 15 tints to 50.¹⁶ Glossier also reformulated its popular Perfecting Skin Tint to span more skin tones and prevent the tint from shifting over time.¹⁷ (While they were at it, they also added cork oak, oils, and fatty acids to improve the product's texture.)¹⁸

Evolving consumer preferences introduce an opportunity for reformulations that change a product's application method, too. Spray deodorants are back in favor, so some brands are adapting existing stick applicators for sprays.¹⁹

5. EMBRACING THE COSMECEUTICALS MOVEMENT

Companies have reformulated to offer products with purported pharmaceutical therapeutic benefits, such as combating wrinkles or reversing discoloration. Economists project that this so-called cosmeceutical market will balloon from about \$54 billion in 2022 to nearly \$100 billion before the end of this decade, according to Fortune Business Insights.²⁰

Between 2011 and 2018, the use of depigmenting agents rose 74%, according to a study of medicinal cosmetics published last year.²¹ The authors also conclude that α -hydroxy acids, niacinamide, ascorbic acid, retinol, and their chemical derivatives were popular over this entire period. Good Molecules has come to the same conclusion. "We have noticed a lot of people just wanting to try retinol, BHAs [β -hydroxy acids], or any type of resurfacing exfoliating treatment," Wells says.

"The new wave of omnichannel shoppers take their research seriously," Patterson says. "They take time to search for relevant attribute keywords online and educate themselves on ingredients and materials."

Just as consumers examine active ingredients, personal care companies are paying closer attention to the origins of each ingredient—often electing to swap out animal-derived and synthetic ingredients to create a 100% plant-based product. Purported medicinal benefits of certain botanical products also attract consumers; polyphenols and flavonoids are often marketed as anti-inflammatory, for example. Companies are working with reliable suppliers to add compounds such as flavan-3-ols, proanthocyanidins, and anthocyanins to their formulations.

Analyzing botanical products in antiaging cosmetics, researchers note: "Competition together with the need to meet consumers' preferences require constant product development and reformulation. Nature-derived ingredients are increasingly popular."²²

6. REFORMULATING PROVIDES OPPORTUNITIES TO HIGHLIGHT COMPANY DIVERSITY INITIATIVES

If one word could summarize how customer desires have changed in the last few years, it's transparency. A survey from the UK found that 94% of consumers want brands to be more transparent about their practices.²³ And in a 2021 survey of Gen Z beauty consumers, 38% of those aged 18–24 reported purchasing from beauty brands that promote diversity, versus 23% overall, and 25% of Gen Z consumers felt that beauty advertisements didn't show people like them.²⁴

Reformulation offers an opportunity for personal care companies to intentionally partner with brands that are owned by women or minorities. In 2021, Target announced a program to connect businesses founded or owned by women or Black, Indigenous, and people of color with experts to evaluate the ingredients in their products.²⁵

Partnerships can also allow companies to create more culturally relevant products that better meet the needs of their diverse customer base. For example, Johnson & Johnson launched a Supplier Diversity and Inclusion program,²⁶ setting a goal to spend \$4.5 billion with small and diverse suppliers by 2025. The company surpassed that goal in 2021. J&J reported purchasing from over 600 women-owned businesses worldwide and spending increased with Black- and Hispanic-owned businesses in the US by 31%.

7. AN UPDATE CAN HELP MEET CONSUMERS' SUSTAINABILITY CONCERNS AND COMPANY SUSTAINABILITY INITIATIVES

Consumers are increasingly conscientious about the environmental impact of their purchases. This has dialed up their expectations that companies will replace hazardous ingredients with ones known to be more benign—and perhaps put extra pressure on firms to do so.

According to a report from Accenture, consumers are changing their buying habits with sustainability in mind.²⁷ Sixteen percent of consumers surveyed said they had stopped buying “at least one” personal care product because of environmental concerns.

“‘Sustainably sourced,’ ‘green beauty,’ and ‘clean beauty’ trends are driving increased demand for organic skin-care options,” Patterson says. “Over the past 5 years, there has been a significant rise in online searches for sustainable goods globally, within cosmetics, pharmaceutical, fashion, and food sectors.”

Companies meet this growing preference with reformulation and research evaluating their own products and ingredients. Last year, Estée Lauder published a green chemistry scoring rubric for raw materials, encouraging the cosmetics community to consider human and ecosystem health when formulating products.¹¹ The paper's authors identify beeswax, jojoba, and paraffin as some of the least hazardous waxes compared to petroleum-based waxes such as ceresin.

One particular reformulation is gaining steam: going waterless.²⁸ This trend cuts environmental impact by eliminating the need for water as a primary ingredient and minimizing packaging waste.⁹ Companies often replace water with various oils or waxes that yield a more potent product. Skin-care start-ups SBTRCT, Ethique, and Pinch of Colour sell such products. Firms like Vapour Beauty and Luna Nectar reformulated their ingredients lists to offer the same benefits without water.

“Beauty and personal care products companies strive to be among the most exemplary in the sustainability of their businesses,” Lezlee Westine, CEO of the PCPC, writes in a piece on the council’s website.²⁹ Companies can demonstrate their sustainability commitments with transparency about product formulations. That transparency establishes trust with consumers and conveys brand identity, Patterson says.

Trust can boost business, too. “Recent surveys suggest that over half of consumers are willing to pay a premium for a sustainable brand or sustainable products,” Patterson adds. “Commanding this premium isn’t as simple as changing labeling, of course. Manufacturers will need to back up their sustainability pledges with transparency into their sourcing processes.”

Product reformulation in the personal care space has long been an industry standard. Personal care companies choose to reformulate products for a variety of reasons. By reformulating, a company can solve challenges such as product stability, supply chain concerns, pressures from inflation as well as meet increasingly changing consumer buying habits. Every problem presents an opportunity for improvement which means that now may be the best time for you to consider reformulating your personal care products.

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