

European Alliance Against Coronavirus

Wednesday 29th July 2020 at 8:30

Changes in the Cosmetic Value Chains

Working format is based on "*Gilles Rules*":

1. conceptual framework
2. needs and disruptions
3. solutions

Speakers:

- Matteo Locatelli, Cosmetica Italia, Vice President
- Roberto Rocca, Politecnico di Milano, Sustainable and Digital Beauty Research Observatory, Coordinator
- Adrià Martínez Noveleta, Beauty Cluster Barcelona, project manager
- Justine Higon, Cosmetic Valley, project manager

[Link to session's recording](#)

1. CONCEPTUAL FRAMEWORK

Changes in the cosmetic value chain

Matteo Locatelli, vice president of Cosmetica Italia, opened this session with a short presentation of Cosmetica Italia. It is an association which is member of Cosmetic Europe and it has almost 600 associated companies. This association offers different services to the companies, including statistical and economic analysis.

Matteo Locatelli presented the evolution of the Italian cosmetic industry during the past two years and the consequences of Covid-19 on the value chain. The cosmetic sector plays an important role for the Italian economy and it is second for importance after Italian wine. It produced 10,558 million of euro in 2019 with 4,919 million euro of export. This crisis strongly impacted these numbers and the overall turnover and export decreased by -15%. Thanks to e-commerce (which registered an increase of 40%) and the high demand of hand sanitizer, this sector survives – but as was emphasized by Matteo Locatelli, it is necessary to find new business models to face the new reality.

Roberto Rocca from Politecnico di Milano spoke about the new digital and sustainable research observatory, which aims at representing a permanent table of critical analysis and discussion on the role of innovation and sustainability that the beauty ecosystem can play for the dissemination of excellent practices. To make this sustainable model real and concrete, a scientific approach is needed that considers the entire products life cycle and resources consumption. To become a factor of development and competitiveness for the entire cosmetic economy, this model must be based on three fundamental pillars: Ecodesign, industrial symbiosis, and supply chain cooperation.

Cross-country experiences during the pandemic

Adrià Martínez, project manager of Barcelona Beauty cluster, shared key actions of this cluster during the pandemic. They strongly believe that a cluster should be a dynamic environment, especially during the Covid-19 crisis. They organized hybrid events to share information worldwide and create connections supported by their partnerships to solve supply chain problems and other specific needs and information about other countries' situation. He also commented on three companies' successful stories related to their exceptional ability to react to this crisis:

- Pierre Fabre dermo cosmetic laboratories started the production of disinfectant gel: on mid-March, the staff of production and packaging plants in France and Brazil have been fully mobilized to produce hydroalcoholic gels to be distributed in Italy, Germany, France, Brazil and Spain in the fight against the coronavirus.
- MartiDerm continues operating in its facilities to, among other things, help with a donation of 14,000 hand creams to pharmacies.
- In the first weeks of lockdown, Bella Aurora has seen a significant increase in the volume of skin care consultations, driven by lockdown. To respond to all consumers, the facial cosmetics brand has decided to reorganize its teams to offer fast and close customer service made possible by technology.

Justine HEGON from the French Cosmetic Valley gave a general overview on the French cosmetic industry, which has 250,000 employees and 45 billion euro of turnover. She informed about the Covid-19 impact on the customers and on the French beauty industry, as it generated changes in consumer behaviour and led to decreases in retail and exportation.

The French Cosmetic cluster contacted French companies to know their situation and their expectations for the future. They also webinars like «Mapping the beauty industry situation in the world» in partnership with Beauty Cluster Barcelona in the framework of the Global Cosmetics Cluster.

2. IDENTIFICATION OF DISRUPTIONS

First disruption: turnover decrease during the pandemic period

Evidence: The cosmetic ecosystem suffered a decrease in turnover because of the sanitary emergency. From an increase of 2.5% registered in February, compared to the previous year, the turnover variation reached -8.5% in the month of June, heavily affecting most of the companies in the sector. In addition, a reduction in export have been identified in lockdown period (-21.45%) with a partial recovery in the post emergency period, showing unsteady trends in revenues generation.

Geographical impact: spotted in IT, FR

Stage of value chain: Revenues

Character of the disruption: Turnover disruption

Time frame: short term

Second disruption: changes in customer behaviour

Evidence: The Covid-19 crisis has generated several negative impacts on consumers:

- Mental stress: negative news daily, lack of physical activity, weight gain, impact on self-confidence
- Less social interaction (i.e. less cosmetics): reduced toiletries, less shaving, fragrance decrease, makeup slowdown

This has led to a steady or even increased demand and consumption of hygienic products (like sanitary gel, etc) during lockdown periods at the expense of other chemical and cosmetics products, which suffered a heavy disruption in demand.

This behaviour change highly impacted this ecosystem, however such disruption has been particularly limited to quarantine period rather than post Covid19 recovery

Geographical impact: EU

Stage of value chain: Sales

Character of the disruption: changing customer behaviour towards safety care

Time frame: short – mid term

Recommendation:

- Support for quick adaptation of production lines and development of new value chains
- Providing online service to consult
- Develop new sustainable business models

Third disruption: Production reconfiguration during lockdown

Evidence: During the sanitary emergency, many cosmetic industries temporarily shifted their production layout and planning in order to contribute to the production of sanitary gel, in order to foster its availability during the crisis and satisfy the demand.

Geographical impact: spotted in IT and other EU countries

Stage of value chain: Operations

Character of the disruption: Production reconfiguration

Time frame: short term

Recommendation:

- Production shifting affected not only the cosmetic ecosystem, but also other industries (i.e. many textile companies shifted their production to make safety masks during pandemic, in presence of shortage of PPE). It needs to be analysed to what extent this shift can be permanently needed, and whether the companies can further develop their business models.

3. NEEDS

- Necessity to design and implement new business models in the cosmetic sector to effectively respond to disruptive trends and achieve long-term sustainability
- Analysis of the possible scenarios due to the condition of uncertainty given by Covid-19 pandemic. It is necessary to clearly measure both the impact of the disruptions and recovery actions to clearly frame the sustainability aspect. Still, while this concept seems clear at theoretical level, it is necessary to define a clear roadmap to practically deploy consistent objectives to be followed.
- Need to clearly define metrics and methodologies to measure and assess sustainability levels of cosmetic production and processes. The cosmetic industry consumes a high amount of energies and materials and it is necessary to find new sustainable solutions and the right tools to assess their impact. This is also important to support sustainability information traceability and certification among the different stakeholders of the supply chain.