



ISSP Insight Feb 2009

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Featured Article

"Detoxifying the Personal Care Products Industry" with Mark Wuttke of the Wuttke Group—With the European REACH (toxics legislation) deadline for registering products last December, this article explores why the issue of toxics is hitting the personal care products industry particularly hard. Download the article using the link at the bottom of this newsletter.

What's New @ ISSP

Call for board members—We are looking for new board members to help ISSP grow! See below under "Member Involvement" for details.

De-toxifying the personal care product industry

By Darcy Hitchcock with Mark Wuttke of The Wuttke Group.

Darcy: Tell us a little about the Wuttke Group. You're a global business development solutions firm based in Atlanta, specializing in wellness and personal care products within the boutique retail and spa communities. I know you through the Green Spa Network. How did you get into doing this work?

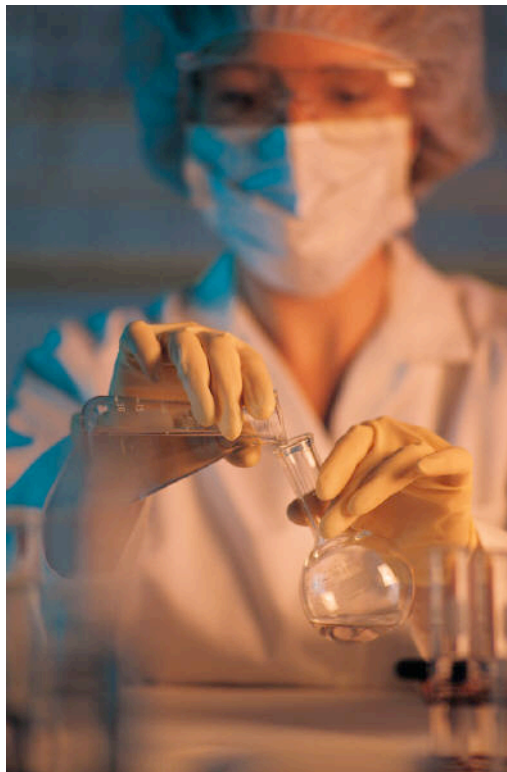
Mark: We're based in the US where I have lived for over 7 years. Prior to that, I spent most of my career in Australia but with an international focus. I specialized in personal care products for 10 years and natural medicine for 15 years: natural medicine and complimentary health care. We currently have a strong focus organic luxury and eco-chic products and services offered by boutique retail and spas.

Darcy: Eco-chic. Is that a new term?

Mark: In the past, green initiatives were quite granola; trendy but not appealing. We believe the whole organic, eco-chic, sustainable healthy products don't have to be out of style. It can be quite appealing.

Darcy: So it doesn't have to be wrapped in recycled brown paper and tied up with jute.

Mark: Right, many green products may be very sustainable and have many great attributes but their marketing has been extremely poor. You cannot appeal to a sophisticated audience, an educated, conscious consumer if your packaging and presentation is unappealing. That's where the eco-chic term comes in.



Darcy: I think it comes as a big shock to people, in the United States, anyway, when they discover that many of their personal care products contain toxic ingredients, like lead in lipstick. Many of the formulations we sell here can't be sold in Europe. So can you give us a quick history lesson about the regulations in Europe related to toxics and then hone in on the regulations

that will affect personal care products specifically.

Mark: Probably the biggest difference between the European and American markets is that, in Europe, you have to prove a product's safety prior to using it, versus in the US where you don't have to do that. It's the same with efficacy; you don't have to prove it works. In the US, the personal care product industry is one of the most unregulated markets in the world. In the US the market is worth over \$200 billion;

globally half trillion. 40 percent of the consumption is in the US.

One reason the EU is more stringent and rooted in scientific tradition is that they pay more attention to the safety of products. Also the natural and organic movement has been far more established and aggressive. So through education, the marketplace in the EU is more informed. If you ask a European about natural or organic products, they'll start talking about ingredients, and here in the US it's much more smoke and mirrors which can be easily perceived as superficial. It's not that one is better than the other, but I think they each could learn something from the other.

The flyer is titled "WUTTKE GROUP Consumer Safety". It features two columns of text. The left column is for the "Campaign for Safe Cosmetics" and the right column is for "Teens for safe Cosmetics". Both columns include descriptions of their respective organizations and their goals, along with website URLs. The footer contains the Wuttke Group logo and the number 5.

Darcy: Let's talk about some of the specific regulations. What are the tools they've been using to manage toxic products? REACH went into effect this year, right?

Mark: REACH has just come into force the first of December this year [2008]. That was the deadline for companies to pre-register all ingredients they use over 1 ton per annum.

REACH, by the way, is Registration Evaluation and Authorization of Chemicals and it addresses all products, not just personal care products. 2.2 million companies pre-registered. You can still register after this deadline but not free and you can't sell products in the market if they're not registered. Therefore existing products will be grandfathered, and the toxicology of ingredients will be reviewed in due course.

Darcy: So companies have to register the ingredients. Are they claiming they are safe?

Mark: Not at this stage. Once registered the appropriate bodies, like the EU Chemicals Agency of Helsinki or ECHA will assess the ingredients that have been registered. All the pre-registered products will be published in January. Then we'll have transparency. Many of the challenges we face in the world today are due to a lack of transparency and traceability. Then, through collaborative research, they'll decide what is safe. And if you have a product you think is safe and they don't, you have to prove it's safe.

Darcy: So what is the timeframe for proving these ingredients are safe and pushing products off the market.

Mark: If there is a clear concern for an ingredient, you may have to stop immediately. Mostly it will be done on case by case basis. So the onus will be put on the company to prove that it's safe.

Many of the challenges we face in the world today are due to a lack of transparency and traceability.

Darcy: That's a manifestation of the Precautionary Principle, right?

The flyer is titled "WUTTKE GROUP How Natural & Organic are your Products?". It features a central image of various personal care products with question marks. The text is divided into several sections: "Have you fallen prey to misleading 'organic' labeling on personal care products that contain a host of synthetic ingredients?", "Unfortunately, most body care products with the word 'Organics' in the brand name are not nearly as organic as you might think. Don't fall for the product branding, read the ingredient list.", "There are many non-natural components and processes in most U.S. body care products. Even those labeled 'natural' may contain harsh preservatives or ingredients with environmental concerns.", "DO YOU KNOW WHAT'S IN YOUR BODY CARE PRODUCTS? When the brand name says 'Organics', be sure to check the ingredients!", "A quick shopper's guide to Organic Body Care Products.", "AVOID CONVENTIONAL DETERGENTS AND PRESERVATIVES", "PURE NATURAL ESSENTIAL OILS", "DON'T BE FOOLED BY HYDROGELS AND LONG LISTS OF ORGANIC HERBAL WATER EXTRACTS", "TO LEARN MORE, VISIT THE ORGANIC CONSUMERS' EDUCATION", "wuttkegroup.com 7".

Mark: Absolutely. And pre-registration is not mandatory but it's free. REACH wanted to encourage this. Originally the deadline was

earlier but it was postponed to allow more people to complete the process.

Darcy: I think people have misconceptions about the Precautionary Principle. It's almost impossible to prove that something is categorically safe in all ecosystems for all organisms on the planet. So how does the Precautionary Principle actually work?

Mark: Regarding skin care products, we know that many substances may be used safely as a one-off or in small quantities without having any health effects. But this is now being questioned in the personal care industry because you put the product on your skin every single day. This can lead to a cumulative build up of the toxins or chemicals in your body.

Darcy: And you're washing them off your body every day into the water system.

Mark: That's a very good point. REACH is not just about human health, it's about environmental health. I personally believe REACH may not be the total answer, but it is certainly a move in the correct direction.

Unfortunately, the personal care industry has evolved out of other industries that have only been around the last 30-40 years. Many of the ingredients weren't designed for us with personal care in mind; they're by-products of other processes. I don't think many of the products have been around long enough to really understand the impact of long-term use. Before that, personal care products were manufactured in people's kitchens.

Darcy: Wait, I want to go back to something you just said. Are you saying that many of the ingredients are by-products of making other things and they said, "Hey, what can we do with

this goo? I know, maybe we can get women to smear it on their faces"?

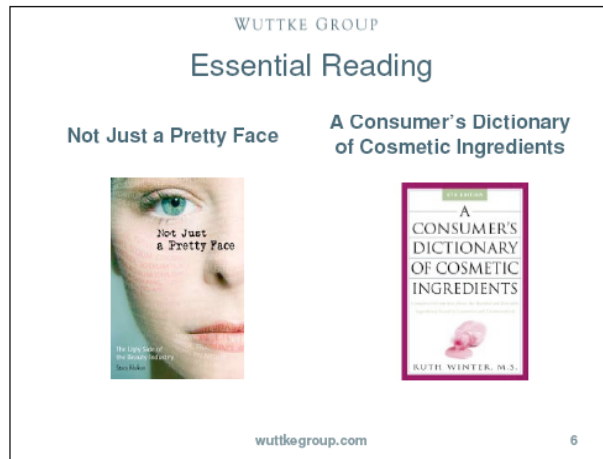
Mark: Well, we're all aware of Vaseline. Where did Vaseline come from?

Darcy: The petroleum industry.

Mark: Right, it's a by-product of the oil rigs. Why is propylene glycol used in so many products?

Darcy: It's in everything! It's in ice cream.

Mark: You tell me! Propylene glycol is also used as car antifreeze, a solvent in mixing photographic chemicals, and a coolant in liquid cooling systems, just to name a few. Some regulatory authorities in the US have generally recognized propylene glycol to be safe for use in foods, cosmetics, and medicines...but not approved in cat food! Why is this?



These are the challenges we are facing. We're using a lot of waste products or by-products. Unfortunately in the skin care or personal care business, the longer the name, the less chance you have of understanding it, the more valuable it may sound. Instead they should be focusing on saying what's in it and what does it do.

I pose this question. If you went into a department store today and asked the someone at the cosmetics counter, someone who's supposedly an expert in selling this product, and ask them, "What is this, where did it come from and what does it actually do?", 90 percent of the time they couldn't tell you. There's no transparency. The marketing focuses on one or two ingredients that are hot right now or that have shown to have some effect; that is the whole focus of selling of the product.

Darcy: Yes, and I've often been suspicious of the pseudo-scientific jargon they do use, like detoxifying.

Mark: This is my personal opinion and some may not like it, but I think the personal care industry has preyed on the vanity of women. And I think it's got to stop. They try to make women feel uncomfortable with who they are and how they look. It should be skin care, not skin scare. The focus should be on how we give people quality information so they can make informed decisions.

It should be skin care, not skin scare.

Skin care should be like healthy, nutritious food, not focusing on how to change your appearance. This is a problem in the fashion industry, too. It's all about what you've got to look like. The US is one of the biggest culprits in this area.

The moment women put their foot down and feel comfortable with who they are, then skin care can have the appropriate place in the market. It's no longer how do I become more beautiful or look like something else; it's about how to feel comfortable in my skin and nourish my skin, the largest organ in my body. It's no different than taking healthy food into my body.

Darcy: That's really smart. We've talked a lot about Europe. What's happening in other parts of the world? What about Asia, New Zealand and Australia? What's happening there?

Mark: In Asia regulations are very minimal, similar to US. The market there is just gaining momentum. It's not as sophisticated or mature.

Australia and New Zealand are taking snippets of the US and Europe to form their own regulations. However they're doing more on a

consumer and competition level. Rather than looking so much at safety, they're looking more at product claims.

Across the globe, definitions are being formed around various product claims. Europe, the US and Australia are creating definitions for 'natural' and 'organic' and then companies that are not complying with those definitions or standards will not be able to make those claims. In the US, we are already seeing companies being subjected to lawsuits for fraudulent or false, misleading claims.

What is great in the US is that people can go to the Campaign for Safe Cosmetics where they have the Skin Deep database. Any company can voluntarily put their ingredients and quantity of ingredients on the website and then the system does an evaluation, resulting in a report for the consumer about the safety and toxicology of the product.

With these other standards like natural or organic, they're not looking at the safety; they're looking at the quality process. So safety and toxicology is not high

on the priority list for many of these. So that's why REACH and the Campaign for Safe Cosmetics are so important because they'll bring attention to this.



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Whole Foods, one of the leading natural food groceries in the US, has published a list of 250 active ingredients that they consider unacceptable in premium skin care and personal care products. The Canadian Hot List is similar to REACH where they say 'these chemicals are suspicious.' You have to prove they are safe or dilute them to levels considered non-toxic,

remove it from the product or register it as a therapeutic good.

Darcy, I think it starts with awareness, which leads to a deeper level of consciousness. It's an area no one has been focused on. But that's changing fast. There were three significant press releases in Europe this week about the link between cosmetics and their link to birth defects and concerns about pregnancy.¹

Darcy: Why has the US been so late to get into the game and what are the impacts of this both in terms of the safety of our citizens and also the standing of the US in the world? The premise of the book, Exposed, was that the US, by ignoring the issue of toxics, has lost leadership in a whole host of industries—agriculture, electronics, personal care products, etc.—because of our reluctance to regulate chemicals. Would you agree with that assessment, that we've undermined our competitiveness in the world, and if so, what have you seen?

Mark: Personally I believe we don't do ourselves any favor by putting profit ahead of this. In the past, companies used to withhold this information as trade secrets. The world is a very different place now. With the Internet, the world is a very small place. And it doesn't take much for someone to become half-informed and share

1

<http://www.cosmeticsdesign-europe.com/Formulation-Science/French-minister-calls-safety-of-cosmetics-for-pregnant-women-into-question/?c=wUlq%2BzpTld%2B2dmfWxQxHjw%3D%3D>

<http://www.cosmeticsdesign-europe.com/Formulation-Science/Study-links-hairspray-exposure-to-birth-defect/?c=wUlq%2BzpTld%2BsgWO5t3RPPA%3D%3D>

<http://www.cosmeticsdesign.com/Products-Markets/Should-the-US-be-taking-note-on-European-cosmetics-regulation/?c=wUlq%2BzpTld%2FLpbwsHGxnyw%3D%3D>

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that information with the world. We spoke earlier about propylene glycol. Just google that ingredient about its use in cosmetics and you'll find a wealth of information.

I think companies that treat their customers as fools, as silly people they can hoodwink, will pay the price with people voting with their checkbooks. They will be affected long term. You can only treat the consumer with contempt for so long until it comes back to haunt you.

Darcy: Help me understand. I may be naïve, but I operate from the premise that most people act in good faith. So if I'm a manufacturer that sells a non-toxic product in Europe. Why would I continue to sell the more toxic one in the US? Why would I continue to sell lipstick with lead in it in the United States?

Mark: Number one, it may be cheaper. It's where the economies of scale are. The whole industry is worth half a trillion dollars. Every little cost savings adds up. If you look at the standard cosmetic, you'd be astonished. The packaging can cost 3, 4, 5 or up to 10 times the cost of the ingredients in the product.

Darcy: Well, wait a second, it still doesn't make sense. If most of the cost is in the packaging, why not spend the extra cent to put the safer ingredient inside?

Mark: That makes common sense to people like you and me who are conscious of this. But when you're working in a highly unregulated market, why impose any additional costs if you don't have to? The companies say it's not a regulatory requirement to do it.

Darcy: Don't they see the risk to their image and the marketing opportunity to say their



product is safer? It does no one any good to be the Bhopal of cosmetics.

Mark: With the increase in consumer awareness, it's going to force companies to be more accountable. And you're right, it's going to become a marketing nightmare to substantiate an ingredient where there are questions about its safety. I agree with your question; it's a question everyone's got to ask.

When it comes to lead lipstick, by the way, that has been addressed in many instances and it's much less prevalent than 5 or 6 years ago. You referred to the book, Exposed. Once it's exposed, it gets resolved.

The smart companies are pre-empting this now. I won't mention any names, but about 18 months ago, I was with a leading natural skin care company in New York City where I sat down with the founder of that business. And she went to great lengths to justify why they had parabens and phthalates and other ingredients in their products. So I asked her why she spent so much time and energy justifying it rather than focusing on how they were going to clean it up. I met the same person one year later, this May, and she gave me a big hug. She said, "I took your advice and I want to let you know now that none of our products have parabens and none of them will have phthalates within the next six months."

Darcy: That's amazing. So it's clear that there is a lot of pressure on the personal care products industry right now. What do you think will be the next industry to be affected?

Mark: Anyone who claims to be in the health and wellness industry. Health, wellness and longevity are really the key to the future in many businesses. If companies want to be in this market, they are going to have to show the

transparency and traceability, and they have to show the authenticity, and that only comes through their actions.

Darcy: We've talked a lot about transparency and traceability. Say more about what you meant by authenticity. Are you referring to efficacy of the products or something else?

Mark: Authenticity is different than efficacy. It's more about whether this is embedded in

their company DNA and they don't know any other way of doing it. Is the company just getting on this bandwagon because it's trendy and they want to cash in? Or do they really believe in it? How much credibility does a multi-billion dollar company have when they acquire a product line and they talk about how

natural and green and certified and sustainable it is when 95 percent of the products they sell aren't?

Darcy: It makes me think of Clorox trying to sell green cleaning products. It's a hard message to make convincing. Customers are scratching their heads.

Mark: There cannot be any incongruence. The conscious consumer is looking for how credible and how authentic is the brand. Is it part of the DNA from the get-go! Conscious consumers want to be aligned with a brand that resonates with them.

But there's a fine line between bagging someone and congratulating them. WalMart is now probably one of the largest sellers of organic products in the world. I look at Wal-Mart or Target getting on this as a great way to get sustainability out to the larger community. In the past, the conscious consumer had to pay a premium. But as demand increases, these products are becoming more affordable.



When you look at Wal-Mart and learn that 20,000 of their employees quit smoking as a result of their PSP [personal sustainability program], that's taking it down to the grassroots level. It can't just be a plaque on the wall. Retailers like Wal-Mart and Target can apply pressure on the vendors and say, "If you want to sell this in our stores, you have to comply with our guidelines." They're starting to do that which I think it is fantastic.



Mark Wuttke heads the Wuttke Group, LLC, a business development team with a focus on sustainable luxury, spa, boutique retail, organic luxury and the emerging category of eco-chic.

Active in the international luxury spa market, Mark is a founding editorial advisory board member of Organic Spa Magazine, founding board member of the Global Spa Summit, board member of the Green Spa Network, and works closely with the International Spa Association, LOHAS, and Natural Beauty Summit [Europe & America]. Mark is a regular speaker at Cornell University's School of Hotel Administration and the University of California, Irvine.

Mark's experience includes 14 years as President/CEO in the USA and Australia within the wellness industry and over 20 years strategic and tactical management experience in operations, marketing, and sales. He has served over 12 years on numerous boards in green industries. Developing business internationally, his clients are in the UK, France, Germany, Italy, New Zealand, Canada, UAE and Hong Kong in addition to the USA and Australia. www.wuttkegroup.com

ISSP Workshop

Sustainable Community Development: Economic Recovery 101 (July 09)

Instructor: Gwen Hallsmith, City of Montpelier, Vermont, co-author of the LASER Guide,

Special Guest: Hunter Lovins with Natural Capitalism Solutions (co-author of the LASER Guide)

Webinars July 7, 14, 21, 28 from 11a-12pm Eastern Daylight Time.

How are you using the insights from all the work that's been done by sustainable development professionals to address the economic crisis in your community? Do you need new ideas about how to create jobs and that build natural and social capital? How to redirect the economic stimulus package so that it doesn't just go to the tired solutions of yesterday, regardless of how 'shovel ready' they are? What opportunities are hidden in the housing crisis that can mobilize communities toward long-term, permanently affordable housing and stronger neighborhoods?

Learn how you can take advantage of this moment in time to build more sustainable systems and practices in your community. We'll use the LASER Guide (Local Action for Sustainable Economic Renewal) to chart a course for your community that you'll be able to put into action at the end of the course.

The LASER Guide is co-authored by Hunter Lovins and Christopher Juniper of Natural Capitalism, Bernard Lietaer from the Access Foundation, Gwendolyn Hallsmith of Global Community Initiatives, Wayne Fawbush, who now works for the Ford Foundation, and Michael Miller of America's Development Foundation. It's a step by step workbook with a web based set of management support tools with best practices from around the world, and resources that give you practical stories and advice from people who have successfully used the strategies.