



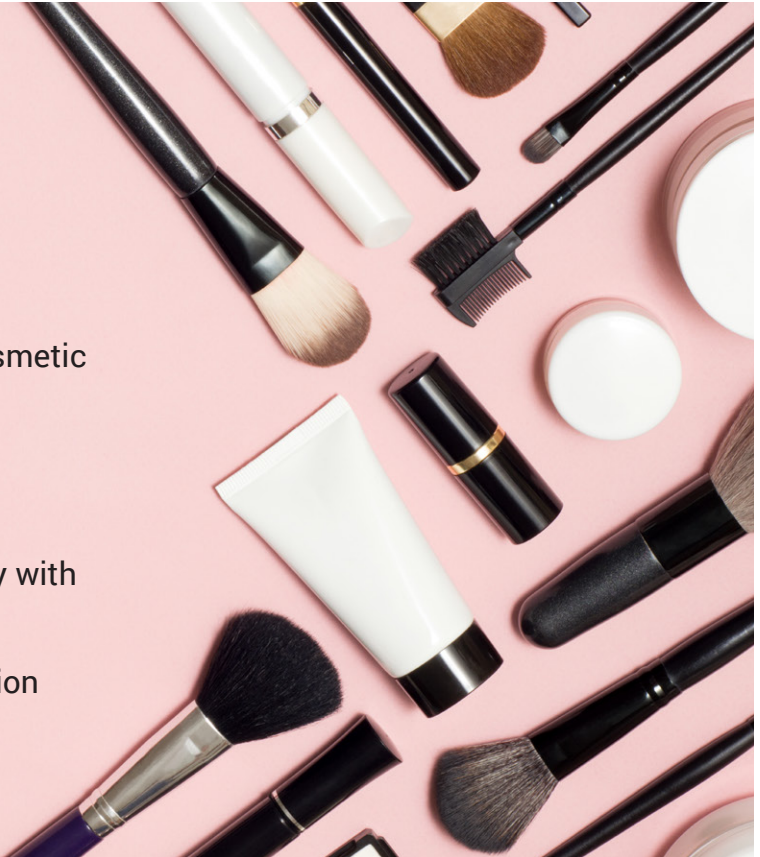
4 Quality & Regulatory Challenges Facing the Cosmetics Industry

and

How to Avoid Them

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Introduction

It's the moment everyone's been dreading. Your company has received notice to prepare for an audit by the Food and Drug Administration – in just five weeks' time.

This new, urgent project lands on top of your team's already aggressive workloads. Vacations are canceled. Instead, you and your team spend countless hours digging through email inboxes, Excel trackers, and stacks of paper files to find the final versions of documents that haven't been touched for months.

As the deadline approaches, late nights turn into all-nighters. Someone wonders aloud whether audits are this hard at every company – or just this one.

Rest assured, it's not just your company. At cosmetics companies worldwide, pressures are mounting, provoking some big questions across the industry:

How can we maintain compliance and manage product claims, even as we bring more new products into more markets?

How can we accelerate time to market, while avoiding employee burnout?

In confronting these challenges, forward-thinking companies are finding that unified, cloud-based software can address their biggest challenges and unleash their teams' potential.

4 key challenges facing cosmetic companies

Cosmetic companies worldwide are facing multiple, simultaneous challenges to fast, sustainable growth:

1. Accelerating time to market
2. Managing product claims
3. Ensuring global quality and compliance
4. Attracting and retaining top talent



CHALLENGE #1: ACCELERATING TIME TO MARKET

You don't have to attend Beautycon to realize that the cosmetics industry has changed dramatically from just a decade ago. Today, the industry can change on a dime – which means that teams across global cosmetics brands are feeling the pressure to accelerate time to market.

“

We can go from initial idea to product in 22 weeks and we launch new stuff every week. We make decisions on the spot and we have a prototype in a week. We keep it simple because we're in a rush to get them online as fast as possible. It's what the consumer is demanding.

–Tarang Amin, e.l.f. Cosmetics CEO¹

”

¹ [“How The Beauty Industry Is Adapting To Change.”](#) Forbes, June 19, 2017.



Why is the industry evolving so quickly?

For one, social media influencers now have an outsized hand in shaping consumer demand, and can cause regional stock-outs simply by making a single post on Facebook or Instagram.² For another, the industry is saturated with new, innovative brands that can rapidly respond to the latest trends.³

But established global brands are held back by lengthy product development and launch processes can take anywhere from 18 months to three years. As a result, they're increasingly

showing up late to trends such as liquid makeup, more racially inclusive shades, and lip kits. Unsurprisingly, once they finally release their now-commoditized or even outdated product, sales are lackluster.

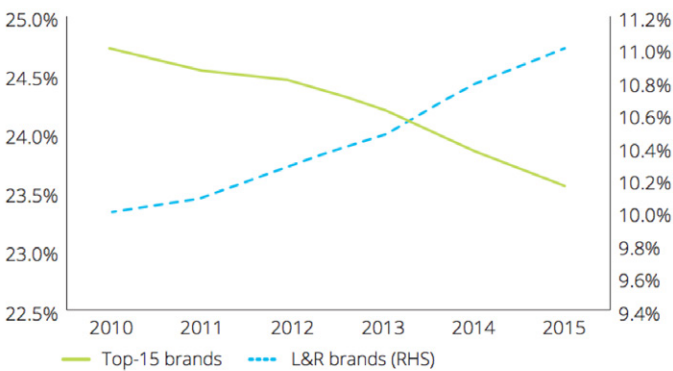
These lengthy product journeys aren't caused by any one department or process. Rather, all major milestones in the product journey — from development to testing to sourcing to packaging — involve complex collaborations between multiple departments and outside partners. It can take hundreds of processes and interactions just to get one new product onto the shelf.

Because global brands are responding so slowly to new trends, they're losing market share to their more nimble competitors, as the chart on the left illustrates.

These larger companies are increasingly turning to acquisition as "the short route to maintaining a viable brand portfolio."⁴ Certainly, acquisitions may help to mitigate the short-term damage. But if these global brands want to grow their revenue, market share, and profitability in the long run, they will need to explore new ways to accelerate their product development and launch processes.

Small is the new big

Global brands are losing shares as small brands/disruptors are gaining



Source: Euromonitor and J.P. Morgan.

² ["The cosmetics giant looking to innovate and use cutting edge tech."](#) CNBC, April 11, 2018.

³ ["How The Beauty Industry Is Adapting To Change."](#) Forbes, June 19, 2017.

⁴ [Deloitte Beauty Market Report 2017](#)

CHALLENGE #2: MANAGING PRODUCT CLAIMS

Cosmetics companies can also run into hot water if they can't back up their claims about what their products do with hard data – or if those claims are proven wrong. That's why 49% of companies surveyed by Cosmetics Compliance named claims substantiation as one of their top compliance challenges.⁵

Why does claims substantiation pose such a pressing challenge? For one, there is increased consumer demand for natural or organic products, but the industry currently does not have a formal definition of "natural". Because the definition is so arbitrary, many companies have struggled with making truthful claims that are substantiated by scientific evidence.

For another, companies who make unsubstantiated claims or misleading statements can face legal troubles and hefty fines, with good reason: Unsafe ingredients can physically harm product users. As an example, in 2013, Chaz Dean, Inc. received more than 21,000 complaints of hair loss and scalp damage from users of its hair-care product WEN; the company eventually settled a class-action lawsuit for \$26.3 million.⁶

Managing product claims is complex enough on its own. But many cosmetics companies also do not keep important product information in a centralized location, meaning that it can become a logistical nightmare for teams to track down the most up-to-date claims from the relevant departments. This can hold up the process of taking a product to market, not to mention even cause avoidable misrepresentations in public-facing content.

The solution is clear. Companies can streamline the process of managing their product claims by keeping critical information in a centralized location that can be updated in real time.



⁵ [Global Industry Report: Where is Cosmetic Compliance Heading in 2019?](#)

⁶ ["For Cosmetics, Let the Buyer Beware."](#) New York Times, August 7, 2017.



CHALLENGE #3: ENSURING GLOBAL QUALITY AND COMPLIANCE

As many cosmetics companies have learned the hard way, consistently producing a high-quality product is no easy feat. On top of being effective, these products also need to be compliant with numerous levels of regulations before entering each unique market.

Compliance is an especially challenging task because regulatory bodies are constantly introducing new regulations and refining existing ones. For example, in March 2018, China – which has the second-largest cosmetics market globally – announced the establishment of the State Market Regulatory Authority (SMRA), which introduced tighter safety monitoring and new cosmetics classifications.⁷ Even today, companies operating in or seeking to enter the Chinese market are still grappling with the impact of the new law.

And that's just for one country. Global cosmetics companies must follow a whole host of international regulations; examples include the 2013 EU Cosmetic Directive and its strict cosmetovigilance requirements, FDA regulations, other unique country and local level directives, chemical substance


registration requirements, and more. Failing to comply can result in companies being penalized anywhere between \$25,000 to \$250,000⁸ – not to mention, significantly damage a company's public reputation. It can be very difficult to regain your customers' trust, and customer attrition can lead to even more dire consequences in the long run.

“Compliance is challenging at all stages, from the development stage to being in-market,” Claire Bing, director of regulatory affairs at Tarte Cosmetics, told Cosmetics Compliance in 2017. “It's part of the DNA of this industry. You can't have a product on market without many stages of compliance.”

Ensuring regulatory compliance is a complex, resource-intensive step in the product journey. Global brands often have to release dozens of product, packaging, and claim variations in order to meet different regulatory requirements. Tracking all of this information is challenging, and can complicate a team's efforts to quickly launch a product in multiple markets. As Bing reflected, “There's no true global harmonization. You'll never have that one box.”

⁷ [“What Companies Need to Know About China's New Market Regulator.”](#) Lexology, April 13, 2018.

⁸ [Global Industry Report: Where is Cosmetic Compliance Heading in 2019?](#)




As an example, consider the global marketing materials for a new product. To keep up with the fast-paced cosmetics market, brands must rapidly create marketing assets that cater to consumers' evolving tastes, while still achieving strict compliance across channels and geographies.

Before the marketing team may distribute their assets to regional teams for local adaptation and use, they must take the following steps: First, they'll often work with an outside agency to develop a suite of product assets including packaging and label design, advertisements, and rich media. Next, they must collaborate with their colleagues in R&D, regulatory affairs, legal, and manufacturing in order to establish the packaging requirements and claims.

To further complicate matters, most cosmetics companies still manage these essential processes and content externally, through physical or on-site solutions. This is an inefficient use of time and resources, leading to redundancies like version control issues and missed opportunities for content reuse, not to mention increased compliance risks.

The issues caused by using outdated compliance processes and document management tools can be resolved by switching to unified cloud-based software – we'll discuss that further in the following sections.



CHALLENGE #4: ATTRACTING AND RETAINING TOP TALENT

Did the unexpected FDA audit described at the start of this paper trigger traumatic memories of past audits? If so, you're not alone.

Most cosmetics companies are managing their business processes and content the same way they did 20 years ago: with on-site solutions like spreadsheets, emails, and paper files. If you're lucky, maybe your company has upgraded to using Sharepoint or Google Drive.

At a time where you can order practically anything from your smartphone with just a few taps of your finger, it's tragic that cosmetics teams are still expected to produce strong results with such outdated technology. This is creating needless inefficiencies, putting companies at greater risk of non-compliance, and causing endless employee frustrations.

Ask yourself: How long would it take for your team to conduct even a relatively simple internal audit? How many systems, inboxes, and files would your teams need to trawl through just to pull together the necessary documentation? Could (and should) that time be dedicated to other, profit-generating business needs instead?

Given these inefficiencies, it's no wonder that regulatory and quality departments across global cosmetics brands struggle with high rates of employee turnover, as their leadership are not giving teams the tools to succeed.

How to respond with agility to industry changes

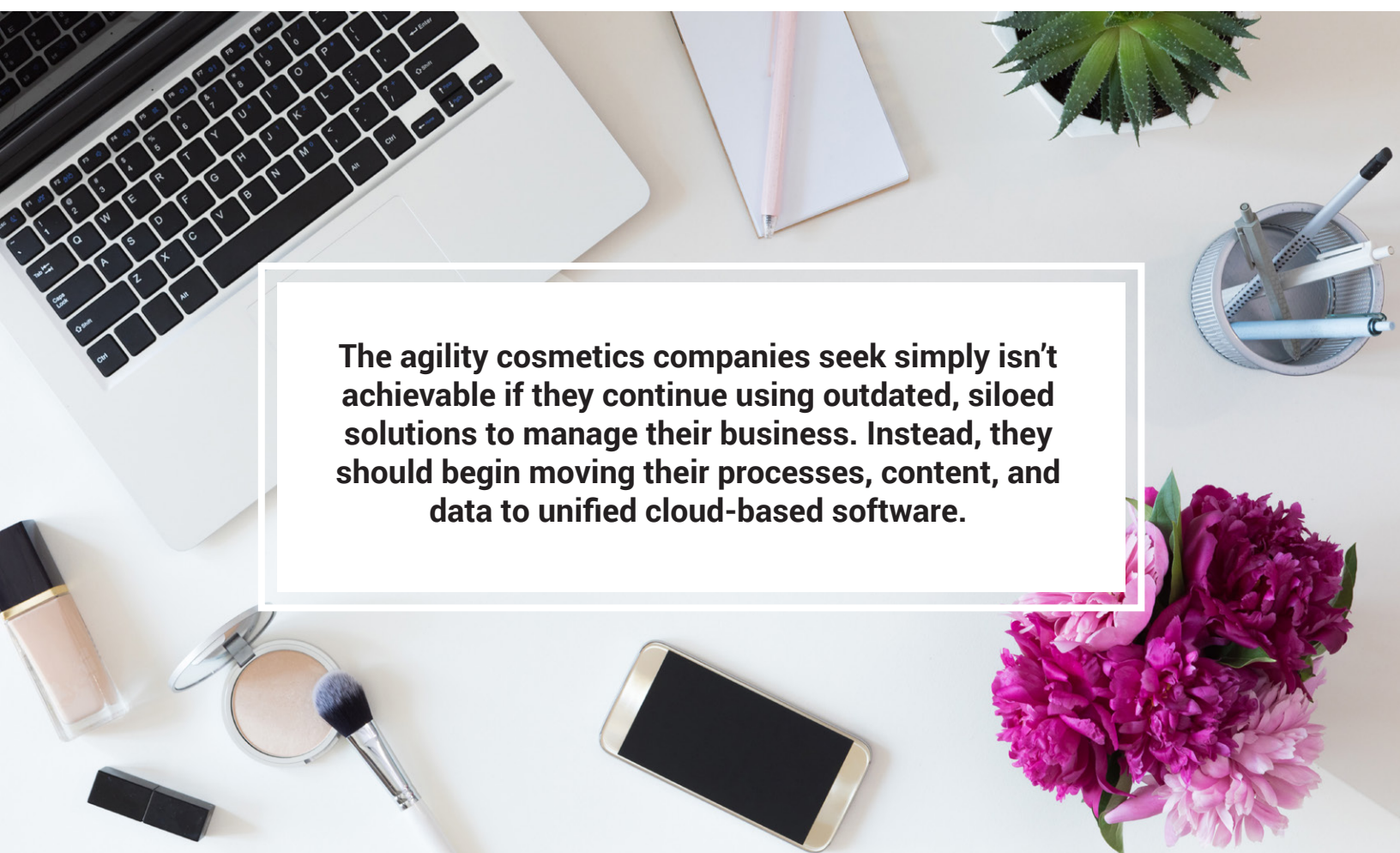
In this time of “enormous, tectonic change” in the cosmetics industry, agility is more than a strategy; it’s necessary for survival. That’s why every executive leader is seeking solutions that will give their teams the agility to bring relevant, high-quality products to market faster (and have more fun doing it).

Having the agility to respond quickly, whether to a market trend or an audit, requires:

1. Breaking down silos, both internally and with your supplier network
2. Achieving real-time visibility and control to make faster decisions with confidence
3. Streamlining bloated processes and bottlenecks

WHAT IS AGILITY?

Agility refers to a company's ability to confidently adapt to internal and external changes, more quickly than their competitors, in order to continue delivering value to their customers.



The agility cosmetics companies seek simply isn't achievable if they continue using outdated, siloed solutions to manage their business. Instead, they should begin moving their processes, content, and data to unified cloud-based software.

Implementing an agile strategy with unified, cloud-based software

By investing in unified cloud-based software to manage processes, content, and data, cosmetics companies will be able to innovate and collaborate more effectively.

CENTRALIZE YOUR PROCESS

What if everything related to a product – from ideation, to testing, to branding and manufacturing, all the way to post-purchase support – could be accessed in one secure place?

By investing in unified cloud-based software for managing processes and data, you'd be able to streamline your process in the following ways:

- **Advance all relevant content together** – through auditable, secure digital processes that make it easy to collaborate across departments and with outside partners
- **Track content requirements** for each region, and quickly identify the most recent content versions from each team
- **Access a global dashboard** showing the real-time status of active projects
- **Work the way and at the pace you do in the other areas of your life**

Unified cloud-based software helps centralize your process, setting your teams up to work more efficiently to target and focus on your top business priorities.

WHAT IS UNIFIED, CLOUD-BASED SOFTWARE?



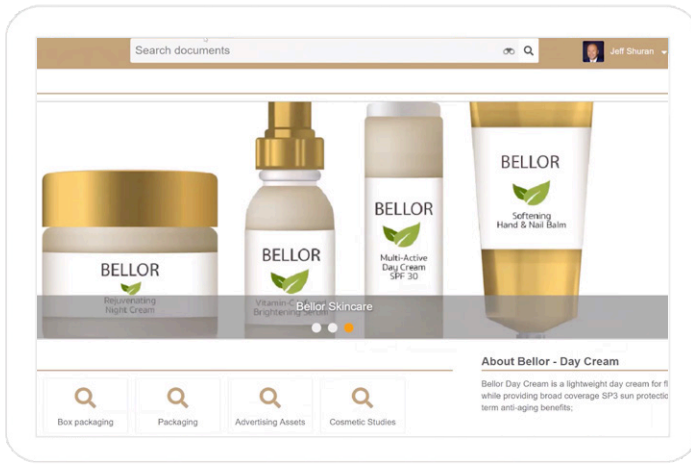
Unified: Bringing together what was once done or stored across multiple, disconnected systems to create a single secure, accessible source of truth.



Cloud-based software: A software delivery model where multiple customers leverage a single version of software and co-exist on a shared infrastructure that is managed and hosted by the software vendor.

The cloud-based (or multi-tenant) software delivery method has become the software industry's preferred delivery method – with good reason. Maintaining only one version of code allows cloud software vendors to innovate faster and provide more value to all their customers with every investment.

To learn more, check out our blog post, "[Expert's Guide to Evaluating Software.](#)"

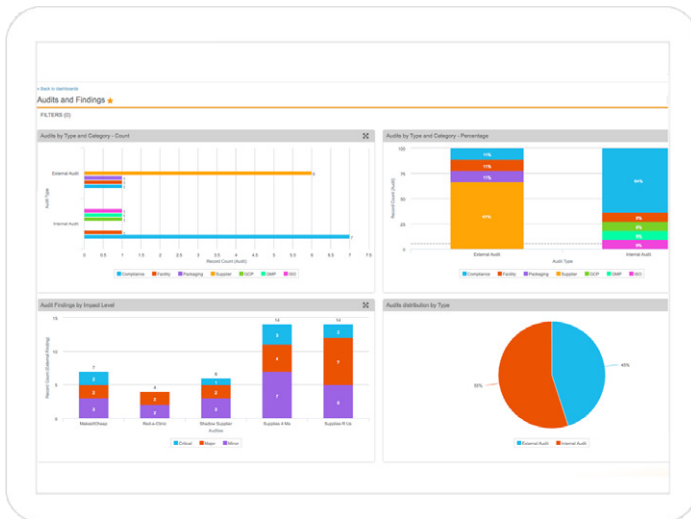


CONSOLIDATE YOUR DATA

What if finding the latest, approved version of your brand's content was as easy as doing a quick digital search?

With unified cloud-based software, you'll no longer have to dig through your email inbox to find what you hope is the latest version of product claims, registration records, or package designs. Instead, you and your teams will share a common resource for managing regulatory, brand, and quality processes and content.

This minimizes discrepancies and uncontrolled copies, ensuring your information is accurate, timely, and accessible – empowering your teams to respond faster and with more confidence to product changes, compliance concerns, claims management, or regulatory authority requests.



STREAMLINE REGULATORY INSPECTIONS

What if we told you that an audit could proceed just like any other day?

With unified cloud-based software, all the information you'll need for an audit will be automatically tracked and easily accessed. Moreover, you can set up notifications alerting you to discrepancies in near real-time, enabling you to run internal audits anytime on demand.

When everything is recorded in a single system, you can easily show an auditor how you normally work and how you access any type of information (processes and on-going) – all it takes is a single login and a few clicks.



Find the software solution that's right for your business

As you can see, unified cloud-based software can give cosmetics companies the agility they need to accelerate time to market, ensure ongoing compliance globally, manage product claims, and empower employees to succeed.

But how do you get the rest of your company onboard with a new solution? Where's the best place to start?

Take it from the folks who have paved the way: Many of your peers have tackled similar challenges before. See the solution they've discovered to bring products to market faster, vault over compliance hurdles, and keep their employees happy – learn more about Veeva's unified cloud-based systems for quality, regulatory, and product claims management today.

[LEARN MORE ABOUT VEEVA](#)



Veeva

Founded in 2007, Veeva NYSE (VEEV), is a leading global provider of cloud-based software solutions for the consumer goods, chemical, life sciences, cosmetics, and other industries. Our applications enable manufacturers to realize the benefits of a modern, cloud-based platform to manage the product journey and bring innovative, high-quality products to market faster without compromising compliance. Veeva is headquartered in the San Francisco Bay Area, with offices throughout North America, Europe, Asia, and Latin America. For more information, visit industries.veeva.com.



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