

# Growing a Beauty Business in 2022

By Natasha Spencer-Jolliffe

Valued at almost half a trillion dollars, the beauty and personal care industry is a hotbed of new discoveries, product range developments and captivating trends. We speak to three brands at various stages of growth in the beauty and personal care space to find out what lies behind their latest launches, expansions and innovations.

The beauty and personal care market generated total revenue of US\$472 billion worldwide in 2020. Far from being too busy, the beauty business is seeing an abundance of independent and heritage brands growing, burgeoning and diverse categories. Three companies are taking different routes to inspire innovation in the areas of environmentalism, technology and science.

ShiKai is a plant-based skin, hair and body care brand that has just launched its latest product. The Very Clean Body Care system is high in antioxidants and delivers anti-aging botanicals topically to the skin to keep it hydrated, healthy and glowing. In ShiKai's words: "Your skin is the largest organ of your body and it absorbs whatever you put on it, so why not an all-over body care system that keeps your entire body looking and feeling ageless." Lori Edwards, Vice President of Sales, Marketing and Product Development, adds: "We spend so much time and money on facial care to keep our skin looking hydrated and ageless, but often neglect the rest of the skin on our bodies."

Celebrating over 50 years in the beauty world, ShiKai has hailed itself as a pioneer in bringing therapeutic botanical ingredients to body care since 1970. While expanding its body care collection, ShiKai understands the impact that personal care products have on the environment and says it is on a mission to do better as a company. Very Clean, which is geared for launch in June 2022, was created as an inclusive body care line with the millennial consumer in mind. The brand has adopted bright, Instagram-worthy packaging that pops on the retail shelf, as well as relaying callouts to its environmental initiatives on the back of each product.

The innovation of its new Healthy Glow Facial Care and Very Clean Body Care system led ShiKai to source new post-consumer recycled packaging, as well as a partnership with TerraCycle, to ensure consumers can recycle containers after use. The plant-based product provider has also launched several programs in its warehouse to eliminate waste and has been certified as a zero-emissions material handling equipment (MHE) warehouse.



## ShiKai Case Study

Along with its newest product launch, 2022 marks a period of extensive expansion for ShiKai, including a number of environmental programs:

- To help achieve 0% carbon emission MHE in its warehouse, the brand manufactures its products in-house and by hand.
- Under the Perfectly Imperfect Program, ShiKai doesn't throw out any of its imperfect packaging during manufacturing. It reuses, recycles and discounts items that have misprints or are damaged on the outside. This allows consumers to try new products at a discounted price while the company maintains a zero-waste warehouse.
- All its new packaging will be sourced using post-consumer recycled (PCR) or plant-based packaging options. ShiKai is currently testing sugarcane packaging as well.
- ShiKai will be partnering with non-profits that educate communities on climate resiliency. It is also participating in programs to learn what it can do as a company to help.
- The brand says it is on a mission to decrease its carbon footprint, recognizing it as a long process of continuous education and change.

## Merging with the Metaverse

Meanwhile, artificial intelligence (AI) and augmented reality (AR) beauty technology provider Perfect Corp is entering the non-fungible token (NFT) space. "We are constantly looking at current trends to determine what is needed to succeed in the future of retail," says Alice Chang, CEO and Founder of Perfect Corp. "This is why we decided to develop and implement a solution that would allow beauty and fashion brands to participate in NFT marketing in an impactful way."

An NFT is a digital asset that represents real-world objects like art, music, in-game items and videos. They are bought and sold online, frequently with cryptocurrency, and they are generally encoded with the same underlying software as many cryptos. An NFT allows the buyer to



own the original item. Not only that, it contains built-in authentication, which serves as proof of ownership (Forbes, 2022).

The new business solutions are designed to streamline the entire NFT creation process for beauty and personal care brands. Perfect Corp's solution is also the first-ever offering to enable NFTs that can be virtually tried on using AR technology. The brand aims to provide a simple and accessible pathway to cater to the rising demand for wearable NFTs. "As brands continue to embrace the opportunities in the metaverse, these NFTs will hold significant value and can be easily adapted to engage consumers in the new, fully immersive worlds of the metaverse," says Chang.

With Perfect Corp's NFT business solution, the AI and AR specialists strive to enable beauty brands to easily digitize their stock keeping units (SKUs), transform these digitized assets to NFTs, and allow purchasers of these NFTs to virtually try-on their products and looks. With this innovation, consumers can interact with and wear the NFT, which adds a new dimension of consumer engagement and fun. "These NFTs will provide a way for individuals to truly express themselves in creative ways with no boundaries," says Chang.

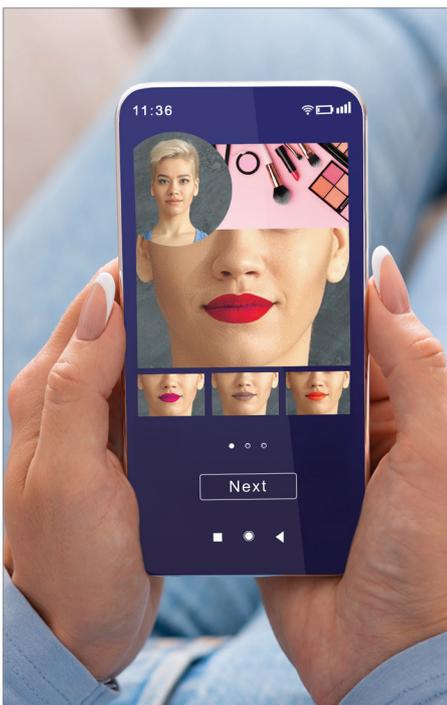


The beauty industry is going through another digital transformation as consumers begin to embrace the virtual worlds of the metaverse. Commenting on what spurred Perfect Corp to kick off 2022 with intense innovation and explore the adoption of NFTs, Chang says: "Businesses are focusing on getting closer to consumers in this new space and consumers are looking for more personalized and immersive experiences that will keep them engaged and entertained." Many

brands in beauty and personal care are already investing in NFTs by releasing exclusive ranges as collector's items for loyal brand followers. "NFTs are set to become the next big revenue stream for beauty and personal care brands," says Chang.

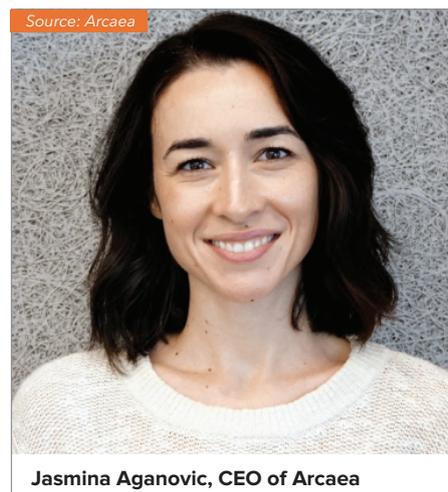
As this new digital realm evolves, Perfect Corp recognizes that beauty brands will need to create impactful product offerings and retail experiences to engage their consumers in this new space. "In the metaverse, a consumer's digital persona will be essential to navigating different worlds and experiences," says Chang.

Consumers will want their digital persona to reflect their identity and individual sense of style. "This is where beauty brands will need to develop truly "phygital" product offerings that can be worn in both the physical and digital worlds as a way for consumers to express themselves," Chang notes. Perfect Corp's new wearable NFT solution is allowing brands to provide exclusive and wearable products in a way that has not been possible until now.



## Indie Beauty Conversation with Arcaea

New biotechnology beauty firm Arcaea was conceived after its founder Jasmina Aganovic studied the ways in which chemistry has shaped beauty ingredients manufacturing in the US. Believing there was a better, healthier way, Jasmina launched her company after receiving US\$78M in Series A funding. The brand is set to use biotech to create new ingredients and revive elements of nature it states might have already gone extinct. Aganovic's company strives to reduce plant harvesting by leveraging science to source hair and skin care ingredients.



### Can you tell me about your inspiration behind the idea for Arcaea?

Our name comes from the root "ancient" and "to lead the way", a paradox that acknowledges the fundamental premise of Arcaea: To look to nature's most powerful and primordial technology to engineer a more stable future.

When I was starting a brand called Mother Dirt, I saw how powerful biology could be through our hero product which was based off a live microbe. Simultaneously I saw how hard it was to work with biology

because the tools just weren't there yet. This led me to join Ginkgo Bioworks as an Entrepreneur in Residence to see how we could develop more tools to make biology not only easier to work with in beauty, but also to enable entirely new product experiences and performance.

### What is missing from the mainstream beauty market that you seek to fill with Arcaea?

Today's products depend on ingredients extracted from petrochemicals, plants and animals and that is just not sustainable for ourselves and the planet. For the past 200 years, these ingredients shaped the entire supply chain, including formulation, claims and marketing. Biology enables us to grow ingredients rather than extracting from the environment and natural ecosystem. Industrial chemistry has powered the beauty industry and gotten it to the size of influence it is today.

However, as we set our eyes to a more sustainable and inclusive future, we believe there is now another way to get safe, high-performing ingredients and products at scale. These new technologies are also more precise and sophisticated, so we can even design for new performance. This is why we talk about biology as a creative tool.

### How are you planning to build a new foundation for the beauty industry?

Biology is capable of things chemistry alone cannot do. A greater understanding of biology can enable new possibilities for beauty, simply because biology focuses on the study of living organisms, the foundation of much of what we see around us. It can do things modern technologies cannot such as self-

replicate and self-repair. Because of these amazing qualities, we've seen many new technologies to understand and leverage biology in the last few decades, but they have not made their way into the beauty industry.



As a result, we are taking these new technologies, merging them and pointing them at beauty. We are building our company using new technologies that have emerged over the last two decades, including fermentation, DNA writing, DNA sequencing, bioinformatics, protein design, microbiome, etc. This can change how we develop products, the types of performance and functionality we can access, product experiences, as well as how we source ingredients, moving us away from extractive methods.

**What are consumers demanding from beauty products and brands?**

In a sentence, I think consumers today want transparency. They want safe and high-performing products that are not harmful to the environment.

**How do you hope Arcaea will answer these consumer demands?**

The beauty industry is focused on self-expression. At Arcaea, we believe the more tools we have to enable that, the more comfortable people can feel in their own skin. We are not the first beauty company

to use biology-based tools like biotechnology and fermentation, and we don't intend to replace chemistry entirely. That said, we will be the first company in beauty to use biology as a creative tool, and to build as "biology-first" from the ground up, by aggregating all its tools.

We are going beyond swaps: We are not focused on growing biological replacements for the ingredients and materials we already use. Instead, we are using nature's technology and design as inspiration for new ingredients and novel functionality to address unsolved problems. We believe we can give brands and consumers an entirely new palette with which to express themselves, one that extends well beyond the limitations of the tools we have today.

**What did the launch process involve from conceptualization through to commercialization?**

Currently in progress!

**What are the greatest challenges to achieving your vision for Arcaea?**

For me, that is navigating technical challenges and communicating those success stories to consumers. We want our innovation to be something that people understand and trust. Yet, we are creating something that has never before been imagined in beauty. Explaining the technology behind expressive biology is a challenge that we, at Arcaea, are striving to overcome.

**What are the biggest opportunities that you foresee for Arcaea?**

We're looking at keratin proteins in hair care. Right now, what you see in the beauty industry is keratin

that's extracted from sheep's wool and what's in there is a grab-bag of protein from the wool. It's not highly specific and, as a result, has limited performance.

However, with the new technologies I have mentioned above, we can design a specific keratin that might have a very targeted performance attribute within the hair (whether repair, shine, or shape). When we identify those, we can produce an entire range of keratins that are not only sustainable but deliver performance benefits that go beyond what is possible today. This is again what we mean by biology as a creative tool.

**What are your short and long-term hopes and goals for Arcaea?**

My goal is to make biology the most desired technology in beauty. Along the way, I hope we can educate the consumer about the power of biology as a creative tool for self-expression. I also want to shift and expand the thinking around how we can create an industry with a win for all mentality, where we are able to run a viable business that is good for people and for the planet.

**How will you use your recent investment to move you towards these goals?**

To launch four key technical programs and build out key pieces of technical infrastructure to support early commercial products.

