Interview: Bernard Cloëtta, Dr. iur. – Director General, Swiss Cosmetics & Detergent Association (SKW)



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In the marketing-driven dermocosmetics sector, the Swiss cosmetics association has recently achieved the passage of a strict new law limiting the usage of the "made in Switzerland" claim for cosmetics industry, and is making progress protecting the usage of this very valuable brand in markets around the world.

What would you highlight as some of the key trends that you see in the dermocosmetics sector internationally?

An important fact that defines the dermocosmetics sector is that it spans two industries in terms of regulation: pharmaceuticals and pure cosmetics. From a regulatory standpoint, these are different industries as you are required to register products with the pharmaceutical regulator – Swissmedic in Switzerland's case – to make claims of efficacy beyond a certain threshold, or use ingredients which are considered pharmaceutical ingredients. Products which do not make such claims or use these ingredients fall under the same regulatory umbrella as foodstuffs. At a global level, the regulatory trend for both of these markets is steadily becoming stricter and more precise.

Looking at the dermocosmetics companies among our members, many have products of both types, and some are active in the pharmaceutical market more widely. Others have a very pure cosmetics strategy and are not involved at all with pharmaceutical products or regulations. From a

competitive standpoint however, companies which are able to register their products as pharmaceuticals are generally able to make much stronger claims in their marketing materials, and I see this driving a steady trend dermocosmetics companies becoming active as pharmaceutical companies in the legal sense.

Finally, I would highlight that prices are generally decreasing, and this has been even more pronounced for Swiss manufacturers due to the decreased value of both the USD and EUR versus the CHF. This is limiting investment to a certain extent, as many companies are currently working to optimize their businesses with the assets they currently have.

Could you give our readers a brief overview of the Swiss cosmetics industry, along with key facts and figures?

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First, for reference, the SKW has about 90 members, who generate national total sales of about USD 4 billion, 2.9 billion on cosmetics and 1.1 on detergents and cleaning products., employing approximately 5 500 people. As a legally recognized business association, the SKW is governed by Article 60 of the Swiss Civil Code, and is thus restricted to representing our members with regards to cosmetics, detergents and cleaning products under Swiss food-stuffs regulation. As such, some of our members are also members of at least one of the Swiss pharmaceutical associations.

Out of these 90 companies, roughly 50 are what we can consider Swiss manufacturers, and they generate about USD 1 billion in total exports and about 500 million national turnover. The top export destinations for these companies are East Asia, with China of course being the biggest market in the region. The middle east is also an important market, and Iran is rapidly growing as a buyer of Swiss cosmetics. The rest goes to South America and the USA, although the USA can be considered an undeveloped market; this is in part due to the fact that American regulations are quite restrictive relative to European regulations, and even a product like sunscreen is considered to be a pharmaceutical product.

Finally, I would highlight that Swiss dermocosmetic products, meaning which are considered “made in Switzerland” are generally high quality or luxury products, and highly respected by consumers around the world. Whether you are in China, South Korea, or Germany, Swiss products are generally among those with the very highest reputation.

We understand that a new law was recently passed to regulate the usage of the “made in Switzerland” claim. Why was this new law needed, and what did it change?

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We can say that this story began with several surveys conducted by the University of St. Gallen to estimate the value of “Swissness” – or the “Made in Switzerland” brand. In line with data from surveys in 2008, 2010, the most recent survey conducted in April 2016 showed that between 52 and 89 percent of respondents around the world prefer Swiss products to those of an unknown origin at the same price, and are generally prepared to pay significant surcharge for a wide variety of Swiss products. For luxury watches, this surcharge was over 100 percent, while for cosmetics the respondents indicated they were willing to pay more than 50 percent more if the product is Swiss. Moreover, these surveys all showed that Switzerland and Germany are effectively for the position of most respected country of origin, with Switzerland being rated number one in each of the previous surveys, and coming second to Germany in the 2016 edition.

Given the value associated with Swissness, our industry clearly has an incentive to ensure that claims of being Swiss are regulated and respected to some extent both here in Switzerland and abroad. Until very recently, this wasn’t formally regulated by an actual law, which had posed some challenges in other countries when we pushed for them to increase regulation of companies falsely claiming to sell “Swiss cosmetics”. Similarly, here in Switzerland the conventions regarding what could be called Swiss were rather minimal, requiring only that 50 percent of R&D of the product be done in Switzerland, and thus there were many products that Swiss companies were marketing as Swiss products, yet were being manufactured and packaged outside of Switzerland.

As such the SKW last major initiative was to lobby for the creation of a new law governing claims of Swissness, and our efforts resulted in the successful introduction of the “Swiss Made” Ordinance for Cosmetics on January 1st 2017, alongside wider legislative provisions for “Swissness.” The only other industry to pass a specific ordinance such as this was the watch industry. This Ordinance specifies that the Swiss indication of origin may only be used if at least 80 percent of R&D and production costs are incurred in Switzerland, and also provides stipulations that the production of the bulk, packaging and all quality control aspects also have be done in Switzerland.

What effect has the “Swiss Made’ Ordinance for Cosmetics had thus far?

In response to this new ordinance, many Swiss companies have shifted manufacturing activities that they were previously conducting abroad back to Switzerland. Thus we are already seeing a positive effect in terms consumer trust and of Swiss jobs and employment levels.

This has also enabled us to reopen discussions with authorities in Asia, including in China. Switzerland has a free trade agreement with China which provides a framework for us to work with

the Chinese authorities to find a solution to limit false claims of Swissness, and as such we are fairly confident we will be able to come to a reasonable enforcement solution. This is of course rather surprising given that just a few short years ago I would have said “anything goes in China.”

What are some of the other challenges that the SKW will be tackling going forward?

One challenge many of our member’s face is that chemistry students in Switzerland do not generally consider the cosmetics industry at the top of their list when searching for jobs. The giants of the pharmaceutical industry, as well as other Swiss multinational companies in the chemical sector, tend to attract many of the students that would be eligible for entry-level R&D positions in cosmetics companies. Thus, quite often Swiss companies will have to recruit R&D professionals from Germany or France. As such, the SKW is working alongside the Association of Swiss Cosmetic Chemists to raise the profile of the dermocosmetics sector amongst potential graduates to help to address this shortage of available talent.

As an association, we are also very active in promoting the interests of our members in markets around the world, with a strong focus in East Asia. We regularly participate in the largest events in the region such as Cosmoprof Asia in Hong Kong, China Beauty Expo in Shanghai, and Cosmobeauty Seoul. In this context our priorities center around promoting and protecting the value of the “Swiss” brand in the context of the cosmetics industry, and of course other activities that are in our members’ interest.

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