From Glamour to Ethics: A PEST Framework Analysis of Ethical Dilemmas in the Luxury Cosmetics Industry - The Case of SK-II

Huixu Li
Faculty of Business and Economics, University of Melbourne, 3010, Australia

Keywords: Luxury Cosmetics, Animal Testing, Child Labor, Mica, Transparency, Alternative Testing Methods.

Abstract: As the global demand for luxury cosmetics continues to rise, ethical concerns within the industry have gained increasing attention from scholars, consumers, and regulators. This paper critically examines the ethical challenges within the luxury cosmetics industry, focusing on four key areas: animal testing, child labor, economic exploitation, and unethical marketing. Despite their premium positioning, luxury cosmetic brands are often associated with serious ethical controversies. Politically, animal testing remains a global concern, as many brands exploit legal loopholes in markets such as China. Economically, inflated pricing strategies leverage consumers' desire for beauty while offering limited correlation with production costs. Socially, manipulative marketing reinforces unrealistic beauty standards, shaping harmful consumer perceptions and social norms. Environmentally and ethically, the sourcing of mica—a common ingredient—often involves child labor in countries with inadequate labor protections, raising significant human rights concerns. Through an analysis of the SK-II case, the paper demonstrates how misleading advertising can erode consumer trust and trigger regulatory consequences. In response, the study proposes practical recommendations, including improved transparency in claims, ethical sourcing mechanisms, inclusive marketing reforms, and enhanced regulatory oversight. These strategies aim to promote ethical integrity and sustainable growth in the luxury cosmetics sector.

1 INTRODUCTION

The luxury cosmetics sector has experienced tremendous growth over the past decades, developing into a strong segment of the global beauty and personal care sector. Characterized by high-end branding, luxurious packaging, and niche marketing, luxury cosmetics resonate hugely with consumers' desire for exclusivity, performance, and social status. Luxury brands such as Chanel, Dior, Estée Lauder, SK-II, and La Mer, among others, not only hold strong market positions but also influence consumers' expectations and behaviors profoundly. But behind the glamorous facade is a series of ethical concerns that have increasingly drawn the attention of activists, consumers, and regulatory bodies around the world.

One of the most critical ethical issues in the cosmetics industry is the sourcing of raw materials, particularly mica, a mineral widely used to create shimmering effects in makeup products. A significant portion of the world's mica supply comes from regions such as Jharkhand and Bihar in India, where child labor and hazardous working conditions are prevalent (Bliss, 2017; Rozani, 2022). Despite increasing public scrutiny and corporate commitments to end unethical sourcing, transparency in supply chains remains limited. This raises profound ethical questions regarding corporate accountability and the complicity of consumers who often unknowingly support exploitative practices (Martins & Marto, 2023; Das & Goel, 2021).

In addition, luxury cosmetic brands have historically relied on animal testing to ensure product safety and efficacy. Although many countries have imposed bans or restrictions—most notably the European Union—some, like China, previously mandated animal testing for imported cosmetics, creating ethical tensions for global brands (Sine, 2022). While some companies publicly promote their "cruelty-free" status, legal loopholes and market pressures result in inconsistent enforcement, undermining consumer trust and corporate authenticity (Yurtsever, 2019).

Moreover, luxury brand marketing often promotes unrealistic beauty standards, reinforcing narrow ideals that can negatively impact self-esteem

Li, H.
From Glamour to Ethics: A PEST Framework Analysis of Ethical Dilemmas in the Luxury Cosmetics Industry - The Case of SK-II.
DOI: 10.5220/0013843400004719

In *Proceedings of the 2nd International Conference on E-commerce and Modern Logistics (ICEML 2025)*, pages 315-321
ISBN: 978-989-758-775-7

and body image, particularly among adolescents and young adults (Chelliah, 2017). Marketing campaigns in the cosmetics industry tend to present flawless beauty as a societal norm, a phenomenon widely criticized for contributing to psychological distress and perpetuating toxic beauty ideals (Deberdt & Le Billon, 2021).

With these sophisticated ethical dilemmas, this essay will seek to explore the nuances of luxury cosmetic brands and their reality of operation. Applying the PEST (Political, Economic, Social, and Technological) analytical framework, this essay will critically analyze the most significant ethical dilemmas, such as those represented by SK-II's initially exaggerated product claims. The essay will also present practical proposals for increasing accountability and sustainability in practice. These proposals include boosting advertising honesty, establishing open and ethically sourced supply channels, investing in innovative non-animal testing methods, and increasing oversight from the authorities with independent audits.

Lastly, this analysis highlights the necessity for luxury cosmetics brands to reconcile profitability with ethical integrity, equating the success of the business with the higher imperative of social responsibility and sustainable development.

2 MANUSCRIPT PREPARATION

2.1 Political Factors

Political issues feature prominently in the luxury cosmetics sector, particularly with the issues of animal testing and child labor. Animal testing, which was long common for cosmetics for purposes of safety, has faced stringent international regulatory pressure of late. The European Union initiated the ban on animal testing for cosmetics back in 2013, prohibiting the sale of tested-on-animal cosmetics (Cruelty-Free International, 2021). Even though this had the effect of prompting many brands to shift toward cruelty-free testing across the world, some countries, such as China, demanded animal testing for imported cosmetics up to recently, making the ethical stance of multinational luxury cosmetic brands complex (Li & Fung, 2022). Brands had the ethical choice of withdrawing from lucrative markets or making ethical compromises. For example, even though China revised its regulations in 2021 exempting some cosmetics from animal testing, enforcement differences remain, making ethical compliance uncertain (Euromonitor International, 2022).

Moreover, child labor and ethical sourcing of ingredients like mica have become topical international issues of growing political significance. Mica, a critical mineral that provides shine and glimmer to cosmetics, is predominantly mined from India and Madagascar, with the majority of the work being performed under hazardous conditions with child labor. Despite international legislation, enforcement remains poor, creating ongoing ethical concerns for luxury brands that remain mica supply-reliant (SOMO, 2021).

2.2 Economic Factors

Economically, the luxury cosmetics sector is characterized by excessive pricing strategies designed to project exclusivity and high quality, yet these prices tend to be higher than the cost of ingredients or production (Kapferer & Valette-Florence, 2018). Luxury brands take advantage of consumer psychology by using high prices as a strategy, emphasizing symbolic worth, status of the brand, and perceived worth. Consumers willingly pay inflated prices, oblivious of the economic exploitation behind the supply chain of these products (Tynan, McKechnie, & Chhuon, 2010). Detractors accuse this economic exploitation of being unethical because brands make disproportionate profits by inducing consumer insecurities with effective advertising and artificially created scarcity, further enhancing inequalities of consumer perception and economic pressure (Arvidsson & Caliandro, 2016).

2.3 Social Factors

Marketing luxury cosmetics tends to emphasize unrealistic and limited ideals of beauty, promoting damaging stereotypes and negatively influencing consumer perceptions of self-worth and identity (Grogan, 2021). Advertisements for high-end brands continually present impossibly smooth complexions and youthful appearances, typically achieved with digital retouching or exaggerated product claims. SK-II, for instance, initially marketed its Facial Treatment Essence as "miracle water" with little scientific merit, triggering action from the authorities that required the rewording of advertising copy to be more representative of product potential (Advertising Standards Authority, 2018).

The ethical implications of these practices are serious, as these ads result in consumer dissatisfaction, encouraging unhealthy behaviors such as excessive spending, cosmetic dependency, and body dissatisfaction-related psychological distress (Grogan, 2021; Tiggemann & McGill, 2004). These factors emphasize the social responsibility of luxury cosmetics advertising.

2.4 Technological Factors

Advances in technology also feature prominently in ethical cosmetic practice, particularly with the alternatives for animal testing and sustainable sourcing of ingredients. Some of the most recent innovations include in-vitro testing like 3D tissue culture models, organ-on-a-chip technology, and AI simulation, providing effective and ethical alternatives for the traditional animal test (Hartung, 2021). Large players such as Unilever and L'Oréal invested heavily in advanced lab technologies for the effective testing of product safety without harming animals (L'Oréal Sustainability Report, 2022). The technological advancements indicate a strong ethical imperative for luxury brands to adopt updated, humane practices.

Moreover, supply chain traceability technological innovations, such as blockchain, enable greater transparency of the sourcing of ingredients, enabling brands to confirm ethical sourcing processes and inform consumers of the source of their products (Saberi et al., 2019). Companies that implement the use of blockchain technology can attest to ethical production, ensuring consumers of compliance with international labor and sustainability standards, hence creating brand reputation and consumer trust (Saberi et al., 2019).

Generally, a careful examination of the PEST factors indicates that luxury cosmetic brands operate in a sophisticated ethical framework. Politically and economically driven exploitation, socially irresponsible marketing, and technological opportunities for greater ethical responsibility all suggest the imperative for revolutionary action on the part of the luxury cosmetics sector.

3 ETHICAL ISSUES & CASE ANALYSIS

3.1 Ethical Issue 1: Animal Testing in the Luxury Cosmetics Industry

Animal testing remains one of the most contentious ethical issues for luxury cosmetics brands despite public opposition and changing regulations. Historically, cosmetic companies relied heavily on animal testing to verify the safety of their products for human use, subjecting animals such as rabbits, mice, and guinea pigs to painful procedures (Humane Society International, 2021). Despite the global regulatory trends discouraging the practice of animal testing, loopholes in the law and varying levels of enforcement permit unethical practices.

One of the most salient examples of this ethical dilemma comes from the complexities of Chinese market entry requirements. Until 2021, Chinese law mandated animal testing for all imported cosmetics, effectively coercing luxury brands into conducting, or quietly financing, animal tests for access to the lucrative Chinese market. Luxury brands like Estée Lauder, Lancôme, and Chanel were criticized by consumers globally for ongoing indirect involvement with animal testing due to these regulatory requirements, exposing the ethical hypocrisy of their publicized cruelty-free stance and actual practices (PETA, 2022). Even with China revising these regulations to exempt some general cosmetics, products with functional claims, or specialized ingredients still require testing, generating ongoing confusion and ethical compromise (Li & Fung, 2022).

This brings into question the ethical integrity of the scenario. Luxury brands, with their stringent standards of responsibility and sustainability, are caught between profit and ethical considerations. Consumers, increasingly better educated and ethically conscious, demand greater levels of transparency and accountability, creating reputational risks for brands that will not, or cannot, make the full commitment to being cruelty-free.

3.2 Ethical Issue 2: Child Labor and Mica Sourcing

One of the most critical ethical concerns is child labor, particularly with the sourcing of mica. Mica, a naturally occurring mineral, is also widely used in cosmetics, like eyeshadows, foundations, highlighters, and lip glosses, due to its shiny characteristic. However, approximately 25% of the world's mica is sourced from mines in India and Madagascar, where work conditions tend to ignore the most basic human rights, with dangerous work conditions and the mass employment of child labor (Terre des Hommes, 2020).

Research by organizations like the Responsible Mica Initiative (2021) revealed that over 22,000 child workers work in mica mines of the Indian states of Jharkhand and Bihar, exposed to dangerous work, excessive work hours, and limited protection. Despite being aware, the majority of luxury brands still haven't established fully transparent mica supply chains. Consequently, brands like Dior, Chanel, and L'Oréal, despite making public appeals for ethics and sustainability, remain indirectly engaged with unethical labor practices due to opaque sourcing arrangements (The Guardian, 2020).

Brands face increasing public pressure to be totally transparent on sourcing practice and eliminate unethical suppliers from their supply chains. But this is still proving challenging, particularly due to the insufficiency of effective enforcement agencies and the all-pervading nature of informal or unregulated mining. The ethical stakes are high, and brands must take their practice closer to their stated corporate social responsibility goals if they want to distance themselves from complicity with human rights violations.

3.3 Ethical Issue 3: Unethical Marketing and Unrealistic Beauty Standards

Unscrupulous marketing is yet another serious ethical issue for the luxury cosmetics industry. Luxury brands tend to advertise products with exaggerated claims of performance or unsubstantiated assurances of miraculous beauty. These types of advertising encourage unhealthy standards, making consumers unhappy with their natural appearance and creating negative social expectations of beauty standards.

One of the most notable examples of these problems is SK-II's marketing of their top seller, "Facial Treatment Essence," also known as "miracle water." Early marketing campaigns implied extraordinary improvements in the skin, like extreme anti-aging and revolutionary changes in the complexion, with little strong scientific basis for these claims (Advertising Standards Authority, 2018). As successful as this marketing campaign was from a business point of view, it was ethically questionable, capitalizing on consumers' fear of aging and appearance, and ultimately misleading consumers. The Advertising Standards Authority later required SK-II to change its advertising practice with more realistic, scientifically-based claims, emphasizing the highest importance of honesty and accountability for luxury cosmetic advertising.

Moreover, luxury brands reinforce limited beauty standards by employing models with limited diversity with regards to ethnicity, body size, and age. The exclusive presentation of these limited beauty standards is meant to reinforce negative beauty norms, exclude greater representation, and encourage negative self-esteem, body dissatisfaction, and psychological distress among consumers, especially youth (Grogan, 2021). Brands thus find themselves under ethical pressure to adopt more inclusive marketing practices that reflect realistic and diversified standards of beauty.

3.4 Ethical Dilemmas and Case Analysis Synthesis

The three ethical issues of animal testing, child labor involved in mica sourcing, and unethical marketing reflect stark ethical dilemmas for luxury cosmetics brands. The SK-II example is used here to highlight the broader industry practice of capitalizing on consumer vulnerabilities with exaggerated product claims, reflective of a systemic industry problem of profit-driven disrespect for ethical accountability. Meanwhile, the continued use of mica sourced from unethical labor processes indicates a worrying gap between the sustainability promises of brands and reality. Finally, animal testing, even with changing regimes of regulation, is a deeply polarized and ethically nuanced problem, highlighting a gap between public-facing values of the corporation and actual operational practices.

The convergence of these ethical matters emphasizes the need for luxury cosmetic brands to implement across-the-board changes, like enhancing transparency, accountability, and sustainability across their processes. These changes encompass the inclusion of ethical values across all aspects–starting from sourcing raw materials and product testing to honest, representative advertising strategies. Ultimately, the solution of these ethical matters is critical for luxury brands that wish to preserve consumer trust, ethical integrity, and long-term commercial viability.

4 SUGGESTIONS

Addressing the ethical issues identified within the luxury cosmetics industry requires comprehensive strategies that enhance transparency, accountability, and ethical conduct. The following recommendations are aimed at fostering greater responsibility and integrity within the sector, benefiting both consumers and brands in the long term.

4.1 Ethical Dilemmas and Case Analysis Synthesis

Luxury cosmetic brands must prioritize transparency and authenticity in their advertising strategies. This involves ensuring that all promotional claims are substantiated by robust scientific evidence, clearly communicated, and accurately represent product efficacy. As demonstrated in the SK-II case, exaggerated or misleading claims can lead to regulatory scrutiny and consumer distrust. Brands should adopt internal oversight measures, including regular reviews and validations of marketing materials, to maintain truthful communication with consumers (Advertising Standards Authority, 2018).

To enhance credibility further, brands could consider independent certification by reputable third-party organizations, such as dermatological associations or independent consumer protection agencies. Achieving external verification helps build consumer confidence and trust, reinforcing brand integrity. Additionally, incorporating diverse and realistic beauty representations in advertising campaigns can significantly mitigate psychological harm caused by unrealistic beauty standards, thereby promoting more inclusive and ethically responsible consumer messaging (Grogan, 2021).

4.2 Establish Ethical and Transparent Supply Chains

Given the severe ethical concerns surrounding mica mining and child labor, luxury cosmetics brands must urgently develop fully transparent and ethical supply chains. This involves conducting rigorous supplier audits and openly reporting sourcing practices. Brands should clearly document and disclose their raw material sources, publicly sharing details of supply chain audits and remediation measures. Technologies such as blockchain can significantly enhance traceability, allowing brands and consumers to verify ingredient origins effectively (Saberi et al., 2019).

Luxury cosmetic companies should actively collaborate with initiatives like the Responsible Mica Initiative, ensuring the ethical sourcing of mica and other raw materials. Such partnerships facilitate coordinated efforts to improve working conditions, eliminate child labor, and ensure fair wages in mining communities. Companies can further demonstrate corporate responsibility by investing directly in local community programs aimed at education, poverty alleviation, and vocational training, effectively reducing dependence on exploitative labor practices (Terre des Hommes, 2020).

4.3 Invest in Alternative Testing Methods

The luxury cosmetics sector should accelerate its transition toward fully cruelty-free testing methodologies, leveraging modern technological advancements. Current scientific developments offer viable alternatives to animal testing, including in-vitro methods such as cell-based assays, 3D tissue cultures, and artificial intelligence-driven predictive models. These methods not only align ethically but also often provide superior predictive accuracy regarding human safety and efficacy compared to traditional animal tests (Hartung, 2021).

Brands should invest proactively in research and development collaborations with universities, scientific institutions, and biotechnology companies to refine and implement these alternatives. For instance, L'Oréal’s significant investment in developing lab-grown human skin models illustrates a successful commitment to cruelty-free innovation. Luxury brands following this example could significantly improve their ethical profile, appealing to ethically conscious consumers while remaining compliant with international regulations and expectations (L'Oréal Sustainability Report, 2022).

4.4 Strengthen Regulatory Oversight and Third-Party Auditing

To ensure lasting ethical compliance, luxury cosmetics brands should voluntarily adopt rigorous third-party auditing and certification mechanisms. Independent audits conducted by reputable bodies such as Ecocert, Leaping Bunny, or Fair Trade International offer credible validation of ethical claims, enhancing transparency and consumer trust. Third-party verification encourages adherence to international ethical standards regarding labor practices, environmental sustainability, and animal welfare, ensuring continuous improvement in ethical accountability.

Additionally, luxury cosmetic companies should actively engage with regulatory authorities to develop and support stricter regulations concerning ethical practices industry-wide. Lobbying for robust international standards on animal testing bans, labor rights, and transparent marketing can significantly enhance overall industry credibility. Such proactive participation demonstrates genuine commitment to ethical leadership and helps shape more responsible and accountable industry standards.

4.5 Conclusion on Suggestions

To effectively respond to ethical challenges in the luxury cosmetics industry, brands must move beyond general commitments and implement targeted, practical measures. The SK-II case highlights the need for stricter internal review and scientific validation of advertising claims to avoid consumer deception. In supply chains, brands should address mica-related labor abuses by joining initiatives like the Responsible Mica Initiative and disclosing audit results. As demonstrated by L'Oréal, investing in cruelty-free alternatives such as lab-grown skin models is a viable solution to animal testing. Lastly, engaging third-party audits and supporting stricter global regulations can strengthen accountability. These actions not only address key ethical risks but also enhance trust and secure sustainable growth.

5 CONCLUSION

The ethical landscape of the luxury cosmetics industry is complex, highlighting tensions between commercial profitability and corporate social responsibility. This essay has demonstrated that behind the luxury cosmetics industry's appealing façade exist critical ethical concerns—animal testing, child labor in mica sourcing, and the propagation of unrealistic beauty standards through unethical marketing. Each of these issues undermines the ethical credibility and consumer trust essential for sustained success in an increasingly conscientious global market.

Politically, inconsistencies in international regulations and enforcement have allowed unethical practices like animal testing and child labor to persist. Economically, luxury brands continue to leverage premium pricing, often exploiting consumer vulnerabilities and insecurities. Socially, unethical marketing has perpetuated harmful beauty standards, negatively affecting consumer self-esteem and reinforcing narrow societal norms. Technologically, however, promising advancements in alternative testing methods and supply chain transparency present feasible opportunities for ethical reform.

The case study analysis, notably SK-II's advertising controversies, exemplifies broader industry problems − highlighting how misleading claims and exaggerated promises undermine consumer trust and ethical integrity. Similarly, mica sourcing scandals involving prestigious brands expose significant discrepancies between stated corporate sustainability goals and actual supply chain practices.

To meaningfully address these ethical dilemmas, this essay proposed targeted recommendations: prioritizing advertising transparency through rigorous oversight and third-party certification; establishing fully traceable and ethical supply chains; investing substantially in cruelty-free, innovative product testing methodologies; and supporting regulatory frameworks for stronger industry-wide accountability. Such proactive steps would significantly enhance ethical practices within luxury cosmetics, creating lasting benefits for consumers, companies, and society alike.

Ultimately, the future of the luxury cosmetics industry lies in genuinely integrating ethical responsibility into its core operations, rather than treating it as a branding tool. By aligning with values-driven consumer expectations and addressing key issues−such as mica sourcing, animal testing, and unrealistic beauty standards—brands can enhance both reputation and long-term sustainability.

Despite growing awareness, academic research still lacks empirical studies on the actual impact of ethical sourcing initiatives, the credibility of cruelty-free certifications, and how consumers interpret and respond to ethical claims. There is also limited investigation into how regional regulations and digital platforms influence ethical compliance in global markets.

Future research should focus on evaluating the effectiveness of transparency tools such as certification and supply chain audits, the role of consumer trust in driving ethical behavior, and the influence of policy and digital activism on corporate accountability. These areas remain underexplored and are crucial for understanding how ethical commitments translate into actual business practices within the luxury cosmetics industry.

REFERENCES

Advertising Standards Authority, 2018. ASA Ruling on Procter & Gamble (Health & Beauty Care) Ltd t/a SK-II. Retrieved from https://www.asa.org.uk

Arvidsson, A., & Caliandro, A., 2016. Brand Public. *Journal of Consumer Research*, 42(5), 727–748.

Bliss, S., 2017. Natural resources: Child labour in India's mica mines: The global beauty industry. *Geography Bulletin*. Link

Chelliah, J. 2017. Child labor in the supply chain. *Human Resource Management International Digest*.

Cruelty-Free International, 2021. Animal Testing Ban in the EU. Retrieved from https://crueltyfreeinternational.org

Das, A., & Goel, A., 2021. An assessment of illegal mica mining in Jharkhand. International *Journal of Law, Management & Humanities*.

Deberdt, R., & Le Billon, P., 2021. Conflict minerals and battery materials supply chains: A mapping review of responsible sourcing initiatives. *The Extractive Industries and Society*.

Euromonitor International. 2022. Cosmetics in China: Regulatory Updates. Retrieved from https://www.euromonitor.com

Grogan, S., 2021. Body image: Understanding body dissatisfaction in men, women and children (4th ed.). Routledge.

Hartung, T., 2021. Next-generation in vitro models. ALTEX – Alternatives to Animal Experimentation, 38(3), 379–383.

Humane Society International. 2021. Animal Testing & Cosmetics. Retrieved from https://www.hsi.org

Kapferer, J. N., & Valette-Florence, P., 2018. The luxury strategy: Break the rules of marketing to build luxury brands (2nd ed.). Kogan Page Publishers.

Li & Fung, 2022. China Cosmetic Regulatory Update. Retrieved from https://www.lifung.com

L'Oréal. 2022. L'Oréal Sustainability Report: Commitment to Non-Animal Testing Innovations. Retrieved from https://www.loreal.com

Martins, A. M., & Marto, J. M., 2023. A sustainable life cycle for cosmetics: From design and development to post-use phase. *Sustainable Chemistry and Pharmacy*, Elsevier.

PETA. 2022. Companies That Do Test on Animals. Retrieved from https://www.peta.org

Responsible Mica Initiative. 2021. Annual Report 2021: Ethical Mica Sourcing. Retrieved from https://responsible-mica-initiative.com

Rozani, A. S., 2022. Child labour in mining in India and the DRC: Two case studies. *Stellenbosch University*.

Saberi, S., Kouhizadeh, M., Sarkis, J., & Shen, L., 2019. Blockchain technology in supply chains: Research trends and future directions. *International Journal of Production Research*, 57(7), 2117–2135.

Sine, L., 2022. L'Oréal's Dilemma: Aligning beauty trends with ethical goals. *Journal for Global Business and Community*.

SOMO. 2021. Child Labour in Mica Mining. Retrieved from https://www.somo.nl

Terre des Hommes. 2020. Beauty and a Beast: Child Labour in Mica Mining in India for Sparkling Cars and Cosmetics. Retrieved from https://www.terredeshommes.org

The Guardian. 2020. Revealed: Cosmetic giants sourcing mica from Indian mines using child labour. Retrieved from https://www.theguardian.com

Tiggemann, M., & McGill, B., 2004. The role of social comparison in the effect of magazine advertisements on women's mood and body dissatisfaction. *Journal of Social and Clinical Psychology*, 23(1), 23–44.

Tynan, C., McKechnie, S., & Chhuon, C., 2010. Co-creating value for luxury brands. *Journal of Business Research*, 63(11), 1156–1163.

Yurtsever, M., 2019. Glitters as a source of primary microplastics: An approach to environmental responsibility and ethics. *Journal of Agricultural and Environmental Ethics*.