



EXECUTIVE INSIGHTS

Dermocosmetics Brings Science to Consumer Skin Care

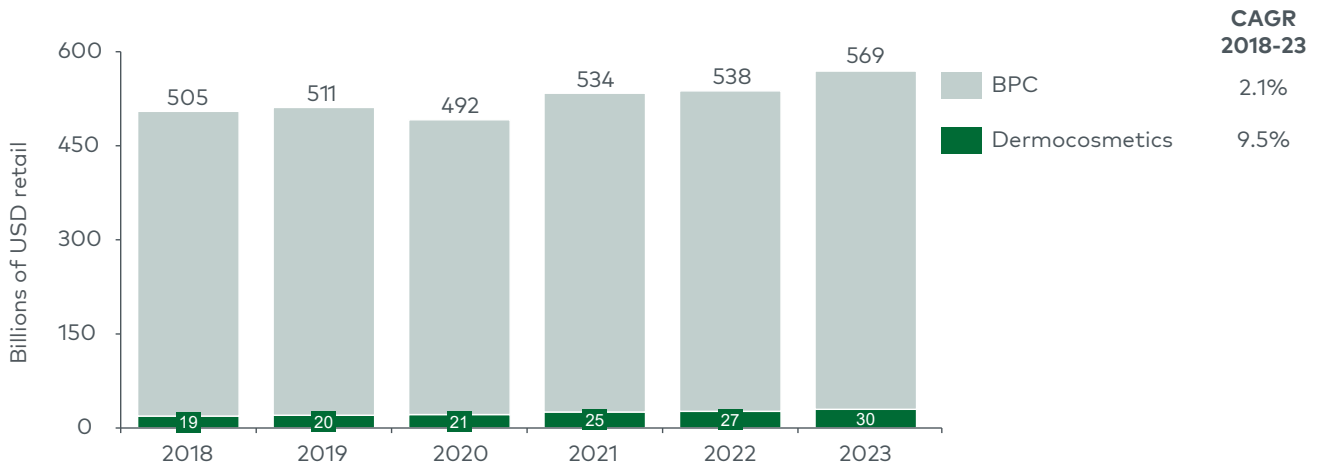
With the introduction of topical retinoids and alpha hydroxy acids in the late 20th century, advancements in dermatological science began hitting the shelves. Well-known French pharmacies such as La Roche-Posay and Avene took up the trend, along with other medical-grade brands such as SkinCeuticals and Obagi. The result? Dermocosmetics — an integration of dermatological expertise and cosmetics.

Today, buoyed by consumer demand for results, dermocosmetic skin care is outpacing the overall beauty and personal care (BPC) market. That should be music to the ears of brands and investors, despite channel complexity and the regional distribution nuances of this in-demand category.

A big and growing segment

The BPC industry generates \$510 billion in revenue worldwide, with about \$30 billion going to sales of dermocosmetics. Although the BPC sector grew steadily between 2018 and 2023, the overall market's compound annual growth rate (CAGR) was 2.1%, compared with 9.5% for dermocosmetics in the same time frame (see Figure 1).

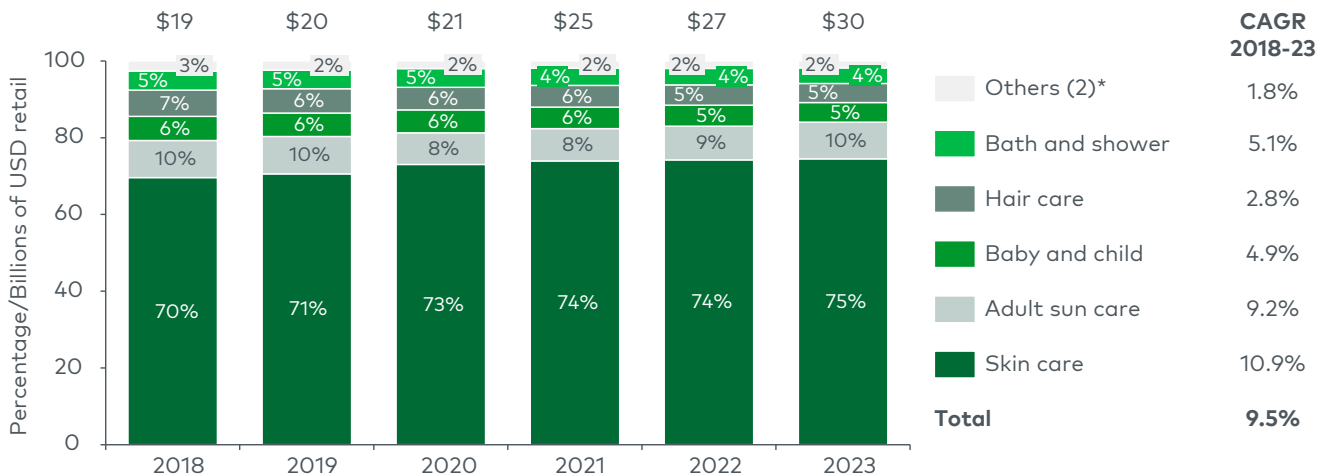
Figure 1
Global BPC sales (2018-23)



Note: BPC=beauty and personal care; CAGR=compound annual growth rate
Source: Euromonitor, L.E.K. research and analysis

Skin care, which comprises 75% of the dermocosmetics category, is growing at 11% per year. That makes it the main engine of growth for dermocosmetics worldwide (see Figure 2).

Figure 2
Global dermocosmetics sales, by subcategory (2018-23)



*"Others" includes color cosmetics and deodorants subcategories
Note: CAGR=compound annual growth rate
Source: Euromonitor

But what are dermocosmetics exactly? In general, they blend scientific and clinical results with the experience of cosmetics. Beyond that, the definition varies from one brand or industry expert to another, which makes it harder to precisely distinguish dermocosmetics from the rest of the skin care market. A more effective way to qualify a dermocosmetics brand is to look for five key attributes:

1. A focus on specific skin conditions (such as acne or rosacea)
2. Distribution through a “healing” channel (think medical spas, pharmacies in continental Europe, etc.)
3. Recommendations from healthcare professionals (such as aestheticians or dermatologists)
4. A high concentration of active ingredients (e.g., vitamin C, retinol or hyaluronic acid)
5. Proven results in clinical testing

The more of these attributes a brand has, the more squarely it falls into the dermocosmetics category. Some brands have all the attributes and dermocosmetics is core to the brand identity. Others have one or two attributes, with a brand positioning that’s better described as “dermocosmetics adjacent.”

The new realities of skin care

Several conditions are behind the surging demand for dermocosmetics.

A desire for tangible results. The No. 1 criterion for buying skin care is efficacy. Although packaging, scent and other features can come into play, consumers aren’t just using skin care products for the experience. They want results.

The movement toward “clean,” organic and all-natural beauty has gained momentum over the past several years as consumers got smart about ingredients. Beauty brands capitalized on this, and a whole category of products emerged in response. However, the active ingredients aren’t always strong enough to produce a discernible effect, prompting consumers to look for more evidence of a product’s efficacy (see Figure 3).

Figure 3

TikTok-trending keywords in U.S., filtered for skin care (recent 120-day period)

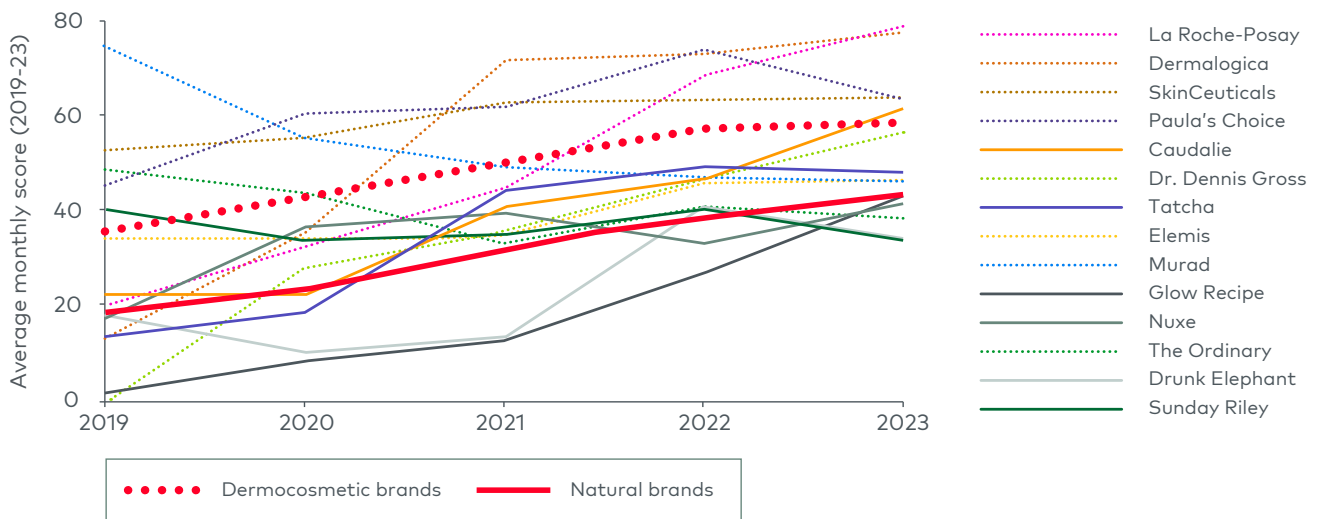


Note: Keywords are extracted from voice-over, text overlay and ad text of top-performing ads
 Source: L.E.K. research and analysis

Some skin care brands have attempted to close the gap. Brands such as Caudalie and Drunk Elephant, for example, position themselves at the intersection of natural/clean and clinical (see Figure 4). These “cleanical” beauty products use ingredients derived from nature as the active ingredients combating skin care concerns.

Figure 4

Google topic interest over time, by brand



Source: Google; L.E.K. research and analysis

Consumers aren't just taking their cues from brands. Social media has served as an educator as millions turn to the Instagram and/or TikTok accounts of @shereeneldriss, @dermguru and @doctorly for tips on druglike solutions for problem skin. These doctors-turned-influencers are winning brand partnerships as they share product reviews, skin care routines and related content via Instagram and/or TikTok.

An aging population. The population is getting older, and the trend is accelerating. By 2050, the world is expected to have more than twice as many people aged 65-plus than it does today.¹ That means a growing demographic for advanced skin care solutions that prevent and slow wrinkles, sagging, hyperpigmentation and other signs of aging.

Pre-aging. Consumers in their 20s and 30s are increasingly focused on protecting and preserving their skin. This proactive approach to skin care reflects a desire to counteract the first signs of aging, such as fine lines, while also preventing future damage. As a result, young consumers are turning to products rich in collagen enhancers, vitamin C and other ingredients that promote skin vitality and resilience.

Skin care as healthcare. Consumers are leaning into the health benefits of an elevated skin care routine. This mindset embraces the notion that products can shield users from the effects of aging and the environment.

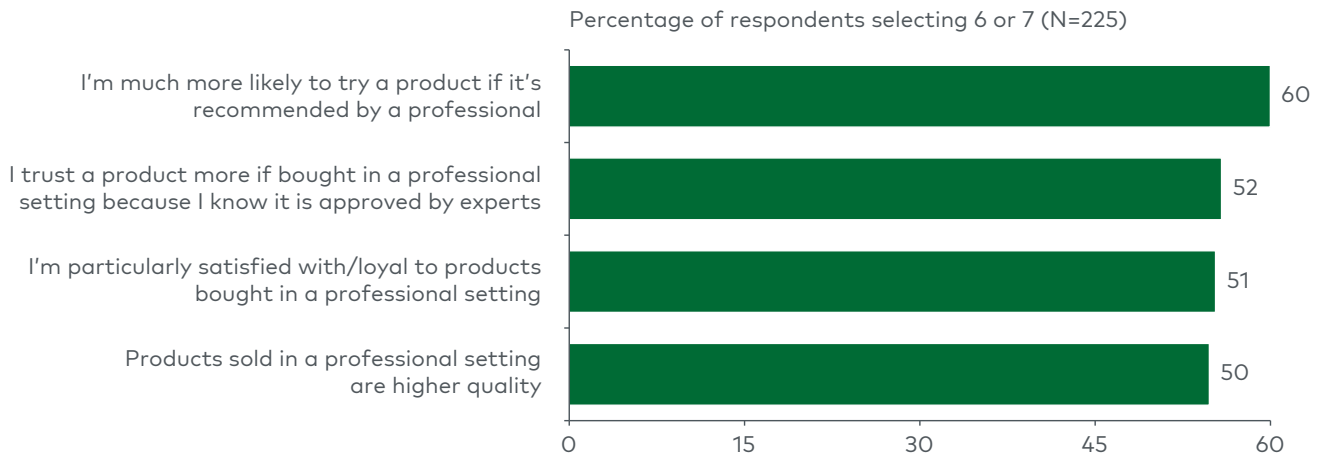
More brands investing in clinical trials. Proof of efficacy is part of an overall response to consumer demand for authenticity and transparency from brands. Savvy consumers understand the difference between perception (e.g., "100% of consumers said their skin looked radiant") and clinical results (e.g., "95% reduction in hyperpigmentation in 12 weeks"). In one recent survey, 60% of consumers said it should be clear whether an advertised claim was one or the other.² Against that backdrop, the number of large-scale clinical trials for dermatological products rose 390% between 2020 and 2024.³

Opportunities for brands and investors

The distribution landscape for dermocosmetics includes medical professionals, which makes it more varied than that of other BPC products, such as hair care and makeup. Many dermocosmetic brands partner with doctors and aestheticians so that consumers can get expert recommendations and personalized solutions from a source they're likely to trust (see Figure 5).

Figure 5

Consumer sentiment toward makeup bought in professional channels



Source: L.E.K. research and analysis

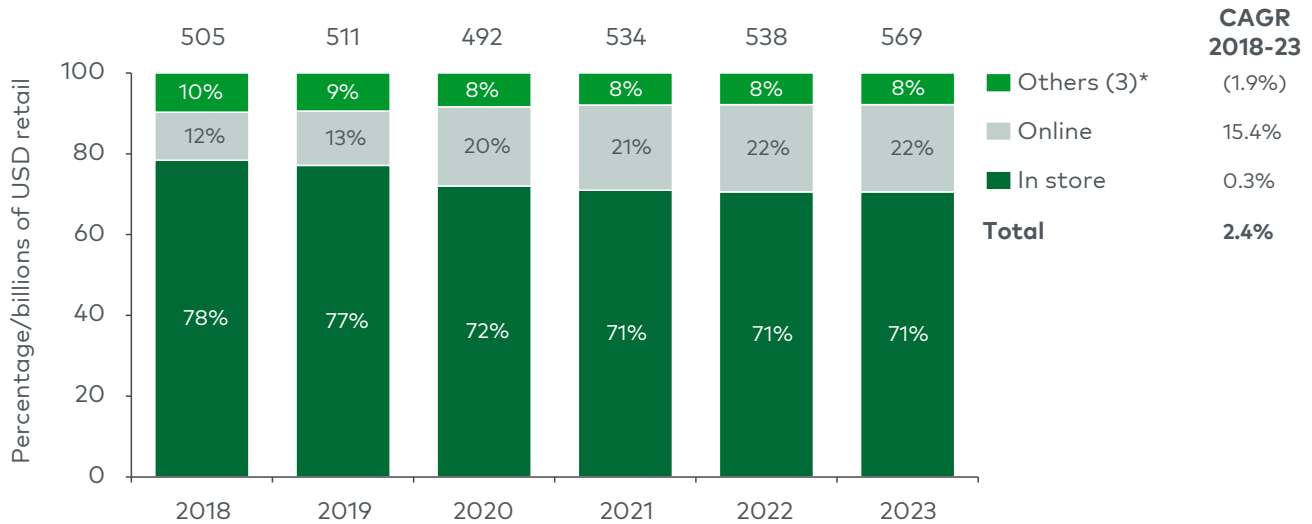
Bear in mind that dermatology clinics and med spas aren't the only places to get a professional consultation. In European pharmacies, where much of the skin care assortment is devoted to dermocosmetics, pharmacists are trained to offer advice on skin care.

Brands can capitalize on the opportunity to build brand credibility via distribution within the professional channel and specialized pharmacy market. Environ and Biologique Recherche, for instance, have lines or products with higher levels of active ingredients that are available only through professional consultation.

Dermocosmetic brands can also go in the other direction and expand into traditional BPC channels to reach a broader audience. To that end, it's worth noting that global online BPC purchases have been growing 15% a year (see Figure 6). So a focus on online strategies, through owned websites as well as distribution partner sites, is another way to reach consumers at home and around the world.

Figure 6

Global BPC sales, by channel (2018-23)



*"Others" includes vending, direct selling and hair salons subcategories
 Note: BPC=beauty and personal care; CAGR=compound annual growth rate
 Source: Euromonitor; L.E.K. research and analysis

One last point: Although consumers are willing to invest in high-quality skin care that works, affordability is still a consideration. Brands looking to innovate within the dermocosmetics space must balance efficacy from high-quality active ingredients with their ability to offer products at a competitive price.

Big Beauty and private equity have their own opportunities to participate in this fast-growing segment. These include:

- **Ingredients suppliers** within the dermocosmetics space; they play a crucial role by providing quality components that enhance product efficacy
- **Contract manufacturing organizations (CMOs)** that serve emerging brands in the BPC space with complex formulation ingredients; some CMOs are even incubating their own brands using innovative ingredients developed in-house
- **High-growth beauty brands** that have unique dermocosmetic products and ingredients and a loyal consumer base

Each of these is a potentially attractive target for mergers, acquisitions and other investments.

Don't sleep on this game-changing category

Claims may get consumers' attention, but results are what gets them to buy in.

Dermocosmetic skin care is outpacing the growing beauty and personal care market because a broadening of the consumer base, paired with greater purchasing volumes due to more sophisticated routines, has met science at the right time. Although channel complexity and regional distribution nuances complicate the journey from lab to consumer, the brands and investors that can navigate these to deliver on the demand for efficacy may well find themselves at the leading edge of this in-demand category.

Endnotes

¹United Nations, "Leave No One Behind In An Ageing World," <https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2023/01/2023wsr-chapter1-.pdf>.

²The Benchmarking Co., "Beauty by the Numbers," <https://benchmarkingcompany.com/wp-content/uploads/2024/07/BBTN4-2024-Claims.pdf>.

³Based on data from Citeline Clinical Intelligence under the filters for "dermatological products," <https://clinicalintelligence.citeline.com/trials/timeline?qId=167fcd3-9258-4b47-89d9-d9edef86c0b5> (registration required).

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