



MEDICAL INSIGHT

Mini Report

Physician-Dispensed Cosmeceuticals:
Steady Growth for Strong Products

June 2009

M.I.I

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M.I.I Professional Biography

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Editor and Publisher
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Michael Moretti has served as a medical industry analyst and strategic advisor for more than 20 years. In 1993, Mr. Moretti founded Medical Insight, Inc., the leader in focused aesthetic market research offering comprehensive data on procedure volume/growth, revenue forecasts and new product introductions. Under Mr. Moretti's leadership, Medical Insight publishes global market studies and forecasts for major industry sectors such as facial injectables, cosmeceuticals, body shaping procedures, skin rejuvenation technologies and home-use aesthetic products. Medical Insight also sponsors executive business forums throughout the year to address scientific developments and market trends for the investment community.

As an industry consultant, Mr. Moretti specializes in strategic business development projects and high-growth, emerging market segments. He provides custom reports and confidential market studies for a variety of clients, including global medical and pharmaceutical companies.

Mr. Moretti is also publisher and editor of *THE Aesthetic Guide* – a bi-monthly publication of Medical Insight featuring in-depth reports on new products, procedures and trends, reaching 50,000 physicians, industry and analyst subscribers globally. Special editions of *THE Aesthetic Guide* address the European market and the Primary Care audience.

In 2007, Mr. Moretti debuted THE Aesthetic Show, the first multidisciplinary annual medical meeting designed to bring together new aesthetic procedures, products and technologies in a dynamic interactive educational format. For more information visit www.aestheticshow.com and/or www.miinews.com

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i. Methodology

This mini report represents the second edition of Medical Insight, Inc.'s Physician-Dispensed Cosmeceuticals mini-report series. Like its predecessor, which was issued in January 2009, this report contains the latest industry news and updated market forecasts, which take into account recent technology, product, company, regulatory and other developments, as well as an in-depth analysis of the competitive positions of key players selling to both core and non-core aesthetic practices.

Physician-Dispensed Cosmeceuticals was compiled from a wide variety of public and proprietary sources. Information was cross-checked against other data, using Medical Insight's proprietary forecasting models, and synthesized into both qualitative and quantitative analyses and projections.

Public sources that were utilized include:

- articles in trade publications, medical journals and regulatory documents;
- articles in consumer magazines and newspapers;
- company news releases, website information, patent documents, regulatory data, marketing materials and financial filings;
- information from trade associations

Proprietary sources that were utilized include:

- Medical Insight's extensive databases of industry and product information;
- industry analyst reports;
- exclusive interviews with and feedback from company executives, researchers, sales representatives, physicians, patients, consultants and other industry experts

Section	Executive Summary
1	

Sold to patients from the doctor's office, physician-dispensed skin care products are quickly becoming an important segment of the cosmeceutical market as aesthetic procedures achieve greater popularity among mainstream consumers and doctors increasingly seek new sources of revenue. In contrast to skin care products sold through mass channels, which largely seek to mask the effects of aging and skin disorders, physician-dispensed skin care lines often attempt to correct underlying skin problems and thereby bring about a more comprehensive and long lasting benefit. Products are available from many manufacturers and incorporate a broad range of ingredients from vitamins and other antioxidants to topical Botulinum toxin and growth factors; each offers varying results depending upon the patient.

In 2008, global sales of physician dispensed cosmeceuticals reached \$574.2 million. Through 2013, growth is projected at 13.1% per year. This is lower than prior estimates and reflects effects of the economic downturn. While physicians are increasingly adding skincare lines to augment their aesthetic treatment services, consumers are being more selective with their purchases. Many are buying fewer products, not trying as many new items and/or selecting lower cost alternatives. Although the physician-dispensed skin care market is expected to remain healthy and, in fact, demonstrate among the strongest growth rates of all segments of the aesthetic industry, the heady expansion of recent years will not continue in near term. Sales gains will be confined to products delivering demonstrable benefit, particularly those that are backed by strong promotional support.

Allergan will demonstrate the strongest overall growth at 27.1% per year as the company benefits from its recent launch of eyelash treatment Latisse and to a lesser extent, its October 2008 launch of Clinique MD. Allergan will be followed by Dermalogica with 13.8% compound annual growth and La-Roche Posay with 12.5%.