

THE INNOVATION EXCHANGE

WE ASKED SIX PEOPLE FROM DIFFERENT SECTORS OF THE INDUSTRY TO
OPINE ON THE NATURE OF INNOVATION IN SKIN CARE TODAY—AND TOMORROW.

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*What are the most important breakthroughs happening
in your sector of the business today?*

CATHY SALERNO: This year, we've seen huge breakthroughs in the pharmaceutical industry, with the U.S. FDA granting breakthrough therapy designation to a number of new drug entities based on their abilities to deliver unprecedented results in terms of diseases like breast cancer, lymphoma and cystic fibrosis. Many of the breakthroughs made are coming out of our greater understating of genetic coding that triggered these conditions. We are exploring how to apply fundamental genetic discoveries from drug development for conditions such as psoriasis to treat more common conditions such as eczema, dry skin and even aging. We have seen great advances in psoriasis treatment and research grounded in biotechnology and genetic coding. We are taking the lessons learned from how they cracked the nut for psoriasis to see how we can apply the same fundamental premises and genetic discoveries to treating these skin conditions.

We are also seeing how open innovation can drive breakthroughs in beauty, by drawing inspiration from industries outside of beauty and health care. For instance, we are seeing applications of novel textiles being applied to long-lasting color cosmetics. We also see the application of photonics, where science and nature intersect to apply the optical behavior of butterfly wings and peacock feathers to achieve greater dimensionality in color cosmetics. Some of the breakthrough alternatives to fossil fuels are providing more sustainable materials for cosmetics products and lastly, the electronics industry continues to provide opportunity for ongoing feedback to consumers about how to best use products, opening the possibility of utilizing microprocessors and monitoring technologies such as Fitbit to trigger actions. The whole idea of open innovation and drawing inspiration from multiple industries is really the future.

NICKY KINNAIRD: The breadth of channels to market and how consumers purchase skin care is changing quite significantly. It is not just about brick-and-mortar versus the e-commerce challenge. You have the impact of TV selling and the continuing development of the infomercial piece. What we've seen happen over time on the Web is that the review piece is really influencing customer pur-

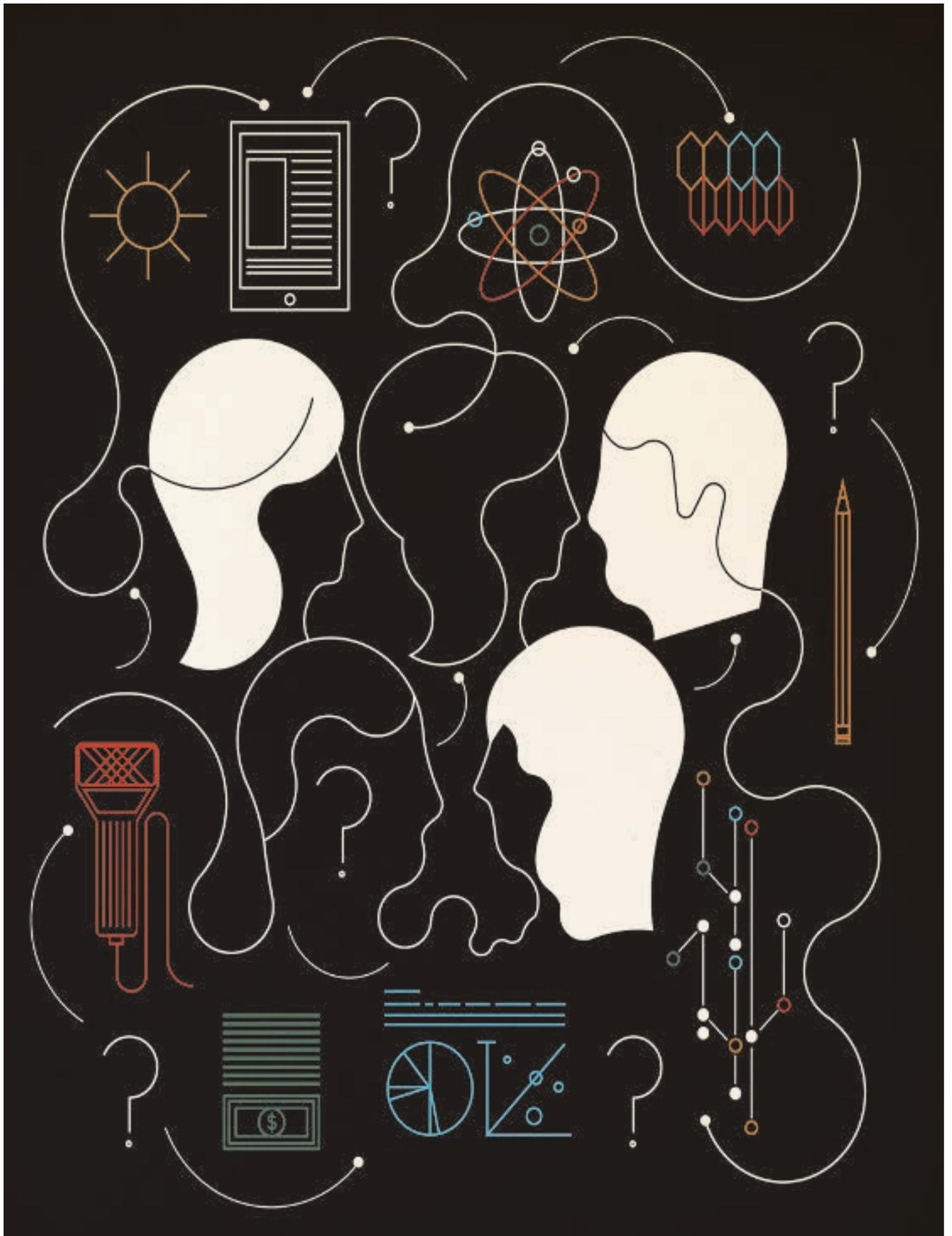
chase. Consumer education is happening a number of ways—by the vendor, but also by the third-party person who has nothing to do with the transaction between the supplier and the purchaser. Those are major changes regarding how people buy beauty. We encourage reviews because both the good and bad work in your favor. You want people to hone down what they're looking for out of a product. If you see someone raving about a product online, you think it's worthy of your consideration. If you get someone with a derogatory review of a product because of a particular facet, it can act as a genuinely good filter to stop people from buying something that may be inappropriate for them.

EMILY DOUGHERTY: When it comes to the editorial world of beauty, the key breakthrough has been the increase in the connection with the reader and the true dialogue we have with them. It's a true conversation—not us dictating to them. And it is reaffirming to see this is a conversation they want to have. We want to be able to deliver our content when they want it and where they want it, 24 hours a day. It is not just a one-way street—that we have the ability to have back-and-forth conversations, that's such a major breakthrough.

But with this conversation comes the rise of not just the influencers, but the superinfluencers—either high-profile bloggers or very vocal consumers. Three out of four *Elle* readers identify themselves as being a superinfluencer, the person their friends turn to for beauty information. For me to be the influencer of the superinfluencer is intimidating and challenging but rewarding. They keep me on my toes—I've got to dive deeper into the science, look at something in a new way, tell a story that hasn't been told. Just scratching the surface isn't enough.

SYLVIE CHANTECAILLE: We have had great breakthroughs with stem cells. The science that is important today is about how do we reenergize the cell. When I started 30 years ago, we were cleaning and moisturizing and you couldn't pass the dermis. Anything else was illegal and simply not being done. Now, we are working on changing the behavior of the cells. The focus is how do we help the mitochondria to have more power? How do we help the cells to have long-lasting energy? There are many ways, and stem cells are interesting because they are so powerful.

SIMONE GIBERTONI: In terms of active ingredients, we think the main innovation happening is related to work on DNA correction and repair, thanks to



ingredients that tell the cell in the skin to look younger. We are working a lot on stem-cell technology through our Vitalab company, which is enabling us to produce a mix of actives which can target DNA correction. We have other actives in the pipeline capitalizing on our biotech experience.

Secondly, there is innovation related to texture and concept. These include new categories that have developed in the last few years, like BB creams. From this point of view we will see more and more “mix” between makeup and skin care products, offering immediate and long-term effects. The growth of devices and related products, which tend to bring professional products, like dermatological brands, to the at-home consumer, is today and will be another strong trend.

What emerging technology/discoveries do you think will have a major impact on beauty in the near future and why?

C.S.: We are in the midst of a revolution in the communications industry. I am very excited by the possibilities that might be achieved with the cloud. Thinking of the many ways our industry can be impacted by the availability of any information, any image, any software tool, anytime, anyplace. My imagination runs wild about the prospect of running real-time studies outside of the lab environment in any corner of the world. With the cloud our world becomes the laboratory and it's created through a terminal. As a consumer, I think about the availability of a virtual clinician ready to provide personalized information and guidance, anywhere and anytime. We are all aware of advancements in digital imaging and how technology can be used to characterize skin. Think about the possibility of having digital imaging diagnostics at our fingertips. We are also moving into a time where multiple devices will be a thing of the past. One device will be our connection to the cloud to access tools and programs and experts from across the globe, all in real time. We are on the cusp of massive revolution.

N.K.: We are seeing the growth of gadgets combined with products yielding enhanced results. You are going to see similar links between professional gadgets and instrument suppliers and consumer-goods groups. An example is the Philips RéAura Laser, a joint venture between Fraxel and Philips. Customers feel confident that the product has been thoroughly tested, and is going to give the right results. With these devices, if you compare it to the office procedure they are trying to replicate, if they deliver the job well, they will be successful. Where they fall by the wayside is by overpromising. It is not about price point. It is actually delivering on the promise irrespective of price point.

We will also see an increase in in-store analysis, and greater personalization and customization of products, through in-store or online questionnaires.

E.D.: I see three main ones. In this post-BB-cream world, international borders—from the point of view of the consumer—have completely dropped. My readers know that there are cool innovations happening in other markets, and they want access to them all.

Secondly, I love how people are celebrating proven modalities, like Retin A and Botox, by applying them to treat other issues, such as the use of Botox to treat psoriasis or eczema.

Third, I am excited about the interaction between devices and in-office procedures and topical products. About a year ago, Skinceuticals teamed up with Clear + Brilliant to show that using its CE Ferulic Serum after a treatment dramatically speeds up the healing time and increases the overall net benefit of the procedure. Once you are aware of the stats and research, there isn't anyone who wouldn't want to buy the serum if they are planning on getting the procedure. It breaks down borders between what you do in a dermatologist's office and at home, and makes consumers much more active participants, building their loyalty and trust.

S.C.: We are working on pathways and on reutilizing the energy that is not used in the cell and transforming it into an amino acid so that it is usable. That is interesting. Everything is how you can energize the cell and better utilize the energy—that is the bottom line.

We are also working on better ways to understand the skin. Some researchers—including ourselves—are in the process of developing actual 3-D skin that can work

in vitro to tell us more about human skin behavior.

JACQUELINE HILL: There are two sides to the answer. The first is in the same direction of the DNA breakthroughs, where we see advanced biotech research having an impact on skin care. Genomic technologies can have applications in skin care. Stem cells are an example now—but we think there will be further technologies that can be transferred to skin care.

The other part regards “free from” claims. We have seen quite a lot of “free from” claims—products without this or that ingredient. We think you might see more influence coming from the food industry. We've seen how the paraben-free claim made a viral evolution and think other things may also come in that direction.

How is the role of science/R&D being redefined, particularly in light of how widely and quickly information is disseminated today and the exponential increase in the competitive landscape?

C.S.: I see an increasing role for the scientist in educating consumers and opinion leaders and medical professionals in areas like skin biology, product efficacy and details behind scientific rigor and discovery. The scientific process is going on 24/7 and we are able to participate in sharing that information in real time. Research is advancing across the globe at a staggering pace and the need to stay connected is critical. We are connecting in real time teams of scientists working in distant locations to form global laboratories. There is tremendous velocity of information that scientists have exposure to today. To compete effectively, researchers have to tap into the vortex, sort through what could be relevant, assess divergent pieces of information and integrate them into new theories and postulates. This is where the real power of innovation and technical expertise lies.

At the same time we have communication technologies that connect researchers in different geographies to form a global virtual lab. It is now common for scientists in Asia to work on experiments with another scientist in Europe. This connectivity feeds more information into the vortex providing future avenues for research. I see continued evolution in the role of scientists in shaping the industry through education and influencing consumers, medical professionals and opinion leaders. We are taking a stronger role in sorting through the mass of information and data and to communicate out the most relevant advancements and game changers for our industry.

N.K.: We are looking for greater clarity and openness. Customers—and retailers, too—are increasingly looking for properly tested claims on significantly sized groups of people. Testing on a handful of people and making a claim doesn't cut it. We want proof and so does the customer. Increasingly, the customer is asking the question, “What are the actual percentages of ingredient in a product?” I'm not saying we want disclosure of full formulation, but people want to know that there is a significant percentage in the product that will make a difference.

E.D.: The two main questions I get asked today are the same as when I started—



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IT'S NOT ABOUT WHAT I CAN CLAIM. IT'S ABOUT WHAT I CAN DELIVER.

does this product work and is it safe? Efficacy and safety: both of which rely on R&D. It is important that the breakthroughs and innovations that these incredibly brilliant scientists come up with aren't diluted or misrepresented as they come to market, as they go from R&D to marketing to

public relations. Sometimes it happens perfectly and the science is translated into real-world speak, and sometimes you have people saying, "It is just like Botox in a jar." Actually, no, it's not. (One brand ambassador once carefully explained to me how apple stem cells are harvested from the stem of an apple.) People do love the metaphors—Botox in a bottle—but they have to be true to what the technology does. You have to make sure the metaphor is accurate.

S.C.: We are a small company. We come out with stuff very often first, probably because we can move faster. Today, everybody has access to great research. Technology levels the playing field. You make your choice. It is where you put your eggs and which basket you decide to go in.

We have a huge business with mascara, because we put peptides in ours so that it grows the lashes. It is incredible, really effective. Why didn't everybody do that? I don't know. It is a question of thinking and acting fast. When you are smaller and very intent on knowledge and understanding, you can move faster. We don't need 24 months to bring a product to market. We can do it in 12 months.

S.G.: Innovation is a very general word. It is about creating new knowledge and breakthrough products. But innovation is also the application of existing knowledge to improve products. Our objective is to search for breakthrough innovation, but continuous improvement of existing products must be also our primary objective. It is true that information is relatively easy to find, but you will always need science and research and development if you want to continuously improve your products. And in our business this has to do with information, but also with putting together different skills, ideas, competencies, creative minds.

With skin care being such an arms race, how do you get out of the claims game?

C.S.: I don't see the goal being to get out of the claims game, but to raise the standard and scientific rigor to make more meaningful claims, to create a reset with consumers. Consumers are highly engaged and educated and have become a bit jaded. More than ever, they are looking for proof to support a promise. So many claims are based on anecdotal and conceptual benefits rather than clinically proven results. Great claims are critical for getting products into consumers hands. Our job is to cut through the clutter to directly address the proof point and help consumers see the science that supports the claim.

N.K.: It is very much how something performs on the skin. If a customer doesn't see visible benefits, she isn't buying. If companies are making a claim, they have to back it with the data. Customers are looking for verification of the claims being made. There is an element of disbelief.

E.D.: We all have claim fatigue. The stats start running together—X amount of women saw Y amount of reduction in Z amount of weeks—all of these numbers are thrown at you and the claims are just noise. So R&D and marketing need to work together to rethink the claims. Does it always have to be the percentage reduction in the appearance of wrinkles? Could it be more fun and innovative? Vidal Sassoon talked about how his haircuts gave women back eight hours in a week. Editorializing claims will help them stand out.

S.C.: It's not about what I can claim. It's about what I can deliver. I have a theory. At the end of the day, if it doesn't look good, doesn't smell good, doesn't feel good, the consumer is not going to use it. How do you create great product that when a woman opens a jar and breathes in, she says, "I want to try it!" That is the bottom line. Obviously the product has to work. But if it doesn't smell good and feel good on her skin she is never going to buy it.

S.G.: Claims are very important provided that we are able to prove them. As a supplier, our business is very competitive, so we always have to find ways to be unique, different. That's why we focus and invest so much on innovation and on understanding and satisfying the different needs of each market and client. We have to be able to provide our clients with unique actives, textures, products and stories, work with them on unique claims, give them products that are different from what exists and be able to meet, or even anticipate, their needs.

What must the beauty industry do to stay relevant over the next five years?

C.S.: To stay relevant, to truly resonate, we must ensure we understand her. This goes beyond understanding her beauty needs, but to become a trusted friend who knows what is going on in her life and sees her life holistically. If we really understand her heart and mind we can resonate much more strongly. She is making lots of choices every day and beauty is just one of them. It doesn't stop with understanding. We have to translate those insights into new technologies to meet her needs in a better way.

N.K.: Study consumer behavior across all areas of life, and not just stay in the beauty bubble. Integrate with the customer in every which way. Ensure the bricks-and-mortar experience is actually that, something that will excite, educate and surpass her expectations to keep her coming to the store. Online is about increasing the content and engagement piece, and allowing 360-degree feedback on that. There are going to be so many changes in the digital space—skin care is very much linked with science and education, color is more allied with the fashion world, and hair care goes across both. There are very exciting times ahead.

E.D.: We have to increase the trust we have with consumers. Every day, there is growing sense that beauty is the bad guy. I hear people talk about "Big Beauty" in the same way they talk about Big Pharma and Big Tobacco. How do we get the trust back?

Secondly, I feel there is a loss of the feeling of indulgence. What used to be very clear-cut markers of a luxury product—such as a cream's fragrance or its rich texture—are currently perceived by my skin-savvy readers as something that undercuts the performance of the cream. Luxury, for my reader, is about performance, so unless the fragrance has an active benefit, they view it as something that could be an irritant. So we can't just rely on packaging or texture or fragrance to express the message of indulgence, because those sometimes undercut what is more important to the consumer, which is the perception of efficacy.

S.C.: Nobody knew five years ago that the Web and social media would be so important. It changes every five minutes. So you will find other ways. There will be other stuff happening. You have to have a relationship with the customer, you have to have brick-and-mortar so she can experience the product, you need to have intelligent people to talk to her. Cosmetics is one of the hardest industries in the world—you not only have to sell in, you have to sell out. It's a double sell. This is a business of service.

J.H.: We have to remain credible, have validation for the claims we make. We also have to follow the changes in regulations. The regulatory landscape is one of the constant challenges where we have to adapt.

S.G.: The big challenge is to stay credible! We come back to the need for true innovation, validating claims and performance. Testing is going to be crucial for the future of our business. On top of this, we need to continue to offer unique and always more sophisticated textures. ■