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Amos Lavian: A deal is in the works to sell Dermelect products on a home shopping channel.

Skin deep

*When it comes to potential,
Dermelect's just begun to scratch the surface*

By JESSICA DINAPOLI

In a skincare industry dominated by mega-marketers such as Johnson & Johnson and Proctor & Gamble, one scrappy independent company is fighting for market share, and it's betting on cost-effective tactics to help it compete.

Great Neck-based Dermelect has had some success so far – it plans to take in between \$2.5 million and \$3 million in sales this year, about 20 percent more than last year, according to president and founder, Amos Lavian. With a deal in the works to feature the company's eye creams, facial washes and lotions on a home shopping channel that reaches tens of millions of

consumers, the sky may be the limit.

For now, though, Lavian is focusing on what has brought Dermelect success thus far: marketing products formulated by estheticians and dermatologists, a distinction that makes his product a "cosmeceutical," to women in their 30s through their 70s.

Lavian, who previously marketed skincare ingredients to major companies, noted that a cosmeceutical is "more advanced than just a regular cosmetic product" because of its ingredients, which address specific problems in the skin, like sagging or redness. He noted that he just found an ingredient called peptide ProSina, which is from sheep's wool. The ingredient was

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formerly used on bone grafts and skin adhesives, but Lavian uses it in his anti-aging nail and hand treatment.

Over the past 10 years, the retail landscape has changed, and even upscale brands such as Frédéric Fekkai are sold in mass merchants such as Costco, Lavian explained. Giants have bought up smaller brands competitive with his such as Doctors Dermatologic Formula. The end result is a “blurring of the lines of trade” and an opening for a niche product like his own, which is currently available for sale online at some spas and at the C.O. Bigelow apothecary in Manhattan.

Market trends show Lavian is in the right business, too. According to Dora Brunette, a spokeswoman for Port Washington-based market research firm NPD Group, prestige skincare sales have generated a total of \$2.1 billion from January through October 2010. That figure is up 7 percent from January through October 2009, Brunette added, although from 2008 to 2009, sales were down 5 percent.

Lavian recently hired a sales organization that will push to get his product into more spas and medi-spas, and plans on hiring a similar group that will get his product into upscale department stores, explaining that outside sales organizations are often more cost-effective than an inside sales force. The two sales organizations already have relationships with retailers because they sell other noncompeting products, he said.

“I’m not starting from scratch,” Lavian said. “They already have built a relationship there.”

Lavian is also getting exposure for his creams and lotions by having them showcased in national publications, such as Real Simple, Life & Style, Shape and Self, according to his media relations consultant, Alyssa Gugliotti.

Roy DiMarco, president of Rockville Centre-based communi-

cations firm Harrison Leifer DiMarco, said having products featured in national publications is a good way for companies with small budgets, like Dermelect, to garner attention.

“It’s more beneficial and cost-effective for a startup or new product to take the public relations avenue to get exposure and visibility in national publications because those companies could never afford to pay for paid advertisements,” DiMarco said.

An ad campaign in a national magazine can cost hundreds of thousands of dollars a year, DiMarco said, and public relations can be done for about \$50,000 to \$60,000 a year.

DiMarco noted that Dermelect’s potential feature on a home shopping channel could be a major victory. But, usually those channels require the product to do well the first time it comes on, and then keep it coming back. Shopping channels make money by taking a cut of the product’s sales.

Dermelect’s niche will probably prevent it from gracing the shelves of big-box discount stores, and Lavian is not angling for Dermelect to get bought by a big company; he added that Estee Lauder shut down its Prescriptives brand because it only had about \$141 million in sales each year, making his \$3 million small potatoes. The “high end in the prestige realm” is where Lavian sees his product flourishing.

While Dermelect’s price points are more expensive than those of products sold at drugstores, costing anywhere between \$16 and \$79, Dermelect’s manufacturing volume can’t compete with the big guys either, he said. Dermelect has production runs of 1,000 to 2,500 at a time; big-name, household products get shipped into CVS 4,000 at a time, he said.

“It’s kind of like a bakery,” said Lavian. “You can buy Hostess or go to a neighborhood shop.”

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