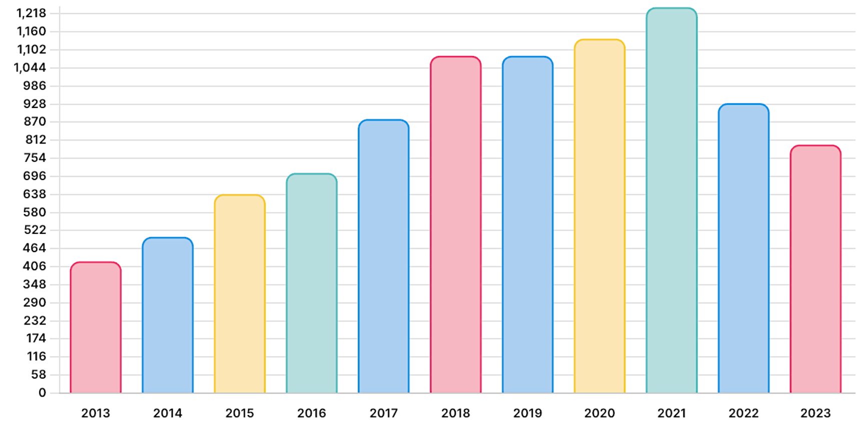
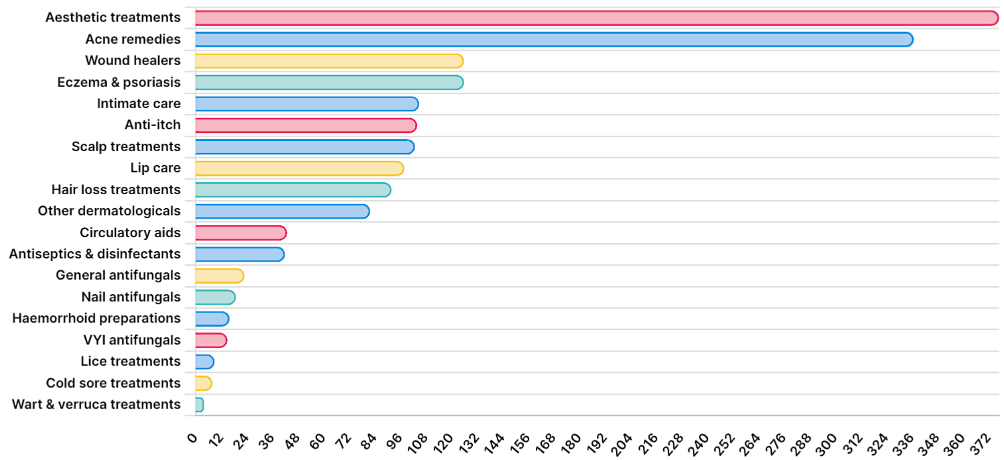
Executive Summary | Innovation round-up

- The whole CHC market has seen a slowdown in launch activity, with Derma no exception, while genuine innovation is still relatively scarce; derma launch activity slowed 2022-23, marked by a shortage of groundbreaking Rx-to-OTC switches and a particularly sharp fall in NPD activity among antiseptics & disinfectants as the world escaped Covid-19
- *Nicholas Hall's CHC New Products Tracker* shows launch activity across the CHC derma market fell from 1,239 products at its peak in 2021 to 798 in 2023, a drop of 36% over two years (following years of growing or stable launch activity)
- Yet while the volume of NPD has fallen, the proportion of good quality NPD seems to be on an upward trajectory, with derma launches ranked 3 or 4 stars† climbing to 1.8% as a proportion of new launches in 2023, from 0.7% in 2021 and 1.1% in 2022
- It is worth noting that this still leaves the vast majority of derma NPD scoring just 1 or 2 stars for innovation – hardly a ringing endorsement of the category's product development
- 9 products earned a 3-star ranking in 2023 (including just one Rx-to-OTC switch), but there were no 4-star launches
- Aesthetic treatments accounted for the vast majority of NPD activity in 2022-23 (with 377 new products), followed by Acne remedies (337), Wound healers and Eczema & psoriasis (both 126), Intimate care (105), Anti-itch (104), Scalp treatments (103), Lip care (98) and Hair loss treatments (92)

Global derma launch activity 2013-23



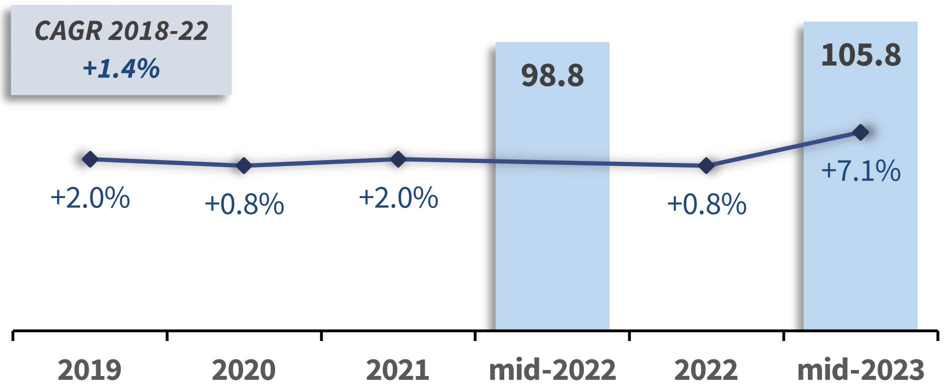
Global derma launch activity by subcategory 2022-23



† Nicholas Hall's CHC New Product Tracker grants products a star rating from 1 ("me too" products not appreciably different from those already available) to 4* (Rx-to-OTC switches, creation of new OTC class or other major leap forward in terms of innovation)*

Germany | Acne remedies

Germany acne remedies sales mid-2022 & mid-2023
(MSP, $mn)



Sales reflect MAT for 12-month period ending June 2022 & 2023
Growth rates are % change on previous 12 months

Key trends & developments

- After years of low growth, 2023 saw a marked upswing in sales, underpinned by pharmacy-exclusive brands, which garner a strong category share, and benefiting from regular NPD
- Leading brand highlights its commitment to "green beauty", with a focus on environmentally-friendly and cruelty-free formulas and recycled packaging
- Effectiveness (and dermatologist recommendation) is a common theme, along with on-the-go convenience, adult acne and overnight treatment

- L'Oréal leads via mass market **Garnier Hautklar** (31% category share) and pharmacy-exclusive **Effaclar** (via La Roche-Posay; 12% share); A+P in recent years for the former has focused on sustainability and the products' environmental impact – in line with the wider global trend – with garnier.de highlighting its digital labelling system that allows consumers to check environmental & social impact of products

- Brand is also promoted via micro-influencers and online magazines
- Most recent line extension was Hautklar AHA + BHA Kohle serum for acne-prone skin (charcoal, niacinamide 4%, AHA, BHA), added in late 2021
- Effaclar was extended via Effaclar Duo+M cream, described as a "triple-correcting anti- blemish treatment for oily, acne-prone skin, powered by microbiome science"; TV & digital ads claim it delivers visible results in 8 hours, while also highlighting its environmental credentials (*see left*)

UK | Lip care

- **Vaseline** was the strongest performer in the category, with sales boosted by limited-edition launches and personalised packaging, for example Tropical Zest launched in 2023 and marketed via social media

- Current limited-edition presentation is Gold Dust, a pear-scented lip balm with gold sparkles for cosmetic effect

- **Carmex** is frequently extended with new flavours and SKUs, including a 2024 limited edition "#NotwithoutmyCarmex Gift Set" featuring a keyring with reusable cap for Carmex products; brand generates high levels of sales online

- **Blistex** was another standout performer, reviving strongly following transfer of ownership to Ceuta and return to sale after a period of unavailability; promotion included support of gynaecological health charity The Eve Appeal, with Get Lippy campaign encouraging women to talk about health issues and challenge taboos about women's health

UK leading lip care brands mid-2023 *(MSP, $mn)*

	Brand	$mn	mid-23/ mid-22	CAGR 22/18
1	**Nivea** (Beiersdorf)	**14.0**	+18%	+3%
2	**Vaseline** (Lever Faberge / Unilever)	**11.9**	+31%	+6%
3	**Carmex** (Carma)	**7.1**	+15%	+1%
4	**Burt's Bees** (Burt's Bees / Clorox)	**4.4**	+17%	+10%
5	**Blistex** (Ceuta Healthcare for Blistex)	**2.7**	+30%	-1%
6	**O'Keeffe's** (O'Keeffe's Company)	**1.6**	+15%	+20%
7	**Palmer's** (E.T. Browne Drug Co)	**1.2**	-24%	+3%
8	**Neutrogena** (Neutrogena / Kenvue)	**1.0**	+23%	+8%
9	**ChapStick** (Haleon)	**0.9**	+25%	-9%
10	**Dr Paw Paw** (Dr Paw Paw)	**0.8**	+6%	+87%
	Private labels	**0.9**	+6%	-8%
	Others	**1.4**	+14%	-4%

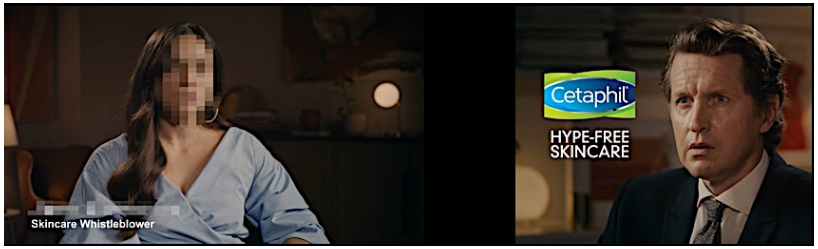
Cetaphil | Highly successful relaunch buoyed by commitment to novel A+P

“Science-based sensitive skincare” brand successfully refreshed in 2021

- Following a downturn in 2020 as rivals such as L’Oréal’s CeraVe grew dynamically, eczema & psoriasis range Cetaphil was relaunched in 2021 with key presentations – including Gentle Skin Cleanser, Daily Facial Cleanser, Moisturising Cream, Moisturising Lotion and Advanced Relief Lotion – reformulated
- New formula features a “dermatologist-backed blend” of ingredients including niacinamide, panthenol and glycerin; at the time of the relaunch, Galderma VP and General Manager of Consumer Business June Risser claimed most of Cetaphil’s presentations had not changed “since they were first brought to market”, explaining the need for an overhaul
- Brand strategy since the relaunch is focused on innovation, particularly products for sensitive skin and an anti-ageing skincare line, Healthy Renew, rolled out in 2023

Key facts

- Successful reformulation and brand relaunch in 2021 helped Cetaphil retain its **leading position in the global eczema & psoriasis category**
- Relaunch, described by brand’s marketer as a “major evolution” in the brand’s history, was **followed by high levels of NPD** to expand range with niche presentations
- Brand has **significant international reach** across most regions, strongest in North America and Asia-Pacific



- Another key aspect of the brand update was an increased focus on digital and omnichannel marketing, including increasing use of influencers to support launches on social media; 2021 saw introduction of “Hype-Free Skincare” campaign, challenging trend among influencers to recommend elaborate and expensive skincare campaigns by promoting Cetaphil’s simple and accessible positioning
- Campaign featured a “skincare whistleblower” character who raised awareness of Cetaphil’s simple positioning and turned the brand’s “boring” image into a positive – it is so effective and reliable it becomes “boringly good”