WHEN WORLDS COLLIDE

The retail apocalypse has gotten ahead of reality.
At least, that’s according to David Simon, who defended his mall business to Wall Street Thursday, slammed the media for creating a false retail “narrative,” blasted his private equity “buddies” for loading up stores with too much debt and said the closure of some department stores marks a big opportunity.
Simon, chairman and chief executive officer of Simon Property Group Inc., said on a conference call that retailers have overspent on the web and are getting hit by the costs of free shipping and free returns.
“I’m hopeful that the retailers will focus on improving their in-store experience, and that could be a lot of different ways.”

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Consumers Turn to At-Home Devices
Tools that mimic dermatologist results and target specific skin concerns—like the eye area or cellulite—may be the next big thing.

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Planet Louise, meet Planet Rei. In a high-minded encounter between art and fashion, rare sculptures by Louise Bourgeois and otherworldly dresses by Rei Kawakubo share the windows at Barneys New York on the eve of Kawakubo’s retrospective at the Met.
For more, see Bridget Foley’s Diary on pages 9 and 10.

PHOTOGRAPH BY JOSHUA SCOTT
Consumers Turn to At-Home Devices

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Cornell Medical College. According to Kline, a consumer research firm, the beauty devices market in the U.S. was worth $730 million for 2016 (including hair regrowth devices), a slight decline from the prior year. The company attributes the downward movement to a lack of innovation from device mainstays like Clarisonic (which has launched new innovations since the report came out) — but noted that categories like acne elimination and antiaging are seeing growth. The skin care cleansing device category on its own stood at $61 million in the U.S. for 2016, according to Euromonitor. Kline is predicting an uptick in beauty devices, and that the category will experience a 3 percent increase in sales by 2021.

Mintel found that 34 percent of women have tried a skin care device — but a larger segment of the market is interested. Pricing, however, is a barrier — and according to Mintel, if increased competition ends up bringing price points down, consumer awareness should grow. Niche devices are more likely to convince consumers to pay higher prices, the firm noted.

“Some entry-level price point products might help with user adoption,” said Martin Okner, managing director at SHM Corporate Navigators. “Pricing in the category has an opportunity to hit some lower entry price points to reach a broader consumer base.”

Dr. Dennis Gross Skin Care’s newly launched SpectraLite EyeCare Pro requires users to strap on the device for three minutes every day for at least a month to see significant results, Gross (the New York dermatologist behind the line) said. In two weeks of regular wear, the mask’s red LED lights aim to reduce sun damage and in a month, the device is designed to amp up collagen production to improve wrinkles, according to Gross.

“My clients want to do everything possible short of plastic surgery to improve their skin and make lines and wrinkles look better,” Gross said.

Consumers use a strap that goes around the head to secure the device on their eye area, where the red LED light shines for three minutes before automatically shutting itself off. The strap allows for hands-free use, and the glowing goggle look provides users with Instagram fodder.

“We envision our device category is having it be very experiential,” said Carrie Gross, chief executive officer of the company and wife of Dennis Gross. “It’s so shareable, too, just in terms of user-generated content,” Gross said of the SpectraLite device.

The $159 SpectraLite launched with sephora.com in early April and sold out in two days, according to industry sources. For its first year, sources projected it could do up to $7 million in sales.

Jamie O’Banion’s Clopro is another quick-seller.

When the microneedling tool first hit HSN airways in April 2016, it sold $400,000 in product in 12 minutes. That October, it did $4.4 million in sales in 22 hours. So far in 2017, Clopro has had triple-digit increases week over week in every sales channel, according to O’Banion, who cofounded Clopro’s parent company Beauty Bioscience with her father, Dr. Terry James in 2011. Outside of HSN, Clopro is sold in Neiman Marcus and Nordstrom, and will enter Harrods in July, O’Banion said.

“The device uses tiny needles to micro-injure the skin and force it to regenerate itself, as well as allow skin-care products to

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— AMY KAMIN, ENDYMED

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penetrate more deeply. “We have found the results are better if you can keep in tact some of the skin—it’s almost like people who aerate their yard,” O’Banion said.

The Newa, the first FDA-approved at-home radio-frequency device, has a different skin goal in mind—tightening. The $450 device uses radio-frequency technology—the same stuff used by doctors in their offices—to tighten skin at home. EnlyMed, the company that makes the Newa, also develops the radio-frequency technology commonly used in doctor’s offices.

“There’s a whole segment of the population who either doesn’t have time—or the financial means to spend thousands of dollars for antiaging treatments,” said Amy Kamin, chief executive officer of EnlyMed. “The idea is to bring those services into the home.”

While both devices aim for the same effects, the Newa wasn’t made to replace doctor-based treatments. “I like to correlate it with hair,” Kamin said. “You get treatments at the salon, but you’re still maintaining at home.”

For the Newa, which launched with Neiman Marcus and Bergdorf Goodman in January (it’s also sold on HSN and via its own web site—the demographic is not exactly what EnlyMed anticipated, Kamin said.

“The target consumer has changed,” she said. “Before, it was probably 35 to 55, maybe a little bit older—we’ve seen it is younger people who are purchasing now.”

The way Kamin thinks of it, if people use devices that are efficacious, the sales will rack up. “If people start to see the results are great, they’re going to look at what’s next,” she said. “They’re always looking for something to improve.”

Microcurrent device NuFace is also seeing adoption from younger consumers. “Our target market is definitely getting younger and younger,” said Tera Peterson, chief executive officer and cofounder of NuFace, which uses microcurrent technology to lift the face.

The FDA-cleared NuFace devices range from $199 for the NuFace Mini to almost $625 for the NuFace Trinity, which has two extra attachments (one of which aims to tackle the eye and lip area, and the other is a red LED wrinkle reducer).

Peterson says the NuFace, which is available in about 1,500 spas as well as through QVC, Ulta Beauty and Sephora, helps bring microcurrent technology to the homes of those who aren’t regularly visiting those spa locations. Using the NuFace may work for those who don’t have time for spa-based pampering, she noted. “We’re all so busy, and if you can spend five minutes to lift your face, that’s a huge win,” Peterson said.

The concept of treating skin without leaving the house is one that seems to be resonating with at least a segment of today’s consumers. “Our consumer business is three times the size of our professional business,” said Steve Marchese, chief executive officer of LED light business LightStim.

LightStim makes handheld $249 LED devices sold at Nordstrom and Barneys New York, as well as a large portion of the LED devices sold to spas and doctors in the U.S. Industry sources projected LightStim’s business would double for 2017.

“People are doing what they can afford to do,” Marchese said. “People that are on a limited budget are exclusively using home devices, people who have more disposable income are doing fillers and Botox and home devices, and then at the extreme end, you have the high-net-worth people.”
Individuals that are actually doing surgery.

LightStim makes products for that very high-end clientele too. The company’s $65,000 LED bed, for example, has sold so unexpectedly well that it’s backordered through the end of June, Marchese said. On the opposite end of the price spectrum is Neutrogena’s Light Therapy Mask, which costs about $35 and is sold in mass-market channels. The mask uses technology that Neutrogena parent company Johnson & Johnson acquired through the 2014 purchase of La Lumiere (maker of the Illumask).

The Neutrogena Light Therapy Mask is meant to treat acne by using LED technology concentrated in acne-prone areas under a white plastic mask to address the condition, according to Ginny Friedman, Neutrogena group brand director for acne and cosmetics. It lasts for 30 days, then customers need to buy a new Activator (priced at about $15) to power the device again. The mask is now the best-selling item on Neutrogena’s web site, Friedman said.

"From a social perspective, there has been a lot of magic in this launch that has taken off socially — at the core, the product offers hope to consumers...the magic comes from the unique-looking characteristics of the design,“ Friedman said. Social media attention even led the company’s public relations team to coin the term “maskies,” she added (a mask-selfie hybrid). Neutrogena also took steps to demystify the mask for the mass-market consumer, including making how-to videos and informational packaging.

At least so far, adoption — frequently a concern in the device category as users start off strong and eventually cease usage — seems to be consistent, Friedman said. The company has seen consumers take just over a month to buy a new Activator, she noted. “It shows the consumer is really using the mask,” Friedman noted.

She described mass-market retailers as excited to have new innovation in the stores to drive foot traffic — but devices haven’t always been a category retailers have felt enthusiastic about, sources have indicated.

“If you go back three, four, five years, the retailers took products on their shelves that either didn’t have FDA clearance or were more relegated in the status of a toy as opposed to an actual medical device,” Marchese said. “They didn’t get results.”

At the same time, many retailers weren’t set up with proper electrical outlet access or staffing to really make device sales work, Marchese said — that, combined with poor results, turned them off for a while, he said. “That’s all really been changing in the last nine months,” Marchese added.

Clarsionc cofounder Dr. Robb Akridge acknowledged similar retail challenges, noting that while additional device launches drive awareness to the category broadly, that doesn’t necessarily provide benefits.

“The challenge we have is if they buy a $25 facial cleansing brush...and then they use it and they’re disappointed, then they see a device that’s $150, $200 from us, they’re going to say, ‘Well, I’ve already tried one of those.’ It does increase awareness, there are people who trade up to Clarsionc, but there are also people who get jaded.”

Clarsionc, which launched in 2004 and was primarily sold through dermatologist offices, has now sold more than 15 million handles according to Elizabeth Araujo, president of L’Oreal Beauty Devices. The brand is now sold globally, through retailers including Sephora, Ulta Beauty, Amazon Luxury Beauty and Bloomingdale’s, as well as QVC. However, some industry observers have said the brand is struggling, noting L’Oreal’s goodwill impairment charge in 2016 linked to the Clarsionc acquisition. In September, the company also said it would cut 120 employees as part of a shift to external manufacturing.

But in a move that industry sources project could generate $25 million in sales in its first year, Clarsionc has launched two new brush heads that give it entry into two new categories — antiquing and makeup. The new attachments are interchangeable and do not require the purchase of an extra handle.

In February, Clarsionc launched Smart Profile Lift, a $44 massage attachment aimed at those interested in antiquing. The second launch — the Sonoc Foundation Brush, $35 — is aimed at makeup enthusiasts, and is used for contouring and blending. It launched in April.

The idea is that Clarsionc can get users into the brand from categories other than cleansing, those people may end up using their device for cleansing anyways. “You need to take that makeup off,” said Akridge. “Well, we also have a cleansing brush, look at that,” Akridge explained.

Foreo also burst into the beauty-devices market with a cleansing tool — the Luna, a bright-colored, silicone-cleaning tool (the Luna 2 costs $89). Foreo has a heightened focus on design, according to Foreo president of North America Justin Wang, making sure its devices can be used cordless, and look nice enough to be left beside the bathroom sink.

“Early on it starts with cleansing because it’s very tangible, and the devices and technology was there already,” said Wang. “Now, we’re seeing more and more in terms of treatments.”

The company has started launching those types of tools as well, targeting specific concerns. For example, Foreo developed the $250 Iris, an eye-area massage tool that aims to reduce the appearance of crow’s feet, bags and dark circles. In May, Foreo will launch the Espada, a $49 acne-clearing blue-light pen in the U.S. and Canada. Industry sources expect Foreo will double its sales for 2017.

While certain skin-care device companies are seeing upticks, sales in the category as a whole remain relatively flat. Experts cite high price points and inconsistent consumer use as two areas of concern. Industry sources also noted that today, consumers are looking for beauty products that provide instant results and devices frequently take consistent use over a period of time for results to materialize.

“The consumer has been conditioned with so much beauty product out there in general to constantly try new things instead of being consistent,” noted Ivy Seglin, managing director at Threadstone Advisors. “The biggest thing historically is people have had buyer’s remorse given the high price points,” she added.

Going forward, diagnostics and increasingly focused at-home tools may be the locus. Sadick, who worked on the HMDiRee (which provides onlookers with a skin consultation), says skin diagnostic tools may also be an area to watch. “You’re going to see, down the road, more focus — whether it’s the eye or [getting rid of cellulite],” Kamin noted.