INSIDE THE CLINICAL TESTING MARKET

The global overview highlights the current drivers of the specific market of clinical evaluation for ingredients and personal care brands. In this first part of two, the focus is on Europe and the preconditions for clincial testing. This market concerns skin, hair, scalp, and nail studies, for efficacy, safety and tolerance, consumer tests and sensory analysis.

To summarise the technological and economic information regarding this market dedicated to the beauty industry, we have conducted a study in 2022 founded on three main axes. First of all one quantitative survey has been conducted with the European clinical testing managers to better consider the purchase habits of evaluating actives, toiletries, or personal care. Then a second one dedicated to the figures around the Clinical Testing laboratory activities. Finally, a deep analysis of the methods and tests available around the world for each of the hundred that exists to characterise the performance of actives and cosmetics.

The data from the tests has been combined with the analysis of the instrumentation manufacturers and with the testing laboratories that are offering services around the world.

The global beauty industry is a dynamic and resilient industry that faces major challenges in territories such as China or on more inclusive product specificities with increasingly complex consumer expectations. Cosmetics manufacturers are facing an acceleration of changes in consumer trends, which tends to reduce the sense of attachment to a brand. Therefore, innovation is fundamental for the actors of the sector. Moreover, the evolution of demographics, combined with the evolution of lifestyles that give greater importance to appearance, is a growth engine for the cosmetics industry through an overall increase in consumption as well as the rise of new segments (anti-aging products or men's care).

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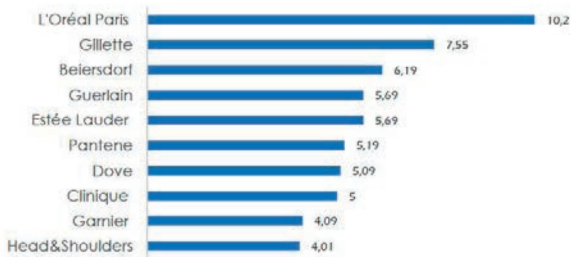
Finally, growth potential of the beauty market is solid. It is supported by the growth in emerging countries. This growth is not uniform, but these markets have very significant growth potential. Furthermore, new digital technologies via connected objects, data valued by artificial intelligence, virtual reality or diagnostic applications are shaping the personalization of cosmetic products. The clinical testing needs to answer and anticipate this technology.



graphics: Skinobs

Graphic 1: Brand value of the leading 10 cosmetic brands worldwide in 2021 (in billion US $)

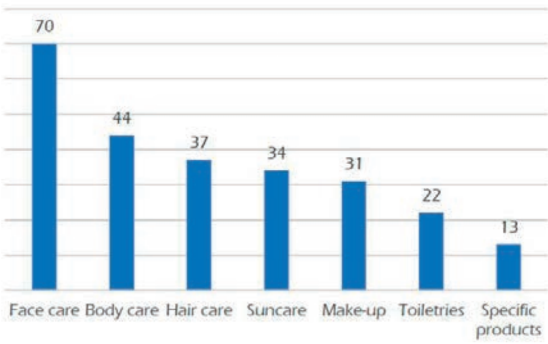
MAIN INFLUENCES

The beauty market in the world represents a total of 228 billion € in 2021. The golden category in the beauty industry is skin care. But Covid-19 had a global impact on this market, where Asia, the leader lost some market share (to Europe). We can observe a dynamic but resilient market as after the big drop in 2020, it bounced back well in 2021. Four main trends influence this market. The first one is the cultural evolution, the second one is the sustainability and social responsibility for the customers. There is a big topic concerning the industry on formulation and regulation. Finally, there is the environmental and life-style changes.

THE INSIGHTS

Among the 82 European respondents, 47 of them were French and 35 were English speakers. They were mainly R&D or evaluation. Coming from cosmetics or active brands or also, from a white -label provider. Most of the respondents work with five or more testing laboratories to conduct their tests. Mainly implemented in France, Europe but also in North America and China for about 30%.

The best criteria for the laboratory selection is the expertise. For the sourcing of the new testing laboratories, clinical expert managers mainly use their business contact, but also the Skinobs platforms or read scientific reviews to find a testing lab. The clinical evaluation managers select their CRO (Clinical Research Organization) based on several criteria. Firstly, the claim to be supported, the cost of the studies, the measurement devices available to visualise and/or quantify the performance of the products and the type of subjects to be included in the study. The Top 3 of the claims for whom experts spend the most time looking for a test is: anti-aging, moisturising and sensitive skin claims.



Graphic 2: The type of products that are evaluated

For the clinical testing sector, it appears that the people responsible for evaluating brands of active ingredients and cosmetic products have a real power of influence on the sector. By the diversity of the companies that make up the beauty industry today, as much by their size, their know-how, their location, their core of activities or their influence, test managers bring a multiplicity of expectations, technical, regulatory, or marketing. They influence this market in terms of measuring devices as well as tests, protocols, and subcontracting laboratories.

Among the 82 experts that answered the survey, 88% find the Skinobs platforms very useful while 86% of them read the Skinobs News feed. The French respondents are mainly glad to find the list of methods and the detailed method description they can consult on the platform. The English respondents mainly like the opportunity of finding new testing laboratories and new technologies on Skinobs.

EUROPE'S LEADING POSITION

Europe is the major testing partner, with 50% of the global business related to clinical evaluation on its soil. The second localisation of these types of services is Asia with 24% and then North America with 18% of the request for clinical studies. Africa and South America each only make out 4% of the places were evaluation managers used to work. These latest percentages are naturally influenced by the origin of the respondents of the survey that are mainly European ones.

The biggest presence of testing labs is in France where we can count 48 CROs centres with some hubs in the:

- Paris area,
- Lyon area,
- Bordeaux area,
- "PACA" area.

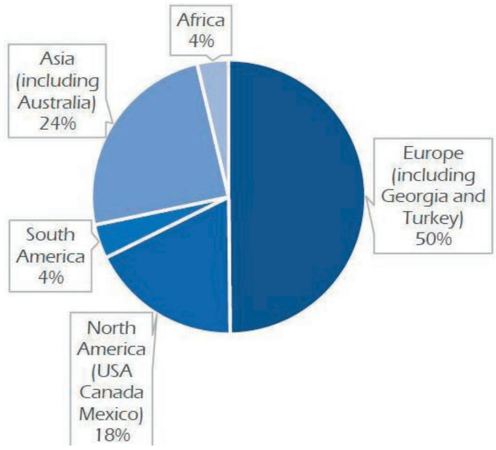
We can note that a major part of the testing laboratories owns a unique center, whereas only 3% of them have more than five centers. These 3% represent the international groups like Mérieux NutriSciences, Eurofins, MS Research, Cliantha Research, MMR Research or SGS that are offering testing solutions worldwide. As part of these 3% we see European native Cosmetic testing laboratories that have developed their tolerance and efficacy testing activities on several continents such as IEC Group, Complife Group, CIDP among others and CIDP.

In Europe, the presence of testing laboratories is influenced by the importance of the Beauty sector in each country and its historical position since the 20th century. The French and European leading position in this field can be explained by several reasons:

- The dynamism the Beauty sector with the presence of the uncontested Beauty leader that is L'Oréal and many other historical companies such as Coty, Yves Rocher, Unilever, P&G, Henkel, Beiersdorf, Puig… then a myriad of middle size companies such as Clarins, Nuxe, Caudalie…
- The presence of a competitive challenge between these brands that requires scientific and high level of safety and performance evaluation.
- The presence of most of the instrumentation manufacturers that bring innovative technologies and solutions.

In the Iberic peninsula, Spain, and Portugal, we assist for ten years of a dynamic increase of the testing supplier's foundation and offers. This territory proposes a large range of tests for the skin, hair or nails with a more and more sophisticated high-tech approach implementing studies with state-of-art instrumentation including data treatment with a specific algorithm. There are 18 Spanish and Portuguese CROs in Europe and a total of 131 testing labs which represents 14% of the total laboratories. Nevertheless, the Iberian labs represent a turnover of 7.11% of the market. This can be explained as many CROs were created recently.

The clinical testing market is mature in the western countries and most of the CROS specialised in Beauty were founded in the 90's. Their executive entering their retirement age, the labs were sold to secure the future of their development, Proderm, IDEA, Evic, Alba Science, Spincontrol, Dr Goya as example. The French CROs (Spincontrol, Dermscan, IEC Group, IDEA, Cosderma) and the Mauritius one (CIDP) that started their activity in France in the 90's, rapidly expanded their centre localisation in other countries such as Korea, Japan, Thailand, India, China, South Africa, or Canada, to answer the needs of various ethnicities, multicentric studies, specific regulation (Japan, Korea, China) and cost reduction. The other European testing laboratories concentrate their activity in their own country except Complife with new acquisition of Dermatech and the new centre in China.



Graphic 3: Distribution of the CROs by continent (Skinobs March 2022)

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graphics: Skinobs