

October 2, 2014

ZO Skin Health's Growth Trajectory

By [Jayme Cyk](#)



Dr. Zein Obagi
Photo By Courtesy Photo

Keeping true to his mission of creating a connection between the physician and the consumer, Dr. Zein Obagi has grown his brands, ZO Skin Health and ZO Medical, and is expected to reach \$100 million in annual sales in a few years.

And no wonder. According to market research consulting firm Kline & Co., who conducted a survey this year consisting of 250 doctors that included dermatologists,

plastic surgeons and medical spas, almost one-fourth of dispensing skin-care physicians generate more than 15 percent of their revenue from the sales of skin-care products. Also, Kline discovered that nearly three-fourths of dispensing physicians want to increase this proportion in 2014.

“The one objective for ZO Skin Health is to bring a bond between the physician and the public rather than traditional skin care where a woman goes to a salon or department store and buys a skin-care product based on advertising and marketing without knowing their skin type or without knowing what their skin needs at different intervals of their life,” said Obagi.

That bond is about to open up to a community who may or may not have heard of the doctor-office-sold brand. At the end of the first quarter of 2015, the company will open its first ZO Skin Health Center at Fashion Island in Orange County, Calif. The store will be physician-owned and is intended to be a way for them to reach more patients.

“The doctor will also do moderate procedures [at the center] and if the patient needs a more serious treatment of some kind then they will be referred to the doctor’s main office,” said Jim Headley, chief executive officer of ZO Skin Health, who added there will be products on display so consumers can walk in and purchase them. “It’s a way to bring quality skin care to the public.”

But that’s not the only way the company is plotting to reach \$100 million. Obagi is working on his entry into color with a foundation.

“We found that women apply a lot of makeup and foundation [which leads to] problems that include clogging of the pores and weakness of the skin-barrier function,” said Obagi. “We are trying to create some sort of foundation that will lead to benefits by adding antioxidants, anti-inflammatory agents and growth factors that help the epidermis renew itself.”

The foundation, which is in preliminary stages, is slated to launch in 2015.

Headley added that there are 23,000 doctors in the U.S. that dispense products and ZO Skin Health is in about 1,000 offices, which is aggressively growing each month. Also, the brand is sold in 96 countries, and 40 percent of its business is international. In 2015, ZO Skin Health will be sold in China.

According to Karen Doskow, director of consumer products at Kline, growth outside of the U.S. will strongly assist in reaching ZO Skin Health’s \$100 million goal. Also, in the U.S. most dispensing physicians tend to be brand-loyal and have carried their number-one brand for five to 10 years.

“We stay right in that physician channel,” noted Headley. “By doing that it’s really

exploded our business. Domestically we're growing rapidly."

While Headley wouldn't discuss financials, industry sources estimated that ZO Skin Health and ZO Medical's sales amount to \$30 million, which has aggressively grown since 2010 when sales were \$3 million. In 2015, industry sources are projecting \$49 million.