



Dermatologist as Entrepreneur

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You may have noticed that being a dermatologist today is not what it used to be. When I completed my residency at Stanford University in 1987, I had to choose between 2 career paths—academic versus private practice. A few years after selecting the latter, I remembered the sage advice Eugene Farber, MD, chairman of Stanford's department of dermatology, had given to our residency group: "For those of you who go into private practice, it is essential to find a hobby in dermatology; otherwise, you will be treating acne, warts, and eczema all day long, and you will be bored." He was right. Yes, we were seeing dozens of patients with acne daily. However, he was also wrong. I wasn't bored; I became curious. Why did so many people have acne, and why weren't over-the-counter treatments helpful? Dr. Farber's words of wisdom inspired my collaboration with Kathy Fields, MD, to discover a "hobby" creating medicated skin care products. This endeavor blended

the knowledge we had acquired as practicing dermatologists with our personal experiences as women who appreciate aesthetically pleasing skin care products. After years of hard work and many stumbles, we created Proactiv® Solution, launched on infomercials in 1995, and Rodan + Fields Dermatologists™, available in department stores since 2002.

Today, we see high-profile dermatologists selling proprietary skin care products, starting medispas, and consulting with laser and pharmaceutical companies on the development of products and devices. Perhaps, you have wondered, how they did that and where they acquired the business background and acumen essential to their success (certainly not in medical school or residency). Based on my personal experience as a physician and entrepreneur, I will give you a retrospective look at what Dr. Fields and I learned on this journey, which began with curiosity, naïveté, and a big dose of perseverance.

We all know that success begins with a good idea. But, how do you know whether an idea is a good one? And, once you have convinced yourself that an idea is good, then what? How will you make your product, sell it, and get customers to buy it? When embarking on an entrepreneurial venture, it will seem less overwhelming if you divide the road ahead into 4 steps: an idea, knowledge, strategy, and implementation.

IDEAS

Ideas come in 2 forms: revolutionary and evolutionary. Revolutionary ideas, like the telephone or the car, radically change the way people live.

Revolutionary ideas often seem "crazy" when they are first conceived. While the good news is that your revolutionary idea has no competition, the bad news is that trying to convince people that the product makes sense and that the timing for it is right may be a challenge. Most new ideas are evolutionary, taking a product that exists and making it cheaper, faster, easier, better, or transportable. Bottled water, the Swiffer®, and the George Foreman Grill are just a few examples.

My first evolutionary idea came to me when I was 14 years old. I "knocked off" a leather and rabbit-fur purse I had seen at a local boutique that was too expensive for my friends and me. I began manufacturing a less expensive version, selling it to another local boutique. Although I did not become Kate Spade, my business was in the black from day one. I learned many valuable lessons and gained confidence by taking this initial risk. I drew from these experiences in my next business venture, Proactiv Solution, which Dr. Fields and I conceived in 1989.

Proactiv was also an evolutionary idea. Dr. Fields and I did not invent benzoyl peroxide, but we did discover a new way of using it. From the drugstore to the department store, we found products containing high concentrations of benzoyl peroxide designed to "apply to affected areas only." In contrast to what we saw as reactive therapy, with Proactiv we created a program based on prevention. Proactiv, which combined medicines with elegant cosmetic ingredients, was designed with daily compliance in mind. Unlike spot treatments, Proactiv worked on the process of

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acne, which was silently occurring under the skin, as a means of stopping the emergence of a pimple. From purses to Proactiv, I learned the powerful difference between a “want” and a “need.” A stylish and affordable purse is the ultimate “want.” Because acne is a stigmatizing and psychologically debilitating condition, taking steps to prevent it is a “need.” Clear skin is essential to one’s self-esteem and optimal functioning in the world. A “need” will sell in a good or bad economy, whereas a “want” requires a strong economic climate to have a chance at succeeding.

KNOWLEDGE

As doctors, we have a head start in this department. We are naturally curious and accustomed to seeking answers through a variety of channels. Dr. Fields and I had a huge advantage over our competitors, like Oxy®, Clearasil®, and Neutrogena®, thanks to our first-hand, day-to-day experiences with acne. Our dermatology practices offered a fertile testing ground, and daily interactions with patients provided the perfect “focus group.”

When doing your homework, 2 key questions to ask yourself are: Who is your target customer? And how big is the market for your products? For example, we created Proactiv Solution for adult women with mild to moderate acne, a demographic that was missed by our competitors. Although we did not know exactly how big the market opportunity was, we did have data demonstrating that the total retail acne sales in the United States in 1990 were approximately \$306 million for all age groups.¹ Some of the data we used to analyze the potential opportunity were purchased from research companies, but the majority came free via the general press, including women’s magazines, drug representatives,

and the American Academy of Dermatology poster sessions.

I cannot stress enough that the more intimately you know your field, the better able you are to confirm or challenge the veracity of published information. For instance, in 1990, very few adult females were reported to have acne. With women in their 30s and older flooding our practices in search of a way of stopping their “monthly breakouts,” “stress bumps,” or “easily upset skin” (all euphemisms for acne), we realized that if asked on a survey if they had acne, most of these women would have answered “no.” They did not know that what they had was acne. In their minds, acne was a teenage problem. Therefore, we had reason to suspect that the low reported incidence rate was incorrect and concluded that the market opportunity was much larger than pharmaceutical and cosmetic companies realized. Our impression was confirmed by an American Academy of Dermatology poster reporting that 30% of adult women surveyed in a shopping mall had acne.² We felt that a product promoted to this untapped adult demographic could expand the market size well beyond \$306 million per year.

Next, you must know your competition. Dr. Fields and I went to the drugstores and department stores, and even searched through our patients’ purses (with their permission, of course) to see what products they would not leave the house without. We wanted to know what these women were using and what they liked or disliked about the products. We studied our competitors’ packaging, price points, product displays, and advertising messages. This knowledge is essential to crystallizing how your product beats the competition and is known as your unique selling proposition (USP). If you cannot make a strong case in 3 sentences or less as to why your product is special

enough to enter a crowded market, stop and rethink your venture.

Focus-group testing is an excellent source for gaining qualitative information. Most focus groups consist of 3 groups of 10 people recruited from your target market who meet in a research facility and are questioned by an experienced market researcher. Focus groups allow you to enter the minds of unbiased potential customers to better understand whether they would buy your product and, if so, what they would pay for it. It is also a means of validating whether your USP appeals to them. This type of analysis helps minimize your risk of launching an expensive disaster. In our focus group, after our Proactiv prototype was passed around, we uncovered big problems. Namely, these women turned their noses up at the thought of using our unscented, medicinal-smelling product daily on their faces to ward off acne, a problem that they did not think they had in the first place. They were not going to give up their Lancôme or Estée Lauder for our unpleasant-smelling product no matter how hard we tried to convince them that their skin would be the better for it. Thanks to focus-group testing, we went back to the drawing board and reformulated our products to mimic the texture, feel, and scent of high-end skin care. We also learned that we must find a marketing and distribution approach to educate women. We needed to explain to them that the tender, red bumps that regularly appeared on their faces were indeed acne and that, with the right approach, these women could prevent their acne altogether. An infomercial, which delivered this educational message in the privacy of one’s home, seemed to be just the ticket.

STRATEGY

A strategy starts with a business plan. This plan will become your road map

for the journey ahead and is necessary to attract investors. The skeleton of your plan should include the following information: background on the company (ie, the founders, the mission statement), product description (ie, the USP), marketing (ie, how you will deliver the message [advertising, public relations, etc]), budget (ie, production costs, length of time to profitability), financing (ie, personal bank account, family or friends, venture capital), and team (ie, accountant, lawyer, chemist).

Obtaining the proper documentation is a laborious but necessary task to properly set up your business. Such documentation may include Universal Product Codes (bar codes), regulatory approvals (US Food and Drug Administration for drugs or 510[k] for medical devices), trademarks, a business license, and registration, to name a few. One question that often arises is whether to seek patent protection for your product. This is an important strategic decision because, with patents, trade secrets will eventually be released. Patents are often reverse engineered. Additionally, when patents are violated, they must be defended, which requires budgeting for lawyers' fees.

Creating a brand identity can be the most fun and exciting part of the strategy. A brand should reflect a unique indelible image and must be consistently carried through from the name to the package to customer communication. Working with a

professional branding company, as we did, provided a fresh perspective that resulted in the name Proactiv. Proactiv not only described the mission of our product but also conveyed a straightforward professional and revolutionary approach to the treatment of acne. Deciding whether your persona is part of your product's brand identity is another important consideration. In general, the presence of a dermatologist as the product creator enhances the brand's credibility.

IMPLEMENTATION

Whereas ideas may be cheap, implementation can be costly and difficult. Deciding where to manufacture your product requires tremendous due diligence. Once you have a signed nondisclosure agreement, I recommend that you visit a number of facilities that are capable of manufacturing your product initially in small runs but have the capacity to increase batch sizes as demand increases. Obtain examples of the company's products, find out whether they manufacture for your competitors (and, if so, stay away), and see how they maintain quality control. Regarding this last point, Dr. Fields and I have always performed quality-control inspections on every batch before it is released to ensure product consistency. Products containing over-the-counter medicines must also be made in US Food and Drug Administration-approved plants.

Once the product is manufactured, you will need to determine where it will be sent for assembly, storage, and fulfillment. There are a number of companies providing this service from whom you can get competitive bids. Finally, deciding how and where to distribute your product can make or break a company. Price point, advertising budget, and competitive landscape are among important considerations when deciding whether to market your product via retail, wholesale, Internet, QVC®, or infomercials. Because customers are no longer loyal to one channel of distribution, cross-selling will allow you to quickly gain greater access to a large consumer base.

There is no straight line from the generation of the idea to the product's first sale. No matter how well you have planned, most likely it will take twice as long and be twice as expensive as you will have budgeted. Getting your product into your customers' hands requires a clear vision, unflinching devotion to seeing the job through, and recognizing that the journey is one heck of a learning experience.

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