

# Dermacare speeding up growth

## NORTHEAST VALLEY

A fast-growing franchisor of laser and skin care clinics is speeding up its growth by taking its products to the Internet and its franchises to Asia.

Dermacare LLC is preparing to launch Web sales within two months of its own skin care line, developed over the years at its first clinic in northeast Phoenix. It will offer five to six products for a variety of skin types, ranging from cleansers and moisturizers made with green tea extracts to sunscreens and serums to hydrate and smooth the skin.



JANE LARSON

"I put together a team of medical professionals, nurses and aestheticians to critique and analyze what we wanted in the skin care products, what was necessary, what was snake oil, what wasn't necessary," Dermacare founder and Chief Executive Officer Carl Mudd said. "We put together a very solid value-priced line for consumers."

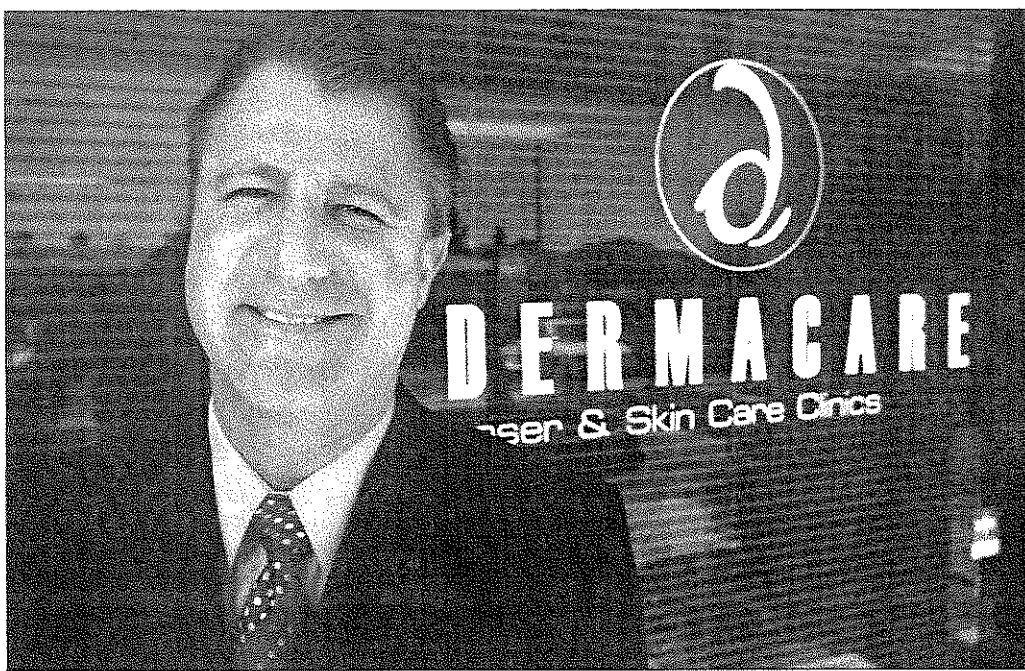
The Phoenix-based franchisor also is negotiating to award its first international franchise in Pakistan within two months. Other agreements are in the works for China, India, Malaysia and Taiwan, Mudd said.

The company already has 26 clinics open in the United States, with 18 more due to open by December. An additional 140 are under contract; Dermacare's goal is to have 500 U.S. clinics within three years.

Consumers' concern with their appearance, coupled with improved technology, are driving the growth of the skin-care clinic business, Mudd says.

"For a lot of people, beauty is not a luxury item," he said. "It's a staple. It's a requirement."

Medical spas were the fourth-largest but the fastest-growing segment of the \$11.2 billion spa industry from 2002 to 2004, according to the most recent statistics from the International Spa As-



SUZANNE STARR/THE REPUBLIC

Dermacare founder and CEO Carl Mudd is preparing to add the firm's first international franchise and launch Internet sales of its product line.

### Dermacare LLC

**Business:** Franchisor of clinics offering laser skin care services and related products.

**Headquarters:** Phoenix.

**Founded:** 2001.

**Employees:** 32 at headquarters and corporate-owned clinics.

**2005 revenue:** \$769,750.

**Web sites:** [www.dermacare.com](http://www.dermacare.com), [www.dermacareusa.com](http://www.dermacareusa.com).

sociation. The number of medical-spa locations grew 109 percent during that period, compared with 26 percent growth in locations for the industry as a whole.

Mudd, who spent eight years as a franchisor in the real estate business and four years as a software distributor, says his move into the skin care business wasn't that much of a stretch. He got interested in the industry when a friend asked him to invest in a laser hair removal clinic.

But at that time, it was hard for clinics to sort out equipment manufacturers' claims and even harder for consumers to sort out the safety and effectiveness of procedures,

Mudd said. There was no dominant company offering a range of procedures, and dermatologists or plastic surgeons may not know the latest technologies, he said.

"By taking all of the mainstream, highly effective laser and aesthetic procedures and putting them under one roof under a great trade name and driving it with great marketing, and by distinguishing ourselves by focusing on safety and medical professionals, I started out," he said of the company's launch in 2001.

The Dermacare name, however, didn't come to him initially. But the second time he made a list of 200 possible names, it leapt off the page. It was such a natural description of what the company does that even when he started the first clinic people insisted they had heard of the company.

Mudd started Dermacare's first clinic at Tatum and Shea boulevards, intending from the beginning to perfect the system for franchising.

He interviewed hundreds of doctors, nurses and patients to narrow the technology to three to four laser systems that could perform multiple functions in the clinics. He created management systems to keep franchisee operations on track. And he spent more than \$1 million testing coupons, television ads and

everything in between to come up with a multimedia marketing plan to reach Dermacare's target market: middle-class women ages 25 to 50.

"We didn't have a scantily clad 19-year-old in the marketing piece," he said. "We had ... an attractive 40-year-old woman who could have been any woman."

The customer base has since expanded to include more teens, minorities and, as ego barriers come down, men. The most popular procedures are laser vein removal, Foto Facial light treatments, Botox and dermal filler treatments.

The prototype clinic took three years to perfect, and Dermacare sold its first franchise in 2004. Most of the franchisees are physicians, ranging from dermatologists who want to expand their business to obstetricians driven from their specialty by high insurance costs.

Mudd says Dermacare doesn't want to compete with the local hair salon or high-end boutiques. He doesn't even like being called a medical spa, contending that medical procedures and spa procedures don't mix.

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