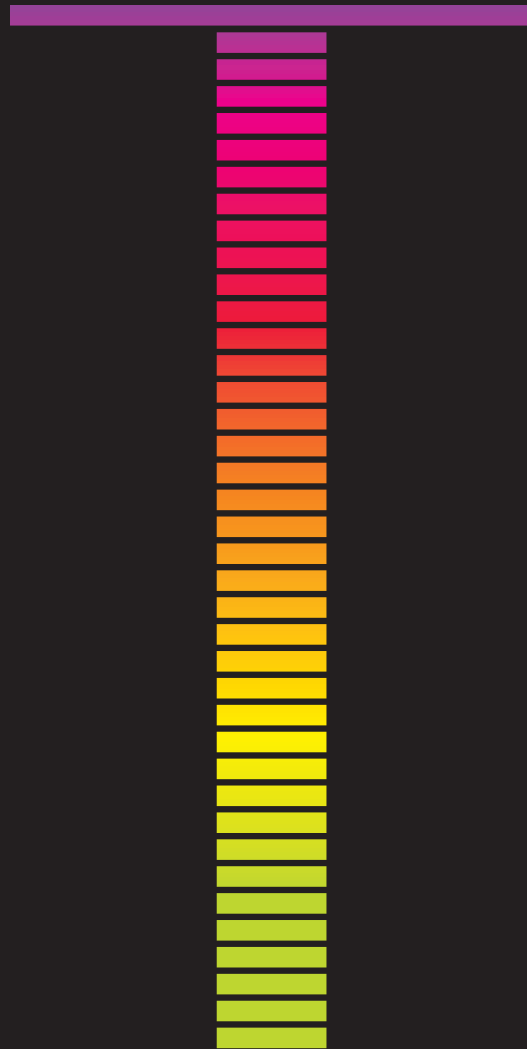


WWD BEAUTY INC POLLS THE
INDUSTRY'S LEADING FOUNDERS
TO DISCOVER THE CHALLENGES AND
OPPORTUNITIES INHERENT IN BEAUTY'S
GOLDEN AGE OF ENTREPRENEURIALISM.



BY JENNY B. FINE

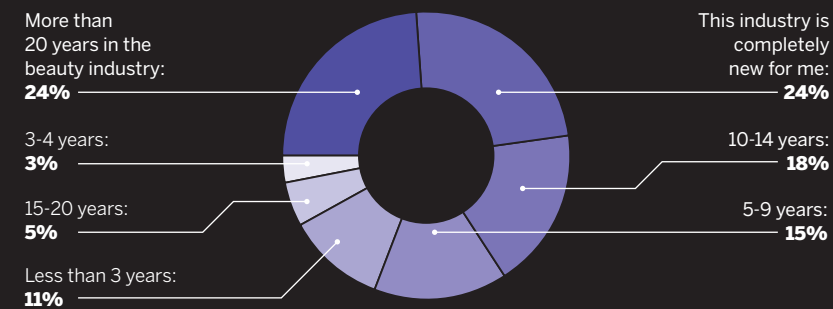
TYPOGRAPHY BY MELVIN GALAPON



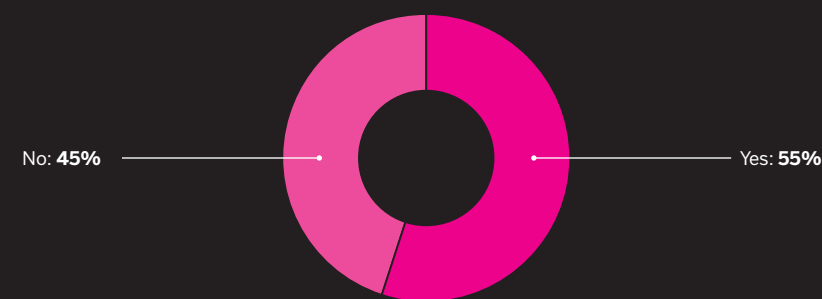
ALL ABOUT ME

● **IN OUR SURVEY**, 47% of respondents are first-time entrepreneurs, while 53% have founded a previous company. 66% oversee the day-to-day operations and strategic direction of their brand. In terms of employees, 37% have between 1-10 and 24% employ 11 to 25 people. Our respondents' businesses have lasting power: 52% have been in business for over eight years, while 45% are one to five years old.

THE MAJORITY OF RESPONDENTS WERE EITHER NEWBIES OR INDUSTRY VETERANS:



MORE THAN HALF HAVE GIVEN EMPLOYEES EQUITY IN THE BUSINESS:



THAT SPLIT BETWEEN NEWBIES AND VETS IS REFLECTED IN THE VARIETY OF ANNUAL GROSS REVENUES REPORTED:



NO WONDER THEY HAVE BRIGHT IDEAS—BEAUTY ENTREPRENEURS ARE A SMART BUNCH, WITH 45 PERCENT EARNING ADVANCED DEGREES:



THEY MAKE IT LOOK SO EASY.

Come up with a game-changing beauty concept. Leverage social media to create and maintain launch-like levels of excitement. Then sell to a strategic buyer for a multiple many times sales turnover. If only.

That scenario reads like a fairy tale and no wonder: Creating a brand from scratch isn't for the faint of heart. To better understand the reality of life as an entrepreneur in today's Indie-driven beauty landscape, *WWD Beauty Inc* tapped The Benchmarking Company to conduct a survey of brand founders. Over 60 founders participated in the study, including people who have sold their brands but are still involved in the day-to-day running of it and those whose companies are still independent.

Wherever they fall on the spectrum, entrepreneurs face similar hurdles. "The survey shows that it is hard work to be successful," says Jennifer Stansbury, cofounder of The Benchmarking Company. "The top challenge is hiring talented staff and keeping them." Another key issue that emerged was cash—raising it, managing it, making it. Despite the many sacrifices that the respondents have made to create a viable business, there is almost universal consensus that it's been worth it: "Know that it will be much harder than you can even imagine," wrote one respondent. "But also know that if you manage to make it, the feeling of joy is unsurpassed." Here, an in-depth look at life as an Indie.

ADVICE HOTLINE

● **AS ONE RESPONDENT SAID**, if starting a company was easy, "everyone would be doing it." Here, we asked the founders to share their key insights and toughest issues, which fell into three broad categories: financial, hiring and resilience.

WHAT IS THE HARDEST LESSON YOU'VE LEARNED ON THIS JOURNEY?

"Create a budget, then multiply it by five because you're that off. That's what it costs to make it. Then take that number and multiply it by 10. That's what it costs to sell it."

"Raise money when you don't need it rather than when you do."

"Capital is the single most important attribute of a successful company. Brand, culture, talent all don't matter if you don't have working capital."

"The power of hiring great people. It isn't necessarily about their experience in the beauty industry (easy to get) but more about their character, motivation and attitude."

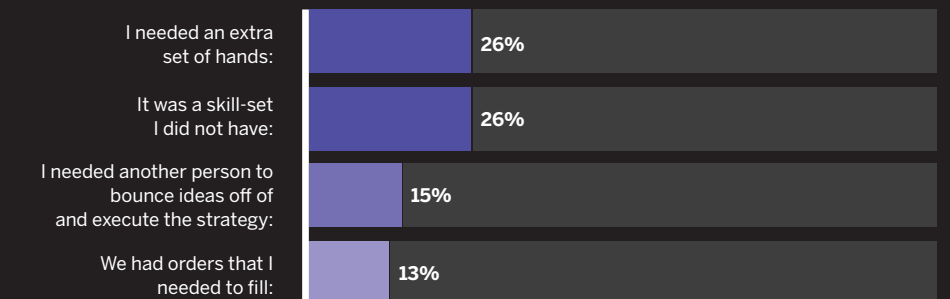
"A Vogue article does not guarantee success."

"Learn Excel."

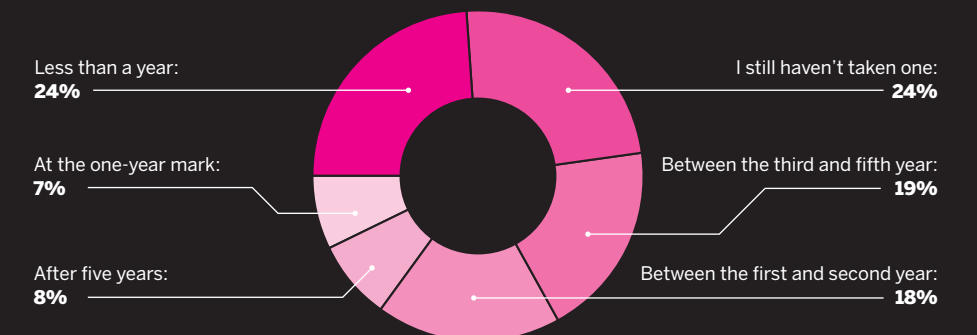
START-UP MODE

● **WHEN ASKED WHY** they started their company, almost half—47%—of respondents answered it was because they couldn't find products that worked for them so they decided to create it. Another 42% said they had a concept they thought would resonate with consumers and 24% identified a market trend they were passionate about. For many, a sales executive or chief operating officer was the first full-time hire, followed by an administrative assistant.

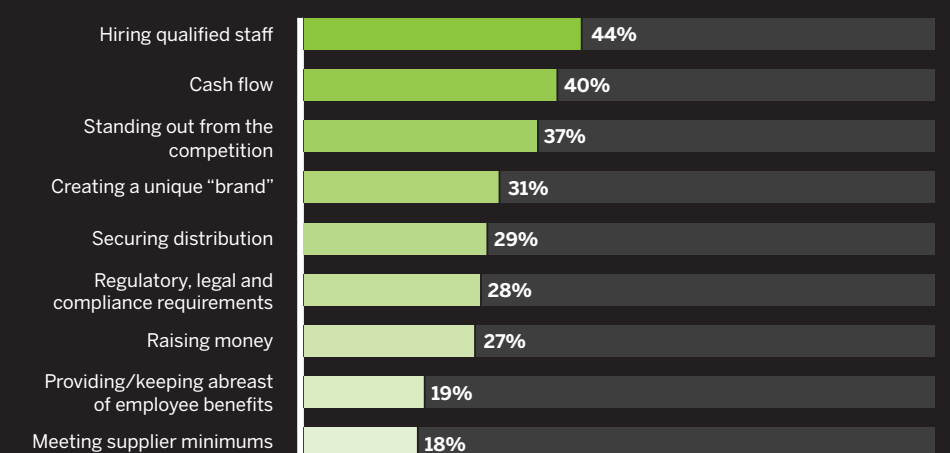
WHAT WAS THE IMPETUS FOR YOUR FIRST FULL-TIME HIRE?



ENTREPRENEURIALISM IS A VIABLE CAREER CHOICE FOR THE MAJORITY OF RESPONDENTS. HERE'S WHEN THEY REPORT TAKING THEIR FIRST PAYCHECK:



BUT EASY STREET IT AIN'T. HERE, THE KEY BUSINESS CHALLENGES ENTREPRENEURS FACE TODAY:



FROM FOREGOING FAMILY TIME TO MAXING OUT THE CREDIT CARD, THE STORIES OF PERSONAL SACRIFICES ARE LEGION.

"I emptied out my savings account and spent my inheritance."

"I worked 18 hour workdays, seven days a week."

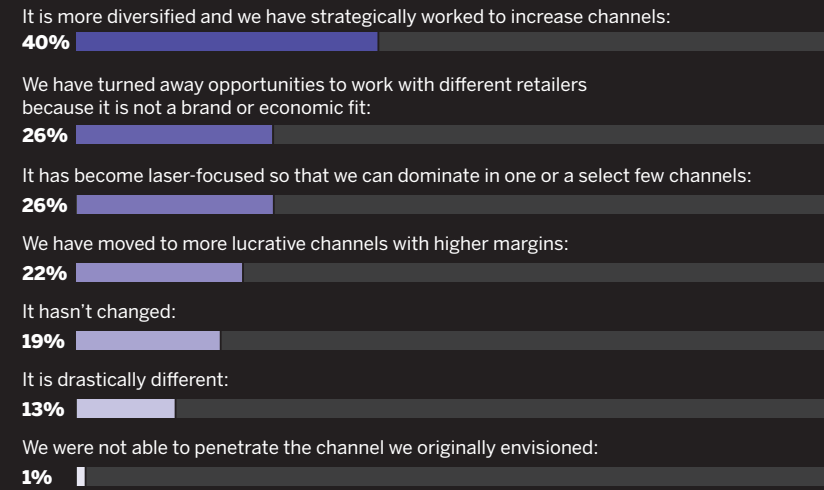
"I moved in with my parents to save on rent."

"I bootstrapped my launch so it was about taking the salary I was making at my other jobs and paying for the growth of my brand."

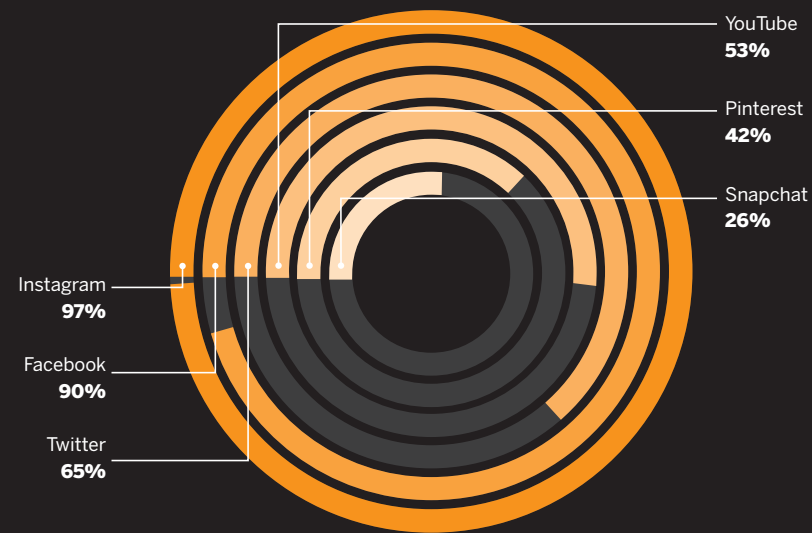
NUTS & BOLTS: DISTRIBUTION AND MARKETING

● **TODAY'S FRAGMENTED DISTRIBUTION** landscape offers both challenges and opportunities. The primary distribution channel for 53% of respondents was their own e-commerce site, followed by, in order, small boutiques, spa/salon and luxury department stores like Saks and Neiman's. Today, most report a more diversified strategy.

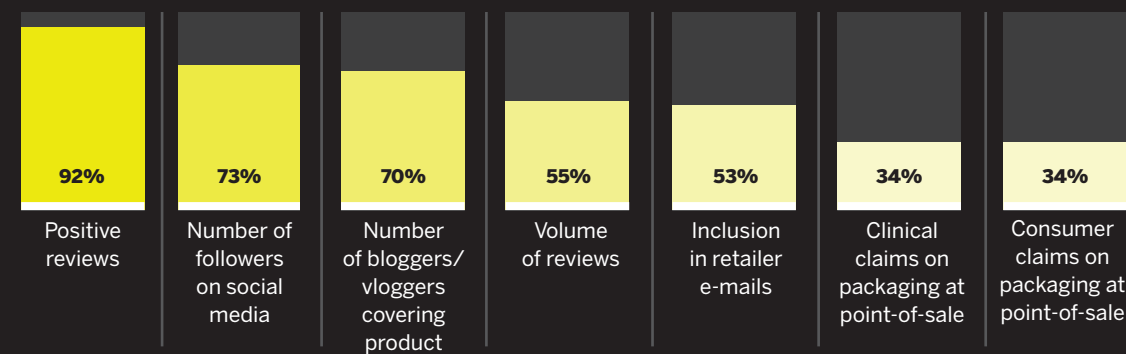
HOW HAS YOUR CHANNEL STRATEGY CHANGED SINCE THE INCEPTION OF YOUR BUSINESS?



INSTAGRAM IS BY FAR THE MOST POPULAR SOCIAL MEDIA PLATFORM:



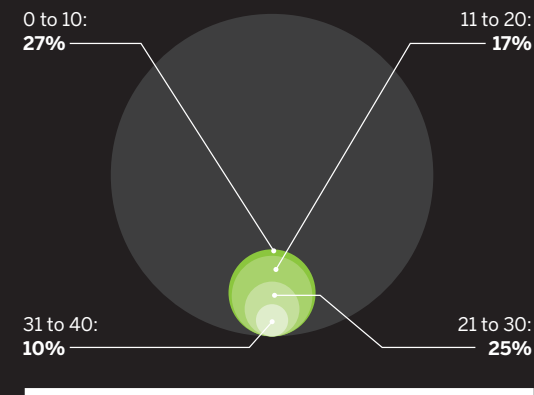
DIGITAL WORD OF MOUTH IS THE MOST POWERFUL WAY FOR INDIES TO GAIN AWARENESS. THE FOLLOWING MARKETING ASSETS ARE THOSE DEEMED MOST CRITICAL TO SUCCESS:



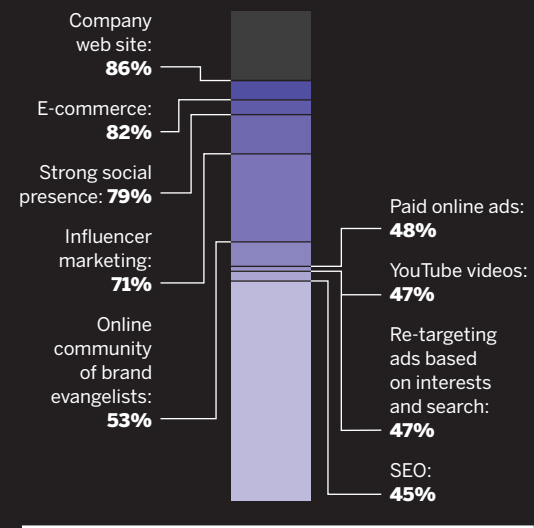
WHEN IT COMES TO ALLOCATING SPEND, TALENT TOPS DIGITAL. HERE, THE TOP FIVE WAYS BRANDS ARE INVESTING IN GROWTH:

- 1 COMPETITIVELY PAID, QUALIFIED TALENT
- 2 ONLINE MARKETING
- 3 PRODUCT DEVELOPMENT
- 4 PACKAGING
- 5 TRADITIONAL MARKETING/ ADVERTISING

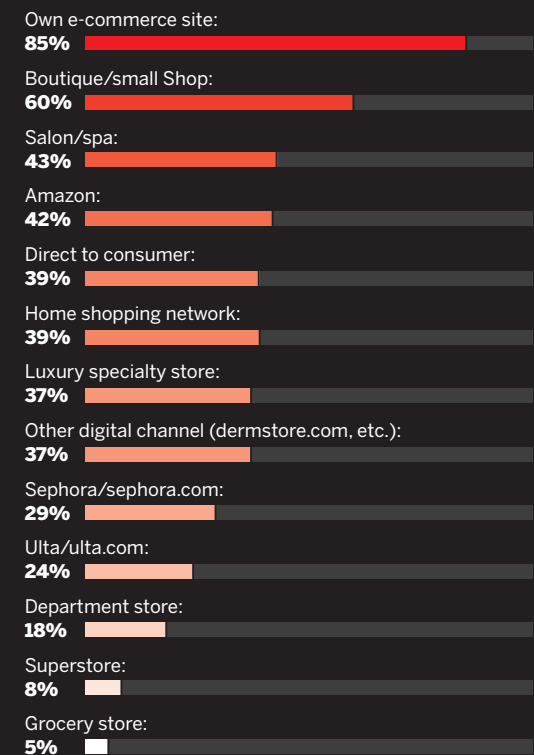
WHAT PERCENTAGE OF YOUR SALES COME FROM A DIGITAL CHANNEL?



FROM SOCIAL MEDIA TO SEARCH ENGINE OPTIMIZATION, BEAUTY FOUNDERS ARE VERY DIGITALLY ORIENTED. THE FOLLOWING STRATEGIES ARE THE MOST USED:



HERE'S WHAT THE DISTRIBUTION STRATEGY OF RESPONDENTS LOOKS LIKE:



"Hire slowly and fire quickly. Always run the hypothetical, 'If this person came to you and resigned, would you be relieved or desperate?' If not the latter, fire them now."

"Culture is everything and having a small, dedicated, hardworking team is better than having an army."

"When you find yourself stuck, unsure where to go next, you have to find the stamina to keep moving. Standing still for a start-up is a death spiral."

"Be aggressive, be urgent and understand every single detail surrounding your business. Do not expect to hire people to solve the things you do not understand."

"The drive for perfection leads to inaction."

"Always lead with innovation—otherwise don't bother."

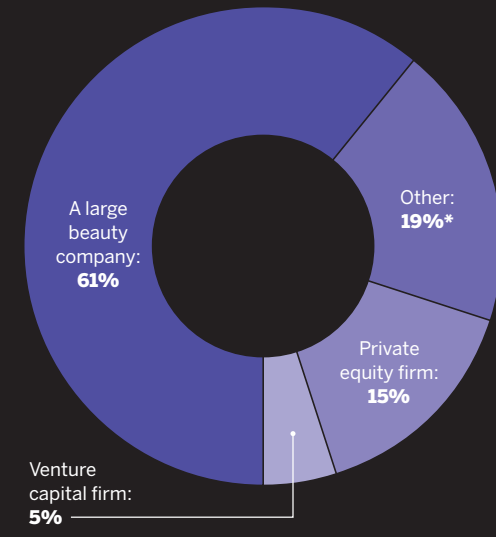
"Be bold, be brave, be smart. Quality not quantity at every level and think as the consumer, not the industry."

"It's business as unusual now, so break the mold—anything could happen."

EXIT POLL

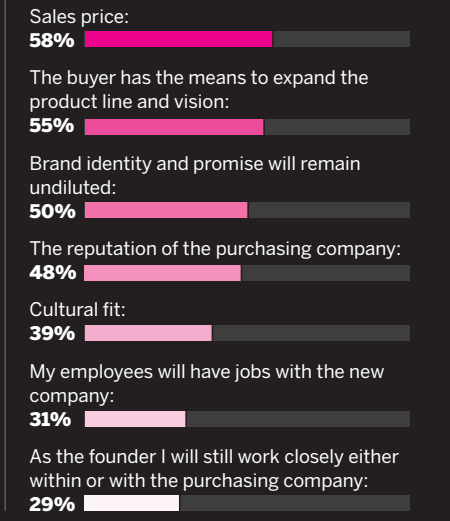
● **IN 2016**, the number of beauty acquisitions skyrocketed. But not everyone is keen to cash out. While 47% have an exit strategy, 31% don't and 22% are working on it.

WHO WOULD BE YOUR DREAM BUYER?



*Strategic company in affiliated business.

IF YOU WERE TO SELL, WHAT WOULD BE THE MOST DECISIVE FACTORS?



CULTURE CLUB

● **SUCCESSFUL START-UPS** are as much about creating a cohesive internal team and brand culture as a great product. Here, some non-cash-based perks.

WHAT UNUSUAL PERKS DO YOU OFFER EMPLOYEES?

"We have a culture committee that organizes events. We encourage team building with our departments at least once a quarter. Of course, we have a great coffee machine."

"No minimum hours. Simple deadlines. One can work when they want, at their own pace, as long as they respect the deadline and budget."

"Dance parties!"

"Today we're having a 'Mango Salsa Matzoh Party' to celebrate Passover. Tomorrow, we have most of our team in town and we're leaving early to go bowling. And I like to go for walks to take meetings."

"Lunch-time surf breaks."

"Better maternity leave."

"Work from home or wherever. Pick your hours. Ultimate flexibility."

"We have 'wellness Fridays' where we bring in a trainer to do a workout session."

PARTICIPATING COMPANIES

● **HERE, THE BRANDS** that were willing to be identified as respondents.

- 100% Pure
- Artis
- Aquis
- Besame Cosmetics Inc.
- Blocki Perfumes
- EB Florals by Eric Buterbaugh
- Elemis
- Evologie
- Fresh
- Giving Beauty
- Hum Nutrition
- Iredale Mineral Cosmetics
- Joya
- Julien Farel Group
- Kopari Beauty
- Laboratoire Ariland/Hairgum
- Laura Geller
- Lipstick Queen
- Malin + Goetz
- Le Métier de Beauté
- Murad
- Nannette de Gaspé Beauté
- Nudestix
- Parfums Quartana/Six Scents
- Patchology
- Peach & Lily
- Seaweed Bath Co.
- Scalisi Skin Care
- SkinFix
- SoCozy Hair Care
- Supergoop!
- Vapour Organic Beauty
- Visha Skin Care
- Wander Beauty