

VOGUE

How Billion-Dollar “Unicorns” Are Changing the Beauty Industry

BY
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THE ENGINE OF THE MAYBACH is silent, but the raffia fringe on Anastasia Soare's Dries Van Noten bolero crunches as she turns into the lot at her West Hollywood office. The sedan's headlights brighten the plaque of her parking spot: reserved: CEO, ANASTASIA. When Soare, 60, moved to Los Angeles from Communist Romania 30 years ago, she could only afford to buy a \$200 Ford station wagon with a leaky exhaust to shuttle her from her home in the Valley to Beverly Hills, where she worked as an aesthetician. "It was an enormous car," she laughs, her accent throaty and warm. The used Mitsubishi Mirage that followed was no better. "Claudia was so embarrassed," Soare recalls of her daughter's horror during school drop-offs. Today, Anastasia Beverly Hills, the cosmetics empire Anastasia and Claudia have built together, is valued at roughly \$3 billion.

Just a few years ago, that number would have seemed staggering for an independent beauty company—something achievable only by tech giants such as Airbnb, WeWork, and Uber, who have all topped the list of "unicorns," a Silicon Valley term used to describe start-ups valued at \$1 billion or more. As of January, there were only around 300 unicorns worldwide, and until recently, female-helmed unicorns were almost as mythical as the prestigious list's name. But Soare is at the forefront of a new class of entrepreneurs that is challenging preconceptions about women-led companies and their ability to secure sizable investment (and, subsequently, astronomical valuations). According to a 2018 report, only 14 of the 132 venture-backed unicorns in the United States had female founders; now, more than a third of them are in the beauty space. In addition to Anastasia Beverly Hills, there is reality star turned business tycoon Kylie Jenner's socially driven Kylie Cosmetics; Emily Weiss's direct-to-consumer darling Glossier (pronounced *à la française*); Huda Kattan's Instagram-bred makeup empire, Huda Beauty; and Pat McGrath Labs, the product line from the backstage-beauty veteran.

Yet five years ago, when Weiss first pitched the idea for Glossier, which is now worth \$1.2 billion, to investors, the common response was "Oh, beauty, cute!" she recalls. Kirsten Green, the founder and managing director of San Francisco-based Forerunner Ventures, was the exception. "A category that is mostly acceptable price points with high margins and consumable products—that's a pretty good business setup," says Green, who was the first person to back Glossier. Green points out that the momentum women like Weiss and Soare have created has forced investors to reevaluate what has historically been considered a niche women's space but is on track to grow to \$750 billion by 2024. It has also unleashed a harras of unicorn foals—entrepreneurial hopefuls working to emulate this kind of megawatt success in the cosmetics industry and beyond. "Beauty companies have never been considered companies that are changing the world," says Weiss. But they are changing the dynamics of who's in the boardroom.

"I was always really good at marketing myself on social," says Jen Atkin, the hairstylist who launched Ouai Haircare in 2016 on the back of her editorial work with not one but

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At Glossier's viral pop-ups and its two permanent stores in New York and Los Angeles, every bullet of its Generation G lipstick, or tube of Haloscope Highlighter is like a souvenir from a Millennial pink-colored Magic Kingdom. Another draw: mirror selfie opportunities with beauty-positive captions, like this one, already built in.

Artwork by Deborah Kass

all five Kardashian-Jenner sisters. She refers to the line of sleekly packaged, jasmine-scented styling aids as “the first socially connected hair-care brand.” It’s not an inaccurate description. Sitting across from me at WeWork in Downtown LA, where Ouai occupies the penthouse but has spilled down into the two floors below, Atkin, 39, is as disarmingly straightforward in person as she is on Instagram, where she recently posted before-and-after photos of her nose job. As she scrapes the bottom of her Kooshi chia-pudding cup, sparing no detail about her end-of-year burnout and the struggle to balance the demands of her schedule, it becomes clear that the transparency and intimacy she shares, about her life and her brand, are what make her so appealing to her 3 million followers turned customers. (Her as-yet-untitled memoir/self-help book will be published next year.)

Atkin is in the process of moving her growing business into a 6,400-square-foot office across the street from LACMA. “That’s our spot to spread out,” she says of the space that will accommodate the 10 new employees she’s currently interviewing, and will feature a “Tulum meets California” design—catnip to millennials. Despite what is widely thought to be double-digit growth since its launch (Atkin won’t confirm numbers), Ouai’s recent expansion has been catalyzed by an infusion of capital from Los Angeles and New York-based fund ACG, the first outside investment Atkin has taken (she started the brand with money from personal savings, contributions from family, and one angel investor, a Dubai-based client). “That was a scary time,” Atkin confides of deciding whether or not to take on venture-capital funding. “I don’t want to call them sharks,” she continues of the fundraising process, “but I had every venture-capital and private-equity company wanting to sit down and talk.”

Investment from the wrong or too many partners is a Chinese finger trap that makes even the savviest baby unicorns wary. But with many of them experiencing growth on par with Atkin’s, it is an inevitable step for scaling a small business. Companies in a similar position to Ouai—such as makeup artist Charlotte Tilbury’s namesake line; Tiffany Masterson’s complexion juggernaut Drunk Elephant; Nancy Twine’s natural hair-care brand, Briogeo; and Herbivore Botanicals, the beloved vegan skin-care collection from husband-and-wife duo Julia Wills and Alexander Kummerow—are on the precipice of their next phase, be it expanding or considering a sale. (“Obviously we are looking at these companies; we admire these companies,” says Carol Hamilton, Group President of Acquisitions at L’Oréal.) “But these investments are like bragging about getting a credit card,” Atkin says. “It’s like borrowed money, and it’s a big weight on your shoulders. I try not to think about the money so much, because if I did, I would get so stressed out.”

That’s good advice, according to Moj Mahdara. “I think the media’s obsession with valuation is actually leading entrepreneurs down the wrong path,” says Mahdara, who has a front row view of the shifting beauty industry as the CEO of Beautycon, the annual festival-like beauty summit considered the Coachella of cosmetics. Hamilton agrees. “I’m seeing some extraordinary rounds of investments where way too much of a

company is given away. That is a major issue for what is going to happen for some of these founders in the future when they finally do decide to sell and have to pay that off.”

Tiffany Masterson has navigated this landscape well. The Texas-based mother of four launched Drunk Elephant’s range of nontoxic, “clean-compatible” products in 2014 with a single investment, from her brother-in-law, and as of two years ago had taken only minority investments from San Francisco based private equity firm VMG Partners and fashion blogger Leandra Medine. “I don’t see us taking more of that,” says Masterson. “I would say the most likely next step would be to sell the company,” she admits. This past January, when reports surfaced that a potential sale of Drunk Elephant was in fact on the horizon, beauty behemoths—including Estée Lauder and Unilever—were rumored to have taken meetings. Speculators put the value of the company at around \$1 billion, which, if true, would make any future sale one of the largest U.S. beauty deals in recent history. “The only valuation that really matters is the one that you sell your company for,” notes Mahdara.

Masterson’s popular T.L.C. Sukari Babyfacial and C-Firma Day Serum helped secure initial fans, but she also credits Instagram for her ability to create a lasting, personal connection with her customers, directly and quickly. “It’s like having a huge focus group that’s telling you at all times what they’re wishing for.”

“I mean I’m on all day,” says Jenner, echoing Masterson’s observations. The 21-year-old, who recently dethroned Facebook CEO Mark Zuckerberg as the world’s youngest self-made billionaire, seems dumbfounded when I ask her how much time she spends on social media. “It’s all my advertising, how I communicate with my fans, everything,” she continues, on a call from her home in Calabasas. Her daughter Stormi, 18 months, is napping in the next room but otherwise attends all Kylie Cosmetics meetings and likes to touch all the products, she tells me. Jenner is fresh off the launch of Kylie Skin, which includes a walnut-face scrub that made national news earlier this summer when fans criticized its harsh exfoliation method (it still sold out in 24 hours). “When I look at how many followers Kylie Skin already has, it’s exciting, slash I’m shuddering for anyone else who’s in skin right now,” says Mahdara of Jenner’s ability to engage her community. (Coty is rumored to be in advanced talks with Jenner to buy a controlling stake of Kylie Cosmetics for up to \$600 million.)

There is an addictive quality to feeling a part of something, and transforming what it means to be a customer is essential to how these women have reimagined an industry built on customer transformation. Over the month I spend getting to know these brands and their founders on social media, I am struck by how quickly I become embedded in their culture. I connect with Masterson’s Arthurian quest to create a perfect product; I am charmed by Glossier’s cheeky, inclusive marketing; and I feel an adrenaline rush setting my phone alarm for the 9 a.m. PST launch of Kylie Skin, and then hitting refresh like a manic hummingbird until the products go live. I look forward to Instagram videos of Atkin’s rescue Chihuahua, Roo, and marvel at the artistic potential of Anastasia’s limited-edition eye shadow-palette collaboration with *RuPaul’s Drag Race* star Alyssa

Edwards. (That announcement clocked almost 1.5 million views on Instagram.) I have built relationships with these companies that seem to transcend comment section conversations and DMs. The connections are personal, the need to nurture them with a constant supply of new products, primal.

The social-media buzz around the latest iteration of Herbivore Botanicals' best-selling Emerald Cannabis Sativa (Hemp) Deep Moisture Glow Oil has led me from Instagram to downtown Seattle on a surprisingly sunny May morning. In a blondwood, Scandi hipster furniture-filled office, Herbivore cofounder Julia Wills is discussing how the jade-tinted elixir—now available with 100 mg of skin-calming CBD and a number of adaptogenic herbs that I've never heard of but am eager to slather on my face—could potentially feature in their Pride-themed rainbow gift set with a small team of employees. Temporary tattoos, with rainbow sparkles, and a Lisa Frank tarot deck are also being considered. "I pulled a death card this morning," Wills announces, knowingly. The room *oohs*, understanding the card's premonition of transformation to come.

Herbivore is indisputably a brand on the verge. Experiential store openings, not unlike the Glossier pop-up taking shape in the Capitol Hill neighborhood where Wills lives with her husband and cofounder, Alex Kummerow, are part of a larger plan that will require outside investment, something that, as yet, the company has not taken. "For the first couple of years, just paying our bills was the goal," says Kummerow, 31, a videographer who cofounded the brand somewhat accidentally when he gifted Wills, then an addiction counselor, a soap-making kit. After three years selling on Etsy, the brand was rolled out at Sephora, which now stocks line extensions including a range of wildly popular botanical face mists and watercolor-hued face oils. Even though the products are currently carried in all Sephora stores in the U.S., Wills's father, Richard, still makes every bar of their original clay and charcoal cleansing soaps.

Kummerow and Wills, 38, have no business background and until recently, no marketing team, which means managing expectations around things such as shelf life, and the complicated—often contentious—world of natural preservatives has been a day-to-day learning experience. But what they lack in industry connections and fundraising savvy, they make up for in authenticity. That word is bandied about so often in the new high-stakes world of beauty brand-building that it can ring hollow. But here, nearly 800 miles away from Silicon Valley—and even farther from Los Angeles's influencer economy—it still means something. Retaining it presents perhaps the greatest challenge to Wills and Kummerow, and to all the baby unicorns who have achieved their success, in large part, by offering a product that seems to stand apart from the corporate mechanisms that have ruled the beauty industry for decades. "We've been in conversation with investors for, like, three years, but we've been really cautious," says Kummerow, who is soft-spoken with lanky, shoulder-length blond hair. "When we scale, we want to make sure it is true to us."

“We want to bring on some top talent, someone to run marketing, maybe a CEO,” Wills adds with a refreshing hint of sheepishness. But first, media training. The couple has booked a session the following week in an effort to inch toward Atkin’s magnetism, the Soares’ salesmanship, and Weiss’s mastery at winning over a room of investors. Wills leans forward to open the door for Monty, her poodle rescue, and asks me, in earnest, if I have any good interview tips. Then she smiles and looks down at her iPhone; the image on her lock screen is a cartoon drawing of a purple unicorn, mid-leap.

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