



What the Beauty Industry Isn't Getting About How to Support Black Businesses

Despite increased support over the last year, inequity is still a very real problem for Black-owned brands.

BY TARA DONALDSON

TURNS OUT, the beauty industry is only addressing one petal on the flower of its inclusion problem.

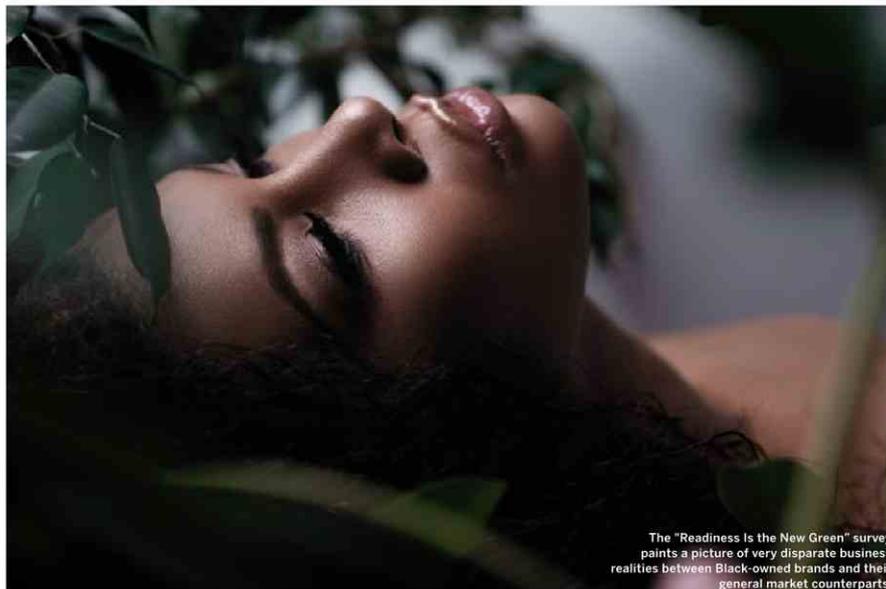
Despite the visible outpourings of support (like donations, mentoring, sudden shelf space at times sans adequate retail support) for Black-owned businesses in the last year, beauty hasn't quite come to terms with the real issue keeping the sector from substantive progress on diversity: equalizing the economic playing field.

In a first-of-its-kind study that digs into the economic realities for the Black/African American beauty market, findings from "Readiness Is the New Green" paint a picture of very disparate business realities between Black-owned brands and their general market counterparts.

This isn't news to people of color who have been battling these imbalances for generations, but as Corey Huggins, founder and managing director of global think tank Ready to Beauty, puts it, "there can't be real economic change without real economic data." And the industry at large needs the data to know where it is and where it needs to go from here now that summer of 2020's racial reckoning has forced everyone into the conversation—and prompted some to dish out cash without much consideration.

"I knew that some of the opportunities that were coming [for people-of-color-owned businesses] were just so misdirected—just really, really misdirected—I thought [we're] not going to be able to seize this moment unless we have the baseline," said Huggins, whose think tank is a passion project among its central team of former L'Oréal USA executives (himself included) to help draw the blueprints for multicultural brands' successes and legacy creation. "This is sort of the missed half of the happenings."

The study—done in conjunction with *Cosmoprof* North America, The Fashion Institute of Technology, NielsenIQ, American Express and media marketing agency Ivy Digital—called on an invitation-only panel of more than 70 leading Black/African American beauty business founders, C-suite execs and thought leaders, as well as marketers, distributors, retailers and other industry stakeholders. The panel was asked about their current industry and business sentiments, particularly



The "Readiness Is the New Green" survey paints a picture of very disparate business realities between Black-owned brands and their general market counterparts.

in light of the pandemic, plus what they believe the beauty sector could be doing to better support Black entrepreneurs and brands.

Their responses were juxtaposed against those of an industry panel of more than 70 professionals from the general beauty market (reflecting the spectrum of races and ethnicities across the broader industry), including graduate students and alumni from The Fashion Institute of Technology's Cosmetics & Fragrance Marketing Management master's program, who are all currently working in the industry.

What it found was divergent perspectives on a range of issues. For example, just 8 percent of respondents from the Black/African American panel feel the U.S. economy is healthy versus the 19 percent from the general market panel who believe so—which may speak to the former being more greatly disadvantaged during the pandemic than the latter.

When it came to the beauty industry specifically, the Black/African American panel of respondents was bullish, with 70 percent believing the beauty sector to be healthy compared to 46 percent of general market respondents who said the same. That may largely be owed to two factors: one, as founders and entrepreneurs, the Black respondents often have more direct impact on the

overall business than their general market peers who are more likely to work for bigger global companies, according to the study; and two, Black consumers and consumers of color generally overindex in beauty spending, so the panelists who more often cater to this cohort may have greater confidence in demand for their products and services.

As far as financing, that's where the gap between the two market groups widens even further.

Asked which financial resources they had access to in order to keep business going amid the pandemic, 70 percent of the Black/African American panel said they funded themselves, 23 percent had to use credit cards and 22 percent turned to bank loans or lines of credit. When describing the relationship they have with their banking officer, 34 percent said there is no relationship at all and 35 percent called it "OK."

"The health of your business is like the health of your body," Huggins said. "I don't want an OK relationship with my doctor."

The parallel pulls into perspective what it would be like to have what he described as "a less than stellar" relationship with a banking officer, which more than two-thirds of the Black respondents do. Most people might opt to take matters into their own hands, which could only carry a body—or a business—so far.

It's a concern most in the general market don't have at all. Seventy-six percent of respondents in the broader market group said the question about access to financial resources wasn't applicable.

"This is in stark contrast to the Black/African American panel in our study, who are heavily involved in their own financial management, yet lack access to the resources necessary to do so at parity with the general market, which often has layers of experts dedicated to handling such endeavors," the survey noted.

Hyper Skin founder and chief executive officer Desiree Verdejo understands the heavy involvement in her own financial management.

"We launched Hyper with \$12,000. We didn't have an angel round, a venture capital round, and so for us the boom of [summer 2020 and the resulting attention on Black business in light of the racial reckoning] was equivalent to what would have been an angel round. And so I will say that that was a peak, it was a moment," she said.

Admitting that she only "tipped her toe" into the pre-seed investment round, it still didn't bear fruit for Hyper before the brand launched late in 2019.

"Taking a look at the resources in terms of time that it would take ►

Photograph by Maksimovskov/Adobe Stock





Hyper Skin founder and CEO Desiree Verdejo.

to successfully raise what would have been a very small six-figure round, I decided that I would invest in one product and build traction and revisit funding at that stage," she said. Now, having gained traction with that one product—Hyper Clear Brightening Clearing Vitamin C Serum—and credibility as a leading brand for addressing hyperpigmentation, Hyper is working on a venture capital round of funding to help the business continue to scale and bring additional products to market.

The bootstrapping Black business story isn't a unique one, it's what many entrepreneurs have done and continue to do. The problem, separate from the inequity of the reality that other groups have easier access to capital, is that the industry, with its surfeit of promissory notes to come good on the support it hasn't offered before, believes mentoring and business skills development to be the fix for greater inclusion.

Among the key findings in the survey was that while 93 percent of the general market panel named mentoring and business management skills as the most important thing the industry could be doing to better support Black-owned brands and businesses, 92 percent of the Black/African American panel said what they really need is access to investment and/or working capital.

"There's a disconnect between what the Black/African American panel actually needs and what the general market panel presumes they need, and without constructive dialogue they'll never be resolved," Huggins said. "These are well-intended, smart, liberal-leaning

active people in beauty, but they immediately went to mentoring versus money. And for us, all things can be made equal if we have money, if the playing field is equal. So there's a bit of paternalism involved."

Verbatims in the survey included: "Access to multiple high-trafficked distribution, marketing, mainstream press opportunities would really help put Black entrepreneurs & brands at a better 'starting point' in comparison to our non-Black peers. It often seems as if Black brands have to do more work to be taken 'seriously' in the mainstream markets. Why does this barrier to entry have to exist?"

Another response said, "Also, they should stop these pseudo grant opportunities that are only collecting our data through applications to use for their own business growth. They should also stop offering us programs that don't include grant money."

Verdejo, for one, only opted into programs and partnerships that would, in one way or another, facilitate access to capital.

"Mentoring is beneficial to some extent. I don't think, though, education is what Black founders are lacking," she said. "For me, any opportunity that I took advantage of had to specifically speak to my direct areas of where I needed knowledge—and not general knowledge, because there's the misunderstanding, and the thought is that Black founders are lacking general market or operations knowledge. I have only wanted to participate in any accelerator or advancement

programs if they involved access to capital. That's the real conversation that needs to be had—access, introduction to investors, sort of a lifting of the curtain to that process, which is foreign to many people."

The disconnect between the two market groups and their realities is real, as Dr. Brooke Carlson, a professor in FIT's School of Graduate Studies Cosmetics & Fragrance Marketing & Management master's program, who also worked directly on the study, noted. Bridging that divide will involve the industry working to correct its "lack of a deep cultural awareness about the Black/African American beauty business, which differs from the general market."

"Intellectually, they get it, even emotionally. However, the industry has never had to adjust or assimilate, whereas Black/African Americans, be it business professionals or citizens in America, have always had to do so. Therefore, beauty companies and brands, retailers, and likely many survey respondents in our general market panel, have never lived the real-life experiences, day-to-day challenges and obstacles faced by Black/African American founders, executives and thought leaders. And because the power and control to effectuate change rested with others, this segment has always been disenfranchised," she said. "There must be a radical rethinking of inclusion and belonging for the benefit of everyone."

For Huggins, that radical rethinking will have a lot to do with financing, and that's one reason Ready to Beauty is working on a "soon-to-launch" banking initiative along with Cosmoprof North America specifically to support niche and emerging Black/African American beauty entrepreneurs and brands. The nationwide initiative will work in tandem with Ready to Beauty's "multimillion, multiexpert" capital growth fund, Ready to Invest.

"When all these banks and funds were saying [in light of the George Floyd-spurred protests and racial justice movement, they'd give] this much money over this much time, that's for the exceptions—Mielle just hit \$100 million, they are an exception," Huggins said. "The only way you got to Mielle is because there was a seeding, some type of initiative that led to that.

"Diversity and inclusion and representation and all those nice buzzwords, they in themselves don't lead to changing the power relationships," he continued.

"If the bank has all the power and one gets through, what about all the other ones?"

The aim with the new banking initiative, which will connect entrepreneurs with financing from a Black-owned national bank (Huggins believes Black entrepreneurs can do more to help themselves within the community, a nod to the formerly flourishing Black Wall Street model) is to get the economic playing field leveled in a way that sustains. Because, based on other insight from the survey, the commitments made in the wake of George Floyd's murder may not.

"The fact that the general market reported that the George Floyd/#BlackLivesMatter protests and resulting calls for economic equity impacted their thinking (86 percent said yes) is excellent, and they are also aware that Black and Latinx consumers overindex in beauty purchasing and product usage (88 percent said yes) which is a huge business opportunity if not an under-met need," Carlson said. "The wake-up call is that the general market panel said they reported that they were 'unsure' at 57 percent that long-lasting, substantive economic change/economic effects will come about, and a little over 10 percent flatly saying 'no' they don't think things will change."

That data begs the question, as the survey notes: "If general market professionals working for the largest global beauty companies recognize the dominant purchasing power of the Black and Latinx consumers they serve, yet are so unsure about making systemic change for them, when will the beauty industry at large ever take action?"

Certainly, it's an answer that remains unclear and a situation that's still very much evolving. But one consensus emerging in light of the disparities in the survey findings and among the cohort undertaking the research was, as Carlson said quoting a survey respondent (and in what she called one of her own "aha moments"), "It just doesn't help for white people to say what Black and Brown people need." ■

Mielle Organics' Rice Water and Aloe collection.

