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What Does the Beautycounter Acquisition Mean For Its Future?

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APRIL 14, 2021 04:30

The deal, which sees Carlyle Group take a majority stake in the clean beauty brand and value it at \$1 billion, sets Beautycounter up for future growth.

Beautycounter isn't the first unicorn to emerge from the pack of brands that set out to disrupt the cosmetics and skin care industry in the last decade. But its business model – offering “clean” beauty items via a direct sales model where customers market and sell its products – makes it one of the more unusual start-ups to earn a 10-figure valuation.

On Tuesday, Counter Brands LLC, which owns Beautycounter, said it had sold a majority stake to private equity firm The Carlyle Group, best known in the fashion world for backing Supreme as the streetwear brand undertook an aggressive global expansion. The investment values Beautycounter, founded by Gregg Renfrew in 2013, at \$1 billion, and marks a major bet by Carlyle that the brand's philosophy of avoiding many common synthetic ingredients, and its reliance on customers to sell its products, has staying power.

The deal is also the latest in a deluge of acquisitions and investments that have defined the beauty landscape in recent years, as newer brands that have disrupted the space with innovative products and business models cash in. In February, The Estée Lauder Companies completed its acquisition of Deciem, parent company of The Ordinary, in a deal valued at \$2.2 billion. Last month, Harry's raised \$155 million in a funding round that valued the company at \$1.7 billion, which it plans to use to build a consumer products empire well beyond its core men's shaving offerings.

Beautycounter was one of the earliest clean-identifying beauty brands, with Renfrew advocating for stricter regulation of the cosmetics industry and publishing a lengthy list of chemicals her company wouldn't touch. Skin care makes up 60 percent of the brand's assortment, though it's entered makeup, haircare, personal care and men's items over the years.

While other disruptor brands such as Harry's have grown via partnerships with Target and other retailers, most of Beautycounter's sales still happen through its website. That's in large part thanks to the company's direct-sales approach, where independent sellers have personal links connected to Beautycounter's site so they can receive a commission on sales. Sellers can also earn income by recruiting others to promote Beautycounter links, which has drawn comparisons to multi-level marketing businesses such as Rodan + Fields or Avon.

So-called MLMs have many critics, who say these companies promote themselves as a way for entrepreneurs to strike it rich, while in reality most sellers earn little, and many wind up losing money. Beautycounter says it is not an MLM, noting it doesn't require sellers to buy its products first, a key component of the model (it does offer “starter kits” that can cost over \$400, and charges sellers an annual fee).

The brand has managed to defy the stodgy, often negative associations that have plagued MLMs like Avon and Mary Kay with its updated approach to direct selling, which includes experiential, freestanding stores and partnerships with leading retailers.

“It's a business model that doesn't exist elsewhere,” Renfrew said.

Regardless, the model has been a success. Beautycounter's valuation has doubled since 2018, following an investment from TPG Growth and Mousse Partners Limited, the family office run by the half-brother of Chanel owners Alain and Gérard Wertheimer, Charles Heilbronn. That year, the company was said to have done over \$300 million in sales.

Going forward, the Carlyle investment can help scale Beautycounter internationally. Currently, it is only available in the US and Canada, but the demand for clean skin care transcends global markets. It's too early to know if Beautycounter's direct-selling model will work in other countries, but Carlyle could be integral in adapting marketing and e-commerce capabilities for other parts of the world.

Scaling Clean

Beautycounter's Renfrew said expanding the brand's approach to clean beauty is also part of the deal.

“We're creating a comprehensive approach to what ‘clean’ is, which is not just a list of restricted ingredients, but is looking at supply-chain transparency; ethical and responsible sourcing; our carbon footprint,” Renfrew said.

It's no coincidence that Carlyle set its sights on one of clean beauty's pioneers. The clean movement has received backlash from customers and industry insiders alike for murky product claims (standards are set by individual retailers and brands, sometimes with little scientific evidence to support which chemicals are allowed or banned). But the concept remains popular with consumers, and the desire for transparency around product ingredients and information is likely to continue to propel mass consumer adoption of brands like Beautycounter.

“The other big beauty valuations that we've seen in the past are very much tied to a celebrity or a big personality behind it so it's really the audience that they're accessing,” said Manola Soler, director at Alvarez & Marsal Consumer & Retail Group, a global consultancy.

For Carlyle, there's a big opportunity with Beautycounter, a mission-driven brand that relies on “clean” messaging with a founder who actively lobbies for reform in beauty regulations. The firm is confident it has the resources to help attract the built-in audience that comes with a celebrity brand deal.

"Whatever it takes to get the brand in front of more people we'll do, whether that's investing in digital capabilities, brand building and marketing, [or] potential expansion into international markets," said Jay Sammons, The Carlyle Group's global head of consumer, media and retail.

Counting Community

Carlyle has experience turning brands with devoted fan bases into behemoths. Its 2017 investment in [Supreme](#), which valued the streetwear giant at \$500 million, certainly paid off. Last fall, the private equity firm sold its 50 percent stake when VF Corp., parent company of The North Face, Timberland and Vans, acquired Supreme for \$2.1 billion.

A key tool in Beautycounter's community is its network of over 65,000 independent sellers across the country, who sell its products through word of mouth and promotion online. These "brand advocates" or consultants get a commission from every transaction they're responsible for.

Beautycounter has three freestanding stores in New York City, Los Angeles and Denver, Co., as well as a seasonal pop-up in Nantucket. The store on Abbot Kinney in Venice, which opened last December, has a livestream and shoppable digital content studio that can be accessed across different social platforms.

Last year, there was a four-month long pop-up with Sephora, and the range is also sold on Gwyneth Paltrow's Goop. With Carlyle's involvement, expanding Beautycounter's direct business will remain a focus.

"While retail always play a role, we're not going to ever be dependent on retail," Renfrew. "We're trying to build intimate relationships with consumers."

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