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Hall: Online beauty products site tugs at customers' hearts

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This is the day when mothers are lavished with untold millions in expensive fragrances, makeup and body care luxuries.

What if 5 percent of the purchase price of every gift were donated to the mom's favorite charity?

That's the business proposition being made by Dallas entrepreneur Hil Davis with his latest venture, BeautyKind, an online beauty products store with a charitable bent.

For every dollar spent on the site, 5 cents will go to to the customer's cause of choice.

BeautyKind is giving away 270,000 gift cards through VolunteerMatch to create buzz in the nonprofit community. Davis will hand out 400,000 more cards to charities in his 45-city road trip over the next six months.

"We can turn every woman into a fundraiser," BeautyKind's 42-year-old CEO says. "That's why we call it 'Beauty for the greater good.' We're making it about why you buy, not where you buy."

In 2007, Davis, who once headed investor relations for Brinker International Inc. in Dallas, launched J. Hilburn. He took the Dallas-based online menswear store from zero to \$55 million in his six years as CEO.

"I'm a classic entrepreneur," Davis says. "I'm best at finding an issue and breaking the wall. I don't take no as an answer. I'm great in small doses, but after that I'm kind of a pain in the butt."

Friends say that's his charm.

Since October 2013, Davis has concentrated on creating an online store that would be similar to Sephora or Ulta. In addition to the give-back component, the business model has a multilevel marketing and reward program that can create serious income.

He calls it "head, heart and wallet."

Because beauty companies keep a tight rein on retail prices, BeautyKind's products will cost pretty much the same as other retailers, including Nordstrom and Sephora, Davis says.

Eyebrow pencil to numbers

Here's how he runs his numbers:

“Say it takes 25 percent of revenue to run a store — leases, overhead, everything,” he says. “Our shipping, fulfillment, packaging will run about 13 percent. Then we've got 5 percent for the cause and 5 percent for the rewards. That's 23 percent. All we're doing is changing out the P&L of a store for this.”

BeautyKind began beta testing in November and went live in February.

Davis estimates startup costs at about \$4 million, with technology eating up \$2.5 million of that. Two co-founders are big names in retailing and tech. Scott Bedbury was the chief marketing officer for Nike and Starbucks. Adil Wali is the former chief technical officer of ModCloth, a pioneer of crowdsourcing.

Davis and Wali are the primary owners, with three other co-founders, friends and family making up the rest.

Davis is having trouble getting buy-in from the powerhouse beauty brands — think Estee Lauder, Lancome and Clinique — because they want to protect their prices by limiting distribution.

“I get that part,” he says. “But I also think that as the head of that brand, you've got to ask yourself, ‘What's the right thing to do?’”

Davis was in New York last week to meet with some of the big brands.

The concept is gaining traction with designer names. In the past month, Burberry, Michael Kors, Kate Spade, Prada, Calvin Klein and Vera Wang joined the lineup, which now stands at 102.

April sales were \$100,000-plus, up 250 percent from March.

Laura Geller Beauty, which sells midprice makeup through Target, Nordstrom and other mainstream retailers, immediately got BeautyKind's strategy.

“We are allowed to share our product and our expertise with the customer, and in turn, they can share the proceeds with the organization of their choice,” says Elana Drell Szyfer, CEO of Laura Geller Beauty. “We felt like this was a perfect synergy for our brand.”

Davis doesn't know what to expect for first-year sales. So much depends on those big brands.

Worst case is \$3 million; best is \$10 million.

The customer can designate any cause considered legitimate by GuideStar or Charity Navigator. Donations are distributed through the company's nonprofit, the BeautyKind Foundation.

A year ago, Davis asked Neil Waterman, 42, who runs a boutique financial advisory firm, to help set up the company.

“Hil was 10 minutes into explaining it, and I said, ‘I'm in,’” says the managing partner of Catapult Partners LP. Waterman is now an investor and a board member.

Waterman and his wife, Jen, have three children, two with special needs: a 7-year-old daughter with developmental delays and an 18-month-old son with Down syndrome.

“I love what Toms is doing with buy a pair, give a pair,” Waterman says. “But we want to make an impact on Cornelia de Lange Syndrome Foundation and the Down Syndrome Guild of Dallas.”

Rex Jobe, CEO at KloudNation, a Richardson software company, invested in BeautyKind because he liked the concept and the management team.

“Hil is a driven leader with a great track record,” Jobe says. “And it's rare to have an opportunity to invest in something that puts cause at the forefront.”

Guerrilla marketing

Davis launched a guerrilla marketing campaign in March using \$20 and \$50 gift cards. In the next six months, he'll help hand them out in 45 cities.

His first stop was the Mary Crowley Cancer Research Centers–Dallas. He and Charlotte Huthnance, who was treated for ovarian cancer there, brought a little sunshine to women in the infusion center.

“I’m so incredibly grateful to the people of Mary Crowley,” says Huthnance, a 42-year-old mom of three kids, as she emerges from the treatment room.

“I wanted to brighten people’s day. There’s not a whole lot of fun going on back there in that room. It’s nothing but gloom and dreary and sick people. I think they had a good time.”

A third of the gift cards have been redeemed, Davis says. Almost all of the orders exceeded face value, which means they brought in a little money while spreading the cheer.

“We’ve talked to a number of national brands and they’ve said, ‘Our woman is not motivated by cause.’ I’m like, ‘Really?’ I think they’re absolutely wrong,” Davis says. “That’s what this road trip is about — proving that cause matters.”

Follow Cheryl Hall on Twitter at @CherylHall_DMN.

Hil Davis

Title: Co-founder and CEO of BeautyKind LLC

Age: 42

Resides: Dallas

Born: Auburn, Ala.

Education: Bachelor’s degree in anthropology and sociology from Rhodes College, 1995; Culinary Institute of America, 1999

Previous startup: J.Hilburn, online, direct-to-consumer menswear retailer.

Personal: Married to Holly for nine years. They have twin 7-year-old daughters.

SOURCE: Hil Davis

BeautyKind

Headquarters: Los Angeles

Founded: October 2013

Website officially launched: February

What it does: Online beauty products retailer that gives to charities of the customer’s choice and has a cash-back program.

SOURCE: Hil Davis



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