

BIG buys beauty businesses for the long haul

Will 2015 be the year you position your company for new growth by acquiring a long-term strategic partner? Or do you have a

great idea and a strong team but lack the financial resources to bring it to market? Then **Beauty Industry Group (BIG)** could be the future partner you're looking for. BIG owns and operates businesses within the professional beauty industry, with its products sold and distributed in all of North America, Australia, parts of Europe and Latin America. BIG is looking to acquire and grow additional brands within the beauty industry by partnering with their existing teams to enhance their expertise and skills sets with financial and human capital, and then—unlike most investment companies—hold those companies for decades

Beauty Industry Report (BIR) recently met with BIG's president, **Derrick Porter**, to learn more about what this new type of investment company can offer to our readers. We were intrigued by BIG's innovative approach.

BIR: Welcome, Derrick. What do our readers need to know about BIG?

Derrick Porter (DP): Thanks, Mike. Let me first say that BIG does NOT have a private equity frame of mind when looking for acquisitions. Rather, we plan to find successful brands that have a lot of good in them, make an acquisition, learn from their best practices, combine them with our own, and then operate and hold the brand(s) for many decades. We're relatively young in the industry, and so time is on our side.

We've had great success with one of our platform brands, **Babe Hair Extensions**. Thanks to the efforts of our national and international distributors, we now plan to find more successful brands that we can offer to our distributor network to further empower the independent distributor.

Since the beginning, we have believed in the independents and their place in the professional beauty industry. No one can pioneer a brand

while simultaneously keeping the energy and momentum alive and providing first-rate consultative support at the distributor salon



Derrick Porter leads Beauty Industry Group, a company that is BIG on the beauty business and the people who make it so special.

consultant level like an independent does. We've seen first-hand the power of independent distributors. That experience has strengthened our resolve to become the best partners to them in the industry. Net-net, we want to replicate our experience over and over and plan to do that by building our product offerings to the independents.

In addition to the acquisition of existing brands, BIG is looking for new venture opportunities. We were founded with an entrepreneurial spirit and drive—one that believes in hard work, a little luck and endless tenacity. There are a lot of great new venture opportunities, and we will bring some of those ideas and products to market.

BIR: What do you mean by new venture opportunities?

DP: We're actively looking for the newest and best ideas and hope to help these companies/individuals build the infrastructure to take their ideas to market. Many times this might be an old idea reinvented or something completely disruptive. Either way there are a lot of great concepts out there that need to be capitalized and monetized. Because of our entrepreneurial background, we really enjoy taking a great idea and helping to give it legs.

BIR: That's a different approach from the many investment companies that buy businesses to build them up and resell them. Why did you choose your direction?

DP: We're in this for the long haul. We believe in creating long-term value and building brands that distributors can really sink their teeth into, while knowing those brands won't be sold too quickly and taken out from under them. If we buy something knowing we'll sell it in 3 to 5 years, we're going to make short-term decisions that either drive top line growth or we would cut investment spending to make the balance sheet look better. By buying and holding businesses, we can make the best decisions for

the businesses, their shareholders and their stakeholders, while creating the highest long-term value for the company. For BIG, it is about creating a machine that is full of great brands and can run for a really long time. Recurring cash flow, stability and certainty are what are important to us.

There's long been debate on whether mergers and acquisitions create or destroy value. We believe that by strategically acquiring, as opposed to buying with intent to sell, we can maximize the value and share with not only shareholders but stakeholders, as well.

BIR: What is your role in the company?

DP: I'm spending a lot of time looking for new deals to help BIG grow and further secure our place in the professional beauty industry. We've scrimped and saved for many years to try and make several strategic acquisitions, and after careful observation, we are ready to move forward.

My job over the past 8 years has been to build our infrastructure, improve our organizational strength and further prepare ourselves to become a serious industry player. In addition, we have in reserve a capital partner that is willing to help us with large transactions, so that we can make the process quick and seamless. In a nutshell, I'm responsible for the overall health of BIG, as well as constantly evaluating where we are today and what we need to be doing to ensure we are around tomorrow.

BIR: How did you get to where you are today?

DP: Just over a decade ago, I started a 3rd party warehousing/fulfillment company with my father. One of our customers was **Logan Woolley**, and he had this great idea for buying and selling human hair extensions. It was a much better business than mine, and I saw a lot of upside. He was nice enough to let me join him, and we went to work. Early on, we met with anyone who had a pulse and would listen. Our strategy proved itself over time, and we were able to create a brand that had some traction, complete with an excellent distribution network. We've been able to bolt on a few companies since, and today you have BIG.

BIR: It sounds as if you have a great deal of professional beauty industry expertise. Where did that come from?

DP: Confucius is quoted as saying that we learn by three methods: “First, by reflection, which is noblest; second, by imitation, which is easiest; and third by experience, which is bitterest.” It’s definitely been a bittersweet ride. I’ve spent more than 1,000 nights on the road in the past 10 years, and last year visited nearly 30 countries. Being able to visit salons, distributors and manufacturers in places such as Scandinavia, the Middle East, Asia, Europe, Australia and the Americas has been a rich and rewarding experience. With all the travel have come many opportunities to meet industry leaders, as well as the individual people who make up the back bone of our industry. I’ve been robbed in Milan, been caught in a riot in Montevideo, accidentally witnessed an arms deal in San Salvador...the list goes on. Perhaps the most important thing I have learned with regard to our industry is that it is healthy. It’s fairly recession-proof, it’s growing and it has a place in the global economy. It’s the real deal.

BIR: Who else on your team do our readers need to know?

DP: I’ve previously mentioned Logan Woolley. He’s worth mentioning again. The whole reason we exist is because of his tenacity and passion for beauty and commerce. He started BIG by selling his family car and using the proceeds to buy two gold plated statues of Christ (each almost 8 feet tall), which in turn netted a small amount of money. From there, he spent the entire lump sum on his first order of hair and opened up shop in his parents’ boiler room. We worked out of our homes and eventually a storage unit for several years until we could afford a small building in the most inexpensive part of town. In addition to Logan, we have about three dozen other amazingly talented individuals who really run the company.

BIR: Tell me more about your distribution network.

DP: Going this route was the best decision we made. Before launching, we had a serious opportunity to launch with a large national distributor. In the 11th hour, we scrapped the plan and opened up with **Peerless Beauty Supply** here in Salt Lake City. Since then, we’ve grown to cover all of North America and many

“We believe in creating long-term value and building brands that distributors can really sink their teeth into.”

—Derrick Porter, president, Beauty Industry Group

other parts of the world through our distributor partnerships. One of the things I enjoy most about my job is our relationships with our dealers. They have truly become our business partners.

BIR: What criteria/numbers are important to you when acquiring a business?

DP: I’ve always believed in “who, then what?” We bet on the jockey before the horse. As a result, the most important thing we consider is who we are going to be involved with. We’ve learned that business is about people, and if we can get the people right, we can do anything.

The secondary criteria are profits and cash flows if we’re talking about an existing business. I’d much rather have a \$1 million company that makes \$300,000 than a \$10 million company that makes \$400,000. When dealing with new venture opportunities, the questions really center around the idea and whether or not it has legs. If it does, we like to test the concept to determine which channel it should use to be sold, and then compare that with our strategies to see if they are complementary.

BIR: What does “getting the people” right mean to you?

DP: BIG’s credo has to do with the fact that people ARE our business. Without them, we would cease to exist. Because of that realization, it’s vitally important to get the right people in the right seat on the right bus (to paraphrase Jim Collins in *Good to Great*).

We’re looking for people who work hard, who are honest, who are team players, who are optimistic and who are problem solvers rather than problem observers. We look for people with passion and who are teachable. When we meet individuals with those characteristics and traits, we know we have a winning solution. Excellent people, coupled with excellent products, coupled with opportunity equals a win. It really is all about the people.

BIR: What happens when you acquire a company that already has a full distribution network?

DP: That’s a good question. It really depends on what that distribution network looks like. If the existing owner is staying in place, we would defer heavily to his or her feelings on the matter. If we were taking it over and saw an upside in moving the brand to our preferred independent distribution network, we’d draw up a plan to see if that was feasible.

BIR: Once you acquire a business, can the owner and/or existing team join your company and continue to run the business?

DP: Of course! I’ve always liked the Warren Buffet approach of buying a business, and largely leaving the existing human capital in place. In most transactions, we would hope that the existing team would stay in place for as long as they feel comfortable.

BIR: What would our readers find surprising about BIG?

DP: Probably our average age. With the exception of two outliers (who are wiser than the rest of us), everyone who works for BIG in the United States is under 40! I think our average age is somewhere in the low 30s. That’s really unheard of in our industry, let alone in business as a whole.

We’ve worked hard to assemble an all-star team over the past decade. What’s great about our age is that we will be around for a long time...we have a lot of runway, and we’re too naive to know better most of the time, which I think has contributed to our success. Most of all, we look forward to meeting the new people who would like to join us!

To learn more about investment, acquisition and partnership opportunities, contact Derrick Porter, president of Beauty Industry Group, at 801-206-4783 or dp@beautyindustrygroup.com. Visit beautyindustrygroup.com.