

CRAIN'S

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Beauty biz getting beastly

Founder of Ricky's returns to launch, only to find crowded high-end market.

BY ADRIANNE PASQUARELLI

Ricky Kenig is giving the beauty business a makeover. After years of trouble at Ricky's, the 29-unit drugstore chain Mr. Kenig founded with his brother a quarter-century ago, the beauty guru ditched his namesake firm to launch a new venture—one not weighed down by the family and financial drama that has clouded Ricky's since 2012.



"I left Ricky's to pursue creating a newer, updated beauty niche," said Mr. Kenig, who partnered with professional makeup supplier Alcone to found the 2,100-square-foot store Kenig + Alcone in the West Village last year. "I'm using my over-25 years of experience at Ricky's to give the consumer a little bit more of an education," he said.

Unfortunately for Mr. Kenig, he is not the only one who has noticed an opportunity in the business of dolling up women. Across Manhattan, dozens of beauty brands boasting unique concepts, from make-your-own lipstick to grocery-store-style displays of powders and potions, have opened in the past two years. They're taking advantage of polished and sophisticated customers eager to experiment with their looks.

The beauty bubble shows no sign of popping as sales growth of high-end beauty products outpaces that of apparel. For the 12 months ended in November, U.S. sales of prestige fragrance, makeup and skin care products were \$11 billion, a 2% rise over the year-earlier period. Meanwhile, U.S. apparel sales were flat during the same time, according to market research firm NPD Group Inc.

Experts credit the increase in beauty-product sales to their accessibility—they are priced more affordably than clothing—and to their targeted appeal. More and more independent brands have launched, offering something for everyone.

Fresh competition

"It's the age of the indie brand," said Karen Grant, global beauty industry analyst at NPD. "That's a big dynamic bringing in younger consumers and a variety of ethnic consumers—everyone in the market can find something that appeals to them."

The new stores are fresh competition for industry giant Sephora, the LVMH-owned global chain that operates 15 local outposts, including a recent 7,000-square-foot location on Lexington Avenue. Sephora's answer to new rivals is to buy them; LVMH's Kendo acquired Canadian lipstick brand Bite Beauty for an undisclosed amount in November.

"New York City is among the most active and successful markets for us," said a Sephora spokeswoman.

Ms. Grant expects even more acquisitions by larger players of niche brands, even though such artisanal appeal is what attracts consumers in the first place.

"There's always a shakeout," she said. "Some of the hottest indies have partnered with bigger boxes so they can get the backing to build their brand."

Even Mr. Kenig is feeling the heat—and he saw his share of turmoil at Ricky's. (Before he quit Ricky's, which is majority-owned by Long Island-based Quality King Distributors, Mr. Kenig served as creative director for four chief executives—one of them his brother, who left the company under questionable terms in 2012—in less than three years.)

He admitted that opening a new shop, which he said can cost between \$500,000 and \$750,000, has been "challenging," though he is optimistic.

Nevertheless, New York's real estate market is embracing beauty, welcoming cosmetics tenants into a variety of spaces. Because eyeliners, lipsticks and perfumes come in small packages, many companies are leasing boutique-size shops ranging from 500 to 1,000 square feet, though a few come in at about 2,000 square feet. Aspen, Colo.-based Cos Bar, a 39-year-old firm opening its first Manhattan location at Brookfield Place this March, signed on for 1,300 square feet. It expects to showcase some 20 brands in the space.

"A beauty store will build a great installation and look good," said Faith Hope Consolo, chairman of retail leasing at Douglas Elliman. "If we're in a co-op building where [property owners are] concerned about quality of life, [beauty stores] make very nice tenants, and they're usually highly profitable."

Indeed, many of these small stores are already seeing big returns. Bite, which opened its SoHo shop less than two years ago, sees about 240 customers a week, the majority of whom pay between \$36 and \$48 for personalized lipstick, said store manager Brigid Kozak. The shop recently expanded its operating hours to seven days a week from six last year.

Similarly, Pucker, a new store where customers pay to have their makeup applied, has also been well received since it opened last February on Grand Street. The shop charges \$35 for services like a smoky eye and \$60 for an entire makeup application, compared with as much as \$250 for similar at-home services.

Alternative choice

Hiyam McKelvey, a former banking executive who co-founded Pucker, said the bilevel shop attracts between 100 and 125 customers weekly and has added services such as hairstyling to meet demand. She started Pucker to offer an alternative to larger stores.

"It's a place where you can come and get beautiful, professional makeup application without the pushiness, the awkwardness, of a department store, where you're expected to buy at the end of a session," she explained.