



Maintaining an Entrepreneurial Mindset

An Interview with E. Scott Beattie,
Chairman, President, and Chief Executive Officer, Elizabeth Arden, Inc.

EDITORS' NOTE E. Scott Beattie has been involved in every element of the Elizabeth Arden's expansion and development since 1992. Additionally, Beattie has been involved in the financing, management, and development of a number of private and publicly traded businesses in the consumer product, financial services, information technology, and retailing sectors through Bedford Capital, a Toronto-based private equity firm he co-founded in 1989. Prior to that, he served as a vice president in the Mergers and Acquisitions group of Merrill Lynch, Inc. and as a manager of Accenture Consulting.



E. Scott Beattie

COMPANY BRIEF As a global prestige beauty products company with an extensive portfolio of prestige beauty brands sold in over 100 countries, Elizabeth Arden's (www.elizabetharden.com) brand portfolio includes Elizabeth Arden skin care, color, and fragrance products, including the Ceramide, Eight Hour, Visible Difference, and Prevage skin care lines; the celebrity fragrance brands of Britney Spears, Elizabeth Taylor, Mariah Carey, Taylor Swift, and Usher; the designer fragrance brands of Juicy Couture, Alberta Ferretti, Alfred Sung, Bob Mackie, Geoffrey Beene, Halston, John Varvatos, Kate Spade, Lucky Brand, and Rocawear; and the lifestyle fragrance brands Curve, Giorgio Beverly Hills, and PS Fine Cologne.

How critical has innovation been to the culture and success of Elizabeth Arden?

One of the key reasons Elizabeth Arden and the beauty industry has been such a dynamic, fast growing, resilient industry is there has been so much innovation. There are many different models, from very large businesses that have a structured model of innovation to entrepreneurs creating out-of-the-box innovation; we're in between. We try to maintain that entrepreneurial mindset and manifest that through a very flat organization. We try to keep the number of organizational layers to a minimum so that there is a lot more cross-functional, horizontal communication and minimal hierarchical behavior.

I believe in cross-functional training for our executive team to reduce some of the bureaucracy and the mistakes that are often made because of it. It's also more fulfilling for people in the organization to develop their skills across many functions.

A flat organization creates a certain nimbleness and agility that allows you to take advantage of opportunities.

I'm so satisfied with how well we innovate that I'm trying to ensure that our organization brings the same kind of focus and passion to driving the growth of our existing brands.

How do you accomplish that without losing the tradition and history of the brand?

It is a challenge because people like to work on the newest things, and oftentimes, they take for granted

brands such as Arden that have been around for many years. Overcoming that requires a combination of setting up the organizational structure to support both organic growth as well as new innovation and to reward people for that financially and through their career paths.

People that create even modest growth in a 20- or 30-year-old brand should get as much or more credit than someone taking a new product to market with a huge advertising budget behind it.

What key characteristics determine if a celebrity or designer is the right fit for your brand?

First, we assess the business acumen of the individual and the people around them, because if we're going to get into a long-term relationship and invest capital to promote and distribute the brand, we want to know the partnership we have is with dedicated people.

Second, we focus on whether the popularity of that celebrity or designer translates into the beauty category.

They should also be global. Given the strong growth of the beauty business globally, some of the best opportunities for us in fragrance and skin care are outside of North America.

Is the messaging for a product consistent globally or is it locally targeted?

It tends to be more consistent. American brands are aspirational around the world. Even though there are cultural differences in how people interact with brands, a brand needs to be true to itself and its inherent DNA.

If a brand is American, it needs to be proud to be American and not adapt itself to be something else or the consumer connection is broken down.

With Arden's clear brand recognition, do you foresee opportunities for extensions?

One we're excited about is the spa industry, which is bigger than beauty globally and is exploding in many emerging markets, particularly in Asia.

When people are asked about the Elizabeth Arden brand, one of their first connections is to the Red Door Spa and its heritage. Elizabeth Arden is one of the few global brands in the spa industry.

We have a private equity group that licenses the Elizabeth Arden and Red Door marks for our spas and it's primarily U.S.-based, but we see potential to expand it globally. That not only creates another business platform for the Arden brand that is complementary, but it gives us a differentiated way to interact with our customers – servicing people through a spa environment with professional skin care clinicians or beauty advisers, which creates a more loyal experience than just buying a product in a retail outlet. That has uniquely been our heritage for over 100 years.

How much can the Internet drive the business?

The biggest opportunity is still informational, because shopping behavior, especially for younger customers, is different. The days of walking in and out of stores has evolved into sitting in front of an iPad and scouring various brands and educating yourself about the attributes of the brands.

They'll then buy the product through our site, through Macy's and other sites, or buy them in a store when they have time at lunch. We're indifferent to the route they use to get to the product. The key is to build loyalty and educate the customer on what you stand for, particularly in emerging markets where there isn't a lot of established retail distribution.

Where are your primary opportunities for growth?

We have significant market share in the U.S. where beauty sales per capita are less than in Europe and Asia. Both the European (\$57 billion) and the Asian beauty markets (\$53 billion) are twice the size of the North American market. These markets are growing faster and provide our company tremendous opportunity for growth.

What is the value of being headquartered in Florida?

Florida was where we started and is the heart and soul of our culture, even though some of the functions have moved to other parts of the world as we've grown.

On the professional side, it's an attractive place to live and work. The cost of living is more affordable, there are no state taxes, and it's a nice lifestyle. There aren't a lot of global consumer product companies, particularly in South Florida, so we have a great opportunity to attract the best people to work for us. ●