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SPECIAL REPORT: GETTING STARTED
By Nicole Alvino

Turning Battle Scars into Beauty Spots

A former Enron employee moves on to earn an MBA from Stanford, invents a new concept in skin care, and opens Dermalounge

Belief is a funny thing. I never doubted that I would have my own business. Pretty much everything else along the way -- location, partner, name, even the type of business -- could have happened differently, and very nearly did. But every night I knew that somehow, in some way, I would be my own boss. Thankfully the dream never went away, and one day, a little before Christmas, Dermalounge was born.

There were plenty of reasons to doubt. Most people in the skin care business have luxury goods or medical backgrounds. Not me. I graduated from Vanderbilt with degrees in Economics and Japanese and went to work for the most dynamic place I could find, a fast-growing Texan energy company called Enron.

BEND THE RULES. For a couple of years it was incredibly exciting; we would come into the office and see that the stock was up, work all day on projects we barely understood, then head out to Little Woodrow's, where we would order tequilas and toast our bosses. Some of these bosses are in jail or on trial now. They shared the excitement we had, and with the pressure to perform came the temptation to bend the rules. Let's just say I learned many powerful lessons about how not to build a business.

Luckily, I had already planned on business school when the bankruptcy hit. Stanford gave me a fresh start and allowed me to see a path outside the corporate world. All of a sudden I was taking classes from people -- Irv Grousbeck, Andy Grove, Paul Romer -- who had started companies of their own and wanted me to know that it was possible. All I needed was the idea.

It took me the better part of a year to come up with the Dermalounge concept. I decided quickly on the personal care industry; it was growing yet fragmented, with a good return on invested capital and, above all, fun. After four years in the energy business, and living through the final debacle of Enron's collapse, I knew I needed something I felt good working on every day.

FUN REIGNS. The importance of fun helped me refine my concept. Skin care tends to take place in two places: dermatologists' offices and day spas. Day spas are relaxing and indulgent, but rarely very effective.

Dermatologists can be effective, but their practices tend to be sterile; do you really want to see your doctor any more than you have to? My goal in starting Dermalounge was to combine the efficacy of a dermatologist with the luxury and personal attention of a day spa -- to make skin care fun.

Once I had the concept, I needed to fund it. I worked hard to make my business plan as capital light as possible, but that necessary funding was still a lot more than I had on hand; with my business school debt I was in no position to bootstrap a company. Initially I thought this was going to be the easy part; I had no idea how difficult it would be to convince people that I could build and run a successful business.

I needed someone with marketing experience, someone with a history of building brands. Together we would present a more balanced team to investors. Here again, luck was on my side; I found a partner who was already a successful entrepreneur and was as focused on letting me turn my dreams into reality as he was in enriching himself.

I thought the biggest hurdle in forming the partnership would be the initial discussion over equity percentages. Admittedly, I was nervous, but it ended up going really smoothly. I learned that if this initial conversation isn't easy, the partnership probably isn't meant to be.

PATIENCE IS A VIRTUE. Raising the capital was something like mounting a political campaign. We called on all the people who had told me that if I ever got a concept and a partner together, they would invest. What they really meant was that when I had a concept and a partner they would consider investing, maybe, if the concept was Google and the partner was Warren Buffet.

For a passionate person, this was the hardest part of the journey; I would pour my energy into a presentation and watch it evaporate into a casual "I'll think about it." As the process moved on and we started getting some commitments, I was able to relax a bit, but until the last dollar was locked in I needed plenty of yoga just to stay sane.

A few months later, with the walls freshly painted, I welcomed my friends to the launch of Dermalounge in San Francisco's Noe Valley. Most of them knew the hard work I had put in and were quick to congratulate me. When the party was over, though, I had to begin my real job -- building the company.

Every day I try to do a bit better, and with the help of a great team, so far that is the way things have worked out. Sales are up 50% in the four months we have been in business, and our clients' skin has never looked better. I just signed the lease for our second location, and I look forward to building a presence throughout the Bay Area. After all, shouldn't everyone have great skin, and enjoy the process of getting it?

Based on my first-hand experience getting started, here are the lessons I would impart to those considering starting their own business:

1. Find something fun. Starting a business is not a full-time job, it is a full-time life. If you are going to pour your heart and soul into something, it needs to be something you enjoy.
2. Find mentors. Your business is unique, but your problems are not. Writing a business plan, negotiating with partners, raising money -- odds are good you know someone who has been through these steps before and can help you avoid pitfalls.
3. Listen to your investors. Fund-raising can be demoralizing, but the smart people you meet will invariably ask important questions you never considered.
4. Have the tough conversations early. I was part of a partnership in business school that fell apart over equity allocations. We waited until far, far too late to decide how we would split up ownership, and the conversation became horribly emotional. If a partnership is meant to be, the issues will work themselves out; don't be afraid to bring them up and get them behind you.
5. Believe in yourself. Your business may or may not succeed for any number of reasons, but it cannot succeed if you give up.