

# folica.com

it's all about the hair™

David Giacomini, CEO of the largest online ecommerce site focused on hair, talks candidly about his company's business.

by Tracy Morin



WITH ITS USER-FRIENDLY, UNIQUE WEBSITE FEATURES AND annual revenue of \$40 million, Folica.com demands attention in the beauty-retailing arena. For more than a decade, the company has enjoyed consistent growth and innovation, continually stepping up its game to meet the needs of the increasingly sophisticated online consumer. To learn more about the company, the secrets behind its success and what's ahead, *Beauty Store Business* spoke with David Giacomini, CEO of the New York City-headquartered, online-only beauty retailer.



David Giacomini, Folica.com's CEO

**“There is a perception that online retailing cannot compare to physical retailing. We actually agree with this statement.”**

**BSB: What would you like to tell our readers about your company's history?**

**GIACOMINI:** The company started in 1999 as one of the first online companies to sell haircare products online. The emphasis of the company was to provide a broad assortment of haircare products at compelling prices. Part of this strategy included carrying gray-market products, as well as the development of our own branded products. The company was highly influenced by customers, who drove merchandising, marketing efforts and product development. Folica was one of the first companies to incorporate photos and videos into product reviews, and revenue grew fairly rapidly. The company grew to about \$35 million in 2007. In late 2007, we received an investment from Stripes Group, and completely modernized our infrastructure, improved customer service and migrated to a newer, more robust ecommerce platform.

**What makes your website unique, and how has it developed over time? \***

Folica.com is unique because of the rich depth of content related to hair, from informative how-to articles and videos to more than 70,000 customer reviews. You can even filter customer reviews by hair type. We are the largest online ecommerce site focused on hair.

Over the past several years, we have made huge strides in improving the site's usability, providing customers with valuable content, improving customer service and improving our merchandise selection and brand relationships. For example, in the past, returns would often take up to a week to process; now, they are processed in [fewer] than four hours upon receipt.

Also, our call-center staff members are all highly trained hair experts and help guide customers through the complexity of finding the perfect product for them. If you were to call other beauty-retail websites and ask questions such as, “What are the benefits of ions?” or “What temperature flat iron do I use for keratin-treated hair?” you would likely be disappointed. In our call center, we have full-time, long-term employees with very little turnover, and they receive training and education on our brands.

**What are some of the drawbacks and benefits of being an online-only beauty retailer?**

The greatest challenge we face is the issue regarding gray-market goods. Customers do not understand the distinction and don't understand why certain hair products are not available at Folica.com. It can sometimes be a struggle staying in stock with certain brands. We have worked tirelessly over the years to create rock-solid vendor relationships, and are proud of the 300-plus direct vendor relationships we do have. We make selling to us easy, honor MAP

pricing, partner with marketing programs, incorporate brand feedback into creative elements, educate customer service about the products, etc. The only way to succeed with our business model is to establish long-term relationships with brands based on trust and respect. As we continue to grow and prove ourselves, we continue to gain more direct brands. We believe that various channels can all live in harmony, and some customers have a preference for specific channels. For those who prefer the Internet, we would like to serve that customer need rather than force them to an alternative channel.

One of the greatest benefits of being online is that we can fully take advantage of all the interactive capabilities. We find that our customers are often researching products, so being able to show reviews relevant to their hairstyle, videos, detailed product descriptions, etc., all help the customer make an informed decision. Even though we are often not the lowest online price, we find that customers still like to order from us due to our immense product knowledge and how we stand behind all of the products we sell.

**How have you managed to continue thriving in the competitive online marketplace?**

We have been able to stay competitive for two main reasons: first, dedicated commitment to vendor/brand relationships. We know that the relationship we have



**“We do a lot of hands-on experimenting with new products internally,” says David Giacomini. Pictured is Julie Rosing, online marketing coordinator.**

## “Another challenge we face is having to compete with counterfeiters and [online] retailers that have low or nonexistent customer service.”

with various brands is the cornerstone of our entire merchandising strategy. Not a day goes by where we take for granted the privilege of selling any particular brand. We believe in providing a collaborative environment where working with a brand can help increase sales and create a win-win situation for all involved.

The second major reason is our obsessive focus on our customers. Our customers drive our business. Customer comments and NPS scores are all routed to every employee in the company. We look at things like what people are searching for on our site, where they are spending time, etc. We really scrutinize the customer path—the page they land on, where they go to on the site, where they're confused. We study Web analytics on how people engage, even off our site. When we saw keratin treatments being searched on Google, we incorporated related products and how-tos on our site. So we're very proactive by looking at hair customers' searches. We continually seek to make the site easier to use and provide products the customer is looking for. Our product development is heavily driven by customer feedback as well.



Sylvia Zori is Folica.com's merchandising team leader for appliances.

### How do you attract new customers and retain current ones?

We have a very broad-ranging online marketing program. We are very active with paid search, and are bidding on more than 1 million key terms. Our email list is approaching 1 million opt-in names. We have a formal blogger/vlogger-outreach program and affiliate program as well.

Our referral program is relatively new and generating very positive results.

We are currently working on developing a more formal loyalty program. Starting in 2012, we will begin offering benefits such as invitations to private sales, sneak previews, deluxe sampling and a VIP reviewer program.

### What are some of the other noteworthy features of the site?

The main aspect is our intense focus on hair. We have a wealth of information in our Hair 101 section with numerous how-to articles and videos. Our reviews are the most popular aspect of the site, and we continually get very positive feedback about the benefits of our reviews. Our reviews are unique in that you can filter by hair type. In addition, numerous customers provide photos or videos with their reviews. Our customers love to share good and bad experiences, and we offer a platform to facilitate that dialogue. Consumers are cynical about companies saying their products are great, so that added credibility comes from a like-minded consumer. In fact, because of our reviews, about half of the time a customer will find us by searching for a particular brand on Google and will end up buying another brand.

Our Top 10 lists are very well-received. Our merch team incorporates customer feedback, quality inspections and reviews, and curates an outstanding assortment by category. Many customers appreciate the assistance of cutting through the clutter and isolating their choices to a handful of outstanding options.

In addition to traditional product-based navigation, we also have a “shop by” feature that lets customers shop by hair type, benefit or concern. In addition, we have a “Specialty Shop” category, where we have assortments for things such as “Travel Shop,” “Kinky, Curly, Wavy Shop” or “Stylists' Favorites.”

### How does your company engage in customer interaction?

Our social-media efforts are twofold. We maintain an active presence on Facebook, YouTube and Twitter. We try to discuss current hair-related topics, celebrity information, latest styles/trends, etc. The key to engagement is

ongoing active participation. We currently have about 22,000 Facebook fans with little to no investment in this area. The greater social focus for us has been on building up advocates for our site through social networks. For instance, while our YouTube channel has a few dozen videos, our vlogger-outreach program has generated thousands of videos provided by other users that promote Folica.com to millions of subscribers. We focus on how to get people to talk about us on their own social networks and reach out to people who have blogs with high subscription rates. Our email program is also very active, and we send about two emails per week.

### How is Folica.com changing or shaping online beauty retailing?

We feel that historically the online space has struggled with beauty retailing and has had to overcome significant hurdles from the industry. Even to this day, there is a perception that online retailing cannot compare to physical retailing—especially by salon professionals. We actually agree with this statement and do not feel that online retailing will ever be a replacement for physical channels. However, we do feel that there is a certain segment of customers that is demanding to shop online, and they will find products online. If not given an opportunity to do so with a credible, authorized online retailer, they may tend to purchase from a less reputable site, which may harm the brand. We feel that we are moving along with the rising trend of online retailing, and feel it can truly be complementary to other channels. In addition, there are many distinct advantages available online, such as user reviews, video instruction and convenience.

### What have been some of the company's most successful promotions recently?

In the last year, a couple promotions really stand out. We had a Great Hair Day Contest [greathairdaycontest.com] where we partnered with *Allure* magazine to create a contest where users submitted their “great hair day” photo and invited friends to vote. We received more than 1,900 entries and more than 50,000 Facebook votes. We were expecting a

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few hundred entries at best, and were pleasantly surprised by the viral nature of this promotion and engagement from the community.

Another successful promotion is still an active one: Folica.com/recycle, which is basically a hair dryer trade-up program. We find that customers tend to need more education about the benefits of a professional dryer, and this program is a way for customers to try out a higher quality dryer. In addition, we recycle the dryer the customer sends back; a few of our customers had reached out to us and said it was hard to recycle their hair dryers. So far, we have had nearly 1,500 redemptions.

Based on the success of these, we will do another that we are still finalizing. We like to partner with companies and will repeat a similar promotion.

## What have been some of the challenges and successes for the company?

The greatest challenge has been the difficulty of sourcing gray-market products. The supply is inconsistent, which leads to us not having items that customers are looking for in stock. Our No. 1 complaint from customers is that we are often out of stock on certain items.

Another challenge we face is having to compete with counterfeiters and [online] retailers that have low or non-existent customer service. They are doing a major disservice to the reputation of online retailers.

I would say our biggest success has been the building of relationships with haircare brands. This has been a long, ongoing process, but we are very proud of the direct relationship we have with many brands today, including Elchim, GHD, T3, Ouidad, BaByliss and hundreds more. Not only have we gained numerous direct brands over the years, but we continue to build deeper relationships with them, including co-op marketing efforts, sampling programs, cosponsored contests and events, etc.

My objective is to have direct-vendor relationships with 100% of the brands we carry in 2012. This is a huge change from how this company started, where the vast majority of products sold were gray market.

## How are you changing that negative perception of online retailers?

We have a strong customer-service orientation. It can be the simple things, such as having someone answer the phone when a customer calls, no-hassle returns or making it very easy to handle warranties. This also takes the burden off the companies we work with. Standing behind the products and being there for customers translates into loyal customers, and we have a strong loyal following.

## What's new or next for your company? What other goals are you looking toward?

The biggest change for us in the next year is completely getting out of the gray-market business. We are sacrificing this revenue stream, but feel the benefits of stronger direct-vendor relationships will more than offset the loss in the long run. We are making a concerted effort to increase our direct relationships as well. There are certainly many brands that will never adopt ecommerce as a viable channel. We hope that we can build such a strong ecommerce platform that is highly regarded by consumers that we can help change this stigma against online retailing. This has already happened in many other industries, such as footwear and fashion. But we won't sit and wait for brands to join us. We have 300-plus brands currently partnered with us, and we are moving full steam ahead to grow our business.

In a recent survey of our customer base, we received more than 15,000 responses about merchandising. The vast majority would like to see us expand into skin care. They were less interested in fragrances or cosmetics, but there was a strong desire for skincare and anti-aging products. We will likely expand into those categories more aggressively. However, our approach of being highly relevant, with rich content and deep expertise, will be applied to this, as well. So rather than jumping in with 1,000-plus SKUs in skin care, we will selectively add brands, educate our customer-service team, develop content supporting the products, and partner with brands for sampling/marketing programs.

This formula has worked well for us with hair care, and we will follow this formula for skin care.

We are also experimenting with new channels. We have expanded our online marketing efforts to include behavioral targeting, co-reg marketing, mobile and video. In addition, we had great success with small, quarterly mailers this year, and mailed a mini-catalog this holiday season. We are very excited about the catalog and the enthusiasm from many of our vendors to participate.

Ultimately, this all ties back to our overall objective of meeting customers' needs and partnering with vendors. By building an enjoyable and engaging destination for consumers to find the products they are looking for, we are meeting a market need and providing a valuable service—before, during and after the sale. By building strong partnerships with the brands we carry, we create an environment where we help grow the brands in a way that meets their branding and sales objectives.

## Is there anything else you would like to add about Folica.com?

We have won many industry awards, but the ones we are most proud of are customer-centric awards. For instance, we were selected as a Bizrate Circle of Excellence Platinum winner and received an "Excellent" rating from STELLAService. There have been numerous magazine mentions as well, including this quote from the November 2011 issue of *InStyle* magazine: "It's the mother lode of hair-styling arsenals: There are more than 250 flatirons (sic) alone, and one has more than 5,000 reviews! Browse using easy sorting options, including stylists' favorites, hair type, and top 10 lists."

We are always open to partnering with new brands and welcome the opportunity, particularly with hair care. We are expanding into skin care and are open to those vendors as well. We have an amazing merchandising team led by Sylvia Zori (szori@folica.com) for appliances and Noelle Morgan (nmorgan@folica.com). She's holding the flat iron on page 36.) for wet goods. ■

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