

JIM LECINSKI AND HELENA BOUCHEZ

Thank God It's Natural: A Distribution Dilemma

On a frosty Monday afternoon in January 2019, Chris-Tia Donaldson, the CEO and founder of specialty hair care brand Thank God It's Natural, felt a sense of accomplishment wash over her as she stood in her company's warehouse amid cases of products stacked neatly on pallets. "Wow, we've come a long way from selling shea butter at farmers' markets," she thought. At the same time, Donaldson felt the gravity of a critical distribution decision she faced, in the form of a new deal she would have to accept or reject in just a few days.

Over the past decade, Donaldson had guided Thank God It's Natural—branded tgin and pronounced *tee-gee-eye-en*—into a national brand widely available across the United States at major retailers, such as Amazon, Target, Walmart, Walgreens, CVS, Rite-Aid, and Sally Beauty. But one important beauty retailer still did not yet carry tgin: Ulta Beauty, a US chain of 1,196 brick-and-mortar beauty stores located predominantly in high-traffic shopping centers.¹ Ulta also had a robust online storefront in Ulta.com and had cultivated a vibrant social media presence.²

On Donaldson's desk was an offer from Ulta Beauty to stock tgin for the first time. On the surface, signing a distribution agreement with Ulta seemed like the right thing to do. However, Donaldson was concerned about Ulta's requirement that tgin develop a new product line that would be sold exclusively through the beauty retailer's channels for one year. Ulta not only wanted roughly a dozen products to fill up to eight feet of shelf space but also wanted at least six of those products to reflect a fresh new concept that would initially be available only at Ulta. The creation of this new product line would involve everything from concept development to naming to packaging

© 2022 by the Kellogg School of Management at Northwestern University. This case was prepared by Professor Jim Lecinski and Helena Bouchez. Cases are developed solely as the basis for class discussion and are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management. This case was based on publicly available information and interviews with Chris-Tia Donaldson, Carly Cobbold '18, and Ella Weems '20, to whom the authors are grateful. For pedagogical purposes, the authors might have fictionalized individuals, conversations, strategies, assessments, or other details. To order copies or to request permission to reproduce materials, call 800-545-7685 (or 617-783-7600 outside the United States or Canada) or email custserv@hbsp.harvard.edu. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of Kellogg Case Publishing.

design, as well as the additional cost of research and development for the new formulations—a huge investment of time, money, and resources. Donaldson would need to trust that the new line would sell well enough at Ulta to recoup her upfront costs.

As a CEO who also was acting as head of sales, Donaldson was grappling with some difficult questions. Was this distribution agreement with Ulta really the best path forward for tgin? More broadly, what distribution channel decisions should she make to unlock the next stage of growth for her company? Ulta wanted her decision by Friday, which meant she had four days to decide.

Company Background

Thank God It's Natural was a line of natural hair care products designed to address the specific needs of African American, Latinx, and other consumers with naturally wavy, curly, or kinky hair. (See **Exhibit 1**.)

Inception

The company was founded in 2009 in Chicago by Chris-Tia Donaldson while she was working full time as senior corporate counsel at US-based multinational computer technology corporation Oracle. Thank God It's Natural grew out of Donaldson's personal need to have and to share products that would allow her and other Black women to more effectively style their specific hair types.

Initially, the tgin brand was propelled forward in part by the impact of the 2009 American documentary film *Good Hair*. Starring and narrated by comedian Chris Rock, the movie explored the importance and implications of hair types and styles in Black culture. *Good Hair* accelerated the trend away from treating Black hair with harsh chemicals and toward more natural looks and the use of more natural products. (For more detail on the impact of the natural hair movement on the African American beauty industry, see the below section titled "The Natural Hair Movement.")

The popularity of *Good Hair* meant that Donaldson, who was already a recognized expert on natural hair as a result of her 2009 book, *Thank God I'm Natural: The Ultimate Guide to Caring for and Maintaining Natural Hair*,³ garnered significant media attention, raising her profile within the beauty industry. Although the book provided a plethora of useful information about natural hair care and included many DIY hair product recipes, readers increasingly expressed to Donaldson their desire to purchase products that were ready to use. This consistent feedback and unwavering demand were instrumental in her decision to create a company that could do just that.

Early Growth

Like a true entrepreneur, Donaldson began by selling T-shirts, books, and skin care products on weekends at festivals and farmers' markets across the Chicago area.⁴ She was also a frequent speaker at natural hair-focused expos and conferences. These entrepreneurial efforts continued until 2013, when she made the decision to launch tgin's inaugural line of hair care products.

Donaldson's first move was to hire a chemist to help her create the formulations for tgin's first four products: Butter Cream Daily Moisturizer, Twist & Define Cream, Sulfate Free Shampoo for Natural Hair, and Replenishing Conditioner for Natural Hair. To save money, she developed the fifth product, Honey Miracle Hair Mask, on her own.

Later in 2013, Donaldson expanded exposure to her products by making them available for purchase online, first from the company website, ThankGodItsNatural.com, then expanding to Amazon.com. Products also were available at a few local health food stores.⁵

As tgin grew, Donaldson began slowly building her team. She also cultivated a vibrant brand presence on tgin's Facebook page, which gained 25,000 followers.

First Major Retail Store Distribution

At a minority business opportunity fair in 2014, Donaldson met Bob Mariano, owner of Mariano's, a Chicago-based upscale grocery store chain. Recognizing the product line's uniqueness, he offered Donaldson the opportunity to stock tgin products in several of his stores. Although a pivotal moment for the brand, stocking a big store such as Mariano's came with a completely new layer of challenges, which Donaldson described in her 2019 book, *This is Only a Test*:

*This new opportunity was anything but easy. We had to drive to the store, drop off products, and put them on the shelves because we were not considered big enough to use the services of their warehouse. It was grueling but worth it because it taught me the importance of keeping your shelf merchandised and having solid relationships with store employees. It may have seemed like I was taking the long road, but I was being prepared. I was getting the training wheels I needed to handle larger opportunities, and I didn't even know it.*⁶

National Distribution Begins

Later in 2014, Donaldson received two important calls. The first one was from a broker who worked with US general merchandise retailer Target and who had been hearing about the tgin line and was interested in representing the brand. The second one was from a Target distributor looking for not just the next wave of ethnic specialty brands but also those capable of doing business successfully with a large retailer such as Target.

"I talked to a lot of people, and they confirmed that we had to work with this distributor, especially at the size that we were at that time—no way around it," Donaldson said. "The natural hair space was still new, but it was growing so fast that I knew it was now or never."⁷

On March 1, 2015, tgin products launched in approximately 10% of Target stores nationwide. Starting with just 250 doors gave the retailer the opportunity to make sure tgin was financially and operationally capable of meeting Target's metrics and delivering on time. Donaldson was determined to make sure tgin delivered on that promise flawlessly. She and her team produced thousands of units in-house to ship to Target. Everything—containers, labeling, packaging—had

to be perfect. Donaldson knew that if tgin did not deliver perfectly on this initial shipment, all her team's efforts up to this point would be for naught.

A presence in Target put tgin on the map as a brand, but it was up to Donaldson and her team to make sure it stayed there. On March 15, 2016, Donaldson met with Target buyers at the retailer's Minneapolis headquarters to discuss tgin's Year 1 financial performance. The news was good: In just 12 months, not only had tgin's revenue doubled but its door count also had grown to more than 1,000 Target stores.⁸

Expansion to Major National Retailers

Although Donaldson was grateful for the opportunity to have tgin products in Target, she was not fond of the fee she was paying the distributor (25% of the wholesale price). She set about looking for more direct (and less costly) relationships and found a direct route into Sally Beauty, a US-based international specialty retailer and distributor of professional beauty supplies. Soon afterward, she also found a way into Walmart through a relationship with another gatekeeper, who charged her a much smaller percentage.⁹

The brand also added Rite Aid and Walgreens to its channels in 2016. Pharmacies Rite Aid, Walgreens, and CVS were all controlled by a single distributor whose fee also was 25% of wholesale.¹⁰ "Target and drugstores were the ones that I gave up the money for—but for the drugstores, I could justify it," Donaldson said. "I said, 'Let the distributors fulfill' because I knew I didn't have time to manage all these smaller accounts."¹¹ During this time, "after years of emailing and doing paperwork,"¹² as Donaldson put it, Whole Foods also began carrying the brand. Donaldson also had approached Ulta Beauty in 2016, but the retailer told her the existing line was too similar to another brand already on the shelf.

Given tgin's growing success and her desire to focus all her energy on her own company, Donaldson decided in March of 2017 to leave Oracle and go all in.¹³

Critical Next Steps

For the next year and a half, Donaldson and her team worked tirelessly to build the tgin business. Donaldson believed tgin was capable of becoming a multimillion-dollar brand by continuing to expand and meet the hair care needs of women with wavy, curly, and kinky hair types—and she was determined to do whatever she needed to do to make that a reality.

The tgin playbook had clearly delivered a winning growth strategy. The company's products were available for purchase in more brick-and-mortar retail outlets than ever before. Consumers also had the option to purchase direct from tgin online, either through its website or via its Amazon storefront. Recognition of the brand by industry and consumers was also increasing, thanks to Donaldson's expansive network of critical relationships and the brand's social media outlets.

A number of additional initiatives that Donaldson could focus on in 2019 might propel the brand forward, from beefing up the company website's e-commerce capabilities to doubling down

on product development. The problem was that anything she pursued would take additional time and resources, which already were scarce.

The Hair Care Market in the United States

Market Composition and Trends

The US hair care market comprised all products used for the care and styling of hair. This included shampoo, conditioner, hair masks, styling products, and hair color. Market value for these segments was estimated to reach \$47.5 billion in 2019, with shampoo representing \$15.7 billion; conditioner, \$10.9 billion; hair styling products, \$9.2 billion; hair color, \$6.5 billion; and hair oil, \$5.2 billion.¹⁴ (See **Exhibit 2**.)

According to the market research firm Technavio, the general hair care market size in the US had the potential to expand by \$1.15 billion between 2020 and 2024, with steady, increased growth year over year.¹⁵

At the same time, natural and organic hair care and skin care products were experiencing explosive growth in North America. The natural and organic health and beauty care (HBC) market reached \$5.6 billion in 2018 and was projected to increase to \$7.7 billion by 2025 (hair care having the highest market share, at 9.5%).¹⁶

The US Ethnic Hair Care Market

The ethnic hair care market represented products specifically formulated for or targeted to consumers with curly or coily hair types. The primary consumers in this category were African Americans.

The US Black Hair care Market

The market for products specifically formulated for or targeted to Black consumers was divided into three segments: big global brands, established specialty brands, and smaller startup brands.

The market was highly fragmented. Big brands such as Sundial Brands (Unilever), Cantu (PDC Brands), Carol's Daughter (L'Oreal), Namaste Labs (Dabur International), and Revlon held a 49% dollar share, but the biggest player in this group (Sundial) controlled less than 20% of the market. Established specialty brands, such as Strength of Nature, Luster Products, House of Cheatham, Ecoco, and Universal Beauty Products, represented a 16.2% dollar share. More than a third of the market (34.7%) was made up of a plethora of small startup brands such as tgin, Adwoa Beauty, and Girl + Hair.¹⁷ (See **Exhibit 3**.)

As these smaller players continued to siphon off sales from major brands, distribution of up-and-coming ethnic specialty brands was expected to steadily increase in mainstream retail outlets,

advertising, and event participation, making products more available to Black consumers and leading to significant additional sales.¹⁸

Consumer Behavior

The trend toward natural hairstyles led Black consumers to seek out a suite of hair care products they could use as part of a hair care “regimen,” or routine, that would allow them to care for their natural hair effectively.

Hair care regimen refers to the many different steps and products required to take proper care, in this case, of wavy, curly, and coily hair types. A typical regimen requires the use of cleansing, conditioning, moisturizing, detangling, and styling products.¹⁹

Black consumers were estimated in 2018 to have spent more than \$1.7 billion on shampoo, conditioner, and styling products. This includes general market purchases from brands such as Pantene, for example. (See **Exhibit 4**.)

Further, Black consumers spent more on hair care than other consumer segments; their spending on shampoo, conditioner, and styling products represented nearly 20% of general market spend on total regimen hair care sales despite representing just 13.4% of the US population.²⁰ The US Black hair care market was expected to grow 11.2% to \$2 billion by 2024.²¹

The Natural Hair Movement

The natural hair movement referred to the trend among (primarily) Black women to embrace and style their hair with products devoid of harsh chemicals such as those typically used in texturizers or chemical relaxers.²² Consumers of such products primarily were Black women, but natural hair products also could be relevant to other groups, for example, Latinx, multiracial, Middle Eastern, and even some Caucasian women.

Hair Types and Styling Options

Renowned hair expert (and Oprah Winfrey’s personal stylist) Andre Walker developed a hair classification system composed of four main hair types:²³

- Type 1: Straight Hair—straight with no curl or wave pattern. More common among Caucasians and Asians than those of African descent.
- Type 2: Wavy Hair—Noticeable wave pattern but little or no curl.
- Type 3: Curly Hair—Well-defined S-pattern.
- Type 4: Kinky Hair—Kinky and tightly coiled; looks coarse but actually extremely fine.

More than half of Black female consumers (52%) self-described their hair as type 4.²⁴ (See **Exhibit 5**.)

A *Vogue* article that examined the complicated relationship Black women have with their hair stated the following:

The Black and mixed-race experience with Afro hair is a complicated one. Though each individual has their own personal journey with their natural hair, most share similar experiences with regards to overcoming deep-rooted hair discrimination, as well as developing a true sense of self in the face of Western beauty ideals.

The natural hair movement has seen many Black and mixed-race people growing out their hair, chopping off relaxer-thinned strands, using kinkier hair extensions, or wearing traditional braided styles, in order to embrace—or begin the journey towards truly loving—their natural hair.

Armed with knowledge and a deep sense of self-love, Black and mixed-race people are owning their natural hair, reclaiming their identity, and celebrating Black beauty.²⁵

In the same article, a *Vogue* assistant shared her journey to choosing natural hair:

After years of relaxing my hair and wearing weaves to fit in with Eurocentric beauty ideals, I decided to take the path of transitioning my hair back to its natural state. This was a journey of self-discovery, and of learning not only about my hair but my culture. With Afro hair being so versatile and diverse, I had to really learn what was good for my hair. It feels empowering to have this knowledge. I now see my haircare as more of a wellness routine.²⁶

The main styling options for natural hair included braids, locs (dreadlocks), Afro, and press (a process that temporarily straightened hair using heat rather than chemicals).²⁷ The natural hair movement led Black women to seek out and buy specialty products, such as tgin's, that allowed them not only to achieve these natural hair looks but also to develop additional styles, such as flat twists, braid-outs, two-strand twist, and flex-rod sets, among others.

Hair Care Distribution Channels

Overview

Hair care distribution channels in 2018 took a variety of forms and configurations. Channels could be direct, meaning the brands sold directly to the consumer, or indirect, meaning products passed through one or more intermediaries before reaching the consumer. Brands also often engaged distributors to store products in their warehouses, delivering them to retailers as needed. For example, in its relationship with Target, tgin shipped its product to a distributor, who then delivered it to Target's warehouses.

Some brands offered products via a single channel (e.g., in-store), but it was more typical for them to make products available for purchase in multiple channels (e.g., online and in-store).

Increasingly, brands were adopting an omnichannel approach to marketing. The trend toward omnichannel was catalyzed in 2013 as a way to defend against “showrooming,” a practice in which a consumer looked at a product in-store and then went home and ordered the item online at a better price.²⁸ An omnichannel system fully integrated the functions that allowed consumers to shop—that is, to research, purchase, communicate, engage with, and consume the brand—across online, mobile, social, and off-line physical channels.²⁹

Consumers could purchase hair care products in a variety of in-store and online channels, as defined by Nielsen and IRI:³⁰

- Retail, i.e., mass merchandisers, drugstores, and specialty beauty stores
- Club stores
- Professional (beauty supply and hair salons)
- Military Exchanges (PX, BX, NEX, etc.)*
- Convenience stores, grocery stores, and dollar stores

Additionally, consumers could purchase products directly from a brand’s website or through social media platforms such as Instagram, Facebook, and Pinterest.

Consumer Shopping Behavior

Two-thirds (67%) of consumers surveyed by IRI in 2019 indicated that Walmart was by far their retailer of choice for hair care purchases. About one-third of participants said they also shopped for hair care products at local beauty supply stores such as Sally Beauty, dollar/discount stores, and drugstores, as well as at mass-retail Target stores.

Other retail outlets shopped included online 28%; grocery store 24%; salons 5%; and social media 3%. Just 20% of consumers shopped at beauty specialty stores (e.g., Sephora/Ulta) for their hair care products.³¹ (See **Exhibit 6**.)

A 2018 Lightspeed/Mintel survey of Black internet users (n=911) indicated that Black consumers increasingly were purchasing hair care products from local beauty supply stores, dollar stores, discount stores, and online-only websites. The survey also showed that although they shopped at mass merchandise stores most frequently, the number of Black consumers shopping at those stores (53%) had decreased by more than 9% from 2016.³² (See **Exhibit 7**.)

* PX is the abbreviation for Postal Exchange, a department-style store similar to a Walmart, found in Army military installations. The name of the exchange varies based on the branch of service, i.e., Base Exchange (BX) on Air Force bases; Navy Exchange (NEX) on Navy installations; Marine Corps Exchange (MCX) on Marine Corps installations; and Coast Guard Exchange (CGX) on Coast Guard installations.

Shelf Space and Slotting Fees

Mainstream CPG (consumer packaged goods) manufacturers often were required to pay retailers certain lump-sum fees, called slotting fees or slotting allowances, for the privilege of being stocked on their shelves or online. Slotting fees could “vary wildly based on the product, CPG category, or how many locations will shelve a product, with one-time charges ranging from \$250 to \$1,000 per item per store,” according to industry tracker Bedrock Analytics.³³ Other potential fees included “pay-to-stay,” in which the manufacturer offered discounts or free cases of products to the retailer as an incentive to keep poorly selling SKUs* on the shelf.³⁴ Retailers also often charged brands for “display placement,” that is, seasonal features and promotional displays that appeared at the end of aisles.³⁵

Many major chain stores in the US waived slotting allowances for minority or ethnic suppliers, particularly if the buyer believed the products would help them meet the demands of their ethnic consumers.³⁶ Not having to pay slotting fees was especially important to start-up beauty brands, as it allowed them to focus resources on developing additional products to fill all the shelf space the retailer was willing to give them, boosting profits. The ability to fill shelf space also could reduce the amount of space that might be allotted instead to a competing ethnic brand.³⁷

The Opportunity with Ulta Beauty

On a brisk fall day in November 2018, Donaldson received an unexpected e-mail from an Ulta buyer inviting her to their offices to discuss carrying tgin. They met in December at Ulta’s sleek new headquarters in the Chicago suburb of Bolingbrook.

In the meeting, the buyer assured Donaldson Ulta would impose no slotting fee, but Donaldson could already see plenty of other Ulta requirements that would impact the business. The buyer said she would send Donaldson a set of formal terms in a few weeks, emphasizing that Ulta wanted to complete the process by the end of January 2019.

The Decision at Hand

On that January day in Chicago, it was still dark at 7 a.m. when Donaldson got to her office. She flipped the lights, made a cup of coffee, and sat down to review the Ulta distribution terms one more time, making some notes on a yellow legal pad.

This deal with Ulta was an important strategic move—one Donaldson didn’t want to make without input from her team. With Ulta wanting her decision by Friday, she didn’t have much more time.

She called key staff members together in the tgin conference room to take part in a roundtable lunchtime discussion. In addition to her marketing, creative, and e-commerce leads, Donaldson

* Each SKU, or stock keeping unit, is a unique product type with its own alphanumeric code used for easily tracking store inventory.

also had invited tgin's social media and accounting leaders to join, thinking a few folks less close to the potential Ultra deal might keep the discussion more objective.

As the team members ate their lunch, Donaldson's assistant connected a laptop to the projector and pulled up the presentation slides that contained the summary of the Ultra distribution deal.

Donaldson began, "As you know, Ultra Beauty is interested in adding tgin to its growing slate of natural hair care products. It's an exciting opportunity for our brand and an important decision that not only will impact our business today but also what it can become in the next few years.

"Here's what you need to know about Ultra Beauty," Donaldson continued. "The company currently has 1,196 doors in 50 states and did \$5.88 billion in sales in 2018,³⁸ with a three-year CAGR (compound annual growth rate) of 14.1 percent.

"Ultra is also aggressively looking for ways to better connect with Black consumers, and that's good for those of us creating natural hair products specifically for this segment," Donaldson said. "They already carry brands such as Shea Moisture, Carol's Daughter, Tracee Ellis's brand Pattern Beauty, and Mixed Chicks—and that's pretty good company."³⁹ Donaldson flipped to the next slide: "And there is plenty of opportunity for Ultra to attract Black consumers, as you can see from this brand snapshot from Numerator.⁴⁰ (See **Exhibit 8**.)

"Be that as it may, I've gathered us together for some debate around whether we should sign the distribution deal with Ultra. That's number one," Donaldson said. "But I also thought this would also be a good time to revisit our existing distribution strategy and whether this deal fits in. I also want to explore whether it makes sense to continue with what we've already laid out or if there are other channels we should be focusing more resources on that might be more impactful to our success longer term."

Terms of the Deal

Donaldson then distributed a printed copy of the terms (see **Table 1**). "Let's walk through this together, and then we'll unpack it. I'll read it out loud and provide some additional context based on my meeting with the buyer while you make some notes," she said.

Table I: Summary of Proposed Terms as of January 2019⁴¹

<p>Products and Exclusivity</p> <p>Brand will provide Retailer with a full line of products, six of which must be unique only to Ulta nationally for a period of 12 months. Those SKUs may not be sold by anyone else—including the Brand directly—during this period.</p>	<p>Sales Terms</p> <p>Retailer will sell Brand in all of its 1,196 stores and on its website.</p> <p>Retailer agrees to sell tgin products only to its retail customers and agrees not to resell any of the tgin products to any third parties, wholesalers, liquidators, other businesses, and the like.</p>
<p>Pricing and Payment Terms</p> <p>Retailer shall pay 40% of MSRP for tgin products.</p> <p>Net 60 days with a 2% discount if paid in full within 30 days.</p> <p>Retailer shall be subject to a 1% penalty per month for any late payment.</p>	<p>Exit Terms (Retailer)</p> <p>The term of the deal is one year, but Retailer may delist (discontinue) the Brand at any time if, in its sole judgment, the Brand is not meeting sales expectations and targets.</p> <p>Retailer may terminate this agreement at any time at its sole discretion with 30 days' notice.</p>
<p>Ordering</p> <p>All purchase orders and invoices will be transacted only via Retailer's Electronic Data Interface (EDI) ordering system, at Brand's expense.</p> <p>Orders will be placed by end of business every Friday.</p> <p>No minimum orders and no guaranteed volumes.</p>	<p>Shipping</p> <p>Brand incurs the entire cost of shipping to Brand's four US distribution centers.</p> <p>Shipping windows are the first two business days of each month.</p> <p>2% of entire order value will be deducted for every day a shipment is incomplete or late.</p> <p>Incorrect labeling, e.g., labels in the wrong place or labels missing PO#, will result in rejected shipment and Brand incurring a chargeback.</p>
<p>Markdowns</p> <p>Retailer may mark down price as low as 80% of MSRP but not lower.</p>	<p>Buybacks and Returns</p> <p>Brand will have the option to buy back overstock merchandise at cost + 20% and is responsible for cost of return shipping.</p> <p>Brand pays for all returned merchandise (estimated 2%–3% of sales).</p> <p>Brand can opt to have unsold or returned product destroyed by Retailer rather than returned or resold.</p>
<p>Merchandising—Retailer</p> <p>There will be no cost to the Brand for either physical or online shelf space.</p> <p>Brand agrees to be displayed as Retailer sees fit per its current physical and online plan-o-gram shelf sets.</p> <p>Brand must cover all costs for any custom displays, including labor and installation.</p>	<p>Marketing—Retailer</p> <p>Retailer agrees to use commercially reasonable efforts to promote the distribution and sale of Brand's products.</p>

Marketing—Brand	Marketing—Brand
Brand must provide digital assets for use in Retailer's online store, catalogs, flyers, and the like.	Brand will provide 100 cases of samples for Retailer's staff at no cost.
Brand will contribute \$30,000 co-op dollars per year for print/radio/TV/flyers/online.	Brand will fund four major promotions per year (e.g., buy 1, get 1 at 50% off).

Note: This summary is a fictional account created by the authors specifically for the purposes of understanding the issues around distribution decisions. Although it contains all the elements typically found in a distribution agreement, the actual terms of the distribution agreement between Ulta and tgin remain confidential.

Donaldson waited a beat for the information to sink in. “Naturally, we’ll need to consider what all of this means in terms of costs and revenues. But now that we’ve level set, and you have a sense of all the moving parts, I want to hear what you think.”

Donaldson got up and walked to the whiteboard. On it, she wrote the words “pros” and “cons” with a line down the middle. What followed was a spirited discussion that surfaced strong arguments both for and against moving forward with distribution at Ulta. After an hour, her assistant pointed to her watch, a signal to Donaldson to wrap things up. As the group drifted out of the conference room back to their desks, Donaldson pondered for a moment the arguments that had been raised during the meeting, then went back to her desk to clear her mind and make a call.

Key Points Raised

Later that afternoon, Donaldson opened the e-mail containing the whiteboard picture her assistant had taken and considered some of the pros and cons her team had raised:

- “As Chris-Tia mentioned, many of our competitors are already in Ulta. It gives us instant access to almost 1,200 additional outlets across the US, and we already know Ulta is committed to stocking and promoting natural hair care products. They’ve walked their talk.”
- “The thing I like about this is that our deal would be directly with them—no intermediary skimming off 25% of sales. Isn’t that our goal?”
- “Ulta wants six new SKUs we don’t have yet, and they want them to be Ulta-only for a year. What does that do to our relationship with Target, who asked for an exclusive, if we told them no? Is this a Pandora’s box?”
- “We could also treat Ulta as our test market so that we know what other types of products to develop for the other channels. Is there any way we could get the exclusivity down to six months?”
- “We know most of our customers shop at Walmart, Target, and drugstores. What’s stopping us from investing more in our existing relationships, which we know are profitable, and where the overhead is a known quantity, and we don’t have to create six new custom products on such a short timeline?”

- “I hate to kill the buzz on this thing, but what about all the signs pointing to the fact that brick-and-mortar is *dying*? What happens when all the other not-so-savvy retailers in power center locations go out of business—or move their businesses online—and Ulta is basically a 10,000-square-foot lonely outpost in a dead mall with no foot traffic?”
- “Think about the shelf space! That’s crazy good, and we know from experience maximizing shelf space is where the profit is.”
- “We need to develop our direct-to-consumer channel beyond just having products available for purchase on our website, but we’re already overloaded with the existing direct-to-retailer packaging and shipping stuff. If we take on Ulta, that’s going to increase all of that exponentially. We can’t do everything.”
- “I know we’re against taking outside money, but it seems like our longer-term goals keep getting pushed back. I’m worried we’ll get to the point where we can’t catch up. What about investor-backed loans? Or maybe we could crowdfund a new product.”
- “Our customers already are shopping at dollar stores, where everything is \$1, \$2, or \$5. That’s where we should be rather than specialty beauty.”
- “I feel like we need to apply some resources to experiment on new social shopping platforms just so that we’re not caught flat-footed if a new channel takes off. Like the new in-chat shopping features on WhatsApp.”
- “My cousin is in the Army, and she says they have very few products at the PX for natural hair and what they do have is mostly from big companies.”

The Distribution Dilemma

The Ulta deal would introduce tgin to a broader set of consumers, and Donaldson believed it could be profitable. It would mean doubling down on her existing distribution strategy and continuing her quest for a larger and larger share of shelf. Who knew how long the waiver of slotting allowances for ethnic brands would continue? Perhaps the time to capitalize on that particular advantage was *now*.


While she was spinning up additional SKUs for Ulta, Donaldson also could work with existing partners to acquire additional shelf space and additional doors. It was a familiar path that had been successful for tgin up until now. But was it the right thing for tgin in the long term—especially given the uncertainty surrounding the future of brick-and-mortar stores, trends toward customers shopping online, and new distribution channels emerging all the time?

Donaldson’s phone buzzed with a meeting alert. The buyer at Target wanted to talk inventory for the trio of tgin products the retailer would be featuring in its Valentine’s Day circular, a promotion that never failed to show her bottom line some love. Donaldson put the conference notes and proposal aside for now. She’d have just the evening to mull things over before she made the phone call to Ulta’s buyer with her answer the next day.





Exhibit I: tgin Homepage, July 2018

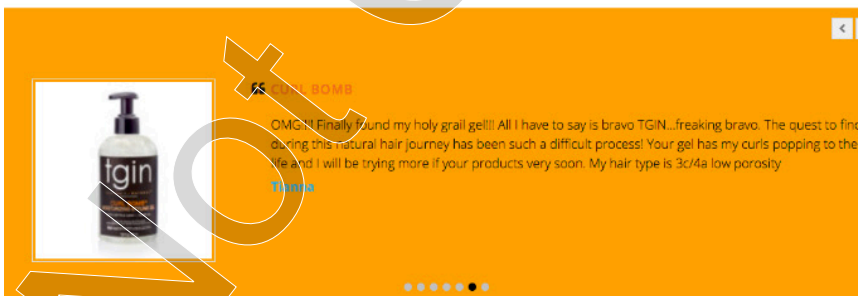
HANDMADE WITH LOVE

tgin products are handmade in small batches for maximum freshness. We take tremendous pride in ensuring that each product is made with the finest ingredients and botanicals for all of your hair and skin care needs. - **tgin Team**



FEATURED BEST-SELLERS

 <p>Butter Cream Moisturizer For Natural Hair - 12.0 oz</p> <p>★★★★★</p> <p>Price: \$14.99</p> <p>ADD TO CART</p>	 <p>Shampoo + Conditioner Duo 14.5 oz</p> <p>★★★★★</p> <p>Price: \$19.99</p> <p>ADD TO CART</p>	 <p>Honey Miracle Deep Conditioner For Natural Hair - 11.0 oz</p> <p>★★★★★</p> <p>Price: \$14.99</p> <p>ADD TO CART</p>	 <p>Olive Oil Soap Bar 4.0 oz</p> <p>★★★★★</p> <p>Price: \$4.99</p> <p>ADD TO CART</p>
---	---	---	---



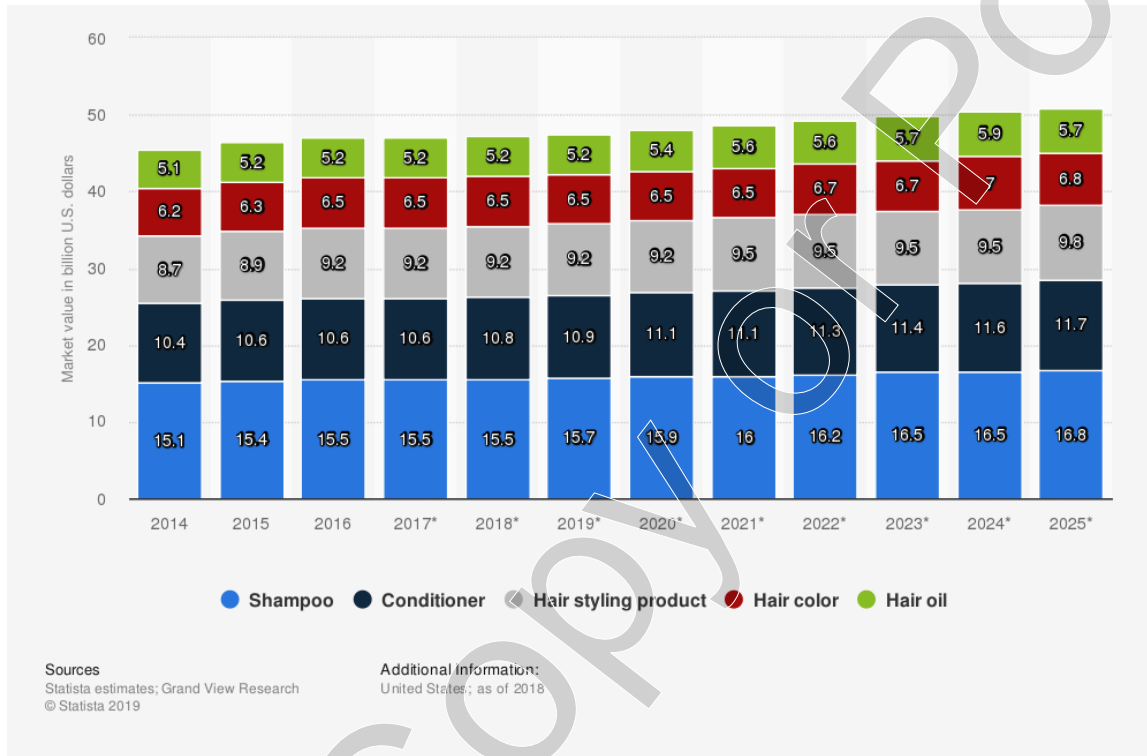
CURL BOMB

OMG!! Finally I found my holy grail gel!!! All I have to say is bravo TGIN...freaking bravo. The quest to find the perfect gel during this natural hair journey has been such a difficult process! Your gel has my curls popping to the top and I will be trying more of your products very soon. My hair type is 3c/4a low porosity

[Tina](#)

Source: <http://thankgodimnatural.com>, July 25, 2018, Internet Archive, <https://web.archive.org/web/20180725063657/http://thankgodimnatural.com/>.

Exhibit 2: Estimated Market Value of Hair Care in the United States, 2014–2025 (US\$ in Billions)



Source: Statista, "Estimated Market Value of Hair Care in the United States from 2014 to 2025, by Product," April 13, 2018, www.statista.com/statistics/824454/us-market-value-hair-care-by-product/.

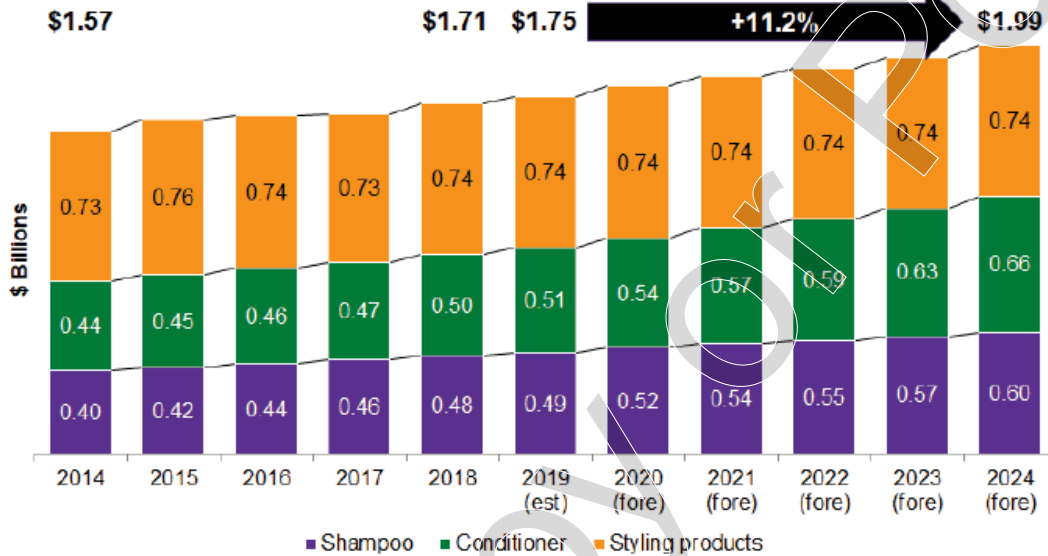
Exhibit 3: Multi-Outlet Sales of Black Hair Care Products, 2018–2019

Company	52 weeks ending May 20, 2018 \$million	Market share %	52 weeks ending May 19, 2019 \$million	Market share %	Sales change 2018-2019 %	Share change % point
Total	742.8	100.0	782.6	100.0	5.4	-
Unilever (Sundial)	141.8	19.1	150.7	19.3	6.3	0.2
PDC Brands	73.4	9.9	89.9	11.5	22.5	1.6
L'Oréal USA	81.1	10.9	71.7	9.2	-11.6	-1.8
Strength Of Nature Global LLC	45.1	6.1	43.1	5.5	-4.4	-0.6
Namasté Laboratories LLC	40.3	5.4	38.7	4.9	-3.8	-0.5
Revlon Inc	31.0	4.2	33.1	4.2	6.7	0.1
Luster Products Inc	24.8	3.3	23.0	2.9	-7.3	-0.4
House Of Cheatham Inc	20.5	2.8	21.8	2.8	6.2	0.0
Ecoco Inc	12.9	1.7	20.6	2.6	59.1	0.9
Universal Beauty Products Inc	15.1	2.0	18.7	2.4	23.8	0.4
Subtotal	486.1	65.4	511.4	65.3	5.2	-0.1
Others	256.6	34.6	271.2	34.7	5.7	0.1

Note: Values shown in this section encompass only sales through IRI's Multi-Outlet channels and only include brands that are specifically formulated for or targeted to Black consumers. Sales data shown in The Market and Market Breakdown sections of this Report cover total expenditures by Black consumers for all types of haircare products; data

Source: *Black Haircare, US, August 2019*, industry report by Mintel, "Figure 23: Multi-Outlet Sales of Black Haircare Products, by Leading Black Haircare Companies, Rolling 52 Weeks 2018 and 2019," 31.

Exhibit 4: Black Consumer Spending on Hair Care Products, 2014–2024

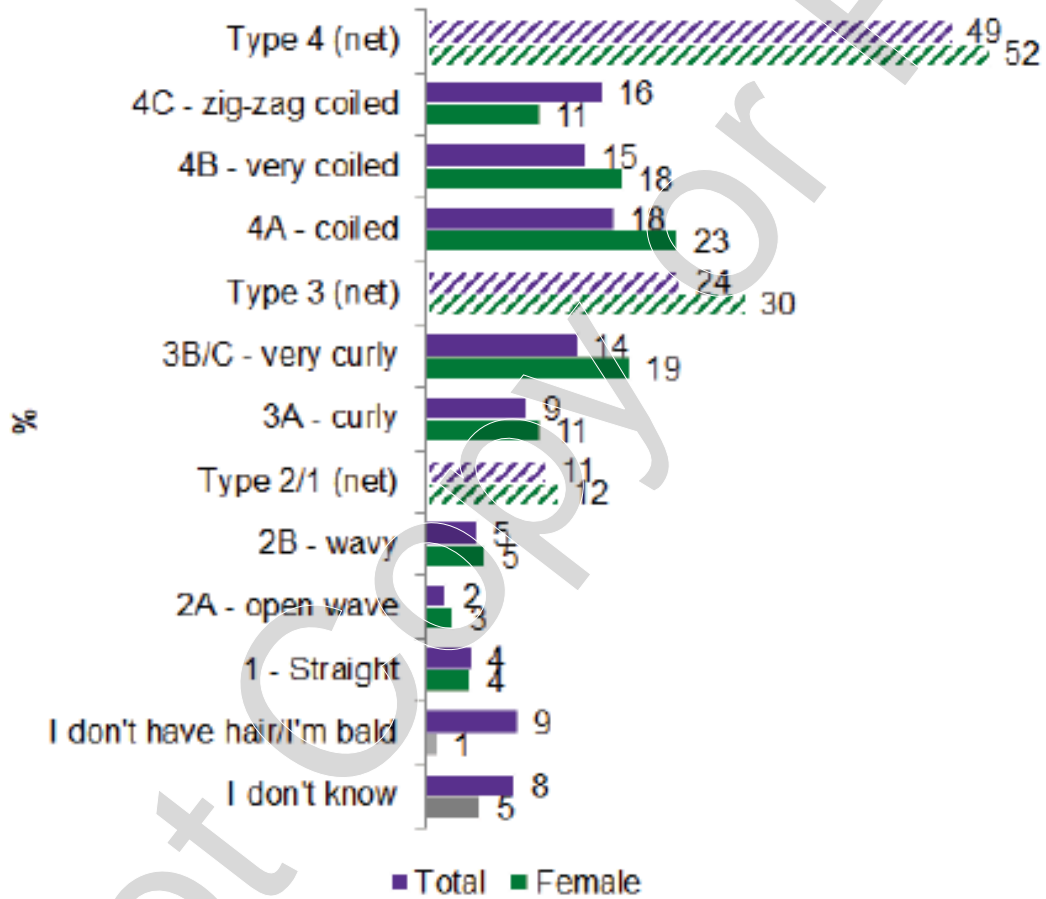


Source: based on IRI InfoScan® Reviews; US Census Bureau, Economic Census; Mintel consumer research; company annual reports/Mintel

Source: Black Haircare, US, August 2019, Mintel, "Estimated Total Expenditures and Forecast, by Black Consumers, by Regimen Segment, at Current Prices 2014-2024," 11.

Exhibit 5: Hair Texture—Women, June 2019

"Which of the following best describes your natural hair texture? By natural, we mean your hair texture with no chemical-altering treatments (eg no relaxer or texturizer)."

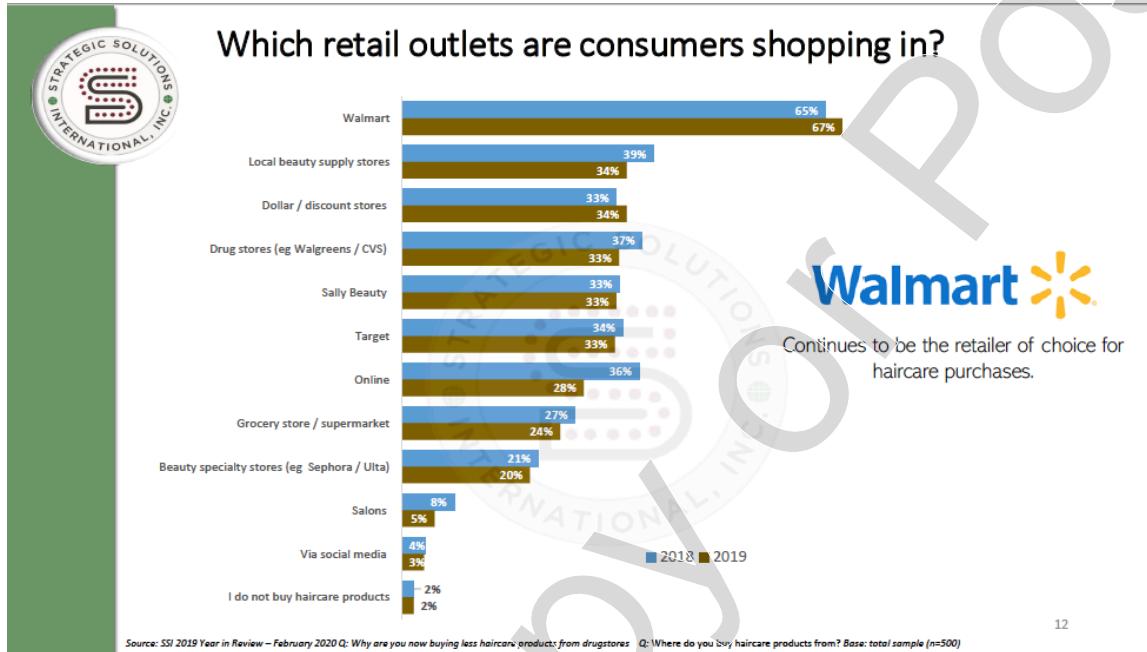


Base: 549 Black females aged 18+

Source: Lightspeed/Mintel

Source: *Black Haircare, US, August 2019*, Mintel, "Figure 51: Hair Texture—Females, June 2019," 57.

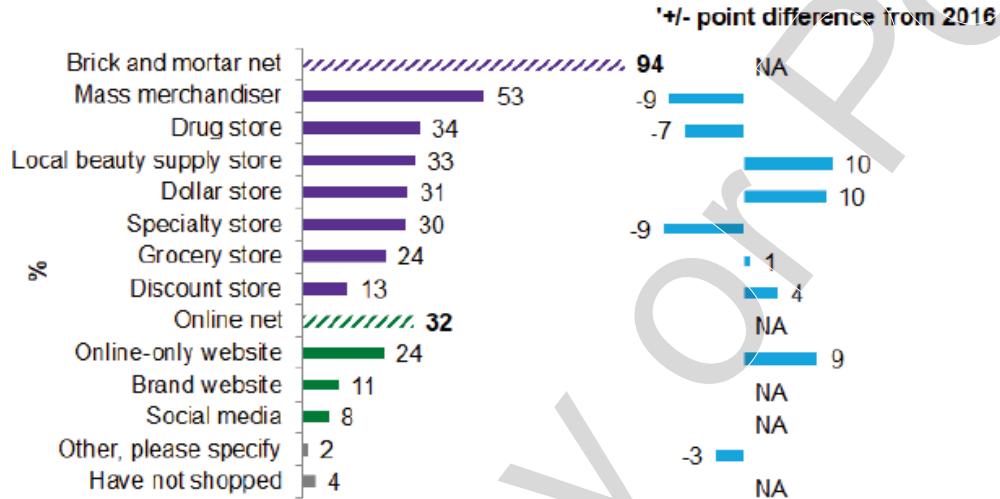
Exhibit 6: Where Consumers Buy Hair Care Products



Source: Strategic Solutions International, "Multicultural Hair Care Market Overview," 2020, 12.

Exhibit 7: Hair Care Shopping Locations, April 2016 vs. July 2018

"Where have you shopped for haircare products in the past 12 months?"



Base: 911 Black internet users aged 18+ who have hair
 Source: Lightspeed/Mintel – Black Haircare – US, August 2016

Source: Black Haircare, US, September 2018, Mintel, "Figure 4: Haircare Shopping Locations, April 2016 vs. July 2018," 62.

Exhibit 8: Ulta Brand Snapshot

Ulta

Numerator Brand Snapshot

See also: [Maybelline](#) | [CoverGirl](#) | [Starbucks](#) | [Bath & Body Works](#)

\$8.20

Brand Spend per Basket

27.4 %

Median Share of Basket Spend

\$29.96

Median Total Basket Spend

Demographics

Who is shopping for Ulta and what are they like?

DEMOGRAPHIC	INDEX
Under 24	219
25-34	115
35-44	96
45-54	106
55-64	80
Over 65	70
African American	57
Asian	77
Caucasian	105
Hispanic	107
Under \$20k	86
\$20k-40k	91
\$40k-60k	99
\$60k-80k	99
\$80k-100k	108
\$100k-125k	117
Over \$125k	102
No College	75
College	106
Adv. Degree	105
Has Kids	89
No Kids	113

Brand Affinity

What other brands are Ulta shoppers buying most often?

TOP PARENT BRANDS	AFFINITY
Maybelline	199.4x
CoverGirl	84.3x
Starbucks	5.9x
Bath & Body Works	5.3x

Channels Shopped

Where are Ulta shoppers most likely to do their shopping?

TOP CHANNELS	INDEX
Beauty	10798
Club	0
Dollar	3
Drug	2
Food	20
Gas & Convenience	7
Mass	2

Basket Size

When Ulta is purchased, how many products are purchased along with it?

ITEMS IN BASKET	INDEX
Urgent Need (1-2 Items)	53
Express Lane (3-10 Items)	174
Fill Up (11-20 Items)	58
Pantry Stocking (21+ Items)	23

Time of Day

When do Ulta shoppers make their purchases?

TIME OF DAY	SHARE PURCHASED
Morning	8%
Noon	20%
Afternoon	45%
Evening	25%
Late	2%

Source: <https://snapshot.numerator.com/brand/ulta>, October 27, 2018.

Endnotes

- 1 "Company Overview," Ulta Beauty, accessed September 23, 2020, <http://ir.ultabeauty.com/company-information/company-overview/default.aspx>.
- 2 Ibid.
- 3 Chris-Tia E. Donaldson, *Thank God I'm Natural: The Ultimate Guide to Caring for and Maintaining Natural Hair* (United States: TgiNesis Press, 2008).
- 4 Chris-Tia Donaldson, *This Is Only a Test: What Breast Cancer Taught Me About Faith, Love, Hair, and Business* (Chicago: Miracle Press, 2019), 86.
- 5 Donaldson, *This is Only a Test*, 109.
- 6 Ibid.
- 7 Chris-Tia Donaldson, in an interview with the authors, September 15, 2020.
- 8 Donaldson, *This Is Only a Test*, 153.
- 9 Donaldson, interview.
- 10 Ibid.
- 11 Ibid.
- 12 Ibid.
- 13 Ibid.
- 14 "Estimated Market Value of Hair Care in the United States from 2014 to 2025, by Product," Statista, April 13, 2018, <https://www.statista.com/statistics/824454/us-market-value-hair-care-by-product/>.
- 15 "Hair Care Market in US by Product and Distribution Channel—Forecast and Analysis 2020-2024," TechNavio, March 2020, <https://www.technavio.com/report/hair-care-market-in-us-industry-analysis>.
- 16 Debby Garbato, "Natural, Organic Beauty Exploding at Mass Retailers," Drug Store News, October 28, 2019, <https://drugstorenews.com/natural-organic-beauty-exploding-mass-retailers>.
- 17 Black Haircare, US, August 2019, an industry report by Mintel, 31.
- 18 Black Haircare, US, September 2018, Mintel, 25, 39.
- 19 Black Haircare, US, August 2019, 9.
- 20 "Quick Facts," US Census Bureau, accessed November 2, 2020, <https://www.census.gov/quickfacts/fact/table/US/PST045219>.
- 21 Black Haircare, US, August 2019, 11.
- 22 Donaldson, *Thank God I'm Natural*, 20.
- 23 Ibid., 49.
- 24 Black Haircare, US, August 2019, "Figure 51: Hair Texture—Females, June 2019," 57.
- 25 Twiggy Jalloh, "Six Vogue Staffers Reflect On Their Changing Relationship with Their Natural Hair," Vogue, September 15, 2020, <https://www.vogue.co.uk/beauty/article/afro-hair>.
- 26 Ibid.
- 27 Black Haircare, US, September 2019, Mintel, "Figure 53: Hairstyles Worn Within the Last Three Years, June 2019," 59.
- 28 Savannah Louis, "A Brief History of Omnichannel Marketing," NectarOm, January 5, 2015, <https://nectarom.com/2015/01/05/brief-history-omnichannel-marketing/>.
- 29 Oliver Emrich, Michael Paul, and Thomas Rudolph, "Shopping Benefits of Multichannel Assortment Integration and the Moderating Role of Retailer Type," *Journal of Retailing* 91, no. 2 (2015): 326–42.
- 30 Sally Martin, "CPG Syndicated Data Markets: Part 2—The Nitty-Gritty," CPG Data Insights, May 29, 2018, <https://www.cpgdatainsights.com/understand-your-database/markets-part-2-the-nitty-gritty>.

- 31 Strategic Solutions International, "Multicultural Hair Care Market Overview," 2020, 12.
- 32 Black Haircare, US, September 2018, 62.
- 33 "What Goes Into A Slotting Fee?" Bedrock Analytics, August 14, 2019, <https://www.bedrockanalytics.com/blog/what-goes-into-a-slotting-fee/>.
- 34 "The Use of Slotting Allowances in the Retail Grocery Industry: Selected Case Studies in Five Product Categories," Federal Trade Commission, November 14, 2003, p. vii, <http://www.ftc.gov/os/2003/11/slottingallowancerpt031114.pdf>.
- 35 Ibid.
- 36 Ibid.
- 37 Donaldson, interview.
- 38 "Ulta Beauty, Inc., Annual Financials," Marketwatch, accessed October 23, 2020, <https://www.marketwatch.com/investing/stock/ulta/financials>.
- 39 Jacqueline Laurean Yates and Aimee Simeon, "Eight Black-Owned Brands at Ulta Beauty You Should Know," Refinery29, June 1, 2020, <https://www.refinery29.com/en-us/ulta-black-makeup-brands>.
- 40 "Ulta, Numerator Brand Snapshot," Numerator, October 27, 2018, <https://snapshot.numerator.com/brand/ulta>.
- 41 CoralSage Walker-Dale, "Key Takeaways From Indie BeautyX Retail Summit—Dallas," Essential Wholesales & Labs, May 15, 2018, <https://library.essentialwholesale.com/key-takeaways-from-indie-beautyx-retail>; Val Sanford, "Negotiating Successful Retail Contracts," Essential Wholesales & Labs, June 5, 2018, <https://library.essentialwholesale.com/negotiating-successful-retail-contracts>.