

Growing Naturally: Simi Valley Skin Care Firm Derma e Strives to be Environmentally and Socially Conscious

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In an unassuming building in Simi Valley, David Stearn can look out his office window at a street lined with mature trees and hills in the distance.

It has the feel of a neighborhood street, a fitting setting for an \$8 million-a-year business that strives to be a good community citizen.

The natural skin care products company derma e crafts its products and corporate culture with a greater mission in mind. Items such as facial cleansers, moisturizers, makeup removers and exfoliants are made with natural, vegetarian ingredients. They are sold in health food stores and natural sections of mainstream stores.

The company operates in the health food industry and doesn't pitch its products to mass marketers, said Stearn, the president. The exception is when a store has a special section devoted to health food.

"It's real important to remember your base and not try to be all things to all people," Stearn said.

Giving back

Stearn and Vice President Linda Miles worked together at another natural skin care products company before starting derma e in 1984. The name of the company comes from derma e's early focus on a vitamin E cream.

Today, the company has more than 90 products, yet remains family-owned and operated.

When derma e moved to Simi Valley more than three years ago, it brought along its corporate values.

"David and I feel very strongly about giving back," Miles said. "The more successful the company becomes, the more we want to give back."

Contributions include personal time, money and products, some which are donated for resale or to organizations such as orphanages in Haiti and domestic abuse shelters. The com

pany makes regular donations to local, national and international agencies.

When it moved to Ventura County, derma e began making donations to the Ventura County Special Olympics.

Peggi Preston, area director for Special Olympics, recalled receiving the first \$350 check.

"I thought it was nice. I sent them one of our thank-you letters," she said. "The next month, I received \$350."

The organization receives a \$350 check each month from derma e. Preston said the group received an additional donation last year to help with its holiday card program — the organization prints and sells cards with artwork by its athletes to raise money.

"We're grateful to derma e," Preston said. "They're a fabulous organization to have such a philanthropic spirit."

She was so impressed by how the company operated that she found out where its products were sold and bought some.

Responsible business

Derma e's contributions are not a big part of the company's marketing, but supporting socially responsible companies is important to customers, Miles said.

Doing business in the environmentally conscious, or "green," marketplace has its benefits and challenges, as does operating as a socially responsible company.

A 2005 survey by RoperASW found that 19 percent of consumers are serious about the environment, with another 33 percent "on the fence," able to go either way on environmental issues.

Though the number of environmentally conscious consumers are "greener"

than in the past, pragmatism still drives the majority of decisions, RoperASW determined. And pragmatism in this context means how much a product costs.

Many people who say they will buy green, fair trade or other "feel good" products often have a tendency to change their minds when looking at the price tags. That's one reason why there's still much debate on the bottom-line benefits of "corporate social responsibility."

In a study published in the Stanford Social Innovation review this fall, researchers found that people who were told about the social attributes of products — such as products made without sweatshop labor — made decisions similar to those who were not told.

Researchers also found that some consumers will pay more for products with positive social attributes, but only when those products meet their needs.

That drives home the point that a company with social and environmental objectives still has to have a solid product, said Jacquelyn Ottman of J. Ottman Consulting in New York. Ottman works with corporate clients on marketing their green products.

"Product performance is critical and foremost," Ottman said in an e-mail. "No one will buy a product just because of how the business operates ... However, if a (green) product performs really well, it will likely attract green as well as nongreen consumers, too."

Green and growing

Derma e operates with a small staff of about 25 people at its Simi Valley location. The surroundings are modest. Stearn and Miles' offices are no bigger than others in the building.

Telemarketers juggle phones to encourage stores to stock derma e's products.

All of derma e's products are shipped to various locations out of a warehouse in the back. Actual production is handled by four facilities the company contracts with in Chatsworth, Los Angeles and Camarillo. Derma e was located in Chatsworth before moving to Simi Valley, where about 70

percent of the staff resides.

A wall in Sales and Marketing Director Susan Morehart's office is dominated by shelves containing derma e's products. The company's first full-page magazine ads, which started running this year, line another wall.

Though derma e's goals go beyond those of a typical business, it is still a business. There is a bottom line.

That's why company officials are so proud of recent awards, such as the 2006 skin care products award from Whole Foods magazine and the 2006 anti-aging product award from Natural Health magazine. The company competed against major manufacturers, making the wins that much sweeter.

The company also was named the second-fastest growing natural skin care line in 2005. Derma e products are distributed to 14 countries outside of the United States, with other deals pending.

"We can't say we're as well-distributed as we would like to be, but we're working on that," Morehart said. She said the company has come a long way in the past four years, but still has a lot of room for growth.

Miles said derma e has had double-digit growth during the past five years, and she doesn't foresee that changing. She attributes the success to word-of-mouth about the company's products and the people who work for derma e.

There also is the consumer trend toward natural products, with even Wal-Mart announcing plans to sell organic items.

Sales for natural or organic personal care products could reach \$6.6 billion by 2010, according to a 2005 report from market research company Packaged Facts.

"People are more conscious about what they put in their bodies and on their skin," Miles said.

Consultant Ottman sees green business as the way of the future. As more people become concerned about environmental issues such as global warming and what's in their food or personal care products, they will start

asking tough questions of the companies selling those products, she said. And companies that can withstand customer scrutiny will benefit.