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Questions to Ask When Starting a Cosmetic Business

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Cosmetics serve many purposes.

They can enhance your appearance, moisturize and cleanse your skin or hair, or simply leave a pleasant fragrance. Many cosmetics contain natural ingredients, including essential oils, clays, and even foods like honey or milk. This guidebook will help you plan a cosmetic business in your home or a commercial kitchen.

As you begin to work through the following questions, you may not know all the answers yet. There will be places to write your next step, things you'll need to research or think through, or questions you still need to find answers for.

Remember, sometimes the ideas you first sketch out do not work. You may need to modify the idea. It is a lot more fun to lose money on paper than in reality. By examining and refining your ideas, you can come up with a plan that has a higher chance of making profit in real life.



What is your cosmetic business idea?

The first step to starting a cosmetic business is refining your idea. You need to be able to state your idea specifically, more than just “I’d like to have a booth at a Farmer’s Market full of honey-based cosmetic items.” The more specific you can be, the better you can understand the feasibility and profitability of your idea.

For example: I will make and sell jars of honey sugar scrub.

My business idea:

My next step:

What is your cosmetic product?

Will your recipe work?

Having a recipe or formulation for your cosmetic product is the next step. Maybe you have a product you've made on a small scale for years, but will the same combination of ingredients work on a larger scale? If it is very time-consuming or difficult to make, it might not be very easy to turn into a business. If the ingredients are expensive or difficult to find, it can create challenges to a profitable business. To keep your product consistent and make it easier to track expenses, it is best to convert dry ingredients from volume (e.g. cups) to weight (ounces or grams). Thick or sticky liquid ingredient might be easier to purchase and measure by weight as well.

For example:

My recipe for Honey Sugar Scrub (makes thirty 8 oz jars)

10 cups white sugar = 4.5 lbs white sugar

10 cups brown sugar = 5 lbs brown sugar

3.75 cup honey = 2.75 lbs honey

5 cups almond oil = 40 fl oz almond oil

0.25 cups Vitamin E oil = 2 fl oz Vitamin E oil

I converted the recipe to weight. I can easily find bulk honey any time of year, as well as sugar, almond oil, and Vitamin E. My recipe is easy to make on a large scale and the ingredients are easy to find consistently.

My recipe:

My next step:

Where will you make your product?

Many cosmetic products can be made at home. But if you want to sell through boutiques or local stores, they might require that you make the product in an inspected facility. If you are using food-grade ingredients you may be able to work in a commercial kitchen. Your cosmetic will probably be safe to store at room temperature, but it might last longer if you can refrigerate it until you're ready to sell it. You can research options for rental kitchens and storage facilities available near you. Many times there will be a nearby option that will work.

For example: I will find a rental kitchen where I can make my sugar scrub. I will store it in a cool area in my basement until I'm ready to sell it.

I will make and store my product:

My next step:

How will you package your product?

There are a number of different ways to package your product to make it stand out. There are minimum standards that you should follow to protect the product from contamination and prevent oils in the cosmetic from going rancid. Beyond those considerations, you need to think through the look of the packaging, such as using a decorative lid instead of a plain black lid. Do you want to use a specialty shape? Remember that specialty packaging often comes with much higher costs for supplies. You need to carefully weigh the costs of packaging you are considering against the benefit you might gain. You need to consider what type of label you will need for your packaging. For example, if you are using the label on a glass jar or a product you will refrigerate during storage, you will need a label that will continue to stick. (Resources are available from the Food and Drug Administration on what must be listed on the label.)

For example: I will use a straight-sided 8 oz clear glass jar with a black foam-lined lid to package my product. I will design nice labels to make them stand out. I'll need to use a label that will stick well to glass. I will research what needs to be on the label to meet regulations..

I will package my product using:

My next step:

What certifications, trainings, and licenses are needed?

Cosmetic businesses come with their own set of rules and regulations. Before you finalize your idea, you should determine if you have the correct certifications, inspections, and licensing. The Food and Drug Administration provides resources for small cosmetic businesses, but some products might have additional regulations. For additional help, see the simple decision tree included at the end of the workbook.

Requirements for Cosmetic Businesses

- Business license
- Voluntary Cosmetic Registration Program (Food and Drug Administration)
- Other trainings, tests or registrations depending on the type of product (cosmetics that contain items to treat a specific condition, such as dandruff shampoo, are cosmetics and drugs)

How long will it take to meet these requirements?

The time it takes to get business licenses depends on how busy those agencies are. But if your product needs to be tested or reviewed for safety or shelf life, you should plan on 6-8 weeks to complete the testing. The earlier you can begin this step the better – if you want to sell at a farmer's market in the spring, it is best to have your product evaluated in the fall.

For example: I need to get my business license, which will take at least a few weeks. I need to look into what it will take to meet the other requirements, but it should not take long because my honey scrub is shelf stable and does not contain ingredients that make it a drug.

Licenses, registrations, certificates, trainings, and product testing I will need:

My next step:

Where will you sell your product?

Producers must have a way to physically get products to customers and have customers pay for products. For example, out-of-home sales might be convenient for a small number of customers, but you may be violating city ordinances if this creates a lot of traffic or parking issues in your neighborhood. Your house might be hard for people to get to. How much work will a customer go to in order to find your product and actually buy it? If you sell at a Farmer's Market or craft fair, you have to pay for it and either be there or pay someone to be there. Make sure to consider the costs of booth rental at the market, as well as transportation to and from the market. These costs can be very different, depending on the market you choose. If you're paying someone to be there to sell, how much will that cost you? Websites can be useful to take orders as well, but must be maintained and will have associated costs also.

For example: I plan on selling my product at farmer's markets and craft fairs. My local market is going to be \$40/week and I will do all 10 weeks. There is also a \$35 application fee. I'll also do two craft fairs for \$100 each. I'll need to have \$635 to be able to participate in farmer's markets and craft fairs. I'll be there in person myself so I don't need to pay someone. I will also sell out of my home to friends and family, but that won't create unwanted traffic. If I start to feel like I have enough of a customer base, I will consider making a website in the future, but I'm not ready for that now.

I will sell my product:

My next step:

How will you store, transport, and/or ship your product?

Where will you store your product while you are waiting to sell it? If it is better to keep it refrigerated, can you find a storage facility where it can be kept until you need it? Will you have access to the facility on a Saturday morning before the farmer's market? You also must consider how you will get temperature-sensitive products that might melt from the storage site to the sales venue. Can you fit enough coolers in your car or truck to keep the product cool on hot summer days? Even if your product isn't temperature-sensitive, you still must have a dedicated area to store the product.

If you plan to have a fully functional e-commerce site, you must consider the cost of updating the site, the cost of taking electronic payments, and how well your product will ship. Temperature-stable products packaged and sealed in flexible bags are very easy to ship but bottled cosmetics, even though they're shelf-stable, are more difficult due to their weight and potential for breakage.

For example: I will dedicate a shelf in my basement to store my finished jars of sugar scrub. They don't need to be refrigerated so that will not be a concern. I can put them back in the boxes the empty jars came from to keep them from breaking.

In order to get my product to the Farmer's Markets and craft fairs, I'll need to find a way to safely transport my jars in the back of my pickup truck. They don't need to be refrigerated but they should be covered in boxes. I can just use the boxes they were stored in to transport them. People that are picking up jars from my house won't need separate packaging and I'm not planning to ship anything.

Considerations for storing, transporting, and shipping my product:

My next step:

Do you know your competition?

Even though your product may have unique characteristics, there is always something customers could buy instead of yours. Understanding your competition is important and part of determining the profitability of a cosmetic business is how much you can sell your product for. You need to look at a number of factors. How much do similar products sell for at stores, boutiques, farmer's markets and craft fairs? How do those products compare to your product? What are the characteristics of competing products and how does your product stand out? Are there many other options? These questions will help you determine how competitive your product will be and how much you can reasonably sell your food items for.

For example: Similar size jars of body scrubs sell online for \$10 to \$25. But competitors at farmer's markets sell theirs between \$8 and \$15. They just sit on the shelf with no special display. My product is more unique than the national brands because it is local and comes with a story and nice packaging.

A local business making sugar scrubs has special labeling on their bottles with "Utah's Own" to make it stand out. They sell 6 oz jars for about \$12. This is a similar product to mine. A very specialized brand of organic salt scrubs has its own display shelf in a local store and it sells for \$19-22 for 4-oz jars. These are much more specialized and unique than mine.

Sugar body scrubs at Farmer's Markets in 8 oz jars usually sell for around \$10-12 per jar. There is a lot of competition and most places have a few varieties of sugar scrub with different fragrances

My competition is:

My next step:

Who are your customers and why will they buy from you?

Most products you sell will be similar to other sellers' items, especially at Farmer's Markets. Who is going to buy your product and why will they buy it from you and not someone else? How will you make yourself stand out from the crowd? How is your product special? People are not only buying your product. They are buying your story.

For example: Friends and family have asked for my honey sugar scrub specifically and will buy from me because they have tried it before and like it. I can print up cards to give out with each jar that tells how this is a scrub that has been used in my family for years. I might be able to find a picture to go with it. I can also make up a nice sign to set out on the table that tells the story as well, to draw people in. I'll make it attractive with the labeling. Additionally, I will have a sample station set up at the Farmer's Market and craft fairs so customers will be able to try it on the back of their hand and see how good it is. I'll price my product reasonably but be able to charge more because of having a story to go with it

Who are your customers and why will they buy from you:

My next step:

What will you need to buy to get started?

Sometimes when starting a small business, you may already have everything you need. However, think through what else might be required if you're going to be selling the product. If you are making it in larger quantities, will you need larger bowls or scoops? Do you have what you would need to set up your sale area? You should price each item that you need to start up the business. If you have restrictions on quantities that you can (or are willing to) produce in your own kitchen, consider the cost and different list of supplies for each scenario. Make sure to consider what you'd need to buy for transportation of your product. For example, do you need coolers to keep your product at the correct temperature?

For example: I will use the equipment in the commercial kitchen to produce my scrub. I will need to purchase a table and tablecloth to set up at the Farmer's Market. I'll need to have a banner-style sign made for the top of my booth. It will cost me about \$100 for table and tablecloth and \$100 for a sign.

Start Up Costs

- Business License
- Ingredients
- Table and tablecloth
- Display racks
- Signage
- Square reader

To get started, I will need:

My next step:

What supplies will you need for production and where can you get them?

As you begin looking at what supplies you will need to actually produce your product, there are several things to consider. It is important that you have a source that you know consistently carries your ingredients. If your recipe requires ingredients that are hard to find or are inconsistently available, it will be more difficult for you to produce your cosmetic product in a timely manner. Is your consistent supply source easy to access? How long will it take for you to get the supplies each time you need them? You should look at the cost of each ingredient and consider that not all of your supplies may be useable, such as a portion of almond oil that cannot be used to make scrub and must just be discarded. You will need to consider spoilage as you determine the quantity of each supply, especially for specialty oils that might go rancid.

For example: I will need buy honey, white sugar and brown sugar. All of those items can be found at my local grocery store. I could also see if it is more cost-effective to buy them in bulk from a wholesale club. I have enough room to store bulk supplies in a dedicated space in my basement, where I can keep bugs and other pests out of it. If I run out of these ingredients, it will be very quick to run to the store and get more, as all those stores are only a few minutes from my house. Vitamin E oil and almond oil will need to be sourced from online stores, so I will need to plan on enough time to have them shipped. I can store them in a refrigerator in my garage so they stay fresh longer. I will also need to buy jars and lids. I can order these at an online retailer in bulk, but I need to have space to store them and keep them clean and free from dust.

My needed supplies will come from:

My next step:

What other expenses might there be? How much money will you need to get this idea to the point where you can start selling?

Often there are other costs that need to be considered that you haven't thought of before. You may have considered the cost of a mobile credit card reader, but do you know if your device is compatible? Do you need a second device so you can use your cell phone while payments are being taken?

When you are selling your product at market, are you giving out samples? What will you need to buy to facilitate that, such as smaller containers, wooden sample spoons, and wipes for customers to clean off their skin? Make sure to think through each step of the process and consider what other expenses you may encounter getting your product approved, made, and sold.

For example: I will need to buy supplies to give out samples at the markets. I will need 1 or 2 jars per event, and I can use disposable wooden sample spoons for customers to take a sample of the scrub for the back of their hand. I will need a handwashing station, water dispenser, or cleansing wipes so they can wash the product off of their hands after they've used it.

Other expenses I might have are:

My next step:

Where will the initial money come from?

All business have risk. It is important to assess that risk and determine if it is at a level you feel comfortable with. Start by asking yourself if you have enough money to get started. Are you willing and able to use that money now, even if the profit doesn't come for a while?

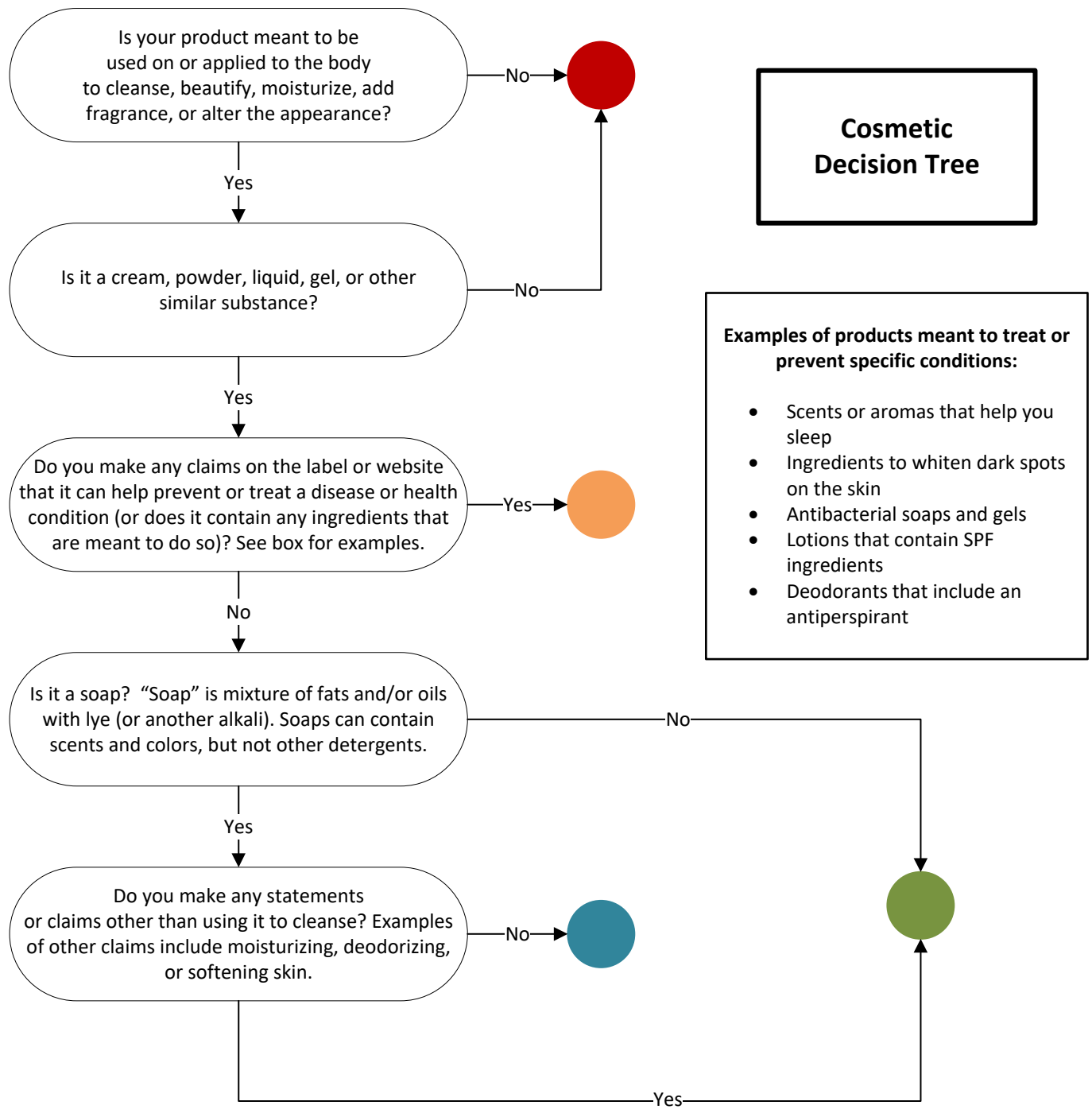
If you don't have the money to get started right now, think about financial options and resources that may be available to you (i.e. friends, family) to get started. Think about the goods and bads of each source. Would it be better to save up for the initial costs before starting instead of borrowing?

Now, consider the risk involved in using that money for this business. Is this an amount you are prepared to lose? What if you've borrowed the money and cannot repay it? Will the relationships survive the loss of that money?

For example: I have the money I need already and don't need to borrow from anyone. If I lose that money, I would be okay for the first year.

The initial money will come from:

My next step:



Your product is a cosmetic. It is regulated by the Food and Drug Administration. More information can be found on the FDA's cosmetic site: www.fda.gov/cosmetics

Your product is a soap. It is regulated by the Consumer Product Safety Commission. More information can be found on their site: www.cpsc.gov/soap

Your product is a cosmetic and a drug. The Food and Drug Administration must give approval for all drug products before they enter the market. More information can be found at www.fda.gov/drugs

Your product is not a cosmetic. Other beauty-related products include:

- Beauty appliances (brushes, applicators). Regulated by the Consumer Product Safety Commission.
- Nutraceuticals to be swallowed (vitamins, soft gels). Regulated by the Food and Drug Administration.



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Additional Notes

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