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# Mary Kay's Rogers Becomes Billionaire in Pink Escalade

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Mary Kay Inc. co-Founder Richard Rogers owns 52 percent of the business, according to Orbis, a database of company information published by Bureau van Dijk. Source: [Marykay.presscentre.com](http://Marykay.presscentre.com) via Bloomberg

Richard Rogers was 20 years old when he and his mother, Mary Kay Ash, began enticing housewives to sell makeup to their friends at house parties.

Fifty years later, Rogers is a billionaire. Mary Kay Inc., the company the pair founded in 1963, is the third-largest direct seller of cosmetics and skincare products. The Addison, Texas-based business, which rewards sales agents with pink Cadillacs, has annual wholesale revenue of \$3 billion and 3 million independent salespeople selling more than 200 products in 35 countries.

About 350,000 Mary Kay businesses were started globally in the past year, including 90,000 in the first quarter of 2013, according to a company press release. About half of Mary Kay's U.S. sales agents are 35-years-old or younger. March was the company's highest-grossing month on record. Meanwhile, U.S. unemployment averaged 7.6 percent this year through July.

"One main contributor for the success in the U.S. is its ability to recruit a lot of new consultants," said Marlous Kuiper, a London-based analyst covering direct sellers and Internet retailers at Euromonitor International. "It's managed to attract a lot of younger people without a job."

Multi-level marketing companies have also soared this year thanks to China's middle class, who are hungry for both American beauty products, such as Mary Kay's skin whiteners, and entrepreneurial opportunities. Mary Kay awards its top Chinese saleswomen the use of pink Mercedes cars.

### 'Stratospheric' Sales

Provo, Utah-based Nu Skin Enterprises Inc. shares are up about 135 percent year-to-date, while New York-based Avon Products Inc. stock has gained about 54 percent. Tupperware Brands Corp., the Orlando-based seller of plastic food storage containers, is up 33 percent.

"Some of these sales growth numbers out of China have been stratospheric," said Timothy Ramey, an analyst for D.A. Davidson & Co. in Lake Oswego, Oregon. He has "buy" ratings on Nu Skin, and Herbalife Ltd., the seller of nutrition supplements, and doesn't own shares in either company. "A lot of that story has been about the developing world, although they are not doing badly in the U.S. either."

Sales of products sold through direct sales channels rose to \$31.6 billion in the U.S. in 2012, a 5.9 percent increase from 2011 and a 12 percent gain from 2009, according to the Direct Selling Association, an industry group.

### Hidden Billionaire

Mary Kay is valued at \$2.6 billion, according to data compiled by Bloomberg, based on the average enterprise value-to-sales and enterprise value-to-Ebitda multiples of four publicly traded peers: Nu Skin, Avon, Tupperware and Natura Cosmeticos SA, based near Sao Paulo. Enterprise value is defined as market capitalization plus total debt minus cash.

Rogers, the company's 70-year-old executive chairman, owns 52 percent of the business,

according to Orbis, a database of company information published by Bureau van Dijk. He has never appeared on an international wealth ranking.

Pio del Castillo, a spokesman for Mary Kay, said Rogers declined to comment for this story.

The multi-level marketing industry has come under scrutiny after billionaire Bill Ackman disclosed in December his hedge fund, Pershing Square Capital Management LP, had sold Herbalife shares short. He says the company is an illegal pyramid scheme that should be shut down, allegations Herbalife has repeatedly denied.

### ‘Enriching Lives’

Mary Kay is the third-largest direct seller of beauty and personal care products, behind Avon and Natura, according to Euromonitor. Its biggest market is the U.S., which made up 44 percent of sales last year, while its fastest growing region is Asia, representing 33 percent of revenue, Euromonitor said.

Rogers and his mother founded the company on Friday, Sept. 13, 1963, in a 500-square-foot storefront in Dallas, with the tagline “enriching women’s lives,” according to the company’s website. The business, started with \$5,000 in Ash’s savings, encouraged women to be their own bosses, by selling cosmetics packaged in Mary Kay’s signature pink.

Today, each salesperson is required to buy a \$100 kit containing makeup, brochures and samples. They make money from commissions, holding parties and recruiting others to their network. In 1969, Mary Kay started using pink Cadillacs to reward top performers who build teams and sell cosmetics. The company now gives out pink Escalade sport utility vehicles, as well.

As Mary Kay expanded outside the U.S., Ash and Rogers, her youngest son, sold shares in a public offering in 1976 on the New York Stock Exchange. In 1985, the family took the company private in a leveraged buyout.

### Mexico, Texas

Rogers was chief executive officer until 1991, when he stepped back and remained chairman, according to a 2004 article in [D Magazine](#), a monthly Dallas publication. Handing the reins to John Rochon, he spent a decade shuttling around in a private jet plane between homes in Colorado, Mexico and Texas, according to the magazine.

He returned to Mary Kay as CEO in June 2001, heeding his mother's calls to run the business, *D Magazine* reported. Ash died on Thanksgiving Day of that year. In October 2003, Rogers and Mary Kay were sued by Rochon, seeking back pay and damages. The company counter-sued, claiming that Rochon mismanaged the business, the magazine said.

In 2006, one of Ash's granddaughters also sued Rogers and Bank of America to remove them as trustees of the family funds. Kathlyn Kerr accused Rogers of mismanagement, self-dealing and failing to diversify the trusts' assets, according to a November 2006 article in the *Dallas Morning News*.

That same year, Mary Kay promoted its chief operating officer David Holl to CEO, a role he holds today. Rogers stepped back again, taking the title of the board's executive chairman.

### 'Incremental Income'

Along with Rogers' stake, his mother's foundation controls 34.5 percent of the capital stock, and Janice Rogers owns 12.5 percent. The remaining 1 percent is held by small family trusts, according to Orbis.

As the U.S. economy recovers, Mary Kay's challenge will be competing with other multi-level marketing companies to recruit distributors from a shrinking pool of potential sales agents, said Anne Coughlan, a marketing professor at Northwestern University's Kellogg School of Management.

"The incremental income you would make from Mary Kay is not as important for you," said Coughlan, also the author of a case study about Mary Kay's distribution networks. "Typically, the enrollments are counter-cyclical. They rise when the economy is bad, they fall when the economy is good."