

WWD HONORS 2022

HONORS
2022

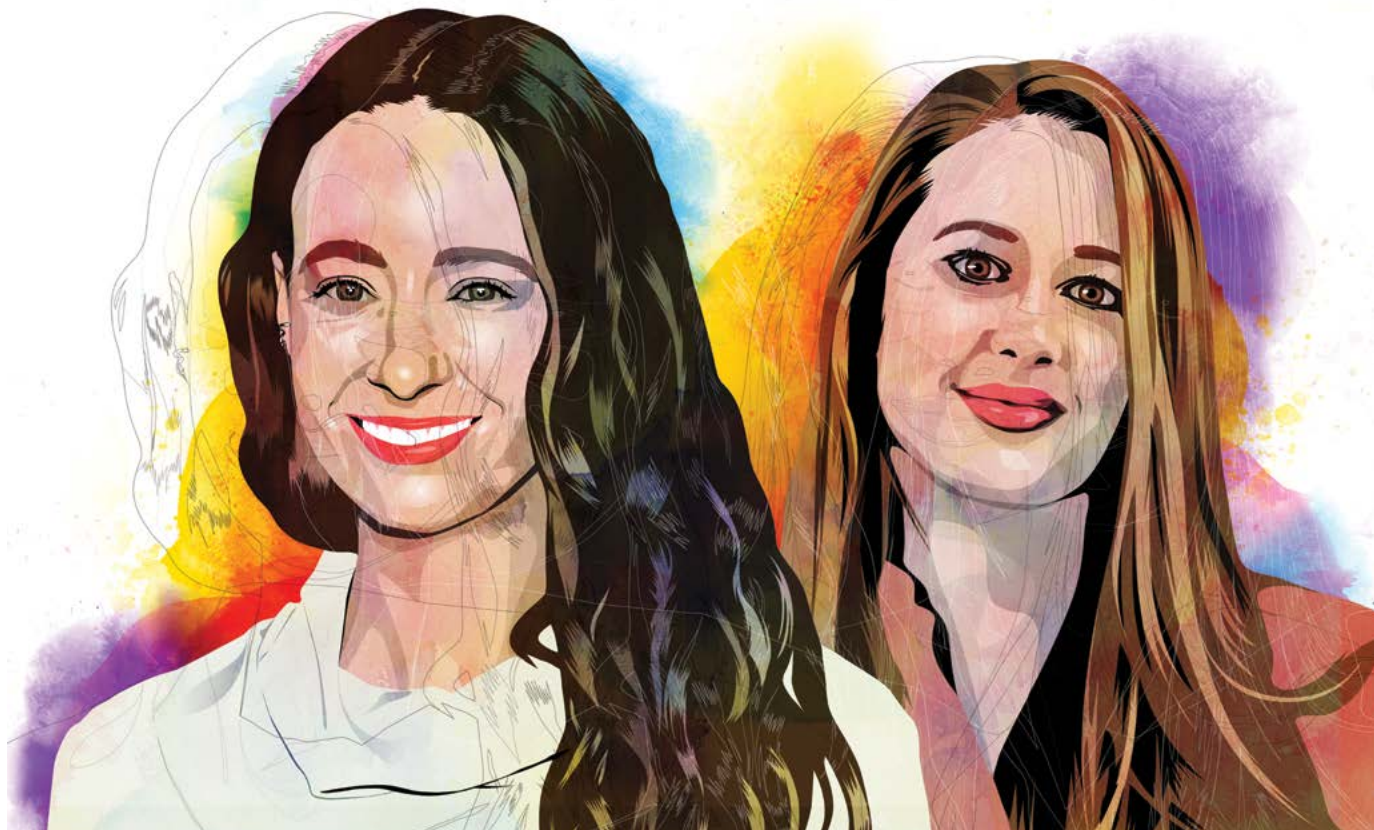
Jenni Kayne &
Julia Hunter

Best-Performing
Retail Company,
Small Cap

Turning a Lifestyle Into A Brand

L.A. designer Jenni Kayne's Pacific Natural aesthetic is stronger than ever – in home, apparel and beauty.

BY BOOTH MOORE ILLUSTRATION BY ALVARO TAPIA



Jenni Kayne has added new meaning to the term lifestyle brand.

The Los Angeles designer has developed a winning formula, along with her real estate broker husband Richard Ehrlich and her chief executive officer Julia Hunter, of buying, renovating and staging luxury homes with every element of her aspirational Pacific Natural lifestyle, from the Aspen, Colorado, wingback bouclé chairs to the shearling Moroccan slippers, to the “effective and uncomplicated” Oak Essential skin care products.

The Jenni Kayne Lake, Jenni Kayne Ranch and Jenni Kayne Hillside Haven homes have been used for content creation and client events where everything is for sale – even the homes themselves.

That's one reason why the Pacific Group, encompassing Jenni Kayne, Jenni Kayne Home and Oak Essentials, will generate \$143 million in revenue for 2022, and Kayne has been chosen as WWD's Best Performing Retailer, Small Cap, for 2022.

“The company is profitable, all the categories are all doing really well, and we're ahead of where we planned to be this year,” said Hunter during a joint interview with Kayne. “The way Jenni lives is curating every area of life. The show house at the ranch has been amazing, we've had a number of influencers stay there. Our ambassador program has been working well and we've started to do some influencer gifting on the home side. And our home membership program has been really exciting...we're seeing those customers shopping more frequently than the apparel customers, almost once every month.

“We are marching toward a third, a third, a third between the three businesses but that will take a couple of years just because apparel is already so mature,” she added. “But we're seeing a ton of traction with home and then Oak Essentials is doing very well, too. We're moving from skin care into other apothecary categories, including candles.”

To fuel more growth, Kayne and her team have been positioning the company for an initial public offering. (The sole investor now is the designer's father, Richard Kayne, the billionaire private equity pro whose Kayne Anderson Capital Advisors has \$26 billion in assets under management.)

“We've done a lot of work, and we're still really weighing the options, but we have hired and have gotten pretty far down the path on our year of transformation with Ernst & Young. So that's all of the compliance and accounting prep. And then we have Public Company Accounting Oversight Board level audits happening with KPMG. So we are pursuing that path,

but also exploring what we really want to do,” said Hunter, a veteran of J. Crew and Loeffler Randall. “We've been talking to a lot of executives at public companies, and obviously it's not a fun time...everyone's kind of miserable. But we're doing our homework now and getting ready in case we do want to go in 2024.

“If we were to raise capital through an IPO that would allow us to go more aggressively into new categories. I think the international appeal of having more of a profile globally through a public listing is a big opportunity. And then of course, just having the chance for employees to have liquidity. We would be excited about letting people share in the business.”

While 70 percent of all sales are online, the brand is opening more brick-and-mortar stores and will have 20 by year's end, with a forthcoming opening in Chicago.

“All of our stores do about \$2,000 per square foot in revenue, which is in line with Tiffany & Co., and ours are 1,500-square-foot boxes,” said Hunter, adding that they have an average 42 percent margin in earnings before interest, taxes, depreciation and amortization. “So our stores are pretty unique in the way they run financially because we have such a high rate of return customers. They are very local shoppers who come to us almost daily and love building their uniform at the retail stores.”

Repeat customers drive 65 percent of revenue, shopping for cashmere fisherman sweaters in multiple neutral shades of oatmeal, camel, carbon and stone, and the bestselling Brentwood chairs and ottomans. (The home line is priced from \$20 to \$11,795.)

Jenni Kayne Home has the highest increase over last year in the company. Furniture specifically is up 650 percent. A successful membership program was launched last May – a \$150 annual fee for 20 percent off – and has resulted in an average \$2,500 spend from members.

“The loyalty piece is what differentiates us long-term,” said Hunter, adding that home will be a \$25 million business this year, and that she wants to double that in 2023.

Like everyone, she has an eye on the economic headwinds, but is not overreacting.

“We're revisiting inventory buys, so we're not really expecting a downturn, but I think we want to be conservative with cash so we are taking down our planned inventory spend for next year just to be safe,” said Hunter. “But otherwise, we're still planning to open up to 10 doors, we're looking at retail stores right now for next year. We have leases for several. So we're staying the course, but with inventory

we're just going to be careful.”

Kayne launched her label in 2003, playing the high-end fashion game for a while in L.A. and New York but not building much of a business that way. Then, in 2008, she pivoted to uniform dressing, which coincided with the launch of her popular Rip & Tan lifestyle blog.

Over the past decade she zeroed in on bestsellers, lowered prices and expanded her offering of no-brainer lifestyle essentials, whether that be a \$195 sheepskin rug or a \$2,095 gold baguette signet ring.

“Our buyers sit in every meeting, and they inform the stock keeping unit plan and are very vocal about what's working and what's not. We also meet with store managers and our marketing team. That's how the collection is designed. It's not me traveling to a new destination every season and that's what it's about. It's always rooted in nature and what people want from us,” said Kayne, who works with just two other designers on apparel and home, at offices in Santa Monica and downtown L.A., which house the company's 171 employees.

In apparel, the language largely stays the same, with an emphasis on minimalist separates.

“Part of the reason we have such loyal customers is because we are happy to have them love our classic pieces and we don't think that there always needs to be something new. It's really great to have the sweater that you love and come back every season and buy it in the new color,” said Hunter.

“We love Ralph Lauren, we're thinking more about how to tell stories around the family, so that will be more men's and more kids coming next year. Jenni's family is really the most beautiful, aspirational, new American luxury family. I'm sure she doesn't want me to be saying that but that's kind of how we think about where we're going is to really show people this is a lifestyle.”

Oak Essentials launched in fall 2021 with five products sold individually or as a \$225 skin care routine to achieve “that no-makeup glow.” The brand recently launched a Daily Vitamin C Serum and a Nightly Retinol Serum.

“The regimen that we have works for everybody, and it's simple, which is so exciting,” Kayne explained. “But when I think about my own routine, the thing that it was missing was a more potent serum. So we are still keeping it simple, like you don't need 17 different options, just one for a.m. and one for p.m.”

Oak Essentials was recently picked up by the Auberge Hotel in Los Olivos, California, where it's used in spa services, and Kayne is

looking for other opportunities to partner the brand with hospitality properties.

“Julia has been an incredible partner because she's able to take everything that's very authentic to who I am and what I'm inspired by, and turn it into a business that we're both proud of, and excited about,” said Kayne. “What's so different about the way she runs the company is she really empowers people to move up, and she believes in everyone that's on our team. She doesn't micromanage. And the company culture is incredible. People will do anything for her.”

Why?

“Well, I've been there,” Hunter said. “I worked at J. Crew and I was very junior when I joined the company. And I started my career in investment banking, so I was a hustler, and was working crazy hours. I understand what it's like to be an employee and never really enjoy it that much. Because I think if you're really willing to give that does not necessarily matter in those types of settings where it's a huge company and you just feel like a cog.

“The way I lead is how I would have wanted to be treated, which is if you work really hard and do a really good job and try to bring a lot to your role and to the company and are nice to people and everyone likes you, then you're going to get rewarded. You're going to get promoted, you're going to have more responsibility. I want our team to get wealthy...and I want them to get what they want...It's also having an understanding of how it's hard to be really passionate about your career and life and that it requires a big commitment and some sacrifices personally. I just want them all to feel like that gets rewarded and that they get to see and feel like they own it.”

As they approach their ninth year of working together, the two feel like they are just scratching the surface.

“I think this can be as big as we want it to be,” said Hunter, noting that Jenni Kayne hotels are in process, along with new home projects. The company plans to sell the Jenni Kayne Ranch and funnel the proceeds into their next home, on the East Coast.

“The best anecdote I can say is when I saw Jenni's home in Architectural Digest before I worked here, it was the first time I ever really got inspired to decorate a house,” said Hunter. “Not that I was anywhere close to being savvy enough to do any of that, I just knew that I loved Jenni's house. I feel like there's really a shift now with people caring about their home as an indicator of their style and an expression of who they are, and Jenni is going to continue to be a tastemaker in all of these areas.”