

How To Start Your Own Soap Business



**Marla Bosworth
Founder & Owner**

www.backporchsoap.com

781.934.8100

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Introduction

Have you been dreaming about starting your own soap making business, but aren't sure where to start? While launching your own company is not entirely difficult, it does take time and thoughtful preparation in order to create a successful business. This white paper is intended to provide you with a general overview of important steps required.

I started my soap business, Back Porch Soap Company, in 1998. Over the years and after much hard work, my company now sells to more than 200 wholesale accounts. I also sell retail via my website and upscale retail shows. In addition, I teach soap making, bath and body workshops, and business classes. I've made many costly mistakes along the way - especially in the beginning stages - which I will share with you in hopes of preventing them from happening to you.

At this point maybe you've considered making soap or perhaps you've been making soap for friends and family. That is how I started too. What kind of honest feedback are you getting about your product? Consider their ideas and inputs, but remember that the focus of your business is ultimately your own decision. One of the mistakes I made in the beginning was to take advice from too many people. It's easy to say "Oh, I can create baby products for customer number one and pet products for customer number two." Before you know it, you will have spread yourself too thin, lost your focus and racked up your credit cards. The best advice I can give for starting out is slow down, do your research, and plan your business. When you have your focus, then you can start buying more supplies and ingredients.

Let's take a look at some essential guidelines.

Determining If This Business is Right For You

Are you the Entrepreneurial Type? Don't Quit Your Day Job...Yet.

Building a part-time or full-time business takes time. It also takes money. So don't quit your day job yet. Roll up your sleeves and be prepared to work on this new venture when you are not at your full-time job – evenings, weekends, whatever it takes. This is a great first indicator whether you have the passion and drive to be an entrepreneur.

Owning and running a soap business is not for the faint of heart. You will need a fire in your belly, resistance to failure (because it will come knocking at one point or another), undying enthusiasm for your products and business, and a driving passion. Again, you must be ready to dedicate most of your free time to this business to get it off the ground.

Some of the key qualities for a great entrepreneur are creativeness, a vision, confidence, can-do attitude, fearlessness, business savviness, and the ability to be a world-class multitasker. After all, you are going to be creative director, computer specialist, customer service rep, shipping agent extraordinaire, chief bottlewasher and janitor all wrapped into one (or at least until you have the funds to hire someone for these respective positions). You must be able to spot and seize opportunity and be open to changes in the marketplace.

Every successful entrepreneur I know is passionately obsessed about their business. They are constantly brainstorming – at various times of the day - ideas about ways to improve their business whether it be marketing, new products development and possible joint ventures or leveraging with other businesses. Is this you? Then read on!

Finding Your Niche

There's a lot of soap out there. How are you going to be different?

Have you noticed that there is a lot of handmade soap on in the U.S. market? I mean a ton. Just go to Etsy's website and search for handmade soap. At last check, there were 311 pages with 21 listings per page. That's 6531 bars of soap for sale!

You've got to set yourself apart. The best way to find a niche? Put yourself in your customer's seat. Do some online market research to track trends. Is your niche market on the upswing in terms of growth? Or has it peaked? These are all questions to ask before you hit the pavement with your product offerings.

You'll want to study your niche market to analyze potential product offers. Visit or call your nearest city librarian for great research tips. Most libraries provide free access to valuable databases which will allow you to search for market forecasts on retail markets, including personal care.

Some current niche markets include wedding favors, monogrammed or personalized soaps, organic, baby, tweens, male, and novelty soaps. Once you determine your niche, you can begin to develop your specific soaps and source ingredients, packaging and labels. You'll want to test your products before launching them. Then test market to your potential customers by participating in retail shows where your particular client shops. Get feedback and suggestions. Once you are getting rave reviews take your product to market on a larger scale.

Ingredients and Supplies

Shop and Compare: Price, Quality and Customer Service

I have several suggestions as to where to purchase your supplies, depending on the size of the company you are about to launch. If you are certain that you will sell \$2000 a week (\$104,000 annually), go directly to the manufacturer if possible, especially with essential oils and fragrance oils. One of my favorite places to find manufacturers is Thomas Register (www.thomasnet.com). If your company is smaller, rely on reputable online suppliers whose names come up on the first page of Google.

If you are a cold process soapmaker, two of my favorite places to purchase plant oils are www.bulknaturaloils.com and www.soaperschoice.com. Both companies sell high-quality products at very reasonable prices.

Melt and pour soapmakers should head over to www.wholesalesuppliesplus.com. I've been purchasing my glycerin base from Debbie May for 12 years. You will love the quality. She also carries a wide variety of products which makes her site one-stop shopping headquarters and in addition offers various shipping arrangements.

There are a number of places to buy molds on the internet. Check out www.milkywaymolds.com, www.moldmarket.com, www.soapequipment.com, as well as chocolate or candy mold websites. For cold process soapmakers, check out www.forcraftssake.com, www.southernsoapers.com, www.uplandsoapfactory.com. Be sure to buy a cutter as well, it will save you a lot of time trying to evenly cut your soap and having them the same size.

When it comes to packaging your soaps there are many solutions. Most melt and pour soaps are best wrapped tightly with plastic wrap or shrinkwrap to prevent moisture or “sweating”. Cold process soaps are beautiful sold “naked”, wrapped in fabric or paper, as well as boxed. Fabric and handmade paper sources are plentiful. Boxes can be found on most soap making supplier’s websites.

A good rule of thumb in your initial months of operation is to buy only what you are going to use for one or two months. Invest in an inventory program such as Quickbooks or Soapmaker Software (the latter is available at www.soapmaker.ca) to help in your production planning and to eliminate overstocked supply waste.

When purchasing molds, splurge for high-quality ones that meet your needs. When I first began soapmaking, I went through numerous cold process molds, unhappy with one after another. Many of them had 30-day money back guarantees and I took full advantage of shopping around and finding the molds that fit my needs.

The same holds true for melt and pour molds. You’ll want pliable and flexible molds that can withstand soap after soap being released from it. Test, test, test. There were many times when I invested in molds before testing them, and added the soaps to my wholesale catalog only to find out that mass production with them became a nightmare.

Plan ahead with your molds and visualize your production process. How many soaps can you pour at a time? If you are using melt and pour molds do they line up on the tables so that you can pour 50-100 at a time? If you are a cold process soapmaker, consider investing in several high-quality loaf molds with built-in cutters that hold 14 lbs. or more.

Remember, molds can be your best friend or your enemy! It is key to produce in quantity. Your time is equal to money. Become an efficiency machine. You’re going to need extra time between producing to dedicate to marketing and selling.

Pricing and Profit Margins

Don’t undersell yourself.

Price your products so that you are making a profit – and keep in mind what your market will bear. Many new soap makers sell themselves short and later close up shop because their goal is to be the cheapest on the market. “Surely someone will buy my soaps if they are inexpensive.” I thought this when I first started my company too. Do not make this mistake. You deserve to get paid for your time - and you MUST factor your time into cost.

While traveling, I recently paid \$7.00 for a 4 oz. bar of cold process handmade goat’s milk soap in a Wyoming garden shop. Now that’s a decent markup.

There is a perceived value in soap that is higher priced. When I see a \$3 or \$4 retail bar of soap my mind immediately thinks that it must not be worth purchasing. But for the higher priced bar, like the one I bought in Wyoming, I thought, “Wow, this must be

handmade with care and high quality.” It was incredibly moisturizing, simply yet lovingly packaged, and it was worth every penny!

Keep in mind that if you are going to be wholesaling your soaps, that price will be half of your retail cost. Don't expect to sell your soaps at craft fairs for \$4 a bar, and expect a retailer to wholesale from you for \$3. I sell most of my bar soaps for \$6 retail, \$3 wholesale. At retail shows I might offer a special, say \$6 each or four for \$20. Three out of four customers will go for the deal, and I'm happier with a \$20 in my hand!

Let's take a look at your markup or profit margins. This is what I take into account to determine my prices. Cost of goods include your ingredients, whether it's plant oils, melt and pour base, essential or fragrance oils, additives and packaging. Remember to calculate the shipping you've paid on your cost of goods into the equation as well. Then add labor (even if you aren't paying someone initially, you need to plan for this and also pay yourself). You may also want to add your overhead (rent, insurance, electricity, equipment, etc.).

Cost of Goods + Shipping + Labor + Overhead x 2 = Wholesale Price

Example: \$0.70 per bar COG + \$0.10 Shipping + Labor/bar \$0.50 + Overhead \$0.15 = \$2.90/bar. So wholesale for \$3.00/bar.

Wholesale Price x 2 = Retail Price

This is when it gets profitable! So you're already making money by selling your soaps wholesale, but when you sell retail the profits add up even more.

It is important to know your market and know your competition. Determine what your market will bear. Then take a look at your competitors. What are they missing in their offering, if anything? Is it something you can capitalize on? If you decide to be target the higher end of your market, be ready to defend your prices to your retail and wholesale customers. This can be as simple as educating them on the benefits of your soap or special ingredients or visually convincing (via knock-out packaging) your potential customers that your product is upscale and worth the price difference.

Naming Your Company

Make It Memorable

It's your brand. And you're going to live with it day in and day out. You're going to say it over and over again in person and on the phone. Make sure you really love it.

Is it available? Check out the trademark website to ensure that the company name has not been taken by someone else. Go to the U.S. Patent and Trademark office at www.uspto.gov. Complete a new search to confirm that your name is available. This is crucial in your planning process for two reasons. First, you do not want to be slapped with a Cease and Desist or lawsuit for using someone else's trademarked company name.

Second, it is a complete waste of marketing money to put time and effort into a name to lose it years down the road.

Once you determine that your business name is available through the U.S. Patent and Trademark office, check to see if the website address has been taken. This can easily be checked through a site such as GoDaddy.com. I recommend sites that end in .com instead of .net or .us.

Your name should reflect your line of products. It should be catchy, memorable and marketable. Your name does not have to include the word “soap”. You can always add “soap” to your tagline or slogan.

Sales Channels

Where Oh Where Will You Sell?

There are several sales channels for selling your soaps. If you are just beginning, start with your family and friends. When I first started I gave away a lot of soaps. I held a spring open house at invited my friends and neighbors over to test my products. I wanted clear and honest feedback on my recipes. Were the soaps moisturizing? Were they long-lasting? Did they like the fragrances? What didn't they like and what would they recommend?

Retail Sales

Potential retail channels include art and craft shows, farmer's markets, home parties, and the internet just to name a few. Corporate and hospital venues can be great exposure for your products. I travelled around the New England area for eight years selling at such locations. At least here in New England there is very little competition selling in this channel. Most businesses and hospitals ask for 20 percent of your daily sales or charge a flat daily fee. I found this to be an effective way to build my brand by educating customers, making sales, networking and referring business over time to web sales.

You must have attractive displays, set prices, business cards or flyers to spread your information, Be ready to educate your customers. Do not assume they know the benefits of using handmade soap.

One of the best tips for successful retail sales where you have the pleasure of meeting your customers one-on-one is to stand and sell with passion. Take sincere interest in your customers and keep your focus on them and their skincare needs. Tell and show them how your products will benefit them.

Offer quantity pricing such as \$6 each or four soaps for \$20 to increase your sales. Remember to cross-sale with lip balms, scrubs and lotions. Suggestive selling works!

I highly recommend accepting credit cards. At least 20 percent of my retail show sales were credit card sales and most of them averaged \$80. There are many reputable credit card processors, just ask other business owners you may know for a personal referral. Remember to collect sales and use tax for your respective state.

Wholesale

When it comes to wholesaling, I could write a book! There is so much to say, but much of what you will learn will come from experience.

There are a few key points that I do want to touch upon to guide you into successful wholesaling. You must do your homework and be prepared. As a previous storeowner, it can be painful to see a new artist enter your store and try to sell you wholesale for the first time without having done their research. Visit your potential wholesale account first and see if you can envision your soap on their shelves. Call ahead and arrange a time to meet with the store buyer. Be gracious and understand that oftentimes these storeowners work long, hard hours and deal with many people on a daily basis trying to sell them something. Don't drop in on a storeowner unannounced and expect them to meet with you.

Understand wholesale pricing and terms. Then design and print out copies to hand out to potentially interested parties. Information on wholesaling should include minimum opening order (the minimum amount a retailer must spend to write an order with you). Currently my minimum is \$300. For me, this immediately weeds out serious buyers. Also, consider that you'll want retailers to carry a good selection of your products otherwise they will become "lost" in the store. For me, a \$300 minimum assures the storeowner that my line will have a strong and visible presence and will have a better chance of being sold. If you sell a store a few bars they will linger in the store and then the owner may turn around and tell you that they never sold. And perhaps they didn't sell, but it was due to low visibility. Good retailers understand this concept. Set your wholesale opening order for at least \$100.

Your wholesale sell sheet should include some quality pictures of your products, with wholesale pricing next to each one. Remember, wholesale is half of the retail price. If you are selling your retail soaps at \$6, then you will be wholesaling them for \$3. Each of your products should also have a minimum. Most companies sell in dozens. This is a good idea for several reasons. What you don't want is stores ordering two lemongrass soaps, three lavender, and so on. This is a time killer and you'll be spinning your wheels for the desperate act of selling a few bars. Raise your minimums and you'll raise your bottom line!

In regards to consignment (placing your soaps in a store under contract and being paid as they sell) I do not recommend it. There is low incentive for store owners to sell consignment products (they haven't paid for them upfront as they do in wholesale) and in my experience it often results in low sales, as well as over-handled and damaged products. In my earlier years I attempted consigning, but it was never worth the hassle to me.

Writing Your Business Plan

Put Your Ideas on Paper. Get It Out of Your Head. It Doesn't Have to Be Perfect.

Detailed strategic planning is essential to a successful business. This is often challenging for creative entrepreneurs. I know that it is for me. If it helps, find a mentor. This can be through the Small Business Association, or a successful business owner who

is willing to take you under their wings to meet on a monthly basis for feedback and guidance.

It may help you to take a business plan writing class. This is what I did and I found it very helpful. Most classes give you deadlines in various stages throughout the planning and writing process. This enables you to get your business plan finished in segments. You'll want to pay close attention to your business market analysis, competitive analysis and strategy in particular.

Once you've completed your plan, review it every three months and see if your business needs to be redirected in any way.

The Legal Grunt Work

Business Insurance, City and State Business License, Trademarking

Business product liability insurance is a must if you are selling your soaps. Check out insurance offered through HSMG www.hsmg.org and Indie Beauty www.indiebeauty.com (see Resources pages).

Each city and state requirements are different. Check with your local town office for business license requirements. They will have information or be able to point you in the right direction to acquire your state business license.

As mentioned under establishing your business name, you'll want to confirm that the trademark for your company is available, and purchase it immediately. I've heard many stories of business owners who "saved" money by putting off buying a \$325 trademark, investing thousands in marketing and sales of their business name, only to turn around a few years later and spend thousands of dollars in a lawsuit to save their name from someone trying to purchase the trademark.

Lastly, open a business checking account. Keep your income and expenses separate from personal spending. Use Quickbooks weekly to see where you are with income.

Setting Up Shop: Studio/Work Space vs. Renting

Creating Your Own Workspace. Basement, Studio or Spare Room?

Keep your overhead low and don't rent if you can avoid it – at least not initially. I worked out of my home for several years before an opportunity to open a retail store presented itself to me. Working from outside your home has its advantages and disadvantages. For advantages, it's wonderful to get the clutter, paperwork, etc. out of the house. When you close the door to your store, you can call it a day. A disadvantage to a retail store, besides the overhead, is that it requires your constant attention from 9 to 5. Ask yourself if you are in love with the idea of owning a store or if the day-in, day-out demands are something you really want to do.

Working from a home studio as its advantages and disadvantages too. If you have

children, working at home is a great way to have a flexible lifestyle. I can take an hour or two break in the middle of the day to see my daughter's soccer game, then make up those two hours at night or the next day. This won't be the case if you have a retail store and are your company's only employee. I liken a retail store to having another small child: someone always has to be tending to it. Working from home also gives you the advantage of taking home writeoffs such as home office and other partial deductions including heat, electricity, home repairs and such. Talk with your accountant for more tax information.

Wherever you set up shop, you'll need plenty of table space, a large sink, shelves or baker's racks and soap making equipment. A used restaurant supply store can be a gold mine when it comes to finding baker's racks and stainless steel tables. The racks are a great place to let your cold process soaps cure, or to simply store your glycerin soaps. They free up your table space (which I find I can never have too much!). One of my favorite pieces of soap equipment is a double jacketed wax melter that holds 200 lbs. of melt and pour base. If you are looking at making large quantities of melt and pour soap, this is the way to go. I make cold process soap in 15 lb. batches, and a deep stainless steel pot that you can find at a discount store works fine. As you increase the size of your batches, consider some of the equipment sold at www.soapequipment.com or www.candlewic.com.

Labelling and the FDA

What You Need to Know

There are two ways to label your soaps: you can create your own or have someone create them for you. I have been printing my own labels for 12 years. My customers comment that they like the handmade look. It's easy for me to make changes and there is very little up-front investment. Many label companies require runs of 500 and up per SKU (stockkeeping unit) or fragrance.

A reliable resource for labels is www.worldlabel.com. I use standard white recycled address labels for the front and back of my bar soaps. There are many other varieties available for inkjet and laser printers in kraft, clear, waterproof, pastels and more (found here: <http://www.worldlabel.com/Pages/wl-ol875.htm>). There are many more sizes besides the address label ones that I use including full-sheet labels, circles, ovals, rectangles and more.

When labeling, it is essential to employ FDA label requirements. Legally you must list the quantity of contents, in terms of weight. An identity statement indicating the nature and use of the product, a common name, an illustration or a descriptive name must be used. It is important not to make any medical or promising claims on your labels.

The following information must appear on an information label: name and place of business (or "manufactured for...", warning and caution statements if necessary, and ingredients.)

Marketing & Sales

Just as Important as Making Soap

Your marketing and sales initiatives rank just as high as your soapmaking efforts. They work hand-in-hand. Successful marketing and sales results allow you to make more soap and around and around it goes.

Business cards are a must and can be custom designed rather inexpensively at www.printmadeeasy.com This is my favorite place for printing promotional postcards as well as business cards.

If your website launch is a few months or years away, at least grab an account on Twitter under your business name as well as a Facebook fan page and a blog. Go to your local library and find a book on internet marketing or hire someone to do it for you if it fits in your budget.

A good website with a shopping cart and credit card processing will run you anywhere from \$1200-3000. If you're going to do it, do it right and hire a professional marketer that will give you honest feedback and great designs. Try a site like www.guru.com or www.99designs.com to find a reasonably priced web designer. Read up on the importance of keywords and Search Engine Optimization (SEO) and see if they will do this as part of your web design. It is crucial to getting traffic to your site. Remember, just because you launch a website doesn't mean that people are going to find it online.

Attend local business networking events. You never know who you are going to meet. Networking is about being friendly and promoting your business simultaneously and genuinely. It's no fun meeting someone who is "all business."

Another way to network is with other soapmakers. I've made a lot of new friends through industry associations. In addition to the new friendships, I've received a lot of referral business from colleagues who pass along a customer who is looking for a product that I carry. Check out www.indiebeauty.com and www.hsmg.org for support and networking.

Lastly, create a customer list. Keep them updated on your company news, events, specials, and more through an email marketing campaign such as www.mailchimp.com or www.constantcontact.com

Conclusion

Go Ahead, Take Your First Step.

As fun as it is to make soaps, building a business takes research and calculated planning. You can launch a business with as little as a few hundred dollars. It is important to find your niche – you must sell more than just a bar of soap.

Set your prices accordingly. Don't be the cheapest soap in town. Remember to avoid impulsive spending online. Only buy what you need and in small quantities initially.

Then get a few craft fairs or home shows under your belt and test market your niche to your target customers. Don't undersell yourself – there is a perceived higher quality for higher priced goods.

Ask yourself how distinctive your products are to your customers. And frequently put yourself in your customers shoes. Would you buy your own products if someone else were selling them? How do your customers tell the difference between you and your competition? Promote the benefits of your products. Set weekly, monthly and annual income and sales goals.

There are many other details to setting up a soap making business, but this is a good start. My hope is that I answered some of your questions and gave you guidelines and confidence to get your business started.

Recommended Resource List

Small Business Resources

Small Business Association

<http://www.sba.gov/>

SCORE

<http://www.score.org/index.html>

Soap Labels

World Label

www.worldlabel.com

Soap Molds

Milky Way Molds

www.milkywaymolds.com

Mold Market

www.moldmarket.com

Soap Equipment

www.soapequipment.com

Scott Crew Enterprises

www.scottcrewcandlesupply.com

Glycerin Soap Base and Many Other Supplies

Wholesale Supplies Plus

www.wholesalesuppliesplus.com

From Nature With Love

www.fromnaturewithlove.com

Plant Oils

Columbus Foods

www.soaperschoice.com

Jedwards International

www.bulknaturaloils.com

Essential Oils and Fragrance Oils

Essential Oil University

www.essentialoils.org

Southern Soapers

www.southernsoapers.com

Brambleberry
www.brambleberry.com

Sweetcakes
www.sweetcakes.com

Bittercreek Candles
www.bittercreekcandle.com

Soap Making Classes, One-on-One Soap Business Consulting

Marla Bosworth
Back Porch Soap Company
www.backporchsoap.com or follow me at www.twitter.com/backporchsoap

Soap Equipment/Melters

www.candlewic.com

www.soapequipment.com

Industry Associations (networking and business insurance)

HSMG (\$480/yr. includes 1M liability insurance and membership)
www.hsmg.org

Indie Beauty (\$545/yr. includes 1M liability insurance and membership)
www.indiebeauty.com