

***Salon Survival Guide
Against the Onslaught of Large
Chains and Franchise Operators***

BY

Tino Kyprianou

Cobella International

www.cobellavideos.com

2003

Table of Contents

<i>It's You Against Them</i>	3
Salon Chains, Franchise operators and You	3
<i>What is it that they have, that you don't?</i>	4
Money	4
Management.....	5
Marketing.....	6
Name Recognition	7
Great buying power	8
Great Locations.....	8
Training	9
Recruitment	9
On going support and assistance	9
<i>What Can You Do About It ?</i>	10
<i>Share Your Experiences With Us</i>	13
About the author.....	13

One of the most important aspects for the success of any business and most importantly small business, is KNOWLEDGE



It's You Against Them

Salon Chains, Franchise operators and You

It is a fact of life that franchise operations and large companies have far higher chances of succeeding in the long run than small independent units. Statistics by the US Department of Commerce show that 95% of franchise operations succeed while only 25% to 35% of independent businesses do so. Obviously this is true for the hairdressing industry not only in the US but Europe and the rest of the world.

In the US and to a certain extent in Europe, large corporations have moved in to markets where small businesses were the norm and managed to squeeze them out. Restaurants, food markets, printing, coffee, Movie Theaters, car oil changes and tires, DIY stores the list is endless. The hairdressing industry firstly saw the consolidation of Beauty Supply Distributors and Wholesalers, Cash & Carry Beauty Supply stores and for some time now we have been

seeing the beginnings of the establishment of giant salon chains. Regis Corporation in the US, are now buying salons as fast as they can. They now control over 9,300 salons worldwide. Some of the well-known names they now control are Vidal Sassoon, Jean Louis David, Supercuts, Regis Salons and many more. Their sales in 2003 are estimated to reach US\$3 billion. They own salons in the US, Europe and Canada in shopping malls, department stores, strip shopping centers, high street locations and even within giant stores like Wall-Mart in the US.

Other giants such as, JC Penney Co., Magicuts, Opal Concepts, Toni & Guy, etc., even though not as big as Regis, nevertheless they all plan to expand as fast as they can. Hairdressing still remains one of the very few industries that the chains are not as dominant as in other industries. The situation will not remain as is for long. In the US chain dominance will come before Europe and the rest of the world. This, however, doesn't mean that salons outside the US should rest on their laurels and do nothing. They still have to compete, survive and grow in the long term.

What is it that they have, that you don't?

Money

The first and most obvious is money. These companies are well financed, which allows them choose the best locations invest adequate capital in providing all the services, infrastructure and working capital necessary to operate and promote a successful salon. Capital also helps them withstand slow periods and adverse market conditions.

Management

According to the US Small Business Administration **most small businesses fail because of weak management**. Large chains and franchise operations have trained management who gained a lot of experience in the operation of hair salons for many years in all aspects of the business. Each salon they operate gets the benefit of that experience. This know how obviously reduces the risk of failure and provides the salon manager with all the tools she needs to be successful. The learning curve that an individual salon owner will have to endure is therefore eliminated.

In terms of management the salon manager has immediate access, among other things, to the following:

- a.** Human Resources Support on recruitment, employee benefits, compensation plans etc.
- b.** Well thought out policy manuals and procedures
- c.** Employee manuals
- d.** Business Plans
- e.** Financial controls, management accounting, continuous monitoring and benchmarking
- f.** Information technologies
- g.** Efficient and functional salon designs
- h.** On going support and guidance
- i.** Professional Retail layouts and merchandising

Marketing

Because of their size, capital resources and economies of scale, large companies can afford to have marketing departments with teams concentrating on different areas such as:

a. Advertising

Teams are responsible for the design and execution of advertising campaigns, public relations campaigns, photo shoots etc., months in advance. These campaigns are designed to take advantage of the changing seasons, special occasions, holidays, client age groups, offers for different services, etc.

b. Demographics and market profiling

These teams are responsible for identifying the target markets that their salons will appeal to. They usually identify their markets in terms of age groups, socio economic status, income level, education, life style etc. By using these criteria they come up with a profile of the client they will appeal to. This information will help them choose the location, the salon design, what services and products to offer, employee training, promotions, pricing structure, etc.

To be able to reach the different market segments in a successful way, large companies normally operate different concepts under different brands. For example Regis operate Supercuts and Cost Cutters in National Strip Centers, SmartStyle in Wall Mart Stores, Regis Salons in Regional Malls and Vidal Sassoon in Street locations for more up market clients.

c. Market Intelligence

Knowing what the trends are, how clients behave, what sells and what doesn't, what the competition is doing, new product launches, both within their own markets and outside, these companies are able to react and position their marketing activities to take advantage of this knowledge.

d. Customer Relations

Training programs in communication skills and problem solving, whether is via the telephone, the reception area or the salon floor are provided for all salon employees and new recruits.

e. Retail Sales Training

Retail sales training programs and product knowledge manuals are developed in conjunction with product manufacturers to equip the receptionists and also stylists in the art of selling, up selling and how to increase revenue per salon client. Everything helps the bottom line.

Name Recognition

Once a franchise salon or a new one from a large chain open, they enjoy instant recognition. Clients like you and I, like patronizing a known name and will avoid the unknown as much as they can. They have the comfort of knowing what to expect and the quality of services they are likely to receive from those salons.

Great buying power

It is quite obvious that large companies have great buying power. This power allows them to purchase large quantities and so negotiate very attractive prices for their salons. They have elaborate inventory systems that tell them what sells, what doesn't and how often. The benefits however don't stop there. All manufacturers have specially trained sales managers whose only clients are large chains. These managers devote all of their time in courting those buyers and devise plans and promotions, which make available to large companies only. Companies like JC Penney Co. purchase millions of dollars worth of shampoos, perms, and color etc. that make it worthwhile for manufacturers to assign an account executive who will be responsible for that account. They work closely with them, offer all kinds of incentives, cooperative promotions and market intelligence all designed to bring in clients and move their products, be it retail or back bar. Needless to say that the end result is greater profit margins and a competitive advantage over the smaller salons.

Great Locations

If you have money, name recognition, professional management and great resources available to you, landlords of malls, shopping centers, and owners of central high street locations will be seeking you out to rent you their space. It's as simple as that. Besides, the large rents, high deposit requirements and other guarantees will be prohibitive for small salons anyway.

In addition large companies hire realtors whose job is to find the best locations based on [demographic](#) analysis, market profile as discussed [earlier](#).

Training

As discussed earlier, large companies have training systems in place for every aspect of the business, salon management, reception, hairdressing, health and safety, etc. They have professional trainers who try to keep their employees up to speed and provide assistance where is necessary. Some of them even provide education using direct broadcasts via satellite.

As if that wasn't enough, manufacturers also provide them with custom training and support via free videotapes, DVDs and regional technical trainers. Why? The more technical support they provide the more the chains will buy from them.

Recruitment

They have on going recruitment campaigns, through national and regional trade magazines, Internet, trade shows, newspapers who are designed to attract talented hairdressers, offering benefits, training, possibilities for advancement and job security.

On going support and assistance

Salon managers are not left alone to deal with all the problems that arise in a salon. They can always ask for support from regional or national managers.

At times of an economic downturn and the resulting painful slow periods with their suffocating cash flows, the chains will devise all kinds of promotions to drive customers to their salons, squeeze their suppliers for further discounts,

secure lines of credit to withstand any losses and provide the necessary cash flow for survival.

What Can You Do About It ?

I have outlined all of the advantages large chains have over independent smaller salons in an attempt to let you know what you are up against. By knowing where your competition will be coming from and what strengths they have, you will be better equipped to protect your business and compete more effectively.

It doesn't mean that you will be faced with this threat tomorrow, next month next year on even ever and it doesn't mean that small salons are doomed because that's not the case.

Given all we said earlier, chains and franchises are faced with two major limitations in their quest for dominance.

- a. They find it very difficult in finding and keeping good motivated managers**
- b. A lot of capital is required to expand everywhere, which is not always available.**

Every day we see very well run salons, owned by smart, knowledgeable, forward looking and dedicated salon owners who give chains a run for their money. They run profitable and healthy businesses that can be the envy of many franchises or chains.

These salon owners make it their business to acquire the knowledge and equip themselves with the necessary tools they need to maintain a healthy and prosperous business. **Knowledge is key**. Knowledge on salon management, marketing, finance, human relations and what's going on around you in the hairdressing industry will help you rise above the average salon owner, survive and prosper.

It's obviously very difficult to become an expert on all those areas but at the very least you have to be knowledgeable, open minded, seek advice from other professionals and use everybody that you come in contact with, suppliers, accountant, technicians, etc to gain knowledge and experience. Ask questions, challenge them and use their knowledge in helping your business.

There is also a plethora of information out there that can help you acquire the knowledge you need to compete effectively. The difference is that successful salon owners seek that information and they are not afraid to invest in getting it. I meet many salon owners both in Europe and the US who travel to different countries to attend seminars, meet other salon owners exchange ideas and so expand their horizons. They are not afraid to ask questions and take risks because they want to succeed. I know of salon owners who once a year will take their entire staff to a working vacation either in Europe or the US and attend a seminars by well known experts. Imagine what that can do to staff morale, loyalty and motivation.

A salon to succeed and prosper has to be run like a proper business and like larger companies do. There is no question about it. Your customer will always have a choice and she will compare you with the best of your competition. The design of your salon, the facilities you provide, the professionalism of your staff, their technical expertise, the quality of your services, your prices your

attentiveness to your clients, your after sales service and the overall atmosphere of your salon will be the determinant factors why she will come to you or go further down the street. You might be a good hairdresser and have a lot of following but is that enough for you to maintain a healthy and prosperous business? A business which can grow and expand and one that can withstand the onslaught of larger, well managed companies, if and when it comes? Only you can answer that question.

Share Your Experiences With Us

We invite your comments, suggestions and to share your own experiences with us. We will publish any worthy ideas in our Newsletter and also on our Web site. Please feel free to contact us at: suggestions@cobellavideos.com

We'd love to hear from you ...!!!

“To read similar articles please visit www.cobellavideos.com a site dedicated to hairdressing education and salon management.”

About the author



Tino Kyprianou is co-founder of Cobella, an organization that for the past 20 years is involved in hair salons & spas, and the production of educational videos, seminars and shows for the hairdressing industry worldwide. Thousands of salons have purchased Cobella's training videos not only in the US and UK but also through out Europe and the rest of the world. Tino is in charge of the company's marketing activities both in the US and International markets. He authored employee manuals, training manuals, numerous management articles, salon management book. He is also the creator of the internet site www.cobellavideos.com which is a site dedicated not only to promoting Cobella's training and management materials but also to providing free valuable information and resources to stylists and salon owners worldwide.

Contact – tino@cobellavideos.com