

New Wella Salon: Exploring Growth Opportunities (A)

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Received: July 4, 2016 Accepted: July 26, 2016 Published: August 30, 2016

doi:10.5296/csbn.v3i2.9952 URL: <http://dx.doi.org/10.5296/csbn.v3i2.9952>

Abstract

This case discusses about the dilemma faced by a famous barber Mr. Fayaz, who has been refused by his loyal customers to get their services from him at the age of 55 years. The incident has taken him to think seriously about his future as a barber and the future of his sons, who share the same profession with him. Over the years, his son Meer has changed the image of the salon from a traditional salon into a trendier and sophisticated salon keeping in mind the changing mind set of consumer and services provided by leading salons of Pakistan. At a brainstorming session, Mr. Fayaz & Meer are trying to address three difficult questions: Was it just an incident and could it be ignorable? What future growth options are available to sustain our position? Would closing the business and investing in some other business be a viable option?

Keywords: Salon Business, Marketing Management, Services Marketing, Small Businesses Growth, Market Expansion

Mr. Fayaz ended his work leaving an upset ending of the day. He was upset because of the last customer experience he had that day. It happened the third time in the current month that one of his loyal customers had shown reluctance to get his hair cut by him. Losing his loyal customers left him worried and confused. While he was thinking about the incident, Rahim, one of his old buddies entered the shop and enquired the reason of his glossy face. Rahim, after hearing the incident, responded to him:

“Now your hands shiver while you shave or cut hair. So, customers are reluctant to take any risk and prefer to get services from your sons; who are young and more energetic”.

Hearing these comments at the age of 55 years made Mr. Fayaz more worried and depressed. He never expected to hear such comments in his life. This situation took him to think seriously about the future of running a salon (Note 1) business which stood as one of the best salons in the city. The huge success of his business and ambitions of his elder son combined with the recent incidents had seriously upset Mr. Fayaz. He was not only worried about his future as a professional barber but also of his sons who were renowned barbers of the city. He had taken that matter seriously and was thinking whether this business was age bound.

Mr. Fayaz had to decide what adjustments, if any, had to be made to make the current situation workable for all. At a brainstorming session with Meer, the duo tried to address three difficult questions: Was it just an incident and could it be ignorable? What future growth options are available to sustain their position? Would closing the business and investing in some other business be viable?

Background

Mr. Fayaz belonged to a small village named Chuk near Sukkur (Note 2) city. He started his entrepreneurial (Note 3) career in 1988 by setting a small tea stall in the village but soon he realized that this business would not be enough to earn bread and butter for his big family. Then he joined his friend Mr. Mukhtiar, who was a famous barber of his village to help him in making shave and haircut services to villagers. Being a quick learner and keen to start his own venture, he equipped himself with skills of a good barber in very less time and later offered Mr. Mukhtiar to promote business as partnership. After working two years with Mukhtiar, he realized if he desired to carry this profession for lifetime, he needed to master the skills and expertise of an expert barber. Carrying this dream in his eyes he left for nearby city of Sukkur in 1990. Sukkur was a growing city at that time and was considered a hub of business and trade, shopping, education and latest fashion trends.

The city of Sukkur did not warmly welcome this young dreamer. Instead, it took him hard to get a helper (Note 4) position in various leading salons. Continuous hard work of more than six months as a helper at Kiran Salon paid him off and he was offered by the owner of *Afshan Beauty Parlor, Gharibabad* to work as a “*Karigar*” (Note 5) (Barber) at his salon. Joining *Afshan Beauty Parlor* proved a breakthrough in his professional career and exposed him to new learnings of latest beauty and fashion trends including female haircutting, party makeup and bridal makeup.

As he believed “*to learn more you have to move on and be proactive*” he joined another leading salon of the city to learn more techniques and to familiarize himself with the use of technology in that business. Over the years, he realized that technology had been playing a vital role in salon business and provided a competitive edge to a salon over competitors. The current salon *New Kiran Salon, Clock Tower* (Note 6), was newly opened and introduced latest technology such as electric shaving machines, hair dryers and head massage machines.

While discussing how he used to attract and retain customers, Mr. Fayaz narrated:

“We are in a business that is purely services oriented and people are coming in direct contact with the service provider. Our services are sold before we start providing.” He further explained, “This is in a way that people are visiting us with a trust that we will help them to look more decent and beautiful. This trust creates an underlying impression or compulsion that the service provider should be dressed properly, with a proper haircut, shaved and if beard then properly trimmed. Moreover, people of the city are more prone to hygiene issues and this industry is highly sensitive to health care and hygiene elements. Furthermore, I see coming years are more challenging for this business as people are getting more aware of hygiene issues. Considering above things, I always make sure not to remain unhygienic. Instead, I always wear neat and clean dress with a hairstyle according to the current trends.” I feel, all these things have made me stand out of clutter”.

Start of Wella Salon

Ambition to be his own boss, strong clientele base, belief in his skills and expertise and professional jealousy of other “Karigars” pushed Mr. Fayaz to turn his long awaited dream into a reality by walking again on the road of entrepreneurship. The dream hugged reality in the shape of *Wella Salon* on Barrage road Sukkur in the year 1998. Due to limited resources that he managed to save over the years, he asked his younger brother Zahid to join him as a helper, who later became a well-known “Karigar”. Untiring efforts, hygienic environment, friendly and timely services resulted in the big success of *Wella Salon* in a short span of time.

“I have learned over the years that particularly in services business we need to see each customer a separate entity from others and hence serve accordingly”.

Tailored marketing approach worked for *Wella Salon* and enhanced the clientele base. Overwhelming response from market helped Mr. Fayaz not only to purchase the *Wella Salon* property that was earlier rented but also convinced him to open another branch of *Wella Salon* at Glamour Centre, Clock Tower in the year 2003. Glamour Centre was the first shopping center of the city and a place of attraction for visitors coming from adjoining towns and villages to shop and roam around. Success of the new salon in very early days of its operations substantiated the decision of Mr. Fayaz to expand and enhanced his confidence. Considering the huge footfall (Note 7) at Glamour Centre branch, Mr. Fayaz decided to move to that branch with some new staff; leaving the base salon to his younger brother.

While Mr. Fayaz was busy with the happenings at new salon, his base salon started losing customers in the hands of his competitors. Upon investigating the reasons of losing customers and sales, he came to know that his younger brother did not adhere to the norms he chalked down as the competitive edge of his business over competitors. Careless attitude and lack of business acumen of his younger brother added fuel to fire and resulted in meaningful loss to business. Severity of the situation forced Mr. Fayaz to revisit his expansion decision and finally he reached one of the most difficult decisions of his professional career in the form of closing the new salon at Glamour Centre just in the second year of its operations. The decision was held to avoid any further losses and retain the base position since that was the real identity of *Wella Salon*.

Restructuring of Wella Salon

By the year 2007, *Wella salon* regained its original status and trust of its clients. This was the time when the second to the eldest son of Mr. Fayaz, Meer joined the business as a helper. Meer was a quick learner and showed great deal of respect towards this business at the age of 15 years. In order to learn various techniques and skills required to become an expert Karigar,

he left to work as a helper at different salons operated in the city. Mr. Fayaz appreciated the learning attitude of his son and supported him. Over the span of three years of working at various local salons, Meer realized the importance of knowing the needs of customers in this business. He was also able to recognize the signs of rapidly changing customers view about a Barber Salon, particularly of young customers.

“Becoming a professional beautician and hairstylist was not only a mere dream but was a passion to live. Starting career as a helper was a perfect start because it not only helped me to learn the required skills to pursue this profession as a career but also helped me to nurture the passions needed for a good service provider. Further, working at various salons in the city helped me to learn the business psyche of this city”.

To become an expert, he realized that learning new techniques, understanding latest trends and use of technology were imperative for this business. What he had learned in these years appeared very traditional and lacked novelty. This was the time when youngsters started asking for new styles of beard, moustache, haircut, other skin care services and use of branded products. While he was looking for some opportunity to learn more of his profession since he had become a junior Karigar by then, one of his cousins Zulfiqar, who was working in Karachi (Note 8) as a helper at some salon offered him to join his salon. Karachi was a new city for him and considering weak financial position, Mr. Fayaz also did not support him to pursue this option. However, his passion for this career forced him to leave Sukkur without informing his father.

Meer’s Career in Karachi

Meer went to Karachi in July 2010 and that was the time when new trends in salon industry were on peak. Karachi, being the metropolitan city, was considered hub of new trends and leading beauty salons of the country. Some big names such as Kashee’s Beauty Salon, Zara’s Beauty Parlor, Rose Beauty Parlor and Sabs Beauty Parlor etc. were leading and settings norms of the industry and lagers were following all over the country. Since, he brought some experience with him so he had an assumption that getting a start in Karachi would not be that much difficult but the new city proved to be a nightmare for him.

He started his career in Kharadar (Note 9) with his cousin but severe competition among Karigars strapped him back and he became a helper again. His dreams of becoming an expert barber shattered badly, but his cousin encouraged him not to lose hope but to take it as a learning experience. After three months of hardships as a helper, the owner of the salon got inspired from his work and offered him to work as junior karigar at his another outlet in Liyari. Mr. Fayaz was aware of the working conditions of his son but he was happy that his son was standing firm against the hardships and that experience would serve a lifelong learning for him. He had few friends in Defence Karachi who were running their salons. He asked Meer to visit one of his friends in Defence for work.

Customers of defense market were well educated and preferred trendy hair styles, moustache and other hair and skin care services. Working there made him realize the importance of education because most of the customers were using English words even when they were communicating in Urdu or any other local language (Note 10). At times, he got perplexed in understanding them and this made him embarrassed. He decided to learn English and register for private studies once he would be settled.

Working at Abid hair salon proved a breakthrough in his career. Abid Salon was one of the famous salons in the city because of the valuable services it offered to clients such as use of highly sophisticated equipment for hairstyling, hair care, skin and body care along with an

urbane ambiance. Intense care was also observed on hygienic grounds. These services made it to charge premium prices in the area and served as hub for media and TV celebrities. Joining this salon was not lesser than half dream achieving because famous Karigars of the city dreamt to work there.

Later on Meer visited couple of other leading salons in the city such as Nabila's to equip himself with some advance techniques and related services. He learned hair treatment, Special Occasion Styling, Manicures, Pedicures, Essential Facial, Signature Facial, Spa Facial and other trendy services demanded by clients.

Crisis at Wella Salon

Over the years Mr. Fayaz managed the things smoothly and trained his younger sons Mehdi & Saeed as barbers. But the sudden demise of his younger brother Zahid shattered him badly. Death of Zahid was not only a great loss to his family but also it affected the operations at Wella since he served as chief Karigar at Wella. Mr. Fayaz became busy with the family matters after the demise of Zahid since he left two small children and a widow to be taken care of in village Chuck. Mr. Fayaz's absence from work caused troubles at Wella because his younger sons were too young to handle huge work load. Since he had only one external Karigar and never relied on hiring more because of bad experiences he had in the past, so he was not ready to opt this option and made the situation worse for him. Finally, he asked Meer to return and take the control of Wella since he was badly occupied in family issues. Meer, by this time was well-equipped with the various skills and techniques required to become an expert barber. Realizing the need of time, he decided to return in the year 2014.

Renaissance of Wella Salon

On his return to Wella, Meer realized the city had changed a lot with people reflecting more positive attitudes and openness towards new ideas and things. Though Sukkur stood the 3rd largest city in Sindh Province and a hub of more than 1.5 million population, but this time the city appeared more developed and expanded with lots of national and international branded outlets. Outlets such as Dinners, J., Ideas by Gul Ahmed, KFC, Hushpuppies and local grocery malls like Icon by Ghouris and 7 Eleven had drastically changed the consumer mind set and preferences. Universities like Sukkur Institute of Business Administration that stood 3rd best business school of Pakistan according to HEC ranking of 2013 and establishment of a medical college had attracted a huge number of students from all over the country and played a vital role in the growth of the city. People of the city now started demanding branded items and were eager to try new things. Changing customer needs had resulted in opening of new salons in the city with great deal of services and offerings. Old salons had also brought newness in their work and infrastructure to cope-up with the changing trends of the city (Exhibits: 1 and 2).

“The city was drastically changed in no time with money floating from every corner of the country because of its growth pace in every sector, peace and multiculturalism. I was amazed and glad to see these developments because these developments actually opened new avenues of growth for my business and made me feel I was in a small Karachi”.

Having detailed considerations and debate with his father on these developments, overwhelming crowd of the city and increasing competition from some of the leading salons of the city, Meer convinced his father to invest more in business and transform traditional Wella into more trendy and sophisticated Wella. Mr. Fayaz, along with Meer, visited more than 40 outlets in Karachi to get an idea about the new Wella. Mr. Fayaz also purchased a shop beside his salon to expand it more. The “New Wella Salon” was opened for the

customers after two months of renovation work which cost Mr. Fayaz more than 1 million.

The New Wella appeared more trendy and sophisticated. Meer replaced all the local products with branded ones and placed them in a way that brands were visible to customers. He separated waiting area from working area with sofas and LED TV installed in it in order to avoid any kind of distraction for staff. A free Wi-Fi connectivity was also available for those waiting for their turn. Dim lights were replaced with brighter and trendier lights. Music system was placed so that customer could enjoy slow music in working area. A helper was hired to serve water or tea to customers sitting in the waiting area. Strict policy was observed to make the environment free from smoking, abusive language, political discussions and unhygienic practices. Meer aimed at attracting more educated and sophisticated crowd who wanted to relax at some neat and clean place while taking their desired services at salon.

Apart from these structural changes, process of providing services to customer was also redesigned with inclusion of new machines and products in it. Those were:

- Traditional towels were replaced by disposable towels to avoid hygiene issues
- For the same reason, he started using tissue papers to remove shaving foam
- Sterilizing of shaving and haircutting tools was made obligatory before turning to new client
- Introduced imported creams and face washes
- Branded machines for shave, facial, bleach, hair treatment and tools sterilizer were introduced
- Complementary face wash was offered with every shave and haircutting
- Imported head and body Massagers were introduced
- Use of branded shaving creams and jell to have smooth shave
- A separate counter for any payment and to register any complaint
- Prior appointment via phone to book your place was encouraged

New Wella not only cost 1 million to Mr. Fayaz but also huge loss of loyal customers because these changes brought new pricing for the customers. According to Meer:

“I and my father knew that New Wella would be very different for current customers with lots of services that were only available in Karachi and bigger cities. We also had an idea that due to increase in rates we might lose our most of the customers so we were ready to bear the pressure till 75 percent of customer loss. Because now our aim was not just making our customers satisfied but we wanted to make them delighted. And this could only be possible if we gave them valuable services with fulfilling their needs and demands”.

The new salon lost a huge customer footfall and sales declined by 70 percent. Though it cost them a lot but at the same time people appreciated them for introducing a very new concept of salon in the city. Sales declined for three consecutive months but then it showed some positive signs. Mr. Fayaz and Meer were happy to see new crowd at New Wella which was definitely different from the previous but as expected comprised of an educated and trendy youngsters. This time majority was students of those leading universities and colleges in the city and remaining were coming from all walks of life. These customers not only appreciated

their efforts but also enriched their knowledge about different services they had experienced at various leading salons of the country.

“We have learned a lot from current customers and improvised our working conditions and customer services process accordingly. We try new things every time when customer is visiting us so that he may not get bored and feel something new whenever he visits New Wella. For this I have to keep myself well informed and well equipped with latest trends and brands running in big markets. This all makes New Wella different from other salons in the city”.

Today New Wella has been successfully leading the salon market in the city with more than 80 percent of customers making prior appointments. The financial figures of the salon also verify this success (Exhibit 03). It serves a place of high attraction particularly for youngsters and is renowned as the trend setter in salon business. Mr. Fayaz, along with his three sons and a helper, is managing the operations of the salon. Meer is undertaking his studies privately with a plan to get a degree in business field locally. He also desires to have some beautician and hairstyling courses for himself and his father. He appears very concerned about the education of his young brothers, who left their education in the hours of crisis to help their father.

Exhibits

Exhibit 1: Industry Analysis

1. Overview

According to SBDCNet, approximately \$20 billion in annual sales of 2012 is brought by 82,000 beauty salons and 4,000 barber shops. The industry is heavily contributed by small salons as large salons contribute with 15% revenue as compared to 85 % by small ones. The target price and clientele of such businesses run the gamut from high end, luxury services to budget haircuts salons, so it totally depends on what target market you are in.

1.1 Worldwide Growth Trend

Worldwide Salon Industry is expected to be in growth. Revenue growth is expected to improve over the next five years, rising at an average annual rate of 3.2% to \$58.7 billion by 2019. This will be driven by increases in per capita disposable income which will make hair salon customers to pay out more on higher-value services such as manicures, pedicures, facials, hair modification treatments, and massages.

According to profit prospects industry is still in growth, making conditions favorable for new entrants. Profits have increased from 1.9% in 2009 to 5.7% in 2014. Improving market conditions continue to increase the number of industry operators at an average annual rate of 5.5%, reaching 1.3 million operators by 2019.

1.2 Growth Trend in Pakistan

Pakistan has got prominent position as fashion promoting country. Glamour and beauty race among the fashion trade is expanding day by day. As everyone wants to have beautiful and eye catching appearance from beauty salons, the use of **beauty salons** has become essential part of **men's presentation** like face beauty & **hair styles** at all occasions.

These beauty salons provide every kind of services like manicure, pedicure, facial, threading and **hair styles** to make the males prominent at all gatherings. So many institutes, colleges and universities have been opened where people get fashion designing education and then start business of beauty salons to earn handsome amount.

Following few factors are also playing significant role for the development of this industry:

1.2.1 Rapid Urbanization Leads to Growth of Beauty and Personal Care

Like in any other business, urbanization has brought favorable effect to this business. Here consumers are in opinion to have a lifestyle which could enhance their personality and make them handsome. While rural consumers are still less aware of such exposures.

1.2.2 Electronic Media Helps to Drive Consumer Awareness

Today electronic media is presented in almost every part of the world. With the use of electronic media, consumers have been educated regarding hygiene and personal development. Companies such as Unilever Pakistan Ltd, Procter & Gamble Pakistan (Pvt) Ltd, Colgate-Palmolive Ltd, Reckitt Benckiser Ltd and Samsol International Pvt Ltd are quite active in promoting beauty and personal care products through television advertisements.

Exhibit 2: Competitors' Analysis

Operating in the midst of city, New Wella Salon has to face different sort of competition from different competitors. Although some of the services provided by New Wella Salon are not offered by other salons [Exhibit 2 (a)] but still they are giving one on one competition to New Wella Salon.

Bibrish Salon:

Locating at very prime and commercial area of city gives Bibrish Salon a competitive advantage over New Wella Salon. It is also one which is giving direct and intense competition to New Wella Salon by offering exactly same services with same prices [Exhibit 2 (a)]. Bibrish is run by a professional Barber along with karigars who learned and got experience from different small Salons. It serves highest number of customers in a day as compare to other Salons of Sukkur.

Horizon Salon:

Operating near New Wella Salon at Workshop Road Sukkur, Horizon Salon is also a direct competitor to New Wella Salon. It also offers almost same sort of services with same price [Exhibit 2 (a)], but it does not offer services which require imported products. It is also run by a professional barber along with karigars who learned and got experience from different small Salons. It serves more customers in a day as compare to other small Salons of Sukkur.

Mehran Salon:

Mehran Salon is one of the oldest Salons of Sukkur city. Operating at the same place since years, has given the Salon competitive advantage of customer awareness. By keeping its heritage and old ways Mehran Salon is offering most of the normal sort of services at not very high prices [Exhibit 2 (a)]. Run by very experienced barbers, Mehran Salon receives average numbers of customers in a day.

Deluxe and Prince Salon:

Both of the Salons are not giving very direct competition to New Wella Salon S as they offer very few services by charging low price [Exhibit 2 (a)]. Both of the Salons are still new to the market operating at their introductory phase. While Deluxe is older than Prince but both serve almost same numbers of customers in a day.

Exhibit 2 (a): New Wella Salon and its Competitors

Services/Salon	New Wella Salon	Bibrish	Horizon	Mehran	Deluxe	Prince
Hair cutting	Rs.150/-	Rs.150/-	Rs.150/-	Rs.120/-	Rs.100/-	Rs.100/-
Shave	Rs.100/-	Rs.100/-	Rs.100/-	Rs.80/-	Rs.70/-	Rs.70/-
Facial a	Rs.1500/-	Rs.1500/-	Rs.1500/-	Rs.1500/-	Rs.1000/-	Rs.1000/-
Facial b	Rs.2000/-	-----	-----	-----	Rs.2000/-	Rs.2000/-
Facial c	Rs.2500/-	Rs.2500/-	Rs.2500/-	Rs.2500/-	-----	-----
Facial d	Rs.3000/-	Rs.3000/-	-----	-----	-----	-----
Face Polish a	Rs.400/-	Rs.400/-	Rs.400/-	Rs.400/-	Rs.300/-	Rs.300/-
Face Polish b	Rs.800/-	Rs.800/-	-----	-----	Rs.600/-	Rs.600/-
Face Polish c	Rs.1200/-	Rs.1200/-	Rs.1200/-	Rs.1200/-	-----	-----
Pedicure	Rs.800/	Rs.800/	Rs.800/	Rs.600/	Rs.500/	Rs.500/
Manicure	Rs.600/	Rs.600/	Rs.600/	Rs.500/	Rs.400/	Rs.400/
Hair Color (Normal)	Rs.400/	Rs.400/	Rs.400/	Rs.350/	Rs.300/	Rs.300/
Hair Color (Imported)	Rs.600/	Rs.600/	-----	Rs.600/	-----	-----
Hair Curling	Rs.1500/-	Rs.1500/-	Rs.1500/-	Rs.1300/-	-----	-----
Hair Straightening (Normal)	Rs.800/	Rs.800/	Rs.800/	Rs.700/	Rs.650/	Rs.650/
Hair Straightening (Through Machines)	Rs.3000/-	Rs.3000/-	-----	-----	-----	-----
Hair Treatment (For Dandruff)	Rs.800/	-----	-----	-----	-----	-----
Head n Shoulder Massage	Rs.200/-	Rs.200/-	-----	-----	-----	-----

Exhibit 3: Selected Financials for New Wella Saloon (in Pakistani Rupee)

Income Statement for the	Year 2014	Year 2015
Total Revenue	Rs. 2160000/-	Rs. 2340000/-
(Deduct) Expenses	1212000/-	1380000/-
Net Income	Rs. 948000/-	Rs. 960000/-

Note. Figures have been changed to maintain confidentiality.

Source. Provided by the New Wella Salon.

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Notes

Note 1. An establishment where a hairdresser, beautician, or couturier conducts trade.

Note 2. Third largest city of Sindh province, Pakistan.

Note 3. Characterized by the taking of financial risks in the hope of profit; enterprising.

Note 4. A person who helps someone else.

Note 5. A highly skilled worker.

Note 6. Commercial and Central area of Sukkur city.

Note 7. The number of people entering a shop or shopping area in a given time.

Note 8. The largest city of Pakistan.

Note 9. Areas in Karachi city.

Note 10. Languages like Sindhi, Punjabi, Siraiki etcb.

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