Planet Skin

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Sue Sage picked up her coffee in one hand and a beauty therapy magazine in the other and headed to her office at the hub of her busy salon, Planet Skin. But this was not going to be an ordinary coffee break. Sue had just spotted a feature advertisement for Hair Ware 2000, a new computer system specifically designed for beauty salons by salon owners, in the magazine. She realised she had some serious thinking to do. Would Hair Ware 2000 be the tool she needed to grow her client base and become the number one provider in the region?

The Retail Beauty Industry in New Zealand

The retail beauty industry in New Zealand encompasses the supply of products and services by hairdressers, beauty therapists (eg skin treatments, waxing, sun bed treatments), nail technicians and appearance medicine specialists to a range of clients, both male and female. Most businesses are owner-operated, and it is rare for one operator to manage multiple sites. Nationwide hairdressing chains, for example, usually operate as individually owned franchises.

The cost of entry into the beauty industry is not very high. Once the operator has gained the requisite trade qualifications and experience, the major set-up costs include equipment, location, and the design concept of the salon. Initial marketing costs can be quite high because of the need to create a profile for the new business. Between 5 and 8 percent of profit in the first few years of a new business will be spent on advertising. Once awareness of the firm has lifted, the costs associated with profiling can gradually decrease.

Customer loyalty is one of the key challenges for any beauty salon. Managing relationships with both clients and staff - the 'human element' (meaning the quality of customer service and staff management) - will either 'make or break' the business. Maintaining staff loyalty is vital, as clients tend to be loyal to individual technicians rather than the business, and will move if the technician moves to another business. This means that high staff turnover creates even greater problems for management than it would in other industries. The challenge for management is to keep clients loyal to the firm rather than to the individual technicians. However, this is not an easy task. Hence marketing plays a vital role within the industry. It is absolutely vital to retain current clients as well as attract new custom. The service element and the personal nature of the business means that direct marketing to the customer is usually the most effective – for example, loyalty reward discounts, encouraging rebooking after each visit, encouraging existing clients to try new or different products and services to increase the value of existing customers, and using word of mouth or recommendations from existing clients to encourage new clients to try services.

Rather than relying solely upon client and technician loyalty, most businesses in the industry also sell associated products, to a greater or lesser extent. Products are sold to clients having treatments, and to 'off the street' customers. Products are often sold under distribution dealership agreements with large manufacturers in an endeavour to attract custom on the basis of client loyalty to product brands.

Industry churn is also significant – estimated to be around 10 percent per annum. Of the 3,500 salons operating in the country, around 400 drop out of the industry and approximately the same number start up every year. The industry is subject to high turnover – both in customers and employees – and because of this, beauty salons are generally sole traders, operated by the owner. This being so, most salons are small.

The industry workforce is predominantly female, and although skilled in administering their respective beauty treatments, not typically skilled in either computer use (e.g. keyboard skills) or general business management, including the understanding of how technology can assist the business. Lack of skills, the small size of the business and low capitalisation result in the businesses generally not being extensive users of ICTs (apart from the telephone). Prohibitive cost of the technologies is often cited as the reason. Many smaller operations find it difficult to justify the comparatively small of computer systems (beginning from around $15 per day), often because they "can't get their heads around" how the technology can help the business. Larger salons are more common in the bigger cities, and virtually all of these salons use technology of some form to manage their businesses, even if it is just computer spreadsheets.

History of Planet Skin

Sue had started Planet Skin about ten years before, in a highly visible location in a Kapiti Coast shopping complex with high foot traffic and excellent parking – all essential features for a business such as hers. However, the premises were much too big for her needs alone, and the rent was more than she could justify. So she decided to sub-let space to complementary therapists.

Before long, she had sub-let all the spaces. Planet Skin's tenants included a nail technician, a beauty therapist, a hairdresser and an appearance medicine specialist. Clients liked being able to come to one location and get all of their beauty needs attended to at once. However, all of the subcontractors were self-employed and ran their own owner-operated businesses, and maintained their own client lists. When any of the staff left from any of the businesses, they would often take 'their' clients with them. As turnover of businesses is high, Sue was also often left without one of the specialties for a while, making it difficult to cover the rent costs. She found she was spending much of her time being the landlord, and her vision of the 'one stop shop' was far from realised.

Sue decided that the solution to her problem was to own all of the businesses herself. The technicians would become employees, and their clients would become clients of Planet Skin. However, she realised that this would create some real information management challenges. She needed better accounts, billing, payroll and stock management tools, and a client management system that allowed her to know more about the clients visiting Planet Skin. Initially, she acquired a PC and started using spreadsheets for accounts and payroll. She set up a database to record basic client details (name, address, date of birth, telephone number and services used) and used desktop

publishing to create brochures for marketing purposes. She realised that using personal information about clients to target her marketing was the best way to make the clients loyal to the business rather than technicians, and to increase the range of products and services they bought. For example, she regularly mailed out to the entire client base, and sent personalised birthday cards containing a voucher for a discount on a product or service that the client did not typically use.

However, the spreadsheets and database were not integrated into the booking system or stock control system. Data entry relied on extracting information from the manual appointment booking system, so it was not always accurate or up to date (the information and business process flows at Planet Skin are illustrated in Figure 1). Nonetheless, the computer tools allowed Sue to take control of the whole business and turn around the salon's precarious finances. At the current point in time, she had a very busy salon with six staff, but she was spending more of her time managing the business rather than with her clients. As her client information had improved, and the salon was in an area with a growing population, she knew that there was potential to grow the business even further – in fact she thought that she might be able to double the number of clients and increase product sales substantially. But she didn't know how she would cope with the increased management load that this would entail – that is, until she read the advertorial for Hair Ware 2000.

Hair Ware 2000

Sue's attention was grabbed by the Hair Ware 2000 product because it was designed by people in the beauty industry. She had heard through industry circles of people who had bought expensive computer systems based on client management systems that were great for client booking and marketing, but not for product sales or employee management. These systems also tended to rely upon only one point of data entry – usually by the receptionist. She wanted a system where all the technicians could enter and access information from their work stations, as well as the receptionist and the manager. She wanted a system that could keep track not just of the stocks sold, but the products used during treatments. Hair Ware 2000 appeared to offer all this, and more.

Specifically, Hair Ware 2000 allowed the salon to capture client personal details, appointments (past and upcoming), which staff member(s) they have seen, frequency of visits, whether they rebooked at their last appointment, and treatments products and prescriptions bought and used. The system allowed multiple queries on specific parameters (e.g. female clients seeing a particular staff member who have not made appointments in the past 6 months). It also allowed the manager to track performance of staff members – for example, time utilisation and rebooking percentages. Bar code scanning and integrated stock management appeared to address many of the problems Sue had encountered with keeping track of lots of small items and integrating purchases with payments for services when the receptionist 'finished up' the clients. Keeping client product information also allowed streamlining dispensing of prescription-type skincare products – for example, the receptionist would know from the records what to dispense without having to wait for the technician to come free. The system also offered some

new features. For example, the appointments system had a facility where reminder text messages or emails could be sent automatically to clients' cellphones and/or email accounts, and an integrated website which could be used for online booking and product sales.

While the product looked very interesting, Sue was still not entirely sure about how it might change the 'human face' of Planet Skin. After all, she was convinced that this was the real key to the business's recent successes. She was a little concerned that not all of her clients would be comfortable about interacting with technologies. Many of her current and prospective clients were elderly (this is a key growing demographic group in the Kapiti area), so they might not have or use cellphones and computers. Also, Sue felt that a personal appointment reminder call was very helpful in making rebookings when a client could not make the original appointment. She was also not sure about the use of the website for selling goods, as she had never sold goods by mail order in the past.

Conclusion

As Sue drained the last mouthful of coffee from the cup, she knew that she had a big decision to make.   Cost was not an object, provided she could double the number of clients. The key thing was – would she still be able to manage the business as it grew? And how should she grow the business? Should she just do what she was already doing, but use the technology to manage both more staff and more clients? Or could she really branch out into other areas, using the website and cellphone tools? What she did know was that doing nothing was not an option. Her stiffest competitor was implementing a computer system, and might even attract away some of her existing clients. But was Hair Ware 2000 the right product for Planet Skin?

Figure 1. Information and Process Flows at Planet Skin