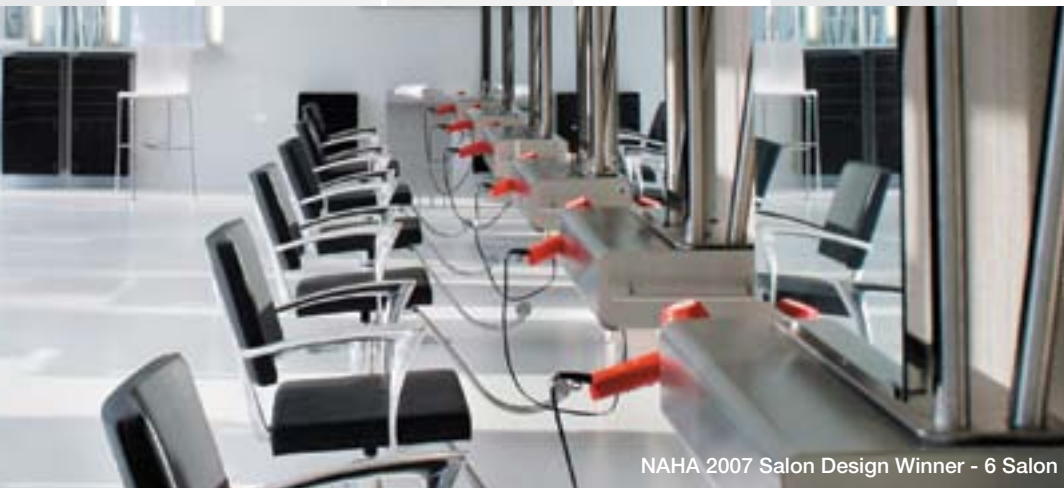


# Business of Beauty: Maximize Your Profitability

## Defining the Future of Beauty Retailing





### Why this study was commissioned

The retail beauty industry in the United States is **extremely large, growing fast and extraordinarily competitive.** While there is significant opportunity for salons to continue to grow retail sales and profits, there is also considerable threat; an ever-growing variety of competitors – from focused retail competitors to Internet-based sellers – vying for a piece of this profitable business. While salons have traditionally focused on the service component of their businesses, taking a more **studied and diligent approach to the retail portion of the business** will play an important role in their current and future success.

With this in mind, in July 2008 the Professional Beauty Association and the PBA Foundation commissioned a comprehensive research study with an **ambitious goal:**

Identify and capture the opportunity to dramatically increase retail sales and profitability within salon outlets.

For more information about the work of the Professional Beauty Association (PBA) and the PBA Foundation and to order additional copies of this report please visit [probeauty.org](http://probeauty.org).

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# Introduction



The study set **two broad objectives**:

- **Identify current successful retail strategies** so that they can become broad models for the industry; and replicate these models across the industry to increase sales and profitability.
- **Identify attitudes and perceptions that:**
  - **Cultivate sales and customer loyalty**, so they can be leveraged; or,
  - **Impede retail profitability**, so they can be converted through education, observation and belief.

A task force of leading manufacturers, distributors and salon owners was established to study these questions. The outcome of this joint effort is presented here as:

## **Business of Beauty: Maximize Your Profitability** **Defining the Future of Beauty Retailing**

The **premise of this study** is that the retail component of salons creates and offers significant opportunity within the salon industry to:

- Raise sales and profits
- Improve the customer's beauty retail experience
- Create a more well-rounded and profitable business
- Compete effectively with current and future non-salon retail competition

# Purposes of This Report

**1.** This report provides the following **data** for the professional beauty industry:

- **Industry data** on the size of the market
- **Primary research** from the perspectives of the stylist and the consumer
- **Detailed benchmarking** of retail and industry-wide best practices
- **A prescription** for improving retail sales

**2.** This report defines vast **opportunities** to:

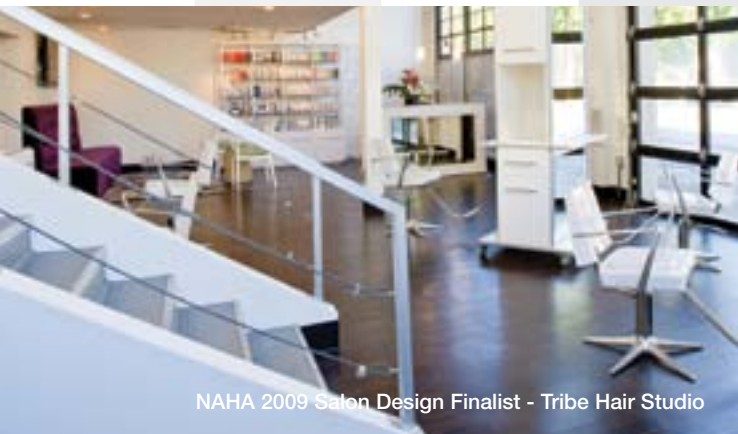
- **Raise** retail sales and profits
- **Enhance** the overall salon experience

**3.** This report is intended to be a **strategic blueprint** for the growth of retail sales at salons. While numerous actionable points are addressed here, detailed recommendations and how-tos will follow in reports, workshops and other educational opportunities.

This report will drive members of the Professional Beauty Association toward **maximizing profitability in salons through improved retail effectiveness.**

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## Resource and

This study yielded the most **comprehensive resource and reference** materials produced to date for the retail salon industry. This report is fact based and information rich and will be useful in informing future decision making within the industry.

**Input for this report was provided by numerous stakeholders** who have a direct impact on beauty retail salon success. The data provides:

**An overview:** What is the size of the opportunity? What are the global retail beauty industry trends? This comprehensive analysis examines and quantifies the industry's current size and trends and makes projections for the future.

**The stylists' points of view** on selling retail products within the salon experience: What are their attitudes and opinions on the current experience and how it could be improved? Information was gathered from more than 450 stylists, owners and stylist-owners. This component of the study was conducted in cooperation with the National Cosmetology Association.



# Reference Materials

**The consumers' points of view** on expectations of the retail experience within salons: What are they looking for? Nearly 1,000 consumers were interviewed about their retail beauty buying habits and specific views on their retail experience at salons.

**Data from interviews with manufacturers and distributors** about their points of view on current practices in salon beauty retailing and how those practices could be improved. Seven interviews were conducted.

**Identification of best practices within the salon retailing industry:** Who's doing it right in the salon industry? Thirty best-practice salons around the country were interviewed to document their current successful systems and strategies.

**Information about best practices in overall beauty retailing:** What information is available in a study of high-performing, non-salon beauty retailers? The practices of retailers, including Sephora, Ulta, Walgreens, CVS, Target and Wal-Mart, were evaluated to understand their approach to the beauty category.

During each critical phase, **the task force met, reviewed results and offered input** that helped shape the findings in this document.