

Wella fights competitors by offering hairdressers a financial makeover, writes **Robert Miller**

POPPER/GETTY



Shampoo planet: salons today have come a long way from the hairdressers of the past. The £3.6billion industry, popular in TV and film dramas, is growing in revenue by more than 10pc a year

A cut above in the hair today, gone tomorrow world of salons

HAIRDRESSERS, and the highly charged atmosphere of their salons, make for lively entertainment. From Hollywood to Manchester, hair care is now the stuff of film and television drama.

It is 20 years since Warren Beatty co-wrote, produced and starred as the gigolo hairdresser in the Oscar-nominated movie Shampoo. Today BBC One is filming the fourth of its popular drama series - Cutting It - about the lives and loves, and love-lives, of a group of Manchester hairdressers, while over on BBC 2 work has just begun on a pilot project, Ready, Steady Shampoo.

One man who couldn't be happier about our fascination with hair care is Linton Husbands, the national key account controller at Wella, the hair care supplier. "People are saying that hair stylists and colourists are tomorrow's celebrity TV chefs. That's great for our industry."

He points out, however, that popular entertainment though hairdressers may be, they are also a significant part of the economy. As a nation we hand over more than £3.6 billion a year at the tills of the 22,000 salons around the UK. In addition to the salons there are a further 5,000 registered hair dressing businesses, usually run by a sole partner. "The market is growing in revenue terms at about 11.5pc a year, and the colour and retail areas in particular are booming."

In terms of market position in the lucrative hair care market

Wella and rival L'Oreal are pretty evenly matched and some way ahead of the rest. "We swap places with L'Oreal regularly, but we were the number one supplier in 2003," says Mr Husbands.

The competition to supply branded-products such as shampoos, conditioners, styling products and colours, is "extremely tough", he adds. "Increasingly we see satellite suppliers coming into the market. They may be much smaller but collectively they do have an impact."

Right now, though, what concerns the Wella manager is not the threat of competition, which he acknowledges is good for the consumer, but rather what he describes as "the guerrilla tactics" being employed by some of the smaller independent suppliers to get their products placed in hairdressing salons.

"Basically," Mr Husbands says, "they go into salons and say we will give you an upfront cash discount on our products if you take them over say three years. This can be worth thousands of pounds, maybe even tens of thousands, depending on the number of salons a company runs."

There is, Mr Husbands is quick to point out, nothing illegal about such practices. And he adds: "I can understand why some people are tempted. We are talking about a lot of cash. You could buy a new car or go on holiday with it. There is nothing to say you have to spend it on the business."

Wella was first alerted to the "cash-for-business" practices by its customers. "Some of them



STEVE SMYTH

Linton Husbands: 'Hair stylists are tomorrow's celebrity TV chefs'

Wella Snippets

As the fashion of the day dictated, the Wella empire's beginnings were in wigs rather than hair care. In 1880 a 26-year-old hairdresser, Franz Stroher, opened a family business in Germany to make toupees, plaits and hair pieces from real hair.

But what set Mr Stroher on the road to success was a revolutionary invention. In 1900 he gave the world the Tullemond waterproof, a device to keep the wig firmly in place and dry.

The device was a runaway best seller and four years later he was able to open the first Wella factory, in the former East German town of Rotherkirchen. Today Wella, whose corporate headquarters remain in Germany, sells its hair care products in 150 countries. In the UK it employs over 300 staff and is based in Basingstoke. A year ago the Wella empire was bought by Procter & Gamble for nearly £5 billion.

contacted us to say what was happening. We had to decide how to respond although I'm happy to report that they didn't put it to us in: match the cash or we go elsewhere. We also found that some of these hair care brands were scare-mongering about us and other competitors". To counter the threat to the Wella UK hair care

business, Mr Husbands, whose portfolio of clients includes the major chains and franchises, such as Toni & Guy and Sassoon's, says he and his team thought "long and hard".

The ultimate aim of the business strategy was to find a way of keeping the salons on side without resorting to cash inducements, but at the same

time match the rival offer with an incentive scheme of its own.

"We decided to take a more intelligent approach with our customers," says Mr Husbands. "For Wella, successful selling has never been about closing the deal at any price. We pride ourselves on working in partnership with our clients. If we can help a salon owner to run their business more effectively, so that in turn they need to use more of our products and services, then we automatically grow ourselves."

As a first step to retaining customers the Wella manager appointed TACK, a management training consultancy, to work with the company's account managers. "In any business you have to differentiate yourself from the competition not just by the quality of your products but by standards of service too," says Mr Husbands. "We wanted to equip our key account managers with the consulting and advisory skills to elevate their status from account managers to valued business advisers, thereby eliminating the need for the company to enter into a price war."

What Wella hopes to do, says Mr Husbands, is to show salon owners how to grow their business. "Beyond the ability to deliver great hair styles, very few of the top stylists in charge of running salons have the knowledge to market their business effectively. What we offer is a complete business health check."

In effect, Wella asks the owners to open their business to scrutiny with a detailed 30-point audit check. This covers every facet of the salon from

overall ambience and surroundings, the colour and styling areas and whether better use can be made of the space. It also looks at the salon's ability to maintain accurate customer data, track competitor deals, understand the influence of celebrities on style trends and use public relations and sponsorship opportunities.

"We have had some owners who were initially reluctant to open up their companies completely," admits Mr Husbands. "But we reassure them that we do not want to buy into their business. This is about helping the salon owner define specific objectives. And they have to be personalised, realistic and achievable. Some want to become a recognised name in hair dressing. Others plan to retire early or own a house in the sun. If you mismatch them they become a source of disappointment and frustration."

Salon owners who do wish to expand their businesses can borrow the funds from Wella at an interest rate of 1.5pc over the Bank of England base rate which is now 4.75pc. "We do charge for our training and business support programmes, but they are not a revenue stream," says Mr Husbands.

"What we have to get across to our customers is that the fundamentals of the sector have changed. This is a growth industry and has begun to attract the serious outside business investor. These are not people who start out because they are brilliant stylists or colourists but hard-nosed entrepreneurs who see a great investment opportunity."