

HAIR SALON INDUSTRY: A CONTRIBUTOR TO THE FREE STATE ECONOMY?

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Public Sector Economist Forum Conference

Dates: 27th – 29th November 2019

Venue: Kalahari Lodge, Kimberley

GLOBAL PERSPECTIVES OF CHARE

CARE IN GENERAL

Growth in the hair care market has been encouraging. Millions of consumers in developing economies are now becoming conscious about styling their hair, colouring grey hair, and maintaining a healthy scalp.

1. In **2018**, the global hair care market was estimated to be worth about **87.73 billion US dollars**.
2. In UK, hair dressers and other beauty salons turnover was approximately **4.2 billion** pounds. Number of hair dressers grew up to **40, 876** in 2016 across the country.
3. In **USA**, hair care market value in 2016 was **459.9 million US dollars**.
4. In **2013**, approximately **1.1 billion U.S dollars** worth of haircare products were sold in South Africa, Nigeria and Cameroon. Additionally, more than 1 billion dollars were spend on relaxers & other haircare products in those same countries.

BLACK HAIR CARE IN SOUTH AFRICA

1. Salon visits, especially in the informal sector, have recorded **high growth for the black hair care market** and realised that South Africa represents one of the more mature hair care markets in Africa. (<https://www.mordointelligence.com/industry>).
2. Between **2010 and 2015**, hair care was amongst the **fastest growing categories of products sold** in South Africa, with sales **climbing 38%** during that period, (Euromonitor report).
3. The same document also found that the **African hair care market** accounted for about **450 million US dollars (R6.3 billion)** in sales in South Africa.
4. According to the **Professional Hair Care Market SA 2010 Report** ‘the **ethnic African segment** is the single **largest consumer group** which has the most potential”.

BLACK HAIR CARE IN SOUTH AFRICA

5. The document further asserts that **African consumers spend up to six times** more than their White counterparts when it comes to hair care.
6. Notable hair industries include **FRIKA Hair Company** which estimates that the South Africa Black hair market is worth at least **R4.5 billion**, dedicated to supplying braids, weaves, wigs and hairpieces.
<https://www.mordorintelligence.com/industry-report/south-africa-hair-care-market-industry>.
7. According to the **2017 Mintel Report**, another trend in the hair care industry in South Africa is that consumers are embracing natural hair care brands.
8. In terms of hair products use in South Africa, dominant players of products include **L'Oreal SA**, with more than a quarter of market share, followed by **Proctor & Gamble** and **Unilever SA**, while Diagonal 2010 report found that **relaxers and weaves still dominate the South African market**.

DESTEA'S PERSPECTIVE

- Considering the size of hair salon industry, it is important to ensure that it **creates jobs for people** of the Free State and leverage it to **strengthen the manufacturing sector** – priority sector of the FSGDS.
- Due to the **lack of sufficient information** it and that the haircare component of the industry is **largely informal**, it was difficult to make evidence-based decisions.
- **Programme 3: Economic & Small Business Development**
- Purpose of this programme: “**to manage and coordinate economic development activities** to grow the FS economy. Mandate is achieved through trade & investment promotion, **SMME development** and support and economic research.
- Despite DESTEA's supporting hair salons with **R1.8 million** during the **2017/18** and **2018/19 financial year** – those SMMEs keep struggling.

AIM OF THE STUDY

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- To determine the factors and the support needed by the hair salons to achieve growth to **create more jobs** in the Free State province.
- To establish the hair salon industry linkages with the **manufacturing sector value chain** for opportunities to find expression in the provincial economy.
- To ascertain the estimated **turnover trends** for establishing a salon.
- To identify the sources of **hair care products** by the salons.
- To analyse the opportunities available in terms of **salons' linkages** with manufacturing value chain.

RESEARCH METHODOLOGY

- The project was managed by a **Steering Committee**; DESTEA, Treasury and OTP.
- The study covered **five districts** and their metropolitan municipalities. These consists of **Fezile Dabi, Lejweleputswa, Mangaung, Thabo Mofutsanyane and Xhariep**.
- Each district was represented by an employee of the Destea service centres to assist the research team in recruiting field workers for the research.

RESEARCH METHODOLOGY

- **Research design:** descriptive, quantitative and qualitative research approaches were used.
- **Population of the study:** all companies/entrepreneurs (formal and informal) participating in the salon industry in the province and manufacturers/retailers of hair products.
- **Data collection:** Census and survey methods (interviews).
- **Data analysis:** Data collected was analysed using the SPSS statistical computer software package proven to produce reliable inferential and descriptive statistics.
- **Ethical issues:** This empirical research adhered to all prescripts of conducting ethically sound research.

RESEARCH FINDINGS

District municipalities	H/S Operators	H/P Retailers	Total
Fezile Dabi	138	8	146
Lejweleputswa	174	13	187
Mangaung	511	46	557
Thabo Mofutsanyane	261	7	268
Xhariep	43	1	44
	1127	75	1202

RESEARCH FINDINGS

Forms of business organization

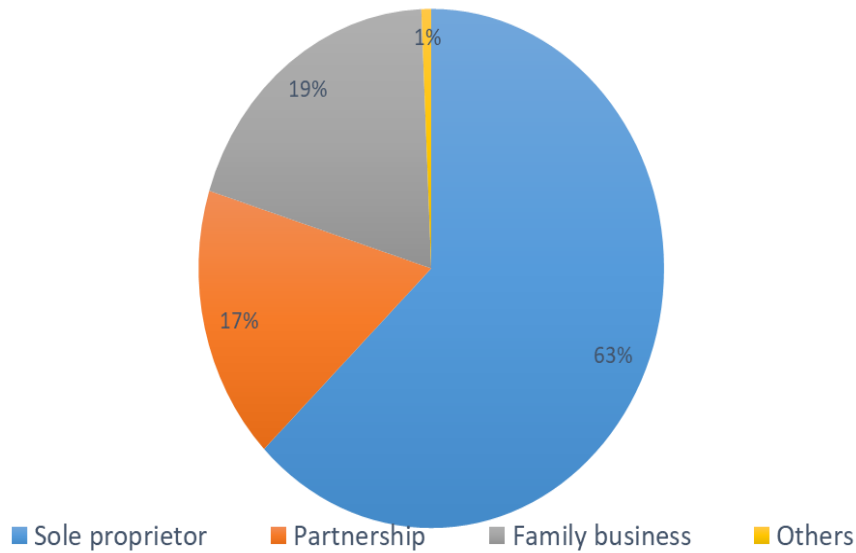


Fig. 1: Forms of hair salon business organization

Level of education

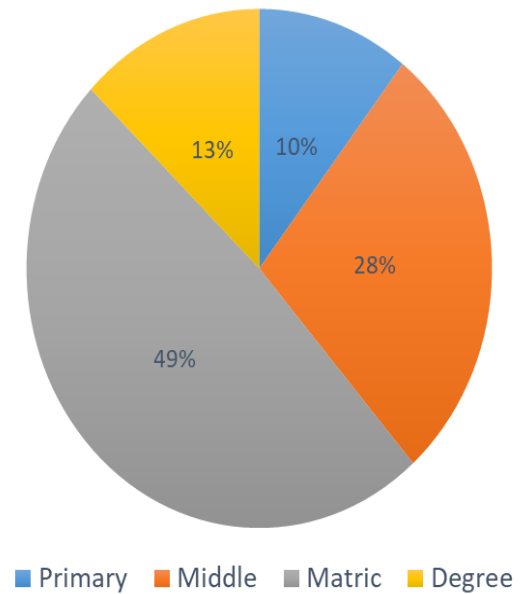


Fig. 2: Level of education of owners/managers

RESEARCH FINDINGS

Sources of funding

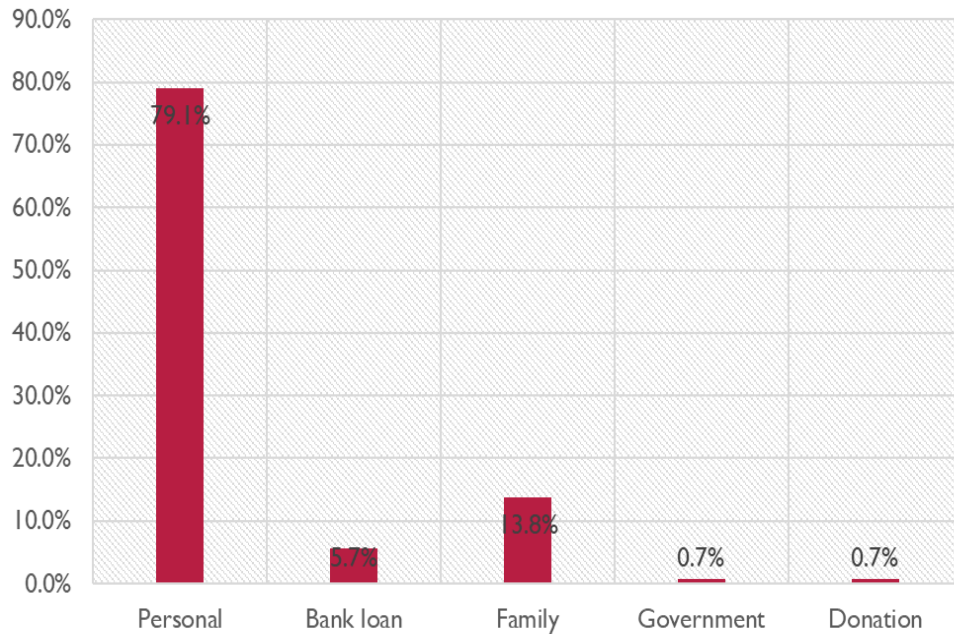


Fig. 3: Sources of funding for hair salons

Hair salon ownership by nationality

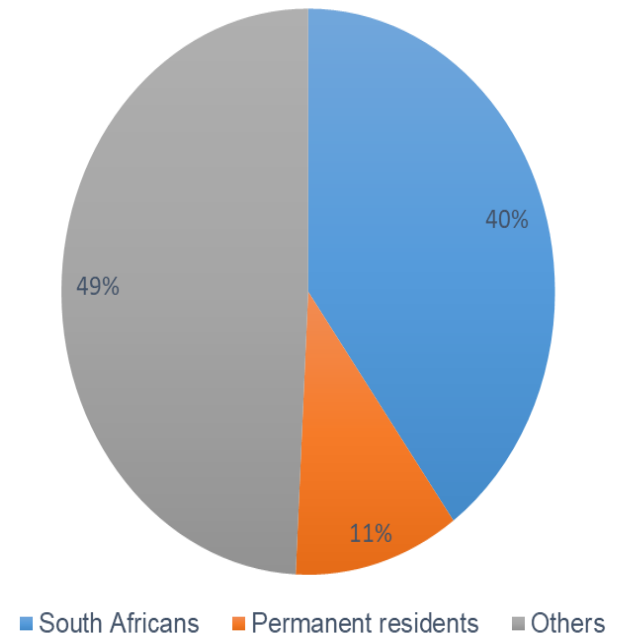


Fig. 4: Hair salon ownership by nationality

RESEARCH FINDINGS

Hair salon ownership by gender

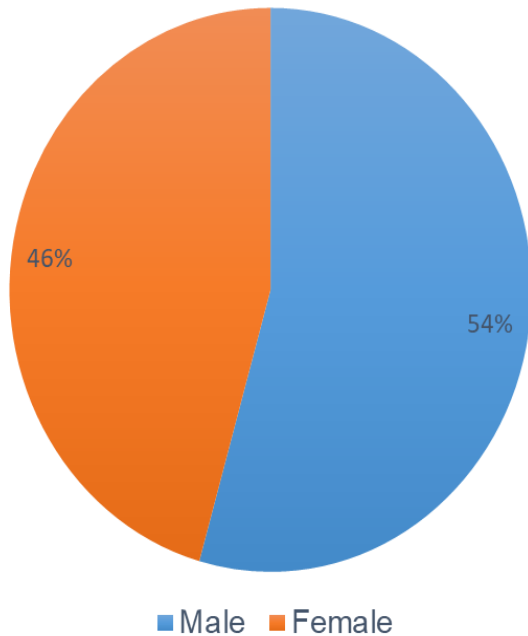


Fig. 5: Hair salon ownership by gender

Age

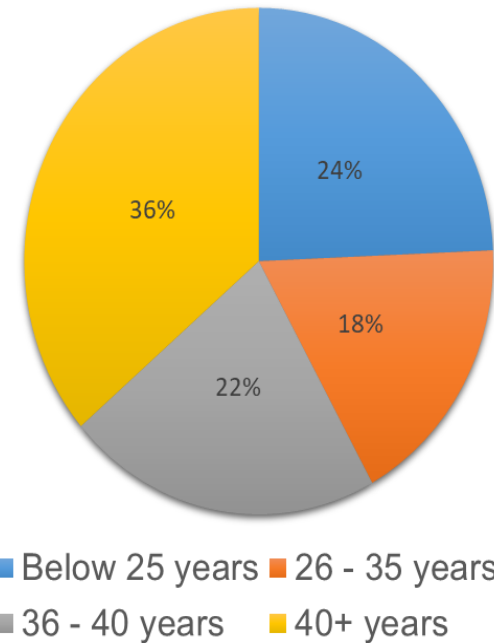


Fig. 6: Hair salon ownership by age

RESEARCH FINDINGS

Estimated startup capital

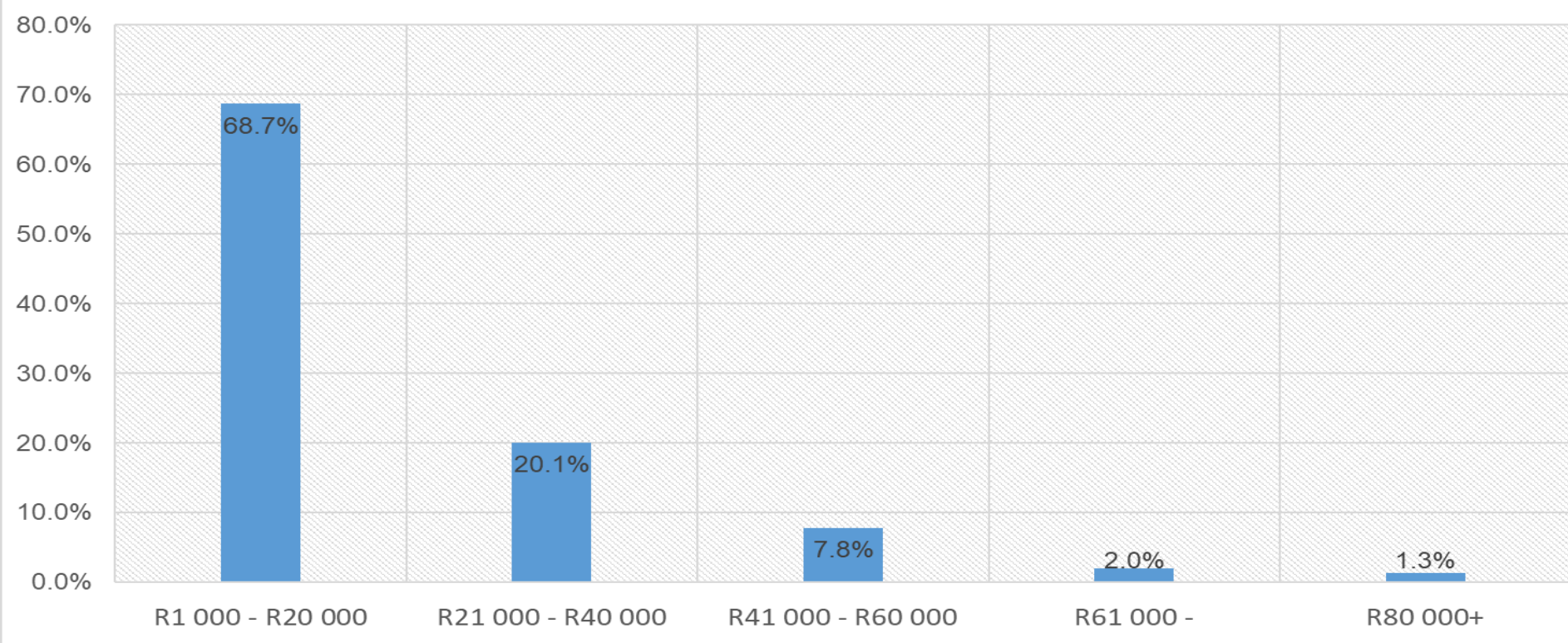


Fig. 7: Estimated start-up capital

RESEARCH FINDINGS

Estimated daily sales

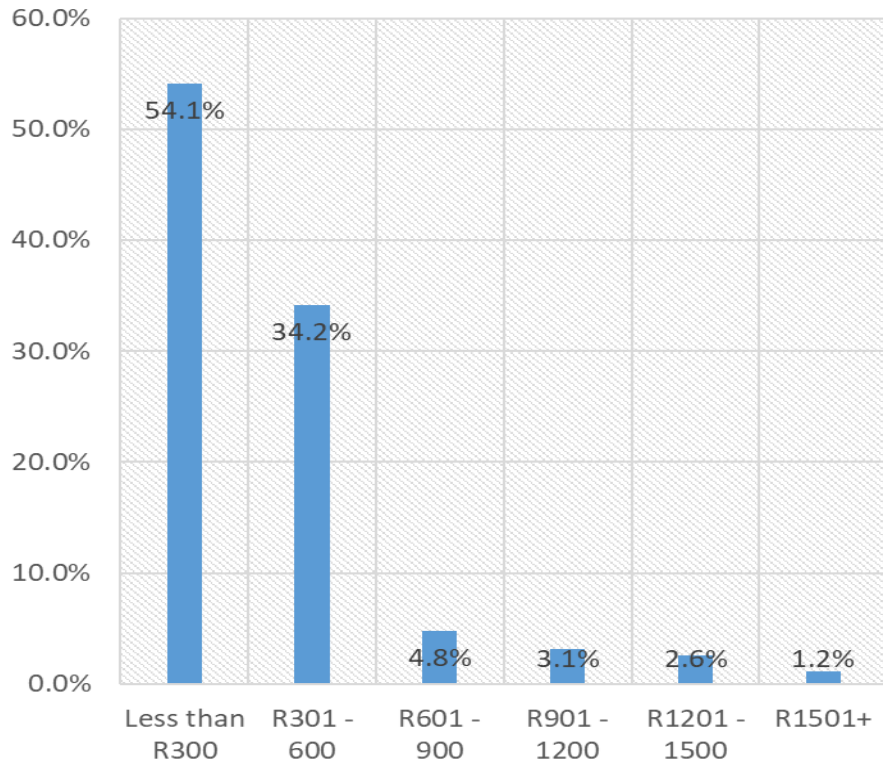


Fig. 8: Estimated daily

Estimated monthly profit

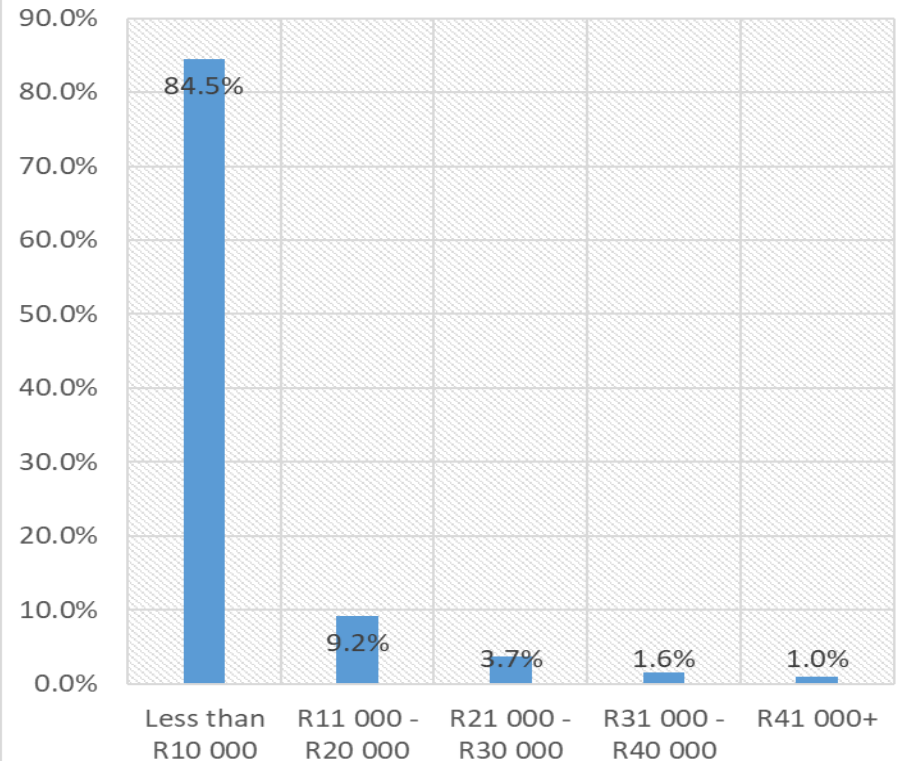


Fig. 9: Estimated monthly

RESEARCH FINDINGS

Sources of hair care products

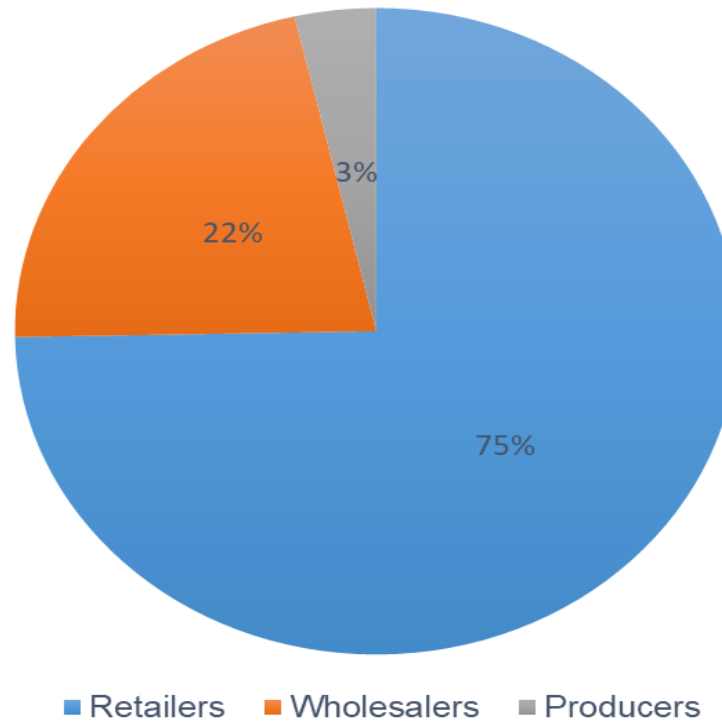


Fig. 10: Sources of hair care products

SUMMARY OF THE RESEARCH FINDINGS

1. Hair salon ownership according to nationality, gender, age and designated groups

- 60% of salons in the Free State province owned by non-South Africans.
- Majority of hair salon operators are 40 years and above and 25 years and below.
- In terms of gender, main report seem to be in line with the view that there is no disparity between male and female participants.

SUMMARY OF THE FINDINGS

RESEARCH FINDINGS

2. Estimated capital outlay for establishing hair salons in the FS province

- Findings indicated that the average start-up capital outlay is mostly R20 000.
- Next higher estimation was between R51 000 and R60 000.

3. Turnover trends among hair salons in the Free State

- Estimated daily sales were less than R300 (54%) while monthly profits were less than R10 000 (85%).

4. Sources of hair care products used

- Majority of participants (75%) source hair products from accessible retailers who are mostly in the Free State.
- Hair salon operators typically patronize both the wholesalers and producers across the country were found to make up 22% and 3% respectively.

RECOMMENDATIONS

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1. ***Recommendation for the incentivization of emerging hair salon operators***

Given that most of the **emerging and survivalist hair salon** operators were found to be **owned by black South African**, and having **not more than matric**, some support interventions are required. Interventions that can improve their sustainability and lead to the creation of more job opportunity can be demonstrated by means of the incentive scheme.

RECOMMENDATIONS

2. Recommendation for the Continuous evaluation of the emerging hair salon operational performance

It is recommended that DESTEA and the relevant government authorities ensure the reinforcement of a continuous evaluation of the emerging hair salon operational performance. The support for the reinforcement of skills acquisition for the emerging hair salon operators is recommended. **Existing training and development programmes must speak to the critical needs of the industry in the Free State province.** This recommendation addresses the findings regarding education, and highest training obtained.

RECOMMENDATIONS

3. Recommendation for policy actions to encourage investments in the manufacturing of hair care products and accessories in the Free State province.

It was found in the literature review and during interviews that majority of the popular brands of hair care products were **sourced from outside of the Free State province**. The study, therefore, recommends for policy actions to encourage investments in the manufacturing of hair care products and accessories in the province. By this recommendation, **attracting and retaining manufacturing investments in the hair care products and cosmetics** within the province can expand the industry's capacity to create more job opportunities and boost the economy of the province.

RECOMMENDATIONS

4. Recommendation for a revolving apprenticeship model of accelerating hair salon entrepreneurship

A revolving apprenticeship model of accelerating hair salon entrepreneurship may require **the collaboration of both the government and established hair salons**. This model should be aimed at providing apprenticeship opportunities for prospecting hair salon entrepreneurs to acquire a comprehensive set of skills that can include the management of hair salons. Therefore, a recommendation of the **establishment of hair salon academy in the province**.

RECOMMENDATIONS

5. Standardization of the informal hair salon operations

Following the ongoing debate regarding the formalization of the informal sector of the economy, it is evident that the contribution of the informal sector such as hair salons to the GDP of the economy of South Africa has remained applaudable. This study, therefore, recommends for the standardization of the informal hair salon operations.

LIMITATIONS

- This study identifies two key constraints, namely, methodological and administrative constraints all of which were encapsulated in time and finance. The uncertainty associated with the political will of government can be factored into a range of possible constraints, both to demonstrate the findings and recommendations of this study.

DIRECTIONS FOR FUTURE RESEARCH

- This study sees the need for future research that will **include the cosmetologists as participants** which would have allowed for the expansion of the scope of the research.
- Future research should consider the contributions of the two umbrella organizations of the hairdressers in the Free State province for a more robust insight.

Thank you 😊



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economic, small business development,
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FREE STATE PROVINCE