



Focus Group Discussion (FGD) on beauty businesses

*A look into the challenges and need for
help*



I. Introduction

Nano-entrepreneurs form an integral part of the entrepreneurial ecosystem. Nano enterprises is defined as all the enterprises, registered or unregistered, with an annual turnover anywhere between 10 Lakh to 1 Crore. These enterprises are smaller than micro enterprises and have a large share of which is still unrepresented and under researched. These enterprises are also a part of the informal sector of the economy. While these enterprises are more micro than micro, they contribute to the national economy.

Nano entrepreneurs face different challenges than their small and medium-enterprise counterparts. However, Nano entrepreneurs frequently get grouped with small and medium enterprises. For Nano entrepreneurs, there is rarely a distinction between their personal and business incomes. And unlike MSMEs, they:

- Have no collateral for loans and negligible insurance coverage.
- Have no access to resources to help them scale.
- Lack of any specific skills or formal training.
- Have little to no access to markets to help grow their business.



The challenges faced by Nano enterprises need a special spotlight on them in order to be addressed effectively and swiftly. Access to credit, technology, and marketing skills remain some of the most prominent areas of concern for Nano-enterprises. However, despite the large number of Nano-enterprises, policy limelight is often attracted by organized small and medium enterprises. Therefore, ecosystem enablers working in the space of Nano entrepreneurship development have a crucial role to play in uplifting the business journeys of this segment of the entrepreneurial ecosystem¹. The ecosystem to accelerate the growth of Nano and micro-entrepreneurs has seen a progressing shift wherein some key support areas that have been delved into by various ecosystem members are, legal &

¹ <https://blog.deasra.in/ecosystem-mapping-for-nano-enterprises/>

compliance, marketing, access to finance, and mentorship. While compliance is nothing but avoiding unethical business conduct or violation, it has always received a bad reputation because of laws, regulations, and audits. Many small businesses feel caught up in the responsibilities and activities that are necessary for compliance, thereby generally overlooking the very evident benefits of being a compliant business. This is when ecosystem enablers come into the picture and are actively educating and helping small business owners navigate through various legal and compliance areas such as trade-specific compliances, labour practices, industry procedures, acquiring a small business registration, tax filing, returns, board meetings, handling of statutory books. Although the ecosystem members in Nano enterprise development do form a close-knit community, which can also be seen through the facilitation of various partnership models and innovative collaborations, we still need to see more integration amongst the various contributors. Multiplication of such activities would result in establishing a concrete framework of solutions for Nano enterprises, which can further result in contributing towards the process of policymaking and policy enhancement. One such attempt is taken to understand the current framework of beauty businesses.

II. Objectives

- To understand the entrepreneurial challenges of beauty businesses
- To gauge on the aftereffects of Covid-19 on the beauty business
- To perceive the help or aid required to run a beauty business

III. Methodology

A Focus Group Discussion (FGD) is a qualitative research method and data collection technique in which a selected group of people discusses a given topic or issue in-depth, facilitated by a professional, external moderator. This method serves to solicit participants' attitudes and perceptions, knowledge, experiences, and practices, shared in the course of interaction with different people. The participants were Nano entrepreneurs who owned beauty businesses and had a monthly turnover of more than Rs 25,000. The technique is based upon the assumption that the group processes activated during an FGD help to identify and clarify shared knowledge among groups and communities, which would otherwise be difficult to obtain with a series of individual interviews. The questions asked in the FGD were related to but not restricted to the list provided below.

1. What kind of problems? Start with pandemic challenges – was your parlour closed?

2. How did you cope with it?
3. How did you get into this business?
4. Marketing challenges – which channels? Any challenges?
5. Is it your full-time business? Do you want to expand?
6. Any challenge to access finance? Finance/funding related – is there adequate funding?
7. Do you have any groups/Associations –what kind of support they provide?
8. Supply related – do you face any challenges in getting the raw materials required?
9. Compliance related challenges? Specifically, GST
10. Are you formally registered? Digitization, tech challenges?
11. Market linkages – do you want any?
12. Any challenges? Certification & upskilling – what do you do?
13. Learnings through their success/failures?
14. What are the top five challenges according to you?
15. If anyone offers you one support right now what will that be?

IV. Results and discussions

i. Types of businesses:

As per NIC 2008², hairdressing and other beauty treatments class include hair washing, trimming and cutting, setting, dyeing, tinting, waving, straightening, and similar activities for men and women, shaving and beard trimming, facial massage, manicure and pedicure, makeup, etc. Hairdressing and other beauty treatments.

The types of businesses that were a part of the focused group discussion were franchisees, beauty products retail, women's salon, unisex salon, home services, and beauty training institutes. The most common structure of the actual business is usually a sole proprietorship. Sole-proprietors are simply single-owned salons, with the owner taking on the financial and legal risks of the business. If things go great, the owner gets all the credit. However, if things go wrong, the owner is on the hook for everything, with no protection for her/his assets. It's the easiest structure to start up and maintain, but it is also the riskiest.

² National Industrial Classification,2008

Some beauty salons operate as part of a larger salon franchise. Opening a salon under a franchise agreement carries a fee but allows the owner to start a business with immediate brand recognition. When a beauty salon belongs to a franchise, the salon is known as a franchisee of the larger brand. The distinction that exists between operating as part of a franchise and operating as an independent beauty salon with a unique trade name creates two different types of salon businesses. It is important to note that the type of business a salon owner chooses does not obviate the need for choosing a business ownership type.

ii. Covid-19 and its effects

The salon industry suffered a major impact as the industry thrives on the ‘personal touch’ and it is impossible to operate without close physical proximity. Strictly enforced lockdowns meant a complete shutdown for all the salons. The salon industry, which was expected to grow at a fast pace with new trends evolving and the rise in disposable income of people was then struggling to even survive. Even after the lockdowns were lifted, salons continued to bear losses since people were wary of visiting the salons.

Where there was an expectation of an increase in income for middle-class people in the coming years, with COVID-19, the country suffered a huge economic crisis which led to people spending on only essential services. Thus, creating another major challenge for the grooming industry. Footfalls declined sharply as there were very few social engagements and weddings and that too with a limited capacity. To maintain proper social distancing, salons also had to limit the number of customers leading to around a 40- 50 percent decline in sales revenue. People also started opting for self-grooming techniques and DIY kits to take care of their skin and hair at home. There was a huge demand for beauty products surpassing all records.

To bounce back, the salons had to adapt to the ‘new normal’ which meant additional expenditure and a revised strategy keeping in the mind the safety and hygiene guidelines by WHO. Thus, they adopted rigorous measures. All the salons had to ensure sanitization of every touchpoint, be it a hair-washing basin to tools to be used on clients. The safety of their employees and customers had to be their priority to regain their customer’s trust. Salons also had to invest in extensive online training for their employees on how to treat a customer with appropriate social distancing and following the Covid-19 protocol. Masks, gloves, and sanitization were a must. Salons also made sure to check temperatures regularly and only took customers on an appointment basis to ensure proper social distancing. Salons collaborated with brands to come up with one-time-use kits to avoid any reuse and came up with strategies and

techniques to reduce physical proximity. To reduce any kind of transmission, e-payment methods like Paytm, PayPal, Google Pay, etc. were largely used.

Sanitizers were kept on the entrance and customers were allowed to only enter with the mask on. For further more safety of their employees and clients, the service menu of the salons was also streamlined to avoid close physical proximity. The bookings were taken in a manner that salons get enough time to clean in between and ensure safety for the next clients. One of the major issues especially for those who didn't have a place of their own was rent. Rent is very high and the setup cost-, and infrastructure is very high. Approx. 40-50 k per month.

All these measures required significant financial investment but there was no commensurate revenue generation. The salons could not have increased the price of their services to cover this deficit as the priority was to retain clients. Therefore, they had to look for other options. The big brands in the salon industry started exploring unconventional promotional strategies to keep the clients engaged with the brand on various social media channels. Online retail also came to the rescue of these salons and became one major source of profit in the circumstances.

iii. Marketing-related challenges:

Most of the beauty business owners believed that cost of print advertising is too high. Finding a cost-effective and skilled digital marketing resource for small businesses is a task. Lack of hands-on knowledge of social media marketing (need training and hand-holding). Don't know how to generate a market strategy while entering a new market/product diversification. However, what worked for these beauty businesses was using WhatsApp and Facebook. Facebook groups like PULA and more helped them in gaining traction. The main marketing strategy adopted was of mouth to mouth reviews, which especially worked in the favour of home service beauty parlours as they were also cost-efficient. Google and Facebook group reviews after getting a service turned out to be a fruitful marketing strategy.

iv. Finance-related challenges:

Almost every business was financed by self or with the help of family and friends. Most of them believed that the bank loan process was too cumbersome. The issue of collateral is fearsome and risk-taking. The high-interest rates were also considered a problematic issue which refrained the owners from considering bank loans as a source of financing their business. The business is such that it requires a frequent amount of small capital for purchasing products.

The owners accepted that they were not able to strategize an emergency fund or have the capital to be sustainable enough for unforeseen circumstances such as the pandemic and Needed guidance on the same. The owners needed finance to Hire More Stylists, Open a New Branch for the long-term growth of their beauty salon business, New Equipment, and for Marketing Expenses.

Regarding mode of payments, the owners claimed that UPI was the best source of accepting payments as it helps them in getting the entire amount of the price that they have charged.

The below table reflects on the average cost that a mid-level beauty salon spends in a month

Cost incurred for	Approximate amount
Rent of approx. 250 square feet space	Rs 20,000
Employee payment (For 1)	Rs 15,000
Purchasing	Rs 4000
Light bill, etc.	Rs 1500
Total	Rs 40,500

v. Compliance related challenges:

The business owners claimed facing no challenges for licensing, or registration of business. Most of them get this done through an agent. They also believed that registering for the shop act and GST was not a big problem and they did not have to bother about it. The only issue they claimed was not having a legitimate official certificate provided by the government. There is a need to have a board to look after them and set some standards for safety in salons as there are High liabilities for human errors. They also need legal protection from unforeseen accidents (for example, signing of disclaimers that happen in other countries). A proper checklist of all the standards and compliances should be made by the government or the beauty association.

V. Conclusion

- The owners believed that there are missing market linkages. Investments aiming to improve market linkages can improve outcomes in the following ways: Through collective action groups, smallholders can attract larger buyers, access larger markets, negotiate stronger prices, and reduce transaction costs.

- There is a need to gain support from lead generation from associations, corporates, event management companies etc. These linkages can form a chain and benefit everyone in the ecosystem.
- The key challenge was identifying and training the right staff/employees. Their regular customers left after the pandemic, plus companies like Urban Clap provide home services, which working women prefer.
- All business owners had had an aspiration to scale up but needed expert consultation to guide them.
- They also claimed a need for an association that could help them connect with peers to conduct events for exchanging ideas.
- The expert consultations could also be one to one and will help the business to grow and concentrate in timely training and capacity building sessions on various topics such as how to retain clientele/ beauty specific topics, Marketing tips, Good communication skills etc.
- These businesses also required funding to scale their business.
- Some of them even wanted to gain more knowledge on the different schemes of the government that could help them to bring in some standardization on skillsets, mandatory certifications, and rate cards. Gaining a subsidy for starting a business was also a probable road that these businesses would want to explore.
- Collaborate with beauty training institutes and deliver a session on deAsra offerings to their cohorts during their training sessions/ business specific meets.

