

## **Princessa Beauty Products**

Princessa 's Beauty Products (Princessa) was a retailer of beauty products to the English speaking black community in Montreal, particularly the black community located on the western side of the island of Montreal<sup>1</sup>. Hair (extensions and wigs) made up a large percentage of sales but hair care and skin care were also major categories. In addition to the owner, George Richards, the store had three part-time employees all of whom were women of Caribbean descent. Their ages ranged from the early twenties to the early thirties.

Princessa, established more than 20 years ago, was one of the oldest beauty stores serving the black community in Montreal. When it was founded there were only one or two direct competitors. George had managed the store for a period of two years and then, using his life savings, had purchased the business from the original owners.

The store was located in Ville LaSalle in a strip mall where there were a number of retail outlets including a variety store, a hair-dressing salon that catered to a black clientele, restaurants and a pizza shop. Princessa was approximately 1,100 sq ft. in size and it was well appointed. George was very proud of his store. He kept it clean, mopped frequently and his products were well displayed. Recently, he had repainted the store and modernised the signage at the front.

Early in 2008, George became concerned about the sluggishness of annual store sales. Between 2002 and 2006 sales grew from \$453,156 to \$605,249. But between 2005 and 2006 annual sales were more or less the same: \$602,751 vs. \$605,249 and in 2007, sales fell to \$509,000, a decline of \$96,249. For the period 2002 to 2007, gross profit was quite variable but averaged about 26% of sales and net profit fell from \$57,573 to \$38,194. If no action was taken, indications were that sales in 2008 would be lower than in 2007.

### **THE INDUSTRY**

Up to the end of 2007, the Canadian unemployment rate was the lowest it had been for some time and the lowest for women in the past 30 years. In addition, the real estate market had shown robust growth and consumer confidence

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<sup>1</sup> Traditionally, Montrealers spoke about Montreal in terms of West and East. Most of the English speaking population lived in the West while the French speaking population lived in the East, although native English and French speakers could be found in all boroughs. In the recent past, however, more and more Francophones had been moving to the West.

remained strong. In early 2008, however, because of problems with the US economy, economists began discussing the possibility of Canada sliding into a recession. George felt that consumers would therefore have less money for the purchase of beauty supplies. He was also feeling the effects of increasing costs when one of his major suppliers increased the price of hair products by 15%. But he also noted other trends as he contemplated what he should do.

George had noted the success of Pharmaprix (Shoppers Drug Mart in the rest of Canada), one of the more popular destinations for the purchase of beauty products. He was aware that its success was due to in-store beauty boutiques and the availability of self-service beauty counters and beauty consultants in the different outlets. Pharmaprix also had a large selection of prestige, designer and mass brands. Jean Coutu Pharmacy was also a major player in the beauty products industry. But while in 2007 drugstores as a whole were the leading distribution channel for beauty products accounting for 37.1 % of Canadian sales, supermarkets, with 14.6% of sales and department stores, with 10.9% of sales were also important. He had also just heard that Sephora, a chain of specialised beauty stores, after being successful in their initial entry into Canada, was setting up a store in Fairview Shopping Centre, a major mall on the west of Montreal Island. He was, however, not sure to what extent this new entrant would affect his black customers. He also noted that the major retail pharmacies had begun to stock beauty products that were targeted at blacks, but that their offerings were still few.

George was not sure whether general Canadian industry information was applicable to black customers in Montreal but he had kept an eye on what was going on in the industry as a whole. In 2007 total industry sales were \$6.8 billion categorised as shown in the table 1 below.

**Table 1**

Category	Percentage Sales	Category	Percentage Sales
Baby care	1	Bath and Shower Products	10.9
Deodorants	4.2	Hair Care	20.6
Colour Cosmetics	16.4	Men Grooming Products	8.4
Oral Hygiene	11.9	Fragrances	9.5
Skin Care	14.9	Depilatories	2.2
Sun Care	1.8		

**Percentages do not add to 100 due to rounding.**

Princessa did not carry deodorants, depilatories, oral hygiene or sun care products. In the baby care sector, hair care products were carried. The store carried a few bath and shower products such as bars of anti-bacterial and exfoliating soaps. Colour cosmetics accounted for 5% of Princessa's sales and he carried brands like Nacara and Iman. His single line of fragrance was not moving and he carried a limited supply of men grooming products such as post-shave creams, skin care and electric hair cutters. His major sellers were hair, (extensions and wigs) accounting for just over 50% of sales, hair care products accounting for 30% of sales and skin care accounting for 8% of sales.

In spite of all this industry data George wondered to what extent they were applicable to his market. For example, he had read about the growth of men's grooming products but in his store he had not noticed any increase in demand for this sector of beauty products. In addition, he felt that he was not a position to hire beauty experts or beauticians, the way the pharmacies did, and as a result he did not think that he could provide good service for the sectors of fragrances or colour cosmetics, for example. Finally, in the skin care sector, the needs of blacks were very special.

## **CUSTOMERS**

Ninety five percent of Princessa's customers were women from the black community. Ninety percent earned less than \$45,000 annually and about half of these earned less than \$25,000 annually. Approximately, 80% of customers were between 15 years and 50 years old and about half of these were in their thirties. The majority of the customers were located relatively close to the store, and they did not have very large incomes. Average incomes among women 15 years old and over were between \$24,000 and \$25,000. Per capita spending on personal care products in Montreal averaged about \$350 per annum. In the last few years, more and more whites, especially younger francophone women, were visiting the store to buy wigs and hair extensions. While George was not comfortable serving clients in French, he often wondered about the possibility of pursuing growth among the white community. All of his store clerks were bilingual, but he was sometimes alone in the store, especially on mornings.

Customers tended to pay close attention to price but they bought if the product was what they wanted and there were no substitutes. Wigs and extensions were priced anywhere between \$15 for synthetic hair to more than \$100 for human hair. The prices of other products were mostly between \$5 and \$25. Most of his

customers did their purchasing on weekends including Fridays. His sales peaked in the warm months of the year especially in the spring, in July and August, and at Christmas time.

For customers, the most important sources of information about beauty products were friends, family members, magazines and personnel in the store. The customer's beauticians were also important. George had concluded that word of mouth was extremely important among the customers of Princessa but taking advantage of that was difficult. He concluded that given the state of his finances he was in no position to advertise in glossy magazines, on TV or in the large provincial dailies such as the Gazette, the major English language daily in Montreal. In any event, he thought that using the Gazette would be a waste of resources since so many of his customers were from a relatively limited area. For example, very few of his customers originated from places in the east of Montreal, even if there were large concentrations of blacks in those areas.

George maintained good relations with his customers and remarked that very few of them ever complained about his service. In general, his customers were satisfied with the selection and prices of products. He was also confident that his store was one of the best organized, well maintained and professional among black retailers in Montreal. George was well known in the black community and many of his customers were regulars. He knew many of them by name.

George reasoned that while his customers saw his store as a destination many were not willing to travel extremely long distances just to shop at his store especially since they were so many competitors in the city. In any event the cities and boroughs on the west side of the island were where the majority of English speaking blacks lived and so far there were no beauty product stores that catered to the communities in the extreme west of the island.

## **COMPETITION**

In the last two years competition had intensified with the opening of a number of newer stores which targeted the same customer segment and sold the same types of products as Princessa. Two of these newer stores, **A-Plus** and **Beauty Palace**, had become major competitors. **Sara, Doreens, Xtensions Beauty Supplies, Afroline Beauty Products and Mama Africa**, more established stores that had been around for a longer time, were also major competitors. There were other stores selling the same or similar products in other parts of the city but because of the distance from Princessa, George did not perceive these

stores to be major competitors. These distant areas included the largely French speaking east end of Montreal.

Most of the stores were similar in size to Princessa with one or two exceptions. For the most part, however, George felt that the layout and appearance of his store was superior to the majority of the competitors. In fact, he had observed that at least one needed a major face lift and many others were not well organised

The competitors were located in areas where there were large concentrations of blacks and visible minorities. For example, Doreens, Sara, Xtensions and Afroline were all located in the Côte-des-Neiges area, which was well known for its heavy concentration of blacks and other visible minorities. Mama Africa was located on Jean Talon St, west of St Lawrence and A-Plus was located in downtown Montreal at the corner of Atwater and St. Catherine St West, a major shopping street in Montreal. Beauty Palace was located not very far from Princessa, in LaSalle. Moreover, both Sara and A-Plus were located near subway entrances and exits, with A-Plus also located near the largest English speaking college, Dawson College, in Quebec.

Competitors tended to carry the same mix and brand of products and sold at about the same prices. He guessed that many merely adopted the retail prices suggested by manufacturers. He had the impression however that Sara priced many of its products at about 20% lower than other competitors and that A-Plus priced at about 10% higher than other competitors. In one or two cases, some stores carried special products that were heavily demanded by a particular clientele. For example, Mama Africa carried products that were made in Africa and used by Africans.

Very few of these competitors appeared to be aggressive in their promotional activities. Many advertised in the Yellow Pages and similar types of media, but none of the stores used major media such as radio, television or daily newspapers, to promote their products and services. One or two advertised in community newspapers aimed at the black community but this was not a regular occurrence. Some had their own websites, but none of these sites were interactive. A few websites were animated with music and changing images. Finally, both Mama Africa and Xtensions had interior beauty salons located at the rear of their stores. A beauty salon was located next to A-Plus Beauty Products but George did not know if the two were related.

George had no idea what the annual sales of these competitors were but he was convinced that he was more efficient than they were especially since he tried to control his inventory while at the same time minimising stock outs.

In addition to the specialty stores, George had observed that in the last few years, a number of the major pharmacy and department store chains had begun stocking a limited selection of products especially formulated for a black clientele. These chains included Pharmaprix and Jean Coutu. Even the Bay, Sears, Walmart and Zellers had started carrying selected beauty products for black women.

In summary, George felt that competition was increasing and that it would only intensify in the future. Many members of the black community, he believed, felt that it was easy to get into the retailing of beauty products and even if they were not very successful, each time a new store opened, some clients were siphoned off from his store as well as from other stores. In talking to his customers, he learned that about 30% of them also shopped at other stores such as A-Plus, Sara, Beauty Palace and Doreens. Most of these stores were not sophisticated in their organization or in their marketing. Doreens as well as Princessa sometimes received mention in the community media since they frequently acted as ticket outlets for major events in the black community.

## **MARKETING OPERATIONS**

With all the above information in hand George was wondering what action he should take. He did not think that it was sensible to try to compete on price. He had recently started advertising in the Community Contact, a biweekly newspaper with a circulation of about 20,000, targeted at the English speaking black community,. This colour advertising had cost approximately \$2,000 per annum for a quarter page in each of 26 issues. This tabloid paper was distributed, free of charge, to the western communities of Montreal Island and to the English speaking communities on the south shore of Montreal across the St. Lawrence River. He did not know how effective this advertising was but he reasoned that it at least kept the Princessa name present in the target audience's mind. He had also undertaken occasional advertising in other media such as the local LaSalle community newspaper and local radio but again he did not know if these were effective.

Apart from newspaper advertising, some stores sometimes had discount bins in the corridors with selected items, such as hair pieces that were no longer

popular, for sale. George occasionally did the same but he did not believe that this was very effective. George also operated a loyalty programme. For each dollar spent, customers received one point. When a customer had collected 100 points, s/he received a \$5 rebate on the next purchase. George was of the opinion that customers cherished their points and that his loyalty programme was an important part of his marketing. He knew that Doreens also operated a loyalty programme.

The women who worked at Princessa were all part timers with no sales or product training. While they were all personable and bilingual, he wondered whether they could be more effective with customers. At times they were reluctant to suggest products to customers who had specific problems. He would occasionally talk to them about the need to provide excellent service but he was not sure if his “talks” had any effect. He sometimes wondered whether he should hire a store manager at a salary between \$30,000 and \$40,000 per annum. Apart from the question of affordability, he wondered whether he could even find someone who would be willing to make a career in his store. In the past, he had had difficulty even hiring part-timers for the store.

He often commented on how time consuming managing the store was. He was in the store seven days a week. From Monday to Wednesday, the store was open from 9.00am to 6.00pm. On Thursday and Friday, the store opened from 9.00am to 9.00pm. On Saturday, opening hours were 9.00am to 6.00pm and Sunday the hours were 11.00am to 5.00pm. During the day he was often ordering, stocking, or selling. Frequently, he was alone in the store during the morning. He had little time for planning. He had discussed the possibility of having a website but wondered how useful it would be and what return could be expected. In addition, he did not have the time or resources to keep a website up-to-date.

George was willing to consider seriously all possible strategies but he felt that he had to be realistic about the viable options. His store, for the moment, catered largely to the black community and he therefore felt that he should specialize in products that were typically used by blacks, but he wondered if one possible solution was to try attracting more whites to his store. He did not have a great deal of financial resources but he was prepared to spend up to about \$15,000 if he could be convinced of the potential effectiveness of any marketing plan or strategy. “If I could grow my annual sales by 5% each year for the next few years, I would be happy,” he said.

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