

Robin's Risky Re-Do: A Services Marketing Challenge

Donna A. Smith, Ferris State University
Timothy P. Brotherton, Ferris State University

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Introduction

The clock struck 10 p.m. as Robin Michele Beemer sat alone in her hair salon. Her last client of the day had just left and she was exhausted. Her tired thoughts turned again to her major concern, what was she going to do with her business?

After 10 years of owning the Robin Michele Salon in Evart, Michigan, Robin had a great clientele. Daily she was booked to capacity, but she did not seem to be making any money. Given the revenue from the salon, she was amazed that she was still even in business. Between managing the business and meeting all of her clients' needs by herself, she was exhausted, overwhelmed, and often had difficulty making enough money to cover her costs (mortgage, inventories, and owner's draw).

Robin had sporadically developed new ideas to generate business or offer more services. However, without an organized plan, Robin had not followed through with many of these ideas. Yet she wanted her salon to succeed and she realized that she had several decisions to make in order to improve the positioning of her salon in the local community. Among her choices were cutting costs, increasing prices, instituting new products or services including the addition of a salon assistant or a business partner, or even closing the salon and seeking employment elsewhere.

As always when she thought of her predicament, Robin's mind went around-in a never ending circle. Robin felt constant anxiety as she was still unable to earn enough for the business to support herself in the manner that she desired. What to do? Robin did not feel that she could continue in this manner for much longer. She needed a plan for success leading to a better quality of life where she would not be so exhausted and yet increase her income.

Background

Robin was just twenty years old when she had an opportunity to purchase a beauty salon in Evart, Michigan, the city in which Robin was born and raised. Evart was small town of around 1,900 people located in a rural area of Central Michigan's Lower Peninsula. The 2015 median household income for Evart was only \$19,795, which was less than half of the median household

income for the state of Michigan (\$51,084) (City-Data.com, n.d.). For other basic demographics of Evart, see Appendix A.

Robin lived in Evart all her life and therefore felt connected to the town. Working full-time and attached to her family including parents and four siblings, Robin found she did not have much time for social activities. Her life outside of the salon centered on her family and a large active church she attended in Midland, Michigan, about 50 miles from Evart. Attractive and talented, Robin also possessed a very pleasant personality and was well liked by others. Due to her upbringing, Robin possessed a strong work ethic. She believed in the American Dream that hard work was rewarded by success. Because of her beliefs at the young age of twenty, Robin was very mature for her age. She did not often associate with her age group as she looked ahead at the “big picture” of her life and her success as a hair salon owner.

Robin was just out of cosmetology school when the opportunity to buy the beauty salon arose. The offer was for Robin to work with the current salon owner for one year and then purchase the business. During this time, the previous owner was to show her how to manage the business and do the record-keeping. Though she had limited business or management training, Robin made the commitment and worked a year with the current owner. During this time, the owner shared very little information on running the financial side of business with Robin. A year later, with the help of her parents, 21-year old Robin found herself the owner of a salon business. During her first year of operation, her parents, who owned and operated a group home, helped her manage the paperwork and book-keeping responsibilities.

When Robin first bought the salon, her greatest fear was that the salon would lose clients when she took over the business. Robin was very concerned about this issue and wanted to maintain a professional salon atmosphere. Since she was so young, she and her clients were concerned her salon would become a “youth hang-out,” and lose its loyal client base. Robin successfully overcame this hurdle and most of the clients decided to give her an opportunity to show what she could do.

The original salon was in a poor location, so Robin eventually purchased a near-by building that she converted into a very attractive, upscale salon. The new salon was equipped by Robin with four operator chairs and two sinks for washing hair. Robin took out a 30-year mortgage to cover the cost of the building and, with the help of her father, did much of the renovation herself.

Robin had no formal business plan so she initially used the trial and error method of management. However, Robin worked hard and her natural people skills when dealing with clients led her to some success. She also pursued some business training including three nine-month courses offered by her church that concentrated on leadership skills. In addition, she took an intense four-day course offered by a business organization in Grand Rapids, Michigan. As part of her continuing education, she attended seminars on the operation of a beauty salon in addition to shows featuring the latest hairstyles twice a year.

Robin worked hard to please her clients. She was patient and listened closely to them. A perfectionist, Robin often took extra time just to make sure she did the best job possible on each client. She discussed with her clients what needed to be done to obtain the best results. Robin

offered to do processes over for no additional charge if clients were not completely satisfied. However, most of the time, they were very satisfied; Robin's clients spoke highly of her. As positive word-of-mouth spread, she was usually fully booked with appointments and often had to turn away walk-in customers. Many of Robin's clients stated that though her prices were higher than most salons in town, they did not mind because they felt the services were much like those found in a metropolitan area at a higher end salon.

Robin's clients liked her and she, in turn, liked them. She enjoyed learning about their lives and meeting their families. Robin spoke sincerely of clients who had either passed away or moved out of town. She missed those who had departed and fondly remembered them.

General Categories of Customers Seeking Salon Services

According to the MRI statistics listed in Appendix B, of the 235 million adults in the U.S. over 18 years old, 69.8 million adults (29.6 %) had visited a Beauty Salon in the previous six months. Of the 69.8 million salon visitors, 85% were women, 65% were over 45 years old, and 47.7% had household incomes over \$75,000 a year. Women were 64% more likely to visit a salon than the average of all adults, adults over 65 years old were 25% more likely to visit a salon than the average of all age categories, and adults with household incomes more than \$150,000 were 26% more likely to visit a salon than average of all income categories. Based on Appendices A and B, since Evart had lower incomes, it appeared to support a lower demand for beauty salon services than many other cities.

Another method of examining salon customers was based on the type of prototypical individuals who might frequent such services (Appendix C). Robin identified the prototypes listed in Appendix C as categories of her clients.

Robin's Customers

Robin maintained a client base of about 200 customers. According to Robin, people on average get 11 haircuts a year. However, due to Michigan's brutal winters, her business was somewhat seasonal. Some of her customers earned the title "Snowbird" by migrating to warmer climates like Florida and Arizona for the winter months. Robin stated she had about 75 regular customers who stayed in the area and visited her shop year-round. On average, her customers received haircuts or other services eleven times a year, but many came more frequently. In addition, there were the clients who visited the salon about every three to four months and the 'walk-ins' who occasionally became regular customers. During the previous winter, Robin noticed a slight drop in business, but things picked up again the following spring.

Consistent with the MRI statistics on the age categories of those who frequent salons, the largest category Robin serviced were men and women between the ages of 20 and 60. Interestingly, the gender balance was different for her salon than nationally in that clients requesting dye services numbered almost as many men as women between these ages. Also, Robin had as many senior men clients (over 60 years of age) as women. Robin's younger clients from children to teens again numbered about the same as far as male or female. These clients usually received basic cuts while a few female children acquired hair highlights for special occasions such as birthdays.

According to Robin, in her salon there were very few of the Scarlett O'Hara types, females who were high maintenance and never seemed to be satisfied with services. This was true as well for the male High and Tight Harry military types who were also high maintenance and the Bowl Cut Bobbies who were extremely price sensitive and tended to value price over quality. Robin noticed at her salon the largest single group among adult females fit the profile of Wanda the Working Woman, the largest single group among adult males matched the category of Frank the Factory Worker, while the largest single groups among teenagers were Terri the typical Teen Queen and Kenny the Teen King.

All of the above were logical conclusions. Wanda the Working Woman and Frank the Factory Worker were both categories of high employment in the Evart area. Reason dictated individuals with steady paychecks would be more likely to frequent salon services than those without steady income.

Occasionally, Robin was asked to service a wedding party at the salon. Weddings were usually held on a Saturday. This provided her with an extra day of income, but took time away from her other responsibilities. For these occasions, she invited a couple of area stylists to join her, particularly if the wedding party consisted of over three people. Robin estimated she serviced approximately six wedding parties a year (see Appendix D for prices).

Robin seldom provided services outside of the salon. The only funeral services she provided were for two of her relatives and home visits for cuts numbered only around a half dozen annually. Robin explained that she currently performed home visits only when a regular client was ill or homebound for some reason. For these visits, she charged her regular salon price for the service. Home visits were difficult in that they entailed packing equipment in advance and unpacking after the service was completed. The extra time involved in this hurt financial productivity unless she charged a much higher price, which she did not want to do for her regular clients.

Local Market Pricing

Robin's prices for services were slightly higher than the other five beauty salons in Evart, Michigan. For example, Robin charged \$25 for a woman's cut and \$16 for a man's. All the other salons charged around \$20 for a woman's cut and between \$10 and \$15 for a man's cut. Robin's dye services were less expensive than other area salons. Conversely, her highlights were \$85 while one competitor charged \$70 and the others charged from \$50 to \$65. In addition to the five salons in Evart, there was one barbershop that operated on a part time basis. This facility charged \$10 for a cut (Appendix E).

Robin's Situation

Robin's days were long usually beginning around 9:30 a.m. and lasting often to 9:00 or 10:00 p.m. She hired a part time cleaning person but most of the time she cleaned up herself. This was the routine Tuesday through Friday. She came in regardless of how she felt physically and often worked on days when she was ill. If she knew in advance that she had to be gone for a reason,

she scheduled her clients around her absences. However, she had no back up plan in the event of an unexpected or prolonged absence. Rescheduling her clients became very complicated if she missed work for even one day.

On Mondays, the salon was closed and Robin usually spent the day attempting to complete the seemingly endless paperwork required to operate a hair salon in Michigan. Most of the paperwork she did by hand because she did not own any accounting or managerial software to coordinate her workload. Monday was her only day for this as she could not sandwich these chores into the Tuesday through Friday schedule. Her clients were booked back-to-back during these four days. Saturday and Sunday were reserved for spending time with family, attending church, doing laundry, running errands, and performing the countless other duties she neglected during the week. However, some weekends were spent on salon business when needed.

Robin estimated that in addition to the 36+ hours she spent styling hair (especially during the summer), eight hours cleaning up the salon (sweeping, laundering salon towels, sterilizing equipment, and cleaning up after mixing the chemicals and dyes), she spent an additional 12 or more hours a week on salon business. That was more than 60 hours a week working in the salon and performing salon-related tasks. For the last few years, despite all of the time and effort spent on her business, she only made about \$45,000 in total revenue. From that total revenue, she had to pay \$25,000-30,000 to cover her business expenses. She was left with very little money on which to live.

Over the years, Robin had hired styling assistants but she never launched a campaign to find anyone. She did not recruit them; instead they came to her to inquire about a position. Robin offered all her assistants the same package. She paid them a small weekly stipend, gave them a percentage of their sales, and allowed them to keep their tips. This was a very generous business proposal. From the income the assistants generated, Robin covered the cost of their supplies and applied the rest to other salon expenses.

Though the assistants were managed like employees, they were expected to build their own clientele. Robin tried to develop the assistants' potential talent and placed great emphasis on training to bring out their best. She announced in the local paper when an assistant joined the salon. Robin also prepared coupons for discount haircuts the assistants could pass out during local parades or give to acquaintances. In spite of Robin's aggressive efforts, most of the assistants did not put much effort into recruiting clients. Robin treated them well, but the assistants lacked the strong work ethic that Robin possessed. Though several of her assistants built a small clientele, each left the salon within a few months for personal reasons despite Robin's attempts to retain them. The assistants liked and respected Robin, but left the salon to pursue other interests outside of the salon industry. Robin was discouraged as all the time, effort, and expenditures spent on training the assistants seemed wasted. Often Robin found herself working alone in the salon until late in the evening.

Then there were her health concerns. Robin did not carry health insurance and hoped she would not need medical attention. She felt health insurance was too expensive for her to afford. The major problem was that her feet and joints had bothered her for years and were getting worse. At thirty years old, Robin often said she felt like a much older person.

Although she was fully booked with clients, Robin found stretching her income to cover all her costs was difficult. These costs included the shampoos, dyes, perm solutions, conditioners, and other salon essentials required for day-to-day operations. Many of these products were quite expensive and she had to carry a variety of them to meet potential client requests. Having enough money after expenses to support herself was difficult.

To supplement the income earned as a stylist, Robin sold beauty products to her customers. Her favorite brand was *Paul Mitchell*. She was an authorized reseller of *Paul Mitchell* products and used mainly *Paul Mitchell* beauty supplies for her clients in her salon. Robin's Paul Mitchell sales rep told her of an opportunity to present beauty products locally for a small stipend to cover expenses plus commissions. They had also discussed the possibility of Robin joining the *Paul Mitchell* sales staff in California.

Alternatives to Consider

The present style of operation had enabled Robin to remain in business and with luck, that trend would continue. The question was, where would Robin be financially in another ten years?

Ewart's economy was struggling. Dean's Dairy had recently closed in Ewart. This milk-processing plant had always been regarded as the premiere place of employment in the area. The plant had paid well and operated since 1939 until its unexpected closing due to vertical integration by its major customer (Martinez, 2014). The dairy had been a very stable major employer with over 200 employees. Ewart supported two additional major private employers. Ventra, the largest employer, was a plastic auto parts manufacturer that employed around 650 employees and PGW Ewart, an Auto Glass manufacturer, employed 50-60 employees. The Dean's Dairy closing, however, had rocked the town's stability and caused a panic among merchants in the area. The town could not withstand any additional closures, but who was to say that would not occur? Robin lost several of her loyal customers when the dairy closed due to families relocating to another area. Because she felt she needed more income and craved more time for herself, Robin considered several alternatives to improve her situation.

Alternative 1: Cost Reduction

For the Robin Michele Salon to become as successful as Robin desired, a variety of steps were involved. First, Robin felt that reducing her costs needed to become a priority, but many costs were beyond her control. The prices for beauty supplies used in the salon were set by the supplier and were not subject to change. The mortgage payment and utilities were also not changeable. She tried to cut where she could by using family members to assist her with salon maintenance, economizing on energy use, and buying cheaper housekeeping supplies. However, there were some cost-cutting measures, such as replacing quality shampoos, conditioners, and dyes with cheaper, inferior supplies, that she was unwilling to do. Robin was aware that some hair and nail salons put the cheaper supplies into brand-name bottles and passed them off as higher end. Robin refused to sacrifice quality or her ethical standards to save money.

What Robin felt that she could change was the process or the rate of speed at which she worked. The quicker she could move clients through the salon, the more money she would make. Since Robin was a perfectionist, she often spent extra time on each client. Due to the necessity of reducing costs, Robin needed to change from being a perfectionist and instead do the best job possible in a more reasonable amount of time. For a hair salon with such a strong focus on quality, this was difficult to do.

Also, in the case of a hair salon, the product was a service. Thus, the service was produced and consumed at the same exact moment, which left no time for quality control adjustments or corrections. In addition, working at a faster pace increased the possibility of a defect in the service provided that, in the case of hair cutting, was potentially not correctable. The significant concern was that the value of a salon service was subjective and depended on the reaction of the client. Even though a client was satisfied for years, one “off day” for Robin could end the relationship.

Alternative 2: Elimination of Unprofitable Services

Robin asked herself if there were customers that were potentially more profitable. Was there a better mix of services that she could provide as well as a better mix of clients (Appendix C)? For instance, what if she spent less time on services like permanents that were time consuming and yielded little return for time invested? Maybe she needed to spend more time on services like haircuts that could be completed quickly keeping the client chain moving at maximum speed. If she scheduled more services per day and completed procedures faster, this would increase the sales revenue she earned daily. To increase the demand for more efficient services, like haircuts, she thought about offering sales promotions such as coupons or a loyalty program (free haircut after a certain number of purchases).

Alternative 3: Price Increases

After ten years in the business, Robin had come to believe that pricing was an art. If prices were not well coordinated to what the target market was willing to pay, disaster ensued. Increasing prices for some services was a possibility; however, this was a challenge given the fact Robin generally charged more for services than her competitors. Then there was the history of Robin’s clients resisting other price increases in the past. If Robin were to raise prices, the question of how to announce the change became a large concern for her. Just changing prices would surprise her customers, potentially creating a backlash, so she had to announce the new charges ahead of time. Sending out a letter explaining the price increases was an action that could cause some clients to become upset, even to the point of going elsewhere for salon services. Because of Robin’s focus on quality, losing some of the more price sensitive clients, who required more effort to manage, was an advantage.

Alternative 4: Addition of New Products and Services

Offering new products or services needed to be considered too. Robin offered make-up services in the past, but she never really promoted these value-added amenities. She had purchased a professional make-up training kit from a make-up artist academy and was working her way

through a series of exercises on proper make-up application. When finished she would receive a certificate showing her successful completion of the coursework. She thought of expanding this aspect of her business, which in turn would increase wedding party opportunities.

Robin was also embarking on another service to add to her product offerings, photography. Her brother was a professional photographer and had offered to help Robin set up a small photography unit in the salon. With such a unit, Robin hoped to shoot her own publicity photos of happy clients with sensational new hairstyles for her website. In addition, she wanted to offer the popular makeover and “glamour” photos that were available in larger cities. Glamour shots were generally priced upwards of \$80. These premium priced services yielded higher profits.

Alternative 5: Addition of Salon Personnel

Managing employees also entered the mix. In successful service industries, people were a priority. Robin had difficulty recruiting assistant stylists in the past. Robin was beginning to think perhaps that hiring an assistant as an employee didn’t create enough incentive for them to “beat the bushes” so to speak for new clients. She made the decision that were she fortunate enough to acquire an assistant in the future, she would rent them a chair and counter space. A “chair” paid a set fee for the use of the facility and utilities as well as for their supplies while providing Robin a small share of his/her profits. The chair position provided plenty of incentive for the assistant to build up clientele since the relationship was similar to that of an independent contractor.

If Robin were going to successfully pursue this approach, she needed to mount an organized all-out search for a suitable candidate. This involved recruiting a skilled local stylist or finding “new” talent by searching cosmetology schools in the area and placing ads in strategic locations. There were costs to such a search in both money and time; these were the reasons why Robin had not launched an all-out campaign but had waited for potential hires to cross her threshold looking for a job. She hesitated instituting a search for an assistant primarily due to her lack of available time.

Adding an assistant stylist to the salon had advantages because it gave Robin the freedom to be gone from the shop at certain times. This meant, for instance, she could pursue working part-time as a *Paul Mitchell* representative doing seminars and training sessions. Activities such as this brought prestige and channeled more cash flow to the business.

The opportunity that Robin offered might be especially appealing to new stylists trying to begin a career. However, hiring a newly minted stylist also brought with it issues. A new stylist would have to be directly supervised by Robin for one year. Robin had to be present when the assistant worked on clients. These young stylists brought no client base and relocation to a small rural town such as Ewart was not often something that appealed to them. There was also the possibility that the assistants would not operate with the same quality she valued. Even for Robin, it was impossible to guarantee that the quality of her own work would not vary.

Regardless of what changes she wanted to pursue, Robin was already very busy. She had very little time for herself. Her salon services could not be created during slow periods and stored in

inventory. Robin's work required her on the scene and there were only so many hours in a week. What more would she have to give up in order to pursue these opportunities?

Alternative 6: Addition of a Business Partner

Robin was considering more radical changes to her salon. She was limited in terms of her individual capacity, but if she found a business partner, she could increase the revenue coming into the salon. She needed either a partner to help her with the business side of the salon (freeing up time for her to see more clients) and/or a stylist to help her with the clients. This course of action had some potential, but Robin still resisted the idea because she had been on her own for ten years. She answered only to herself and was proud of what she had accomplished. Taking in a business partner who would purchase a portion of the operation presented many potential problems. How would she place a value on the business and decide what a partnership would be worth? Even if the partner only owned a small percentage of the business, Robin and this individual would have to collaborate on many decisions. This entailed quite a drastic change from how the business currently operated.

Alternative 7: Employment by Paul Mitchell

Robin was very loyal to *Paul Mitchell* products because of their high quality and she felt that the *Paul Mitchell* representatives had been loyal to her. Because of the mutual loyalty, Robin did not consider carrying many other competing hair care brands. Though this was not a major part of her business, she thought product sales could be increased. This was another reason she considered part-time employment with *Paul Mitchell*. If she joined the salon products company, this connected her better with the *Paul Mitchell* merchandise which increased her ability to offer sales promotions, thus increasing product sales. Joining *Paul Mitchell* was intriguing to her, but she was not sure how much money it would yield. Working with *Paul Mitchell* part-time under current conditions was not feasible, but only possible if she freed up more time.

Alternative 8: Creation of a Destination Salon

There were many types of beauty salons ranging from mass-produced haircuts to high-end day spas. Robin focused on quality hairstyling, but she could reposition her salon to be more of a destination location that offered a luxury day spa experience (manicures, pedicures, tanning facilities, massages, and saunas). She also thought about providing entertainment in the salon for clients and their families (movies or other social activities). To accomplish this, Robin needed to upgrade the physical environment of the salon and provide some tangible physical evidence of luxury.

Robin was excited thinking about how promotion of a destination spa would dramatically increase the perceived value of the Robin Michele Salon in the minds of the target audience. There was the possibility that a touch of luxury might aid the clients in evaluating Robin's salon services favorably. Since salon services were perishable, the time spent on a client was never recouped. Therefore, it was essential that clients evaluated Robin's services positively and a move toward a high-end appearance was a boost in the right direction.

Alternative 9: Evert Salon Closure

Closing the salon completely was a possibility. Robin could either reopen the salon in another city or change her career and do something else. The location of an operation was instrumental in its success or failure. There were larger towns with greater per capita income within an hour of Evert, possibly offering Robin less price sensitive clients that enabled her to make a profit. The problem with this choice was the difficulty of “starting over” and working to build up the business again. In addition, Robin felt that she was the biggest asset to the business so what would the salon be worth if she left and would her local clients switch to a new owner? Finally, she had no idea if anyone was even interested in buying the salon.

The challenge for Robin changing her career was what would she do next? If she closed the salon, besides finding a buyer for the building, she still had to find another job. While going full time as a *Paul Mitchell* representative was an attractive proposition, this meant moving to California. Robin thought to herself, “I could start a brand new life, avoid the tough Michigan winters, and have an exciting adventure.” However, Robin was very close to her parents and family. The furthest she had ever lived from them was the time she spent in cosmetology school in a town about 45 minutes from her home in Evert. Currently, Robin lived a block from her parents and she relied on them for moral support. She wondered, “Would moving to California, where I don’t know anyone, be scary or exciting?”

One other factor related to closing her salon was very personal. This business had been her “baby” for ten years. These years were “sunk costs” but walking away from her salon and clients would be emotionally difficult. Taking over as owner at the age of 21 was an achievement and Robin was proud of what she had accomplished. In addition, finding another job in Evert was difficult, if not impossible, and the prospect of suddenly being an employee as opposed to being an owner of a facility was a little unsettling. She would have to answer to a superior and she had not done this for the last ten years. Nonetheless, *Paul Mitchell* indicated an interest in her and the prospect of relocation and a new beginning had appeal.

These nine alternatives were considered by Robin to be her best choices. They ranged from minor tweaks to major overhauls. Each had advantages and disadvantages and made her choice difficult.

The Decision

Robin knew the decisions she made could well set her course for years to come. She felt so confused she could no longer determine whether the advantages in each choice outweighed the disadvantages and how they fit together. What plan should she develop to improve her situation? She was so exhausted from working all the time that her health was put at risk. She felt she could not remain in the current situation that much longer.

Tonight, however, she was tired of agonizing over the choices. Robin turned in her chair and promptly fell asleep with a decision still not made, but a decision would have to be made soon.

Appendix A: Selected Demographic Data on Ewart, Michigan

Population in 2013	1,890	
Males	869	46%
Females	1,021	54%
Population growth since 2000	+8.7%	

Median resident age 33.5 Yrs

	Males	Females	Total
Age <18	228	288	516
Age 18-24	82	77	159
Age 25-34	91	99	190
Age 35-44	83	128	211
Age 45-54	85	109	194
Age 55-64	57	81	138
Age 65+	243	239	482

Median household income-Ewart in 2013	\$19,060
Median household income-Ewart in 2015	\$19,795
Median household income-Michigan (2015)	\$51,084

	Number of households	Percent of Households
>\$150K	3	0.4
75-149.9K	55	8.2
\$60-74.9K	35	5.3
\$50-59.9K	28	4.3
\$40-49.9K	48	7.3
\$30-39.9K	36	5.4
\$20-29.9K	109	16.4
<\$20K	349	52.7
Total	663	100

(City-Data.com, n.d.)

Appendix B: Selected Fall 2013 MRI Data on adults who visited a Beauty Salon in previous 6 months

- Nationwide Data	Total '000	Proj '000	Pct Across	Pct Down	Index
	A*	B*	C*	D*	E*
Total	235577	69841	29.6	100	100
Men	113610	10405	9.2	14.9	31
Women	121967	59437	48.7	85.1	164
Age 18-24	30228	5607	18.5	8	63
Age 25-34	41382	9852	23.8	14.1	80
Age 35-44	40092	11494	28.7	16.5	97
Age 45-54	44131	14174	32.1	20.3	108
Age 55-64	38065	13299	34.9	19	118
Age 65+	41680	15416	37	22.1	125
HHI: \$150,000+	25578	9589	37.5	13.7	126
HHI: \$75,000-\$149,999	66739	23749	35.6	34	120
HHI: \$60,000-\$74,999	25079	8344	33.3	11.9	112
HHI: \$50,000-\$59,999	18916	5445	28.8	7.8	97
HHI: \$40,000-\$49,999	20752	5771	27.8	8.3	94
HHI: \$30,000-\$39,999	23129	6004	26	8.6	88
HHI: \$20,000-\$29,999	22839	4896	21.4	7	72
HHI: <\$20,000	32546	6042	18.6	8.7	63

(Gfk Mediamark Research & Intelligence, 2013)

*See explanations directly below.

MRI data were frequently used by advertisers to understand the demographic, lifestyle, and media habits of their customers. The first two columns of numbers were used to calculate the other columns which were provided for the convenience of the reader. MRI data were arranged to allow one to answer several questions quickly.

A: Total number of adults in the demographic group (from the first column).

B: Total number of adults in the demographic group who visited a beauty salon in the past 6 months.

C: Percentage of the adults in the demographic group who visited a beauty salon in the past 6 months.

Using all of the demographic groups the percentages added to 100%. Advertisers use this to understand the demographics of the group who visited beauty salons.

D: Percentage of adults in a demographic group who visited a beauty salon in the past 6 months.

Advertisers use this to understand each demographic groups' visitation of beauty salons.

E: INDEX: Ave. = 100, for an index, while >100 (INDEX value minus 100 = percentage of the demographic group more likely than average to visit a beauty salon), but for an index <100 (INDEX value minus 100 = percentage of the demographic group less likely than average to visit a beauty salon).

Appendix C: Types of Customers

Prototypical Clients	Quantity of Robin's customers	About 200 total clients (75 Regulars)
Scarlett O'Hara's	low	High maintenance (frequent phone calls with questions, demanding repeated services such as re-dyes or doing perms again)
High and Tight Harry (military)	low	Military cut - high maintenance (demands precision and everything has to be perfect)
Bowl Cut Bobby	low	Price sensitive, quality less important – low maintenance (easily satisfied, not too demanding)
Wanda the Working Woman	med	Functional cut, looks professional, coloring gray – expects quality, but low maintenance (easily satisfied, not too demanding)
Blue Hair Ole Bitty	low (declined recently)	Frequent visitor, low price, low maintenance (maintains the same style and unlikely to criticize)
Frank the Factory Worker	med	Low maintenance, knows what works for him and gets it
Little Rascals	low	Simple cut, enjoys a lollipop – low maintenance (doesn't care about style)
Terri the Typical Teen Queen	med	High maintenance, seeks emotional support, has low self-esteem (but likes drama)
Kenny the Teen King	low-med	Mid maintenance, wants to look cool (copies celebrity haircuts)
Anne the Wonder Client	med	Low maintenance (unlikely to complain), pays for quality services rendered
Don Juan, Senior	low	The big tipper – low maintenance (not there only for the haircut)
Brady Bunch	low	Family group cuts, all arrive at the same time – if children are well-behaved, then low maintenance
Family Network	med	Family members visit independently, but influence each other – low maintenance if satisfied

List developed by authors and Robin.

Appendix D: Types of Services and Prices for Robin Michele Salon’s Services Per Customer

Types of Customers	Procedures	# of procs/yr	Prices	Costs	Time (hr)
Children - boys	basic cut	11	\$15	\$2	0.6
Children - girls	basic cut	11	\$15	\$2	0.6
Young Males - teens	basic cut	11	\$16	\$2	0.66
Young Females - teens	basic cut	11	\$25	\$2	1
Males 20-60's	basic cut	11	\$16	\$2	0.66
	dyes – color	11	\$30	\$5	1
Females 20-60's	cuts	11	\$25	\$2	1
	dyes – color	11	\$45	\$5	2
	highlights + 7 cuts /yr	4	\$85	\$10	3
	waxing add-on		\$10		
	waxing separate		\$15		
Senior Men >60	basic cut	11	\$16	\$2	0.66
Senior Women >60	cuts	11	\$25	\$2	1
	dyes – color	11	\$45	\$5	2
	highlights + 7 cuts /yr	4	\$85	\$10	3
	perms + 8 cuts per/yr	3	\$55	\$9	3
Additional Opportunities		Procedures Per Event			
Wedding Party	styling	6	\$40	\$5	1
Funerals	styling	1	\$35	\$20	1
Home Visits	cuts	1	\$80	\$20	4

List developed by authors and Robin.

Appendix E: Competitor Comparisons

Firms	Women			Men	Child	# Stylists
	Cuts	Dyes	Highlights	Cuts	Cuts	
South Main Street	\$20	\$50	\$70	\$15	\$12	4
Teasers	\$19	\$65	\$65	\$14	\$11	4
Details	\$20	\$50	\$65	\$11	\$10	3
Robin Michele	\$25	\$45	\$85	\$16	\$15	1
Ellen's	\$19	\$33	\$50	\$14	\$10	3
Extreme Cuts	\$20	\$40	\$60	\$14	\$10	1
Nicks (barber)				\$10		1

List developed by authors

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