

SALON BUSINESS OWNERSHIP STRUCTURE AND MANAGEMENT IN ZIMBABWE

Alice Z. Zinyemba*

Sarudzai Mutana**

Abstract

This research paper presents findings on how the salon business in Zimbabwe is organized, structured and managed in Zimbabwe. The paper describes the challenges and advantages of the four (4) models along which the saloon business in Zimbabwe is organized, structured and managed. The researchers used qualitative research methods which included interviews with saloon owners, hair stylists and beauticians and participant observation. The findings show that the salon industry is structured and organized along four models which included formally registered sole proprietorship, a parallel formal/informal structure, informal within formal structure and informal home visits.

Key words: SMEs, salon, structures, formal and informal business, challenges

* University of Zimbabwe, Faculty of Commerce, Department of Business Studies

** University of Zimbabwe, Faculty of Commerce, Department of Tourism, Leisure and Hospitality Studies

Introduction

This paper presents the findings of the research carried out to establish how the salon industry in Zimbabwe is organized, structured and managed. The research is carried out against a backdrop of mushrooming of hair salons since Zimbabwe achieved its independence in 1981, the subsequent growth of the informal sector in response to the economic challenges and recession and increasing unemployment. The researchers give insight into the common classifications of salon workers which include the following: owner, booth renter, chair renter and other independent operators.

The findings show that business in the salon industry in Zimbabwe is structured along 4 models. Model 1 is the sole proprietorship where the salon owner runs the whole business. In Model 2 the owner runs his or her own business parallel or alongside an informal independent business operator within the same premises. The third model is the situation where the owner just owns the premises and informal business operators are accommodated within the premises and pay rent to the owner of the salon. Model 4 is an informal arrangement whereby the hair stylist or beautician does home visits only. All the 4 models have their own advantages and disadvantages.

Purpose/Objectives of the article

The objective of this article is to present research findings on how the salon industry in Zimbabwe is organized, structured and managed.

Background

The Salon business in Zimbabwe falls under the category of Small to Medium Enterprise (SMEs), a term used to describe small to medium sized businesses, which sprouted after the Economic Structural Adjustment Programme (ESAP) of 1991 – 1995 (Mboko, 2007). The importance of the small business sector in the development of 3rd world economies can-not be overemphasized (Mboko, 2007). Although faced with many challenges, the SME sector in Zimbabwe has managed to survive. Before, and to some extent after ESAP, the salon industry used to be structured along the generic sole proprietor business ownership structure. This is the model evident in many SME business organizations. With this model the owner manages the business and employs hair dressers and other beauticians to do the work while he/she retains all the profits, pays statutory expenses and running expenses including wages for the employees. Initially, the salon owner paid hair dressers a fixed salary at the end of the month.

However, this had a problem of inter-sender conflict, where the final amount received by the employee would consist of more money coming direct of the customer than coming through the manager. Another problem was that of diversion of business from the salon to the homes of clients. Hair dressers would ask clients to have their hair done at their homes instead of coming to the salon. Hair dressers would attend to clients after hours or during weekends. This resulted in reduced revenues remitted to the owner of the salon threatening the salon business. There was little commitment by the hairdressers because they were assured of their monthly salaries. .

The salon industry had to go through a change in the way it was structured and managed. Alternative organizational or business structures emerged which accommodated the business interests of both the salon owner and informal and independent operators where hair dressers and other beauticians would rent a space or booth within an existing properly registered salon.

Statement of The problem

The research sought to investigate how the salon business in Zimbabwe is organized, structured and managed and to establish which business model is most prevalent in the salon industry.

Methodology

The researchers interviewed 10 salon owners and 25 independent operators who included hair stylists, manicurists and other beauty therapists. The researchers developed an interview and observation guide for the research. The interview/observation guide included the following questions:

1. Who owns the salon?
2. Who owns the equipment used in the salon?
3. Who owns the building?
4. What is the role of the salon owner?
5. How is the business organized and structured?
6. How is the business managed?
7. Who maintains the premises?
8. How many people share the salon?
9. How are the running costs managed (utilities)?
10. How are the profits shared?
11. What challenges are experienced in the way the business is structured and organized?
12. What are advantages realized from the way the business is structured?

The researchers targeted those salons where they frequented most in Harare. Informal interviews have the advantage that informants willingly give information and answers to the researcher's question without being affected by the Halo effect. The halo effect is defined as a change in behavior which occurs within a person if they feel that they are being studied or observed.

The researchers also gathered data using the participant observation method of data collection. The researchers sat in the salons while having their hair done and observed what was going on. They observed the interaction between the hair dressers and the manager or owner, between hairdressers and clients and between hair dressers themselves. Bryman and Bell (2008), note that although unstructured observation does not entail the use of an observation schedule, its aim is to record as much detail as possible on the behavior of the participants to develop a narrative account of the behavior. The researchers observed hair stylists and manicurists as they solicited for customers, the sharing of common resources within the hair salons, the challenges which might be faced under each business set up and came up with the findings described in this paper.

Findings

The research established that there are three models along which the salon business is organized, structured and managed. In contrast to what some writers on management and small businesses in Zimbabwe (Mushipe, 2007:2; Mboko, 2007) have said, the researchers' findings prove that there is a variety of business models and organisational structures evident in the salon industry in Zimbabwe. The most interesting aspect of these findings is that the structure of the hair salon industry changes in response to the economic and business environmental changes of the economy.

Model 1- Sole proprietorship

The research found out that the generic sole proprietor business model is still evident in the salon industry in Zimbabwe. This is a business organised and owned by one person or family, where the owner is normally the manager of the business (Mushipe, 2007:2).

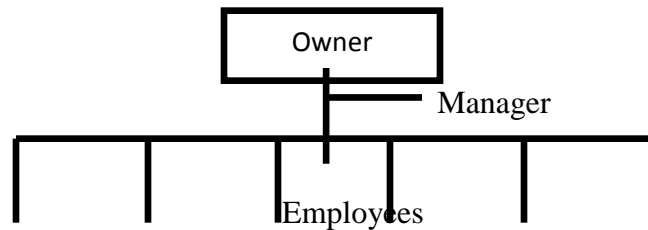


Figure 1. The generic model of salon business

Figure 1 shows the generic model of a salon business structure, the sole proprietorship. The owner in this model is a licensed hair salon operator and has registered company under the Companies Act Chapter 22.01 of 1996. The registered operator normally owns or rents the building used as a salon. He/she employs hair stylists and or other beauticians who are paid a fixed monthly salary. The owner of the salon is responsible for providing all the necessary fixtures, equipment, chemicals and other inputs needed to operate the salon. The salon owner pays rentals, all the utility bills and oversees the day to day running of the business. All revenue accrues to the owner. The owner is also responsible for the marketing of the services that the salon offers. All the employees report directly to the owner. Sometimes the owner employs a manager to run the business on his/her behalf.

The researchers established that there are both advantages and disadvantages associated with organizing and structuring the salon business along the sole proprietorship model.

Advantages of the sole proprietor salon structure

The following advantages were identified:

- owner has control over all the revenue generated in the salon;
- owner has control of the budget; and
- owner has direct link with customers

These advantages are similar to the those cited by other writers (Mushipe, 2007:3, Ward, 2013) which include:

- personal contact with customers as employees;
- retention of profits; and
- easy of decision making.

It was noted in 65% of all respondents that the nature of the informal sector in Zimbabwe currently coupled with the weak barriers to entry into the salon business is making the continual use of this generic model very difficult and has a negative bearing on profitability. Respondents cited the following disadvantages of this model;

Disadvantages

- the owner bears all the risk and expenses;
- wages need to be paid regardless of the amount of revenue generated; and
- employees can divert clients from the salon to be attended to privately at home.

Mushipe (2001:3) noted that sole proprietor businesses are usually short lived although the author attributed the short life span to the fact that the owner has the overall control over the business and running the business will be difficult once the owner dies. This research established that the short-livedness of this kind of model in the salon businesses is mainly due to the weak barriers to entry in the industry. It is easy for experienced employee hair dressers to start their own businesses formally or informally once they have gathered the required capital.

Model 2 Parallel structure (formal/informal)

The second model defies some of the characteristics of the generic sole proprietorship model since it includes a parallel section of informal independent business operators within the formal business structure as depicted in Figure 2 below.

With Model 2 the sole proprietor still has the salon trading license, owns or rents the building and has employee hair dressers who report to him/her directly. A parallel structure exists within the same salon. Independent hair dressers run their own informal businesses. They are attached to the structure in that they pay rent to the owner. There is no reporting relationship with the owner. The difference with Model 1 is that license holder/owner then rents out chairs or booths to independent hair stylists and manicurists. However, the owner also either employs some of his/her own hair stylists or manicurists who are paid a fixed wage. The rentals from chairs or booths ensure that the owner gets enough to pay for the rental of the salon. This strategy boosts revenue.

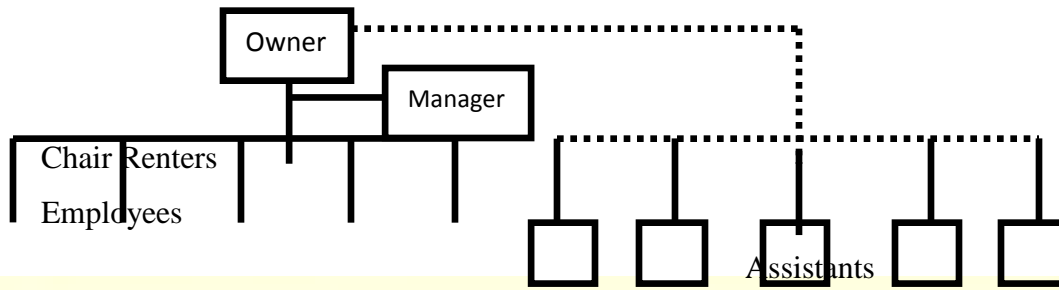


Figure 2. Parallel sole proprietorship (formal/informal model)

A variation of this arrangement is that the owner can choose to have the whole salon full of chair renters only. He/she then employs apprentices. Apprentices are recent graduates from technical colleges and other independent colleges who still need to learn the trade. The apprentices report directly to the owner of the salon. They are paid wages and salaries by the owner. The apprentices act as assistants for all the hair stylists who rent chairs. For every job performed by the apprentices on behalf of the stylists renting chairs, a commission is remitted to the owner of the salon or his or manager. The apprentices are paid from the commissions. This reinforces allegiance of the apprentices towards the owner of the salon and reduces conflicts within the structure.

The chair or booths renters are not licensed to run a salon. They may or may not be technically trained. They may or may not hold certificates of the trade. The renters are operating their own small businesses informally. It is an informal business operating in a formal registered salon. The renters are responsible for their own chemicals and other tools of the trade.

Advantages to the salon owner

- The owner of the salon benefits in terms of rentals from booths or chairs
- The risk is shared

Advantages to the chair/booth renter

- The chair renter does not pay taxes.
- All the necessary equipment to operate a salon is provided.
- It is easy for the renter to start up his/her own business with very little capital.

Disadvantages to the owner

- The salon owner has limited control over the quality of service within his or her salon since it heavily relies on the ability and work ethic of the independent hair stylists which may tarnish the reputation of the salon.
- The owner of the salon incurs all maintenance expenses, license fees and statutory taxes.
- The owner does not have information on how much the independent hair stylists make in terms of revenue since the renter does not declare all the money received in tips.
- Diversion of business from the salon to home visits after hours resulting in reduced revenue to the salon owner.

Disadvantages to the renter

- Customers can be diverted by other hair dressers if their original service provider is not around. Poaching of clients from each other is common.
- The chair renter has to incur their own over heads for example, shampoos, hair conditioners and other necessary inputs.
- There is competition for clients among renter. The chair renter carries the risk of losing customers to other chair renters if their service is not to the satisfaction of the customer

Model 3 – Informal within formal structure

Model 3 is a very flat structure. It is very much like model 2. The only difference is that the owner of the salon does not employ any hairstylists or other beauticians. The owner of the salon business is the holder of a license. Just like model 2 the owner provides all the necessary equipment including hair dryers, lockers, mirrors and work benches, wash basins as well as entertainment equipment such as plasma TV and radio for the salon.

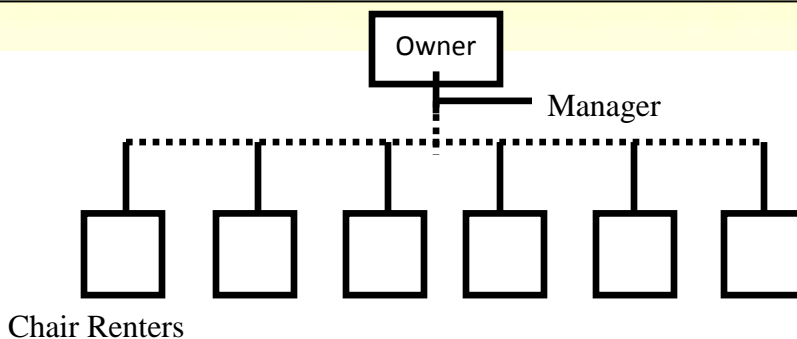


Figure. 3 Informal within formal model

In Model 3 there could be as many as 50 informal business operators (hair dressers, shavers and manicurists) renting a chair, a mirror and work space within the salon complex. Rentals are paid to the owner of the salon on a monthly basis. The hair dresser makes sure that they solicit for customers to give them enough revenue to pay for their rental and remain with enough income for their salary.

Apart from paying rent to the owner of the salon, a hair dresser also has to buy their own towels, shampoos conditioners and any other small equipment needed to perform their service adequately to the satisfaction of their clients.

Hair dressers also have the liberty to employ juniors. Juniors are assistants who are semi-qualified who attach themselves to a qualified hair dresser under an apprenticeship type of arrangement in order to learn the trade and earn a modest income at the same time. Juniors are paid on commission by the senior for doing small jobs like undoing a plaited hair style, shampooing, plaiting initial lines before a weave is woven onto the client, washing towels, drying and conditioning a client's hair before a style. The junior adopts a method of tracking all the work carried out between her and her senior, where her input was needed. Usually, a junior keeps a diary of all jobs and cost them using agreed rates between herself and the senior. A junior's commission is paid either daily or weekly as per agreed terms.

The junior has no relationship with the owner of the salon but reports directly to the senior who rents a chair.

Advantages

- The salon owner has limited running expenses since he/ she does not pay salaries and wages to the hair dressers.
- The salon owner sets the rules on quality and expected standards within the salon
- The rentals from chairs ensures salon rent and profit accrues to the owner

Advantages to the chair renter

- The chair renter is an independent business owner within another business owner who provides protection from risk. The chair renter is protected.
- The chair renter has a chance to interact directly with his/ her clients and to structure his or her services for the satisfaction of the clients and to keep them. This model improves the general quality of service as hair stylists put an effort to keep their clients satisfied.

- The chair renter has no obligation to pay statutory fees like license fees and income tax.
- The model reduces start-up costs for the chair renter.

Disadvantages to the salon owner

- The salon owner has limited control over the quality of service within the salon since it heavily relies on the ability and work ethic of the independent hair stylists.
- The owner of the salon incurs all maintenance expenses, license fees and statutory taxes.
- The salon owner does not have information on how much the independent hair stylists make in terms of revenue since they are not obliged to declare their revenue to the owner or manager.

Disadvantages to the renter

The disadvantages to the renter are the same as in model 2. However an added disadvantage with model 3 structure is that of salon owner apathy and denial. The apathy arises from the fact that the owner is assured of his/her rentals regardless of whether the renter is making a profit or not. The equipment could be malfunctioning but the owner may not be in a hurry to have it repaired or may deny that the equipment needs to be repaired.

Model 4 – Home visits

The home visits are mobile hair and nail salons and are characterized by informal business relationships. Usually the hair stylists who enter this market are well established and have a good client base, have been in the salon rent-a-chair business for a long time enough to have a large contingent of clients who rely on them for their hair styles. The hair stylist visits his or her clients in their homes to do their hair.

Advantages

- The business is completely informal and incurs no statutory fees, rent or license fees
- The hair stylist has a chance to maintain relations between herself and her clients to their satisfaction
- The hair stylists can become a family stylists and hence gets more out of each family visited

Disadvantages

- The hair stylist carries all her overhead expenses and transport costs
- The hair stylists carries all the risk and her or his revenue is adversely affected if he or she loses a customer

Common challenges that face the salon industry

The salon industry, especially hairstyling, is an industry which has very little entry barriers. Although it is a requirement that beauticians and hair stylist and manicurist in particular be professionally trained and certified, skills in manicure and hair styling do not require one to go to school. The skills can be learned through observing others and on the job just as apprentices do. The result is that there is an influx of players in the salon industry and competition for clients and price wars become stiff.

1. Pirating or poaching of each other's clients and chemicals is a common problem especially in situations where many hairdressers share the salon by renting a booth or renting a chair.
2. Sometimes hair dressers' business suffers from apathy from the salon owner especially when the owner is supposed to provide for certain services such as maintenance of equipment.
3. The salon owner may lack the necessary leadership and management skills to run the salon business resulting in disgruntlement among the hairdressers or beauticians.
4. There is no standard code of ethics among salon owners and hairdressers.
5. Staff turnover rate is high because as soon as employees, especially hairdressers become more confident and have built up a good client base they leave to start their own businesses.

These challenges are not unique to Zimbabwe. Studies elsewhere have revealed the same findings (Gonzales, J. 2010)

Conclusion

The salon business in Zimbabwe has gone through organizational and structural changes as the industry grew. After ESAP the salon business like any other SMEs in Zimbabwe was faced with a large influx of skilled and semi-skilled, licensed and unlicensed practitioners as the general public tried to make a living. The various models established by this research show how business in the salon industry is structured, organized and managed in response to the economic and business environmental changes in the country. The responsibilities of the salon owner echo what other researchers have identified (Alexis, 2013 and Drew, 2013). The challenges facing the salon industry are not unique to Zimbabwe.

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