

Fresh coat: Salons are expanding products and services, fueling industry revenue growth

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IBISWorld Industry Report 81211 Hair & Nail Salons in the US

October 2017

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About this Industry

Industry Definition

This industry comprises salons that primarily offer hair and nail care services. In addition to retailing beauty products, these companies may also provide facials and makeup applications. This industry

does not include operators that mainly offer training in barbering or hairstyling, nor does it include electrolysis, permanent makeup application or tanning services.

Main Activities

The primary activities of this industry are

Haircutting

Services to permanently modify hair texture

Hair coloring or tinting

Hairstyling

Manicure services

Pedicure services

Temporary makeup services

Facials and skin care services

The major products and services in this industry are

Hair coloring and tinting services

Haircut and styling services

Merchandise sales

Nail care services

Skin care services

Other beauty care services

Other hair care services

Similar Industries

61151 Trade & Technical Schools in the US

This industry offers training in barbering, hairstyling and cosmetic arts.

62111b Specialist Doctors in the US

Dermatologists and plastic surgeons in this industry provide medical skin care services.

81219a Weight Loss Services in the US

This industry provides weight-loss services.

81219b Hair Loss Treatment & Removal in the US

This industry provides hair-loss treatment and removal services.

81219c Tanning Salons in the US

This industry provides skin-tanning services using spray-on tans or UV lamps.

About this Industry

Additional Resources

For additional information on this industry

www.americanskin.org

American Skin Association

.....
www.mycosmetology.org

Association of Cosmetology Salon Professionals

.....
www.probeauty.org

Professional Beauty Association

IBISWorld writes over 1 000 US industry reports, which are updated up to four times a year. To see all reports, go to www.ibisworld.com

Industry at a Glance

Hair & Nail Salons in 2017

Key Statistics Snapshot

Revenue

\$55.9bn

Annual Growth 12-17

2.5%

Annual Growth 17-22

2.1%

Profit

\$4.6bn

Wages

\$24.9bn

Businesses

1,286,220

Market Share

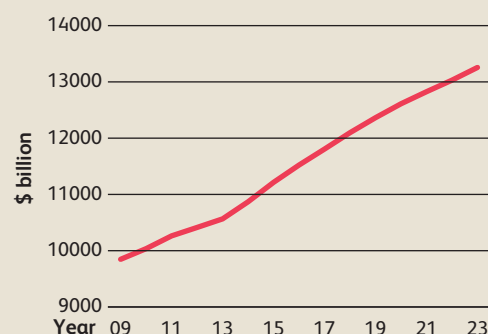
There are no major players in this industry

p. 25

Revenue vs. employment growth



Consumer spending



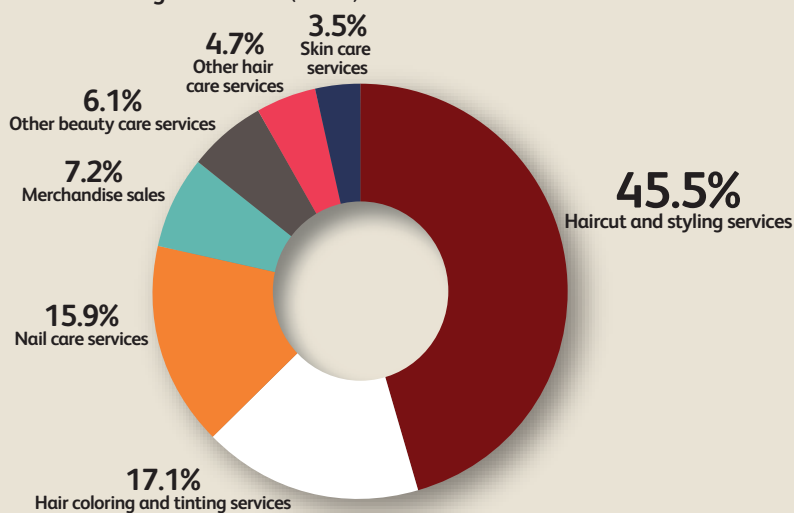
SOURCE: WWW.IBISWORLD.COM

Key External Drivers

Consumer spending
Per capita disposable income
Number of adults aged 20 to 64
Business sentiment index
Number of households

p. 5

Products and services segmentation (2017)



SOURCE: WWW.IBISWORLD.COM

Industry Structure

Life Cycle Stage	Mature	Regulation Level	Medium
Revenue Volatility	Low	Technology Change	Low
Capital Intensity	Low	Barriers to Entry	Low
Industry Assistance	None	Industry Globalization	Low
Concentration Level	Low	Competition Level	High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 31

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive Summary

The Hair and Nail Salons industry comprises salons that offer haircuts, facials, makeup application services, hair modification treatments (e.g. perms and straightening procedures) and deluxe spa manicures and pedicures. Demand for such services expanded over the past five years amid economic growth that boosted discretionary consumer spending on personal-care products and services. Moreover, new products and services favorably impacted industry revenue. Overall, revenue is expected to increase

a convenient and low-cost marketing strategy for many stylists and technicians to garner new clientele. Higher service prices and increased consumer spending on high-margin merchandise and services also fueled revenue growth.

Demand for industry services is expected to continue rising over the five years to 2022 thanks to improving disposable income, and industry revenue is projected to rise at an annualized rate of 2.1% to \$62.0 billion. Declining unemployment during the coming five-year period is expected to drive consumer spending and boost demand for price-premium personal-care services. Moreover, equipped with larger budgets, consumers will likely favor professional salon products and services, such as hair-coloring services, over inexpensive alternatives sold at drugstores and supermarkets. Environmental sustainability concerns are expected to become more prevalent over the next five years, leading salons to offer a wider array of ecofriendly products that appeal to trending consumer preferences. Specifically, nontoxic products will prove beneficial to industry revenue, as well as to staff and patrons. This growing niche will likely drive hair salon revenue over the coming years.

Companies continue to enter the industry, attracted to its stable consumer base and low barriers to entry

at an annualized rate of 2.5% to \$55.9 billion over the five years to 2017, including an increase of 1.7% in 2017.

Companies have continued to enter the industry, attracted by stable profit margins and low barriers to entry. As a result, over the five years to 2017, the number of industry enterprises is anticipated to increase at an annualized rate of 2.6% to 1.3 million. Nonemployers entering the industry have similarly spurred growth, while online platforms, such as Instagram and Facebook, provide

Key External Drivers

Consumer spending

The industry's performance depends on active consumer spending. With more disposable income, consumers are more likely to purchase personal-care products and services, such as those offered in this industry. Consumer spending is expected to increase in 2017.

Per capita disposable income

Industry revenue is positively correlated with trends in per capita disposable income. When per capita disposable

income rises, consumers have more money to spend on discretionary services such as haircuts, hair treatments, hair coloring, manicures and pedicures. Per capita disposable income is expected to rise in 2017.

Number of adults aged 20 to 64

Adults between the ages of 20 and 64 are the largest source of demand for industry services, given their higher levels of disposable income. An expansion in the size and income of this group will

Industry Performance

Key External Drivers continued

typically boost industry revenue. The number of adults aged 20 to 64 is expected to increase slightly in 2017.

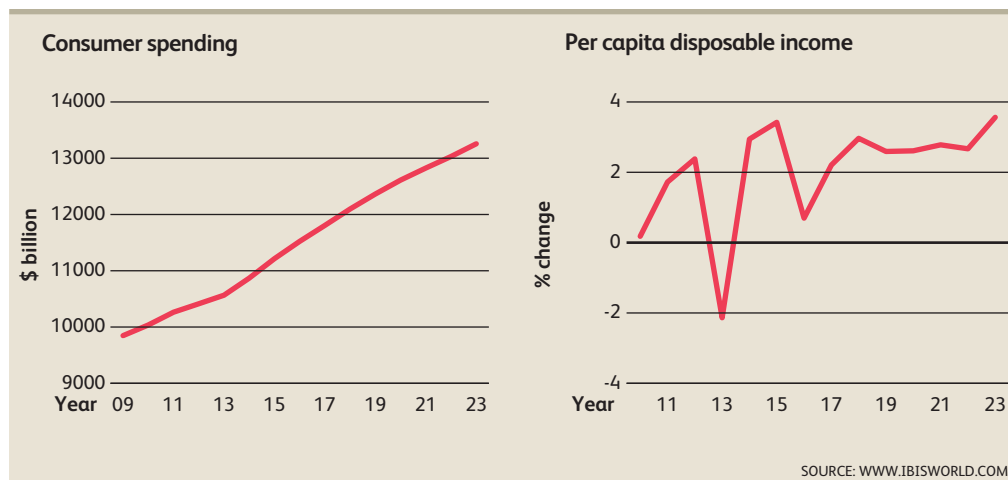
Business sentiment index

The business sentiment index is highly correlated with the performance of the US business sector. A declining business sentiment index indicates that prospective industry operators will be less inclined to open a new business, causing industry revenue to decline. The business sentiment index is expected to

rise in 2017; however, its recent moderate volatility poses a potential threat to the industry.

Number of households

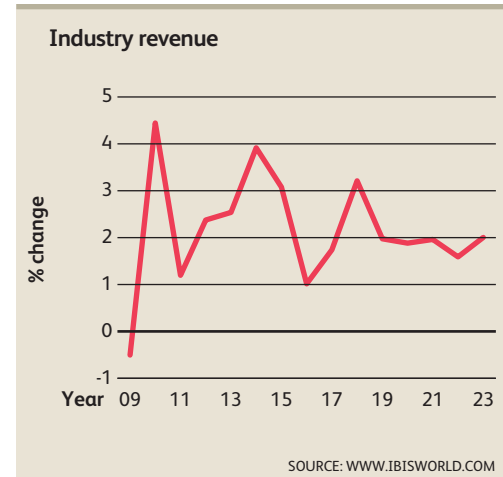
This industry is highly saturated and, as a result, the industry's potential market relies on rising population levels to spur growth. An increasing number of households indicates a growing population. The number of households is expected to grow in 2017, representing a potential opportunity for the industry.



Industry Performance

Current Performance

Over the five years to 2017, operators in the Hair and Nail Salons industry began to offer an expanded array of products and services to boost revenue and capitalize on increasing consumer discretionary income levels. As a result, revenue is expected to grow at an annualized rate of 2.5% to \$55.9 billion over the five years to 2017. Demand for hair and nail salon services is growing due to healthy macroeconomic conditions, paving the way for service-price increases. Moreover, as the unemployment rate has declined during the five-year period, consumer spending has increased for discretionary services, such as those provided by industry operators. Improved demand conditions are anticipated to



continue in 2017, with revenue expected to rise 1.7% this year thanks to growing per capita disposable income.

Increasing profit

Profit margins have remained strong over the past five years, primarily due to increased products and services, as well as rising consumer spending on high-margin products and services. Moreover, many stylists and nonemployers are leveraging online platforms, such as Instagram and Facebook, to reach customers directly, thereby increasing exposure and expanding their customer bases.

Revenue growth is also attributable to strong company expansion over the past five years, with the number of industry establishments expected to

have increased at an annualized rate of 2.4% to 1.3 million. Likewise, employment is anticipated to increase at an annualized rate of 1.9% to 1.7 million people. However, the average wage has barely increased for certain industry services during the five-year period, heightening concern over poor labor conditions. A highly-publicized piece in *The New York Times* exposed the poor conditions of many industry workers and spurred nationwide public outrage. Consumers are anticipated to increasingly opt for salons that offer fair wages to their employees.

New offerings

Salons have expanded their service offerings to encourage consumers to purchase higher-value products and services. For example, many nail salons have begun offering matte polish or matte topcoats. This polish provides an edgy, nonglossy look that has gained popularity among consumers. Gel services have also been a high-growth

segment for the industry and include brush-on gels, soak-off gels, hard and traditional gels, colored gels and gel topcoats. According to *Nails Magazine's* 2015-16 industry statistics, colored gels averaged \$49.22 per set in 2015, compared with the considerably less expensive \$20.20 for a traditional manicure. These higher price points have

Industry Performance

New offerings continued

enabled salons to generate greater revenue per client and bolster sales. Nail salons have also implemented membership clubs to cultivate customer loyalty, charging members a flat annual fee for discounts, sales and priority bookings. This strategy has helped ensure a steadier revenue stream for nail salon services in particular.

Product innovation and new trends for hair have also expanded the realm of hair-care services. For example, salons that exclusively offer blow-dry services, known as “blow-dry bars,” have become increasingly prevalent over the past five years. Blow-dry bars were introduced within the past decade and have experienced significant success as an affordable indulgence for consumers. Typically, sessions average \$35.00, and

clients come in once or twice per week to have their hair professionally styled in a modern twist on the traditional beauty parlor. Another hairstyling service that has generated consumer interest is a keratin treatment commonly known as the Brazilian Blowout. The hair texture modifier eliminates frizz, curls or waves from hair, increases shine and locks in color. Recently, however, the treatment has been a source of debate since the Oregon Occupational Safety and Health Administration found that a product used in the treatment contains 53 times the recommended amount of formaldehyde. Because formaldehyde is a known carcinogen, the highest permitted amount is 0.2%. The agency’s findings have consequently sparked strong debate within the industry.

Industry regulations

As businesses and consumers become more concerned with environmental safety, hair and nail salons have begun carrying more ecofriendly and nontoxic products. Moreover, cosmetic companies are continuing to remove harmful chemicals from many nail salon products. OPI, one of the largest nail-product providers, has begun removing dibutyl phthalate, toluene and formaldehyde from its products. These removals were due to discoveries that dibutyl phthalate has been linked to birth defects; additionally, toluene can cause headaches, dizziness and nausea, and formaldehyde is a known carcinogen that can lead to asthma. Most nail polish manufacturers still use these chemicals to

Hair and nail salons have begun carrying more ecofriendly and nontoxic products

produce nail polish; however, these toxins are expected to become less common in the future due to pressure from consumer and environmental advocacy groups. Although the cost of opening environmentally friendly salons is typically greater, citywide ordinances are reducing exposure to harmful chemicals that are present in nail polish and polish remover.

Industry Performance

Industry Outlook

IBISWorld projects that revenue for the Hair and Nail Salons industry will continue to steadily grow over the five years to 2022, increasing at an annualized rate of 2.1% to \$62.0 billion. Industry revenue is expected to benefit from increasing per capita disposable income and declining unemployment. As consumers' incomes expand, they will likely indulge in services beyond simple haircuts, such as hair coloring or tinting

services. According to *The Atlantic*, an estimated 70.0% of women in the United States use hair coloring products. In addition, growth of service offerings in higher-value industry segments, including deluxe spa manicures and pedicures, facials, hair modification treatments (e.g. perms, keratin treatments and permanent hair straightening) and others, will continue to drive industry revenue.

Sustained expansion

As more Americans find employment during the outlook period, consumer spending is expected to grow at an annualized rate of 2.0%. With greater discretionary income, consumers can indulge more often in higher-value hair and nail services, boosting the average revenue generated per client. Average industry profit is expected to remain strong, enabling more companies to enter the industry. As a result, the number of industry enterprises is expected to increase at an annualized rate of 3.6% to 1.5 million over the five years to 2022.

According to the Professional Beauty Association, industry employment is expected to rise in tandem with expanding business operations. Moreover, the large number of students graduating from cosmetology school is expected to further bolster the outlook for employment. Over the next five years,

As more Americans find employment during the period, consumer spending is expected to grow

the number of industry workers is expected to increase at an annualized rate of 2.6% to an estimated 1.9 million employees. According to information from the Bureau of Labor Statistics, employment for hairdressers, hairstylists and cosmetologists is projected to experience the fastest growth, while employment growth for barbers and shampooers will lag below the industry average. In particular, hairstylists are expected to increasingly perform shampooing services as part of their service offerings, reducing the hiring of shampooers over the next 10 years.

Future trends

One of the latest industry trends concerns natural and organic hair products and services. A growing number of consumers are shifting toward these products out of concern for toxic chemicals, as well as sustainability and other environmental concerns. This expanding niche market is expected to have a beneficial effect on industry

revenue, as natural hair dyes and hair care products tend to carry higher price points than standard products.

Comparatively, nail salons are expected to continue enhancing their polish products, namely by increasing the longevity of manicures and pedicures. Capitalizing on the popularity of gel polish, salons are expanding their

Industry Performance

Future trends continued

offerings to include mood-changing gels, magnetic polish and gels, real lacquer strips, holographic color, caviar nails and nail appliques. Consumers are even able to purchase polish made with black diamonds for a premium price.

Antiaging remedies and treatments are also spurring change in the industry. As a result, salons have expanded their

antiaging services to include a greater variety of facials, facial peels, microdermabrasion and ultrasonic technology to appeal to a wider array of clientele. With disposable income on the rise, consumers will once again have the financial confidence to indulge in these higher-cost services, resulting in increased profitability for industry operators.

Industry landscape

Although prices have been increasing for basic industry services, such as haircuts and manicures, the convenience, reliability and efficiency of the salon is difficult to replace. Additionally, with the range of aesthetic services constantly expanding, industry revenue is expected to increase as people invest more in trending semipermanent makeup services, such as brow tinting.

Industry revenue is expected to increase as people invest more in trending services

Strong consumer spending over the next five years is also expected to boost demand for salon services.

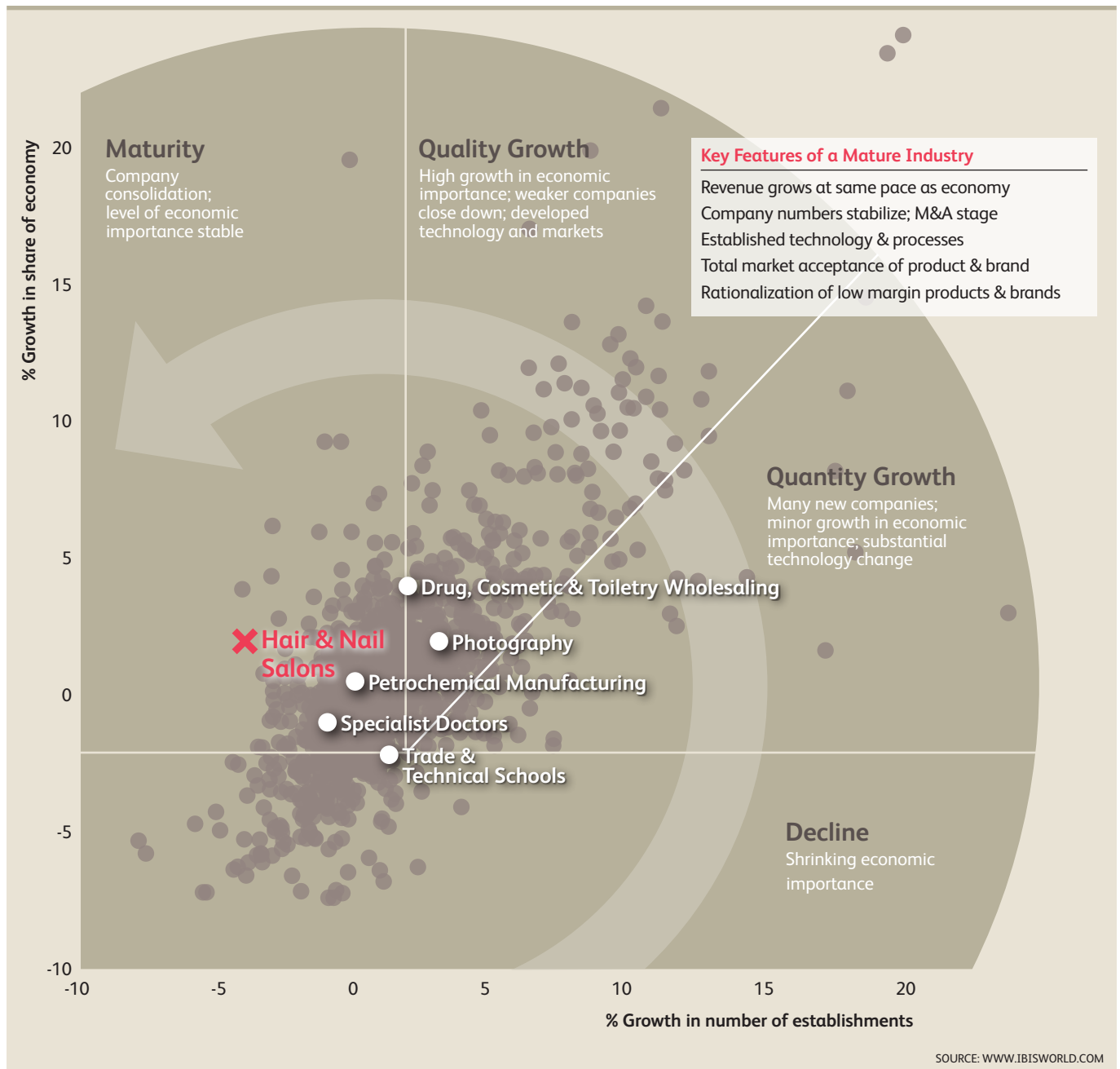
Industry Performance

Life Cycle Stage

The industry's market is saturated

Product innovation is steady

Industry IVA is growing roughly in line with the economy



Industry Performance

Industry Life Cycle

This industry
is **Mature**

The industry is in the mature phase of its economic life cycle. Industry value added, or the industry's contribution to the overall economy, is forecast to grow at an annualized rate of 2.8% over the 10 years to 2022. By comparison, the nation's GDP is projected to grow at an annualized rate of 2.0% during the same period. IVA growth in line with the economy as a whole is highly indicative of the industry's mature life cycle stage. Moreover, the Hair and Nail Salons industry's market has remained saturated for decades.

Product innovation has continued at a fairly steady rate over the five years to

2017. Nail salons have increasingly begun to provide gel nail services and matte nail polishes that are perceived as edgier alternatives to traditional polish, and have benefited from new trends for acrylic manicures. Hair salons are also offering the keratin treatment, which allows consumers with frizzy, curly or wavy hair to smoothen out and moisturize their hair. Furthermore, salons have expanded their range of offered facial products and services, such as eyelash tinting and other makeup application services that were not common during the previous five-year period.

Products & Markets

Supply Chain | Products & Services | Demand Determinants
Major Markets | International Trade | Business Locations

Supply Chain

KEY BUYING INDUSTRIES

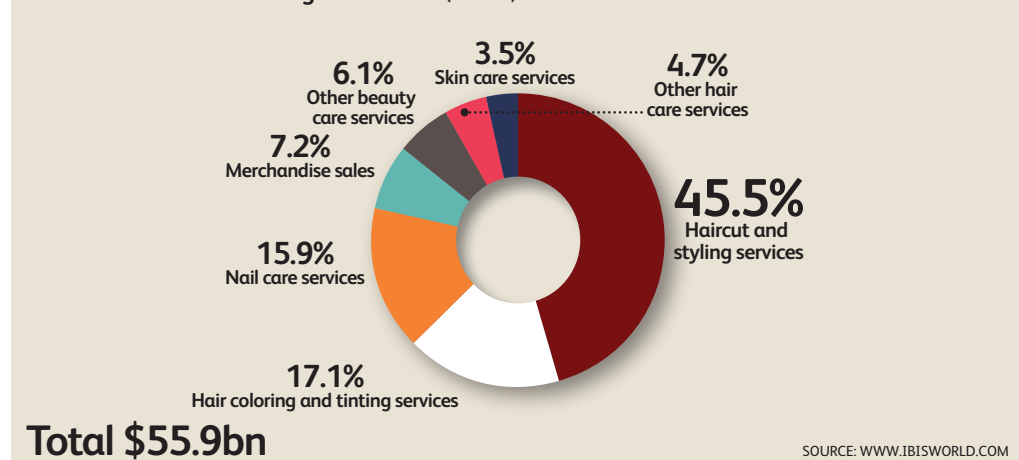
51	Information in the US Various media producers hire hair and nail stylists to prepare actors, models and clients for films, shows, press talks and other related events.
54192	Photography in the US Many photographers hire hair and nail stylists to prepare models and clients for shoots.
9901	Consumers in the US Private households account for nearly all of the demand for services provided by this industry.
NN006	Wedding Services in the US Wedding parties often use hair and nail salons to prepare for weddings and wedding related events.

KEY SELLING INDUSTRIES

32511	Petrochemical Manufacturing in the US This industry produces propylene that is used in cosmetics for direct use and sale in salons.
42421	Drug, Cosmetic & Toiletry Wholesaling in the US This industry sells a wide range of cosmetics, hair and toiletry products to hair and nail salons.
44612	Beauty, Cosmetics & Fragrance Stores in the US This industry provides specialty hair care products for direct use and sale in salons.
53112	Commercial Leasing in the US This industry leases shop space to hair and nail salons.
81232	Dry Cleaners in the US This industry launders gowns, towels and other linens used in salons.

Products & Services

Products and services segmentation (2017)



Haircut and styling services

Haircut and styling services account for the majority of industry revenue, or 45.5% of the total. This segment includes cutting, trimming, layering, styling and

reducing hair length for all genders and age groups. It also includes trimming beards and mustaches, which is traditionally done by a barber. Shampooing, blow-drying and styling is

Products & Markets

Products & Services continued

included in this segment, as well as hair styling services for special occasions, such as weddings or high school proms. Over the past five years, the share of revenue from this service segment remained relatively unchanged. Consumers view haircuts as a routine, necessary service; therefore, demand for this segment is not subjective to fluctuations in the economy, distinguishing it from other product segments.

Hair coloring and tinting services

Hair coloring and tinting is the second-largest service that the industry provides. The segment contributes 17.1% of industry revenue. This service involves applying a coloring agent or tint to change a customer's hair color temporarily, permanently, demi-permanently or semi-permanently. Temporary hair color is typically brighter than semi-permanent or permanent hair coloring. The segment also includes shampooing, blow-drying and styling that is bundled as part of the hair coloring service. During the recession, more consumers began buying at-home hair coloring and tinting treatments, resulting in declining demand for professional hair coloring services. Revenue from hair coloring services recovered during the five-year period, however, partly due to increased demand for professional coloring services from the aging baby-boomer generation (those born between 1946 and 1964), as well as rising disposable income.

Other hair care services

Other hair care services that are provided by the industry include permanent hair and texture modification services. Permanent hair texture modification includes applying chemicals, heat or liquids to permanently straighten, curl or relax hair. Examples include the Brazilian blowout and keratin treatments, which

are hair smoothing treatments used to straighten hair, remove frizz, add shine, decrease blow dry time and seal in color. Demand for other hair care services has grown over the past five years thanks to rising disposable income and increased consumer spending on personal care services. This segment accounts for 4.7% of industry revenue.

Nail care services

Nail care services include manicures, pedicures and other nails services, such as nail extensions, polishing and nail artwork. Revenue from this segment is estimated to account for 15.9% of industry revenue. Manicure and pedicure services include cutting and shaping the nails, trimming cuticles and applying polish to the nails. An estimated 30.0% of nail salon services are offered within larger salons that perform multiple hair care and skin care service offerings. Over the past five years, revenue from nail care services has expanded its share of revenue. Revenue growth can be attributed to a variety of new product offerings at salons. In particular, shellac gel services experienced high growth during the five-year period.

Merchandise sales

Merchandise sales account for an estimated 7.2% of industry revenue. Salons typically offer hair and nail products that are sold through distributors. These high-margin items include professional products typically not offered in drugstores or other retail outlets. Consumers switch between salon products and less costly products sold in drugstores or supermarkets depending on their level of discretionary income. Over the past five years, merchandise sales as a share of total revenue has remained steady.

Skin care services

Skin care services compose an estimated 3.5% of total industry revenue. Services

Products & Markets

Products & Services continued

offered in this segment include temporary makeup services, facial services, masks, body wraps and other services. Salons offer temporary makeup for clients before weddings, dances and other special events. Facials involve cleansing, massaging and applying cosmetic creams to the face for improved skin complexion. This service excludes medical facial care services that dermatologists provide. Beauty salons also offer masks and wraps that include

herbal or nutritional ingredients to improve the appearance of the face or the body. Additionally, beauty salons offer dermabrasion, chemical peels and treatments, as well as skin resurfacing that uses lasers, ultrasound or other technologies. Sales from this segment have declined during the five-year period, with rising disposable income encouraging consumers to visit high-end spas outside the scope of this industry for such needs.

Demand Determinants

While many consumers view hair maintenance as a routine and necessary expenditure, other industry services are sensitive to changes in per capita disposable income and the unemployment rate. The recession and subsequent recovery period resulted in higher than average unemployment, thereby reducing discretionary spending on personal services among consumers. With reduced incomes, consumers have been more likely to delay getting haircuts, resulting in fewer overall visits to hair and nail salons during the recession. Furthermore, during times of economic downturn, consumers may turn to home treatments as less costly alternatives. Some individuals opt for hair-coloring kits sold in supermarkets, while some families choose to cut their children's hair rather than going to salons. During

the recovery period, spending at hair and nail salons has slowly recovered, driven by rising per capita disposable income and declining unemployment.

Though difficult to quantify, fashion trends also affect demand for hair and nail services. For instance, if longer hair becomes more fashionable, consumers may reduce their salon visits. Conversely, if straight or curly hair becomes more fashionable, the demand for permanent hair texture modification increases at beauty salons. In particular, segments of the male population have become increasingly image-conscious in recent years. This trend has been partly aided by increased media exposure, including male-specific lifestyle magazines (e.g. *GQ* and *Men's Health*), and results in increased demand for salon services.

Major Markets

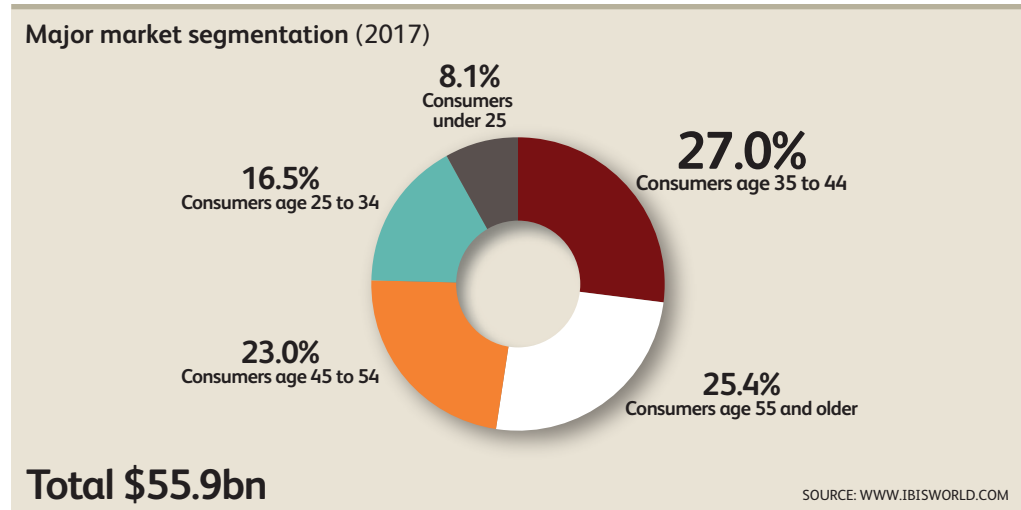
Consumers aged 25 to 34 and consumers under 25

Consumers between the ages of 25 to 34 represent an estimated 16.5% of the market. Because consumers within this age group are beginning to enter the workforce, their discretionary income level is lower than other age groups. Therefore, they are less likely to purchase expensive salon items.

Consumers within this age group still make up a significant source of demand for personal care services, but they will more likely purchase basic hair and nail services. Consumers under the age of 25 are anticipated to account for a relatively low 8.1% of revenue for hair and nail salons. Part of the reason for their lower share of the market is that consumers within this age bracket are more likely to

Products & Markets

Major Markets continued



purchase basic hair and nail services, as this age group typically has less discretionary income.

Consumers aged 35 to 44

Consumers between the ages of 35 and 44 years old make up the largest market for salons. On average, consumers in this group spend \$96.00 more on personal care items than the average US consumer. Consumers in this group typically have established income streams, allowing them to make more discretionary purchases than other age brackets. In particular, women in this age category purchase regular haircuts and are more likely to perform hair coloring on a regular basis. IBISWorld estimates that consumers within the 35 to 44 age bracket account for 27.0% of industry revenue. Women consistently make up a greater percentage of sales at hair salons, partly because they are more likely to purchase higher value-added services such as perms or straightening. Furthermore, women make up the majority of customers for nail salons, comprising 97.0% of all clients, according to the 2015-2016 Nails Magazine report.

Consumers aged 45 to 54

Another major market includes consumers between the ages of 45 and 54 years old. This age bracket accounts for an estimated 23.0% of industry revenue. Clients within this age bracket typically have established forms of income and purchase higher-value added services, expanding as a share of revenue thanks to the improving economy. Moreover, many consumers begin to use coloring services on a frequent basis for graying hair within this age segment.

Consumers aged 55 and older

Consumers who are 55 years old and older account for an expected 25.4% of the industry's revenue. Within this age bracket, hair care services make up a much higher percentage of sales, as compared with nail care services. Consumers are more likely to purchase basic hair services such as haircuts and hair coloring, as opposed to more costly hair styling treatments. Therefore, the average sale per customer is lower within this market. Nonetheless, many elderly citizens with reduced mobility or arthritis opt to have their hair washed and styled weekly as a matter of convenience.

Products & Markets

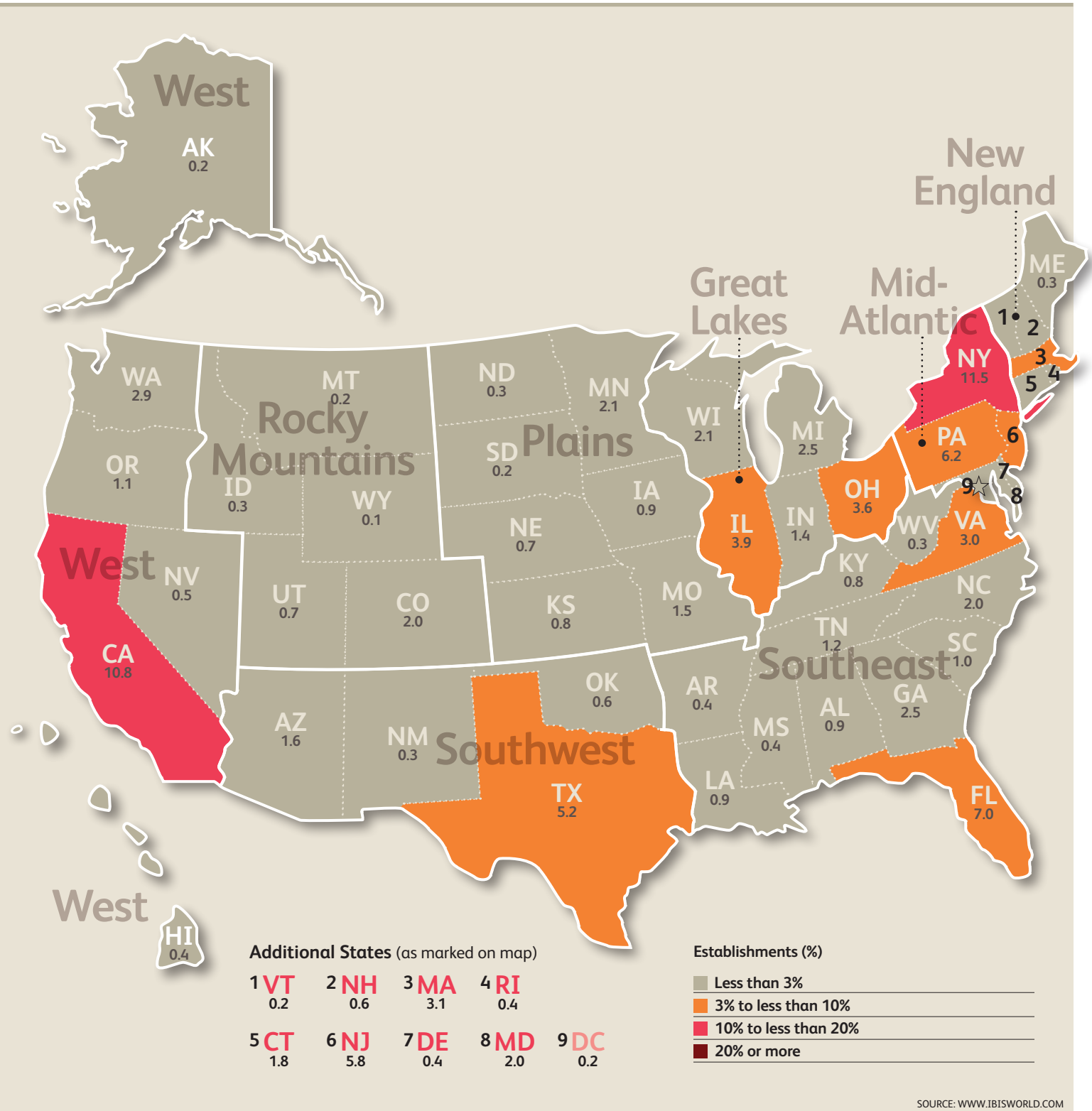
International Trade

Due to the service-based nature, hair and nail salons operate only within the domestic market. Some operators,

particularly chains like Regis Corp., have international operations. See the Industry Globalization section for more information.

Products & Markets

Business Locations 2017



SOURCE: WWW.IBISWORLD.COM

Products & Markets

Business Locations

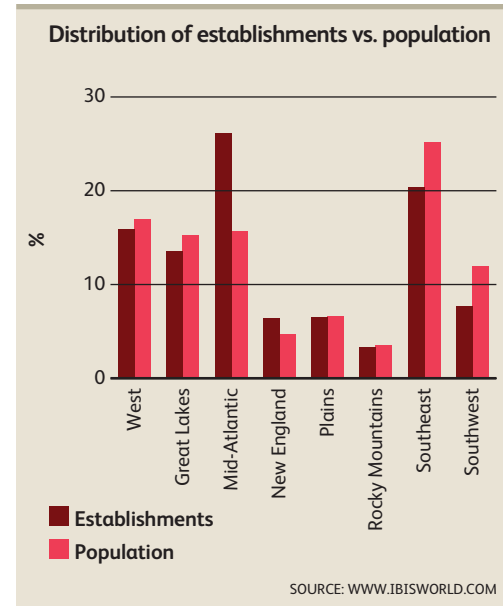
The Mid-Atlantic, Southeast, West and Great Lakes regions have the greatest concentration of industry establishments. The distribution of hair and nail salons is mainly based on population levels, as hair and nail salons are more common in large metropolitan centers within these regions.

Mid-Atlantic

The Mid-Atlantic has the greatest share of industry establishments, estimated at 26.2% of the nation's total. However, the region is home to only 15.3% of the US population. The states with the highest concentration of establishments include New York, Pennsylvania and New Jersey, which hold 11.5%, 6.2% and 5.8% of the total, respectively. New York, in particular, has experienced strong growth in the number of salons. Companies locate salons near these major metropolitan centers because of the large consumer markets in the area. Companies typically choose to locate in high-traffic locations, near shopping malls, strip centers and department stores. Furthermore, the Mid-Atlantic region has a slightly higher-than-average per capita income level, making it more attractive to businesses. The region's share of establishments has increased over the past five years.

Southeast

The Southeast comes in second with 20.4% of hair and nail salons. The region is home to 25.6% of the US population, and the distribution of salons closely mirrors this concentration. Florida has one of the highest concentrations of industry establishments, with 7.0% of the nation's total. Population density in the Southeast has been growing over the past decade, making the Southeast region makes it an attractive destination for industry establishments. The proportion of salons in the region has remained about the same over the past five years.



West

The West has the third highest share of hair and nail salons in the nation. The region holds an estimated 15.9% of establishments and 17.2% of the country's population. Establishments in the West are dominated by California, which has the second-highest percentage of hair and nail salons in the country, estimated at 10.8% of the total. California is an attractive destination due to its large consumer markets in Los Angeles, San Francisco and San Diego. Furthermore, the West has higher per capita income compared with the rest of the nation, meaning consumers have greater income to spend on discretionary services such as nail care and specialty hair treatments. The region's share of establishments has grown slightly over the past five years.

Great Lakes

The Great Lakes region houses 13.5% of salons. The Great Lakes region, with its large urban centers, holds 14.6% of the nation's population. The region's share of establishments fell over the past five years; the main reason for the

Products & Markets

Business Locations continued

decline is lower population growth within the region, making the Great Lakes a less popular destination for hair and nail salons.

Other smaller participating regions include the Southwest at 7.7%, the Plains

at 6.5%, New England at 6.4% and the Rocky Mountains at 3.3%. These regions are less attractive due to their lower population density levels. The regions' shares of establishments have declined or stayed constant over the past five years.

Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalization

Market Share Concentration

Level
Concentration in
this industry is **Low**

The Hair and Nail Salons industry is highly fragmented; a significant majority of industry operators are nonemployers, or small business owners running their own salons. Less than 10.0% of industry market share is controlled by major companies. In fact, the industry is dominated by nonemployers, which are estimated to make up over 90.0% of companies in the industry. This includes hair stylists and nail technicians that are

sole proprietors and rent their booths from hair and nail salons. Nonemployers collectively generate just over half of the industry's revenue. The market leader, Regis Corp., controls a minor 3.3% of the market. In addition, barriers to entry are extremely low for the industry, further contributing to a high level of fragmentation and making it difficult for one company to serve a large portion of the entire market.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Business expertise of operators

It is critical to have experience and skills in managing and operating all aspects of a small business to achieve financial success.

Having a loyal customer base

A highly satisfied client base will encourage repeat customers, who make up the majority of clients.

Access to niche markets

Operators that develop niche areas of service and expertise reduce the effects of local price-based competition.

Maintenance of excellent customer relations

Operators that strive for positive customer relations will promote customer satisfaction and encourage positive word-of-mouth recommendations.

Must have license

Employees must possess the appropriate licenses to operate.

Accessibility to consumers

A salon in a convenient and easily accessible location may benefit from walk-in patrons and repeat business.

Cost Structure Benchmarks

Profit

The Hair and Nail Salons industry exhibits similar levels of profitability as other personal service industries. In 2017, profit margins, measured as earnings before interest and taxes, will account for estimated 8.2% of industry revenue, down slightly from 8.0% in 2012. Profit margins are primarily driven by sales of merchandise items and price-premium services. During the five-year period, profitability remained relatively stable, owing to a favorable domestic economy.

Wages

Wages account for the largest industry expense, given its emphasis on personal

service and skilled labor. Salons employ barbers, hair stylists, cosmetologists, nail technicians, shampooers and other administrative staff. Wages are estimated to account for 44.6% of industry revenue. Salons can either compensate employees on a commission-based model or a booth rental model. Under commission-based models, employees retain a specified percentage of their earnings with commissions generally ranging from 35.0% to 60.0%. Under a booth-rental model, salon owners charge stylists a fixed fee for booth rentals.

Purchases

Purchases represent a considerable expense for industry operators.

Competitive Landscape

Cost Structure Benchmarks continued

IBISWorld estimates that purchases account for 13.9% of expenses. Salons regularly purchase merchandise such as shampoo, conditioners, styling products, nail polish, acrylics, nail polish remover, combs, brushes and other products.

Salons mainly purchase styling products directly from professional distributors, though recently nail salons have switched to purchasing directly from manufacturers. Purchase costs have remained relatively stable over the past five years.

Rent and utilities

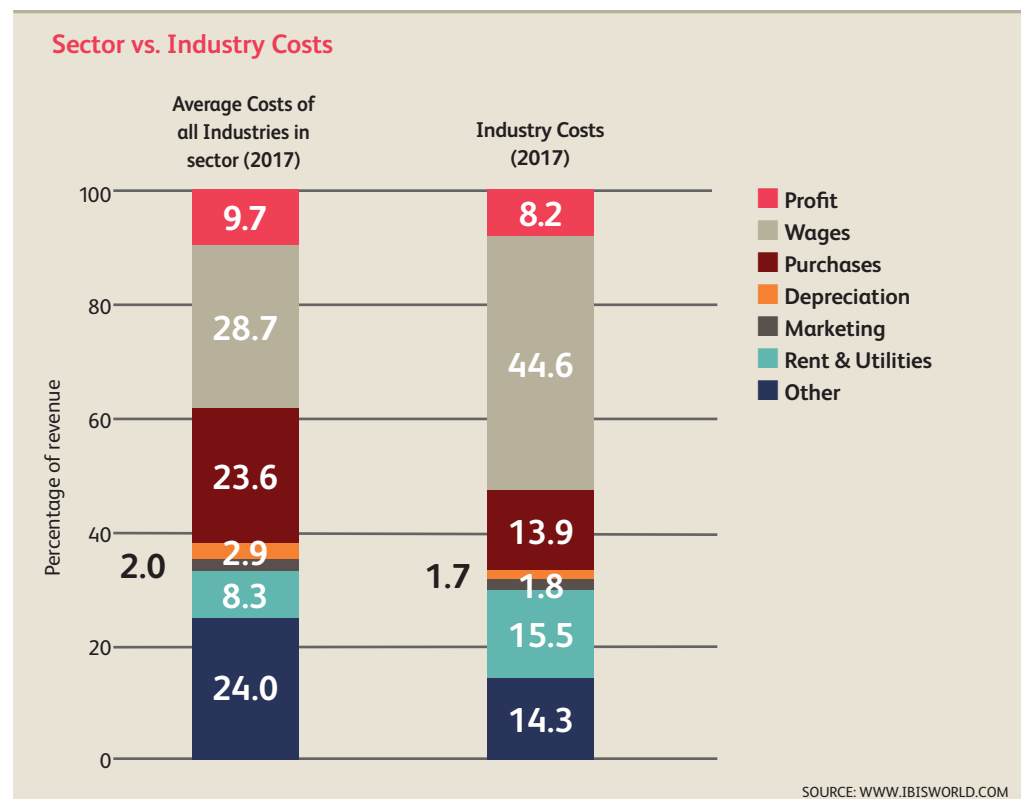
Rental and utility expenses are relatively high for hair and nail salons due to demand for price-premium rental space, accounting for an estimated 15.5% of industry revenue. Rental expenses can vary significantly, depending on the location of the salon, as well as the level of urbanization. The

majority of salons average 1,000 square feet and tend to be located in high-traffic locations such as shopping malls or city centers. Utility expenses include electricity, gas and water.

Other

Depreciation expenses account for an estimated 1.7% of industry revenue. Depreciable assets include buildings, styling, dryer and shampoo chairs, as well as shampoo bowls, mats, straighteners, hair curlers and other styling products that require replacement over time. In addition, beauty salons also may have massage tables, facial steamers and ultrasonic equipment. Nail salons also invest in manicure and pedicure tables, drying and setting equipment.

Other expenses include selling and administrative, insurance policies, client consultation fees, education, marketing and maintenance, among



Competitive Landscape

Cost Structure Benchmarks continued

others. Marketing expenses average 1.8% of revenue, however, such expenditures can vary widely. The majority of salons advertise through social media pages, such as Instagram

or Facebook, online directories, online yellow pages, local magazines and direct mail. Word of mouth recommendations, however, remain a primary driver for business.

Basis of Competition

Level & Trend
Competition in this industry is **High** and the trend is **Increasing**

Competition within the industry is high, with a majority of companies competing on a local scale. Competition is particularly intense in the Mid-Atlantic region, as the region holds just over a quarter of the nation's salons, which far exceeds its share of the population. When new companies enter the industry, competition among existing operators increases.

Internal competition

Competition with other salons is based on price, service quality, location and customer loyalty. During the recession, customers had less disposable income to spend on haircuts and nail care, which intensified price-based competition. More companies offered special discounts and promotions to customers to sell their higher-value services. Since the economy recovered, however, the emphasis on price-based competition waned slightly, prompting a greater focus on expanded service range, including day spa services such as massages, facials and waxing services.

Quality of service is an extremely important component in increasing foot traffic; generating repeat clients and favorable feedback through word-of-mouth and online reviews is key to developing a steady revenue base. Salons provide quality service by offering a variety of hair and nail products that clients can choose from, as well as being up-to-date on current trends.

Clients develop strong company loyalties; therefore, aggressive

marketing by industry operators is key to generating sales. Particularly, salons that offer a wide range of services such as manicures, pedicures, facials, waxing, massages, haircuts and styling maintain an edge over their competitors. Customers will likely purchase a variety of services when they are offered in the same location.

A company's location is another basis of competition. Companies located near high-traffic or urbanized areas will likely generate a higher number of walk-in clients. This factor is particularly important for nail salons, which have a higher number of walk-in clients compared with hair salons. Salons that are located near shopping malls, department stores and downtown locations also retain a competitive advantage. Companies that operate under franchises may also benefit from increased brand recognition of the parent company.

External competition

Aside from competing with other salons, industry operators also compete with at-home treatments. During the recession and recovery period, for example, more consumers were likely to color their hair at home or perform their own manicures and pedicures rather than go to a salon. Additionally, to reduce expenses when necessary, parents may elect to cut their children's hair themselves or enlist a friend cut their hair.

Competitive Landscape

Barriers to Entry

Level & Trend
Barriers to Entry
in this industry are
Low and Steady

The Hair and Nail Salons industry has low barriers to entry. The industry is in the mature stage of its economic life cycle; however, new companies continue to enter due to changing consumer demand and fashion trends that drive demand for higher-value spa treatments and new hair and nail products. Competition within the industry is high and increasing, given the significant number of operators and highly-fragmented market share.

Start-up costs vary depending on the scale of operations. New businesses need to secure a rental space and styling, dryer and shampoo chairs. Additionally, hair salons need to invest in salon mats, straighteners and curlers; they may also require specialized facial equipment such as facial steamers if they offer additional day spa services. Nail salons need to invest in manicure tables, chairs, pedicure spas and nail dryers. The average initial capital investment ranges from zero to about \$32,000, with inventory costs of about \$14,000. Costs can vary by type of salon, number of chairs, necessary equipment and services offered. Labor is another important requirement for entering the industry. While the number and types of employees may vary, typical employees for salons include barbers, stylists, cosmetologists, nail technicians,

Barriers to Entry checklist

Competition	High
Concentration	Low
Life Cycle Stage	Mature
Capital Intensity	Low
Technology Change	Low
Regulation & Policy	Medium
Industry Assistance	None

SOURCE: WWW.IBISWORLD.COM

shampooers, estheticians and management and administrative employees. Since stylists and nail technicians must be licensed to work in salons, labor restrictions are also a barrier to entry.

Once the new business enters the industry, barriers to success are much higher. Considering the high level of competition, new operators have to devote substantial time to securing new customers and developing their client base. To be successful, new businesses must take advantage of location benefits. Companies will want to establish salons near high-traffic locations to maximize the number of walk-in clients. Stores are typically located near shopping malls, department stores and high-traffic street locations. The availability of parking and the number of competitors in the area are also important factors for success.

Industry Globalization

Level & Trend
Globalization in
this industry is
**Low and the trend
is Increasing**

The majority of industry operators are US owned, providing services to the domestic market. Some major companies do have international operations. Regis Corp., the largest industry player, has

operations or ownership interests the United Kingdom, Canada and Puerto Rico. It is worth noting, however, that Regis garners the vast majority of its revenue from its domestic operations.

Major Companies

There are no Major Players in this industry | Other Companies

Other Companies

The Hair and Nail Salons industry is highly fragmented, with the vast majority of locations independently owned and operated. As a result, a significant number of industry operators are nonemployers. However, the influence of salon chains, both franchised and company-owned, continues to grow within this market.

Regis Corporation

Estimated market share: 3.3 %

Minneapolis-based Regis Corporation is a market leader in the Hair and Nail Salons industry. The company's predecessor, Kunin Beauty Salon, was founded in 1922 and expanded into a chain of value-priced salons located in department stores. In 1958, the company changed its name to Regis Corporation and now owns, operates and franchises hair and retail product salons, as well as hair restoration centers and beauty schools. In the United States, the company operates under a number of popular brands, such as Supercuts, Sassoon Salon, Regis Salons, MasterCuts, SmartStyle, Cost Cutters, Cool Cuts 4 Kids and other value salons. In addition, the company maintains ownership interest in Empire Education Group in the United States, as well as MY Style concepts in Japan. Regis boasts over 9,500 locations worldwide, the majority of which are in North America, and employs an estimated 45,000 workers.

Regis salons are primarily located in high-traffic locations such as regional shopping malls, strip malls, lifestyle centers, Walmart supercenters and department stores. Since the company's various subsidiaries target different consumer groups, more than one of the company's subsidiaries can be located in the same area, giving Regis a competitive advantage. MasterCuts, for example, is a full-service, mall-based salon group that focuses on walk-in clients and provides moderately priced

hair care services. SmartStyle salons average \$21.00 per haircut and are similar to other subsidiaries but are located exclusively in Walmart supercenters, primarily targeting families. Supercuts' clients are primarily men, and the average price of a haircut is \$17.00. The majority of the company's establishments are SmartStyle locations, with Supercuts as the second-most represented brand. In 2013, the company sold Hair Club for \$103.4 million.

Company revenue is expected to contract over the five years to fiscal 2018 (year-end June), totaling an estimated \$1.9 billion. Revenue has been adversely affected by increased competition, increased labor costs and higher health insurance costs, as well as a decrease in merchandise sales. As a result, in fiscal 2016, Regis closed 260 salons in North America. Despite the company's overall low prices for services, mounting costs caused by the mismanagement of its acquired brands continues to plague the corporation. Instead of consolidating to achieve cost savings, Regis typically runs each brand as its own company.

Great Clips

Estimated market share: 2.0 %

Great Clips was established in Edina, MN, in 1982. The privately-owned company currently has more than 4,000 franchised salons in the United States and Canada and employs nearly 40,000 stylists. The company puts customer convenience first; therefore, all Great Clips salons offer affordable and quality hair-cutting services and are open during evenings and weekends, with no appointment necessary. Great Clips introduced the first online check-in service in 2011, which allows clients to add their name to a waiting list before arriving at the salon. In 2017, Great Clips is expected to generate \$1.1 billion in industry-specific revenue.

Major Companies

Other Companies continued

Sports Clips Inc.

Estimated market share: 1.1 %

Sports Clips Inc. is headquartered in Georgetown, TX and was established in 1993. The company began franchising locations in 1995, with its first franchised location in Houston. Sports Clips currently has more than 1,500 franchise locations spanning all 50 states and Canada. Sports Clips is the most successful hair salon franchise that specifically appeals to men aged 20 to 70. The company has sports-themed salons with TVs at each station specifically tuned to sports programs. Furthermore, the company is a prominent sponsor of NASCAR and Veterans of Foreign Wars, as well as local sports teams. It also has partnerships with several teams in the National Basketball Association, Major League Baseball and National Hockey League.

Sports Clips is one of the fastest-growing franchises in the United States. The company is consistently ranked as one of the fastest growing companies in *Entrepreneur* magazine's Franchise 500 and has also been placed in the top 10 on

Forbes' Top 20 Franchises to Start. The company's robust growth is partially attributable to the fact that it targets a relatively untapped niche market. In 2017, Sports Clips is expected to generate an estimated \$622.6 million in industry-relevant revenue.

Drybar Holdings LLC

Estimated market share: less than 1.0 %

Founded in 2010, Drybar Holdings LLC is headquartered in Brentwood, CA. The salon chain's motto is "No cuts. No color. Just blowouts." Since its inception, Drybar has rapidly expanded to over 70 locations in the US and Canada and now markets its Drybar product line in Sephora, Nordstrom, Ulta and Bloomingdales. The company employs over 15,000 individuals. Salons offer blowouts and hair styling services, and clients are offered signature glasses of champagne or wine during hair services. In 2017, the company is expected to generate less than 1.0% of total industry revenue.

Operating Conditions

Capital Intensity | Technology & Systems | Revenue Volatility
Regulation & Policy | Industry Assistance

Capital Intensity

Level

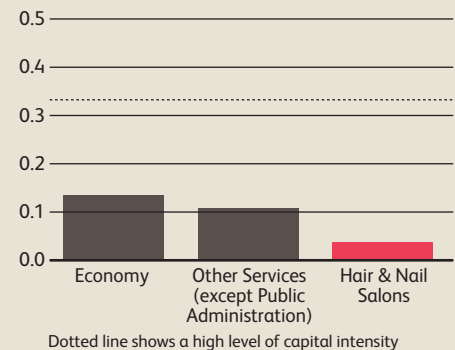
The level of capital intensity is **Low**

The Hair and Nail Salons industry has a low level of capital intensity. This is similar to other personal service industries that are labor-intensive. In 2017, for every dollar spent on wages, operators will spend an estimated \$0.04 in capital investment. As a personal service industry, the industry relies heavily on labor and there are not many opportunities for increased mechanization or substitution of labor.

For hair salons, capital investment is mainly in styling, dryer and shampoo chairs, as well as shampoo bowls and mats. Furthermore, salons that offer other spa services have massage tables, facial steamers and ultrasonic equipment. Nail salons typically invest in manicure tables and chairs and hand dryers for

Capital intensity

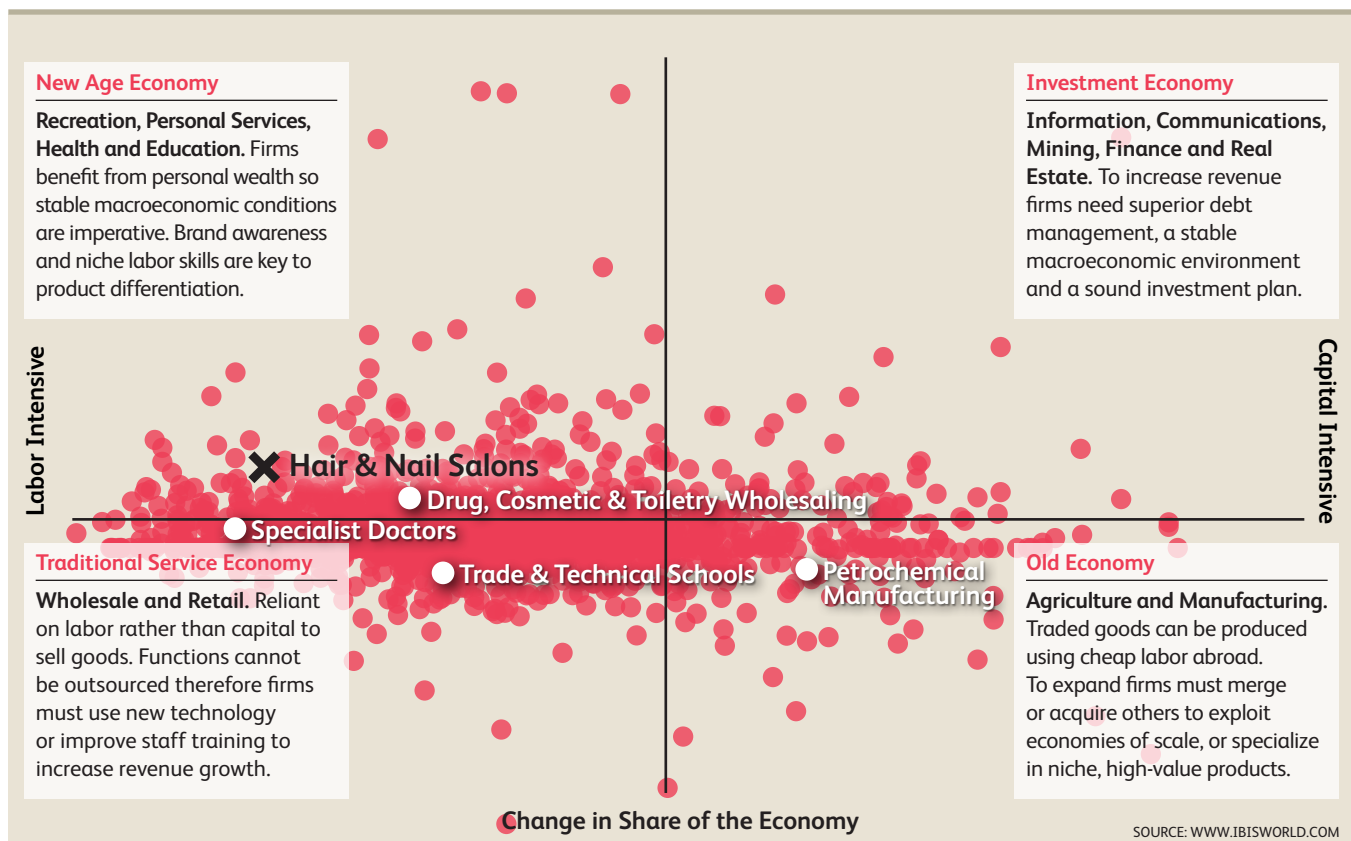
Capital units per labor unit



SOURCE: WWW.IBISWORLD.COM

special types of polish. Most salons will also make significant investments in the establishment's appearance, because this

Tools of the Trade: Growth Strategies for Success



SOURCE: WWW.IBISWORLD.COM

Operating Conditions

Capital Intensity continued

factor can determine a client's interest if they come for a walk-in appointment. According to *Nails Magazine*, an estimated 25.0% of clients are walk-ins.

Technology & Systems

Level
The level of
Technology
Change is **Low**

The Hair and Nail Salons industry experienced a low level of technological change during the five-year period. The core services the industry provides, such as hair cutting, hair styling and nail care services, are established services and require little advanced technology. Furthermore, most services provided by the industry are labor intensive rather than technology focused. The emergence of computerized systems and mobile scheduling apps, however, have streamlined administrative functions such as appointment booking and communication with clientele. In addition, the growing popularity of mobile payment services, such as Square, Inc., Apple Pay and Samsung Pay, enables clients to pay for industry services with greater ease. Moreover, mobile credit-card payment platforms such as these allow industry operators to reduce operating costs by limiting credit-card transaction fees, providing faster payment processing, as well as offering a variety of payment options to clients.

Overall, the majority of change in this industry focuses on new product offerings by salons. At hair salons, companies are offering new permanent hair texture

modifiers such as the Brazilian blowout and keratin treatment. The Brazilian blowout began gaining popularity in the late 2000s and it is used to eliminate frizz, curls or waves from hair. Salons have also started offering the popular Japanese hair straightening treatment known as thermal reconditioning. New dyeing treatments have also become available over the past decade and a subject to fashion trends. These treatments include dyes without ammonia such as L'Oreal Professional INOA dye. Other new products, such as natural hair extensions, are primarily driven by fads.

Nail salons have begun offering a greater array of products and services, especially with regard to premium manicures and pedicures. Nail polish companies now offer matte polish or matte topcoat polish for clients. Most notably, nail salons began offering colored acrylics and colored gels that last longer than standard nail polish, known as shellac. This trend has become increasingly popular during the five-year period. These products outlast traditional polish manicures, thereby carrying higher associated prices. Another recent trend in acrylic nail sets are pointed acrylics known as "stiletto nails."

Revenue Volatility

Level
The level of
Volatility is **Low**

Over the past five years, the Hair and Nail Salons industry has exhibited a low level of revenue volatility. Revenue trends within the industry largely depend on per capita disposable income and changes in the unemployment rate. These factors particularly affect the demand for value added services and retail purchases from salons. With higher unemployment and low per capita disposable income, consumers

are more likely to purchase at-home treatments from drugstores rather than more expensive services from salons. Furthermore, consumers will continue to purchase basic haircuts from industry operators despite fluctuations in the economy. As the majority of services offered are relatively inexpensive, revenue declines remain moderate during periods of economic decline.

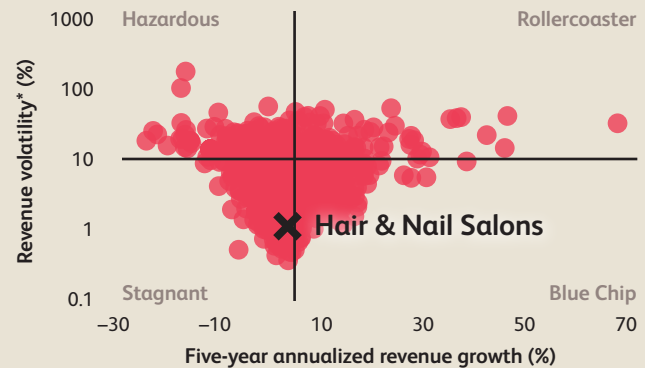
Operating Conditions

Revenue Volatility continued

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.

Volatility vs Growth



* Axis is in logarithmic scale

SOURCE: WWW.IBISWORLD.COM

Regulation & Policy

Level & Trend

The level of Regulation is **Medium** and the trend is **Increasing**

The Hair and Nail Salons industry is subject to a moderate level of regulation at the federal and state levels, due to licensing requirements, franchise laws and consumer protection laws. Several of the major regulations that affect the industry are listed below.

Federal regulations

Salons are subject to advertising and consumer protection laws. Under federal and state law, ads that mislead or deceive consumers are unlawful. The Federal Trade Commission (FTC) can take legal action if a salon's ads are misleading. Typical zoning and real estate land use restrictions also apply to salons. Landlords must obtain all necessary zoning approvals and permits for the site to be used as a retail establishment. Salons with franchise operations must also abide by the FTC's Trade Regulation Rule on Franchising. Franchisers must provide information about subjects like franchiser-initiated lawsuits against franchisees. They must also provide contact information for former franchisees that have left the franchise in the past year; franchise turnover information; the dangers of buying

non-exclusive territories. Finally, they must include the franchiser's use of confidentiality clauses that stop current or former franchisees from talking about their experience with prospective franchisees and contact information for independent franchisee groups.

Furthermore, hair salons must comply with the Health and Safety in Employment Act of 1992. Operators must identify workplace hazards such as exposure to chemicals and they must take all practical steps to prevent harm from occurring to stylists and clients. Salons must also check premises for compliance with the public health legislation and associated codes and guidelines that deal with issues such as cleanliness, construction, sterilization and usage practices of equipment and personal hygiene of staff.

While the industry does not manufacture products, the cosmetic products it sells are subject to regulation by the Food and Drug Administration (FDA), the FTC and state attorneys general. These regulations principally relate to the safety of ingredients used, proper labeling, advertising, packaging and marketing.

Operating Conditions

Regulation & Policy continued

State regulations

The majority of states have licensing requirements for barbers and stylists. Employees must complete a program in a state-licensed barber or cosmetology school. Programs usually comprise nine months of training. License qualifications vary by state, but a person must generally have a high school diploma or General Educational Development (GED) test, be at least 16 years old and have graduated from a state-licensed barber or cosmetology school. In many states, cosmetology training may be credited toward a barbering license and vice versa and a few states combine the two licenses. Estheticians, as well, are required to train an average of 600 hours and pass a state license exam. Manicurists and pedicurists must also be licensed, though programs require significantly less time. States usually

require a fee in order to be licensed and periodic license renewals may be necessary. Shampooers do not require a license. There are also various statewide regulations for the treatment of wastewater that may contain chemicals harmful to the environment.

Additionally, the San Francisco was the first city to pass an ordinance that establishes a voluntary recognition program for salon owners who do not use nail polish containing dibutyl phthalate, formaldehyde and toluene. This regulation is designed to encourage nail salons to discontinue using nail polishes that contain these chemicals due to their harmful effects on nail technicians and customers. Dibutyl phthalate has been linked to birth defects, toluene can cause headaches, dizziness and nausea and formaldehyde is a known carcinogen that may cause asthma.

Industry Assistance

Level & Trend
The level of Industry Assistance is **None** and the trend is **Steady**

The Hair and Nail Salons industry does not receive any industry-specific government assistance in the form of subsidies or otherwise. The industry does, however, receive indirect assistance from various industry trade associations. The Professional Beauty Association and the Association of

Cosmetology Salon Professionals each provide education services, government advocacy and charitable outreach for industry operators. The American Skin Association works to advance research and promote skin health and public awareness of skin disease.

Key Statistics

Industry Data

	Revenue (\$m)	Industry Value Added (\$m)	Establishments	Enterprises	Employment	Exports	Imports	Wages (\$m)	Domestic Demand	Consumer spending (\$)
2008	45,959.7	23,424.9	918,105	905,305	1,329,036	--	--	20,621.3	N/A	10,007.2
2009	45,728.1	24,535.2	980,893	968,438	1,380,494	--	--	20,373.9	N/A	9,847.0
2010	47,760.4	25,535.5	1,072,848	1,060,554	1,478,321	--	--	20,377.4	N/A	10,036.3
2011	48,331.9	25,952.4	1,138,791	1,126,675	1,546,100	--	--	21,312.6	N/A	10,263.5
2012	49,480.0	26,011.7	1,142,495	1,129,568	1,546,761	--	--	21,162.6	N/A	10,413.2
2013	50,735.7	26,311.3	1,180,290	1,167,647	1,598,030	--	--	21,237.7	N/A	10,565.4
2014	52,722.2	26,464.8	1,205,408	1,192,803	1,619,514	--	--	21,878.0	N/A	10,868.9
2015	54,344.6	28,183.3	1,207,436	1,201,370	1,626,427	--	--	23,074.9	N/A	11,214.7
2016	54,895.9	29,824.3	1,246,703	1,242,770	1,659,324	--	--	24,319.0	N/A	11,522.2
2017	55,851.3	30,439.8	1,288,744	1,286,220	1,698,316	--	--	24,903.1	N/A	11,806.4
2018	57,644.8	31,470.7	1,338,339	1,336,332	1,754,843	--	--	25,806.1	N/A	12,097.6
2019	58,783.2	32,173.4	1,381,227	1,380,458	1,797,003	--	--	26,455.0	N/A	12,363.8
2020	59,889.6	32,882.4	1,434,519	1,434,178	1,841,904	--	--	27,133.2	N/A	12,611.1
2021	61,064.2	33,634.2	1,487,026	1,484,179	1,887,471	--	--	27,829.8	N/A	12,825.5
2022	62,035.0	34,315.2	1,547,652	1,538,402	1,931,136	--	--	28,477.6	N/A	13,030.7
Sector Rank	6/56	4/56	2/56	2/56	2/56	N/A	N/A	2/56	N/A	N/A
Economy Rank	213/1918	114/1587	5/1918	5/1918	22/1918	N/A	N/A	70/1918	N/A	N/A

Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Consumer spending (%)
2009	-0.5	4.7	6.8	7.0	3.9	N/A	N/A	-1.2	N/A	-1.6
2010	4.4	4.1	9.4	9.5	7.1	N/A	N/A	0.0	N/A	1.9
2011	1.2	1.6	6.1	6.2	4.6	N/A	N/A	4.6	N/A	2.3
2012	2.4	0.2	0.3	0.3	0.0	N/A	N/A	-0.7	N/A	1.5
2013	2.5	1.2	3.3	3.4	3.3	N/A	N/A	0.4	N/A	1.5
2014	3.9	0.6	2.1	2.2	1.3	N/A	N/A	3.0	N/A	2.9
2015	3.1	6.5	0.2	0.7	0.4	N/A	N/A	5.5	N/A	3.2
2016	1.0	5.8	3.3	3.4	2.0	N/A	N/A	5.4	N/A	2.7
2017	1.7	2.1	3.4	3.5	2.3	N/A	N/A	2.4	N/A	2.5
2018	3.2	3.4	3.8	3.9	3.3	N/A	N/A	3.6	N/A	2.5
2019	2.0	2.2	3.2	3.3	2.4	N/A	N/A	2.5	N/A	2.2
2020	1.9	2.2	3.9	3.9	2.5	N/A	N/A	2.6	N/A	2.0
2021	2.0	2.3	3.7	3.5	2.5	N/A	N/A	2.6	N/A	1.7
2022	1.6	2.0	4.1	3.7	2.3	N/A	N/A	2.3	N/A	1.6
Sector Rank	30/56	26/56	13/56	12/56	19/56	N/A	N/A	22/56	N/A	N/A
Economy Rank	1124/1918	843/1587	420/1918	378/1918	697/1918	N/A	N/A	805/1918	N/A	N/A

Key Ratios

	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per Est.	Average Wage (\$)	Share of the Economy (%)
2008	50.97	N/A	N/A	34.58	44.87	1.45	15,515.98	0.16
2009	53.65	N/A	N/A	33.12	44.55	1.41	14,758.41	0.17
2010	53.47	N/A	N/A	32.31	42.67	1.38	13,784.15	0.17
2011	53.70	N/A	N/A	31.26	44.10	1.36	13,784.75	0.17
2012	52.57	N/A	N/A	31.99	42.77	1.35	13,681.88	0.17
2013	51.86	N/A	N/A	31.75	41.86	1.35	13,289.93	0.17
2014	50.20	N/A	N/A	32.55	41.50	1.34	13,508.99	0.17
2015	51.86	N/A	N/A	33.41	42.46	1.35	14,187.48	0.17
2016	54.33	N/A	N/A	33.08	44.30	1.33	14,655.97	0.18
2017	54.50	N/A	N/A	32.89	44.59	1.32	14,663.41	0.18
2018	54.59	N/A	N/A	32.85	44.77	1.31	14,705.65	0.18
2019	54.73	N/A	N/A	32.71	45.00	1.30	14,721.73	0.18
2020	54.91	N/A	N/A	32.52	45.31	1.28	14,731.06	0.18
2021	55.08	N/A	N/A	32.35	45.57	1.27	14,744.49	0.18
2022	55.32	N/A	N/A	32.12	45.91	1.25	14,746.55	0.18
Sector Rank	17/56	N/A	N/A	44/56	14/56	42/56	43/56	4/56
Economy Rank	229/1587	N/A	N/A	1880/1918	138/1918	1848/1918	1820/1918	114/1587

Figures are in inflation-adjusted 2017 dollars. Rank refers to 2017 data.

SOURCE: WWW.IBISWORLD.COM

Industry Financial Ratios

	Apr 2012 - Mar 2013	Apr 2013 - Mar 2014	Apr 2014 - Mar 2015	Apr 2015 - Mar 2016	Apr 2015 - Mar 2016 by company revenue		
					Small (<\$10m)	Medium (\$10-50m)	Large (>\$50m)
Liquidity Ratios							
Current Ratio	1.1	1.1	1.5	0.6	0.6	n/a	n/a
Quick Ratio	0.7	0.8	1.2	0.5	0.5	n/a	n/a
Sales / Receivables (Trade Receivables Turnover)	n/c	n/c	n/c	n/c	n/c	n/a	n/a
Days' Receivables	0.4	0.4	0.4	n/a	n/a	n/a	n/a
Cost of Sales / Inventory (Inventory Turnover)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Days' Inventory	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cost of Sales / Payables (Payables Turnover)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Days' Payables	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sales / Working Capital	n/c	244.0	62.0	-63.6	-49.3	n/a	n/a
Coverage Ratios							
Earnings Before Interest & Taxes (EBIT) / Interest	3.3	9.8	4.6	7.8	7.8	n/a	n/a
Net Profit + Dep., Depletion, Amort. / Current Maturities LT Debt	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Leverage Ratios							
Fixed Assets / Net Worth	2.4	1.6	2.2	4.0	4.3	n/a	n/a
Debt / Net Worth	3.8	2.0	2.3	7.2	8.3	n/a	n/a
Tangible Net Worth	-7.6	-1.6	6.0	-11.3	-13.6	n/a	n/a
Operating Ratios							
Profit before Taxes / Net Worth, %	38.5	50.0	22.0	65.3	71.4	n/a	n/a
Profit before Taxes / Total Assets, %	12.8	16.6	6.4	21.3	23.3	n/a	n/a
Sales / Net Fixed Assets	5.4	11.7	7.7	13.9	13.9	n/a	n/a
Sales / Total Assets (Asset Turnover)	2.1	3.1	3.3	3.6	4.2	n/a	n/a
Cash Flow & Debt Service Ratios (% of sales)							
Cash from Trading	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cash after Operations	16.3	11.8	8.1	13.0	11.5	n/a	n/a
Net Cash after Operations	18.1	11.7	8.1	13.0	11.6	n/a	n/a
Cash after Debt Amortization	3.5	2.8	2.8	2.8	2.7	n/a	n/a
Debt Service P&I Coverage	8.0	2.7	3.9	2.6	2.4	n/a	n/a
Interest Coverage (Operating Cash)	12.0	9.3	7.2	9.1	9.1	n/a	n/a
Assets, %							
Cash & Equivalents	23.3	25.9	20.8	25.1	25.3	n/a	n/a
Trade Receivables (net)	2.9	3.8	2.5	3.9	3.7	n/a	n/a
Inventory	2.0	5.2	4.7	5.5	5.2	n/a	n/a
All Other Current Assets	4.4	6.2	1.7	1.3	1.3	n/a	n/a
Total Current Assets	32.6	41.0	29.7	35.8	35.6	n/a	n/a
Fixed Assets (net)	51.0	41.9	50.9	45.3	46.2	n/a	n/a
Intangibles (net)	9.3	9.6	5.6	7.6	6.6	n/a	n/a
All Other Non-Current Assets	6.9	7.5	13.8	11.3	11.6	n/a	n/a
Total Assets	100.0	100.0	100.0	100.0	100.0	n/a	n/a
Total Assets (\$m)	67.8	88.2	96.9	145.0	40.2	104.8	n/a
Liabilities, %							
Notes Payable-Short Term	15.4	25.7	24.2	29.7	30.9	n/a	n/a
Current Maturities L/T/D	17.5	2.4	2.5	5.7	5.9	n/a	n/a
Trade Payables	1.7	5.3	3.0	2.1	2.0	n/a	n/a
Income Taxes Payable	n/a	n/a	n/a	n/a	n/a	n/a	n/a
All Other Current Liabilities	18.8	25.9	8.2	22.6	23.5	n/a	n/a
Total Current Liabilities	53.3	59.3	37.9	60.2	62.3	n/a	n/a
Long Term Debt	34.1	27.2	40.3	37.2	38.9	n/a	n/a
Deferred Taxes	n/a	n/a	n/a	n/a	n/a	n/a	n/a
All Other Non-Current Liabilities	10.9	5.5	10.1	6.3	5.8	n/a	n/a
Net Worth	1.7	8.0	11.6	-3.7	-7.0	n/a	n/a
Total Liabilities & Net Worth (\$m)	67.8	88.2	96.9	145.0	40.2	104.8	n/a
Maximum Number of Statements Used	60	50	49	82	78	4	n/a

Source: RMA Annual Statement Studies, rmahq.org. RMA data for all industries is derived directly from more than 260,000 statements of member financial institutions' borrowers and prospects.

Note: For a full description of the ratios refer to the Key Statistics chapter online.



Jargon & Glossary

Industry Jargon

COLORED GELS A type of nail polish that is more resistant to smudges and chipping and dries faster.

KERATIN TREATMENT Also known as the Brazilian Blowout. Product used to eliminate frizz, curls or waves from hair for three to four months.

OCCUPATIONAL SAFETY & HEALTH ADMINISTRATION (OSHA) Agency of the US Department of Labor that aims to prevent work-related injuries, illnesses and occupational fatality by issuing and enforcing standards for workplace safety and health.

PERMANENT HAIR TEXTURE MODIFICATION Applying chemicals, heat or liquid that alters hair's internal structure to change its shape, such as straightening or curling it.

IBISWorld Glossary

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labor; medium is \$0.125 to \$0.333 of capital to \$1 of labor; low is less than \$0.125 of capital for every \$1 of labor.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by US companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in the United States.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70 % of industry revenue. Medium is 40 % to 70 % of industry revenue. Low is less than 40 %.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5 %, medium is 5 % to 20 %, and high is more than 20 %. Imports/domestic demand: low is less than 5 %, medium is 5 % to 35 %, and high is more than 35 %.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

Jargon & Glossary

IBISWorld Glossary continued

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than $\pm 20\%$; high volatility is $\pm 10\%$ to $\pm 20\%$; moderate volatility is $\pm 3\%$ to $\pm 10\%$; and low volatility is less than $\pm 3\%$.

WAGES The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.

At IBISWorld we know that industry intelligence is more than assembling facts

It is combining data with analysis to answer the questions that successful businesses ask

Identify high growth, emerging & shrinking markets

Arm yourself with the latest industry intelligence

Assess competitive threats from existing & new entrants

Benchmark your performance against the competition

Make speedy market-ready, profit-maximizing decisions



Who is IBISWorld?

We are strategists, analysts, researchers, and marketers. We provide answers to information-hungry, time-poor businesses. Our goal is to provide real world answers that matter to your business in our 700 US industry reports. When tough strategic, budget, sales and marketing decisions need to be made, our suite of Industry and Risk intelligence products give you deeply-researched answers quickly.

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