

Good to grow: P&G Salon builds salons' business

Reuben Carranza, CEO of P&G North America Professional Care, is more than

enthusiastic about the future of the salon industry. "We're growing, our salon customers are growing," he maintains, "and together, we're poised to grow the channel." As leader of the **Wella, Sebastian, Clairol**

Professional, Nioxin and Graham Webb brands, he directs a business that cuts across a wide cross-section of the industry. "With the right focus, salons can win, in spite of the economic environment," he says. The secret, according to Reuben, is partnership. *Beauty Industry Report (BIR)* recently talked to Reuben from his office in Woodland Hills, CA.

BIR: Reuben, it's been about a year since we last spoke to you. How has the recession been treating P&G Salon Professional?

Reuben Carranza (RC): Over the last year, our results have been nothing short of fantastic. Behind our new initiatives—the introduction of the **Sebastian Volupt** regimen in February, the **Wella Color Touch** relaunch, **Clairol Professional's** launch of **Demi-Permanent Crème Color**—we've been exceeding our sales goals. Each quarter we've seen increases over the previous quarter, and competitively, we continue to pick up share. We're applying the momentum that we kicked off with the **Sebastian** brand re-invention, the **Wella** color relaunch, the **Clairol** brand extensions and the innovations to **Nioxin**, and it has started to pick up speed. With the new products and programs we have in the pipeline, we expect that level of growth to continue. That said, we're very aware that, in general, business continues to be tough at salon level. We're working hard to partner with our salon customers through joint business planning to help them thrive, not just survive.

BIR: Do you really think that salons' business can grow in this economy?

RC: It certainly can; we have objective



Reuben Carranza, CEO, P&G North America Professional Care

proof. Our fully-committed salon partners have seen growth, up to the 80% level, in spite of the economic challenges. To our thinking, it's a matter of focus. Salons that are clear on who their client is, that differentiate what they do to provide clients with a uniquely professional experience, have been and will continue to be OK. Those that don't are at risk of seeing customers migrate to other channels. Today's salon customer is educated and savvy, with a refined understanding of the salon experience. She sees the hairdresser as providing artistry, inspiration and knowledge. She looks for noticeable and meaningful innovation in products, services or approaches. Salons that meet and exceed those expectations adopt a new approach by delivering an experience.

The salon is looking for innovation to help it create a professional point of difference for the beauty consumer. The smart ones—who saw new approaches and jumped in—had a great year. What works is true, not me-too, innovation, and today's beauty consumer knows the difference. For instance, salon owners are embracing **Sebastian's** new **Volupt** range, which delivers on its claims of 75% more volume in the hair. Solid claims indicate quality, and quality is a measure of value. We believe this quality/value conversation is what will fuel salon business growth in 2010. The beauty consumer has learned to be choosy about where she spends her dollars, and the salon client sees the greatest return for her investment in services that make a difference, with quality that lasts, supported by a professional's recommendation for the correct care and styling products.

BIR: You gave a keynote speech at the P&G Salon Owners Business Forum at America's Beauty Show where you talked about how the industry needs to "take back our client." What did you mean by that?

RC: All over the consumer products landscape, from the mass merchandisers to outlets like **Payless Shoes**, marketers have recognized the value of the beauty consumer. This consumer, which we call the "Beauty Enthusiast," is a high-value shopper, and in this economic environment, markets prize such

consumers above all others, and they'll fight to lure her from her usual channels. But P&G data show that the Beauty Enthusiast is, by all rights, our client. Data prove that she is prepared to spend a disproportionate share of her beauty dollar in the salon. She is a thought-leader who looks for new-to-market products and services; an experience-seeker who regards her total beauty experience to be as important as buying new items; an informant who responds to sophisticated information and follows trends and beauty news.

Beyond her behavior, she regards her hairdresser as an expert—an invaluable advisor and guide to the world of beauty. That attitude places the salon squarely at the center of all of her beauty decisions. This is a phenomenal opportunity for our industry, but one that I'm not sure that we've been ready to embrace.



The Sebastian Volupt regimen delivers up to 75% more volume to the hair.

Too often, we look less beautiful than our competition, with accidental retail displays that fail to engage the client, with language that doesn't measure up to her vision of us as beauty experts and with salon appointments that don't fulfill her desire for a premium salon experience.

Recall last summer's **McMillan-Doolittle Study** performed for the **Professional Beauty Association**, which identified in-salon retailing of care and styling products

as the single biggest under-leveraged opportunity in the industry—more than 70% of clients reported that they had never received a recommendation for products to maintain and extend the beauty of the salon-created look. In reality, recommendation and sale of professional products complete the "virtuous circle" of client service that adds value to both the client's style and to her experience.

Looking at today's salon marketplace, the core services of cut and color will drive

growth. Those are the services that make it difficult for other channels to compete with the professional salon. There are synergies between services and the products that support them that can ramp up business overall. It's up to both the manufacturer and the salon to make the most of the opportunities. **CVS, Wal-Mart, even Payless** wish that they could do what the salon does every day—build a personal bond with the customer. To prevent these other outlets from taking our client away, we're going to have to make that bond deeper and stronger than ever before. In this tremendously competitive environment, we as an industry have to think differently about how we go about capturing and holding the Beauty Enthusiast's goodwill and patronage. What it's going to take is an unprecedented level of partnership across the entire industry.

BIR: What does it mean to think differently?

RC: Imagine the industry as a whole, not as single competing fragments. Within the whole, each player has a unique role in creating an environment of client loyalty. The manufacturer's responsibility is to provide the products and service approaches, while the salon provides the delighting experience, the quality of service, the expertise. The client gives loyalty, in the form of a greater share of her beauty spend. The insight is, the client wants to give the salon her loyalty. In return, we, as partners, have to delight her with an outstanding salon experience. To contribute to her delight, we, as a manufacturer, have to have the ability to bring the salon insights about technological innovation, client behavior, best business practices and trends in beauty. Salon owners should judge who they do business with based on how well the partner contributes to building client loyalty. On that journey, salon owners need to remain open to thinking about new ways to delight their client and capture her ongoing loyalty.

BIR: How does that play out in the salon?

RC: Let me follow the concept through a product launch. In February, **Sebastian's Volupt Collection** launched to the salon client with a revolutionary new approach to combining volume and softness that delivers up to 75% more volume vs. untreated hair. Now, dozens of products designed to provide volume are on the market, but with our new Cushion Particle

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Technology, this collection is the first to fuse the benefits of volume and softness without any trade-offs. The resulting “75% more volume” is a powerful claim that not only demonstrates **P&G Salon Professional’s** continuing focus on delivering breakthrough technology, but also builds trust and credibility for the brand and our salon customers who carry **Sebastian**. Delivering on those claims drives satisfaction and repeat salon visits, which contributes to double-digit growth in business we’re seeing among salons that have committed to **Sebastian**.

BIR: Isn’t all that growth driving up diversion?

RC: Not for us. February’s Nielsen data showed that **Sebastian** had dropped 0.1 dollar share to 0.5, for the lowest diverted dollar

share in more than four years. The declines have been steady since we instituted our Brand Protection strategy three years ago. Why we’re able to succeed in curbing diversion is due to an innovative approach that brings the battle to the diverter in unconventional ways that make it difficult and expensive for him to continue doing business. For example, last month **California Attorney General Jerry Brown** announced a court judgment against **Pro’s Choice**, a re-distributor well-known to us as a diverter of professional products, fining them and requiring their retailers to pull 80% volatile organic compounds (VOC) products—including **Sebastian Shaper Plus** hair spray.

P&G Salon Professional and **Sebastian** distribute 55% VOC in states mandating the lower levels and 80% everywhere else. For instance, all **P&G Salon Professional** products sold through authorized channels in California conform to the state’s 55% VOC regulation. So we knew immediately that the 80% products had to be diverted. But we were also aware because **P&G Salon Professional** has been working closely with the state of California to enforce VOC violations as well as batch code tampering and trademark violations as viable methods of curbing product diversion. This method of working with the right government officials to curb diversion by enforcing existing law is a new-to-the-industry approach that hits the diverter in the pocketbook, and it’s an integral piece of the value we routinely deliver to our salon and store customers.

The salon industry has changed. In the past, salons accepted diversion as the price they had to pay for client demand. The price was high—retail of professional products carries a 15% profit margin versus services’ 7%, and in this economy, that might mean the margin of success for many salon owners. **Sebastian’s** business approach changes the equation.

BIR: You sound enthusiastic.

RC: I am. We’ve done a lot of work over the last five years to build a brand portfolio and a go-to-market strategy designed to expand the professional business across all of North America, and in the past 16 months, we’re starting to see the fruits of our labor. We’ve got incredible momentum, and riding the wave feels just great.

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