

Hair Salon Industry as a Contribution to the Growth of the Economy of Free State Province

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Executive summary

This research emanates from the need to optimize the potential of the hair salon industry in the Free State province. It provides a vivid evaluation of the industry's contribution to the economy of the province, given the recognition of its role in terms of job creation and local economic development. The increasing demand for hair care services was considered in providing justification for the proliferation of hair salons across many towns of the province. It was intended that the study detects outstanding practices from across South Africa and the rest of the world. These applicable practices were to be replicated in the Free State province in order to reposition the industry for more contributions to the growth of the provincial economy.

A handful of research studies in hair salon industry have had to address issues in relation to the aim and specific objectives of this particular study. As part of its mandate, the provincial Department Economic, Small business development, Tourism and Environmental Affairs (DESTEA) embarked on this research to strengthen its action-based policies and strategies for the development of the hair salon industry to accelerate employment generation as well as economic growth.

This report presents a situational snapshot of the hair salon industry in the Free State province. The study aims to determine how the industry can create more jobs in contribution to the economic growth of the province. The specific objectives of the study are, therefore, to 1) determine the ownership of hair salons in the Free State province in terms of nationality, gender, age and designated groups, 2) determine the capital outlay for establishing hair salons in the Free State province, 3) identify the effects of entry requirements and barriers to the establishment of hair salons which may either hamper or encourage the entry of emerging entrepreneurs into the local market, 4) ascertain the estimated turnover trends among hair salon businesses in the Free State province, 5) identify the sources of hair care products used by salons in the Free State, 6) evaluate the opportunities associated with hair salons' linkages with the manufacturing value chain, 7) identify support needed to strengthen hair salons' linkages with the manufacturing value chain, 8) identify the legal requirements to guide the hair salon industry in the Free State province, 9) evaluate the relationship between the hair salon industry and the manufacturing sector value chain. The study concludes by providing prescriptions for strategic policy directions and practices.

Key questions

This study was guided by a set of key research questions as corresponding to specific objectives which include: 1) What nationality, gender, and age, and designated groups constitute the ownership of hair salons in the Free State province? 2) What is the capital outlay for establishing hair salons in the Free State province? 3) What are the effects of entry requirements and barriers on the establishment of hair salons which may either hamper or encourage the entry of emerging entrepreneurs into the local market? 4) What are the estimated turnover trends for establishing a salon in the Free State province? 5) What sources of hair care products in the Free State province can be identified? 6) What are the opportunities available in terms of hair salons' linkages with the manufacturing value chain? 7) What is the support needed to strengthen hair salons' linkages with manufacturing value chain? 8) What are the legal requirements to guide the hair salon industry in the Free State province? 9) How can improvement be achieved in the effectiveness of the relationship between the hair salon industry and the manufacturing sector value chain?

Approaches and Methodology

This research was based on a mixed-methods study approach consisting of the integration of literature review, questionnaire-based interviews as well as survey approach. A total number of 1237 hair salon operators and hair product retailers participated in the study. Participants were drawn from four district municipalities of the Free State province, namely: Thabo Mofutsanyane, Fezile Dabi, Xhariep, and Lejweleputswa as well as Mangaung Metropolitan Municipality. The questionnaire survey involved a total of 1202 respondents, while a total of 35 participants were interviewed. Sampling was by means of a simple probability sampling. A field data collection was administered in all four district municipalities of the province and the Mangaung Metropolitan Municipality to determine the contribution of the hair salon industry to the economic growth of the Free State province while addressing key questions raised in the study. Quantitative data analysis relied on the use of descriptive statistics. In analyzing the interview data, the thematic coding analysis was applied to descriptive themes. Results were expressed in percentages.

Findings

1. Hair salon ownership according to nationality, gender, age and designated groups

Findings revealed that 60% of the salons in the Free State province are owned by non-South Africans. Many of the salons in the townships were however found to be owned by local inhabitants. According to the results of the survey, the most occurring age of hair salon operators happened to be from the age of 40 and above, followed by the age of 25 and below. Findings regarding hair salon business ownership by gender as indicated in the main report seem to be in line with the view that there is no significant disparity between male and female participants in the salon business.

2. Estimated capital outlay for establishing hair salons in the Free State province

In spite of some obvious assumptions, findings show that the estimated average start-up capital outlay for establishing hair salons was found to be mostly less than R20 000. The next higher estimation was between R51 000 and R60 000.

3. Effects of entry requirements and barriers on the establishment of hair salons

Requirements and barriers were identified to fall within existing challenges facing the hair salon operators. Furthermore, these findings were synonymous with those generally hampering or encouraging the entry of emerging entrepreneurs into the local market. These findings were outlined in the main report.

4. Turnover trends among hair salons in the Free State province

Results indicated that estimated daily sales were less than R300 (54%) as shown in Figure 9.5, while estimated monthly profits were less than R10 000 (85%). However, both estimated daily sales and monthly profits were surveyed to ascertain estimated turnover trend among hair salon businesses in the Free State province.

5. Sources of hair care products used in the Free State province

Survey results shown in the main report in this regard significantly showed that the majority (75%) of hair salons in the Free State source their hair products from accessible retailers who are mostly

in the province. Hair salon operators who typically patronize both the wholesalers and producers across the country were found to make up about 22% and 3% respectively.

6. Opportunities associated with hair salons' linkages with the manufacturing value chain

Opportunities found to be derived from these linkages were categorized into profit and growth opportunities. Furthermore, results regarding opportunities confirm that key opportunities associated with this form of complementary partnerships are multiple. These opportunities were outlined in an orderly way in the main report.

7. Supports needed to strengthen hair salons' linkages with manufacturing value chain

It was found critical that the many of the emerging and survivalist ventures face harsher conditions in terms of trade regulations. Support interventions found were required in key areas such as 1) Finance, 2) Procurement, 3) Trade regulations, 4) Training and education, 5) Commercial infrastructure.

8. Regulatory requirements to guide the hair salon industry in the Free State province

Opinion distilled from the majority of respondents interviewed indicated that regulations in any respect are required. Many respondents, however, expressed the need for regulatory authorities to give priority to controlling unhealthy competition among hair salons clustering in proximity. Other key legal requirements were described in the main report.

9. Relationship between the hair salon industry and the manufacturing sector value chain

Findings from literature and interviews ascertained that there were scarcely any available manufacturers of popular brands of hair care products in the Free State province. The relationships between the hair salon industry and the manufacturing sector value chain were found to take multiple dimensions and exist along either horizontal or vertical order of customers, retailers, wholesalers, and producers.

Recommendations

Following the narratives contained in the literature and empirical findings, recommendations for strategic policy and practice were provided as follows:

a. Recommendation for the incentivization of emerging South African hair salon operators in the province

Incentive schemes may take the form of either financial or non-financial, even though all may be translated to some monetary values. Incentive schemes may indirectly be applied in the area of training for regular skills update or in various other ways.

b. Recommendation for a continuous evaluation of the emerging hair salon operational performance

This will support for the reinforcement of skills acquisition for the emerging hair salon operators. This recommendation addresses the findings regarding education, the highest training obtained, etc.

c. Recommendation for the emerging hair salon business incubation programme

This recommendation is in line with findings on support needed to strengthen hair salons' linkages with the manufacturing value chain.

d. Recommendation for policy actions to encourage investments in the manufacturing of hair care products and accessories in the Free State province.

By this recommendation, attracting and retaining manufacturing investments in the hair care products and cosmetics within the province can expand the industry's capacity to create more jobs and boost the economy of the province.

e. Recommendation for a revolving apprenticeship model of accelerating hair salon entrepreneurship

A revolving apprenticeship model of accelerating hair salon entrepreneurship may require the collaboration of both the government and established hair salons. The model may suffer some institutional policy constraints. However, a more detailed methodology may be required.

f. Standardization of the informal hair salon operations

The standardization of the informal hair salon operations should, in turn, be anticipated to inadvertently and gradually get the informal hair salon operation to be formalized in the course of time.

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1. INTRODUCTION AND BACKGROUND

Understanding the path to which the Free State provincial economic growth can be maximized has remained one of the key concerns of the Free State Department of Economic, Small Business Development, Tourism and Environmental Affairs (hereunder referred to as DESTEA). The department clearly outlined its broad mandate to improve the socio-economic livelihood of Free State communities through several key economic development programmes. There has equally been a growing concern by the provincial government regarding policies and strategies that can support economic sustainability across the province.

There is scarcely any reliable evidence-based research in the context of the hair salon industry regarding job creation in contribution to economic growth of the Free State province. As part of its mandate, the provincial DESTEA undertook this research in order to strengthen its action-based policies and strategies for the development of the hair salon industry to accelerate employment generation as well as economic growth.

The Free State provincial government embraces the ideology of human capital development while continuing to promote economic growth in ways that raise the standard of living across its growing population. The Province's policies and strategies equally aim to accelerate Local Economic Development (LED). One of the emerging approaches the province has identified in demonstrating the ideology of human capital development is by harnessing the rich potential of the hair salon industry. In recent times, the Free State province is witnessing a phenomenal growth in the demand for hair care services as well as the proliferation of informal hair salons.

The primary aim of this research is to determine how the hair salon industry can create more job opportunities in contribution to the economic growth of the Free State province. Resourcing through the research capabilities of the Faculty of Management Sciences at the Central University of Technology of the Free State, it is expected that the outcome of this project will lead to a change in the unsustainability narrative among hair salon operators across the province.

South Africa, along with Nigeria, has one of the most prolific hair care markets in the African continent (Diagonal Report, 2011:8). Its multi-racial heritage remains one of the key attributes that speak to the high growth potential of the hair salon industry. There exists a diversity of ethnic hair care markets which the hair salon business must explore and adapt to. Population distribution of

the province along race and ethnic lines remain one of the growth influences to be considered. Black Africans making up about 88% of the province's total population seem to have a more significant influence on the provincial market growth of the industry. This percentage is relatively comparable to the population groups of whites (8.7%), Coloureds (3.1%), and Indians or Asians (0.4%) (Stats SA, 2011).

1.1 Industry background

In the Central Free State province of South Africa, the hair salon business is perceived to have the potential that can be harnessed for more economic growth. The hair salon industry in South Africa is ranked among the top industries that continue to contribute more to the economy in terms of Gross Domestic Product (GDP). Although the industry is largely attributed to the informal economy, the African hair care business has grown into a multi-billion industry, stretching through China and India as well as drawing global giants in the likes of L'Oreal and Unilever (*Health24 Magazine*, 2014). The industry is more volatile with a concentration of survivalist-sized businesses. It can be considered to be one of the top absorbers of the province's emerging entrepreneurs.

Any existing data indicating the percentage labour force contribution of the hair salon industry in the Free State province is yet to be found. There exists a growing trend of business diversification among operators of hair salons in the Free State involving transactions on a variety of non-salon products, an emerging trend in the industry. Advancement in technologies has been a remarkable trend contributing to the development of the industry. This development in technology presents the sector with ample opportunities to innovate across value chains. Competition among service providers is basically through strategies of differentiation in products, services, and prices. In most cases, profitability becomes a function of types of services and the related products involved in a given transaction.

1.2 Profile of the Free State province

The Free State province is bordered by six other provinces and the Kingdom of Lesotho. The province comprises four district municipalities, namely, Xhariep, Lejweleputswa, Thabo Mofutsanyana, and Fezile Dabi as well as the Mangaung Metropolitan municipality. According

to a report of Statistics South Africa (Stats SA) Mid-year (2015) Population Estimate, the Free State population approximates 2.8 million, constituting 5.1% of the total population of South Africa (54 million). The Mangaung area of the province ranks the highest population with 27.2%, followed by Thabo Mofutsanyane 26.8% and Lejweleputswa 23%. About 88% of the total population of the province is black, followed by the whites at about 8.8%. The Coloured population makes up 3.1%, while 0.1% consists of the Indians and Asia population. Table 1.1 shows the census 2011 and 2016 population distribution by district and municipality.

Table 1.1: population distribution by district and municipality, census 2011 & 2016

Province/district/local municipality	Census 2011	Community Survey 2016	Growth rate
DC16: Xhariep	121 945	125 884	0,7
FS161: Letsemeng	38 628	40 044	0,8
FS162: Kopanong	49 171	49 999	0,4
FS163: Mohokare	34 146	35 840	1,1
DC18: Lejweleputswa	624 746	646 920	0,8
FS181: Masilonyana	59 895	62 770	1,1
FS182: Tokologo	28 986	29 149	0,1
FS183: Tswelopele	47 625	47 373	-0,1
FS184: Matjhabeng	407 020	429 113	1,2
FS185: Nala	81 220	78 515	-0,8
DC19: Thabo Mofutsanyana	735 679	779 330	1,3
FS191: Setsoto	112 038	117 362	1,1
FS192: Dihlabeng	128 704	140 044	1,9
FS193: Nketoana	60 324	64 893	1,7
FS194: Maluti-A-Phofung	335 784	353 452	1,2
FS195: Phumelela	47 772	50 054	1,1
FS196: Mantsopa	51 056	53 525	1,1
DC20: Fezile Dabi	488 036	494 777	0,3
FS204: Metsimaholo	149 108	163 564	2,1
FS205: Mafube	57 876	57 574	-0,1
FS201: Moqhaka	160 532	154 732	-0,8
FS203: Ngwathe	120 520	118 907	-0,3
MAN: Mangaung	775 184	787 803	0,4
Free State	2 745 590	2 834 714	0,7

Source: Stats SA (2016:10). Provincial profile: Free State [Community Survey 2016]

Table 1.2 is a display of the differentials in age and sex within the Free State province. The survey shows comparatively that age groups between 20-24 and 25-29 had more males compared to females. Females were, however, found to number more than males within the older age groups. According to the survey report, a sex ratio of more than 100 depicts a higher number of males than females, implying that a number lower than 100 indicates a higher number of females than males. Nevertheless, the survey report depicts a decrease in the proportion of children aged between 0-4 within the survey period. This figure signals a decreased fertility rate in the province.

Table 1.2: Population distribution by 5-year age groups and sex [community Survey 2016]

Age groups	Male	Female	Total	Sex ratio
0-4	136 725	136 605	273 329	100
5-9	133 778	135 316	269 094	99
10-14	127 000	127 842	254 841	99
15-19	135 271	134 975	270 247	100
20-24	140 995	134 987	275 982	104
25-29	139 695	137 013	276 708	102
30-34	114 781	121 229	236 011	95
35-39	93 799	97 529	191 328	96
40-44	78 829	81 660	160 489	97
45-49	70 945	75 338	146 283	94
50-54	61 678	65 206	126 884	95
55-59	50 428	57 452	107 880	88
60-64	38 405	48 877	87 282	79
65-69	25 775	38 774	64 549	66
70-74	17 007	28 793	45 800	59
75-79	8 119	16 143	24 261	50
80-84	4 413	9 873	14 286	45
85+	2 324	7 137	9 461	33
Total	1 379 965	1 454 749	2 834 714	95

Source: Stats SA (2016:14). Provincial profile: Free State [Community Survey 2016]

Stats SA General Household Survey (2015:55), reveals that asset poverty stands as a major economic condition that is more persistent and prevalent in South Africa. This is a statement which is not far from the reality as in the case of the Free State province. The same Stats SA survey show that a proportion of 52.4% of households could barely survive without social grants, while 24.2% of households depend on grants as their main source of income.

1.3 Economic landscape of the Free State

Economic diversification has remained one of the major concerns of the provincial government, even though mining, manufacturing, and agriculture remain the pillars of the provincial economy. A number of initiatives have been put in place towards strengthening other sectors of the economy in order to become more competitive. Consequently, the province has adopted a strategic roadmap to accelerate its industrial development including initiatives such as:

- Special Economic Zones (SEZs)
- Exploitation of the newly discovered natural gas and helium fields in the province
- Agri-parks initiative that is planned for each of the district municipalities of the province.

Agriculture is widely practised across the province, with cultivated land covering about 32 000 square kilometers, excluding about 87 000 square kilometres of natural veld and grazing land (Free State Online, 2018: Internet; Stats SA, 2016:1). The province is rich in mineral deposits. The mining sector remains largely one of the major employers of labour. The province supplies a substantial portion of the world's total gold, diamond, silver, bentonite, uranium, and bituminous coal production (Free State Online, 2018: Internet; Stats SA, 2016:1).

The industrial sector is taking a leap from its diverse primary sector advantages to position the economy of the province in the manufacturing and export landscape. The provinces' major high-tech industries include a petrochemical company, Sasol, which remains a major player in the world production of fuels, waxes, chemicals and low-cost feedstock from coal (Verhoef, 2003). The province is positioning itself as a reputable player in the tourism sector of South Africa's economy. The Golden Gate Highlands National Park is regarded as the province's prime tourist attraction.

1.3.1 Free State labour market situation

According to the 2018 first quarter Labour Force Survey, the unemployment rate in the province stood at about 32.8% (Stats SA, 2018:28). The same survey shows a labour force participation rate of 63.9%, based on an absorption rate of 43.0%. According to Trading Economics (2018: Internet), youth unemployment rose up to 53.7% in the second quarter of 2018. In a 2017 survey report, the national urbanization rate rose to 65.8% (Index Mundi, 2018: Internet).

Table 1.3 provides an insight into the unemployment rate for the second quarter of 2018 by province. Comparatively, the unemployment rate of the Free State province in the second quarter of 2018 was relatively higher than the rest of the provinces of South Africa.

Table 1.3: Unemployment Rate by Province (Q2:2018)

	Official unemployment rate					Expanded unemployment rate				
	Apr-Jun 2017	Jan-Mar 2018	Apr-Jun 2018	Qtr-to-qtr Change	Year-on-year change	Apr-Jun 2017	Jan-Mar 2018	Apr-Jun 2018	Qtr-to-qtr	Y-on-Y Change
	Per cent			Percentage points		Per cent			% points	
South Africa	27,7	26,7	27,2	0,5	-0,5	36,6	36,7	37,2	0,5	0,5
Western Cape	20,7	19,7	20,7	1,0	0,0	24,6	22,5	23,2	0,7	-1,4
Eastern Cape	34,4	35,6	34,2	-1,3	-0,2	44,5	46,0	45,8	-0,3	1,3
Northern Cape	30,5	29,5	28,9	-0,6	-1,6	45,3	41,0	42,4	1,4	-2,9
Free State	34,4	32,8	34,4	1,6	0,0	40,5	38,4	40,1	1,7	-0,4
KwaZulu-Natal	24,0	22,3	21,8	-0,5	-2,2	40,4	40,6	40,9	0,3	0,5
North West	27,2	25,8	26,1	0,3	-1,1	42,0	41,8	43,4	1,6	1,4
Gauteng	29,9	28,6	29,7	1,1	-0,2	32,9	33,6	34,4	0,8	1,5
Mpumalanga	32,3	32,4	33,2	0,8	0,9	41,4	42,5	41,7	-0,8	0,3
Limpopo	20,8	19,9	19,3	-0,6	-1,5	37,1	37,6	37,4	-0,2	0,3

Source: Stats SA 2018, with adaptation

From the above table, it seems clear that additional initiatives are needed for more job creation that can significantly change the growing unemployment narrative of the Free State province.

1.3.2 Free State provincial employment generation by industry

The contribution of the various industrial groups toward employment generation in the Free State province is considered in this section. This becomes necessary as it supports in determining where priority attention of government are to be needed. In this section, the study explores government strategies in terms of improving employment generation as well as balancing other economic growth components. A number of industries seemed to have performed relatively well by maintaining growth in the area of job creation between 2017 and 2018. The threat of a technical economic recession in 2018 remains an unfortunate development that can be said to have shown a

negative impact on the labour market situation. This is particularly so in the Free State province, given that mining and agriculture are the major drivers of the economy. According to the Statistics South Africa 2018 Free State employment by industry report, the trade sector remained on top of employment generation in the second quarter of 2018. This report corroborates the assumption that much of job creation potential abounds in the trade sector, particularly in the hair salon industry. This report is illustrated in Table 1.4 below.

Table 1.4: Free State Unemployment by Industry

	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Jan-Mar 2018	Apr-Jun 2018	Q-to-Q change	Y-on-Y change	Q-to-Q change	Y-on-Y change
	Thousands							Percentage	
Free State	777	821	806	814	788	-26	11	-3.2	1.5
Agriculture	80	75	77	92	71	-20	-8	-22.3	-10.5
Mining	15	17	16	18	23	5	8	29.9	56.6
Manufacturing	69	55	55	58	58	0	-11	0.0	-15.6
Utilities	11	11	9	7	10	3	-1	39.5	-7.9
Construction	61	73	75	59	51	-8	-10	-13.4	-16.2
Trade	165	178	163	176	162	-14	-2	-7.8	-1.4
Transport	44	51	39	35	41	6	-2	17.7	-5.3
Finance	59	75	86	91	84	-7	25	-7.9	41.8
Community & Social Services	176	198	200	200	202	2	26	0.8	14.5
Private households	96	88	84	77	84	7	-13	8.6	-13.2

Source: DESTEA, 2018

Table 1.4 above provides us with an insight into the state of employment generation across key sectors of the Free State provincial economy in 2018.

1.3.3 District and metropolitan municipalities of the Free State province

- i. *Mangaung Metropolitan Municipality*: this is the only metropolitan municipality of the province. Major towns of the Metropolitan Municipality include Bloemfontein and Botshabelo. According to the Statistics South Africa's Free State Community Survey report of 2016 (Stats SA, 2016), it has an approximate population of 787 803. It is the most

economically vibrant city of the province, with the administrative capital in Bloemfontein, hosting many regional headquarters of national and multinational corporations. There is a relatively slow but stable growth frequency of commercial and trading activities in the metro. Entrepreneurial activities leading to the ownership of new businesses across industries in the various towns of the metro, however, remain slow. Key institutions attracting the largest workforce population includes the government institutions and the shopping malls. The metro hosts the main campuses of well-known higher institutions, namely, the University of the Free State, the Central University of Technology, Free State, and Motheo TVET College.

- ii. *Xhariep district municipality*: this municipality borders on the Northern Cape Province. Its population approximates 125 884 as indicated in the 2016 Stats SA Free State Community Survey report. The district has the famous Gariep Dam, which is a major tourist attraction. It comprises three local municipalities, namely Kopanong, Letsemeng, and Mohokare. The district is headquartered in Trompsburg. Agriculture is the major economic activity of the district.
- iii. *Lejweleputswa district municipality*: the district is predominantly known for the Free State Goldfields. The district has a population of about 646 920, according to the 2016 Stats SA Free State Community Survey report. Its major towns include Welkom, Odendaalsrus and Virginia. The district has one of the outstanding maize centres in South Africa, located in Bothaville. Its seat of government is Welkom, which has more significant commercial activities. This district comprises Masilonyana, Matjhabeng, Nala, Tokologo, and Tswelopele local municipalities. The major economic activities of the district include agriculture.
- iv. *Fezile Dabi district municipality*: the district has its seat of government in Sasolburg. It comprises Mafube, Metsimaholo, Moqhaka, and Ngwathe local municipalities. Its major towns include Kroonstad, Sasolburg, and Parys. The district has a population of approximately 494 777, according to the 2016 Stats SA Free State Community Survey report. Fezile Dabi is a host to Sasol, an international integrated chemicals and energy company. Famous attractions include the Vredefort Dome, which is a well-known meteorite site in the world. Agriculture is predominant in the district, while trading activities are more concentrated in the major towns.

- v. *Thabo Mofutsanyana district municipality*: this district is situated on the eastern part of the province, bordering the Kingdom of Lesotho and KwaZulu-Natal. The district has Dihlabeng, Maluti-A-Phofung, Mantsopa, Phumelela, Setsoto, and Nketoana as its local municipalities with an approximate population of 779 330, as indicated in the 2016 Stats SA Free State Community Survey report. The district government is headquartered in Witsieshoek. Major towns in the district include Bethlehem, Harrismith, and Phuthaditjhaba, where significant commercial and trading activities are concentrated. The district has the Golden Gate Highland National Park, one of the famous tourist attractions in the province. Other attractive places in the district include Ficksburg, Sterkfontein Dam, QwaQwa, and Fouriesburg.

1.4 Hair salon industry trend and outlook

According to findings contained in the Diagonal Reports (2010: Internet), South Africa's consumption pattern of hair care services and products differs by consumer segments as well as ethnic groups. Furthermore, the ethnic African segment is the single largest consumer group which has the most potential. The finding also asserts that in terms of hair care, South African Black consumers spend up to six times more than whites.

According to an eNCA (2014: Internet) report, a market research firm, the Euromonitor International, estimated that about 1.1 billion U.S. dollars hair products were sold in South Africa, Nigeria and Cameroon in 2013. This demonstrated an increasing growth of the hair care industry in Africa. The same report has it that over a billion dollars was spent on relaxers and other hair care products in South Africa, Nigeria, and Cameroon in 2017. Furthermore, it is estimated that the continent spends as much as 6 billion U.S. dollars a year on weaves, wigs and braids, while reliable Africa-wide figures are hard to come by.

Between 2010 and 2015, hair care products were amongst the fastest-growing categories of products sold in South Africa. Within the same period, sales plummeted up to 38%, as reported in Euromonitor International (2018: Internet). The same report further indicated that the African hair care market accounted for about 450 million U.S. dollars in sales in South Africa, approximating 6.3 billion Rand.

The hair salon industry in South Africa has a relatively stable and consistent growth outlook. In recent times there seems to have been a proliferation of black African survivalist hair salon operations across the towns of the Free State province. It should come as no surprise that this is one of the industries that seem to attract many African foreign nationals, given the relatively low nature of the business start-up capital requirement. However, the diversity in nationality adds to the trends and development in the industry in terms of styles, technology, and operations. The survival rate of salon business in the Free State province is yet to be determined. Furthermore, it is yet to establish any existing data regarding the industry's comparative performance in terms various nationalities as well as geographic locations.

There exists a variety of sales outlets in relation to hair products and accessories as well as hair services operations. This variety includes the following:

- Haircuts,
- Hairstyling,
- Hair washing,
- Hair drying,
- Hair modification treatments, and
- Facial hair grooming and styling.

Business volatility in the hair salon industry is apparently influenced by a number of environmental variables which include economic, socio-cultural trends, and technological, as well as climatic conditions. The industry is expected to grow stronger in the Free State in correspondence with the rise in disposable incomes and consumer confidence. Key trends in the industry include the use of franchising as a business model to ensure sustainability. The shopping malls or centre localization are gradually becoming prevalent choices among hair salon operators and product retailers across the province. The following key variables are considered:

- i. *Economic variables:* these constitute opportunities and threats to potential consumers and service providers in the industry. This set of variables speaks more to market attributes with respect to consumers' disposable income and affordability of hair care services. On the one hand, the frequency of demand for hair services may in most cases be a function of the economic status of potential customers, which influence other choices such as

hairstyles, quality of hair appendages, type of service providers' professional expertise, etc. On the other hand, hair salon operators may be faced with a variety of market scenarios involving cost factors which influence prices. Cost challenges in the hair salon industry are often associated with items considered in measuring Consumer Price Inflation (CPI) and Producers Price Inflation (PPI). The cost of operating hair salon businesses varies with a number of factors which include business size categories and geographic settings.

- ii. *Socio-cultural trend*: this comprises an inescapable set of variables which the hair salon industry has to contend with. Evolution in hairstyles is strongly tied with social values and lifestyles, more so, with respect to the cultural identity and affinity attributable to a person. A socio-cultural trend may take into consideration some gender attributes. Consumers are more likely to receive hair care attention, on average, at least monthly, and are usually fanatical with stylists.

The emergence of the internet and other hair care magazines have exposed the industry to new trends in hairstyles and hair cares that add to glamour. Ethnic factors remain key to the variety of hair care preferences. Innovations in hairstyles range from braids to weaves, to chemical treatments as well as other customized styles. Many South Africans seem to be shifting towards natural hair care preferences (Intel, 2017: Internet). This may be due to a number of factors which include the increasing level of health education and consciousness, as well as changes in social values and ideologies. Herbal hair care products have been enjoying increased popularity because of a high level of awareness about the ill effects of chemical substances. In any case, there remains a trend for many who use relaxers and weaves which dominate the South African market.

- iii. *Technological variables*: the continuous improvement in hair care technology has reshaped the hair salon business landscape in recent times. This is coupled with a high frequency of innovation. To a considerable extent, technological breakthroughs have influenced a whole lot of other factors which include affordability, customers' choices, and service qualities. Improvement in technology has enhanced operation processes, as some of the hairstyles that once used to be more tedious to execute are now simplified due to improvements in technology. The same innovation in hair salon technology has led significantly to a revolutionary trajectory in the development of the industry by changing the industrial

outlook. It added more value to the hair salon business offerings that speak to beauty and elegance in contemporary society.

- iv. *Climatic conditions*: changing weather conditions may generally have a considerable influence across business sectors. Weather conditions tend to be a source of opportunity or threat to the industry. In most instances, during winter seasons turnover in the hair salon business is often considered to be at its lowest. While business confidence seems to be high in summer, clement weather conditions inspire people to display the elegance of hairstyles. Men may be considered to have a less frequent demand for hair care services compared to women.

It is therefore not surprising to find hair salon academies spreading across some of the major cities of South Africa such as Johannesburg, Pretoria, Cape Town, and Durban. This development, however, shows the employment potential of the industry.

1.5 Legislative framework

Small business development is considered a national priority in addressing economic growth. Much emphasis has been given to the growing need for a more sustainable approach to small business development along the line of economic growth that contributes significantly to job creation. The policy environment for small business development is guided by the aims of the National Development Plan (2030), by which terms are “to eliminate poverty and reduce inequality by 2030”. South Africa can realize these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society.

The following policies, strategies and specific legislative frameworks are included to ensure coordinated actions toward the realization of the Free State provincial government’s goals of small business development for economic growth:

- i. *National Small Business Act No. 102 of 1996*: this Act seeks to provide for the establishment of the National Small Business Council and the Ntsika Enterprise Promotion Agency; to provide guidelines for organs of the state in order to promote small businesses in the Republic; to provide for matters incidental thereto.

- ii. *Business Act No. 71 of 1991*: this Act seeks to repeal or amend certain laws regarding the licensing and carrying on of businesses, and shop hours; to make certain new provisions regarding such licensing and carrying on of businesses; to provide for matters connected therewith.
- iii. *Broad-Based Black Economic Empowerment Act No. 53 of 2003*: this Act seeks to establish a legislative framework for the promotion of black economic empowerment; to empower the Minister to issue codes of good practice; to publish transformation charters; to establish the Black Economic Empowerment Advisory Council; to provide for matters connected therewith.

1.6 Provincial mandate and strategies

The Department of Economic, Small Business Development, Tourism and Environmental Affairs (DESTEA) is bestowed with a set of statutory mandates which includes administering 1) trade, 2) tourism, 3) casino, racing, gambling, and wagering, excluding lotteries and sports pools, 4) consumer protection, 5) environment, 6) industrial promotion, 7) natural conservation, 8) pollution control, 9) soil conservation, 10) liquor licenses and control of undertakings that sell liquor to the public. In a nutshell, a major component of DESTEA's functional tasks remains economic development via small business development across the province. These mandates serve as the basis for strengthening institutions for harmonious coordination and implementation of government strategic plans in accordance with its commitment to small business development.

In contribution towards addressing the challenges of poverty, inequality, unemployment as well as local economic development, the department sets out its short-, medium- and long-term goals. These are outlined in the following 2016/2017 strategic Outcome-Oriented Goals (DESTEA, 2017:35):

- i. To substantially improve socio-economic development through astute leadership in the form of strategic direction, monitoring and accountability [through the provision of leadership for effective socio-economic development].
- ii. To ensure that appropriate methodologies, guidelines, and processes for financial management are applied, in an efficient and accountable manner [through the creation of efficient and effective financial management system for sustainability].

- iii. To ensure that organizational human resources are skilled, equipped, healthy, and motivated in order to meet the service delivery demands placed on the department [through building a responsive human resource attribute that is responsive to service demands].
- iv. To ensure that economic development is planned and executed in an integrated manner; addressing the issues of poverty, job creation, and inequality, whilst promoting a culture of risk avoidance, awareness, and adaptation [through integrated economic development for radical transformation].
- v. To ensure transparent, accountable and democratic environmental management systems and processes, which will support sustainable development and inclusive economic growth in the province [through inculcating accountable environmental management for sustainable development and inclusive economic growth].
- vi. To ensure transformation in the tourism sector, in order to promote equity, investment, and growth in both domestic and international tourism [through fostering tourism sector transformation and development for improved market share].
- vii. To ensure optimal organizational performance and service delivery through managing and optimizing internal business processes, with emphasis on internal resource optimization, process re-design for efficiency, technology adaptation and strengthened accountability [through business process optimization for better programme performance and co-operation].

1.7 Approaches and methodology

This research was based on a mixed-methods study approach consisting of an integration of literature review, questionnaire-based interviews as well as survey approach. Subsequent to the provincial analysis, data triangulation and cross-validation was applied. A literature review as carried out relied on related information using existing data and research papers, industrial white papers, commissioned reports, and government technical reports. The review focused on addressing key issues around opportunities and possibilities in the hair salon industry in relations to job creation that contributes to economic development of the Free State province. Useful internet data sources related to the study were included in the review.

A total of number of 1237 hair salon operators and hair product retailers participated in the study. Participants were drawn from five districts of the Free State province, namely, Thabo Mofutsanyana, Fezile Dabi, Xhariep, Lejweleputswa as well as Mangaung Metro. The questionnaire survey involved a total of 1202 respondents, while a total of 35 participants were interviewed. Sampling was by means of a simple probability sampling.

A field data collection was administered in all five district municipalities of the province. This was carefully carried out in order to address issues arising from the research objectives and questions as touching the contributions of the hair salon industry to the economic growth of the Free State province. Quantitative data analysis relied on the use of descriptive statistics. In analyzing the interview data, the thematic coding analysis was applied to descriptive themes. Results were expressed in percentages. The district municipal spread of the study population is described in the following table:

Table 1.5: District municipal study population samples

District municipalities	H/S Operators	H/P Retailers	Total
Fezile Dabi	138	8	146
Lejweleputswa	174	13	187
(Mangaung)	511	46	557
Thabo Mofutsanyane	261	7	268
Xhariep	43	1	44
	1127	75	1202

The survey ensured that data on hair salon operators and hair product retailers were differentiated and analyzed according to the respective district municipalities. The samples of enterprise sizes and trade categories are as follows:

The study was, however, subject to some limitations, including the difficulty in obtaining data on a number of historical trade data as most study participants had insufficient records.

The survey ensured that data on various business categories were identified and collected for analysis according to the respective local and district municipalities. Finally, a statistical data analysis was carried out to ascertain findings. Descriptive statistics were used in presenting evidence-based findings from the study, following which recommendations were made.

1.7.1 Goals and key research questions

This study is guided by a set of goal-specific objectives and key questions; as stated in boxes 1.1 and 1.2. The study is conducted on the basis of the mandate of the Free State provincial Department of Economic and Small Business Development, Tourism and Environmental Affairs (DESTEA). The study aims to determine how the hair salon industry would create more jobs to contribute to economic growth of the Free State province, and furthermore, to make recommendations in support of policy directions. The specific objectives of the study are therefore to:

Box 1.1: Specific objectives

1. To determine the ownership of hair salons in the Free State province in terms of nationality, gender, age, and designated groups.
2. To determine the capital outlay for establishing hair salons in the Free State province.
3. To identify the effects of entry requirements and barriers on the establishment of hair salons which may either hamper or encourage the entry of emerging entrepreneurs into the local market.
4. To ascertain the estimated turnover trends among hair salon businesses in the Free State province.
5. To identify the sources of hair care products used by salons in the Free State province.
6. To evaluate the opportunities associated with hair salons' linkages with the manufacturing value chain.
7. To identify supports needed to strengthen hair salons' linkages with the manufacturing value chain.
8. To identify the legal requirements to guide the hair salon industry in the Free State province.
9. To evaluate the relationship between the hair salon industry and the manufacturing sector value chain.

The study attempts to address the following key questions as corresponding to the above stipulated objectives:

Box 1.2: Research questions

1. What nationality, gender, and age, and designated groups constitute the ownership of hair salons in the Free State province?
2. What is the capital outlay for establishing hair salons in the Free State province?
3. What are the effects of entry requirements and barriers on the establishment of hair salons which may either hamper or encourage the entry of emerging entrepreneurs into the local market?
4. What are the estimated turnover trends for establishing hair salons in the Free State province?
5. What are the sources of hair care products used in the Free State province?
6. What are the opportunities available in terms of hair salons' linkages with the manufacturing value chain?
7. What are the supports needed to strengthen hair salons' linkages with the manufacturing value chain?
8. What are the legal requirements to guide the hair salon industry in the Free State province?
9. How can improvement be achieved in the effectiveness of the relationships between the hair salon industry and the manufacturing sector value chain?

2. HAIR SALON INDUSTRY LANDSCAPE

Historical background: The industry has come a long way through different socio-cultural, political and economic environments as the history of South Africa developed. The hair salon industry in South Africa is continuously adapting to global standards. Its present state can be considered to have metamorphosed from the old African traditional hair care services along the lines of tribal fashions. This sort of service, as rendered by talented local practitioners, required

the use of local natural materials. What seemed to be salons in the olden days were operated from private home settings. Weaving and braids were most fashionable. The emergence of the industrial revolution was a major development considered to have an overriding influence on the dynamics of society in general, including the means of doing business. Consequently, as the impact of cities was felt, the business adjusted to the city standards, giving rise to the standardization of hair care services across diverse races. This inclusive perception of hair care services may be seen as the gateway to emerging hairstyles and technology.

2.1 Global perspectives on hair care market

Research on global hair care services and product market is increasing as the sector continues to revolutionize with possibilities of technological breakthroughs. Many of the research studies have encouraging findings that signal potential opportunities for emerging entrants into the industry. According to Direct Selling News (2018: Internet), a new report by the Zion Market Research indicated that the hair care services and product market were valued at around 89.08 billion U.S. dollars in 2017. The report further projects an expected Compound Annual Growth Rate, (CAGR) of slightly above 3.15% between 2018 and 2024. The same report reveals that the growth of the hair care global market has been influenced by factors that include:

- i. An increasing number of fashion-conscious users and growing concern about a variety of hair related problems
- ii. Increasing demand for hair care by males
- iii. Increasing demand for organic and environmentally friendly products.

The global hair care market may, however, be challenged by a rising rate of cost inflation which can negatively affect the production capacity of hair care products and accessories. Many manufacturers in South Africa may be resorting to ways that can curtail costs while being mindful of exploiting organic opportunities.

According to a report contained in Mordor Intelligence (2018), the United States remains one of the largest markets for hair care, largely contributing to the global hair care market. The Chinese

and Indian markets for hair care products and accessories seem to be more competitive among the countries making inroads into the South African local hair care market.

2.2 Economic performance and outlook of the hair salon industry

Within the context of the Free State provincial economic activities and other developments, this section seeks to review the economic performance of the hair salon industry. The industry is one of South Africa's important contributor to small business entrepreneurship development. It has remained one of the industries that attract a large population of the self-employed. The proliferation of hair salon businesses in the province can be perceived as a possible continuous employment generation. How much employment, in terms of percentage, the industry annually generates in the province is, however, uncertain; the same can be said about its exact Gross Domestic Product (GDP) contributions.

Skills supply in the industry is relatively low across the country (DHET, 2018), a situation that can be attributed to the Free State province. The hair salon business thrives in a buoyant consumer economy as the demand for hair care services may be somewhat inelastic, a situation whereby changes in prices may have little or no effect on the demand. The salon business peak periods across the province are mostly during official paydays as well as festive seasons, especially for consumers in rural areas.

3. CLASSIFICATION OF THE HAIR SALON INDUSTRY

Given the relative ease of entry and exit nature of the hair care services market, for the purpose of this study, it is worthwhile providing a classification of the industry in terms of their attributes. This classification serves as a way of enhancing the understanding of the economic growth potential of the industry as well as guide policy development.

One major attribute associated with the industry is in relation to formalization. Many salons in the Free State province are yet to be formally registered with the relevant government authorities. Many also are not registered with the local municipal authorities. There are still others not yet captured by the South African Revenue Services (SARS).

- i. *Established hair salons*: In this category, sales turnover rate is relatively high as operations are often at the optimum level. There exists a stable continuity in the historical life cycle of the majority of salons that fall in this category. The rate of GDP contribution from this industry to the national economy is yet to be determined. Much can be traced to the established hair salons. The shopping mall approach is becoming more prevalent, whereas hair salons are beginning to take advantage of the shopping mall environment to maintain class and customer segments. This development is more often associated with the established hair salons in the province. The white-owned salons seem to be making comparatively more inroads in the shopping malls. There are barely any established salons in existence in the townships.
- ii. *Emerging hair salons*: The parameter to ascertain what constitutes the emerging salons may be conceptualized differently. However, for the purpose of this study, hair salons considered to fall within this category are those yet to be commercially established and developed, those mostly unsustainable as entities. In recent times, the Free State province has witnessed the proliferation of this category of hair salons. Many of these salons remain in the emerging category. This category is mostly associated with the black racial group. A major significant attribute of this set of salons is that they are survivalist business entities. Many of them are not registered with the relevant government authorities, thus, their approximate statutory contributions to the national GDP are likely uncertain. Some of them are known to be undercover businesses operating on street corners and not having reliable business identities and addresses.

4. BUSINESS STRATEGIES AND MANAGEMENT PRACTICES

Strategies and practices addressed in this section focus more on the various organizational strategies most associated with hair salons enterprises. This was in order to ascertain their impact on employment generation as well as enterprise sustainability. Typical management practices and approaches will further be examined in view of the inherent entrepreneurship situation of the Free State province. It considers the management of key environmental factors that influence the hair salon business success or failure.

4.1 Organizational strategies of hair salon operations

The choice of a legal structure by which a hair salon chooses may depend on a number of factors such as finance, membership, size, etc. a legal structure involves choosing the appropriate business entity under which a business ought to operate. It is important to consider on what formal or informal platform a hair salon business operates. In the Free State province, many hair salons seem to operate under informal and survivalist platforms. Depending on issues of platform, various organizational strategies are open for adoption. These strategies include sole proprietorship, partnership, close cooperation, joint venture, and co-operative. However, according to findings from the survey in this study as indicated in Figure 4.1, the sole proprietorship was found to be more predominant (63%). This was followed by the family form of business (19%). This support the view that more people prefer to own and operate salons single-handedly than otherwise.

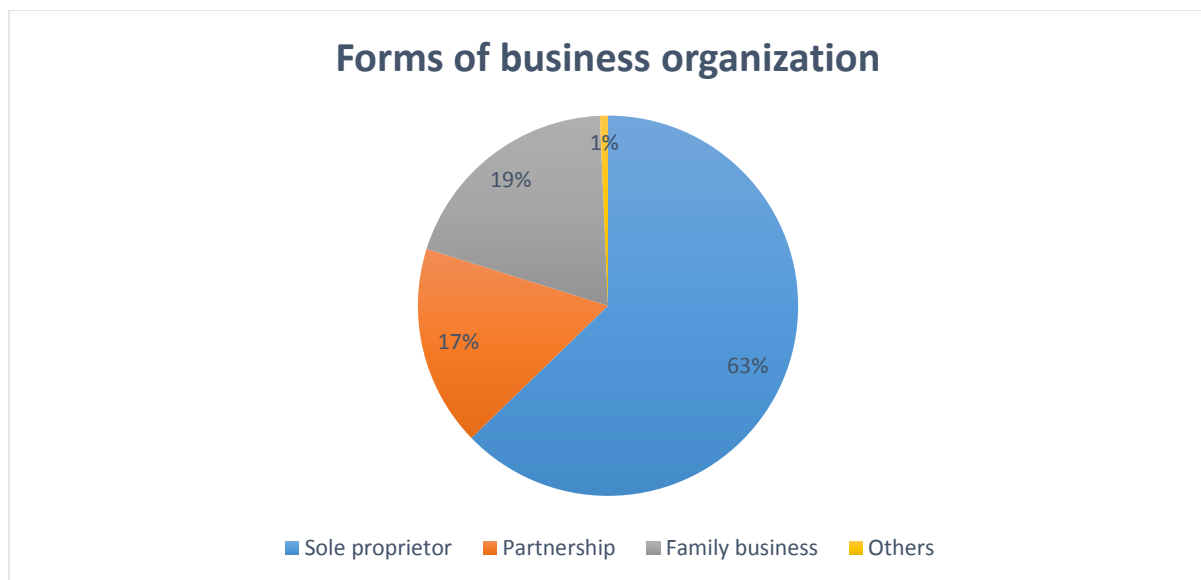


Figure 4.1: Forms of hair salon business organization

Apparently, several typical challenges are likely to confront existing hair salon enterprises: first, marketing management, operations management, and as a matter of national economic concern, therein also lies the challenge of sustainability of employment generation. Interestingly, for management skills and techniques, emerging hair salon ventures have access to leverage existing development institutions in South Africa, such as Small Enterprises Development Agency (SEDA)

and Free State Development Corporation (FDC), to name just a few. In the absence of a fundamental structure of sustainability, employment generation suffers.

The sustainability of emerging hair salon businesses in the Free State remains a concern to government given the degree of complexity in regulatory compliance requirement. This is as important as ensuring that the cost of compliance requirements do not increasingly impact on the emerging hair salon businesses. Often, it happens that many start-up entrepreneurs find it easy to venture into the hair salon business and exit in less than no time. Unfortunately, a good many dissipate seed capitals by way of strict compliance. Worse still, the government remains the ultimate end-point in which failing survivalist ventures dissipate capitals. Furthermore, the development of rural entrepreneurship, which remains one of the primary focus of government institutional efforts, needs to be a reliable catalyst for sustainable employment generation.

It is often required of government to ensure that, while there remains a regulatory system that speaks to revenue generation by the various government institutions through industrial activities, the drive for a sustainable rural entrepreneurship should equally be encouraged. This may be intended for the actualization of growth and competitiveness among emerging hair salon businesses. More legislation is required to ensure that small business enterprise governance structuring is up to the required standard as a step in this direction. This can be supported by entrepreneurship business management training and education for emerging hair care business operators. The hair salon operators seem to require a clear sense of focus and strategic directions in their service offerings in order to stem the rising tide of premature business failures in an environment characterized by a high entry and exit rate.

Challenges associated with hair salon business ventures can be categorized into managerial and non-managerial, much the same as other types of businesses. Many of the salon business ventures generally face environmental factors that are mostly less controllable. The extent to which venture management is able to demonstrate and administer its internal resource capabilities may determine its probability of success or failure. It is not out of place to consider the entrepreneurial attributes as a set of contributing variables to the dynamics of hair salon business venture success or failure. This speaks to several factors within the strengths and weaknesses of the salon ventures in the Free State province.

4.2 Management practices and approaches

Management practices and styles of existing hair salon business ventures in the province may vary from venture to venture and may have much in association with the level of skills, training, and education of the owner/manager. Subletting units of workspaces to other hairdressers is an increasing practice among many hair salon operators across the CBDs of the Free State province. This practice has contributed to generating more self-employment in the profession across the CBDs of the province. The wisdom in this practice may be drawn from the common experiences that, firstly, employee hairdressers are more likely to engage in ‘free riding’. Secondly, many of the emerging hairdressers are unable to singularly afford the high cost of rent in the CBD. This study takes cognisance of the distinction between self-employment, entrepreneurship, and start-ups with respect to job creation in the hair salon industry.

Figure 4.2 shows that the majority (87%) of the owners or managers surveyed, the highest education level was below high school matric. However, management training and development is highly required in enhancing entrepreneurship of the hair salon operators in the Free State province. Many of the hair salon owners and managers seem to be facing management challenges that typically include:

- i. Workforce coordination
- ii. Decision making
- iii. Book-keeping
- iv. Planning

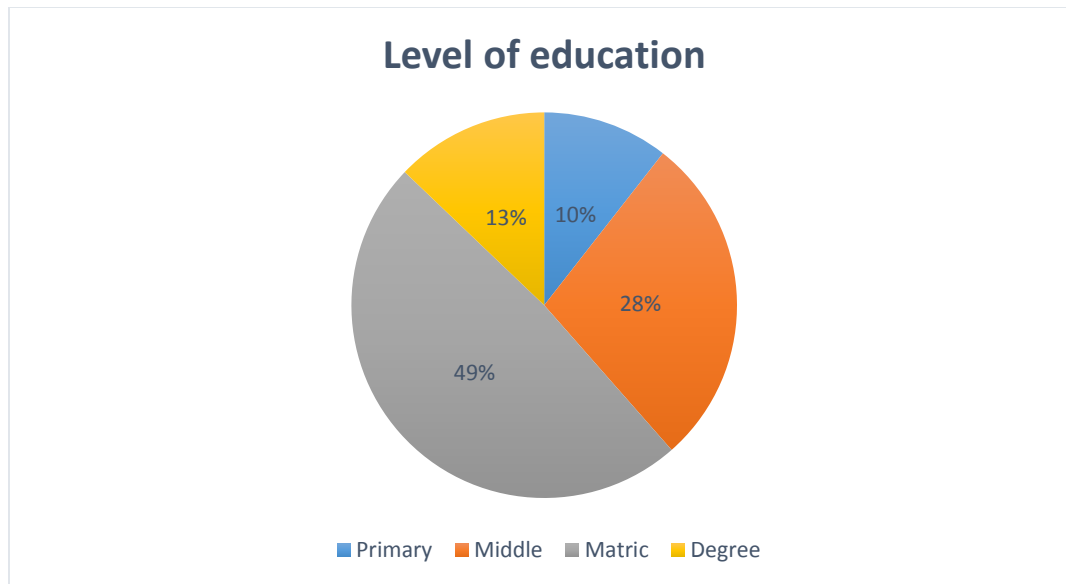


Figure 4.2: Level of education of owners/managers

5. SUPPLY CHAIN CONFIGURATION

Understanding the concept of a supply chain is an important attempt toward configuring and balancing perspectives of the hair care product supply chain in the Free State province. This is basically more so in the light of the age-long misconception of the supply chain and value chain as synonymous (Feller, Shunk & Callarman 2006). Given that the focus of this section is to identify sources of hair care products used by salons in the Free State province, a well-defined manufacturing and distribution network arrangement may be helpful in addressing value chain challenges. On the one hand, the supply chain in this context is a product-market configuration that facilitates the flow of hair care products and services from various sources to their final destinations while optimizing cost. On the other hand, the value chain focuses on the downstream creation of value in the eyes of customers along a supply chain. This definition can be applied when determining linkages among value stakeholders that accelerate the growth of the hair salon industry. In terms of the national manufacturing industry size, the Free State province is relatively less competitive given its recurring sixth position among other provinces. This translates to the high cost of operating salons in the province, which may be given as one of the key reasons for the poor performance of salons in many local municipalities.

6. ESTABLISHING HAIR SALON BUSINESS VENTURES

The essential requirements for operating a hair salon business may seem different from those of other types of businesses. Even though the average start-up capital for venturing into the hair salon business may be minimal depending on whatever size category that is considered, a good business plan outlining essential requirements is however needed. Many emerging hair salon entrepreneurs in the Free State province consider the hair salon business to be relatively easy to start. However, as it concerns the provincial authorities, key requirements for establishing a hair salon business venture may include the following:

- i. *Legal structure*: this involves choosing the appropriate business entity under which a business ought to operate. The implication for whatever choice made must be considered in terms of the requirements of the law and other regulatory compliance requirements. Hair salons are mostly small businesses, many of which are either in the organizational form of sole proprietorship or partnership. In South Africa, most small businesses are registered in terms of a Proprietary Limited (Pty) Ltd companies, they are treated by South African law as a separate legal entity. This privately limited category of companies is mandated to get registered as taxpayers in their own rights. According to The Companies Act, No. 71 of 2008, private companies are required to perform rights and duties of their own.
- ii. *Licensing and permits*: various licences and permits operate in different provinces and municipalities as the case may be. Licences and permits that may be considered to be compulsory in one municipality may be different from another. In many cases, some licences and permits may lack enforcement by the relevant government authorities. Otherwise, it is expedient for prospective hair salon operators to inquire with the provincial or local municipal authorities concerning what licences and permits are required to operate a hair salon in a particular location. Nevertheless, permits include sanitation permits and business permits in relation to environmental health and safety.
- iii. *Finance*: financing a business remains one of the key challenges facing many hair salon entrepreneurs in the Free State province. The external sources of finance seem to have its long-term implications. Despite the difficulty in accessing external sources of finances, it is common to find emerging small businesses defaulting in adhering to debt

obligations. Personal finance remains the major source of financing the hair salon start-ups in the province as survey results in Figure 4.3 shows. Poor financial management remains a major challenge to small businesses in the province. Estimating the capital outlay for establishing a hair salon business takes into consideration a number of factors which include the business size of operation, the location of the hair salon, as well as other operating expenses.

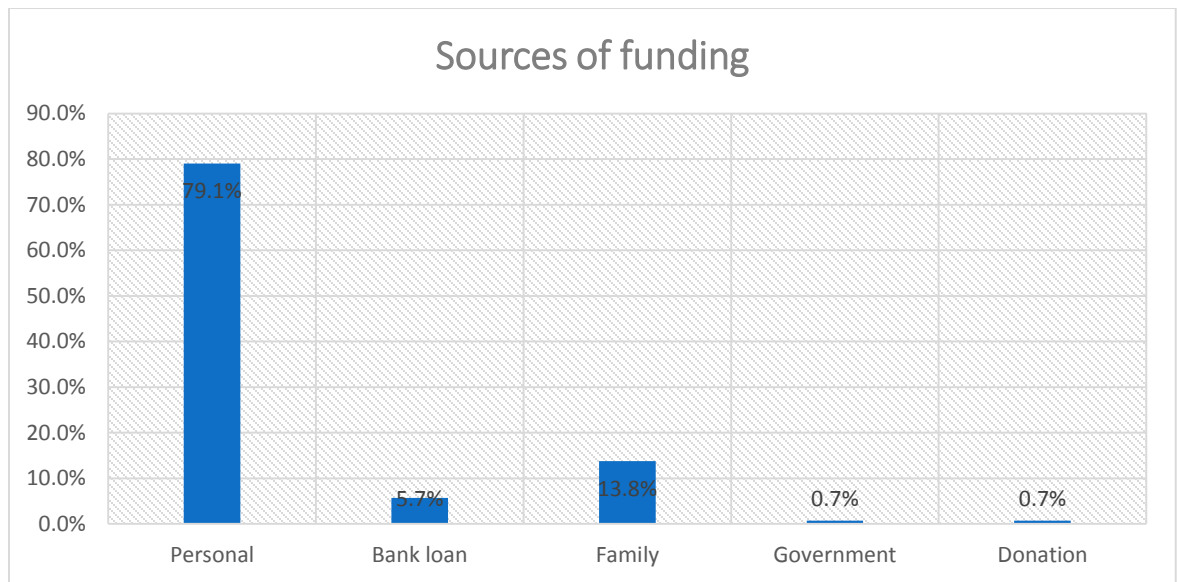


Figure 6.1: Sources of funding for hair salons

- iv. *Entrepreneurial attributes of the individual*: this is a complex set of conditions that is much neglected by business practitioners and stakeholders. The success or failure of many hair salon business owners/managers depends to a considerable extent on the entrepreneurial attributes that define them. This set of attributes can be considered as the common personality traits associated with the individual entrepreneur. These key attributes are included in Figure 4.4:

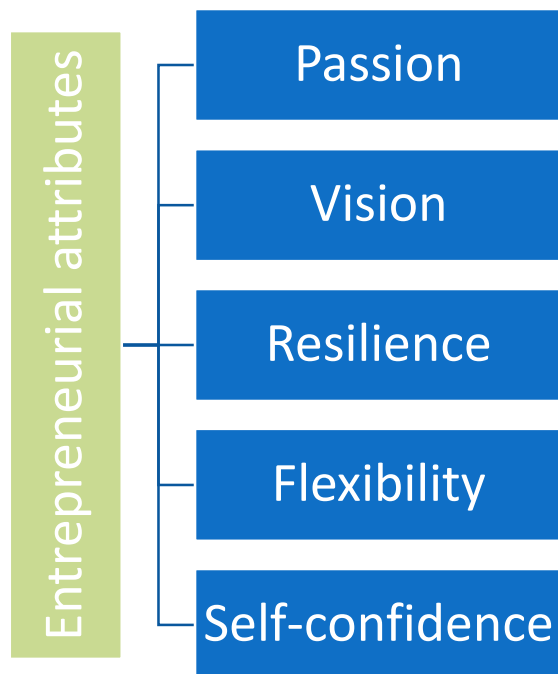


Figure 6.2: Entrepreneurial attributes

Global Entrepreneurial Monitor (GEM) 2014 provides yet another dimension of attributes while describing the framework condition leading to entrepreneurship activities. According to GEM (2014:11-12), the perception of opportunities, the perception of own capabilities to act entrepreneurial, fear of failure and entrepreneurial intentions constitute individual attributes. These attributes define entrepreneurship activities. Many of the hair salon business owners are much in possession of the above attributes. Nevertheless, beyond the demonstration of these common entrepreneurial attributes, factors that are most likely to determine the success or failure of the hair salon business are multidimensional and more dynamic.

7. ENVIRONMENTAL FACTORS INFLUENCING THE HAIR SALON INDUSTRY

The hair salon industry entrepreneurs cannot undermine the fact that there are key environmental factors to contend with. These factors constitute threats and opportunities depending on which side of the spectrum is of concern. These factors are regarded as external influences and mostly less controllable as they determine general business climates. The following key factors are considered:

- i. *Economic factor:* Owing to a rising inflation rate of 5.1% in the second quarter of 2018, there has been a gradual weakening of demand for goods and services. Following the adjustment in the repo rate to 6.5% and a prime lending rate of 10% in the second quarter of 2018, the growth prospects for the South African consumer market are conditioned to improve alongside expectation for a stable business and consumer confidence. These economic variables inadvertently influence the performance of the hair salon industry.

The beginning of 2018 saw a number of changes in the government fiscal policy owing to which Value Added Tax (VAT) rose from 14% to 15% on designated goods and services. In the first and second quarter of 2018, there was a sharp decline in the value of the rand, as the exchange rate of the rand stood at an all-time high of 14.4 rand to a dollar (Trading Economics 2018: Internet).

Following a GDP growth rate contraction of less than 0.7% in the second quarter of 2018 and the continued fall in the value of the rand, in the third quarter of 2018, the South African economy was officially declared to have entered into what was considered as a technical economic recession. The spiral effect of this economic trend reflected negatively on other indexes which included the PPI and CPI.

- ii. *Technological variables:* the speed of globalization has put enormous pressure on technological development in South Africa. Rapid changes in technology influence progress in the production of good and services. The increasing demand for technological tools in the hair salon industry is considered a derivative of the growing demand for creative hairstyles. Adaptation to technology has its cost implication for business. The ideology of resourcing through eco-friendly technologies is an emerging trend that is embraced across businesses, to which the hair salon industry is no exception.

Many emerging technological innovations, even as they appear to be sources of opportunities to many hair salon businesses, may in some cases have disruptive consequences to others as well. This can be related to the concept of disruptive innovation. According to Christensen's (1997) "*The innovator's dilemma: when new technologies cause great firms to fail*", the concept describes a technological innovation that has the potential to generate new market and value network that will eventually disrupt an existing market and replace an existing product. Innovation in technologies is known to have a

significant impact on existing value networks, especially in the case of the hair salon industry.

- iii. *Socio-cultural environment*: this variable has much influence on the industry's business landscape. Socio-cultural attributes differ according to geographic locations with time factors. The survival of the hair salon business in an evolving socio-cultural environment may require a level of sensitivity to the changing values in the immediate and extended society.
- iv. *Political/legal environment*: government policies and legislation sometimes may have unimaginable influences on business. These are external environmental influences on the internal operations of a business, for instance, when a hair salon operation has to be faced with the challenges of complying with new provincial or municipal regulatory requirements. Changes in government policies and new legislation and amendments in existing legislation may require that business strategies and objectives are frequently overhauled in order to conform to possible realities.

8. MANUFACTURING SECTOR VALUE CHAIN

This section commences with a review of emerging research and analysis on the manufacturing sector value chain. This will be subsequent to an attempt to gain a deeper insight into key challenges and opportunities associated with the hair salon industry and the manufacturing sector value chain. The manufacturing sector, which is considered as the secondary sector, has in recent times seemed to be a fast-moving and dynamic sector.

In the manufacturing sector, cosmetic and personal care production activities seem relatively vibrant. According to a report of the Department of Trade and Industry (the dti), the market for cosmetic and personal care products in 2011 was estimated at about 25.3 billion at the retail level, with a national GDP contribution of 1.0% in 2010 (the dti, 2011: Internet). This industry has a mix of small, medium and large local players as well as multinational giants. The industry can be said to be currently in a state of transition, owing to the dawn of the Fourth Industrial Revolution. This is characterized by a growing rate of mechanization of manufacturing processes, consisting more of a system of automation that unfortunately, in recent times, threatens the prospect of the

South African labour market. Based on the manufacturing sector value chain, critical issues examined in this section are in relation to:

- i. The evaluation of the opportunities available in terms of hair salons' linkages with the manufacturing value chain
- ii. The identification of support needed to strengthen hair salons' linkages with the manufacturing value chain
- iii. Evaluating the relationship between the hair salon industry and the manufacturing sector value chain
- iv. Key policy challenges for the hair salon industry in relation to linkages with the manufacturing value chain.

The hair salon industry in the Free State province has fairly well-established linkages with the manufacturing sector value chain. The value chain concept is an important development extending into the field of small business entrepreneurship, given the globalization of intermediate goods and services (Donofio & Whitefoot, 2015). Porter (1998) identified the concept as a set of interdependent generic productive activities. These activities are expressed in value creation across a range of research and development, design and manufacturing as well as the stage of final distribution and beyond (UNCTAD, 2015). This chain of activities increasingly contributes value that results in a final product/service offering.

Using Porter's (1998) generic value chain concept as a reference model, the concept is often applied when describing the economic network of interrelationship existing among value stakeholders along the continuum of an entire product life cycle (Acharyulu, Subbaiah & Rao, 2015). In the context of the manufacturing sector value chain, value stakeholders may include a network of suppliers, customers, distributors, and consumers involved in a series of value-related activities. These economic network participants are involved in what Porter (1998) refers to as the primary or support activities which are incremental to value.

The value chain is a management philosophy that is based on a system approach. The term 'value' in the hair salon industry and the manufacturing sector is dynamic. The industry's value chain may interconnect different participants in the various sectors of an economy. Understanding a value chain enhances the ability of a business unit to predict and favourably participate in value

exchanges in a given business environment. Key value stakeholders in the hair salon industry include the following:

- i. Manufacturers of hair products
- ii. Manufacturers of hair salon accessories
- iii. Government institutions
- iv. Network of dealers and distributors
- v. Wholesalers
- vi. Retailers
- vii. Network of suppliers
- viii. Hair salon business owners
- ix. Hair salon customers.

8.1 Hair salon industry value chain drivers

Determining value chain drivers can be regarded as a necessary approach towards attempting to associate the hair salon industry with the manufacturing sector value chain. Several events and activities are carried out internally and externally among interlocking stakeholders in the hair salon industry. Drawing on Porter's (1998) widely applied value chain concept, we explore a set of events and activities in the hair salon value chain. By this attempt, typical value chain drivers can be determined. Extending this concept beyond an individual hair salon enterprise as it applies to a whole supply chain and distribution networks will enhance a more pragmatic evaluation of key drivers across sectors. Figure 4.5 illustrates Porter's value chain concept:

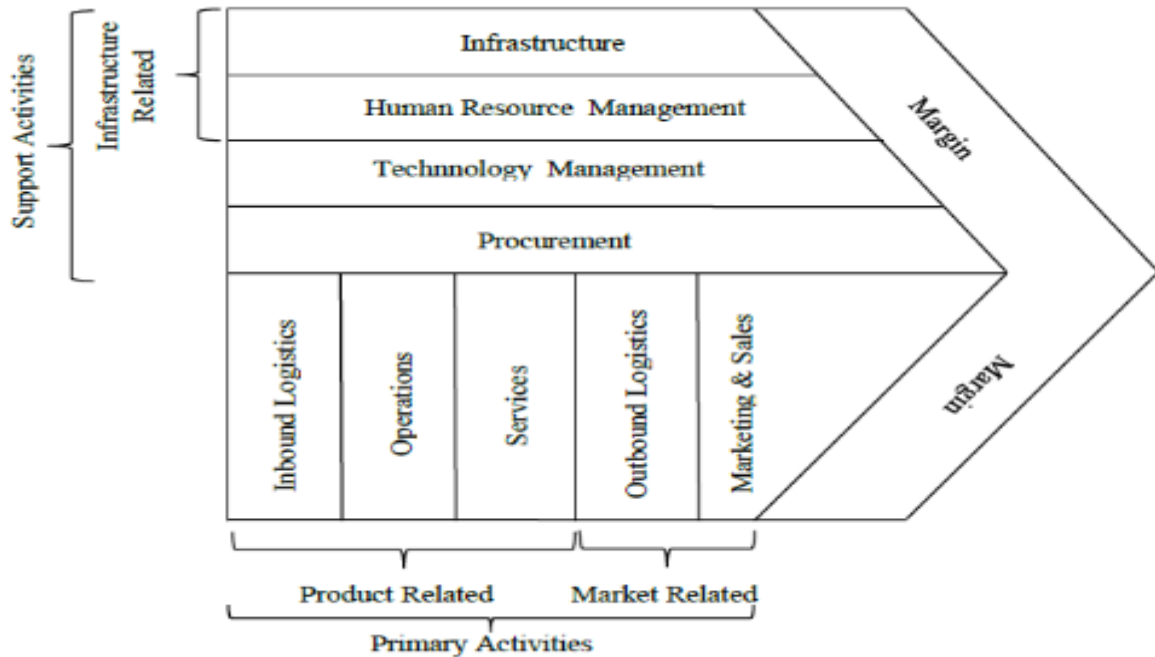


Figure 8.1: Porter's Generic Value Chain: Source: Porter (1985)

Porter's generic value chain model encapsulates two fundamental activities which are typical of organizational networks. These activities are basically the support activities and primary activities that drive sequential values. According to Porter, inbound logistics, operations, outbound logistics, marketing and sales, and services are interconnected primary activities.

This set of primary level value chain activities are directly involved in the conversion process of input to output (Acharyulu et al. 2015). They are supported by a set of other activities that include infrastructure, human resource management, technology development, and procurement. On the basis of this conceptual analysis, it is therefore considered that these categories of activities can be included as key drivers of both the hair salon industry and manufacturers value chain. The following primary activities are illustrated in the context of the hair salon industry in the Free State province:

- i. *Inbound logistics*: these are activities involving the inbound movement of materials, hair products, and accessories from suppliers to manufacturing plants. It cuts across warehouses or retail stores.
- ii. *Operations*: this is concerned with the activities involving the conversion of production inputs to outputs as well as managing the conversion process.

- iii. *Outbound logistics*: this is in relation to the movement of the final product along production lines to the end users.
- iv. *Marketing and sales*: include transaction activities involving the exchange of values among value stakeholders in the sector or extended society.
- v. *Services*: includes after-sales activities required for the maintenance of values.

Support activities in the value chain include the following:

- i. *Infrastructure*: in relation to activities that fundamentally facilitate the functioning of a production system or the value sequence thereof such as legal, finance, and quality assurance.
- ii. *Technological development*: in relation to products, services, procedures as well as technical knowledge utilized in the conversion of inputs into outputs.
- iii. *Human resource management*: involves the effective management of organization workers to maximize performance and achieve strategic objectives.
- iv. *Procurement*: pertains to the activities of sourcing, negotiating and strategic selection of product and services from external sources.

8.2 Hair salon industry linkages with manufacturing sector value chain

This section aims to identify the support needed to strengthen hair salons' linkages with the manufacturing value chain in the Free State province. Linkages are intended to facilitate communication that promotes the conversion of inputs and outputs between value chain stakeholders. The section attempts to address the question as to how improvement can be achieved in the effectiveness of the relationships between the hair salon industry and the manufacturing sector value chain.

Linkages between businesses enterprises may exist in two dimensions, namely, the horizontal and vertical linkages (Hussain, 2000). In the context of this study, the horizontal and vertical linkages are considered based on whether they are upstream or downstream. Opportunities associated with this form of complementary partnerships are multiple. Linkages were considered as means of fostering co-operative and mutually attractive relationships. It is most often established between

firms of unequal sizes in order to improve their competitiveness. Business linkages can be accelerated by taking the form of an inclusive business model; it certainly entails businesses combining complementary capabilities (Orlu, 2016:37; UNDP, 2008). Such capabilities have the tendency to lead to profitable and growth opportunities by means of:

- i. Generating profits
- ii. Developing new markets
- iii. Driving innovation
- iv. Fostering co-operation
- v. Expanding the labour pool
- vi. Collective efficiency
- vii. Strengthening value chains.

Value chain linkages may also be expressed in terms of either internal or external. Often we hear of global value chains, a developing concept considered to be reshaping the whole structure of worldwide trade flows (UNCTAD, 2015). For the purpose of addressing our key research question, we identify potential opportunities available in terms of these linkages, in anticipation of establishing linkages that are applicable and more effective, particularly to rural hair salon operators.

The accessibility of hair care products and accessories is made possible through a market network of dealers. The same network of dealers participates in capturing incomes generated in the value chain within a given geographic market. A more complex set of activities in value chain linkages add to production costs. Many of the operators of hair salons in the rural areas of the province depend on local retailers for hair care products, who may have limited brands. Finding hair care products at fairly competitive prices remains a major challenge for many rural salons. Often, it becomes a challenge as salon operators in these areas have to travel far distances in order to stock the daily materials needed for operations. This sort of challenge impacts negatively on cost of sales and prices of hair care products and services for the rural inhabitants.

There appear to be some shared objectives among the hair salon industry and its allied manufacturing sector. Identifying a number of these objectives may be imperative in addressing the linkages between these two interdependent groupings. These objectives are tied to the opportunities that are derivable in the value chain. These linkages, in a variety of ways, foster

opportunities that include market development, supply chain efficiency, technology transfer, improvement in operational standards as well as research and innovations. Popular hair care products and accessories are included in the following box:

Box 8.1: Hair salon products & accessories

Hair care products

Hair Oils

Styling Gels

Colorants

Conditioners

Hair Sprays

Shampoos

Fragrances

Accessories

Straighteners

Dryers

Brushes

Diffusers

Styler pouch

Tongs & Wands

Hair irons

Curlers & Crimpers

The emergence of organic and natural hair care products is beginning to change the narratives of the hair salon industry. Organic products are considered to have advantages that are more compatible with human well-being. They are basically made from materials produced by organic agriculture or other organic means. Natural Products Association (NPA), a domestic non-profit organization dedicated to the natural products industry in the United States, defined natural products as “ingredients that come from or are made from a renewable resource found in nature (Fauna, Flora, Mineral) with absolutely no petroleum products (Hawkins, 2014; NPA, 2014). These products and accessories are increasingly in use among hairdressers in the Free State province. Organic and natural hair care includes products and accessories as diverse as a number of those included in box 8.1.

In South Africa, the awareness of the benefits of organic hair care products is increasing, given the known toxicity and potential health effects associated with chemicals ingredients in commonly used hair products (Hawkins, 2014). The market for these organic and natural products is still

underdeveloped in the Free State province. There are a small number of emerging manufactures of organic hair care products in the province who are gradually penetrating the retail markets. Distribution channels for these locally manufactured products are usually through producers to retailers or producers to consumers. Factors influencing the decision to shift from traditional hair care products to organic often includes health and economic benefits.

Retail outlets have in recent times witnessed an increasing number of new hair care products and accessories as there are a growing number of South Africa's manufacturers thus, making the sector more competitive. Established participating stores in the existing distribution channels for hair care products and accessories include the following:

- i. Supermarkets
- ii. Pharmacies
- iii. Hypermarkets
- iv. Specialty Stores
- v. Departmental Stores
- vi. Internet/E-Commerce.

The South African market for hair care products is saturated with different brands, signalling a considerable level of competition and revenue generation. The market network for the products stretches across the rest of the Southern African region. Results from the survey indicated that there are no manufacturers of popular hair care products and accessories in the Free State province. Many of the manufacturers are established in Gauteng province, the majority of which are multinational enterprises with international brands, while others are national brands. Major manufacturers of popular hair care products in South Africa include the following:

- i. Avon Products Inc.
- ii. L'Oreal SA
- iii. Kao Corporation
- iv. Procter & Gamble Co.
- v. Unilever Group
- vi. Shiseido Co. Ltd.
- vii. Amka Products (PTY) Ltd.
- viii. Revlon Inc.

- ix. CavinKare Co.
- x. Oriflame Cosmetics SA
- xi. Estée Lauder Companies Inc.

9. FINDINGS

This section presents relevant findings from both qualitative and quantitative research which were complementary to findings from the literature review.

9.1 Hair salon ownership according to nationality, gender, age, and designated groups

Survey data in Figure 9.1 shows that 60% of the salons in the Free State province were owned by non-South Africans. These findings confirm the literature review assertion that non-South African are most dominant in the hair salon industry in the province. It further confirms the worrying phenomenon regarding the low participation rate of black South Africans in the hair salon business across the Central Business Districts (CBDs) of the Free State. Many of the salons in the township were, however, found to be owned by local inhabitants.

In terms of employment generation, it was found that many hairdressers seem to be self-employed. However, the prevailing trend remains that in the CBDs of the Free State province, the practice of subletting units of workspaces in shops has immensely influenced the increase in the number of potentially taxable self-employed hairdressers who choose to be recognized as such.

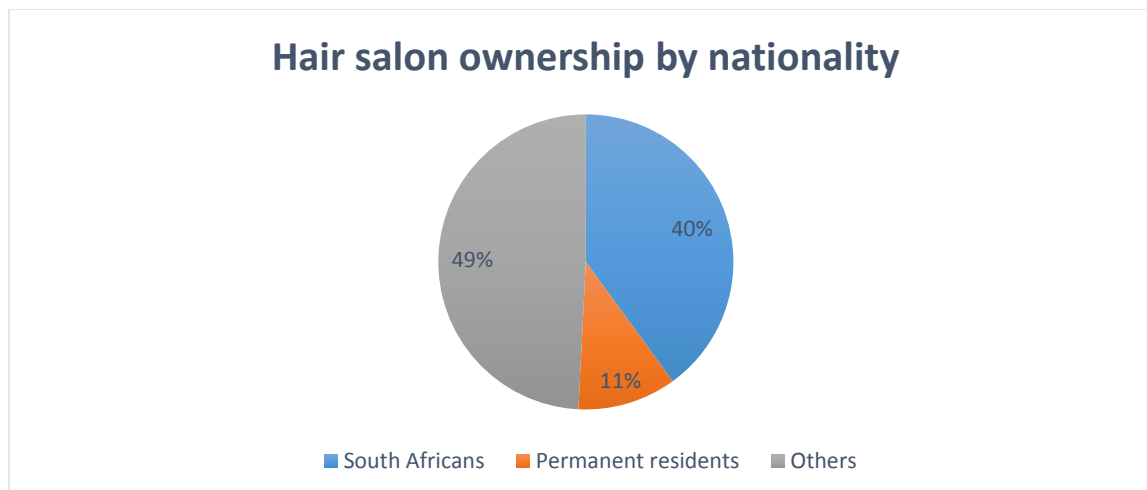


Figure 9.1: Hair salon ownership by nationality

Findings regarding hair salon business ownership by gender as indicated in Figure 9.2 seem to be in line with the view that there is no significant disparity between male and female participants in the salon business. The same survey data on hair salon ownership according to gender shows that males constitute 54% as against 46% for females. To a considerable extent, this corroborates with the assumption that male hairstylists are the most preferred. The assumption that there may be more unisex salons owned and managed by males than females is yet to be ascertained. This assumption may also be considered as a logical justification for the data obtained from the survey.

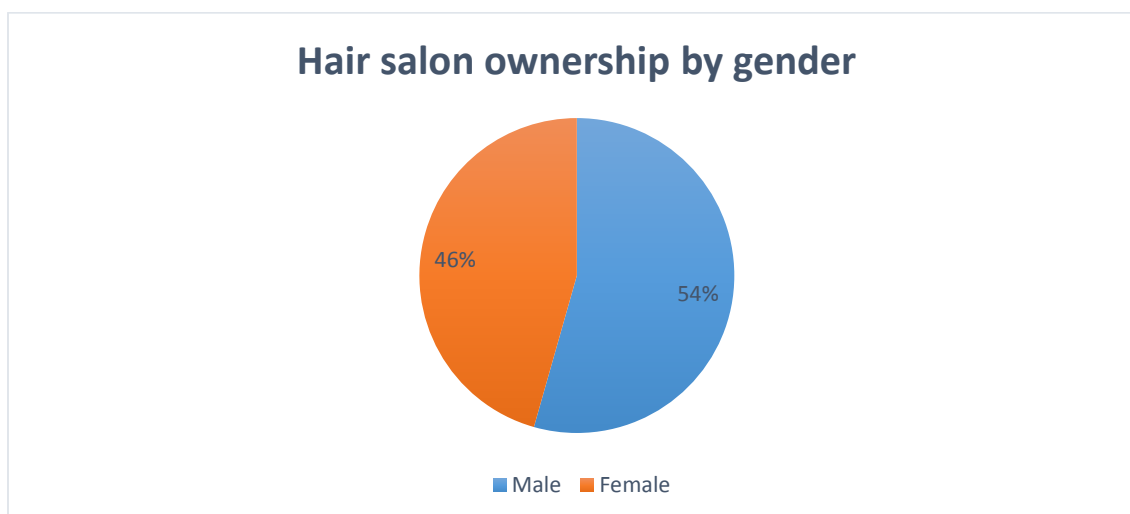


Figure 9.2: Hair salon ownership by gender

According to the data on hair salon ownership by age as indicated in Figure 9.3, there is a fair distribution of age brackets in the industry, indicating that it is a business for both the young and the old. Findings seem to favour more of the age bracket between 40 and above (36%), followed by the below -25 years bracket (24%).

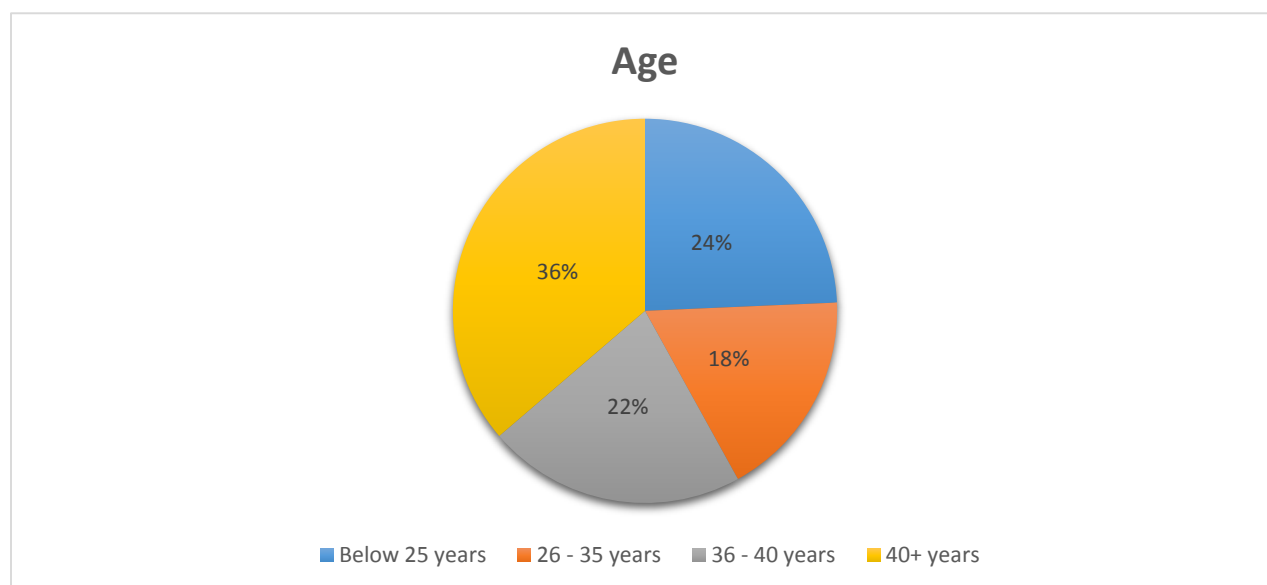


Figure 9.3: Hair salon ownership by age

9.2 Estimated capital outlay for establishing hair salons in the Free State province

The estimated capital outlay for establishing hair salons in the Free State depends on a number of dynamic factors which may include localization, the choice of where the salon should be operated and with what facilities. In the context of the Free State province, survey results shown in Figure 9.4 indicate that estimated start-up capital outlay for establishing hair salons was mostly less than R20 000 (68.7%). It was followed by between R21 000 to R40 000 (21.1%) and R41 000 to R60 000 (7.8%) respectively. Two assumptions can be provided for these results: on the one hand, many of the salons surveyed were in the townships. It became obvious that, to a considerable extent, the extremely low cost of operating in townships may have influenced some of the results obtained. On the other hand, a fairly huge cluster of salons competitively operated across the Central Business Districts (CBDs). This set of salons seemed to be challenged with high costs of operation, which may include rentals and other expensive operating facilities.

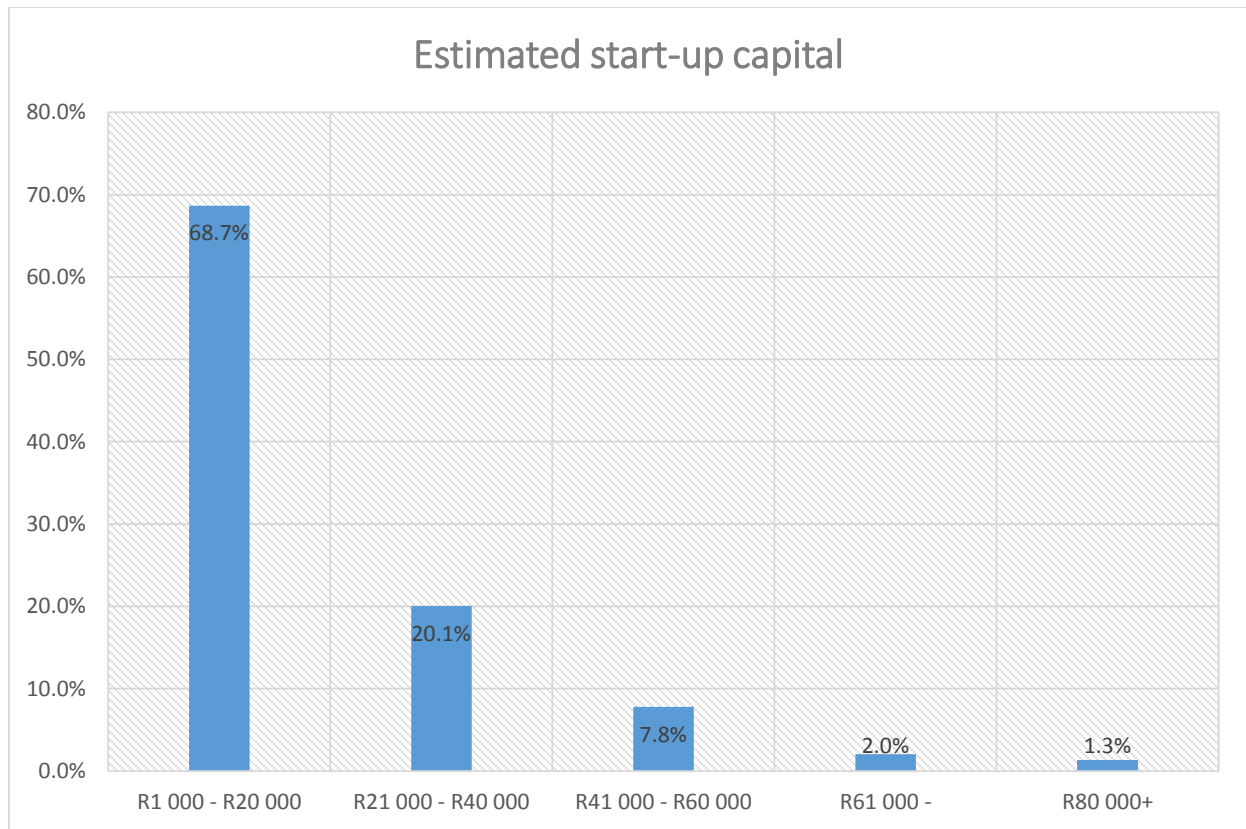


Figure 9.4: Estimated start-up capital

9.3 Effects of entry requirements and barriers on the establishment of hair salons in the Free State province

Many of the findings from interviews corroborate those of the questionnaire survey and literature reviews regarding the effects of entry requirements and barriers on the establishment of hair salons. A set of triangulation approaches were applied to determine these effects in the sequence of data collection and analysis. Responses from both hair salon operators and hair care product retailers constituted the dataset. The key effects of entry requirements and barriers were found to be provided in the following order:

Table 9.1 Key entry barriers and requirements

S/n	Key entry barriers
1	Finance
2	Education and training
3	Technology intensity
4	Race relation
5	Supply/value chain
6	Security
7	Cross-cultural contradiction
8	Regulations
9	Personal incapacity
10	Purchase pattern

S/n	Key entry requirements
1	Permits
2	Finance
3	Legal structure
4	Equipment
5	Personal skills
6	Personal Experience
7	Personnel
8	Accessibility to target customers
9	Publicity
10	Managerial competence

It was found that some of the key factors were resurfacing with different implications on the other side of the table. Most of the opinions expressed in the interviews were in relation to these key descriptive themes. In terms of finance, it was gathered that respondents found it to be both a barrier and a requirement for entry.

9.4 Turnover trends among hair salons in the Free State province

A critical aspect of this study was about turnover trends among the respondents. Both estimated daily sales and monthly profits were surveyed to ascertain estimated turnover trend among hair salon businesses in the Free State province. Results indicated that daily sales were less than R300 (54%), while monthly profits were less than R10 000 (85%). These findings take into consideration

the assumptions that the geographic locations, facilities, and sizes of business operations of these salons may have influenced the data.

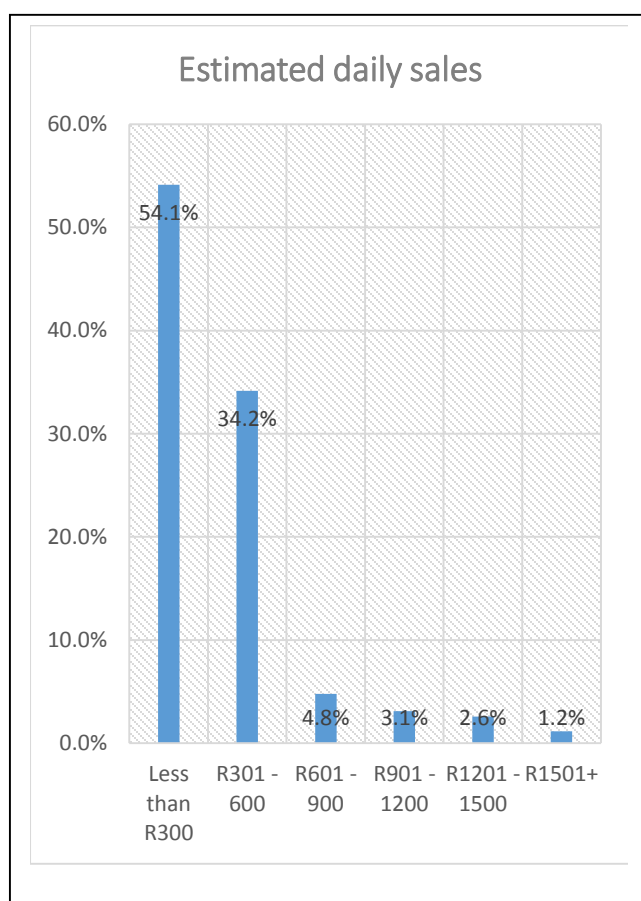


Figure 9.5: Estimated daily sales

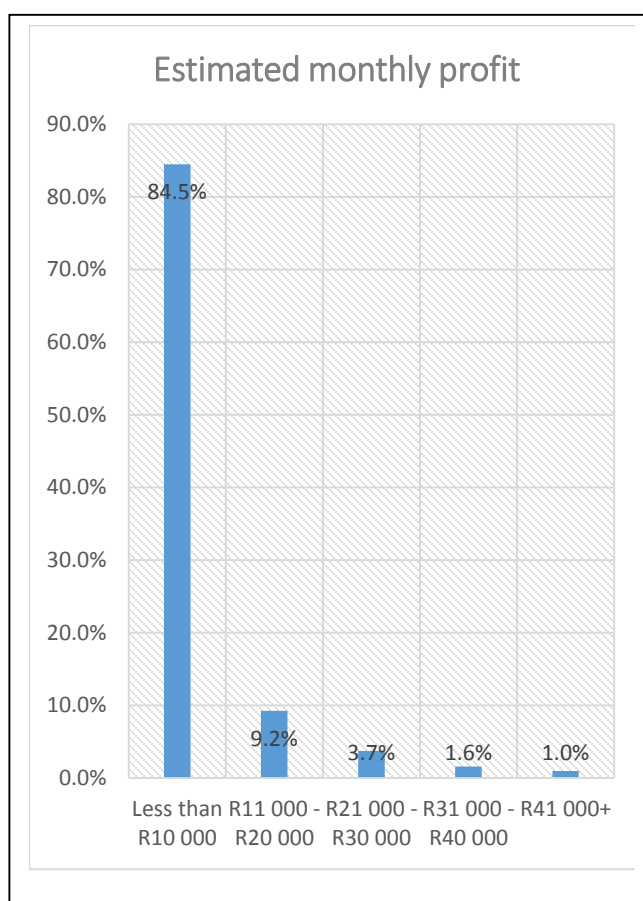


Figure 9.6: Estimated monthly profit

9.5 Sources of hair care products and accessories used in the Free State province

In the review of literature, it was indicated that there exists a fairly well-coordinated market network for hair care products and beauty cosmetics in the Free State province. This network comprises a typical channel of retailers, wholesalers, and producers. Basically, interview data provided more direct results to the findings. By means of a supply chain, most of the popular brands of hair care products were found to be sourced from outside of the Free State province. Survey results shown in Figure 9.7 in this regard showed significantly that the majority (75%) of hair salons in the Free State sourced their products and accessories from retailers. Hair salon operators who patronize the wholesalers and producers were found to make up about 22% and 3% respectively.

The assumptions that a number of wholesalers often transact retailing were taken into consideration. No assertion was made in the survey concerning the existence of hair care producers in the Free State province. However, it was explicit in the literature review that many of hair care producers and accessories of well-known brands were domiciled in the Gauteng province.

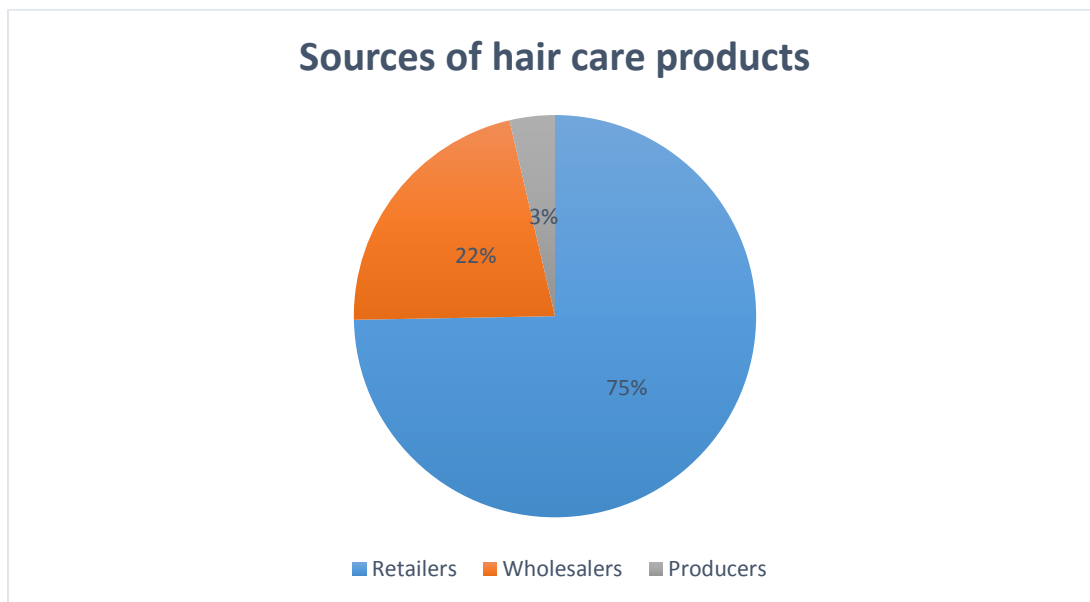


Figure 9.7: Sources of hair care products

9.6 Opportunities associated with hair salons' linkages with the manufacturing value chain

From the review of literature, it was first gathered that two categorical opportunities can be derived from the hair salon industry linkages with the manufacturing sector value chain, namely, the profit and growth opportunities. Secondly, in the context of this study, the hair salon industry and manufacturing sector were considered to be involved in some sort of horizontal and vertical forms of linkages (Hussain, 2000). Furthermore, the results from survey and interview regarding opportunities seem to confirm that key opportunities associated with this form of complementary partnerships are multiple and were described in the following order:

Table 9.2: Key opportunities associated with hair salon industry and manufacturing sector linkages

S/n	Key opportunities associated with hair salon industry and manufacturing sector linkages
1	Research and innovations
2	Performance efficiency
3	Credit facilities
4	Growth
5	Improvement in operational standards
6	Accessibility to Information
7	Ease of doing business
8	Technology transfer
9	Market development
10	Supply chain efficiency

9.7 Support needed to strengthen hair salons' linkages with manufacturing value chain

Based on opinions gleaned from the interview as supported by literature review, both the hair salon operators and hair care product retailers need fairly different support interventions. With respect to the hair salon operators, it was found critical that many of the emerging and survivalist ventures face harsher conditions in terms of trade regulations. This is a challenge that was mostly associated with those of them operating in and around the CBDs across the province. Support interventions found were required in the following key areas:

- i. Finance: opportunities for external sources of finance were found to be required. This happened to be a major challenge confronting many of the salon operators included in the study. Many of them have relied on personal finances which obviously were inadequate for business expansion.
- ii. Procurement: this may come by means of direct or indirect subsidies to emerging operators through designated marketers of hair products and accessories. These means may include the procurement cash subsidies, tax concessions, assumption of risk such as loan guarantees. Government can as well ease the procurement challenges of hair salon operators through its procurement policies that support local entrepreneurs (paying more than the free-market prices). Other means of addressing procurement challenges may also include the various cooperative models.

- iii. Trade regulations: government trade regulation policies are found to negatively or positively influence the prospect of hair salon businesses across the province. Various regulation impacts can be identified in various areas with regards to the hair salon industry such as health and safety, environment, employment, consumers, and competition. There is a strong need for trade regulations in the Free State province to be simplified and amended for the interest of the growth of the hair salon industry.
- iv. Training and education: the clear need to address the critical skills gap in the industry is imperative. Support interventions found were required for the provision of regular training and reinforcement of other government educational programmes that support hair salon operators in the province. Government support intervention towards training and education for local practitioners in the hair salon industry should be considered to be affordable, accessible, convenient, relevant and practical.
- v. Infrastructural Support: particularly for the survivalist operators, support interventions were found to be required in the area of accommodation. Many of the roadside operators wish they find decent and affordable space in which to operate their salons and become competitive. The Free State government may consider the option of including the emerging hair salon operators as a key preference in its infrastructural development for economic purposes.

9.8 Regulatory requirements to guide the hair salon industry in the Free State province.

Given that it is appropriate for business entities to remain subject to the law, often, by means of policies, legislation, etc., the state exercises the role of providing the required environment, relatively conducive for business operations. Regulatory requirements are considered as ways and means of ensuring safety, security, and protection of the public as well as business alongside the clientèle. Opinion distilled from most of respondents interviewed indicated that regulations in any respect are required. Many respondents, however, expressed the need for regulatory authorities to give priority to controlling unhealthy competition among hair salons clustering in proximity. Key opinions on regulatory requirements were factored in the following order:

Table 9.3: key regulatory requirements

S/n	Key regulatory requirements
1	Consumer protection
2	Membership of umbrella body
3	Legislations on credit transactions
4	Regulation of trade competitions
5	Licensing and levying
6	Tax requirements
7	Labour legislations
8	Health, safety & environmental
9	Guidelines for operational standardization
10	Qualification assessment

9.9 Relationship between the hair salon industry and the manufacturing sector value chain

Findings from literature and interview ascertain that there are scarcely any available manufacturers of popular brands of hair care products in the Free State province. However, there are some established relationships between the hair salon operators in the province and the manufacturing sector value chain across South Africa. This set of commercial relationships was found in the literature review and thereafter confirmed in both the survey and interview. Such relationships take multiple dimensions and exist along either horizontal or vertical order of customers, retailers, wholesalers, and producers.

The relationships between the hair salon industry and the manufacturing value chain were found to be strictly commercial and often have a less direct bearing on the growth and profitability of the hair salon operations. Salon operators included in the study indicated that manufacturers' agents cared less about their business welfare. According to some of the opinions, manufacturers' agents were often concerned with sales targets as well as the terms and conditions of trade.

10. CONCLUSION AND RECOMMENDATIONS FOR STRATEGIC POLICY DIRECTION

Research on the hair salon industry in the Free State province is still new. A couple of studies previously done in this industry had little in common with the aim and specific objectives pursued

in this study. Many survivalist hair salon operators and hair care product retailers in the province are beginning to embrace the enormous opportunities in the industry. This can be attributed to the unforeseen advantages in participating in a wider network of a value chain.

From the findings, it is correct to generalize that the hair salon industry has witnessed a considerable level of growth in the Free State province since 2014. Its job creation profile speaks to the fact that it has contributed more to the creation of more self-employed South Africans in the industry with respect to the Free State province.

Most of the study participants were drawn from the city centres across the five districts of the province. Responses from Bloemfontein were more outstanding than the other four, despite its large population size. It is evident that the provincial government has given little or no commendable commitment to the growth of the hair salon industry, hence, the justification for this study.

Many of the policy instruments regarding the hair salon industry are at the national level of government and have little to do with operational guidelines.

10.1 Summary of findings on key study questions

This section systematically presents a number of findings which were hitherto derived from various approaches of the study as touching key aspects of the research questions as indicated in boxes 1.1 and 1.2 of section 1. The summary findings justify the extent to which the study addresses the following key questions:

Key research question 1: What nationality, gender, and age, and designated groups constitute the ownership of hair salons in the Free State province?

In section 1, in which the hair salon industry trends and outlook were presented, literature provided information regarding this key question. The section indicated that in recent times there has been a proliferation of black African survivalist hair salon operations across the towns of the Free State province. It further indicated that in the Free State province, the industry attracts many African foreign nationals (60%), given the relatively low nature of the business start-up capital requirement. Questionnaire survey and interview results regarding this question corroborate

empirical findings. According to the results of the survey, the most frequently occurring age bracket of hair salon operators happened to be from the age of 40 and above, followed by the age bracket of 25 and below. Survey data in Figure 9.1 shows that 60% of the salons in the Free State province are owned by non-South Africans. Most of the salons in the townships were, however, found to be owned by South African inhabitants.

Key research question 2: What is the capital outlay for establishing hair salons in the Free State province?

The literature review had nothing in common with the capital outlay for establishing hair salons in South Africa. However, results from both interview and survey indicate that estimated start-up capital outlay for establishing hair salons was mostly less than R20 000 (68.7%). It was respectively followed by between R21 000 to R40 000 (21.1%) and R41 000 to R60 000 (7.8%). Two assumptions were provided for these results: on the one hand, many of the salons surveyed were in the townships. On the other hand, a huge cluster of salons competitively operated across the CBDs, as survey results showed.

Key research question 3: What are the effects of entry requirements and barriers on the establishment of hair salons which may either hamper or encourage the entry of emerging entrepreneurs into the local market?

In addressing question 3, the study ensured that it remained within the stipulated scope. Requirements and barriers were identified to fall within existing challenges facing the hair salon operators. Many of the effects of these entry requirements and barriers were found to be synonymous with those generally hampering or encouraging the entry of emerging entrepreneurs into the local market. Results from all three approaches confirmed that in terms of barriers, the key effects include: 1) finance, 2) education, 3) technological intensity, 4) race relations, 5) supply/value chain, 6) security, 7) cross-cultural contradiction, 8) regulations, 9) personal incapacity, and 10) purchase patterns.

The key effects of requirements were, however, found to consist of 1) permits, 2) finance, 3) legal structure, 4) equipment, 5) personal skills 6) personal experience, 7) personnel 8) accessibility to target customers, 9) publicity, and 10) managerial competence.

Key research question 4: What are the estimated turnover trends for establishing hair salons in the Free State province?

Several factors were considered in arriving at conclusions on the estimated turnover trend, some of which were associated with the geographic factor as well as other localization advantages. The size of the salon was found to have a comparative influence on the turnover of many salons. However, both estimated daily sales and monthly profits were surveyed to ascertain estimated turnover trends among hair salon businesses in the Free State province. Results indicated that daily sales were less than R300 (54%), while monthly profits were less than R10 000 (85%).

Key research question 5: What are the sources of hair care products used in the Free State province?

It became obvious in the study that in attempting to address this question perspectives were to be drawn from the hair salon operators and hair care product retailers who regularly have interactions with the public. Basically, interviews provided more direct results to the findings. By means of a supply chain, the majority of the popular brands of hair care products were found to be sourced from outside of the Free State province. A good number of them were reported to come from the Gauteng province where there are major manufacturers, agents, and distributors. Furthermore, Survey results indicated that the majority (75%) of hair salons in the Free State sourced their products from retailers. Hair salon operators who patronize the wholesalers and producers were found to make up about 22% and 3% respectively.

Key research question 6: What are the opportunities available in terms of hair salons' linkages with the manufacturing value chain?

From the review of literature, the hair salon industry and manufacturing sector were found to be involved in some sort of horizontal and vertical forms of linkages (Hussain, 2000). The same literature has it that two categorical opportunities are derived from the hair salon industry linkages with the manufacturing sector value chain. They are, namely, the profit and growth opportunities. Furthermore, results confirmed that key opportunities associated with this form of complementary partnerships are multiple and were described in the following order: 1) research and innovations, 2) performance efficiency, 3) credit facilities, 4) growth, 5) improvement in operational standards,

6) accessibility to information, 7) ease of doing business, 8) technology transfer, 9) market development, and 10) supply chain efficiency.

Key research question 7: What are the supports needed to strengthen hair salons' linkages with manufacturing value chain?

Based on opinions gleaned from the interview as supported by literature review, it was found that both the hair salon operators and hair care product retailers need fairly different support interventions. Several support interventions were found to be required in the following key areas: 1) Finance, 2) Procurement, 3) Trade regulations, 4) Training and education, and 5) Commercial infrastructure.

Key research questions 8: What are the legal requirements to guide the hair salon industry in the Free State province?

Opinion distilled from many of respondents interviewed indicated that regulations in any respect are required. Many respondents, however, expressed the need for regulatory authorities to give priority to controlling unhealthy competition among hair salons clustering in proximity. Key opinions on regulatory requirements were factored in the following order: 1) consumer protection, 2) membership of an umbrella body, 3) legislation on credit transaction, 4) regulation of trade competition, 5) licensing and levying 6) tax requirements, 7) labour legislation, 8) health, safety and environmental, 9) guidelines for operational standardization, 10) qualification assessment.

Key research question 9: How can improvement be achieved in the effectiveness of the relationships between the hair salon industry and the manufacturing sector value chain?

The relationships between the hair salon industry and the manufacturing value chain were found to be strictly commercial and often have a less direct bearing on the growth and profitability of the hair salon operations. These salon operators indicated that manufacturers' agents cared less about their business welfare. Respondents indicated that manufacturers hardly sample their opinions. According to some of the opinions, manufacturers' agents were often more concerned with targets as well as the terms and conditions of trade.

10.2 Recommendations for strategic policy and practice

The hair salon industry is positioned for more contributions to the growth of the economy of the Free State province. Many of the hair salons are informal and unregistered business operations. Following the narratives contained in the literature and empirical findings, recommendations for strategic policy and practice are therefore presented:

i. Recommendation for the incentivization of emerging South African hair salon operators

Given that many of the emerging and survivalist hair salon operators were found to be owned by South Africans, and many of these not having more than matric, some support interventions are required. Interventions that can improve their sustainability and lead to the creation of more job opportunities can be demonstrated by means of the incentive scheme, subsequent to a strategic need assessment. The incentive scheme is widely considered as a means to add extra muscles in order to improve the performance of a sector. Incentive schemes may take the form of either financial or non-financial, even though all may be translated to some monetary commitments. The recommended incentive schemes may indirectly be applied in the area of training for some regular skills update or in other variety of ways that may include investment grants for hair salon operators in the Free State province. The grant approach may be administered by DESTEA, possibly, through designated institutions. Investment grants come with tough qualification criteria for potential beneficiaries. Small business investment grants have one major advantage over business loans, in that they are not meant to be paid back.

ii. Recommendation for the Continuous evaluation of the emerging hair salon operational performance

It is recommended that DESTEA collaboratively ensure the reinforcement of a continuous evaluation of the performance of the emerging hair salon operations. This can enable the monitoring and evaluation of their performance. The support for the reinforcement of skills acquisition for the emerging hair salon operators is

recommended. Existing training and development programmes, perhaps in the portfolio of DESTEA, must speak to the critical needs of the industry in the Free State province. Operators should be required to undergo stipulated qualification tests. This recommendation addresses the findings regarding education, and highest training obtained.

iii. *Recommendation for the emerging hair salon business incubation programme*

The incubation of selected emerging hair salon start-ups that can be identified to be in weaker competitive positions may have the tendency of supporting and sustaining their performance. DESTEA may be required to sponsor a variety of collaborative hair salon business incubation programmes for emerging operators to accelerate more contribution to the economy of the province. Incubation programmes can take a variety of forms that include mentoring, seed funding as well as infrastructural provisions. This recommendation is in line with findings on support needed to strengthen hair salons' linkages with manufacturing value chain.

iv. *Recommendation for policy actions to encourage investments in the manufacturing of hair care products and accessories in the Free State province.*

It was found in the literature review and the interview that majority of the popular brands of hair care products were sourced from outside of the Free State province. These findings obviously reveals a part of the contributing reasons for some of the complexities in the value and supply chain as faced by both the hair salon operators and hair product retailers. The study, therefore, recommends for policy actions by DESTEA to encourage investments in the manufacturing of hair care products and accessories in the province. By this recommendation, attracting and retaining manufacturing investments in the hair care products and accessories industry, as well as related cosmetics, within the province is required. This can expand the industry's capacity to create more job opportunities and boost the economy of the province.

Local investors in the industry should be encouraged to go into manufacturing. They can be supported with investment incentives which may include the

subsidized infrastructural interventions, market preferences as well as regulatory concessions. Attracting and retaining local manufacturing investors to boost the hair salon industry may require an integrated approach encompassing relevant government departments and other stakeholders.

The Sasol Petrochemical Company in Sasolburg is one of the key industrial substructures in the province that has the capacity to boost the manufacturing sector value chain. Resources opportunities for prospective local investors regarding the production of hair care products and accessories as well as related cosmetics abound in Sasol's product portfolio. These include polymers and solvents that may serve as raw materials in the production of synthetic hair appendages, cosmetic, accessories, etc.

v. ***Recommendation for a revolving apprenticeship model of accelerating hair salon entrepreneurship***

The empirical findings on training and education of hair salon operators indicated that on the one hand, 34.1% of the respondents surveyed had no training, while on the other hand, 87.2% of the respondents had either primary, middle or matric education. These revelations translate to the setback in the poor performance of hair salon entrepreneurship among the emerging and survivalist operators. A sad corroboration in these findings is another result of the survey showing that business continuity in terms of age of business is 23.9% of between 1 to 5 years, 50.6% of between 6 to 19 years, and 25.4% of 10 years and above. This growth cycle begins a downward slope during the tenth year of operations, after struggling up the slope during the first five years of operation.

A revolving apprenticeship model of accelerating hair salon entrepreneurship may require the collaboration of both DESTEA and established hair salons. This model should be aimed at providing apprenticeship opportunities for prospecting hair salon entrepreneurs to acquire a comprehensive set of skills that can include the management of hair salons. This model may suffer some institutional policy constraints. A more detailed methodology may be required.

vi. *Recommendation for the standardization of the informal hair salon operations*

Following the ongoing debate regarding the formalization of the informal sector of the economy of South Africa, it is evident that the contribution of the informal sector to the GDP of the economy of South Africa has remained laudable. It is therefore based on this awareness that the agitation for the formalization of the informal sector is rising. It is, however, imperative to investigate the true circumstances under which such sectoral performance appear to be achieved and to ensure that given some difference circumstances, the same performance can be sustained.

This study, therefore, recommends for the standardization of the informal hair salon operations. This, in turn, should be anticipated to gradually get them formalized in the course of time. Standardization is essential for competitiveness, given that it speaks to operational consistency and technical specification in service offerings. There is a need to anticipate that DESTEA and relevant stakeholders in the industry may be required to work together in order to develop operational standards. Where the need arises, the law may be applied to ensure compulsory compliance with stipulated standards. Clearly defined operational standards in the industry can be the appropriate means to track trends and developments as well as enforce regulations and formalization among hair salon operators in the province.

The standardization of the hair salon industry has the tendency to ensure consumer protection as well as guarantying stability in job creation in the industry that can contribute to the economic growth of the province.

9. LIMITATIONS

This study identifies two key constraints, namely, methodological and administrative constraints, all of which were encapsulated in time and scope. Some of the limitations are related to data collection and interpretation of results, being mindful that the measurement scales used in the study may have low internal consistency reliability. This is an important limitation that might affect the generalizability of the findings of the study to a larger population. It should be acknowledged that

the relatively insufficient number of interview respondents is a limitation of the study that could influence its internal and external validity. Finally, the sample frame utilized had little in common with the databases of the two widely recognized umbrella organizations of hairdressers in the Free State province, even though attempts were made in this regard.

10. DIRECTIONS FOR FUTURE RESEARCH

This study sees the need for future research that will conceptually include the cosmetologists in general as study participants which would have allowed for the expansion of the scope of the research. This is important as many of the ‘hair’ salons were basically involved in a variety of cosmetology services that include facials, manicures, etc. The implication of this was that it may have contributed to the multiple variation in performance results among the study population. Finally, future research should take into account the contributions of the two umbrella organizations of the hairdressers in the Free State province for a more robust insight.

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