



Growing Pains: Expanding Your Beauty Supply Store

If you feel like your store's footprint is too small to keep up with the growing number of ethnic-targeted beauty suppliers on the market, you're not alone. Though increasing the size of your store's footprint may give you enough shelf-space to keep up with the latest trends while continuing to offer the brands your customers know and trust, knowing when and how to expand your business isn't easy. Here's what you need to keep in mind, whether you're considering relocating or opening a second location.

Understand the Cost

When it comes to expanding your business, no one-size-fits-all approach exists. If business is booming, it may be time to get a larger space to meet the increased customer demand and to offer a more diverse line of products. If a growing number of customers are traveling 10 to 15 miles to purchase their beauty supplies from your store, it may be time to open a second location in their area to better reach that untapped market.

Before making any decisions, you need to know how much it will cost to relocate to a larger location or open an additional location, from build-out expenses and future staffing needs to advertising costs and increased overhead. "It's all relative," said Jeffrey Dash, vice president of leasing for The Lightstone Group, which owns retail shopping center throughout the U.S. "If [retailers] add another 1,000 sq. feet, the rent could jump a fraction of a percent or 150%. If the market is very tight, the rent is probably going to be on the higher side."

Once you know the numbers, take a look at your books to see if you have enough business to cover the costs of an expansion. "We were getting very busy," said Peter Chi, owner of C & C Beauty & Beyond, a six-store chain in metro Atlanta. "We had the sales volume so I could afford the bigger space's rent and I could afford to pay one or two more people to work for me. We look at the numbers, and if it makes sense, that's the time we expand."

Don't Choose a Location Based on Price Alone

"You could be moving from a good location to a bad location," said Gene Fairbrother, lead small business consultant for the National Association for the Self-Employed. "For example, you may think, 'Wow, I have an opportunity to get another space in an area close by for US\$15 a square foot, and I'm paying US\$20 a square foot now. I could cut my costs by 25% and have a higher profit margin because I'm just moving around the corner.' But that [location] may have really horrible access to it that may make it difficult for customers to get in. Customers may not like that location, so you end up losing business."

Opening a second store really is all about location, location, location. Not only should the new store be located in a high-traffic area with easy access, but also the area's ethnic and socio-economic makeup need to reflect your target customer. When Lori Silverstein, CEO of Peninsula Beauty, a 10-store chain in California, decided to open a second location, she saw an opportunity when a new shopping center opened in the

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area: "It had a major grocery store and a major retail chain drugstore, and we wanted the location smack between the two."

Once you find the right place, make sure you lease or buy enough space. For example, Chi, who started working at his brother's beauty supply store in 1991 and took over the family business in 1996, opened a 1,500 sq.-foot store because it had the perfect location, but it wasn't profitable. The staffing needs were the same as a 3,000 sq.-foot store, but with half the space; he couldn't carry the diversity of product lines necessary to offset the costs.

"You don't want to open too small," Chi said. "There are so many products that we should carry as a minimum that we need to have at least a certain amount of space. The typical space that I look for is at least 4,000-5,000 sq. feet."

Consider Your Store's Future Needs

Whether you're adding a second store or increasing your footprint, look at your current customers' shopping patterns to determine what types of products should fill the new shelf space. For instance, if you've seen an increased demand for professional products, dedicate more square footage to those products in the larger store or consider opening a new store that exclusively targets the professional market.

Don't Try to Please Everyone

"These days, the beauty supply trend is to carry almost everything," Chi said. "It's become like a general merchandise store. I tried that for about three years back in 2000. I dedicated about 4,000 sq. feet within out 20,000 sq.-foot store to general merchandise, like picture frames and silk flowers. It wasn't as profitable as the beauty supply side, and it didn't look as professional. People didn't recognize us as truly a beauty supply store. So, now we exclusively carry beauty supplies. There are a few fashion

items that we carry, like hats, scarves, belts and sunglasses, but that's very minimal."

Repeat the Process as Needed

While adding a second location or increasing your square footage may solve your beauty supply store's short-term needs, expect to repeat the process often as both your business and the industry continue to grow. "The store in San Mateo that my dad started in 1959 has moved five times now," said Silverstein. "It's all about how much product you have in your store. It's expensive every time you move and expand, but it's paid off when I get a better location on the block of a really busy downtown area." JM

A Virtual Expansion

Whether the high costs keep a physical expansion out of reach or you just settled into a new space, adding an Internet sales component to your business is what is really going to help keep you competitive in today's marketplace. In 2005, women, on average, spent US\$83 purchasing beauty products on the web, an increase of 38% over the previous year, and 20% intend to spend more over the next year than they have in the past, according to a 2005 NPD Group report, "Emerging Channels: Beauty Care Products on the Internet."

Unlike a physical expansion, tapping into the Internet market is a pay-as-you-go proposition. Here's what you need to keep in mind as you build your online store:

- Hire a web designer to create the virtual store, either opting to make all items available online or controlling costs by limiting the selection to a few key items.
- Fulfill the sales by grabbing the item off of the store's shelf, popping it in a box and shipping it.
- Generate add-on sales by programming the website to do suggestive selling when customers place items in the shopping cart.
- Use e-mail promotions to drive customers back to the website or into the store.
- Don't try to phase out your physical store for an online version. "I don't know how they're going to do scratch-and-sniff on the Internet," Silverstein said. "The bulk of my business is still in my stores."