



Hair Care Businesses and
Shipping Containers



Sustainable
Livelihoods
Foundation

Formalising Informal Micro-Enterprises

Introduction

> The Sustainable Livelihoods Foundation's Formalising Informal Micro-Enterprises (FIME) project has been conducting path breaking research on South Africa's informal economy. The project has conducted primary research in townships in Cape Town and Gauteng. We have surveyed over 6000 micro-enterprises in eight localities, covering an estimated population of 50,000 households. In the Cape Town phase of this project, the researchers recorded and interviewed 132 hairdressers and barbers in the research sites of Delft South, Browns Farm, Sweet Home Farm, Capricorn, Overcome Heights and Seawinds. Hair care businesses represent 6.5% of all identified micro-enterprises businesses in these sites.

The business of hair care – in the form of salons and barbershops - has mushroomed in the townships and working class areas of Cape Town and Johannesburg over the past 10 years. The growth in this sector has been aided by the development of a unique and innovative business approach that combines;

- The provision of diverse hair styles, influenced by African immigrants and the mainstreaming of aspects of hip hop culture.
- The use of business branding to enable the entrepreneurs to link their reputation to popular culture and target specific niches, for example specific football supporters, hip-hop music fans and African traditionalists.
- The retail of hair, skin and beauty products which are otherwise only available through wholesalers.

- The linking of the businesses to sellable infrastructure. Many of the hair care businesses that were identified (both salons and barber shops) were established in out-of-service shipping containers which were utilised as business premises. These structures are readily affordable, (selling for approximately R15,000) are secure and can be positioned along high streets and in areas of high density commuter traffic. The use of containers moreover, has enabled these entrepreneurs to develop and sell their business (including infrastructure) as an established entity.

ENTERPRISE CHARACTERISTICS

The micro-enterprises we identified had been operating, on average, for a period of 4 years. These enterprises are operated by a diverse range of individuals including: men and women; South Africans and foreigners. African immigrants in particular are renowned



Refitted and branded shipping containers provide ideal business structures for salons and barber shops.

for their hair dressing skill. They run the majority of hair salons / barber shops in the research sites. In Delft, for example, only one of 27 high street salons is operated by a South African. Most of the hair stylists / barbers are permanently involved in the day to day running of the enterprise, trading six days a week and operating from 9am to 6pm.

Hair care micro-enterprises employ, on average, 1.5 people per business, most of whom are engaged in the business on a permanent basis. Employees are commonly paid on a commission basis (depending on the number of clients they serve). In some cases, commission based employees have to pay a monthly or weekly 'rental fee' to the business owner and the employee effectively operates independently within the business.

Few of these hair care businesses are formally registered. Most operate informally, working either from shacks built on residential property or semi-mobile structures located on public land along high streets and at transport sites. A critical success factor for these businesses relates to location, with the ideal position in clusters within emerging 'zones' of similar businesses. The clustering of hair care micro-enterprises and their positioning differs from the spatial distribution of spaza shops and informal liquor traders which are scattered throughout residential areas. Hair care businesses, by contrast, directly benefit from the development of township high streets. As with other informal enterprises, most of the micro-entrepreneurs we interviewed do not keep documented records of income or expenses. Their businesses are run on a cash basis and clients rarely require or request receipts.

The businesses can be identified by hand-painted signage on the exterior walls of the business premises. Internally most are fitted out with mirrors, counters, wash basins and furniture. Some of the established businesses have television and hi-fi systems to entertain their clients. New entrants tend to have more basic facilities and poor access to public utilities, tapping electricity from neighboring premises and using water supplied in buckets. Hair salons require much more investment than barber shops, but are seemingly more profitable and offer a more diverse range of services. Barbers charge between R10-25 to cut hair or shave beards, whereas salons offer various products and treatments, ranging from R20-R400.

ENTRY BARRIERS AND OPPORTUNITIES

The informal economy of hair care is partially skill determined. To become a hair stylist / barber, individuals require equipment (a pair of clippers, mirrors, brushes) and access to public utilities (though electricity is needed). Most importantly, a hairdresser or barber needs specific skills and will not attract clients without having established their reputation. The creation of contemporary hair styles demands high levels of skill and experience. Workers in the sector therefore need to accumulate their skills either through an informal apprenticeship within an established business or through cutting hair for friends and relatives. The accumulation of skills is essential for business success, though the establishment of a customer base is often reliant on cultural networks through which

trust and identity can be reinforced. Many hair care businesses evidently target a narrow ethnic or culturally specific client base. For new entrants, a further barrier to opening one's own business is the investment (capital) needed to purchase or rent business premises. The great majority of businesses are initiated with capital saved by the hair dresser / barber from alternative employment, although the role of family can also be important in business establishment, as embodied in the participant statement below;

"My mother owns a hair salon located right next door. This salon is run by my sister and there are no other people employed. My mother owns three businesses and provided the money for all three of them – a salon, a phone shop and a cosmetics store".

MARKETING

Brand is a key identifier for hair salons/ barber shops. In all localities, barber shop branding included American urban hip-hop culture, 'gangster rapper' imagery, posters from celebrity magazines, football clubs and traditionalist themes. Most of these enterprises displayed posters of foreign African hair styles, promoting sophistication and style. Specific branding enables the business to attract a niche market. In addition to brand, the reputation of the hair stylist / barber is crucial. When an entrepreneur establishes a reputation for cutting / styling hair, he / she can build and sustain a reliable client base. The researchers learnt, for example, of clients that travel long distances to maintain their patronage of specific barbers / hairdressers.

BUSINESS REPLICATION

The diversity of hair salons / barber shops reflects personalized demand for hair care services. The model of these micro-enterprises is easily replicable. Some businesses emerge from a process in which a particular salon / barber shop 'divides' when employees break away and set-up on their own micro-enterprises. This process happens because the hair dresser or barber is able to acquire an autonomous reputation and build a dedicated client base as an employee. Upon taking an entrepreneurial leap and starting their own business, they then endeavor to 'poach' their clients away from their former employer.

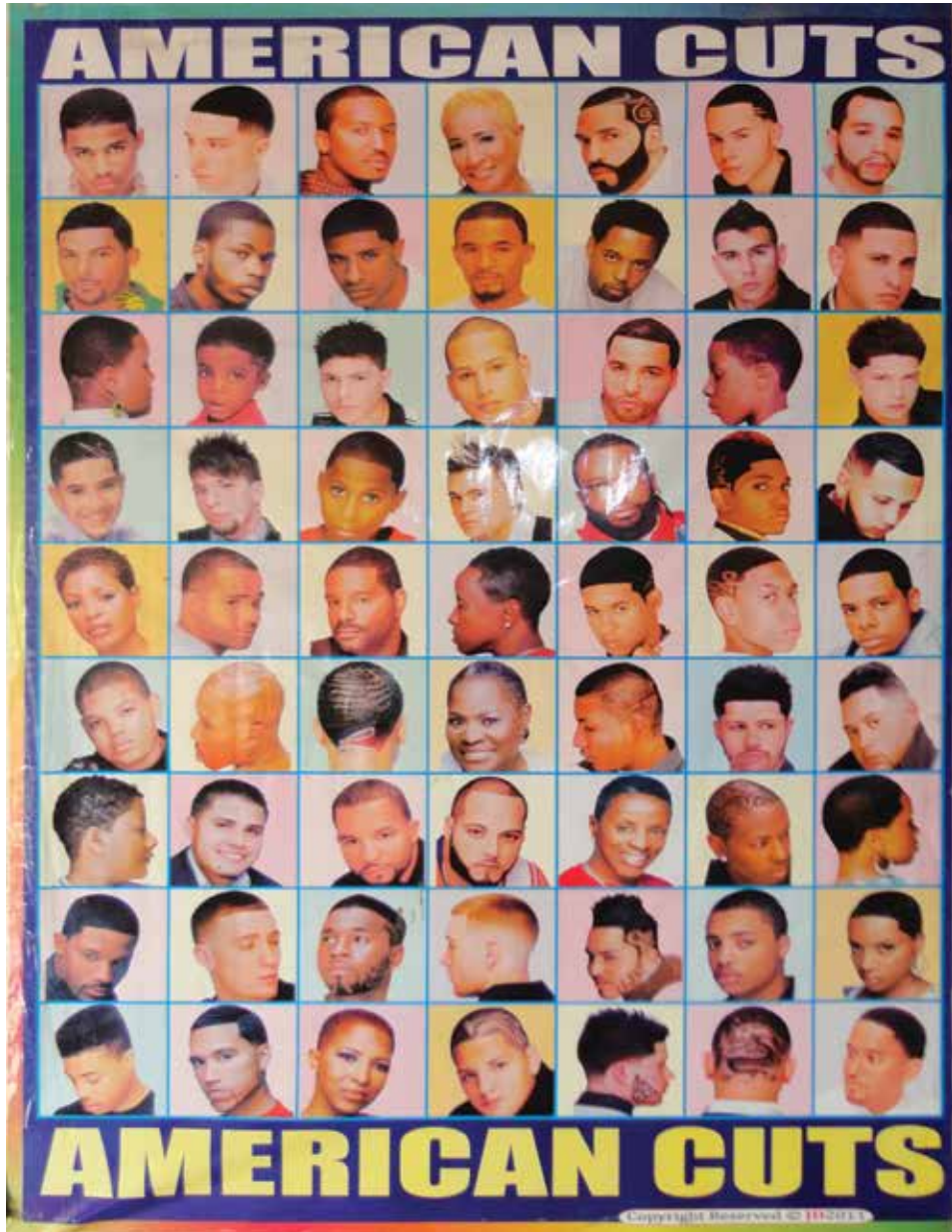
The new business subsequently evolves as a unique brand and as it increases in size it begins to employ secondary barbers or hair stylists. Salons and barber shops therefore tend to replicate in a manner that can be likened to parthenogenesis in nature; once the business reaches a certain size it splits apart with new hair salons / barber shops started by the former employees. In this manner hair care micro-enterprises have multiplied throughout the township environment. The competition within this sector has sometimes resulted in conflict between businesses.

In the Delft 'barber zone' this competitiveness bordered on criminality with one respondent giving an account of how he survived an attempted kidnapping orchestrated by a rival business with whom he was formerly employed.

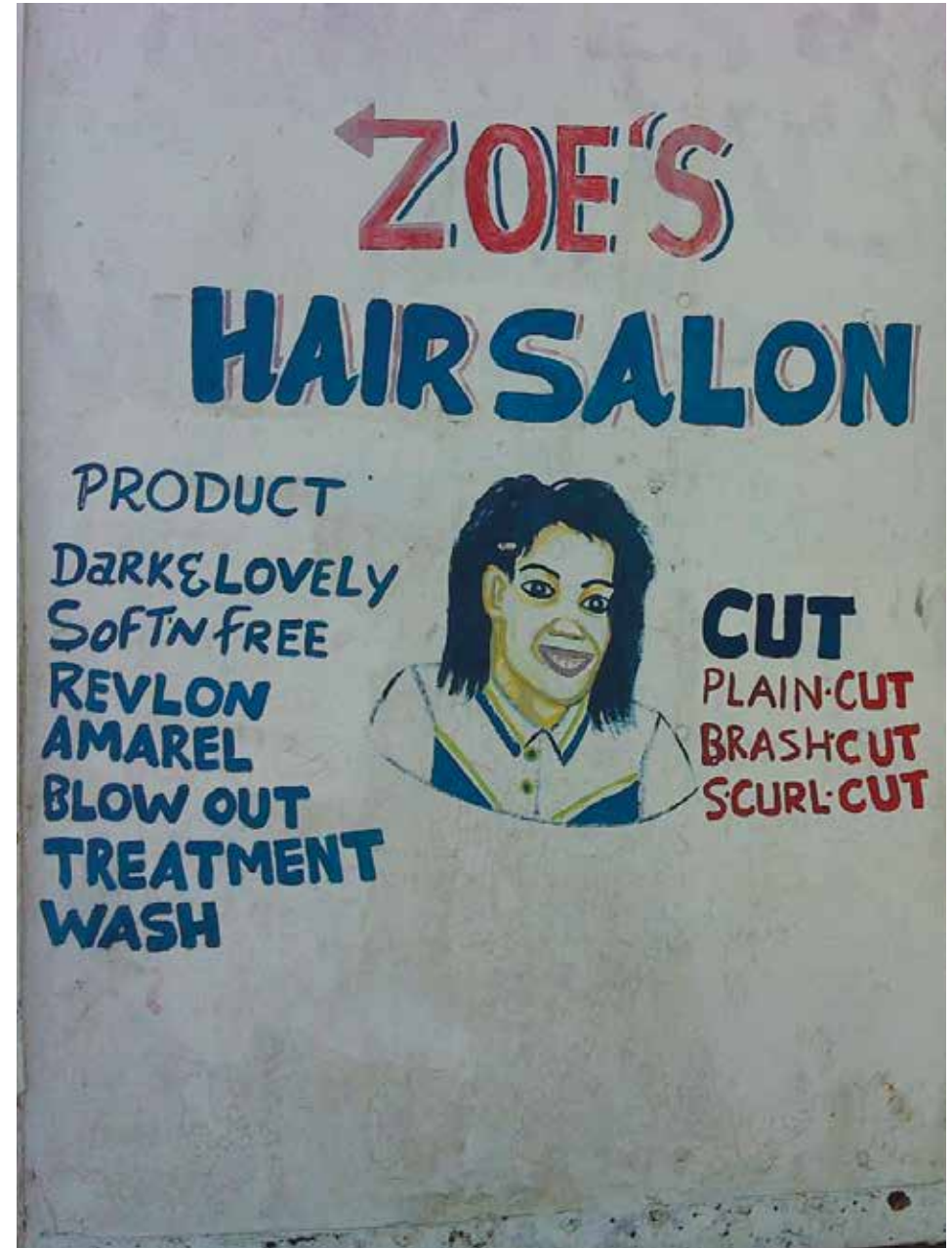
SHIPPING CONTAINERS AS 'A BUSINESS IN A BOX'

70% of the hair care businesses situated along the Delft high street were found to be operating from shipping containers. At one point there were 20 container-based barber shops / hair salons clustered in a locality known as the 'barber zone'. City of Cape Town bylaws prohibit informal businesses from operating in shipping containers and several of these businesses were subsequently closed down. Despite their illegal status, container based businesses are prevalent throughout all the research sites, in both Cape Town and Gauteng, and are used in a wide variety of business ventures – including spaza shops, cell phone repairs, hardware stores, phone shops and educare / crèches. In the case of the Delft barbers, the entrepreneurs either owned the container outright or rented it from a landlord. Where the container is situated on private property, as is common in the case of spaza shops, the entrepreneur rents space, water and electricity from the land owner. Shipping container premises allow the entrepreneur to position their businesses in strategically advantageous localities such as high streets with pedestrian traffic. Through our engagement with hair care / barber shop employees and entrepreneurs, the FIME research identified a number of advantages to container based businesses:

- Start-up costs: The price of purchasing a shipping container compares favourably with the costs of building an informal structure.



Hair styles: The influence of American Hip Hop culture on hair styles as well as West African styling trends has meant that barbers must now be better skilled. Immigrant barbers and stylists have greatly enhanced the informal hair care sector with new styles and greater skills.



Brand and product identity are important in the informal hair care sector.



Interviewing a hair salon owner, Tembisa.



Shipping containers are commonly used by businesses selling hardware, spaza shops, shoe repair shops and phone shops.

- Security: Containers are strong and secure. Owners highlighted that criminal break-ins at night constituted a risk to business activity.

The use of containers enabled the entrepreneur to limit the impacts of crime on business activity. Containers are also water proof and can withstand inclement weather.

- Formality: Containers bring a professional edge to business when compared to operating from a shack structure.
- Portability: Containers and their associated businesses can be easily moved to alternative locations.

- Retail suitability: Containers used in the retail services and hair care sector provide reasonable trading space and create an open venue to the street to draw custom.
- Customisation: Containers are easily modifiable and shop-fitted.
- Property rights: Containers enable entrepreneurs to attached property rights to their business, enabling them to sell a "business in a box". We learnt that container based business are more easily tradable than businesses without property rights. Participants said that container based salons or barber shops could be sold, as a 'businesses in a box', for between R20,000–R30,000.

POLICY CONSIDERATIONS

One of the main challenges to growth in the informal hair care market are the limited opportunities for securing premises and stands in high density commuter areas such as high streets. Municipal restrictions on the use of containers and sites where they may be situated do not recognise business needs and market opportunities. The most favourable localities (such as high streets) are unserved in terms of the provision of running water, sewerage and electricity. The FIME research found that most container based businesses currently source these services illegally.

The container based business model is an innovative approach for informal businesses. Municipal policies need to recognise the benefits of these structures and should aim to provide a supportive infrastructure environment, including providing serviced sites along high streets where entrepreneurs can rent stands for their business.

This business model highlights the importance of property rights for informal economy business development as container based businesses are tradable, can be bought and sold, and most importantly can be relocated to target different markets.



The traditional gender roles in the informal hair care sector are changing as men become hair stylists.

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