

# The wellness zone headmasters salon and spa: managing growth

Komal Nagar

## Introduction

We aim at providing our customers unmatched value, tastefully wrapped in luxury – Kumud Goel

It was yet another busy day for Bindu Goel, one of the directors of Wellness Zone Headmasters (WZH), a salon and spa that focused on providing holistic beauty experience. She was happy and rejoiced in the thought of how WZH had grown into a profitable business over the years. However, when she entered her office in Trikuta Nagar, Jammu (India) she noticed a worried Kumud, her daughter and the Chief Executive Officer (CEO) of the company. While anybody would have been impressed with WZH's growth trajectory, Kumud was not convinced. Anticipating the way the market for beauty and wellness was expanding; a future plan was required to be put in place. Kumud had high hopes for WZH and began to think of a strategic plan to adopt in 2020, keeping in mind WZH's challenges.

With an increasing number of market players, businesses such as WZH were facing serious threats to their survival. Kumud faced a dilemma and had to consider some serious questions: In the midst of growing competition, would it be wiser to expand the business into new territory, or focus on select consumer segments in the existing market? Which growth strategy could WZH adopt to ensure continued success in an uncertain and hypercompetitive business environment? Kumud's main concerns were to find out how WZH could differentiate its position in the wellness market at a time when the market was exploding with beauty salons at every nook and corner? She desperately needed a winning strategy.

## The wellness zone headmasters salon and spa

### *Entering the beauty business*

In April 1999, Ashu Goel saw an opportunity in the beauty business and left his plush job at a multinational corporation in New Delhi to start his own salon business in Jammu's Trikuta Nagar locality. He was joined by his wife Bindu Goel, who wanted to lead the change in the beauty and wellness industry.

The business had initially set out to be just another salon providing hair care, skincare and makeup services in the name of *Personal Point*. Over time, they diversified to keep up with the changing market dynamics. The emergence of spa, beauty and wellness industry in India was showing unprecedented growth (Mishra, 2014). With changing lifestyles and awareness of beauty treatments at an all-time high, it was an ideal time to put in place a strong foothold in the niche area of spa and wellness. The company diversified into providing holistic wellness facilities in addition to the hair and makeup services. In 2011, the

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Disclaimer. This case is written solely for educational purposes and is not intended to represent successful or unsuccessful managerial decision-making. The authors may have disguised names; financial and other recognizable information to protect confidentiality.

name changed to *The Wellness Zone Headmasters Salon & Spa* to reflect the spirit behind the business.

In 2015, Ashu and Bindu's daughter Kumud Goel joined the family business. Having earned a bachelor of business administration degree from Punjab University, a three-year advanced diploma course in cosmetology and beauty care and later a Masters in Business Administration (MBA) from a prestigious university, she brought on board management experience and proved to be the perfect new partner in what became a well-rounded team that understood the business and the technique. They chose to start operating from the premises of their own house in Trikuta Nagar.

As the demand for spas and wellness services saturated in the metros (Bhushan, 2012), beauty chains looked toward the Tier-2 and Tier-3 cities where the demand was growing exponentially, opening possibilities to earn higher profits due to lower operating costs than metros and a more loyal customer base (Tables E1 and E2). In one of her conversations, Kumud mentioned that both men and women invariably visited her salon from the far-flung areas of Jammu region looking to enhance beauty right from their skin to their body shape. They were willing to invest in their looks. This observation became the basis for two major decisions at WZH. First, there was a need to expand into the wellness segment of the beauty business. Second, WZH had to reach out to the areas which had burgeoning demand but accessibility to good facilities was a miss.

Following the increased demand for its high-quality services and a well-accepted brand name, WZH launched its second outlet in Janipur area of Jammu in July 2017 followed by a third opening only two years later at Udhampur district in May 2019. WZH captured the first-mover advantage by introducing the trend of branded beauty and wellness services in the two areas that were untouched by the other players in the organized beauty business. The company believed this step was necessary to increase its visibility in distant parts of Jammu in wake of the increased competition and also to strengthen its position in the market as a brand that provided holistic beauty and wellness services, a concept that was not very popular in the region at that time. Having outlets in multiple locations also gave WZH a strategic advantage over competitors in that it was able to offer its services to a wider section of consumers thereby increasing its reach and revenue. Altogether, WZH was spread in an area of more than 8,000 sq. ft., the largest in Jammu and Kashmir.

## **The salon and spa**

### ***A bouquet of beauty and wellness services***

WZH offered a wide range of services and regularly introduced new methods of make-up. WZH's wide range of services included spa treatment, makeup, slimming, laser, aesthetics, hair implant and nail services (Exhibit 2).

WZH's success was driven by its standard of service. Part of the quality service resides in the quality of products used. The idea was to provide the best to its customers and to that end WZH never compromised on the quality of products it used and introduced some of the best brands for hair and skin. For example, Schwarzkopf was introduced by WZH in Jammu and Kashmir for hair treatments; in skin, they used an Italian brand-Bioline and a US brand-Repechage (based of seaweed products) in the premium range, which was exclusively used by WZH in the region.

### ***Pricing***

WZH entered the market with the goal of providing comprehensive wellness and aesthetic services under one roof, designed to be accessible by all across the region. In a highly unorganized market, WZH tried to strike a balance between affordability while still maintaining a high standard of service. The company's philosophy of providing affordable

service without compromising on its quality was reflected in its pricing strategy across the services it offered. While the company maintained its pricing for most of the basic services at par with the other players in the market, prices for highly specialized services were charged at a premium, even higher than competitors in some cases.

### ***Ambiance***

Ambiance of a place can make or break the deal. The team at WZH understood this principle and designed the interiors of its facilities to reflect serenity and warmth. The clean and bright premises in combinations of turquoise, sea green and white across the three facilities, were inviting and reflected positive vibrations ([Exhibit 3](#)). Soft, pleasing background music added to making the atmosphere relaxed and restful.

### ***Staff: backbone of the salon***

In December 2019, WZH had 80 employees. The dedicated staff at WZH included manager/clinic head, front desk executive, counselors, doctors, dieticians/nutritionists, dermatologist, cosmetologist, hair stylists, beauty therapists, spa therapists, manicurists/pedicurists, makeup artists, nail technicians and office help.

Employees were trained in-house and were made to undergo varied training programs. Professional trainers visited the facility once in every 25 days to train the employees in hair, skin, nails, makeup and laser therapy. Representatives from companies, whose products WZH dealt with, often visited the salon to debrief the employees on how to use specific products that required a certain technique to be mastered. On-the-job training provided employees with the required practical knowledge which not only helped improve the quality of service delivered but also instilled confidence in the staff to handle queries related to product use. To improve employees' client management traits, the company constantly trained its employees on soft skills.

Service quality:

By 2017, WZH had become a top player in the region. Not only was it focused on providing superior quality to its customers but it also offered prompt and customized services based on customer needs. WZH prided itself on the maintenance of high-quality standards.

Vocational training:

Skill development and vocational training in beauty and wellness related to complying with modern demands and techniques. Kumud learnt that WZH was in need of professionally trained workforce and finding qualified staff was the biggest problem in the spa and wellness industry. Although hiring professionals from outside the region was a quick solution to the bigger problem of finding the right person for the job, it turned out to be an expensive proposition. Kumud even thought of hiring personnel working in the local parlors, but the risk of losing customers due to poor service was too high. Kumud stated, "earning the trust of customers takes years and one bad service experience due to lack of employee training can result in customer dissatisfaction and lost sales."

Reflecting on her experience in cosmetology and beauty care, Kumud understood that repeat customer got lost if they were not satisfied with the standard of service. She worked on the idea and expanded the approach to include training and professional courses to help aspiring beauty artists build a career in the wellness industry. Soon WZH started offering specialized courses for students where they could learn the best practices in beauty and make-up. Students could choose from a comprehensive range of courses for beginners and working professionals. The duration of the courses varied from three days to one month.

Repeat and new customers:

WZH had a customer ratio of 60:40 between its repeat and new customers. To effectively manage its repeat customers, Kumud initiated the following feedback mechanism.

Step 1: First, after the client availed a service, the service provider took a verbal feedback, followed by a written feedback at the front desk at the time of invoicing.

Step 2: The following morning, an executive from WZH took the feedback on call. If the customer had any concern related to the service, it was directly taken to the manager and, if required, by the top management.

Step 3: After every 25 days, a reminder call mechanism was initiated, to ensure top of the mind recall and to remind the client that their service was due.

This strategy had helped WZH in retaining its clients and encouraged repeat visits.

Because a major part of WZH's revenue came from repeat customers, Kumud knew that the success of business depended on effective customer management. Thus, she worked on enhancing WZH's customer-relationship management practices and included special packages for loyal customers. Not only was an effective customer feedback system put in place at WZH but it also offered customers prompt and personalized skin and hair solutions. As part of its customer management practice, a dedicated team of employees at WZH catered to its regular customers by repeatedly reaching out to them for maintaining solid relationships with the key accounts. Also, the company ensured sending out greeting messages to its customers on all special occasions. This helped the company in building and maintaining relationships with its customers.

Recognitions:

WZH had been able to carve out a place for itself which was reflected in the recognition and awards it received over the years. Kumud received the prestigious Millennium Brilliance Award in 2017 for *The Most Promising Makeup Artist*. In 2018, Bindu Goel received the global entrepreneurship award for the *Best Makeup Trainer & Director of Best Aesthetic Clinic Salon of J&K*. In the same year, Kumud was conferred the Arch of Excellence Award by All India Achievers Conference for *the Best Makeup Artist & Aesthetician*.

Promotions:

WZH's presence on social media was its greatest strength, with nearly 60,000 likes on Facebook and 10,000 followers on Instagram. This, along with giving make-up and hairstyling demos in various seminars and promotional talks in schools, colleges and universities helped WZH gain visibility in the market. The company also started investing heavily in outdoor marketing such as billboard advertising and door-to-door marketing ([Exhibit 4](#)). WZH sponsored various events and organized fashion shows to establish itself as a leading brand in the fashion industry. It focused on creating an image of a socially responsible brand through the organization of blood donation campaigns and hair collection for cancer patients. Further, the company focused on the promotion of its academy through the distribution of flyers and pamphlets near coaching centers, schools and colleges.

As part of its promotional strategy, WZH offered varied discount packages on its services such as special festival discounts, women's day offer, etc. Students could avail of a discount of up to 50% on all services on specific days of the week. WZH also provided silver, gold and platinum membership to its customers. To encourage customers to visit the salon during the lean seasons of June and July, the company offered gift vouchers and discount cards on select services.

**The beauty and wellness market in India** Growth of the wellness industry in India could be gauged from the rapid increase in the acceptance and awareness among consumers

regarding wellness activities. Market experts were expecting the Indian wellness market to grow at a compounded annual growth rate of 12% to reach an estimated high of Rs. 1.5tn by 2020 (Ganesh, 2020). Besides growing consumer awareness, a large part of this growth could be attributed to an increase in the disposable income of the young generation backed by willingness to bring about lifestyle changes (Businesswire, 2020). During the early 1990s, the Indian wellness industry was largely unorganized, offering the traditional and ancient healthcare practices such as Ayurveda, Yoga and Naturopathy. Over the years, however, this industry overcame traditional barriers to emerge as an industry focused on the holistic goal of achieving physical, mental and emotional wellness and included beauty, nutrition, physical fitness, as well as alternative streams of therapy and rejuvenation. From a narrow focus on wellness alone, the Indian wellness industry gradually transformed into the beauty and wellness industry.

According to the Indian Beauty and Hygiene Association (IBHA), the per capita spending on beauty and personal care products was close to INR 450 per annum in 2017 (Hussain, 2018). This industry was growing rapidly at a CAGR of nearly 18.40% and was forecasted to reach INR 2,463.49 billion by 2024. A sudden rise in the number of women joining the workforce contributed immensely to an increase in their standard of living; their disposable income increased, thereby stimulating an increase in the demand for beauty products, salons and spa services. The salon and spa business together accounted for 31% of the total size of the beauty and wellness market (Hussain, 2018). These figures looked promising for the neighborhood beauty parlors and salons, as well as the national players such as Jawed Habib Hair and Beauty Ltd., L'Oreal India Private Ltd., Lotus Herbal Private Ltd., Shehnaz Ayurveda Private Ltd., Vandana Luthra Curls and Curves (VLCC) and Personal Care Ltd. The Indian consumer was not only aware of the global trends but also had the option to experience international cosmetic brands due to its presence in the services [1].

For the longest time, salons and spas in India catered only to the needs of women. This segment contributed more than 85% to the total industry revenue [2]. However, due to the growing demand for facials, haircuts and overall grooming by men, there had been a steady growth in the unisex salons. Also, the mushrooming of a large number of salons and spas across towns and cities led women, in particular, to consider becoming beauticians, making the beauty and wellness sector a major job creator (Pandit, 2018). According to the National Skill Development Corporation (NSDC), the skilled workforce in beauty and wellness sector was likely to reach 1.42 crore by 2022. The potential for growth was more likely present in urban India as the adoption rate was mainly driven by consumers' lifestyle evolution. The organized sector attracted the high-end urban consumers, who visited salons up to 2.5 to 3 times a month (Singh, 2015) to experience the scientific techniques and modern beauty concepts. It is also noteworthy that amid the 10,000 crore market, the organized segment contributed a meager 2,500 crore, throwing up a huge opportunity for growth of the branded bandwagon.

Increased affordability, urbanization and attractive commercials led more and more men and women, aspiring for the perfect appearance, toward beauty and wellness salons. The beauty service industry soon realized that providing salon-like experience to customers at the convenience of their home gave them wide customer reach, flexible working hours and work autonomy (Arya, 2019). These on-demand salon services brought professional-quality services from the neighborhood beauty parlors and salons to the customers' doorstep.

There were too many spas and beauty centers to choose from catering to different customer needs-hair, body, hands and feet, spa and rejuvenation, slimming packages. As the co-Founder of Naturals Salons, C. K. Kumarvel noted:

“Nowadays, being well groomed has become a necessity and with the rise in pollution, stress and lifestyle disorders, for the urban population, a spa treatment for the skin and hair has become a hygiene and health issue. While in the metro cities, this concept is already established, the tier II and tier III are no longer behind. In fact, we see more demand from them.

Some of the factors that have contributed to this growth are entry of big malls, national and international brands, increase in purchasing power and more”(Bhatnagar, 2014).

### Challenges facing the Indian beauty and wellness industry

Despite a promising future, India’s beauty and wellness industry faced challenges, such as requirement of professionally trained and skilled workforce to handle technology used in the salons for beauty treatments, rising customer expectations who demanded world-class treatments along with the Indian traditional ways of rejuvenation, and the general rise in competition, including established high-end salons and international professional brands (Shenoy, 2020). Another challenge was that most of the beauty parlors in India were part of the unorganized sector that did not follow any quality guidelines. In the absence of such guidelines or certification, customers were unable to distinguish between service delivery standards of accredited and non-accredited centers without actually having experienced the service first hand (Santa, 2018).

### Major competitors

WZH considered VLCC, Lakme salon, Looks salon, Naturals salon and Geetanjali salon as its major competitors (Table E4 and Figure E3).

### Vandana Luthra Curls and Curves

When WZH transitioned from being just another neighborhood parlor, offering hair and makeup services, into a brand that offered holistic wellness to its customers in the form of spa and slimming facilities, VLCC was its closest competitor. Established in 1989 as an outcome of Vandana Luthra’s indomitable passion for beauty and wellness, VLCC soon transformed into a one-stop-shop that enabled customers to satisfy all their beauty and wellness-related needs. Similar to WZH, VLCC offered a wide range of services from hair and makeup to specialized services such as slimming, derma treatments, laser and hair transplant [3]. Sensing an opportunity to expand its market, VLCC forayed into men’s grooming, with *Ayush Men* in 2018 [4]. VLCC also increased its geographical reach beyond the Indian borders and established its presence on the global platform through the franchisee model. Close to 50% of VLCC’s revenue was attributed to its international operations in South Asia, South East Asia, the GCC Region and East Africa [5]. Acclaimed as the weight management and wellness program, VLCC became the first service player in India to be recommended by the Indian Medical Association (IMA). Over the years VLCC earned several awards including *Asia’s Greatest Brands and Leaders 2017* award in recognition of its commitment to excel in the field of beauty and wellness. Professionally trained staff, at its own academies, are the strength of the company.

### Lakme Salon

Lakme enjoyed its position as India’s first home-grown brand of cosmetics for almost 68 years, producing cosmetics that were known for quality. In 1996, consumer goods giant Hindustan Unilever bought 100% stakes in Lakme and started a new innings in the beauty industry and opened its first Lakme salon in 1980. In a journey spanning over three decades, the company grew to 450 salons of which 50 were company-owned while the rest worked on the franchisee model spread across metros and reached the Tier III and Tier IV cities (Francast Report, 2019). In 2011, the company launched its first unisex salon, Lakme Ivana (Seetharaman, 2012).

### *Looks Salon*

Founded by Sanjay Dutta, the multi-facility Looks salon entered the salon industry in 1989 when the competition in the industry was not very high. The company collaborated with L’Oreal and opened its first salon in Delhi in 2002 (Verma, 2016). The company offered hair, beauty and nail services and stuck to its high service standards to match up with the competitive business environment and the evolving trends in the national and international markets. The 30-year old company relied on the mantra of providing luxury to its customers; hence it designed the interiors of its salons to provide its customers with an experience beyond their expectations. It had a stronghold in Delhi, National Capital Region (NCR), North and Central India. The company opened its first salon in Dubai in 2015.

### *Naturals Salon*

The idea of opening a good quality affordable beauty salon struck C. K. Kumavel, CEO and co-founder of Naturals salons and spa, after he had several disappointing experiences with the local barber shop because of their poor quality service, or the unaffordably expensive service at the five-star hotels. In 2000, Kumavel along with his wife Veena, setup their first unisex Natural salon in Chennai which proved to be the company’s biggest advantage as it increased their clientele (Ravindranath, 2014). After its smooth initial beginning, expansion became a challenge for Naturals as it was neither a big name nor a multinational. Finding a franchisee partner, who would invest 30 lakhs in a beauty and grooming business, took several failed attempts of convincing when finally, Kumavel was able to convince several women to become franchisee partners. Slowly Naturals expanded into different segments such as Naturals Lounge (premium services), Naturals W (exclusively for women) and Page 3 (luxury services). Naturals roped in Kareena Kapoor, a popular Indian film celebrity, as its brand ambassador.

### *Geetanjali Salon*

Geetanjali Salon, a premium beauty salon from India set up its Delhi office in 1989 [6]. Co-founded by Prem Israni and Neetu Israni with an aim of providing luxurious experience in hair, skin and makeup to its customers, the company started expanding to other parts of the country, setting up sophisticated establishments at prime locations. As it was a high-street brand, that followed international trends, its services were high priced.

Sumit Israni, the creative and managing director of Geetanjali salons and studios was known for his unconventional approach to hairdressing. His passion for hairstyling led him to pursue a one-year hairdressing course from Jean Louis David in Paris. Starting his first parlor at the age of 17, he soon started styling celebrities including Hillary Clinton, Michelle Obama, Deepika Padukone, Lisa Haydon, Twinkle Khanna, Huma Qureshi, Shahid Kapoor, Vaani Kapoor and many more. Geetanjali salons enjoyed a premium in the customer perception because it remained focused as a high street salon.

### **The dilemma**

After its initial success in an urban setting, WZH took a huge leap of faith and opened its branch in a semi-urban area during 2017–2019. The decision was made in wake of the growth witnessed by the beauty and wellness industry in India. However, with growth in opportunities also came increased competition making it difficult to keep customers from switching over. The road ahead for WZH was not easy. Measures would have to be taken to sustain the growth momentum. Kumud could see the need for a customer-management system to service the customers more effectively but was unsure how to segment the customers and increase customer satisfaction. Kumud wondered what strategies she could follow to increase business flow in the future. How could WZH leverage its brand equity to further enhance customer experience?

*Keywords:*  
Differentiation,  
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## Notes

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### Exhibit 1. GDP per capita for Indian states (2020/2021)

<b>Table E1</b>	
<i>States</i>	<i>FY20 (Rs. Lakh)</i>
Delhi	4.48
Chandigarh	3.91
Gujrat	2.42
Tamil Nadu	2.39
Telangana	2.54
West Bengal	1.4
A & N Islands	1.99
Maharashtra	2.06
Nominal GDP*	202.3

**Note:** \*India's Nominal GDP in Rupees Lakh Crore; Assuming India's population growth of 1.1% per annum

**Source:** [www.businesstoday.in/current/economy-politics/coronavirus-impact-india-per-capita-income-to-drop-54-fy21-gap-between-rich-and-poor-states-to-narrow/story/407749.html](http://www.businesstoday.in/current/economy-politics/coronavirus-impact-india-per-capita-income-to-drop-54-fy21-gap-between-rich-and-poor-states-to-narrow/story/407749.html)

## Exhibit. Population size of major cities in Tier 1, Tier 2 and Tier 3

<b>Table E2</b>	
<i>Tier 1 cities</i>	<i>Population</i>
Delhi	11,034,555
Bengaluru	8,443,675
Chennai	4,646,732
Kolkata	4,496,694
Mumbai	12,442,373
Tier 2 cities	Population
Jammu	502,197
Indore	1,964,086
Lucknow	2,817,105
Rajkot	1,286,678
Mysore	893,062
Ranchi	1,073,427
Tier 3 cities	Population
Karnal	286,827
Raurkela	272,721
Bharatpur	252,342
Katihar	226,261

Source: [www.census2011.co.in/city.php](http://www.census2011.co.in/city.php)

## Exhibit 2. Services offered at wellness zone headmasters

<b>Table E3</b>		
<i>Skin and beauty</i>	<i>Medispa</i>	<i>Makeovers</i>
Facial treatments	Microdermabrasion	Hair
Pedicure	Mesotherapy	Nails
Manicure	Tattoo removal	Body Spa and therapies
Waxing	Carbon blasting	Laser
	Mole removal	Slimming
	Wart removal	
	Hair transplant	
	Platelet-rich plasma (PRP) therapy	
	Face peels	
	Radiofrequency skin tightening	
	ULTherapy	
	High-intensity focused ultrasound (HiFu)	

Source: Company Website

Figure E1



Source: Company files

Exhibit 4. Sample digital Ad of WZH

Figure E2



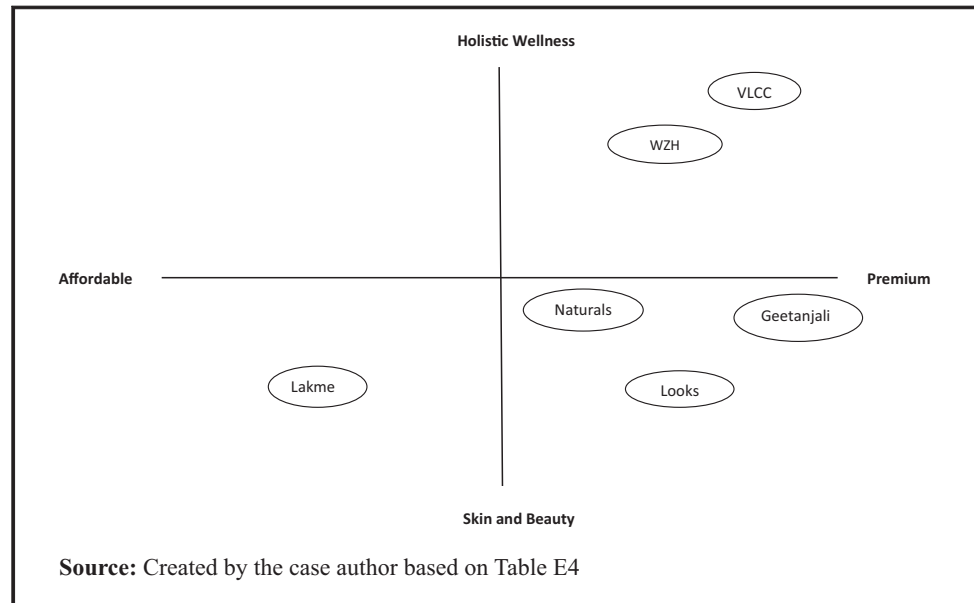
Exhibit 5. Major competitors of wellness zone headmasters

Table E4		Year of foundation	HQ location	Services offered	Number of location in Jammu Region	Presence across the country	Global presence	Positioning	Clientele	Partner brands
VLCC	1989	New Delhi	Beauty, slimming, grooming, dermatology, laser and wellness	03	153 cities	Yes; 16 countries	Mid and high-end	Unisex	Multiple brands	
Lakme Salon	1980	Gujrat	Skin, hair, make-up, hand and feet	05	154 cities	No	Affordable luxury at a great price	Unisex	Only Lakme products	
Looks Salon	1989	New Delhi	Skin, hair, make-up, hand and feet	03	118+ branches across India	Yes; Dubai	Premium	Unisex	Only L'Oreal products	
Naturalis Salon	2000	Chennai	Hair, skin, bridal makeup, body care	01	80 cities	Yes; Sri Lanka, Malaysia and Dubai	Mid and high-end	Unisex	Only naturals products	
Geetanjali Salon	1989	New Delhi	Hair, skin, make-up	01	100 outlets pan-India	No	High-end	Unisex	Multiple brands	

**Note:** HQ: Headquarters  
**Sources:** "Lakme salon's growth journey is an inspiring one," Entrepreneur, accessed March 3, 2020, [www.entrepreneur.com/article/344407](http://www.entrepreneur.com/article/344407); "Chennai-based international beauty chain Naturalis turns 20," The Hindu, accessed March 12, 2020, [www.thehindu.com/life-and-style/chennai-based-international-beauty-chain-naturalis-turns-20/article30904012.ece](http://www.thehindu.com/life-and-style/chennai-based-international-beauty-chain-naturalis-turns-20/article30904012.ece); "Branded Salons take off as the great Indian middle class' desire to be groomed, styled and pampered," The Economic Times, accessed March 10, 2020, <https://economictimes.indiatimes.com/branded-salons-take-off-as-the-great-indian-middle-class-desire-to-be-groomed-styled-and-pampered/articleshow/714811437.cms>

Exhibit 6. Perceptual map

Figure E3



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