

Beleza Natural Case Study

Beleza Natural was created by two courageous women who ended up revolutionizing the Brazilian beauty market. Zika Assis and Leila Velez grew frustrated by the fact that nearly all hairstyling products on the market catered to people with straight hair and there were no affordable alternatives to serve people with textured hair. Realizing that there might be a business opportunity given that half the population of Brazil is of African ancestry, Assis and Velez set out to find a solution that would bring out the beauty of textured hair. Since neither woman had formal training in developing hair-care products, they developed their formula by trial and error, studying the formulation of existing products and mixing various ingredients in the hope of creating a superior product. They realized that they were on the right track when women began stopping them on the streets to ask how they got their curls so well defined. Convinced that they had found a solution to an acute problem faced by many women, they used all of their savings, including the money from selling Assis's husband's cab, to launch their first hair salon in Rio de Janeiro, called Instituto Beleza Natural: the Institute for Natural Beauty. Over the next decades, Beleza Natural grew from a single store to a national chain of 33 institutes with over 4,000 employees serving 160,000 customers per month. The proprietary hair treatment formula was not the only ingredient in their success. Both Assis and Velez came from favelas, extremely poor neighborhoods in Rio, and they designed their salons to serve women from the lowest social class in Brazil, many of whom worked as maids for wealthy families. For many of Beleza's customers, the entire experience of being served by someone who came from the same background and could empathize with them was transformational, empowering them and giving them a sense of dignity and self-esteem. Beleza's deep understanding of the needs of its customers and the importance of providing them with experiences that transform not only how they look but also how they feel about themselves is a clear example of combining social purpose with business success at the bottom of the socioeconomic pyramid. Based on the advice Velez had received from some of the investors, she was contemplating several possible courses of action:

1. Launch a new mass-media advertising campaign promoting the company's products and services to its target customers. The goal would be to make potential customers aware of Beleza Natural and visually demonstrate how beautiful their hair would look after Beleza's treatment. To this end, Beleza would start advertising in new markets using television, print, and billboards.
2. Start actively promoting Beleza's services to men with afro hair. Given that Beleza's proprietary technology worked effectively on all afro hair, regardless of gender, expanding the customer base to men with curly hair seemed a logical next step to grow the business. This would also help preempt competitors from entering the men's market and using it as a springboard for expanding to the women's market that was currently Beleza's core business.

3. Begin offering a broader range of services, including straightening of curly hair. Styling straight hair is one of the most popular styling services and could help increase consumer demand as well as boost Beleza's profit margins. An added benefit of this option is that hair straightening has to be repeated in the salon more frequently than treating curly hair.
4. Streamline the scheduling to reduce the waiting time before treatment begins to less than fifteen minutes. Indeed, time was a scarce commodity for many of Beleza Natural's customers and shortening the wait to less than fifteen minutes could be a way for Beleza to show that it cared about its customers and understood their needs.
5. Offer Beleza Natural's proprietary maintenance products outside the institutes in retail stores. Beleza Natural's maintenance kits were designed to last one month, but clients often ran out of their maintenance products because they shared them with other female family members and friends who did not have the means to visit an institute. Offering Beleza Natural's products in a broad range of retail outlets could help attenuate this problem and bring in new revenue.
6. Introduce franchising as an alternative to the company-owned institutes. The franchising strategy would ensure much faster growth than Beleza Natural would be able to achieve by establishing its own institutes. This option appealed to Velez because franchising was one of the keys to McDonald's success.
7. Stay the course by opening new institutes in different locations one at a time, relying on word of mouth and local promotions to generate traffic. As Velez considered these options, she knew her decisions would be crucial in charting the path for Beleza Natural's future growth.