Marco Aldany: Staying a cut above the rest

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How did small beauty parlor, Marco Aldany, from a working-class area of Madrid, become Spain's leading chain of salons?

The Fernández Luengo brothers come from a long line of hairdressers. In 1997, they realized that, in order to survive, they needed to turn their family business into something much bigger.

Seeing how smaller, long-established salons in France, Britain and the United Status were starting to struggle, they decided that before multinational firms flooded the Spanish market, they would undertake an aggressive expansion plan and enter the fledgling franchise market. Using a combination of their own names -- Marco, Alejandro and Daniel -- the brothers created the Marco Aldany brand.

They were the first Spanish hairdressers to anticipate that the sector would undergo a major process of concentration and expansion, and they emerged as trailblazers in this grand adventure. The road map they followed is explained in the case "Marco Aldany: The Beauty of Our Business," prepared by IESE Prof. José Ramón Pin and Lourdes Susaeta of Complutense University in Madrid. Aiding the study were María Martín and Pilar Martín Zafra, who work for Marco Aldany, with support from IESE's Center for Enterprise in Latin America (CELA).

The franchise formula

Today, Marco Aldany has nearly 400 outlets, operates in Portugal, Central and South America, Eastern Europe (through master franchise agreements) and is on the verge of entering the U.S. and Asian markets. In the latter case, it is doing so in a joint venture with a local company.

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The creation of this broad network of outlets has been made possible by a multifaceted growth model: salons operated by the company itself and others that are franchises, and by combining the opening of new outlets with the acquisition of salons owned by competitors.

However, the initial expansion of this family-run business was not easy. First, there was tension with local hair salons. In Spain, the sector had always featured a structure based on individually owned outlets, and there was little affinity for chains, which were seen as depersonalizing the services offered. Furthermore, some deeply rooted customs hindered growth, such as the idea of not opening a salon on a street that already had one.

But Marco Aldany started opening many outlets, and broke with the Spanish tradition of closing down at lunchtime. They were able to do this because the law governing opening hours was changed to allow exceptions for convenience stores, for example, and who could argue that a hair salon was not a convenience for consumers?

Today, Marco Aldany boasts a solid structure and brand, which have broadened access to hairdressing through reasonable prices, long opening hours and prime locations.

It has managed to transform a sector that historically was fragmented and resistant to change. Of the 65,000 hair salons and beauty centers that exist in Spain, 90 percent are family-run, and less than 10 percent of the rest are owned by the major chains: Marco Aldany, Spejo's, Jean Louis David, Cebado, Llongueras and Rizo's. At the worldwide level, the sector does more than 150 billion euros a year in trade, and more than 3.6 billion euros in Spain alone.

Problems finding qualified staff

A declining birth rate and young Spaniards' growing disinterest in vocational training caused a shortage of workers in the service sector. This also hit hair salons, just as demand for personal-care services rose.

The problem of finding qualified staff became the main impediment to growth for Marco Aldany, which now has more than 3,000 employees. The company was convinced that growth in its staff would set the pace for growth in its business in general.

The initial solution was to hire qualified hairdressers in their native countries. In 2007, for instance, Marco Aldany hired 50 Peruvian beauticians. A year earlier, it had tried the same thing in Bolivia, but it had not worked out. However, labor market agreements that existed between Spain and Peru sped up the paperwork in this case.

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When the Peruvian workers arrived in Madrid, a plan was implemented to ease their integration into Spanish society. From the outset, they combined work with training. After a few months, they were surveyed to determine how satisfied they were with their integration in the workplace and the country.

Over time, however, managing the diversity of the company's workforce became complicated. The different origins of the workers sometimes made it hard for them to communicate, and gave rise to misunderstandings. What's more, not all of the staffers who were hired turned out to be effective when it came to actually doing people's hair.

This triggered a new staffing crisis that was resolved by training and selecting hairdressers in their native countries. The company decided to create its own training facilities as a way to establish a pool of workers and instruct its ever-increasing staff in the Marco Aldany method. This option also offered the best students the incentive of working in Spain. To this end, in 2008 the company opened a school in Peru, in one of the most popular areas of Lima.

Diversifying in the face of crisis

In late 2007, the company unveiled a new strategic plan for the following decade, known as "Plan 1,000" and aimed at strengthening Marco Aldany at all levels to reach 1,000 sales outlets. With this goal in mind, the firm embraced a multi-concept model to position itself in other market niches.

Marco Aldany redefined itself as part of Chic Corporation, a multi-brand group with interests not just in hair salons but also beauty treatments, cosmetic surgery and production and sales of cosmetic and hair- and body-care products. The founding family, along with the investment group Regens Corporation, which between them held 100 per cent of the capital, decided to bring in two investment funds as shareholders: Spirit and MCH. The deal was valued at 103 million euros. Chic Corporation began preparations to list on the stock market.

In 2008, like many companies around the world, the economic downturn hit Marco Aldany, although hairdressing and beauty care tend historically to be resistant to recession "people's hair grows no matter what". A rise in unemployment in Spain prompted the government to cut back on the hiring of workers in their native countries in 2009. This had a major impact on Marco Aldany's hiring policy and forced it to halt plans to open a training facility in Colombia.

Despite the crisis, however, Chic Corporation continues to grow. It now follows a model of organic expansion and is considering acquiring several chains. As part of its diversification,

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the company is considering the possibility of creating a brand offering massages and Thai beauty therapies. It is also working on a new plan to open beauty treatment centers and market new beauty products, such as Revolution, Top and The Beauty Shop.

Chic Corporation is defying hard economic times. Its projection in a sector that is clearly resistant to the economic cycle has only just begun. Beauty is still a great business.

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