

Hair Care Industry: Market Analysis

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Introduction

The hair care market is growing at a stable pace globally and is expected to continue increasing in the next five years. One of the most significant factors for this steadiness is the high demand for healthy, manageable, and radiant hair which drives the purchasing decisions of a majority of consumers. The global market for the hair care products is projected to grow considerably owing to the increasing research and development activities for the improvement of hair products. Furthermore, a focus on innovation in the latest technology for the preparation of new hair care products is projected to impact the global markets. In 2015, the hair care market across the globe was valued at US\$81.3 billion in 2015 and is anticipated to reach US\$105.30 billion by 2024, recording a steady 3% CAGR in the forecasted period.

Distribution of Firms and Consumers

Hair is by far one of the most significant elements of the image of ethnic women and African or Black American in that the spending on hair is a vital part of their beauty budget. In most countries, the ethnic and Caucasian hair product markets are in parallel with distinct salons, distribution, structures, and brands in the growing sector of professional beauty. The American market signifies the biggest market for hair care products in the personal and beauty care market segment owing to the diversity in developed markets. There are a number of firms in the shampoo and conditioner markets worth US\$ 4.3 billion, hair styling aids worth US\$ 1.8 billion, and hair coloring firms worth US\$ 1.7 billion. While the aggregate growth in the industry may appear stagnated, the individual sectors in the hair care markets have displayed remarkable growth thus driving the growth and innovation in the hair care market. The current consumer

trends and the largest number of consumers include hair care products that are ideal for natural curls, 'ethnic' market, and men's hair care which is growing globally.

The consumers in the hair care market are going through a rapid transformation since the shampoos and conditioners sales have been deteriorating due to emergent technologies in the post-color care through the latest scalp treatments available in salons. Moreover, the use of salons has reduced owing to the tighter purse strings and products and salons that offer lucrative discounts that attract more customers. The styling products have been substituted with stress-free appliances that have DIY properties. Still, herbal care, comprising different natural oils like olive oil and coconut oil are prevalent. The product sales in the industry are suffering from a go-slow because of the amplified awareness of the natural easily available and acquired products in the DIY range of hair care and therapies, through the greater perpetration of personal care and lifestyle blogs.

The vendor background of the market for hair care globally is reasonably consolidated, with the four main companies, namely Procter & Gamble, L'Oreal, Henkel, and Unilever, accounting for about 55% of the market. In spite of having a monopoly on the global markets, companies in the industry are necessitated to compete with some unorganized players in regional markets with emergent and less-developed markets. There is a mix of different firms in the industry in that L'Oreal's distribution has been gradually losing its market share to Beauty Systems Group and hair brands such as L'Oreal, Rogaine, TRESemme, Clairol Nice n Easy, Head & Shoulders, Revlon, Garnier Nutrisse, Conair, Just for Men, and Suave has the biggest market shares. In the higher growth hair market for Ethnic and African-American hairs, brands like African Pride, Organic, Luster's, Pro-Line, Ultra Sheen, SoftSheen-Carson Africa's Best, and Motions have the leading market share.

Aggregate Consumer Demand

Consumer demand in the industry is fueled by product innovations and brand expansion which makes companies to expand their consumer bases and enhance their profitability. In 2016, the shampoos segment accounted for about 30.9% of the total market for hair care products market across the globe. The demand for shampoo products is expected to remain stronger, thus making the division to be one of the main revenue contributors in the industry in the next few years. The key trends that will have a profound impact on the growth projections in the industry include the growing demand for organic and natural hair products. The fast urbanization in emerging and developing economies has also led to the accessibility of global hair brands and the steady demand for the product among the male and female demographics.

Similarly, the demand for hair care products has ominously benefited from high disposable incomes and increasing pollution in the world. The air pollution is a major cause of hair loss and damage, its deteriorating state will lead to substantial growth in hair-related problems. Hence, the manufacturers in the industry have taken this into account and aligned their development strategies, which will be beneficial for the hair care industry in the long-term. The intensifying demand for men hair care products is another major driver for the hair care market. By tradition, women were the dominant consumers of these products, but the latest male fashion trends have resulted in increasing volume of men paying more attention to their hair. The demand for hair dyes and colors will create a big portion of demand for products among men.

Constraints and Regulations in the Industry

Consumers spend huge sums of money on hair products and related services. In the U.S.A alone, the yearly revenues from in the industry is about \$20 billion. Even in rough

economic downturns, people want to be at their best, which in turn makes the salons and barber shops a feasible financial opportunity for most entrepreneurs. However, these products and services can be fundamentally risky for the customers and employees. From the wide range of hair care products to dryers, chemicals, cutting tools, and the hands-on feature of the business, the salon owners should comply with the continuously fluctuating state, regional, and federal regulations that are designed to endorse safety and guard consumers from injuries and accidents. The Food, Drug, and Cosmetic Act that was enacted in 1938 brought the cosmetic and hair industry under the supervisory FDA jurisdiction. But, the convergence of federal administrative budget constraints, past conditions of the development of the industry, and realistic policy deliberations have fostered an inimitable regulatory administration. The FDA relies heavily on the hair industry to regulate itself to safeguard consumer safety. However, the latest criticisms assert that the system of self-regulation is inefficient and inappropriate

Input Prices and Equilibrium

What makes the service industries like the hair industry so divergent from manufacturing is the immediacy. Balancing the demand and supply sides of the hair industry is not easy. The long-term equilibrium is dependent on the effect of new firms venturing into the industry. If one assumes that the input prices used by the industry will remain constant irrespective of the volume of each input demanded, the long-run average cost curve will be unaffected by the entry and exit of firms. Firms in the industry also face perfectly elastic supply curves for the inputs used in production hence, the long-run average cost curve does not shift since an increase in demand for inputs will lead to an increase in supply without any changes in price. The demand for inputs is small, relative to overall market demand for input, that has no impact on input prices. The hair

industry is a constant cost industry as it does not have adequate demands on inputs to influence the prices of inputs.

Policies to Improve Efficiency

The importance of situations in analyzing the hair industry designates the need for larger regulation of hair products. The global beauty culture intensely shapes and is molded by the American social and cultural environment, and hence regulation of the influential force is important to guard the consumers and society at large. The need should be met by the hair industry, though, for instance, policies like stringent, more transparent, and uniform hair industry standards. The inevitable reality is that the realistic restraints of FDA partial capacities cannot be overlooked, and therefore the present system deliberate self-regulation characterizes the most concrete and effective way of utilizing affiliated incentives to guarantee consumer safety.

Impact of Technology

While the associations of technology with luxury and fashion have been the cause of media frenzy, the relationship with hair has, in contrast, been fairly low key. Hair companies like L'Oréal and Unilever have upped their technological game by launching try-on apps and widespread social media presence. Though, the potential use of technology in the industry is still at a budding stage. As the consumers apply technology in their daily lives, remarkably through the increasing usage of smartphones and other gadgets, the borders between the real and virtual world become progressively blurred. For instance, the use of virtual wallets, assistants, try-on apps and even currencies like the Bitcoin are notable signs of what will happen in the future. Nowadays, wearable technology has become more commercially accessible and companies cannot afford to lag behind by using technology as the core strategy and intrinsic feature of production.

Market Surplus

A market surplus is a degree of the welfare that individuals gain from consuming various goods and services. It is the variance between the amount that the customers are willing and can pay for goods or service (demand curve) and the amount that they pay (market price). The consumers in the market will characteristically have contradictory “willingness-to-pay” for different goods or services. In the hair industry where a single price prevails, everybody except marginal buyers would, in theory, have been willing to pay an amount greater than what was actually paid. Loosely speaking, the price discrimination in the industry involves companies selling different volumes of similar goods at different prices to similar or different consumers to increase profits. The consumer surplus created under the uniform pricing structure is now transferred to the producers in the industry.

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