

Jason wasn't sure what to do. If he told Ashley about it, she'd probably agree to it especially since it would mean a free filling for her. Furthermore, is this the best treatment for the patient?

¿HABLAS BEAUTICONTROL?

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Patti Tomlin, BeautiControl consultant, surprises her spa client, Denise Daniels, with a request to help her decide if she should move her business from Florence, South Carolina to Yuma, Arizona. Though Daniels manages a local small business center, this is not a typical request. Tomlin has been extremely successful with selling BeautiControl and at recruiting in South Carolina, and has put her own twist on multi-level marketing by opening a salon instead of the more typical party and catalog sales methods. She has done some homework and thinks that things might be good for BeautiControl in this new area. Daniels collects some demographic, competitive and consumer behavior data to start the discussion.

While moving a small business cross country is somewhat unusual, many businesses do open branches in areas remote from their home base and face some of the same issues as a move or fresh start-up. The material in the case and instructor's manual is also pertinent to discussions for pursuing any new market, whether physically locating there or just selling there. In addition, the case looks at Hispanic consumer behavior and trends and marketing preferences. It challenges students to look at raw data and draw conclusions comparing the two regions. The data are inexact and require students to come up with reasons to support the facts. This provides a good example of the "detective work" many marketers must do in interpreting data.

INTRODUCTION

"Now just relax for five minutes and let these eye pads work their magic. They'll remove puffiness and the look of tired eyes. The moisturizers will work to stay ahead of any little lines you might get around your eyes, too." As she spoke, Patti Tomlin eased the back of the chair shifting the client in the chair to a semi-reclining position.

The client, Denise Daniels, listened to the quiet background music and the sound of Tomlin straightening up her skin care products on the shelf nearby. It was late summer of 2014, and Daniels, the manager of a small business center affiliated

with a regional state university in South Carolina, was taking a break before the beginning of the semester. Suddenly Tomlin turned and asked, “Do you know anything about how to sell skincare to Hispanic women?”

Daniels started to sit up, but Tomlin gently held her in place. “No, no, don’t move. Just listen and I will give you a little background. We’ll talk about it after your treatment. You know that I’m originally from Arizona. My parents still live there. They retired from state jobs and stayed in Arizona as their retirement benefits were better than if they moved. They did, however, leave Phoenix and move to Yuma. They’ve been there almost ten years. My brother had been in the Marine Corps down there and my parents enjoyed the scenery and the small town feel when they visited him.

“Dad’s health is getting poorer – Alzheimer’s – but he’s still able to be at home. They live in an active senior community, so there are others to sort of help out, but they need more and more help. For example, the community has a small grocery, but it’s getting more difficult for Mom to leave Dad alone for very long and he can be unpredictable if he goes along. It’s just getting harder and harder.

“My brother lives in Chicago. He’s an optometrist and it’s really not an option for him to go. My business is much more portable, so maybe I should move to it Yuma? You’re one of the few I’ve told about this, but I really need some help and I thought you might be able to tell me if I’m nuts or not. I’m going to make some coffee and bring out a few cookies. Then after your treatment, we can talk.”

BACKGROUND

Tomlin was a consultant for BeautiControl, a make-up and skincare line with a business model similar to Avon or Mary Kay, that is, she earned income from her personal sales, and also residuals from other consultants she recruited. (Customers can order on-line but are asked for their consultant’s name. Should they not have a consultant, one is assigned based on their address. Consultants get a percentage of these online sales as well.) Tomlin had many recruits, some more active than others; the core group fluctuated between twelve and twenty. About one-third were retired or stay-at-home moms and BeautiControl was their source of income – and, to some extent, their social life. The others worked full or part time and looked to BeautiControl for supplemental income.

She entered this business twenty years earlier when her children were small and found she had a knack for it. She was a believer in the products and served as a walking billboard for them, looking at least a decade younger than her age.

Unlike many of the consultants who sold through parties or distributed catalogs, Tomlin also had an out-of-the-home business location. This allowed her to see

clients privately and to accommodate those whose homes or lifestyles weren't conducive to the more typical party sales approach. She also could co-host parties at her salon if a client preferred.

Her business was situated in a small three room house she rented on one of the major roads of Florence, South Carolina. One room was her "spa." She offered facials and other skin care treatments along with special occasion make-up (proms, weddings, etc.), make-overs and similar services. New clients received a one hour skin care and make-up training session and, since they were so enjoyable, many would come back just to pamper themselves a little, often bringing friends. Tomlin would encourage the original client to become a consultant to be eligible for discounted products and to earn a little extra income selling to their friends. This was also something Daniels had done, her four "clients" being family members to whom she offered her discount.

Another room of the building was dedicated to retail. The shelves were artistically stocked with the total line of BeautiControl Products with signs giving beauty tips as well as announcing sales. In addition, Tomlin created baskets or other collections of products – a spa basket, a new Mom basket, a cruise package and many others – with an array of products suitable to the occasion. She also did these collections themed to the season or upcoming holidays.

The third room was her party room. It adjoined the tiny kitchen, where Tomlin would frequently whip up a batch of her signature "Peppermint Patti" cookies. This was also where she held training classes for the consultants she recruited, offering the core training, introductions to new products and general "best practices." These trainings were held every other Monday. While serious business was conducted in these meetings, the atmosphere was much more of a group of friends hanging out together and having fun – almost a teen-age slumber party atmosphere, experimenting with make-up and such. On the off Mondays, many of the consultants in the area would come anyway just to socialize. BeautiControl gave them a common bond and the group became more friends than competitors.

BeautiControl recommended a three hour training class for new recruits plus quarterly new product introductions. Tomlin had built a repertoire of additional classes – specialty make-up or skin care treatments, basic business skills, sales techniques and others. Even the most experienced of her recruits would frequently repeat the basic classes for a refresher or to offer additional advice to the new recruits. In truth, they came more for the food, fun and fellowship.

This “friend recruiting friend” model is a core method in multi-level marketing, but the meeting location and opportunities that Tomlin provided created a tight-knit circle of friends. She somewhat wondered though, if maybe this had its drawbacks: Florence had a large African American population and the few minority recruits she’d achieved never lasted long. Although the team was welcoming to all new members, she also knew it took several meetings for a newcomer to feel comfortable. Maybe this felt like a barrier?

In spite of not being able to make serious inroad into the African American market, business was good: Tomlin hadn’t cracked six-figure income yet, but wasn’t too far off. There were few months when she did not show up on one of BeautiControl’s monthly top lists in *Achiever*, the magazine for consultants. These lists included categories such as top recruiter, top in sales, best month, higher percentage growth, etc. and featured 120 consultants throughout the organization. She was also often recognized at regional and annual events where BeautiControl sellers and users came to celebrate BeautiControl and learn about new products.

BEAUTICONTROL

From the company’s Website (www.BeautiControl.com):

BeautiControl is an internationally recognized beauty company offering personalized service, scientifically advanced skin care and premium quality cosmetics. As the first direct sales company to bring the Spa experience into the home, BeautiControl is known as the #1 Premium Spa Brand.

Throughout the United States, Canada and Puerto Rico, BeautiControl provides premium products and services, unforgettable experiences and an opportunity to change women's lives.

BeautiControl provides premium products and services for unforgettable experiences and an opportunity to change women's lives.

We choose to conduct our business with integrity, honesty, humility, and honor and live each day empowering women to dream with confidence.

BeautiControl was headquartered in Dallas and has been in business for over thirty years. It was now a subsidiary of Tupperware Brands. The firm offered nearly 200 separate products skincare, make-up and fragrance products, many of which were offered in a number of different colors (e.g., make-up) and formulations (e.g., skin-type). The skincare products and make-up colors covered all ethnicities. The firm offered a line of men’s skincare products and fragrances as well as those formulated for children.

The company recruited consultants both male and female and of all ethnicities. Typically, the top lists in each month's *Achiever* showed 5% men, 15% with Hispanic surnames and 5% African American. (The company does not release information on recruits; the percentages that show up on the top lists may not represent the make-up of all the consultants.)

THE INITIAL CONSULTATION

Over cookies and coffee, Tomlin continued, "So what do you think? I really don't want anyone to know just yet so I'm trying to keep the business running as usual. I'm cutting back a bit on what I'm ordering, but so far that's the only change. And, well, you know Debbie Blue? She's always said she'd take over the store and spa here if I ever decided to quit." Blue was one of Patti's highest grossing recruits and knew the business nearly as well as Tomlin. Tomlin continued, "I had her over the other day and said, as a joke, that I might like to take her up on her offer. She got serious and told I could name my price; she'd buy furniture, fixtures, inventory, everything."

Tomlin remarked, "Id I did move, I'd like to keep some of my salon equipment, but things like the meeting table and folding chairs really could stand to be replaced. The retail shelving fits the room and should stay. I like most of my salon furniture, but maybe it will be too expensive to ship. I just don't know where to start. Help!"

"First, I'm really sorry to think that you might be leaving. I'd really miss you. I can understand, though, going through elder care issues with my parents not so long ago." Daniels said. "Yes, if you are serious, I do think I can help – both with moving and with understanding Hispanic customers. I used to live in Southern California and did a lot of research into Hispanic consumer behavior."

"I did a little homework to see if it might work," Tomlin continued. "I found out that there are a couple BeautiControl consultants in Yuma, but their sales are really low. I think it should be much higher. Yuma is bigger than Florence. I guess these consultants may just be buying for themselves and a few friends."

"I know from visiting there that there are a number of Hispanics – probably like when I was in Phoenix. I took Spanish in high school and was pretty fluent, although I'm a bit rusty, but I think I could pick up enough if I needed it."

"And think of the climate," she gushed. "Here it's so humid, but there it's desert – a perfect place to sell moisturizers. It's really hot and sunny, so people need

products with sunscreen. And, with all the retirees and snowbirds, anti-aging products have to be popular.”

Daniels replied, “That’s all good information and sounds promising, but let’s see if we can’t get some more data.”

Over the next few days, Daniels collected data about Yuma and the level of direct competition Tomlin could face, as well as information about Hispanic American consumers. This data can be found in Exhibits A, B, and C.

A week later the two women met again to review the information. Daniels said, “Your decision to leave is partially personal, but I can help you look at the business aspects. Assuming Debbie does buy at a price you want, does moving the business makes sense? I’ve brought you the material I promised and have some ideas. Let’s see where you want to go with this idea.”

TABLE 1:
Selected Products and Prices

	BeutiControl		Avon*		Mary Kay**		Drug store brands***		Clinique****
	size	\$	size	\$	size	\$	size	\$	\$
Cleanser	6.7	25	4.2	12	4.5	25	6.5	10.50	20
Daily moisturizer	2.6	34	1.7	38	1.7	50	1.7	20	47
Night cream	1	38	1.7	38	1.7	50	1.7	20	53.50
Eye Cream	0.5	35	0.5	36	0.5	40	0.5	24	65
Fingernail Polish	0.45	10	0.4	7	NA	NA	0.3	11	12.50
Foundation (liquid)	1	28	1	16	1	20	1	13.50	27
Blush (powder)	0.11	20	0.37	9	0.07	14	0.17	11	21
Eye shadow (single color)	0.04	18	unk	6	0.05	7	0.1	9	15
Mascara	0.32	25	0.25	12	0.28	15	0.08	8	16.50

* Brand used where applicable: Anew

** Brand used where applicable: Timewise. Make-up products are refills; compacts to hold these \$15 to over \$30

*** Brands used: Olay for skin care; Revlon for make-up

**** Clinique did not list sizes on their Website for most products.

Data from this table came from the company Websites for BeutiControl, Avon, Mary Kay, and Clinique retrieved June 2014. The skin care products chosen were

all from their anti-aging lines. The drugstore brands information was pulled from www.walgreens.com also in June 2014

EXHIBIT A:
Yuma Overview

The Yuma, Arizona metropolitan statistical area had an estimated 2013 population of 201,201. The snowbird retirees added 85,000 people to that population mostly November through February. The largest employers were government (Marine Corps, US Proving Grounds, border patrol, schools and local government) and medical, but there was some industry (Dole and Bose, for example) and tourism from historical areas to geography to casinos to sports such as minor league and winter baseball and rodeo. In addition, seasonally, a large number were employed in agriculture.

The desert climate had an average annual temperature of 88 degrees and average annual rainfall below four inches. Summers could be terribly hot with the average high temperature being above 100 degrees from June through September. The average highs in the winter months were upper sixties to lower seventies, thus making it popular for snowbirds. Ninety percent of all days were sunny, making it one of the sunniest places in the United States.

The demographic information in the table below compares Yuma, Arizona to Patti's current location in Florence, South Carolina (US Census department, 2013 estimates). Please note: Hispanic is an ethnicity; someone who is Hispanic can also be white, black, Asian, etc., therefore the race/ethnicity section will add up to over 100%

		Florence, SC	Yuma, AZ
Population	Total	138,326	201,201
By Age	Under 18	24.3%	29.6%
	18 - 24	11.5%	11.9%
	25 - 44	26.7%	27.1%
	45 – 64	23.5%	17.5%
	65+ (w/o snowbirds)	14.0%	13%
Median HH income	In dollars	41,738	41,588
Race/ethnicity	White	55.2%	68.6%
	Black	41.0%	3.2%
	Asian	1.1%	1.9%
	Pacific Islander	0.0%	0.2%
	Other/mixed	2.7%	26.1%
	Hispanic	2.4%	45.7%
Unemployment	percentage	9.0%	26%
Male/female	Percentage	49/51	50/50

In addition, 52% of the population in Yuma speaks a language other than English at home and 96% of that is Spanish. Seventy percent, however, speak English well or very well.

EXHIBIT B:
In-home Party Sales

The in-home party sales method can be an effective way to sell make-up and other products, particularly for women target markets. The host is often someone who uses the product herself. She invites friends and family to her home and provides refreshments. The consultant demonstrated products and facilitates sales. The hostess usually gets a discount on her purchases based on the party total sales and often other hostess gifts. There is usually an element of peer pressure to purchase, both from knowing that the hostess is counting on you and from seeing what other buy.

EXHIBIT C:
Direct Competition

Mary Kay Cosmetics (headquartered in Dallas) operated under a similar system as BeautiControl – in home party sales, independent consultants who recruit additional consultants and a full line of skin care and make products. (For more information see www.marykay.com.) There were ten Mary Kay consultants in Yuma compared to five in Florence, SC.

Avon (headquartered in New York) also used independent consultants who recruit as well, but they typically have not followed the in-home party model. They typically delivered catalogs with samples in person or by mail to their clients. Customers can order from the consultant or online. In addition to make-up and skin care items, they offered some clothing, jewelry, decorative products, kitchenware and other products. (For more information see www.avon.com.) There were twelve Avon consultants in Yuma compared to 6 in Florence.

There were two BeautiControl consultants in Yuma. Public data about their sales were not available.

Additionally, women could also purchase skincare products over the counter. High end cosmetics could be purchased at better department stores. These include brands such as Lancome, Clarins and Clinique. Comparison of selected products prices are shown in Table 1 at the end of the case.

EXHIBIT D:

Hispanic Marketing/Consumer Behavior

- Hispanic men and women over-index in terms of beauty consumption and attitudes about beauty, grooming, and attractive appearance.
- 25% of Hispanic women believe that outer beauty is a reflection of inner beauty
- Outer beauty empowers them and gives them confidence to face the world.
- 69% of Hispanic women state wearing makeup and looking good is essential (46% of general population)
- 81% use multiple products every day.
- 32% are willing to spend more on brands (19% general population).
- Most equate price with how well the products work.
- Latinas are most likely to say “My face has no budget.”
- Hispanic men tend to believe that looking good is a way to get ahead in life.
- Hispanic men spend \$8/month MORE on hair styling products, moisturizers and fragrances than non-Hispanic men.
- When budgets are tight, spending on cosmetics is one of the last places to cut – after entertainment and clothing and just above kid’s allowances.
- Total acculturation for Hispanic immigrants typically takes 4 generations.
 - Traditional Hispanics speak mostly Spanish
 - Bi-cultured Hispanics speak English and Spanish equally
 - Accultured Hispanics speak mostly English
- Predominantly English speakers are younger or have lived in the US for longer period of time
- Predominantly English speakers are wealthier on average than predominantly Spanish speakers
- Hispanics have strong family orientation
- Typical strong values include respect for elderly, independence, self-control, freedom, inner harmony, strong ethnic pride and responsibility.
- Tend to be upwardly mobile but not overly materialistic.
- Hispanics are expected to grow nearly four time the rate as any other demographic in the US over the next 40 years.
- Discretionary spending in Hispanic households is increasing much more than in non-Hispanic households. This is particularly true in the South and West.
- Tend to be brand loyal.
- Hispanic customers are hungry for education and information on products that fit their needs.

- Spanish-language advertisements, direct mail and bilingual in-store demonstrations work well. However too much Spanish use can lead to the belief that you doubt their English ability. Balance is important.
- 52% will say they remember more about or pay more attention to products and brands advertised in Spanish. They feel it's a sign of respect to their heritage. But this is true mostly among Spanish dominant, older and more traditional consumers.
- Roughly 1/3 prefer English only in advertising on most media but this jumps to over half for online. Another third prefers mostly English but some Spanish.
- Information is more important than image in advertising.
- Product quality and reputation much more important than price.
- In cosmetics, the top three factors are quality (32%), price (27%) and function/brand (22%)
- In personal care items, it's quality (34%), price (33%) and function (25%)
- Marketing influence is stronger through family and friends. Experts in the field are also trusted.
- Hispanic shoppers are among the savviest when considering per-unit prices.
- Ads should stress family and be colorful.
- Getting something free is a strong incentive to purchase and Hispanics love to sample before buying.
- Coupons are not as popular with Hispanics as they are with others.
- Hispanics over-index as users of Facebook, Twitter and Tumblr and over-index on most favorable attitudes towards social media advertisements
- Hispanic consumers are the fastest growing Internet shopping segment and over-index on many shopping Websites.

(Portions of this exhibit are drawn from The Whole Enchilada by Juan Faura; Paramount Marketing Publishing 2004 and AdAge 2014 Hispanic Fact Pack)