Diagonal Reports

HAIRCARE MARKET SOUTH AFRICA 2011 (BLACK SOUTH AFRICAN HAIRCARE)

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Use of quotes

Throughout this report all statements in quotation marks (" … "), were made by experts representing the companies interviewed.

Where a quote or a series of quotes are introduced by a bullet point (•) each bullet point introduces a different expert.

SECTION 1: SUMMARY OF DATA AND HEADLINE ISSUES

TABLE 1 Haircare market at a glance

	Metric	Data
	Haircare products market	€ x million
	Haircare products market	ZAR x billion
	% of which African hair formulations	x%
	Population	x million
	% of whom Black South Africans	x%

(Source: DR Black Haircare Market South Africa 2011.)

The table above sets out the main data on the haircare market in South Africa.

The x million Black South Africans spend approximately €x million (ZAR x billion) a year, in 2011, on haircare products. South Africa, along with Nigeria, is one of the largest haircare markets on the African continent. The country is an important hub and distribution centre for the southern part of the continent. (For more detail on the basis of the estimate of market size see Section 11, Support Data.)

The Black South African haircare market is very positive. Experts forecast average sales growth of x percent in 2012, compared to 2011. However, in the economic slowdown consumers cut back on haircare and beauty spending – in particular the low-end consumers, who could account for x percent of sales.

TABLE 2 Top haircare companies

	Rank	Company
	1	x
	2	x
	3	x
	4	x

(Source: DR Black Haircare Market South Africa 2011.)

The table above lists the top four brands in the South African haircare market, as identified by the experts interviewed. The experts interviewed identified, by name, x companies and brands that are active in the South African haircare market.

The leader, x, is followed by mixed bag of companies, among which there are a few well established names, such as those in the x family, for example, x x, as well as new market entrants.

TABLE 3 Haircare market share (percentage) sales) by product category

(Ranked as average percentage of haircare sales by companies interviewed. Figures rounded.)

	Product category	%	Euro
	Relaxer	x%	x million
	Extensions	x.%	x million
	Aftercare	x.%	x million
	Liquids	x.%	x million
	Colour	x.%	x million
	TOTAL	100%	€ x million

(Source: DR Black Haircare Market South Africa 2011.)

The table above lists the products in the Black South African haircare market, broken down into percentage sales.

Commonalities with other markets in Africa

The following sets out the chief commonalities identified between the market in South Africa and other countries in Africa, among which Nigeria, Ghana and Kenya.

• Haircare regimes for Black South Africans are high maintenance. These regimes determine both the demand for products, and the demands made of products.

• Black South Africans use a very extensive range of products because they like to alternate different types of styling, that is, to change from relaxing hair to using extensions.

• There is a very profound consumer fear of damage to hair from the use of relaxers.

Implications for product manufacturers

The regularity with which people switch hairstyles has implications for product manufacturers and distributors. Manufacturers must offer products in a range of categories that are used in the many different styling regimes.

Brands that do not, for example, offer oils for braids miss out on sales to that, large, consumer segment. Braids are one line in a category that accounts for x% of sales in retailers.

Data sources

This report is based on desk research and interviews with market experts, products suppliers, distributors, and beauty supply stores (retailers) specialising in the Black South African haircare market. Interviews are essential to market analysis, as there is often a shortage of data, and the published data available may be significantly outdated or lacking in detail. This report updates previous Diagonal Reports' studies on the Black South African haircare market.

Currency

The currency used throughout this report is the South African Rand (ZAR). The official symbol for the currency is ZAR, but the use of the term Rand is commonplace. Current value of 1 euro is 9.6 ZAR (www.xe.com) at time of publication.

Date of publication

June 2011.

SECTION 2: MARKET SIZE, TRENDS AND SALES VARIATIONS

This section sets out data on the size of the Black South African haircare market and identifies trends and variations, both current and forecast.

Introduction and summary

There are more positive drivers than negative in the Black South African haircare market, where the consumer fundamentals are strong.

The main growth driver is rising disposable incomes for the growing numbers of middle class Black South Africans, and the large numbers of young people and their willingness to spend money on their appearance.

TABLE 4 Black South African haircare market summary data

	Currency	Value
	Euro €	€ x million
	ZAR	ZAR x billion

(Source: DR Black Haircare Market South Africa 2011.)

The table above sets out the estimated value of the haircare market in South Africa, in Euros and ZAR.

TABLE 5 Market trends 2009 to 2012

(As average percentage variation reported by companies interviewed, year on year (YOY).)

	Period	% variation
	2012 / 2011	+x%
	2011 / 2010	+x%
	2010 / 2009	+x%

(Source: DR Black Haircare Market South Africa 2011.)

The table above sets out the average variation year on year (YOY) in the sales of haircare products in South Africa, from 2009 to 2012.

Some x percent of experts interviewed forecast x growth in 2012. Growth rates vary and businesses can achieve many multiples of the average.

Sales are forecast to grow in 2012 but at a slower rate than in previous years. Sales were boosted in 2010 by the 2010 FIFA World Cup South Africa, particularly in cities where the football matches were held.

SECTION 3: HAIRCARE MARKET BY PRODUCT CATEGORY

This section sets out data on the Black South African haircare market with current and forecast sales of product categories.

Introduction and summary

Black South Africans use a wide range of products, treatments and services. The product categories are somewhat different to those in the general (e.g. White South African) consumer market. For example, the products include both African and general formulations, and not only wet, but also dry products.

The paragraph in Section 2, "High maintenance" sets out the factors that drive high spending on hair by these consumers.

TABLE 7 Haircare formulations, African specific and general

(As percentage of haircare market.)

	Formulation	%
	African type of hair	x%
	General or White hair	x%
	TOTAL	100.0%

(Source: DR Black Haircare Market South Africa 2011.)

The table above sets out experts' estimates of the percentage of products used by consumers in South Africa that are specifically formulated for Black African hair, and the percentage that are general formulations, that is for all hair types.

As one expert noted most sales are of "African" formulations: "Of the x million people in South Africa, about x percent have so-called 'Western' hair. You do the maths!"

SECTION 4: SUMMARY OF LEADING BRANDS

This section looks at the companies identified as the top brands in the Black South African haircare market.

Introduction and summary

The experts were able to identify by name x companies and brands that sell into haircare market in South Africa. Of these only x are market leaders.

The brands identified include both special or ethnic formulations and general haircare formulations. The market is very fragmented in terms of brands. It runs the spectrum from premium quality brands to low quality lines. Further, the quality brands that lead in the upper end of the market may have no sales in other market segments.

TABLE 12 Summary profile, haircare brands numbers identified

	Metric	Data
	Number of brands (total)	x
	Number of brands products	x
	Number of brands dry hair	x
	Number market leaders	x
	The leader's / leaders' share	x%

(Source: DR Black Haircare Market South Africa 2011.)

The table above shows that, of the many companies identified, there are, in the experts' opinions, only x market leaders in haircare in South Africa.

Research conducted in 2011 identified some x companies in the haircare products market, and another 13 companies in dry hair category. In addition, research conducted in 2010 in South Africa identified some x companies that were not named in 2011.

The top two companies could have a combined x percent market share, and all other brands share the remaining x percent. The leaders dominate the market through their relaxers, and their relaxer-related treatments.

SECTION 5: MARKET SPECIFIC CONSUMER BEHAVIOUR, PURCHASING CRITERIA, UNMET DEMANDS

This section sets out data on the consumer specific behaviour of Black South Africans, as well as product purchasing criteria, marketing opportunities and unmet consumer needs.

Introduction and summary

Sales trends for the different product categories are the result of the specific haircare regimes of Black South Africans. These regimes determine both the demand for products, and the demands made of products.

Black South Africans have a range of unmet, and only partially met, product demands.

Demand variations seasonal

Experts note that the popularity of different hairstyles, and therefore of haircare products used to create those styles, varies seasonally. One noted: "Some people do nothing to their hair in winter, they cover their hair and wear hats to keep their heads stay warm, so they do not see the need to spend money on haircare products."

Sales of hair extensions are the most seasonal. Sales peak during the winter months in South Africa (May to July), but fall in the summer months (mid October to mid February).

A cash and carry store manager noted: "Sales all depend on the season; extensions sell more in winter. Customers put on weaves to warm their heads and still look beautiful, rather than wearing hats or caps. Extensions do not sell as much when it is hot. They are mostly used by people who just do not think they are beautiful with their natural hair."

Demand variations by consumer segment

Haircare regimes vary by consumer segment. One consumer segment, affluent young Black South Africans (the so called "Black Diamonds") consume a greater variety of products than other consumer segments.

TABLE 16 Hair styling regimes and product sales are interdependent

	Regime	Direct purchase	Related purchase
	Relaxing	x	x
	Extensions	x, x etc.	x, x
	Short hair	x: x, x, x	

(Source: DR Black Haircare Market South Africa 2011.)

The table above sets out the different hair styling regimes and how they affect demand for products. For example, people who have relaxed hair not only buy relaxers, but they also buy aftercare products.

Impact of different regimes on purchases

The impact of the hairstyle chosen on the demand for products can be significant. These are some examples:

• People who use relaxers and extensions generate significant sales, directly and indirectly when they buy a lot of products to take care of their hair.

• People who get extensions use shampoos and sprays to keep them fresh, and hair foods for their own hair.

• People who get weaves use oil sheens, and sprays to keep the weaves looking fresh and glossy.

• People who opt for natural hair styling generate a relatively low level of product sales, as one retailer noted: "People wearing their natural hair only use liquids, and gels, and maybe colourants."

Relaxing extends spending

Furthermore, some people can indulge in different hair regimes at the one time. That is they not only relax their hair, they also use extensions.

One expert explained why: "Some relax their hair before putting on extensions. Relaxing before putting on extensions is indeed a double expense. But customers do not mind because the extensions are re-usable so they are happy to buy expensive ones that last longer. (A person relaxes her hair and puts on a weave, keeps it on for four to five weeks and then takes it off to wash hair, as it begins to smell, and then puts the weave back on)."

Style switching and motivations for switching

A notable feature of the Black South African haircare market is the long established practice of many consumers — mainly women — to regularly switch their hairstyles, for example changing from relaxing to extensions. This switching among styles is also seen among Black consumers in other countries both in Africa, and elsewhere e.g. UK, and USA.

SECTION 6: TOP COMPANIES AND BRANDS IDENTIFIED BY PRODUCT CATEGORY

This section sets out experts' rankings by product category of the top companies and brands in the Black South African haircare market.

Introduction and summary

The experts identified by name many dozens of brands in the Black South African haircare market. The market is extremely fragmented.

TABLE 18 The top brands relaxers (12 names)

Rank	Brand
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	

(Source: DR Black Haircare Market South Africa 2011.)

The table above ranks the top brands in the relaxer category.

There is a consensus that the top relaxer brands are x's x, and x & x's x. Market experts reported that: "Lower income consumers are exceptionally loyal to the brand. x is gentle on the scalp." (Note: x of xe is often named as "x of x.")

SECTION 7: PROFILES, COMPANIES AND BRANDS IDENTIFIED

This section profiles all the haircare brands that were identified by the experts interviewed. Listings are not exhaustive.

TABLE 25 Brands identified in South Africa (57 names, alphabetical order)

No.	Brand	Web page
1		N/A
2		www.alberto.ca/
3		www.
4		www.
5		www.
6		www.
7		www.
8		www.
9		www.
10		www
11		www.
12		www.
13		www.
14		www.
15		N/A
16		N/A
17		www.
18		www.
19		www. www.
20		N/A
21		www.
22		www.

(Source: DR Black Haircare Market South Africa 2011.)
Continued next page (numbers 23 to 52)

SECTION 8: BRANDS, MARKET SEGMENTS AND PRICES (EXAMPLES ONLY)

This section sets out examples of the prices of selected brands, and lists brands by market segment / price band.

TABLE 27 Examples of brands in different price segments

	Segment	Brand(s)
	High	x, x, x, x
	Middle	x (x), x (x)
	Low	x, x

(Source: DR Black Haircare Market South Africa 2011.)

The table above lists the brands that experts noted, and their price point. For example, x and x& x were recognized as being part of the top price segment band and x and x part of the lowest price segment band.

SECTION 9: METHODOLOGY, SOURCES AND COMPANIES REPRESENTED

This section sets out the sources and methodology used in compiling this report. Data used includes desk research and interviews with industry experts. The report also refers to previous Diagonal Reports' research.

Companies interviewed

The companies interviewed include products suppliers, distributors, beauty supply stores (retailers) that specialise in the Black South African haircare market.

TABLE 29 Profile of experts interviewed

	Metric	Data
	Companies, identified as qualified (approx.)	90
	Contacts made with companies	30
	– of which:	
	Cash and Carry stores, and retailers	10
	Wholesalers and distributors	11
	Salon training school operators	5
	Product manufacturers	3
	Trade and professional salon publications	1
	Interviews conducted	12

(Source: DR Black Haircare Market South Africa 2011.)

The table above sets out the main data on the experts contacted and interviewed. Not all experts contacted were willing to be interviewed. The experts consulted in 2011 include the largest operators in haircare in South Africa.

Expert sample / criteria for choosing experts

Diagonal Reports conducted a series of in-depth interviews to obtain unpublished or hard-to-get information. In addition to those experts interviewed, many more were also contacted, but for variety of reasons felt unable to contribute.

The very large and fragmented market in South Africa is extremely under-documented, and thus primary research is the only way to obtain an understanding of the market. The interviews used discussion guides.

Confidentiality

Regarding sources that requested confidentiality, details which might allow a person / company to be identified have been excluded. Note: where any companies or businesses are named in the report, this should not be read to mean that they were interviewed by Diagonal Reports, for this or other reports.

TABLE 30 Profile of experts by geography

	Area or state / capital
	National — South Africa (Pretoria)
	Gauteng / Johannesburg
	KZN Pietermaritzburg / Durban
	North West / Mmabatho
	Limpopo / Pietersburg
	Eastern Cape / Port Elizabeth
	Western Cape / Cape Town

(Source: DR Black Haircare Market South Africa 2011.)

The table above sets out data on the profile of experts interviewed in terms of where they are located in South Africa. The states are ranked in order of their population.

Languages of interviews

The interviews were conducted in English and in other languages. The eleven official languages (ranked in order of importance) by the percentage of the population which speaks them are: IsiZulu (23.8 percent), IsiXhosa (17.6 percent), Afrikaans (13.3 percent), Sepedi (9.4 percent), English (8.2 percent), Setswana (8.2 percent), Sesotho (7.9 percent), Xitsonga (4.4 percent), and other (7.2 percent) (source: The 2001 Census).

SECTION 10: GLOSSARY OF TERMS AND DEFINITIONS

This section sets out the definitions of the products / services used in the Black South African haircare market, and the distinctions used in the calculation of consumer spending.

Symbols used in tables

Av.	Average
CAGR	Compound Annual Growth Rate.
C&T	Cosmetics and toiletries
DIY	Do It Yourself
e.g.	for example
est.	estimate
K	thousand
mil.	Million
MOFCOM	The Ministry of Commerce
MOH	Ministry of Health
bil.	billion
M2	square metres
N/ A	not available
Neg.	negligible

Negative growth e.g. minus 10 percent represented in tables as – (10)percent.

OTC	Over the Counter, sales of retail products.
VIP	Very Important Person
YOY	Year on year

For formatting reasons, accent marks and foreign characters are not always used in the text.

Other terms

Black Diamonds:	Upwardly mobile middle class high-income earning young black people.
SADC	South Africa is part of the Southern African Development Community.
SAFFI	South Africa Association of the Flavour and Fragrance Industry.

TABLE 31 Definitions of wet and dry product categories

	Term	Definition
	Wet	Shampoos, conditioners, relaxers, treatment, spray, cream
	Relaxers	Products that straighten hair
	Hair food	Provides moisture and nutrients to the hair
	Colourants	Products that colour the hair
	Liquids	Shampoo / conditioner
	Dry	Hair extensions, weaves, wigs.
	Hair Extensions	Clip on fake or real hair
	Weaves	Fake or real hair that is weaved / sewn into the hair
	Wigs	Fake or real hairpiece that covers the whole head
	Other	Includes products such as accessories, decorations, styling tools

(Source: DR Black Haircare Market South Africa 2011.)

The table above lists the products, by category, and provides a definition for each.

TABLE 32 Relaxer product strength and formulations

	Strength and end client	Formulation
	Super, regular, mild	Sodium
	Regular	No ammonia oxide or peroxide
	Super, regular	Lithium
	Adult, Children	Calcium

(Source: DR Black Haircare Market South Africa 2011.)

The table above sets out details of relaxer formulations, strengths and users. The regular (medium) strength relaxers do not contain ammonia oxide or peroxide. Experts report that the main ingredient in consumer relaxers is calcium hydroxide, which works more slowly than ingredients in salon (professional) lines. This is to reduce the possibility of damage to the hair or scalp. The mild formulations are mainly for children.

Extensions and related

Extensions, also called hairpieces, are available in (i) bulk hair, that is, loose hair tied in a bundle ready for use, and in (ii) wefts, that is, hairpieces tied with threads by hand or by machine, or bonded (with hair glue) into a track ready for the weaving process.

Medium (not fine or heavy) machine wefted extensions account for most of the market.

Detailed descriptions of the many types of hairpieces can be found under the FAQs on the websites of suppliers. (See among many others: www.perfectlocks.com; www.lfhair.com/html/hair_extension_techniques.php; and www.buzzle.com/articles/hair-weaving-techniques.html.)

Many different types of hair are used in extensions and other styling:
• Synthetic hair e.g. Yaki bulk braid, a straight braiding fibre made from a synthetic man-made material.
• Natural or human hair e.g. Remy hair, Indian Temple Hair. Indian Temple hair is in virgin condition, that is it is unprocessed by chemical treatments. It is similar in structure to Caucasian hair.

Remy hair refers to the highest-grade human hair that comes from one individual. The hair is sectioned, and falls into its natural growing pattern. Then the hair is cut and hand sewn so that the cuticle layers are in the natural direction from root to end. This reduces or eliminates matting and tangling.

SECTION 11: SUPPORT DATA FOR BLACK SOUTH AFRICAN HAIRCARE MARKET

This section sets out selected additional data relating to the black haircare market in South Africa.

Introduction and summary

Experts stress how difficult it is to quantify the value of the haircare market in South Africa. Estimates of the market size vary considerably.

Variations are the result of different product categories being counted, for example the inclusion or exclusion of products, such as tools and hair extensions.

As set out earlier in this report different suppliers and retailers sell different product categories (see Table 9). Some handle only wet products, and other handle only dry products.

SECTION 12: COUNTRY DATA (SOUTH AFRICA)

This section sets out basic data on South Africa, in terms of the population, ethnic groups, and GDP.

TABLE 35 Population of South Africa (percentage) by ethnic origin

	Ethnic origin / group	Numbers	%
	African (black)	39,136,200	79.3%
	White / Caucasian	4,472,100	9.1%
	Coloured	4,433,100	9.0%
	Indian / Asian	1,279,100	2.6%
	TOTAL (2009 estimated)	49,320,500	100.0%

(Source: DR Black Haircare Market South Africa 2011.) (July 2011, www.cia.gov and Statistics South Africa.)

The table above sets out the distribution of the different ethnic groups in South Africa according to the categories used by the national statistical body (www.statssa.gov.za). Almost 80 percent of the population is Black African.

Note: under apartheid, the term "coloured" was used to refer both to people of mixed race and Asians, now it refers only to people of mixed race.

Southern African Development Community (SADC)

South Africa is part of the Southern African Development Community (SADC). SADC countries include Angola, Botswana, Lesotho, Namibia, Mozambique, Malawi, Mauritius, Democratic Republic of Congo, Tanzania, Swaziland, Seychelles and Zimbabwe. SADC has a population of over 180 million people.

TABLE 36 Population of South Africa (percentage) by age and gender

	Age	% total	Male	Female
	0-14 years	28.9%	7,093,328	7,061,579
	15-64 years	65.8%	16,275,424	15,984,181
	65 years and over	5.4%	1,075,117	1,562,860
	TOTAL	100.1%	24,443,869	24,608,620

(Source: DR Black Haircare Market South Africa 2011.) (July 2011, www.cia.gov and Statistics South Africa.)

Almost 32 million people, or 66 percent of the population, is aged between 14 and 64 years.

TABLE 37 GDP data South Africa compared to USA

	Data	USA	South Africa
	GDP per capita ($)	$47,200	$10,700
	Labour force (million)	154.3	17.8

(Source: DR Black Haircare Market South Africa 2011.) (July 2011, www.cia.gov.)

The GDP per capita in South Africa is US$10,700 (estimated 2010) compared to $47,200 in the USA. The average per capita GDP in cities of Johannesburg and Cape Town is almost double that of the East Rand.

The national statistical organization (Statistics South Africa) notes that the informal labour force includes subsistence agriculture and unpaid workers. Estimates of its size range from (i) 18 percent of total employment or 2.2 million people to (ii) 41.2 percent or 8.4 million people, if the unemployed who may be in informal employment are counted.

TABLE 38 South Africa population by state

	State and its capital	Population
1	Northern Cape / Kimberley	1,058,060
2	Free State or Oranje / Bloemfontein	2,773,059
3	North West / Mmabatho	3,271,948
4	Mpumalanga or Eastern Transvaal / Nelspruit	3,643,435
5	Limpopo or Northern Transvaal / Pietersburg	5,238,286
6	Western Cape / Cape Town	5,278,585
7	Eastern Cape / Port Elizabeth	6,527,747
8	KwaZulu – Natal – Pietermaritzburg / Durban	10,259,230
9	Gauteng / Johannesburg	10,451,713
10	South Africa / Pretoria	48,502,063

(Source: DR Black Haircare Market South Africa 2011.) (Source: Statistics South Africa.)

TABLE 39 Consumer spending power, cities where concentrated

Rank	City	% GDP
1	Johannesburg	15.0%
2	Cape Town	14%
3	Pretoria	8.6%
4	East Rand	7.8%
5	Durban	7.7%

(Source: DR Black Haircare Market South Africa 2011.) (Source: Statistics South Africa.)

The geography of the salon market mirrors that of consumer spending power. Consumer spending power is concentrated in the five cities listed above. Johannesburg, the wealthiest city in South Africa, accounts for almost 15 percent of Gross Domestic Product (GDP) and is the location of 74 percent of corporate headquarters and 60 percent of the top 100 companies.

TABLE 40 Population ethnic Africans as (percentage) adults and household income

	Social group	Adult population	Household income
	Elite High (LSM 10)	3.0%	13.0%
	Upper Middle (LSM 7 –9)	22.7%	51.1%
	Middle Class (LSM 6)	22.7%	19.6%
	Transitional (LSM 4-5)	30.0%	11.9%
	Traditional (LSM 1-3)	21.6%	4.4%
	TOTAL	100.0%	100.0%

(Source: DR Black Haircare Market South Africa 2011.)

The table above sets out the segmentation of the ethnic African adult population according to the classes used in South African, “Lifestyle Personality Social Class - LSM.” The top two groups account for 26 percent of the adult population and 64 percent of household income. Data refers to 2009.

The number of households with discretionary income (>$5,000p.a.) is expected to rise by 50 percent in the next 10 years (see Godrej www.godrej.com/godrej/Godrej-ConsumerProducts/pdf/AfricaOperations.pdf)

The “Black Diamonds”

The most affluent ethnic Africans are often described as “Black Diamonds” — a term coined in 2005 by the UCT Unilever Institute and TNS. They account for 10 percent of Black Africans, and had a spending power of 250 billion ZAR in 2008 (latest data). Their average monthly income of 6,456 ZAR compares to the average 1,100 ZAR of Black Africans and of 6,000 ZAR of White Africans.

The available data shows some 103,030 graduates from third level institutions — public universities and technikons — each year (2006) in South Africa. There are also 533,260 senior certificate candidates, and 86,186 university entrances.

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DIAGONAL REPORTS STATEMENT

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