



**NEW ZEALAND INSTITUTE FOR THE STUDY
OF COMPETITION AND REGULATION INC.**

**Information and Communications Technologies
in New Zealand:
Nine Case Studies
Case Study 1: Planet Skin**

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February 10 2004

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1. Planet Skin

Overview

Planet Skin, a retail beauty salon, has implemented a database package to grow the business through customer loyalty and retention. The overall benefits of the technology implemented at Planet Skin are improved information management and coordination. The system allows the manager to implement more effective marketing approaches, and the ability of the software to analyse information on booking, cash management, stock control and staff administration has proved valuable to the business.

Since implementation of the software package two and a half years ago, staff numbers have grown from two to ten, and client numbers have grown from around 1000 to 4000. This extent of growth would not have been possible under the old system because of the time it would take to manage the larger business manually. Marketing innovation used to grow the business would also not have been possible without computerised management of client records.

In conjunction with investment in software, Planet Skin has made complementary investment in staff training and utilised personal experience and network contacts to successfully implement technology.

The Retail Beauty Industry in New Zealand

The retail beauty industry in New Zealand encompasses the supply of products and services by hairdressers, beauty therapists (eg skin treatments, waxing, sun bed treatments), nail technicians and appearance medicine specialists to a range of clients, both male and female. Most businesses are owner-operated, and it is rare for one operator to manage multiple sites. Nationwide hairdressing chains, for example, usually operate as individually owned franchises.

The cost of entry into the beauty industry is not particularly high. Once the operator has gained the requisite trade qualifications and skills, the major set-up costs include equipment, location, and the design concept of the salon. Initial marketing costs can be quite high because of the need to create a profile for the new business. Ian Sage,



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who markets computer software and hardware to participants in the industry throughout New Zealand, estimates that between 5 and 8 percent of profit in the first few years of a new business will be spent on advertising. Once awareness of the firm has lifted, the costs associated with profiling can gradually decrease.

Customer loyalty is one of the key challenges for any beauty salon. Managing relationships with both clients and staff, which Ian terms the 'human element' (meaning the quality of customer service and staff management), will either 'make or break' the business. Maintaining staff loyalty is vital, as clients tend to be loyal to individual technicians rather than the business, and will move if the technician moves to another business. This means that high staff turnover creates even greater problems for management than it would in other industries. The challenge for management is to keep clients loyal to the firm rather than to the individual technicians. However, this is not an easy task. Hence marketing plays a vital role within the industry. It is absolutely vital to retain current clients as well as attract new custom. The service element and the personal nature of the business means that direct marketing to the customer is usually the most effective – for example, loyalty reward discounts, encouraging rebooking after each visit, encouraging existing clients to try new or different products and services to increase the value of existing customers, and using word of mouth or recommendations from existing clients to encourage new clients to try services.

Rather than relying solely upon client and technician loyalty, most businesses in the industry also sell associated products, to a greater or lesser extent. Products are sold to both clients having treatments, and to 'off the street' customers. Products are often sold under distribution dealership agreements with large manufacturers in an endeavour to attract custom on the basis of client loyalty to product brands.

Industry churn is also significant – estimated to be around 10 percent per annum. Of the 3,500 salons operating in the country, around 400 drop out of the industry and approximately the same number start up every year. The industry is subject to high turnover – both in customers and employees – and because of this, beauty salons are generally sole traders, operated by the owner. This being so, most salons are small.



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The industry workforce is predominantly female, and although skilled in administering their respective beauty treatments, not typically skilled in either computer use (eg keyboard skills) or general business management, including the understanding of how technology can assist the business. Lack of skills, the small size of the business and low capitalisation result in the businesses generally not being extensive users of ICTs (apart from the telephone). Prohibitive cost of the technologies is often cited as the reason. Ian notes that many of the smaller operations he deals with find it difficult to justify the comparatively small cost of the products he markets, even though the basic cost is only around \$15 per day, often because they “can’t get their heads around” how the technology can help the business. Larger salons are more common in the bigger cities, and virtually all of these salons use technology of some form to manage their businesses, even if it is just computer spreadsheets.

Planet Skin owner, Sue Sage, believes that technology is essential for any business in the beauty industry to grow – she says “if you want to get ahead, you’ve got to do technology” – and indeed, without technology she says it would have been impossible for Planet Skin to grow the way it has in the last few years.

The Company

Planet Skin is a beauty salon situated in Paraparaumu, on the Kapiti Coast. Sue Sage started Planet Skin as a sole trader about 12 years ago, originally with just one other staff member. There are now ten staff members (including Sue), filling eight full-time equivalent positions, plus an appearance medicine consultant who sees clients at Planet Skin premises and pays a commission per client to the business in exchange for providing client administration, consulting rooms and product dispensing services.

The business sells a range of beauty products and offers beauty services in four main areas:

- Nails
- Beauty therapy
- Hairdressing
- Appearance medicine



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Such a wide range of business activities is quite unusual for beauty salons in the area. Others mostly specialise in only one or two services. Sue believes the 'one stop shop' concept adds to the success of the firm, and this was part of the original business strategy, to have several products for broad customer appeal.

Two and a half years ago, Sue faced a dilemma. When starting Planet Skin, the premises she acquired, well positioned in a highly visible location in a shopping complex with high foot traffic and excellent parking, were too big for her practice alone. She decided to sub-let the space to other complementary beauty industry practitioners to run their businesses in order to cover the costs. However, this business model was not profitable. She decided that if she could grow her own business by adding in other specialties operated by employees rather than acting as 'landlord' to the tenants, she would have better control over the entire business, and profitability would increase. To go down this path, however, she realised that computer technology was essential.

Previously, Sue had used computer spreadsheets for accounts and payroll functions. She had also used the PC to create brochures for marketing purposes. Importantly, the business thus already had a PC. However, she did not have software to manage other aspects, such as bookings and stock control. One of Planet Skin's opposition was already using a software package Hair Ware 2000 to manage the business, and Sue learned more about it through an advertisement in a beauty therapy magazine. She realised that in order to keep up with her opposition and grow the business she needed to implement this technology. Growth would not have been possible under the manual system. Sue also hoped that the technology would allow her to spend less time on management activities, and spend more hands-on time with her clients.

She bought the software, and implemented it at Planet Skin. In the two and half years since its implementation, Planet Skin has flourished. The business has grown from two full-time equivalent staff to eight (filled by ten individuals), and the client base has grown from 1000 to 4000. Profitability expectations have been met. All beauty industry specialties are now represented in the business's portfolio of services, and it is truly operating to Sue's 'one stop shop' concept.



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Pre-Technology

Before the computer system was installed at Planet Skin, most business activities were performed manually. Bookings, client details, billing, prescriptions, and stock were all managed using a paper system. This created problems with filing and retrieving client details, and stock control was very difficult and time consuming. Staff theft was a problem, in the form of stock and cash from the till being stolen, because it was hard to reconcile the actual amount of cash or stock with how much there should have been. Reordering of stock often did not happen until stock had actually run out, because it would have required very frequent and time consuming stock-takes to have an accurate record of the stock on hand.

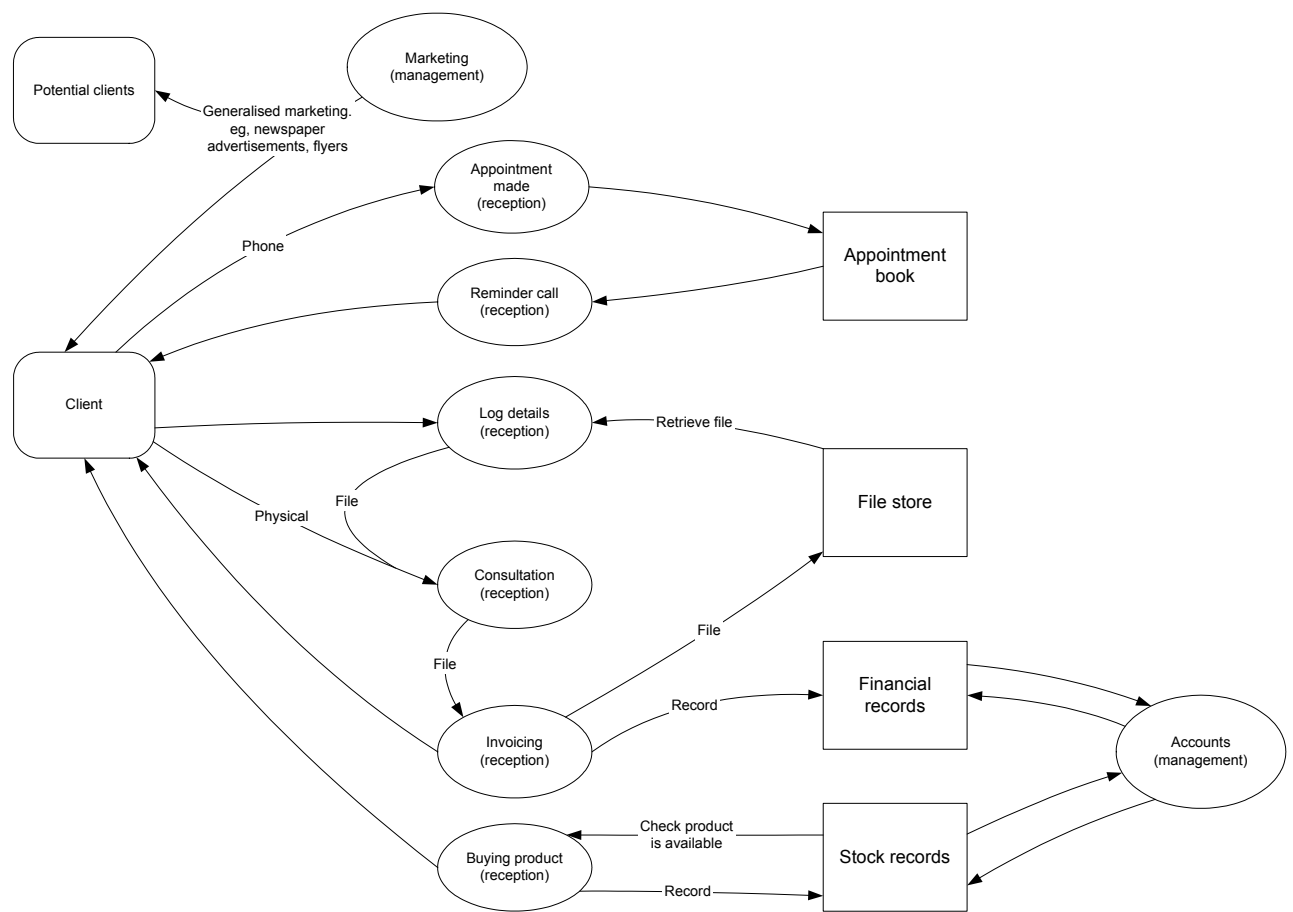
Beauty technicians often prescribe very individual-specific products for clients, and these products are then dispensed in much the same manner as in a pharmacy. Before the technology was implemented, a client would have to wait until their personal technician was available so that the receptionist could receive the technician's confirmation of the prescription. This could be very troublesome, especially if a client had just popped in off the street to pick up their prescription – if their technician was busy with another client they might have to endure quite a long wait, or if their technician was not in, they would have to come back another day.

The business processes before the technology was implemented are represented in Figure 1.



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Figure 1: Information Flows at Planet Skin (Before Technology)



Information and Communications Technology

Two and a half years ago Hair Ware 2000 was introduced at Planet Skin. The software was designed in Australia, but customised for New Zealand, and was developed specifically for the beauty industry. A hairdresser and beauty therapist designed the software, and with user networks (both formal and informal) collectively sharing their ideas to make improvements to the software as time goes on, the result is a very comprehensive and functional package. The system takes into account the fact that many beauty industry employees are not computer literate, and is very user-friendly. Ian Sage estimates that 100 beauty salons in the country are using Hair Ware 2000. The computer system has allowed better administration, management, marketing and stock control at Planet Skin.

Hair Ware 2000 includes a database for client details. Examples of the information stored in client's files include:



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- Personal details;
- Appointments (past and upcoming);
- Which staff member(s) they have seen;
- Treatments, products, prescriptions;
- Frequency of visits;
- Whether they rebooked after their last appointment.

There are a number of tracking and checking tasks available on the software – there are a huge number of subsets in the query function, and the user can produce a printout showing all of the clients who fit into the parameters requested. For example, management can produce a printout of all the female clients who see a particular staff member and have not visited the salon in the last 6 months. Information such as this is used for customised marketing, for example, a discount voucher or an offer to encourage a client to try a service not previously used. The software also enables Sue to track the performance of staff members. For example, she can query the number of rebookings each staff member makes, and the proportion of consultations that lead to product sales. This enables her to reward high-performing staff and take remedial action sooner when this is indicated. Sue comments that the information is extremely valuable, as sometimes the data extracted from the system provides a different picture than that which she thought it would show from her own assessments of the performance. However, she stresses that the information provided from the system in this respect is merely a tool that helps her make staff management decisions. It is only one of a variety of information sources that she uses in this process. The system captures and analyses information, freeing Sue up to collect other information that the computer system cannot.

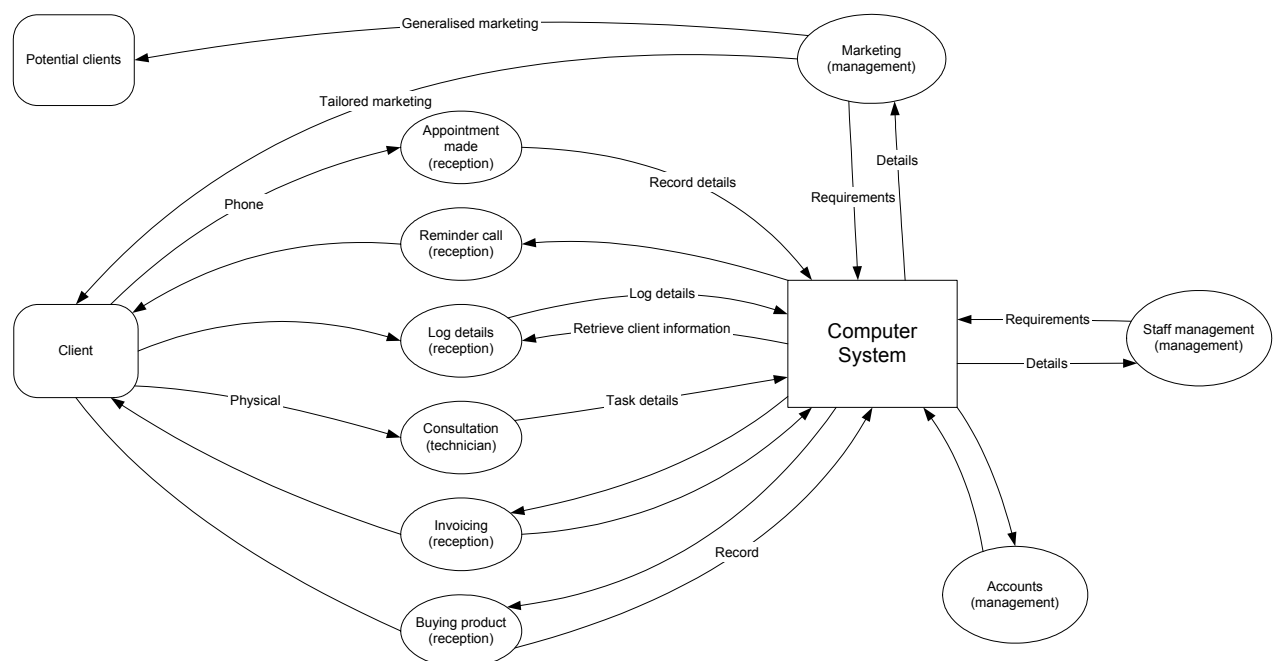
The computer system is based at the reception desk at Planet Skin and there is also a computer in the manager's office. The receptionist is the custodian of the system, but all the other staff members are also trained to use it, as technicians need to 'finish off' their clients. 'Finishing off' involves the technician going to the reception desk and entering treatment, products, and advice details into the system after their consultation with the client. The receptionist then bills the client according to the products and services they have received.



Another planned use of technology at Planet Skin is a website. This is currently being developed. The objective behind implementation of this technology is to reach a wider market of consumers. For example, the website will allow rural customers to order products on-line, and people will be able to order gift vouchers on-line. This is part of the business strategy to look at other areas in which to grow the business and to broaden the customer base. As is the policy at Planet Skin, planning of the website included comprehensive analysis of exactly how the technology would add value to the business, including research into what competitors are doing in this area. This analysis showed that the website was a nice-to-have feature in growing the product sales area of the business, whereas the priority lay in using technology to manage the core clinic service delivery first. However, now that the core tasks are in hand, Sue's time has been freed up to look at developing additional market opportunities such as mail order via the Internet.

The business processes after the technology was implemented are represented in Figure 2.

Figure 2: Information Flows at Planet Skin (With the Technology)



Restructuring to Accommodate the Technology

The computer system was basically implemented overnight and caused very little disruption to the normal running of the business. Sue received two hours of training from the supplier, and she then trained her staff to use it. Despite the fact that many of the staff had no previous computer experience, most of them have been enthusiastic and excited about using the computer system, and Sue says that they usually “take the ball and run with it”. Since implementation, there have been no problems with the software, and there has been no need for IT support staff. The only technical problem faced so far has been a hard drive crash – here the PC was sent to Auckland for a reinstall.

Although Sue could see the benefits of implementing the new system, Planet Skin was pushed to the limit to purchase Hair Ware 2000 initially. Especially given the original size of the business, it was an expensive system, but it was seen as necessary to grow the business and to get ahead in the industry. The capital cost of the system was \$15,000, plus the cost of the two new computers. Other expenses associated with the technology are the \$350 annual licence fee and the power costs of running the computers. Although the power costs for the computers are not separated out from other power costs of the business, Sue suggests that the power costs of the computers are not very high, especially when compared to the high power usage of the rest of their equipment.

As far as the information process of the business goes, there has not been a drastic change following the implementation of the technology. Table 1 outlines the information process for a typical client:



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Table 1: Typical Process for a Client at Planet Skin

Client books appointment (usually by phone) and receptionist enters the appointment into the system.
Client is phoned a day prior to their appointment to be reminded about appointment.
Client arrives at salon and receptionist registers the client in the system – here client details can also be viewed (such as previous appointments, treatments, products, any prescriptions, and previous payment details, as well as personal details).
Client has a consultation with their technician.
Technician goes to reception desk and enters details into the system (such as treatment performed, prescriptions and products, any advice given to the client).
Client goes to reception for billing. Receptionist looks at the details entered by the technician, gives the client any prescriptions and products they require, and bills the client accordingly. Payment details are recorded into the system, as are any rebookings.
Management can view all of the details about the client's appointment and check to see if the client was rebooked after the appointment.

The current core business process is not very different to that under the old system, most of the functions have simply been automated. The main differences under the computer system are that the technology has centralised activities at the computers, and tracking, checks and analysis have been made possible, adding to the integrity of the data in the system. Currently, Ian believes that only 25 percent of the system's capacity is being utilised. This is not seen as a problem; rather it is part of a very structured approach to implementation of the technology. Sue has been very judicious in adoption of the software, prioritising gaining competency and confidence in use of those features that are important to her particular firm, and gradually phasing in the use of other features according to how useful they will be to Planet Skin. This prioritisation is consistent with the reasoning behind implementing the system right back at the planning stage – specifically, using technology to better market the business and manage client relationships. It is also consistent with the argument that the ability to learn and experiment, which leads to development of complementary investments, affects the ability to obtain productivity gains from technologies¹.

Quite significant changes to the marketing side of the business have occurred with the technology, with customised marketing being made possible on the computer system. At present, expenditure on different marketing approaches is approximately as follows:

- Advertising in the yellow pages \$3,000
- Newspaper advertising \$2,000
- Direct mailing (using the software) \$6,000

Without the computer system, these figures would be reversed with priority being placed on yellow pages and newspaper advertising. The willingness of management to make these changes to the mix of the marketing function and expenditure may have been a vital contributor to the successful uptake of the technology. The marketing function of the software is particularly strong, but according to Ian, many firms do not use this feature of the system. He suggests there is perhaps a mindset within the industry that “if you’re spending money, then you’re doing okay”, but often not enough assessment is carried out of whether particular marketing techniques are actually adding value to the particular firm. The ‘test and measure’ technique employed at Planet Skin to analyse advertising and technology investment ensures that any investment in these areas is well planned, preventing spending for the sake of spending.

Benefits of the Technology

The integrity of the whole information system can be better managed using Hair Ware 2000. The technology allows for multiple services to be provided to a single client without any trouble, whereas before, manual procedures caused a lot of problems with clients often being under-billed. The system has also helped cut the cost of ‘no-shows’, an expensive and common problem in the beauty industry. The next day’s appointments are printed out and these clients are phoned to remind them about their appointments.

The technology has resulted in considerable time savings in administration tasks. Sue estimates that the computer system frees up about five minutes per client – this translates to a saving of almost 7 hours a day in administration time. It has also allowed time savings for clients who need prescriptions. Instead of having to wait for



their technician to confirm a prescription, the computer keeps details of any prescriptions clients have, so the receptionist can simply look up the client's records on the system to verify the correct prescription.

The system has helped a great deal with cash-till management. The takings in the till and the sales recorded on the computer are reconciled at the end of the day, and the occurrence of staff theft is much lower. The same applies with staff theft of stock. Barcodes are attached to products and scanned in and out of the system, allowing much easier reconciliation of shelf stock and stock records. This also enables monitoring of usage, and Ian says this is important as usage can make the difference between profit and loss. The products used in-store (such as shampoo and even toilet paper) are tracked by the system. This firstly highlights any problems of excessive wastage, and secondly enables management to narrow down excessive waste to a particular staff member through a scientific process rather than relying on potentially inaccurate 'gut feel'.

Print outs of average dollar sales for the week, and dollar sales of each area of the business (such as nails, hairdressing etc), make analysis of business performance much easier than under the old system. Although Sue had previously relied solely on 'gut feel' as to how the business is going, she has learned to rely more on the computer's figures to assess those areas of the business that are doing well and those that are not, as well as evaluating the overall performance of the business.

The computer system has also improved the management of staff performance. Information such as how many customers a staff member has seen in a day, how many products they have sold, and how many rebooks have resulted from their consultations is easily retrievable.

Sue believes that the technology has achieved another strategic objective – the aim to portray a professional and leading edge image to customers. The technology, along with an appropriate atmosphere, conveys a professional image to anyone who walks in the door, and this is used to differentiate the business from others in the area. In addition, the technology offers a differentiating factor for staff. In using the system, training staff and giving them skills, Planet Skin can offer its staff some intrinsic



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benefits that are not available in most other clinics. Although it is difficult to tell how successful this has been, Sue hopes that being associated with a clinic using state of the art technology will induce her technicians to stay with Planet Skin, rather than move on to non-computerised businesses. Ultimately, client loyalty to technicians will be far less significant for the business, simply because the turnover of technicians is reduced.

Originally, Sue hoped that the technology would allow her to spend less time on management tasks. The system has given her about 20-30 percent more time, but she has actually ended up committing a lot of this time to improving promotion and management of the business. The marketing capabilities of the business have increased dramatically with the software, by allowing allows marketing campaigns to be tailored specifically to the customer. For example, the software has the ability to record and remind about clients' birthdays. Each month, birthday cards with special offers are printed and sent to clients having a birthday, promoting customer relations and loyalty. The technology has freed up Sue's time to focus more on the marketing of the business, and the new marketing techniques that have been made possible by the software create the potential for a more direct relationship with clients. In turn, this has grown the size of the business, vastly increasing the need to use the system even more to assist with increased staff scheduling needs and stock management tasks. The automated management of many of these tasks within the system mean that the additional work has, to date, been manageable.

Problems with the Technology

Sue reports very few problems with the system itself. The challenges have been related to the people and nature of the stock sold.

One of the problems experienced with the technology is due to the low level of computer literacy among beauty industry workers. As many of the staff at Planet Skin had not used computers before learning to use the computer system, they lack basic keyboard skills. This has resulted in some trouble with the accuracy of some of the information entered into the system, so that sometimes the full benefits of the technology cannot be realised. Despite this problem, Sue maintains that the computer



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system is far superior to the manual system. However, she has had to commit resources to staff training to overcome this. Ian confirms that the keyboard accuracy problem is not unique to Planet Skin. He says that whilst the screens on the system are designed to look as much like the paper appointments systems used in 'manual' clinics, some staff take time to get used to keyboards rather than pens. He says, however, that once technicians get used to it, they say they would never go back to the manual process.

Entering the stock into the computer system is described as sometimes being "fiddly and difficult" due to the large quantity of products coming in to the salon and also because some of the products are too small to attach a bar code to. This has meant that the beauty therapy range of products is not up to date on the computer system, so the stock records are currently not complete. One of the ways this problem can be overcome is by having a page of bar codes, so that the page, rather than the product, can be scanned. Ian estimates that the stock control feature of the software is only 50 percent used at Planet Skin, but even so, the improvement in stock management has been huge.

Another problem encountered with the system is due to reception being the link of the system. At times there can be staff congestion at the reception area, as one staff member tries to book an appointment, and another is trying to process a client's visit. There are plans to install another computer at the reception desk to overcome this problem.

Privacy Issues

Privacy of client information is absolutely vital for Planet Skin because of the personal nature of the details kept in the computer system. For this reason, before a client's details are entered into the system, they are asked to sign a permission form. The vast majority of clients have no problem with their details being entered into the system, but a few have preferred to keep their details under the paper system due to privacy concerns. The only instance when the privacy of client details was threatened under the new system was when an email was sent to 500 clients, with the email addresses accidentally entered into the cc (carbon copy) instead of the bcc (blind



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carbon copy) field of the email. This meant that the recipients of the email could see the email addresses of the other clients it had been sent to. The salon received three complaints about this incident. Sue was surprised at the small number of people who complained and this perhaps demonstrates that many clients are not overly concerned about privacy of their email addresses at least.

Future Plans

As well as installing a second computer at reception, Sue is looking at eventually fitting all of the workstations with a computer so that technicians will not have to 'finish off' their clients at the reception area, cutting down further on the congestion that currently causes some problems for the staff and clients.

An add-on that is available for Hair Ware 2000 is an SMS interface that automatically sends a reminder text message to the cell phones of clients who have appointments the next day. The client then texts 'A' back to the computer, which changes the colour of the appointment on the screen, showing that confirmation has been received. Currently, the receptionist does up to 20 reminder calls daily, so automation of this task could potentially save over an hour of administrative time each day. However, this option would obviously not work for all clients, as some do not have cell phones; others may have them but not use them frequently; and others simply may not be comfortable with this form of communication. The feasibility of using this feature is being investigated, with Sue looking at how many clients it could potentially work for. One of Ian's software clients achieved a phone bill saving of \$600 in one month by using the SMS interface because it cut out multiple calls to cell phones.

Another feature that is not currently being used, but is available on the software is the wage option. At the moment wages are managed on a computer, but by using an Excel spreadsheet rather than Hair Ware 2000. Not using the wage feature has been a strategic decision, as Sue has prioritised computerisation of the manual processes at Planet Skin. Now that the firm is reaching the end of the consolidation stage, there are plans to make use of this feature in the near future. Using Hair Ware 2000's wages feature could help to make paying staff members (which, for the technicians, is on a commission basis) easier, and might help with IRD compliance too, as printouts of



tax information could be produced instantly. As the system was designed in Australia, there has been some concern over whether the wage option would handle New Zealand tax and ACC.

Currently the business is operating at very close to maximum capacity due to the size of the premises. The next step in expanding the business would be acquiring a new site. When the business is located in multiple premises, Sue hopes to manage the business from home, concentrating on the marketing side of the business. This off-site management would not be possible under the manual system.

According to Ian, there is huge growth potential in the beauty market for males. For example, a few years ago most men who visited the salon would just use the sun beds, but now a lot of them are also having waxing done. Ways to increase use in this market are another avenue currently being looked into. Development of the website is being explored for this purpose, with a 'user friendly' way for potential male customers to explore the range of services available, or to encourage them to purchase products or vouchers for services as gifts, without having to physically come into the clinic.

Analysis

Planet Skin's successful implementation of the technology shows the potential for a small business to use technology successfully, even in an industry that has traditionally been viewed as 'low technology'. Indeed, the implementation of Hair Ware 2000 at Planet Skin has not only grown that business, but in an unexpected way, has resulted in the spin-off of another business. Having been involved in the implementation of the system in Sue's business, and being impressed with the possibilities of the product, Ian bought the franchise for selling and supporting the software in New Zealand from its Australian creators.

The success of Planet Skin's use of technology has not been an accident. It is the result of a carefully planned strategy for the business. Prior to purchasing the system, Sue had a clear strategic vision for what she wanted to do with both the business and the technology. She also had a clear understanding of the nature of her business and



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the state of the industry in New Zealand. The technology has been a tool in assisting her to achieve this. Rather than buying a system and implementing the capabilities just because they are there, Sue has selectively prioritised the implementation of the various modules according to her plan. Her plan was derived, and priorities established, from a value chain analysis of the business and the industry. From this, Sue had identified the key points of vulnerability that she faced.

Sue's value chain analysis was technology-independent. Indeed, it was essentially the same one she used when entering the business twelve years previously. This analysis had driven her initial emphasis on marketing and the first purchase of a PC for compiling brochures, as she was keenly aware that without customers and customer loyalty, there would have been no business. She was also aware that to grow the business, she had to address both transaction volume growth and the growing staff loyalty problem. Ian says that not all of the clients that he sells the system to have this clarity of vision for their businesses. Many just want something to handle appointments and cash. Whilst these clients get some benefits from these applications, there is often untapped potential simply because the owners are focused internally and see 'their business' as hairdressing, beauty therapy or nail treatments, rather than as a commercial venture.

The People

Sue's success with the technology has been rapid, in part because of her own background, learning and experience, and in part because of the support and advice she has had available to her during the implementation.

Prior to starting Planet Skin, Sue had a background in various business areas, including experience in the insurance industry and as part of large marketing team. She has also undertaken some tertiary education courses in management. This background has provided her with quite an extensive knowledge of business systems and marketing. Without it, the business may not have been as successful as it has been. Her business knowledge enabled her to see that technology could improve parts of the business, and she has systematically and strategically implemented use of the software package Hair Ware 2000 to do this.



As well as her own experience, Sue has family and friends who act as business mentors, advising her in areas of technology and business planning which are not necessarily within her scope of expertise or experience. Access to this sort of advice and mentoring is considered significant in the success of small and medium-sized New Zealand businesses (SMEs) adopting ICTs. Locke (2002)ⁱⁱ finds that for these businesses, “a friend is the preferred advisor in contrast to accountants for business advice”. Furthermore, Locke finds that the most reported barrier to SMEs adopting ICTs is a lack of “knowledge about what e-commerce is about and how to use ICT to advantage”. Through her personal networks, Sue has been able to access advice in the areas that she felt were beyond her competence. Whilst she may be fortunate to have such access, the case study illustrates what can be achieved when the factors that Locke identifies as important can be lined up for a specific business.

Sue’s husband Ian runs his own business supplying services, including consulting, software and hardware, to small businesses (he saw the benefits of adding Hair Ware 2000 to his portfolio after seeing its success at Planet Skin). Ian has been an important source of advice particularly on technical matters. Another important business advisor is a close friend whose specialty is business management and strategy. The combined broad base of knowledge of these three individuals, which seems to cover every facet of business, has contributed significantly to the success in the use of the software at Planet Skin. However, in the ultimate, it is Sue’s own knowledge and ability to apply it on a daily basis that makes her business stand out. An example of this advantage is Sue’s use of a ‘test and measure’ concept. This entails analysis of any investment and the result of that investment, hence evaluating the extent to which the investment has added value to the business. This technique results in a very systematic approach to business, and Ian’s experience is that very few beauty salon managers in New Zealand use a similar approach to their investments in any part of the business, let alone marketing and technology.

Sue has also ensured that her staff are trained, skilled and valued as part of the business operations. Sue encourages a business culture of learning, co-operating and skill-sharing. Although the majority of the firm’s staff were not computer literate before the software was implemented or when they joined the firm, they have all been



very willing to learn, and the culture within the organisation is one that encourages and supports learning to use the system. This staff motivation is an important factor in the extent of technology success.

Planet Skin has thus embraced the key factors of being clear about the business, the value that information adds to the business at both a strategic and operational level, and applying ICTs progressively and only when and where it is perceived benefits are achievable, in accordance with the business plan. Investment has been made in the complementary systems required to make the technology work (eg staff learning), but most importantly of all, Sue has been prepared to be involved in continual learning and investment in complementary systems and strategies, as a result of her business practice of 'test and measure'. In this way, Sue is in a position to identify not just the successful implementations, but also the unsuccessful ones, and remove them sooner, thereby limiting the costs of such mistakes.

In summary, the firm's core business activities are beauty services and the sale of beauty products. Information and technology are used to support these core business activities, but information itself is not a core input or output of Planet Skin's business process. This means that technical knowledge and skill are not inherently essential in the business, but they are important in order for the full benefits of the technology to be realised. This provides a strong example for other similar low-technology SMEs.

Implications for Policy

The implication of this study is that, irrespective of the amount of knowledge an SME owner/manager has about ICTs, it is the basic business capabilities of the owner/manager that is the key to successful implementation of ICTs. Unless there is a fundamental understanding of basic economic principles and business management practice in place first, effort expended in education about ICTs is likely to be less than effective.

Anecdotal evidence suggests that for SMEs in particular, there may well be a shortage of these basic skills. A challenge for policy-makers is to devise ways to grow SME human capital in this area first, if maximum benefits are to be gained from the use of ICTs in this sector. Locke's (2002) findings indicate that this may be a difficult



challenge, given that these business owner/operators tend to look first to friends and family rather than traditional business advisers such as accountants and government agencies, such as BizInfo, for education and support. This implies that economic and business education may be as fundamental to the New Zealand economy as basic literacy and numeracy if New Zealand is to grow successful small businesses in an environment where any technology is used, let alone ICTs. Addressing this type of education is a fundamental component of growing the knowledge that is required if New Zealand is to truly develop into a world-class Knowledge-Based Economy.

Welfare Effects

Use of ICTs at Planet Skin has generated tangible welfare gains that should flow through to be captured in national productivity and welfare indicators. However, the full effect of these gains will not be visible immediately, as to date, increased returns have been reinvested into growing the business. As the business moves from its growth phase into consolidation, following the initial expenses of system implementation and staff training, the benefits should begin to accrue as actual profits, which will result in higher measured GDP for the same level of inputs. The system implementation has also resulted in real, but unmeasured, welfare gains to customers, who are also saving time per consultation and product purchase due to the more efficient booking, cash handling and stock management features of the system. Targeted marketing also ensures that customers receive information directly about products and services in which they are interested or value, without having to expend time searching (e.g. receiving discount vouchers through the post rather than having to search newspapers and clip coupons). Whilst small per customer, the value of these is significant in the aggregate.



ⁱ See Theoretical Development section.

ⁱⁱ Locke, Stuart. Perceptions of E-Business Among Small and Medium-Sized Enterprises. Paper presented at the Workshop on Information and Communication Technologies in New Zealand: Innovations and Consequences. Wellington, New Zealand 10 June 2002.

