



Hairhouse Warehouse - The Business

Hairhouse Warehouse was established by brothers Tony and Joseph Lattouf initially as an extension of their Lattouf International hairdressing business.

Hairhouse Warehouse combine a hairdressing salon with a specialist hair and beauty retail business, selling a full range of branded hair care products and accessories in a retail and salon environment, staffed by trained hairdressers, providing professional product advice to consumers.

By 2003 the business had grown to 10 stores but further growth was constrained by the structure and commercial arrangements that had been used to launch the business, a flawed owner-operator model, and a lack of systems and procedures.



The Challenge

Hairhouse Warehouse was a relatively small Victorian-based player competing against a market leader with over 100 stores across Australia.

The business had commenced with a “home-made” franchise system, which had locked Hairhouse Warehouse into medium-term commercial arrangements that were stripping the value from the business, while failing to have mechanisms to control compliance with branding, marketing and customer experience protocols.

The franchise agreement did not contain the necessary elements to manage the franchisor - franchisee relationship and the financial model contained little benefit for the franchisor from improving sales if the network continued to expand.

As a result, growth was constrained, costs were rising and the head office structure was under pressure to service current franchise owners at a cost to the franchisor that exceeded royalty income.

The proprietors had the industry expertise and a vision for the business, but did not know how to build a substantial network and brand.

The Solution

DC Strategy (DCS) initially worked with the proprietors to set several major short and medium-term objectives for the business and define a clear course of action to achieve these goals.

The DCS team then set about identifying the key value drivers at the retail end of the network and commenced building a new commercial model for the retail business from the ground up, focusing on generating revenue and profits in both the retail areas and the hairdressing salons of the franchised business.

When the optimum economic model had determined the potential income for a franchised owner-operator, a personnel structure incorporating job roles, reporting lines, key performance indicators linked to creating shareholder value and reward for effort by head office personnel was implemented.

New commercial policies were developed, which were incorporated into a detailed brief to solicitors to prepare a new franchise agreement that reflected the strategic intent and the expectations of Hairhouse Warehouse and its shareholders.

The method of recruiting, screening and selection of franchise owners was completely redeveloped to maximise the retail operations and the customer experience. An operations and procedures manual was then drafted to assist with franchisee and staff induction, training and operational compliance.

DCS then developed a corporate governance and board structure and the tactics developed to manage and expand the network were implemented.



The Outcomes

Hairhouse Warehouse is now operating in all States of Australia and is considered to be market leader in its category in many of those States.

The average profit per store leads the industry and its best performing franchisee has been awarded the Franchise Council of Australia National Franchisee of the Year.

Revenue has grown tenfold and the Hairhouse Warehouse business is considered to be one of the most successful franchise models in Australian retailing.

Shareholder value has increased significantly and the business is poised to dominate its retail sector.

DC Strategy Contact Details

International Head Office

Level 5, 530 Collins Street,
Melbourne VIC 3000 Australia

growth@dcstrategy.com

www.dcstrategy.com

Australia

Melbourne +61 (0)3 8102 9200

Sydney +61 (0)2 8220 8700

Brisbane +61 (0)7 3015 7600

Perth +61 (0)8 6222 1011

Canberra +61 (0)2 8220 8700