An Effective and Quality Approach to Reduce the Turnover Rate for Hair Salon Industry

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ABSTRACT

This study aims to provide an effective approach to reduce the turnover rate and forecast the supply of hair stylists for the hair salon industry. An absorbing Markov chain process was applied in this study to forecast the supply of hair stylists for a hair salon chain. A hair salon chain with 13 salons in Taiwan was investigated as the case in this study. According to its business goals and expansion plans, and considering the firm’s present personnel profiles, the authors estimate the future demand for stylists and reduce the turnover rate for this company. In addition, this study finds that, based on a promotion system, the average turnover rate for hairdressing apprentices decreases from 19.500% to 17.770%, and the training period could be shortened from three years to one year and 11 months. Finally, they also found that the estimated supply of hair salon workers at each hierarchy level from 2010 to 2014 will be insufficient. The findings in this study could provide insights for the human resources department of hair salon industry.

Keywords: Absorbing Markov Chain, Hair Salon Industry, Hairdressing, Promotion System, Turnover Rate

1. INTRODUCTION

In most developed countries, the services sector involves much more than manufacturing (Li, Yang, & Wu, 2008). In particular, the beauty industry, which is a $160 billion-a-year global industry, encompasses cosmetics, perfumes, cosmetic surgery, health clubs, and diet pills. Every year, Americans spend more on beauty than they do on education (The Nielsen Company, 2007). In Taiwan, the annual growth rate of the hairdressing and beauty industries were
6.23% in 2006 (Ministry of Economic Affairs of Taiwan, 2007). According to the Small and Medium Enterprise Administration of Ministry of Economic Affairs of Taiwan, 18 to 45-year-old women, spend more than 172 dollars on hairdressing every year (CYCDAH, 2004). The industry output value of Taiwan’s hairdressing was estimated to be at least several billion dollars (CYCDAH, 2004).

Additionally, the development of Taiwan’s industrial sector in 2007 had already fully fallen into the category where tertiary industry was the main industry. Service industry accounted for the gross domestic product (GDP) ratio of 67.8%, which at the end of 2008 was possibly as high as 71.4%. Since the mid-1980s, rising national living standards have spurred the booming development of Taiwan’s service sector, which accounted for 67.1% of GDP in 2010. The service sector has increased its share from 46.3% of total employment in 1990 to 58.8% in 2010, and promises to be the major provider of new job opportunities for years to come (Council for Economic Planning and Development, 2011).

Hairdressing is a member of the services sector, and it is in the personal services category of tertiary industry (Chen, 2004). Accordingly, the hairdressing industry business opportunities are likely to become increasingly prosperous.

In 2007, Taiwan had about 60,000 hair salons of varying sizes (Tsai, 2007). Although the hairdressing industry is booming in Taiwan, the largest hairdressing chain has only 300 salons and holds less than 1% of the overall market share. It is therefore a fragmented industry (Tsai, 2007). The fragmented industry has several characteristics that Porter (1980) defines as follows: (1) industries with low barriers to entry; (2) lack of economies of scale; (3) need for creativity; (4) need for close monitoring in operation; (5) good local image and community outreach; and (6) products and services that are highly customized for individual customers (Porter, 1990).

Hairdressing is not only part of the service industry, but is also labor-intensive with high skills and is thus a knowledge-based industry. Outputs of the hairdressing industry differ from the tangible products of manufacturing, as the services provided by the hairdressing industry are intangible and involve design, creativity, and ingenuity. Service industries like the manufacturing sector are starting to focus on knowledge management (Shen, Lee, Tsai, & Chen, 2009). In the hairdressing industry, if the manager can ensure that his human capital is not broken-up or disturbed, he will be able to ensure that the relevant skills and knowledge will be kept and thus potentially gaining competitive advantage. The present study indicates that highly involved consumers perceive greater relational benefits when engaged in a high contact, customized service (e.g., at a hair salon) versus a more standardized, moderate contact service (e.g., at a fast-food restaurant) (Kinard & Capella, 2006). The personality traits of frontline service employees have a strong effect on interaction quality and consumer satisfaction (Ekinci & Dawes, 2009). In other words, human resource skills are very important in the hairdressing industry and are keys to successful business operation.

Generally, operating a small hair studio or working as a hairdressing apprentice is thought to be simple. However, hairdressers’ work involves several adverse factors such as the following:

1. Long working hours and heavy physical load, leading to burnout, poor work posture, and repetitive work tasks (Wahlström et al., 2010);
2. Occupational injury owing to exposure to sensitizing chemical agents that irritate the respiratory tract and skin (Noone, 2010);
3. Narrow and unventilated work environment (over half the designated areas where chemical substances for dyes, perms, bleach, etc., are used have no proper ventilation system. Hairdressing salons are frequently small - the most probable reason why occupational hygiene measures
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