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ANALYSIS OF THE TRENDS WITHIN THE HAIR & BEAUTY INDUSTRY BY ETHNICITY ACROSS GREAT BRITAIN

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FOREWORD TO THE LOCAL DATA COMPANY ETHNICITY REPORT FOR THE NHBF, OCTOBER 2022

Richard Lambert, Chief Executive, National Hair & Beauty Federation (NHBF)

BACKGROUND AND CONTEXT

One of the principal roles of an industry representative organisation is to develop a robust evidence base to understand and illustrate the trends within its sector. This data is invaluable in supporting the organisation's lobbying of government on behalf of its members, backing up the arguments as much as demonstrating the sector's value and impact to the economy.

In recent years, the NHBF has sought to improve the understanding of the hair & beauty sector through research and statistics. Our annual Industry Statistics report provides a compendium of the most recent figures from the Office of National Statistics (ONS) covering the size, value, geographical distribution and employment profile of the sector. It also includes data on business openings and closures from the Local Data Company (LDC) commissioned specifically for the report, which is updated with each edition.

Since the summer of 2020, we have run quarterly State of the Industry surveys, tracking business trends and sentiment as they evolve over time. We have also taken the pulse of the sector through more immediate polls on social media and commissioned in-depth policy analysis.

This report is the first step in addressing what we believe is an important gap in our knowledge. There is little readily-available data to help us understand the ethnic mix within the sector. We know that there are many businesses which cater to specific ethnic communities, but we do not know what proportion of the market they may represent, or the breakdown between the different community groups within the UK. To tackle this, we asked our partners at the LDC to consider how we might begin to develop a better understanding, providing another set of data and analysis to supplement what we already know about the overall sector from the ONS and our own State of the Industry surveys.

The report provides the results of the LDC's analysis. They used data from the census to identify geographical areas with larger proportions of minority ethnic communities, cross-matching it with LDC's own proprietary location data for nine categories of other businesses which had a strong potential to indicate areas of ethnic density. From this, they were then able to develop a detailed analysis on the density of independent hairdressers in correlation with the volume of ethnic group communities.

The report shows market share and trends in growth at national, regional and postcode level over a five-year historic time series.

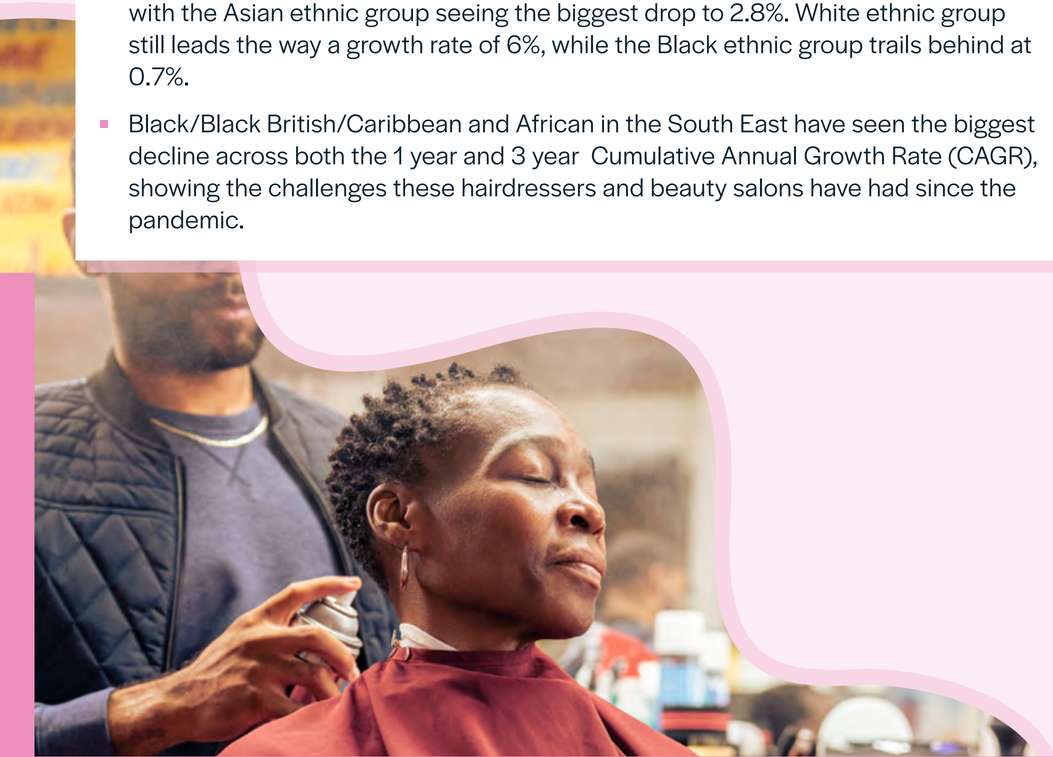
We should be clear on the limitations of the analysis and data available and therefore be wary of drawing conclusions that are too broad to be supported by the data we have. This is not a census of the number of ethnic salon business across the UK. It does not look specifically at the ethnicity of the business owner or the staff they employ. Rather, it identifies the location and type of business units predominantly in the areas assessed as having a higher density of an ethnic community within the population. We can reasonably infer that most – but not necessarily all - of those businesses will serve the particular community in the area, and that the changes in the numbers over time reflect the evolution community and the local market.

That being said, we do now have some statistical insight and understanding of the ethnic make-up of the sector. We believe that this is a helpful first step, and we hope to build on the analysis in the future.

CONTENTS

KEY FINDINGS

- The hair & beauty sector has grown from 2,141 units in 2017 to 2,340 in 2022 in locations with a larger proportion of Black, Black British, Caribbean or African in the local population. Their total market share across GB however has declined from 5% in 2017 to 4% in 2022.
- Across GB, the hair & beauty locations in Asian or Asian British postcode sectors have grown from 4,306 in 2017 to 5,471 in 2022. However, like the Black ethnic group their overall market share has reduced from 11% in 2017 to 9% in 2022.
- All ethnic groups have seen a slowdown in their growth in 2022, with the sector facing greater competition and market saturation as more and more compete for the local spend. The White ethnic group locations were the only postcode sectors to see an increase in 2022, rising by 615 units thus further enhancing their market share.
- Black, Black British, Caribbean or African locations have seen the slowest growth rate in the last 5 years (1.8%), when compared to the other ethnic groups.
- In the medium term (3 year), all ethnic groups have seen their growth rates drop, with the Asian ethnic group seeing the biggest drop to 2.8%. White ethnic group still leads the way a growth rate of 6%, while the Black ethnic group trails behind at 0.7%.
- Black/Black British/Caribbean and African in the South East have seen the biggest decline across both the 1 year and 3 year Cumulative Annual Growth Rate (CAGR), showing the challenges these hairdressers and beauty salons have had since the pandemic.



- Black/Black British/Caribbean and African units in the East Midlands have been the most resilient since the pandemic, with the strongest 1 year CAGR of all regions.
- Black/Caribbean/African and Asian Hair & Beauty salons and Hairdressers were the only subcategories to grow in the last 12 months across all subcategories. Independent hairdressers across these ethnic groups grew at the fastest rate of all ethnic group subcategories (Asian 6.5% and Black 10.2%).
- Black/Caribbean/African Hairdressers were the only subcategory to see a decline across the 5 year CAGR metric, showing they have been unable to keep up with the wider growth in the sector.
- 9 out of the 10 fastest declining postcode sectors are in Greater London, with B20 2 in Birmingham the only exception. With South East London featuring the most with 6 of the 9 postcode sectors in Greater London.
- Across all hair & beauty salons, occupiers in White ethnic areas have a higher probability of surviving past their third anniversary. Beauty Salons have the lowest survival rate figures, with Black, Black British, Caribbean and African outlets having the lowest survival rate across all subcategories at just 55%. This shows the support these small businesses may need in being able to reach this landmark.

METHODOLOGY

ONS ETHNICTY BREAKDOWN

The Office of National Statistics (ONS) uses the following ethnic groups when carrying out surveys or the census, with these groupings being adopted for this piece of analysis

ASIAN OR ASIAN BRITISH

- Indian
- Pakistani
- Bangladeshi
- Chinese
- Any other Asian background

BLACK, BLACK BRITISH, CARIBBEAN OR AFRICAN

- Caribbean
- African
- Any other Black, Black British, or Caribbean background

WHITE

- English, Welsh, Scottish, Northern Irish or British
- Irish
- Gypsy or Irish Traveller
- Roma
- Any other White background

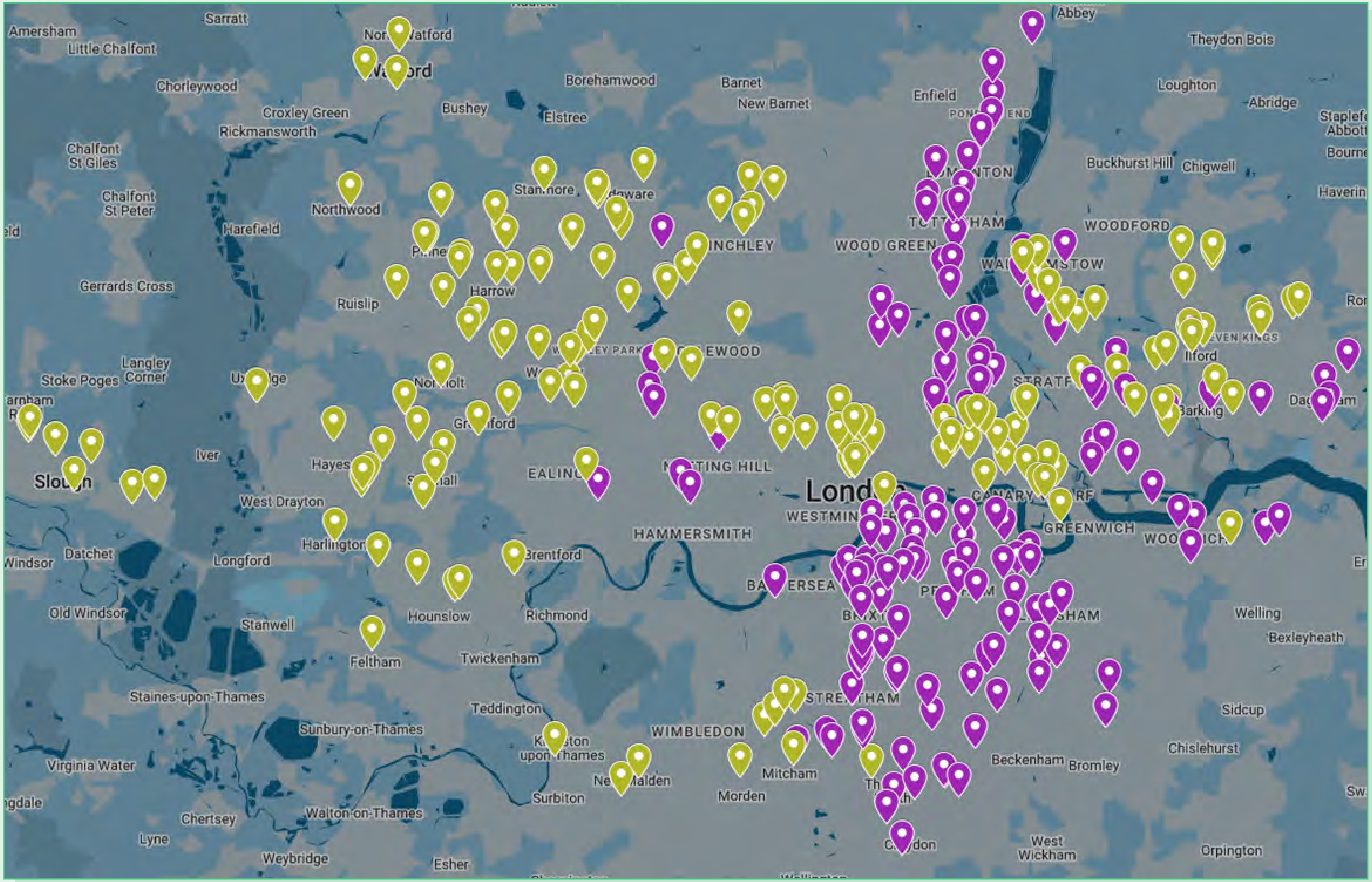
Source: Office of National Statistics

LOCAL DATA COMPANY POINTS OF INTEREST DATA

- Analysis of Local Data Company (LDC) Point of Interest (POI) data highlighted potential categories that could be used to identify areas of ethnic group clusters.
- 9 categories were identified as the best indicators of ethnicity in a local area across all 42 categories that are tracked by LDC.
  - Bakers
  - Banks, financial services & building societies
  - Butchers & fishmongers
  - Chemists, toiletries & health
  - Confectionery, tobacco & newsagents
  - Estate agents & auctioneers
  - Groceries, supermarkets & food shops
  - Restaurants
  - Travel agents & tour operators
- Restaurants were the main indicator, with the category having over 30 different subcategories labelled by the varying cuisine types.
- Nearly 20,000 individual units were identified and used in conjunction with the census population data to determine the ethnicity for each postcode sector.
- This enabled each independent hair and beauty occupier across GB to be linked to an ethnic group based on their location (postcode sector).

Source: Local Data Company

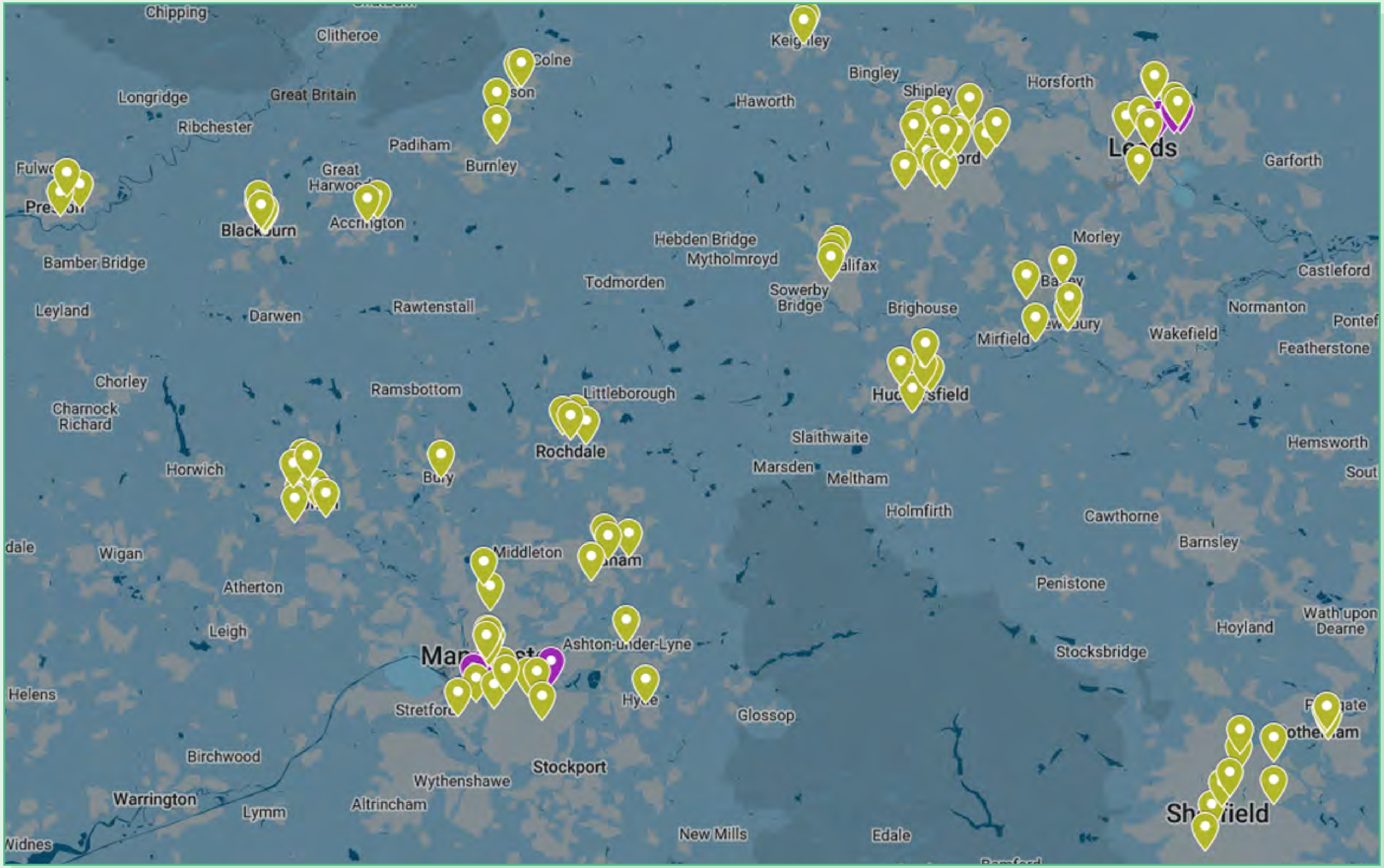
MAPS- GREATER LONDON



Source: Local Data Company & ONS

Asian
Black

MAPS- NORTH ENGLAND



Source: Local Data Company & ONS

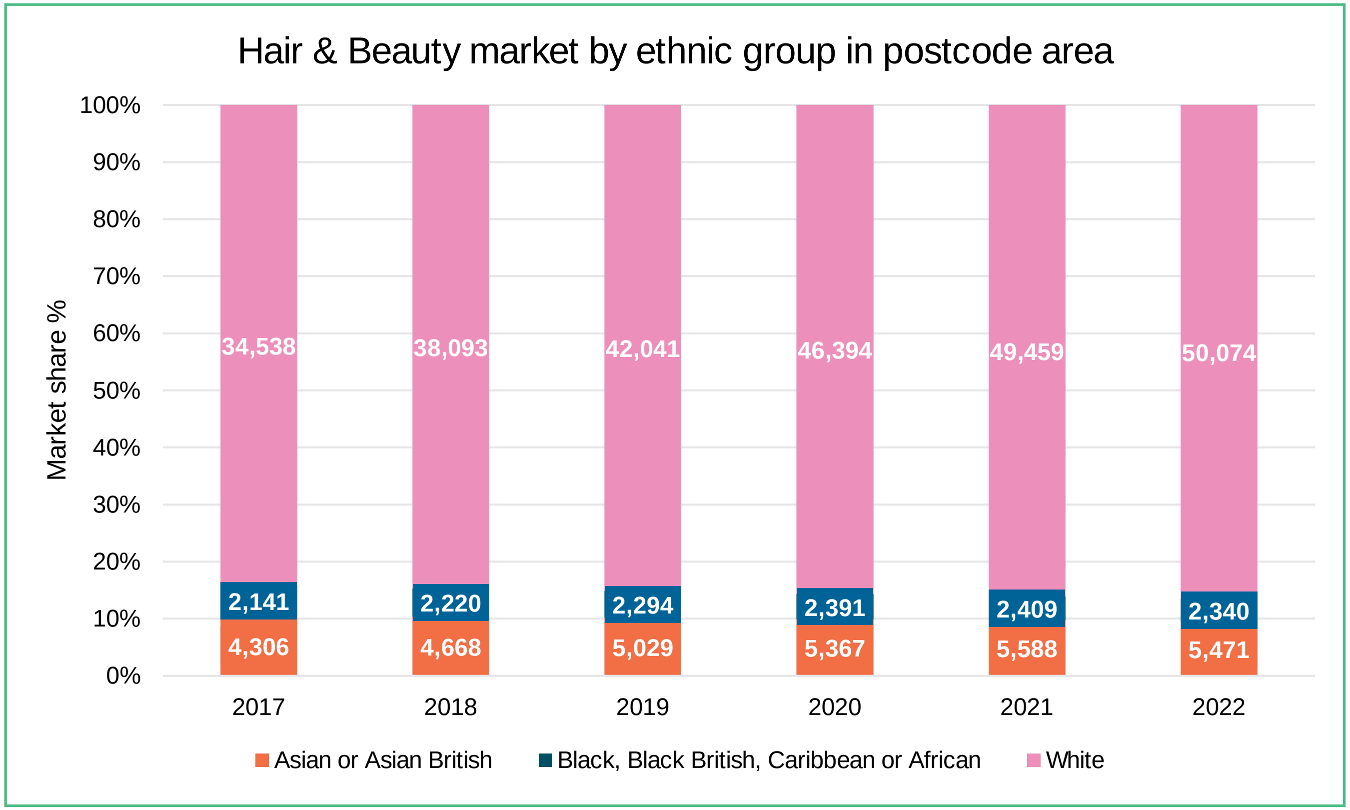
Asian
Black

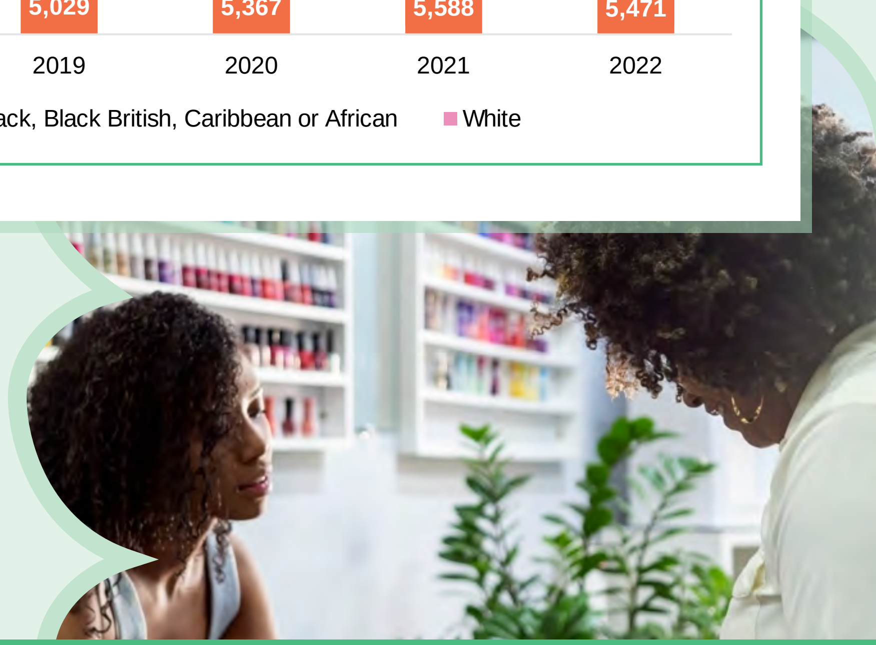
RESULTS

MARKET SHARE

- The hair & beauty sector has grown from 2,141 units in 2017 to 2,340 in 2022 in locations with a larger proportion of Black, Black British, Caribbean or African in the local population.
- Their total market share across GB has declined from 5% in 2017 to 4% in 2022.
- Across GB, the hair & beauty locations in Asian or Asian British postcode sectors have grown from 4,306 in 2017 to 5,471 in 2022.
- However, like the Black ethnic group their overall market share has reduced from 11% in 2017 to 9% in 2022.
- Predominately White neighbourhoods have seen their market share rise from 84% in 2017 to 87% in 2022 across all hair & beauty categories.

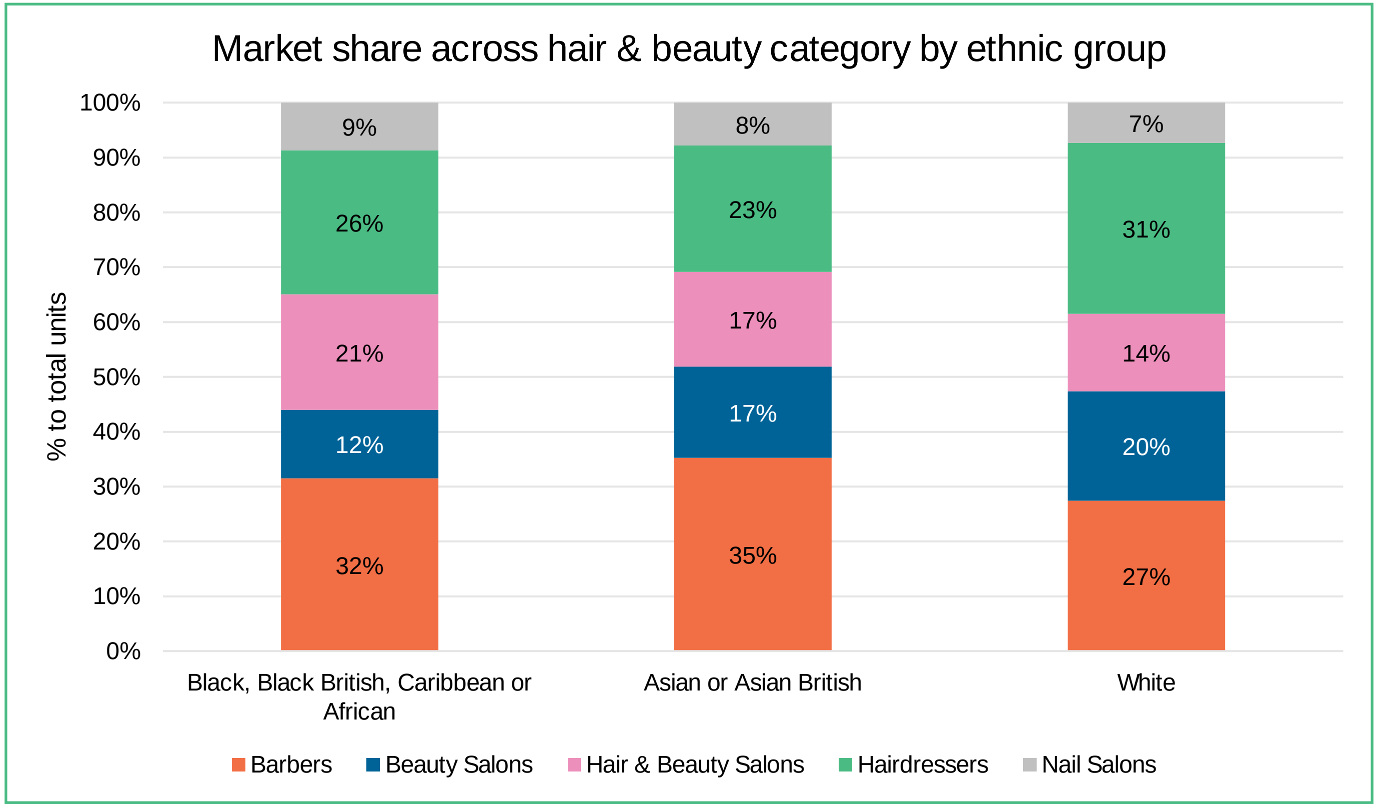
Source: Local Data Company & ONS



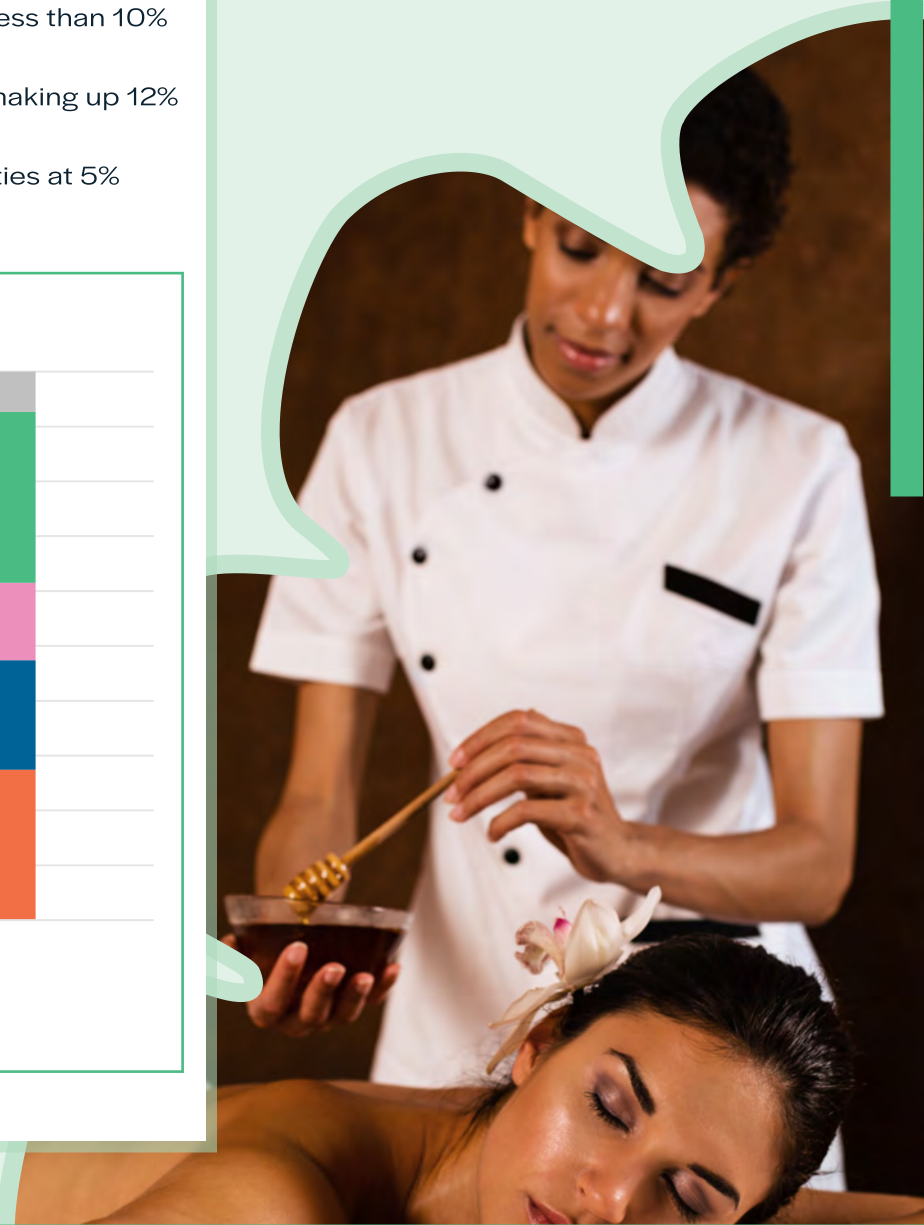


MARKET SHARE BY SUBCATEGORY

- Barbershops is the top hair & beauty subcategory across the ethnic minority groups (Asian and Black ethnic groups) with this making up a third of all units.
- The smallest subcategory is Nail Salons across all ethnic groups, with these making up less than 10% of the total market.
- Black, Black British, Caribbean or African mainly differ on Beauty Salons, with this only making up 12% of their total units compared to 17% for the Asian or Asian British (21%).
- The biggest gap to the wider market is in the Hairdressers sector, with the ethnic minorities at 5% (African) and 8% (Asian) below the percentage within the White ethnic locations.

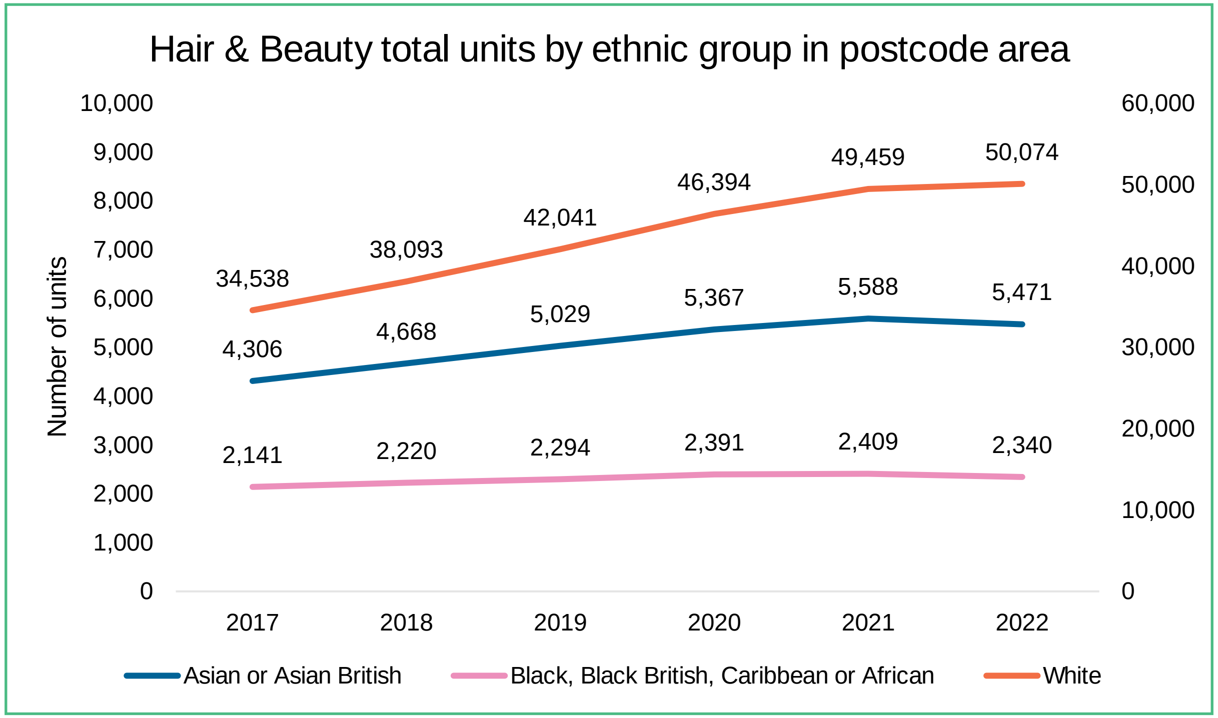


Source: Local Data Company & ONS



FIVE HISTORICAL NUMBERS

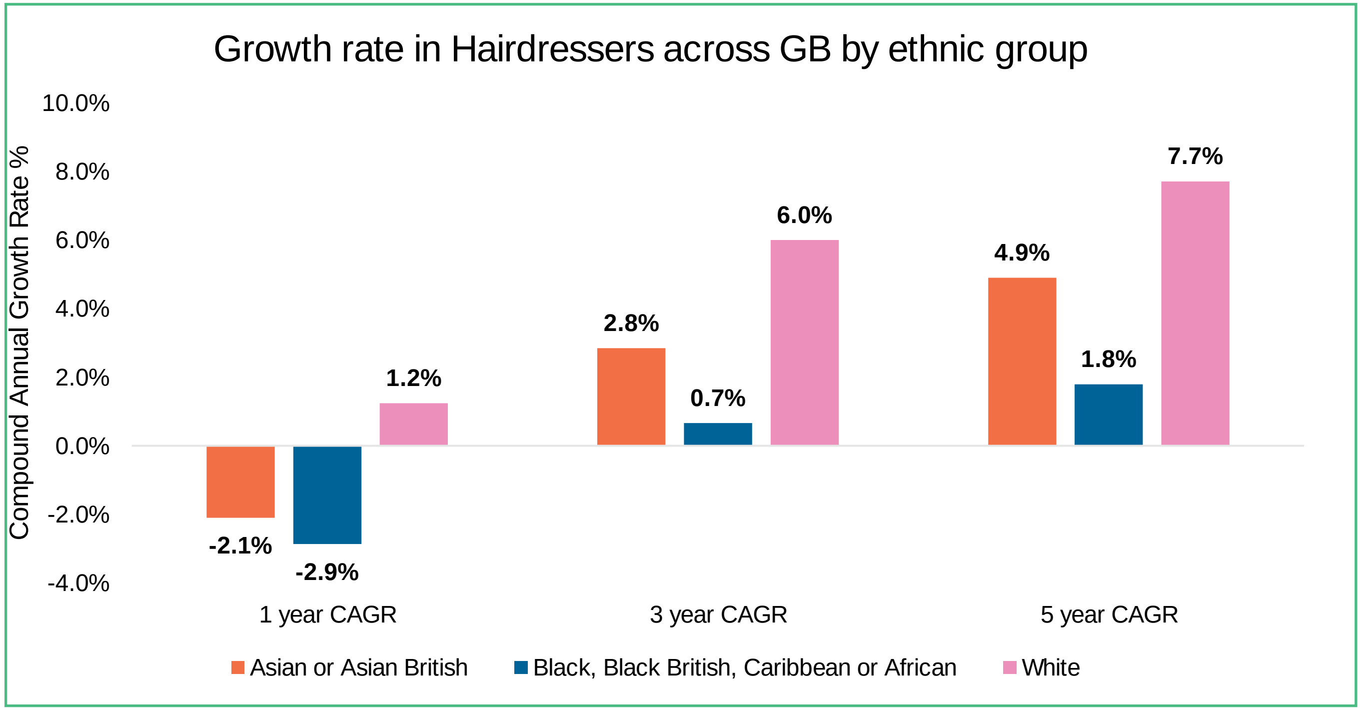
- All ethnic groups have seen a slowdown in their growth in 2022, with the sector facing greater competition and market saturation as more and more compete for the local spend.
- The White ethnic group was the only ethnic group to see an increase in 2022, rising by 615 units.
- The Asian or Asian British ethnic group saw the biggest drop in units with -117 fewer units in 2022 when compared to 2021.
- The Asian or Asian British ethnic group is the only group to see a year-on-year decline in the net new openings across the five year period.
- Black ethnic group had seen an increase in their year-on-year net change in 2020, rising by 97 units compared to 74 in 2019.



Source: Local Data Company & ONS

GROWTH RATE

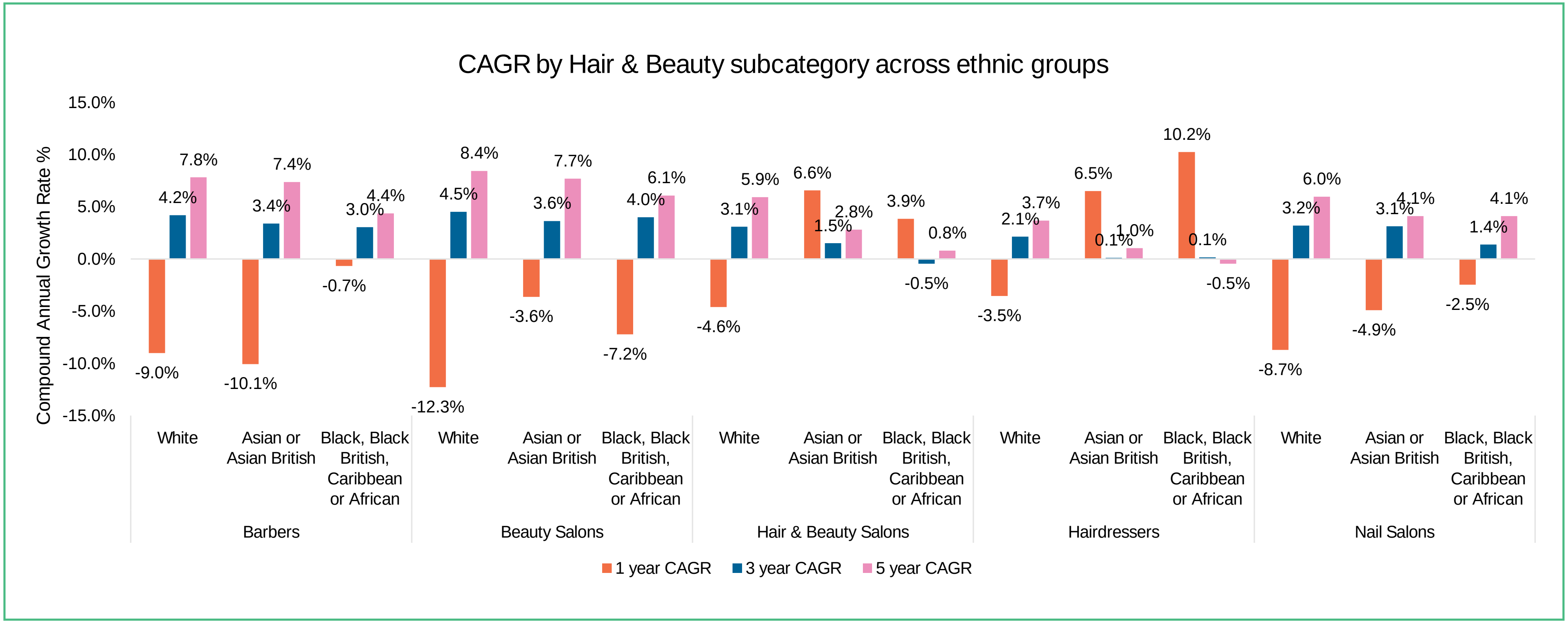
- Black, Black British, Caribbean or African locations has seen the slowest growth rate in the last 5 years, when compared to the other ethnic groups.
- The White ethnic group has seen the biggest increase in units, with a CAGR of 7.7% over the last 5 years. The Asian ethnic group has seen an increase of 4.9%, while the Black ethnic group has grown by 1.8% respectively.
- In the medium term (3 year), all ethnic groups has seen their growth rates drop, with the Asian ethnic group seeing the biggest drop to 2.8%. White ethnic group still leads the way a growth rate of 6%, while the Black ethnic group trails behind at 0.7%.
- In the last year, which has been impacted by the slow post pandemic recovery in the sector, the two ethnic minority groups (Asian and Black) have seen a decline, with their growth rates at -2.1% and -2.9% respectively.



Source: Local Data Company & ONS

SUBCATEGORY ANALYSIS BY ETHNIC GROUP

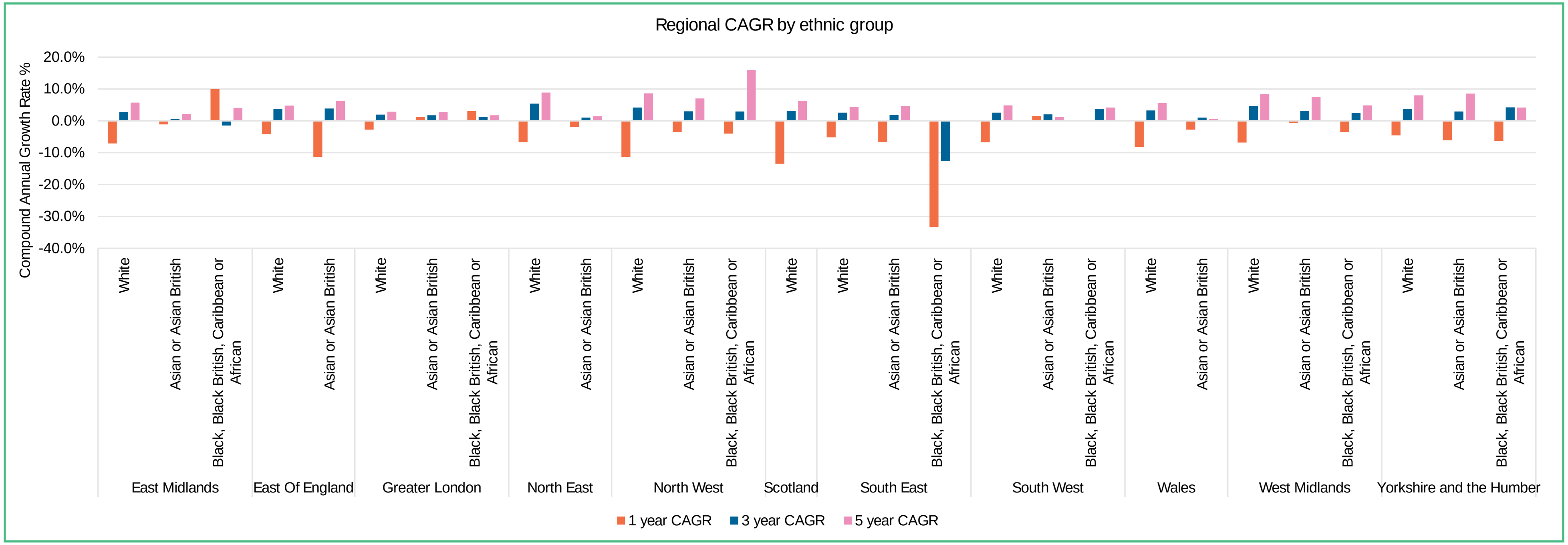
- By subcategory, the Asian or Asian British ethnic group has seen the biggest decline in barbershops of all four hair & beauty subcategories in the last 12 months (-10.1%).
- Black/Caribbean/African and Asian Hair & Beauty salons and Hairdressers were the only subcategories to grow in the last 12 months across all subcategories. Independent hairdressers across these ethnic groups grew at the fastest rate of all ethnic group subcategories (Asian 6.5% and Black 10.2%).
- Black/Caribbean/African Hairdressers were the only subcategory to see a decline across the 5 year CAGR metric, showing they have been unable to keep up with the wider growth in the sector.



Source: Local Data Company & ONS

REGIONAL ANALYSIS BY ETHNIC GROUP

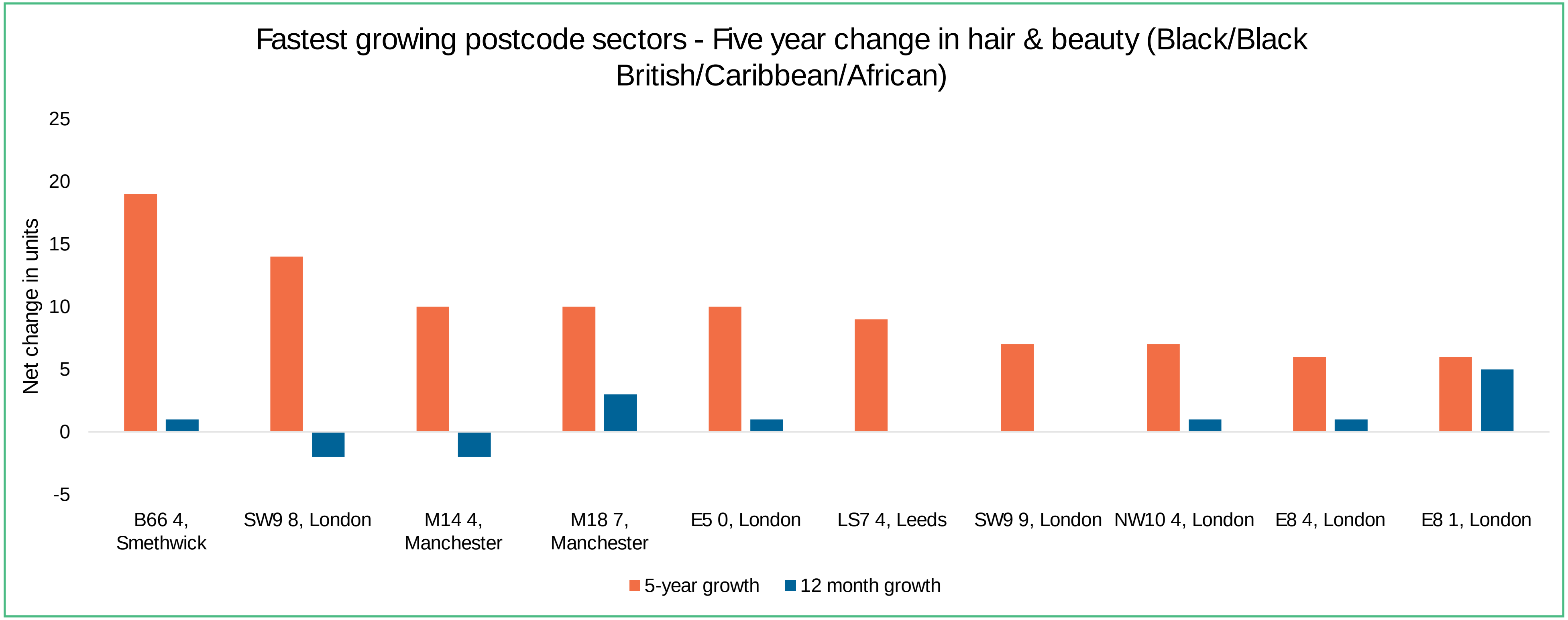
- Black/Black British/Caribbean and African in the South East have seen the biggest decline across both the 1 year and 3 year CAGR, showing the challenges these hairdressers and beauty salons have had since the pandemic.
- Black/Black British/Caribbean and African units in the East Midlands have been the most resilient since the pandemic, with the strongest 1 year CAGR of all regions.
- Asian or Asian British units in the East of England have seen biggest decline in the last 12 months, with locations in Greater London and South West the only regions to see growth across all time periods (1 year, 3 year and 5 year).



Source: Local Data Company & ONS

POSTCODE ANALYSIS – BLACK/BLACK BRITISH/CARIBBEAN/AFRICAN

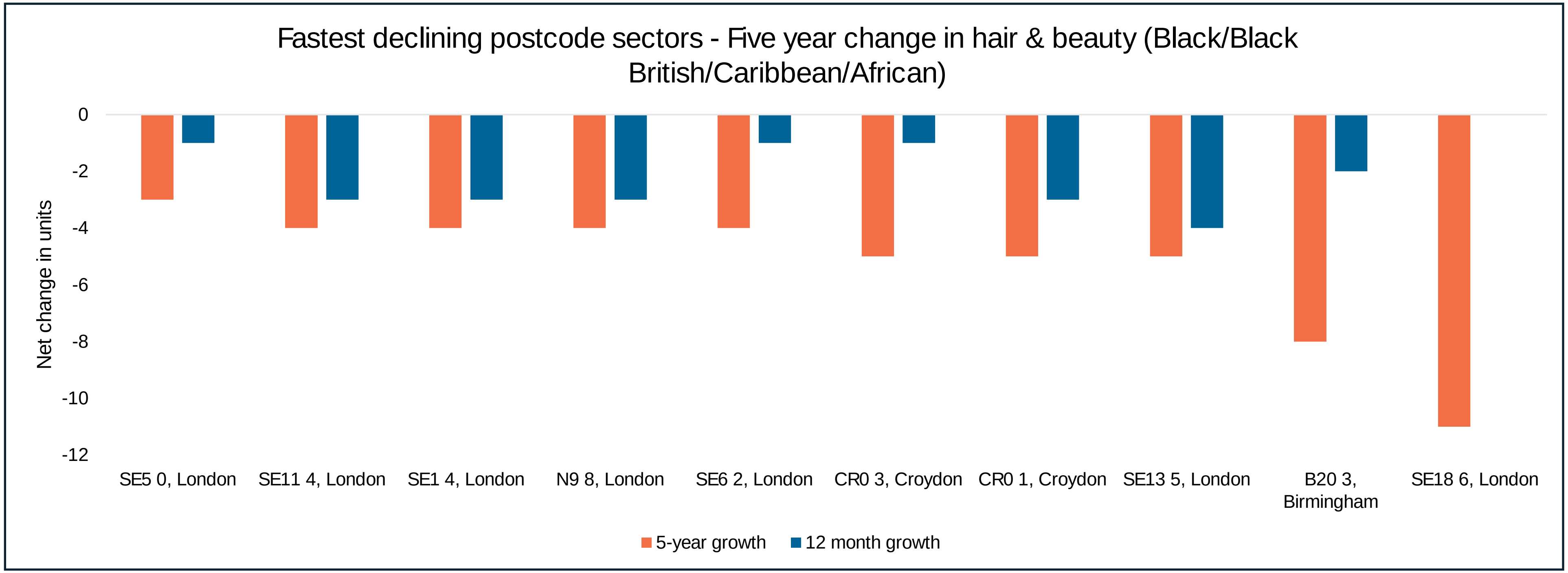
- The postcode sector analysis shows the fastest growing postcode sectors for Black, Black British, Caribbean and African hair & beauty subcategories across GB.
- Greater London dominates the Top 10 list, with SW9 8 being the postcode sector with the 2nd biggest growth in the last 5 years with a net total of 14 new locations in these areas.
- Of the Top 10 fastest growing locations in the last 5 years, only M18 7 (Manchester), E5 0 (London), NW10 4 (London), E8 4 (London) and E8 1 (London) have seen growth in the last 12 months.



Source: Local Data Company & ONS

POSTCODE ANALYSIS – BLACK/BLACK BRITISH/CARIBBEAN/AFRICAN

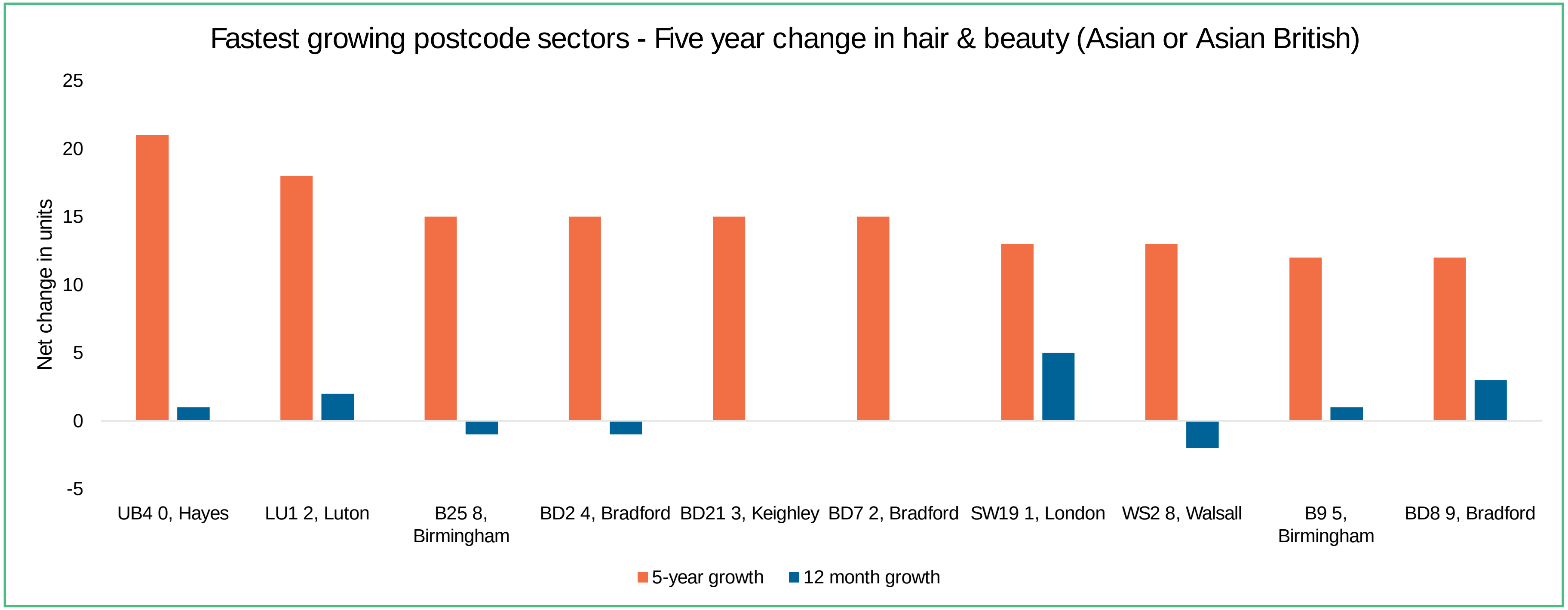
- The postcode sector analysis below shows the fastest declining postcode sectors for Black, Black British, Caribbean and African hair & beauty subcategories across GB.
- 9 out of the 10 fastest declining postcode sectors are in Greater London, with B20 2 in Birmingham the only exception. With South East London featuring the most with 6 of the 9 postcode sectors in Greater London.
- None of the bottom 10 declining postcodes have see a net increase in units in the last 12 months showing the structural issues these postcode sectors face for hair & beauty providers.



Source: Local Data Company & ONS

POSTCODE ANALYSIS – ASIAN OR ASIAN BRITISH

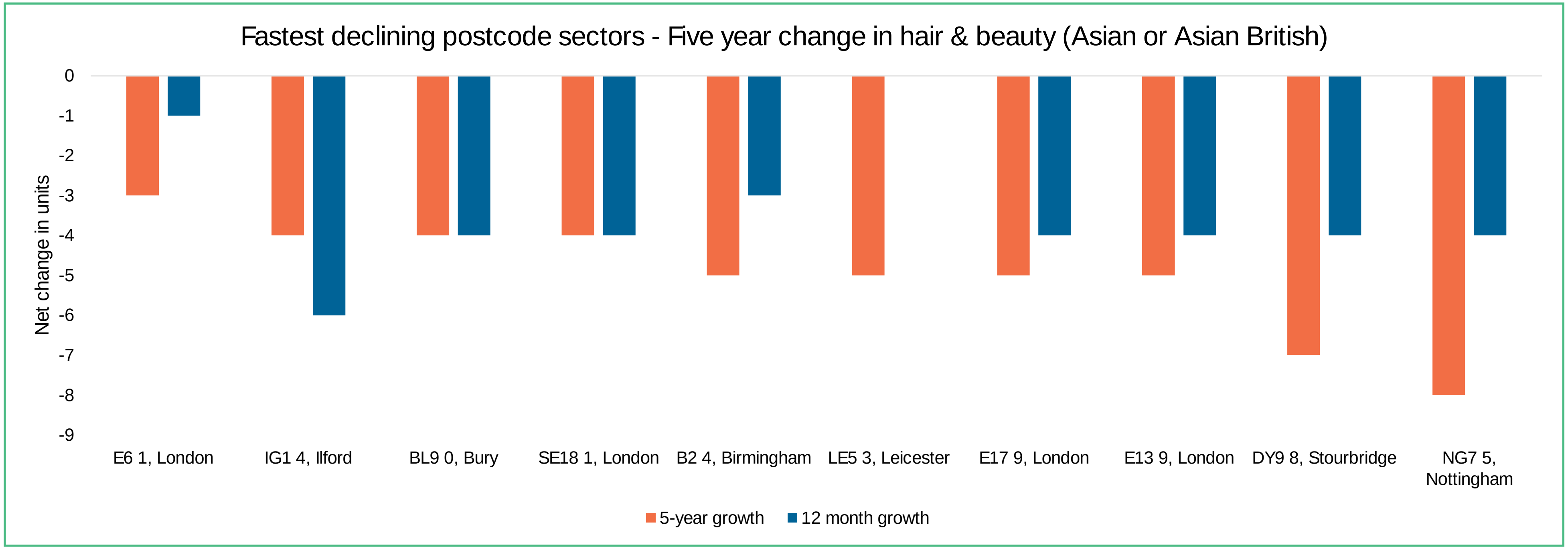
- The postcode sector analysis below shows the fastest growing postcode sectors for Asian or Asian British hair & beauty subcategories across GB.
- Asian dominated areas of Hayes, Luton and Birmingham have seen the biggest increase in units over the last 5 years.
- 3 Bradford postcodes feature in the Top 10 list, showing the attractiveness and demand for these services in the city.
- SW19 1 (Wimbledon) has seen strong growth both in the last 5 years and 12 months, with this a high growth postcode sector.



Source: Local Data Company & ONS

POSTCODE ANALYSIS – ASIAN OR ASIAN BRITISH

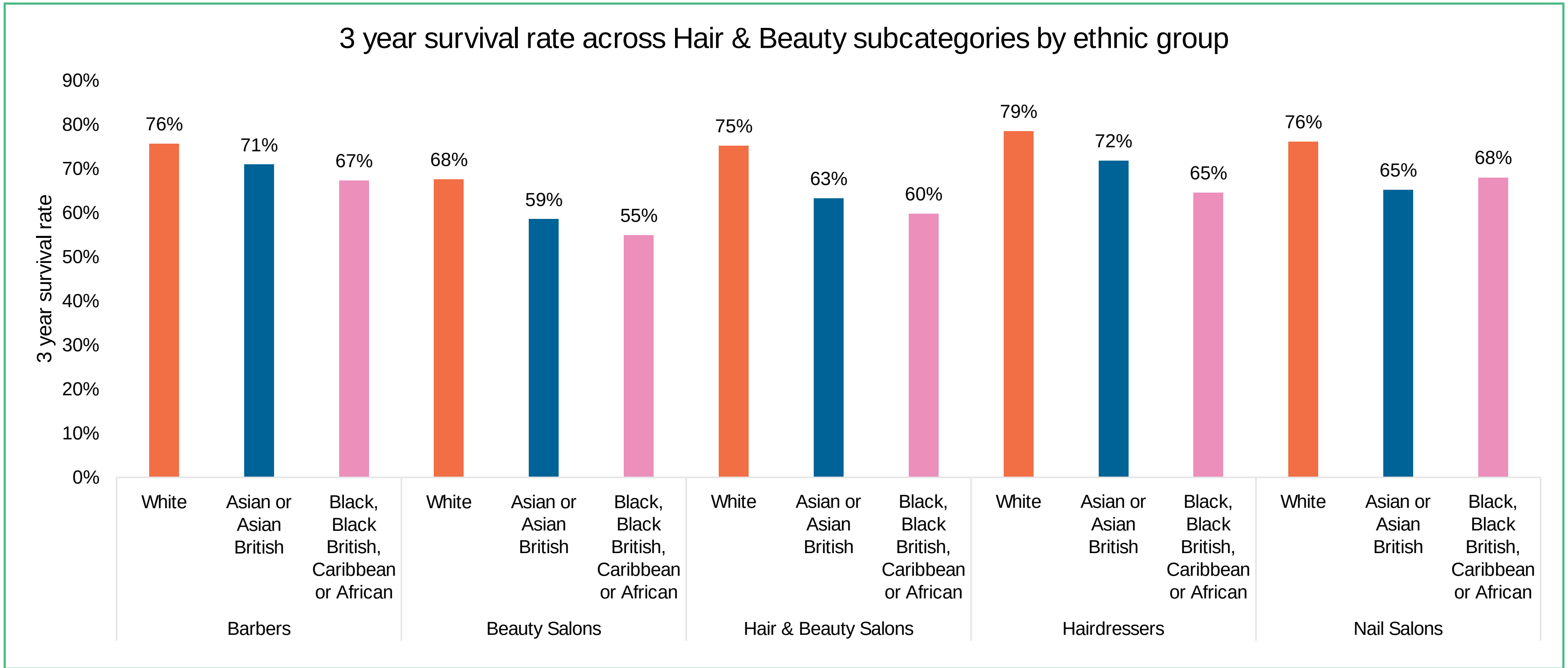
- The postcode sector analysis below shows the fastest declining postcode sectors for Asian or Asian British hair & beauty subcategories across GB.
- NG7 5 in Nottingham has seen the biggest net decrease in hair & beauty in the last 5 years, with the loss of 8 units, closely followed by DY9 8 in Stourbridge.
- The bottom 10 is dominated by more regional postcodes with the West Midlands (2), East Midlands (2) and North West (1) making up 50% of the bottom 10.
- Greater London takes up the other 5 places, with the East of London seeing the biggest decline with 3 in the Bottom 10.



Source: Local Data Company & ONS

SURVIVAL RATES BY ETHNIC GROUP

- Survival rates measure the likelihood of a business making it to its three year anniversary, a key landmark for an independent shop as it means it has been able to remain resilient in the market and has an engaged customer base within the local catchment.
- Across all hair & beauty salons, occupiers in White ethnic areas have a higher probability of surviving past their 3rd anniversary.
- Beauty Salons have the lowest survival rate figures, with Black, Black British, Caribbean and African outlets having the lowest survival rate across all subcategories at just 55%. This shows the support these small businesses may need in being able to reach this landmark.



Source: Local Data Company & ONS

FURTHER INFORMATION

Established in 1942, the National Hair & Beauty Federation (NHBF) has over 5,000 Members and is the UK's largest trade body for the hair, beauty and barbering industries.

The NHBF focuses on helping Members to run successful and profitable hair and beauty businesses by providing advice, specialist support and tailored services to meet the unique challenges of running a salon or barbershop.

Membership is open to salons, barbershops and chair, space and room renters.

Trade membership is open to suppliers of salon products, equipment, advice or services and colleges or training providers.

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