

# Beauty Supply Warehouse

Can the superstore business model successfully work with beauty supplies? In the multicultural market? With services? Ask Karan Hoss.

by Julie Sturgeon



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Karan Hoss, owner of Beauty Supply Warehouse, says that business is booming and more expansion is on the horizon.

It's hard to describe Karan Hoss, owner of Beauty Supply Warehouse, as anything but colorful. In four short years he has opened up 10 multicultural-market superstore salon stores stretching from San Diego to Las Vegas to Aurora, Colorado. Hoss recently set the wheels in motion to build in Baton Rouge, Louisiana, and on several Mississippi and Alabama sites. His goal with each location: Make it bigger, grander and glitzier. Recently, *Beauty Store Business* sat down with him to explore the business strategies behind what he says is now the highest-volume beauty products retail chain serving African Americans.

**BSB:** Didn't you grow up in the beauty business?

**HOSS:** My dad bought a 3,000-square-foot retail/wholesale business in Gardena, California, in 1982, and I worked for him on the weekends. My older brother and I were expected to go to swap meets on weekends and sell beauty supplies there. After a couple of years, dad moved into a bigger place in the same strip center, and I started working for him with all my free time through high school at the actual wholesale operation.

I was one of these kids who was into business. My family is Iranian, and those of us in the states are all in business—different types of industries, including manufacturing and retail. My dad has an MBA and my sister has an MBA, so it's in our blood I guess. At family functions everyone talks about business at dinner so it seeps its way into your head. I'd go to the shows, sit at the meetings and put in my two cents. The day after I graduated from UCLA in 1998 with a major in psychology, I was on a flight to San Francisco where dad had started a retail/wholesale chain. I was put in charge of expanding that business. I started a couple of units and then went out on my own to open Beauty Supply Warehouse at the end of 2002.

### Why not continue the challenge in front of you?

Retail/wholesale is a conflict—you're competing against the customers you sell to. Early on I kept whispering in dad's ear, "Hey, let's open some stores," and he said it was too much work.

### Why a superstore business model for the multicultural audience?

I saw the same old, same old in this business. The whole over-the-top concept is my character—I drive a bright yellow Hummer and have red rooms in my house. Everything I do is big; so while I wanted to stay in the beauty supply business because I know so much about it, I didn't want to do the same thing as everybody else.

I always get excited when I'm in The Home Depot or OfficeMax. OfficeMax took something relatively small—office products—and

### You chose Las Vegas for your first location because it's an over-the-top city?

When I started looking for a location in early 2002, the economy was in a post-September 11th slump, especially in Vegas. But I know Americans—I consider myself an American—and I know the country's economy. It would come back, and I wanted to get set up in the meantime. I expected it to take some months or years to come back, but we were a hit right off the bat.

### What do you look for in key management personnel?

Everybody I hire starts smarter than I do. If they're in accounting, they understand accounting way better than I do. We have at least three or four people on board that are as thick in the head as I am when it comes to work. I send out e-mails at 3 a.m. and 4 a.m., and a few respond that late. It's

## "I HAD **this epiphany** AND SAID, 'WHY AM I **making all** THESE TENANT IMPROVEMENTS FOR THESE **landlords?**'"

built an empire out of it. I thought customers would like the superstore concept with beauty products, but I wasn't sure until every other woman who walked in was saying, "Holy cow!" That was the kind of reaction I was going for. Every single decision that we make at meetings today revolves around staying as different as possible; we're unique to our customers and ourselves. I don't want to get bored with the business.

funny. The people we have around us are definitely the key ingredient.

The people you bring into your management team determine your company's future. They determine how successful your company will become, how long it will take to achieve that success and how much fun you have in the process. An example that comes to mind is Kate DaCosta who, interestingly enough, just left Beauty Supply Warehouse to start her own business. Nevertheless,



Within the next two years, Beauty Supply Warehouse plans to add superstores in Alabama, Colorado, Las Vegas, Louisiana, Mississippi and San Diego.



Beauty Supply Warehouse superstores offer customers a wide variety of hair goods.

she worked with us for three years, and in that time period served in several different capacities, mainly in operations and finance. The point is Beauty Supply Warehouse wouldn't be where it is today were it not for having her on board with us for the time we did. It's just that simple! Now if you can get a few people like that together, you've already succeeded, you've won the game. Unfortunately though, there aren't many people like that who are dedicated, focused, loyal and what I like to call "obsessed with winning." But I guarantee you, they're well worth the search.

Recently, I've been on a mission to recruit the best of the best because that's what it will take to expand to 20 or 50 stores. I've been putting the word out with salespeople and people on the manufacturing side. I'm trying to recruit people who have the same aggressive and ambitious drive that I do.

### Your customer base is African American and you're not. Did that cross your mind in the start-up?

Not at all. But not being Korean American is unique in the African-American retail industry, and that definitely played a role back when I was getting started. Calling vendors and opening accounts was an uphill battle. But that's long gone. We have excellent relationships with everybody in the industry. The ones who don't do business with us wish they did.

At the first store, I was hands-on—selling and stocking shelves. Here was this white guy with a shaved head helping customers. It was more of a punch line than anything else. It definitely didn't hurt our sales. What mattered was the fact that we had the biggest selection in town, we had a whole new concept, and it really was an experience for customers.

### What are some ways you enhance your customer shopping experience in a superstore?

You nailed it right there. It's a shopping experience. When you walk through The Home Depot, it's a feeling. If you go to a mom-and-pop beauty store, in most cases you don't feel the experience. So we try to make it as extraordinary as possible. We don't want folks to just stop to pick up some item.

We get bored with ourselves so even if the customers are happy we still want to do something better and different. Every store we open we try



Karan Hoss started Beauty Supply Warehouse four years after he graduated from college.

to outdo ourselves, whether it's adding audio/video—we have plasma TVs all over the place—or more knowledgeable salespeople. Anything and everything you can think of, we'll consider.

I say this all the time in meetings: We don't want to be a "me too" company. We always want to be the leader because we're making the right decisions whether that's regarding sales or pricing or how we display merchandise or our customer policies. We set our own rules rather than follow.

### How do consumers learn about your stores?

We spend tons of money on radio, TV, direct marketing and direct mail. I'm sure that works to get them in the

first time, but the bottom line is once they're there, we've got them. I'd say eight out of 10 customers who walk into our store once are customers for life. The other two have a beauty supply right next to their grocery store, and they just need a 99-cents hair gel.

When attending a store grand opening, I get a kick out of standing at the door and watching these women come in and look around in awe. It's mind-blowing. Our newest store about to open is 25,000 square feet of retail and salon space. I'm in awe.

**So if you want to be a trendsetter, what are your policies on point-of-purchase displays?**

We pretty much let the manufacturers run wild as long as they aren't hogging the entire store. I have a very close relationship with most of these people; I've known them since I was 10 years old. So it's not as if they need to call me and say, "Karan, is it OK to do XYZ?" They know they can and usually don't abuse it.

**We understand you hired a loss-prevention manager.**

Ozzie Ansari has been with me for about two years. He did a run-through of all the stores, told me where the problems were and what I needed to do. I counteroffered with a job. He hires uniformed security guards, armed security guards and undercover loss-prevention agents and puts them at problematic stores. He sets up camera systems, public-view monitors, two-way radios, signage and anything you can imagine deterring shoplifting.

When it comes to internal theft, he puts every new employee through a detailed loss-prevention training class, explaining in detail every tool and hidden camera we have. He stresses how many employees have been caught stealing and how we handle it from the evidence-building process to prosecution. And then he ends with, "Don't do it."

Whether external or internal theft, the goal is deterrence. We want to keep people from stealing rather than catch them stealing, which is a different philosophy than some companies have. Some of our stores have as many as 30 public-view monitors. At the Colorado store you see yourself five times before you hit the retail space.

**In-house loss prevention sounds expensive. What kind of return on investment are you seeing?**

It's a huge expense, but so is theft. It's one thing when you stand behind the counter as the owner/operator. But when you're relying on secondary and tertiary people to watch your customers

and your employees, it's another matter. If you let internal theft get out of hand, you're done. Close up shop and call it a day. So we've gotten return on investment. A loss-prevention department is something we can't afford not to have.

**We understand that you've begun purchasing your store sites rather than leasing.**

About 18 months ago I had this epiphany and said, "Why am I making all these tenant improvements for these landlords and am still at their mercy at the end of my lease term or the option period?" Since then, thank God, I haven't had to lease another site. We just closed escrow on a site in Baton Rouge and are in escrow on two other sites. If property owners won't sell, we move on to the next one.

**Is this looking good on the books or will that take time?**

Both. When you own, you can go nuts in terms of tenant improvements, and I love to go nuts. I just put half-a-million dollars of improvements into the building in Colorado. If I didn't own that building, I couldn't do it. I didn't have to ask for permission. The other thing is that over time you're building equity rather than throwing away rent, and it looks better financially. Also, knock on wood, there's appreciation, and you end up making money on two fronts.

**Please tell us about your full-service salon areas.**

We do hair and nails. In my first store, I had two stations all the way in the back, completely buried. I thought I had to have them to carry certain salon-exclusive brands. So I rented out booths and, quite frankly, didn't care whatsoever about the salon side of the business.

Now when you walk into my Colorado store, the first thing you see is a 28-station salon on top of this stage-like platform and a 3,000-square-foot nail spa just to the left. It's the centerpiece of the store. I've learned over the years that the salon side of the business can be quite lucrative. If you set it up nicely—spend the money up front on nice furniture and hire good stylists—you can collect good rent, and it feeds the retail business.

**Why rent booths instead of hiring stylists and pocketing all the profit?**

You can only do so much. Although the salon business isn't a stepchild anymore, our core business is still retail and we don't want to take away any attention from that. The salon fills that customer experience/marketing side.

## Beauty Supply Warehouse

**OWNER:** Karan Hoss  
**YEARS IN BUSINESS:** Four  
**LOCATIONS:** 10 (Nevada, California, Colorado)  
**NO. OF EMPLOYEES:** 80+  
**STORE SIZES:** 5,000 square feet (Las Vegas) to 25,000 square feet (Aurora, Colorado)  
**SERVICES:** Hair salon and nail spa  
**LEADING LINES:** Outre, Eve, Organic Root Stimulator, Ampro  
**AVERAGE SALE PER CUSTOMER:** \$25

**How do you source out new and unusual beauty products?**

We treat our store managers like owners. They have absolute authority over what they buy, what they return, how much of it they buy, how much of it they return. Our store managers know their customers way better than anybody at corporate ever will. When they find something new, if it does well they let the other managers know. And this way, the wholesalers deal with warehousing. We focus on selling. We want to dedicate as much of our retail space to variety as opposed to multiple units of the same thing.

**Are we going to see your stores in Chicago, Atlanta and some of the other cities with large African-American populations?**

We're going to focus on the South because we're there already, and we'll expand on the markets we're already in: Las Vegas and San Diego both have room for at least two more stores, as does Colorado. That ought to keep us busy for the next year or two.

I doubt that we'll eventually be in all 50 states, but I don't see myself slowing down anytime soon. Opening new stores, wheeling and dealing on the real estate side and attending the grand openings are my favorite parts of this job.

This industry can be really fun and exciting or dull and redundant. For me it couldn't be more exciting. I know this sounds weird, but my favorite day of the week is Monday because people are back to work. Weekends suck because I have to go hang out with friends and watch TV.

And when you make it exciting, the cash flow follows. When I look at new sites, my first question isn't: How much money will we make here? If you make money your primary concern, you end up coming to work just to make money. How boring! ■

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