

Hair Systems Inc. focuses on reactive products

Most marketers in the professional beauty industry are sales, marketing and education based entities. As a result, contract manufacturing plays an important behind-the-scenes role of providing the products to these organizations. One such very successful organization is **Hair Systems Inc.** This Englishtown, NJ-based contract manufacturer was started by **Bill Covey** more than 30 years ago as a toll processing manufacturer. Bill had the foresight to focus on the beauty industry, which he loved, and turned the company into a full-service contract manufacturer, which over the years has grown into one of the premier resources for many companies that market their salon brands. **Beauty Industry Report (BIR)** recently sat down with **Mike Spano**, Hair Systems' vice president of sales and marketing, and **Bill Covey, Jr.**, president/CEO, to learn more.

BIR: What would you like BIR's readers to know about your company?

Mike Spano (MS): Hair Systems Inc. had been, for many years, perceived as the "bleach" company. If you needed hair bleach, you came to Hair Systems Inc. All the marketing was done through word of mouth and the Covey family, who were fixtures on the trade show circuit. You could always spot **Bill and Marge Covey** at the **Beauty & Barber Supply Institute's (BBSI) Annual Convention, the Midwest Beauty Show, International Beauty Show**, etc. Bill was an extremely gregarious man, who was well liked; he had bright white hair, which really made him stand out. It also helped add to the bleach manufacturer mystique. In the early '90s, **Bill Covey, Jr. and Mabel Covey** helped expand our business by bringing hair color production into the product mix, and our company started working with some major companies to develop their hair color lines. Today, approximately 70% of the products we manufacture are hair lighteners and the remaining 30% are hair color, relaxers and other items, which we refer to as "reactive" hair care products. We define "reactive" as any product that changes the structure of the hair. A more common term would be "chemical services," which is how the rest of the industry typically refers to these prod-

ucts. We have operated in this space for more than 30 years, and we believe that our focus in this area has helped us become experts in the formulation, manufacturing and packaging of reactive hair care products. We also believe that this sets us apart from most contract manufacturers, who don't necessarily focus on any one area but rather fill everything from skin cream to jewelry cleaners, as well as hair care products.

BIR: Mike, you and I go back to the days when you were the executive director of the BBSI prior to it evolving into today's Professional Beauty Association. Bring me up to date since you joined Hair Systems.

MS: When I joined the company in April 2001, it was already the market leader in contract manufacturing of hair bleach. Our numbers for hair color were also beginning to grow. The company had acquired **Wallis Laboratories** in Luton, England, now **Hair Systems Europe Limited**, in an effort to better serve the European market. Since 2001, our top line revenue has grown by approximately 100%. In 2003, we developed a hair color line for a major sales, marketing and education company. That business has grown significantly over the past several years and broadened our business base. In addition, we have invested heavily in new manufacturing equipment and greatly increased our capacity. In that same time frame, two of our competitors went out of business, and we acquired many of their customers. Although we experienced some growing pains, we were able to handle the transition in an almost seamless fashion. In fact, we were included on the Inc. 5000 fastest growing companies list in 2007. In 2003, we implemented a new ERP (Enterprise Resource Planning) System, which was a huge investment in time and money; however, today we are reaping the benefits and our inventory accuracy and productivity is better than it's ever been. In 2004, we became ISO 9001:2000 certified, which was a tremendous effort on the part of our entire staff, and we now have every procedure documented. Since the standard is based upon achieving continuous improvement, we are constantly updating our procedures in an effort to improve performance and to perfect our

quality management systems. We started exhibiting at **Cosmoprof North America** in 2004 and have had good success in finding new prospects and creating interest in our services. We also launched an ad campaign last year (imagine...your color), which has greatly increased awareness of the Hair Systems Inc. brand. Those ads were seen in **Modern Salon, GCI and Happi.**

BIR: Give BIR's readers an overview of Hair Systems.

MS: Being a privately-held company, we normally wouldn't publicize our annual revenue; however, our consolidated top line is approaching \$30 million. We operate out of three facilities, two of which are in New Jersey and one in Luton, England. We have approximately 150 employees and we have been in business for more than 30 years.

BIR: What is your mission statement?

MS: Hair Systems Inc. is committed to being the worldwide leader in the customized development, manufacturing and packaging of reactive hair care products.

BIR: Suppose I have a vision for a line that I want to market. What is the process for turning my vision into reality?

MS: First, we would discuss your vision and determine if the products are feasible for manufacturing by Hair Systems Inc. We would ask if there are any benchmarks that you could provide to help expedite the development process. Once all of that information is gathered, I present a product development request to our R&D group, and we discuss the timeline for samples. Once samples are approved by the customer, they are put on stability and once approved, the product is ready to be manufactured. During the approval/stability period, we work out details, such as packaging, pricing and functional benefits for the marketing story, etc.

BIR: What is Hair Systems unique selling proposition?

MS: I believe that a key point of difference is our focus on reactive hair care products, such as hair color, hair lighteners, relaxers, etc. Unlike many manufacturers who attempt to be all things to all people, we are focused on very special-



ized products that require a significant level of expertise to manufacture. We believe that our expertise in this area makes us the best choice when developing any products for a chemical services line. In addition, we are a turnkey manufacturer, which means that we have the ability to make your vision become a reality from start to finish, including product formulation, packaging, logistics, etc. There are some suppliers who do some but not all of these things; therefore, our advantage is in our ability to provide the complete package of services.

BIR: Year after year, hair color sales have continued to have significant growth. Why did you decide to specialize in this category?

MS: When Bill Covey started this company, he made the decision to start manufacturing hair bleach, which he felt was a very natural extension of the initial business. It was actually Bill's son, Bill Covey, Jr., who led the charge in getting Hair Systems into hair color manufacturing in 1993. The company ultimately decided to focus on this area, and the individuals who now lead our R&D team, Mabel Covey and **William Onyebugu**, are experts in the formulation of reactive hair care products.

BIR: Does Hair Systems have a unique proprietary formulation that enables it to manufacture an estimated 50-60% of all the hair bleach being manufactured in the U.S.?

MS: We do have some proprietary formulations; however, our greatest assets are our manufacturing equipment, processes, procedures and years of expertise in handling, manufacturing and packaging those products. I believe that we have such a large piece of the market because of our focus on our customers and our attention to producing quality products.

BIR: It appears collectively that the imported hair color lines dominate the U.S. salon market. Why is this?

MS: One of the key reasons is speed to market. As you know from attending **Cosmoprof Bologna**, it seems that you see a hair color company every 10 steps or so. Those companies do not give you the impression that they are contract manufacturers; however, in reality, all of them will private label their existing lines for any company interested in selling a hair color line. It's a great strategy that works well for those companies; however, I believe that it really limits your creativity in that the line you're buy-

ing might also be in the market under several other brand names. I do understand that some companies are importing, because there is marketing value to the tag line "made in Italy," and many people believe that Europeans make better hair color. However, the reality is that although there are differences between products, they are relatively minor. I should also point out that much of our equipment comes from Europe, and I am Italian, so that coupled with the increasing value of the Euro should entice more companies to purchase hair color from Hair Systems Inc.

BIR: Imagine I want to launch a new hair color line. What would your pitch be to persuade me to have your company manufacture products for my company?

MS: First, launching a hair color line is an extremely difficult task and something that you could never do on your own without many layers of infrastructure and overhead. Hair Systems Inc. can take all of that out of your hands and allow you to focus on marketing and selling a truly world class line of products. We have formulators with more than 80 years of combined experience in creating top selling lines for major sales, marketing and education companies in the beauty industry. We will work with you and become an extension of your company so that together we create something truly new and exciting. We will ensure that all of the products we manufacture adhere to all global regulations regarding raw materials and we will be here to guide you every step of the way. We have the ability to create products that are completely customized to your requirements. There is zero initial investment required on your part.

BIR: What is Hair Systems' greatest accomplishment in the last five years?

Bill Covey, Jr. (BC): Our greatest accomplishment is our successful transition from the first generation to the second generation. When my father "passed the torch" to me in 2002, it was a bittersweet moment. He and I had worked closely together for so many years in making Hair Systems a world leader in the niche of contract manufacturing reactive hair care products.

BIR: Who are Hair Systems' management team's key members?

BC: We have so many great employees, most of whom have been with us more than 10 years. Our key members consist of **Marge Covey**, our

owner and chairman; **Mabel Covey**, senior vice president of science & technology; **Mike Spano**, vice president of sales & marketing; **Sunny Shah**, director of manufacturing; **Debbie Shah**, director of sales/**L'Oréal**; and **William Onyebugu**, vice president of science & technology.

BIR: What are some new breakthrough technology advances you offer?

MS: We are working on some very significant advances in both hair lighteners, as well as hair color; obviously, I can't provide very much detail. I can tell you that generally customers are looking for ways to incorporate natural ingredients into their products. In bleach, we're looking for ways to reduce or eliminate the dust factor. We are constantly staying on top of the EU regulations, which change frequently and limit the selection of raw materials that can be used to formulate products.

BIR: Can only large companies afford to work with your firm? Describe your ideal client.

MS: We are very flexible and can work with small companies, as well as extremely large corporations. Being "customer centric," we believe that all of our customers are ideal. We began selling to **Matrix** when it was **Ardell-Matrix** and owned by **Arnie Miller**. You never know who the next success story might be!

BIR: Does Hair Systems export?

BC: Both Hair Systems Inc. here in the U.S. and Hair Systems Europe Limited in the UK export product. We have customers throughout Europe, Russia, Australia and South America.

BIR: What's your biggest challenge in 2008?

BC: We have so many opportunities available to us that we must focus on those that will provide the greatest impact. The other significant challenge will be working on the consolidation of our two New Jersey facilities.

BIR: What is the salon industry's biggest challenge in 2008?

BC: Consolidation, plus the professional salon industry is sick of diversion and the lip service that has been paid to it previously.

BIR: Any final comments?

MS: We're the Intel chip of the reactive hair care business; our products will make your company successful.

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