Business Recommendations & Expansion Options for Házikence Tanoda
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Executive Summary

Hungary is emerging as a hub of innovation in Central Europe, but continues to face high unemployment and a labor force that largely excludes women, particularly during and after extended maternity leave. Házikence Tanoda, also known as Házikence, is a for-profit social enterprise founded in 2009 in Budapest, Hungary that sells and certifies trainees across a suite of training courses in natural soap making and cosmetics. This organization has found that its target market consists of women seeking a healthy, organic lifestyle and looking to supplement their household income and save costs on household products.

NESsT, a social enterprise accelerator, selected Házikence in 2012 as part of its labor inclusion portfolio. Házikence is in the incubation stage in this portfolio and is working with NESsT to refine its business model and build capacity for growth. Házikence is now investigating strategies for expansion, including broadening service offerings and transitioning to a higher-level training model. In three to five years, Házikence plans to expand internationally beyond the Hungarian borders.

In effort to provide helpful insights and recommendations to grow the Házikence business, three students from the American University School of International Service researched and compiled business and expansion options for Házikence across three areas:

1. Best practices from organizations across the private, non-profit, and social sectors
2. Upselling and cross-selling strategies to grow using the company’s existing products
3. International market expansion suggestions, based on an economic assessment that considered female labor integration, cost of childcare, maternity policy, middle class size, ease of doing business, and the presence of entrepreneurial spirit

Business Recommendations:
- Increase business course offerings
  - Greater affiliation with other entrepreneurs
  - One-to-one coaching sessions
  - International consulting
- Offer an annual refresher course
- Develop partnerships
- Build a brand
- Inform customers
- Increase and measure social impact

Tips for Upselling and Cross-Selling:
- Use product or service bundles
- Offer a varied range of prices
- Sell and advertise related items together
- Feature expert recommendations
- Inform through the sales channel.

- Create e-newsletters and other external communications
- Predict the customer’s needs and start upselling and cross-selling from the beginning of every relationship

Market Expansion Recommendations:
Target expansion countries: Poland, Slovak Republic, and Portugal
PART I:
Business Recommendations and Tips for Upselling and Cross-Selling
Introduction
Brief overviews of NESsT, and Házikence are provided as references to outline the different players involved in Házikence’s business context.

NESsT Background

**Business Overview**
NESsT self-identifies as a “catalyst for social enterprises.”

Founded in 1997, NESsT works to support enterprises through investment, social capital and capacity support so that these enterprises can solve critical social problems in emerging markets and worldwide. Portfolio companies work to decrease the vulnerability of low-income and other marginalized populations by focusing on the impact areas of labor inclusion, sustainable income, and affordable technologies. Házikence has been a part of NESsT’s Hungarian portfolio for the past two years. NESsT supports enterprises in Latin America and Central-Eastern Europe and works in the following countries: Argentina, Brazil, Chile, Hungary, Peru, Poland, Romania, and the United States.

Házikence Background

**Business Overview**
Házikence is a for-profit social enterprise that sells advanced training courses on the production of natural soaps and cosmetics to women. Dr. Viki Torma and Vera Csikos founded the company in 2009 in Budapest, Hungary. Dr. Viki Torma holds a PhD in chemistry and has more than 15 years of experience as a research chemist and over 10 years of experience in homemade cosmetics. She is also an accredited phytotherapist. Vera Csikos is committed to helping women start their own businesses and handles the finances and marketing for Házikence. She has four years of experience in business and is a self-educated website developer.

Házikence also provides a course on business training for women looking to generate income by selling their hand-made soap and cosmetics to their network or as a formal business. Házikence has trained more than 500 women and several have created enterprises that provide a sustainable income. Examples of companies started by Házikence trainees include: Love2Smile Organic Cosmetics, Blueberry, and Naturarium.

Part of the labor inclusion section of NESsT’s portfolio, Házikence has been in the incubation stage for two years working to refine its business model. After incorporating and rejecting a franchise model, Házikence has decided to investigate other strategies for expansion including increasing offerings through upselling and transitioning to a train-the-trainer approach. In three-to-five years, Házikence hopes to expand to new markets internationally.

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Company Profiles
To better understand the types of business strategies that could positively impact Házikence’s business model, a number of companies were examined and analyzed to compile best practices and advice for growth. Among these companies were soapmakers, training companies, social enterprises, and private entities. Each business was evaluated and this report will feature a company profile with an overview, relevance to Házikence and a set of best practices. The companies are: AVEDA, Éminence, Empowered Women International, Living Goods, Lovin’ Soap Project, Sappo Hill, Snohomish Soap Company, and Thistle Farms. Overlapping insights from the company profiles were compiled into a business recommendations section.
**Key Takeaway(s)**
- AVEDA has created market demand and prestige by developing a luxury brand that spans multiple beauty markets

**Business Overview**
AVEDA Institutes conducts beauty training worldwide across cosmetology, skincare, manicuring, massage, and spa therapy with AVEDA product lines. The AVEDA Institutes beauty schools function exactly like AVEDA salons, preparing students to smoothly transition into the salon environment once they finish their classes. AVEDA Institutes have operations in Australia, Canada, Korea, and the United States. The Institutes are owned and operated by Beauty Basics, Inc. AVEDA not only provides the training, but also manufactures professional plant-based hair care, perfume, skin care, makeup, Pure-Fume™ and lifestyle products under the AVEDA brand. These products are available in AVEDA stores, and in over 5,000 professional hair salons and spas in 24 countries worldwide.

**Relevance**
AVEDA offers both training and products, successfully combined in the AVEDA Institute training modules and in AVEDA salons worldwide. By requiring the training, AVEDA is able to position its products at higher-end, premium salons. Salons benefit from carrying AVEDA products because customers are familiar with the brand and its reputation.

**Best Practices**
"Real World” Ready. The AVEDA Institutes function as mini-AVEDA salons, which makes the trainees’ transition to a salon career seamless. Additionally, the educators also provide training around customer service and business skills that help build strong professional foundations for the students once they leave the classroom.

Salon Preferred Brand. This brand is backed by a set of core values that draws in consumers and elevates the products. AVEDA is a trusted quality product set that estheticians, stylists and other spa staff can be trained on in order to deliver the highest quality service and appropriate use of the products.

Spans Multiple Spa Dimensions. AVEDA brand products are used in nail care, hair care, skin care and in massage services. This versatility helps the AVEDA trained technicians specialize, but also upsell and cross-sell AVEDA products to customers.

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ÉMINENCE
ORGANIC SKIN CARE
SINCE 1958

Company Name: Éminence
Founded: 1958
Headquarters: Vancouver, British Columbia, Canada
Business Type: Privately held Company
Website: www.eminenceorganics.com

Key Takeaway(s)
- Éminence is a Hungarian brand that has expanded its operations into the North American marketplaces by leveraging an assortment of media techniques, supply chain management tactics, and green practices.

Business Overview
Éminence was originally established in 1958 as a family business based in Budapest, Hungary. Today, the majority of the products are still made in Hungary. Éminence promises to “deliver happiness and extraordinary service by providing the healthiest and most effective skin care products.” The company is dedicated to protecting the planet’s future through its use of green practices. The company’s plant-based products are created with natural energy and sustainable practices. Éminence Organic Skin Care products are also chemical-free making them suitable for most complexions. Each formula is entirely composed of organically grown, hand-picked herbs, fruits and vegetables.

To comply with U.S. Department of Agriculture guidelines, Éminence makes its USDA Collection in America. Product ingredients are sourced from around the world and combined with the Hungarian practices and craftsmanship to create high-quality skin care lines. To transport the products, Éminence uses an environmentally-friendly local courier that delivers products with hybrid vehicles. For larger shipments and air shipments, Éminence uses biodiesel trucks and Lufthansa, the leading airline in fighting global warming.

Marketing and Certifications
- Voted Favorite Skin Care Line five years in a row by skin care professionals and #1 for skin care results in the natural and organic spa industry
- Winner of the Best of the Best Consumer Choice Award

Relevance
Éminence is a line that has gained international attention and positioned itself as a high-end, organic brand. Health spa product professionals believe that Éminence is an example that can act as a model for international expansion, economies of scale and ideas for spreading company awareness.

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Best Practices

Green Practices and Planting Trees. For each product sold, Éminence plants a tree. This one-for-one model, used and made famous by other social business models such as Tom’s brand shoes, is an easy value proposition for customers to identify with. Additionally, Éminence creates its products in Hungary at a facility that uses geothermal heating powered by solar and wind energy. All of the formulas in the Organic Skin Care line use natural compost and manual planting and harvesting to develop their formulas. To further support green practices, each product package is made with recycled materials. Because of the underlying social mission embedded in these green practices, Éminence can appeal to the environmentally-conscious consumer and also charge a premium price for its products.

Inventory and Product Ordering. Éminence has set up offices and inventory centers in locations that are conducive to fielding orders from different regions. For example, Éminence set up a branch in Canada to help expedite shipping and lower costs for the US market. The proximity has also increased the company’s credibility and quality standards adoption for the North American consumer markets. Since American consumers trust Canada as a trade partner, having the location in Canada makes the U.S. consumer more comfortable with the purchases and also ensures a quicker delivery time than if all products had to be shipped from Hungary. To help customers find local salons and products, Éminence also offers an online salon locator on its website to assist customers with finding the nearest location for Éminence product lines.

Celebrity Endorsement and Philanthropy.

Website Photos

Éminence has had enormous success in identifying key industry opinion leaders. Not only is Éminence prominent at trade shows, but the brand has also made its way into fashion magazines, blogs, and celebrities’ bathroom shelves. For the American and many other markets, fashion magazines and using a celebrity face for a product can significantly increase awareness and credibility in the space. 

(See Website Photos on left) Éminence is also linked to multiple philanthropic endeavors, which is another way to reaffirm its premium pricing.
Company Name: Empowered Women International
Founded: 2002
Headquarters: Alexandria, Virginia, USA
Business Type: 501(c)3 Non-Profit
Website: www.ewint.org

Key Takeaway(s)
- Empowered Women International has a social mission that is supported through the entire organization’s strategy and activities
- EWI also offers business training courses to help women entrepreneurs gain skills necessary to be successful in growing their businesses

Business Overview
Empowered Women International (EWI) is a non-profit that supports immigrant, refugee, and low-income women in the Northern Virginia and metropolitan Washington, DC area. Since 2002, the organization has been helping women to succeed by providing business training and mentoring, supporting business growth, and building a market for products and services. With a focus on empowerment, entrepreneurship, and self-sufficiency, EWI has trained more than 3,000 women and helped launch over 15 micro-businesses.

EWI is a registered 501(c)3 organization that while revenue generating, is not financially self-sustaining and is reliant upon donations to continue operating. EWI offers three major programs to approximately 200 women per year: Entrepreneur Training for Success, Grow My Business, and Business Advising and Coaching Sessions. EWI has six staff members, three trainers, and a supportive group of interns and volunteers.

Relevance
EWI is an organization that has focused on providing business training to women that may not see themselves as entrepreneurs. The services it provides are good reference points for the critical components to include in trainings and the additional support women may need to successfully transition to an entrepreneurial mindset.

Best Practices
Entrepreneur Training for Success. EWI’s longest-running program is Entrepreneur Training for Success. A decade has been spent refining this three-month business start-up program that encompasses 60 hours of classroom entrepreneurship training. EWI charges around $100 to participate in the training, but has also secured scholarship funds to make it more accessible to their target audience. These scholarships are drawn from donations and grants, including from state governments. All women in the program, however, must make some level of contribution to participate ensuring they place a greater value on the course and time spent in the program.
The training includes creating goals, writing a business plan, making a pitch, and understanding personal and business finances. EWI has found that soft skills are critical for succeeding in the work force, and teaches trainees the importance of professional dress and conduct. Trainees are also paired with mentors who assist in business plan development and help with financial literacy, pricing, and budgeting forecasts. EWI believes that finance training and advice has been one of the most valuable benefits for its women entrepreneurs.

**Grow My Business Program.** The Grow My Business program is a 9-month accelerator that provides a monthly group business advising session, financial planning and individual advising, mentorship, and access to micro-loan applications. It is priced similarly to the Entrepreneur Training for Success program at $100. While most women in the program are graduates of EWI’s training program, the accelerator is also open to others. Through a partnership with Kiva Zip, a platform that allows individuals to make direct loans to entrepreneurs, EWI is able to endorse their accelerator businesses looking for a loan and help them secure start-up capital at a low rate. EWI also offers additional networking events, sales, and other opportunities to grow the businesses of the participants.

**Business Advising and Coaching Sessions.** EWI provides additional support to its entrepreneurs outside the training and accelerator programs though Business Advising and Coaching Sessions. A menu of topics are offered for one-on-one meetings available from $25-$55 an hour. Options include financial management, legal support, marketing and accessing capital. Technical support can also be sought from experts on how to improve the quality of products and navigating the industry landscape (e.g. best designs, well-selling products, etc.).

**Mindset and Mentorship.** Many of the women that EWI supports are entrepreneurs out of necessity and not drive. The transition of the trainees to an entrepreneurial mindset where they can picture themselves successfully running a business is an important component of EWI’s work. A critical capability for the women to develop is perseverance. During orientation, the women take turns talking about the experiences that led them to want to be an entrepreneur and have a discussion around the tenacity it takes to succeed as one. Successful businesswomen serve as examples to help the trainees visualize what is possible and what they are capable of doing. These professionals, as well as program alumni, serve as mentors to the trainees and support them in their journey. EWI has found that mentorship is key to raising the self-confidence of their trainees and changing their mindset to one where the women feel they are capable of being an entrepreneur.⁴

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Key Takeaway(s)
- Living Goods is an entrepreneurial network that operates with cost efficiency and still offers a robust set of metrics to track progress and measure success of trainers.

Business Overview
Living Goods is a social enterprise operating in Uganda and Kenya that is empowering micro-entrepreneurs to overcome access barriers and deliver life-changing products to the doorsteps of the poor. The organization franchises its brand to women who work as independent and self-employed agents in networks. Entrepreneurs go door-to-door teaching families how to improve their health and wealth while selling a broad assortment of affordable, life-changing products. There are twenty core staff members that support the agent networks. Living Goods operates and seeks sustainability at three levels: sales agent, branch, and country. Living Goods has over 1,000 agents and each agent serves approximately 700 people.

Relevance
Living Goods is an example of a mission-driven training company that has been able to financially support its community workers. Through overcoming the pervasive volunteer-reliant model in typical community health worker programs, Living Goods has moved to a model that is driven by best practices and performance.

Best Practices
Agent Training. Agents receive a below-market inventory loan and a free “Business-in-a-Bag” that includes uniforms, signs, a locker, and basic health and business tools. This helps ensure that Living Goods maintains uniform branding and product mix, as well as low cost of goods through scale. Agents serve their clients via door-to-door visits, home-based stores, mobile technology and community meetings.

Expert Training. Living Goods provides expert training to its agents starting with 2-3 weeks of initial health and business course where they are trained on all key health topics. Business training includes managing working capital, calculating profit, and record-keeping as well as best practice sales skills, counseling, and communication.

Internal Controls. Living Goods is focused on strictly monitoring quality, and training also operates as the last stage of the screening process. Agents are methodically screened and those that perform poorly in training, are late or absent, or have weak
test scores are terminated. Agents then operate under a probationary period for 30-60 days with limited activities. After training and the probationary period are completed, agents can receive an inventory loan to begin selling products.

*Continuing Education.* Agents also attend one day of training every month to review key health or business topics, discuss operational issues, hear about new policies, and learn new product offerings.

*Field Staff Support.* Field staff provide agents with ongoing support through networks of branch-warehouses offering refresher trainings, field mentoring, and performance monitoring. Branch Managers visit agents at least once a month to monitor performance, review records, inspect inventory, and provide ongoing health education and business coaching.

*Performance-Driven Incentives.* Incentives are used to drive behavior changes in Living Good employees as well as increase revenues. Small financial incentives are used to encourage agents to increase impactful behavior. Branch managers are also rewarded to motivate and support their agents, qualifying for cash bonuses if agents submit sales and health reports or if their agents show clear impact results.

*Marketing and Promotions.* Living Goods has found that loss leader promotions (sales on products), group-based sales, health education events, and influencer targeting are particularly effective marketing practices. Poorer consumers typically have strong social networks and strategies that use word-of-mouth, which makes recommendations the best form of marketing at the base of the pyramid.\(^5\)

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Key Takeaway(s)

- Lovin’ Soap Project has humble beginnings, but has been able to grow and thrive through the use of partnerships and a personal touch.

Business Overview

Lovin’ Soap Project is an initiative co-founded and directed by entrepreneur, Amanda Griffin. Amanda’s initiative is to empower women in underdeveloped countries through soapmaking. She teaches soapmaking to hundreds of students annually all over the United States and Haiti at boot camps and conferences. The company partners with various other organizations to gain economies of scale, supplies, and a larger network. Lovin’ Soap Project offers private consultations to soapmakers and has regularly scheduled classes and boot camps in Dallas and Austin, Texas. Courses range from the basics of soapmaking, to advanced formulations, mold making, color, and design techniques. In August of 2013, the Lovin’ Soap Project was officially incorporated and applied for 501(c)3 non-profit status.

Relevance

Lovin’ Soap Project is a grassroots initiative dedicated to ensuring women and girls have a means to overcome inequality and benefit from economic development. The organization teaches the micro-business of artisan soapmaking through workshops in impoverished communities. The Lovin’ Soap Project is a “solution-oriented organization” working to alleviate poverty, particularly for women, through the artisan craft of soapmaking.\(^6\)

Best Practices

Specialized, handpicked team of employees. Amanda formed the organization after realizing that the need was much greater than one person could handle alone. About six months after Amanda’s first trip to Haiti, Benjamin joined the Lovin’ Soap Project team to lead workshops and consult on natural ingredients; he is now considered a co-founder of the organization. Amanda hand-picked her team to address the needs of the growing company.

Multiple media outlets for publicity. Along with directing Lovin’ Soap Project, Amanda is the editor of the Soap Collaborative, a publication for the soapmaking industry, and owner of lovinsoap.com, a popular educational blog for soapmakers, which features tutorials and soapmaking articles. She has been a speaker at multiple industry events and has

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contributed to various publications and blogs including Saponifier and soapqueen.com. These opportunities for publicity contribute to the success of Lovin’ Soap Project.

**Skype e-consult sessions.** Through offering Skype consulting sessions, Lovin’ Soap Project has opened up its market to anyone with Internet connection and the ability to pay for the session.

**Blog.** Through a blog, Amanda has developed a way of connecting with prospects and keeping customers informed with Lovin’ Soap Project’s latest activities.

**Fundraising and partnerships for philanthropy.** Lovin’ Soap has been able to offer soapmaking training to women as tool of empowerment and economic development by creating strategic partnerships and fundraising.

*Partnership with Back Porch Soap Company and Funding Sources in Haiti.* One of the big efforts that Lovin’ Soap Project has undertaken is training Haitian women and girls on how to make soap. This project, has inspired other soap companies to join the effort. The trips to Haiti have primarily been financed through outside sources such as GoFundMe and Haitian Artisans for Peace International. Additional resource support has come from Organisation des Femmes Dévouées en Action. This ensures that Lovin’ Soap Project can afford to make the trips to Haiti.

*Partnership with Bramble Berry.* Bramble Berry is a supplier of ingredients for the soap products, cosmetics and candles. By partnering with Bramble Berry, Lovin’ Soap Project provides customers with a trusted supplier and also can create mutually beneficial financial arrangements so that each partner can share in the revenues from referrals or shared business.

*Partnership with PROJECT LYDIA.* PROJECT LYDIA is an economic development project that uses a multi-prong approach designed to teach skills, provide a spiritual support system, and open doors for women to support their families. The women meet weekly to work on products together, which are sold around the world. Lovin’ Soap Project has partnered with PROJECT LYDIA in order to add soapmaking and skill training to PROJECT LYDIA’s portfolio.
**Key Takeaway(s)**
- Sappo Hill has been a company founded using traditional soapmaking practices and today it can be found in natural and organic grocery markets because it was positioned as an industry expert.

**Business Overview**
Sappo Hill creates soaps using a methods no longer used by American soapmakers. For over 35 years, John Toso, Sappo Hill’s founder, has been making all natural, vegetable oil soaps according to traditional methods—starting first from his Ashland, Oregon kitchen, to a larger space in his garage and today from a modern factory.

Sappo Hill is a privately-owned and operated company that uses partners and direct sales. Some of its partnerships include natural food stores including Fairway, Fred Meyer, Jimbo’s, Lassens, Natural Grocers, New Seasons Market, Sprouts, Walgreens.com, Wegmans, and Whole Foods Market. The product packaging is kept minimal to be as environmentally friendly as possible.

**Relevance**
Sappo Hill is a good example of a small-scale business that was able to grow from a kitchen to a larger enterprise. Sappo Hill and John Toso can serve as examples for Házikence women trainees or Házikence as a whole if the company begins to sell its products directly.

**Best Practices**
*Compelling story.* John’s involvement with the company and dedication to maintaining the traditional processes create a compelling story around the product.

*Niche Placement.* Sappo Hill has identified a local niche in the Bed and Breakfast industry and a segment that prefers cruelty-free product testing. In understanding this population, Sappo Hill has created a loyal customer base.

*Industry Information.* Sappo Hill, because it boasts use of traditional methods, features a history of soapmaking. This feature helps to position the company as an industry expert and also lets consumers learn about the process that the company cherishes.

“In the beginning, Sappo Hill soaps were poured into troughs, cut into wedges, then sold at country fairs or right out of John’s car to natural food cooperatives. As demand for his soaps grew and his company expanded, John remained true to his traditional methods and pure ingredients.”
Company Name: Snohomish Soap Company  
Founded: 2010  
Headquarters: Snohomish, Washington  
Business Type: For-Profit Social Enterprise  
Website: www.snohomishsoapcompany.com

Key Takeaway(s)
- Snohomish caters to an unemployed female audience and creates brand advocates

Business Overview
Snohomish Soap Company is an “authentically local” handmade soap company based in Snohomish, Washington. The business sells natural, locally-made soap that strives to surpass all others in terms of fragrance, beauty, and quality. Snohomish founder Cindy Todd plans to employ women who are unable to work outside their homes through a distributed micro-manufacturing model. Soaps will be produced in kitchens across the country and then sold under the umbrella brand of Snohomish. The women are trained and then employed by Snohomish, being paid a per batch fee. Since Snohomish emphasizes the locality of the soaps, regional producers will supply their own locale covering manufacturing, packaging, and distribution. Currently soap is sold wholesale to retailers and through the website, including a subscription service and free shipping. Currently Snohomish employs two soap makers but has several in the pipeline as demand increases.

Relevance
Snohomish is a small but growing social enterprise that has received international attention for its innovative manufacturing model. Snohomish is a good example of a company that has been able to create a loyal and enthusiastic customer base through high quality products with a social tilt.

Best Practices
Social Mission, Quality and Brand Loyalty. Snohomish has been able to create customer loyalty and enthusiasm by cultivating a brand known for being personal and relational. A major part of this brand loyalty comes from the underlying social mission of female employment. Snohomish plans to employ women that cannot work outside the home because they have young children, are caring for elderly parents, or any other reason. Snohomish sells quality soap that is local and natural—plus, a personal message is enclosed in the wrappings of each soap bar from the woman who made it. The social impact and this personal connection lead customers to become great brand evangelists. Snohomish considers this goodwill “priceless” as LOHAS (lifestyles of health and sustainability) consumers are incredibly reliant on friends’ recommendations for products.7

Business Recommendations & Expansion Options for Házikence Tanoda

Company Name: Thistle Farms
Founded: 2001
Headquarters: Nashville, Tennessee, USA
Business Type: 501(c)3 Social Enterprise
Website: www.thistlefarms.org

Key Takeaway(s)
- Thistle Farms is a social enterprise that has pinpointed a need in the female community and works as a means to reintegrate and rehabilitate troubled women

Business Overview
Thistle Farms is a social enterprise run by the women of Magdalene located in Nashville, Tennessee. Magdalene is a two-year residential program founded in 1997 for women who have survived lives of prostitution, trafficking, addiction, and life on the streets. Thistle Farms employs over 40 Magdalene residents or graduates to create natural bath and body products by hand that are as good for the earth as they are for the body. A core staff of 25 permanent employees supports enterprise operations.

Located in an 11,000 square feet sale and manufacturing facility, Thistle Farms provide the women of Magdalene with manufacturing, packaging, marketing and sales, and administrative training. Thistle Farms strives to provide a supportive environment where the women acquire the skills needed to earn a living wage. Products include soaps, candles, lotions, and other cosmetics. All proceeds from products directly benefit the women by whom they were made.

Relevance
Thistle Farms is a very successful and nationally recognized natural cosmetic and training social enterprise that has mastered telling its story in a compelling way, which has opened new market opportunities and created brand loyalty.

Best Practices
Retailer Support and Outreach. Thistle Farms products are available in over 200 stores and online, including more than 20 Whole Foods Markets. The enterprise offers on-site demonstrations, display assistance, printed materials about Thistle Farms and Magdalene, and other support to retailers. The website also features a “Find a store” feature for customers so they can easily find products near them.

In the past few years, Thistle Farms has started to participate in sales events, selling products at professional, civic, and church-related fairs, retreats, conferences, conventions, and other events with large gatherings of people. Thistle Farms also provides a speaker and
products for home parties, and has begun marketing favors and gifts to the wedding industry.

*Highlighting Social Mission.* Thistle Farms emphasizes the healing and empowerment the women they employ receive through making natural products, and how the skills they learn will allow them to earn a living wage and reintegrate into society. Through creating a supporting and healing environment, Thistle Farms helps women transform, and a product line has been built around their byline “Love Heals”. Additional merchandise that read “I am a Thistle Farmer” show that customers are proud to support the enterprise and be associated with it.⁸

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**Business Recommendations**

*Increase Business Course Offerings.* Házikence can help students and alumni succeed in becoming entrepreneurs by building a more robust training program that incorporates business and technical skills, as well as additional long-term support and mentorship. Additional considerations for the program would be to include:

  * **Greater affiliation with other entrepreneurs.** A cohort-based training would allow students to join a support group that goes through multiple trainings together. Alumni and other businesswomen could provide mentorship, inspiration, advice, and networks.

  * **One-to-one coaching.** Additional coaching sessions that trainees and alumni can pay for outside the business courses provide additional support for the entrepreneur, as well as revenue for Házikence. These should be business experts across various specialties (law, finance, real estate, etc) that are available for advising. Coaches could also be local and technical experts that can speak to industry and geography-specific challenges.

  * **International consulting.** In addition to coaching members of the training program, Házikence could offer insights to foreign entrepreneurs for navigating Hungarian regulations, and providing knowledge of supplies, such as natural and organic regulations and standards. Házikence could monetize its depth of industry knowledge regarding Hungary and Europe to an international audience. Consulting sessions could be sold for a higher cost than coaching sessions for trainees, reinforcing the benefit of being a part of the Házikence training program.

*Annual Refresher Course.* Házikence should consider offering one class annually that teaches former trainees about the latest trends, financial changes, standards and regulations, and the shifting landscape within the natural and cosmetic industries.

*Build a Brand that...*

  * **...Reflects Core Values:** Házikence should be sure to promote the stories of women and the core business values. These values will encourage people to invest their time and money on a socially-conscious company, while also building the foundations for brand initiatives included in hiring practices, marketing tactics, and pricing and positioning strategies. Examples of core values would be women empowerment, hope, and innovation.

  * **...is Eco-Friendly:** Since Házikence uses organic products in its trainings and processes, it should seek organic certifications and publish its green company practices. These attributes are critical in today's economy as people are beginning to seek out more environmentally-friendly products and companies.

  * **...Creates Added Value:** Házikence should not only focus on the products and trainings, but also incorporate the lifestyle that the company creates. This can be
done through finding celebrities to endorse the brand, forging partnerships with companies that have similar missions, and earning awards for product quality.

**Develop Partnerships.** Partnerships can help increase Házikence's offerings as well as allow it to focus on its unique value proposition. Accelerators, universities, and corporate volunteers are all potential partnering options for business training and mentorship. Additionally, Házikence can utilize suppliers, local experts, networks of soapmakers, and other key industry players to support and help its trainees navigate the market. Házikence could also partner with organizations that share the same core values, such as women support groups.

**Inform Customers.** Most companies that are leaders in their spaces provide industry information in the form of whitepapers, website pages, links or brochures. For Házikence, these reports could be expert recommendations from the chemists in the cosmetic manufacturing and soapmaking field. Additionally, customers like to know what is going on with the company. Often times, they seek this information in the form of blogs, recent news sections, or company announcements. All of these would be good ways for Házikence to keep customers up to date with what is going on internally and in the macro environment.

**Increase and Measure Social Impact.** Házikence could increase the positive social impact it is creating by increasing access to natural products and employment opportunities for women through a tiered price structure or strategic outreach. By charging a lower price to low-income or other marginalized women, Házikence can make the courses accessible to women that could otherwise not afford it. Tiered pricing could be done through supplementing the fees from business profits or through public or private partnerships. Házikence can also increase outreach to rural and low-income areas that suffer greater exclusion. This social impact can then be tied into the company's branding as a unique value proposition. Házikence should continue to work with NESsT to create metrics to measure the company's impact and success. These numbers not only allow Házikence to see if it is being successful but also can be shared with customers and “social impact buyers” such as corporate partners or investors seeking both a social and financial return.
Upselling and Cross-Selling

Term Definitions
Upselling “positions higher priced products in a good/better/best progression.” An example of an upselling strategy would be McDonald’s employees who are trained to ask customers if they want to order a larger meal or “supersize” their meal by only paying a small fraction more than the existing price. This type of persuasion causes customers to believe they are getting a better value even if they are ordering additional food or a larger quantity than they had intended on purchasing. In essence, upselling is used to increase the size of an existing order, either by including an upgrade, product add-ons, number of units, or time on warranty. “This technique shortens the sales cycle by getting bigger commitments now rather than later.”

Cross-selling offers the customer a related product or service in addition to what they are already buying. The typical example of this methodology can also be demonstrated by the McDonald’s employee who is trained to ask, “do you want fries with that?” when a customer initially only orders a cheeseburger or hamburger. Cross-selling is defined as discovering complementary products or applications for the products and services your customers are already using.

Tips for a Successful Upselling or Cross-Selling Strategy

Use product or service bundles. When a company prices a products or services bundle for less than the normal cost of all the items alone, customers feel that they are getting a deal, and are more likely to make the purchase. “Bundling has long been used as a way to entice shoppers to buy not just a single item, but an entire group of items that go together.” This is the classic example of cross-selling.

Házikence can use product or service bundles by:

- Selling classes and products to clients in bundles depending on interest or skill
- Offering seasonal pricing bundles: holiday specials and packages for special occasions
- Offering gift packages for someone purchasing as a gift for a first time customer
- Offering group discounts or packages: consider bundling for women’s groups or offering discounts for women who buy multiple sessions.

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11 8 Ideas for Cross Selling Success - StartupNation.
12 How to Cross Sell and Up Sell. (n.d.)
Business Recommendations & Expansion Options for Házikence Tanoda

Offer a varied range of prices. For suggestions of other products, be sure to cover a low, medium, and high price point. By offering this variety, you will earn revenue from the high end and the impulse buys on the low end.

**Házikence can offer a varied range of prices by:**
- Offering lower priced options so as to not limit customer base
- Naming packages to show price scales. For example: Premium, Regular, Discount.

**Sell and advertise related items together to let upselling and cross-selling happen naturally.** More often than not, customers are seeking complementary items, for example the applicator or brush that goes with the makeup they are purchasing, so be sure that the company offers a product portfolio that includes complements. For example, include product suggestions on the website based on previous or current customer purchases. indicating relevance by adding “others who purchased this item also bought...,” or “since you purchased product X, you may like product Y.”

**Házikence can sell and advertise related items together to let upselling and cross-selling happen naturally by:**
- Adding functionality to the website so that customers can see what goes well with their purchases (see image on top right)
- Showing clients what other clients purchased or viewed during their visit (see image on bottom right)

Feature expert recommendations. Showing specific recommendations from professionals, experts or other customers can help people learn about products and also encourage them to purchase items. In the beauty and cosmetics world, testimonials are often given by beauty magazines, celebrities, doctors and other beauty experts.

**Házikence can feature expert recommendations by:**
- Adding testimonials of customers and of chemists regarding the Házikence process
- Adding recommendations or certifications to the website

Inform customers through the sales channel. For direct sales—all sales staff should be informed on products, trainings, and company offerings. For web sales—a sale is made when a customer feels that they have an adequate understanding of the product. For online purchases, this insight is gained from information available on the site. Thus it is important to feature FAQs, product descriptions and product reviews (if available) to help customers understand their choices.
Remember that cosmetics and trainings can be bought as gifts or by industry novices so it is important to ensure that all sales and promotional materials are informative and that the storefront or website make it easy to understand the value of the additional items. This is also an area of opportunity for product or service bundling.

_Házikence can inform customers through the sales channel by:_
- Creating a downloadable brochure for customers to download for more information
- Developing white papers or industry reports for customers to view or purchase

_Create e-newsletters and other external communications._ Customers like to know what is going on with the company and which industry or market trends to follow. Providing this information can position a company as an industry expert and attract new customers.

_Házikence can create e-newsletters and other external communications by:_
- Developing communications or a blog featuring recent news and announcements to keep customers engaged and up to date with the latest happenings with Házikence

_Bottom Line_
The key to a successful upselling and cross-selling strategy is to ensure that the core _focus is on meeting and predicting the customer's needs, rather than simply pushing more products and services_. Don’t surprise the client mid-way into the relationship. Start upselling and cross-selling with all customers at the beginning of every new business relationship so customers do not feel misled. Develop your role as a “trusted advisor” instead of a “product pusher;” focus on the bigger picture and think of the customers’ needs.

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PART II: Country Profiles and Expansion Recommendations
Introduction

Hungary Background

Economy

Hungary is a developed, upper-middle income country. It is a member of the European Union, NATO, the OECD, the Visegrád Group, and the Schengen Area. These various memberships have contributed significantly to improving the Hungarian economy and lifestyle. Despite being a part of the European Union Single Market, the Hungarian currency is the forint instead of the Euro. Hungary’s main industries are mining, metallurgy, construction materials, processed foods, textiles, chemicals, pharmaceuticals, and automobiles. Its main agricultural products are wheat, corn, sunflower seed, potatoes, and sugar beets, as well as pigs, cattle, poultry, and dairy products.¹⁵

Recent History

After decades of communist rule by the Soviet Union, Hungary began liberalizing its economy in the mid-twentieth century, and held its first multiparty elections in 1990. Its political system is a multiparty democratic parliamentary republic, with a largely ceremonial president that nominates the prime minister. In 2012, Hungary significantly revised its constitution in a controversial move by current Prime Minister, Viktor Orbán, who used a two-thirds parliamentary supermajority to amend the constitution in ways that many critics have seen as anti-democratic. These include measures to curb some personal freedoms and bypass rulings of the Constitutional Court relating to freedom of speech and religion, family rights, political campaigns, public education and the judicial system. Other measures have eroded the powers of the judiciary, freedom of the press and the independence of the National Bank of Hungary (NBH, the central bank). Orbán’s right-wing party, Fidesz, was re-elected on April 6, 2014 with another two-thirds majority, in an election that indicated a general rightward shift in Hungarian politics. ¹⁶

Hungary, like most other European countries, was significantly impacted by the euro crisis of the past 5 years. Changes in exchange rates have caused increases in foreign currency loan interest rates, resulting in increased difficulties in repayment and accessing new bank credits. ¹⁷ Furthermore, unemployment increased considerably and major industries, such as the automotive industry, were particularly impacted, all causing a general decrease in household incomes and an increase in income inequality. The global economic downturn,


declining exports, and low domestic consumption resulted in a severe economic contraction in 2009. In 2010, the new government implemented a number of changes including cutting business and personal income taxes, but imposed "crisis taxes" on financial institutions, energy and telecom companies, and retailers. The last few years have shown signs of economic recovery and growth throughout the Eurozone, as well as in Hungary, which has seen GDP growth for two consecutive years.

International Expansion: Country Profiles

In determining viable options for international expansion, it is first necessary to ascertain the internal country factors that would provide a successful ecosystem for Házikence’s business model. The training program is targeted towards middle class women who are on maternity leave, have found it difficult to find employment and are looking to supplement the primary household income. Therefore, a potential expansion country would need to have social policy, economic means, and population dynamics that would elicit similar demand. Furthermore, a good expansion choice would have citizens with entrepreneurial spirit, and a regulatory and financial environment that make it relatively easy to start and operate a business.

As mentioned, social factors, such as family policies, play an important role in shaping a successful ecosystem. Well-paid parental leaves of short duration allow families to care for their children when they are very young and increase job security and labor force integration. Long or poorly compensated leaves, alternatively, that are geared toward long-term maternal care at home, decrease female labor market participation and reinforce gender expectations. High costs of raising children coupled with disadvantageous family policies as described have contributed to a declining population in Europe. This indicates that a similar ecosystem to Hungary would demonstrate low or declining population growth.

Given all of these conditions, a country that would be a good candidate for Házikence expansion would exhibit high childcare costs, a declining population, low female labor participation, and maternity policies that impede female labor integration. Additionally, a target ecosystem would have a large middle class with disposable income, a hospitable business environment, and a population with entrepreneurial spirit. These factors would indicate a need and ability for women to learn how to make cosmetics and soaps at home and potentially start a small business with these skills. Trainees would then be able to provide a secondary household income and feel less isolated after having children.

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Five countries were selected for further analysis based on an initial economic assessment. They include Portugal, Poland, Romania, Bulgaria, and the Slovak Republic. Countries were restricted to Europe, as all EU countries share certain similarities in development, such as a large middle class and developed economy, compared to countries in other regions. Furthermore, EU membership generally facilitates business and is a more profitable environment. For the sake of diversification and comparison to markets outside of Europe, however, Chile was included in the assessment as well. Chile was chosen for its fast economic growth, including a large middle class. Furthermore, NESsT currently operates in Chile, which could potentially prove beneficial given the current relationship between NESsT and Házikence.

It is important to note that the number of indicators per factor was limited. Given the scope and purpose of this analysis, these indicators give a basic idea of where each country stands on each factor, however, in a more comprehensive and detailed country analysis, each factor would be explored much more thoroughly. This is intended to serve as a starting point for assessing the potential options for international expansion. All statistics are presented in the most recent year available.

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Hungary

Economy

Hungary is an upper-middle income country with a 2012 GDP of 124.6 billion US Dollars and a GDP at purchasing power parity of 196.6 billion 2013 US Dollars. GDP at purchasing power parity is the sum of all goods and services produced in the country valued at prices prevailing in the US, and is the preferred measure of per-capita welfare and comparing welfare across countries. Hungary's annual GDP growth in 2012 was -1.7%, but then in 2013 growth was at 1.1%, showing a slight improvement. 

Business Environment and Entrepreneurial Spirit

A high ranking on the World Bank’s “Ease of Doing Business” index (a low numerical rank) means that the regulatory environment is conducive to business development and operation. The index averages the country’s percentile rankings on the 10 topics covered in the World Bank's Doing Business index. The ranking on each topic is the simple average of the percentile rankings on its component indicators. Hungary ranks at 54, indicating that it is a relatively easy place to do business, but not among the easiest. On the specific topic of starting a business, Hungary ranks 59th easiest to start a business, only slightly better than its overall ease of doing business ranking. The percent of the total population that is self-employed was used as an indicator of entrepreneurial spirit. In Hungary in 2012, only 10.7% of people were self-employed. (See Table 1 for cross-country economic statistics)

Population

According to the CIA World Factbook’s 2014 estimate, Hungary has a population of 9,919,128 people. The total fertility rate measures the number of live births per woman, and in 2014 estimates, Hungary has a fertility rate of 1.42. This means the average Hungarian woman has 1.42 children. Similarly, the birthrate is the number of annual births per every 1,000 people in the population at midyear. In 2014 estimates, Hungary has a birthrate of 9.26 births per 1,000 people. The population growth rate in Hungary is -.21%, indicating a decline in population. These are generally low rates, but Hungary is consistent with other European countries and the developed world in this respect, as these countries are typically seeing population decline as well. There are many reasons for this declining birthrate, including social factors like women working more and cultural

acceptance of not having children, as well as economic reasons, such that the cost of raising children is too high. Some evidence indicates that this is the case in Hungary.

**Cost of Raising Children**

High costs of raising children, especially coupled with ineffective or unfavorable maternity policies, can decrease the likelihood of couples having children due to economic burden. There is no clear indicator that can be used to measure the cost of raising children, though several indicators combined can give a general sense of the relative costs. One way of assessing the costs of having a child is the opportunity cost associated by the loss of normal wages during maternity leave. This comparison has limitations, but it is one potential factor in deciding to have children. In Hungary, the mean net equivalized income in 2011 for females was 5043€, according to Eurostat. The equivalence scale takes into account the impact of differences in household size and composition, so this figure indicates the net income for women and can be compared more easily than other measures24.

Two other indicators together demonstrate the cost associated with paying for childcare. In Hungary, the percent of families needing childcare from a non-family member after the child is age 3 is 30% for part-time workers (under 30 hours), and 49% for full-time (30+ hours).25 Given this demand, the net cost of full-time childcare, as a percentage of net family income for two wage earners making an average income, can indicate the general cost of childcare for a middle-class family. In Hungary, 3.4% of net family income each year goes to paying for childcare.26 These factors combine indicate a high demand for paid childcare, and the strain that puts on families. It is important to note that these numbers are also for families with two earners of average wages, and the percent of income would be higher for those families with a single income or incomes below average. 27

**Female Labor Integration**

Female integration into the labor force is another difficult factor to quantify. One interesting metric is the maternal employment rate compared to the female employment rate. OECD data compares mothers in employment as a percentage of the population of mothers with at least one child aged under 15 living at home, to employment of women

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27 Letablier, Marie-Therese et al.
aged between 25 and 49.\textsuperscript{28} In 2009, 54.4\% of Hungarian mothers were employed, compared to 66.9\% of all Hungarian women.\textsuperscript{29} This indicates that there is a lower percentage of mothers employed than non-mothers, supporting the argument that women are less likely to have a job after giving birth and are therefore not perfectly integrated into the labor force.

Female unemployment in Hungary in 2012 was 10.6\%. Though one in ten seems high, it should be noted that unemployment was higher throughout most of Europe during the financial crisis in recent years, which may be a contributing factor. It is still worth comparing this percent unemployment to the male and general population statistics. In 2012, male unemployment was 11.2\%, higher than both the female and total unemployment rate, which was 10.5\%.\textsuperscript{30} As mentioned, this may be a reflection of the financial crisis, as both male and female unemployment were lower pre-crisis. Interestingly, however, this indicator does not support the argument that females are employed less than males. Furthermore, some studies indicate that the economic crisis impacted male employment more than female employment in general, which could mask some employment discrepancies.\textsuperscript{31} \textit{(See Table 2 for cross-country employment statistics)}

**Maternity Policy**

Maternity and family policies are not easily comparable, as different countries combine various mixtures of social support. According to an EU report on the cost of raising children:

> Leave schemes may be a way for parents - especially mothers - to cope with the indirect costs of children, i.e. avoiding the time devoted to the care and education of their children becoming an obstacle to their careers. Originally developed as support for parents to make it easier for them to continue working or to get back into employment after a break, parental leave can also be a means of fostering gender equality.\textsuperscript{32}

The report also details how leave creates difficulties for some mothers, in trying to keep a job or in returning to employment. Extended leave schemes may also contribute to 'career discontinuity', which is most prevalent among women. In such cases, parental leave might, ultimately, undermine rather than promote gender equality by reinforcing the unequal


\textsuperscript{31} Egedy, Tamás

\textsuperscript{32} Letablier, Marie-Therese et al. pg. 47
division of parenting duties, and contribute to loss of family income, which can dissuade couples from having children.\textsuperscript{33}

For the sake of simplicity, this report only covers maternity leave, which is employment-protected leave where the woman is typically paid at least a portion of their income, and parental or prolonged leave, where several months can be taken to care for a young child, following on from maternity leave. Hungary’s employment-protected maximum leave is 24 weeks with 70% compensation. The full-rate equivalent (FRE) paid maternity leave measure is the duration of leave in weeks, multiplied by payment as a percent of average wage earnings, and allows for better cross-country comparison. In Hungary, the FRE paid maternity leave is 16.8 weeks, meaning that in the 24-week maternity leave, women are earning the equivalent of 16.8 weeks of full income. Maximum parental or prolonged leave for women in Hungary is 136 weeks, making the total maximum length of maternity leave for women 160 weeks, or just over 3 years, with a FRE paid leave of 96.4 weeks, or just under 2 years. This indicates that Hungarian maternity policy is both long, potentially leading to the isolation and career discontinuity as discussed, and women earning significantly less during this period of leave. \textit{(See Table 3 for cross-country maternity leave statistics)}
Portugal

Economy
Portugal is a high-income OECD country with a 2012 GDP of 212.3 billion US Dollars and a GDP at purchasing power parity of 243.3 billion 2013 US Dollars. Portugal’s annual GDP growth in 2012 was -3.2%, but then in 2013 growth was at -1.4%, showing a slight improvement. Compared to Hungary, Portugal is a larger, generally wealthier country; but growth is lower than in Hungary, with -1.5% less GDP growth. These two are the only countries of those examined to have negative GDP growth. Throughout the 1990s, Portugal’s economy grew more than other EU countries, but slower growth through the early 2000s and the financial crisis caused an economic contraction in 2009. The crisis was particularly difficult on Portugal, which experienced further contractions in the past three years due to austerity measures implemented to conform to IMF and EU rescue package conditions. An increase in exports is expected to contribute to growth and employment in 2014, but the need to continue to reduce debt could slow consumption and investment.

Business Environment and Entrepreneurial Spirit
Portugal ranks at 31, indicating that it is a relatively easy place to do business, and significantly easier than Hungary. On the specific topic of starting a business, Portugal ranks 32nd easiest to start a business. The percent of the total population that is self-employed was used as an indicator of entrepreneurial spirit. In Portugal in 2012, 13.8% of people are self-employed. All of these indicators point to Portugal being a better place for business and entrepreneurship than Hungary.

Population
According to the CIA World Factbook’s 2014 estimate, Portugal has a population of 10,813,834 people. Portugal has a fertility rate of 1.52, which is only .1 child more than Hungarian women – not a significant difference. In 2014 estimates, Portugal has a birthrate of 9.42 births per 1,000 people, again very close to Hungary and generally low. Unlike Hungary, the population growth rate in Portugal is 0.12%, indicating a slight increase in population. Generally, Portugal is similar to Hungary in terms of population.

Cost of Raising Children
In Portugal, the mean net equivalized income in Euro in 2011 for females was 10,257€, indicating a significantly higher opportunity cost of wages lost than Hungary. In Portugal, the percent of families needing childcare by someone not in the family after the child is age 3 is only 9% for part-time (under 30 hours), but raises to 55% for full-time (30+ hours). The net cost of full-time childcare as the percentage of net family income in 2012 is 4.4%, meaning that 4.4% of net family income each year goes to paying for childcare. This is 1% higher cost than in Hungary, but is still generally fairly low.
Female Labor Integration
According to the OECD, in 2009, 75.4% of Portuguese mothers were employed, compared to 74.9% of Portuguese women. This indicates that mothers are not employed significantly less than women. Female unemployment in Portugal in 2012 was 15.6%, 5% higher than in Hungary. In 2012, however, male unemployment was 15.7%, and total unemployment was 16.8%. As mentioned, this may be a reflection of the financial crisis, as both male and female unemployment were lower pre-crisis, and Portugal was one of the countries hit hardest during those years. Prior to the crisis, however, female unemployment was slightly higher than male unemployment. These indicators combined, however, do not point to the fact that women are not well integrated into the labor force.

Maternity Policy
Portugal’s employment-protected maximum leave is 12.5 weeks with 80-100% compensation. The full-rate equivalent (FRE) paid maternity leave is 12.5 weeks, meaning that in the 12.5-week maternity leave, women are earning full income. Maximum parental or prolonged leave for women in Portugal is only 9 weeks, making the total maximum length of maternity leave for women 21.5 weeks, or around 5 weeks, with a FRE paid leave of the same amount. This indicates that Portugal’s maternity policy is considerably shorter than Hungary’s, and women typically earn all of their income while on leave. This may be a contributing factor as to why women seem to be better integrated into the labor market in Portugal, as described above, and indicates that Portugal does not face the same social challenges as Hungary due to maternity leave.
Slovak Republic

Economy
Slovakia is a high-income country with a 2012 GDP of 91.1 billion US Dollars and a GDP at purchasing power parity of 133.4 billion 2013 US Dollars. Slovakia’s annual GDP growth in 2012 was 1.8%, which was a decline from 2011 in which GDP growth was 3.2%. The Slovak economy was experiencing rapid growth prior to the financial crisis, and after a contraction in 2009, growth has returned at a slower pace. Cheap, skilled labor, low taxes, no dividend taxes, a relatively liberal labor code, and a favorable geographical location are Slovakia’s main advantages to foreign investors.34

Business Environment and Entrepreneurial Spirit
Slovakia ranks at 49, indicating that it is a relatively easy place to do business, but not among the easiest. On the specific topic of starting a business, Slovakia ranks 108th easiest to start a business, a huge increase from its overall ease of doing business ranking, indicating that it is much more difficult to start a new business than to do business in Slovakia. Despite this, in 2012, 15.6% of people are self-employed, indicating a higher entrepreneurial spirit than both Portugal and Hungary.

Population
According to the CIA World Factbook’s 2014 estimate, Slovakia has a population of 5,442,583 people, which is much smaller than Hungary. Slovakia has a fertility rate of 1.39, and a birthrate of 10.01 births per 1,000 people, only slightly higher than Hungary and Portugal. The population growth rate in Slovakia is .03%, indicating a very slight increase in population. These are generally low rates, but Slovakia is consistent with other European countries and the developed world in this respect, as these countries are typically seeing population decline as well.

Cost of Raising Children
In Slovakia, the mean net equivalized income in Euro in 2011 for females was 6,855€, which is slightly higher than Hungary, but still lower than Portugal. The percent of families needing childcare by someone not in the family after the child is age 3 is 10% for part-time (under 30 hours), and 57 for full-time (30+ hours). This indicates a similar demand as in Hungary, but not as great. The net cost of full-time childcare as the percentage of net family income in 2012 is 14.8%, meaning that 14.8% of net family income each year goes to paying for childcare. This cost is significantly higher than in Hungary, indicating that Slovakia is a more expensive place to raise a child.

Female Labor Integration
According to the OECD, in 2009, 59.3% of Slovakian mothers are employed, compared to 71.2% of Slovakian women. This indicates that significantly fewer mothers are employed than women in general, supporting the argument that women are less likely to have a job after giving birth and are therefore not perfectly integrated into the labor force. This disparity is greater than in Hungary, although they are similar.

Female unemployment in Slovakia in 2012 was 14.5%. This is a relatively high number, and higher than Hungary, however it should be noted that unemployment was higher throughout most of Europe during the financial crisis of recent years, which may be a contributing factor. It is still worth comparing this percent unemployment to the male and general population statistics. In 2012, male unemployment was 13.5%, lower than the female unemployment rate, and the total unemployment rate was 14.4%. This indicator does support the argument that men are employed more than females, although the difference is not huge.

Maternity Policy
Slovakia’s employment-protected maximum leave is 34 weeks with 55% compensation, which is a longer period of time at a lower compensation rate than Hungary. The full-rate equivalent (FRE) paid maternity leave is 18.7 weeks, meaning that in the 34-week maternity leave, women are earning only 18.7 weeks worth of full income. Maximum parental or prolonged leave for women in Slovakia is 128 weeks, making the total maximum length of maternity leave for women 162 weeks, or just over 3 years, with a FRE paid leave of 49.4 weeks. This indicates that women make less than a year’s worth of full income over the course of their 3-year maternity leave. Slovakia’s maternity leave is even longer than Hungary’s, and women earn considerably less.
Poland

Economy
Poland is a high-income country with a 2012 GDP of 489.8 billion US Dollars and a GDP at purchasing power parity of 814 billion 2013 US Dollars, making its economy almost 4 times larger than Hungary. Poland’s annual GDP growth in 2012 was 1.8%, which is down from their 2011 annual growth of 4.5%, but is still much greater than Hungary. Poland’s economy was the only one in the EU to avoid a recession through the 2008-09 economic downturn, however slow growth in the Eurozone contributed to Poland’s slowing growth in the past few years.

Business Environment and Entrepreneurial Spirit
Poland ranks at 45 on the Ease of Doing Business index, which is similar to Slovakia, better than Hungary, and not as good as Portugal. On the specific topic of starting a business, Poland ranks 116th easiest to start a business, which is the worst score for any of the countries examined. By 2012 data, 22.4% of people are self-employed, indicating high levels of entrepreneurship in Poland.

Population
According to the CIA World Factbook’s 2014 estimate, Poland has a population of 38,346,279 people, by far the largest population of all countries studied. Poland has a fertility rate of 1.33, and a birthrate of 9.77 births per 1,000 people. The population growth rate in Poland is -0.11%, indicating a decline in population. These growth and birthrate statistics are on comparable to Hungary, even though the population is much larger.

Cost of Raising Children
In Poland, the mean net equivalized income in Euro in 2011 for females was 5765€, which is slightly higher than in Hungary, but not as high as either Slovakia or Portugal. The percent of families needing childcare by someone not in the family after the child is age 3 is 8% for part-time (under 30 hours), and 22% for full-time (30+ hours). This indicates the lowest demand of the countries looked at for paid childcare services. In Poland, however, the net cost of full-time childcare in 2012 is 4.6%, indicating that childcare costs in Poland are similar to those in Portugal, but higher than Hungary, although not nearly as expensive as Slovakia.

Female Labor Integration
According to the OECD, in 2009, 68.1% of Polish mothers were employed, compared to 78.6% of Polish women. This points to a much lower percentage of mothers being employed than the general population of women, supporting the argument that women are less likely to have a job after giving birth. Poland has a similar gap between maternal and female employment as Hungary, and overall female unemployment, which was 10.9% in
2012, is also similar. In 2012, male unemployment was at 9.2%, and the total unemployment was at 13.5%. These rates have remained relatively constant, with male unemployment slightly less than female.

**Maternity Policy**

Poland’s employment-protected maximum leave is 24 weeks with 75% compensation, which is the same amount of time as Hungary, but at slightly higher pay. The full-rate equivalent (FRE) paid maternity leave is 18 weeks, meaning that in the 24-week maternity leave, women are earning only 18 weeks worth of full income. Maximum parental or prolonged leave for women in Poland is 156 weeks, making the total maximum length of maternity leave for women 180 weeks, or around 3.5 years, with a FRE paid leave of 37.4 weeks. This indicates that women make less than a year’s worth of full income over the course of their 3.5-year maternity leave. Poland’s maternity leave is longer than Hungary’s and Slovakia’s, and women earn considerably less than both.
Romania, Bulgaria and Chile

Romania, Bulgaria and Chile were also examined and compared across the various social, economic, and population statistics. After research, however, it was determined that these countries proved least similar to Hungary and the others in many ways, despite some similarities. Bulgaria in particular was consistently lower than the rest in terms of economic indicators, and Romania, while generally on better levels than Bulgaria, was similarly unequal to the rest, and we therefore felt they did not provide the necessary ecosystem. Chile proved to have many similarities to the other countries discussed, including ease of doing business and some aspects of the economy and population; however, Chile was too often the outlier in the data to be considered as desirable a candidate as the rest. Particularly, Chile had significantly higher levels of income disparity than the rest, had a much larger economy, and generally a larger population.

Furthermore, data was not as readily available for Romania and Bulgaria, likely due to their relatively new membership in the EU making Eurostat statistics unavailable. Similarly, data was often not available for Chile, as indicators used were often from EU sources. The data that was collected on these three countries is included in the charts and graphs provided as a basis for comparison, however due to these described reasons, detailed examinations of these countries are not included.
Expansion Recommendations

Of the countries examined, Slovak Republic seems like the best option for international expansion of Házikence’s training. While the economy and population in Slovakia are both smaller than Hungary’s, there is positive GDP growth and similar GDP per capita, as well as higher numbers of self-employment, and a better ease of doing business score. Both have imperfect female integration in the labor force, as well as maternity policies that impede workforce integration and necessitate supplemental income, with Slovakia’s maternity leave longer and at lower pay than Hungary’s and higher costs of raising children.

Portugal is another good option, as there are many similarities there, as well as several factors that would make Portugal perhaps even more of an ideal ecosystem for Házikence. It is a larger and wealthier economy than Hungary, despite higher unemployment. It is easier to both do and start business in Portugal, and there are higher rates of self-employment. Population size and growth are similar between the two countries, and costs of raising children are similar. A shorter and more highly compensated maternity leave has likely contributed to Portugal’s better female labor integration, which may present a decreased demand in Portugal for Házikence’s training than in Hungary, Slovakia or Poland.

Poland is the third good option for international expansion, as it also shares many similarities with Hungary, but has some important, advantageous differences. It is a larger economy with positive growth, and its population is significantly larger than Hungary’s, but has similar growth rates. While it is the most difficult to start a business, Poland had a better ease of doing business score than Hungary, and has higher self-employment. Furthermore, there is a similar maternal-female unemployment gap, and longer maternity leave at less pay than Hungary, which may afford higher demand for training.

When Házikence is in the position to expand internationally, several viable options exist. Based on the factors examined that would create a successful ecosystem, Portugal, Slovakia and Poland would likely be fruitful countries to pursue. Further analysis and assessment beyond the scope of this report would be necessary, however the factors discussed should serve as a general framework for success.
### Table 1: Economic Indicators

<table>
<thead>
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<tbody>
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<td>Hungary</td>
<td>124.6</td>
<td>-1.7%</td>
<td>9,919,128</td>
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<td>Portugal</td>
<td>212.3</td>
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<td>10,813,834</td>
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<td>Slovak Republic</td>
<td>91.1</td>
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<td>Poland</td>
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<td>6,924,716</td>
<td>58th</td>
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<td>Romania</td>
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<td>3.10%</td>
<td>21,729,871</td>
<td>73rd</td>
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<td>Chile</td>
<td>269.8</td>
<td>5.60%</td>
<td>17,363,894</td>
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### Table 2: Employment Indicators

<table>
<thead>
<tr>
<th>Country Name</th>
<th>Total Unemployment (% of total labor force)</th>
<th>Male Unemployment (% of male labor force)</th>
<th>Female Unemployment (% of female labor force)</th>
<th>Maternal Employment (% of mothers of at least 1 child)</th>
<th>Female Employment (% of women age 25-49)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungary</td>
<td>10.5%</td>
<td>11.2%</td>
<td>10.6%</td>
<td>54.4%</td>
<td>66.9%</td>
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<tr>
<td>Portugal</td>
<td>16.8%</td>
<td>15.7%</td>
<td>15.6%</td>
<td>75.4%</td>
<td>74.9%</td>
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<tr>
<td>Slovak Republic</td>
<td>14.4%</td>
<td>13.5%</td>
<td>14.5%</td>
<td>59.3%</td>
<td>71.2%</td>
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<tr>
<td>Poland</td>
<td>13.5%</td>
<td>9.4%</td>
<td>10.9%</td>
<td>68.1%</td>
<td>78.6%</td>
</tr>
<tr>
<td>Bulgaria</td>
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<td>13.5%</td>
<td>10.8%</td>
<td>68.3%</td>
<td>75.8%</td>
</tr>
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<td>Romania</td>
<td>4.8%</td>
<td>7.6%</td>
<td>6.4%</td>
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<tr>
<td>Chile</td>
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<td>5.4%</td>
<td>7.9%</td>
<td>66.1%</td>
<td>57.7%</td>
</tr>
</tbody>
</table>

39 Arranz, David and Frank Bauer.
41 World Development Indicators (2012). World Bank.
43 OECD Family database. (2013). OECD
44 OECD Family database. (2013). OECD
Table 3: Maternity Policies

<table>
<thead>
<tr>
<th>Country Name</th>
<th>Employment-protected Statutory Maximum Leave Duration (weeks)</th>
<th>Payment</th>
<th>Full-Rate Equivalent Paid Maternity Leave (weeks)</th>
<th>Maximum Parental or Prolonged Leave for Women (weeks)</th>
<th>Maximum Length of Leave for Women (weeks)</th>
<th>Full-Rate Equivalent Paid Maternity and Parental Leave (weeks)</th>
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<td>Hungary</td>
<td>24</td>
<td>70% of income</td>
<td>16.8</td>
<td>136</td>
<td>160</td>
<td>96.4</td>
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<td>Portugal</td>
<td>12.5</td>
<td>80-100% with a minimum</td>
<td>12.5</td>
<td>9</td>
<td>21.5</td>
<td>21.5</td>
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<tr>
<td>Slovak Republic</td>
<td>34</td>
<td>55% net wage up to a low maximum</td>
<td>18.7</td>
<td>128</td>
<td>162</td>
<td>49.4</td>
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<tr>
<td>Poland</td>
<td>24</td>
<td>75% of income</td>
<td>18</td>
<td>156</td>
<td>180</td>
<td>37.4</td>
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<tr>
<td>Bulgaria</td>
<td>63</td>
<td>90% daily avg. income</td>
<td>56.7</td>
<td>0</td>
<td>63</td>
<td>56.7</td>
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<tr>
<td>Romania</td>
<td>21</td>
<td>75% avg. gross earnings</td>
<td>15.8</td>
<td>0</td>
<td>21</td>
<td>15.8</td>
</tr>
<tr>
<td>Chile</td>
<td>XX</td>
<td>XX</td>
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</table>

Appendix
Mary Kay Case Study

COMPANY PROFILE

Mary Kay in China: More than Makeup

Virginia A. Hulme

The company adapts to China's business environment and finds its place

Dallas-based cosmetics firm Mary Kay Inc.'s mission is "to enrich women's lives"—an unusual goal for a company, but one that thousands of Chinese women have welcomed. Since Mary Kay first set up in China in 1995, it has invested $20 million in its China operations. Over $10 million was spent on a wholly foreign-owned plant in Hangzhou, Zhejiang Province—the company's first overseas manufacturing facility. (It also manufactures in Neuchâtel, Switzerland, and Dallas, Texas.) By the end of 1997, wholesale sales topped $12 million in China, and a nearly 12,000-strong sales force was making inroads into China's cosmetic markets.

Adjusting to China

In 1996, Mary Kay China opened a branch in Shanghai, and by the end of 2000 had branches in 16 other Chinese cities, mostly in east and

Mary Kay sales promoters

Photos courtesy of Mary Kay Inc.
northeast China. Mary Kay hopes to open new branches in six cities each year for the next four years. The company chooses cities in areas of the country where incomes are higher than average and cosmetics and skin care products are used most often. According to Paul Mak, president of Mary Kay China, people in eastern and northern China use these products more often than people in the south, partly because of the climate and partly because skin types tend to differ across the country.

Mary Kay sells about 200 products in China, with prices ranging from ¥6 ($0.72) for an eye shadow applicator to ¥380 ($45.91) for perfume. Most cost between ¥40-200 ($4.83-24.16). These products fall into nine categories: skin care, dietary supplements, color cosmetics, body care, sun protection, fragrances, mother and baby care, and men’s skin care. The Hangzhou factory produces everything Mary Kay sells in China. The facility also exports to Malaysia, the Philippines, and Thailand. Though the company currently exports only a small percentage of its PRC output, it plans to export 20 percent within five years. Over 90 percent of the raw materials and 5 percent of the components are imported. Mary Kay may build a second PRC manufacturing facility once sales are high enough to justify construction.

Some products differ from those sold in the company’s home market. For instance, skin whitener is popular in Asia, but not in the United States. And because China’s baby product market is relatively new, Mary Kay has more of a competitive advantage in that category than at home, where other brands are well entrenched. The company’s main PRC competitors are joint-venture brands, as imported cosmetics are still too expensive for most Chinese consumers.

Packaging also differs in China. PRC labeling rules are much more stringent than those in the United States. All cosmetics packages must be printed with the product name, manufacturer name and address, container volume, production date or shelf life, license and serial number, and, if necessary, safety warnings and storage and usage instructions.

Mary Kay hires an outside transportation company to move goods directly from the factory to beauty centers. Then the products move through the sales force to the consumer. This system differs from most other companies’ distribution systems, in which products are sold several times over (to the distributor, wholesaler, and retailer) before they reach the consumer. In 2000, Mary Kay opened a regional distribution center in Wuhan, Hubei Province, and plans to have two more regional distribution centers in Beijing and Guangzhou, Guangdong Province, by mid-2001.

**Chinese sales promoters emerge**

Mary Kay has had to tinker with its business model in China. In the United States, the sales force consists of beauty consultants and sales directors, all of whom are private entrepreneurs (see Box). But in China, Mary Kay relies on sales promoters, who do not buy the company’s goods for resale, and sales directors to sell its products. Mary Kay recruits sales promoters mainly through advertisements and referrals. Its Chinese website makes clear that sales promoters must be over the age of 18. Full-time students, active service people, and people who may not work for commission under Chinese law cannot become sales promoters. Mary Kay interviews all candidates for sales promoter positions, and requires candidates to submit a written application. In addition, promoters must pass a certification exam, which Mary Kay administers. Mary Kay must certify the promoters according to standards set by the Bureau of Internal Trade.

Once accepted, incoming sales promoters must sign a “Sales Promoter’s Agreement.” New promoters then generally undergo three types of training. Skin and product knowledge classes teach about skin types and which products are appropriate for each type. Color makeup training introduces color theory and basic color makeup techniques. The third class teaches basic

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sales techniques. After completing this training, they hold small classes to introduce Mary Kay products to potential customers, perform free skin analyses, recommend products suitable for each customer's skin type, and deliver orders to customers, all free of charge.

Mary Kay offers Chinese women business opportunities and work options that are otherwise hard to find in China. With unemployment soaring because of state-owned enterprise reform and general economic restructuring, women are often the first fired and last hired.

Unlike US beauty consultants, Chinese sales promoters rarely visit customers' homes. Instead, they set up appointments through referrals, hold classes in beauty centers and offices, and promote products in the cities where they are licensed to do so. An average class (three to six people and two to three hours per class) can reportedly bring in ¥500 (US$60.40) in sales to the company of which the sales promoter usually gets the Mary Kay standard 40 percent commission, though this percentage may vary with the amount sold. Full-time sales promoters can earn several times the wage of an average Chinese worker.

Sales directors in China also have a slightly different set of responsibilities from their US colleagues. They must possess an independent business license for cosmetics sales and consulting, pass the company's examination and verification process, and sign the "Mary Kay Distributor Agreement." Sales directors must establish a retail outlet to sell and display products, and provide space for sales promoters to hold classes. They also appoint specialized trainers, who must be approved by the company, to train sales promoters. Sales directors' commissions are based on the difference between retail and wholesale prices, and they also collect a percentage of facility, training, and consulting fees. Outstanding sales directors have the chance to become high-level sales directors. In contrast to its US operations, where directors progress from the ranks of beauty consultants, sales directors in China come to the company through several different channels.

As in the United States, top achievers are rewarded with jewelry and trips. In China, the company also awards pink cellular phones. Though Mary Kay does not import the famous pink Cadillacs to award its top producers in China, it has given out three Shanghai-made pink Volkswagen Santanas. As in other foreign

Mary Kay in the USA

After 25 years of having her ideas brushed aside, and after she was passed over for promotion in favor of a male employee whom she had trained, Mary Kay Ash quit her job, and decided to write about her experiences and the discrimination women faced in the workplace. As she wrote, it occurred to her that what she was writing could be used as a guide for a company friendly to women.

With her quarter-century of experience in direct sales and 55,000 raised from her family, she started her own business on Friday, September 13, 1933. Despite the auspicious date, Mary Kay's budding cosmetics company thrived, surpassing $1 billion in sales at the wholesale level and $2 billion at the retail level worldwide in 1999. As of 2000, the company had 3,500 employees and around 650,000 beauty consultants worldwide.

Dallas-based Mary Kay Inc. was founded by and for women, to give women opportunities that simply weren't available to them 30 years ago. In many ways, the company's culture embodies the opposite of what Mary Kay Ash experienced as a workingwoman in a male-dominated corporate culture.

From the beginning, Mary Kay knew what management gurus took a few years decades to figure out: praise and recognition are far better motivators than criticism. For reaching their sales goals, beauty consultants have always been rewarded with jewelry, trips, clothing, cars, and other incentives. Most famous is the pink Cadillac earned by top sellers. It is not given outright, but consultants have the use of the car for two years, as long as they meet their sales quotas. (If the consultant fails to meet her quotas, she must return the car to the company. If the consultant continuously meets her quotas, the car is hers to drive for another two years.) Prizes have been upped to keep up with fashion and political correctness: fur coats are out, fax machines and exercise equipment are in, and red Pontiac Grand Am and white GMC Jimmy have been added to the Mary Kay fleet of pink Cadillacs.

The most important motivator, however, is public recognition of a job well done. Every year Mary Kay holds a convention in Dallas, at which top sellers receive prizes and recognition. Top-selling beauty consultants inspire their peers by telling their stories of success. Mary Kay beauty consultants in the United States are all private entrepreneurs, not employees. Each must buy a $100 starter kit and may choose to receive training in makeup application, sales, bookkeeping, and other business techniques. Such training is given by a recruiter or the company, and is usually one-on-one or in small groups. The company also sets sales quotas for beauty consultants, who buy products at wholesale prices directly from Mary Kay and sell them at a hefty 40 percent markup. As individual entrepreneurs, however, beauty consultants may decide to give discounts or set higher prices. Mary Kay produces around 200 different skin care and beauty products, all with a money-back guarantee.

Beauty consultants also recruit new consultants and gain a percentage of their recruits' sales. This percentage does not cut into the recruited consultant's 40 percent, however, as it comes out of the wholesale price. When a beauty consultant recruits five others, she becomes a team leader. When she recruits around 50 consultants, she becomes a director. As the number of recruits and total sales rise, so does she—to senior director, executive director and, finally, national sales director. As independent entrepreneurs, beauty consultants are paid solely in commissions and prizes, and receive no employee benefits, such as health insurance.

—Virginia A. Huine
countries, top sellers win trips to the company’s annual convention in Dallas. For promoters, recognition is based on sales; for directors, recognition is based on the sales they make and those generated by the promoters they trained and counseled.

Opportunities for women

Mary Kay offers Chinese women business opportunities and work options that are otherwise hard to find in China. With unemployment soaring because of state-owned enterprise reform and general economic restructuring, women are often the first hired and last hired. Mary Kay allows women to work either full-time or part-time to supplement their incomes. It also offers avenues for advancement—successful sales promoters may, upon obtaining a business license and signing the “Mary Kay Distributor Agreement,” become business consultants and chief business consultants.

Another plus for workers without much experience is the company’s free training of its sales promoters. Not all training is mandatory, but at a minimum, new promoters must learn and understand the basic requirements of their position. More accomplished members of the sales force receive training in management. New sales directors and distributors learn basic business development and management, while the more-experienced learn leadership skills and more advanced management techniques.

Mary Kay’s code of conduct stresses that sales promoters and directors should sell products at fixed prices, issue receipts, accept returns according to company policy, not promote other companies’ products, and protect company secrets and trademarks. If a promoter or director violates these rules, the company may take disciplinary action, including a warning, suspension from work, earnings deductions, termination of the agreement, and cancellation of the consultant’s qualifications.

Mary Kay’s sales force in China is made up entirely of women, and Mak estimates that 80 percent of the company’s regular employees are women. Mary Kay does not experience high turnover among its full-time employees in China, a fact Mak chalks up to good benefits and salaries, as well as to staff development, training, and promotion opportunities. The company sends upper management to local executive MBA programs, and provides in-house training for staff at other levels. Within the last three years, the company has reduced its expatriate staff from six to one, signaling to its local employees that there is room for them at the top.

Surviving the direct sales ban

In 1998, Mary Kay and other direct sales companies were hit by a central-government ban on all direct sales. The ban effectively closed all companies using this sales method for several months. Mary Kay’s sales reportedly dropped 40 percent, and its sales force shrank dramatically. Though Beijing’s main target was unscrupulous pyramid schemes that were bilking innocent citizens of their hard-earned savings (and sparking protests around the country), its blanket ban hit all direct sales firms, including foreign firms with legitimate operations and reputations for fairness. Eventually, 10 firms, including Mary Kay, were allowed to reopen using modified sales models.

Before the ban, Mary Kay labeled itself a “single-level” direct selling company, and sold its products through beauty consultants, who were independent entrepreneurs who bought their wares from the company’s beauty centers and then sold them directly to the consumer. The

Under the new system, sales promoters promote and sell Mary Kay products for the company, but no longer buy and resell them.

consultants had to meet a minimum sales target to remain active, but could choose which products they wanted to buy, and in what amounts.

The Ministry of Foreign Trade and Economic Cooperation, the State Administration for Industry and Commerce, and the Bureau of Internal Trade issued the Circular on Related Issues Concerning the Selling Methods of Foreign-Invested Chain-Selling Enterprises, which allowed direct sales companies to reopen if they sold goods only through retail outlets or promoters (tiaoxiaoyuan). The circular stated that these firms could set up shops to sell their own goods, or sell through department stores. They would also have to provide after-sales services and fixed prices—regardless of whether the goods are sold at retail outlets or through promoters. Though the company had no retail experience, Mary Kay opted to use both promoters and retail channels. The company’s 17 beauty centers now also function as retail outlets, and distributors with their own business licenses can open their own retail outlets.

Under the new system, sales promoters promote and sell Mary Kay products for the company, but no longer buy and resell them. According to Chinese law, sales promoters must be paid on the basis of the sales they make on behalf of the company. Government regulations require that they sign a contract with the company for a minimum of one year, have at least two years’ work experience, have sales-promotion training or be a graduate of a technical secondary school or higher, and be a permanent resident of the city in which they operate. The company is legally responsible for the activities of sales promoters, who can only make deals with endusers. Promoters may only buy Mary Kay products for personal use, and managers of promoters must
be formal employees of the enterprises. (Mary Kay’s sales promoters are managed directly by the company.) In addition, the new regulations require that promoters pass a certification exam. Promoters must sell a minimum amount to maintain their active status with the company.

The company’s attention to training and incentives has smoothed its path in China and can serve as an example to other foreign firms that staff satisfaction is as essential to success in China as elsewhere.

The 1998 circular required the sales directors to possess a business license and their own business locations. The contractual relationship between Mary Kay and the director is no longer one between the company and an individual, but business-to-business. The role of the sales director is essentially the same, however.

After more than a year under the new model, Mary Kay has more than 10,000 independent sales force members in China, of which about 4 percent are sales directors. Though the company does not disclose sales forecasts, Mak confirmed that sales have recovered to 1997 pre-ban levels. Nevertheless, some problems persist. When pyramid sales and direct selling were banned, these sales methods received a great deal of bad press in China. Consumers approached by promoters are often wary, as Mary Kay’s new structure is not readily apparent from the outside. Moreover, since the company can no longer sell to sales promoters at wholesale prices, it must pay tax on the retail price, which cuts into profit.

Looking forward to WTO

Several provisions in the US-China bilateral market-access agreement may make business in China easier for Mary Kay and other direct sales companies. China has agreed to allow “sales away from a fixed location,” which many observers interpret as direct selling. If China interprets the agreement the same way, Mary Kay may be able to return to its original sales struc-
Additional Sources:


<table>
<thead>
<tr>
<th>Logo</th>
<th>Quick Facts</th>
<th>Best Practices</th>
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| ÉMINENCE ORGANIC SKIN CARE | **Company Name:** Éminence  
**Founded:** 1958  
**Headquarters:** Vancouver, British Columbia, Canada  
**Business Type:** Privately held Company  
**Website:** [www.eminenceorganics.com](http://www.eminenceorganics.com) | • Green Practices and Planting Trees.  
• Inventory and Product Ordering.  
• Celebrity Endorsement and Philanthropy. |
| Sappo Hill | **Company Name:** Sappo Hill  
**Founded:** 1970s  
**Headquarters:** Ashland, Oregon, USA  
**Incorporation:** Privately held Company  
**Website:** [www.sappohill.com](http://www.sappohill.com) | • Compelling story.  
• Niche Placement.  
• Industry Information. |
| Lovin’ Soap Project | **Company Name:** Lovin’ Soap Project  
**Founded:** January 2013  
**Headquarters:** Dallas & Austin, Texas, USA  
**Incorporation:** 501(c)3 Non-Profit  
**Website:** [www.lovinsoapproject.org](http://www.lovinsoapproject.org) | • Specialized, hand-picked team of employees.  
• Multiple media outlets for publicity.  
• Skype e-consult sessions.  
• Blog.  
• Fundraising and partnerships for philanthropy. |
| Thistle Farms | **Company Name:** Thistle Farms  
**Founded:** 2001  
**Headquarters:** Nashville, Tennessee, USA  
**Business Type:** 501(c)3 Social Enterprise  
**Website:** [www.thistlefarms.org](http://www.thistlefarms.org) | • Retailer Support and Outreach.  
• Highlighting Social Mission. |
| Empowered Women International | **Company Name:** Empowered Women International  
**Founded:** 2002  
**Headquarters:** Alexandria, Virginia, USA  
**Business Type:** 501(c)3 Non-Profit  
**Website:** [www.ewint.org](http://www.ewint.org) | • Entrepreneur Training for Success.  
• Grow My Business Program.  
• Business Advising and Coaching Sessions.  
• Mindset and Mentorship. |
| Snohomish Soap Company | **Company Name:** Snohomish Soap Company  
**Founded:** 2010  
**Headquarters:** Snohomish, Washington, USA  
**Business Type:** For-Profit Social Enterprise  
**Website:** [www.snohomishsoapcompany.com](http://www.snohomishsoapcompany.com) | • Quality and Brand Loyalty. |
| Aveda | **Company Name:** Aveda  
**Founded:** 1978  
**Headquarters:** Blaine, Minnesota, USA  
**Business Type:** Owned by Beauty Basics, Inc.  
**Website:** [www.avedainstitutesbb.com](http://www.avedainstitutesbb.com) | • “Real World” Ready.  
• Salon Preferred Brand.  
• Spans Multiple Spa Dimensions. |
| Living Goods | **Company Name:** Living Goods  
**Founded:** 2011  
**Headquarters:** San Francisco, California, USA  
**Business Type:** 501(c)3 Social Enterprise  
**Website:** [www.livinggoods.org](http://www.livinggoods.org) | • Marketing and Promotions. |