

# **Hollywood Bodyworks: A Chain of Tattooing and Piercing Parlors**

**By**

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## **Executive Summary:**

- **There are 60 tattoo studios in the city of Los Angeles: two are affiliated**
- **Many potential clients are scared away by the reputation of tattoos, as well as horror stories about mistakes or botched tattoos**
- **A group of tattoo stores with a reputation for quality could capture these potential clients; the company would also be able to lure away a sizable fraction of the current population that gets tattoos and piercings, but place a premium on quality, safety and sanitation**
- **The largest barrier to entry is reputation: this creates in a commanding first mover advantage**
- **There are dramatic economies of scale in reputation: spreading advertising costs, ability to appear in prestigious venues like television shows and fashion runways and an ability to quickly transfer the reputation to new stores all make a chain feasible**
- **To this effect we would**
  - **Begin in Los Angeles, near college campuses**
  - **Later expand into malls**
  - **Emphasize practices that exceed industry standards**
  - **Develop strategic partnerships with (initially local) celebrities**
  - **Appeal to a currently untapped mainstream cliental**

## **Abstract**

The current tattooing and piercing market is characterized by sole proprietorships located in shunned parts of town with advertising that is limited to flyers and word of mouth. At least on the West Coast product differentiation is very limited – without significant investment of time lay customers cannot easily determine which studios are reputable. This combination of unfortunate states of affairs no doubt dissuades a huge number of potential customers who are unwilling to put forth the significant effort to find a tattoo studio, and then investigate its reliability to the point where they are willing to pay a substantial sum of money to modify their body for the rest of their lives. We believe that given a credible assurance of exemplary sanitation practices to ensure their continued health, many more people would be open to the prospect of getting a tattoo.

We investigate the profitability of a chain of reputable tattoo and piercing studios with a focus on quality assurance. Due to changes in market conditions, both in the suppliers and consumers of tattoos, such a solution is now plausible. We propose an initial proof-of-concept which would grow out of greater Los Angeles, near large college campuses. By enlisting local celebrities for advertising, and experts to illustrate the differences between our stores and small competitors, and offering the security of doing business with a chain, we anticipate that we would be able to appeal to a market largely untapped by competitors.

Once the model had been demonstrated to work, we would acquire or franchise studios in either San Diego or San Francisco and continue to expand from there. We anticipate that after these markets had been penetrated and a reputation has been established, we would be able to move into the lucrative mall market, giving us access to a broader customer base.

### **History and Current Trends:**

Tattooing is currently an industry undergoing rapid change: there are over fifteen thousand parlors in the United States. US News & World Report notes that throughout the 1990s it was consistently in the top ten growing industries. Today, over one third of twenty-five to twenty-nine year olds have at least one tattoo and polls alike demonstrate women are half of those who get tattoos – a dramatic shift from even twenty years ago (to say nothing about one hundred years ago). Slowly but surely, the image of tattooing has changed from a renegade art practiced in the dark recesses of seedy neighborhoods, to a popular art form in which the canvases are celebrities and college students. The image of who gets a tattoo has shifted from navy sailors and Harley riders with full sleeve tattoos to cute twenty-somethings with butterflies, moons and tribal arm-bands. Personal websites such as [www.orkut.com](http://www.orkut.com) have places to list body art.

And yet, the business of tattooing has changed remarkably little. It is still incredibly fragmented – there are no chains of more than three stores – and while it has slowly begun to wean itself from ‘behind-the-barbershop’ to more respectable areas, it is clear that the majority of studios still reside in unsavory neighborhoods where rent is cheap. This can lead to hygiene issues: in an NIH paper Samantha, Tweeten and Rickman find that the infection rate on ear piercings ranges from 11-24%. It is safe to assume that the infection rate for other piercings is even higher as they are more difficult to perform and maintain.

Why is this? Tattooing and piercing are businesses that are neglected by economists and businessmen. Stores are run by individual artists who want a chance to live under their own rules. They do not seek money from venture capitalists, and most in the business community have never stepped foot in a tattoo studio. Even statistics for the industry are incredibly difficult to find: there are no publicly held tattooing companies, and the only well-known example of a company which does piercings is Claire’s, a company which caters to girls between eight and fourteen. Yet other similar industries

have been defragmented. Piercers and tattooists are both classified as personal service workers: two other that fall under that designation are hair-cutters and masseurs. Supercuts and Aveda have both worked towards defragmenting the first, while Burke Williams has established a chain of spas.

This is not to say that the industry has been entirely stagnant: the internet has certainly had an effect. From online tattoo artist review boards to the chance for the customer to bring in a design that they found on the internet, to the ability to view an artists (best) work on the studio's website without ever stepping foot in a parlor, a change is undeniable. More and more clearly hygienic studios appear as the appearance of a tattoo studio has come to resemble a medical office as much as an art gallery. A growing number of studios have private rooms for those who are shy about being seen getting tattooed or pierced, and the appearance of artists has markedly shifted. We seek to capitalized on these changes, and take them even further, as discussed below.

### **Porter's Five Six Forces**

The company will engage in the sale of three main products, as well as a small array of complements. The two core products will be tattoos and body piercings. A third "piggy back" product on tattoos will be Henna "tattoos" – non-permanent monochromatic tattoos. One of the complements that we would sell would be in the form of jewelry for piercings, as this is a natural line of business that occupies little space in the store, and has potentially high margins. We plan to include skin-care products free with the purchase of any tattoo or piercing in order to decrease the likelihood of infection, rash, or damage to the tattoo. We also plan to sell shirts and other clothing items with the brand name on them for little above cost, at least initially (in order to get essentially free advertising, following in the footsteps of Zankou's \$4 shirts); as the brand name grows prominent, we could raise the prices on these items.

We will target different customers during the two phases of launching our business. Initially, our main market will be college students, though of course we will

market towards age groups in the immediate vicinity. Thus, we are looking at a relatively well-educated group of 18-25 year olds as our core group of customers. The age boundary is soft at the upper end, but is very rigid at the lower end; it is illegal in the state of California for minors to get a tattoo, even with parental permission. Piercings are legal for those under 18 with parental permission. Henna is legal for people of any age. As we are striving to create an upstanding reputation, it is imperative to relentlessly card all customers and deny tattoos and piercings to those under 18, perhaps instead offering them a henna tattoo.

Entrants:

The main entrants that we would need to worry about would be Claire's (a company that already targets the piercing market for young women in malls), local tattoo and piercing firms who might get inspired by the idea (especially in the greater Los Angeles area), and Hot Topic. Hot Topic already sells jewelry for piercing, and has a largely 'alternative' clientele who would be potential customers for our new firm. Conversely, we might be able to leverage Hot Topic to our advantage as opposed to competing with us: they are a natural partner for tie-ins and mutual promotions: One example would be carrying the Hot Topic line of jewelry. These deals could also help dissuade them from entering into the piercing business, which would be much more likely for them to enter than the tattooing or henna business. This partnership would be more likely to flourish once we entered malls, as opposed to in the initial phase. Most local tattoo and piercing chains are owned by individual artists, who do not have the expertise or desire to operate a chain of tattoo and piercing places, which rules them out as potential entrants (in fact, in later phase they could become potential franchisees). Furthermore, given the age restrictions, it seems unlikely that Claire's would decide to move into the body piercing (outside of ear piercing) market, as it would potentially alienate their core customers. In addition, it would require moving away from their current method: Claire's currently uses piercing guns, which are only effective for ear lobe piercing. In order to offer other piercings (such as ear cartilage, nose, eyebrow, or others) would require using needles. This requires greater training and precision, which

would serve as a barrier to Claire's, who mainly employ college students or other minimum wage employees. In addition, Claire's targeted demographic (according to <http://www.clairestores.com/phoenix.zhtml?c=68915&p=irol-overview>) is "tweens" and teens aged 7-14, and with >\$1B in sales, diversifying their piercings offerings beyond of ear piercings would mandate shifting their targeted demographic and employees, result in a huge potential risk. .

### Suppliers:

Suppliers would be supplying the following inputs: Henna, Jewelry, piercing and instrumentation, sterility equipment and dyes and manufacturers of post-tattoo and piercing care products. But our primary concern is labor. For inanimate supplies, the only concentrated industry is that of piercing and tattooing instrumentation. However, we suspect that our market power would make us the most valuable customer in the industry and enable us to procure a decent price with the manufacturers. Henna dyes can be obtained inexpensively from a variety of sources. The other areas are all non-concentrated, and we suspect that our market power would exceed theirs, and that we would not lose a substantial amount of profits to any of the other suppliers. Labor is the tightest market. In explanation for why there did not currently exist a current chain of tattoo parlors, one tattoo artist commented "Ever heard of a Molotov Cocktail?" – referring to the volatile anti-authoritarian personalities of some tattoo artists. However, the same artist mentioned that the types of people who are going into tattooing have changed: more and more people with formal art school training have entered the field in recent years. These new artists are likely more willing to work in a chain of stores. They have signaled their ability to maintain stability through four years of art school. As time evolves, it is likely that this is the group of artists that we would be most interested in hiring, for that exact reason. Additionally, we can offer something that existing parlors largely do not: more time to work on their art. As we discuss later, by having professionals to deal with the paperwork and administration, the individual artists would have more time to spend on their work, something that could offset the distaste of working for a chain. Initially, we would look to hire existing tattoo artists who were more

clean-cut than others (so as not to scare away potential customers) in lieu of training them ourselves. As discussed below, in the second phase we could develop a training and certification program.

Rivalry:

The current market organization has a setup which is quite non-rivalrous. Despite the number of tattooing firms in any given area, posted prices are rare. “Floor Sharking” is a common practice, in which an artist asks a fellow artist what price should be charged for a tattoo; the second artist responds with a very high figure, and the first will then offer a discount off of that price. This results in large profits per tattoo in the industry. Similarly, it is clear that the prices which are charged in piercing are substantially higher than the marginal cost of stabbing a one-use needle through someone’s ear: the process often takes no more than 10 minutes. There are few entry and exit barriers, with the largest barrier to entry being the need to establish a reputation. In light of the preeminent role occupied by reputation, there is a significant first mover advantage. Must in the same light that it is incredibly difficult to enter the climbing rope market, because reputation is the largest barrier to entry, this company would benefit from an association with quality that any potential competitor would have to mimic or overtake, a daunting task. Once the chain entered the business with posted prices, the competitors would be forced to undercut us, and have a second-mover advantage. Price could easily function as a signal and as we wish to position ourselves as a high quality firm, this would be to our advantage. At this point, there is little differentiation in the product: this is something that we wish to deviate from. We plan to establish a reputation as a very high quality firm, while probably employing a “Fear, Uncertainty and Doubt” strategy with respect towards our rivals. By publishing a list of practices that we observe which are at or above industry standards and implicating that sizable percentages of competing stores do not follow these practices, we can differentiate ourselves. After all, no one wants to play Russian Roulette with a tattoo – a mark that will be with him forever and is incredibly costly and painful to remove. Likewise, infections from piercing are both irritating and unattractive, something that customers are willing to pay a premium to avoid. It would be crucial to

advertise that we are a chain as well – perhaps with a map of greater Los Angeles with our stores identified – as this would be a signal of success and quality. However, we fear that our entry and market-building activities would attract other entrants resulting in horizontal differentiated competition similar to that in the fashion industry.

Buyers:

Our targeted customers are individual consumers who have virtually no market power. The folks we are initially targeting are college students. We are competing for their discretionary income – something that they only have in limited amounts. Conversely, many people want to remember their college experience, and a tattoo is a wonderful way to commemorate it. It is unlikely that most mainstream college students would be willing to enter normal ‘behind the barber-shop’ tattoo parlors in an attempt to compare prices. While competitors would likely be forced to post prices in response to our entry, at the current moment comparing prices is infeasible. We suspect that, in order of ascending elasticities, first would be tattooing, then piercing, then henna. This correlates with how permanent the body art is. Furthermore, for tattoos, quality is probably signaled at least in part by price, and quality is the most relevant domain for a majority of consumers. For body jewelry, consumers are interested in both price and quality and thus are likely more price-sensitive. Henna would most likely be done on a whim, and thus is the most subject to price.

Substitutes:

Visiting another piercing and tattoo parlor; county fair; clothing; major body modifications; temporary tattoos; clip-on earrings. None of these are very good substitutes. However, we are competing for college students’ discretionary money. Thus, we are competing against upper-end clothing stores (Banana Republic, Anthropologie, etc.) as well as nice restaurants, and alcohol.

Complements:



Complements offer a particularly rich area for a defragmented tattoo industry. Clothing, art trends, movies, TV shows, models, advertisements, magazines, personals sites and product placement and colleges are all potential gold mines. While it bears the risk of customers with ‘buyers’ remorse’ years down the line, one option would be to offer a special on tattoos which had been featured in a recent movie. College students are potentially prime customers, so being close to a large college or university would provide a ready source of customers. TV shows, especially those directed at the under 25 demographic, would be a gold mine – imagine someone undergoing a makeover on “Queer Eye for the Straight Guy” getting a tattoo at the prospective company. Online advertising is another untapped opportunity. With the targeted advertising now available, it is easy to have banner or pop-up advertisements when someone with body art (or someone searching for people with body art) appear when they live in Los Angeles (or the markets we have expanded to at that point, this is expanded on below).

Tie-ins with runway shows would be a great option for the fashion contest – everyone from Brioni to Raf Simons and Victoria’s Secret to Ralph Lauren could have tie-ins with tattoos on their runway models. Fashion magazines would be very valuable: in these magazines jewelry and clothing are all attributed to their providers in fashion photos and having “Tattoo Done by Hollywood Bodyworks” would be a great way to reach out to that demographic. Star testimonials would be a great way of advertising: early on we would leverage local celebrities; after the proof of concept national pop stars and movie stars would be promoters. The star, wearing a tattoo from us, would send a very strong signal of commitment to quality: what pop star would get a tattoo done somewhere that was not known for quality?

Henna also serves as a complement. In order to establish a reputation for quality, we must be known as a responsible firm, and this entails being strict about carding minors. Refusing to tattoo someone, however, is liable to create bad feelings amongst customers, so Henna serves the dual purpose in that it will dis-incentivize people from attempting to get a tattoo using a borrowed ID while giving the company an option to ameliorate customers who are denied a tattoo if they are underage, intoxicated, or

otherwise ineligible. At the least, it makes entering the store for the first time much less taboo for those who would like to get a tattoo, but are scared by the old image.

## **Phase I**

This is the initial and the most difficult phase of launching our business. During this phase we are going lay the groundwork for our business model and strategy, open up the first few pilot stores, and establish reputation in the market.

### *Business Model and Strategy:*

In order for the body modification market to be successfully defragmented and become mainstream, we need to educate the public about the current social status of tattoos and piercings. We would accomplish this by differentiating our studios from the typical tattoo and piercing parlors as a way to appeal to a different clientele. Current piercing studios appeal to a variety of customers, ranging from rebellious teenagers to men going through midlife crisis to white-collar weekend warriors. They are typically located in eclectic parts of town and are often not in the most visible or easily accessible neighborhoods. The studios tend to look fairly similar, having myriad of flash art samples on white walls, a variety of jewelry under the glass case, and a small army of piercers or tattooists operating on clients on converted massage tables. The employees tend to be not the most accessible looking guys and gals; each sports a plethora of tattoos and piercings of his own. This type of ambiance would likely not be very appealing to the mainstream mall-going MTV-watching public. Also, unless recommended by a loyal customer, it is very difficult for potential customers to distinguish these studios based on quality or safety of procedures.

As we describe above, tattoos are still largely on the fringe of society. We would distinguish our studios with an atmosphere of an “upscale salon” to differentiate from “dingy tattoo and piercing parlors.” Walls would be covered by high quality posters and artwork, promoting the company's image and its partners. Studios would provide customers with advice on the aftercare of tattoos and piercings and include

complementary products (such as high quality sea salt, antiseptic, skin care creams, band-aids, etc.) to form a complete package. By doing so our firm would pursue an "all you need is provided" strategy to cultivate the market, attract first-time customers who have little knowledge about tattoos and piercings, and gain a competitive edge over competitors by saving customers time normally required to obtain information and aftercare products. Lastly, the firm would have an edge over smaller competing studios by accepting credit cards without the onerous fee most current parlors charge.

To promote trust and awareness, posters explaining the possible risks of tattoos and piercings (including infection, indefinite duration, and allergic reactions) would be placed in highly visible locations alongside with posters promoting safety, sterility, and listing industry practices that we adhere to or exceed. Such measures would include the highest quality one-time-use (or autoclaved) instruments, spotless cleanliness, and highly educated piercers and tattoo artists. We could recruit a reputable doctor to be part of our team early on and have him give a testimonial on the best way to prevent infections, the best equipment, and on the benefits of our health and sanitation procedures.

Many view the art of tattooing and piercing as exactly that – art; however there is also a lot of science behind this process, not limited to dyes, anatomy, and equipment. We would assure our customers that, unlike other tattoo and piercing establishments, we have a superb understanding of both sides of the business. In this stage, we could interview scientists from a prominent institution such as Caltech or UCLA about what the best dyes are in terms of duration, non-invasiveness, and dermatological concerns. We would also detail the most effective and safe equipment in the business, including particular alloys, production methods, and reusability. We would show our customers that we are going the extra mile to assure quality and safety by documenting the practices that we follow (quality of autoclaves, types of needles, dyes, etc.) and posting them in visible locations in our stores. We could even seek out a third party to perform regular inspections of our stores, and frame the certificates that they issue on our walls. Such steps would reassure customers that they are safe in our hands, and would send a signal to our competitors that we are serious about staying in the higher end of the market. Where such measures are already the industry standard, we will adopt them; when they are better than what the industry currently does, we will one-up them, including a comparison chart

indicating what the customers gain by choosing us over our competitors. We do not need to finger the competitors exactly: instead we would make it clear to clients that when buying from us, quality is assured; when buying from competitors, they are taking a chance. Such policies would naturally raise our costs, but since we are on the high end of the spectrum, we are competing on quality as opposed to cost. Therefore our firm would charge higher prices.

We would further differentiate ourselves by offering customers a temporary or henna version of their prospective tattoo at a fraction of the cost of the actual tattoo; the price of the temporary tattoo could later be applied to the cost of the actual tattoo. Such a measure gives added security to our customers since they could try the tattoo before making it permanent, ensuring that they like the artwork, and catching "MOHTER" type errors. Because of the sunk costs of obtaining the temporary tattoo, the customers would still be very likely to get the real tattoo or request adjustments at additional cost to alter it to fit their desires. Finally, the employees in the stores would be dressed fashionably and show a reasonable number of tattoos and piercings to avoid the "scary" look typically attributed to tattoo and piercing artists. The store would invite customers in with popular music.

### Marketing:

Initially our marketing would be concentrated and localized. It is clearly illogical to advertise in national magazines or on television. Instead we would recruit local celebrities and cultural icons, such as Angelyne or Big Boy in Los Angeles, and other prominent DJ's, radio hosts, and band members. We would approach them offering a free tattoo or piercing (or even pay them if they are famous enough to advertise for us). Then we could film short ads with these figures showing off our tattoo or piercing and promoting our company and air them on local television, radio, and cable stations. This arrangement would be mutually beneficial as it is free promotion for them as well. Another advertising venue would be purchasing space on billboards, buses, and bus stops in our areas of interest.

We could create a website with a FAQ and other information about tattoos and piercings, sample artwork and jewelry, our mission statement, and a store locator, among other features. Then we could advertise on online friendship communities such as Friendster and Orkut, or through targeted banner ads on Google. Advertising on Google is particularly lucrative since banners for different companies are displayed randomly, with probabilities determined by each company's bid for a particular keyword, and the company is charged only if a user clicks on the banner. This way we could bid on banner space for keywords such as "Los Angeles piercing," or just "tattooing" and "piercing" when we become a national company. Google's upcoming Gmail (a web-based email service) offers another opportunity for advertising as users will be presented with short text ads based on the contents of their email messages.

In the first few months we could seek out young individuals and offer them free tattoos and piercings in return for promoting our stores. Major clubs and party-promoting companies employ this strategy successfully by recruiting regular partiers and club-goers to promote for them in return for free admission and VIP access. We could have our promoters pass out fliers and post posters at targeted college campuses, and promote at local clubs (especially upscale clubs such as those on the Sunset Strip), concerts, malls, and music festivals. We could offer promoters a small percentage of the proceeds if the new stores do exceptionally well. One idea for flyers would be a "get a 10% discount flyer" to attract fist-time customers and keep track of how they found out about our stores. We would concentrate our promotion on opening new stores, announcing our presence with balloons, free snacks, and, most importantly, hefty discounts.

### *Pilot Stores:*

We have picked California as our test bed for its large tourist-vacation industry, proximity to Hollywood, MTV, and affluent citizens. As discussed previously, we would open the first few stores near large college campuses in the Greater Los Angeles region. In particular, we would target more prominent, upscale, and relatively wealthy universities such as USC and UCLA. Although targeting CSU schools carries the additional benefit that tattoo and piercings are even more accepted among their students,

UCLA makes an especially attractive target. It is located in Westwood, a very upscale portion of Los Angeles close to Beverly Hills, malls such as the Beverly Center, and high fashion areas such as Rodeo Drive, and has a student body of over 30,000 strong.

Appealing to college students carries other benefits. Having college students, especially from prestigious universities, wear our tattoos sends a signal to other segments of the population about the status of tattoos and piercings. As these college students begin working for reputable companies, their co-workers would become more accustomed to and comfortable with tattoos and piercings, and might consider getting one of their own (naturally from our safe and high-quality studios). Thus targeting college students helps associate tattoos and piercings with educated, intelligent, and successful individuals in the long run. An added benefit is that college is seen as a "cool" demographic by almost everyone, and college life is a highly visible and publicized part of our society. A significant number of college students wearing our tattoos and piercings would speak for our reputation and raise the market for our products. Finally, college students would be more inclined than other major demographics to wear body modifications since for a large group of people college is the best, wildest, and most memorable time of their lives. During college years, people are more prone to do be spontaneous and rebellious, indulging in road trips, parties, and other adventures to be remembered nostalgically in later years.

The best initial option is to use already flourishing tattoo and piercing studios as our pilots as opposed to opening new stores on our own. By adopting existing studios, we circumvent the difficult tasks of finding suitable locations, opening up a new business from scratch, and, most importantly, seeking out skillful tattoo and piercing artists. Also we can capitalize on their existing cliental. As indicated below, training tattoo or piercing artists takes at least a year, which is too long for this phase. We would perform grass roots research, contacting and visiting numerous body modification studios in the Greater Los Angeles area, concentrating on regions with large college campuses, and West Los Angeles in particular. During this process, we would identify the studios that most closely identify with our vision and offer to purchase them from the current owners. In the case that we are unable to find or purchase existing suitable stores, we would open the stores on our own and headhunt employees from existing tattoo and piercing studios.

Employees are further discussed below. We would have 5 – 7 such studios as our pilot stores.

Employees:

It is widely agreed that an apprenticeship in a reputable studio under a well-respected, highly skilled and experienced professional is the best way to learn the art of tattooing and piercing. Because this process takes about a year, in the first stage we would steal employees from existing tattoo and piercing studios. To assure quality, we would set very high standards for the employees' health and safety records and require background checks. Our firm would only hire tattoo and piercing artists with a spotless resume, and several years of experience. Compensation would include salary and incentive pay. The rationale for this is that incentives would encourage our tattoo and piercing artists to work harder, while the salary would attract employees with stable lives who are more risk-averse. In order to be competitive, we would offer attractive benefits packages to employees. By emphasizing and publicizing our criteria, the firm would minimize potential errors, infections, and other defects, reassure customers, and provide an additional reason later on for potential franchisees to adopt our brand.

We would reassure tattoo and piercing artists that we are not attempting to steal business from them. Instead, we are presenting them with an opportunity to focus on what they love – the art of tattooing and piercing – while we would take care of tedious management, permits, paperwork, supplies, and advertising, among other aspects of running a business. Since tattoo and piercing business is mostly seasonal, we would further appeal to stable risk-averse individuals by offering a steady year-round salary as opposed to pure incentive pay, which is how a portion of piercing artists currently get paid. We could attract tattoo and piercing artists who are less risk-averse and more entrepreneurial by offering them a favorable contract as a franchisee in the future if they work in one of our pilot stores and assist us in getting the business off the ground. Such a strategy would provide this type of individuals with additional incentives to put a lot of effort into their work, and would give us a ready warm market for franchisees after we tweak and perfect our business model in the pilot stores.

## **Phase II**

After establishing a framework with pilot stores we would expand by franchising. While we would continue to market towards a mainstream clientele with a focus on quality assurance, there would be new opportunities available to us. For example, due to our increased size we would be able to employ greater standardization, centralized employee training, mass marketing and investing in larger partnerships. Finally, as we grow it becomes all the more imperative that we maintain a strong, positive public image and a reputation for being head and shoulders above the competition.

### Marketing:

One significant advantage of being a chain is to be able to have large-scale advertising unavailable for individual studios. Our ads would address effectively reach a broader range of customers and assist luring business to franchisees. We would advertise nationally on TV, in magazines and on the internet with pop culture icons that our target customers would identify with. While we would pay these stars to advertise (and thus wear) our tattoos, the fixed cost would be spared over a number of stores. In an ideal world, we would retain celebrities from a variety of lines of work: pop singers (à la Britney Spears), movie stars (Brad Pitt), athletes (Shaquille O'Neal), and models (Kate Moss). These testimonials would emphasize the safety and security of getting a tattoo at our establishments – perhaps we could even mirror IBM's famous ad campaign, emphasizing the idea that “Nobody ever regretted getting a tattoo from Hollywood Bodyworks.”

Economies of scale would let us engage in advertising that ‘mom-and-pop’ style parlors could not. For example, we would explore fashion shows, art festivals, concerts and sporting events and potential venues for promoting our brand. Affiliation with these events could help foster a strong image, as well as disseminate information about our existence. We could even go out on a limb and sponsor charity events as a way to drastically separate ourselves from the stereotype of tattooists as antisocial misanthropes.



We would also develop chic t-shirts, bumper stickers and other swage with our company logo. As mentioned above, this is essentially free advertisement, but at this point we could also have this be some a small source of revenue.

### Partnerships and Licensing:

As our chain develops we would be able to engage in strategic partnerships with fashionable companies. The firm could establish tie-ins with popular fashion producers such as Ralph Lauren or Christian Dior. We could develop a line of tattoos to compliment a certain look or a line of body jewelry in conjunction with our partners and then cross-advertise and cross-promote each other's products akin to the arrangement between Disney and McDonalds. A particularly important venue for such partnerships is fashion runways. Appearing here would further differentiate us from competitors and demonstrate to customers that we are on the bleeding edge of style. One alternative to these partnerships would be pairing with companies such as Disney or Warner Brothers to offer unique licensed artwork. This would create an incredible advantage over other tattoo studios, since they wouldn't have the financial power to license similar designs, though it would be unreasonable to expect that there would not be significant cheating by small competitors who have little to lose. The primary benefit of the existence of these arrangements would be acting as a barrier to entry for people attempting to copy our model

### Employees:

In light of the necessity of quality employees we would be meticulous about our hiring and training process. In this second phase these would be drastically different than the first phase, though they would serve to achieve the same goal: responsible and adept tattooists and piercers. We forecast that as our chain burgeons it would be impossible to keep up with demand by merely hiring existing tattoo artists. Thus, we would develop a central training and certification structure, similar in concept to the "Hamburger University" of McDonald's. Interested artists would to apply to individual stores and if

they were selected they would attend a rigorous training program in a central school that vets candidates all of the stores.

We would seek to determine some sort of metric for establishing the artistic talent of potential candidates. One option would be to partner with a prominent art institution such as California Institute of the Arts to devise an artistic ability assessment that potential employees would be subject to. After successful completion of the program, our newly certificated tattoo artists would have a short apprenticeship to one of our current artists. We would investigate whether it is more feasible to have the artists pay to attend the school and for the apprenticeship, or if a contract that would tie them to us for some period of time is a more feasible option. Potential franchisees would be likewise required to attend a training program. While in this case they would go through a managerial training and be instilled with the company values as opposed to attending a tattooing school, we think that in order to maintain our reputation, such a system would be necessary. Of course, if they chose to work as tattoo artists as well, then they would go through the usual training.

The timing of starting this kind of a central training program is very important. If it is too early, there wouldn't be enough artists to train and therefore it would be costly. If it is too late, then we wouldn't be able create a strong image. Therefore first we would create a structure on paper during the first phase and we would realize these plans as soon as we have demand.

### *Ever-evolving Science:*

We would develop the safety and sanitation program in conjunction with a well-respected public health institution or bring on-board a prominent public health official. According to the Association of Professional Piercers, the trainee would need to attend a blood borne pathogens training class (given by OSHA, Red Cross, or The National Safety Council), a First Aid/CPR class (from the Red Cross or the YMCA), and a training seminar on anatomy, safety, hygiene, techniques, and hands-on piercing experience. We would certainly follow these guidelines, and consider expanding the requirements if the health official deemed it worthy.

Like most businesses, tattooing is constantly evolving. We would act to further this. We would conduct research into what are the safest, most effective-techniques to maximize the life of the tattoo, while simultaneously minimizing pain and keeping the tattooing experience as short as possible. We could also even research alternatives to tattoos. Imagine “semi-permanent” tattoos, like hair dyes. Tattoos that would like for 2-3 or 8-10 years (clearly these two options would serve very different markets) before fading away without leaving a mark. People who are afraid of getting something permanent could invest in these – deciding later on whether they wanted to get it done permanently, or let it rest. We would also investigate ways to pierce tongues, eyebrows and noses in a way such that the holes do not close up within hours, as they currently do.

#### Location:

As we expand, we would locate in popular upscale locations: malls, shopping districts and near colleges. This placement strategy would make the studios not only visible and accessible, but would also help associate tattoos and piercings with mainstream fashion - as opposed to long-haired, bearded Harley riders. Imagine a body modification studio located in an upscale mall right between Abercrombie & Fitch and Hot Topic: it would attract customers from both worlds. It would even draw from those who normally might not ever set foot in a typical tattoo and piercing studio but egg each other for a ‘wild moment.’

#### Standardization:

By standardizing equipment and centralizing supply for franchisees, the firm would gain greater bargaining power with the suppliers. We would manage the supply of jewelry and equipment to our franchisees in a way that promotes efficiency and allows us to buy at lower prices. Another benefit comes in the increased leverage with jewelry suppliers: the opportunity to negotiate favorable contracts and even commission our own line of jewelry. Having a big chain would also enable us to have complementary products such as t-shirts manufactured on the cheap.

Currently a sizeable number of tattoo artists actually design their own tattooing equipment; this is incredibly inefficient. Given the desire for a very consistent tattooing or piercing experience, having standardized, high quality equipment would be imperative. Also, it is likely that a number of the current infections are due to human error. While some of these cannot be prevented – it is the fault of the clients after they leave the store – having a chain of larger stores would make the purchase of high-quality autoclaves and other automated sanitizing equipment much more affordable.

## **Conclusion**

We conclude that the body modification market is ready to be defragmented. Our firm would enter the market pursuing a strategy of accommodation. In a Hotelling sense, we would be far from our competitors both geographically and in the quality-space. We would utilize large-scale advertising, and an "all you need is provided" strategy to cultivate the market and appeal to a large segment of the population currently not served by the tattoo and piercing industry. Consequently, the firm would take the higher end of the body modifications market and charge a higher price, thus avoiding direct price competition, stealing customers, and destructive wars of attrition. Utilizing our first-mover advantage and offering the highest standards and unique services, we would be able to quickly establish a great reputation. As our chain grows, we would form strategic alliances with other fashion firms, and magazines and employ national advertising. Recruiting and training new employees will become the greatest challenge in maintaining the highest standards. However, as the market expands and our profit margins grow, sustaining competitive advantages would be problematic as existing tattoo and piercing studios adopt our practices and other firms would be inclined to enter imitating our business model.