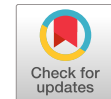


Case study

Is growing easy? That is what you think! – The July Beauty and Makeup

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Abstract

Objective: The case reports the difficulties found by entrepreneurs Isabela and Daniel in the implementation and growth of July Beleza e Makeup. The company's history, which emerged from a business plan prepared by Isabela, portrays the traditional barriers faced by entrepreneurs in business growth, such as lack of access to credit and low credibility on the part of suppliers. Although the company has enjoyed a good period of leadership in the market and high revenues, entrepreneurs are faced with new and peculiar challenges that affect the growth of the organization. The discussion of the present case seeks to promote reflections on the difficulties encountered by entrepreneurs in the process of growing a business. The data for the construction of the work were collected from an unstructured interview, carried out with the founders of the company in question. The application of the case is indicated in subjects related to the development of competence and skills for entrepreneurial training, such as entrepreneurship, strategy and business games.

Keywords: entrepreneurship, business growth, effectuation, causation.

Resumo

Objetivo: Este Caso de Ensino relata as dificuldades encontradas por Isabela e Daniel na implementação e no crescimento da July Beleza e Makeup. A história da empresa, que surgiu a partir de um plano de negócio elaborado por Isabela, retrata as tradicionais barreiras enfrentadas por empreendedores na ampliação do negócio, como a falta de acesso ao crédito e a baixa credibilidade por parte dos fornecedores. Embora a empresa tenha aproveitado, de forma satisfatória, um período de liderança no mercado, com alto faturamento, novos e peculiares desafios passaram a afetar o negócio. A discussão deste caso, portanto, tem a finalidade de promover reflexões acerca das dificuldades encontradas pelos empreendedores no processo de crescimento de um negócio. Para tanto, dados foram coletados a partir de uma entrevista não-estruturada, realizada com os fundadores da empresa em questão. A aplicação deste estudo é indicada para disciplinas relacionadas ao desenvolvimento de competências e de habilidades para a formação empreendedora, tais como empreendedorismo, estratégia e jogos empresariais.

Palavras-chave: empreendedorismo, crescimento de empresas, *effectuation*, *causation*.

THE CASE

To start the conversation...

It was 10 am on a Monday, and Isabela had just woken up. Still in bed, she remembered how exhausting the previous day had been and processed the main difficulties facing Jully Beauty and Makeup in her mind. The cosmetics company started in the small town of Juazeiro do Norte, in the interior of Ceará, had grown and, consequently, the fruits of this expansion were already “problems for grown-ups”.

Complaints from customers, revenue drops, and doubts about whether or not to open a new branch disturbed the entrepreneur’s thoughts. This business, built amid challenges, gained recognition and space in the region in which it operated; it now remains to prevent it from getting lost precisely in its growth phase.

What else could happen to the entrepreneur? What is the future expected for Jully Beauty and Makeup? Isabela needed to act, making decisions that would determine the path to be followed and even the business’s survival, which had been built with the help and effort of her husband.

Daniel, husband and entrepreneur, and life and business partner of Isabela, tried to calm her down and help her search for the best solution to those problems.

Isabela entrepreneur?

In 2013, the year of her graduation in Business Administration, Isabela reflected on her Course Completion Work, which involved a business plan. Once, looking on the Internet for cosmetics and makeup products for her consumption because, in the city where she lived, there was no physical store that offered the brands she preferred, she thought: “I could do my Final Course Work precisely on this segment!”.

While writing the plan, Isabela believed the deal could get off the ground. Also, coincidentally at the same time, the public institution in which she worked was about to change management. As his position was commissioned, there were likely threats to his employment. Because of this, in an informal conversation with her husband, she said: “Daniel, there’s something I can’t get out of my head: I’m seriously thinking about quitting my job and putting my business plan into practice. What do you think of this idea?”

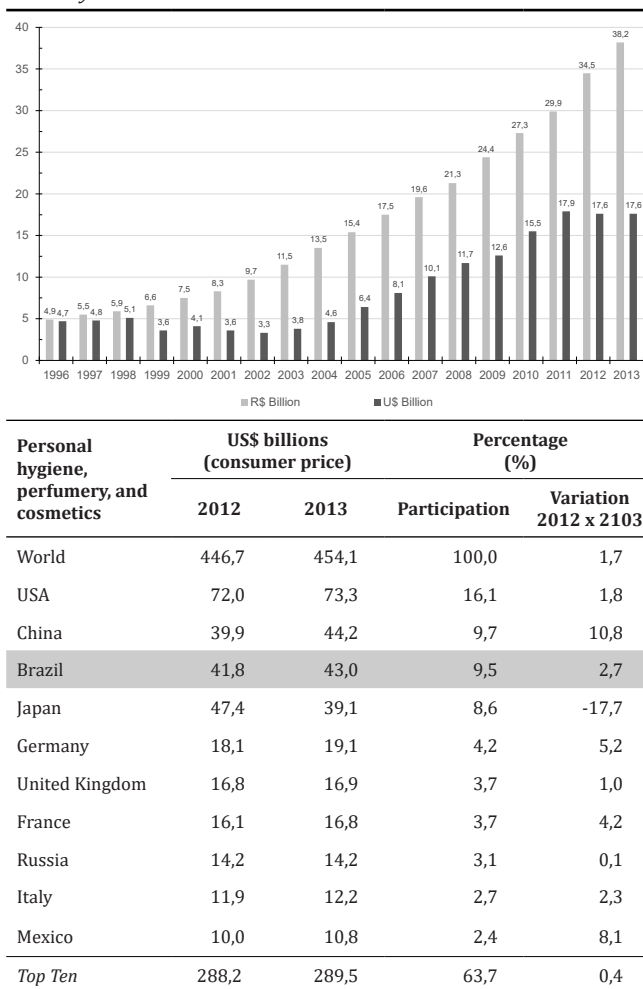
Daniel was Isabela’s long-time partner, as well as a Business Administration student, and worked as a representative of a large cosmetics industry in the country. As he saw the upward growth of the sector (Figure 1) and his wife’s interest, he could not give another answer: “I give you all my support! Go on shipping and open your store!”

Jully Nail Salon

The Jully Nail Salon opened in the first half of 2013, based on an investment in which Isabela’s 13th salary was invested and the sale of land owned by her.

Figure 1

Overview of the Brazilian Personal hygiene, perfumery, and cosmetics industry sector



Note: ABIHPEC (2014).

The store followed the nail polish model on the rise in Brazil: small, well-decorated stores focused on nail products. As revenue from the exclusive sale of nail polish was low, Isabela included makeup products in the business.

The store (Figure 2) was located strategically in the central district and close to the main square in Juazeiro do Norte. It is a municipality in the interior of Ceará, with a population of approximately 276 thousand inhabitants, a GDP of R\$ 17,725.62 (Brazilian Institute of Geography and Statistics [IBGE], 2018), being the third largest economy in the state, and the main city in the interior

Due to Padre Cícero, the city is one of Brazil’s three largest centers of popular religiosity, attracting about 2 million visitors a year, strengthening the local economy, and making retail trade heated throughout the year. On the other hand, the cosmetics market was still dominated by popular franchises which sold basic beauty products. There was, therefore, something “different” to highlight this segment.

Isabela saw favorable conditions to undertake in the city; however, the first results of the business did not encourage her: the entrepreneur had foreseen, in her business plan, a turnover of around R\$14 thousand, and, in the first month of the store’s activity, it was R\$ 6 thousand.

Figure 2*First July Nail Polish store*

Note: Store's photographic collection (2019).

Already graduated in Business Administration, Isabela was the type of multifunctional entrepreneur; that is, she made the purchases of the store, the cash control, the payments, and served the customers. As a result, no money was left to organize the company's marketing, and it promoted the products through social media (a free form of communication with its audience).

The following months were not promising either: on some days, the store had a turnover of R\$ 50, and all the money was used to keep the business going. Therefore, there was no credit for working capital, Isabela's only support being the bank's legal account she had opened. Even so, it was not easy due to the excessive demands imposed by the financial institution. All this made Isabela vent: "I regret leaving my job! There, I had a salary, and here, I work very hard and get no return!"

Despite this, Isabela persevered, counting on the support of her husband and family. Isabela's father and father-in-law, seeing her willingness and effort to maintain the business, lent R\$4,000 for stock purchases made in a given month.

Isabela and Daniel, as an investment, then decided to participate in the Beauty Fair in September 2013 – an international beauty fair that has been taking place for 15 years and is recognized as one of the largest in the Americas. Held in São Paulo (SP), the event receives over 182,000 professionals, around 500 exhibitors, and over 2,000 brands, generating US\$ 200 million in business.

At the fair, the couple observed important aspects of the market, such as the fact that the interior of Ceará was not seen as a vital commercial hub in the beauty market, as it was considered poor and small. This vision interfered with Isabela and Daniel's business during the fair: they could not obtain credit or deadlines from the suppliers and were treated indifferently. With much effort, they could only close orders with the fair's suppliers through cash payments.

There was also prejudice against companies that carried the title of "enamel shop", seen as having low revenues, which did not benefit suppliers. This fact made Daniel suggest a strategy to Isabela: "Do you see how the nail polish title interferes with

the store's vision? Let's change July Nail Salon to July Beauty and Makeup?"

Isabela agreed with the change, and the couple returned to Juazeiro do Norte, taking more knowledge of the market and products and the new brands emerging in the sector.

Glory days

The sale of new brands, found only in Isabela's store, became a differential in the business. Furthermore, in 2013, they leveraged it with year-end purchases. In December, for the first time, the store sold R\$ 1,000 in a single day.

In 2014, Daniel decided to quit his job and work with Isabela in the venture. The labor rights he received were invested in the store, aiming to bring other brands. At the beginning of that year, the store began to hit the sales target of 16 to 20 thousand reais per month.

Suppliers were impressed with the small store's revenue and began considering Ceará's countryside a thriving place for the cosmetics market. Representatives of those brands began to visit the locality, and Isabela commented:

I thought it was a little unfair because we went after suppliers in São Paulo and had to pay for orders in cash and met a series of requirements. When they saw the potential in the state's interior, they sent representatives and opened credit to other stores.

On the other hand, the suppliers were grateful for July, as the store opened up a market space in the countryside and offered her special benefits. Isabela sought to have control, being conservative in the investments made in her business. On the other hand, Daniel had a more risk-taking entrepreneurial instinct and began promoting sales in the region's beauty salons and making bold purchases. Isabela said, "I would buy 10 boxes of lipstick. Daniel once took over the purchases and placed an order for 100, all of which were sold out quickly".

In 2015, a second store was opened in Crato, a municipality neighboring Juazeiro do Norte. Furthermore, in the same year, competitors entered the market with a proposal similar to July Beauty and Makeup. Despite that, the store was already a reference in the region: "We are seen as the store where every woman should be. If she liked taking care of her beauty and didn't shop at July, she was questioned" – said Isabela.

July Beleza e Makeup at shopping

Isabela and Daniel were excited about the store's success and wanted to grow as quickly as possible to maintain its status as a reference in the region's cosmetics market. At that moment, an unexpected invitation came to Isabela: "Hello, Isabela, I'm Sandra, responsible for managing stores at Cariri Shopping, and I would like to know if you are interested in bringing July here".

Cariri Shopping was the only one in the state's interior, with 193 stores, 5 anchor establishments, and a circulation flow of 7.5 million people.

Isabela knew owning a mall store was a big deal, so her first thought was to decline the invitation. Daniel took the lead and replied, “Of course we are interested! When can we talk?”

Three months later, with some difficulties, July opened its store at Cariri Shopping Center. The entrepreneurs had provided a budget for the renovation of the establishment, and, in the end, they spent twice the amount. For the structuring of the store, Isabela had sought financing of R\$ 50,000 from the bank. However, once again, the institution presented a series of demands, and when approval was finally given, the bank went on strike.

With no resources from third parties and pressure from the mall to open the store quickly, Isabela and Daniel had to pay for the renovation with their resources. For the stock of products in the store, they estimated another R\$ 100 thousand, spending a total of R\$ 400 thousand in the end due to the store size.

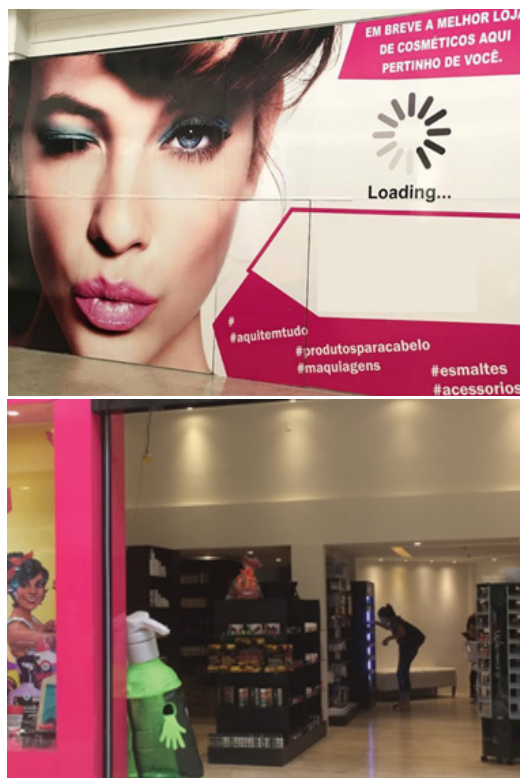
Despite the high costs, only on the store’s opening day (Figure 3) R\$ 16 thousand in products were sold, showing that the company was already following the steps of “big people”. On the other hand, in parallel with the growth, problems of greater proportions began to appear.

Plans for the near future

Isabela and Daniel’s routine was exhausting: it started around 7:00 am and ended at 11:00 pm. Keeping three stores running with quality service was not easy. Also, amid the rush, there was a surprise for the couple – a baby on the way.

Figure 3

Jully Beauty and Makeup at the city mall



Note: Store’s photographic collection (2019).

Luiz Guilherme was born in August 2017 and changed the couple’s routine, who shared the roles of parents and entrepreneurs. Thus, while Isabela dedicated herself to the first months of her little one’s life, Daniel commanded the management of the stores. Restless with the entrepreneurial spirit, Isabela, however, did not take long to return to the administrative activities of the business.

In 2017, the company was still healthy; that is, sales were heated, and entrepreneurs were thinking about how to take advantage of the position of one of the main cosmetics stores in the region to expand their horizons. The couple’s next goal was to open another store, this time in Barbalha, a city of 60,000 in Ceará.

Located 12 km from the Juazeiro do Norte municipality, Barbalha is a small town with a GDP per capita of 17,347.60 (IBGE, 2019), occupying the 19th position in the state of Ceará. Holder of a large agricultural center in the region, the city was responsible for most of the production of foodstuffs, highlighting the planting of sugar cane, with an average production of 22,750 tons per year, which gives it the title of the land of the green cane fields.

Also known for its excellence in providing public health services, Barbalha has the region’s main hospitals and the Medical School at the Federal University of Cariri (UFCA).

Concerning commerce, the city showed little economic expression: in 2017, Barbalha had 972 registered retail companies and 1,764 formal jobs (IPECE, 2017). However, there was a significant flow of people coming from neighboring cities in search of health services, which, in a way, contributed to the movement of the local economy.

Other attractions of small Barbalha made this movement even more intense at certain times of the year, such as during holidays, when people visited natural tourist spots and participated in the Festa de Santo Antônio de Barbalha – a popular annual event held in the June festivities, which attracted visitors from several cities in the Northeast.

Although it had few inhabitants and limited trade, Isabela saw in Barbalha the opportunity to add to her store a large share of the local market, given that there were only two stores in the beauty sector, one of which was a nationally known franchise. In this sense, a new store would offer convenience to customers residing in that city and people who frequented the municipality, in addition to various products and brands – a differential already recognized at *Jully Beauty and Makeup*.

Even without a clear definition of whether to open the store in Barbalha or not, Daniel suggested to Isabela to sign a lease for a commercial point in the city: “I’m going to sign the contract today, right? It’s a nice spot and at a good price! We rent it, and then we think about the strategy on how to open it! It will serve as an incentive for us to expand our business!”

“Big people” problems

Between the end of 2017 and the beginning of 2018, the consumer market began to decline as customers were more in control of their purchases. About this, Isabela commented: “Before, when

the collection arrived with lipsticks in five different colors, the client would take all five. Today, it is no longer like that”.

At the same time, two family situations affected the couple: Luiz Guilherme had a health problem that deserved special attention, and Isabela's father was diagnosed with a serious illness. Without hesitation, the entrepreneurs prioritized the family, starting to dedicate themselves almost entirely to Isabela's son and father. They hired a manager to help with the store's activities.

There were months of distress and total dedication to the care of the family. Meanwhile, the hired manager monitored the store's personnel, sales, and inventory management activities. During this period, all information about the enterprise was passed on to Daniel and Isabela by the manager, who made their decisions based on that.

Months later, Luiz Guilherme and Isabela's father recovered from their health problems, which allowed Isabela and Daniel to return to the company. At the time, they noticed that the manager did not report some problems: losses with expired products, customer complaints regarding service, and a 40% drop in sales. All the efforts made for years by entrepreneurs seemed to have been disregarded.

Crato's store was also experiencing difficulties; revenue was just enough to cover expenses. In addition, the entrepreneurs rented a commercial spot in Barbalha three months ago and began to rethink the opening of the new store. Isabela shared her concerns with Daniel:

I don't know, Daniel! In my opinion, I think we'd better call off the opening of the store in Barbalha! Our company is totally out of order! I need to redo our strategy and recover our revenue. At this point, the company's survival is what must prevail. How am I going to open a store if the existing ones can barely close the account? In addition, as Barbalha is a smaller city than Crato, it is likely that we will not be able to make a significant return.

Daniel disagreed with Isabela, as he believed that Barbalha's store could be the way to recover revenue harmed by the other stores. In addition, it was worrying that he would terminate the lease agreement concluded and lose the market share potentially opened in that city. By the way, rumors circulated that a competitor of Isabela's, whose company was smaller but sold similar brands, was negotiating to open a store in the city. On this, Daniel said:

Isabela, I think it's good that we keep opening the new store. If we terminate the contract, we will have to pay a fine of R\$10,000, in addition to the rent money already paid and unused. We'll get through this, and I'm sure Barbalha's store billing will help. Everyone runs to see and buy when a store opens in a small town. Also, we can use a line of credit that the state government opened there. We'd better get ahead, before another store occupies our space, as they are saying around!

The credit mentioned by Daniel was offered by the Government of the State of Ceará to micro and small entrepreneurs in 10 cities in the State, which included the municipality of Barbalha.

Daniel attributed the store's problem to the absence of entrepreneurs and believed that the return to business and the opening of the new store would change this situation. Isabela, on the other hand, defended the idea that they should first organize companies in crisis, as the business's whole survival was at stake.

A decision, therefore, should be taken as quickly as possible, given that the events strongly interfered with the company's growth strategy. What would be the future of Jully Beauty and Makeup?

Teaching notes

This study case provides the teaching notes separately.

Conflict of interest statement

The authors declare that there is no conflict of interest.

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Investigation	■	
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Data Curation	■	
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