VLCC: A Women Enterprise in Wellness Industry

Mrs. Vandana Luthra, founder and mentor of a beauty and wellness firm named VLCC, was busy in inaugurating the launch of a centre at New Friends Colony, south Delhi, India. It was the 34th center in Delhi and one of 300 in India and abroad. The inauguration of this centre witnessed the year of silver jubilee of VLCC which completed 25 years on July 12, 2014. Pointing to a VLCC badge which was pinned onto her dress, she observed[1] - "I have grown from a daughter to a grandmother, and I've seen my business grown with me". Started out as a standalone slimming clinic in Safdarjung area of Delhi in 1989, Vabdana Luthra Curls and Curves (VLCC) evolved into a Rs 1,000-crore company with a presence in 16 countries, including Malaysia, Singapore, Sri Lanka, Oman, Qatar and the UAE. Mrs. Luthra appeared to be in a hurry to scale up as VLCC was getting ready for an initial public offering (IPO[2]). With a thought of her two daughters' likely entry into company's management for the next phase of expansion, she had a vision to achieve Rs 4,000 crore in revenues by next three to five years.

Vandana Luthra: The Early Days

A graduate in psychology from Delhi's Lady Shriram College for Women in the late 1970s, Vandana Luthra moved to Germany and got enrolled in courses in cosmetology and nutrition as there was no comprehensive course on beauty then in India. Her father, Ram Arora, director at Siemens, headquartered in Munich, often used to be there for 20 days in a month. It was around this time that she met Mukesh who was in the export business and married him at the age of 21. For next eight years, she stayed at home to take care of her two daughters and the family. Her family was supportive and provided an environment which encouraged taking decisions and being independent. She was always fascinated with beauty and good looks. Once, she was accompanying her father on his official trip to Germany where she met a husband-wife duo - a nutritionist and another cosmetologist running a health centre. This meeting had a great influence on her decision to enter the beauty and wellness sector.

Initially, she had number of challenges – biggest one about the perception of services related to beauty and wellness. Though, people were familiar with beauty parlours, but the idea of a

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[2] Initial Public Offering (IPO) is used to raise funds from public in form of equity.

wellness centre providing a solution from head-to-toe was not perceived feasible. Moreover, people's apprehension about business skills of women entrepreneur was another challenge. She also had difficulty in financing the business in initial stage. She depended on personal funds in addition to a bank loan of Rs. 3 lakhs.

Wellness Sector in India

The Indian wellness industry, still largely unorganized, was valued at $9.8 billion, which accounted for less than two percent of the global market. The India's Wellness sector grew 18-20 per cent year-on-year in 2012 to touch a market size of Rs. 70,000 crore with a potential growth trajectory to touch the market size around Rs. 100,000 crore and employment of over 30 lakh people by 2015[3].

The products and services offerings in wellness market could be segmented along hygiene, curative and enhancement needs of the consumer. *Hygiene needs* fulfilled the basic necessity to maintain personal cleanliness, *curative needs* were aligned to prevent diseases, cure ailments and maintain a healthy lifestyle while *enhancement needs* focused on improving personal appearance and self-confidence. Putting simply, there were slimming or fitness centres, salons, spas and wellness chains. The various players included, among others, Birla wellness & Healthcare Pvt Ltd., Lakme, Jawed Habib Hair & Beauty Salon, IOSIS Media Spa, Blossom Kochhar, VLCC, Tress Lounge, Vivafit, BBLUNT, Contours International, Looks Beauty Salon, Leena Mogre, and Naturals which increasingly were gearing up to establish their nationwide presence through the franchise route. The increasing purchasing power, higher education level, technology-awareness, and many more macro level factors influenced the Indian consumers turning more conscious to beauty, fitness and wellness. Other factors triggering the industry's growth included increasing urbanization, rising middle class incomes, focus on preventive care, dynamic changes in awareness levels, readiness to invest in beauty services and varying consumer lifestyle. Thus, the business of beauty, fitness and wellness appeared to be more exciting for women franchisees as compared with any other business.

[3] FICI report 'Imperatives for growth: The wellness industry,

Given the growth prospects and opportunities within the wellness industry, a number of new entrants - global as well as domestic, were attracted to the market. To mention, the salon and spa services segment witnessed the entry of global players such as French hair-salon chain, Dessange International, Jean-Claude Biguine Salon and Spa, Saks Hair and Beauty salons, Toni and Guy, etc. the fitness segment attracted domestic as well as global chains players such as Talwalkars, Gold's gym, Fitness First, Anytime Fitness, etc.

The VLCC Group

Established with a vision of "Transforming Lives", the VLCC Group thought of every individual to urge self transformation, spread happiness and imbibe with wellness for life. These mantras continuously provided firm foundation for impressive growth of VLCC. The concept of wellness was revisited as VLCC revolutionized the sector to rise to number one wellness brand across South Asia, South East Asia and the Middle East. The presence of VLCC covered 300 locations across 121 cities and 16 countries including Sri Lanka, Bangladesh, Nepal, Malaysia, Singapore, UAE, Oman, Bahrain, Qatar and Kuwait. It had staff strength of around 6000 including over two-third of them as experienced specialists - medical doctors, nutritionists, psychologists, cosmetologists and physiotherapists. Having served over 10 million customers since its inception, VLCC became the largest and most-preferred brand in the Wellness sector. Majority of its revenue, 60-65%, was from services which included beauty, slimming, fitness and health service and the residual from around 125 odd products.

The constituents of VLCC Group included VLCC Health Care, VLCC Personal Care, VLCC Spa, VLCC Institute and the VLCC Foundation. VLCC Personal Care provided solutions for skin care, Body firming and Shaping, Foot Care, Hair Care, Pain Relieving and had over 100 products retailed from 10,000 outlets through over 150 distributors. VLCC Spa, dedicated to holistic wellness of mind, body and soul, offered the various luxurious therapy options drawn from the wisdom of ancient cultures (traditional Balinese therapies to blissful Thai massages). The qualified therapists were trained to understand and indentify unique requirements of customers and suggest customized therapies accordingly. Headquartered in Delhi, the VLCC Institute of Beauty & Nutrition was established in 2001 to share VLCC's dream with the students and the entrepreneurs of future. The Institute, affiliated to the prestigious City & Guilds of UK, had campuses in 39 cities including one in Kathmandu (Nepal) and offered specialized professional diploma courses in beauty, hair, cosmetology, make-up, spa therapies and nutrition.

VLCC International Inc, an umbrella wing to manage international operations contributed 30-35% of the group's revenue.

Building Resources and Capabilities

Since beginning, VLCC's promoter had built a very good and rare good management team. Vandana had strong belief in investment for good professional management. Luthra roped in her husband Mukesh, the company chairman, in 1992.

VLCC proudly introduced innovations that harmoniously combined the latest procedures in scientific technologies with natural products, to offer complete health and wellness solutions. It had a dedicated team of global research partners, who invested heavily in R&D and scientific research studies, to assist in their pursuit of providing better wellness options. The research partners were working closely with the leading Clinical Research Organizations (CROs) of the world to ensure the access to the latest technological developments making VLCC always ahead.

Financing

Having achieved steady growth for 12 years after Mukesh joined, VLCC started attracting private equity (PE) firms. VLCC got its first funding in 2004 when CLSA, a brokerage and private investment firm, picked up a 13.65 percent stake for about $10 million. Everstone Capital invested Rs 50 crore for a little less than a 15 percent holding in 2007. Luthra and her husband bought off CLSA's stake and were holding around 85 percent stake in the company. It had a healthy debt-equity ratio and was looking to fund its organic expansion plans through internal accruals and debt[4]. VLCC made revenues of Rs 700 crore and operating profit of Rs 100 crore in 2013.

Growing through Acquisitions

VLCC expanded its business, primarily, organically through franchisee model. However, it also of late started acquiring companies. It acquired in 2012, for around Rs 100 crore, Wyann International, a third largest player in Malaysia, which owned and operated a chain of 23 slimming and beauty outlets across Malaysia. It made VLCC to enter a foreign market through a company which had similar base platform of operations and hence integration of Wyann was

[4] http://www.vccircle.com/news/consumer/2013/05/17/255m-revenues-and-650-stores-5-years-sandeep-ahuja-md-vlcc-health-care, accessed on 31 Mar 2015

easy. Moreover, being services Company, it provided a good platform to sell branded products of VLCC in the Malaysian market.

In 2013, it acquired Singapore-based Global Vantage Innovative Group (GVIG) for around little less than Rs 200 crore. GVIG owned and operated three firms involved in manufacture and retail cosmetic products and solutions. Mrs. Luthra believed that these acquisitions would enable VLCC to expand its product and services portfolio and thereby improve the top line performance by using the target company's distribution network overseas. The company set aside Rs 200 crore for the expansion in the financial year 2014-15 for adding 50-60 new clinics (national and international). She also wanted to increase the number of VLCC institutes from 65 to 85 during the same period. In view of talks with two international businesses—a dermatology products company and an Italian hair care brands, she observed[5], "We are open to any mid-sized company that is favourable to us in the product or services space".

VLCC in 2014: The Road Ahead

With entry of many beauty salons, spas and fitness chains, India's beauty, wellness and fitness industry was likely to take off to a new level. Companies started diversifying into other segments while consolidating existing outlets. Moreover, rapidly growing industry's size offered great growth potential the incumbents could tap into, particularly, tier II and III cities.

VLCC also had number of disgruntled clients, who claimed to regain all the weight they lost after quitting its program. VLCC had a long period of operations in India and abroad and it was busy in celebrating its silver jubilee as it completed 25 years in 2014. Ms Luthra hurriedly wished to scale up as VLCC was getting ready for an initial public offering (IPO). She observed[6] "I can't say when it will happen, but it will be soon". Moreover, her daughters Meera and Pallavi, were about to join her for the next stage of expansion. VLCC had a herculean task to orchestrate its strategic moves in order to realize it vision of reaching to top line performance of Rs. 1000 crore by next three to five years. How she would improve share of revenue from product portfolio and ensure value creation from overseas acquisition.

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[5] http://forbesindia.com/article/boardroom/vlcc-celebrates-silver-jubilee-readies-for-an-ipo/38899/0; accessed on 31 Dec 2014

[6] http://forbesindia.com/article/boardroom/vlcc-celebrates-silver-jubilee-readies-for-an-ipo/38899/0, accessed on 31 Dec 2014.

Appendix 1: VLCC's Portfolio of Products/Businesses

- **Personal Care:** Skin Care, Hair Care, Body Care, Shape Up, Facial Kits, Men Groom
- **Dermatology:**
    - **Cellular Matrix**: a combination treatment with Autologous Platelet Rich Plasma (PRP- Vampire Facelift) with HA (Hyaluronic Acid).
    - **Cosme Dermat Treatment**
    - Laser Treatment
    - Hair Treatment
    - **Dermatological Solutions-**Gold Threadlift, Vampire Facelift, Mesotherapy, Electro Cautery, I-shine, Microdermabrasion,
- **Weight Management:** Healthy Living Guides DNA Fit, Nutrition, Ayurvedic Treatment
- **VLCC Institute**

Appendix 2: Awards for Women Entrepreneurship to VLCC[7]

- **VLCC Institutes** awarded **2013 Beauty Training School of the Year** at the 3rd National Awards on Excellence in Education
- **VLCC Beauty Zone** won the prestigious **Retailer Customer Service Awards 2013** in *'Excellent Customer Service in Kiosk Retail'* category, May 2013. The 2013 Customer Service Awards celebrates excellence, best practice and innovation in customer service in retail and consumer services industry.
- **VLCC Day Spa** awarded the '**Best Spalon**' title at the prestigious **GeoSpa AsiaSpa India Awards 2012,**April 2013. Hailed as the highest honour in the field of wellness and health, GeoSpa AsiaSpa India are much sought after awards given in recognition for excellence in the spa industry.
- **VLCC Institute of Beauty & Nutrition** adjudged as the **"Best Creative Resource Supplier of the Year"** at Indian Salon Congress, 2013. This award recognizes the Training School/ Beauty Institute that provides the best training inputs for beauty professionals in India.

[7] http://www.vlccwellness.com/India/Awards+and+Recognition/6/ accessed on June 23, 2014

- VLCC featured in **Inc. India 500 list**, 2013 – The most comprehensive ranking of India's fastest-growing mid-sized companies.
- **Product of the Year 2013** – For **VLCC VTRON CTS™**, VLCC's latest weight-management service innovation, and **VLCC Shape-Up™ Slimming Oil**.
- Best Private Equity-backed company in Consumer Products/Services Category at the VC Circle Awards, 2013 - Recognises the most outstanding private equity backed Indian companies who have had a long-standing impact on the economy and the industry.
- Founder & Mentor, **Mrs Vandana Luthra** receives **Padma Shri Award**, 2013 – One of India's highest civilian award
- **'Power Brands Hall of Fame Corporate Icon of the Year'** Award, London 2011 – Woman business leader Award by Power Brand Icon
- **Women Leaders in India Forum**, 2009 – Women Business Leaders in Health Care
- The Department Of Industrial Policy and Promotion, Ministry of Commerce & Industry Govt. of India, made **Mrs. Luthra a member of the Task force on women entrepreneurs** acknowledging her steadfast dedication towards liberating women through education and empowerment.
- PHD Chamber of Commerce & Industry, 2007 – **Outstanding Businesswoman Award**.
- **Amity Woman Achiever Award**, 2006 – For promoting Health and Fitness solutions.
- Whirlpool/Gr8 Magazine, 2004 – Award for the Woman Entrepreneur of the Year.
- **ICICI Bank Retail Excellence Award** 2005 – Health & Beauty.
- **Images Retailer of the Year** Award 2004, 2005 & 2006 – For contributions towards Health & Beauty.