

Fantastic Sams acquires 93 salons in Minnesota

- Article by: [THOMAS LEE](#) , Star Tribune
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The company wants Tom Boitz, who previously owned the Minnesota salons, to replicate his successes in markets like Chicago and Cleveland.



Nicole Kottke, a Fantastic Sams stylist, gave a trim recently to Jacob Farrar of St. Louis Park. Fantastic Sams, a nationwide chain of hair salons, recently repurchased the rights to 93 stores in Minnesota, one of its most lucrative markets.

Regis Corp., take note. Another national hair salon chain is expanding in the Midwest and is looking to do so out of Minnesota.

Fantastic Sams Hair Salons, based in Beverly, Mass., recently reacquired the franchise rights to 93 salons in Minnesota, one of its largest and most successful markets, for an undisclosed sum. In

addition, the privately held company hired Tom Boitz, who previously owned the Minnesota franchise territory, as vice president of the Midwest region based in Maple Grove, where he will oversee Fantastic Sams' expansion into cities like Chicago and Cleveland.

"I'm geared up for growth," Boitz said.

In 2011, total sales of hair care services grew an estimated 3 to 3.5 percent to \$53.4 billion, according to Professional Consultants & Resources, a strategic consulting firm based in Plano, Texas. Much of that growth has come from cost-conscious economy chains like Fantastic Sams, Sport Clips, and Great Clips, which is based in Edina.

The value formats have thrived in a weak economy as consumers spend less on higher-end salons, analysts say.

Fantastic Sams, which operates more than 1,300 salons across the country, has especially flourished in Minnesota, where sales at salons open for at least a year have grown in the single to double digits since the Great Recession in 2008, according to Boitz. The company would not disclose specific figures.

Boitz said the Minnesota salons excel at selling products and services beyond the basic haircut, including hair coloring, perms, straightening and an extensive private label line ranging from shampoos to rejuvenation agents.

"About 35 to 40 percent of what we do is [something] other than cutting hair," he said. This year, Fantastic Sams retail sales in Minnesota increased 13 percent while hair coloring sales jumped 30 percent, company officials said.

CEO Scott Colabuono said he is impressed that Fantastic Sams locations have been able to grow market share in the corporate back yard of Great Clips and Regis, which are both much larger. Fantastic Sams, which first entered Minnesota in 2002, now boasts about 111 salons in the state, including more than 80 in the Twin Cities region.

It also helps that Regis has struggled of late. The Edina-based hair company, which operates more than 12,700 salons under such brands as Supercuts, MasterCuts and Regis, said same-stores sales in the first quarter of fiscal 2012 fell 1.5 percent following a 3.6 percent decline in the previous quarter.

Regis officials were not available for comment.

Regis' woes prompted investors recently to elect three candidates nominated by dissident shareholder Starboard Value LP to its board of directors. The New York-based hedge fund has promised to cut millions of dollars of costs from Regis, including the possible consolidation of the company's hodgepodge of retail brands.

Over the years, Great Clips and Sport Clips have taken advantage of Regis' struggles and gained market share, said Cyrus Bulsara, president of Professional Consultants & Resources. Now Fantastic Sams is trying to follow suit, he said.

"At one time, [Fantastic Sams] was the leader in the salon chain business," Bulsara said. "But their leadership had waned over the years. Under new management, they seem to have taken an aggressive stance to get back into the market."

Boitz said the key to Fantastic Sams' success in Minnesota has been a focus on education and training for its stylists. The national corporation recently named Mary Jo McGinnity, its regional

director for education in Minnesota, "Educator of the Year." It's the second time she has received the award.

To ensure quality, McGinnity said that she visits each salon in Minnesota twice a year.

"We're out there," she said. "We're on them."

McGinnity said she has been able to recruit stylists who had been laid off from higher-end salons across the Midwest. Of the 1,100 to 1,200 Fantastic Sams stylists in Minnesota, more than 10 percent are new hires this year.

Colabuono, the Fantastic Sams CEO, said he wants to replicate Minnesota's success throughout the Midwest and the rest of the United States.

"We want to take the best of what [Boitz] did and [copy] it across the country," Colabuono said.

Boitz said he enjoyed his independence as a franchise owner but now wants a new challenge.

"Personally, I was getting bored," Boitz said. "And now I have a lot to do."

Thomas Lee • 612-673-4113

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