

Research on the Profit Logic of Hair Product Industry: An Analysis Based on Rebecca's Profit Dilemma

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Keywords: Rebecca; Profit Logic; Profit Models

Abstract: This article conducts an in-depth analysis of Rebecca's profit logic from five perspectives: profit objects, profit points, profit sources, profit barriers, and profit levers. The analysis reveals that Rebecca faces issues such as a limited scope of profit objects, singular profit points, reliance on traditional channels for profit sources, inadequate construction of profit barriers, and insufficient utilization of profit levers. To address these issues, the article proposes suggestions including expanding the scope of profit objects, optimizing product structure, diversifying channel layouts, strengthening brand building, and increasing investment in innovation. The goal is to provide a reference for enterprises in the hairpiece industry to optimize their profit models and compete effectively in the market during the new era.

1. Introduction

In 2023, the global business environment remains volatile, with various industries facing unprecedented challenges and transformations. In this context, the hair product industry, as a unique blend of tradition and modernity, has attracted widespread attention for its profit model and market performance. In recent years, Rebecca has garnered extensive recognition and praise in the global market through product innovation driven by high R&D investment, as well as efficient operations based on precision marketing and cost control. However, since 2021, Rebecca, a leader in the industry, has encountered unprecedented difficulties with three consecutive years of declining revenue. This not only reflects the severe situation currently faced by the hair product industry but also reveals potential issues in the company's profit model and market strategy.

As consumer demands diversify and market competition intensifies, optimizing the profit model and enhancing market competitiveness have become urgent issues for hair product industry enterprises. Therefore, a thorough examination of Rebecca's profit logic and analysis of its challenges and issues hold significant practical value for promoting the healthy development of hair product industry enterprises, optimizing profit models, and providing valuable insights and inspiration for businesses in other industries.

Therefore, based on the profitability theory constructed by Slywotzky et al. (1998) ^[1] and the research by Yao et al. (2023) ^[2], this paper will analyse Rebecca's profit logic from five aspects: profit object, profit points, profit sources, profit barriers, and profit levers. The aim is to explore the reasons behind Rebecca's successes and failures through an in-depth analysis of its profit logic, thereby

providing valuable experience and inspiration for enterprises in the hairpiece industry.

2. Rebecca's Profit Logic

2.1. Profit Objects

The profit object refers to the target audience group that a company's products or services are aimed at. Rebecca's profit object can be analysed from two dimensions: consumer groups and sales markets. In terms of consumer groups, Rebecca primarily serves two types of consumers: one is consumers who pursue aesthetics and fashion trends, such as fashion enthusiasts who value their personal image; the other is consumers who emphasize practicality and functionality, including the silver-haired population, individuals with thin hair, those experiencing hair loss, and users with specific medical needs. From the perspective of sales markets, as a leading enterprise in the hair product industry, Rebecca's business spans the globe, with the American and African markets being its primary export destinations. In 2023, the operating income from these two regions accounted for 71% of the company's total revenue. Clearly, Rebecca's core customer base is concentrated in Africa and the Americas, particularly among women aged 26 to 45. In the domestic market, due to Rebecca's high-end product positioning and the traditional perception that wearing wigs is associated with thin hair or baldness, its consumer group is relatively limited, mainly consisting of individuals with thin hair, those experiencing hair loss, and specific fashion-conscious individuals.

2.2. Profit Points

Rebecca, a leading figure in the industry, offers a diverse range of products, including crafted hairpieces, synthetic hairpieces, synthetic wigs, human hair wigs, and flame-retardant fibers. Analysing Rebecca's operating income and its breakdown by product category from 2021 to 2023, it is evident that synthetic hairpieces and human hair wigs have consistently been key profit points.

Specifically, synthetic hairpieces occupy a pivotal position in Rebecca's product system. Table 1 shows that in 2021, the sales revenue of synthetic hairpieces accounted for 37.80% of the total. Although the proportion fluctuated slightly in the following two years, it remained above 43%, making it one of the most stable and significant profit sources for Rebecca. Meanwhile, human hair wigs also demonstrated robust growth momentum, with their sales revenue accounting for 26.25% in 2021. Although there was a decline in 2022, it rebounded to 25.69% in 2023, indicating their good market adaptability and profitability.

Table 1: Revenue of Rebecca's Products from 2021 to 2023

Unit: RMB Billion

Product	Year	2021		2022		2023	
		Revenue	Share/%	Revenue	Share/%	Revenue	Share/%
Crafted hairpieces		1.65	10.54	1.19	9.46	0.88	7.18
Synthetic hairpieces		5.92	37.80	5.48	43.56	5.36	43.72
Synthetic wigs		2.55	16.28	2.27	18.04	1.79	14.60
human hair wigs		4.11	26.25	2.84	22.58	3.15	25.69
flame-retardant fibers		0.88	5.62	0.44	3.50	0.68	5.55
Others		0.55	3.51	0.36	2.86	0.40	3.26

However, it should also be noted that the sales revenue and proportion of some of Rebecca's products, such as crafted hairpieces, synthetic wigs, and flame-retardant fibers, have shown a declining trend in recent years. This may suggest that Rebecca needs to further optimize its product

mix and increase investment in research and development for emerging markets and products to enhance its overall profitability.

2.3. Profit Sources

Table 2 shows that Rebecca's profit sources are diversified, but the gross profit margins of its various products differ, contributing varying degrees to the company's overall profitability. Firstly, human hair wigs, as a high-margin product for Rebecca, have maintained a high level of gross profit margin between 2021 and 2023, with a gradual increase from 39.42% in 2021 to 48.25% in 2023. This significant growth trend has made human hair wigs the most profitable product category for Rebecca, contributing a substantial share to the company's overall profits.

Secondly, synthetic hairpieces and synthetic wigs belong to medium-margin products. Although their gross profit margins are slightly lower than those of human hair wigs, they remain relatively stable, ranging between 20% and 35%. The large-scale production and sales of these products provide Rebecca with a stable source of profit and constitute an important part of the company's profitability.

Crafted hairpieces and flame-retardant fibers are relatively low-margin products. The gross profit margin of crafted hairpieces has fluctuated in recent years, showing an overall downward trend, while the gross profit margin of flame-retardant fibers has increased but remains low in absolute terms. These two product categories contribute relatively limitedly to Rebecca's overall profitability, but they are still an indispensable part of the company's product line.

From the trend of gross profit margin changes, Rebecca needs to continue optimizing its product structure, increasing the sales proportion of high-margin products, and reducing the costs of low-margin products to improve its overall profitability. In addition, the company should increase its investment in research and development to launch more competitive new products, thereby broadening its profit sources and enhancing its market competitiveness.

Table 2: Gross Margin of Rebecca's Products from 2021 to 2023

Unit: RMB Billion

Year Product	2021			2022			2023		
	Revenue	Cost	Gross Margin/%	Revenue	Cost	Gross Margin/%	Revenue	Cost	Gross Margin/%
Crafted hairpieces	1.65	1.51	8.48	1.19	1.12	5.88	0.88	0.81	7.95
Synthetic hairpieces	5.92	3.9	34.12	5.48	3.94	28.10	5.36	3.83	28.54
Synthetic wigs	2.55	2.04	20.00	2.27	1.83	19.38	1.79	1.38	22.91
human hair wigs	4.11	2.49	39.42	2.84	1.77	37.68	3.15	1.63	48.25
flame-retardant fibers	0.88	0.71	19.32	0.44	0.36	18.18	0.68	0.51	25.00

2.4. Profit Barriers

Rebecca has constructed a relatively solid profit barrier through its brand influence, inventory of core raw materials, and complete industrial chain. Firstly, brand influence is one of the key profit barriers for Rebecca. Through years of technological advancements and product category expansion,

the company has successfully established several well-known proprietary brands, such as "Rebecca," "Sleek," and "NOBLE," which enjoy high brand recognition in markets across Europe, Africa, and the Americas. These brands not only enhance the added value of the products but also strengthen consumers' trust and loyalty towards Rebecca's offerings, providing a robust guarantee for the company's profitability.

Secondly, the inventory of core raw materials also constitutes an important profit barrier for Rebecca. The company has implemented a human hair raw material reserve strategy, making human hair raw materials account for a significant proportion of its total assets. Given the increasing scarcity and natural appreciation of human hair raw materials, this strategy not only ensures Rebecca's raw material supply during production but also generates additional appreciation revenue for the company.

Lastly, a comprehensive industrial chain has constructed a comprehensive profit barrier for Rebecca. At the upstream level of the industry, the company has achieved independent research and production of fiber hair raw materials and global procurement of human hair raw materials. At the downstream level, the company has established multiple sales subsidiaries, direct-sales stores, and franchise stores, with sales channels covering the globe. This comprehensive industrial chain enables Rebecca to flexibly respond to market changes, achieve synergetic optimization of the industrial chain, and thereby enhance its overall profitability and market competitiveness.

2.5. Profit Levers

Rebecca leverages profit through two major strategies: market expansion and product innovation. In terms of market expansion, the company actively adapts to the demands of different markets. In European and American markets, it strengthens cooperation with key customers, expands its cross-border e-commerce presence, and explores new channels. In African markets, it relies on local factories to achieve "local production and local sales" and strengthens brand promotion to enhance market responsiveness. In the domestic market, it focuses on the simultaneous expansion of online and offline channels. These initiatives have effectively increased the company's market share and brand influence. However, in terms of technological innovation, despite being a "high-tech enterprise" in the hair product industry, Rebecca continues to promote an innovation-driven development strategy and has obtained numerous patent licenses. Yet, Rebecca's proportion of intangible assets in total assets has been declining annually, as shown in Table 3, reflecting inadequate investment in technological innovation and digital transformation. The management's strategy is relatively conservative, failing to fully utilize technological means to improve production efficiency and replace manual labor. This may, to some extent, limit the company's long-term competitiveness.

Table 3: Intangible Assets of Rebecca from 2021 to 2023

Unit: RMB Billion

asset Year	2021	2022	2023
Intangible Assets	1.88	1.83	1.79
Total Assets	48.13	52.54	52.89
Share/%	3.91	3.48	3.38

3. Issues with Rebecca's Profit Logic

3.1. Limited Scope of Profit Objects and Insufficient Market Segmentation

Rebecca's profit objects are primarily concentrated in the African and American markets,

particularly targeting female consumers aged 26 to 45. In the domestic market, due to the high-end positioning of its products and the influence of traditional beliefs, its consumer base is relatively limited. This issue of insufficient market segmentation and limited scope of profit objects restricts Rebecca's expansion potential in the domestic market. Furthermore, as competition intensifies in the global market, its over-reliance on specific markets and consumer groups makes Rebecca less resilient when facing market fluctuations.

3.2. Single Profit Point and Lack of Diversified Development

Rebecca's main profit point is concentrated on two major categories: synthetic hairpieces and human hair wigs. Although these two products have provided it with a stable revenue stream, relying too heavily on a few products also increases profit risks. With changes in consumer demand and intensifying market competition, a single profit point may fail to meet the diversified needs of the market, thereby affecting the company's overall profitability. Rebecca needs to further optimize its product structure and increase the diversification of its profit points to address the challenges posed by market changes.

3.3. Profit Sources Rely on Traditional Channels and digital transformation lags behind

Although Rebecca's profit sources are diversified, they are overly dependent on traditional sales channels, such as offline physical stores and cross-border e-commerce platforms. In terms of digital transformation, Rebecca appears relatively lagging, failing to fully leverage modern technological means like big data and artificial intelligence to enhance operational efficiency and market response speed. With the rise of e-commerce and social media, consumers' shopping habits have undergone profound changes. The lagging digital transformation may put Rebecca at a disadvantage in market competition.

3.4. Inadequate Profit Barrier Construction and Limited Brand Premium Capacity

Despite having established a profit barrier through brand influence, core raw material inventory, and a complete industrial chain, Rebecca's brand premium ability remains limited. In the high-end hairpiece market, brand influence and product added value are crucial factors determining a company's profitability. Rebecca needs to increase investment in brand development, enhance brand awareness and reputation, thereby strengthening its brand premium ability and improving overall profitability.

3.5. Inadequate Utilization of Profit Leverage and Insufficient Investment in Innovation

Rebecca has taken some measures in market expansion and product innovation, but the utilization of profit leverage is inadequate. Especially in terms of technological innovation, although Rebecca has obtained numerous patent licenses, the proportion of intangible assets in total assets has been declining year by year, reflecting insufficient investment in technological innovation and digital transformation. The management's strategy is relatively conservative, failing to fully leverage technology to improve production efficiency and replace labor, which limits the company's long-term competitiveness. Rebecca needs to increase investment in innovation and promote digital transformation to fully leverage the profit leverage effect and enhance overall profitability.

4. Insights from Rebecca's Profit Logic for the Hairpiece Industry

4.1. Expanding Profit Objects Scope and Deeply Cultivating Segmented Markets

Rebecca, through precise market positioning, has not only consolidated its share in traditional markets such as North America and Africa but also actively expanded into emerging domestic markets, targeting profit objects such as individuals with alopecia, premature graying, and young consumers pursuing fashion and individuality. This serves as an inspiration for enterprises in the hairpiece industry to continuously broaden the scope of their profit objects and deeply cultivate segmented markets. By conducting market research, understanding the needs and preferences of different consumer groups, and developing products and services that cater to these needs, enterprises can expand their market share and profit margins.

4.2. Optimizing Product Structure and Enhancing Added Value

Rebecca, through a differentiated competition strategy, has introduced customized product combinations tailored to different market demands, with a focus on increasing the sales proportion of human hair products and high-value products. This serves as an inspiration for enterprises in the hairpiece industry to continuously optimize their product structure and emphasize innovation in products and services when exploring profit points. By leveraging technological innovation and process improvements, enhancing product quality, and expanding service offerings, enterprises can increase the added value and competitiveness of their products to meet consumer demands for high-quality, personalized products. At the same time, they should focus on brand building and marketing promotion to enhance brand awareness and reputation, thereby increasing product added value and profitability.

4.3. Diversified Channel Strategy with Online-Offline Integration

Rebecca has implemented a diversified channel strategy for its profit sources, focusing on both the expansion of online e-commerce platforms and actively developing offline physical stores and experience centers. This mode of online-offline integration not only broadens sales channels but also enhances brand image and consumer experience. This serves as an inspiration for enterprises in the hairpiece industry to strengthen the expansion of e-commerce channels and pursue digital transformation, achieving comprehensive coverage of sales channels. By leveraging internet platforms and conducting marketing activities that integrate online traffic with offline experiences, enterprises can improve operational efficiency and management levels, reduce operating costs, and enhance consumers' purchase intention and loyalty.

4.4. Strengthening Brand Construction to Enhance Market Competitiveness

Rebecca has elevated its market competitiveness and profitability by reinforcing its brand construction. A brand, as an intangible asset of an enterprise, plays a significant role in enhancing product added value, attracting consumers, and withstanding market competition. Enterprises in the hairpiece industry should prioritize brand construction, improving brand awareness and reputation by enhancing product quality, optimizing service experiences, and intensifying brand promotion. Additionally, enterprises should also focus on the protection and management of intellectual property rights to guard against brand infringement or misuse.

4.5. Leveraging Profit Leverage to Enhance Operational Efficiency

Rebecca has fully leveraged the profit leverage effect through measures such as increasing production efficiency, optimizing inventory management, and reducing operational costs. This serves as an inspiration for enterprises in the hairpiece industry to focus on cost management and operational efficiency when utilizing profit leverage. By introducing advanced management concepts and technological means, enterprises can optimize production processes, reduce raw material costs, and improve production efficiency and product quality. Additionally, by strengthening supply chain management, enterprises can optimize inventory management and logistics distribution systems, thereby lowering operational costs and time costs. Furthermore, by enhancing employee training and management, enterprises can improve employee quality and work efficiency. As a result, the overall operational efficiency of the enterprise is enhanced, and profitability is strengthened.

Acknowledgements

This research is supported by the Guangdong Philosophy and Social Sciences Planning Project for the year 2024(Project No.: GD24XGL070), the Young Innovative Talents Project for Ordinary Universities in Guangdong Province in 2024(Project No.:2024WQNCX008), the Research Project Supported by the Scientific Research Fund of Zhaoqing University (Project No.:QN202407), and the Quality Engineering and Teaching Reform Project of Zhaoqing University (Project No.:zlgc2024030)

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