

# Business Plan



By

Ander beauty saloon

**FACULTY OF ARTS**

**ASSIGNMENT:**

**BUSINESS PLAN ON HAIR DRESSING**

**BY**

**ALAOMA, ANDERLENE NNEOMA**

**REG NO:**

**2014/194308**

**LECTURER:**

**DR. (Mrs) CHINYERE NWAOGA**

**20<sup>TH</sup> JULY, 2017**

# Table of Content

1.0 Executive Summary .....	1
Chart: Highlights.....	<b>Error! Bookmark not defined.</b>
1.1 Mission.....	3
1.2 Objectives .....	3
2.0 Company Summary .....	4
2.1 Company Ownership .....	4
2.2 Start-up Summary .....	4
Table: Start-up Funding .....	6
Table: Start-up .....	<b>Error! Bookmark not defined.</b>
3.0 Services .....	8
4.0 Market Analysis Summary .....	8
4.1 Market Segmentation .....	9
Table: Market Analysis.....	9
4.2 Target Market Segment Strategy .....	10
4.3 Service Business Analysis .....	11
4.3.1 Competition and Buying Patterns .....	12
5.0 Strategy and Implementation Summary .....	13
5.1 Competitive Edge.....	13
5.2 Marketing Strategy.....	14
5.3 Sales Strategy.....	14

5.3.1 Sales Forecast.....	15
Table: Sales Forecast .....	15
Chart: Sales Monthly .....	<b>Error! Bookmark not defined.</b>
Chart: Sales by Year .....	<b>Error! Bookmark not defined.</b>
5.4 Milestones .....	16
Table: Milestones.....	16
6.0 Management Summary .....	18
6.1 Personnel Plan.....	18
Table: Personnel.....	<b>Error! Bookmark not defined.</b>
7.0 Financial Plan .....	18
7.1 Important Assumptions.....	19
Table: General Assumptions.....	19
7.2 Break-even Analysis .....	20
7.3 Projected Profit and Loss .....	21
Table: Profit and Loss.....	21
7.4 Projected Cash Flow .....	24
Table: Cash Flow .....	24
7.5 CONCLUSION.....	<b>Error! Bookmark not defined.</b>

## **1.0 Executive Summary**

### **Introduction**

Ander beauty saloon is a hair salon that allows the entire family to have their hair needs satisfied in one convenient visit.

There are many "quick salons" like Cranium, however, many of these salons, such as Cost Cutters, only provide the minimum services, whereas the upscale salons can be inconvenient due to scheduling requirements and cost. The owner of Ander beauty perceives an unfulfilled customer need for a low-cost salon that provides maximum flexibility and strong customer attention. Using this strategy, Ander will gain significant market share and create critical long-term relationships with its clients.

### **The Company**

ANDER BEAUTY SALOON is an Oregon corporation owned entirely by Anderlene Alaoma and is located in vocational faculty, university of Nigeria, Nsukka.

Ms. Anderlene will be handling all hiring and training, purchasing, and retail sales. She will also hire a receptionist to manage all of the appointments as well as the people who walk in and be responsible for the point of sale transactions. Ander will also be hiring six part-time hair stylists who will operate on a hourly/commission basis.

Ms. Anderlene will be using a partial commission basis to create incentives for superior customer attention. The more her stylists attend to the customer's needs, the more money they will make off commissions. Ander will invest time and money into training to ensure that clients receive the best experience possible making it easier to turn them into long-term customers.

## **Services**

Ander Beauty Saloon provides hair styling for the entire family. This includes hair cuts for men and women, permanents and hair coloring for women, as well as hair cuts for children. Shampoos will be offered for all adult services. Service is offered on a walk-in basis or by appointment.

Ander Beauty Saloon will emphasize a customer-centric service where the customer's needs are always the priority.

Ander Beauty Saloon will also sell hair care products which is forecasted to account for 15% of sales. These professional-quality supplies will include shampoos, conditioners, reconstructors, brushes, combs, and other styling aids.

## **The Market**

The hair styling industry is highly fragmented with national chains, which operates diverse franchises catering to all the market segments, and also including thousands of "mom and pop" salons that are very restricted in scope and services. This makes for a highly competitive market that has low barriers to entry and exit. In addition, the clients of hair styling have significant leverage due to the low switching costs they have.

However, most companies have tried to pursue only one general strategy in gaining market share. Ander believes that it is possible to offer a differentiated service through improved customer service at no greater significant cost if the right employee incentives are provided.

With this strategy in mind, the company's goal is to increase the number of clients served by at least 20% per year.

Ander Beauty Saloon will target three different market segments:

- Men will typically make up 70-75% of the client.
- Females who cannot afford an upscale salon.
- Young mothers with children.

### **1.1 Mission**

Ander Beauty Saloon mission is to provide reasonably priced, convenient hair styling. We exist to attract and maintain customers. When we adhere to this maximum, everything else will fall into place. Our services will exceed the expectations of our customers.

### **1.2 Objectives**

The objectives for the first three years of operation include:

1. To create a service-based company whose goal is to exceed customer's expectations.
2. To increase the number of clients served by at least 20% per year through superior performance and word-of-mouth referrals.
3. To develop a sustainable start-up business, contributing to increased employment of community residents.

## **2.0 Company Summary**

Ander Beauty Saloon, soon to be located in UNN, will offer reasonably priced, convenient hair styling. Ander Beauty Saloon will accept walk-ins as well as appointments for the entire family. Ander Beauty Saloon will grow its market share based on superior customer attention. Ander Beauty Saloon is a family hair salon, also known as a "quick hair salon."

## **2.1 Company Ownership**

Ander Beauty Saloon is A corporation owned entirely by Anderlene Nneoma Alaoma.

## **2.2 Start-up Summary**

Ander Beauty Saloon will incur the following start-up costs:

- Computer with point of sale terminal.
- Computer with printer for back office.
- Five cutting stations, each station requires a barber chair, cabinet, large mirror, blow dryer, curling iron, electric razor, several pairs of scissors, spray bottle, two sided mirror, and assorted combs and brushes.
- Desk for reception area.
- Three couches for the reception area.
- Display shelf for sale of retail products.



- Assorted plants.
- Assorted toys for the children.
- Legal fees for business formation and generation/review of contracts.

Table: Start-up Funding

<i>Start-up Funding</i>	
Start-up Expenses to Fund	N901,100
Start-up Assets to Fund	N203,900
Total Funding Required	105,000
Assets	
Non-cash Assets from Start-up	N97,320
Cash Requirements from Start-up	N706,580
Additional Cash Raised	N0
Cash Balance on Starting Date	N396,580
Total Assets	N103,900
Liabilities and Capital	

Liabilities	
Current Borrowing	N0
Long-term Liabilities	N445,000
Accounts Payable (Outstanding Bills)	N0
Other Current Liabilities (interest-free)	N0
Total Liabilities	N545,000
Capital	
Planned Investment	
Susan	N660,000
Investor 2	N0
Other	N0
Additional Investment Requirement	N0
Total Planned Investment	N760,000
Loss at Start-up (Start-up Expenses)	(N100,100)
Total Capital	N658,900

Total Capital and Liabilities	N1,003,900
<b>Total Funding</b>	<b>N1,105,000</b>

### 3.0 Services

Ander Beauty Saloon provides hair styling for the entire family. This includes hair cuts for men and women, permanents and hair coloring for women, as well as hair cuts for children. Shampoos will be offered for all adult services. Service is offered on a walk-in basis or by appointment. Cranium Filament Reductions will emphasize a customer-centric service where the customer's needs are always the priority.

Ander Beauty Saloon will also sell hair care products which is forecasted to account for 15% of sales. These professional-quality supplies will include shampoos, conditioners, reconstructors, brushes, combs, and other styling aids.

### 4.0 Market Analysis Summary

Ander Beauty Saloon will be targeting three diverse groups of customers. Ander will work hard to distinctly appeal to each of these groups. By focusing on more than one group, Ander is lowering their risk that in a downturn one group will negatively effect the company.

## 4.1 Market Segmentation

Ander Beauty Saloon will target three different market segments:

- **Men will typically make up 70-75% of the client.** Men have shorter hair requiring a faster, simpler job.
- **Females who cannot afford an upscale salon.** Women tend to favor a female specific upscale salon if they can afford it. There is not often a difference in quality of an upscale salon relative to a family hair salon other than a upscale salon will tend to pamper you more, only accepts appointments, and the facility is generally a bit plusher. Someone who is fiscally responsible as opposed to someone who likes opulence will favor a family style salon.
- **Young mothers with children.** Most young children are notoriously difficult when it comes to getting haircuts. A family style salon is a more laid-back place that allows the children to play while they are waiting and then will work with the parents in calming the kids nerves when they are ready for their shearing.

Table: Market Analysis

<i>Market Analysis</i>	
------------------------	--

		Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Customers	Growth						CAGR
Males	9%	54,000	58,860	64,157	69,931	76,225	9.00%
Females	10%	28,000	30,800	33,880	37,268	40,995	10.00%
Mothers with young children	9%	23,400	25,506	27,802	30,304	33,031	9.00%
<b>Total</b>	9.27%	105,400	115,166	125,839	137,503	150,251	9.27%

#### 4.2 Target Market Segment Strategy

Ander Beauty Saloon will target each of the three groups separately. The males will be targeted by offering a quick, convenient, service. Because men tend to have shorter hair, they usually require haircuts more often. If they are getting a cut every four weeks and work normal business hours, most barbers are closed when the male customers have free time. Cranium Filament Reductions will cater to males with evening hours, no appointments necessary, and quick turn around times.

Generally females prefer the allure of upscale salons, however, not everyone can afford this luxury. For this reason Ander Beauty Saloon will provide the same quality hair styling, without the expensive price. Ander will target these customers by emphasizing the sophisticated, ultra-hip styling that Ander can offer.

Ander Beauty Saloon will also target mothers with children by offering the kids toys to play with while they wait and child-friendly hair stylists. Additionally, children receive a special rate reflecting the fact that children's hair grows so fast that it can be expensive to keep up with regular cuts, as well as the recognition that it generally takes a lot less time to cut a child's hair so it should be inherently less expensive.

#### **4.3 Service Business Analysis**

The "hair" service industry is fairly diverse. On one end of the spectrum you have the traditional barber, on the other end you have the fashionable boutique salons. Somewhere in between there are independent hair stylists, franchise barbers and stylists, and beauty salons.

### 4.3.1 Competition and Buying Patterns

Ander Beauty Saloon competitors include:

1. **Traditional barbers.** They rarely serve appointments, it is generally a walk-in service. While barbers are usually willing to provide whatever cut you are interested, they are generally providing straight forward haircuts, typically on the conservative side. The advantages of a barber is they are inexpensive and easy to use. Their disadvantages is often conservative styling capacities, sometimes a long wait as the barber may be an old timer who enjoys to chit chat.
2. **Franchised "quick salons."** An example of this would be Supercuts or Best Cuts. In essence this is a franchised version of Ander Beauty Saloon. The advantage of this style is the store will be the same from location to location and some people like this predictability.
3. **Independent salons.** These shops typically focus on a specific niche and do not serve a wide group of customers. The advantages to these could be an independent salon that fulfills all of your needs. The disadvantage is that because they tend to be more focused, more often than not this type of salon will not offer exactly what customers are looking for.

The buying patterns of men and women are quite different. Typically men are more price or convenience sensitive. Men typically care less about the task of getting their hair cut. For them whatever is easiest works best. Women on the other hand are more caught up in hair styling and tend to bond more with their stylists. Because they bond more, they are much more loyal to their stylist. Once a stylist has earned their trust they are more willing to blindly put their hair in the stylists hands.



## **5.0 Strategy and Implementation Summary**

Ander Beauty Saloon will rely on three separate strategies to grow market share. The first is superior customer service. Customers will be blown away with the level of service that they receive. They have expectations of average (at best) customer service from a quick salon based on past experiences.

Ander will also be leveraging its high-traffic store front location in a shopping center to drive people into the store. They will benefit from the shopping center association's marketing efforts to bring more people to the center.

Lastly, Ander Beauty Saloon will use financial incentives early on to build a large, loyal customer population.

### **5.1 Competitive Edge**

Ander Beauty Saloon competitive edge is based on faultless customer service. Ander Beauty Saloon recognizes that the hair cutting/styling market is crowded so it is difficult to stand out. Ander Beauty Saloon will stand out by providing superior customer attention. This is particularly important in the "quick salon" space that Ander operates in because margins are a bit lower and the goal of a quick salon is to crank through customers.

Ander will invest time and money into training to ensure that clients receive the best experience possible making it easier to turn them into long-term customers. By providing superior customer service, Cranium will be able to effectively compete against and outlast larger chains and independent stores.

## **5.2 Marketing Strategy**

Ander Beauty Saloon will be located in a vocational area of UNN. While the cost of the lease per foot is higher than in other business areas, the center provides the best exposure. Additionally, the center association is responsible for marketing the center's common area which will help draw a lot of traffic to the center.

Ander Beauty Saloon will market themselves as a hair salon that serves everyone, men, women, and children. This will be done through flyers to be sent out with the local newspaper. Ander will also have an in-store promotion for the first few months to lure new people in. Lastly, Ander will offer a discount for a few months to people that refer new customers.

## **5.3 Sales Strategy**

Ander Beauty Saloon sales strategy will be based on extremely professional interactions with the customer. Typically the "quick salons" concentrate on being quick and inexpensive, often at the expense of customer service. Anytime that a prospective customer is speaking with someone at Ander the employee will have an opportunity to impress the customer. Employee training will emphasize seizing these opportunities.

Ander Beauty Saloon will also have the opportunity to increase sales of their retail hair care products every time they have a customer in the chair. Ander offers deep discounts on the hair care products for employees to encourage usage so they can explain to the customer about their personal experiences. Additionally, Ander offers a product-based commission structure for the hair care products where they give away the product to the employee for commissions for selling the items to their customers. These personal testimonials and commission structure will allow Ander to generate good sales from the retail hair care products.

### 5.3.1 Sales Forecast

The first month will be used to set up the store and hire and train the employees. The store will be officially open the second month. Sales for month two through will four will be somewhat slow as Ander will be building up a customer base. From month four on sales will grow steadily.

Table: Sales Forecast

<i>Sales Forecast</i>	Year 1	Year 2	Year 3
Sales			
Males	N217,112	N395,458	N411,545
Females	N21,711	N39,546	N41,155
Women with small children	N2,171	N3,955	N4,115
Retail hair care products	N36,149	N65,844	N68,522
Total Sales	N277,143	N504,802	N525,337
Direct Cost of Sales	Year 1	Year 2	Year 3
Males	N26,053	N47,455	N49,385

Females	N2,605	N4,745	N4,939
Women with small children	N261	N475	N494
Retail hair care products	N14,460	N26,338	N27,409
<b>Subtotal Direct Cost of Sales</b>	<b>N43,379</b>	<b>N79,013</b>	<b>N82,227</b>

#### 5.4 Milestones

Ander Beauty Saloon will have several milestones early on:

1. Business plan completion. This will be done as a roadmap for the organization.
2. Set up the store front.
3. Revenue exceeding N900,000.
4. Profitability.

Table: Milestones

<i>Milestones</i>	

Milestone	Start Date	End Date	Budget	Manager	Department
Business plan completion	1/1/2017	2/1/2017	N0	ABC	Marketing
Set up the store front	1/1/2017	2/1/2017	N0	ABC	Department
Revenue exceeding N900,000	1/1/2017	7/1/2017	N0	ABC	Department
Profitability	1/1/2017	9/1/2017	N0	ABC	Department
<b>Totals</b>			N0		

## **6.0 Management Summary**

Anderlene Ndubuisi received her bachelor's degree from University of Nigeria, Nsukka. While pursuing her degree Anderlene worked in fashion industry.

When contemplating new opportunities she was brainstorming a way in which she could combine something she loved with something that she would be the owner of. She loved hair and had the experience of operating a business so after a lot of market research she undertook the task of writing a business plan.

### **6.1 Personnel Plan**

Anderlene will be working full time for Ander Beauty Saloon. She will be handling all hiring and training, purchasing, and retail sales. Ander will also hire a receptionist to manage all of the appointments as well as the people who walk in and be responsible for the point of sale. The receptionist will be paid an hourly wage. Anderlene will also be hiring six part-time hair stylists who will operate on a hourly/commission basis.

Anderlene will be using a partial commission basis to create incentives for superior customer attention. The more her stylists attend to the customer's needs, the more money they will make off commissions. Anderlene is more than happy to pay for this type of performance.

### **7.0 Financial Plan**

The following sections will outline the important financial data.

**7.1 Important Assumptions**

The following table details important financial assumptions for Ander Beauty Saloon.

Table: General Assumptions

<i>General Assumptions</i>	Year 1	Year 2	Year 3
Plan Month	1	2	3
Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%
Tax Rate	30.00%	30.00%	30.00%
<b>Other</b>	0	0	0

**7.2 Break-even Analysis**

The Break-even Analysis indicates what Ander must achieve in monthly revenue to reach the break even point.

Table: Break-even Analysis

<i>Break-even Analysis</i>	
Monthly Revenue Break-even	N31,511
Assumptions:	
Average Percent Variable Cost	16%
<b>Estimated Monthly Fixed Cost</b>	N26,579



### 7.3 Projected Profit and Loss

The following table and chart shows the projected profit and loss for Ander Beauty Saloon.

Table: Profit and Loss

<i>Pro Forma Profit and Loss</i>	Year 1	Year 2	Year 3
Sales	N277,143	N504,802	N525,337
Direct Cost of Sales	N43,379	N79,013	N82,227
Other Production Expenses	N0	N0	N0
Total Cost of Sales	N43,379	N79,013	N82,227
Gross Margin	N233,764	N425,790	N443,111
Gross Margin %	84.35%	84.35%	84.35%
Expenses			

Payroll	N251,600	N275,200	N279,200
Sales and Marketing and Other Expenses	N1,442	N0	N0
Depreciation	N1,464	N1,464	N1,464
Leased Equipment	N0	N0	N0
Utilities	N1,200	N1,200	N1,200
Insurance	N1,500	N1,500	N1,500
Rent	N24,000	N24,000	N24,000
Payroll Taxes	N37,740	N41,280	N41,880
Other	N0	N0	N0
Total Operating Expenses	N318,946	N344,644	N349,244
Profit Before Interest and Taxes	(N85,182)	N81,146	N93,867
EBITDA	(N83,718)	N82,610	N95,331
Interest Expense	N4,500	N4,500	N4,500
Taxes Incurred	N0	N22,994	N26,810

Net Profit	(N89,682)	N53,652	N62,557
<b>Net Profit/Sales</b>	-32.36%	10.63%	11.91%

## 7.4 Projected Cash Flow

The following table and chart shows the projected cash flow for Cranium Filament Reductions.

Table: Cash Flow

<i>Pro Forma Cash Flow</i>	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations			
Cash Sales	N277,143	N504,802	N525,337
Subtotal Cash from Operations	N277,143	N504,802	N525,337
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	N0	N0	N0
New Current Borrowing	N0	N0	N0

New Other Liabilities (interest-free)	N0	N0	N0
New Long-term Liabilities	N0	N0	N0
Sales of Other Current Assets	N0	N0	N0
Sales of Long-term Assets	N0	N0	N0
New Investment Received	N0	N0	N0
Subtotal Cash Received	N277,143	N504,802	N525,337
Expenditures	Year 1	Year 2	Year 3
Expenditures from Operations			
Cash Spending	N251,600	N275,200	N279,200
Bill Payments	N101,816	N172,090	N181,489
Subtotal Spent on Operations	N353,416	N447,290	N460,689
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	N0	N0	N0
Principal Repayment of Current Borrowing	N0	N0	N0
Other Liabilities Principal Repayment	N0	N0	N0

Long-term Liabilities Principal Repayment	N0	N0	N0
Purchase Other Current Assets	N0	N0	N0
Purchase Long-term Assets	N0	N0	N0
Dividends	N0	N0	N0
Subtotal Cash Spent	N353,416	N447,290	N460,689
Net Cash Flow	(N76,273)	N57,513	N64,648
<b>Cash Balance</b>	N20,307	N77,820	N142,467

## CONCLUSION

Ander Beauty Saloon position in the fashion industry is widely varied in terms of her styles and techniques. In such a climate, the best investment opportunities will be awarded to industries that have the ingenuity and creativity to meet the customers' demands for style creation in an industry driven by economic conditions, demographic trends, and pricing. We have carefully considered its market, potential customer base, and its ability to grow its sales average to capture 0.3% of the fashion industry.