

# Hair salon business plan

[Business](#)



This business plan is prepared to obtain financing in the amount of \$10, 000 to complete the service development, set up operations base, and implement an aggressive sales and marketing program.

The Hair Salon is a proposed new business. Principal has developed the skills and knowledge to manage and provide hair salon services for Fort Frances, and the surrounding area. The total market potential for the first year is \$1, 746, 675. The business will be profitable in the first year of operation and conservatively expects to achieve sales of \$53, 392 with a net income of \$12, 352 by the end of the first year.

The market for this new business will be Tribal First Nation where the business will be located, Rainy River and Nicickousemenecaning First Nations, Fort Frances, Alberton and La Vallee Townships, Emo and the surrounding area. The market research has revealed a lack of hair salon services located within Tribal First Nation.

The Hair Salon is proposing that Indian Affairs and Northern Development (INAC)'s Opportunity Fund program provide a grant contribution of 40 percent of the capital and working capital costs. Principal will contribute 40 percent cash equity which is consistent with INAC's program mandate. The remaining 20 percent will be in the form of commercial financing from the Royal Bank of Canada.

The business will be self-sustaining after the first year of operation. The business can be fully operational eight weeks after financing has been arranged.

## 2. BUSINESS HISTORY AND ORGANIZATION

The principal is Principal, a longtime resident of the Tribal First Nation. Principal is a status Ojibway from the Tribal First Nation, near Fort Frances, Ontario. He is proposing to establish a hair salon business. The form of business ownership is a sole proprietorship, with Principal as the proprietor.

The company's business address is:

123                                  Main                                  Street  
Fort                                  Frances,                                  Ontario  
P9A 3M3

Telephone:(807) 274-1234

The business will be located on Tribal First Nation, and is scheduled to open on January 1, 2009. The principal will manage the operation, and receive the necessary business support to ensure sound fiscal business management. In relation to the development of aboriginal business, the principal has never received government assistance to start a business operation in the past.

### 3. THE PROJECT

The Hair Salon is being developed to provide a full range of hair salon services within the Tribal First Nation and the Town of Fort Frances, Ontario. The business plan is prepared in order to raise the financing necessary to develop the service, conduct business activities, and create an awareness of a service in a competitive target market.

The direct competition within the target market area specializes in hair care and styling. The most important aspect of this venture will be the ability to generate a steady clientele to offer an array of hair care services. The <https://assignbuster.com/hair-salon-business-plan/>

venture will have an established clientele because Principal's wife Candace has been hairstyling in the area for the past 10 years, and has developed a clientele who come specifically to her for their hair care needs. The business will be able to offer competitive lower prices compared to the market competition because of the low overhead costs associated with the project.

The new business involves establishing a hair salon facility where people can meet their personal hair care needs. The facility will be located in the centre of the community with easy access for all customers. The facility will also be developed to create a stress-free and pampered environment.

Principal will coordinate and provide these services.

#### 4. SERVICES

The business will provide Hair Salon services on behalf of the clients and focus on the following services:

- ! Hair Styling / Cutting

- ! Washing / Drying

- ! Perms

- ! Facial Waxing

- ! Hair Colouring

- ! Hair Styling / No Cutting (Updo)

Customers will also be provided with a convenient waiting area as an added convenience to the services.

#### 5. LOCATION

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The business will operate out of Principal's residence on Tribal First Nation. The residence is located in the heart of the community which will enable easy and convenient access for all customers who wish to utilize the business's services. Renovations have been completed which make the building capable of housing business operations. The building will have one large room available entirely for business services.

Tribal First Nation has a population of 533, according to 1996 Census, and is located five minutes east of Fort Frances, Ontario. Fort Frances is the center of the Fort Frances - Rainy River District which encompasses two towns, many townships, and 10 First Nations.

## 6. MARKET ANALYSIS AND SALES FORECAST

### 6.1 TARGET MARKET

The target market area includes the Fort Frances, Emo, Alberton and La Vallee Townships, and Tribal, Nicickousemenecaning, and Rainy River First Nations, and other small communities in the surrounding area (classified as Rainy River, Unorganized in the Canadian Census). The total population of the target market is 14, 820 according to the Selected Characteristics for Census Divisions and Census Subdivisions, 1996 Census. There are 5, 545 households in the target market area, according to the 1996 Census.

### 6.2 TOTAL MARKET POTENTIAL

Information on the Total Market Potential was determined by the health and personal care expenditures per household, according to Statistics Canada's 1996 Family Expenditure in Canada. According to the 1996 Family

Expenditure in Canada guide, each household spends \$315 annually on personal hair care services which includes hair washing, cutting and styling services, other hair grooming, and other personal grooming services.

The Total Market Potential is as follows:

Total Households	Health Value	and	Personal in	Care 545	Expenditures \$
	5,				
	315				
	1, 746, 675				

#### 6. 3MARKET SHARE

Community members will continue to use other available facilities such as local competitors and retail outlets for their hair care products and services. Therefore, it is conservatively estimated that the business will be able to achieve three percent of the estimated total market potential.

Total 52, 400	Market	Share	Value	in	\$

#### 6. 4VALUE OF SALES

Based on the Total Market Potential and the Estimated Market Share, the value of sales is estimated to be \$52, 400. A conservative growth of five percent on revenues is targeted based on the growth rate of the target market population, awareness of the business increases, the potential for

increased business services, and inflation. The third year is estimated to be four percent.

2000

2001

2002

52, 400

55, 020

57, 220

## 6. 5SOURCES OF MARKET INFORMATION

The market information was obtained from the Statistics Canada's Family Expenditure in Canada 1996 market guide, and Selected Characteristics for Census Divisions and Census Subdivisions, 1996 Census, and Canada Business Service Centre's Small Business Profiles for Hair Salons.

## 7. 0CUSTOMERS

The strength of the business will lie in its ability to meet the needs of its customers within the target area. The target customers are interested in the following:

! a business that provides the highest quality hair salon services available in a convenient location, and comfortable, safe environment;

! affordable costs and services which fit their specific needs;

! reliable hair salon equipment and a professionally-trained service staff;

! a business which works for the best interests of the clients;

The hair salon business owner is looking to provide a number of assurances.

He wants:

! the business to operate from 9 a. m to 5 p. m. Tuesday through Saturday;

! to provide the highest level of professional service;

! reliable hair salon equipment;

! customers to be treated with respect and courtesy;

! to conduct business in a professional manner, dress, and spirit;

! and accessible facilities and services;

Customers are going to generally come from Tribal, Fort Frances, and the surrounding area. The demographics of the target customers are as follows:

! women and girls primarily between the ages of 13-64;

! and men and boys between the ages of 14-54 who are concerned about grooming and hair care.

## 8.0 COMPETITION

In the immediate community there are a number of retail service competitors and retail space. Some of the factors which make this venture appealing compared to the direct competitors are explained below:

! The principal's wife has extensive training in all aspects of the offered services developed through 10 years of hair styling service.

! Services will be competitively priced compared to competitors due to the low overhead cost associated with the project.

! Business will be run with the highest level of professionalism.



! Staff has an already established clientele from years of hair styling services conducted in Fort Frances.

! Staff will be friendly and courteous to its customers to create goodwill and build up a strong clientele.

! Long term potential to create more jobs in the community as the business thrives.

! The business will incorporate various marketing strategies which will get the message of its services to the community and its target market.

! The principal has the necessary managerial training to meet the operational and management requirements.

The key success factors are to develop a business exactly as described and being able to deliver the products and services. The business's ability to deliver the services to the customer will improve the competitive position. The word of mouth advertising of satisfied customers will be invaluable.

Local competition will come from various sources. One thing to note is many hair stylists often work from business to business at different times which affects the business's ability to generate a steady clientele. This analysis is as follows:

Competitor 1— located on the main street in Fort Frances and offers a wide array of hair salon services.

Competitor 2— centrally located in Fort Frances has very limited space to deliver hair styling services.

Competitor 3— located in Emo, the business has large service space and established clientele in west end of the target market.

Competitor 4— Small independently-owned home business has small clientele.

Competitor 5— Located in downtown Fort Frances, offers wide-array of hair and personal services. High taxes and overhead costs mean higher prices for services.

Competitor 6— New business offers array of esthetic services.

Competitor 7— Located in downtown business district, offers wide array of hair care services for men and women. High taxes and overhead costs mean higher prices for services.

Competitor 8— Established business located in business district in Fort Frances. High taxes and overhead costs mean high prices for services.

Competitor 9— Relatively new business offers array of hair care services.

Competitor 10— Sells wide array of personal grooming supplies.

Competitor 11 — Sells shampoo, and hair care and grooming products. 9.

#### OMARKET TRENDS

Principal is aware of trends which are emerging within the industry and the current practices.

! There is a significant increase in the growth of Aboriginal business. Aboriginal people are becoming more aware of the management support opportunities available to them.

! Aboriginal people are looking to get quick and easily accessible products and services generally viewed as essential for any community.

! The fashion industry has created a perception about personal care that has assisted in establishing a significant market.

! The provision of a wide range of services in one location is essential to the meeting the busy schedules of customers.

## 10. 0 MARKETING STRATEGY

In an effort to make the business as successful as possible, an aggressive marketing strategy will be implemented immediately upon the beginning of operations. The business will incorporate numerous marketing strategies such as word-of-mouth, print advertising, and competitive pricing. The location of the business will be situated where there is convenient access for customers who wish to utilize the business's services and products. A business sign will be located above the business's entrance and be clearly visible from the street which will enhance the awareness of the business in the area. The marketing effort will focus on developing an immediate message and awareness to potential customers. The principal will initiate and implement the marketing strategy of the business.

## 10. 1 PRICING STRATEGY

The pricing strategy will be based on the hair salon standards within the industry. These rates will enable the company to service debt costs, indirect expenses, and generate profits. A breakdown of the pricing, is as follows:

! Hair Styling / Cutting \$15

! Washing / Drying / Hair Styling / Cutting\$20

! Perms\$45

! Facial Waxing\$7

! Hair Colouring\$32

! Hair Styling / No Cutting (Updo)\$20-25

## 10. 2PROMOTIONAL STRATEGY

The promotional strategy will consist of word-of-mouth of satisfied customers, and print advertising. Promotion will incorporate various forms of print advertising geared towards getting the business's message of its services and operations out to its potential target market. The business will commit \$1, 500 annually to its advertising and marketing efforts. The following briefly describes each method:

! The business will place an advertisement in the yellow pages of the area telephone directory. This will enable the business to reach a large number of potential clients in the target market area, as new telephone directories are issued every year to each household with a telephone.

! The business will periodically place an advertisement — which details the business's services and hours of operations — printed in the local area newspaper. This will provide the business with another outlet to reach its projected clientele via mass media.

! The business will print up flyers to be inserted in the Tribal First Nation newsletter which is distributed to the entire community. There is no cost for this promotion.

! The business will incorporate the word-of-mouth of satisfied customers to reach other potential clients in the target market area.

! The business will notify previous clientele of staff.

## 11. 0 OPERATION PLAN

The business has the capacity to operate approximately 250 days per year. The business will operate Tuesday through Saturday on a regular eight hour business day, opening at 9 a. m. and closing at 5 p. m. The business will extend hours of operations during different seasons where business activity is greater. The principal will ensure the business is operating at the designated hours. This will enable customers to become familiar with the operations schedule. The staff will start each day off by preparing the business facility and equipment for daily operations, and ensuring the facility is clean and presentable. The business will open precisely at 9 a. m. each day. The staff will review the appointment book to review the schedule, and begin planning the day's activities. If there are any inventory supplies required, the staff will place calls to suppliers at this time.

The business will operate on the basis of offering the best hair salon services available by utilizing high-performance, low-maintenance equipment, high quality salon products, and highly-skilled salon professionals. Customers can schedule appointments over the telephone, or walk-in. Any questions or suggestions customers have will be treated with all seriousness by the staff. The most important aspect of the business is the ability to deliver the services in the most professional manner possible. Staff will be courteous, helpful, and respectful at all times.

Customers will enter the business through the main entrance. The staff will hang up the customer's outer garments, if requested, as they come in. The staff will lead the client to the waiting area until all preparations are made to serve the customer. The staff will try to make the client feel as comfortable as possible. The staff will then perform the service which the customer requested. If, at any time during the client's visit, the customer requests an additional service, the business will accommodate the customers, schedule permitting.

The staff will closely monitor the level of business activity over the course of the business day to determine which time customers most often frequent the facility in an effort to evaluate the hours of operation to better suit the needs of the customers. As closing time nears, the staff will evaluate inventory stock and, if necessary, prepare a list of supplies to order at the beginning of the next day's business.

The principal will monitor inventory, complete bookkeeping and banking requirements, and maintain the business's financial statements. Each evening, the principal will empty the cash box's cash and receipts, clean up, shut off the lights, and lock the facility for the next day's business operations.

## 11. 1SERVICE STAFF

The principal will make up the service staff. The responsibility of the service staff is to ensure customers get quality assistance when they utilize the business's services. The main area of function is to handle customers needs. The other functions include managing office supply and product inventory,

ensuring equipment is in excellent working condition, and the overall day-to-day duties of running the business.

The service staff will also be responsible for establishing a rapport to increase the chances of repeat business, and word-of-mouth advertising. Other functions will be to monitor the additional needs of customers and getting important feedback. The service staff must be good at communicating and meeting the customers needs and express the best service the business has to offer.

## 11. 2SUPPLY AND PURCHASING

The majority of the supplies and products will be hair salon inventory supplies, cleaning products, and office supplies. The principal will obtain a vendor's permit to purchase supplies at retailer's price. The business will commit 5 percent of monthly sales to its inventory requirements. The products and supplies required will be purchased from available distributors for the area. The items being purchased will be purchased from a local wholesaler or ordered via telephone. The anticipation is that the business will be able to plan its inventory supply requirements a month in advance. The principal could purchase products not considered taxable. The suppliers will require proper documentation prior to the sales of tax-free products. The business will pay for all items by cheque.

## 12. 0 MANAGEMENT

### 12. 1MANAGER

The business will be managed by the principal. A management control system will be implemented for the operation. The responsibilities of the manager will be the maintenance of the company debt load and monitoring the financial activity of the company. The manager will implement any decisions he makes regarding the direction of the business and act on decisions. The manager will ensure the smooth day-to-day operations of the company. In addition, the manager will have signing authority. The manager will monitor expenditures within the budgeted cash flow statements. The manager will also be responsible for authorizing drawings when financial targets have been exceeded. The manager will also be responsible for planning the implementation of measures which would increase the profitability of the business. The manager will be responsible for the day-to-day bookkeeping duties of the business and maintaining a record of all accounts receivable and payable. In addition, the manager will produce a monthly report on the status of the business.

The principal of the enterprise will perform the management functions of the business. The principal is prepared to make a full-time commitment to the business when financing is arranged and in place. The principal will be responsible for the all aspects of the business. The principal will be responsible for marketing, identifying customers' needs, monitoring the equipment, and ensuring the smooth operations of the business.

## 12. 2MANAGEMENT SUPPORT

The principal will provide the bookkeeping functions for the business. He will receive the necessary assistance so he can focus on the specific reporting



and legal requirements of the company. The business's legal functions will be provided by a local lawyer who specializes in corporate law, if necessary but not budgeted. The local charter bank will provide the banking services for the company. A local insurance company will provide the insurance and assist the business with its insurance needs.

## 12. 3BUSINESS SUPPORT

The accounting and financial control functions will be handled by the principal. With the aid of the business support program, the principal can gain independence within the first year of operation. A local accounting firm will assist the business with the establishment of a bookkeeping system using Simply Accounting Version 5, provide year end statements, and address tax strategies for the business. The cost of the business support program will be \$2, 000 and identified as Professional Fees in the financial statements.

## 13. 0 SERVICE DEVELOPMENT

The business plan has been developed to organize the concept and basic design of the services. The business plan demonstrates the feasibility and basic operations of the service. The following is a list of additional work that is required before the service can be provided.

1. Business Registration
2. Purchase Insurance
3. Organize and equip an office space within the principal's home including renovations.

4. Installation of telephone line and utilities.
5. Purchase and install salon equipment, inventory and office supplies.
6. Ensure all aspects of business development are completed.
7. Initiate marketing strategy.

#### 14. 0 FINANCIAL REQUIREMENTS

Refer to the Pro Forma Income Statements and Cash Flow projections.

The business plan for the hair salon venture is to be jointly funded by the principal, Indian Affairs and Northern Development's opportunity fund, and a commercial institution.

Additional financing in the amount of \$10, 000 is required to complete the service development, establish a marketing program, gain the necessary management experience, and commence operations.

The notes to the financial statements explain the financial statements more clearly.

#### 15. 0 PROJECT COSTS

The following is a summary of the projected financial requirements:

##### 15. 1 BEAUTY EQUIPMENT

The Beauty Equipment will cost \$6, 000 which includes applicable taxes. The business will purchase the Beauty Equipment from various sources. A breakdown of the Beauty Equipment is listed in the Appendix.

#### 16. 0 STARTUP COSTS AND WORKING CAPITAL

The following is a list of the Startup and Working Capital Requirements

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! Bridge Financing Interest

! Insurance Costs

! Utilities

! Business License

! Telephone Line

! Office Supplies

! Advertising and Promotion

! Legal Fees

! Operating Expenses

! Accounts receivable

The estimated costs for these items is \$4, 000.

## 17. 0 SOURCES OF FINANCING

In this project, there are several types of financing to meet the capital and operating requirements of this business. The business is proposing the following mix of Equity, Commercial Financing, and Department of Indian Affairs and Northern Development grant contribution. The breakdown is as follows:

### 17. 1EQUITY

The principal is making an equity contribution of \$4, 000 towards the project development. The funds will come from personal resources and will be available upon project approval by the hemoneywill be placed into a separate business bank account.

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## 17. 2COMMERCIAL FINANCING

The commercial loan will come from the Royal Bank of Canada. The principal has her account with the bank and is in a strong financial position with the bank. The amount of the loan is \$2, 000. The rate of interest is at 10 percent over a 24-month term. Payments of \$191 will be made on a monthly basis.

## 17. 3DEPARTMENT OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT'S OPPORTUNITY FUND

Tribal First Nation will make a request of \$4, 000 from the Department of Indian Affairs' Opportunity Fund program which will match the First Nations equity contribution on behalf of the principal. The objective of the program is to provide equity gap funding to eligible recipients in order that they can attract joint venture partners or secure conventional debt financing to take advantage of a business opportunity. The contribution is non-repayable. Eligible recipients are First Nations, Inuit and Innu Community Economic Development Organizations that:

- 1)have submitted an acceptable business plan;
- 2)can substantiate an opportunity to establish a viable business and demonstrate the need for an equity contribution to complete the financing package;
- 3)have the organizational development capacity with a proven record in business development;
- 4)and have a record of regular and acceptable reporting.

Eligible projects are business projects that will establish or expand a viable business which will create sustainable jobs, enhance community wealth and reduce social dependency.

The total of the Opportunity Fund contribution can not exceed the recipient's equity contribution, nor can the total of all federal department's economic development contributions exceed 40 percent of the total project costs. Where the total federal contribution is between 25 and 40 percent, the project assessment should demonstrate why the contribution is being recommended.

Neither contributions from the federal government (excluding cash equity) and / or other non-cash assets without a readily marketable cash value shall be considered as the recipient's equity when calculating the eligible matching contribution portion.

The program will be reviewed at a national and regional level on a regular basis to ensure that the program management guidelines are being applied, and to monitor attainment of performance objectives and results.

A business plan which provides a detailed outline of the history, management, operations, marketing, and financial aspects of the business must be submitted. It should demonstrate why the applicant requires a federal economic development contribution and how this contribution will make it a viable, ongoing business venture which would not likely go ahead in the absence of federal support. The business plan will be the basis for preparing the project approval documents.

## 18. 0 PROJECTED FINANCIAL STATEMENTS

Set out below are the following schedules for Year One and Three Years of business operation:

- |     |                                  |          |           |           |           |
|-----|----------------------------------|----------|-----------|-----------|-----------|
| 18. |                                  | 1Income  |           | Statement |           |
| 18. | 2Income                          |          | Statement | Support   | Schedule  |
| 18. | 3Long                            |          | Term      | Debt      | Analysis  |
| 18. | 4Equity                          |          |           | Position  | Analysis  |
| 18. | 5Fixed                           |          | Asset     | Detailed  | Analysis  |
| 18. | 6Cash                            |          |           | Flow      | Statement |
| 18. |                                  | 7Balance |           |           | Sheet     |
| 18. | 8Source and Application of Funds |          |           |           |           |

## 19. 0 NOTES TO FINANCIAL STATEMENTS

The starting time frame is January; therefore the business development must be completed by this time.

The expenses required to implement the business are going to be charged to the project.

The startup and working capital value is to cover the startup costs necessary to commence operations.

An increase of two percent annually is assumed on all business expenses.

The commercial loan is estimated at 10 percent compounded monthly over 24 months.

Depreciation is estimated at 20 percent per annum for all long term assets. However, in the first year of operations, 50 percent of the depreciation rate is assumed.

There is no rate for income tax because the principal is an aboriginal person who will operate the business on-reserve.

20. 0 VENTURE FEASIBILITY

Set out below is a breakdown of the venture’s feasibility.

21. 1CONTRIBUTION MARGIN SCHEDULE

Year

2000

2001

2002

Sales

52, 392

55, 020

57, 216

Gross Profit

20, 957

22, 008

22, 886

Contribution Margin

40%

40%

40%

21. 2BREAK EVEN SALES SCHEDULE

Year

2000

2001

2002

Total		Expenses
-------	--	----------

8,		605
----	--	-----

10,		745
-----	--	-----

10,		633
-----	--	-----

Contribution		Margin
--------------	--	--------

40%

40%

40%

Break	Even		Sales
-------	------	--	-------

21,		512
-----	--	-----

26,		862
-----	--	-----

26, 582

### 21. 3SAFETY FACTOR SCHEDULE

Year

2000

2001

2002

Sales

52,		392
-----	--	-----

55,		020
-----	--	-----

57,		216
-----	--	-----

Break	Even		Sales
-------	------	--	-------

21,		512
-----	--	-----



26, 862  
 26, 582  
 Safety Factor  
 59%  
 51%  
 53%

21. 4RATE OF RETURN ON INVESTMENT SCHEDULE

Year

2000

2001

2002

Owner's

Investment

4,

000

16,

352

27,

615

Net

Income

After

Taxes

12,

352

11,

263

12,

253

Return

on

Investment

309%

68%

44%

21. 5VENTURE SUMMARY

The average rate of return on the Owner's equity investment of \$4, 000 is 140 percent.

The venture fairs well in comparison to other investments. The bond rate of return is three percent. The Guaranteed Investment Certificate is approximately 2. 75 percent. A bank account yield is approximately 0. 25 percent. The rate of return on investment could easily exceed the performance of Growth Mutual Funds.

The business will have a favorable cash flow. This will enable the business to service debt, cover operating expenses, and re-invest funds into the business. The third year could see a substantial increase in the cash flow because of the debt retirement. The business would be in a solid position for growth. The business has the potential for success.

## 22. 0APPENDIX

Attached is the following document:

A. Beauty Equipment Assets List.