

# Extention nail salons | analysis



**ASSIGN  
BUSTER**

In October 2004, Nails magazine conduct a survey and learnt that 87% of women have had their nails done at a salon (2). The magazine also stated that 42 % of the respondents have their nails done at least once a month and Nail-only salons are the preferred choice over full- service salons or spas for nail care (1). Almost all women go to nail salons in order to look good.

Nicer Nails salon is a beauty service establishment that supply a personal service to predominantly female clientele. The salon offer nail care like pedicures, manicures as well as nail enhancements which involve applying false nails, nail extensions, and decorating fingernails according to requirements including nail parties. We are knowledgeable about hygiene and health issues relating to their profession.

The desire to have beautiful nails first began during the Ming Dynasty of China, long artificial nails were worn by noblewomen as a status symbol indicating that, unlike commoners, and they did not do manual labour. In the early 19th century in Greece, the upper class women wore empty pistachio shells over their nails, then slowly spreading the artificial nails trend across Europe. In the late 20th century, artificial nails for women became widely popular all over the world (4). The fascination with beautiful nails has grown over the centuries and become a multi-billion pound industry.

Extension nail is now a thriving market. Exploiting the development of technological and procedural advancements, Nicer Nail salon will provide a full-service nail technician with high customer satisfaction by delivering speedy, excellent service, an enjoyable atmosphere at an acceptable price.

The demand for nail technician service is growing since women have increasing the disposable income which they are keen to spend on treatments that will reduce the stress of everyday life. At Nicer Nail salon, our high qualified technicians will offer a comfortable and relaxed environment. We are the true cut above other nail shops. Our mission is to supply services that enhance our clients' physical appearance and mental relaxation.

The timing is right for starting new venture; one perfect location was found in Kingston shopping centre. To achieve our objectives, Nicer Nail salon is seeking £40, 000 in loan financing. This loan will be paid from the cash flow from the business and will be secured by the assets of the company.

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### **1. 0 Introduction**

Beauty industry in the U. K is booming, there is a lot of money to be made in this industry more than ever, making today a great time to join the industry. Salons and spas have become a cure to the fast-paced lifestyles nowadays.

It has been estimated that the average person spends one third of her cosmetic budget on nail care. Because today's fashion regards professional nail care services increasingly important.

However, this billion pound industry can be influenced by changing in politics and economic. The report will show how important it is for business to react with the change of environment. This report is not only an environmental

analysis that supports the nail salon but also a financial plan to help the prospect of opening Nicer Nail Salon.

## **Product & service:**

2. 1 Target customer: female over 16 year olds. According to the Nail magazine, nail salon patrons begins their habit early. 55% were under 25s when they first starting having their nails done professionally (1). Moreover, result from 2010 Survey of Hours and Earnings show Women salary is highest in the age group within 30-39 (12). On the other hand, nails art parties are on the rise in popularity, particularly for hen nights and teenage parties. Therefore, the need to offer an array of services to attract clientele of all different age and income groups is necessary. For example, high-end clients are looking to be pampered. Although we cannot ignore the segment of customers, who would still want to have their nails done, don't want to spend out of their comfort areas.

Services: Principally, the salon will generate revenues from the direct nail technician services. A nail technician provides painting, nail filing, manicure, pedicure and artificial nails services including acrylics, airbrush nails and nail jewelry. The most popular new foot service which is gel toenails also be provided. To a lesser extent, the salon generates revenue from sale of nail care and hand cream products. Furthermore, a deluxe service involves playing around with colored gels and dabbling in 3-D art will also be offered.

Location: the salon will be located on Fife Road, Kingston -upon-Thames, U. K. the location is strategically situated on one of the busiest street in Kingston next to a hairdresser; importantly, there is a big car park nearby

the salon. This is a high profile area and easy access from all parts of the town. It is also very convenience for clienteles to locate our salon.

Pricing: According to nail magazine survey, 11% of respondents have stopped having their nails done at a salon due to the expense (3). Thus it is important to offer service that available for customers who can't quite afford high-end luxury salons.

After sales service: our customers will leave with tips on how to make their nails healthier. To gain the clienteles trust, clean and safe quality products are used. In addition, clients are always welcome to question about our products. We are confident that word-of-mouth about such a salon would be the best advertising for this type of business, it is not only attract local clienteles but also reach customers far outside the boundaries of Kingston. A creative and innovative fashion always applies to generate very high levels of customer satisfaction. Providing customers with the option of booking appointments and consultations online.

### **3. 0 The Business environment (PESTLE analysis):**

Like any other business, the Nail salon has to act and react to external factors influences it. Since markets are changing all the time. Customer develops new needs and wants, new competitors enter a market, new technology means that new product can be made. Government introduces new legislation e. g. increase minimum wage means that the disposable income increase it may lead to higher level professional service. Therefore, it is essential to know the influence of external factors include political,

economical, socio-cultural, technological, legal and ethical environment is (13).

The political environment: is one of the most important factors affecting the operation of a business. It is part of the macro-environment which is external to an organisation and completely beyond its control.

The effect of political on business in general: Politic affect business in varieties of levels.

Business is affected directly by tax policy; high tax rate will attract less investor (chart 8 in appendix1).

Policies of government are very important. For example UK is the democratic country, people have full voting authority; they would be able to choose government that would work for the betterment of the country. It helps businesses to thrive because of the good policies of the government.

In contrast, if there is no democracy, there is no respect for the chosen government. Instability and uncertainty in the country arise, government comes and goes and so will their respective decisions and policies. Business will suffer in such case as they do not know what will be their future. An example of instability political causes negatively influencing is the effects of anti-government protestors on hotel operators in Thailand in December 2008. Chart 9 (Appendix1) shows a loss of room revenue during period of peak tourist season. It is clear that the political instability is negatively influences travelers' decision making (7).

Furthermore, a stable political situation will attract more and more investors from other nations.

The effect of the political environment on nail salon:

Tax policy: as a sole trader Nicer Nail salon owner has responsibility to pay for local business tax, VAT, corporation capital income tax for business and national insurance for employees. Because by doing so the government know the presence of the business.

The conservative government recently announced a new “austerity plan”. It causes higher interest rates, more business failures, lead to shaper rise in unemployment, directly affect the bank and national disposable income. As a result, the salon revenue may reduce significantly.

Economical environment :

It is believed that the level of demand for nail treatments can change depending on consumers' level of disposable income. Businesses are in areas hard-hit economically will suffer because people lost jobs they have to tighten their belts and take control of their spending habits. Since many people are of the opinion that having nails done is not a necessitate thing. As a service industry, many beauty salons are being hit severely. Retail Sale is another example of industry that suffers when the surrounding economy turns down. Chart 11 (appendix 1) shows a lot of retailers report losses and in fact go out of business.

Fortunately, the economy in the UK is in fast recovery (Chart 5 appendix 1). Additionally, chart 6 (Appendix 1) show household expenditure and total

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employment rose (5). Increasing in disposable income means that people can spend on luxuries like nail treatments.

Furthermore, The British Lifestyles report by research group Mintel found that in the last decade we have spent 50% more on trips to hairdressing and beauty salons. This proves that the beauty market increases continuously despite the fact that the economic market condition in the UK is still in recession. Regardless of the recession, there are still people who enjoy being pampered. It makes professional nail care is a business with many good advantages.

Socio-cultural environment:

Every business works in society and consequently is subject to a variety of social influences. These influences include demography, social class and culture (13).

For example, result from 2010 Survey of Hours and Earnings (chart 10 appendix 1) show that median earning of female employees grew. Increasing number of career women trends developing a “ high maintenance” notion towards beauty regimes. This is reflected in the increasing amount of nail bars and services available.

Nicer Nail Salon is the place where hard working people can come to get away from their daily stresses and be truly spoilt, a place that had the look and feel of a posh city salon.

Nail arts can be a fashion statement and express individual for young clienteles who follow the latest trends and styles with a desire to be

fashionable. Other services such as ear piercing, facial, and waxing eyelashes treatments are also offered to attract new clients. On the other hand, UK population is ageing (chart 4 Appendix I), ageing population means that the need to provide for a wider age range of clients is essential.

Nodaway, Women earn more they will spend more money to look good. Plus the influence of fashion and changes in attitude toward health make professional nail care become booming industry.

### **Technological environment:**

Advances in technology can have a major impact on business success. For example, one of the easiest and quickest way to let high-end class clientele know that the salon are dedicated to serving them with luxurious pampering is creating a website that speaks to their needs and wants. Since, today the internet has major influence on the way consumers' research and purchase products. By registering the nail salon with online portals the potential customers can easily reach the salon website which provide company name and contact information with online directories. Furthermore, option of consultants online 24/7 shows the salon is dedicated to deliver professional service.

Moreover, electric nail file, unlike manual tool, enables a nail technician to filling acrylic nails much easier since the areas that were once hard to reach when filing manually such as cuticle areas and undersides of nails are now easily accessible. The electric nail drill is a time saver; it allows the salon to serve more clients in a day and this should increase profit.

In 2010, 19.2 million households had an Internet connection in the U. K. This represented 73 per cent of households and an increase of 0.9 million since 2009 (15) an enormous increase in the number of home computer. This makes internet becomes one of the best ways to advertise the salon. On the other hand, improvements in technology will reduce the costs of nails equipment and products for example nail varnishes, jewellery. This should increase salon revenue.

## **The legal environment**

Health and safety is important when working as a nail technician. Health and safety legislation is part of criminal law. Failure to comply with the law has serious consequence for example if there is a severe risk to health and safety, the salon will be closed down until improvements have been made.

The salon has to work within the legal and professional frameworks that set the standards for employment. The law demands that every place of work is a healthy and safe for clients, workers, and other visitors. For example, potentially hazardous substances like glues or acetones should be carefully handle. The salon must follow the Control of Substances Hazardous to Health Regulations 2002 (COSHH) (10).

My salon also looks forward to Legal requirement such as accident insurance and safety disposable products. The salon will keep to the “ Health and Safety” guidance produced by Habia for nail technicians (9). This involves controlling and minimizing skin exposure to nail products, disinfecting equipment for manicuring, cleaning and minimizing inhalation exposure to nail products

A nail technician should provide a service with reasonable care and skill, within a reasonable space of time and at a reasonable charge (The Supply of Goods and Services Act 1982). The nail technician will commit a criminal offence if published misleading advertising that deceives another trader (The Business Protection from Misleading Regulations 2008). Hence, it is crucial to know about the laws.

### **Ethnical environment:**

Methyl methacrylate (MMA) is a monomer used in nail enhancement application but it should not be used in the salon due to its dangerous effect such as blister and nail loss for natural nails or respiration problem and asthma for some people even though it is still legal to use in the UK.

Acrylic contaminated materials should be sealed in a bag before disposal in the bin reducing the amount of chemicals in the air. Gauze pads, cotton wool etc. that have been soaked in chemical should be disposed of in a sealed bag.

### **The intended legal entity for my company:**

The salon operates as sole trader. I have look and found that being a sole trader is the easiest way to start a small business like a nail spa. Accounting is much easier hence bills for accountants are lower. Plus no complicated paperwork is required. Importantly, decision can be make quickly and close contact can be kept with clients and employees. However, you have to make decisions and provide all finance by yourself. The business income is the owner income therefore it is harder to reduce tax bill.

Registration and regulation:

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Nail technicians are required to register their business and apply for a license to trade. The licence is known as a “ special treatment licence”. The fee to register will depend on each local authority.

As a Sole Trader, the salon owner needs to register with Her Majesty’s Revenue and Custom (HMRC) as self-employed at the moment the business has started otherwise the financial penalty will be charged.

### Financial plan

The startup capital of £45, 000 (appendix II for details) is required to use for the design, leasehold improvement, and equipment of the salon. There are many ways to raise finance for examples borrow from family, get a bank loan or from outside investors. I did research and found that the best way to raise capital for Nicer Nail Salon is borrowing from my parent because they provide with better terms than the bank or private loan guarantees.

In order to have successful business with family an agreement letter (Appendix II for details) between me and my parent is necessary in case thing don’t go as planned. This also helps to protect everyone from each other and eliminate all conversations that start with “ you never said that”. This note emphasizes that my parent lend me £45, 000 as a debt loan rather than equity. The interest will be paid quarterly to my parent account. Borrowing from parent is better than borrowing from private loan guarantees as the limit time frame stems is much longer. Compare to bank term loans, the interest rate is also much lower.

Conclusion: Based on the result from 2010 Survey of Hours and Earnings and British lifestyles I can conclude that Nicer Nail Salon is a necessary service nowadays. Owning a nail salon is promising as little start-up cost is needed and importantly, it is never out of season.

, it will be a good start of going somewhere with nail business. Explain in greater details of executive summary how and why the conclusions were reached. This is based on result of findings

## **Appendix I:**

Table 1: shows the places where customers have their nails done.

Table 2 shows how often they have their nails done

Table 3: show the main reason stop customers having their nails done at a salon

Chart 4: Estimated and projected population and percentage of population by age group, UK, 1984, 2009 and 2034 (3)

Chart 5: show the economy from 2006 to 2010 (2)

## **Economy grows by 0. 7% in Q3 2010**

Real GDP quarterly growth

Chart 6: show consumer Spending trend from 2006 to 2010

Household expenditure grows by 0. 3% in Q3 2010

This is a graph showing Household final consumption expenditure – percentage change, quarter on previous quarter

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Household final consumption expenditure – percentage change, quarter on previous quarter

## **Chart 7: GDP and the Labour Market (5)**

From recession to recovery

Chart: The labour market in recession and recovery

The labour market in recession and recovery

## **The UK continues its path of recovery from recession(5)**

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The UK economy over the past three recessions

According to the latest figures, UK GDP grew by 0. 7 per cent in quarter three 2010.

GDP grew by 0. 7 per cent in quarter three 2010. This was the fourth consecutive increase since the end of the recent recession. The 0. 7 per cent growth stemmed from:

Service sector (0. 4 per cent)

Construction sector (0. 2 per cent)

Production sector (0. 1 per cent)

Growth in the Service sector was driven by the ‘ government and other services’, ‘ transport storage and communication’ and ‘ distribution hotels and restaurants’

Chart 8: Higher tax rates discourage investment by lowering investment's return

[http://www.heritage.org/research/reports/2010/09/~media/Images/Reports/2010/cda1007/cda1007\\_chart5.ashx?w=400&h=632&as=1](http://www.heritage.org/research/reports/2010/09/~media/Images/Reports/2010/cda1007/cda1007_chart5.ashx?w=400&h=632&as=1) (6)

Chart 9: Daily hotel reservation requests in Thailand from 16/10/2008 to 16/12/2008(7)

Chart10: Earnings 2010 survey of Hours and earnings (12)

This is a graph showing Growth in median gross weekly earnings of full-time employees by sex, United Kingdom

Chart 11: UK Retail Sales during recession

## **Appendix II:**

Below is the summary of money needed to start up Nicer Nail Salon

Start-up Expenses

Rent deposit £1, 500

Legal £500

Brochures £500

Stationery £1, 000

Sundry salon equipment £2, 500

Total Start-up Expenses £6, 000

Start-up Assets Needed

Cash Balance on Starting Date £15, 000

Other Current Assets £24, 000

Total Assets £39, 000

Total Requirements £45, 000

This is an installment promissory note between me and my parent

Instalment Promissory Note (17)

Full Names \_\_\_\_Kim Anh Tran\_\_\_\_

Address\_\_\_\_Kingston -upon- Thames , UK, KT2 7SB

(Hereinafter referred to as the Borrower/s)

Full Names \_\_\_\_Kim Pham\_\_\_\_\_

Address: Kingston -upon- Thames , UK, KT2 7SB

(Hereinafter referred to as the Lender)

For value received, the Borrower hereby unconditionally promises to pay to the order of Lender the sum of \_\_£45, 000 together with interest accrued at the rate of \_\_ten six\_percent ( \_6%) per year on any unpaid balance.

## **Payment Terms**

Borrower will pay \_\_\_\_\_one\_\_\_payment of \_\_£2, 000\_\_ each at uninterrupted quarterly intervals on the \_\_first day of each month, starting on the 11/01/2011 until the Principal amount and accrued interest is paid in full. All payments shall first be applied to outstanding late fees, then to interest and the balance to the Principal amount.

## **Prepayment**

The Borrower may prepay this Note in full or in part at any time without premium or penalty. All prepayments shall first be applied to outstanding late fees, then to accrued interest and thereafter to the principal loan amount.

## **Place of Payment**

Payment shall be made at the above stated address of the Lender or at such place as may be designated from time to time in writing by the Lender or holder of this Note. For ease of payment the Borrower may exercise the option to effect payment by direct deposit or electronic transfer of funds into the account of Lender as specified in writing.

## **Late Payment Fees**

If payment is not made within \_\_10\_\_ days as stipulated in the payment terms the Borrower shall pay an additional late fee in the amount of £\_\_500.

## **Acceleration of Debt upon Default**

If the Borrower fails to make any payment when due for whatever reason and the Lender provides notice of such failure, the Borrower must effect payment of the amount due within \_\_30\_\_ days, failing which the Lender can

demand immediate payment of the entire outstanding Principal amount and accrued interest.

## **Collection Fees**

In the event of default this Note may be turned over for collection and the Borrower agrees to pay all reasonable legal fees, collection and enforcement charges to the extent permissible by law, in addition to other amounts due.

## **Security**

This Note is secured by a Security Agreement which will remain in full force and effect until this Note and the Security Agreement are released in writing by the Lender.

## **Transfer**

The Lender may transfer this Note to another holder without notice to the Borrower and the Borrower agrees to remain bound to any subsequent holder of this Note under the terms of this Note.

## **Replacement of Note**

The Borrower agrees to execute a new Note with the same terms and conditions and remaining value in the event that this Note is lost, stolen or mutilated. The Lender shall release the Borrower of all obligations under the lost, stolen or mutilated Note in lieu of a replacement new Note.

## **Joint and Several Liability**

All Borrowers or Co-signors identified in this Note shall be equally liable for the repayment of the debt described in this Note.

## **Borrower's Waiver**

The Borrower waives demand and presentment for payment, notice of non-payment, off-set, protest and notice of protest and agrees to remain fully bound until this Note is paid in full.

## **Lender's Indulgence**

No relaxation, indulgence, waiver, release or concession of any terms of this Note by the Lender on one occasion shall be binding unless in writing and if granted shall not be applicable to any other or future occasion.

## **Binding Effect**

The terms of this Note shall be binding upon the Borrower's successors and shall accrue to the benefit and be enforceable by the Lender and his/her successors, legal representatives and assigns.

## **Jurisdiction**

This Note shall be construed, interpreted and governed in accordance with the laws of the U. K and should any provision of this Note be judged by an appropriate court of law as invalid, it shall not affect any of the remaining provisions whatsoever.

## **General**

Where appropriate words signifying one gender shall include the others and words signifying the singular shall include the plural and vice versa.

Paragraph headings are for convenience of reference only and are not intended to have any effect in the interpretation or determining of rights or obligations under this Note.

Signed on 10/01/2011

(1) Borrowers Name \_\_\_\_Kim Anh Tran\_\_\_\_\_

(2) Lender Name \_\_\_\_\_Kim Pham\_\_\_\_\_