
Why Should You Do A Business Plan?

When making the decision to establish or buy a new salon, it is a sound business practice to write a Business Plan. This allows you to analyse, in detail, all the key elements of your proposed business and assists you to wisely make the right decisions about investing in this particular business.

What about those owners who have been successfully operating a business for a period of time, in some cases many years without a Business Plan? Should they have one?

Yes, they should also have a Business Plan that is updated and changes as their business changes and grows.

Often salon owners say to me *“I have a good salon, but I don’t really know why.”* Stepping back and completing a Business Plan will assist you to understand where you are and how to get even better.

This template has been developed especially for use within salons. It is very easy to follow using the step-by-step guide.

It will meet the requirements of a Business Plan, if you need to use it for the following purposes

- Selling your salon
- Seeking finance from a bank or finance company
- Applying for a Government grant
- Preparing a submission for an industry award
- Preparing a plan for your Business Management Diploma

Note : A business plan should be a simple easy to read overview of your salon business. Less is better, so keep it as short and simple as you can.

Business Plan Outline

The following pages provide an outline of the material to be included in your business plan. Your final plan may vary according to your individual requirements.

1. Cover Sheet:

This serves as the title page of your business plan.

- Name, address, and phone number of the salon
- Name, title, address, phone number of owners
- Month and year your plan was prepared
- Name of preparer

2. Executive Summary (Or Statement Of Purpose)

Note: Do not write the executive summary (statement of purpose) until you have completed your business plan! It is a summary and reflects the contents of the finished plan.

This states your business plan's objectives. Use the **key word approach** (who, what, where, when, why, how, how much) to summarize the following:

- Your salon (who, what, where, when).
- Who your management is and what their strengths are.
- What your objectives are and why you will be successful.

If you need financing, why you need it, how much you need and how you intend to repay the loan.

3. Table Of Contents (Quick reference to major topics covered in your plan)

4. The Organisational Plan

What is included? This section should include a "short description of your salon" statement followed by information on the administrative end of your business.

Summary Description Of The Business

In a paragraph or two give a broad overview of the nature of your business, telling when and why the salon was opened. Then complete the summary by briefly addressing:

- Mission. Describing short and long-term goals, this innovative and motivating statement should be simple and precise identifying why you are in business, It should give the business a purpose and a difference; and define the purpose of the business along with three dimensions:

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1. Client Groups- **who** is to be served and satisfied
 2. Client Needs- **what** is to be satisfied
 3. Services- **how** are Client needs to be satisfied.

- Business description. (Describe your salon's features and its points of difference.)
- Strategic relationships. (Tell about any existing strategic relationships)

Situation Analysis

The following internal and external factors should form the basis of your situation analysis.

Work through the list noting which factors are strengths, which are weaknesses, and rate them using a scale of 1-10, with 1 being a factor of little influence on your business, 10 being of major influence.

Internal Factors – Rate each area 1-10

Sales and Performance

- A comparison of your pricing policy to other salons in your area
- Meeting of client needs and wants
- Your sales compared to capacity
- Your market share (in your suburb or local area)
- The profit level of the business
- Your marketing plan and budgets

Personnel

- The experience and expertise of your team
- Training provided to your team
- Utilisation of team capacity
- Team motivation and satisfaction
- Regular team meetings
- Utilisation of professional business advisors

Physical Resources

- Is your location desirable?
- Are your premises adequate?
- Is your equipment suitable to service your market?

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- Do you have any innovative equipment or services that gives you a point of difference?

Potential

- What is your potential for growth or improvement
- Sales
- Profit
- Market share
- Competitive position
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External Factors – Rate each area 1-10

Economy

- State of the current economy
- Current interest rate
- Average disposable income

Competitors

- Your main competitors product/service
- Their pricing policies
- Their performance
- Their client base
- Their reputation

Social Patterns

- Percentage of work to leisure time
- Need to relieve stress
- Team social activities

Physical Factors

Climatic conditions

Environment issues

Other factors specific to the hairdressing industry

SWOT Analysis

(Strengths, Weaknesses, Opportunities, and Threats that your salon will face, both internal and external)

A SWOT analysis identifies the strengths, weaknesses, opportunities and threats affecting your business, and can now be performed from the information you have prepared in the Situation Analysis.

To start, choose 3 of each of your major strengths, weaknesses, opportunities and threats.

Strategies can now be identified and developed from you SWOT analysis, bearing in mind the following principles:

- Build on strengths to maximise opportunities.
- Try to correct those weaknesses that are barriers to success.

Products Or Services

- Describe the products and services you sell. Include information about your suppliers and handling of stock levels and ordering patterns.
- List future products or services you plan to provide.

Location

- Describe your projected or current location.
- Project costs associated with the location.

Legal Structure

- Describe your legal structure.
- List owners and/or partners describing strengths.

Management

- List the people who are (or will be) running the business and their industry knowledge and experience.
- Describe their responsibilities and abilities.
- Job description/detail their salaries.

Personnel

- How many employees will you have in what positions?
- What are the necessary qualifications?
- How many hours will they work and at what wage?

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- Project future needs for adding employees.
 - What other strengths?

Accounting & Legal

- Accounting: What system will you set up for your salons accounting?
- Who will you use for a tax accountant?
- Who will you seek legal advise from
- Who will you seek industrial relations advise from?

Insurance

- What kinds of insurance will you carry? (Property & Liability, Life & Health)
- What will it cost and who will you use?

5. The Marketing Plan

What is a marketing plan? The Marketing Plan defines all of the components of your marketing strategy. You will address the details of your market analysis, sales, and advertising campaigns.

Overview And Goals Of Your Marketing Strategy

Market Analysis

- Target market
- Competition (describe major competitors assessing their strengths and weaknesses).
- Market trends (identify industry trends and client trends).

Marketing Strategy

- General description
- Pricing (price strategy and competitive position).
- Is it possible to increase prices by adding value?
- Do you understand how to avoid selling on price?
- Database marketing.
- Sales strategies (internal and external promotions).
- Advertising strategies (internal and external).
- Networking (memberships and other businesses).
- Loyalty programme.
- Referral programme.

Client Service

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- Description of client service activities.
 - Expected outcomes of achieving excellence.
 - Identify points of difference.
 - Identify opportunities.
 - Identify potential of retail business
 - Identify potential re-bookings

6. Financial Matters

Financial documents are the records used to show past, current, and projected finances.

You should consult your financial advisor/accountant about a simple financial plan to include. This would typically contain such headings as:

- Cash flow projection
- Profit and loss
- Balance sheet
- Salon budget/break even weekly figure
- Stock budget
- Wages budget

You should address the following points:

- Is your cash flow adequate for growth?
- Do you have access to further funds?
- Does management have access to and use financial information?
- Are key performance indicators of the industry and your business assessed regularly?

Keep Your Business Plan Up To Date

Your plan will be beneficial only if you update it frequently to reflect what is happening within your business. Measure your projections against what actually happens in your salon. Use the results to analyse the effectiveness of your operation. You can then implement changes that will give you a competitive edge and make your business more profitable