

**Business Plan**  
For

# **Penny's Hair Salon**

9527B Westheimer

Brandon, Manitoba  
R7B 1R1

Phone: (204) 727-5555  
E-Mail address

Prepared by:

Penny Pretty  
And  
Frank Pretty Jr.

DATE

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## **1.0 Executive Summary**

Penny's Hair Salon is a full-service beauty salon dedicated to consistently providing high customer satisfaction by rendering excellent service, quality products, and furnishing an enjoyable atmosphere at an acceptable price/value relationship. We will also maintain a friendly, fair, and creative work environment, which respects diversity, ideas, and hard work.

*Our Mission:* To supply services and products that enhance our client's physical appearance and mental relaxation.

*Our Motto:* Customer Satisfaction Guaranteed

Penny Pretty, co-owner with Frank Pretty, her husband, has worked in a prestigious, upscale salon in Brandon for the past two years. Penny has created a large client following through hard work and dedication. Penny, and her team of talented beauticians, have what it takes to make this venture an extremely successful one. We expect our growing reputation to lead to new clients and attract more beauticians to support our anticipated growth.

*The keys to success in our business are:*

*Location:* Providing an easily accessible location for customers.

*Environment:* Providing an environment conducive to giving a relaxing and professional service.

*Convenience:* Offering clients a wide range of services in one setting, and extended business hours.

*Reputation:* The owner and other beauticians have a reputation for providing superior personal service.

## **2.0 Products and Services**

Penny's Hair Salon will be providing both services and products to better meet our customers' needs.

### **2.1 Services**

Penny's Hair Salon is considered an upscale, full-service beauty salon. We offer a wide range of services that include:

- ✓ Hair: cuts; relaxers; perms; colours; shampoo; conditioning; curling; reconstructing; weaving; and waving.
- ✓ Nails: manicures; pedicures; polish; sculptured nails.
- ✓ Skin Care: European facials; body waxing; massages.

## **2.2 Products**

Penny's will, upon commencement of operations, sell a wide range of beauty products. We will be providing quality hair, nail, and skin care products. Penny's has an exclusive contract with Joico to sell their top quality products. In addition we will have other name-brand products for sale to meet customer needs, such as: Matrix, Paul Mitchell, Rusk, and Biolage. The products will include shampoos, conditioners, mousse, hair spray, nail polish, nail files, skin conditioners, and cleansers, facial masks, and other such beauty products. What will set Penny's Hair Salon apart from the competition is our commitment to providing all of these products and services in one convenient location.

## **2.3 Pricing**

The brand-name hair products will range in cost from \$5.00 - \$50.00. These costs will not vary from other competitors as there is a standard price that salons may charge for these products. Our mark-up will be approximately 60% above cost for a retail price range of \$24.00 - \$80.00. This is standard pricing in comparison to the competition.

Our services will average \$50.00, with a range of \$15.00 for a hair trim to \$175.00 for a complete beauty package (hair, massage, facial, manicure, and pedicure). These prices are lower than our competitors' pricing.

## **3.0 Market**

The beautification industry is economically stable. However, our market share is on the rise with an increase in disposable income as more women join the workforce. Industry trends show that as time becomes more limited, people want faster, easier and more economical services all in one location. Customers are more educated and more demanding of quality service. Our market area includes the city of Brandon and surrounding communities. This will include a target population of 3500-4000 people who fit our customer profile.

### **3.1 Competitive Summary**

Penny's Hair Salon wants to set itself apart from other beauty salons that may offer only one or two types of service. Having come from such a salon, Penny realized from talking to clients, that they desire all of the services that we are proposing, but they remain frustrated because they must get their hair done at one place, and nails at another. Although the focus of Penny's Hair Salon is hair services, we do plan to offer our clients the convenience of all these services in one location.

There are a number of salons like ours, but they are mainly in the very high income parts of Brandon and surrounding areas. We do not intend to compete with these so called "day spas". We wish to offer a middle ground for those clients who can't quite afford those high-end luxury salons.

Our business atmosphere will be a relaxing one where clients can kick back and be pampered. Coffee and soft drinks will be offered to clients as they enter for service. Televisions will be located in the waiting and hair-drying areas.

### **3.2 Advertising**

Our advertising strategy is a simple one: satisfied clients are our best marketing tool. When a client leaves our business with a new look, he or she is broadcasting our name and quality to the public. Most of our clients will be referrals from existing clients.

No major advertising campaigns are planned. Our research has shown that word of mouth is the best advertising for this type of business. We will, however, run specials throughout the week. We will also offer discounts to the new clients who have been referred. There are plans for a lottery that will offer a free trip to Cancun. A client would simply refer new clients to us, and we will place a card in the box for each client he or she brings. The more they bring the more chances they have of winning the trip.

We will be running ads in the Brandon Herald on a monthly basis. We have established an alliance with the Herald who will publish our ad for only \$25 per month. Our Yellow Pages ad will be an additional \$15 a month which will be included on our monthly phone bill. When we run specials we will hire a local person to put flyers on car windows, at an approximate cost of \$20 per month. The rest of the advertising budget will be spent on paying for the trip, the discounts, and the specials that will be offered throughout the month.

Our advertising budget will be based on approximately 1% of our sales, which will be \$1500 during our first year.

### **3.3 Customer Profile**

Penny's typical client will be:

- Between the ages of 30 and 55
- Income levels of \$25,000 to \$40,000
- Female
- Typically employed part or full-time
- Looking for a salon close to the work place, for lunch hour services or immediately after work
- Looking for reasonably priced services with a high level of luxury
- They like to be able to have all beauty care services and products in one location due to a busy lifestyle.

There are approximately 3500-4000<sup>1</sup> potential customers within this profile that would use the services of Penny's Hair Salon.

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<sup>1</sup> This number was obtained from PCensus Reports, done by Statistics Canada, of the population of Brandon.

## **4.0 Operational Summary**

### **4.1 Supplier Summary**

All of the major supplies, combs, hair care products, towels, capes, etc, will be purchased from The Hair Warehouse which is conveniently located on 24<sup>th</sup> Street in Brandon. For the first three months, until a credit rating is established, all items will be paid on a C.O.D. basis. Once a credit rating is established an account will be formed which will be payable every 30 days. Items that can not be purchased through The Hair Warehouse will be purchased at Loots and Lots located at 296 Main Street in Winnipeg. All supplies purchased at Loots and Lots will be paid C.O.D.

### **4.2 Location**

The salon will be located in a retail strip mall at 9527B Westheimer Road, Brandon, Manitoba. The salon will utilize 1,540 square feet. The space will be rented from Hugh Jones, the owner of the strip mall. The location is strategically situated on one of the busiest streets in Brandon. It is a high profile area, with easy access from all parts of the city.

### **4.3 Employment Overview**

In the first year, Penny's Hair Salon will require a receptionist who will greet customers and receive payment for services and products. The salon will also include a financial manager to oversee all of the expenses, bills, payroll, etc.

There will also be three hair stylists (including Penny Pretty), a barber, and a part time nail, facial and massage technician until the business can build a reputation that will attract others to work there.

Everyone but the receptionist and the financial manager will be contract workers, and will be paid a sliding commission scale based on the amount of revenue created.

Training classes to help improve employee product knowledge and skills will be conducted on a regular basis. As the business grows, the company will consider offering an employee benefit package to include health and vacation benefits for everyone.

### **4.4 Regulations**

Penny's Hair Salon will be operated in strict guidance with the health and dress codes, particularly when working with customers. The fire code will also followed in regards to posters and pictures that will be displayed on the walls. All employees will be expected to be punctual, polite and respectful to all customers and staff, and follow the implemented dress code which consists of a company smock, dark pants and dress shirt/blouse. All lunch breaks will be 45 minutes in length and will be staggered between staff from 11:30am to 1:15pm.

## 4.5 Insurance Coverage

The insurance that will be needed for Penny's Hair Salon and the agency that it will purchase through is as follows:

- Fire Insurance – Home Insurance Agency
- Theft Insurance – Home Insurance Agency
- Liability Insurance – Premier Insurance Agency
- Car Insurance – Insurance Agency
- Benefit Packages<sup>2</sup> – True Life Insurance

## 5.0 Management Summary

Penny's Hair Salon will be organized and managed in a creative and innovative fashion to generate high levels of customer satisfaction. This will also create a working climate conducive to a high degree of personal development and economic satisfaction for employees.

**Penny Pretty:** Co-owner. Penny has been a beautician for two years. As a graduate of Bellair Beauty College in 1996, she has quickly developed the trade skills that have led to her success. Since graduation, she has worked at Hair Masters in Brandon as a beautician and has established a variety of clientele. She loves dealing with people, and has the drive, ambition and discipline to manage the business and its employees.

**Frank Pretty Jr.:** Co-owner. Frank has a Bachelor's degree in Finance from the University of Manitoba. He has extensive experience managing people and businesses. He has worked as a business consultant for Officer Organizers, Inc., and he is the owner of Guardian Financial Group, a financial services company with over 120 clients and over \$1.2 million under management.

Penny's Hair Salon will be operated as a partnership between Penny and her husband Frank. Penny's responsibilities will include co-managing the overall daily routines of the business, co-supervision of all employees, training employees, and working in the salon 5 days/week as a beautician. Frank's responsibilities will include co-managing the daily routines of the business, supervision of the employees and looking after all of the financial matters related to the business (bill payment, ordering supplies, invoices, etc).

## 6.0 Action Plan

Penny's Hair Salon will be opening January 1<sup>st</sup> once the finances are received. To begin with Penny's Hair Salon will concentrate on the marketing aspect to target new clientele. We expect to service approximately 75 customers a week for hairdressing, an average of 5 customers per day between the 3 hairstylists. It is expected that approximately 10 customers a week will use the nail, facial and massage services. The products will

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<sup>2</sup> This insurance will be purchased as the business begins to expand and grow.

average approximately \$40.00 a day in sales. Within the first six months we expect all of these figures to increase by 15%. Each following year we expect a sales increase of 15%.

As the client base increases, Penny’s Hair Salon would expand to employ a total of 11 positions, including the owners, which would include: one receptionist, one financial manager, five hair stylists, one barber, one nail technician, on facialist, and a massage therapist.

## 7.0 Financial Information

### 7.1 Financing Summary

### Financing Summary

Money Needed		Source		
Money Needed for	Amount	E or A Estimated or actual	Where the money will come from	Amount
Start up costs	\$62,000	E	Personal Cash	\$20,500
Working Capital	\$14,000	E	Line of Credit	\$15,000
			CFDC Loan	\$36,000
			Other – Parents	\$4,500
Total	\$76,000		Total	\$76,000



## Start-up Costs

Description	Y/N	Cost
<b>Start-up costs</b>		
Salaries – pre-opening	N	
Staff Benefits (payroll expenses)	N	
Professional Fees	Y	\$300
Licenses/Permits	Y	\$200
Insurance	N	
Office Supplies	Y	\$5,225
Furniture/Display	Y	\$2,358
Advertising/Marketing	N	
Utilities	Y	\$150
Inventory	Y	\$450
Land & Buildings	N	
Renovations (leasehold improvements)	Y	\$33,317
Vehicles	N	
Special Equipment	Y	\$20,000
Total (amount for example 1, Start-up Costs)		\$62,000
<b>Working Capital</b> (first month expenses)		
Salaries	Y	\$7,433
Insurance Premiums	Y	\$150
Rent	Y	\$1,895
Depreciation	N	
Total Loan Payments	Y	\$1,179
Advertising/Marketing	Y	\$100
Professional Fees	N	
Supplies	Y	\$364
Payroll Expenses	Y	\$722
Utilities	Y	\$350
Subscriptions, professional fees/dues	Y	\$50
Taxes	Y	\$107
Repair and Maintenance	Y	\$250
Owner Withdrawal	Y	\$1200
Miscellaneous Expenses	Y	\$200
<b>Total</b> (amount for example 1, Working Capital)		\$14,000

### 7.3 Sales Forecast

Description	Equation	Result
Market Area	Brandon and Area	
Total population Brandon & Area	From Stats Can.	60000
Total number of households	From Stats Can.	35000

Total number of households with the income \$25,000 to \$40,000	From PCensus Report, Stats Can.	4780
Service use	Market Survey	70%
Potential Customers	$4,780 \times 70/100$	3346
Average annual expenditure for potential customer	Market Survey	\$800
Market potential	$3,346 \times \$800$	\$2,676,800
Similar Businesses	Yellow Pages	3
Estimated share of the market	$\$2,676,800 / (3+1)$	\$669,200
<b>Annual Sales forecast year 1</b>	$\$669,200 \times 30/100$	<b>\$200,760</b>

<b>Description</b>	<b>Numbers</b>	<b>Equation</b>	<b>Result</b>
Clients in a year	8 hours, 5 days a week, 50 weeks a year, 1 hour per service	$8 \times 5 \times 50/1$	2000 services per staff
Potential if you work every day	2000 services, \$50 per service, 6.5 staff	$2000 \times 50 \times 6.5$	\$650,000
<b>Sales forecast</b>	\$650,000 potential, 30% of the potential for the first year	$\$650,000 \times 30/100$	<b>\$195,000</b>

## 7.4 Cash Flow Forecast

### First Year, Monthly Cash Flow

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
*****	*****	*****	*****	*****	<b>INCOME</b>	*****	*****	*****	*****	*****	*****	*****
<b>Gross Sales</b>	\$14,522	\$15,974	\$14,522	\$14,522	\$15,974	\$15,974	\$16,700	\$16,700	\$16,700	\$16,700	\$20,040	\$20,040
<b>Receivables</b>												
<b>Total Income</b>	\$14,522	\$15,974	\$14,522	\$14,522	\$15,974	\$15,974	\$16,700	\$16,700	\$16,700	\$16,700	\$20,040	\$20,040
*****	*****	*****	*****	*****	<b>EXPENSES</b>	*****	*****	*****	*****	*****	*****	*****
<b>Supplies</b>	\$450	\$495	\$450	\$450	\$495	\$495	\$518	\$518	\$518	\$518	\$540	\$540
<b>Salaries</b>	\$6,877	\$7,545	\$6,877	\$6,877	\$11,217	\$7,545	\$7,878	\$7,878	\$7,878	\$7,878	\$12,218	\$8,212
<b>Payroll Expenses</b>	\$668	\$734	\$668	\$668	\$1,102	\$734	\$768	\$768	\$768	\$768	\$1,202	\$802
<b>Rent</b>	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895
<b>Utilities</b>	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350
<b>Advertising/Marketing</b>	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
<b>Insurance</b>	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
<b>Subscriptions</b>	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
<b>Owner Withdrawal</b>	\$1,200	\$1,300	\$1,200	\$1,200	\$1,300	\$1,200	\$1,350	\$1,350	\$1,350	\$1,350	\$1,400	\$1,400
<b>Repair &amp; Maintenance</b>	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
<b>Taxes</b>	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240
<b>Loan Payments</b>	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179
<b>Miscellaneous</b>	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300
<b>Total Expenses</b>	\$13,759	\$14,638	\$13,759	\$13,759	\$18,678	\$14,538	\$15,078	\$15,078	\$15,078	\$15,078	\$19,924	\$15,518
<b>Net Cash</b>	\$763	\$1,336	\$763	\$763	(\$2,704)	\$1,436	\$1,622	\$1,622	\$1,622	\$1,622	\$116	\$4,522
<b>Cumulative Cash Flow</b>	\$763	\$2,099	\$2,862	\$3,625	\$921	\$2,357	\$3,979	\$5,601	\$7,223	\$8,845	\$8,961	\$13,483

**Year 2 Quarterly Cash Flow      Years 3, 4, and 5 Cash Flow**

	<b>1<sup>st</sup> Qtr.</b>	<b>2<sup>nd</sup> Qtr.</b>	<b>3<sup>rd</sup> Qtr.</b>	<b>4<sup>th</sup> Qtr.</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
*****	<b><u>INCOME</u></b>	*****	*****	*****	*****	*****	*****
Cash Sales	\$54,315	\$54,315	\$54,315	\$65,178	\$262,340	\$301,691	\$346,945
Receivables							
Total Income	\$54,315	\$54,315	\$54,315	\$65,178	\$262,340	\$301,691	\$346,945
*****	<b><u>EXPENSE</u></b>	*****	*****	*****	*****	*****	*****
	<b><u>S</u></b>						
Supplies	\$1,639	\$1,639	\$1,639	\$1,967	\$9,047	\$10,404	\$11,965
Salaries	\$26,200	\$26,200	\$26,200	\$31,320	\$123,876	\$140,232	\$156,588
Payroll Expenses	\$2,560	\$2,560	\$2,560	\$3,072	\$12,388	\$14,023	\$15,659
Rent	\$5,685	\$5,685	\$5,685	\$5,685	\$22,740	\$22,740	\$22,740
Utilities	\$1,050	\$1,050	\$1,050	\$1,050	\$4,400	\$4,500	\$4,600
Advertising/ Marketing	\$375	\$375	\$375	\$375	\$1,500	\$1,500	\$1,500
Insurance	\$450	\$450	\$450	\$450	\$1,800	\$1,800	\$1,800
Subscriptions	\$150	\$150	\$150	\$150	\$600	\$600	\$600
Owner Withdrawal	\$7,600	\$7,600	\$7,600	\$7,600	\$32,400	\$37,400	\$42,400
Repair and Maintenance	\$750	\$750	\$750	\$750	\$3,000	\$3,000	\$3,000
Taxes	\$750	\$750	\$750	\$750	\$3,200	\$3,400	\$3,600
Loan Payments	\$3,537	\$3,537	\$3,537	\$3,537	\$14,148	\$14,148	\$14,148
Miscellaneous Expenses	\$800	\$800	\$800	\$800	\$4,800	\$4,800	\$4,800
Total Expenses	\$51,546	\$51,546	\$51,546	\$57,506	\$236,299	\$260,947	\$285,800
Net Cash	\$2,769	\$2,769	\$2,769	\$7,672	\$26,041	\$40,744	\$61,145
Cumulative Cash Flow	\$16,158	\$18,927	\$21,696	\$29,368	\$55,503	\$96,247	\$157,392

**Notes to Cash Flow Statement:**

-Revenues will grow at an annual rate of 15%

-Revenues will increase 20% in November and December due to an historical jump in revenues at this time of year. Revenues will also increase 10% in February, May and June due to a small historical jump in revenues at those times. We anticipate these increases to stay steady throughout the following year to account for the normal flow of new clients coming into the salon.

-Estimates for sales revenue and growth are intentionally low, while anticipated expenses are exaggerated to the high side to show a worst case scenario.

# Appendices

1. Resumes
  - Penny Pretty
  - Frank Pretty Jr.
2. Market Survey
3. Product and Service Price List
4. Copies of Insurance Contracts
5. Building specifications and layout
6. Financial documents
  - Break-Even Analysis
  - Statement of Personal Net Worth
7. Personal References and Letters of Support