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Preparation of a New Business: Shanghai Studio

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by

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ABSTRACT

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PART I

Introduction

It is hard to get a quality haircut. The national average of the price for a haircut grew from under $20 in 1996 to just under $30 in 2006. In metropolitan areas, the price rose raised up to about $50. To get an above average hair cut, the price could jump from $50 to $100 or more. The worst part is that the quality of the haircut is not guaranteed, no matter the price (Bahney, 2006).

Most hair processing such as hair treatments and colorings are damaging to hair. Chemicals are used to break down the natural composition of hair to change its texture, structure or color. Some hair treatments are known to produce hazardous gases and can possibly harm the customers and stylists. Replacing hair chemicals with organic products which do not harm either the customers or the stylists, is the latest and newest direction for the hair industry (Mitchell, 2011a).

According to the U.S. Census data in 2010, Americans spent half a trillion dollars on professional hair care products alone (Grenee, 2011). The hair care segment of hair is very profitable in the United States, and with the new trend of organic hair care products, there is more room for the industry to grow.

Purpose Statement

The purpose of this professional paper is to develop a business plan for a hair salon studio concept that emphasizes customer focus and social responsibility.

Justifications. Before the 2008 recession, the hair industry was made up of mostly small business owners. During the recession, a lot of these small business owners were unable to survive due to a change in customer behavior. Customers preferred low price over quality. There were two types of salons that survived the recession: salons that emphasized low price and salons that had strong financial backing (Benza & Masterson, 2009). By 2010, the salon industry was left with either high-end salons with strong financial backgrounds, or value oriented salons. The recession has changed the structure of and has created a gap in the salon industry by creating a gap in the market.

Recent research has shown recovery in sales of the high-end segment but a decline in the business of the low-end segment. This research shows that people are willing to spend more for their hair (Sharma, 2010). And with the gap created by the recession, the demand for quality is higher than ever. This high-end market in the salon industry would allow new business opportunities.

Objectives. This business plan focuses on solving several problems in the hair service industry including filling the gap in the hair salon industry and providing a healthy environment for both customers and employees. It is important to emphasize quality in both the employees and services they provided. Potential employees will go through several auditions to insure good customer service skills and talent. The entire process, from the time a customer makes an appointment to the point at which the customer walks out of the salon, will be carefully studied and defined to ensure total customer satisfaction. Finally, pro-forma financial statements will show how much is needed to open the salon and how long it will take for the operation to break even. This includes gathering the starting capital, the operating expense and profit/loss statements.

PART II

Literature Review

Introduction

Starting and maintaing a business is hard. In 2003, for example, nine out of 10 businesses failed within the first few years of opening. Fifty percent of the businesses closed within the first four years. With the high rate of failure, 33% of these businesses realized motivation was not enough to start and run a successful business. They did agree, however, on three contribute to business success: solid business ideas, financial management skills, and effective execution (Headd, 2003). This literature review will focus on the entrepreneurship process that leads to a successful business based on these three factors. This review will first go over how to generate good business ideas and how to recognize opportunities. The second part will focus on how to plan and structure the business in all aspects including finance, management, marketing, operation, etc. This business plan will serve as a road map for the effective execution of any business.

Preparation of a New Business

The first step to running have a successful business is having the right opportunity and idea. However, there are major differences between an opportunity and an idea. An idea is a thought, an impression and a notion. It takes much more than just an idea to be recognized as an opportunity (Audretsch, 2006). Later on the review will discuss the elements of an opportunity gap.

Recognizing opportunities. There is always a chance that a business idea might not fit the requirements of an opportunity in a market place. To aid in identifying opportunities, there are three things to do: Observe trends, solve problems, and find gaps in the market place.

Observing trends. Changes mean new opportunities in the business world, and trends are changes that would have an effect on the industry. In general, there are four forces that may create changes and opportunities (Barringer, 2008).

1. Economic force: These are the changes within the economy. For example, in a recession, a lot of businesses are struggling to survive, changing the economic balance. Other businesses such as fast food restaurants and discount retail stores, however, experience an increase in revenue because of the change of customer spending behavior during the recession.
2. Social forces: These are changes effected by the society. For example: Health food stores are pricier than other grocery stores. During the recession with the consumers cutting down on their spending, and these health food stores still experienced an increase in revenue. It had less to do with the economy but more with the social trend of consumers now becoming health-conscious.
3. Political and legal forces: These refer to changes in government or organization rules and regulations that lead to business opportunity. After 9/11, there were new regulations implemented to boost airports and flights security. New jobs and equipments were created as a result.
4. Technological forces: This refers to changes in technologies that create opportunities. For example, a lot of businesses now advertise online and have mobile friendly applications to reach their customers.

Solving a problem. A problem involves doubt, uncertainty or difficulty as it realtes to a particular concern. To resolve these matters, people tend to find ways to seek mental comfort (D’Zurilla, 1971). People may experience difficulty solving their problems, and sometimes there are no solutions to their problem at all. When this happens, business opportunities are created. For example, when people are listen to the radio, they may not know the name of every song that plays, though they might be interested to know. To address to this, an application called Shazam was created to allow customers to record a portion of a given song and then match the frequencies in a database in order to give detailed information about the song.

Finding the gap in the marketplace. It is not always easy to recognize these opportunity gaps. In marketing terms, an opportunity gap is what is missing in the market. This gap creates a window of opportunity for entrepreneurs to capitalize on the opportunity and fill the gap (Sull, 2005). A viable opportunity gap must have four key features. The gap itself must be attractive, timely, durable, and able to add value to the customers and end users (Cliff, 2003).

Attractiveness. The opportunity has to be attractive to both the entrepreneurs and the customers. To the entrepreneur, attractiveness will refer to profitability. Since customers are the main revenue source of a business, the opportunity has to appeal to the customers as well. Customers will have to be interested in the product or service for the business to be profitable.

Durability. Even if an opportunity is attractive, entrepreneurs want the business to be continually profitable. A fixed cost refers to the expenses that need to be paid regardless of whether or not the business is operational. For a new business, this will also be referred to as a start up cost. In order to be continually profitable, entrepreneurs need the profit margin to consistently cover and exceed these costs in long term.

Timely. It is important to know if it is the right time to get into the business and the industry. In a product's life cycle, there are four stages: introduction, growth, maturation and decline. Each of these stages is unique and has its particular characteristics. Entrepreneurs need to identify the ideal stage to get into the business to gain advantage in the market.

Add value. To be competitive in the market, the product and service must have better value than the competitors. There are two factors that can affect product and service value: benefit and cost. Benefit is what customers get from the product or service. Benefit can be tangible, intangible or both. Tangible benefits are things customers can see and use. For example, the color of the vehicle and its performance are tangible things. Intangibility benefits are conceptual satisfaction for customers. For example, the vehicle as a status symbol or its ability to make the customer feel happy and powerful. Cost is what the customer pays for the product or service. Cost can come in more than just monetary form. Time and convenience are contributions toward to the cost to customers. To add value, entrepreneurs need to increase the benefit and lower the cost of both to competitive advantage.

Feasibility Analysis

An opportunity or idea might look very attractive, timely, durable, and like it has the potential to add value to the customers, but entrepreneurs will have to do more research to verify whether or not it is reasonable enough to risk starting a business. Feasibility analysis is a research process that ensure the opportunity is good enough to start as a business. There are four parts of feasibility analysis: product/service, industry/market, analysis organizational analysis and financial analysis. If even one part of this analysis is determined unfeasible, the whole opportunity or idea would need to be rethought or redeveloped.

Product/service feasibility analysis. A business offers products including goods and services in exchange for revenue from customers. The product/service feasibility analysis concentrates on the desirability of the product/service in terms of both quality and quantity. Quality desirability refers to how much the customer want the product/service. Once the desirability in quality is determined, entrepreneurs need to know approximately how many customers would want the product/service (Benedek & Miner, 2002).

There are different ways to find out the demand on the product/service. Primary and secondary research can be used to find the product/service desirability. Primary research is research developed for specific purpose. If the product/service is unique and there is no similar product/service in the market, primary research of desirability will be used to find the approximate demand. If there are similar products/services are being offered in the market, a secondary research can be conducted to find out the disability of a particular product/service. Secondary research is research based on existing data. A lot of government agencies and organizations publish secondary data that is available to the public (Nickels, 2010).

Industry/market feasibility analysis. This part of feasibility analysis focuses on the industry structure and the target market. On the industry side, entrepreneurs need to know about the attractiveness of the industry. This includes the profitability, accessibility, common practice, and competitive level of the industry.

Profitability of the industry depends on the size and potential growth. Entrepreneurs need to know if there is enough room for more competitors in the industry. If there is not, the industry needs to have potential growth potential to be profitable.

Accessibility is the measure of how hard it is to enter into the industry. Barrier of entrants refers to things that will stop an entrepreneur from entering the business. A barrier of entrants can be a high start up cost, size of competitors, political legal regulations, etc.

Common practice refers to how businesses operate in the industry. There might be unwritten rules regarding how to do business. These common practices might not be the most efficient or effective way to get things done, but they have been around in the industry for a long time. Market leaders, suppliers or purchasers with significant influence in the industry might dictate these common practices. Not following these practices might result in being singled out, or even denied access into the industry.

Entrepreneurs need to know the competitive level of in the industry. The competitive level is based on how hard businesses fight for their customers. This has to do with the growing rate of the market. For example, in a mature market where there is a set amount of customers with minimal growth, businesses can only increase their market shares by taking customers from other businesses, and this leads to high competitive level. In a fairly new and growing market where there is potential growth in clientele, the competitive level is lower because businesses concentrate on generating a new customers base rather than attracting existing customers in the industry away from competitors. In a declining market, the competitive level is lower as well because competitors are leaving the industry.

Organizational feasibility analysis. This part of feasibility analysis determines if the entrepreneur is capable of structuring and managing the business and its resources. The analysis evaluates the management expertise, organizational competence, and resources (Brush, 2008).

Management expertise refers to the management skills possessed by the managerial members of the organization. These members include the founders, owners, partners and mangers. Each of these members will be assigned specific managerial tasks to perform in the organization.

Organizational competence has been referred as the skills of the employees. But in reality, it has more to do with the company's competence as a whole that leads to good business execution and managerial functions. The key word here is organization. Instead of focusing on employee skills, organizational competence should be emphasized to improve performance at a organization level. Each of the employees' skills would serve as a crucial part of the organization. (Coates, 2008) Entrepreneurs need to know if the organization that they are planning to engage in the industry at a organization level.

Resources refer to supplies rather than capital. Capital will be discussed in the financial feasibility analysis section. Resources include human resources, materials, equipments, and distribution location. It is important to hire the right employees with the right skills. It is not possible to start a business when there is a lack of talent to fill the necessary positions. Strategies such as outsourcing and training can help to widen the pool of quality candidates (Amiti & Wei, 2006).

Financial feasibility analysis. This part of the feasibility analysis focuses on the financial aspect of the business. The financial aspect concerns revenue, the contribution margin, starts up and fixed costs, and required return of investment. The business will not be feasible if anyone of these aspects does not meet a minimum standard.

Revenues are sales transactions generated by the business. This is a simple process of the company receiving payment from the customers for the offered product/service. It is important to project sales to determine the profitability of a future business. Revenue projection is evaluated by the unit and price sold in relation to customer demand, the competitive level of the industry and company capacity. Once the price, unit and amount sold are determined, an actual amount in projected revenue can be determined.

A contribution margin is the difference between the sales revenue and the variable cost of goods sold. This is also called the gross profit. Fixed costs are not included in this point. Once the projected revenue is set, projected gross profit can be determined.

A start up cost is the money spent on developing the business before the company is operational. Fixed costs are the day-to-day operational costs for the business regardless of whether or not the company is operational. The first standard necessary to be met in order for a business to be financially feasible is for the projected gross profit to cover and exceed these fixed costs. This means that the business is self-sustainable.

The second standard that must be to met is that the gross margin must cover and exceed the required return on the investment after deducting the fixed costs. The start up cost is considered an initial investment for business owners. A requirement of return is a percentage of the initial investment that must be given back to the owners/investors each year (Schmidgall, 2009). If neither of these requirements are met, the business is unfeasible.

Business Plan.

A business plan is a road map to start and operate a new or existing business. It is a plan that states the direction of the business, its goal and objectives, the structure of the company, industry and customer analysis, and management, marketing and operational style.

But there is more to a good business plan than just being a road map for the business. A good business plan can also create a better opportunity granting a business loan, gathering investors for funds or serve as a tangible form of sellable goods when owners try to sell the company. Attorneys, accountants and top executives sometimes require a business plan for internal development and analysis as well. The ultimate purpose of a business plan is to contribute to the success of a business (Abram, 2003).

Writing a business plan can increase the potential success of business. According to the 2010 research of Tim Berry, founder of Palo Software, businesses with a complete business plan were twice as likely to successfully grow their businesses and secure their investment capitals and loans than those who didn't write a business plan (Lesonsky, 2010).

Here is an outline of a typical business plan

a. Executive Summary
b. Company Description
    i. Mission Statement
    ii. Product and Service
    iii. Current Status
    iv. Legal Status and Ownership
    v. Key Partnerships
c. Industry Analysis
    i. Industry Size and Sales projections
    ii. Industry Structure
    iii. Key Success Factor
    iv. Industry Trends
    v. Long-term Prospects
d. Market Analysis
    i. Market Segmentation and Target Market Selection
    ii. Buyer Behavior
    iii. Competitor Analysis
e. Marketing Plan
    i. Marketing Strategy
    ii. 7 P's

f. Management Team and Company Structure

g. Operations Plan

    i. General Approach to Operation

    ii. Business Location

    iii. Facilities and equipment

h. Product and service design and development plan

    i. Products offer

    ii. Service Standard

i. Financial Projection

Executive Summary

An executive summary is a brief overview of the business. It includes summaries of the business operation, product or service to be sold, marketing strategies, management, and financial projections. Depending on the purpose of the business plan, executive summaries can be the first section potential investors read (Magloff, 2011). It is important to understand the purpose of the business plan and write the executive summary accordingly. Here are some questions to ask when writing an executive summary.

Who is reading the business plan? One business can have multiple business plans depending on who will read them. A business plan will have a clear purpose. For example, if the purpose of the business plan is to gather potential investors for capital, the target readers for the business plan are potential investors. It is more important to capture the reader's interest rather than give detailed information about the business. If the purpose of the business plan is to grow the business and present to the top executives, providing detailed information will be more important than generating interest. According to Barringer (2008), it might be necessary to create two versions of the executive summaries: one as part of the business plan, and another as a stand-alone document. The stand-alone document is to accommodate people who want to read the summary before they decide to see the whole plan. Barringer also recommended writing the executive summary after finishing the business plan even it might appear in the beginning. This will avoid the problem of the business plan being written according to the executive summary.

What is your business? Regardless of the purpose of the business plan, the executive summary should clearly explain the nature of the business and how the business plan to generate revenue. A successful executive summary should include a brief description of the product or service being offered and how the business can be profitable through the product or service.

Company Description

The company description is the section of the business plan that begins to discuss the business description in detail. It discusses the overall direction of the business, products and services being offered, specifications of the products and services, current status of the business, legal status of the business and the key owners, partners and stakeholders of the business.

Mission statement. A mission statement expresses the overall direction of the business. A mission statement provides the business with directions on how to conduct business activities in a specific manner. This also informs owners, partners, investors, employees and stakeholders of the goals and objectives of the company. Here are the basic guidelines for writing a mission statement:

Read the mission statements of other companies. It is important to read other businesses' mission statements and note how they shape business activities. Then identify your own business goals and objectives and put the statements together.

Understanding the broader picture. A mission statement is not about what product or service the business offers. It is about how the business will satisfy customers by offering the product or service. For example, a hair salon is not in the business of cutting hair. Instead, it is in the business of offering beauty for customers and boosting their self-esteem and confidence.

Keep it short and clear. The most effective mission statements are around three to four sentence long. A long mission statement might confuse the readers on the company's direction. A good mission statement should be clear, straight to the point and easy to understand. Go over the mission statement draft with the stakeholders to see if they can understand and agree with it (Berry, 2007).

Products and services. For a business to make money, a product or service needs to be offered. A product usually refers to tangible goods, whereas a service refers to something offered that is intangible. There is a fine line between products and services. A lot of the products have service components built into them or vice versa (Nguyen, 2008). There is no such thing as a pure product or service. Almost all products come with a certain services. Entrepreneurs need to identify both the products and services offered to the customers. For example, in a business that sells clothes, clothing will be the tangible product. But the business also needs to concentrate on intangible service such as frontline employees who provide assistance to the customers, return and exchange policies and opening credits.

Once the products and services are identified, detailed descriptions of the products and services are needed. These descriptions offer more than just the specifications or the process of the products and services, they describe what makes the products and services unique to customers. In marketing, this is called product differentiation, and it will be discussed later in the section titled Marketing Plan (Rosenbloom, 2004).

Current and legal status. This part reveals the current status of the company. Using the business plan as a guideline can be a good start for readers to understand the company's current status. The form of the company needs to fit the overall mission.

Owners, partners, and stakeholders. This is an important part of the company description. This part not only tells the investors who key people in the company are, it also signals the potential and well being of the company as well (Bernhagen, 2005). In other words, making people with good reputations the stakeholders, including owners, partners, directors or employees, can lead to control and trust with suppliers and customers. This can also help gaining the confidence of investors and can improve the chance of obtaining loan approval.

Industry Analysis

This section is similar to the industry feasibility analysis conducted earlier, but is more specific. This section will start by describing the size, growth rate and sales of the industry as a whole. Industry structure, success factors, industry trends and long-term prospects need to be specifically determined specifically in order to have complete understanding of the industry.

Industry size, growth, and sales projections. In this section, it is important to focus solely on the industry itself, not including considerations regarding target market. Before selecting a target market, entrepreneurs should have a good understanding of the industry as a whole. This information can be found by studying secondary research generated by organization such as the Census Bureau. Once the data is located, entrepreneurs should start narrowing down the data into more specific categories. For example, the salon industry has not been experiencing any growth since the start of the recession, but there is an increase in demand in the high-end segment. Once the size and the growth of the industry are determined, sales projections can be calculated (Barringer, 2008).

Industry structure. Industry structure refers to the industry's concentration level. The higher the concentration level is, the less receptive it is to potential new entrants into the industry. This leads to a high barrier of entry. These barriers of entry can be high start up and fixed costs, legal and regulation issues, experience and expertise requirement, high competitive level between existing businesses, powerful financial backup and established power of existing businesses in the industry.

Factors of success. It is critical to know the factors of success, in both the industry and market levels. Success factors in the industry level refer to common characteristics of a successful business in the industry. Efficiency and effectiveness in management, operational affluence and resources are usually the factors contributing to success at the industry level. Success can be achieved by benchmarking the major players in the industry as well. Success at a market level has to do with marketing. A carefully planned marketing mix of strategies and tactics all contribute to success at the industry level (Vikinas, 2011).

Industry trends and long-term prospect. Industry trends are short-term predictions or observations of change in the industry. These trends are divided into two categories of trends called internal and external. Internal trends refer to changes within the business such as those related to profit margin and cost in the industry. External trends refer to changes in the environment such as within the economy, society, technology, and legal regulations in the industry (Barringer, 2008). Entrepreneurs need to identify and understand these trends in order to be competitive and sustainable in the industry.   Long-term perspective is important for the longevity of the business.

Market

It is important to identify the difference between industry and market. An industry is developed by competing businesses that offer similar products and services or serve the same purpose for customers. Industry is made up of businesses. On the other hand, customers that consume these offered products and services develop the market. Customers make up a market. (Mullins, 2010) To conduct a market analysis, entrepreneurs need to start at the customer level. First, the analysis needs to identify the specific markets by market segmentation and target market selection.   Once the target market is identified, the consumer needs should to be studied to gain better understanding. Finally, a competitor analysis will be used to determine the major competitors to gain a better understanding of an individual business' own position in the market.

Market segmentation and target market selection. According to Nickels (2010), market segmentation is the process of dividing the market into groups based on similar characteristics of members. By dividing the market into groups, entrepreneurs can identify different market groups and select the ones that are the most profitable. The market groups that are selected are the target markets. The characteristics of market segmentation are based on the members' geographic, demographic, and psychographic characteristics.

Geographic segmentation. Geographic segmentation divides the market based on the customers' geographic location. Rather than targeting everyone in the world as the target market, geographic segmentation allow entrepreneurs to narrow their focus to smaller regions as the target markets. Geographic segmentation can divide a market by country, province, state, city or street.

Demographic segmentation. Instead of using geographic areas, demographic segmentation uses recordable human characteristics as dividing tools. These recordable human characteristics include age, gender, income, education, religion, race, occupation, etc.

Psychographic segmentation. Unlike in both geographic and demographic segmentation, psychographic characteristics are not as easily discerned. Psychographics segmentation uses the customers' mental, personal, and social behavior to divide market groups. These are the groups' values, attitudes, lifestyles, and interests. Social media makes these characteristics more visible in recent years. Amazon.com has been using psychographic strategies to predict its users' potential interest in products (Beckland, 2011).

Buyer behavior. Once the target market is narrowed down by segmentation, entrepreneurs need to understand it's members' behavior. Geographic, demographic and psychographic segmentations only determine parts of the target market's characteristics and behavior. Entrepreneurs need to gain more information about the group's buying and decision making process in order to influence their buying decisions.

Competitor analysis. Competitor analysis is a process used to indentifying major competitors and an individual business' own position in the industry. Competitors are not only those that offer similar products and services in the industry, but also those who offer substitute products and services, which serve the same purpose. For example, a bus pass can be a substitute product for a vehicle even though these two products are very different in nature.

Marketing

The purpose of a marketing plan is to describe the current market position of a business as well as its marketing strategies and tactics to gain market share. It is a plan that creates, communicates, delivers and exchanges offerings for customers, clients, partners, and society (Duermyer, N.D.). A marketing mix will be used to help develop marketing strategies and tactics.

Marking 7Ps. In service marketing, a marketing mix is used to enhance the customer experience and the company's profitability. The seven P's in the marketing mix stand for product, price, promotion, place (channel distribution), people, process and physical evidences.

Product. As mentioned earlier, customers develop the market. Marketing is focused on customer. In this section, entrepreneurs try to develop a product or service to fit the customer demand. It might not be the top of the line technology or the best quality. The product and service should offer what the customers want and need. The product and service should be designed to give the customers reasons to buy them. In product differentiation, the products and services are designed to be different and stand out from the competitors (Perreault, 2010).

Price. There are two parts to pricing strategies and tactics. The first part is concerned with how not to lose money. The objective of the first part is to find out where the break-even price for the products and services is. The break-even price is the price point where the profit margin can cover all costs. Once the break-even price is determined, entrepreneurs will know that pricing higher than the break-even price can result in a net profit. The second part is concerned with how to price the product or service to maximize profit. For example, Sony Entertainment uses a price-skimming strategy for its gaming software and console. Sony prices its products high initially to quickly cover all costs and expense such as product development and intellectual property costs. Once Sony breaks even on the product, the company will start lowering the price of the product to increase demand, which lead to higher sales volume and revenue (Liu, 2010).

Promotion. Promotions alert the customer to the existence of the product and service, and motivate them to consume. Promotions such as media advertising and branding serve the purpose of making the product or brand recognizable (Perreault, 2010). To motivate customers, strategies and tactics like discount coupons and sales promotions are used to increase the likelihood that customers will buy the products and services.

Place. Place, or channel distribution, refers to where and how the products and services reach the end-users. Selection of location is important in place strategies and tactics. The right location of distribution can lead to an increase in revenue for a given business (Perreault, 2010). To maximize the effect of place strategies and tactics, it is important to develop guidelines for location selections. For example, putting vending machines in all college campuses close to the bathrooms will increase the likelihood of purchasing vending goods. Businesses can have more than one way to distribute their product and service as well. For example, a business can operate a physical and an online store simultaneously to sell products. The business can also be a wholesaler for overseas distributors and retailers as well.

People. The next 3 Ps are related to the service industry. It is important to have the right people with the right skills and appearances to do the right job. Service businesses such as hotels and casinos require frontline employees to interact with customers. These frontline workers not only need to have the technical skills in order to perform their tasks, but also communication skills to ensure customer satisfaction. (Zeithaml, 2006).

Process. A process in this particular context refers to the procedure by which service outlets prepare the products and services to be received by the customers. Another process might refer to the procedural experience of the customers before, during and after receiving the products and services.   To maximize customer satisfaction, all these processes need to be carefully studied and analyzed (Zeithaml, 2006).

Physical evidence. Physical evidence is anything that can be felt by customers during the service process. Physical evidence can affect the perception of the customers and can include decorations, colors, music, temperatures, other customers, visible employees, etc. To ensure customers satisfaction, each of physical evidences need to be carefully selected to give customers the right perception (Zeithaml, 2006).

Management Team and Company Structure

Structuring the company is important in order to determine the skills needed to operate the business. Company structure is made up of different work positions with specific functions. Once the structure is determined, members and employees can be assigned to the positions listed in the company structure. It is important to designate a management team capable of taking charge of each business function.

Operational Plan

An operational plan includes general approaches to operations, business locations, and facilities and equipment. It is also includes the tactical objectives created by work standards and schedules (Nickels, 2010). The general approach is an operational plan is the creation of a blueprint of all business operations. It shows the production of the process of the products and services from creation to consumption (Barringer, 2008). A business location is where a business conducts its operations. Multiple locations can be involved in business operations. For example, a business can have a retail location in the city to maximize foot traffic of customers, while also operating a warehouse, which might be located in a rural area because of cheaper rental space. The right equipment is important for employees to complete tasks. Equipment consists of all tools necessary to maintain operations and maximize revenue for the business. Entrepreneurs should emphasize benefit quality over price of equipment during purchasing.

Products and Services Development Plan

This plan is the blueprint to the design of the products and services. This section should include a physical blueprint of the products (Barringer, 2008). If service is involved, the same the process will be used as in the marketing plan. The physical space layout of a product or service outlet should be included in this section as well. If the product is still being developed, the plan should include the process of development. Each stage of the process development should be documented in detail.

Financial Plan and Projection

The financial plan and projection is the final part of the business plan. Early on, the business plan discussed methods to maximize profits and customers satisfaction. The financial plan is used to justify the business plan with numbers. It translates the company's goals into specific targets and sets the standards for business success (Barringer, 2008). It also provides the feedback and control of business activities. For a start up business, a financial projection is used to forecast business activities when the company becomes operational. It also gives a more realistic picture of the business, industry, and market.

Conclusion

The salon industry is a highly profitable industry. There are more than 400,000 salons in the United States. In 2009, the salon industry generates $60 billion, including $23 billion in haircuts and $5.5 billion from salon retail. The salon industry also generated $10.4 million in hair coloring alone. Regardless of the recession, research from the National Accredited Commission of Cosmetology Arts and Service reported consistent growth in demand for trained cosmetologists in the last 0 years. This is a growing industry with a lot of potential. In recent research, salon owners make $53,150 on average per year. It is possible to earn much more depending on how the individual business operates (Sandlin, 2010).

According to a research conducted by J.P. Morgan, while the salon industry posted a consistent overall growth of 2% between 2009 and 2011, the organic salon segment grew 16.7% during the same time (Mitchell, 2011b). Based on this evidence, it seems clear that this is the right time to open a salon emphasizing organic hair products and services.

Entrepreneurs will experience different kinds of obstacles during the business start up process. A good business plan can serve as a step-by-step guide for a new start up salon and can allow a salon to overcome obstacles systematically (Bhide, 1999). A feasibility analysis and a business plan can increase the sustainability, competitiveness, and profitability of a new start-up business.

Part III

Preparations of a New Business: Shanghai Studio

Introduction

Feasibility analysis and business plans are both related to the introduction and literature review sections. The first part of this professional paper briefly introduced the hair industry, and also described the overall purpose and the justification of the Shanghai Studio. In order to create an opportunity in the industry, the Shanghai Studio needs to focus on their niche market, the residents of the Panorama Towers and The Martin. The Shanghai Studio was also conceptualized to address two existing problems in the hair industry. The first problem it aims to solve is filling the industry gap between high-end salons and value salon chains. The second problem is that it will provide a healthy environment for both the customers and employees. The literature review provided a detailed dissection of business startup and also included information related to opportunity recognition and business plan creation. The literature review also discussed the major elements of a typical business plan.

A feasibility analysis will show the validity of this business idea. The purpose of this business plan is to serve as a road map and provide instructions for the new business. Since the Shanghai Studio will not require any loans to start up with, the readers of this business plan are sure to be mainly owners and management partners. This business plan will have an emphasize providing information rather than creating interest for investors.

This business plan is specifically designed for the Shanghai Studio located inside the Panorama Towers in Las Vegas, Nevada. The business plan will start with a discussion of the overall direction of the salon and the description of the company. Owner and partner information will be provided in this section as well. Industry and market analysis will give a better understanding on the salon business and the target market's behavior. A specific marketing strategy will be suggested focusing on this market segment with the seven marketing mix. Products and services offered will be described, along with a description of the necessary equipment in this section. Operational plans will include the organizational structure, employee scheduling, and pay rate. Finally, a financial statement will reflect the projected startup, operational costs, and the income level in different operating capacities.

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Conclusion

A feasibility analysis gives entrepreneurs a good idea of whether or not the business opportunity is profitable and sustainable. Once the feasibility analysis proves the validity of the business, a business plan shows entrepreneurs how to prepare for the new business. The feasibility analysis and business plan might not tell everything about the new business venture because of limited information about the industry and market. Internal and external changes might also have an effect on the business environment. Conducting a feasibility analysis and preparing a business plan do not guarantee the success of a business, however, generating a feasibility analysis will give an entrepreneur a basic understanding of the business, market, and industry. Having these plans can save time and effort by informing entrepreneurs allowing them to decide whether they should continue persuading a given business opportunity. A business plan gives entrepreneurs a clear direction for a business venture and suggests means to achieve their business objectives. The feasibility analysis and business plan might not guarantee success, however, they do give entrepreneurs a better chance of establishing a profitable and sustainable business (Lesonsky, 2010).

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