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INSERT **1 hour 30 minutes**

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INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

This document has **4** pages. Blank pages are indicated.

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Glenn and Dean's Hairdressing Salon

The background

Glenn has been employed as a hairdresser for five years. He and his twin brother, Dean, work in the same city centre hairdressing salon. The brothers are popular stylists, and each has many regular customers.

The idea

Although Glenn enjoys working at the hairdressing salon, he would like to work for himself. He thinks that now is the right time for him to set up his own salon. Glenn is confident that many of his regular customers would want to have their hair cut by him in his own salon. However, Glenn does not think that he will be able to afford to rent a salon on his own. One option would be to persuade his brother, Dean, to join him as a partner in the new salon.

Dean thinks that opening a new salon is too big a risk at this time. He has a mortgage and needs to cover the monthly repayments. Dean knows from reading newspapers that there is uncertainty in the economy and that people are reducing their spending. He worries that their customers may not have their hair cut as often and as a result the brothers might not be able to cover the costs of their own salon. Dean is also concerned that the brothers do not have knowledge of the financial records needed in an enterprise, especially those used for taxation purposes.

The research

Glenn believes that a new salon will be a low risk business enterprise. He thinks the new salon enterprise would earn sufficient revenue to pay each of the brothers a wage similar to their current earnings. He decides to do some research.

Glenn started by researching a location for the new salon enterprise. He finds a local hairdresser who is trying to sell her current salon, but she is willing to rent it. Renting this salon would save Glenn and Dean time and money, because the salon already has all of the equipment that they would need.

Glenn is sure that many of their regular customers would come to this salon because it is in the local area. An added advantage is that some of the current owner's customers may choose to become Glenn and Dean's customers.

With a possible location identified, Glenn starts to prepare a budget. He researches the other costs such as buying shampoos and conditioners. Glenn thinks that it is important to tell people that the salon will be changing owners, so he adds the cost of marketing to the budget.

The planning

With his research complete, Glenn starts to produce a business plan. He completes all sections of the business plan. The business plan suggests that the new salon enterprise is likely to make a profit.

Glenn shows the business plan to Dean. Dean thinks the figures Glenn has used may not be realistic. The variable costs appear to be low and the predicted sales revenue appears to be high. Dean suggests that they show the business plan to their bank manager, Nicole, and ask her opinion. They arrange a meeting with her straightaway.

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The meeting

At the meeting, Nicole is impressed with some sections of the business plan, but she is concerned that other sections have not been thoroughly researched. For example, the revenue and break-even calculations are based on guesswork and may therefore not be a true and fair view of their potential financial situation. Inaccurate estimates would therefore make it difficult for Glenn and Dean to make an effective decision on whether to operate the new salon enterprise.

Nicole is also concerned that Dean is not entirely committed to this new salon enterprise. Although Dean says he is enthusiastic about the enterprise, his body language and other non-verbal signals communicate a different message.

Nicole suggests that Glenn and Dean complete a number of actions before they consider renting the salon, including:

- Complete detailed research to obtain an accurate estimate of potential revenue.
- Produce a SWOT analysis to identify the risks involved in the new salon enterprise.
- Consider potential sources of finance that could be used, if revenue is lower than expected.

Nicole suggests that they meet again in a week's time to discuss their findings.

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