

GIA Salon



Business Plan

Contact Information

Kayla Smith

123 Main Street

Broomfield, Colorado, 80020

(300) 900 - 5661

ksmith@nomail.com

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I. Executive Summary

GIA Salon is a salon that offers exceptional beauty but not at the expense of one's health. Our customers experience welcoming, knowledgeable, and attentive personnel that are focused on providing their customers with an extraordinary salon experience! We keep track of our customer's preferences, products, and concerns enabling us to achieve this special experience. The personal touch goes a long way to make our customers feel special.

GIA Salon offers healthy beauty that feels good inside and out!

GIA Salon is a partner member LLC, based in Broomfield Colorado, founded by Kayla and Ben Hayes in 2018. GIA Salon was created to fulfill a demand for healthy salon alternatives in the northern area of Denver. Both customers and employees have been wanting an alternative to receive and provide care in a salon environment. Kayla and Ben are meeting this demand with GIA Salon.

Our target market is primarily people between the age of 30-60 that are focused on their health and the environment. They spend time and money to live a healthy life style and realize that includes what they put in and on their bodies. They make an effort to take care of themselves by eating right and exercising. Our customers are mindful of the environment and want to participate with purchasing from companies that have adopted environmentally conscious practices. Being educated and of middle to upper income they have the ability to demand these things and pay a higher price to receive them.

GIA Salon intends to offer all the traditional hair salon products and services, as well as waxing, facials, and makeup products and service. All these services will be offered with only non-toxic based products and methods.

GIA Salon intends to become a part of the community by participating in local and state events that support their company philosophy of healthy living. Joining in these efforts and have events will help send a message to the community. Marketing efforts include:

- Special Events on products and services that promote a healthy lifestyle
- Participation in Events local and state that are environmentally focused
- Create programs to recycle and conserve - refills, hair recycle, electric and water conservation
- Reward programs for frequency and referrals
- Participation reward programs for contributions for forums and events
- Green certification
- Blog and Booklet - product information (from Harmful to Helpful)

The competitors to GIA Salon are mostly located south of Denver or in Boulder. GIA Salons competitive advantage is being located closer to Denver than Boulder and being where few organic salons are currently located. This area has numerous large corporate businesses with tens of thousands of professionals. GIA Salon anticipates getting traffic from the corporate professionals during their workday, as well as the local that live in the area.

GIA Salons' financial projections were built with a conservative outlook. We intend to start with a limited and focused approach on our product offering and the breadth of our services. We built our financials projections with a moderate growth rate and a worst case operating expense outlook.

GIA Salon estimates the product sales to start at a 20% growth rate and quickly taper down to an 8% growth rate over the first 12 months of business. The next two years maintain a steady growth rate of 8%. The service sales begin at a 12% growth rate and steadily go to an 8% growth rate in the first twelve months and maintain the 8% for the next two years.

The profit margins on products are 50%, well within industry standards. The profit margin on services is 90%, which only accounts for the direct costs of the product usage for providing the services. Salaries, tips, and commissions are accounted for in the operating expenses.

Payroll accounts for about 70% of the overall operating expenses. The payroll estimate uses an overhead factor (labor burden) of 1.3 or 30% to account for payroll taxes, employee benefits, and overhead costs associated with the hiring and support of the staff. Other significant expenses include the facility related costs such as rent, insurance, and utilities, as well as loan payments for the initial build-out and inventory procurement.

The cash flow statement shows a strong positive cash flow throughout the first year of business. One could argue that it shows too strong a cash flow balance, and that the loan amount being asked for might be too much. The loan could be reduced to \$20,000 and still keep a strong cash flow positive position. The hope is to not utilize the credit card that they have applied for, except to purchase with and payoff immediately. Removing this and lowering the loan to \$20,000, gives the salon a \$34,000 average positive cash balance through the initial months of launching. This allows for a secure position and allows the salon to be prepared for the unexpected.

The income statement shows a healthy gross profit and a steady growth in revenue that matches up with the steady growth of the operating expenses to support the revenue increase. The real risk to the business is that they do not meet the sales growth rate predicted, but having the extra cash on hand eliminates this risk factor, allowing them more time to react and augment the missed sales projections.

The GIA Salon business plan has minimal risk associated with the model, because it is properly funded, sufficiently staffed, and adequately planned. The plan leaves room for the entrepreneurs to react to the risks with amply time, resources, and funds. Therefore, the loan amount being asked for is \$20,000, to sufficiently fund the business. This amount is equal to 10% of the total startup capital investment.

II. General Company Description

Vision

Physical Elements

Physical Salon Elements

- *Colors - green, teal and silver*
- *Stainless fixtures, accents, and hardware*
- *Mirrors - framed but contemporary*
- *Music - New Age / Zen*
- *Fragrance - Eucalyptus, Jasmine, and Lavender*
- *DÃ©cor - light wood and white tile*

Employee Traits

Employee Traits

- *Team oriented*
- *Professional colorist / stylist*
- *Interns doing shampoos*
- *Interns to staff blow dry bar*

Financial Structure

Financial Structure

- *Commission based*
- *Semi-annual bonus structure*

Customer Traits

Customer Traits

- *Age group from late 20's thru mid-60's*
- *Professional men and women*
- *Seeking to enhance style without health risks*
- *Active, energetic, health conscious*
- *Middle to upper income level*

Product Features

Product Features

- *Organic shampoo, conditioners, and coloring products*
- *Recycled products*
- *Eco-friendly minded service and product offerings*

Service Offerings

Service Offerings

- *Full service salon, one stop shop*
- *Blow-dry bar*
- *Male services for beard trimming and hot shaves*
- *Hair, nails, facials, waxing, and makeup*
- *Referral program*
- *Coupons/discounts*
- *Birthday*
- *Anniversary*

Customer Programs

Customer Programs

- *Loyalty program*
- *Product purchase discounts*
- *Referral program*
- *Coupons/discounts*
- *Birthday*
- *Anniversary*

Employee Programs

Employee Programs

- *Fair compensation*
- *Bonus compensation*
- *New product and service training program*
- *Sales and marketing compensation plan*

Company Vision

GIA Salon Vision -

GIA Salon is an oasis for men and women to visit to get full service beauty care. The customers will experience a tranquil atmosphere full of serene music, colors, materials, and scents. The salon will offer clients a full range of products focused on healthy living and the elimination of harmful chemical treatments. GIA Salon will provide organic products by a staff of environmentally minded stylists.

GIA Salon will be located near customers' homes and work locations. GIA Salon's goal is to attract customers who can afford a healthy, environmentally friendly beautification alternative, like the Whole Foods or Fresh Market grocery alternatives. GIA Salon will provide its services mostly to professionals or affluent people who can afford to pay extra for a healthy choice. These customers make time to look for healthy lifestyle offerings and are active energetic people.

GIA Salon will put into place workplace practices focused on being environmentally conscious. Recycling will be promoted and energy conservation will be incorporated and advertised as a practice. A bottle refill program for the sale of products will reinforce this mentality.

The goal is for GIA Salon to be a profitable business allowing for future growth and annual employee bonuses. GIA Salon should have employees who value their careers at the salon, participate in its growth, and create a family environment. The customers should look forward to their visits to GIA salon. They should be able to relax with us and get the royal treatment while knowing that they are taking a healthy avenue to their beautification.

I want to surround myself with employees and customers who make every day healthy and happy!

Industry

Industry History, Trends and Statistics

Beauty Salon Industry

- *In Egyptian times, hair was considered to hold religious powers that resonated from one's scalp. Beauticians were often priests, so it makes sense that we still confide in and confess to our stylist. These individuals were well respected and revered in their community. The Greeks and Romans were obsessed with beard trimming, and the Romans were the first to open barbershops. Because the more educated people were in the medical industry, the industry quickly was combined with medical treatments, including dentistry. This combination is the origin of the barbershop pole, which a patient could hang onto while being bandaged.*
- *In the mid-1700's, barbers were only allowed to take care of hair, and the separation with the medical industry took place. They lost the status of the well-educated elitist until wigs came into fashion and their popularity gained ground. In the 18th century, wigs were all the rage, and the stylist was born. They fashioned wigs out of real human hair for the rich and wigs made from cotton and animal hair for the rest of society. By the end of the 19th century, wigs fell out of fashion due to cleanliness issues. In the 20th century, indoor plumbing, shampoo and other hair coloring products were introduced. Soon the industry opened its first academy and formed its first unions.*
- *Most stylists were servants who provided grooming services to their employers. Women had no need to go to a salon; also, it was not acceptable to groom in public places. Paris made the salon popular by introducing fancy styles, piling curls of hair into tall towers with fancy décor. Parisian hair-stylists continued to make styles popular, and only the wealthy could afford them.*
- *In the United States Marie Laveau, from New Orleans, was the most famous hair stylist of the early 1800's. The "merced wave" was introduced by French hairdresser Marcel Grateau, and the first retail franchise chain of salons was opened by Martha Matilda Harper, who developed the "Harper Method." Harper was famous for her floor-length hair. Harper invented the reclining shampoo chair, offered scalp massage, and childcare. She also offered healthy hair products made largely with natural ingredients. Harper Salons did not use synthetic dyes or chemical perms.*
- *The beauty salon became a more social environment in the 20th century and started to offer additional services like facials, nails, and etc. Technology advanced the salon's services with hair dryers, permanent wave machines, and more. New products advanced the industry by offering more colors and style options.*
- *Today the beauty salon industry is estimated to grow at a rate of 16%. The industry SIC Codes are 7231, and 7241, and the NAICS Codes are 812111.812112.*

- *Trending are beauty salons that deal with "conscious consumerism." This means incorporating a sense of heightened awareness of the environment, health, and overall well-being of your customers and employees.*
- *"According to a recent [salon industry](#) shrank by 2% per year for the last three years, the organic salon segment grew by 16.7% per year."*

Beauty Salon Industry Information Resources

- *The SBDC National Information Clearinghouse, serving the Small Business Development Center Network and America's small business community - [SBDCNet.org](#)*
- *Article on Salon Industry Trends 2012 and Beyond - [probeauty.org](#)*
- *American Beauty Association (ABA) - [mycosmetology.org](#)*
- *Green Spa Network - [probeautyfederation.org](#)*
- *International Salon Spa Business Network (ISBN) - [salonspanetwork.org](#)*
- *International SPA Association (ISPA) -*

Customers

Customer Demographics

GIA Salon Customer Demographics

Interlocken Business Park

- Broomfield Demographics
- Population in 2013 - 59,471 (daytime population increase +6,643 / 11.3%)
- Males - 49.4%, Females - 50.6%
- Age - 35.4 years
- Median Household Income - \$77,113
- Median Home Value - \$287,150
- Bachelor's degree or higher - 49.1%
- Graduate or professional degree - 18.4%
- Married - 56.8%
- Westminster Demographics
- Population in 2013 - 110,945 (daytime population increase -15,673 / -14.1%)
- Males - 50.1%, Females - 49.9%
- Age - 35.4 years
- Median Household Income - \$63,520
- Median Home Value - \$229,400
- Bachelor's degree or higher - 33.8%
- Graduate or professional degree - 10.4%
- Married - 54.2%
- Superior Demographics
- Population in 2013 - 12,865 (daytime population increase -3,692/ -28.4%)
- Males - 49.4%, Females - 50.6%
- Age - 34 years
- Median Household Income - \$113,396
- Median Home Value - \$402,525
- Bachelor's degree or higher - 76.8%
- Graduate or professional degree - 37.3%
- Married - 61.2%

Denver Tech Center

- Greenwood Village Demographics
- Population in 2013 - 14652 (daytime population increase +33,244 / 225.4%)
- Males - 48.8%, Females - 51.2%
- Age - 45.3 years
- Median Household Income - \$110,233
- Median Home Value - \$757,361
- Bachelor's degree or higher - 74.7%;
- Graduate or professional degree - 35.5%
- Married - 63.6%
- Cherry Hills Village Demographics
- Population in 2013 - 6,315 (daytime population increase NA)
- Males - 49.3%, Females - 50.7%
- Age - 47.1 years
- Median Household Income - \$ 200,000
- Median Home Value - over 1 million
- Bachelor's degree or higher - 80.3%
- Graduate or professional degree - 44.2%
- Married - 70.6%
- Centennial Demographics
- Population in 2013 - 106,114 (daytime population increase NA)
- Males - 51.1%, Females - 48.9%
- Age - 40.1 years
- Median Household Income - \$ 60,956
- Median Home Value - \$236,400
- Bachelor's degree or higher - 54.0%
- Graduate or professional degree - 18.7%
- Married - 58.6%

Customer Attributes

GIA Salon Customer Attributes

- *Males and females between the ages of 30 and 60, educated with a college degree, earnings greater than \$50,000*
- *Customers mindful of exercise, eating right and an organic lifestyle; attentive to environmentally-conscious behavior*
- *Customers primarily located in the metropolitan and suburb areas*
- *Educated people who watch current events, news and home/food channels and listen to classics, blues, and jazz*
- *Customers demanding a full-service luxurious salon experience*
- *Customers focused on healthy organic lifestyle free of toxins, chemicals and preservatives*
- *DO NOT want to cater to customers looking for the cheapest hair cut or color; teens looking for the latest fad-based hair style*

Customer

GIA Salon Customer Visit

This is the first visit by a new customer, Kendra. She is around 40 years old, with a sophisticated air that tells me she is a professional business executive. Her anxious mannerisms tell me she is a busy woman who values her time, because it is frequently not her own to spend on luxurious moments. She is in her workout attire, and it appears she has just rushed here to make her appointment after a visit to the gym. She has long brown hair and lots of it. She has put her hair into a ponytail to keep it manageable throughout her exercise class.

While she waits for me to clean up after my last appointment, she reads People magazine, shaking her head occasionally and snickering at the absurd gossip it reveals. It apparently is something she rarely reads and finds light and humorous.

I approach Kendra to introduce myself. "Good Afternoon Kendra. I am Kayla and I will be helping you today with your beauty needs."

She responds, "Hi Kayla, Kendra. Not sure what I want but something easy to take care of, but stylish in a sophisticated way. I like it long, and I like being able to tie it back to play golf or go to my yoga class. Not that I get much time for either these days"

She chuckles as she sits in the chair at my station. I remove her hair tie and feel her hair to get a sense of her hair type, texture, and its overall health. GIA salon is a salon focused on eco-friendly hair products and treatments. We offer our clients beauty treatments that many other salons do not, because we do not put toxic chemicals or products on our clients that could be harmful to their health. It is standard procedure for all our staff to educate our first-time customers about who we are, what we offer and why. Being the owner, I know the spiel by heart.

"Well, Kendra, your hair is pretty healthy. What products are you currently using?"

She responds with a thoughtful look, "I have been using a product called La Fusion and some of the Medie Oil products. I found these to be the best I could purchase at a reasonable price and keep my hair manageable."

"Okay, that makes sense. GIA salon uses products that are all-natural. These products are gentle, chemical free, and safe. They will hydrate, nourish, and repair your hair. We also offer organic coloring systems if you are interested in enhancing this beautiful brown color that you already have. We could warm it up with reds or caramel colors or we could lighten it a bit with some highlights. Did you have a chance to look at any hair styles in the hair magazines or books at the front?"

"No, I brought a picture from a magazine of a medium-length hairstyle. I like the color and was wondering if the style could be done in a longer length," Kendra says.

I am thankful that she has selected a model with similar hair texture and lack of curl. Kendra has a bit more hair than the model but that will only add to the style.

"This is a great style for you! You have a great facial shape to compliment this style. I think we can do this style in a longer length so that you can still tie your hair into a ponytail. It just might be a short little pony," I respond jokingly.

"Marvelous!" Kendra says with a big smile, letting me know that she is pleased with the determination of our style direction.

Over the next hour, I color her hair while she tells me all about her hectic day at the recruiting firm where she works. She is the senior vice president of recruiting at her firm, and she is working on winning a new client who has a global presence. The prospect is demanding but she appears to be rallying and seems energized to meet the challenge. She is into eating clean and tries to exercise every other day. This is challenging because she has a teenager who is always keeping her on her toes. She is hoping that once her son gets through high school she can finish her master's degree. With a master's degree, she can move up into a director-level position at her firm. Once her hair has processed and I wash all the excess color out and move on to cutting her new style. She starts to explain that she is in the process of redecorating her home.

"I love the color scheme in the salon. It is calming and warm while introducing beautiful colors. I like the cool blues and serene greens with all the earthy tones in the wood. It is also neat that you were able to keep it a clean contemporary style yet cozy and warm. Who did you use for the design/decorating of GIA?"

I proudly answer, "That would be me!"

"Wow, that is impressive! Good job and I especially like that you have classic blues playing. It is spiritual and lively! Nice touch!"

I hand Kendra an iPad and ask if she wouldn't mind filling out a profile page on my Stylist Chair app. I explain that this application allows me to track her contact info, her hair type, style preferences, formula information, and more. I can even track each appointment we have so we can refer back to old appointments to manage what works for her and what doesn't. I take a picture of her new style and log the appointment info so that we can track it. She shares her personal info like her birthday and anniversary so that I can e-mail or text her promotional items.

I also log the shampoo and conditioner she purchases on her way out so I can send her coupons and sales promotions. She thanks me for her new look and sets another appointment for a blow-out at our dry bar and a manicure for her date night the following Friday. I offer her a coupon for this next appointment to get her 10% off her next visit and a loyalty card to track her appointments and referrals for more discounts.

III. Market Analysis

Industry Analysis

Industry Statistics

Beauty Salon Industry Statistics

The United States hair salon industry is composed of approximately 86,000 establishments (82,000 beauty salons and 4,000 barbershops). Its estimated revenue was \$20 billion in 2014. Hair care is the largest segment of the beauty industry, followed by skin care and cosmetics.

The Bureau of Labor Statistics estimates nearly one million people are employed in the various beauty industry segments. In 2014, it estimated that approximately 656,000 barbers, hairdressers, and cosmetologists were employed. It estimates an employment growth rate of 10% in the next 10 years. Nail salon professionals were estimated at 113,600 employed in 2014, with the same 10% expected growth rate. The average salary in 2014 was \$23,200 per year or \$11.25 per hour. For further Occupational Employment Statistics information, see Appendix.

The majority of businesses in the hair salon industry are small boutique salons, while the fifty largest hair salon businesses contribute only 15% of the industry revenue. The industry is diverse: salons range from luxury salon spas to budget hair-care-focused businesses. The major service offerings in beauty salons include hair care, nail care, facials, makeup, and waxing. Other services include massage, tanning, or other spa treatments. The typical size of a salon runs from 1,000 to 1,500 square feet.

Beauty salon revenue growth is expected to grow at an annual rate of 3.2% to \$58.7 billion by 2019. This projection is based on an expected decrease in unemployment and an increase in disposable income. The beauty salon industry profits increased from 2009 to 2014 from 1.9% to 5.7%. Profits are projected to continue to increase based on high value product and service offerings with large margins.

Industry Trends and Influences

Beauty Salon Industry Trends & Influences

New trends in the beauty salon industry that are driving growth and revenue include the following:

- Organic and environmentally-conscious salons
- Products and services for the aging population
- Men's hair and skin care products and services

Kayla reads an interesting article on the website HUB entitled *Salon Industry Trends for 2012 and Beyond*, by Scott Mitchell. Mitchell discusses five trends in the industry:

1. **Big beauty is a big liability.** Big beauty companies are untrustworthy, while smaller boutique suppliers are more partner-friendly and trust-worthy. He is referring to big beauty brands like Redken, Wella, L'Oreal, etc.

2. **Conscious consumerism will stand out and survive.** Conscious consumer buying decisions will impact the environment and health, as well as the overall well-being of both.
3. **Organic salons will have the fastest growth rate.** A report from J.P. Morgan research analysts' states that the overall salon growth rate decreased by 2% while the organic salon growth rate grew by 16.7%.
4. **Consumers will pay a premium for organic salon products and services.** Organic salons charge between a 12% to 16% premium for their organic products and services. Consumers continue to demonstrate a willingness and expectation to pay a premium for these goods and services, much as they do at organic food stores or restaurants.
5. **Unique products and services attract new clientele and build customer loyalty.** Always differentiate your salon by having products and services your clients cannot find elsewhere.

Technology Transformations

Beauty Salon Technology Transformation

Technology in the beauty salon industry is comprised of salon-management software that includes scheduling, inventory control, customer relationship management (CRM), accounting, reporting, and payroll. Virtual imaging is a new technology that allows clients to virtually see themselves in a hairstyle or color by using their camera to put new styles on their image. The use of technology has also advanced the style tools and salon products. Beauty salons can offer tools and products that are more efficient and healthy for their clients. Lastly, the introduction of social media allows a beauty salon to receive feedback about their salon and track their clients' interests.

Government Regulation

Beauty Salon Government Regulation

GIA Salon was able to obtain state licensing, regulation, and guideline information at the Colorado Department of Regulatory Agencies website. (www.colorado.gov/pacific/dora/BarberCosmetology)

This website provided the following documents:

- Barber and Cosmetology Practice Act
- Barber and Cosmetology Rules and Regulations
- Barber and Cosmetology Directors Policies
- Cleaning and Disinfecting Guide

Based on this information, GIA Salon can now predict our licensing and regulation requirements, as well as estimated costs, salon location, and design necessities.

Demographics Influences

Beauty Salon Demographic Influences

The data for this section of the business plan was primarily gathered in Chapter 3 (Customers), so GIA Salon reviewed this information and will include this data in our industry analysis.

Economic Influences

Beauty Salon Seasonal and Economic Influences

The beauty industry is known to be resistant to economic influences and was impacted minimally during the economic downturn in 2008. Seasonality is a larger influencer in the industry and is considered a new trend. Consumers are asking for products and services that protect them from sun damage in the summer and dry heat in winter seasons. Customers also transition hair and nail colors from one season into the next.

Industry Summary

Beauty Salon Industry Analysis Summary

GIA Salon has gathered the pertinent data and information we need to build a comprehensive industry analysis. We will put this into the Industry Analysis section in the business plan.

Competitive Analysis

Competitive Analysis

	Competitor 1	Competitor 2	Competitor 3	Competitor 4
Company Overview				
COMPETITOR NAME	Amore Organic Studio	Boulder Natural/Organic Hair Salon	Imogene's Organic Salon	My Hair Trip Organic Salon
ADDRESS	950 Laramie Blvd., Boulder, Colorado 80304	2422 Arapahoe Avenue Boulder Colorado 80302	7680 S. University Blvd. Centennial, CO 80122	773 SANTA FE DRIVE, DENVER, CO 80204
PHONE	303-555-1234	303-544-1511	303-257-2319	720.255.0958
WEBSITE	Amorespa.com	www.bouldernaturalhair.com	www.imogenesorganicchair.com	www.myhairtrip.com
OTHER LOCATION	NA	NA	NA	NA
SOCIAL MEDIA	https://www.facebook.com/AmoreHairStudio	https://www.facebook.com/BoulderNaturalHairSalon?ref=hl	https://www.facebook.com/pages/ImogenesOrganic-Hair-at-Rucci-Salon/134169993231?ref=hl	https://www.facebook.com/myhairtrip1?ref=hl
COMPANY SIZE	Small	Small	Small	Small
BUSINESS YEARS	16	4	13	3
HISTORY	Angel Sace & Amore company name			
EMPLOYEES	5	8	?	6-8
MANAGEMENT TEAM	Karen Sam	Norka Mouritsen, Owner	Brandy Bell	Paul & Nicole Zamara

LEGAL STRUCTURE	Sole Prop	Sole Prop	Sole Prop	Partnership
OWNERSHIP	Private Single Owner	Private Single Owner	Private Single Owner	Privately Held
MISSION STATEMENT	We're the leading natural color specialist in the US.	Our primary goal is to provide excellent customer service.	we believe beauty is a healing force	Denver's only Certified Green Salon, Art Gallery, and Jewelry and Apparel Boutique
VISION STATEMENT	Let the pampering begin. Amore. Boulders First Organic Hair Studio.	We use and retail only natural/organic hair care products and hair color products. These products cannot be found in retail chains or discount beauty outlets.	We believe our outer beauty is a reflection of our inner health and beauty	This 5 star-rated hair salon, in the Denver Art district on Santa Fe, is an environmentally friendly salon, as well as a boutique carrying all local jewelry and apparel, and an active art gallery and event space in Denver, CO.
Products and Services				
PRODUCT 1	Eufora	MOP Hair Care	Unknown	Unknown
PRODUCT 2		Biolage R.A.W.	Unknown	Unknown
SERVICE 1	Hair Cutting, Styling, Blowdry, Permanent, Conditioning	Hair Cutting, Styling, Blowdry, Permanent, Conditioning	Hair Cutting, Styling, Blowdry, Permanent, Conditioning, Color, Highlights	Hair Cutting, Styling, Blowdry, Permanent, Conditioning, Color, Highlights
SERVICE 2	Color, Highlights	Color, Highlights	Skin, Nails, Waxing, Massage treatments	Skin and Waxing treatments
PRICING	See price Sheet	See price Sheet	See price Sheet	See price Sheet
AFTER SALES PROGRAMS	Will do free touch up or reworking	Will do free touch up or reworking	None	None
CUSTOMER LOYALTY PROGRAMS	1st service 10% off Referral 20% off product or service (max \$20)	Discounts for transportation to salon being eco-friendly	None	None
Marketing				
ADVERTISING METHODS	Magazine, Newspaper	Magazine, Newspaper	Magazine, Newspaper	Magazine, Newspaper
FLYERS	Coupon Flyers, Mailed flyer	Coupon Flyers, Mailed flyer	Coupon Flyers, Mailed flyer	Coupon Flyers, Mailed flyer
COUPONS	10% off first visit	??	??	??
EVENTS	None	None	None	None
ETC.	Word of Mouth	Social Media	Social Media	Social Media

Financials				
SALES REVENUE (ANNUAL)	100,000	Not Available	100,000 - 500,000	100,000
PUBLIC/PRIVATE	Private Single Owner	Private Single Owner	Private Single Owner	Privately Held
Facilities				
LOCATION DESCRIPTION	Simple brick store front, In housing area, Beige décor, rustic	Stripmall, near hotels, shopping, dining, starbucks, etc.	Stripmall, near shopping, dining, starbucks, etc.	Located in the Denver Art district, Old western brick facade
VEHICLES	None	None	None	None
SURROUNDING BUSINESSES	Sacred Ground Ceremonies - weddings, Sweet Medicine Spa - skin treatments	At Major intersection in town, near Arapahoe Village, Village shopping, Home Depot, Nordstrom, etc.	On major road, near shopping, easy access	Art Galleries, Restaurants, Theater
PARTNERSHIPS	None Known	None Known	None Known	Lots (see website)
Strengths				
	Good Customer Reviews	Very focused on health and environment	Full Service	Husband is a seasoned Entrepreneur! Has partnerships, invested in website and marketing/sales
	Good Location	Great Location!!	Good Location	Great Website, Social media,
				EVENTS! They host them!!
	Good Product (Eufora)	Creative offers and products		Uniques mix with ART and SALON!
Weaknesses				
	Only 5 customer reviews	Just local	Too many services	Startup
	Location is the limited clientele		Just local	Resources
	Only one product line			Financials

SWOT Analysis

Strengths

- Lack of Competitors in Organic / Eco-friendly Salons
- Friends and Colleagues who want to work for her that share the same interest in a healthy lifestyle

- Suppliers that are willing to offer a territory and other training, financing, and delivery support for her startup efforts.
- Good Credit report and clean financials
- Training and expertise in organic products and methods
- Offering other organic products such as teas, coffees, wines, skin, hair, and other beauty products

Weaknesses

- New to running a business (Acct, HR, Marketing, etc)
- New kid on the block - no reputation, brand awareness
- Unsure of pricing methodology
- Creating a memorable brand
- Dedicating the time needed to get it launched properly
- Estimating Startup cash accurately
- Creation of good customer loyalty programs and discount offers
- Limited technical expertise
- No special certifications or accreditation
- New to permitting and licensing

Opportunities

- Increased demand for healthy beauty products
- Near businesses and residential area
- Lots of new systems to support salons
- Suppliers ready to invest in salon in this area
- Suppliers willing to train on their products
- Suppliers putting in \$\$\$ in R&D in their products
- Strong Associations to support business and products efforts

Threats

- Finding right location at the right price
- Getting all the Permits and Licensing
- Building out space to be eco-friendly
- Timing before competitor comes in
- Cost of Technology and Systems
- Finding legal representation to assist with supplier, location, employee, etc. contracts
- Building the right incentive programs to retain employees
- Economy downturn
- Winter tends to have slower walk-in traffic

Weaknesses to Strengths

GIA Salon has a defined list of weaknesses, now we can begin to determine how to make them strengths. By taking a few courses online and at a local night college, the owner (Kayla) is learning more about business financials, marketing, and applicable HR related employer matters. She has to determine whether she structures the salon as a booth rental, employee, or contract-based

engagement. She is also taking a few online tutorials through her financial software system provider.

Starting a business comes with inherent weaknesses that are only overcome with time and diligence. GIA Salon will eventually prevail over nuances such as reputation and brand awareness, but we must be mindful that first impressions are lasting and impossible to change. Make them count! Mistakes will occur and can be forgiven if handled properly. We will take ownership and compensate our clients for the inconvenience. If we handle these experiences correctly, they will turn into a positive experience.

GIA Salon has found a business attorney and accountant to assist us with the basics of her business start-up efforts. The attorney is working with GIA Salon on the employee/contractor engagements, business licensing and permits, as well as supplier/partner agreements. The accountant is helping GIA Salon structure our books, review our business plan, and educate us on the financial basics in business.

Threats to Opportunities

There are threats that GIA Salon can overcome before starting the business. First on our list is the salon location. We can hire a commercial realtor who will work for us to find the right location and get us the right deal. When engaging in commercial real estate you will need to be aware of all the nuances, so having an expert assist you in the process is recommended. Have the realtor read your business plan and fully inform them of your business and location requirements.

Technological and economic influences are prevalent in all industries. GIA Salon is aware of these influences and is staying current by joining the beauty industry trade associations. Our trade associations have monthly newsletters, annual conferences, and industry experts available, so that we have access to pertinent industry information.

GIA Salon is joining the Professional Beauty Association. Business member benefits include education, events, access to professional liability insurance, employee agreement and consultant contractor templates, discounts with partners like UPS or Sally Beauty, industry information, subscriptions to publications, and networking opportunities.

There are some threats that every business faces that cannot be transformed into opportunities, such as an economic downturn or catastrophic weather that interrupts business. GIA Salon should be aware of these threats and have contingency plans for the business that would address them when or if they occur.

IV. Products and Services

Products and Services Description

Products and Services Plan

Steps to creating an Organic Eco-Friendly Salon include providing the following:

- 1) Organic shampoos, conditioners, and styling products
 - a) The main ingredient in most shampoos is sodium laurel sulphate (SLS) which is a dangerous carcinogen. It does strip grease from your hair but also is harmful to you and your hair.
- 2) Formaldehyde-free keratin treatments
 - a) Formaldehyde causes irritation to the body in the short term, but in the long term causes central nervous system damage and ongoing pulmonary issues.
- 3) Organic hair color
 - a) Dangerous chemicals are in hair colors, the most common being PPD (p-phenylenediamine), which is known to cause cancer and nervous system disorders.
 - b) There is also a whole cocktail list of harmful chemicals in our hair coloring products. Both the EU and Japan have banned many of these from products.
- 4) Recycled products and recycling practices
 - a) Utilize recyclable products and containers.
- 5) Implement recycling program for entire salon.
 - a) Energy-efficient equipment (including hair dryers, flat irons, washer and dryer, etc.)
 - b) Eco-friendly décor (low-VOC paint, recycled wood, etc.)
 - c) Refillable bottle option products
 - d) Utilize programs offered by suppliers to refill bottles and containers for daily use by stylist.
 - e) Consider refill program for customers.
- 6) Explore the following products and services that are nontraditional salon offerings
 - a) Organic teas, coffee, chocolates, wine, beer, etc.
 - b) Acupuncture, massage, etc.
 - c) Yoga, Pilates, and Tai Chi fitness classes
 - d) Natural healing remedies, organic vitamins, healing oils, etc.
 - e) Events
 - f) Home-based tools and tips
 - g) How to use products
 - h) Weekly family night with discounts for parents and children

Suppliers

- Organic Colour Systems
 - 839 Washington Street, Norwood, MA 02062; healthierhair@ocs-na.com; 844.620.3492
- John Masters Organics
 - 77 Sullivan Street, New York, NY; 844.324.2244; marisa@johnmasters.com
- Innersense
 - 1625 N. Broadway, Walnut Creek, CA 94596; 877.254.7385; info@innersensebeauty.com
- Neuma Beauty

- 20633 S. Fordyce Ave., Carson, CA 90810; 800.333.0707; breathe@neumabeauty.com
- Onesta Hair Care
 - 7321 Washington Ave. S., Edina, MN 55439; 952.942.5300; info@onestahaircare.com
- Organic Salon Systems
 - 35095 US 19 North, Suite 201, Palm Harbor, FL 34684; cs@organiccolorsystems.com
- EcoColors Professional Line
 - 4760 Hammermill Rd., Suite 106, Tucker, GA 30084; 877.852.4515; info@ecocolors.net

Services

- Hair Cuts and Style (Trim, Haircut, Blowout, Up/Down Do, Extensions)
- Perms (Permanent, Spiral, Relaxer)
- Color (Full, Partial, Color, Toning, Brow Tint)
- Waxing (Brow, Chin, Lip, Cheek)
- Treatments (Deep Conditioning, Straightening)
- Facials (TBD)
- Nails (Later if there is sufficient demand)
- Massage (Later if there is sufficient demand)
- Makeup (Later if there is sufficient demand)

Features and Benefits

F- Provide healthy alternative to traditional salon products and services

- B- Customers and employees not exposed to harmful chemicals
- B- Elimination of hormone-disrupting parabens
- B- Environment protected
- B- Less fumes and unpleasant smells in the salon
- B- Fragrant aromas in the salon
- B- Healthier hair and skin (nails)

F- Eco-friendly equipment

- B- More energy and water conservation

F- Refill programs

- B- Discounts for reuse of containers, opportunity to have branded or special designs on containers, good for environment

Product Pricing and Services Fees

Competitor Pricing Analysis

GIA Salon is a product and service business. Pricing strategies are usually based on cost-plus pricing, competitive pricing, or luxury pricing.

GIA Salon will utilize competitor pricing as a comparison matrix for the pricing spreadsheet. This way we can view pricing in an analytical manner.

Pricing Methodology

GIA Salon has received pricing information from the suppliers that are under consideration. Having supplier pricing along with competitor pricing allows us to make guesstimates on costs and pricing. GIA will take a conservative approach to our pricing strategy, realizing that it is easier to increase rather than decrease prices. We will perform enough due diligence on pricing to minimize the potential need to raise prices. Below is a pricing matrix:

After-Sales and Customer Incentive Programs

After-Sales Services

GIA Salon has decided to try and stay connected to our customers on a continual basis by having online and email based content available to them. We plan on doing this by writing articles, including tips, tools, and the secrets of hair care, published on her website blog. GIA Salon intends to display a calendar of local and national event information on the website and in a monthly newsletter. We will also advertise sales and discounts in the newsletter, mailings, and online.

The GIA Salon website will include the blog, a calendar of events, and a place for customers to provide feedback. By gathering feedback, we can be sure that we are hearing from her customers. This way we will know if they are happy or displeased with the salon. GIA can gather suggestions they may have and have the ability to measure the other stylists on their performance.

GIA Salon will guarantee all salon services for a 5-day period after date of service. A customer may return for service rework until the customer is satisfied with the outcome. Product purchases are returnable for a 7-day period if not used more than once. After the 7-day period, the purchase can be returned for a credit toward another product or service.

Customer Incentive Programs

GIA Salon will start the salon with a simple rewards program that will offer customers a discount on product bottle refills and a free wash and blowout service after their 10th visit to the salon. We will also offer a 10% discount on a full service visit for a customer referral. During the first year, these incentive programs will be managed manually, after which GIA Salon will explore moving to a software system to support the programs.

V. Marketing Plan

Company Brand

Company Purpose

The goal is to create a unique experience for the clients that is healthy but provides an elegant and pampered experience. GIA Salon clients spend extra time and money being healthy and environmentally friendly. They want to include this in their personal hygiene products and services.

GIA's Purpose - Healthy, environmentally friendly, pampering and beauty!

Healthy Beauty that Feels Good Inside and Out!

Brand

GIA Salon wants their customers to feel like they are taking extra care to pick a salon that has healthy alternatives to all the traditional salon services, eliminating the worry of being exposed to toxic, harmful chemicals. GIA Salon provides this alternative without sacrificing the quality of their beautification.

Name - GIA Salon - GIA means earth in old Greek language

Font - Sitka

Colors - R,G,B

105,200,160 47,129,94 191,191,191 Bamboo

Employee Attire - TBD - We would like to work with our employees to determine what would best suit them all and portray a clean, elegant, healthy environment.

Distribution Channels

Company Distribution Channels

I will have my own clients whom I will bring to the salon, as will my other stylists. The other stylists' clients will have a direct relationship with the stylist, and they will manage the client relationship. Therefore, GIA Salon's stylists will be acting as agents in the salon. In order to have better exposure to these customers and their demands, GIA Salon intends to track the sales through a point of sale system integrated with the financials. We also intend to have both a scheduling and a customer tracking system, so we can manage the direct-to-consumer marketing tasks, like coupon mailings. GIA Salon is also going to have the customer reward and referral programs managed by the salon and not individually managed by each stylist, giving us greater exposure to customer demand.

Distribution Channels

Channel	Feature	Benefit	Disadvantage
Direct (Employee)	Direct contract with her customers	Ability to measure customer demand	Limited growth with limited reach
Agent (Booth space rental)	Contractor stylists who pay to use the salon and systems	Low overhead since they are not employees	Lack of direct contact with customer

Marketing Plan

Marketing Plan Basis

Purpose - the reason for which something is done or created; a desired result; a promise

Healthy beauty feels good inside and out!

Goal - the result toward which effort is directed; achievement of one or more objectives

Create a unique environment for clients that is healthy while maintaining an elegant and pampered experience

Distribution - the path through which goods or services travel to reach the end consumer

Retail salon - with a mixture of employees and booth rentals

Target market -customers at whom your products or services are aimed

Mature health-conscious consumers who have the means to spend extra on superior products that are better for their health and the environment

Objectives

Step 1: GIA Salon Objectives

GIA Salon will launch its first marketing campaign with a clear objective to introduce the salon to the local marketplace. GIA Salon's goal is to begin embedding the company purpose into the consumer's mind.

- Name recognition
- Brand recognition
- Membership in the community as a business
- Articulating the company goals and purpose in a meaningful way to potential customers

Strategy

Step 2: GIA Salon Strategy

GIA Salon will need a strong web presence that shares pertinent product and service material as well as company, stylist, and special offer information. We will begin to write blog articles and build out a Facebook, LinkedIn, Instagram, and Google+ presence prior to opening the salon. GIA

Salon intends to build our branding content and web presence so that they exist for our suppliers and investors as a reference.

GIA Salon will create a menu of our products and services for the business and website. GIA Salon plans to build as many interactive tools as possible so we can get constructive feedback and ideas about products and services directly from our consumers. GIA Salon plans to have a calendar and scheduling software for events and appointments. The owner, Kayla, is a social person and wants to be sure to have open lines of communication with her colleagues who work in the salon, with her customers, and her suppliers/partners.

GIA Salon plans to advertise in the local papers and New Horizons magazine. We plan on submitting articles about hair, nail, and skin health to the papers and magazines that might be interested in organic beauty product usage. Our intention is to build a presence through knowledge sharing and building credibility with the local community.

GIA Salon will get a city-based green certification to demonstrate the business's commitment to being an environmentally conscious community member. GIA Salon intends to join local groups that are focused on environmental improvements or health-conscious efforts. Participating in these local efforts will enable us to have the insight into local projects and concerns so that we can participate as a business in a constructive way.

GIA Salon is planning on creating a small booklet, with our salon information on the back cover. The booklet will contain helpful hints and information on product usage. The booklet will discuss healthy versus harmful product information. This resource will avoid manufacturer-specific products but focus on the ingredients used and where to look for them on labels. GIA Salon intends to distribute these booklets to local corporations in the business parks, the local food markets, and at the other complimentary businesses that are willing to distribute them. GIA Salon also intends to use this as a mailing promotion, so we want to have the last page of the booklet be the introductory offer. The welcome gift will offer customers a 20% discount on their first service at the salon.

GIA Salon intends to have a "Grand Opening" event that will have demonstrations, food, and beverages. We will require the stylists attend and make sure they have been through the salon training for business culture messaging and product/service expertise. GIA Salon will also invite select local business owners whom we intend to collaborate with, such as a nail salon or neighboring restaurant owner.

Design

Step 3: GIA Salon Design

The business owner, Kayla, will use her husband's and his brother's services to build her website, as well as to select, purchase, and install the systems the salon will require. Kayla will build the web content, including GIA home page introduction information, blog articles, product and services pages, and contact page detail. She will create all the social media pages and join Meetup groups and other online community groups that are relevant to the salon.

After she has created this content, she will create the content for her booklet. She will reuse most of this content, along with her blog content, to write articles for magazine and newspaper submission. This content can also be used to help her create mailings and coupon offers.

Execute

Step 4: GIA Salon Execute

GIA Salon will need to hire a design firm to assist with the logo creation, branding, and printing needs. We have interviewed a couple places we have used in the past and have costing for planning purposes. We will use this information for the creation of the marketing campaign budgeting.

We have also collected all the other costs for the GIA salon launch, including the cost to do the events. These are reflected in her marketing plan budget spreadsheet.

GIA Salon intends to start the execution of the plan before the salon opens. We have begun writing articles, the blog, and the booklet. Having the suppliers' product information was critical to the creation of this content. A couple of them have supplied her with reusable content for this exact purpose.

Measure

Step 5: GIA Salon Measure

Measuring the success will be based on new customer adds. New customers will be asked where they saw GIA Salon or how they found the salon. The app GIA Salon is using to track customers will have fields to gather this information. We will measure this monthly to see they progress of the salons marketing efforts.

Optimize

Step 6: GIA Salon Optimization

The GIA Salon marketing efforts will be adjusted and fine-tuned based on the monthly reviews. GIA Salon intends to make all our marketing engagements as short-term as possible so that we can add or remove marketing spend in the various marketing engagements.

VI. Operational Plan

Legal

Legal

GIA Salon has meet and interviewed three different attorneys. We found them all through referrals from her friends, family, and the industry specific trade associations. We have selected an attorney that has experience with start-up businesses and is familiar with assisting businesses in their ongoing operations related to the hair, nail, and spa salon industry. The attorney has put together an agreement for GIA Salon to provide us with start-up services that include the following:

- Determination of the legal entity of the business (Sole, LLC, or S-corporation)
- Registration of name with state of Colorado
- Prepare Articles of Incorporation
- Assign registered agent
- Setup corporate records book
- Prepare corporate bylaws
- Appoint corporate directors
- Issue company stock
- Assist with the corporate tax regulations and setup (employment, sales, etc.)
- Obtaining EIN with IRS
- Obtain business licenses, permits and certifications
- Website disclaimers and the terms and conditions
- Employment contracts, contractor agreement and HR based legal requirements
- Customer agreements (product and service warranties)
- Supplier and 3rd party vendor agreements
- Leasehold agreements
- Miscellaneous vendor agreements (as needed for the first 6 months of engagement)
- Legal advice on trademarking and copyrighting for Kayla's marketing content

GIA Salon negotiated all these services with the attorney for a fixed price so that we do not have any additional expenses that would surprise us or change our start-up expense estimates.

Subsequently, GIA Salon engages an accountant that has experience assisting salons and other service-based companies. Fortunately, we have worked with this woman on our personal tax returns for years. This accountant agrees to help GIA Salon setup the company accounting at a fixed price for the first 6 months of service, including the following services:

- Employment tax registration
- Obtaining a sales tax number
- Purchasing unemployment insurance
- Acquisition and setup of software for accounting purposes
- Integration of her scheduling and POS system with quickbooks
- Assist in the creation of financial projections for the business plan
- Recommend and assist with bank setup
- Payroll system selection and setup

Having both of these professionals hired and coordinating their efforts will make sure that the business is structured properly for GIA Salon, both professionally and personally. It is also important that the attorney and accountant coordinate the setup of the company, making sure both sides of the equation are covered from a legal and accounting perspective for tasks such as permitting, taxes, or contracts.

Accounting

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Facilities, Location, and Equipment

Facility Requirements

The following is a list for facility characteristics for GIA Salon:

- Single Location
- Approximately 2000 square feet
- Lease space that is zoned for a salon and will allow her to serve alcohol (beer and wine)
- Design for
- 3 or 4 shampoo bowls
- Blow dry bar
- 10 -12 salon chairs
- 2 private rooms for facials and massages (later)
- Breakroom
- Bathroom
- Check-in/out counter
- Waiting area
- Long counter seating for makeovers and nails (later)
- 3 Pedicure chairs (later)

- Shelving for product display
- Storeroom and mixing room (product inventory)
- Ideal to have back entrance for deliveries and garbage disposal

Location

GIA Salon is mindful that both areas of Denver that we are considering for the salon location has ample client potential as well as employee or contractor availability. After looking at all the potential salon businesses for sale in the selected areas, GIA Salon has determined that leasing and building out a salon is the best option. None of the salons that were for sale met the facility requirements. One came close but was too expensive and needed too much updating. GIA Salon has decided to start from scratch.

Kayla, the business owner, has looked at enough properties to know that space in the Denver Tech Center area will be more expensive than the Broomfield area. GIA Salon decides that Broomfield works best for the owners, employees, and target market. This decision will allow us to focus on the salon start-up and not have to add the complexity of having to move personally, or have their potential employees move. Kayla and her husband have been in Broomfield for nearly 6 years and have made friends, business relationships, and have a personal support structure in place (friends, family, doctor, dentist, etc.) We feel this is the best situation for everyone and especially for the business.

Equipment

GIA Salon has sat down and done a preliminary design that is a loss sketch identifying the significant areas of space needed. This allows us to think about furniture, equipment and other assets we will require for the business in a conceptual way. We must image the customer experience and the asset requirements in the space to provide the services.

Staffing

Resource Planning

GIA Salon will be recruiting colleagues to her new salon. A number of them are interested in joining the new business endeavor. They are attracted to the salon because of the vision and focus on a healthy alternative lifestyle. They have enjoyed working with me in the past and are excited to join me on the adventure of creating something new and special.

Job, Task, Function	Qualification(s)	Staffing Type	Additional Skills / Competency	Competency Level
Manager	Management, Licensed Stylist	Full-time	Manager & Hair Stylist	10+ years of experience as hair stylist with prior management experience

Hair Stylist 1	Licensed Stylist	Full-time / Commission	Hair Stylist	5 - 10 years of experience as hair stylist
Hair Stylist 2	Licensed Stylist	Full-time / Commission	Hair Stylist	5 - 10 years of experience as hair stylist
Hair Stylist 3	Licensed Stylist	Full-time / Commission	Hair Stylist	3 - 5 years of experience as hair stylist
Hair Stylist 4	Licensed Stylist	Full-time / Commission	Hair Stylist	3 - 5 years of experience as hair stylist
Hair Stylist 5	Licensed Stylist	Full-time / Commission	Hair Stylist	3 - 5 years of experience as hair stylist
Hair Stylist 6	Licensed Stylist	Full-time / Commission	Hair Stylist	3 - 5 years of experience as hair stylist
Receptionist	Prior receptionist experience	Part-time	Phones, scheduling, Laundry, Cleaning, Good Multi-tasker	High School
Receptionist	Prior receptionist experience	Part-time	Phones, scheduling, Laundry, Cleaning, Good Multi-tasker	High School
Shampoo, Prep	Beautician School Intern	Part-time	Stylist School	Intern
Shampoo, Prep	Beautician School Intern	Part-time	Stylist School	Intern
Cosmetologist	Licensed Cosmetologist	Booth Rental	Facials & Makeup	5-10 years of experience and relationship with organic facial/makeup suppliers

I have determined that we will start the salon with six full-time hair stylists. I will manage the salon and do hair styling part-time. This way I can take walk-in clients, overflow, or cover for an absent stylist if need be.

GIA Salon Compensation Plan

The compensation model GIA Salon intends to use is a salary-based model with a commission/bonus structure established on performance. GIA Salon is creating the performance commission/bonus structure based on overall salon profit, customer retention, customer-adds, and individual revenue performance goals. The base salaries will be scaled based on each resources

level of experience and expertise. The goal is to give the staff a base salary that allows them personal financial stability, while motivating them through performance-based goals to increase their earning potential and increasing the salons revenue. Having common goals such as the overall salon profitability encourages the staff to perform as a team.

GIA Salon will need a couple part-time receptions that can cover answering the phones, scheduling, tidying up the salon, laundering, cleaning, and other miscellaneous tasks. We will compensate them with an hourly wage.

GIA Salon will also hire a couple interns from the local cosmetology school to assist with shampoos, client trolley prep, color assistance, and other miscellaneous stylist tasks. We will assign them to senior stylists for mentoring purposes. We will move them to new mentors every week so that they get a diverse education from the stylists. Regardless of their assigned mentor, they will ultimately be required to assist all the stylists at work. These interns will be compensated on an hourly basis.

The owner, Kayla has a close friend, Samantha that works part-time from her home doing facials and makeup for clients. Sam would like to continue doing her work but at a salon, getting away from the home based business model. Kayla and Samantha have agreed that this would be a valued service to offer at GIA Salon, since Sam uses all organic natural products. They have agreed to allow Sam to start this service at GIA Salon as a booth rental, where Sam pays a monthly rental fee for the space. Samantha provides her own equipment and products to deliver her services.

Suppliers and Inventory

Suppliers

GIA Salon has selected a hair product manufacturer Organic Sense (Osense) as a core product line at the salon. They offer a holistic hair color system that is ammonia-free with almost 100 colors in their line. The coloring line is made with organic plant material and essential oils. We have developed a partnership with the company and they have agreed to the following terms:

- Exclusive rights to sell and use their product line within a 30 mile radius (with stipulation on sales numbers being met within certain timeframes)
- Payment terms of 30 days from delivery of the product (received)
- Ability to return product for damage with full credit (excluding shipping costs)
- Return of product not selling within 3 months of purchase (based on order date)
- Discounts on product based on volume of purchases
- Product training available to Kayla and her employees at a reduced rate for start-up, online training available for new product introduction or changes in processing
- Use of their discounts on shipping costs (large and small deliveries)

GIA Salon plans to offer other supplier products in much smaller volumes, while focusing on Osense initially for a majority of her hair supplies. GIA has made the following list of potential suppliers.

Supplier Name	Address	Phone	Contact Name	Contact Phone	Terms	Delivery Schedule	Products
Organic Sence	222 1st St Tamps, FL 33654	800-555-6548	Karen Hill	x 780	30 days from receiving	Shipped	Hair Color, Cleaning and Conditioning
Effervesce	745 Broad St, New York, NY 10024	888-555-0235	Jesse Bean	555-888-0235	Due upon receipt	Shipped	Skin Care, Makeup
Apure	80 Martin Ave, El Paso, TX 22355	888-999-3265	Alan Reed	same	30 days from PO	Shipped	Hair Treatment Products
Wholesale Salon Furn	9000 Philips Hwy, Denver, Co 80012	303-999-6598	Sam Kemp	x 8854	Due Upon Receipt	Delivery Set at time of Purchase	Salon Equipment and Furniture
Marlan Beauty Supply					Cash or Credit card	Pickup	Wholesaler for Misc beauty Supply's
Salox	7 East Pond St, Denver, CO 80022	303-555-8844	Darcy Hall	x 322	Subscription	Appointment	Salon Software and Hardware
Excel Energy		303-573-4358	NA	NA	15 days	NA	Electrical
Comcast		800-934-6489	NA	NA	16 days	NA	Cable and Internet
Broomfield Wtr & Sewer	1 Descombs Dr, Broomfield, CO 80020	303-438-6319	NA	NA	17 days	NA	Water & Sewer
Kendall Mgmt	3 Centre St, Louisville, CO 80027	303-555-7575	Russ Kearn	303-555-9696	5 days	NA	Lease Company
Wells Fargo	2 Garden Center, Broomfield, CO 80020	303-455-6740	Amy Kipp			NA	Bank
Hartford	690 Asylum Ave, Hartford, CT 06155	860-547-5000	Ken Gerald			NA	Insurance
Cigna	900 Cottage Grove Rd, Bloomfield, CT 06002	800-244-6224	NA			NA	Medical Insurance

GIA Salon is using the recommendations from Osense for the initial inventory levels for their product line. The other products GIA is estimating based on my experience at my current salon. GIA Salon has made the following inventory list to get a good idea of inventory cost for the salons one-time inventory start-up costs.

GIA Salon will use this to plug into the start-up cost spreadsheet, for negotiating with the suppliers, and to place initial orders. This is an estimate of the inventory needed for services and product sales for the initial business opening. The first six months to a year, it will be important that they track the inventory closely in order to make the adjustments needed based on demand from the customers, because things will change as GIA Salon grows.

Cash Flow Management

GIA Salon consulted with our accountant and has decided that we should use the cash basis accounting for the business. It is straightforward and easy for us to manage. The software accounting system will be setup as a cash basis company.

Payment Methods

GIA Salon has spoken to the Point of Sale (POS) software provider and the bank and has decided to take the following methods of payment from customers.

- Cash
- Check
- Credit Cards
- Debt Card

GIA Salon's bank has procedures to allow us to process checks that will minimize fraud potential and make it easy for us to deposit checks electronically. This will minimize trips to the bank and eliminate lost productivity.

Payment Terms

Payment terms with the customers are due at time of service and/or purchase of product. GIA Salon will not be offering any payment terms to their customers (credit or house accounts). All payments for products and services are due upon receipt. This alleviates any complications that could arise with managing open AR with the customers.

The only exception will be when we require deposits for events such as a wedding, where we dedicate a portion or all of the salon to the event attendees. In these instances, we will ask that 25% of the estimated services be put down for a deposit and then used towards payment on the day of the services.

GIA Salon addressed payment terms with suppliers and vendors in the last chapter. This will be a continual process of negotiating better terms as we grow and have volume and credibility with our suppliers and vendors.

VII. Management and Organization

Company Culture

Values

GIA Salon wants the clients to have a special experience in the salon. GIA Salon should make it easy to schedule appointments, flexible to meet your beauty needs, and offer a healthy alternative that ultimately gives your hair, skin, and body an enriching experience.

GIA Salon Values

1. Organic alternatives to hair coloring, cleansing, and care
2. Organic and enriching products for hair, skin, and body
3. Client treatment that is respectful, educational, and pampering
4. Industry experts that know how to deliver beauty in a healthy way
5. Expert product and service staff that know how to use the products to achieve exceptional beauty results

Purpose

GIA Salon Purpose

1. Healthy, environmentally friendly, pampering beautification
2. We are your knowledgeable experts in products and services for healthy hair, skin, and body beauty.
3. Fun, holistic salon space where employees can explore their interests in healthy lifestyles sharing their knowledge amongst their peers and with their clientele

Mission Statement

GIA Salon Mission

1. Healthy beauty feels good inside and out
2. Come to us to get the best beauty products and services that are good for you
3. Trust that we have your health and well-being in mind while we provide you with exceptional beautification

GIA Salon wants to be known as an organic salon that has extremely knowledgeable staff and resources to help the clients get superior beauty results in a healthy way. GIA Salon believes that healthy beauty does not mean comprising quality, but the opposite. Through organic products, you achieve superior beauty results!

Organization and Management Team

Management Team

The GIA Salon management team will be very simple and straightforward. We have identified the key resources that will be considered a part of the management team. We will also have Ben doing the IT tasks to support the businesses technology needs, and the accountant, Jan, reviewing the

progress and the company's financials every other week. The attorney will be engaged on an "as needed" basis.

Name and/or Role	Ownership	Participation	Responsibilities	Pre-requisites	Experience level	Compensation and Benefits	Other Expertise
Kayla	100%	100%	Owner, Manager, Stylist			%78,000 + profit sharing	
Sarah	TBD ((5-10%))	100%	Manager, Purchasing, Stylist	Management Experience	5+ years	\$39,000 + profit sharing	
Samantha	NA	Contract	Run the Facials & Makeup	Business Owner	10+ years	Contract	

We have a number of people assisting with this business endeavor. Some of our resources are advisers, while others will be more engaged in the day-to-day business operations. We have one friend that has worked with us for many years, Sarah. We trust and respect Sarah. Eventually, Sarah wants to have some ownership in the business and is willing to put in sweat equity to earn that privilege. GIA Salon plans to have Sarah take on management responsibilities of the daily operations. Sarah will also be included in the start-up process, advising and sharing her opinions. Allowing her to be a part of this process will allow Sarah to feel a part of the business from the beginning. GIA Salon thinks this will encourage a more dedicated and loyal relationship. The goal is to have Sarah earn up to 5 - 10% ownership over the first 3- 5 years based on her participation. The attorney is drafting language for them to consider regarding this arrangement.

GIA Salon Workflows

Having Sarah as assistant manager will allow Kayla to take on more responsibilities with the business operations and actually be able to get away occasionally. She and Sarah worked on the business workflows together. This allowed them to be sure they were in sync regarding daily business operations for management purposes.

Kayla and Sarah are pleased with their customer interaction process and realize that they need to create procedures and processes around employee engagement, supplier interactions, etc. They will do this together over the next few months while they complete the business plan.

GIA Salon Organizational Chart

GIA Salon has completed a preliminary organizational chart with the critical resources identified. We are aware this will change as we grow and as we add services and business processes. We have assigned co-ownership to departments that we wish to eventually turnover to another owner as the department matures.

Professional Advisory Support

Professional Advisory Support

Board of directors (BOD)

GIA Salon will have a Board of Directors consisting of Kayla and her husband Ben. The corporate officers are Kayla as the President and CFO and Ben as the CTO and Secretary. Shares will be issued in a 51% ownership to Kayla and 49% to Ben. They are doing this in case they ever want to claim the company as a Women-owned business.

Advisory board

GIA Salon will not be starting with a formal advisory board. We will consider this in the future if we ever need this type of advisory support.

Attorney

GIA Salon has hired an attorney to cover all the company formation, contracts, permits, licensing, etc. at a fixed price.

Accountant

GIA Salon has hired an accountant to cover all the company start-up tasks, taxes, insurance, etc. at a fixed price.

Information Technology

Ben has this covered for all the infrastructure and business application system.

Insurance agent

Hartford Insurance will be used for business liability insurance, key man insurance, disability, and workman's compensation insurance

Banker

Wells Fargo will be the bank for a checking and money market savings account, setting payroll services, and credit cards processing

Consultants

TBD

Mentors and key advisors

Kayla uses her parents as advisors for business and accounting questions. Her mother and father both had businesses of their own. Her mother had an accounting and HR services company and her father was a builder. Ben's dad also advises them on maintenance and mechanical issues, since he was a handyman for a building maintenance company.

Kayla has also been working with a mentor from the Women's Business Center in Denver. Her mentor has been helping her complete her business plan and find professionals. This mentor will be available to her and her husband throughout the launch and operations of the new salon.

VIII. Start-Up Expenses and Funding

Start-up Expenses

One-time Expenses

GIA Salon is estimating the lease with a commercial realtor. Even though we haven't selected a property and signed a lease, we are using lease fees for our top two locations. Both have monthly lease rates around \$5000 total with the lease fee plus Triple Net (NNN) or Full Service Gross (FSG). Both require a two to three month deposit, so we are using a three-month cost as worst case.

Next, we estimate the leasehold improvements by using a high build out rate of \$25/sq. ft. for estimating of the salon design, construction, and decor. GIA Salon has an estimate that has been provided for the signage, regardless of the location. This cost includes an overhead retail sign and the name placarding on the common area location.

After consulting with the attorney and accountant, we have all the license and permitting costs identified. GIA Salon also has their professional fees fixed and covering all the known start-up needs. This makes it less risky for GIA Salon to have fixed fees. The other professional services fees are included in the asset schedule, which a great majority can be attributed to technology services. GIA Salon completes the "One-time Expense" category by putting in the estimated inventory, sales/marketing and equipment costs.

On-Going Expenses (estimate monthly costs)

Next GIA Salon moves on to the "On-Going Expenses" category, where we plug in the estimates created for the lease, estimated utility, insurance, and other miscellaneous costs. GIA Salon estimates professional service fees that can be expected after speaking with her attorney, technology provider, and accountant.

GIA Salon has worked on the estimated annual compensation plan and used this information for the monthly salary expenses. GIA Salon uses her marketing budget expenses eliminating the one-time branding, using the remaining costs as estimates for a monthly marketing expense. The remaining monthly expenses accounts for are for travel and entertainment, office supplies, postage, and miscellaneous cleaning and repairs.

Kayla and her manager Sarah have completed a resource launch plan that includes staffing, employee processes and procedures, as well as training plans. The plan has two weeks of business prep and training prior to opening. This will make sure that the staff is prepared, the business is run cohesively, and expectations are clear and vetted for a smooth launch.

GIA Salon uses the standard contingency factor of 20% to add on additional capital required for start-up costs.

Sources of Capital

Ben and Kayla have been saving for this business endeavor for the past six years. They have done personal financial housecleaning by performing the following tasks:

- Refinanced their house at a lower mortgage rate (fixed)
- Paid off credit cards, student loans, medical bills, etc.
- Paid off both vehicles (traded in one car for cheaper SUV for company vehicle with lower insurance rate and better gas mileage)
- Revisited personal monthly expenses
- Moved to cheaper cell phone service company
- Eliminated entertainment fees like movie channels, sports channels, etc.
- Moved to Ben's medical insurance (cheaper contributions and co-pays)
- Consolidated and changed their lifestyle so they could live off Ben's salary comfortably for at least 1 year
- Checked and improved credit rating - accomplished this by working with their bank

Having all their ducks in a row eliminates the stress of the change in their income and the pressure of the new business. As exciting as this is, it is also very nerve-wracking. They have had many discussions amongst themselves and with family, friends, and colleagues to be physically and mentally prepared. After reviewing the business plan, Kayla's parents suggested that they invest a small amount. They had the money left over from Kayla's college fund, since she went to a beauty trade school the costs were less than they had anticipated. Kayla and Ben decided to give them some ownership in lieu of the funding, but this is still up for debate. Kayla's parents would rather it be a gift.

Kayla and Ben have saved \$160,000 over the past 6 years by putting \$500 away weekly from her salary, that was added to their savings they had of about \$30,000 (from holiday, birthday & wedding gifts and misc. savings).

GIA Salon is requesting a \$20,000 dollar loan with a bank just in case it is needed and is making sure they have a dedicated credit card for the business with a credit limit of \$10,000. This should cover the business fluctuations in cash flow and the big unknowns. In order to get the bank credit they used their home and vehicles as collateral. Kayla and Ben hope they won't need to use the loan or credit, but having it available gives them a greater sense of security.

Summary Statement

Start-up versus Working Capital

Start-up Capital = Sources of Capital - Start-up Expenses

\$260,000 - \$182,248.92 = \$77,751.08 in remaining Capital

The capital remaining takes into account a 20% contingency of \$30,374.82, along with added asset value of the \$50,000 loan and \$10,000 credit card. Given these numbers, they have a \$40,000 to \$50,000 cushion factor.

Funding

Capital Requirements

GIA Salon has estimated that the startup expenses will be around \$182k dollars. This amount includes a contingency of 20% or \$30k.

Personal Financial Health

Kayla and her husband Ben have been preparing for a number of years for the launch of the salon business and have worked diligently on cleaning up personal finances by paying off debt or refinancing debt to lower payments. They have consolidated loans where possible, eliminated unnecessary spending, and saved as much as possible without interfering with a good quality of life. Kayla and Ben have also talked to a few banks, discussing the loan process and checking their credit rating. They have improved their credit rating significantly with the actions taken with their management of their personal finances by performing the above housecleaning duties!

Funding Sources

Personal Savings is a large part of the funding for GIA Salon. Kayla's parents are also contributing \$20k to the funding and will have a 10% ownership stake but will remain silent partners. Kayla and Ben tentatively secured a \$50k dollar loan with a bank. This loan will act as a safety net, to be used only as needed. They are working with a bank to provide this as a SBA 7(a) loan with the flexibility of taking the loan amounts out in increments of \$10k only if required during the first two years of business. The loan will be available at a fixed interest rate of 7.25% with payment terms of 60 months from time of distribution of funds. The hope is that they won't need to execute this loan but it is smart to have as a safe haven.

Tasks and Documents Required for Funding

1. Financial health - complete and in good standing according to bank.
2. Credit rating - Excellent (after Kayla and Ben focused on it)
3. Business Plan - In progress
4. Personal Bio - Kayla and Ben are both creating their bios for submittal if required since they are both partners in the business
5. Loan type - Kayla and Ben worked with their local bank to determine the best loan program for their business situation (SBA 7(a) loan)
6. Personal Tax Returns - Kayla and Ben had the accountant package their past three years tax returns in a manner that is easy to read and understand
7. Collateral - Kayla and Ben are putting their home and vehicles up as collateral
8. Documents -
 - a. Articles of Incorporation - complete by attorney
 - b. Business License and salon permit - complete by attorney
 - c. Business contracts - in progress - relationships are still being formed

Financial Institutions Contact Info

Wells Fargo Broomfield Colorado - 598 Summit Blvd, Broomfield Co 80021 (720) 555-4975

Payroll and Operating Expenses

Payroll and Operating Expenses

GIA Salon Payroll

GIA Salon worked thru a preliminary staffing and resource plan. Now that we have projected sales revenues for both our products and services, we need to revisit our plans and make sure that we will have the staff to support our sales projections.

After review and making the proper adjustments to our resource plans, GIA Salon feels comfortable with our staffing plan. This data is automatically inserted into the payroll expense spreadsheet. This gives us an annual and monthly payroll compensation expense.

GIA Salon makes the following assumptions for our payroll expenses:

- Kayla and the Assistant Manager, Sarah, will both be full-time. Both will manage collaboratively as well as perform hair styling services, training, and other management tasks.
- GIA Salon will have two full-time hairstylists providing salon services.
- The receptionist position will be a shared position amongst two resources each employed half-time.
- A fulltime stylist will be added three months after opening and another after nine months in order to meet the demand created if the sales projections are met.
- A full-time stylist assistant will be added in year 2, as well as a half-time stylist assistant
- The two part-time stylists added in the first year will become full-time in years two and three respectively.

Annual & Monthly Payroll Expenses Variables

Based on GIA Salon's staffing requirements in our assumptions above we have annual payroll expenses of \$202,111 and monthly payroll expenses of \$28,550 at full capacity.

Monthly Payroll Expense Breakdown

In this table, GIA Salon is estimating our monthly payroll expenses for the first year. This monthly payroll is based on our usage percentage we will utilize the resource. GIA Salon deletes the monthly salary for the months we have determined they are not yet needed, leaving us with the following monthly payroll expense breakdown for year 1.

Annual Payroll Expense Breakdown

The annual payroll expenses are automatically calculated for GIA Salon giving us the following payroll expense breakdown for years 1, 2, and 3.

GIA Salon Operating Expenses

Monthly Expense Breakdown

GIA Salon reviews this spreadsheet for accuracy and revises any figures in the "Start-up Expense" spreadsheet since this is where they are taken from. The only exception is the payroll expense line is taken from the "Payroll" spreadsheet.

The fixed and variable expenses are all accounted for and a total is calculated for the first year's overhead expenses.

Annual Expense Breakdown

This spreadsheet also gives GIA Salon the operating expense breakdown based on an estimated annual expense increase annually. GIA Salon estimates an annual increase of about 3% giving our annual expense breakdown for years 1, 2, and 3.

Cash Flow Statement

Cash Flow Statement

GIA Salon Beginning Balance

The beginning balance for GIA Salon was brought over from the "Start-up Expenses" spreadsheet line item called Start-up Capital for \$77,751.08. This balance reflects the total of capital minus the total expenses for the start-up of the salon.

GIA Salon Cash Inflows

The total cash inflow for GIA Salon is comprised of the product and services combined sales. There are no outstanding receivables due, interest income expected, sales of assets, or loans income coming in for the first twelve months of operation.

GIA Salon Cash Outflows

GIA Salon's cash outflows consist of COGS & COS and the fixed and variable expenses. Our most significant expense is our payroll, which effects both our sales as well as our expenses. Therefore, it is essential for GIA Salon to have resources with high productivity, so the salon will generate adequate sales and drive return customers.

GIA Salon Ending Balance

During the first few months, the cash on hand decreases as GIA Salon ramps up our sales. In December we see it back to basically the initial beginning balance, and in the months of January thru August we see our sales push our cash flow up, giving us a solid cash balance by the end of the year. These numbers are all predicated on the salon being able to meet the forecasted sales projections.

In summary, GIA Salon is pleased with our initial results of our cash flow projections. We are a bit concerned we may have overestimated our sales projections and realize that we might want to

review them and align them to be more realistic. GIA Salon intends to review our plan to actuals on a monthly basis for the first year, and then we plan to review quarterly in years 2 and 3. We will compare the original plan to actual by creating another version of the financials plan to be modified appropriately.

Income Statement

Income Statement

GIA Salon's Income Statement is generated from the other spreadsheets information that is transferred into the appropriate areas.

Gross Profit

The total revenue minus COGS and COS figures give GIA Salon a gross profit that starts at around 11% and steady levels out at around 4% to 5%. This is in line with our expectations based on our experience at our current salon and what the industry averages.

Operating Income/Loss

The operating income is the gross profit minus the total operating expenses. The income is nominal in the first few months and steadily grows for GIA Salon throughout the first year. This is as we expected, due to the salon being new. GIA Salon anticipates this to grow due to our efforts with marketing, the addition of resources, and the introduction of new products and services throughout the first year. The growth levels out in the next two years as we reach the capacity of the salon and our resources.

Net Profit

The net profit looks healthy and reasonable given GIA Salon's business plan and industry standards. This net income is what we anticipate using for our commission and bonus structure funds. Not having it embedded in the compensation gives us the freedom to share the profits amongst our staff and investors as the business grows and has the ability to share without risk to GIA Salon's health and growth.

Balance Sheet

Balance Sheet

The Balance Sheet for GIA Salon reflects the information provided in the other subsequent spreadsheets contained in the workbook. This balance sheet as made to reflect the financials at day of business opening.

Total Assets

GIA Salon has a total current asset balance of \$89,171.08, including start-up capital (cash), opening day inventory, and prepaid expenses for her rental deposit. GIA Salon's fixed assets do not include and building, land or property purchases, but do include leasehold improvements and the furniture and equipment to setup our salon.

Total Liabilities

GIA Salon has current liabilities that are comprised of accrued payroll, for time and effort to training and setup the salon prior to opening. It also includes the associated payroll taxes for this payroll. A short-term note payable is for the loan and credit card charges that GIA Salon used in our start-up efforts. The only long-term note is for the start-up loan for 50k.

Owners' Equity

GIA Salon owners' equity is equal to \$95,681.81 on opening day based on GIA Salon's assumptions and estimates.

Break-Even Analysis**Balance Sheet**

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