



## What to consider when starting up a new business

By Hairdressing Business Guru, David Drew

Assuming the ideal business shop/ premises have been located, remember; **Location-Location-Location** is everything!

### Financing the Proposed Venture

Generally as a rule of thumb what ever the annual rent is for the proposed business premises, the annual gross turnover of the salon business plan will need to project / aim to be at least ten times the annual rent, in order for the business to be truly successful and commercially viable / profitable.



Unless you have rich relatives or were born into financial wealth or have access to lots available spare cash, you will need to approach one of the following choices for a business loan:

High street Bank, Building Society, Merchant bank or finance house.

You will need to approach a mortgage broker who can contact these merchant bank / financiers on your behalf and ascertain your chances of getting a loan, Private investor / backer; Business angel;

The success for any proposed business loan or investor interest is going to depend on how well the case for the proposed start up business is presented. It's the old cliché "Failure to plan-plan to fail".

### The Business Plan

A well defined business plan (i.e. comprehensive written statements setting out where the business is going and how it is going to get there) will be needed to accompany the loan application.

The plan should consist of ideally:

- cash-flow forecast for minimum the first three years
- five year 'profit and loss' (P&L) projections,
- balance sheet projections
- biography outlining the expertise and experience and qualifications of the business owners / directors, and explanations covering the reasons behind the decision for the proposed location of the business
- demographics of the business surrounding area,
- The 'USP's' (unique selling points) for the success of the proposed new business.

Anyone loaning money is taking a certain risk and the business plan needs to reassure them that so long as all goes well you are at least capable of making the repayments.

- "Break-Even point" You must demonstrate that you know what the break-even point is.

If you don't know what it is, (i.e. *the point in a trading period at which the business volume of sales needed to achieve to cover all business running costs*) you won't be able to make informed management choices and correctly predict the outcomes, thus planning for profit of where you would like the business to be, an inspiring view of what the business could become.

### What the Banks Want!

Generally in the current economic climate, banks will lend on a view point of “**The ability to repay**” defined by the business plan and any “Collateral / Assets / Security” offered by the borrower i.e. equity in the home value, or sometimes your life insurance policy or investment savings plan will be accepted.

If you have nothing to offer in the way of security, the bank or proposed lender will want a “**Guarantor**” (someone perhaps a member of your family or a close friend) to stand ‘surety’ for you.

Alternatively visit [www.Businessadvicebureau.com](http://www.Businessadvicebureau.com) where it might be possible to secure a government backed unsecured loan of up to 250K!

Banks will usually only consider ‘match funding’ that is the bank will usually expect the potential borrower to put money into the proposed business venture. The bank will then match that sum of money put in with the application.

The bank will offer a mix of ‘small business loan’, usually repayable over a fixed period of time limited to a period of repayment between five or seven years, for a fixed interest rate charged at about 3% above the prevailing minimum lending rate.

The bank then will offer an ‘overdraft’ which is more flexible and require less security, but is more expensive regarding interest rate according to perceived risk and is always repayable on demand.

Building Society usually wants larger percentages of deposits against loan value and is usually slightly more expensive approximately 1% more expensive than banks for financing businesses.

### Getting Advice

Business Angels will look at lending / investing anything from 10K to 750K, again depending on how good the ‘business plan’ looks.

For more information about business angels in the local area, it’s well worth looking at “The British Business Angels Association” website @ [www.bbba.org.uk](http://www.bbba.org.uk)

Another great source of information for anyone interested in starting up in business is the following website [www.@Startups.co.uk](http://www.@Startups.co.uk).

Also your local area Business Link will also give free advice on how to start up in business and advice about availability of small business government guarantee loan schemes which are also currently available visit [www.businesslink.co.uk](http://www.businesslink.co.uk)

### Profile

David Drew has been in the hairdressing industry for the last 34 years, a former trainee at Vidal Sassoon, he successfully opened and built up an amazing, award winning (and profitable!) salon. His interest in the business side of hairdressing lead him to train as an accredited business coach. In 2005, after 23 years, he sold his salon as a going concern in order to concentrate fully on his career – setting up IBC (Impact Business Coach) - helping others build their businesses so that they could enjoy as much success as David himself. David is currently running courses with L’Oreal and offers a private consultancy service for salons in the hair and beauty industry.

For more information on the services that David offers visit [www.impactbusinesscoach.co.uk](http://www.impactbusinesscoach.co.uk) or call 01753 863095, email [david@impactbusinesscoach.co.uk](mailto:david@impactbusinesscoach.co.uk)

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