



Case study

Claire Critchlow worked in salons and as a mobile beautician. Now she is setting up her own beauty salon in a former doctor's surgery. The salon will offer services and products such as manicures, pedicures, spray tans, sun beds and permanent make-up. Claire's objective to start with is to survive the first year. Then she hopes the business will make a profit and she can open more salons. Facing a challenge and doing something new have always given Claire personal satisfaction. Setting up on her own, as a mobile beautician, gave her a sense of achievement. Now she wants to build something bigger.

Taking on staff will allow Claire to show leadership qualities. She will also need determination and initiative. The project will test her ability to plan, make decisions and take sensible risks. Claire has the backing of a business adviser, Rachael, from a government agency, Business Link. She helped Claire get on courses to develop the skills she would need to set up in business on her own. Rachael also helped Claire to write a business plan. This is a document that covers all aspects of the business, including finance, marketing and people. In the finance part, Claire had to estimate revenues and costs for the first two years of trading. From this, she was able to forecast the profit for the next two years. She also produced a cash flow forecast. This showed how revenues and costs would affect the amount of cash still in the business. The cash flow forecast was vital for survival of the salon. If it ran out of cash, it would be forced to close.

Setting up the business required cash. It was needed for converting the surgery, advertising and buying in equipment. Although Claire rented the premises, the landlord wanted a deposit up front. Claire had some savings of her own that she put into the business. Her father gave her some money. She borrowed the rest from the bank.

Success will require hard work and determination from Claire, as well as luck. She has taken advice and prepared a business plan. These will improve her chances of survival in the short term and her success in the long term.

Suggested discussion points/answers

1. Why did Claire want to set up a business?

Possible reasons could include:

- Survive (financial)
- Make a profit (financial)
- Challenge (non-financial)
- Personal satisfaction (non-financial)

2. What qualities did she have that might have made her a successful entrepreneur?

Possible qualities could include:

- Leadership in running the staff
- Planning and determination to put it into effect. You can plan well, but doing it is another matter.
- Decision making skills
- Risk taking abilities
- Balancing/ trading off risks against decisions

3. Why was estimating future revenues, costs, profits and cash flows important for Claire?

Possible reasons could include:

- Spotting months where difficulties can emerge
- Make contingency plans/ take remedial action
- Check whether her estimates (her planning skills) matched actual outcomes.
- Decide whether the business will make sufficient profits to be worthwhile.

4. How did Claire raise the money to start to her business?

Possible methods could include:

- Savings (could be used for short-term costs)
- Family (capital) (could be used for short term costs)
- Bank loan (long term)