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Degree Programme in International Business (BBA)

# **Business Plan for the Starting Hair Salon in Joensuu**

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Abstract

The goal of the work is to find the elements of a profitable business. The research aims to conduct a viable idea, on the basis of which a business plan will be developed and the right business form will be designed for a newly established hair salon. The research question is: How profitable is it to open a specific hair salon in Joensuu? The clarifying questions are: What are the profitable means of competition in the industry? How to choose a viable business idea? How does the American style hair salon fit in local market? The case study was chosen as a research method. The theoretical part of the research opens the concept of business plans for newly established companies, the rest of the research consists of empirical research, in which a business plan for a newly established hair salon was developed based on theoretical foundations and on actual situations. The responses of the interviewed entrepreneurs became a crucial part of the author's business plan. The author was the client of the work. Her purpose is to start hairdressing studies to become a professional and create a viable business plan for the future company.

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# **1 Introduction**

## **1.1 Description of the topic**

The subject of this work is to develop a viable business plan for a new hairdressing business. The author plans to start studying to become a hairdresser next fall and to open her own hair salon in the future. In-depth research was conducted to lay a good foundation for starting a business. The research material was mainly collected from the entrepreneur of a successful hair salon and theoretical part was collected from numerous sources and critically analyzed.

## **1.2 The goal and purpose**

The research aims to identify the right elements of a profitable business and come up with viable ideas on the basis of which a working business plan can be developed. The research will also help the author to find the right type of business form for her. The author's ultimate goal is to open her own hair salon in Joensuu. The key questions of the research are: What is a profitable business plan for a start-up hair salon business? What would be a competitive advantage in the market and what are the criteria for key success factors in the market? Clarifying questions are: How to start a profitable business and beat the competitors in the field? How to choose a profitable business idea? The work consists of theoretical and empirical research parts. The theoretical part of the work describes the crucial parts of a business plan for a newly established company, and the rest of the work is based on a combination of theoretical material and information obtained from the interview with entrepreneur in the hair salon industry. In this work, the business plan includes the business idea, the author's strengths, products and services, customer target groups, working methods, competitors, choice of company type, and financing of the company.

## **2 Hairdressing industry and entrepreneurship**

### **2.1 History and evolution of hairdressing**

In modern day hair styling is much more than just a fashion statement – it is a form of art that has evolved over centuries influenced by historical, cultural and social factors. Hair styling reflects values of society, beliefs and attitudes all the way from ancient civilizations to modern day trends. (Florida Academy 2024.)

The earliest findings of hairdressing and evidence of grooming and different hairstyles trace back to ancient civilizations such as Egypt, Greece and Rome. In these cultures, hairstyles often represented social status, religious beliefs and wealth. Different braid styles, up-dos and usage of ornate hair accessories showcased trends and craftsmanship of that time. (Florida Academy 2024.)

A more modern approach to hairdressing came in late 1800's when women entered the workforce and were able to branch out into the business world. (JUJU 2022.) First ever salons were created and made women leave their homes and get their hair done in special places. The first public hair salon was opened in 1888 in Rochester, New York by self-made entrepreneur Martha Matilda Harper. She invented the hair salon recliner chair and started training schools that also employed the trainees in her own salon. (Cooper 2023.)

Between 1910 and 1920 the hairdressing industry in the US was growing exponentially. Nearly 25 000 salons were opened by roaring 20s and bobby pins, hair color, perm and hair dryer became extremely popular. Later in 1940s hairsprays, relaxers and other hair styling products were introduced to customers. (Beauty&Style 2014.) Bold makeup, bouffant hairstyles and platinum hair color reached a new level of demand in 1950s due to the popularity of movie stars and especially Marilyn Monroe. (JUJU's 2022.) The 1970s are considered the golden age of hair salons as hairdressers were in high demand and the industry is still growing and evolving to this day. (Beauty&Style 2014.)

## 2.2 The history of the hair industry in Finland

In 1850, there were 171 hair salon operators in Helsinki. At that time, the permission of the magistrate was needed to set up a hair salon. According to the study, in the 1920s, the majority of barbers were men, but by 1950, the number of men had dropped to 13 percent. Today, the industry is known to be dominated by women. When the Kähertäjä union started in 1917, the basic training in the hair industry was not yet properly developed, so the students came from Sweden and the Baltic Sea provinces. Proper teaching started as voluntary work without pay in Oulunkylä in the municipal home and its first teachers were Guido Löfström and A. Ström. In 1928, the Kähertäjäliitto took over the school and it was named Helsinki Barber Vocational School. The city started supporting the school in 1933 and the state in 1945. Helsinki Naiskampaamoyhdistys also founded a hairdressing vocational school in Helsinki in 1933 and in 1949 it merged with the Helsinki Barber School and got the name of the Helsinki Kähertäjä School. Vocational education in the field was established in Turku in 1935. The first hairdressing degrees were called journeyman(kisälli) and master's degree. Names were later changed to a lower and upper professional degree. Nowadays the degree has a basic degree title in operation. A professional degree is more versatile than a basic degree. A specialized professional degree is the modern equivalent of a master's degree and is the highest degree in the field. Estenom professional title is achievable by completing the university of applied sciences course in beauty care. In 2003 online studies in the hair industry were also introduced. (Kannisto-Junka & Kokko 2006, 124–126.)

## 2.3 Entrepreneurship in Finland

Entrepreneurship is a good option for someone who has a great desire to create something new and unique and be able to influence their own workload and schedule. Owning a successful company is also a great way to secure a job. In the near future tens of thousands of current entrepreneurs will retire and they will need successors to their companies. Therefore, there will be many opportunities for newcomers in entrepreneurship. Companies are an important part of society's foundation because they create new workplaces, new activities and guarantee the well-being of our society. In

the coming years, a third of the companies will have a generational change coming. At the moment, fewer companies are being created than former ones are being closed, and young entrepreneurs are badly needed to take the lead. However, because of the competition, running a business is considered a difficult and unstable job. In reality businesses are no longer just competing with other companies but rather need them as partners to be successful. Teaming up and collaborating is a great way for companies to establish a network and also purchase different products from each other. Creating and owning a successful business is also a good way to prosper. (Yrittäjän päivä 2015.)

There are several online services nowadays to help entrepreneurs and companies. Enterprise Finland website ([www.yrityssuomi.fi](http://www.yrityssuomi.fi)) guides entrepreneurs on what kind of help they can get from the public sector to start a company. The company and joint information system ([www.ytj.fi](http://www.ytj.fi)) shows company information, i.e. industry, company name, domicile and general information. On the website of the Patent and Registration Office ([www.prh.fi](http://www.prh.fi)) entrepreneurs can find the documents needed to start a company and the application forms used to protect a business idea. The Federation of Finnish Entreprises ([www.yrittajat.fi](http://www.yrittajat.fi)) includes approximately 400 local associations, 21 regional associations and 52 industry associations, i.e. a total of 115,000 member companies. It aims to improve the profitable operation of entrepreneurs and companies, to increase the weight of entrepreneurs in society and to create a positive attitude towards entrepreneurship. The Federation of Finnish Enterprises acts as a central organization for entrepreneurs, business, and employer policy for companies and entrepreneurs. The advocacy organization The Women Entrepreneurs of Finland ([www.yrittajanaiset.fi](http://www.yrittajanaiset.fi)) promotes female entrepreneur's benefits in social, economic and operational matters and its goal is to secure the livelihood and rights of private entrepreneurs and also to encourage women to enter entrepreneurship. Center for Womens's Entrepreneurs ([www.naisyrittajyyskeskus.fi](http://www.naisyrittajyyskeskus.fi)) organizes training, entrepreneurship courses, Mentor activities, networking events and offers free advice to women aiming to become entrepreneurs. Junior Achievement Finland ([nuoriyrittajyys.fi](http://nuoriyrittajyys.fi)) offers young people the experience to start a real company. (Raatikainen 2012, 8-10.) Those planning to become entrepreneurs can also find information and help from many sources, such as ELY centers, municipal and city business offices, industry associations, banks, Finnvera Oyj, Chamber of Commerce,

Statistics Finland, research institutes, insurance companies, tax offices, employment offices and county governments. (Raatikainen 2012, 28–30.)

## **2.4 Entrepreneurship in hairdressing in Finland**

At the present moment, the hair industry is doing fairly well in Finland. There are approximately 9000 hairdressing companies, and the industry employs 15000 people. The industry is profitable for entrepreneurs, which is a consequence of the generalization of contract entrepreneurship. Contract entrepreneurship means that a hairdresser rents a chair in an already existing salon but does the work under his or her own business name. The field is characterized by internationality, continuous education and self-development. In Finland education of a hairdresser is very high standard compared to other countries. (Kannisto-Junka & Kokko 2006, 129.)

Employment in the hair care industry is maintained by the constant demand for services, people's desire to invest in their appearance and the emphasis on the importance of representativeness in working life as well. Good professionalism and a high level of competence contribute to employment, as do good communication, interaction and customer service skills. Language skills and an understanding of different cultures are even more important. In the field, one often works as an entrepreneur (business or professional), which requires e.g. high quality of service, persistence, realistic expectations and the ability to acquire and maintain one's own customer base. (Työmarkkinatori 2024.)

Suomen Hiusyrittäjät Ry is an industry organization established for entrepreneurs in the barber-hairdressing industry. The members of the organization are entrepreneurs and practitioners in the barber-hairdressing industry, both small and large companies and direct members. The hairdresser industry association was founded in 1917 and it was called first as Suomen Kähertäjälitto. The organization was established to protect the operating conditions of entrepreneurs in hair salons and hairdressing industry and to develop the industry's operating and entrepreneurial environment. Nowadays, Suomen Hiusyrittäjäs activities are focused on political decision-makers and political parties, and from the working group and committee level to the government and parliament. The

association is involved in the development of education in the field in various working groups of the Board of Education and the Ministry of Education. The association organizes excellent professional and business management training and current seminars for its members independently and with cooperation parties. (Suomen Hiusyrittäjät 2025.)

Suomen Hiusyrittäjät ry is a member of Enterprise Finland as an industry association. Membership brings good opportunities for cooperation and influence with other entrepreneurial organizations. Memberships in the international organizations of the field in the Organization Mondiale Coiffure (OMC) and the Nordic Union are important in the internationalization of the barber-hairdressing industry. Through Coiffure EU (CEU), the union learned for example about the EU's entrepreneurship, tax and education policy. (Suomen Hiusyrittäjät 2025.)

## **2.5 Hair salon industry in America**

To become a licensed hairdresser in America, an individual must attend a state-approved cosmetology school. Comprehensive training in hair cutting, coloring, styling, and other necessary skills is offered by these schools. Although these programs vary in length and cost, the majority of full-time programs last approximately nine months and range in price from 6000\$ to 20000\$, depending on the institution and location. (Penrose Academy 2024.)

In addition to taking hair stylist classes, cosmetology school students may also learn nail technology, makeup, skincare, and other beauty services. Hairdressers who complete this program can take the licensing exam to become certified cosmetologists, enabling them to provide various beauty services in addition to hair styling. Cosmetology-licensed hairdressers can also pursue further education and certification in particular hair styling specialties, such as coloring or styling. (Beauty Schools Directory 2024.)

### 2.5.1 Types of Specialized Hair Salons in America

Compared to other countries where customers frequently visit hair salons with a predetermined hairstyle in mind, American salon customers typically follow a different approach. Many customers would rather "leave it to the professionals," trusting their stylist's skill to choose a style that best fits them. The diversity of hair types and styles in America is reflected in the wide range of salon alternatives available. (U&K 2023.) The following are some common categories of specialty salons that are located all throughout the country:

**Curly Hair Specialists:** These salons offer premium services customized for curly or textured hair. These salons provide everything from moisturizing treatments to unique cutting techniques, and their stylists are skilled at working with curls.

**Color-Only Salons:** There are salons that focus only on hair coloring. Color-only salons are the ideal place for people who want to attempt something daring because they frequently have hairdressers trained in the newest coloring trends.

**Aging Care Salons:** These salons specialize in meeting the demands of their older customers by offering hairstyles and treatments that take into account the changes that come with aging. In addition to providing color choices that are appropriate for aging hair, they specialize in mild treatments and products that assist in adding volume and lessen thinning.

**Extension Specialists:** Clip-ins and bonded extensions are among the options available at salons that specialize in extensions for people who want longer or fuller hair. Professionals educated in the newest extension techniques are available in these salons to achieve voluminous, natural looks. (U&K 2023.)

The expertise of American salons with high-tone colors, especially vivid or bleach-based, is one of their key characteristics. These salons' hairdressers use innovative techniques and have an excellent sense of color to produce gorgeous results. With customers favoring anything from platinum blondes to pastel pinks, this skilled use of vivid hues and bleached tones has come to define American hairstyles. (U&K 2023.)

American hairdressers are known for focusing on technical skills, and many of them study more to improve their abilities. In order to stay on top with the newest trends in cutting, styling and coloring, hairdressers frequently participate in workshops and

training sessions. The culture of American hair salons is fundamentally based on this commitment to skill development, which guarantees that customers receive excellent service. (U&K 2023.)

## **3 Methodology**

### **3.1 Research layout**

The aim of this research was to obtain instructions, tips and create a viable business plan for a future hair salon based on experience from an experienced entrepreneur of Imake Look. The entrepreneur was interviewed in order to find out how she funded the hair salon, how it operates today, what are its means of competition, and what are its target groups. Based on the data, important information was obtained about what the author could implement in her future hair salon.

### **3.2 Research methods and information retrieval methods**

Case study was chosen as the research method for this work. A case study is detailed information about a single case or a small group of related cases. A single person or community is typically featured, and the focus is usually on a process. The case is examined in context and material is collected, for example through interviews, observations, or records. The goal of a case study is usually to describe a phenomenon. (Hirsjärvi, Remes & Sajavaara 2007, 131.) Because the research target was a start-up company, and the research focuses on a particular process—creating a viable business plan for a start-up hair salon—the case study research method was selected for this thesis. The method of gathering data was a qualitative theme interview. The entrepreneur was given an interview form with open-ended questions, which they were asked to respond to during the planned interview. Qualitative research typically exhibits the following traits: 1. The research is based on conversations and observations, not measuring instruments. 2. The target group is selected purposefully, not randomly. 3. The research plan adapts as the research progresses. 4. The case and the material is treated as unique. 5. Inductive analysis is an operational tool, i.e. the aim is to bring unexpected facts to the fore. This means that the starting point of the study reveals unexpected things and examines the material in a versatile and detailed manner and does not test the theory. 6. The research consists of information acquisition and its material from real situations. (Hirsjärvi ym. 2007, 160.) The theme interview is partly an open-ended interview and partly a structured form interview, which are the other two

main types of interviews. A typical themed interview consists of per-thought-out questions, but their order and form may change during the interview situation. (Hirsjärvi ym. 2007, 203.) Thematic interviewing was suitable as the data acquisition method of the study because the most comprehensive research result on the subject was obtained. It was good to prepare the questions for the entrepreneur, but if they had been completely structured, the most essential things could have been missed during the interview. The interview was carried out as an individual interview of the entrepreneur. (Hirsjärvi ym. 2007, 205–206.)

### **3.3 Interview**

The owner of Imake Look was contacted via email and salons' Instagram account. The author of thesis asked if the owner was interested in helping her regarding her research by answering some questions about establishing a company and entrepreneurship. The questions below were sent to the owner in advance so that she could familiarize herself with them. Face-to-face interview was conducted at the salon and also the owner of Imake Look was kind to answer the questions via email too.

1. When did you start your hair salon?
2. Where and how does your hair salon work?
3. Where did the business idea originate?
4. How did you choose the company form?
5. What kind of skills and education do you have?
6. How did you handle the financing? How do you do the accounting?
7. What kind of tangible and intangible purchases did you make when you founded the company?
8. What are your products and services?
9. What is your customer target group like?
10. How have you priced your services and products?
11. What are your means of competition and what are your competitors like?
12. What is the location and environment of the hair salon like? Pros and cons at a place of business?
13. What kind of image and experience do you have of entrepreneurship?

### **3.4 Ethicality, reliability, validity**

Since it influences the validity, reliability, and ethics of the research findings, data quality is an essential component of any research project. Ethics refers to how the study respects the rights and dignity of the participants as well as the society, validity refers to how well the research measures what it is supposed to assess, and reliability refers to how consistent and reproducible the research results are. (FasterCapital 2024.)

The author of this thesis had permission to use the real names of owners of the hair salon. Ensuring the confidentiality of the owner during the interview phase was important. Also, the purpose of the interview and the intended use of the gathered information were explained to the owner and the staff members of the hair salon.

The author of this thesis established that the reliability of this research was high. By obtaining theoretical information from literature review, the author was able to learn crucial parts of establishing a hair salon and what it takes to be an entrepreneur. Also, the results of the interview with the owner of Imake Look gave much-needed in-depth information for future entrepreneurship.

The validity in this thesis was measured by critically analyzing gathered information and comparing it to the results of an interview with an experienced entrepreneur. The author of this thesis learned that not all entrepreneurs have the same journey when establishing a hair salon. In this case the author was able to interview only one entrepreneur in the hairdressing field; therefore, gathered information must be assessed critically.

## **4 Business plan**

### **4.1 A business idea**

The business idea, which encapsulates the entire plan's content, is a crucial component of the business plan. What products and services the company delivers, how it markets them and draws clients, and which customer segment it targets are all determined by the business idea. (Hesso 2013, 24.)

### **4.2 Strengths of the entrepreneur**

Starting a company begins with a process where an individual thinks about becoming an entrepreneur. The decision to start a company is influenced by the background of the person who becomes an entrepreneur, which involves work experience, professional competence, education, potential entrepreneurial parents and family background. A person's individual personal factors influence the process of becoming an entrepreneur as well. Personal factors include personality, potential entrepreneurial qualities and life management. The life situation of the person intending to become an entrepreneur affects the decision to start a new company. Individual events related to life situations, such as inventing a good business idea. The life situation also includes the possible entrepreneurial environment, which means whether it is the right time to start a business. Entrepreneurial support from the environment can be, for example, start-up money or a bank loan. If the personal factors, background and life situation of the person intending to become an entrepreneur have been assessed in terms of becoming a balanced entrepreneur, a person moves to the decision stage. Decision between continuing in the former workplace and becoming an entrepreneur and take big risks has to be made. Becoming an entrepreneur should be thought of as a commitment for activities lasting until retirement age. (Raatikainen 2012, 22-23.)

### **4.3 Services and products**

The product or service is always dependent on the know-how, professionalism and knowledge. In addition, it is necessary to know who the customers are, what their expectations and needs are. In terms of a business idea, it is important to look at the service or product from the point of view of strengths. The entrepreneur must also think about the products and services of the competitors on the market and how to distinguish them. (Laitinen 2022.)

### **4.4 Target customer segment**

In terms of marketing, it is important to understand that not all types of customers can be attracted and served, but certain target groups must be selected for the successful business operation. Target groups can be thought of according to various customer characteristics. Customers can be divided, for example by gender (women, men, girls, boys), by age (children, youth, young adults, adults, middle-aged, elderly), by lifestyle (punks, junkies, "ordinary people", middle-class, fashionable, special seekers, cultural, intellectuals), or based on customer group (employees, students, schoolchildren, pensioners, soldiers, housewives, those in a leadership position). (Kärnä 1993, 10-11.)

### **4.5 Choice of business form: business name or limited company**

The entrepreneur must carefully consider which company form is ideal for the start of the business. The company form may need to be modified as activities progress. The number of founders, the requirement for funding, duties, operational flexibility, business continuity and expansion potential, profit sharing, and taxes all affect the choice of corporate structure. For small-scale activities, a trade name works well. A start-up capital is already required to create a joint stock company, and securing capital finance is frequently a major challenge for starting business owners. Those with beginning capital are better suited for a joint stock business. (Raatikainen 2012, 68.)

#### 4.6 Financing the business

The funding options for a start-up company can be divided into internal funding and external funding. The vital condition for starting and continuing the company's operations is that the entrepreneur has the opportunity to invest his own money in the company. Own financing includes the investment of the entrepreneur's assets in the company's operations, which can be, for example, machines and equipment. In addition, own financing includes the investment of shareholders' money for the company, external grants and external capital investments for the company. The money invested by the shareholders is a really important source of money. Possible subsidies (for example, the start-up money of the employment office) are amounts of money that the entrepreneur is not obliged to pay back. Forms of financing and assistance aimed at small entrepreneurs are, for example, bank loans, Finnvera small loans and investment and development grants granted by ELY centers' business departments (environmental, transport, and business centers). Employment offices grant start-up money to starting entrepreneurs under certain conditions. (Raatikainen 2012, 118-120.)

Every company has a growth curve with several different stages. The company's growth curve begins with the idea phase, where the company is conceptualized, and the entrepreneur's possibilities are considered. During the founding phase, there must be money for basic investments, i.e. for machinery and equipment purchases. Funding for the start-up phase of small businesses usually comes from the owner, close friends and family. In the beginning there must be sales in order to get money, i.e. income financing for the company. The starting company's need for working capital is approximately 2-3 months' salary and it is spent on rent and other costs. The cost overrun reservation should also be taken into serious consideration, which is usually 5-10% extra added to the budgeted total. The development phase is the expansion of the company and external money is usually needed at that stage. It can be provided not only by the bank, but also by insurance institutions, investment companies, capital investors, financial and credit card companies, mortgage credit banks, special credit institutions and especially the pension insurance company to which the company has paid the employees' TyEL contributions. During the growing stage, the company finances investments with revenue financing, i.e. money that remains after mandatory expenses. Marketing

investments are crucial in this stage, because growth opportunities are the largest. (Raatikainen 2012, 120-121.)

Financial profitability can be assessed by making financial and profitability calculations. Through precise planning, it can be ensured that the company will work on realistic ideas. The financial calculation tells what purchases the company must have in the very beginning in order to be able to start operations. It is important to take into account the times when the company does not yet have sufficient sales income (e.g. salaries, rents and phone bills) when conducting the financial calculations. Sources of money, for example a loan, must also be mentioned in the calculation. Entrepreneur's own financial investment and existing equipment are also indicated. The profitability calculation helps to calculate the company's sales target. In the profitability calculation, expenses are examined and how many working hours are needed to meet the income needs. The final result of the calculation tells how much sales will be received at a certain price at a certain time. Profitable business operations cover expenses and generate income for living and needs. Profitability and financial calculations are a big part of the company's business plan. Financial calculations and a viable business plan are mandatory, before the entrepreneur can apply for funding or support to start a business. (Suomi.fi 2025.)

#### **4.7 Taxation**

Company taxation consists of payments and notifications. The company pays value added tax on sales, pays salaries and provides withholding tax on them and pays salaries including social security contributions. The company's income tax is formed according to the result. The company must report value added information and income taxation information to the Tax Administration. Entrepreneurs also pay personal income tax on salary and dividends. Company value added tax is formed by subtracting purchases from sales, so that the difference is the added value, from which VAT is 25,5%. The company's income tax is 20% for a limited company, but for other types of companies, it always corresponds to the type of company. The entrepreneur's income tax depends on the result, but usually it is approximately 20-30%. The income consists of the salary and the dividend the entrepreneur withdraws. As an employer, the company takes care

of reporting, accounting, and withholding taxes for paid employees. When starting a business, the Tax Administration and Patent and Registration Board (PRH) must be notified for starting a business. The information is reported on the establishment form (Y-form), from which information can be obtained from the trade register maintained by PRH, as well as the advance collection register maintained by the Tax Administration, the value added tax register, and the employer register. Value added tax, employer contributions and other taxes are paid to a tax account, for which the Tax Administration sends account numbers and a tax account reference to the entrepreneur. (Suomi.fi 2025.)

#### **4.8 Collateral**

The financiers require collateral so that companies repay their loans under the contract according to the conditions. Collateral is something tangible that ensures that the financier gets their money back if the company is unable to pay the loan installments. Only Finnvera, which is owned by the state, grants start-up companies a loan without collateral based on a good business plan. (Raatikainen 2012, 123.)

#### **4.9 Accounting**

All business owners are required to keep records of their business operations. The accounting obligation means that the company's top management has the obligation to ensure that the information arising from the company's business transactions and describing the business transactions written material (documents and correspondence) is compiled and stored. Accounting in accordance with accounting legislation and good accounting practice must be prepared before the deadline from the material mentioned. The financial statements must also be completed within the deadline. The financial statements are affected by the provisions of the company law according to the legal form of the company and the accounting legislation. The accounting obligation is valid immediately after the establishment of the company. (Holopainen & Levonen 2008, 161.) Accounting provides information about the company's operations and collects euro data from the company's business transactions and registers it using a specific

delivery method. In accounting, legal accounting books and voluntary calculations of the company's finances are created. Accounting also provides the necessary information for the taxpayer and stakeholders. The task of accounting is to keep separate the company's income, expenses, assets and liabilities from the company owner's own and other companies' income, expenses, assets and liabilities. The task of accounting is also the calculation of the company's distributed profit, i.e. the calculation of the result of operations, profit or loss (income statement) and the determination of the assets ratio (balance sheet). The result of the action is often calculated once in 12 months, i.e. every financial year. The fiscal period refers to a calendar year or other period of twelve months suitable for the company's operations. With the exception of business practitioners, everyone is required to keep double-entry bookkeeping, where the euro amounts of business transactions are entered into the account. The accounts must have their own names and the transactions to be recorded for them are defined in the instructions. The number of accounts depends on how precise the breakdown of various incomes, expenses, financial transactions, assets and liabilities the company's management wants to use. There must be at least such a number of accounts that a profit and loss statement according to the accounting regulations can be obtained from them and a balance sheet properly done. The accounting system must be clear and the connection and purpose of the business transactions in the entries and receipts to the financial statements can be seen. (Holopainen & Levonen 2008, 161-162.)

#### **4.10 Insurances**

According to the law, the entrepreneur is obliged to take an entrepreneur's pension insurance (YEL). In addition to the pension, the entrepreneur's pension insurance offers vocational rehabilitation if the entrepreneur's ability to work declines. Pension insurance also provides security if the entrepreneur becomes incapable of working. The insurance includes a survivor's pension and the possibility of part-time retirement. YEL insurance must be taken within six months of the start of legal business activity, when the business activity has continued continuously for at least four months. The entrepreneur's pension insurance is about 24 percent of the income, and the percentage varies according to the age of the entrepreneur. When hiring employees, the entrepreneur is obliged to additionally insure the employees in accordance with the Employee Pension

Act (TyEL) and the Accident Insurance Act. Other statutory insurances are related to certain professional groups, and they include e.g. The grant recipient's pension insurance, patient insurance, environmental damage insurance and traffic insurance. (Suomi.fi 2024.)

Voluntary insurances include entrepreneur's accident insurance (valid for both work and free time, offers protection against accidents and occupational diseases), property insurance (insures the company's real estate as well as fixed and movable assets and compensates for example costs caused by burglary, fire, water damage and breakage), interruption insurance, liability insurance, legal protection insurance and vehicle insurance. Insurance companies are responsible for managing voluntary insurance. (Suomi.fi 2022.)

#### **4.11 SWOT-analysis**

The English words Strengths, Weaknesses, Opportunities, and Threats are the sources of the acronym SWOT. The entrepreneur does a SWOT analysis to list the opportunities, risks, and strengths and weaknesses of his own business plan. The company's position in relation to the market is displayed in the SWOT table. (Uusyrityskeskus 2024.)

## **5 Hair salon Imake Look business plan**

### **5.1 The owner's background**

The author of the thesis conducted an interview with an entrepreneur of a barber-hair salon Imake Look. Senni Koskivirta, one of the owners of Imake Look has been working as a hairdresser under her trade name since 2006 after graduation. Since then, the entrepreneur has trained independently in various training in the hair industry in addition to her work. Between the years 2006-2010 she worked in two different hair salons renting her own chair. In 2011 she opened her own hair salon at her house and worked there until 2021. During the spring 2021 she opened Imake Look, a hair and beauty salon with her co-owner Sanna Hämäläinen.

### **5.2 Services and products**

The salon's services include haircuts, coloring, perms, hairstyles, and shaving. The salon uses a few well-known product series and has a few different products of product lines. The price list is clearly visible in the store. The owners have priced their services by calculating the cost of the time and materials used for them. According to the owner, their prices are very competitive. Imake Look also offers beauty services such as lash and brow services, sugaring and gel nails. Also, customers are able to purchase hair care and styling products from the salon.

### **5.3 Operational concept**

Imake Look is operating in the center of Joensuu. The owner says that the rent is reasonable considering its good business location. The environment is favorable for a hair salon, because customers can find it easily and it is easy to get there. Customers can make an appointment at Imake Look by calling or coming to the salon. They also have their own website, and appointments can be easily booked that way. The street renovations have not disturbed the owner, as they operate on the second floor. The entrepreneur works under a trade name, because it is the most suitable business form for

her. The owners are aiming their operations to be inspiring for customers and also for the staff members.

#### **5.4 Target customers**

During the interview the owner says that salon's services are aimed especially at middle-aged people such as ordinary working women who take care of themselves. According to the owner, the target group consists of regular customers, and some have become permanent customers over the years. She also says that she is happy to accept customers of all ages and says that the salon has customers from children to elderly people.

#### **5.5 Financing and accounting**

In the beginning when the owner was working under her trade name, she financed her entrepreneurship by small loan from Finnvera. Later, when Imake Look was about to be established, the owners used their own capital and also applied for bigger bank loans. According to the owner, Imake Look is outsourcing its bookkeeping for more reliable results and to save time.

#### **5.6 Means of competition**

According to the owner, she sees her competitors as colleagues, therefore she tries not to compete with other entrepreneurs. The salon's best means of competition are owner's and staff's high work motivation and the ability to provide excellent customer service.

#### **5.7 SWOT-analysis**

A SWOT analysis was used to summarize the strengths, weaknesses, opportunities and threats of Imake Look. The strengths include a solid regular customer base, good basic

product lines, the company's location, additional services such as hair extensions, scalp treatments, make-up, eyelash extensions and the owner's long experience and high motivation. Weaknesses are several competing hair salons in the city center area, especially the ones that offer similar services and the owner's lack of internationality. Possibilities include good location, possible expansion of the fragrance-free service selection into a comprehensive means of competition and offering internship places for hairdressing students. Threats include the aging of the target group, trendy competitors as well as owner's possible sensitization to fragrances.

## **6 Hair Oasis hair salon**

### **6.1 The owner's background**

The future entrepreneur is a very entrepreneurial, empathetic, creative and customer-oriented person, the skills of a hairdresser are very important. She studied hairdressing in 2018 in Turku for about a year but unfortunately had to quit before getting any grades. However, she obtained a lot of knowledge and skills regarding hair cutting, coloring and hair care. The love for hairdressing never ended so the entrepreneur continued to self-study and experiment on her own hair and helped friends and family members in coloring and cutting hair. Therefore, she already has a lot of self-acquired knowledge about hair and beauty care and hopes it will benefit her in the future studies. The aim is to start the education all over again in the coming fall to become a professional. The entrepreneur also intends to develop her professional skills continuously with various international training. She has good language skills, so she can provide service to foreign customers in English and Russian. The entrepreneur intends to start business immediately after graduating as a hairdresser, approximately in 2-3 years.

### **6.2 Operational concept and business idea**

Hair Oasis will operate in Joensuu, preferably in the city center for the best access and visibility. The owner wants to implement some of the luxury style and methods in her salon that are inspired by hair salons and their operations in United States. The owner did her research and has not found any hair salons in Joensuu that only specialize in specific services, in this case blonding and extension services.

The goal of Hair Oasis is to present to its customers a welcoming, laid-back, and most importantly, luxurious, American style salon. The hair salon constantly aims for the highest level of customer satisfaction and pleasantly surprises them with its offers. Permanent relationships with customers and a positive company image can be established in this way. Because the company sells high-quality products, customers may take care of their hair at home in a salon-like setting. The company's most visible

values are high-quality service, professionalism, friendliness, trendiness and internationality. The company focuses on each customer as a unique entity and wants to bring unexpected added value with its services to the customer's experience. The salon will also offer customers luxurious beverages such as alcohol-free sparkling wine, different types of tea and coffee.

The owner chose the name of her hair salon, Hair Oasis, based on the image customers will get from hearing the name. The name itself suggests that the salon will have a relaxing and pleasant atmosphere with luxurious services. The owner also wanted an international name so that non-Finnish customers will feel welcome as well.

### **6.3 Services and products**

Hair Oasis will offer all core services of a hair salon, such as haircuts, coloring (full head color, multi-color, highlights, toning), color removal, hairstyling and washing. However, the main services are bleaching and extension services. The entrepreneur will obtain all the necessary training and education to become a professional in those fields. The Hair Oasis will specialize in blonding services and hair extension installation. The salon will provide hair extensions using multiple methods such as tape extensions, beaded wefts and keratin extensions. The additional services will be intensive hair and scalp treatments using the most luxurious products on the market. Blonde hair and extensions need special care; therefore, the owner will offer only the best solutions for the customers. For blonding services, the salon will use Schwartzkopf BlondMe product line and colors from Wella and Igora Royal for other coloring services. The product lines from Wella and Schwartzkopf will be used for high quality hair care and also to sell to customers. Hot tools for styling will be obtained from GHD, which is a leading luxury brand. Extensions will be provided by BPhair and Pastell..

BPhair is a domestic company that offers high-quality, premium Slavic hair extensions. BPhair's hair extensions are particularly suitable for Finnish hair. The company has established its position, offering high quality hair extensions at a very competitive price-quality ratio. (Blackout 2025.)

Pastell.'s premium hair collection offers a versatile selection of hair extensions made from top quality real hair. The quality guarantees the durability, softness and natural appearance of the extensions. Their products are especially known for their adaptive properties – the hair can be tinted, styled and maintained several times, as long as it is cared for correctly. (Blackout 2025.) The owner will ask the companies mentioned above for a product agreement collaboration. Also, for tea and coffee beverages, the Mokkaamaa will be contacted for possible collaboration.

#### **6.4 Pricing the services and products**

The price list for products and services is calculated according to how much the entrepreneur would make to receive enough income per hour according to annual expenses. The prices are decided to be competitive, but they are not too low, because it is not good for the company to visibly raise prices later. Entrepreneur plans to offer offers and discounts on a monthly basis as demand fluctuates. For example, during festive seasons there are usually more customers and during the quietest times it is good to offer small offers to entice customers. Basic services are priced in tiers, for example according to hair length. Special jobs such as hair extensions are priced by the hour, so that the price and working time are balanced.

#### **6.5 Marketing the services and products**

The price list and opening hours are clearly displayed on the salon's website. Offers and discounts are marketed on the company's social media channels such as TikTok, Instagram and on hair salon's own website. An electronic appointment booking system as well as service offering will be visible on the company's website. The owner decided that she will not use Facebook for marketing because the customers she wants to attract are younger than average Facebook users. The main marketing will be displayed on Instagram and longer videos will be posted on TikTok.

## **6.6 Target customers**

The owner intends to target trend-conscious, self-supporting, working women in their 20s to 40s. The owner wants to build a long-term clientele of devoted customers, which includes the above-mentioned frequent visitors. Blond customers need to schedule regular hair visits, thus establishing and preserving a strong connection is crucial to gaining that devoted base of customers.

## **6.7 Means of competition**

To stand out in the competition, the owner will focus on offering personalized consultations to understand each customer's unique style and preferences. Creating a trendy and luxurious American style atmosphere and offering beverages will also set the salon apart from others. Additionally, showcasing before-and-after transformations on social media can attract more customers that are interested in blinding and extensions. There will also be different packages offered to new customers, for example, Blonde Bombshell for those going from dark hair color to light. For customers who will select multiple pricy services for one session will get a small discount. As mentioned earlier, there is no hair salon in Joensuu that specializes only in blinding and extensions, therefore it will be a great factor for Hair Oasis to stand out.

## **6.8 Choice of business form: business name or limited company**

The future entrepreneur plans to work a 40-hour work week at the beginning and calculates the hourly price to be 40€ per hour. First, it is necessary to get necessary furniture and other things for the work, furniture for the business premises (barber-hairdressing chair, washing station, dressing table, office chair, tool rack, hair dryers, hair irons, curlers, products to be used and products to be sold which will cost around 10000€. In addition, there will be a monthly rental cost of 800€ for business premises, as well as other current expenses. The trade name is suitable business form for a private entrepreneur, because then she is responsible for all decisions herself, in which case the operation is flexible. The entrepreneur estimates the turnover for the first year to be

approx. 70000€. The entrepreneur intends to start her business alone, so there is no need to pay salaries. The entrepreneur intends to operate under a trade name and to answer the company's commitments with her assets. The business name is more suitable for the business form of the company, because there is only one employee, there is not much capital, and the turnover is relatively small. Trade name taxation works on almost the same principle as the taxation and income of a regular person, divided into earnings and capital income. When working under the trade name, accounting works as payment-based accounting, so it is simpler than in a limited company. In the beginning, the company's operations are small-scale, so a limited company is not a viable option. If necessary, the trade name can be changed to another company form as the operation develops, for example, as a limited company, because as the trade name business operation grows, taxation becomes more stringent.

## **6.9 Financing the business**

To launch a future business, a substantial upfront investment is not required. Paying running expenses and initial investments is crucial. The most essential machinery, equipment, furnishings, and goods are included in the initial investments. The entrepreneur's personal expenses for a period of around six to twelve months must be factored in when determining the first financing. Working capital finance, or current expenses, must also be organized. When starting out, the entrepreneur will have working tools, i.e. scissors, brushes and shields from school, as the students need to purchase them for schoolwork. The future entrepreneur aims to invest about 2000€ of her own savings in the company. The rest of the financing consists of debt capital. The future entrepreneur will apply for start-up money, which in 2025 is 740€ euros per month after taxes. She also intends to apply for a Finnvera loan, which she will use for financing fixed assets. According to the future company's cost calculation, initial investments (machines, equipment, furniture, irons, curlers, used and sold products) would cost a total of about 9600€. The start-up money reduces the costs. The future entrepreneur applies for a loan of a total of 10000€. The financing as a whole consists of capital financing of 12000€, of which 2000€ is the future entrepreneur's own investment.

## **6.10 Accounting**

A qualified private accountant who knows the business owner beforehand will handle accounting. After then, the accounting will be managed with competence and dependability. Since the business owner lacks accounting expertise, an accounting specialist is hired. Accounting is a wonderful area to outsource because the entrepreneur will be quite busy in the early stages of starting a business. The monthly cost of accounting is approximately 200€, which has been included in the profitability estimate.

## **6.11 Insurances**

Regarding the statutory insurances, the entrepreneur will take the statutory YEL insurance. She does not need to take TYEL insurance, because she has no employees. Other statutory insurances do not apply to the entrepreneur's professional field. The entrepreneur intends to take accident insurance as voluntary insurance, anything can happen around sharp scissors and hot tools. In addition, there is a great health issue risk when working with the bad ergonomics of the hairdresser and asthma-inducing substances. The entrepreneur also plans to take property insurance in case of possible damage to the real estate and working and movable assets, so that there will not be large costs to repair the damage.

## **6.12 SWOT-analysis**

The company's strengths are the entrepreneur's training, professionalism, the salon's good location, the company's trendiness and modernity, a wide range of services, high quality products and standing out from the hair salons in the area. Weaknesses can be the entrepreneur's little experience in the hairdresser profession. Possibilities include reaching a regular customer base, strong marketing channels and training internationally. Threats are competitors who already have a customer base in the area and customers moving away to larger cities.

## 7 Conclusion

The research aimed to identify the elements of a successful business and to develop a lucrative concept, which would serve as the foundation for the creation of a business plan and the mapping out of the appropriate corporate structure. In order to do this, a flexible theoretical basis was written, followed by an interview with an entrepreneur. An efficient business plan was created for the thesis author's future company based on this information. The cost estimate revealed that the entrepreneur's projected hourly rate of 40€/h is more than enough to cover all sales and invoicing requirements. Based on that, the entrepreneur can work less than 40 hours a week.

Finally, the business plan was subjected to a SWOT analysis, which resulted in a business idea's strengths, weaknesses, opportunities and threats. It was noticed that there is quite a lot of competition in the hairdressing field. However, the company has the potential to succeed, because of the company's means of competition, luxury blinding and extension services, are the company's image contributing factor. When the company invests in more modern marketing channels than its competitors, new customers are brought in. By getting more training in the field internationally the entrepreneur will get more new service and product ideas for the company.

Numerous books and internet resources were available on business plans and launching a company, and various approaches had been considered. Additionally, there were no significant issues with outlining the thesis because the author had already created a draft business plan. Prior to receiving crucial information from the entrepreneur on the subject, the thesis author knew very little about entrepreneurship in the hairdressing sector. Although there was not a lot of new research in the sector, the theory portion ultimately contained useful knowledge. The author learned what makes a solid business plan for opening a hair salon with the aid of this thesis. A thorough and workable business strategy can then be created by the thesis author. The business plan is helpful to the thesis author because it will be used when the company is established and updated as necessary until then. When the business is created and it is determined whether the business strategy was successful, the true benefits will become apparent. The theoretical section's structure was at first hard to understand, but later on it became more functional and obvious. It was evident from the theory section that a working business plan covers

a wide range of crucial topics that need to be considered when starting a successful company. It also became evident from comparing the theoretical and empirical sections that the hair salon sector depends on a good selection of services and the smooth operation of customer care. Theory was applied to empirical work in the empirical section, and the entrepreneur interview provided valuable advice for creating a business strategy. Writing the thesis was challenging because of the hectic schedule, which made it harder to catch up on writing during breaks and extended the time needed to finish the thesis. The author found the topic more difficult than she had anticipated.

Part of the data used in the calculations are estimations, therefore the results are not entirely accurate. For instance, the cost of renting a salon space is yet unknown. Since profitability and financial calculations are crucial components of the business plan and without them, for instance, start-up funding cannot be obtained, it is wise to update them during the company's formation period. The main objectives of the thesis were accomplished, however, as the business plan for the company proved profitable based on the profitability calculation, the business plan clarified the means of competition in the industry, and a suitable company form was selected. The author was able to create a working business plan for a start-up hairdressing company based on all the information gathered.

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## Appendix 1 Interview questions for the owner of Imake Look

1. When did you start your hair salon?
2. Where and how does your hair salon work?
3. Where did the business idea originate?
4. How did you choose the company form?
5. What kind of skills and education do you have?
6. How did you handle the financing? How do you do the accounting?
7. What kind of tangible and intangible purchases did you make when you founded the company?
8. What are your products and services?
9. What is your customer target group like?
10. How have you priced your services and products?
11. What are your means of competition and what are your competitors like?
12. What is the location and environment of the hair salon like? Pros and cons at a place of business?

## Appendix 2 Financial statement

## INVESTMENTS

**Intangible assets:**

Establishment expenses €200

Other expenses €200

**Machines and equipment:**

Computer €400

Equipment to be purchased €2000

Products: €2000

Furniture €1000

Telephone and internet €40/month

Machine and equipment installations €1000

**Business property:**

Office supplies €300

Other equipment €500

**Working capital per month:**

Initial advertising €0

Premises expenses (rent) €800/month

Equipment costs €0

Personnel costs €0

The entrepreneur's own income is €2000/month

**Financial assets:**

Working capital provision/cash 2000 €

NEED FOR MONEY TOTAL €43 680

## SOURCES OF MONEY

**Equity:**

Own financial investments €2000

Own production equipment and supplies €500

**Loan capital:**

Finnvera loan €10 000

MONEY SOURCES TOTAL €12 500

### Appendix 3. Profitability calculation

= TARGET RESULT € 20 000

+ repayment of loans €4200

+ loan interest €120

+ tax €4000

A) = EBITDA €28 320

+ FIXED COSTS (without VAT)

YEL €3756

Own salary €20 000

Salary side costs €800

Premises costs €9,600

Leasing fees €0

Communication costs €40

Accounting, auditing, tax declaration €2000

Office expenses €200

Travel and car expenses, daily allowance €740

Marketing €0

Education, books, magazines €100

Repairs and maintenance €0

Unemployment fee €96

Other costs €0

B) = TOTAL FIXED COSTS €37 332

A) + B) = SALES MARGIN REQUIREMENT €65 652 per year

+ purchases (without VAT) €10,000

= TURNOVER REQUIREMENT €75 652 per year

+VAT €1700

=TOTAL SALES/INVOICING NEED €77 352 per year

Monthly €6446, Weekly €1611,5, Daily €230,2, Hourly €28,78