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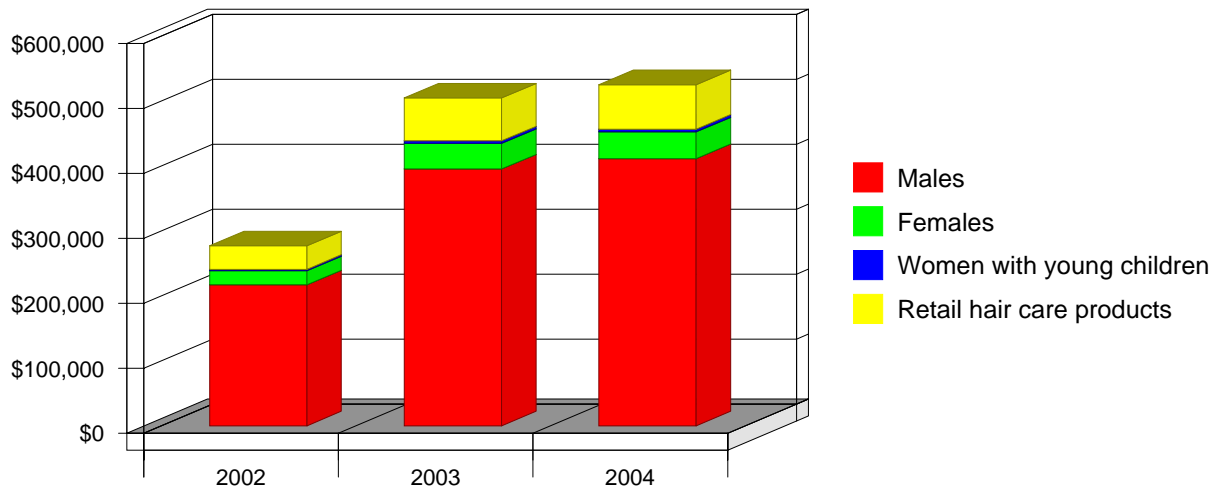
## 1.0 Executive Summary

Cranium Filament Reductions is a hair salon located in Shaker Hts., Ohio that allows the entire family to have their hair needs satisfied in one convenient location. Cranium serves men, women, and children and accepts appointments as well as walk-ins. Cranium also sells retail hair care products. Cranium is able to serve the entire family in one quick, convenient visit.

While there are many "quick salons" like Cranium, Cranium will excel due to its attention to detail regarding customer service. Through unheralded customer attention, Cranium will slowly but surely gain market share as it services the entire family, creating long-term relationships. Lastly Cranium's location will allow it to attract a lot of walk in traffic.

After month four, sales will grow steadily for Cranium. Profitability will be reached by month nine and \$443,000 in revenue will be earned during year three with \$61,000 in profits.

### Annual Sales Forecast



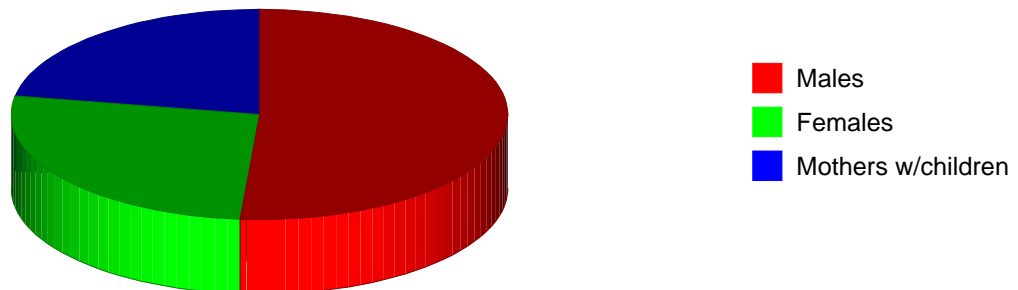
## 2.0 Situation Analysis

Cranium Filament Reductions is in its first year of business as a start-up company. Cranium recognizes the fact that a comprehensive, strategic marketing plan is required to ensure profitability and success. Cranium offers a wide range of hair cutting services. The market need is for a one-stop, convenient, hair salon that is skilled and reasonably priced, serving the entire family.

## 2.1 Market Summary

Cranium Filament Reductions possess good information about the market and knows a great deal about the common attributes of its most prized customers. Cranium will leverage this information to understand who is served, their specific needs, and how Cranium can better serve them.

### Target Markets



**Table 2.1: Target Market Forecast**

Target Market Forecast		2002	2003	2004	2005	2006	CAGR
Potential Customers	Growth						
Males	9%	54,000	58,860	64,157	69,931	76,225	9.00%
Females	10%	28,000	30,800	33,880	37,268	40,995	10.00%
Mothers w/children	9%	23,400	25,506	27,802	30,304	33,031	9.00%
Total	9.27%	105,400	115,166	125,839	137,503	150,251	9.27%

## 2.1.1 Market Demographics

The profile for Cranium Filament Reductions consists of the following geographic, demographic, and behavior factors:

### Geographics

- The immediate geographic target is the city of Shaker Hts. and the surrounding communities with a total population of 112,000.
- A 20 mile geographic radius is in need of the offered services.
- The total targeted population is 46,000.

### Demographics

- Male, female, and children.
- Ages 3-55.
- The women are individuals who are concerned about getting quality hair cuts/styling, but are unwilling to pay the exorbitant charges associated with women-only hair salons.
- The men are concerned about getting a reasonably priced, convenient, haircut.
- The children do not have any major preferences other than having toys to play with while they wait.
- Have an individual income of at least \$30,000.

### Behavior Factors

- Are always on the lookout for convenience factors in regards to service providers.
- Attempt to get all of the family's needs serviced at the same time if possible.

## 2.1.2 Market Needs

Cranium Filament Reductions is providing families with a one-stop option for providing a wide range of hair cutting/styling options. Cranium seeks to provide the following benefits that are important to its customers:

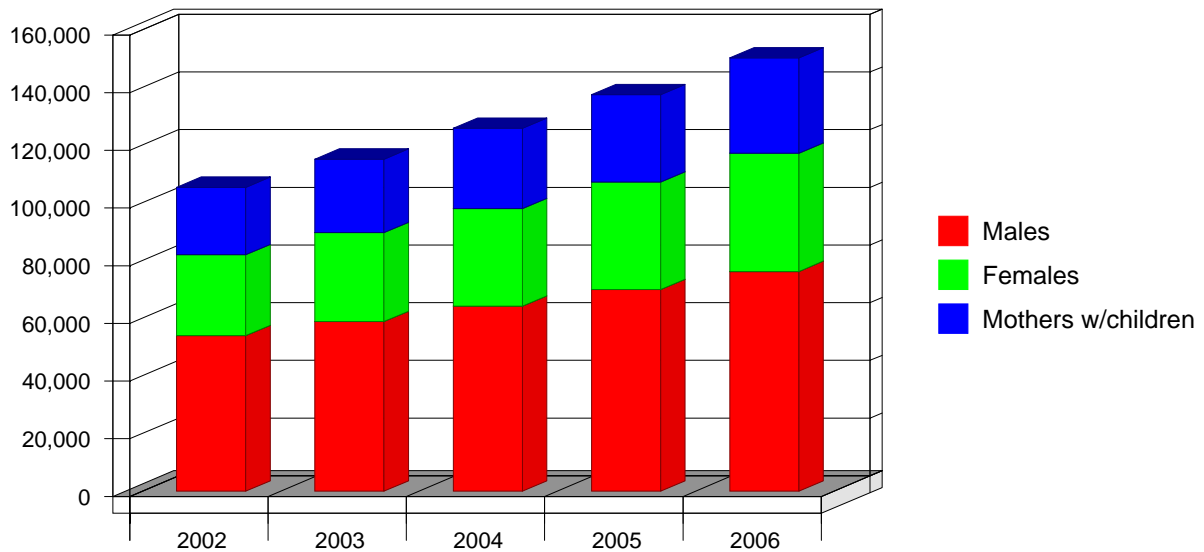
- **Convenience:** Cranium can serve the entire family with no appointment necessary. Additionally, Cranium's storefront is in a centrally located area.
- **Customer Service:** Serving the customer with superior attention is what the employees are trained to provide.
- **Competitive Pricing:** Cranium offers pricing that is a bit more than a traditional barber but far less than a dedicated women's hair salon.

## 2.1.3 Market Trends

The market trend for the hair cutting industry is one of consolidation. Consolidation can be seen with the high-end hair salons as well as the full-service, full-family companies such as Best Cuts. Over the last five years there have been an expansion of upscale chain salons in major metropolitan areas. The expansion takes the form of opening new stores, as well as purchasing independently-owned salons and transferring them over to the chain. Additionally, this trend has occurred with the full-service, family hair cutting stores.

The reason for this trend is similar to other industries that are consolidating; cost saving measures. Cranium is not participating in this trend of aligning itself with a chain. Cranium believes that it has better insight to its local market and would rather apply this specialized insight to its market instead of adopting the procedures of a national chain.

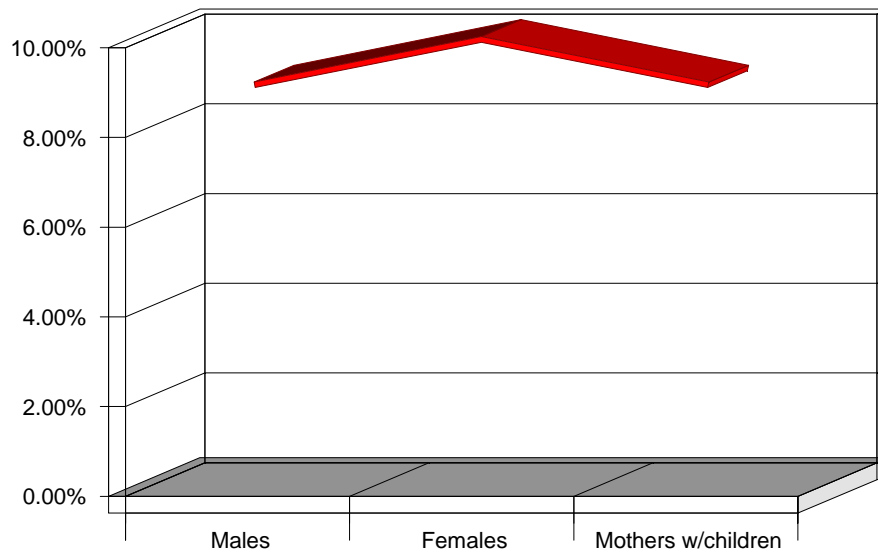
### Market Forecast



## 2.1.4 Market Growth

For the last seven years the hair cutting industry has grown steadily at 5% a year. The industry is generally unaffected by economic upturns or downturns. While in upturns, women are more likely to purchase extra services such as hair coloring or perms, although generally the consumption pattern is unchanged. This is somewhat intuitive as most people need and get a haircut based on an elapsed amount of time, independent of the economic environment that they are in.

### Target Market Growth





## 2.2 SWOT Analysis

The following SWOT analysis captures the key strengths and weaknesses within the company, and describes the opportunities and threats facing Cranium Filament Reductions.

### 2.2.1 Strengths

- Excellent retail space in a well-traveled mall.
- Well-trained employees with good hair cutting skills with a wide style repertoire, and customer-focused business practices.
- A wide range of services offered.
- Competitive prices.

### 2.2.2 Weaknesses

- As a new entrant to the market, Cranium lacks brand equity that many of its competitors have earned over years of service.
- The struggle to appear continually on the edge in terms of fashion and style.
- Large costs associated with a start-up company.

### 2.2.3 Opportunities

- A steady growing market that is traditionally unaffected by the economic environment.
- The ability to decrease marginal fixed costs as the customer base grows.
- Increasing sales opportunities as more people from an individual family frequents Cranium.

### 2.2.4 Threats

- Competition from already established chains.
- A change in traffic patterns as they relate to the mall where Cranium is located.

## 2.3 Competition and Buying Patterns

Cranium Filament Reductions' competitors include:

1. **Traditional Barbers:** They rarely serve appointments, it is generally a walk-in service. While barbers are usually willing to provide whatever cut you are interested in, they are generally providing straight-forward haircuts, typically on the conservative side. The advantages are an inexpensive service that is easy to use. Their disadvantages are an often conservative styling capacity, sometimes a long wait.
2. **Franchised "Quick Salons":** An example of this would be Supercuts or Best Cuts. In essence, this is a franchised version of Cranium Filament Reductions. The advantage of this style is the store is the same from location to location and some people like this predictability.
3. **Independent Salons:** These shops typically focus on a specific niche and do not serve a wide group of customers.

The buying patterns of men and women are quite different. Typically men are more price or

convenience sensitive. Men typically care less about the task of getting their haircut. For them whatever is easiest works best. Women are more concerned with hair styling and tend to bond more with their stylists. This bond creates loyalty to their stylist. Once a stylist has earned their trust they are more willing to blindly put their hair in the stylists hands.

## 2.4 Services

Cranium Filament Reductions provides hair styling for the entire family. This includes haircuts for men and women, permanents and hair coloring for women, as well as haircuts for children. Shampoos will be offered for all adult services. Service is offered on a walk in basis or by appointment. Cranium Filament Reductions will emphasize a customer-centric service where the customer's needs are always the priority.

Cranium Filament Reductions will also sell hair care products that are forecasted to account for 15% of sales. These professional quality supplies will include shampoos, conditioners, reconstructors, brushes, combs, and other styling aids.

## 2.5 Keys to Success

Keys to success include:

- Professionalism.
- Convenience.
- Customer attention.

## 2.6 Critical Issues

Cranium Filament Reductions is still in the speculative stages as a start-up company. Its critical issues are to continue to take a modest fiscal approach; expand at a reasonable rate, not for the sake of expansion in itself, but because it makes prudent fiscal sense to.

## 3.0 Marketing Strategy

Cranium Filament Reductions will have a somewhat limited marketing budget. The main reason for this will be because some of the money that would otherwise be spent on marketing efforts will be used for rent. By choosing a well-traveled, popular mall to locate Cranium in, it will receive a lot of walk through traffic. The cost of having this location takes the form of higher than normal rent. Part of the high cost of rent is just an expense if you want to locate a shop in a popular commercial property. Some of the money also goes to mall association dues. The money for the mall dues goes to marketing activities that are designed to increase visibility and traffic for the mall as a whole.

The money from the marketing budget will be spent on the following marketing initiatives:

- **Advertisements:** Advertisements will be placed in two different local newspapers, the Plain Dealer and the Sun Press. The Plain Dealer serves the entire Cleveland metropolitan area. Not all of the readers will be willing to travel across Cleveland to go to Cranium, however, a large percentage of people in Cleveland subscribe to the Plain Dealer, therefore it is a good investment to increase visibility. The Sun Press is a more regional paper serving Shaker Hts., Cleveland Hts., University Hts., and Warrensville Hts. While the reader base of the

Sun Press is much smaller than the Plain Dealer, it is more geographically targeted.

- **In-store and Store Front Displays:** These displays will be visible to the large walk-through traffic base.

## 3.1 Mission

Cranium Filament Reductions' mission is to provide reasonably priced, convenient hair styling. We exist to attract and maintain customers. When we adhere to this maxim, everything else will fall into place. Our services will exceed the expectations of our customers.

## 3.2 Marketing Objectives

- Increase repeat customers by 7% per quarter.
- Decrease customer acquisition costs by 8% per year.
- Maintain positive, steady growth each month.

## 3.3 Financial Objectives

- Increase the amount of retail products sold by 10% per year.
- Grow the profit margin by 3% per year.
- Profitability by year one.

## 3.4 Target Marketing

Cranium Filament Reductions will target three different market segments:

- **Men:** Men will typically make up 70%-75% of the clientele. The reason for this is that men have shorter hair requiring a faster, simpler job.
- **Women Who Cannot Afford an Upscale Salon:** Women tend to favor a female specific upscale salon if they can afford it. There is not often a difference in quality of an upscale salon relative to a family hair salon other than a upscale salon will tend to pamper you more, only accepts appointments, and the facility is generally a bit plusher. Someone who is fiscally responsible as opposed to someone who likes opulence will favor a family style salon.
- **Young Mothers With Children:** Most young children are notoriously difficult when it comes to getting haircuts. A family style salon is a more laid back place that allows the children to play while they are waiting and then will work with the parents in calming the kids nerves when they are ready for their shearing.

Cranium Filament Reductions will target each of the three groups separately. The males will be targeted by offering a quick, convenient, service. Because men have shorter hair, they tend to require haircuts more often. Cranium Filament Reductions will cater to males with evening hours, no appointments necessary, and quick turn around times.

Generally females prefer the allure of upscale salons, however, not everyone can afford this luxury. For this reason Cranium Filament Reductions will provide the same quality hair styling, just without the expensive price. Cranium will target these customers by emphasizing the sophisticated, ultra-

hip styling that Cranium can offer.

Cranium Filament Reductions will also target mothers with children by offering kids toys to play with while they wait and child-friendly hair stylists. Additionally, children receive a special rate reflecting the fact that children's hair grows so fast that it can be expensive to keep up with regular cuts as well as the recognition that it generally takes a lot less time to cut a child's hair so it should be inherently less expensive.

## 3.5 Positioning

Cranium Filament Reductions will position itself as a convenient, full service, family hair salon. Cranium will offer one-stop service offerings. Cranium will leverage its competitive edge to achieve its desired positioning:

- Cranium Filament Reductions' competitive edge is based on superior customer service. Cranium Filament Reductions recognizes that the hair cutting/styling market is crowded so it is difficult to stand out. Cranium Filament Reductions will be able to by providing superior customer attention. This is particularly important in the "quick salon" space that Cranium operates in because margins are lower and the goal of a quick salon is to crank through a large number of people each day.
- Cranium will invest time and money into training to ensure that clients receive the best experience possible making it is easier to turn them into a long-term customer. By providing superior customer service, Cranium will be able to effectively compete against and outlast larger chains and independent stores.

## 3.6 Strategy Pyramids

The single objective is to position Cranium as the premier, full service, family salon in the Shaker Heights area. The marketing strategy will seek to first create customer awareness regarding the services offered, then develop the customer base, and finally work toward building customer loyalty and referrals.

The message that Cranium will seek to communicate is that the entire family can be served quickly, professionally, with superior customer service at reasonable rates. The message will be communicated through various methods. The first is in-store and storefront displays. This will be a convenient method to attract people that walk past Cranium's store front.

The other method of communication is advertisements in two local newspapers. These newspapers are widely read and will reach a large base of people.

## 3.7 Marketing Mix

Cranium's marketing mix is comprised of the following approaches to pricing, distribution, advertising and promotion, and customer service.

- **Pricing:** Cranium's pricing scheme will be based on a competitive pricing model with other similar service providers.
- **Distribution:** All of Cranium's services and products will be dispensed from its centrally located store.
- **Advertising and Promotion:** Locating the store in a high traffic mall will significantly increase visibility. A targeted advertising campaign will also communicate Cranium's desired messages.
- **Customer Service:** All of Cranium's employees have been trained in exceptional customer service. All employees have discretion to remedy any problems encountered on their own without having to first receive permission from a supervisor.

## 3.8 Marketing Research

During the initial phases of the marketing plan construction, several focus groups were held to gain insight into the buying patterns of prospective customers. The focus groups drew a wide range of people from women to men to mothers. The participants were asked what type of service they typically use and why. They were also asked how their current service could be improved and what it would take to get them to switch to a new salon. They were given a bit of information regarding Cranium's offerings and they evaluated this. The focus groups provided invaluable information and feedback. While some of the information gathered was already known to Cranium, other information were things that made perfect sense but had not been thought of.

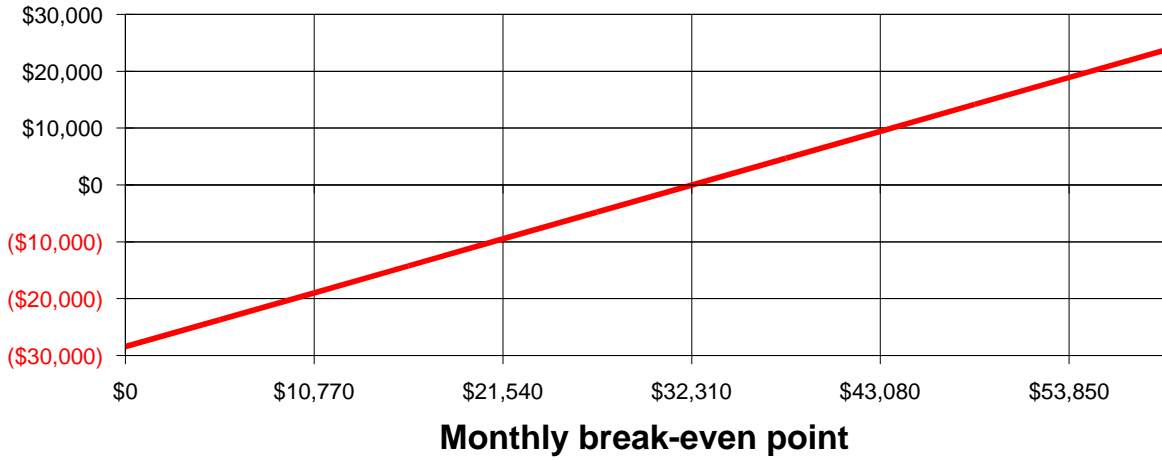
## 4.0 Financials, Budgets, and Forecasts

This section will offer a financial overview of Cranium as it relates to the marketing activities. Cranium will address break-even analysis, sales forecasts, expense forecasts, and how they link to the marketing strategy.

### 4.1 Break-even Analysis

The break-even analysis indicates that \$32,340 will be required in monthly revenue to reach the break-even point.

### Break-even Analysis



Break-even point = where line intersects with 0

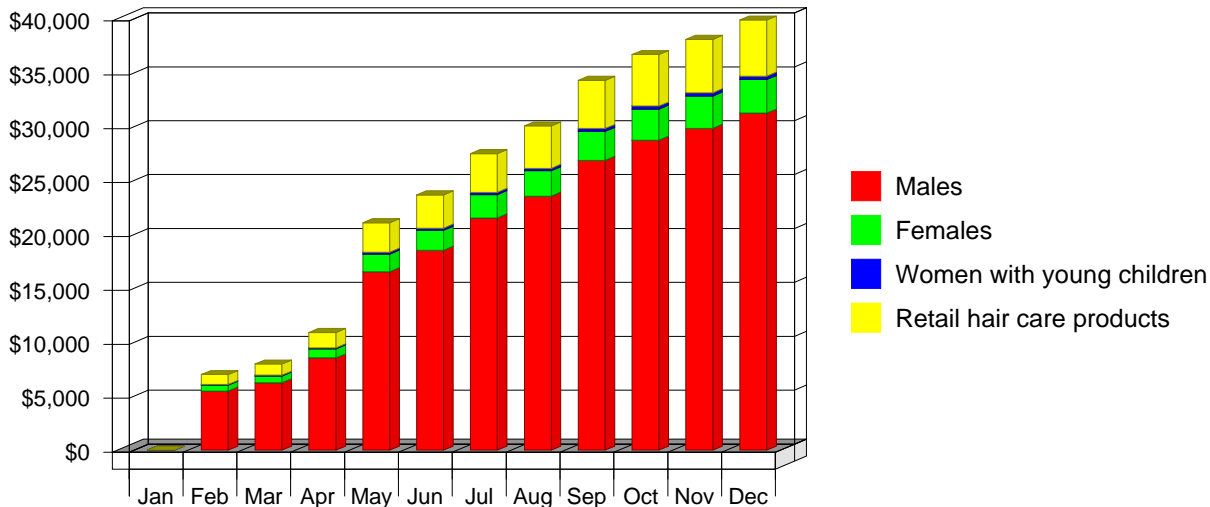
**Table 4.1: Break-even Analysis**

Break-even Analysis:	
Monthly Units Break-even	2,156
Monthly Sales Break-even	\$32,340
Assumptions:	
Average Per-Unit Revenue	\$15.00
Average Per-Unit Variable Cost	\$1.80
Estimated Monthly Fixed Cost	\$28,459

## 4.2 Sales Forecast

The first month will be used to set up the store and hire and train the employees. The store will be officially open the second month. Sales for month two through will four will be somewhat slow, as Cranium will be building up a customer base. From month four on sales will grow steadily.

### Monthly Sales Forecast



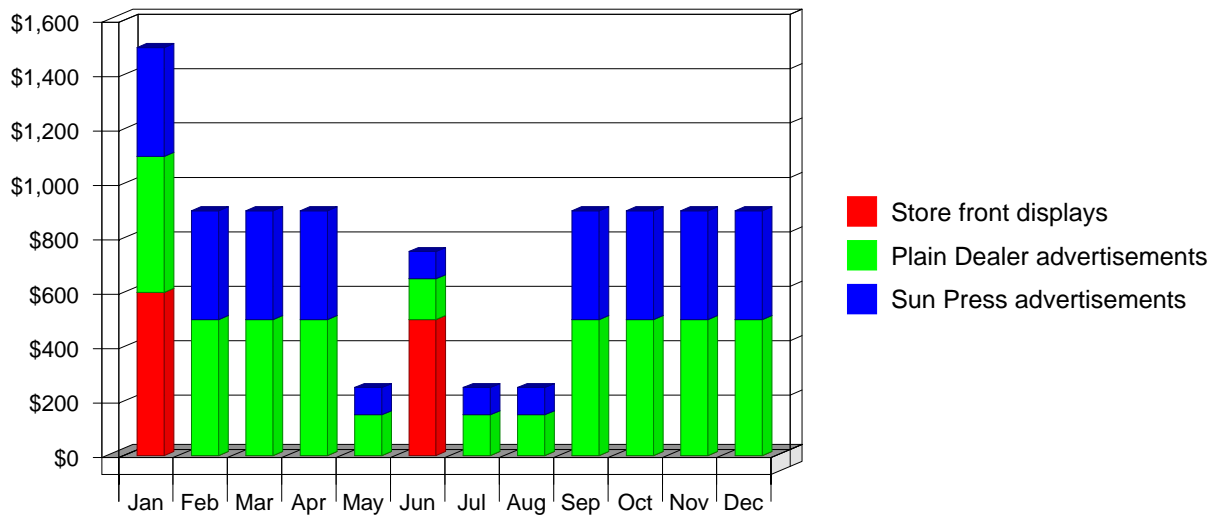
**Table 4.2: Sales Forecast**

Sales Forecast			
Sales	2002	2003	2004
Males	\$217,202	\$395,458	\$411,545
Females	\$21,712	\$39,546	\$41,155
Women with young children	\$2,172	\$3,955	\$4,115
Retail hair care products	\$36,150	\$65,844	\$68,522
Total Sales	\$277,236	\$504,803	\$525,337
Direct Cost of Sales			
Males	\$26,064	\$47,455	\$49,385
Females	\$2,605	\$4,746	\$4,939
Women with young children	\$261	\$475	\$494
Retail hair care products	\$14,460	\$26,338	\$27,409
Subtotal Cost of Sales	\$43,390	\$79,013	\$82,227

## 4.3 Expense Forecast

Marketing expenses are to be budgeted so that they are high during the first quarter in order to raise visibility for the start-up organization. They will then settle down a bit until the winter months when they will ramp up as the winter months are a time when there is an increase in spending on hair care in preparation for the winter holidays.

### Monthly Expense Budget



**Table 4.3: Marketing Expense Budget**

Marketing Expense Budget	2002	2003	2004
Store front displays	\$1,100	\$1,000	\$1,300
Plain Dealer advertisements	\$4,600	\$6,500	\$8,500
Sun Press advertisements	\$3,600	\$4,800	\$5,500
	-----	-----	-----
Total Sales and Marketing Expenses	\$9,300	\$12,300	\$15,300
Percent of Sales	3.35%	2.44%	2.91%
Contribution Margin	\$224,546	\$413,490	\$427,810
Contribution Margin / Sales	80.99%	81.91%	81.44%



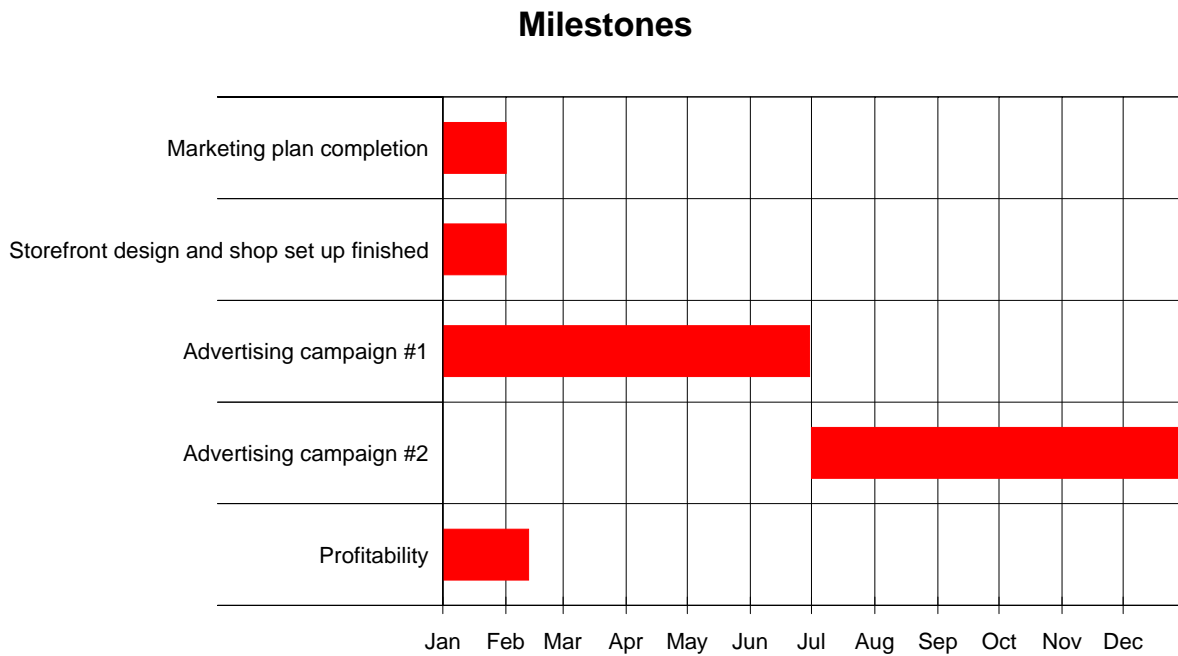
## 5.0 Controls

The purpose of Cranium's marketing plan is to serve as a guide for the organization. The following areas will be monitored to gauge performance:

- Revenue: monthly and annual.
- Expenses: monthly and annual.
- Repeat business.
- Customer satisfaction.

## 5.1 Implementation Milestones

The following milestones identify key marketing programs. It is important to accomplish each one on time, and on budget.



**Table 5.1: Milestones**

Milestones	Plan				
Milestone	Start Date	End Date	Budget	Manager	Department
Marketing plan completion	1/1/02	2/1/02	\$0	Susan	
Storefront design and shop set up finished	1/1/02	2/1/02	\$1,100	Susan	
Advertising campaign #1	1/1/02	6/30/02	\$4,100	Susan	
Advertising campaign #2	7/1/02	12/31/02	\$4,100	Susan	
Profitability	1/1/02	9/31/02	\$0	Susan	
Totals			\$9,300		

## 5.2 Marketing Organization

Susan Sever, the owner, will be primarily responsible for the marketing activities. Susan will use outside assistance for some of the creative activities.

## 5.3 Contingency Planning

### Difficulties and Risks

- Problems generating enough sales throughout the day.
- An usually slow first and second quarter that could have a significant effect on cash flow.
- Road construction near the mall which would have a significant effect on customer traffic.

### Worst Case Risks May Include

- Determining that the business cannot support itself on an ongoing basis.
- Having to liquidate equipment to cover liabilities.

## Appendix: Cranium Filament Reductions

**Table 4.2 Sales Forecast**

Sales Forecast	Plan											
Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Males	\$0	\$5,484	\$6,254	\$8,547	\$16,545	\$18,545	\$21,545	\$23,555	\$26,874	\$28,745	\$29,854	\$31,254
Females	\$0	\$548	\$625	\$855	\$1,646	\$1,855	\$2,155	\$2,356	\$2,687	\$2,875	\$2,985	\$3,125
Women with young children	\$0	\$55	\$63	\$85	\$165	\$185	\$215	\$236	\$269	\$287	\$299	\$313
Retail hair care products	\$0	\$913	\$1,041	\$1,423	\$2,740	\$3,088	\$3,587	\$3,922	\$4,475	\$4,786	\$4,971	\$5,204
<b>Total Sales</b>	<b>\$0</b>	<b>\$7,000</b>	<b>\$7,983</b>	<b>\$10,910</b>	<b>\$21,096</b>	<b>\$23,673</b>	<b>\$27,502</b>	<b>\$30,069</b>	<b>\$34,305</b>	<b>\$36,693</b>	<b>\$38,109</b>	<b>\$39,896</b>
<b>Direct Cost of Sales</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
Males	\$0	\$658	\$750	\$1,026	\$1,985	\$2,225	\$2,585	\$2,827	\$3,225	\$3,449	\$3,582	\$3,750
Females	\$0	\$66	\$75	\$103	\$198	\$223	\$259	\$283	\$322	\$345	\$358	\$375
Women with young children	\$0	\$7	\$8	\$10	\$20	\$22	\$26	\$28	\$32	\$34	\$36	\$38
Retail hair care products	\$0	\$365	\$416	\$569	\$1,096	\$1,235	\$1,435	\$1,569	\$1,790	\$1,914	\$1,988	\$2,082
<b>Subtotal Cost of Sales</b>	<b>\$0</b>	<b>\$1,096</b>	<b>\$1,249</b>	<b>\$1,708</b>	<b>\$3,299</b>	<b>\$3,705</b>	<b>\$4,305</b>	<b>\$4,706</b>	<b>\$5,370</b>	<b>\$5,743</b>	<b>\$5,965</b>	<b>\$6,245</b>

## Appendix: Cranium Filament Reductions

**Table 4.3 Marketing Expense Budget**

Marketing Expense Budget	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Store front displays	\$600	\$0	\$0	\$0	\$0	\$500	\$0	\$0	\$0	\$0	\$0	\$0
Plain Dealer advertisements	\$500	\$500	\$500	\$500	\$150	\$150	\$150	\$150	\$500	\$500	\$500	\$500
Sun Press advertisements	\$400	\$400	\$400	\$400	\$100	\$100	\$100	\$100	\$400	\$400	\$400	\$400
<b>Total Sales and Marketing Expenses</b>	<b>\$1,500</b>	<b>\$900</b>	<b>\$900</b>	<b>\$900</b>	<b>\$250</b>	<b>\$750</b>	<b>\$250</b>	<b>\$250</b>	<b>\$900</b>	<b>\$900</b>	<b>\$900</b>	<b>\$900</b>
Percent of Sales	0.00%	12.86%	11.27%	8.25%	1.19%	3.17%	0.91%	0.83%	2.62%	2.45%	2.36%	2.26%
Contribution Margin	(\$1,500)	\$5,004	\$5,834	\$8,302	\$17,547	\$19,218	\$22,947	\$25,113	\$28,035	\$30,050	\$31,244	\$32,751
Contribution Margin / Sales	0.00%	71.49%	73.07%	76.10%	83.18%	81.18%	83.44%	83.52%	81.72%	81.90%	81.99%	82.09%