

2021

Business plan on roll-out cosmetic products on the Russian market



Table of contents

| | |
|--|-----------|
| 1. Summary | 3 |
| 1.1. The essence of the business planning results | 3 |
| 1.2. Planned success criteria | 3 |
| 1.3. Funding sources | 4 |
| 2. About the project initiator | 5 |
| 3. The main idea and goals of the project | 6 |
| 4. Market overview | 7 |
| 5. Marketing plan..... | 13 |
| 5.1. Marketing paradigm | 13 |
| 5.2. Sales plan | 15 |
| 5.3. Marketing tactics | 15 |
| 5.3.1. Product | 15 |
| 5.3.2. Sales channels..... | 16 |
| 5.3.3. Pricing | 16 |
| 5.3.4. Advertising and promotion..... | 16 |
| 6. Organizational plan..... | 18 |
| 6.1. Permit documents | 18 |
| 6.2. Staff schedule..... | 18 |
| 6.3. Project calendar | 19 |
| 7. Material resources | 20 |
| 7.1. Investment costs..... | 20 |
| 7.2. Indirect costs | 20 |
| 7.3. Direct costs | 20 |
| 7.4. Tax environment..... | 21 |
| 8. Financial analysis | 21 |
| 8.1. Income and expense budget | 21 |
| 8.2. Cash flow budget..... | 22 |
| 8.3. Forecast balance | 22 |
| 8.4. Financial performance..... | 23 |
| 8.5. Success criteria | 23 |
| 8.6. Break-even analysis | 24 |
| 8.7. Sensitivity analysis | 24 |

На нашем сайте размещены другие [примеры разработанных нами бизнес-планов](#). Вы также можете ознакомиться с [отзывами наших заказчиков](#), описанием [процедуры заказа бизнес-планов и ТЭО](#). Узнайте как оптимизировать расходы на эту работу посмотрев видеопост ["Стоимость разработки бизнес-плана"](#) на нашем канале Youtube.

 Если вы [заполните этот вопросник для подготовки коммерческого предложения](#), мы пришлём вам КП, учитывающее возможности такой оптимизации.

1. Summary

1.1. The essence of the business planning results

The project initiators plan to conclude a distribution contract for supply of products branded as XXX, organize promotion and sale of these products on the territory of the Russian Federation through their distribution network.

Market analysis shows that the potential of the market is sufficient to achieve the level of sales that ensures the profitability of the project. Consequently, subject to effective work in the market, the project will be economically successful.

The goal of the project is to fulfill the product procurement plan and organize sales so as to ensure the profitability of the business.

The project initiators plan to achieve **revenues of *.*** million USD** over * years of project development and gain a **profit of *.*** million USD**.

Moreover, the result of the project is planned to be a trading and educational network for the XXX products' sale on the Russian market.

1.2. Planned success criteria

The following table shows the economic efficiency criteria of the project.

Table 1. Investment success criteria

| Criteria | Measuring unit | Value |
|--|----------------|-----------|
| Discount rate | % | ** |
| Planning period | month | ** |
| Present value without discount (PV) | USD | * *** *** |
| Internal rate of return (IRR), % per year | % | ***, % |
| Net present value (NPV) | USD | * *** *** |
| Net present value (NPV) with a terminal value (TV) | USD | * *** *** |
| Payback period with discount | month | * |
| Profitability index for the planning period | | ** , * |

Analysis of estimated economic efficiency figures indicates the investment attractiveness of the project. The evidence is the following data:

Positive value of net present value (NPV), amounting to more than USD * million excluding terminal value and more than USD *.* million including terminal value.

- The positive value of the net present value (NPV) amounting to more than * million USD excluding terminal value and more than *.* million USD including terminal value.
- High value of the internal rate of return (IRR), amounting to ***.>%.
- The project pays off within * months, taking into account the discount.
- The profitability index is much more than *.

Thus, **the project is cost effective and can be recommended for implementation.**

1.3. Funding sources

The total cost of the project is **.*** USD.

The source of financing is own funds.

Table 2. Direction for funding, USD.

.....

.....

Picture 1. Financing structure according to directions

2. About the project initiator

.....

3. The main idea and goals of the project

The project initiators plan to conclude a distribution contract on supply of products branded as XXX, promote and sale products through the organized sales network on the Russian territory (Belarus and Kazakhstan are partnering countries, with a small sales market, which are part of the EAC and the customs union).

Market analysis shows that the potential of the market is sufficient to achieve the level of sales that ensures the profitability of the project. Consequently, subject to effective work in the market, the project will be economically successful. To do this, the project initiators need to do the following since the contract is concluded:

-

The goal of the project is to fulfill the product procurement plan and organize sales so as to ensure the profitability of the business.

The project initiators plan to achieve revenues of *.*** million USD over * years of project development and gain a profit of *.*** million USD.

Moreover, the result of the project is planned to be a trading and educational network for the XXX products' sale on the Russian market.

4. Market overview

In recent years, the volume of sales in the cosmetics and perfumery market has been growing in monetary terms approximately at the rate of inflation¹:

¹

...../2019/..... _ _ _ _***

.....

Picture 2. Sales volume in the personal care market

Hair care products occupy a prominent place in this market:

...

Picture 3. The cosmetics and perfumery market structure

As can be seen from the picture above, the total share of hair care products in the cosmetics market is about **%.

The hair care segment is one of the most dynamic in the market. The most dynamic growth among women is the consumption of hair dyes (+ * p.p.), styling products (+ *. * p.p.)², while hair care products occupy a significant share of the market.

.....

Picture 4. Market dynamics according to segments

Advertising plays an important role in this dynamic. The cost of advertising for hair care products (shampoos + hair care + dyes) is **% of the entire advertising market for cosmetics and perfumes.

.....

Picture 5. The cosmetics and perfumery advertising market structure according to product groups

In the segment of the affordable premium of the hair care market the leaders are such brands as Schwarzkopf, Wella, Olaplex, Lebel.

Before the COVID-** pandemic, beauty shops were the main consumers of professional hair care products. Let's take a closer look at this market.

According to the Unified Interdepartmental Statistical Information System (EMISS), the total revenue from services provided by hairdressers and beauty shops in Russia amounted to *** billion rubles in ****. At the end of ****, the growth rate was **.*% which is in monetary terms — *** billion rubles (see **Ошибка! Источник ссылки не найден.**).

.....

Picture 6. Revenue from services provided by hairdressers and beauty shops in Russia, thousand rubles

Source: the Unified Interdepartmental Statistical Information System (EMISS)

² *****/***_
*****/*****/*****_****_*****_*_*****_*****_*****_*****
***_*****9956/

By the structure according to the size of enterprises that generate revenue from beauty services, most of them are small and micro-enterprises.

Micro-enterprises include organizations with an average headcount of up to ** people and a revenue of up to *** million rubles per year, the small ones — with an average headcount of up to *** people and a revenue of up to *** million rubles a year.

.....

Picture 7. The beauty shops and hair salons distribution structure according to the size of the enterprise, %

Source: the Unified Interdepartmental Statistical Information System (EMISS)

Small and micro enterprises generate **% of revenue from hairdressing and beauty services³ (see **Ошибка! Источник ссылки не найден.**). Such distribution has to do with not only the fact that the industry is represented by a large number of small organizations, but also the fact that some of the beauty shops and hairdressing salons work within an informal economy, i.e. they downplay data on revenue and the average number of employees in order to reduce the tax burden.

.....

Picture 8. The beauty shops and hair salons distribution structure according to the price brackets in Russia, %

Source: the article “The beauty shops’ market analysis ****”

Focusing on the consumer, beauty shops form a dynamic line of tariffs, according to which a particular company belongs to a certain price segment. Most of the enterprises stay in the mid-price segment and, in doing so, ensure a stable influx of customers. Salons with democratic prices for their services compete against **% of mid-class salons, taking **% of the market. The remaining share of the service sector remains with the premium segment, which includes a high quality of service and a maximum of additional services (see **Ошибка! Источник ссылки не найден.**).

The usual beauty shops and private “next door” hairdressing salons stay on top of the rankings. This market niche takes over about *-**% of enterprises. In second place (**-**%) in popularity will be family salons, which offer services to all family members without exception. SPA-centers round out the top three, however, they are often not massively visited because of not always democratic service prices. The overall indicator for this type of service will remain at the level of *-*%. The last in the ranking are specialized salons for children. The demand for this type of service remains moderate, retaining *-*% of the industry market⁴.

3 *****/***** **/*****/*****_*****_*****_*****-2018/

4 *****/***** **/*****_*****_*****_*****/

Moreover, the forecasts are showing that an increase in the number of centers providing a wide range of services can be stopped by a shift towards more highly specialized beauty shops in the consumer trend⁵.

We should also remember that a number of basic personal care services are provided by home-based masters. Despite the impossibility to quantify the size of this market, before the pandemic experts predicted that consumers would increasingly refuse from such services in favor of services provided by beauty shops, due to its quality and safety.

Clients of beauty shops can be classified according to the following characteristics:

- gender,
- age,
- employment,
- family,
- social level.

The target audience of the beauty shops is women aged from ** to ** years old. According to marketing agency Step by Step, this category accounts for over **% of beauty shops' visitors (see

.....

Picture 9. The beauty shops attendance distribution structure according to the age, %

). They are moderately wealthy, socially protected people who take care of their appearance.

.....

Picture 9. The beauty shops attendance distribution structure according to the age, %

Source: the research of the marketing agency Step by Step.

The beauty services are equally in demand among both single and married women with or without children. The guiding motives for visiting a beauty shop are the desire to look beautiful and young, despite the lack of free time.

Table 3. Frequency of visiting beauty shops by women

| Visit frequency | Percent of respondents |
|-----------------------|------------------------|
| more than once a week | *.**% |
| once a week | *.**% |

⁵ *****://*****. **/**/*****/*****_*****_*****_*****-2018/

| | |
|---------------------------------|-----------------|
| several times a month | **.**%* |
| once a month | **.**%* |
| once every couple of months | **.**%* |
| every six months | **.**%* |
| less than once every six months | *.**%* |
| Total | ***.**%* |

Source: the research of the marketing agency Step by Step.

About **% of women surveyed by the Step by Step agency visit beauty shops once a month or once every two months. Other **% do it every few months (see Table 3).

According to the research held by Neil City LLC, traditional basic services – haircut, styling, hair care, dyeing, manicure and pedicure – are in the greatest demand within the salon business. They are preferred by more than **.***% of clients who use beauty services⁶.

The main criterion for choosing a beauty shop according as of the marketing research is the cost of services – **% of respondents. Also, the recommendations of friends and feedbacks play an important role. According to statistics, **% of beauty shop clients use services after reading positive feedbacks⁷.

According to the marketing research held by the Market Analitika company, clients of mid and upper mid-class beauty shops take into account the following factors when choosing the right salon:

- cost of services (searching for the optimal price-quality ratio);
- territorial location;
- innovation, advanced technology and modern equipment.

It is important to note that beauty shop commercials are noticed by **% to **% of women. Notably, newspaper and magazine advertisements are the source of beauty service information for respondents over ** years old⁸. Younger potential clients learn about beauty services through social media, targeted advertising and specialized sites.

Despite the economic crisis and COVID-**, the hairdressing and beauty shop industry continued to grow in ****⁹.

The COVID-** pandemic has dramatically changed the market situation. Before the pandemic **% of professional hair cosmetics were bought by beauty salons. Starting from spring **** more than **% of these products are bought through marketplaces by the end consumers and individuals. The reason is clear: for a long time, beauty salons were closed or worked with restrictions. People also were afraid of unnecessary contacts so as not to get infected.

6 ***://*****_*****_*****_*****_*****_*****_*****_*****_***.***
 7 *****://*****_*****_**/****/*****_*****_*****/
 8 ***://****_****_**/*****/*****/2311/28207/****_*****_***?*****=2&*****=**
 9 *****://*****_*****/*****_*****_*****_*****_*****_*****_2019/

Market experts believe that this trend will persist for a long time, since people are still afraid of infection and are used to (have learned to) use professional cosmetics on their own. Therefore, the decision to sell XXX Home Care lines through online stores and marketplaces will have a significant impact on the success of the planned project.

5. Marketing plan

5.1. Marketing paradigm

We have conducted a SWOT-analysis to develop the marketing paradigm – see Table 4.

Table 4. The project SWOT-analysis

| Strengths | Opportunities |
|-------------------|----------------------|
| ➤ ... | • |
| Weaknesses | Threats |
| • | • |

Taking into account the SWOT-analysis, the following marketing concept was adopted:

-

5.2. Sales plan

The project initiator has planned the volume of product purchases from the manufacturer, taking into account the previous experience in sales of professional cosmetics for hair care in the Russian market and the high consumer properties of XXX products. The sales plan has been calculated based on the purchase plan and the planned markup:

Table 5. Volume of purchases and sales, thousand USD

| Years | * | * | * |
|--|-----|------|------|
| Volume of purchases | *** | *** | *** |
| Purchasing costs including logistics and customs costs | *** | *** | *** |
| Volume of sales | *** | **** | **** |

5.3. Marketing tactics

5.3.1. Product

-

5.3.2. Sales channels

-

5.3.3. Pricing

.....

5.3.4. Advertising and promotion

Promotion among trading partners will be organized by means of:

-

The main method of promoting products among beauty salons:

.....

Promotion of XXX brand on the end-consumer market will be made by commercial:

.....

The main channels for promoting and attracting customers will be the following:

-

6. Organizational plan

6.1. Permit documents

For doing business, the company will need certificates of product compliance with safety requirements. We will independently obtain them in Russia at the very beginning of the project. Beside that, all products entering the Russian customs for further resale must be marked in a certain way with Russian labels. We provide the supplier with all necessary labels in Russian in electronic vector format.

6.2. Staff schedule

Data on the number of personnel, salaries and payroll volume are given in the following table.

Table 6. Data on the number of personnel, salaries and payroll volume

.....

6.3. Project calendar

Table 7. Schedule of works

.....

7. Material resources

7.1. Investment costs

Table 8. Investment costs, thousand USD.

.....

7.2. Indirect costs

Table 9. Indirect cost rates

.....

7.3. Direct costs

The direct costs will include:

.....

7.4. Tax environment

The project is calculated using a simplified taxation system, the base for calculating the STS tax is income, the rate is *%.

The rate of insurance premiums is **% of the payroll.

8. Financial analysis

Economic calculations were made by developing a financial model of the project in Microsoft Excel.

Table 10. Calculation terms

| Criteria | Values |
|--|--------|
| Currency | USD |
| Forecast period, years | * |
| Discount rate, % | **% |
| Inflation of non-food products, % per year | *% |

8.1. Income and expense budget

Table 11. Income and expense budget, thousand USD nper year

| Item | TOTAL | * | * | * |
|---|--------------|------------|------------|--------------|
| Revenue | * *** | *** | * *** | * *** |
| Expenses | * *** | *** | *** | *** |
| Gross profit | * *** | *** | *** | *** |
| Amortization | ** | * | * | * |
| Insurance premiums | ** | ** | ** | ** |
| Income before tax | * *** | *** | *** | *** |
| Payment of STS tax | *** | ** | ** | ** |
| Net income | * *** | *** | *** | *** |
| Net profit with cumulative total | * | *** | *** | * *** |

As can be seen from the table, the company has shown a steady operating profit since the first year of operation.

8.2. Cash flow budget

Table 12. Cash flow budget, thousand USD per years

| Item | TOTAL | * | * | * |
|--|--------------|----------|----------|----------|
| Main business | | | | |
| Income from operating activities | * *** | *** | * *** | * *** |
| Revenue | * *** | *** | * *** | * *** |
| Disposals from current operations | * *** | *** | *** | *** |
| Procurement and logistics | * *** | *** | *** | *** |
| Indirect costs | *** | ** | *** | *** |
| Taxes: | *** | ** | ** | *** |
| Insurance premiums | ** | ** | ** | ** |
| STS tax | *** | ** | ** | ** |
| Balance from operating activities | * *** | *** | *** | *** |
| Investment activities | | | | |
| Proceeds | ** | ** | * | * |
| Investments in non-current assets | ** | ** | * | * |
| Working capital subsidies | ** | ** | * | * |
| Disposals | ** | ** | * | * |
| Total flow on investment activities | ** | ** | * | * |
| Financial activities | | | | |
| Proceeds | * | * | * | * |
| Disposals | * | * | * | * |
| Total flow on financial activities | * | * | * | * |
| Cash at the beginning of the period | * | * | *** | *** |
| Total cash receipts | * *** | *** | * *** | * *** |
| Total cash outflows | * *** | *** | *** | *** |
| Cash at the end of the period | * | *** | *** | * *** |
| Project cash flow | * *** | *** | *** | *** |
| Net cash flow with cumulative total | * | *** | *** | * *** |

The cash flow budget (see Table 12) shows, that with the chosen financing schedule, the project does not experience difficulties with funds throughout the entire planning period. By the end of the planning period, the amount of available funds is over *,* million USD.

8.3. Forecast balance

Table 13. Forecast balance, thousand USD per years

| Item | * | * | * |
|--------------------------|----------|----------|----------|
| Intangible assets | ** | ** | * |
| Stocks | ** | ** | ** |
| Cash | *** | *** | * *** |
| TOTAL ASSETS | *** | *** | * *** |
| Capital | ** | ** | ** |
| Undistributed profits | *** | *** | * *** |
| TOTAL LIABILITIES | *** | *** | * *** |

Undistributed profits of the planned business (see Table 13) begins to accumulate from the *st year and amounts to almost *,* million USD.

8.4. Financial performance

Table 14. Profitability figures by year

| Ratio | * | * | * |
|-------------------------------|-----|-----|-----|
| Gross profit margin ratio | **% | **% | **% |
| Operating profit margin ratio | **% | **% | **% |
| Net profit margin ratio | **% | **% | **% |

As can be seen from the above table, the company has strong profit margins.

8.5. Success criteria

The following table shows the project economic efficiency criteria.

Table 15. Investment efficiency criteria

| Criteria | Measuring unit | Value |
|--|----------------|----------|
| Discount rate | % | ** |
| Planning period | month | ** |
| Present value without discount (PV) | USD | * *** ** |
| Internal rate of return (IRR), % per year | % | ***, *% |
| Net present value (NPV) | USD | * *** ** |
| Net present value (NPV) with a terminal value (TV) | USD | * *** ** |
| Payback period with discount | month | * |
| Profitability index for the planning period | | ** , * |

Analysis of estimated economic efficiency figures indicates the investment attractiveness of the project. The evidence is the following data:

Positive value of net present value (NPV), amounting to more than USD * million excluding terminal value and more than USD *.* million including terminal value.

- The positive value of the net present value (NPV) amounting to more than * million USD excluding terminal value and more than *.* million USD including terminal value.
- High value of the internal rate of return (IRR), amounting to ***.*%.
- The project pays off within * months, taking into account the discount.
- The profitability index is much more than *.

Thus, **the project is cost effective and can be recommended for implementation.**

8.6. Break-even analysis

The calculation of the break-even level is shown in the following table.

Table 16. Break-even level calculation, USD.

| Indicator | Average value for the calculation period | **% | **% |
|--|--|--------|--------|
| Average revenue, USD per month. | ** *** | ** *** | ** *** |
| Average expenses, USD per month: | ** *** | ** *** | ** *** |
| Average fixed costs, USD per month. | * *** | * *** | * *** |
| Average variable costs, USD per month. | ** *** | * *** | * *** |
| Average profit before taxes, USD per month. | ** *** | _** | *** |

As can be seen from the above table, the project stay on track to break-even when the revenue falls up to **% from the planned one.

8.7. Sensitivity analysis

Sensitivity analysis shows that the project has a low sensitivity to changes in the initial parameters – see Table 17.

Even with a **% decrease in sales, the project remains profitable.

The margin can be reduced by * times, but the project will pay off.

The increase in indirect costs has an even smaller impact on the project's economic performance indicators.

Table 17. Sensitivity analysis

| Sales volume, USD | **% | **% | **% | ***% |
|------------------------------------|-------------|-------------|-------------|-------------|
| Net present value, USD. | *** *** | *** *** | *** *** | * *** *** |
| Payback period, months. | ** | ** | * | * |
| Discounted payback period, months. | ** | ** | * | * |
| Markup level | **% | **% | **% | ***% |
| Net present value, USD. | *** *** | *** *** | *** *** | * *** *** |
| Payback period, months. | ** | ** | * | * |
| Discounted payback period, months. | ** | ** | * | * |
| Level of indirect costs | ***% | ***% | ***% | ***% |
| Net present value, USD. | ** *** | *** *** | *** *** | * *** *** |
| Payback period, months. | ** | ** | ** | * |
| Discounted payback period, months. | ** | ** | ** | * |